ENTER

Economy Watch

Monitoring India's macro-fiscal performance

July 2021

Building a better working world

Contents

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Highlights

1. In June 2021, PMI manufacturing contracted to an 11-month low of 48.1. PMI services showed a sharper contraction at 41.2 during the month.

2. Supported by a favorable base effect, IIP grew by 29.3% in May 2021.

3. CPI inflation remained above the RBI's 6% upper tolerance limit, at 6.3% in June 2021, the same level as in May 2021.

4. WPI inflation remained elevated at 12.1% in June 2021 as compared to 12.9% in May 2021.

5. As per the CGA, Center's gross taxes showed a high growth of 147.9% during April-May FY22 reflecting a strong favorable base effect.

6. While Center's revenue expenditure contracted by (-)9.1% during April-May FY22, capital expenditure showed a growth of 14.0% during this period.

7. During April-May FY22, Center's fiscal deficit and revenue deficit as a proportion of their corresponding BE stood respectively at 8.2% and 5.7%, the lowest levels since FY01.

8. In May 2021, net FDI inflows surged to a nine-month high of US$9.1 billion as compared to US$2.8 billion in April 2021.

9. Merchandise trade deficit increased to US$9.4 billion in June 2021 from US$6.3 billion in May 2021.

10. Current account recorded a deficit for the second successive quarter at (-)1.0% of GDP in 4QFY21. In FY21, the current account posted a surplus of 0.9% of GDP.

11. The OECD has projected global growth at 5.8% in 2021 with India's growth forecasted at 9.9% for FY22.

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Foreword

Recovering from COVID’s second wave: supporting growth and containing inflation

COVID’s second wave appears to be subsiding after having deleterious effects on the economy in 1QFY22 particularly in May and June 2021. PMI manufacturing in June 2021 dipped to an eleven-month low of 48.1 from 50.8 in May 2021 and PMI services contracted for the second successive month to 41.2 in June from 46.4 in May 2021. Passenger vehicle sales continued to languish in the months of May and June 2021 at levels that were nearly half of those in March 2021. Growth in power consumption dipped to 8.3% in May and further to 7.9% in June 2021 as compared to 39.1% in April 2021. GST collections also dipped to INR92,849 crore in June 2021 as compared to a spike of INR1,41,384 crore in April 2021. These trends indicate a short-term effect of COVID’s second wave which has been relatively severe in terms of its health impact but due to the strategy of decentralized lockdowns, its economic impact has been limited. However, CPI inflation at 5.6% in 1QFY22 has exceeded the RBI’s expectation of 5.2%[1] as per the June 2021 monetary policy statement. In particular, the CPI inflation has remained at 6.3% in both May and June 2021. Pressure on inflation is emanating from higher liquidity injected by the RBI as well as cost push pressures due to relatively high global crude and commodity prices and high taxation levels of petroleum products of the central and state governments.

There are now signs of the second wave subsiding at a level of nearly 40,000 new cases per day which may be accompanied by most of the economy opening up and economic impetus can start getting momentum once again. This momentum may be arrested if and when the third COVID wave arrives. However, subject to some volatility, since the cumulated coverage of vaccinated population has progressively increased, the likelihood of a third COVID wave which is as adverse as the second, is receding. As on 15 July 2021[2], total number of vaccines administered were above 39 crore doses covering about 33% of eligible population of 18 years and above with at least one dose.

In the meanwhile, there are continuing concerns of the states with respect to interstate distribution of the vaccines. This is in addition to ongoing issues in the context of center-state fiscal relations which are discussed at length in the in-focus section on ‘***Evolving contours of center-state fiscal relations: 15th Finance Commission and beyond*** ’. In particular, we may note some of the critical dimensions. First, so far, no decision regarding state/sector specific grants as recommended by FC 15, which were put on hold as per the Action Taken Report, has been taken by the central government. Second, given a significant under projection of center’s gross tax revenues (GTR) in the base year (FY21), there is an apprehension that Commission’s projections regarding center’s revenue buoyancies may turn out to be optimistic in which case recommended central grants may have been underestimated. Third, with respect to GST, there are two major issues namely, (a) states, particularly the net producing states are likely to suffer a revenue shock after June 2022 and (b) there has been a continuing cash flow problem with respect to the timing of transfer of SGST, IGST and the compensation cess from the center to the states. More broadly, the working of GST has been characterized by frequent rate revisions and lower than expected buoyancy. Further, GST remains incomplete as a number of important goods remain outside its purview, especially petroleum products and alcoholic products for human consumption. Fourth, there are continuing issues in regard to the taxation of petroleum products where the Center’s share in the incidence of tax has been higher than that of states[3]. Fifth, in the context of combating COVID-19, states continue to raise issues with respect to the Center’s strategy for procurement of vaccines and their interstate allocation. Sixth, based on the recommendations of FC 15, a fiscal consolidation path up to FY26 has been suggested which departs from the existing FRBM norms particularly for the central government. However, states may continue to follow their respective FRLs except in the immediate post-COVID years. Since FC 15 has recommended revision of the FRBM by a High-powered inter-governmental group, states would require representation when center’s FRBM is recast.

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[1] https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51754
[2] https://dashboard.cowin.gov.in/
[3] https://www.epw.in/journal/2021/9/notes/taxing-petroleum-products.html

The Union Finance Minister announced the first fiscal stimulus package for FY22 on 28 June 2021[4]. The thrust of this package was to stimulate the sagging growth in credit offtake mainly by providing interest rate concessionalities with a focus on priority sectors such as health, power and other infrastructure sectors. This will benefit a number of MSMEs, small borrowers and entrepreneurs in the contact intensive sectors including travel and tourism stakeholders. The direct stimulus however is limited to three main initiatives. These include extension of the distribution of free food grains under Pradhan Mantri Garib Kalyan Yojana (PMGKY) with an estimated cost of INR93,869 crore. Further, additional health sector expenditure amounting to INR23,220 crore is being provided of which the Center's share would be INR15,000 crore. In addition, for improving rural connectivity through expanding BharatNet, an additional expenditure of INR19,041 crore spread over 2 years starting FY22 has been envisaged. Considering half of this amount as pertaining to the current fiscal year, the total additional burden on the FY22 budget from these three initiatives would be INR1,18,390 crore. This amounts to about 0.5% of estimated GDP for FY22. Although this is a limited magnitude of direct stimulus, it would be desirable to follow it up with another dose of stimulus later in the year. In addition, government would do well to ensure that the budgeted capital expenditure for FY22 is spent in the earlier part of the financial year so as to generate benefits of frontloading of expenditures.

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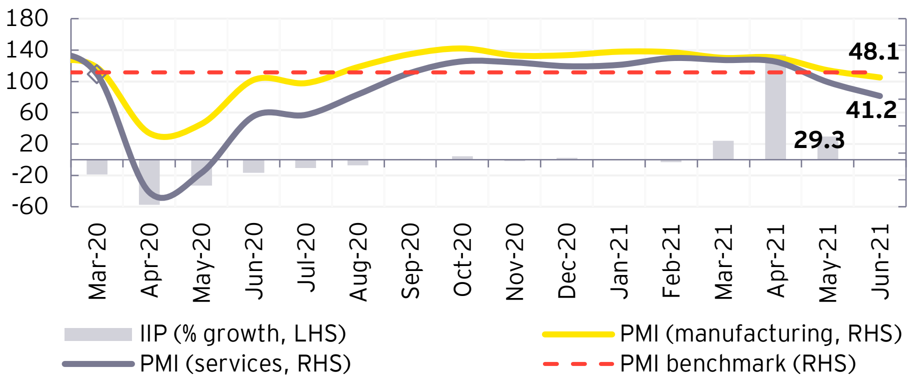
[4] https://pib.gov.in/PressReleseDetail.aspx?PRID=1730963

1. Growth: PMI manufacturing and services contracted sharply in June 2021

A. PMI: signaled a contraction in both manufacturing and services in June 2021

- Headline manufacturing PMI (seasonally adjusted (sa)) fell to an eleven-month low of 48.1 in June 2021 from 50.8 in May 2021 (**Chart 1**) as COVID-containment measures led to a sharp fall in demand. PMI manufacturing was below the threshold level of 50 for the first time since July 2020. On a quarterly basis, the index averaged 51.5 in 1QFY22, the lowest since 1QFY21.
- PMI services contracted for the second consecutive month to 41.2 in June 2021 from 46.4 in May 2021. The June 2021 level was the lowest since July 2020. On a quarterly basis, PMI services averaged 47.2 in 1QFY22, down from 54.2 in 4QFY21.
- Reflecting a contraction in both PMI manufacturing and services, the composite PMI Output Index (sa) fell to a ten-month low of 43.1 in June 2021. On a quarterly basis, PMI Output Index averaged 48.9 in 1QFY22 as compared to 56.4 in 4QFY21.

Chart 1: PMI and IIP growth



Source: MoSPI and IHS Markit

In June 2021, PMI manufacturing contracted to an 11-month low of 48.1. PMI services showed a sharper contraction at 41.2 during the month.

B. IIP: grew by 29.3% in May 2021, indicating a continued favorable base effect

- As per the quick estimates of IIP released by the MoSPI on 12 July 2021, IIP growth remained strong at 29.3% in May 2021 largely reflecting a favorable base effect across most sub-industries **(Chart 1)**. In April 2021, IIP growth was at an unprecedented level of 134.6% (y-o-y). On a m-o-m basis, IIP contracted by (-)8.0% in May 2021 as compared to (-)13.0% in April 2021.
- Supported by a favorable base effect, the output of manufacturing and mining sectors continued to show a growth of 34.5% and 23.3% respectively in May 2021. Growth in the output of electricity sector moderated to 7.5% in May 2021 from 38.5% in April 2021.
- As per the use-based classification of industries, output of consumer durables, capital goods and infrastructure/construction goods witnessed a strong growth 98.2%, 85.3% and 46.8% respectively in May 2021. However, these growth rates over the corresponding period must be interpreted considering the unusual circumstances on account of the COVID pandemic since March 2020[5].
- According to provisional estimates, output of eight core infrastructure industries (core IIP) grew at a slower pace of 16.8% in May 2021 as compared to 60.9% (y-o-y) in April 2021 (revised). On a m-o-m basis, core IIP contracted at a slower pace of (-)3.7% in May 2021 as compared to (-)12.4% in April 2021. Sectors which showed a contraction on a m-o-m basis in May 2021 include cement ((-)17.6%), electricity ((-)7.1%), petroleum refinery products ((-)4.6%), crude oil ((-)2.2%) and steel ((-)0.4%).

Supported by a favourable base effect, IIP grew by 29.3% in May 2021. On a m-o-m basis, IIP contracted at a slower rate of (-)8.0% in May 2021 as compared to (-)13.0% in April 2021.

