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Economy Watch

Monitoring India's macro-fiscal performance

February 2023

Building a better working world

Contents

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Highlights

1. In January 2023, PMI indicated a continued growth momentum in both manufacturing and services with their respective levels at 55.4 and 57.2.

2. IIP grew by 4.3% in December 2022, lower than 7.3% in November 2022. The November 2022 level partly reflected a favourable base effect.

3. Led by rising food prices, CPI inflation increased to 6.5% in January 2023 after moderating for four successive months to 5.7% in December 2022.

4. WPI inflation fell to a 24-month low of 4.7% in January 2023, led by softening inflation in crude and fuel.

5. The RBI increased the repo rate by 25 basis points to 6.5% in its February 2023 monetary policy review.

6. GoI's gross tax revenues (GTR) grew by 12.5% during April-December FY23. The FY24 Union Budget has estimated a y-o-y growth of 12.3% in the GTR in FY23 (RE).

7. During April-December FY23, GoI's total expenditure grew by 11.8%, with growth in revenue expenditure at 9.3% and that in capital expenditure at 25.1%.

8. The Union Budget has estimated GoI's fiscal and revenue deficits at 6.4% and 4.1% of GDP respectively for FY23 (RE).

9. Growth in gross bank credit by SCBs remained elevated at 14.9% in December 2022, although slightly lower than 16% in November 2022.

10. Both merchandise exports and imports contracted by (-)6.6% and (-)3.6% respectively in January 2023 reflecting moderating global economic activity.

11. Merchandise trade deficit narrowed to a 12-month low of US$(-)17.7 billion in January 2023 from US$(-)23.8 billion in December 2022.

12. In 3QFY23, both net FDI and FPI inflows were lower at US$2.3 billion and US$4.9 billion respectively as compared to US$6.4 billion and US$6.5 billion in 2QFY23.

13. After falling to US$78.1/bbl. in December 2022, average global crude price increased to US$80.4/bbl. in January 2023. The IMF has projected global crude price to average US$81.1/bbl. in 2023, moderating to US$75.4/bbl. in 2024.

14. The IMF has projected global growth at 2.9% in 2023 with India's FY24 growth forecasted at 6.1%.

Foreword

Budget FY24: sustaining infrastructure expansion, signaling a small dip in growth

The Union Budget for FY24 was presented on 1 February 2023. It showed that taking advantage of the high nominal and real GDP growth, as estimated by the NSO at 15.4% and 7.0% respectively in FY23, the government expects to achieve the budgeted fiscal deficit target of 6.4% of GDP as per the revised estimates. In FY23 (RE), GoI's gross tax revenues (GTR) show a growth of 12.3% over FY22 (actuals) as against the budgeted growth of 9.6% over FY22 (RE). The additional tax revenues would be utilized to finance expenditure increases which became necessary mainly due to high global crude prices. The Budget estimates a fall in nominal GDP growth from 15.4% in FY23 to 10.5% in FY24. This, in combination with an increased tax buoyancy of 1 in FY24 (BE) as compared to 0.8 in FY23 (RE), provides a GTR growth of 10.4% in FY24. On the expenditure side, government has budgeted for a historically low revenue expenditure growth at 1.2% while uplifting capital expenditure growth to 37.4%. Overall expenditure growth is only 7.5%. This combination of revenue and expenditure growth is expected to facilitate a reduction in the fiscal deficit to GDP ratio to 5.9% in FY24 (BE). It might still take another five to six years of steady reduction in the fiscal deficit to GDP ratio for the GoI to reach the Fiscal Responsibility and Budget Management (FRBM) target of 3%.

The Budget as well as the RBI has signalled a small dip in the GDP growth rate in FY24 as compared to the preceding year of FY23 and the succeeding year of FY25. The Budget does not directly provide government's assessment of the real GDP growth. Assuming that the implicit price deflator (IPD)-based inflation falls to about 4%, the implicit real GDP growth in the assumed nominal GDP growth of 10.5% would be close to 6%. The RBI, in its February 2023 monetary policy review, has estimated real GDP growth at 6.4% in FY24. Some of the multilateral agencies like the IMF, the World Bank and the OECD project India's GDP growth in FY24 at 6.1%, 6.6% and 5.7% respectively. A slightly lower growth in FY24 as compared to 7.0% in FY23 and 6.8% in FY25 (IMF) is due mainly to the ongoing global economic slowdown. It is expected that this slowdown would lead to a fall in the demand for crude resulting in a moderation in global crude prices, enabling India to reach higher growth levels in the near future.

The RBI has estimated a fall in CPI inflation to 5.7% in 4QFY23 from 6.1% in 3QFY23. In FY24, it expects a gradual increase from 5.0% in 1Q to 5.4% in both 2Q and 3Q and further to 5.6% in 4Q. While these levels are less than the upper tolerance limit of the monetary policy framework, their upward trajectory does not indicate whether the RBI will be in a position to reduce the policy rate in the near future. The current account deficit is expected to improve from an estimated 3.1% of GDP in FY23 to 2.5% in FY24.

High frequency indicators signal the ongoing recovery in the Indian economy. Headline manufacturing PMI showed an expansion for the nineteenth successive month in January 2023 with its level at 55.4. Although it fell from the high level of 57.8 in December 2022, it continued to remain above its long run average at 53.7. PMI services at 57.2 in January 2023 also marked the eighteenth consecutive month of an expansion despite moderating from 58.5 in December 2022. Gross GST revenues were at INR1.55 lakh crore in January 2023, the second highest collections since the inception of GST, only next to INR1.67 lakh crore in April 2022. Growth in gross bank credit by SCBs remained elevated at 14.9% in December 2022, although slightly lower than 16% in November 2022. Growth in power consumption increased to 11.6% in January 2023 from 9.4% in December 2022.

GoI's policy thrust for the current year and beyond is reflected in the FY24 Budget. The GoI's policy priorities appear to be three-fold. **First**, there has been an ambitious infrastructure expansion program as reflected in the National Infrastructure Pipeline, Gati Shakti, and the National Logistics Policy. The GoI has also endeavoured to incentivize the state governments to augment their capital expenditures. **Second,** there has been a clear emphasis on supporting green growth. This is reflected in the ongoing Green Hydrogen Mission and initiatives in the current Budget including a Green Credit Program, PM-PRANAM (PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth) and GOBARdhan scheme both for encouraging green fertilizers and discouraging chemical fertilizers, Bhartiya Prakritik Kheti Bio-Input Resource Centres, and MISHTI (Mangrove Initiative for Shoreline Habitats and Tangible Incomes). These initiatives will not only help India achieve its net zero carbon emission goal but also reduce dependence on imported chemicals and fertilizers. **Third,** the GoI is determined to achieve a strategic reduction in India's dependence on imported crude as the Indian economy has remained vulnerable to global crude price and supply instabilities. In this context, the current Budget has allocated funds for augmenting India's storage capacity for petroleum reserves and for diversification of sources of crude supply by facilitating investment by ONGC in other countries such as Venezuela, Russia and Columbia. There is also a continued shift towards exploiting non-conventional energy sources including solar, wind, ethanol and hydrogen. These initiatives will help build a robust foundation for India's medium to long term growth.

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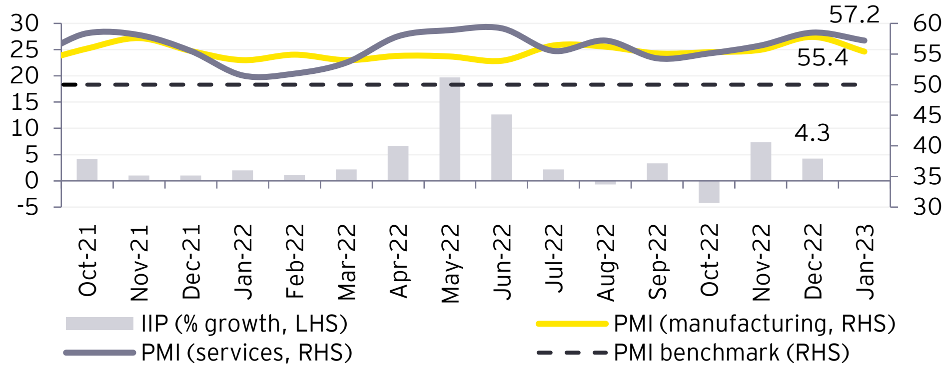
1. Growth: PMI indicated continued growth momentum in private sector activity in January 2023

A. PMI: signaled a continued growth momentum in both manufacturing and services in January 2023

- Headline manufacturing PMI (seasonally adjusted (sa)) remained above the threshold of 50 for the nineteenth successive month in January 2023 with its level at 55.4 **(Chart 1).** Inspite of a decline from its high level of 57.8 in December 2022, it remained above its long run average of 53.7.
- Despite easing from 58.5 in December 2022, PMI services marked an expansion for the eighteenth successive month in January 2023 with its level at 57.2.
- Signalling a continued expansion in private sector output, composite PMI Output Index (sa) remained at a high level of 57.5 in January 2023 although falling from 59.4 in December 2022.The January 2023 level remained higher than the long-run average of 54.1.

Chart 1: PMI and IIP growth



Source: MoSPI and S&P Global.

In January 2023, PMI indicated a continued growth momentum in both manufacturing and services with their respective levels at 55.4 and 57.2.

