Economy Watch

Monitoring India's macro-fiscal performance

January 2018

EY

Building a better working world

Contents

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Highlights

1. The First Advance Estimates of National Income indicate **a strong recovery** in GDP growth **beginning 2QFY18** after a fall in the growth rate for five consecutive quarters.

2. **Growth in overall IIP and core IIP sectors rose to 8.4% and 6.8% respectively in November 2017**, pointing at a recovery in the performance of the industrial sector.

3. As per CGA data, gross **central tax revenues grew by 16.5% during April-November FY18**, while non-tax revenues contracted sharply by (-) 39.7% during this period.

4. **Fiscal deficit during April-November FY18** crossed the 100% mark and stood at **112% of the annual budgeted target**.

5. **Overall CPI inflation** reached a 17-month high of **5.2% in December** from 4.9% in November primarily due to rising vegetable prices.

6. Given the elevated CPI inflation at 5.2% in December 2017, the **RBI may keep any changes in the repo rate on hold**.

7. **Growth in credit** by scheduled commercial banks rose to a **14-month high of 9.3% (y-o-y) in November 2017** as compared to 7.1% in October 2017.

8. **In December 2017, growth in merchandise exports slowed to 12.4% while growth in imports increased to 21.1%**.

9. As per the World Bank, **global growth is estimated to pick up from 2.4% in 2016 to 3% in 2017** and 3.1% in 2018.

10. **Global crude touched US$68/bbl. (Brent)** as measured on a daily basis. An expected increase in supply from the US may stabilize oil prices in the range of US$60/bbl.–US$65/bbl. in 2018.

Foreword

Strengthening growth momentum

The CSO's First Advance Estimates for FY18, divided into two halves, show a growth rate of 7% in H2 as compared to 6% in 1H, indicating a strong recovery and affirming that the effects of demonetization and the GST transition are behind us. This is further confirmed by the World Bank's growth projections for FY19 at 7.3% and at 7.5% in the medium term. The IMF has projected these at 7.4% and 7.8% in FY19 and FY20 respectively. There is a noticeable pick up in investment demand, reflected in the growth in gross fixed capital formation (GFCF) at 5.9% in 2HFY18 as compared to a five-year low of (-) 0.3% in 2HFY17.

December CPI and WPI inflation rates at 5.2% and 3.6% respectively give conflicting messages. While CPI inflation has increased, WPI inflation has fallen. Since the RBI is focused primarily on CPI inflation, available trends indicate a pause in monetary policy, ruling out any monetary stimulus in the near future.

Indications are that fiscal stimulus may also be constrained in the near term. There may be under-performance relative to the budgeted targets both for tax and non-tax revenues in FY18. By November 2017, non-tax revenues amounted to only 36% of the budgeted target with the RBI's dividend to the Central Government of INR30,659 crore by the end of August 2017, falling way short of the budgeted amount of INR74,901 crore. The RBI may top up its already announced dividend to the Government by about INR13,000 crore. This is the available surplus with the RBI for covering risk and reserves as per the RBI's annual report released on 30 August 2017. Despite this, there might still be a significant shortfall in non-tax revenues. In addition, available trends indicate that revenues from customs duty, excise duty from petroleum, oil and lubricants (POL) products and GST may also fall short of the budgeted targets.

This leaves the Government with a difficult choice of increasing the budgeted fiscal deficit of 3.2% of GDP or curtailing expenditure in the remaining part of FY18. The former would compromise the Government's commitment to fiscal discipline and the latter will arrest the budding growth momentum. The Government has so far maintained fiscal rectitude and tightly controlled the fiscal cost of its extensive welfare and economic initiatives. It may continue this legacy with marginal adjustment of the fiscal deficit target on the one hand while marginally reducing expenditure on the other for FY18 and attempt to reach the existing consolidation path target of 3% of GDP in FY19. In this configuration, the role of domestic demand to sustain growth becomes paramount.

On the external front, two interlinked headwinds are gathering strength: global crude prices, with Brent briefly touching the US$68/bbl., and India's merchandise trade increasing in its negative magnitude. Although export growth has picked up, import growth has been higher. "Net exports," an important demand-side determinant of growth, has contributed negatively to GDP growth since 4QFY17. Recent monthly trade data signal a further strengthening of this trend. Among the domestic trends, we observe that the share of private final consumption expenditure (PFCE) in real terms steadily fell to the extent of (-) 0.8% points from FY14 to FY18 and that of government final consumption (GFCE) in real terms increased by 1.2% points during this period. PFCE's fall augurs well since a corresponding increase in private savings would occur, but GFCE's increase should be arrested, converting both trends to a rise in private and government investment. A domestic investment led growth is both feasible and desirable. It is worth pursuing through a budgetary policy and management of the structure of government expenditure. This calls for a re-emphasis on minimizing government dis-savings, implying a reduction in revenue deficit. Lately, private investment has increased inordinately in valuables. Redirecting investment in valuables toward that in fixed capital stock calls for policy makers' attention. These directional changes would lay a sound foundation for medium term growth, uplifting India's potential as well as actual growth.

From this issue, we are introducing a bimonthly section called *"Messages from high frequency data,"* which provides a perspective on the pulse of sectoral economic activities based on monthly data for selected indicators

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1. Growth: Real GDP growth increases to 7%

A. GDP growth: Real GDP growth for 2HFY18 at 7% shows strong recovery.

The First Advance Estimates of National Income from the CSO indicate a strong recovery in GDP growth beginning 2QFY18 after a sustained fall in growth for five consecutive quarters.

- As per the First Advance Estimates of National Income accounts, real GDP is expected to grow by 6.5% in FY18 as compared to a growth of 7.1% in FY17. Although the overall growth for FY18 is likely to be lower than that in FY17, the implied growth during 2HFY18 is higher at 7.0% as compared to 6.0% in 1HFY18, clearly pointing to a recovery in growth.
- On the demand side, recovery in gross fixed capital formation and exports is likely to support growth in 2HFY18. The implied estimates point to a pick-up in investment from 3.1% in 1HFY18 to 5.9% in 2HFY18, while growth in exports is likely to accelerate to 7.6% in 2HFY18 as compared to 1.2% in 1HFY18.
- Growth in both private consumption and government consumption expenditure is likely to moderate in 2HFY18 (Table 1). Import growth is estimated to be marginally lower at 9.7% in 2HFY18 as compared to 10.4% in 1HFY18.

Table 1: Real GDP growth (%)

Aggregate demand (AD) component	FY16	FY17	FY18	1H FY16	2H FY16	1H FY17	2H FY17	1H FY18	2H FY18
PFCE	6.1	8.7	6.3	3.0	8.9	8.2	9.2	6.6	6.1
GCE	3.3	20.8	8.5	2.2	3.8	16.5	26.0	10.2	6.6
GFCF	6.5	2.4	4.5	4.8	5.4	5.2	-0.3	3.1	5.9
EXP	-5.3	4.5	4.5	-5.2	-5.2	1.8	7.2	1.2	7.6
IMP	-5.9	2.3	10.0	-4.7	-6.9	-2.2	7.0	10.4	9.7
GDP	8.0	7.1	6.5	8.0	8.2	7.7	6.5	6.0	7.0

Source (Basic Data): MOSPI.

- On the output side, the estimates for FY18 point to a broad-based recovery in the growth for the majority of the sectors during 2HFY18. Overall GVA growth is seen to be improving in 2HFY18 as compared to 1HFY18 but it is estimated to be lower at 6.1% for the full year as compared to 6.6% in FY17 (Table 2).
- Growth in the output of the manufacturing sector is likely to recover to 5.1% in 2HFY18 as compared to a recent low of 4.0% in 1HFY18, while growth in construction is estimated to improve to 4.9% in 2HFY18 from 2.3% in 1HFY18.
- Similarly, among services, further improvement in the growth of financial, real estate and professional services to 8.9% and higher growth in public administration and defense services at 11.0% during 2HFY18 augurs well for the overall GVA growth in 2HFY18.
- A cause for concern relates to continued dismal growth in agriculture and allied activities, which is estimated at 2.2% in 2HFY18, as this may eventually lead to subdued rural demand.

Table 2: Sectoral real GVA growth (%)

Sector	FY16	FY17	FY18	1H FY16	2H FY16	1H FY17	2H FY17	1H FY18	2H FY18
Agr.	0.7	4.9	2.1	2.4	-0.5	3.2	6.1	2.0	2.2
Ming.	10.5	1.8	2.9	9.9	11.0	-1.1	4.3	2.0	3.6
Mfg.	10.8	7.9	4.6	8.7	12.9	9.2	6.6	4.0	5.1
Elec.	5.0	7.2	7.5	4.2	5.8	7.6	6.8	7.3	7.7
Cons.	5.0	1.7	3.6	3.9	6.0	3.7	-0.2	2.3	4.9
Trans.	10.5	7.8	8.7	9.3	11.5	8.3	7.3	10.5	7.0
Fin.	10.8	5.7	7.3	11.6	9.7	8.1	2.7	6.1	8.9
Publ.	6.9	11.3	9.4	6.7	7.1	9.1	13.5	7.6	11.0
GVA	7.9	6.6	6.1	7.9	8.0	7.2	6.1	5.8	6.4

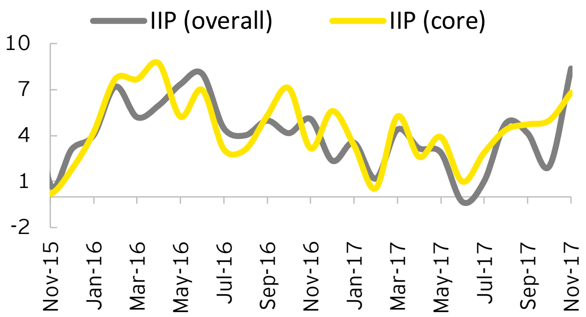
Source (Basic Data): MOSPI.

B. Industry growth: Overall IIP growth and core IIP growth improve in November 2017.

Growth in overall IIP and core IIP sectors rose to 8.4% and 6.8% respectively in November 2017, pointing at a recovery in the performance of the industrial sector.

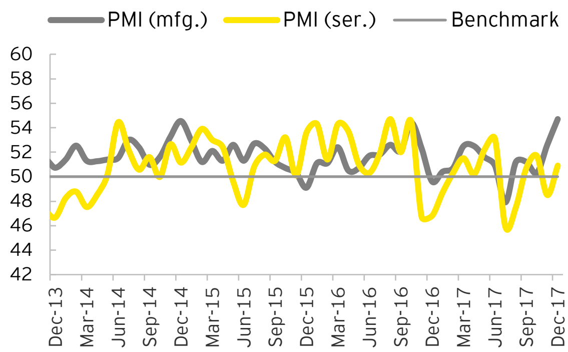
- Growth in IIP rose to a 25-month peak of 8.9% (y-o-y) in November 2017 as compared to a 2.0% growth in October 2017 (Chart 1). Apart from higher growth in manufacturing sector output, improved growth in the overall IIP can be partly attributed to a favorable base effect.
- The manufacturing sector output (accounting for 77.6% of overall IIP) rose to a 56-month high of 10.2% in November 2017 as compared to 2.2% in October 2017. Growth in the output of both electricity and mining also improved to 3.9% (3.2% in October) and 1.1% ((-) 0.1%) respectively in November 2017.
- Growth in the output of the capital goods industry (a proxy for investment demand) quickened to 9.4% in November 2017 as compared to 6.6% in October 2017. Growth in consumer durables increased to an all-time high of 23.1% in November 2017, indicative of festive demand, while that in the infrastructure/construction sector increased to 13.5% during the month.
- Growth in the output of eight core infrastructure industries increased to a 13-month peak of 6.8% (y-o-y) in November 2017 as compared to 5.0% in October 2017. This was largely on account of strong growth in the output of cement (17.3%), steel (16.6%) and petroleum refineries (8.2%). However, growth in the output of natural gas (2.4%), electricity (1.9%) and crude oil (0.2%) was relatively lower during the month.

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



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

Chart 2: NIKKEI PMI



Source: IHS Markit.

C. PMI: Signaled recovery largely driven by the manufacturing sector.

In December 2017, manufacturing PMI increased sharply to 54.7 while services PMI edged above the 50 mark following a contraction in November.

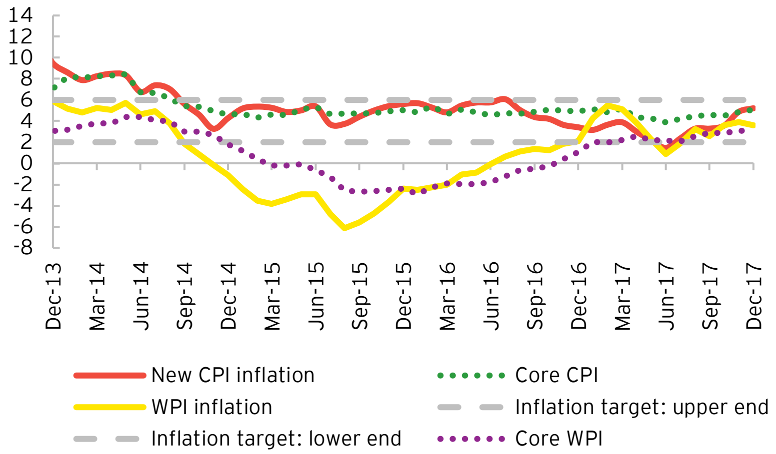
- Headline manufacturing PMI (sa) increased to 54.7 in December 2017 from 52.6 in November 2017 (Chart 2). This was the strongest improvement since December 2012. New orders and output expanded at their fastest rate since October 2016 and December 2012 respectively indicating recovering demand. On a quarterly basis, manufacturing PMI averaged 52.5 in 3QFY18, the highest since 3QFY15.
- Headline services PMI (sa) edged above the 50 mark to 50.9 in December 2017 from 48.5 in November 2017. On a quarterly basis, services PMI averaged 50.4 in 3QFY18 as compared to 48.0 in 2QFY18.
- At 51.0 in December 2017, composite PMI Output Index (sa) was the highest since October 2016, largely reflecting a strong improvement in the manufacturing sector. On a quarterly basis, composite PMI averaged 51.5 in 3QFY18, up from 48.7 in 2QFY18.

