ENTER

India Economic Pulse

Economic indicators and policy measures

March 2023

Building a better working world

Contents

1

Executive summary

Executive summary

Dear Reader,

We are pleased to present the March 2023 edition of India Economic Pulse, analyzing high frequency economic indicators. The issue highlights the following key aspects:

1. Global economic growth is likely to decelerate, but outlook has improved over the last few months.

IMF projects global growth may decelerate from 3.4% to 2.9% in 2023 against an estimate of 2.7% in October 2022. US and European economies have been resilient and labor markets are tight. Inflation in advanced economies, such as 6% in the US, is still above target levels of 2% and it is unlikely that interest rates will reduce in the short term.

2. Indian economy grows at 4.4% in Q3 with a projection of 7% for FY23

India's economic growth slowed to 4.4% in the third quarter compared to 6.3% in the previous quarter, and 5.2% in the third quarter of FY22. The manufacturing sector contracted by 1.1% in Q3 of FY23 (second straight quarter of contraction) compared to a growth of 1.3% in Q3 of FY22, reflecting the impact of slowing global demand and domestic consumption. The contraction is partially attributable to the cumulative base effect due to revision in data of the earlier years.

India's industrial output, in the first nine months of FY23 (April-December), increased only by 5.4% compared with a 15.3% rise in the corresponding period in the previous year. Growth in credit to manufacturing, especially large industry, has also reduced sharply since September 2022.

Rural economy, as evidenced by growth in agriculture, tractor sales and growth in credit to agricultural sector, has been on an uptick. Services sector, construction and real estate continue to do well. This is also borne out by increased cement and steel sales, an increase in freight traffic and electricity consumption.

Government, RBI and third parties such as the IMF have projected the Indian economy to grow by 7% in FY23, while revising upwards the growth for the previous year (FY22) at 9.1% as against 8.8% estimated earlier.

3. Private consumption sluggish, but consumer confidence is high

Growth in private final consumption expenditure (PFCE) for Q3FY23 slowed to just 2.1% as against 10.8% for Q3FY22, partially due to the cumulative base effect. As a proportion of nominal GDP, PFCE in Q3FY23 accounted for 63.3% in the GDP as against 65.1% in Q3FY22. However, RBI's Consumer Confidence Survey (January 2023) and growth in personal loans indicates that consumer confidence has improved both for the current period as well as for the year ahead.

4. External sector has improved compared to the previous quarter

There has been a significant drop in commodity prices from the peaks of early 2022, thus lowering India's goods imports amount. Merchandise exports are sluggish due to weak global demand. However, service exports have grown well. India's foreign exchange reserves, after declining to US$531b in October 2022, have since risen to over US$570b. US Dollar has traded in a narrow band since October 2022.

5. Government capex continues to be the key growth driver

The 8.3% growth in gross fixed capital formation (GFCF) in Q3FY23 as against 1.2% growth in Q3FY22 clearly reflects the significant role of infrastructure spend by the government in propelling the economy forward. GFCF has consistently accounted for over 26% of the nominal GDP in Q3FY22 and Q3FY23.

6. Fiscal consolidation on track

For the first ten months of the current fiscal, government's increased capex has resulted in fiscal deficit expanding to nearly 68% of the total amount for the full year. This is despite an increase in net tax revenues by 9% or INR 1.4 lakh crores during April-January 2023 as against the same period last year.

However, supported by tax revenues, the government is most likely to achieve its target deficit of 6.4% for FY23.

7. India is rapidly greening and getting digitalized

Key indicators reflect that renewable energy is assuming a greater role in energy transition. Renewable energy generation in January 2023 recorded a growth of 35% over the previous year and hit 13% of the total power generation. This transition is expected to continue, aided by strong policy push of the government.

Government's thrust on empowerment through digital is paying off. UPI's market share continues to increase, and payments through UPI in January 2023 have grown by over 56% vis-à-vis January 2022.

8. Outlook: 6% growth projection for FY 23-24

For FY24, GDP growth projections range from 5.5 to 6.5%, with most agencies projecting at around 6%, which would make India the fastest growing large economy globally.   However, there are many simmering variables as the global geopolitical fragmentation continues and many economies may face debt distress.

First nine months of FY23 have witnessed a marginal decline in FDI and a significant reduction in VC/PE investments and money raised from the markets. Consumer inflation is above RBI's threshold of 6%, though WPI has moderated to 3.85% in February 2023. The restraint in revenue expenditure proposal in the budget and increase in repo rates by the RBI demonstrate the government's intent to control inflation. However, going forward, the RBI would need to manage inflation control without hurting growth.

Geo-political uncertainties can impact commodity prices, and energy security may come into play. Demand for electricity in India is up 10% in FY23 and prices of traded electricity in January and February 2023 are significantly up. Energy situation may need attention.

For now, the Indian economy remains poised for growth in an uncertain world.

Pankaj Dhandharia
Partner & Markets Leader
EY India

Rajnish Gupta
Associate Partner
Tax and Economic Policy Group
EY India

2

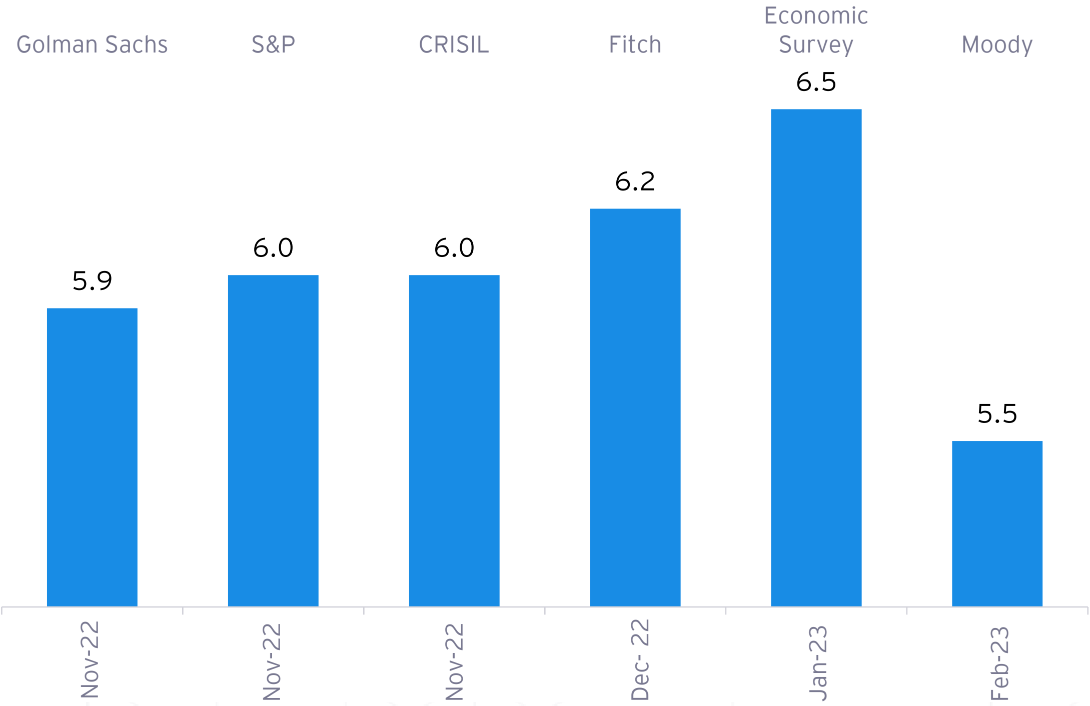
Global economic outlook

World economic Outlook (IMF, Jan 2023)
India continues to be fastest growing economy

World Economic Outlook Projections (%)

		Estimates	Projections	
Region/country/market	2021	2022	2023	2024
World	6.2	3.4	2.9	3.1
Advanced economies	5.4	2.7	1.2	1.4
US	5.9	2.0	1.4	1.0
Euro Area	5.3	3.5	0.7	1.6
Japan	2.1	1.4	1.8	0.9
Emerging markets/ developing economies	6.7	3.9	4.0	4.2
China	8.4	3.0	5.2	4.5
India	**8.7**	**6.8**	**6.1**	**6.8**
Brazil	5.0	3.1	1.2	1.5
Russia	4.7	-2.2	0.3	2.1

India's GDP forecast for 2023-24 (%)

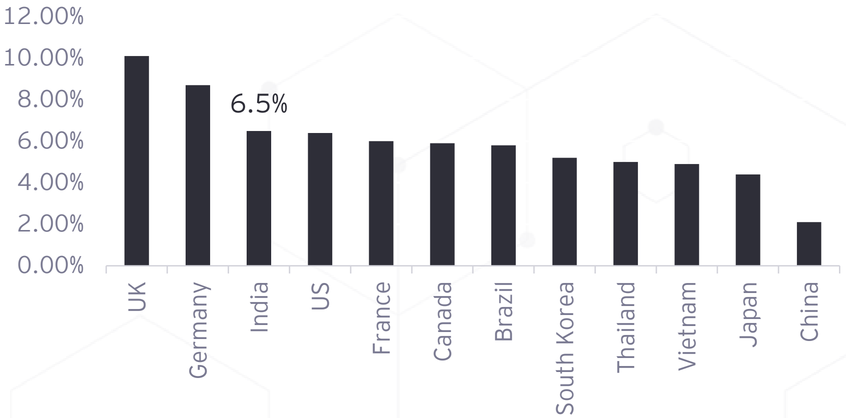


- Global growth is expected to decelerate from 3.4% to 2.9% in 2023 and below the historical average of 3.8% from 2000 to 2019.
- However, the estimate of 2.9% is higher by 0.2% vis-à-vis the outlook in October 2022. The US and European economies have been more resilient than expected. The revision reflects a stronger boost from pent-up demand, faster fall in inflation and likely easing of financial conditions
- The increase in central bank rates and the conflict in Europe continue to impact the global economy. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, but well above the pre-pandemic levels of 3.5%.

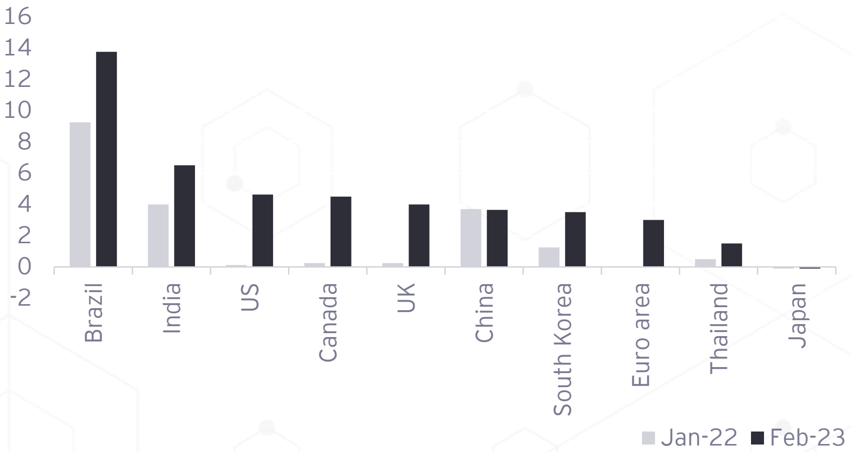
Source: World Economic Outlook, January 2023, IMF, UNCTAD, Various agencies

Economic indicators for major economies

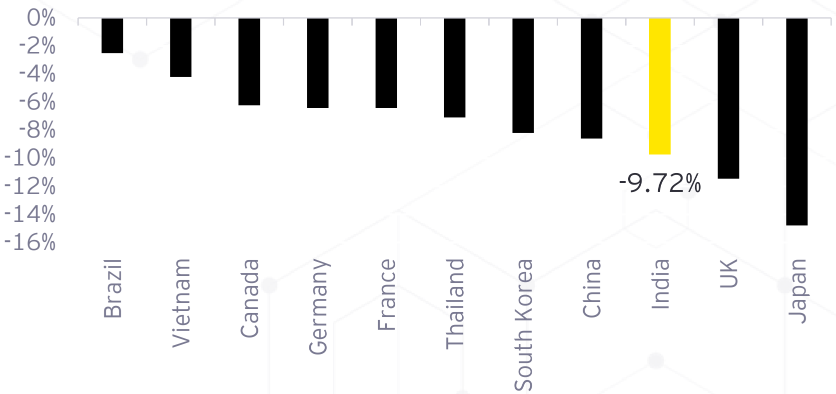
Consumer inflation rate (%)



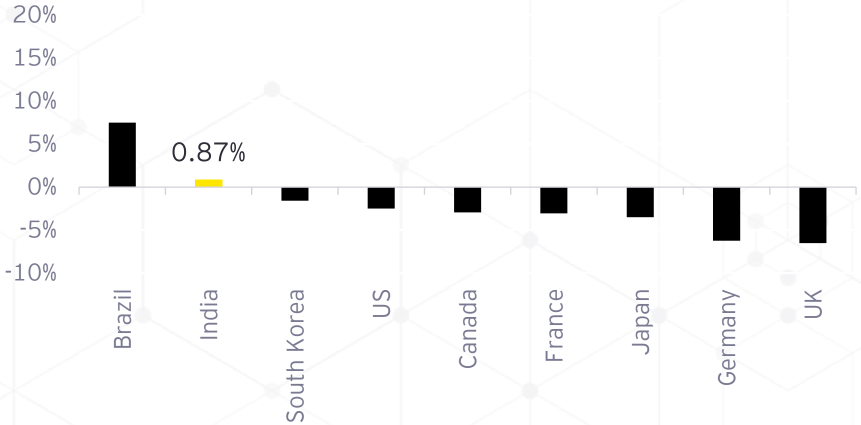
Central bank policy rate (%)



Currency performance vis-à-vis USD (last 12 months)



Real yields on G-secs (10 year)*



Key findings

- Central banks globally have hiked policy rate in response to high inflation and US Fed tightening. The trade-off between controlling inflation while and supporting economic growth remains challenging.
- Inflation has moderated in most economies but continues to be in excess of central bank targets.
- With headline inflation easing in major advanced and emerging economies, central banks have either paused or slowed the pace of monetary policy tightening in the recent months.
- India is one of the few countries where the real yield on G-secs is positive.

Source: FT, Bloomberg, Google finance: as of 23rd February 2023;, Bank For International Settlements as of February 2023
Real yields have been computed by reducing inflation from the nominal yields
Inflation as percentage annual change as of January 2023

PMIs point toward confidence in the Indian economy

Global economies

Manufacturing PMI	Jan-22	Jan-23
India	54.0	55.4
Thailand	51.7	54.5
Canada	56.2	51.0
France	55.5	50.5
Australia	55.1	50.0
China	50.1	49.2
Japan	55.4	48.9
South Korea	52.8	48.5
Brazil	47.8	47.5
Vietnam	53.7	47.4
Germany	59.8	47.3
UK	54.5	47.0
United States	55.5	46.9

Services PMI	Jan-22	Jan-23
India	51.5	57.2
China	51.4	52.9
Japan	47.6	52.3
Brazil	52.8	50.7
Germany	52.2	50.7
France	53.1	49.4
UK	54.1	48.7
Australia	46.6	48.6
United States	51.2	46.8

Key findings

- For both services and manufacturing, outlook in India is the most optimistic and continues to remain in the expansionary territory.
- India and Thailand are two major emerging economies that continue to record robustness in manufacturing activity.
- Meanwhile, services activity, as given by their PMIs, is not as significantly down as factory activity with an improved outlook for few countries over this year.

