ENTER

Economy Watch

Monitoring India's macro-fiscal performance

March 2021

Building a better working world

Contents

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

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Highlights

1. Real GDP grew by 0.4% in 3QFY21 following a contraction in two successive quarters. According to the second advance estimates of national accounts, real GDP is estimated to contract by (-)8.0% in FY21.

2. IIP contracted by (-)1.6% in January 2021 as compared to a growth of 1.6% in December 2020.

3. In February 2021, PMI manufacturing remained high at 57.5. PMI services increased to 55.3, its highest level in one year.

4. CPI inflation increased to 5.0% in February 2021 from 4.1% in January 2021. Core CPI inflation also increased to a 78-month high of 6.1% in February 2021.

5. Contraction in Center's gross taxes was lower at (-)1.0% during April-January FY21 as compared to (-)2.0% during April-January FY20.

6. During April-January FY21, Center's capital expenditure posted a strong growth of 35.2% while revenue expenditure grew by 7.7%.

7. During April-January FY21, Center's fiscal deficit stood at 66.8% of the annual revised estimate while the corresponding ratio for revenue deficit was at 62.7%.

8. Growth in merchandise exports fell to 0.7% whereas imports growth rose to 7.0% in February 2021.

9. The OECD, in its Interim Economic Outlook, March 2021, estimated a global contraction of (-)3.4% in 2020 while India's GDP is estimated to contract by (-)7.4% (FY21).

Foreword

Post-budget optimism: assessing India's current economic challenges

Despite the unprecedented high fiscal deficit estimated for FY21 (RE) and FY22 (BE) in the Union Budget for FY22, the Indian stock markets rallied, with the Sensex touching historic highs in February 2021 supported by robust foreign investment inflows. High frequency indicators in recent months support this post-Budget optimism. In February 2021, PMI manufacturing remained high at 57.5, close to its January 2021 level of 57.7 and above its long-run average of 53.6. PMI services increased to its highest level in one year at 55.3 in February 2021 from 52.8 in January 2021. GST collections at INR1.13 lakh crores in February 2021 remained above the monthly benchmark of INR 1 lakh crore for the fifth consecutive month, reflecting a continued momentum in economic activities.

The Union Budget FY22 estimated Center's gross tax revenues to contract by (-)5.5% in FY21 (RE) over the FY20 actuals. As per the CGA, Center's gross taxes during April-January FY21 contracted only by (-)1.0% indicating the possibility of a lower contraction than the revised estimates of central taxes for FY21. This may either lead to a reduction in Center's fiscal deficit relative to GDP for FY21 that has been estimated at 9.5% as per the RE, or an expansion in total expenditure of the Center that has been estimated to grow by 28.4% in FY21 (RE) over FY20 actuals.

A number of challenges are also becoming explicit. In February 2021, growth in merchandise exports fell to 0.7% from 6.2% in January 2021 led by a contraction in engineering goods exports. Growth in bank credit moderated to 5.9% in January 2021 from 6.1% in December 2020. IIP contracted by (-)1.6% in January 2021 as compared to a growth of 1.6% in December 2020. In line with these trends, the expected real GDP contraction has been increased to (-)8.0% as per NSO's Second Advance Estimates for FY21 from its earlier estimate of (-)7.8%.

Headwinds to the Indian economy may emerge from higher inflation prospects due to persistently high domestic fuel prices on account of steadily rising global crude prices. Tracking the crude price movement on a daily basis, brent crude price has increased to US$67.86/bbl. as on 16 March 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. The recovery in global crude prices is driven by a pick-up in demand as well as supply side factors. The OPEC+ agreement of a supply cut of 0.5 million barrels per day that was signed in December 2020 has been extended by one more month into April 2021, with small exemptions to Russia and Kazakhstan. These developments have a significant bearing on prices of petroleum products in India. Petrol prices, for example, are at a historic high, nearly touching INR100/litre in some cities in India. These trends are likely to impart upside risks to headline inflation which has reached 5% in February 2021. Core CPI inflation has also increased to 6.1% in February 2021. According to the RBI, the outlook for core inflation may be adversely impacted by broad-based escalation in cost-push pressures in services and manufacturing prices due to increase in industrial raw material prices.

After completing the period of five years since its inception in February 2015, the Monetary Policy Framework (MPF) is due for a review in March 2021. As per the current framework, the RBI was mandated to target a CPI inflation rate below 6% by January 2016. CPI inflation target for FY17 and beyond was set at 4% with a tolerance range of +/-2%, implying an overall CPI inflation range of 2% to 6%. This target is to be reviewed once in every five years. In this context, the RBI, in its Report on Currency and Finance 2020-21, released on 26 February 2021, has argued in favor of retaining the current flexible inflation targeting regime and the existing CPI inflation target range. The RBI justified its stand on retaining the 2-6% CPI inflation range based on the following arguments: (a) the 2% lower limit is consistent with RBI's estimates of supply shocks and also in line with inflation targets in advanced economies, (b) the 6% upper limit is consistent with international experience where countries with a large share of food in the CPI basket tend to have higher inflation targets and wider tolerance bands and (c) inflation above 6% can be harmful to growth based on RBI's threshold estimates. The argument pertaining to the lower limit of 2% relevant for advanced economies may need to be examined carefully in India's context. Experience has also shown that implicit price deflator-based inflation has tended to remain tangibly below the CPI inflation. This has led to a relatively low nominal GDP growth and therefore relatively low tax revenue growth. The MPF is best decided after taking into account the interdependence between fiscal and monetary policies.

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1. Growth: real GDP grew by 0.4% in 3QFY21 after a contraction in the previous two quarters

A. Real GDP grew by 0.4% in 3QFY21 as compared to a contraction of (-)7.3% in 2QFY21

- As per data released by the Ministry of Statistics and Programme Implementation (MoSPI) on 26 February 2021, real GDP grew by 0.4% in 3QFY21 as compared to a contraction of (-)7.3% (revised) in 2QFY21 **(Chart 1)**. According to the second advance estimates (AE) of national accounts, real GDP is estimated to contract by (-)8.0% in FY21, marginally higher than (-)7.8% as per the first AE released on 07 January 2021.
- On the demand side, only gross fixed capital formation (GFCF), a measure of investment demand, showed a positive growth of 2.6% in 3QFY21 after contracting sharply in 1Q and 2QFY21 **(Table1)**.
- The other key components of domestic demand namely, private final consumption expenditure (PFCE) and government final consumption expenditure (GFCE) continued to contract although at a slower pace of (-)2.4% and (-)1.1% respectively in 3QFY21.
- In 3QFY21, both exports and imports contracted by (-)4.6% each.
- On the output side, real GVA grew by 1.0% in 3QFY21 as compared to a contraction of (-)7.3% in 2QFY21. The second AE showed that real GVA is expected to contract by (-)6.5% in FY21.
- Five out of eight broad GVA sectors showed a positive growth in 3QFY21 as compared to only three sectors in 2QFY21.
- The highest growth at 7.3% was seen in the electricity et. al. sector followed by financial and real estate, and construction sectors at 6.6% and 6.2% respectively in 3QFY21.
- Growth in agricultural and manufacturing GVA improved to 3.9% and 1.6% respectively in 3QFY21 from 3.0% and (-)1.5% respectively in 2QFY21.
- GVA in trade, hotels, transport, communication et. al. and public administration, defense and other services continued to contract for the third consecutive quarter by (-)7.7% and (-)1.5% respectively in 3QFY21.
- In FY21, only two sectors, namely agriculture and electricity et. al. are expected to show a positive growth at 3.0% and 1.8% respectively. The sharpest contraction is estimated for the trade, transport et. al sector at (-)18.0%, followed by Construction at (-)10.3%.
- Nominal GDP grew by 5.3% in 3QFY21 as compared to a contraction of (-)4.2% in 2QFY21. In FY21, nominal GDP is estimated to contract by (-)3.8%.

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

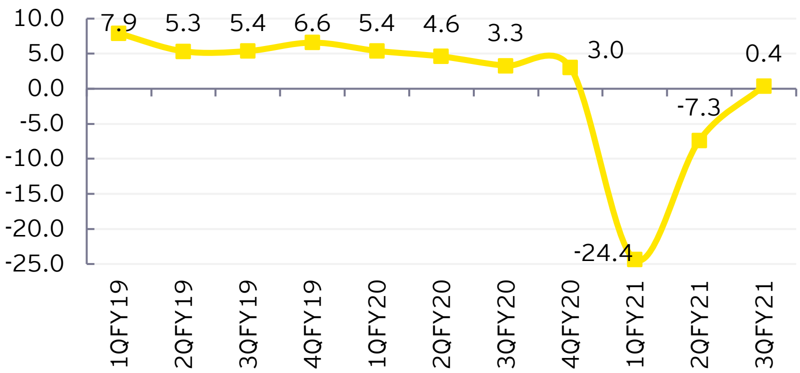


Table 1: Real GDP and GVA growth (%)

