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Economy Watch

Monitoring India's macro-fiscal performance

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ENTER

Building a better working world

Contents

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Highlights

1. Despite falling from 58.6 in August 2023 to 57.5 in September 2023, PMI manufacturing remained well above the benchmark of 50. PMI services at 61 in September indicated one of its highest levels in over 13 years.

2. IIP growth accelerated to a 14-month high of 10.3% in August 2023.

3. The monetary policy committee retained the repo rate at 6.5% in its October 2023 monetary policy review.

4. CPI inflation fell to 5.0% in September 2023 from 6.8% in August 2023 led by a moderation in the prices of tomatoes. Core CPI inflation eased for the third successive month to 4.6% in September 2023.

5. The pace of contraction in prices at the wholesale level (WPI) decelerated for the third successive month to (-)0.3% in September 2023 from (-)0.5% in August 2023 led by rising crude prices.

6. During April-August FY24, GoI's gross tax revenues (GTR) showed a growth of 16.5%, with growth in direct taxes at 26.6% and that in indirect taxes at 7.8%.

7. GoI's total expenditure grew by 20.3% during April-August FY24, with growth in capital expenditure at 48.1% and that in revenue expenditure at 14.1%.

8. During April-August FY24, GoI's fiscal and revenue deficits as a proportion of their annual BE stood at 36% and 32.7%, respectively.

9. Gross bank credit showed a growth of 14.9% in August 2023, improving marginally from 14.7% in July 2023.

10. Merchandise exports and imports continued to contract for the tenth successive month by (-)2.6% and (-)15.0% respectively in September 2023 as compared to (-)6.8% and (-)5.2% in August 2023.

11. Current account deficit increased to 1.1% of GDP in 1QFY24 from 0.2% in 4QFY23 due to a relatively higher merchandise trade deficit.

12. Net FDIs turned negative, registering outflows amounting to US$2.8 billion in August 2023 as compared to inflows amounting to US$0.7 billion in July 2023.

13. Average global crude price increased to a 13-month high level of US$92.2/bbl. in September 2023, driven by extended production cuts by Saudi Arabia and Russia and rising demand from China.

14. The OECD (September 2023) and the IMF (October 2023) have projected global growth at 3% in 2023, with India's FY24 growth forecasted at 6.3%.

Foreword

India shines as a powerhouse of global growth

The IMF, in its October 2023 issue of the World Economic Outlook, has highlighted India's position as the global growth leader among major economies with a medium term growth prospect of 6.3% in each year from 2023 (FY24) to 2028 (FY29). This level of growth is double the global growth projected during this period. Concurring with the IMF's projections, the OECD (Interim Economic Outlook, September 2023) and the World Bank (India Development Update, October 2023) have also projected India's FY24 growth at 6.3%. In its October 2023 monetary policy review, the RBI has continued to maintain its earlier GDP growth projection of 6.5% for FY24 for India. In terms of quarterly growth prospects, RBI's projections indicate growth rates of 6.5% in 2Q, 6% in 3Q, and 5.7% in 4Q of FY24. Earlier, the National Statistical Office (NSO) release indicated that India's GDP had grown by 7.8% in 1QFY24. The RBI has retained the repo rate at 6.5% and its CPI inflation forecast at 5.4% for FY24. The latest data indicates an easing of CPI inflation to 5.0% in September 2023 from 6.8% in August 2023 led by a sharp moderation in the prices of tomatoes. Core CPI inflation also eased for the third successive month to 4.6% in September 2023.

GoI's tax revenue growth picked up in August 2023. The monthly data released by the CGA indicate a substantial pick up in the cumulated growth rate of GoI's GTR to 16.5% during April-August FY24. For April-July FY24, this growth was only 2.8%. Most of the pick up has happened in direct taxes, which showed a cumulated growth of 26.6% during April-August FY24. The indirect tax revenues showed a relatively lower growth of 7.8% during this period. With such buoyant tax revenues, GoI has been able to maintain its momentum of frontloading capital expenditure which showed a cumulated growth of 48.1% during April-August FY24 without much increase in fiscal deficit. In fact, by August 2023, the cumulated fiscal deficit of the GoI amounted to only 36% of the annual budgeted target.

High-frequency indicators for August and September 2023 showed a strong growth momentum. PMI manufacturing at 57.5 in September 2023 remained well above the benchmark of 50 and its long run average at 53.9. PMI services at 61 in September 2023 indicated one of its highest levels in over 13 years. On a quarterly basis, PMI manufacturing and services averaged at high levels of 57.9 and 61.1 respectively in 2QFY24. As per Federation of Automobile Dealers' Association (FADA), retail sales of vehicles showed a double-digit growth of 20.4% in September 2023 as compared to 8.6% in August 2023. As per the data released by the Ministry of Finance, gross GST revenues increased to INR1.62 lakh crore in September 2023 from INR1.60 lakh crore in August 2023. In 1HFY24, gross GST collections stood at INR9.92 lakh crore, showing a growth of 11.1% over the corresponding period of FY23. After a 15-month high of 17.4% in August 2023, growth in power consumption remained elevated at 10.1% in September 2023. Gross bank credit showed a strong growth of 14.9% in August 2023, improving from 14.7% in July 2023. IIP growth accelerated to a 14-month high level of 10.3% in August 2023.

On the external front, India's trade performance has been adversely impacted by the global demand slowdown. Merchandise trade deficit remained elevated at US$19.4 billion in September 2023 as both merchandise exports and imports continued to contract by (-)2.6% and (-)15.0% during the month as compared to (-)6.8% and (-)5.2% in August 2023, reflecting both subdued global demand and rising global crude prices. However, growth in exports excluding oil, gold and jewelry was positive for the second consecutive month at 1.9% in September 2023, although lower than 3.2% in August 2023. It had earlier shown a contraction for eight successive months.

India may now have to focus on ensuring full recovery after COVID-19 and strengthening its medium-term growth momentum. In the In-focus section of this issue, we have analysed the impact of COVID-19 on states' growth performance till FY22. It may be observed that the states which suffered maximum economic shock in terms of contraction in their GSDP include Bihar, Haryana, Jharkhand, Kerala, Maharashtra, Telangana, West Bengal, Manipur, Meghalaya, Mizoram, and Uttarakhand. It is also notable that from a sectoral perspective, the largest negative impact was suffered by the service sector titled 'trade, hotels, transport, storage, communication and broadcasting services'. Even at the national level, the latest GVA data released by the NSO in August 2023 indicates that this sector has not fully recovered yet. In fact, in 1QFY24 the magnitude of real GVA in this sector remained lower than the corresponding magnitude in 1QFY20. In the remaining three quarters of the current fiscal year, this sector may also fully emerge out of COVID-19's shadow. After that, the challenge is to sustain a medium term growth at 6.3% (IMF) or more. This growth momentum will have to largely depend on domestic growth drivers, as the global economic situation is likely to remain unpredictable largely owing to the ongoing geopolitical uncertainties. It will also help if the fiscal deficit and debt to GDP ratios of the central and state governments is steadily restored to levels consistent with the sustainability norms. This would help make India's fiscal position quite robust to deal with cyclical challenges to growth in the medium to long run.

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1 Growth: PMI services averaged 61.1 in 2QFY24, its highest level since 1QFY11

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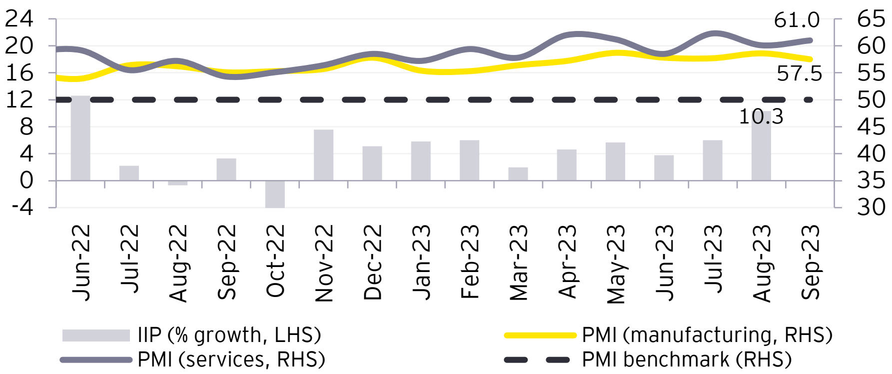
1.1 PMI: in September 2023, PMI services indicated one of the strongest expansions in over 13 years

- Although headline manufacturing PMI (seasonally adjusted (sa)) fell from 58.6 in August 2023 to 57.5 in September 2023, it remained firmly above the threshold level of 50 and its long run average at 53.9 **(Chart 2).** On a quarterly basis, manufacturing PMI averaged 57.9 in 2QFY24, the same level as in 1QFY24.
- PMI services increased from 60.1 in August 2023 to 61 in September 2023, marking one of its highest levels in over 13 years. On a quarterly basis, PMI services averaged 61.1 in 2QFY24, its highest level since 1QFY11.
- Reflecting a sustained expansion in manufacturing and a strong increase in services, the composite PMI Output Index (sa) increased from 60.9 in August 2023 to 61 in September 2023. The September 2023 level was among the strongest rates of expansion in just under 13 years. On a quarterly basis, composite PMI Output Index averaged 61.3 in 2QFY24, its joint highest level since 3QFY09 (the index value averaged 61.3 in 1QFY11).

Chart 1: PMI and IIP growth



Source: MoSPI and S&P Global.

Despite falling from 58.6 in August 2023 to 57.5 in September 2023, PMI manufacturing remained well above the benchmark of 50. PMI services at 61 in September 2023 indicated one of its highest levels in over 13 years.

1.2 IIP: growth accelerated to 10.3% in August 2023

- According to the quick estimates, IIP growth accelerated to a 14-month high of 10.3% in August 2023, partly led by a favorable base effect **(Chart 1).**
- Among sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, grew by 9.3% in August 2023 as compared to 5.0% (revised) in July 2023.
- Within manufacturing, sectors that showed relatively higher growth rates include pharmaceuticals and medicinal products (16.8%), basic metals (15.7%), other non-metallic mineral products (14.9%), other machinery and equipment (12.4%)[1] and motor vehicles (12.0%).

IIP growth accelerated to a 14-month high of 10.3% in August 2023.

- Among other major sub-industries, both electricity and mining output showed double-digit growth rates of 15.3% and 12.3% respectively in August 2023, increasing from 8.0% and 10.7% respectively in July 2023.
- As per the 'use-based' classification of industries, growth in the output of infrastructure/construction remained the highest among all industries at 14.9% in August 2023, increasing from 12.4% in July 2023. Growth in the output of capital goods and consumer non-durables improved to 12.6% and 9.0% respectively in August 2023 from 4.5% and 7.9% respectively in July 2023. Consumer durables output grew by 5.7% in August 2023 as compared to a contraction of (-)2.6% in July 2023.
- According to provisional estimates, output of eight core infrastructure industries (core IIP) posted a robust growth of 12.1% in August 2023, increasing from 8.4% (revised) in July 2023. This was largely driven by strong growth rates in the output of cement (18.9%), coal (17.9%), electricity (14.9%), steel (10.9%), and natural gas (10.0%).

[1] Refers to machinery and equipment not elsewhere classified (n.e.c)

2 Inflation: CPI inflation eased to a three-month low of 5.0% in September 2023

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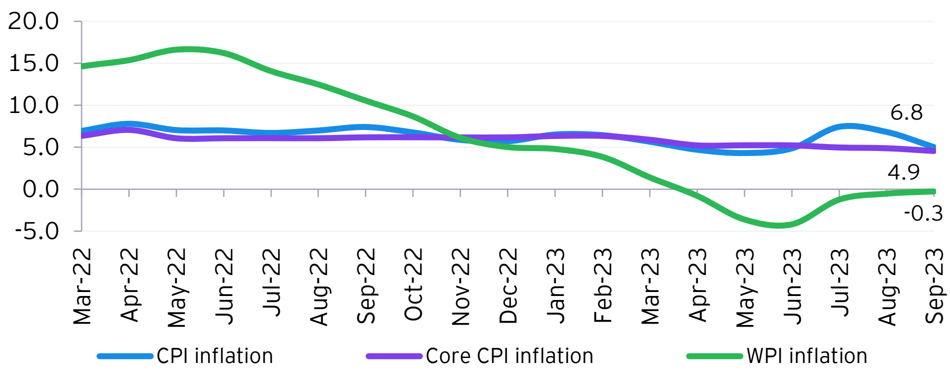
CPI inflation fell to 5.0% in September 2023 from 6.8% in August 2023 mainly on account of a sharp moderation in vegetable prices (Chart 3).