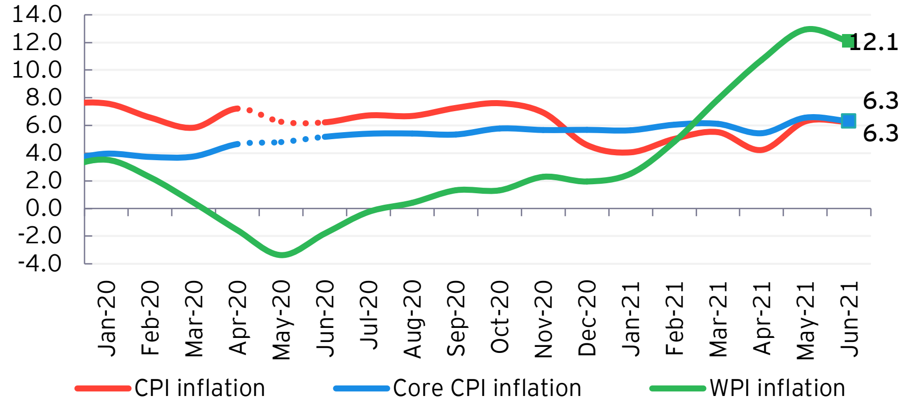
[5] http://mospi.nic.in/sites/default/files/iipmay21.pdf

2. Inflation: CPI inflation remained unchanged at 6.3% in June 2021

CPI inflation remained high at 6.3% in June 2021, above the RBI's 6% threshold for the second successive month, due to higher food and fuel prices (Chart 2).

- Consumer food inflation increased to a seven-month high of 5.1% in June 2021 from 5.0% in May 2021. Inflation in edible oils and fats was at an all-time high (2012 series) of 34.8% in June 2021 reflecting elevated international edible oil prices.
- Fuel and light inflation was at an all-time high of 12.7% in June 2021 as per the 2012 base series due to rising LPG and kerosene prices.
- Inflation in miscellaneous goods and services remained unchanged at a 102-month high of 7.3% in June 2021.
- Inflation in education services increased to a 13-month high of 3.5% in June 2021. Inflation in transportation and communication services remained elevated at 11.6% in June 2021 (12.4% in May 2021) due to high domestic fuel prices.
- Core CPI inflation[6] was high at 6.3% in June 2021, although lower than 6.6% in May 2021, reflecting pass through of higher input costs causing broad-based inflationary pressures in the economy.

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



CPI inflation remained above the RBI's 6% upper tolerance limit, at 6.3% in June 2021, the same level as in May 2021. WPI inflation remained elevated at 12.1% in June 2021 as compared to 12.9% in May 2021.

Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)
Note: Headline CPI inflation and inflation in certain groups for the month of April 2020 and May 2020 have been imputed by the MoSPI[7]; Core CPI inflation has been estimated for April 2020 and May 2020 using this imputed data

WPI inflation was at 12.1% in June 2021 as compared to an all-time high (2011-12 series) of 12.9% in May 2021 due to elevated global crude and commodity prices.

- Fuel and power inflation was high at 32.8% in June 2021, although lower than 37.6% in May 2021, due to higher global crude prices and taxation of fuels.
- Core WPI inflation increased to a historic high of 10.4% in June 2021 from 10.0% in May 2021 led by continued inflationary pressures on manufactured basic metals which increased to an all-time high of 28.9% in June 2021 reflecting sustained cost push pressures.
- WPI food index-based inflation moderated to 6.7% in June 2021 from 8.1% in May 2021 reflecting a fall in inflation levels of fruits and manufactured food products. The fall in inflation in fruits partly reflected a favorable base effect.

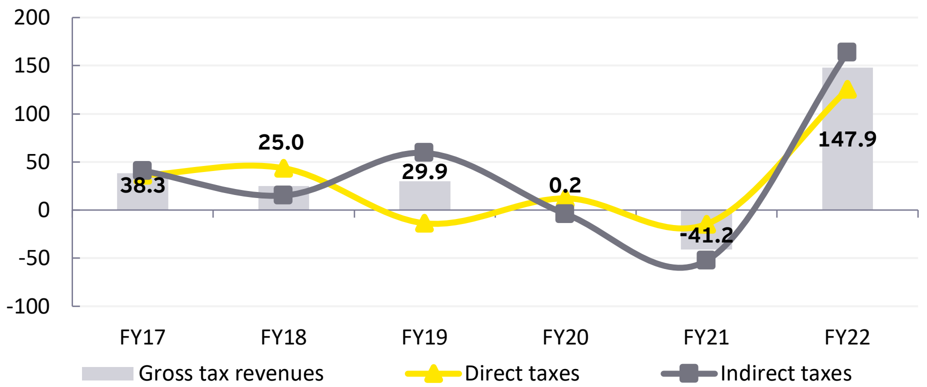
[6] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.
[7] http://www.mospi.gov.in/sites/default/files/press_release/CPI%20Technical%20Note%20on%20Imputation.pdf

3. Fiscal performance: Center's fiscal deficit during Apr-May FY22 stood at 8.2% of the BE

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)[8], Center's gross tax revenues (GTR) showed a y-o-y growth of 147.9% during April-May FY22 reflecting a favorable base effect across all taxes. (**Chart 3**). In the corresponding period of FY21, Center's GTR showed a contraction of (-)41.2% due to the severe impact of the first wave of COVID-19. Growth in Center's GTR during the first two months of FY22 when calculated over the period April-May FY20 was 45.7%.
- As a proportion of FY22 budget estimate (BE), gross taxes during April-May 2021 stood at 14.1% as compared to the corresponding ratio of 5.2% for FY21.
- Both direct and indirect[9] taxes showed abnormally high growth rates of 125.5% and 164% respectively during April-May FY22 over the corresponding period of FY21. Growth rates in these categories was relatively lower at 92.7% and 25.5% respectively when evaluated over April-May FY20.
- Corporate income tax (CIT) and personal income tax (PIT) showed a growth of 155.9% and 111.0% respectively during April-May FY22.
- Among indirect taxes, Center's GST revenues showed a growth of 137.7% during April-May FY22 as compared to a contraction of (-)51.0% during April-May FY21. Growth was at 16.5% when calculated over the corresponding period of FY20.
- Union excise duties grew by 237.4% during April-May FY22 as compared to a contraction of (-)36.8% during the corresponding period of FY21. Growth remains high at 113.3% during the first two months of FY22 even when calculated over the corresponding period of FY20 reflecting high excise duty rates on petrol and diesel.
- Center's customs duty revenues showed a growth of 215.6% during April-May FY22 as compared to a contraction of (-)66.1% during the corresponding period of FY21. Growth was much lower at 6.9% during April-May FY22 when calculated over the corresponding period of FY20.

Chart 3: Growth in central gross tax revenues during April-May (%, y-o-y)



As per the CGA, Center's gross taxes showed a high growth of 147.9% during April-May FY22 reflecting a strong favorable base effect.

Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India
Notes: (a) Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, CGST, UTGST, IGST and GST compensation cess; (b) Other taxes (securities transaction tax, wealth tax, fringe benefit tax, banking cash transaction tax, etc.) are included in the center's gross tax revenues along with direct and indirect taxes, (c) IGST revenues are subject to final settlement.

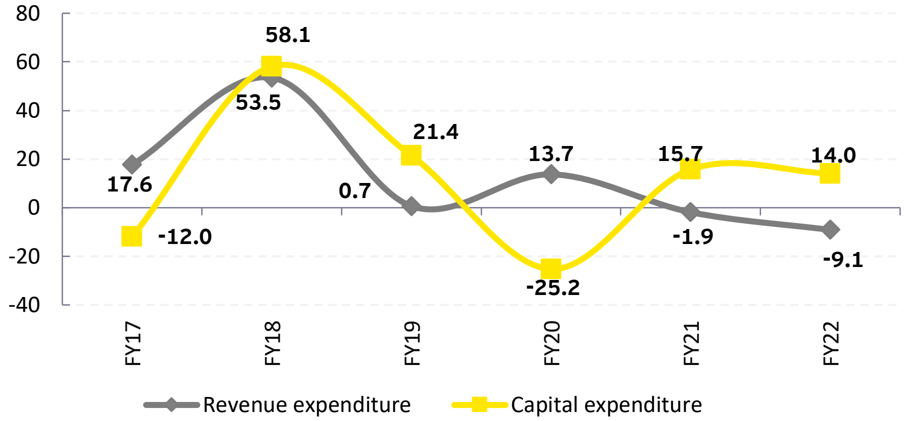
- Center's non-tax revenues posted a high growth of 976.2% during April-May FY22 as compared to a contraction of (-)61.9% during the corresponding period of FY21. Non-tax revenues during the first two months of FY22 stood at 47.9% of the annual BE.
- As per information sourced from the Department of Investment and Public Asset Management[10], disinvestment receipts (major component of center's non-debt capital receipts) as of 26 July 2021 stood at INR7,645.7 crores, that is 4.37% of the FY22 BE.

[8] Monthly accounts for May 2021 released on 30 June 2021
[9] comprising CGST, UTGST, IGST and GST compensation cess, union excise duties, arrears of service tax and customs duty
[10] https://www.dipam.gov.in/dipam/home

B. Expenditures: revenue and capital

- Center's total expenditure contracted by (-)6.6% during April-May FY22 as compared to (-)0.2% during April-May FY21. Total expenditure during the first two months of FY22 stood at 13.7% of the annual BE as compared to the corresponding ratio of 16.8% for FY21.
- Revenue expenditure contracted by (-)9.1% during April-May FY22 as compared to (-)1.9% during the corresponding period of FY21 (**Chart 4**). Revenue expenditure during April-May FY22 stood at 14.2% of the annual BE as compared to the corresponding ratio of 17.4% for FY21.
- Center's capital expenditure showed a growth of 14.0% during April-May FY22 as compared to 15.7% during the corresponding period of FY21. Capital expenditure during April-May FY22 stood at 11.4% of the annual BE as compared to the corresponding ratio of 13.4% for FY21.

Chart 4: Growth in central expenditures during April-May (%, y-o-y)



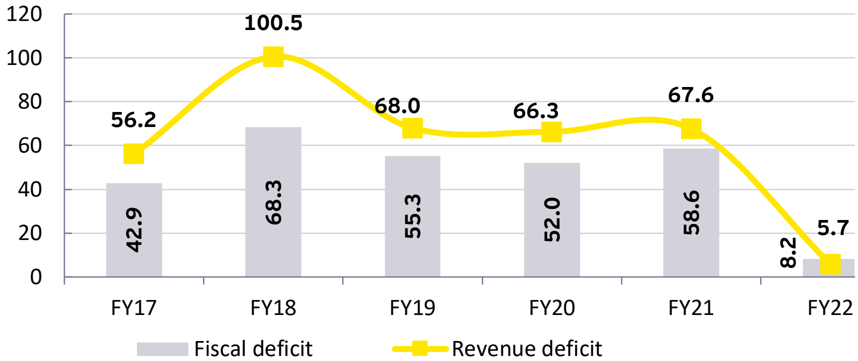
Source (basic data): Monthly Accounts, Controller General of Accounts (CGA), Government of India

While Center's revenue expenditure contracted by (-)9.1% during April-May FY22, capital expenditure showed a growth of 14.0% during this period.

C. Fiscal imbalance

- Center's fiscal deficit during April-May FY22 stood at 8.2% of the annual BE as compared to the corresponding ratio of 58.6% for FY21 (**Chart 5**). Fiscal deficit during the first two months as a proportion of the annual BE in FY22 was the lowest in recent history, at least since FY01.
- Center's revenue deficit during April-May FY22 as a proportion of the BE stood at 5.7%, its lowest level since FY01.

