April 2017

Economy Watch

Monitoring India’s macro-fiscal performance

EY

Building a better working world

Contents

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Highlights

1. The US Fed, in its April 2017 Review, has kept the Federal Funds Rate unchanged.
2. The FRBM Review Committee has recommended ceilings of 60% of GDP for general government and 40% of GDP for the Center.
3. Annual CPI inflation decreased to 3.0% in April 2017 due to a sharp fall in food price inflation.
4. The base year of WPI and IIP series have been revised to 2011-12 from 2004-05, reflecting changes in commodity composition and the weighting structure.
5. Taking into account the available information up till February 2017, the target for tax revenues appears achievable. Non-tax revenues may, however, miss the FY17 target.
6. The Government may meet the 3.5% fiscal deficit target as per the revised estimates. However, the revenue deficit target is likely to be missed.
7. The Center's capital expenditure contracted by (-) 1.5% during April-February FY17.
8. Merchandise exports grew at 27.6% in March 2017, the highest rate in the last five years, as compared to 17.5% in the previous month.
9. Fortnightly data indicates that bank credit growth had decreased to 4.3% by end-April 2017 as compared to 5.7% in the previous fortnight due to a significant fall in the growth of non-food credit.
10. FDI and FPI net inflows have moved in opposite directions. There was a sudden surge in FPI inflows in March 2017, but FDI inflows are at their lowest since February 2014.

Foreword: Recommendations of the FRBM review committee: A 21st Century Fiscal Framework

The FRBM Review Committee's four-volume report, which it had submitted just a week before the presentation of the FY18 Budget, has now been shared with the public. Entitled "Responsible Growth: A Debt and Fiscal Framework for 21st Century India," the report contains a number of recommendations by the Review Committee. It suggests that the current FRBMA (2003) should be replaced by a new Debt Management and Fiscal Responsibility Act, 2017. Under this new Act, the guidance provided by the fiscal deficit ceiling of 3% of GDP under the FRBM Rules (2004) should be given up. Instead, ceilings of debt-GDP ratio are prescribed at 60% for the general government, that is, the combined debt of the Center and the states and 40% for the Central Government. By implication, the states' debt-GDP anchor is 20%.The Review Committee specifies a path of adjustment of fiscal deficit and revenue deficit for a period of 6 years up to FY23. This path implies that the fiscal deficit of the Center be contained at 2.5% of GDP and that the revenue deficit be gradually reduced to 0.8% of GDP by FY23. Further, the Review Committee suggests a new set of "escape clauses" aimed at providing a countercyclical role to fiscal policy. In order to provide an institutional support to fiscal policy, the constitution of a "Fiscal Council" has also been suggested. The report of the Review Committee has led to an extensive ongoing debate on its merits and demerits. This month's In-Focus write-up summarizes this debate.

Among other important policy initiatives, the Central Government has at last started to work on an action plan to resolve the long-standing problem of banks' non-performing assets (NPAs). This plan involves public sector firms taking over some of the NPAs and allowing banks to take some necessary "haircuts," that is, bearing part of the losses. The actual details are to be worked out by specific "overseeing committees."

News emanating from the Ministry of Finance also augurs well for India's road infrastructure. The ambitious National Highways Development Programme (NHDP), which includes such prestigious projects as the Golden Quadrilateral and the East-West Corridor, would be brought to a close in six months' time. At its closure, the NHDP would have added 50,000 kilometers to India's road network. The new program, named Bharatmala aims to add about 20,000 kilometers of roads. Bharatmala aims to lay a road network in all the border areas and provide road connectivity among all district headquarters and to far-flung rural and remote areas, including tribal and backward areas. The required investments are to be largely financed through Masala Bonds subscribed to by foreign investors. The Government is also considering "buy and operate" models for private investors for government-owned assets.

Another initiative being considered is the advancement of the presentation of the Budget. The FY18 Budget was presented on 1 February 2017, enabling the release of funds for the Government's capital spending early in April 2017. A January 2018 Budget presentation is being considered for FY19. Eventually, this should lead to a synchronization of the fiscal year to the calendar year. State governments are also inclined to move in this direction. The Madhya Pradesh government has already announced its decision to move to a January-December financial year.

After 6 months of demonetization, currency in circulation is nearly 80% of its November 8 level. The pace of re-monetization has slowed down as demand for currency may have become less than its pre-demonetization level due to increase in digital transactions. If so, one long-term impact of demonetization for India would be stabilization at a lower currency to GDP ratio. Pre-demonetization, it was close to 12%. At present, it is 9.4%.

According to available information, 10 states have by now passed the GST bill.

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1 New WPI and IIP Series: significant implications for inflation and growth

Highlights of New WPI and IIP Series

The CSO and the Office of the Economic Adviser, Government of India introduced new WPI and IIP series on 12 May, 2017, bringing forward the base year to 2011-12 from 2004-05 in both cases. The consequent revisions to the two series resulting from changes in the weighting structure and coverage and composition of commodities/industries have significant implications for both real GDP growth and inflation.

WPI Series: 2011-12 base year

- In all, 199 new items have been added and 146 old items have been dropped taking the number of items to 697 from 676. Total number of commodities affected are 345.
- The number of quotations on which WPI is based has been increased from 5482 to 8331 that is an increase of 52%.
- The weights of major commodity groups have also changed (Table 1). Notably the weight of primary articles has increased by 2.6 percentage points while that for fuel and power has fallen by 1.76 percentage points.

Table 1: Comparison of Weights under two base years

Items	2004-05	2011-12
All commodities	100.00	100.00
Primary articles	20.12	22.62
Fuel and Power	14.91	13.15
Manufactured products	64.97	64.23

- A new WPI index called 'Food Index' has been introduced by combining the Index of food articles pertaining to the group of primary articles and index of food products pertaining to the group of manufactured articles.
- As a result of these revisions, inflation as measured by the All Commodities WPI Index is lower for all the years during FY13 to FY17. In FY17, it is 1.7% as compared to 3.7% under the 2004-05 base WPI series. Apart from the effects of change in weights and coverage of commodities, this may be largely due to exclusion of indirect taxes from the wholesale prices. Notably, the WPI fuel price index has been revised significantly downwards because of this exclusion.

IIP Series: 2011-12 base year

- With respect to the manufacturing sector, 149 new items have been added and 124 items have been deleted.
- The weight of electricity has increased from 7.994 to 10.316. This sector now extensively covers generation of electricity from renewable sources.
- In the Use-based classification there are significant changes in the weighting structure of the broad groups (Table 2).

Table 2: Comparison of Weights under two base years

Items	2004-05	2011-12
Overall	100.00	100.00
Mining	14.37	14.16
Manufacturing	77.63	75.53
Electricity	7.99	10.32

- The new capital goods index captures output in terms of 'work in progress' unlike the 2004-05 series which was reporting production figures in bulk only after the completion of production which made its growth highly volatile. The revised series should reflect growth of capital goods in a more stable manner.
- In the use-based classification a new category called infrastructure/construction goods with a weight of 12.34 has been added.
- In general, for all sectors, annual growth rates of IIP are higher in the new series as compared to the old.
- The revised IIP series indicates a clear dip in industrial growth during the four-month post-demonetization period from December 2016 to March 2017, compared to y-o-y growth for corresponding periods in previous years from 2011-12 to 2015-16.

Likely effect on growth and inflation:

Changes in the WPI series are likely to lower inflation rates based on the implicit price deflator of GVA. The nominal level of GVA is expected to be affected only marginally. This is so as the industrial sector GVA is largely based on corporate data and IIP has an influence mainly on the output of the unorganized sector. However, downward revision of the implicit deflator may lead to upward revisions in the real GVA growth numbers.

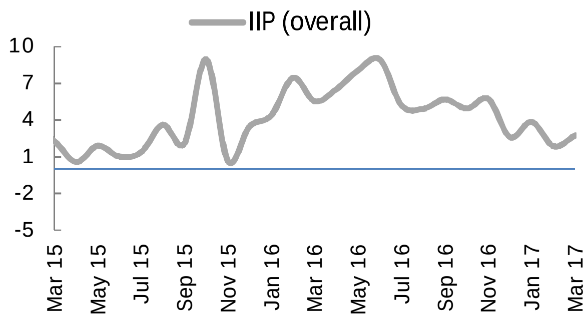
2 Growth: PMI indicates slower recovery

A. Industrial growth: IIP growth improved in March 2017

Based on the new 2011-12 base IIP series, for the fiscal year as a whole, overall IIP grew at its fastest pace of 5.0% in FY17 as compared to 3.4% in FY16.

