Economy Watch

Monitoring India's
macro-fiscal performance

June 2020

Building a better
working world

Contents

Foreword: strengthening stimulus measures may arrest India's contractionary momentum 3

1. Growth: real GDP growth decelerated to an 11-year low of 4.2% in FY20 4
2. Inflation: WPI-based inflation contracted for the first time in 46-months by (-)3.2% in May 2020 6
3. Fiscal performance: center's fiscal deficit stood at 4.6% of GDP in FY20, a slippage of 0.8% points from the RE at 3.8% 7
4. India in a comparative perspective: post 2020 contraction, the World Bank projected a V-shaped recovery 9
5. In focus: overcoming center's fiscal constraints with infrastructure-centered investment strategy 10
6. Money and finance: credit growth remained subdued at 6.8% in April 2020 17
7. Trade and CAB: merchandise exports contracted by (-)36.5% in May 2020 19
8. Global growth: World Bank projected a global contraction of (-)5.2% in 2020, the sharpest since World War II 20
9. Index of Aggregate Demand (IAD): pointed to a sharp deterioration in demand in April 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. Real GDP growth decelerated to an 11-year low of 4.2% in FY20. The IMF projected India's real GDP to contract by (-)4.5% in FY21. The ADB and the World Bank also projected a contraction of (-)4.0% and (-)3.2% respectively in FY21.
2. The IMF and the World Bank projected a global contraction of (-)4.9% and (-)5.2% in 2020. In comparison, the OECD estimated the contraction to be sharper at (-)6.8% on average.
3. PMI manufacturing and services showed a sharp contraction, with the former at 30.8 and the latter at 12.6 in May 2020.
4. WPI-based inflation contracted for the first time in 46 months at (-)3.2% in May 2020 while consumer food price index-based inflation remained high at 9.3% in May 2020.
5. Center's gross taxes in FY20 contracted by (-)3.4% as compared to a growth of 8.4% in FY19. The last instance of contraction in center's gross taxes was witnessed way back in FY02.
6. In FY20, there was a slippage in both fiscal and revenue deficits of the center from their respective targets. Fiscal deficit stood at 4.6% of GDP as compared to 3.8% as per the FY20 RE. Revenue deficit was at 3.3% as compared to 2.5% in FY20 RE.
7. Growth in bank credit remained subdued, marginally increasing to 6.8% in April 2020 from 6.1% in March 2020.
8. Reflective of continued weakness in external demand, contraction in merchandise exports remained high at (-)36.5% in May 2020, although it was lower than (-)60.3% in April 2020.

Foreword

Strengthening stimulus measures may arrest India's contractionary momentum

The World Bank (Global Economic Prospects (8 June 2020)), OECD* and the IMF* have projected a sharp contraction in global GDP in 2020. While the World Bank and the IMF estimated the contraction at (-)5.2% and (-)4.9% respectively, the OECD projected it to be higher at (-)6.8% on average. Many multilateral bodies, financial institutions and rating agencies have also reassessed their position regarding India's growth prospects in FY21. Most of these bodies are now projecting a sharp contraction in India's FY21 GDP. The IMF sharply revised down its earlier growth projection of 1.9% for India by 6.4% points to (-)4.5%. The World Bank forecasted India's FY21 real GDP to contract by (-)3.2%, a downward revision from its earlier growth forecast of 2.2% (released on 12 April 2020), indicating a downward revision of 5.4% points. The ADB revised even more sharply, its earlier projection of 4.0% to (-)4.0%. The OECD* also projected India's GDP to contract by (-)3.7% in the single hit scenario and by (-)7.3% in the double hit scenario, where single hit scenario assumes an avoidance of a second outbreak which is factored in the double hit scenario. Earlier, the State Bank of India (SBI) had predicted a contraction of (-)6.8% while ICRA and CRISIL had projected a contraction of (-)5.0%. Among international observers, Nomura had predicted a contraction of (-)5.2%. Rating agencies such as Moody's had projected a contraction of (-)4.0% while S&P Global and Fitch had projected it at (-)5.0%.

It is notable that the revisions undertaken by the IMF, World Bank, OECD and ADB with respect to India's growth projections have come after the announcement of the stimulus packages by the RBI and the Ministry of Finance (MoF) in several tranches over the period from end-March 2020 to date. The main stimulus announcements by the MoF came in mid-May 2020. Clearly, these stimulus packages were not considered to be enough to reverse the contractionary momentum of the Indian economy.

In response to COVID-19 pandemic, many economies have come up with large stimulus packages. In a recent release**, Fitch compared the relative size of fiscal and monetary stimulus packages across major economies of the world. For purposes of comparison, Fitch classified the stimuli into five categories namely, (1) new fiscal measures (% to GDP), (2) fiscal guarantees and quasi fiscal measures (% to GDP), (3) new quantitative easing (% to GDP), (4) new liquidity and refinancing facilities (% to GDP) and (5) monetary easing (cumulative rate reduction in basis points since 1 February 2020). In the case of new fiscal measures, India was placed last but one after Mexico. India's fiscal measures amounted to only 1.1% of GDP in India whereas the largest fiscal injection was given by Brazil at 13.5%, followed by the US at 11.5%. In the category relating to monetary easing, India was placed well below a number of countries such as Turkey, South Africa, Brazil, the US, Canada, Mexico and Poland. India's rate reduction amounted to 115 basis points as compared to 300 basis points for Turkey and 250 basis points for South Africa.

Policymakers in India are constrained in terms of offering larger stimuli because of a number of India-specific challenges. Two challenges are particularly notable. First, India has entered the COVID-19 crisis on the back of a continuing economic downslide. The latest available provisional growth estimate for FY20 given by CSO shows that India's real GDP growth fell from a recent peak of 8.3% in FY17 to 4.2% in FY20. Second, data released by CGA on 31 May 2020 shows a contraction in center's gross tax revenues (GTR) at (-)3.4% in FY20 as compared to a growth of 17.9% in FY17.

In the first month of the new fiscal year, that is April FY21, center's GTR contracted on a y-o-y basis by (-)44.3% as a result of a contraction of (-)10.0% in direct taxes and a contraction of close to (-)70% in indirect taxes. Despite this shortfall in revenues, the central government sustained a growth of 20.6% in total expenditure primarily on account of revenue expenditure. Capital expenditure, in fact, was allowed to contract by (-)7.5%. In order to generate higher multiplier impact of an increase in government expenditure on growth, a sharper increase in government capital expenditure viz.-à-viz. revenue expenditure is required during the course of the year. It is not only the size of the fiscal stimulus but also its composition in terms of low multiplier expenditures (revenue expenditures) viz.-à-viz. high multiplier expenditures (capital expenditures), which matters.

High frequency indicators point to a slow turnaround in economic activities. The pace of contraction in power consumption on an y-o-y basis has reduced incrementally from (-)25.0% in April 2020 to (-)18.4% in May 2020 and further to (-) 9.4% during the first thirteen days of June 2020. There was a pick-up in the automobile sales at the factory level reflected by an increase in passenger vehicle sales to 37,000 in May 2020 as compared to zero in April 2020***. Exports continued to contract by (-) 36.5% in May 2020, although at a slower pace as compared to (-) 60.3% in April 2020. India's foreign exchange reserves reached a record high level of US$508 billion in the week ending 12 June 2020, rising from US$476 billion in end-March 2020. The WPI index for May 2020 showed a contraction at (-)3.2% indicating overall weakness in demand. The IIP index in April 2020 stood at 56.3 which is well-below the corresponding number at 126.5 in April 2019. The significantly lower index value of the IIP indicates strong disruption of economic activity and in fact, even data collection was disrupted in this month. As such, the two index numbers are not strictly comparable.

A second round of fiscal stimulus in the latter part of the fiscal year may help arrest the strong contractionary momentum in the Indian economy. There is also scope to further reduce the repo rate.

D.K. Srivastava
Chief Policy Advisor, EY India

* OECD Economic Prospects released on 10 June 2020; IMF World Economic Outlook Update released on 24 June 2020
** "Coronavirus Macro Policy Responses Unprecedented: Tracking Policy Easing in the Fitch-20 Countries", Fitch Ratings (3 June 2020)
***https://economictimes.indiatimes.com/industry/auto/auto-news/passenger-vehicle-sales-crash-to-decades-low-in-may/articleshow/76138958.cms

1. Growth: real GDP growth decelerated to an 11-year low of 4.2% in FY20

A. Real GDP growth fell to 4.2% in FY20 from the peak of 8.3% in FY17

- As per the provisional estimates released by the Ministry of Statistics and Programme Implementation (MoSPI) on 29 May 2020, real GDP growth fell to 4.2% in FY20, the lowest since FY09 (Chart 1). This is attributable to a fall in both domestic and export demand in FY20. On a quarterly basis, from a recent peak of 8.2% in 4QFY18, real GDP growth fell to a low of 3.1% in 4QFY20, its lowest as per the 2011-12 series.
- Investment demand, as measured by gross fixed capital formation (GFCF), contracted by (-)2.8% in FY20 from a growth of 9.8% in FY19. The previous instance of a contraction in GFCF was in FY03.
- For the first time since FY16, both exports and imports contracted by (-)3.6% and (-)6.8% respectively in FY20. With imports contracting at a shaper rate than exports, contribution of net exports to GDP growth was positive at 0.9% points in FY20 (Table 1).
- Growth in private final consumption expenditure (PFCE) decelerated to an 11-year low of 5.3% in FY20. In fact, from a recent peak of 8.1% in FY17, PFCE growth has shown a falling trend.
- A robust growth of 11.8% in government final consumption expenditure (GFCE) was the primary driver of GDP growth in FY20.

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

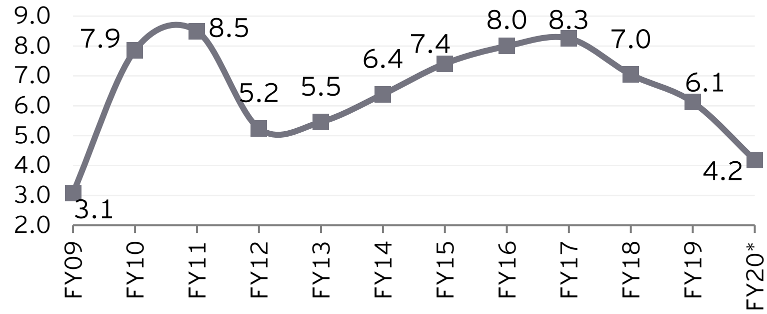


Table 1: GDP and GVA growth (%)

Agg. demand	*PFCE*	*GFCE*	*GCF of which*	*GFCF*	*EXP*	*IMP*	*GDP*	*Net exp. contrib. (% points)*
3QFY19	7.0	7.0	11.5	11.4	15.8	10.0	**5.6**	*0.7*
4QFY19	6.2	14.4	5.0	4.4	11.6	0.8	**5.7**	*2.1*
1QFY20	5.5	6.2	5.3	4.6	3.2	2.1	**5.2**	*0.1*
2QFY20	6.4	14.2	-2.9	-3.9	-2.2	-9.4	**4.4**	*1.9*
3QFY20	6.6	13.4	-4.3	-5.2	-6.1	-12.4	**4.1**	*1.7*
4QFY20	2.7	13.6	-5.8	-6.5	-8.5	-7.0	**3.1**	*-0.2*
FY19	7.2	10.1	9.5	9.8	12.3	8.6	**6.1**	*0.4*
FY20 (PE)	5.3	11.8	-2.0	-2.8	-3.6	-6.8	**4.2**	*0.9*

Components of output

	Agr.	*Ming.*	*Mfg.*	*Elec.*	*Cons.*	*Trans.*	*Fin.*	*Publ.*	*GVA*
3QFY19	2.0	-4.4	5.2	9.5	6.6	7.8	6.5	8.1	**5.6**
4QFY19	1.6	-4.8	2.1	5.5	6.0	6.9	8.7	11.6	**5.6**
1QFY20	3.0	4.7	3.0	8.8	5.2	3.5	6.0	7.7	**4.8**
2QFY20	3.5	-1.1	-0.6	3.9	2.6	4.1	6.0	10.9	**4.3**
3QFY20	3.6	2.2	-0.8	-0.7	0.0	4.3	3.3	10.9	**3.5**
4QFY20	5.9	5.2	-1.4	4.5	-2.2	2.6	2.4	10.1	**3.0**
FY19	2.4	-5.8	5.7	8.2	6.1	7.7	6.8	9.4	**6.0**
FY20 (PE)	4.0	3.1	0.0	4.1	1.3	3.6	4.6	10.0	**3.9**

