95th issue

Economy Watch

Monitoring India's macro-fiscal performance

September 2024

ENTER

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Contents

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Highlights

1. Real GDP growth eased to a five-quarter low of 6.7% in 1QFY25 from 7.8% in 4QFY24 while GVA growth improved to 6.8% from 6.3% over the same period.

2. In August 2024, while services PMI showed a strong expansion, manufacturing PMI indicated an easing growth momentum. Their respective levels were at 57.5 and 60.9.

3. Led by improvement in the growth of manufacturing sector output, overall IIP grew by 4.8% in July 2024.

4. CPI inflation remained low at 3.7% in August 2024, marginally higher than 3.6% in July 2024, whereas core CPI inflation at 3.3% was close to its level of 3.4% in July 2024.

5. WPI inflation eased to a four-month low of 1.3% in August 2024, led by lower inflation in fuel and commodities.

6. As per the CGA, GoI's gross tax revenues (GTR) showed a growth of 21.3% during April-July FY25 with growth in direct taxes at 33.6% and that in indirect taxes at 7.1%.

7. GoI's total expenditure showed a contraction of (-)5.8% during April-July FY25, with both revenue and capital expenditures contracting by (-)2.3% and (-)17.6% respectively.

8. GoI's fiscal and revenue deficits during April-July FY25 stood at their historic low levels of 17.2% and 3.8% of their respective annual BE.

9. Growth in gross bank credit improved to 15.1% in July 2024 from 13.9% in June 2024.

10. Merchandise exports contracted for the second successive month by (-)9.3% and growth in imports eased to a four-month low of 3.3% in August 2024, partly reflecting lower crude and commodity prices.

11. Merchandise trade deficit increased to a 10-month high of US$29.6 billion in August 2024.

12. Net FDIs witnessed outflows for the second successive month at US$1.4 billion in July 2024 while net FPI inflows were strong at US$5.1 billion during the month.

13. Average global crude price fell to a seven-month low of US$78.1/bbl. in August 2024 from US$83.3/bbl. in July 2024.

14. The ADB (July 2024) has projected India's growth at 7.0% in 2024 (FY25) driven by strong growth in manufacturing and construction sectors and supported by improving rural and investment demand.

15. RBI's Monetary Policy Committee may consider reducing the repo rate in its forthcoming meeting in October 2024.

Foreword

With inflation under control, policy rate revision cycle may be initiated

The National Statistical Office (NSO) released the national accounts data for the first quarter of FY25 on 31 August 2024. The data showed that India's real GDP growth at 6.7% fell short of the Reserve Bank of India's projection for the corresponding period at 7.1%. Further, real GDP growth in 1QFY25 was also lower than its level at 7.8% in the preceding quarter, that is, the fourth quarter of FY24. Growth in real GVA at 6.8% in 1QFY25 was marginally higher than real GDP growth. Usually, real GDP growth exceeds GVA growth due to a positive contribution of indirect taxes net of subsidies. However, due to higher implicit price deflator based inflation in the first quarter of FY25 combined with slower growth in net indirect taxes, the real GDP growth was slightly lower than real GVA growth.

On the output side there has been some recovery in agriculture which shows a 2.0% growth, improving over the lower growth rates in the last three quarters of the previous year averaging 0.9%. The only relatively low growth sector is trade, hotels, transport and communications, an employment intensive sector, which shows a growth of 5.7% as compared to the overall non-agricultural growth of 7.6%. On the demand side, negative growth is shown for government final consumption expenditure at (-)0.2% in 1QFY25. However, private final consumption expenditure has shown a robust recovery with a six-quarter high growth of 7.4%. This can be linked to the recovery in both agricultural and non-agricultural growth. Growth in investment as reflected by growth in gross fixed capital formation, at 7.5% in 1QFY25, mainly reflects growth in private investment since central government's capital spending in the first quarter had remained negative. One positive feature on the demand side is that after showing a negative contribution at (-)2.0% points of GDP in FY2024, the contribution of net exports has turned positive at 0.7% points in 1QFY25.

Nominal GDP growth has been estimated at 9.7% in 1QFY25, implying an implicit price deflator-based inflation of 2.8%. This shows a normalization of implicit price deflator-based inflation, which was at a historic low of 1.3% in FY24.

GoI's revenue position after four months into the fiscal year appears quite comfortable with a net revenue receipts growth of 33.6% and that in gross tax revenues of 21.3%. It is the capacity to undertake corresponding expenditures which appears to be dragging the economy down. Both the revenue and capital expenditures of the GoI show negative growth of (-)2.3% and (-)17.6% respectively during April-July 2024. GoI has to activate its expenditure plans earnestly in the remaining months of the fiscal year to support overall demand in the system.

Available high frequency data for July and August 2024 indicates the ongoing robust growth momentum of the Indian economy. Headline manufacturing PMI stood at 57.5 in August 2024, lower than its level of 58.1 in July 2024 but above its long-run average of 54.0. Services PMI at 60.9 in August 2024 was at its highest level since March 2024. Gross and net GST collections (net of refunds) in August 2024 remained high at INR1.75 lakh crore and INR1.50 lakh crore respectively, although falling from their levels of INR1.82 lakh crore and INR1.66 lakh crore in July 2024. CPI inflation remained low at 3.7% in August 2024, marginally higher than 3.6% in July 2024, as food price inflation increased slightly to 5.7% in August 2024 from a 13-month low of 5.4% in July 2024. Core CPI inflation eased marginally to 3.3% in August 2024 from 3.4% in July 2024. WPI inflation moderated to a four-month low of 1.3% in August 2024, led by lower inflation in fuel and commodities. Core WPI inflation eased to 0.7% in August 2024 from 1.2% in July 2024 led by a fall in inflation in manufactured basic metals. Growth in gross bank credit improved to 15.1% in July 2024 from 13.9% in June 2024. IIP grew at a stable pace of 4.8% in July 2024, led by a pickup in the growth of manufacturing sector output. Merchandise trade deficit increased to a 10-month high of US$29.6 billion in August 2024. During April to July FY25, both gross and net FDI inflows were higher at US$27.7 billion and US$5.5

billion respectively as compared to US$22.4 billion and US$3.8 billion respectively during April to July FY24.

In this edition's '*Infocus*' section, we discuss the relative roles of two powerful economic country groupings, namely G7 and BRICS+ that are likely to play a significant role in affecting global economic affairs. The size of their aggregate GDP, if measured in market exchange rate terms, favors the G7 group. However, when the comparison is made in Purchasing Power Parity (PPP) terms, it is the BRICS+ group that has the relatively larger and growing share in global GDP. BRICS+ is projected to have a share of 29.2% in market exchange terms and 38.3% in PPP terms as compared to the corresponding shares of the G7 group at 42.4% and 27.5% respectively in 2029. These country groups are slated to play a major role in the dynamics of global growth, global trade and management of global exchange rates. These country groups played critical roles in combating two recent global crises that happened in 2008 and 2020. In this process, governments in both country groups also became heavily indebted, progressively reducing their capacity to fiscally combat any future crisis. However, in relative terms, the BRICS+ group is better placed to fiscally combat any future major economic crisis as it has a lower debt-GDP ratio, access to higher primary deficit, and a near equal excess of growth over interest rates as compared to the G7 group.

In its 18 September 2024 meeting, the US Fed has reduced the Fed rate by 50 basis points, bringing it down to a range of 4.75% to 5%. The Fed has also indicated continued reduction in the Fed rate by another 50 basis points by December 2024. Depending on CPI inflation in the US, which has already fallen to 2.2% in August 2024, remaining close to 2% or below, there is a likelihood of a further reduction of a 100 basis points in the Fed rate next year. The target is to eventually bring the Fed rate down to a range of 2.75% to 3% by 2026. Many monetary authorities around the world, which had been waiting for the US Fed to start the rate reduction cycle, would now follow suit. The RBI had kept the repo rate unchanged at 6.5% since February 2023. CPI inflation in India has remained below 4% in July and August 2024. However, RBI's expectation for the last two quarters of the current fiscal year is for CPI inflation to be higher than the monetary policy target rate of 4%, averaging 4.7% and 4.3% in 3Q and 4Q, respectively. Also, the 1QFY25 real GDP growth had fallen below RBI's expectations. The RBI's Monetary Policy Committee may consider reducing the repo rate in its forthcoming meeting in October 2024.

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1 Growth: real GDP growth moderated to 6.7% in 1QFY25

1.1 GDP and GVA: grew by 6.7% and 6.8%, respectively in 1QFY25

- The national accounts data for the first quarter of FY25 released by the MoSPI on 30 August 2024 showed that real GDP growth eased to a five-quarter low of 6.7% in 1QFY25 from 7.8% in 4QFY24 **(Chart 1).**
- Among the domestic demand components, the sharpest recovery was seen in the growth of private final consumption expenditure (PFCE) at 7.4% in 1QFY25 as compared to 4.0% in 4QFY24.
- Gross fixed capital formation (GFCF), which measures investment demand in the economy, posted a growth of 7.5% in 1QFY25, increasing from 6.5% in 4QFY24 **(Table 1).** This has happened despite a contraction in GoI's capital expenditure in 1QFY25, indicating a higher capex by the private corporate sector.
- Government final consumption expenditure (GFCE) however, contracted by (-)0.2% in 1QFY25 following a low growth of 0.9% in 4QFY24. This reflects subdued growth in government's revenue expenditure.
- With regard to external demand, since exports grew at a faster pace of 8.7% as compared to that of imports at 4.4%, there was a positive contribution of net exports to GDP growth at 0.7% points in 1QFY25.
- On the output side, real GVA growth improved to 6.8% in 1QFY25 from 6.3% in 4QFY24. This was driven by robust growth rates in construction, public administration et al., and financial, real estate et al. sectors.
- Among the eight GVA sectors, growth in GVA from construction sector at 10.5% was the highest in 1QFY25 increasing from 8.7% in 4QFY24. This was followed by public administration and defence et al. sectors at 9.5% in 1QFY25, an improvement as compared to 7.8% in 4QFY24.

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

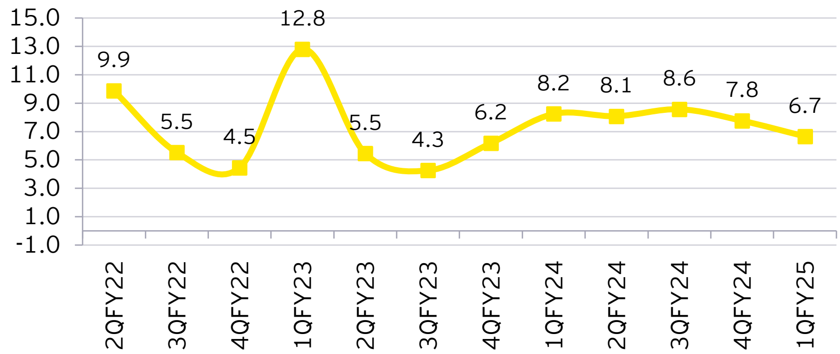


Table 1: Real GDP and GVA growth (%, annual)

Agg. demand	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	*1Q FY25*
PFCE	6.2	18.5	8.2	1.8	1.5	5.5	2.6	4.0	4.0	7.4
GFCE	5.0	9.8	3.4	7.1	13.9	-0.1	14.0	-3.2	0.9	-0.2
GFCF	6.4	13.9	4.7	5.0	3.8	8.5	11.6	9.7	6.5	7.5
EXP	22.5	19.1	11.7	10.9	12.4	-6.6	5.0	3.4	8.1	8.7
IMP	6.9	26.1	16.1	4.1	-0.4	15.2	11.6	8.7	8.3	4.4
GDP	**4.5**	**12.8**	**5.5**	**4.3**	**6.2**	**8.2**	**8.1**	**8.6**	**7.8**	**6.7**
Contr. NEXP (% pts)	*2.7*	*-1.4*	*-1.2*	*1.4*	*2.8*	*-5.5*	*-1.8*	*-1.3*	*0.1*	*0.7*
Output side										
Agr.	5.5	2.7	2.3	5.2	7.6	3.7	1.7	0.4	0.6	2.0
Ming.	1.0	6.6	-4.1	1.4	2.9	7.0	11.1	7.5	4.3	7.2
Mfg.	-0.3	2.2	-7.2	-4.8	0.9	5.0	14.3	11.5	8.9	7.0
Elec.	7.2	15.6	6.4	8.7	7.3	3.2	10.5	9.0	7.7	10.4
Cons.	7.0	14.7	6.9	9.5	7.4	8.6	13.6	9.6	8.7	10.5
Trans.	6.2	22.1	13.2	9.2	7.0	9.7	4.5	6.9	5.1	5.7
Fin.	5.8	10.5	8.7	7.7	9.2	12.6	6.2	7.0	7.6	7.1
Publ.	3.2	23.6	7.3	3.5	4.7	8.3	7.7	7.5	7.8	9.5
GVA	**4.3**	**11.3**	**5.0**	**4.8**	**6.0**	**8.3**	**7.7**	**6.8**	**6.3**	**6.8**

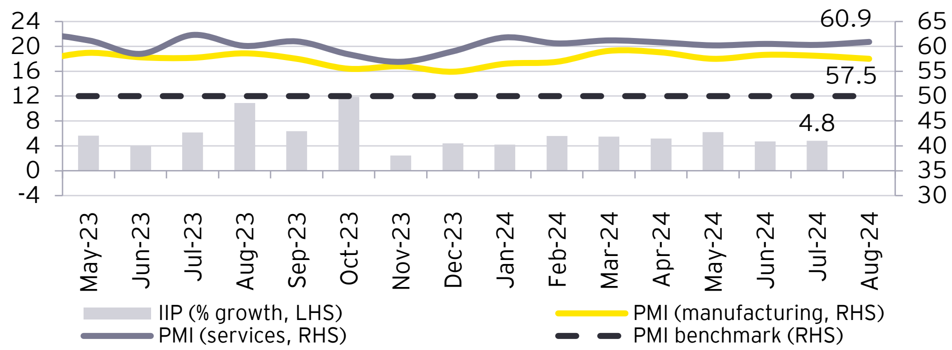
Source: MoSPI, GoI

- GVA growth in financial, real estate et al. sectors remained strong at 7.1% in 1QFY25, although lower as compared to 7.6% in 4QFY24. Similarly, manufacturing GVA growth at 7.0% in 1QFY25 was lower as compared to 8.9% in 4QFY24. Among services sector, the lowest growth was observed in the trade, transport et al. sector at 5.7% in 1QFY25, although higher than 5.1% in 4QFY24.
- Agricultural GVA growth recovered to 2.0% in 1QFY25 from 0.6% in 4QFY24, leading to likely improvement in rural demand.
- With nominal GDP showing a growth of 9.7%, the IPD-based inflation increased to a five-quarter high of 2.8% in 1QFY25.

