ENTER

# Economy Watch

## Monitoring India's macro-fiscal performance

**January 2023**

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# Contents




**Prepared by Macro-fiscal Unit, Tax and Economic Policy Group, EY India**

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# Highlights

1. As per NSO's first advance estimates, India's real and nominal GDP growth is estimated at 7.0% and 15.4% respectively in FY23.

2. In December 2022, PMI indicated a strong expansion in both manufacturing and services, with their respective levels at 58.5 and 57.8.

3. IIP grew by 7.1% in November 2022, emerging from a contraction of (-)4.2% in October 2022, indicating a recovery along with a favorable base effect.

4. CPI inflation moderated for the fourth successive month, reaching 5.7% in December 2022 from 5.9% in November 2022, led by falling consumer food inflation.

5. WPI inflation fell to a 22-month low of 5.0% in December 2022, led by softening food inflation and a broad-based easing of price pressures.

6. GoI's gross tax revenues (GTR) grew by 15.5% during April-November FY23, with growth in direct taxes at 23.9% and that in indirect taxes at 8.6%.

7. During April-November FY23, GoI's total expenditure grew by 17.7%, with growth in revenue expenditure at 10.8% and that in capital expenditure at 63.4%.

8. During April-November FY23, GoI's fiscal and revenue deficits relative to BE stood at 58.9% and 57.8% respectively.

9. Growth in gross bank credit by SCBs remained elevated at 16% in November 2022, although marginally lower than 16.7% in October 2022.

10. Both merchandise exports and imports contracted by (-)12.2% and (-)3.5%, respectively in December 2022, reflecting moderating global economic activity and global crude and commodity prices.

11. Current account deficit surged to a 37-quarter high of (-)4.4% of GDP in 2QFY23.

12. Net FDI witnessed outflows for the first time since June 2020 to the tune of US$(-)2.4 billion in November 2022.

13. Average global crude price fell to US$78.1/bbl. in December 2022, its lowest level in the last 12 months.

14. The World Bank projected global growth to fall from 2.9% in 2022 to 1.7% in 2023. India's growth is projected at 6.9% in FY23, moderating slightly to 6.6% in FY24.

# Foreword

## Laying foundations for a robust medium-term growth

In terms of growth performance, FY23 exhibits recovery of all output sectors with GDP and GVA growth rates estimated at 7% and 6.7% respectively. This year has also seen robust tax revenue performance. During the first eight months of FY23, GoI's GTR grew by 15.5%. If this trend continues for the remaining four months, GoI's GTR buoyancy may be close to 1. According to our assessment, GoI's GTR and net tax revenue may be close to INR31.3 lakh crore and INR21.9 lakh crore respectively. This may enable the GoI to reach the budgeted fiscal deficit target of 6.4% of GDP. For FY24, both real and nominal GDP growth rates are expected to be lower than their FY23 levels. The IMF has projected a real growth rate of 6.1% while the OECD has forecasted it at 5.7% for FY24. Given that both WPI and CPI inflation rates are trending downwards, we expect the implicit price deflator (IPD)-based inflation to be close to 5%. Assuming real GDP growth at slightly higher than 6% and an IPD-based inflation at 5%, nominal GDP growth may be in the range of 11% to 11.5%. This would imply a GTR growth also in this range assuming a buoyancy of 1. The FY24 tax revenue growth prospects appear to be tighter than in FY23.

The forthcoming FY24 Budget would require striking a balance between reducing fiscal deficit from its FY23 level of 6.4% of GDP, and fiscally supporting growth, which is expected to be lower than that in FY23 due to the ongoing global economic slowdown. There has been some moderation in the global crude prices which fell to US$78.1/bbl. in December 2022 as compared to the average of US$103.3/bbl. in the first half of FY23 peaking at US$116.8/bbl. in June 2022. An expected softening of the global crude prices in FY24 would work to India's advantage.

The RBI has been raising the repo rate since May 2022. It undertook its fifth successive rate hike in December 2022, bringing the repo rate to 6.25% as compared to its level of 4% in April 2022. In fact, the RBI was able to maintain the repo rate at 4% for 24 months over the period May 2020 to April 2022. These interest rate hikes have been driven by an increase in the CPI inflation rate in India, which had averaged 6.8% during April to December 2022, well above the RBI's upper tolerance limit of 6%, and persistent increases in the US Fed rate since March 2022. CPI inflation in the US had averaged 8.0% during April to December 2022[1]. The US Fed rate has been increased by a margin of 375 basis points during March to December 2022 from its level of 0 to 0.25% in early March 2022. Although CPI inflation in the US has started trending downwards since July 2022[2], it is still well above the policy target of 2%. The Fed is expected to continue to hike the policy rate, although possibly by a lower margin of nearly 25 basis points. The RBI may also consider increasing the repo rate by another 25 basis points in its next monetary policy review scheduled in February 2023. Although headline CPI inflation has shown a falling trend during October to December 2022, core CPI inflation has remained rather sticky, ranging from 6.1% to 7.1% during April to December 2022, averaging 6.2%.

As per the National Statistical Office's (NSO) first advance estimates, in FY23, all GVA sectors, including trade, transport et al., have entered into a positive territory, reaching above their corresponding FY20 levels. The weakest growth compared to its FY20 level was witnessed in the trade, transport et al., sector at 0.8%. This sector is relatively more contact-intensive and employment-intensive. It also contains a relatively higher number of informal entities. Fiscal support would be required to accelerate recovery in this sector as also in the infrastructure sectors.

Even at a growth rate in the range of 6% to 6.5%, India would continue to lead global growth among major economies. According to the OECD (December 2022), global growth is expected to fall from 5.9% in 2021 to 3.1% in 2022 and further to 2.2% in 2023, reflecting the effect of the current economic slowdown. Growth in the OECD countries is likely to fall below 1% with that of the UK showing a contraction at (-)0.4% and both the US and the Euro area showing a meagre growth of 0.5% in 2023. In a more recent release (January 2023), the World Bank has projected a much sharper slowdown in global growth as well as the growth of major advanced economies. According to their forecast, global growth is expected to slow from 5.9% in 2021 to 2.9% in 2022 and to 1.7% in 2023. Advanced economies as a group are projected to grow by only 0.5% in 2023 as compared to 2.5% in 2022. While the US is projected to grow by 0.5%, the Euro area is projected to show a zero growth in 2023.

[1] US Bureau of Labor Statistics and IFS, IMF
[2] US Bureau of Labor Statistics

High frequency indicators continue to signal the ongoing economic recovery in the Indian economy. Headline manufacturing PMI increased to 58.5 in December 2022, its highest level since October 2020. PMI services also increased to a six-month high of 57.8 during the month. Outstanding credit by SCBs grew by 14.9% (y-o-y) during the week ending 30 December 2022. Growth in power consumption remained elevated at 9.4% in December 2022.

In India, the forthcoming fiscal year of FY24 would be characterized by relatively low growth and constrained fiscal prospects as compared to FY23 on account of the ongoing global slowdown and supply side disruptions. In this backdrop, the FY24 Union Budget should aim at laying down sound foundations for a robust medium-term growth. This will require spelling out a credible glide path for fiscal consolidation and creating additional fiscal space for supporting growth. These aspects are discussed at length in the In-focus section of this issue. Over the medium-term, India may achieve an average growth of 6.5% while continuing to expand infrastructure, increase health and education spending, and reduce fiscal deficit relative to GDP closer to the FRBM norm. In the next few years, India's demographic dividend would unfold as the share of its working-age population continues to rise, peaking in FY2031. Alongside India's savings and investment rates may also increase and by this year, the Indian economy would have become a larger than US$5 trillion in market exchange rate terms.

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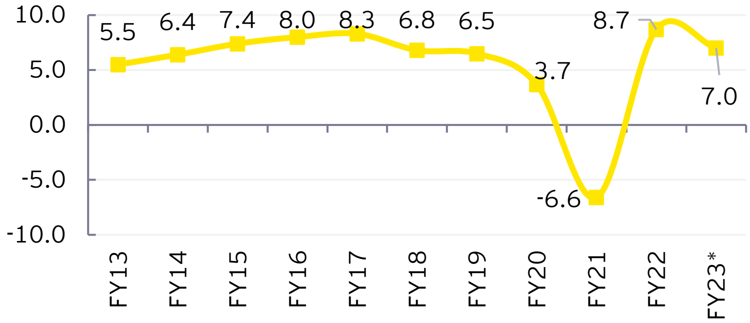
# 1. Growth: real GDP growth estimated at 7.0% in FY23

## A. GDP and GVA growth: real and nominal GDP growth is estimated at 7.0% and 15.4%, respectively in FY23

- As per the first advance estimates (FAE) of national accounts released by the Ministry of Statistics and Programme Implementation (MoSPI) on 6 January 2023, real GDP is estimated to grow by 7.0% (y-o-y) in FY23 **(Chart 1).** Using the growth estimates for 1HFY23 at 9.7% and FY23 FAE, the implied growth for 2HFY23 is 4.5%. When compared to its level in FY20, the magnitude of real GDP at INR157.6 lakh crore in FY23 is estimated to be higher by 8.6%.
- Growth in gross fixed capital formation (GFCF), a measure of investment demand, is estimated to remain high at 11.5% in FY23, reflecting higher capital spending by the central government. However, growth in FY23 is estimated to remain lower than that in FY22 at 15.8% due to weakening base effects.
- Government final consumption expenditure (GFCE) is estimated to grow at a faster rate of 3.1% in FY23 as compared to 2.6% in FY22. Private final consumption expenditure (PFCE) is estimated to grow by 7.7%, close to the level of 7.9% seen in FY22.
- On the external front, exports of goods and services are estimated to grow by 12.5% in FY23. Imports growth is estimated to be much higher at 20.9% reflecting the adverse impact of higher global crude prices. Thus, the contribution of net exports to real GDP growth is estimated to be negative at (-)2.8% points in FY23.
- On the output side, real GVA growth estimated at 6.7% exhibits full recovery of all sectors in FY23. When evaluated over its FY20 level, GVA shows a growth of 9.8%.
- GVA in manufacturing and mining is estimated to show a lower growth of 1.6% and 2.4% respectively, while growth in construction is estimated at 9.1% in FY23.
- Among the services sectors, trade, transport, et al., is projected to grow by 13.7%. This sector witnessed the weakest growth compared to its FY20 level at 0.8%. It is relatively more contact-intensive and employment-intensive and also contains a higher number of informal entities.
- Growth in public administration, defence and other services, and in financial, real estate and professional services is estimated at 7.9% and 6.4%, respectively in FY23.
- Growth in agriculture is estimated at 3.5% in FY23, improving from 3.0% in FY22.
- Nominal GDP growth is estimated at 15.4% in FY23, implying an elevated implicit price deflator (IPD)-based inflation of 7.9% which reflects the impact of higher global crude prices.

**Chart 1: Real GDP growth (%, y-o-y)**




* First advance estimates (FAE)

**Table 1: Real GDP and GVA growth (%, annual)**

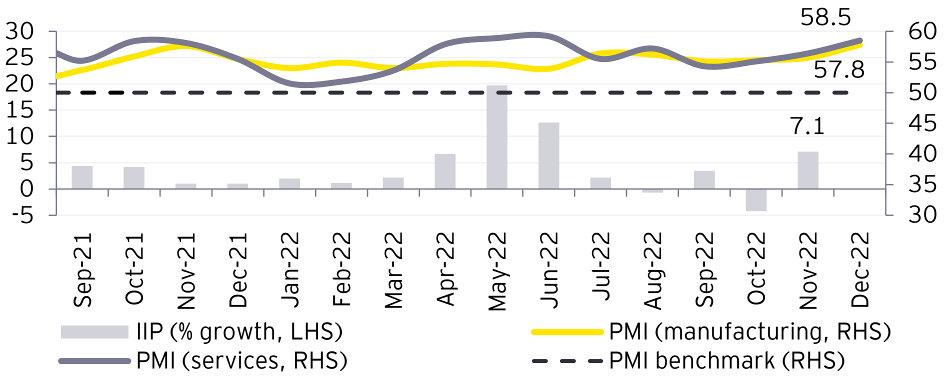
| Agg. demand | FY19 | FY20 | FY21 | FY22 | FY23 (FAE) | FY23 minus FY20 (INR lakh crore) |
|---|---|---|---|---|---|---|
| PFCE | 7.1 | 5.2 | -6.0 | 7.9 | **7.7** | 7.6 |
| GFCE | 6.7 | 3.4 | 3.6 | 2.6 | **3.1** | 1.4 |
| GFCF | 11.2 | 1.6 | -10.4 | 15.8 | **11.5** | 7.2 |
| EXP | 11.9 | -3.4 | -9.2 | 24.3 | **12.5** | 7.6 |
| IMP | 8.8 | -0.8 | -13.8 | 35.5 | **20.9** | 13.7 |
| GDP | 6.5 | 3.7 | -6.6 | 8.7 | **7.0** | **12.4** |
| **Output side** | | | | | | |
| Agr. | 2.1 | 5.5 | 3.3 | 3.0 | **3.5** | 2.0 |
| Ming. | -0.8 | -1.5 | -8.6 | 11.6 | **2.4** | 0.1 |
| Mfg. | 5.4 | -2.9 | -0.6 | 9.9 | **1.6** | 2.5 |
| Elec. | 7.9 | 2.2 | -3.6 | 7.5 | **9.0** | 0.4 |
| Cons. | 6.5 | 1.2 | -7.3 | 11.5 | **9.1** | 1.3 |
| Trans. | 7.2 | 5.9 | -20.2 | 11.1 | **13.7** | 0.2 |
| Fin. | 7.0 | 6.7 | 2.2 | 4.2 | **6.4** | 3.9 |
| Publ. | 7.5 | 6.3 | -5.5 | 12.6 | **7.9** | 2.6 |
| GVA | 5.8 | 3.8 | -4.8 | 8.1 | **6.7** | **13.0** |

Source: MoSPI, GoI

## B. PMI: signaled a continued growth momentum in both manufacturing and services in December 2022

- Headline manufacturing PMI (seasonally adjusted (sa)) increased from 55.7 in November 2022 to 58.5 in December 2022, its highest level since October 2020 **(Chart 2)**. On a quarterly basis, PMI manufacturing averaged 56.3 in 3QFY23, up from 55.9 in 2QFY23.
- PMI services also increased to a six-month high of 57.8 in December 2022 from 56.4 in November 2022. Output expansion during December 2022 was driven by the finance and insurance segment. On a quarterly basis, PMI services averaged 56.7 in 3QFY23, increasing from 55.7 in 2QFY23.
- Indicating a solid expansion in private sector output, the composite PMI Output Index (sa) increased to 59.4 in December 2022, its highest level since January 2012. In 3QFY23, composite PMI averaged 57.2, as compared to 56.6 in 2QFY23.