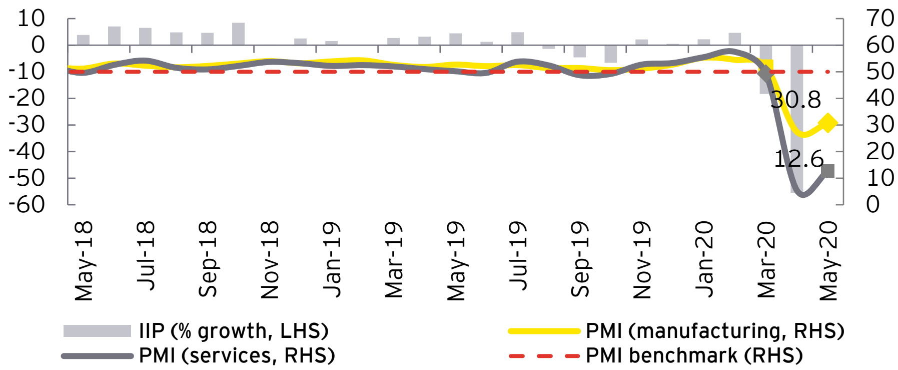
Source: MoSPI, Government of India (GoI); *PE = provisional estimates

- Nominal GDP growth fell to a 48-year low of 7.2% in FY20 with adverse implications on government's tax revenues and fiscal deficit.
- On the output side, GVA growth fell to 3.9% in FY20, similar to the level last seen in FY03, led by a slowdown in five out of eight broad sectors. On a quarterly basis, GVA growth was at 3.0% in 4QFY20, its lowest as per the 2011-12 series.
- Manufacturing GVA in real terms witnessed no growth (0.0%) in FY20. Its share in total nominal GVA also fell to 15.1% in FY20 from 16.1% in FY19. Growth in construction sector GVA decelerated to an eight-year low of 1.3% in FY20.
- Among the services sectors, GVA growth in financial, real estate and professional services at 4.6% in FY20 was at an eight-year low and that in trade, transport, communication and services relating to broadcasting at 3.6% in FY20 was at an 11-year low.
- The sectors that showed an improvement in growth in FY20 include public administration and defence services (10.0%) followed by agriculture and allied activities (4.0%), and mining (3.1%).

B. IIP: growth in IIP contracted for the second consecutive month to (-)55.5% in April 2020

- Due to the nationwide lockdown imposed by the government, majority of the industrial establishments were not operational during April 2020, impacting data compilation activities. The quick estimates for April 2020 were therefore based on a weighted response rate of only 87%[1]. As per the quick estimates of IIP for April 2020 released by MoSPI on 12 June 2020[2], industrial production showed a contraction of (-)55.5%, its worst ever, as compared to a contraction of (-)18.3% (revised) in March 2020 (**Chart 2**).
- Output of all the three sub-sectors contracted during April 2020. Output of manufacturing and electricity sectors contracted sharply by (-)64.3% and (-)22.6%, respectively in April 2020 as compared to (-)22.2% (revised) and (-)8.2% (revised) respectively in March 2020. Mining sector output also declined by (-)27.4% in April 2020 as compared to (-)1.4% in March 2020 (Table A1 in data appendix).
- Output of capital goods and consumer durables contracted sharply by (-)92.0% and (-)95.7% respectively in April 2020 as compared to (-)38.3% and (-)36.5% respectively in March 2020. Output of consumer non-durables also declined by (-)36.1% in April 2020.
- Output of eight core infrastructure industries (core IIP) contracted sharply by (-)38.1% in April 2020 as compared to (-)9.0% in March 2020. Although, output of all eight sub-industries contracted in April 2020, the decline was sharper in cement ((-)86.0%), steel ((-)83.9%), petroleum refinery products ((-)24.2%) and electricity ((-)22.8%).

Chart 2: IIP growth and PMI



Overall IIP contracted sharply for the second consecutive month by (-)55.5% in April 2020 from (-)18.3% in March 2020.

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

C. PMI: signaled severe contraction in manufacturing and services in May 2020

- After falling to an unprecedented level of 27.4 in April 2020, headline manufacturing PMI (seasonally adjusted (sa)) increased to 30.8 in May 2020, still showing the second highest rate of decline since the inception of the PMI survey in March 2005 (**Chart 2**). New orders and output fell sharply during the month indicating a subdued demand.
- PMI services increased to 12.6 in May 2020 from a historic low of 5.4 in April 2020. Considering the pre-COVID period, PMI services was at the lowest level in May 2020 since the beginning of the survey in December 2005.
- Reflecting severe contraction in private sector output, the composite PMI Output Index (sa) stood at 14.8 in May 2020 as compared to 7.2 in April 2020.

PMI manufacturing and services showed a sharp contraction, with the former at 30.8 and the latter at 12.6 in May 2020. Considering the pre-COVID period, the May 2020 levels were the lowest since the inception of the PMI survey in 2005.

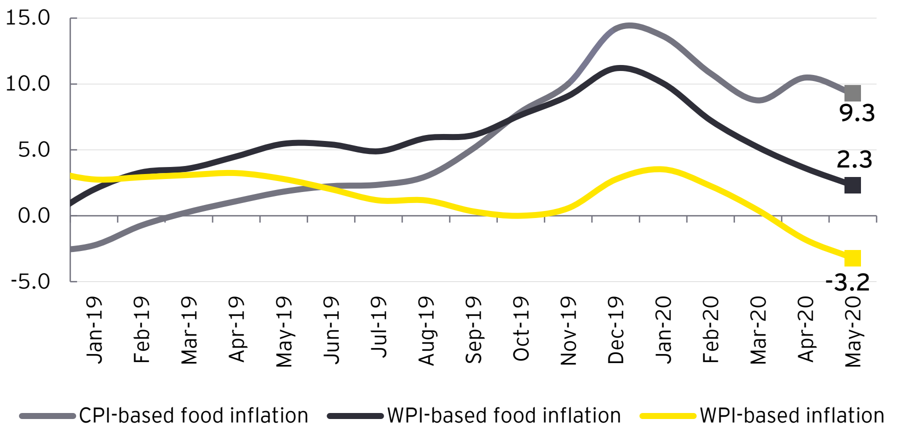
[1] As such, these index numbers are not strictly comparable with any of the previous months.
[2] Quick estimates of IIP and use-based index for the month of April 2020 - http://www.mospi.gov.in/sites/default/files/press_release/iipApr20_0.pdf

2. Inflation: WPI-based inflation contracted for the first time in 46-months by (-)3.2% in May 2020

Reflecting supply-side disruptions, consumer food price index-based inflation continued to remain elevated at 9.3% in May 2020. It eased marginally from 10.5% in April 2020.

- Due to the preventive measures and the nation-wide lockdown to contain the spread of COVID-19, price data of only select groups/sub-groups could be collected which was subsequently released by the government.
- Fuel and light-based inflation fell to 1.4% in May 2020 from 6.6% in March 2020 partly reflecting the lower crude prices. The CSO did not release data for this category for the month of April 2020.
- Food and beverages inflation fell to 7.4% in May 2020 from 8.6% in April 2020 led by a sharp fall in inflation in vegetables to 5.3% in May 2020 from 23.6% in April 2020. Inflation in pulses remained high at 21.1% in May 2020, although slightly lower than 22.8% in April 2020.
- Housing-based inflation moderated marginally to an 84-month low of 3.7% in May 2020 (3.9% in April 2020).
- Inflation in health services rose to a six-month high of 4.3% in May 2020 from an all-time low (2011-12 series) of 2.8% in April 2020.

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



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

In May 2020, the significantly lower crude prices led to a fall in inflation in fuel at the consumer level to 1.4% and at the wholesale level to (-)19.8%. This divergence is due to the incidence of taxes on fuel which have increased considerably at the consumer level since March 2020.

WPI-based inflation eased to a 53-month low of (-)3.2% in May 2020 from (-)0.4% in March 2020[3], reflecting the sharp fall in prices of crude and mineral oils.

- Contraction in fuel and power prices was at a 55-month high of (-)19.8% in May 2020 as compared to (-)10.1% in April 2020. This was led by a contraction in prices of mineral oils, which increased to (-)37.4% in May 2020 from (-)21.5% in April 2020, reflecting the sharp fall in crude prices. Petrol and diesel prices contracted by (-)27.9% and (-)30.0% respectively in May 2020 as compared to (-)14.6% and (-)15.4% respectively in April 2020.
- Crude prices declined by (-)58.5% in May 2020, the highest pace of contraction in 2011-12 series, as compared to (-)41.7% in April 2020.
- Food price index-based inflation eased to a 16-month low of 2.3% in May 2020 from 3.6% in April 2020 as inflation in vegetables contracted for the first time in 16 months by (-)12.5% in May 2020 from 2.2% in April 2020.
- Even as WPI-based inflation in vegetables contracted by (-)12.5% in May 2020, CPI-based inflation in vegetables remained positive at 5.3%, reflecting supply-side disruptions on account of the lockdown.

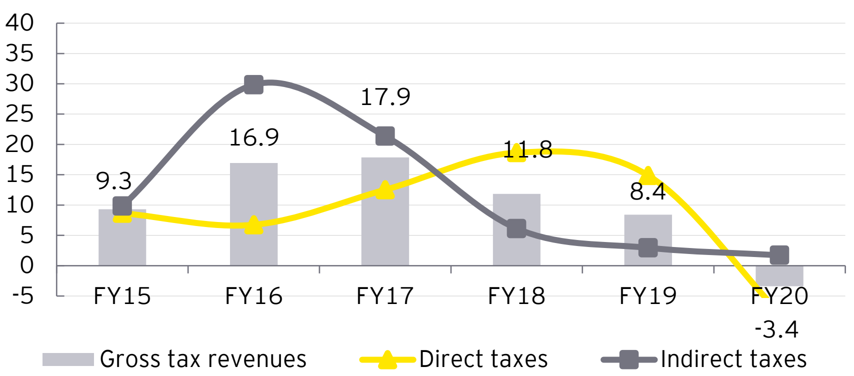
[3] Headline WPI inflation data was not released for April 2020

3. Fiscal performance: center's fiscal deficit stood at 4.6% of GDP in FY20, a slippage of 0.8% points from the RE at 3.8%

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)[4], gross central taxes in FY20 contracted by (-)3.4% as compared to a growth of 8.4% in FY19 (**Chart 4**). The last instance of contraction in center's gross taxes was witnessed way back in FY02 when there was a contraction of (-)0.8%.
- Growth in gross central taxes has fallen year after year from its recent peak of 17.9% in FY17.
- During the first month of FY21, gross central taxes showed a sharp contraction of (-)44.3% on a y-o-y basis as compared to a growth of 6.9% in April FY20.
- On account of a sharp contraction in corporate tax revenues (CIT), direct tax revenues contracted by (-)7.8% in FY20 as compared to a growth of 14.9% in FY19.
- Corporate tax revenues contracted by (-)16.1% in FY20 as compared to a growth of 16.2% in FY19. This is largely attributable to the CIT rate reforms undertaken in September 2019.
- Growth in income tax revenues was lower at 4.0% in FY20 as compared to 13.1% in FY19.
- Indirect taxes (comprising union excise duties, service tax, customs duty, CGST, UTGST, IGST[5] and GST compensation cess) showed a subdued growth of 1.7% in FY20 as compared to 3.0% in FY19. Growth in indirect taxes has fallen year after year from a peak of close to 30% in FY16 with a sharp fall in FY18, the year of transition to GST.
- Buoyancy of gross central taxes fell from a peak of 1.6 in FY16 to 0.8 in FY19. In FY20, a negative buoyancy of (-)0.5 was observed due to a contraction in gross taxes of the center.
- In April FY21, direct tax collections contracted by (-)10.0% and indirect tax revenues showed a contraction of close to (-)70%.

Chart 4: growth in central tax revenues (y-o-y, in %)



As per the CGA, center's gross taxes in FY20 contracted by (-)3.4% as compared to a growth of 8.4% in FY19. In the first month of the new fiscal year, that is April FY21, center's gross tax revenues contracted on a y-o-y basis by (-)44.3%.

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.