- Consumer food inflation eased to 6.6% in September 2023 from 9.9% in August 2023 as vegetable inflation moderated sharply to 3.4% from 26.1% over the same period. Inflation in tomatoes turned negative in September 2023 at (-)21.5% from 179.2% in August 2023 due to a surge in their supply led by increased sowing in response to higher prices.
- Fuel and light prices contracted for the first time since November 2019 by (-)0.1% in September 2023, primarily reflecting the price cut of INR200 on LPG cylinders for all domestic users on 29 August 2023.
- Inflation in clothing and footwear, and in housing decelerated for the 11th and sixth successive month respectively to 4.6% and 4.0% in September 2023.
- Although headline inflation fell by 1.8% points, the fall in core CPI inflation[2] was limited to 0.3% points, as the moderation was mainly driven by lower vegetable prices. Core CPI inflation eased to 4.6% in September 2023 from 4.9% in August 2023.
- Inflationary pressures continued to stem from spices, pulses and products and fruits whose inflation levels were at 23.1%, 16.4% (34-month high) and 7.3% (six-month high) respectively in September 2023.

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



Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)

CPI inflation fell to 5.0% in September 2023 from 6.8% in August 2023, led by a moderation in the prices of tomatoes. Core CPI inflation eased for the third successive month to 4.6% in September 2023.

The pace of contraction in prices at the wholesale level (WPI) decelerated for the third successive month to (-)0.3% in September 2023 from (-)0.5% in August 2023 led by rising crude prices.

- Inflation in crude petroleum turned positive at 10.8% in September 2023 after showing a contraction for seven consecutive months. This increase mainly reflected the high global crude prices on account of supply cuts by Saudi Arabia and Russia.
- The pace of contraction in prices of fuel and power eased to (-)3.3% in September 2023 from (-)6.0% in August 2023, due to a slower pace of contraction in mineral oils. Inflation in petrol at 1.2% in September 2023 was positive for the first time in five months.
- WPI food index based inflation moderated to 1.5% in September 2023 from 5.6% in August 2023 as vegetable prices contracted by (-)15.0% in September 2023 after showing an inflation of 48.4% in August 2023.
- Inflation in manufactured products remained negative for the seventh successive month at (-)1.3% in September 2023 as compared to (-)2.4% in August 2023.
- The contraction in core WPI eased to (-)1.2% in September 2023 from (-)2.1% in August 2023 reflecting the moderation in the pace of contraction in prices of manufactured basic metals to (-)2.7% in September 2023 from (-)5.7% in August 2023.

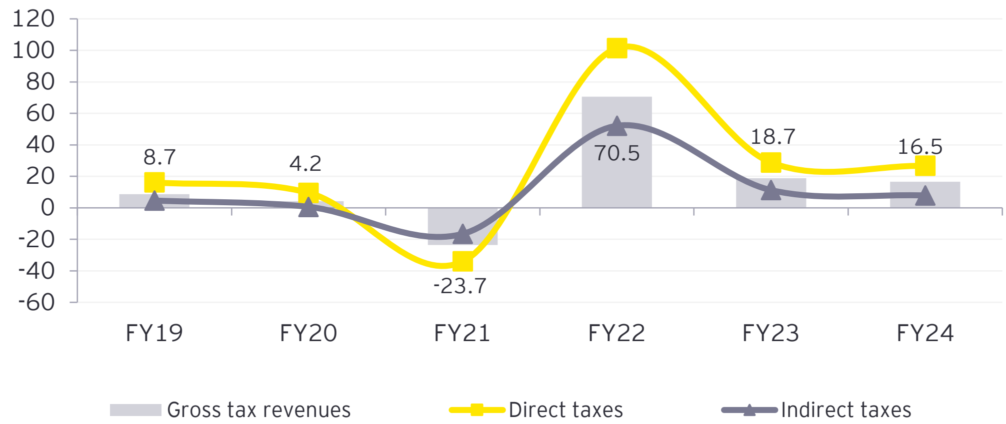
[2] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3 Fiscal: GoI's capital expenditure growth stood at 48.1% during April-August FY24

3.1 Tax and non-tax revenues

- As per the CGA, after a subdued growth of 2.8% up to July 2023, GoI's GTR[b] showed a growth of 16.5% during April-August FY24 partly owing to a favorable base effect **(Chart 3)**. In comparison, GTR had shown a growth of 18.7% during the corresponding period of FY23.
- During April-August FY24, GTR stood at 35.4% of the annual BE, slightly higher than the three-year average ratio based on actual collections at 32.7% (excluding the COVID-19 affected year of FY21).
- Direct taxes[a] showed a double-digit growth of 26.6% reflecting a strong base effect while indirect taxes[a] grew by 7.8% during April-August FY24. The corresponding growth rates in FY23 were at 28.8% and 11.2% respectively.
- Corporate income tax (CIT) revenues grew by 15.1% during the first five months of FY24 as compared to 23.6% during the same period in FY23.
- Personal income tax (PIT) revenues grew by 35.7% during April-August FY24, higher than 33.2% during the corresponding period of FY23.
- Among indirect taxes, GoI's GST revenues[c] grew by 10.6% during April-August FY24, lower than 33% during the corresponding period of FY23, partly owing to an unfavorable base effect.
- UED showed a contraction of (-)12.4% during the first five months of FY24 as compared to (-)17% during the corresponding period of FY23.
- Customs duties grew by 27.8% during April-August FY24 as compared to a contraction of (-)14.3% during April-August FY23.

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



During April-August FY24, GoI's GTR showed a growth of 16.5%, with growth in direct taxes at 26.6% and that in indirect taxes at 7.8%.

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

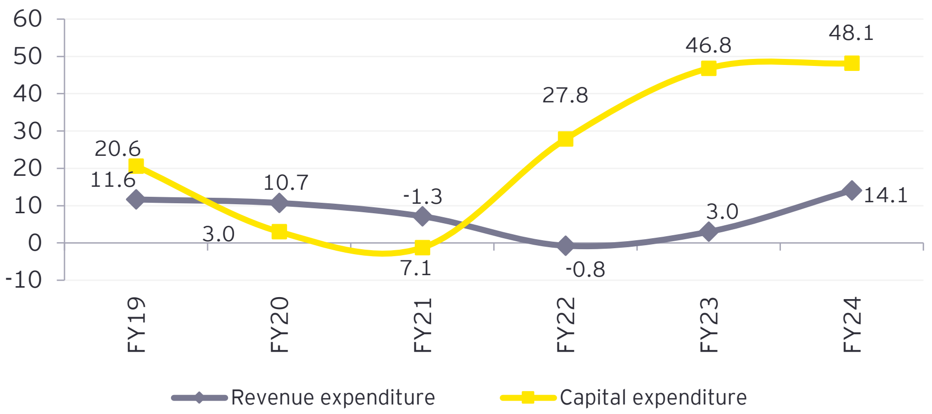
- GoI's non-tax revenues showed a high growth of 79.4% during April-August FY24 on account of high receipt of dividends and profits at INR1,06,620 crore, exceeding its FY24 BE by INR15,620 crore.
- Non-tax revenues during April-August FY24 as a proportion of annual BE stood at 69.5%, much higher than the three-year average ratio of 47.5% based on actual collections (excluding the COVID-19 affected year of FY21).
- Non-debt capital receipts of the GoI during April-August FY24 stood at 18.3% of the BE, much lower than the three-year average ratio of 36.3% based on actual collections (excluding the COVID-19 affected year of FY21).
- As per DIPAM[3], disinvestment receipts as of 23 October 2023 stood at INR8,000.15 crores, that is 15.7% of the FY24 BE at INR 51,000 crore.

[3] https://dipam.gov.in/

3.2 Expenditures: revenue and capital

- GoI's total expenditure grew by 20.3% during April-August FY24, higher than 8.9% during the corresponding period of the previous year.
- GoI's revenue expenditure showed a growth of 14.1% during April-August FY24 as compared to a subdued growth of 3% during the corresponding period of FY23 **(Chart 4).** The relatively high growth during the first five months of FY24 was partly on account of an increase in GoI's fertilizer and petroleum subsides during this period.
- GoI's capital expenditure was front-loaded, showing a strong growth of 48.1% during April-August FY24. This trend of a double-digit growth in GoI's capital expenditure during the initial months of the fiscal year is visible even for FY22 and FY23.

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



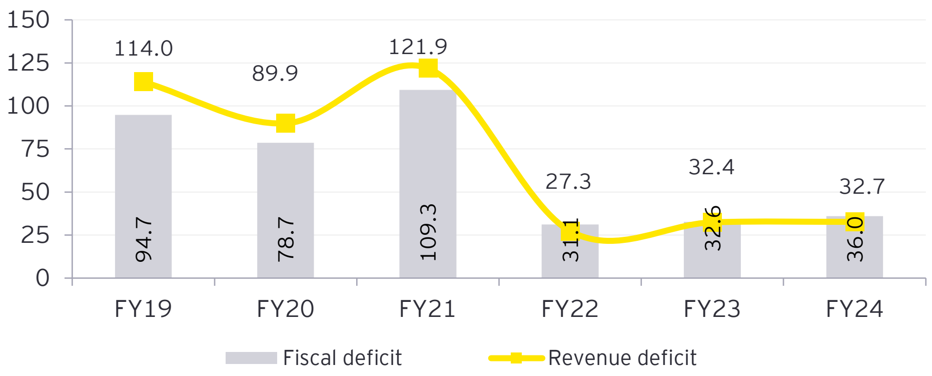
GoI's total expenditure grew by 20.3% during April-August FY24, with growth in capital expenditure at 48.1% and that in revenue expenditure at 14.1%.

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

3.3 Fiscal imbalance

- GoI's fiscal deficit during April-August FY24 stood at 36% of the BE, slightly higher than the corresponding ratios in FY22 and FY23 but significantly lower as compared to the respective levels in the period FY19 to FY21 **(Chart 5).**
- Following the same pattern, GoI's revenue deficit during this period stood at 32.7% of the BE.

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



During April-August FY24, GoI's fiscal and revenue deficits, as a proportion of their annual BE, stood at 36% and 32.7%, respectively.

Source: Monthly Accounts, CGA, Government of India and MoSPI.

