Economy Watch

Monitoring India's macro-fiscal performance

January 2019

Building a better working world

Contents

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Highlights

1. CSO's advanced estimates indicate a pickup in real GDP growth on an annual basis to 7.2% in FY19 as compared to 6.7% in FY18.

2. This implies a slowing down of the Indian economy in 2HFY19 due primarily to a slowdown both in private and government consumption expenditure.

3. IIP data also indicates a deceleration in industrial growth. The IIP growth moderated to a 17-month low of 0.5% in November 2018 as compared to 8.8% in October 2018.

4. CPI inflation fell to an 18-month low of 2.2% in December 2018. WPI inflation also fell to an eight-month low of 3.8% in December 2018 from 4.6% in November 2018.

5. Lower inflation and a growth slowdown indicates a case for the RBI to consider a rate reduction in order to stimulate credit growth and overall growth.

6. Center's fiscal deficit during April-November 2018 stood at 115% of the FY19 annual budgeted target.

7. Growth in center's indirect tax revenues during April-November FY19 was quite low at 1.9% as compared to a budgeted growth of 22.2% over FY18 actuals.

8. At 0.3% in December 2018, growth in exports was near-zero. Growth in imports turned negative for the first time in 27 months at (-) 2.4%.

9. Merchandise trade deficit moderated to a 10-month low of US$13.1 billion in December 2018 from US$16.7 billion in November 2018.

10. Average global crude price fell to a 15-month low of US$54.0/bbl. in December 2018 from US$62.3/bbl. in November 2018.

11. The Indian Rupee appreciated to INR70.7 per US$ in December 2018 from INR71.8 per US$ in November 2018.

Foreword

Indian economy on the eve of Budget FY20

The trade data released in January 2019 shows a contraction in imports in December 2018 leading to an improvement in trade balance which reached a 10-month low of US$13.1 billion in December. This augers well for the Indian economy and is consistent with the advanced estimates of GDP which indicate a positive net contribution of the external sector to the GDP growth in the 2HFY19. Overall GDP growth indicates a slowing down of the economy after reaching a peak of 7.6% in the 1HFY19. This fall is mainly due to the slowing down of private final consumption expenditure and government final consumption expenditure although the expenditure on capital formation appears to be gathering momentum.

The Indian economy is likely to be helped substantially by the fall in the global crude prices in recent months. Average crude price has fallen to a 15-month low of US$53.9/bbl. in December 2018. This downward trend helps India's economy both in respect of the external and the domestic sectors. This may potentially improve the current account deficit to GDP ratio which was being estimated at close to 3.0% of GDP in the beginning of FY19. However, the lowering of crude prices not only directly reduces the dollar value of Indian crude imports but also improves the trade balance in India's favor, thereby positively influencing the exchange rate. The Indian rupee has recently started appreciating against the US$. Average exchange rate recovered to INR70.7/US$ in December 2018 from INR73.7/US$ in October 2018. The lower crude prices also have an implication for the fiscal deficit. It is possible to reduce fiscal deficit by the room created by lower crude prices through increasing the specific component of the excise duty rate and also reducing any subsidies on account of kerosene and gas that is still being financed by the central budget.

Given the slowdown in inflation as also the slowing down of the economy in 2HFY19, there may be a case for the RBI to consider, in its upcoming monetary policy review on 7 February 2019, whether a reduction in the policy rate can be undertaken. This may be non-inflationary but would uplift the growth prospects.

The NDA government would be presenting the last budget of its five-year term on 1 February 2019. Given the proximity of the elections which are due in May 2019, it could have been visualized as a vote on account or an interim budget. But the government has indicated that it is considering only a regular budget. Based on data concerning the relevant budgetary aggregates for the central government for eight months covering April to November 2018, it is apparent that meeting the budgeted fiscal deficit target at 3.3% of GDP for FY19 would be a difficult task due mainly to the underperformance of indirect tax revenues. As detailed in the In-Focus section of this issue, the government may still have certain options to meet the fiscal deficit target by taking recourse to one or more of the following: (a) partial postponement of due subsidy payments to next year, (b) getting additional dividends from the RBI and (c) undertaking marginal cuts in the budgeted revenue and capital expenditures. Although cuts in capital expenditure are not desirable, but if it becomes unavoidable, the government might still take recourse to this route so as to adhere to the fiscal deficit target without any tangible slippage.

The global economy seems to show signs of slowing down, which is one of the reasons why oil prices have also stabilized at a relatively lower level. The US economy, apart from its temporary shutdown due to the impasse between President Trump and the Senate on financing the border wall between the US and Mexico, also appears to be stabilizing with a low inflation rate. Analysts also assess that further hike in the US Fed rate may not be around the corner. The Chinese economy may also continue to slow down further in 2019.

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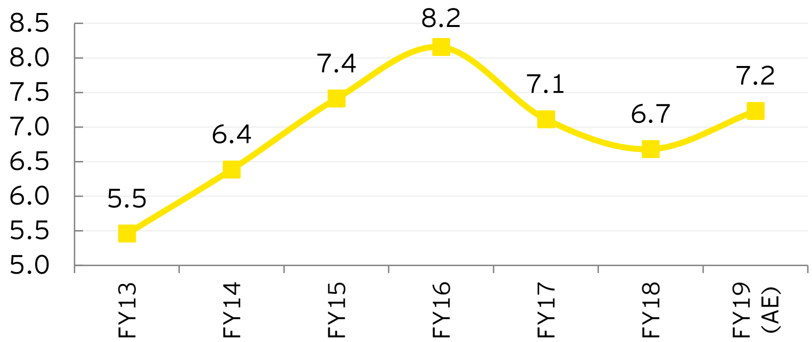
1. Growth: GDP growth improved to 7.2% in FY19

A. Growth: first advanced estimates (FAE) point to a pickup in real GDP growth on an annual basis to 7.2% in FY19 as compared to 6.7% in FY18.

- The FAE of national income accounts show that India's real GDP growth is likely to improve to 7.2% in FY19 from 6.7% in FY18 led by a higher growth in investment and lower negative contribution of net exports. However, the implied growth for 2HFY19 was significantly lower at 6.8% as compared to 7.6% in 1HFY19.
- Gross fixed capital formation (GFCF) and private final consumption expenditure (PFCE) is expected to support growth in FY19.
- GFCF showed a robust growth of 12.2% in FY19 as compared to 7.6% in FY18. Growth in PFCE was lower at 6.4% in FY19 as compared to 6.6% in FY18. Implied growth of PFCE in 2HFY19 was at 5.2%, the lowest since 1HFY16, and significantly lower than 7.8% in 1HFY19.
- Contribution of net exports to growth was less negative at (-) 0.8% points in FY19 as compared to (-) 1.5% points in FY19.
- On the output side, GVA growth is estimated to increase to 7.0% in FY19 from 6.5% in FY18 led by higher growth in manufacturing, construction and financial services sectors.
- Growth in manufacturing GVA increased to 8.3% in FY19 as compared to 5.7% in FY18. However, the implied 2HFY19 estimates show that the growth in manufacturing sector may slow down to 6.4% from 10.0% in 1HFY19.