B. IIP: grew by 4.3% in December 2022

- According to the quick estimates, IIP grew by 4.3% in December 2022 as compared to a high level of 7.3% (revised) in November 2022. The November 2022 level partly reflected a favourable base effect **(Chart 1).**
- Among the sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, showed a growth of 2.6% in December 2022, lower as compared to 6.4% in November 2022. However, the December 2022 level is an improvement over a meagre growth of 0.6% witnessed in December 2021.
- Within manufacturing, industries that showed strong growth rates include pharmaceuticals (16%), printing et.al. (13.6%), machinery and equipment (11.6%) and motor vehicles (10.9%). However, coke and refined petroleum products, with a weight of 11.8% in manufacturing, posted a subdued growth of 0.2%.
- Among other major sub-industries, growth in the output of electricity continued to be strong at 10.4% in December 2022, although slightly lower than 12.7% in November 2022. Mining output grew by 9.8% in December 2022, close to its level of 9.7% in November 2022.
- As per the 'use-based' classification of industries, output of consumer durables and intermediate goods contracted by (-)10.4% and (-)0.3% respectively in December 2022. On the other hand, a positive growth was witnessed in consumer non-durables, capital goods, infrastructure and construction goods, and primary goods.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) increased to 7.4% in December 2022 from 5.7% (revised) in November 2022. Growth was led by a recovery in the output of petroleum refinery products which emerged from a contraction of (-)9.3% in November 2022 to post a growth of 3.7% in December 2022. Continued growth momentum in electricity (10%), coal (11.5%) and steel (9.2%) also helped.

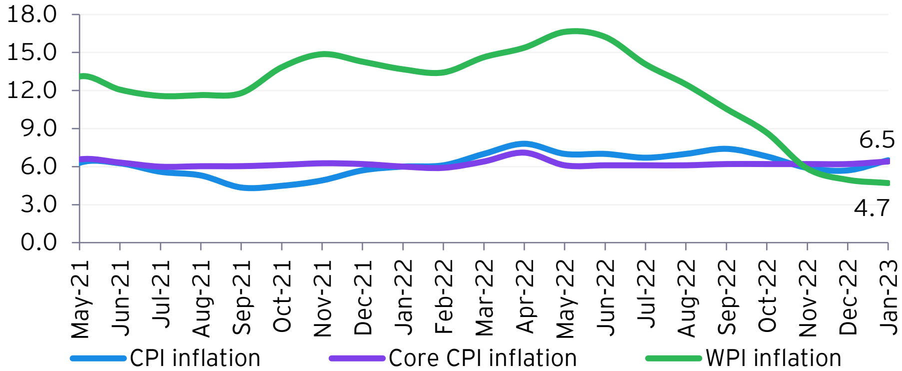
IIP grew by 4.3% in December 2022, lower than 7.3% in November 2022. The November 2022 level partly reflected a favourable base effect.

2. Inflation: CPI inflation increased to 6.5% in January 2023

Led by rising food prices, CPI inflation increased to 6.5% in January 2023 after moderating for four successive months to 5.7% in December 2022 (Chart 2).

- Consumer food inflation increased to 5.9% in January 2023 from a 12-month low of 4.2% in December 2022. This was partly due to base effect. The pace of contraction in vegetable prices slowed to (-)11.7% from (-)15.1% and inflation in cereals and products surged to a 114-month high of 16.1% from 13.8% over the same period.
- Fuel and light-based inflation remained elevated at 10.8% in January 2023 as compared to 10.9% in December 2022. This was led by high levels of inflation in kerosene at 56.2% in January 2023 as compared to 57.0% in December 2022.
- Inflation in personal care and effects increased to a 24-month high of 9.6% in January 2023.
- Inflation in clothing and footwear remained elevated at 9.1% in January 2023 although marginally declining from 9.6% in December 2022.
- Inflation in transportation and communication services slowed to a 34-month low of 4.5% in January 2023 partly due to a favorable base effect.
- Core CPI inflation[1] increased to a nine-month high of 6.4% in January 2023.

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



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

In January 2023, CPI inflation at 6.5% was above the RBI's 6% upper tolerance limit whereas core CPI was at a nine-month high of 6.4%.

WPI inflation fell to a 24-month low of 4.7% in January 2023, led by softening inflation in crude and fuel.

- Inflation in crude petroleum moderated to a 24-month low of 5.0% in January 2023 reflecting a favourable base effect as well as lower global crude prices.
- Fuel and power-based inflation was at a 22-month low of 15.2% in January 2023 as inflation in diesel eased to a 22-month low of 28.5%, partly due to a favourable base effect.
- WPI food index-based inflation increased for the first time in five months to 2.9% in January 2023 from 0.7% in December 2022 as the pace of contraction in vegetable prices eased to (-)26.5% from an unprecedented level of (-)36.0% over the same period.
- Inflation in manufactured products slowed to a 27-month low of 3.0% in January 2023, reflecting broad-based moderation in inflation across segments. Prices of manufactured textiles contracted for the second successive month by (-)2.1% in January 2023 following (-)0.6% in December 2022.
- Core WPI inflation eased for the ninth successive month to a 27-month low of 2.8% in January 2023 reflecting broad based easing of price pressures.

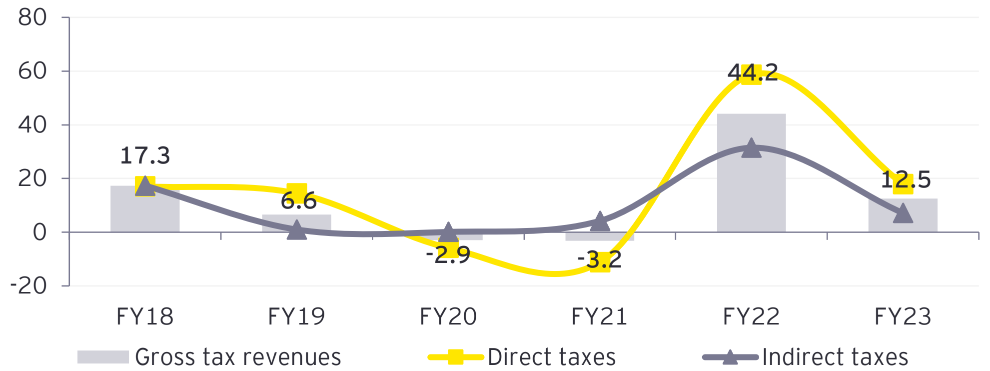
[1] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3. Fiscal: union government to meet its fiscal deficit target of 6.4% of GDP in FY23

A. Tax and non-tax revenues

- As per the CGA, the central government's GTR[b] grew by 12.5% during April-December FY23. GTR had shown a high growth of 44.2% during the corresponding period of FY22, partly due to a favorable base effect **(Chart 3).**
- GoI's GTR during April-December FY23 stood at 71.3% of the RE, slightly lower than the corresponding ratio of 76.7% in FY22.
- As per the FY24 Union Budget, the magnitude of GoI's GTR is estimated at INR33 lakh crore in FY23 (RE) as compared to the budgeted level of INR30.3 lakh crore, an increase of INR2.8 lakh crore. There have been upward revisions in revenues from corporate income tax (CIT), personal income tax (PIT), and GoI's GST.
- The y-o-y growth in GoI's GTR is estimated at 12.3% in FY23 (RE). Combining this with the nominal GDP growth of 15.4%, GTR buoyancy would turn out to be 0.8 in FY23.
- During April-December FY23, direct taxes[a] showed a growth of 18.0% while indirect taxes[a] grew by 7.1%. Owing to considerable base effects, growth in direct and indirect taxes during the corresponding period of FY22 was high at 58.7% and 31.5%, respectively.
- Both corporate income tax (CIT) and personal income tax (PIT) revenues showed strong growth rates of 16.9% and 19.2% respectively during April-December FY23. In comparison, these taxes showed a growth of 66.5% and 50.5% respectively during the corresponding period of FY22.
- Among indirect taxes, central government's GST revenues[c] showed a growth of 19.8% during April-December FY23 as compared to 32.2% during the corresponding period of FY22.
- Union excise duties (UED) showed a contraction of (-)19.9% during April-December FY23 as compared to a growth of 15.2% during the corresponding period of the previous year.
- Customs duties grew by 12.4% during April-December FY23 as compared to a high growth of 77.2% during April-December FY22, reflecting strong base effects.
- As compared to their budgeted levels, collections from UED and customs duty have been revised down by INR15,000 crore and INR3,000 crore respectively to INR3.2 lakh crore and INR2.1 lakh crore in FY23 (RE).

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



Central government's GTR grew by 12.5% during April-December FY23. The FY24 Union Budget has estimated a y-o-y growth of 12.3% in GoI's GTR in FY23 (RE).

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

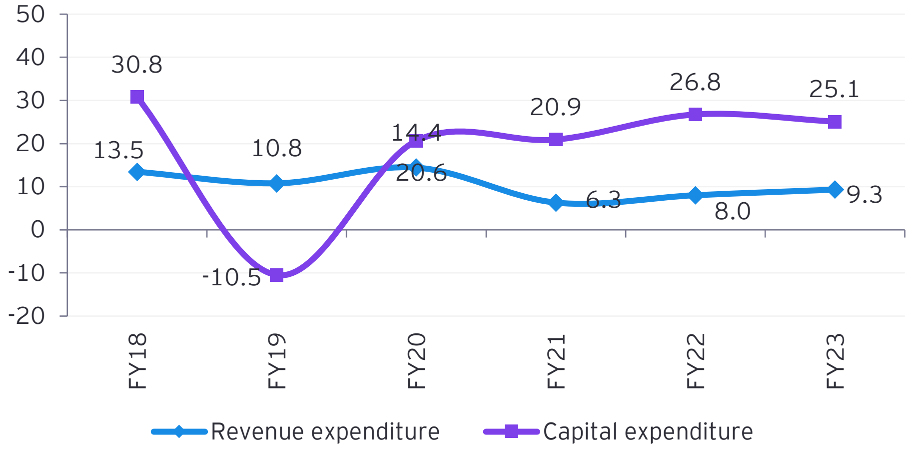
- GoI's non-tax revenues contracted by (-)17.4% during April-December FY23. Non-tax revenues during this period stood at 81.9% of the annual RE, close to the corresponding ratio at 82.7% during April-December FY22.
- Non-debt capital receipts of the GoI during April-December FY23 stood at 66% of the RE as compared to the corresponding ratio of 28.5% during FY22.
- As per DIPAM[2], disinvestment receipts up to 22 February 2023 stood at INR31,106.6 crore, that is 51.8% of the FY23 RE. The FY24 Union Budget has revised down the disinvestment target from INR65,000 crore to INR60,000 for FY23 (RE).

