

Economy Watch

Monitoring India's
macro-fiscal performance

February 2021



Building a better
working world

Contents



Foreword: Budgetary stimulus and India's growth prospects	4
1. Growth: IIP grew by 1.0% in December 2020	5
2. Inflation: CPI inflation fell to a 16-month low of 4.1% in January 2021	6
3. Fiscal performance: center's fiscal deficit is estimated at 9.5% of GDP in FY21	7
4. Comparative global perspective: global trade volumes projected to contract by (-)9.6% in 2020	9
5. In focus: Budget FY22 - key steps towards an economic revival plan	10
6. Money and finance: the RBI retained the repo rate at 4% in February 2021	17
7. Trade and CAB: merchandise export growth was at a 22-month high of 6.2% in January 2021	19
8. Global growth: IMF estimated a global contraction of (-)3.5% in 2020 and a recovery to 5.5% in 2021	20
9. Index of aggregate demand (IAD): pointed to further slowdown in demand in December 2020	21
10. Capturing macro-fiscal trends: data appendix	22

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

D.K. Srivastava, Chief Policy Advisor, EY: dk.srivastava@in.ey.com

Muralikrishna Bhardwaj, Senior Manager, EY: muralikrishna.b@in.ey.com

Tarrung Kapur, Manager, EY: tarrung.kapur@in.ey.com

Ragini Trehan, Manager, EY: ragini.trehan@in.ey.com



Highlights

1. In January 2021, PMI manufacturing and PMI services increased to 57.7 and 52.8 respectively from 56.4 and 52.3 respectively in December 2020.
2. IIP grew by 1.0% in 3QFY21 as compared to a contraction of (-)5.7% in 2QFY21.
3. CPI inflation fell to a 16-month low of 4.1% in January 2021 due to a moderation in consumer food inflation. However, WPI inflation rose to 2.0% in January 2021 from 1.2% in December 2020.
4. Growth in bank credit increased to 6.1% in December 2020 from 5.8% in November 2020.
5. As per the CGA, growth in center's gross taxes was at (-)3.2% during April-December FY21 as compared to a sharp contraction of (-)12.6% seen during April-November FY21.
6. During April-December FY21, center's revenue expenditure showed a growth of 6.3% while growth in capital expenditure picked up to 20.9%.
7. As per the Union Budget FY22, center's fiscal deficit is estimated at 9.5% of GDP while revenue deficit is pegged at 5.9% of GDP for FY21 (RE).
8. Growth in merchandise exports rose to a 22-month high of 6.2% in January 2021. However, imports growth fell to 2.0% in January 2021 from 7.6% in December 2020.
9. The IMF estimated a global contraction of (-)3.5% in 2020 and a recovery to 5.5% in 2021. India's growth is projected at (-)8.0% in FY21, increasing sharply to 11.5% in FY22.



Foreword

Budgetary stimulus and India's growth prospects

The first post-COVID budget of the central government has favored a significant fiscal stimulus with a view to support the recovery of real GDP growth from the trough of (-)7.8% in FY21. The sectoral priorities have been changed towards supporting growth. Additional allocations have been made for augmenting capital expenditure relative to GDP and health expenditure. A qualitative improvement in budgeting practices relates to emphasis on transparency which involved bringing explicitly on to the budget, some of the food subsidies which were given to the Food Corporation of India (FCI) through National Small Saving Fund (NSSF). These changes required sharply raising center's fiscal deficit to unprecedented levels of 9.5% of GDP in FY21 (RE) and 6.8% of GDP in FY22 (BE). This upsurge in the fiscal deficit may be justified in the short run provided the central government returns to a sustainable fiscal consolidation path soon. As per the budget documents, the central government will gradually reduce its fiscal deficit to 4.5% of GDP by FY26 which is well-above the current FRBM norm. However, the budget has indicated that the fiscal consolidation framework would be re-examined with a view to amending the FRBM Act. The impact of large fiscal deficits of the central and state governments in FY21 and beyond will be felt on increased levels of debt relative to GDP and correspondingly increased levels of interest payments relative to GDP and to government revenue receipts. According to our estimates, the combined debt-GDP ratio by end-FY21 and end-FY22 respectively would be at 88.0% and 87.5% (see the In-focus section of this issue).

The justification for these changes in the budget is linked to the expectation of a sharp turnaround in India's GDP growth in FY22 and beyond. In the short run, high frequency indicators do indicate that a robust increase in India's FY22 growth may be expected. PMI manufacturing increased to a three-month high of 57.7 in January 2021 from 56.4 in December 2020. PMI services also increased for the fourth successive month in January 2021 to 52.8 from 52.3 in December 2020. Monthly GST collections at INR1.19 lakh crores in January 2021 were at a historically high level, indirectly reflecting a pick-up in economic activities. Growth in exports improved to a 22-month high of 6.2% in January 2021. Weekly data on bank credit shows a gradual improvement in its growth to 6.4% in the week ending 15 January 2021 as compared to 5.1% in the week ending 23 October 2020. IIP grew by 1.0% in December 2020 as compared to a contraction of (-)2.1% in November 2020. On a quarterly basis, IIP grew by 1.0% in 3QFY21 as compared to a contraction of (-)5.7% in 2QFY21.

The Economic Survey for FY21 has indicated a real GDP growth of 11.0% in FY22 followed by 6.5% and 7.0% in FY23 and FY24 respectively. The IMF has also forecasted a growth of 11.5% in FY22 and 6.8% in FY23. Real GDP growth in FY22 may however be closer to 10.5% that has been estimated by the RBI in its February 2021 monetary policy statement. While the increase in growth in FY22 may reflect a strong base effect, the medium-term growth projections at close to 7.0% would depend on India's investment and saving rates reversing the pre-COVID longer-term steady fall on trend basis. In fact, the nominal investment rate had fallen from a peak of 39.0% in FY12 to a level of 32.2% in FY20.

Global crude prices have been rising steadily in recent weeks. If the crude price movement is tracked on a daily basis, Brent crude price has increased to US\$63.76/bbl. as on 15 February 2021. This may be compared with earlier levels of US\$36.33/bbl. on 30 October 2020 and US\$9.12/bbl. on 21 April 2020. Clearly, the global economy is showing signs of transitioning out of the worst phase of COVID and global demand may have started picking up. There are also supply-side reasons for this persistent upward movement of global crude prices. In particular, OPEC+ countries in December 2020, agreed to a supply cut of 0.5 million barrels per day effective January 2021. These developments have a significant bearing on prices of petroleum products in India which have now crossed INR90/liter for petrol and INR86/liter for diesel*. In some cities, these prices are even higher. The reason for these increased prices is the continued high tax load of central excise duties and state VAT on petroleum products on top of rising global crude prices. The persistence of this trend would have adverse implications for inflation and growth in India and on its trade balance.

D.K. Srivastava
Chief Policy Advisor, EY India

* based on petrol and diesel prices in selected major cities including Mumbai, Hyderabad, Chennai, Bangalore (as on 17 February 2021)

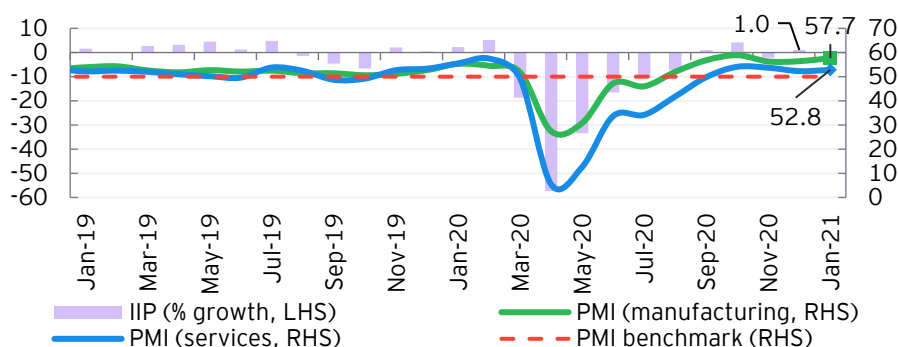


1. Growth: IIP grew by 1.0% in December 2020

A. IIP: grew by 1.0% in December 2020 from a contraction of (-)2.1% in November 2020

- ▶ As per the quick estimates of IIP for December 2020, released by the MoSPI on 12 February 2021¹, IIP grew by 1.0% in December 2020 as compared to a contraction of (-)2.1% (revised) in November 2020 (**Chart 1**). In addition to favorable base effect, this recovery is due to higher growth in manufacturing and electricity outputs. (Table A1 in data appendix).
- ▶ The manufacturing output grew by 1.6% in December 2020 as compared to a contraction of (-)2.0% (revised) in November 2020 while electricity output grew at a higher pace of 5.1% in December 2020 as compared to 3.5% in November 2020. Output of mining continued to contract, but at a slower pace of (-)4.8% in December 2020 as compared to (-)6.7% in November 2020.
- ▶ Growth in the output of capital goods turned marginally positive at 0.6% in December 2020 as compared to a contraction of (-)7.4% (revised) in November 2020. Both consumer durables and non-durables grew by 4.9% and 2.0% respectively in December 2020 as compared to a contraction of (-)3.4% and (-)1.3% respectively in November 2020.
- ▶ Provisional estimates of output of eight core infrastructure industries (core IIP) showed a contraction of (-)1.3% in December 2020 as compared to (-)1.4% (revised) in November 2020. This was due to a contraction in the output of six out of eight industries namely, cement ((-)9.7%), natural gas ((-)7.2%), crude oil ((-)3.6%), fertilizers ((-)2.9%), petroleum refinery products ((-)2.8%), and steel ((-)2.7%).

Chart 1: IIP growth and PMI



IIP grew by 1.0% in 3QFY21 as compared to a contraction of (-)5.7% in 2QFY21.

Source: Ministry of Commerce and Industry and IHS Markit

B. PMI: signaled an expansion in both manufacturing and services in January 2021

- ▶ Headline manufacturing PMI (seasonally adjusted (sa)) increased to a three-month high of 57.7 in January 2021 from 56.4 in December 2020 (**Chart 1**). The rates of expansion in new orders and output picked up in the categories of consumer and capital goods but eased for intermediate goods.
- ▶ PMI services showed an expansion for the fourth successive month in January 2021 although it increased marginally to 52.8 from 52.3 in December 2020. PMI services remained below its long-term average of 53.3.
- ▶ Reflecting an increase in both PMI manufacturing and services, the composite PMI Output Index (sa) rose to 55.8 in January 2021 from 54.9 in December 2020.
- ▶ It is notable that despite an increase in output, there was a broad-based decline in employment across the manufacturing and services categories. Private sector jobs fell for the eleventh consecutive month in January 2021.

In January 2021, PMI manufacturing and PMI services increased to 57.7 and 52.8 respectively. However, PMI services remained below its long-term average.