Chart 5: Fiscal and revenue deficit during April-May as percentage of annual BE



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

During April-May FY22, Center's fiscal deficit and revenue deficit as a proportion of their corresponding BE stood respectively at 8.2% and 5.7%, the lowest levels since FY01.

4. Comparative global perspective: India's fiscal deficit projected at (-)9.6% of GDP in FY22

General government financial balance

- General government fiscal deficit to GDP ratio increased sharply in 2020 for all selected advanced and emerging market economies (AEs and EMEs) on account of large fiscal stimuli to deal with the COVID-19 pandemic.
- In the US, fiscal deficit to GDP ratio increased to (-)15.8% in 2020 and it is projected to remain elevated at (-)15.9% in 2021 due to the expansion of stimulus measures **(Table 1)**.
- In the Euro area also, many countries have prolonged emergency measures including job retention schemes and grants to businesses. As a result, general government fiscal deficit to GDP ratio is projected to remain unchanged at (-)7.2% in 2021.
- In the UK and Japan, fiscal deficit to GDP ratio is projected to fall in 2021 from their high levels in 2020.

Table 1: General government financial balance (% to GDP)

Country	2018	2019	2020	2021	2022
USA	-6.3	-6.7	-15.8	-15.9	-9.4
UK	-2.2	-2.4	-12.4	-9.1	-6.4
Euro area	-0.5	-0.6	-7.2	-7.2	-3.7
Japan	-2.5	-2.9	-10.1	-6.7	-4.0
Brazil	-7.0	-5.7	-14.9	-7.4	-6.4
Russia	3.2	2.6	-4.7	-2.4	-1.0
India*	-5.5	-6.5	-10.0	-9.6	-7.0
China	-3.0	-3.7	-6.9	-6.5	-6.0
S. Africa	-3.1	-4.6	-10.4	-9.0	-7.6

Source (basic data): OECD Economic Outlook Database (May 2021)
*pertains to fiscal year
Notes: (1) +ve indicates surplus and -ve indicates a deficit
(2) forecasts start from 2021 onwards

- Among EMEs, a fiscal surplus in Russia in 2019 turned into a deficit beginning 2020. In Brazil, South Africa and India, fiscal deficit to GDP ratio ranged from (-)10.0% to (-)15.0% in 2020. The increase in the fiscal deficit to GDP ratio for China in 2020 was relatively milder.
- General government fiscal deficit as a proportion of GDP is projected to fall in 2021 relative to 2020 for all the BRICS economies.
- For all selected AEs and EMEs, despite a fall in fiscal deficit to GDP ratio in 2022 relative to 2020, the levels in 2022 are projected to remain higher than those in 2019.

Current account balance

- In AEs, in 2020, current account deficit (CAD) widened for the US and the UK and current account surplus (CAS) narrowed for the Euro area and Japan **(Table 2)**.
- A contrasting trend was observed for EMEs excluding Russia when compared to AEs. In 2020, CAD narrowed for Brazil, a surplus was witnessed in India and South Africa and CAS increased for China. This largely indicates reduced imports in the pandemic year of 2020.
- A strong boost to demand in the US is expected to push up CAD to (-)3.6% in 2021 and further to 4% in 2022.
- Higher commodity prices are expected to improve the external position of commodity exporting countries such as Brazil where a surplus is projected in 2021 and 2022.

Table 2: Current account balance (% to GDP)

Country	2018	2019	2020	2021	2022
USA	-2.2	-2.2	-3.1	-3.6	-4.0
UK	-3.7	-3.1	-3.5	-3.1	-3.0
Euro area	3.5	3.1	2.9	3.3	3.2
Japan	3.5	3.4	3.2	3.6	3.7
Brazil	-2.2	-2.7	-0.7	0.9	0.5
Russia	7.0	4.0	2.2	1.5	1.7
India*	-2.1	-0.9	1.4	-0.4	-1.4
China	0.2	0.7	1.9	2.6	2.7
S. Africa	-3.6	-3.0	2.2	1.7	0.3

Source (basic data): OECD Economic Outlook Database (May 2021)
*pertains to fiscal year
Notes: (1) +ve indicates surplus and -ve indicates a deficit
(2) forecasts start from 2021 onwards

- National saving is projected to remain high in many EU and Asian economies with a long-standing external surplus. In the case of China, for example, CAS is projected to rise to 2.7% of GDP in 2022 from 1.9% in 2020.
- India is projected to post a deficit on the current account at (-)0.4% in 2021 (FY22), increasing to (-)1.4% in 2022 (FY23).

5. In focus: evolving contours of center-state fiscal relations - 15th Finance Commission and beyond

1. Introduction

The report of the Fifteenth Finance Commission (FC 15) was presented to the Parliament on 1 February 2021 along with an Action-Taken Report (ATR). As per the ATR, the substantive fiscal transfer recommendations relating to devolution of central taxes to states, revenue deficit grants, local body grants, and grants relating to natural calamities have been accepted. However, some of the transfer recommendations relating to state/sector specific grants are still under the consideration of the central government. The economic and fiscal conditions that informed the Commission's deliberations have changed significantly since the formulation of the FC 15 report due to the sudden, large and unanticipated impact of COVID-19 in FY21. FY21 was used by the Commission as their base year for projections going up to FY26. Any unanticipated errors by the Commission in the base year are bound to impact their projections for the subsequent years.

There are a number of concerns that the states have in the context of center-state financial relations. These pertain directly to issues relating to the recommendations of FC 15 and also go beyond given the current economic situation. First, so far, no decision regarding state/sector specific grants as recommended by FC 15, which were put on hold as per the ATR, has been taken by the central government. Second, given a significant under-projection of the Center's GTR in the base year (FY21), there is an apprehension that Commission's projections regarding the Center's revenue buoyancies may turn out to be optimistic in which case recommended central grants may have been underestimated. Third, with respect to GST, there are two major issues namely, (a) states, particularly the net producing states are likely to suffer a revenue shock after June 2022 and (b) there has been a continuing cash flow problem with respect to the timing of transfer of SGST, IGST and the compensation cess from the center to the states. More broadly, the working of GST has been characterized by frequent rate revisions and lower than expected buoyancy. Further, GST remains incomplete as a number of important goods remain outside its purview, especially petroleum products and alcoholic products for human consumption. Fourth, there are continuing issues in regard to the taxation of petroleum products where center's share in the incidence of tax has been higher than that of states[11]. Fifth, in the context of combating COVID-19, states continue to have concerns with respect to the Center's strategy for procurement of vaccines and their interstate allocation. Sixth, based on the recommendations of FC 15, a fiscal consolidation path up to FY26 has been suggested which departs from the existing FRBM norms particularly for the central government. However, states may continue to follow their respective FRLs except in the immediate post-COVID years. Since FC 15 has recommended revision of the FRBM by a High-powered inter-governmental group, states would require representation when center's FRBM is recast.

1. Revenue uncertainty and implications for Commission's projections

Revenue uncertainty had preceded the onset of COVID-19. In fact, in FY20, Center's GTR had contracted by (-)3.4%. Such a contraction is unusual in India's fiscal history. There have been only three years in India's post-independence history where center's GTR witnessed a contraction. These years are FY53 ((-)13.1%), FY54 ((-)5.6%) and FY02 ((-)0.8%). The contraction in FY20 was followed by an extremely subdued revenue performance of the central and state governments in FY21. We first examine the differences in the base year actuals vis.-a-vis. those used by FC 15.

Table 3: Revenue performance in FY21 and FC 15 projections (INR Crore)

Item	FY20	FY21 (budgeted)	FY21 (re-assessed)	FY21 (CGA actuals)	Deviation	% error
1	2	3	4	5	6=5-4	8=6/5*100
GTR *of which*	**20,10,059**	**24,23,020**	**18,76,118**	**20,24,852**	**1,48,734**	**7.35**
CIT	5,56,876	6,81,000	4,90,050	4,57,180	-32,870	-7.19
PIT	4,92,654	6,38,000	4,43,444	4,69,226	25,782	5.49
Customs Duties	1,09,283	1,38,000	1,01,893	1,34,756	32,863	24.39
UED	2,40,615	2,67,000	2,95,639	3,89,662	94,023	24.13
GST	5,98,750	6,90,500	5,41,310	5,51,223	9,913	1.80

Source (basic data): Union budget FY22, CGA, FC 15 report

Table 3 shows that except for CIT, revenues from other central taxes were underestimated by FC 15. The margin of underestimation was more than 24% in the case of customs duties and union excise duties (UED). The revenue

[11] https://www.epw.in/journal/2021/9/notes/taxing-petroleum-products.html

realization in the COVID year turned out to be better than what was estimated by the Commission mainly due to the buoyant performance of these two tax sources. The overall under-projection of Center's GTR in FY21 amounted to about 7.35% of the relevant actuals (Column 8).

Table 4 provides the projected tax revenue growth rates for individual taxes as well as for Center's GTR over FY22 to FY26. CIT revenues had contracted in two consecutive years in FY20 at (-)16.1% and in FY21 at (-)17.9%. Such a contraction in two successive years for CIT has been unprecedented in India's fiscal history. The Commission projected a positive growth rate FY22 onwards. UED which grew by 61.9% in the COVID year of FY21 reflects heavy reliance on taxation of petroleum products. Customs duties also showed a growth rate of 23.3% in the base year. Since FC's projections for individual taxes except CIT were under-projections in the base year, the magnitudes of these taxes in the projection years may also be under-projected or may come out to be closer to realization if the growth numbers are over-projected. This kind of deviation in the case of projections by the FC is somewhat unique since earlier Commissions have not systematically under-projected the base year magnitudes. Given a significant under projection of center's GTR in the base year (FY21), there is an apprehension that Commission's projections regarding center's revenue buoyancies may turn out to be optimistic in which case the Center's recommended grants may have been underestimated.

