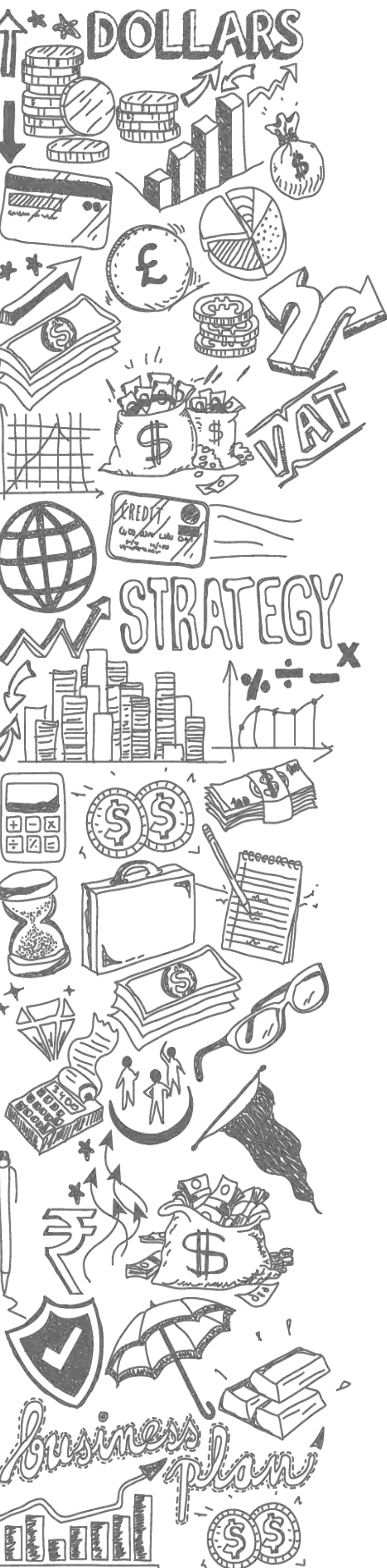
July 2017

Economy Watch

Monitoring India's macro-fiscal performance

EY

Building a better working world



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Highlights

1. **CPI inflation continues on its sharp downward path, raising possibilities of a repo rate reduction** by RBI in its August/October 2017 review.
2. **CPI inflation in June 2017 was 1.5%** due largely to a fall in food price at (-) 2.1%. This in turn was caused largely by sharp negative inflation rates for vegetables at (-) 16.5% and pulses at (-) 21.9%.
3. It is notable that **core CPI inflation rate is still close to 4%,** although it has also fallen.
4. **Growth in IIP moderated for the second straight month,** while growth of core sector IIP marginally increased in May 2017.
5. **The introduction of GST from 1 July 2017** has been welcomed by most stakeholders, although **it does introduce a degree of transitional uncertainty for a few quarters**.
6. **Gross central tax revenues grew by 25% in the first two months of FY18,** while non-tax revenues contracted by (-) 4.1% during this period.
7. Due to the advancement of the presentation of the Budget for FY18, the Central Government was able to show **a growth of almost 58% y-o-y in its capital expenditure during April–May 2017**.
8. However, the **revenue deficit of the Central Government crossed 100% of the annual budgeted target** during the first two months of FY18.
9. **Growth in bank credit remained subdued** in April and May 2017 at about 5.2%.
10. **Current account deficit in 4QFY17 was at 0.6% of GDP**. This was lower than the previous quarter deficit at 1.4% of GDP.

Foreword: GST arrives in India

In the middle of calendar year 2017, on the midnight hour, as we transitioned from June to July, India transitioned from a complex system of indirect taxes consisting of central excises, value added and sales taxes, inter-state sales tax, service tax, octroi and entry taxes, further confounded by a plethora of cesses and surcharges, to a new regime of Goods and Services Tax (GST). The demise of the old system, characterized as it was by cascading, inter-state and inter-local body fiscal barriers, multiplicity of tax rates and distinction between goods and services, was unequivocally well worth celebrating. The arrival of the new GST regime consisting of three taxes – CGST, SGST, and IGST – received a mixed welcome, although for a complex federal system as that of India with a Central Government, 29 states and 7 Union Territories, of which 2 have their own legislatures, after a debate of at least a decade and a half, it was still a major achievement. Almost as soon as GST took form, the need to reform it has been recognized. It is still not comprehensive enough to define a single domestic indirect tax regime, as it excludes taxation of major petroleum products, alcohol for human consumption, real estate and electricity duty among others from its purview. It leaves the distinction between goods and services intact. It is characterized by multiple tax rates, leaving room for classification-related disputes. Its major achievement of abolishing inter-jurisdictional barriers is marred by the need for the same entity to register in different states and UTs if it has branches or sub-entities there.

Compliance with such a GST would have been extremely difficult but for the progress that India has made in handling information through technology both in the government and private sectors. The setting up an IT platform in the form of a GST Network (GSTN), where the Central and state governments together are majority shareholders but not sole owners, is unique to India. The GSTN would provide a simultaneous interface to all registered GST dealers, Central and state governments, the Reserve Bank of India and other designated banks, and an array of GST Suvidha Providers (GSPs), who would handle monumental traffic of invoices, returns, deposits and refunds while administering the three components of GST.

GST introduces a degree of transitional uncertainty for the dealers of goods and services because of its highly differentiated rate structure in India. It also introduces a degree of revenue uncertainty for the Central Government. Its initial revenue buoyancy would be known in a few months. The state governments, however, have to deal with much lower revenue uncertainty as they have been guaranteed a 14% growth on their FY16 revenue levels for the taxes that have been merged in GST. A major immediate efficiency advantage of GST is the abolition of inter-jurisdictional fiscal barriers at the state and local levels.

The apprehension in some quarters concerning a GST-induced spike in inflation may not prove to be well founded. The June CPI index confirms continued downward march of CPI inflation. The overall CPI inflation rate in June 2017 was 1.54% while CPI food inflation rate was at (-) 2.12%. This downward trend was largely due to the inflation rate of vegetables at (-) 16.53% and of pulses and products at (-) 21.92%. These are highly seasonal variations. The core CPI index is still positive at about 4%. These features of the CPI inflation structure might still hold RBI's hands in reducing the repo rate in its August/ October policy announcement. It might also be informed by the US Fed announcement of a further hike in the US policy rate.

D.K. Srivastava
Chief Policy Advisor, EY India

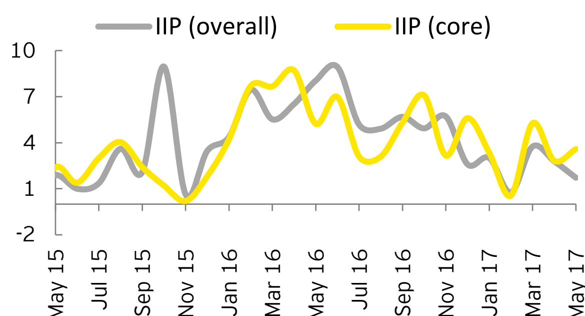
1 Growth: slower growth in manufacturing

A. Industry growth: IIP growth slows further as demand conditions remain weak

Growth in IIP moderated for the second straight month while growth of core sector IIP marginally increased in May 2017

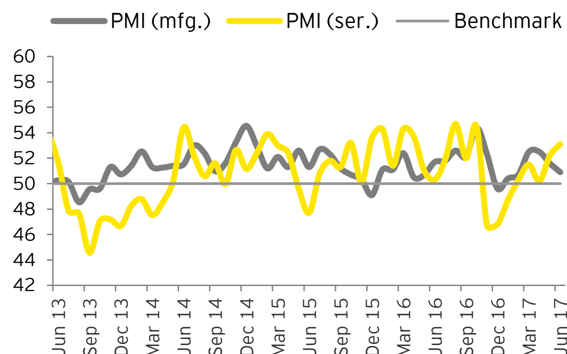
- IIP growth (with 2011–12 as base) slowed for the second consecutive month to 1.7% (y-o-y) in May 2017 (Chart 1) as compared to 2.8% (revised) in April 2017 due to fall in the growth of manufacturing sector output and a contraction in mining sector output.
- The manufacturing sector, which accounts for over 77% of the overall IIP, grew at a slower pace of 1.2% in May 2017, moderating form 2.3% in April 2017 (revised).
- Output of the capital goods industry contracted at a faster pace of (-) 3.9% in May 2017 as compared to (-) 2.9% (revised) in April 2017. Output of consumer durables also declined by (-) 4.5% in May 2017 ((-) 5.4% in April 2017).
- Output growth of infrastructure/construction goods fell to 0.1% in May 2017 from 5.2% in April 2017.
- Growth in the output of eight core infrastructure industries, with a weight of 40.3% in the overall IIP, improved to 3.6% (y-o-y) in May 2017 from 2.8% in April 2017. This improvement was driven by higher growth in the output of electricity (6.4%), petroleum refineries (5.4%), natural gas (4.5%), cement (1.8%) and crude oil (0.7%).

