

# Economy Watch

Monitoring India's  
macro-fiscal performance

May 2024

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# Contents



Foreword: Laying India's medium-term growth foundations despite continued global stress	4
1 Growth: services PMI remained above 60 for the fourth successive month in April 2024	6
2 Inflation: CPI inflation eased to an 11-month low of 4.8% in April 2024	7
3 Fiscal: Govt's fiscal deficit stood at 4.5% of GDP during the first three quarters of FY24	8
4 Comparative trends: IMF projected India's FY25 general government debt at 82.5% of GDP	10
5 In focus: India and the changing contours of the evolving global economy: some key dimensions	11
6 Money and finance: growth in bank credit remained strong at 16.3% in March 2024	19
7 Trade and CAB: merchandise trade deficit expanded to a four-month high of US\$19.1 billion	21
8 Global growth: ADB projected growth in developing Asia at 4.9% in 2024 and 2025	22
9 Index of Aggregate Demand (IAD): showed a higher growth of 11.5% in March 2024	23
10 Capturing macro-fiscal trends: data appendix	24

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# Highlights

1. In April 2024, manufacturing PMI at 58.8 was at its second highest level in the last three and a half years. Services PMI at 60.8 also marked one of the strongest rates of expansion in nearly 14 years.
2. IIP growth eased to 4.9% in March 2024 from 5.6% in February 2024. In FY24, led by higher growth in manufacturing and mining output, IIP growth improved to 5.8% from 5.2% in FY23.
3. CPI inflation at 4.8% in April 2024 continued its downward trend since January 2024, with downward pressure emanating from petroleum related commodity groups. Core CPI inflation at 3.2% in April 2024 fell to its lowest level in 2012 base series.
4. WPI inflation at 1.3% in April 2024 crossed the level of 1% after 12 months.
5. Govt's gross tax revenues (GTR) grew by 13.4% during April-February FY24. GTR during the first three quarters of FY24 relative to GDP stood at 11.4%.
6. During April-February FY24, Govt's total expenditure grew by 7.3%. During the first three quarters of FY24, total expenditure relative to GDP stood at 14.1% with the corresponding ratios for revenue and capital expenditure at 11% and 3.1%.
7. During the first three quarters of FY24, Govt's fiscal and revenue deficits as a proportion of GDP stood at 4.5% and 1.6%, respectively.
8. Gross bank credit showed a robust growth of 16.3% in March 2024, although easing marginally from 16.5% in February 2024. During FY24, credit growth averaged higher at 15.7%, as compared to 14.4% during FY23.
9. Growth in merchandise exports and imports turned positive at 1.1% and 10.3% respectively in April 2024 after contracting by (-)0.7% and (-)6.0% in March 2024.
10. Merchandise trade deficit widened to a four-month high of US\$19.1 billion in April 2024.
11. In FY24, net FDI inflows were significantly lower at US\$10.6 billion as compared to US\$28 billion in FY23 while net portfolio inflows surged to US\$42.2 billion as compared to net outflows amounting to US\$5.2 billion during the same period.
12. Average global crude price increased to a six-month high of US\$88/bbl. in April 2024. Since then, crude prices have fallen. On a daily basis, Brent crude oil averaged US\$82.6/bbl. during the first 20 days of May 2024.
13. The ADB has projected developing Asia to grow by 4.9% in 2024 and 2025, with India's FY25 and FY26 growth forecasted at 7% and 7.2%.





# Foreword

Laying India's medium-term growth foundations despite continued global stress



Various domestic and multilateral agencies have recently come out with their estimates of India's growth prospects for FY25/CY2024. According to the ADB as well as the RBI, India's real GDP growth is projected at 7% for FY25. The IMF in its World Economic Outlook (April 2024) forecasted it at 6.8% whereas Moody's projected it at 6.6%. The UN World Economic Situation and Prospects (May 2024) estimates India's growth for calendar year 2024 at 6.9% mainly driven by strong public investment and resilient private consumption. External demand is, however, expected to remain subdued although pharmaceuticals and chemicals exports are expected to drive overall merchandise export growth. With inflation, as measured both by CPI and WPI, also trending downwards, the Indian economy appears to be quite robust and resilient in spite of continuing global challenges.

CPI inflation at 4.8% in April 2024 continues its downward trend since January 2024. It is the second successive month when inflation is below 5%. Although food inflation is marginally higher at 8.7%, the downward pressure emanates from petroleum related commodity groups namely, fuel and light and transport and communication services. Core inflation has also trended downwards at 3.2%, which is the lowest in the 2012 base CPI series. If this trend continues, CPI inflation in 1Q of FY25 may turn out to be marginally lower than RBI's projection of 4.9%.

WPI inflation at 1.3% in April 2024 crossed the level of 1% after 12 months. It had continued to contract for seven successive months from April to October 2023. It remained below 1% during November 2023 to March 2024. The increase in WPI inflation in April 2024 relates primarily to continued pressure on inflation in food articles including manufactured food products, and to some extent, fuel and power.

WPI inflation has remained well below the CPI inflation throughout FY24. The combination of CPI and WPI inflation rates averaging 5.4% and (-)0.5% during May 2023 to April 2024 has resulted in a subdued implicit price deflator (IPD)-based inflation at 1.4% in FY24 as per second advance estimates of the NSO. This is the main reason as to why the nominal GDP growth rate in FY24 was low at 9.1%, exceeding the real GDP growth only by a margin of 1.5% points. This also had a bearing on the low indirect tax buoyancy of 0.5 for the first three quarters of FY24.

The Index of Industrial Production (IIP) indicates a healthy pace of industrial growth at 5.8% for FY24 based largely on expansion of infrastructure/construction with a growth of 9.6% and capital goods with a growth of 6.2%. Growth in the consumer durable and non-durable segments, however, remained relatively low at 3.6% and 4% respectively. In the month of March 2024, IIP growth at 4.9% was lower than the annual average of 5.8% primarily because of a base effect.



Indian economy's robust growth performance is also reflected by the annual PMI numbers for FY24 both for manufacturing and services respectively at 57.2 and 60.3 representing a 13-year and a 16-year high respectively. In April 2024, these levels continued to remain high at 58.8 and 60.8 respectively. Gross GST collections at INR2.1 lakh crore exceeded the benchmark of INR2 lakh crore for the first time in April 2024 since its inception. According to the data released by Federation of Automobile Dealers Association (FADA), retail sales of vehicles showed a strong growth of 26.7% in April 2024 led by robust growth in the sales of passenger vehicles at 15.9%, and two and three-wheeler segments at 33.2% and 9.3% respectively. Gross bank credit continued to show a robust growth of 16.3% in March 2024.

Some downside risks to the Indian economy from higher global crude and commodity prices. Average global crude price increased to a six-month high of US\$88/bbl. in April 2024 from US\$83.5/bbl. in March 2024 owing to heightened geopolitical tensions, signs of firmer industrial demand, and tight supplies including due to the extension of OPEC+ production cuts announced in March 2024. As per the World Gold Council, gold prices also increased to US\$2331.5 per ounce on 30 April 2024 as compared to US\$1989.9 per ounce on 30 April 2023 due to continued gold purchases by major central banks.

With the availability of 11 months' data from CGA, the union government finances show a robust GTR growth with an estimated buoyancy at 1.5 for the first three quarters of FY24. Gol's fiscal deficit during April-February FY24 stood at 86.5% of the annual RE. The corresponding ratio for Gol's revenue deficit was at 87.1%. These estimates indicate that the fiscal and revenue deficit targets as given by the RE are likely to be met for FY24.

The Interim Budget for FY25 had provided for a growth in Gol's capital spending of 16.9% which was lower than the corresponding FY24 RE growth at 28.4%. In the RBI's press release dated 22 May 2024<sup>1</sup>, a decision to transfer INR2.11 lakh crore to the Gol as dividend was announced. This in conjunction with an improved tax revenue growth as compared to the growth budgeted in the Interim Budget would enable the Gol to further expand infrastructure spending in FY25 to lay an accelerated and sound foundation to medium-term growth. A fraction of these revenues over and above the RE estimates may also be used to reduce the fiscal deficit to GDP ratio to close to 5% in the forthcoming full year FY25 budget as compared to 5.1% as given in the Interim Budget. The likelihood of increasing Gol's revenue expenditure growth is limited as the government has been showing a determination to reduce subsidies and other avoidable revenue expenditure components.

With high growth and relatively well-managed inflation, the Indian economy shows considerable resilience despite the drag emanating from the global economic headwinds. We expect that 4QFY24 GDP growth may exceed 6.5% thereby enabling a full year growth for FY24 to be close to 7.8% as predicted by the IMF. The RBI, in its May 2024 bulletin estimated the 1QFY25 growth to be 7.5%. We expect that India's full year FY25 growth is likely to be in the range of 7-7.5%. With four successive years of 7% or higher growth since FY22 and a medium-term growth forecast of 6.5% up to FY30 (IMF), a solid background is getting prepared for India's long-term growth prospects. In this month's *In-focus* writeup on 'India and the changing contours of the evolving global economy: some key dimensions' we have discussed in detail India's growth prospects covering a period until 2047 in the context of a global economy that will remain under stress.

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<sup>1</sup> [https://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=57951](https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=57951)

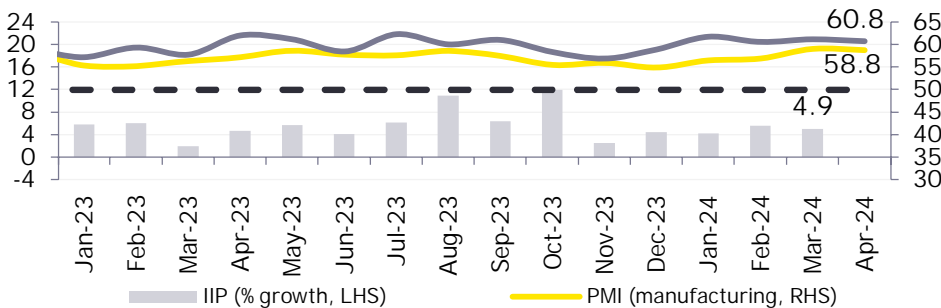


# 1 Growth: services PMI remained above 60 for the fourth successive month in April 2024

## 1.1 PMI: signaled ongoing growth momentum in both manufacturing and services in April 2024

- ▶ Despite falling from 59.1 in March 2024 to 58.8 in April 2024, headline manufacturing PMI (seasonally adjusted (sa)) was at the second highest level in the past three and a half years (Chart 1). It remained well above the threshold of 50 as also its long-term average of 53.9.
- ▶ Despite falling from 61.2 in March 2024, services PMI at 60.8 in April 2024 marked one of the strongest rates of expansion in nearly 14 years. With this, services PMI remained above 60 for the fourth consecutive month.
- ▶ Reflecting a robust expansion in manufacturing and services sector activity, the composite PMI Output Index (sa) was at 61.5 in April 2024, one of its highest levels seen in close to 14 years, although slightly lower as compared to 61.8 in March 2024.

Chart 1: PMI and IIP growth



In April 2024, manufacturing PMI at 58.8 was at its second highest level in the last three and a half years. Services PMI at 60.8 also marked one of the strongest rates of expansion in nearly 14 years.

Source: MoSPI and S&P Global.

## 1.2 IIP: growth eased to 4.9% in March 2024

- ▶ According to the quick estimates, IIP growth eased to 4.9% in March 2024 from 5.6% in February 2024 (Chart 1). Among the sub industries, the highest growth was witnessed in the electricity sector at 8.6% in March 2024, higher than 7.5% in February 2024. Growth in the mining sector output, which is usually volatile, eased to 1.2% in March 2024 owing to an unfavorable base effect.
- ▶ The manufacturing output showed a higher growth of 5.2% in March 2024 as compared to 4.9% in February 2024. Within manufacturing, strong growth was seen in fabricated metal products (20.3%), electrical equipment (14.0%), other non-metallic mineral products (7.7%) and basic metals (7.7%). However, output of coke and refined petroleum products contracted by (-)1.1% in March 2024.
- ▶ As per the 'use-based' classification of industries, growth in the output of consumer durables was lower at 9.5% in March 2024 as compared to 12.4% in February 2024. Growth in infrastructure /construction and intermediate goods at 6.9% and 5.1% respectively in March 2024 was also lower than 8.5% and 8.7% respectively in February 2024. Growth in the output of capital goods and consumer non-durables, however, improved to 6.1% and 4.9% respectively in March 2024 from 1.0% and (-)3.5% respectively in February 2024.
- ▶ Growth in the output of eight core infrastructure industries (core IIP) eased to 5.2% in March 2024 from 7.1% in February 2024 due to slower growth in the output of crude oil (2%), steel (5.5%), and coal (8.7%), and contraction in the output of fertilizers ((-)1.3%) and petroleum refinery products ((-)0.3%). In FY24, core IIP grew by 7.5%, close to its level of 7.8% in FY23.
- ▶ Led by higher growth in manufacturing and mining output, IIP growth improved to 5.8% in FY24 from 5.2% in FY23. Growth in the output of manufacturing increased to 5.5% in FY24 from 4.7% in FY23 while that of mining was at 7.5% in FY24 as compared to 5.8% in FY23.