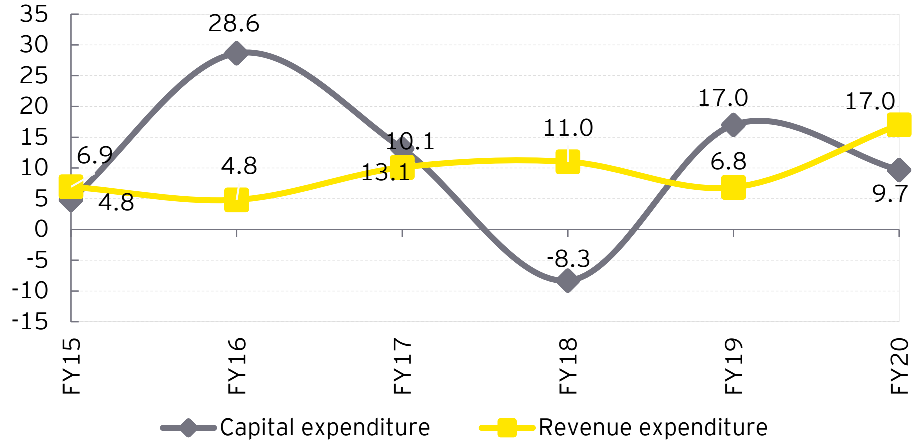
- Owing to a receipt of dividends amounting to INR1,49,581 in August 2019, center's non-tax revenues showed a growth of 38.3% in FY20 as compared to 25.5% in FY19.
- Disinvestment proceeds by the end of FY20 stood at INR50,304.01 crores. This was short of the FY20 RE at INR65,000 crores by INR14,695.99 crores.

[4] Monthly accounts for March and April 2020 released on 31 May 2020
[5] IGST revenues are subject to final settlement

B. Expenditures: revenue and capital

- Center's total expenditure in FY20 grew by 16.0% as compared to 8.1% in FY19.
- Revenue expenditure grew by 17.0% in FY20 as compared to 6.8% in FY19. Capital expenditure growth in FY20 was lower at 9.7% in FY20 as compared to 17% in FY19 (**Chart 5**).
- Center's capital expenditure to GDP ratio increased marginally from 1.6% in FY19 to 1.7% in FY20.
- In April FY21, center's total expenditure grew by 20.6% on a y-o-y basis with revenue expenditure growing by 24.4% but capital expenditure contracting by (-)7.5%.

Chart 5: growth in central expenditures (y-o-y, in %)



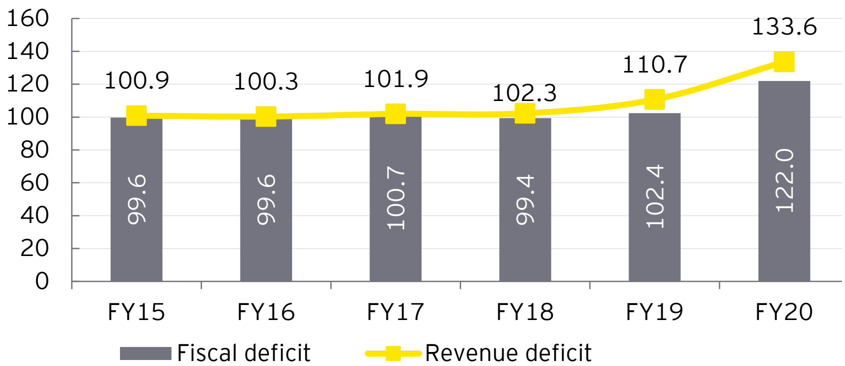
In FY20, center's revenue expenditure grew by 17% while growth in capital expenditure was lower at 9.7%. Capital expenditure as a proportion of GDP increased marginally to 1.7% in FY20 from 1.6% in FY19.

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

C. Fiscal imbalance

- Center's fiscal deficit stood at 4.6% of GDP, indicating a slippage of 0.8% points from the FY20 RE at 3.8% due to a significant shortfall in central gross tax revenues and proceeds from disinvestment. As a proportion of the annual RE, fiscal deficit stood at 122% in FY20 as compared to 102.4% in FY19 (**Chart 6**).
- Center's revenue deficit as a proportion of GDP was at 3.3% as compared to the FY20 RE at 2.5%. As a proportion of the annual RE, revenue deficit stood at 133.6% in FY20 as compared to 110.7% in FY19.
- The quality of fiscal deficit, as measured by the ratio of revenue deficit to fiscal deficit, deteriorated to 71.3% in FY20 from 70.1% in FY19.
- In April FY21, fiscal deficit stood at 35.1% of the FY21 BE while the corresponding ratio for revenue deficit was at 41.3%.

Chart 6: fiscal and revenue deficit as percentage of annual revised target



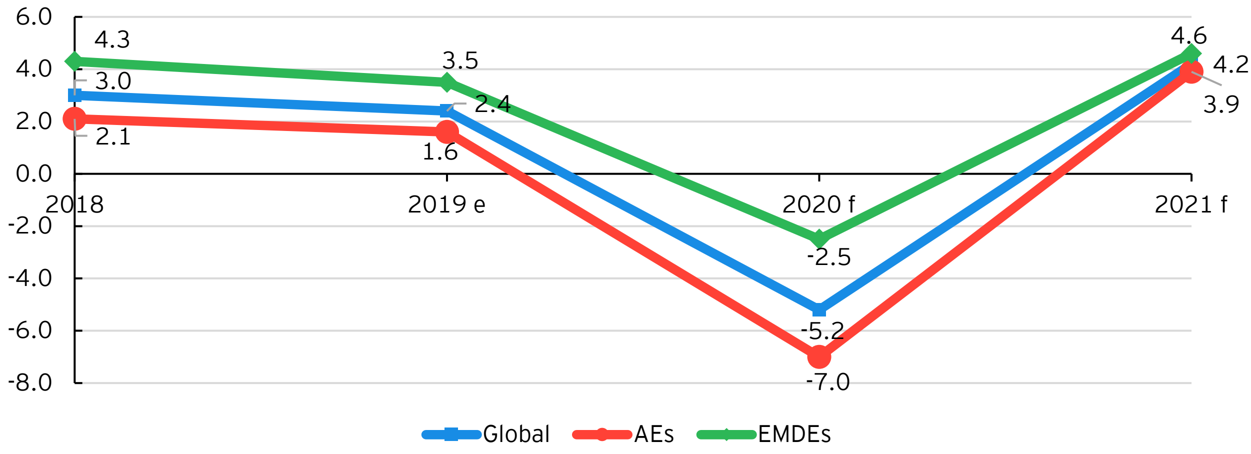
In FY20, there was a slippage in both fiscal and revenue deficits of the center from their respective targets. Fiscal deficit stood at 4.6% of GDP as compared to 3.8% as per the FY20 RE. Revenue deficit was at 3.3% as compared to 2.5% in FY20 RE.

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

4. India in a comparative perspective: post 2020 contraction, the World Bank projected a V-shaped recovery

- Even before the incidence of COVID-19, the global economy had witnessed a lower growth of 2.4% in 2019 as compared to 3.0% in 2018 as per the World Bank estimates, due to weakness in investment and trade.
- Attributable to the adverse impact of COVID-19 pandemic, the global economy is expected to contract by (-)5.2% in 2020, the sharpest pace of contraction since World War II and almost three times as severe as the 2009 global recession. The 2020 growth estimate is a downward revision of 7.7% points from the earlier projection made in January 2020.
- A sharp V-shaped recovery is projected in 2021 with global growth increasing to 4.2%, an upward revision of 1.6% points from the January 2020 forecast. This assumes a recovery in economic activity starting 2H2020.
- Similar V-shaped growth outcomes are projected for both advanced and emerging market and developing economies (AEs and EMDEs) with sharper contraction in 2020 and milder rebound in 2021 in AEs relative to EMDEs.

Chart 7: real GDP growth – global and country groups (% annual)



Source (basic data): Global Economic Prospects, World Bank (June 2020)
Note: estimated for 2019 and forecasted for 2020 and 2021

- Among AEs, the sharpest contraction in 2020 as well as the strongest recovery in 2021 is projected for the Euro area, followed by the US and Japan. The steep recovery in 2021 assumes that the pandemic does not have a lasting impact on financial systems, and there is considerable and unprecedented policy support.
- Among EMDEs, the sharpest contraction at (-)8.0% in 2020 is projected for Brazil followed by India at (-)3.2%, where growth had already slowed to 4.2% in 2019 driven by a contraction in investment and exports.
- Growth in China has been revised downwards by 4.9% points to 1.0% in 2020, its lowest growth rate in more than four decades. Growth is expected to rebound above its trend pace to 6.9% in 2021.

Chart 8: real GDP growth: selected AEs (%, y-o-y)

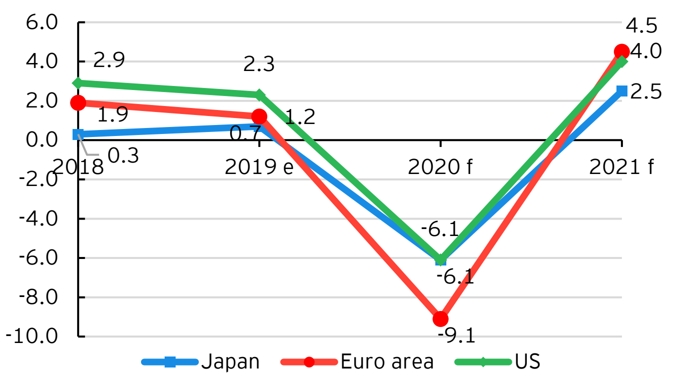
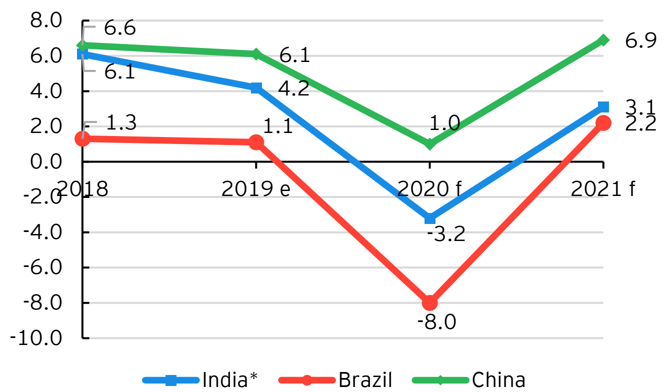


Chart 9: real GDP growth: selected EMDEs (%, y-o-y)



Source: Global Economic Prospects, World Bank (June 2020)
Note: estimated for 2019 and forecasted for 2020 and 2021; * pertains to fiscal year

5. In focus: overcoming center's fiscal constraints with infrastructure-centered investment strategy

Introduction

The World Bank, in its release of Global Economic Prospects on 8 June 2020, forecasted India's FY21 real GDP to contract by (-)3.2%, a downward revision of 5.4% points from its earlier growth forecast of 2.2% (released on 12 April 2020). The IMF in its recent release of World Economic Outlook Update (24 June 2020) also sharply revised down its earlier growth projection of 1.9% for India by 6.4% points to (-)4.5% in FY21. The ADB revised even more sharply, its earlier projection of 4.0% to (-)4.0%. On 10 June 2020, the OECD projected India's GDP to contract by (-)3.7% in the single hit scenario and by (-)7.3% in the double hit scenario where single hit scenario assumes an avoidance of a second outbreak which is factored in the double hit scenario. It is notable that the revisions undertaken by the IMF, World Bank, OECD and ADB with respect to India's growth projections have come after the announcement of the stimulus packages by the RBI and the Ministry of Finance (MoF) in several tranches over the period from end-March 2020 to date. The main stimulus announcements by the MoF came in mid-May 2020. International institutions assessed that these stimulus packages had only a limited impact in reversing the contractionary momentum of the Indian economy.