Table 4: Growth rate of individual taxes (% y-o-y)

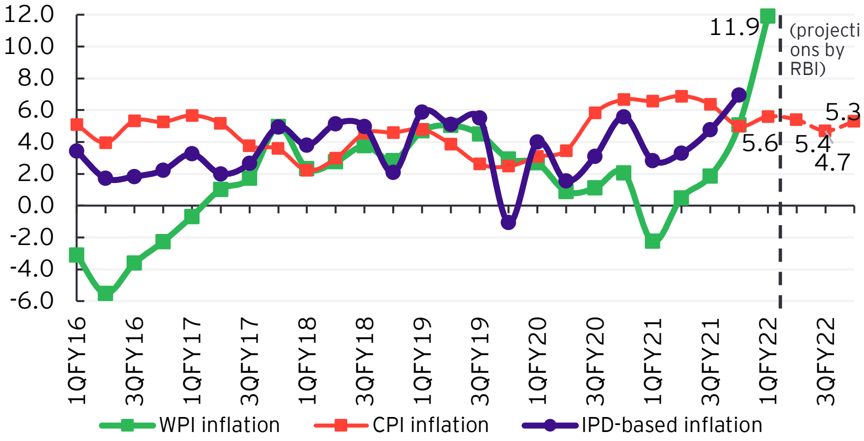
Item	FY20	FY21	FY22*	FY23	FY24	FY25	FY26	FY22#
	Actuals		*FC forecasts*					
GTR *of which*	-3.4	0.7	13.8	10.6	11.9	13.0	13.9	5.5
CIT	-16.1	-17.9	14.2	11.4	12.6	13.7	15.0	22.4
PIT	4.2	-4.8	14.8	11.4	13.1	14.8	16.1	8.5
Customs Duties	-7.2	23.3	14.8	10.4	11.6	13.2	13.8	-13.2
UED	3.7	61.9	9.5	6.7	7.3	7.7	8.1	-17.0
GST	3.0	-7.9	14.8	11.4	12.6	13.2	13.8	12.8
Memo								
Nominal GDP	7.8	-3.0	13.5	9.5	10.5	11.0	11.5	9.9

Source (basic data): Union budget FY22, CGA, FC 15 report
*evaluated over the re-assessed FY21 numbers by FC 15, # evaluated over CGA actuals for FY21

2. Inflation prospects and its impact on nominal GDP and tax revenues

After completing the period of five years since its inception in February 2015, the Monetary Policy Framework was due for a review in March 2021. As per the Monetary Policy Statement dated 7 April 2021[12], the government retained the current targets of the monetary policy framework for a period of another five years. CPI inflation target was retained at 4% with a tolerance range of +/-2%, implying an overall CPI inflation range of 2% to 6%.

Chart 6: Inflation trends and prospects



Source (basic data): MoSPI

As Chart 6 shows, IPD-based inflation has tended to remain tangibly below the CPI-based inflation as long as the WPI inflation remains lower than the CPI inflation. When this happens, the nominal GDP growth gets dampened. This is reflected in a relatively low tax revenue growth. However, in recent quarters, WPI inflation has remained well-above the CPI inflation. There is thus a strong likelihood that the IPD-based inflation may turn out to be higher than the CPI inflation in FY22. If this happens, it would translate into a higher than anticipated nominal GDP growth as per Center's budget for FY22 at 14.4%. Tax revenue growth may also be of this order or higher depending on the achieved buoyancy. FC 15 had assumed a nominal GDP growth of 13.5% in FY22 which was calculated with reference to their reassessed FY21 GDP. We expect the nominal GDP growth to be about 13.9% which is to be applied on the FY21 provisional estimates of GDP. Thus, the center's GTR in FY22 are likely to be higher than the Commission's projections both because they underestimated the base year level of Center's GTR as well as the nominal GDP growth.

[12] https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51381

3. Taxation of petroleum products

Table 5: Share of central and state taxes in petrol and diesel prices in Delhi as on 01 July 2021

#	Elements	Amount in INR/ltr.		Share in RSP (%)	
		Petrol	Diesel	Petrol	Diesel
1	Price charged to dealers	39.3	41.7	39.8	46.8
2	Add: Taxes *of which*	55.7	44.8	56.4	50.3
2.1	*Central taxes (excise duty)*	32.9	31.8	33.3	35.7
2.2	*State taxes (VAT)*	22.8	13.0	23.1	14.6
3	Add: Dealer commission (average)	3.82	2.6	3.9	2.9
4=1+2+3	**Retail selling price (RSP)**	**98.81**	**89.18**	**100**	**100**

Source: IOCL

Global crude prices have been under pressure since May 2021 because of supply side curbs and rigidities and recovering global demand. Both central and state governments have relied heavily on taxation of petroleum (PoL) products through central excise duties and state VAT respectively. Given the relatively lower revenue performance of corporate income tax and the GST, both tiers of government find it difficult to reduce their component of petroleum taxes. In fact, there is evidence to show that the central government has pre-emptively used the available revenue space in a manner such that its share in retail prices has increased considerably over time. States have not been able to adequately hike their relevant VAT rates given the limited revenue space. It is also clear that with such a heavy dependence of the central and state governments on revenues from petroleum taxes, it would be difficult to persuade them to make the PoL products that have remained outside GST as part of the GST regime. Since retail prices of PoL products have a potential inflationary impact through transport and energy costs, this matter needs to be carefully monitored as the fiscal year progresses.

Available recent information[13] indicates that OPEC+ countries have arrived at an agreement to augment crude supplies by an additional 0.4 million bbl./day on a monthly basis beginning August to December 2021 until phasing out the 5.8 million bbl./day production cut. This may lead to some moderation in global crude prices thereby opening up the possibility of domestic petroleum prices to be lowered.

4. GST compensation – what next?

In the context of the GST compensation cess, the present arrangement is scheduled to cease by end June 2022. The FC 15, in its first report for FY21, had acknowledged, amongst the multiple challenges faced in the implementation of GST, that there is "*continuing dependence of most states (twenty-one out of twenty-nine in FY19) on compensation from the Union Government to make up for the shortfall from the assured 14% growth in GST revenues*". Some of the states may experience a sudden revenue shock after the discontinuation of the compensation arrangement. According to the second report of FC 15, the present compensation cess will have to be continued till FY26 in order to compensate the states for the accumulated arrears of the unpaid compensation amount. According to estimates provided by FC 15, the total requirement for compensation would be INR7.10 lakh crore at the end of June 2022. At that point of time, the estimated balance in the GST compensation cess fund would be INR2.25 lakh crore. The compensation cess would have to be extended up to FY26 in order to raise the balance amount of INR4.85 lakh crore. The Commission has made no recommendation with regard to the revenue shock likely to be suffered by the states after the discontinuation of the compensation arrangement. The extension up to FY26 would cover only the arrears up to June 2022. Any other arrangement will have to be decided by the GST Council. At the 43rd GST Council meeting held on 28 May 2021, it was decided that the GST Compensation Cess payment to states in FY22 would be decided on the basis of the same formula as applied in FY21. Consequently, the center will borrow INR 1.58 lakh crore to meet the shortfall in GST Compensation Cess in FY22.

In FY22 so far, two GST Council meetings have been held. The Council had decided to bring in a set of new and concessional rates mostly applicable to COVID-related items which may be drugs or equipment as summarized in Table 6.

[13] https://www.opec.org/opec_web/en/press_room/6512.htm

Table 6: Summary of rate revisions in recent GST Council meetings

Meeting date	Goods/services whose rates were revised	Earlier rate	New rate
12 June 2021	Specified medicines required for COVID-19 and Black Fungus treatment, specified COVID-19 testing kits and items utilized for the prevention of COVID-19, specified medical equipment required for COVID-19 treatment, and others (new rates to be applicable till 30 September 2021)	5% - 2 items 12% - 11 items 18% - 3 items 28% - 1 item	Nil 5% 5% 12%
28 May 2021	Import of all COVID relief materials and medicines (including those free of cost); Amphotericin B (medicine for Black fungus)[14] for donating to the government or on recommendation of state authority to any relief agency	Various rates	Exemption extended till 31st August 2021
	GST on MRO services in respect of ships/vessels	18%	5%
	Diethylcarbamazine (a drug needed for supporting the Lympahtic Filarisis (an endemic) elimination programme, in collaboration with WHO)	12%	5%

Source: CBIC

To summarize, there are two major issues with respect to GST namely, (a) states, particularly the net producing states are likely to suffer a revenue shock after June 2022 and (b) there has been a continuing cash flow problem with respect to the timely transfer of SGST, IGST and the compensation cess from the center to the states. More broadly, the working of GST has been characterized by frequent rate revisions and lower than expected buoyancy. Further, GST remains incomplete as a number of important goods remain outside its purview, especially petroleum products and alcoholic products for human consumption.

5. Government borrowing program: share of the Center and states

The FC 15 considered three alternative scenarios in order to specify potential deficit and debt paths for the Center and states (Table 7). They used their assessed revenue paths as the benchmark and considered two alternative performances indicating a lower than and higher than the indicated benchmark. We refer to these respectively as pessimistic and optimistic paths.

Table 7: 15th FC forecasts on fiscal deficit to GDP ratio for the union government

Scenario	FY21	FY22	FY23	FY24	FY25	FY26
Pessimistic	NA	6.5	6.0	5.5	5.0	4.5
Benchmark	7.4	6.0	5.5	5.0	4.5	4.0
Optimistic	NA	6.0	5.5	5.0	4.0	3.5

Source: FC 15 report

For FY21, which was the year of COVID's first wave, the FC had assessed center's fiscal deficit at 7.4% of GDP. For this year, the Commission did not provide alternative assessments which implies that the same base figure was used for the subsequent years. According to CGA, the FY21 fiscal deficit of the central government turned out to be 9.2% of GDP. Since this base year figure has been underestimated, the assessments for the subsequent years would become misaligned. In FY22, as per the budget estimate, the Center's fiscal deficit at 6.8% of GDP exceeds even the pessimistic scenario of the FC 15. In all likelihood, given that COVID's second wave was not anticipated by the Commission, the fiscal deficit is likely to be enhanced to accommodate additional fiscal stimulus. We estimate that the level of fiscal deficit in FY22 may be about 7.9% of GDP[15]. In the context of a sustainability analysis, the fiscal deficit numbers used by the FC may be considered to be already dated including all the three scenarios since these are to be used for building up a debt series. For projecting debt and deficit in subsequent years, different assumptions may have to made in the light of the economic impact of COVID in FY21 and FY22 which would change the initial values of debt, affecting its projections for the subsequent years.

[14]https://www.cbic.gov.in/resources//htdocs-cbec/press-release/PRESS_RELEASE_43.pdf;jsessionid=61435B505DD62BBF85DB07B2203F5862
[15] https://indianexpress.com/article/opinion/columns/big-spender-what-centre-must-do-to-meet-the-economic-challenges-following-covid-second-wave-7353389/

For the state governments, FC 15 did not give three alternative scenarios for fiscal deficit. Instead, it suggested an indicative borrowing program (Table 8). They also provided a degree of flexibility by indicating a year-wise extra borrowing space linked to certain incentives. According to available information, states' fiscal deficit in FY21 may be marginally above 4.5% of GDP[16].

Table 8: FC 15 forecasts for fiscal deficit to GDP ratio for states

	FY21	FY22	FY23	FY24	FY25	FY26
Indicative Deficit Path for State Governments						
Fiscal deficit	4.5	4.0	3.5	3.0	3.0	3.0
Incentive-based Extra Borrowing Space: Range of all-State Fiscal Deficit under the Recommended Space for Borrowing						
Upper limit- (If all States use the full borrowing space available)	NA	4.5	4.0	3.5	3.5	3.0
Lower limit- (States, on an average, reach the current FRBM limit)	NA	3.0	3.0	3.0	3.0	3.0

Source: FC 15 report

Recasting FRBM

The fiscal consolidation path specified by FC 15 has been rendered out of alignment due to the impact of COVID. The combined debt-GDP ratio of the central and state governments at the end of FY22 is estimated to be in excess of 90%, nearly 30% points higher than the FRBMA 2018 target of 60%. The FRBMA 2018 also had certain deficiencies. In view of the ongoing uncertainty in the economic conditions, FC 15 has recommended the constitution of a High-Powered Intergovernmental Group to reconsider FRBMA 2018. While recasting FRBMA, some of its existing deficiencies can also be rectified by making it internally consistent and by strengthening its macro-stabilizing role. It would be useful to examine the conditions under which the general government debt-GDP target may be increased from its current level of 60% to say, 70% since there has been a trend towards lowering of marginal and average interest rates at which governments can borrow in India. In summary, the following may be considered as the desirable changes in the revised FRBMA:

1. The combined debt-GDP ratio target can be fixed at 70% along with a fiscal deficit-GDP target of 7.0%.
2. The Centre's debt-GDP target can be fixed at 40% along with a fiscal deficit-GDP target of 4.0%.
3. The states' debt-GDP target can be fixed at 30% along with a fiscal deficit-GDP target of 3.0%.
4. A *Stabilization Fund* should be set up for the states to draw from and to contribute to so as to tackle state-specific cyclical changes mainly emanating from the agricultural cycles[17].
5. The central government may be given a flexibility of +/- 1% point of fiscal deficit in their target level of 4.0% for mainly dealing with non-agricultural economic cycles.
6. For dealing with wars, emergencies and pandemic-kind situations, greater flexibility can be allowed depending on the prevailing economic situation. This should be monitored by an independent *Fiscal and Monetary Policy Coordination Committee* which may also guide policy coordination.