¹ Quick estimates of IIP and use-based index for the month of December 2020:

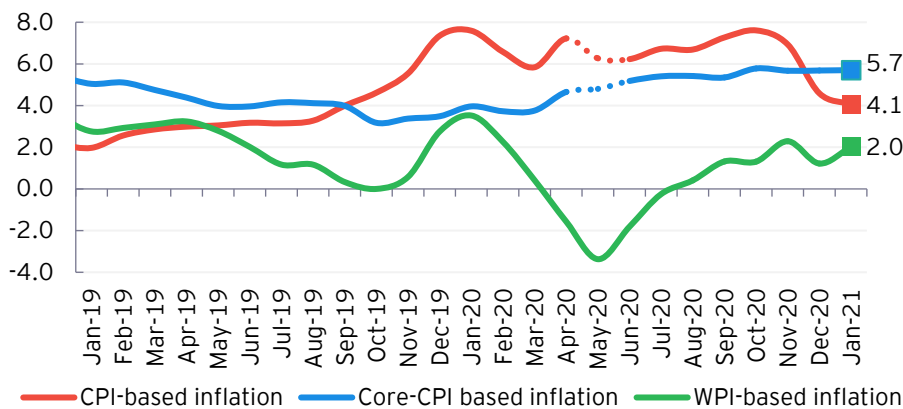
<https://www.mospi.gov.in/documents/213904/416359/iipdec201613132122372.pdf/5f8ff373-92b7-0169-8ec8-56a43587a704>

2. Inflation: CPI inflation fell to a 16-month low of 4.1% in January 2021

CPI inflation fell to 4.1% in January 2021 (Chart 2) from 4.6% in December 2020 due to a moderation in inflation in consumer food items.

- ▶ Consumer food inflation moderated to a 20-month low of 1.9% in January 2021 from 3.4% in December 2020.
- ▶ Vegetable prices contracted by (-)15.8% in January 2021 as compared to (-)10.4% in December 2020 led by a sharp contraction in the prices of nearly all vegetables. Inflation in potatoes turned negative for the first time in 12 months at (-)9.3% in January 2021.
- ▶ Inflation in cereals and products, meat and fish, egg, milk and products and pulses and products also eased considerably during the month.
- ▶ Inflation in fuel and light increased to a 10-month high of 3.9% in January 2021 from 2.9% in December 2020.
- ▶ Core CPI inflation² remained elevated at 5.7% in January 2021 for the third successive month.
- ▶ Health services inflation increased to a 16-month high of 6.0% in January 2021 from 5.9% in December 2020.

Chart 2: Inflation (y-o-y, in %)



CPI inflation fell to a 16-month low of 4.1% whereas WPI inflation rose to 2.0% in January 2021. Core CPI and WPI inflation remained elevated at 5.7% and 5.2% respectively during the month.

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

Note: Headline CPI inflation and inflation in certain groups for the month of April 2020 and May 2020 have been imputed by the MoSPI³; Core CPI inflation has been estimated for April 2020 and May 2020 using this imputed data

WPI inflation increased to 2.0% in January 2021 from 1.2% in December 2020 largely led by higher inflation in manufactured products and a slowdown in the pace of contraction in fuel price.

- ▶ The pace of contraction in fuel and power prices fell to a ten-month low of (-)4.8% in January 2021 as the pace of contraction in the price of electricity moderated to a 9-month low of (-)0.4%.
- ▶ Inflation in manufactured products was broad-based, increasing to a 94-month high of 5.1% in January 2021.
- ▶ Within manufactured products, inflation in textile articles increased to a 26-month high of 5.2% and inflation in basic metals to a 27-month high of 14.5% in January 2021.
- ▶ WPI food index-based inflation turned negative for the first time in 25 months at (-)0.3% in January 2021.
- ▶ Core WPI inflation increased for the eighth successive month to a 27-month high of 5.2% in January 2021 from 4.1% in December 2020 on account of rising inflation in manufactured products.

² Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

³ http://www.mospi.gov.in/sites/default/files/press_release/CPI%20Technical%20Note%20on%20Imputation.pdf

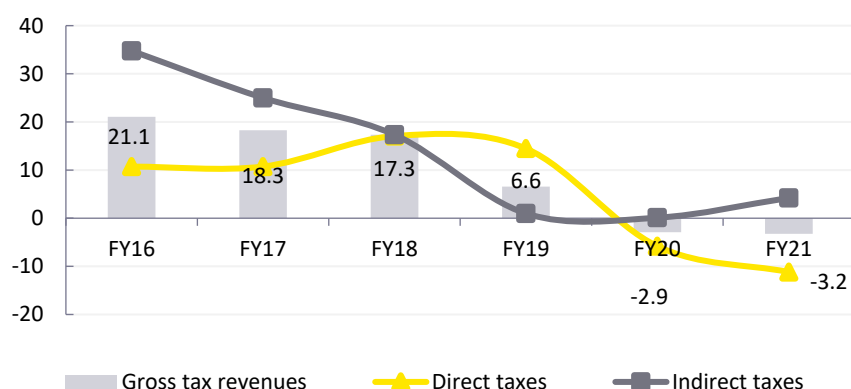


3. Fiscal performance: Center's fiscal deficit is estimated at 9.5% of GDP in FY21

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)⁴, center's gross tax revenues (GTR) during the first nine months of FY21 contracted by (-)3.2%, significantly lower than (-)12.6% during the first eight months of FY21 (**Chart 3**). In comparison, GTR contracted by (-)2.9% during the first nine months of FY20.
- As a proportion of the annual revised target, GTR during April-December FY21 stood at 70.4% as compared to 63.9% during the corresponding period of FY20. This may be attributable to a sharp downward revision in GTR from a budgeted level of INR24.2 lakh crore to INR19.0 lakh crore as per the revised estimate (RE) for FY21.
- Direct tax revenues contracted by (-)11.2% during April-December FY21 as compared to (-)5.8% in the corresponding period of FY20.
- Corporate income tax (CIT) revenues contracted by (-)15.4% during April-December FY21 as compared to (-)13.6% in the corresponding period of FY20. The contraction during the first three quarters of FY20 was largely attributable to the 2019 CIT rate reforms.
- There was a contraction of (-)6.2% in personal income tax (PIT) revenues during April-December FY21 as compared to a growth of 5.1% during the corresponding period of the previous year.
- Indirect taxes (comprising CGST, UTGST, IGST⁵ and GST compensation cess, union excise duties, service tax and customs duty) emerged from the contraction seen up to November 2020, showing a growth of 4.2% during April-December FY21. In comparison, indirect taxes had grown by 0.1% during April-December FY20.

Chart 3: Growth in central gross tax revenues during April-December (y-o-y, in %)



As per the CGA, contraction in center's gross taxes eased to (-)3.2% during April-December FY21 as compared to a sharp contraction of (-)12.6% during April-November FY21.

Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India

Notes: (a) Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, service tax, customs duty, 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 center's gross tax revenues along with direct and indirect taxes.

- Center's non-tax revenues showed a contraction of (-)47.8% during the first three quarters of FY21 as compared to a growth of 63.8% during the corresponding period of FY20.
- According to the Union Budget FY22, center's non-tax revenues has been revised down from INR3.8 lakh crore (BE) to INR2.1 lakh crore (RE) for FY21. Consequently, non-tax revenues during April-December FY21 as a proportion of the FY21 (RE) stood at 59.9%, close to the three-year (FY18 to FY20) average at 59.4%.
- As per information sourced from the Department of Investment and Public Asset Management⁶ on 22 February 2021, disinvestment receipts stood at INR19,809.04 crores. As per the Union Budget FY22, the disinvestment receipts have been significantly revised down to INR32,000 crores (RE) from a BE of INR2.1 lakh crore for FY21.

⁴ Monthly accounts for December 2020 released on 29 January 2021

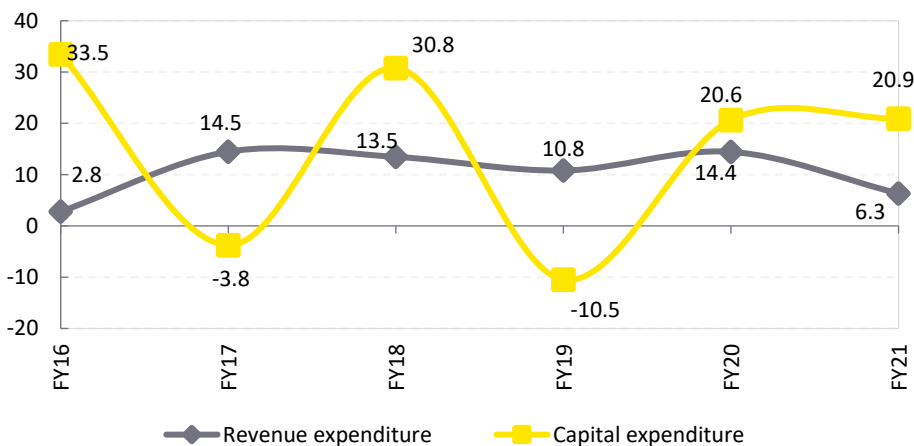
⁵ IGST revenues are subject to final settlement

⁶ <https://www.dipam.gov.in/dipam/home>

B. Expenditures: Revenue and capital

- ▶ Center’s total expenditure during April-December FY21 grew by 8.1% as compared to 15.2% during the corresponding period of FY20.
- ▶ Revenue expenditure grew by 6.3% during April-December FY21 as compared to 14.4% during the corresponding period of FY20 (**Chart 4**). For achieving the FY21 (RE), an extraordinary growth of 109.9% would be required in the last quarter of FY21. However, this partly reflects the impact of transferring on to the budget, the accumulated food subsidies to the tune of INR2.54 lakh crores given to the Food Corporation of India (FCI) through NSSF loans.
- ▶ Center’s capital expenditure grew by 20.9% during April-December FY21 as compared to 20.6% in the corresponding period of previous year. A growth of 60.3% would be required in the last quarter of FY21 to achieve the FY21 (RE).

Chart 4: Growth in central expenditures during April-December (y-o-y, in %)



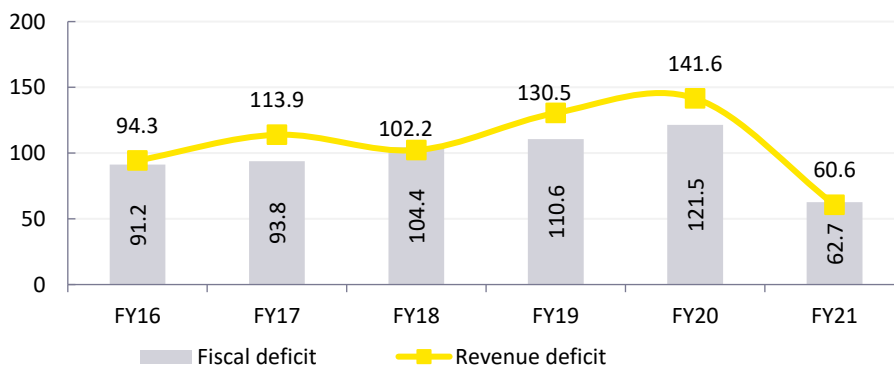
During April-December FY21, center's revenue expenditure showed a growth of 6.3% while growth in capital expenditure picked up to 20.9%.

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

C. Fiscal imbalance

- ▶ Center’s fiscal deficit during April-December FY21 stood at 62.7% of the annual revised target as compared to 121.5% during the corresponding period of FY20 (**Chart 5**). Center’s fiscal deficit has been estimated at INR18.5 lakh crores as per the RE for FY21 as compared to the initially budgeted magnitude of INR7.96 lakh crore.
- ▶ Center’s revenue deficit during April-December FY21 stood at 60.6% of the annual revised target as compared to 141.6% in the corresponding period of FY20. Center’s revenue deficit is estimated at INR14.55 lakh crore in FY21 RE as against a BE of INR6.09 lakh crore.