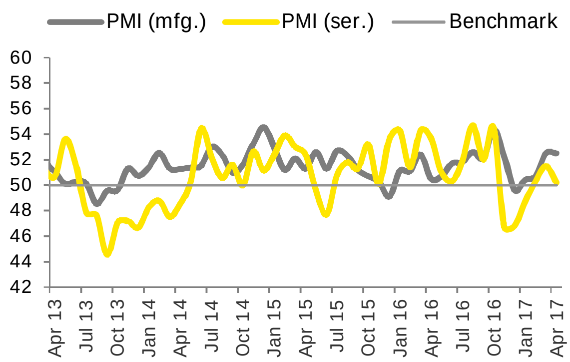
- IIP growth (with 2011-12 as base) improved marginally to 2.7% in March 2017 from 1.9% in February. As per the new IIP series, for the fiscal year as a whole, overall IIP grew at its fastest pace of 5.0% in FY17 as compared to 3.4% in FY16.
- The manufacturing sector, which accounts for over 77% of the overall IIP, grew at a relatively fast pace of 4.9% in FY17 as compared to 3.0% in FY16.
- As per use-based industrial classification, output of capital goods industry contracted at a slower pace of (-) 1.0% in March 2017 as compared to (-) 3.1% in February 2017 whereas output of consumer durables contracted by (-) 0.8%. Output growth of infrastructure/construction goods marginally improved to 0.8% in March 2017.

Chart 1: IIP growth (% y-o-y)



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

Chart 2: NIKKEI PMI



Source: NIKKEI PMI, Markit Economics

B. PMI: signals a slowing down of growth in services in April 2017

PMI has remained at its March level for manufacturing but has fallen for services, indicating a slowing down of services in April 2017.

- Headline manufacturing PMI (sa) remained above the threshold of 50 for the fourth consecutive month in April 2017, matching the March reading of 52.5 (Chart 2). Slower growth in output, stocks of purchases and employment was offset by stronger growth of new orders and lengthening of delivery times.
- Headline services PMI (sa) declined to 50.2 in April 2017 from 51.5 in March. Although expansion has been registered for three consecutive months, the April 2017 reading was the lowest in this period.
- Composite PMI Output Index (sa) declined to 51.3 in April from 52.3 in March 2017, reflecting the slower growth in services.

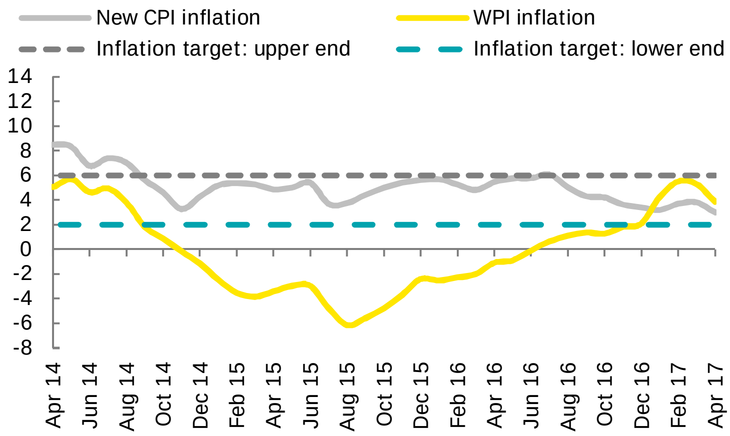
3 Inflation: falling food price inflation pushes CPI inflation downward

Annual CPI inflation decreased to 3.0% in April 2017 due to a sharp fall in food price inflation.

- After rising marginally to 3.8% in March 2017, CPI-based inflation (Chart 3) declined to 3.0% in April 2017.
- Core CPI inflation (excluding food and fuel) declined to an 18-month low of 1.2% in April from 4.9% in March 2017.
- CPI-based consumer food price inflation declined to a historic low of 0.6% in April from 1.9% in March 2017.
- Fuel and lighting inflation increased to a 39-month high of 6.1% in April as compared to 5.6% in the previous month.
- Inflation in transport and communication declined to 4.0% as compared to 6.0% in March 2017.

The revised WPI series with 2011-12 as the base year was released on 12 May 2017. Major changes include exclusion of indirect taxes in the new series. A new WPI "food index" has also been added.

Chart 3: inflation (y-o-y; %)



Source: Ministry Of Statistics and Programme Implementation (MOSPI)

According to the new series, WPI inflation declined to a 4-month low of 3.9% in April from 5.3% in March due to a decline in inflation across all major categories especially food items.

- WPI inflation for primary articles declined to a four month low of 1.8% in April from 4.0% in March 2017. Inflation in food articles fell to 1.2% in April from 3.8% in March 2017. Inflation in non-food articles was (-) 0.2% as compared to 3.6% in the previous month.
- Fuel and power inflation declined to 18.5% in April as compared to 23.7% in March 2017, reflecting a decline in inflation in mineral oils including petrol and high-speed diesel to 30.5% in April from 44.2% in the previous month.
- WPI core inflation declined for the third successive month to 2.6% in April as compared to 2.9% in the previous month.
- Inflation based on the newly constructed WPI food price index, consisting of primary food articles and manufactured food products, declined sharply to a 17-month low of 2.9% in April from 5.5% in March 2017.

4 Fiscal performance: CGA indicates that the Government would meet fiscal deficit target for FY17

A. Tax and non-tax revenues

Taking into account the available information up till February 2017, the target for tax revenues as per the revised estimates for FY17 appears achievable. However, non-tax revenues may fall short of the annual target.

- Growth in cumulated gross tax revenues was at 17.6% during April–February FY17. For realizing the revised estimate for FY17, a growth of 14.9% is required in March 2017 over March 2016, which seems manageable. However, this is much higher than the corresponding value of 4.5% in the previous fiscal.
- Income tax revenues grew by 20.9% during April–February, while growth in corporation tax revenues remained sluggish at 3.5% during April–February FY17. For realizing the revised estimate of revenues from income tax and corporation tax for FY17, growth of 29.2% and 24%, respectively, is required in March 2017 over March 2016.
- Union excise duties witnessed a strong growth of 40.3% during April–February FY17, and a growth of 14.5% is required in March 2017 over March 2016 to achieve the FY17 revised estimate. Growth in service tax revenues was 21.3% during April–February FY17.
- Growth in customs duties remained sluggish at 5.2% during April–February FY17. However, the FY17 revised estimate for customs duties revenue at INR 2,17,000 crore is likely to be met.
- As per the latest available information[1], tax collections have been more than the FY17 revised estimates. Direct taxes were at 100% of the annual revised estimate for FY17, while indirect taxes were at 101.3%. Overall tax collections stood at 107.6% of the annual revised estimate for FY17.

Table 3: trends in tax and non-tax revenues

in %

Item	April-February FY17 over April-February FY16	Growth required in March FY17 over March FY16 to meet the FY17 RE	Actual growth in March FY16 over March FY15
Revenue receipts	15.5	32.8	-13.1
Gross taxes	17.6	14.9	4.5
Direct tax	10.5	25.1	-3.5
Corporation tax	3.5	24.0	-4.9
Personal income tax	20.9	29.2	-0.8
Indirect tax	23.4	1.9	20.9
Customs duties	5.2	-20.4	-19.6
Union excise duties	40.3	14.5	32.3
Service tax	21.3	-0.4	23.9
Non-tax revenue	-1.1	214.7	21.0

Source (Basic Data): Monthly Accounts, Controller General of Accounts, Government of India, Union Budget for FY18

- Non-tax revenues contracted by (-) 1.1% during April–February FY17. For realizing the revised estimate of non-tax revenues for FY17, a growth of 214.7% is required in March 2017 over the corresponding period of FY16. The corresponding growth value was only 21% in the previous year.
- Disinvestment receipts stood at INR46,246.5 crore for FY17. Thus, the revised estimate of INR45, 500 crore for FY17 as given in the Union Budget FY18 has been met.

[1] http://pib.nic.in/newsite/erelease.aspx

B. Expenditures: revenue and capital

- Total expenditure grew by 12.7% during April–February FY17, and a growth of 11.3% is required in March 2017 over March 2016 to achieve the FY17 revised estimate.
- Growth in revenue expenditure was 15% during April–February FY17, reflecting the impact of salary and pension revisions based on the recommendations of the 7th Pay Commission.
- The Center's capital expenditure contracted by (-) 1.5% during April–February. For realizing the revised estimate for FY17, capital expenditure must increase by 85.8% during the last month of FY17 over the corresponding period of FY16 as compared to the corresponding value of (-) 4.4% in the previous fiscal (Table 4).

The Center's capital expenditure contracted by (-) 1.5% during April–February FY17. To meet the FY17 revised estimate for capital expenditure a growth of 86% is required in the last month of FY17 over the corresponding period of FY16.

