Economy Watch

Monitoring India's macro-fiscal performance

October 2018

EY
Building a better working world

Contents

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Highlights

1. RBI, in its October 2018 policy review, kept the repo rate unchanged at 6.5% confirming its policy focus on inflation.

2. IIP growth slowed to a three-month low of 4.3% in August led by a moderation in the growth of manufacturing sector output and a contraction in mining output.

3. Manufacturing PMI strengthened marginally to 52.2 but services PMI fell to 50.9 in September 2018.

4. Both CPI and WPI rose to 3.8% and 5.1% in September 2018 from 3.7% and 4.5% respectively in August 2018 primarily on account of rising food prices.

5. Corporate tax revenues showed a growth of 14.3% during April-August FY19 while income tax revenue grew by 17.5% during this period.

6. During the five-month period till August 2018, growth in indirect taxes was only 4.6%. But this reflects a transmission of IGST revenues to states.

7. Center's fiscal deficit during April-August FY19 was 94.7% of its FY19 annual budgeted target while the corresponding number for revenue deficit was 114%, both showing an improvement over last year.

8. ADB projected a deterioration in current account balances of major Asian countries in 2018 and 2019. This implies reduction in current account surplus of China, South Korea and Malaysia and increase in deficits of Indonesia and India.

9. In dollar terms, merchandise exports contracted by (-) 2.2% while growth in imports fell to 10.5% in September 2018.

10. Merchandise trade deficit narrowed to a five-month low of US$14.0 billion in September 2018.

11. The IMF has retained India's growth forecast at 7.3% in FY19 but has marginally revised down the forecast for FY20 to 7.4%.

Foreword

RBI changes policy stance to "calibrated tightening"

In its October 2018 meeting, the MPC kept the repo rate unchanged at 6.5%. Although an interest rate hike was widely expected, the RBI clarified that its policy remains focused on inflation and that it prefers the exchange rate to find its appropriate level based on forces of demand and supply. CPI inflation, driven mainly by moderation in food and vegetable price inflation, had remained nearly stable at 3.7% in September 2018. Although global crude prices have continued to increase, RBI's inflation forecast has been kept at 3.9% to 4.5% for 2HFY19. This would not have warranted an increase in the policy rate. However, the policy stance has been changed from "neutral" to "calibrated tightening". As such, if the exchange rate continues to depreciate, a rate hike may be considered in the next MPC meeting.

India's economy is currently facing a major global headwinds emanating from continued pressure on global crude prices and US trade and tariff policies. On 2 October 2018, brent crude crossed US$85/bbl. Among the EMEs, India, relying heavily on imported crude, is considered relatively more vulnerable. Furthermore, US domestic policies, particularly the reduction in corporate tax rate and increased protection of US domestic production through imposition of higher tariffs, have engineered a significant inflow of dollars into the US economy away from the EMEs. This is reflected in reduced FII inflows for India. Expectations that Rupee may fall further can potentially increase speculative demand for dollars, putting further pressure on Rupee, creating a vicious cycle.

Although the RBI has kept its overall growth outlook for India unchanged at 7.4% for FY19, its quarter-wise trajectory has been revised, indicating relatively lower growth for the latter quarters. In terms of the revised numbers, the forecast for 2QFY19 is now at 7.4% and for 3Q and 4Q of FY19, it ranges from 7.1% to 7.3%. GDP growth is currently supported by robust growth in private consumption. However, private investment has not picked up sufficiently strongly. Given the depreciating rupee, export competitiveness may improve. However, growth in public investment may provide the key to further uplifting growth.

Growth in global trade and output have both come under pressure leading to downward revisions of their forecasts by major multinational institutions. The OECD has, in its September 2018 issue of Interim Economic Outlook, revised its earlier global growth forecast for 2018 from 3.8% to 3.7%. It also notes that global trade volume growth, which was 5% in 2017, has come down to 3% in 1H2018. The IMF has also revised down its global growth forecasts for 2018 and 2019 by 0.2% points to 3.7% in both years as well as the projections of global trade volume growth of goods and services by 0.6% points to 4.2% in 2018 and by 0.5% points to 4% in 2019. It has retained India's growth forecast at 7.3% for 2018 but trimmed down its 2019 forecast to 7.4%.

In terms of domestic policy challenges, India has to endeavor to keep its current account deficit and fiscal deficit relative to GDP within sustainable limits. The current account deficit in 1QFY19 was 2.4% of GDP. This is expected to go up if the crude prices keep increasing and the exchange rate continues to depreciate. Some forecasts are now projecting a current account deficit to GDP ratio of 2.8% or more for FY19 as a whole. For example, State Bank of India (SBI) in its August 2018 issue of "Ecowrap" estimated current account deficit at 2.8% of GDP for FY19. On the fiscal deficit front, the government has recently reiterated its resolve to adhere to the budgeted target of 3.3% of GDP. Some key risks to this target relate to a continued demand for reducing the excise and sales tax/Value Added Tax (VAT) components in the retail price of petroleum products. There has already been a marginal reduction of centre's excise duty rate on petrol and diesel. In this period of external uncertainty, India will have to remain dependent on the domestic economy for driving its growth performance. It is time to pay attention to both CAD and exchange rate while adhering to the fiscal deficit target.

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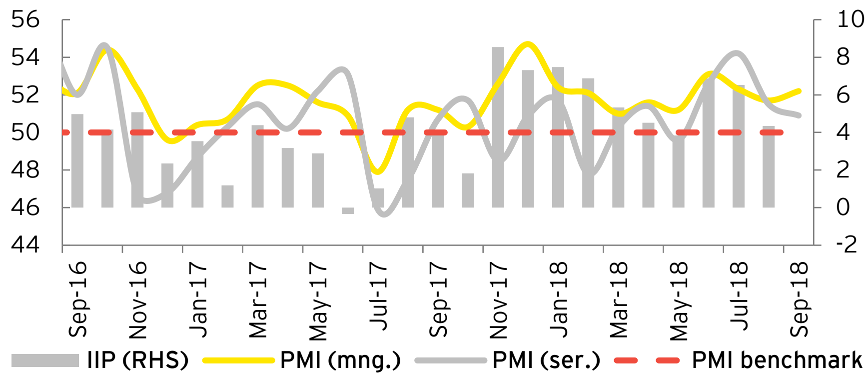
1. Growth: IIP growth slowed to a three-month low of 4.3% in August 2018

A. IIP growth: Slowdown in consumer durables dragged the IIP growth to a three-month low of 4.3% in August 2018

- IIP growth moderated for the second straight month to 4.3% (y-o-y) in August 2018 from 6.5% in July 2018 (Chart 1) led by a sharp moderation in the growth of manufacturing sector output and a contraction in the mining output.
- Growth in the manufacturing sector output (accounting for 77.6% of overall IIP) moderated to 4.6% in August 2018 from 7% in July 2018 while the mining sector output contracted by (-) 0.4% in August 2018 as compared to a growth of 3.4% in July 2018. However, growth in the output of electricity improved to 7.6% in August 2018 from 6.7% in July 2018 (Table A1).
- Pointing to a slowdown in consumer demand, growth in the output of consumer durables moderated sharply to 5.2% in August 2018 as compared to a double-digit growth of 14.3% in July 2018. Output growth of capital goods industry, reflective of the investment demand in the economy, improved to 5.0% in August 2018 from a four-month low of 2.0% (revised) in July 2018.
- Growth in the output of eight core infrastructure industries moderated sharply to 4.2% (y-o-y) in August 2018 from 7.3% in July 2018. Growth in the output of petroleum refinery products (5.1%), electricity (5.4%) and coal (2.4%) witnessed a sharp slowdown while that in crude oil ((-) 3.7%) remained negative in August 2018. However, growth in cement (14.3%) reached a four-month high in August 2018.

Chart 1: IIP and PMI



IIP growth slowed to a three-month low of 4.3% in August led by a moderation in the growth of manufacturing sector output and a contraction in mining output.

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

B. PMI: Signaled a marginal improvement in manufacturing but an easing of expansion in services in September 2018

- Headline manufacturing PMI (seasonally adjusted (sa)) strengthened marginally to 52.2 in September 2018 from 51.7 in August 2018. It remained above the threshold of 50 for the 14th consecutive month. (Chart 1).
- Headline services PMI (sa) fell further to 50.9 in September 2018 from 51.5 in August 2018. This was significantly lower as compared to its recent peak of 54.2 in July 2018.
- Despite a slight improvement in manufacturing PMI, the composite PMI Output Index (sa) fell to a four-month low of 51.6 in September 2018 from 51.9 in August 2018, reflecting a slower pace of expansion in services sector.

Manufacturing PMI improved marginally to 52.2 in September 2018 from 51.7 in August 2018. Services PMI fell for the second consecutive month to 50.9 in September 2018.

