ENTER

Economy Watch

Monitoring India's macro-fiscal performance

September 2022

Building a better working world

Contents

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Highlights

1. Real GDP grew by 13.5% in 1QFY23 led by a strong favorable base effect. However, when compared to its pre-COVID level in 1QFY20, real GDP grew only by 3.8%.

2. In August 2022, PMI indicated continued growth momentum in manufacturing and a strong expansion in services with their respective levels at 56.2 and 57.2.

3. IIP growth moderated to a four-month low of 2.4% in July 2022.

4. CPI inflation increased to 7.0% in August 2022 from 6.7% in July 2022 due to higher food inflation. WPI inflation also remained elevated at 12.4% in August 2022 although easing marginally from 13.9% in July 2022.

5. Center's gross tax revenues (GTR) grew by 24.9% during April-July FY23 with growth in direct taxes at 42.7% and that in indirect taxes at 10.8%.

6. During April-July FY23, center's total expenditure grew by 12.2% with growth in revenue expenditure at 4.8% and that in capital expenditure at 62.5%.

7. During April-July FY23, center's fiscal and revenue deficits relative to BE stood at 20.5% and 16.4% respectively, their lowest levels considering the corresponding period from FY01 to FY22.

8. Bank credit grew by 14.5% in July 2022, its fastest pace since February 2019.

9. Merchandise exports growth fell to an 18-month low of 1.6% in August 2022 whereas merchandise imports growth remained elevated at 37.3%.

10. Merchandise trade deficit eased marginally to US$(-)28 billion in August 2022 from a historic high of US$(-)30 billion in July 2022.

11. Net FDI inflows increased to a six-month high of US$5.2 billion in July 2022 while net FPIs turned positive for the first time since September 2021, registering inflows amounting to US$0.4 billion during the month.

12. After remaining above US$100/bbl. for five consecutive months from March to July 2022, average global crude price eased to US$96/bbl. in August 2022.

Foreword

Is India on course for a 7% plus growth in FY23?

NSO's real GDP growth estimate of 13.5% for 1QFY23 is 2.7% points lower than the RBI's earlier assessment of 16.2%. Assuming that the RBI's estimates of the remaining three quarters of the fiscal year at 6.2% in 2Q, 4.1% in 3Q, and 4% in 4Q are realized, the annual GDP growth using NSO's 1QFY23 estimate comes out to be 6.7%. Compared to the pre-COVID GDP level of INR35.5 lakh crore in 1QFY20, real GDP growth was only 3.8%. This shows that while the Indian economy is now fully recovered from the COVID shock, restoring a normal growth of 6.5 to 7% would require tangible policy support.

On the output side, sectoral GVA growth indicates that the only sector which is still below its FY20 level is trade, hotels, transport et. al. in spite of its high growth of 25.7% in 1QFY23. This contact-intensive sector had suffered the most during COVID. As normalization proceeds, this sector would contribute relatively more to the average GVA growth. Manufacturing showed a growth of 7% in 1QFY23 over its corresponding level in 1QFY20 although as compared to 1QFY22, its growth was only 4.8%. Thus, manufacturing is showing normalization of growth. Overall, 1QFY23 GVA growth has been led by public administration, defence, and other services with a growth of 26.3%. This may have been driven by central government's frontloading of capital expenditure. On the demand side, the magnitude of all major segments in 1QFY23 was higher than their corresponding levels in 1QFY20. Recovery in domestic demand was reflected in the growth rates of private final consumption expenditure (PFCE) at 25.9% and gross fixed capital formation (GFCF) at 20.1% over the corresponding quarter of the previous year. The contribution of net exports to real GDP growth was negative at (-)6.2% points in 1QFY23 since imports growth continued to exceed exports growth by a tangible margin.

Driven largely by domestic causes especially due to uneven monsoon and a heatwave having an adverse impact on food prices, overall CPI inflation has risen back to 7% in August 2022, the level that was seen in May and June 2022. While the underlying pressures on inflation have persisted due to continuing high levels of global crude prices and supply side constraints, inter-month volatility is due to domestic developments. Household budgets would be adversely affected especially the lower income segments because of the relatively higher share of food and related items in their consumption baskets. The WPI inflation also remained elevated at 12.4% in August 2022 although easing marginally from 13.9% in July 2022 led by lower inflation in fuel and manufactured basic metals.

The US Fed, in its monetary policy review on 20-21 September 2022, raised the target range for the federal funds rate by 75 basis points to 3-3.25%, implying a cumulative increase of 300 basis points since March 2022. The US Fed signaled further increases in the target range, prioritizing a return to its long-term inflation objective of 2%[1]. In line with this, the RBI may now consider increasing the repo rate in its forthcoming monetary policy review.

High frequency indicators for July and August 2022 point to an ongoing recovery. Headline manufacturing PMI was at 56.2 in August 2022 signaling continued growth momentum in the manufacturing sector. PMI services also increased to 57.2 in August 2022 from 55.5 in July 2022. As per the data released by Federation of Automobile Dealers Associations (FADA), all-India retail sales of vehicles showed a y-o-y growth of 8.3% in August 2022, a significant improvement as compared to a contraction of (-)7.8% in July 2022. This rebound was led by a pickup in the sales of two wheelers and passenger vehicle segments which showed growth rates of 8.5% and 6.5% respectively. Outstanding bank credit by SCBs grew by 14.5% in July 2022, its fastest pace since February 2019, led by higher credit growth in all the key sectors of the economy. Gross GST collections have remained high at INR1.43 lakh crore in August 2022 although a good part of this may be due to the higher inflation levels of both WPI and CPI.

We consider that a real GDP growth of 7% plus in FY23 is still possible with adequate policy support which ensures continued growth momentum in the trade, hotels, transport et. al. sector supplemented by augmenting government capital expenditure on the demand side. This may be feasible given high growth in central tax revenues which increased by nearly 25% in the first four months of FY23. This was facilitated by the excess of nominal GDP growth at 26.7% in 1QFY23 over the real GDP growth of 13.5%. Given current inflationary trends, we expect that Center's gross tax revenues may exceed the budget estimates by a margin of nearly INR3.6 lakh crore in FY23. The Asian Development Bank (ADB), in its September 2022 Asian Development Outlook Update[2], has projected India's growth at 7% for FY23, increasing to 7.2% in FY24. Growth for developing Asia has been forecasted at 4.3% in 2022 and 4.9% in 2023 while for China, the corresponding projections stand at 3.3% and 4.5%. The ADB observed that in more than three decades, this has been the first time that the rest of developing Asia is expected to grow faster than China.

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[1] https://www.federalreserve.gov/newsevents/pressreleases/monetary20220921a.htm
[2] https://www.adb.org/sites/default/files/publication/825166/ado2022-update.pdf

1. Growth: real GDP posted a double-digit growth of 13.5% in 1QFY23

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A. GDP and GVA: showed strong growth in 1QFY23 led by favorable base effects

- According to the National Statistical Office (NSO)'s national accounts data for 1QFY23 released on 31 August 2022, real GDP grew by 13.5% led by a strong favorable base effect **(Chart 1)**. However, when compared to its level in the pre-COVID period of 1QFY20, real GDP grew only by 3.8%.
- Among the domestic demand components, growth in private final consumption expenditure (PFCE) was the highest at 25.9%, followed by that in gross fixed capital formation (GFCF) at 20.1% in 1QFY23 over their levels in 1QFY22 **(Table 1)**. Growth in government final consumption expenditure (GFCE) was the lowest at 1.3% in 1QFY23.
- When compared to their respective levels in 1QFY20, PFCE, GFCF and GFCE showed strong growth rates of 9.9%, 6.7% and 9.6% respectively in 1QFY23.
- Contribution of net exports to real GDP growth was sharply negative at (-)6.2% points in 1QFY23, its lowest under the 2011-12 base series, due to significantly higher growth in imports relative to that in exports.
- On the output side, real GVA grew by 12.7% in 1QFY23 over its corresponding quarter in FY22, supported by a favorable base effect. When compared to its level in 1QFY20, real GVA showed a growth of 4.7%.
- Among the eight GVA sectors, public administration, defence et.al. sector showed the highest growth at 26.3% in 1QFY23 over its level in 1QFY22. This was followed by trade, hotels, transport et.al sector that grew by 25.7% and construction sector that showed a growth of 16.8%.
- Manufacturing sector which accounted for about 18% of real GVA in 1QFY23, showed a low growth of 4.8% in this quarter over 1QFY22.

Chart 1: Real GDP growth (%, y-o-y)

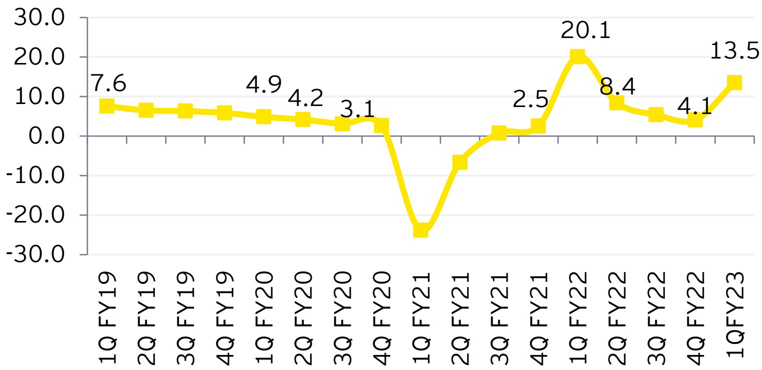


Table 1: Real GDP and GVA growth (%, y-o-y)

Agg. demand	3Q FY21	4Q FY21	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	1QFY23 over 1QFY20
PFCE	0.6	6.5	14.4	10.5	7.4	1.8	25.9	9.9
GFCE	-0.3	29.0	-4.8	8.9	3.0	4.8	1.3	9.6
GFCF	-0.6	10.1	62.5	14.6	2.1	5.1	20.1	6.7
EXP	-8.6	3.7	40.8	20.7	23.1	16.9	14.7	20.2
IMP	-5.2	11.7	61.1	41.0	33.6	18.0	37.2	30.3
GDP	**0.7**	**2.5**	**20.1**	**8.4**	**5.4**	**4.1**	**13.5**	**3.8**
Output sectors								
Agr.	4.1	2.8	2.2	3.2	2.5	4.1	4.5	9.9
Ming.	-5.3	-3.9	18.0	14.5	9.2	6.7	6.5	3.3
Mfg.	8.4	15.2	49.0	5.6	0.3	-0.2	4.8	7.0
Elec.	1.5	3.2	13.8	8.5	3.7	4.5	14.7	11.2
Cons.	6.6	18.3	71.3	8.1	-2.8	2.0	16.8	1.2
Trade.	-10.1	-3.4	34.3	9.6	6.3	5.3	25.7	-15.5
Fin.	10.3	8.8	2.3	6.1	4.2	4.3	9.2	10.5
Publ.	-2.9	1.7	6.2	19.4	16.7	7.7	26.3	18.9
GVA	**2.1**	**5.7**	**18.1**	**8.3**	**4.7**	**3.9**	**12.7**	**4.7**

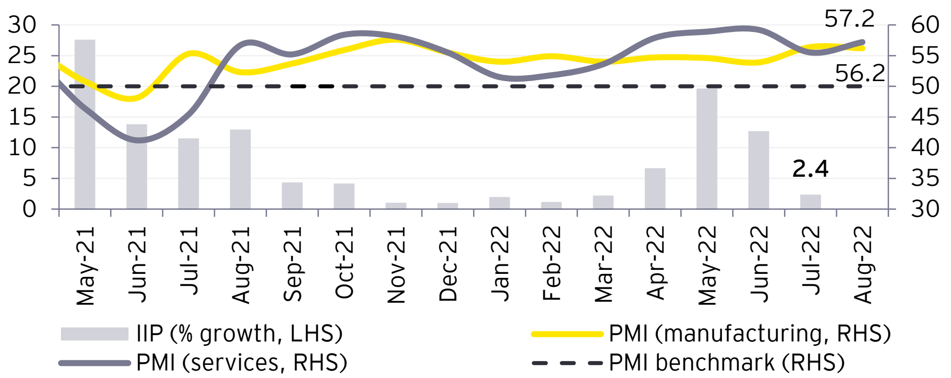
Source: MoSPI, GoI

- Agriculture and allied sectors maintained its growth momentum by posting a higher growth of 4.5% in 1QFY23 as compared to 4.1% in 4QFY22.
- Trade, hotels, transport et.al. sector is the only sector which is yet to recover from the impact of the COVID pandemic. The magnitude of trade, hotels, transport et.al sector in real terms at INR5.6 lakh crore in 1QFY23 was INR(-)1.02 lakh crore lower than its level in 1QFY20, the pre-COVID year. The construction sector also posted a low growth of 1.2% in 1QFY23 over its level in 1QFY20.
- Nominal GDP posted a growth of 26.7% in 1QFY23 as implicit price deflator (IPD)-based inflation increased to a historic high (under the 2011-12 series) of 11.6%.