4 Comparative trends: IMF projected India's growth at 6.3% and CPI inflation at 5.5% in FY24

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4.1 GDP Growth

- The IMF (World Economic Outlook, October 2023) has projected global growth to ease from 3.5% in 2022 to 3% in 2023 and further to 2.9% in 2024.
- According to the IMF, global growth forecasts over the medium term are at their lowest in decades. The latest forecast for global growth at 3.1% in 2028 implies a global output loss of nearly 5%, with respect to the pre-pandemic projections, equivalent to US$6.4 trillion at 2023 prices.
- Growth slowdown in advanced economies (AEs) is quite sharp as compared to that in emerging market and developing economies (EMDEs) **(Table 1).**

Table 1: Real GDP growth (%, annual)

Country/Region	2022	2023	2024	2025	2026	2027	2028
World	**3.5**	**3.0**	**2.9**	**3.2**	**3.2**	**3.1**	**3.1**
AEs	**2.6**	**1.5**	**1.4**	**1.8**	**1.9**	**1.8**	**1.7**
US	2.1	2.1	1.5	1.8	2.1	2.1	2.1
UK	4.1	0.5	0.6	2.0	2.1	1.8	1.5
Euro area	3.3	0.7	1.2	1.8	1.7	1.5	1.3
Japan	1.0	2.0	1.0	0.7	0.5	0.4	0.4
EMDEs	**4.1**	**4.0**	**4.0**	**4.1**	**4.1**	**4.0**	**3.9**
Brazil	2.9	3.1	1.5	1.9	1.9	2.0	2.0
Russia	-2.1	2.2	1.1	1.0	1.0	1.0	1.0
India*	7.2	6.3	6.3	6.3	6.3	6.3	6.3
China	3.0	5.0	4.2	4.1	4.1	3.7	3.4
South Africa	1.9	0.9	1.8	1.6	1.4	1.4	1.4

Source (basic data): IMF World Economic Outlook (October 2023)

*Data pertains to fiscal year

- Among AEs, growth in the US is projected at 2.1% in 2023, an upward revision of 0.3% points as compared to the July 2023 projections on account of stronger business investment, resilient consumption growth and an expansionary fiscal policy. However, with wage growth slowing, savings accumulated during the pandemic running out, and the Fed maintaining tight monetary policy, growth is expected to slow down to 1.5% in 2024.
- Growth in the Euro area and the UK is projected to fall to low levels of 0.7% and 0.5% in 2023 with only a modest improvement in 2024.
- Among EMDEs, growth in China has been revised down by 0.2% point and 0.3% point to 5% and 4.2% in 2023 and 2024 respectively relative to the July 2023 projections on account of a lower investment outlook due to property market crisis in the country. In the medium term, growth is expected to fall, year after year, reaching a level of 3.4% by 2028.
- Growth in India is projected to remain strong at 6.3% in both 2023 (FY24) and 2024 (FY25), with an upward revision of 0.2% points for 2023, reflecting stronger-than-expected consumption growth during 1QFY24. This high level of GDP growth is expected to be retained for all years up to 2028 (FY29).

4.2 CPI inflation

- Global CPI inflation is expected to steadily decline from 8.7% in 2022 to 6.9% in 2023 and further to 5.8% in 2024, mainly on account of relatively lower international commodity prices **(Table 2).**
- The pace of fall in inflation is relatively more pronounced for AEs relative to EMDEs, partly due to lower exposure of AEs to shocks emanating from global commodity prices and exchange rates.
- Except for the US, CPI inflation in all major AEs is expected to reach their long-term target of 2% by 2026.
- Among EMDEs, inflation in China is projected to remain much below the target, reflecting subdued core inflation in the context of substantial economic slack, along with rising youth unemployment and pass-through from lower energy costs.
- India's CPI inflation in 2023 (FY24) is projected to come below the central bank's upper tolerance limit of 6%, with the target of 4% forecasted to be achieved by 2027 (FY28).

Table 2: Average CPI inflation (%)

Country/Region	2022	2023	2024	2025	2026	2027	2028
World	**8.7**	**6.9**	**5.8**	**4.6**	**4.2**	**3.9**	**3.8**
AEs	**7.3**	**4.6**	**3.0**	**2.2**	**2.0**	**2.0**	**2.0**
US	8.0	4.1	2.8	2.4	2.2	2.1	2.1
UK	9.1	7.7	3.7	2.1	2.0	2.0	2.0
Euro area	8.4	5.6	3.3	2.2	2.0	1.9	1.9
Japan	2.5	3.2	2.9	1.9	1.6	1.6	1.6
EMDEs	**9.8**	**8.5**	**7.8**	**6.2**	**5.7**	**5.2**	**5.0**
Brazil	9.3	4.7	4.5	3.0	3.0	3.0	3.0
Russia	13.8	5.3	6.3	4.0	4.0	4.0	4.0
India*	6.7	5.5	4.6	4.1	4.1	4.0	4.0
China	1.9	0.7	1.7	2.2	2.2	2.2	2.2
South Africa	6.9	5.8	4.8	4.5	4.5	4.5	4.5

Source (basic data): IMF World Economic Outlook (October 2023)

*Data pertains to fiscal year

5 In focus: state economies and government finances: recovering from COVID-19 and beyond

5.1 Introduction

While India's GDP suffered a contraction of (-)5.8% in FY21, the experience of individual states differed extensively. Three states namely, Assam, Sikkim and Tamil Nadu showed positive growth in this year. The highest contraction was suffered by Kerala at (-)8.5%, followed by Mizoram at (-)8.1%. Some of the larger states that experienced relatively high erosion of economic activity include Bihar, Maharashtra, West Bengal, Haryana, and Telangana. Their GSDP growth rates were respectively (-)7.4%, (-)7.3%, (-)6.6%, (-)6.2% and (-)6.0%, all higher than the contraction at the all-India level.

At the central level, with a view to stimulating the economy, the fiscal deficit was expanded in FY21 to an exceptionally high level of 9.2% of GDP. GoI's debt-GDP ratio, excluding all on-lending to states, rose sharply to 58.7% in this year. At the state level, the aggregate fiscal deficit and debt relative to GDP increased to 4.1% and 31% respectively. As per the 2018 amendment of the GoI's FRBM, the benchmark debt-GDP ratio for the GoI is 40% while that for the aggregate of states is 20%. Thus, in both cases, there was a sharp departure in the fiscal deficit and debt-GDP ratios from their respective benchmarks in the COVID-19 year of FY21. Since then, both the individual state economies as well as the Indian economy and their corresponding government finances have improved. However, the rates of recovery across states and their fiscal positions differ.

At the same time, global crises have come in quick succession, one after the other. After the COVID-19 led deterioration, supply side challenges arose in the wake of the Russia-Ukraine conflict. The current crisis in Israel may also have an adverse impact on global economies and the supply side situation. These developments are likely to affect state level finances as well as their economic performance.

State level growth and fiscal profiles would also become important for the consideration of the Sixteenth Finance Commission (16th FC) which is likely to be set up in the near future. The Terms of Reference (ToR) generally mandate the Finance Commissions to review the position of state debt relative to their GSDP. Further, the Commissions are also expected to assess the economic growth and the growth of tax bases for individual state governments. In this write-up, we examine the current comparative profile of economic growth and fiscal imbalance of the Indian states with a view to identify those states which may be considered economically and fiscally vulnerable.

5.2 Comparative growth performance

Table 3 gives the comparative growth performance of states in India as divided into two broad groups namely, Medium and Large (ML) states and Small and Hilly (SH) states[4] for pre-COVID-19 years, the COVID-19 year (FY21) and post COVID-19 years. We may divide the states in these two groups in three categories: a) states suffering higher rates of contraction than the group average by a margin of more than 1% point, b) states with contraction in the range of +/-1% point with respect to the group average and c) states performing better than the group average by a margin of more than 1% point.

Table 3: State-wise real GSDP growth (%): FY19 to FY23

State	FY19	FY20	FY21	FY22	FY23	FY22 over FY20
AP	5.4	3.7	-2.5	11.2	7.0	8.5
AS	5.1	4.2	0.9	8.1	10.2	9.1
BH	10.9	4.4	-7.4	8.5	10.6	0.4
CH	11.1	2.8	-1.8	8.5	8.0	6.5
GJ	8.9	7.0	-1.9	10.6	--	8.5
HR	10.6	2.1	-6.2	11.3	7.1	4.4
JH	8.9	1.1	-5.3	10.9	6.8	5.0
KA	6.4	5.9	-3.5	11.0	7.9	7.0
KL	7.4	0.9	-8.5	11.9	--	2.4
MP	9.3	4.5	-4.2	10.4	7.1	5.8
MH	3.6	2.4	-7.3	9.1	--	1.2
OR	7.1	2.8	-2.1	11.3	7.1	8.9
PB	5.8	4.1	-1.5	6.5	6.4	5.0
RJ	2.4	5.2	-2.0	11.4	8.2	9.2

[4] The ML group states include Andhra Pradesh (including Telangana), Assam, Bihar, Chhattisgarh, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal. The SH group states include Arunachal Pradesh, Goa, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, and Uttarakhand.

State	FY19	FY20	FY21	FY22	FY23	FY22 over FY20
TN	7.0	3.3	0.1	7.9	8.2	8.0
TS	9.1	5.4	-6.0	12.0	7.8	5.2
UP	3.9	4.0	-4.2	10.2	8.3	5.5
WB	6.3	3.1	-6.6	10.8	8.4	3.4
ML total	**6.5**	**3.9**	**-4.1**	**10.1**		**5.5**
AR	7.0	14.8	-3.6	7.3	--	3.4
GA	0.8	3.3	-2.6	4.1	--	1.3
HP	6.4	4.1	-3.0	7.6	6.4	4.3
MN	-2.6	5.1	-5.8	13.5	--	6.9
ML	5.1	5.1	-7.8	5.7	3.9	-2.6
MZ	9.1	11.1	-8.1	12.6	--	3.4
NL	2.6	9.5	-4.3	3.9	--	-0.6
SK	5.4	4.7	0.3	6.0	6.8	6.3
TR	11.1	3.6	-4.4	8.5	8.9	3.7
UK	2.8	2.0	-5.8	8.2	7.1	1.9
SH total	**4.3**	**4.0**	**-4.5**	**7.6**	--	2.7
India - GDP	**6.5**	**3.9**	**-5.8**	**9.1**	**7.2**	**2.7**

Source (basic data): MoSPI

Note: For FY21, the two group averages are both below the all-India growth number. This is because the ML and SH group GSDP numbers do not fully add to the GDP number. The contraction in the residual is very large in FY21.

States in each of the three categories are summarized in **Table 4**. States in Category A are Bihar, Haryana, Jharkhand, Kerala, Maharashtra, Telangana, and West Bengal among the ML states and Manipur, Meghalaya, Mizoram, and Uttarakhand among the SH states. States like Kerala, Maharashtra, and West Bengal are the ones that have major ports and airports. These states suffered significantly more than others in terms of a higher COVID-19 incidence which may be attributable to higher international tourist arrivals accompanied by a high population density[5]. Among the UTs, Delhi also belongs to this category. These states suffered relatively larger economic losses in FY21.

Table 4: Categorization of states according to their growth performance relative to group average in the COVID-19 year

Category of states	Category A *(states with higher rate of contraction than group avg. by a margin of more than 1% point)*	Category B *(states with contraction in the range of +/- 1% point vis-a-viz. group average)*	Category C *(states performing better than group average by a margin of more than 1% point)*
ML	Bihar, Haryana, Jharkhand, Kerala, Maharashtra, Telangana, West Bengal	Uttar Pradesh, Karnataka, Madhya Pradesh	Andhra Pradesh, Assam, Chhattisgarh, Gujarat, Odisha, Punjab, Rajasthan, Tamil Nadu
SH	Manipur, Meghalaya, Mizoram, Uttarakhand	Arunachal Pradesh, Nagaland, and Tripura	Goa, Himachal Pradesh, and Sikkim

Source (basic data): MoSPI and EY compilation

In analyzing the relative recovery from the COVID-19 shock, it may not be appropriate only to look at the magnitude of y-o-y growth rates in FY22 since these growth rates would be reflecting a base effect to a significant extent. Instead, it is better to look at the growth in FY22 over the corresponding FY20 magnitudes. We note that states showing impressive recovery in terms of growth rates include Rajasthan, Assam, Odisha, Gujarat, Andhra Pradesh, Karnataka, and Tamil Nadu among the ML states.

Another characteristic in terms of the relatively larger GSDP contraction relates to the sectoral output profile of these states. In fact, agricultural growth remained in the positive territory in the COVID-19 year. In consequence, those states that have a relatively larger share of agriculture in their GSVA got away with a lower growth erosion. The implication of the sectoral growth profile on the overall GSDP growth rates is discussed in detail in the next section.

5.3 Profile of recovery from COVID-19

In the ML group, states with a share of agriculture larger than 30% include Andhra Pradesh and Madhya Pradesh. These two states are in Categories C and B, respectively. There is only one state in the ML group which suffered a contraction even in agriculture in FY21, namely Haryana. Some states showed extraordinarily high growth in agriculture during the COVID-19 year such as Karnataka, Maharashtra, Assam, Bihar, Odisha, Jharkhand and

[5] Srivastava DK, Bharadwaj M, Kapur T, Trehan R. COVID's First and Second Waves in India: Lessons and Policy Implications. Journal of Health Management. 2023;0(0). doi:10.1177/09720634231167232

Rajasthan **(Table 5)**. One possible reason for this buoyant state level performance in agriculture in the COVID-19 year may be a shift of urban labor to agriculture. It is also worth noting that in the case of agriculture, the SH states as a whole suffered a contraction in FY21.