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



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

Chart 2: NIKKEI PMI



Source: NIKKEI PMI, Markit Economics

B. PMI: signals marginal expansion in manufacturing but a pickup in services in June 2017

PMI dropped to a four-month low for manufacturing but picked up for services in June 2017.

- Headline manufacturing PMI (sa) fell to 50.9 in June from 51.6 in May 2017 (Chart 2). There was a slowdown in new orders and output in June largely because of weakness in demand and uncertainty regarding the impact of GST implementation on businesses. PMI averaged 51.7 in 1QFY18, marginally up from 51.2 in 4QFY17.
- Headline services PMI (sa), however, reached to an 8-month high of 53.1 in June from 52.2 in May 2017. It averaged 51.8 in 1QFY18, up from 50.2 in 4QFY17.
- Composite PMI Output Index (sa) increased to an eight-month high of 52.7 in June from 52.5 in May 2017, reflecting the pickup in services in June 2017. It averaged 52.2 in 1QFY18 as compared to 50.8 in 4QFY17.

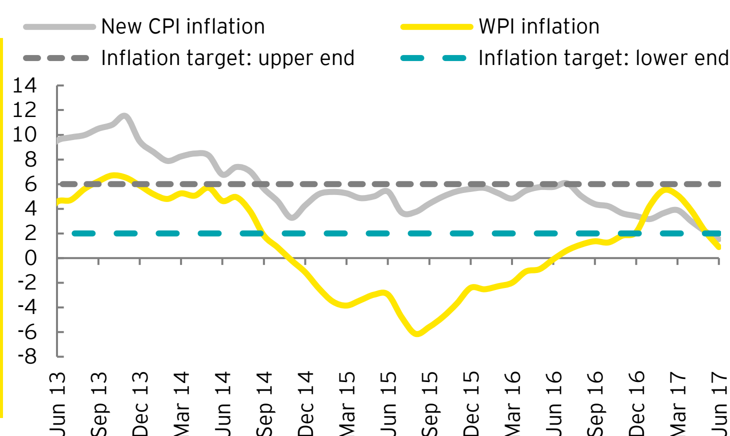
2 Inflation: continued fall in food and fuel prices pushes CPI inflation down

CPI inflation decreased further to 1.5% in June 2017 due to a continued fall in food price inflation, particularly that in vegetables and pulses.

- CPI-based inflation (Chart 3) eased further to a historic low of 1.5% in June 2017 from 2.2% in the previous month as food price inflation reflected by the Consumer Food Price Index contracted for the second successive month by (-) 2.1% as compared to (-) 1.0% in the previous month.
- Inflation in price of pulses reached a historic low of (-) 21.9% from (-) 19.5% in May 2017. Growth in vegetable prices fell sharply to (-) 16.5% in June 2017 as compared to (-) 13.4% in the previous month.
- Fuel and lighting inflation decreased further to a four-month low of 4.5% in May 2017 from 5.5% in May 2017.
- Core CPI inflation (excluding food and fuel) declined to a historic low of 4.0% in June 2017 from 4.3% in May 2017. Inflation in services such as transport and communication moderated to a ten-month low of 2.0% as compared to 3.5% in May 2017.
- As per the latest RBI Monetary Policy Statement, the CPI inflation is projected in the range of 2.0–3.5% in 1HFY18 and 3.5–4.5% in 2HFY18.

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

Though the headline CPI inflation has dropped by 2.4% points since March 2017, core CPI inflation has fallen by only 1.1% points, reflecting persistent inflation in services such as housing and health.



Source: MOSPI

WPI inflation declined to an 11-month low of 0.9% in June from 2.2% in May due to a decline in food and fuel price inflation

- WPI inflation for food articles reached a historic low of (-) 3.5% as compared to (-) 2.3% in the previous month. Inflation in food grains (cereals and pulses) fell to a historic low of (-) 4.7% in June 2017 as compared to (-) 1.5% in May.
- Inflation in pulses fell to a historic low of (-) 25.5% in June from (-) 19.7% in May 2017. Inflation in vegetables dropped to (-) 21.2% from (-) 8.0% in May 2017.
- Fuel and power inflation slowed to a six-month low of 5.3% in June from 11.7% in May 2017.
- In contrast to the overall trend, WPI core inflation remained constant at 2.1% in June, same as in May, reflecting an increase in inflation in non-food manufacturing items such as electrical equipment, basic metals and leather products.
- Inflation based on the newly constructed WPI food price index, consisting of primary food articles and manufactured food products, turned negative for the first time in 21 months at (-) 1.3% as compared to 0.1% in the last month.

3 Fiscal performance: in the first two months of FY18, revenue deficit breached the annual target

A. Tax and non-tax revenues

Gross central tax revenues grew by 25% in the first two months of FY18, while non-tax revenues contracted by (-) 4.1% during this period.

- Gross taxes grew by 25% during April-May FY18, compared to 38.3% in the corresponding period of FY17 (Chart 4).
- Growth in direct taxes up to May FY18 was at 43.5% as compared to 36.1% in the same period of FY17. Growth in indirect taxes was lower at 15.6% during April-May FY18 as compared to the corresponding value of 39.5% in FY17.
- Growth in income tax revenues was at 11.4% during April-May FY18 as compared to 42.8% in the corresponding period of FY17 (Chart 5).
- Due to large refunds during April-May FY17, an inordinately high growth of 2068.2% was witnessed during April-May FY18.
- Growth in excise duties was much lower at 15.9% during April-May FY18 as compared to the corresponding value of 94.6% in FY17. Recovery in global crude prices would not allow the government to reap the same benefits from excise duties in FY18 as it did in FY17.
- Growth in customs duties was high at 17.6% during April-May FY18, indicating recovering imports. However, it was lower as compared to the corresponding value of 22.5% in FY17.
- Service tax revenues grew by 10.4% up to May FY18, compared to 30.1% in the corresponding period of FY17.

Chart 4: growth in cumulated gross tax revenues up to May 2017

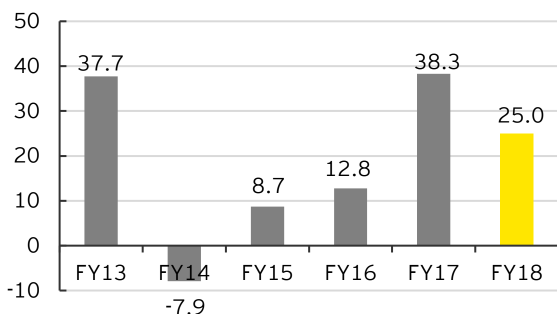
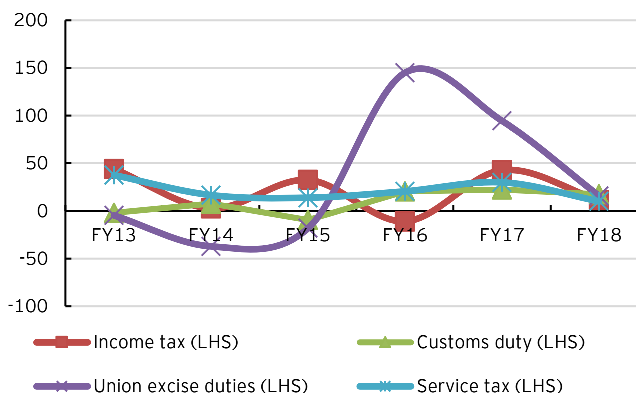


Chart 5: growth in cumulated tax revenues up to May 2017



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

- During April-May FY18, non-tax revenues contracted by (-) 4.1% as compared to a contraction of (-) 50.7% in the same period of FY17.
- Total receipts from disinvestment up till end-June 2017 amounted to INR 3538.1, which is 4.9% of the annual budgeted target.

B. Expenditures: revenue and capital

- Total expenditure grew by 54% during April-May FY18, compared to 13.4% in the corresponding period of FY17.
- Growth in revenue expenditure increased to 53.5% up to May FY18 from 17.6% in the same period of FY17 (Chart 6).
- Growth in the Center's capital expenditure increased sharply to 58.1% during April-May FY18 as compared to a contraction of (-) 12% in FY17. Unlike previous years, advancement of the Budget presentation enabled the central government to frontload capital expenditure in the beginning of the fiscal year (Chart 7).

Unlike previous years, advancement of the Budget presentation enabled the Central Government to frontload capital expenditure in the beginning of the fiscal year. It grew by 58.1% during April-May FY18 as compared to a contraction of 12% in the corresponding period of FY17.