6. Vaccination strategy: challenges of inter-state distribution

Inter-state distribution of vaccination doses has been a cause for concern for some states. Individual states have pointed out that the vaccine supply is erratic and based on non-transparent distribution methods or formulae[18]. As a result, they often run short of the needed doses because of the volatility in the flow of supply.

It would be efficient if the formula and process of the inter-state distribution of vaccine doses is stated in a transparent way and shared with all relevant stakeholders. The issue of allocation between public and private streams of distribution which is presently in the ratio of 75:25 may also need to be re-examined. The objective of the distribution strategy should be to make the maximum impact on containing the spread of COVID.

A vaccination strategy targeting universal coverage with strategic sequencing in which prioritization is given to '*saturation vaccination*' of high density and high COVID-intensity urban areas especially those which attract international passengers[19] is desirable. Saturation vaccination means that we select a state/UT or a defined geographical area and fully vaccinate the entire eligible population. This would not only minimize the economic

[16] https://www.businesstoday.in/current/economy-politics/states-fiscal-deficit-likely-to-reach-43-of-gdp-in-2021-22-indra/story/431374.html#:~:text=The%20aggregate%20fiscal%20deficit%20of,from%20stable%2Dto%2Dnegative.
[17] https://www.ey.com/en_in/tax/economy-watch/is-it-time-to-recast-india-fiscal-and-monetary-policy-frameworks
[18] https://www.hindustantimes.com/india-news/centre-allocates-vaccines-for-june-as-many-states-complain-about-doses-sanctioned-101622266170027.html
[19] https://papers.ssrn.com/abstract=3888717

costs in terms of duration and geographical spread of lockdowns but also the pressures on the inadequate health infrastructure in terms of availability of hospital beds, ambulances, oxygen and drugs.

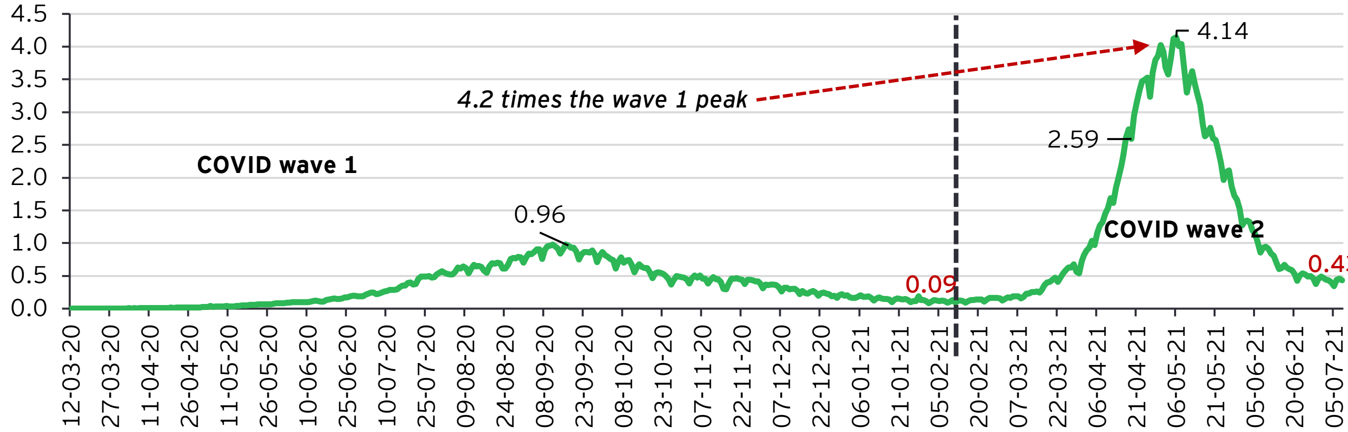
Table 9: State wise shares in COVID cases and vaccine doses

States	Avg. share in COVID cases (Feb 2021-June 2021)	Avg. share in Vaccine (Feb 2021-June 2021)	Share of population aged 18+	Excess of share in vaccine over share of 18+ population	Excess of share in vaccine over share in COVID cases
	Percent share			% points	% points
AP	4.0	4.4	4.2	0.2	0.5
AS	1.4	1.8	2.5	-0.8	0.4
BH	1.5	4.6	7.8	-3.3	3.1
CH	2.9	3.1	2.1	1.0	0.2
GJ	2.6	7.9	5.2	2.7	5.3
HR	1.8	2.5	2.2	0.3	0.7
JH	0.8	2.1	2.6	-0.5	1.4
KA	7.5	6.2	5.2	1.0	-1.4
KL	15.7	4.5	2.8	1.7	-11.1
MH	29.5	9.7	9.7	0.0	-19.8
MP	2.3	5.5	5.8	-0.4	3.1
OR	2.5	3.8	3.3	0.5	1.3
PB	2.6	1.9	2.4	-0.6	-0.7
RJ	2.0	7.9	5.5	2.4	5.9
TN	7.7	4.1	6.2	-2.1	-3.6
TS	1.5	2.8	3.0	-0.1	1.3
UP	3.4	8.9	15.7	-6.8	5.5
WB	3.5	7.2	7.7	-0.5	3.7
S&H	2.7	6.8	2.8	4.1	4.1
DL	2.7	2.4	1.6	0.8	-0.4
UTs	1.5	2.0	1.6	0.4	0.5
IND	**100.0**	**100.0**	**100.0**	**0.0**	**0.0**

Source (basic data): Ministry of Health and Family Welfare, Government of India and PRS India

Table 9 shows the deviation of share of states in access to vaccines viz.-a-vis. (a) share of states in 18+ population and (b) share in COVID cases. With respect to (a), the states which received relatively lower vaccine shares are notably Uttar Pradesh, Bihar and Tamil Nadu. With respect to (b), states which received notably deficient share of vaccines include Maharashtra, Kerala and Tamil Nadu. Tamil Nadu appears to be receiving less than due share in vaccines with respect to both criteria. The formula for inter-state distribution may be modified so as to make it more effective in combating the spread of COVID.

Chart 7: Per-day new COVID cases (in lakhs)



Source (basic data): Ministry of Health and Family Welfare (MoHFW), Government of Indi and PRS

Since the pace of economic recovery would depend on the continuing incidence of COVID and the related lockdowns as neutralized by the pace and coverage of vaccination, we notice that COVID's second wave appears to be stabilizing after entering into the subsiding stage at about 40,000 new cases per day as compared to the corresponding figure of 10,000 cases per day when the first wave had subsided (Chart 7). Clearly, there is a strong reason to continue to take all necessary measures to contain the spread of COVID and accelerate the pace of vaccination with a strategic inter-state vaccine allocation methodology.

7. Concluding observations

FC 15 had submitted two reports covering a six-year period from FY21 to FY26. Their forecasts and recommendations have been characterized by significant uncertainties arising from COVID's shock to the economy and economic and fiscal trends preceding the COVID shock. Available evidence indicates that their projections have gone out of alignment particularly in FY21 which was used as their base year. However, while the base year may have been under-assessed, the relevant growth rates and buoyancies for future years may have been over-assessed. These opposite effects may eventually cancel out some of the errors thereby minimizing their impact. The Commission had also suggested a medium-term fiscal consolidation path indicating borrowing by the central and state governments. This path has also been exceeded particularly by the central government in FY21 and in FY22(BE).

The Indian economy is facing new growth challenges as nearly two years of real growth have been wiped out. FY23 may start almost at the same level of real GDP as was achieved in FY20. Any marginal improvement is predicated on India achieving a real GDP growth of higher than 7.8% in FY22 so as to undo the contraction of (-)7.3% in FY21. As strategies are worked out to reboot the Indian economy, the available policy space in terms of fiscal and monetary policies is limited because of pressure on inflation.

There are continuing concerns regarding center-state fiscal relations. These concerns pertain directly to the recommendations of FC 15 and also go beyond given the current economic situation. First, so far, the Center has not taken any decision regarding state/sector specific grants as recommended by FC 15, which were put on hold as per the ATR. Second, there is an apprehension that the Commission's projections regarding the Center's revenue buoyancies may turn out to be optimistic in which case the recommended central grants may be underestimated. Third, there are four major issues with respect to GST: (a) likely revenue shock after June 2022 particularly for net producing states, (b) cash flow problems with respect to the timing of transfer of SGST, IGST and the compensation cess to states, (c) frequent rate revisions and lower than expected buoyancy and (d) exclusion of a number of important goods from the GST base. Fourth, with regard to the taxation of petroleum products, the Center's share in the incidence of tax has been higher than that of states. Fifth, there are concerns with respect to the Center's strategy for procurement of COVID-19 vaccines and their interstate allocation. Sixth, the fiscal consolidation path up to FY26 as recommended by FC 15 departs from the existing FRBM norms particularly for the central government. However, states may continue to follow their respective FRLs except in the immediate post-COVID years. Since FC 15 has recommended revision of the FRBM by a High-powered inter-governmental group, states would require representation when center's FRBM is recast.

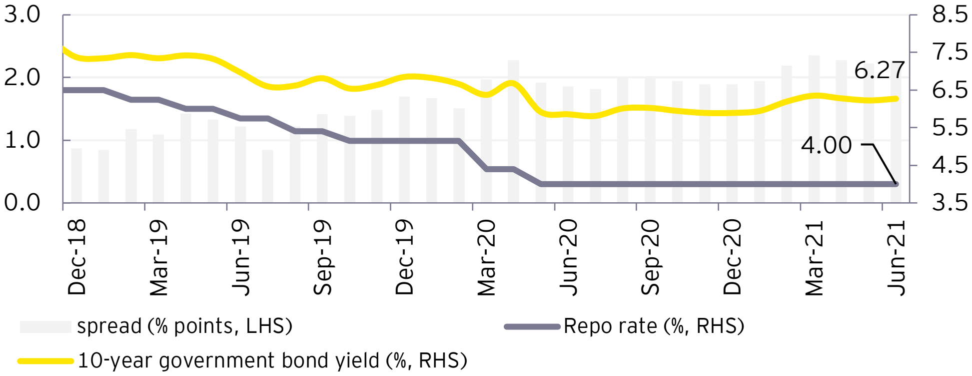
6. Money and finance: bank credit continued to post a low growth of 6.0% in May 2021

A. Monetary sector

Monetary policy

- In its monetary policy review held on 4 June 2021, all the members of the Monetary Policy Committee unanimously voted to retain the repo rate at 4.0% as CPI inflation trended upwards (**Chart 8**). Further, the RBI continued to maintain an accommodative policy stance in order to support the economic revival.
- The RBI, in its June 2021 monetary policy statement had projected a CPI inflation rate of 5.2% for 1QFY22. However, with the CPI inflation for the months of May and June 2021 remaining at 6.3%, the overall CPI inflation in 1QFY22 was at 5.6%.