Table 4: trends in expenditures (in %)

Item	April–February FY17 over April–February FY16	Growth required in March FY17 over March FY16 to meet the FY17 RE	Realized growth in March FY16 over March FY15
Revenue expenditure	15.0	-1.8	19.3
Capital expenditure	-1.5	85.8	-4.4
Total expenditure	12.7	11.3	15.1

Source (Basic Data): Monthly Accounts, Controller General of Accounts, Government of India, Union Budget for FY18

C. Fiscal imbalance

- The Center's fiscal deficit stood at 113.4% of the annual revised target during April–February FY17 (Table 5). Despite subdued revenues from non-tax sources, it is expected that the Center would be able to meet its fiscal deficit target of 3.5% of GDP for FY17 on account of buoyant tax revenues. This has also been pointed out by the Controller General of Accounts recently.
- The Center's revenue deficit increased to 142.8% of the annual revised target during April–February FY17. The revenue deficit target of 2.1% of GDP is likely to be missed.

As per the revised estimates for FY17 given in Budget FY18, the fiscal deficit target of 3.5% of GDP is expected to be met. However, the revenue deficit target of 2.1% of GDP for FY17 is likely to be missed.

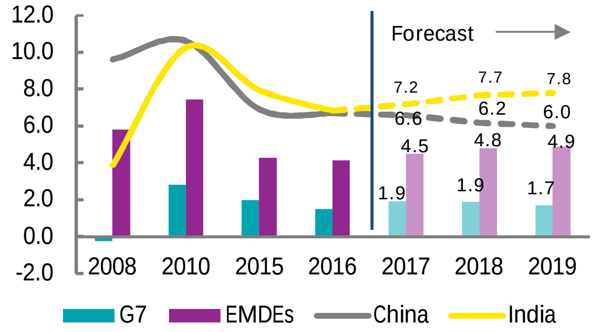
Table 5: trends in fiscal and revenue deficit (INR Crores)

	Fiscal deficit	Revenue deficit
FY16 actual	532,791	342,736
April–February FY16	572,872	390,810
Cumulated deficit up to February 2016 as a % of actuals for FY16	*107.5*	*114.0*
March FY16	-40,081	-48,074
FY17 RE	534,274	310,998
April–February FY17	605,614	444,041
Cumulated deficit up to February 2017 as a % of annual RE for FY17	*113.4*	*142.8*
March FY17	-71,340	-133,043

Source (Basic Data): Monthly Accounts, Controller General of Accounts, Government of India, Union Budget for FY18

5 India: Comparative Economic Prospects up to FY20

Chart 4: Real GDP growth (% annual)



In terms of real growth rate, India overtook China in FY16. By FY20, India's growth rate at 7.8% is projected to exceed that of China by nearly 2% points. It will exceed that of the EMDE group by almost 3% points.

Compared to G7 and China, India has a significantly higher CPI inflation rate. It is also higher than the average EMDE rate. During FY19 and FY20, India's inflation rate is projected to be close to 5%.

Chart 5: CPI Inflation rate (% y-o-y)

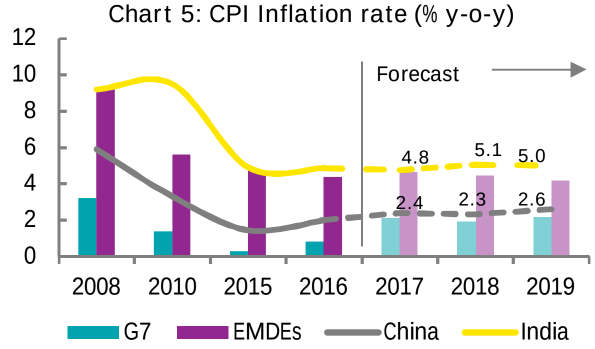
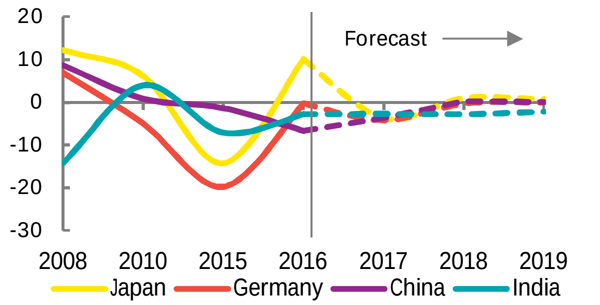


Chart 6: Exchange rate (-ve values represent depreciation and +ve value represent appreciation)



Relative to USD, Indian rupee is expected to depreciate by an average of 2.6% per year during FY18 to FY20.

Relative to GDP, government debt in India is higher than that in China as well as the EMDEs. Compared to groups/ countries, India is the only case where the debt-GDP ratio is expected to fall. By FY20, general government debt is expected to fall to 64.3% of GDP.

Chart 7: General government gross debt as % of GDP

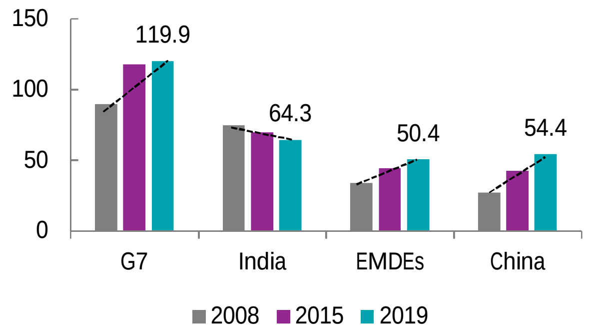
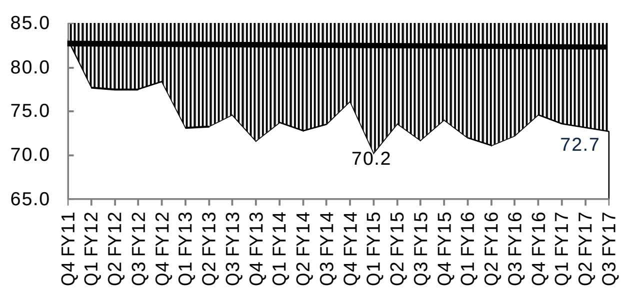


Chart 8: Capacity utilization: relative to previous peak



At its peak in recent years, India's capacity utilization rate was 83.2% in 4QFY11. The utilization rate fell to its lowest level of 70.2% in 1QFY15. Since then, it has improved only marginally. In 3QFY17, it was still languishing at 72.7%.

Note: For India, estimates/ forecasts pertain to fiscal years. Thus 2017 means FY18 and so on.
Source (Basic Data): IMF World Economic Outlook, April 2017 and RBI

6 In focus: FRBM Review Committee – proposing a new fiscal framework

Introduction

Following a commitment made in the Union Budget for FY17, an FRBM Review Committee was constituted on 17 May 2016. The Review Committee submitted its four-volume Report entitled "Responsible Growth: A Debt and Fiscal Framework for 21st Century India" on 23 January 2017, recommending the enactment of a new Debt Management and Fiscal Responsibility Bill (DMFRB) supplemented by Debt Management and Fiscal Responsibility Rules to replace the Central Government's FRBM Act, 2003, and FRBM Rules, 2004, including their subsequent amendments. The Committee has suggested a ceiling of general government debt at 60% of GDP. This is translated into ceilings of GDP for the Central and state governments at 40% and 20%, respectively. The Review Committee has also suggested a medium-term adjustment program to bring down fiscal and revenue deficits relative to GDP (Table 6) as also the constitution of a Fiscal Council.

Table 6: FRBM Review Committee Recommendations: Fiscal and Revenue Deficit Targets (% of GDP)

Fiscal year	FY18	FY19	FY20	FY21	FY22	FY23
Fiscal deficit	3.0	3.0	3.0	2.8	2.6	2.5
Revenue deficit	2.05	1.8	1.55	1.3	1.05	0.8

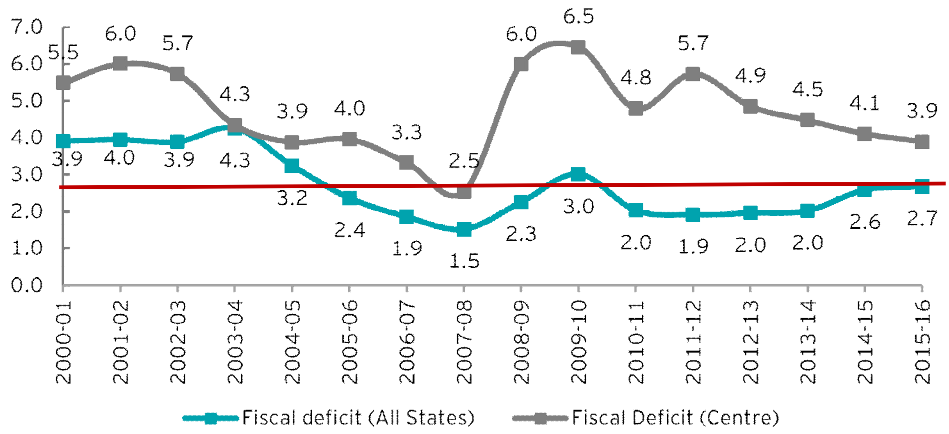
Source: Volume 1, FRBM Review Committee Report, 2017

The medium-term adjustment path is to be completed by FY23. The operational target of fiscal deficit is discontinued beyond that. Fiscal management beyond FY23 under the proposed DMFR Act is to be guided by only the debt-GDP ceilings. This implies that the fiscal deficit-GDP ratio for the Center can take any value as long as its debt-GDP ratio does not exceed 40%.