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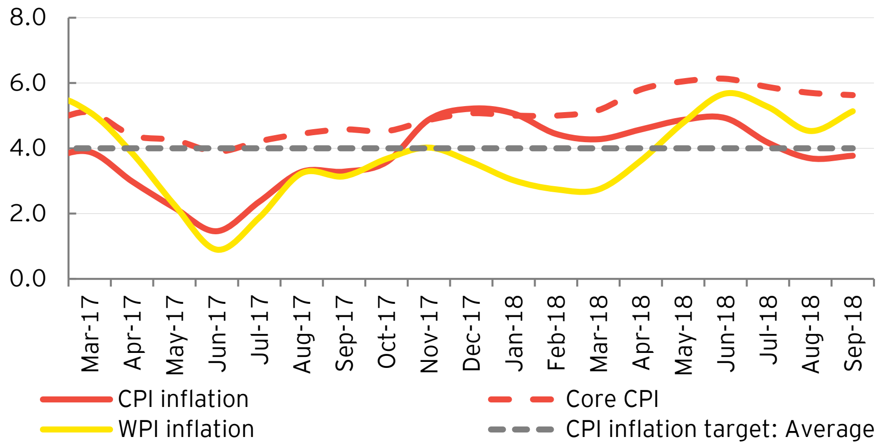
2. Inflation: CPI inflation rose marginally to 3.8% in September 2018

CPI inflation rose marginally to 3.8% (y-o-y) in September 2018 from 3.7% in August 2018 (Chart 2) mainly driven by declining pace of contraction in vegetable prices.

- Contraction in vegetable prices eased to (-) 4.2% in September 2018 from (-) 7.0% in August 2018 as the pace of contraction in tomato prices slowed to (-) 39.7% from (-) 50.1% over the same period.
- As a result, consumer food price index-based inflation increased marginally to 0.5% in September 2018 from 0.3% in August.
- Inflation in transportation and communication services picked up to 6.4% in September 2018 after dropping to 6.0% in August 2018 from a 50-month high of 6.6% in July 2018.
- Fuel and light-based inflation remained stable at a 64-month high of 8.5% in September 2018, the same level as in August 2018 due to elevated liquefied petroleum gas (LPG) prices.
- Housing inflation continued to decelerate and reached an 11-month low of 7.1% in September 2018, from 7.6% in August 2018.
- Core CPI inflation[1] eased further to a five-month low of 5.6% in September from 5.7% in August 2018.

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



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

Both CPI and WPI rose to 3.8% and 5.1% in September 2018 from 3.7% and 4.5% respectively in August 2018 primarily on account of rising food prices.

WPI inflation increased to 5.1% in September 2018 from 4.5% in August 2018 mainly on account of slowdown in the pace of contraction of vegetable and fruit prices (Chart 3).

- Vegetable prices contracted by (-) 3.8% in September 2018 as compared to (-) 20.2% in August 2018 on account of a slowdown in the pace of contraction in tomato prices to (-) 36.2% from (-) 54.4% over the same period. Contraction in fruit prices also more than halved to (-) 7.3% in September 2018 from (-) 16.4% in August 2018.
- Contraction in prices of food articles slowed down to (-) 0.2% in September 2018 from an all-time high (2011-12 series) of (-) 4.0% in August 2018.
- Fuel and power-based inflation marginally fell to 16.6% in September 2018 from 17.7% in August 2018 on account of the fall in inflation in electricity to 3.3% from 8.9% over the same period. Inflation in mineral oils (includes petrol and diesel) remained high at 28.0% in September 2018, close to the level in August 2018.
- WPI core inflation fell marginally to 4.9% in September 2018 from a 65-month high of 5.0% in August 2018 due to moderation in inflation in manufactured fabricated metal products.

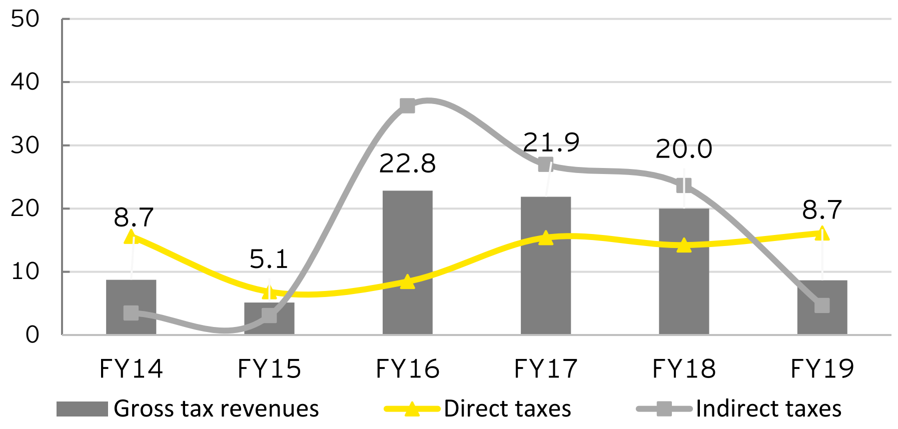
[1] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food and fuel and light from the overall index.

3. Fiscal performance: Fiscal deficit up to August 2018 reached 94.7% of the FY19 annual budgeted target

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA), gross central taxes grew by 8.7% during April-August FY19, lower than 20.0% during April-August FY18 (Chart 3).
- During April-August FY19, gross taxes stood at 27.9% of the FY19 annual budgeted target, lower than the three-year average (FY16 to FY18) at 28.7% during April-August as a percentage of annual actuals.
- Growth in direct tax revenues improved to 16.1% during April-August FY19 as compared to 14.2% in the corresponding period of FY18 due to a buoyant growth in income taxes and a pick-up in the growth of corporate income taxes.
- Growth in corporate income taxes increased to 14.3% during April –August FY19, although remaining slightly lower than 15.5% in the corresponding period of FY18. Corporate tax revenues had shown a subdued growth of 0.6% up till July FY19.
- Personal income taxes grew by 17.5% during April-August FY19 as compared to 13.3% in the corresponding period of FY18.
- Growth in indirect taxes (comprising union excise duties, service tax, customs duty, CGST, UTGST, IGST* and GST compensation cess) dropped to 4.6% during April-August FY19 as compared to 23.6% in the corresponding period of FY18. This may reflect the impact of IGST transmission to states to the tune of INR39, 903 crore by the centre in July 2018.
- The centre's GST collection (CGST, UTGST, IGST* and GST compensation cess) up till August FY19 stood at INR2,37,304 crore which was 31.9% of the FY19 budget estimate (BE).

Chart 3: Growth in cumulated central tax revenues up to August 2018



As per CGA, growth in centre's gross taxes slowed to 8.7% during April-August FY19 as compared to 11.7% up till July 2018 due to a fall in the growth of indirect taxes.

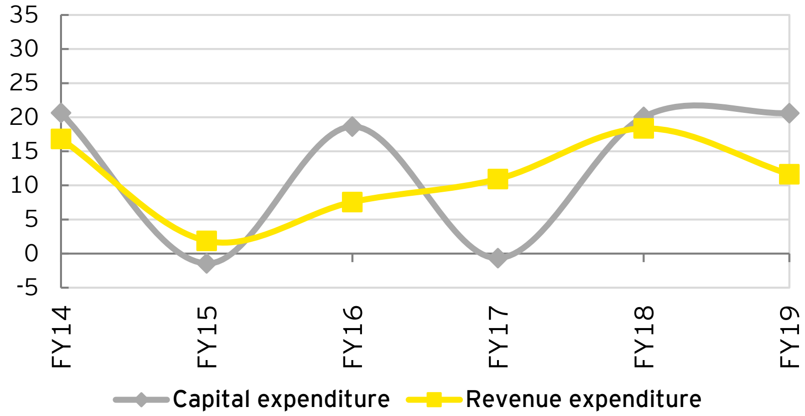
Source: Monthly Accounts, Controller General of Accounts, Government of India
Note: Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, service tax, customs duty, CGST, UTGST, IGST and GST compensation cess from July 2017 onwards; * IGST revenues are subject to final settlement.

- The centre's non-tax revenues grew by 42% during April-August FY19 as compared to a contraction of (-) 34.1% in the corresponding period of FY18. It is expected that there would be a substantial increase in the surplus paid by the RBI to the central government.
- According to the Department of Disinvestment, the disinvestment proceeds up to 5 July 2018 stood at INR9,219.91 crore which was 11.5% of the FY19 annual budgeted target.

B. Expenditures: Revenue and capital

- Center's total expenditure during April-August FY19 grew by 12.7% as compared to 18.6% in the same period in FY18 (Chart 4). During April-August FY19, total expenditure stood at 43.4% of the FY19 annual budgeted target.
- Growth in revenue expenditure was at 11.6% during April-August FY19, lower as compared to 18.4% in the corresponding period of FY18.
- Center's capital expenditure grew by 20.6% during April-August FY19, marginally higher than 20.1% in the corresponding period of FY18. Growth in cumulated capital expenditure during April-August depicts significant volatility over the years.

Chart 4: Growth in cumulated central government expenditure up to August 2018



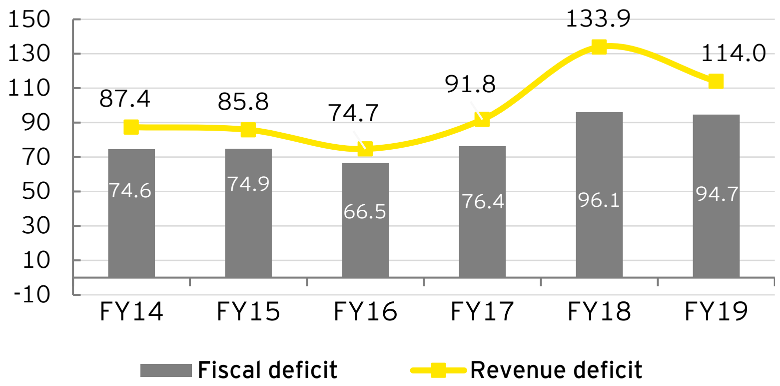
While capital expenditure growth at 20.6% during April-August FY19 was marginally higher compared to corresponding numbers during April-August FY18, revenue expenditure growth at 11.6% was relatively lower than that in the corresponding period of FY18.