1.2 PMI: showed a strong expansion in services and an easing growth momentum in manufacturing in August 2024

- Headline manufacturing PMI (seasonally adjusted (sa)) stood at 57.5 in August 2024, lower than its level of 58.1 in July 2024 but above its long-run average of 54.0 signaling substantial yet softer increases in new orders and output **(Chart 2)**.
- Services PMI increased from 60.3 in July 2024 to 60.9 in August 2024, its highest level since March 2024, largely led by an expansion in new domestic orders. With this, services PMI remained above 60 for the eighth consecutive month in August 2024.
- Reflecting a strong growth momentum in services but an easing pace of activity in manufacturing, the composite PMI Output Index (sa) at 60.7 in August 2024 remained unchanged from its level in July 2024. The August 2024 level remained above the long-run average of 54.6.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global.

In August 2024, while services PMI showed a strong expansion, manufacturing PMI indicated an easing growth momentum. Their respective levels were at 57.5 and 60.9.

1.3 IIP: grew by 4.8% in July 2024

- According to the quick estimates, IIP grew by 4.8% in July 2024, marginally higher as compared to 4.7% (revised) in June 2024 (Chart 1) owing to the improvement in the growth of manufacturing output.
- Among the sub industries, growth in the output of manufacturing increased to 4.6% in July 2024 from 3.2% in June 2024. Within manufacturing, the sub-sectors contributing to this improvement in growth were coke and refined petroleum products (6.9%), chemical and chemical products (4.7%), other machinery and equipment (6.3%) and other transport equipment (25.5%).

Led by improvement in the growth of manufacturing sector output, overall IIP grew by 4.8% in July 2024.

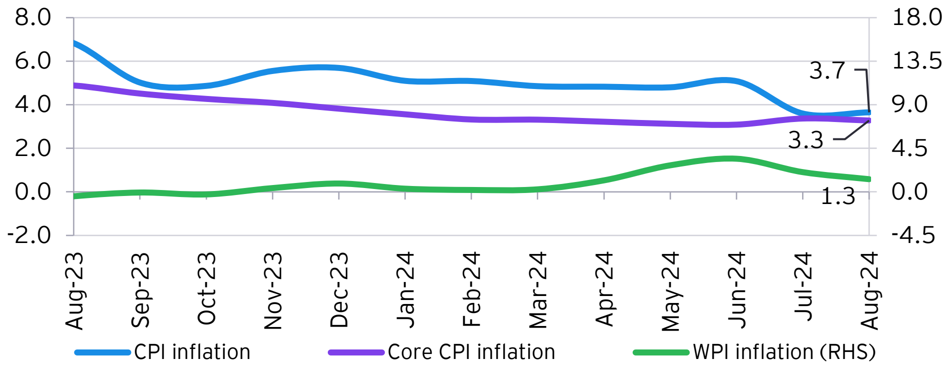
- Although output of electricity showed a strong growth of 7.9% in July 2024, it was lower as compared to 8.6% in June 2024.
- Growth in mining sector output, which is usually volatile, moderated sharply to a four-month low of 3.7% in July 2024 from 10.3% in June 2024.
- As per the 'use-based' classification of industries, output of capital goods showed the highest growth of 12% in July 2024, increasing from 3.8% in June 2024. Growth in intermediate goods also improved sharply to 6.8% in July 2024 from 3.0% in June 2024. Growth in the output of consumer durables remained robust at 8.2% in July 2024, although lower as compared to 8.7% in June 2024. Growth in the output of intermediate/construction goods eased to 4.9% in July 2024 from 7.1% in June 2024.
- Growth in the output of eight core infrastructure industries (core IIP) increased to 6.1% in July 2024 from 5.1% (revised) in June 2024. This may be attributable to improvement in the output growth of petroleum refinery products (6.6%), cement (5.5%), fertilizers (5.3%) and steel (7.2%) in July 2024. However, there was a moderation in the growth of coal and electricity to 7.0% and 6.8% respectively in July 2024 from 8.6% and 14.7% respectively in June 2024.

2 Inflation: CPI inflation remained low at 3.7% in August 2024

2.1 CPI inflation

- CPI inflation at 3.7% in August 2024 was only marginally higher than 3.6% in July 2024. Since August 2019, these are the only two months when it was seen at a level below 4%. This fall was led by low inflation in food items and contraction in prices of fuel and light **(Chart 3)**.
- Consumer food price index-based inflation was low at 5.7% in August 2024, although increasing slightly from a 13-month low of 5.4% in July 2024. Inflation in vegetables and fruits increased to 10.7% and 6.5% in August 2024 from 6.8% and 3.8% in July 2024, respectively. While prices of spices continued to contract by (-)4.4% in August 2024, inflation in cereals, and meat and fish eased to 25-month and seven-month lows of 7.3% and 4.3% respectively.
- Inflation in clothing and footwear remained at a 52-month low of 2.7% in August 2024 for the third successive month. Inflation in housing remained stable at 2.7% in August 2024.
- Fuel and light inflation remained negative for the twelfth successive month at (-)5.3% in August 2024, reflecting the cumulative impact of the sharp cuts in LPG prices in August 2023 and March 2024.
- Inflation in transportation and communication services edged up to a 17-month high of 2.7% in August 2024.
- Core CPI inflation[1] at 3.3% in August 2024, was close to its level of 3.4% in July 2024. It has remained range bound within a narrow range of 3.1% to 3.4% since February 2024.

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



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

CPI inflation remained low at 3.7% in August 2024, marginally higher than 3.6% in July 2024, whereas core CPI inflation at 3.3% was close to its level of 3.4% in July 2024.

2.2 WPI inflation: *eased to a four-month low of 1.3% in August 2024, led by lower inflation in fuel and commodities*

- Inflation in fuel and power turned negative at (-)0.7% in August 2024 from 1.7% in July 2024 as inflation in mineral oils turned negative at (-)0.4% from 3.7% over the same period. The contraction in prices of mineral oils was led by a sharp fall in inflation in furnace oil to 2.9% in August 2024 from 24.3% in July 2024 while petrol and diesel prices continued to contract by (-)4.2% and (-)3.0% respectively in August 2024.
- Inflation in crude petroleum and natural gas dropped to 1.8% in August 2024 from 9.1% in July 2024 due partly to waning of unfavorable base effect, and partly to crude prices being lower on a y-o-y basis.
- Food inflation moderated to a 14-month low of 3.3% in August 2024 as vegetable prices contracted for the second successive month by (-)10.0% in August 2024 primarily owing to a favorable base effect.
- Inflation in manufactured food products also eased to 3.6% in August 2024 from 3.8% in July 2024.
- Inflation in manufactured products was benign at a three-month low of 1.2% in August 2024 due to inflation in manufactured basic metals turning negative at (-)0.8% in August 2024 from 0.9% in the previous month. This was due to commodity prices being lower on a y-o-y basis.
- Core WPI inflation eased to 0.7% in August 2024 from 1.2% in July 2024 led by contraction in the price of manufactured basic metals.

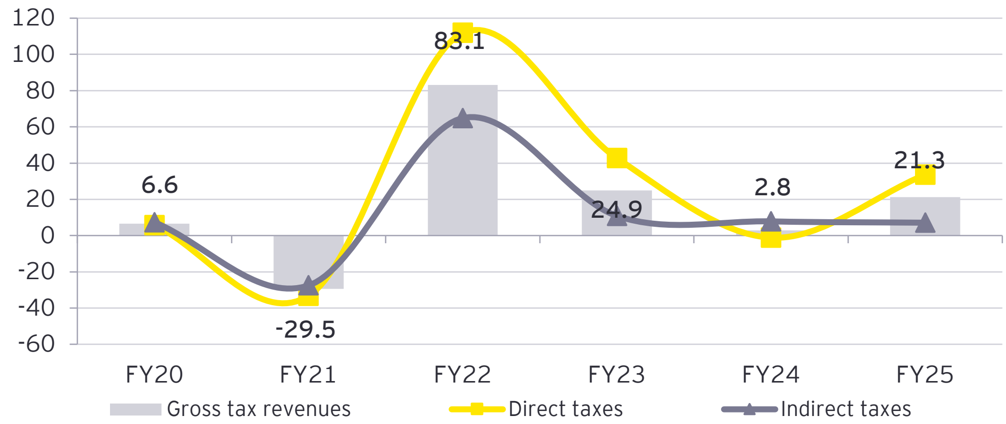
[1] Core CPI inflation is measured in different ways by different organizations. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3 Fiscal: GoI's capital expenditure during April-July FY25 contracted by (-)17.6%

3.1 Tax and non-tax revenues

- As per the CGA, GoI's GTR[b] showed a growth of 21.3% during April-July FY25 as compared to 2.8% during the corresponding period of FY24 **(Chart 4)**. GTR during April to July as a percentage of annual BE stood at 28.2% in FY25, slightly higher than the three-year average of 26.7% during FY22 to FY24 based on actual data.
- Direct taxes[a] showed a strong growth of 33.6% while indirect taxes[a] grew by 7.1% during April-July FY25. The corresponding growth rates in FY24 were at (-)1.1% and 7.8% respectively.
- CIT revenues grew by 4.8% during April-July FY25 as compared to a contraction of (-)10.4% during the corresponding period of FY24.
- PIT revenues grew by 53.4% during the first four months of FY25, significantly higher than the corresponding growth of 6.4% in FY24.
- Among indirect taxes, GoI's GST revenues[c] grew by 9.5% during April-July FY25, marginally lower than 9.8% during the corresponding period of FY24.
- After contracting for the first three months of FY25, union excise duties (UED) showed marginally positive growth of 0.8% during April-July FY25. There was a contraction of (-)10.5% during the corresponding period of FY24.
- Customs duties grew by 3.8% during April-July FY25, much lower as compared to 27.5% during the corresponding period of FY24.
- During 1QFY25, with GoI's GTR growth at 23.7% and nominal GDP growth at 9.7%, tax buoyancy was at 2.4.

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



GoI's GTR showed a growth of 21.3% during April-July FY25 with growth in direct taxes at 33.6% and that in indirect taxes at 7.1%.

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.

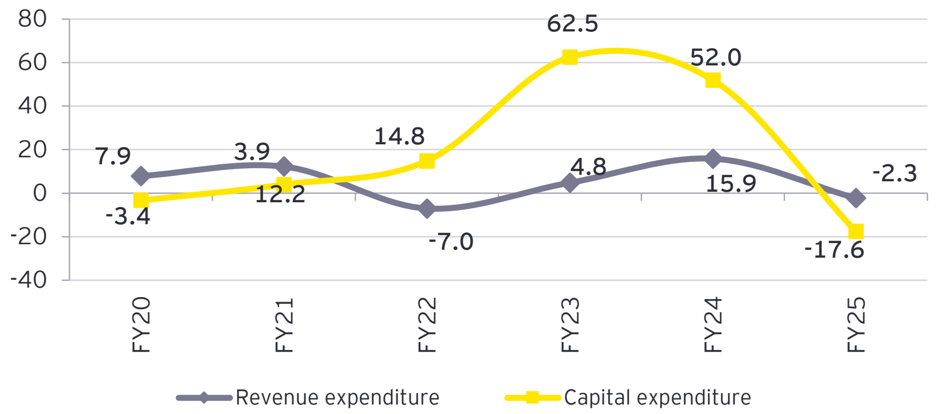
- GoI's non-tax revenues showed a high growth of 68.8% during the first four months of FY25, owing to substantially higher dividends by the RBI. GoI's dividends and profits during this period at INR2,28,823 crore stood at 79% of the FY25 (BE) at INR2,89,134 crore.
- Non-debt capital receipts of the GoI during April-July FY25 stood at 8.2% of the annual BE, much lower than the three-year average ratio at 33.4% during the corresponding period in FY22 to FY24 based on actual data.
- As per the Department of Investment and Public Asset Management (DIPAM)[2], GoI's disinvestment receipts as of 24 September 2024 were at INR3160.55 crore, amounting to 6.3% of the FY25 BE at INR50,000 crore.

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

3.2 Expenditures: revenue and capital

- GoI's total expenditure showed a contraction of (-)5.8% during the first four months of FY25 as compared to a growth of 22.5% during the corresponding period of FY24. GoI's total expenditure during April-July FY25 stood at 27% of FY25 BE, slightly lower than the last three-year average at 28.2% based on actual data.
- GoI's revenue expenditure contracted by (-)2.3% during April-July FY25 as compared to a growth of 15.9% during April-July FY24.
- Unlike the last four years, GoI's capital expenditure showed a contraction of (-)17.6% during April-July FY25 **(Chart 5)**. Capital expenditure during this period stood at 23.5% of FY25 BE, lower than the last three-year average at 27.8% based on actual data.

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



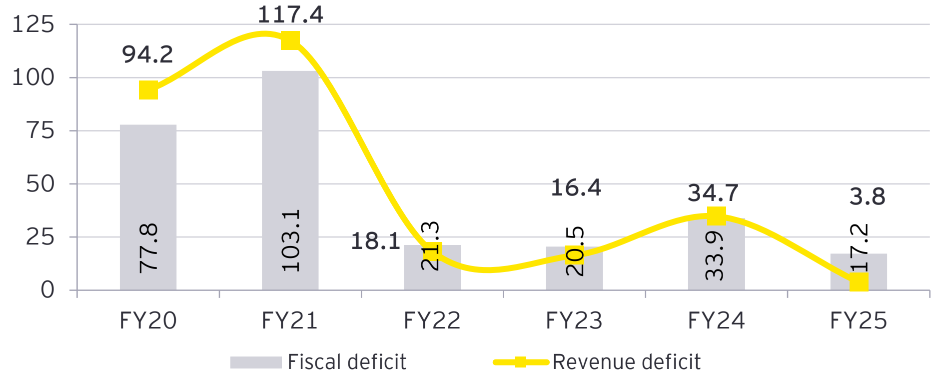
GoI's total expenditure showed a contraction of (-)5.8% during April-July FY25, with both revenue and capital expenditures contracting by (-)2.3% and (-)17.6% respectively.