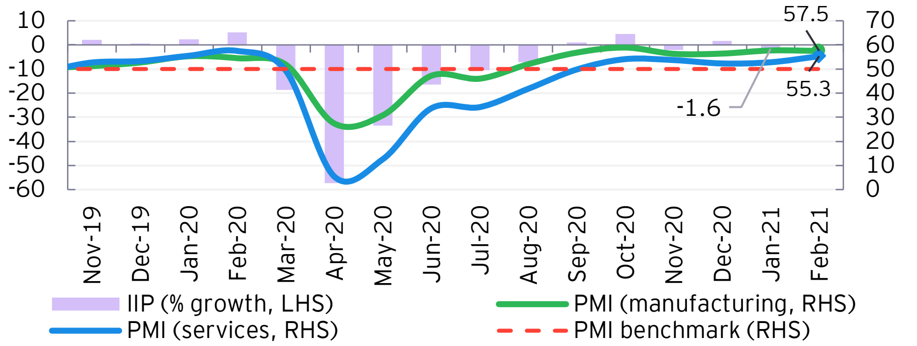
Agg. demand	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	FY20	FY21 (2nd AE)
PFCE	7.6	6.5	6.4	2.0	-26.3	-11.3	-2.4	5.5	-9.0
GFCE	1.8	9.6	8.9	12.1	12.8	-24.0	-1.1	7.9	2.9
GFCF	13.3	3.9	2.4	2.5	-46.4	-6.8	2.6	5.4	-12.4
EXP	3.0	-1.3	-5.4	-8.8	-22.0	-2.1	-4.6	-3.3	-8.1
IMP	9.4	-1.7	-7.5	-2.7	-41.1	-18.2	-4.6	-0.8	-17.6
GDP	**5.4**	**4.6**	**3.3**	**3.0**	**-24.4**	**-7.3**	**0.4**	**4.0**	**-8.0**
Output: major sectors									
Agr.	3.3	3.5	3.4	6.8	3.3	3.0	3.9	4.3	3.0
Ming.	-1.3	-5.2	-3.6	-0.9	-18.0	-7.6	-5.9	-2.5	-9.2
Mfg.	0.6	-3.0	-2.9	-4.2	-35.9	-1.5	1.6	-2.4	-8.4
Elec.	6.9	1.7	-3.1	2.6	-9.9	2.3	7.3	2.1	1.8
Cons.	3.7	1.0	-1.3	0.7	-49.4	-7.2	6.2	1.0	-10.3
Trans.	6.2	6.8	7.0	5.7	-47.6	-15.3	-7.7	6.4	-18.0
Fin.	8.8	8.9	5.5	4.9	-5.4	-9.5	6.6	7.3	-1.4
Publ.	5.6	8.8	8.9	9.6	-9.7	-9.3	-1.5	8.3	-4.1
GVA	**5.0**	**4.6**	**3.4**	**3.7**	**-22.4**	**-7.3**	**1.0**	**4.1**	**-6.5**

Source: MoSPI, GoI

B. IIP: contracted by (-)1.6% in January 2021 as compared to a growth of 1.6% in December 2020

- As per the quick estimates of IIP for January 2021, released by the MoSPI on 12 March 2021[1], IIP contracted by (-)1.6% in January 2021 as compared to a growth of 1.6% (revised) in December 2020 (**Chart 2**). This was led by a contraction in both manufacturing and mining sector outputs. (Table A1 in data appendix).
- The manufacturing output contracted by (-)2.0% in January 2021 as compared to a growth of 2.1% (revised) in December 2020. Mining output continued to contract for the fourth consecutive month at (-)3.7% in January 2021. Growth in the output of electricity however, increased to 5.5% in January 2021 as compared to 5.1% in December 2020.
- Output of capital goods contracted sharply by (-)9.6% in January 2021 as compared to a growth of 1.5% (revised) in December 2020. Both consumer durables and non-durables contracted by (-)0.2% and (-)6.8% respectively in January 2021 as compared to a growth of 5.7% and 0.5% (revised) respectively in December 2020. Growth in the output of infrastructure/construction goods was low at 0.3% in January 2021 as compared to 2.7% in December 2020.
- Provisional estimates of output of eight core infrastructure industries (core IIP) continued to show a low growth of 0.1% in January 2021 as compared to 0.2% (revised) in December 2020. Out of eight core industries, only three industries namely electricity (5.1%), fertilizers (2.7%) and steel (2.6%) posted a positive growth in January 2021.

Chart 2: IIP growth and PMI



Source: MoSPI, Ministry of Commerce and Industry and IHS Markit

IIP contracted by (-)1.6% in January 2021 as compared to a growth of 1.6% in December 2020, pointing towards weakness in industrial activity.

C. PMI: signaled a strong expansion in both manufacturing and services in February 2021

- Headline manufacturing PMI (seasonally adjusted (sa)) remained above the threshold of 50 for the seventh consecutive month in February 2021. At 57.5 in February 2021, it was close to its January 2021 level of 57.7 and above its long-run average of 53.6 (**Chart 2**).
- PMI services showed an expansion for the fifth consecutive month in February 2021. It increased from 52.8 in January 2021 to 55.3 in February 2021, its sharpest rate of expansion in one year.
- Reflecting a strong expansion in both PMI manufacturing and services, the composite PMI Output Index (sa) rose from 55.8 in January 2021 to 57.3 in February 2021, its highest level since February 2020.

In February 2021, PMI manufacturing showed a strong expansion of 57.5. PMI services also increased to 55.3, its highest level in one year.

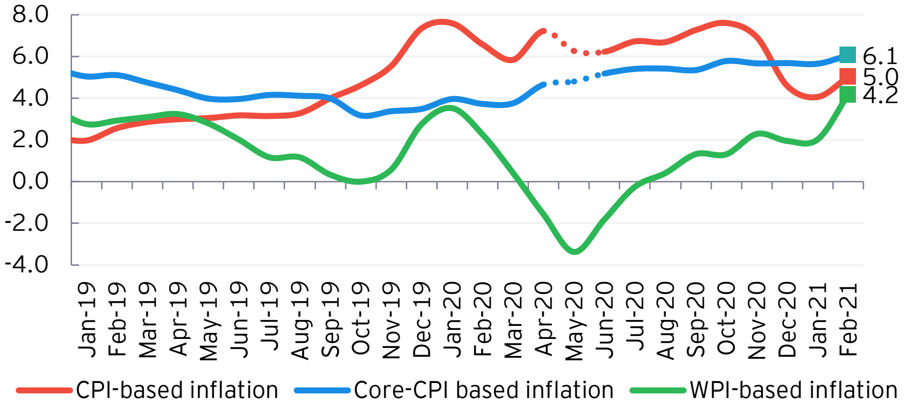
[1] Quick estimates of IIP and use-based index for the month of January 2021: https://www.mospi.gov.in/documents/213904/416359//IIP%20Jan'21%20Press%20Release1615550459188.pdf/464bab36-81fe-7811-a9be-5c09162340d7

2. Inflation: CPI inflation increased to 5.0% in February 2021

CPI inflation increased to 5.0% in February 2021 from a 16-month low of 4.1% in January 2021 (Chart 3) led by higher food inflation.

- Consumer food inflation increased to 3.9% in February 2021 from a 20-month low of 2.0% in January 2021 mainly due to base effect.
- Contraction in vegetable prices eased to (-)6.3% in February 2021 from (-)15.8% in January 2021 led by inflation in onions turning positive at 2.5% from (-)36.2% over the same period.
- Inflation in fuel and light moderated to 3.5% in February 2021 from 3.9% in January 2021 mainly on account of lower inflation in LPG.
- Core CPI inflation[2] increased to a 78-month high of 6.1% in February 2021.
- Inflation in transportation and communication services climbed to 11.4% in February 2021 from 9.4% in January 2021 reflecting higher global crude prices leading to higher prices of petrol used for transportation.

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



Core CPI inflation increased to a 78-month high of 6.1% in February 2021 primarily reflecting higher global crude prices leading to higher price of fuel used for transportation.

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 MoSPI[3]; Core CPI inflation has been estimated for April 2020 and May 2020 using this imputed data

WPI inflation increased to 4.2% in February 2021 from 2.0% in January 2021 largely led by higher food and fuel-based inflation.

- WPI food index-based inflation turned positive at 3.3% in February 2021 from (-)0.3% in January 2021.
- The pace of contraction in vegetable prices fell to (-)2.9% in February 2021 from (-)20.8% in January 2021 mainly due to inflation in onions and tomatoes turning positive.
- Contraction in crude prices eased to (-)3.2% in February 2021 from (-)15.0% in January 2021 reflecting higher global crude prices.
- Fuel and power inflation turned positive at 0.6% in February 2021 after remaining negative for 11 successive months, reflecting positive inflation in mineral oils.
- Inflation in manufactured products rose to a 95-month high of 5.8% in February 2021 led by higher inflation in manufactured food products.
- Core WPI inflation increased for the ninth successive month to 5.6% in February 2021 from 5.2% in January 2021 on account of rising inflation in manufactured chemicals, textiles, and motor vehicles.

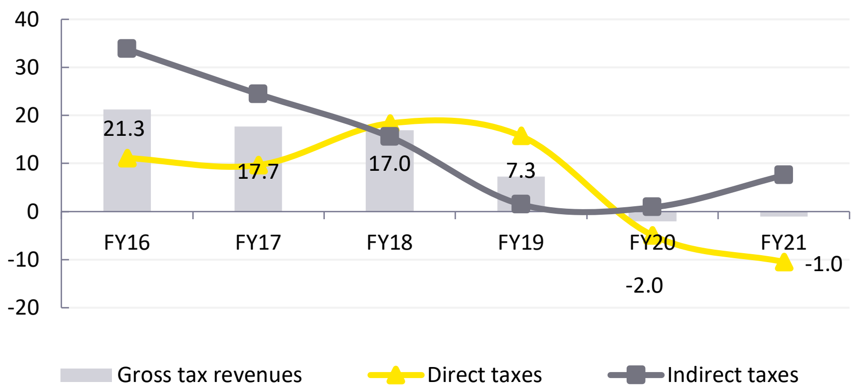
[2] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.
[3] http://www.mospi.gov.in/sites/default/files/press_release/CPI%20Technical%20Note%20on%20Imputation.pdf

3. Fiscal performance: Center's gross tax revenues contracted by (-)1.0% during Apr-Jan FY21

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)[4], Center's gross tax revenues (GTR) during the April-January FY21 contracted by (-)1.0% as compared to (-)2.0% in the corresponding period of FY20 (**Chart 4**). The Union Budget FY22 has estimated Center's gross tax revenues to contract by (-)5.5% in FY21 (RE) over the actuals of FY20.
- Direct tax revenues contracted by (-)10.5% during April-January FY21 as compared to (-)4.9% in the corresponding period of FY20.
- Corporate income tax (CIT) revenues contracted by (-)14.9% during April-January FY21 as compared to (-)13.5% in the corresponding period of FY20.
- There was a contraction of (-)5.5% in personal income tax (PIT) revenues during April-January FY21 as compared to a growth of 6.9% during the corresponding period of the previous year.
- Indirect taxes (comprising CGST, UTGST, IGST[5] and GST compensation cess, union excise duties, service tax and customs duty) showed a growth of 7.5% during April-January FY21 as compared to 0.9% during April-January FY20.
- While Center's GST revenues contracted by (-)8.6%, there was a positive growth of 57.8% in revenues from union excise duties and of 1.8% in customs duty revenues during April-January FY21.