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



Source: MoSPI, GoI

Table 1: Real GDP and GVA growth (%)

Aggregate demand component	*1H FY 17*	*2H FY 17*	*1H FY 18*	*2H FY 18*	1H FY 19	2H FY 19*	FY17	FY18	FY 19 (AE)
PFCE	7.9	6.3	6.9	6.3	7.8	5.2	7.3	6.6	6.4
GFCE	8.3	17.5	10.2	11.7	10.1	8.1	12.2	10.9	9.2
GFCF	13.2	6.3	3.4	11.8	11.3	13.0	10.1	7.6	12.2
EXP	3.0	6.7	6.3	4.9	13.1	11.1	5.0	5.6	12.1
IMP	-0.1	8.3	14.1	10.7	19.0	9.7	4.0	12.4	14.3
GDP	**7.9**	**6.4**	**6.0**	**7.4**	**7.6**	**6.8**	**7.1**	**6.7**	**7.2**
Net exp. contributions to growth (% points)	0.7	-0.4	-1.7	-1.3	-1.7	0.1	0.1	-1.5	-0.8
Sectoral real GVA growth (%)									
Agr.	4.8	7.3	2.8	3.7	4.6	3.3	6.3	3.4	3.8
Ming.	9.9	15.8	3.9	2.1	-1.0	2.4	13.0	2.9	0.8
Mfg.	8.8	7.0	2.6	8.8	10.3	6.4	7.9	5.7	8.3
Elec.	9.7	8.8	7.4	6.9	8.2	10.5	9.2	7.2	9.4
Cons.	3.4	-0.6	2.5	9.0	8.3	9.5	1.3	5.7	8.9
Trans.	8.1	6.4	8.4	7.6	6.8	7.1	7.2	8.0	6.9
Fin.	9.3	1.9	7.2	5.9	6.4	7.2	6.0	6.6	6.8
Publ.	7.8	13.4	9.6	10.5	10.5	7.4	10.7	10.0	8.9
GVA	**7.8**	**6.4**	**5.8**	**7.1**	**7.4**	**6.5**	**7.1**	**6.5**	**7.0**

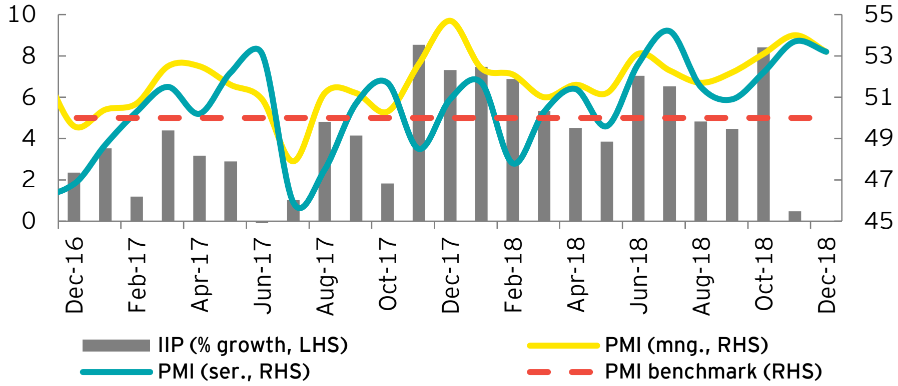
Source (basic data): MoSPI, * implied growth derived based on full year FAE

- Growth in the financial, real estate and professional services sector improved marginally to 6.8% in FY19 from 6.6% in FY18.
- Growth in agricultural and allied sectors marginally increased to 3.8% in FY19 as compared to 3.4% in FY18.
- GVA growth in public administration and defense sector moderated to 8.9% in FY19 from 10.0% in FY18.

B. IIP growth: decelerated to a 17-month low of 0.5% in November 2018

- IIP growth moderated to a 17-month low of 0.5% in November 2018 as compared to 8.8% (revised) in October 2018 (Chart 2) largely due to an unfavorable base effect along with contraction in the capital and consumer goods output.
- Manufacturing sector output (accounting for 77.6% of overall IIP) contracted to a 16-month low of (-) 0.4% in November from a robust growth of 8.2% (revised) in October 2018. Growth in the output of electricity and mining sectors fell to 5.1% and 2.7%, respectively in November 2018 from 10.8% and 7.2%, respectively in October 2018 (Table A1).
- Output of capital goods industry contracted by (-)3.4% in November 2018 after having grown by a 36-month high of 17.0% (revised) in October 2018. Similarly, output of consumer durables also contracted to (-) 0.9% in November 2018 from a growth of 17.6% in October 2018.
- Growth in the output of eight core infrastructure industries slowed to 3.5% (y-o-y) in November 2018 from 4.8% in October 2018. This was due to a lower growth in the output of cement (8.8%), electricity (5.4%), coal (3.7%) and petroleum refinery products (2.3%) during the month.

Chart 2: IIP growth and PMI



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

IIP growth slowed to a 17-month low of 0.5% in November 2018 largely due to an unfavorable base effect and contraction in the output of capital and consumer goods output.

C. PMI signaled a continued expansion in manufacturing and services in December 2018 although at a slower pace

- At 53.2 in December 2018, headline manufacturing PMI (seasonally adjusted (sa)) continued to expand although at a marginally slower pace as compared to 54.0 in November 2018 (Chart 2). On a quarterly basis, PMI manufacturing averaged 53.4 in 3QFY19, highest since 3QFY13.
- Despite falling marginally from its two-year high of 53.7 in November 2018, headline services PMI (sa) remained high at 53.2 in December 2018 indicating a continued expansion. On a quarterly basis, PMI services averaged 53 in 3QFY19.
- Reflecting marginal slowdown in manufacturing and services, the composite PMI Output Index (sa) decreased to 53.6 in December 2018 from 54.5 in November 2018. On a quarterly basis, composite PMI Output index averaged 53.7 in 3QFY19.

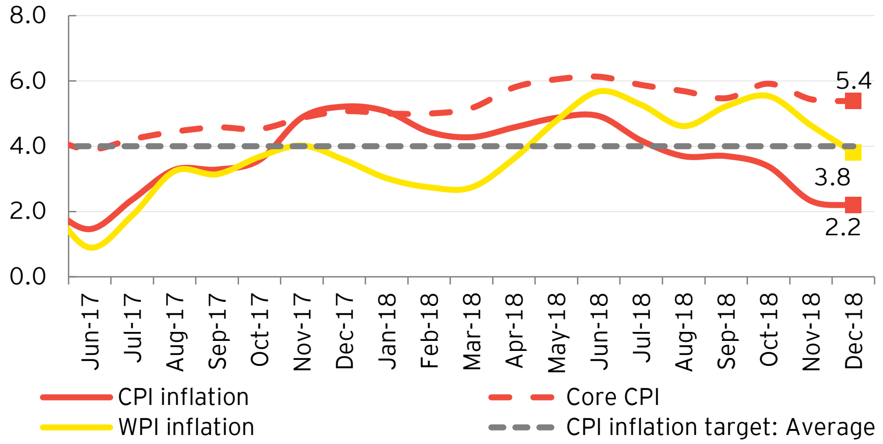
In December 2018, manufacturing and services PMI continued to expand although at a slower pace as compared to November 2018.

2. Inflation: CPI inflation fell to an 18-month low of 2.2% in December 2018

CPI inflation fell for the third successive month to an 18-month low of 2.2% (y-o-y) in December 2018 from 2.3% in November 2018 (Chart 3) driven mainly by falling inflation in fuel and housing and aided by continued contraction in food prices.

- The fall in crude prices led to a contraction in petrol prices for the first time in 28 months. As a result, inflation in transportation and communication services reached a nine-month low of 4.3% in December 2018 from 6.1% in November 2018.
- Fuel and light-based inflation also fell to an 18-month low of 4.5% in December 2018 from 7.4% in November 2018 as a result of significant moderation in inflation in LPG.
- Housing-based inflation decelerated for the sixth successive month to a 17-month low of 5.3% in December 2018 from 6.0% November 2018.
- Consumer food prices contracted by (-) 2.5% in December 2018 as compared to (-) 2.6% in November 2018. Inflation in fruits turned negative for the first time in 15 months at (-) 1.4% in December 2018 from 0.4% in November 2018.
- Core CPI inflation[1] remained stagnant at 5.4% in December 2018, the same level seen in November 2018.

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



CPI inflation reached an 18-month low of 2.2% while WPI inflation moderated to an eight-month low of 3.8% in December 2018 primarily due to the recent fall in global crude prices.

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

WPI inflation also fell to an eight-month low of 3.8% in December 2018 from 4.6% in November 2018 (Chart 3) led by a fall in inflation in fuel and manufactured basic metals.

- Fuel and power-based inflation nearly halved to an eight-month low of 8.4% in December 2018 from 16.3% in November 2018 driven by falling prices of mineral oils including diesel, naphtha and petrol.
- Inflation as per the food price index turned positive at 0.1% in December 2018 from (-) 2.0% in November 2018 as contraction in vegetable prices eased to (-) 17.5% from (-) 27.0% over the same period.
- Inflation in manufactured basic metal products moderated to 9.3% in December 2018 from 12.3% in November 2018. Consequently, inflation in manufactured products fell to an eight-month low of 3.6% in December 2018 from 4.2% in the previous month.
- WPI core inflation eased to 4.2% in December 2018, an eight-month low, from 4.9% in November 2018.