2. Inflation: CPI inflation reached a 17-month high as vegetable prices rose to a four-year high

Overall CPI inflation (Chart 3) reached a 17-month high of 5.2% in December from 4.9% in November primarily due to rising vegetable prices, while core CPI inflation increased to an 11-month high of 5.1%.

- Growth in vegetable prices reached a four-year high of 29.1% (y-o-y) in December from 22.5% in November 2017. Nearly 80% of the increase in inflation from a historic low (based on 2011-12 series) of 1.5% in June 2017 to a four-year high of 5.2% in December is attributable to a rise in vegetable prices.
- Vegetable price inflation was driven by inflation in onion prices, which increased by 159.3% in December as compared to 130.0% in November 2017, and a slowdown in the pace of contraction in potato prices, which contracted by (-) 11.7% during the month from (-) 31.7% in the previous month.
- The Consumer Food Price Index based inflation picked up to a 16-month high of 5.0% in December from 4.4% in November 2017.
- Fuel- and light-based inflation remained elevated in December at 7.8%, close to the 50-month high of 7.9% in November 2017.
- Core CPI inflation (excluding food and fuel and light) increased to 5.1% in December from 4.8% in November primarily due to a rise in housing services inflation to a 43-month high of 8.2% in December from 7.4% in November 2017. According to the RBI's fifth bi-monthly monetary policy statement, this might have been due to the staggered impact of HRA increases by the Central Government.

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



Vegetable prices on a seasonal basis and fuel prices on a more sustained basis are keeping CPI inflation at an elevated level.

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

WPI-based inflation declined to 3.6% (y-o-y) in December 2017 from an eight-month high of 3.9% in November despite rising fuel prices primarily due to a slowdown in inflation in tomato prices.

- Inflation in primary articles declined to 3.9% in December from 5.3% in the previous month due to a decline in inflation in food articles, minerals and crude petroleum and natural gas.
- Inflation in tomatoes halved to 135.6% in December from an all-time (based on 2011-12 series) high of 269.4% in November 2017. Over the same period, growth in mineral prices and crude petroleum dropped to 7.5% and 3.2% from 16.7% and 6.1% respectively.
- Fuel and power based inflation increased marginally to 9.2% (y-o-y) in December from 8.8% in November 2017 due to elevated levels of inflation in diesel and coal prices.
- WPI core inflation rose slightly to 3.2% in December as compared to 3.0% in the previous month.
- Inflation based on the newly constructed WPI Food Price Index, consisting of primary food articles and manufactured food products, declined to 3.0% from 4.1% in November 2017.

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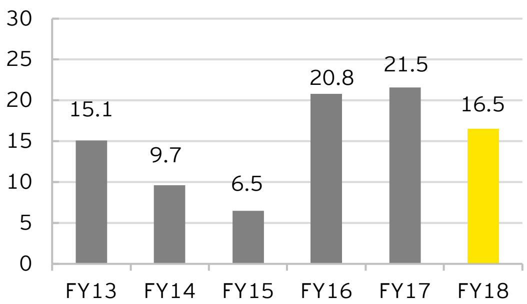
3. Fiscal performance: Fiscal deficit was at 112% of annual budgeted target during April-November FY18

A. Tax and non-tax revenues

As per CGA data, gross central tax revenues grew by 16.5% during April-November FY18, while non-tax revenues contracted sharply by (-) 39.7% during this period.

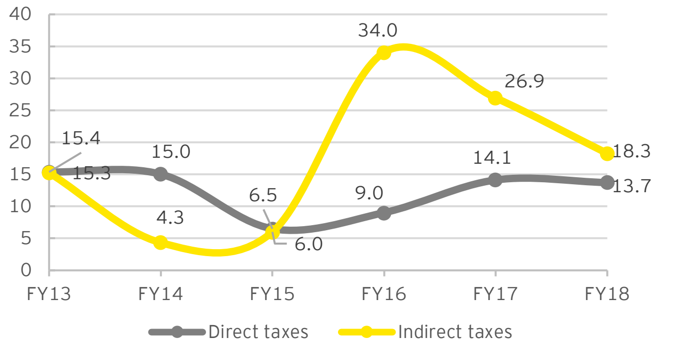
- Gross central taxes grew by 16.5% during April-November FY18, lower than 21.5% in the corresponding period of the previous year (Chart 4).
- However, gross central taxes up to November 2017 stood at 56.9% of the FY18 budgeted target as compared to the three-year average of 52.7% achieved up to November as a percentage of the annual actuals.
- Growth in direct taxes (comprising personal income tax and corporation tax) during April-November FY18 was lower at 13.7% as compared to 14.1% in the same period of FY17 (Chart 5).
- Among the direct taxes, growth in personal income tax during April–November 2017 was lower at 15.3% as compared to 20.9% in the corresponding period of the previous fiscal year. Corporation tax revenues grew by 12.4% during this period as compared to 9.0% in the corresponding period of FY17.
- Growth in indirect taxes (comprising union excise duties, service tax, customs duty, CGST, UTGST, IGST and GST compensation cess) was lower at 18.3% during April—November FY18 as compared to the corresponding value of 26.9% in FY17.
- Tax collection on account of GST (CGST, IGST and GST compensation cess) in November 2017 amounted to INR49,644 crore, the lowest since July 2017. GST collections during April-November FY18 amounted to INR254,761 crore.

Chart 4: Growth in cumulated gross tax revenues up to November 2017



Source: Monthly Accounts, Controller General of Accounts, Government of India.

Chart 5: Growth in cumulated tax revenues up to November 2017



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 and CGST, UTGST, IGST and GST compensation cess from July 2017 onward.

- The Center's non-tax revenues contracted by (-) 39.7% as compared to a growth of 1.0% in the same period of FY17. This was largely on account of a sharp contraction of (-) 45.5% in dividends and profits, which accounted for nearly half of the total non-tax revenues of the Center.
- The Center's non-tax revenues up to November 2017 stood at 36.5% of the FY18 budgeted target. This was much lower than the three-year average of 66.0% achieved up to November as a percentage of the annual actuals.
- Total receipts from disinvestment up till 9 January 2018 amounted to INR53,882.6 crore, which was 74.3% of the annual budgeted target.

B. Expenditures: Revenue and capital

- Total expenditure grew by 14.9% during April-November FY18 as compared to the corresponding value of 12.6% in FY17.

- Growth in revenue expenditure was at 13.1% up to November FY18 as compared to 16.4% in the same period of FY17 (Chart 6). Revenue expenditure up to November 2017 stood at 70.5% of the FY18 budgeted target as compared to the three-year average of 65.7% achieved up to November as a percentage of the annual actuals.
- Growth in the Center's capital expenditure was at 29.3% during April–November FY18 as compared to a contraction of (-) 10.4% in the corresponding period of FY17 (Chart 7). Capital expenditure up to November 2017 stood at 59.4% of the FY18 budgeted target as compared to the three-year average of 60.5% achieved up to November as a percentage of the annual actuals.
- The Center's total subsidies during April-November FY18 grew by 4.2% largely driven by a growth in food subsidies. Total subsidies up to November 2017 stood at 85.7% of the FY18 annual budgeted target.

The Center's total expenditure up to November 2017 stood at 68.9% of the FY18 budgeted target as compared to the three-year average of 65.0% achieved up to November as a percentage of the annual actuals.

Chart 6: Growth in cumulated revenue expenditure up to November 2017 (%, y-o-y)

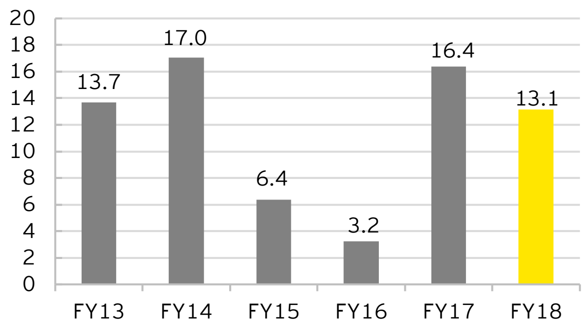
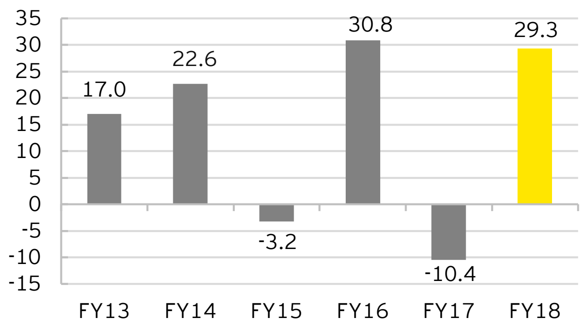


Chart 7: Growth in cumulated capital expenditure up to November 2017 (%, y-o-y)



Source: Monthly Accounts, Controller General of Accounts, Government of India.

C. Fiscal imbalance

- Fiscal deficit during April-November FY18 crossed the 100% mark and stood at 112% of the annual budgeted target as compared to 85.8% in the corresponding period of FY17 (Chart 8).
- The Center's revenue deficit up to November 2017 was high at 152.2% of the annual budgeted target as compared to 98.4% during the corresponding period of FY17 (Chart 9). This was largely due to a sharp contraction in non-tax revenues and a slowdown in the growth of gross tax revenues during this period.

The Center's fiscal deficit during April-November FY18 stood at 112% of the annual budgeted target while the revenue deficit stood at 152% of its annual budgeted target during this period.

Chart 8: Fiscal deficit up to November 2017 as a % of annual budgeted estimate for FY18

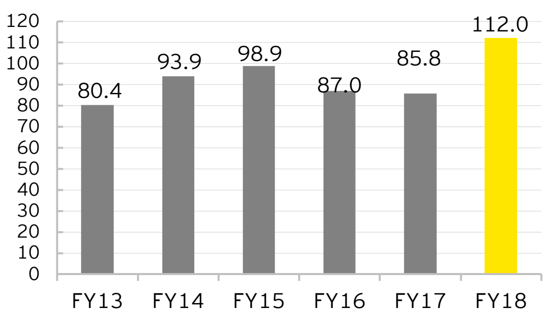
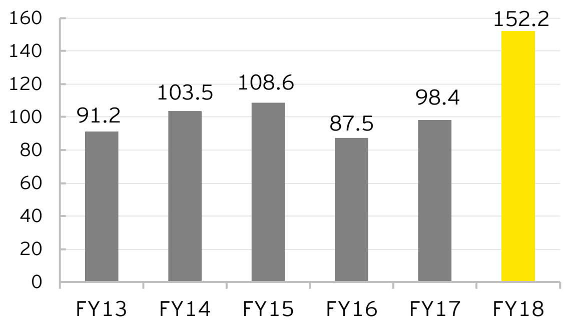


Chart 9: Revenue deficit up to November 2017 as a % of annual budgeted estimate for FY18



Source: Monthly Accounts, Controller General of Accounts, Government of India.

4. India: Comparative economic performance and prospects

Real investment (GFCF): *India is likely to see a pick-up in real investment growth from 2018 onward.*

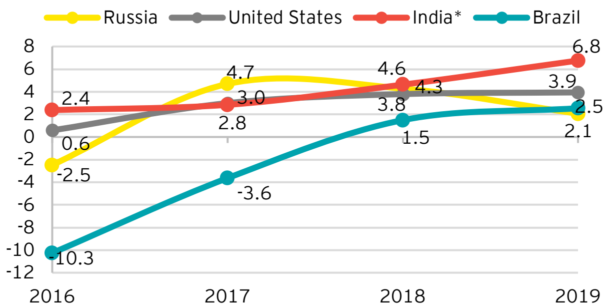
- As per OECD, for the majority of the selected emerging and developed economies, growth in investment as measured by GFCF improved in 2017 (Table 3).
- Growth in real GFCF in India is estimated at 2.8% in 2017, marginally higher than in 2016. It is projected to gradually reach 6.8% in 2019.
- GFCF growth in Russia at 4.7% in 2017 was the highest among selected major economies, but it is projected to fall thereafter in 2018 and 2019.
- In Brazil and South Africa, investment demand continued to remain weak reflected by a contraction in 2017. Investment growth in these countries is expected to turn positive in 2018 and pick up in 2019.
- Looking at key developed economies, growth in investment shows a mixed picture. Growth in GFCF is projected to improve in the US, moderate in Japan and contract in the UK over 2018-19.

Table 3: Real total gross fixed capital formation (% change)

Country	2016	2017 (f)	2018 (f)	2019 (f)
Russia	-2.5	4.7	4.3	2.1
Germany	2.9	4.4	3.6	3.4
Euro area	4.5	3.6	3.7	3.5
US	0.6	3.0	3.8	3.9
India*	2.4	2.8	4.6	6.8
Japan	0.9	2.5	0.8	0.3
UK	1.3	2.3	-0.6	-1.3
South Africa	-3.9	-0.8	1.0	3.1
Brazil	-10.3	-3.6	1.5	2.5

Source (Basic Data): OECD Economic Outlook, November 2017.
*Data pertains to fiscal year, (f) indicates forecast.

