Economy Watch

Monitoring India's macro-fiscal performance

February 2019

EY
Building a better working world

Contents

Prepared by Macro-fiscal Unit, Policy Advisory Group, EY India

D.K. Srivastava, Chief Policy Advisor, EY: dk.srivastava@in.ey.com
Muralikrishna Bhardwaj, Senior Manager, EY: muralikrishna.b@in.ey.com
Tarrung Kapur, Manager, EY: tarrung.kapur@in.ey.com
Ragini Trehan, Senior Consultant, EY: ragini.trehan@in.ey.com

Highlights

1. IIP growth marginally improved to 2.4% in December 2018 from 0.3% in November 2018 led by a recovery in the growth of output of capital and consumer goods.

2. In January 2019, manufacturing PMI increased to 53.9 signaling a recovery in manufacturing while services PMI fell for the second straight month to 52.2.

3. RBI, in its February 2019 policy review, lowered the repo rate by 25 basis points to 6.25% from 6.5% as CPI inflation eased.

4. CPI inflation eased for the fourth successive month to a 19-month low of 2.0% in January 2019 from 2.1% in December 2018.

5. Fiscal deficit relative to GDP has been kept at 3.4% both in FY19 and FY20 according to the revised and budgeted estimates given by the Union Budget of FY20.

6. Center's fiscal deficit during April-December 2018 stood at 110.6% of the FY19 annual revised target.

7. Growth in indirect taxes remained quite low at 1% during April-December FY19 as compared to 17.3% in the corresponding period of FY18.

8. Growth in exports improved to 3.7% in January 2019 from 0.3% in December 2018. Growth in imports remained flat at 0% in January 2019 as compared to (-) 2.4% in December 2018.

9. Merchandise trade deficit increased to US$14.7 billion in January 2019 after having moderated to a 10-month low of US$13.1 billion in December 2018.

10. Average global crude price increased only marginally to US$ 56.6/bbl. in January 2019 from its 15-month low of US$54.0/bbl. in December 2018.

11. The Indian Rupee remained stable at INR70.7 per US$ in January 2019, the same level as in December 2018.

Foreword

Stimulating growth: fiscal and monetary policy push

Two major policy events namely, the Union Budget for FY20 and the February meeting of the Monetary Policy Committee, have both introduced stimulatory initiatives to strengthen India's growth momentum. In the budget, the fiscal momentum has been introduced through a number of channels. First, a budgetary support to the small and marginal farmers in the form of direct transfers has been introduced, the annual commitment for which is INR75,000 crore in FY20. A kick-start to the extent of INR 20,000 crore is also being introduced in FY19 itself. Secondly, the standard deduction for salaried employees has been increased by 25% from the present level of INR 40,000. Third, a tax relief has been given to the low and middle-income groups with a taxable income of less than INR5,00,000. In all of these cases the objective is to increase personal disposable incomes of households which may lead to increased demand for consumption of goods or increased savings. On the monetary side, the repo rate has been cut by 25 basis points to 6.25% which aims at increasing demand for credit and thereby investment. Given the proximity of the general elections, it is expected that state governments may also follow expansionary budgetary policies which would supplement center's initiatives.

These expansionary policies would have a positive impact on growth without risking an increase in inflation above the existing policy thresholds. CPI inflation has been trending downwards for some time. In January 2019, it had come down to 2.0% which is a 19-month low. Consumer food prices have been contracting since October 2018. WPI inflation has also been trending downwards. In January 2019, it had fallen to a 10-month low of 2.8%. These trends have been facilitated by relatively low levels of global crude prices which had remained on an average in the range of US$54-57 per barrel during December 2018 to January 2019.

Both the IMF and the World Bank have revised their global growth projections downwards for 2019. The IMF has projected the global growth to slow down from an estimated 3.7% in 2018 to 3.5% in 2019, a downward revision of 0.2% points. The World Bank in its January 2019 release of Global Economic Prospects has projected a global growth of 2.9% for 2019 which is a downward revision of 0.1% points from its earlier forecast. Growth in major country groups appears to be slowing down according to the IMF. Growth in advanced economies is projected to slow from an estimated 2.3% in 2018 to 2.0% in 2019. Both the estimate and the forecast have been revised down by 0.1% points largely due to a downward revision of growth in Euro area. In EMDEs, growth is projected to fall from an estimated 4.6% in 2018 to 4.5% in 2019 (a downward revision of 0.2% points) reflecting contractions in Argentina and Turkey and the impact of trade actions on China and other Asian economies. In comparative terms, the Indian economy is the only economy in the world where not only the growth is significantly higher, but is also projected to increase in 2019. Thus, India had an estimated growth rate of 7.3% in 2018 which is projected to increase to 7.5% in 2019 by the IMF.

In the context of India's external sector, growth in the volume of India's exports of goods and services is expected to average close to 8% during the period from 2019 to 2023. Growth in the volume of imports during the same period is expected to be about 8.8% on average.

The overall policy climate is characterized by a temporary pause in meeting the FRBMA target both for FY19 and FY20. The FY19 revised estimates and FY20 budget estimates of fiscal deficit relative to GDP have been kept at 3.4%. Subsequently, a sharp fall of 3.0% has been projected in the medium term fiscal policy and strategy statement appended to the Union Budget of FY20. The operational fiscal deficit target, according to the FRBMA amended in 2018, is 3%. So far, this target has remained elusive after 2007-08. It is imperative that the overall borrowing requirement of the public sector be brought in line with the availability of savings in the financial form so that private investment can be sustained at reasonable interest rates.

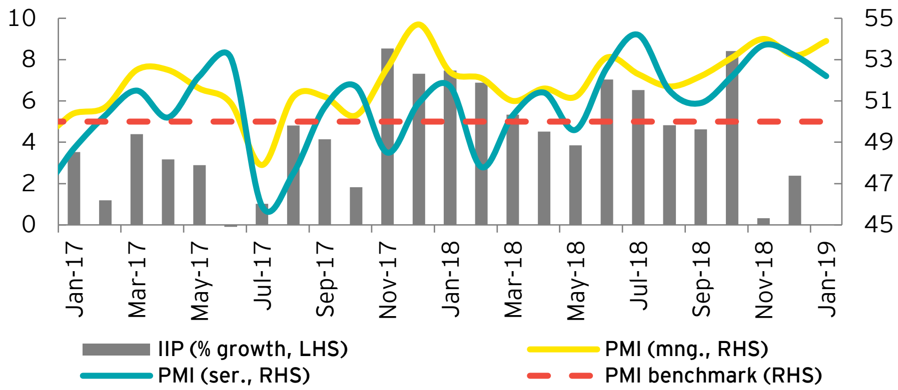
D.K. Srivastava
Chief Policy Advisor, EY India

1. Growth: IIP growth improved to 2.4% in December 2018

A. IIP Growth: Recovered to 2.4% in December 2018

- IIP growth improved to 2.4% in December 2018 from 0.3% (revised) in November 2018 (Chart 2) led by a recovery in the growth of output of capital and consumer goods.
- Manufacturing sector output (accounting for 77.6% of overall IIP) grew by 2.7% in December 2018 after having contracted by (-) 0.6% (revised) in November 2018. However, growth in the output of electricity sector slowed to 4.4% while that of mining contracted by (-) 1.0% during the month (Table A1).
- Output of capital goods industry grew by 5.9% in December 2018 from a contraction of (-) 3.1% in November 2018. Similarly, output of both consumer durables and non-durables recovered to 2.9% and 5.3% respectively in December 2018 after having contracted by (-) 2.9% and (-) 0.6% respectively in November 2018.
- Growth in the output of eight core infrastructure industries slowed for the second straight month to 2.6% (y-o-y) in December 2018 from 3.4% in November 2018. This was due to a contraction in the output of petroleum refinery products ((-) 4.8%) and crude oil ((-) 4.3%). Moreover, growth in the output of electricity (4.0%) and coal (0.9%) moderated during the month.

Chart 1: IIP growth and PMI



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

IIP growth recovered to 2.4% in December 2018 from 0.3% in November 2018 led by a recovery in the growth of capital and consumer goods output.

B. PMI: Signaled a recovery in manufacturing but a slowdown in services in January 2019

- After falling to 53.2 in December 2018, headline manufacturing PMI (seasonally adjusted (sa)) increased to 53.9 in January 2019 (Chart 1). The recovery was led by a pick-up in domestic orders indicated by the New Orders Index which increased to its highest level since December 2017.
- Headline services PMI (sa) fell for the second straight month to 52.2 in January 2019 from 53.2 in December 2018. This was its weakest expansion in the last four months.
- Reflecting a pick-up in manufacturing PMI and a slower pace of expansion in services PMI, the composite PMI Output Index (sa) remained unchanged from December 2018 at 53.6 in January 2019.

In January 2019, the composite PMI Output Index remained unchanged from December 2018 as increase in manufacturing PMI was countered by the slowdown in PMI services.

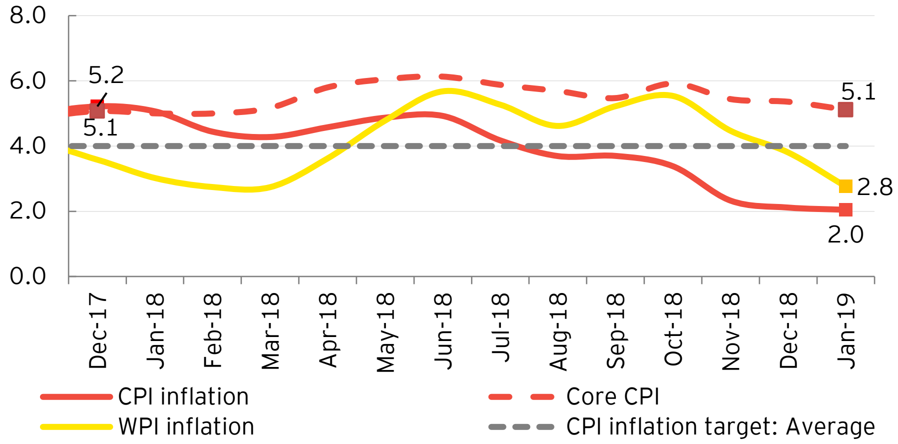
Home

2. Inflation: CPI inflation eased to a 19-month low of 2.0% in January 2019

CPI inflation eased for the fourth successive month to a 19-month low of 2.0% (y-o-y) in January 2019 from 2.1% in December 2018 (Chart 2) driven mainly by a sustained fall in fuel-based inflation and continued contraction in food prices.