The context

The context in which the Review Committee was set up is characterized by three empirical features. First, after some initial success leading to an improvement in the debt and deficit profiles of the Central and state governments, the Central Government has kept postponing the targets envisaged in the existing FRBMA and the related Rules.

Chart 9: fiscal deficit relative to GDP



Source (Basic Data): CAG, CGA, CSO

States, on the other hand, have been far more successful when considered together. Second, the values of the relevant parameters, relating, for example, to growth and inflation and the saving and investment ratios relevant for formulating the existing fiscal responsibility framework, may have changed. Third, the existing FRBM does not provide for a clear countercyclical strategy. There is only an umbrella clause that is ambiguous and prone to misuse.

Examining the Review Committee's recommendations

There is an on-going debate as to whether the Review Committee has come up with recommendations that constitute a significant improvement over the existing FRBM and whether it can serve as an effective framework for guiding fiscal policy to usher in "responsible growth" within the constraints of fiscal discipline during the 21st century, as promised by the title of the report. First, there were significant differences within the Review Committee, signified by a strong minute of dissent by one of the committee members, Mr. Arvind Subramanian, who is Chief Economic Advisor, Ministry of Finance.

Following the publication of the FRBM review committee report, there has been a spate of commentaries on the recommendations. In a recent article (The Hindu, 28 April 2017), N.K. Singh, Chairman of the Review Committee, lists the difficulties that states will face in meeting the 20% debt-GDP ratio target as specified by the Review Committee. Rathin Roy (Business Standard, 13 April 2017) emphasizes why a Fiscal Council is important in the context of "a secretive governance culture like ours, where peripatetic decisions are common place." Sukumar Mukhopadhayaya (Business Standard, 30 April 2017) argues that the proposed Fiscal Council is superfluous and pernicious. M.S. Ahluwalia (The Mint, 28 April, 2017) argues that the new Act should allow for adjustment of the medium-term fiscal deficit targets once every two years, to reflect revisions in the expected medium-term growth rate. Ajay Shah (Business Standard, 30 April, 2017) and Datta and Pandey (The Wire, 17 April, 2017) argue that any changes in the targets of the FRBM Act and Rules can be made through the route of a Money Bill, which needs to be passed by the Lok Sabha only. Shah advocates the inclusion of the fiscal responsibility rule in the Constitution itself. Jayati Ghosh (Frontline, online version, print edition, 12 May 2017) contends that rigid rules about debt-GDP targets, which are arbitrary in any case, "will unnecessarily constrain fiscal policies at a time when external circumstances and internal developmental goals both call for more flexibility." Indira Rajaraman (The Mint, 5 May 2017) points to inconsistencies between the debt-GDP targets and their corresponding steady state values. Further, she advocates the use of rainfall deficiency as a trigger for relaxation of borrowing targets rather than the ones proposed by the Review Committee. In a recent two-part contribution (Business Standard, 8 and 9 May 2017), Pronab Sen compares the relative merits of the analysis of the Review Committee and its recommendations vis-à-vis those in the minute of dissent. He suggests several modifications to the countercyclical strategy. Rangarajan and Srivastava (Business Line, 16 May 2017) suggest that there should be no rush to amend the existing law or push through a new bill until there is convincing evidence that India's financial savings have fallen for good. They recommend that first the reference values of debt and deficit should be made analytically consistent and brought in line with their sustainable values.

We consider here four aspects of the Review Committee's report: (a) role of the prescribed debt-GDP ratio as an anchor, (b) escape clauses and countercyclical policies, (c) role of states in overall fiscal policy and (d) instruments to improve implementation effectiveness.

a. Debt-GDP ratio as a ceiling

Considering the general government, the Review Committee has recommended the target values of debt and deficit levels relative to GDP to be achieved by FY23 as 60% and 5%. The corresponding numbers of the Central Government are 40% and 2.5% and for state governments, 20% and 2.5%. The prescribed debt-GDP ratios remain valid after FY23, but the fiscal deficit numbers do not. The underlying nominal growth is 11.5% and the available space for borrowing for the general government is 5% linked to the household sector's financial saving.

Chart 10: Evolution of Center's Debt-GDP

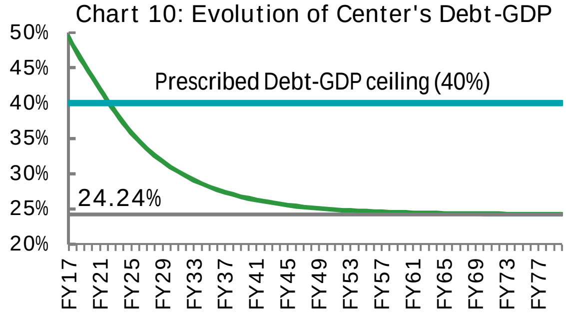
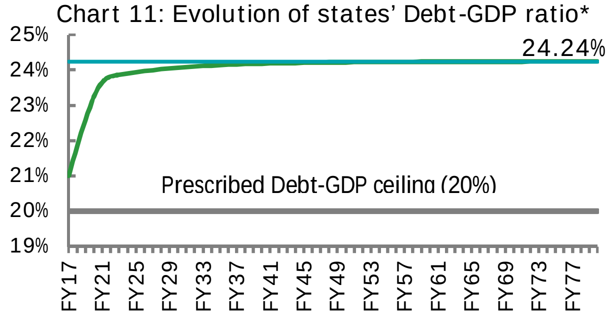


Chart 11: Evolution of states' Debt-GDP ratio*



Source: Estimates based on Fiscal Deficit to GDP ratios specified by the Review Committee
*Under FRBM Review Committee assumptions and long-term general government borrowing of 5% of GDP

While the Review Committee defines specific ceilings for the debt-GDP ratio at 40% and 20% for the Center and states, in the minute of dissent it is argued that the only requirement should be a continuous fall in the debt-GDP ratio.

In the case of the Center, for the defined reform path up to FY23, the debt-GDP ratios do continue to decline. In the case of states, however, if the principle of equal sharing of the borrowing space between the Center and the states, advocated by the Review Committee (p. 59, Volume 1) is followed, the debt-GDP ratio would steadily increase. In the case of the Center, the defined ceiling appears to lose relevance progressively if the fiscal deficit-GDP ratio beyond FY23 is kept at 2.5%. In the case of the states, the proposed debt ceiling of 20% never becomes relevant if equality between the fiscal deficits of the Center and all states is maintained. The convergence to their respective steady state or sustainable levels of the debt-GDP ratio is illustrated in Charts 10 and 11, starting with initial values of 49.4% and 21% for the Center and states respectively and using the fiscal deficit path specified by the Review Committee up to FY23. Beyond that, the fiscal deficit-GDP ratio is kept at 2.5% for the Center as well as the states. The difference in the prescribed ceiling values of the debt-GDP ratio and their corresponding steady state values have significant implications for the countercyclical strategy, and they also imply significant political economy risks close to future election years. These possibilities open up if beyond FY23, for most years, the fiscal deficit to GDP ratio is kept at 2.5% for the Center. The Center's debt-GDP ratio will keep falling, moving further and further away from the prescribed debt-GDP ceiling of 40%. Then, a sudden upsurge in the fiscal deficit to GDP ratio can be undertaken without breaching the limit of 40%. This would be useful when responding to an economic slowdown but counterproductive if it is used close to future election years.

b. Escape clauses and counter-cyclical fiscal policy

The Review Committee has suggested certain "escape" clauses, where the Central Government can breach the path of fiscal deficit prescribed in the proposed bill. Such escape is permitted on account of (a) over-riding considerations of national security and acts of war, calamities of national proportion and collapse of agriculture severely affecting farm output and incomes, (b) far-reaching structural reforms in the economy with unanticipated fiscal implications and (c) decline in real output growth of at least 3 percentage points below its average of the previous four quarters. The first two clauses are qualitative in nature. These require an assessment of the prevailing economic conditions where the proposed Fiscal Council may play a role. Clause (c) adds a quantitative and verifiable guidance. The note of dissent emphasizes that the proposed escape clause could prove to be pro-cyclical. The proposed relaxation in the fiscal deficit limit cannot be initiated if the fall in the growth is less than 3% points. If and when fiscal action is initiated for a large fall in growth rate, an extra fiscal deficit of only 0.5% of GDP may prove to be inadequate. In any case, this clause, although integral to the proposed Act, will have relevance only up to FY23, as the departure is defined only in relation to a fiscal deficit target and there is no fiscal deficit target beyond FY23 in the proposed Bill.

c. Role of states

The Review Committee does not envisage any role for the states in supplementing the Center's macro-stabilization efforts. The 0.5% departure is permitted only for the Central Government. Without coordinating their efforts with state governments in India, where some of the states are very large, the Center's stabilization efforts may prove to be less effective if the country faces any major economic slowdown.

d. Improving effectiveness of implementation

During the previous decade, the acceptance of the role of fiscal legislations to promote fiscal discipline increased significantly. The Central Government and progressively all the states enacted their fiscal responsibility legislations. Partly as a result of high growth, by 2007-08 significant progress was made toward achieving the desired targets. After that, a significant asymmetry in the fiscal performance of the Center and the states appeared. States as a whole and, with a limited number of exceptions, individually, continued to meet their FRL targets, and the Central Government continued to miss its own as pointed out in the 2016 CAG Report[2].