Chart 10: Real GFCF growth – Selected countries



Goods and services exports: *Growth in India's export volume is projected to improve in 2018.*

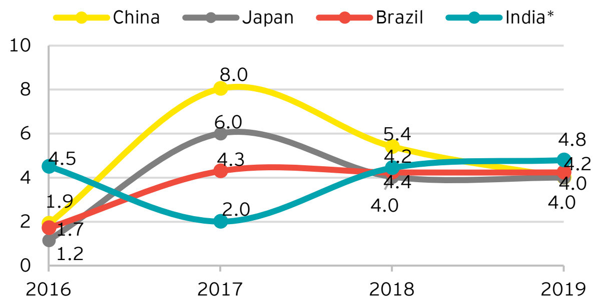
- Owing to a recovery in global growth, growth in the volume of exports of goods and services in most of the selected emerging and developed economies increased in 2017 as compared to 2016.
- Contrary to other major economies, India's growth in export volumes fell from 4.5% in 2016 to 2.0% in 2017, which was the lowest among these economies. However, the OECD projects India's exports growth to recover during 2018 and 2019.
- In line with the projected moderation in global growth over 2018-19, growth in exports volume in the majority of the selected advanced and emerging economies is projected to moderate in this period.

Table 4: Exports of goods and services (volume, % change)

Country	2016	2017 (f)	2018 (f)	2019 (f)
China	1.9	8.0	5.4	4.0
Japan	1.2	6.0	4.0	4.0
Russia	2.4	5.5	3.5	3.3
Germany	2.4	4.8	4.3	3.7
UK	1.1	4.5	2.5	2.9
Brazil	1.7	4.3	4.2	4.2
South Africa	-0.1	3.2	4.3	4.5
US	-0.3	3.2	3.4	3.4
India*	4.5	2.0	4.4	4.8

Source (Basic Data): OECD Economic Outlook, November 2017.
*Data is based on fiscal year, (f) indicates forecast.

Chart 11: Growth in exports of goods and services – Selected countries



Goods and services imports: *Except for Russia, growth in India's import volume was the highest in 2017.*

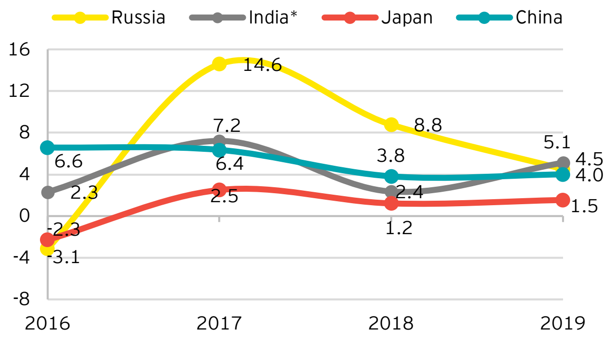
- Growth in import volumes of goods and services among selected emerging and advanced economies increased in 2017 as compared to 2016.
- Growth in import volumes in Russia was estimated to be the highest at 14.6% in 2017. It is, however, projected to fall to 8.8% and 4.5% in 2018 and 2019 respectively.
- Growth in India's import volumes increased to 7.2% in 2017 from 2.3% in 2016. OECD projections, however, indicated a slowdown in the growth in 2018.
- Growth in import volumes in Brazil at 0.9% in 2017 was the lowest among the selected set of countries.

Table 5: Imports of goods and services (volume, % change)

Country	2016	2017 (f)	2018 (f)	2019 (f)
Russia	-3.1	14.6	8.8	4.5
India*	2.3	7.2	2.4	5.1
China	6.6	6.4	3.8	4.0
Germany	3.8	5.2	4.4	4.1
South Africa	-3.7	4.5	5.4	5.6
US	1.3	3.4	4.4	4.9
UK	4.3	2.9	1.4	0.8
Japan	-2.3	2.5	1.2	1.5
Brazil	-10.3	0.9	1.8	3.4

Source (Basic Data): OECD Economic Outlook November 2017.
*Data is based on fiscal year, (f) indicates forecast.

Chart 12: Growth in imports of goods and services – Selected countries



Current account balance (CAB) as a % of GDP: *India's CAB is projected to deteriorate in 2018.*

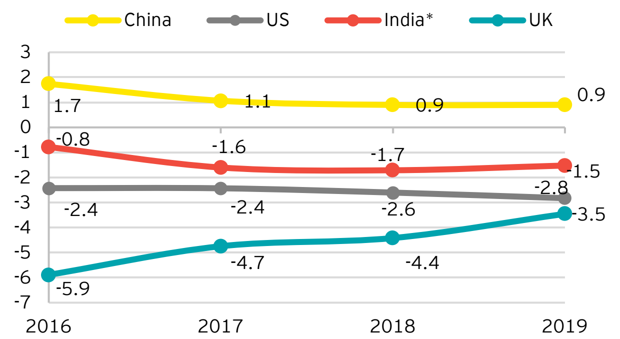
- India's current account deficit (CAD) as a % of GDP worsened from 0.8% in 2016 to 1.6% in 2017. As per OECD, India's CAD as a % of GDP is projected to widen in 2018.
- CAD as a % of GDP in the US, South Africa and the UK was higher than that in India in 2017. This trend is projected to continue over 2018-19. While the UK's CAD is projected to gradually narrow down in 2018 and 2019, in the US it is expected to deteriorate further during this period.
- China's current account surplus narrowed to 1.1% of GDP in 2017 as compared to 1.7% in 2016. Current account surplus in China is expected to dip further to 0.9% in 2018 and 2019.
- Germany's current account surplus as a % of GDP at 7.9% was the highest among the selected emerging and developed economies and it is expected to remain high in 2018 and 2019.

Table 6: CAB (% of GDP)

Country	2016	2017 (f)	2018 (f)	2019 (f)
Germany	8.3	7.9	8.0	7.9
Japan	3.7	3.9	3.9	4.1
Euro area	3.6	3.4	3.4	3.4
Russia	1.9	1.7	1.2	1.0
China	1.7	1.1	0.9	0.9
Brazil	-1.3	-0.4	-1.0	-1.0
India*	-0.8	-1.6	-1.7	-1.5
US	-2.4	-2.4	-2.6	-2.8
South Africa	-3.3	-2.6	-3.6	-3.8
UK	-5.9	-4.7	-4.4	-3.5

Source (Basic Data): OECD Economic Outlook November 2017.
*Data is based on fiscal year, (f) indicates forecast.

Chart 13: CAB as a % of GDP – Selected countries



GDP deflator: *India's deflator based inflation is estimated to be high in 2017 and 2018.*

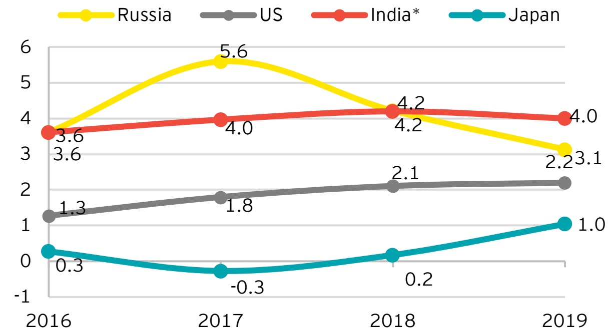
- As per OECD, GDP deflator based inflation was the highest in Russia in 2017 at 5.6%, followed by South Africa, Brazil and China at 5.2%, 5.0% and 4.1% respectively.
- In India, GDP deflator based inflation was higher at 4.0% in 2017 as compared to 3.6% in 2016. It is projected to increase further to 4.2% in 2018.
- Among the selected advanced economies excluding Japan, deflator based inflation is projected to remain within the range of 1.3% to 2.2% in 2018 and 2019. In Japan, deflator based inflation is projected to increase to 0.2% and 1.0% in 2018 and 2019 respectively.

Table 7: GDP deflator (% change)

Country	2016	2017 (f)	2018 (f)	2019 (f)
Russia	3.6	5.6	4.2	3.1
South Africa	6.8	5.2	5.0	5.4
Brazil	8.3	5.0	4.6	4.9
China	1.2	4.1	4.0	4.0
India*	3.6	4.0	4.2	4.0
UK	2.0	2.1	1.9	2.0
US	1.3	1.8	2.1	2.2
Germany	1.3	1.5	1.6	1.8
Euro area	0.8	1.1	1.5	1.7
Japan	0.3	-0.3	0.2	1.0

Source (Basic Data): OECD Economic Outlook November 2017.
*Data is based on fiscal year, (f) indicates forecast.

Chart 14: GDP deflator based inflation – Selected countries



Import penetration: *India's import penetration is projected to fall in 2018 and 2019.*

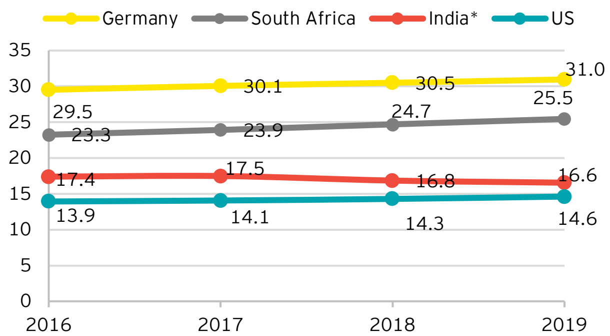
- Among selected emerging market economies (EMEs) and advanced economies, import penetration measured as the ratio of goods and services import volume to total final expenditure in real terms, was the highest in Germany followed by South Africa at 30.1% and 23.9% respectively in 2017.
- OECD estimates show that import penetration in India in 2017 was lower than that in China but higher than that in Japan, Brazil and the US.
- Among selected economies, the US had the lowest import penetration 2017. However, in 2018 and 2019, Brazil is projected to have the lowest levels of import penetration.
- As per OECD projections, import penetration for most advanced economies is likely to increase in 2018 and 2019.

Table 8: Import penetration (%)**

Country	2016	2017 (f)	2018 (f)	2019 (f)
Germany	29.5	30.1	30.5	31.0
South Africa	23.3	23.9	24.7	25.5
UK	23.1	23.3	23.3	23.3
China	19.1	19.1	18.7	18.3
Russia	17.2	18.9	20.0	20.5
India*	17.4	17.5	16.8	16.6
Japan	14.5	14.6	14.6	14.7
Brazil	14.2	14.2	14.2	14.3
US	13.9	14.1	14.3	14.6

Source (Basic Data): OECD Economic Outlook November 2017.
*Data is based on fiscal year, (f) indicates forecast.
** Goods and services import volume as a percentage of total final expenditure, constant prices.

Chart 15: Import penetration – Selected countries



5. In focus: India's macro-economy on the eve of the FY19 Budget – Reinvigorating growth

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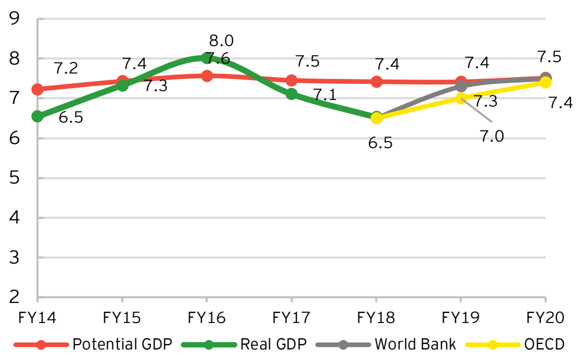
Introduction

The FY19 Budget would be the NDA Government's fifth and last full-year budget during its term from May 2014 to May 2019. As the economy stages a recovery after a fall for five consecutive quarters up to 1QFY17 following demonetization and the transition to GST, prospects of the FY19 Budget and India's recent macro-economic performance are integral to each other. Growth has staged a notable recovery from 2QFY18. Initiatives in the forthcoming Budget need to further energize the ongoing growth momentum.

Growth: Performance and potential

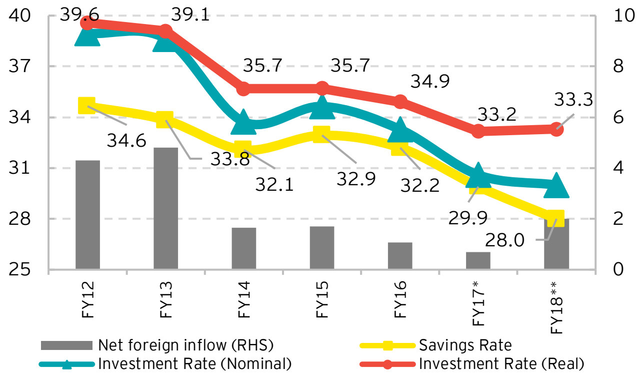
Achieved growth, in relation to its potential, indicates under-utilization of existing capacity. Although growth has staged a recovery in the first two quarters of FY18, it is still 1 percentage point below potential as per OECD's projections of India's potential growth. However, based on the ongoing recovery, both OECD and the World Bank have projected continued growth momentum for India at 7% and 7.3% respectively in FY19.

Chart 16: India's GDP growth: Real and potential



Source (Basic Data): CSO, World Bank, OECD.
Note: real GDP growth up till FY18 has been sourced from the CSO.

Chart 17: India's saving and investment rates



Source (Basic Data): CSO, MOSPI.
*estimated; **estimates derived using first advance estimates of national income.

A longer-term growth issue is the steady fall in investment and saving rates. Capacity and therefore potential output depend on capital stock, which depends on investment. In India, investment is largely driven by domestic savings.