Chart 6: growth in cumulated revenue expenditure up to May 2017

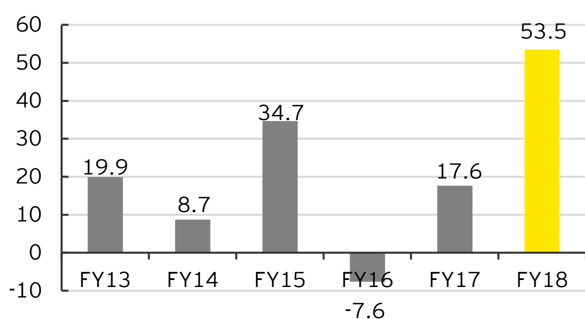
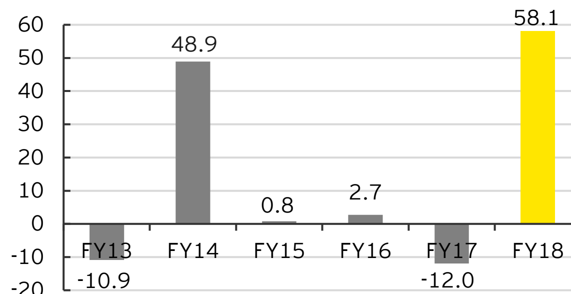


Chart 7: growth in cumulated capital expenditure up to May 2017



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

C. Fiscal imbalance

- Fiscal deficit during April-May FY18 stood at 68.3% of the annual budgeted target as compared to 42.9% in the corresponding period of FY17 due to a sharp rise in the Center's expenditure (Chart 8).
- The Center's revenue deficit during April-May FY18 exceeded the annual budgeted target (Chart 9). Historically, this has been the highest share of revenue deficit incurred in the first two months of a fiscal year.

The Center's fiscal deficit during April-May FY18 stood at 68.3% of the annual budgeted target, while the revenue deficit during this period exceeded its annual budgeted target.

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

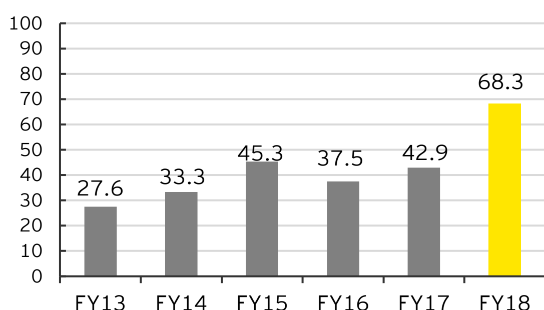
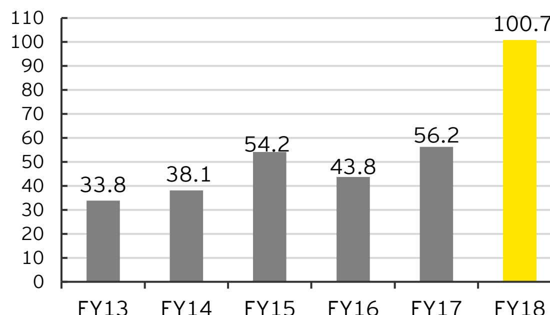


Chart 9: revenue deficit up to May 2017 as a % of annual budgeted estimate for FY18



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

4 India: comparative economic prospects

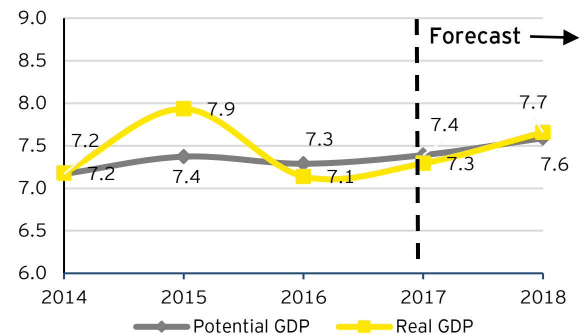
- OECD projects India's potential GDP to be the highest among major developing nations as well as some of the key developed nations.
- By FY18, according to OECD, India's real and potential GDP growths are estimated to be close to each other.

Table 1: potential GDP growth (%, y-o-y)

Country	2014	2015	2016	2017 (f)	2018 (f)
India*	7.2	7.4	7.3	7.4	7.6
China	7.5	7.0	6.6	6.4	6.3
South Africa	2.8	2.8	2.7	2.4	2.3
US	1.6	1.6	1.5	1.5	1.5
UK	1.5	1.6	1.4	1.3	1.0
Germany	1.1	1.2	1.1	1.1	1.1
Japan	0.6	0.7	0.7	0.7	0.7
Russia	1.1	0.8	0.4	0.2	0.1

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

Chart 10: potential and real GDP growth (%, y-o-y): India



- In estimating potential GDP, OECD uses a methodology that requires a profile of non-accelerating inflation.
- However, both deflator-based and CPI inflation estimated by OECD are higher than the official estimates of India.
- In terms of CPI, India's inflation rate is considerably higher than that of other benchmark countries except South Africa

Table 2: CPI inflation (%, y-o-y)

Country	2014	2015	2016	2017 (f)	2018 (f)
South Africa	6.1	4.6	6.3	6.0	5.8
India*	5.9	4.9	4.5	4.8	4.6
Russia	7.8	15.5	7.0	4.2	4.0
UK	1.5	0.1	0.6	2.8	2.7
US	1.6	0.1	1.3	2.5	2.2
Euro area	0.4	0.0	0.2	1.7	1.4
China	2.1	1.5	2.1	1.5	2.0
Japan	2.8	0.8	-0.1	0.6	1.0

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

Chart 11: CPI inflation – selected countries

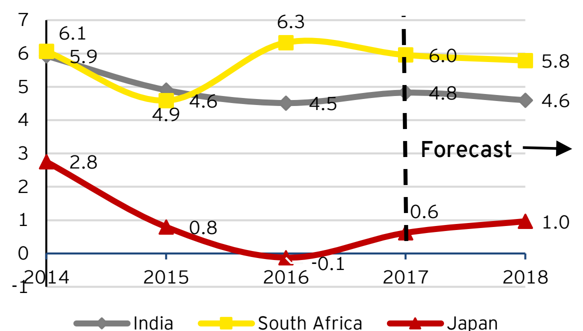


Table 3: GDP deflators (% change)

Country	2014	2015	2016	2017 (f)	2018 (f)
Russia	10.7	8.2	3.5	7.7	3.6
South Africa	5.5	4.9	6.7	5.6	5.4
China	0.8	0.1	1.2	4.5	3.1
India*	3.2	1.9	4.1	4.3	4.3
UK	1.6	0.6	1.7	2.2	1.9
US	1.8	1.1	1.3	2.1	2.3
Euro area	0.9	1.1	0.9	1.2	1.5
Japan	1.7	2.1	0.3	-0.4	1.0

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

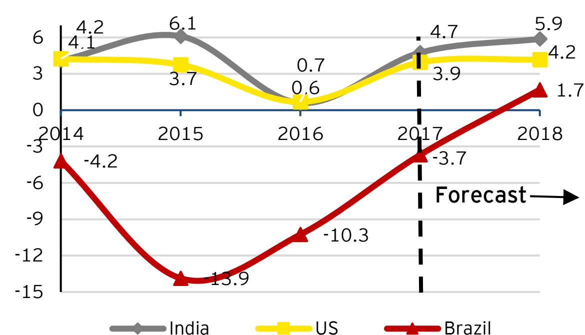
- GDP deflator-based inflation is higher in Russia, South Africa and China and lower in the UK, the US, Euro area and Japan in 2017 and 2018 except for China's GDP deflator inflation, which falls below that of India in 2018.

Table 4: real total GFCF (% change)

Country	2014	2015	2016	2017 (f)	2018 (f)
India*	4.1	6.1	0.6	4.7	5.9
US	4.2	3.7	0.7	3.9	4.2
Euro area	1.5	3.0	3.4	3.4	3.3
Japan	2.9	0.1	0.9	2.1	1.5
Russia	-1.1	-9.7	-2.2	2.0	1.6
UK	6.7	3.4	0.5	1.2	-1.8
South Africa	1.7	2.3	-3.9	0.0	2.8
Brazil	-4.2	-13.9	-10.3	-3.7	1.7

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

Chart 12: growth in GFCF – selected countries



- In terms of growth in investment, India is expected to perform better than the benchmark countries used here.
- In Brazil, investment contracted sharply in 2016. It is projected to contract in 2017 before recovering in 2018.