- Fuel and light-based inflation fell to an all-time low (2012 base) of 2.2% in January 2019 from 4.5% in December 2018 as inflation in LPG prices fell to a 2-year low of 2.5% from 12.2% over the same period.
- Due to lower crude prices, the pace of contraction in petrol prices increased to (-) 2.7% in January 2019 from (-) 0.1% in December 2018. As a result, inflation in transportation and communication services dropped to a 10-month low of 3.4% in January 2019 from 4.3% in December 2018.
- Housing-based inflation decelerated for the seventh successive month to an 18-month low of 5.2% in January 2019 from 5.3% in December 2018.
- The pace of contraction in consumer food prices eased to (-) 2.2% in January 2019 from (-) 2.6% in December 2018. Contraction in tomato prices moderated to (-) 3.9% in January 2019, the slowest pace in 11 months, from (-) 35.9% in December 2018.
- Core CPI inflation[1] fell to an 11-month low of 5.1% in January 2019 from 5.4% in December 2018.

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



Although CPI inflation dipped to 2.0% in January 2019, Core CPI remained elevated at above 5%. The wedge between CPI and Core CPI inflation has gradually widened since December 2017 when they both were nearly at the same level.

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

WPI inflation also fell to a 10-month low of 2.8% in January 2019 from 3.8% in December 2018 (Chart 3) led by a sustained fall in inflation in fuel and manufactured basic metals.

- Fuel and power-based inflation plunged to a 27-month low of 1.8% in January 2019, its third consecutive month of decline, from 8.4% in December 2018 driven by falling prices of mineral oils including diesel, naphtha and petrol. Petrol prices contracted for the first time since October 2016.
- Inflation as per the food price index remained positive for the second successive month at 1.8% in January 2019, up from 0.1% in December 2018 as the pace of contraction in vegetable prices slowed to (-) 4.2% from (-) 17.5% over the same period.
- Inflation in manufactured basic metal products, which includes iron and steel products, moderated to 3.6% in January 2019, a 27-month low, from 9.3% in December 2018. Consequently, inflation in manufactured products fell to a 17-month low of 2.6% in January 2019 from 3.6% in December 2018.
- WPI core inflation eased to a 15-month low of 2.9% in January from 4.2% in December 2018.

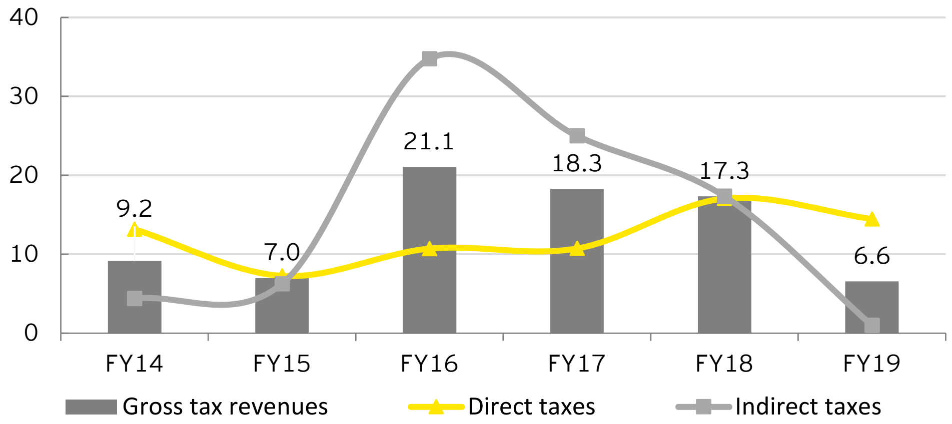
[1] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food and fuel and light from the overall index.

3. Fiscal performance: Fiscal deficit kept at 3.4% of GDP for FY19 and FY20

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA), gross central taxes grew by 6.6% during April-December FY19, lower than 17.3% during the corresponding period of FY18 (Chart 3).
- During April-December FY19, gross taxes stood at 63.4% of the FY19 annual revised target, lower than the three-year average (FY16 to FY18) at 67.4% during April-December as a percentage of annual actuals.
- Growth in direct tax revenues was at 14.5% during April-December FY19 as compared to 17.1% in the corresponding period of FY18. Growth required during the remaining three-month period of January-March FY19 for achieving the FY19 revised estimates is 37.5% as compared to an average growth of 12.4% during January-March over the last three years (FY 16 to FY18).
- Growth in corporate income taxes was at 14% during April-December FY19 as compared to 17.1% during April-December FY18. Growth in personal income taxes was at 15.2% during April-December FY19 as compared to 17% in the corresponding period of FY18.
- Growth in indirect taxes (comprising union excise duties, service tax, customs duty#, CGST, UTGST, IGST* and GST compensation cess) remained low at 1% during April-December FY19 as compared to 17.3% in the corresponding period of FY18.

Chart 3: Growth in cumulated central tax revenues up to December 2018



As per the CGA, growth in center's gross taxes was 6.6% during April-December FY19, lower than 17.3% during the corresponding period of FY18.

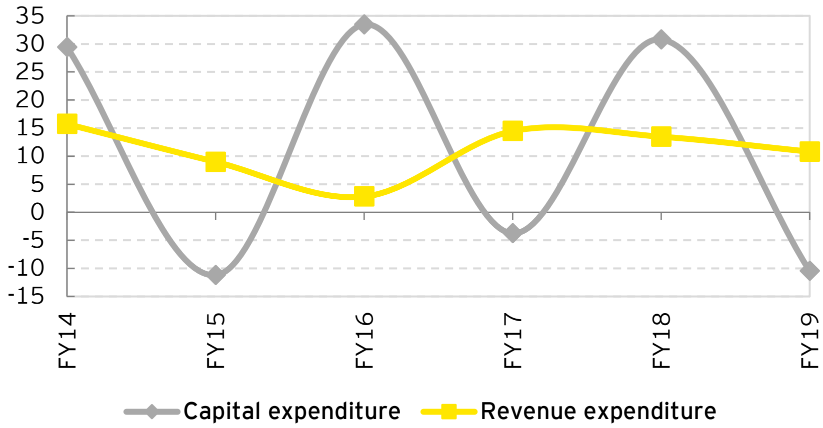
Source: Monthly Accounts, Controller General of Accounts, Government of India
Note: Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, service tax, customs duty, CGST, UTGST, IGST and GST compensation cess from July 2017 onwards; * IGST revenues are subject to final settlement; #Collections under customs for July 2017 also include INR21,377 crore on account of IGST on Import/Exports and Compensation Cess on imports/exports of INR609 crores for 2017-18.

- The center's non-tax revenues grew by 30.1% during April-December FY19 as compared to a contraction of (-) 37.8% in the corresponding period of FY18. Non-tax revenues during the first nine months of FY19 stood at 60.2% of the annual revised target as compared to three-year average (FY16 to FY18) at 66% during April-December as a percentage of annual actuals.
- According to the Department of Disinvestment, the disinvestment proceeds up to 15 February 2019 stood at INR53,538.32 crore which was 66.9% of the FY19 annual revised target at INR80,000 crores.

B. Expenditures: Revenue and capital

- Center's total expenditure during April-December FY19 grew by 7.8% as compared to 15.6% in the same period in FY18 (Chart 4). During April-December FY19, total expenditure stood at 74.6% of the FY19 annual revised target.
- Growth in revenue expenditure was at 10.8% during April-December FY19, as compared to13.5% in the corresponding period of FY18. As percentage of the FY19 annual revised target, revenue expenditure up to December 2018 stood at 65.9%.
- Center's capital expenditure showed a contraction of (-) 10.5% during April-December FY19 as compared to a growth of 30.8% in the corresponding period of FY18. As percentage of the FY19 annual revised target, capital expenditure up to December 2018 stood at 66.9%.

Chart 4: Growth in cumulated central government expenditure up to December 2018



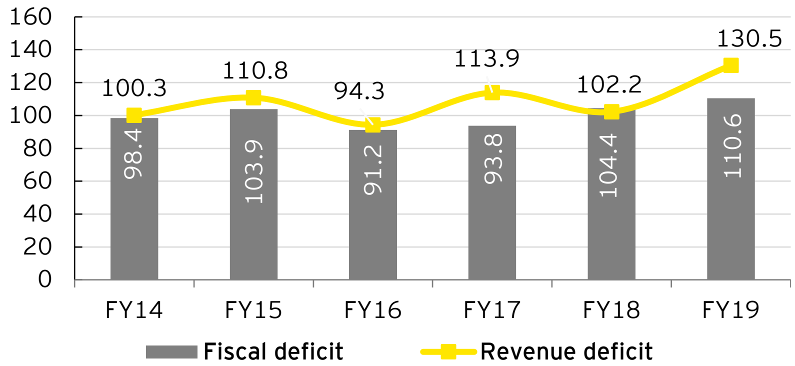
Center's total expenditure during April-December FY19 grew by 7.8% as compared to 15.6% during the same period in FY18.

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

C. Fiscal imbalance

- The center's fiscal deficit during April-December FY19 stood at 110.6% of the FY19 annual revised target as compared to 104.4% in the corresponding period of FY18 (Chart 5). In the Union Budget for 2019-20, the fiscal deficit target was revised to 3.4% of GDP for FY19 as compared to the budgeted target of 3.3% of GDP.
- The center's revenue deficit during April-December FY19 stood at 130.5% of the FY19 annual revised target as compared to 102.2% in the corresponding period of FY18. The revised estimate for revenue deficit relative to GDP remained unchanged from the budget estimate at 2.2% of GDP.

