June 2017

Economy Watch

Monitoring India's macro-fiscal performance

EY

Building a better working world

Contents

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Highlights

1. GDP growth fell in successive quarters in FY17, from **7.9% in 1QFY17 to 6.1% in 4QFY17**, a massive fall of 1.8% points.
2. **Demonetization supplemented an already weakening growth impulse**, becoming the main factor for the fall in the growth in the last two quarters of FY17.
3. Growth in **overall IIP and core sector IIP slowed to 3.1% and 2.5%** respectively in April 2017.
4. **CPI inflation decreased to 2.2% in May 2017 due to a sharp fall in food price inflation**, particularly in vegetables and pulses.
5. **Center met its fiscal and revenue deficit targets for FY17.**
6. **Growth in bank credit at 5.2% in April 2017 shows continued weakness in demand for credit.**
7. In the monetary policy review held on 7 June 2017, the **RBI retained the policy repo rate at 6.25%.**
8. **Growth in merchandise exports at 19.8% in April remained high.** However, it fell from 27.6% in March 2017.
9. The US Fed, in its June 2017 monetary policy review, **raised the target range for the federal funds rate to 1-1.25%.** This is the third rate hike in 2017.

Foreword: falling growth and inflation call for policy stimulus

CPI inflation in May 2017 was at a historic low at 2.2% on a year-on-year basis. This was the lowest inflation rate since 2012, ever since the new CPI series is being compiled. This sharp drop was largely due to food inflation, which for the first time turned negative at (-) 1.0% because of negative inflation rates in vegetables at (-) 13.4% and pulses at (-) 19.5%. In fact, vegetable inflation has been in the negative zone since September 2016 and pulses inflation also turned negative in December 2016. Farmers dependent on these crops have therefore experienced a sharp income shock. In spite of food inflation dropping so sharply, core inflation estimated by excluding food and fuel still remains at 4.3%. This strengthens the case for lowering of the policy rate by the RBI but the still high core CPI inflation rate and the June 14 hike of the US Fed rate by another 25 basis points may act as counterbalancing factors.

Linked to this issue is the ongoing wave of farm loan waivers. State after state is yielding to the pressure from farmers. The RBI has cautioned against fiscal slippages at the state level due to these loan waivers. States such as Uttar Pradesh, Andhra Pradesh, Telangana, Maharashtra, Madhya Pradesh, Punjab and Tamil Nadu have either already committed or are on the verge of making a commitment for large farm loan waivers. This added to the fiscal burden caused by the UDAY Scheme is likely to result in an increase in states' fiscal deficit may exceed 1% point of GDP in FY18.

Farm loan waivers have until now been taken up on a large scale by the Central Government, particularly prior to general elections. Apart from giving temporary relief to a subset of farmers, they have not been effective in improving the condition of Indian agriculture. This time around, the difference is that while the Central Government has made it clear that it will not be funding any farm loan waivers, the burden has been passed on to the state governments. The fiscal burden of such an initiative may still be massive. A recent Bank of America Merrill Lynch report estimates that by the 2019 general elections, the combined magnitude of farm loan waivers undertaken by different states may amount to 2% of GDP *(Source: Indian Express, Live Mint, 13 June 2017)*. The Central Government may come to the support of the state governments through some scheme such as UDAY bonds. Like earlier times, the consequent increase in fiscal deficit would be both costly and inflationary.

While the food sector suffers from a supply glut, overall the economy is still beset by weak demand. The recently released CSO data for FY17 confirms that the Indian economy had started slowing down in the 2QFY17. Demonetization sharpened this trend by further weakening consumption demand. In fact, the only reasons that we still ended with a GDP growth of 7.1% in FY17 were an improved performance by the agricultural sector and support to demand by government expenditures. In 4QFY17, total investment demand, as measured by growth in fixed capital formation at constant prices, had turned negative. The May IIP data shows that recovery is still not visible. These trends call for both fiscal and monetary stimuli. While the RBI has abstained from reducing the policy rate, the Central Government can at least accelerate its spending on infrastructure projects in the first half of FY18.

A notable positive aspect is that India's merchandise exports have shown positive growth in the last eight months since September 2016. In March and April 2017, growth in merchandise exports was at 27% and 20% respectively. The World Bank in its recent assessment of global economic prospects (June 2017) has projected global growth to increase from a post-crisis low of 2.4% in 2016 to 2.7% in 2017 and 2.9% in 2018 due to a recovery in manufacturing and trade.

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1 Growth: economic slowdown preceded demonetization

A. Real GDP growth

- Growth slowdown intensified in 4QFY17 as real GDP growth fell to 6.1% in 4QFY17 from 7.0% in 3QFY17 (Table 1). Although real GDP growth fell in the second and third quarters by 0.4% points and 0.5% points respectively, the magnitude of fall following demonetization was far sharper leading to a reduction of 0.9% points in 4QFY17.
- Investment demand as measured by GFCF remained subdued. It contracted by (-) 2.1% in 4QFY17 from 1.7% in 3QFY17.
- Growth in government consumption demand at 31.9% was the sole support to growth in 4QFY17. Growth in private consumption at 7.3% in 4QFY17 was the slowest as compared to the previous three quarters of FY17.
- GDP growth during FY17 was largely consumption-driven, with private consumption adding 4.8% points and government consumption adding 2.0% points to growth. Contributions to growth from net exports showed improvement, marginally increasing to 0.4% points in FY17 from 0.2% points in FY16.

Table 1: real GDP growth (%)

AD component	1Q FY17	2Q FY17	3Q FY17	4Q FY17	FY14	FY15	FY16	FY17 (PE)
PFCE	8.4	7.9	11.1	7.3	7.4	6.2	6.1	8.7
GCE	16.6	16.5	21.0	31.9	0.6	9.6	3.3	20.8
GFCF	7.4	3.0	1.7	-2.1	1.8	3.2	6.5	2.4
EXP	2.0	1.5	4.0	10.3	7.8	1.8	-5.3	4.5
IMP	-0.5	-3.8	2.1	11.9	-8.1	0.9	-5.9	2.3
GDP	7.9	7.5	7.0	6.1	6.5	7.3	8.0	7.1

Source: CSO, MOSPI

- Output growth measured by GVA fell to 5.6% in 4QFY17 (Table 2). Severe cash crunch induced by demonetization disrupted business, especially in the unorganized sector and labor-intensive sectors, during 4QFY17.
- The construction sector suffered the most with its output contracting by (-) 3.7% in 4QFY17. Other key sectors including financial services and manufacturing also witnessed a major setback in 4QFY17 as their growth slowed to 5.7% (10.8% in 3QFY17) and 7.9% (10.8% in 3QFY17) respectively.
- But for public administration and defense services and agriculture, which added 2.0% points and 0.8% points respectively to growth in 4QFY17, output growth would have fallen further.

Table 2: sectoral real GVA growth (%)

Sector	1Q FY17	2Q FY17	3Q FY17	4Q FY17	FY14	FY15	FY16	FY17
Agr.	2.5	4.1	6.9	5.2	5.6	-0.2	0.7	4.9
Ming.	-0.9	-1.3	1.9	6.4	3.1	9.8	10.5	1.8
Mfg.	10.7	7.7	8.2	5.3	5.1	7.7	10.8	7.9
Elec.	10.3	5.1	7.4	6.1	4.0	7.3	5.0	7.2
Cons.	3.1	4.3	3.4	-3.7	3.0	4.1	5.0	1.7
Trans.	8.9	7.7	8.3	6.5	6.8	8.9	10.5	7.8
Fin.	9.4	7.0	3.3	2.2	11.0	11.3	10.8	5.7
Publ.	8.6	9.5	10.3	17.0	3.8	8.1	6.9	11.3
GVA	7.6	6.8	6.7	5.6	6.2	7.0	7.9	6.6

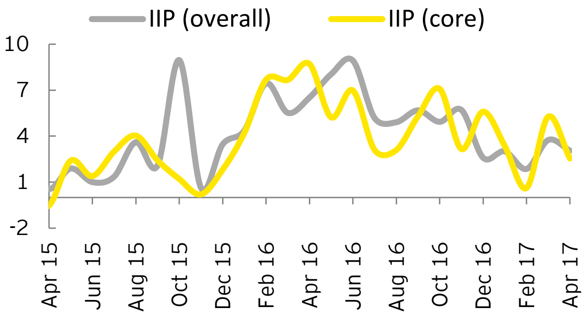
Source: CSO, MOSPI

B. Industry growth: IIP growth and core sector IIP growth moderate in April 2017

Growth in IIP and core sector IIP slowed to 3.1% and 2.5% respectively in April 2017.