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



As per the CGA, contraction in Center's gross taxes was at (-)1.0% during April-January FY21 as compared to (-)2.0% during April-January FY20. Direct tax revenues continued to contract while indirect tax revenues showed a positive y-o-y growth during April-January 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.

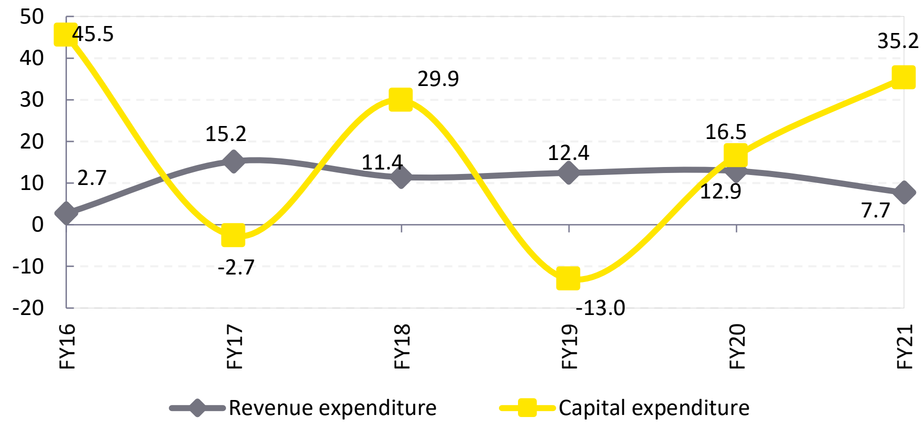
- Center's non-tax revenues showed a contraction of (-)44.0% during April-January FY21 as compared to a growth of 55.5% during the corresponding period of FY20.
- According to the Union Budget FY22, Center's non-tax revenues are estimated to contract by (-)35.6% in FY21 (RE) over FY20 actuals.
- As per information sourced from the Department of Investment and Public Asset Management[6] on 23 March 2021, disinvestment receipts stood at INR31,005.76 crores that is 96.9% of the FY21 RE at INR32,000 crores.

[4] Monthly accounts for January 2021 released on 26 February 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-January FY21 grew by 11.0% as compared to 13.3% during the corresponding period of FY20.
- Revenue expenditure grew by 7.7% during April-January FY21 as compared to 12.9% during the corresponding period of FY20 (**Chart 5**). For achieving the FY21 (RE), an extraordinary growth of 145.2% would be required in the last two months of FY21. 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 showed a buoyant growth of 35.2% during April-January FY21 as compared to 20.6% in the corresponding period of the previous year. A growth of 11.7% would be required in the last two months of FY21 to achieve the FY21 (RE).

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



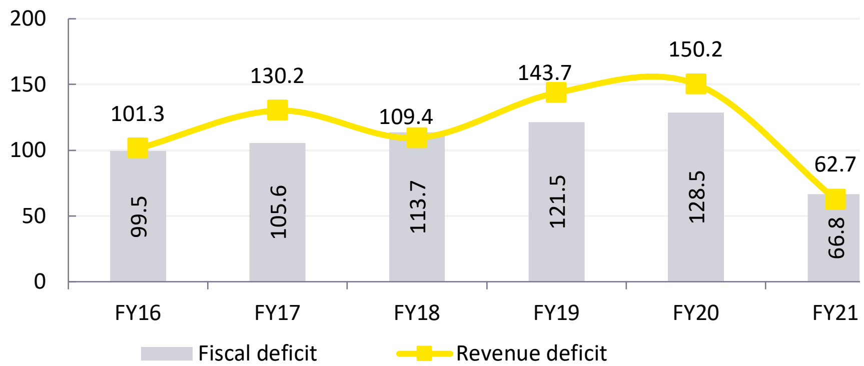
During April-January FY21, Center's capital expenditure posted a strong growth of 35.2% while revenue expenditure grew by 7.7%.

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

C. Fiscal imbalance

- Center's fiscal deficit during April-January FY21 stood at 66.8% of the annual revised target as compared to 128.5% during the corresponding period of FY20 (**Chart 6**). As per the Union Budget for FY22, Center's fiscal deficit has been estimated at 9.5% of GDP for FY21 (RE).
- Center's revenue deficit during April-January FY21 stood at 62.7% of the annual revised target as compared to 150.2% in the corresponding period of FY20. Center's revenue deficit has been estimated at 5.9% of GDP for FY21 (RE).

Chart 6: Fiscal and revenue deficit during April-January as percentage of annual revised target



During April-January FY21, Center's fiscal deficit stood at 66.8% of the annual revised estimate while the corresponding ratio for revenue deficit was at 62.7%.

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

4. Comparative global perspective: IMF estimated India's direct fiscal stimulus at 3.1% of GDP in FY21

Discretionary fiscal response to COVID-19: a cross-country comparison

Chart 7: Direct fiscal stimulus as a % of GDP

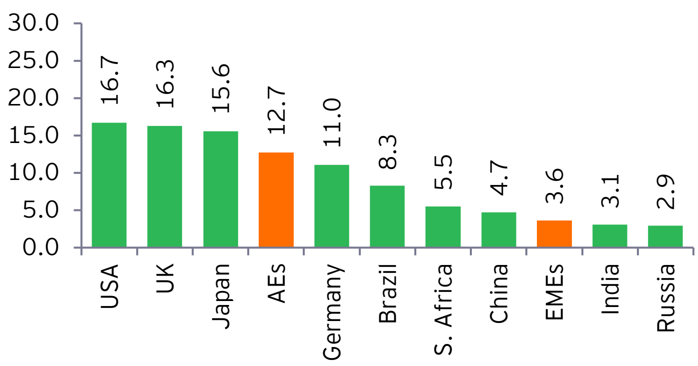
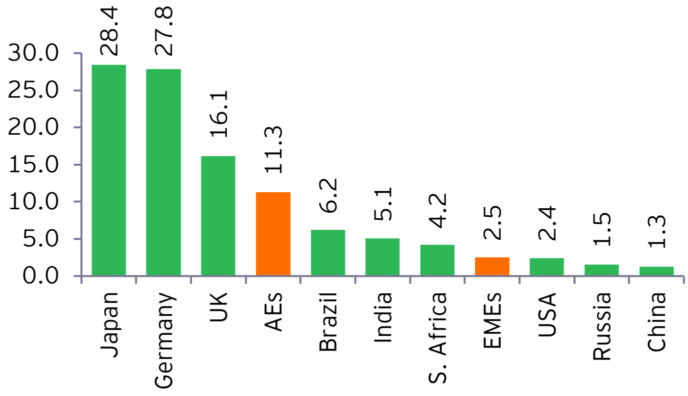


Chart 8: Liquidity support as a % of GDP



Source: IMF Fiscal monitor database (January 2021)

Note: This analysis incorporates measures announced or undertaken up to 31 December 2020

- As a response to the COVID-19 pandemic, several countries announced stimulus measures in 2020. The IMF broadly classifies fiscal support into different categories depending on their implications for public finances in the near term and beyond.
- In this analysis, direct fiscal stimulus refers to additional spending and forgone revenue. The impact of these measures is immediately reflected in government's budget deficit and debt.
- Liquidity support includes a) below the line measures which include equity injections, loans, and asset purchase, b) government guarantees and c) quasi-fiscal operations such as non-commercial activity of public corporations on behalf of the government. These measures may have little or no upfront impact on the fiscal deficit unless they have a concessional component, but they can increase debt.
- Direct fiscal stimulus relative to GDP has been much higher at 12.7% for AEs as compared to just 3.6% for EMEs. Among selected AEs, the highest direct fiscal stimulus relative to GDP has been for the US at 16.7%, followed by the UK at 16.3% and Japan at 15.6%. India's direct fiscal stimulus at 3.1% of GDP is below the EME average **(Chart7)**.
- Quantified liquidity support measures relative to GDP for AEs at 11.3% has also been higher than that for EMEs at 2.5% **(Chart 8)**. Among selected AEs, while Japan, Germany and the UK have provided significant liquidity support, US has not relied heavily on this category of stimulus.
- India's liquidity support relative to GDP at 5.1% is higher as compared to the EME average. India appears to have relied relatively more on liquidity support measures compared to direct stimulus measures as is the case with Japan and Germany also.

Table 2: Additional spending and forgone revenues: health and non-health components (% to GDP)

- The direct fiscal stimulus relative to GDP can be decomposed into health and non-health components.
- In all selected economies, the non-health component occupies a larger portion of the total direct stimulus.
- Considering health component as a proportion of total direct stimulus, UK leads the selected set of countries at 32.5%, followed by Russia at 20.7%, Brazil at 14.5% and US at 13.8% **(Table 2)**.
- India's share of health component in the total direct stimulus at 6.5% is the lowest after China.