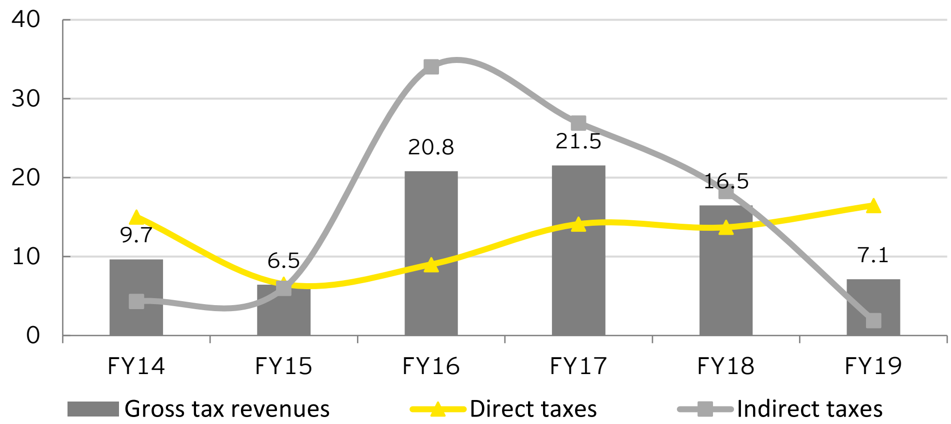
[1] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food and fuel and light from the overall index.

3. Fiscal performance: Fiscal deficit during Apr-Nov 2018 stood at 115% of the annual budgeted target

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA), gross central taxes grew by 7.1% during April-November FY19, lower than 16.5% during the corresponding period of FY18 mainly due to a subdued growth in indirect tax revenue during this period (Chart 4).
- During April-November FY19, gross taxes stood at 51.3% of the FY19 annual budgeted target, lower than the three-year average (FY16 to FY18) at 54.6% during April-November as a percentage of annual actuals.
- Growth in direct tax revenues was at 16.5% during April-November FY19 as compared to 13.7% in the corresponding period of FY18 due to a strong growth in both income and corporation tax revenues.
- Growth in corporate income taxes was at 16.6% during April-November FY19 as compared to 12.4% during April-November FY18. Growth in personal income taxes was at 16.4% during April-November FY19 as compared to 15.3% in the corresponding period of FY18.
- However, growth in indirect taxes (comprising union excise duties, service tax, customs duty#, CGST, UTGST, IGST* and GST compensation cess) remained subdued at 1.9% during April-November FY19 as compared to 18.3% in the corresponding period of FY18.
- The center's GST collection (CGST, UTGST, IGST* and GST compensation cess) up till November FY19 stood at INR3,82,911 crore, which was 51.5% of the FY19 budget estimate (BE).

Chart 4: Growth in cumulated central tax revenues up to November 2018



As per the CGA, growth in center's gross taxes was 7.1% during April-November FY19 as compared to 16.5% during the corresponding period of FY18.

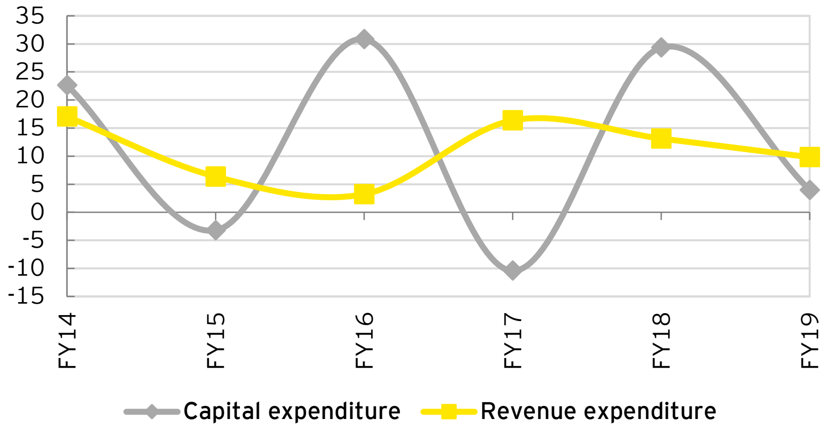
Source: Monthly Accounts, Controller General of Accounts, Government of India
Note: Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, service tax, customs duty, CGST, UTGST, IGST and GST compensation cess from July 2017 onwards; * IGST revenues 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 31.4% during April-November FY19 as compared to a contraction of (-) 39.7% in the corresponding period of FY18. Non-tax revenues during the first eight months of FY19 stood at 56.6% of the annual budgeted target as compared to three-year average (FY16 to FY18) at 62.5% during April-November as a percentage of annual actuals.
- According to the Department of Disinvestment, the disinvestment proceeds up to 28 December 2018 stood at INR34,142.35 crore which was 42.7% of the FY19 annual budgeted target at INR80,000 crores.

B. Expenditures: revenue and capital

- Center's total expenditure during April-November FY19 grew by 9.1% as compared to 14.9% in the same period in FY18 (Chart 5). During April-November FY19, total expenditure stood at 66.1% of the FY19 annual budgeted target.
- Growth in revenue expenditure was at 9.8% during April-November FY19, lower than 13.1% in the corresponding period of FY18. As percentage of the FY19 annual budgeted target, revenue expenditure up to November 2018 stood at 66.4%.
- Growth in center's capital expenditure slowed to 4% during April-November FY19, lower than 29.3% in the corresponding period of FY18. As percentage of the FY19 annual budgeted target, capital expenditure up to November 2018 stood at 63.7%.

Chart 5: Growth in cumulated central government expenditure up to November 2018



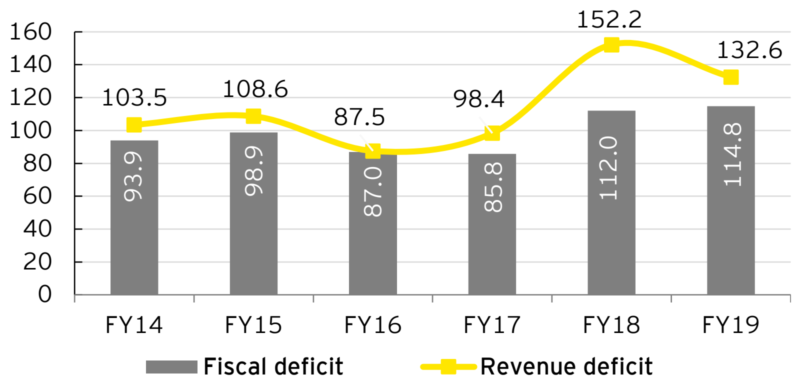
Center's total expenditure during April-October FY19 grew by 9.1%, lower than 14.9% during the same period in FY18.

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

C. Fiscal imbalance

- The center's fiscal deficit during April-November FY19 stood at 114.8% of the FY19 annual budgeted target as compared to 112% in the corresponding period of FY18 (Chart 6). Although sluggish growth in indirect tax revenues has been a cause of concern, the government may adhere to the FY19 fiscal deficit target by relying on non-tax revenues and receipts from disinvestment while avoiding any large expenditure cuts.
- The center's revenue deficit during April-November FY19 stood at 132.6% of the FY19 annual budgeted target, lower as compared to 152.2% in the corresponding period of FY18.

Chart 6: Cumulated fiscal and revenue deficit up to November 2018 as percentage of annual budgeted target



The center's fiscal deficit during April-November FY19 stood at 114.8% of the FY19 annual budgeted target. The corresponding number for revenue deficit was 132.6%.

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

Gross national saving as % of GDP

India's saving rate is projected to increase to nearly 30% by 2023.

- For AEs as a group, the saving rate was 22.8% in 2017 and it is estimated to remain about 23% during the forecast period from 2018 to 2023.
- Amongst the selected advanced economies, considering the period from 2017 to 2023, Japan has the highest savings rate followed by the US and the UK.
- Japan had a higher saving rate averaging around 31% in the 1980s and 1990s. It fell to about 24% in 2009 and then picked up to 28% by 2017. It is projected to increase slightly during the forecast period.
- The saving rate for EMDEs as a group is higher as compared to AEs. Considering the period from 2017 to 2023, it is in the range of 31.7% to 32.7%.
- Amongst EMDEs, China had the highest savings rate at 45.8% in 2017. China witnessed a saving rate of over 50% during 2007 to 2010. With the Chinese economy moving towards a consumption-driven growth model, the IMF expects the savings rate to fall by 4.2% points to 41.6% by 2023.
- India's saving rate was 28.8% in 2017 and it is projected to increase slightly to 29.9% by 2023. This would still be lower than the levels of over 30% achieved during the period from 2004 to 2015.