**Chart 2: PMI and IIP growth**




Source: MoSPI and S&P Global.

**In December 2022, PMI indicated a continued pace of strong expansion in both manufacturing and services with their respective levels at 58.5 and 57.8.**

## C. IIP: grew by 7.1% in November 2022, its highest level in the last five months

- According to the quick estimates, IIP showed a growth of 7.1% in November 2022 as compared to a contraction of (-)4.2% (revised) in October 2022 **(Chart 2)**. The November 2022 growth level was the highest in the last five months, although this partly reflects a favorable base effect.
- Among the sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, showed a growth of 6.1% in November 2022, emerging from the contraction of (-)5.9% in October 2022 partly due to a base effect.
- Among the 23 manufacturing sub industries, while 16 sectors showed a positive growth, seven sectors continued to contract during the month. The highest positive contributions came from basic metals, followed by motor vehicles et al., and food products. Growth rates in these sectors in November 2022 were respectively at 8.1%, 22.2%, and 9.9%. However, an important sector namely, coke and refined petroleum products, having a weight of 11.8% in manufacturing, continued to contract sharply by (-)9.8%.
- Among other major sub-industries, growth in the output of electricity increased to 12.7% in November 2022 from 1.2% in October 2022. Mining output also showed an improvement in growth at 9.7% in November 2022, as compared to 2.5% in October 2022.
- As per the 'use-based' classification of industries, output of both consumer durables and non-durables, together accounting for 28.2% of overall IIP, showed a positive growth of 5.1% and 8.9% respectively in November 2022, as compared to a contraction of (-)17.8% and (-)13.4% respectively in October 2022. Output of capital goods also showed a vigorous growth of 20.7% in November 2022 as compared to a contraction of (-)1.7% in October 2022.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) increased to 5.4% in November 2022 from a 20-month low of 0.9% (revised) in October 2022. Recovery in core IIP was led by a double-digit y-o-y growth in electricity (a five-month high growth of 12.1%), steel (a six-month high growth of 10.8%), coal (a five-month high growth of 12.3%), and cement (a 15-month high growth of 28.6%). Output of three industries, namely petroleum refineries ((-)9.3%), crude oil ((-1.1%) and natural gas ((-)0.7%) continued to show a contraction during the month.

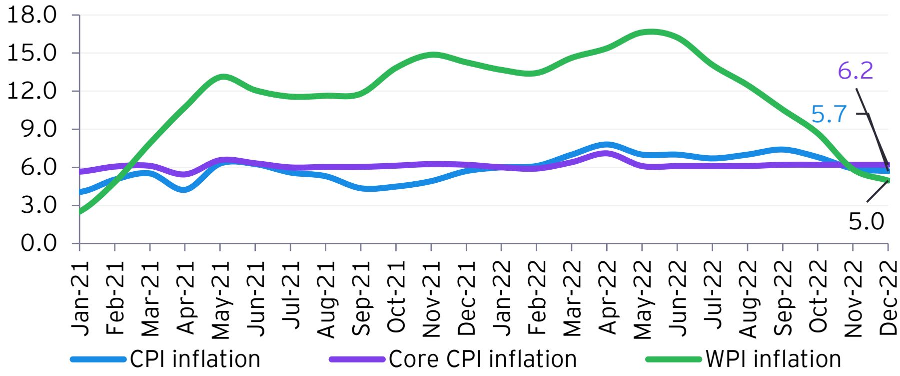
IIP grew by 7.1% in November 2022, emerging from a contraction of (-)4.2% in October 2022, indicating a recovery along with a favorable base effect.

# 2. Inflation: CPI inflation eased to a 12-month low of 5.7% in December 2022

**CPI inflation moderated for the fourth successive month, reaching 5.7% in December 2022 from 5.9% in November 2022, led by falling consumer food inflation (Chart 3).**

- Consumer food inflation decelerated to a 12-month low of 4.2% in December 2022 as the pace of contraction in vegetable prices (including tomato and onion) fastened to (-)15.1% from (-)8.1% in November 2022. However, inflation in cereal and products and spices were at 112-month and 108-month high levels of 13.8% and 20.4%, respectively in December 2022.
- Inflation in transportation and communication services slowed to 4.9% in December 2022 from 5.6% in November 2022, partly due to a favorable base effect.
- Fuel and light-based inflation increased to a five-month high of 11.0% in December 2022 led by inflation in kerosene that increased to 57.0% in December 2022 from 50.7% in November 2022.
- Inflation in health and in personal care and effects increased to eight-month high levels of 8.1% and 6.2% respectively in December 2022.
- Inflation in clothing and footwear remained elevated at 9.6% in December 2022, although marginally declining from 9.8% in November 2022.
- Core CPI inflation[3] remained stable for the fourth successive month at an eight-month high of 6.2% in December 2022.

**Chart 3: Inflation (y-o-y, in %)**




Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)

**In December 2022, CPI inflation at 5.7% was below the RBI's 6% upper tolerance limit for the second successive month. However, core CPI inflation at 6.2% remained at or above 6% for the 20th consecutive month.**

**WPI inflation fell to a 22-month low of 5.0% in December 2022, led by softening food inflation and a broad-based easing of price pressures.**

- WPI food index-based inflation eased for the fourth successive month to 0.7% in December 2022 from 2.2% in November 2022, as vegetable prices contracted for the second successive month at an unprecedented pace (2011-12 series) of (-)36.6%, partly due to a favorable base effect.
- Inflation in crude petroleum moderated to a 22-month low of 21.9% in December 2022 reflecting lower global crude prices. Inflation in mineral oils was at a 21-month low of 22.7%.
- Inflation in manufactured products slowed for the eighth successive month to 3.4% in December 2022, reflecting broad-based easing of prices. Inflation in manufactured textiles turned negative at (-)0.6% in December 2022.
- Fuel and power-based inflation was marginally higher at 18.1% in December 2022 as compared to 17.4% in November 2022, due to higher inflation in electricity.
- Core WPI inflation eased for the eighth successive month to 3.2% in December 2022 from 3.4% in November 2022, led by lower inflation in manufactured textiles and chemicals.

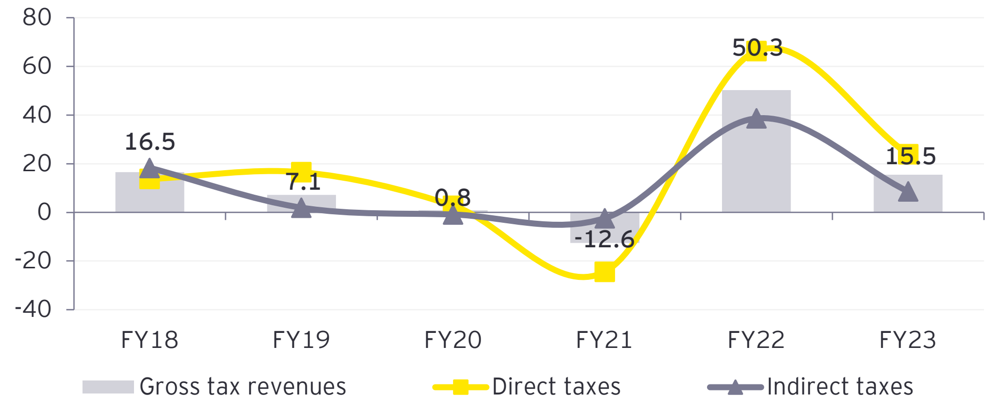
[3] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

# 3. Fiscal: union government's capital expenditure grew by 63.4% during April-November FY23

## A. Tax and non-tax revenues

- As per the CGA, the central government's GTR[(b)] grew by 15.5% during April-November FY23. GTR had shown a high growth of 50.3% during the corresponding period of FY22, partly due to a favorable base effect **(Chart 4).**
- GoI's GTR during April-November FY23 stood at 64.6% of the annual budget estimate (BE), close to the corresponding ratio at 69.5% in FY22. During FY01 to FY21, this ratio had averaged relatively lower at 51.1%.
- During April-November FY23, direct taxes[(a)] showed a growth of 23.9% while indirect taxes[(a)] grew by 8.6%. Owing to considerable base effects, growth in direct and indirect taxes during the corresponding period of FY22 was high at 66.3% and 38.6%, respectively.
- Both corporate income tax (CIT) and personal income tax (PIT) revenues showed strong growth rates of 21.1% and 26.7% respectively during April-November FY23. In comparison, these taxes showed a growth of 90.4% and 47.2% respectively during the corresponding period of FY22.
- Among indirect taxes, central government's GST revenues[(c)] showed a growth of 23.3% during April-November FY23 as compared to 36.4% during the corresponding period of FY22.
- Union excise duties (UED) showed a contraction of (-)20.9% during April-November FY23 as compared to a growth of 23.2% during the corresponding period of the previous year.
- Customs duties grew by 12.4% during April-November FY23 as compared to a high growth of 99.5% during April-November FY22, reflecting strong base effects.

**Chart 4: Growth in central gross tax revenues during April-November (%, y-o-y)**




**Central government's GTR grew by 15.5% during April-November FY23, with growth in direct taxes at 23.9% and that in indirect taxes at 8.6%.**

Source: Monthly Accounts, CGA, Government of India
Notes: (a) Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, and GST (comprising CGST, UTGST, IGST and GST compensation cess) (b) Other taxes (securities transaction tax, wealth tax, fringe benefit tax, banking cash transaction tax, etc.) are included in the GoI's GTR along with direct and indirect taxes, (c) IGST revenues are subject to final settlement.

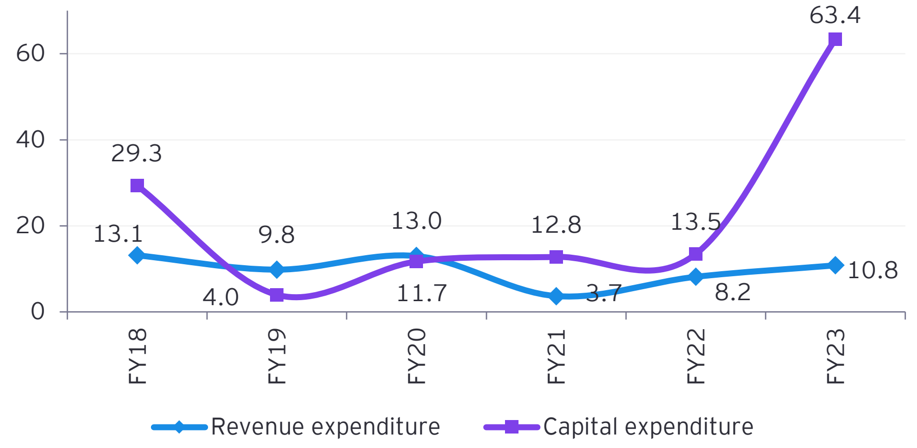
- GoI's non-tax revenues showed a contraction of (-)11.1% during April-November FY23. Non-tax revenues during this period stood at 73.5% of the annual BE as compared to the corresponding ratio at 91.8% during April-November FY22.
- Non-debt capital receipts of the GoI during April-November FY23 stood at 52.3% of the annual BE as compared to the corresponding ratio of 11% during FY22.
- As per DIPAM[4], disinvestment receipts up to 22 January 2023 stood at INR31,106.6 crore, that is 47.8% of the FY23 BE at INR65,000 crore.

[4] https://dipam.gov.in/

## B. Expenditures: revenue and capital

- GoI's total expenditure grew by 17.7% during April-November FY23 as compared to 8.8% during the corresponding period of FY22.
- Revenue expenditure grew by 10.8% during April-November FY23 as compared to 8.2% during April-November FY22.
- GoI's capital expenditures showed a growth of 63.4% during April-November FY23, significantly higher than the corresponding growth rates in recent years.
  **(Chart 5).**

**Chart 5: Growth in central expenditures during April-November (%, y-o-y)**



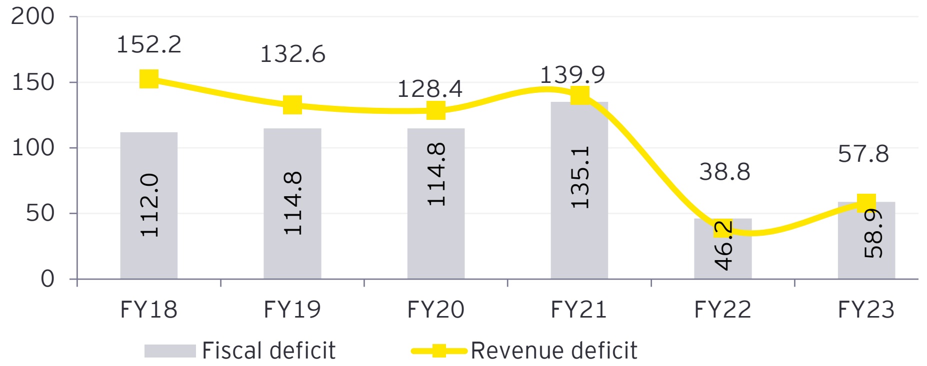

During April-November FY23, GoI's total expenditure grew by 17.7%, with growth in revenue expenditure at 10.8% and that in capital expenditure at 63.4%.

Source (basic data): Monthly Accounts, CGA, Government of India

## C. Fiscal imbalance

- GoI's fiscal deficit during April-November FY23 stood at 58.9% of the annual BE, higher than the corresponding ratio at 46.2% in FY22. However, this remains much lower than the corresponding ratios in recent years. Supported by strong revenue performance, the GoI is expected to achieve its budgeted fiscal deficit target of 6.4% of GDP in FY23 (**Chart 6**).
- GoI's revenue deficit during April-November FY23 was at 57.8% of the annual BE as compared to 38.8% during the corresponding period of FY22. Revenue deficit during the first eight months as a proportion of BE in FY23 was at its lowest since FY05 (excluding FY22).

**Chart 6: Fiscal and revenue deficit during April-November as percentage of BE**




During April-November FY23, GoI's fiscal and revenue deficits relative to BE stood at 58.9% and 57.8%, respectively.

Source: Monthly Accounts, CGA, Government of India and MoSPI.