Chart 5: Cumulated fiscal and revenue deficit up to December 2018 as percentage of annual budgeted target



In the Union Budget for 2019-20, the fiscal deficit target was revised to 3.4% of GDP for FY19 as compared to the budgeted target of 3.3% of GDP.

Source: Monthly Accounts, Controller General of Accounts, Government of India, Medium-term Fiscal Policy Statement, Union Budget FY19.

4. India in a comparative perspective: Status and prospects

Volume of exports of goods and services

Growth in volume of exports of goods and services from India is expected to average close to 8% during 2019 to 2023.

- For AEs as a group, growth in export volumes is projected to dip to 3.1% in 2019 before recovering to 3.4% in 2020. Subsequently, it is estimated to fall to 3.0% by 2023
- Growth in export volumes in the US is expected to drop to 0.9% in 2019 from 3.3% in 2018 partly due to the ongoing trade rift with China
- In EMDEs, export volume growth is projected to marginally improve to 4.8% in 2019 and 2020 before easing to 4.5% in 2021 and thereafter
- Exports growth in China is estimated to have fallen to 5.5% in 2018 from 9.3% in 2017 partly because of the trade conflict with the US. It is further projected to taper to 2.6% by 2023
- In India, growth in export volumes moderated to 7.4% in 2018 from 9.6% in 2017. It is expected to pick up to 8.0% in 2019 and improve marginally to 8.2% by 2022

Table 1: Volume of export of goods and services (% change, annual)

	2017	2018	2019	2020	2021	2022	2023
AEs	**4.4**	**3.4**	**3.1**	**3.4**	**3.2**	**3.1**	**3.0**
US	3.0	3.3	0.9	2.9	2.5	2.5	2.4
UK	5.4	0.0	1.2	0.9	0.9	0.9	0.9
Japan	6.7	3.9	2.1	3.0	1.8	1.5	1.4
EMDEs	**6.9**	**4.7**	**4.8**	**4.8**	**4.5**	**4.5**	**4.5**
Brazil	10.8	6.2	3.3	3.9	4.2	4.6	3.6
Russia	8.8	4.8	1.9	1.9	2.1	2.3	2.6
India*	9.6	7.4	8.0	8.0	8.1	8.2	8.2
China	9.3	5.5	4.5	4.2	3.1	2.7	2.6
World	**5.3**	**3.8**	**3.7**	**3.9**	**3.7**	**3.6**	**3.5**

Source (basic data): IMF World Economic Outlook, October 2018
Note: forecasted for 2018 and beyond;
*data pertains to fiscal year. For example, data for 2019 pertains to the year FY20.

Volume of imports of goods and services

Growth in India's volume of imports is projected to slow down to 8.1% in 2019. During 2019 to 2023, the projected growth of volume of imports is 8.8%.

- Growth in import volumes in AEs is estimated to pick up to 4.0% in 2019, but subsequently slow down to 2.8% by 2023
- Growth of imports volume in the US is projected to, improve to 5.7% in 2019, but subsequently weaken to 1.0% by 2023. In EMDEs, imports growth is projected to first fall to 4.8% in 2019, then increase to 5.5% in 2020, before gradually easing to 5.1% by 2023
- During the forecast period, imports growth in India is projected to be the highest amongst selected EMDEs. It is projected at 8.1% in 2019 and remain about 9%% thereafter
- In China, the growth in volume of imports is estimated to moderate to 5.1% in 2019, and further to 3.8% by 2023

Table 2: Volume of import of goods and services (% change, annual)

	2017	2018	2019	2020	2021	2022	2023
AEs	**4.2**	**3.7**	**4.0**	**3.5**	**3.4**	**3.1**	**2.8**
US	4.6	4.5	5.7	3.4	3.1	2.4	1.0
UK	3.2	-0.3	0.6	0.8	0.8	0.8	0.8
Japan	3.4	3.2	2.3	1.6	1.8	1.5	1.6
EMDEs	**7.0**	**6.0**	**4.8**	**5.5**	**5.3**	**5.3**	**5.1**
Brazil	3.5	7.5	6.9	5.8	4.7	5.0	4.7
Russia	20.3	4.8	4.5	2.3	2.0	1.5	2.4
India*	12.9	9.2	8.1	9.1	8.7	9.0	9.3
China	7.1	8.2	5.1	5.0	4.5	4.0	3.8
World	**5.2**	**4.5**	**4.3**	**4.2**	**4.1**	**3.9**	**3.7**

Source (basic data): IMF World Economic Outlook, October 2018
Note: forecasted for 2018 and beyond;
*data pertains to fiscal year

Home

5. In focus: Union Budget FY20 - assessing the progress of fiscal reforms

Introduction

By providing FY19 revised estimates (RE), the interim budget for FY20 of the union government offers an opportunity to take stock of the progress of fiscal reforms over the last five years. Further the FY20 budget estimates (BE) indicate the direction of fiscal reforms and commitments for the next year.

Progress of fiscal reforms

In order to review the progress of fiscal reforms during the period from FY15 to FY19 (period 2), it may be useful to make a comparison with the corresponding averages during the previous five year period covering FY10 to FY14 (period 1). In Table 3, we consider the average magnitudes of important fiscal aggregates in period 2 relative to period 1.

Table 3: Fiscal aggregates-budgetary balance (as % of GDP)

	Gross tax revenue	Center's net tax revenue	Non-tax revenue	Center's net revenue receipts	Non-debt capital receipts	Fiscal deficit
FY 10	9.8	7.2	1.8	9.0	0.5	6.6
FY 11	10.4	7.5	2.9	10.3	0.5	4.9
FY 12	10.2	7.2	1.4	8.6	0.4	5.9
FY 13	10.4	7.5	1.4	8.8	0.4	4.9
FY 14	10.1	7.3	1.8	9.0	0.4	4.5
FY 15	10.0	7.2	1.6	8.8	0.4	4.1
FY 16	10.6	6.9	1.8	8.7	0.5	3.9
FY 17	11.2	7.2	1.8	8.9	0.4	3.5
FY 18	11.2	7.3	1.1	8.4	0.7	3.5
FY 19 (RE)	11.9	7.9	1.3	9.2	0.5	3.4
Period 1 (avg.)	10.2	7.3	1.8	9.2	0.4	5.4
Period 2 (avg.)	11.0	7.3	1.5	8.8	0.5	3.7
Period 2 minus 1	0.8	0.0	-0.3	-0.4	0.1	-1.7

Source (Basic data): Union Budget documents and MOSPI

The outstanding feature in period 2 is the emphasis on reducing fiscal deficit so as to bring it in line with the Fiscal Responsibility and Budget Management Act (FRBMA) target despite the impact of the sharp increase in state's share of central taxes following the recommendations of the Fourteenth Finance Commission from 32% to 42%. Comparing the average of period 2 vis-à-vis period 1, it is evident that fiscal reforms from FY15 to FY20 resulted in the reduction of fiscal deficit relative to GDP by 1.7% points (Table 3). This reduction in fiscal deficit is not due to revenue side gains. In fact, comparing the average of period 2 to period 1, there is a positive gain in the gross tax revenue to GDP ratio by a margin of 0.8% points. But this gain was neutralized by an increase in the share of states in central taxes from 32% to 42% in FY16 following the recommendations of the 14th Finance Commission. As a result, the gain in center's net tax revenue to GDP ratio was nil. Furthermore, non-tax revenues relative to GDP actually fell by a margin of 0.3% points. This was partially balanced by a small increase in non-debt capital receipts to GDP ratio (Table 3).

Table 4: Deficit and debt % of GDP

	As % of GDP				Ratio	
	Revenue deficit	Fiscal deficit	Primary deficit	Debt	RD/FD	CE/FD
FY 10	5.3	6.6	3.2	55.4	81.0%	26.9%
FY 11	3.3	4.9	1.8	51.6	67.5%	41.9%
FY 12	4.5	5.9	2.8	51.7	76.4%	30.7%
FY 13	3.7	4.9	1.8	51.0	74.3%	34.0%
FY 14	3.2	4.5	1.1	50.5	71.0%	37.3%
FY 15	2.9	4.1	0.9	50.1	71.6%	38.5%
FY 16	2.5	3.9	0.7	50.1	64.3%	47.5%
FY 17	2.1	3.5	0.4	48.4	59.1%	53.1%
FY 18	2.6	3.5	0.4	48.2	75.1%	44.5%

	As % of GDP				Ratio	
	Revenue deficit	Fiscal deficit	Primary deficit	Debt	RD/FD	CE/FD
FY 19 (RE)	2.2	3.4	0.2	48.1	64.8%	49.9%
Period 1 (avg.)	4.0	5.4	2.2	52.0	74.1%	34.2%
Period 2 (avg.)	2.5	3.7	0.5	49.0	67.0%	46.7%
Period 2 minus 1	-1.5	-1.7	-1.7	-3.1	-7.1%	12.5%

Source (Basic data): Union Budget documents and MOSPI

The burden of reducing the fiscal deficit therefore fell almost entirely on the expenditures. As Table 5 shows, this was largely driven by a fall in center's revenue expenditure relative to GDP by a margin of 1.9% points. This in turn was due mainly to a fall in government subsidies relative to GDP by a margin of 0.7% points. This was driven by subsidy reforms aimed at better targeting through the direct benefit transfer schemes. Comparing the last year of period 1 when the debt to GDP ratio stood at 50.5%, to the year 2018-19 which is the last year of period 2, this was brought down, although only marginally to 48.1% (Table 4).