Table 2: Gross national saving as % of GDP

	2017	2018	2019	2020	2021	2022	2023
AEs	**22.8**	**22.8**	**22.9**	**23.1**	**23.1**	**23.0**	**23.0**
US	18.9	18.8	18.7	19.0	18.9	18.7	18.6
UK	13.6	13.7	14.0	14.4	14.6	14.8	15.1
Japan	28.0	28.1	28.4	28.8	28.9	28.6	28.5
EMDEs	**32.2**	**32.7**	**32.6**	**32.4**	**32.2**	**31.9**	**31.7**
Brazil	15.0	14.8	15.0	15.5	16.1	16.6	17.1
Russia	26.5	27.3	27.8	27.3	27.1	26.8	26.9
India*	28.8	28.5	29.1	29.4	29.6	29.7	29.9
China	45.8	44.9	44.4	43.9	43.1	42.4	41.6
World	**26.5**	**26.7**	**26.8**	**26.9**	**26.8**	**26.8**	**26.7**

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

Total investment as % of GDP

India's investment rate is projected to increase by 1.9% points to 32.5% by 2023

- The recovery in global growth in 2017 was led by a pick-up in investment in AEs and an end to investment contraction in some large commodity exporting EMDEs.
- For the forecast period, the IMF expects investment growth to be robust for the EMDEs while it is projected to be relatively weak in AEs as capital spending is projected to slow and the fiscal stimulus in the US is expected to wane.
- In terms of investment to GDP ratio, for AEs as a group, this is expected to increase from 21.6% in 2017 to 22.7% in 2021.
- For EMDEs as a group, investment rate is expected to remain close to 32.8% during 2018 to 2023.
- In the group of selected EMDEs, an increase in the investment rate is projected for Brazil and India but a decline is forecasted for Russia and China.

Table 3: Total investment as % of GDP

	2017	2018	2019	2020	2021	2022	2023
AEs	**21.6**	**22.0**	**22.4**	**22.7**	**22.7**	**22.7**	**22.6**
US	20.6	21.1	21.8	22.2	22.2	22.1	21.9
UK	17.4	17.2	17.2	17.5	17.6	17.8	17.9
Japan	24.0	24.5	24.6	24.7	24.7	24.5	24.3
EMDEs	**32.2**	**32.8**	**32.8**	**32.8**	**32.8**	**32.7**	**32.6**
Brazil	15.5	16.1	16.6	17.2	17.8	18.4	19.0
Russia	24.3	21.2	22.6	23.0	23.1	23.0	23.5
India*	30.6	31.5	31.6	31.8	32.0	32.2	32.5
China	44.4	44.2	43.7	43.2	42.6	42.1	41.5
World	**25.8**	**26.2**	**26.5**	**26.7**	**26.8**	**26.9**	**26.9**

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

5. In focus: state of central government finances - a pre-budget overview

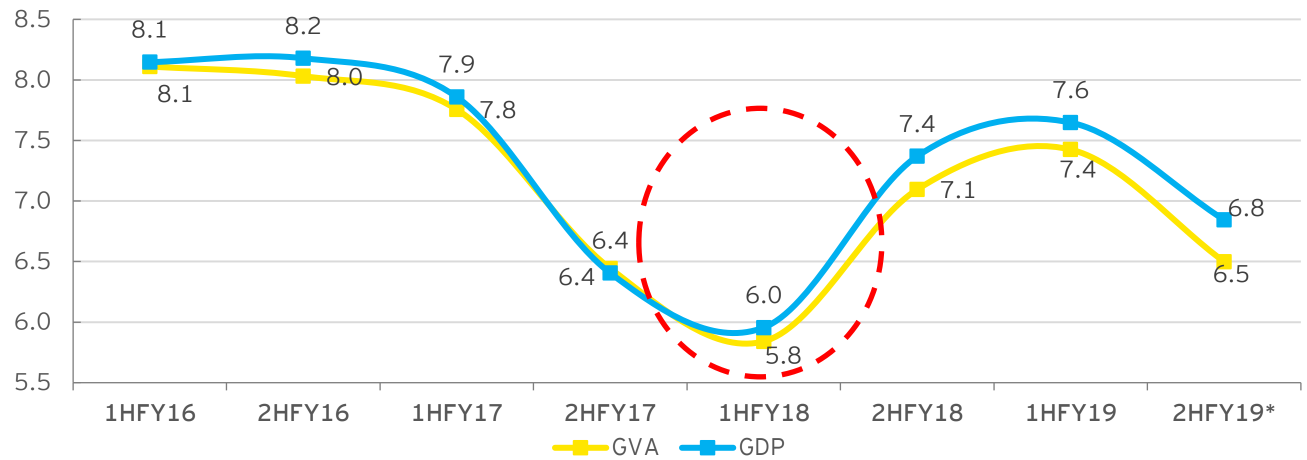
Introduction

The NDA government is about to complete its five-year term and would be required to present the last of its budget in this five-year period for FY20. Although the general elections are approaching, the government is considering a regular budget rather than an interim budget. It is difficult to say whether this budget would contain any major departures in policy or regulatory provisions. In order to assess the state of the finances, we may briefly review the state of the economy which provides the economic background to the budget and examine the budgetary prospects, making use of the data for the period April-November 2018, i.e., eight months of FY19.

The underlying economic scenario

The CSO has recently released advanced estimates of National Accounts for FY19 indicating an annual GDP growth of 7.2% at constant prices and 12.3% at current prices. After examining growth trends on a six-monthly basis, we found that growth has started to dip downwards in 2HFY19 as shown in Chart 7. Chart 7 also shows that following demonetization and GST, the real GDP growth rate dipped to a low of 6.0% in 1HFY18. After that the economy started to recover, reaching a peak growth of 7.6% in 1HFY19. The implied 2HFY19 growth has fallen to 6.8%, a fall of 0.8% points compared to 1HFY19. Table 5 shows that this fall is almost entirely due to the fall in final consumption expenditure, both private and government. However, growth in investment expenditure has increased and the contribution of net exports to growth has turned positive in this half compared to its negative contribution in 1HFY19.

Chart 7: Real GVA and GDP growth



Source (basic data): MoSPI, *Implied growth from 2HFY19 is derived using the advanced estimates for FY19

On the output side, GVA data indicate that while GVA growth fell to 6.5% in 2HFY19 from 7.4% in 1HFY19, this fall has mainly occured in the manufacturing, financial services and public administration and defence services (Table 4).

Table 4: Real GDP and GVA growth (% annual)

	1HFY15	*2HFY15*	*1HFY16*	*2HFY16*	*1HFY17*	*2HFY17*	*1HFY18*	*2HFY18*	*1HFY19*	*2HFY19**
Growth in aggregate demand component (%)										
PFCE	9.6	4.6	4.5	10.9	7.9	6.3	6.9	6.3	7.8	5.2
GFCE	9.2	11.8	3.9	4.5	8.3	17.5	10.2	11.7	10.1	8.1
GFCF	2.6	3.4	2.5	4.4	13.2	6.3	3.4	11.8	11.3	13.0
EXP	6.2	-2.3	-5.4	-5.4	3.0	6.7	6.3	4.9	13.1	11.1
IMP	2.1	-0.3	-4.7	-7.0	-0.1	8.3	14.1	10.7	19.0	9.7
GDP	**7.6**	**6.4**	**8.1**	**8.2**	**7.9**	**6.4**	**6.0**	**7.4**	**7.6**	**6.8**

	1HFY15	2HFY15	1HFY16	2HFY16	1HFY17	2HFY17	1HFY18	2HFY18	1HFY19	2HFY19*
Sectoral real GVA growth (%)										
Agr.	4.2	-0.9	2.5	-0.8	4.8	7.3	2.8	3.7	4.6	3.3
Ming.	11.4	8.5	11.4	12.2	9.9	15.8	3.9	2.1	-1.0	2.4
Mfg.	8.9	5.1	10.3	14.5	8.8	7.0	2.6	8.8	10.3	6.4
Elec.	8.4	4.4	4.1	5.7	9.7	8.8	7.4	6.9	8.2	10.5
Cons.	3.2	1.7	2.3	4.4	3.4	-0.6	2.5	9.0	8.3	9.5
Trans.	7.7	8.0	9.5	11.8	8.1	6.4	8.4	7.6	6.8	7.1
Fin.	12.4	12.8	11.9	9.5	9.3	1.9	7.2	5.9	6.4	7.2
Publ.	4.5	10.9	6.1	6.5	7.8	13.4	9.6	10.5	10.5	7.4
GVA	**7.8**	**6.3**	**8.1**	**8.0**	**7.8**	**6.4**	**5.8**	**7.1**	**7.4**	**6.5**

Source (basic data): MoSPI

Given this background, one of the first tasks before the government is to uplift growth by fiscal and monetary policies by supporting aggregate demand. This may call for increasing private disposable incomes through tax reliefs and increase in tax deductions and also some reduction in the interest rate. Both the monetary and fiscal authorities are about to undertake reviews of their policies and examine whether a case for stimulating demand exists. The RBI will come out with its monetary policy review on 7 February 2019 and the central government will spell out its fiscal policy stance on 1 February 2019.