# 4. Comparative trends: OECD projected India's current account deficit at (-)3.4% of GDP in FY23

## General government financial balances

- In 2022, major advanced and emerging economies (AEs and EMEs) are estimated to witness a moderation in their general government fiscal deficit relative to GDP as compared to their peak levels in 2020.
- In many AEs, there was an increase in fiscal support measures for shielding households and companies from the impact of elevated energy prices. Nonetheless, fiscal policy is expected to become less supportive in 2022 owing to the withdrawal of pandemic related support and higher than expected tax revenues due to high inflation.
- This trend holds good for the Euro area and the US where general government fiscal deficit relative to GDP is projected to narrow during the forecast period.

**Table 2: General government financial balance (% to GDP)**

| Country | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| US | -14.9 | -12.1 | -4.1 | -3.7 | -3.7 |
| UK | -13.1 | -8.2 | -6.2 | -7.6 | -6.8 |
| Euro area | -7.1 | -5.2 | -3.7 | -3.8 | -3.1 |
| Japan | -9.0 | -5.5 | -6.7 | -5.9 | -4.3 |
| Brazil | -13.6 | -4.7 | -6.0 | -5.9 | -5.7 |
| India* | -13.3 | -9.6 | -7.5 | -7.5 | -6.1 |
| China | -6.9 | -6.6 | -6.6 | -6.6 | -6.8 |
| South Africa | -11.3 | -6.6 | -6.3 | -6.1 | -5.7 |

Source: OECD Economic Outlook, November 2022; *data pertains to fiscal year; Note: +ve indicates a surplus and -ve indicates a deficit

- Fiscal consolidation in the UK, however, is relatively moderate owing to several government support measures for coping with high energy prices such as the Energy Price Guarantee and the Energy Bill Relief Scheme, both of which are effective from October 2022 until end-March 2023. Consequently, fiscal deficit to GDP ratio is projected to remain in the range of (-)6.2% to (-)7.6% during the projection period.
- In Japan also, fiscal deficit during 2022 and 2023 is expected to remain higher than its level in 2021 owing to the government measures to combat the impact of elevated inflation. Some of these measuresinclude the extension of the oil price cap subsidy and the introduction of new schemes to reduce electricity and utility gas bills.
- Among EMEs, Brazil's general government fiscal deficit is projected to increase in 2022 propelled by tax exemptions to cope with higher energy prices and a 50% increase in the size of its social transfer program. With both these policies set to expire in December 2022, there would be moderation in the fiscal deficit relative to GDP, in 2023 and 2024.
- The OECD has projected India's general government fiscal deficit to GDP ratio to moderate to (-)7.5% in 2022 (FY23). This may be slightly optimistic considering that the GoI's fiscal deficit is expected at nearly (-)6.4% of GDP this year. Nonetheless, fiscal deficit to GDP ratio is projected to fall to (-)6.1% of GDP by 2024 (FY25).

## Current account balance

- As per the OECD estimates, current account deficit relative to GDP in the US is estimated to widen in 2022, with only a marginal decline in 2023 and 2024. A similar trend is observed in the case of the UK.
- A surplus on the current account in the Euro area and Japan is projected to fall, partly due to the adverse terms of trade shock from higher imported energy prices.
- According to the OECD's assessment, China's current account surplus is expected to increase as exports grow robustly and international tourism imports remain well below pre-crisis levels over the projection period.
- With commodity prices assumed to remain unchanged at high levels in the OECD projections, commodity exporting economies such as Brazil are expected to witness an improvement in their current account situation.

**Table 3: Current account balance (% to GDP)**

| Country | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| US | -2.9 | -3.6 | -3.8 | -3.5 | -3.6 |
| UK | -3.2 | -2.0 | -4.8 | -3.5 | -3.5 |
| Euro area | 2.6 | 3.7 | 1.4 | 1.4 | 1.7 |
| Japan | 2.9 | 4.0 | 1.8 | 1.1 | 0.9 |
| Brazil | -1.6 | -1.8 | -1.5 | -1.4 | -1.4 |
| India* | 0.9 | -1.2 | -3.4 | -3.0 | -2.8 |
| China | 1.7 | 1.8 | 2.7 | 2.9 | 3.1 |
| South Africa | 2.0 | 3.7 | 0.1 | -0.6 | -0.8 |

Source: OECD Economic Outlook, November 2022; *data pertains to fiscal year; Note: +ve indicates a surplus and -ve indicates a deficit

- Largely impacted by elevated global crude prices, India' current account deficit relative to GDP is expected to increase to (-)3.4% in 2022 (FY23), moderating to (-)3% in 2023 (FY24) and (-)2.8% in 2024 (FY25). These levels would still be higher than the pre-COVID-19 average level of (-)1.3% during 2015 to 2019 (FY16 to FY20).

# 5. In focus: Union Budget 2023-24: negotiating global headwinds

## Introduction

The ongoing post-COVID-19 geopolitical turmoil characterized by the Russia-Ukraine conflict, bouts of upsurges in global crude prices along with uncertain supplies, and various other supply side bottlenecks have forced the global economy into an economic slowdown. Major economies of the world are experiencing high inflation, high interest rates and low growth. This typical stagflation situation may result in a weakening of the global crude prices, which would be beneficial for India. However, demand for Indian exports may also fall significantly. With the RBI raising interest rates and falling crude prices, India's CPI and WPI inflation have both shown a downward trend in recent months. This has led to a lowering of the expectation of IPD-based inflation along with the nominal GDP growth in FY24 as compared to FY23.

### 1. Global growth: trends and prospects

According to the OECD's projections, global growth fell from 5.9% in 2021 to 3.1% in 2022 and is expected to fall further to 2.2% in 2023, reflecting the effect of the current economic slowdown. In 2023 **(Table 4)**, growth in the OECD countries is likely to fall below 1% with that of the UK showing a contraction at (-)0.4% and both the US and the Euro area showing a meagre growth of 0.5%.

In a more recent release (January 2023), the World Bank has projected a much sharper slowdown in global growth as well as the growth of major advanced economies. According to their forecast, global growth is expected to slow from 5.9% in 2021 to 2.9% in 2022 and to 1.7% in 2023. Advanced economies as a group are projected to grow by only 0.5% in 2023 as compared to 2.5% in 2022. While the US is projected to grow by 0.5%, the Euro area is projected to show zero growth in 2023.

Key multilateral institutions (OECD, IMF, and World Bank[5]) have projected India's growth to be higher than that of major advanced and emerging market economies in 2022 and beyond. However, the projections vary across institutions. While the OECD has projected India's FY24 growth at 5.7%, the IMF has pegged a somewhat higher growth rate at 6.1%. The World Bank has projected this growth to be even higher at 6.6%.

Our estimates of nominal GDP, as discussed in the subsequent sections, are based on a real GDP growth of 6.2% and an IPD-based inflation of 5%. A lower real growth for FY24 as compared to the estimated growth of 7% in FY23 is due to the expectation of continued negative contribution of net exports to GDP growth due to weakening export growth trends resulting from the accentuating global slowdown[6]. A lower export growth also has an adverse impact on the export-linked domestic sectors.

**Table 4: Real GDP growth (% annual)**

| Country | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| **OECD** | **2.4** | **1.7** | **-4.4** | **5.6** | **2.8** | **0.8** | **1.4** |
| US | 2.9 | 2.3 | -2.8 | 5.9 | 1.8 | 0.5 | 1.0 |
| UK | 1.7 | 1.6 | -11.0 | 7.5 | 4.4 | -0.4 | 0.2 |
| Euro area | 1.8 | 1.6 | -6.3 | 5.3 | 3.3 | 0.5 | 1.4 |
| Japan | 0.6 | -0.4 | -4.6 | 1.6 | 1.6 | 1.8 | 0.9 |
| **Non-OECD** | **4.7** | **3.8** | **-2.1** | **6.2** | **3.4** | **3.3** | **3.8** |
| Brazil | 1.7 | 1.2 | -4.2 | 4.9 | 2.8 | 1.2 | 1.4 |
| Russia | 2.8 | 2.2 | -2.6 | 4.7 | -3.9 | -5.6 | -0.2 |
| India* | 6.5 | 3.7 | -6.6 | 8.7 | 6.6 | 5.7 | 6.9 |
| China | 6.7 | 6.0 | 2.2 | 8.1 | 3.3 | 4.6 | 4.1 |
| South Africa | 1.5 | 0.3 | -6.3 | 4.9 | 1.7 | 1.1 | 1.6 |
| **World** | **3.6** | **2.8** | **-3.2** | **5.9** | **3.1** | **2.2** | **2.7** |

Source: OECD Economic Outlook, November 2022
*Data pertains to fiscal year

[5] OECD Economic Outlook, November 2022, IMF World Economic Outlook October 2022, World Bank Global Economic Prospects January 2023
[6] As per the RBI's October 2021 Monetary Policy Review, a 1% point fall in global GDP growth would adversely impact India's GDP growth by a magnitude of 0.4% points

Apart from lower growth, the developed countries witnessed a significant upsurge in CPI inflation in 2022. The OECD countries showed an average inflation of 9.4%. In 2023, it is expected to fall to 6.5% which is well above their pre-COVID-19 level of about 2% **(Table 5)**. In the US and the UK, CPI inflation was quite high at 8% and 8.9% respectively in 2022. India has done comparatively better in terms of keeping CPI inflation relatively lower than that in the developed countries. It was at 6.8% in 2022 (FY23) and is expected to fall to 5% in 2023 (FY24). Thus, while the global economy, especially the developed countries, is experiencing features of stagflation, India is leading the world economy in terms of growth and controlling inflation.

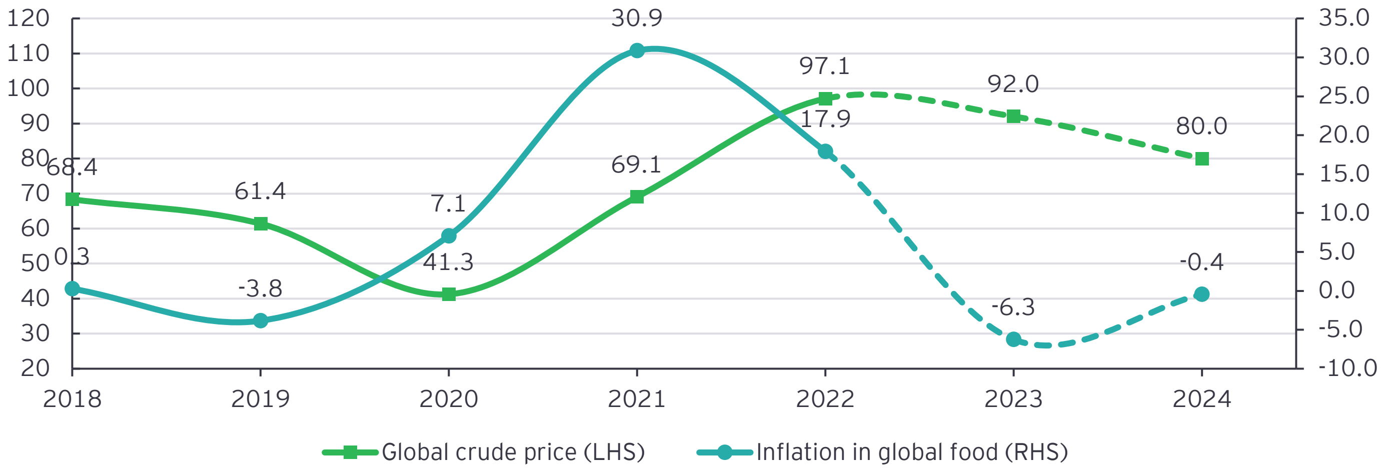
**Table 5: CPI inflation (%, annual)**

| Country | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|
| OECD | 2.6 | 2.0 | 1.3 | 3.8 | 9.4 | 6.5 | 5.1 |
| US | 2.4 | 1.8 | 1.2 | 4.7 | 8.0 | 3.9 | 2.6 |
| UK | 2.5 | 1.8 | 0.9 | 2.6 | 8.9 | 6.6 | 3.3 |
| Euro area | 1.8 | 1.2 | 0.3 | 2.6 | 8.3 | 6.8 | 3.4 |
| Japan | 1.0 | 0.5 | 0.0 | -0.2 | 2.3 | 2.0 | 1.7 |
| Brazil | 3.7 | 3.7 | 3.2 | 8.3 | 8.9 | 4.2 | 4.5 |
| Russia | 2.9 | 4.5 | 3.4 | 6.7 | 13.9 | 6.7 | 6.1 |
| India* | 3.4 | 4.8 | 6.2 | 5.5 | 6.8 | 5.0 | 4.3 |
| China | 1.9 | 2.9 | 2.5 | 0.8 | 2.0 | 2.2 | 2.0 |
| South Africa | 4.6 | 4.1 | 3.3 | 4.6 | 6.6 | 5.9 | 4.9 |

Source: OECD Economic Outlook, November 2022
*Data pertains to fiscal year

The high inflationary trends, particularly in advanced economies, largely reflect increased global crude prices and supply side rigidities which developed due to the ongoing geopolitical conflict. Along with crude prices, food prices also increased inordinately in 2021, and to some extent, in 2022. However, food inflation is expected to fall in 2023 **(Chart 7)**.

**Chart 7: Global crude prices (in US$/bbl.) and inflation in global food prices (%)**




Source (basic data): World Bank
Note: Projections for 2023 and 2024 by World Bank (https://blogs.worldbank.org/opendata/oil-prices-remain-volatile-amid-demand-pessimism-and-constrained-supply).

## 2. India's growth performance and prospects

NSO's advance estimates for FY23 indicate a GDP growth of 7% and 15.4% at constant and current prices, respectively. The magnitude of nominal GDP is estimated at INR273 lakh crore. GVA data shows that in FY23, every sector has recovered, entering into positive territory after the COVID-19 shock of FY21. This includes the trade, hotels, et al., sector which was the last to emerge on to the positive side. During the COVID-19 period, this contact-intensive sector suffered the most. This sector contains the relatively employment intensive informal sectors of the economy. Compared to FY20, however, its growth in FY23 is estimated at only 0.8%. Thus, this sector requires further policy support to enable it to reach its pre-COVID-19 growth momentum.

In terms of GDP segments, the share of PFCE has been the least volatile during the period FY18 to FY23, which includes the COVID-19 year. Although PFCE also contracted in FY21, its magnitude of contraction was lower than that of the overall GDP. As a result, its share in GDP actually increased to 57.3% in FY21 from 56.9% in FY20 **(Table 6)**. The share of GFCF in real terms has increased to nearly 34% in FY23 as compared to a share of less than 33% since FY13. This was also accompanied by a robust real GDP growth at 7% in FY23. Net exports have been contributing negatively to overall growth. This negative contribution is estimated to be as high as (-)2.8% points in FY23, highlighting the importance of domestic growth drivers in India.