5 In focus: farm loan waivers — should we worry about fiscal discipline erosion?

Pursuit of fiscal responsibility: new FRBM proposals

The recently published FRBM Review Committee Report entitled "*Responsible Growth: A Debt and Fiscal Framework for 21st Century India,*" on 23 January 2017, has recommended the enactment of a new Debt Management and Fiscal Responsibility Bill (DMFRB) supplemented by Debt Management and Fiscal Responsibility Rules to replace the Central Government's FRBM Act, 2003, and FRBM Rules, 2004, including their subsequent amendments. The Committee has suggested a ceiling of general government debt at 60% of GDP. This translated into debt ceilings for the Central and state governments at 40% and 20%, respectively. The Committee has also suggested a medium-term adjustment path to bring down fiscal and revenue deficits relative to GDP as also the constitution of a Fiscal Council. The current wave of farm loan waivers would clearly upset the medium-term path proposed by the Committee, particularly for the state governments, by a large margin. However, in the conditions proposed by the Committee, when departures from the targets may be justified, the report mentions "Collapse of agriculture severely affecting farm output and incomes" as a valid reason for such a departure. The RBI governor, who was a member of the Committee, has, however, explicitly criticized the current wave of farm loan waivers as being detrimental to fiscal discipline.

Farm loan waiver: the current wave

Farm loan waiver is being demanded by and agreed to in large agricultural states such as Uttar Pradesh, Maharashtra, Punjab, Madhya Pradesh, Gujarat, Haryana, Tamil Nadu and Karnataka. As per available information, the total demand for loan waiver emanating from these states amounts to INR3,15,916 crore, which is 1.88% of FY18 estimated GDP at current prices. A recent[1] Bank of America Merrill Lynch report estimates that states' fiscal deficit would increase by 2% points before the 2019 general elections. Given the UDAY scheme, states' fiscal deficit was in any case estimated to cross the threshold of 3% of GDP in FY18. With the added pressure of the farm loan waivers, states' fiscal deficit in the current year may cross 4.0% of GDP. This slippage would happen after a long period in which states had successfully contained their fiscal deficit below 3% of GDP in the aggregate. This would also lead to an increase in the debt-GDP ratio of the states from the current level of 21% of GDP.

In spite of this fiscal cost, these loan waivers do not adequately address the basic plight of the farmers. Loan waivers have been given repeatedly by the Central and the state governments from time to time. Over nine years to March 2017, it is estimated that the central and state governments have waived an amount of about INR90,000 crore but these waivers have hardly impacted either the suicide rates of the farmers or the degree of their vulnerability to output-price cycles affecting agriculture *(Source: Business Standard, 15 June 2017).*

Governments yield to these loan waiver demands time and again due to political compulsions. The last big loan waiver came in 2009, just prior to the general elections, when a loan waiver of about INR68,000 crore was sanctioned by the Central Government of the day. That year, the Central Government's fiscal deficit shot up to 6.4% of GDP, which was more than double the limit of 3% under the FRBMA. The slippage on debt and deficit since then has not allowed the Central Government to reach back to the limit of 3%. This year, the Central Government has at least explicitly refused from entertaining such loan waiver demands. In this sense, the politics of loan waivers has been decentralized. But it has not changed the nature of the crisis. It only means that instead of the Central Government, the state governments will directly face the pressure.

Agricultural loans are not much different from industrial loans when their servicing goes under default. Both lead to an increase in the volume of non-performing assets (NPAs) of the banks, especially public sector banks. It was estimated in 2013 that agricultural NPAs accounted for about 42% of the priority sector, which included micro and small enterprises, affordable housing and student loans *(Source: Business Standard, 15 June 2017).*

Indian farmers: vulnerability to output-price cycle

In India's agriculture, a surge in output, otherwise to be welcome, often results in a significant loss of income. This year, farmers who had borrowed heavily to finance purchases of inputs such as seeds, fertilizers, electricity and transport in response to last year's inordinate price surge for a variety of pulses, including arhar (tur), urad, moong, and groundnut, reaped a bumper harvest. During 2016-17, as compared to 2015-16, acreage for tur was increased from 3.77 mh to 5.28 mh, for urad from 2.85 mh to 3.57 mh, for moong from 2.56 mh to 3.41 mh, and for groundnut from 2.66 mh to 4.70 mh. These are cost-intensive crops financed by substantial credit taken from both banks and informal lenders. The combined output under these four crops in million tonnes increased from 10.18 to 14.55, an increase close to 43%. It should not come as a surprise therefore that prices crashed because demand for pulses cannot increase at this rate.

[1] Livemint (5 June 2017) and Indian Express (6 June 2017)

Compared to the peak price index in the recent past for arhar, moong, urad and groundnut, the percentage fall in the price index was 45.4%, 32.5%, 41.2% and 9.2%, respectively in May 2017..

Chart 13: output prices

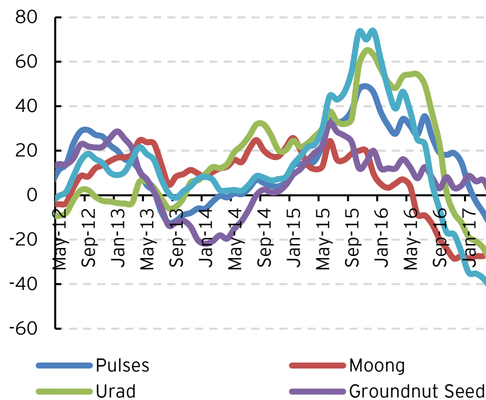
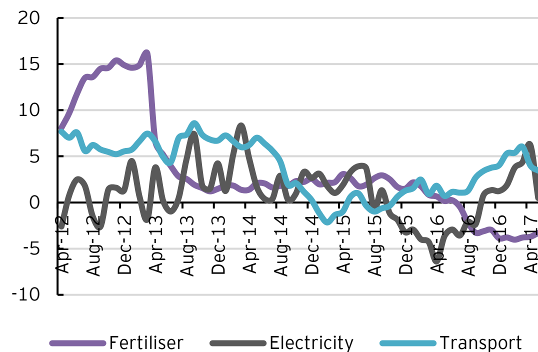


Chart 14: input prices



Source (Basic Data): MOSPI

Farm output prices and input prices behave quite differently. The main inputs such as seeds, fertilizers, electricity and transport have prices that generally change steadily over time (Chart 14) while output prices are highly volatile (Chart 13). A crash in output prices therefore exposes farmers to considerable income uncertainty. . This is so because many of the small and marginal farmers have financed their inputs based on loans raised from informal sector lenders at inordinately high interest rates, and any recycling of these loans keeps multiplying the interest burden. These farmers sooner or later add to the number of suicides. A much bigger number relates to farmers who might have accessed formal credit channels. These are the farmers who start clamoring for loan waivers.

Reforming agriculture

By its very nature, agriculture is a high-risk economic activity with a low average rate of return. The risk-adjusted rate of return is often close to zero. Agriculture therefore does not attract much capital investment from the private sector. The share of fixed capital stock in agriculture in total capital stock has been steadily falling over the years. The small and marginal farmers are least equipped to face the risks of the sector. It is safe to say that agricultural policies of different governments have fallen way short of the economic challenges of agriculture ever since the early 50s. The high rate of dependence of India's population on farming activities directly or indirectly is way out of line compared to the world. While the share of agricultural output in total GVA has fallen to less than 15%, more than 50% of population depends on agriculture. Since the sectoral growth of agriculture is the lowest compared to industry and services, this ensures that the per-capita incomes of the agriculture-dependent population and the growth of this income are extremely low, keeping most of these people under or close to the poverty line. India's policy shortfall has been the inability to shift the large agriculture-dependent population to more productive activities in industry and services. For many years, urbanization of population has been resisted by policymakers and positively discouraged. On the other hand, the absorptive capacity of industry and services is also not adequate to accommodate this large influx of population had it migrated to these activities. These sectors are highly capital-intensive and skill-intensive. We have not invested enough in rural education and, except for a brief period, our savings rate has not been high enough to provide sufficient investable resources. Policymakers have always thought of temporary relief to farmers, hardly recognizing the chronic nature of the ailment.

Although a crop insurance scheme was introduced by the current Government last year, it was meant to marginally protect farmers against output risk. It hardly addressed the problem of income risk arising out of sudden and large price crashes. To attract capital and technology into agriculture, they have to be taken up at an industrial scale. However, the constraints on purchase of farmland by industry have kept both capital and technology out of agriculture. A recent NITI Aayog suggestion to streamline leasing of farms to large investors is well worth examining. If such leasing can be facilitated giving long-term commitment to the potential investors, it would be possible to attract large capital as well as modern farming technologies into agriculture. The farmers whose lands are so leased may not only retain ownership but also be guaranteed employment on the land.. This also requires much better and computerized records of farms across states and financial support to potential investors in agriculture.

Agricultural marketing is also characterized by a variety of rigidities. An all-India market for agricultural produce does not exist. Inter-state movement of farm output and inter-local body movement of farm output have remained subject to a variety of restrictions. As a result, regional pockets of deficiency and surpluses often coexist across the country. A genuine all-India market for farm output unfettered by any fiscal or physical barriers is critical for modernizing India's agriculture. However, in the current scenario, a typical Indian farmer's life and livelihood remain under constant threat.