Table 5: Contributions to GDP and GVA growth (% points)

	1H FY19	2H FY19*	Difference (2H minus 1H)
Growth in aggregate demand component (%)			
PFCE	4.3	3.0	-1.3
GFCE	1.2	0.8	-0.4
GFCF	3.5	4.2	0.7
EXP	2.7	2.2	-0.5
IMP	4.4	2.1	-2.3
Net-exports	**-1.7**	**0.1**	**1.8**
GDP	**7.6**	**6.8**	**-0.8**
Sectoral real GVA growth (%)			
Agr.	0.6	0.6	0.0
Ming.	0.0	0.1	0.1
Mfg.	1.8	1.2	-0.7
Elec.	0.2	0.2	0.0
Cons.	0.6	0.7	0.1
Trans.	1.3	1.4	0.1
Fin.	1.6	1.3	-0.3
Publ.	1.3	1.0	-0.3
GVA	**7.4**	**6.5**	**-0.9**

Source (basic data): MoSPI

The prospects of fiscal aggregates and the situation in regard to fiscal deficit can be assessed by looking at the trends in fiscal aggregates over the eight-month period of April-November 2018, which might also throw some light on the prospects of what might happen in the FY20 budget.

Tax revenues

During the eight-month period from April-November 2018, only 51.3% of the budgeted tax revenues have been collected leaving more than 48% to be collected in the balance four-month period (Table 6). This shortfall is largely due to the shortfalls both in direct and indirect tax revenues. In order to meet the budgeted targets, in the case of direct taxes a growth rate of 18.3% is required in the remaining period of the fiscal year over the corresponding period of last year as against a historical growth on average at 12.5%. This task is however far more demanding in the case of indirect taxes where a growth of 61.5% is required against a historical average growth in this period of only 10.7%.

Table 6: Performance of tax revenues

Revenues	Gross tax	Direct tax	Indirect tax	Gross tax	Direct tax	Indirect tax
Item	Value (INR cr, %)	Value (INR cr, %)	Value (INR cr, %)	As % of BE	As % of BE	As % of BE
FY19 BE	22,71,242	11,50,000	11,16,000	100.0%	100.0%	100.0%
Amount collected during April-November FY19	11,64,685	5,41,666	6,13,452	51.3%	47.1%	55.0%
December-March FY19 (gap)	11,06,557	6,08,334	5,02,548	48.7%	52.9%	45.0%
Growth achieved during April-November FY19 (% annual)				7.1	16.5	1.9
Growth required in Dec-Mar FY19 (% annual) to meet FY19 BE				33.0	18.3	61.5
Last four-years average annual growth during Dec-Mar (% annual)				11.4	12.5	10.7

Source (basic data): Union Budget documents, CGA

Even if the government is able to meet the direct tax target, some slippage in the indirect tax revenues seems to be likely. Most analysts put it as due to the underperformance of GST. By November 2018, indirect tax revenues have shown a growth of only 1.9% as against the budgeted growth of 22.2% over FY18 actuals. In a recent analysis by Kotak Institutional Securities, the estimated shortfall in GST revenues is at INR1,00,000 crores[2]. This would affect both the states and the center. However, the recently released[3] GST data for the period April-December 2018 shows that the expected shortfall on an annualized basis in the GST may only be marginal. The center also has access to 50% of the undistributed IGST and compensation cess revenues which would provide additional liquidity while the final amounts under IGST and compensation cess are being worked out.

Non-tax and disinvestment

There is also a strong chance of slippage in the case of non-tax revenues since only 56.6% of the budgeted target has been collected during April-November 2018 period. In order to meet the budget target, a growth rate of 22.3% is required during the remaining period of December-March FY19 over the corresponding period of the previous year. The average growth performance for the period December-March for the last four years has been only 0.7%. In case of non-debt capital receipts, the position looks better since the required growth in the remaining four months appears to be in line with the historical performance (Table 7). The non-debt capital receipts also include disinvestment proceeds. The budget target for disinvestment is INR80,000 crores. By 28 December 2018, disinvestment receipts stood at INR34,142 crores[4], indicating the need for accelerated activities on this front in the balance of this fiscal year.

Table 7: Performance of non-tax revenues and non-debt capital receipts

Revenues	Non-tax	Non-debt capital receipts	Non-tax	Non-debt capital receipts
Item	Value (INR cr, %)	Value (INR cr, %)	As % of BE	As % of BE
FY19 BE	2,45,089	92,199	100.00%	100.00%
Amount collected during April-November FY19	1,38,637	26,277	56.6%	28.5%
December-March FY19 (gap)	1,06,452	65,922	43.4%	71.5%
Growth achieved during April-November FY19 (% annual)			31.4	-57.5
Growth required in Dec-Mar FY19 (% annual) to meet FY19 BE			22.3	22.1
Last four-years average annual growth during Dec-Mar (% annual)			0.7	20.9

Source (basic data): Union Budget documents, CGA

Revenue and capital expenditures

On the expenditure side, about two-thirds of the budgeted expenditure has already been incurred in the case of revenue expenditure and about 63.7% has been spent in the case of capital expenditure (Table 8). In both cases, there may be some room for downward adjustment if the fiscal deficit target comes under pressure because of underperformance of revenues relative to the budget targets.

[2] https://www.business-standard.com/article/economy-policy/cgst-shortfall-may-force-govt-to-cut-spending-to-meet-fiscal-deficit-target-119010301243_1.html
[3] Press release by the Ministry of Finance dated 01 Jan, 2019; http://pib.nic.in/PressReleseDetail.aspx?PRID=1558060
[4] https://dipam.gov.in/highlights (sourced on 16 January 2019)

Table 8: Developments in central government expenditures

Expenditures	Total	Revenue	Capital	Total	Revenue	Capital
Item	Value (INR cr, %)	Value (INR cr, %)	Value (INR cr, %)	As % of BE	As % of BE	As % of BE
FY19 BE	24,42,213	21,41,772	3,00,441	100.0%	100.0%	100%
Amount spent during April-November FY19	16,13,208	14,21,778	1,91,430	66.1%	66.4%	63.7%
December-March FY19 (gap)	8,29,005	7,19,994	1,09,011	33.9%	33.6%	36.3%
Growth achieved during April-November FY19 (% annual)				9.1	9.8	4.0
Growth required in Dec-Mar FY19 (% annual)				24.9	23.2	37.0
Last four-years average annual growth during Dec-Mar (% annual)				5.3	5.2	17.3

Source (basic data): Union Budget documents, CGA

Fiscal imbalance

The budgeted target for fiscal deficit for FY19 is 3.3% of GDP. This is still above the fiscal deficit as specified in the central government's amended FRBM Act. Every year since 2007-08, there has been a slippage in the fiscal deficit target as specified in the Union Budget of 3.0% (Chart 8). In order to achieve the FRBM target, it is quite important to achieve the fiscal deficit to GDP target of 3.3% which was set out by the government. The fiscal deficit in the first eight months of the fiscal year has already exceeded 114%. This is much higher than the average fiscal deficit as percentage of the budgeted target for the same period in the previous years as shown in Chart 9.

In order to reduce this already incurred fiscal deficit level of 115% of annual target, a fiscal surplus would be required to be generated in the balance of the period. Certain avenues of adjustments are available and we discuss these in the next section.