Measured as a % of GDP, savings fell from a peak of 34.6% in FY12 to 29.9% in FY17 relative to GDP. We estimate the saving rate to be close to 28% in FY17. The components of saving that are largely responsible for this fall are (a) domestic savings, particularly financial savings and (b) public sector savings. The policy challenge is to uplift potential output which requires accelerating investment financed largely by domestic savings.

There has been, however, one redeeming feature. The implicit price deflator for investment goods has remained lower than that of consumption goods since FY12. From FY13 to FY18, investment goods inflation, as measured by the implicit price deflator for GFCF at 2.6%, was only half of that for consumption goods at 5.2%. This has resulted in a higher investment rate in real terms as compared to nominal terms. In FY18, investment rate in real terms is estimated to be 33.3% compared to the nominal rate of 30%.

GDP components: Relative dynamics

Looking at GDP components, there are clear positive signs. Investment demand (GFCF), which had been falling up till 4QFY17, turned positive in 1QFY18 and improved to 4.7% in 2QFY18.

Table 9: Real GDP growth (%)

Component	4Q FY16	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	1H FY18	2H FY18*
PFCE	11.8	8.4	7.9	11.1	7.3	6.7	6.5	6.6	6.1
GFCE	2.4	16.6	16.5	21.0	31.9	17.2	4.1	10.2	6.6
GFCF	3.9	7.4	3.0	1.7	-2.1	1.6	4.7	3.1	5.9
EXP	-1.6	2.0	1.5	4.0	10.3	1.2	1.2	1.2	7.6
IMP	-3.7	-0.5	-3.8	2.1	11.9	13.4	7.5	10.4	9.7
GDP	**9.0**	**7.9**	**7.5**	**7.0**	**6.1**	**5.7**	**6.3**	**6.0**	**7.0**
Contribution of net exports to growth (% points)	*0.5*	*0.5*	*1.2*	*0.4*	*-0.3*	*-2.6*	*-1.3*	*-2.0*	*-0.5*

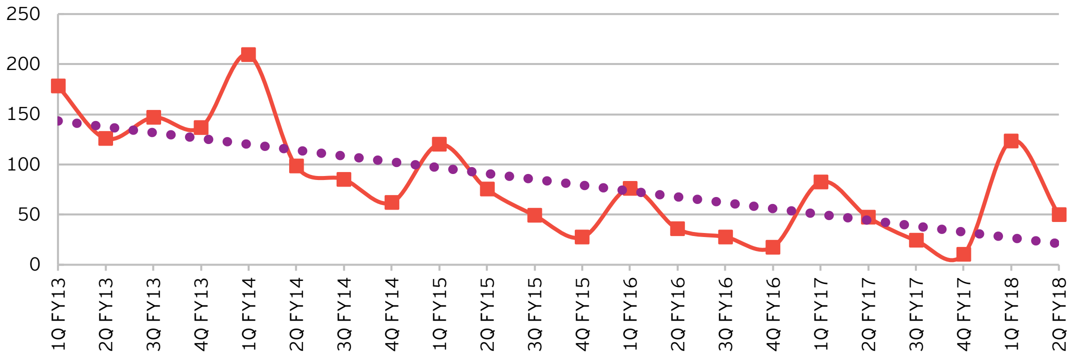
Source: CSO, MOSPI. * derived

Momentum is building up as reflected in some high-frequency indicators. PMI manufacturing has remained above 50 for three consecutive months with the latest value being 54.7 in December 2017. PMI services and composite PMI recovered to 50.9 and 53 respectively in December. Credit growth, which had been languishing until recently, has picked up, showing a growth of 10.7% by December 2017.

Reducing macro imbalance: A significant achievement

A major achievement of the present Government during its term starting FY15 has been a steady reduction in macro imbalance. We measure macro imbalance by a combination of three indicators: fiscal deficit to GDP ratio, CPI inflation and CAD to GDP ratio. Their departure from a pre-defined norm indicates a macro imbalance. The summary indicator of macro imbalance is an equally weighted sum of these three components, namely, percentage deviation of inflation rate (based on new CPI 2011−12=100), fiscal deficit (as a percentage of GDP) and CAD (as a percentage of GDP) from their respective benchmarks of 4% of GDP, 3% of GDP and 1.3% of GDP. The state of "balance" is judged by a value of "0." An index value > 0 indicates the presence of an imbalance in the economy[1]. The higher the value, the greater the extent of imbalance. With all the three components of IMI close to their respective benchmarks, the economy moved to a near full macro balance for the second time since 4QFY12. A major success of the policymakers in recent years has been to bring the economy closer to a situation of macro balance as shown in the Chart 3.

Chart 18: Index of macro imbalance



Source: EY analysis.

Overall CPI inflation has remained below its benchmark value of 4% for four quarters in a row. In the pre-NDA years (FY13 and FY14), CPI inflation was in the range of 8%-11%. This has been brought down to levels below 4% partly due to the focus of the Monetary Policy Committee (MPC) on inflation management and partly due to a fall in crude prices until recently. In FY13, the Center's fiscal deficit (CFD)-GDP ratio was as high as 4.9%. It has been steadily brought down to a level close to 3.2% depending on the outcome of the FY18 figures. In FY13, CAD as a % of GDP was at a significantly high level of 4.8%. Since then, it gradually reduced to reach 0.7% in FY17.

Evolving policy legacy

In the macro context, the evolving policy legacy of the NDA Government, focused as it is on structural and supply side reforms, will provide strong foundations for future growth. It needs to be acknowledged that demand management has been highly constrained for the Government because of legacy issues.

The NDA Government inherited both a high level of inflation and a high level of fiscal deficit to GDP ratio. In addition, from FY16, 42% of the Center's shareable tax revenues started to be transferred to the states under the recommendations of the 14th Finance Commission. Bringing these to their desired levels left little room for demand side management. The NDA Government's policy has been focused on supply side reforms, aimed at increasing the productivity of resources. With monetary policy being handled by the MPC and the fiscal side being heavily constrained, the Central Government focused on supply side reforms based on legislation and regulation. GST, for example, is very largely a supply side policy reform as it aims to improve the productive efficiency of the economy by better resource allocation, removal of inter-jurisdiction fiscal barriers and bringing in supply chain efficiencies. Improved regulatory policies including the new bankruptcy law, the FRBMA in its current or potentially modified form and RERA are examples of the institutional and regulatory reforms. A number of government welfare programs such as Jan Dhan Yojana, crop insurance and accident insurance involved minimum budgetary cost but required extensive private participation.

A positive trend in the era of the present Government has been the creation of additional fiscal space of more than 2% points of GDP during FY14−FY17 from (a) a reduction in the budgetary subsidies to GDP ratio of about 1 percentage point and (b)

[1] In considering the percentage deviation of each of the indicators from its selected norm, only the positive deviations are taken. Negative deviations are equated to zero to ensure that the negative and positive deviations across indices are not canceled out.

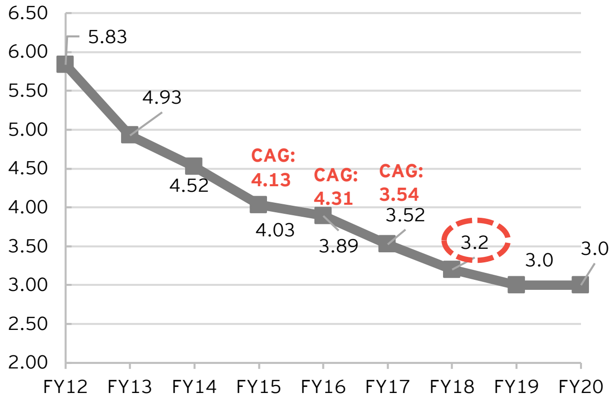
an increase in the Center's gross tax to GDP ratio of 1.2 percentage points. Expenditure reforms should be continued in the FY19 Budget by downsizing ministries dealing with state subjects.

Budget prospects: Continued adherence to fiscal discipline

Indications are that there may be some slippage in achieving the budgeted targets for both tax and non-tax revenues. Customs duty revenues, excise duty revenues from POL products and GST revenues may fall short of the budgeted targets. By November 2017, non-tax revenues amounted to only 36% of the budgeted target. Although the RBI is likely to top up its already announced dividend to the Government by about INR 13,000 crore, there might still be a shortfall in non-tax revenues. The expected shortfall in receipts would leave the Government with a difficult choice. It would need to consider either allowing the fiscal deficit to slip beyond the target of 3.2%, thereby compromising on its reputation for maintaining fiscal discipline, or cutting expenditure, thus dampening the ongoing growth momentum. Given the Government's commitment to fiscal consolidation and some improvement in revenue prospects, the slippage in the fiscal deficit, if any, may be kept to a minimal. Furthermore, the Government may make up for any lost ground in FY19 by sticking to the target of 3% of GDP as per the consolidation path as revenue prospects are likely to improve in FY19. An ambitious disinvestment program for FY19 is already taking off, with the Government already planning strategic disinvestment in about 36 companies in FY19. Also, by that time, GST would have normalized and become compliance-friendly, and is likely to improve direct tax compliance. If petroleum products are brought within the GST ambit, they would also become ad-valorem, giving buoyancy to government revenues as global crude prices firm up. There are indications that imports are rising and import duties might also show more buoyancy. Furthermore, the RBI dividends would also normalize as the fall in FY18 in these dividends was largely due to demonetization. With an expected increase in real GDP growth at over 7.3% and likely inflation at about 4.5%, the Government may not be unjustified in using a nominal growth assumption of close to 12% in FY19.

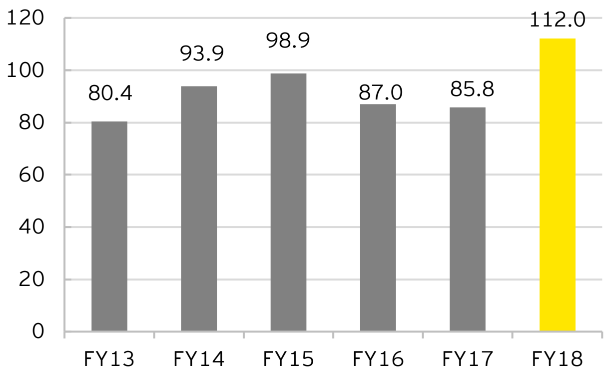
Fiscal deficit: Possibilities and challenges

Chart 19: Fiscal roadmap (fiscal deficit as a % of GDP)



Source (Basic Data): Data up till FY17 has been taken from CGA, CAG Report on Union Government's finance accounts for FY15, FY16 and FY17 and medium -term fiscal policy statement, Union Budget FY17 and FY18.

Chart 20: Fiscal deficit during April-November 2017 as a % of annual budgeted estimates for FY18



Source (Basic Data): Monthly accounts, CGA.

Given the turnaround in the growth momentum, the FY19 Budget may do well to strengthen this momentum through focused support to construction, infrastructure, housing and manufacturing. These sectors are not only job-intensive and have the capacity to absorb both skilled and non-skilled labor but also have strong multiplier effects as they create demand for sectors such as cement, electricity and financial services. A significant challenge arises from the rural and agricultural economy, which has proved to be vulnerable as the farmers suffer from output and price shocks. In both cases, the resultant is an income shock. Although the farmers have the least capacity to face such volatility, they are subject to considerable income volatility. In order to ensure that their incomes do not fall below a defined minimum threshold, a suitable farmer income insurance scheme may be designed financed by subscriptions by farmers, insurance companies and the Government. This would be fiscally far more feasible than a universal basic income program.

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6. Money and finance: Repo rate likely to be left unchanged at 6%

A. Monetary sector

Given the elevated CPI inflation at 5.2% in December 2017, the RBI may keep any changes in the repo rate on hold.

Monetary policy

- Significantly higher CPI inflation reading for the month of December 2017 has waned the prospects of any policy rate reduction by the RBI in its upcoming policy meeting. Earlier, during its policy review held in December 2017, the RBI had refrained from lowering the policy rate as risks to inflation had heightened (Chart 21).
- In the RBI's estimate, CPI inflation is likely to average between 4.3% and 4.7% during the 2HFY18. This has also been supported by the RBI's latest round of household survey, which showed a firming up of household inflation expectations for both three-month ahead and one-year ahead horizons.

Chart 21: Movements in repo rate

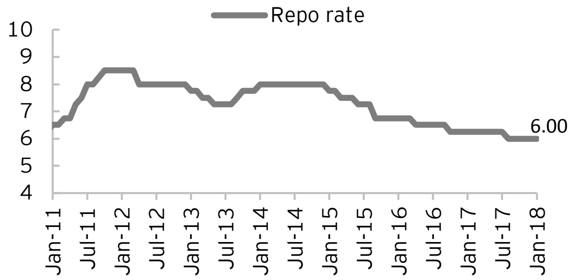
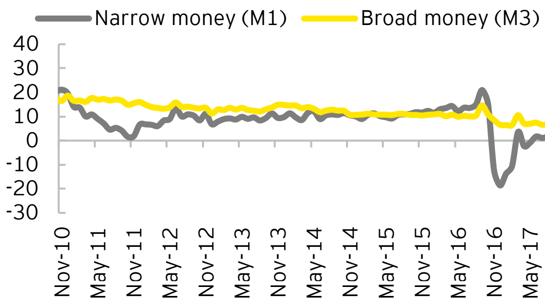


Chart 22: Growth in narrow and broad money



Source: Database on Indian Economy, RBI.