Pursuing fiscal discipline

The June CPI index confirms continued downward march of CPI inflation. The overall CPI inflation rate in June 2017 was 1.54% and CPI food inflation was at (-) 2.12%. This downward trend was largely due to inflation rate of vegetables at (-) 16.53% and of pulses and products at (-) 21.92%. These are highly seasonal variations. The core CPI index is still positive at about 4%. These features of the CPI inflation structure might still hold RBI's hands in reducing the repo rate in its August/October policy announcement. It might also wait to see whether the US Fed announces a further hike in the US policy rate before taking a decision on rate reduction. These price trends for vegetables and pulses would only strengthen the demand for farm loan waivers. State after state, farmers are agitating for massive loan waivers. Given that the state governments would be slipping from their fiscal deficit targets not only on account of commitments due to UDAY but also due to the mounting demand for farm loan waivers, keeping a tab on the combined debt and fiscal deficit seems an uphill task for the Central Government.

Fiscal discipline and the vulnerability of the agricultural sector are two important but distinct problems. Both require long-term and structural solutions. One problem need not be solved at the cost of sacrificing the other. In both cases, both the Central and state governments have a key role to play.

According to available information[2], the Government of India will be coming up with a new FRBM legislation before the presentation of the FY19 budget in line with the recommendations of the FRBM Review Committee headed by Mr. N.K. Singh. This Committee had proposed a draft bill for the revised central FRBM legislation. Its main provisions include a medium-term target for reducing general government debt to 60% of GDP, consisting of 40% and 20% of GDP for the Center and the states respectively. These targets are to be achieved by no later than FY23. The Committee also suggests that fiscal deficit can be adopted as the key operational target consistent with achieving the prescribed debt ceiling for the Center. It specifies the path of Center fiscal deficit for six years from FY18 to FY23. It also specifies a path for reduction of revenue deficit for these years. An important recommendation of the Committee is the constitution of a Fiscal Council whose duties and responsibilities have been defined in the recommended draft of the Bill.

In the draft of the Debt Management and Fiscal Responsibility Bill, 2017, proposed by the Committee Report, the relevant targets have been defined as follows:

Debt target

1. The Central Government shall endeavor to ensure that general government debt does not exceed 60% of GDP by the end of financial year 2022-23.
2. The Central Government shall endeavor to ensure that Central Government debt does not exceed 40% of GDP by the end of financial year 2022-23.
3. The Central Government shall not give additional guarantees with respect to any loan on security of the Consolidated Fund of India in excess of half percent of GDP in any financial year.
4. On achieving the targets specified in sub-sections (1) and (2), the Central Government shall endeavor to maintain the targets thereafter.

The Central Government shall ensure that its fiscal deficit and revenue deficit do not exceed the following annual limits in terms of percentage of GDP. No deviations are permissible from the targets specified in this section except in accordance with detailed conditions specified by the Committee in Section 7 of the DMFRB. These conditions have been referred to as the escape clauses.

Table 5: FRBM Review Committee recommendations: fiscal and revenue deficit targets (% of GDP)

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

Since the Committee report contained a strong note of dissent by one of the members —the Chief Economic Advisor, Ministry of Finance, who suggested an alternative path of fiscal deficit for these years — it is not clear whether the specified adjustment path would be revised when the Bill is actually presented in the Parliament. If the Central Government targets the central debt-GDP ratio at 40% and the combined central and state debt-GDP ratio at 60%, there would be inconsistency in the current state-level fiscal responsibility legislations and the new central FRBM Act. Under the current state level provisions, the permitted level of fiscal deficit relative to state GSDP is 3% or its equivalent defined in interest payments relative to revenue receipts. The sum of state GSDPs in the 2011-12 base year series is very close to GDP at current prices. This implies that if the states were to keep the 3% GSDP target individually, it would translate to 3% of GDP in the aggregate. At this level, it can be shown that the convergence level of state debt-GDP ratio would be closer to 28% rather than 20%. The Committee has suggested a fiscal deficit limit of 2.5% for the states. The states will then have to revise their individual fiscal responsibility legislations. Even at this level, the convergence level of their debt-GDP ratio would be close to 24%. Focusing on the debt-GDP ratio as the fiscal targets does provide room for accommodating year to year variations in fiscal deficit, should they be called for due to cyclical deviations in areas such as agriculture.

[2] Livemint (14 July 2017)

6 Money and finance: growth in bank credit remained subdued in May 2017

A. Monetary sector

i. Monetary policy

- In the monetary policy review held on 7 June 2017, five of the RBI's six membered Monetary Policy Committee voted in favor of retaining the policy repo rate at 6.25% (Chart 15).
- In RBI's assessment, major upside risks to inflation include possible fiscal slippage due to the announcement of large farm loan waivers, global political and financial risks materializing into imported inflation and disbursement of allowances under the 7th Central Pay Commission award. However, implementation of GST is unlikely to have a material impact on overall inflation.

Chart 15: movements in repo rate

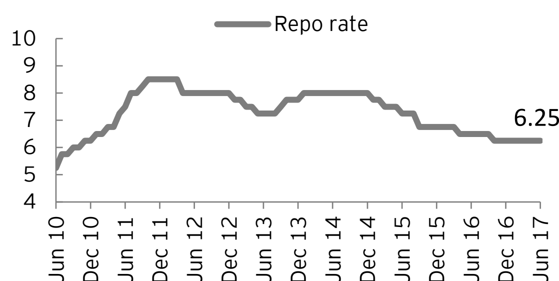
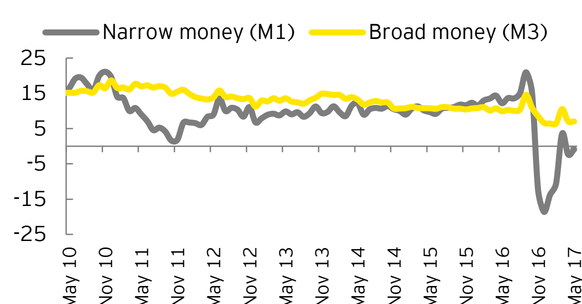


Chart 16: growth in narrow and broad money



Source: Database on Indian Economy, RBI

With CPI inflation falling further in June 2017, the case for lowering of policy rate has strengthened.

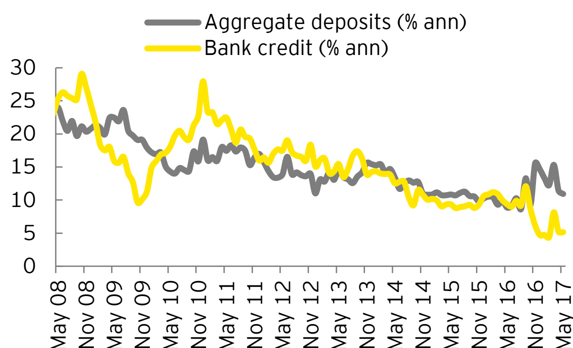
ii. Money stock

- Growth in broad money stock (M_3) marginally fell to 7.0% in May 2017 (7.1% in April 2017). Earlier, growth in M_3 had temporarily picked up to 10.6% by the end of March 2017, its highest level post demonetization. Growth in time deposits (accounting for over 76% of the broad money stock) slowed to 9.3% in May 2017 from 9.8% in April 2017.
- Growth in narrow money (M_1) contracted at its slowest pace since November 2016, declining by (-) 0.9% in May 2017 as compared to (-) 2.3% in April 2017(Chart 16). By 23 June 2017, currency in circulation (excluding non-demonetized currency) was 83.5% of the total demonetized currency.

iii. Aggregate credit and deposits

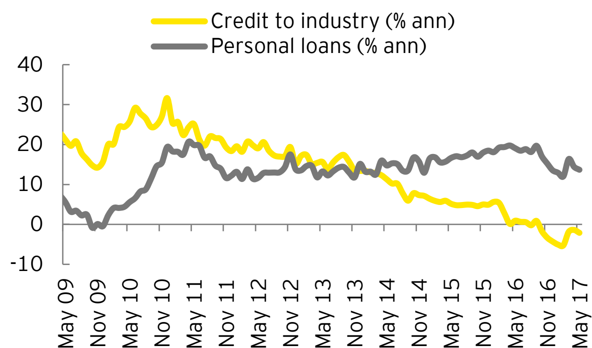
- Growth in bank credit marginally slowed to 5.1% (y-o-y) in May 2017 as compared to 5.2% in April 2017 (Chart 17). Growth in non-food credit decelerated to 4.1% in May 2017 as compared to 4.5% in April 2017 led by slowdown in credit offtake across all sectors.
- Credit growth to industries continued to decline for the eighth consecutive month. Industrial credit fell at a faster pace of (-) 2.1% in May 2017 as compared to (-) 1.4% (revised) in April 2017. Credit to the services sector, accounting for nearly 25% of non-food credit, marginally slowed to 4.0% in May from 4.1% in April 2017. The y-o-y growth in personal loans slowed to 13.7% in May as compared to 14.4% in April 2017 (Chart 18).
- Aggregate bank deposits grew by 10.9% (y-o-y) in May 2017, its slowest pace since October 2016 as compared to 11.5% in April.