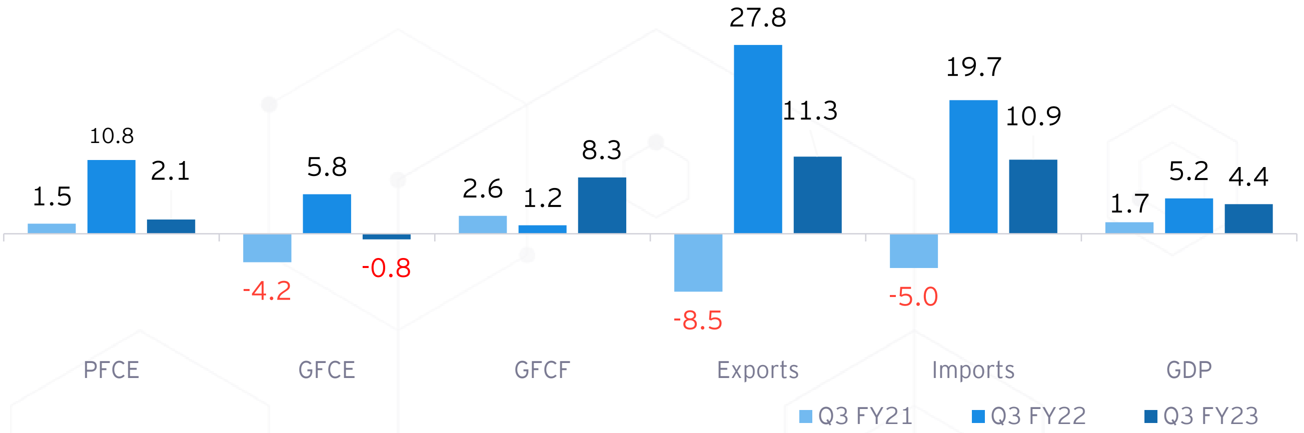
Note: The Purchasing Managers' Index (PMI) as a leading indicator helps gauge the economic trend through key variables of business activity such as output, new orders, production, input prices, hiring activity etc.
A reading above 50 indicating an overall increase/ expansion compared to the previous month, and below 50 an overall decrease/ contraction.
Source: World Economic Outlook 2022; S&P IHS Markit, Trading Economics, Secondary research
As of January 2023

3

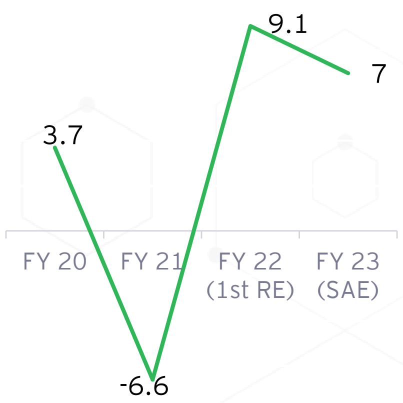
Key economic and fiscal indicators

Q3 growth slows down, but is in line with the government and RBI expectations

Quarterly estimates of expenditure on GDP growth (%)

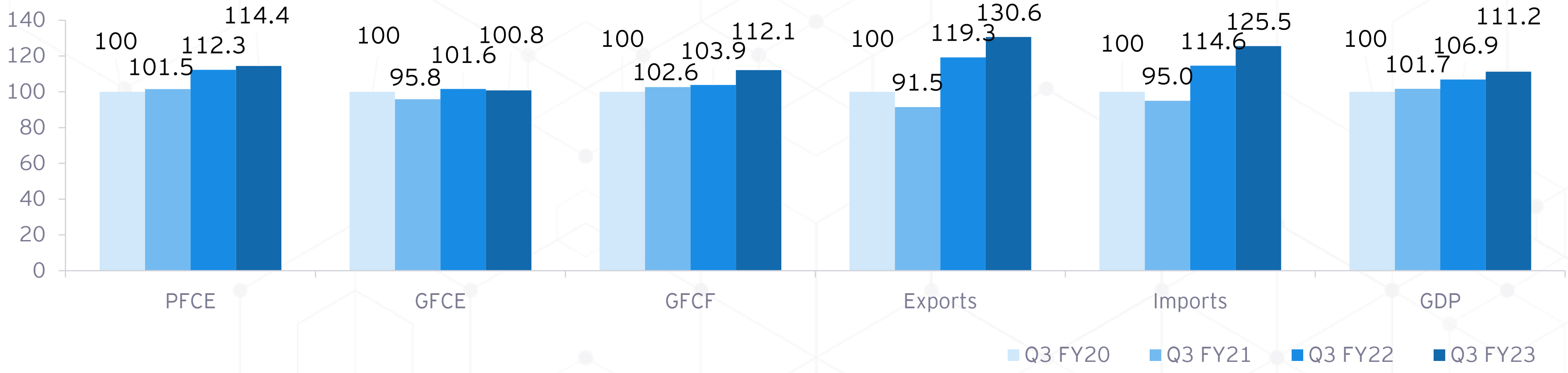


Annual GDP growth (%)



PFCE: Private Final Consumption Expenditure; GFCE: Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation;

Quarterly estimates of expenditure against the base of the same quarter in 2020



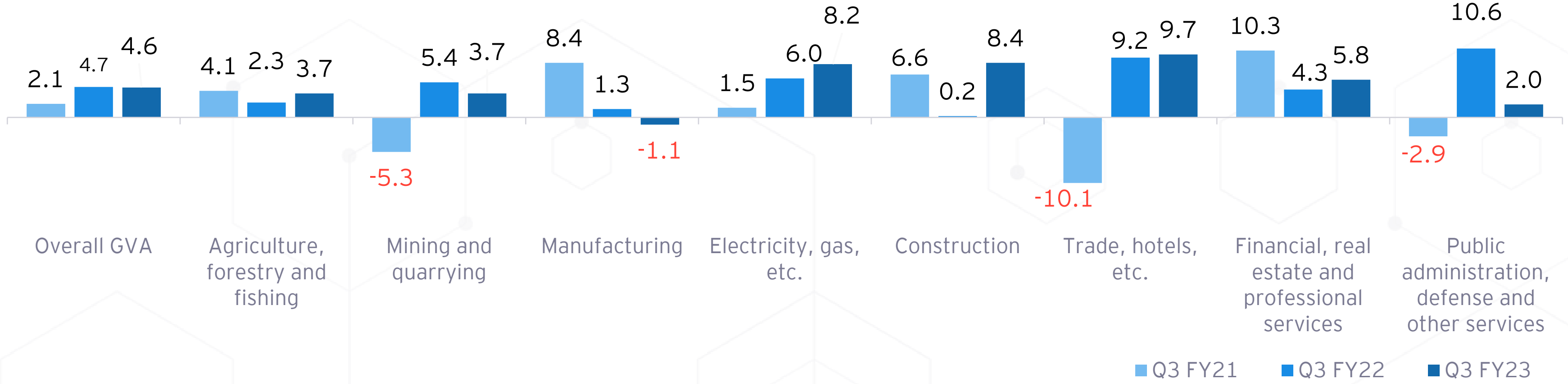
Key findings

- Second advance estimates (SAE) for 2022-23 have retained the overall annual GDP growth at 7%.
- The revised estimates for FY2022 indicate a stronger growth of 9.1% as against the previous estimate of 8.7%.
- Strong government capex continues to drive growth.
- In the first advance estimates, the contribution of net exports to real growth was (-)2.8% points. This has improved by nearly 1% point to (-)1.9% points.
- Growth in domestic demand as reflected by private and government consumption expenditure has witnessed a slow down.

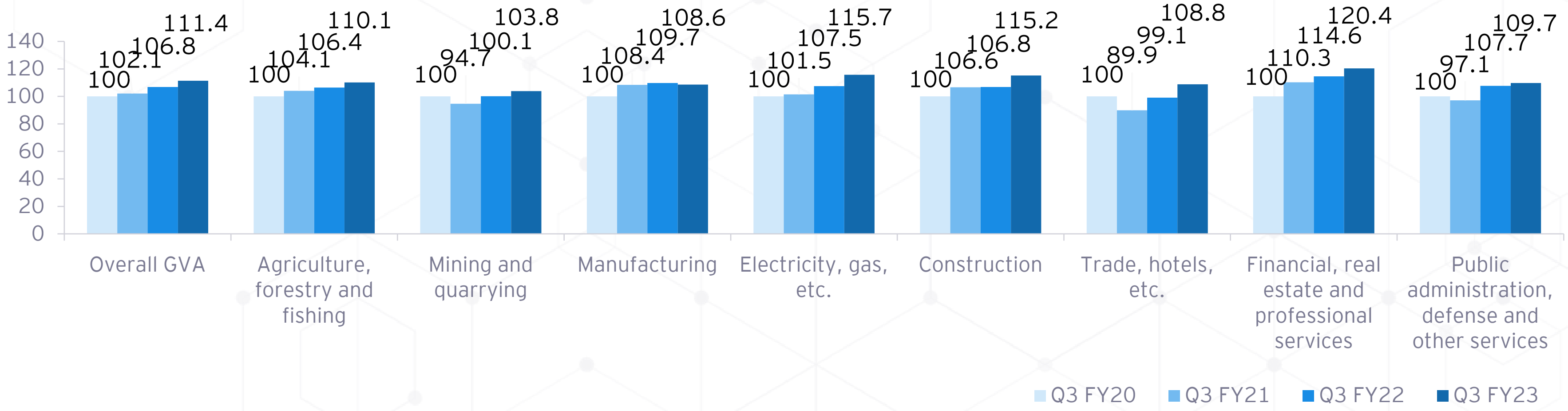
Source: MOSPI

Performance in the major sectors of the economy

Quarterly gross value added (GVA) growth (%): major sectors



Quarterly gross value added (GVA) by major sectors against the base in 2020



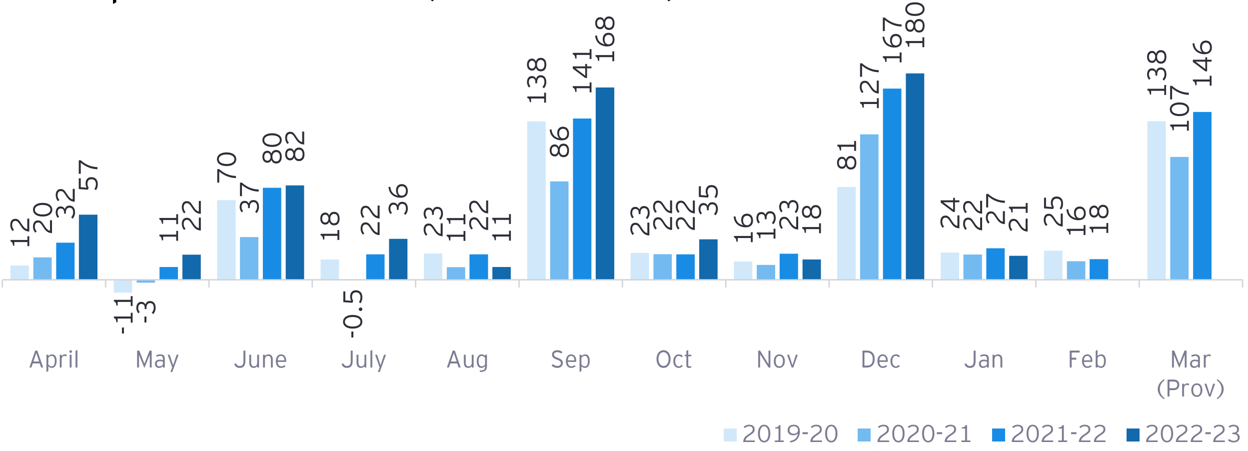
Source: MOSPI

Key findings

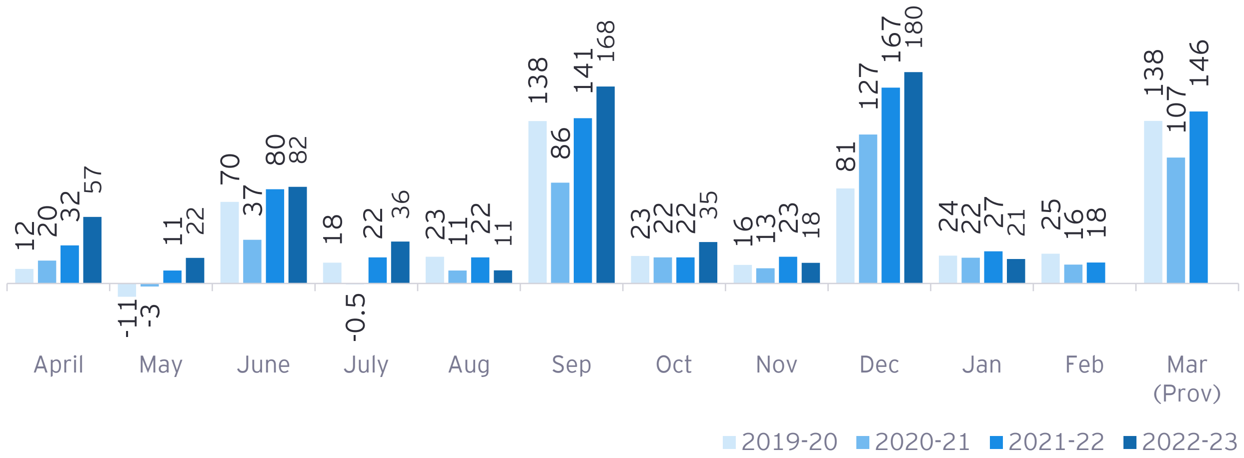
- India's GVA decelerated to 4.6% in the Q3 from 5.5% in Q2 of this fiscal, mainly due to a contraction in the manufacturing sector.
- There was a slowdown in demand due to high inflation and interest rates.
- On the other hand, sectors such as 'Construction', 'Trade, Hotels' and 'Finance, Real Estate' etc., provided support to demand.
- Mining and quarrying is one sector which has reflected minimal growth since the onset of COVID-19.