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

3.3 Fiscal imbalance

- GoI's fiscal deficit during April-July FY25 stood at an unprecedented low level of 17.2% of the FY25 BE owing to a strong growth in GoI's direct tax revenues, substantially enhanced non-tax revenues, and a contraction in total expenditure. In comparison, GoI's fiscal deficit as a proportion of BE stood at 33.9% during April-July FY24 **(Chart 6)**.
- GoI's revenue deficit during April-July FY25 also stood at a historic low of 3.8% of FY25 BE. This ratio stood at 34.7% during the corresponding period of FY24.

Chart 6: Fiscal and revenue deficit during April-July as a percentage of BE



GoI's fiscal and revenue deficits during April-July FY25 stood at their unprecedented low levels of 17.2% and 3.8% of their respective annual BE.

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

4 Comparative trends: OECD projected growth in India's export volume at 2.7% in FY25

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4.1 Export volumes of goods and services

- According to the OECD, growth in export volumes of goods and services slowed significantly in all selected major advanced and emerging economies (AEs and EMDEs) in 2023, with the exceptions of Brazil and China **(Table 2)**.
- In the US, despite a slowdown in the growth of export volumes in 2023, the level of growth at 2.6% remained higher than the average growth of 1.7% during the pre-COVID-19 period from 2015 to 2019. This was attributable to a record high level of petroleum exports in 2023. Export growth is projected at 2.3% and 2.6% in 2024 and 2025, close to its 2023 level.
- Export volumes contracted in the UK and Germany in 2023. In both cases, growth is projected to pick up beginning 2025 as key export markets recover due to the projected easing of global financial conditions.
- Brazil's export growth sharply increased to 9.1% in 2023 owing to a sharp increase in its agriculture and livestock exports. Export growth is projected to return to its normal levels in 2024 and 2025. However, risks to export growth emanate from increased geopolitical tensions and a slower growth in China, a key trading partner of Brazil.

Table 2: Export volumes of goods and services (% change)

Country	2021	2022	2023	2024	2025
US	6.3	7.0	2.6	2.3	2.6
UK	4.9	9.0	-0.5	0.6	1.9
Germany	9.5	3.4	-1.7	-0.6	2.7
Japan	11.9	5.3	3.0	2.3	2.5
Brazil	5.0	6.2	9.1	4.6	3.5
India*	29.6	13.4	1.4	2.7	2.0
China	15.7	-3.8	4.1	7.2	4.8
S. Africa	9.1	7.4	3.5	3.3	3.6
Memo					
Global trade	*10.7*	*5.3*	*1.0*	*2.3*	*3.3*

Source: OECD Economic Outlook, May 2024
*data pertains to fiscal year

- In China, the reopening helped export volumes to show a growth of 4.1% in 2023 as compared to a contraction of (-)3.8% in 2022. Growth in export volumes is projected to pick up in 2024 and 2025 relative to its level in 2023 as global demand recovers, and an increasing number of Chinese goods become competitive in international markets.
- India's export volume growth fell sharply to 1.4% in 2023 due to subdued global demand. Owing to buoyant services exports, growth in overall export volumes is projected to increase to 2.7% in 2024 and 2% in 2025
- According to the OECD, global trade volume growth slowed significantly to 1% in 2023 from 5.3% in 2022. It is expected to recover alongside GDP to 2.3% and 3.3% in 2024 and 2025, respectively. Continued steady growth in the US, stimulus measures in China and a trade rebound in the Asian economies are key cyclical factors behind the projected trade upturn, particularly in 2024. By 2025, a lower cost of trade finance and a gradual recovery in investment, particularly in Europe, will provide further support for trade.

4.2 Import volumes of goods and services

- All major AEs and EMEs witnessed a contraction/slowdown in import volumes of goods and services in 2023 except India, in whose case, the contraction is projected in 2024 (FY25) and China, where the contraction occurred in 2022.
- With an expected recovery in global demand, growth rates in import volumes are expected to show an improvement in 2024 and 2025, with the exceptions of India, China and South Africa **(Table 3)**.
- In China, growth in import volumes is forecasted to ease from 8.8% in 2023 to 5.3% in 2024 and further to 4.5% in 2025 as tourism imports, the single largest component of imports, may not recover to pre-COVID-19 levels. In OECD's assessment, a further move up the value chain in industry would increase the competitiveness of Chinese goods and reduce reliance on imported parts and components.

Table 3: Import volumes of goods and services (% change)

Country	2021	2022	2023	2024	2025
US	14.5	8.6	-1.7	2.2	3.2
UK	6.1	14.6	-1.5	0.0	1.1
Germany	8.8	6.8	-3.0	-0.8	2.8
Japan	5.1	7.9	-1.3	0.7	2.9
Brazil	13.8	0.7	-1.1	1.8	2.5
India*	22.1	10.6	11.5	-0.8	2.8
China	7.5	-6.5	8.8	5.3	4.5
S. Africa	9.6	14.9	4.1	1.2	3.4

Source: OECD Economic Outlook, May 2024
*data pertains to fiscal year

- As per the OECD, in India, with private consumption remaining sluggish, growth in import volumes is projected to be negative in 2024 (FY25), recovering only modestly in 2025 (FY26).

5 In focus: Comparing BRICS+ and G7 country groups: economic size and government indebtedness

5.1 Introduction

In this writeup, we look at the relative economic size of two global country groups, namely G7 and BRICS+. In the former group, there are seven member countries, namely Canada, France, Germany, Italy, Japan, the UK and the US[3]. In the latter group, there are ten countries. The first five, constituting the original members, are Brazil, Russia, India, China and South Africa. The extended group includes five other members, namely Egypt, Ethiopia, Iran, Saudi Arabia and the UAE. Together these countries, 17 in number, account, group wise, for an overwhelmingly large share in world GDP, world population and world trade. Handling of issues pertaining to global economic policy and growth, macro stabilization and global poverty alleviation are likely to depend on the policies followed by these two groups and their individual members. The effectiveness of these policies would depend on the cohesiveness of the two groups in formulating those policies. The relative impacts of these policies would also depend on their relative economic size and the nature of their policy interventions. The G7 group is already quite cohesive, and it took a lead in developing counter measures while dealing with two major recent crises, that is (1) the 2008 global economic and financial crisis and (2) the 2020 COVID-19 crisis. Its responses in terms of fiscal and monetary policies were well coordinated, at least in the 2008 crisis. Even in the COVID crisis, its interventions were of a similar nature, although the extent of its intra-group co-ordination was relatively limited. Since the impact of an intervention by any of the two groups depends on their relative size, and since their relative size measured in terms of the group-wise GDP is changing progressively, we first consider the dynamics of the size of the GDPs of these two groups as well as their individual members. We then consider their ability to fiscally intervene if and when another global recession occurs. The capacity to intervene largely depends on the indebtedness of governments in these countries.

5.2 Size of GDP in Market Exchange Rate and Purchasing Power Parity terms

The measurement of relative size of an economy/group of economies depends, among other factors, on the exchange rates which are used for the conversion of GDPs measured in domestic currencies of different countries to a common platform. Usually, this conversion can be done in terms of US$ using either current market exchange rates (MX) or international dollar based on purchasing power parity (PPP). Any pressure on the US$ will lead the market exchange rates to move closer to the PPP$ rates.

Measured at current market exchange rates, the share of the G7 group in world GDP has fallen from 64.4% in 2002 to an estimated level of 44.4% in 2024, a fall of 20% points, as shown in Table 4. As per the IMF data, this is projected to fall further to 42.4% by 2029. The share of the BRICS+ group on the other hand, increased from 10.1% in 2002 to 27.3% in 2024, an increase of 17.2% points. This share is projected to increase further to 29.2% by 2029. Together, these two groups currently account for nearly three-fourth of the global GDP although, their combined share has fallen marginally from 74.5% in 2002 to 71.7% in 2024.

Table 4: Share in global GDP in MX terms

Country	2002	2009	2015	2020	2024	2029
Brazil	1.5	2.7	2.4	1.7	2.1	2.2
China	4.2	8.4	14.8	17.4	16.9	17.9
India	1.5	2.2	2.8	3.1	3.6	4.6
Russia	1.1	2.2	1.8	1.7	1.9	1.6
South Africa	0.4	0.5	0.5	0.4	0.3	0.3
Egypt	0.3	0.3	0.5	0.4	0.3	0.4
Ethiopia	0.0	0.0	0.1	0.1	0.2	0.3
Iran	0.4	0.7	0.5	0.2	0.4	0.4
Saudi Arabia	0.5	0.7	0.9	0.9	1.0	1.0
UAE	0.3	0.4	0.5	0.4	0.5	0.5
BRICS+	10.1	18.2	24.7	26.5	27.3	29.2
Canada	2.2	2.3	2.1	1.9	2.0	2.0
France	4.3	4.4	3.2	3.1	2.9	2.6
Germany	5.9	5.6	4.5	4.6	4.2	3.9
Italy	3.6	3.6	2.4	2.2	2.1	1.9
Japan	12.0	8.7	5.9	5.9	3.8	3.6
UK	5.1	4.0	3.9	3.2	3.2	3.4

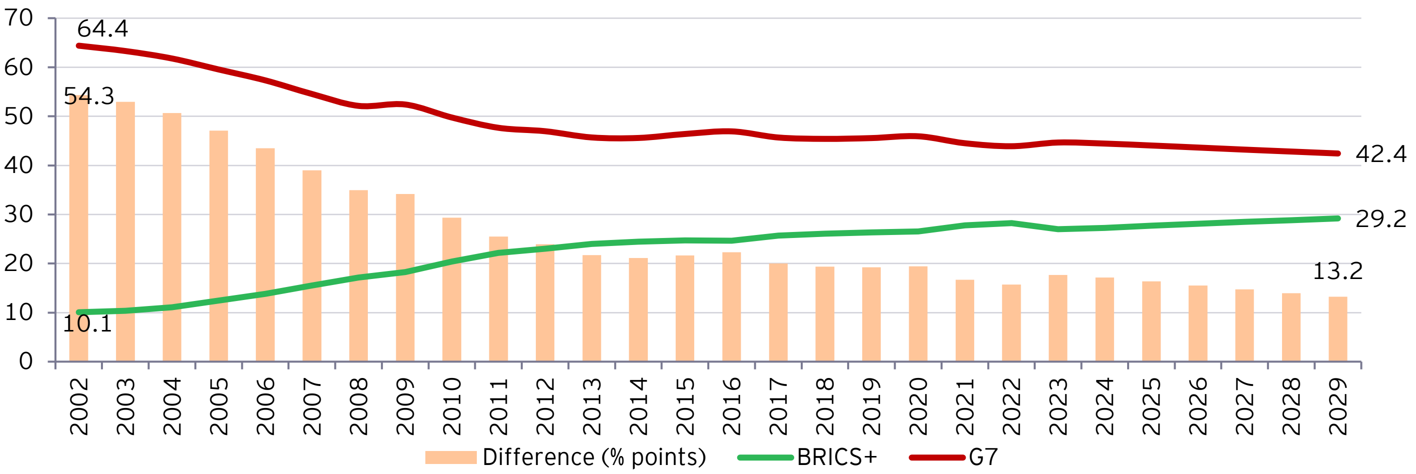
[3] The EU is a non-enumerated member of the G7.

Country	2002	2009	2015	2020	2024	2029
US	31.3	23.8	24.4	25.0	26.3	25.1
G-7	64.4	52.4	46.4	45.9	44.4	42.4
G-7 + BRICS+	74.5	70.6	71.1	72.4	71.7	71.6
Others	25.5	29.4	28.9	27.6	28.3	28.4
World	100	100	100	100	100	100

Source (basic data): World Economic Outlook April 2024 database

Chart 7 shows the progressive fall in the difference between the relative shares of the two country groups. In 2002, this relative difference was 54.3% points, which is projected to fall to 13.2% points by 2029.

Chart 7: Share in global GDP in MX terms



Source (basic data): World Economic Outlook April 2024 database

Measured in PPP$ terms, as shown in Table 5, the share of G7 countries which accounted for 42.1% in 2002 fell to 29.6% in 2024, a fall of 12.5% points. In the case of BRICS+, their share in global GDP increased from 24.1% in 2002 to 36.7% in 2024, an increase of 12.6% points. The share of G7 countries is projected to fall to 27.5% while that of BRICS+ is projected to increase to 38.3% by 2029. Thus, BRICS+ has a much larger share of global GDP measured in PPP$ terms. Going forward, the BRICS+ group including countries such as India and UAE may have a larger and more active role to play in global economic affairs.