**Table 6: Share and growth of GDP segments in real terms (annual, %)**

| Demand segments | FY19 | FY20 | FY21 | FY22 | FY23* | FY20 | FY21 | FY22 | FY23* |
|---|---|---|---|---|---|---|---|---|---|
| | % share in GDP | | | | | growth (%, y-o-y) | | | |
| PFCE | 56.1 | 56.9 | 57.3 | 56.9 | 57.2 | 5.2 | -6.0 | 7.9 | 7.7 |
| GFCE | 10.3 | 10.2 | 11.3 | 10.7 | 10.3 | 3.4 | 3.6 | 2.6 | 3.1 |
| GFCF | 32.4 | 31.8 | 30.5 | 32.5 | 33.9 | 1.6 | -10.4 | 15.8 | 11.5 |
| EX | 20.8 | 19.4 | 18.8 | 21.5 | 22.7 | -3.4 | -9.2 | 24.3 | 12.5 |
| IM | 23.9 | 22.9 | 21.1 | 26.3 | 29.7 | -0.8 | -13.8 | 35.5 | 20.9 |
| **GDP** | | | | | | **3.7** | **-6.6** | **8.7** | **7.0** |
| *Contribution of net exports to real growth (% pts.)* | | | | | | -0.5 | 1.4 | -2.9 | -2.8 |

Source (basic data): MoSPI
* First advance estimates of National Accounts

**Table 7** shows annual growth rates of the GVA sectors in real terms. Due to the contraction in all sectors other than agriculture in FY21, the FY22 growth rates largely reflect base effects. FY23 is the first normal year after the pandemic year of FY21. It is therefore appropriate to evaluate growth of the GVA sectors in FY23 over FY20, the pre-COVID-19 normal year. In terms of recovery, the weakest sector remains trade, hotels et al., which has a high share in the overall GVA of close to 20%. In FY23, its output has increased by only 0.8% as compared to FY20. Agriculture has shown a consistent but low growth, averaging 3.8% in the four years covering FY20 to FY23.

**Table 7: Share and growth of GVA segments in real terms (annual, %)**

| GVA sectors | FY19 | FY20 | FY21 | FY22 | FY23* | FY20 | FY21 | FY22 | FY23* | FY23 over FY20 |
|---|---|---|---|---|---|---|---|---|---|---|
| | % Share in GVA | | | | | growth (%, y-o-y) | | | | |
| **Agr.** | 14.8 | 15.0 | 16.3 | 15.5 | 15.0 | 5.5 | 3.3 | 3.0 | 3.5 | **10.1** |
| **Ming.** | 2.6 | 2.4 | 2.3 | 2.4 | 2.3 | -1.5 | -8.6 | 11.6 | 2.4 | **4.4** |
| **Mfg.** | 18.3 | 17.1 | 17.9 | 18.2 | 17.3 | -2.9 | -0.6 | 9.9 | 1.6 | **11.0** |
| **Elec.** | 2.3 | 2.3 | 2.3 | 2.3 | 2.3 | 2.2 | -3.6 | 7.5 | 9.0 | **13.0** |
| **Cons.** | 8.1 | 7.9 | 7.7 | 7.9 | 8.1 | 1.2 | -7.3 | 11.5 | 9.1 | **12.8** |
| **Trade.** | 19.9 | 20.3 | 17.1 | 17.5 | 18.7 | 5.9 | -20.2 | 11.1 | 13.7 | **0.8** |
| **Fin.** | 21.3 | 21.9 | 23.5 | 22.7 | 22.6 | 6.7 | 2.2 | 4.2 | 6.4 | **13.3** |
| **Publ.** | 12.8 | 13.1 | 13.0 | 13.5 | 13.7 | 6.3 | -5.5 | 12.6 | 7.9 | **14.8** |
| **GVA** | | | | | | **3.8** | **-4.8** | **8.1** | **6.7** | **9.8** |

Source (basic data): MoSPI
* First advance estimates of National Accounts

## 3. Salient fiscal trends: FY16 to FY22

Growth in GoI's GTR has been quite volatile during FY16 to FY22. This volatility emanated from both direct and indirect taxes. In the case of direct taxes, it was the CIT reforms which involved substantive rate reductions that resulted in a sharp contraction in FY20 and FY21 before the recovery in FY22. In the case of indirect taxes, there was a volatility in the customs duty revenues as well as the UED revenues, along with the GST reform in July 2017. A good part of the contraction in these revenue sources was because of the coverage changes due to the introduction of GST[7]. In FY21, GTR growth fell to 0.7% reflecting a fall in growth in all major revenue sources namely, CIT, PIT and GST. In this year, only customs and UED showed a positive growth due mainly to rate hikes.

[7] Major central taxes which were merged in the GST included (1) Union Excise Duties except those pertaining to specified petroleum products, (2) service tax, (3) Additional Duties of Excise, (4) Excise duty on Medicinal & Toiletries Preparation, (5) Additional Duties of Customs (CVD), (6) Special Additional Duties of Customs (SAD) and (7) selected Surcharges & Cesses.

**Table 8: Growth in tax revenues (%, annual)**

| Year | *GTR* | *Direct Taxes* | CIT | PIT | *Indirect taxes* | Customs | UED | GST | Nominal growth |
|---|---|---|---|---|---|---|---|---|---|
| FY16 | ***16.9*** | ***6.7*** | 5.7 | 8.5 | ***29.9*** | 11.9 | 51.2 | -- | 10.5 |
| FY17 | ***17.9*** | ***12.5*** | 7.0 | 21.5 | ***21.4*** | 7.1 | 32.5 | -- | 11.8 |
| FY18 | ***11.8*** | ***18.6*** | 17.8 | 19.9 | ***6.1*** | -42.7 | -32.0 | -- | 11.0 |
| FY19 | ***8.4*** | ***14.9*** | 16.2 | 13.1 | ***3.0*** | -8.7 | -10.7 | 31.5 | 10.6 |
| FY20 | ***-3.4*** | ***-7.8*** | -16.1 | 4.0 | ***1.7*** | -7.3 | 3.7 | 2.9 | 6.2 |
| FY21 | ***0.7*** | ***-10.7*** | -17.9 | -2.3 | ***12.7*** | 23.4 | 62.6 | -8.4 | -1.4 |
| FY22 | ***33.8*** | ***49.6*** | 55.7 | 43.5 | ***20.0*** | 47.8 | 0.3 | 27.3 | 19.5 |

Source (basic data): CGA and MoSPI

**Table 9** shows the relative contribution of five major tax sources namely, CIT, PIT, Customs, UED and GST to GoI's GTR. Of these, CIT recovered its share of nearly 3% in FY22 after the fall witnessed in FY20 and FY21. In FY22, customs revenues showed the lowest share at 0.8% followed by the UED with a share of 1.7%. GST contributed nearly 3% to GTR which is equal to CIT's contribution. Direct and indirect taxes accounted for almost equal shares in GTR in FY22 with the share of direct taxes being only marginally higher than that of indirect taxes. The GTR as percentage of GDP was at its highest at 11.4% in FY22.

**Table 9: Tax revenues as % of GDP**

| Year | GTR | *Direct Taxes* | CIT | PIT | *Indirect taxes* | Customs | UED | GST |
|---|---|---|---|---|---|---|---|---|
| FY16 | **10.6** | ***5.3*** | 3.3 | 2.0 | ***5.1*** | 1.5 | 2.1 | -- |
| FY17 | **11.1** | ***5.4*** | 3.2 | 2.2 | ***5.6*** | 1.5 | 2.5 | -- |
| FY18 | **11.2** | ***5.7*** | 3.3 | 2.4 | ***5.3*** | 0.8 | 1.5 | 2.6 |
| FY19 | **11.0** | ***6.0*** | 3.5 | 2.4 | ***5.0*** | 0.6 | 1.2 | 3.1 |
| FY20 | **10.0** | ***5.2*** | 2.8 | 2.4 | ***4.8*** | 0.5 | 1.2 | 3.0 |
| FY21 | **10.2** | ***4.7*** | 2.3 | 2.4 | ***5.4*** | 0.7 | 2.0 | 2.8 |
| FY22 | **11.4** | ***5.9*** | 3.0 | 2.8 | ***5.5*** | 0.8 | 1.7 | 3.0 |

Source (basic data): CGA and MoSPI

Non-tax revenues and non-debt capital receipts contribute only marginally to GoI's resources. Together, their contribution has been in the range of 1.3% to 2.3% of GDP during FY16 to FY22.

The resources side needs to be matched with the expenditure side in order to derive the extent of borrowing, that is fiscal deficit needed by the government. Government has played a significant role during the troubled COVID-19 times and the recovery phase after COVID-19. In FY22, total central government expenditure accounted for 16% of GDP of which 13.5% was on account of revenue expenditure and 2.5% of GDP, on account of capital expenditure. It is notable that GoI's capital expenditure relative to GDP was at its highest level in FY22 as compared to the recent years under review. Throughout the period under review, the fiscal deficit to GDP ratio exceeded its target of 3% of GDP, increasing to more than 3 times this norm in FY21. As a result, GoI's debt to GDP ratio also increased to a peak of 61% in FY21 before falling to an estimated level of 58.5% in FY22. The quality of fiscal deficit as measured by the ratio of revenue deficit to fiscal deficit (RD/FD), has also not been satisfactory in recent years. It rose to nearly 80% in FY21. It fell to 65.1% in FY22. Interest payment, which is an important component of revenue expenditure, had increased to 3.4% of GDP in FY21 and FY22.

**Table 10: Expenditure to GDP ratio (%)**

| Year | Total Expenditure | Revenue Expenditure | *of which* Interest Payments | Capital Expenditure | Fiscal deficit | Revenue deficit | Primary deficit | RD/FD | Debt |
|---|---|---|---|---|---|---|---|---|---|
| FY16 | 13.0 | 11.2 | 3.2 | 1.8 | 3.9 | 2.5 | 0.7 | 64.3 | 50.1 |
| FY17 | 12.9 | 11.0 | 3.1 | 1.9 | 3.5 | 2.1 | 0.4 | 58.9 | 48.3 |
| FY18 | 12.5 | 11.0 | 3.1 | 1.5 | 3.5 | 2.6 | 0.4 | 76.0 | 48.2 |
| FY19 | 12.2 | 10.6 | 3.1 | 1.6 | 3.4 | 2.4 | 0.4 | 70.1 | 48.1 |
| FY20 | 13.4 | 11.7 | 3.0 | 1.7 | 4.7 | 3.3 | 1.6 | 71.3 | 51.0 |
| FY21 | 17.7 | 15.6 | 3.4 | 2.1 | 9.2 | 7.3 | 5.8 | 79.8 | 61.0 |
| FY22 | 16.0 | 13.5 | 3.4 | 2.5 | 6.7 | 4.4 | 3.3 | 65.1 | 58.5* |

Source (basic data): CGA and MoSPI
*estimated

**Table 11** shows that revenue expenditure has a significantly larger share in total expenditure. Its share had reached a peak of 87.9% in FY21 (COVID-19 year) before falling to 84.4% in FY22. Over time, the share of capital expenditure in total expenditure has fallen in successive years until FY21, after reaching a peak of 14.5% in FY17. Its share has increased substantially in FY22 to reach a level of 15.6%. Both revenue and capital expenditures grew at a relatively high rate in FY21 largely due to the COVID-19 compulsions. These relativities were significantly modified in FY22 where a much higher weightage was given to capital expenditure compared to its historical share. This trend is likely to continue in FY23 and FY24 as well.

Growth of total expenditure has averaged 8.6% during FY16 to FY19. Given the revenue growth prospects in FY24, this growth may have to be revised downwards. Within this overall growth, higher growth of capital expenditure may have to be provided for while continuing to bring down fiscal deficit relative to GDP. This is discussed at length in the next section.

**Table 11: Growth and share in expenditure components (%)**

| Period | Total Expenditure | Revenue Expenditure | Capital Expenditure | Revenue Expenditure | Capital Expenditure |
|---|---|---|---|---|---|
| | growth (%, y-o-y) | | | *% Share in total expenditure* | |
| FY16 | 7.6 | 4.8 | 28.6 | 85.9 | 14.1 |
| FY17 | 10.5 | 10.1 | 13.1 | 85.5 | 14.5 |
| FY18 | 8.2 | 11.0 | -8.3 | 87.7 | 12.3 |
| FY19 | 8.1 | 6.8 | 17.0 | 86.7 | 13.3 |
| FY20 | 16.0 | 17.0 | 9.7 | 87.5 | 12.5 |
| FY21 | 30.7 | 31.4 | 26.2 | 87.9 | 12.1 |
| FY22 | 8.1 | 3.7 | 39.5 | 84.4 | 15.6 |

Source (basic data): CGA

## 4. Budget FY24: base year of FY23 and prospects for FY24

According to the CGA data for the first eight months of FY23, GoI's GTR has shown a growth of 15.5% which is just above the nominal GDP growth of 15.4% estimated for the full year of FY23. If the same growth is maintained in GTR for the remaining four months of the fiscal year, a tax buoyancy of 1 would be realized which is higher than the budgeted buoyancy at 0.9. This higher buoyancy is due mainly to the buoyancy of direct taxes which may be estimated at 1.6. On the other hand, the indirect tax buoyancy is much lower at 0.6. This is an outcome of global crude price movements which forced the GoI to reduce the UED rates. On the expenditure side, it is notable that capital expenditure has grown by 63.4% during the first eight months of FY23, reflecting GoI's emphasis on infrastructure expansion and fiscal policy support to growth.