Trends in the union government's direct tax collections

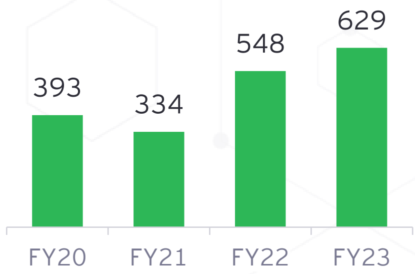
Net corporate tax collection (INR '000 crores)



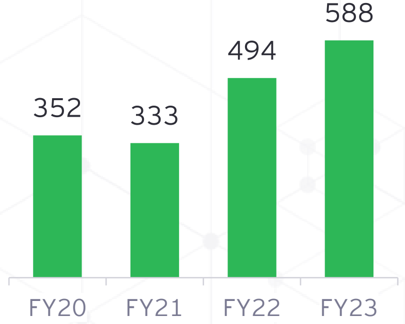
Net corporate tax collection (INR '000 crores)



Corporation tax (CIT) (INR '000 crores) (Apr – Jan)



Personal tax (PIT) (INR '000 crores) (Apr-Jan)



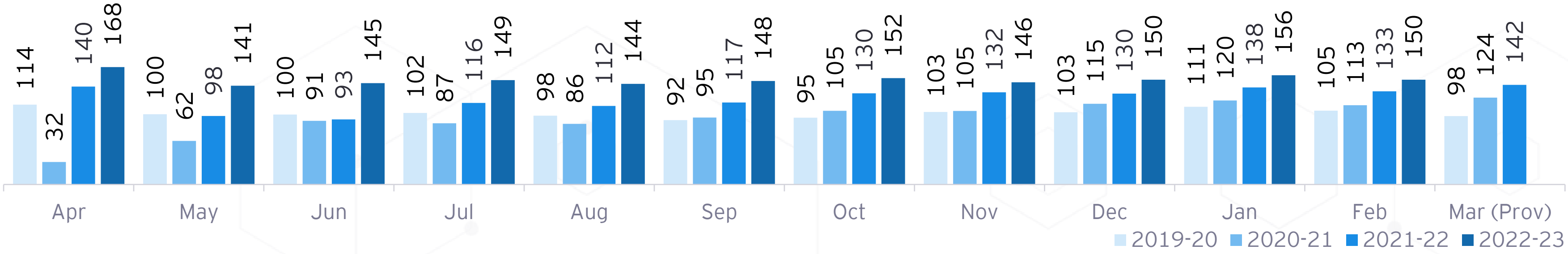
Key findings

- CIT and PIT collections for April'2022–January 2023 witnessed a growth of 15% and 19%. The nominal growth in GDP for FY2023 is projected around 16%, suggesting buoyancy only in PIT collections.
- An analysis of the cumulative month wise CIT collection growth indicates a tapering in growth from May-2022 (81%) to January 2023 (15%)
- Similar pattern was observed in cumulative month wise PIT collection growth from May-2022 (60%) to January 2023 (19%)

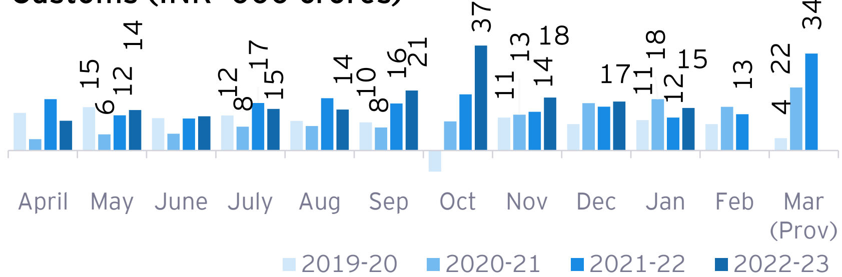
Source: Controller General of Accounts,

Trends in union government's indirect tax collections

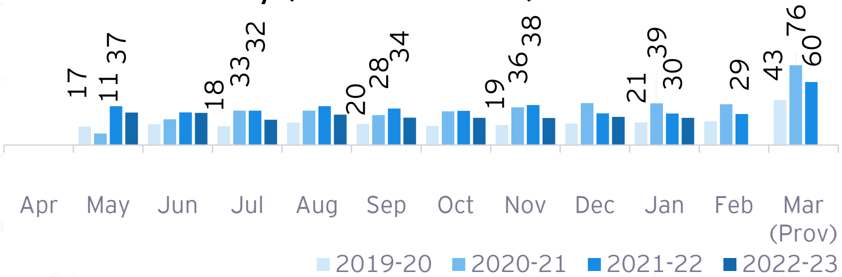
GST Collections (Centre + States) (INR '000 crores)



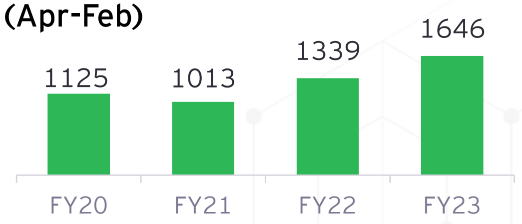
Customs (INR '000 crores)



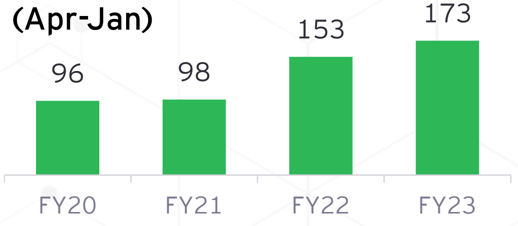
Union excise duty (INR '000 crores)



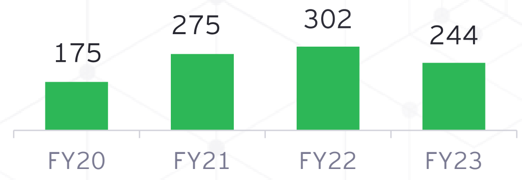
GST (Union +States) (INR '000 crores) (Apr-Feb)



Customs duty (INR '000 crores) (Apr-Jan)



Union Excise Duty (INR '000 crores) (Apr-Jan)



Key findings

- GST collections for the month of January-2023 are the second highest since the implementation of GST.
- The GST revenues in the current financial year up to February-2023 are 23% over the same period last year. The nominal growth in GDP is around 16% thereby, suggesting significant buoyancy in GST collection.
- For the period April 2022 – January'2023, customs duty collections increased by ~13.1% reflecting strong base effects.
- Excise duty mop up fell by 19% during April 2022 – January'2023 due to a cut in excise duty rates for petrol and diesel in May 2022.
- Despite robust growth in GST and income tax collections, Gross tax revenues (GTR) reflect a growth of 12.6% during the first ten months of FY2023, largely due to reduction in excise duty.

Source: Controller General of Accounts; GST Council/ PIB

Fiscal performance

#	Particulars	Budget estimate (BE) (2022-23) (INR crores)	Revised estimate (BE) (2022-23) (INR crores)	Actuals (April 2022 – Jan 2023) (INR crores)	Actuals (April 2021 - Jan 2022) (INR crores)	Actuals as % of RE FY 23	Actuals as % of RE FY 22	Average Actuals as % of RE (FY18 – FY22)
1	Tax revenues (net of states' share)	19,34,771	20,86,662	16,88,710	15,47,436	80.9%	87.7%	76.2%
2	Non-tax revenues	2,69,651	2,61,751	2,30,939	2,91,485	88.2%	92.9%	70.3%
3	Revenue receipts (1+2)	22,04,422	23,48,413	19,19,649	18,38,921	81.7%	88.5%	75.4%
4	Other receipts	79,291	83,500	57,194	32,595	68.5%	32.6%	54.0%
5	**Total non-debt receipts (3+4)**	**22,83,713**	**24,31,913**	**19,76,843**	**18,71,516**	**81.3%**	**85.9%**	**74.3%**
6	Revenue expenditure other than interest	22,54,606	25,18,813	18,59,098	17,51,622	73.8%	74.4%	**84.8%**
7	Interest	9,40,651	9,40,651	7,38,658	6,16,076	78.5%	75.7%	**76.6%**
8	Capital expenditure	7,49,652	7,27,768	5,69,892	4,41,686	78.3%	73.4%	**80.5%**
9	**Total expenditure (6+7+8)**	**39,44,909**	**41,87,232**	**31,67,648**	**28,09,384**	**75.7%**	**74.5%**	**79.2%**
10	**Fiscal Deficit (9-5)**	**16,61,196**	**17,55,319**	**11,90,805**	**9,37,868**	**67.8%**	**58.9%**	**97.9%**

Source: Budget 2023-24, 2022-23, 2021-22, Controller General of Accounts,

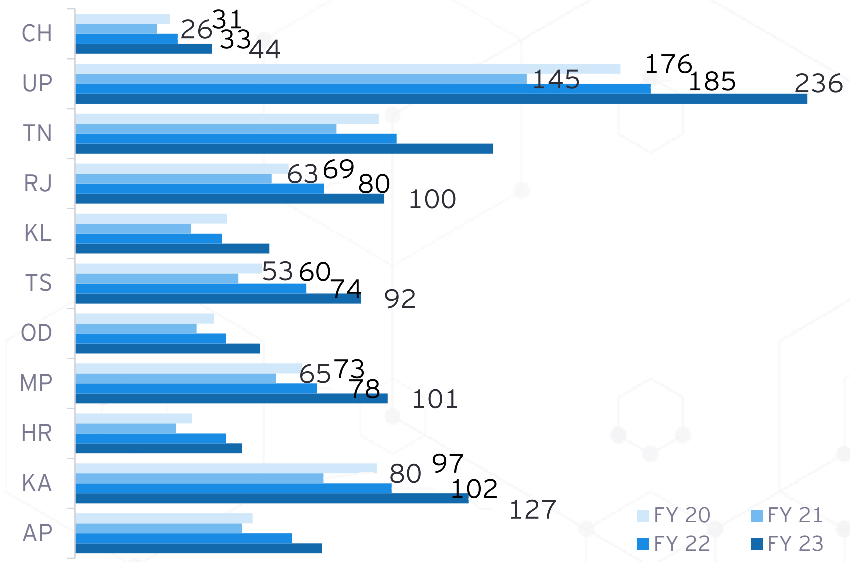
Key findings

- The Budget envisages a near 10.5% increase in gross tax revenue in FY24 (BE) against FY23 (RE), assuming 10.5% nominal GDP growth in FY24. This implies a tax buoyancy of 1.
- As per Budget 2023-24 provides a fiscal roadmap to achieve fiscal deficit target of 6.4% of GDP in FY2023, 5.9% in FY2024 and 4.5% in FY2026.
- The Fiscal Deficit for the per April 2022 – January 2023 has expanded to almost 68% compared to 59% during the same period last year. This is on account of strong capital expenditure by the government.
- Net Tax revenue after allocation to the states for April 2022 – January'2023 stood at 81% of the RE for the year. This is lower than 88% collected for the same period in the previous year.

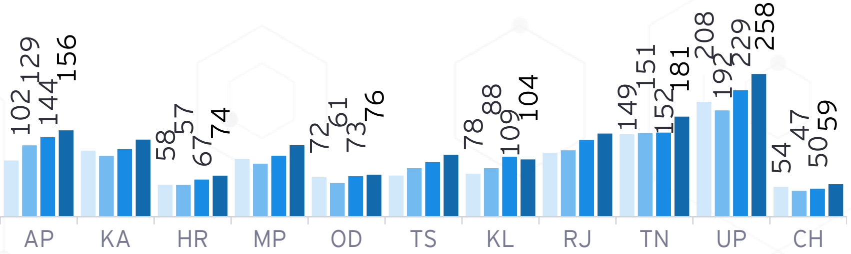
States' tax revenues rise steadily

Tax revenue and expenditure for major states for the period (April'22 – December'22)

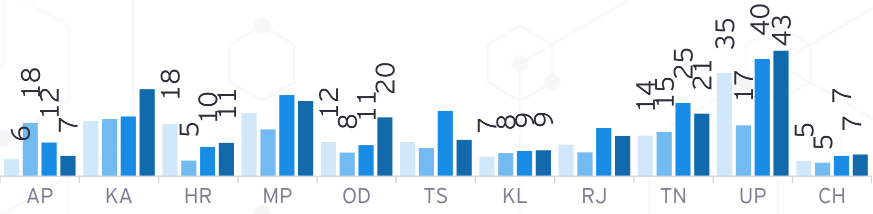
Tax revenue (INR '000 crores)



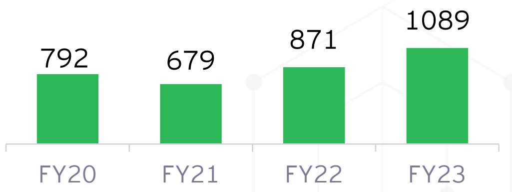
Revenue expenditure (INR '000 crores)



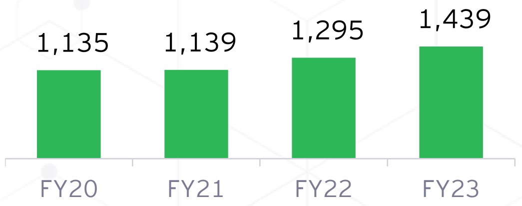
Capital expenditure (INR '000 crores)



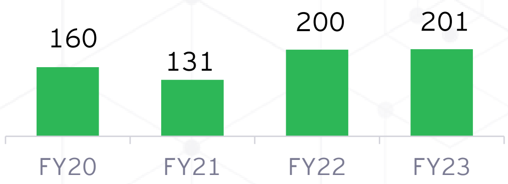
Tax revenue (INR '000 crores)



Revenue expenditure (INR '000 crores)



Capital expenditure (INR '000 crores)



Key findings

- Overall, in the eleven selected states for which the latest data is available, tax revenues from April 2022 to December 2022 increased by 25% in FY2023 vis-à-vis same period FY2022.
- During April 2022-December'2022, revenue expenditure by the States saw a 11.1% rise vis-à-vis the same period last year, while capital expenditure increased by 0.5%.
- At the individual state level, Uttar Pradesh witnessed the highest increase in tax revenues in FY2023. This indicates economic activities are gaining momentum in the state now.

CH: Chhattisgarh; : AP: Andhra Pradesh; HR: Haryana; KA: Karnataka; KL: Kerala; MP: Madhya Pradesh; OR: Odisha; RJ: Rajasthan; TN: Tamil Nadu; TS: Telangana; UP: Uttar Pradesh; UP: Uttar Pradesh; CH: Chattisgarh
Source: Controller and Auditor General; State Accounts

CIT revenues as a share of GDP have increased across 114 countries, even as average statutory CIT rate has declined

Between 2000 and 2022, the average statutory tax rate fell by 8.1 p.p.

From **28.1%** in 2000

From **20.0%** in 2022

Average corporate tax revenues as a share of total tax revenues

12.6% (2000) → 15.0% (2019)

Average corporate tax revenues as a percentage of GDP

2.6% (2000) → 3.1% (2019)

Corporate tax revenues are important in developing economies
(CIT revenues as a share of total tax revenues in 2019)

Africa (30)	18.8%
LAC (26)	15.8%
Asia-pacific (28)	18.2%
OECD	9.6%

Region wise decline in rates (from 2000 to 2023)

OECD	9.2%
Africa	8.4%
LAC	19.9%
Asia-Pacific	19.2%

Average CIT as percentage of GDP (2019)

OECD	3.0%
Africa	2.9%
LAC	3.6%
Asia-Pacific	3.3%

India's CIT rate

India's statutory CIT rate has seen a huge reduction from 40.6% in 2019 to 25.2% in 2022

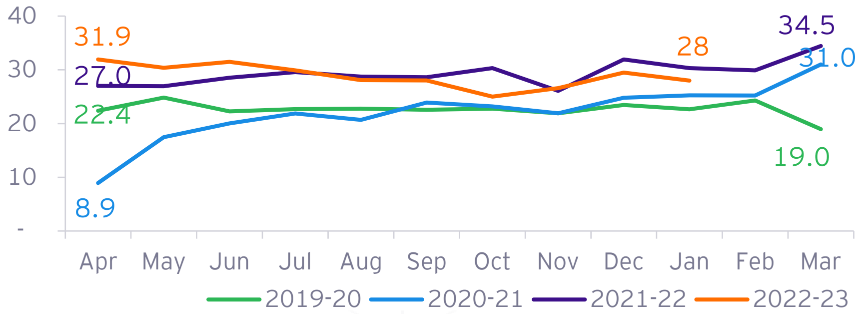
India's CIT/ GDP ratio

India's CIT / GDP ratio for FY2019-20 was 2.8 and for FY2021-22 was 3.0 (in line with other 114 countries)

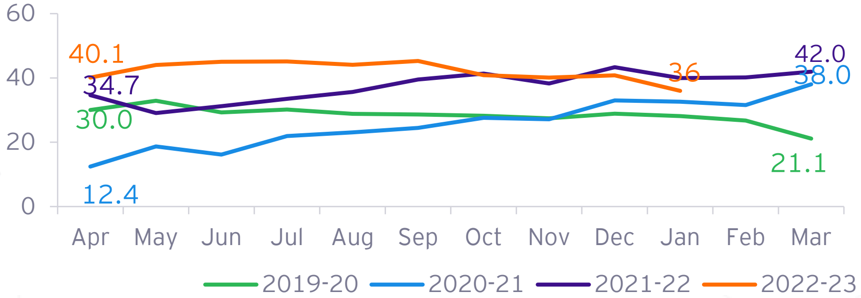
Source: OECD Corporate Tax Statistics Guide, Fourth Edition