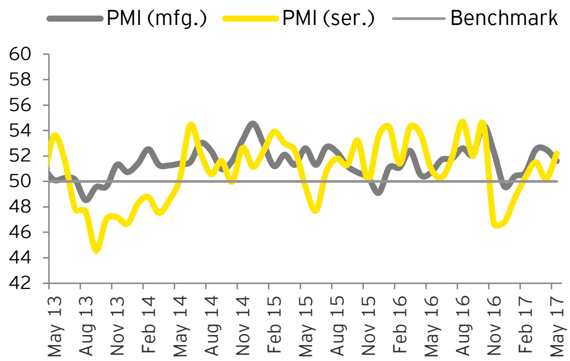
- IIP growth (with 2011–12 as base) slowed to 3.1% (y-o-y) in April 2017 from 3.8% in March 2017 due to moderation in the growth of electricity and mining sector output (Chart 1).
- The manufacturing sector, which accounts for over 77% of the overall IIP, grew marginally by 2.6% in April 2017 as compared to a growth of 2.4% (revised) in March 2017.
- Output of the capital goods industry, which reflects investment demand in the economy, contracted by (-) 1.3% in April 2017 from 9.6% (revised) in March 2017. Similarly, output of consumer durables declined at a relatively fast pace of (-) 6.0% as compared to (-) 3.9% in March 2017.
- Output growth of infrastructure/construction goods improved to 5.8% in April 2017 from just 0.9% in March 2017.
- Growth in the output of eight core infrastructure industries, with a weight of 40.27 % in the overall IIP, fell to 2.5% (y-o-y) in April 2017 from 5.3% in March 2017. This was on account of slower growth in the output of natural gas (2.0%) and petroleum refineries (0.2%) and a contraction in the output of coal ((-) 3.8%), cement ((-) 3.7%) and crude oil ((-) 0.6%).

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

C. PMI: signals a slower expansion in manufacturing but a recovery in services in May 2017

PMI dropped to a three-month low for manufacturing but recovered for services in May 2017.

- Headline manufacturing PMI (sa) fell to a three-month low of 51.6 in May 2017 from 52.5 in April 2017 (Chart 2). New orders and output witnessed a slowdown in consumer and intermediate goods and a contraction in capital goods.
- Headline services PMI (sa), however, recovered to 52.2 in May 2017 from 50.2 in April 2017. This was the fastest pace of expansion in the current four-month sequence of expansion.
- Composite PMI Output Index (sa) increased to a seven-month high of 52.5 in May 2017 from 51.3 in April 2017, reflecting faster growth in services output in May 2017.

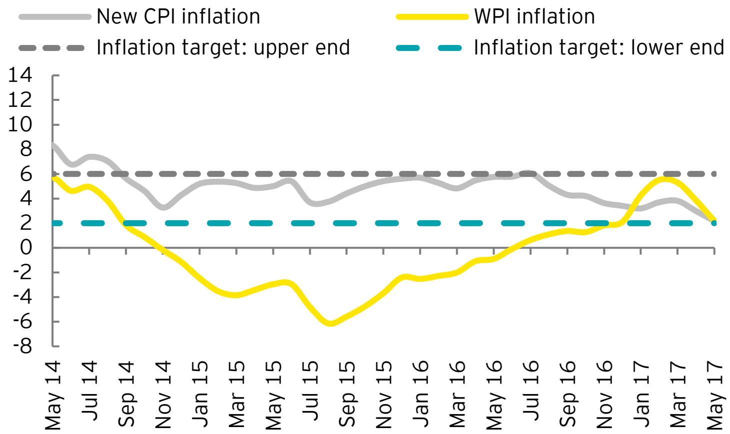
2 Inflation: falling food price inflation push CPI inflation to a historic low

CPI inflation decreased to 2.2% in May 2017 due to a sharp fall in food price inflation, particularly that in vegetables and pulses.

- CPI-based inflation (Chart 3) eased further to a historic low of 2.2% in May 2017 from 3.0% in the previous month as food price inflation reflected by the Consumer Food Price Index contracted for the first time by (-) 1.0% as compared to 0.6% in the previous month.
- Inflation in price of pulses reached a historic low of (-) 19.5% from (-) 15.9% in April 2017. Vegetable prices fell sharply to (-) 13.4% in May 2017 as compared to (-) 8.6% in the previous month.
- Fuel and lighting inflation decreased from a 39-month high of 6.1% in April 2017 to 5.5% in May 2017.
- Core CPI inflation (excluding food and fuel) declined to a 21-month low of 4.3% in May 2017 from 4.5% in April 2017. Inflation in services such as transport and communication moderated to a six-month low of 3.5% as compared to 4.0% in April 2017.
- According to the RBI, trade policy intervention in pulses, upward revision in fuel prices on 1 June 2017, rising rural wage growth, strong consumption demand, risk of fiscal slippage due to farm loan waivers and disbursement of allowances under the 7th Central Pay Commission are upside risks to inflation.

As per the RBI Monetary Policy Statement released on 7 June 2017, the CPI 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; %)



Source: MOSPI

WPI inflation declined to a five-month low of 2.2% in May 2017 from 3.9% in April 2017 due to a decline in inflation across food articles such as cereals, vegetables and pulses.

- WPI inflation for primary articles turned negative for the first time in 19 months at (-) 1.8% as compared to 1.8% in the previous month. Inflation in food articles fell to (-) 2.3% in May 2017 as compared to 1.2% in April 2017 .
- Inflation in cereals touched a 16-month low of 4.1% in May 2017 from 6.9% in April 2017. Contraction in the price of pulses reached a five-year low of (-) 19.7% in May 2017. Inflation in vegetables, and oilseeds fell to (-) 18.5% and (-) 10.2% respectively in May 2017 from (-) 7.8% and (-) 8.5% in the previous month.
- Fuel and power inflation slowed to a five-month low of 11.7% in May 2017 from 18.5% in April.
- WPI core inflation increased to 2.1% in May 2017 from 1.6% in April 2017.
- Inflation based on the newly constructed WPI food price index, consisting of primary food articles and manufactured food products, declined further to a 20-month low of 0.1% in May 2017 from 2.9% in April 2017.

3 Fiscal performance: Center meets fiscal and revenue deficit targets for FY17

A. Tax and non-tax revenues

The Central Government achieved the annual revised target for gross tax revenues in FY17. Direct taxes were at 97.5% of the FY17 revised estimate, while indirect taxes were at 104.2%. However, growth in corporation tax and customs duties remained subdued in FY17.

- Gross taxes grew by 17.9% in FY17 compared to 17% in FY16. Growth in gross taxes in the first month of FY18 was 33% as compared to 54.2% in April FY17 (Chart 4).
- Direct taxes grew by 12.3% and indirect taxes by 22.9% in FY17. Growth in direct and indirect taxes in April FY18 was 41.3% and 23.9% respectively as compared to the corresponding values of 80% and 33.4% in FY17.
- Growth in income tax revenues was at 21.5% in FY17 as compared to 8.5% in FY16. This was largely due to the two income disclosure schemes after demonetization. Growth in corporation tax revenues was subdued at 6.7% in FY17. In April FY18, growth in income tax revenues was at 8%, compared to 55.1% in FY17. Due to a negative monthly value of corporation tax revenues in April FY17, reflecting refunds, an inordinately high growth of 322.4% was witnessed in April FY18 (Chart 5).
- Growth in excise duties was high at 32.7% in FY17 although lower as compared to that in FY16, reflecting movement in petroleum prices and consequent adjustment in specific excise duty rates. In April FY18, Union excise duties reflected an inordinately high growth of 429.1% due to refunds in April FY17.
- Growth in customs duties was low at 7.4% in FY17 as compared to 11.9% in FY16. In April FY18, growth in customs duties was at 16.5% as compared to 22.2% in April FY17.
- Service tax revenues grew by 20.4% in FY17, reflecting tax rate increases in Budget FY17. Growth in service tax revenues in April FY18 was at 14.3% compared to 13.3% in April FY17.