Table 5: Share in global GDP in PPP terms

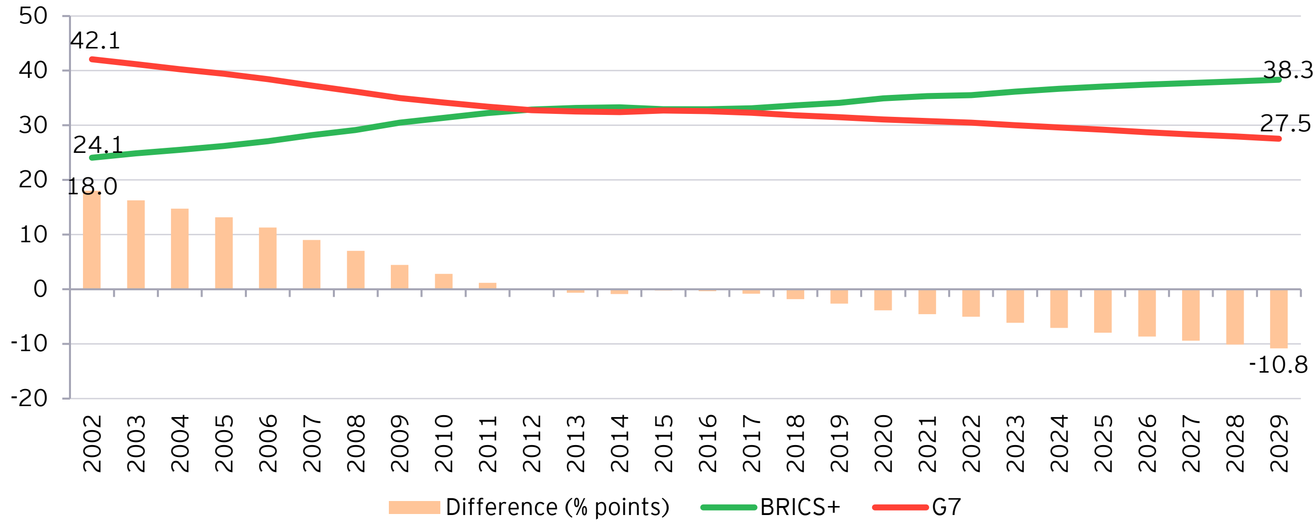
Country	2002	2009	2015	2020	2024	2029
Brazil	3.1	3.0	2.7	2.4	2.3	2.2
China	8.1	12.9	15.9	18.1	19.0	19.5
India	4.5	5.6	6.4	6.8	7.9	9.2
Russia	3.2	3.4	3.1	3.1	2.9	2.7
South Africa	0.8	0.7	0.7	0.6	0.6	0.5
Egypt	0.8	0.9	1.0	1.0	1.0	1.1
Ethiopia	0.1	0.1	0.1	0.2	0.2	0.3
Iran	1.5	1.5	1.0	1.0	1.0	1.0
Saudi Arabia	1.5	1.6	1.4	1.3	1.3	1.3
UAE	0.6	0.6	0.6	0.5	0.5	0.5
BRICS+	**24.1**	**30.5**	**32.9**	**34.9**	**36.7**	**38.3**
Canada	1.8	1.5	1.4	1.4	1.3	1.3
France	3.2	2.7	2.4	2.3	2.1	2.0
Germany	4.6	3.6	3.5	3.4	3.1	2.8
Italy	3.2	2.4	2.0	1.8	1.8	1.6
Japan	6.5	5.1	4.6	4.0	3.6	3.2
UK	3.1	2.6	2.5	2.2	2.2	2.0
US	19.7	17.1	16.3	16.0	15.5	14.7
G-7	**42.1**	**35.0**	**32.7**	**31.1**	**29.6**	**27.5**
G-7 plus BRICS+	**66.2**	**65.5**	**65.7**	**66.0**	**66.3**	**65.9**

Country	2002	2009	2015	2020	2024	2029
Others	33.8	34.5	34.3	34.0	33.7	34.1
World	100	100	100	100	100	100

Source (basic data): World Economic Outlook April 2024 database

Chart 8 shows that in PPP terms, the share of the BRICS+ group in global GDP overtook that of the G7 group way back in 2012. The share of the BRICS+ group is likely to further increase with time if the present trends continue. In fact, this process would be accelerated if more countries join the BRICS+ group and if the market exchange rates move against the US dollar.

Chart 8: Share in global GDP in PPP terms



Source (basic data): World Economic Outlook April 2024 database

5.3 Debt-GDP ratio

We now consider the effectiveness of cohesive policy intervention by the two groups in the presence of a global crisis. One dimension of this is fiscal policy intervention. When the 2008 crisis occurred, both groups had responded cohesively in terms of fiscal intervention. This had led to progressive increases in the government's fiscal deficit and government debt relative to respective GDPs. The composition of debt into domestic and external debt is also significant in determining a country's vulnerability arising from the level of its debt.

Table 6 shows that most governments in both groups are heavily indebted. In both groups, government's debt increased over the period from 2002 to 2024 with two global crises in between, one in 2008 and one in 2020. The first crisis which had started in 2008 and whose deleterious impact became visible in 2009 is well known as the global economic and financial crisis. The crisis in 2020, which originated as a health crisis, to which governments had responded, among other factors, by expanding their fiscal deficit and debt, witnessed its peak fiscal impact in 2020. The period from 2022 to 2024 is also characterized by the onset of the geopolitical conflicts, especially the Russia Ukraine conflict.

Governments in the G7 group have remained relatively more indebted with its weighted average debt-GDP ratio deteriorating from 76.7% in 2002 to a peak of nearly 140% in the COVID affected year of 2020. It is estimated at 126.5% in 2024. The most indebted country in this group is Japan, whose government debt to GDP ratio is estimated at 254.6% and the lowest government debt to GDP is for Germany at 63.7% in 2024.

Table 6: General government debt as % of GDP

Countries/Country groups	2002	2009	2020	2024	% change (2024 over 2002)
Brazil	76.1	64.7	96.0	86.7	*14.0*
China	25.9	34.6	70.1	88.6	*241.8*
India	84.3	72.8	88.4	82.5	*-2.2*
Russia	37.6	9.9	19.2	20.8	*-44.7*
South Africa	31.8	27.0	68.9	75.4	*137.2*

Countries/Country groups	2002	2009	2020	2024	% change (2024 over 2002)
Egypt	85.8	69.5	86.2	96.4	*12.3*
Ethiopia	107.4	30.0	53.7	30.5	*-71.6*
Iran	28.5	13.3	48.3	25.5	*-10.5*
Saudi Arabia	96.4	14.0	31.0	27.5	*-71.4*
UAE	3.4	21.1	41.1	30.3	*783.3*
Simple Average - BRICS+	**57.7**	**35.7**	**60.3**	**56.4**	***-2.3***
Weighted Average – BRICS+	**48.1**	**39.3**	**68.9**	**78.2**	**62.7**
Canada	79.6	81.8	118.2	104.7	*31.6*
France	60.3	83.0	114.7	111.6	*85.2*
Germany	59.9	73.2	68.8	63.7	*6.3*
Italy	106.4	116.6	154.9	139.2	*30.9*
Japan	154.1	198.8	258.3	254.6	*65.2*
UK	35.4	64.9	105.8	104.3	*194.5*
US	55.5	86.6	132.0	123.3	***121.9***
Simple Average - G7	**78.7**	**100.7**	**136.1**	**128.8**	***63.5***
Weighted Average - G7	**76.7**	**103.7**	**139.6**	**126.5**	***65.0***

Source (basic data): World Economic Outlook April 2024 database
Note: Debt levels for country groups (G7 and BRICS+) are estimated by aggregating country level debt and nominal GDP denominated in US$ (MX) terms.

In the BRICS+ group, the weighted average debt-GDP ratio was 78.2% in 2024, increasing by 62.7% from its 2002 level of 48.1% of GDP. This deterioration was driven largely by China, although a number of countries in this group experienced a reduction in their debt-GDP levels during the corresponding period.

The general trend over the period 2002 to 2024 in government indebtedness is that of deterioration reflected in their increasing debt GDP ratios. The worst impact in terms of individual countries covering both groups is that on the UAE, at 783.3% followed by China where government debt increased by nearly 242%. These are followed by the UK where the government debt to GDP ratio increased by close to 195%, South Africa by 137% and the US with an increase of 122%.

Considering both groups together, there are five countries where the government debt to GDP ratio actually fell during the period from 2002 to 2024. These are Russia, India, Ethiopia, Iran and Saudi Arabia. All these countries belong to the BRICS+ group.

5.4 Fiscal deficit to GDP ratio

We measure fiscal deficit as the annual change in government debt. In fact, government debt is the outcome of the accumulation of annual fiscal deficits moderated by the excess of nominal GDP growth over effective interest rate. The dynamics of accumulation of government debt can be described as a function of primary deficit and previous year's outstanding debt relative to the GDPs of the current and previous years and the nominal GDP growth and interest rate in the current year[4].

In 2024, in the BRICS+ group, the highest fiscal deficit to GDP ratio was that for Egypt followed by China at 26.1% and 9.7% respectively (Table 7). Driven by these two countries, the weighted average fiscal deficit to GDP ratio for this group was also quite high at 8.4% in 2024. In contrast, for the G7 group, the weighted average fiscal deficit to GDP ratio was slightly lower at 6.3%, with Japan showing the highest fiscal deficit at 9.9% of GDP in 2024. A higher fiscal deficit relative to GDP leads to a higher level of debt-GDP ratio, implying a higher level of interest payment to service this debt. This would lower the capacity of an economy/ group to stimulate the economy based on increased

[4] See for a detailed discussion (Srivastava, D.K., Bharadwaj, M., Kapur, T., Trehan, R. (2022). Evolution of Debt and Deficit in BRICS Countries: Covid-19 Shock and Post-Covid Prospects. In: Yoshino, N., Paramanik, R.N., Kumar, A.S. (eds) *Studies in International Economics and Finance. India Studies in Business and Economics*. Springer, Singapore. https://doi.org/10.1007/978-981-16-7062-6_20). Srivastava, D. K., Kapur, T., Bharadwaj, M., & Trehan, R. (2020). Impact of Covid-19 on global debt: a study of countries in the G-20 group. *Modern Economy, 11, 2101-2121).*

Change in debt to GDP ratio in two different years (z_t) is given as follows $z_t = p_t - b_{t-1}[(g_t - i_t)/(1 + g_t)]$ where p_t refers to primary deficit to GDP ratio, g_t refers to nominal GDP growth rate, i_t refers to effective interest rate and b_{t-1} refers to debt-GDP ratio at the end of previous year.

borrowing. In the presence of a recession, revenue receipts also go down and the burden of interest payments relative to revenue receipts of a government increase further.

Table 7: Fiscal deficit as % of GDP

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
Brazil	16.6	7.4	11.4	7.8	*3.6*
China	3.6	9.7	11.8	9.7	*2.1*
India	9.9	8.4	12.4	7.6	*4.8*
Russia	0.9	2.0	5.2	2.6	*2.6*
South Africa	-0.8	4.5	12.2	5.3	*6.9*
Egypt	10.8	12.1	13.4	26.1	*-12.7*
Ethiopia	7.9	-1.0	10.1	2.6	*7.5*
Iran	10.3	1.7	17.0	5.3	*11.8*
Saudi Arabia	5.9	-0.6	6.4	2.2	*4.2*
UAE	0.9	10.0	9.0	0.8	*8.2*
Simple Average - BRICS+	**6.6**	**5.4**	**10.9**	7.0	***3.9***
Weighted Average - BRICS+	**6.4**	**7.4**	**11.3**	8.4	***2.9***
Canada	1.5	7.6	24.2	2.1	*22.1*
France	3.7	12.3	12.2	4.8	*7.4*
Germany	2.4	4.8	8.0	1.5	*6.4*
Italy	1.2	6.4	9.8	6.6	*3.2*
Japan	7.0	5.9	14.0	9.9	*4.1*
UK	1.8	12.6	14.9	5.4	*9.4*
US	4.1	11.7	22.9	7.1	***15.8***
Simple Average - G7	**3.1**	**8.8**	**15.1**	5.4	***9.8***
Weighted Average - G7	**4.0**	**9.6**	**18.4**	6.3	***12.1***

Source (basic data): World Economic Outlook April 2024 database
Note: Fiscal deficit is defined as a change in annual general government gross debt. IMF provides annual general government gross debt as a percentage to GDP as well as nominal GDP in current US dollar terms. Using these two, we have derived general government gross debt in US dollar terms. Using this we have estimated fiscal deficit as change in debt between two successive years. Fiscal deficit levels for country groups (G7 and BRICS+) are estimated by aggregating country level deficit and nominal GDP denominated in US$ (MX) terms.

5.5 Interest payment relative to GDP and revenue receipts

High levels of debt translate into high levels of interest payments. The capacity to bear the servicing cost of debt in the form of interest payments, however, depends also on the effective interest rate and the level of revenue receipts as a percentage of GDP. For the BRICS+ group in 2024, the weighted average interest payment to GDP ratio, a measure of the comparative cost of debt, was 2.1%, which was lower than the corresponding ratio of 2.6% in 2002 (Table 8). In contrast, for the G7 group, the interest payment to GDP ratio was higher at 2.5% in 2024. It had also increased from its 2002 level of 2.2%. Thus, in terms of the interest payment to GDP burden of servicing the debt, the BRICS+ group was marginally better off as compared to the G7 group. Individually, in 2024, some of the countries in the BRICS+ group where the ratio of interest payment to GDP was relatively low include Saudi Arabia (0.1%), Russia (0.2%), Ethiopia (0.6%), UAE (0.7%), China (1.1%) and Iran (1.9%). In comparison, Egypt, Brazil, India and South Africa carry a larger burden of interest payments relative to their respective GDPs. In the case of the G7 group, countries with relatively lower burden of interest payments relative to GDP are Japan (0.1%), Canada (0.6%), Germany (0.8%). Thus, while Japan had the highest debt-GDP ratio, it has the lowest interest payment to GDP ratio because of the ultra-low interest rate at which the government has been able to borrow. The two countries that have a relatively higher interest payment to GDP ratio are Italy at 4% and the US at 3.3% in 2024. In the case of the US, there has been a persistent increase in the interest payment to GDP ratio in recent years.