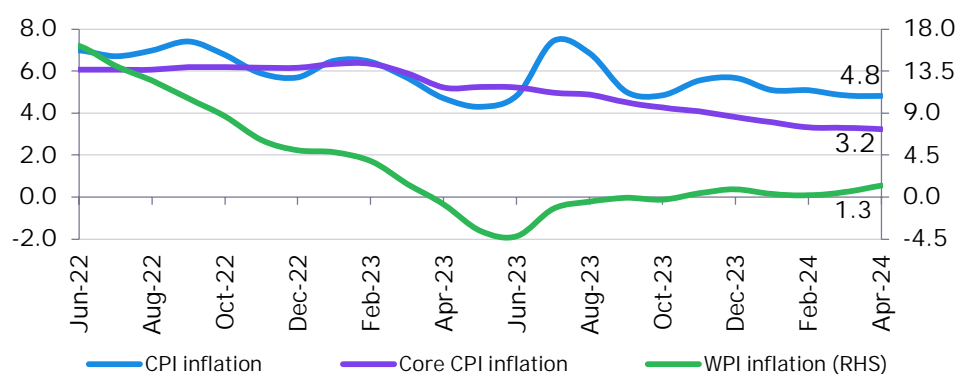
IIP growth eased to 4.9% in March 2024 from 5.6% in February 2024. In FY24, led by higher growth in manufacturing and mining output, IIP growth improved to 5.8% from 5.2% in FY23.



## 2.1 CPI inflation

- ▶ CPI inflation was at 4.8% in April 2024, lower than 4.9% in March 2024. It has trended downward since January 2024. The downward pressure emanates primarily from petroleum related commodity groups namely, fuel and light and transport and communication services.
- ▶ The pace of contraction in fuel and light prices increased to (-)4.2% in April 2024, its highest level in the 2012 base series, from (-)3.4% in the previous month. This was mainly on account of a continued contraction in the price of LPG by (-)24.9% in April 2024, higher than (-)22.7% in March 2024, primarily reflecting a favorable base effect.
- ▶ Consumer food price index-based inflation inched up to 8.7% in April 2024 from 8.5% in March 2024 reflecting an increase in prices of meat and fish, and fruits, besides a lower rate of contraction in prices of oil and fats. Inflation in vegetables was elevated at 27.8% in April 2024, although marginally lower than 28.3% in March 2024.
- ▶ Inflation in housing, and clothing and footwear remained nearly stable at low levels of 2.7% and 2.9% respectively in April 2024 as compared to 2.7% and 3.0% in the previous month.
- ▶ Inflation in transportation and communication services moderated to an 11-month low of 1.1% in April 2024, reflecting a favorable base effect.
- ▶ Core CPI inflation<sup>2</sup> at 3.2% in April 2024 (Chart 2) fell to its lowest level in 2012 base series.

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



CPI inflation at 4.8% in April 2024 continued its downward trend since January 2024, with downward pressure emanating from petroleum related commodity groups. Core CPI inflation at 3.2% in April 2024 fell to its lowest level in 2012 base series.

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

## 2.2 WPI inflation: remained low at 1.3% in April 2024, although higher than 0.5% in March 2024

- ▶ WPI inflation at 1.3% in April 2024 crossed the level of 1% after 12 months. It had continued to contract for seven successive months from April to October 2023 and remained below 1% during November 2023 to March 2024.
- ▶ The higher WPI inflation in April 2024 relates primarily to continued pressure on inflation in food items including manufactured food products, and to some extent, fuel and power.
- ▶ WPI food index-based inflation increased to 5.5% in April 2024, its highest level since August 2023, from 4.6% in March 2024. Inflation in vegetables increased to 23.6% in April 2024 from 19.5% in the previous month. Inflation in eggs, meat and fish turned positive at 0.9% in April 2024 after showing a contraction for four successive months. Inflation in manufactured food products increased to 1.2% in April 2024 from 0.7% in March 2024.
- ▶ Inflation in fuel and power turned positive at 1.4% in April 2024 after showing a contraction for 11 consecutive months. Reflecting waning favorable base effects, the pace of contraction in mineral oils slowed to (-)0.1% in April 2024 from (-)3.5% in March 2024 due to higher inflation in naphtha, furnace oil and kerosene.
- ▶ Core WPI witnessed a contraction for the 14<sup>th</sup> consecutive month at (-)0.7% in April 2024 as compared to (-)1.1% in March 2024, as inflation in manufactured basic metals remained in contraction mode for the 15<sup>th</sup> successive month at (-)3.6% in April 2024.

<sup>2</sup> 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: Gol's fiscal deficit stood at 4.5% of GDP during the first three quarters of FY24

#### 3.1 Tax and non-tax revenues

- ▶ As per the CGA, monthly data for the central government's fiscal aggregates is available up to February 2024. Gol's GTR<sup>(b)</sup> showed a growth of 13.4% during April-February FY24.
- ▶ An estimated y-o-y growth of 8.1% is required in March 2024 to achieve the FY24 (RE) for GTR at INR34.4 lakh crore.
- ▶ During April-February FY24, direct taxes<sup>(a)</sup> grew by 21.6% while indirect taxes<sup>(a)</sup> grew by 4.6%.
- ▶ On a quarterly basis, GTR has shown a considerably high growth in the second and third quarters of FY24, driven by a strong growth in direct taxes (Table 1).
- ▶ Quarterly growth in both corporate income tax (CIT) and personal income tax (PIT) revenues has remained robust at 45.8% and 51.2% in 2QFY24 respectively. Growth continued to remain strong even in 3QFY24, although easing to 16.1% and 23.4% respectively. It is notable that there was a contraction in CIT revenues in 1QFY24 mainly owing to tax refunds.
- ▶ Quarterly growth in indirect taxes showed an easing momentum, falling from 9% in 1QFY24 to 4.3% in 2Q and only 0.1% in 3QFY24.
- ▶ While growth in Gol's GST revenues has remained buoyant with double-digit growth rates in 1Q and 3Q of FY24, Union excise duties (UED) have shown a continuous contraction in all quarters since 3QFY22, owing to a reduction in excise duty rates on petroleum products.
- ▶ Customs duty revenues have shown a volatile pattern, with its growth being negative in four out of six quarters covered here owing to subdued import performance.
- ▶ The buoyancy of GTR is estimated at 1.5 in the first three quarters of FY24 as compared to 0.8 in the corresponding period of FY23. GTR during the first three quarters of FY24 relative to GDP stood at 11.4% as compared to the corresponding ratio at 10.9% in FY23.

Table 1: Quarterly growth in central gross tax revenues (% , y-o-y)

Components	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	Apr.-Feb FY24	
GTR	22.4	13.7	4.5	13.2	3.3	27.8	10.8	13.4	Gol's GTR grew by 13.4% during April-February FY24. GTR during the first three quarters of FY24 relative to GDP stood at 11.4%.
Direct taxes of which	35.4	14.8	9.5	17.9	-1.0	48.2	19.4	21.6	
CIT	30.0	16.0	10.0	13.5	-13.9	45.8	16.1	17.3	
PIT	40.7	13.5	9.0	21.7	11.0	51.2	23.4	25.8	
Indirect taxes of which	11.0	12.6	-0.8	7.3	9.0	4.3	0.1	4.6	
GST	24.9	42.8	-1.9	26.7	11.5	6.0	10.4	8.4	
UED	-9.8	-24.2	-22.2	-14.9	-15.4	-7.2	-0.3	-5.8	
Customs	-11.8	-2.9	49.2	-6.5	34.9	14.4	-28.0	3.9	

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

- ▶ Gol's non-tax revenues showed a high growth of 44.9% during April-February FY24 on account of receipt of high dividends and profits. Non-tax revenues during April-February FY24 as a proportion of annual RE stood at 95.9%, much higher than the three-year average (FY21 to FY23) ratio of 82% based on actual collections.
- ▶ Non-debt capital receipts of the Gol during April-February FY24 stood at 64.5% of the RE, lower than the three-year average (FY21 to FY23) ratio of 82.7% based on actual collections.
- ▶ As per DIPAM<sup>3</sup>, disinvestment receipts in FY24 stood at INR16,507.29 crores, reflecting a shortfall of INR13,492.71 crores from the FY24 RE at INR30,000 crore.

<sup>3</sup> <https://dipam.gov.in/>





### 3.2 Expenditures: revenue and capital

- ▶ During April-February FY24, Gol's total expenditure grew by 7.3% with growth in revenue expenditure at 1.3% and that in capital expenditure at 36.5%.
- ▶ On a quarterly basis, it was seen that while revenue expenditure growth was limited, capital expenditure witnessed a buoyant growth in all quarters except 3QFY23 (Table 2).
- ▶ Total expenditure relative to GDP increased to a local peak of 19.2% in 4QFY23 with the corresponding ratios for revenue and capital expenditures at 15.8% and 3.5%. In fact, capital expenditure relative to GDP reached a peak of 4% in 1QFY24, after which there has been some moderation.
- ▶ During the first three quarters of FY24, total expenditure relative to GDP stood at 14.1% as compared to 14.2% in the corresponding period of FY23.
- ▶ Revenue expenditure to GDP ratio during the first three quarters of FY24 stood at 11%, its lowest level during the last five years. Capital expenditure to GDP ratio during the first three quarters of FY24 stood at 3.1%, its highest level when compared to the corresponding ratios in the last five years.

Table 2: Gol's expenditures: quarterly growth and magnitude relative to GDP

Components	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	Apr-Feb FY24
Quarterly growth (% , y-o-y)								
Total exp. of which	15.4	8.9	11.1	7.7	10.8	22.0	-6.0	7.3
Revenue	8.8	3.1	15.7	4.9	-0.1	21.0	-11.3	1.3
Capital	57.0	42.4	-9.4	22.9	59.1	26.4	24.4	36.5
Relative to GDP (%)								
Total exp. of which	14.6	13.5	14.5	19.2	14.9	15.1	12.4	--
Revenue	11.9	10.9	12.4	15.8	11.0	12.1	10.0	--
Capital	2.7	2.6	2.1	3.5	4.0	3.0	2.4	--

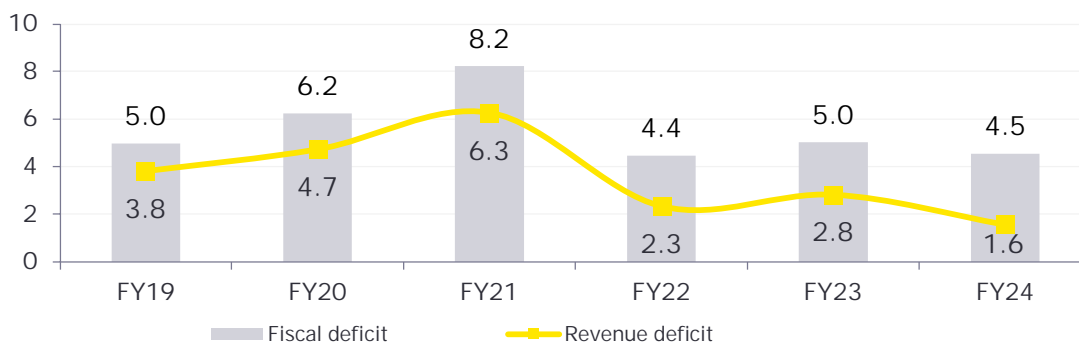
During April-February FY24, Gol's total expenditure grew by 7.3%. During the first three quarters of FY24, total expenditure relative to GDP stood at 14.1% with the corresponding ratios for revenue and capital expenditure at 11% and 3.1%.

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

### 3.3 Fiscal imbalance

- ▶ Gol's fiscal deficit during April-February FY24 stood at 86.5% of the annual RE, slightly higher than the corresponding ratio at 82.8% in FY23. The corresponding ratio for Gol's revenue deficit was at 87.1% as compared to 83.1% during FY23.
- ▶ Fiscal deficit during the first three quarters of FY24 as a proportion of GDP stood at 4.5% as compared to 5.0% in FY23 (Chart 3). Similarly, revenue deficit to GDP ratio during the same period was at 1.6%, lower than 2.8% in FY23.