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

B. Expenditures: revenue and capital

- GoI's total expenditure grew by 11.8% during April-December FY23 as compared to 10.6% during the corresponding period of FY22. The FY24 Union Budget has revised upwards GoI's total expenditure to INR41.9 lakh crore in FY23 (RE) as compared to the budgeted level of INR39.4 lakh crore primarily on account of a higher subsidy burden.
- Major subsidies comprising food, fertilizer and petroleum have been increased from a budgeted level of INR3.2 lakh crore to INR5.2 lakh crore in FY23 (RE).
- Revenue expenditure grew by 9.3% during April-December FY23 as compared to 8% during April-December FY22. In FY23 (RE), revenue expenditure is estimated to show a y-o-y growth of 8.1%.
- GoI's capital expenditures showed a strong growth of 25.1% during April-December FY23, close to the corresponding level of 26.8% in FY22 **(Chart 4)**. The FY24 Union Budget has estimated a y-o-y growth of 22.8% in GoI's capital expenditute in FY23 (RE).

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



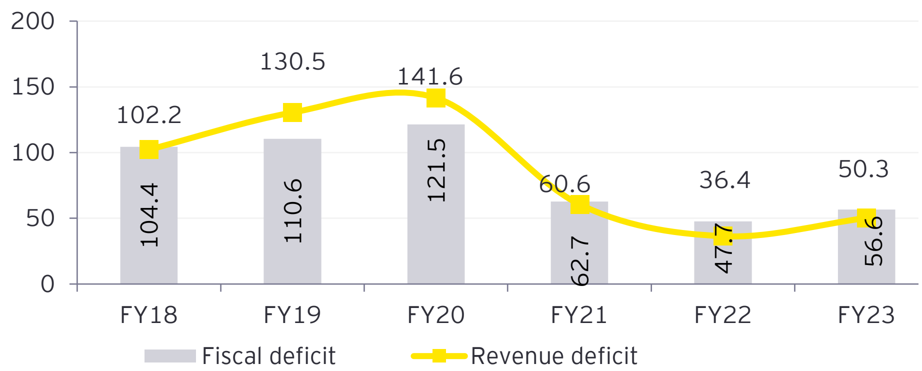
During April-December FY23, GoI's total expenditure grew by 11.8%, with growth in revenue expenditure at 9.3% and that in capital expenditure at 25.1%.

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

C. Fiscal imbalance

- GoI's fiscal deficit during April-December FY23 stood at 56.6% of the annual RE, higher than the corresponding ratio at 47.7% in FY22. As per the FY24 Union Budget, the GoI would achieve its fiscal deficit target of 6.4% of GDP in FY23 (RE) (**Chart 5**).
- GoI's revenue deficit during April-December FY23 was at 50.3% of the annual RE as compared to 36.4% during the corresponding period of FY22. The FY24 Union Budget has estimated GoI's revenue deficit at 4.1% of GDP in FY23 (RE).

Chart 5: Fiscal and revenue deficit during April-December as percentage of RE



The FY24 Union Budget has estimated GoI's fiscal and revenue deficits at 6.4% and 4.1% of GDP respectively in FY23 (RE).

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

4. Comparative trends: OECD's CLI indicates a relatively better growth outlook for India

OECD's Composite Leading Indicators (CLIs): signal a considerably lower decline in the index level for India in January 2023

- 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.

Table 1: CLIs— magnitudes and m-o-m and y-o-y changes (%)

Month	Germany	Japan	UK	US	Brazil	China	India
Index values							
Sep 22	98.69	100.37	94.88	98.82	99.47	98.60	100.01
Oct 22	98.45	100.25	94.71	98.69	99.28	98.51	99.93
Nov 22	98.33	100.10	94.64	98.58	99.03	98.44	99.86
Dec 22	98.30	99.95	94.59	98.49	98.77	98.38	99.80
Jan 23	**98.31**	**99.80**	**94.52**	**98.41**	**98.50**	**98.31**	**99.74**
m-o-m growth (%)							
Sep 22	-0.34	-0.10	-0.32	-0.16	-0.13	-0.10	-0.08
Oct 22	-0.24	-0.12	-0.17	-0.13	-0.19	-0.09	-0.08
Nov 22	-0.12	-0.15	-0.07	-0.11	-0.25	-0.07	-0.07
Dec 22	-0.03	-0.15	-0.05	-0.09	-0.27	-0.06	-0.07
Jan 23	**0.02**	**-0.15**	**-0.08**	**-0.08**	**-0.27**	**-0.07**	**-0.06**
y-o-y growth (%)							
Sep 22	-3.66	-0.17	-7.46	-2.18	-3.63	-2.06	-0.69
Oct 22	-3.75	-0.24	-7.50	-2.26	-3.18	-1.82	-0.77
Nov 22	-3.71	-0.37	-7.32	-2.32	-2.78	-1.63	-0.82
Dec 22	-3.57	-0.54	-6.93	-2.33	-2.45	-1.49	-0.86
Jan 23	**-3.37**	**-0.73**	**-6.31**	**-2.28**	**-2.23**	**-1.38**	**-0.88**

Source (basic data): OECD

- The OECD indicated that given the persistent uncertainties due to the geopolitical conflict, the CLI components might be subject to larger-than-usual fluctuations and hence should be interpreted with care.
- The impact of the ongoing geopolitical conflict on CLIs became visible with the intensifying m-o-m contraction for advanced economies excluding Japan since March 2022. Japan's CLI remained above 100 until November 2022 post which a fall has been observed for the next two months.
- Relative to December 2022, the CLI levels in January 2023 have fallen for all selected countries except Germany where a marginal increase is witnessed **(Table 1).**
- The m-o-m decline in January 2023 has been the highest for Brazil ((-)0.27%) followed by Japan ((-)0.15%) and the UK and the US ((-)0.08% in each case). The fall in the case of China and India is relatively moderate.
- Considering the y-o-y growth rates for January 2023, the maximum decline is observed for the UK, followed by Germany, the US and Brazil. The fall in the case of Japan and India is considerably lower.
- Thus, CLIs indicate that India has been relatively less affected by the challenging global economic developments.

5. In focus: Budget FY24 - laying foundations for a robust medium-term growth and fiscal consolidation

Introduction

GoI's FY24 Budget gave a direct push to growth through sharply accelerating infrastructure spending in the wake of global economic slowdown and continuing geopolitical uncertainties. While supporting growth, the GoI also signalled resumption of fiscal consolidation by reducing its fiscal deficit to GDP ratio from 6.4% in FY23 (RE) to 5.9% in FY24 (BE). The assumed nominal GDP growth at 10.5% even with a GTR buoyancy of 1 is estimated to lead to a tightening of fiscal resources in FY24 relative to FY23. As a result, growth of revenue expenditure has been limited to mere 1.2% in FY24 (BE) primarily owing to a substantive reduction in major subsidies comprising food, fertilizer and petroleum, and a near-stagnation in social sector expenditures including health and education. We assess the FY24 Budget in the context of India's short- and medium-term growth prospects.

1. Global growth prospects

According to the IMF, the world economy would suffer a slowdown, showing a fall in global growth to 2.9% in 2023 as compared to 3.4% in 2022 **(Table 2)**. These growth rates, based on the January 2023 update of the IMF's World Economic Outlook are however marginally better as compared to its October 2022 projections. The global growth forecasts as per IMF's October 2022 release were at 2.7% for 2023. Thus, while the global economic situation has improved, it is still constrained by a continuing economic slowdown. Growth rates of major economies/regions are expected to fall across the board in 2023. India is no exception in this context although it remains a global growth leader among major economies in all the three years namely 2022, 2023 and 2024 (FY23, FY24 and FY25 for India).

Table 2: Global growth projections (IMF)

Country	2022	2023	2024
AEs	**2.7**	**1.2**	**1.4**
US	2.0	1.4	1.0
Euro area	3.5	0.7	1.6
Japan	1.4	1.8	0.9
UK	4.1	-0.6	0.9
EMDEs	**3.9**	**4.0**	**4.2**
Brazil	3.1	1.2	1.5
Russia	-2.2	0.3	2.1
India*	6.8	6.1	6.8
China	3.0	5.2	4.5
World	**3.4**	**2.9**	**3.1**

Source: IMF World Economic Outlook, January 2023 update; *fiscal year basis

With a global demand slowdown, demand for India's exports is also expected to be affected adversely. In FY23, the contribution of net exports to real growth is estimated to be negative at (-)2.8% points. This is due to a much lower growth in exports at 12.5% as compared to a higher imports growth at 20.9%. The current account deficit (CAD) relative to GDP in 1HFY23 was at 3.3% and is expected to improve in 2HFY23. For the full year of FY23, it may turn out to be close to 3%. Although global growth would slow down further in 2023, commodity prices may also fall. The price effect may be larger than the trade magnitude effect, and both net exports and CAD may perform better in FY24 as compared to FY23.