Chart 8: movements in the repo rate and 10-year government bond yield



Source: Database on Indian Economy, RBI

Growth in bank credit continued to remain subdued at 6.0% in May 2021, well below its 10-year average growth of 11.3%.

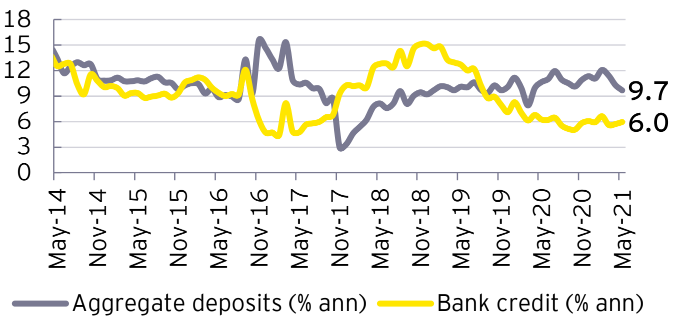
Money stock

- Growth in broad money stock (M3) increased to 10.7% in June 2021 from 10.3% (revised) in May 2021. This was due to increased growth in both time deposits and narrow money (M1). Growth in time deposits increased to 9.1% in June 2021 from 8.8% (revised) in May 2021.
- Growth in M1 increased to 15.5% in June 2021 from 15.1% (revised) in May 2021 due to a strong growth in demand deposits. Demand deposits grew by 20.1% in June 2021 as compared 17.0% in May 2021. Growth of currency in circulation moderated to 12.3% in June 2021 from 13.5% in May 2021.

Aggregate credit and deposits

- Growth in bank credit increased marginally to 6.0% in May 2021 from 5.7% in April 2021 (**Chart 9**). Since March 2020, credit growth has averaged 5.9%, well below its 10-year average growth of 11.3%.
- Growth in non-food credit at 5.5% in May 2021 was only marginally higher than the growth of 5.4% in April 2021.
- Sectoral deployment of bank credit[20] indicates that the outstanding credit to industries continued to post a low growth of 0.8% in May 2021, although increasing from 0.4% in April 2021. Within the industrial sector, growth in credit to infrastructure fell to 2.8% in May 2021 from 3.4% in April 2021. Credit to iron and steel contracted sharply to historic lows of (-)20.4% in May 2021 as compared to (-)19.1% in April 2021. Contraction in credit to cement sector was slightly lower at (-)13.2% in May 2021 as compared to (-)14.7% in April 2021.

Chart 9: Growth in credit and deposits



Source: Database on Indian Economy, RBI

[20] As per RBI, data on sectoral deployment of bank credit collected from select 33 scheduled commercial banks accounts for about 90% of the total non-food credit deployed by all scheduled commercial banks

- Growth in credit to services sector increased to 1.1% in May 2021 from a low of 0.7% in April 2021. Growth in credit to agricultural sector was at 12.1% in May 2021 as compared to 12.2% in April 2021. Growth in credit to agricultural sector averaged 11.7% in the last four months, significantly higher than that of services and industries at 3.1% and 0.3% respectively.
- Growth in personal loans, a key driver of retail loans, moderated marginally to 12.4% in May 2021 from 12.8% in April 2021.
- Growth in aggregate bank deposits moderated to 9.7% in May 2021 from 10.3% in April 2021 led by a fall in the growth of both time deposits and demand deposits.

B. Financial sector

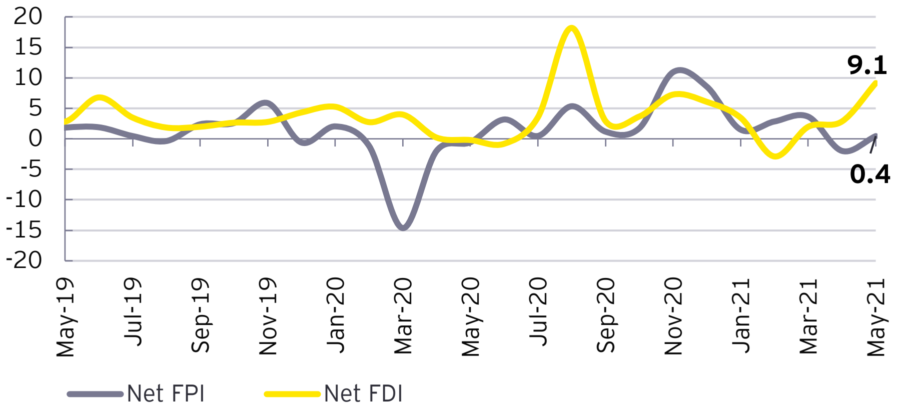
Interest rates

- As per the data released by the RBI on 9 July 2021, the average interest rate on term deposits with a maturity of more than one year was retained at 5.20% in June 2021 for the ninth successive month, with the actual rate ranging from 4.90% to 5.50%.
- The average MCLR has remained unchanged for the sixth successive month at 6.80% in June 2021, ranging between 6.55% and 7.05%.
- The average yield on 10-year government bonds increased marginally to 6.27% in June 2021 from 6.23% in May 2021 **(Chart 8)**. Bond yields may have been influenced by the prospects of rising CPI inflation rate.
- WALR on fresh rupee loans by SCBs fell by 29 basis points to 7.81% in May 2021 from 8.10% in April 2021.

FDI and FPI

- As per the provisional data released by the RBI on 15 July 2021, overall foreign investment (FI)[21] inflows surged to US$9.6 billion in May 2021 from US$0.9 billion in April 2021 due to a sharp increase in net FDI inflows.

Chart 10: Net FDI and FPI inflows (US$ billion)



In May 2021, net FDI inflows surged to a nine-month high of US$9.1 billion as compared to US$2.8 billion in April 2021.

Source: Database on Indian Economy, RBI

- Net FDI inflows were significantly higher at US$9.1 billion in May 2021 **(Chart 10)** as compared to US$2.8 billion in April 2021. Gross FDI inflows nearly doubled to US$12.1 billion in May 2021 as compared to US$6.2 billion in April 2021.
- Net FPI inflows were at US$0.4 billion in May 2021 as compared to net outflows amounting to US$(-)2.0 billion in April 2021.

[21] Foreign Investment (FI) = net FDI plus net FPI

7. Trade and CAB: merchandise trade deficit increased to US$9.4 billion in June 2021

A. CAB: current account posted a deficit of (-)1.0% of GDP in 4QFY21

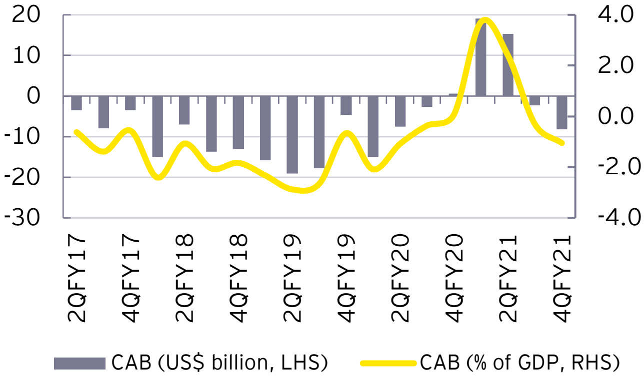
Current account recorded a deficit for the second successive quarter at (-)1.0% in 4QFY21, higher than (-)0.3% of GDP in 3QFY21 **(Chart 11, Table 10).** Net merchandise trade deficit deteriorated to (-)5.4% in 4QFY21 from (-)4.7% of GDP in 3QFY21. Merchandise exports relative to GDP increased to 11.7% in 4QFY21 from 10.4% in 3QFY21 reflecting revival in external demand. Merchandise imports rose to a seven-quarter high of 17.1% of GDP in 4QFY21. Net invisible receipts fell to a 12-quarter low of 4.3% of GDP in 4QFY21 partly reflecting the moderation in net transfers to 2.4% of GDP. In FY21, current account posted a surplus of 0.9% of GDP.

Table 10: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY18	-48.7	-1.8	-160.0	111.3
FY19	-57.3	-2.1	-180.3	123.0
FY20	-24.7	-0.8	-157.5	132.8
FY21	32.1	0.9	-60.4	92.5
1QFY21	19.1	3.7	-11.0	30.0
2QFY21	15.3	2.4	-14.8	30.1
3QFY21	-2.2	-0.3	-34.6	32.4
4QFY21	-8.2	-1.0	-41.7	33.6

Source: Database on Indian Economy, RBI
Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

Chart 11: CAB



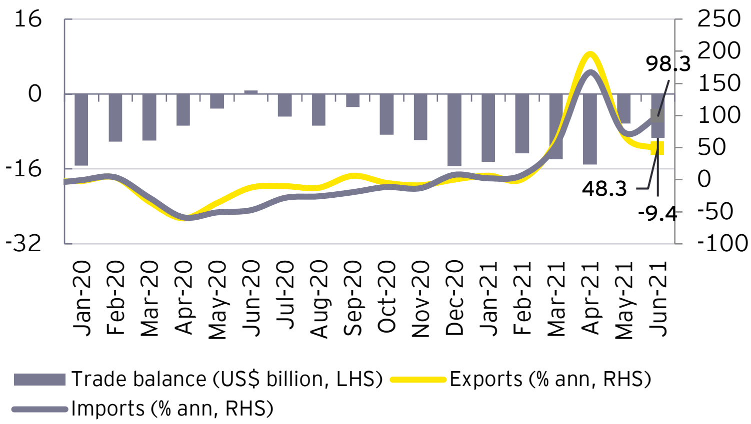
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise trade deficit increased to US$9.4 billion in June 2021 from US$6.3 billion in May 2021.

- Merchandise exports and imports growth (y-o-y) remained high at 48.3% and 98.3% respectively in June 2021 due partly to favorable base effects **(Chart 12)**. Compared to June 2019 levels, exports grew by 29.9% reflecting pickup in external demand. Imports contracted by (-)3.9% in June 2021 compared to June 2019 levels.
- On a y-o-y basis, exports growth of engineering goods, petroleum products and organic and inorganic chemicals were at 52.9%, 115.4%, and 36.3% respectively in June 2021. However, as compared to June 2019 levels, these sectors grew by 41.4%, 47.2% and 62.3% respectively.
- Similarly, imports of oil, pearls and precious stones, and medicinal and pharmaceutical products experienced high y-o-y growth rates of 116.5%, 305.2% and 130.8% respectively in June 2021. Compared to June 2019, however, oil imports contracted by (-)3.2% whereas imports of pearls and precious stones, and medicinal and pharmaceutical products grew by 21.6% and 131.5% respectively in June 2021.
- Although the y-o-y growth in exports and imports excluding oil, gold and jewelry was high at 38.8% and 85.1% respectively in June 2021, compared to June 2019, they showed a growth of 34.0% and 13.1% respectively in June 2021.