Foreign trade trends

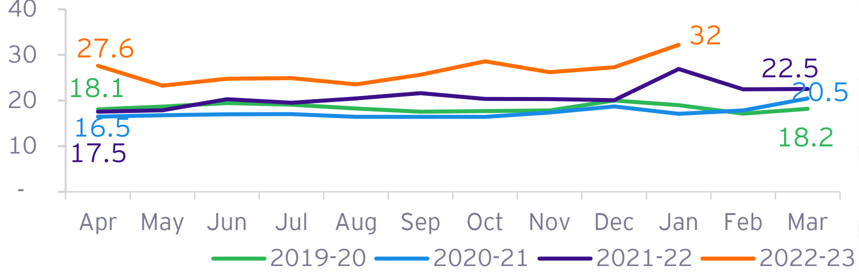
Non- oil merchandise exports (in US$ billion)



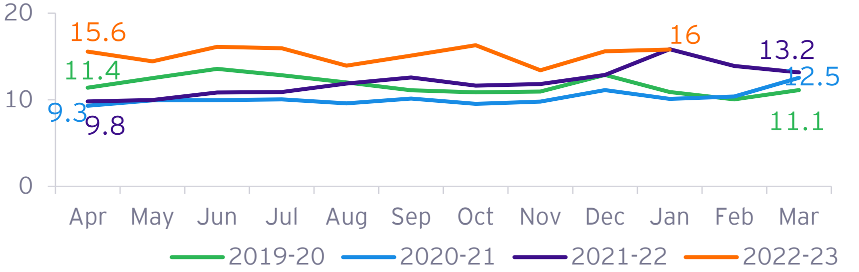
Non- oil merchandise imports (in US$ billion)



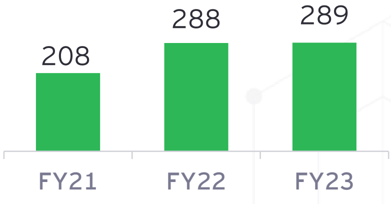
Service exports (in US$ billion)



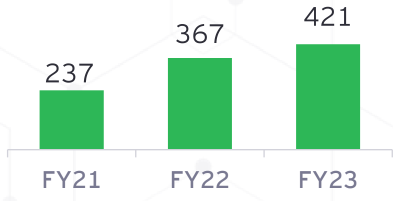
Service imports (in US$ billion)



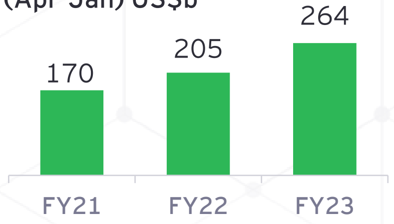
Non-Oil Merchandise Exports (Apr-Jan) US$b



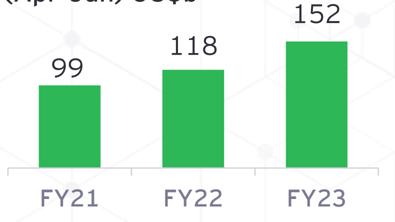
Non-Oil Merchandise Imports (Apr-Jan) US$b



Services Exports (Apr-Jan) US$b



Services Imports (Apr-Jan) US$b



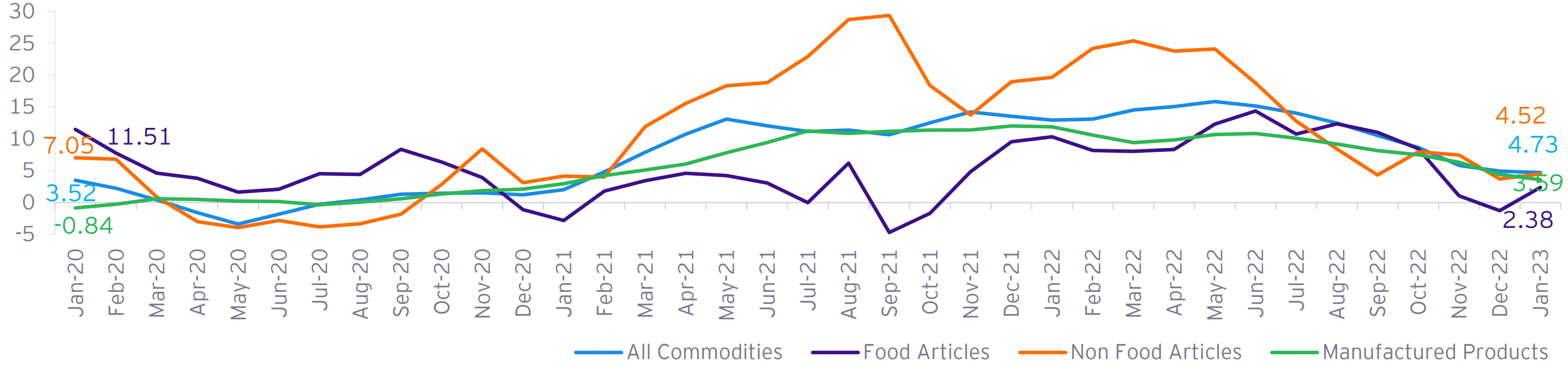
Key findings

- While merchandise exports have witnessed a slowdown, service exports continue to show robust growth, providing a cushion. Software and business services reflect 60% of service export and have exhibited strong growth
- Both non-oil merchandise export and import growth contracted in January 2023 y-o-y, indicating a slowing global demand.
- Non-oil merchandise imports contracted by 10% in January 2023 vis-à-vis January 2022 due to fall in prices of vegetable oils and certain fertilizers. However, imports of non-oil goods increased 15% between April and January.
- Increase in imports reflects increased domestic economic activity.

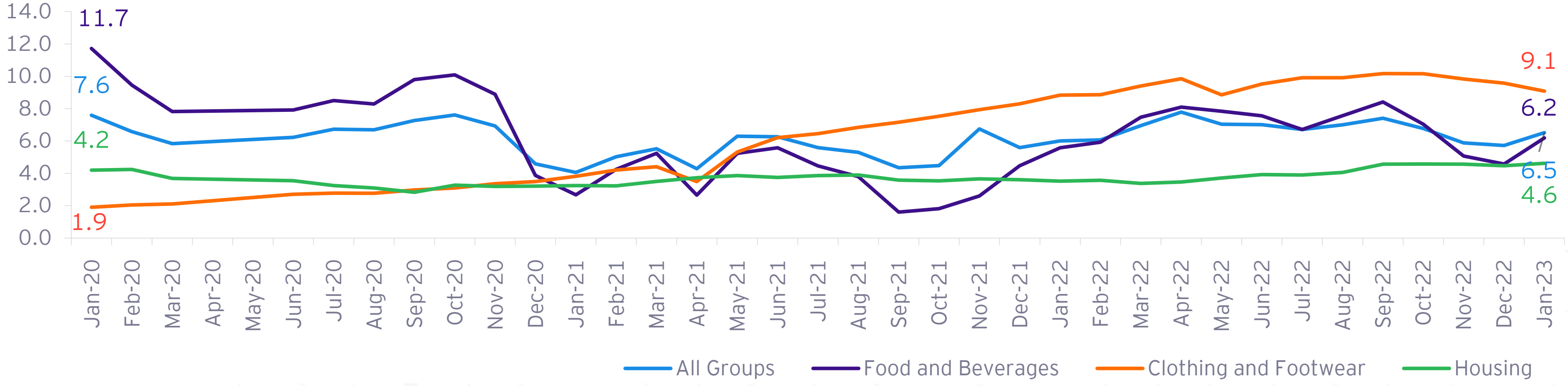
Source: Ministry of Commerce and Industry Press Release

Inflation

WPI inflation (%)



CPI inflation (%)



Source: Office of Economic Advisor, Ministry of Commerce and Industry; MoSPI

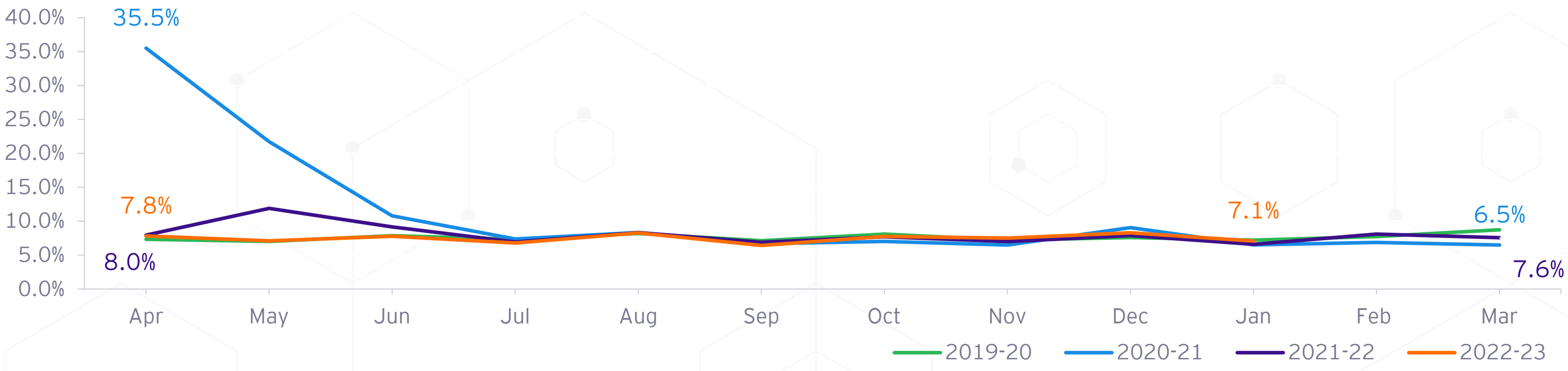
Key findings

- Wholesale Price Index, representing producer prices, has moderated from 15% in April 2022 to about 4.7% in January 2023.
- Consumer price inflation moved below the upper tolerance band of RBI in Nov-Dec of 2022. This was underpinned by a steeper seasonal decline in vegetable prices.
- However, sticky core inflation and rising food prices, particularly of cereals, drove CPI inflation back above the target band to 6.5% in January 2023.
- RBI has projected consumer inflation at 5.3% for 2023-24.
- The outlook remains fluid, with continued upside risks due to geopolitical uncertainties, global financial market and oil price volatilities.

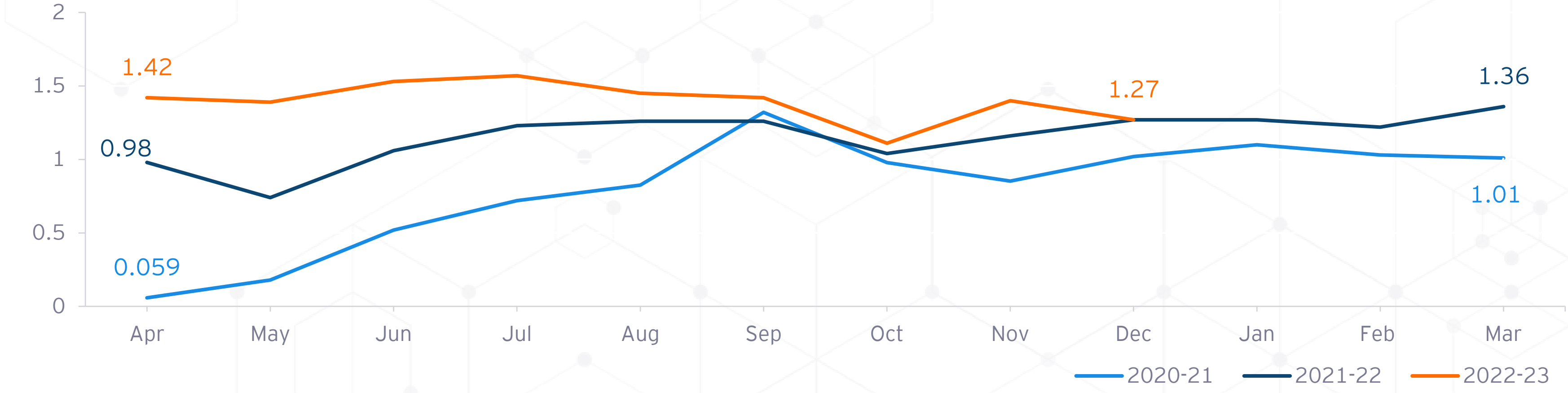
Employment statistics

Employment

Indian Unemployment Rate (%)



Net new EPF subscribers (in millions)



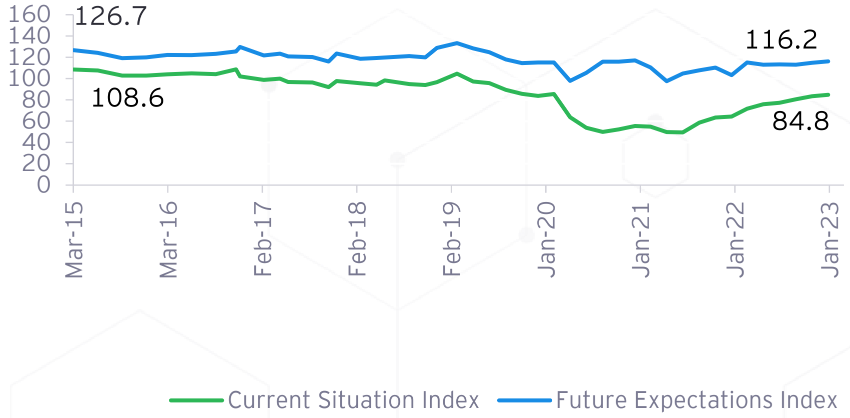
Source: CMIE, EPFO

Key findings

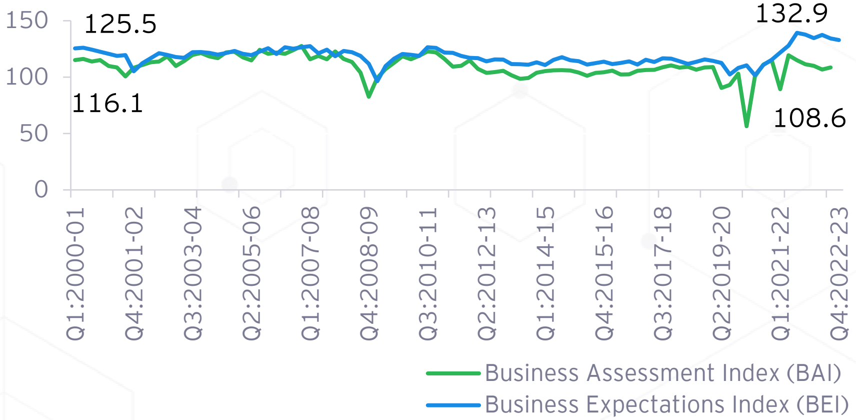
- After a temporary spike in 2020-21 post the lockdowns, the unemployment rate in India has normalized to the range of 5% to 10%. In January 2023, the unemployment rate was 7.1%.
- Increase in net EPF subscribers has noted a moderation in January 2023 at 1.27 million.
- This represents slowing formal job creation, with no growth in new EPF subscribers over the same period last year. Additions in January 2023 are also below the peak of 1.57 million in July 2022.