Chart 5: Fiscal and revenue deficit during April-December as percentage of annual revised target



As per the Union Budget FY22, center's fiscal deficit is estimated at 9.5% of GDP for FY21 (RE) while revenue deficit is pegged at 5.9% of GDP.

Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India.



4. Comparative global perspective: Global trade volumes projected to contract by (-)9.6% in 2020

Global growth and inflation

Table 1: Real GDP growth and CPI inflation (% annual)

	2019	2020 (e)	2021 (f)	2022 (f)
GDP growth				
Global	2.8	-3.5	5.5	4.2
AEs	1.6	-4.9	4.3	3.1
EMDEs	3.6	-2.4	6.3	5.0
CPI Inflation				
AEs	1.4	0.7	1.3	1.5
EMDEs	5.1	5.0	4.2	4.2

Source: IMF World Economic Outlook (WEO) Update (January 2021)

(e) denotes estimate and (f) denotes forecast

- ▶ As per the January 2021 IMF WEO update, contraction in global GDP at (-)3.5% in 2020 is lower than the October 2020 projection of (-)4.4%. This reflects a stronger-than expected recovery in the third quarter of 2020 in several countries including the US, the Euro area, Japan, Australia, India and South Korea.
- ▶ Global growth is projected to rebound to 5.5% in 2021 and 4.2% in 2022 (**Table 1**) reflecting broad vaccine availability in advanced economies (AEs) and some emerging market and developing economies (EMDEs) in the initial part of 2021 and across most countries by the second half of 2022.
- ▶ In 2020, a sharper contraction of (-)4.9% is estimated for AEs as compared to (-)2.4% in EMDEs. In 2021, growth in AEs is revised up by 0.4% points to 4.3% reflecting a sizable fiscal support announced for 2021 in the US and Japan. A strong growth of 6.3% is also projected for EMDEs in 2021.
- ▶ The stimulus packages in the US and Japan, together with the unlocking of Next Generation EU funds, is expected to revive economic activity among AEs with favorable spillovers to trading partners.
- ▶ Even with an expected growth recovery in 2021 and 2022, output gaps (where actual output is below the potential output) are not expected to close until after 2022. Consequently, CPI inflation is expected to remain subdued in 2021-22.
- ▶ In AEs, CPI inflation projected at 1.3% in 2021 and 1.5% in 2022 would broadly remain below central bank targets. Among EMDEs, inflation is projected at 4.2% for 2021 and 2022, lower than the historical average of this group.

Global trade

Table 2: World trade volume of goods and services (% growth)

	2019	2020 (e)	2021 (f)	2022 (f)
Global	1.0	-9.6	8.1	6.3
AEs	1.4	-10.1	7.5	6.1
EMDEs	0.3	-8.9	9.2	6.7

Source: IMF World Economic Outlook Update (January 2021)

(e) denotes estimate and (f) denotes forecast

- ▶ Global trade volume of goods and services is estimated to have faced a sharp contraction of (-)9.6% in 2020 with a relatively higher contraction of (-)10.1% for AEs as compared to (-)8.9% for EMDEs (**Table 2**). Such a sharp contraction in global trade volumes was last experienced in 2009 at (-)11.0% reflecting the impact of the 2008 global economic and financial crisis.
- ▶ Consistent with a recovery in global activity, global trade volumes are forecasted to grow by 8.1% in 2021, before moderating to 6.3% in 2022.
- ▶ Services trade is projected to recover slower than merchandise trade, which is consistent with expected subdued cross-border tourism and business travel until infection transmission declines.



5. In focus: Budget FY22 – key steps towards an economic revival plan

Introduction

Union Budget FY22, the first post-COVID budget prepares the ground for the recovery of growth and economic activities. It implicitly assumes that the COVID era is virtually over and the Indian economy can now look forward to normalization. In preparing the ground for this normalization, the budget spells out certain bold moves which include: (a) postponement and eventual re-examination of India's approach to fiscal consolidation, (b) significant changes in expenditure priorities, and (c) a clear move towards budgetary transparency by including some important off-budget borrowing onto the budget. In this review of the FY22 union budget, we examine the contours of budgetary balance, the changes in expenditure priorities, and the longer-term prospects of fiscal management and growth.

1. Achieving budgetary balance: Revision of fiscal consolidation norms

Constrained by a falling revenue receipts-GDP ratio even prior to the onset of COVID and the COVID-induced erosion of growth has led the fiscal authorities to suddenly relax on the target of fiscal deficit in the medium-term in order to prioritize fiscal support to growth. This called for a sharp jump in the fiscal deficit-GDP ratio of the central government from a budgeted level of 3.5% to 9.5% in the RE for FY21 facilitating an y-o-y expenditure growth of 28.4% in FY21 (**Table 3**). Thus, clearly, a significant fiscal stimulus has been provided in FY21 largely based on borrowing. In fact, in FY21, the magnitude of center's fiscal deficit at INR18.5 lakh crore exceeded center's non-debt receipts including tax and non-tax revenues at INR16 lakh crore. This has happened for the first time in India's fiscal history at least since 1970s. The upsurges in the level of fiscal deficit relative to GDP in FY21 (RE) and FY22 (BE) would have implications for center's debt-GDP ratio and the stream of future interest payments. One redeeming feature of this large departure from norms is that a good part of this fiscal deficit is proposed to be spent on capital expenditure. However, in FY21 (RE), the share of capital expenditure in fiscal deficit has remained limited to close to 24%. The level of fiscal deficit is to be brought down to 6.8% of GDP in FY22 (BE), and in graduated steps, further to 4.5% of GDP by FY26. This is based on the suggestion of the Fifteenth Finance Commission (15th FC). With such a medium-term slippage, there would be an increase in the debt-GDP ratio and a clear need to re-examine the path of fiscal consolidation given India's current empirical realities. The issue of fiscal consolidation is examined later in this write-up.

Table 3: Budgetary balance: center's broad fiscal aggregates

#	Item	FY19	FY20	FY21 (RE)	FY22 (BE)	FY20 over FY19	FY21 (RE) over FY20	FY22 (BE) over FY21(RE)	
		INR lakh crore				% growth (y-o-y)			
1	Gross tax revenue	20.8	20.1	19.0	22.2	-3.4	-5.5	16.7	
2	Net tax revenues	13.2	13.6	13.4	15.5	3.0	-0.9	14.9	
3	Non-tax revenues	2.4	3.3	2.1	2.4	38.8	-35.6	15.4	
4	Non-debt capital receipts	1.1	0.7	0.5	1.9	-39.2	-32.2	304.3	
5	Non-debt receipts (2+3+4)	16.7	17.5	16.0	19.8	5.2	-8.6	23.4	
6	Fiscal deficit	6.5	9.3	18.5	15.1	43.8	98.0	-18.5	
7	Total Expenditure (8+9)	23.2	26.9	34.5	34.8	16.0	28.4	1.0	
8	Revenue Expenditure	20.1	23.5	30.1	29.3	17.1	28.1	-2.7	
9	Capital Expenditure	3.1	3.4	4.4	5.5	9.1	30.8	26.2	
10	Capital outlay	2.8	3.1	3.3	5.1	11.4	6.7	54.7	
		% to GDP				% points			
1	Gross tax revenue	11.02	9.88	9.75	9.95	-1.14	-0.12	0.19	
2	Net tax revenues	6.97	6.67	6.90	6.93	-0.31	0.23	0.03	
3	Non-tax revenues	1.25	1.61	1.08	1.09	0.36	-0.53	0.01	
4	Non-debt capital receipts	0.60	0.34	0.24	0.84	-0.26	-0.10	0.60	
5	Non-debt receipts (2+3+4)	8.82	8.61	8.22	8.87	-0.21	-0.39	0.65	
6	Fiscal deficit	3.44	4.59	9.49	6.76	1.15	4.90	-2.73	
7	Total Expenditure (8+9)	12.26	13.20	17.71	15.63	0.94	4.51	-2.08	
8	Revenue Expenditure	10.63	11.55	15.46	13.14	0.92	3.91	-2.31	
9	Capital Expenditure	1.63	1.6	2.3	2.5	0.02	0.60	0.23	
10	Capital outlay	1.5	1.5	1.7	2.3	0.05	0.18	0.60	
	Memo	INR lakh crore				% growth			
	Nominal GDP	188.9	203.5	194.8	222.9	7.8	-4.3	14.4	

Source (Basic data): Union Budget documents (various years)



2. Expenditure shares: Priorities and discretionary fiscal space

Changes in expenditure priorities in FY21 (the COVID year) and FY22 (the first post-COVID year) can be captured by looking at the shares in total expenditures of important expenditure heads and their respective changes. It is notable that interest payments and pensions, two major heads of committed expenditures have accounted for 25.8% in FY21 (RE) and 28.5% in FY22 (BE) (Table 4). In the COVID year, there was a major increase in the expenditure share for agriculture and rural development which went up by 8.7% points in FY21 (RE). This may be well-justified on the grounds of increased spending under MGNREGA and direct benefit transfers to Pradhan Mantri Jan Dhan Yojana (PMJDY) women account holders. These one-time increases in FY21 (RE) have been discontinued in FY22 (BE) resulting in a fall in the share of agriculture by (-)7.1% points in FY22 (BE). This fall in FY22 has permitted an increase in the share of health in total expenditure by 1.5% points, but the share of interest payments has also increased by 3.3% points. One positive feature is that the share of capital expenditure in total expenditure has increased by 3.2% points in FY22 (BE). A prioritization of capital expenditure and health expenditure are welcome steps.