Country	Total	Health	Non-health	Health as a % of total
USA	**16.7**	2.3	14.4	13.8
UK	**16.3**	5.3	10.9	32.5
Japan	**15.6**	1.8	13.8	11.5
Germany	**11.0**	1.2	9.8	10.9
Brazil	**8.3**	1.2	7.1	14.5
Russia	**2.9**	0.6	2.3	20.7
India	**3.1**	0.2	2.9	6.5
China	**4.7**	0.1	4.6	2.1
S. Africa	**5.5**	0.4	5.1	7.3

5. In focus: recommendations of FC 15 — patterns of regressivity in per-capita transfers

Introduction

The report of the Fifteenth Finance Commission (FC 15)[7] was presented to the Parliament on the Budget day, 1 February 2021, just ahead of the presentation of the Union Budget for FY22. The report had been submitted by the Commission on 9 November 2020[8], and was under the consideration of the government which prepared an Action-Taken Report (ATR)[9] so that both the Commission's report and the ATR could be presented together to the Parliament. According to the ATR, the substantive fiscal transfer recommendations relating to devolution of central taxes to states, revenue deficit grants, local body grants, and grants relating to natural calamities have been accepted. However, some of the transfer recommendations relating to state-specific and sector-specific grants are still under the consideration of the central government. We undertake a review of the recommendations of the FC 15 with a view to placing these recommendations in the perspective of the recommendations of some of the previous FCs. We also examine the impact and implications of the scheme of fiscal transfers recommended by the FC 15 in the context of India's current economic situation. These recommendations cover the period FY22 to FY26. It may be recalled that this final report of the FC 15 was preceded by the first report for the year FY21. Thus, with these two reports, the recommendations of the FC 15 apply for six years.

1. Vertical devolution

Fiscal transfers from the Center to the states take place through two broad channels namely, sharing of the sharable pool of central taxes with the states, and grants. In relative terms, a larger volume of transfers is given through the sharing of Center's taxes. This volume is determined by the overall share of states in the divisible pool. This aspect of transfer is referred to in the literature on fiscal federalism as vertical devolution. As noted in **Table 3**, the FC 15 has kept the share of the states considered together at 41% in the sharable pool of the central taxes in both their first and the second reports. This share is broadly comparable with the share of 42% as recommended by the FC 14. This is so because with the exclusion of Jammu and Kashmir (J&K), the number of states for which the recommendations of the FC 15 apply has been reduced to 28 from 29 which was the situation for the FC 14. The difference of 1% point is quite close to the share that would have been applicable for J&K had it continued to be a state.

Table 3: States' share in central taxes: recommended and effective

Commission	Recommended share in divisible pool (%)	Effective share in gross central taxes (%)	Shortfall in effective share relative to recommended (% points)	Share of cesses and surcharges# in center's gross tax revenues (%)
FC 12	30.5	25.9	-4.6	
FC 13	32.0	27.9	-4.1	9.6
FC 14	42.0	34.9	-7.1	12.8
FC 15 (1)	41.0	28.9	-12.1	23.8
FC 15 (2)	41.0	30.0*	-11.0*	20.5*

Source: Union Budget Documents, Reports of 12th-15th FCs
*pertains to data for one year namely, FY22 (BE); #excludes GST compensation cess

It is notable that there was a sharp jump in the vertical share of the states from 32% to 42% from FC 13 to FC 14. This was justified by FC 14 on the basis of four key arguments. These are given in Clause 8.13 of their Report.

"8.13 However, a compositional shift in transfers from grants to tax devolution is desirable for two reasons. First, it does not impose an additional fiscal burden on the Union Government. Second, an increase in tax devolution would enhance the share of unconditional transfers to the States. We have factored in four important considerations: (i) States not being entitled to the growing share of cess and surcharges in the revenues of the Union Government; (ii) the importance of increasing the share of tax devolution in total transfers; (iii) an aggregate view of the revenue expenditure needs of States without Plan and non- Plan distinction; and (iv) the space available with the Union Government. Considering all factors, in our view, increasing the share of tax devolution to 42 per cent of the divisible pool would serve the twin objectives of increasing the flow of

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[7] https://fincomindia.nic.in/writereaddata/html_en_files/fincom15/Reports/XVFC%20Complete_Report.pdf
[8] https://pib.gov.in/PressReleasePage.aspx?PRID=1671384
[9]https://fincomindia.nic.in/writereaddata/html_en_files/fincom15/Reports/ATR%20Summary%20Annex%20III%20English.pdf

unconditional transfers to the States and yet leave appropriate fiscal space for the Union to carry out specific-purpose transfers to the States."

Since the recommendations of the FC 14, there has been a noticeable trend on behalf of the central government towards reducing the volume of the sharable pool by increasing the ambit of central cesses and surcharges that are not sharable with the states. This can be seen by examining the share of states in central gross taxes (often called effective share) as compared to the share of states in the divisible pool (called recommended share). This is detailed in **Table 3.** Thus, in terms of the effective share, the highest vertical devolution through the sharing of taxes was for the FC14 period at 34.9%. It was reduced to 28.9% in FC 15 (1) period, quite close to 27.9% during the FC 13 period.

2. Horizontal devolution

The overall share in central taxes applicable for all states is divided amongst individual states based on a set of criteria. This exercise has been referred to as horizontal devolution. **Table 4** gives a comparison of the different criteria and the weights attached to these by some of the recent Commissions. In the final report of FC 15, no change has been incorporated as compared to their first report. If we compare both of these reports with the criteria used by the preceding Commission namely, FC 14, there has been a total reduction of 7.5% points in the weights of the income-distance criterion (5% points) and the population criterion (2.5% points). This difference of 7.5% points was used to increase the weight of three criteria namely, tax effort, demographic change, and forest cover by 2.5% points each.

Table 4: Criteria and weights used by FCs

#	Type of criteria	Criteria	Relative weights (%)				
			FC 12	FC 13	FC 14	FC 15 (1)	FC 15 (2)
1	Neutral	Population	25	25	17.5	15.0	15.0
2	Redistributive	Income/fiscal capacity distance	50	47.5	50	45.0	45.0
3	Relative costs	Area	10	10	15	15.0	15.0
		Index of infrastructure	-	-	-		
		Forest cover	-	-	7.5	10.0	10.0
4	Incentives	Tax effort	7.5	-	-	2.5	2.5
		Fiscal discipline	7.5	17.5	-	-	-
		Demographic change	-	-	10	12.5	12.5
Total			**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Reports of 12th-15th FCs.

Based on these criteria, the share of individual states in the sharable pool of central taxes has been determined as given in **Table 5.** Since there was no change in the criteria or their weights between the two reports of FC 15, the small differences in the inter-se shares is only because of updating of data particularly with respect to per capita GSDP, forest cover, and per capita own tax-revenue of states. Comparing shares relating to FC 15 (2) with those of FC 14, the main group of states which may be considered as gaining states are Maharashtra, Rajasthan, Arunachal Pradesh, Gujarat, Bihar, Chhattisgarh, Punjab and Madhya Pradesh. For the purpose of comparability, the FC 14 shares have been recalculated after excluding Jammu & Kashmir.

Table 5: Evolution of inter-se shares (%)

States	12 FC	13 FC	14 FC	Adjusted FC 14*	15FC (1)	15 FC (2)	FC 15 (2) minus adjusted FC 14
Andhra Pradesh	7.356	6.937	4.305	4.398	4.111	4.047	-0.351
Arunachal Pradesh	0.288	0.328	1.370	1.431	1.760	1.757	0.326
Assam	3.235	3.628	3.311	3.371	3.131	3.128	-0.243
Bihar	11.028	10.917	9.665	9.787	10.062	10.058	0.271
Chhattisgarh	2.654	2.470	3.080	3.166	3.418	3.407	0.241
Goa	0.259	0.266	0.378	0.379	0.386	0.386	0.007
Gujarat	3.569	3.041	3.084	3.172	3.398	3.478	0.306
Haryana	1.075	1.048	1.084	1.091	1.082	1.093	0.002
Himachal Pradesh	0.522	0.781	0.713	0.722	0.799	0.830	0.108
Jharkhand	3.361	2.802	3.139	3.198	3.313	3.307	0.109
Karnataka	4.459	4.328	4.713	4.822	3.646	3.647	-1.175
Kerala	2.665	2.341	2.500	2.526	1.943	1.925	-0.601

States	12 FC	13 FC	14 FC	Adjusted FC 14*	15FC (1)	15 FC (2)	FC 15 (2) minus adjusted FC 14
Madhya Pradesh	6.711	7.120	7.548	7.727	7.886	7.850	0.123
Maharashtra	4.997	5.199	5.521	5.674	6.136	6.317	0.643
Manipur	0.362	0.451	0.617	0.623	0.718	0.716	0.093
Meghalaya	0.371	0.408	0.642	0.650	0.765	0.767	0.117
Mizoram	0.239	0.269	0.460	0.464	0.506	0.500	0.036
Nagaland	0.263	0.314	0.498	0.503	0.573	0.569	0.066
Odisha	5.161	4.779	4.642	4.744	4.629	4.528	-0.216
Punjab	1.299	1.389	1.577	1.589	1.789	1.807	0.218
Rajasthan	5.609	5.853	5.495	5.647	5.979	6.026	0.379
Sikkim	0.227	0.239	0.367	0.369	0.389	0.388	0.019
Tamil Nadu	5.305	4.969	4.023	4.104	4.189	4.079	-0.025
Telangana	--	--	2.437	2.499	2.133	2.102	-0.397
Tripura	0.428	0.511	0.642	0.648	0.709	0.708	0.060
Uttar Pradesh	19.264	19.677	17.959	18.205	17.931	17.939	-0.266
Uttarakhand	0.939	1.120	1.052	1.068	1.104	1.118	0.050
West Bengal	7.057	7.264	7.324	7.423	7.519	7.523	0.100
Jammu & Kashmir	1.297	1.551	1.854	--	--	--	--
Total	100	100	100	100	100	100	0.0

Source: Reports of FC 12 to FC 15.
*adjusted FC 14 shares have been calculated using a vertical share of 41.22% (excluding J&K) instead of 42% for the purpose of comparability with inter-se shares under FC 15.