2. Underlying assumptions

Table 3: India's growth prospects for FY24 (%)

Year	Eco Survey	RBI (Feb2023)	IMF	World Bank	OECD
FY24	6.5 (6-6.8)	6.4	6.1	6.6	5.7

Source: Economic Survey 2022-23, Union Budget FY24, RBI, IMF, World Bank, and OECD

Three critical underlying parameters informing the budget estimates relate to assumptions with respect to 1) real GDP growth, 2) inflation as measured by the IPD which in turn reflects a weighted average of CPI and WPI inflation rates, and 3) global crude and commodity prices. These assumptions are not explicitly stated in the Budget. In the Medium-Term Fiscal Policy Cum Strategy Statement (MTFP), the government is required to provide its medium-term growth and fiscal outlook. The GoI abstained from doing so citing global economic uncertainties as the main reason. It has however estimated the nominal GDP growth at 10.5% for FY24, significantly lower than 15.4% in FY23 as per NSO's First Advance Estimates. This implies that the Budget assumes that both real GDP growth and inflation would fall in FY24 from their levels in FY23. Possibly, the fall in IPD-based inflation may be steeper due to an anticipated fall in global crude prices. This is reflected in a sharp fall in the budgeted magnitude of major subsidies in FY24 (BE) by (-)28.2%. Assuming that there is a moderation of 3.9% points in the IPD-based inflation rate from 7.9% in FY23 to 4% in FY24, the real GDP growth would fall by a lower margin of nearly 1% point from 7% to 6-6.2% over this period.

The RBI, in its February 2023 monetary policy review, has indicated a real growth projection of 6.4% and CPI inflation expectation at 5.3% **(Table 3)**. It has indicated that risks to commodity prices and core inflation remain due to supply disruptions and geopolitical tensions.

Another critical budget parameter pertains to the overall and individual tax buoyancies. In FY23 (RE), the expected buoyancy of GoI's GTR is 0.8. In FY24, the GTR buoyancy is budgeted to increase to 1. This is mainly dependent on the budgeted increase in the buoyancy of UED from (-)1.2 in FY23 (RE) to 0.6. The buoyancies of individual tax revenue components namely, PIT, CIT, and GST are estimated to be slightly lower in FY24 as compared to their levels in FY23.

3. Overall balance: accommodating deficit reduction

The GTR of the GoI is budgeted at 11.14% of GDP in FY24, the same level as in FY23. The net tax revenues relative to GDP are however budgeted to increase marginally which reflects some adjustment in states' share in GoI's GTR **(Table 4)**. This increase amounts to 0.08% points of GDP. An additional 0.04% points were added to GoI's net revenue receipts on account of non-tax revenues. Thus, GoI's net revenue receipts are budgeted to increase by 0.12% points of GDP in FY24 as compared to FY23. Non-debt capital receipts are budgeted to fall by 0.03% points in FY24. Thus, in order to accommodate a reduction in fiscal deficit of 0.5% points of GDP, a reduction in total expenditure to GDP ratio to the extent of 0.41% points has been necessitated. Furthermore, capital expenditure has been increased by 0.65% points. Thus, the total burden of adjustment has been shouldered by revenue expenditure which has fallen by 1.06% points. The stimulus to growth therefore comes from a change in the composition of expenditure in favour of capital expenditure.

Table 4: GoI's fiscal aggregates in FY23 and FY24: broad contours

Item	FY22	FY23 (RE)	FY24 (BE)	FY24 minus FY23	FY22 over FY21	FY23 (RE) over FY22	FY24 (BE) over FY23 (RE)
	% to GDP			% pts. of GDP	% growth		
Net revenue receipts	**9.17**	**8.60**	**8.72**	**0.12**	**32.8**	**8.2**	**12.1**
Gross tax revenues	11.45	11.14	11.14	0.00	33.7	12.3	10.4
Net tax revenues	7.63	7.64	7.72	0.08	26.5	15.6	11.7
Non-tax revenues	1.54	0.96	1.00	0.04	75.8	-28.3	15.2
Non-debt capital receipts	0.17	0.31	0.28	-0.03	32.8	8.2	12.1
Fiscal deficit	**6.70**	**6.43**	**5.92**	**-0.51**	--	--	--
Total expenditure	**16.03**	**15.33**	**14.92**	**-0.41**	**8.1**	**10.4**	**7.5**
Revenue exp.	13.53	12.67	11.61	-1.06	3.8	8.1	1.2
Capital exp.	2.51	2.67	3.32	0.65	39.1	22.8	37.4
Memo	INR lakh crore				% growth		
Nominal GDP	**236.6**	**273.1**	**301.8**	--	**19.5**	**15.4**	**10.5**

Source: MoSPI and Union Budgets

4. Growth stimulating measures

Apart from the growth stimulating effect of an increase in GoI's capital expenditure, which is budgeted to grow by 37.4% in FY24 as compared to 22.8% in FY23 (RE), several provisions have been made in order to incentivize the state governments also to augment their capital expenditures. **First,** grants have been given to the states for capital asset creation amounting to 1.2% of GDP. **Second,** an interest-free loan for 50 years has been extended to states for capital expenditures in FY24. For this purpose, the GoI has provided an outlay of INR1.37 lakh crore. **Third,** the fiscal deficit limit of the states has also been retained at the higher level of 3.5% of GSDP for FY24 as compared to the FRBM target level of 3% of GSDP. Assuming that states fully utilize these facilities, the consolidated fiscal deficit of central and state governments would be 9.4% of GDP.

If all of the permitted fiscal deficit, that is, 3.5% of GDP is used by states for capital asset creation along with the additional 1.2% of GDP received as grants for the purpose of capital asset creation, total capital expenditures on account of states considered together would be 4.7% of GDP in FY24.

GoI's capital expenditure in FY24 can be estimated as their fiscal deficit (5.9% of GDP) net of revenue deficit (2.9% of GDP). This amounts to 3% of GDP. In addition, central public sector undertakings (PSUs) have investment plans amounting to 1.1% of GDP. Thus, public sector investment, considering central and state governments and central PSUs would be 8.8% of GDP.

Apart from capital expenditure expansion, indirectly, private final consumption expenditure may also be boosted as a result of an increase in disposable incomes especially of the lower middle-income groups through tax slab adjustments[3]. An expected moderation in inflation would also add to disposable real incomes. Further, lower global crude prices would imply a lowering of energy costs for households, releasing incomes for augmenting expenditure on non-energy products. Private investment expenditure may also be boosted by a resumption of an interest rate reduction cycle after further fall in inflation. In its February 2023 monetary policy review, the RBI has increased the repo rate by 25 basis points to 6.5%. There is no indication as yet whether this is the peak policy rate, or another increase may be considered in the forthcoming April 2023 meeting which would be the first meeting of FY24. However, as inflation comes down and the US Fed also decelerates or halts its interest rate hike cycle, conditions may be created for repo rate reduction in India.

5. Tax revenue performance

In FY23, GoI's GTR was budgeted to grow by 9.6% over FY22 (RE) with an underlying nominal growth assumption of 11.1% and a buoyancy of 0.9. Budgeted GTR turned out to be only 1.8% higher than the FY22 actuals. As against this, the estimated GTR growth in FY23 (RE) over FY22 actuals is 12.3%. This implies a buoyancy of 0.8 with an underlying nominal growth of 15.4% as per NSO's First Advance Estimates. Thus, FY23 (BE) was characterized by a significant underestimation.

In FY24 (BE), the nominal GDP growth rate has been reduced to 10.5% while GoI's GTR buoyancy has been increased to 1 **(Table 5)**. Achieving a buoyancy of 1 is predicated on an increase in the revenue growth of UED from (-)18.9% in FY23 (RE) to 5.9% in FY24 (BE). The underlying assumption seems to be a substantive fall in global crude prices which might facilitate increasing the GoI's specific UED rates on petroleum products. Buoyancies of other major components of GoI's GTR namely, CIT, PIT, and GST are all indicated to fall. In the case of CIT and PIT, this fall is from 1.1 to 1. For GST, this fall is larger from 1.5 to 1.1. In the case of customs duties also, there is a substantive increase in the growth rate and buoyancy which may be anticipated in view of some upward rate revisions such as in the case of naptha, precious metals, toys, bicycles and vehicles.

Table 5: Tax revenue performance

Fiscal Year	Direct tax of which	CIT	PIT	Indirect taxes of which	GST	UED	Customs	Gross taxes	Nominal growth
Growth (%, y-o-y)									
FY20	-7.7	-16.1	4.2	1.8	3.0	3.7	-7.2	-3.4	6.2
FY21	-10.0	-17.8	-1.1	12.7	-8.3	62.8	23.3	0.8	-1.4
FY22	49.0	55.6	42.9	20.2	27.2	0.7	48.2	33.7	19.5
FY23 (RE)	17.2	17.3	17.1	7.1	22.3	-18.9	5.1	12.3	15.4
FY24 (BE)	10.5	10.5	10.5	10.4	12.0	5.9	11.0	10.4	10.5
Buoyancy									
FY20	-1.2	-2.6	0.7	0.3	0.5	0.6	-1.2	-0.5	
FY21	7.3	13.0	0.8	-9.3	6.1	-46.0	-17.1	-0.6	
FY22	2.5	2.8	2.2	1.0	1.4	0.04	2.5	1.7	
FY23 (RE)	1.1	1.1	1.1	0.5	1.5	-1.2	0.3	0.8	
FY24 (BE)	1.0	1.0	1.0	1.0	1.1	0.6	1.0	1.0	

Source: Union Budgets and MoSPI
Note: negative buoyancies should not be interpreted

[3] The RBI, in its February 2023 Monthly Bulletin, estimates that the tax changes proposed in the Budget would provide additional household income to the tune of INR 35,000 crores. Using a tax multiplier of 1.16, it estimates a positive impact on real GDP growth of 0.15% points.