The main problem in implementing the existing Center's FRBMA has been lack of implementation teeth. First, in the Center's case, the fiscal deficit target is not part of the Act but only the Rules. The Rules also specify the rates of annual reduction of fiscal and revenue deficits. Being part of the Rules, these reduction rates and targets have been frequently revised through administrative orders. These changes then become part of the Budget, which being a Money Bill is required to be passed only by the Lok Sabha, although a discussion may happen in the Rajya Sabha. At the minimum, what is required is that the fiscal deficit target should become part of the Act rather than the Rules. Further, any departures from the borrowing targets should be discussed explicitly in the Parliament.

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[2]Report No. 27 of 2016, Department of Economic Affairs, Ministry of Finance, "Report of the Comptroller and Auditor General of India on Compliance of Fiscal Responsibility and Budget Management Act, 2003 for the year 2014-15"; Web link (accessed on 7 May 2017) http://www.cag.gov.in/sites/default/files/audit_report_files/Union_Civil_Compliance_Report_27_2016_Full.pdf

7 Money and finance: bank credit growth for FY17 remains well below its trend

A. Monetary sector

i. Monetary policy

- In the monetary policy review held on 6 April 2017, the RBI's Monetary Policy Committee retained the policy repo rate at 6.25% (Chart 12). To address the issue of excess liquidity, the reverse repo rate was increased by 25 basis points to 6.0%.
- Persistence of core CPI inflation (CPI inflation excluding food and fuel items) and hardening of global oil prices posed a challenge to the inflation outlook.

Chart 12: movements in repo rate

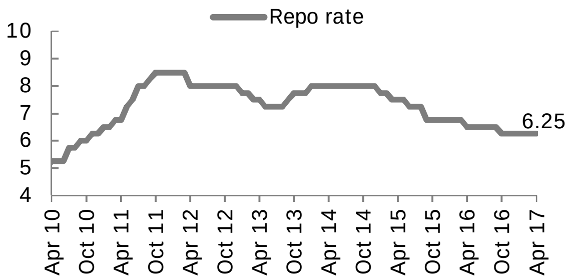
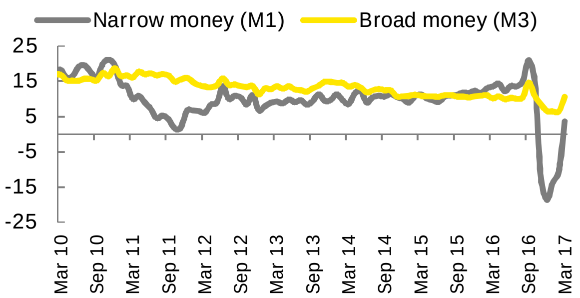


Chart 13: growth in narrow and broad money



Source: Data Base on Indian Economy, RBI

In its April 2017 policy review, the RBI, while maintaining a neutral policy stance, retained its policy repo rate unchanged at 6.25% but increased the reverse repo rate from 5.75% to 6.0%.

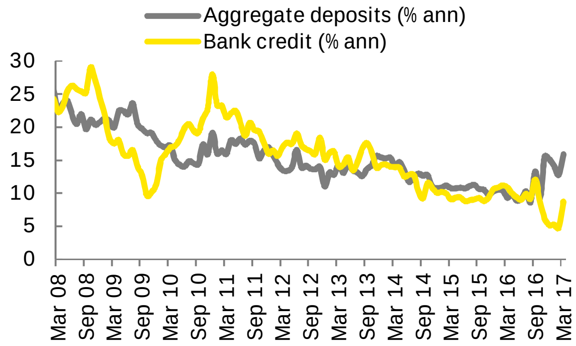
ii. Money stock

- Growth in broad money (M3) reached a 4-month high of 10.6% (y-o-y) in March 2017 as compared to 6.5% in February 2017 (Table A4). Growth in time deposits, accounting for over 76% of the broad money stock, recovered to 12.6% in March 2017 from 11.2% in February 2017.
- Narrow money (M1) grew by 3.6% in March 2017, reversing its contractionary trend since November 2016. M1 had contracted by (-) 10.6% in February 2017 (Chart 13), reflecting the effect of demonetization. By 28 April 2017, currency in circulation (excluding non-demonetized currency) was 76.9% of the total demonetized currency.

iii. Aggregate credit and deposits

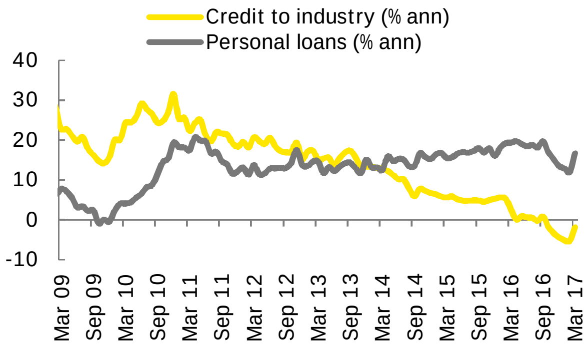
- Growth in bank credit recovered to 8.7% in March 2017 from a historic low of 4.8% in February 2017 (Chart 14). Credit growth for the entire fiscal year FY17 stood at 8.1% (9.7% in FY16), well below the previous 5-year average growth of 14.2%. Non-food credit grew by 9.6% in March 2017 as compared to 4.9% in February 2017, while food credit sharply contracted by (-) 48.8%.
- Credit growth to industries continued to decline for 6 months in a row, although at a slower pace of (-) 1.9% in March 2017 as compared to (-) 5.2% in February 2017. Credit to the services sector, accounting for nearly 25% of non-food credit, grew by 19.5% in March 2017 as compared to 7.7% in February 2017. The y-o-y growth of personal loans recovered to 16.7% in March 2017 from 12.0% in February 2017 (Chart 15).
- Growth in aggregate bank deposits improved to 15.9% (y-o-y) in March 2017 from 12.8% in February 2017.

Chart 14: growth in credit and deposits



Source: Data Base on Indian Economy, RBI

Chart 15: growth in industrial and personal loans



Source: Data Base on Indian Economy, RBI

B. Financial sector

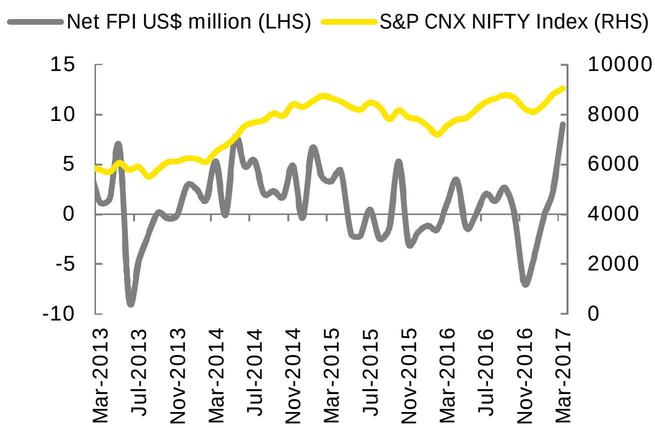
i. Interest rates

- MCLR was maintained at 7.75% in March 2017. It was lowered earlier in January 2017, when it was brought down from 8.65% in December 2016. Since its introduction in April 2016, MCLR has been reduced by a total of 1.20 percentage points.
- Banks continued to maintain the interest rate on term deposits (>1 year) at 6.75% in March 2017. The Central Government, on 31 March 2017, slashed interest rates on small savings by 10 basis points to align them with market rates with effect from 1 April 2017. We expect that the move may prompt banks to lower deposit rates in the near future.
- For the first time since August 2016, the average yield on 10-year government securities crossed the 7% mark in March 2017 as it rose to 7.12% from 6.98% in February 2017. Yields were influenced by heightened risks to India's inflation trajectory leading to a shift in the RBI's policy stance from accommodative to neutral.

ii. FPI and stock market

- The benchmark S&P NIFTY increased further to an all-time high as it reached 9,047 points in March 2017, gaining nearly 234 points from 8,813 points in February 2017(Chart 16). Investors' confidence was boosted by strong equity inflows from overseas investors. In addition, a historic win for the ruling NDA Government in the state of UP further uplifted the market sentiments.
- As per provisional data, overall FII inflows rose to a 17-month peak of US$9.4 billion in March 2017 from US$3.5 billion in February. Net FPI inflows increased to a 5-year peak of US$9.0 billion in March 2017 from US$2.4 billion in February 2017. Meanwhile, net FDI inflows moderated to US$0.4 billion in March 2017 from US$1.1 billion in February 2017.