Table 8: Net interest payment as % of GDP

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
Brazil	7.5	5.1	4.0	5.7	*-1.7*
China	0.6	0.4	1.0	1.1	*-0.1*

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
India	4.8	4.6	5.6	5.4	*0.2*
Russia	1.9	-0.3	0.2	0.2	*0.0*
South Africa	3.5	2.0	4.1	5.3	*-1.2*
Egypt	4.0	3.0	8.7	12.6	*-3.9*
Ethiopia	1.5	0.4	0.4	0.6	*-0.2*
Iran	0.3	0.1	1.1	1.9	*-0.8*
Saudi Arabia	2.9	-0.1	-1.8	0.1	*-1.9*
UAE	0.0	0.2	0.3	0.7	*-0.4*
Simple Average - BRICS+	**2.7**	**1.6**	**2.4**	3.4	***-1.0***
Weighted Average - BRICS+	**2.6**	**1.6**	**1.7**	2.1	***-0.4***
Canada	2.5	1.1	0.5	0.6	*-0.1*
France	2.6	2.2	1.2	2.0	*-0.8*
Germany	2.6	2.4	0.5	0.8	*-0.3*
Italy	5.2	4.2	3.3	4.0	*-0.7*
Japan	1.3	1.0	0.6	0.1	*0.5*
UK	1.4	1.5	1.1	2.3	*-1.1*
US	2.1	1.9	2.1	3.3	***-1.2***
Simple Average - G7	**2.5**	**2.0**	**1.3**	1.9	***-0.5***
Weighted Average - G7	**2.2**	**1.9**	**1.6**	2.5	***-0.9***

Source (basic data): World Economic Outlook (WEO) April 2024 database
Note: IMF WEO provides data on general government net lending/borrowing and general government primary net lending/borrowing. Net interest payable/paid (interest expense minus interest revenue) is derived as the difference between these two variables. A negative sign implies interest revenues are higher than interest expenditures. Interest payment levels for country groups (G7 and BRICS+) are estimated by aggregating country level interest payments and nominal GDP denominated in US$ (MX) terms.

Since the government debt needs to be serviced from out of government's revenue receipts, the levels of these receipts relative to GDP are also important. In this context, in Table 9, the G7 group shows a much higher level of revenue receipts to GDP ratio at 35.7% in 2024 as compared to the BRICS+ weighted average of 26.9%. Thus, even though the G7 group carries the burden of a higher debt-GDP level, its capacity to service this in the form of interest payments is better since it has a higher ratio of government revenue receipts as a percentage of GDP. In the BRICS+ group, considering individual countries, the highest revenue receipt to GDP ratio is that of Brazil, followed by Russia in 2024. In the G7 group, the highest revenue receipts to GDP ratio is that of France, followed by Germany and Italy.

Table 9: Revenue receipts as % of GDP

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
Brazil	41.5	38.5	38.0	40.9	*-2.8*
China	15.6	23.9	25.7	26.2	*-0.5*
India	18.0	18.8	18.2	20.1	*-2.0*
Russia	34.5	32.7	35.2	35.6	*-0.5*
South Africa	21.3	23.8	25.0	27.1	*-2.1*
Egypt	24.2	26.3	18.2	17.5	*0.7*
Ethiopia	19.1	16.2	11.7	8.3	*3.4*
Iran	15.6	14.3	7.8	11.1	*-3.3*
Saudi Arabia	30.0	31.7	28.4	28.5	*-0.1*
UAE	20.1	28.9	28.7	31.2	*-2.5*
Simple Average - BRICS+	**24.0**	**25.5**	**23.7**	24.6	***-1.0***
Weighted Average - BRICS+	**23.0**	**26.6**	**26.0**	26.9	***-0.9***
Canada	40.2	39.5	41.4	41.1	*0.3*
France	49.6	50.0	52.4	52.0	*0.3*
Germany	44.0	45.0	46.1	46.3	*-0.1*
Italy	43.8	46.0	47.4	46.3	*1.1*
Japan	28.1	29.0	35.5	35.8	*-0.3*
UK	34.0	34.6	36.8	39.5	*-2.7*

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
US	29.9	28.2	30.7	30.5	*0.2*
Simple Average - G7	**38.5**	**38.9**	**41.5**	**41.6**	***-0.2***
Weighted Average - G7	**33.6**	**34.2**	**36.0**	**35.7**	***0.3***

Source (basic data): World Economic Outlook April 2024 database
Note: Revenue receipts levels for country groups (G7 and BRICS+) are estimated by aggregating country level revenue receipts and nominal GDP denominated in US$ (MX) terms.

Considering interest payments and revenue receipts together, it is possible to look at the relative burden of interest payments for the two groups and their member countries. For the BRICS+ group, the weighted average of the ratio of interest payment to revenue receipts is 7.9% in 2024, whereas that for the G7 group is lower at 7.0% (Table 10). Thus, even though the G7 group has higher debt-GDP ratios on average, they have a lower interest payment to revenue receipts ratio, that is, a lower cost of servicing the debt relative to their capacity measured in terms of their revenue receipts.

Table 10: Interest payment to revenue receipts (%)

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
Brazil	18.1	13.4	10.5	13.9	*-3.4*
China	3.6	1.8	3.7	4.2	*-0.5*
India	26.8	24.7	30.9	26.9	*3.9*
Russia	5.6	-0.9	0.7	0.6	*0.1*
South Africa	16.4	8.6	16.3	19.5	*-3.1*
Egypt	16.6	11.4	47.5	71.8	*-24.3*
Ethiopia	7.8	2.4	3.4	7.3	*-3.9*
Iran	1.9	0.9	14.5	17.0	*-2.5*
Saudi Arabia	9.8	-0.5	-6.3	0.4	*-6.7*
UAE	0.1	0.6	1.0	2.2	*-1.1*
Simple Average - BRICS+	**10.7**	**6.2**	**12.2**	**16.4**	***-4.2***
Weighted Average - BRICS+	**11.4**	**6.1**	**6.7**	**7.9**	***-1.2***
Canada	6.2	2.8	1.2	1.5	*-0.3*
France	5.3	4.5	2.2	3.8	*-1.5*
Germany	6.0	5.3	1.0	1.7	*-0.7*
Italy	11.9	9.1	6.9	8.7	*-1.8*
Japan	4.6	3.5	1.8	0.3	*1.5*
UK	4.1	4.4	3.1	5.7	*-2.7*
US	7.0	6.7	6.7	10.7	***-4.0***
Simple Average - G7	**6.4**	**5.2**	**3.3**	**4.6**	***-1.4***
Weighted Average - G7	**6.5**	**5.6**	**4.4**	**7.0**	***-2.7***

Source (basic data): World Economic Outlook April 2024 database

5.6 Primary deficit to GDP ratio

Since out of the annual borrowing in the form of fiscal deficit, a certain portion is pre-empted by interest payments, the balance of borrowing that is available for current purchases of goods and services is called primary deficit. The primary deficit thus is fiscal deficit, net of interest payments. Current governments actually need to look at the levels of primary deficit because these indicate the extent to which current borrowings can be used for current purchases of goods and services. Here, again, for the BRICS+ countries, the level of primary deficit relative to GDP, in terms of the group-weighted average, is 6.2% in 2024 (Table 11). In comparison, for the G7 group, the corresponding weighted average is 3.8%. Thus, the G7 group was able to access a lower level of primary deficit relative to GDP as compared to that for the BRICS+ group, since the BRICS+ group carried a higher fiscal deficit and a lower interest payment relative to GDP.

Table 11: Primary deficit as % of GDP

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
Brazil	9.1	2.3	7.4	2.1	*5.3*

Countries/Country groups	2002	2009	2020	2024	% point change (2020 over 2024)
China	3.0	9.3	10.8	8.6	*2.3*
India	5.1	3.7	6.8	2.2	*4.6*
Russia	-1.0	2.3	4.9	2.3	*2.6*
South Africa	-4.3	2.5	8.1	0.0	*8.1*
Egypt	6.8	9.1	4.7	13.5	*-8.8*
Ethiopia	6.4	-1.4	9.7	2.0	*7.7*
Iran	10.0	1.6	15.9	3.4	*12.5*
Saudi Arabia	3.0	-0.5	8.2	2.1	*6.1*
UAE	0.9	9.8	8.7	0.1	*8.6*
Simple Average - BRICS+	**3.9**	**3.9**	**8.5**	3.6	***4.9***
Weighted Average - BRICS+	**3.8**	**5.8**	**9.5**	**6.2**	***3.3***
Canada	-1.0	6.5	23.7	1.5	*22.2*
France	1.1	10.0	11.0	2.8	*8.2*
Germany	-0.2	2.4	7.5	0.7	*6.8*
Italy	-4.0	2.2	6.6	2.6	*4.0*
Japan	5.7	4.9	13.4	9.7	*3.6*
UK	0.4	11.1	13.7	3.2	*10.6*
US	2.0	9.8	20.9	3.9	***17.0***
Simple Average - G7	**0.6**	**6.7**	**13.8**	3.5	***10.3***
Weighted Average - G7	**1.8**	**7.6**	**16.8**	3.8	***13.0***

Source (basic data): World Economic Outlook April 2024 database
Note: Primary deficit is defined as derived fiscal deficit (Table 7) minus derived net interest payable/paid (interest expense minus interest revenue) (Table 8).

5.7 Excess of growth over interest rate

The dynamics of accumulation of debt and fiscal deficit are driven by the relative position of GDP growth and effective interest rate on outstanding government debt. The relevant formulation can be written in terms of both real growth and real interest rate and nominal growth and nominal interest rate. We have undertaken the analysis based on the nominal growth and nominal (effective) interest rates[5]. The higher is the nominal GDP growth, and the lower is the interest rate, the lower would be the conversion of annual fiscal deficit into outstanding debt relative to GDP. First, we look at the profile of nominal GDP growth of individual countries and the country groups. Nominal growth can be calculated for GDP denominated in domestic currency, US$ when domestic currency is converted at MX terms, as well as in PPP terms. In considering weighted averages, it is not feasible to aggregate countries into group averages in national currency terms. Therefore, we have given growth rates in weighted averages for country groups after conversion into US$ at MX and PPP terms. Further, annual growth rates of individual countries often show large variation due to base effects and presence of crises years in the period under review. We have, therefore, utilized the Compounded Annual Growth Rate (CAGR) for the period 2015 to 2024 for purposes of assessing comparative performance. Using the CAGRs, in terms of PPP, the BRICS+ countries show a higher average nominal GDP growth rate at 7.0% compared to a weighted average growth of 4.6% for the G7 group (Table 12). Even when measured in MX terms, the CAGR of nominal GDP over this period for the BRICS+ is higher at 5.4% as compared to that for G7 at 3.8%.

Table 12: Nominal GDP growth (%)

Countries/Country groups	2002	2009	2020	2024	CAGR 2015-24
Brazil	13.2	7.2	3.0	7.3	7.7
China	9.9	9.3	3.5	6.0	7.5
India	7.7	15.5	-1.2	10.5	10.1
Russia	21.1	-6.0	-1.8	8.0	9.3
South Africa	16.7	7.0	-1.0	5.4	5.8
Egypt	5.6	16.4	9.9	36.4	20.6

[5] See for details: Srivastava, D. K., Kapur, T., Bharadwaj, M., & Trehan, R. (2020). Impact of Covid-19 on global debt: a study of countries in the G-20 group. *Modern Economy, 11, 2101-2121*

Countries/Country groups	2002	2009	2020	2024	CAGR 2015-24
Ethiopia	-2.2	35.0	25.4	36.2	27.9
Iran	40.7	7.1	49.1	39.9	37.6
Saudi Arabia	3.0	-17.4	-12.4	3.6	5.7
UAE	6.3	-19.6	-16.4	4.7	4.0
Simple Average - BRICS+	**12.2**	**5.4**	**5.8**	**15.8**	13.6
Weighted Average (USD at MX rates) - BRICS+	**-1.4**	**0.6**	**-1.9**	**5.5**	**5.4**
Weighted Average (PPP $) - BRICS+	**4.3**	**-5.2**	**-4.0**	**4.4**	**7.0**
Canada	4.3	-5.2	-4.0	4.4	4.7
France	3.2	-2.8	-4.9	3.5	3.1
Germany	1.2	-4.0	-2.0	3.3	3.9
Italy	3.5	-3.7	-7.5	3.5	3.0
Japan	-1.3	-6.2	-3.2	3.1	1.4
UK	4.0	-2.8	-5.8	2.2	4.1
US	3.3	-2.0	-0.9	5.2	5.2
Simple Average - G7	**2.6**	**-3.8**	**-4.1**	3.6	3.6
Weighted Average (USD at MX rates) - G7	**3.1**	**-4.8**	**-1.8**	4.0	3.8
Weighted Average (PPP $) - G7	**2.7**	**-3.2**	**-2.9**	4.2	4.6

Source (basic data): World Economic Outlook April 2024 database

Effective interest rate

It is the excess of nominal GDP growth over effective interest rate which moderates the conversion of fiscal deficit into debt. Effective interest rates have been derived by dividing net interest payments (interest payments minus interest receipts) in a given year by the debt at the end of the preceding year. The BRICS+ group has an effective interest rate averaged over the period 2015 to 2024 at 4.8%[6] (Table 13). In the case of G7, the interest rates averaged 1.7% during this period. In this context, we are considering only simple averages. In terms of individual countries, countries that have relatively higher effective interest rate on their government debt include Egypt, Brazil and India where the effective interest rates averaged 11.1%, 7.7% and 7.2% respectively from 2015 to 2025.

Table 13: Effective interest rate

Countries/Country groups	2002	2009	2020	2024	Avg. (2015 to 2024)
Brazil	12.6	9.0	4.7	7.2	*7.7*
China	2.5	1.7	1.6	1.4	*1.5*
India	6.5	7.2	7.4	7.2	*7.2*
Russia	5.2	NA	1.7	1.2	*2.3*
South Africa	10.7	9.1	7.2	7.5	*7.3*
Egypt	5.3	5.2	11.9	17.9	*11.1*
Ethiopia	1.5	1.2	0.9	2.2	*1.3*
Iran	1.6	1.2	3.6	9.4	*3.1*
Saudi Arabia	3.2	NA	NA	0.4	*NA*
UAE	1.1	1.6	0.9	2.3	*1.3*
Simple Average - BRICS+ excl. Saudi Arabia	**5.2**	**3.6**	**4.5**	**6.3**	***4.8***
Weighted Average - BRICS+ excl. Saudi Arabia	**5.9**	**5.0**	**3.0**	**3.0**	***3.4***
Canada	3.2	1.5	0.5	0.6	*NA*
France	4.6	3.2	1.1	1.8	*1.6*
Germany	4.6	3.5	0.7	1.3	*1.1*
Italy	4.9	3.8	2.3	3.0	*2.7*
Japan	0.9	0.5	0.3	0.0	*0.3*
UK	4.1	2.9	1.2	2.3	*2.2*
US	4.1	2.5	1.9	2.8	*2.2*

[6] This excludes Saudi Arabia since for several years its interest receipts exceed the interest payments.