6. States' share in central taxes

The Finance Commission recommends, under Article 270 of the Constitution, the share of states in the divisible pool of the sharable taxes. This pool consists of all taxes collected by the union government net of cesses and surcharges and cost of collection. This share was fixed at 42% by the Fourteenth Finance Commission (FC14). The Fifteenth Finance Commission (FC15) had lowered it to 41% in view of the reduced number of states from 29 to 28 with Jammu and Kashmir being notified as a union territory with legislature.

Table 6: States' recommended and effective share in GoI's GTR

Fiscal Year	Recommended share (%)	Effective share (%)	Difference (% points)
FY20	42	32.5	9.5
FY21	41	29.6	11.4
FY22	41	33.4	7.6
FY23 (RE)	41	31.4	9.6
FY24 (BE)	41	30.7	10.3

Source: Union Budgets, Finance Commission reports

A higher share of cesses and surcharges reduces the volume of the sharable taxes. This share indicates the portion of the net proceeds of union taxes which is excluded by the union government from sharing with the states. This has been kept on average close to 10% points during FY20 to FY24 (BE) **(Table 6)**. The effective share of states has thus been reduced to less than 31% in FY24 (BE) which is even lower than 32% as recommended by FC13. In a way, this effectively defeats the objective of FC14 of uplifting the states' share by 10% points to 42%.

7. Expenditure side adjustments

The main structural adjustment in GoI's expenditure profile has been to uplift the share of capital expenditure in total expenditure. This has been increased from 15.6% in FY22 to 22.2% in FY24 (BE). Correspondingly, the share of revenue expenditure in total expenditure has fallen from 84.4% to 77.8% **(Table 7)**. Viewed in growth terms, capital expenditure in FY24 (BE) has been increased by 37.4% over FY23 (RE) while revenue expenditure is budgeted to grow only at 1.2%. Such a sharp reduction in revenue expenditure growth is largely on account of a reduction in major subsidies which have been budgeted to contract by (-)28.2%. Since these subsidies are linked to global crude and commodity prices, such a large reduction may reflect GoI's implicit expectation of a sharp fall in these prices. The share of interest payments in total expenditure has been budgeted to increase to 24% from 22.5% in FY23 (RE). This is due to an increase in GoI's debt-GDP ratio in spite of a fall in the fiscal deficit to GDP ratio which is discussed in detail in Section 8 on fiscal consolidation.

Within capital expenditure, capital outlay is structured in favour of non-defence expenditure which has a higher multiplier effect. Its share is budgeted to increase to 15% in FY24, an increase of 3.8% points over FY23 (RE).

Table 7: Structure of centre's expenditure: revenue and capital

Expenditure items	FY22	FY23 (RE)	FY24 (BE)	FY22	FY23 (RE)	FY24 (BE)
	% of total expenditure			% of GDP		
Revenue Expenditure	**84.4**	**82.6**	**77.8**	**13.5**	**12.7**	**11.6**
Interest Payments	21.2	22.5	24.0	3.4	3.4	3.6
Pensions and other Retirement Benefits	5.2	5.8	5.2	0.8	0.9	0.8
Major subsidies	11.8	12.5	8.3	1.9	1.9	1.2
Defence Services	6.0	6.2	6.0	0.6	0.5	0.5
Education	1.2	1.2	1.2	0.2	0.2	0.2
Medical, public health et.al.	2.8	2.1	2.3	0.4	0.3	0.3
Capital expenditure *of which*	**15.6**	**17.4**	**22.2**	**2.5**	**2.7**	**3.3**
Capital Outlay	14.1	14.8	18.6	2.3	2.3	2.8
Capital outlay on non-defence	10.5	11.2	15.0	1.7	1.7	2.2
Capital outlay on defence	3.6	3.6	3.6	0.6	0.5	0.5
Memo items						
Interest Payments as % of revenue receipts	37.1	40.1	41.0			

Source: Union Budget FY24 and MoSPI

Given such a large thrust on infrastructure expansion through the budget, it is useful to identify the beneficiary sectors as indicated in **Table 8**. The two main sectors that draw on GoI's resources are roads and bridges and the commercial lines of Indian railways. In terms of magnitude, there are sharp increases for petroleum and for north-eastern areas. However, their share in total infrastructure expenditure remains limited at 3.5% and 2.5% respectively.

Table 8: Ministry/Department wise allocation of capital expenditure: major heads

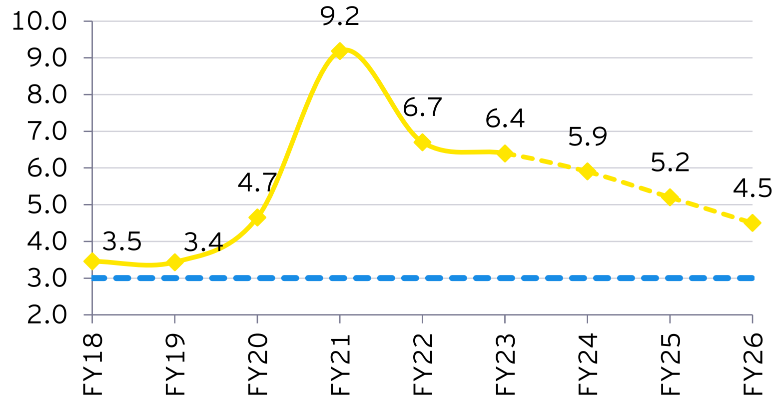
Ministry/Department	FY23 (RE)	FY24 (BE)	FY24 (BE) minus FY23 (RE)	Share in FY24 (BE)	Growth in FY24
	INR Crores			%	
Roads and Bridges	1,96,820	2,44,480	47,660	24.4	24.2
Railways - Commercial Lines	1,58,997	2,39,925	80,928	24.0	50.9
Defence Services	1,50,000	1,62,600	12,600	16.2	8.4
Other Communication Services	36,690	60,816	24,126	6.1	65.8
Petroleum	40	35,508	35,468	3.5	88647.8
North-eastern Areas	15,359	24,842	9,483	2.5	61.7
Loans & advances to states	85,413	1,37,384	51,971	13.7	60.8
Others (residually derived)	84,954	95,406	10,452	9.5	12.3
Total	**7,28,274**	**10,00,961**	**2,72,687**	**100.0**	**37.4**

Source: Union Budget FY24

It is well known that the multiplier associated with capital expenditures tends to be high. According to a recent RBI Study[4], central government capital expenditure multiplier has been estimated at 2.45 and 3.14 in the first and second year respectively. This is the main reason that the GoI has argued that the FY24 Budget is growth stimulating in spite of the fact that the overall size of GoI's expenditure relative to GDP has fallen from 15.3% in FY23 (RE) to 14.9% in FY24 (BE).

8. Fiscal consolidation: medium term prospects

Chart 6: GoI's fiscal deficit relative to GDP - glide path



Source: Union Budgets

According to the FY23 (RE), the GoI would be able to realize its budgeted fiscal deficit to GDP target at 6.4% **(Chart 6)**. Even after this, a considerable distance remains from the FRBM operational target of 3% of GDP. The government signalled its determination to move towards this target even though constrained by the ongoing global economic slowdown. Thus, it has budgeted a reduction of 0.5% points of GDP, targeting to reach a level of 5.9% in FY24. GoI has also indicated that it intends to reach a level of 4.5% by FY26 implying that a reduction of 0.7% points of GDP each would be required in the next two years. However, the GoI has not indicated the year by which it would reach the fiscal deficit target of 3% of GDP as per the FRBMA (2018). The FC15 had suggested setting up of a High-powered intergovernmental group to review the 2018 amendment of the FRBMA. Perhaps, this group may be able to examine the matter afresh.

[4] RBI Bulletin December 2020

Table 9: GoI's debt-GDP ratio (%)

	FY23 (RE)	FY24 (BE)
Centre	55.7	56.1

Source: Union Budget FY24

In the meanwhile, it may be noted that in spite of the fall in the fiscal deficit to GDP ratio, there is a rise in the GoI's debt-GDP ratio as indicated in **Table 9**. This is so mainly because of the sharp fall in the nominal GDP growth rate from 15.4% in FY23 to 10.5% in FY24 (BE). There is also a marginal increase in the effective interest rate from 6.9% in FY23 (RE) to 7.1% in FY24 (BE). This is expected in view of the condition of increase in the debt-GDP ratio between two successive years[5]. It is notable that the mandated debt-GDP target for the central government according to FRBMA (2018) is at 40%.

The importance of reducing the government debt-GDP ratio lies in its link with the saving-investment profile of the economy. Government borrowing is a claim on economy's available investible resources. There is one sector namely, the household sector which provides a surplus of its saving over its investment in the form of household sector financial savings. Available financial savings of the household sector currently amount to about 8% of GDP. Adding to this, net capital inflow from abroad of nearly 2.5% of GDP, total investible resources to the tune of 10.5% of GDP would be available. From this, if the central and state governments together draw 9.4% (5.9% plus 3.5%), the balance of only 1.1% would be available for the private sector and the non-government public sector. With such pre-emptive claims by the government on the limited investible resources, an environment of interest rate reduction and stimulus to private investment would become considerably difficult.