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

C. Fiscal imbalance

- The centre's fiscal deficit during April-August FY19 stood at 94.7% of the FY19 annual budgeted target as compared to 96.1% in the corresponding period of FY18 (Chart 5). Although the central government recently reiterated its adherence to the fiscal deficit target of 3.3% of GDP for FY19[2], higher than budgeted global crude prices may lead to short-term fiscal pressures.
- The centre's revenue deficit during April-August FY19 was at 114% of the FY19 annual budgeted target, lower than 133.9% in the corresponding period of FY18.

Chart 5: Cumulated fiscal and revenue deficit up to August 2018 as percentage of annual budgeted target



Center's fiscal deficit during April-August FY19 was 94.7% of its FY19 annual budgeted target. Higher than budgeted global crude prices may lead to short-term fiscal pressures.

Source: Monthly Accounts, Controller General of Accounts, Government of India, Medium-term Fiscal Policy Statement, Union Budget FY19.

[2] https://www.bloombergquint.com/business/2018/09/14/finance-minister-arun-jaitley-announces-5-measures-to-control-indias-current-account-deficit#gs.dDOhRAA

4. India in a comparative perspective: Status and prospects

CPI inflation

ADB projected inflation in developing Asia to increase in 2018 although with country-specific variations; US policies leading to currency depreciation may create an upward pressure on prices.

- As per the ADB (Asian Development Outlook Supplement, September 2018), CPI inflation in the US is projected to pick up to 2.5% in 2018 due to a strong pick-up in aggregate demand. Inflation is forecasted to ease to 2.2% in 2019 due to monetary tightening.
- Inflation in developing Asia is projected to increase from 2.2% in 2017 to 2.8% in 2018 and 2019 due to higher global fuel costs, currencies weakening against US dollar and disrupted food supply.
- Inflation is expected to pick up in India and China in 2018 and 2019 as compared to 2017 largely due to higher global oil prices for India and recovery in food prices in China.
- Inflation in Indonesia and Malaysia is expected to fall in 2018. In Malaysia, there has been a reintroduction of fuel subsidies and a three-month tax holiday. In Indonesia, policy rate has risen by 125 basis points since January 2018, keeping a check on prices.
- Currency depreciation due to capital outflows from some of the Asian economies such as India, Indonesia and Philippines may create an upward pressure on prices.

Table 1: CPI-based inflation (annual, %)

Country	2017	2018 (f)	2019 (f)
US	-	2.5	2.2
Developing Asia	2.2	2.8	2.8
India	3.6	5.0	5.0
China	1.6	2.2	2.2
Indonesia	3.8	3.4	3.5
Malaysia	3.8	1.4	2.0
South Korea	1.9	1.8	1.8

Source (basic data): Asian Development Outlook Supplement, September 2018

Current account balance (as % of GDP)

ADB projected developing Asia's current account surplus to shrink in 2018 and 2019 driven by contraction in China's current account surplus.

- Current account balances in most economies in developing Asia are projected to have lower surpluses and wider deficits than previously forecast because of the impact on imports of strong domestic consumption demand, and higher global crude oil prices, especially as developing Asia is a net oil importer.
- As per the ADB forecasts, developing Asia's current account surplus as percentage of GDP is forecasted to narrow from 1.8% in 2017 to 1.0% in 2018 (revised downwards by 0.4% points) and 0.7% in 2019.
- The downward revision in the overall current account surplus of developing Asia is largely driven by China where the current account surplus is projected to halve from 1.4% of GDP in 2017 to 0.7% in 2018, and further slowdown to 0.2% in 2019 largely owing to US import tariffs.
- Current account deficit in Indonesia is expected to widen from 1.7% of GDP in 2017 to 2.6% of GDP in 2018 and 2019 as growth in imports is likely to be higher than that in exports.
- In India, current account deficit is projected to widen from 1.9% of GDP in 2017 to 2.4% of GDP in 2018 and 2.5% in 2019 due to higher domestic demand and rising global crude oil prices.

Table 2: Current account balance (as % of GDP) - Selected Asian economies

Country	2017	2018 (f)	2019 (f)
Developing Asia	1.8	1.0	0.7
India	-1.9	-2.4	-2.5
China	1.4	0.7	0.2
Indonesia	-1.7	-2.6	-2.6
Malaysia	3.0	2.0	2.4
South Korea	5.1	4.8	4.7

Source (basic data): Asian Development Outlook Supplement, September 2018
Note: (-) indicates deficit and (+) indicates surplus

5. In focus: Combating multidimensional poverty – India's notable performance

Measuring multidimensional poverty

Conventionally, poverty used to be measured based on a single dimension of well-being, viz., income. Such income-based poverty measures captured by a summary index such as the headcount ratio occupied the centre-stage in policy discussions for a long time. Recognizing the limitations of a single index poverty measurement, efforts towards measuring poverty through alternate measures are being considered by global institutions such as the IMF[3]. In this context, the global multidimensional poverty index (MPI) developed by United Nations Development Programme (UNDP) and the Oxford Poverty & Human Development Initiative (OPHI) provides a platform for comparing poverty reduction achievements across 105 countries covering 5.7 billion people. This index is being published since 2010. It is based on 10 indicators closely aligned to the sustainable development goals (SDGs) developed by the UNDP and are broadly grouped into three dimensions namely, health, education, and living standards as summarized in Table 3.

These three dimensions are equally weighted; the two respective indicators of health and education thus are each weighted one-sixth each, and the six indicators of living standard are weighted one-eighteenth each. For each person, a deprivation score is first created by adding up the weights of each indicator the person is deprived in, thus reflecting the percentage of a person's weighted deprivations. An MPI poor is defined as someone who experiences one-third of the weighted deprivations or more, severely poor as someone with half or more, and vulnerable as someone with greater than 20% but less than one-third.

Table 3: Dimensions, indicators, deprivation cutoffs, and weights of the Global MPI 2018

#	Poverty dimension	Indicator and SDG area	Deprived if…	Weight	SDG indicator
1	Health	Nutrition	Any person under 70 years of age for whom there is nutritional information is undernourished.	1/6	SDG 2
		Child mortality	Any child has died in the family in the five-year period preceding the survey.	1/6	SDG 3
2	Education	Years of schooling	No household member aged 10 years or older has completed six years of schooling.	1/6	SDG 4
		School attendance	Any school-aged child is not attending school up to the age at which he/she would complete class 8.	1/6	SDG 4
3	Living standards	Cooking fuel	The household cooks with dung, wood or charcoal.	1/18	SDG 7
		Sanitation	The household's sanitation facility is not improved (according to SDG guidelines) or it is improved but shared with other households.	1/18	SDG 11
		Drinking water	The household does not have an access to improved drinking water (according to SDG guidelines) or safe drinking water is at least a 30-minute walk from home, roundtrip.	1/18	SDG 6
		Electricity	The household has no electricity.	1/18	SDG 7
		Housing	The household has inadequate housing: the floor is of natural materials or the roof or wall are of rudimentary materials.	1/18	SDG 11
		Assets	The household does not own more than one of these assets: radio, TV, telephone, computer, animal cart, bicycle, motorbike or refrigerator, and does not own a car or truck.	1/18	SDG 1

Source: Alkire, S., Oldiges, C. and Kanagaratnam, U. (2018). "Multidimensional poverty reduction in India 2005/6-2015/16: still a long way to go but the poorest are catching up", OPHI Research in Progress 54a, University of Oxford.

The MPI reflects the share of multi-dimensionally poor people in a nation, adjusted for the intensity of poverty faced by them. An aggregate MPI is calculated by multiplying the incidence of poverty (H) and the average intensity of poverty (A). More specifically, H is the proportion of the population that is multi-dimensionally poor, while A is the average proportion of dimensions in which poor people are deprived. So, MPI = H x A, reflecting both the share of people in poverty and the degree to which they are deprived. A higher value of MPI indicates greater incidence of poverty.

MPI estimates for India: Measuring poverty reduction

The OPHI estimated MPI for India for the years 2005-06 and 2015-16 using data from the National Family Health Surveys 3 and 4 respectively, published by the Ministry of Health and Family Welfare, Government of India. These were large-scale multi-round surveys conducted throughout India providing household level data across various health and other related parameters. Table 4 gives the estimates of MPI and related aggregates for India. It can be seen that in 2005-06, 54.7% (H) of India's population was deprived in at least one-third of the 10 weighted indicators that is, categorized as MPI poor. This sharply fell to 27.5% in 2015-16 resulting in a reduction in the number of MPI poor people by more than 271 million. Further the intensity of poverty amongst the multi-dimensionally poor reduced to 43.9% from 51.1% over the same period. As a result, the MPI more than halved.