RBI's confidence indices

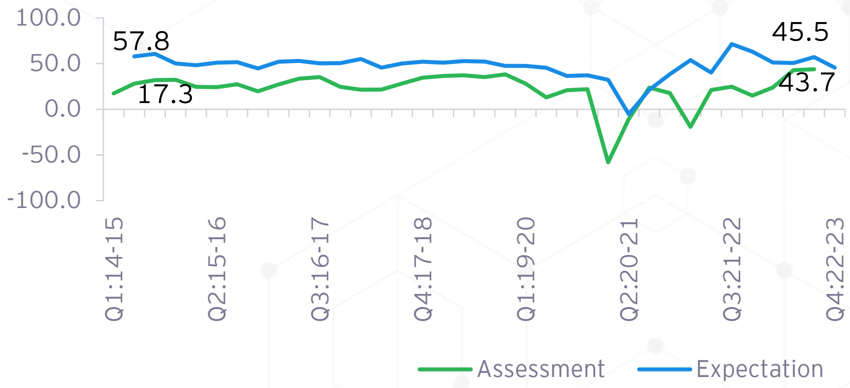
Consumer confidence indices



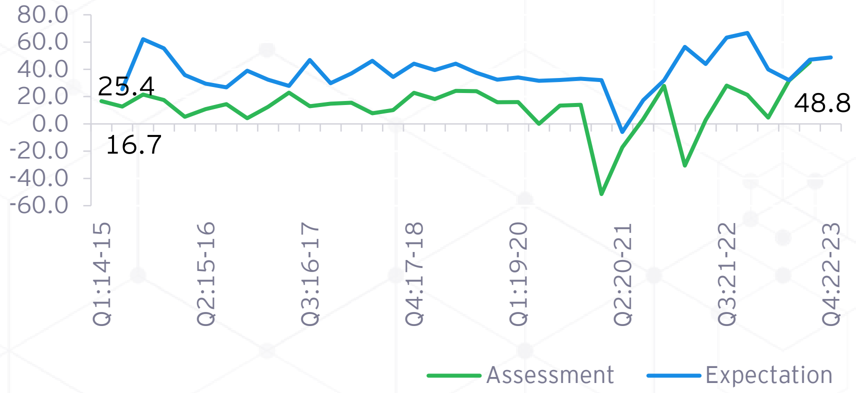
Business sentiment



Turnover of services companies (Net response %)



Turnover of infrastructure companies (Net response %)



Key findings

- Consumer confidence for both current and one year ahead outlook improved in January 2023. However, the current sentiment, though improving, is muted due to negative sentiments on economic situation, price levels and employment.
- Both current and future business sentiment are buoyant. However, the outlook on demand conditions for Q4 2022-23 has marginally waned due to concerns about order books, employment and foreign trade.
- Both services and infrastructure companies are optimistic about the outlook for Q4 2022-23.

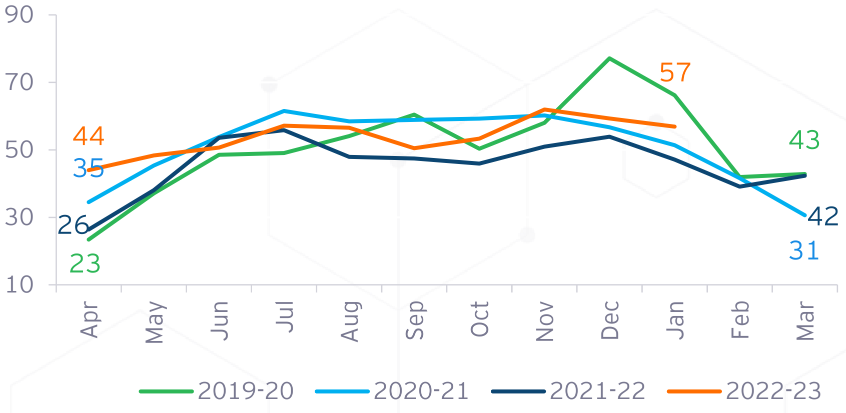
Source: RBI
Note: Net Response (NR) is the difference between the percentage of respondents reporting optimism and those reporting pessimism. It ranges between -100 to 100. Positive value indicates expansion/optimism and negative value indicates contraction/pessimism.

4

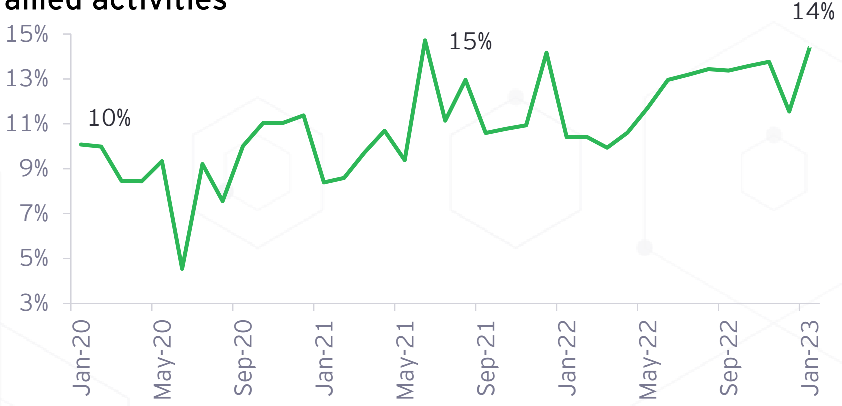
Sectoral indicators

Rural economy indicators

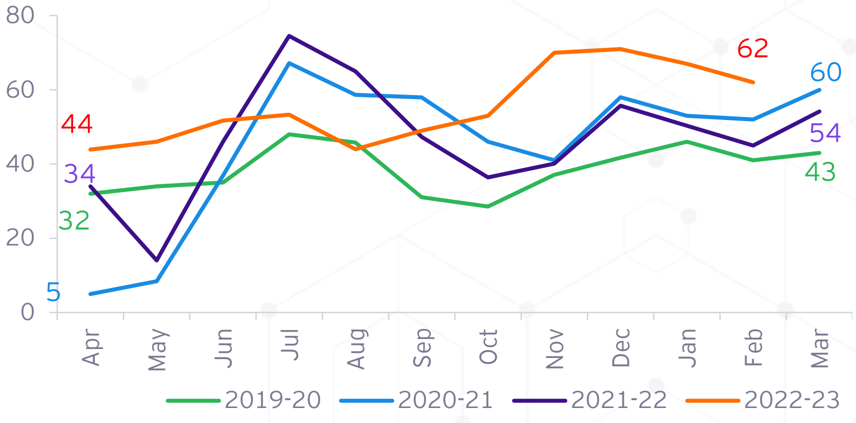
Fertilizer sales (lacs MT)



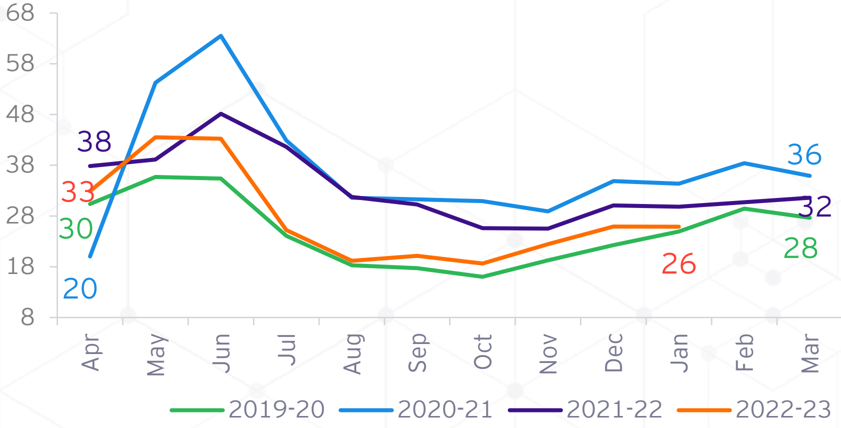
Growth rate of bank credit to agriculture and allied activities



Tractor Registration (no. of units in '000)



Persons work demand under MGNREGA (in millions)



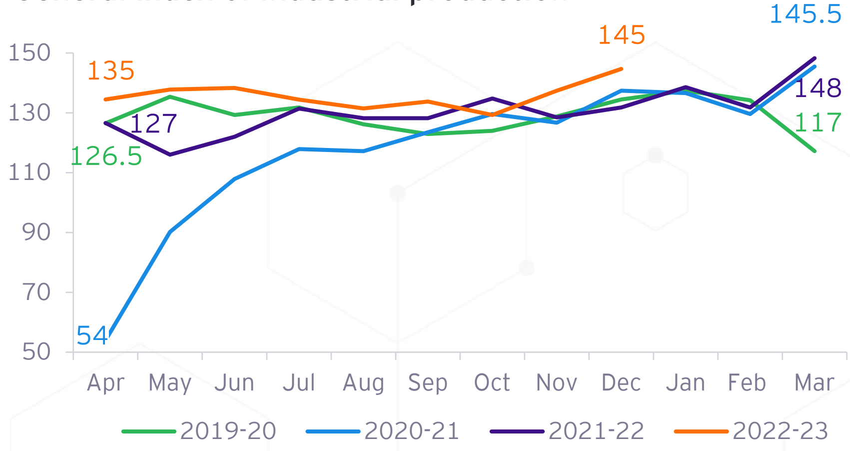
Key findings

- Rural economy is showing an uptick in economic activity as underpinned by fertilizer and tractor sales.
- Fertilizer sales recorded a growth of 21% in January 2023 over January 2022. It is, however, below pre-pandemic level.
- Tractor registrations have recorded strong growth in recent months with a 38% increase in February 2023 over February 2022. There has been a moderation in pace of growth in the near term due to seasonality.
- Growth of bank credit to the agriculture sector continues to be buoyant and up 14% in January 2023 vis-à-vis January 2022.
- The demand for MGNREGA also showed a contraction of 13% in January 2023 over January 2022, partly reflecting pickup in labor demand in other activities.

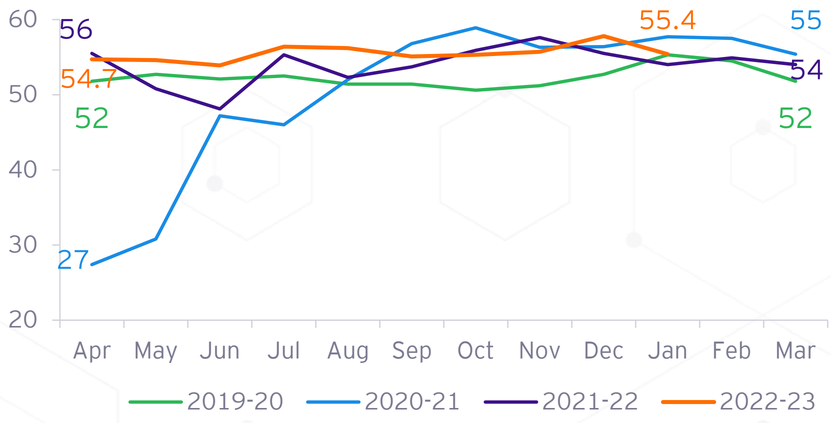
Note: Date as on 31stJanuary, 2023;
Source: Ministry of Road Transport and Highways, Ministry of Agriculture & Department of Fertilizers, MNREGA, MOSPI, RBI
Note: Fertilizer sales comprises of Urea, DAP, MOP and Complexes. Growth rate of bank credit to agriculture and allied activities have been computed based on the change over 12 month period

Overall manufacturing indicators

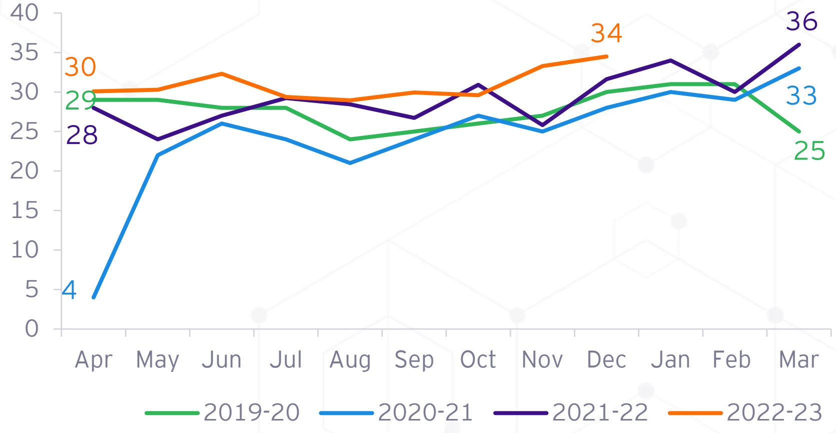
General index of industrial production



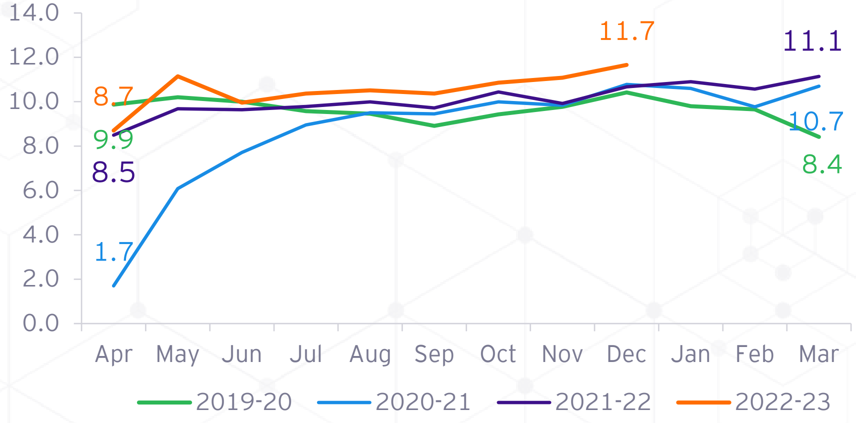
Manufacturing PMI



Cement production (million tons)



Crude steel production (million tons)



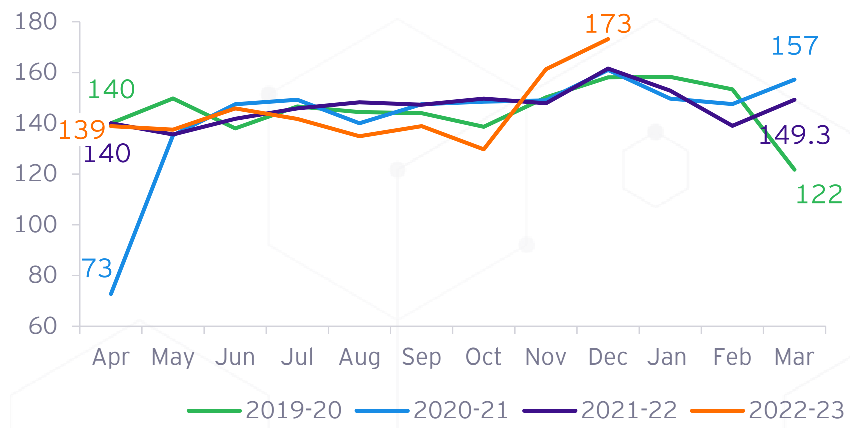
Key findings

- All manufacturing high frequency indicators showing robustness in economic activity.
- The IIP has shown a 10% growth in December over the previous year.
- The manufacturing PMI also remained in the expansionary territory in January 2023 at 55.4, signifying overall optimism and easing of input cost pressures.
- Both cement and steel production are higher by around 9% in December 2022 over the last period.
- Higher capital expenditure by the union government, as announced in budget FY24, is expected to continue to drive steel and cement demand.