**Table 12: Revenue and expenditure growth during April-November FY23**

| Item | April-November FY23 | Growth relative to annual nominal GDP growth of 15.4% |
|---|---|---|
| Tax revenues | | |
| **Gross tax revenues** | **15.5** | **1.0** |
| **Direct tax** | **23.9** | **1.6** |
| CIT | 21.1 | 1.4 |
| PIT | 26.7 | 1.7 |
| **Indirect taxes** | **8.6** | **0.6** |
| GST | 23.3 | 1.5 |
| UED | -20.9 | -1.4 |
| Customs | 12.4 | 0.8 |
| Expenditure | | |
| **Total expenditure** | **17.7** | **1.1** |
| Revenue expenditure | 10.8 | **0.7** |
| Capital expenditure | 63.4 | **4.1** |

Source (basic data): CGA

With the CGA growth for important fiscal aggregates for the first eight months of FY23 in the background, an assessment can be made of the full year prospects of the fiscal aggregates as given in **Table 13**. In FY23, considering a nominal growth of 15.4% combined with a slightly higher than budgeted buoyancy, GoI's GTR may be estimated at INR31.3 lakh crore, exceeding the budgeted magnitude by about INR3.7 lakh crore. GoI's net tax revenues is estimated to be  nearly INR2.6 lakh crore higher than its budgeted magnitude. If the GoI maintains the budgeted fiscal deficit target of 6.4% of GDP, it will get access to additional borrowing amounting to about INR0.97 lakh crore over and above the budgeted fiscal deficit on account of a relatively higher nominal GDP. Thus, total additional resources amounting to INR3.5 lakh crore would be available with the GoI and this would come in handy for covering GoI' s supplementary demands amounting to a net cash outgo of INR3.25 lakh crore after taking into account any marginal slippages in the budgeted non-tax revenues and non-debt capital receipts.

**Table 13: Base year fiscal aggregates**

| | FY22 (CGA) | FY23 BE | FY23 est. | FY24 est. | Growth (FY24 over FY23) | FY24 levels as % of GDP |
|---|---|---|---|---|---|---|
| | INR lakh crore | | | | % | % |
| Centre's GTR | 27.1 | 27.6 | 31.3 | 34.8 | 11.5 | 11.4 |
| Centre's net tax revenue | 18.2 | 19.3 | 21.9 | 24.4 | 11.5 | 8.0 |
| Non-tax revenue | 3.5 | 2.7 | 2.7 | 3.0 | 11.5 | 1.0 |
| NDCR | 0.4 | 0.8 | 0.8 | 0.9 | 11.5 | 0.3 |
| **Centre's total resources** | 22.1 | 22.8 | 25.4 | 28.3 | 11.5 | 9.3 |
| **Total Expenditure** | 37.9 | 39.4 | 43.0 | 45.7 | 6.3 | 15.0 |
| **Revenue** | 32.0 | 31.9 | 34.9 | 35.9 | 3.0* | 11.8 |
| **Capital** | 5.9 | 7.5 | 8.1 | 9.8 | 20.3 | 3.2 |
| **Fiscal deficit** | 15.9 | 16.6 | 17.6 | 17.4 | -- | 5.7 |
| ***Nominal GDP*** | **236.6** | **258.0** | **273.1** | **304.5** | 11.5 | -- |
| | ***Memo items*** | | | | | |
| Buoyancy | 1.7 | 0.9 | 1.0 | 1.0 | -- | -- |
| Nominal GDP growth | 19.5 | 11.1 | 15.39 | 11.5 | -- | -- |
| Growth in GoI's GTR | 33.8 | 9.6 | 15.39 | 11.5 | -- | -- |

Source (basic data): Union Budget, CGA and MoSPI
*In FY23 Union Budget, the budgeted growth in revenue expenditure over FY22 RE was only 0.9%.

**Table 13** also shows the prospects for key fiscal aggregates in FY24. The FY24 budget would be the first budget pertaining to a genuinely normalized economy after the COVID-19 shock. The expectation is that the nominal GDP magnitude in this year may be nearly INR304.5 lakh crore. This is based on applying a nominal growth of 11.5% which implies the assumption of a real growth of 6.2% and IPD-based inflation of 5%. The latter is much lower than the corresponding FY23 number due to the expected continuation of the fall in WPI inflation which has a relatively larger weight in the IPD-based inflation. This would translate to GoI's GTR of about INR34.8 lakh crore in FY24 and net tax revenue of INR24.4 lakh crore. Given these broad magnitudes, the forthcoming Budget should signal restoration of fiscal consolidation while sustaining the growth momentum. We assess that reducing fiscal deficit below 5.7% of GDP in FY24 may involve an undue sacrifice of capital expenditure growth which is much needed in the context of the global slowdown and dependence of India's growth on its domestic drivers.

*Estimating petroleum linked subsidies*

**Table 14** broadly shows that higher global crude prices have been associated with higher shares of major subsidies in India which cover food, fertilizer and petroleum. Accordingly, we expect that if global crude prices moderate to around US$75/bbl. in FY24, there would be some scope for reducing these subsidies as percentage of revenue expenditure.

**Table 14: Global crude prices and share of major subsidies in GoI's revenue expenditure**

| Year | Average global crude prices | Major subsidies | Food | Fertilizer | Petroleum |
|---|---|---|---|---|---|
| | (US$/bbl.) | As % to revenue expenditure | | | |
| FY17** | 47.9 | 12.1 | 6.5 | 3.9 | 1.6 |
| FY18 | 55.7 | 10.2 | 5.3 | 3.5 | 1.3 |
| FY19 | 67.3 | 9.8 | 5.1 | 3.5 | 1.2 |
| FY20 | 58.5 | 9.5 | 4.6 | 3.5 | 1.4 |
| FY21 | 43.8 | 22.3 | 17.0* | 4.1 | 1.2 |
| FY22 | 78.4 | 13.9 | 9.0 | 4.8 | 0.1 |
| FY23 (April to Nov. 2022) | 99.7 | 15.1 | 7.4 | 7.6 | 0.1 |

Source (basic data): World Bank, Union Budgets, and CGA
*sharp spike in the share of food subsidy in GoI's revenue expenditure was on account of the PM-GKAY scheme introduced for minimizing the impact of the pandemic on low-income segments
** data sourced from Union Budget; for the remaining years, data is sourced from CGA
Note: Based on the CGA data, fertilizer subsidy is calculated by adding the magnitudes for urea subsidy and nutrient-based fertilizer subsidy.

## 5. Fiscal consolidation: a glide path

GoI's policy responses to the COVID-19 shock which mainly affected FY21 resulted in a sharp increase in GoI's fiscal deficit relative to GDP to 9.2%. This was more than three times the FRBM norm of 3%. In the two succeeding years, fiscal deficit could be reduced to 6.7% and 6.4% of GDP respectively assuming that the budgeted fiscal deficit target for FY23 is achieved. With FY24 being the first post-COVID-19 normal year without any base effects characterizing GDP, it would be best for the GoI to spell out a convincing glide path towards fiscal consolidation.

The need for correction in government's fiscal deficit primarily arises because of the relative profile of savings and investment as percentage to GDP. Household sector financial savings plus net inflow of foreign capital provide the extent of surplus available for the potential net deficit sectors in the economy which consists of government and non-government public sector and the private sector. Household sector financial savings had averaged 7.9% of GDP during FY18 to FY20 before it increased inordinately to 11.6% in FY21 due to an upsurge in the precautionary motive in the COVID-19 year. Assuming household sector financial saving of about 8% of GDP in a normal year and net inflow of foreign capital of 2.5% of GDP, available resources for borrowing by the net deficit sectors amount to 10.5% of GDP.

Providing for a fiscal deficit of 5.7% of GDP for the GoI, and 3% of GDP for the state governments as an aggregate, a balance of 1.8% would be available for the private corporate sector and public sector other than the government. If annual reductions of 0.7%, 0.5%, and 0.5% points are targeted in the succeeding three years after FY24, GoI's fiscal deficit would be reduced to less than 4% by FY27. By this time, a High-Powered Intergovernmental Group may be constituted as recommended by the 15$^{th}$ Finance Commission to examine whether the debt-deficit targets of central and state governments need to be revised relative to the 2018 FRBM norms.

## Concluding observations

FY24 economic and fiscal prospects appear to be more challenging for India as compared to FY23. Real GDP growth may fall from 7% in FY23 to about 6% to 6.5% in FY24. This would still be quite credible given the global headwinds which may lead to substantive negative contribution of net exports to GDP growth. This trend needs to be suitably balanced by domestic growth drivers while the GoI may be required to continue to support growth through sustaining its emphasis on infrastructure and capital expenditure growth. We also note that the IPD-based inflation may fall from 7.9% in FY23 to 5% in FY24. As a result, the nominal GDP growth may fall to 11.5% in FY24 as compared to 15.4% in FY23 resulting in lower fiscal resources for the GoI. This would constrain the pace at which fiscal consolidation can be undertaken. A tough balancing act is required to ensure that a credible fiscal consolidation path is spelt out while also providing continued fiscal support to growth.

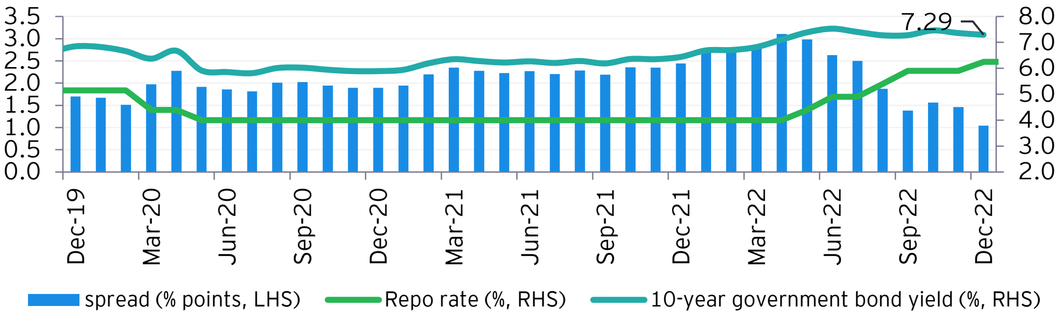
# 6. Money and finance: credit growth remained elevated at 16% in November 2022

## A. Monetary sector

### Monetary policy

- The RBI increased the repo rate by another 35 basis points to 6.25% in its December 2022 monetary policy review **(Chart 8)**. Thus, on a cumulated basis, the repo rate has been increased by 225 basis points between April and December 2022. Further, the RBI also indicated that the monetary policy stance would remain focused on withdrawal of liquidity.
- In RBI's assessment the inflation trajectory in the near-term would be shaped by both global and domestic factors. Upside pressures on inflation arise from elevated prices of cereals and spices, adverse climate events, unabating geopolitical tensions, pending pass-through of input costs and imported inflation risks from the US dollar movements. Weakening global demand may impart some downward pressure on inflation.

**Chart 8: Movements in the repo rate and 10-year government bond yield**




**The RBI increased the repo rate by 35 basis points to 6.25% in its December 2022 monetary policy review.**

Source: Database on Indian Economy, RBI

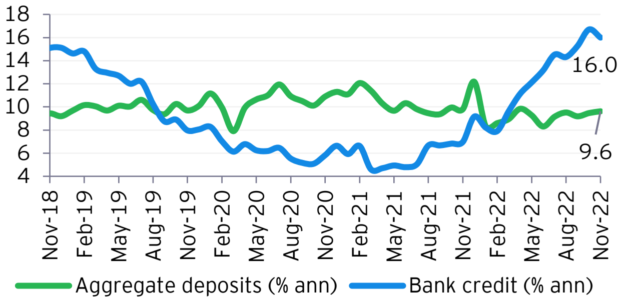
### Money stock

- Growth in broad money stock (M3) increased to an 18-month high of 10.7% in December 2022 reflecting an increase in the growth of both narrow money (M1) and time deposits.
- Growth in M1 increased to 12.4% in December 2022 from 9.7% in November 2022 led by a surge in the growth of demand deposits to a 13-month high of 18.7%. Demand deposits have accounted for about 40% of M1 on average in the last five years. Currency with public also grew at a higher rate of 7.9% in December 2022 as compared to 7.5% in November 2022.
- Growth in time deposits, accounting for slightly over 75% of M3 on average in the last three years, showed a robust growth of 10.2% in December 2022, its highest level since April 2021.

### Aggregate credit and deposits

- Growth in gross bank credit by SCBs remained elevated at 16%[8] in November 2022, although marginally lower than 16.7% in October 2022 **(Chart 9)**.
- In November 2022, non-food credit growth continued to remain high at 16.4%, although slightly lower than 17.1% in October 2022.
- Sectoral bank credit data indicate that credit to services showed a growth at or in excess of 20% for the third consecutive month, increasing to 21.3% in November 2022 as compared to 22.5% in October 2022.

**Chart 9: Growth in credit and deposits**




Source: Database on Indian Economy, RBI

[8] As per the RBI's press release dated 30 December 2022 (https://bit.ly/3H51chp), gross bank credit amounted to INR129.5 trillion as on 18 November 2022 as compared to INR111.6 trillion as on 19 November 2021. Similarly, non-food credit amounted to INR128.9 trillion in November 2022 as compared to INR110.8 trillion in November 2021. Using these magnitudes, the calculated y-o-y growth rates of gross bank credit and non-food credit are 16.0% and 16.4% respectively. However, RBI's press release gives these growth rates at 17.2% and 17.6% respectively.

- Credit to the agricultural sector posted a robust growth of 13.8% in November 2022, its highest level since January 2022. Agricultural credit has been growing at or above 13% since June 2022.
- Outstanding credit to industries also grew at a fast pace of 13.1% in November 2022, although slightly lower than 13.6% in October 2022. Within the industrial sector, growth in credit to telecommunication services increased to a nine-month high of 22.9%. Credit to iron and steel improved for the twelfth successive month, showing a growth of 17.8% in November 2022. Credit to infrastructure grew by 10.5% in November 2022, posting a double-digit growth for the sixth consecutive month.
- Growth in personal loans, a key component of retail loans, remained high at 19.7% in November 2022, close to its average level of 19.8% over the period August to October 2022.
- Growth in aggregate deposits of residents increased to a seven-month high of 9.6% in November 2022.

## B. Financial sector

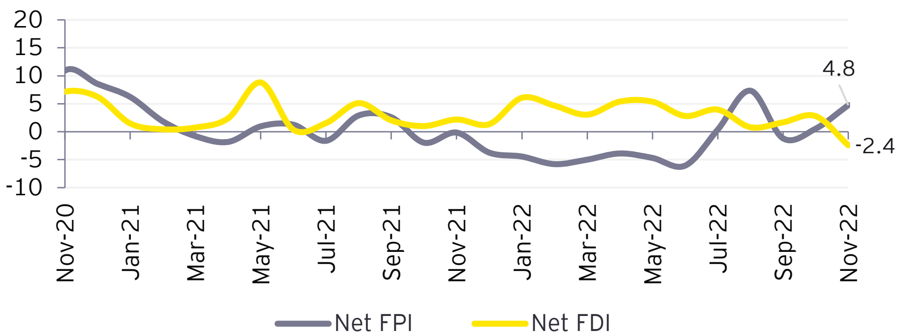
### Interest rates

- As per the data released by the RBI on 6 January 2023, the average interest rate on term deposits with a maturity period of more than one year was increased to 6.65% in December 2022 from 6.53% in November 2022, with the actual rate ranging between 6.04% and 7.25%.
- The average MCLR was also increased to 7.72% in December 2022 from 7.55% in November 2022. Actual MCLR ranged between 7.29% and 8.15% during the month.
- The average yield on 10-year government bonds moderated by 7 basis points to 7.29% in December 2022 from 7.36% in November 2022 **(Chart 8).**
- WALR on fresh rupee loans by SCBs increased to 8.86% in November 2022 from 8.68% in October 2022. During April to November 2022, on a cumulated basis, WALR on fresh rupee loans rose by 135 basis points while the repo rate was hiked by 190 basis points.