Table 4: MPI estimates for India

Year	MPI (HXA)	Headcount ratio (H)	Intensity of poverty (A)	Vulnerable	Number of MPI poor (million)
2015-16	0.121	27.5%	43.9%	19.1%	364
2005-06	0.279	54.7%	51.1%	17.1%	635
Change (2015-16)–(2005-06)	0.158	27.2%	7.2%	2.0%	271

Source: "Global MPI Country Briefing 2018: India (South Asia)", Oxford Poverty and Human Development Initiative (OPHI), University of Oxford

Table 5 shows the contribution of each dimension to the total MPI in 2005-06 and 2015-16. Thus of the 56.7% decline in MPI (Column 4), the largest contribution of 25.8% points is on an account of improvement in living standards. Within living standards, asset ownership, quality of cooking fuel and sanitation were the indicators showing the largest improvement.

Table 5: Dimension-wise weighted contribution to multidimensional poverty in India

#	Dimension	2015-16	2005-06	Absolute change	Contribution to decline in poverty
		Weighted index	Weighted index	Points	%age points
		1	2	3=1-2	4
1	Health	3.8	8.0	4.2	15.1
2	Education	2.8	7.3	4.4	15.8
3	Living standards	5.4	12.6	7.2	25.8
4	**Total** (=MPIx100)	**12.1**	**27.9**	**15.8**	**56.7**

Source (basic data): OPHI

Rural and urban poverty

As given in table 6, MPI in rural areas fell by 0.19 points as compared to 0.08 for urban areas during the period 2005-06 to 2015-16. Despite the faster decline of MPI in rural areas, measured in absolute terms, the disparity in rural-urban levels of poverty widened, as reflected in the increasing rural-urban MPI ratio. MPI-based poverty in rural areas was 4.2 times the poverty level in urban areas in 2015-16, up from 3.1 in 2005-06. This was mainly on account of a faster reduction in the headcount ratio in urban areas to 9.0% in 2015-16. The decline in the intensity of poverty amongst MPI poor was much smaller in both rural and urban areas at 7.7% and 4.0%, respectively.

Table 6: Changes in MPI, headcount ratio and intensity of poverty in rural and urban areas

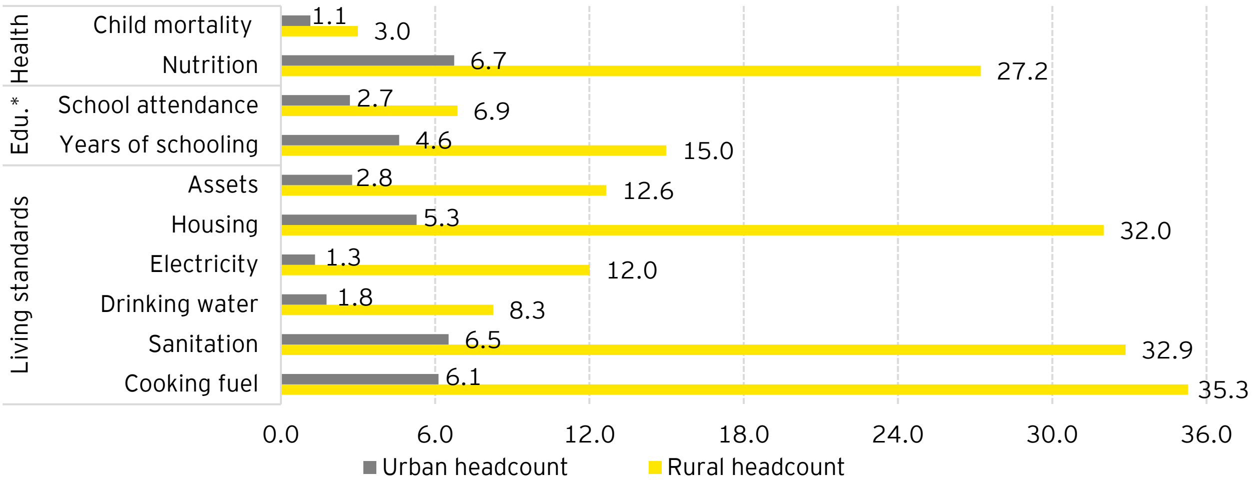
	Rural			Urban			Rural/urban ratio	
Parameter	2015-16	2005-06	Absolute decline	2015-16	2005-06	Absolute decline	2015-16	2005-06
MPI	0.16	0.35	0.19	0.04	0.11	0.08	4.2	3.1
Headcount ratio	36.5	68.0	31.5	9.0	24.6	15.5	4.0	2.8
Intensity of poverty	44.1	51.8	7.7	42.6	46.6	4.0	1.0	1.1

Source: OPHI

On a dimension-wise basis, Chart 6 shows that the rural poor were primarily deprived in living standards followed by health and education in 2015-16. Within the dimension of living standards, rural poor were mainly deprived in type of cooking fuel used (H=35.3%), level of sanitation (H=32.9%) and quality of housing (H=32.0%) and within health, they were deprived in nutrition (H=27.2%).

On the other hand, deprivation amongst the urban poor in 2015-16 was almost equally attributable to all the three dimensions. Further the headcount ratios were much lower for urban poor than for rural poor. However in terms of deprivation relative to other indicators, the same trends follow for urban poor as in the case of rural poor. Like their rural counterparts, urban poor appear to be more deprived in nutrition, quality of cooking fuel, sanitation and housing.

Chart 6: Indicator-wise percentage of censored headcount in rural and urban areas in 2015-16



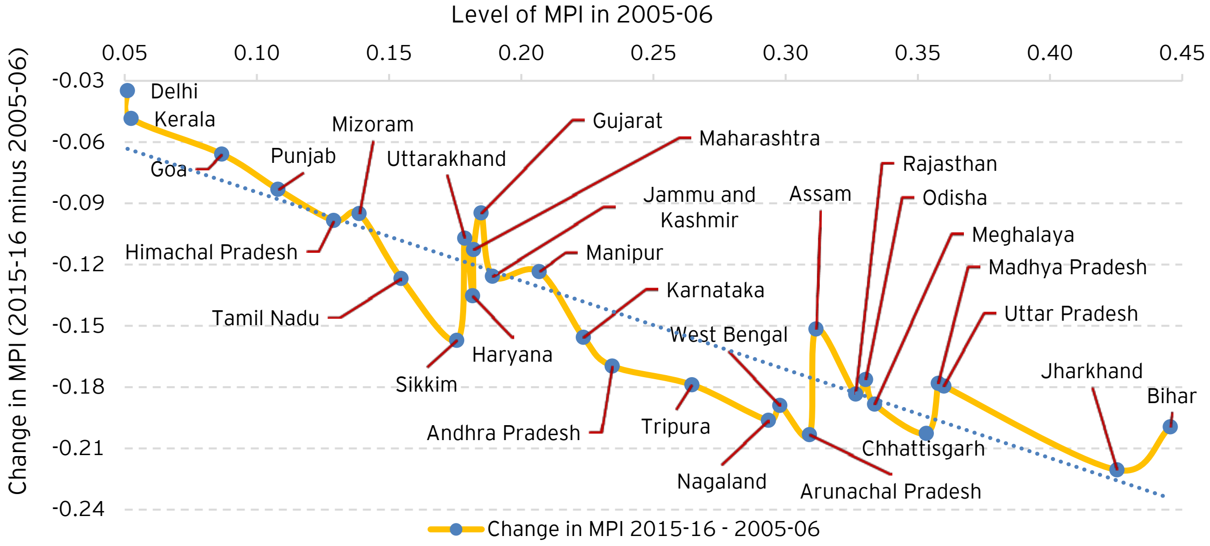
Source: OPHI; Censored headcount implies percentage of people who are poor and deprived in a particular indicator
*Education

State-wise poverty profile

State-level data shows that there has been a substantial reduction in poverty across all states with the highest absolute reduction being recorded in Jharkhand. One of the key findings is that the maximum reduction in poverty in absolute terms has occurred primarily amongst the poorest states. Chart 7 plots the state-wise initial level of poverty as reflected by the MPI value in 2005-06 on the X axis, and the absolute change in MPI on the Y axis. States with higher initial MPI values tend to show a faster progress as reflected by the negative slope of the curve connecting all the states. In terms of size of reduction in poverty, Jharkhand is followed by Arunachal Pradesh, Chhattisgarh, Bihar, Nagaland, West Bengal, Meghalaya, Rajasthan and Uttar Pradesh, most of which were poorer than other states in 2005-06. This trend is also partly the result of lower scope for absolute improvement in MPI of richer states such as Delhi, Kerala and Punjab.

Amongst all states, Mizoram is the only state where the intensity of poverty amongst the MPI poor marginally increased from 45.0% in 2005-06 to 45.2% in 2015-16 although there was a sharp improvement in the poverty headcount ratio from 30.8% to 9.7% over the same period. This could be a reflection of unequal progress or of migration.

Chart 7: The level of MPI in 2005-06 (horizontal) vs. the change in MPI



Source: OPHI

Table 7 shows the percentage improvement in state-wise value of MPI during the period 2005-06 to 2015-16. Kerala, the least poor amongst all states, has nearly eliminated poverty with a 92.3% improvement in MPI over the past decade. In terms of percentage decline in MPI, it is followed by Sikkim (89.4%), Tamil Nadu (82.0%), Punjab (77.0%) and Himachal Pradesh (76.2%). Most of these states are amongst the least poor states. Further most of the progress in reduction in MPI can be attributed to the drastic improvement in the headcount ratio as compared to improvement in intensity of poverty. Poorer states such as Jharkhand, Nagaland and West Bengal have shown a far greater improvement in intensity of poverty than in headcount ratio. This reflects a significantly lower level of deprivation amongst the poor, although not enough to take a higher share of poor population out of the MPI-defined poverty bar.