Chart 16: stock market movement



- Cumulated FIIs were significantly higher in FY17 at US$43.8 billion as compared to US$31.9 billion in FY16 due to a sharp increase in net foreign portfolio inflows. Net FPI inflows stood at US$7.9 billion in FY17 as compared to a net outflow of US$4.1 billion. Net FDI inflows, however, were marginally lower at US$35.9 billion in FY17 (US$36.0 billion in FY16)

8 Merchandise Exports: continued high growth

A. Current account balance

CAB as a percentage of GDP deteriorated to (-) 1.4% in 3QFY17 (Table 7, Chart 18) from (-) 0.6% in the previous quarter. Merchandise trade balance worsened to (-) US$33.3 billion in 3QFY17 as compared to (-) US$25.6 billion in 2QFY17. Services balance improved marginally to US$17.6 billion as compared to US$16.3 billion in the previous quarter. According to the RBI, the current account deficit for FY17 is likely to remain muted at less than 1% of GDP.

Table 7: current account balance

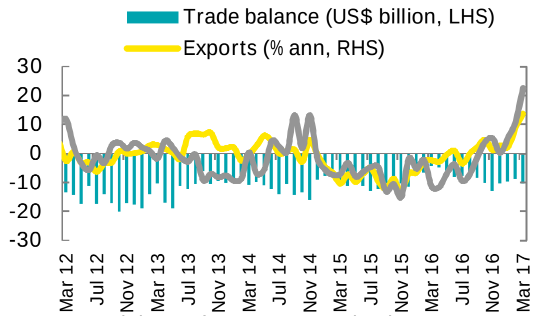
	CAB (- deficit/+surplus) (US$ billion)	CAB as a % of nominal GDP	Goods account net (US$ billion)	Services account net (US$ billion)	Income account net (US$ billion)	Transfers net (US$ billion)
FY13	-88.2	-4.8	-195.7	64.9	-21.5	64.0
FY14	-32.4	-1.7	-147.6	73.0	-23.0	65.3
FY15	-26.8	-1.3	-144.9	76.6	-24.1	65.7
FY16	-22.0	-1.0	-130.1	53.7	-17.8	47.7
4QFY16	-0.3	-0.1	-24.8	16.1	-6.6	15.1
1QFY17	-0.3	-0.1	-23.8	15.8	-6.2	14.2
2QFY17	-3.4	-0.6	-25.6	16.3	-7.9	14.0
3QFY17	-7.9	-1.4	-33.3	17.6	-6.2	14.0

Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

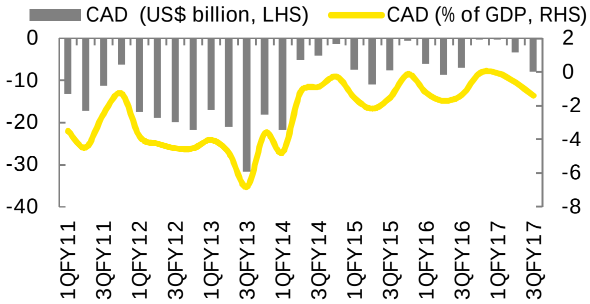
- Merchandise exports grew at 27.6% in March, the highest rate in the last five years, as compared to 17.5% in the February 2017 (Chart 17). On an annual basis, export growth turned positive and reached a 5-year high of 5.0% in FY17 (-15.5% in FY16).
- The increase (y-o-y) was primarily due to a substantial rise in the growth rate of exports of petroleum goods, gems and jewelry, and drugs and pharmaceuticals to 69.1%, 12.5% and 5.5% respectively from 27.6%, 2.3% and (-) 4.1% in the previous month. At 46.7%, growth in the exports of engineering goods was sustained at a high rate for the second successive month.
- Growth (y-o-y) in overall imports and oil imports reached a 5-year high of 45.3% and 101.4% in March as compared to 21.8% and 60.0% respectively in February 2017.
- Due to a sharper rise (m-o-m basis) in imports as compared to exports in absolute terms, India's merchandise trade deficit increased to US$10.4 billion from US$8.9 billion in February 2017.
- The Indian rupee strengthened further to INR65.9 per US dollar in March from INR67.1 per US dollar in February 2017 on account of higher capital inflows.

Chart 17: developments in merchandise trade



Source: Ministry of Commerce and Industry

Chart 18: CAD



Source: Data Base on Indian Economy, RBI

9 Global economy: global growth projected at 3.5% in 2017; structural impediments hold back stronger recovery

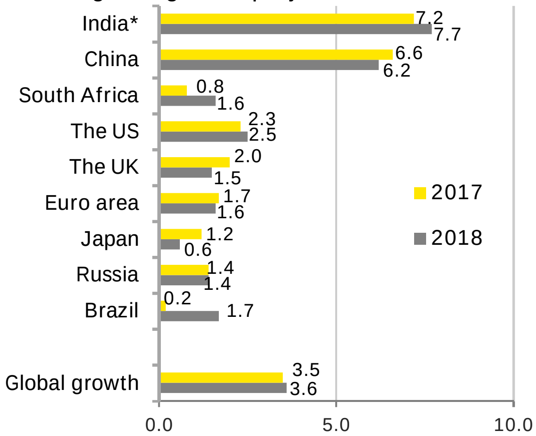
A. Global growth outlook

- The IMF (WEO, April 2017) projected global growth to increase from an estimated 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018, an upward revision of 0.1% points for 2017 relative to October (Chart 19). Growth in advanced economies has been revised upward at 2% in 2017 and 2018. Growth in EMDEs is projected at 4.5% and 4.8% in 2017 and 2018 respectively largely due to a stabilization/recovery in many commodity exporters.
- GDP in the US is projected to grow at a faster pace of 2.3% and 2.5% in 2017 and 2018 respectively, reflecting momentum from the second half of 2016.
- Growth in the Euro area is projected at 1.7% in 2017 and 1.6% in 2018 supported by an expansionary fiscal stance, accommodative financial conditions and a weak euro. In the UK, GDP growth is projected at 2% in 2017 and 1.5% in 2018, higher than the January WEO Update forecasts, reflecting stronger-than-expected performance since the June Brexit vote.

The IMF projects world growth to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018. However, persistent structural problems such as low productivity growth and inward looking policies in advanced economies have held back a stronger recovery.

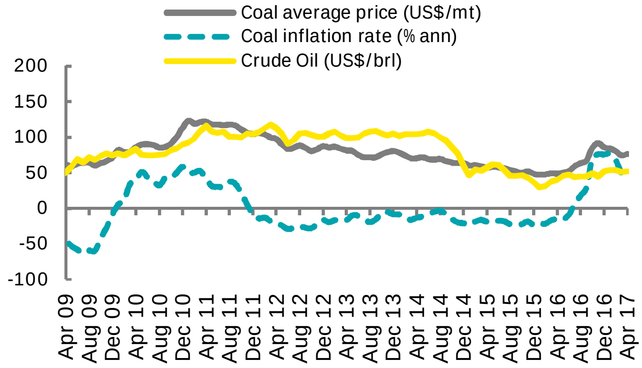
- In Japan, a comprehensive revision of the national accounts led to an upward revision of historical growth rates and placed the 2016 growth estimate at 1%, significantly higher than that projected in the October 2016 WEO. Growth is projected at 1.2% in 2017 due to strong net exports but is expected to fall to 0.6% in 2018 with the withdrawal of fiscal support and a recovery of imports.
- Growth in China is projected at 6.6% in 2017, slowing to 6.2% in 2018. These are, however, higher than the January WEO Update forecasts reflecting stronger-than-expected momentum in 2016 and the anticipation of continued policy support. Both Brazil and Russia are expected to emerge from recession in 2017 helped by recovering commodity and crude oil prices.