B. PMI: signaled continuing growth momentum in manufacturing and a strong expansion in services in August 2022

- Headline manufacturing PMI (seasonally adjusted (sa)) at 56.2 in August 2022 was little-changed from an eight-month high of 56.4 in July 2022, signaling continued growth momentum in the manufacturing sector **(Chart 2).**
- Indicating a rebound in growth, PMI services increased to 57.2 in August 2022 from 55.5 in July 2022. The upturn was attributed to stronger gains in new business and ongoing improvement in demand.
- Owing to quicker increases in private sector output and sales, the composite PMI Output Index (sa) increased to 58.2 in August 2022 from 56.6 in July 2022.

Chart 2: PMI and IIP growth



In August 2022, PMI indicated continued growth momentum in manufacturing and a strong expansion in services with their respective levels at 56.2 and 57.2.

Source: MoSPI and S&P Global.
Note: IIP growth for April 2021 is not shown in the chart as it was inordinately high at 133.5% due to a favorable base effect.

C. IIP: growth slowed to 2.4% in July 2022

- As per the quick estimates of IIP released by the MoSPI on 12 September 2022, IIP growth moderated to a four-month low of 2.4% in July 2022 as base effects waned **(Chart 2)**.
- Among the sub industries, growth in the output of manufacturing was the highest at 3.2% in July 2022 although falling sharply from 13.0% in June 2022. Growth in the output of electricity also moderated sharply to 2.3% in July 2022 from 16.4% in June 2022.
- Mining output growth, which is usually volatile, was negative at (-)3.3% in July 2022 as compared to 7.8% in June 2022.
- As per the use-based classification of industries, output of capital goods showed the highest growth at 5.8% followed by that of infrastructure/construction goods at 3.9% in July 2022. In June 2022, both these sectors posted strong growth rates of 29.1% and 9.3% respectively led by favorable base effects.

IIP growth moderated to a four-month low of 2.4% in July 2022.

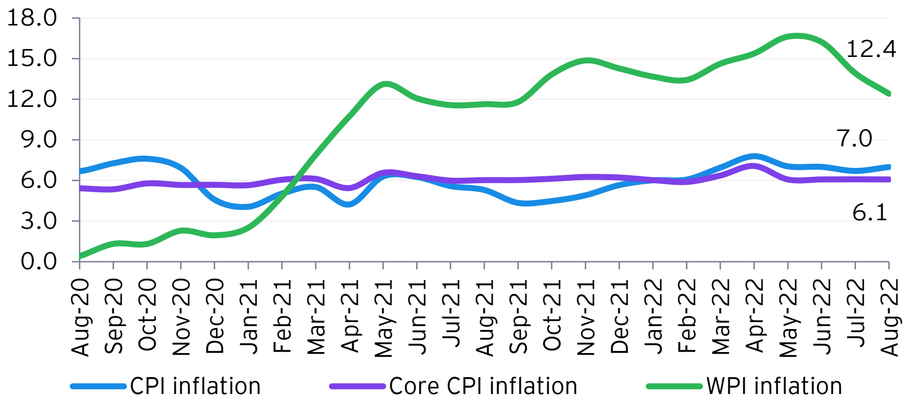
- Growth in the output of consumer durables sharply fell to 2.4% in July 2022 as compared to 25.1% in June 2022. Output of consumer non-durables showed a contraction of (-)2.0% in July 2022 as compared to a growth of 3.0% in June 2022.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) moderated sharply to 4.5% in July 2022 from 13.2% (revised) in June 2022. Six out of eight sub-industries showed a positive growth in July 2022. Among these, output growth in coal was the highest at 11.4% followed by petroleum refinery products and fertilizers at 6.2% each. Growth in the output of electricity and cement was relatively lower at 2.2% and 2.1% respectively in July 2022. The remaining two sub-industries namely crude oil and natural gas showed a contraction of (-)3.8% and (-)0.3% respectively during the month.

2. Inflation: CPI inflation increased to 7% in August 2022

CPI inflation increased to 7.0% in August 2022 from 6.7% in July 2022 due to higher food inflation (Chart 3).

- Consumer food inflation increased to 7.6% in August 2022 from 6.7% in July 2022 led by higher inflation in vegetables which increased to 13.2% from 10.9% during this period due to the adverse impact of an erratic monsoon accompanied by a heatwave. Inflation in spices was at a 104-month high of 14.9%, that in fruits at a 13-month high of 7.4% and in pulses, at a five-month high of 2.5% in August 2022.
- With consumer food inflation trending upwards, household budgets would be adversely affected especially the lower income segments because of the relatively higher share of food and related items in their consumption baskets.
- Inflation in transportation and communication services eased to a 31-month low of 5.2% in August 2022. Inflation in petrol used for conveyance turned negative for the first time in 33 months at (-)0.8% in August 2022 whereas prices of diesel contracted for the second successive month by (-)2.8% in August 2022 partly due to base effect.
- Fuel and light-based inflation remained elevated at 10.8% in August 2022 as compared to 11.8% in July 2022 owing to significantly higher inflation in kerosene and LPG.
- Inflation in clothing and footwear remained stable at a 109-month high of 9.9% in August 2022.
- Core CPI inflation[3] remained stable for the fourth successive month at 6.1% in August 2022.

Chart 3: Inflation (y-o-y, in %)



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

CPI inflation fastened to 7.0% in August 2022 led by an uneven monsoon and a heatwave that adversely impacted food inflation.

WPI inflation remained elevated at 12.4% in August 2022, although easing from 13.9% in July 2022 led by lower inflation in fuel and manufactured basic metals.

- WPI based inflation in fuel and power moderated to a five-month low of 33.7% in August 2022 as inflation in petrol fell to a 17-month low of 38.7% and that in diesel to a five-month low of 60.1%. Inflation in crude fell to an 18-month low of 50.6% in August 2022 possibly reflecting the concessional price of crude procured from Russia.
- Inflation in manufactured products eased to an 18-month low of 7.5% in August 2022, mainly reflecting moderation in inflation in manufactured metals and food products which fell to 21-month low and 19-month low levels of 9.3% and 5.6% respectively. This was partly aided by a favorable base effect.
- Inflation in food articles increased to 12.4% in August 2022 from 10.8% in July 2022 due to higher inflation in fruits and vegetables which increased to 26.2% from 22.7% during the same period.
- Core WPI inflation eased to a 17-month low of 7.9% in August 2022 mainly due to lower inflation in manufactured basic metals.

[3] 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: center's gross tax revenues grew by 24.9% during April-July FY23

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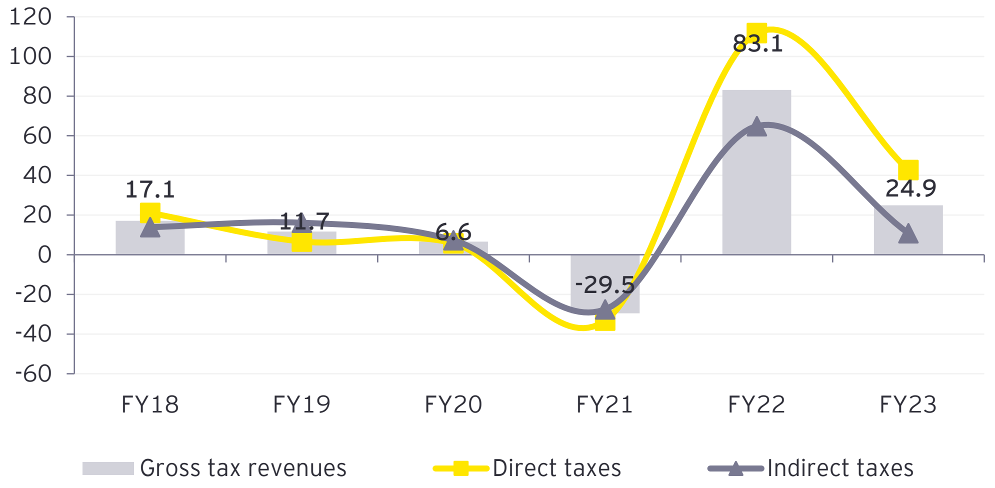
A. Tax and non-tax revenues

- As per the CGA, the center's GTR[b] grew by 24.9% during April-July FY23. GTR had shown a high growth of 83.1% during the corresponding period of FY22 reflecting a favorable base effect **(Chart 4).**
- Center's GTR during April-July FY23 stood at 31.5% of the annual budget estimate (BE), close to the corresponding ratio at 31.4% in FY22. During FY01 to FY21, this ratio had averaged relatively lower at 20.9%.
- During April-July FY23, direct taxes[a] showed a growth of 42.7% while indirect taxes[a] grew by 10.8%. Owing to considerable base effects, growth in direct and indirect taxes during the corresponding period of FY22 was high at 111.8% and 64.8% respectively.
- Both corporate income tax (CIT) and personal income tax (PIT) revenues showed strong growth rates of 34.7% and 50.0% respectively during April-July FY23. In comparison, these taxes showed a growth of 171.5% and 76.7% during the corresponding period of FY22.
- Among indirect taxes, center's GST revenues[c] showed a growth of 28.6% during April-July FY23 as compared to 60.4% during the corresponding period of FY22.
- Union excise duties (UED) showed a contraction of (-)15.2% during April-July FY23 as compared to a growth of 47.9% during the corresponding period of the previous year.
- Customs duties also contracted by (-)12.0% during April-July FY23 as compared to a growth of 144.1% during April-July FY22 that reflected strong base effects.
- In 1QFY23, with growth in GTR at 22.4% and that in nominal GDP at 26.7%, the tax buoyancy was estimated at 0.8.

Chart 4: Growth in central gross tax revenues during April-July (%, y-o-y)



Center's GTR grew by 24.9% during April-July FY23 with growth in direct taxes at 42.7% and that in indirect taxes at 10.8%.

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 center's GTR along with direct and indirect taxes, (c) IGST revenues are subject to final settlement.

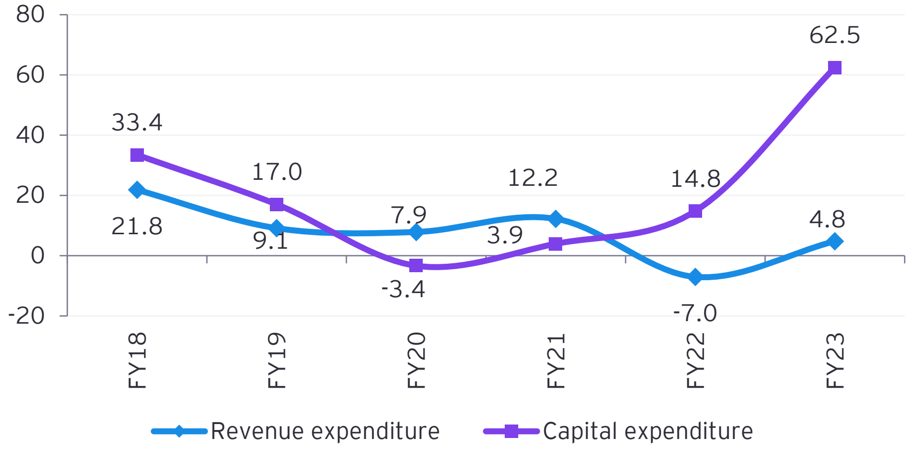
- Center's non-tax revenues showed a contraction of (-)36% during April-July FY23. Non-tax revenues during the first four months of FY23 stood at 33.2% of the annual BE as compared to the corresponding ratio at 57.6% in the corresponding period of FY22.
- Non-debt capital receipts of the center during April-July FY23 stood at 38% of the annual BE as compared to the corresponding ratio of 7.5% during FY22.
- As per DIPAM[4], disinvestment receipts up to 23 September 2022 stood at INR24,543.7 crore, that is 37.7% of the FY23 BE at INR65,000 crore.