Chart 17: growth in credit and deposits



Source: Database on Indian Economy, RBI

Chart 18: growth in industrial and personal loans



Source: Database on Indian Economy, RBI

B. Financial sector

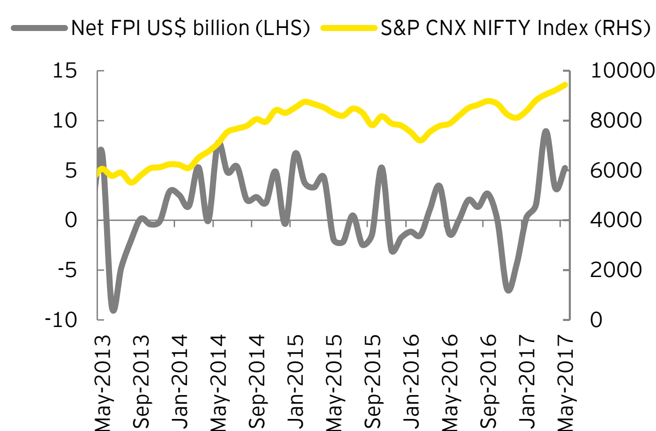
i. Interest rates

- MCLR was lowered in January 2017 from 8.65% to 7.75% and it has been maintained at that level since then. Post its introduction in April 2016, MCLR has been reduced by a total of 1.20% points.
- Banks have marginally reduced the interest rate paid on term deposits in May 2017. Interest rate paid by banks on term deposits with greater than one year maturity was in the range of 6.31% to 6.95% in May 2017 as compared to 6.50% to 7.00% in April.
- The average yield on 10-year government securities marginally fell to 7.1% in May 2017 from 7.2% in April. Bond yields were influenced by falling inflation rate (which has remained below the RBI's target rate) and center's decision to slash interest rates on small savings schemes.

ii. FPI and stock market

- The benchmark S&P NIFTY continued its positive trend for the fifth straight month and reached 9,437 points in May 2017, increasing by 222 points from 9,215 in April 2017 (Chart 19). The market sentiment was influenced by factors like the prediction of a normal monsoon by the IMD and the finalization of rates under the GST regime that was implemented on 1st July 2017.
- As per provisional data, overall FIIs increased to US$8.7 billion in May 2017 from US$5.0 billion (revised) in April 2017. This was on account of relatively stronger FDI and FPI inflows.
- Net FPI inflows rose to US$5.2 billion in May 2017 from US$3.2 billion in April 2017 while, net FDI inflows increased to US$3.4 billion in May 2017 from US$1.8 billion in April 2017.

Chart 19: stock market movement



7 Merchandise exports: slower positive growth

A. Current account balance

CAB as a percentage of GDP improved to (-) 0.6% in 4QFY17 (Table 6, Chart 21) from (-) 1.4% in the previous quarter taking the deficit for FY17 to a 12-year low of (-) 0.7% as compared to (-) 1.0% in FY16. Merchandise trade balance improved marginally to (-) US$29.7 billion in 4QFY17 as compared to (-) US$33.3 billion in 2QFY17. Services balance declined marginally to US$17.6 billion from US$17.8 billion in the previous quarter.

Table 6: current account balance

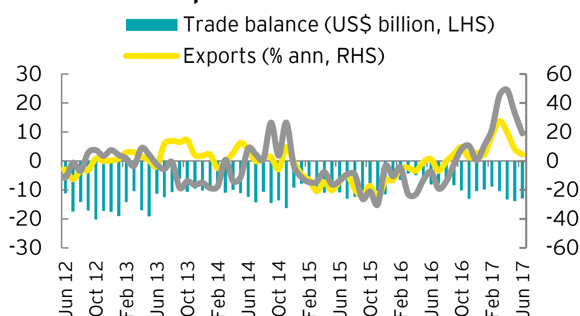
	CAB (- deficit/+surplus) (US$ billion)	CAB as a % of nominal GDP	Goods account net (US$ billion)	Services account net (US$ billion)	Income account net (US$ billion)	Transfers net (US$ billion)
FY14	-32.4	-1.7	-147.6	73.0	-23.0	65.3
FY15	-26.8	-1.3	-144.9	76.6	-24.1	65.7
FY16	-22.2	-1.0	-130.1	69.7	-24.4	63.0
FY17	-15.3	-0.7	-112.4	67.5	-26.3	56.6
1QFY17	-0.4	-0.1	-23.8	15.7	-6.3	14.2
2QFY17	-3.5	-0.6	-25.6	16.3	-8.1	14.0
3QFY17	-8.0	-1.4	-33.3	17.8	-6.4	14.0
4QFY17	-3.5	-0.6	-29.7	17.6	-5.6	14.4

Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

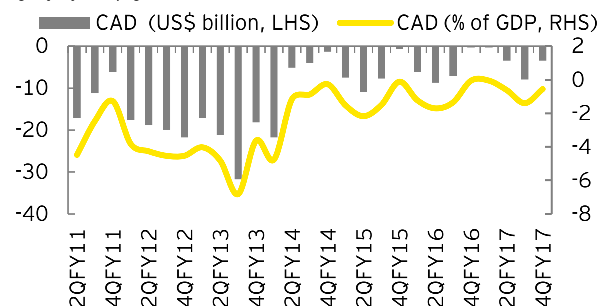
- Growth in merchandise exports slowed further to 4.4% in June 2017 from 8.3% in May 2017. This was preceded by three successive months of high double digit growth (Chart 20) ending 19.8% in April 2017.
- Growth in oil exports has fallen to 3.6% from 24.9% in May. Growth in exports of gems and jewellery turned negative at (-) 2.7% after four months of positive growth.
- Growth (y-o-y) in overall imports continued to remain high at 19.0% in June although lower than the 33.1% growth experienced in May 2017. Growth in gold imports remained high at 102.9% in June 2017 as compared 236.7% in the previous month. Growth oil imports declined to 12.0% from 29.5% in May 2017.
- Due to the decline in growth rate of imports, India's merchandise trade deficit declined to US$13.0 from a 30-month high of US$13.8 billion in May 2017.
- The Indian rupee remained stable at INR64.4 per USD in June 2017 as compared to INR64.4 per US dollar in May 2017.

Chart 20: developments in merchandise trade



Source: Ministry of Commerce and Industry

Chart 21: CAD



Source: Database on Indian Economy, RBI

8 Global economy: global growth projected to pick-up modestly in 2017 and beyond

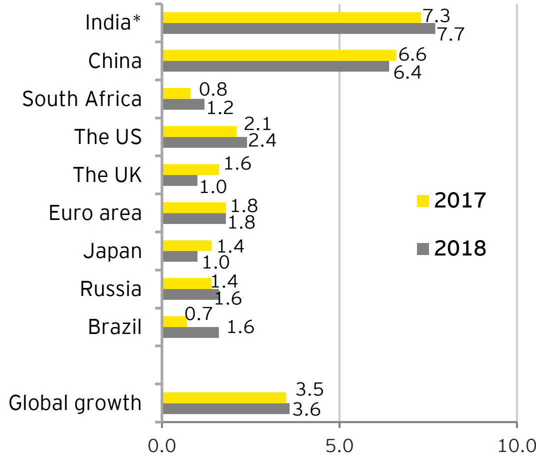
A. Global growth outlook

- The OECD (Economic Outlook, June 2017) has projected global growth to pick-up modestly from 3% in 2016 to 3.5% in 2017 and 3.6% in 2018 because of an improvement in trade and manufacturing output helped by firmer demand growth in Asia and Europe and strengthening private sector confidence (Chart 22).
- While the recovery is a positive sign, the pace of global growth is not sufficient to escape from the low-growth trap. Major challenges to global growth relate to high policy uncertainty, subdued productivity and wage growth, financial sector vulnerabilities and slow recovery of labor markets.
- In the US, GDP growth is projected to pick up to 2.1% in 2017 and 2.4% in 2018. Domestic demand is expected to recover due to improving labor market, increase in household wealth and a likely fiscal easing of nearly 0.75% of GDP in 2018.

The OECD has projected global growth to pick up modestly from 3% in 2016 to 3.5% in 2017 and 3.6% in 2018 helped by an improvement in trade and manufacturing output.