Table 5: Center's expenditure as % of GDP

	Interest Payments	Pensions	Subsidies	Revenue expenditure	Capital expenditure	Total expenditure
FY 10	3.3	0.9	2.2	14.3	1.8	16.1
FY 11	3.1	0.8	2.3	13.6	2.1	15.7
FY 12	3.1	0.7	2.5	13.1	1.8	14.9
FY 13	3.1	0.7	2.6	12.5	1.7	14.2
FY 14	3.3	0.7	2.3	12.2	1.7	13.9
FY 15	3.2	0.8	2.1	11.8	1.6	13.3
FY 16	3.2	0.7	1.9	11.2	1.8	13.0
FY 17	3.1	0.9	1.5	11.0	1.9	12.9
FY 18	3.1	0.9	1.3	11.0	1.5	12.5
FY 19 (RE)	3.1	0.9	1.6	11.4	1.7	13.0
Period 1 (avg.)	3.2	0.7	2.4	13.2	1.8	15.0
Period 2 (avg.)	3.2	0.8	1.7	11.3	1.7	13.0
Period 2 minus 1	0.0	0.1	-0.7	-1.9	-0.1	-2.0

Source (Basic data): Union Budget documents and MOSPI

Capital expenditure relative to GDP also fell by a small margin of 0.1% points in period 2 as compared to period 1.

As Table 6 indicates, comparing periods 1 and 2, the fall in petroleum subsidies by 0.4% points was the largest, followed by a fall of 0.3% points in fertilizer subsidies. In both these cases, there is a link with petroleum prices. As such this reduction in the subsidy amounts relative to GDP was facilitated by the fall in the global crude prices during FY16 onwards.

Table 6: Subsidies as % of GDP

	Major subsidies	Fertilizer subsidy	Food subsidy	Petroleum subsidy
FY 10	2.1	1.0	0.9	0.2
FY 11	2.2	0.8	0.8	0.5
FY 12	2.4	0.8	0.8	0.8
FY 13	2.5	0.7	0.9	1.0
FY 14	2.2	0.6	0.8	0.8
FY 15	2.0	0.6	0.9	0.5
FY 16	1.8	0.5	1.0	0.2
FY 17	1.3	0.4	0.7	0.2
FY 18	1.1	0.4	0.6	0.1
FY 19 (RE)	1.4	0.4	0.9	0.1
Period 1	2.3	0.8	0.9	0.7
Period 2	1.5	0.5	0.8	0.2
Period 2 minus 1	-0.7	-0.3	0.0	-0.4

Source (Basic data): Union Budget documents and MOSPI

Performance of taxes

Recognizing that tax reforms also played a critical role in the overall fiscal reforms, we have examined the performance of major individual taxes. In the case of personal income tax, the revenues as a percentage of GDP increased by a margin of 0.4% points in period 2 as compared to period 1. Most of this increase was due to the expansion of the tax base where the number of people filing returns increased significantly from 3.5 crore in FY15 to 5.4 crore in FY18[2], showing a growth of about 55%. In the case of corporation tax however, there is a fall by a margin of 0.4% points during the same period. The NDA government had announced a target to reduce the corporate income tax rate from 30% to 25%. Although this was introduced only partially, this may have had an impact on the corporate tax revenues.

Table 7: Tax revenues as % of GDP

	DT	CIT	PIT	IDT			Gross TR
				Customs	Domestic IDT	Total	
FY 10	5.9	3.8	2.1	1.3	2.6	3.9	9.8
FY 11	5.8	3.9	1.9	1.8	2.8	4.5	10.4
FY 12	5.7	3.7	1.9	1.7	2.8	4.5	10.2
FY 13	5.6	3.6	2.0	1.7	3.1	4.8	10.4
FY 14	5.7	3.5	2.2	1.5	2.9	4.5	10.1
FY 15	5.6	3.4	2.1	1.5	2.9	4.4	10.0
FY 16	5.4	3.3	2.1	1.5	3.7	5.2	10.6
FY 17	5.5	3.2	2.4	1.5	4.2	5.6	11.2
FY 18	5.9	3.3	2.5	0.8	4.6	5.4	11.2
FY 19 (RE)	6.4	3.6	2.8	0.7	4.9	5.6	11.9
Period 1	5.7	3.7	2.0	1.6	2.8	4.4	10.2
Period 2	5.7	3.4	2.4	1.2	4.0	5.2	11.0
Period 2 minus 1	0.0	-0.4	0.4	-0.4	1.2	0.8	0.8

Source (Basic data): Union Budget documents and MOSPI

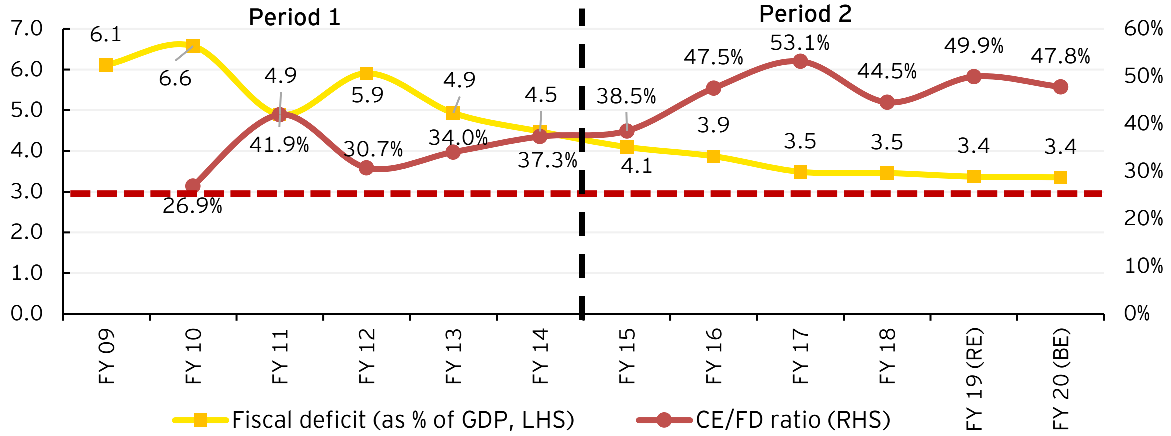
In the case of indirect taxes, a major reform was the implementation of GST in 2017. Since this brought about a change in the composition of indirect taxes, it is difficult to compare revenue performance of individual taxes with the pre-GST years. As such we are looking at the aggregate category of domestic indirect taxes which relative to GDP show an increase of 1.2% points in period 2 as compared to period 1 (Table 7). Much of this happened from FY16 when the global crude prices had dipped to a significant extent thereby creating room for the central government to increase the specific component of the union excise duty on petroleum products.

Improvement in fiscal balance: Future course

We note that even by FY19, the government could still not achieve the FRBMA target of 3% of GDP (Chart 6) although the quality of fiscal deficit improved. Measuring quality of fiscal deficit by considering the portion of borrowing that goes for financing capital expenditure, it may be noted that in period 1 on average, this ratio was 34.2%. It improved to 46.7% in period 2, that is, an improvement of 12.5% points.

[2] https://www.incometaxindia.gov.in/Documents/Direct%20Tax%20Data/Income-tax-statistics-i-t-return-ay-2017-18-v1.pdf

Chart 6: Center's fiscal deficit to GDP ratio and capital expenditure to fiscal deficit ratio



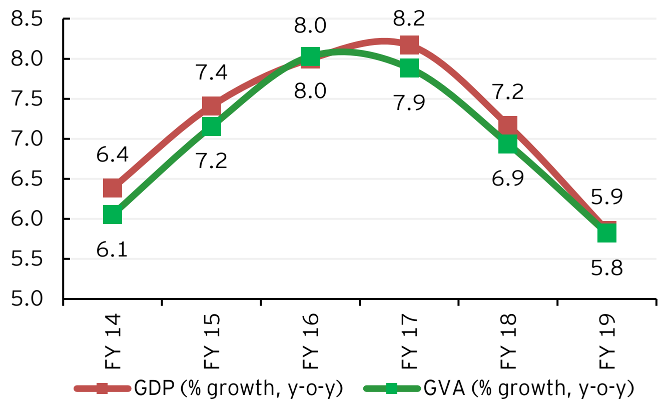
Source (Basic data): Union Budget documents and MOSPI

Considering that in the FY20 budget estimates, the fiscal deficit to GDP ratio is budgeted at 3.4%, the FRBMA target still appears to be at some distance. The glide path of fiscal deficit given in the medium-term fiscal policy cum fiscal policy strategy statement reflects a sudden reduction in fiscal deficit to GDP from 3.4% in FY20 to 3.0% in FY21 in one go. Achieving this would require considerable improvement on the revenue side of the budget as the room for adjustment on the expenditure side is very narrow. There is however a possibility of revision of the GDP numbers when the provisional estimates for FY19 are announced which might have implications on fiscal aggregates measured relative to GDP.

GDP at current prices: Revision in provisional estimates may be critical

The FY20 budget uses nominal GDP magnitude which is the same as that given in GDP Advance Estimates (FY19) that were released by the CSO on 7th January 2019. However, the real and nominal GDP estimates were significantly changed in the first revised estimates of GDP for FY18, which was released a day prior to the presentation of the budget FY20. Since the budget has used the advanced estimates of nominal GDP, the implied sharp fall in real GDP growth to less than 6% in FY19 (Chart 7) may be revised which may in turn modify all budgetary parameters measured as a ratio of GDP. This may imply a fall in fiscal deficit to GDP ratio from 3.4% in FY19 as also a fall in the capital expenditure to GDP ratio from 1.6%.

Chart 7: Real GDP and GVA growth



Source (basic data): MOSPI

Table 8: Nominal GDP

Year	Nominal GDP		
	CSO	As per 2019-20 BE	Growth
	INR crore		% annual
FY 14	112,33,522		13.0
FY 15	124,67,959		11.0
FY 16	137,71,874		10.5
FY 17	153,62,386		11.5
FY 18	170,95,005		11.3
FY 19	188,40,731	188,40,731	10.2
FY 20		210,07,439	11.5

Source (basic data): MOSPI, Union budget 2019-20

Observations on FY19 revised estimates and FY20 budget estimates

The interim budget projections for FY20 as compared to the FY19 RE show a reasonable growth rate in gross tax revenues of 13.5%. However, the FY19 RE is dependent on achieving a growth rate of 17.2% in the center's gross tax revenues. This high growth rate is shown in spite of the fact that in the case of GST revenues, as compared to the budgeted amount, a shortfall of INR100,000 crores is shown in FY19 RE.