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

B. Expenditures: revenue and capital

- Center's total expenditure grew by 12.2% during April-July FY23 as compared to a contraction of (-)4.7% during the corresponding period of FY22.
- Revenue expenditure grew by 4.8% during April-July FY23 as compared to a contraction of (-)7% during April-July FY22.
- Capital expenditures showed a strong growth of 62.5% during April-July FY23, significantly higher than the corresponding growth rates in recent years **(Chart 5)**.

Chart 5: Growth in central expenditures during April-July (%, y-o-y)



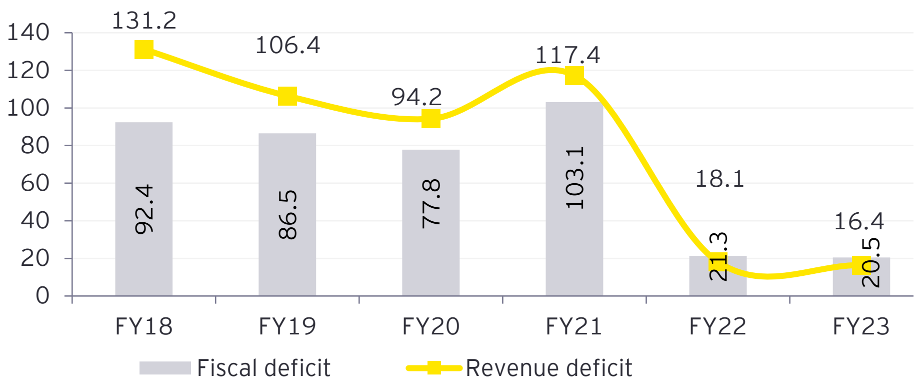
During April-July FY23, center's total expenditure grew by 12.2% with growth in revenue expenditure at 4.8% and that in capital expenditure at 62.5%.

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

C. Fiscal imbalance

- Center's fiscal deficit during April-July FY23 stood at 20.5% of the annual BE, the lowest level considering the corresponding period FY01 to FY22. Strong revenue performance of the center largely enabled a low level of fiscal deficit relative to BE during this period (**Chart 6**).
- Center's revenue deficit during April-July FY23 at 16.4% of the annual BE also stood at the lowest level considering the corresponding ratios during FY01 to FY22.

Chart 6: Fiscal and revenue deficit during April-July as percentage of BE



During April-July FY23, center's fiscal and revenue deficits relative to BE stood at 20.5% and 16.4% respectively, their lowest levels considering the corresponding period from FY01 to FY22.

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

4. Comparative trends: OECD's Composite Leading Indicators signal stable growth outlook for India

OECD's Composite Leading Indicators (CLIs): signal stable growth outlook for India amid weakening growth in most major economies in August 2022

- For understanding short- and medium-term trends in economic activity, the OECD has developed the CLI series, which provides early signs of turning points in the business cycle, which can be defined as fluctuations in the economic activity around its long-term trend.
- The GDP series is used as the reference for identification of turning points in the growth cycle for all countries, except China for which the OECD relies on the value added of industry at 1995 constant prices.
- The phases and patterns in CLIs are similar to those of the growth cycles but they anticipate turning points six to nine months before they occur. CLIs do not indicate the degree of growth in economic activity but only provide a strong signal of the '**phase**' a country is likely to be in its growth cycle in the near future.
- The CLI and the GDP series both have a long-term average of 100, and fluctuations around this represent **four phases** of the growth cycle namely, (1) **Expansion:** series is above 100 and increasing, (2) **Downturn:** series is above 100 but decreasing, (3) **Slowdown:** series is below 100 and decreasing and (4) **Recovery:** series is below 100 but increasing.
- The components of CLIs are time series which show a leading relationship with the reference GDP series at turning points. Component series in CLIs generally include forward-looking indicators such as order books, building permits, confidence indicators, long-term interest rates, new car registrations and many more. Most of these monthly indicators are available up to August 2022.

Table 2: CLIs— magnitudes and m-o-m and y-o-y changes (%)

Month	Germany	Japan	UK	US	Brazil	China	India
Index values							
Apr 22	100.21	100.50	98.61	99.64	99.01	98.67	100.27
May 22	99.80	100.50	98.15	99.37	98.79	98.51	100.27
Jun 22	99.36	100.49	97.84	99.12	98.57	98.35	100.26
Jul 22	98.91	100.49	97.65	98.93	98.36	98.20	100.26
Aug 22	98.47	100.49	97.51	98.81	98.16	98.05	100.27
m-o-m growth (%)							
Apr 22	-0.39	0.02	-0.63	-0.26	-0.24	-0.17	-0.01
May 22	-0.41	0.00	-0.47	-0.27	-0.22	-0.17	-0.01
Jun 22	-0.44	-0.01	-0.31	-0.25	-0.22	-0.16	-0.01
Jul 22	-0.45	-0.01	-0.19	-0.19	-0.22	-0.16	0.00
Aug 22	**-0.44**	**0.00**	**-0.14**	**-0.13**	**-0.20**	**-0.15**	**0.01**
y-o-y growth (%)							
Apr 22	-1.20	0.12	-2.46	-1.22	-4.81	-3.31	0.10
May 22	-1.95	-0.04	-3.28	-1.54	-5.04	-3.21	0.05
Jun 22	-2.61	-0.12	-3.87	-1.78	-5.23	-3.04	0.01
Jul 22	-3.16	-0.13	-4.23	-1.90	-5.26	-2.83	-0.02
Aug 22	**-3.56**	**-0.07**	**-4.44**	**-1.94**	**-5.05**	**-2.58**	**-0.03**

Source (basic data): OECD

- The impact of the ongoing geopolitical uncertainty on CLIs had become visible in the initial months of 2022 for most countries.
- In August 2022, CLIs continue to signal a slowdown in most major economies and in the OECD area as a whole.
- Among advanced economies, CLIs continue to anticipate a loss of growth momentum in the UK, US, as well as in the Euro area as a whole including Germany, France and Italy. A negative m-o-m growth in the index value for Germany, UK and the US in August 2022 indicate this weakening growth momentum **(Table 2)**.
- Japan, that is relatively insulated from the impact of the geopolitical tensions, shows a stable growth outlook with the level of CLI remaining nearly unchanged in the last few months.
- Among major emerging market economies, the CLI for China (industrial sector) now points to a loss in growth momentum with the index value falling to 98.05 in August 2022. The CLI for Brazil in recent months also signals growth losing momentum.
- In India, the CLI continues to remain above 100 in the last few months, indicating a stable growth outlook.

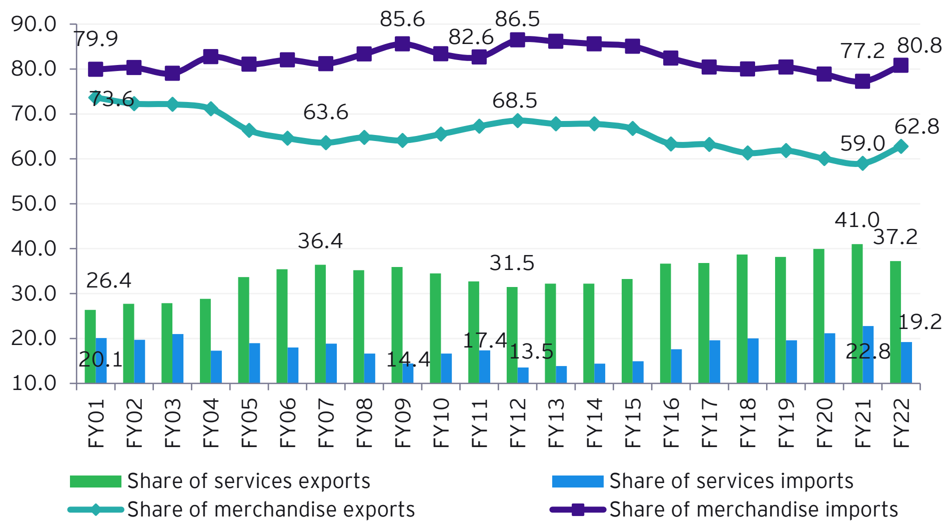
5. In focus: India's external sector imbalances – minimizing vulnerability of the domestic economy

Introduction

In the wake of the ongoing geopolitical developments subsequent to the COVID-induced economic shock, major structural changes are happening in terms of international trade and capital flows. These changes may have long-term effects on India and hence call for major adjustments in relation to sourcing and composition of imports as well as destination and composition of exports, supplemented by substantive policy support. India's external sector imbalances have persisted over a long period of time. The vulnerability of inflation, GDP growth, current account deficit, and fiscal deficit to global crude price shocks are well-recognized. In this backdrop, we undertake a review of recent trends in international trade and capital flows with a view to capturing their changing contours which will impact India's medium to long term growth performance. We also consider ways by which the exposure to cyclicality of global crude prices may be evened out for the domestic economic players.

A. Trade flows: goods and services

Chart 7: Relative shares of goods and services in total exports and imports (%)



Source (basic data): RBI

International trade in goods is usually summarized in terms of merchandise imports and exports. Correspondingly, services are also exported and imported. In recent years, the share of services in total exports has been increasing. Exports of services accounted for a share of 40% in FY20, 41% in FY21 and 37.2% in FY22. In contrast, the share of imports of services accounted for 21.2% in FY20, 22.8% in FY21 and 19.2% in FY22 **(Chart 7)**. In fact, in terms of their value in USD, exports of services have exceeded imports of services by a substantial margin.

Considering the relative shares of merchandise and services exports and imports since FY01, some patterns are clearly visible. First, the merchandise trade is characterized by a deficit while trade in services is characterized by a surplus. There is however a net deficit on their combined account. Second, the share of merchandise exports in total exports has been falling and that of export of services in total exports has been increasing, resulting in a narrowing of the gap between them over time. This gap was 47.3% points in FY01, which has fallen to 18% points and 25.5% points in FY21 and FY22 respectively. Third, among these four variables, the lowest share pertains to imports of services. It was at its lowest at 13.5% in FY12, a year where India's real GDP growth had reached a local trough. Fourth, the share of merchandise exports, having reached a peak of 68.5% in FY12, started to fall reaching a trough of 59% in FY21. After this, in FY22, it increased again. Fifth, the share of services exports, having reached a trough of 31.5% in FY12, started to rise, reaching a peak of 41% in FY21, after which it fell. Sixth and in a similar manner, the share of services imports, having reached a trough of 13.5% in FY12, started to rise until FY21, after which it fell. Considering these patterns together, with a view to eliminating the net trade deficit on account of merchandise and services, there should be continued emphasis on reduction of imports of goods and increase in exports of services.

1. Contribution of net exports to GDP growth

Based on recent quarterly data on exports from and imports to India, it is clear that growth in imports started exceeding growth in exports on a consistent basis since 4QFY21, that is the time when the Indian economy started to recover from COVID. The supply shortages of raw materials and intermediate products and their adverse impact on growth during the COVID-affected quarters made it clear that going forward, India may have to increasingly rely on domestic production for domestic consumption. For this purpose, additional capacity is required to be set up for producing intermediate and final goods within India.