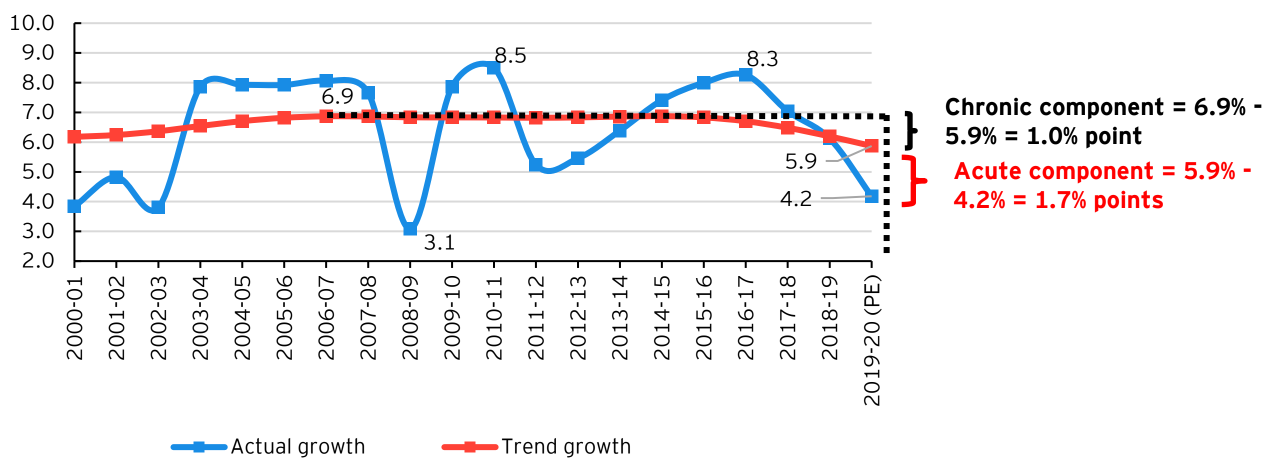
The fight against COVID-19 is proving to be an uphill task due to center's constrained finances. This has limited the capacity of the center to inject a large fiscal stimulus into the system through direct expenditure augmentation. The key weaknesses of center's fiscal management relate to (a) falling tax-GDP ratio, (b) rising fiscal deficit relative to GDP, and (c) near-stagnant capital expenditure to GDP ratio. The fall in growth rate of center's gross tax revenue (GTR) on a trend basis has impacted states' share in central taxes more than proportionately due to an increase in the non-sharable portion of center's GTR.

Center's GTR to GDP ratio fell from a peak of 11.2% in FY18 to 9.9% in FY20, a fall of 1.3% points. Center's fiscal deficit relative to GDP has increased from a level of 3.4% in FY19 to 4.6% in FY20, an increase of 1.2% points. Center's capital expenditure relative to GDP was 1.9% in FY17. It fell to a low of 1.5% in FY18 and increased marginally to 1.6% in FY19 and 1.7% in FY20.

Falling GDP and tax revenue growth on a trend basis

As Chart 10 indicates, trend real GDP growth had reached a peak of 6.9% in FY07. It remained stable at that level for a number of years, but it started trending downwards since FY15. In FY20, the trend growth had fallen to an estimated level of 5.9%. Thus, we can decompose the real GDP growth of 4.2% in FY20 into two parts: (a) fall in trend growth rate of 1% point (chronic component) and (b) fall in actual growth rate below the trend by 1.7% points (acute component). This situation has arisen even before the COVID-19 crisis hit the Indian economy. As many analysts expect a contraction in GDP in FY21, the magnitude of the acute component is likely to rise further in the current year. These trends have also affected the tax revenue performance particularly in the case of center's GTR.

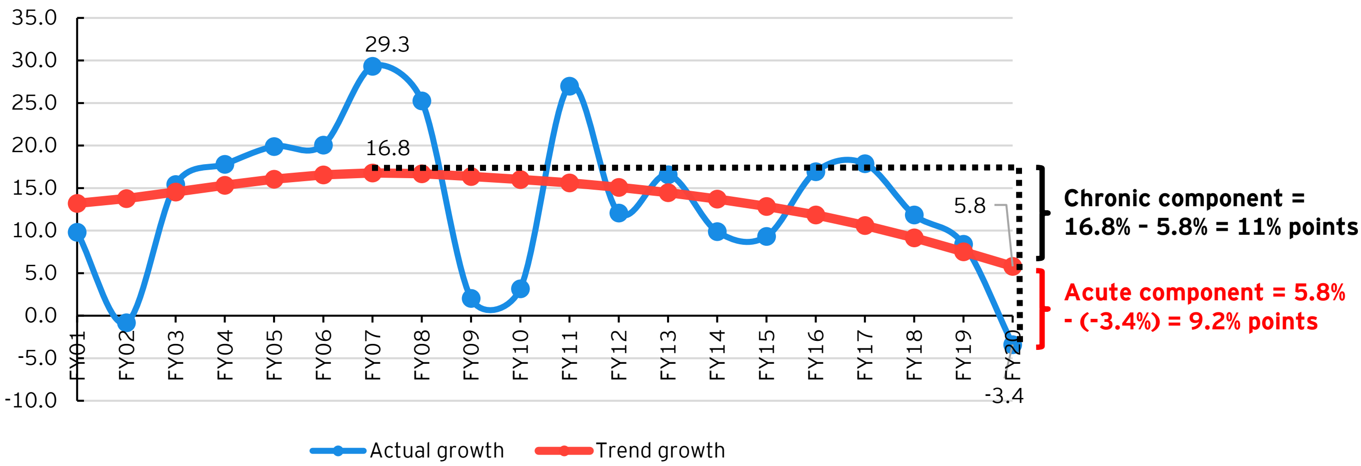
Chart 10: real GDP growth – actual and trend growth (%)



Source (basic data): MoSPI

Chart 11 shows that the trend growth rate in center's GTR has fallen even more sharply. Its peak was at 16.8% in FY07 and since then, the trend growth rate has fallen consistently. By FY20, it had fallen to 5.8%, a fall of 11% points. The actual growth rate of center's GTR in FY20 became negative at (-)3.4%. There are two main reasons for this fall over such a long period. First, alongside a fall in the real GDP growth, there has been a sharper fall, on trend basis, in the nominal growth as well (Chart 12). Second, on a trend basis, there has been a steady fall in the buoyancy[6] of center's GTR with respect to nominal GDP (Chart 13). The differential between nominal and real GDP growth has narrowed because of a fall in the implicit price deflator-based inflation on a trend basis (Chart 14).

Chart 11: gross tax revenues of the center actual and trend growth (%)



Source (basic data): IPFS, Union budget documents and CGA

Chart 12 shows that on a trend basis, nominal GDP growth was at 14.9% in FY11. Since then, it has been steadily falling. By FY20, it had fallen to 8.8% while actual nominal GDP growth fell further to 7.2%. It is also noticeable that on a trend basis, the buoyancy of center's GTR relative to nominal GDP has also been falling. As chart 13 shows, it fell from a peak of 1.2 in FY07 to just 0.5 by FY20. Thus, the growth in center's GTR which is measured in nominal terms, has fallen over the years both due to a fall in the nominal GDP growth and tax buoyancy on a trend basis. These factors account for a systematic erosion of fiscal space for the central government.

Chart 12: nominal GDP growth – actual and trend growth (%)

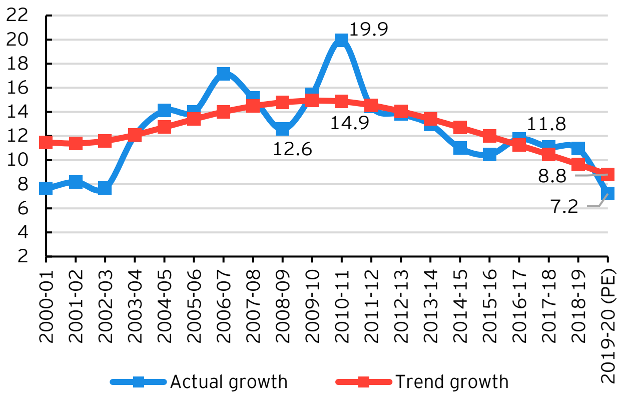
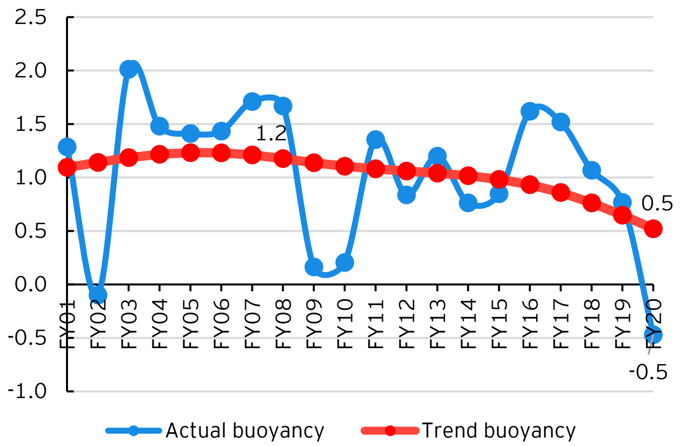


Chart 13: buoyancy of center's GTR – actual and trend

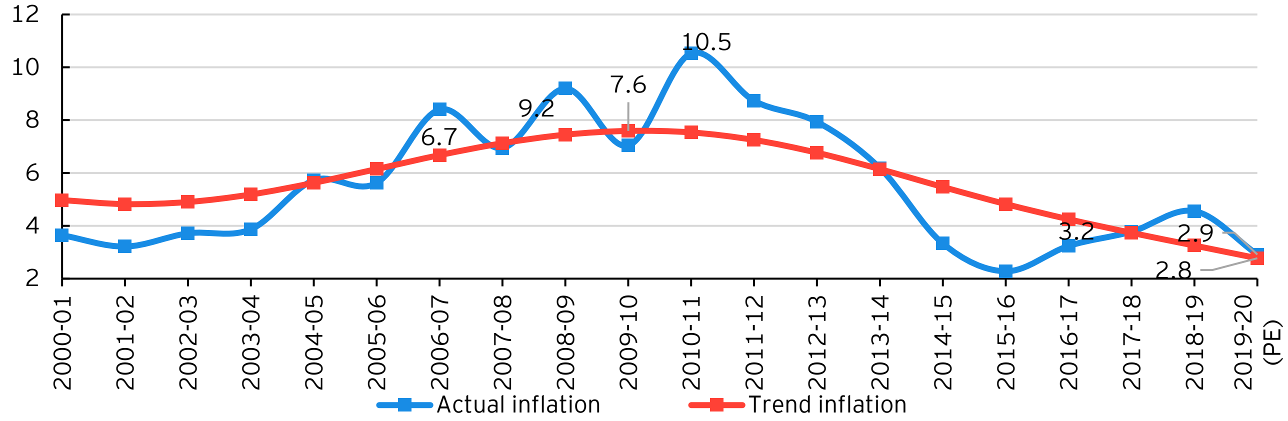


Source (basic data): MoSPI, IPFS, CGA

The reason for a fall in nominal GDP growth on a trend basis can be traced back to (a) fall in real GDP growth and (b) fall in implicit price deflator-based inflation. Chart 14 shows the movement in implicit price deflator (IPD)-based inflation on a trend basis which indicates a sharp fall from a peak of 7.6% in FY10 to 2.8% in FY20. We have already reviewed the fall in real GDP growth in Chart 10. Clearly, the sharper fall in the IPD-based inflation of 4.8% points bears the larger responsibility in explaining the fall in nominal GDP growth viz.-à-viz. the fall in real GDP growth of 1% point, with all growth rates measured on a trend basis.

[6] Buoyancy refers to the percentage growth in tax revenues as a response to a 1% growth in nominal GDP. Growth in tax revenues may also be seen as nominal GDP multiplied by the tax buoyancy

Chart 14: implicit price deflator-based inflation — actual and trend growth (%)



Source (basic data): MoSPI

We may note that the contraction in center's GTR in FY20 represents a discontinuity because of the CIT reforms undertaken during this year. The revenue loss on account of these reforms would have become a part of the base year figure for FY21. As such, a positive CIT growth in FY21 would have been observed but the onset of COVID-19 has caused another kind of discontinuity. This may adversely affect the growth of all central tax revenues including CIT. The fact that center's tax revenues have been exposed to two revenue eroding discontinuities in succession is a major factor that has constrained center's ability to fight its way out of the economic impact of COVID through a strong fiscal stimulus. In fact, FY21 represents a structural break in the economy. Under these circumstances, normal buoyancy and elasticity analyses may break down since these analyses assume a smooth response function while estimating responsiveness of tax revenues to a percentage change in the tax base which is proxied in this context, by nominal GDP.