Table 7: State-wise level of MPI, headcount ratio and intensity of poverty in 2015-16

State	MPI 2005-06	MPI 2015-16	% Improvement	State	MPI 2005-06	MPI 2015-16	% Improvement
Jharkhand	0.43	0.20	51.9	Assam	0.31	0.16	48.7
Arunachal Pradesh	0.31	0.11	65.8	Haryana	0.18	0.05	74.5
Chhattisgarh	0.35	0.15	57.4	Tamil Nadu	0.15	0.03	82.0
Bihar	0.45	0.25	44.8	Jammu and Kashmir	0.19	0.06	66.5
Nagaland	0.29	0.10	66.9	Manipur	0.21	0.08	59.7
West Bengal	0.30	0.11	63.5	Maharashtra	0.18	0.07	61.9
Meghalaya	0.33	0.15	56.4	Uttarakhand	0.18	0.07	59.9
Rajasthan	0.33	0.14	56.2	Himachal Pradesh	0.13	0.03	76.2
Uttar Pradesh	0.36	0.18	49.9	Mizoram	0.14	0.04	68.5
Tripura	0.26	0.09	67.6	Gujarat	0.18	0.09	51.2
Madhya Pradesh	0.36	0.18	49.8	Punjab	0.11	0.02	77.0
Odisha	0.33	0.15	53.4	Goa	0.09	0.02	76.0
Andhra Pradesh	0.23	0.06	72.4	Kerala	0.05	0.00	92.3
Sikkim	0.18	0.02	89.4	Delhi	0.05	0.02	68.3
Karnataka	0.22	0.07	69.6				

Source: OPHI

Poverty measured by income threshold: National and international poverty lines

Table 8 provides the poverty headcount ratios as per national and international poverty lines given by the World Bank. As per the international standards, poverty line is defined as an income threshold at US$1.9/day in 2011

purchasing power parity (PPP) terms. The poverty headcount as per this threshold has reduced substantially from 61.6% in 1977 to 21.2% in 2011. The annual rate of reduction in poverty may be calculated by dividing the difference in the poverty ratio in two years by the number of years that elapsed in-between. The annual rate of reduction hovered between 0.5%-1.5% points for both the sets of data till 2009. During 2009-11, it spiked to 4.0% as per national poverty estimates and 5.0% as per international estimates. As a result, the poverty ratio displayed a sharp fall during this period.
This sudden fall may partly be due to methodological differences than actual reduction in poverty. Income level poverty estimates are primarily based upon the data collected during household consumption expenditure surveys conducted by the National Sample Survey Organisation (NSSO). During the 2011-12 survey, the estimation of household consumption expenditure was also done using the modified mixed reference period as compared to 2009-10 survey wherein only the unified and mixed reference periods were used.

Table 8: Conventional poverty measurement: Headcount ratio as per national and international poverty lines

Year	Poverty headcount ratio		Estimated annual rate of reduction during intervening years (% age points)	
	US$1.9/day (2011 PPP)	National poverty line	US$1.9/day (2011 PPP)	National poverty line
1977	61.6			
1983	54.8		1.1	
1987	48.9		1.5	
1993	45.9	45.3	0.5	
2004	38.2	37.2	0.7	0.7
2009	31.1	29.8	1.4	1.5
2011	21.2	21.9	5.0	4.0

Source: World Development Indicators, World Bank

Conclusion

During the period 2005-06 to 2015-16, India was able to reduce its multidimensional poverty by more than half. During this period, approx. 271 million fewer persons were living in multidimensional poverty in India. This magnitude resembles the population exiting monetary poverty in China during the periods 1995-2005 and 2005-15 when the number of poor fell by 268 million and 231 million respectively, leaving only 56 million in poverty in 2015[4].

In comparison to income poverty, in multidimensional poverty, provision of public services such as health and education play a key role. It is as a result of successful launch of education, health and sanitation programs such as Sarva Shiksha Abhiyan, Ayushman Bharat, and Swachh Bharat Abhiyan, multidimensional poverty is expected to further decline sharply, enabling India to meet its SDGs.

[4] Alkire, S., Oldiges, C. and Kanagaratnam, U. (2018). "Multidimensional poverty reduction in India 2005/6-2015/16: still a long way to go but the poorest are catching up", OPHI Research in Progress 54a, University of Oxford

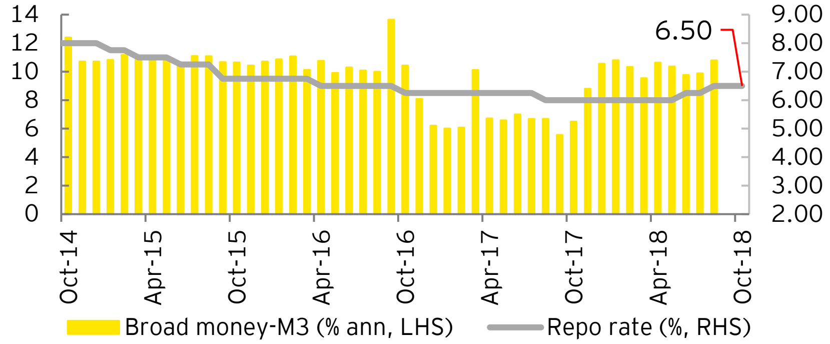
6. Money and finance: The RBI retained its policy repo rate at 6.5%, contrary to the market expectations

A. Monetary sector

Monetary policy

- The RBI, reiterating "inflation targeting" as its primary objective, retained the policy repo rate at 6.5% during its fourth bi-monthly policy review held on 5 October 2018 as against market expectations of a rate hike. Since the rupee was depreciating against the US dollar, it was widely expected that the RBI would increase its repo rate and curb the depreciation of the rupee.
- In its current review the RBI, while revising downwards its inflation projections for FY19, cited that risks to inflation could emanate from: (i) sustained increase in crude oil prices, (ii) volatility in global financial markets leading to further depreciation of the rupee, (iii) increased input costs, (iv) fiscal slippage at the centre/state levels and (v) announcement of measures by the government aimed at ensuring remunerative prices to farmers.

Chart 8: Growth in broad money and movements in repo rate



Source: Database on Indian Economy, RBI.

In its October 2018 review, the RBI retained the policy rate at 6.5% while changing its stance from "neutral" to "calibrated tightening".

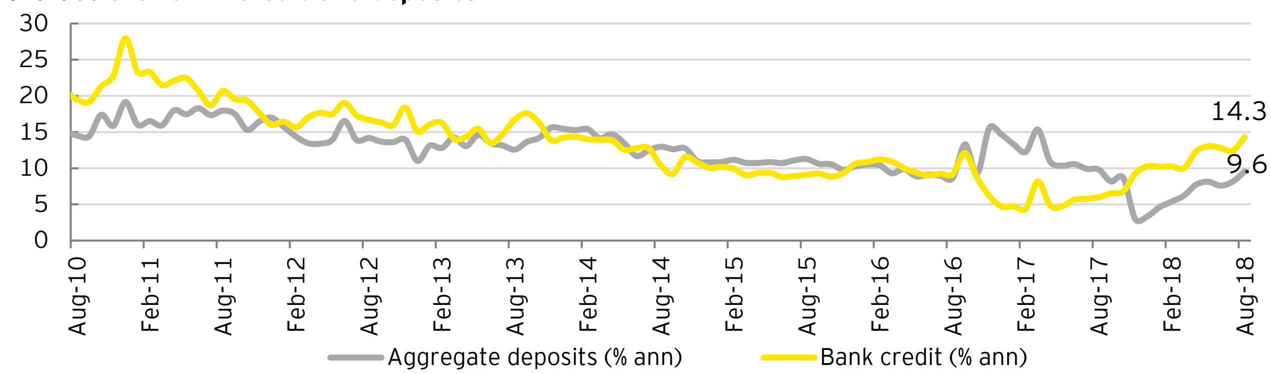
Money stock

- Broad money stock (M3) growth reached a seven-month high of 10.8% (y-o-y) in August 2018 as compared to 9.9% in July 2018 (Chart 8). Time deposits, which account for over 76% of the broad money stock, grew 8.9% in August 2018 from 7.9% in July 2018.
- Growth in narrow money (M1) increased marginally to 17.8% in August 2018 as compared to 17.4% in July 2018.

Aggregate credit and deposits

- Bank credit growth accelerated to a 55-month high of 14.3% (y-o-y) in August 2018 as compared to 12.4% in July 2018 (Chart 9), pointing towards improving demand conditions.

Chart 9: Growth in credit and deposits



Source: Database on Indian Economy, RBI.

- Growth in non-food credit increased to a 49-month high of 12.4% (y-o-y) in August 2018 from 10.6% in July 2018.

- Growth in credit to services increased further to 26.7%, while, growth in credit to agricultural sector remained stable around 6.6% in August 2018.
- Housing sector credit, a major contributor to retail sector credit, grew at a 23-month high rate of 17.0% in August 2018 as compared to 16.5% in July 2018.
- Growth in aggregate bank deposits increased to 9.6% in August 2018, its fastest pace since August 2017.