Table 9: Growth and buoyancy of center's tax revenues

	DT	CIT	PIT	Total IDT	Domestic IDT	Gross TR
Growth in central tax revenue (% ann)						
FY 18	17.9	17.8	18.1	5.9	23.0	11.8
FY 19 (RE)	19.8	17.5	22.8	14.3	16.5	17.2
FY 20 (BE)	15.0	13.3	17.2	11.8	11.8	13.5
FY 20 (BE) minus FY 19 (RE)	-4.8	-4.2	-5.6	-2.5	-4.7	-3.6
Buoyancy of central taxes						
FY 18	1.6	1.6	1.6	0.5	2.0	1.0
FY 19 (RE)	1.9	1.7	2.2	1.4	1.6	1.7
FY 20 (BE)	1.3	1.2	1.5	1.0	1.0	1.2

Source (Basic data): Union Budget documents and MOSPI

The shortfall in GST revenues is made up by increasing the budgeted corporate tax revenues by a margin of INR. 50,000 crore. According to the latest CGA release, in the first nine months during April-December FY19, corporate tax revenues accounted for 63.7% of the 2018-19 revised estimates. In the remaining three months, the corporate tax revenues need to grow by 24.2% over the corresponding period of the previous fiscal to achieve the revised estimates for the full year. The corresponding growth in corporate tax revenues in the January-March period for the last four years (FY15 to FY18) on average was only 10.2%. In the case of personal income tax, there is no change in the revised estimates compared to the budget estimates. During the period from April-December FY19, income tax revenues accounted for only 57.1% of the revised estimate for FY19. Here, the growth required in the January-March period to achieve the full year target is 55.5%. In comparison, the corresponding growth achieved on an average during the last four years is only 15.2%. Thus, in both the cases, the projected growth rates in the revised estimates appear to be much above the average performance in recent years.

Furthermore, in the case of GST compensation cess, the budgeted amount is equal to the revised amount at INR 90,000 crore. However, the budgeted transfer to the compensation fund during FY19 is only INR 51,735 crore. This leaves an amount of INR 38,265 crore with the central government which eventually will have to be transferred to the compensation fund. In fact, the government has taken credit of a large amount of dividends from the RBI. It is INR74,140 crore for FY19 RE which is INR 19,323 crore more than what was budgeted. Further, RBI dividends for FY20 have been budgeted at INR 82,912 crore which is nearly 85% more than the actual dividends from the RBI in FY18.

Expenditure side of the Budget: Fiscal stimulus

The government has introduced a number of measures to stimulate demand in the economy. First, in the form of direct transfers to farmers, a budgetary commitment for INR20,000 crore in FY19 and INR75,000 crore in FY20 has been provided. This is to serve as relief to small and marginal farmers to the extent of INR6,000 per year per farmer. Secondly, the standard deduction for salaried employees has been raised from INR40,000 to INR50,000. Third, a tax relief has been given to low to middle income groups with a taxable income of less than INR5 lakh. This relief is to be claimed as a rebate. These programs are likely to add to the private disposable incomes of low to middle income segments. They have the potential of raising consumption demand in the economy since the relatively lower income groups tend to have a higher marginal propensity to consume. This fiscal stimulus is likely to have a tangible positive effect on growth. Its impact on the inflation rate may be limited under the current circumstances since food inflation in January 2019 was contracting at (-) 2.2% y-o-y and the overall CPI inflation was quite low at 2.0%. At the moment global growth prospects are also considered somewhat subdued (IMF 2019, World bank 2019)[3]. The global crude prices therefore are not expected to show any major sustained upward pressure. It may however be noted that stimulus brought through increasing capital expenditure would have been desirable since India's investment rate has been falling in recent years.

[3] Global growth is projected at 2.9% in 2019, a downward revision of 0.1% points (World Bank Global Economic Prospects January 2019). IMF (World Economic Outlook update January 2019) has also revised down the global growth projection by 0.2% points to 3.5% in 2019.

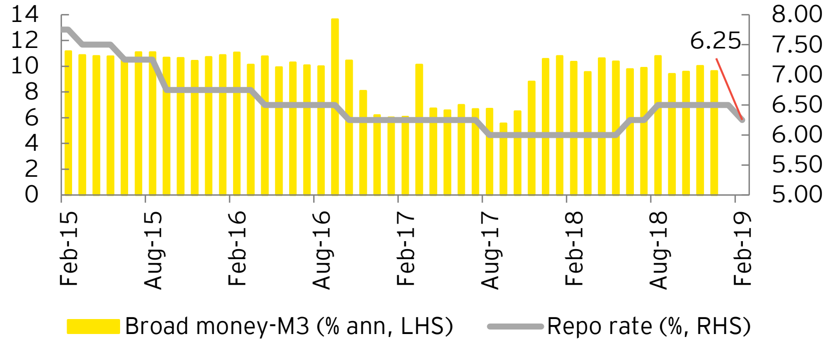
6. Money and finance: The RBI lowered the repo rate to 6.25% in February 2019

A. Monetary sector

Monetary policy

- RBI lowered its policy repo rate for the first time since August 2017 in its sixth bi-monthly monetary policy review on 7 February 2019. The repo rate was lowered by 25 basis points to 6.25% from 6.50%. The Monetary Policy Committee also changed the policy stance to "neutral" from "calibrated-tightening". This was because of a continued downward trend in CPI inflation, which reached a low of 2.2% in December 2018
- In its outlook for inflation, the RBI observed that the unprecedented lower inflation rates across food sub-group and larger than expected moderation in inflation of fuel group have impacted the inflation projections during the current fiscal

Chart 8: Growth in broad money and movements in repo rate



Source: Database on Indian Economy, RBI.

The RBI lowered the policy repo rate by 25 basis points to 6.25% in February 2019 and changed its policy stance to neutral.

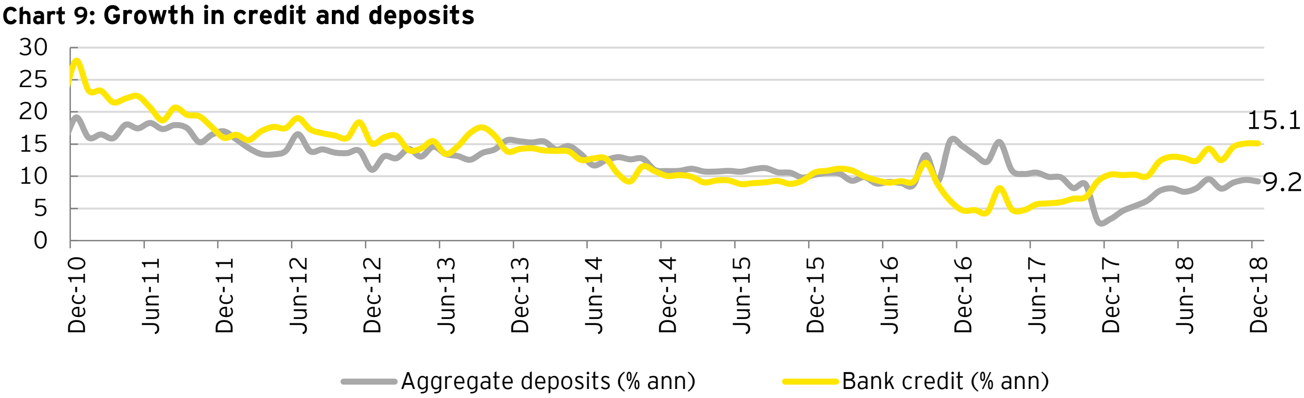
Money stock

- Broad money stock (M3) grew at a slower pace of 9.6% in December 2018 as compared to 10.0% (y-o-y) in November 2018 (Chart 10). Time deposits, which account for over 76% of the broad money stock however, grew by 8.8% in December 2018, marginally higher than 8.4% in November 2018
- Growth in narrow money (M1) was lower at 12.7% (y-o-y) in December 2018 as compared to 15.8% in November 2018 due to a slower growth in demand deposits (2.6%) during the month

Aggregate credit and deposits

- Bank credit growth remained stable at a five year high of 15.1% (y-o-y) in December 2018, similar to the level seen in November 2018 (Chart 11), pointing towards strengthening demand conditions

Chart 9: Growth in credit and deposits



Source: Database on Indian Economy, RBI.