Table 3: Growth in exports and imports and contribution of net exports to GDP growth

	Exports growth (%)	Imports growth (%)	*Contribution of net exports (% points)*
Quarterly trends			
1QFY21	-25.5	-41.1	5.1
2QFY21	-6.4	-17.9	2.9
3QFY21	-8.6	-5.2	-0.5
4QFY21	3.7	11.7	-1.8
1QFY22	40.8	61.1	-3.8
2QFY22	20.7	41.0	-4.4
3QFY22	23.1	33.6	-3.0
4QFY22	16.9	18.0	-1.0
1QFY23	14.7	37.2	-6.2
Annual trends			
FY18	4.6	17.4	-2.8
FY19	11.9	8.8	0.3
FY20	-3.4	-0.8	-0.5
FY21	-9.2	-13.8	1.4
FY22	24.3	35.5	-2.9

Source (Basic data): MoSPI

In the short to medium term, for setting up this capacity, machinery and equipment may require to be imported at prices higher than normal. Furthermore, with the onset of geopolitical tensions in Europe, the supply of crude became constrained, adversely affecting mainly the European economies, but prices of global crude surged for all net importers of crude including India. As a result, net exports became negative, and its magnitude increased sharply. The contribution of net exports to growth has consistently remained negative since 3QFY21. In fact, in 1QFY23, this negative contribution of net exports at (-)6.2% points was at its highest since FY12 **(Table 3).** We expect this trend to continue for some more years and therefore GDP growth in India will have to rely relatively more on the growth of domestic demand.

2. Merchandise imports and exports: composition and direction

Important countries for Indian imports include China, UAE, US, Saudi Arabia and Russia. While China may be the provider of raw materials, intermediate and final products, UAE, Saudi Arabia and Russia have proved to be important sources for procuring oil. The US, apart from being a source of oil and gas, also serves as a source of machinery and equipment, chemicals, and pearls and jewelry.

Table 4 shows that the shares of imports (in value terms) from China and the US have fallen while those of UAE, Saudi Arabi and notably Russia have increased largely reflecting changing patterns of sourcing global crude. In terms of major imported commodities, the share of machinery and electronics has noticeably fallen in 1QFY23. The share of more conventional imports such as pearls etc. has also fallen. The share of imports of mineral products including oil and coal has increased significantly.

Table 4: Source-wise and commodity wise merchandise import shares

	Major sources of imports (% share)					Major import commodities (% share)			
	China	UAE	US	Saudi Arabia	Russia	Mineral products	Machinery and electronics	Pearls, precious stones & metals	Chemicals et.al
1QFY20	13.3	5.7	8.3	5.4	1.6	33.7	18.0	14.4	9.7
2QFY20	16.1	6.0	7.5	5.6	1.2	31.1	22.8	9.3	10.4
3QFY20	13.5	7.0	7.0	5.9	1.3	32.8	19.0	11.7	9.5
4QFY20	12.1	6.9	7.3	5.8	1.9	36.5	18.3	10.1	8.7
1QFY21	18.0	4.5	8.6	4.3	1.7	28.6	20.1	2.4	15.6
2QFY21	18.0	6.2	7.2	4.2	1.6	26.5	23.7	10.8	13.4
3QFY21	16.2	7.1	6.3	4.4	1.2	25.4	21.0	15.2	11.4
4QFY21	15.1	7.8	7.7	3.7	1.3	26.8	19.6	19.2	9.5
1QFY22	16.3	7.3	7.9	4.6	1.5	30.8	18.2	12.2	12.5
2QFY22	14.0	7.7	6.6	4.9	1.5	32.1	18.2	16.5	10.7
3QFY22	15.2	7.3	6.5	5.6	1.4	33.6	17.6	13.9	11.1
4QFY22	15.5	7.3	7.1	5.8	1.7	36.3	19.5	10.9	10.9
1QFY23	12.8	7.5	7.1	6.2	4.9	42.7	15.2	10.8	10.6
1QFY23 minus 1QFY20 (% pts.)	**-0.5**	**1.8**	**-1.2**	**0.9**	**3.3**	**9.1**	**-2.9**	**-3.5**	**0.8**

Source (basic data): Export-Import data bank, Ministry of Commerce and Industry

With respect to destination of exports (in value terms), important countries for India are US, UAE, China and Indonesia among others. Exports to the US alone accounted for a share of 15% to 19% during 1QFY20 to 1QFY23 **(Table 5).** Export shares to the US and Indonesia have increased in 1QFY23 as compared to those in 1QFY20 whereas export shares to UAE and China have fallen. In the case of mineral (including refined petroleum) products, the share of exports has increased noticeably primarily because of India being able to charge high prices for its exports of refined petroleum products. There has been a fall in the share of the relatively more traditional items such as chemicals, textiles and pearls etc.

Table 5: Destination-wise and commodity wise merchandise exports shares

	Major export destinations (% share)				Major export commodities (% share)				
	US	UAE	China	Indonesia	Mineral products	Chemicals et.al	Machinery and electronics	Pearls, precious stones & metals	Textiles etc.
1QFY20	16.5	9.8	5.1	1.2	15.8	14.7	10.6	11.8	10.8
2QFY20	17.1	8.9	5.4	1.1	15.4	15.2	11.4	12.6	10.4
3QFY20	17.1	9.1	5.7	1.2	15.6	15.2	12.2	11.1	10.6
4QFY20	17.1	9.0	4.9	1.8	14.3	15.3	11.8	10.6	12.0
1QFY21	15.8	5.5	10.8	1.9	13.8	23.6	8.1	3.7	5.9
2QFY21	18.6	5.2	6.9	1.4	12.2	17.5	11.5	7.9	10.6
3QFY21	18.9	6.1	6.1	1.2	9.7	17.0	12.1	10.9	11.6
4QFY21	17.0	5.9	6.6	2.3	12.6	15.1	11.6	10.2	11.3
1QFY22	17.3	6.7	7.1	2.2	17.9	13.7	9.8	9.8	10.2
2QFY22	19.0	6.4	5.4	1.9	16.9	14.0	10.7	9.9	10.3
3QFY22	18.5	6.7	4.5	1.9	17.8	14.2	11.2	9.0	10.3
4QFY22	17.4	6.8	3.5	2.1	20.1	13.3	11.2	8.8	10.4
1QFY23	17.9	6.8	3.8	2.6	24.3	12.8	10.5	8.5	8.4
1QFY23 minus 1QFY20 (% pts.)	**1.4**	**-3.0**	**-1.3**	**1.3**	**8.5**	**-1.9**	**-0.1**	**-3.3**	**-2.4**

Source (basic data): Export-Import data bank, Ministry of Commerce and Industry

3. Exports and imports of services: composition and trends

In the case of services exports, the highest share is that of computer services followed by professional and management consulting services. In the case of services imports, the highest share pertains to the group called 'technical, trade-related and other business services' followed by transport services, whose share has been increasing in recent years **(Table 6)**. Reflecting the continued impact of COVID, the export and import shares of personal travel continue to remain significantly below their pre-COVID levels.

Table 6: Share of key components of services and exports and imports

Quarter	Exports of major services (% share)					Imports of major services (% share)				
	Computer services	Professional and management consulting services	Transport	Personal Travel	Financial services	Technical, trade-related, and other business services	Transport	Professional and management consulting services	Business travel	Personal Travel
1QFY20	43.7	12.2	10.2	12.4	2.5	26.3	19.0	9.9	4.8	14.5
2QFY20	44.0	11.4	9.8	13.1	2.3	26.3	18.9	8.5	4.7	14.3
3QFY20	43.1	12.8	9.9	13.1	2.1	26.3	19.3	9.4	4.4	12.3
4QFY20	43.9	12.5	9.5	11.9	1.9	28.4	18.6	9.5	3.9	9.6
1QFY21	48.2	14.1	10.2	3.2	2.1	32.5	16.1	10.8	4.5	6.1
2QFY21	49.8	13.9	10.8	3.9	2.0	32.4	16.6	10.1	3.4	6.2
3QFY21	48.3	14.7	10.5	3.8	2.0	31.6	17.1	10.4	3.4	6.0
4QFY21	47.9	14.4	10.9	3.8	2.2	28.8	17.3	10.2	3.3	6.4
1QFY22	49.1	14.2	12.0	2.6	2.1	29.5	21.8	8.3	3.5	6.0
2QFY22	48.8	13.9	12.3	3.2	2.1	27.1	22.8	7.2	3.4	7.5
3QFY22	47.4	14.1	13.4	3.7	2.0	26.1	25.6	8.5	3.5	7.5
4QFY22	46.9	15.7	13.4	3.8	2.3	25.5	26.5	7.4	3.5	8.9
4QFY22 minus 4QFY20	**3.0**	**3.2**	**4.0**	**-8.1**	**0.4**	**-2.9**	**7.9**	**-2.1**	**-0.5**	**-0.7**

Source (Basic data): RBI

4. Prospects of export promotion and import substitution

Looking towards the future, it is important to consider that with a view to making India relatively less dependent on imported supply of goods and services, a lot of capacity will have to be established within India. This calls for a massive increase in public sector investment. These new establishments would require importing, relatively more, raw materials and machinery and equipment which may continue to be sourced from China for some more time. The global environment is presently making investment shift away from China and a good part of that can be attracted towards India. To take full advantage of these changing perceptions, India is keen to provide active policy support.

B. Capital flows

1. Recent trends in current and capital account balances

Major upheavals are also occurring in capital flows affecting India's current and capital account balances which in turn will have an impact on domestic inflation and current account sustainability. These trends have been accelerated because of high CPI inflation rates in many of the developed countries including US, UK and many EU countries.

Chart 8 provides a relatively longer-term perspective in the movement of current account balance and that of net private transfers (remittances). Most years show a deficit on the current account while there have been only four years characterized by a surplus. The current account deficit had reached a peak of (-)4.8% of GDP in FY13 after which it had started to fall. The long period average of current account balance as percentage of GDP over the period FY91 to FY22 is (-)1.2%. In fact, there is a noticeable correlation between global crude prices and the size of India's current account deficit. With a minimization of exposure to crude price volatility, the volatility of current account deficit may also be contained.

Chart 8: Current account balance and remittances as % of nominal GDP: long term perspective

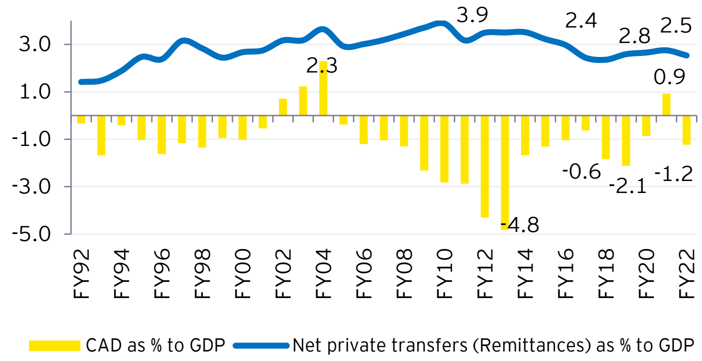
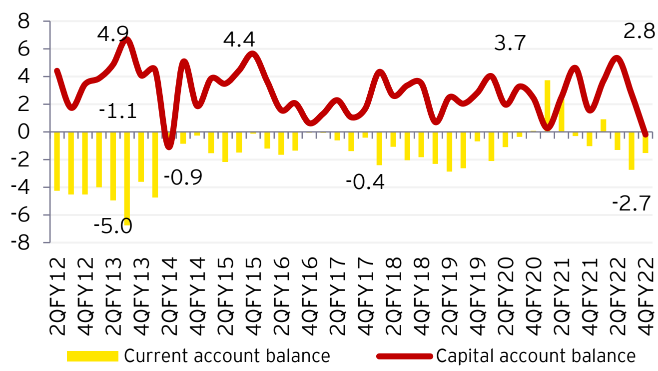


Chart 9: Current and capital account balance as % of nominal GDP: quarterly perspective

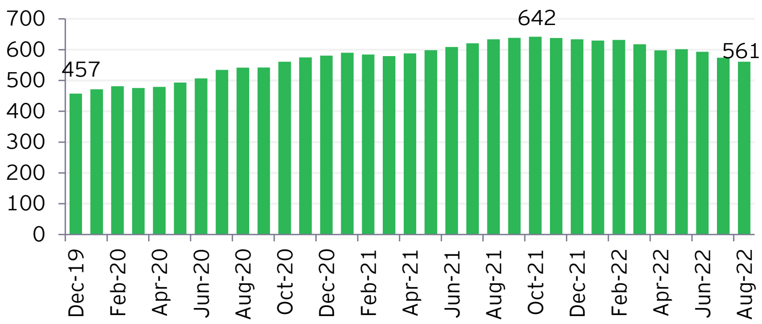


Source (basic data): RBI
Note: -ve shows a deficit and +ve indicates a surplus

Chart 9 provides a more recent perspective in the movement of India's current and capital account balances. The cyclicality of the current account balance is quite marked in the quarterly data. This is contrasted with the corresponding movement of capital account surplus. These two would match each-other precisely except for the impact of change in foreign exchange reserves. The current account balance started falling from a peak surplus of 3.7% of GDP in 1QFY21 turning into a deficit of (-)2.7% of GDP in 3QFY22 and continuing in 4QFY22. We expect that the annual current account deficit in FY23 may be close to (-)3% of GDP.