Table 4: Composition of center's expenditure: expenditure items as % of total expenditure

Items	FY18	FY19	FY20	FY21 (RE)	FY22 (BE)	FY21 - FY20	FY22 - FY21
	% of total expenditure					% points	
Total expenditure	100.0	100.0	100.0	100.0	100.0	0.0	0.0
Revenue expenditure of which	87.7	86.7	87.5	87.3	84.1	-0.2	-3.2
General services	45.2	45.8	42.5	36.0	39.3	-6.5	3.3
Interest payments	24.7	25.2	22.6	19.9	23.0	-2.7	3.1
Administrative services	4.0	4.3	4.1	3.1	3.3	-1.0	0.2
Pensions	6.8	6.9	6.8	5.9	5.4	-0.9	-0.5
Defence services	8.7	8.4	7.7	6.1	6.1	-1.7	0.0
Other general services	1.1	1.0	1.3	1.0	1.4	-0.3	0.4
Social services	4.4	4.4	4.8	4.7	5.5	-0.1	0.7
Education	1.9	1.6	1.6	1.3	1.4	-0.3	0.1
Health*	1.0	0.9	1.1	1.0	2.5	0.0	1.5
Other social services	1.5	1.9	2.1	2.4	1.6	0.3	-0.9
Economic services	19.8	19.6	20.0	29.8	21.3	9.7	-8.4
Agriculture & rural development	10.3	10.4	11.5	20.2	13.1	8.7	-7.1
Industry and Minerals	3.1	3.2	3.0	3.4	2.6	0.4	-0.7
Transport and communication	2.0	1.9	1.3	1.5	1.2	0.2	-0.3
Other economic services	4.4	4.1	4.3	4.6	4.3	0.4	-0.3
Grants-in-aid to state governments	17.4	15.9	18.4	14.7	16.0	-3.7	1.3
Other grants	0.4	0.6	1.3	1.7	1.7	0.4	-0.1
Expenditure of UTs	0.4	0.4	0.4	0.4	0.4	0.0	0.0
Capital expenditure	12.3	13.3	12.5	12.7	15.9	0.2	3.2
Capital outlay of which	11.4	12.1	11.6	9.6	14.8	-2.0	5.1
General services	5.0	4.9	4.6	4.2	4.3	-0.5	0.2
Defence services	4.2	4.1	4.1	3.9	3.9	-0.2	0.0
Other general services	0.7	0.8	0.5	0.3	0.5	-0.2	0.2
Social services	0.4	0.4	0.4	0.2	0.2	-0.1	0.0
Economic services	6.0	6.7	6.5	5.1	10.0	-1.5	4.9
Roads and bridges	2.5	3.0	2.6	2.5	2.9	-0.1	0.4
Railways	2.0	2.3	2.5	0.8	3.1	-1.7	2.2
Other economic services	1.4	1.4	1.4	1.7	4.0	0.3	2.3
Expenditure of UTs	0.1	0.1	0.1	0.1	0.2	0.1	0.0
Loans and advances	0.8	1.2	0.9	3.1	1.2	2.2	-1.9

Source (Basic data): Union Budget documents (various years)

* includes expenditure on medical, Public health, family welfare, water supply and sanitation

3. Tax revenues

A major fiscal challenge relates to the performance of center's GTR which have contracted in two successive years namely, FY20 and FY21 (RE) (Table 3).

a. Composition of gross tax revenues

The share of CIT both in FY21 and in FY22 in center's GTR remains below its share in FY19 which was close to 32% (Table 5). The share of PIT is shown to marginally increase to slightly above 25% in FY22 (BE). Compared to FY19, the share of GST remains effectively unchanged but the share of union excise duties which indicates levy of central excise duty on petroleum products has increased to 15.1% in FY22 (BE) from 11.2% in FY19. Thus, the government appears to have relied on taxing the petroleum products to partially make up for the loss in the CIT revenues.

Table 5: Composition of gross tax revenues (shares in %)

Items	FY18	FY19	FY20	FY21 (RE)	FY22 (BE)	FY22 (BE) - FY19 (% pts.)
Gross Tax Revenue	100.0	100.0	100.0	100.0	100.0	0.0
Direct taxes	52.2	54.6	52.2	47.6	50.0	-4.7
Corporation Tax (CIT)	29.8	31.9	27.7	23.5	24.7	-7.2
Taxes on Income (PIT)	22.4	22.7	24.5	24.2	25.3	2.6
Indirect taxes	47.5	45.1	47.5	52.1	49.7	4.6
Customs	6.7	5.7	5.4	5.9	6.1	0.5
Union Excise Duties	13.5	11.2	12.0	19.0	15.1	4.0
Service Tax	4.2	0.3	0.3	0.1	0.0	-0.3
GST	23.1	28.0	29.8	27.1	28.4	0.5
CGST	10.6	22.0	24.6	22.7	23.9	1.9
IGST	9.2	1.4	0.5	0.0	0.0	-1.4
GST Compensation Cess	3.3	4.6	4.8	4.4	4.5	-0.1
State's share in GTR	35.1	36.6	32.4	28.9	30.0	-6.6
Centre's net tax revenue	64.7	63.3	67.5	70.8	69.7	6.4

Source (Basic data): Union Budget documents (various years)

b. From gross to net tax revenues

It is notable that the state's share in center's GTR has only been 28.9% in FY21 (RE) and 30.0% in FY22 (BE) as compared to the recommended share of 41% in the divisible pool of central taxes. This is largely the result of the role of cesses and surcharges that are not sharable with the states.

Table 6: Cesses and surcharges of the central government

Items	FY18	FY19	FY20	FY21 (RE)	FY22 (BE)	FY21 minus FY19	FY22 minus FY19
In INR lakh crores							
Gross tax revenues	19.2	20.8	20.1	19.0	22.2	-1.8	1.4
Net tax revenue	12.4	13.2	13.6	13.4	15.5	0.3	2.3
State's share in central taxes	6.7	7.6	6.5	5.5	6.7	-2.1	-1.0
Divisible pool	16.1	16.1	16.3	13.4	16.2	-2.7	0.1
Cesses and Surcharges (excl. GST Compensation Cess)	2.1	3.2	2.6	4.5	4.5	1.3	1.4
GST Compensation Cess	0.6	1.0	1.0	0.8	1.0	-0.1	0.0
As % of GTR						% points	
Net tax revenue	64.7	63.3	67.5	70.8	69.7	7.4	6.4
State's share in central taxes	35.1	36.6	32.4	28.9	30.0	-7.7	-6.6
Divisible pool	84.1	77.6	80.9	70.6	73.2	-7.0	-4.4
Cesses and Surcharges (excl. GST Compensation Cess)	10.8	15.3	12.7	23.8	20.5	8.5	5.2
GST Compensation Cess	3.3	4.6	4.8	4.4	4.5	-0.1	-0.1

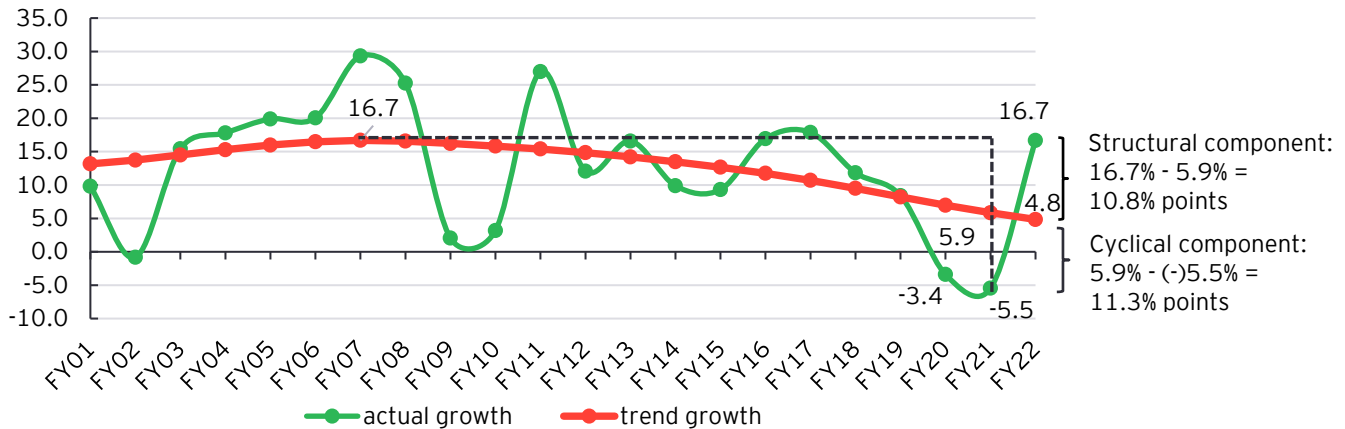
Source (Basic data): Union Budget documents (various years)

The sharp increase in the cesses and surcharges excluding GST compensation cess from INR2.6 lakh crore in FY20 to INR4.5 lakh crore in FY21 (RE) is mainly on account of road and infrastructure cess, and special additional excise duties on motor spirit (Table 6). Both relate to union excise duties on petroleum products.

c. Erosion of center's GTR trend growth and recent troughs

A longer-term and critical issue in the management of India's public finances is the decline in the growth rate of center's GTR on trend basis since FY08. After rising to about 16.7% in FY07, the trend growth rate of center's GTR has fallen to 4.8% by FY22 (BE) (Chart 6). In the estimation of the trend growth rate, we have included the FY22 (BE) which shows an actual growth rate of 16.7% in center's GTR. This could be due to a strong base effect since in the previous two consecutive years, there has been a contraction. But with a trend growth rate of 5% or less, center's tax revenues remain quite weak. Unless the growth rate in center's GTR increases to 10% or above on a sustained basis, the reliance on larger fiscal deficit may become necessary for some more years.

Chart 6: Center's gross tax revenues: actual and potential growth (%)



Source (basic data): Union Budget FY22

Non-tax revenues

Some major initiatives have been unfolded in the FY22 budget regarding non-tax revenues. One critical item pertains to spectrum sales relating both to 4G and 5G which are likely to be brought on to the market in the last quarter of FY21 and in FY22. Another important initiative relates to the idea of monetization of government and public sector owned assets including defence assets. In the budget, a National Monetization Pipeline has been proposed as a first step towards assessing the potential value of government-owned assets and devising strategies for their monetization. Monetized government assets if leased or rented out, may yield a stream of periodic incomes which may be counted under non-tax revenues. However, outright sale of assets would generate one-time receipts and may be considered as part of government's non-debt capital receipts.

a. Composition of non-tax revenues

Reflective of the upcoming initiative on spectrum sales, the revenues under communication as percentage of total non-tax revenues has increased by 6.2% points in FY22 (BE) over FY21 (RE) (Table 7). The only other major item where a significant increase in share is noticeable is dividends and profits from non-departmental undertakings (NDUs). Dividends from the RBI are shown to fall by a margin of (-)7.3% points in FY22 (BE).

Table 7: Composition of non-tax revenues (shares in %)

Items	FY18	FY19	FY20	FY21 (RE)	FY22 (BE)	FY22 - FY21 (% pts.)
Non-tax revenues	100.0	100.0	100.0	100.0	100.0	0.0
Economic Services of which	31.8	35.6	31.1	36.4	41.3	4.9
Communication	16.6	17.3	21.3	16.0	22.2	6.2
Energy	6.1	6.6	4.1	6.1	6.0	-0.1
Dividends from RBI and FIs	23.3	29.9	46.0	29.3	22.0	-7.3
Dividends & profits from NDUs	24.1	18.3	10.9	16.5	20.6	4.1
Interest receipts	7.0	5.2	3.8	6.6	4.7	-1.9
General Services	9.1	8.3	6.2	7.7	8.5	0.8
Social Services	1.5	1.3	1.0	1.5	1.2	-0.3
Other services and sources	3.1	1.6	1.0	1.9	1.6	-0.3