Center's revenue performance: impact on states

The latest CGA data indicates a highly adverse impact on the magnitude of states' share in central taxes. This is due to two developments in recent years. First, the increasing share of cesses and surcharges had kept the states' share in center's GTR well below the Fourteenth Finance Commission's recommendation of 42% during FY16 to FY20. Then in FY20, the central government increased the rate of road and infrastructure cess and the special additional excise duty (SAED) on the central excise on petroleum products, reducing the sharable portion of center's GTR. As a result, the share of states in center's GTR fell sharply from 36.6% in FY19 to 32.4% in FY20. These changes have happened at a time when states' own tax revenues are also suffering on account of the ongoing economic slowdown.

Table 2: center's revenue performance — impact on states

Fiscal year	Gross tax revenues (INR crore)	Assignment to states (INR crore)	Share of states as % of center's GTR	Year-wise change in share of states in central taxes (% points of GTR)
(1)	(2)	(3)	(4)	(5)
FY16	14,55,648	5,06,193	34.8	7.64*
FY17	17,15,822	6,08,000	35.4	0.66
FY18	19,19,009	6,73,005	35.1	-0.36
FY19	20,80,465	7,61,454	36.6	1.53
FY20	20,09,882	6,50,677	32.4	-4.23

Source (basic data): CGA, MoSPI
*This change reflects the impact of transition from the recommendations of the Thirteenth to Fourteenth Finance Commission

Charts 15 and 16 depict the trend of excise duty levied by the central government on petrol and diesel. These show two components of center's excise duty, namely, the one that is sharable with states and the one that is not sharable. The non-sharable component of the excise duty comprises road and infrastructure cess and the SAED, while the basic excise duty constitutes the sharable component. Trends in these components highlight changes in center's excise policy during the recent years. It can be seen that during the period April 2011-August 2012, the overall excise duty rate on unbranded petrol was kept stable at a level of INR14.8/ltr., of which the sharable component constituted approximately 43%. In October 2012, owing to high global crude prices (Chart17) and consequent pressure on inflation, the center reduced the overall excise duty rate by lowering the sharable excise duty component. Subsequently, as global crude prices fell, starting November 2014, the center gradually increased the overall excise duty rate by mainly increasing the sharable component, whose share increased to a peak of 44.1% in February 2016 and remained at that level until June 2017. From a peak of INR21/ltr. in June 2017, the overall excise duty was brought down to INR18.5/ltr. in October 2018, a reduction of INR3.5/ltr. This was achieved by a) lowering the sharable component by INR6.5/ltr. and simultaneously b) increasing the non-sharable component by INR3/ltr. This was reflected in a sharp fall in the proportion of the sharable component to 16.7% by October 2018. Similar trends can be observed in the case of unbranded diesel (Chart 16). In FY20, the overall excise duty rate was increased by INR5/ltr. for both petrol and diesel solely on account of an increase in the non-sharable component. As discussed above, this significantly contributed to an increase in the non-sharable portion of center's GTR in FY20.

The centre sharply increased the non-sharable component of the excise duty on unbranded petrol further from INR20/ltr. in March 2020 to INR30/ltr. in May 2020 taking the overall excise duty rate to INR33/ltr. It is notable that the sharable component of excise duty has been maintained at a subdued level of INR3/ltr. since October 2018 while the non-sharable component has been increased by INR15/ltr. over the same period.

Chart 15: trends in excise duty rate on unbranded petrol

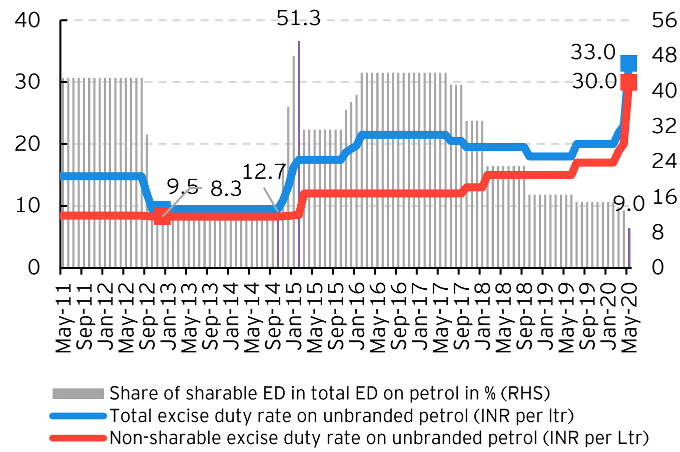
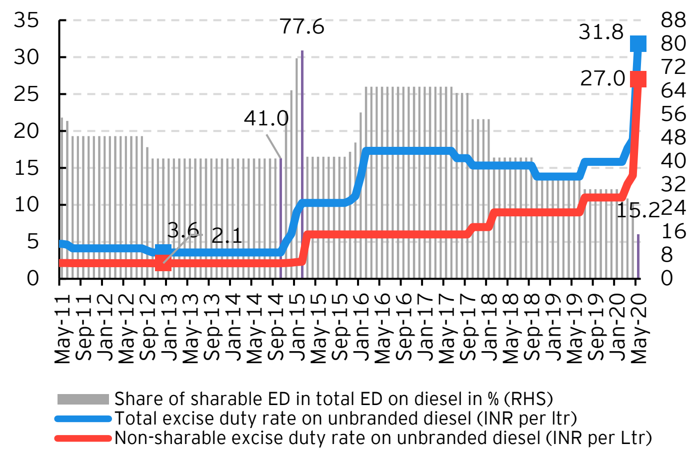
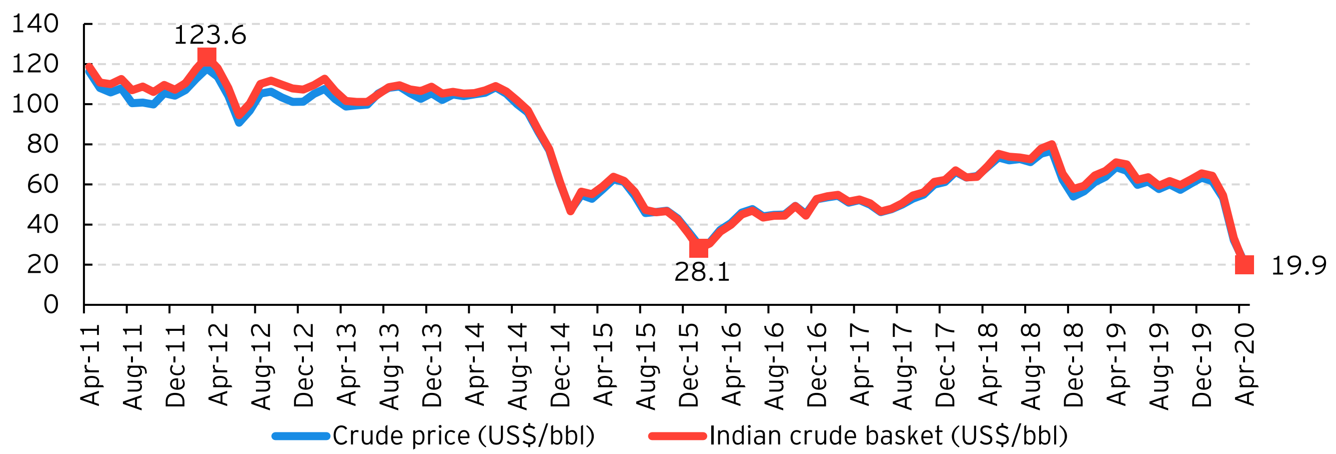


Chart 16: trends in excise duty rate on unbranded diesel



Source (basic data): PPAC; CBIC notifications

Chart 17: trends in price of global crude and Indian crude basket (US$/bbl)



Source (basic data): Pinksheet, Worldbank; PPAC

Strategizing economic recovery

In developing a strategy for India's recovery in FY21 and beyond, two issues need to be addressed. One relates to the acute crisis of overcoming the pandemic's debilitating economic impact and the second relates to the chronic issues of declining real GDP growth and tax revenues especially center's GTR, and suboptimal IPD-based inflation rate. India can resolve both the acute and the chronic issues by (a) creating additional fiscal space, and

(b) undertaking asset-creating capital expenditures associated with high multipliers. For creating the fiscal space, the central government may endeavor to augment the tax base particularly that of companies by inducing additional investment from foreign countries. This may start making up for the loss of CIT tax base due to the FY20 CIT reforms. For augmenting capital expenditures, the central government needs to frontload the National Infrastructure Pipeline (NIP).

Trends in center's fiscal imbalance

As Table 3 indicates, a large part of center's increasing fiscal deficit to GDP ratio has been pre-empted by an increasing revenue deficit to GDP ratio. As percentage of fiscal deficit, revenue deficit has increased from a level of 58.9% in FY17 to 71.3% in FY20. Thus, the additional liability creating borrowing by the central government was largely spent on non-asset creating revenue expenditure. This is also mirrored in a low ratio of capital expenditure to GDP (Table 4).

Table 3: center's fiscal and revenue deficit (% to GDP) and quality of fiscal deficit (%)

Fiscal year	Fiscal deficit (FD)	Revenue deficit (RD)	Quality of fiscal deficit (RD/FD)
FY16	3.9	2.5	64.3
FY17	3.5	2.1	58.9
FY18	3.5	2.6	76.0
FY19	3.4	2.4	70.1
FY20	4.6	3.3	71.3

Source (basic data): CGA, MoSPI

Total capital expenditure can be divided into two parts, namely, defence capital expenditure and non-defence capital expenditure. It is the non-defence capital expenditure which largely accounts for expenditure on infrastructure by the central government. This, as a percentage of GDP has fallen to 1.13% in FY20 which is only 24.56% of this year's fiscal deficit.

Table 4: center's capital expenditure

Fiscal year	Total capital expenditure *of which*	Defence capital expenditure	Non-defence capital expenditure
INR crores			
FY16	2,53,022	79,958	1,73,064
FY17	2,86,282	86,878	1,99,404
FY18	2,62,476	90,217	1,72,259
FY19	3,07,089	95,037	2,12,052
FY20	3,36,744	1,06,546	2,30,198
% to GDP			
FY16	1.84	0.58	1.26
FY17	1.86	0.56	1.30
FY18	1.54	0.53	1.01
FY19	1.62	0.50	1.12
FY20	1.66	0.52	1.13

Source (basic data): CGA, MoSPI, Union Budget
Note: Total capital expenditure is divided into defence and non-defence capital expenditure using shares from the Union Budget documents.

Relating center's capital expenditure to National Infrastructure Pipeline (NIP)

The key to uplift economic activities in India is to ensure that the center is able to undertake capital expenditure in line with its proposed NIP. The NIP envisages an ambitious infrastructure investment plan over the period FY20 to FY25. There are five critical participants in NIP namely, (1) central government, (2) state governments, (3) central PSEs, (4) state PSEs, and (5) private sectors (Table 5). The relative contribution in the overall investment plan for the center (including CPSEs), states (including SPSEs) and the private sector is in the ratio of 39:40:21. The position of the central government is quite pivotal. If there is a shortfall in center's contribution in any one year, it is likely that investment from the other contributors may also fall.

It may be justified to undertake additional borrowing by the center if that is fully spent on infrastructure investment in line with the NIP. Subsequently, the central government can also persuade the state governments to resort to additional borrowing for spending on infrastructure. This is the crucial missing component of fiscal stimulus in FY21, and additional borrowing to ensure that there is no shortfall in center's contribution to NIP would be justified since such spending would be associated with high multiplier effects positively affecting employment and GDP growth. Within the infrastructure spending, spending on health infrastructure would be the most justified in the COVID-19 context. Some analysts have argued that even monetization of deficit may be justified if such borrowing is utilized for social sector infrastructure. In a recent article[7], the following observation was made:

"If they [Modi government] try to seriously deal with the huge educational challenges in India and the huge systematic health challenges in India, and if the fiscal costs of that would end up being the reason the central bank would end up doing some more ambitious monetisation, I think that would be an incredibly smart thing to do. And I think markets around the world would be forgiving."
- ***Jim O'Neill, Chair, Chatham House***

Table 5: financing of NIP (INR lakh crore)

Fiscal year	Total NIP investment	Central government *of which*	*Budgetary*	*CPSE*	State governments *of which*	*State budgets*	*SPSEs*	Private sector
FY20	14.42	5.62	*2.25*	*3.37*	5.77	*3.46*	*2.31*	3.03
FY21	23.35	9.11	*3.64*	*5.46*	9.34	*5.60*	*3.74*	4.90
FY22	23.13	9.02	*3.61*	*5.41*	9.25	*5.55*	*3.70*	4.86
FY23	18.28	7.13	*2.85*	*4.28*	7.31	*4.39*	*2.92*	3.84
FY24	17.22	6.71	*2.69*	*4.03*	6.89	*4.13*	*2.75*	3.62
FY25	14.96	5.83	*2.33*	*3.50*	5.98	*3.59*	*2.39*	3.14

Source (basic data): NIP, GoI

NIP covers quite extensively, the infrastructure sectors, including construction. We may divide the aggregate pipeline into two parts, namely, construction and non-construction infrastructure. Their investment magnitudes in the overall NIP is given in Table 6.