3. Grants vs. devolution: relative shares

The two channels of fiscal transfers namely, tax devolution and grants, have significantly different attributes. While grants are fixed in magnitude, they can be finely targeted to specific states so as to serve a given objective. Share in central taxes are distributed amongst states based on a set of broad criteria where the extent of targeting is constrained by the nature of the criteria and their relative weights. However, these are characterized by automatic adjustment in the magnitude which is linked to the performance of the central taxes. When there is considerable uncertainty in forecasting the central tax revenues during the award period of the FC, grants may be considered a desirable mode of transfer, particularly from the viewpoint of the recipient states since transfers in the form of grants are ensured independent of the performance of the central taxes. Due to the uncertainty affecting the central tax base in FY21, a relatively higher emphasis on grants may be considered desirable.

Table 6: Share of different modes of transfers in total transfers

Finance Commission	Share in taxes	Revenue deficit grants	Disaster relief	Local body grants	Other grants	Total grants	Total transfers
Recommended amounts (INR crore)							
FC 12	605670	44502*	15656	24681	44362	129201	734871
FC 13	1427913	35863*	25495	86468	90498	238324	1666237
FC 14	3889408	135155*	53829	282667	0	471650	4361058
FC 15 (1)	855176	74340	22184	90000	14499#	201023	1056199
FC 15 (2)	4224760	294514	122601	427911	171636#	1016662	5241422
Shares (%)							
FC 12	82.4	6.1	2.1	3.4	6.0	17.6	100.0
FC 13	85.7	2.2	1.5	5.2	5.4	14.3	100.0
FC 14	89.2	3.1	1.2	6.5	0.0	10.8	100.0
FC 15 (1)	81.0	7.0	2.1	8.5	1.4	19.0	100.0
FC 15 (2)	80.6	5.6	2.3	8.2	3.3	19.4	100.0

Source: Reports of FC 12 to FC 15.
* Excludes revenue gap grants to Jammu and Kashmir
# For FC 15 (1) and FC 15 (2), some of the grants listed here under other grants are still under the consideration of the central government. These have not been accepted so far. If we consider the share of tax devolution and grants only with respect to the accepted grants, then the share of tax devolution under FC 15 (1) and FC 15 (2) amount to 81.5% and 83.3% respectively. Accordingly, the share in grants in total transfers in reduced to 18.5% and 16.7% respectively.

In **Table 6**, we have compared the relative share of tax devolution (share in taxes) vis-à-vis. grants. With respect to FC 12, the share of tax devolution was 82.4%. This was increased to nearly 86% by FC 13 and to 89% by FC 14. However, the FC 15 has brought this share down to 81% in their first report and to 80.6% in their second report with respect to their recommended transfers. This implies that the share of total grants in total transfers has increased under the FC 15. The emphasis by FC 15 on the relative importance of grants may be considered a desirable shift in view of the COVID-related uncertainty affecting growth as well as performance of central taxes in the base year. Considering the recommended transfers that have been accepted by the center so far, the shares of tax devolution in total transfers may be revised to 81.5% [FC 15 (1)] and 83.3% [FC 15 (2)].

4. Revenue deficit grants: issues with underlying principles

Like the previous FCs, FC 15 also in its two reports, has relied on revenue deficit grants as an important means of fiscal transfers. The number of states covered by the revenue deficit grants under the award of FC 15 is also the largest relative to the other Commissions. The number of beneficiary states receiving revenue deficit grants is 17 under the FC 15 (2) out of a total of 28 states **(Table 7)**.

Table 7: State-wise recommended revenue gap grants (INR crore)

State	FC 12	FC 13	FC 14	FC 15 (1)	FC 15 (2)
	2005-10	2011-15	2016-20	2021	2021-26
Medium and large states (ML)					
Andhra Pradesh			22113	5897	30497
Bihar					
Jharkhand					
Gujarat					
Haryana					132
Karnataka					1631
Kerala	470		9519	15323	37814
Madhya Pradesh					
Chhattisgarh					
Maharashtra					
Orissa	488				
Punjab	3133			7659	25968
Rajasthan					14740
Tamil Nadu				4025	2204
Uttar Pradesh					
West Bengal	3045		11760	5013	40115
Telangana					
Total ML	**7135**	**0**	**43392**	**37917**	**153101**
Small and hilly states (SH)					
Arunachal Pradesh	1358	2516			
Assam	306		3379	7579	14184
Himachal Pradesh	10202	7889	40625	11431	37199
Manipur	4392	6057	10227	2824	9796
Meghalaya	1797	2811	1770	491	3137
Mizoram	2978	3991	12183	1422	6544
Nagaland	5537	8146	18475	3917	21249
Sikkim	189			448	1267
Tripura	5494	4453	5103	3236	19890
Uttarakhand	5115			5076	28147
Goa					
Total SH	37367	35863	91762	36424	141413
Grand total	44502*	35863*	135154*	74341	294514
Share of ML in total	16.0%	0.0%	32.1%	51.0%	52.0%
Share of SH in total	84.0%	100.0%	67.9%	49.0%	48.0%
Number of beneficiary states	14	7	10	14	17

Source: Reports of FC 12 to 15.
*Total excludes revenue gap grants to Jammu and Kashmir

The benefit of revenue deficit grants can also be examined from the viewpoint of its distribution between two groups of states namely, medium and large states (ML) vis-à-vis. small and hilly states (SH). The SH states are characterized by relatively larger per-capita costs of providing services because of the nature of their terrain and because of the low density of their population. These factors are often not captured in the broad factors included in the tax devolution criteria. This is why a relatively larger share of the revenue deficit grants often goes to the SH states. This share is the highest in the case of FC 13 and relatively high for FC 12 and FC 14. In the case of FC 15 (1) and FC 15 (2), this has now accounted for less than 50%. This change in the way revenue deficit grants have been used is reflective of the fact that tax devolution could not capture the relative needs of the ML states. This is where the issue of continuing with the old methods of devolution criteria even as the share of tax devolution in central taxes was increased from 32% to 42% (41% for FC 15) requires a further examination. With such a large emphasis on tax devolution which was meant to replace the erstwhile plan grants and other discretionary grants, it was called for that the tax devolution criteria should be recast in a way that would better capture the relative needs and cost differentials across states.

Ideally, revenue deficit grants should have been replaced by equalization grants. Revenue deficit grants have been criticized quite extensively in the literature on fiscal federalism in India since they implicitly incentivize revenue gaps produced due to low tax efforts and inefficient service deliveries. The lower the states' own tax effort and the more inefficient is its service provision, the larger would be the revenue gap and therefore the revenue deficit grant. Although the FCs have been using some limited norms in the assessment of states' revenues and expenditures during their award period, these do not adequately capture the differences in the base year and often historical underperformance is carried forward in the forecast period. A full-fledged equalization transfer methodology needs to be spelt out in India's case and the equalization objective can be served quite effectively by a suitable combination of tax devolution and Article 275 (1) grants. The latter may still be called revenue deficit grants although they would be determined in consonance with the equalization principle which is followed in some of the well-established federal fiscal systems such as Canada, Australia and South Africa. Such a change would call for modifying the tax devolution criteria as well as determining grants under the overall objective of achieving equalization in the standards of services delivered by the state governments.

5. Incidence of per-capita transfers: patterns of regressivity

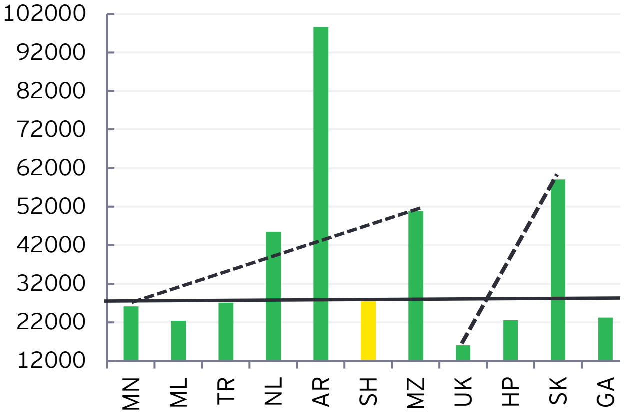
In this section, we examine the overall incidence of the scheme of fiscal transfers recommended by FC 15 by bringing together different components of transfers including tax devolution and different kinds of grants. This analysis is done in terms of state-wise per capita transfers which can reflect the inter-state distribution of per-capita transfers. This distribution can be evaluated with reference to a benchmark that would reflect a desirable scheme of fiscal transfers.

In terms of the literature on fiscal federalism and the practices followed by some of the major federations such as Canada and Australia, the final outcome of a scheme of transfers may be considered aligned to the first principles advocated for a fiscal transfer system. Such a scheme of transfer should be consistent with the equalization principle which in practice, has two versions. The first version refers to fiscal capacity equalization as followed in Canada and the second version refers to fiscal capacity equalization augmented by incorporation of costs and need disabilities as practiced in Australia. Fiscal capacity in practice is often proxied by per-capita GSDP of states although it can be more comprehensively defined. Assuming that fiscal capacity is reflected largely by per-capita GSDP, the equalization objective is served if states which have a lower fiscal capacity tend to receive higher per-capita transfers subject to each state showing comparable tax effort. Thus, the expectation is that lower per-capita GSDP would be associated with higher per-capita transfers.