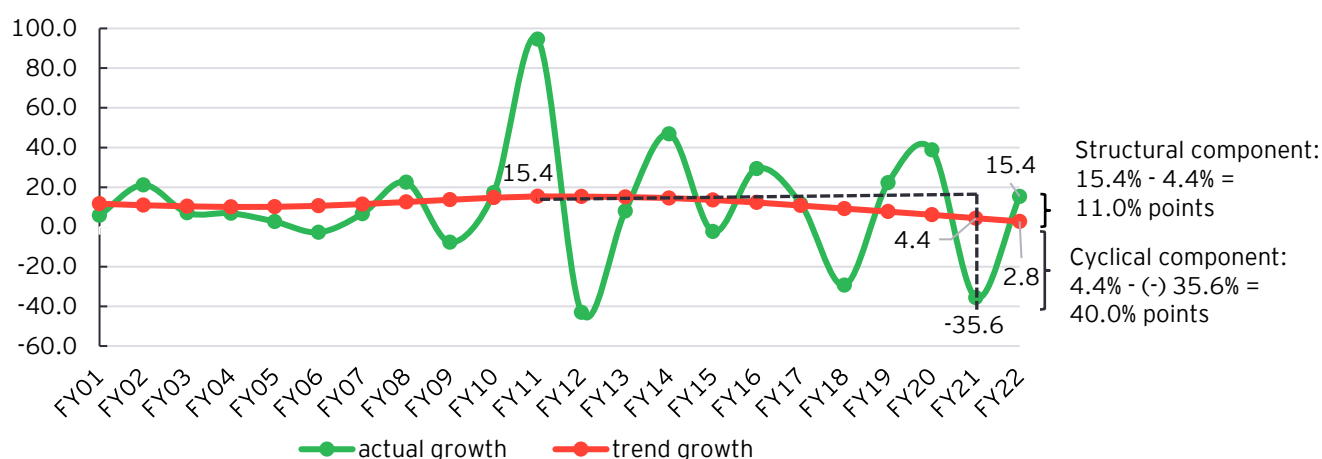
Source (Basic data): Union Budget documents (various years)



b. Longer-term trend and volatility in non-tax revenues

A review of the performance of non-tax revenues over a longer period indicates a high degree of inter-year volatility around a falling trend growth rate. Its trend growth rate peaked at 15.4% in FY11 but has now fallen to 2.8% in FY22 (BE) (Chart 7). The reason for volatility relates to lumpy changes in different sources of non-tax revenues from time to time. Both dividends from RBI and spectrum auctions in selected years have led to such volatility in recent years. The sharp increase in growth to 15.4% projected for FY22 (BE) should be considered in the perspective of a sharp fall of (-)35.6% in FY21 (RE).

Chart 7: Center's non-tax revenues: actual and potential growth (%)



Source (basic data): Union Budget FY22

c. Asset monetization initiatives

Government owns resources on, below and above land as well as in the territorial waters (12 nautical miles or 22.2 km from the base line). However, a comprehensive enumeration or valuation of these resources is not publicly available. According to a media source⁷, based on information provided by 41 of the 51 union ministries and 22 of over 300 PSEs to the center in 2017, the government owns at least 13,505 square km. of land assets. Railways owns the highest land assets of 2,929 square km, followed by coal of 2,581 square km., and power of 1,807 square km. Similarly, there would be large land ownerships with the state and local governments. The central government in 2016, had launched the Government Land Information System (GLIS), a centralized database created by the ministry of electronics and information and monitored by the Prime Minister's Office (PMO) containing records of total land area, geo-positioning maps, and details such as ownership rights of land parcels.

Ownership of minerals and water are equally valuable. Recent coal auctions have led to significant revenues for the state governments. Similarly, the central government has had some windfall gains through spectrum auctions. A study (CBGA, 2014) had estimated that the value of hydrocarbon and other mineral resources available in the country is at least INR 5011.6 lakh crore⁸. This amounts to almost 25 times India's GDP at current prices in FY20. In order to exploit the revenue potential of these resources, new initiatives are needed. First, an exhaustive survey, enumeration and compilation of ownership records of these resources are needed. Second, a modern office to serve the role of an estate manager is called for. Third, a suitable policy is required to ensure inter-generational equity in the exploitation of this ownership of the government, for not only of the present generation but for all future generations.

Government of India has started bringing out an Asset Register under Rule 6 of the FRBM Rules, 2004. This list of assets does not include assets of the Cabinet Secretariat, Central Police Organisations, Ministry of Defence, and Department of Space and Atomic Energy. According to the Government of India's asset register, appended to the FY22 budget, the largest share in terms of value is that of land. It was 74.4% at the end of FY20. The Ministry of Defence as well as the Ministry of Railways may have ownership of huge tracts of land. The evaluation of assets is done in terms of historical prices. In the case of land, when historical prices are not available, these are evaluated at the notional price of INR1. Since the value of land appreciates, clearly the value of land owned by the government may be highly understated. Monetization of land requires proper evaluation of

⁷ <https://www.hindustantimes.com/india-news/how-much-land-does-indian-govt-own-officials-building-inventory-railways-biggest-landowner/story-NTUmFHp2xFXoB2iZRbv5TP.html>

⁸ Kundu, S., "A Note on the Estimated Value of Government-Owned Natural Resources in India", *Centre for Budget and Governance Accountability* (2014).
Economy Watch: February 2021 | 14

land and strategies for selling or leasing to generate returns. Land and real estate assets need to be evaluated on a scientific and dynamic basis for which specialized task forces are needed both at central and state levels. This is an exercise that would take time but would not only add to government revenues but to the overall productivity of the economy by making land available to the private sector for development and commercial use. It may be useful to set up a Land Commission to examine the possibilities and options. In this context, the idea of a National Monetization Pipeline is quite welcome although the time lag that may be required in the realization of any revenue inflows on this account remains unpredictable.

4. Non-debt capital receipts

Capital receipts within the budget accrue from two sources. These are government's net borrowing which is also referred to as the fiscal deficit, and non-debt capital receipts. Since fiscal deficit adds to government debt, it is considered a debt-related inflow. All other capital receipts are considered as part of non-debt capital receipts. Two major items in this pertain to disinvestment and recovery of loans and advances. Proceeds of sales of government assets would also be considered under this head.

a. Relative shares

Non-debt capital receipts are also characterized by considerable volatility and lumpiness. In FY22 (BE), the relative share of miscellaneous capital receipts/ disinvestment has increased by 24.3% points (**Table 8**). The share of receipts under recovery of loans and advances, which has a relatively smaller magnitude, has correspondingly fallen to 6.9% in FY22 (BE). Total budgeted disinvestment receipts amounting to INR1.75 lakh crore in FY22 (BE) are divided broadly into financial and non-financial assets. Under the disinvestment of financial assets which includes a reduction in government's stake in public sector banks and financial institutions including LIC, the projected receipts amount to INR1.0 lakh crore.

Table 8: Composition of non-debt capital receipts: relative shares (%)

Items	FY18	FY19	FY20	FY21 (RE)	FY22 (BE)	FY22 -FY21 (% pts)
Total non-debt capital receipts	100.0	100.0	100.0	100.0	100.0	0.0
Recovery of loans and advances	13.5	16.0	26.7	31.2	6.9	-24.3
Miscellaneous capital receipts	86.5	84.0	73.3	68.8	93.1	24.3

Source (Basic data): Union Budget documents (various years)

5. Revisiting fiscal consolidation

The Economic Survey of FY21 prepared the background for justifying a sharp departure of center's fiscal deficit in FY21 (RE) and FY22 (BE) from the corresponding FRBM norms and the medium-term path of the fiscal deficit that was stipulated in the FY21 Budget. This justification was based on a comparison of the nominal growth rate and the effective interest rate on government borrowing. As long as the nominal GDP growth is considerably higher than the effective interest rate, a relatively high primary deficit and fiscal deficit relative to GDP may be justified. The 15th FC had also examined this issue and had recommended a fiscal deficit of 6.5% of GDP for the center for FY22. Their proposed path indicates a gradual reduction in the fiscal deficit to GDP ratio of the central government by an annual margin of 0.5% points thereby reaching the level of 4.5% by FY26 (**Table 9**). The Commission also recommended that the FRBM norms may be examined afresh by a High-Powered Intergovernmental Group.

Table 9: Centre's fiscal deficit to GDP ratio - glide path

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
FRBM Act 2018 (Center)	--	3.0	3.0	3.0	3.0	3.0	3.0
FY21 Budget (Center)	3.8	3.5	3.3	3.1	--	--	--
FY22 Budget (Center)	--	9.5	6.8	--	--	--	4.5
FY22 Budget (States)	--	5.0*	4.5	--	3.0	3.0	3.0
15 FC (Center)	--	7.4 [§]	6.5	6.0	5.5	5.0	4.5
15 FC (States)	--	4.2 [§]	4.5	4.0	3.5	3.5	3.0

Source (Basic data): Union Budget documents (various years), Report of the 15th Finance Commission

Note: the assessment by the 15th FC beginning FY22 for the fiscal deficit to GDP ratio for center and states indicate the upper-end scenario (Tables 12.3 and 12.5, Volume 1, 15th FC report)

*subject to all states satisfying the prescribed conditions for additional borrowing

[§]Chapter 12 of Volume 1 of the Report of the 15th FC (Table 12.6, page no. 375)



In the medium-term fiscal policy cum fiscal policy strategy statement appended to the FY22 Budget, an estimation of government debt relative to GDP for the center, which used to be given, has not been provided. According to our estimates, using the budget assumption regarding nominal GDP growth and the fiscal deficit numbers, center's debt to GDP ratio is projected at 62.2% at the end of FY21 and 61.0% at the end of FY22. Also, the estimated combined debt-GDP ratio by end-FY21 and end-FY22 respectively are at 88.0% and 87.5%. At such high debt-GDP levels, the burden of interest payment relative to GDP and relative to revenue receipts will become inordinately high thereby reducing the scope for primary deficit for any given level of fiscal deficit. In making international comparisons, we may note that for a number of developed countries, the general government debt-GDP ratio is projected to be higher than 100% by the end of 2020 and 2021 but in their case, the nominal interest rates are quite low, sometimes negative, and the revenue receipts to GDP ratios are much higher than that for India.

Concluding observations

The first post-COVID budget of the central government has favored a significant fiscal stimulus with a view to supporting recovery of real GDP growth from the trough of (-)7.8% in FY21. The sectoral priorities have been changed towards supporting growth. Additional allocations have been made for augmenting capital expenditure and health expenditure relative to GDP. The share of capital expenditure in total expenditure has increased by 3.2% points to 15.9% in FY22 (BE). A qualitative improvement in budgeting practices relates to emphasis on transparency which involved bringing explicitly on to the budget, some of the food subsidies which were given to the FCI through NSSF.

A major fiscal challenge relates to the performance of center's gross tax revenues which have contracted in two successive years namely, FY20 and FY21 (RE). A longer-term and critical issue in the management of India's public finances is the decline in the growth rate of center's GTR on trend basis since FY08. After rising to about 16.7% in FY07, the trend growth rate of center's GTR has fallen to 4.8% by FY22 (BE).

Some major initiatives pertaining to non-tax revenues in the FY22 budget include spectrum sales and setting up of a National Monetization Pipeline for monetization of government and public sector owned assets including defence assets.

Unless the growth rate in center's GTR increases to 10% or above on a sustained basis and revenues from non-tax sources become buoyant, the reliance on larger fiscal deficit may become necessary for some more years. COVID-related challenges have led to a sharp increase in center's fiscal deficit to unprecedented levels of 9.5% of GDP in FY21 (RE) and 6.8% of GDP in FY22 (BE). In fact, in FY21, the magnitude of center's fiscal deficit at INR18.5 lakh crore exceeded center's non-debt receipts covering tax and non-tax revenues at INR16 lakh crore. This has happened for the first time in India's fiscal history at least since 1970s. There is a need to return to a sustainable fiscal consolidation path as soon as feasible. The budget has indicated that the fiscal consolidation framework would be re-examined with a view to amending the FRBM Act. The impact of large fiscal deficits of the central and state governments in FY21 and beyond will be felt on increased levels of debt relative to GDP and correspondingly increased levels of interest payments relative to GDP and to government revenue receipts.