Chart 12: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- The rupee depreciated marginally to INR 73.6 per US$ in June 2021 from INR 73.3 per US$ in May 2021.

8. Global growth: OECD projected global growth at 5.8% in 2021

Home

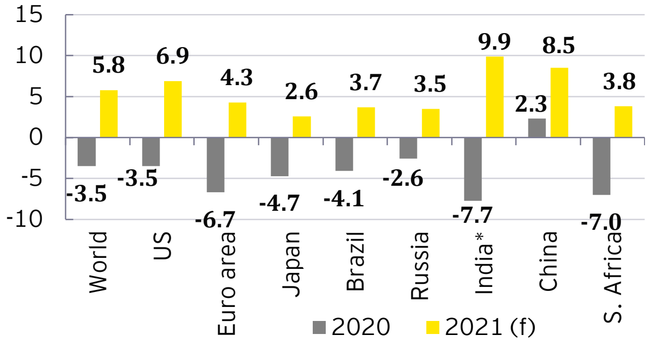
A. Growth outlook

- The OECD (Economic Outlook, May 2021) projected global GDP to show a growth of 5.8% in 2021 following a contraction of (-)3.5% in 2020 **(Chart 13).**
- Global recovery in 2021 is projected to be supported by widespread vaccine deployment and a large fiscal stimulus in the US. In particular, the American Rescue Plan of US$1.9 trillion could raise US output by around 3-4% and global output by around 1%.

The OECD has projected global growth at 5.8% in 2021 with India's growth forecasted at 9.9% for FY22.

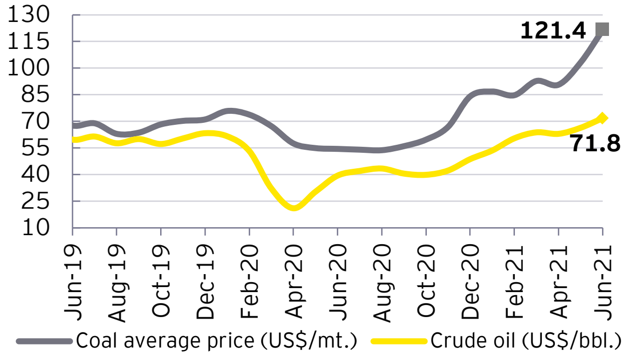
- In the US, growth is projected at 6.9% in 2021 after a contraction of (-)3.5% in 2020 led by a considerable fiscal support, relatively fast pace of vaccinations and accommodative monetary policy.
- Euro area output declined in the first quarter of 2021 with private consumption and service sector activity held back by stringent containment measures. However, strong external demand is expected to boost manufacturing in the remaining part of the year. Along with acceleration in vaccine deployment, this may enable a growth of 4.3% in the Euro area in 2021.
- Following a contraction of (-)4.7% in 2020, Japan's economy is projected to recover to 2.6% in 2021 supported by strong public investment and robust external demand.
- Robust growth at 8.5% is expected in China in 2021 with buoyant export growth and accommodative monetary policy. The rebalancing of the economy from industrial production and investment to services and private consumption that had been interrupted by the pandemic is expected to resume as the vaccination rollout gains pace. However, there are significant financial risks particularly from elevated corporate sector debt.
- In India, the rebound in activity since mid-2020 has paused due to the resurgence of the pandemic. Provided the pandemic can be contained quickly, GDP growth is projected at 9.9% in FY22 with pent-up demand, easy financial conditions and strong external market growth helping the recovery gain momentum.

Chart 13: Growth projections (%)



Source: OECD Economic Outlook (May 2021)
(e): estimated, (f): forecasted; *data for India pertains to fiscal year

Chart 14: Global crude and coal prices



Source (basic data): World Bank, Pink Sheet, July 2021

B. Global energy prices: average global crude price increased to US$71.8/bbl. in June 2021, its highest level since October 2018

- Average global crude price[22] increased to US$71.8/bbl. in June 2021, its highest level since October 2018 **(Chart 14)**. This may be due to a consumption recovery and supplies being short of demand. OPEC+ countries have arrived at an agreement to augment crude supplies by an additional 0.4 million bbl./day on a monthly basis beginning August to December 2021 until phasing out the 5.8 million bbl./day production cut[23]. On a quarterly basis, global crude price averaged US$67.1/bbl. in 1QFY22.
- Average global coal price[24] at US$121.4/bbl. in June 2021 increased to its highest level since April 2011. On a quarterly basis, global coal price averaged US$105.1/bbl. in 1QFY22.

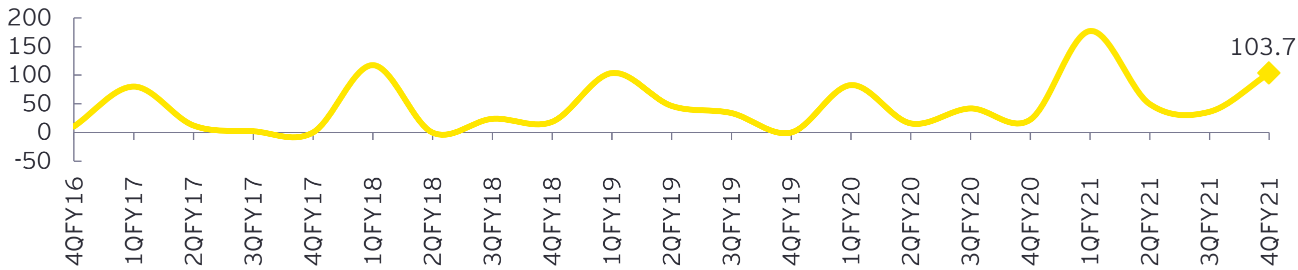
[22] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[23] https://www.opec.org/opec_web/en/press_room/6512.htm
[24] Simple average of Australian and South African coal prices

9. Index of Macro Imbalance (IMI): pointed to heightened macro imbalance in 4QFY21

IMI increased to 103.7 in 4QFY21 from 36.2 in 3QFY21

- The IMI is obtained by adding the percentage deviation of inflation rate (based on new CPI 2012 = 100), fiscal deficit (as a percentage of GDP) and current account deficit (as a percentage of GDP) from their respective benchmarks of 4%, 3% of GDP and (-)1.3%[25] of GDP. All three components of IMI have been given equal weightage (33.33%). The state of *balance* is judged by a value of 0.
- An index value greater than zero indicates the presence of an imbalance in the economy. While 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.
- IMI pointed to a worsening of macro balance in 4QFY21 with the index value increasing sharply to 103.7 from 36.2 in 3QFY21 (**Chart 15**). This may be attributable largely to a sharp surge in fiscal deficit to GDP ratio to 11.7% in 4QFY21, well above its benchmark level of 3%. CPI inflation rate at 4.9% in 4QFY21 was also higher than its benchmark level of 4% and thus contributed to the imbalance. CAD at (-)1.0% of GDP in 4QFY21 was below its benchmark level.

Chart 15: IMI (quarterly)



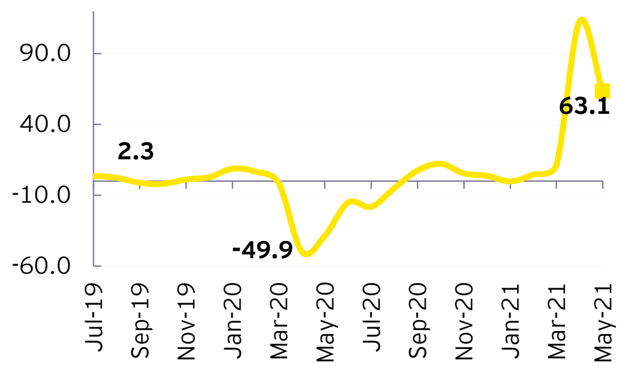
Source (Basic data): RBI, MoSPI and EY estimates

10. Index of Aggregate Demand (IAD): posted a high growth in May 2021 due to favorable base effect

Led by a strong base effect, IAD showed a high growth of 63.1% in May 2021

- Despite lockdowns being imposed in several parts of the country to contain the spread of COVID's second wave, the IAD continued to show a high growth of 63.1% in May 2021 largely due to favorable base effect (**Chart 16**).
- Demand conditions worsened in both industrial and services sectors due to a significant surge in COVID cases in May 2021. However, in the agricultural sector, demand conditions continued to remain strong as reflected by a double-digit growth in agricultural credit offtake during May 2021.

Chart 16: growth in IAD (y-o-y)



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

[25] 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. 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							
FY18	4.4	2.3	4.7	5.3	4.3	FY18	51.5	50.0
FY19	3.8	2.8	3.8	5.2	4.4	FY19	52.8	52.2
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.6	-7.8	-9.8	-0.5	-7.0	FY21	50.2	41.7
1QFY21	-35.6	-22.3	-40.3	-15.8	-23.8	2QFY21	51.6	41.9
2QFY21	-5.7	-7.0	-6.3	0.1	-4.8	3QFY21	57.2	53.4
3QFY21	1.7	-3.2	1.8	6.7	-0.4	4QFY21	56.9	54.2
4QFY21	6.0	-0.2	6.7	9.2	3.1	1QFY22	51.5	47.2
Feb-21	-3.2	-4.4	-3.4	0.1	-3.3	Mar-21	55.4	54.6
Mar-21	24.1	5.9	28.3	22.5	11.4	Apr-21	55.5	54.0
Apr-21	134.6	36.3	197.9	38.5	60.9	May-21	50.8	46.4
May-21	29.3	23.3	34.5	7.5	16.8	Jun-21	48.1	41.2

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

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

Fiscal year/ quarter/ month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY18	3.6	1.8	6.2	4.6	2.9	1.9	2.7	8.2	3.0
FY19	3.4	0.1	5.7	5.5	4.3	0.6	3.7	11.5	4.2
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	3.9	2.7	-8.0	2.2
2QFY21	6.9	9.7	2.9	5.4	0.5	5.5	1.3	-9.2	0.5
3QFY21	6.4	7.9	2.2	5.7	1.9	4.0	3.3	-8.1	3.0
4QFY21	4.9	3.5	3.9	5.9	5.1	2.9	6.5	2.5	6.3
1QFY22	5.6	4.0	10.8	6.1	11.9	7.4	10.4	30.3	9.7
Mar-21	5.5	4.9	4.4	6.1	7.9	5.6	7.8	9.7	7.5
Apr-21	4.2	2.0	8.0	5.4	10.7	7.5	9.4	21.3	8.7
May-21	6.3	5.0	11.9	6.6	12.9	8.1	10.8	37.6	10.0
Jun-21	6.3	5.1	12.7	6.3	12.1	6.7	10.9	32.8	10.4

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MoSPI
* The CPI for April and May 2020 has been imputed