B. Financial sector

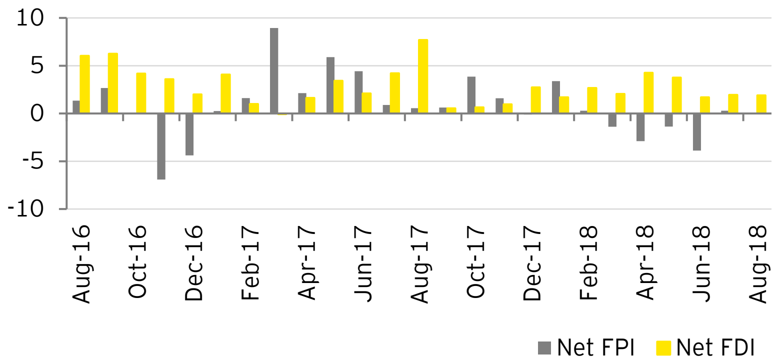
Interest rates

- As per the data released by the RBI, interest rates offered by banks on term deposits with a maturity of more than one year marginally increased to 6.75% (average) in September 2018 as compared to 6.70% in August 2018.
- Post two consecutive rate hikes by the RBI during its June 2018 and August 2018 policy reviews, banks have also increased the marginal cost of fund-based lending rate (MCLR). The MCLR was increased further for the fourth successive month since May 2018 to average around 8.10% in September 2018 as compared to 7.98% in August 2018.
- The average yield on 10-year government securities crossed the 8% mark for the first time since November 2014 as it reached 8.02% in September 2018 as compared to 7.83% in August 2018.

FDI and FPI

- As per the provisional data released by the RBI, the overall foreign investment inflows (FIIs) were lower at US$1.9 billion in August 2018 as compared to US$2.2 billion (revised) in July 2018. A slowdown in FIIs may have an adverse impact on the financing of the current account deficit thereby increasing the pressure on the rupee.

Chart 10: Net FDI and FPI inflows



Net FDI inflows were low but broadly stable around US$1.9 billion in August 2018 while net FPI inflows were lower at US$0.05 billion.

Source: Database on Indian Economy, RBI.

- Net FDI inflows continued to remain relatively low but stable around US$1.9 billion in both July and August 2018 (Chart 10). Gross FDI inflows were lower at US$3.9 billion in August 2018 as compared to US$4.4 billion in July 2018.
- Although net FPIs continued to remain positive for the second straight month in August 2018, these were significantly lower at US$0.05 billion as compared to US$0.3 billion (revised) in July 2018.

7. Trade and CAB: Merchandise exports contracted for the first time in six months

Home

CAB: Current Account Deficit (CAD) increased to 2.4% of GDP in 1QFY19

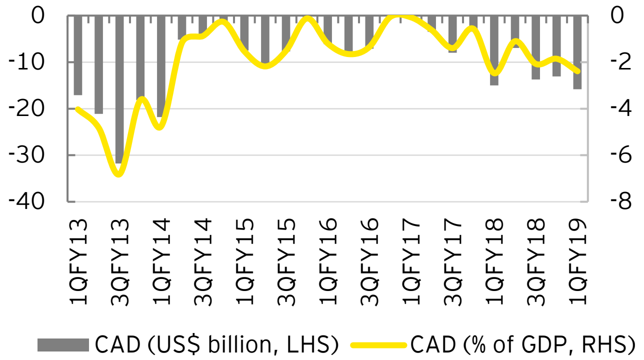
- CAD in 1QFY19 increased to a four-quarter high of 2.4% of GDP as compared to 1.9% of GDP in 4QFY18 (Table 9) driven by higher merchandise trade deficit which rose to a five-year high of US$45.7 billion. Merchandise imports rose to 19.5% of GDP in 1QFY19 from 17.6% in 4QFY18 led by oil imports.

Table 9: Components of CAB in US$ billion

	CAB (-deficit/ +surplus)	CAB as a % of nominal GDP	Goods account net	Services account net
FY15	-26.8	-1.3	-144.9	76.6
FY16	-22.2	-1.0	-130.1	69.7
FY17	-15.3	-0.7	-112.4	67.5
FY18	-48.7	-1.9	-160.0	77.6
2QFY18	-7.0	-1.1	-32.5	18.4
3QFY18	-13.7	-2.1	-44.0	20.7
4QFY18	-13.1	-1.9	-41.6	20.2
1QFY19	-15.8	-2.4	-45.7	18.7

Source: Database on Indian Economy, RBI.

Chart 11: CAD



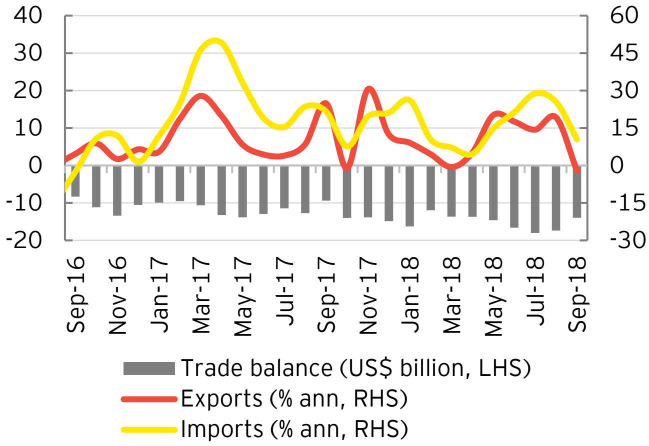
Source: Database on Indian Economy, RBI.

B. Merchandize trade and exchange rate

In September 2018, merchandise exports (in dollar terms) contracted by (-) 2.2% while growth in merchandise imports (in dollar terms) dropped to 10.5% leading to a fall in trade deficit.

- Merchandize exports contracted by (-) 2.2% as compared to a growth of 19.2% in August 2018 (Chart 19) due to fall in exports of engineering goods, gems and jewelry and readymade garments.

Chart 12: Developments in merchandize trade



Source: Ministry of Commerce and Industry, GoI

- Growth in oil exports moderated to 26.8% in September from 31.8% in August 2018.
- Exports of gems and jewelry and engineering goods contracted by (-) 21.7% and (-) 4.1% respectively in September 2018 after showing a positive growth in the previous month.
- Contraction in exports may be partly due to high base effect on account of extension of pre-GST drawback rates till September 2017.
- Imports growth eased substantially to 10.5% in September 2018 from 25.4% in August 2018 due to falling growth in imports of gold, electronic goods, machinery and oil and contraction in pearls.
- Growth in oil imports moderated further to 33.6% in September 2018 from to 51.6% in August 2018.
- Merchandize trade deficit eased to a five-month low of US$14.0 billion in September from US$17.4 billion in August 2018. On a quarterly basis, goods trade deficit increased to a 23-quarter high of US$49.4 billion.
- The Indian Rupee continued to depreciate, averaging INR72.2 per US dollar in September as compared to INR69.5 per US$ in the previous month.

8. Global growth: ADB retained its growth forecast for Asia at 6% in 2018

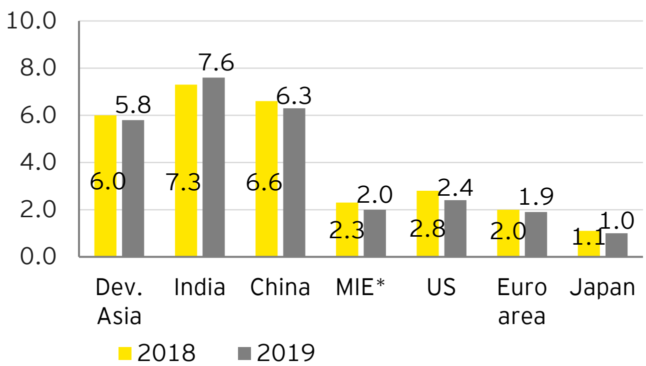
A. Global growth outlook

- According to the ADB [Asian Development Outlook Supplement, September 2018], growth in developing Asia is projected at 6.0% for 2018. Growth forecast for 2019 has been trimmed down to 5.8% (Chart 13).
- The aggregate growth forecast for the major industrial economies (the US, the Euro area, and Japan) is retained at 2.3% in 2018 and 2.0% in 2019.
- In the US, growth is projected at 2.8% in 2018 driven by private spending and fiscal expansion. In September 2018, the Fed raised the federal funds rate to range between 2% to 2.25%. GDP growth is expected to slow down to 2.4% in 2019 as fiscal expansion, trade protectionism and policy uncertainty pose downside risks to growth. The ADB has estimated a negative impact of 0.1% to 0.2% points for the US GDP growth from the ongoing trade/tariff conflict.

ADB projected the growth in developing Asia at 6% in 2018 and 5.8% in 2019. Escalating trade tensions and tighter global liquidity pose a downside risk to the growth outlook.