Table 5: State-wise real growth in agricultural GSVA (%): FY19 to FY23

State	Avg. real share (FY18 to FY22)	FY19	FY20	FY21	FY22	FY23
AP	31.7	3.54	8.51	2.03	9.24	4.54
AS	18.4	0.67	7.99	8.47	8.15	13.33
BH	20.4	-1.00	1.05	8.12	4.23	6.59
CH	17.1	13.49	5.22	4.56	4.33	5.93
GJ	13.8	-8.68	10.08	0.61	6.05	--
HR	18.2	8.80	5.32	-0.66	1.56	5.29
JH	13.2	-6.77	0.02	6.31	5.03	10.13
KA	10.7	-3.59	18.14	15.20	8.71	5.51
KL	9.2	-2.09	-2.56	1.58	4.91	--
MH	11.1	-2.09	8.04	13.03	11.37	--
MP	33.2	0.34	12.65	4.46	6.09	5.75
OR	14.8	8.74	13.53	7.28	3.29	5.06
PB	24.9	2.38	1.79	1.09	0.81	3.73
RJ	27.7	5.33	12.30	5.69	6.85	5.22
TN	11.4	6.49	7.60	4.49	5.56	3.94
TS	14.1	6.21	29.76	3.09	-0.41	8.83
UP	21.9	4.57	1.08	1.80	14.83	4.09
WB	19.8	1.40	2.09	1.49	2.25	1.94
ML total	**17.2**	**1.73**	**7.93**	**4.70**	**6.89**	**--**
AR	34.3	22.78	21.38	-4.09	4.93	--
GA	5.5	5.77	4.61	1.57	2.42	--
HP	13.5	2.94	18.63	-6.69	4.88	1.96
ML	18.0	-0.74	1.58	11.72	-0.20	4.97
MN	22.5	-3.54	-3.35	-3.30	3.13	--
MZ	20.3	4.95	3.31	-11.69	0.00	--
NL	25.7	-6.05	11.99	0.52	-18.93	--
SK	7.8	11.41	3.52	-8.65	1.92	3.40
TR	25.1	10.28	5.67	2.95	1.84	4.11
UK	8.5	2.71	4.47	3.33	1.10	5.54
SH total	**13.4**	**4.36**	**9.05**	**-1.15**	**1.09**	**--**
ALL India	**15.4**	**2.10**	**6.16**	**4.11**	**3.51**	**3.96**

Source (basic data): MoSPI

In the case of industrial GSVA, it is worth emphasizing that the contraction in this sector had started in FY20, which was largely due to non-COVID-19 factors, including a domestic demand slowdown **(Table 6)**. The global growth rate had also fallen from 3.6% in 2018 to 2.8% in 2019 and the contribution of net exports to India's real GDP growth also became negative. It is notable that for both the ML and SH groups, the contraction in terms of magnitude in industry was much less than that in services in the COVID year of FY21.

Table 6: State-wise real growth in industrial GSVA (%): FY19 to FY23

State	Avg. real share (FY18 to FY22)	FY19	FY20	FY21	FY22	FY23	FY22 over FY20
AP	27.0	3.17	-0.41	3.90	10.59	5.66	14.90
AS	40.3	3.95	0.91	-1.70	8.08	9.29	6.24
BH	20.5	8.37	5.36	-1.68	8.20	6.88	6.39
CH	49.8	16.29	2.27	0.44	8.07	7.83	8.54
GJ	50.6	11.10	5.19	-2.39	10.78	--	8.13
HR	32.9	13.02	-2.38	-2.01	11.77	6.33	9.53
JH	42.5	16.97	-4.13	-4.55	16.21	4.33	10.92
KA	26.2	6.67	-3.28	-3.35	10.30	5.08	6.60
KL	28.3	0.00	1.00	-1.12	3.09	--	1.93
MH	32.1	1.45	-5.26	-4.21	3.81	--	-0.56
MP	28.5	20.13	-9.69	-3.67	14.87	4.79	10.66
OR	47.1	11.96	-6.94	5.85	12.35	6.76	18.93
PB	25.4	5.02	2.27	3.25	7.53	6.85	11.03
RJ	28.7	-13.49	4.43	-0.76	11.30	6.32	10.45
TN	37.3	7.59	0.47	-1.04	9.51	9.17	8.38
TS	25.0	15.14	-3.21	-1.77	14.80	3.08	12.76
UP	29.4	0.58	0.65	-1.80	10.41	15.37	8.42
WB	28.6	12.06	0.68	-6.16	19.75	7.65	12.36
ML total	**32.8**	**6.48**	**-0.74**	**-1.82**	**10.05**	**--**	**8.05**
AR	23.4	-1.00	-0.19	-14.16	20.59	--	3.52
GA	58.1	-0.10	0.57	-0.59	-0.66	--	-1.25
HP	47.6	7.34	-0.48	-0.94	7.69	7.13	6.68
ML	19.9	-3.85	2.52	-11.36	14.90	11.81	1.85
MN	11.6	-31.38	2.82	-13.16	8.69	--	-5.62
MZ	27.8	10.62	2.00	1.07	21.14	--	22.44
NL	12.2	-1.80	4.94	-12.21	7.00	--	-6.07
SK	62.9	6.54	-1.03	3.91	5.35	6.41	9.46
TR	26.0	12.29	-10.70	-3.71	22.73	8.71	18.17
UK	52.7	0.63	-0.97	-2.65	9.30	9.42	6.40
SH total	**44.1**	**2.54**	**-0.85**	**-2.15**	**8.34**	**--**	**6.01**
ALL India	**30.9**	**5.32**	**-1.40**	**-0.88**	**11.62**	**4.38**	**10.64**

Source (basic data): MoSPI

Table 7 shows that the maximum negative impact of COVID-19 was on the services sector. The ML group of states suffered an overall contraction of (-)7.9% in their services GSVA and the SH states, a contraction of (-)6.6%. Some states suffered a contraction of 10% or more. These include Kerala, Bihar, Odisha and Maharashtra, among ML group of states and Meghalaya, among the SH group of states.

Table 7: State-wise real growth in services GSVA (%): FY19 to FY23

State	Avg. real share (FY18 to FY22)	FY19	FY20	FY21	FY22	FY23	FY22 over FY20
AP	41.4	4.84	6.52	-8.50	10.07	10.05	0.72
AS	41.3	-1.64	7.60	-4.14	7.77	9.70	3.31
BH	59.1	13.94	4.56	-12.66	13.72	13.00	-0.68
CH	33.0	3.40	10.82	-4.41	9.80	9.21	4.96
GJ	35.7	11.03	7.86	-4.71	6.66	--	1.64
HR	49.0	8.46	4.58	-8.95	12.44	8.36	2.38
JH	44.3	9.51	6.67	-9.06	10.36	8.02	0.36
KA	63.2	8.03	9.53	-5.97	10.33	9.23	3.74
KL	62.5	7.20	4.45	-15.18	16.78	--	-0.95
MH	56.7	5.65	6.80	-9.98	10.58	--	-0.46
MP	38.4	9.83	5.75	-9.90	10.41	9.99	-0.52
OR	38.1	2.73	7.32	-11.45	9.15	7.09	-3.35
PB	49.8	6.97	6.17	-4.81	7.39	6.67	2.22
RJ	43.5	11.39	2.21	-9.86	13.13	10.74	1.98
TN	51.3	5.65	4.32	-0.38	6.37	7.81	5.96
TS	60.9	7.02	5.58	-9.37	13.65	10.84	3.00
UP	48.7	6.18	7.01	-7.29	8.24	5.74	0.36
WB	51.5	5.83	5.70	-8.69	9.43	11.42	-0.07
ML total	**49.9**	**7.12**	**6.28**	**-7.90**	**10.13**	**--**	**1.43**
AR	42.3	-0.37	15.22	-0.93	8.68	--	7.66
GA	36.4	2.15	3.77	-4.11	11.81	--	7.21
HP	38.9	4.49	4.03	-3.38	7.91	6.85	4.26
ML	62.1	10.89	6.71	-12.61	7.96	3.76	-5.65
MN	65.9	3.01	7.39	-5.68	15.19	--	8.65
MZ	51.9	7.01	20.77	-9.37	11.60	--	1.15
NL	62.1	8.59	6.47	-5.67	14.43	--	7.94
SK	29.3	11.54	19.75	-2.78	7.13	8.49	4.16
TR	48.9	8.98	9.60	-8.83	6.80	11.51	-2.63
UK	38.8	4.55	5.65	-8.32	7.46	4.23	-1.48
SH total	**42.5**	**5.31**	**6.92**	**-6.62**	**8.94**	**--**	**1.73**
ALL India	**53.7**	**7.17**	**6.43**	**-8.23**	**8.81**	**9.46**	**-0.14**

Source (basic data): MoSPI

At the national level, within the services sector, the sector called 'trade, transport, hotels et al.' alone had an average weight of 19% in GVA at constant prices during FY18 to FY22. This sector which is also known to contain a large number of employment intensive enterprises, including the MSMEs, suffered the largest contraction in FY21. For the ML group, it was at (-)17.4% and for the SH group, it was at (-)16.1%. Almost all states, except Tamil Nadu and Himachal Pradesh, suffered a double-digit contraction in this sector. Sikkim was the only state where there was a positive growth in this sector. This sector is recognized as a contact intensive sector. Although most feasible service sector activities shifted to the online mode, it was still not enough to neutralize this large negative COVID impact on this sector.

It may be useful to look at the comparative contribution of output sectors to the contraction in India's GDP in FY21, the COVID-19 year. As discussed before, the overall contraction in India's GDP was (-)5.8% in FY21. The respective contribution of GVA in this was (-)3.8% points and that of net indirect taxes (indirect taxes net of subsidies) was (-)2% points. Within the GVA sectors, agriculture contributed positively to the extent of 0.6% points. The contribution of industry was negative at (-)0.3% points while that of services was (-)4.6% points of which (-)4% points, that is, nearly 88% was accounted for only by one sector namely, trade, transport, hotels et al.

As far as recovery from COVID-19 is concerned, there was a notably high growth rate in this sector in FY22 due to a large base effect. When we look at the profile of recovery by calculating growth in FY22 over FY20, it is clear that in the case of most states, recovery has not been complete since the FY22 magnitudes remained below those of FY20. The only states that showed marginally positive growth rates are Gujarat, Tamil Nadu and Telangana among the ML group of states **(Table 8)**. The second wave of COVID-19 largely affected 1QFY22. This also particularly affected the trade, transport, hotels et al. sector, which is indicated by a continued negative growth in the GVA of this sector in FY22 as compared to that in FY20. At the state level, this growth rate was negative for almost all states except Gujarat, Tamil Nadu and Telangana among the ML states and Himachal Pradesh, Mizoram and Sikkim among the SH states.