Chart 19: global growth projections



Source: IMF World Economic Outlook, April 2017
*forecast pertains to fiscal year

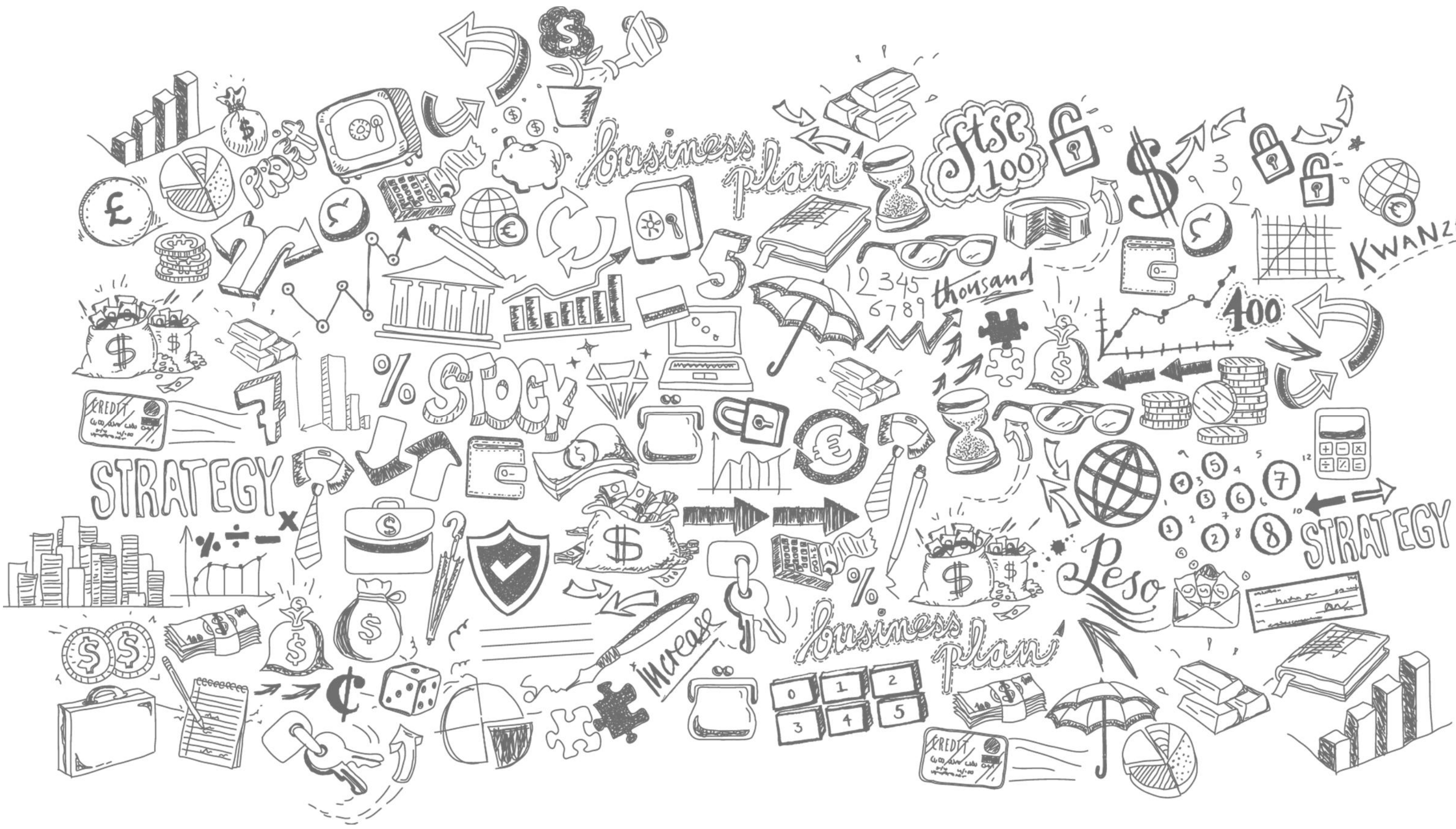
Chart 20: global crude and coal prices



Souce: World Bank, Pinksheet

B. Global energy prices

- Global crude prices, after dropping temporarily in March, recovered to US$52.2/bbl. (Chart 20). In April 2017. The World Bank forecasts crude oil prices to rise to an average of US$55/bbl. in 2017, an increase of 26% over 2016, reflecting balancing forces: upward pressure on prices from production cuts agreed by OPEC/non-OPEC producing countries and downward pressure from persistently high stocks, supported by the faster-than-expected rebound of the US shale oil industry.
- Average global coal prices increased marginally to US$76.8/mt in April 2017 from US$74.5/mt in March. In China, coal production was reduced by 16% in 2016. According to the World Bank, coal prices are expected to average US$70/ton in 2017, up 6% from 2016.

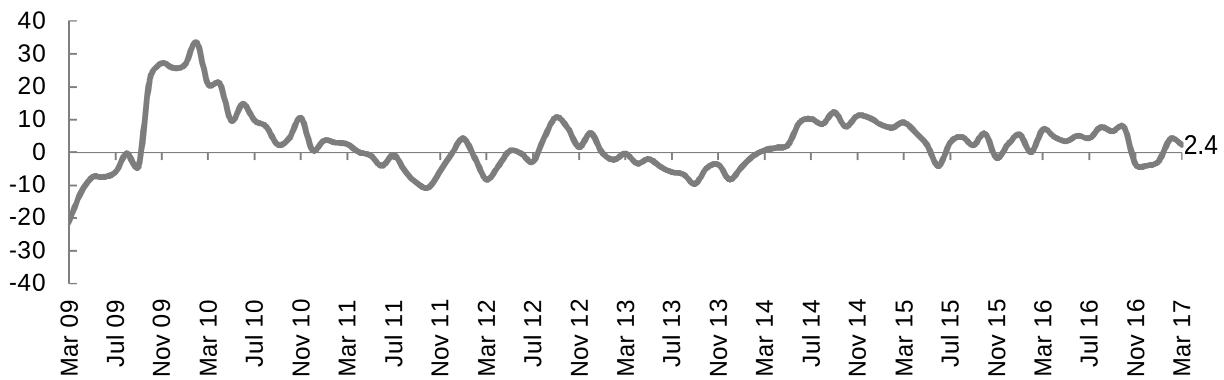


10 Index of aggregate demand: growth moderates in March 2017

IAD grew by 2.4% in March 2017 moderating from a growth of 4.1% in February 2017. The cash crunch induced by demonetization led to a sustained contraction in demand until January 2017.

- An Index of Aggregate Demand (IAD) has been developed to reflect demand conditions in the agriculture, manufacturing and services sectors on a monthly basis. It takes into account movements in PMI for manufacturing and services, which traces the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- The sectoral weights in constructing the IAD are based on their respective shares in nominal GVA in the base year (2011–12): agriculture (18.4), industry (33.1) and services (48.5).
- Growth in IAD slowed to 2.4% in March 2017 from 4.1% in February 2017 (Chart 21). Demand conditions in the services sector acted as a drag on overall growth of IAD in March 2017 despite improvements in the growth of the agriculture and manufacturing sectors.

Chart 21: growth in IAD (y-o-y)



Source (Basic data): NIKKEI PMI - Markit Economics, RBI and EY estimates

Table 8: IAD

Month	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
IAD	119.0	122.8	122.1	126.3	110.3	112.2	116.3	121.0	124.2
Growth (% y-o-y)	4.3	7.7	6.4	7.7	-3.6	-4.0	-2.6	4.1	2.4

11 Appendix: capturing macro-fiscal trends

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

Fiscal year/quarter/ month	IIP	Mining	Manufacturing	Electricity	Fiscal year/quarter/ month	PMI mfg.	PMI ser.
	% change y-o-y						
FY14	3.3	-0.2	3.6	6.0	FY14	50.5	48.5
FY15	4.1	-1.3	3.8	14.8	FY15	52.2	51.7
FY16	3.4	4.3	3.0	5.7	FY16	51.3	51.7
FY17	5.0	5.3	4.9	5.8	FY17	51.6	51.0
1Q FY17	7.8	7.5	7.6	10.0	1QFY17	51.0	51.7
2Q FY17	5.3	-1.5	6.5	3.1	2QFY17	52.2	52.9
3Q FY17	4.4	6.7	3.8	6.1	3QFY17	52.1	49.3
4Q FY17	2.8	7.7	1.8	4.3	4QFY17	51.2	50.2
Dec-16	2.6	10.8	0.9	6.4	Jan-17	50.4	48.7
Jan-17	3.8	8.6	3.0	5.1	Feb-17	50.7	50.3
Feb-17	1.9	4.6	1.4	1.2	Mar-17	52.5	51.5
Mar-17	2.7	9.7	1.2	6.2	Apr-17	52.5	50.2