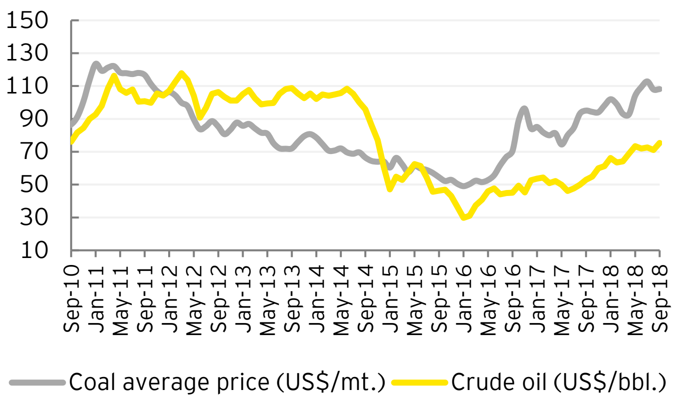
- Growth forecast in China remained unchanged at 6.6% in 2018 but is revised down to 6.3% in 2019 due to slower demand growth and implementation of US tariffs and China's countermeasures. The ADB has estimated a negative growth impact of 0.5% to 1% points for China due to trade tensions with the US.
- India's growth prospects remain strong and unchanged at 7.3% in 2018 and 7.6% in 2019 driven by robust domestic demand and growth in exports particularly manufactures. The OECD has projected India's growth at 7.6% in 2018 and 7.4% in 2019. However, United Nations Conference on Trade and Development's (UNCTAD's) projection of India's growth is lower at 7% in 2018 due to lingering effects of demonetization on domestic private consumption.

Chart 13: Global growth projections



Source: Asian Development Outlook Supplement, September 2018
*Major industrial economies

Chart 14: Global crude and coal prices



Source (basic data): World Bank, Pink Sheet, September 2018

B. Global energy prices: ADB *forecasted Brent spot price to average US$74/bbl. in 2018 and 2019*

- At US$75.3/bbl. in September 2018, average global crude price[5] increased to its highest level since November 2014 (71.1/bbl. in August 2018) (Chart 14). The ADB (Asian Development Outlook Supplement, September 2018) has forecasted the Brent spot price to average US$74/bbl. in 2018 and 2019.
- Average global coal price[6] also increased marginally to US$108.2/mt. in September 2018 from US$107.9/mt. in August 2018.

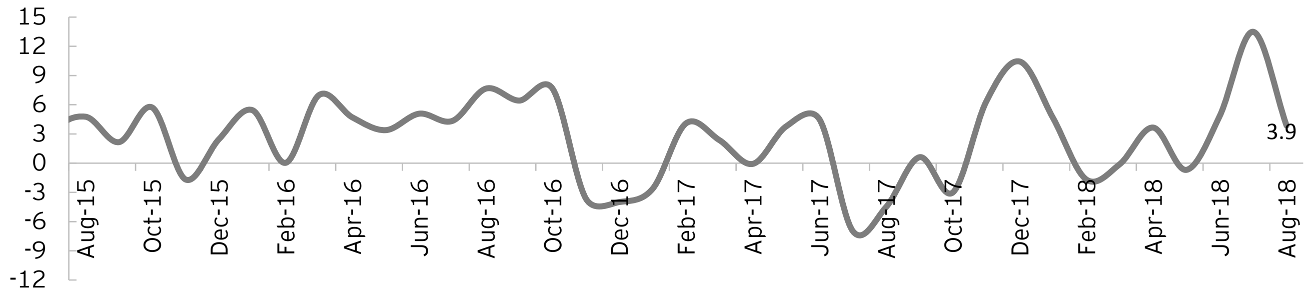
[5] Simple average of three spot prices namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[6] Simple average of Australian, Columbian and South African coal prices

9. Index of aggregate demand (IAD): Indicated moderation in demand conditions

Growth in IAD moderated to 3.9% in August 2018 from a peak of 13.4% in July 2018

- An IAD has been developed to reflect the combined demand conditions in the agriculture, manufacturing and services sectors on a monthly basis. It takes into account movements in PMI for manufacturing and services, both measured in non-seasonally adjusted terms, tracing the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- The sectoral weights in constructing the IAD are based on their respective shares in nominal GVA in the base year (2011−12): Agriculture **(18.4)**, industry **(33.1)** and services **(48.5).**
- The y-o-y growth in the index of aggregate demand fell to 3.9% in August 2018 from 13.5% in July 2018 (Chart 15). This moderation in IAD was largely due to a contraction in the demand conditions in the services sector (Table 10).

Chart 15: Growth in IAD (y-o-y)



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

Table 10: IAD

Month	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
IAD	123.9	121.7	119.0	124.1	125.2	122.2	128.9	125.6	121.8
Growth (% y-o-y)	10.4	4.6	-1.7	-0.1	3.7	-0.7	4.9	13.5	3.9
Growth in agr. credit	9.5	9.4	9.0	3.8	5.9	6.4	6.5	6.6	6.6
Mfg. PMI**	4.5	0.0	2.0	1.6	2.2	1.7	2.7	1.7	2.2
Ser. PMI**	0.9	1.4	-3.2	1.8	2.7	-0.1	5.8	3.0	-1.4

**Values here indicate deviation from benchmark value of 50. A positive value indicates expansion in demand while a negative value implies contraction in demand.
Source (Basic data): IHS Markit PMI, RBI and EY estimates.

10.Capturing macro-fiscal trends: Data appendix

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

Fiscal year/quarter /month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY 15	4.0	-1.3	3.8	14.8	4.9	FY15	52.2	51.7
FY 16	3.3	4.3	2.9	5.7	3.0	FY16	51.3	51.7
FY 17	4.6	5.3	4.3	5.8	4.8	FY17	51.6	51.0
FY 18	4.4	2.3	4.7	5.3	4.3	FY18	51.5	50.0
2QFY18	3.3	7.1	2.5	6.1	4.0	3QFY18	52.5	50.4
3QFY18	5.9	0.8	7.0	3.8	5.2	4QFY18	51.8	49.9
4QFY18	6.5	1.1	7.5	6.1	5.3	1QFY19	52.0	51.2
1QFY19	5.1	5.4	5.1	4.9	5.5	2QFY19	52.1	52.2
May-18	3.8	5.8	3.6	4.2	4.1	Jun-18	53.1	52.6
Jun-18	6.9	6.6	6.7	8.5	7.6	Jul-18	52.3	54.2
Jul-18	6.5	3.4	7.0	6.7	7.3	Aug-18	51.7	51.5
Aug-18	4.3	-0.4	4.6	7.6	4.2	Sep-18	52.2	50.9

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

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

Fiscal year/quarter/month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY15	5.9	6.4	4.2	5.8	1.3	4.3	2.6	-6.1	2.7
FY16	4.9	4.9	5.3	4.9	-3.7	1.2	-1.8	-19.7	-1.8
FY17	4.5	4.2	3.3	4.9	1.7	5.9	1.3	-0.3	-0.1
FY18	3.6	1.8	6.2	4.6	2.9	1.9	2.7	8.2	3.0
3QFY18	4.6	3.7	7.5	4.8	3.8	3.5	2.7	9.1	3.1
4QFY18	4.6	3.6	6.8	5.1	2.8	0.6	3.1	4.7	3.8
1QFY19	4.8	2.9	6.1	6.0	4.7	1.2	3.8	12.3	4.4
2QFY19	3.9	0.7	8.3	5.7	5.0	-1.0	4.4	17.5	5.0
Jun-18	4.9	2.9	7.2	6.1	5.7	1.6	4.2	16.5	4.8
Jul-18	4.2	1.3	8.0	5.9	5.3	-0.8	4.5	18.1	5.1
Aug-18	3.7	0.3	8.6	5.7	4.5	-2.3	4.4	17.7	5.0
Sep-18	3.8	0.5	8.5	5.6	5.1	0.1	4.2	16.6	4.9

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit	Revenue deficit
						% of GDP	% of GDP
FY15	9.3	8.7	8.7	8.7	9.8	4.0	2.9
FY16	17.0	6.0	8.5	6.9	30.1	3.9	2.5
FY17	17.9	6.7	21.5	12.3	21.6	3.5	2.1
FY18 (RE# over budget actuals FY17)	13.4	16.3	21.0	18.3	8.6	3.5	2.6
	Cumulated growth (%, y-o-y)					% of budgeted target	
Jan-18	17.0	19.0	17.5	18.4	15.6	113.7	109.4
Feb-18	15.8	19.7	17.7	18.8	13.0	120.3	119.5
Mar-18	11.8	17.8	19.9	18.6	6.0	99.5	101.1
Apr-18	58.7	24.0	2.5	5.9	130.3	24.3	25.5
May-18	29.9	-82.7	4.8	-13.7	59.3	55.3	68.0
Jun-18	22.1	-1.2	12.8	6.2	36.3	68.7	84.8
Jul-18	11.7	0.6	11.3	6.7	16.1	86.5	106.4
Aug-18	8.7	14.3	17.5	16.1	4.6	94.7	114.0

Source: Monthly Accounts, Controller General of Accounts-Government of India, Union Budget documents
*Includes corporation tax and income tax **includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.
#Revised estimates
From January 2018 to March 2018, the fiscal deficit and revenue deficit values are estimated as percentage of revised estimates.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (Centre)
	INR crore				
FY18 (RE)	2,21,400	-	1,61,900	61,331	4,44,631
FY19 (BE)	6,03,900	-	50,000	90,000	7,43,900
	Monthly tax collection (INR crore)				
Jan-18	23,133	193	19,402	8,024	50,752
Feb-18	43,091	89	-19,725	8,197	31,652
Mar-18	27,399	973	13,651	7,569	49,592
Apr-18	32,089	90	19,996	8,503	60,678
May-18	28,119	54	16,932	7,201	52,306
Jun-18	30,936	62	10,212	8,016	49,226
Jul-18	57,893	163	-39,903	7,963	26,116
Aug-18	36,047	327	5,199	7,405	48,978