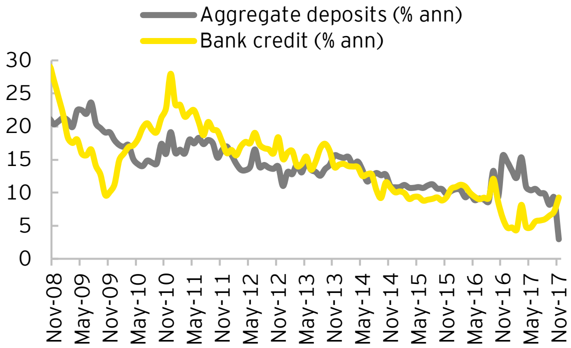
Money stock

- Growth in broad money stock (M3) increased to an eight-month high of 8.8% (y-o-y) in November 2017 as compared to 6.5% in October 2017 (Chart 22). Growth in time deposits (accounting for over 76% of the broad money stock) moderated to 3.3% in November 2017 due to an unfavorable base effect. Following demonetization, deposits had increased sharply in November 2016.
- Narrow money (M1) growth increased sharply to 35.0% (y-o-y) in November 2017 as compared to 2.7% in October 2017. This sharp increase in the growth of M1 is largely attributable to a favorable base effect for the growth of currency in circulation, which turned positive for the first time since November 2016. The process of re-monetization continues, although at a modest pace, as reflected by an increase in currency in circulation (excluding non-demonetized currency) as a percentage of the total demonetized currency (indicating the extent of re-monetization), which reached 94.6% by 5 January 2018 as compared to 91.7% on 24 November 2017.

Aggregate credit and deposits

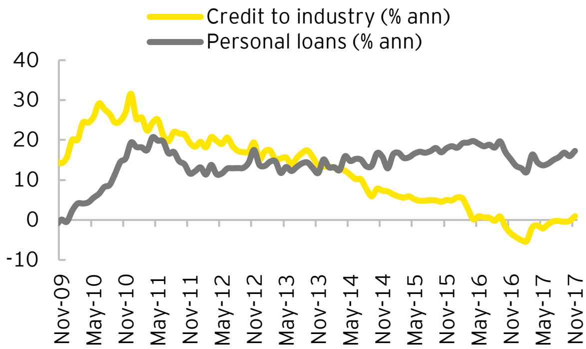
- Growth in credit by scheduled commercial banks rose to a 14-month high of 9.3% (y-o-y) in November 2017 as compared to 7.1% in October 2017 (Chart 23). Credit growth has gradually improved during the last five consecutive months, pointing toward a recovery in domestic demand.
- Growth in non-food credit rose to 8.8% in November 2017 from 6.6% in October 2017. Credit growth to the services sector accelerated to an eight-month high of 14.0% in November 2017 as compared to 9.4% in October 2017. Credit to industries turned positive for the first time in 13 months as it increased to 1.0% in November from (-) 0.2% in October 2017.
- Growth in personal loans, a key driver of retail sector credit, increased to 17.3% in November 2017 from 16.0% in October 2017, led by an increased growth in demand for housing loans during the month (Chart 24).
- Owing to an unfavorable base effect, growth in aggregate bank deposits fell to 3.0% (y-o-y) in November 2017 as compared to 9.2% in October 2017.

Chart 23: Growth in credit and deposits



Source: Database on Indian Economy, RBI.

Chart 24: Growth in industrial and personal loans



Source: Database on Indian Economy, RBI.

B. Financial sector

Both gross FDI and FPI inflows were relatively higher during April-October 2017 as compared to the inflows during the corresponding period of the previous fiscal.

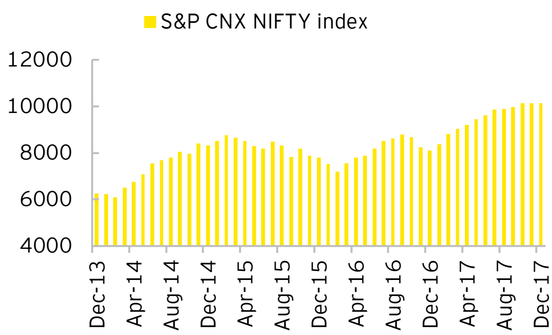
Interest rates

- Banks maintained the interest rates offered on term deposits, with a maturity of more than one year, between 6.00% and 6.75% in December 2017, similar to the levels seen in November 2017.
- The marginal cost of fund-based lending rate (MCLR) was lowered to range between 7.65% and 8.05% in December. The average MCLR was at 7.66% in December 2017, marginally lower than 7.70% in November 2017.
- The average yield on 10-year government securities reached a 17-month high of 7.35% (weekly average) in December 2017 as compared to 7.15% in November 2017 as macro imbalances increased. Particularly, investors expressed concerns over upward risks to domestic inflation and widening of CAD.

FPI and stock market

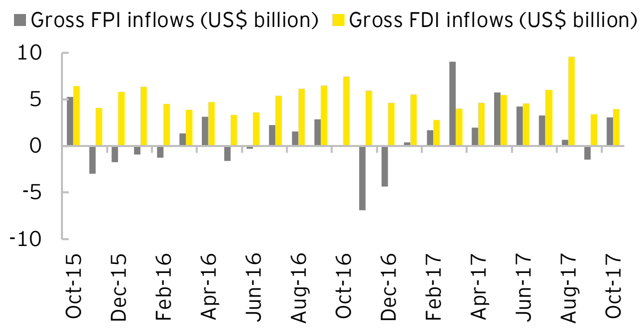
- The benchmark S&P NIFTY index fell marginally to 10,322 points (average) in December 2017, from 10,325 points in November 2017 (Chart 25). Market sentiments were largely affected by no rate reduction by the RBI, a higher inflation reading in November 2017 and a sharp increase in CAD.
- As per provisional data, gross FDI inflows reached US$37.7 billion during April-October 2017, similar to the level of inflows seen during April-October 2016. FPI inflows, on the other hand, were relatively higher at US$17.4 billion during April-October 2017 as compared to US$7.9 billion during the corresponding period of the previous fiscal.

Chart 25: Stock market movement



Source: Database on Indian Economy, RBI.

Chart 26: Gross FDI and FPI inflows



Source: Database on Indian Economy, RBI.

- From FY01 to FY17, gross FDI inflows into India totaled US$478.8 billion, of which close to US$161 was received between FY15 and FY17, suggesting that India has emerged as an attractive destination for foreign investors.

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7. Trade and CAB: Export growth subsides in December from a six-year high

A. CAB: Significant improvement over 1QFY18

CAB as a percentage of GDP improved to (-) 1.2% in 2QFY18 from a four-year low of (-) 2.4% in 1QFY18. CAB is expected to deteriorate in 3QFY18 due to high levels of merchandise trade deficit.

The improvement in CAB over 1QFY18 was primarily due to the combined effect of a slowdown in merchandise imports and pickup in merchandise exports along with faster growth in net transfers. Merchandise trade deficit moderated substantially to (-) US$32.8 billion from a four-year peak of (-) US$42.0 billion, while growth in net transfers reached a 21-quarter high of 12.5%. Growth in net service exports reached a 10-quarter high of US$18.4 billion from US$18.3 billion in 1QFY18.

Table 10: CAB

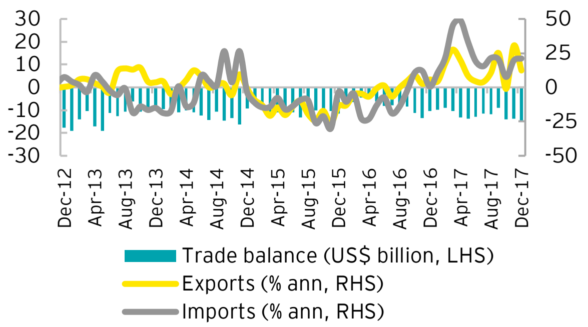
	CAB (- deficit/ +surplus) (US$ billion)	CAB as a % of nominal GDP	Goods account net (US$ billion)	Services account net (US$ billion)	Income account net (US$ billion)	Transfers net (US$ billion)
FY14	-32.4	-1.7	-147.6	73.0	-23.0	65.3
FY15	-26.8	-1.3	-144.9	76.6	-24.1	65.7
FY16	-22.2	-1.0	-130.1	69.7	-24.4	63.0
FY17	-15.3	-0.7	-112.4	67.5	-26.3	56.6
3QFY17	-8.0	-1.4	-33.3	17.8	-6.4	13.9
4QFY17	-3.5	-0.6	-29.7	17.6	-5.6	14.2
1QFY18	-15.0	-2.5	-42.0	18.3	-5.8	14.5
2QFY18	-7.2	-1.2	-32.8	18.4	-8.5	15.6

Source: Database on Indian Economy, RBI.

B. Merchandise trade and exchange rate

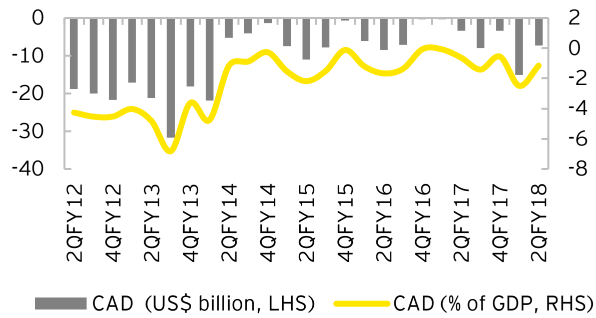
- Growth in merchandise exports declined to 12.4% in December from a six-year high of 30.5% (y-o-y) in November 2017 (Chart 27). Growth in November was largely driven by a favorable base effect.
- Growth in engineering goods and gems and jewelry fell to 25.3% and 2.4% in December from 43.8% and 32.7% respectively in the previous month.
- Import growth increased to 21.1% in December 2017 from 19.6% in November 2017 (7.6% in October) primarily due to a sharp reversal of the contractionary trend in growth in gold imports from September 2017 onward. Gold imports grew at a high rate of 71.5% in December due to a low base effect on account of the impact of demonetization.
- Growth in imports of petroleum products and pearls and precious stones remained at elevated levels of 34.9% (39.1% in November 2017) and at 94.0% (85.8% in November) in December 2017 respectively.
- Reflecting a higher growth in imports vis-à-vis exports, India's merchandise trade deficit reached a three-year high of US$ 14.9 billion from US$13.8 billion in the previous month.
- The Indian rupee appreciated marginally to INR64.2 per US dollar in December from 64.9 in November 2017.

Chart 27: Developments in merchandise trade



Source: Ministry of Commerce and Industry.

Chart 28: CAD



Source: Database on Indian Economy, RBI.

8. Global growth: World Bank projects a broad-based recovery in global growth

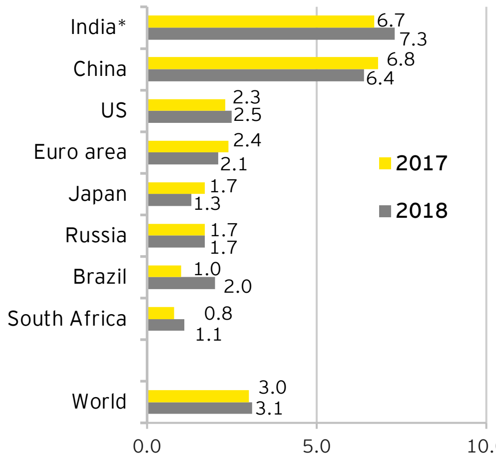
A. Global growth outlook

- As per the World Bank (Global Economic Prospects, January 2018), global growth is estimated to pick up from 2.4% in 2016 to 3% in 2017 and 3.1% in 2018 (Chart 29). In their assessment, the recovery in global growth is broad-based and is attributable to a rebound in global investment, providing a substantial boost to exports and imports.
- Growth in advanced economies and EMDEs is estimated to improve to 2.3% and 4.3% respectively in 2017. Growth in advanced economies is projected to moderate during 2018-20 while that in EMDEs is expected to increase further to 4.5% in 2018 and average at 4.7% in 2019-20.
- In the US, GDP growth is estimated at 2.3% in 2017 and 2.5% in 2018, supported by strengthening private investment. Recently legislated corporate and personal income tax cuts are expected to support activity, although gains might be constrained as the economy is already operating near full capacity and the pace of monetary policy normalization is expected to slightly accelerate.
- In the Euro area, growth is estimated to improve to 2.4% in 2017 with broad-based improvements across member countries supported by policy stimulus and strengthening external demand. Growth is projected to slow down to 2.1% in 2018 as the policy stimulus is gradually unwound.

The World Bank, in its January 2018 issue of the Global Economic Prospects, has projected global growth to recover to 3% in 2017 and 3.1% in 2018. However, potential growth across both advanced and emerging economies has fallen due to weaker-than-average capital accumulation rates, weaker total factor productivity and unfavorable demographic trends.