In periods when current account deficit is relatively high, the INR depreciates faster vis.-a-vis. the USD and other major currencies. In order to stem the rate of depreciation of the INR vis.-a-vis. USD, the RBI had to sell some of its foreign exchange reserves. As a result, India's foreign exchange reserves which had reached a peak level of US$642 billion in end-October 2021, has fallen to US$561 billion as on 26 August 2022, that is, a depletion of US$81 billion during these 10 months **(Chart 10).**

Chart 10: Trends in foreign exchange reserves (US$ billion)



Source (basic data): RBI

2. Trends in foreign direct investment (FDI)

FDI has remained critical for India's growth performance. It brings a dual advantage for India in terms of not only additional investment but also induction of new technologies. This has shown a steady upward movement on an annual basis since the early years of the previous decade **(Chart 11)**. More recently however, it has been somewhat volatile **(Chart 12)**.

Chart 11: Movements in net FDI flows (US$ billion): annual

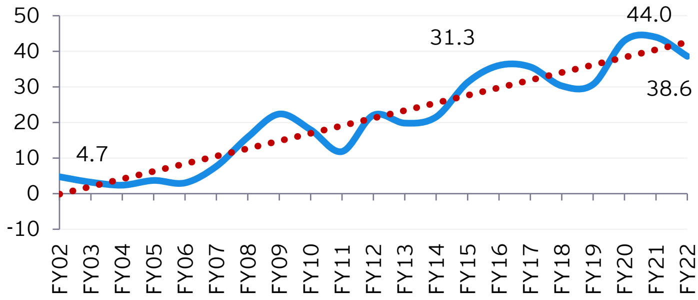
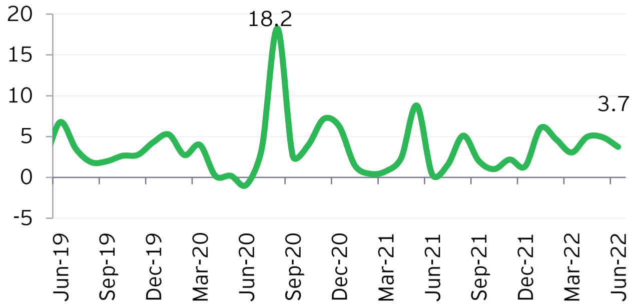


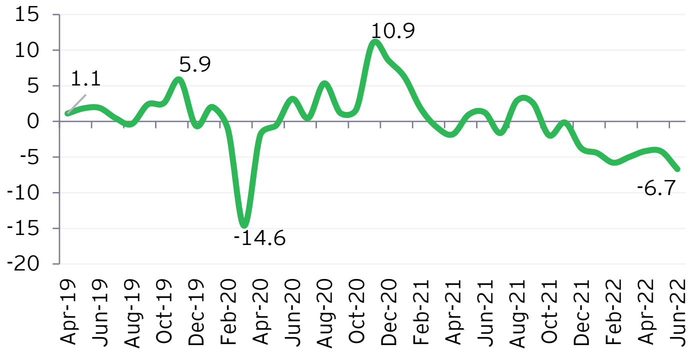
Chart 12: Trends in net FDI flows (US$ billion): monthly



Source (basic data): RBI

3. Trends in foreign portfolio investment (FPI)

Chart 13: Trends in net FPI flows (US$ billion)



Source (basic data): RBI

Total foreign investment flows into India come in two forms namely, FDI and FPIs, that is, investment in Indian portfolios by way of subscription to Indian stocks and other financial instruments. Net FPI flows have been volatile and in recent months have fallen somewhat sharply **(Chart 13)** reflecting increased outflows from India leading to a depletion of foreign exchange reserves.

4. Managing capital flows

As part of India's medium term growth strategy, it would be useful to acknowledge that for some more years, a current account deficit may be considered welcome if it is financed largely by FDI inflows as long as the current account deficit as a percentage of GDP remains sustainable. India continues to carry a significant volume of foreign exchange reserves and it would be useful to ensure that these reserves are managed in a way that would provide a reasonable return on them in terms of foreign exchange. Earlier studies have shown that a current account deficit of about (-)2.3% of GDP annually may be sustainable[5].

C. Global crude prices: minimizing impact on domestic economy

Movement of global crude prices affects both current and capital account balances. The value of merchandise imports increase and correspondingly, the level of current account deficit increases, calling for additional borrowing from abroad or inducing additional investment from abroad or drawing from the foreign exchange reserves. After global crude prices are translated into an average price for the Indian crude basket, India's domestic inflation, exchange rate movements, current account deficit and fiscal deficit and finally GDP growth are all affected in a significant way. For imparting relative stability to these critical macro parameters, it is important to minimize volatility of the Indian crude basket with a view to sheltering domestic economic players from the global upheavals of crude prices. This is discussed in detail subsequently in this write-up.

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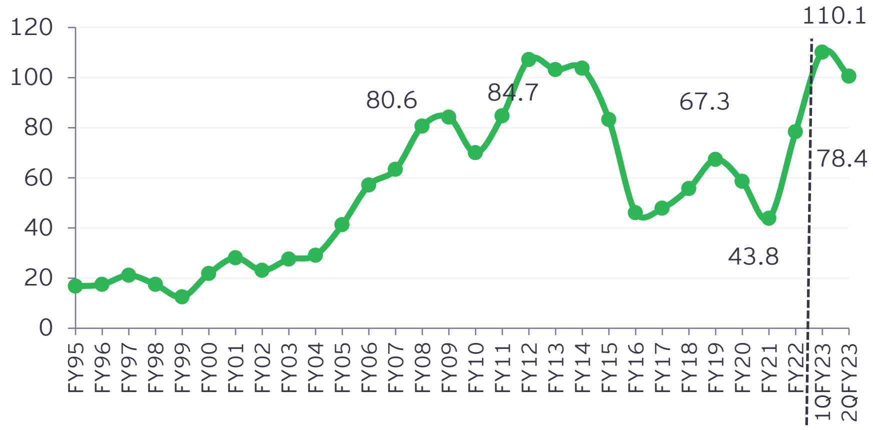
[5] https://www.epw.in/journal/2013/07/insight/indias-external-sector.html.

Chart 14: Trends in global crude oil prices (US$/bbl.)



Source (basic data): World Bank
Note: For 2QFY23, global crude prices have been averaged for July and August 2022

Chart 14 shows crude price movements beginning the mid-1990s. After remaining subdued during FY96 to FY04, global crude prices witnessed a long stretch of price surge up to FY09. Following a price crash in FY10 in the aftermath of the global economic and financial crisis, there was a second phase of increase in global crude prices wherein prices crossed US$100/bbl., reaching a peak of US$107.2/bbl. in FY12. These remained at an elevated level up to FY14. This was the period when India's macro-balances, particularly the current account deficit relative to GDP, deteriorated sharply. Beginning FY15, global crude prices crashed again, reaching a trough of US$46/bbl. in FY16. Subsequently, prices recovered to US$67.3/bbl. by FY19 post which, there was a sharp fall in FY20 continuing in FY21 due to COVID-induced demand slowdown. In FY22, prices recovered as there was a release of pent-up demand along with significant supply rigidities. The third and the most recent phase of price upsurge began in FY23 on account of the ongoing geopolitical tensions. Global crude prices averaged US$110.1/bbl. in 1QFY23 and have remained elevated in the first two months of 2QFY23 as well.

The RBI (2019, 2021) has provided some estimates of an increase in the price of Indian crude basket on key macro parameters. **Column 2 of Table 7** shows the estimated impact of an increase in the price of Indian crude basket on real GDP growth, CPI inflation, current account deficit (CAD) and center's fiscal deficit relative to GDP. The RBI used US$75/bbl. as the benchmark price of the Indian crude basket and the quantified effects relate to an increase of US$10/bbl. over this benchmark price.

Table 7: Impact of a US$10/bbl. increase in price of Indian crude basket on India's key macro parameters

Impacted parameter	RBI (2021) – in % points	Estimated impact of avg. crude price at US$105/bbl. – in % points
(1)	*(2)*	*(3)*
Real GDP growth (reduction)	0.27	0.81
CPI inflation (increase)	0.40	1.20
CAD as % of GDP (deterioration)	0.43*	1.29
Center's fiscal deficit to GDP ratio (widening)#	0.43*	1.29

Notes: (1) For RBI (2021), source is Monetary Policy Report, October 2021 – In the original study, a baseline assumption for Indian crude basket at US$75/bbl. for 2HFY22 is considered. RBI estimates the impact of a 10% increase in Indian crude basket at (-)0.2% points for growth and (+)0.3% points for CPI inflation.
*https://www.rbi.org.in/Scripts/MSM_Mintstreetmemos17.aspx (RBI, 2019); # For Centre's fiscal deficit, the assumption is that the burden of increased price is not passed on to the consumers

We have provided an assessment of the impact of the average price of US$105/bbl.[6] which is 30 basis points above the benchmark used in RBI's assessment (2021). Accordingly, the estimated effects for FY23 are summarized in **Column 3 of Table 7.** Thus, in FY23, had India not faced the global crude price upsurge, our expected GDP growth would have been higher by nearly 1% point as compared to the present expectation of about 7%[7].

Given the supply constraints on global crude and other commodities, inflationary pressures have mounted in many of the western economies including the US, UK and the EU countries. In order to combat these inflationary trends, many of these countries have started raising interest rates **(Chart 16).** The differential inflation trends are generally

[6] In the August 2022 monetary policy review, the RBI forecasted the price of Indian crude basket at US$105/bbl. for FY23 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54148#:~:text=On%20the%20basis%20of%20an,per%20cent%20with%20imm ediate%20effect.)
[7] https://www.thehindu.com/opinion/lead/india-7-plus-annual-growth-and-the-realities/article65858194.ece

expected to guide exchange rate movements. However, the exchange rate depreciation has accelerated for the Indian Rupee with respect to the US Dollar even as the inflation differential has turned negative **(Chart 15)**. This is so because even though CPI inflation in the US has been higher in recent months as compared to that in India, the US Fed has been increasing the Federal Funds Rate in a consistent manner. The anticipation of higher returns in the US market has triggered a substantive flow of USD back into the US economy especially from countries like India and China. On the other hand, while India's CPI inflation has also remained lower than that in the UK and the EU countries, similar outflow of funds has not been triggered towards these countries. In fact, the INR has appreciated against the British Pound and the Euro in recent months.