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

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

Fiscal year/month	Repo rate (end of period)	Fiscal year/quarter/month	M1	M3	Bank credit	Agg. deposits	10 yr. Govt. bond yield	Net FDI	Net FPI	Fiscal year/quarter/month	FX reserves
	%		% change y-o-y				%	US$ billion			US$ billion
Nov-17	6.00	FY15	11.3	10.9	11.0	12.1	8.3	31.3	42.2	FY15	341.6
Dec-17	6.00	FY16	13.5	10.1	9.7	10.5	7.7	36.0	-4.1	FY16	355.6
Jan-18	6.00	FY17	3.1	10.1	7.9	11.6	7.0	35.6	7.6	FY17	370.0
Feb-18	6.00	FY18	22.1	9.5	7.5	7.5	7.0	30.3	22.1	FY18	424.4
Mar-18	6.00	2QFY18	1.6	5.6	6.1	9.3	6.6	12.4	2.1	3QFY18	399.7
Apr-18	6.00	3QFY18	45.8	10.6	8.8	4.9	7.1	4.3	5.3	4QFY18	409.4
May-18	6.00	4QFY18	22.1	9.5	10.1	5.4	7.5	6.4	2.3	1QFY19	424.4
Jun-18	6.25	1QFY19	18.1	9.8	12.7	7.8	7.8	9.7	-8.1	2QFY19	406.1
Jul-18	6.25	May-18	20.7	10.4	13.0	8.1	7.8	3.7	-1.4	Jun-18	406.1
Aug-18	6.50	Jun-18	18.1	9.8	12.8	7.6	7.9	1.7	-3.9	Jul-18	404.2
Sep-18	6.50	Jul-18	17.4	9.9	12.4	8.1	7.8	1.9	0.3	Aug-18	400.1
Oct-18	6.50	Aug-18	17.8	10.8	14.3	9.6	7.8	1.9	0.0	Sep-18	400.5

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				
FY15	-1.3	-0.5	-137.7	61.1	83.2	66.6	2012	3.5	1.2	5.3
FY16	-15.6	-15.2	-117.7	65.5	46.0	54.7	2013	3.3	1.2	5.0
FY17	5.1	0.9	-108.2	67.1	47.9	73.0	2014	3.4	1.9	4.6
FY18	9.8	20.1	-158.3	64.5	55.7	90.8	2015	3.4	2.1	4.3
3QFY18	13.1	16.1	-42.7	64.7	58.7	95.5	2016	3.2	1.7	4.4
4QFY18	3.9	13.9	-42.0	64.3	64.6	98.0	2017	3.8	2.3	4.8
1QFY19	14.2	13.5	-44.9	67.0	71.4	102.0	2018**	3.9	2.4	4.9
2QFY19	9.5	21.2	-49.4	70.2	73.0	109.6	2019**	3.9	2.2	5.1
Jun-18	17.6	21.3	-16.6	67.8	72.0	109.3	2020*	3.8	1.7	5.1
Jul-18	14.3	28.8	-18.0	68.7	72.7	112.8	2021*	3.8	1.7	5.1
Aug-18	19.2	25.4	-17.4	69.5	71.1	107.9	2022*	3.7	1.5	5.0
Sep-18	-2.2	10.5	-14.0	72.2	75.4	108.2	2023*	3.7	1.5	5.0

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook April 2018 and IMF World Economic Outlook Update, July 2018; * indicates projections as per the April 2018 database and **indicates projections as per July 2018 database

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

Fiscal year/quarter	Output: Major sectors									IPD inflation
Fiscal year/quarter	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY15	7.2	-0.2	9.7	7.9	7.2	4.3	9.4	11.0	8.3	3.6
FY16	8.1	0.6	13.8	12.8	4.7	3.7	10.3	10.9	6.1	1.0
FY17 (1st RE)	7.1	6.3	13.0	7.9	9.2	1.3	7.2	6.0	10.7	2.9
FY18 (PE)	6.5	3.4	2.9	5.7	7.2	5.7	8.0	6.6	10.0	3.0
1QFY17	8.3	4.3	10.5	9.9	12.4	3.0	8.9	10.5	7.7	1.2
2QFY17	7.2	5.5	9.1	7.7	7.1	3.8	7.2	8.3	8.0	2.3
3QFY17	6.9	7.5	12.1	8.1	9.5	2.8	7.5	2.8	10.6	2.8
4QFY17	6.0	7.1	18.8	6.1	8.1	-3.9	5.5	1.0	16.4	5.1
1QFY18	5.6	3.0	1.7	-1.8	7.1	1.8	8.4	8.4	13.5	2.3
2QFY18	6.1	2.6	6.9	7.1	7.7	3.1	8.5	6.1	6.1	2.9
3QFY18	6.6	3.1	1.4	8.5	6.1	6.6	8.5	6.9	7.7	3.8
4QFY18	7.6	4.5	2.7	9.1	7.7	11.5	6.8	5.0	13.3	2.9
1QFY19	8.0	5.3	0.1	13.5	7.3	8.7	6.7	6.5	9.9	4.6

	Expenditure components						IPD inflation
Fiscal year/quarter	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY15	7.4	6.4	7.6	2.6	1.8	0.9	3.3
FY16	8.2	7.4	6.8	5.2	-5.6	-5.9	2.1
FY17 (1st RE)	7.1	7.3	12.2	10.1	5.0	4.0	3.5
FY18 (PE)	6.7	6.1	10.9	7.6	4.4	9.9	3.0
1QFY17	8.1	8.3	8.3	15.9	3.6	0.1	2.7
2QFY17	7.6	7.5	8.2	10.5	2.4	-0.4	2.9
3QFY17	6.8	9.3	12.3	8.7	6.7	10.1	3.8
4QFY17	6.1	3.4	23.6	4.2	6.6	6.6	4.5
1QFY18	5.6	6.9	17.6	0.8	5.9	18.5	2.6
2QFY18	6.3	6.8	3.8	6.1	6.8	10.0	3.0
3QFY18	7.0	5.9	6.8	9.1	6.2	10.5	3.8
4QFY18	7.7	6.7	16.8	14.4	3.6	10.9	2.9
1QFY19	8.2	8.6	7.6	10.0	12.7	12.5	5.1

Source: National Accounts Statistics, MOSPI

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	Aggregate demand
2	ADB	Asian Development Bank
3	Agr.	Agriculture, forestry and fishing
4	bbl.	Barrel
5	BE	Budget estimate
6	BIS	Bank of International Settlements
7	CAB	Current account balance
8	CGA	Comptroller General of Accounts
9	CGST	Central Goods and Services Tax
10	CIT	Corporate Income Tax
11	Cons.	Construction
12	CPI	Consumer Price Index
13	CSO	Central Statistical Organization
14	Disc.	Discrepancies
15	dmtu	Dry metric ton unit
16	ECBs	External Commercial Borrowings
17	EIA	US Energy Information Administration
18	Elec.	Electricity, gas, water supply and other utility services
19	EMEs	Emerging Market Economies
20	EXP	Exports
21	FEMA	Foreign Exchange Management Act
22	FERA	Foreign Exchange Regulation Act
23	FII	Foreign investment inflows
24	Fin.	Financial, real estate and professional services
25	FPI	Foreign portfolio investment
26	FY	Fiscal year (April–March)
27	GDP	Gross Domestic Product
28	GFCE	Government final consumption expenditure
29	GFCF	Gross fixed capital formation
30	GoI	Government of India
31	GST	Goods and Services Tax
32	GVA	Gross value added
33	IAD	Index of Aggregate Demand
34	IEA	International Energy Agency
35	IGST	Integrated Goods and Services Tax

36	IIP	Index of Industrial Production
37	IMF	International Monetary Fund
38	IMI	Index of Macro Imbalance
39	IMP	Imports
40	INR	Indian Rupee
41	IPD	Implicit price deflator
42	JCT	Joint Committee on Taxation
43	JV	Joint Venture
44	LAF	Liquidity adjustment facility
45	MCLR	Marginal cost of funds based lending rate
46	Ming.	Mining and quarrying
47	Mfg.	Manufacturing
48	m-o-m	Month-on-month
49	mt	Metric ton
50	MOSPI	Ministry of Statistics and Programme Implementation
51	MPC	Monetary Policy Committee
52	MPI	Multidimensional Poverty Index
53	NDU	Non-departmental undertaking
54	NEXP	Net exports (exports minus imports of goods and services)
55	NRI	Non-Resident Indian
56	OECD	Organization for Economic Co-operation and Development
57	OPEC	Organization of the Petroleum Exporting Countries
58	PFCE	Private final consumption expenditure
59	PIT	Personal Income Tax
60	PMI	Purchasing Managers' Index (reference value = 50)
61	RE	Revised estimate
62	RBI	Reserve Bank of India
63	RTP	Reverse Tranche Position
64	SBNs	Specified Bank Notes
65	SDRs	Special Drawing Rights
66	Trans.	Trade, hotels, transport, communication and services related to broadcasting
67	UNCTAD	United Nations Conference on Trade and Development
68	US$	US dollar
69	UTGST	Union territory goods and services tax
70	WPI	Wholesale Price Index
71	y-o-y	Year on year

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