Chart 3: Fiscal and revenue deficit during the first three quarters relative to GDP



During the first three quarters of FY24, Gol's fiscal and revenue deficits as a proportion of GDP stood at 4.5% and 1.6%, respectively.

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



## 4 Comparative trends: IMF projected India's FY25 general government debt at 82.5% of GDP

### 4.1 General government fiscal balance relative to GDP

- ▶ According to the IMF, following the improvements in 2021 and 2022, global fiscal deficit in 2023 surged to 5.5% of GDP, rising by 1.6% points over 2022.
- ▶ With expenditures remaining virtually unchanged in 2023 compared with 2022, a fall in revenues was the main driver of the uptick in fiscal deficits of major economies as windfall revenues from inflation waned.
- ▶ Fiscal tightening is projected to resume in 2024, albeit gradually, bringing the global deficit down to 4.9% of GDP in 2024. Moreover, fiscal consolidation over the medium term is expected to remain modest, with the overall deficit projected to stabilize at 4.3% of GDP by 2029, about 0.7% point higher than in 2019 (Table 3).
- ▶ In IMF's assessment, the two largest economies namely, the US and China are projected to shape global fiscal developments and outlook. In the US, fiscal deficit to GDP ratio increased to 8.8% in 2023 from 4.1% in 2022 despite strong growth. This was attributed to a sharp fall in income tax revenues owing to lower capital gains taxes and delayed tax payment deadlines. Alongside, government spending increased by 1.3% points of GDP. The overall fiscal deficit is projected to persist at 6% of GDP over the medium term.
- ▶ In China, the fiscal deficit to GDP ratio remained above 7% in 2023 as a modest increase in revenues offset spending increases. Fiscal deficit is projected to stay elevated, reaching nearly 8% of GDP by 2029 as pension spending and interest expenses gradually rise over the medium term.
- ▶ India's general government fiscal deficit to GDP ratio remained high at 8.6% in 2023 (FY24) reflecting increased spending including that on subsidies to provide free foodgrains. Fiscal deficit is projected to remain above the Fiscal Responsibility and Budget Management (FRBM) norm of 6% of GDP throughout the forecast period, although with gradual fiscal consolidation over this period.

Table 3: General government net lending/borrowing (% to GDP)

Country	2023	2024	2025	2026	2027	2028	2029
World	-5.5	-4.9	-4.7	-4.5	-4.4	-4.4	-4.3
AEs	-5.6	-4.4	-4.2	-3.9	-3.8	-3.8	-3.6
US	-8.8	-6.5	-7.1	-6.6	-6.2	-6.4	-6.0
UK	-6.0	-4.6	-3.7	-3.7	-3.6	-3.5	-3.4
Euro area	-3.5	-2.9	-2.6	-2.5	-2.4	-2.3	-2.3
Japan	-5.8	-6.5	-3.2	-2.9	-3.1	-3.4	-3.8
EMDEs	-5.4	-5.5	-5.3	-5.2	-5.1	-5.1	-5.0
Brazil	-7.9	-6.3	-5.5	-5.2	-5.0	-4.6	-4.4
Russia	-2.3	-1.9	-1.2	-0.5	-0.2	-0.2	0.2
India*	-8.6	-7.8	-7.6	-7.3	-7.0	-6.8	-6.6
China	-7.1	-7.4	-7.6	-7.8	-7.8	-7.8	-7.9
S. Africa	-6.0	-6.1	-6.3	-5.6	-5.4	-5.6	-5.8

Source: IMF World Economic Outlook, April 2024, and Fiscal Monitor April 2024

\*data pertains to fiscal year

Note: -ve pertains to deficit and +ve pertains to surplus

### 4.2 General government debt relative to GDP

- ▶ Similar to the trends in general government fiscal balance, the global general government debt increased by 2% points to 93.2% of GDP in 2023. It is expected to reach nearly 99% by 2029 driven mainly by the US and China.
- ▶ In the US, government debt to GDP ratio is projected to increase from 122.1% in 2023 to 133.9% in 2029, an increase of 11.7% points. In China, there would be a sharp increase of 26.4% points during this period with the debt-GDP ratio crossing 100% in 2027 (Table 4).
- ▶ While all other selected major EMDEs are projected to witness an increasing trajectory of debt-GDP ratio over the forecast period, India is expected to witness a decline with its government debt-GDP ratio reaching 77.5% by 2029 (FY30) although remaining above the FRBM threshold of 60%.

Table 4: General government debt to GDP ratio (%) – selected years

Country	2023	2024	2026	2028	2029	2029 minus 2023 (% pt.)
World	93.2	93.8	96.3	98.1	98.8	5.6
AEs	111.0	111.2	113.4	114.7	115.1	4.2
US	122.1	123.3	128.9	132.6	133.9	11.7
UK	101.1	104.3	107.3	109.2	110.1	9.0
Euro area	88.6	88.7	88.2	87.9	87.7	-0.9
Japan	252.4	254.6	251.3	251.0	251.7	-0.6
EMDEs	68.0	69.4	73.3	76.7	78.1	10.1
Brazil	84.7	86.7	90.9	93.4	93.9	9.3
Russia	19.7	20.8	22.8	23.7	24.0	4.4
India*	82.7	82.5	80.9	78.8	77.5	-5.2
China	83.6	88.6	97.5	106.0	110.1	26.4
S. Africa	73.9	75.4	80.0	83.8	85.7	11.8

Source: IMF World Economic Outlook, April 2024, and Fiscal Monitor April 2024 data pertains to fiscal year



### 5.1 Introduction

As India endeavors to attain a 'Viksit' status by 2047, the Indian economy will change in a major way. Alongside, there are numerous developments that will also change the global economy. India has to strategize its pursuit of development in the context of a fast-evolving global economy. In this section, we highlight some of the major contours of the evolving global economy in the next 25 years.

### 5.2 Technology induced endogenous growth

In the late 1980s, growth literature began to emphasize endogenous growth processes that went beyond the neo-classical explanations of growth being dependent on capital stock and labor supply, particularly in the context of long-term growth. With investment in human capital through suitable policies emphasizing education, health and social development, technological progress could take place as a result of interactions amongst the educated and technically trained people. In its latest phase, technology itself is able to produce higher tiers of technology through AI and Generative AI (GenAI). These processes enabled the growth dynamics, which was characterized by diminishing returns to capital and increasing share of consumption of capital/depreciation, to keep uplifting the production function to neutralize these adverse impacts.

#### 5.2.1 Impact of AI and GenAI

Technologies such as AI and GenAI are likely to have an output expansion effect and an employment substitution effect. The first effect would augment GDP growth rate while the second effect would reduce employment growth rate, although the latter's adverse impact may be partially offset by the increased GDP effect.

As far as the output impact is concerned, a number of recent studies have quantified the annual impact of GenAI on the Indian economy. For example, EY (2023)<sup>4</sup> has estimated the potential impact of GenAI on India's GDP between US\$359 and US\$438 billion by FY30. Some other studies have also estimated India's potential to take advantage of GenAI in order to increase the growth of output [FICCI (2023), and NASSCOM (2022)]<sup>5</sup>.

With respect to the employment impact, as per a recent study by the IMF (2024), almost 40% of global employment is exposed to AI. The degree of risk varies across country groups with advanced economies at the highest risk of 60%, followed by emerging economies at 40% and low-income countries at 26%<sup>6</sup>.

Some studies have attempted to estimate the proportion of Indian jobs which would be replaced with the advent of technologies such as GenAI. For example, FICCI (2023) estimates that while only a small share (1%) of the Indian workforce would see GenAI used in more than 20% of their work, almost half (45%) of workers in India will potentially use GenAI for between 5% and 20% of their regular work activities. Thus, GenAI is expected to change the focus within jobs, rather than replace them entirely, and there is potential for most workers to use GenAI to some degree in their work.

India is likely to be one of the biggest users of emerging technology which can shape its growth and development. In terms of median age, India's population is already the youngest among large economies. This population also happens to be largely digitally connected. Already 96% of payments in India have become digital<sup>7</sup>. Thus, many of the users will find it easy to move to the next generation computing paradigms that rely heavily on AI and GenAI by navigating the web and leveraging a range of agents to assist them. India's large penetration of the web can give rise to uniquely Indian digital paradigms leveraging data (text, voice, image and video) that will originate in India. Also, the cost of accessing data in India is one of the lowest in the world<sup>8</sup>. India will potentially have the largest number of deployed AI agents (co-pilots) trained on Indian data, which will facilitate virtual healthcare assistants, sales and teaching assistants conversing with customers/students in vernacular, easily bringing new generations into the digital fold.

Technological innovations pertaining to AI/GenAI result in growth promoting but employment substitution impacts. India has to ensure by suitable policy support that the employment substitution effect of these technological developments is overcome by the growth expansion effects in a manner such that net employment growth remains suitably positive while overall GDP growth is considerably enhanced. Policies that would help optimize the economic

<sup>4</sup> EY (2023) The Aldea of India: Generative AI's potential to accelerate India's digital transformation

<sup>5</sup> Access Partnership and FICCI (June 2023). 'The Economic Impact of Generative AI: The Future of Work in India'; NASSCOM and EY (2022). AI Adoption Index - Tracking India's Sectoral Progress on AI Adoption

<sup>6</sup> <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2024/01/14/Gen-AI-Artificial-Intelligence-and-the-Future-of-Work-542379>

<sup>7</sup> <https://www.rbi.org.in/Scripts/PSIUUserView.aspx?id=26>

<sup>8</sup> <https://shorturl.at/IRFvr>



impact of these technologies include initiatives both by the government and the private sector. Thus, the government may substantially enhance its investment in infrastructure, which can be accessed for developing technology platforms and tools and enhance budgetary allocations for training and reskilling of the labor force. AI/GenAI is a potent instrument for the Indian government as it improves the delivery of citizen services at scale. The ability of conversational agents to enable citizens to seek information and complete transactions across a range of use cases and languages is vast. The private sector may also allocate resources for adoption of new technologies as well as training and reskilling with a view to retaining their existing workers while also ensuring net growth in employment of workers suitably skilled in AI/GenAI and other upcoming technologies.

### 5.2.2 Increasing complexity of goods and services

The structure and features of output across countries have progressively become more complex, especially due to the impact of technological advances. Economists have been linking a country's export prospects and export competitiveness to the degree of complexity of its outputs. [See, for example, Hidalgo and Hausmann (2009)<sup>9</sup>]. In recent literature, two indices of economic complexity developed by the MIT (Observatory of Economic Complexity - OEC)<sup>10</sup> and Harvard (Harvard Growth Lab -HGL)<sup>11</sup> based on the methodology by Hidalgo and Hausmann (2009), have gained prominence. Both of these institutions have developed indices pertaining to product complexity and country complexity. The HGL has also developed a complexity outlook index (COI) which indicates how close a country is to producing more complex products given its current capabilities. According to HGL, India's country complexity ranking improved to 42 in 2021 from 54 in 2010 (Table 5). Further, India ranked first in the COI. Some examples of evolving complex goods include robots, drones, self-driven vehicles, satellites and rockets and space products, high-definition cameras/telescopes/microscopes, aircraft manufacturing, 3D printing of goods and buildings. Examples of complex services include financial derivatives, research and designing of semi-conductors, AI and GenAI, and Internet of Things (IoT).

Table 5: Country complexity rankings: top five and US, India and China

Country	Economic Complexity Index Rank			Country	Complexity Outlook Index Rank		
	2010	2015	2021		2010	2015	2021
Japan	1	1	1	India	1	1	1
Switzerland	2	3	2	Turkey	2	2	2
S. Korea	8	4	3	Spain	7	4	3
Germany	3	2	4	Portugal	3	3	4
Singapore	4	5	5	Bulgaria	4	7	5
US	12	9	14	US	89	84	40
China	24	21	18	China	11	21	54
India	54	48	42				

Source (basic data): [The Atlas of Economic Complexity \(harvard.edu\)](https://atlas.cid.harvard.edu/)

In order to exploit these endogenous growth processes in India, suitable policy changes favoring investment in human development through augmented provision of education and skilling, and health services, supplemented by institutional development, technological growth and innovations, are critical. As the tax-GDP ratio in India increases, the additional fiscal space that gets created should be invested largely in education, health and physical infrastructure in order to ensure that growth is sustained at a level of 7% plus for at least the next few decades.