Chart 4: growth in cumulated gross tax revenues in April 2017

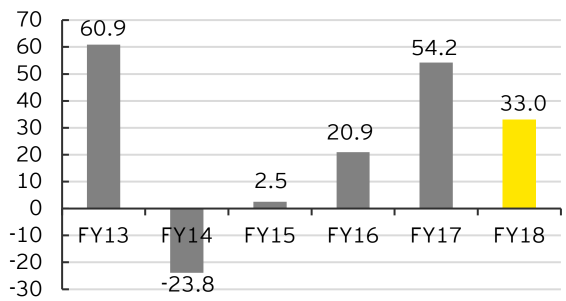
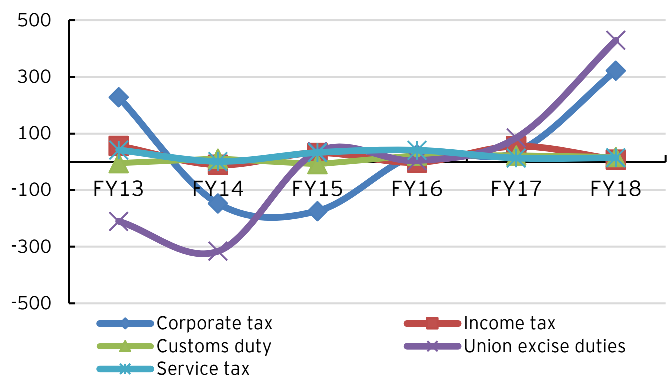


Chart 5: growth in cumulated tax revenues in April 2017



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

- Growth in non-tax revenues was low at 9.3% in FY17 as compared to 27.3% in FY16 due to a contraction in the Center's interest receipts and a slowdown in the growth of dividends and profits. In April FY18, growth in non-tax revenues was at 29.4% as compared to a contraction of (-) 66.9% in April FY17.

B. Expenditures: revenue and capital

- Total expenditure grew by 11.4% in FY17, compared to 7.8% in FY17. In April FY18, growth in total expenditure was 49.5% as compared to the corresponding value of 4.8% in FY17.

- Growth in revenue expenditure increased sharply to 9.5% in FY17 from 5.5% in FY16 due to the implementation of the 7th Central Pay Commission's recommendations. Revenue expenditure grew by 51.2% in April FY18 as compared to 9.9% in April FY17 (Chart 6).
- Growth in the Center's capital expenditure marginally fell to 23.4% in FY17 compared to 25.8% in FY16. Capital expenditure grew by 37.7% in April FY18 as against a contraction of (-) 20.5% in April FY17 (Chart 7).

Although the Center's capital expenditure contracted by (-) 1.5% during April–February FY17, in March 2017 it grew explosively by 338% on a y-o-y basis. This enabled the Government to achieve not only the revised FY17 target for capital expenditure but also the originally budgeted target, which was much higher.

Chart 6: growth in cumulated revenue expenditure in April 2017

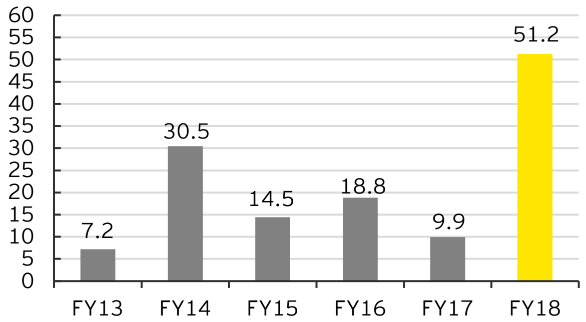
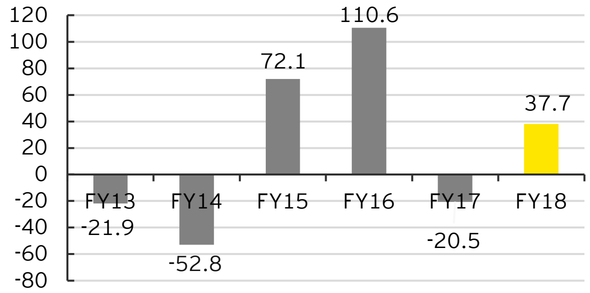


Chart 7: growth in cumulated capital expenditure in April 2017



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

C. Fiscal imbalance

- The Center achieved its fiscal deficit target of 3.5% of GDP in FY17. Fiscal deficit in April FY18 stood at 37.6% of the annual budgeted target as compared to 25.7% in FY17 (Chart 8).
- The Center's revenue deficit stood at 2.03% of GDP in FY17, slightly lower than the revised estimate of 2.1% of GDP. In April FY18, revenue deficit stood at 55.5% of the annual budgeted target as compared to 33.6% in FY17 (Chart 9). This was the highest share of revenue deficit incurred in the first month of a fiscal year since FY01.

The Center met its fiscal deficit target of 3.5% of GDP on account of buoyant tax revenues. Revenue deficit also stood at 2.03% of GDP in FY17. However, for April FY18 both fiscal and revenue deficit as a % of their annual budgeted targets are inordinately high.

Chart 8: fiscal deficit in April 2017 as a % of annual budgeted estimate for FY18

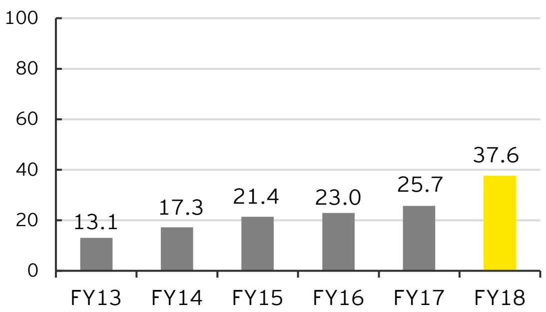
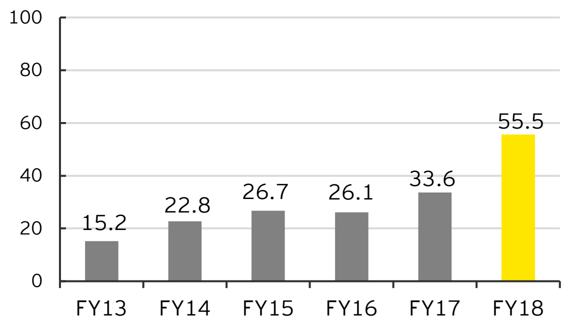


Chart 9: revenue deficit in April 2017 as a % of annual budgeted estimate for FY18



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

4 India and BRICS: comparative economic prospects

- Both the IMF and the World Bank project global growth to progressively increase during 2016–19.
- The IMF projects 2019 growth at 3.7%, rising from 3.1% in 2016, an increase of 0.6% points.
- The World Bank projects global growth to increase to 2.9% in 2019 from 2.4% in 2016, an increase of 0.5% points.

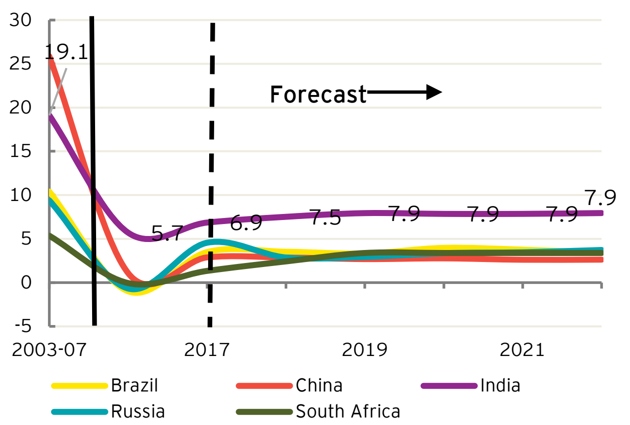
Table 3: Real GDP growth (% annual): selected countries/country groups

Country/Year	2016*		2017 (f)		2018 (f)		2019 (f)	
	IMF	WB	IMF	WB	IMF	WB	IMF	WB
*India***	*6.8*	*6.8*	*7.2*	*7.2*	*7.7*	*7.5*	*7.8*	*7.7*
China	6.7	6.7	6.6	6.5	6.2	6.3	6.0	6.3
South Africa	0.3	0.3	0.8	0.6	1.6	1.1	2.2	2.0
Brazil	-3.6	-3.6	0.2	0.3	1.7	1.8	2.0	2.1
Russia	-0.2	-0.2	1.4	1.3	1.4	1.4	1.5	1.4
World	3.1	2.4	3.5	2.7	3.6	2.9	3.7	2.9

IMF-World Economic Outlook, April 2017; WB- Global Economic Prospects, June 2017; *estimated; **estimate/forecast pertains to fiscal year, thus 2017 means FY18 and so on; f: forecast

- For India, the growth estimates of the World Bank and the IMF are much closer: an increase of 1% point from 6.8% in 2016 to 7.8% according to the IMF, and an increase of 0.9% points according to the World Bank.