Conclusion

Even though the Budget acknowledges a fall in nominal (and real) GDP growth in FY24 largely due to the global headwinds, the GoI has utilized this opportunity to sustain the ongoing momentum for infrastructure expansion and strategic policy thrust to lay a solid foundation for medium to long term growth. Three aspects of these strategic policy priorities are notable. **First,** there has been an ambitious infrastructure expansion program as reflected in the National Infrastructure Pipeline, Gati Shakti, and the National Logistics Policy. The GoI has also endeavoured to incentivize the state governments to augment their capital expenditures. **Second,** there has been a clear emphasis on supporting green growth. This is reflected in the ongoing Green Hydrogen Mission and initiatives in the current Budget including a Green Credit Program, PM-PRANAM (PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth) and GOBARdhan scheme both for encouraging green fertilizers and discouraging chemical fertilizers, Bhartiya Prakritik Kheti Bio-Input Resource Centres, and MISHTI (Mangrove Initiative for Shoreline Habitats and Tangible Incomes). These initiatives will not only help India achieve its net zero carbon emission goal but also reduce dependence on imported chemicals and fertilizers. **Third,** the GoI is determined to achieve a strategic reduction in India's dependence on imported crude as the Indian economy has remained vulnerable to global crude price and supply instabilities. In this context, the current Budget has allocated funds for augmenting India's storage capacity for petroleum reserves and for diversification of sources of crude supply by facilitating investment by ONGC in other countries such as Venezuela, Russia and Columbia. There is also a continued shift towards exploiting non-conventional energy sources including solar, wind, ethanol and hydrogen.

[5] The relevant condition is that the debt-GDP ratio of year t (b_t) would be higher than that of the previous year (b_{t-1}) if the primary deficit to GDP ratio of the current year (p_t) is greater than the excess of nominal growth rate over effective interest rate ($g_t - i_t$) multiplied by $[b_{t-1}/(1+g_t)]$.

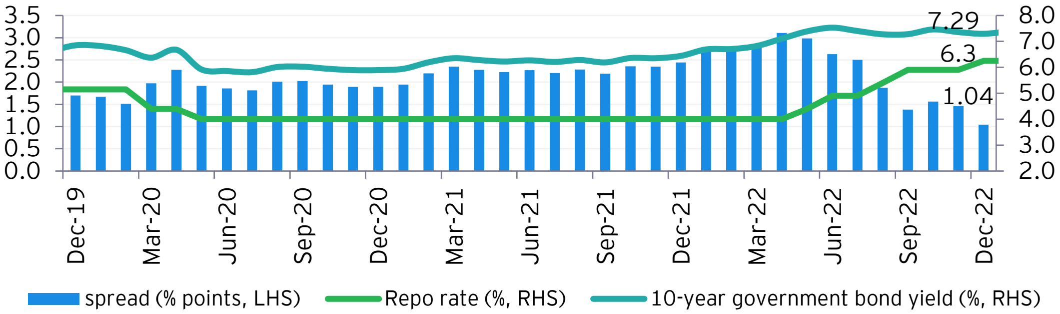
6. Money and finance: repo rate increased by 25 bps to 6.5% in February 2023

A. Monetary sector

Monetary policy

- The RBI, in its monetary policy review held on 08 February 2023, increased the repo rate by a magnitude of 25 basis points, taking the overall rate to 6.5% from 6.25%. **(Chart 7)**. Consequently, the standing deposit facility (SDF) and the marginal standing facility (MSF) rates were revised to 6.25% and 6.75% respectively from 6.0% and 6.5% in December 2022.
- In addition, the RBI decided that the monetary policy stance would remain focused on withdrawal of liquidity in order to contain the CPI inflation within the target range going forward.
- The RBI noted the risks arising from (a) adverse weather events and their consequent impact on food inflation, (b) upward pressures on commodity prices due to the easing of COVID-related mobility restrictions in some economies, and (c) the ongoing pass-through of input costs to output prices, especially in services.

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



The RBI increased the repo rate by 25 basis points to 6.5% in its February 2023 monetary policy review.

Source: Database on Indian Economy, RBI

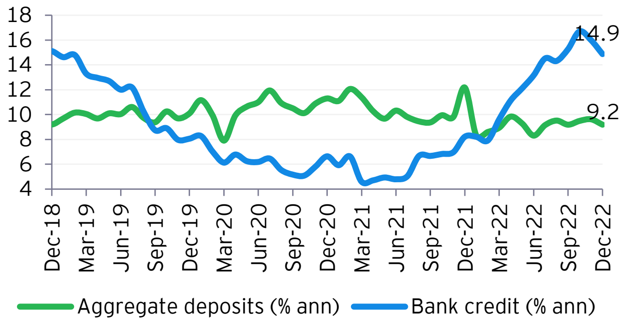
Money stock

- Growth in broad money stock (M3) eased to 9.8% in January 2023 from an 18-month high of 10.7% in December 2022 reflecting a moderation in both growth of time deposits and narrow money (M1).
- Growth in time deposits, accounting for slightly over 75% of M3 on average in the last three years, moderated to 9.7% in January 2023 from a 21-month high of 10.2% in December 2022.
- Growth in M1 slowed to 9.8% in January 2023 from 12.4% in December 2022 led by a moderation in the growth of demand deposits to 12.0% from a 13-month high of 18.7% in December 2022. Demand deposits have accounted for about 40% of M1 on average in the last five years. Currency with public grew at a marginally higher rate of 8.1% in January 2023 as compared to 7.9% in December 2022.

Aggregate credit and deposits

- Growth in gross bank credit by SCBs remained elevated at 14.9% in December 2022, although slightly lower than 16%[6] in November 2022 **(Chart 8)**.
- In December 2022, non-food credit growth continued to remain high at 15.3%, although lower than 16.4% in November 2022.
- Sectoral bank credit data indicate that credit to services showed a growth close to 20% for the fourth consecutive month, although marginally declining to 19.6% in December 2022 from 21.3% in November 2022.

Chart 8: Growth in credit and deposits



Source: Database on Indian Economy, RBI

[6] As per the RBI's press release dated 30 December 2022 (https://bit.ly/3H51chp), gross bank credit amounted to INR129.5 trillion as on 18 November 2022 as compared to INR111.6 trillion as on 19 November 2021. Similarly, non-food credit amounted to INR128.9 trillion in November 2022 as compared to INR110.8 trillion in November 2021. Using these magnitudes, the calculated y-o-y growth rates of gross bank credit and non-food credit are 16.0% and 16.4% respectively. However, RBI's press release gives these growth rates at 17.2% and 17.6% respectively.

- Growth in credit to the agricultural sector remained high at 11.5% in December 2022, although slowing from an 11-month high of 13.8% in November 2022. Agricultural credit has been growing at or above 10% since April 2022.
- Growth in outstanding credit to industries eased to a seven-month low of 8.7% in December 2022 from 13.1% in November 2022. Within the industrial sector, growth in infrastructure moderated to 5.3% in December 2022 from 10.5% in the previous month. On the other hand, credit to iron and steel improved for the thirteenth successive month, showing a growth of 24.5% in December 2022.
- Growth in personal loans, a key component of retail loans, increased to 20.2% in December 2022 from 19.7% in November 2022.
- Growth in aggregate deposits of residents at 9.2% in December 2022, was at or above 9.0% for the sixth successive month.

B. Financial sector

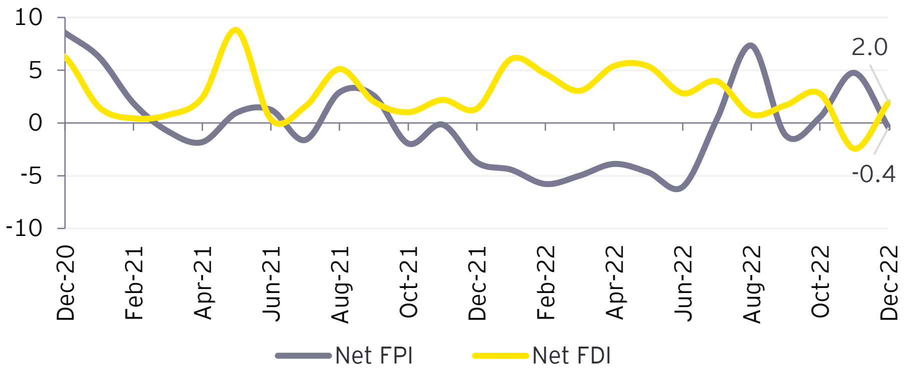
Interest rates

- As per the data released by the RBI on 3 February 2023, the average interest rate on term deposits with a maturity period of more than one year was at 6.63% in January 2023, nearly the same level of 6.65% in December 2022, with the actual rate ranging between 6.00% and 7.25%.
- The average MCLR increased to 7.85% in January 2023 from 7.72% in December 2022. Actual MCLR ranged between 7.30% and 8.40% during the month.
- The average yield on 10-year government bonds increased by 10 basis points to 7.39% in January 2023 from 7.29% in December 2022 **(Chart 7).**
- WALR on fresh rupee loans by SCBs increased to 8.88% in December 2022 from 8.86% in November 2022. During April to December 2022, on a cumulated basis, WALR on fresh rupee loans rose by 137 basis points while the repo rate was hiked by 225 basis points.

FDI and FPI

- As per the provisional data released by the RBI on 17 February 2023, overall foreign investments[7] (FIs) inflows fell for the second successive month to US$1.5 billion in December from US$2.3 billion in November 2022 on account of net FPI outflows during the month.

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



In 3QFY23, both net FDI and FPI inflows were lower at US$2.3 billion and US$4.9 billion respectively as compared to US$6.4 billion and US$6.5 billion in 2QFY23.

Source: Database on Indian Economy, RBI

- After witnessing outflows to the tune of US$(-)2.4 billion in November 2022, net FDI recovered to show inflows of US$2 billion in December 2022 **(Chart 9)**. Gross FDI inflows increased to US$6.5 billion in December 2022 from US$4.3 billion in November 2022.
- On the other hand, net FPI witnessed outflows of US$(-)0.4 billion in December 2022 as compared to inflows amounting to US$4.8 billion in November 2022.