### 5.3 Climate induced challenges: economic impact

Natural disasters occur with considerable frequency from time to time affecting individual countries or groups of countries. Many of these disasters can be linked to the ongoing climate change. A 2018 UN Report<sup>12</sup> covering six major disasters, namely earthquake, earthquake and tsunami, storm, extreme temperature, flood and drought, provides an estimate of economic losses during the period 1998 to 2017. As per this study, direct economic losses amounted to US\$2,908 billion, of which climate-related disasters costed US\$2,245 billion or 77% of the total economic losses. India's estimated loss at US\$79.5 billion was the fourth largest. The World Bank has also calculated

<sup>9</sup> Hidalgo, C. A., & Hausmann, R. (2009). The building blocks of economic complexity. *Proceedings of the national academy of sciences*, 106(26), 10570-10575.

<sup>10</sup> <https://oec.world/en/rankings/eci/hs6/hs96>

<sup>11</sup> <https://atlas.cid.harvard.edu/rankings>

<sup>12</sup> Economic Losses, Poverty and Disasters - 1998-2017 (2018), *GoI for Research on the Epidemiology of Disasters*, United Nations Office for Disaster Risk Reduction (<https://www.undrr.org/publication/economic-losses-poverty-disasters-1998-2017>)



the global average per annum cost of natural disasters at nearly US\$520 billion, with disasters pushing 26 million people into poverty every year<sup>13</sup>.

A 2021 study by the Swiss Re Institute estimated that the world may lose close to 10% of total economic value considering a baseline temperature-rise scenario of about 2.0°C to 2.6°C by mid-century from their current levels. Under a severe stress scenario, wherein global temperatures are anticipated to be higher by 3.2°C by mid-century, and with no action taken to combat climate change, the estimated size of global economy would be 18% lesser (Table 6) than in a world without climate change. While assessing the regional impact of climate change, the study has highlighted that south-east Asia and Latin America will likely be the most susceptible to dry conditions. Many countries in north and eastern Europe are likely to experience more precipitation and higher instances of flood events.

Table 6: Simulating for economic loss (% reduction in GDP) from rising temperatures relative to a world without climate change (0°C) by mid-century

Regions	Paris target (%)	The likely range of global temperature gains (%)		Severe case (%)
	Well-below 2°C increase	2.0°C increase	2.6°C increase	3.2°C increase
World	4.2	11.0	13.9	18.1
ASEAN	4.2	17.0	29.0	37.4
Middle East and Africa	4.7	14.0	21.5	27.6
Asia of which:	5.5	14.9	20.4	26.5
India	5.7	17.4	27.0	35.1
China	6.6	15.1	18.1	23.5
South America	4.1	10.8	13.0	17.0
Oceania	4.3	11.2	12.3	16.3
Advanced Asia	3.3	9.5	11.7	15.4
OECD	3.1	7.6	8.1	10.6
Europe	2.8	7.7	8.0	10.5
North America	3.1	6.9	7.4	9.5
United States	3.1	6.8	7.2	9.2

Source (basic data): Swiss Re Institute (April 2021), The economics of climate change: no action not an option

India has made commitments on global platforms to achieve certain climate change related targets. Some of the main commitments and the implementation status are summarized in Table 7.

Table 7: India's climate goals and implementation status

Current status	India's targets indicated in COP26
<ul style="list-style-type: none"> <li>▶ 186.46 GW installed capacity (approx. 37% of the target) from non-fossil fuel-based energy resources (as on 31-10-2023).</li> <li>▶ 14.08 GW of capacity under implementation</li> <li>▶ 55.13 GW under tendering</li> </ul>	Increasing non-fossil energy capacity to 500 GW by 2030
<ul style="list-style-type: none"> <li>▶ At 43% of total installed capacity of power generation in India from non-fossil fuels (as of 12-Jun-2023)</li> </ul>	Meeting 50% of India's energy requirements from renewable energy by 2030
<ul style="list-style-type: none"> <li>▶ In 2020 India's Co2 emission was estimated at 2.2 billion tons, 0.3 billion tons lower than that in 2018 at 2.5 billion tons.</li> </ul>	Reducing total projected carbon emissions by one billion tons from now till 2030
<ul style="list-style-type: none"> <li>▶ Available information indicates reduction by 16.3% from 0.30 kg per PPP\$ of GDP in 2005 to 0.255 kg per PPP\$ of GDP in 2020 based on WB data</li> </ul>	Reducing the carbon intensity per unit of GDP (PPP terms) by at least 45% by 2030 from 2005 levels
<b>Achieving the target of net zero emissions by 2070</b>	

Source (basic data): PIB and authors' compilation

## 5.4 Towards deglobalization and trade fragmentation

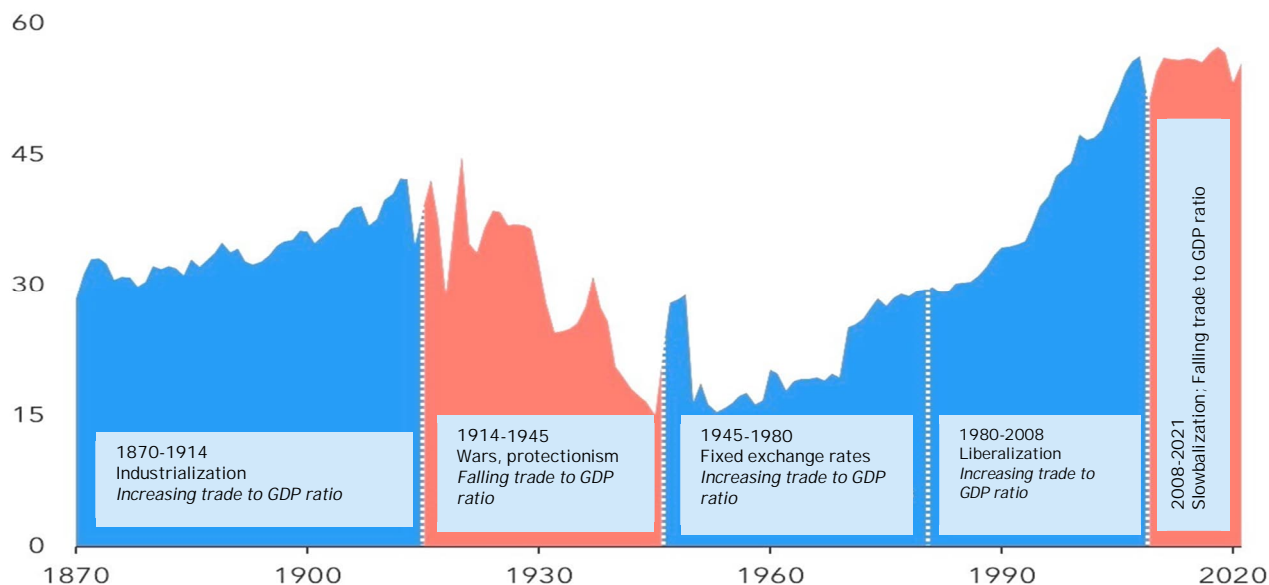
Global as well as India's export growth experienced their respective golden periods from 2002 to 2007. According to the IMF, growth in global export volume averaged 7.6% in this period. In comparison, growth in India's volume of exports averaged 18.9%. Since 2007, both global and India's export growth rates have fallen. While global export volume on average showed a much lower growth at 3.2% during 2008 to 2022, average growth in India's export volume also fell to 5.9%.

<sup>13</sup> <https://shorturl.at/93JPP>



In contrast with the experience of growing globalization after the second world war which continued for more than six decades (1945-2008), we are now transitioning towards a phase in which economies are becoming inward looking where global trade is frequently hampered with supply side disruptions. A recent IMF article<sup>14</sup> has referred to this phenomenon as slowbalization. This article has highlighted five distinct phases of evolution of global trade as depicted by Chart 4.

Chart 4: Patterns in trade intensity of global output (exports plus imports as percent of GDP)



Source: Adapted from IMF (February 2023); <https://www.imf.org/en/Blogs/Articles/2023/02/08/charting-globalizations-turn-to-slowbalization-after-global-financial-crisis>

The five major phases of evolution of global trade identified in the IMF article are briefly described below:

**Phase 1 - The Industrialization era:** This phase was facilitated by reliance on the gold standard and advances in transportation technologies. The main participant countries included US, Europe, Canada, Australia, and Argentina.

**Phase 2 - The Interwar era:** This phase witnessed a substantive reversal of globalization due to international conflicts and the rise of protectionism.

**Phase 3 - The Bretton Woods era:** During this phase, the dollar was pegged to gold while most other currencies were pegged to the dollar leading to the US emerging as the dominant economy in the world. The phase also saw rapid economic expansion in Europe, Japan, and developing economies led by trade liberalization. Alongside, many countries also relaxed capital controls. Further, in the early 1970s, the US ended dollar-gold convertibility, and many countries switched to a floating exchange rate regime.

**Phase 4 - The Liberalization era:** In this phase, China and other emerging markets gradually opened up their economy to foreign trade. There was unprecedented international economic cooperation, including the integration of the former Soviet bloc. In 1995, the World Trade Organization was established as a multilateral institution with the mandate of overseeing trade agreements, negotiations and dispute settlement. This phase also saw a surge in cross-border capital flows and trade, along with increasing interconnectedness and complexity of the global financial system.

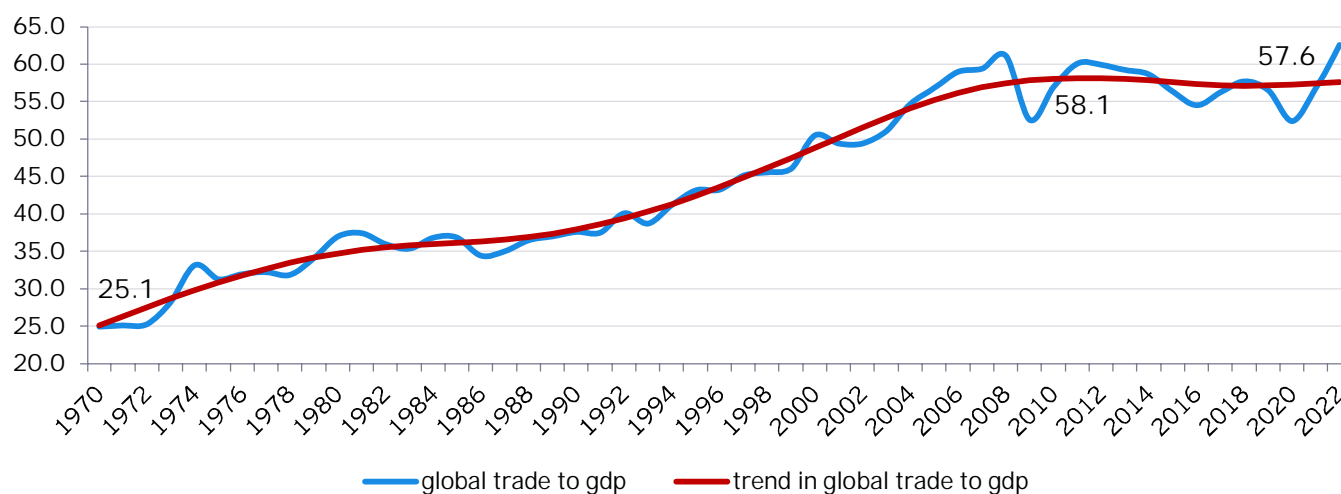
**Phase 5 - Slowbalization:** Following the global financial crisis of 2008-09, there was a prolonged slowdown in the pace of trade reform. Owing to rising geopolitical uncertainties, political support for open trade weakened significantly, leading to stagnation in global trade.

Chart 5 shows a long-term trend of growing global trade to global GDP ratio on trend basis. This ratio rose from 25.1% in 1970 to a peak of 58.1% in 2011 before it started to stagnate and eventually fall. The global trade to global GDP ratio on trend basis has fallen marginally to 57.6% by 2022.

<sup>14</sup> <https://www.imf.org/en/Blogs/Articles/2023/02/08/charting-globalizations-turn-to-slowbalization-after-global-financial-crisis>



Chart 5: Evolving trend in global trade (global trade as % to global GDP)



Source: World Bank

Global trade and global growth have often been disrupted due to the occurrence of global crises, which were largely economic or political in nature. Table 8 highlights the increased frequency of the occurrence of global crises in recent years. In the first phase during 1940 to 2000, 1.3 crises occurred per decade whereas in the second phase covering two and a half decades beginning 2000, this frequency has increased to 2.8 crises per decade.