Simple Average - G7 excl Canada	3.9	2.7	1.3	1.9	*1.7*
Weighted Average - G7 excl Canada	3.0	2.1	1.3	2.1	*1.7*

Source (basic data): World Economic Outlook April 2024 database
Note: NA implies interest receipts are in excess of interest payments. Weighted average effective interest rate levels for country groups (G7 and BRICS+) are estimated by aggregating country level net interest payments and debt denominated in US$ (MX) terms.

As shown in Table 14, excess of nominal GDP (in MX terms) growth over effective interest rate[7] was significantly higher at 8.0% points for BRICS+ group as compared to 1.0% point for the G7 group during 2002 to 2015 period. However, GDP and interest rate differential fell sharply to 2.0% in the case of BRICS+ while for G7 it improved to 2.1% during 2015 to 2024.

Table 14: Excess of growth over effective interest rate (% points)

Countries/Country groups	2002-2015	2015-2024
Brazil	1.0	0.0
China	12.4	6.0
India	7.0	2.8
Russia	13.5	7.0
South Africa	0.4	-1.4
Egypt	8.7	9.4
Ethiopia	24.3	26.5
Iran	19.6	34.5
Saudi Arabia	NA	NA
UAE	8.7	2.7
Simple Average – BRICS+ excl. Saudi Arabia	10.6	9.7
Weighted Average – BRICS+ excl. Saudi Arabia	**8.0**	**2.0**
Canada	NA	NA
France	-0.9	1.5
Germany	-0.8	2.8
Italy	-2.5	0.3
Japan	-0.4	1.1
UK	0.1	1.9
US	1.1	3.0
Simple Average - G7 excl Canada	-0.6	1.8
Weighted Average - G7 excl Canada	**1.0**	**2.1**

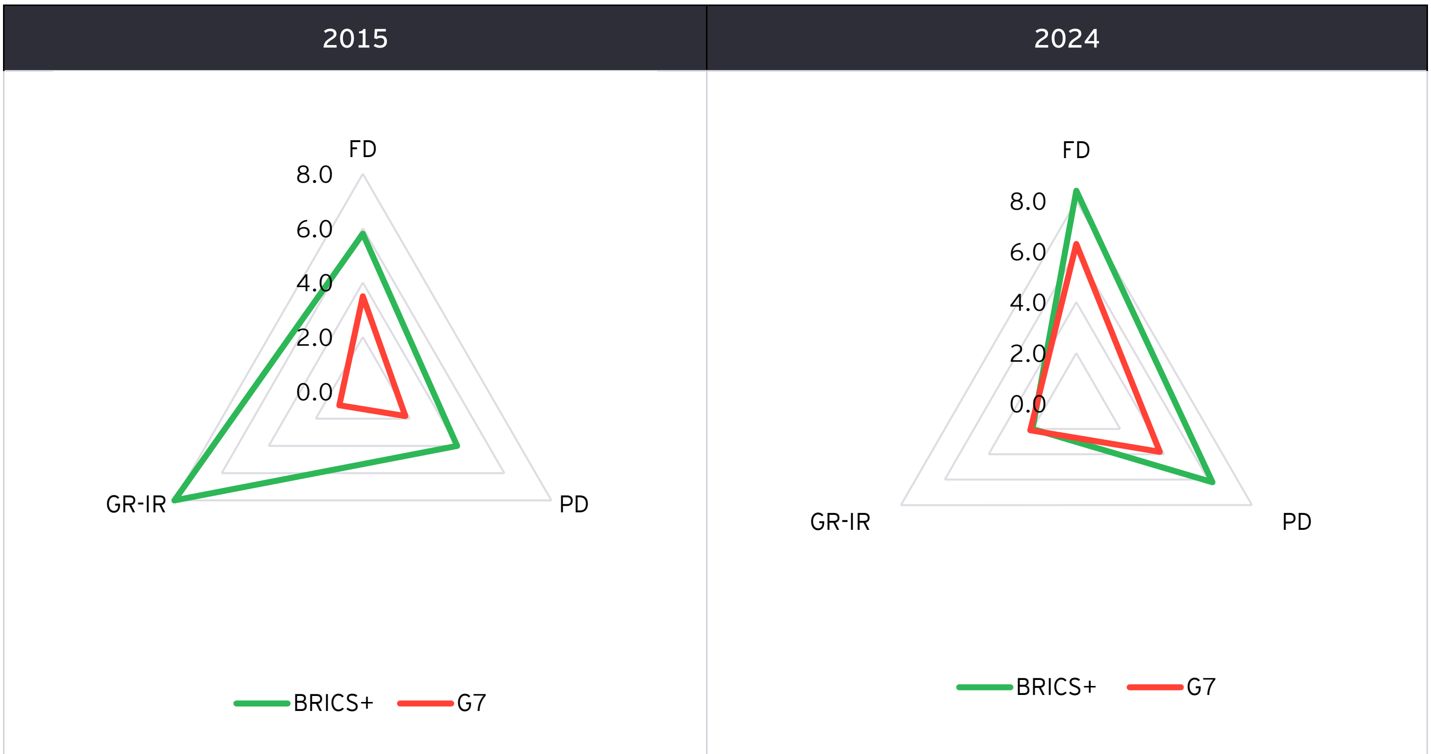
Source (basic data): World Economic Outlook April 2024 database
Note: NA implies interest receipts are in excess of interest payments

Chart 9 shows three important parameters that determine a country or a country group's capacity to fiscally stimulate an economy in the presence of a crisis. These parameters are fiscal deficit to GDP ratio (FD), primary deficit to GDP ratio (PD) and excess of nominal GDP growth (GR) over effective interest rate (IR). The primary deficit to GDP ratio indicates the capacity of a government of a country to purchase goods and services after having accounted for the servicing of past debt in the form of interest payments. The higher the sustainable level of fiscal deficit[8] relative to GDP of a country or a country group and the lower the interest payment to GDP ratio, and the higher is the excess of growth over interest rate, the higher would be its capacity to fiscally intervene.

Further, higher is the excess of growth over interest rate, the lower would be the translation of current fiscal deficit into debt. Thus, the BRICS+ group can contribute more in terms of neutralizing a global recession. The conversion of this higher fiscal/primary deficit to GDP ratio into debt depends on the excess of growth over interest rate. This difference for the two groups is nearly equal at 2.0% (BRICS+) and 2.1% (G7) considering the average over 2015-24. However, the debt-GDP ratio of BRICS+ in 2024 was lower than that of the G7 group, giving them larger fiscal room to stimulate the economies.

[7] For nominal GDP growth we have used the CAGR's calculated over the periods 2002 to 2015 and 2015 to 2024. For effective interest rates we have used simple average interest rate has been calculated from 2002 to 2014 and 2015 to 2024.
[8] Srivastava, D. K., Bharadwaj, M., Kapur, T., & Trehan, R. (2021). Revisiting Fiscal Responsibility Norms: A Cross-Country Analysis of the Impact of Covid-19. Business and Economics Journal, Volume 12:5, 2021.

Chart 9: Capacity to use fiscal stimulus for macro-stabilization



Source (basic data): World Economic Outlook April 2024 database
Notes: We have considered FD and PD for respective years. GR - CAGR (MX rates) over 2002 to 2015 has been used in the case of 2015 and CAGR over 2015 to 2024 in the case of 2024. Similarly, for interest rate we have used the weighted average interest rates averaged over 2002 to 2014 and 2015 to 2024. In these calculations, we have excluded Saudi Arabia as its interest receipts exceeded the interest payments in several years.

5.8 Concluding observations

In the context of management of global economic affairs, BRICS+ is emerging as a relatively strong and increasingly cohesive group, alongside the existing cohesive G7 country group. The size of their aggregate GDP, if measured in market exchange rate terms, favors the G7 group. However, when the comparison is made in PPP terms, it is the BRICS+ group that has the relatively larger and growing share in global GDP. It is projected to have a share of 29.2% in market exchange terms and 38.3% in PPP terms as compared to the corresponding shares of the G7 group at 42.4% and 27.5% respectively in 2029. These country groups are slated to play a major role in the dynamics of global growth, global trade and management of global exchange rates. These country groups played critical roles in combating two recent global crises that happened in 2008 and 2020. In this process, governments in both country groups also became heavily indebted, progressively reducing their capacity to fiscally combat any future crisis. However, in relative terms, the BRICS+ group is better placed to fiscally combat any future major economic crisis as it has a lower debt-GDP ratio, access to higher primary deficit, and a near equal excess of growth over interest rates as compared to the G7 group.

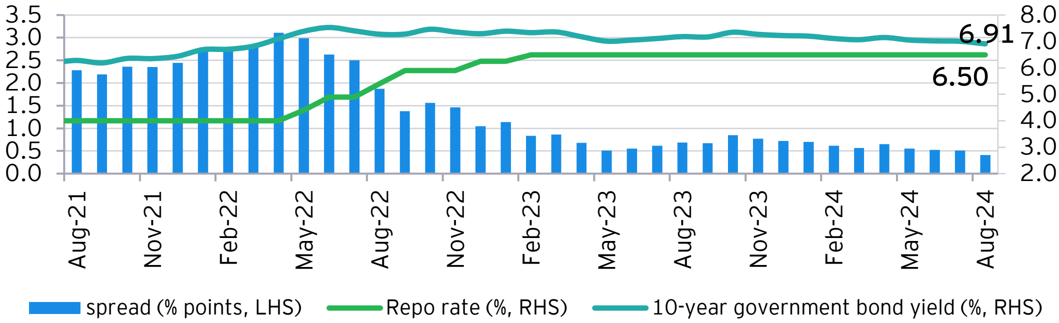
6 Money and finance: bank credit grew by 15.1% in July 2024

6.1 Monetary sector

Monetary policy

- In its monetary policy review held in August 2024, the RBI had retained the repo rate at 6.50% for ninth successive time based on its assessment of continued risks from volatile and elevated food prices (Chart 10).
- In RBI's assessment, steady progress in monsoon, pickup in kharif sowing, adequate buffer stocks of foodgrains and easing global food prices may act as favorable conditions for easing food price pressures in the coming months. However, upside risks to food inflation may arise due to adverse climate events. Further, in RBI's view, continued geopolitical tensions and demand concerns are likely to keep the global crude oil prices volatile.

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



Growth in bank credit improved to 15.1% in July 2024 from 13.9% in June 2024.

Source: Database on Indian Economy, RBI

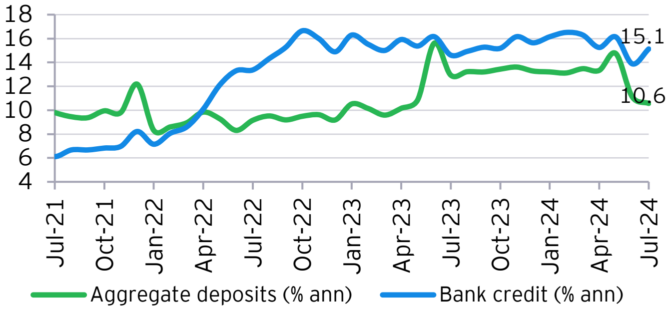
Money stock

- Growth in broad money stock (M3)[9] increased marginally to 10.2% in August 2024 from 10% in July 2024. This was due to improved growth in narrow money (M1).
- Growth in narrow money (M1) increased to 8.1% in August 2024 from 7.4% in July 2024. This can be attributed to higher growth in demand deposits at 10.1% in August 2024 as compared to 7.9% in July 2024. Currency with the public grew at a slower pace of 6.2% in August 2024 as compared to 6.5% in July 2024.
- Time deposits, the largest component of M3, showed a stable growth of 10.9% in both July and August 2024.

Aggregate credit and deposits

- Growth in gross bank credit improved to 15.1% in July 2024 from a 23-month low of 13.9% in June 2024 **(Chart 11)**. During Apr-July FY25, credit growth averaged 15.1%, marginally lower as compared to 15.5% in the corresponding period of FY23.
- Non-food credit also grew by 15.1% in July 2024 as compared to 13.9% in June 2024 led by a broad-based improvement in the growth of credit across the key sectors of the economy.

Chart 11: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Sectoral bank credit indicates that credit growth in agriculture remained the highest at 18.1% in July 2024, increasing from 17.4% in June 2024.
- Personal loans, a key component of retail loans, with a share of close to 29% on average in total non-food credit (last five years), grew by 17.8% in July 2024, improving from 16.6% in June 2024. This was led by growth in housing loans, the largest component of personal loans (average share of 49% in total personal loans in the last five years), increasing to 19.1% in July 2024 from 18.2% in June 2024. Growth in vehicle loans and that of consumer durables also increased to 16.5% and 11.3% respectively in July 2024 from 14.9% and 7.6% in June 2024.
- Growth in credit to services, with an average share of 26.6% in total non-food credit (last five years), increased marginally to 15.5% in July 2024 from 15.1% in June 2024.

[9] The data on M3, demand and time deposits and bank credit exclude the impact of merger of a non-bank with a bank.

- Growth in outstanding credit to industries, having a share of about 27% on average in total non-food credit (last five years), increased to a 20-month peak of 10.2% in July 2024 from 7.7% in June 2024.
- Within industrial credit, among major segments, growth in credit to iron and steel remained robust at 19% in July 2024, increasing from 17.6% in June 2024. Credit to chemical and chemical products sector showed a strong growth of 16.6% in July 2024, partly owing to a favorable base effect. Credit to textiles and cement grew by 8.6% and 6.2% respectively in July 2024, increasing from 6.2% and 6.1% in June 2024.
- Credit to infrastructure, having the largest share of 36.5% on average in total industrial credit (last five years), grew at a slower rate of 3.8% in July 2024 as compared to 5.5% in June 2024.
- Growth in aggregate deposits fell to a 15-month low of 10.6% in July 2024 from 11.1% in June 2024.