Table 8: State-wise real growth in GSVA of the service sector 'trade, transport, hotels et al.' (%): FY19 to FY23

State	Avg. real share (FY18 to FY22)	FY19	FY20	FY21	FY22	FY23	FY22 over FY20
AP	17.5	7.94	4.53	-21.27	17.92	12.55	-7.16
AS	16.7	-0.07	7.35	-11.32	8.16	9.11	-4.08
BH	26.9	9.68	5.41	-16.75	12.35	18.17	-6.46
CH	10.9	12.09	2.11	-19.07	21.13	13.70	-1.97
GJ	17.5	10.28	7.22	-10.49	15.64	--	3.51
HR	19.7	8.40	5.70	-19.67	18.57	10.19	-4.76
JH	20.0	12.02	8.17	-16.47	14.92	5.94	-4.00
KA	16.9	11.72	10.66	-18.98	14.24	13.81	-7.45
KL	24.4	8.24	5.35	-23.38	22.72	--	-5.97
MH	5.0	12.93	3.60	-22.35	13.29	11.62	-12.02
MP	50.4	10.55	5.20	-26.06	18.94	--	-12.06
OR	16.0	1.64	5.62	-21.34	13.44	10.59	-10.77
PB	16.8	6.73	5.82	-11.43	9.21	7.34	-3.27
RJ	17.0	11.45	2.31	-21.95	16.98	18.54	-8.70
TN	17.6	5.61	2.81	-6.11	6.91	6.81	0.39
TS	22.4	14.17	7.80	-20.51	25.85	16.10	0.05
UP	18.7	8.33	9.76	-11.53	7.82	7.15	-4.61
WB	21.2	8.12	5.36	-15.63	8.59	9.62	-8.38
ML total	**18.1**	**9.21**	**6.04**	**-17.41**	**14.37**	**--**	**-5.53**
AR	6.5	6.07	7.63	-13.12	-0.56	--	-13.61
GA	10.2	12.22	6.00	-25.10	22.47	--	-8.27
HP	12.1	2.91	6.50	-6.16	15.63	7.97	8.51
ML	19.3	6.37	7.48	-16.06	7.77	--	-9.54
MN	38.4	12.10	8.77	-17.02	7.60	2.69	-10.72
MZ	17.6	13.67	12.29	-12.82	23.66	--	7.80
NL	15.5	12.85	3.64	-12.06	-8.20	--	-19.27
SK	8.3	10.71	11.16	2.50	13.43	10.81	16.26
TR	16.5	13.74	15.53	-23.02	8.51	12.82	-16.47
UK	19.9	8.08	8.63	-18.31	7.41	3.07	-12.26
SH total	**16.4**	**8.47**	**8.55**	**-16.07**	**9.96**	**--**	-7.71
ALL India	**19.0**	**7.19**	**5.96**	**-19.72**	**13.75**	**13.99**	**-8.68**

Source (basic data): MoSPI

5.4 Fiscal deficit and debt profiles

With a view to combating the recession resulting from the economic shock of COVID-19, one major policy instrument available to the central and state governments was fiscal stimulus. At the central level, the fiscal deficit relative to GDP was expanded well above the FRBM threshold of 3%, taking it to 9.2% in FY21. States also responded by expanding their fiscal deficit to GSDP ratios, although in their case, the extent of departure from the FRBM benchmark of 3% was limited. The fiscal deficit to GSDP ratio was 4.1% for the ML states and 3.8% for the SH states.

For the aggregate of states, fiscal deficit relative to GDP was at 4.1% in FY21 **(Table 9)**. With respect to the fiscal deficit profile of individual states, the largest levels were seen in the case of Rajasthan and Andhra Pradesh at 5.8% each, followed by Kerala, Tamil Nadu and Bihar at 5.3% each. In the case of SH states, the largest fiscal deficit to GSDP ratios were for Mizoram at 7.8%, followed by Meghalaya at 7.7% and Sikkim at 6.9%. States in general have tried to reduce their fiscal deficit relative to GSDP in FY22. However, as per the revised estimates (RE), states such as Bihar, Punjab, Assam among ML states and Manipur, Nagaland, Himachal Pradesh and Tripura among SH states show high fiscal deficits relative to their GSDPs.

Table 9: State-wise fiscal deficit to GSDP ratio (%): FY19 to FY23

State	FY18	FY19	FY20	FY21	FY22 (RE)	FY23 (BE)
RJ	3.0	3.8	3.8	5.8	5.1	4.1
AP	4.1	4.1	4.3	5.8	3.4	3.7
KL	3.8	3.4	2.9	5.3	5.0	--
BH	3.1	2.6	2.1	5.3	11.8	3.4
TN	2.7	2.9	3.5	5.3	4.4	4.1
TS	3.5	3.1	3.3	5.2	4.0	4.0
MP	3.1	2.6	3.6	5.2	3.8	4.0
JH	4.4	2.0	2.6	5.0	3.1	2.9
CH	2.4	2.5	5.2	4.5	3.8	3.2
PB	2.7	3.1	3.1	4.2	5.3	3.5
KA	2.3	2.6	2.4	4.1	2.5	2.7
HR	3.0	3.1	4.2	3.9	3.1	3.0
WB	3.0	3.0	3.1	3.9	3.9	4.0
UP	1.9	2.2	-0.7	3.3	3.8	3.6
AS	3.3	1.5	4.3	3.1	9.0	3.1
MH	1.0	0.9	2.0	2.7	2.9	--
GJ	1.6	1.8	1.5	2.5	1.5	--
OR	2.1	2.0	3.5	1.8	0.4	2.8
ML total	**2.5**	**2.5**	**2.6**	**4.1**	**3.7**	**--**
MZ	1.7	1.6	4.9	7.8	6.3	--
ML	0.5	6.3	3.2	7.7	4.0	4.3
SK	1.8	2.3	6.6	6.9	4.6	3.6
MN	1.3	3.3	2.4	6.4	10.3	--
NL	1.8	4.1	4.8	4.4	6.6	--
HP	2.8	2.4	3.5	3.7	4.0	4.9
GA	2.3	2.5	2.5	3.6	8.1	--
TR	4.7	2.7	6.0	3.6	5.4	6.6
AR	1.4	7.8	3.4	3.6	2.2	--
UK	3.6	3.2	3.2	2.3	1.8	2.8
SH total	**2.8**	**3.2**	**3.7**	**3.8**	**4.2**	**5.6**
Al India	**2.4**	**2.4**	**2.6**	**4.1**	**3.8**	**3.2**

Source (basic data): RBI and MoSPI; RE: Revised Estimates and BE: Budget Estimates

As a result of the inordinate increase in the fiscal deficit to GSDP ratios, the debt-GSDP ratios also increased well above the prescribed benchmark of 20% as per the 2018 amendment of GoI's FRBM[6]. States that were significantly above this threshold and even above the threshold of 40% include Punjab, West Bengal, Rajasthan, Kerala and Bihar among ML states. Those ML states that had a debt-GSDP ratio higher than 30% but below 40% were Andhra Pradesh, Jharkhand, Uttar Pradesh, Haryana, Tamil Nadu, and Madhya Pradesh **(Table 10)**. For the ML group as a whole, the debt-GSDP ratio rose to 31.4% in FY21. It has started coming down since then. The SH states have generally shown higher debt-GSDP ratios. For the group as a whole, it rose to 38.3% in FY21.

[6] However, there are issues with this benchmark. Their benchmark debt-GSDP ratio consistent with a fiscal deficit-GSDP ratio target of 3% is 30%. For details, see Srivastava, D. K. (2022). The Future of fiscal consolidation in India, *Economic and Political Weekly*, Issue No. 13, Volume 57, 29-35.

Table 10: State-wise debt to GSDP ratio (%): FY19 to FY23

States	FY18	FY19	FY20	FY21	FY22 (RE)	FY23 (BE)
PB	41.4	41.4	42.8	47.9	46.0	45.3
WB	38.1	36.7	37.8	43.0	40.4	39.1
RJ	33.8	34.2	35.4	40.3	37.6	38.0
KL	30.9	30.9	32.9	40.3	37.8	
BH	33.5	32.0	33.3	40.1	39.9	38.1
AP	29.2	30.3	33.2	36.9	34.7	33.6
JH	28.8	27.4	30.5	36.8	32.5	32.9
UP	35.9	35.9	32.3	36.5	32.6	31.5
HR	26.2	26.8	29.9	33.2	30.1	28.9
TN	22.3	24.6	26.5	31.8	31.7	31.9
MP	23.8	23.5	22.8	30.2	28.8	28.6
TS	21.4	22.2	23.7	28.8	27.8	27.9
CH	19.5	21.1	25.0	28.8	26.3	25.8
OR	23.4	21.2	26.8	26.1	19.3	14.7
KA	18.4	19.4	21.0	25.9	24.1	23.9
AS	17.4	19.3	21.2	25.4	25.2	24.6
GJ	20.2	20.0	20.4	22.5	20.1	--
MH	18.4	17.4	18.1	20.9	19.2	--
ML total	**25.9**	**26.0**	**27.1**	**31.4**	**29.2**	**--**
NL	42.6	43.9	46.6	51.1	47.2	--
AR	31.0	33.3	40.4	46.1	41.2	--
HP	36.8	36.6	39.1	44.4	41.0	41.4
MN	37.1	38.2	38.3	43.9	39.3	--
ML	34.4	35.3	35.4	43.5	40.6	40.8
MZ	38.9	34.9	36.0	42.7	41.9	--
TR	30.6	30.3	33.6	40.2	36.5	36.4
GA	26.9	28.5	30.2	35.2	34.4	--
UK	24.1	25.8	28.2	31.8	29.4	29.2
SK	22.8	24.1	25.3	29.2	30.5	30.4
SH total	**30.1**	**31.1**	**33.5**	**38.3**	**35.8**	**--**
All India	**25.1**	**25.3**	**26.6**	**31.0**	**28.9**	**--**

Source (basic data): RBI and MoSPI; RE: Revised Estimates and BE: Budget Estimates

In the post COVID-19 recovery phase, a major challenge for policymakers is to restore levels of fiscal imbalances closer to the sustainability norms. According to a recent exercise[7] undertaken for forecasting the profile of state level fiscal deficit and debt relative to GSDP for individual states in the ML group, it is indicated that some of the states which may exceed the debt-GSDP threshold of 30% by FY26 include Haryana, Kerala, Punjab, Rajasthan, West Bengal and Andhra Pradesh and Telangana considered together[8]

[7] Srivastava et al. (2023). Forecasting state level fiscal imbalances in India. India Studies in Business and Economics. India's contemporary macroeconomic themes: Looking beyond 2020. Springer Nature (Forthcoming)

[8] The article by Srivastava et al. (2023) develops a forecasting framework for projecting state level fiscal deficit and debt relative to respective GSDPs in the medium term. For this purpose, a panel modelling approach within a dynamic multi equation model has been used. Since state wise economic aggregates are not available in adequate detail, we take advantage of the linkages between state level fiscal and economic variables and the corresponding variables at the central level or at the consolidated level of centre and states. The model consists of 10 equations where five are stochastic and five are identities. The model is estimated for India's 17 medium and large (ML) states.

5.5 Conclusions

COVID-19 had a deleterious impact on the Indian economy as a whole and on individual state economies. At the all-India level, GDP contraction at (-)5.8% in FY21 was one of the highest among large global economies. Only a few major economies suffered a contraction higher than that of India. These include Spain ((-)11.2%), UK ((-)11%), Italy ((-)9%), and South Africa ((-)6%). The states which suffered maximum economic shock in terms of contraction in their GSDP include Bihar, Haryana, Jharkhand, Kerala, Maharashtra, Telangana, and West Bengal among ML states and Manipur, Meghalaya, Mizoram, and Uttarakhand among SH states. It is also notable that from a sectoral perspective, the largest negative impact was suffered by the services sector titled 'trade, hotels, transport, storage, communication and broadcasting services'. This is a contact intensive and employment intensive sector which also has a number of MSMEs. The 1QFY24 GDP data released by the NSO in August 2023 indicated that the magnitude of GVA in this sector even in this quarter remained lower than the corresponding magnitude in 1QFY20, implying that this sector has not yet fully recovered.

One remaining task for policymakers at the central and state levels is to ensure that fiscal profiles of central and state governments become consistent again with sustainability norms. In the COVID-19 year, states had joined the central effort to combat economic recession by inducing fiscal stimulus financed by large government borrowings. As a result, they deviated substantially from the FRBM norms. The Sixteenth Finance Commission which is about to be set up may be asked to recalibrate the debt and fiscal deficit profiles of the central and state governments with a view to making these sustainable so as to lay a solid foundation for high and stable medium-term growth.