For assessing the profile of the recommended per-capita transfers by FC 15 (2), we have divided the states into two groups namely SH group and ML group. The former group is expected to be associated with higher per-capita costs in providing government services. States in this group may, therefore, receive higher per-capita transfers and the excess for this group on average as compared to the ML group would therefore be on account of higher cost and need disabilities. This difference is seen in **Charts 9** and **10.**

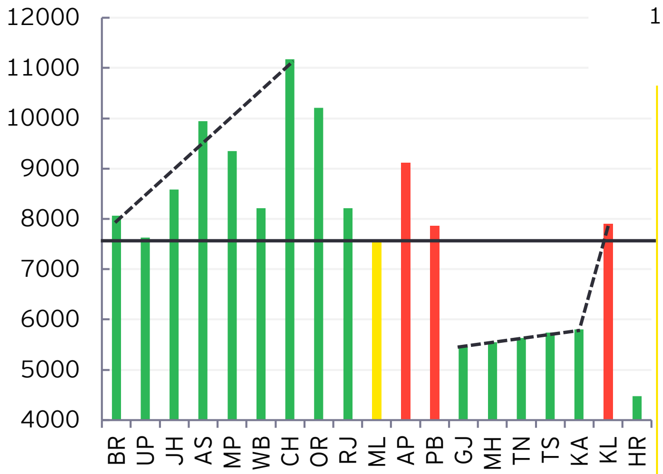
Chart 9 shows that within the group of SH states, there is regressivity in per-capita transfers with low income states such as Manipur, Meghalaya, Tripura and Uttarakhand receiving much lower per-capita transfers as compared to Arunachal Pradesh, Nagaland, Mizoram and Sikkim.
On average, SH states receive per-capita transfers which are 3.7 times that of MH group.

Chart 9: State-wise per capita transfers for SH states: FC 15 (2)



States are arranged in ascending order of their per-capita GSDP

Chart 10: State-wise per capita transfers for ML states: FC 15 (2)



States are arranged in ascending order of their per-capita GSDP

Chart 10 shows that within the group of ML states, low per-capita income states such as Bihar and Uttar Pradesh get much lower per-capita transfers as compared to some of the higher-income states such as Chhattisgarh, Odisha, Assam, and Andhra Pradesh. At the higher income end of these states, Kerala has been given much higher per-capita transfers compared to Gujarat, Maharashtra, Tamil Nadu, Karnataka and Telangana.

Source (basic data): Second report of FC 15

The average per-capita recommended transfers for the SH group at INR27,693 is 3.7 times higher than that for the ML group at INR7,535. Further, we can consider the distribution of recommended per-capita transfers within each group. Here we find some patterns of regressivity in both groups. Thus, for the ML group, it is noticeable that the per-capita transfers for states such as Jharkhand, Assam, Chhattisgarh and Odisha are higher than that for Bihar, which has the lowest per-capita GSDP. In **Charts 9** and **10**, the states are arranged in the order of increasing per-capita GSDP on the X-axis. Even the per-capita transfer for Andhra Pradesh, Punjab, and Kerala are also higher than those for Bihar and Uttar Pradesh. Such a regressive pattern may also be noted at the higher end of ML states where states such as Kerala and Karnataka get higher per-capita transfers than those for Gujarat and Maharashtra which have relatively lower per-capita GSDP. Within the SH group also, such regressive patterns are noted. Thus, Arunachal Pradesh, Mizoram, Nagaland and Sikkim get much higher per-capita transfers as compared to Manipur, Meghalaya and Tripura. As these states are comparable, it is difficult to justify such regressive patterns in the scheme of transfers.

6. Issues relating to GST compensation

In the context of the GST compensation cess, the present arrangement is scheduled to cease by end June 2022. The FC 15, in its first report for FY21, has acknowledged, amongst the multiple challenges faced in the implementation of GST, that there is *"continuing dependence of most states (twenty-one out of twenty-nine in FY19) on compensation from the Union Government to make up for the shortfall from the assured 14% growth in GST revenues"*. Some of the states are bound to experience a sudden revenue shock after the discontinuation of the compensation arrangement. According to the second report of FC 15, the present compensation cess will have to be continued till FY26 in order to compensate the states for the accumulated arrears of the unpaid compensation amount. According to estimates provided by FC 15, the total requirement for compensation would be INR7.10 lakh crore at the end of June 2022. At that point of time, the estimated balance in the GST compensation cess fund would be INR2.25 lakh crore. The compensation cess would have to be extended up to FY26 in order to raise the balance amount of INR4.85 lakh crore. The Commission has made no recommendation with regard to the revenue shock likely to be suffered by the states after the discontinuation of the compensation arrangement. The extension up to FY26 would cover only the arrears up to June 2022. Any other arrangement will have to be decided by the GST Council.

Concluding observations

The final report of the FC 15 was tabled in the Parliament on 1 February 2021. The Center has accepted the substantive recommendations relating to tax devolution to states, revenue deficit grants, local body grants, and grants for natural calamities. It has however put on hold state-specific and sector-specific grants regarding which a decision may be taken later on.

The FC 15 has recommended the vertical share of the states in the divisible pool at 41%, which is broadly comparable to 42% as recommended by FC 14 since the number of states has now been reduced from 29 to 28 following the change in the status of Jammu and Kashmir. A noticeable trend relates to a significant increase in central cesses and surcharges which are not sharable with states. This has led to a significant reduction in the share of states in gross central taxes which has fallen to 28.9% in FC 15 (1) period from 34.9% during the FC 14 period. With respect to the horizontal devolution, FC 15 did not bring about any change in the criteria or their weights between its two reports.

The FC 15 has emphasized the relative importance of grants considering the high degree of uncertainty affecting the central tax base in FY21. This may be considered desirable since transfers in the form of grants are ensured independent of the performance of the central taxes. Although grants in general have certain desirable features, revenue deficit grants implicitly incentivize revenue gaps produced due to low tax efforts and inefficient service deliveries. The FC 15 (2) has not only continued the practice of providing revenue deficit grants but has also increased the coverage to 17 states as compared to 10 and 7 states under FC 14 and FC 13 respectively. Ideally, the approach to determining revenue gap grants under Article 275 (1) should be guided by the equalization principle which takes into account the cost and need disabilities.

An analysis of the recommended per-capita total transfers to states by FC 15 (2) indicates patterns of regressivity within two groups of states namely, ML and SH. Per-capita transfers for ML states such as Jharkhand, Assam, Chhattisgarh and Odisha are higher than that for Bihar, which has the lowest per-capita GSDP. Similarly, SH states such as Arunachal Pradesh, Mizoram, Nagaland and Sikkim get much higher per-capita transfers as compared to Manipur, Meghalaya and Tripura. This may largely be the result of following the old approach where historical gaps are projected forward with some application of limited norms. A much better approach would have been to follow the equalization principle which guides horizontal transfers in some of the well-established federal countries such as Australia and Canada.

In the context of the GST compensation cess, the present arrangement is scheduled to cease by end June 2022. The FC 15 (2) has estimated that the arrears of the due compensation to the states may need to be paid until FY26, for which the compensation cess may have to be extended by the GST Council. The FC 15 (2) has not made any recommendation regarding the revenue shock likely to be suffered by some of the states after the compensation arrangement comes to an end.

6. Money and finance: bank credit grew at a slower pace of 5.9% in January 2021

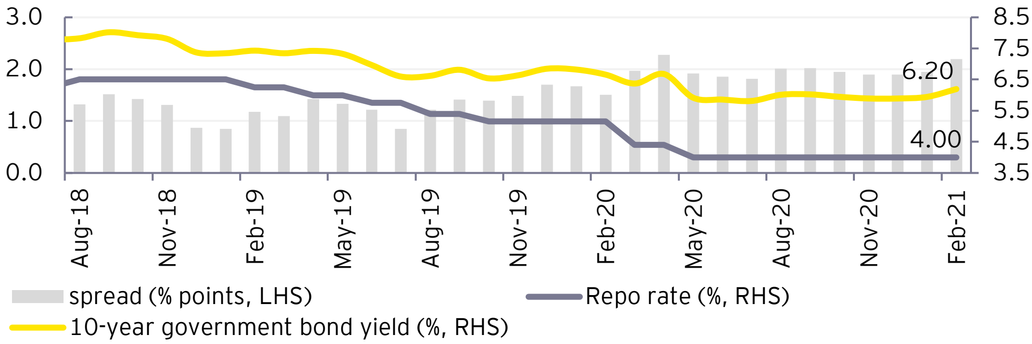
Home

A. Monetary sector

Monetary policy

- The monetary policy committee (MPC) unanimously voted to retain the repo rate at 4.0% in its monetary policy review held on 5 February 2021 while continuing with an accommodative policy stance **(Chart 11).** While CPI inflation has remained below the RBI's upper tolerance level of 6% since December 2020, core CPI inflation continued to remain elevated.
- While assessing the outlook on inflation, the RBI was of the view that the cost push pressures on CPI inflation could be eased if both central and state governments lowered their respective taxes on petroleum products given that global crude prices have been increasing. Further, appropriate supply side measures may help in containing inflationary pressures.

Chart 11: Movements in the repo rate and 10-year government bond yield



Growth in bank credit moderated to 5.9% in January 2021 from 6.1% in December 2020.

Source: Database on Indian Economy, RBI

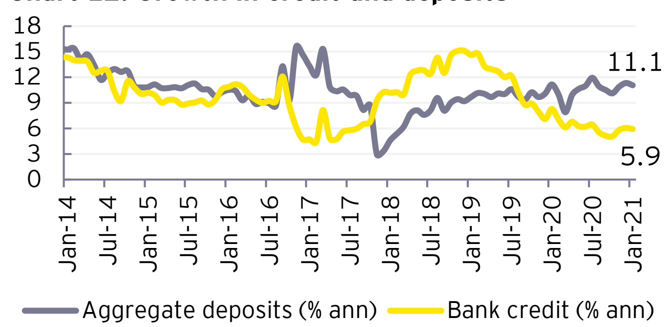
Money stock

- Growth in broad money stock (M3) increased to a seven-month high of 12.8% in February 2021. This was due to a higher growth in time deposits at 10.9% in February 2021 as compared to 9.7% in January 2021.
- Growth in narrow money (M1) fell to 19.0% in February 2021 from 19.9% in January 2021 as growth in both currency in circulation and demand deposits moderated during the month. Growth in demand deposits fell to 15.6% in February 2021 from 16.7% in January 2021 while that of currency in circulation fell to 20.8% in February 2021 from 21.4% in January 2021.