Chart 15: CPI inflation differentials and exchange rate depreciation: selected currencies

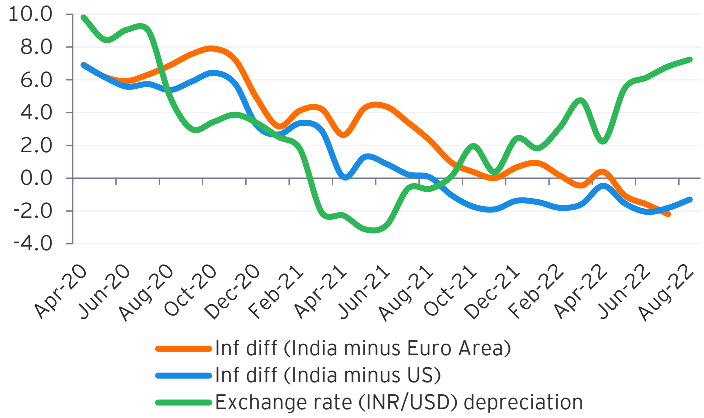
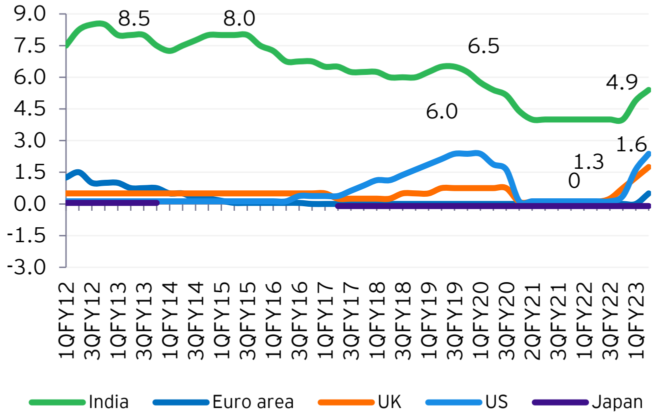


Chart 16: Central bank policy rates



Source (basic data): IFS-IMF, Fred Economic Data and BIS

With a view to minimizing India's multidimensional vulnerability to global crude supply and price shocks, a reconsideration of our strategy is required. In the short to medium term, it may be useful to revive the idea of an '**Oil Price Stabilization Fund**'. Many countries have taken recourse to such a fund[8]. We used to have a system of Oil Pool Accounts until the late 1990s which were meant to serve this purpose. However, that system failed because these accounts became unsustainable due to lack of fiscal discipline. In particular, these accounts were not replenished in years when the oil prices were lower than their long-term average. For a successful working of stabilization funds, significant fiscal discipline needs to be exercised to ensure that such an account does not go into accumulated deficit. The accumulated balance in the fund, which is carried forward from year to year, may be invested in global and domestic oil related assets including oil bonds, oil exploration companies etc. In the medium term, the capacity for storage of oil needs to be expanded so that more options are available for absorbing external price shocks. In the long run, there is a need to reduce India's dependence on imported oil by accelerating the pace of the pursuit of non-conventional energy sources. There is also a need to accelerate unexploited domestic oil and gas reserves, both offshore and on land.

[8] "Several countries including Argentina (for LPG and natural gas), Chile, Colombia, Ethiopia, Peru and Thailand have Price Stabilization Funds". The Expert Group on A Viable and Sustainable System of Pricing of Petroleum Products (2010, para no. 3.7)

Conclusion

Ongoing geopolitical developments appear to lead to a reversal of the paradigm of promoting barrier-free trade across countries. Barriers to international trade according to sources of supply have affected existing trade patterns[9]. India has had to substitute costly global crude with relatively cheaper crude from non-traditional sources such as Russia with a view to keeping the average price of Indian crude basket relatively moderate. Alongside, international payment systems have also been disturbed. Many large countries such as Russia and China as well as India are now actively promoting their individual currencies for trade with a number of other countries[10]. The Indian Rupee has continued to depreciate against the US Dollar while it has appreciated against the British Pound and the Euro. These may reflect structural and long-lasting changes in international trade flows, capital flows and exchange rates. India's domestic economy remains vulnerable to global crude price upsurges affecting critical macroeconomic parameters such as growth, inflation, current account and fiscal deficits. With a view to reducing the exposure of the Indian economic players to global crude price volatility, three steps may be considered feasible and desirable. First, an 'Oil Price Stabilization Fund' may be established. Second, sources of oil and gas imports may be expanded and diversified with a view to reducing average price of the Indian crude basket. Third, efforts to switch to non-conventional energy sources may be accelerated.

NSO's recently released GDP data showed a real growth of 13.5% for India in 1QFY23. This contained a base effect which may not be available in subsequent quarters. The RBI had estimated a growth of 6.2%, 4.1%, and 4% in the subsequent quarters respectively. If these growth rates are realized, India would have a growth of 6.7% in FY23. However, with suitable fiscal policy support, it may be possible to uplift growth to close to 7%. This may be facilitated by buoyant tax revenues which are linked to high nominal GDP growth. Given current inflationary trends, we expect that Center's gross tax revenues may exceed the budget estimates by a margin of nearly INR3.6 lakh crore in FY23.

[9] https://www.oecd.org/ukraine-hub/policy-responses/the-supply-of-critical-raw-materials-endangered-by-russia-s-war-on-ukraine-e01ac7be/
[10] https://www.fortuneindia.com/macro/russia-ukraine-war-triggers-war-against-dollar/107471; https://www.inventiva.co.in/trends/rbi-aims-to-turn-the-rupee-global/

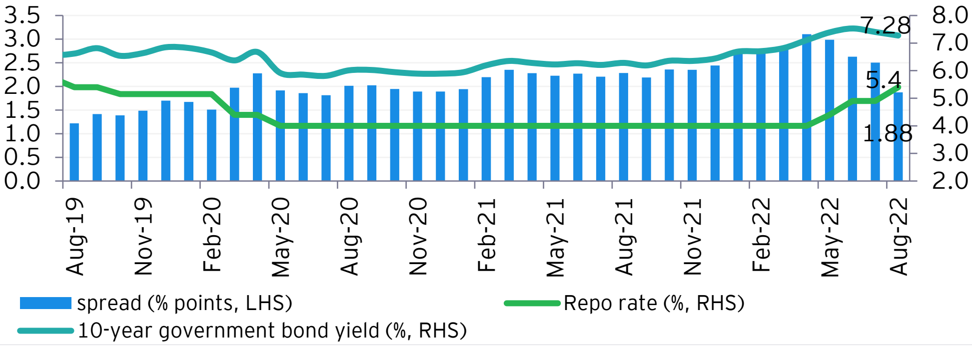
6. Money and finance: Bank credit grew by 14.5% in July 2022

A. Monetary sector

Monetary policy

- In its monetary policy review held on 5 August 2022, the RBI increased the repo rate by 50 basis points to 5.4% from 4.9% **(Chart 17).** With this, the cumulated increase in repo rate between May 2022 and August 2022 amounted to 140 basis points.
- In RBI's assessment, spillovers from geopolitical shocks may continue to impart significant uncertainty to the inflation outlook. Further, elevated international crude prices coupled with concerns regarding volatility of its supply is expected to put upward pressure on inflation. Appreciation of US$ is also likely to add to higher imported inflation.
- Considering average crude oil price (Indian crude basket) at US$105/bbl. and a normal monsoon in 2022, the RBI, in August 2022, projected CPI inflation to average 6.7% in FY23 with inflation rates falling in each successive quarter from 7.1% in 2Q to 6.4% in 3Q and further to 5.8% in 4Q of FY23. In 1QFY23, CPI inflation averaged 7.3%.

Chart 17: Movements in the repo rate and 10-year government bond yield



Source: Database on Indian Economy, RBI

Bank credit grew by 14.5% in July 2022, its fastest pace since February 2019.

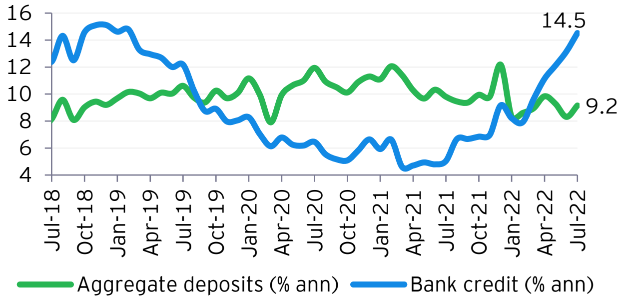
Money stock

- Broad money stock (M3) grew by 8.9% in August 2022 from 8.6% in July 2022 due to a higher growth in both narrow money (M1) and time deposits.
- Growth in M1 increased to 10.0% in August 2022 from 9.3% in July 2022, led by improved growth in currency with the public and demand deposits. Growth in currency with the public increased for the second successive month to 8.2% in August 2022 from 7.9% in July 2022, while growth in demand deposits increased to 12.4% in August 2022 as compared to 10.9% in July 2022.
- Time deposits, accounting for slightly over 75% of M3 on average (last three years), grew by 8.6% in August 2022 as compared to 8.3% in July 2022.

Aggregate credit and deposits

- Outstanding bank credit by SCBs grew by 14.5% in July 2022, its fastest pace since February 2019, led by higher credit growth across all the key sectors of the economy. In comparison, growth in bank credit was at 13.2% in June 2022 **(Chart 18).**
- In July 2022, non-food credit growth at 15.1% was the highest since December 2018. In comparison, in June 2022, non-food credit had grown by 13.7%.
- Sectoral bank credit data indicate that growth in credit to services at 16.5% in July 2022, accelerated from 12.8% in June 2022. This was followed by agricultural credit which grew by 13.2% in July 2022 as compared to 13.0% in June 2022.

Chart 18: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Growth in outstanding credit to industries increased for the fourth consecutive month to 10.5% in July 2022, its highest level since May 2014. Within the industrial sector, growth in credit to chemicals and chemical products was the highest at 20.2% in July 2022 as compared to 15.1% in June 2022. This was followed by credit to infrastructure which grew by 11.1% in July 2022 as compared to 9.5% in June 2022.
- While credit to iron and steel and cement products grew by 1.9% each in July 2022 after showing a contraction for several months, credit to textiles grew at a slower pace of 3.8% in July 2022 as compared to 5.3% in June 2022.
- Personal loans continued to show a robust growth of 18.8% in July 2022, increasing from 18.1% in June 2022.
- Growth in aggregate deposits of residents increased to 9.2% in July 2022 from 8.3% in June 2022.

B. Financial sector

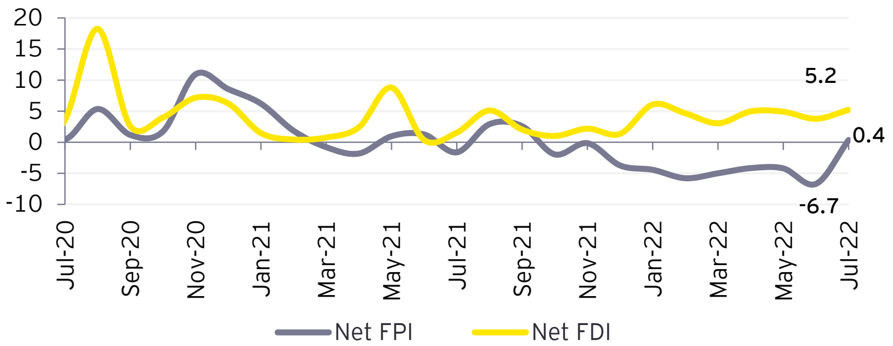
Interest rates

- As per the data released by the RBI on 9 September 2022, the average interest rate on term deposits with a maturity period of more than one year was increased for the fourth successive month to 5.61% in August 2022 from 5.41% in July 2022, with the actual rate ranging from 5.30% to 6.10%.
- The average MCLR was also increased to 7.23% in August 2022 from 7.10% in July 2022. In August 2022, actual MCLR ranged between 6.80% and 7.65%.
- The average yield on 10-year government bonds fell for the second successive month to 7.28% in August 2022 from 7.40% in July 2022 **(Chart 17)**.
- WALR on fresh rupee loans by SCBs increased by 24 basis points to 8.18% in July 2022, its highest level since February 2021. In June 2022, WALR on fresh rupee loans by SCBs was at 7.94%.

FDI and FPI

- As per the provisional data released by the RBI on 16 September 2022, overall foreign investments[11] (FIs) witnessed significant inflows amounting to US$5.6 billion in July 2022, its highest level since August 2021. In comparison, FIs witnessed outflows amounting to US$(-)2.9 billion (revised) in June 2022.

Chart 19: Net FDI and FPI inflows (US$ billion)



Net FDI inflows increased to a six-month high of US$5.2 billion in July 2022 while net FPIs turned positive for the first time since September 2021, registering inflows amounting to US$0.4 billion during the month.