6 Money and finance: repo rate was retained at 6.5% in October 2023 monetary policy review

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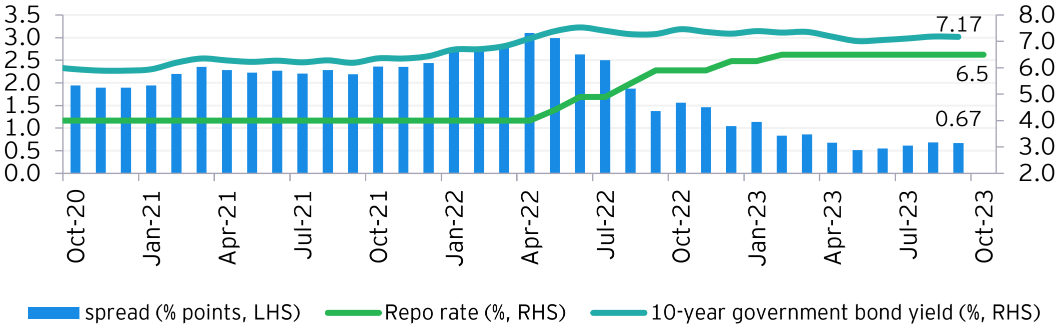
6.1 Monetary sector

Monetary policy

- In its October 2023 review of the monetary policy, the monetary policy committee retained the repo rate at 6.5% **(Chart 6)**. Consequently, the standing deposit facility (SDF) rate and the marginal standing facility (MSF) rate remained unchanged at 6.25% and 6.75% respectively. Further, the monetary policy stance was also maintained as 'withdrawal of accommodation' in order for CPI inflation to progressively align to its target.
- The RBI observed a near term moderation in CPI inflation owing to an easing of vegetable prices and reduction in LPG prices. However, it also noted that large and overlapping food price shocks pose an upside risk to headline inflation.

Chart 6: Movements in the repo rate and 10-year government bond yield



Source: Database on Indian Economy, RBI

The monetary policy committee retained the repo rate at 6.5% in its October 2023 monetary policy review.

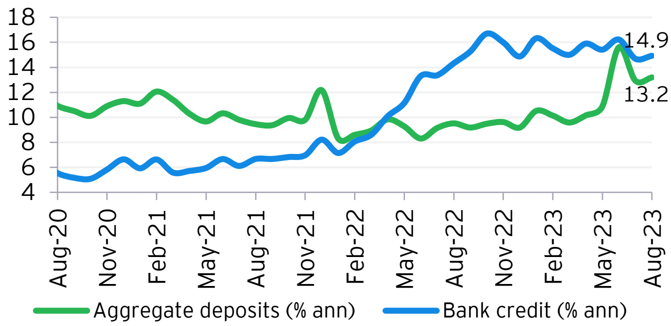
Money stock

- Broad money stock (M3) posted a stable growth of 10.8% in September 2023, similar to its level in August 2023. Time deposits, the largest component of M3, grew by 12.0% in September 2023, close to its level of 12.2% in August 2023.
- Growth in M1 increased to 7.3% in September 2023 from 6.0% in August 2023. This was due to a higher growth in both currency with the public and demand deposits[9]. Currency with the public posted a growth of 5.0% in September 2023 as compared to 4.7% in August 2023 while demand deposits grew by 10.3% in September 2023 as compared to 8.4% in August 2023.

Aggregate credit and deposits

- Gross bank credit showed a growth of 14.9% in August 2023, improving marginally from 14.7% in July 2023 **(Chart 7)**.
- Growth in non-food credit was higher at 15% in August 2023 as compared to 14.8% in July 2023 led by an improvement in the growth of credit to industry and services.
- Sectoral bank credit data indicate that growth in outstanding credit to industries increased to 6.1% in August 2023 from 5.2% in July 2023. Within the industrial sector, growth in credit to cement and cement products increased to 17% in August 2023 from 15% in July 2023. Further, growth in credit to textiles increased to 11.7% in August 2023 from 8.4% in July 2023.

Chart 7: Growth in credit and deposits



Source: Database on Indian Economy, RBI

[9] Since July 28, 2023, alongside the existing statistics on money stock, bank credit and deposits, the RBI has been publishing these statistics by including the impact of the merger of a non-bank with a bank. In our analysis, we have used the data that excludes the impact of this merger for the sake of comparability.

- Growth in credit to infrastructure remained low at 2.2% in August 2023, although improving marginally from 1.5% in July 2023. Similarly, credit to chemicals and chemical products grew by 1.2% in August 2023 as compared to a contraction of (-)0.3% in July 2023.
- Credit to services continued to show the highest growth at 20.7% in August 2023, increasing from 19.4% in July 2023.
- Growth in personal loans, a key component of retail loans, remained strong at 18.3% in August 2023 as compared to 18.4% in July 2023.
- Growth in credit to agriculture and allied activities was at 16.6% in August 2023, close to its growth of 16.8% in July 2023.
- Growth in aggregate deposits of residents increased to 13.2% in August 2023 from 12.9% in July 2023.

6.2 Financial sector

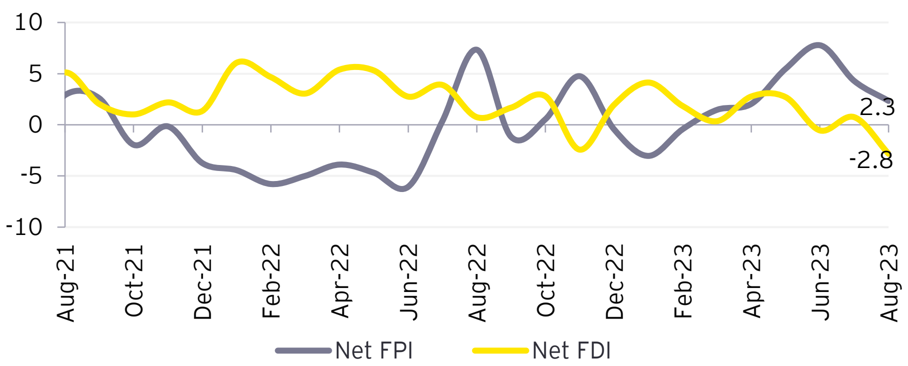
Interest rates

- As per the data released by the RBI in the first week of October 2023, the average interest rate on term deposits with a maturity period of more than one year was maintained at 6.63% for the ninth successive month in September 2023 with the actual rate ranging between 6.00% and 7.25%.
- The MCLR averaged marginally higher at 8.20% in September 2023 as compared to 8.18% in August 2023 with the actual MCLR ranging between 7.95% and 8.45% during the month.
- The average yield on 10-year government bonds eased marginally to 7.17% in September 2023 from 7.19% in August 2023 (Chart 6). In 2QFY24, benchmark bond yields averaged 7.16%, higher as compared to 7.08% in 1QFY24.
- WALR on fresh rupee loans by SCBs increased to 9.47% in August 2023, its highest level since October 2019. Thus, on a cumulated basis, WALR on fresh rupee loans showed an increase of 196 basis points between April 2022 and August 2023 as compared to a 250 basis points increase in the repo rate during the same period.

FDI and FPI

- As per the provisional data released by the RBI on 19 October 2023, overall foreign investments[10] (FIs) turned negative with outflows amounting to US$0.5 billion as compared to inflows of US$5.0 billion in July 2023.

Chart 8: Net FDI and FPI inflows (US$ billion)



Source: Database on Indian Economy, RBI

Net FDIs turned negative, registering outflows amounting to US$2.8 billion in August 2023 as compared to inflows amounting to US$0.7 billion in July 2023.

- Net FDIs turned negative, registering outflows amounting to US$2.8 billion in August 2023 as compared to inflows amounting to US$0.7 billion in July 2023 **(Chart 8)**. During April-August FY24, net FDI inflows were significantly lower at US$2.8 billion as compared to US$18.1 billion during the corresponding period of FY23.
- Gross FDI inflows increased marginally to US$4.7 billion in August 2023 from US$4.4 billion in July 2023. On a cumulated basis, gross FDI inflows amounted to US$26.7 billion during April-August FY24 as compared to US$34.2 billion during April-August FY23.
- Net FPI inflows moderated to US$2.3 billion in August 2023 from US$4.3 billion in July 2023. During April-August FY24, on a cumulated basis, net FPI inflows amounted to US$21.9 billion as compared to net outflows of US$6.9 billion during the corresponding period of FY23.

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

7 Trade and CAB: current account deficit widened to 1.1% in 1QFY24

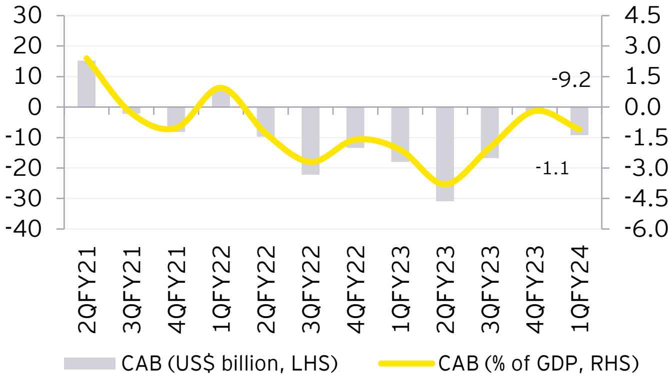
7.1 CAB: current account deficit increased to 1.1% of GDP in 1QFY24 from 0.2% in 4QFY23

- Net merchandise trade deficit widened to 6.6% of GDP in 1QFY24 from 6.0% in 4QFY23 reflecting a fall in merchandise exports to a nine quarter low of 12.2% relative to GDP. Merchandise imports also eased to 18.8% in 1QFY24 from 19.3% in 4QFY23.
- Net invisibles were lower at 5.5% of GDP in 1QFY24 as compared to 5.9% in 4QFY23, as net service exports moderated to 4.1% in 1QFY24 from 4.5% in 4QFY23. Net private transfers and net foreign income were at 2.7% and (-)1.2% of GDP respectively in 1QFY24, marginally lower as compared to their respective levels at 2.8% and (-)1.4% in 4QFY23.

Table 11: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY20	-0.9	-24.7	-157.5	132.8
FY21	0.9	23.9	-102.2	126.1
FY22	-1.2	-38.8	-189.5	150.7
FY23	-2.0	-67.1	-265.3	198.2
2QFY23	-3.8	-30.9	-78.3	47.4
3QFY23	-2.0	-16.8	-71.3	54.5
4QFY23	-0.2	-1.4	-52.6	51.2
1QFY24	-1.1	-9.2	-56.6	47.4

Chart 9: CAB



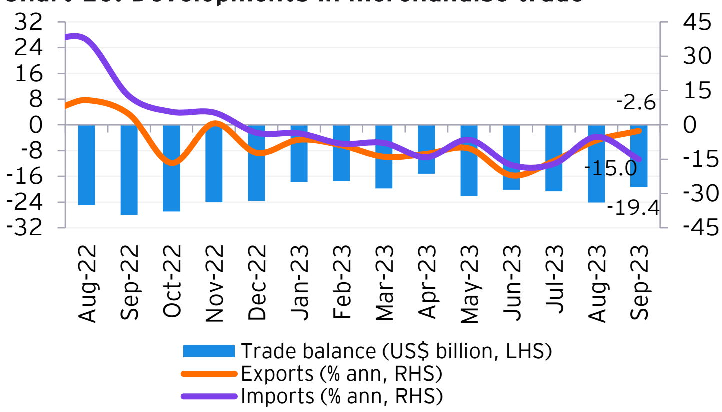
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

7.2 Merchandise trade and exchange rate

Merchandise exports and imports continued to contract for the tenth successive month by (-)2.6% and (-)15.0% respectively in September 2023 as compared to (-)6.8% and (-)5.2% in August 2023 (Chart 10).

- The acceleration in the pace of contraction in imports was led by falling imports of transport equipment and chemical materials and products which contracted by (-)53.1% and (-)12.0% respectively in September 2023.
- Contraction in oil exports and imports slowed to (-)10.6% and (-)20.3% respectively in September 2023 as compared to (-)30.6% and (-)23.8% in August 2023 partly reflecting the rising prices of global crude.
- Growth in exports excluding oil, gold and jewelry was positive for the second successive month at 1.9% in September 2023, although lower than 3.2% in August 2023. Contraction in imports of this category increased to (-)14.3% in September 2023 from (-)0.3% in August 2023.
- Chemicals exports and imports continued to contract by (-)15.3% and (-)12.9% respectively in September 2023.
- Electronic goods exports contracted for the first time since February 2021 by (-)3.7% in September 2023, whereas growth in its imports improved to 13.3% from 8.3% in August 2023.
- Growth in exports of engineering goods was positive for the second successive month at 6.8% in September 2023, marginally lower than 7.7% in August 2023.
- Out of the 30 sectors for which trade data is provided, the number of sectors showing a y-o-y decline in exports and imports increased to 18 and 20 respectively as compared to 15 each in the previous month.