Table 8: Major crises with global impact: increased frequency in recent years

Crises during 1940 to 2000		Crises since 2000	
1941-44	World War II	2008-09	Global financial and economic crisis
1948-49	Beginning of cold war: Berlin blockade	2010-13	European debt crisis
1949	Suez crisis	2011-14	Arab Spring
1971	Arab-Israeli war: OPEC oil embargo	2018	Argentine crisis
1982	Sovereign debt crises in Mexico	2020	Covid-19
1994	Mexican crisis	2022	Ukraine-Russia War
1997	Asian financial crisis	2023	Israel-Hamas War
1998	Crisis in Russia		

Source: IMF

(<https://www.imf.org/en/About/Timeline#:~:text=Suez%20Crisis%20is%20an%20early%20test%20of,pressure%20from%20independence%20movements%2C%20France%2C%20United%20Kingdom>)

At present, two important crises are besetting global trade and economic performance. These pertain to the conflicts between Russia and Ukraine and that between Israel and Hamas. In both cases, the US and the EU economies came up with a number of sanctions. These conflicts have resulted in serious supply side disruptions as also fragmentation of global trade into specific trade blocs. The main supply side disruptions affect the following dimensions:

1. Sources of raw materials: Many industries including automobiles, aeronautics, electronics, and fertilizers are facing critical shortages of raw materials (crude, primary metals, and urea).
2. Sources of intermediate products: There is shortage of intermediate products such as energy (crude, coal, and natural gas) and semiconductors. Consequently, scarcity and price upsurges have forced many economies into a recession/slowdown.
3. Sources of final outputs: Supply disruptions and trade sanctions have led to historically higher prices for many final goods (wheat, oilseeds, cereals, rice, maize, edible oils, and milk).
4. Disruption of trade and transport routes: Trade channels and transportation routes have been adversely affected.
5. Disruption of financial settlement architecture: Financial settlement architecture has been disrupted due to financial and business-related sanctions, including the ban on the SWIFT platform for certain countries.



One key dimension of these disruptions pertains to crude oil. The World Bank, in its Commodity Markets Outlook (April 2024), has modeled this impact in terms of a baseline scenario and scenarios relating to moderate and severe disruptions. In their baseline scenario, Brent crude oil price is projected to average US\$84/bbl. in 2024 and US\$79/bbl. in 2025. In the moderate disruption scenario, the average price could rise to US\$92/bbl., while in the severe disruption scenario, it could reach an average of US\$102/bbl. in 2024. Escalation of the conflict in the Middle East could also drive up prices for natural gas, food, and fertilizers.

The IMF, in a recent speech (May 2024)<sup>15</sup>, has highlighted the increasing risks of trade fragmentation along with an impact on investment flows. They consider a world divided into three blocs namely, a US leaning bloc, a China leaning bloc, and a bloc of nonaligned countries. They point out that the average weighted quarter-on-quarter trade growth between US leaning countries and China leaning countries during 2Q 2022 to 3Q 2023 was almost 5% points lower than the average quarterly weighted trade growth during 1Q 2017 to 1Q 2022. At the same time, quarterly growth in trade within blocs only saw a 2% points drop. On an average, in the period following the Russia-Ukraine conflict, trade and FDI between blocs declined by roughly 12% and 20% more than flows within blocs, respectively. The bloc of non-aligned countries, including India, serves to reduce frictions by playing the role of a trade connector.

## 5.5 Growing global indebtedness

All economic stakeholders in the advanced and emerging market economies have been nursing higher and higher indebtedness. Data pertaining to country-wise levels of debt of the general government, households, and non-financial corporations show progressively higher indebtedness. Added together, the country's level of indebtedness relative to GDP can be gauged by the total non-financial sector debt. For advanced economies, it was 265% of GDP by end-September 2023 whereas that for the EMEs, this number was 222% of GDP. Japan had the highest indebtedness amongst major countries at 402% whereas that for the US was also as high as 264%. India was relatively better off as its total non-financial sector debt was comparatively lower at 175% (Table 9). In fact, this level is lower than its corresponding level in 2007. Within this total debt, general government debt was highest for Japan and lowest for Germany amongst major economies. The US general government debt had peaked at 121% in 2020. A high level of debt relative to GDP generally implies large interest payments for the governments depending on the average interest rate and the composition of debt into external and domestic components, implying fiscal pressure. If the share of external debt in total debt for a country is high, it is also likely to face pressure on its exchange rate.

Table 9: Country-wise levels of debt of non-financial sector (% to GDP)

Year	EMEs	China	India	AEs	Germany	Japan	US	Euro Area
<b>Total non-financial sector</b>								
2007	125.7	142.5	180.5	240.9	193.4	300.9	228.5	218.1
2020	244.0	294.1	189.9	306.5	199.9	409.5	285.2	269.6
2022	219.3	297.4	172.3	272.9	194.1	413.5	266.7	248.7
2023 (30-Sep)	221.5	310.7	175.2	264.6	188.4	402.0	263.7	240.6
<b>General government</b>								
2007	NA	29.3	72.8	69.6	64.1	142.1	57.7	65.9
2020	68.4	71.3	89.4	122.0	68.9	226.2	120.6	97.3
2022	64.6	77	82	107.7	66.2	227.3	110.7	91.0
2023 (30-Sep)	66.5	81.2	83.3	105.9	64.8	220.8	112.2	89.9
<b>Households and NPISHs</b>								
2007	NA	18.9	43.1	82.7	61.4	60	98.7	59.8
2020	54.6	61.9	40.6	80.5	57.2	67.5	78.3	61.8
2022	48.2	61.6	36.5	73.4	55.0	68.1	75.3	56.9
2023 (30-Sep)	47.6	62.4	37.2	70.8	52.8	66.2	73.1	54.4
<b>Non-financial corporations</b>								
2007	NA	94.3	70.1	88.6	67.9	98.8	72.1	92.4
2020	120.7	160.9	59.8	104	73.8	115.8	86.3	110.5
2022	106.5	158.8	53.8	91.8	72.9	118.1	80.7	100.8
2023 (30-Sep)	107.6	167.1	54.7	87.9	70.8	115	78.4	96.3

Source: BIS

Note: Data for India pertains to the fiscal year ending 31 March; Government debt for EMEs and AEs is estimated at nominal value and for AEs at market value; total debt for AEs is re-estimated using government debt at nominal value

<sup>15</sup> [Speech: Geopolitics and its Impact on Global Trade and the Dollar \(imf.org\)](https://www.imf.org/en/Speeches/2024/05/02/speech-geopolitics-and-its-impact-on-global-trade-and-the-dollar)



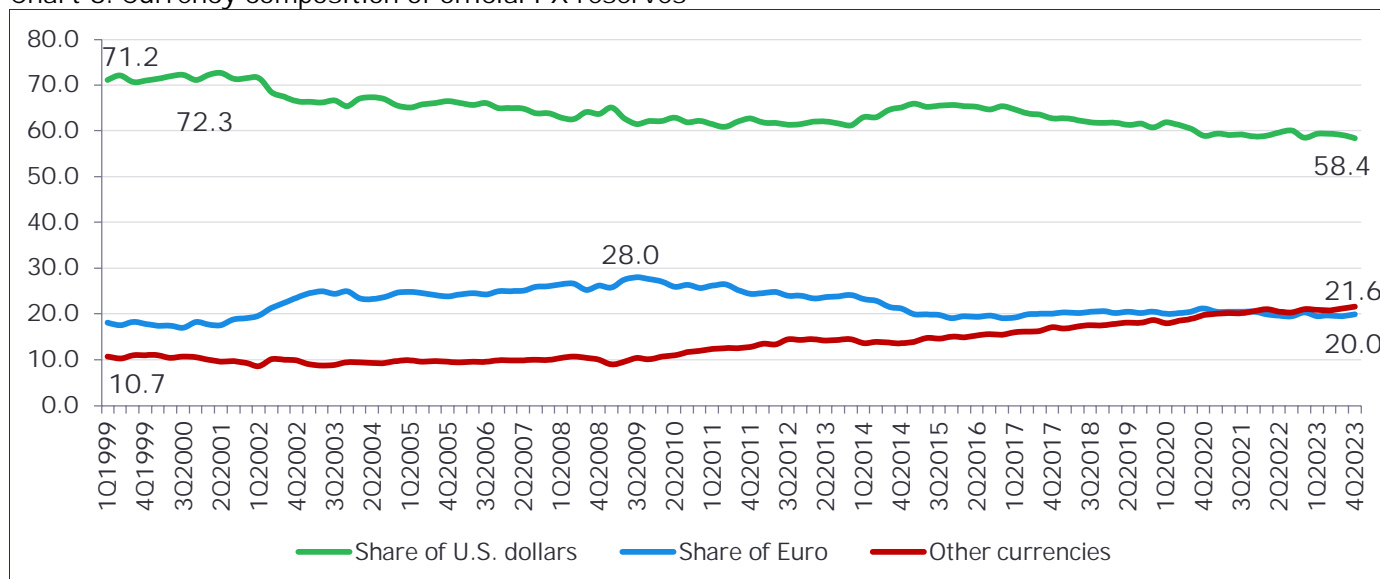


## 5.6 Erosion of US dollar's position as the prime global currency

With frequent sanctions emanating from the US, large economies such as China, Russia and the BRICS countries have become wary of holding foreign exchange (FX) reserves in the form of US\$. The US\$ itself discontinued any backing by gold after 1971 when the concept of petrodollars came into vogue with an agreement between the US and the Saudi Arabia. This arrangement had enabled the US to print dollars almost without limit to finance their internal deficits. The US has been extensively floating Treasury Bills and consequently, its government debt-GDP ratio is now touching 123.3% in 2024 (IMF WEO, April 2024).

Chart 6 shows the currency composition of official FX reserves as per the information available with the IMF. It can be observed that the share of the US dollar kept as FX reserves has fallen from its peak of 72.3% (3Q 2000) to 58.4% (4Q 2023). The share of Euro has also fallen from a peak of 28% (3Q 2009) to 20% (4Q 2023). In contrast, the share of other currencies which include Pound Sterling, Japanese Yen, and Chinese Renminbi, has progressively increased to reach 21.6% in 4Q 2023. These trends are likely to continue. There are initiatives by countries such as India and China where bilateral trade is being settled in domestic currencies. There is also a major initiative by BRICS to float its own currency backed by gold and commodities to be used as payment within BRICS countries<sup>16</sup>. This group has now been substantially expanded by inclusion of Iran, Egypt, Ethiopia, Saudi Arabia and the UAE<sup>17</sup>. It is notable that some of these are important oil-producing countries.

Chart 6: Currency composition of official FX reserves



Source (basic data): IMF

Notes: (1) These shares are for Allocated FX reserves. Allocated foreign exchange reserves accounted for over 80% of total global foreign exchange reserves since 2017.

(2) Other currencies include Australian dollars, Canadian dollars, Pound Sterling, Swiss Frank, Japanese Yen, Chinese Renminbi, and others.

## 5.7 Evolving demographic profiles

Demographic profiles of individual countries and major country groups are projected to change in a significant way throughout the rest of the 21<sup>st</sup> century. Median age in high and middle-income countries is expected to rise by nearly 20 years between 1950 and 2060. For India, it is about 21 years. This rise is only about 8 years for low-income countries.

<sup>16</sup> <https://www.nasdaq.com/articles/how-would-a-new-brics-currency-affect-the-us-dollar-updated-2024>

<sup>17</sup> <https://www.livemint.com/news/brics-5-countries-officially-join-group-of-emerging-nations-check-the-list-here-11706757708865.html>



Table 10: Median age and share in global working age population across country groups

Year	Median age (years)					Share in global working age population (%)			
	High-income	Low-income	Middle-income	India	World	High-income	Low-income	Middle-income	India
1950	27.5	17.7	20.7	20.0	22.2	29.3	4.2	66.3	14.0
2000	35.2	16.0	24.0	21.6	25.3	19.1	5.3	75.1	16.6
2010	37.9	16.6	26.5	24.0	27.3	17.4	6.2	76.0	17.4
2020	40.4	17.4	29.4	27.3	29.7	15.9	7.5	76.2	18.4
2030	43.0	19.0	32.3	30.9	32.1	14.4	9.3	75.9	18.8
2040	45.1	20.8	34.7	34.6	34.0	13.2	11.5	74.9	18.8
2050	46.4	23.0	37.1	38.1	35.9	12.2	14.0	73.4	18.4
2060	47.4	25.4	39.3	41.0	37.6	11.5	16.5	71.5	17.5

Source: UN World Population Prospects 2022

As per the UN World Population Dashboard<sup>18</sup>, the estimated population for India for 2023 at 1,428.6 million has exceeded that of China at 1,425.7 million in April 2023. From here on, India would remain the largest population country in the world for the remaining decades of the 21st century and beyond. In 2025, India's working age population (WAP) estimated at 994.7 million is expected to exceed that of China<sup>19</sup> by 7.3 million, making India the largest working age population country globally. By 2030, with close to 1043.4 million working age persons in India, this excess of WAP as compared to China is projected to increase nearly ten-folds, reaching 70.9 million.