### FDI and FPI

- As per the provisional data released by the RBI on 20 January 2023, overall foreign investments[9] (FIs) inflows fell to US$2.3 billion in November 2022 from US$3.3 trillion in October 2022 on account of large net FDI outflows during the month.

**Chart 10: Net FDI and FPI inflows (US$ billion)**




Net FDI witnessed outflows for the first time since June 2020 to the tune of US$(-)2.4 billion in November 2022.

Source: Database on Indian Economy, RBI

- Net FDI witnessed outflows for the first time since June 2020 to the tune of US$(-)2.4 billion in November 2022 **(Chart 10)**. In comparison, net FDI inflows amounted to US$2.8 billion in October 2022. Gross FDI inflows fell to US$4.3 billion in November 2022 from US$5.1 billion in October 2022.
- On the other hand, net FPI inflows increased sharply to US$4.8 billion in November 2022 from only US$0.5 billion in October 2022.

[9] Foreign Investment (FI) = net FDI plus net FPI

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# 7. Trade and CAB: current account deficit widened to (-)4.4% of GDP in 2QFY23

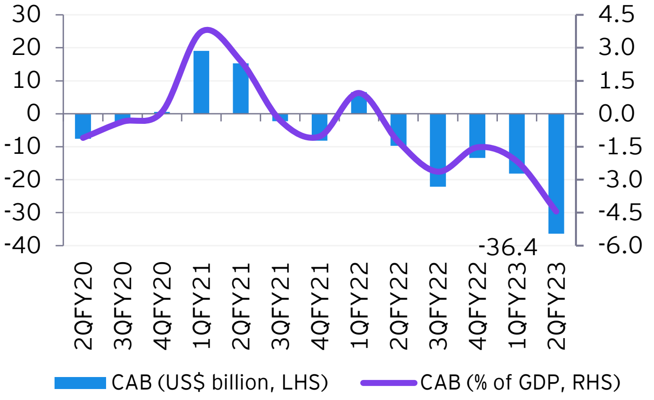
## A. CAB: current account deficit surged to a 37-quarter high of (-)4.4% of GDP in 2QFY23

- Current account deficit widened to (-)4.4% of GDP in 2QFY23 from (-)2.2% in 1QFY23 **(Chart 11, Table 15)**, reflecting a surge in net merchandise trade deficit to a 37-quarter high of (-)10.2% of GDP due to a) a rise in imports to a 32-quarter high of 23.9% of GDP reflecting higher global crude prices and b) a moderation in exports to 13.7% of GDP in 2QFY23 from 14.6% in 1QFY23 reflecting slowing global economic activity.
- Net invisibles relative to GDP increased to a nine-quarter high of 5.8% in 2QFY23, as net services exports improved to a 36-quarter high of 4.2% of GDP.

**Table 15: Components of CAB in US$ billion**

| Fiscal year | CAB as % of nominal GDP | CAB | Goods account net | Invisibles* net |
|---|---|---|---|---|
| FY19 | -2.1 | -57.3 | -180.3 | 123.0 |
| FY20 | -0.9 | -24.7 | -157.5 | 132.8 |
| FY21 | 0.9 | 23.9 | -102.2 | 126.1 |
| FY22 | -1.2 | -38.8 | -189.5 | 150.7 |
| 3QFY22 | -2.6 | -22.2 | -59.7 | 37.6 |
| 4QFY22 | -1.5 | -13.4 | -54.5 | 41.1 |
| 1QFY23 | -2.2 | -18.2 | -63.0 | 44.8 |
| 2QFY23 | -4.4 | -36.4 | -83.5 | 47.2 |

**Chart 11: CAB**



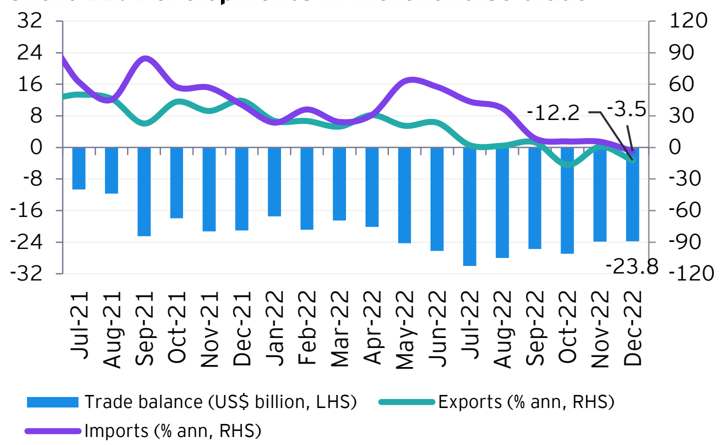

Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

## B. Merchandise trade and exchange rate

**Both merchandise exports and imports contracted by (-)12.2% and (-)3.5% respectively in December 2022 reflecting moderating global economic activity and global crude and commodity prices.**

- The pace of contraction in exports of petroleum products, engineering goods and chemicals accelerated to (-)26.9%, (-)11.9% and (-)6.6% in December 2022 from (-)1.8%, (-)0.3% and (-)1.2% respectively in November 2022. Growth in electronic goods exports eased to a nine-month low of 37% whereas gems and jewelry exports contracted by (-)15.2% in December 2022. 19 of the 30 sectors for which data is provided showed a contraction in December 2022.
- Contraction in overall imports in December 2022 was led by gold imports ((-)75%), pearls and precious stones ((-)13.8%), and chemicals ((-)20.4%). Machinery and oil imports grew by a slower rate of 9.2% and 5.9% respectively in December 2022 as compared to 17.8% and 10.5% in November 2022.
- Growth in exports excluding oil, gold and jewelry turned negative at (-)8.5% in December 2022 from 0.8% in November 2022, whereas that in imports of this category moderated to 2.4% in December 2022 from 6.2% in November 2022.
- Merchandise trade deficit remained nearly stagnant at a high level of US$(-)23.8 billion in December 2022 as compared to US$(-)23.9 billion in November 2022 **(Chart 12).**
- Services trade surplus remained elevated at US$11.7 billion in November 2022 as compared to US$11.9 billion in October 2022.
- Aided by the aggressive rate hike in the US, the Fed's decision to maintain a tight monetary policy stance, and an elevated level of current account deficit, the rupee depreciated to INR82.5 per US$ in December 2022 from INR81.8 per US$ in November 2022.

**Chart 12: Developments in merchandise trade**




Source: Ministry of Commerce and Industry, GoI

# 8. Global growth: World Bank projected global growth at 2.9% in 2022, falling to 1.7% in 2023

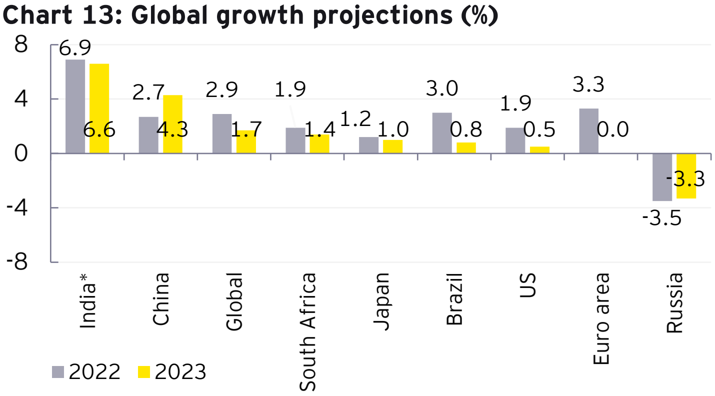


## A. Global growth

> The World Bank projected global growth to fall from 2.9% in 2022 to 1.7% in 2023. India's growth is projected at 6.9% in FY23, moderating slightly to 6.6% in FY24.

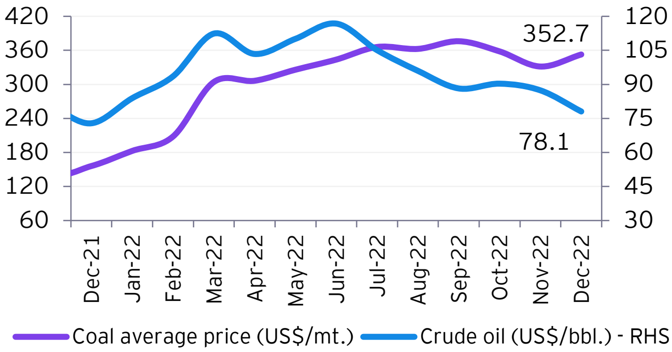
- As per the World Bank (Global Economic Prospects, January 2023), global growth is projected to fall from 2.9% in 2022 to 1.7% in 2023, the third weakest pace of growth in nearly three decades, after the global recessions caused by the pandemic and the global financial crisis of 2008 **(Chart 13)**.
- AEsare projected to slow sharply to 0.5% in 2023 from 2.5% in 2022. Growth in EMDEs is projected at 3.4%, the same level as in 2022.
- In the US, the most rapid monetary tightening in the last 40 years, has led to an adverse impact on growth which is projected to fall to just 0.5% in 2023 from 1.9% in 2022.
- Similarly, in the Euro area, growth is projected to fall from 3.3% in 2022 to 0% in 2023, owing to ongoing energy supply disruptions and more than expected monetary policy tightening.
- In Japan, growth slowed to 1.2% in 2022 as high energy prices and supply bottlenecks eroded household purchasing power and dampened consumption. Growth is expected to slow further to 1% in 2023.
- In China, growth in 2022 is estimated at 2.7%, the weakest pace of growth since the mid-1970s excluding the pandemic affected year of 2020. Growth in 2023 is projected to recover to 4.3% as lifting of pandemic restrictions releases pent up consumer spending.
- In India, growth is projected at 6.9% in FY23, moderating to 6.6% in FY24. The slowdown in the global economy and rising uncertainty is expected to weigh on export and investment growth.
- Russia is projected to contract by (-)3.5% in 2022 and (-)3.3% in 2023. In Brazil, growth is projected to sharply moderate from 3% in 2022 to just 0.8% in 2023 due to a contraction in investment following a nearly 12% point increase in the central bank policy interest rate since early 2021.

**Chart 13: Global growth projections (%)**




Source: Global Economic Prospects, World Bank (January 2023)
*Data pertains to fiscal years FY23 and FY24 respectively.

**Chart 14: Global crude and coal prices**




Source (basic data): World Bank Pink Sheets, January 2023

## B. Global energy prices: average global crude price fell to US$78.1/bbl. in December 2022, its lowest level in the last 12 months

- Average global crude price[10] fell to US$78.1/bbl. in December 2022, its lowest level since December 2021. This fall was driven by concerns over a possible global recession in 2023 leading to a decline in global oil demand **(Chart 14)**. On a quarterly basis, global crude price averaged US$85.3/bbl. in 3QFY23, down from US$96.4/bbl. in 2QFY23.
- Average global coal price[11] remained elevated at US$352.7/mt. in December 2022 as compared to US$331.5/mt. in November 2022. On a quarterly basis, global coal price averaged US$347.5/mt. in 3QFY23, slightly lower as compared to US$368.3/mt. in 2QFY23.

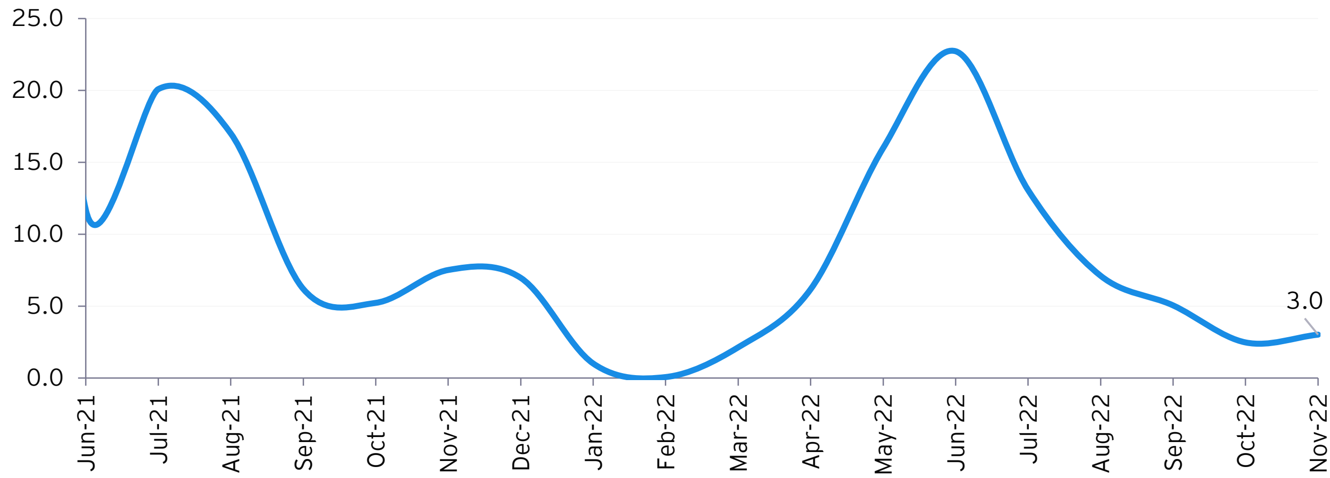
[10] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[11] Simple average of Australian and South African coal prices.

# 9. Index of Aggregate Demand (IAD): grew by 3.0% in November 2022

## Growth in IAD improved marginally to 3.0% in November 2022 from 2.5% in October 2022

- EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa)[12] capture the demand conditions in the agricultural sector.
- Growth in IAD increased to 3% in November 2022 from 2.5% in October 2022 on account of an improvement in all three sectors **(Chart 15 and Table 16).**
- Demand conditions in the manufacturing and services sectors showed an improvement in November 2022 relative to October 2022 as reflected in the PMI (sa terms) which were at three-month high levels in November 2022.
- Demand conditions in the agricultural sector continued to remain strong as reflected by the growth in agricultural credit off-take (sa) which increased to 13.7%, its highest level since December 2021.