Chart 10: growth in volume of export of goods and services

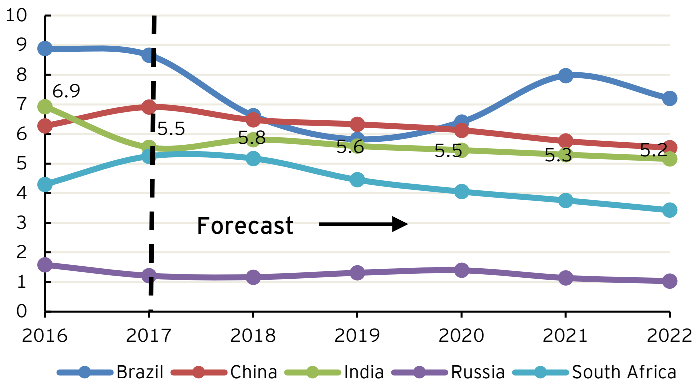


Source (Basic Data): World Economic Outlook, IMF, April, 2017

- In terms of volume growth in exports, India performed better than other BRICS countries except China in the pre-crisis period (2003–07).
- In 2016, India overtook China in terms of growth in volume of exports.
- 2016 onward, India is expected to lead the BRICS countries and achieve an export growth close to 8% starting 2019.

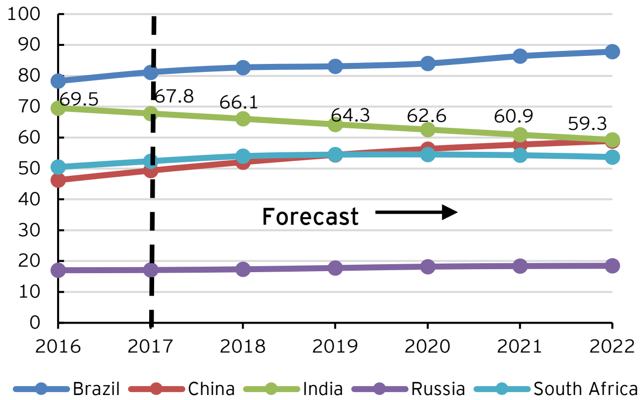
- India's general government fiscal deficit is projected to fall from 6.9% in 2016 to 5.2% in 2022 (FY23).
- Except for Brazil and China, India's fiscal deficit would remain higher than the other BRIC countries during this period.

Chart 11: general government fiscal deficit as a % of GDP: BRICS



Source (Basic Data): World Economic Outlook, IMF, April, 2017

Chart 12: general government debt as a % of GDP



Source (Basic Data): World Economic Outlook, IMF, April, 2017

- India is the only country where the general government debt to GDP ratio is projected to steadily fall from 2016 (FY17) to 2022 (FY23), a fall of about 10% points from 69.5% to 59.3%.
- In the case of the other BRICS countries, the general government debt to GDP ratio is expected to increase during this period with the minor exception of South Africa, where it is expected to fall in 2022 from its level in the previous year.

5 In focus: increasing mileage from recent reform milestones

India has been on a journey of aggressive economic reforms since the early 90s. The last three years under the current NDA Government have been particularly eventful with a succession of reforms at breakneck speed. Yet, beset by both short- and long-term constraints, their positive outcomes have remained significantly below their potential. At the end of three years, the growth rate has fallen and the share of manufacturing in output is stagnant in spite of Make in India. It is time to take stock of the promise and potential of these reforms.

Reform milestones

While each major reform can be viewed as an individual milestone, it is useful to group these into suitable broad categories. Table 4 lists these reforms grouped in six categories: fiscal, monetary, large platform reforms, financial inclusion and safety net, sectoral, governance and socio-economic reforms.

Table 4: reform milestones

Fiscal reforms	Governance reforms	Large platform reforms
GST	Bankruptcy and insolvency law	Make in India
Subsidy reforms: direct benefit transfer	Real Estate Regulation and Development Law	Digital India
Advancement of budget presentation	Land reforms	Start-up India
Centrally sponsored schemes	Defense procurement and production	Skill India
FRBMA reform	Ordinance on NPAs	Smart Cities
Sharing of central taxes	Corruption and black money reforms	Easing of FDI norms
Other tax reforms	Ease of doing business reforms	Niti Aayog
Financial inclusion and safety nets	**Sector-specific reforms**	**Monetary reforms**
Jan Dhan Yojana	Mining sector reforms	Demonetization
Crop insurance	Power sector reforms	Mudra Loan Scheme
Health insurance	Telecommunications	Monetary Policy Framework
Housing for All	Surface Transport	Monetary Policy Committee
Namami Gange	Railways modernization	
Swachh Bharat	Privatization of defense production	

Source: Compiled by EY team

A key feature of these reforms is that these were largely visualized as standalone reforms with no explicit inter-linkage among them. Their targets were projected several years into the future, making it difficult to track their progress. These are largely supply side reforms aimed at improving productivity of resources over the medium to long term. Clearly, some reforms also worked at cross-purposes. Thus the effect of demonetization aimed at capturing black cash was diluted by the large number of Jan Dhan accounts, which was otherwise an effective financial inclusion scheme. Some reforms proved to be ineffective. Farmers across the states are agitating in spite of the crop insurance scheme, which could have given them some protection against output failure but not against income failure due to crashing prices.

Macro outcomes

Some macro outcomes resulting from these reforms can be assessed based on changes during FY14–FY17. We look at impact on growth, inflation, creation of additional fiscal space and impact on share of manufacturing in GVA among other indicators. In terms of growth, after an increase in GVA growth from 6.2% in FY14 to 7.9% in FY16, the economy lapsed back to 6.6% in FY17. A slowdown was already visible before demonetization. Neither fiscal nor monetary policy has been successful in stimulating private investment demand. Investment in fixed assets as measured by the annual growth in GFCF is languishing at 2.4% in FY17. In the last quarter of FY17, its growth rate on a y-o-y basis was in fact negative. The quarter-wise figures show that while investment demand had fallen in the second quarter, this fall gathered further momentum in the post-demonetization period. In the monetary sector, new institutional structure for policymaking was established with an agreement on a monetary policy framework. This framework envisaged a CPI inflation target of 4% with a band of plus/ minus 2% points. A Monetary Policy Committee has also been constituted to make monetary policy formulation both autonomous and objective. While the inflation rate has trended down (Chart 13), some of the success has been due to global factors, particularly the movement of oil prices, which have largely remained in the range of US$45–50/bbl.

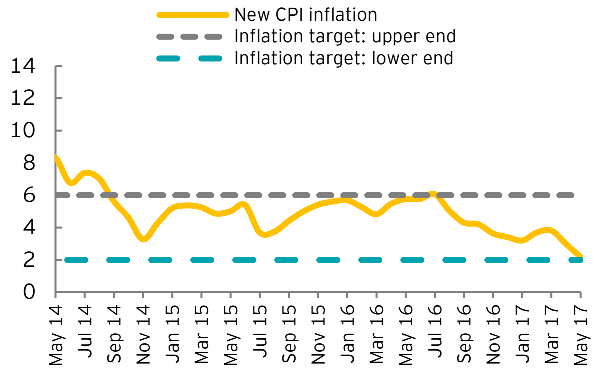
Table 5: growth and fixed Investment – visible slowdown (%, y-o-y)

Sector	1Q FY17	2Q FY17	3Q FY17	4Q FY17	FY14	FY15	FY16	FY17
GVA *of which*	7.6	6.8	6.7	5.6	6.2	7.0	7.9	6.6
Agr.	2.5	4.1	6.9	5.2	5.6	-0.2	0.7	4.9
Mfg.	10.7	7.7	8.2	5.3	5.1	7.7	10.8	7.9
Cons.	3.1	4.3	3.4	-3.7	3.0	4.1	5.0	1.7
Fin.	9.4	7.0	3.3	2.2	11.0	11.3	10.8	5.7
Publ.	8.6	9.5	10.3	17.0	3.8	8.1	6.9	11.3
GDP *of which*	7.9	7.5	7.0	6.1	6.5	7.3	8.0	7.1
GCE	16.6	16.5	21.0	31.9	0.6	9.6	3.3	20.8
GFCF	7.4	3.0	1.7	-2.1	1.8	3.2	6.5	2.4

Source (Basic Data): National Income Accounts, Ministry Of Statistics and Programme Implementation (MOSPI)

At the same time, in spite of the emphasis on manufacturing under Make in India, the share of manufacturing has fallen marginally in FY17 compared to FY14 (Table 6).