- Growth in non-food credit slowed to 12.8% in December 2018 as compared to 13.8% (y-o-y) in November 2018 due to moderation in the credit offtake in services sector
- Although credit to services sector continued to post a robust growth of 23.2% in December 2018, it was lower than 28.1% in November 2018. Growth in credit to industries increased further to 4.4% in December

2018 as compared to 4.0% in November. Growth in credit to agricultural sector also increased to 8.4% in December 2018 from 7.7% in November 2018

- Growth in housing sector credit improved to 17.1% in December 2018 as compared to 16.8% in November 2018
- Growth in aggregate bank deposits was marginally lower at 9.2% (y-o-y) in December 2018 as compared to 9.4% in November 2018

B. Financial sector

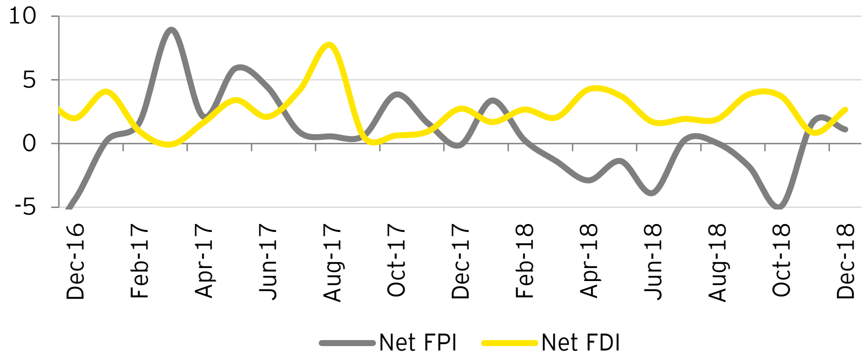
Interest rates

- As per the data released by the RBI, interest rates offered by banks on term deposits with a maturity of more than one year were maintained at 6.9% (average) in January 2019, similar to the levels seen in December 2018
- Banks retained the MCLR for two successive months, that is, for December 2018 and January 2019 at 8.35%. In line with the reduction in the policy rate in February 2019, banks may also lower the MCLR in the coming months
- From a recent peak of 8.0% in September 2018, the average yield on 10-year government securities have gradually moderated to 7.35% in January 2019. Even though a marginal deviation in center's fiscal deficit target for FY19 may add some pressure on government bond yields, it is likely to be outweighed by a sustained downward trend in CPI inflation

FDI and FPI

- As per the provisional data released by the RBI, the overall foreign investment inflows (FIIs) increased further to US$3.8 billion in December 2018 from US$2.6 billion in November 2018 led by increased FDI inflows during the month

Chart 10: Net FDI and FPI inflows



Net FDI inflows increased to US$2.7 billion in December 2018 from a recent low of US$0.9 billion in November 2018.

Source: Database on Indian Economy, RBI.

- Net FDI inflows rose sharply to US$2.7 billion in December 2018 as compared to US$0.9 billion in November 2018 (Chart 10). Gross FDI inflows were also significantly higher at US$5.7 billion during the month as compared to US$3.3 billion in November 2018
- In the 9-months of this fiscal year, gross FDI inflows were at US$46.6 billion as compared to US$47.9 billion in the corresponding period of FY18
- Net FPI inflows were at US$1.1 billion in December 2018, lower than US$1.7 billion in November 2018

7. Trade and CAB: growth in merchandise exports remained low at 3.7% in January 2019

A. CAB: Current Account Deficit (CAD) increased to 2.9% of GDP in 2QFY19

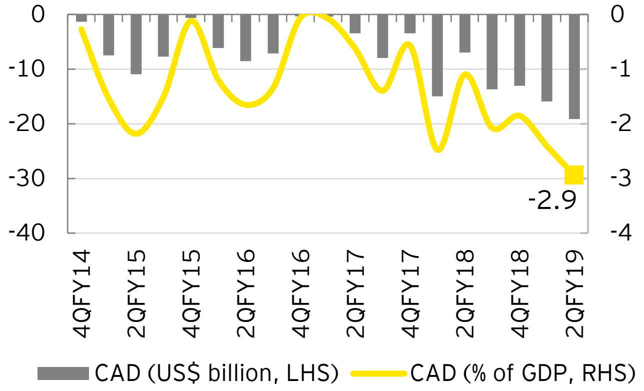
- CAD in 2QFY19 increased to a 21-quarter high of 2.9% of GDP from 2.4% of GDP in 1QFY19 (Table 10) as merchandise trade deficit rose to a 23-quarter high of US$50.0 billion. This was due to merchandise imports reaching an all-time high of US$133.4 billion due to faster growth in oil imports, even as exports growth remained subdued. However, CAD is expected to moderate in 3QFY19, reflecting the lower oil import bill

Table 10: Components of CAB in US$ billion

	CAB (-deficit/ +surplus)	CAB as a % of nominal GDP	Goods account net	Services account net
FY15	-26.8	-1.3	-144.9	76.6
FY16	-22.2	-1.0	-130.1	69.7
FY17	-15.3	-0.7	-112.4	67.5
FY18	-48.7	-1.9	-160.0	77.6
3QFY18	-13.7	-2.1	-44.0	20.7
4QFY18	-13.1	-1.9	-41.6	20.2
1QFY19	-15.9	-2.4	-45.8	18.7
2QFY19	-19.1	-2.9	-50.0	20.2

Source: Database on Indian Economy, RBI.

Chart 11: CAD



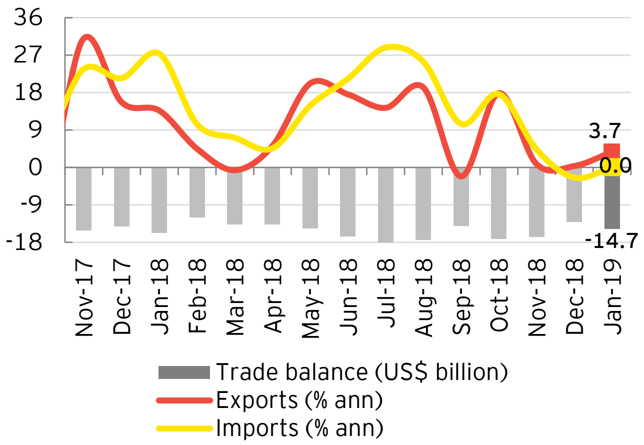
Source: Database on Indian Economy, RBI.

B. Merchandise trade and exchange rate

Growth in exports improved to 3.7% in January 2019 from 0.3% in December 2018. Growth in imports was 0% in January 2019 as compared to (-) 2.4% in December 2018.

- Merchandise exports growth increased to 3.7% in January 2019 from 0.3% in December 2018 (Chart 12) even as oil exports contracted for the first time in nine months by (-) 19.0% as compared to a growth of 13.2% over the same period

Chart 12: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Growth in exports of engineering goods and gems and jewelry turned positive at 1.1% and 6.7% respectively in January 2019 from (-) 3.1% and (-) 19.2% respectively in December 2018
- Growth in exports excluding oil, gold and jewelry increased to a three-month high of 8.2% in January 2019 from 1.1% in December 2018
- Imports growth was 0% in January 2019 as compared to a contraction of (-) 2.4% in December 2018, as growth in imports of gold and electronic goods turned positive at 38.2% and 8.0% respectively in January 2019 from (-) 24.3% and (-) 9.1% respectively in December 2018
- Oil imports contracted for the first time in 29 months by (-) 3.6% in January 2019 as compared to a growth of 3.2% in December 2018
- Merchandise trade deficit increased to US$14.7 billion in January 2019 after having fallen to a 10-month low of US$13.1 billion in December 2018. Goods and services trade deficit fell to a 10-month low of US$6.5 billion in December 2018 from US$10.1 billion in November 2018
- The Indian Rupee remained stable at INR70.7 per US$ in January 2019, the same level as in December 2018

Home

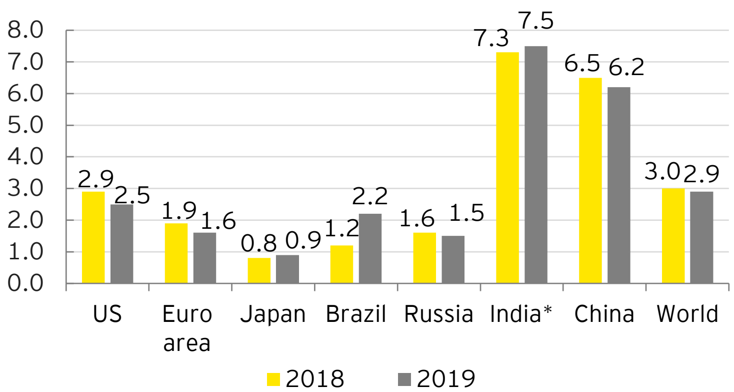
8. Global growth: The World Bank projected global growth at 3% in 2018, slowing to 2.9% in 2019

A. Global growth outlook

- The World Bank (Global economic Prospects, January 2019) has revised down the global growth estimate for 2018 by 0.1% points to 3%. Growth is projected to moderate to 2.9% in 2019 due to a slowdown in industrial activity and trade (Chart 13)
- Growth in advanced economies is estimated at 2.2% in 2018 and is forecasted to fall to 2% in 2019. Growth estimate and forecast for EMDEs have been revised down by 0.3% points and 0.5% points for 2018 and 2019 respectively. The growth estimate as well as the forecast for both years stand at 4.2%
- In the US, growth estimate for 2018 has been revised upward by 0.2% points to 2.9% supported by fiscal support but leading to larger and persistent fiscal deficit. Growth is expected to fall to 2.5% in 2019 as monetary policy accommodation is removed and fiscal stimulus fades
- Growth in Euro area is projected to decelerate to 1.9% in 2018 and 1.6% in 2019 as monetary stimulus is withdrawn and global trade growth moderates
- Growth in Japan is estimated at 0.8% in 2018 and it is expected to increase marginally to 0.9% in 2019 due to the exceptionally accommodative monetary policy
- Growth in China is estimated at 6.5% in 2018. But, it is expected to fall to 6.2% in 2019 mainly due to weaker exports
- Growth estimate and forecast for India in 2018 and 2019 remain unchanged at 7.3% and 7.5% respectively. Growth in India is expected to be supported by strengthening domestic demand

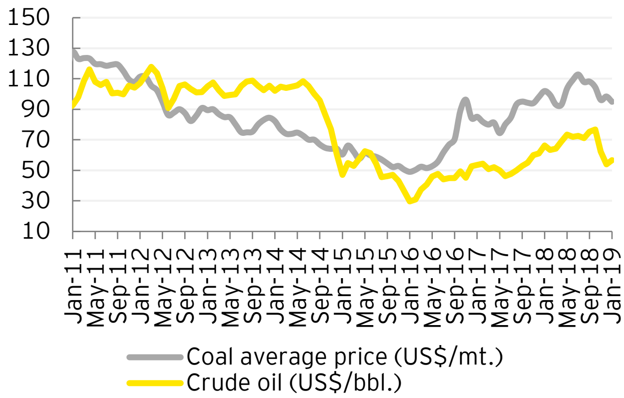
The World Bank has projected the global growth to slow down from a downwardly revised estimate of 3.0% in 2018 to 2.9% in 2019.