Chart 8: Fiscal roadmap (fiscal deficit as % of GDP)

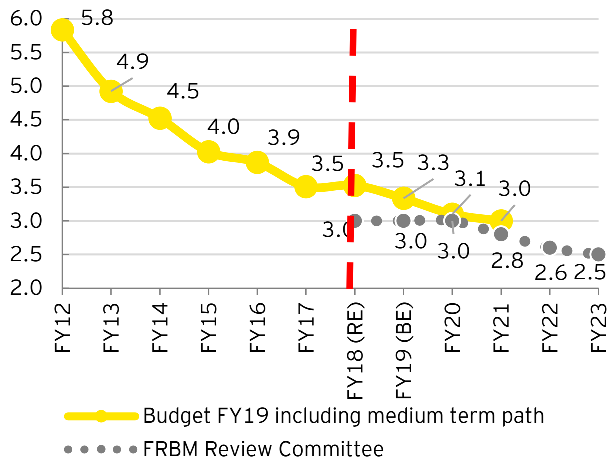
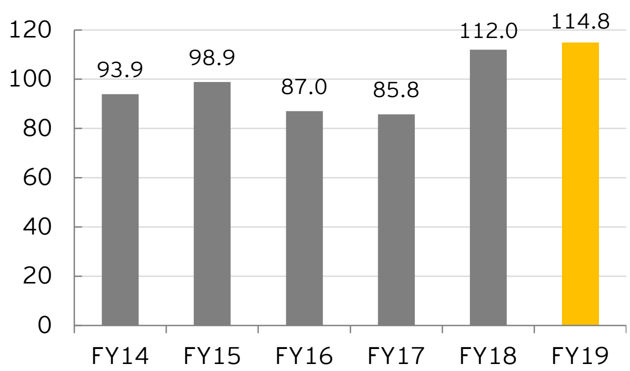


Chart 9: Cumulated fiscal deficit up to November 2018 as percentage of annual budgeted target



Source (basic data): Union Budget documents, CGA

Overall budgetary prospects

On balance, it could be expected that the government could come close to meeting its direct tax revenue targets. But it may miss the indirect tax revenue targets by a small margin, net of state transfers. However, the government also has access to some temporarily available resources. For example, it can access 50% of the undistributed IGST revenue and undistributed compensation cess revenue in respect of GST. For any shortfall that might still remain, the government may use one or more of the following options: (a) partial postponement of due subsidy payments to next year, (b) getting additional dividends from the RBI and (c) undertaking marginal cuts in revenue and capital expenditures. Although cuts in capital expenditure are not desirable, if the shortfall in tax revenues is not made up by non-tax and disinvestment proceeds, this might become inevitable.

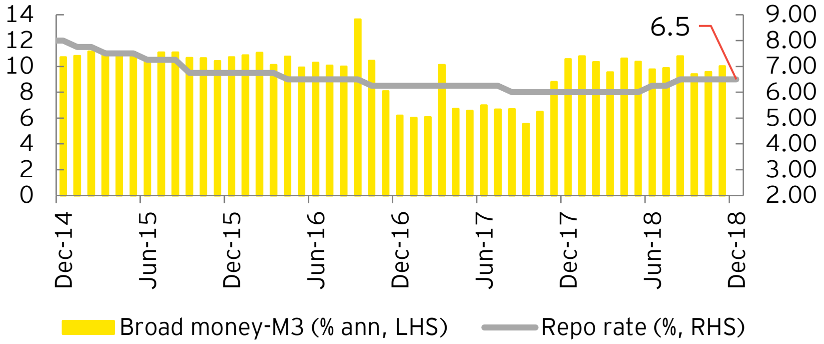
6. Money and finance: lower inflation has created some room for the RBI to consider a rate reduction

A. Monetary sector

Monetary policy

- In its fifth bi-monthly monetary policy review held on 5 December 2018, the RBI retained its repo rate at 6.5% and continued with its policy stance of "calibrated tightening".
- In RBI's assessment, the CPI inflation is projected to be in the range of 3.8%-4.5% (average at 4.2%) during 2HFY19, marginally lower than 4.4% (actual) in 1HFY19. However, a downward trend in both CPI and WPI inflation in recent months supported by softening global crude prices, may have created some room for considering a rate reduction by the RBI in its upcoming monetary policy review on 7 February 2019.

Chart 10: Growth in broad money and movements in repo rate



Source: Database on Indian Economy, RBI.

A downward trend in both CPI and WPI inflation due to falling global crude prices along with a growth slowdown have created a case for the RBI to consider a rate reduction in its upcoming monetary policy review on 7 February 2019.

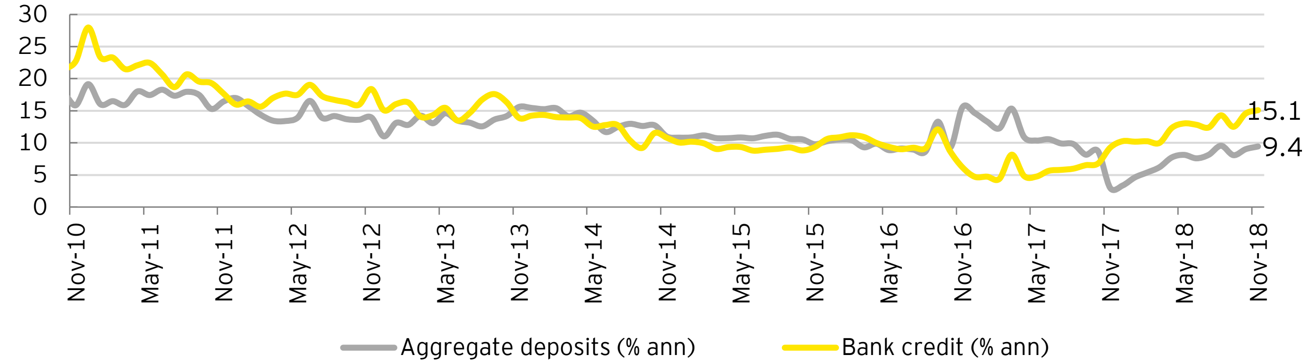
Money stock

- Broad money stock (M3) grew by10.0% (y-o-y) in November 2018 as compared to 9.6% in October 2018 (Chart 10). Growth in M3 remained subdued and was below its 10-year average growth of 13.3%. Time deposits, which account for over 76% of the broad money stock, grew by 8.4% in November 2018, marginally higher than 8.2% in October 2018.
- Growth in narrow money (M1) increased to 15.8% in November 2018 from 14.7% in October 2018 supported by over 20% (y-o-y) growth in currency in circulation in November 2018.

Aggregate credit and deposits

- Bank credit growth accelerated to a 61-month peak of 15.1% (y-o-y) in November 2018 as compared to 14.8% (revised) in October 2018 indicating a pick-up in demand conditions (Chart 11).

Chart 11: Growth in credit and deposits



Source: Database on Indian Economy, RBI.

- Growth in non-food credit increased by 13.8% (y-o-y) in November 2018, marginally higher than 13.4% in October 2018 led by improved credit offtake amongst the key sectors of the economy.

- Growth in credit to industries increased further to 4.0% in November from 3.7% in October 2018. Credit to services continued to grow at a strong pace of 28.1% in November 2018. Growth in credit to agricultural sector was marginally lower at 7.7% in November 2018 as compared to 8.0% in October 2018.
- Growth in housing sector credit was slightly lower at 16.8% in November 2018 as compared to 17.6% in October 2018.
- Growth in aggregate bank deposits increased further to 9.4% (y-o-y) in November 2018 as compared to 9.0% in October 2018.

B. Financial sector

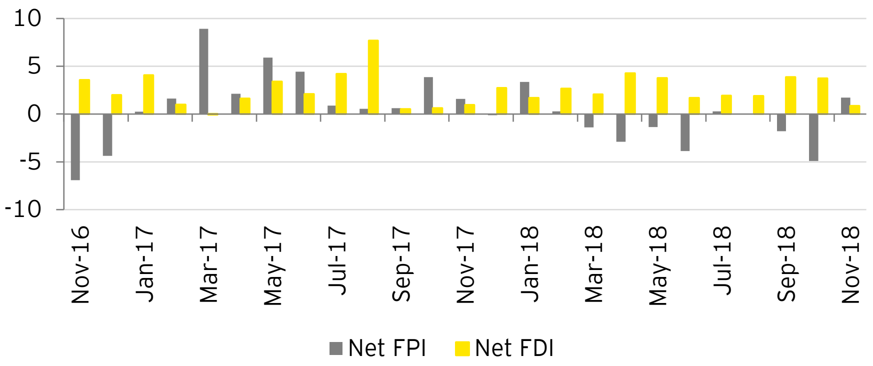
Interest rates

- As per the data released by the RBI, interest rates offered by banks on term deposits with a maturity of more than one year has been marginally increased to 6.88% (average) in December 2018 as compared to 6.83% in November 2018.
- The MCLR was increased for seven months in a row to average 8.35% in December 2018 from 8.28% in November 2018.
- The average yield on 10-year government securities moderated further for the third subsequent month to 7.37% in December 2018 from 7.81% in November 2018. This can be attributed to easing of CPI inflation in November 2018.