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY 18 (CGA)	11.8	17.8	19.9	18.6	6.1	3.5	2.6
FY 19 (CGA)	8.4	16.2	13.1	14.9	3.0	3.4	2.4
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.6	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.4
FY 22 (BE over FY 21 RE)	16.7	22.6	22.2	22.4	11.4	6.8	5.1
Cumulated growth (%, y-o-y)						% of budgeted target	
Oct-20	-16.8	-36.7	-16.9	-27.3	-7.0	119.7	126.8
Nov-20	-12.6	-35.7	-12.3	-24.4	-2.4	135.1	139.9
Dec-20	-3.2	-15.4	-6.2	-11.2	4.2	62.7#	60.6#
Jan-21	-1.0	-14.9	-5.5	-10.5	7.5	66.8#	62.7#
Feb-21	-0.7	-16.2	-4.2	-10.4	7.8	76.0#	71.6#
Mar-21	0.7	-17.9	-2.3	-10.7	12.7	98.5#	99.9#
Apr-21	151.8	65.9	76.7	72.2	325.5	5.2	2.8
May-21	147.9	155.9	111.0	125.5	164.0	8.2	5.7

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.
#: as % of revised targets for FY21, fiscal and revenue deficits until November 2020 are as % of FY21 budget targets.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (Center)
	INR crore				
FY 2021 (RE)	4,31,000	-	-	84,100	5,15,100
FY 2022 (BE)	5,30,000	-	-	1,00,000	6,30,000
Monthly tax collection (INR crore)					
Oct-20	42,901	136	192	7,840	51,069
Nov-20	39,803	132	7,612	8,029	55,576
Dec-20	43,040	144	12,408	8,248	63,840
Jan-21	44,666	324	6,769	8,332	60,091
Feb-21	66,641	410	-37,308	9,349	39,092
Mar-21	56,818	322	-10,358	8,431	55,213
Apr-21	55,458	161	4,787	9,187	69,593
May-21	28,292	164	15,341	8,886	52,683

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
Note: IGST revenues are subject to final settlement.

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

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Jul-20	4.00	FY18	7.5	7.5	30.3	22.1	FY18	21.8	9.2	7.05	424.4
Aug-20	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.68	411.9
Sep-20	4.00	FY20	9.4	9.9	43.0	1.4	FY20	11.2	8.9	6.80	475.6
Oct-20	4.00	FY21	5.9	11.0	43.4	36.8	FY21	16.1	11.7	6.04	579.3
uNov-20	4.00	1QFY21	6.4	10.5	-0.8	0.6	2QFY21	18.6	12.2	5.95	506.8
Dec-20	4.00	2QFY21	5.7	11.1	24.6	7.0	3QFY21	19.6	12.4	5.91	542.0
Jan-21	4.00	3QFY21	5.6	10.8	17.0	21.2	4QFY21	16.2	12.2	6.16	580.8
Feb-21	4.00	4QFY21	6.0	11.5	2.4	8.0	1QFY22	15.5	10.7	6.26	609.0
Mar-21	4.00	Feb-21	6.6	12.1	-2.9	2.8	Mar-21	16.2	12.2	6.35	579.3
Apr-21	4.00	Mar-21	5.6	11.4	1.8	3.6	Apr-21	16.4	11.1	6.28	588.0
May-21	4.00	Apr-21	5.7	10.3	2.8	-2.0	May-21	15.1	10.3	6.23	598.2
Jun-21	4.00	May-21	6.0	9.7	9.1	0.4	Jun-21	15.5	10.7	6.27	609.0

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		
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2011	4.3	1.8	6.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2012	3.5	1.2	5.4
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2013	3.5	1.4	5.1
FY21	-7.3	-17.4	-98.6	74.2	43.8	67.2	2014	3.5	2.1	4.7
2QFY21	-5.6	-24.8	-14.3	74.4	42.0	54.6	2015	3.4	2.4	4.3
3QFY21	-4.5	-5.6	-34.0	73.8	43.6	70.2	2016	3.3	1.8	4.5
4QFY21	19.6	18.4	-41.1	72.9	59.3	88.1	2017	3.8	2.5	4.8
1QFY22	85.9	108.7	-30.8	73.8	67.1	105.1	2018	3.5	2.2	4.5
Mar-21	60.3	53.7	-13.9	72.8	63.8	92.8	2019	2.8	1.6	3.6
Apr-21	195.7	167.1	-15.1	74.5	63.0	90.7	2020	-3.3	-4.7	-2.2
May-21	69.4	73.6	-6.3	73.3	66.4	103.2	2021*	6.0	5.1	6.7
Jun-21	48.3	98.3	-9.4	73.6	71.8	121.4	2022*	4.4	3.6	5.0

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook April 2021.
* Indicates projections.

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

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY18 (3rd RE)	6.2	6.6	-5.6	7.5	10.6	5.2	10.3	1.8	8.3	4.5
FY19 (2nd RE)	5.9	2.6	0.3	5.3	8.0	6.3	7.1	7.2	7.4	4.5
FY20 (1st RE) $	4.1	4.3	-2.5	-2.4	2.1	1.0	6.4	7.3	8.3	3.3
FY21(PE) #	-6.2	3.6	-8.5	-7.2	1.9	-8.6	-18.2	-1.5	-4.6	3.4
4QFY19	4.9	-0.4	1.5	1.6	5.2	6.6	6.4	8.9	8.4	3.9
1QFY20	5.0	3.3	-1.3	0.6	6.9	3.7	6.2	8.8	5.6	4.6
2QFY20	4.6	3.5	-5.2	-3.0	1.7	1.0	6.8	8.9	8.8	2.0
3QFY20	3.4	3.4	-3.5	-2.9	-3.1	-1.3	7.0	5.5	8.9	3.4
4QFY20	3.7	6.8	-0.9	-4.2	2.6	0.7	5.7	4.9	9.6	3.2
1QFY21	-22.4	3.5	-17.2	-36.0	-9.9	-49.5	-48.1	-5.0	-10.2	2.8
2QFY21	-7.3	3.0	-6.5	-1.5	2.3	-7.2	-16.1	-9.1	-9.2	2.2
3QFY21	1.0	4.5	-4.4	1.7	7.3	6.5	-7.9	6.7	-2.2	3.2
4QFY21	3.7	3.1	-5.7	6.9	9.1	14.5	-2.3	5.4	2.3	4.9

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY20 are based on the first revised estimates (RE) of NAS released by the MoSPI on 29 January 2021 over the second RE of NAS for FY19, #FY21 growth numbers are based on the provisional estimates released by MoSPI on 31 May 2021 over the second revised estimates for FY20 released on 26 February 2021.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY18 (3rd RE)	6.8	6.2	11.9	7.8	4.6	17.4	4.0
FY19 (2nd RE)	6.5	7.6	6.3	9.9	12.3	8.6	3.7
FY20 (1st RE) $	4.0	5.5	7.9	5.4	-3.3	-0.8	3.6
FY21(PE) #	-7.3	-9.1	2.9	-10.8	-4.7	-13.6	4.6
4QFY19	5.8	6.6	8.1	4.4	11.7	0.6	-1.1
1QFY20	5.4	7.6	1.8	13.3	3.0	9.4	4.0
2QFY20	4.6	6.5	9.6	3.9	-1.3	-1.7	1.6
3QFY20	3.3	6.4	8.9	2.4	-5.4	-7.5	3.1
4QFY20	3.0	2.0	12.1	2.5	-8.8	-2.7	5.6
1QFY21	-24.4	-26.2	12.7	-46.6	-21.8	-40.9	2.8
2QFY21	-7.4	-11.2	-23.5	-8.6	-2.0	-17.9	3.3
3QFY21	0.5	-2.8	-1.0	2.6	-3.5	-5.0	4.8
4QFY21	1.6	2.7	28.3	10.9	8.8	12.3	7.0

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY20 are based on the first revised estimates (RE) of NAS released by the MoSPI on 29 January 2021 over the second RE of NAS for FY19, #FY21 growth numbers are based on the provisional estimates released by MoSPI on 31 May 2021 over the second revised estimates for FY20 released on 26 February 2021

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	aggregate demand
2	AEs	advanced economies
3	Agr.	agriculture, forestry and fishing
4	AY	assessment year
5	Bcm	billion cubic meters
6	bbl.	barrel
7	BE	budget estimate
8	CAB	current account balance
9	CGA	Comptroller General of Accounts
10	CGST	Central Goods and Services Tax
11	CIT	corporate income tax
12	Cons.	construction
13	CPI	Consumer Price Index
14	COVID-19	Coronavirus disease 2019
15	CPSE	central public-sector enterprise
16	CRAR	Credit to Risk- weighted Assets Ratio
17	CSO	Central Statistical Organization
18	Disc.	discrepancies
19	ECBs	external commercial borrowings
20	EIA	US Energy Information Administration
21	Elec.	electricity, gas, water supply and other utility services
22	EMDEs	Emerging Market and Developing Economies
23	EXP	exports
24	FAE	first advanced estimates
25	FC	Finance Commission
26	FII	foreign investment inflows
27	Fin.	financial, real estate and professional services
28	FPI	foreign portfolio investment
29	FRBMA	Fiscal Responsibility and Budget Management Act
30	FRL	Fiscal Responsibility Legislation
31	FY	fiscal year (April–March)
32	GDP	Gross Domestic Product
33	GFCE	government final consumption expenditure
34	GFCF	gross fixed capital formation
35	GoI	Government of India
36	G-secs	government securities

Sr. no.	Abbreviations	Description
37	GST	Goods and Services Tax
38	GVA	gross value added
39	IAD	Index of Aggregate Demand
40	IBE	interim budget estimates
41	ICRIER	Indian Council for Research on International Economic Relations
42	IEA	International Energy Agency
43	IGST	Integrated Goods and Services Tax
44	IIP	Index of Industrial Production
45	IMF	International Monetary Fund
46	IMI	Index of Macro Imbalance
47	IMP	imports
48	INR	Indian Rupee
49	IPD	implicit price deflator
50	J&K	Jammu and Kashmir
51	MCLR	marginal cost of funds-based lending rate
52	Ming.	mining and quarrying
53	Mfg.	manufacturing
54	m-o-m	month-on-month
55	Mt	metric ton
56	MoSPI	Ministry of Statistics and Programme Implementation
57	MPC	Monetary Policy Committee
58	NEXP	net exports (exports minus imports of goods and services)
59	NPA	non-performing assets
60	NCLT	National Company Law Tribunal
61	OECD	Organization for Economic Co-operation and Development
62	OPEC	Organization of the Petroleum Exporting Countries
63	PFCE	private final consumption expenditure
64	PIT	personal income tax
65	PMI	Purchasing Managers' Index (reference value = 50)
66	PoL	petroleum oil and lubricants
67	PSBR	public sector borrowing requirement
68	RE	revised estimates
69	PSU/PSE	public sector undertaking/public sector enterprises
70	RBI	Reserve Bank of India
71	SLR	Statutory Liquidity Ratio
72	Trans.	trade, hotels, transport, communication and services related to broadcasting
73	US$	US Dollar
74	UTGST	Union Territory Goods and Services Tax
75	WALR	weighted average lending rate
76	WPI	Wholesale Price Index
77	y-o-y	year-on-year
78	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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