Source: Office of the Economic Adviser- Ministry of Commerce and Industry and NIKKEI PMI-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 lighting	WPI	Food Index	Mfg. products	Fuel and power
	% change y-o-y			% change y-o-y			
FY14	9.4	12.1	7.7	5.2	9.6	3.0	7.1
FY15	5.9	6.4	4.2	1.3	4.3	2.6	-6.1
FY16	4.9	4.9	5.3	-3.7	1.2	-1.8	-19.7
FY17	4.5	4.2	3.3	1.7	5.9	1.3	-0.2
1QFY17	5.7	7.2	3.0	-0.7	6.9	-0.6	-13.6
2QFY17	5.2	6.1	2.8	1.0	7.2	0.8	-6.8
3QFY17	3.7	2.2	3.2	1.7	4.8	1.9	1.7
4QFY17	3.5	1.5	4.3	5.0	4.8	3.2	21.7
Jan-17	3.2	0.6	3.3	4.3	3.8	3.3	3.8
Feb-17	3.7	2.0	3.9	5.5	5.2	3.2	5.2
Mar-17	3.8	1.9	5.6	5.3	5.5	3.0	5.5
Apr-17	3.0	0.6	6.1	3.9	2.9	2.7	2.9

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Custom duty	Excise duty	Service tax	Fiscal deficit	Revenue deficit
	% change y-o-y						% of GDP	% of GDP
FY15	9.3	8.7	8.7	9.2	11.6	8.6	4.0	2.9
FY16	17.0	6.0	8.5	11.9	51.9	25.8	3.9	2.5
FY17 (RE)	17.0	9.0	22.8	3.2	34.5	17.1	3.5	2.1
FY18 (BE)	12.2	9.1	24.9	12.9	5.0	11.1	3.2	1.9
	Cumulated growth (% y-o-y)						% of budget target	
Jul-16	26.7	1.1	48.2	8.7	55.6	26.1	73.7	93.1
Aug-16	21.9	-1.4	31.9	6.5	50.8	24.4	76.4	91.8
Sep-16	16.6	2.3	17.8	5.3	47.9	22.8	83.9	92.1
Oct-16	18.0	4.5	19.3	4.9	46.4	24.5	79.3	92.6
Nov-16	21.5	9.0	20.9	6.8	46.0	27.1	85.8	98.4
Dec-16	18.3	4.8	20.5	4.9	43.7	25.0	93.8 (RE)	113.9 (RE)
Jan-17	17.7	3.2	19.7	5.2	42.9	23.3	105.6 (RE)	130.2 (RE)
Feb-17	17.6	3.5	20.9	5.2	40.3	21.3	113.4 (RE)	142.8 (RE)

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

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	M1	M3	Bank credit	Agg. deposits	10 yr. Govt. B Yield	Net FDI	Net FPI	FX reserves
	%		% change y-o-y				%	US$ billion	US$ billion	US$ billion
FY14	8.00	FY14	8.5	13.4	14.9	14.2	8.4	21.6	4.8	304.2
FY15	7.50	FY15	11.3	10.9	11.0	12.1	8.3	31.3	42.2	341.6
FY16	6.75	FY16	13.5	10.1	9.7	10.5	7.7	36.0	-4.1	355.6
FY17	6.25	FY17	3.6	10.6	8.1	12.0	7.0	35.9	7.9	370.0
Oct-16	6.25	1Q FY17	13.7	10.3	9.5	9.3	7.5	3.8	2.1	360.8
Nov-16	6.25	2Q FY17	21.0	14.6	10.4	10.7	7.0	16.9	6.1	372.0
Dec-16	6.25	3Q FY17	-18.6	6.6	6.7	13.3	6.6	9.8	-11.3	360.3
Jan-17	6.25	4Q FY17	3.6	10.6	6.3	14.3	7.0	5.3	11.1	370.0
Feb-17	6.25	Dec-16	-18.6	6.6	5.1	15.2	6.5	2.0	-4.4	360.3
Mar-17	6.25	Jan-17	-13.7	6.4	5.3	14.1	6.8	3.8	-0.4	361.6
Apr-17	6.25	Feb-17	-10.6	6.5	4.8	12.8	7.0	1.1	2.4	362.8
May-17	6.25	Mar-17	3.6	10.6	8.7	15.9	7.1	0.4	9.0	370.0

Source: Database on Indian Economy-RBI

Table A5: external trade and global growth

Fiscal year/quarter/month	External trade indicators (annual, quarterly and monthly growth rates)						Calendar year	Global growth (annual)		
	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)		World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl	US$/mt		% change y-o-y		
FY14	4.7	-8.3	-135.8	60.5	103.7	76.1	2009	-0.1	-3.4	2.9
FY15	-1.3	-0.5	-137.7	61.1	83.2	65.9	2010	5.4	3.1	7.5
FY16	-15.5	-15.0	-117.7	65.5	46.0	52.7	2011	4.2	1.7	6.3
FY17	5.0	0.0	-105.6	67.1	47.9	70.4	2012	3.5	1.2	5.3
1QFY17	-1.4	-14.7	-19.1	66.9	44.8	50.5	2013	3.3	1.2	5.0
2QFY17	-0.9	-12.2	-23.7	67.0	44.7	63.5	2014	3.4	1.9	4.6
3QFY17	1.0	-1.4	-33.5	67.4	49.1	87.7	2015	3.2	2.1	4.0
4QFY17	19.2	10.4	-29.2	67.0	52.9	79.8	2016*	3.1	1.7	4.1
Dec-16	5.7	0.5	-10.4	67.9	52.6	86.0	2017**	3.5	2.0	4.5
Jan-17	4.3	10.7	-9.8	68.1	53.6	84.2	2018**	3.6	2.0	4.8
Feb-17	17.5	21.8	-8.9	67.1	54.4	80.6	2019**	3.7	1.9	4.9
Mar-17	27.6	45.3	-10.4	65.9	50.9	74.5	2020**	3.7	1.7	4.9

Source: Database on Indian Economy- RBI, Pink Sheet-World Bank and IMF World Economic Outlook April 2017; * Indicates estimated data, **Indicates forecasted data

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

	Expenditure components						Output: aggregate and selected sectors			
Fiscal year/quarter	GDP	PCE	GCE	GFCF	EX	IM	GVA	Agri.	Ind.	Serv.
FY14 (3rd RE)	6.5	7.4	0.6	1.8	7.8	-8.1	6.2	5.6	4.2	7.7
FY15 (2nd RE)	7.2	6.8	9.4	4.1	1.7	0.8	6.9	-0.3	6.9	9.5
FY16 (1st RE)	7.9	7.3	2.9	6.1	-5.4	-5.9	7.8	0.8	8.2	9.8
FY17 (2nd AE)	7.1	7.2	17.0	0.6	2.3	-1.2	6.7	4.4	5.8	7.9
3QFY15	6.1	2.7	29.5	1.3	2.0	5.7	6.3	-1.7	3.6	11.9
4QFY15	6.7	6.6	-3.3	5.4	-6.3	-6.1	6.2	-1.7	5.7	9.3
1QFY16	7.8	4.9	0.5	9.6	-5.7	-5.2	7.8	2.6	7.4	9.5
2QFY16	8.4	6.7	3.9	12.4	-4.3	-3.6	8.4	2.3	7.4	10.4
3QFY16	6.9	6.8	3.7	3.2	-9.0	-10.2	7.0	-2.2	9.5	9.4
4QFY16	7.9	8.3	2.9	-1.9	-1.9	-1.6	7.4	2.3	7.9	8.7
1QFY17	7.2	7.2	15.5	-2.2	2.1	-2.7	6.9	1.9	6.1	8.8
2QFY17	7.4	5.1	15.2	-5.3	-0.9	-7.4	6.7	3.8	5.1	8.2
3QFY17	7.0	10.1	19.9	3.5	3.4	4.5	6.6	6.0	6.6	6.8

Source: National Accounts Statistics, MOSPI

List of abbreviations

Sr. no	Abbreviations	Description
1	bbl.	Barrel
2	CAB	Current account balance
3	CPI	Consumer Price Index
4	CSO	Central Statistical Organization
5	disc.	Discrepancies
6	EMDEs	Emerging market and developing economies
7	FII	Foreign investment inflows
8	FPI	Foreign portfolio investment
9	FRBM	Fiscal Responsibility and Budget Management
10	FY	Fiscal year (April–March)
11	GFCE	Government final consumption expenditure
12	GFCF	Gross fixed capital formation
13	GST	Goods and Services Tax
14	GVA	Gross value added
15	IAD	Index of Aggregate Demand
16	IIP	Index of Industrial Production
17	IMF	International Monetary Fund
18	MCLR	Marginal cost of funds based lending rate
19	m-o-m	Month-on-month
20	MPC	Monetary Policy Committee
21	NDU	Non-departmental undertaking
22	NEXP	Net exports (exports minus imports of goods and services)
23	OPEC	Organization of the Petroleum Exporting Countries
24	PFCE	Private final consumption expenditure
25	PMI	Purchasing Managers' Index (reference value = 50)
26	PSU	Public sector undertaking
27	RE	Revised estimate
28	WEO	World Economic Outlook
29	WPI	Wholesale Price Index
30	y-o-y	Year on year

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