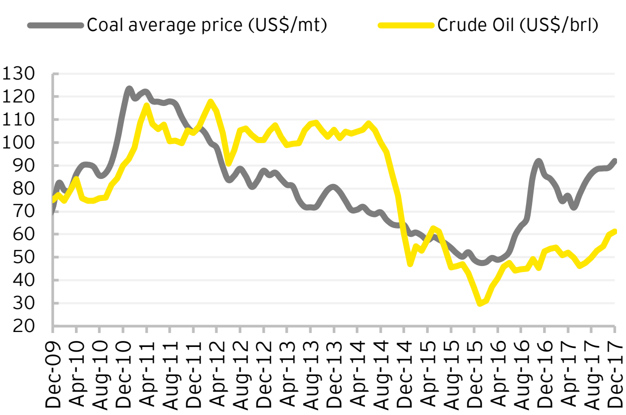
- In Japan, GDP growth is estimated to recover to 1.7% in 2017 supported by a recovery in consumer spending and investment as well as the implementation of a fiscal stimulus package. Growth is projected to slow down to 1.3% in 2018 as fiscal stimulus is withdrawn and export growth moderates.
- China is estimated to grow by 6.8% in 2017, reflecting continued fiscal support and a strong recovery in exports leading to a positive contribution of net trade to growth. Growth is projected to moderate to 6.4% in 2018. A significant challenge to the growth outlook emanates from the high levels of debt. The total stock of non-financial debt at 260% of GDP continued to expand on a year-on-year basis (Bank of International Settlements, 2017)
- In case of India, taking note of a strong recovery in investment demand, the World Bank estimated the real GDP growth at 6.7% for FY18, higher than the official advance estimate of 6.5%, which may be based on a conservative estimate for growth in manufacturing. The World Bank's projection of a growth of 7.3% for FY19 confirms the expectation of a strong recovery once the adverse effects of demonetization and GST transition have waned.

Chart 29: Global growth projections



Source: Global Economic Prospects, World Bank, January 2018.
*Forecast pertains to fiscal year FY18 and FY19 accordingly.

Chart 30: Global crude and coal prices

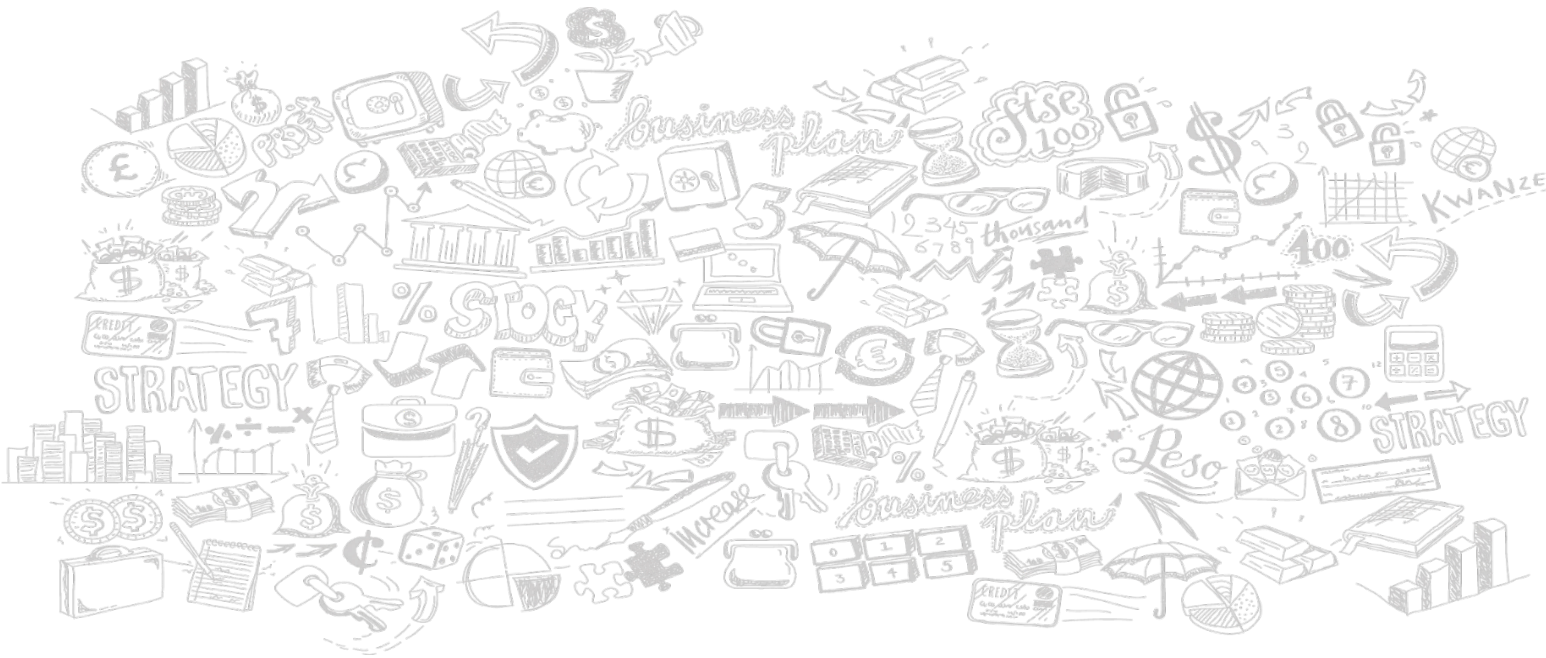


Souce: World Bank, Pinksheet.

B. Global energy prices

Following the decision of continuing the production cuts for the whole of 2018, average global crude price increased to a 30-month high of 61.2/bbl. On a quarterly basis, global crude price averaged US$58.7/ bbl. in 3QFY18, the highest since 1QFY16.

- Following the decision to continue production cuts for the whole of 2018, average global crude prices[2] increased to a 30-month high of US$61.2/bbl. in December 2017 from US$59.9/bbl. in November 2017 (Chart 30). On a quarterly basis, the global crude price averaged US$58.7/ bbl. in 3QFY18, the highest since 1QFY16. However, both International Energy Agency (IEA) and the OPEC have forecasted an increase in the US oil production in 2018, which might put a downward pressure on prices.
- Average global coal prices also increased for the seventh successive month to US$92.0/mt. in December 2017 (US$89.1/mt in November 2017). It was the highest since November 2016. On a quarterly basis, coal prices averaged US$90.0/mt. in 3QFY18, the highest since 1QFY13.



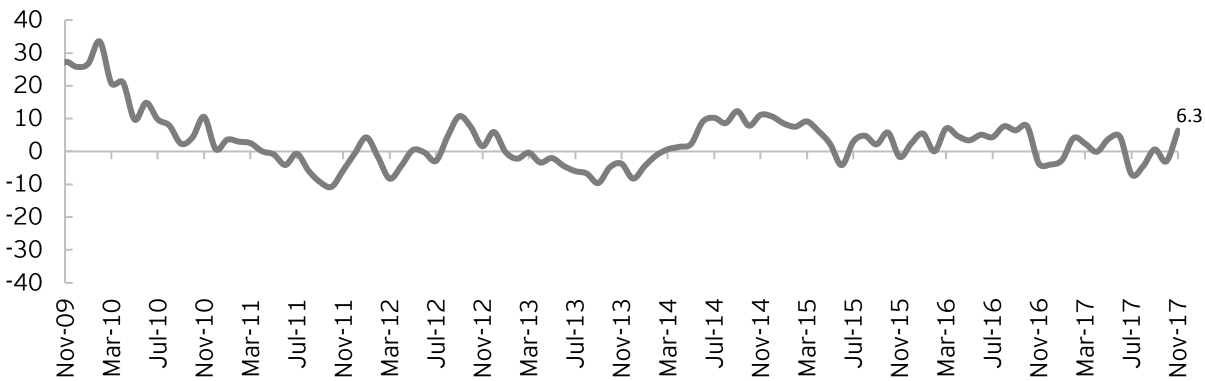
[2] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh.

9. Index of aggregate demand (IAD): Strong pickup in IAD during November 2017

Growth in IAD accelerated to 6.3% in November 2017 supported by higher growth in the agriculture and manufacturing sectors.

- 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 movements in PMI for manufacturing and services, 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).**
- Following a sharp contraction in October 2017, the y-o-y growth in index of aggregate demand turned positive, accelerating to 6.3% in November 2017 (Chart 31). A strong pick-up in the demand conditions for both the agriculture and manufacturing sectors have more than offset the contraction in the services sector.

Chart 31: Growth in IAD (y-o-y)



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

Table 11: IAD

Month	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
IAD	124.2	120.8	123.0	122.9	110.7	117.3	122.9	122.5	117.2
Growth (% y-o-y)	2.4	-0.1	3.8	4.5	-7.0	-4.5	0.6	-3.0	6.3

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

10. Messages from high-frequency indicators

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Introduction

Trends in the overall and sectoral growth are of considerable interest to the policymakers as well as industry, but the related data is available at quarterly and annual frequencies only. High-frequency data, particularly monthly data, contains rich information that can be used in relation to their past variations to capture the direction of growth impulses within a quarter. Such data reflects considerable inter-sectoral variations, which might be used to take a view on which sectors are performing relatively better than the others. This section contains an analysis of selected sets of monthly data in order to capture the ongoing growth impulses in the economy with respect to the eight GVA sectors.

The CSO has provided advance estimates of national income aggregates for FY18. We also have growth data for the first two quarters of FY18. Keeping these in the background, we have examined growth trends within 3QFY18 using two selected indicators of economic activity for each of the eight GVA sectors to capture sector-specific growth pulse. Our methodology is to progressively cumulate monthly data within a quarter so as to give a fuller view of the entire quarter as more data for the concerned quarter becomes available. Thus, for 3QFY18, we have captured October data first, then data cumulated for October and November and then data cumulated for October, November and December to cover the entire quarter. There are some variations in the availability of data according to sectors. For our current analysis, for most cases, we have data for October and November that is cumulated for two months. This data has been compared with corresponding data for the previous year to examine the growth pattern. Similar growth has also been calculated for the preceding year so as to highlight, compared to the previous year, whether growth is stronger in the current year or not.

1. **Agriculture, forestry and fishing:** *Agricultural growth in FY18 may remain below that in FY17 as reflected in the growth trends of the first three quarters.*

For agriculture, we have selected two monthly indicators, namely, growth in credit to agriculture and allied activities and growth in fertilizer production. Growth in agricultural credit up to November FY18 was less than half of the growth in credit in the corresponding months of FY17, indicating subdued agricultural activity. Data cumulated for October and November shows that there was a slight pick-up in credit in 3QFY18 but it remained well below the corresponding growth in FY17.

On the other hand, growth in fertilizer production was higher in October FY18 but it appears to be falling when October and November growth numbers are taken together compared to the corresponding period in FY17. Taken together, agricultural growth in 3QFY18 is likely to be lower as compared to that in 3QFY17 but the difference in growth in the 3Q of the two years may narrow down as compared to that in the previous two quarters.

Chart 32: Growth in credit to agriculture and allied activities

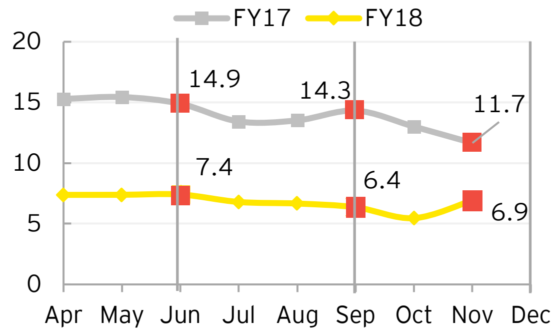
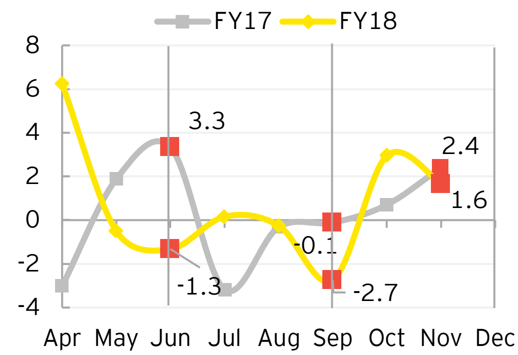


Chart 33: Growth in fertilizer production



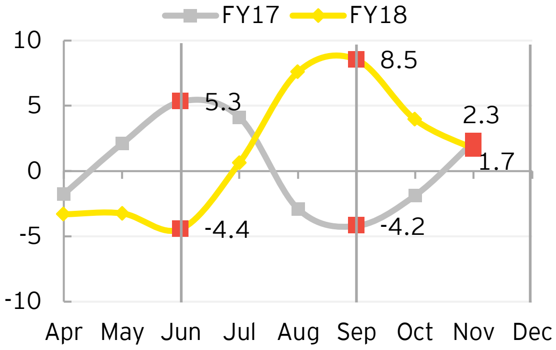
Memo: Real growth in agriculture et. al. (%)
1HFY17 **3.2**
1HFY18 **2.0**
3QFY17 **6.9**

Source (Basic data): RBI, MOSPI.

2. **Mining and quarrying:** *In mining and quarrying, 3QFY18 growth may remain well below that in 2Q; the annual growth in FY18 may be higher than that in FY17.*

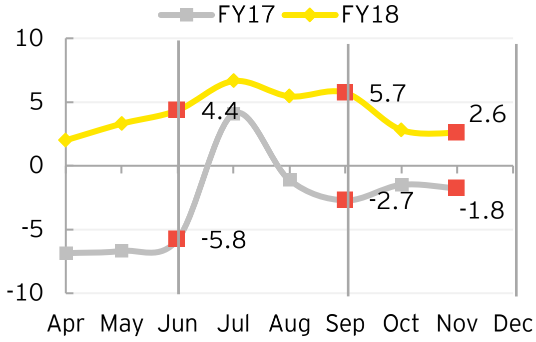
For mining and quarrying, we have looked at the monthly production of coal and natural gas. These indicators, particularly of coal production, confirm a strong pick-up in the growth of the mining and quarrying sector in 2QFY18. However, there is a discernible downward movement in growth in the data for October and November, indicating that the 3Q performance might be much lower than the growth at 5.5% in 2QFY18. Growth in natural gas production also reflects this trend, although the weight of coal in IIP is far higher than that of natural gas.