Chart 13: secular fall in CPI inflation rate



Source (Basic Data): CSO, MOSPI

Table 6: near stagnant share of manufacturing

Fiscal year	Share of manufacturing in GVA (%)
2013-14	16.53
2014-15	16.41
2015-16	16.57
2016-17	16.51
FY17–FY14(% points)	-0.02

Source (Basic Data): National Income Accounts, CSO, MOSPI

On the fiscal front, there have been a number of initiatives but the net gain has been limited. While the gross tax revenue relative to GDP increased from 10.1% in 2013–14 to 11.3% in 2016–17, there was no net increase in the Center's net tax-GDP ratio because of the sudden increase in the share of the states following the recommendations of the 14th Finance Commission. Non-tax revenues do not show any increase in spite of the gains through sale of spectrum and mining auctions. The main success resulting in a tangible gain of 0.56% points of GDP during FY14–FY17 was from the reduction of explicit subsidies. This partially enabled the reduction in the fiscal deficit to GDP ratio by 1% points over the same period. In the net, the share of central government expenditure fell as a % of GDP during these three years.

Table 7: Central Government finances: net fiscal space created

As a % of GDP

Fiscal year	Gross tax revenues	Net tax revenues	Non-tax revenues	Explicit subsidies	Fiscal deficit
2013-14	10.1	7.3	1.8	2.27	4.52
2014-15	10.0	7.3	1.6	2.08	4.04
2015-16	10.6	6.9	1.8	1.93	3.89
2016-17	11.3	7.3	1.8	1.71	3.52
2017-18 (BE)	11.3	7.3	1.7	1.62	3.24

Source (Basic Data): Union Budget documents, various years

Overcoming long-term constraints; minimizing short-term disruptions

The factors holding back positive outcome of the reforms can be categorized as long-term constraints and short-term disruptions. Falling saving and investment rates, banking sector NPAs, low employment elasticity of growth, tepid global growth conditions and lack of adequate attention to health and education in terms of budgetary allocation as well as sector-specific reforms are clearly long-term constraints. Inward looking global policies are a constraint on growth on Indian exports. Indian IT services, particularly demand from abroad, are also under threat. These constitute major hurdles to India reaching its potential growth, requiring policy makers' attention.

Table 8: Long-term constraints and short-term disruptions

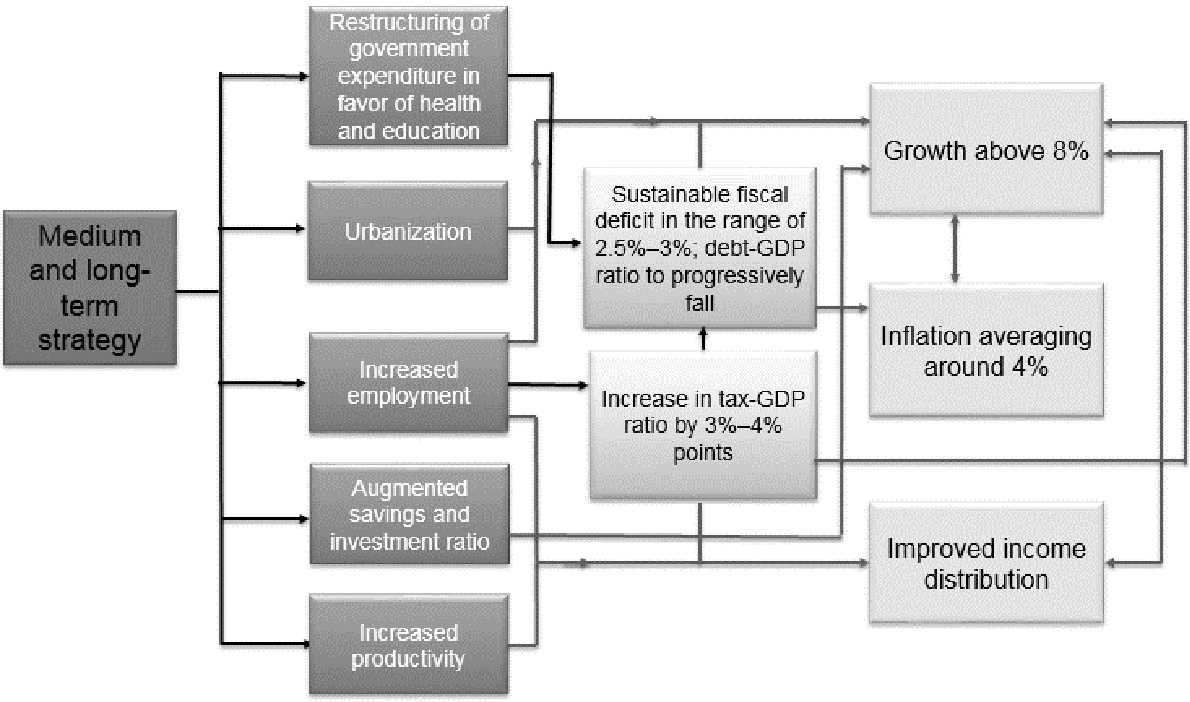
Long-term constraints	Short-term disruptions
• Falling saving and investment rate • Low employment elasticity of growth • Global economy slowdown • Rising NPAs in the banking sector • Slow progress in health and education	• Adverse growth effect of demonetization • Jan-Dhan accounts as a source of diluting success in curbing black money • GST (transitional issues)

In terms of short-term disruptions, demonetization has already had its adverse effect. Most analysts agree that GST would also cause a temporary disruption at least for a few quarters. Two major disruptions in succession, although both temporary, may take a toll on India's growth performance in FY18 as well.

India's potential growth prospects

The essence of the key reforms during the past three years has been their focus on increasing productivity in the economy. Their full effects will only be visible in the longer run. However, to realize their full potential India's saving and investment rates will have to increase. Realizing the full potential of the unfolding demographic dividend calls for massive investment in health and education and skill development. This can be facilitated by an increase in the tax-GDP ratio by 3% to 4% points and a corresponding increase in the relative shares of health and education expenditures in the Central Government's budget. The state governments will also have to be taken on board. As the global economy and India's exports prospects improve, a virtuous cycle can be set up (flow chart 14).

Flow chart 14: a potential virtuous cycle



Increased productivity of resources will lead to an increased capital-output ratio and improved competitiveness for Indian exports, which will also be assisted by GST. The long-term effects of demonetization can increase India's tax-GDP ratio, leading to an increase in the shares of education and health outlays. Together, these can lead to a sustained growth of over 8% and inflation averaging around 4%.

6 Money and finance: growth in bank credit at 5.2% in April shows continued weakness

A. Monetary sector

i. Monetary policy

- In the monetary policy review held on 7 June 2017, the RBI's Monetary Policy Committee retained the policy repo rate at 6.25% (Chart 15). After increasing the reverse repo rate by 25 basis points to 6.0% in April 2017, it was retained at that level in June 2017.
- In the RBI's assessment, the easing of core CPI inflation (excluding food and fuel) in April 2017 might be temporary in view of its underlying stickiness in a situation of rising rural wage growth and strong consumption demand.
- The 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

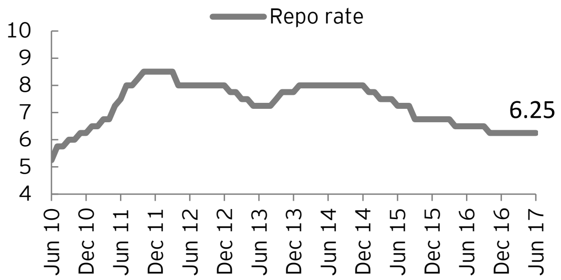
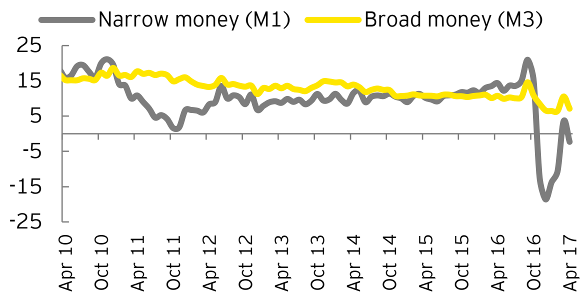


Chart 16: growth in narrow and broad money



Source: Database on Indian Economy, RBI

In its June 2017 policy review, the RBI retained its policy repo rate unchanged at 6.25%. Although falling CPI inflation strengthens the case for lowering of policy rate, the still high core CPI inflation and the recent US Fed rate hike may act as counterbalancing factors.

ii. Money stock

- Growth in broad money (M3) moderated to 7.1% % (y-o-y) in April 2017 from 10.6% in March 2017 (Table A4). Growth in time deposits (accounting for over 76% of the broad money stock) moderated to a six-month low of 9.8% in April 2017 as compared to 12.6% in March 2017.
- After posting a positive growth of 3.6% in March 2017, narrow money (M1) contracted by (-) 2.3% in April 2017. After demonetization, M1 had contracted for four successive months till February 2017 (Chart 16). By 26 May 2017, currency in circulation (excluding non-demonetized currency) was 80.6% of the total demonetized currency.