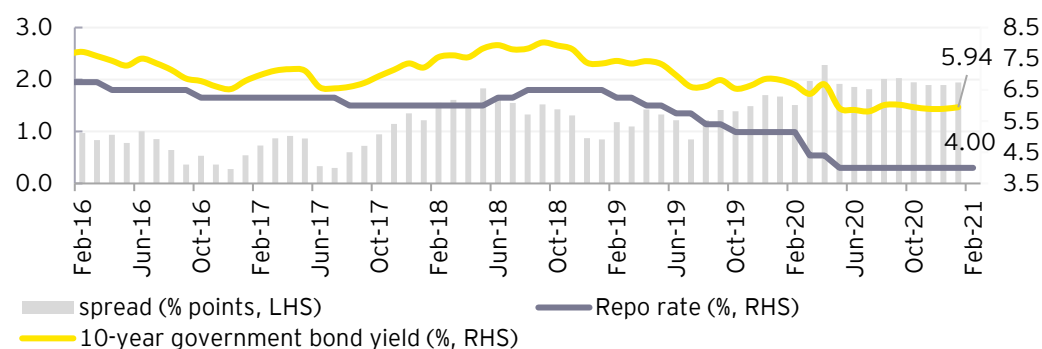
6. Money and finance: The RBI retained the repo rate at 4% in February 2021

A. Monetary sector

Monetary policy

- ▶ The RBI maintained status quo on the repo rate, retaining it at 4.0% in its monetary policy review held on 5 February 2021 while continuing with an accommodative policy stance (**Chart 8**). The reverse repo rate was also retained at 3.35%.
- ▶ In RBI's assessment, vegetable inflation may remain subdued in the coming months led by fresh arrivals and active supply side interventions. However, inflationary pressure is expected to persist in other key food items. Fuel inflation, particularly prices of petroleum products have reached historic levels owing to a surge in international crude prices and high petroleum taxes by central and state governments. Sharp increases in industrial raw material prices have led to a broad-based surge in the prices of services and industrial output. These factors are expected to impact the CPI inflation in the short-term.

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



The RBI maintained the repo rate at 4.0% in its monetary policy review held in February 2021.

Source: Database on Indian Economy, RBI

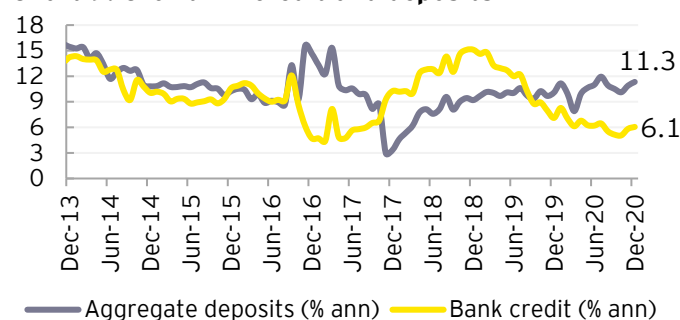
Money stock

- ▶ Growth in broad money stock (M3) fell to a three-month low of 12.1% in January 2021 from 12.4% in December 2020. This was due to a fall in the growth of time deposits. Growth in time deposits fell to 9.7% in January 2021 from 10.3% in December 2020.
- ▶ Growth in narrow money (M1) increased to 19.9% in January 2021 as compared to 19.6% in December 2020 due to an increase in demand deposits. Growth in demand deposits increased to a 12-month high of 16.7% in January 2021. However, currency in circulation fell to 21.4% in January 2021 from 22.3% in December 2020.

Aggregate credit and deposits

- ▶ Growth in bank credit increased to 6.1% in December 2020 from 5.8% in November 2020 (**Chart 9**).
- ▶ Non-food credit marginally moderated to 5.9% in December 2020 from 6.0% in November 2020.
- ▶ Among the sectoral deployment of bank credit⁹, outstanding credit to industry contracted for the third consecutive month by (-)1.2% in December 2020 as compared to (-)0.7% in November 2020. Within the industrial sector, credit to infrastructure contracted at a higher pace of (-)2.6% in December 2020 as compared to (-)1.8% in November 2020.

Chart 9: Growth in credit and deposits



Source: Database on Indian Economy, RBI

⁹ As per RBI, data on sectoral deployment of bank credit collected from select 33 scheduled commercial banks accounts for about 90% of the total non-food credit deployed by all scheduled commercial banks



- ▶ Credit to iron and steel sector contracted for the sixth successive month, although at a slower pace of (-)4.9% in December 2020 as compared to (-)7.7% in November 2020. Credit to cement sector contracted for the fifth consecutive month by (-)2.6% in December 2020 as compared to (-)2.2% in November 2020.
- ▶ Credit to services sector grew by 8.8% in December 2020, similar to the level in November 2020 while credit growth to agricultural sector increased to a 35-month high of 9.4% in December 2020.
- ▶ Growth in personal loans, a key driver of retail loans, fell to 9.5% in December 2020 from 10.0% in November 2020.
- ▶ Growth in aggregate bank deposits increased to a five-month high of 11.3% in December 2020. This was led by an improvement in the growth of both demand and time deposits to 15.6% and 10.8% respectively in December 2020 from 13.5% and 10.6% respectively in November 2020.

B. Financial sector

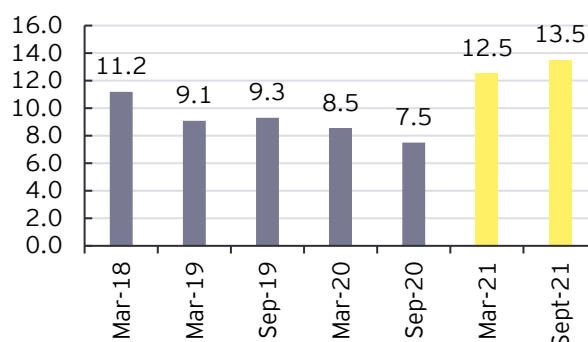
Interest rates

- ▶ As per the data released by the RBI on 15 February 2021, interest rates offered by commercial banks on term deposits with a maturity of more than one year averaged 5.20% for the third consecutive month in January 2021 (ranging from 4.90% to 5.50%).
- ▶ The average MCLR fell marginally to 6.80% in January 2021 ranging between 6.55% and 7.05% as compared to 6.84% in December 2020 ranging between 6.58% and 7.10%.
- ▶ The average yield on 10-year government bond increased marginally to 5.94% in January 2021 after averaging at 5.89% in November and December 2020 (**Chart 8**). Benchmark bond yields were influenced by the prospects of a large slippage in fiscal deficit in FY21.
- ▶ WALR on fresh rupee loans by SCBs fell further by 22 basis points to 8.12% in December 2020 from 8.32% in November 2020. WALR has fallen by a cumulated 124 basis points since January 2020 as compared to a reduction of 115 basis points in repo rate.

Gross non-performing assets ratio

- ▶ The RBI's January 2021 Financial Stability Report¹⁰ estimates the scheduled commercial banks' (SCBs) gross non-performing assets (GNPA) to increase to 13.5% by September 2021 under the 'base case scenario' and to 14.8% under the 'severe stress scenario'.
- ▶ From 9.3% in September 2019, GNPA ratio had fallen to 8.5% in March 2020 and further to 7.5% in September 2020 (**Chart 10**).
- ▶ GNPA ratio of public sector banks continued to be the highest at 9.7% followed by private banks at 4.6% in September 2020. Foreign banks had the lowest GNPA ratio at 2.5% in September 2020.
- ▶ Among major sectors, GNPA ratio in industries was the highest at 12.4% in September 2020. Among major sub-sectors within industry, GNPA ratios in gems and jewelry was the highest at 24.1% followed by construction and engineering sectors at 21.5% and 19.4% respectively in September 2020. Infrastructure sector excluding electricity had a GNPA ratio of 12.6% while electricity sector had a GNPA ratio of 11.2% in September 2020.
- ▶ In the case of agriculture, GNPA ratio was at 9.6% while that in services was at 6.9% in September 2020. The retail sector had the lowest GNPA ratio at 1.7% in September 2020.

Chart 10: GNPA ratios of SCBs (%)



Source: RBI Financial Stability Report (FSR) July 2020 and January 2021
GNPA ratio for Mar-21 is as per the RBI's FSR July 2020

¹⁰ https://rbidocs.rbi.org.in/rdocs//PublicationReport/Pdfs/FSR_F06B552BF8B144B80B4AEFEDEB3D62218.PDF



7. Trade and CAB: Merchandise export growth was at a 22-month high of 6.2% in January 2021

A. CAB: current account posted a surplus of 2.4% of GDP in 2QFY21

- Current account recorded a surplus for the second consecutive quarter at 2.4% of GDP in 2QFY21 as compared to 3.8% in 1QFY21 (**Chart 11**). Net merchandise trade deficit was at 2.3% of GDP in 2QFY21, marginally higher than 2.1% in 1QFY21 (**Table 10**). Merchandise exports relative to GDP improved to a six-quarter high of 11.9% in 2QFY21 from 10.4% in 1QFY21. Merchandise imports relative to GDP were at 14.2% in 2QFY21 as compared to 12.6% in 1QFY21. Net invisible receipts fell to 4.8% of GDP in 2QFY21 from 6.0% in 1QFY21 reflecting the moderation in net service exports to 3.3% of GDP.

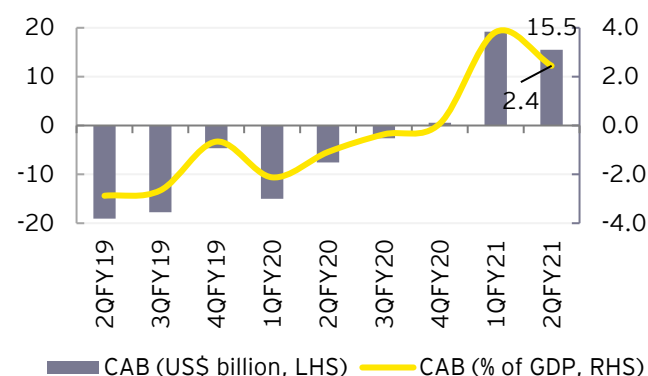
Table 10: Components of CAB in US\$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY17	-0.7	-15.3	-112.4	67.5
FY18	-1.8	-48.7	-160.0	77.6
FY19	-2.1	-57.3	-180.3	81.9
FY20	-0.9	-24.7	-157.5	84.9
3QFY20	-0.4	-2.6	-36.0	21.9
4QFY20	0.1	0.6	-35.0	22.0
1QFY21	3.8	19.2	-10.8	20.5
2QFY21	2.4	15.5	-14.8	21.2

Source: Database on Indian Economy, RBI

Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

Chart 11: CAB



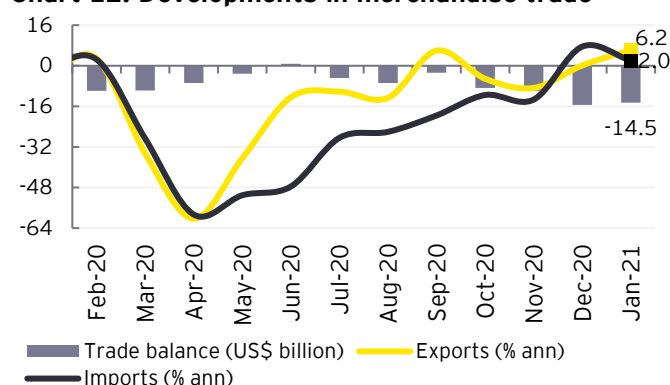
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Growth in merchandise exports rose to a 22-month high of 6.2% whereas imports growth fell to 2.0% in January 2021 (Chart 12).