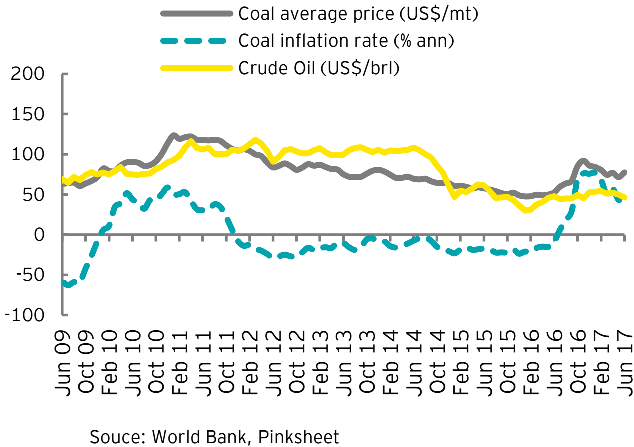
- Growth in the Euro area is projected at 1.8% in 2017 and 2018. Although an accommodative monetary policy and fiscal easing are expected to support area-wide demand, challenges such as high unemployment, slow real wage growth and high non-performing loans will constrain domestic demand in some countries.
- In the UK, growth is projected at 1.6% in 2017, which would fall to 1% in 2018 despite monetary policy support and postponement of the fiscal tightening planned in 2017. Although depreciation of sterling has improved export prospects, it has pushed up inflation, thereby reducing household income and spending.
- In Japan, GDP growth is expected to strengthen to 1.4% in 2017 supported by stronger export growth, particularly in the Asian markets and a modest fiscal easing. However, growth is projected to ease to 1% in 2018 as the fiscal support wanes.
- In China, GDP growth is projected at 6.6% in 2017 and 6.4% in 2018. Near-term demand is being supported by expansionary fiscal policy including support for public investment from policy banks and buoyant credit growth. However, intensifying financial risks due to rapid credit growth is a significant challenge to its own growth and also the global growth.
- In both Brazil and Russia, GDP growth in 2017 and 2018 will be supported by firmer commodity prices, monetary policy easing as inflation wanes and gradual improvement in sentiment.

Chart 22: global growth projections



Source: OECD Economic Outlook, June 2017
*forecast pertains to fiscal year

Chart 23: global crude and coal prices



Souce: World Bank, Pinksheet

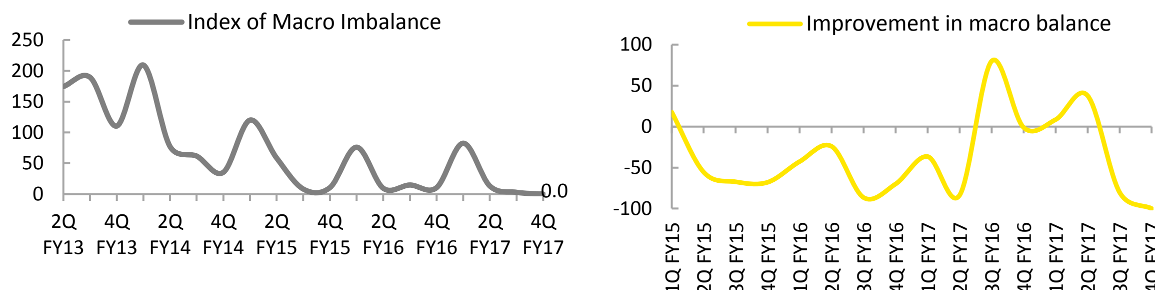
B. Global energy prices

- Global crude prices fell further to US$46.2/bbl. in June 2017 from US$49.9/bbl. in May 2017 (Chart 23). Oil prices peaked in February 2017 (US$54.4/bbl.) following the OPEC deal, but the effect was offset by increased shale oil production in the US and output increases by Libya and Nigeria, which are exempt from supply cuts. On a quarterly basis, global crude prices averaged US$49.4/bbl. in 1QFY18, down from US$52.9/bbl. in 4QFY17.
- Average global coal prices increased to a 4-month high of US$77.4/mt in June 2017 from US$71.7/mt in May 2017. On a quarterly basis, global coal prices averaged US$75.3/mt in 1QFY18, down from US$79.7/mt in 4QFY17.

9 Index of macro imbalance: economy achieves near-full macro balance in 4Q FY17

- The IMI is obtained by adding the percentage deviation of inflation rate (based on new CPI 2011-12=100), fiscal deficit (as a percentage of GDP) and current account deficit (as a percentage of GDP) from their respective benchmarks of 4% of GDP, 3% of GDP and 1.3% of GDP[3]. All three components of IMI have been given equal weight (33.33%). The state of "balance" is judged by a value of "0."
- An index value >0 indicates the presence of imbalance in the economy. 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 negative and positive deviations across indices are not canceled out.
- On comparison of quarterly y-o-y change in the index of macro imbalance, there is a sharp fall in 4QFY17 as compared to 4QFY16 as all the three components of IMI remained below their respective benchmarks (Chart 24). In 4QFY17, both fiscal deficit and CAD sharply narrowed to 0.8% and 0.6% respectively while CPI inflation was at 3.5%.

Chart 24: IMI (Quarterly)



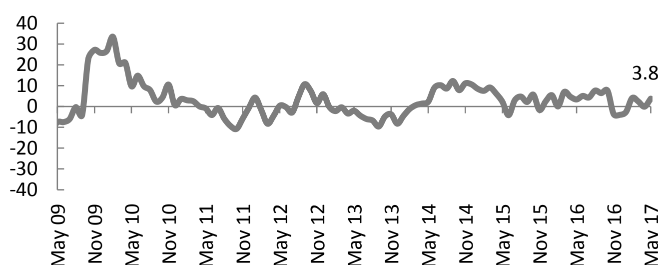
Source (Basic data):RBI, MOSPI and EY estimate

For the first time since 4QFY12, the beginning of the IMI series, all three components of IMI remained below their respective benchmarks, thereby bringing a near-full macro balance in the economy in 4QFY17.

10 Index of aggregate demand: improves in May 2017

- The y-o-y growth in IAD increased to 3.8% in May 2017 as compared to a marginal contraction of (-) 0.1% (revised) in April 2017 (Chart 25). Growth in IAD was supported by improvements in services as well as agricultural sector, while growth in manufacturing sector slowed.

Chart 25: stock market movement



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

[3] Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu, http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-per-cent/article8596824.ece,
Accessed on 17 May 2016.

11 Appendix: capturing macro-fiscal trends

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

Fiscal year/quarter/ month	IIP	Mining	Manufacturing	Electricity	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	4.1	-1.3	3.8	14.8	4.9	FY15	52.2	51.7
FY16	3.4	4.3	3.0	5.7	3.0	FY16	51.3	51.7
FY17	4.9	5.4	4.8	5.8	4.8	FY17	51.6	51.0
1Q FY17	7.8	7.5	7.6	10.0	6.9	2QFY17	52.2	52.9
2Q FY17	5.3	-1.5	6.5	3.1	3.8	3QFY17	52.1	49.3
3Q FY17	4.4	6.7	3.8	6.1	5.3	4QFY17	51.2	50.2
4Q FY17	2.5	7.9	1.5	4.3	3.1	1QFY18	51.7	51.8
Feb-17	0.8	4.6	0.1	1.2	0.6	Mar-17	52.5	51.5
Mar-17	3.8	10.3	2.4	6.2	5.3	Apr-17	52.5	50.2
Apr-17	2.8	3.2	2.3	5.4	2.8	May-17	51.6	52.2
May-17	1.7	-0.9	1.2	8.7	3.6	June-17	50.9	53.1

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

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

Fiscal year/quarter/month	CPI	Food Price Index	Fuel and lighting	WPI	Food Index	Mfg. products	Fuel and power
	% change y-o-y			% change y-o-y			
FY14	9.4	12.1	7.7	5.2	9.6	3.0	7.1
FY15	5.9	6.4	4.2	1.3	4.3	2.6	-6.1
FY16	4.9	4.9	5.3	-3.7	1.2	-1.8	-19.7
FY17	4.5	4.2	3.3	1.7	5.9	1.3	-0.3
2Q FY17	5.2	6.1	2.8	1.0	7.2	0.8	-6.8
3Q FY17	3.7	2.2	3.2	1.7	4.8	1.9	1.7
4Q FY17	3.6	1.5	4.2	5.0	4.7	3.3	21.3
1Q FY18	2.2	-0.9	5.4	2.3	0.4	2.6	11.2
Mar-17	3.9	2.0	5.5	5.1	5.0	3.2	22.4
Apr-17	3.0	0.6	6.1	3.9	2.5	3.1	17.1
May-17	2.2	-1.0	5.5	2.2	0.1	2.6	11.7
Jun-17	1.5	-2.1	4.5	0.9	-1.3	2.3	5.3

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	
Oct-16	18.0	4.5	19.3	4.9	46.4	24.5	79.3	92.6
Nov-16	21.5	9.0	20.9	6.8	46.0	27.1	85.8	98.4
Dec-16	18.3	4.8	20.5	4.9	43.7	25.0	93.8 (RE)	113.9 (RE)
Jan-17	17.7	3.2	19.7	5.2	42.9	23.3	105.6 (RE)	130.2 (RE)
Feb-17	17.6	3.5	20.9	5.2	40.3	21.3	113.4 (RE)	142.8 (RE)
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