These changing demographic profiles offer both opportunities and challenges for India. With a relatively higher share in global working age population, India will have to develop a strategy of growth that depends on exporting human resources or services based on human resources, to countries where populations would have aged faster. In these countries, there will be a relatively high demand for health services accompanied by a shortage of human resources for more regular industrial and business activities<sup>20</sup>.

## 5.8 Conclusion: placing India in the new global order

As India improves its global ranking in terms of size of the economy, achieved growth and overall economic strength, India may have to recast its own role in the global pecking order in terms of economic clout and policy leadership. India is already emerging as a leader of the Global South. It has to develop its own paradigm, defining the nature and quality of its leadership in developing a non-exploitative relationship with the rest of the world based on optimizing mutual economic benefits. India can also learn from the experiences of the existing advanced economies and try and avoid some of the erstwhile pitfalls in the growth process such as the Middle-Income Trap<sup>21</sup> and the Dutch Disease<sup>22</sup>. This would require careful policymaking and commitment to responsible fiscal behavior so that excessive subsidization or higher government expenditures do not lead to unsustainable commitments. In this context, it is of critical importance for the Gol and state governments to adhere to their respective Fiscal Responsibility Legislation targets.

<sup>18</sup> <https://www.unfpa.org/data/world-population-dashboard>

<sup>19</sup> China's working age population is estimated at 987.4 million in 2025.

<sup>20</sup> For more details see EY Economy Watch April 2024 edition: [https://www.ey.com/en\\_in/tax/economy-watch/population-trends-in-the-21-st-century-what-are-india-s-opportunities](https://www.ey.com/en_in/tax/economy-watch/population-trends-in-the-21-st-century-what-are-india-s-opportunities)

<sup>21</sup> According to the World Bank (2011), the middle-income trap refers to a situation whereby a middle-income country is failing to transition to a high-income economy due to rising costs and declining competitiveness. Many economies in Latin America and the Middle East regions have been stuck in a middle-income trap, and recent evidence suggests that a number of countries in East Asia are in a similar position.

<sup>22</sup> Dutch disease is the apparent causal relationship between the increase in the economic development of a specific sector (for example, natural resources) and a decline in other sectors (like the manufacturing sector or agriculture). The term was coined in 1977 to describe the decline of the manufacturing sector in the Netherlands after the discovery of the large Groningen natural gas field in 1960.

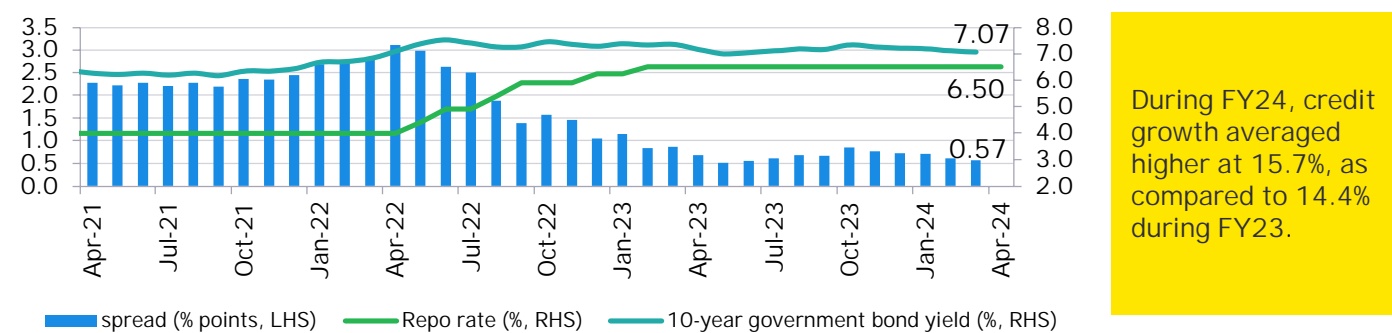
This syndrome has been witnessed in many countries across the world, including but not limited to resource-rich commodity exporters. Although Dutch disease is generally associated with a natural resource discovery, it can occur from any development that results in a large inflow of foreign currency, including a sharp surge in natural resource prices, foreign assistance, and foreign direct investment. Economists have used the Dutch disease model to examine such episodes as the flow of American treasures into 16th century Spain and gold discoveries in Australia in the 1850s (IMF).

## 6.1 Monetary sector

### Monetary policy

- ▶ In the April 2024 monetary policy review, the RBI retained the repo rate for the seventh successive time at 6.5% (Chart 7) while remaining focused on withdrawal of liquidity.
- ▶ The RBI projected CPI inflation to average 4.5% in FY25, easing from 5.4% in FY24. However, the CPI inflation outlook may face considerable uncertainties owing to unpredictable supply-side shocks from adverse climate events and their impact on agricultural production as also geo-political tensions and spillovers to trade and commodity markets.

Chart 7: Movements in the repo rate and 10-year government bond yield



During FY24, credit growth averaged higher at 15.7%, as compared to 14.4% during FY23.

Source: Database on Indian Economy, RBI

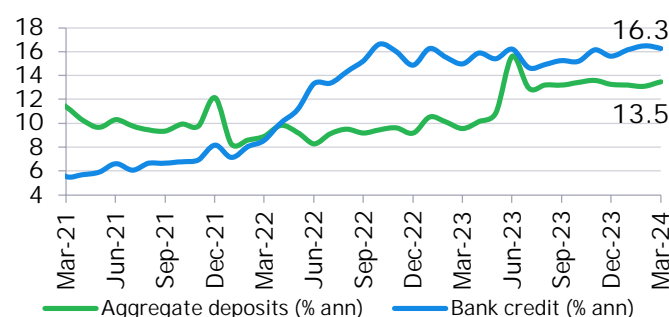
### Money stock

- ▶ Growth in broad money stock (M3)<sup>23</sup> eased marginally to 10.9% in April 2024 from 11.1% in March 2024. Time deposits, the largest component of M3, grew at a relatively slower pace of 11.9% in April 2024 as compared to 12.4% in March 2024.
- ▶ Growth in narrow money (M1) increased to 7.8% in April 2024 from 7.3% in March 2024. This may be attributable to a robust growth in demand deposits, which accelerated to 14.0% in April 2024 from 11.5% in March 2024. However, the other component of M1, that is currency with the public, grew at a slower pace of 3.2% in April 2024 as compared to 4.3% in March 2024.

### Aggregate credit and deposits

- ▶ Gross bank credit continued to show a robust growth of 16.3% in March 2024, although easing marginally from 16.5% in February 2024 (Chart 8). During FY24, credit growth averaged higher at 15.7%, as compared to 14.4% during FY23.
- ▶ Non-food credit also grew by 16.3% in April 2024, easing from 16.5% in February 2024. Growth in non-food credit averaged 15.8% in FY24, higher as compared to 14.7% in FY23.
- ▶ Sectoral bank credit data indicate that credit to services, with an average share of about 26% in total non-food credit (last five years), showed the highest growth of 20.2% in March 2024, although easing marginally from 21.2% in February 2024. In FY24, services credit grew by 21.2% on average as compared to 18.0% in FY23.
- ▶ Growth in credit to the agricultural sector remained stable for the third successive month at 20.1% in March 2024. In FY24, agricultural credit growth remained strong, averaging 18.2% as compared to 13.3% in FY23.
- ▶ Personal loans, a key component of retail loans, with a share of close to 28% on average in total non-food credit (last five years), showed a growth of 17.7% in March 2024 easing marginally from 18.1% in February 2024. In FY24, growth in personal loans averaged 18.6%, marginally lower as compared to 19.1% in FY23.

Chart 8: Growth in credit and deposits



Source: Database on Indian Economy, RBI

<sup>23</sup> The data on M3, demand and time deposits and bank credit excludes the impact of merger of a non-bank with a bank.



- ▶ Growth in outstanding credit to industries, having a share of about 27% on average in total non-food credit (last five years), was at 8.5% in March 2024, close to its level of 8.6% in February 2024. In FY24, growth in credit to industries averaged lower at 6.9% as compared to 9.7% in FY23.
- ▶ Within the industrial credit, growth in credit to infrastructure, having the largest share of over 37% on average in total industrial credit (last five years), eased to 6.5% in March 2024 from 6.8% in February 2024. Growth in credit to textiles also eased to 11.1% in March 2024 from 13.3% in February 2024. However, growth in credit to iron and steel increased to 18.9% in March 2024 from 16.2% in February 2024.
- ▶ Growth in aggregate deposits increased to 13.5% in March 2024 from 13.1% in February 2024. In FY24, deposits grew by 13% on average as compared to 9.5% in FY23.

## 6.2 Financial sector

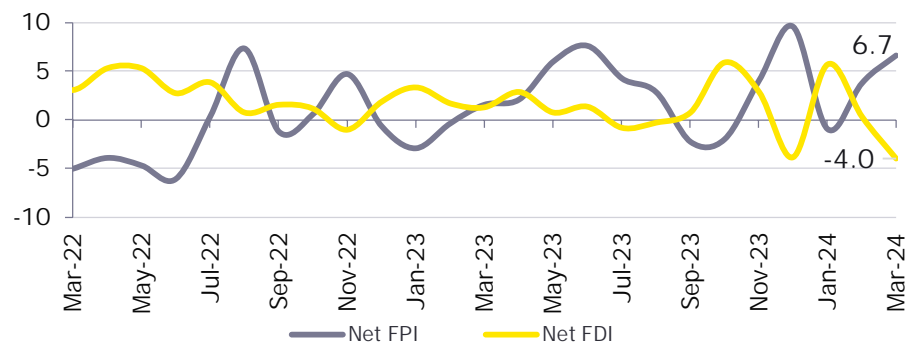
### Interest rates

- ▶ As per the data released by the RBI in the first week of May 2024, the average interest rate on term deposits with a maturity period of more than one year was lowered to 6.69% in April 2024 from 6.88% in March 2024. Term deposit rates on average ranged between 6.13% and 7.25% in April 2024.
- ▶ The MCLR, in March 2024, was retained at 8.30% on average for the fourth consecutive month with the actual rates ranging between 8.00% and 8.60%.
- ▶ The average yield on 10-year government bonds increased marginally to 7.15% in April 2024 from 7.07% in March 2024 (Chart 7).
- ▶ WALR on fresh rupee loans by SCBs at 9.37% in March 2024 was close to its level of 9.36% in February 2024. In FY24, WALR averaged higher at 9.35% as compared to 8.53% in FY23.

### FDI and FPI

- ▶ As per the provisional data released by the RBI on 21 May 2024, overall foreign investments<sup>24</sup> (FIs) fell to US\$2.7 billion in March 2024 from US\$4.2 billion in February 2024. In FY24, overall FIs surged to US\$52.8 billion from US\$22.8 billion in FY23.

Chart 9: Net FDI and FPI inflows (US\$ billion)



In FY24, net FDI inflows were significantly lower at US\$10.6 billion as compared to US\$28 billion in FY23 while net portfolio inflows surged to US\$42.2 billion as compared to net outflows amounting to US\$5.2 billion during the same period.

Source: Database on Indian Economy, RBI

- ▶ Net FDI turned negative, registering outflows of US\$4.0 billion in March 2024 as compared to inflows amounting to US\$0.3 billion in February 2024 (Chart 9). However, gross FDI inflows increased to US\$6.0 billion in March 2024 from US\$5.1 billion in February 2024. In FY24, net FDI inflows were significantly lower at US\$10.6 billion as compared to US\$28 billion in FY23. Gross FDI inflows amounted to US\$71 billion in FY24, marginally lower as compared to US\$71.4 billion in FY23.
- ▶ Net FPI inflows surged to US\$6.7 billion in March 2024 from US\$3.8 billion in February 2024. In FY24, net portfolio inflows surged to US\$42.2 billion as compared to net outflows amounting to US\$5.2 billion in FY23.