- Growth in merchandise exports was led by a sharp growth in exports of engineering goods which increased to a 29-month high of 18.8% in January 2021 from 0.3% in December 2020, partly due to base effect.
- The pace of contraction in oil exports slowed to a four-month low of (-)32.1% in January 2021.
- Non-oil non-gold exports grew by 13.4% in January 2021, the highest rate of growth in 22 months.
- Growth in merchandise imports moderated to 2.0% in January 2021 from 7.6% in December 2020 led by a higher pace of contraction in oil imports at (-)27.7% from (-)10.6% over the same period.

Chart 12: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Imports excluding oil, gold and jewelry grew by 5.0% in January 2021 as compared to 8.0% in December 2020.
- Out of the 30 sectors for which exports and imports data is provided, 8 and 12 sectors experienced a contraction in January 2021 respectively as compared to 10 in each case in December 2020.
- Merchandise trade deficit fell to US\$14.5 billion in January 2021 from a 25-month high of US\$15.4 billion in December 2020.
- The rupee marginally appreciated to INR 73.1 per US\$ (average) in January 2021 from INR73.6 per US\$ in December 2020.



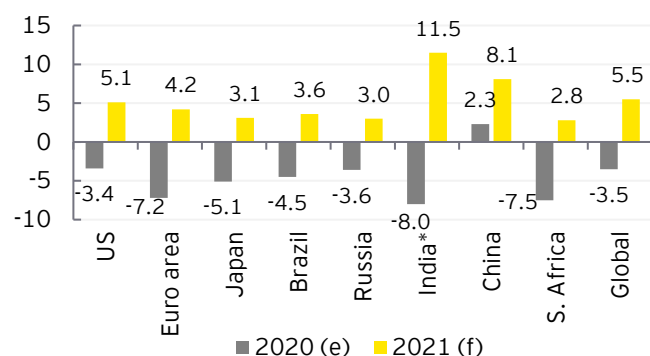
8. Global growth: IMF estimated a global contraction of (-)3.5% in 2020 and a recovery to 5.5% in 2021

A. Global growth outlook

- ▶ The IMF (World Economic Outlook Update, January 2021) estimated global growth at (-)3.5% in 2020, 0.9% points higher than its October 2020 projections, reflecting a sharper than expected recovery on average across regions in the second half of 2020.
- ▶ Global growth in 2021 is also revised up by 0.3% points to 5.5% reflecting policy support in few large economies including US and Japan and the expectations of widespread vaccine availability (Chart 13).
- ▶ In the US, a contraction of (-)3.4% is estimated for 2020 followed by a growth of 5.1% in 2021. The 2021 forecast has been revised up by 2% points relative to October 2020 projections reflecting carryover from the strong momentum in the second half of 2020 and additional support from the December 2020 fiscal package. Similarly, in Japan, growth is projected to increase to 3.1% in 2021 on account of additional boost from fiscal measures introduced in end-2020.
- ▶ In the Euro area, growth in 2021 has been revised down by 1% point to 4.2% reflecting softening of activity in end-2020, which is expected to continue into early 2021 amid rising infections and renewed lockdowns.
- ▶ China's growth is estimated at 2.3% in 2020, increasing sharply to 8.1% attributable to effective containment measures, strong public investment program and central bank's liquidity support.
- ▶ In India, GDP contraction has been estimated at (-)8.0% for 2020 (FY21). In 2021 (FY22), growth has been revised up sharply by 2.7% points to 11.5% reflecting carryover from a stronger than expected recovery in 2020 as also a strong base effect.
- ▶ Oil exporters and tourism-based economies among EMDEs such as Russia and Brazil respectively are projected to show weaker recovery in 2021 considering the expected slow normalization of cross-border travel and the subdued outlook for oil prices.

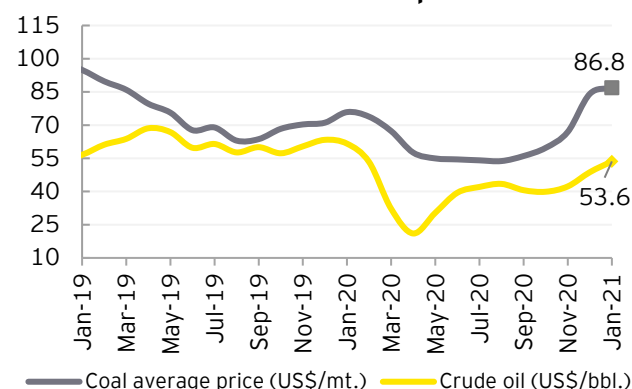
The IMF estimated a global contraction of (-)3.5% in 2020. Recovery to 5.5% in 2021 reflects policy support in US and Japan and expectations of widespread vaccine availability.

Chart 13: Global growth projections (%)



Source: World Economic Outlook Update, IMF (January 2021)
(e): estimated, (f): forecasted; *data for India pertains to fiscal year

Chart 14: Global crude and coal prices



Source (basic data): World Bank, Pink Sheet, February 2021

B. Global energy prices: global crude price increased to a 12-month high of US\$53.6/bbl. in January 2021

- ▶ Average global crude price¹¹ increased to a 12-month high of US\$53.6/bbl. in January 2021 from US\$48.7/bbl. in December 2020 (Chart 14). The IMF¹² projected global crude price to increase by about 20% in 2021 as the vaccine rollouts and fiscal stimulus programs are expected to lead to a stronger-than-expected recovery.
- ▶ Average global coal price¹³ also increased sharply to a 23-month high of US\$86.8/mt. in January 2021 reflecting the beginning of a demand recovery amid lower production levels.

¹¹ Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh

¹² World Economic Outlook Update, IMF (January 2021)

¹³ Simple average of Australian and South African coal prices

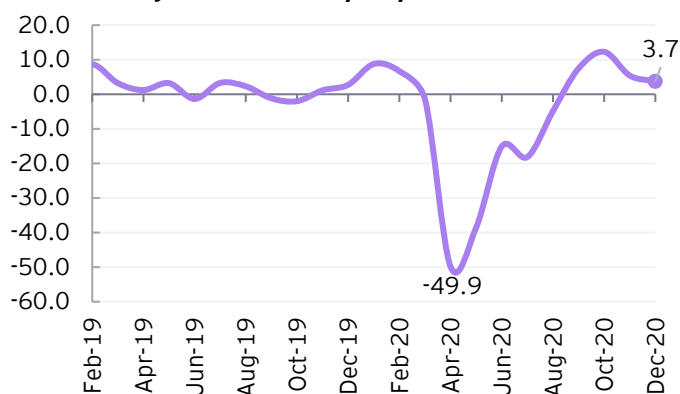


9. Index of aggregate demand (IAD): pointed to further slowdown in demand in December 2020

Growth in IAD fell to 3.7% in December 2020 from 5.4% in November 2020

- ▶ EY developed an 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 non-seasonally adjusted terms, tracing the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- ▶ IAD grew at a slower pace of 3.7% in December 2020 as compared to 5.4% in November 2020 indicating a deterioration in demand conditions particularly in the services sector (**Chart 15**).
- ▶ Demand conditions in both agriculture and industries improved in December 2020 while that in services continued to be subdued during the month.

Chart 15: growth in IAD (y-o-y)



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

Table 11: IAD

Month	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
IAD	63.5	77.5	107.9	106.2	118.5	133.4	141.7	136.8	136.3
Growth (% y-o-y)	-49.9	-38.5	-15.1	-18.2	-4.9	7.5	12.3	5.4	3.7
Growth in agr. credit	3.9	3.5	2.4	5.4	4.9	5.9	7.4	8.5	9.4
Mfg. PMI**	-23.9	-16.5	-3.2	-4.9	2.1	8.0	9.4	6.5	6.9
Ser. PMI**	-48.0	-38.4	-16.4	-17.7	-9.7	0.5	7.2	3.6	2.2

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

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



10. Capturing macro-fiscal trends: data appendix

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							
FY17	4.6	5.3	4.3	5.8	4.8	FY17	51.6	51.0
FY18	4.4	2.3	4.7	5.3	4.3	FY18	51.5	50.0
FY19	3.8	2.8	3.8	5.2	4.4	FY19	52.8	52.2
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
4QFY20	-4.3	3.9	-6.3	1.6	-0.4	4QFY20	53.9	54.1
1QFY21	-35.6	-22.3	-40.3	-15.8	-23.8	1QFY21	35.1	17.2
2QFY21	-5.7	-7.0	-6.3	0.1	-4.8	2QFY21	51.6	41.9
3QFY21	1.0	-4.4	1.2	6.7	-1.2	3QFY21	57.2	53.4
Sep-20	1.0	1.4	0.4	4.9	0.6	Oct-20	58.9	54.1
Oct-20	4.2	-1.3	4.1	11.2	-0.9	Nov-20	56.3	53.7
Nov-20	-2.1	-6.7	-2.0	3.5	-1.4	Dec-20	56.4	52.3
Dec-20	1.0	-4.8	1.6	5.1	-1.3	Jan-21	57.7	52.8

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and IHS Markit Economics

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			
FY17	4.5	4.2	3.3	4.9	1.7	5.9	1.3	-0.3	-0.1
FY18	3.6	1.8	6.2	4.6	2.9	1.9	2.7	8.2	3.0
FY19	3.4	0.1	5.7	5.5	4.3	0.6	3.7	11.5	4.2
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
4QFY20	6.7	11.1	5.5	3.8	2.1	7.5	0.5	1.8	-0.7
1QFY21	6.6	9.9	1.7	4.9	-2.3	3.4	0.0	-17.4	-1.0
2QFY21	6.9	9.7	2.9	5.4	0.5	5.5	1.3	-9.2	0.5
3QFY21	6.4	7.9	2.2	5.7	1.6	3.9	3.2	-9.0	2.9
Oct-20	7.6	11.0	2.1	5.8	1.3	6.2	2.2	-11.1	1.8
Nov-20	6.9	9.5	1.6	5.7	1.6	4.3	3.0	-9.9	2.6
Dec-20	4.6	3.4	2.9	5.7	1.2	0.9	4.2	-8.7	4.1
Jan-21	4.1	1.9	3.9	5.7	2.0	-0.3	5.1	-4.8	5.2