Chart 10: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit fell to US$19.4 billion in September 2023 from US$24.2 billion in August 2023.
- The INR was at INR83.0 per US$ (avg.) in September 2023, close to INR82.8 per US$ (avg.) in August 2023.

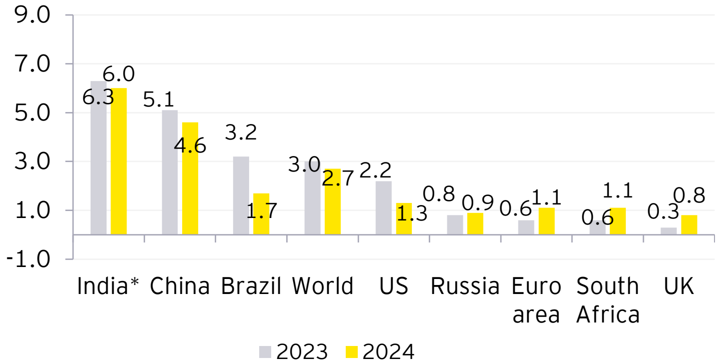
8 Global growth: OECD projected global growth at 3% in 2023 and 2.7% in 2024

8.1 Global growth

> **The OECD has projected global growth at 3% in 2023, with India's FY24 growth forecasted at 6.3%.**

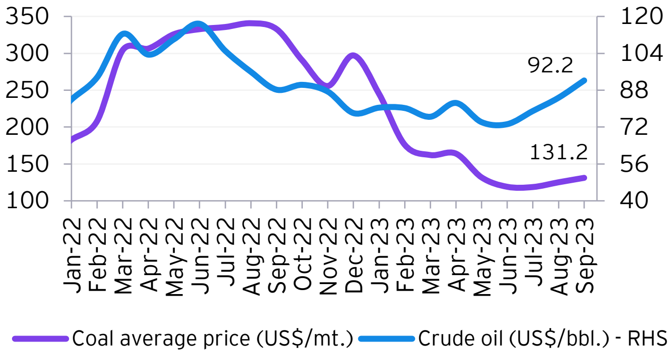
- The OECD (Interim Economic Outlook, September 2023) has projected global growth to remain sub-par at 3% in 2023, falling to 2.7% in 2024 largely owing to the macroeconomic policy tightening needed to rein in inflation particularly in AEs **(Chart 11)**.
- Growth in the US is projected to slow from 2.2% in 2023 to 1.3% in 2024, as tighter financial conditions moderate demand pressures.
- Economic activity has weakened in the Euro area and the UK in the current year, reflecting the lagged effect on incomes from the large energy price shock in 2022 and the comparative importance of bank-based finance in many European economies. GDP growth in the Euro area in 2023 and 2024 is projected to be 0.6% and 1.1% respectively, with the corresponding numbers for the UK at 0.3% and 0.8%.
- Japan is the only advanced economy in the G20 without any increase in policy interest rates so far. Improving wage growth and strong service exports are expected to help boost GDP growth to 1.8% in 2023, before moving back closer to its trend at 1% in 2024.
- While most large EMEs have followed major AEs in raising interest rates, partly to avoid unwanted depreciation of their currencies against the US dollar, China has been easing its monetary policy to address the slowdown in domestic demand growth. GDP growth in China is expected to ease to 5.1% in 2023 and 4.6% in 2024, owing to subdued domestic demand and structural stresses in property markets.
- Growth outlook is expected to remain steady for India, supported by its domestic demand drivers. GDP growth in India is projected at 6.3% in 2023 (FY24) and 6% in 2024 (FY25), the highest level among major G-20 AEs and EMEs.

Chart 11: Global growth projections (%)



Source: OECD Economic Outlook, Interim Report (September 2023)
*Data pertains to fiscal years FY24 and FY25 respectively

Chart 12: Global crude and coal prices



Source (basic data): World Bank Pink Sheets, October 2023

8.2 Global energy prices: global crude price rose to a 13-month high of US$92.2/bbl. in September 2023

- Average global crude price[11] increased to a 13-month high level of US$92.2/bbl. in September 2023 from US$84.7/bbl. in August 2023 driven by extended production cuts by Saudi Arabia and Russia and rising demand from China[12] **(Chart 12)**. On a quarterly basis, the global crude price averaged US$85.3/bbl. in 2QFY24, its joint highest level since 2QFY23.
- Average global coal price[13] also increased to US$131.2/mt. in September 2023 from US$125.1/mt. in August 2023. However, in 2QFY24, global coal price averaged at a 9-quarter low of US$125/mt.

[11] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[12] https://www.theguardian.com/business/2023/sep/17/global-inflation-fears-as-oil-price-rises-towards-100-a-barrel
[13] Simple average of Australian and South African coal prices.

9 Index of Aggregate Demand (IAD): grew by 9.4% in August 2023

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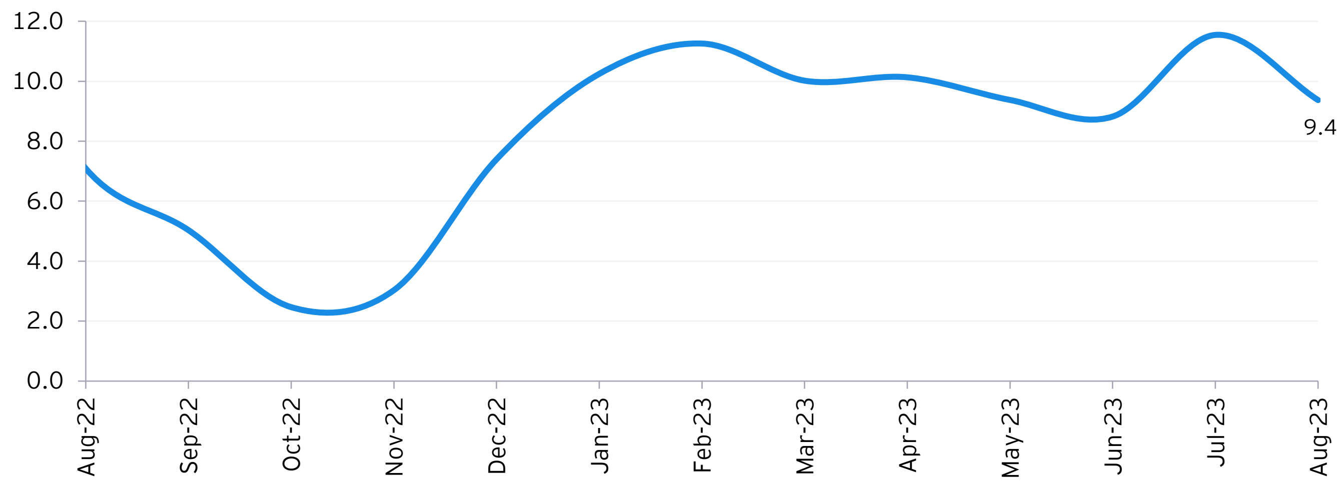
9.1 Growth in IAD eased to 9.4% in August 2023 from 11.5% in July 2023

- Although growth in IAD[14] remained strong at 9.4% in August 2023, it was lower as compared to 11.6% in July 2023, partly owing to an unfavorable base effect **(Chart 13 and Table 12).** Demand conditions continued to remain buoyant across the key sectors of the economy.
- In particular, demand conditions in the manufacturing sector improved. This is reflected in the manufacturing PMI which increased to 58.6 in August 2023 from 57.7 in July 2023.
- Demand conditions in the services sector continued to remain healthy, as reflected by a sustained expansion in the services PMI to 60.1 in August 2023.
- Demand conditions in the agricultural sector also stayed strong, as indicated by agricultural credit offtake, which continued to post a double-digit growth of 16.5% (sa)[15] in August 2023.

Chart 13: Growth in IAD (y-o-y)



Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates
Note: From this issue onwards, we will be using seasonally adjusted data for constructing the IAD.

Table 12: IAD

Month	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
IAD	157.5	155.1	158.0	158.0	164.0	164.7	164.5	167.6	166.7
Growth (% y-o-y)	7.4	10.2	11.3	10.0	10.1	9.4	8.8	11.5	9.4
Growth in agr. Credit	11.4	14.5	15.1	15.6	16.7	16.0	19.7	16.7	16.5
Mfg. PMI**	7.8	5.4	5.3	6.4	7.2	8.7	7.8	7.7	8.6
Ser. PMI**	8.5	7.2	9.4	7.8	12.0	11.2	8.5	12.3	10.1

**Values here indicate deviation from the benchmark value of 50. A positive value indicates expansion in demand while a negative value implies contraction in demand; PMI for Mfg. and Serv. are seasonally adjusted.

Source (basic data): S&P Global, RBI and EY estimates

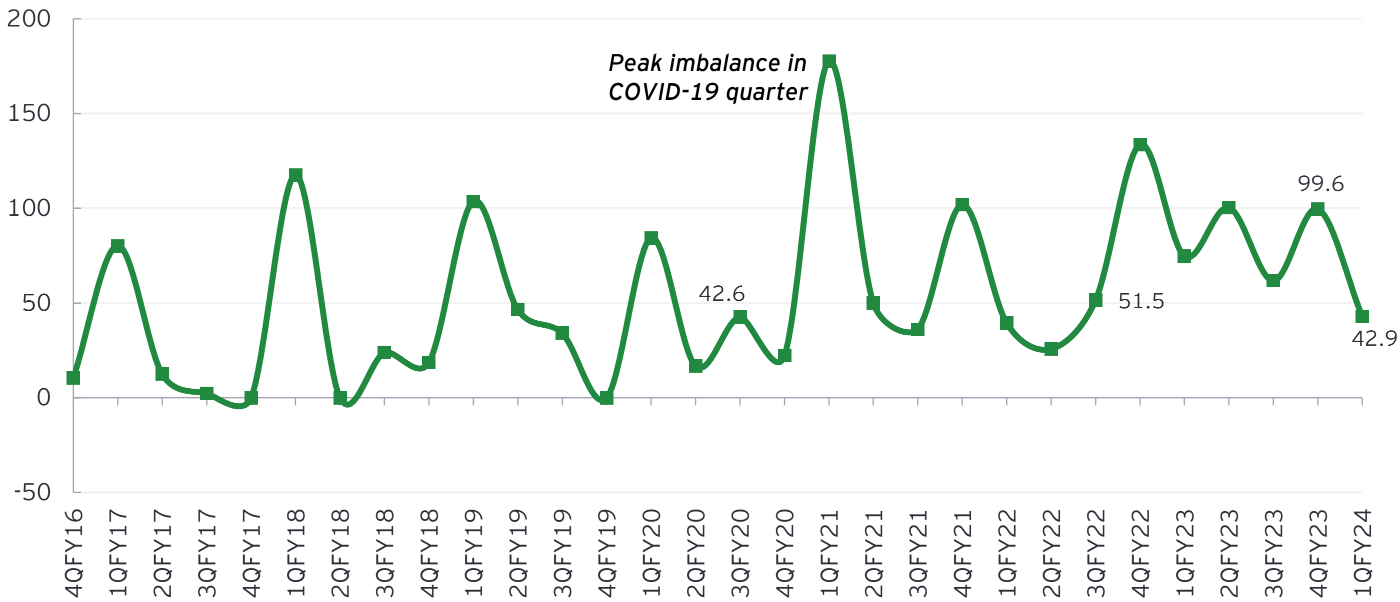
[14] EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa) capture the demand conditions in theagricultural sector
[15] We have constructed a seasonally adjusted series for agricultural credit using Census X-13 technique in E-views (version 12) and the growth of this SA agricultural credit series is used in the IAD series.