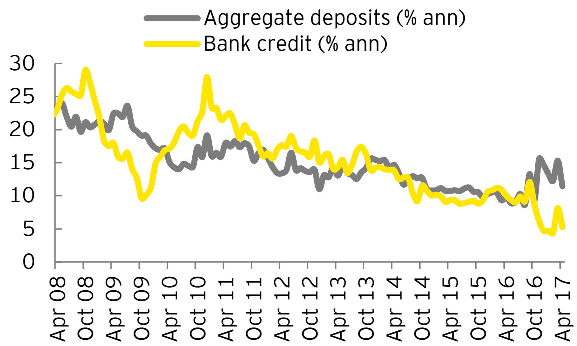
iii. Aggregate credit and deposits

- Growth in bank credit fell to 5.2% (y-o-y) in April 2017 from 8.2% in March 2017 (Chart 17). With subdued investment demand from corporates and mounting NPAs, domestic credit growth is likely to remain low. Growth in non-food credit slowed to 6.0% in April 2017 from 9.0% in March 2017, while food credit contracted sharply by (-) 46.5%.
- Credit growth to industries continued to decline for the seventh straight month, although at a slower pace of (-) 1.0% in April 2017 as compared to (-) 6.7% (revised) in March 2017. Credit to the services sector, accounting for nearly

25% of non-food credit, fell to 4.8% in April 2017 from 14.4% in March 2017. The y-o-y growth of personal loans improved to 14.8% in April 2017 as compared to 11.2% in March 2017(Chart 18).

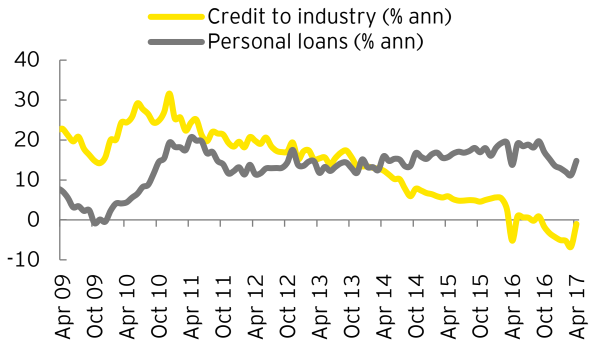
- Growth in aggregate bank deposits moderated to 11.5% in April 2017 (y-o-y) from 15.3% in March 2017. From a recent peak of 15.6% in November 2016, growth in aggregate bank deposits has gradually trended downward.

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

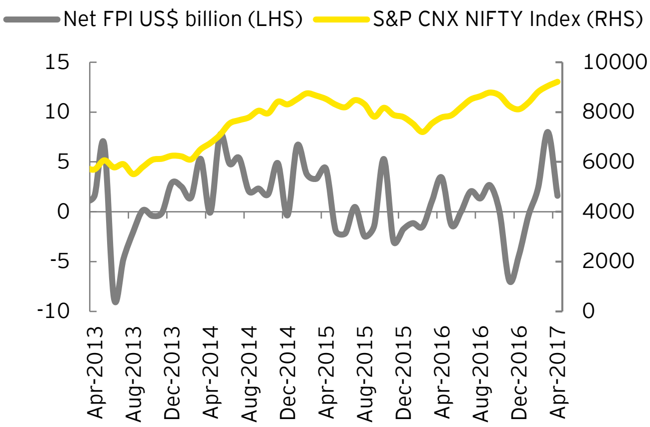
i. Interest rates

- MCLR was maintained at 7.75% for the fourth consecutive month in April 2017. It was lowered in January 2017 from 8.65%. Since its introduction in April 2016, MCLR has been reduced by a total of 1.20% points.
- Banks retained the interest rate paid on term deposits (>1 year) at 6.75% in April 2017. Reduction in interest rate paid on small savings by the Central Government is likely to prompt banks to lower their deposit rates.
- The average yield on 10-year government securities marginally increased to 7.1% in April 2017 from 7.0% in March 2017. Bond yields firmed up as the RBI's policy stance in April 2017 was relatively more hawkish than market expectations.

ii. FPI and stock market

- India's benchmark stock market indices started FY18 on a positive note. The benchmark S&P NIFTY reached an all-time high of 9,215 points in April 2017, increasing by 168 points from 9,047 in March 2017 (Chart 19). In addition to sustained equity inflows from overseas investors, market sentiments improved further due to IMD's forecast of normal monsoon this year.
- As per provisional data, overall FIIs moderated to US$4.7 billion in April 2017 from US$8.6 billion (revised) in March 2017. Net FPI inflows fell to US$1.6 billion in April 2017 from US$8.0 billion in March 2017. Meanwhile, net FDI inflows rose to US$3.1 billion in April 2017 from US$0.6 billion in March 2017.

Chart 19: stock market movement



- As per revised data released by the RBI, cumulated FIIs stood at US$41.9 billion in FY17 as compared to US$31.9 billion in FY16 due to a sharp increase in net foreign portfolio inflows. Net FPI inflows stood at US$6.9 billion in FY17 as compared to a net outflow of US$4.1 billion. Net FDI inflows, however, were marginally lower at US$35.0 billion in FY17 (US$36.0 billion in FY16)

7 Merchandise exports: continued high growth

A. Current account balance

CAB as a percentage of GDP deteriorated to (-) 1.4% in 3QFY17 (Table 9, Chart 21) from (-) 0.6% in the previous quarter. Merchandise trade balance worsened to (-) US$33.3 billion in 3QFY17 as compared to (-) US$25.6 billion in 2QFY17. Services balance improved marginally to US$17.6 billion from US$16.3 billion in the previous quarter. According to the RBI, the current account deficit for FY17 is likely to remain muted at less than 1% of GDP.

Table 9: current account balance

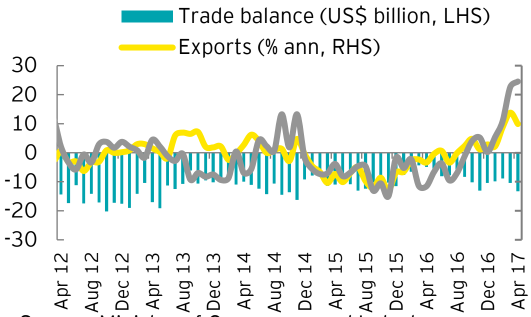
	CAB (- deficit/+surplus) (US$ billion)	CAB as a % of nominal GDP	Goods account net (US$ billion)	Services account net (US$ billion)	Income account net (US$ billion)	Transfers net (US$ billion)
FY13	-88.2	-4.8	-195.7	64.9	-21.5	64.0
FY14	-32.4	-1.7	-147.6	73.0	-23.0	65.3
FY15	-26.8	-1.3	-144.9	76.6	-24.1	65.7
FY16	-22.0	-1.0	-130.1	53.7	-17.8	47.7
4QFY16	-0.3	-0.1	-24.8	16.1	-6.6	15.1
1QFY17	-0.3	-0.1	-23.8	15.8	-6.2	14.2
2QFY17	-3.4	-0.6	-25.6	16.3	-7.9	14.0
3QFY17	**-7.9**	**-1.4**	**-33.3**	**17.6**	**-6.2**	**14.0**

Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

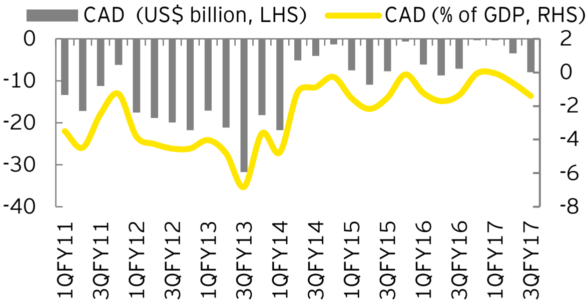
- Growth in merchandise exports slowed to 19.8% in April 2017 from a five-year high of 27.6% in March 2017 but still remained high. It has remained positive for eight successive months (Chart 20).
- Growth in oil export declined to 48.8% in April 2017 from 69.1% in the previous month. Growth in engineering goods declined to 28.2% from 46.7% in March 2017.
- Growth (y-o-y) in overall imports reached a six-year high of 49.1% in April 2017 as compared to 45.3% in March 2017 despite a decline in the growth of oil imports to 30.1% in April as compared to a 5-year high of 101.4% in the previous month. Imports of machinery and electronic goods imports grew by 37.4% and 74.1% respectively in April 2017 as compared to 13.5% and 32.1% in March 2017. Together, they contributed 10.3% to overall growth in imports.
- Due to a sharper rise (m-o-m basis) in imports than exports in absolute terms, India's merchandise trade deficit increased to a 29-month high of US$13.2 billion in April 2017 from US$10.4 billion in March 2017.
- The Indian rupee strengthened further to a 21-month high of INR64.5 per US dollar in April 2017 from INR65.9 per US dollar in March 2017 on account of higher capital inflows.

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 recover in 2017 supported by a pick-up in manufacturing and trade

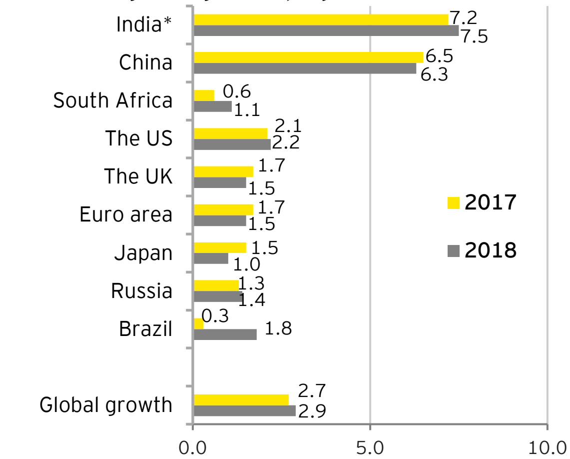
A. Global growth outlook

- The World Bank (Global Economic Prospects, June 2017) has projected global growth to increase from a post-crisis low of 2.4% in 2016 to 2.7% in 2017 and 2.9% in 2018 because of a recovery in manufacturing and trade (Chart 22).
- Growth in advanced economies is projected at 1.9% in 2017 due to a pick-up in the growth prospects of the US, Japan and the Euro area. It is expected to moderate to 1.8% in 2018. Growth in EMDEs is projected at 4.1% and 4.5% in 2017 and 2018 respectively reflecting a recovery in commodity exporters and a steady growth in commodity importers. However, rising private sector debt and deteriorating government debt pose a major challenge to growth in the EMDEs.
- In the US, following a slowdown in 2016 due to weak investment and exports, GDP growth is projected to recover to 2.1% in 2017 and 2.2% in 2018. The unemployment rate has steadily fallen and inflation expectations have increased from 2016. In view of this improvement, the US Fed, in its June 2017 monetary policy review, raised the target range for the federal funds rate to 1-1.25%.

The World Bank has projected global growth to recover from a post-crises low of 2.4% in 2016 to 2.7% in 2017 and 2.9% in 2018 on account of a pick-up in manufacturing and trade.

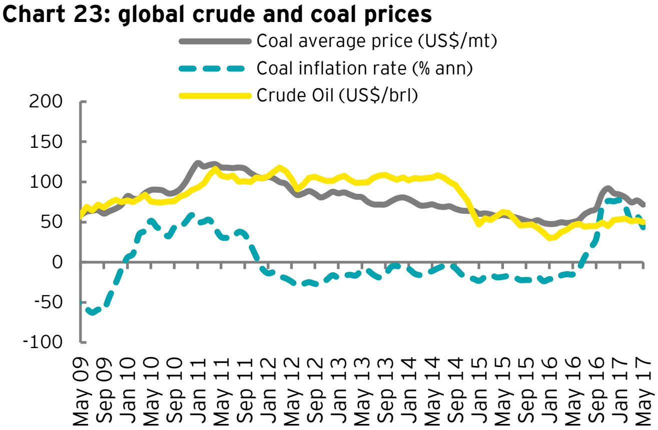
- Growth in the Euro area is projected at 1.7% in 2017 and 1.5% in 2018. In Japan, growth projections have been revised up to 1.5% in 2017 and 1% in 2018 on account of continued monetary and fiscal policy support. Growth has started to pick up, supported by a recovery in external demand.
- In China, GDP expanded by 6.7% in 2016. Infrastructure spending by state-owned companies partially offset the sharp slowdown in private investment. Growth is projected at 6.5% in 2017, indicating strengthening trade, with a moderate recovery in imports and a gradual acceleration of exports. However, financial sector vulnerabilities and protectionist policies in advanced economies pose to a challenge to China's growth outlook.
- Both Brazil and Russia are expected to emerge from recession in 2017, helped by recovering commodity prices.
- Global trade growth[1] is expected to increase from 2.5% in 2016 to 4% in 2017, supported by stronger import demand from major advanced economies, increased trade flows to and from China and recovering import demand from commodity exporting EMDEs.