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

7. Trade and CAB: merchandise trade deficit narrowed to US$(-)17.7 billion in January 2023

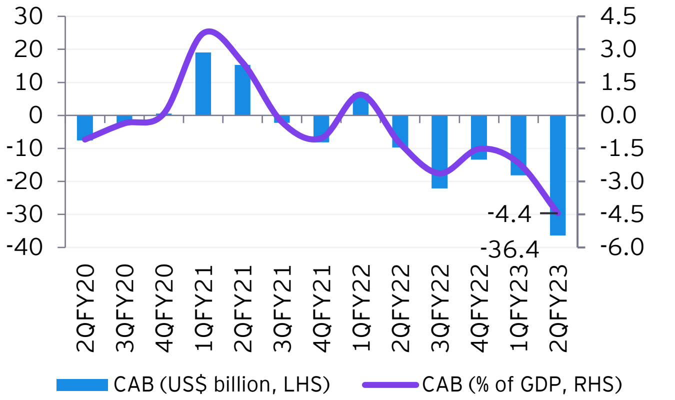
A. CAB: current account deficit surged to a 37-quarter high of (-)4.4% of GDP in 2QFY23

- Current account deficit widened to (-)4.4% of GDP in 2QFY23 from (-)2.2% in 1QFY23 **(Chart 10, Table 10),** reflecting a surge in net merchandise trade deficit to a 37-quarter high of (-)10.2% of GDP due to a) a rise in imports to a 32-quarter high of 23.9% of GDP reflecting higher global crude prices and b) a moderation in exports to 13.7% of GDP in 2QFY23 from 14.6% in 1QFY23 reflecting slowing global economic activity.
- Net invisibles relative to GDP increased to a nine-quarter high of 5.8% in 2QFY23, as net services exports improved to a 36-quarter high of 4.2% of GDP.

Table 10: 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
3QFY22	-2.6	-22.2	-59.7	37.6
4QFY22	-1.5	-13.4	-54.5	41.1
1QFY23	-2.2	-18.2	-63.0	44.8
2QFY23	-4.4	-36.4	-83.5	47.2

Chart 10: CAB



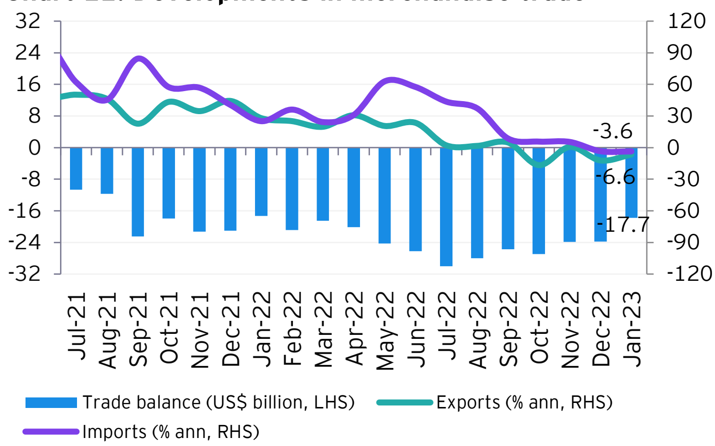
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

B. Merchandise trade and exchange rate

Both merchandise exports and imports contracted by (-)6.6% and (-)3.6% respectively in January 2023 reflecting moderating global economic activity.

- Merchandise exports contracted for the second successive month by (-)6.6% in January 2023, although at a slower pace as compared to (-)12.2% in December 2022. Exports of engineering goods, cotton yarn/fabrics/made-ups etc., gems and jewellery contracted by (-)9.8%, (-)37.4% and (-)19.3% respectively whereas growth in exports of electronic goods was at a four-month high of 55.5% in January 2023. Growth in oil exports turned positive at 8.0% in January 2023 after contracting for three successive months.
- Contraction in overall imports in January 2023 was led by falling imports of gold ((-)70.8%), pearls and precious stones ((-)29.7%), electronic goods ((-)18.5%) and machinery ((-)2.5%). Oil imports growth increased to 18.8% in January 2023 from 5.9% in December 2022. The slowdown in imports appears to be export-linked.
- Exports excluding oil, gold and jewelry contracted by (-)7.5% in January 2023 as compared to (-)8.5% in December 2022, whereas growth in imports of this category turned negative at (-)5.2% in January 2023 after showing a positive growth for 26 consecutive months.
- Merchandise trade deficit narrowed to a 12-month low of US$(-)17.7 billion in January 2023 from US$(-)23.8 billion in December 2022 **(Chart 11).**
- Services trade surplus increased to a historic high of US$15.5 billion in December 2022.
- Aided by relatively lower oil prices and narrower merchandise trade deficit, the rupee appreciated slightly to a level of INR81.8 per US$ in January 2023 from INR82.5 per US$ in December 2022.

Chart 11: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

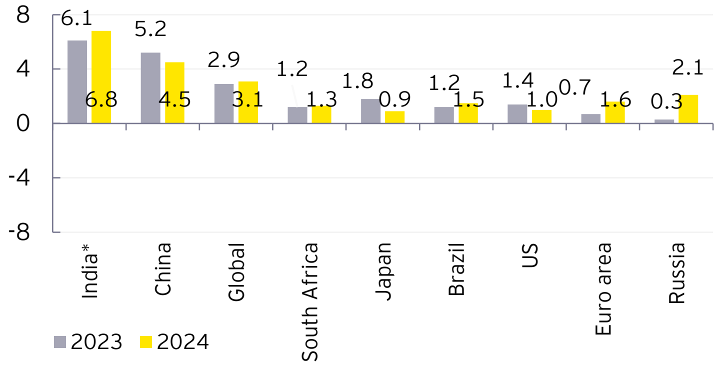
8. Global growth: IMF projected global growth at 2.9% in 2023, recovering to 3.1% in 2024

A. Global growth

The IMF has projected global growth at 2.9% in 2023 with India's FY24 growth forecasted at 6.1%.

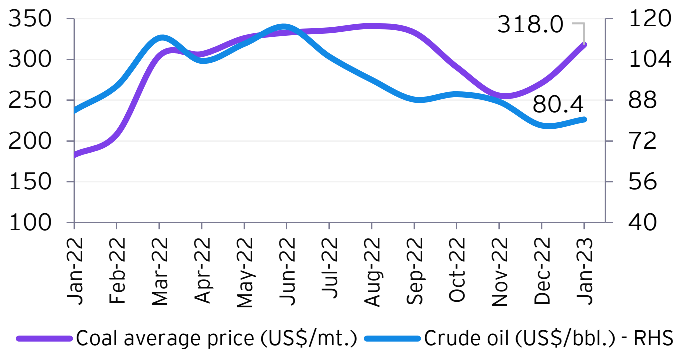
- Largely owing to a rise in policy rates especially in AEs, the IMF (January 2023) has projected global growth to fall from 3.4% in 2022 to 2.9% in 2023 before recovering to 3.1% in 2024 **(Chart 12)**.
- AEs are projected to slow from 2.7% in 2022 to 1.2% in 2023 before a marginal recovery to 1.4% in 2024. On the other hand, growth in EMDEs is projected to increase from 3.9% in 2022 to 4% in 2023 and further to 4.2% in 2024.
- In the US, growth is projected to fall from 2% in 2022 to 1.4% in 2023 and further to 1% in 2024. There is a 0.4% point upward revision for 2023, reflecting carryover effects from domestic demand resilience in 2022, but a 0.2% point downward revision in 2024 due to the steeper path of rate hikes by the Fed in 2023. As per the IMF's assessment, the Fed rate is expected to peak at about 5.1% in 2023.
- In the Euro area, growth is projected to fall to 0.7% in 2023 primarily reflecting the effects of faster rate hikes by the European Central Bank and eroding real incomes. Growth is projected to recover to 1.6% in 2024.
- With continued fiscal and monetary policy support, growth in Japan is projected to rise to 1.8% in 2023 from 1.2% in 2022. In 2024, growth is projected to moderate to 0.9% as the effects of past stimuli dissipate.
- China witnessed a deeper than expected slowdown in 2022 with its growth estimated at 3%. Growth in China is projected to rise to 5.2% in 2023, reflecting rapidly improving mobility.
- Growth in India is projected to decline from 6.8% in 2022 (FY23) to 6.1% in 2023 (FY24) before picking up to 6.8% in 2024 (FY25), with resilient domestic demand despite external headwinds.
- Russia is projected to emerge from a contraction of (-)2.2% in 2022 to 0.3% in 2023. At the current oil price cap level of the Group of Seven, Russian crude oil export volumes are not expected to be significantly affected, with Russian trade continuing to be redirected from sanctioning to non-sanctioning economies.

Chart 12: Global growth projections (%)



Source: World Economic Outlook Update, IMF (January 2023)
*Data pertains to fiscal years FY24 and FY25 respectively.

Chart 13: Global crude and coal prices



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

B. Global energy prices: average global crude price is projected to moderate from US$97.1/bbl. in 2022 to US$81.1/bbl. in 2023 and US$75.4/bbl. in 2024

- After falling to a local trough of US$78.1/bbl. in December 2022, average global crude price[8] increased to US$80.4/bbl. in January 2023. This was driven by expectations of higher demand by China that is beginning to normalize after the pandemic **(Chart 13)**. The IMF (January 2023) has projected global crude price to average US$81.1/bbl. in 2023, moderating to US$75.4/bbl. in 2024.
- Owing to the economic recovery in China, the world's largest coal consumer, average global coal price[9] also increased to US$318/mt. in January 2023 from US$271/mt. in December 2022. The planned implementation of energy product sanctions on Russia by the EU in 2023 is likely to put an upward pressure on coal prices going forward[10].