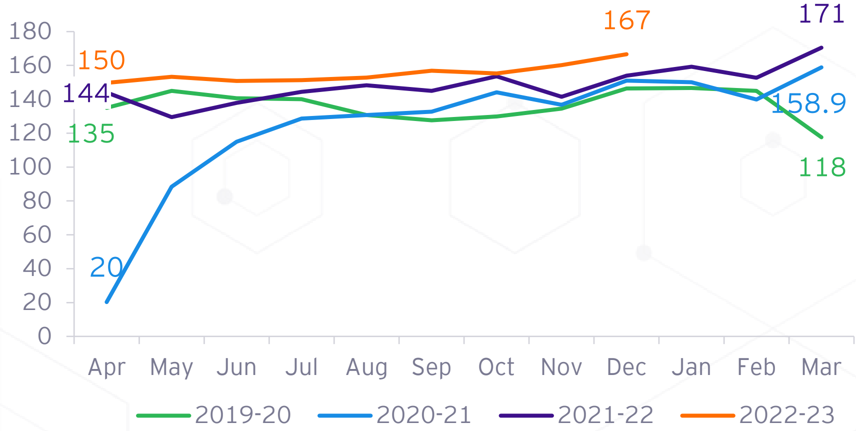
Note: PMI >50 indicates expansion, <50 indicates contraction
Source: IHS Markit, DPIIT, RBI; IIP Base: 2011-12=100

Manufacturing indices for consumer non-durables, consumer durables, infrastructure and capital goods

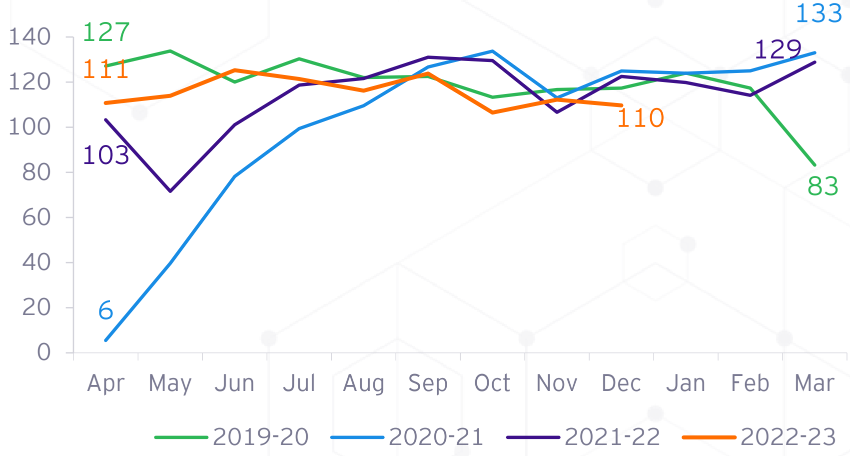
IIP consumer non-durables



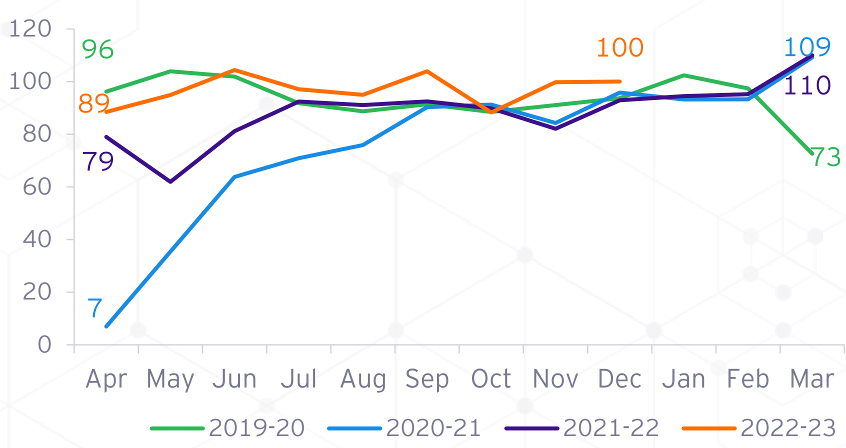
IIP infrastructure/construction goods



IIP consumer durables



IIP capital goods



Key findings

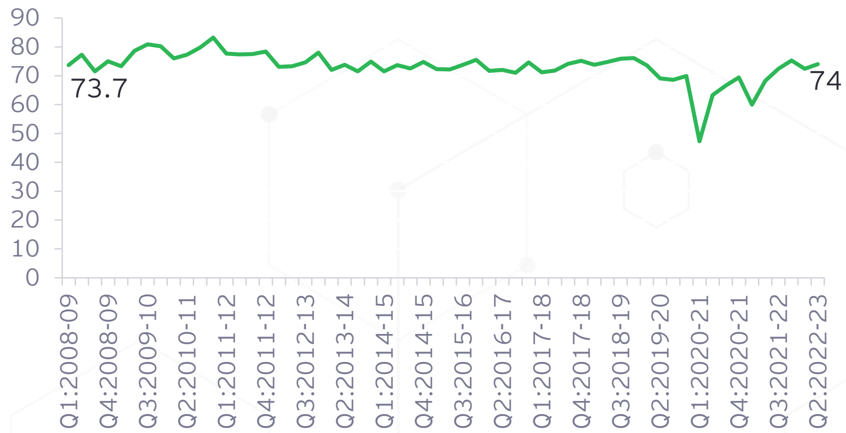
- Consumer non-durables production index reached a multi-year high in December with a growth of 7% over the previous year.
- As noted in cement and steel production, infrastructure and construction goods are also seeing better demand conditions with growth of 8% in December 2022 vis-à-vis December 2021.
- Capital goods have also recorded an uptick over the previous year with 8% growth in December 2022.
- However, IIP for consumer durables has contracted. In December 2022, it was 10% lower than the previous year.

Source: MOSPI
IIP Base: 2011-12=100

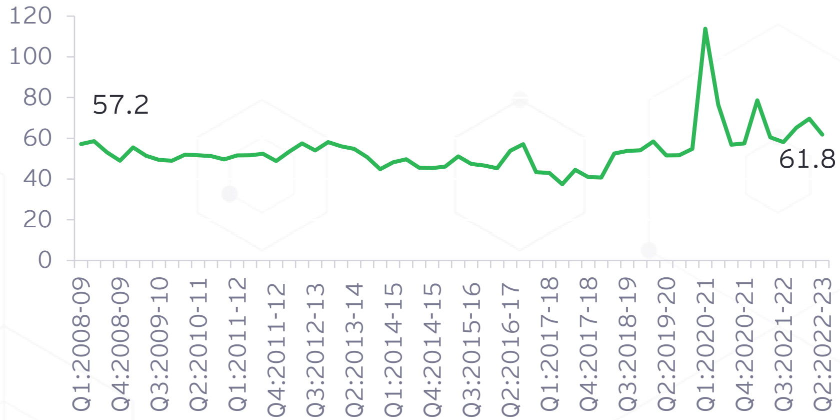
Capacity utilization and inventory survey numbers

Manufacturing

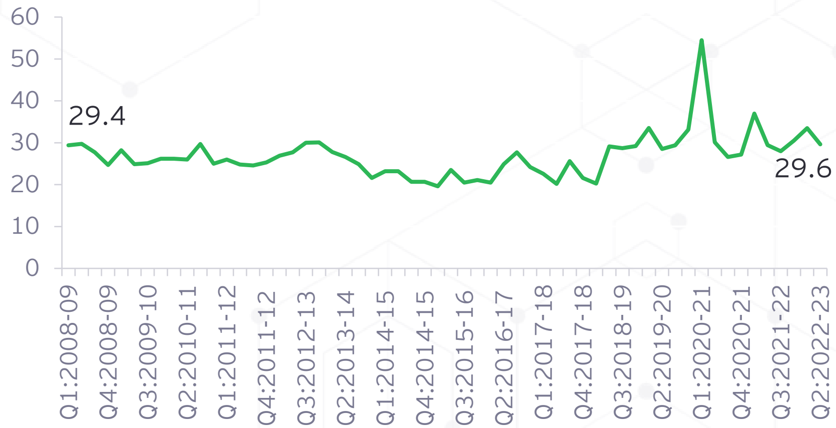
Capacity utilization (%)



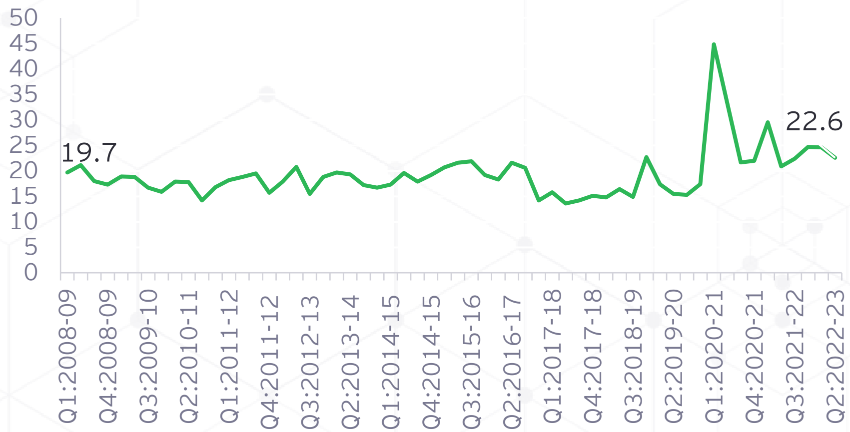
Total inventory to sales ratio (%)



Raw material inventory to sales ratio (%)



Finished goods inventory to sales ratio (%)



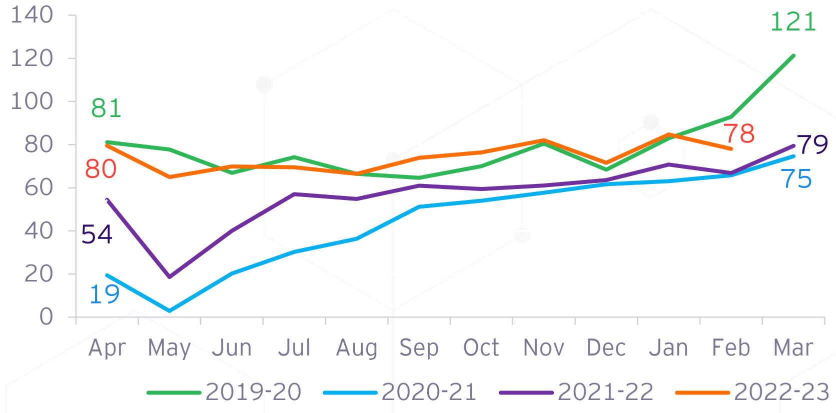
Key findings

- Capacity utilization in the manufacturing sector has increased to 74% in Q2 of 2022-23 from 72.4% in the previous quarter. RBI's outlook survey has exuded optimism on demand conditions in FY 23-24, suggesting an increase in the coming year.
- Both raw material and finished goods inventory declined over the previous quarter, indicating a growth in sales and new orders.

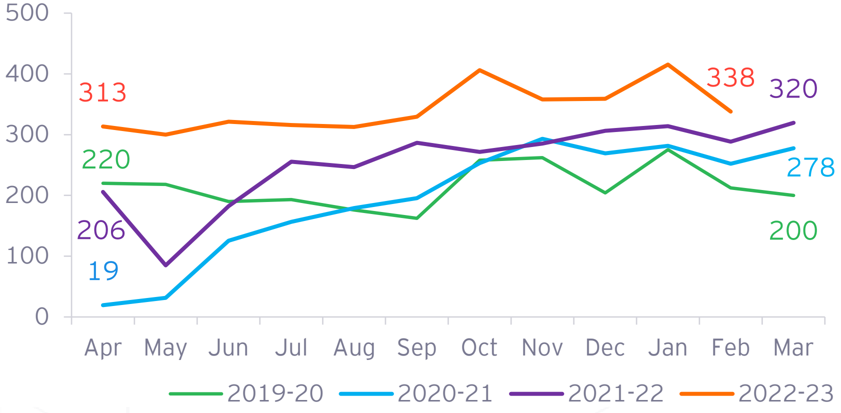
Source: RBI

Vehicle registration trends

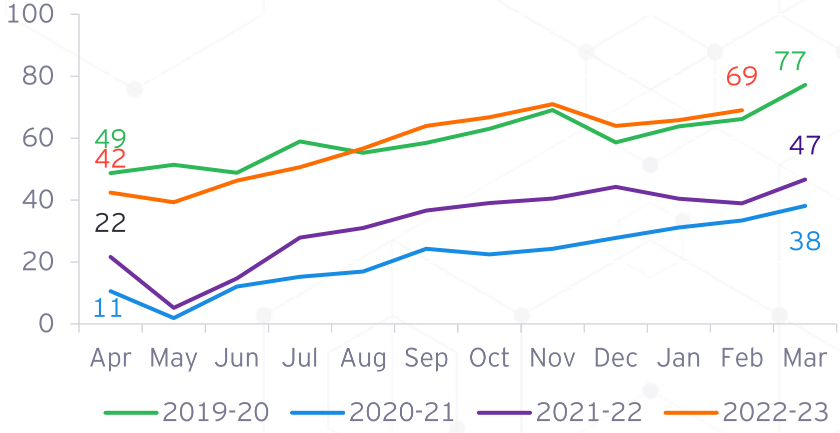
Commercial vehicles (in '000s)



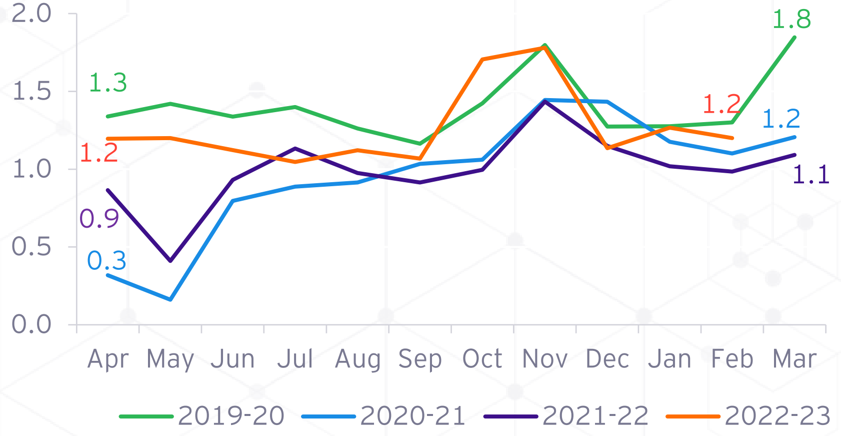
Passenger vehicles (in '000s)



Three-wheelers (in '000s)



Two-wheelers (in millions)



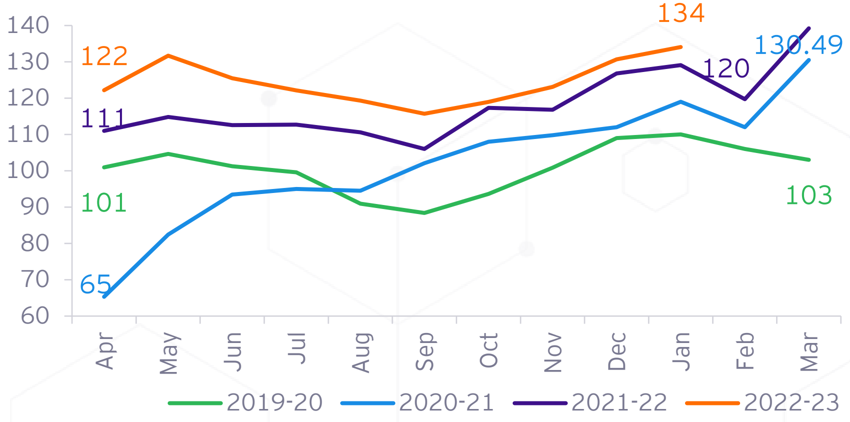
Key findings

- Demand for passenger vehicles recorded 38% growth between April to Feb 2023 over previous fiscal, indicating resilient urban demand.
- Sales of commercial vehicles in the current financial year (April to Feb) have shown 34% growth over previous period, however, remains 1% below pre-pandemic levels.
- Three-wheeler and two-wheeler sales have shown 87% and 28% growth in this fiscal (Apr to Feb) over previous.
- However, rural demand is still to recover with sales of three and two wheelers in FY23 (Apr to Feb) trailing their pre-pandemic levels by 1% and 8%, respectively.