Aggregate credit and deposits

- Growth in bank credit moderated to 5.9% in January 2021 from 6.1% in December 2020 pointing to weakness in demand conditions (**Chart 12**).
- Non-food credit grew at a slower pace of 5.7% in January 2021 as compared to 5.9% in December 2020.
- Sectoral deployment of bank credit[10] indicates that the outstanding credit to industry contracted for the fourth consecutive month by (-)1.3% in January 2021 as compared to (-)1.2% in December 2020. Within the industrial sector, credit to infrastructure contracted by (-)3.9% in January 2021, its sharpest pace of contraction since May 2017.

Chart 12: Growth in credit and deposits



Source: Database on Indian Economy, RBI

[10] 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 seventh successive month by (-)4.7% in January 2021 as compared to (-)4.9% in December 2020. Credit to cement sector contracted for the sixth consecutive month by (-)0.3% as compared to a contraction of (-)2.6% over the same period.
- Credit to services sector grew at a slower pace of 8.4% in January 2021 as compared to 8.8% in December 2020 while credit growth to agricultural sector was at a 46-month high of 9.9% in January 2021.
- Growth in personal loans, a key driver of retail loans, moderated to 9.1% in January 2021 from 9.5% in December 2020.
- Growth in aggregate bank deposits fell marginally to 11.1% in January 2021 from 11.3% in December 2020 led by a fall in the growth of time deposits to 10.2% in January 2021 from 10.8% in December 2020. Growth in demand deposits increased to 18.2% in January 2021 from 15.6% in December 2020.

B. Financial sector

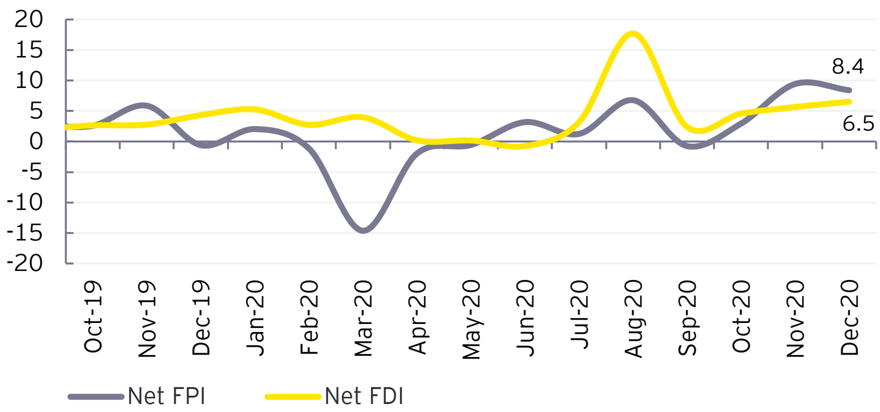
Interest rates

- As per the data released by the RBI on 12 March 2021, interest rates offered by commercial banks on term deposits with a maturity of more than one year averaged 5.20% for the fourth consecutive month in February 2021 (ranging from 4.90% to 5.50%).
- The average MCLR remained at 6.80% in February 2021, ranging between 6.55% and 7.05%, for the second consecutive month.
- The average yield on 10-year government bond breached the 6% mark for the first time since September 2020 and increased to 6.20% in February 2021 from 5.94% in January 2021 **(Chart 11)**. The spread between benchmark bond yield and repo rate widened to a 10-month high of 220 basis points in February 2021. Benchmark bond yields were influenced by the announcement of a large slippage in fiscal deficit in FY21.
- WALR on fresh rupee loans by SCBs was at 8.14% in January 2021, close to the level of 8.12% in December 2020.

FDI and FPI

- As per the provisional data released by the RBI on 26 February 2021, the overall foreign investment inflows (FIIs = net FDIs plus net FPIs) fell to US$14.9 billion in December 2020 from US$15.1 billion (revised) in November 2020.

Chart 13: Net FDI and FPI inflows (US$ billion)



Net FDI inflows increased to a four-month high of US$6.5 billion in December 2020. Net FPI inflows also continued to be high at US$8.4 billion.

Source: Database on Indian Economy, RBI

- Net FDI inflows were higher at US$6.5 billion in December 2020 as compared to US$5.7 billion in November 2020 (**Chart 13**). Gross FDI inflows fell marginally to US$9.2 billion in December 2020 from US$10.1 billion in November 2020.
- Net foreign portfolio investment (FPI) inflows continued to be high at US$8.4 billion in December 2020 but were lower than US$9.4 billion in November 2020.

7. Trade and CAB: merchandise export growth fell to 0.7% in February 2021

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

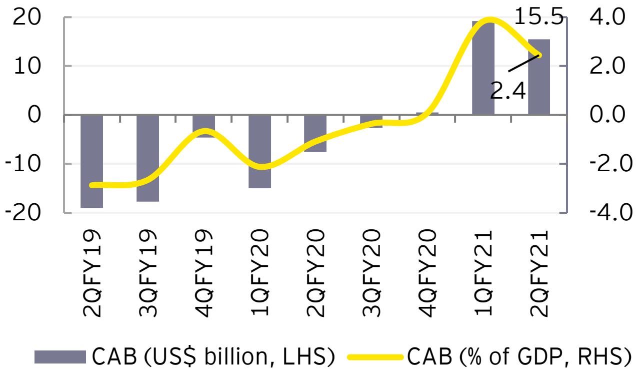
- Current account recorded a surplus for the second consecutive quarter at 2.4% of GDP in 2QFY21 as compared to 3.8% in 1QFY21 **(Chart 14).** Net merchandise trade deficit was at 2.3% of GDP in 2QFY21, marginally higher than 2.1% in 1QFY21 (**Table 8**). Merchandise exports relative to GDP improved 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 8: 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 14: CAB



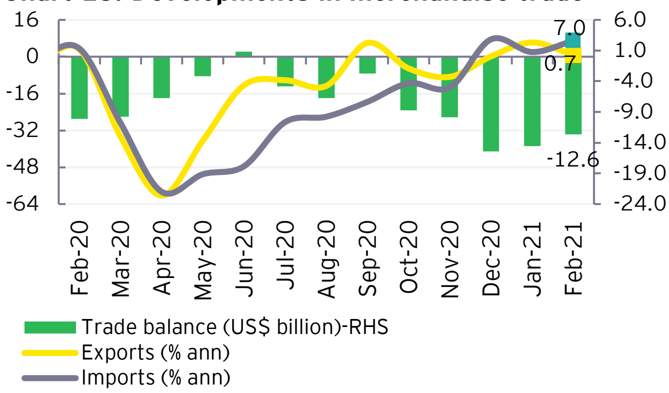
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Growth in merchandise exports fell to 0.7% whereas imports growth rose to 7.0% in February 2021 (Chart 15).

- Led by a contraction of (-)2.4% in exports of engineering goods, growth in merchandise exports fell to 0.7% in February 2021 from 6.2% in January 2021.
- The pace of contraction in oil exports slowed to a five-month low of (-)20.9% in February 2021.
- Non-oil non-jewelry exports grew by 5.8% in February 2021 as compared to 13.4% in January 2021.
- Growth in merchandise imports increased to 7.0% in February 2021 from 2.0% in January 2021 led by slower pace of contraction in oil imports and high growth in electronic goods and gold imports.
- Growth in electronic goods imports was at a 41-month high of 37.7% in February 2021 partly due to base effect.

Chart 15: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Imports excluding oil, gold and jewelry grew by 6.9% in February 2021 as compared to 5.0% in January 2021.
- Out of the 30 sectors for which exports and imports data is provided, 13 and 17 sectors respectively experienced a contraction in February 2021 as compared to 8 and 12 sectors respectively in January 2021.
- Merchandise trade deficit fell to a three-month low of US$12.6 billion in February 2021.
- The rupee marginally appreciated for the third successive month to INR72.8 per US$ (average) in February 2021 from INR73.1 per US$ in January 2021 partly due to strong post-budget capital inflows.

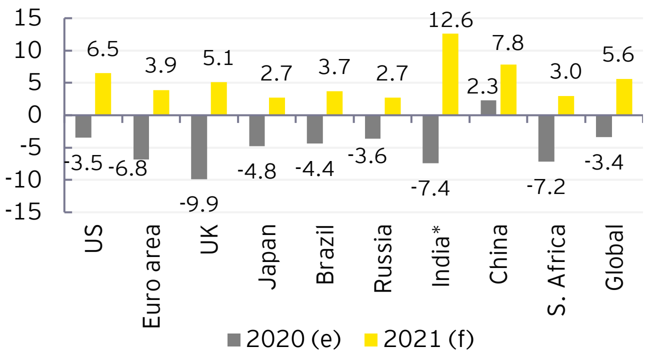
8. Global growth: projected to recover to 5.6% in 2021 after a contraction of (-)3.4% in 2020

A. Global growth outlook

The OECD estimated a global contraction of (-)3.4% in 2020, followed by a recovery to 5.6% in 2021.