6.2 Financial sector

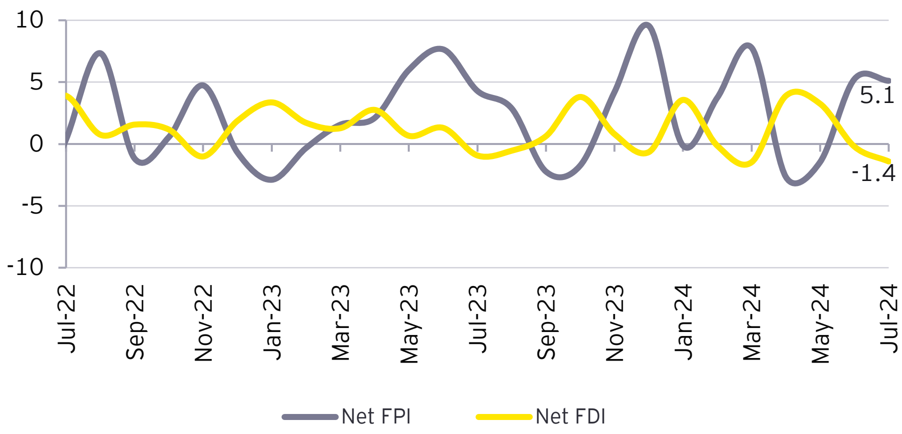
Interest rates

- As per the data released by the RBI in the first week of September 2024, the average interest rate on term deposits with a maturity period of more than one year was at 6.65% in August 2024, the same level as in July 2024, with the actual rates ranging between 6.00% and 7.29% in August 2024.
- The MCLR averaged 8.34% in August 2024, close to its level of 8.35% in July 2024. The actual MCLR ranged between 8.13% and 8.54% during August 2024.
- The yield on 10-year government bonds (benchmark) eased for the fourth consecutive month to average 6.91% in August 2024, its lowest level since March 2022 **(Chart 10)**. Benchmark bond yield averaged lower at 7.03% in the first five months of FY25 as compared to 7.11% during the same period of FY24.
- WALR on 'Fresh Rupee Loans' (FRL) by SCBs increased to 9.4% in July 2024 from 9.32% in June 2024. WALR-FRL averaged higher at 9.42% during Apr-Jul FY25 as compared to 9.25% during the same period of FY24.

FDI and FPI

- As per the provisional data released by the RBI on 20 September 2024, overall foreign investments (FIs) were lower at US$3.7 billion in July 2024 as compared to US$5.0 billion in June 2024 as net FDIs witnessed higher outflows.

Chart 12: Net FDI and FPI inflows (US$ billion)



Net FDIs witnessed outflows for the second successive month at US$1.4 billion in July 2024 while net FPI inflows were strong at US$5.1 billion during the month.

Source: Database on Indian Economy, RBI

- Net FDIs witnessed outflows for the second successive month amounting to US$1.4 billion in July 2024, increasing from outflows of US$0.2 billion in June 2024 (**Chart 12**). This may be attributable to outflows in the form of repatriation/disinvestment, higher outward FDI by India and relatively lower gross FDI inflows. Gross FDI inflows fell to a five-month low of US$5.2 billion in July 2024 as compared to US$7.3 billion in June 2024.
- During April to July FY25, both gross and net FDI inflows were higher at US$27.7 billion and US$5.5 billion respectively as compared to US$22.4 billion and US$3.8 billion during April to July FY24.
- Net FPI inflows at US$5.1 billion in July 2024 was close to its level of US$5.2 billion in June 2024. During April-July FY25, net FPI inflows amounted to only US$6.2 billion as compared to US$20.0 billion during the corresponding period in the previous fiscal year.

7 Trade and CAB: merchandise trade deficit rose to a 10-month high of US$29.6 billion in August 2024

Home

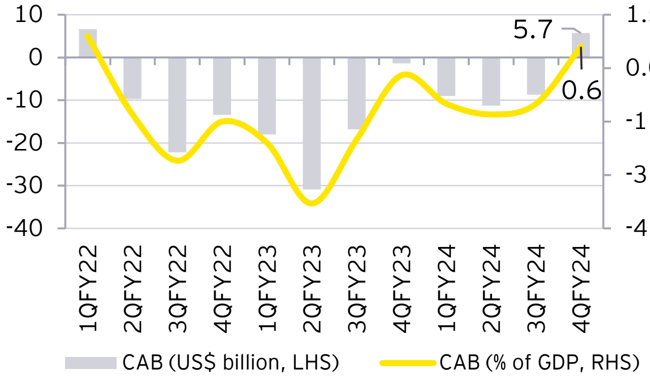
7.1 CAB: showed a surplus for the first time in 10 quarters at 0.6% of GDP in 4QFY24

- Current account showed a surplus of 0.6% of GDP in 1QFY24 (Chart 13). Net merchandise trade deficit narrowed to an 11-quarter low of 5.4% of GDP in 4QFY24 as merchandise exports increased to a five-quarter high of 12.9% and merchandise imports moderated to an 11-quarter low of 18.3% of GDP. Surplus on account of net invisibles at 6% of GDP in 4QFY24, remained at or above 6% for the third successive quarter. Net services surplus was elevated at 4.5% of GDP, although lower than 5.0% in the previous quarter.
- On an annual basis, current account deficit eased to 0.7% of GDP in FY24 (**Table 15**) from 2.0% in FY23 due to a sharp fall in net merchandise trade deficit to 6.8% from 7.9% relative to GDP over the same period accompanied by a marginal improvement in net invisibles surplus to 6.1% from 5.9%.

Table 15: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY21	0.9	23.9	-102.2	126.1
FY22	-1.2	-38.8	-189.5	150.7
FY23	-2.0	-67.1	-265.3	198.2
FY24	-0.7	-23.3	-242.1	218.8
1QFY24	-1.0	-9.0	-56.7	47.7
2QFY24	-1.3	-11.3	-64.5	53.3
3QFY24	-1.0	-8.7	-69.9	61.2
4QFY24	0.6	5.7	-50.9	56.6

Chart 13: CAB



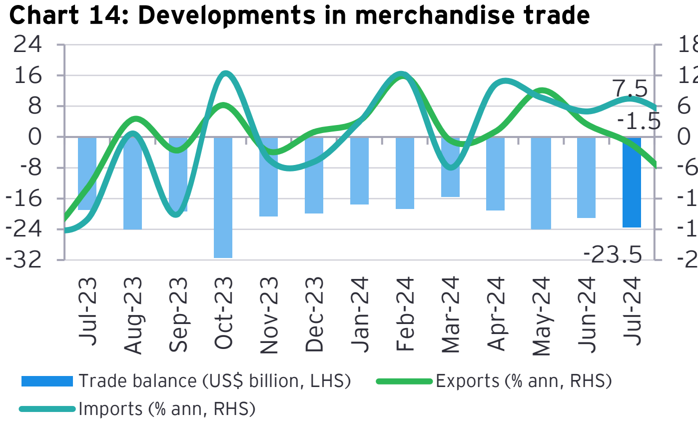
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

7.2 Merchandise trade and exchange rates

Merchandise exports contracted for the second successive month by (-)9.3% while growth in imports eased to a four-month low of 3.3% in August 2024, partly reflecting lower crude and commodity prices.

- The pace of contraction in oil exports quickened to (-)37.6% in August 2024 from (-)22.2% in July 2024. Growth in oil imports turned negative at (-)32.4% in August 2024 from 17.4% in the previous month.
- Exports of drugs and pharmaceuticals moderated to 4.7% in August 2024 from 8.4% in July 2024. Exports of iron ore contracted by (-)54.7% in August 2024 as compared to a growth of 7.7% in July 2024.
- Growth in electronic goods exports fell to a nine-month low of 7.9% in August 2024, reflecting a slowdown in global demand, whereas growth in its imports at 12.8% was lower than the 12-month trailing average at 17.2%.
- Besides oil, the fall in overall imports was driven by continued contraction in chemical material and products for the twelfth successive month at (-)53.1% in August 2024.
- Growth in exports excluding oil, gold and jewelry eased to 2.4% in August 2024 from 5.7% in July 2024, while that in imports of the same category moderated to 7.5% from 8.2% over the same period.
- Merchandise trade deficit widened to a 10-month high of US$29.6 billion in August 2024 driven by the contraction in exports **(Chart 14).** In July 2024, the deficit on account of trade of goods and services expanded to US$8.8 billion in July 2024 from US$7.2 billion in June 2024 due to a rising merchandise trade deficit.
- The Indian Rupee depreciated marginally to INR83.9/US$ in August 2024 from INR83.6/US$ in July 2024 driven by a fall in exports and volatility in financial markets.

Chart 14: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

8 Global growth: India remains the fastest growing major economy during April-June 2024

8.1 Growth

- **Table 16** gives non-seasonally adjusted quarterly y-o-y growth rates of selected five major economies as sourced from the OECD. It can be seen that only two countries, namely the US and Germany, witness improvement in the growth rates during April-June 2024 quarter as compared to January-March 2024 quarter.
- It is notable that after experiencing four consecutive quarters of contraction, real GDP growth in Germany turned positive at 0.3% in the quarter of April-June 2024 driven by higher exports growth.
- Improvement in the real GDP growth of the US to 3.1% in Apr-June 2024 quarter from 2.9% in January-March 2024 quarter is largely due to pick up in private investment and consumption spending.
- UK's real GDP growth has remained subdued since January-March 2023 quarter remaining within a range of (-)1.0% to 1.4%. In April-June 2024 quarter, UK's real GDP decelerated to 0.3% as imports growth turned positive while exports continued to contract.
- Japan is the only economy, amongst those selected, to have witnessed two consecutive quarters of contraction in 2024. Its real GDP contracted by (-)1.0% in April-June 2024 quarter largely owing to a relatively higher growth in imports combined with a contraction in exports even as growth in consumption demand remained near zero.
- China's real GDP growth fell to a five-quarter low of 4.7% in April-June 2024 quarter largely owing to weak growth in consumption and investment.
- Although India continues to remain the fastest growing major economy with a growth of 6.7% in April-June 2024 quarter, this was its lowest level over the last five quarters. This lower growth may be attributed to relatively lower growth in investment demand and a contraction in government consumption spending.
- The OECD in its May 2024 Economic Outlook had highlighted risks relating to geopolitical tensions, particularly in the Middle East which could lead to disruption in energy and financial markets, causing inflation to spike and growth to falter.

Table 16: Real GDP growth (quarterly, y-o-y): selected countries

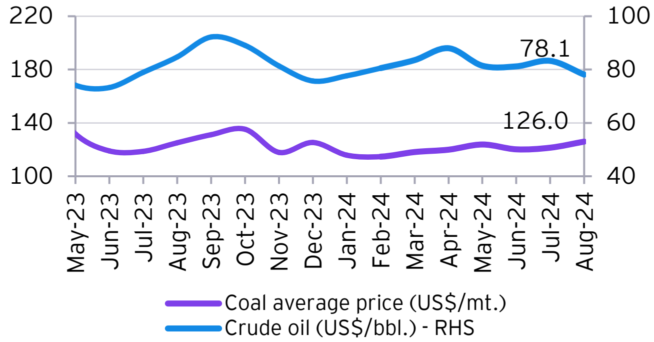
Period	Germany	Japan	US	UK	China	India
Jan-Mar 2022	3.7	0.8	3.7	11.2	4.8	4.5
Apr-Jun 2022	0.9	1.7	1.8	2.0	0.4	12.8
Jul-Sep 2022	1.3	1.6	1.9	3.3	3.9	5.5
Oct-Dec 2022	-0.4	0.6	0.5	1.6	2.9	4.3
Jan-Mar 2023	0.6	2.6	2.1	0.4	4.5	6.2
Apr-Jun 2023	-0.4	2.0	2.5	0.9	6.3	8.2
Jul-Sep 2023	-0.7	1.3	2.8	0.2	4.9	8.1
Oct-Dec 2023	-0.4	0.9	2.9	-1.0	5.2	8.6
Jan-Mar 2024	-0.8	-0.9	2.9	1.4	5.3	7.8
Apr-Jun 2024	0.3	-1.0	3.1	0.3	4.7	6.7

Source (basic data): OECD

8.2 Global energy prices: global crude price fell to a seven-month low of US$78.1/bbl. in August 2024

- Average global crude price[10] fell to a seven-month low of US$78.1/bbl. in August 2024 from US$83.3/bbl. in July 2024. This is attributable to weak fuel demand from China and rising inventory levels in the US even as Saudi Arabia and OPEC+ allies prepare to ease some output cuts from October 2024 **(Chart 15)**[11].
- Average global coal price[12] increased to an eight-month high of US$126/mt. in August 2024 from US$121.4/mt. in July 2024 largely owing to an increased demand from developed economies in North Asia[13].