Chart 13: Global growth projections



Source: Global Economic Prospects, World Bank January 2019
Note: estimated for 2018 and forecasted for 2019;
*data pertains to fiscal year i.e. 2018 indicates 2018-19 and 2019 indicates 2019-20

Chart 14: Global crude and coal prices



Source (basic data): World Bank, Pink Sheet, February 2019

B. Global energy prices: *World Bank revised down the projection* for *global crude price to US$67/bbl. in 2019 and 2020*

- From its 15-month low of US$54.0/bbl. in December 2018, average global crude price[4] increased only marginally to US$56.6/bbl. in January 2019 (Chart 14). The World Bank in its January 2019 issue of the Global Economic Prospects revised down its projection for global crude price by US$2/bbl. to US$67/bbl. in 2019 and 2020
- Average global coal price[5] declined to US$94.9/mt. in January 2019 from US$98.4/mt. in December 2018

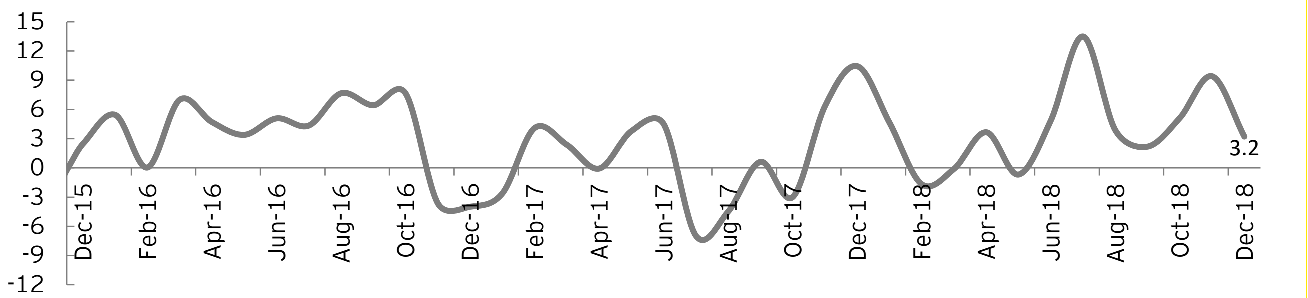
[4] Simple average of three spot prices namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[5] Simple average of Australian and South African coal prices

9. Index of Aggregate Demand (IAD): fell to 3.2% in December 2018

Growth in IAD fell to 3.2% in December 2018 due to weak demand conditions in the manufacturing sector

- An IAD has been developed 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
- 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)**
- The y-o-y growth in the index of aggregate demand moderated to 3.2% in December 2018 as compared to a strong growth of 9.4% in November 2018 (Chart 15). Demand in the agricultural sector and services sector strengthened in December 2018 while it weakened in the manufacturing sector (Table 11)

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



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

Table 11: IAD

Month	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
IAD	125.2	122.2	128.9	125.6	121.8	125.6	128.8	128.3	127.9
Growth (% y-o-y)	3.7	-0.7	4.9	13.5	3.9	2.2	5.1	9.4	3.2
Growth in agr. credit	5.9	6.4	6.5	6.6	6.6	5.8	8.0	7.7	8.4
Mfg. PMI**	2.2	1.7	2.7	1.7	2.2	2.9	3.8	4.9	2.7
Ser. PMI**	2.7	-0.1	5.8	3.0	-1.4	1.5	4.0	2.5	2.9

**Values here indicate deviation from benchmark value of 50. A positive value indicates expansion in demand while a negative value implies contraction in demand.

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							
FY 15	4.0	-1.3	3.8	14.8	4.9	FY15	52.2	51.7
FY 16	3.3	4.3	2.9	5.7	3.0	FY16	51.3	51.7
FY 17	4.6	5.3	4.3	5.8	4.8	FY17	51.6	51.0
FY 18	4.4	2.3	4.7	5.3	4.3	FY18	51.5	50.0
4Q FY 18	6.5	1.1	7.5	6.1	5.3	4Q FY18	51.8	49.9
1Q FY 19	5.1	5.4	5.1	4.9	5.5	1Q FY19	52.0	51.2
2Q FY 19	5.3	0.9	5.6	7.5	5.4	2Q FY19	52.1	52.2
3Q FY 19	3.6	2.8	3.4	6.8	3.6	3Q FY19	53.4	53.0
Sep-18	4.6	0.1	4.8	8.2	4.3	Oct-18	53.1	52.2
Oct-18	8.4	7.2	8.2	10.8	4.8	Nov-18	54.0	53.7
Nov-18	0.3	2.7	-0.6	5.1	3.4	Dec-18	53.2	53.2
Dec-18	2.4	-1.0	2.7	4.4	2.6	Jan-19	53.9	52.2

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

Table A2: Inflation indicators (annual, quarterly and monthly growth rates, y-o-y)

Fiscal year/quarter/month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY15	5.9	6.4	4.2	5.8	1.3	4.3	2.6	-6.1	2.7
FY16	4.9	4.9	5.3	4.9	-3.7	1.2	-1.8	-19.7	-1.8
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
4QFY18	4.6	3.6	6.8	5.1	2.8	0.6	3.1	4.7	3.8
1QFY19	4.8	2.9	6.1	6.0	4.7	1.2	3.8	12.3	4.4
2QFY19	3.9	0.7	8.4	5.7	5.0	-0.9	4.4	17.7	4.9
3Q FY19	2.6	-2.0	6.7	5.6	4.6	-0.8	4.1	14.2	4.8
Oct-18	3.4	-0.9	8.5	5.9	5.5	-0.5	4.6	18.7	5.2
Nov-18	2.3	-2.6	7.2	5.4	4.5	-2.0	4.2	15.5	4.9
Dec-18	2.1	-2.6	4.5	5.4	3.8	0.1	3.6	8.4	4.2
Jan-19	2.0	-2.2	2.2	5.1	2.8	1.8	2.6	1.8	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	Direct taxes*	Indirect taxes**	Fiscal deficit	Revenue deficit
						% of GDP	% of GDP
FY16	17.0	6.0	8.5	6.9	30.1	3.9	2.5
FY 17	17.9	6.7	21.5	12.3	21.6	3.5	2.1
FY 18	11.8	17.8	19.9	18.6	6.0	3.5	2.6
FY19 (RE over FY 18 actuals)	17.2	17.5	22.8	19.8	14.3	3.4	2.2
FY20 (BE over RE)	13.5	13.3	17.2	15.0	11.8	3.4	2.2
	Cumulated growth (%, y-o-y)					% of budgeted target	
May-18	29.9	-82.7	4.8	-13.7	59.3	55.3	68.0
Jun-18	22.1	-1.2	12.8	6.2	36.3	68.7	84.8
Jul-18	11.7	0.6	11.3	6.7	16.1	86.5	106.4
Aug-18	8.7	14.3	17.5	16.1	4.6	94.7	114.0
Sep-18	8.6	17.2	16.5	16.9	4.4	95.3	108.1
Oct-18	6.7	16.6	16.1	16.4	1.2	103.9	117.9
Nov-18	7.1	16.6	16.4	16.5	1.9	114.8	132.6
Dec-18	6.6	14.0	15.2	14.5	1.0	110.6#	130.5#

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 a proportion of Revised estimates FY20

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (center)
	INR crore				
FY 2019 (RE)	5,03,900	-	50,000	90,000	6,43,900
FY 2020 (BE)	6,10,000	-	50,000	1,01,200	7,61,200
	Monthly tax collection (INR crore)				
May-18	28,119	54	16,932	7,201	52,306
Jun-18	30,936	62	10,212	8,016	49,226
Jul-18	57,893	163	-39,903	7,963	26,116
Aug-18	36,047	327	5,199	7,405	48,978
Sep-18	29,862	109	14,753	7,850	52,574
Oct-18	47,951	126	-14,215	7,724	41,586
Nov-18	34,398	76	9,037	7,936	51,447
Dec-18	43,075	585	-9,368	7,700	41,992

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	M1	M3	Bank credit	Agg. deposits	10 yr. govt. bond yield	Net FDI	Net FPI	Fiscal year/quarter/month	FX reserves
	%		% change y-o-y				%	US$ billion			US$ billion
Mar-18	6.00	FY15	11.3	10.9	11.0	12.1	8.3	31.3	42.2	FY15	341.6
Apr-18	6.00	FY16	13.5	10.1	9.7	10.5	7.7	36.0	-4.1	FY16	355.6
May-18	6.00	FY17	3.1	10.1	7.9	11.6	7.0	35.6	7.6	FY17	370.0
Jun-18	6.20	FY18	22.1	9.5	7.5	7.5	7.0	30.3	22.1	FY18	424.4
Jul-18	6.25	3QFY18	22.1	9.5	10.1	5.4	7.5	6.4	2.3	4QFY18	409.4
Aug-18	6.50	4QFY18	18.1	9.8	12.7	7.8	7.8	9.9	-8.1	1QFY19	424.4
Sep-18	6.50	1QFY19	14.6	9.4	13.1	8.6	7.9	7.8	-1.6	2QFY19	406.1
Oct-18	6.50	2QFY19	12.7	9.6	14.9	9.2	7.7	7.2	-2.1	3QFY19	400.5
Nov-18	6.50	Sep-18	14.6	9.4	12.5	8.1	8.0	3.9	-1.8	Oct-18	392.1
Dec-18	6.50	Oct-18	14.7	9.6	14.6	9.0	7.9	3.7	-4.9	Nov-18	393.7
Jan-19	6.50	Nov-18	15.8	10.0	15.1	9.4	7.8	0.9	1.7	Dec-18	393.4
Feb-19	6.25	Dec-18	12.7	9.6	15.1	9.2	7.4	2.7	1.1	Jan-19	398.2