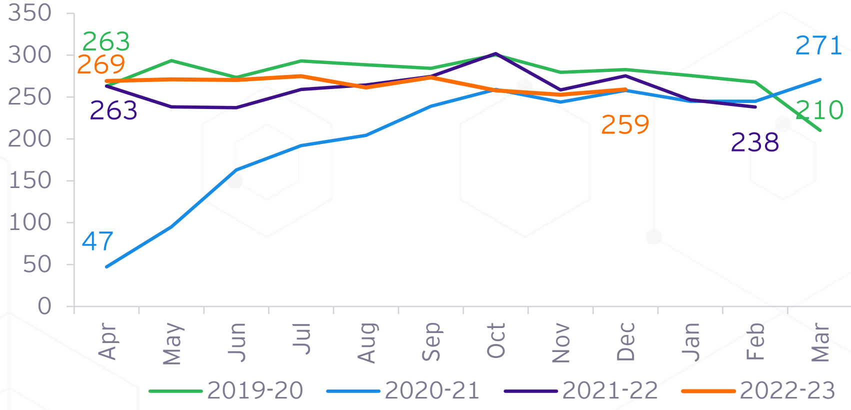
Note: CV include all Heavy, Medium vehicles and light goods vehicles. PV represents Motors Cars data. 2w and 3W include both transport and non-transport. Telangana and Lakshadweep vehicle registrations are not covered under Vahan database.
Source: Vahan Database.

Freight transportation

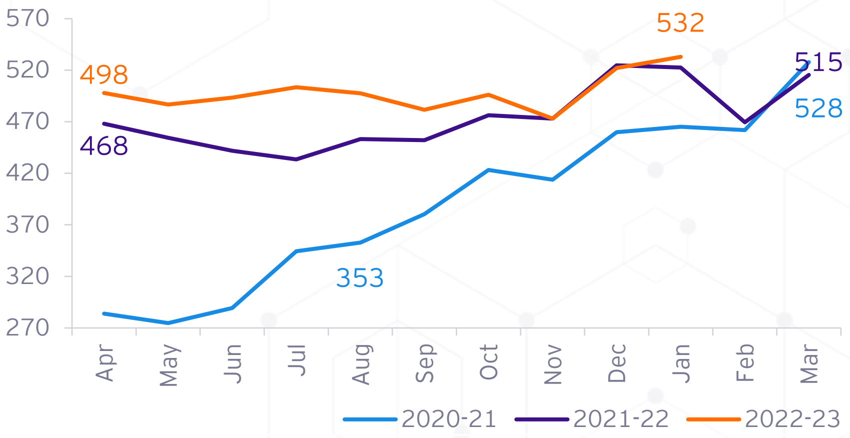
Railways freight (million tons)



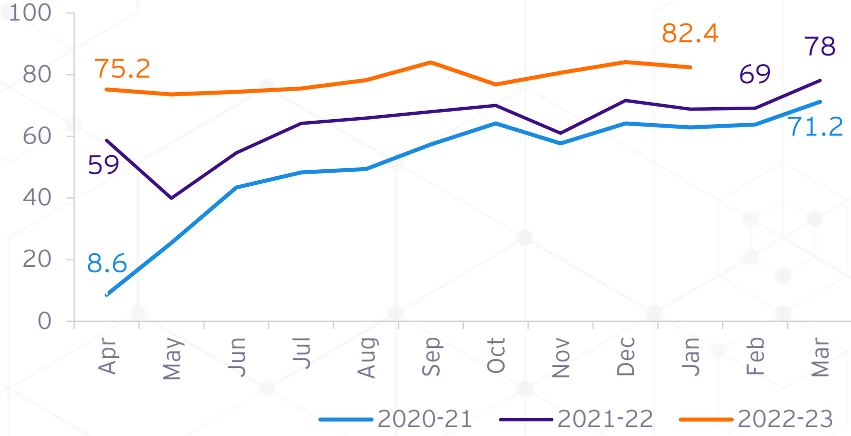
Air Freight ('000 tonnes)



JNPT container traffic ('000 TEU's)



E-way bills generated (volume in million)



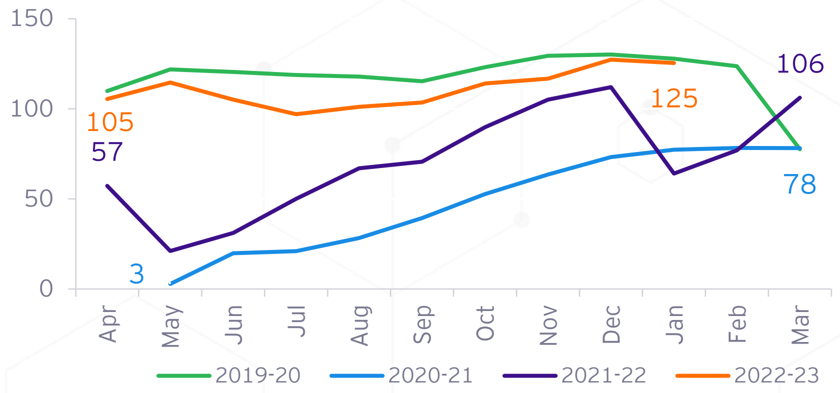
Key findings

- Freight transportation sector has recorded robust growth, indicating a sustained increase in economic activity.
- Railway freight has been up by 7.4% for the period from Apr'22 to Jan'23 vis-à-vis the same period last year,
- Similarly, shipping freight represented by JNPT container traffic is up by 6.1% in Apr'22 to Jan'23 vis-à-vis same period last year, However, miniscule growth has been witnessed in the period Nov'22 to Jan'23 vis-à-vis corresponding period last year.
- E-way bills recorded a multi-year peak in January 2023, with 82.4 million bills generated. Volumes in FY 22-23 are up 26% vis-à-vis FY 21-22,
- Air freight, however, has continued to trail pre-pandemic levels.

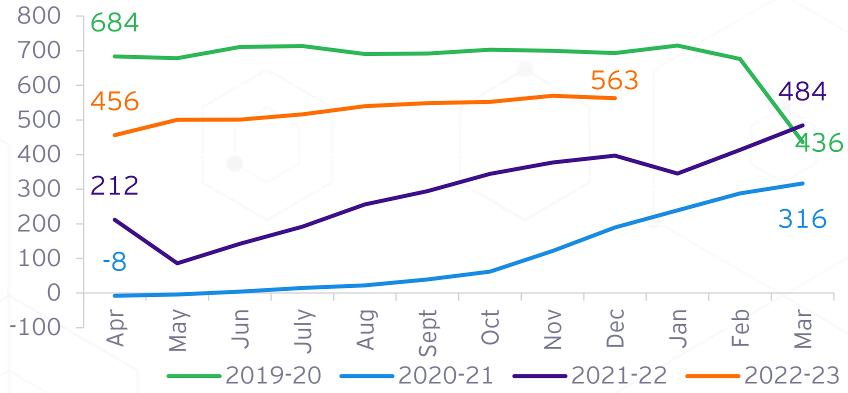
Source: Ministry of Civil Aviation, Railways, JNPT Terminal, GSTIN Network
Note: JNPT data is available from August 2019-20. Air freight data is not available for Mar'22.

Passenger transportation

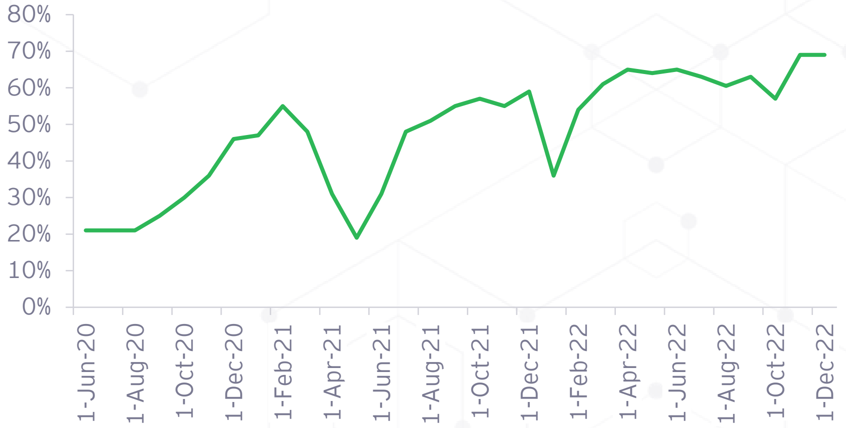
Passengers carried by domestic airlines (in lacs)



No. of railway passengers (in millions)



Occupancy (%) in hotels sector



Key findings

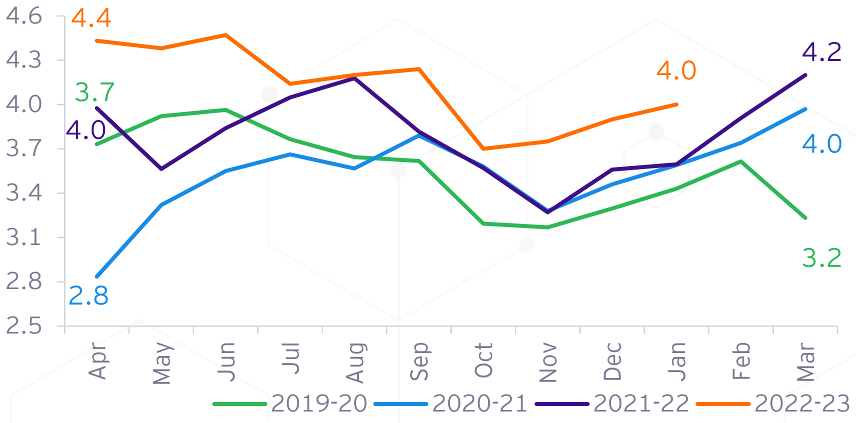
- Passenger mobility recovered sharply in 2023 vis-à-vis 2022. However, remains well below pre-pandemic levels.
- Domestic air passengers were higher by 66% in Apr to Jan 2023 vis-à-vis 2022. This is still 9% below FY 2019-20.
- Passenger traffic in railways continues to trail pre-pandemic levels by 24% (for the period from April to December).
- Hotel occupancy has been rising steadily, after dipping with the onset of COVID-19.

Source: Directorate General of Civil Aviation, Indian Railways, HVS Anarock

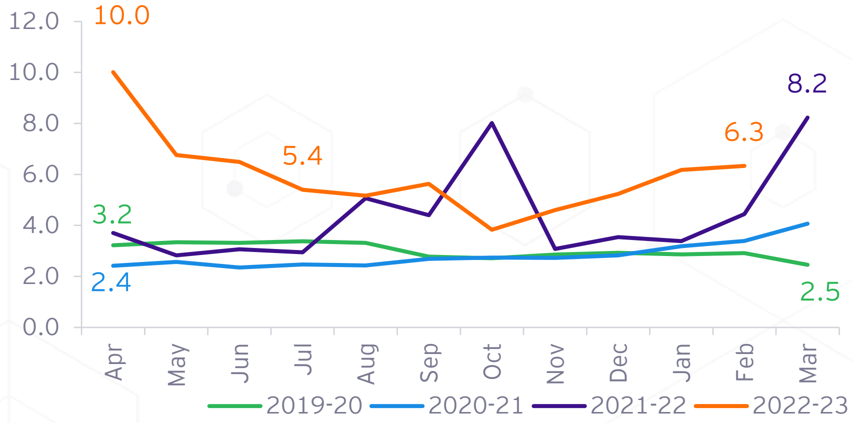
Energy consumption

Services

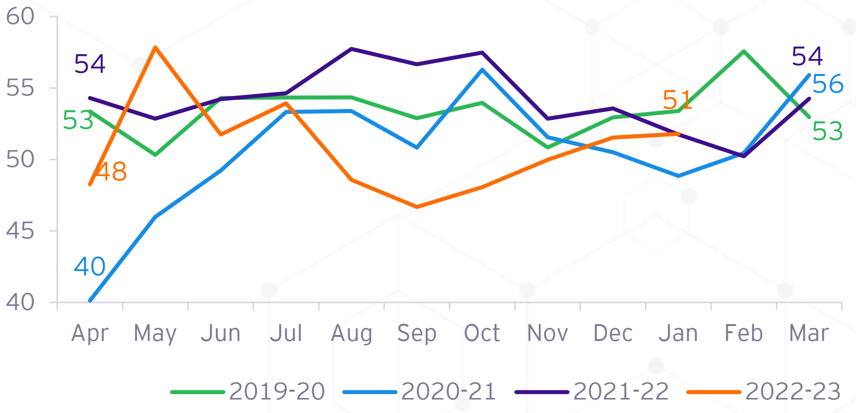
Power consumption (billion units)



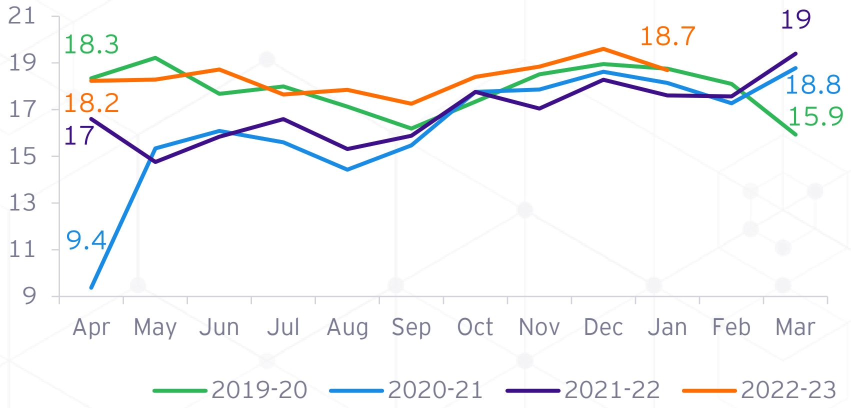
Power market clearing price (Rs 'per KWh))



Consumption of natural gas ('00 MMSCM)



Consumption of petroleum products ('000 metric tons)



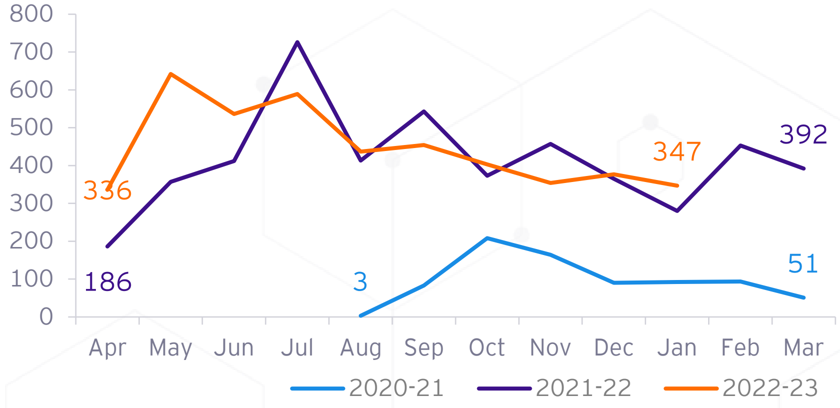
Key findings

- In January, power consumption reached a seasonal high of 4.0 billion units. Power consumption has increased by 10% in the current financial year.
- Power market clearing prices in January and February 2023 were higher by 83% and 43% respectively over the previous year.
- Given the above, there is a risk of stress in power markets in the coming months
- Consumption of natural gas has increased since September compared with levels recorded in the previous year. However, it trails pre-pandemic levels.
- Consumption of petroleum products was higher by 11% in Apr to Jan FY23 compared to previous fiscal year.