Source: Database on Indian Economy, RBI

- Net FDI inflows increased to a six-month high of US$5.2 billion in July 2022 from US$3.8 billion in June 2022 **(Chart 15)**. Gross FDI inflows increased to US$6.8 billion in July 2022 from US$6.0 billion in June 2022.
- Net FPIs turned positive for the first time since September 2021, registering inflows amounting to US$0.4 billion in July 2022. In June 2022, net FPI outflows amounted to US$(-)6.7 billion.

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

7. Trade and CAB: merchandise exports growth fell to an 18-month low of 1.6% in August 2022

A. CAB: current account deficit eased to (-)1.5% of GDP in 4QFY22

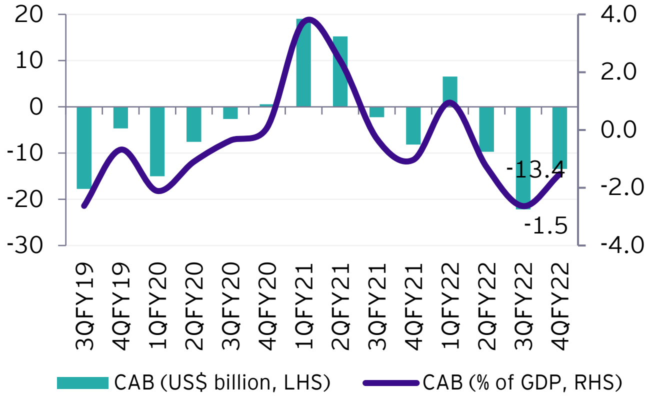
- Current account deficit narrowed to (-)1.5% of GDP in 4QFY22 from (-)2.6% of GDP in 3QFY22 **(Chart 20, Table 8)** reflecting an improvement in exports to 13.4% of GDP from 13.0% and a decline in imports to 19.6% of GDP from 20.1% over this period.
- On an annual basis, current account posted a deficit of (-)1.2% relative to GDP in FY22 as compared to a surplus of 0.9% in FY21. Merchandise trade deficit increased to a three-year high of (-)6.0% of GDP in FY22 largely reflecting rising global crude and commodity prices. Net transfer receipts fell to a four-year low of 2.5% of GDP in FY22, although net service receipts surged to a seven-year high of 3.4% of GDP.

Table 8: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY19	-2.1	-57.3	-180.3	123.0
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
1QFY22	0.9	6.6	-30.7	37.3
2QFY22	-1.3	-9.7	-44.5	34.8
3QFY22	-2.6	-22.2	-59.7	37.6
4QFY22	-1.5	-13.4	-54.5	41.1

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

Chart 20: CAB



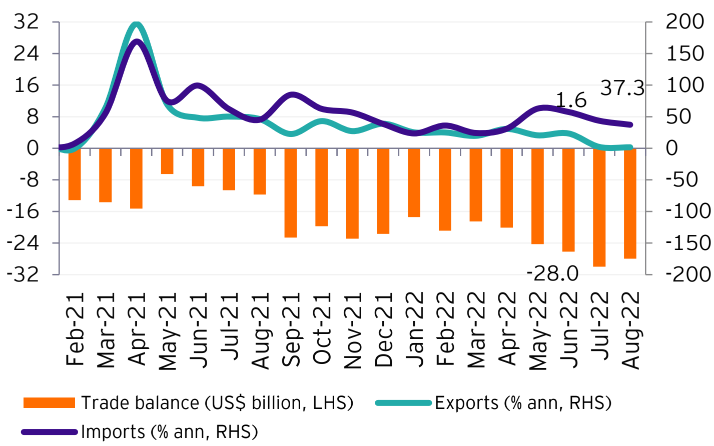
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise exports growth fell to an 18-month low of 1.6% in August 2022 whereas merchandise imports growth remained elevated at 37.3% although easing slightly from its July 2022 level of 43.6%.

- The slowdown in merchandise exports growth was led by continued contraction in engineering goods exports at (-)14.2% in August 2022 reflecting global recessionary conditions. Oil and electronic goods exports grew at a faster pace of 22.8% and 50.8% respectively in August 2022 as compared to 9.2% and 46.1% in July 2022.
- Imports growth was led by crude, coal, electronic goods and machinery which grew by 87.4%, 133.6%, 23.3% and 33.3% respectively in August 2022 as compared to 70.4%, 164.4%, 27.8% and 35.1% respectively in July 2022. High growth in imports reflect robust domestic demand with the economy recovering from COVID.
- Y-o-y growth in exports excluding oil, gold and jewelry contracted for the first time in 24 months by (-)1.6% in August 2022 whereas growth in imports of this segment remained elevated at 43.1% as compared to 47.0% in July 2022. Consequently, trade deficit of this category reached a record high level of US$(-)13.3 billion in August 2022.
- Merchandise trade deficit eased marginally to US$(-)28.0 billion in August 2022 from a historic high of US$(-)30.0 billion in July 2022 **(Chart 21).**
- Services trade surplus moderated to US$9.3 billion in August 2022 from US$9.5 billion in July 2022.
- In August 2022, the rupee remained stable at a historic low of INR79.6 per US$ (average), the same level as seen in July 2022, on account of pressures arising from FPI outflows, widening trade deficit, and a faster pace of monetary policy tightening in the US.

Chart 21: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

8. Global growth: India's growth in April-June quarter of 2022 far exceeded that of peer countries

A. Global growth

- **Table 9** gives non-seasonally adjusted quarterly growth rates of selected economies as sourced largely from the OECD. COVID-associated sharp contraction occurred during the quarter of Apr-June 2020 for all selected countries except China where the contraction was witnessed in the previous quarter.
- It is notable that Germany and the UK experienced a contraction for five consecutive quarters beginning Jan-March 2020 up to Jan-March 2021. Japan's contraction started even before, that is, from Oct-Dec 2019 and lasted up to Jan-March 2021.
- By Oct-Dec 2021, all selected countries except Japan had emerged out from the impact of COVID with a positive real GDP growth over the corresponding quarter of 2019, the pre-COVID year *(not shown here)*.

Table 9: Real GDP growth (quarterly, y-o-y): selected countries

Period	Germany	Japan	US	UK	China*	India**
Oct-Dec 2019	0.7	-1.9	2.7	0.7	6.0	3.1
Jan-Mar 2020	-0.8	-2.1	0.7	-2.0	-6.8	2.7
Apr-Jun 2020	-10.5	-10.3	-9.4	-21.9	3.2	-23.8
Jul-Sep 2020	-2.4	-5.4	-2.8	-8.1	4.9	-6.6
Oct-Dec 2020	-1.2	-0.9	-1.9	-5.3	6.5	0.7
Jan-Mar 2021	-2.3	-1.7	0.3	-4.7	18.3	2.5
Apr-Jun 2021	10.6	7.3	12.6	25.7	7.9	20.1
Jul-Sep 2021	1.8	1.2	4.7	6.3	4.9	8.4
Oct-Dec 2021	1.2	0.5	5.4	6.1	4.0	5.4
Jan-Mar 2022	3.9	0.7	4.2	6.1	4.8	4.1
Apr-Jun 2022	1.8	1.1	2.2	-1.0	0.4	13.5

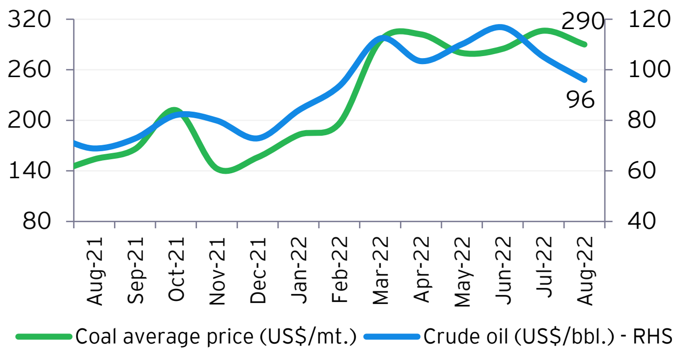
Source (basic data): OECD, Refinitiv, MoSPI; *growth rates for China have been sourced from Refinitiv; **growth rates for India have been sourced from MoSPI.

- Growth rates in the first two quarters of 2022 have been adversely affected in many countries due to the impact of the geopolitical conflict.
- In the quarter spanning from April-June 2022, while UK has shown a contraction of (-)1%, growth rates in other advanced economies such as Germany, Japan and the US have also remained subdued.
- China's growth slipped to 0.4% during April-June 2022 as widespread lockdowns hit industrial activity and consumer spending amid major challenges in the country's real estate sector.
- India's growth at 13.5% during the April-June quarter of 2022 far exceeded that of other selected countries.

B. Global energy prices: global crude price eased to US$96/bbl. in August 2022

- After remaining above US$100/bbl. for five consecutive months from March to July 2022, average global crude price[12] eased to US$96/bbl. in August 2022 owing to a potential demand slowdown due to recessionary concerns that have recently surfaced in many economies including China.
- Average global coal price[13] remained high at US$290/mt. in August 2022, although falling from its all-time high level of US$306.4/mt. in July 2022 **(Chart 22)**.

Chart 22: Global crude and coal prices



Source (basic data): World Bank, Pink Sheet, Aug. and Sept. 2022

[12] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh

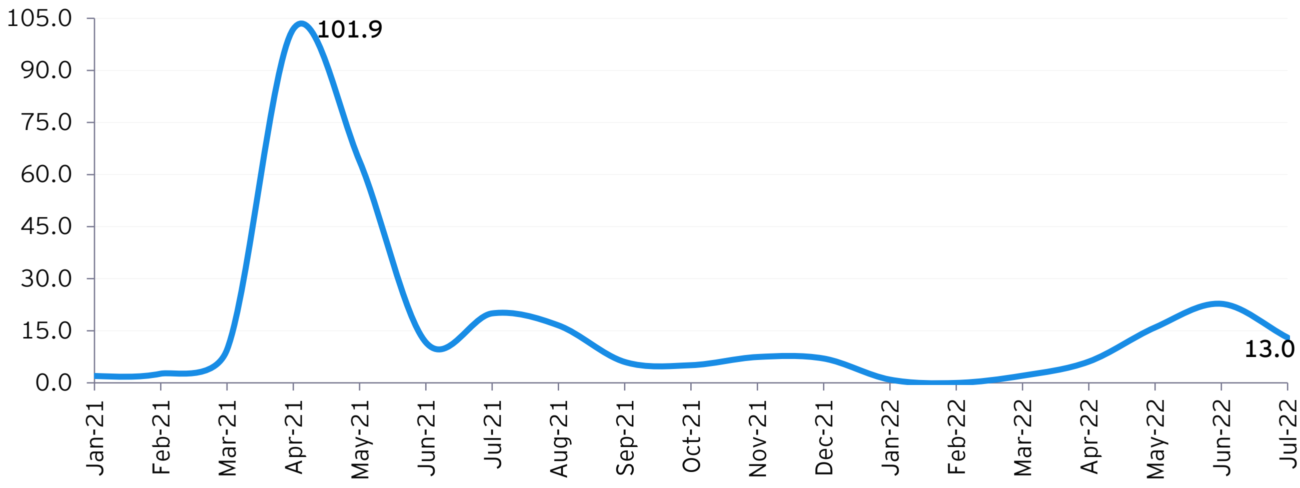
[13] Simple average of Australian and South African coal prices. Data for Australian coal prices has not been reported since February 2022.

9. Index of Aggregate Demand (IAD): grew by 13% in July 2022

IAD continued to post a strong growth of 13% in July 2022, although moderating from 22.8% in June 2022

- 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)[14] capture the demand conditions in the agricultural sector.
- Growth in IAD remained strong at 13% in July 2022 although falling from 22.8% in June 2022 due to waning base effects **(Chart 23 and Table 10).**
- Demand conditions in the manufacturing sector improved significantly in July 2022. In the case of services sector, despite an improvement in demand conditions during the month, the momentum was relatively weaker when compared to that in June 2022.
- Demand conditions in the agricultural sector, as indicated by growth in agricultural credit offtake, continued to remain strong and was broadly stable in July 2022.