FDI and FPI

- As per the provisional data released by the RBI, the overall foreign investment inflows (FIIs) increased to US$2.6 billion in November 2018 in contrast to outflows of US$1.2 billion in October 2018. This increase in FIIs during November 2018 is attributable to positive net FPIs.

Chart 12: Net FDI and FPI inflows



Net FDI inflows were at a 13-month low of US$0.9 billion while net FPI inflows were at a 10-month high of US$1.7 billion in November 2018.

Source: Database on Indian Economy, RBI.

- Net FDI inflows dipped to a 13-month low of US$0.9 billion in November 2018 from US$3.7 billion in October 2018 (Chart 12). Gross FDI inflows were significantly lower at US$3.3 billion in November 2018 as compared to US$6.5 billion in October 2018.
- For the first time since February 2018, net FPIs turned positive and registered a net inflow of US$1.7 billion in November 2018. In October 2018, FPIs had witnessed a net outflow of US$4.9 billion.

7. Trade and CAB: growth in merchandise exports remained near zero in December 2018

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

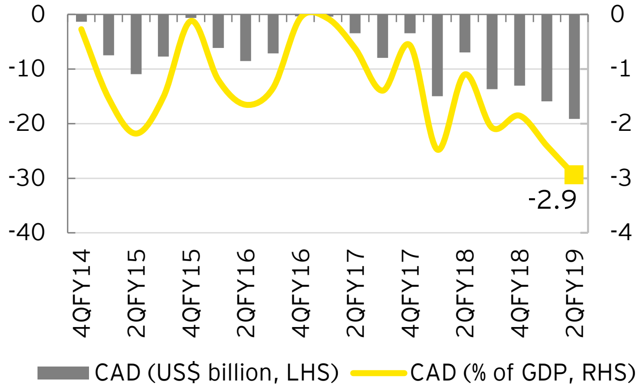
- CAD in 2QFY19 increased to a 21-quarter high of 2.9% of GDP from 2.4% of GDP in 1QFY19 (Table 9) as merchandise trade deficit rose to a 23-quarter high of US$50.0 billion. This was due to merchandise imports reaching an all-time high of US$133.4 billion due to faster growth in oil imports, even as exports growth remained subdued. However, CAD is expected to fall in 3QFY19, reflecting the lower oil import bill.

Table 9: 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 13: CAD



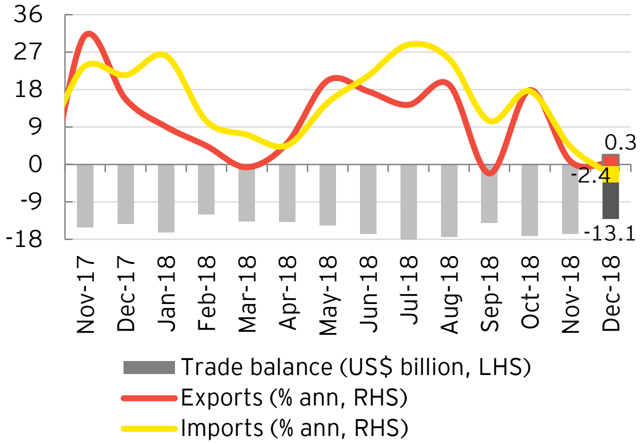
Source: Database on Indian Economy, RBI.

B. Merchandise trade and exchange rate

At 0.3% in December 2018, growth (y-o-y) in exports was near zero. Growth in imports turned negative for the first time in 27 months at (-) 2.4%.

- Merchandise exports growth eased further to 0.3% in December 2018 from 0.8% in November 2018 (Chart 14) as growth in oil exports moderated to 13.2% from 42.7% over the same period.

Chart 14: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Growth in exports of engineering goods and gems and jewelry remained negative at (-) 19.2% and (-) 3.1% respectively in December 2018.
- Imports contracted by (-) 2.4% in December 2018 from a growth of 4.3% in November 2018, as growth in oil imports reached a 27-month low of 3.2% from 41.3% over the same period.
- The pace of contraction in imports of pearls, precious stones and gold reached (-) 28.1% and (-) 24.1% respectively in December 2018. Electronic goods imports contracted for the first time in 26 months by (-) 9.1% in December 2018 as compared to 0.3% growth in November 2018.
- Merchandise trade deficit moderated to a 10-month low of US$13.1 billion from US$16.7 billion in November 2018.
- The Indian Rupee appreciated to INR70.7 per US$ in December 2018 from INR71.8 per US$ in November 2018 driven partly by the fall in global crude prices and the resultant fall in the oil import bill.

8. Global growth: IMF projected global growth at 3.7% in 2018, easing to 3.5% in 2019

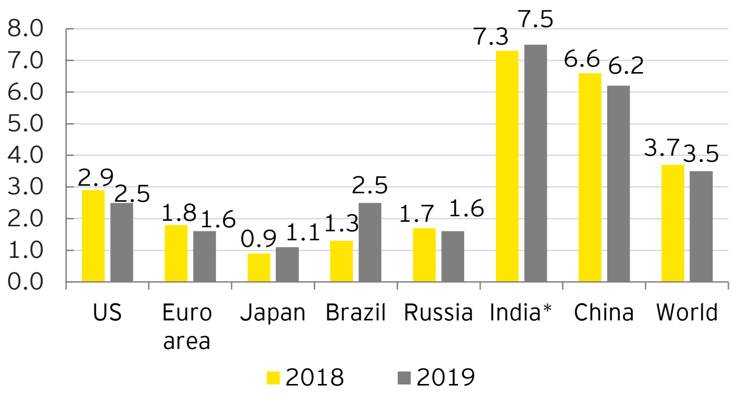
A. Global growth outlook

- The IMF (World Economic Outlook Update, January 2019) has estimated the global growth at 3.7% in 2018. However, a slowdown in the second half of 2018 has led to a downward revision of global growth forecast by 0.2% points to 3.5% in 2019 (Chart 15).
- 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.

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.

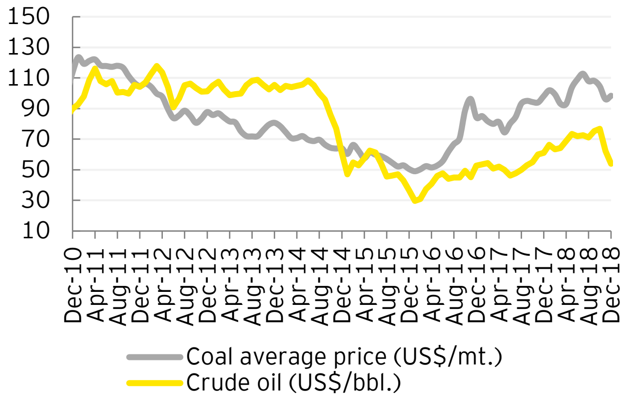
- In the US, growth is projected to decline from 2.9% in 2018 to 2.5% in 2019 as fiscal support wanes. Growth in the Euro area is projected to decline from an estimated 1.8% in 2018 to 1.6% in 2019 (downward revision of 0.3% points). Growth rates have been revised down notably for Germany, Italy and France.
- Growth in Japan is projected to pick up from 0.9% in 2018 to 1.1% in 2019 (upward revision of 0.2% points) reflecting additional fiscal support to the economy.
- Growth in China is projected to moderate from 6.6% in 2018 to 6.2% in 2019 due to the combined influence of the needed financial regulatory tightening and trade tensions with the US. On the other hand, growth in India is projected to pick up from an estimated 7.3% in 2018 to 7.5% in 2019 (upward revision of 0.1% points), benefiting from lower oil prices.