**Chart 15: Growth in IAD (y-o-y)**




Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates
Note: From this issue onwards, we will be using seasonally adjusted data for constructing the IAD.

**Table 16: IAD**

| Month | Mar-22 | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 |
|---|---|---|---|---|---|---|---|---|---|
| IAD | 143.3 | 148.8 | 150.6 | 151.5 | 150.3 | 152.5 | 149.5 | 151.0 | 153.2 |
| Growth (% y-o-y) | 2.1 | 6.2 | 16.0 | 22.7 | 13.1 | 7.1 | 5.1 | 2.5 | 3.0 |
| Growth in agr. Credit | 9.7 | 10.6 | 12.0 | 13.1 | 13.1 | 13.4 | 13.4 | 13.5 | 13.7 |
| Mfg. PMI** | 4.0 | 4.7 | 4.6 | 3.9 | 6.4 | 6.2 | 5.1 | 5.3 | 5.7 |
| Ser. PMI** | 3.6 | 7.9 | 8.9 | 9.2 | 5.5 | 7.2 | 4.3 | 5.1 | 6.4 |

**Values here indicate deviation from the benchmark value of 50. A positive value indicates expansion in demand while a negative value implies contraction in demand; PMI for Mfg. and Serv. are seasonally adjusted.

Source (basic data): IHS Markit PMI, RBI and EY estimates

[12] We have constructed a seasonally adjusted series for agricultural credit using Census X-13 technique in E-views (version 12) and the growth of this SA agricultural credit series is used in the IAD series.

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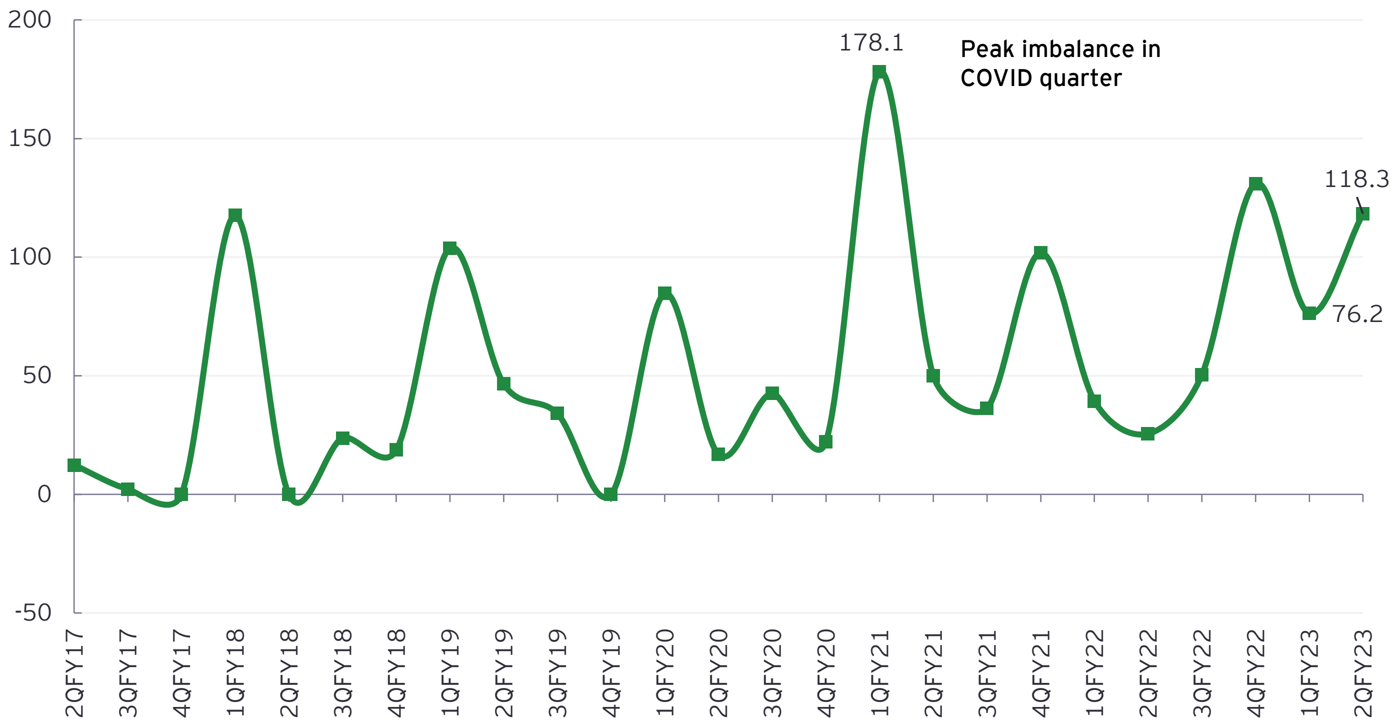
# 10. Index of Macro Imbalance (IMI): showed a deterioration in the macro balance in 2QFY23

## IMI increased to 118.3 in 2QFY23 from 76.2 in 1QFY23

- The IMI is obtained by adding the percentage deviation of inflation rate (based on new CPI 2012 = 100), fiscal deficit (as a percentage of GDP) and current account deficit (as a percentage of GDP) from their respective benchmarks of 4%, 3% of GDP and (-)1.3%[13] of GDP. All three components of IMI have been given equal weightage (33.33%). The state of balance is judged by a value of 0.
- An index value greater than zero indicates the presence of an imbalance in the economy. While considering the percentage deviation of each of the indicators from its selected norm, only the positive deviations are taken. Negative deviations are equated to zero to ensure that the negative and positive deviations across indices are not canceled out.
- IMI pointed to a deterioration in the macro balance in 2QFY23 with the index value increasing to 118.3 from 76.2 in 1QFY23 **(Chart 16)** due to higher current account deficit and fiscal deficit to GDP ratios along with rising CPI inflation.
- Current account deficit widened to (-)4.4% of GDP in 2QFY23 from (-)2.2% of GDP in 1QFY23. This was significantly higher than its benchmark value of 1.3% and therefore contributed the maximum to the IMI.
- CPI inflation at 7% in 2QFY23 was marginally lower than 7.3% in 1QFY23. However, it continued to remain higher than the RBI's mean target at 4% and hence contributed tangibly to the worsening of the macro balance during 2QFY23.
- GoI's fiscal deficit averaged 4.1% of GDP in 2QFY23, down from 5.4% of GDP in 1QFY23. It also contributed positively to the worsening of the macro balance because it remained higher than the target of 3% of GDP.

**Chart 16: IMI (quarterly)**




Source (Basic data): RBI, MoSPI and EY estimates

[13] Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu, http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-per-cent/article8596824.ece, Accessed on 17 May 2016.

**Table A1: Industrial growth indicators (annual, quarterly, and monthly growth rates, y-o-y)**

| Fiscal year/ quarter/ month | IIP | Mining | Manufacturing | Electricity | Core IIP | Fiscal year/ quarter /month | PMI mfg. | PMI ser. |
|---|---|---|---|---|---|---|---|---|
| | % change y-o-y | | | | | | | |
| FY19 | 3.8 | 2.8 | 3.8 | 5.2 | 4.4 | FY19 | 52.8 | 52.2 |
| FY20 | -0.8 | 1.6 | -1.4 | 0.9 | 0.4 | FY20 | 52.3 | 51.9 |
| FY21 | -8.5 | -7.8 | -9.6 | -0.5 | -6.4 | FY21 | 50.2 | 41.7 |
| FY22 | 11.4 | 12.2 | 11.7 | 8.0 | 10.4 | FY22 | 54.0 | 52.3 |
| 3QFY22 | 2.1 | 6.1 | 1.4 | 2.7 | 5.3 | 4QFY22 | 54.3 | 52.3 |
| 4QFY22 | 1.8 | 3.8 | 1.2 | 3.9 | 4.9 | 1QFY23 | 54.4 | 58.7 |
| 1QFY23 | 12.8 | 9.1 | 12.8 | 17.1 | 13.9 | 2QFY23 | 55.9 | 55.7 |
| 2QFY23 | 1.7 | -0.9 | 1.6 | 4.9 | 5.5 | 3QFY23 | 56.3 | 56.7 |
| Aug-22 | -0.7 | -3.9 | -0.5 | 1.4 | 4.1 | Sep-22 | 55.1 | 54.3 |
| Sep-22 | 3.5 | 5.2 | 2.2 | 11.6 | 7.8 | Oct-22 | 55.3 | 55.1 |
| Oct-22 | -4.0 | 2.5 | -5.6 | 1.2 | 0.1 | Nov-22 | 55.7 | 56.4 |
| Nov-22 | 7.1 | 9.7 | 6.1 | 12.7 | 5.4 | Dec-22 | 57.8 | 58.5 |

Source: MoSPI, Office of the Economic Adviser, Ministry of Commerce and Industry and S&P Global

**Table A2: Inflation indicators (annual, quarterly, and monthly growth rates, y-o-y)**

| Fiscal year/ quarter/ month | CPI | Food Price Index | Fuel and light | Core CPI | WPI | Food Price Index | Mfg. products | Fuel and power | Core WPI |
|---|---|---|---|---|---|---|---|---|---|
| | % change y-o-y | | | | % change y-o-y | | | | |
| FY19 | 3.4 | 0.1 | 5.7 | 5.5 | 4.3 | 0.6 | 3.7 | 11.5 | 4.2 |
| FY20 | 4.8 | 6.7 | 1.3 | 3.8 | 1.7 | 6.9 | 0.3 | -1.8 | -0.4 |
| FY21 | 6.2 | 7.7 | 2.7 | 5.5 | 1.3 | 4.0 | 2.8 | -8.0 | 2.2 |
| FY22 | 5.5 | 3.8 | 11.3 | 6.1 | 13.0 | 6.8 | 11.1 | 32.5 | 11.0 |
| 4QFY22 | 6.3 | 6.3 | 8.5 | 6.1 | 13.9 | 9.2 | 10.3 | 32.3 | 10.5 |
| 1QFY23 | 7.3 | 8.0 | 10.1 | 6.4 | 16.1 | 10.5 | 10.3 | 46.3 | 10.6 |
| 2QFY23 | 7.0 | 7.6 | 11.0 | 6.1 | 12.4 | 9.1 | 7.3 | 37.5 | 7.7 |
| 3QFY23 | 6.1 | 5.3 | 10.5 | 6.2 | 6.5 | 3.1 | 3.8 | 20.2 | 3.7 |
| Sep-22 | 7.4 | 8.6 | 10.4 | 6.2 | 10.6 | 8.0 | 6.1 | 33.1 | 6.8 |
| Oct-22 | 6.8 | 7.0 | 9.9 | 6.2 | 8.7 | 6.6 | 4.4 | 25.4 | 4.6 |
| Nov-22 | 5.9 | 4.7 | 10.6 | 6.2 | 5.8 | 2.2 | 3.6 | 17.4 | 3.4 |
| Dec-22 | 5.7 | 4.2 | 11.0 | 6.2 | 5.0 | 0.7 | 3.4 | 18.1 | 3.2 |

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MoSPI
* The CPI for April and May 2020 has been imputed

**Table A3: Fiscal indicators (annual growth rates, cumulated monthly growth rates, y-o-y)**

| Fiscal year/month | Gross tax revenue | Corporate tax | Income tax | Direct taxes* | Indirect taxes** | Fiscal deficit % of GDP | Revenue deficit % of GDP |
|---|---|---|---|---|---|---|---|
| FY19 (CGA) | 8.4 | 16.2 | 13.1 | 14.9 | 3.0 | 3.4 | 2.4 |
| FY20 (CGA) | -3.4 | -16.1 | 4.0 | -7.8 | 1.7 | 4.7 | 3.3 |
| FY21 (CGA) | 0.7 | -17.9 | -2.3 | -10.7 | 12.7 | 9.2 | 7.3 |
| FY22 (CGA) | 33.8 | 55.7 | 43.5 | 49.6 | 20.0 | 6.7 | 4.4 |
| FY23 (BE over FY 22 RE) | 9.6 | 13.4 | 13.8 | 13.6 | 5.7 | 6.4 | 3.8 |
| | Cumulated growth (%, y-o-y) | | | | | % of budgeted target | |
| Apr-22 | 36.5 | 75.2 | 59.6 | 65.9 | 10.1 | 4.5 | -0.1 |
| May-22 | 29.1 | 80.7 | 49.9 | 61.2 | 9.0 | 12.3 | 12.3 |
| Jun-22 | 22.4 | 30.0 | 40.7 | 35.4 | 11.0 | 21.2 | 20.7 |
| Jul-22 | 24.9 | 34.7 | 50.0 | 42.7 | 10.8 | 20.5 | 16.4 |
| Aug-22 | 18.7 | 23.6 | 33.2 | 28.8 | 11.2 | 32.6 | 32.4 |
| Sep-22 | 17.6 | 21.6 | 25.7 | 23.5 | 11.8 | 37.3 | 31.4 |
| Oct-22 | 18.0 | 24.1 | 27.7 | 25.9 | 11.0 | 45.6 | 38.9 |
| Nov-22 | 15.5 | 21.1 | 26.7 | 23.9 | 8.6 | 58.9 | 57.8 |

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.
$as a proportion of revised estimate

| Fiscal year/month | CGST | UTGST | IGST | GST compensation cess | Total GST (GoI) |
|---|---|---|---|---|---|
| | INR crore | | | | |
| FY 2022 (RE) | 5,70,000 | - | - | 1,05,000 | 6,75,000 |
| FY 2023 (BE) | 6,60,000 | - | - | 1,20,000 | 7,80,000 |
| | Monthly tax collection (INR crore) | | | | |
| Apr-22 | 64,093 | 162 | 11,345 | 10,435 | 86,035 |
| May-22 | 49,876 | 244 | 4,741 | 10,199 | 65,060 |
| Jun-22 | 65,423 | 259 | -16,396 | 10,749 | 60,035 |
| Jul-22 | 55,357 | 155 | 6,898 | 10,654 | 73,064 |
| Aug-22 | 51,911 | 149 | 8,938 | 9,889 | 70,887 |
| Sep-22 | 54,689 | 406 | 9,964 | 9,967 | 75,026 |
| Oct-22 | 72,219 | 595 | -19,374 | 10,281 | 63,721 |
| Nov-22 | 57,848 | 515 | -2,580 | 10,323 | 66,106 |

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
Note: IGST revenues are subject to final settlement.