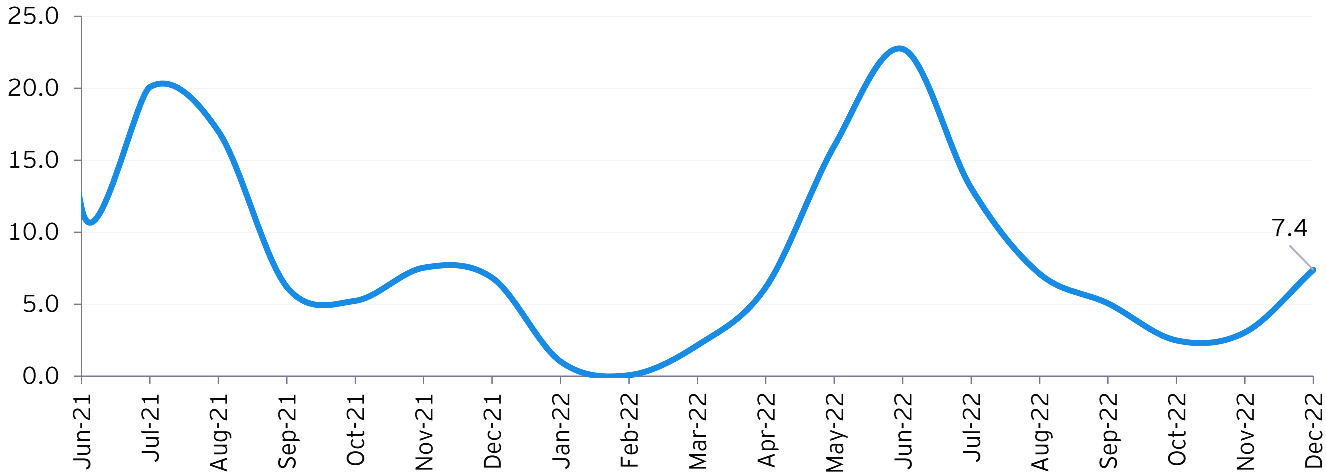
[8] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[9] Simple average of Australian and South African coal prices.
[10] https://rb.gy/ra0dex

9. Index of Aggregate Demand (IAD): grew by 7.4% in December 2022

Growth in IAD improved significantly to 7.4% in December 2022 from 3.0% in November 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)[11] capture the demand conditions in the agricultural sector.
- Growth in IAD increased to 7.4% in December 2022 from 3% in November 2022 on account of a marked improvement in the manufacturing and services sectors and the ongoing growth momentum in the agricultural sector **(Chart 14 and Table 11).**
- Demand conditions in the manufacturing and services sectors showed a sharp improvement in December 2022 relative to November 2022 as reflected in the PMI levels (sa terms). PMI manufacturing was at a 26-month high level of 57.8 while PMI services was also at a six-month high level of 58.5 in December 2022.
- Demand conditions in the agricultural sector also remained buoyant as indicated by the growth in agricultural credit off-take (sa) which was at 11.4% in December 2022, although moderating from 13.7% in November 2022.

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 11: IAD

Month	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
IAD	148.9	150.6	151.5	150.4	152.6	149.5	151.1	153.3	157.5
Growth (% y-o-y)	6.2	16.0	22.7	13.1	7.1	5.1	2.5	3.0	7.4
Growth in agr. Credit	10.6	12.0	13.1	13.1	13.4	13.4	13.5	13.7	11.4
Mfg. PMI**	4.7	4.6	3.9	6.4	6.2	5.1	5.3	5.7	7.8
Ser. PMI**	7.9	8.9	9.2	5.5	7.2	4.3	5.1	6.4	8.5

**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

[11] We have constructed a seasonally adjusted series for agricultural credit using Census X-13 technique in E-views (version 12) and the growth of this SA agricultural credit series is used in the IAD series.

10. 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
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
2QFY23	1.6	-0.9	1.5	4.9	5.7	2QFY23	55.9	55.7
3QFY23	2.4	7.4	0.9	7.9	4.7	3QFY23	56.3	56.7
Sep-22	3.3	5.2	2.0	11.6	8.3	Oct-22	55.3	55.1
Oct-22	-4.2	2.5	-5.9	1.2	0.9	Nov-22	55.7	56.4
Nov-22	7.3	9.7	6.4	12.7	5.7	Dec-22	57.8	58.5
Dec-22	4.3	9.8	2.6	10.4	7.4	Jan-23	55.4	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
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
2QFY23	7.0	7.6	11.0	6.1	12.4	9.1	7.3	37.5	7.7
3Q FY23	6.1	5.3	10.5	6.2	6.6	3.2	3.7	21.0	3.7
Oct-22	6.8	7.0	9.9	6.2	8.7	6.6	4.4	25.4	4.6
Nov-22	5.9	4.7	10.6	6.2	6.1	2.5	3.4	19.7	3.2
Dec-22	5.7	4.2	10.9	6.2	5.0	0.7	3.4	18.1	3.2
Jan-23	6.5	5.9	10.8	6.4	4.7	2.9	3.0	15.2	2.8

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.7	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.3
FY22 (CGA)	33.8	55.7	43.5	49.6	20.0	6.7	4.4
FY23 (RE over FY 22 Actuals)	12.3	17.3	17.1	17.2	7.1	6.4	4.1
FY24 (BE over FY 23 RE)	10.4	10.5	10.5	10.5	10.4	5.9	2.9
	Cumulated growth (%, y-o-y)					% of budgeted target	
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
Aug-22	18.7	23.6	33.2	28.8	11.2	32.6	32.4
Sep-22	17.6	21.6	25.7	23.5	11.8	37.3	31.4
Oct-22	18.0	24.1	27.7	25.9	11.0	45.6	38.9
Nov-22	15.5	21.1	26.7	23.9	8.6	58.9	57.8
Dec-22	12.5	16.9	19.2	18.0	7.1	56.6$	50.3$

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

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (GoI)
	INR crore				
FY23 (RE)	7,24,000	-	-	1,30,000	8,54,000
FY24 (BE)	8,11,600	-	-	1,45,000	9,56,600
	Monthly tax collection (INR crore)				
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
Aug-22	51,911	149	8,938	9,889	70,887
Sep-22	54,689	406	9,964	9,967	75,026
Oct-22	72,219	595	-19,374	10,281	63,721
Nov-22	57,848	515	-2,580	10,323	66,106
Dec-22	60,778	232	-3,394	10,911	68,527

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
Mar-22	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.69	411.9
Apr-22	4.00	FY20	9.5	9.9	43.0	1.4	FY20	11.2	8.9	6.83	475.6
May-22	4.40	FY21	5.9	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Jun-22	4.90	FY22	6.7	9.7	38.6	-16.8	FY22	10.6	8.7	6.40	617.6
Jul-22	4.90	4QFY22	8.6	8.6	13.8	-15.2	4QFY22	10.6	8.7	6.74	617.6
Aug-22	5.40	1QFY23	12.1	9.1	13.6	-14.6	1QFY23	8.7	7.8	7.34	593.3
Sep-22	5.90	2QFY23	14.7	9.3	6.4	6.5	2QFY23	8.5	8.6	7.32	532.7
Oct-22	5.90	3QFY23	15.8	9.4	2.3	4.9	3QFY23	12.4	10.7	7.37	562.8
Nov-22	5.90	Sep-22	15.3	9.2	1.7	-1.2	Oct-22	10.6	9.1	7.46	531.1
Dec-22	6.25	Oct-22	16.7	9.5	2.8	0.5	Nov-22	9.7	8.9	7.36	550.1
Jan-23	6.25	Nov-22	16.0	9.6	-2.4	4.8	Dec-22	12.4	10.7	7.29	562.8
Feb-23	6.50	Dec-22	14.9	9.2	2.0	-0.4	Jan-23	9.8	9.8	7.39	573.7

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	8.6	10.6	-182.3	69.9	67.3	100.4	2013	3.5	1.4	5.1
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2014	3.5	2.1	4.7
FY21	-7.0	-16.6	-101.4	74.2	43.8	67.2	2015	3.4	2.4	4.3
FY22	43.1	55.3	-193.2	74.5	78.4	164.8	2016	3.3	1.8	4.5
4QFY22	23.9	28.2	-56.7	75.2	96.6	231.7	2017	3.8	2.5	4.8
1QFY23	24.8	49.5	-70.6	77.2	110.1	321.7	2018	3.5	2.2	4.5
2QFY23	2.9	28.3	-83.7	79.8	96.4	336.4	2019	2.8	1.6	3.7
3QFY23	-9.9	2.3	-74.6	82.2	85.3	272.4	2020	-3.1	-4.5	-2.0
Oct-22	-16.6	5.7	-26.9	82.3	90.3	290.5	2021	6.2	5.4	6.7
Nov-22	0.6	5.4	-23.9	81.8	87.4	255.6	2022	3.4	2.7	3.9
Dec-22	-12.2	-3.5	-23.8	82.5	78.1	271.0	2023	2.9	1.2	4.0
Jan-23	-6.6	-3.6	-17.7	81.9	80.4	318.0	2024	3.1	1.4	4.2

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook October 2022 and World Economic Outlook Update January 2023

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

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY20 (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
FY23 (1st AE)#	6.7	3.5	2.4	1.6	9.0	9.1	13.7	6.4	7.9	8.5
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
2QFY23	5.6	4.6	-2.8	-4.3	5.6	6.6	14.7	7.2	6.5	10.0

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, # released on 06 January 2023, growth is estimated over FY22 (PE)

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
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
FY23 (1st AE)#	7.0	7.7	3.1	11.5	12.5	20.9	7.9
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
2QFY23	6.3	9.7	-4.4	10.4	11.5	25.4	9.3

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, # released on 06 January 2023, growth is estimated over FY22 (PE)

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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