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

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

Fiscal year/month	Repo rate (end of period)	Fiscal year/quarter /month	M1	M3	Bank credit	Agg. deposits	10 yr. Govt. B Yield	Net FDI	Net FPI	FX reserves
	%		% change y-o-y				%	US$ billion	US$ billion	US$ billion
FY14	8.00	FY14	8.5	13.4	14.9	14.2	8.4	21.6	4.8	304.2
FY15	7.50	FY15	11.3	10.9	11.0	12.1	8.3	31.3	42.2	341.6
FY16	6.75	FY16	13.5	10.1	9.7	10.5	7.7	36.0	-4.1	355.6
FY17	6.25	FY17	3.6	10.6	8.1	12.0	7.0	35.0	6.9	370.0
Nov-16	6.25	1Q FY17	13.7	10.3	9.5	9.3	7.5	3.8	2.1	360.8
Dec-16	6.25	2Q FY17	21.0	14.6	10.4	10.7	7.0	16.9	6.1	372.0
Jan-17	6.25	3Q FY17	-18.6	6.6	6.7	13.3	6.6	9.8	-11.3	360.3
Feb-17	6.25	4Q FY17	3.6	10.6	6.3	14.3	6.9	4.4	10.1	370.0
Apr-17	6.25	Feb-17	-10.6	6.5	4.4	12.3	7.0	1.0	1.6	362.8
May-17	6.25	Mar-17	3.6	10.6	8.2	15.3	7.0	-0.1	8.9	370.0
Jun-17	6.25	Apr-17	-2.3	7.1	5.2	11.5	7.2	1.8	3.2	372.7
Jul-17	6.25	May-17	-0.9	7.0	5.1	10.9	7.1	3.4	5.2	378.8

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		
FY14	4.7	-8.3	-135.8	60.5	103.7	76.1	2009	-0.1	-3.4	2.9
FY15	-1.3	-0.5	-137.7	61.1	83.2	65.9	2010	5.4	3.1	7.5
FY16	-15.5	-15.0	-117.7	65.5	46.0	52.7	2011	4.2	1.7	6.3
FY17	5.0	0.0	-105.6	67.1	47.9	70.4	2012	3.5	1.2	5.3
2QFY17	-0.9	-12.2	-23.7	67.0	44.7	63.5	2013	3.3	1.2	5.0
3QFY17	1.0	-1.4	-33.5	67.4	49.1	87.7	2014	3.4	1.9	4.6
4QFY17	19.2	10.4	-29.2	67.0	52.9	79.8	2015	3.2	2.1	4.0
1QFY18	11.2	34.3	-40.1	64.4	49.4	75.3	2016*	3.1	1.7	4.1
Mar-17	27.6	45.3	-10.4	65.9	50.9	74.5	2017**	3.5	2.0	4.5
Apr-17	19.8	49.1	-13.2	64.5	52.2	76.8	2018**	3.6	2.0	4.8
May-17	8.3	33.1	-13.8	64.4	49.9	71.7	2019**	3.7	1.9	4.9
Jun-17	4.4	19.0	-13.0	64.4	46.2	77.4	2020**	3.7	1.7	4.9

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

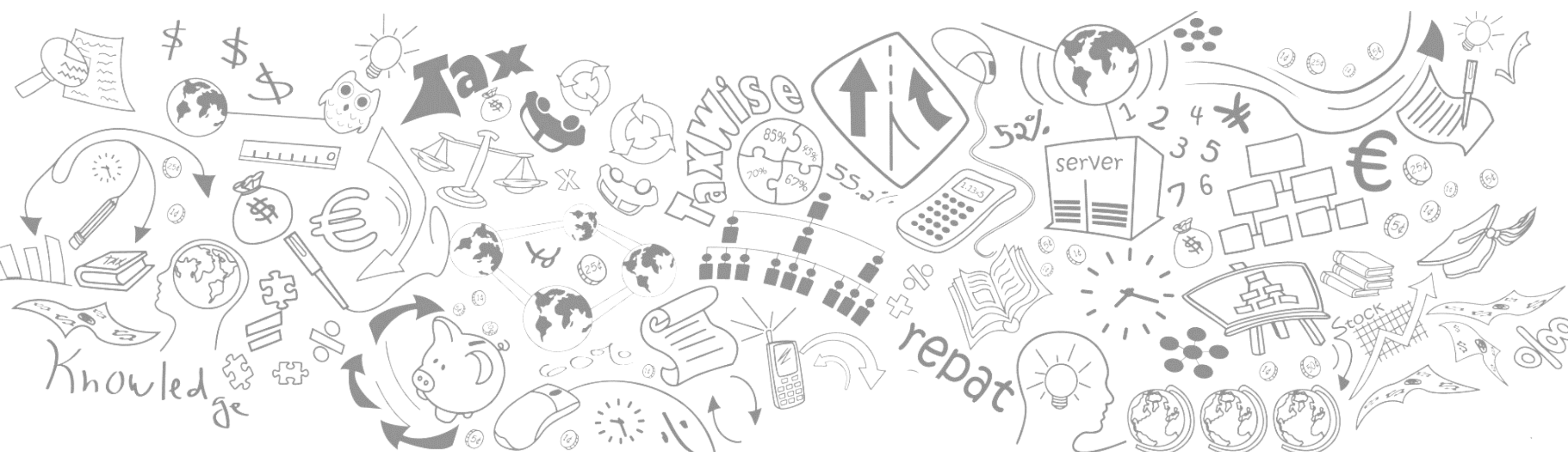
Table A6: macroeconomic aggregates (annual and quarterly real growth rates, % change y-o-y)

	Expenditure components						Output: aggregate and selected sectors			
Fiscal year/quarter	GDP	PCE	GCE	GFCF	EX	IM	GVA	Agri.	Ind.	Serv.
FY14	6.5	7.4	0.6	1.8	7.8	-8.1	6.2	5.6	4.2	7.7
FY15	7.3	6.2	9.6	3.2	1.8	0.9	7.0	-0.2	6.8	9.7
FY16	8.0	6.1	3.3	6.5	-5.3	-5.9	7.9	0.7	8.8	9.7
FY17 (PE)	7.1	8.7	20.8	2.4	4.5	2.3	6.6	4.9	5.6	7.7
4QFY15	6.7	6.6	-3.3	5.4	-6.3	-6.1	6.1	-0.1	5.2	9.0
1QFY16	7.6	2.0	0.1	4.7	-6.1	-5.8	7.6	2.4	7.3	9.3
2QFY16	8.4	3.9	4.1	5.0	-4.4	-3.7	8.2	2.3	7.1	10.1
3QFY16	7.4	5.9	5.1	7.0	-8.7	-10.0	7.3	-2.1	10.3	9.6
4QFY16	9.0	11.8	2.4	3.9	-1.6	-3.7	8.7	1.5	10.3	10.0
1QFY17	7.9	8.4	16.6	7.4	2.0	-0.5	7.6	2.5	7.4	9.0
2QFY17	7.5	7.9	16.5	3.0	1.5	-3.8	6.8	4.1	5.9	7.8
3QFY17	7.0	11.1	21.0	1.7	4.0	2.1	6.7	6.9	6.2	6.9
4QFY17	6.1	7.3	31.9	-2.1	10.3	11.9	5.6	5.2	3.1	7.2

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	CPI	Consumer Price Index
5	CSO	Central Statistical Organization
6	disc.	Discrepancies
7	EMDEs	Emerging market and developing economies
8	EXP	Exports
9	FII	Foreign investment inflows
10	FPI	Foreign portfolio investment
11	FRBM	Fiscal Responsibility and Budget Management
12	FY	Fiscal year (April–March)
13	GDP	Gross Domestic Product
14	GFCE	Government final consumption expenditure
15	GFCF	Gross fixed capital formation
16	GST	Goods and Services Tax
17	GVA	Gross value added
18	IAD	Index of Aggregate Demand
19	IIP	Index of Industrial Production
20	IMD	India Meteorological Department
21	IMI	Index of Macro Imbalance
22	IMP	Imports
23	MCLR	Marginal cost of funds based lending rate
24	m-o-m	Month-on-month
25	mt	Metric tonne
26	MPC	Monetary Policy Committee
27	NDU	Non-departmental undertaking
28	NEXP	Net exports (exports minus imports of goods and services)
29	OECD	Organisation for Economic Cooperation and Development
30	OPEC	Organization of the Petroleum Exporting Countries
31	PFCE	Private final consumption expenditure
32	PMI	Purchasing Managers' Index (reference value = 50)
33	PSU	Public sector undertaking
34	RE	Revised estimate
35	WPI	Wholesale Price Index
36	y-o-y	Year on year



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