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MoSPI

* The CPI for April and May 2020 has been imputed

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY 18 (CGA)	11.8	17.8	19.9	18.6	6.0	3.5	2.6
FY 19 (CGA)	8.4	16.2	13.1	14.9	2.9	3.4	2.4
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.6	3.3
FY21 over FY20 (RE over budget actuals)	-5.5	-19.9	-6.8	-13.8	3.6	9.5	7.5
FY 22 (BE over FY 21 RE)	16.7	22.6	22.2	22.4	11.4	6.8	5.1
Cumulated growth (% , y-o-y)						% of budgeted target	
May-20	-41.2	1408.1	-41.0	-14.6	-52.5	58.6	67.6
Jun-20	-32.6	-23.3	-35.9	-30.6	-34.5	83.2	94.8
Jul-20	-29.5	-39.2	-29.1	-33.2	-27.5	103.1	117.4
Aug-20	-23.7	-41.8	-28.9	-34.1	-16.5	109.3	121.9
Sep-20	-21.6	-39.7	-21.8	-31.4	-12.0	114.8	125.2
Oct-20	-16.8	-36.7	-16.9	-27.3	-7.0	119.7	126.8
Nov-20	-12.6	-35.7	-12.3	-24.4	-2.4	135.1	139.9
Dec-20	-3.2	-15.4	-6.2	-11.2	4.2	62.7 [#]	60.6 [#]

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents

* Includes corporation tax and income tax

** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.

#: as % of revised targets for FY21, fiscal and revenue deficits until November 2020 are as % of FY21 budget targets.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (center)
INR crore					
FY 2021 (RE)	4,31,000	-	-	84,100	5,15,100
FY 2022 (BE)	5,30,000	-	-	1,00,000	6,30,000
Monthly tax collection (INR crore)					
May-20	18,961	107	9,643	6,020	34,731
Jun-20	30,152	154	9,672	7,472	47,450
Jul-20	37,902	224	-6,026	6,816	38,916
Aug-20	32,359	191	5,198	6,856	44,604
Sep-20	37,171	243	-290	6,810	43,934
Oct-20	42,901	136	192	7,840	51,069
Nov-20	39,803	132	7,612	8,029	55,576
Dec-20	43,040	144	12,408	8,248	63,840

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents

Note: IGST revenues are subject to final settlement.

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

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US\$ billion			% change y-o-y		%	US\$ billion
Mar-20	4.40	FY17	7.9	11.6	35.6	7.6	FY17	3.1	10.1	7.03	370.0
Apr-20	4.40	FY18	7.5	7.5	30.3	22.1	FY18	21.8	9.2	7.05	424.4
May-20	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.68	411.9
Jun-20	4.00	FY20	9.4	9.9	43.0	1.4	FY20	11.2	8.9	6.80	475.6
Jul-20	4.00	4QFY20	7.1	9.6	12.0	-13.7	4QFY20	11.2	8.9	6.62	475.6
Aug-20	4.00	1QFY21	6.4	10.5	-0.4	0.6	1QFY21	17.7	12.3	6.15	506.8
Sep-20	4.00	2QFY21	5.7	11.1	23.3	7.3	2QFY21	18.6	12.2	5.95	542.0
Oct-20	4.00	3QFY21	5.6	10.8	--	--	3QFY21	19.6	12.4	5.91	580.8
Nov-20	4.00	Sep-20	5.1	10.5	2.4	-0.7	Oct-20	16.8	11.6	5.95	560.7
Dec-20	4.00	Oct-20	5.1	10.1	4.6	2.9	Nov-20	19.0	12.5	5.89	574.8
Jan-21	4.00	Nov-20	5.8	10.9	5.7	9.4	Dec-20	19.6	12.4	5.89	580.8
Feb-21	4.00	Dec-20	6.1	11.3	--	--	Jan-21	19.9	12.1	5.94	590.2

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		
FY17	5.1	0.9	-108.2	67.1	47.9	73.0	2011	4.3	1.8	6.4
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2012	3.5	1.2	5.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2013	3.5	1.4	5.1
FY20	-5.2	-8.3	-156.8	70.9	58.5	70.4	2014	3.5	2.1	4.7
4QFY20	-12.9	-9.8	-34.9	72.4	49.1	72.3	2015	3.4	2.4	4.3
1QFY21	-36.7	-52.4	-9.1	75.9	30.3	55.7	2016	3.3	1.8	4.5
2QFY21	-5.6	-24.8	-14.3	74.4	42.0	54.6	2017	3.8	2.5	4.8
3QFY21	-4.5	-5.6	-34.0	73.8	43.6	70.2	2018	3.5	2.2	4.5
Oct-20	-5.1	-11.5	-8.7	73.5	39.9	59.7	2019	2.8	1.6	3.6
Nov-20	-8.7	-13.3	-9.9	74.2	42.3	66.9	2020 (e)	-3.5	-4.9	-2.4
Dec-20	0.1	7.6	-15.4	73.6	48.7	84.1	2021*	5.5	4.3	6.3
Jan-21	6.2	2.0	-14.5	73.1	53.6	86.8	2022*	4.2	3.1	5.0

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook Update, January 2021.

(e) denotes estimate; * Indicates projections.

**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
FY18 (3rd RE)	6.2	6.6	-5.6	7.5	10.6	5.2	10.3	1.8	8.3	4.5
FY19 (2nd RE)	5.9	2.6	0.3	5.3	8.0	6.3	7.1	7.2	7.4	4.5
FY20 (1st RE) [§]	4.1	4.3	-2.5	-2.4	2.1	1.0	6.4	7.3	8.3	3.3
FY21(AE) #	-7.0	2.3	-3.3	-7.5	5.5	-12.8	-25.0	-0.8	1.0	2.4
2QFY19	6.1	2.5	-7.0	5.6	9.9	5.2	7.8	6.5	8.9	4.7
3QFY19	5.6	2.0	-4.4	5.2	9.5	6.6	7.8	6.5	8.1	3.8
4QFY19	5.6	1.6	-4.8	2.1	5.5	6.0	6.9	8.7	11.6	3.7
1QFY20	4.8	3.0	4.7	3.0	8.8	5.2	3.5	6.0	7.7	3.1
2QFY20	4.3	3.5	-1.1	-0.6	3.9	2.6	4.1	6.0	10.9	1.8
3QFY20	3.5	3.6	2.2	-0.8	-0.7	0.0	4.3	3.3	10.9	3.4
4QFY20	3.0	5.9	5.2	-1.4	4.5	-2.2	2.6	2.4	10.1	3.7
1QFY21	-22.8	3.4	-23.3	-39.3	-7.0	-50.3	-47.0	-5.3	-10.3	2.9
2QFY21	-7.0	3.4	-9.1	0.6	4.4	-8.6	-15.6	-8.1	-12.2	3.1

Source: National Accounts Statistics, MoSPI

[§] Growth numbers for FY20 are based on the first revised estimates (RE) of NAS released by the MoSPI on 29 January 2021 over the second RE of NAS for FY19, #FY21 growth numbers are based on advance estimates released by MoSPI on 7 January 2021 over the first revised estimates for FY20 released on 29 January 2021.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY18 (3rd RE)	6.8	6.2	11.9	7.8	4.6	17.4	4.0
FY19 (2nd RE)	6.5	7.6	6.3	9.9	12.3	8.6	3.7
FY20 (1st RE) [§]	4.0	5.5	7.9	5.4	-3.3	-0.8	3.6
FY21(AE) #	-7.8	-9.4	13.4	-21.6	-8.6	-25.3	3.8
2QFY19	6.2	8.8	10.8	11.5	12.5	18.7	4.9
3QFY19	5.6	7.0	7.0	11.4	15.8	10.0	5.5
4QFY19	5.7	6.2	14.4	4.4	11.6	0.8	2.1
1QFY20	5.2	5.5	6.2	4.6	3.2	2.1	2.7
2QFY20	4.4	6.4	14.2	-3.9	-2.2	-9.4	1.4
3QFY20	4.1	6.6	13.4	-5.2	-6.1	-12.4	3.2
4QFY20	3.1	2.7	13.6	-6.5	-8.5	-7.0	4.3
1QFY21	-23.9	-26.7	16.4	-47.1	-19.8	-40.4	1.8
2QFY21	-7.5	-11.3	-22.2	-7.3	-1.5	-17.2	3.8

Source: National Accounts Statistics, MoSPI

[§] Growth numbers for FY20 are based on the first revised estimates (RE) of NAS released by the MoSPI on 29 January 2021 over the second RE of NAS for FY19, #FY21 growth numbers are based on advance estimates released by MoSPI on 7 January 2021 over the first revised estimates for FY20 released on 29 January 2021.



List of abbreviations

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



Sr. no.	Abbreviations	Description
36	GST	Goods and Services Tax
37	GVA	gross value added
38	IAD	Index of Aggregate Demand
39	IBE	interim budget estimates
40	ICRIER	Indian Council for Research on International Economic Relations
41	IEA	International Energy Agency
42	IGST	Integrated Goods and Services Tax
43	IIP	Index of Industrial Production
44	IMF	International Monetary Fund
45	IMI	Index of Macro Imbalance
46	IMP	imports
47	INR	Indian Rupee
48	IPD	implicit price deflator
49	J&K	Jammu and Kashmir
50	MCLR	marginal cost of funds-based lending rate
51	Ming.	mining and quarrying
52	Mfg.	manufacturing
53	m-o-m	month-on-month
54	Mt	metric ton
55	MoSPI	Ministry of Statistics and Programme Implementation
56	MPC	Monetary Policy Committee
57	NEXP	net exports (exports minus imports of goods and services)
58	NPA	non-performing assets
59	NCLT	National Company Law Tribunal
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	PSBR	public sector borrowing requirement
67	RE	revised estimates
68	PSU/PSE	public sector undertaking/public sector enterprises
69	RBI	Reserve Bank of India
70	SLR	Statutory Liquidity Ratio
71	Trans.	trade, hotels, transport, communication and services related to broadcasting
72	US\$	US Dollar
73	UTGST	Union Territory Goods and Services Tax
74	WALR	weighted average lending rate
75	WPI	Wholesale Price Index
76	y-o-y	year-on-year
77	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

Our offices

Ahmedabad

22nd Floor, B Wing, Privilon,
Ambli BRT Road, Behind Iskcon
Temple, Off SG Highway,
Ahmedabad - 380 015
Tel: + 91 79 6608 3800

Bengaluru

6th, 12th & 13th floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing
Divyasree Chambers
11, O'Shaughnessy Road
Langford Gardens
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Chandigarh

Elante offices,
Unit No. B-613 & 614
6th Floor, Plot No- 178-178A,
Industrial & Business Park,
Phase-I, Chandigarh - 160002
Tel: + 91 172 671 7800

Chennai

Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi
Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Golf View Corporate Tower B
Sector 42, Sector Road
Gurgaon - 122 002
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
NOIDA - 201 304
Gautam Budh Nagar, U.P.
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "Zone A"
Survey No 83/1, Raidurgam
Hyderabad - 500032
Tel: + 91 40 6736 2000

Jamshedpur

1st Floor, Shantiniketan Building
Holding No. 1, SB Shop Area
Bistupur, Jamshedpur - 831 001
Tel: + 91 657 663 1000

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune

C-401, 4th floor
Panchshil Tech Park
Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

Ernst & Young LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at 22 Camac Street, 3rd Floor, Block C, Kolkata - 700016

© 2021 Ernst & Young LLP. Published in India.
All Rights Reserved.

EYIN2102-017
ED None

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

RD