Table 6: investment of construction and non-construction infrastructure (INR lakh crore)

Fiscal year	Total infrastructure spending	Non-construction infrastructure spending	Construction sector spending
2020	14.4	11.4	3.0
2021	23.3	18.4	4.9
2022	23.1	18.8	4.3
2023	18.3	15.6	2.6
2024	17.2	14.7	2.5
2025	15.0	13.1	1.9

Source (basic data): NIP, GoI

Chart 18: GFCF in infrastructure spending excluding construction (INR lakh crore)

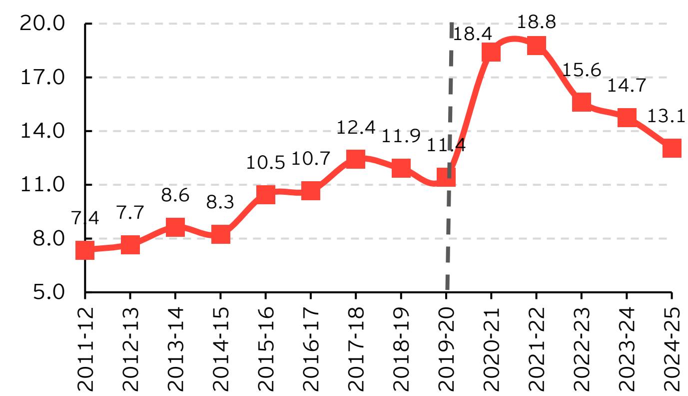
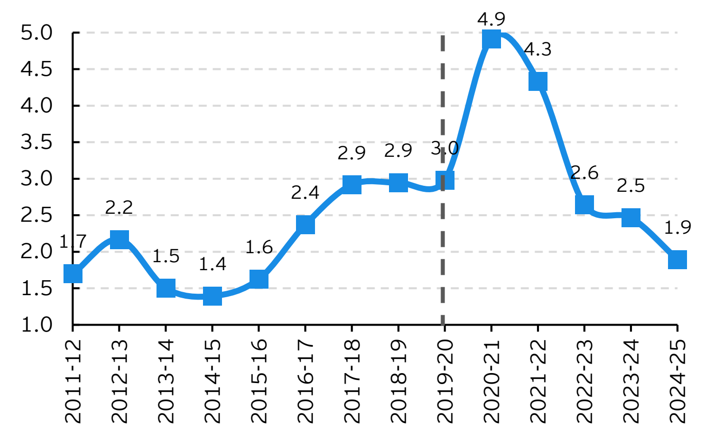


Chart 19: GFCF in construction sector (INR lakh crore)



Source (basic data): NAS (2019), MoSPI, NIP - GoI, Input-Output transactions table (2015-16), Brookings India

[7] https://www.bloombergquint.com/business/monetising-deficit-to-up-health-education-spend-worth-considering-jim-oneill

The NIP had envisaged a sharp upsurge in construction as well as non-construction infrastructure investment in FY21 before COVID-19 impacted the economy. At the current juncture, financing this upsurge in FY21 may pose a considerable challenge because of the squeezed fiscal space. The only way this can be financed is through additional borrowing. This could be the main source of financing the upsurge for central and state governments and their respective PSEs. Accordingly, the public sector borrowing requirement (PSBR) will show a corresponding upsurge. To get a broad idea of the borrowing requirement of the system, we have estimated the PSBR for FY21 to FY25 under certain assumptions. The PSBR as percentage of estimated GDP is estimated at close to 15% in FY21 and FY22. This additional borrowing would be justified as long as it is used exclusively for infrastructure investment.

Within the overall infrastructure investment, priority may be accorded to the construction sector and the social infrastructure which includes health infrastructure. Priority to invest in the construction sector may be justified on account of potential impact on GDP through the multiplier which is estimated at 2.9[8]. Further, the impact on employment is also likely to be significant since construction accounts for the highest share in employment after agriculture. In fact, excluding agriculture, the share of employment in total employment per unit of share of GVA to total GVA is the highest for the construction sector. As shown in Table 7, for each 1% increase in construction sector GVA in total GVA, the share in employment increases by 2% points.

Table 7: share in employment and GVA of major sectors in the Indian economy (%)

Sector	1980-81	1990-91	2000-01	2010-11	2016-17	2016-17 minus 1980-81 (% points)	2016-17 share in GVA	Ratio of Share in employment to share in GVA (% points)
Agriculture	69.8	64.8	59.4	49.2	40.5	-29.4	18.0	2.3
Construction	**2.0**	**3.7**	**4.5**	**9.5**	**15.6**	**13.6**	**7.7**	**2.0**
Manufacturing	10.4	10.6	10.8	11.6	11.8	1.4	16.7	0.7
Trade	5.8	7.4	9.1	10.0	10.0	4.2	18.2	0.5
Others	11.9	13.5	16.2	19.7	22.2	10.2	39.3	0.6
Total	100.0	100.0	100.0	100.0	100.0		100	

Source: KLEMS database, RBI

The additional investment in social sector infrastructure needs to be focused on health infrastructure which is also a part of the NIP. The explosive increase in the incidence of COVID-19 cases in India is highlighting the fact that there is likely to be considerable shortage of hospital beds which can be earmarked for COVID patients across the country. New specialty hospitals to fight the COVID-19 cases should be built on an urgent basis. Hospital bed availability in India, in any case, is highly deficient compared to international norms[9].

Conclusion

Center's fiscal capacity to mount a larger fiscal stimulus beyond what was announced until mid-May 2020 remains highly constrained due to the performance of center's GTR which contracted by (-)3.4% in FY20. This revenue underperformance is due to a chronic component resulting from a fall in center's GTR on a trend basis, and an acute component resulting from the revenue implications of FY20 CIT reforms, among other factors. In order to break out from the vicious circle of low tax revenue-low fiscal stimulus-low real and nominal GDP growth in addition to coping with COVID-19, the center has to develop a strategy which requires a borrowing-based full implementation of NIP. The NIP has envisaged a spike in infrastructure investment in FY21 and FY22. This is precisely what is needed to restore growth and generate tangible employment. The high multiplier values associated with construction justify making a large exception to the Fiscal Responsibility and Budget Management (FRBM) targets in FY21 and if necessary, in FY22.

[8] Multiplier for dwellings and residential construction (housing); sourced from Report on Trend and Progress of Housing in India, 2016, National Housing Bank
[9] https://www.financialexpress.com/economy/bringing-indian-healthcare-up-to-global-standards-suneeta-reddy-tells-how-much-investment-is-needed/1746034/

6. Money and finance: credit growth remained subdued at 6.8% in April 2020

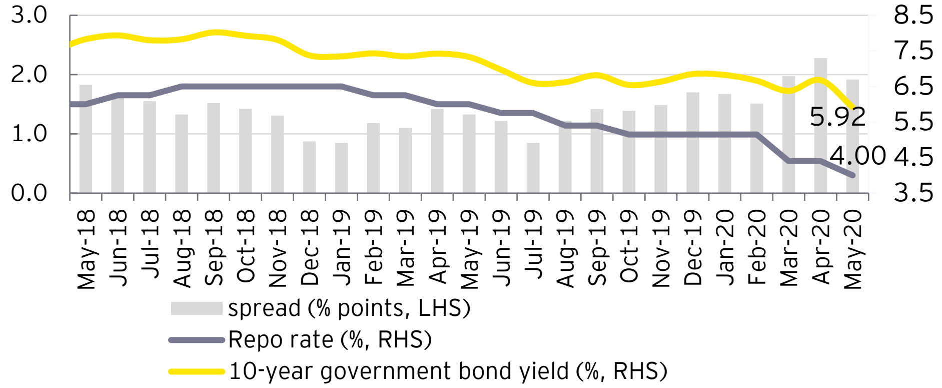
Home

A. Monetary sector

Monetary policy

- Since the nationwide lockdown had extended for nearly two months and majority of the sectors of the economy were experiencing severe stress, the monetary authorities further eased the financial conditions and augmented liquidity in the system. Consequently, the monetary policy committee, on 22 May 2020, lowered the repo rate by 40 basis points to a historically low level of 4.0%. Alongside, several liquidity augmenting measures were also announced.
- The monetary policy statement observed that transmission of repo rate reductions to lending rates has gradually improved. In response to a cumulated reduction in the repo rate of 210 basis points during February 2019 to April 2020, the WALR on fresh rupee loans fell on a cumulated basis by 167 basis points, indicating a transmission rate of 79.5%.

Chart 20: movements in repo rate and 10-year government bond yield



Source: Database on Indian Economy, RBI

In April 2020, growth in bank credit remained subdued at 6.8% although marginally increasing from 6.1% in March 2020. Weak demand conditions may have constrained the credit offtake in the economy despite surplus liquidity in the system.

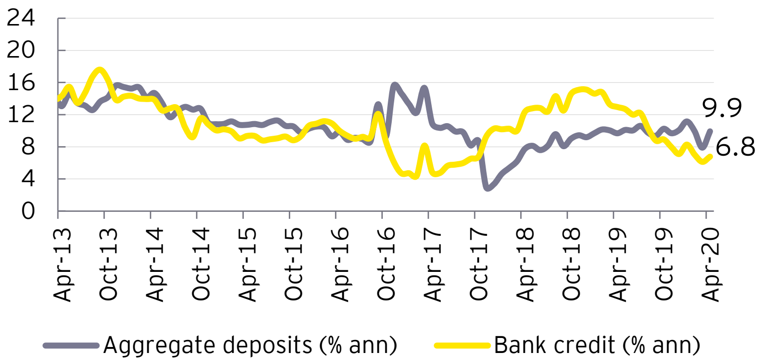
Money stock

- Growth in broad money stock (M3) increased for the second consecutive month from 10.8% in April 2020 to 11.7% in May 2020. This was largely on account of higher growth in the two components of M3, namely, time deposits and narrow money. Growth in time deposits marginally improved from 10.1% in April 2020 to 10.7% in May 2020.
- Growth in narrow money (M1) increased sharply from 12.8% (revised) in April 2020 to 15.3% in May 2020. M1 growth was led by higher growth in currency in circulation, which increased to a 15-month high of 18.4% in May 2020. Growth in demand deposits also improved to 9.8% in May 2020 as compared to 7.9% in April 2020.

Aggregate credit and deposits

- Growth in bank credit continued to remain low. It remained below the 10% mark for eight consecutive months. In April 2020, bank credit grew by 6.8%, marginally higher than 6.1% in March 2020 (**Chart 21**).
- Growth in non-food credit increased to 7.3% in April 2020 from 6.7% in March 2020 due to a strong pickup in the growth of credit to services sector and a marginal increase in the credit growth to industry.

Chart 21: growth in credit and deposits



Source: Database on Indian Economy, RBI

- Credit to industry, accounting for about 32% of non-food credit, grew by 1.7% in April 2020 as compared to 0.7% in March 2020. Growth in credit to services increased sharply to 11.2% in April 2020 from 7.4% in March 2020. However, growth in credit to agriculture fell to 3.9% in April 2020 from 4.2% in March 2020.

- Growth in credit to housing sector fell to 13.9% in April 2020 as compared to 15.4% in March 2020.
- Growth in aggregate bank deposits increased to 9.9% in April 2020 from 7.9% in March 2020 due to higher growth in both demand and time deposits during the month.