Chart 22: global growth projections



Source: Global Economic Prospects, June 2017
*forecast pertains to fiscal year

Chart 23: global crude and coal prices

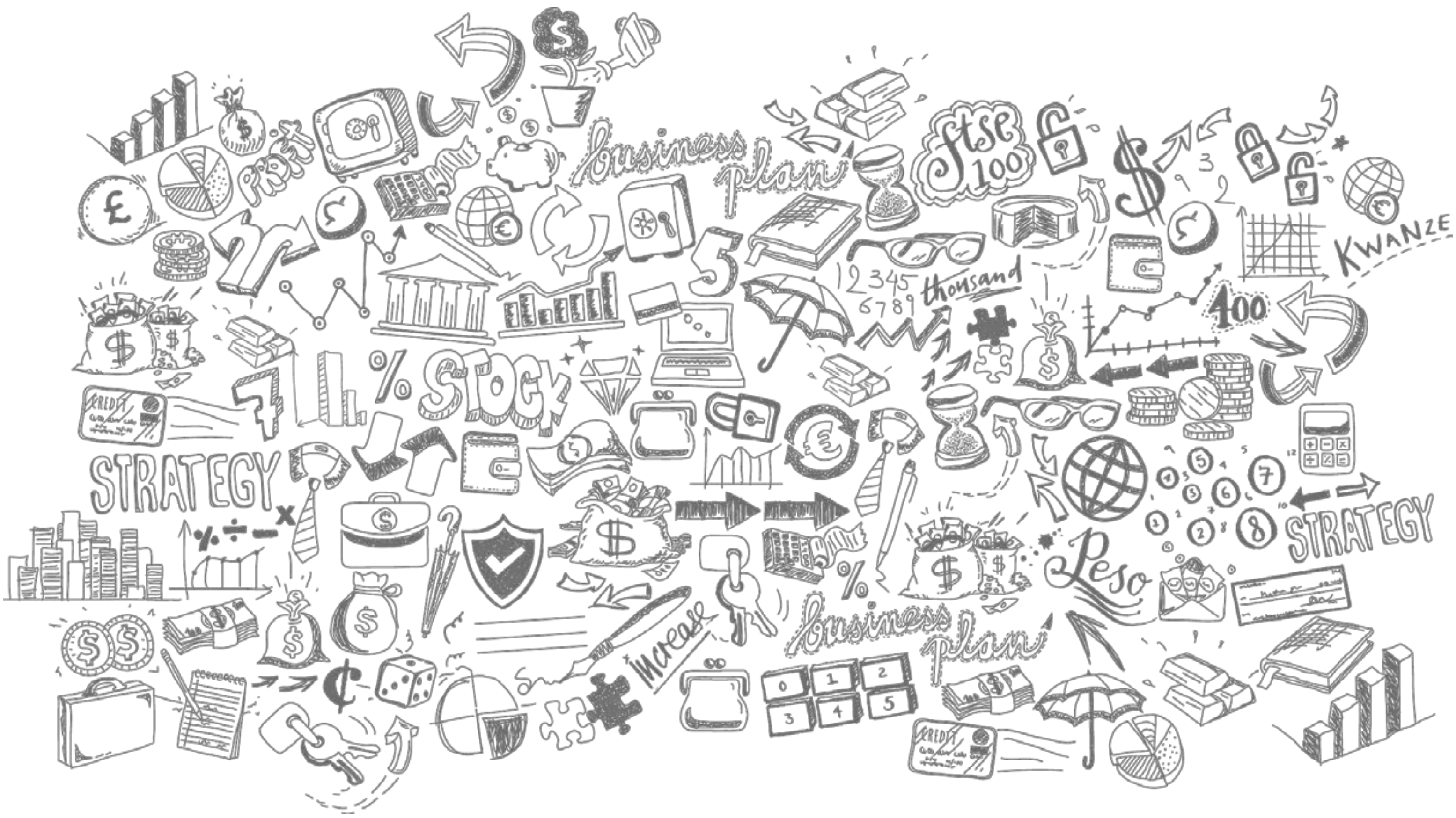


Souce: World Bank, Pinksheet

[1] World trade volume of goods and non-factor services

B. Global energy prices

- Global crude prices dropped to US$49.9/bbl. in May 2017 from US$52.2/bbl. in April 2017 due to high OPEC stocks and rising oil production from Libya (Chart 23). Oil production had declined in early 2017 following the OPEC deal, leading to a gradual recovery in prices. However, the effect was offset by increased shale oil production in the US. The World Bank forecasts crude oil prices to average US$53/bbl. in 2017, an increase of 24% over 2016 but US$ 2/bbl. less than January forecasts.
- Average global coal prices also dropped to US$71.7/mt in May 2017 from US$76.8/mt in April. In China, coal production was reduced by 16% in 2016. According to the World Bank, coal prices are expected to average US$70/ton in 2017, up 6% from 2016.

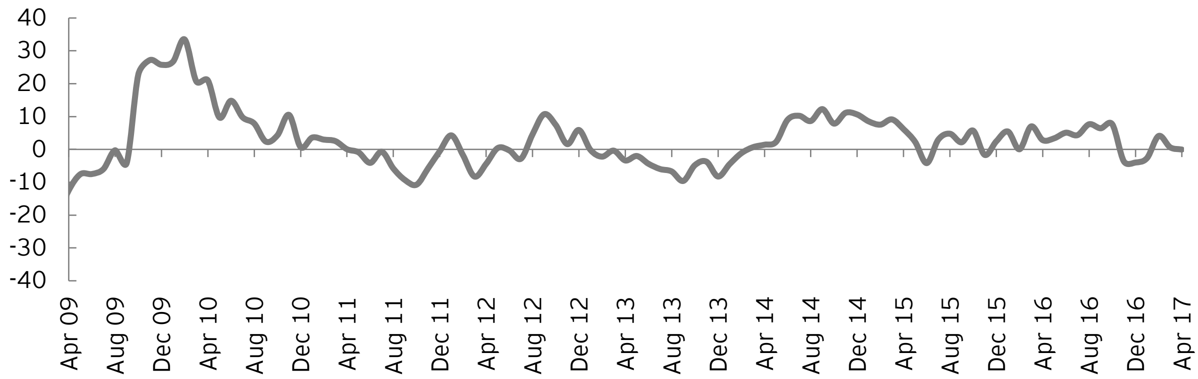


9 Index of aggregate demand: marginally fell in April

After a temporary pick-up in February 2017, IAD points to subdued demand conditions in the economy. Y-O-Y, there is no visible growth in IAD in April 2017.

- An IAD has been developed to reflect demand conditions in agriculture, manufacturing and services on a monthly basis. It takes into account movements in PMI for manufacturing and services, which traces the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- The sectoral weights in constructing the IAD are based on their respective shares in nominal GVA in the base year (2011−12): agriculture **(18.4)**, industry **(33.1)** and services **(48.5)**.
- The y-o-y growth in IAD remained muted at 0.0% in April 2017 as compared to 0.6% (revised) in March 2017 (Chart 24). Weakness in both the manufacturing and the services sector acted as a drag on overall growth of IAD in April 2017 in spite of improvement in agricultural sector.

Chart 24: growth in IAD (y-o-y)



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

Table 10: IAD

Month	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
IAD	122.8	122.1	126.3	110.3	112.2	116.3	121.0	122.1	118.7
Growth (% y-o-y)	7.7	6.4	7.7	-3.6	-4.0	-2.6	4.1	0.6	0.0

10 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	5.0	5.4	4.9	5.8	4.8	FY17	51.6	51.0
1Q FY17	7.8	7.5	7.6	10.0	6.9	1QFY17	51.0	51.7
2Q FY17	5.3	-1.5	6.5	3.1	3.8	2QFY17	52.2	52.9
3Q FY17	4.4	6.7	3.8	6.1	5.3	3QFY17	52.1	49.3
4Q FY17	2.9	7.9	1.9	4.3	3.1	4QFY17	51.2	50.2
Jan-17	3.0	8.6	1.9	5.1	3.4	Feb-17	50.7	50.3
Feb-17	1.9	4.6	1.4	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	3.1	4.2	2.6	5.4	2.5	May-17	51.6	52.2

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	-0.2
1QFY17	5.7	7.2	3.0	-0.7	6.9	-0.6	-13.6
2QFY17	5.2	6.1	2.8	1.0	7.2	0.8	-6.8
3QFY17	3.7	2.2	3.2	1.7	4.8	1.9	1.7
4QFY17	3.5	1.5	4.3	5.0	4.8	3.2	21.7
Feb-17	3.7	2.0	3.9	5.5	5.2	3.2	5.2
Mar-17	3.8	1.9	5.6	5.3	5.5	3.0	5.5
Apr-17	3.0	0.6	6.1	3.9	2.9	2.7	2.9
May-17	2.2	-1.0	5.5	2.2	0.1	2.6	11.7

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	
Sep-16	16.6	2.3	17.8	5.3	47.9	22.8	83.9	92.1
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

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
Mar-17	6.25	Jan-17	-13.7	6.4	4.7	13.3	6.8	3.4	-0.4	361.6
Apr-17	6.25	Feb-17	-10.6	6.5	4.4	12.3	7.0	0.5	2.4	362.8
May-17	6.25	Mar-17	3.6	10.6	8.2	15.3	7.0	0.6	8.0	370.0
Jun-17	6.25	Apr-17	-2.3	7.1	5.2	11.5	7.1	3.1	1.6	372.7

Source: Database on Indian Economy-RBI

Table A5: external trade and global growth

Fiscal year/quarter/month	External trade indicators (annual, quarterly and monthly growth rates)						Calendar year	Global growth (annual)		
	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)		World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl	US$/mt		% change y-o-y		
FY14	4.7	-8.3	-135.8	60.5	103.7	76.1	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
1QFY17	-1.4	-14.7	-19.1	66.9	44.8	50.5	2013	3.3	1.2	5.0
2QFY17	-0.9	-12.2	-23.7	67.0	44.7	63.5	2014	3.4	1.9	4.6
3QFY17	1.0	-1.4	-33.5	67.4	49.1	87.7	2015	3.2	2.1	4.0
4QFY17	19.2	10.4	-29.2	67.0	52.9	79.8	2016*	3.1	1.7	4.1
Jan-17	4.3	10.7	-9.8	68.1	53.6	84.2	2017**	3.5	2.0	4.5
Feb-17	17.5	21.8	-8.9	67.1	54.4	80.6	2018**	3.6	2.0	4.8
Mar-17	27.6	45.3	-10.4	65.9	50.9	74.5	2019**	3.7	1.9	4.9
Apr-17	19.8	49.1	-13.2	64.5	52.2	76.8	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	IMF	International Monetary Fund
22	IMP	Imports
23	MCLR	Marginal cost of funds based lending rate
24	m-o-m	Month-on-month
25	MPC	Monetary Policy Committee
26	NDU	Non-departmental undertaking
27	NEXP	Net exports (exports minus imports of goods and services)
28	OPEC	Organization of the Petroleum Exporting Countries
29	PFCE	Private final consumption expenditure
30	PMI	Purchasing Managers' Index (reference value = 50)
31	PSU	Public sector undertaking
32	RE	Revised estimate
33	WPI	Wholesale Price Index
34	y-o-y	Year on year

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