### Table A4: Monetary and financial indicators (annual, quarterly, and monthly growth rates, y-o-y)

| Fiscal year/ month | Repo rate (end of period) | Fiscal year/ quarter/ month | Bank credit | Agg. deposits | Net FDI | Net FPI | Fiscal year/ quarter/ month | M1 | M3 | 10-year govt. bond yield | FX reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | | % change y-o-y | | US$ billion | | | % change y-o-y | | % | US$ billion |
| Mar-22 | 4.00 | FY19 | 13.7 | 8.9 | 30.7 | -0.6 | FY19 | 13.6 | 10.5 | 7.69 | 411.9 |
| Apr-22 | 4.00 | FY20 | 9.5 | 9.9 | 43.0 | 1.4 | FY20 | 11.2 | 8.9 | 6.83 | 475.6 |
| Apr-22 | 4.00 | FY21 | 5.9 | 11.0 | 44.0 | 36.1 | FY21 | 16.2 | 12.2 | 6.05 | 579.3 |
| May-22 | 4.40 | FY22 | 6.8 | 9.7 | 38.6 | -16.8 | FY22 | 10.6 | 8.7 | 6.40 | 617.6 |
| Jun-22 | 4.90 | 3QFY22 | 7.7 | 10.6 | 4.6 | -5.8 | 4QFY22 | 10.6 | 8.7 | 6.74 | 617.6 |
| Jul-22 | 4.90 | 4QFY22 | 8.6 | 8.6 | 13.8 | -15.2 | 1QFY23 | 8.7 | 7.8 | 7.34 | 593.3 |
| Aug-22 | 5.40 | 1QFY23 | 12.1 | 9.1 | 13.6 | -14.6 | 2QFY23 | 8.5 | 8.6 | 7.32 | 532.7 |
| Sep-22 | 5.90 | 2QFY23 | 14.7 | 9.3 | 6.6 | 6.2 | 3QFY23 | 12.4 | 10.7 | 7.37 | 562.8 |
| Oct-22 | 5.90 | Aug-22 | 14.3 | 9.5 | 0.3 | 7.4 | Sep-22 | 8.5 | 8.6 | 7.28 | 532.7 |
| Nov-22 | 5.90 | Sep-22 | 15.3 | 9.2 | 0.9 | -1.6 | Oct-22 | 10.6 | 9.1 | 7.46 | 531.1 |
| Dec-22 | 6.25 | Oct-22 | 16.7 | 9.5 | 2.8 | 0.5 | Nov-22 | 9.7 | 8.9 | 7.36 | 550.1 |
| Jan-23 | 6.25 | Nov-22 | 16.0 | 9.6 | -2.4 | 4.8 | Dec-22 | 12.4 | 10.7 | 7.29 | 562.8 |

Source: Database on Indian Economy - RBI

### Table A5: External trade and global growth

| External trade indicators (annual, quarterly and monthly growth rates) | | | | | | | Global growth (annual) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal year/ quarter/ month | Exports | Imports | Trade balance | Ex. rate (avg.) | Crude prices (avg.) | Coal prices (avg.) | Calendar year | World GDP | Adv. econ. | Emer. econ. |
| | % change y-o-y | | US$ billion | INR/US$ | US$/bbl. | US$/mt | | % change y-o-y | | |
| FY19 | 8.6 | 10.6 | -182.3 | 69.9 | 67.3 | 100.4 | 2012 | 3.5 | 1.2 | 5.4 |
| FY20 | -5.1 | -8.2 | -157.4 | 70.9 | 58.5 | 70.4 | 2013 | 3.5 | 1.4 | 5.1 |
| FY21 | -7.0 | -16.6 | -101.4 | 74.2 | 43.8 | 67.2 | 2014 | 3.5 | 2.1 | 4.7 |
| FY22 | 42.8 | 55.1 | -193.3 | 74.5 | 78.4 | 164.8 | 2015 | 3.4 | 2.4 | 4.3 |
| 4QFY22 | 23.1 | 27.7 | -56.8 | 75.2 | 96.6 | 231.7 | 2016 | 3.3 | 1.8 | 4.5 |
| 1QFY23 | 24.8 | 49.5 | -70.6 | 77.2 | 110.1 | 325.4 | 2017 | 3.8 | 2.5 | 4.8 |
| 2QFY23 | 2.9 | 28.3 | -83.7 | 79.8 | 96.4 | 368.3 | 2018 | 3.5 | 2.2 | 4.5 |
| 3QFY23 | -9.9 | 2.3 | -74.6 | 82.2 | 85.3 | 347.5 | 2019 | 2.8 | 1.6 | 3.7 |
| Sep-22 | 4.9 | 8.7 | -25.7 | 80.2 | 88.2 | 376.1 | 2020 | -3.1 | -4.5 | -2.0 |
| Oct-22 | -16.6 | 5.7 | -26.9 | 82.3 | 90.3 | 358.2 | 2021 | 6.0 | 5.2 | 6.6 |
| Nov-22 | 0.6 | 5.4 | -23.9 | 81.8 | 87.4 | 331.5 | 2022 | 3.2 | 2.4 | 3.7 |
| Dec-22 | -12.2 | -3.5 | -23.8 | 82.5 | 78.1 | 352.7 | 2023 | 2.7 | 1.1 | 3.7 |

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook October 2022

**Table A6: Macroeconomic aggregates (annual and quarterly real growth rates, % change y-o-y)**

| Fiscal year/quarter | Output: major sectors | | | | | | | | | IPD inflation |
|---|---|---|---|---|---|---|---|---|---|---|
| | GVA | Agr. | Ming. | Mfg. | Elec. | Cons. | Trans. | Fin. | Publ. | GVA |
| FY20 (2nd RE) $ | 3.8 | 5.5 | -1.5 | -2.9 | 2.2 | 1.2 | 5.9 | 6.7 | 6.3 | 2.9 |
| FY21(1st RE) $ | -4.8 | 3.3 | -8.6 | -0.6 | -3.6 | -7.3 | -20.2 | 2.2 | -5.5 | 3.3 |
| FY22(PE)* | 8.1 | 3.0 | 11.6 | 9.9 | 7.5 | 11.5 | 11.1 | 4.2 | 12.6 | 9.4 |
| FY23 (1st AE)# | 6.7 | 3.5 | 2.4 | 1.6 | 9.0 | 9.1 | 13.7 | 6.4 | 7.9 | 8.5 |
| 2QFY21 | -5.9 | 3.2 | -7.9 | 5.2 | -3.2 | -6.6 | -18.8 | -5.2 | -10.2 | 1.7 |
| 3QFY21 | 2.1 | 4.1 | -5.3 | 8.4 | 1.5 | 6.6 | -10.1 | 10.3 | -2.9 | 3.4 |
| 4QFY21 | 5.7 | 2.8 | -3.9 | 15.2 | 3.2 | 18.3 | -3.4 | 8.8 | 1.7 | 5.2 |
| 1QFY22 | 18.1 | 2.2 | 18.0 | 49.0 | 13.8 | 71.3 | 34.3 | 2.3 | 6.2 | 7.0 |
| 2QFY22 | 8.3 | 3.2 | 14.5 | 5.6 | 8.5 | 8.1 | 9.6 | 6.1 | 19.4 | 8.8 |
| 3QFY22 | 4.7 | 2.5 | 9.2 | 0.3 | 3.7 | -2.8 | 6.3 | 4.2 | 16.7 | 10.4 |
| 4QFY22 | 3.9 | 4.1 | 6.7 | -0.2 | 4.5 | 2.0 | 5.3 | 4.3 | 7.7 | 10.9 |
| 1QFY23 | 12.7 | 4.5 | 6.5 | 4.8 | 14.7 | 16.8 | 25.7 | 9.2 | 26.3 | 12.2 |
| 2QFY23 | 5.6 | 4.6 | -2.8 | -4.3 | 5.6 | 6.6 | 14.7 | 7.2 | 6.5 | 10.0 |

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY21 are based on the first revised estimates (RE) of NAS released by the MoSPI on 31 January 2022 over the second RE of NAS for FY20, *FY22 growth numbers are based on the Provisional Estimates (PE) of National Accounts released on 31 May 2022 over the first revised estimates for 2021 released on 31 January 2022, # released on 06 January 2023, growth is estimated over FY22 (PE)

| Fiscal year/quarter | Expenditure components | | | | | | IPD inflation |
|---|---|---|---|---|---|---|---|
| | GDP | PFCE | GFCE | GFCF | EX | IM | GDP |
| FY20 (2nd RE) $ | 3.7 | 5.2 | 3.4 | 1.6 | -3.4 | -0.8 | 2.4 |
| FY21(1st RE) $ | -6.6 | -6.0 | 3.6 | -10.4 | -9.2 | -13.8 | 5.6 |
| FY22(PE)* | 8.7 | 7.9 | 2.6 | 15.8 | 24.3 | 35.5 | 10.0 |
| FY23 (1st AE)# | 7.0 | 7.7 | 3.1 | 11.5 | 12.5 | 20.9 | 7.9 |
| 2QFY21 | -6.6 | -8.3 | -22.9 | -4.5 | -6.4 | -17.9 | 4.0 |
| 3QFY21 | 0.7 | 0.6 | -0.3 | -0.6 | -8.6 | -5.2 | 5.4 |
| 4QFY21 | 2.5 | 6.5 | 29.0 | 10.1 | 3.7 | 11.7 | 9.2 |
| 1QFY22 | 20.1 | 14.4 | -4.8 | 62.5 | 40.8 | 61.1 | 10.2 |
| 2QFY22 | 8.4 | 10.5 | 8.9 | 14.6 | 20.7 | 41.0 | 9.8 |
| 3QFY22 | 5.4 | 7.4 | 3.0 | 2.1 | 23.1 | 33.6 | 9.8 |
| 4QFY22 | 4.1 | 1.8 | 4.8 | 5.1 | 16.9 | 18.0 | 10.4 |
| 1QFY23 | 13.5 | 25.9 | 1.3 | 20.1 | 14.7 | 37.2 | 11.6 |
| 2QFY23 | 6.3 | 9.7 | -4.4 | 10.4 | 11.5 | 25.4 | 9.3 |

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY21 are based on the first revised estimates (RE) of NAS released by the MoSPI on 31 January 2022 over the second RE of NAS for FY20, *FY22 growth numbers are based on the Provisional Estimates (PE) of National Accounts released on 31 May 2022 over the first revised estimates for 2021 released on 31 January 2022, # released on 06 January 2023, growth is estimated over FY22 (PE)

# List of abbreviations

| Sr. no. | Abbreviations | Description |
|---|---|---|
| 1 | AD | aggregate demand |
| 2 | AEs | advanced economies |
| 3 | Agr. | agriculture, forestry and fishing |
| 4 | AY | assessment year |
| 5 | Bcm | billion cubic meters |
| 6 | bbl. | barrel |
| 7 | BE | budget estimate |
| 8 | CAB | current account balance |
| 9 | CGA | Comptroller General of Accounts |
| 10 | CGST | Central Goods and Services Tax |
| 11 | CIT | corporate income tax |
| 12 | Cons. | construction |
| 13 | CPI | Consumer Price Index |
| 14 | COVID-19 | Coronavirus disease 2019 |
| 15 | CPSE | central public-sector enterprise |
| 16 | CRAR | Credit to Risk- weighted Assets Ratio |
| 17 | CSO | Central Statistical Organization |
| 18 | Disc. | discrepancies |
| 19 | ECBs | external commercial borrowings |
| 20 | EIA | US Energy Information Administration |
| 21 | Elec. | electricity, gas, water supply and other utility services |
| 22 | EMDEs | Emerging Market and Developing Economies |
| 23 | EXP | exports |
| 24 | FAE | first advance estimates |
| 25 | FC | Finance Commission |
| 26 | FII | foreign investment inflows |
| 27 | Fin. | financial, real estate and professional services |
| 28 | FPI | foreign portfolio investment |
| 29 | FRBMA | Fiscal Responsibility and Budget Management Act |
| 30 | FRL | Fiscal Responsibility Legislation |
| 31 | FY | fiscal year (April–March) |
| 32 | GDP | Gross Domestic Product |
| 33 | GFCE | government final consumption expenditure |
| 34 | GFCF | gross fixed capital formation |
| 35 | GoI | Government of India |
| 36 | G-secs | government securities |
| 37 | GST | Goods and Services Tax |
| 38 | GVA | gross value added |
| 39 | IAD | Index of Aggregate Demand |

| Sr. no. | Abbreviations | Description |
|---|---|---|
| 40 | IBE | interim budget estimates |
| 41 | ICRIER | Indian Council for Research on International Economic Relations |
| 42 | IEA | International Energy Agency |
| 43 | IGST | Integrated Goods and Services Tax |
| 44 | IIP | Index of Industrial Production |
| 45 | IMF | International Monetary Fund |
| 46 | IMI | Index of Macro Imbalance |
| 47 | IMP | imports |
| 48 | INR | Indian Rupee |
| 49 | IPD | implicit price deflator |
| 50 | MCLR | marginal cost of funds-based lending rate |
| 51 | Ming. | mining and quarrying |
| 52 | Mfg. | manufacturing |
| 53 | m-o-m | month-on-month |
| 54 | Mt | metric ton |
| 55 | MoSPI | Ministry of Statistics and Programme Implementation |
| 56 | MPC | Monetary Policy Committee |
| 57 | MPF | Monetary Policy Framework |
| 58 | NEXP | net exports (exports minus imports of goods and services) |
| 59 | NSO | National Statistical Office |
| 60 | NPA | non-performing assets |
| 61 | OECD | Organization for Economic Co-operation and Development |
| 62 | OPEC | Organization of the Petroleum Exporting Countries |
| 63 | PFCE | private final consumption expenditure |
| 64 | PIT | personal income tax |
| 65 | PMI | Purchasing Managers' Index (reference value = 50) |
| 66 | PoL | petroleum oil and lubricants |
| 67 | PPP | Purchasing power parity |
| 68 | PSBR | public sector borrowing requirement |
| 69 | PSU/PSE | public sector undertaking/public sector enterprises |
| 70 | RE | revised estimates |
| 71 | RBI | Reserve Bank of India |
| 72 | SLR | Statutory Liquidity Ratio |
| 73 | Trans. | trade, hotels, transport, communication and services related to broadcasting |
| 74 | US$ | US Dollar |
| 75 | UTGST | Union Territory Goods and Services Tax |
| 76 | WALR | weighted average lending rate |
| 77 | WHO | World Health Organization |
| 78 | WPI | Wholesale Price Index |
| 79 | y-o-y | year-on-year |
| 80 | 1HFY20 | first half of fiscal year 2019-20, i.e., April 2019-September 2019 |

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