10 Index of Macro Imbalance (IMI): pointed to an improvement in macro balance in 1QFY24

10.1 IMI fell sharply to 42.9 in 1QFY24 from 99.6 in 4QFY23

- IMI[16] pointed to a significant improvement in macro balance in 1QFY24 with the index value falling sharply to 42.9 from 99.6 in 4QFY23 **(Chart 14)** as the current account deficit remained below its benchmark value.
- Current account deficit at 1.1% of GDP in 1QFY24 was below its benchmark value of 1.3%, thereby not contributing to macro imbalance in 1QFY24.
- CPI inflation averaged 4.6% in 1QFY24, falling from 6.2% in 4QFY23. In 1QFY24, it was higher than its benchmark value of 4%. Thus, CPI inflation contributed to the macro imbalance during the quarter.
- GoI's fiscal deficit averaged 6.3% of GDP in 1QFY24 and was significantly higher than the benchmark value of 3% of GDP. It therefore contributed the maximum to the macro imbalance in 1QFY24.

Chart 14: IMI (quarterly)



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

[16] The IMI is obtained by adding the percentage deviation of inflation rate (based on new CPI 2012 = 100), fiscal deficit (as a percentage of GDP) and current account deficit (as a percentage of GDP) from their respective benchmarks of 4%, 3% of GDP and (-)1.3% of GDP (*Rangarajan 2016*). All three components of IMI have been given equal weightage (33.33%). The state of balance is judged by a value of 0. An index value greater than zero indicates the presence of an imbalance in the economy. While considering the percentage deviation of each of the indicators from its selected norm, only the positive deviations are taken. Negative deviations are equated to zero to ensure that the negative and positive deviations across indices are not canceled out.
Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu, (http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-per-cent/article8596824.ece, Accessed on 17 May 2016.)

11 Capturing macro-fiscal trends: data appendix

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

Fiscal year/ quarter/ month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/ quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.5	-7.8	-9.6	-0.5	-6.4	FY21	50.2	41.7
FY22	11.4	12.2	11.7	8.0	10.4	FY22	54.0	52.3
FY23	5.2	5.8	4.6	8.9	7.7	FY23	55.6	57.3
2QFY23	1.6	-0.9	1.5	4.9	5.7	3QFY23	56.3	56.7
3QFY23	2.8	7.6	1.4	7.9	4.9	4QFY23	55.7	58.1
4QFY23	4.5	6.9	3.9	6.0	7.0	1QFY24	57.9	60.6
1QFY24	4.7	6.4	5.0	1.3	6.0	2QFY24	57.9	61.1
May-23	5.7	6.4	6.3	0.9	5.2	Jun-23	57.8	58.5
Jun-23	3.8	7.6	3.1	4.2	8.3	Jul-23	57.7	62.3
Jul-23	6.0	10.7	5.0	8.0	8.4	Aug-23	58.6	60.1
Aug-23	10.3	12.3	9.3	15.3	12.1	Sep-23	57.5	61.0

Source: MoSPI, Office of the Economic Adviser, Ministry of Commerce and Industry and S&P Global

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				
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	4.0	2.8	-8.0	2.2
FY22	5.5	3.8	11.3	6.1	13.0	6.8	11.1	32.5	11.0
FY23	6.7	6.6	10.3	6.2	9.4	6.3	5.6	28.1	5.8
3QFY23	6.1	5.3	10.5	6.2	6.6	4.4	4.5	20.2	4.5
4QFY23	6.2	5.6	9.8	6.2	3.3	5.3	1.7	14.8	1.7
1QFY24	4.6	3.8	4.7	5.2	-2.9	-0.8	-2.7	-7.1	-2.0
2QFY24	6.4	9.3	2.6	4.8	-0.7	5.2	-2.1	-7.5	-1.9
Jun-23	4.9	4.5	3.9	5.2	-4.2	-1.3	-2.8	-12.5	-2.1
Jul-23	7.4	11.5	3.7	5.0	-1.2	8.3	-2.6	-12.7	-2.3
Aug-23	6.8	9.9	4.3	4.9	-0.5	5.6	-2.4	-6.0	-2.1
Sep-23	5.0	6.6	-0.1	4.6	-0.3	1.5	-1.3	-3.3	-1.2

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.7	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.3
FY22 (CGA)	33.8	55.7	43.5	49.6	20.1	6.7	4.4
FY23 (CGA)	12.7	16.0	20.0	17.9	7.2	6.4	3.9
FY24 (BE over FY 23 RE)	10.4	10.5	10.5	10.5	10.4	5.9	2.9
	Cumulated growth (%, y-o-y)					% of budgeted target	
Jan-23	12.6	14.8	18.9	16.8	8.6	67.8$	61.1$
Feb-23	12.0	13.5	19.1	16.2	8.1	82.8$	83.1$
Mar-23	12.7	16.0	20.0	17.9	7.2	98.7$	96.3$
Apr-23	-6.1	-32.0	7.8	-9.2	0.0	7.5	6.4
May-23	-1.6	-28.0	12.6	-4.0	1.6	11.8	5.2
Jun-23	3.3	-13.9	11.0	-1.0	9.0	25.3	21.1
Jul-23	2.8	-10.4	6.4	-1.1	7.8	33.9	34.7
Aug-23	16.5	15.1	35.7	26.6	7.8	36.0	32.7

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.
$as a proportion of revised estimate

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (GoI)
	INR crore				
FY23 (RE)	7,24,000	-	-	1,30,000	8,54,000
FY24 (BE)	8,11,600	-	-	1,45,000	9,56,600
	Monthly tax collection (INR crore)				
Jan-23	65,171	238	-1,671	10,427	74,165
Feb-23	60,075	394	-2,288	11,801	69,982
Mar-23	61,131	923	8,590	10,227	80,871
Apr-23	80,902	308	-9,304	11,861	83,767
May-23	60,667	263	951	11,241	73,122
Jun-23	64,810	343	1,605	11,822	78,580
Jul-23	67,234	250	-2,396	11,392	76,480
Aug-23	62,720	306	6,250	11,430	80,706

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

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

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Nov-22	5.90	FY20	9.5	9.9	43.0	1.4	FY20	11.2	8.9	6.83	475.6
Dec-22	6.25	FY21	6.0	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Jan-23	6.25	FY22	6.7	9.7	38.6	-16.8	FY22	10.6	8.7	6.40	617.6
Feb-23	6.50	FY23	14.5	9.5	28.7	-5.2	FY23	6.8	9.0	7.35	578.4
Mar-23	6.50	2QFY23	14.3	9.3	6.3	6.5	3QFY23	7.6	8.7	7.37	562.9
Apr-23	6.50	3QFY23	15.8	9.4	2.3	4.9	4QFY23	6.9	9.0	7.36	578.4
May-23	6.50	4QFY23	15.6	10.1	6.3	-2.0	1QFY24	7.5	10.6	7.08	595.1
Jun-23	6.50	1QFY24	15.9	12.2	4.9	15.3	2QFY24	7.3	10.8	7.16	586.9
Jul-23	6.50	May-23	15.4	10.9	2.7	5.5	Jun-23	7.5	10.6	7.05	595.1
Aug-23	6.50	Jun-23	16.2	15.6	-0.6	7.8	Jul-23	7.2	10.6	7.11	603.9
Sep-23	6.50	Jul-23	14.7	12.9	0.7	4.3	Aug-23	6.0	10.8	7.19	594.9
Oct-23	6.50	Aug-23	14.9	13.2	-2.8	2.3	Sep-23	7.3	10.8	7.17	586.9

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2013	3.4	1.4	5.0
FY21	-7.0	-16.6	-101.4	74.2	43.8	67.2	2014	3.5	2.0	4.7
FY22	44.7	56.0	-191.0	74.5	78.4	164.8	2015	3.4	2.3	4.3
FY23	0.9	15.5	-282.0	80.4	92.7	283.4	2016	3.2	1.8	4.4
3QFY23	-9.9	2.3	-74.6	82.2	85.3	281.1	2017	3.8	2.5	4.8
4QFY23	-10.1	-6.7	-54.9	82.3	79.0	194.4	2018	3.6	2.3	4.6
1QFY24	-15.2	-12.8	-57.5	82.2	76.6	138.3	2019	2.8	1.7	3.6
2QFY24	-8.6	-12.5	-64.2	83.0	85.3	125.0	2020	-2.8	-4.2	-1.8
Jun-23	-22.0	-17.5	-20.1	82.2	73.3	119.0	2021	6.3	5.6	6.9
Jul-23	-15.9	-17.0	-20.7	83.2	79.0	118.7	2022	3.5	2.6	4.1
Aug-23	-6.8	-5.2	-24.2	82.8	84.7	125.1	2023	3.0	1.5	4.0
Sep-23	-2.6	-15.0	-19.4	83.0	92.2	131.2	2024	2.9	1.4	4.0

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook (WEO) October 2023

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

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY20 (3rd RE)	3.9	6.2	-3.0	-3.0	2.3	1.6	6.0	6.8	6.6	3.0
FY21 (2nd RE) *	-4.2	4.1	-8.6	2.9	-4.3	-5.7	-19.7	2.1	-7.6	3.3
FY22 (1st RE)*	8.8	3.5	7.1	11.1	9.9	14.8	13.8	4.7	9.7	8.3
FY23 (PE)$	7.0	4.0	4.6	1.3	9.0	10.0	14.0	7.1	7.2	7.9
1QFY22	20.2	3.4	12.2	51.5	16.3	77.0	41.4	2.8	6.5	6.1
2QFY22	9.3	4.8	10.6	6.6	10.8	10.8	13.1	7.0	16.8	8.0
3QFY22	4.7	2.3	5.4	1.3	6.0	0.2	9.2	4.3	10.6	9.4
4QFY22	3.9	4.1	2.3	0.6	6.7	4.9	5.0	4.6	5.2	9.7
1QFY23	11.9	2.4	9.5	6.1	14.9	16.0	25.7	8.5	21.3	12.5
2QFY23	5.4	2.5	-0.1	-3.8	6.0	5.7	15.6	7.1	5.6	10.1
3QFY23	4.7	4.7	4.1	-1.4	8.2	8.3	9.6	5.7	2.0	6.0
4QFY23	6.5	5.5	4.3	4.5	6.9	10.4	9.1	7.1	3.1	4.0
1QFY24	7.8	3.5	5.8	4.7	2.9	7.9	9.2	12.2	7.9	0.2

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY21 and FY22 are based on NAS released by the MoSPI on 28 February 2023 and the subsequent data file released on 1 March 2023.
$Growth numbers for FY23 are based on the provisional estimates released by MoSPI on 31 May 2023. 1QFY24 data was released on 31 August 2023.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY20 (3rd RE)	3.9	5.2	3.9	1.1	-3.4	-0.8	2.4
FY21 (2nd RE) *	-5.8	-5.2	-0.9	-7.3	-9.1	-13.7	4.7
FY22 (1st RE)*	9.1	11.2	6.6	14.6	29.3	21.8	8.5
FY23 (PE)$	7.2	7.5	0.1	11.4	13.6	17.1	8.2
1QFY22	21.6	17.6	-2.1	61.0	46.1	44.8	8.6
2QFY22	9.1	14.2	11.7	12.4	25.1	26.6	8.5
3QFY22	5.2	10.8	5.8	1.2	27.8	19.7	8.7
4QFY22	4.0	4.7	11.8	4.9	22.4	6.7	8.7
1QFY23	13.1	19.8	1.8	20.4	19.6	33.6	12.9
2QFY23	6.2	8.3	-4.1	9.6	12.2	23.1	10.3
3QFY23	4.5	2.2	-0.6	8.0	11.1	10.7	6.6
4QFY23	6.1	2.8	2.3	8.9	11.9	4.9	4.1
1QFY24	7.8	6.0	-0.7	8.0	-7.7	10.1	0.2

Source: National Accounts Statistics, MoSPI
* Growth numbers for FY21 and FY22 are based on NAS released by the MoSPI on 28 February 2023 and the subsequent data file released on 1 March 2023. $Growth numbers for FY23 are based on the provisional estimates released by MoSPI on 31 May 2023. 1QFY24 data was released on 31 August 2023.

List of abbreviations

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

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

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