<sup>24</sup> Foreign Investment (FI) = net FDI plus net FPI

# 7 Trade and CAB: merchandise trade deficit expanded to a four-month high of US\$19.1 billion

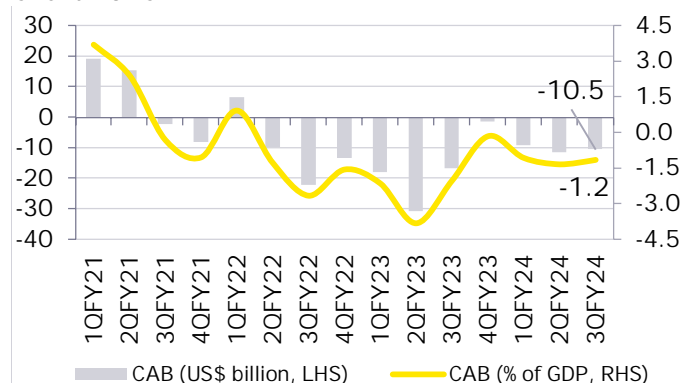
## 7.1 CAB: current account deficit fell to 1.2% of GDP in 3QFY24 from 1.3% in 2QFY24

- ▶ Net merchandise trade deficit widened to a four-quarter high of 7.9% of GDP in 3QFY24 from 7.5% in 2QFY24 as merchandise exports fell to 11.8% from 12.6% relative to GDP over the same period. Merchandise imports moderated by 0.4% points to 19.7% of GDP in 3QFY24 from 20.1% in 2QFY24.
- ▶ Net invisibles were at 6.7% relative to GDP in 3QFY24, its highest level since 2QFY10, reflecting an improvement in net service exports and net transfers. Net services exports were at a 60-quarter high of 5.0% relative to GDP and net transfers at 3.2% of GDP were at a four-quarter high in 3QFY24. Deficit on net income account was marginally higher at 1.5% of GDP in 3QFY24 as compared to 1.4% in the previous quarter.

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
4QFY23	-0.2	-1.4	-52.6	51.2
1QFY24	-1.1	-9.1	-56.7	47.6
2QFY24	-1.3	-11.4	-64.5	53.1
3QFY24	-1.2	-10.5	-71.6	61.1

Chart 10: CAB



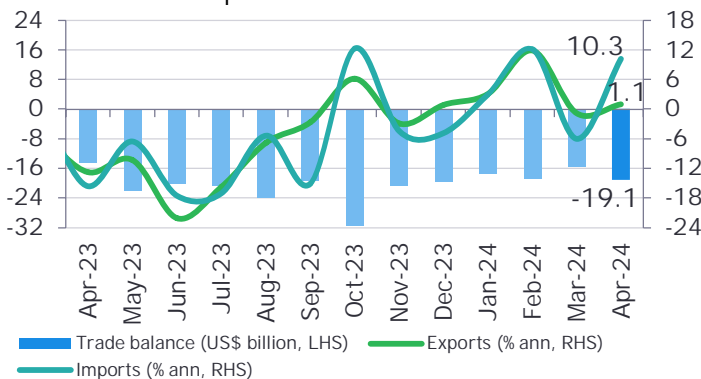
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; \*invisibles include services, current transfers and income components

## 7.2 Merchandise trade and exchange rates

Growth in merchandise exports and imports turned positive at 1.1% and 10.3% respectively in April 2024 after contracting by (-)0.7% and (-)6.0% in March 2024 led by higher growth in oil exports and imports.

- ▶ Growth in exports of oil turned positive at 3.1% in April 2024 from a contraction of (-)35.4% in March 2024. Imports of oil surged by 20.2% in April 2024 as compared to a contraction of (-)4.4% in March 2024 partly due to favorable base effect.
- ▶ Exports of engineering goods and gems and jewelry contracted by (-)3.2% and (-)6.9% respectively in April 2024 as compared to 10.7% and (-)4.6% in March 2024. Growth in exports of electronic goods remained elevated at 25.8% in April 2024, marginally higher than 23.1% in March 2024. Chemical exports growth was also in double digits at 16.7% in April 2024, although lower than 39.7% in the previous month.
- ▶ Partly due to higher gold prices, growth in gold imports surged to a 13-month high of 209.0% in April 2024 from (-)53.6% in March 2024. Growth in imports of electronic goods increased to 10.0% from 5.0% over the same period, whereas imports of chemicals contracted for the sixth successive month at (-)5.2% in April 2024.
- ▶ Growth in exports excluding oil, gold and jewelry fell to 1.3% in April 2024 from 9.1% in March 2024, while that in imports of the same category turned positive at 1.9% from (-)1.5% over this period.
- ▶ Merchandise trade deficit widened to a four-month high of US\$19.1 billion in April 2024 (Chart 11). Deficit on account of trade of goods and services eased to US\$2.2 billion in March 2024 from US\$5.6 billion in February 2024. In FY24, goods and services trade deficit eased to US\$80.6 billion from US\$124.7 billion in FY23.
- ▶ The Indian Rupee depreciated to INR83.4/US\$ in April 2024 from INR83.0/US\$ in March 2024 amid heightening global geopolitical uncertainties.

Chart 11: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

# 8 Global growth: ADB projected growth in developing Asia at 4.9% in 2024 and 2025

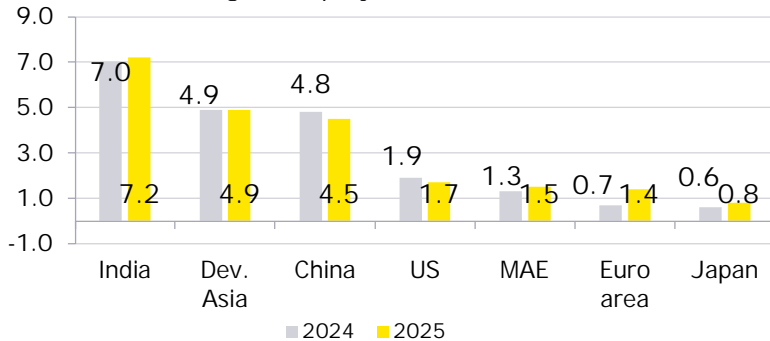


## 8.1 Growth

- ▶ The Asian Development Bank (Asian Development Outlook, April 2024) has projected growth in developing Asia at 4.9% in 2024 and 2025, marginally lower than 5% in 2023 (Chart 12).
- ▶ Growth in China is projected to decline from 5.2% in 2023 to 4.8% in 2024 and further to 4.5% in 2025, reflecting the ongoing property market adjustment and weak external demand together with increased trade tensions.
- ▶ Growth in India is forecasted to remain strong at 7% in 2024 (FY25), increasing further to 7.2% in 2025 (FY26) driven by public and private sector investment demand, and by gradual improvement in consumer demand as the rural economy improves.
- ▶ Growth in Major Advanced Economies (MAE) as a group is expected to slow from 1.7% in 2023 to 1.3% in 2024 before recovering to 1.5% in 2025 affected by lagged effects of high interest rates and softening trade. The trends however diverge across key economies.
- ▶ Growth in the US is forecast to decline from 2.5% in 2023 to 1.9% in 2024 and further to 1.7% in 2025 owing to softer labor market conditions and moderating consumption growth.
- ▶ Growth in the euro area is projected to recover from 0.5% in 2023, to 0.7% in 2024 and 1.4% in 2025 supported by gradual pickup in domestic demand. However, this could be offset by a less supportive external environment due to a weaker growth in the US and China.
- ▶ In Japan, growth is forecast to slow to 0.6% in 2024 before rising slightly to 0.8% in 2025, down from 1.9% in 2023, as exports and investment remain subdued and the post-pandemic recovery fades.

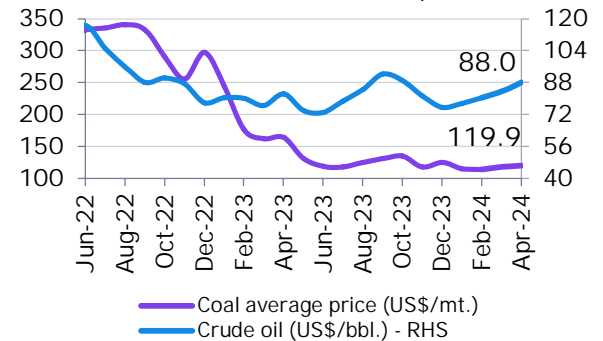
The ADB has projected developing Asia to grow by 4.9% in 2024 and 2025, with India's FY25 and FY26 growth forecasted at 7% and 7.2%.

Chart 12: Global growth projections (%)



Source: Asian Development Outlook (April 2024)  
\*Data pertains to fiscal years FY25 and FY26; MAE: Major Advanced Economies

Chart 13: Global crude and coal prices



Source (basic data): World Bank Pink Sheets, May 2024

## 8.2 Global energy prices: global crude price increased to a six-month high of US\$88/bbl. in April 2024

- ▶ Average global crude price<sup>25</sup> increased to a six-month high of US\$88/bbl. in April 2024 from US\$83.5/bbl. in March 2024 owing to heightened geopolitical tensions, signs of firmer industrial demand, and tight supplies including due to the extension of OPEC+ production cuts announced in March 2024 (Chart 13). The World Bank, in its April 2024 Commodity Markets Outlook, has projected the Brent crude oil to average US\$84/bbl. in 2024, up from US\$82.6/bbl. in 2023.
- ▶ Average global coal price<sup>26</sup> increased marginally to US\$119.9/mt. in April 2024 from US\$118.2/mt. in March 2024. The World Bank has forecasted global coal price to average US\$125/mt. in 2024, significantly lower as compared to US\$344.9/mt. in 2022 and US\$172.8/mt. in 2023 owing to a sharp reduction in consumption particularly in the US and European Union.

<sup>25</sup> Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh

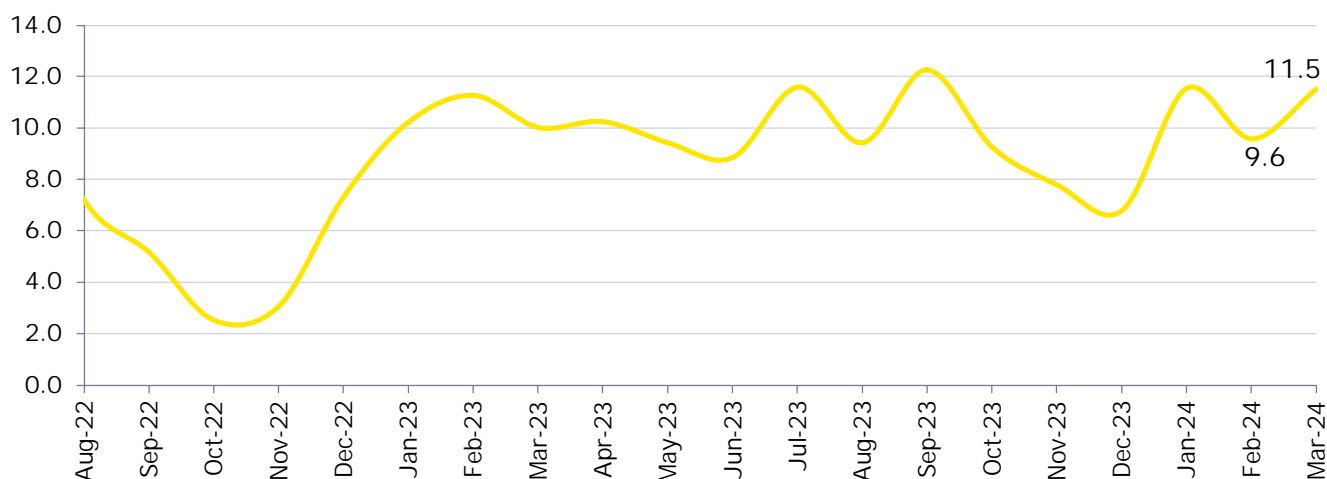
<sup>26</sup> Simple average of Australian and South African coal prices.