Chart 34: Growth in coal production



Source (Basic data): MOSPI.

Chart 35: Growth in natural gas production



Memo: Real growth in mining et. al. (%)

1HFY17
-1.1

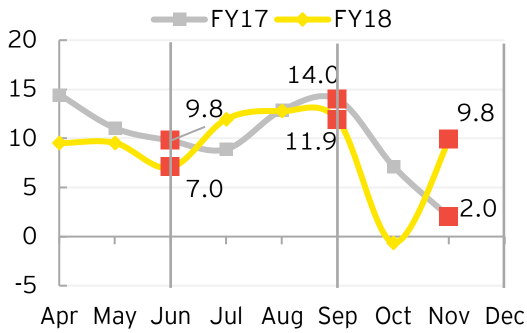
1HFY18
2.0

3QFY17
1.7

3. Manufacturing: ***Manufacturing growth appears to be picking up from 3QFY18.***

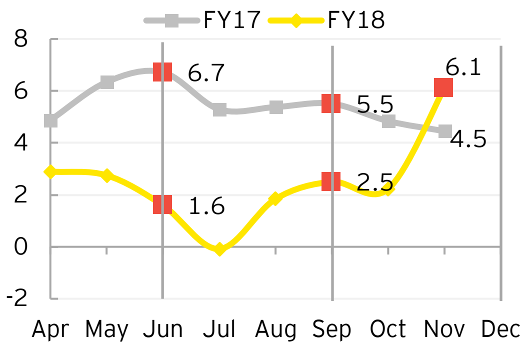
For capturing trends in manufacturing, we have looked at growth in motor vehicle sales and growth in IIP manufacturing. Both indicators reflect strong inter-quarter variations in the manufacturing activities. Manufacturing growth was the strongest in the months of 2Q, up to September 2017. In October, motor vehicle sales slumped but staged a strong recovery by November 2017. This pick-up is also indicated in IIP manufacturing. We expect manufacturing to perform somewhat better than the estimated 2HFY18 growth of 5.1% as per the CSO advance estimates.

Chart 36: Growth in motor vehicle sales



Source (Basic data): SIAM, MOSPI.

Chart 37: Growth in IIP manufacturing



Memo: Real growth in manufacturing (%)

1HFY17
9.2

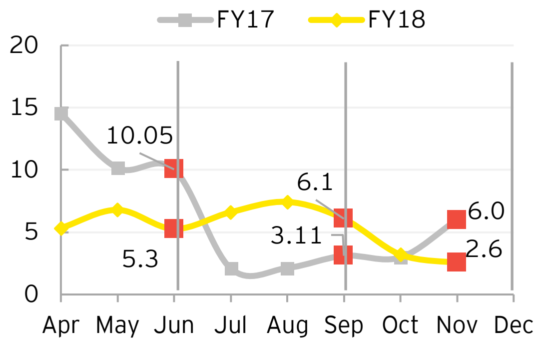
1HFY18
4.0

3QFY17
8.2

4. Electricity, gas, water supply and other utility services: ***Growth impulse is weakening in 3QFY18.***

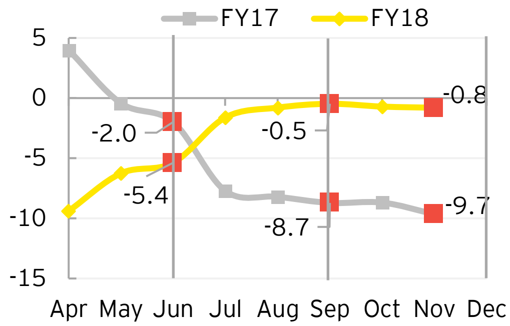
For electricity, gas, water supply and other utility services, growth in electricity production and power sector credit is a useful indicator of sectoral activity. Growth in electricity production in November 2017 fell to only 2.6% as compared to 6.0% in the corresponding period of FY17. Growth in credit to this sector had been close to 0% since July 2017, which was an improvement as compared to a sharp contraction in the corresponding period in the previous year. Although growth in this sector was relatively high in 2QFY18, the growth impulse appears to be weakening in 3QFY18.

Chart 38: Growth in electricity production



Source (Basic data): MOSPI, RBI.

Chart 39: Growth in credit to power sector



Memo: Real growth in electricity et. al. (%)

1HFY17
7.6

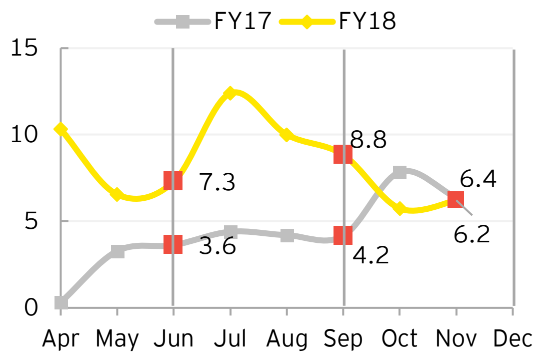
1HFY18
7.3

3QFY17
7.4

5. Construction: ***Although signals are mixed, a small growth pick-up is indicated in 3QFY18.***

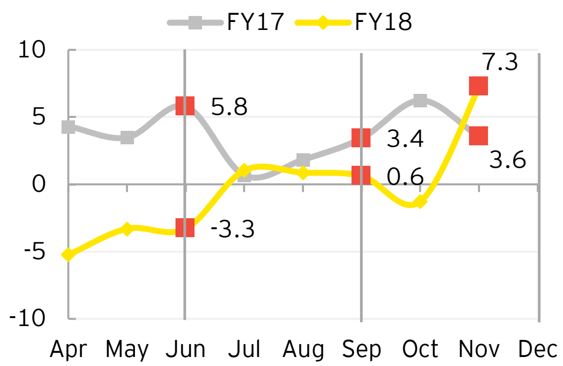
Growth impulses in the construction sector are reflected in the growth in credit to the sector and that in cement production. Credit growth to construction was high in 2QFY18. Toward the end of this quarter, credit growth was around 9%. But since then, it fell to about 6.2% by November 2017. There was, however, a strong pick-up in growth of cement production, particularly in November 2017. According to the advanced estimates, a pick-up was indicated in 2HFY18 at a growth of 4.9% as compared to 2.3% in 1HFY18. To show this kind of performance, a strong growth will need to be achieved in the remaining four months of the fiscal year.

Chart 40: Growth in credit to construction



Source (Basic data): MOSPI.

Chart 41: Growth in cement production



Memo: Real growth in construction (%)

1HFY17
3.7

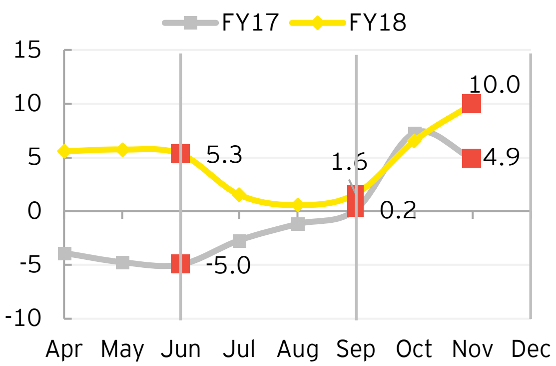
1HFY18
2.3

3QFY17
3.4

6. Trade, hotels, transport, communication and services related to broadcasting: Although growth in 1HFY18 was higher as compared to 1HFY17, it ***appears to be moderating in 3QFY18 as compared to that in 3QFY17.***

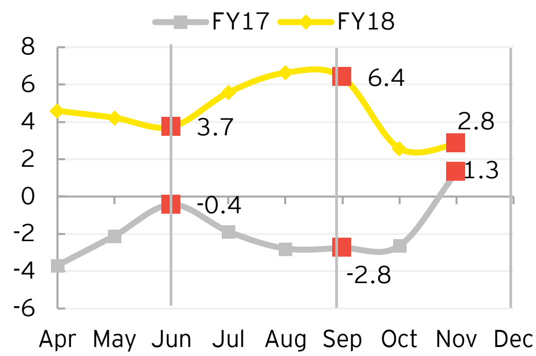
The trade, transport, communication and services related to broadcasting sector is a combination of quite a number of services. Major segments of this sector relate to trade and transport. The two selected indicators are growth in credit to wholesale trade and growth in freight movement by rail. In the case of freight movement by rail, growth was higher than the previous year in all the months up to November 2017. It peaked at 6.6% in August 2017 and remained at about 6.4% by September 2017. Since then, it fell sharply in October 2017. It picked up marginally, showing a growth of 2.8% by November 2017. This indicates a weakening of the growth impulse in 3QFY18 compared to 1QFY18 and 2QFY18. However, since growth has been higher than last year for all the 10 months, overall annual growth in FY18 is likely to be higher than in FY17. This trend is also confirmed by growth in credit to wholesale trade. In this case, credit growth in 3QFY18 had risen to 10% by November 2017. Furthermore, credit growth in all the months in FY18, except for October, when there was a marginal difference, was higher than that in FY17.

Chart 42: Growth in credit to wholesale trade



Source (Basic data): RBI.

Chart 43: Growth in freight movement by rail



Memo: Real growth in trade et. al. (%)

1HFY17
8.3

1HFY18
10.5

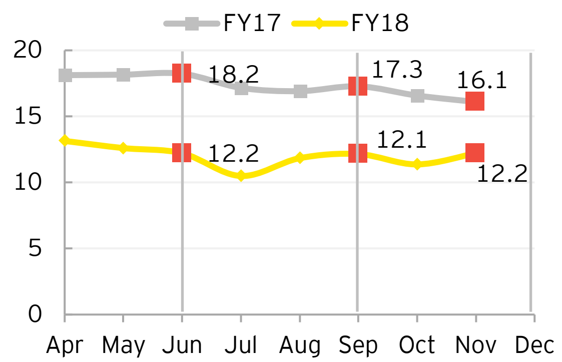
3QFY17
8.3

7. Financial, real estate and professional services: ***Growth in 1HFY18 remained below corresponding growth in FY17; this trend is likely to continue in 3QFY18.***

Housing credit and value of digital transactions have been used to capture growth in the financial, real estate and professional services sector. Both indicate a lowering of growth in this sector in the first three quarters FY18 as compared to

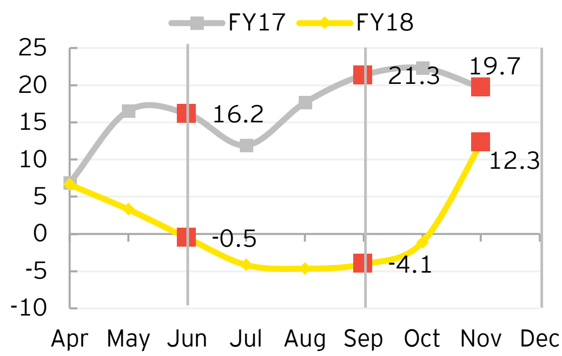
FY17. Within the year, growth in housing credit at close to 12% roughly remained at the same level in the two months of 3Q. Therefore, we do not expect much inter-quarter change in demand for housing. However, in the case of the value of digital transactions, there was a strong pick-up in 3QFY18 as compared to 2QFY18. Since digital transactions cover the entire financial and other services sector, growth in 3Q may improve as compared to that in 2Q.

Chart 44: Growth in credit to housing



Source (Basic data): RBI.

Chart 45: Growth in value of digital transactions



Memo: Real growth in financial services et. al. (%)

1HFY17
8.1

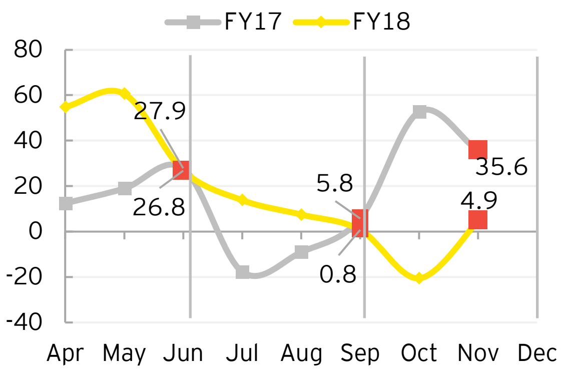
1HFY18
6.1

3QFY17
3.3

8. Public administration and defense services: ***3QFY18 growth is expected to be lower than that in 3QFY17.. Overall, FY18 growth may equal that in FY17.***

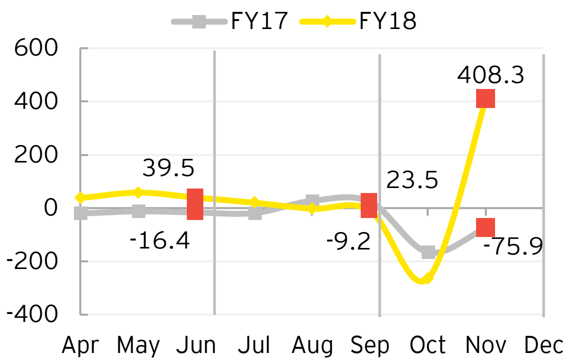
For this sector, the two representative indicators chosen are the Center's primary revenue expenditure and the Center's capital expenditure. Comparing the FY18 growth with that of FY17 for both indicators, we see that the FY18 expenditures have been frontloaded while the FY17 expenditures were back loaded. In 3QFY18, cumulated growth in October and November of primary revenue expenditure, which has a much higher weight than capital expenditure, fell below that in the corresponding months of FY17. We expect the growth in public administration and defense in 3QFY18 to be lower than that in 3QFY17.

Chart 46: Growth in the Center's primary revenue expenditure



Source (Basic data): CGA.