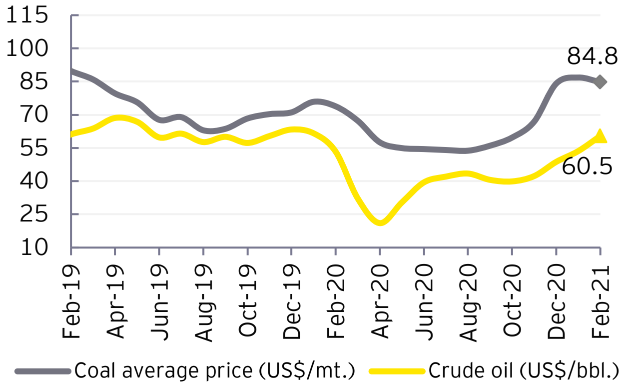
- The OECD (Interim Economic Outlook, March 2021) has estimated a global contraction of (-)3.4% in 2020, lower than (-)4.2% estimated in December 2020, owing to a faster than expected recovery in the latter part of the year **(Chart 16).**
- Global growth is projected at 5.6% in 2021, 1.4% points higher than OECD's December 2020 forecast reflecting stronger economic activity in the latter half of 2020, increasing efficacy of COVID-19 vaccines, and the announcement of a large stimulus in the US. Global GDP is expected to be above the pre-pandemic level by mid-2021, although this is not the case for all countries.
- Helped by a significant fiscal stimulus and faster vaccination, the US is forecasted to emerge from a contraction of (-)3.5% in 2020 to a growth of 6.5% in 2021. After a fiscal stimulus of nearly US$900 billion (4% of GDP) introduced in December 2020, another round of stimulus worth US$1.9 trillion (8.5% of GDP) is expected in the near term. This may result in a strong recovery in the US with positive demand spillovers in key trading partners including Canada, Mexico, China and the Euro area.
- GDP contraction estimated for the UK and the Euro area in 2020 is significantly higher and recovery in 2021 is also projected to be modest reflecting extended disruptions from renewed virus outbreaks.
- China is the only major economy in the world to register a positive growth of 2.3% in 2020 reflecting an effective containment of the spread of COVID in the first half of 2020. Growth is projected to increase to 7.8% in 2021, although this is a downward revision of 0.2% points as compared to the forecasts in December 2020 Global Economic Outlook.
- India's GDP is estimated to contract by (-)7.4% in 2020 (FY21). This is an improvement upon the estimate by the IMF and the NSO at (-)8.0%. While the OECD projects a recovery at 12.6% in 2021 (FY22), the IMF's estimate was relatively lower at 11.5%. India's Economic Survey for FY21 projected the real GDP growth at 11.0% in FY22 and the RBI in its February 2021 monetary policy report forecasted it at 10.5%.

Chart 16: Global growth projections (%)



Source: OECD Interim Economic Outlook (March 2021)
(e): estimated, (f): forecasted; *data for India pertains to fiscal year

Chart 17: Global crude and coal prices



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

B. Global energy prices: global crude price increased to a 13-month high of US$60.5/bbl. in February 2021

- Average global crude price[11] increased to a 13-month high of US$60.5/bbl. in February 2021 from US$53.6/bbl. in January 2021 indicating a continuing demand recovery and the extension of output curbs by OPEC+ countries by one more month into April 2021, with small exemptions to Russia and Kazakhstan **(Chart 17)**.
- After increasing for five successive months, reaching a 23-month high of US$86.8/mt. in January 2021, average global coal price[12] fell to US$84.8/mt. in February 2021.

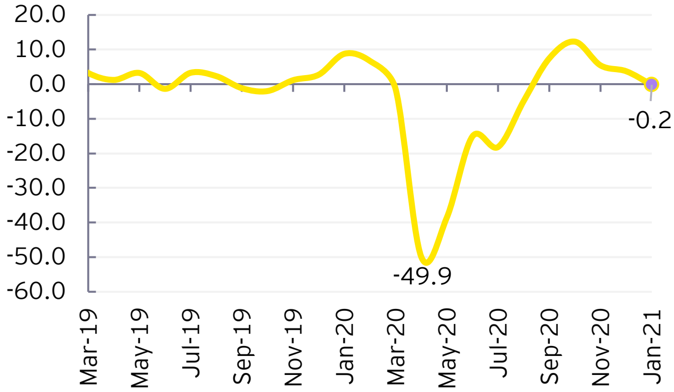
[11] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[12] Simple average of Australian and South African coal prices

9. Index of aggregate demand (IAD): contracted by (-)0.2% in January 2021

IAD contracted by (-)0.2% in January 2021 as compared to a growth of 3.7% in December 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 contracted by (-)0.2% In January 2021 as compared to a growth of 3.7% in December 2020 largely due to unfavorable base effect **(Chart 18)** and sustained weakness in services demand.
- However, both agriculture and industries witnessed sustained improvement in demand conditions during January 2021.

Chart 18: Growth in IAD (y-o-y)



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

Table 9: IAD

Month	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21
IAD	77.5	107.9	106.2	118.5	133.4	141.7	136.8	136.3	137.8
Growth (% y-o-y)	-38.5	-15.1	-18.2	-4.9	7.5	12.3	5.4	3.7	-0.2
Growth in agr. credit	3.5	2.4	5.4	4.9	5.9	7.4	8.5	9.4	9.9
Mfg. PMI**	-16.5	-3.2	-4.9	2.1	8.0	9.4	6.5	6.9	7.8
Ser. PMI**	-38.4	-16.4	-17.7	-9.7	0.5	7.2	3.6	2.2	2.3

**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	1.3	-4.1	1.5	6.7	-0.5	3QFY21	57.2	53.4
Oct-20	4.5	-1.0	4.5	11.2	-0.5	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	1.6	-4.2	2.1	5.1	0.2	Jan-21	57.7	52.8
Jan-21	-1.6	-3.7	-2.0	5.5	0.1	Feb-21	57.5	55.3

Source: MoSPI, 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	1.9	4.0	3.3	-8.1	3.0
Nov-20	6.9	9.5	1.6	5.7	2.3	4.8	3.2	-7.0	2.8
Dec-20	4.6	3.4	2.9	5.7	2.0	1.1	4.5	-6.1	4.4
Jan-21	4.1	2.0	3.9	5.7	2.0	-0.3	5.1	-4.8	5.2
Feb-21	5.0	3.9	3.5	6.1	4.2	3.3	5.8	0.6	5.6

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	
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#
Jan-21	-1.0	-14.9	-5.5	-10.5	7.5	66.8#	62.7#

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)					
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
Jan-21	44,666	324	6,769	8,332	60,091

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	16.7	20.8	3QFY21	19.6	12.4	5.91	580.8
Nov-20	4.00	Oct-20	5.1	10.1	4.6	2.9	Nov-20	19.0	12.5	5.89	574.8
Dec-20	4.00	Nov-20	5.8	10.9	5.7	9.4	Dec-20	19.6	12.4	5.89	580.8
Jan-21	4.00	Dec-20	6.1	11.3	6.5	8.4	Jan-21	19.9	12.1	5.94	590.2
Feb-21	4.00	Jan-21	5.9	11.1	--	--	Feb-21	19.0	12.8	6.20	584.6

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	-5.1	-8.2	-157.1	70.9	58.5	70.4	2014	3.5	2.1	4.7
4QFY20	-12.8	-9.5	-35.2	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
Nov-20	-8.7	-13.3	-9.9	74.2	42.3	66.9	2019	2.8	1.6	3.6
Dec-20	0.1	7.6	-15.4	73.6	48.7	84.1	2020 (e)	-3.5	-4.9	-2.4
Jan-21	6.2	2.0	-14.5	73.1	53.6	86.8	2021*	5.5	4.3	6.3
Feb-21	0.7	7.0	-12.6	72.8	60.5	84.8	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) #	-6.5	3.0	-9.2	-8.4	1.8	-10.3	-18.0	-1.4	-4.1	3.0
3QFY19	5.3	2.6	-7.3	5.6	8.7	7.0	9.7	4.5	4.7	4.5
4QFY19	4.7	0.2	-10.5	2.5	4.6	6.9	8.9	6.6	6.9	4.2
1QFY20	5.0	3.3	-1.3	0.6	6.9	3.7	6.2	8.8	5.6	4.6
2QFY20	4.6	3.5	-5.2	-3.0	1.7	1.0	6.8	8.9	8.8	2.0
3QFY20	3.4	3.4	-3.6	-2.9	-3.1	-1.3	7.0	5.5	8.9	3.4
4QFY20	3.7	6.8	-0.9	-4.2	2.6	0.7	5.7	4.9	9.6	3.2
1QFY21	-22.4	3.3	-18.0	-35.9	-9.9	-49.4	-47.6	-5.4	-9.7	2.9
2QFY21	-7.3	3.0	-7.6	-1.5	2.3	-7.2	-15.3	-9.5	-9.3	2.4
3QFY21	1.0	3.9	-5.9	1.6	7.3	6.2	-7.7	6.6	-1.5	3.3

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 second advance estimates released by MoSPI on 26 February 2021 over the second revised estimates for FY20 released on 26 February 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) #	-8.0	-9.0	2.9	-12.4	-8.1	-17.6	4.6
3QFY19	5.4	6.8	3.2	12.1	15.7	12.0	6.8
4QFY19	6.6	5.9	8.2	5.0	11.7	0.6	-1.9
1QFY20	5.4	7.6	1.8	13.3	3.0	9.4	4.0
2QFY20	4.6	6.5	9.6	3.9	-1.3	-1.7	1.6
3QFY20	3.3	6.4	8.9	2.4	-5.4	-7.5	3.1
4QFY20	3.0	2.0	12.1	2.5	-8.8	-2.7	5.6
1QFY21	-24.4	-26.3	12.8	-46.4	-22.0	-41.1	2.9
2QFY21	-7.3	-11.3	-24.0	-6.8	-2.1	-18.2	3.4
3QFY21	0.4	-2.4	-1.1	2.6	-4.6	-4.6	4.8

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 second advance estimates released by MoSPI on 26 February 2021 over the second revised estimates for FY20 released on 26 February 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	GoI	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

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