Chart 23: 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 10: IAD

Month	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
IAD	147.4	145.8	140.4	141.3	142.8	148.3	150.0	150.8	149.5
Growth (% y-o-y)	7.4	7.0	0.9	0.0	2.1	6.1	16.0	22.8	13.0
Growth in agr. credit	10.6	14.6	10.1	10.3	9.5	10.5	11.8	13.1	13.0
Mfg. PMI**	7.6	5.5	4.0	4.9	4.0	4.7	4.6	3.9	6.4
Ser. PMI**	8.1	5.5	1.5	1.8	3.6	7.9	8.9	9.2	5.5

**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): IHS Markit PMI, RBI and EY estimates

[14] We have constructed a seasonally adjusted series for agricultural credit using Census X-13 technique in E-views (version 12).

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							
FY19	3.8	2.8	3.8	5.2	4.4	FY19	52.8	52.2
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.5	-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
2QFY22	9.5	17.1	8.6	9.3	9.2	2QFY22	53.8	52.4
3QFY22	2.1	6.1	1.4	2.7	5.3	3QFY22	56.3	57.3
4QFY22	1.8	3.8	1.2	3.9	4.9	4QFY22	54.3	52.3
1QFY23	12.8	9.1	12.8	17.1	13.9	1QFY23	54.4	58.7
Apr-22	6.7	8.4	5.6	11.8	9.5	May-22	54.6	58.9
May-22	19.6	11.2	20.6	23.5	19.3	Jun-22	53.9	59.2
Jun-22	12.7	7.8	13.0	16.4	13.2	Jul-22	56.4	55.5
Jul-22	2.4	-3.3	3.2	2.3	4.5	Aug-22	56.2	57.2

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				
FY19	3.4	0.1	5.7	5.5	4.3	0.6	3.7	11.5	4.2
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	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
2QFY22	5.1	2.6	13.0	6.0	11.7	3.6	11.5	28.2	11.3
3QFY22	5.0	2.2	12.9	6.2	14.3	6.8	12.0	40.4	12.2
4QFY22	6.3	6.3	8.5	6.1	13.9	9.2	10.3	32.3	10.5
1QFY23	7.3	8.0	10.1	6.4	16.1	10.5	10.3	46.3	10.6
May-22	7.0	8.0	9.5	6.1	16.6	10.6	10.3	49.0	10.6
Jun-22	7.0	7.7	10.1	6.1	16.2	11.8	9.3	50.9	9.5
Jul-22	6.7	6.7	11.8	6.1	13.9	9.4	8.2	43.8	8.4
Aug-22	7.0	7.6	10.8	6.1	12.4	9.9	7.5	33.7	7.9

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
FY19 (CGA)	8.4	16.2	13.1	14.9	3.0	3.4	2.4
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.7	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	20.0	6.7	4.4
FY23 (BE over FY 22 RE)	9.6	13.4	13.8	13.6	5.7	6.4	3.8
	Cumulated growth (%, y-o-y)					% of budgeted target	
Dec-21	44.2	66.5	50.5	58.7	31.5	47.7	36.4$
Jan-22	38.5	63.8	48.3	56.1	24.1	58.9	48.6$
Feb-22	36.6	61.3	45.7	53.3	23.3	82.7	79.7$
Mar-22	33.8	55.7	43.5	49.6	20.0	99.7	94.9$
Apr-22	36.5	75.2	59.6	65.9	10.1	4.5	-0.1
May-22	29.1	80.7	49.9	61.2	9.0	12.3	12.3
Jun-22	22.4	30.0	40.7	35.4	11.0	21.2	20.7
Jul-22	24.9	34.7	50.0	42.7	10.8	20.5	16.4

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 (Center)
	INR crore				
FY 2022 (RE)	5,70,000	-	-	1,05,000	6,75,000
FY 2023 (BE)	6,60,000	-	-	1,20,000	7,80,000
	Monthly tax collection (INR crore)				
Dec-21	46,227	254	14,635	9,141	70,257
Jan-22	69,662	432	-27,918	9,456	51,632
Feb-22	48,169	159	7,903	10,100	66,331
Mar-22	63,330	1,230	-14,480	9,092	59,172
Apr-22	64,093	162	11,345	10,435	86,035
May-22	49,876	244	4,741	10,199	65,060
Jun-22	65,423	259	-16,396	10,749	60,035
Jul-22	55,357	155	6,898	10,654	73,064

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
Oct-21	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.69	411.9
Nov-21	4.00	FY20	9.5	9.9	43.0	1.4	FY20	11.2	8.9	6.83	475.6
Dec-21	4.00	FY21	5.9	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Jan-22	4.00	FY22	7.0	9.7	38.6	-16.8	FY22	10.6	8.7	6.40	617.6
Feb-22	4.00	2QFY22	6.5	9.5	8.7	3.9	2QFY22	11.4	9.3	6.23	638.6
Mar-22	4.00	3QFY22	7.7	10.6	4.6	-5.8	3QFY22	11.5	9.3	6.38	633.6
Apr-22	4.00	4QFY22	8.6	8.6	13.8	-15.2	4QFY22	10.6	8.7	6.74	617.6
Apr-22	4.00	1QFY23	12.1	9.1	13.7	-15.1	1QFY23	8.7	7.8	7.34	593.3
May-22	4.40	Apr-22	11.1	9.8	5.0	-4.2	May-22	11.7	8.8	7.39	601.4
Jun-22	4.90	May-22	12.1	9.3	4.9	-4.2	Jun-22	8.7	7.8	7.53	593.3
Jul-22	4.90	Jun-22	13.2	8.3	3.8	-6.7	Jul-22	9.3	8.6	7.40	573.9
Aug-22	5.40	Jul-22	14.5	9.2	5.2	0.4	Aug-22	10.0	8.9	7.28	561.0

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
FY19	8.7	10.4	-182.3	69.9	67.3	100.4	2012	3.5	1.2	5.4
FY20	-5.1	-7.7	-161.4	70.9	58.5	70.4	2013	3.5	1.4	5.1
FY21	-6.9	-16.9	-102.6	74.2	43.8	67.2	2014	3.5	2.1	4.7
FY22	43.8	55.1	-192.2	74.5	78.4	163.0	2015	3.4	2.4	4.3
2QFY22	38.6	66.2	-47.0	74.1	71.7	152.3	2016	3.3	1.8	4.5
3QFY22	36.6	51.4	-64.3	74.9	78.3	170.3	2017	3.8	2.5	4.8
4QFY22	23.1	27.7	-56.8	75.2	96.6	224.5	2018	3.5	2.2	4.5
1QFY23	24.8	49.5	-70.6	77.2	110.1	289.0	2019	2.8	1.6	3.7
May-22	20.6	62.8	-24.3	77.3	110.1	280.0	2020	-3.1	-4.5	-2.0
Jun-22	23.5	57.5	-26.2	78.1	116.8	284.9	2021	6.1	5.2	6.8
Jul-22	2.1	43.6	-30.0	79.6	105.1	306.4	2022*	3.2	2.5	3.6
Aug-22	1.6	37.3	-28.0	79.6	96.0	290.0	2023*	2.9	1.4	3.9

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook April 2022 and July 2022 (Update)
*as per IMF World Economic Outlook Update (July 2022)

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
FY19 (3rd RE)	5.8	2.1	-0.8	5.4	7.9	6.5	7.2	7.0	7.5	4.7
FY20 (2nd RE) $	3.8	5.5	-1.5	-2.9	2.2	1.2	5.9	6.7	6.3	2.9
FY21(1st RE) $	-4.8	3.3	-8.6	-0.6	-3.6	-7.3	-20.2	2.2	-5.5	3.3
FY22(PE)*	8.1	3.0	11.6	9.9	7.5	11.5	11.1	4.2	12.6	9.4
1QFY21	-21.4	3.0	-17.8	-31.5	-14.8	-49.4	-49.9	-1.1	-11.4	2.3
2QFY21	-5.9	3.2	-7.9	5.2	-3.2	-6.6	-18.8	-5.2	-10.2	1.7
3QFY21	2.1	4.1	-5.3	8.4	1.5	6.6	-10.1	10.3	-2.9	3.4
4QFY21	5.7	2.8	-3.9	15.2	3.2	18.3	-3.4	8.8	1.7	5.2
1QFY22	18.1	2.2	18.0	49.0	13.8	71.3	34.3	2.3	6.2	7.0
2QFY22	8.3	3.2	14.5	5.6	8.5	8.1	9.6	6.1	19.4	8.8
3QFY22	4.7	2.5	9.2	0.3	3.7	-2.8	6.3	4.2	16.7	10.4
4QFY22	3.9	4.1	6.7	-0.2	4.5	2.0	5.3	4.3	7.7	10.9
1QFY23	12.7	4.5	6.5	4.8	14.7	16.8	25.7	9.2	26.3	12.2

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY21 are based on the first revised estimates (RE) of NAS released by the MoSPI on 31 January 2022 over the second RE of NAS for FY20, *FY22 growth numbers are based on the Provisional Estimates (PE) of National Accounts released on 31 May 2022 over the first revised estimates for 2021 released on 31 January 2022.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY19 (3rd RE)	6.5	7.1	6.7	11.2	11.9	8.8	3.9
FY20 (2nd RE) $	3.7	5.2	3.4	1.6	-3.4	-0.8	2.4
FY21(1st RE) $	-6.6	-6.0	3.6	-10.4	-9.2	-13.8	5.6
FY22(PE)*	8.7	7.9	2.6	15.8	24.3	35.5	10.0
1QFY21	-23.8	-23.7	13.6	-45.3	-25.5	-41.1	2.9
2QFY21	-6.6	-8.3	-22.9	-4.5	-6.4	-17.9	4.0
3QFY21	0.7	0.6	-0.3	-0.6	-8.6	-5.2	5.4
4QFY21	2.5	6.5	29.0	10.1	3.7	11.7	9.2
1QFY22	20.1	14.4	-4.8	62.5	40.8	61.1	10.2
2QFY22	8.4	10.5	8.9	14.6	20.7	41.0	9.8
3QFY22	5.4	7.4	3.0	2.1	23.1	33.6	9.8
4QFY22	4.1	1.8	4.8	5.1	16.9	18.0	10.4
1QFY23	13.5	25.9	1.3	20.1	14.7	37.2	11.6

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY21 are based on the first revised estimates (RE) of NAS released by the MoSPI on 31 January 2022 over the second RE of NAS for FY20, *FY22 growth numbers are based on the Provisional Estimates (PE) of National Accounts released on 31 May 2022 over the first revised estimates for 2021 released on 31 January 2022.

List of abbreviations

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

Sr. no.	Abbreviations	Description
40	IBE	interim budget estimates
41	ICRIER	Indian Council for Research on International Economic Relations
42	IEA	International Energy Agency
43	IGST	Integrated Goods and Services Tax
44	IIP	Index of Industrial Production
45	IMF	International Monetary Fund
46	IMI	Index of Macro Imbalance
47	IMP	imports
48	INR	Indian Rupee
49	IPD	implicit price deflator
50	MCLR	marginal cost of funds-based lending rate
51	Ming.	mining and quarrying
52	Mfg.	manufacturing
53	m-o-m	month-on-month
54	Mt	metric ton
55	MoSPI	Ministry of Statistics and Programme Implementation
56	MPC	Monetary Policy Committee
57	MPF	Monetary Policy Framework
58	NEXP	net exports (exports minus imports of goods and services)
59	NSO	National Statistical Office
60	NPA	non-performing assets
61	OECD	Organization for Economic Co-operation and Development
62	OPEC	Organization of the Petroleum Exporting Countries
63	PFCE	private final consumption expenditure
64	PIT	personal income tax
65	PMI	Purchasing Managers' Index (reference value = 50)
66	PoL	petroleum oil and lubricants
67	PPP	Purchasing power parity
68	PSBR	public sector borrowing requirement
69	PSU/PSE	public sector undertaking/public sector enterprises
70	RE	revised estimates
71	RBI	Reserve Bank of India
72	SLR	Statutory Liquidity Ratio
73	Trans.	trade, hotels, transport, communication and services related to broadcasting
74	US$	US Dollar
75	UTGST	Union Territory Goods and Services Tax
76	WALR	weighted average lending rate
77	WHO	World Health Organization
78	WPI	Wholesale Price Index
79	y-o-y	year-on-year
80	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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