Chart 47: Growth in the Center's capital expenditure



Memo: Real growth in public admin. et. al. (%)

1HFY17
9.1

1HFY18
7.6

3QFY17
10.3

9. Observations on overall GVA prospects

To formulate a view on the overall GVA growth in 3QFY18, a benchmark that can be considered as relevant is the corresponding sectoral GVA growth in 3QFY17. High-frequency data indicate a corresponding sectoral growth in mining and quarrying; construction; financial, real estate, professional services; and trade, hotels, transport, communication and services related to broadcasting in 3QFY17. These sectors have a weight marginally above 50% in aggregate GVA. As such, growth in these sectors compensates for the fall in the growth of agriculture; manufacturing; electricity, gas, water supply and other utility services; and marginally in public administration and defense. It may therefore be expected that GVA growth in 3QFY18 may be close to that in 3QFY17 at 6.7%, thereby recovering from the demonetization-linked temporary dip experienced mainly 4QFY17 onward.

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11. 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							
FY14	3.3	-0.2	3.6	6.0	2.6	**FY14**	50.5	48.5
FY15	4.0	-1.3	3.8	14.8	4.9	**FY15**	52.2	51.7
FY16	3.3	4.3	2.9	5.7	3.0	**FY16**	51.3	51.7
FY17	4.6	5.3	4.3	5.8	4.8	**FY17**	51.6	51.0
3QFY17	3.8	6.7	3.1	6.1	5.3	**4QFY17**	51.2	50.2
4QFY17	3.1	7.9	2.2	4.3	3.1	**1QFY18**	51.7	51.8
1QFY18	1.9	1.1	1.6	5.3	2.5	**2QFY18**	50.1	48.0
2QFY18	3.3	7.2	2.5	6.1	4.0	**3QFY18**	52.5	50.4
Aug-17	4.8	9.3	3.8	8.3	4.4	**Sep-17**	51.2	50.7
Sep-17	4.1	7.8	3.8	3.4	4.7	**Oct-17**	50.3	51.7
Oct-17	2.0	-0.1	2.2	3.2	5.0	**Nov-17**	52.6	48.5
Nov-17	8.4	1.1	10.2	3.9	6.8	**Dec-17**	54.7	50.9

Source: Office of the Economic Adviser- Ministry of Commerce and Industry and NIKKEI PMI-Markit Economics.

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

Fiscal year/quarter/ month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY14	9.4	12.1	7.7	7.2	5.2	9.6	3.0	7.1	2.7
FY15	5.9	6.4	4.2	5.6	1.3	4.3	2.6	-6.1	2.7
FY16	4.9	4.9	5.3	4.6	-3.7	1.2	-1.8	-19.7	-1.8
FY17	4.5	4.2	3.3	4.8	1.7	5.9	1.3	-0.3	-0.1
4QFY17	3.6	1.5	4.2	5.0	5.0	4.7	3.3	21.3	2.1
1QFY18	2.2	-0.9	5.3	4.2	2.3	0.5	2.7	11.2	2.3
2QFY18	3.0	0.8	5.1	4.4	2.8	2.9	2.5	8.2	2.6
3QFY18	4.6	3.7	7.5	4.8	3.7	3.4	2.6	9.6	3.0
Sep-17	3.3	1.2	5.6	4.6	3.1	2.0	3.0	10.5	3.2
Oct-17	3.6	1.9	6.4	4.5	3.7	3.2	2.6	10.9	2.9
Nov-17	4.9	4.4	8.2	4.9	3.9	4.1	2.6	8.8	3.0
Dec-17	5.2	5.0	7.9	5.1	3.6	3.0	2.6	9.2	3.2

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	Custom duty	Excise duty	Service tax	Fiscal deficit	Revenue deficit
						% change y-o-y	% of GDP	% of GDP
FY15	9.3	8.7	8.7	9.2	11.6	8.6	4.0	2.9
FY16	17.0	6.0	8.5	11.9	51.9	25.8	3.9	2.5
FY17	17.9	6.7	21.5	7.4	32.7	20.4	3.5	2.0
FY18 (BE)	12.2	9.1	24.9	12.9	5.0	11.1	3.2	1.9
Cumulated growth (% y-o-y)							% of budget target	
Mar-17	17.9	6.7	21.5	7.4	32.7	20.4	100.1 (RE)	99.1 (RE)
Apr-17	33.0	322.4	8.0	16.5	429.1	14.3	37.6	55.5
May-17	25.0	2068.2	11.4	17.6	15.9	10.2	68.3	100.7
Jun-17	15.2	24.3	10.6	15.0	7.3	20.4	80.8	119.3
Jul-17	17.1	24.2	18.8	31.7*	-0.6	14.3	92.4	131.5
Aug-17	20.0	15.5	13.3	-	-	-	96.1	133.9
Sep-17	19.9	11.3	16.4	-	-	-	91.3	118
Oct-17	18.9	11.8	16.2	-	-	-	96.1	124.7
Nov-17	16.5	12.4	15.3	-	-	-	112.0	152.2

*Collections under customs in July FY18 include INR21,377 crore on account of IGST on imports/exports and compensation cess on imports/exports amounting to INR609 crore for 2017–18.

Month	Direct taxes*	Indirect taxes**	CGST	UTGST	IGST	GST compensation cess	Total GST
	% change y-o-y		INR crore				
Jul-17	21.1	13.9	-	-	34	-	34
Aug-17	14.2	23.6	15, 253	-	70,918	7,749	93,920
Sep-17	13.5	23.0	15, 135	-	30, 395	8024	53, 554
Oct-17	13.8	21.1	31, 187	21	18, 370	8031	57, 609
Nov-17	13.7	18.3	23, 839	75	18, 627	7103	49, 644

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.

Table A4: Monetary and financial indicators (annual, quarterly and monthly growth rates, y-o-y)

Fiscal year/month	Repo rate (end of period)	Fiscal year/quarter /month	M1	M3	Bank credit	Agg. deposits	10 yr. Govt. B Yield	Net FDI	Net FPI	FX reserves
	%		% change y-o-y				%	US$ billion	US$ billion	US$ billion
FY14	8.00	**FY14**	8.5	13.4	14.9	14.2	8.4	21.6	4.8	304.2
FY15	7.50	**FY15**	11.3	10.9	11.0	12.1	8.3	31.3	42.2	341.6
FY16	6.75	**FY16**	13.5	10.1	9.7	10.5	7.7	36.0	-4.1	355.6
FY17	6.25	**FY17**	3.6	10.6	8.0	11.7	7.0	35.6	7.6	370.0
Jun-17	6.25	**3QFY17**	-18.9	6.2	6.5	13.2	6.6	9.7	-11.3	360.3
Jul-17	6.25	**4QFY17**	3.1	10.1	5.8	13.6	7.0	5.0	10.8	370.0
Aug-17	6.00	**1QFY18**	1.3	7.0	5.1	10.6	7.0	7.2	12.5	386.5
Sep-17	6.00	**2QFY18**	1.6	5.6	6.1	9.3	6.6	13.6	2.1	399.7
Oct-17	6.00	**Aug-17**	1.7	6.7	6.0	9.8	6.6	8.6	0.6	394.6
Nov-17	6.00	**Sep-17**	1.6	5.6	6.5	8.2	6.7	1.1	-1.7	399.7
Dec-17	6.00	**Oct-17**	2.7	6.5	7.1	9.2	6.9	1.6	2.8	398.8
Jan-18	6.00	**Nov-17**	35.0	8.8	9.3	3.0	7.1	--	--	400.7

Source: Database on Indian Economy-RBI.

Table A5: External trade and global growth

Fiscal year/quarter/ month	External trade indicators (annual, quarterly and monthly growth rates)						Calendar year	Global growth (annual)		
	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)		World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl	US$/mt		% change y-o-y		
FY14	4.7	-8.3	-135.8	60.5	103.7	76.1	2011	4.2	1.7	6.3
FY15	-1.3	-0.5	-137.7	61.1	83.2	65.9	2012	3.5	1.2	5.3
FY16	-15.5	-15.0	-117.7	65.5	46.0	52.7	2013	3.3	1.2	5.0
FY17	5.0	0.0	-105.6	67.1	47.9	70.4	2014	3.4	1.9	4.6
4QFY17	16.8	25.6	-29.2	67.0	52.9	79.8	2015	3.4	2.1	4.3
1QFY18	10.6	32.8	-40.1	64.5	49.4	75.3	2016	3.2	1.7	4.3
2QFY18	13.4	19.1	-32.1	64.3	50.2	85.9	2017*	3.6	2.2	4.6
3QFY18	13.1	16.1	-42.7	64.7	58.7	90.0	2018*	3.7	2.0	4.9
Sep-17	25.1	20.4	-9.0	64.4	53.0	88.4	2019*	3.7	1.8	5.0
Oct-17	-1.1	7.6	-14.0	65.1	54.9	88.8	2020*	3.7	1.7	5.0
Nov-17	30.5	19.6	-13.8	64.9	59.9	89.1	2021*	3.8	1.7	5.1
Dec-17	12.4	21.1	-14.9	64.2	61.2	92.0	2022*	3.8	1.7	5.0

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

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
FY15	7.0	-0.2	9.8	7.7	7.3	4.1	8.9	11.3	8.1	3.5
FY16	7.9	0.7	10.5	10.8	5.0	5.0	10.5	10.8	6.9	0.5
FY17 (PE)	6.6	4.9	1.8	7.9	7.2	1.7	7.8	5.7	11.3	2.9
FY18 (AE)	6.1	2.1	2.9	4.6	7.5	3.6	8.7	7.3	9.4	2.7
2QFY16	8.2	2.3	12.2	9.3	5.7	1.6	8.3	13.0	7.2	-1.4
3QFY16	7.3	-2.1	11.7	13.2	4.0	6.0	10.1	10.5	7.5	0.9
4QFY16	8.7	1.5	10.5	12.7	7.6	6.0	12.8	9.0	6.7	1.6
1QFY17	7.6	2.5	-0.9	10.7	10.3	3.1	8.9	9.4	8.6	1.1
2QFY17	6.8	4.1	-1.3	7.7	5.1	4.3	7.7	7.0	9.5	2.4
3QFY17	6.7	6.9	1.9	8.2	7.4	3.4	8.3	3.3	10.3	2.6
4QFY17	5.6	5.2	6.4	5.3	6.1	-3.7	6.5	2.2	17.0	5.4
1QFY18	5.6	2.3	-0.7	1.2	7.0	2.0	11.1	6.4	9.5	2.2
2QFY18	6.1	1.7	5.5	7.0	7.6	2.6	9.9	5.7	6.0	2.4

	Expenditure components						IPD inflation
Fiscal year/quarter	GDP	PCE	GCE	GFCF	EX	IM	GDP
FY15	7.3	6.2	9.6	3.2	1.8	0.9	3.2
FY16	8.0	6.1	3.3	6.5	-5.3	-5.9	1.8
FY17 (PE)	7.1	8.7	20.8	2.4	4.5	2.3	3.6
FY18 (AE)	6.5	6.3	8.5	4.5	4.5	10.0	2.8
2QFY16	8.4	3.9	4.1	5.0	-4.4	-3.7	1.0
3QFY16	7.4	5.9	5.1	7.0	-8.7	-10.0	1.2
4QFY16	9.0	11.8	2.4	3.9	-1.6	-3.7	1.6
1QFY17	7.9	8.4	16.6	7.4	2.0	-0.5	2.3
2QFY17	7.5	7.9	16.5	3.0	1.5	-3.8	2.8
3QFY17	7.0	11.1	21.0	1.7	4.0	2.1	3.2
4QFY17	6.1	7.3	31.9	-2.1	10.3	11.9	6.0
1QFY18	5.7	6.7	17.2	1.6	1.2	13.4	3.3
2QFY18	6.3	6.5	4.1	4.7	1.2	7.5	3.0

Source: National Accounts Statistics, MOSPI.

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	Aggregate demand
2	bbl.	Barrel
3	CAB	Current account balance
4	CGA	Comptroller General of Accounts
5	CGST	Central Goods and Services Tax
6	CPI	Consumer Price Index
7	CSO	Central Statistical Organization
8	Disc.	Discrepancies
9	EMDEs	Emerging market and developing economies
10	EXP	Exports
11	FII	Foreign investment inflows
12	FPI	Foreign portfolio investment
13	FY	Fiscal year (April–March)
14	GDP	Gross domestic product
15	GFCE	Government final consumption expenditure
16	GFCF	Gross fixed capital formation
17	GoI	Government of India
18	GST	Goods and Services Tax
19	GVA	Gross value added
20	IAD	Index of Aggregate Demand
21	IEA	International Energy Agency
22	IGST	Integrated Goods and Services Tax
23	IIP	Index of Industrial Production
24	IMI	Index of Macro Imbalance
25	IMF	International Monetary Fund
26	IMP	Imports
27	IPD	Implicit price deflator
28	LAF	Liquidity adjustment facility
29	MCLR	Marginal cost of funds based lending rate
30	m-o-m	Month-on-month
31	mt	Metric tonne
32	MPC	Monetary Policy Committee
33	NDU	Non-departmental undertaking
34	NEXP	Net exports (exports minus imports of goods and services)
35	PFCE	Private final consumption expenditure
36	PMI	Purchasing Managers' Index (reference value = 50)
37	PSU	Public sector undertaking
38	RE	Revised estimate
39	UTGST	Union territory goods and services tax
40	WEO	World Economic Outlook
41	WPI	Wholesale Price Index
42	y-o-y	Year on year

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