B. Financial sector

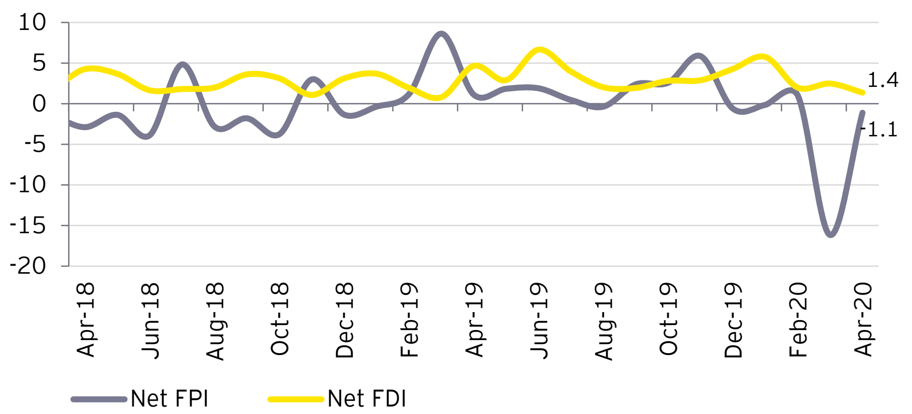
Interest rates

- Interest rates offered by commercial banks on term deposits with a maturity of more than one year fell for the second consecutive month to average 5.72% (ranging between 5.50% and 5.94%) in May 2020 from 5.88% (ranging between 5.70% and 6.05%) in April 2020.
- The average yield on 10-year government bond yield fell by 75 basis points to 5.92% in May 2020 from 6.68% in April 2020. However, the spread between repo-rate and 10-year government bond yield remained elevated at 192 basis points in May 2020 (Chart 20). With central government revising its borrowing target to INR12 lakh crore from INR7.8 lakh crore for FY21 on 8 May 2020, the benchmark bond yield may remain sticky.
- The MCLR increased by 20 basis points on an average to 7.26% in May 2020 from 7.06% in April 2020.
- WALR on fresh rupee loans by scheduled commercial banks was lowered by 52 basis points to 8.30% in April 2020 from 8.83% in March 2020.

FDI and FPI

- As per the provisional data released by the RBI on 11 June 2020, the overall foreign investment inflows (FIIs) were at US$0.3 billion in April 2020 as compared to outflows of US$13.7 billion (revised) in March 2020.

Chart 22: net FDI and FPI inflows (US$ billion)



Net FDI inflows slowed to US$1.4 billion in April 2020 as compared to US$2.4 billion in March 2020.

Source: Database on Indian Economy, RBI

- Net FDI inflows were lower at US$1.4 billion in April 2020 as compared to US$2.4 billion (revised) in March 2020 (**Chart 22**). On an annual basis, net FDI inflows increased to a historic high of US$42.3 billion in FY20 (revised) from US$ 30.7 billion in FY19. Gross FDI inflows also reached a historic high of US$74.1 billion in FY20 (revised) from US$62.0 billion in FY19.
- Net portfolio investment (FPIs) outflows continued for the second straight month in April 2020 but were lower at US$1.1 billion as compared to US$16.2 billion (revised) in March 2020. Net FPI outflows amounted to US$0.1 billion in FY20 as compared to US$0.6 billion in FY19.

7. Trade and CAB: merchandise exports contracted by (-)36.5% in May 2020

A. CAB: Current account deficit (CAD) narrowed to 0.2% of GDP in 3QFY20

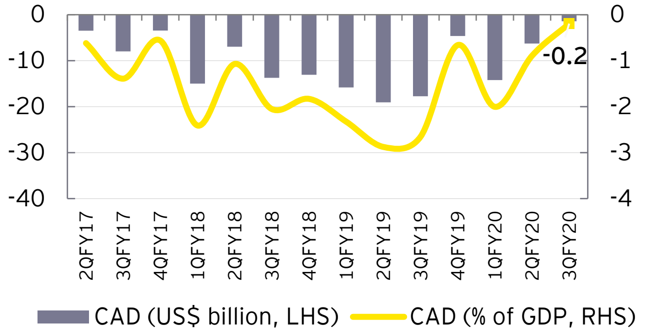
- CAD narrowed to 0.2% of GDP in 3QFY20 from 0.9% of GDP in 2QFY20 **(Chart 6)** as merchandise trade deficit fell to a 13-quarter low of 4.8% of GDP from 5.4% of GDP during the same period (**Table 8**). Relative to GDP, merchandise imports moderated to a 62-quarter low of 15.9% in 3QFY20 from 16.8% in 2QFY20, while merchandise exports eased to a 15-year low of 11.2% from 11.4% over the same period. Net service exports increased marginally to 3.0% of GDP in 3QFY20 from 2.9% in 2QFY20. CAD is expected to be close to 1.0% of GDP in FY20.

Table 8: components of CAB in US$ billion

	CAB	CAB as a % of nominal GDP	Goods account net	Services account net
FY16	-22.2	-1.1	-130.1	69.7
FY17	-15.3	-0.7	-112.4	67.5
FY18	-48.7	-1.8	-160.0	77.6
FY19	-57.3	-2.1	180.3	81.9
4QFY19	-4.6	-0.7	-35.2	21.3
1QFY20	-14.2	-2.0	-46.2	20.1
2QFY20	-6.3	-0.9	-38.1	20.4
3QFY20	-1.4	-0.2	-34.6	21.9

Source: Database on Indian Economy, RBI
Note: (-) deficit; (+) surplus

Chart 23: CAD



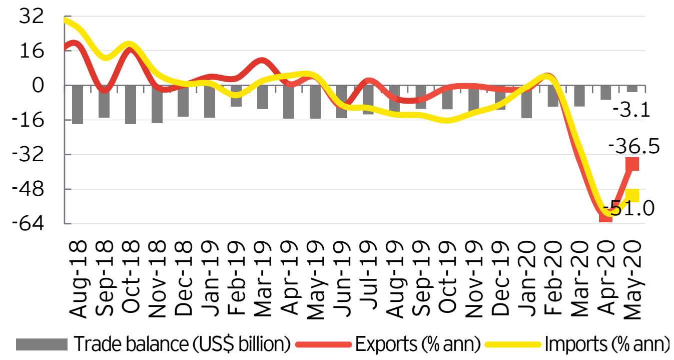
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise exports and imports contracted by (-)36.5% and (-)51.0% respectively in May 2020, reflecting a sharp slowdown in demand. (Chart 24).

- Contraction in merchandise exports remained high at (-)36.5% in May 2020 as compared to (-)60.3% in April 2020.

Chart 24: developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- The pace of contraction in engineering goods slowed down to (-)24.2% in May 2020 from (-)64.8% in April 2020 while that in oil exports increased to (-)68.5% from (-)66.2% over the same period.
- Contraction in imports remained elevated at (-)51.0% in May 2020 as compared to (-)58.6% in April 2020.
- Oil imports in terms of value plunged by (-)72.0% in May 2020 as compared to (-)59.0% in April 2020 due to a subdued domestic demand, supply disruptions and falling oil prices.
- Contraction in imports of gold and precious/semi-precious stones was high at (-)98.4% and (-)77.1% respectively in May 2020 as compared to (-)99.9% in both categories in April 2020.
- Imports and exports excluding oil, gold and jewelry contracted by (-)31.0% and (-)23.6% respectively in May 2020, relatively lower as compared to (-)47.9% and (-)53.5% respectively in the previous month. Out of the 30 sectors for which exports and imports data is provided, 26 and 28 sectors respectively experienced a contraction in May 2020.
- Merchandise trade deficit fell to US$3.1 billion in May 2020, its lowest level since March 2006, from US$6.8 billion in April 2020 due to the continued sharp contraction in imports.
- The Indian rupee appreciated marginally to INR75.7 per US$ in May 2020 from INR76.2 per US$ in April 2020 partly due to higher capital inflows.

Home

8. Global growth: World Bank projected a global contraction of (-)5.2% in 2020, the sharpest since World War II

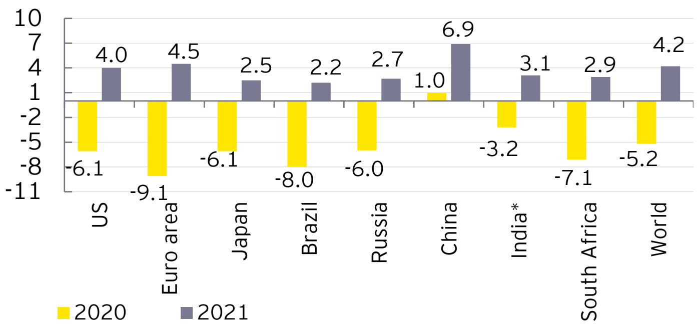
A. Global growth outlook

- The World Bank (Global Economic Prospects, June 2020) projected a global contraction of (-)5.2% in 2020. The 2020 global recession is assessed to be the deepest since World War II, and almost three times as steep as the 2009 recession. A moderate recovery is projected in 2021, with global growth reaching 4.2%. The OECD[10] has projected a sharper global contraction at (-)6.8% on average in 2020.
- Growth in AEs is projected to turn negative at (-)7.0% in 2020, which is a downward revision of 8.4% points from its earlier release in January 2020. Growth is expected to recover to 3.9% in 2021. Growth in EMDEs is forecasted to contract by (-)2.5% in 2020 with a relatively sharper recovery of 4.6% in 2021.
- In the US, GDP is expected to contract by (-)6.1% in 2020, reflecting severe consequences of the pandemic in the first half of the year. Growth is expected to recover to 4.0% in 2021 helped by large-scale policy support and an assumed recovery in consumer and investor sentiment.

The World Bank assessed the 2020 global recession to be the worst since World War II, with global GDP projected to contract by (-)5.2%.

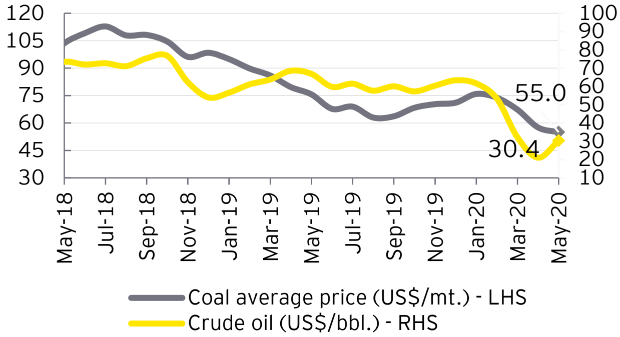
- Contraction in the Euro area is projected to be the highest at (-)9.1% in 2020 with all major member countries experiencing recession. Growth is expected to recover to 4.5% in 2021. In Japan, a contraction of (-)6.0% is projected in 2020 and a growth of 2.5% in forecasted in 2021.
- All major EMDEs are projected to contract in 2020 except for China which is forecasted to witness a meagre positive growth. Among major EMDEs, the highest contraction at (-)8.0% is projected for Brazil, followed by South Africa at (-)7.1% and Russia at (-)6.0%. A growth rate ranging between 2.2%-2.9% is projected for Brazil, South Africa and Russia in 2021 (**Chart 25**).
- India's 2020 GDP is projected to contract by (-)3.2% and a recovery of 3.1% is forecasted in 2021.
- China's growth is projected be positive at 1.0% in 2020 and a sharp recovery at 6.9% is forecasted for 2021. Beginning of a recovery in economic activities was indicated by industrial production and vehicle sales which showed a growth in April 2020.

Chart 25: global growth projections



Source: Global Economic Prospects, World Bank, June 2020
* data pertains to fiscal year

Chart 26: global crude and coal prices



Source (basic data): World Bank, Pink Sheet, June 2020

B. Global energy prices: global crude price increased modestly to US$30.4/bbl. in May 2020 from US$21.0/bbl. in April 2020

- After falling to a trough of US$21.0/bbl. in April 2020, average global crude price[11] increased to 30.4/bbl. in May 2020 as many countries began easing the lockdown leading to a resumption of economic activities (**Chart 26**). On the supply side, in line with the OPEC+ agreement, Saudi Arabia, Kuwait and the UAE sharply reduced their production levels during the month[12].
- Average global coal price[13] fell to a four-year low of US$55.0/mt. in May 2020 as compared to US$57.6/mt. in April 2020.