Chart 15: Global growth projections



Source: IMF World Economic Outlook, January 2019
Note: estimated for 2018 and forecasted for 2019;
*data pertains to fiscal year

Chart 16: Global crude and coal prices



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

B. Global energy prices: *Global crude price plunged to a 15-month low in December 2018*

- Average global crude price[5] fell to its 15-month low of US$54.0/bbl. in December 2018 from US$62.3/bbl. in November 2018 (Chart 16). Average global crude price averaged much lower at US$64.3/bbl. in 3QFY19 as compared to US$73/bbl. in 2QFY19. In the 5th OPEC and non-OPEC Ministerial meeting held in Vienna in December 2018, a production cut of 1.2mb/d, effective as of January 2019 for an initial period of six months was agreed upon to address the growing surpluses in the market.
- Average global coal price[6] marginally increased to US$98.4/mt. in December 2018 as compared to US$96.2/mt. in November 2018.

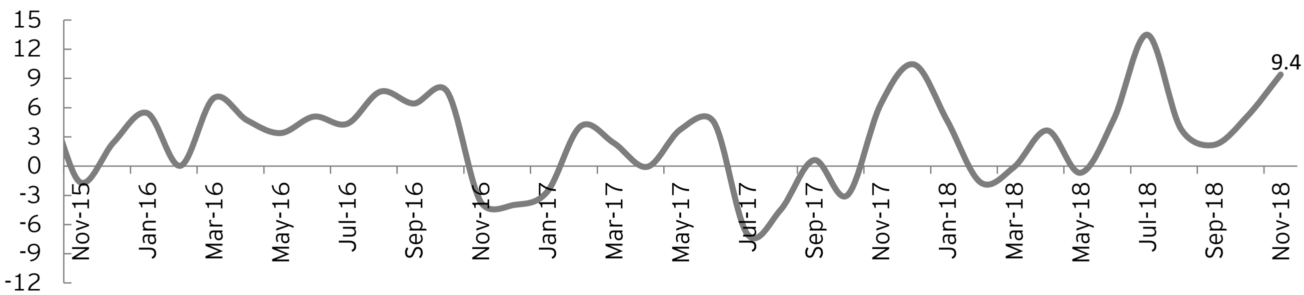
[5] Simple average of three spot prices namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[6] Simple average of Australian, Columbian and South African coal prices

9. Index of Aggregate Demand (IAD): grew to a four-month high of 9.4% in November 2018

Aided by favorable base effect, growth in IAD improved to a four-month high of 9.4% in November 2018

- An IAD has been developed to reflect the combined demand conditions in the agriculture, manufacturing and services sectors on a monthly basis. It takes into account 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 increased further to 9.4% in November 2018 from 5.1% in October 2018, partly owing to a favorable base effect and partly driven by festive demand (Chart 17). Demand in the manufacturing sector improved while that in agricultural and services sectors was slightly lower during November 2018 relative to October 2018.

Chart 17: Growth in IAD (y-o-y)



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

Table 10: IAD

Month	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
IAD	124.1	125.2	122.2	128.9	125.6	121.8	125.6	128.8	128.3
Growth (% y-o-y)	-0.1	3.7	-0.7	4.9	13.5	3.9	2.2	5.1	9.4
Growth in agr. credit	3.8	5.9	6.4	6.5	6.6	6.6	5.8	8.0	7.7
Mfg. PMI**	1.6	2.2	1.7	2.7	1.7	2.2	2.9	3.8	4.9
Ser. PMI**	1.8	2.7	-0.1	5.8	3.0	-1.4	1.5	4.0	2.5

**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
3Q FY 18	5.9	0.8	7.0	3.8	5.2	4Q FY18	51.8	49.9
4Q FY 18	6.5	1.1	7.5	6.1	5.3	1Q FY19	52.0	51.2
1Q FY 19	5.1	5.4	5.1	4.9	5.5	2Q FY19	52.1	52.2
2Q FY 19	5.3	0.9	5.6	7.5	5.4	3Q FY19	53.4	53.0
Aug-18	4.8	-0.6	5.2	7.6	4.7	Sep-18	52.2	50.9
Sep-18	4.5	0.1	4.6	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	0.5	2.7	-0.4	5.1	3.5	Dec-18	53.2	53.2

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	6.8	5.6	4.7	-0.8	4.1	14.4	4.8
Sep-18	3.7	0.5	8.6	5.5	5.2	0.1	4.1	17.3	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	4.6	-2.0	4.2	16.3	4.9
Dec-18	2.2	-2.5	4.5	5.4	3.8	0.1	3.6	8.4	4.2

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
FY15	9.3	8.7	8.7	8.7	9.8	4.0	2.9
FY16	17.0	6.0	8.5	6.9	30.1	3.9	2.5
FY17	17.9	6.7	21.5	12.3	21.6	3.5	2.1
FY18 (RE# over budget actuals FY17)	13.4	16.3	21.0	18.3	8.6	3.5	2.6
	Cumulated growth (%, y-o-y)					% of budgeted target	
Apr-18	58.7	24.0	2.5	5.9	130.3	24.3	25.5
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

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.
#Revised estimates
From January 2018 to March 2018, the fiscal deficit and revenue deficit values are estimated as percentage of revised estimates.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (center)
	INR crore				
FY18 (RE)	2,21,400	-	1,61,900	61,331	4,44,631
FY19 (BE)	6,03,900	-	50,000	90,000	7,43,900
	Monthly tax collection (INR crore)				
Apr-18	32,089	90	19,996	8,503	60,678
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

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
Feb-18	6.00	**FY15**	11.3	10.9	11.0	12.1	8.3	31.3	42.2	**FY15**	341.6
Mar-18	6.00	**FY16**	13.5	10.1	9.7	10.5	7.7	36.0	-4.1	**FY16**	355.6
Apr-18	6.00	**FY17**	3.1	10.1	7.9	11.6	7.0	35.6	7.6	**FY17**	370.0
May-18	6.00	**FY18**	22.1	9.5	7.5	7.5	7.0	30.3	22.1	**FY18**	424.4
Jun-18	6.25	**3QFY18**	45.8	10.6	8.8	4.9	7.1	4.3	5.3	**4QFY18**	409.4
Jul-18	6.25	**4QFY18**	22.1	9.5	10.1	5.4	7.5	6.4	2.3	**1QFY19**	424.4
Aug-18	6.50	**1QFY19**	18.1	9.8	12.7	7.8	7.8	9.7	-8.1	**2QFY19**	406.1
Sep-18	6.50	**2QFY19**	14.6	9.4	13.1	8.6	7.9	3.7	0.3	**3QFY19**	400.5
Oct-18	6.50	**Aug-18**	17.8	10.8	14.3	9.6	7.8	2.0	-4.7	**Sep-18**	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

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	2.3	4.7
2Q FY19	9.5	21.2	-49.4	70.2	73.0	109.6	**2018***	3.7	2.4	4.7
3Q FY19	5.7	6.1	-46.9	72.1	64.3	99.7	**2019***	3.7	2.1	4.7
Sep-18	-2.2	10.5	-14.0	72.2	75.4	108.2	**2020***	3.7	1.7	4.9
Oct-18	17.9	17.6	-17.1	73.7	76.7	104.5	**2021***	3.6	1.7	4.9
Nov-18	0.8	4.3	-16.7	71.8	62.3	96.2	**2022***	3.6	1.5	4.8
Dec-18	0.3	-2.4	-13.1	70.7	54.0	98.4	**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

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

Fiscal year/quarter	Output: Major sectors									IPD inflation
Fiscal year/quarter	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY16	8.1	0.6	13.8	12.8	4.7	3.7	10.3	10.9	6.1	1.0
FY17 (1st RE)	7.1	6.3	13.0	7.9	9.2	1.3	7.2	6.0	10.7	2.9
FY18 (PE)	6.5	3.4	2.9	5.7	7.2	5.7	8.0	6.6	10.0	3.0
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

	Expenditure components						IPD inflation
Fiscal year/quarter	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY16	8.2	7.4	6.8	5.2	-5.6	-5.9	2.1
FY17 (1st RE)	7.1	7.3	12.2	10.1	5.0	4.0	3.5
FY18 (PE)	6.7	6.1	10.9	7.6	4.4	9.9	3.0
FY19 (AE)	7.2	6.4	9.2	12.2	12.1	14.3	4.8
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

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

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