Source: Database on Indian Economy-RBI

Table A5: External trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/quarter /month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
FY15	-1.3	-0.5	-137.7	61.1	83.2	66.6	2012	3.5	1.2	5.3
FY16	-15.6	-15.2	-117.7	65.5	46.0	54.7	2013	3.3	1.2	5.0
FY17	5.1	0.9	-108.2	67.1	47.9	73.0	2014	3.4	1.9	4.6
FY18	9.8	20.2	-158.9	64.5	55.7	90.8	2015	3.4	2.1	4.3
4Q FY18	3.9	13.9	-42.0	64.3	64.6	98.1	2016	3.2	1.7	4.4
1Q FY19	14.2	13.5	-44.9	67.0	71.4	101.9	2017	3.8	2.4	4.7
2Q FY19	9.5	21.2	-49.4	70.2	73.0	109.6	2018**	3.7	2.3	4.6
3Q FY19	5.7	6.1	-46.9	72.1	64.3	99.7	2019**	3.5	2.0	4.5
Oct-18	17.9	17.6	-17.1	73.7	76.7	104.5	2020**	3.6	1.7	4.9
Nov-18	0.8	4.3	-16.7	71.8	62.3	96.2	2021*	3.6	1.7	4.9
Dec-18	0.3	-2.4	-13.1	70.7	54.0	98.4	2022*	3.6	1.5	4.8
Jan-18	3.7	0.0	-14.7	70.7	56.6	94.9	2023*	3.6	2.3	4.7

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook Update, October 2018; *indicates projections as per October 2018 database, ** Indicates projections as per January 2019 WEO update.

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
FY16#	8.0	0.6	10.1	13.1	4.7	3.6	10.2	10.7	6.1	1.2
FY17 (2nd RE) #	7.9	6.3	9.5	7.9	10.0	6.1	7.7	8.7	9.2	2.7
FY18 (1st RE) #	6.9	5.0	5.1	5.9	8.6	5.6	7.8	6.2	11.9	3.9
FY19 (AE)*	7.0	3.8	0.8	8.3	9.4	8.9	6.9	6.8	8.9	4.5
2QFY17	7.2	5.5	9.1	7.7	7.1	3.8	7.2	8.3	8.0	2.3
3QFY17	6.9	7.5	12.1	8.1	9.5	2.8	7.5	2.8	10.6	2.8
4QFY17	6.0	7.1	18.8	6.1	8.1	-3.9	5.5	1.0	16.4	5.1
1QFY18	5.6	3.0	1.7	-1.8	7.1	1.8	8.4	8.4	13.5	2.3
2QFY18	6.1	2.6	6.9	7.1	7.7	3.1	8.5	6.1	6.1	2.9
3QFY18	6.6	3.1	1.4	8.5	6.1	6.6	8.5	6.9	7.7	3.8
4QFY18	7.6	4.5	2.7	9.1	7.7	11.5	6.8	5.0	13.3	2.9
1QFY19	8.0	5.3	0.1	13.5	7.3	8.7	6.7	6.5	9.9	4.6
2QFY19	6.9	3.8	-2.4	7.4	9.2	7.8	6.8	6.3	10.9	4.7

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY19 (AE) are calculated over the provisional estimates for FY18 as per the first advance estimates of NAS released by MoSPI on 07 Jan 2019
Growth numbers based on the revised estimates of NAS released by MoSPI on 31 January 2019

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY16#	7.4	6.4	7.6	2.6	1.8	0.9	3.3
FY17 (2nd RE)#	8.0	7.4	6.8	5.2	-5.6	-5.9	2.1
FY18 (1st RE)#	8.2	7.3	12.2	10.1	5.0	4.0	3.5
FY19 (AE)*	7.2	6.1	10.9	7.6	4.4	9.9	3.0
2QFY17	7.6	7.5	8.2	10.5	2.4	-0.4	2.9
3QFY17	6.8	9.3	12.3	8.7	6.7	10.1	3.8
4QFY17	6.1	3.4	23.6	4.2	6.6	6.6	4.5
1QFY18	5.6	6.9	17.6	0.8	5.9	18.5	2.6
2QFY18	6.3	6.8	3.8	6.1	6.8	10.0	3.0
3QFY18	7.0	5.9	6.8	9.1	6.2	10.5	3.8
4QFY18	7.7	6.7	16.8	14.4	3.6	10.9	2.9
1QFY19	8.2	8.6	7.6	10.0	12.7	12.5	5.1
2QFY19	7.1	7.0	12.7	12.5	13.4	25.6	4.5

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY19 (AE) are calculated over the provisional estimates for FY18 as per the first advance estimates of NAS released by MoSPI on 07 Jan 2019
Growth numbers based on the revised estimates of NAS released by MoSPI on 31 January 2019

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	aggregate demand
2	AEs	Advanced Economies
3	Agr.	Agriculture, forestry and fishing
4	bcm	billion cubic meters
5	bbl.	barrel
6	BE	budget estimate
7	CAB	current account balance
8	CGA	Comptroller General of Accounts
9	CGST	Central Goods and Services Tax
10	CIT	corporate income tax
11	Cons.	Construction
12	CPI	Consumer Price Index
13	CSO	Central Statistical Organization
14	DGA	Director General of Hydrocarbons
15	Disc.	discrepancies
16	dmtu	dry metric ton unit
17	ECBs	external commercial borrowings
18	EIA	US Energy Information Administration
19	Elec.	Electricity, gas, water supply and other utility services
20	EMDEs	Emerging Market and Developing Economies
21	EXP	exports
22	FAE	first advanced estimates
23	FII	foreign investment inflows
24	Fin.	Financial, real estate and professional services
25	FPI	foreign portfolio investment
26	FY	fiscal year (April–March)
27	GDP	Gross Domestic Product
28	GFCE	Government final consumption expenditure
29	GFCF	Gross fixed capital formation
30	GoI	Government of India
31	GST	Goods and Services Tax

32	GVA	Gross value added
33	IAD	Index of Aggregate Demand
34	IEA	International Energy Agency
35	IGST	Integrated Goods and Services Tax
36	IIP	Index of Industrial Production
37	IMF	International Monetary Fund
38	IMI	Index of Macro Imbalance
39	IMP	imports
40	INR	Indian Rupee
41	IPD	implicit price deflator
42	MCLR	marginal cost of funds based lending rate
43	Ming.	mining and quarrying
44	Mfg.	Manufacturing
45	m-o-m	month-on-month
46	mt	metric ton
47	MoSPI	Ministry of Statistics and Programme Implementation
48	MPC	Monetary Policy Committee
49	NEXP	Net exports (exports minus imports of goods and services)
50	OECD	Organisation for Economic Co-operation and Development
51	ONGC	Oil and Natural Gas Corporation Limited
52	OPEC	Organization of the Petroleum Exporting Countries
53	PFCE	Private final consumption expenditure
54	PIT	personal income tax
55	PMI	Purchasing Managers' Index (reference value = 50)
56	RE	revised estimate
57	RBI	Reserve Bank of India
58	SLR	Statutory Liquidity Ratio
59	Tcf	trillion cubic feet
60	Trans.	trade, hotels, transport, communication and services related to broadcasting
61	US$	US Dollar
62	UTGST	Union territory goods and services tax
63	WPI	Wholesale Price Index
64	y-o-y	year-on-year
65	2HFY19	second half of fiscal year 2018-19, i.e., September 2018-March 2019
66	1HFY18	second half of fiscal year 2017-18, i.e., April 2018-September 2018

Our offices

Ahmedabad
2nd floor, Shivalik Ishaan
Near C.N. Vidhyalaya
Ambawadi
Ahmedabad - 380 015
Tel: + 91 79 6608 3800
Fax: + 91 79 6608 3900

Bengaluru
6th, 12th & 13th floor
"UB City," Canberra Block
No. 24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 4027 5000
+ 91 80 6727 5000
+ 91 80 2224 0696
Fax: + 91 80 2210 6000

Ground Floor, 'A' wing
Divyasree Chambers
11, O'Shaughnessy Road
Langford Gardens
Bengaluru - 560 025
Tel: +91 80 6727 5000
Fax: +91 80 2222 9914

Chandigarh
1st Floor, SCO: 166-167
Sector 9-C, Madhya Marg
Chandigarh - 160 009
Tel: +91 172 331 7800
Fax: +91 172 331 7888

Chennai
Tidel Park, 6th & 7th Floor
A Block, No. 4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100
Fax: + 91 44 2254 0120

Delhi NCR
Golf View Corporate Tower B
Sector 42, Sector Road
Gurgaon - 122 002
Tel: + 91 124 464 4000
Fax: + 91 124 464 4050

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000
Fax + 91 11 4731 9999

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
NOIDA - 201 304
Gautam Budh Nagar, U.P.
Tel: + 91 120 671 7000
Fax: + 91 120 671 7171

Hyderabad
Oval Office, 18, iLabs Center
Hitech City, Madhapur
Hyderabad - 500 081
Tel: + 91 40 6736 2000
Fax: + 91 40 6736 2200

Jamshedpur
1st Floor, Shantiniketan Building
Holding No. 1, SB Shop Area
Bistupur, Jamshedpur – 831 001
Tel: +91 657 663 1000
BSNL: +91 657 223 0441

Kochi
9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 304 4000
Fax: + 91 484 270 5393

Kolkata
22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400
Fax: + 91 33 6615 3750

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000
Fax: + 91 22 6192 1000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000
Fax: + 91 22 6192 3000

Pune
C-401, 4th floor
Panchshil Tech Park
Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000
Fax: + 91 20 6601 5900

Ernst & Young LLP

EY | Assurance | Tax | Transactions | Advisory

About EY

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

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

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

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

EYIN1902-011
ED None

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

RS1

ey.com/in

@EY_India EY|LinkedIn EY India EY India careers ey_indiacareers