[10] OECD Economic Outlook (released 10 June 2020)
[11] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[12] IEA Oil Market Report, May 2020 (https://www.iea.org/reports/oil-market-report-may-2020)
[13] Simple average of Australian and South African coal prices

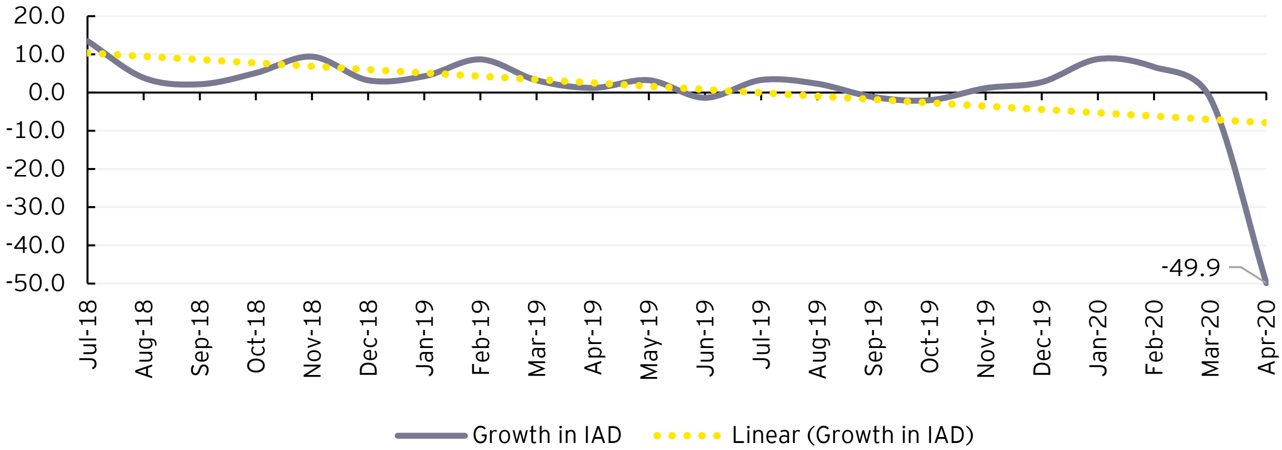
9. Index of Aggregate Demand (IAD): pointed to a sharp deterioration in demand in April 2020

Home

Growth in IAD contracted by (-)49.9% in April 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.
- Pointing to further deterioration in demand conditions, growth in IAD declined sharply by (-)49.9% in April 2020 from (-)1.4% in March 2020 **(Chart 27).** This sharp contraction in IAD may be attributable to the nationwide lockdown imposed since the last week of March 2020.
- Demand in manufacturing and services sectors contracted in April 2020. Agricultural sector demand witnessed a slower growth in April 2020 relative to the previous month (**Table 9**).

Chart 27: growth in IAD (y-o-y)



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

Table 9: IAD

Month	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
IAD	124.6	124.1	126.2	129.7	131.4	138.1	137.9	126.2	63.5
Growth (% y-o-y)	2.3	-1.2	-2.0	1.2	2.7	8.8	6.7	-1.4	-49.9
Growth in agr. credit	6.8	7.0	7.1	6.5	5.3	6.5	5.8	4.2	3.9
Mfg. PMI**	1.3	1.4	0.4	1.2	3.2	5.6	4.7	1.7	-23.9
Ser. PMI**	-0.7	-1.9	0.7	3.8	3.9	8.6	9.0	-1.1	-48.0

**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	-0.9	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
1QFY20	3.0	3.0	2.4	7.3	3.4	1QFY20	52.2	50.3
2QFY20	-0.4	-1.2	-0.4	0.6	-0.9	2QFY20	51.8	51.6
3QFY20	-1.4	0.0	-1.1	-6.0	-0.6	3QFY20	51.5	51.7
4QFY20	-4.3	3.9	-6.4	1.6	-0.3	4QFY20	53.9	54.1
Jan-20	2.2	4.4	1.8	3.1	2.2	Feb-20	54.5	57.5
Feb-20	4.6	9.7	3.1	11.5	7.1	Mar-20	51.8	49.3
Mar-20	-18.3	-1.4	-22.4	-8.2	-9.0	Apr-20	27.4	5.4
Apr-20	-55.5	-27.4	-64.3	-22.6	-38.1	May-20	30.8	12.6

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
1QFY20	3.1	1.7	2.4	4.1	2.7	5.1	1.5	1.2	1.4
2QFY20	3.5	3.5	-1.4	4.1	0.9	5.6	-0.1	-4.6	-0.5
3QFY20	5.8	10.7	-1.1	3.3	1.1	9.3	-0.7	-5.1	-1.8
4QFY20	6.7	11.1	5.5	3.8	2.1	7.5	0.5	1.8	-0.7
Feb-20	6.6	10.8	6.4	3.7	2.3	7.2	0.5	3.1	-0.6
Mar-20	5.8	8.8	6.6	3.8	0.4	5.2	0.3	-2.9	-0.8
Apr-20*	--	10.5	--	--	--	3.6	--	-10.1	--
May-20*	--	9.3	1.4	--	-3.2	2.3	-0.42	-19.8	-1.3

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

* The CPI and WPI data could only be collected for selected groups/sub-groups in April 2020

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
FY17 (CGA)	17.9	6.7	21.5	12.3	21.6	3.5	2.1
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 (RE over FY 19 actuals)	4.0	-8.0	18.3	2.9	5.3	3.8	2.4
FY 21 (BE over FY 20 RE)	12.0	11.5	14.0	12.7	11.1	3.5	2.7
	Cumulated growth (%, y-o-y)					% of budgeted target	
Sep-19	1.5	2.3	8.9	5.2	-2.0	92.6	99.9
Oct-19	1.2	0.9	6.7	3.5	-1.0	102.4	112.6
Nov-19	0.8	-0.9	7.0	2.7	-0.9	114.8	128.4
Dec-19	-2.9	-13.6	5.1	-5.8	0.1	121.5#	141.6#
Jan-20	-2.0	-13.5	6.9	-4.9	0.9	128.5#	150.2#
Feb-20	-0.8	-12.0	7.7	-3.5	1.6	135.2#	156.7#
Mar-20	-3.4	-16.1	4.0	-7.8	1.7	122.0#	133.6#
Apr-20	-44.3	57.7	-32.1	-10.8	-69.9	35.1	41.3

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 FY20.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (center)
	INR crore				
FY 2020 (RE)	5,14,000	-	-	98,327	6,12,327
FY 2021 (BE)	5,80,000	-	-	1,10,500	6,90,500
Monthly tax collection (INR crore)					
Sep-19	38,132	482	-3,650	7,148	42,112
Oct-19	37,135	190	19,573	8,701	65,599
Nov-19	43,654	197	247	7,119	51,217
Dec-19	40,472	170	-1,842	7,913	46,713
Jan-20	43,782	157	2,128	8,359	54,426
Feb-20	41,291	159	553	8,604	50,607
Mar-20	40,159	447	2,373	8,089	51,068
Apr-20	5,934	34	9,749	990	16,707

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
Jul-19	5.75	FY17	7.9	11.6	35.6	7.6	FY17	3.1	10.1	7.03	370.0
Aug-19	5.40	FY18	7.5	7.5	30.3	22.1	FY18	21.8	9.2	7.05	424.4
Sep-19	5.40	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.68	411.9
Oct-19	5.15	FY20	9.4	9.9	42.3	-0.1	FY20	11.2	8.9	6.80	475.6
Nov-19	5.15	1QFY20	12.6	9.9	14.2	4.8	1QFY20	11.3	10.1	7.24	427.7
Dec-19	5.15	2QFY20	10.4	9.9	7.9	2.5	2QFY20	10.8	9.6	6.68	433.6
Jan-20	5.15	3QFY20	8.0	10.0	10.0	7.8	3QFY20	12.5	10.4	6.68	457.5
Feb-20	5.15	4QFY20	7.1	9.6	10.2	-15.3	4QFY20	11.2	8.9	6.62	475.6
Mar-20	4.40	Jan-20	8.3	11.2	5.8	-0.1	Feb-20	11.9	10.2	6.66	481.5
Apr-20	4.40	Feb-20	7.0	10.0	2.0	1.0	Mar-20	11.2	8.9	6.37	475.6
May-20	4.00	Mar-20	6.1	7.9	2.5	-16.2	Apr-20	12.8	10.8	6.68	479.5
Jun-20	4.00	Apr-20	6.8	9.9	1.4	-1.1	May-20	15.3	11.7	5.92	493.5

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	2010	5.4	3.1	7.4
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2011	4.3	1.7	6.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2012	3.5	1.2	5.3
FY20	-4.9	-8.9	-152.9	70.9	58.5	70.4	2013	3.5	1.4	5.1
1Q FY20	-1.7	-0.3	-46.0	69.5	65.1	74.3	2014	3.6	2.1	4.7
2Q FY20	-3.6	-12.6	-37.7	70.4	59.7	65.2	2015	3.4	2.3	4.3
3Q FY20	-1.1	-12.7	-34.4	71.2	60.3	69.9	2016	3.4	1.7	4.6
4Q FY20	-12.8	-9.8	-34.8	72.4	49.1	72.3	2017	3.8	2.5	4.8
Feb-20	2.9	2.5	-9.9	71.5	53.3	73.8	2018	3.6	2.3	4.5
Mar-20	-34.6	-28.7	-9.8	74.4	32.2	67.3	2019	2.9	1.7	3.7
Apr-20	-60.3	-58.6	-6.8	76.2	21.0	57.6	2020*	-3.0	-6.1	-1.1
May-20	-36.5	-51.0	-3.1	75.7	30.4	55.0	2021*	5.8	4.5	6.6

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook, April 2020, * 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
FY17 (3rd RE)	8.0	6.8	9.8	7.9	10.0	5.9	7.7	8.6	9.3	2.9
FY18 (2nd RE)	6.6	5.9	4.9	6.6	11.2	5.0	7.6	4.7	9.9	4.2
FY19 (1st RE)	6.0	2.4	-5.8	5.7	8.2	6.1	7.7	6.8	9.4	4.2
FY20 (PE)$	3.9	4.0	3.1	0.0	4.1	1.3	3.6	4.6	10.0	3.0
4QFY18	7.6	7.1	3.3	10.1	11.8	13.7	6.3	4.4	8.3	4.0
1QFY19	6.9	3.8	-7.3	10.7	7.9	6.4	8.5	6.0	8.8	4.6
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

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY20 are based on the provisional estimates of NAS released by MoSPI on 29 May 2020 over the first revised estimates (RE) of NAS for FY19 released by MoSPI on 31 January 2020.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY17 (3rd RE)	8.3	8.1	6.1	8.5	5.0	4.4	3.2
FY18 (2nd RE)	7.0	7.0	11.8	7.2	4.6	17.4	3.8
FY19 (1st RE)	6.1	7.2	10.1	9.8	12.3	8.6	4.6
FY20 (PE)$	4.2	5.3	11.8	-2.8	-3.6	-6.8	2.9
4QFY18	8.2	8.1	8.6	13.6	5.1	23.6	3.0
1QFY19	7.1	6.7	8.5	12.9	9.5	5.9	6.0
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

Source: National Accounts Statistics, MoSPI
$Growth numbers for FY20 are based on the provisional estimates of NAS released by MoSPI on 29 May 2020 over the first revised estimates (RE) of NAS for FY19 released by MoSPI on 31 January 2020.

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	CSO	Central Statistical Organization
17	Disc.	discrepancies
18	ECBs	external commercial borrowings
19	EIA	US Energy Information Administration
20	Elec.	electricity, gas, water supply and other utility services
21	EMDEs	Emerging Market and Developing Economies
22	EXP	exports
23	FAE	first advanced estimates
24	FC	Finance Commission
25	FII	foreign investment inflows
26	Fin.	financial, real estate and professional services
27	FPI	foreign portfolio investment
28	FRBMA	Fiscal Responsibility and Budget Management Act
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
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	J&K	Jammu and Kashmir
49	MCLR	marginal cost of funds-based lending rate
50	Ming.	mining and quarrying
51	Mfg.	manufacturing
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	NEXP	net exports (exports minus imports of goods and services)
57	NPA	non-performing assets
58	NCLT	National Company Law Tribunal
59	OECD	Organization for Economic Co-operation and Development
60	OPEC	Organization of the Petroleum Exporting Countries
61	PFCE	private final consumption expenditure
62	PIT	personal income tax
63	PMI	Purchasing Managers' Index (reference value = 50)
64	PSBR	public sector borrowing requirement
65	RE	revised estimates
66	PSU	public sector undertaking
67	RBI	Reserve Bank of India
68	SAED	special additional excise duty
69	SOTR	states' own tax revenues
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	UT	union territory
75	WALR	weighted average lending rate
76	WPI	Wholesale Price Index
77	y-o-y	year-on-year
78	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 | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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. 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

EYIN2006-042
ED None

RG