Chart 15: Global crude and coal prices



Source (basic data): World Bank Pink Sheets, September 2024

[10] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[11] https://www.reuters.com/markets/commodities/oil-prices-face-pressure-slow-china-demand-inventory-rise-2024-08-30/
[12] Simple average of Australian and South African coal prices.
[13] https://www.reuters.com/markets/commodities/rising-asian-thermal-coal-imports-driven-by-japan-skorea-russell-2024-08-27/

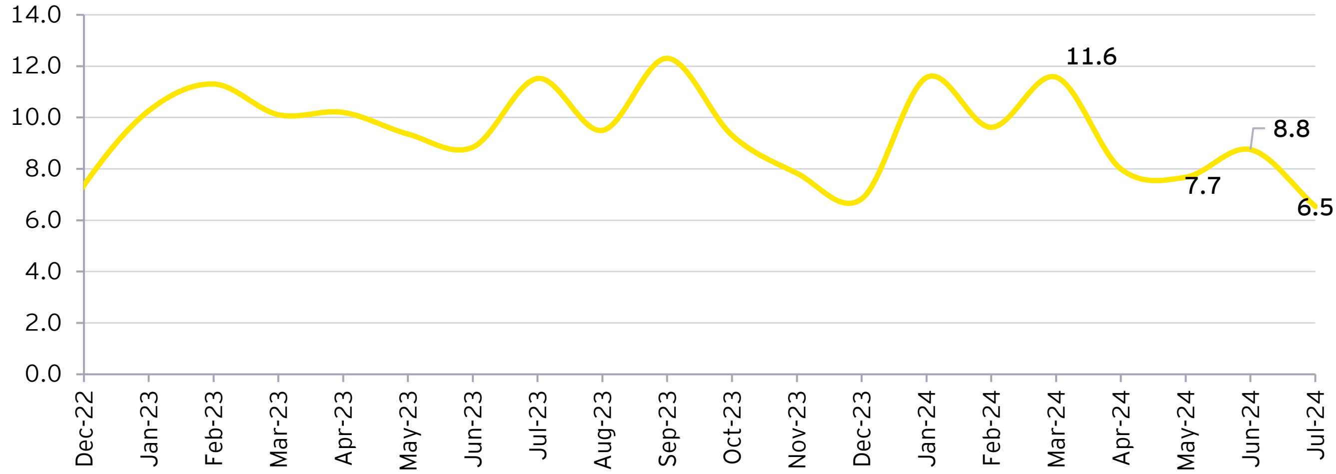
9 Index of Aggregate Demand (IAD): grew by 6.5% in July 2024

Home

9.1 Growth in IAD eased to 6.5% in July 2024 from 8.8% in June 2024

- Growth in IAD[14] moderated to 6.5% in July 2024 from 8.8% in June 2024, partly owing to an unfavorable base effect **(Chart 16 and Table 17)**.
- Demand conditions in the agricultural sector stayed strong as reflected by a sustained double-digit growth in agricultural credit at 18.1% (sa)[15] in July 2024. This was an improvement over 17.3% growth in June 2024.
- Demand conditions in the manufacturing sector continued to remain buoyant in July 2024 as indicated by the manufacturing PMI, whose level was at 58.1 in July 2024, although slightly lower as compared to its level of 58.3 in June 2024.
- Similarly, demand conditions in the services sector stayed strong as it continued to expand in July 2024. This was evidenced by PMI services at 60.3 in July 2024, only marginally lower as compared to 60.5 in June 2024.

Chart 16: Growth in IAD (y-o-y)



Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates

Table 17: IAD

Month	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
IAD	166.6	169.5	174.5	174.8	178.0	178.6	178.6	180.3	180.0
Growth (% y-o-y)	7.8	6.8	11.6	9.6	11.6	8.0	7.7	8.8	6.5
Growth in agr. credit	18.2	19.3	20.1	20.1	20.2	19.8	21.4	17.3	18.1
Mfg. PMI**	6.0	4.9	6.5	6.9	9.1	8.8	7.5	8.3	8.1
Ser. PMI**	6.9	9.0	11.8	10.6	11.2	10.8	10.2	10.5	10.3

Source (basic data): S&P Global, RBI and EY estimates; **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 Manufacturing and Services are seasonally adjusted.

[14] 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) capture the demand conditions in the agricultural sector.
[15] 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.

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							
FY21	-8.4	-7.8	-9.6	-0.5	-7.8	FY21	50.2	41.7
FY22	11.4	12.2	11.8	7.9	12.2	FY22	54.0	52.3
FY23	5.2	5.8	4.7	8.9	5.8	FY23	55.6	57.3
FY24	5.8	7.5	5.5	7.1	7.5	FY24	57.2	60.3
2QFY24	7.8	11.5	6.8	11.1	10.5	2QFY24	57.9	61.1
3QFY24	6.1	8.2	5.4	9.0	8.4	3QFY24	55.5	58.1
4QFY24	5.1	4.9	4.8	7.3	5.8	4QFY24	57.5	61.2
1QFY25	5.4	7.9	4.1	10.8	6.1	1QFY25	58.2	60.5
Apr-24	5.2	6.8	4.2	10.2	6.9	May-24	57.5	60.2
May-24	6.2	6.6	5.0	13.7	6.3	Jun-24	58.3	60.5
Jun-24	4.7	10.3	3.2	8.6	5.1	Jul-24	58.1	60.3
Jul-24	4.8	3.7	4.6	7.9	6.1	Aug-24	57.5	60.9

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				
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
FY23	6.7	6.6	10.3	6.2	9.4	6.3	5.6	28.1	5.8
FY24	5.4	7.5	1.2	4.4	-0.7	3.2	-1.7	-4.5	-1.4
2QFY24	6.4	9.3	2.6	4.8	-0.6	5.5	-2.1	-7.6	-1.9
3QFY24	5.4	8.3	-0.7	4.1	0.3	4.0	-0.9	-2.4	-0.7
4QFY24	5.0	8.5	-1.6	3.4	0.3	4.3	-1.1	-1.6	-1.2
1QFY25	4.9	8.9	-3.8	3.1	2.4	7.6	0.8	0.2	0.3
May-24	4.8	8.7	-3.7	3.1	2.7	7.8	1.0	1.0	0.5
Jun-24	5.1	9.4	-3.6	3.1	3.4	8.9	1.5	0.5	0.9
Jul-24	3.6	5.4	-5.5	3.4	2.0	3.6	1.6	1.7	1.2
Aug-24	3.7	5.7	-5.3	3.3	1.3	3.3	1.2	-0.7	0.7

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

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
FY20	-3.4	-16.1	4.0	-7.8	1.7	4.7	3.3
FY21	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.3
FY22	33.8	55.7	43.5	49.6	20.1	6.7	4.4
FY23	12.7	16.0	20.0	17.9	7.2	6.4	3.9
FY24	13.4	10.3	25.1	17.6	8.2	5.6	2.6
	Cumulated growth (%, y-o-y)					% of budgeted target	
Dec-23	14.4	18.7	28.4	23.2	4.3	56.6#	40.2#
Jan-24	14.5	20.1	27.3	23.6	4.5	63.6#	49.4#
Feb-24	13.4	17.3	25.8	21.6	4.6	86.5#	87.1#
Mar-24	13.5	10.3	25.1	17.6	8.3	95.3#	91.1#
Apr-24	16.9	-6.2	20.6	12.1	19.9	12.5	17.1
May-24	15.8	-19.8	41.6	22.7	7.5	3.1	-15.7
Jun-24	23.7	26.2	49.9	39.9	5.5	8.4	-7.0
Jul-24	21.3	4.8	53.4	33.6	7.1	17.2	3.8

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents; # indicates that the values as percent of revised estimates
* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (GoI)
	INR crore				
FY24 (RE)	8,11,600	-	-	1,45,000	9,56,600
FY25 (BE)	9,17,650	-	-	1,50,000	10,67,650
	Monthly tax collection (INR crore)				
Dec-23	68,048	449	-11,276	11,784	69,005
Jan-24	73,685	469	-6,530	11,583	79,207
Feb-24	71,129	376	-12,690	12,529	71,344
Mar-24	73,107	695	38,265	12,709	1,24,776
Apr-24	91,188	292	-2,645	13,042	1,01,877
May-24	67,653	306	-8,238	11,786	71,507
Jun-24	69,487	279	707	12,940	83,413
Jul-24	72,288	57	-483	12,779	84,641

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
Sep-23	6.50	FY21	6.0	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Oct-23	6.50	FY22	7.0	9.7	38.6	-16.8	FY22	10.7	8.8	6.40	617.6
Nov-23	6.50	FY23	14.4	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Dec-23	6.50	FY24	15.7	13.0	9.8	44.1	FY24	7.3	11.1	7.16	645.6
Jan-24	6.50	2QFY24	14.9	13.1	-0.8	4.9	2QFY24	7.4	10.9	7.16	586.9
Feb-24	6.50	3QFY24	15.7	13.4	3.9	12.0	3QFY24	7.1	11.0	7.28	623.2
Mar-24	6.50	4QFY24	16.3	13.3	2.0	11.4	4QFY24	7.3	11.1	7.13	645.6
Apr-24	6.50	1QFY25	15.1	13.0	6.9	1.1	1QFY25	8.5	10.9	7.08	652.0
May-24	6.50	Apr-24	15.3	13.3	3.9	-2.7	May-24	7.5	10.9	7.05	651.5
Jun-24	6.50	May-24	16.1	14.8	3.2	-1.5	Jun-24	8.5	10.9	7.02	652.0
Jul-24	6.50	Jun-24	13.9	11.1	-0.2	5.2	Jul-24	7.4	10.0	7.01	667.4
Aug-24	6.50	Jul-24	15.1	10.6	-1.4	5.1	Aug-24	8.1	10.2	6.91	684.0

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		
FY21	-7.0	-16.6	-101.4	74.2	43.8	67.2	2014	3.5	2.0	4.7
FY22	44.7	56.0	-191.0	74.5	78.4	164.8	2015	3.4	2.3	4.3
FY23	6.9	16.8	-264.9	80.4	92.7	283.4	2016	3.2	1.8	4.4
FY24	-4.7	-5.7	-245.3	82.8	81.1	126.4	2017	3.8	2.5	4.8
2QFY24	-3.2	-10.3	-62.4	82.7	85.3	125.0	2018	3.6	2.3	4.6
3QFY24	1.3	1.0	-71.9	83.3	82.1	126.2	2019	2.8	1.7	3.6
4QFY24	4.6	2.7	-51.8	82.9	80.6	116.2	2020	-2.8	-4.2	-1.8
1QFY25	4.3	7.6	-63.9	83.4	83.6	121.3	2021	6.3	5.6	6.9
May-24	9.1	7.7	-23.8	83.4	81.4	123.8	2022*	3.5	2.6	4.1
Jun-24	2.5	5.0	-21.0	83.5	81.2	120.2	2023*	3.3	1.7	4.4
Jul-24	-1.5	7.5	-23.5	83.6	83.3	121.4	2024*	3.2	1.7	4.3
Aug-24	-9.3	3.3	-29.6	83.9	78.1	126.0	2025*	3.3	1.8	4.3

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook (WEO) April 2024; *based on July 2024 update of the IMF WEO

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
FY21 (3rd RE)	-4.1	4.0	-8.2	3.1	-4.2	-4.6	-19.9	1.9	-7.6	3.4
FY22 (2nd RE)	9.4	4.6	6.3	10.0	10.3	19.9	15.2	5.7	7.5	8.6
FY23 (1st RE)	6.7	4.7	1.9	-2.2	9.4	9.4	12.0	9.1	8.9	6.8
FY24 (PE)	7.2	1.4	7.1	9.9	7.5	9.9	6.4	8.4	7.8	1.2
1QFY23	11.3	2.7	6.6	2.2	15.6	14.7	22.1	10.5	23.6	11.5
2QFY23	5.0	2.3	-4.1	-7.2	6.4	6.9	13.2	8.7	7.3	9.2
3QFY23	4.8	5.2	1.4	-4.8	8.7	9.5	9.2	7.7	3.5	4.8
4QFY23	6.0	7.6	2.9	0.9	7.3	7.4	7.0	9.2	4.7	3.0
1QFY24	8.3	3.7	7.0	5.0	3.2	8.6	9.7	12.6	8.3	0.0
2QFY24	7.7	1.7	11.1	14.3	10.5	13.6	4.5	6.2	7.7	1.5
3QFY24	6.8	0.4	7.5	11.5	9.0	9.6	6.9	7.0	7.5	1.8
4QFY24	6.3	0.6	4.3	8.9	7.7	8.7	5.1	7.6	7.8	1.6
1QFY25	6.8	2.0	7.2	7.0	10.4	10.5	5.7	7.1	9.5	2.8

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY21 (3rd revised estimates), FY22 (2nd revised estimates), FY23 (1st revised estimates) are based on the on NAS released by the MoSPI on 29 February 2024. Provisional estimates (PE) for FY24 was released on 31-May-2024. 1Q FY25 growth numbers are based on the quarterly National Accounts Data released on 30-August-2024.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY21 (3rd RE)	-5.8	-5.3	-0.8	-7.1	-7.0	-12.6	4.8
FY22 (2nd RE)	9.7	11.7	0.0	17.5	29.6	22.1	8.4
FY23 (1st RE)	7.0	6.8	9.0	6.6	13.4	10.6	6.7
FY24 (PE)	8.2	4.0	2.5	9.0	2.6	10.9	1.3
1QFY23	12.8	18.5	9.8	13.9	19.1	26.1	11.3
2QFY23	5.5	8.2	3.4	4.7	11.7	16.1	9.0
3QFY23	4.3	1.8	7.1	5.0	10.9	4.1	4.9
4QFY23	6.2	1.5	13.9	3.8	12.4	-0.4	2.8
1QFY24	8.2	5.5	-0.1	8.5	-6.6	15.2	0.2
2QFY24	8.1	2.6	14.0	11.6	5.0	11.6	1.4
3QFY24	8.6	4.0	-3.2	9.7	3.4	8.7	1.6
4QFY24	7.8	4.0	0.9	6.5	8.1	8.3	2.0
1QFY25	6.7	7.4	-0.2	7.5	8.7	4.4	2.8

Source: National Accounts Statistics, MoSPI
* Growth numbers for FY21 (3rd revised estimates), FY22 (2nd revised estimates), FY23 (1st revised estimates) are based on the on NAS released by the MoSPI on 29 February 2024. Provisional estimates (PE) for FY24 was released on 31-May-2024. 1Q FY25 growth numbers are based on the quarterly National Accounts Data released on 30-August-2024.

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	aggregate demand
2	AEs	advanced economies
3	Agr.	agriculture, forests 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	Disc.	discrepancies
18	ECBs	external commercial borrowings
19	Elec.	electricity, gas, water supply and other utility services
20	EMDEs	Emerging Market and Developing Economies
21	EXP	exports
22	FAE	first advance estimates
23	FC	Finance Commission
24	FII	foreign investment inflows
25	Fin.	financial, real estate and professional services
26	FPI	foreign portfolio investment
27	FRBMA	Fiscal Responsibility and Budget Management Act
28	FRL	Fiscal Responsibility Legislation
29	FY	fiscal year (April–March)
30	GDP	Gross Domestic Product
31	GFCE	government final consumption expenditure
32	GFCF	gross fixed capital formation
33	GoI	Government of India
34	G-secs	government securities
35	GST	Goods and Services Tax
36	GVA	gross value added
37	IAD	Index of Aggregate Demand

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

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