## 9 Index of Aggregate Demand (IAD): showed a higher growth of 11.5% in March 2024

### 9.1 Growth in IAD improved to 11.5% in March 2024 from 9.6% in February 2024

- ▶ Growth in IAD<sup>27</sup> accelerated to 11.5% in March 2024 from 9.6% in February 2024 led by a sustained improvement in the demand conditions across key sectors of the economy (Chart 14 and Table 12). In FY24, growth in IAD averaged marginally higher at 9.9% as compared to 9.6% in FY23.
- ▶ Demand conditions in the services sector showed robust momentum as evidenced by PMI services, which expanded at a faster pace of 61.2 in March 2024 as compared to 60.6 in February 2024.
- ▶ The manufacturing sector also witnessed a significant pickup in demand conditions in March 2024 as reflected by a higher manufacturing PMI reading at 59.1 as compared to 56.9 in February 2024.
- ▶ Similarly, demand conditions in the agricultural sector remained strong as reflected by a high and stable growth in agricultural credit offtake in March 2024. Growth in agricultural credit stood at 20.2% (sa)<sup>28</sup> in March 2024, close to its level in January and February 2024.

Chart 14: 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	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
IAD	168.1	167.4	168.5	166.0	166.2	169.1	174.1	174.3	177.3
Growth (% y-o-y)	11.6	9.4	12.3	9.2	7.8	6.8	11.5	9.6	11.5
Growth in agr. credit	16.9	16.6	16.9	17.3	18.1	19.3	20.1	20.1	20.2
Mfg. PMI**	7.7	8.6	7.5	5.5	6.0	4.9	6.5	6.9	9.1
Ser. PMI**	12.3	10.1	11.0	8.4	6.9	9.0	11.8	10.6	11.2

Source (basic data): S&P Global, RBI and EY estimates; \*\*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 Manufacturing and Services are seasonally adjusted.

<sup>27</sup> 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 the agricultural sector.

<sup>28</sup> 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.



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							
FY21	-8.4	-7.8	-9.6	-0.5	-7.8	FY21	50.2	41.7
FY22	11.4	12.2	11.8	7.9	12.2	FY22	54.0	52.3
FY23	5.2	5.8	4.7	8.9	5.8	FY23	55.6	57.3
FY24	5.8	7.5	5.5	7.1	7.5	FY24	57.2	60.3
4QFY23	4.8	6.4	5.1	1.3	6.0	1QFY24	57.9	60.6
1QFY24	7.8	11.5	6.8	11.1	10.5	2QFY24	57.9	61.1
2QFY24	6.1	8.2	5.4	9.0	8.4	3QFY24	55.5	58.1
3QFY24	4.9	4.9	4.5	7.3	5.4	4QFY24	57.5	61.2
Nov-23	4.4	5.2	4.6	1.2	5.0	Jan-24	56.5	61.8
Dec-23	4.1	5.9	3.6	5.6	4.1	Feb-24	56.9	60.6
Jan-24	5.6	8.1	4.9	7.5	7.1	Mar-24	59.1	61.2
Feb-24	4.9	1.2	5.2	8.6	5.2	Apr-24	58.8	60.8

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			
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
FY24	5.4	7.5	1.2	4.4	-0.7	3.2	-1.7	-4.5	-1.4
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	-0.6	5.5	-2.1	-7.6	-1.9
3QFY24	5.4	8.3	-0.7	4.1	0.3	4.0	-0.9	-2.4	-0.7
4QFY24	5.0	8.5	-1.6	3.4	0.4	4.2	-1.1	-1.0	-1.2
Jan-24	5.1	8.3	-0.6	3.6	0.3	3.8	-1.2	-0.4	-1.1
Feb-24	5.1	8.7	-0.8	3.3	0.2	4.1	-1.3	-1.7	-1.3
Mar-24	4.9	8.5	-3.4	3.3	0.5	4.6	-0.8	-0.8	-1.1
Apr-24	4.8	8.7	-4.2	3.2	1.3	5.5	-0.4	1.4	-0.7

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

Note: The CPI for April and May 2020 has been imputed. 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





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 (RE over FY 23 actuals)	12.5	11.7	22.7	17.2	7.0	5.8	2.8
Cumulated growth (% , y-o-y)						% of budgeted target	
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
Sep-23	16.3	20.2	31.1	25.4	6.5	39.3	26.6
Oct-23	14.0	17.4	31.1	24.1	3.5	45.0	32.2
Nov-23	14.7	20.1	29.4	24.8	4.8	50.7	39.8
Dec-23	14.4	18.7	28.4	23.2	4.3	56.6 <sup>#</sup>	40.2 <sup>#</sup>
Jan-24	14.5	20.1	27.3	23.6	4.5	63.6 <sup>#</sup>	49.4 <sup>#</sup>
Feb-24	13.4	17.3	25.8	21.6	4.6	86.5 <sup>#</sup>	87.1 <sup>#</sup>

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents; # indicates that the values as percent of revised estimates

\* Includes corporation tax and income tax

\*\* Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (Gol)
INR crore					
FY24 (RE)	8,11,600	-	-	1,45,000	9,56,600
FY25 (BE)	9,17,650	-	-	1,50,000	10,67,650
Monthly tax collection (INR crore)					
Jul-23	67,234	250	-2,396	11,392	76,480
Aug-23	62,720	306	6,250	11,430	80,706
Sep-23	61,731	199	1,686	11,385	75,001
Oct-23	70,510	1,122	-15,888	11,898	67,642
Nov-23	66,079	251	4,301	11,802	82,433
Dec-23	68,048	449	-11,276	11,784	69,005
Jan-24	73,685	469	-6,530	11,583	79,207
Feb-24	71,129	376	-12,690	12,529	71,344

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					
May-23	6.50	FY21	6.0	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Jun-23	6.50	FY22	7.0	9.7	38.6	-16.8	FY22	10.7	8.8	6.40	617.6
Jul-23	6.50	FY23	14.4	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Aug-23	6.50	FY24	15.7	13.0	10.6	42.2	FY24	7.3	11.1	7.16	645.6
Sep-23	6.50	1QFY24	15.9	12.2	5.1	15.7	1QFY24	7.5	10.6	7.08	595.1
Oct-23	6.50	2QFY24	15.0	13.1	-0.3	4.9	2QFY24	7.4	10.9	7.16	586.9
Nov-23	6.50	3QFY24	15.7	13.4	4.9	11.6	3QFY24	7.1	11.0	7.28	623.2
Dec-23	6.50	4QFY24	16.3	13.3	2.1	9.5	4QFY24	7.3	11.1	7.13	645.6
Jan-24	6.50	Dec-23	15.6	13.3	-3.9	9.6	Jan-24	6.7	11.0	7.20	616.7
Feb-24	6.50	Jan-24	16.1	13.2	5.7	-1.0	Feb-24	6.7	10.9	7.11	619.1
Mar-24	6.50	Feb-24	16.5	13.1	0.3	3.8	Mar-24	7.3	11.1	7.07	645.6
Apr-24	6.50	Mar-24	16.3	13.5	-4.0	6.7	Apr-24	7.8	10.9	7.15	637.9

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		
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	6.9	16.8	-264.9	80.4	92.7	283.4	2016	3.2	1.8	4.4
FY24	-4.7	-5.7	-245.3	82.8	81.1	126.4	2017	3.8	2.5	4.8
1QFY24	-15.2	-13.2	-56.7	82.2	76.6	138.3	2018	3.6	2.3	4.6
2QFY24	-8.6	-12.5	-64.2	82.7	85.3	125.0	2019	2.8	1.7	3.6
3QFY24	1.3	1.0	-71.9	83.3	82.1	126.2	2020	-2.8	-4.2	-1.8
4QFY24	4.6	2.7	-51.8	82.9	80.6	116.2	2021	6.3	5.6	6.9
Jan-24	3.1	3.0	-17.5	82.7	77.7	115.8	2022	3.5	2.6	4.1
Feb-24	11.9	12.2	-18.7	83.0	80.5	114.7	2023	3.2	1.6	4.3
Mar-24	-0.7	-6.0	-15.6	83.0	83.5	118.2	2024*	3.2	1.7	4.2
Apr-24	1.1	10.3	-19.1	83.4	88.0	119.9	2025*	3.2	1.8	4.2

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook (WEO) April 2024; \*indicates forecasts



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
FY21 (3rd RE)	-4.1	4.0	-8.2	3.1	-4.2	-4.6	-19.9	1.9	-7.6	3.4
FY22 (2nd RE)	9.4	4.6	6.3	10.0	10.3	19.9	15.2	5.7	7.5	8.6
FY23 (1st RE)	6.7	4.7	1.9	-2.2	9.4	9.4	12.0	9.1	8.9	6.8
FY24 (SAE)	6.9	0.7	8.1	8.5	7.5	10.7	6.5	8.2	7.7	1.2
3QFY22	5.2	3.0	5.3	0.3	6.6	7.3	8.9	5.3	8.6	9.8
4QFY22	4.2	5.4	2.0	-0.1	7.4	6.4	5.9	5.6	3.3	10.2
1QFY23	11.3	2.7	6.6	2.2	15.6	14.7	22.1	10.5	23.6	11.5
2QFY23	5.0	2.3	-4.1	-7.2	6.4	6.9	13.2	8.7	7.3	9.2
3QFY23	4.8	5.2	1.4	-4.8	8.7	9.5	9.2	7.7	3.5	4.8
4QFY23	6.0	7.6	2.9	0.9	7.3	7.4	7.0	9.2	4.7	3.0
1QFY24	8.2	3.5	7.1	5.0	3.2	8.5	9.7	12.6	8.2	0.0
2QFY24	7.7	1.6	11.1	14.4	10.5	13.5	4.5	6.2	7.7	1.5
3QFY24	6.5	-0.8	7.5	11.6	9.0	9.5	6.7	7.0	7.5	1.7

Source: National Accounts Statistics, MoSPI

\*Growth numbers for FY21 (3<sup>rd</sup> revised estimates), FY22 (2<sup>nd</sup> revised estimates), FY23 (1st revised estimates) are based on the on NAS released by the MoSPI on 29 February 2024. Second Advance Estimates (SAE) for FY24 was released on 29 February 2024

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY21 (3rd RE)	-5.8	-5.3	-0.8	-7.1	-7.0	-12.6	4.8
FY22 (2nd RE)	9.7	11.7	0.0	17.5	29.6	22.1	8.4
FY23 (1st RE)	7.0	6.8	9.0	6.6	13.4	10.6	6.7
FY24 (SAE)	7.6	3.0	3.0	10.2	1.5	10.9	1.4
3QFY22	5.7	11.0	-0.6	4.8	31.1	21.4	8.6
4QFY22	4.4	6.1	5.1	5.6	25.5	8.2	8.6
1QFY23	12.8	18.5	9.8	13.9	19.1	26.1	11.3
2QFY23	5.5	8.2	3.4	4.7	11.7	16.1	9.0
3QFY23	4.3	1.8	7.1	5.0	10.9	4.1	4.9
4QFY23	6.2	1.5	13.9	3.8	12.4	-0.4	2.8
1QFY24	8.2	5.3	-0.1	8.5	-6.5	15.3	0.2
2QFY24	8.1	2.4	13.8	11.6	5.3	11.9	1.4
3QFY24	8.4	3.5	-3.2	10.6	3.4	8.3	1.6

Source: National Accounts Statistics, MoSPI

\*Growth numbers for FY21 (3<sup>rd</sup> revised estimates), FY22 (2<sup>nd</sup> revised estimates), FY23 (1st revised estimates) are based on the on NAS released by the MoSPI on 29 February 2024. Second Advance Estimates (SAE) for FY24 was released on 29 February 2024



# List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	aggregate demand
2	AEs	advanced economies
3	Agr.	agriculture, forests 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	Mfg.	manufacturing
50	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
51	Ming.	mining and quarrying
52	m-o-m	month-on-month
53	Mt	metric ton
54	MoSPI	Ministry of Statistics and Programme Implementation
55	MPC	Monetary Policy Committee
56	MPF	Monetary Policy Framework
57	NEXP	net exports (exports minus imports of goods and services)
58	NSO	National Statistical Office
59	NPA	non-performing assets
60	OECD	Organization for Economic Co-operation and Development
61	OPEC	Organization of the Petroleum Exporting Countries
62	PFCE	private final consumption expenditure
63	PIT	personal income tax
64	PMI	Purchasing Managers' Index (reference value = 50)
65	PoL	petroleum oil and lubricants
66	PPP	Purchasing power parity
67	PSBR	public sector borrowing requirement
68	PSU/PSE	public sector undertaking/public sector enterprises
69	RE	revised estimates
70	RBI	Reserve Bank of India
71	SLR	Statutory Liquidity Ratio
72	Trans.	trade, hotels, transport, communication and services related to broadcasting
73	US\$	US Dollar
74	UTGST	Union Territory Goods and Services Tax
75	WALR	weighted average lending rate
76	WHO	World Health Organization
77	WPI	Wholesale Price Index
78	y-o-y	year-on-year
79	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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