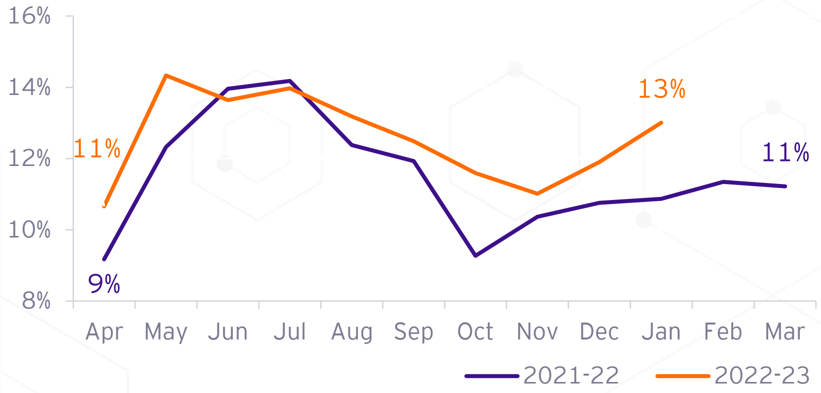
*Note: Power consumption for December'22 data is average of daily data available as on 31stDecember, 2022. Market Clearing Monthly Prices are simple average of non-zero prices in (No of days in a month*24*4) no of 15 minutes time block of respective month.*
Source: Ministry of Petroleum, Coal & Power and Indian Energy Exchange. MMSCM stand for Million Standard Cubic Metre.

Green power market

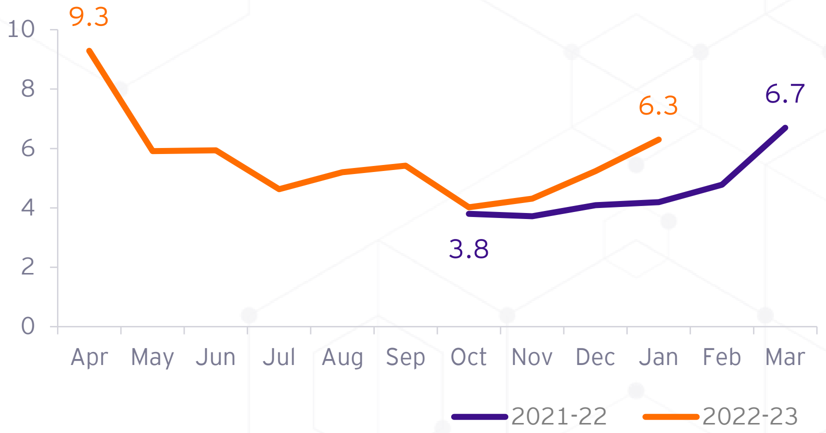
Green power trade (in MU)



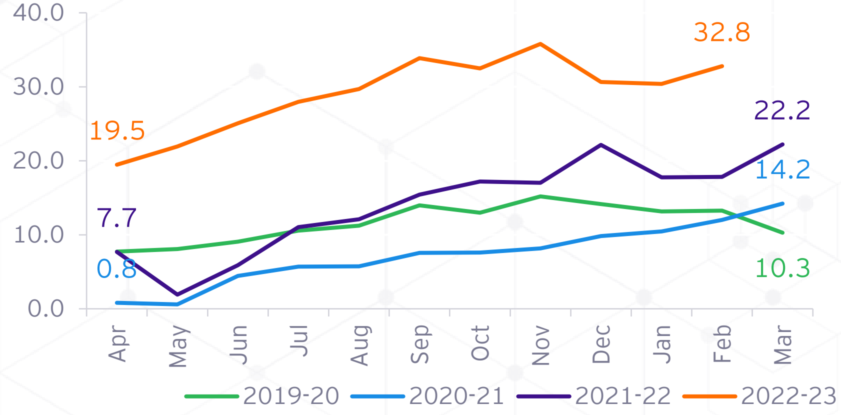
Renewable energy generation as % of the total power generation



GDAM price per unit



Registration of e-rickshaw vehicles (In 000's)

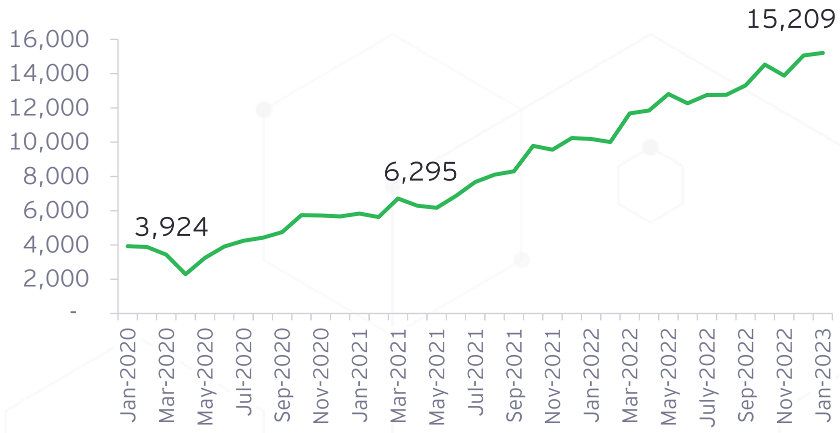


Key findings

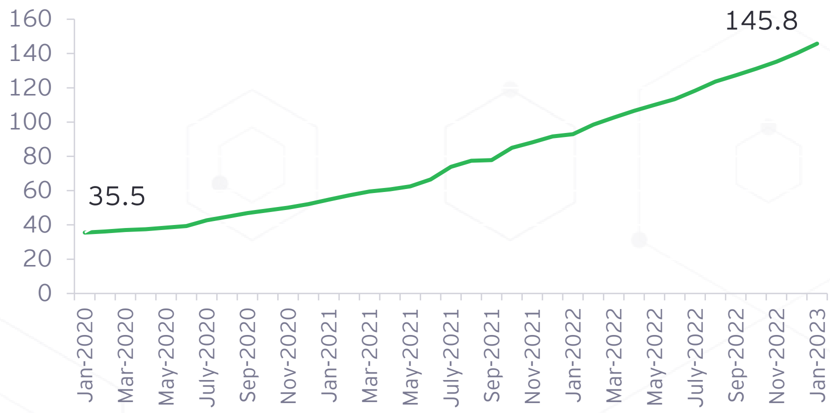
- All indicators show an increased role for renewable power in India's energy transition
- In line with this, renewable energy reached 13% of total power generation in January 2023
- As businesses seek to decarbonize, they are increasingly seeking access to green power. This is reflected in the increase in the Green Day Ahead Market (GDAM) prices.
- Sales of e-rickshaw has been steadily increasing, reflecting the increased electrification of the transport fleet.

Source: India Energy Exchange Press Release, CEA Dashboard
GDAM: Green Day Ahead Market, RE Generation includes-Wind, Solar, Biomass, Bagasse, Small Hydro, others
REC Market- In Nov 21, after a gap of 16 months REC market commenced trade, REC Market include values from IEX, PXIL & HPX Exchanges

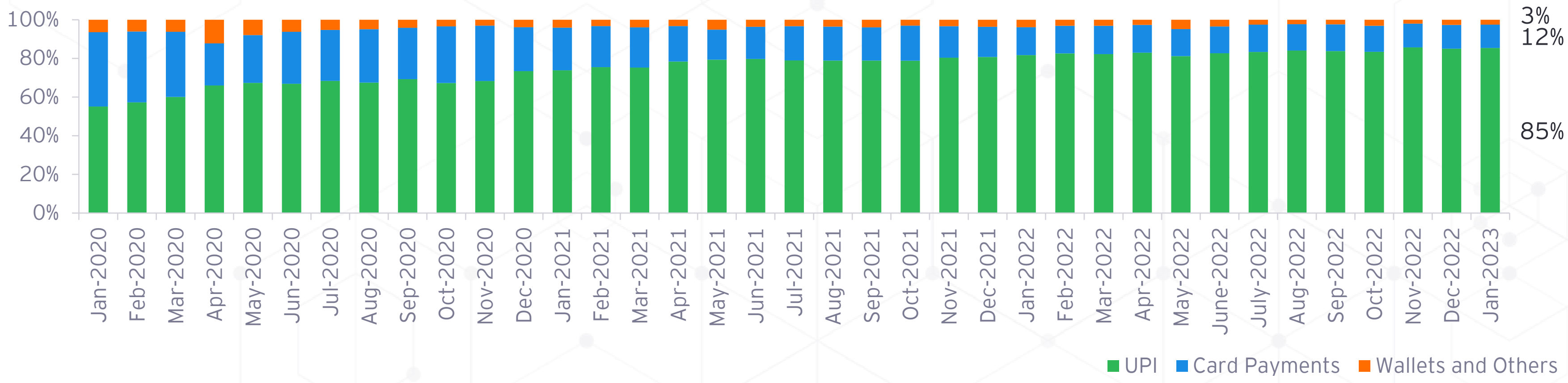
Total digital retail payments (in INR billion)



Cumulative Digiocker registered users (mn)



Share of different segments in total digital retail payments



Key findings

- Growth in digital payments and the number of DigiLocker users suggests that the Indian economy is digitizing rapidly.
- UPI's market share continues to increase, though the rate of change in its market share has moderated. On an absolute basis, payments through UPI have grown by over 56% in January 2023, vis-à-vis January 2022.
- While card payments are losing market share, however, they are growing on an absolute basis. In January 2023, they had grown 24% over January 2022.

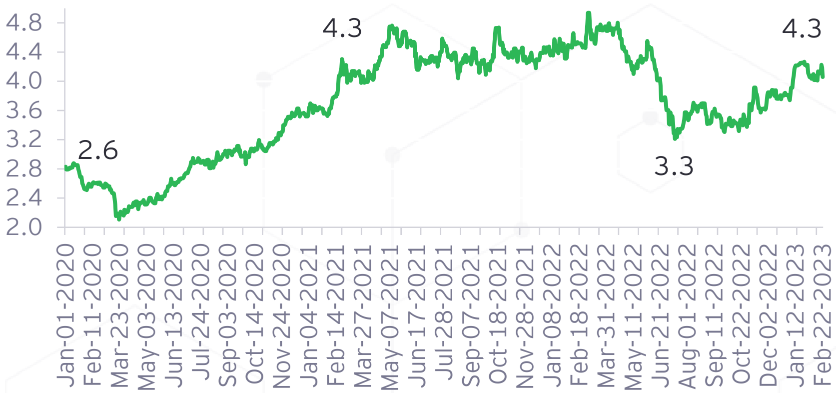
Note: Others include ECS, AEPS, APBS and BHIM
Source: TRAI, RBI

5

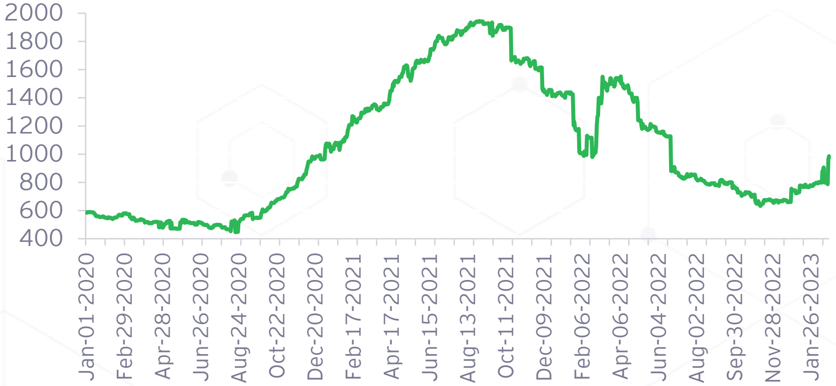
Commodities–markets and investments

Trends in commodity prices (metal)

High grade copper prices (US$ per lb)

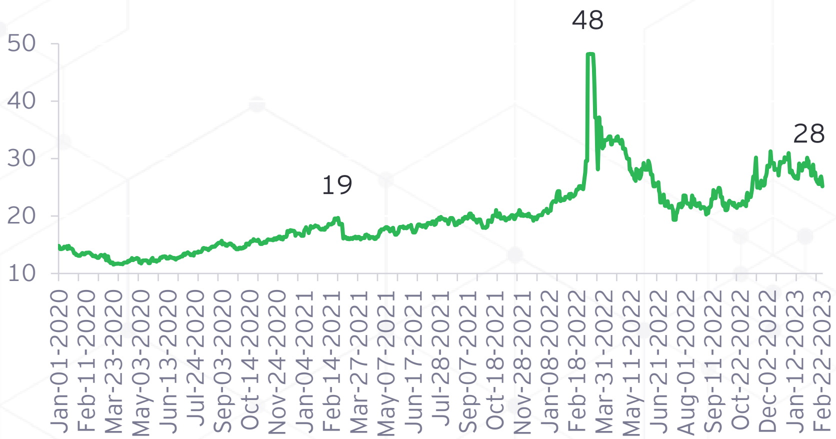


Hot rolled coil steel prices (US$ per ton)



Aluminum price per MT (in US$)

Nickel per MT price (in '000 US$)



Key findings

- Despite the price increase in early 2023, prices of key metal commodities are lower than the peaks in 2022 after the commencement of the conflict in Europe.
- Steel and aluminum prices have had a more pronounced decline, close to 50% and 40% respectively, from their peak in 2022.
- Nickel and high-grade copper prices have also softened. However, copper prices in particular continue to be elevated vis-à-vis their historical prices. This reflects the high level of ongoing investments in renewable energy.
- Weak global economic outlook and slowdown in the construction sector globally are expected to outweigh the positive demand side for metals and act as a constraint on prices.

Note: 1. Data as on 22nd February 2023; 2. Copper Prices- High Grade, Chicago Mercantile Exchange , Steel Prices- Domestic Hot Rolled Coil,
Source: CapitalIQ, MCX

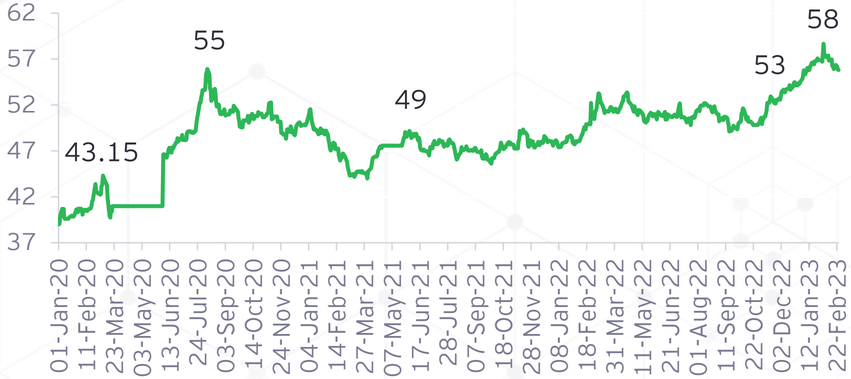
Trends in commodity prices (energy and gold)

Crude oil - Brent price (US$ per bbl)

Coal price per ton (in US$)

Natural gas per mm BTU (Henry Hub) (in US$)

Gold price per 10 grams (in '000 INR)



Key findings

- Though energy prices have declined, however they remain significantly higher than pre-conflict levels.
- Crude oil prices could continue to remain volatile in 2023 due to the ongoing conflict in Europe.
- Natural gas prices, which remained volatile in 2022, have recorded a steep reduction. This is attributed to strong production growth in the US and mild weather in Europe and the US.
- Coal prices have recorded a sharp decline. This is attributed to increased production in China and muted demand for coal in Europe.

Note: 1. Data as on 22nd February 2023; 2. Copper Prices- High Grade, Chicago Mercantile Exchange; Steel Prices- Domestic Hot Rolled Coil; Crude oil and Natural gas price, NYMEX
Source: CapitalIQ, MCX

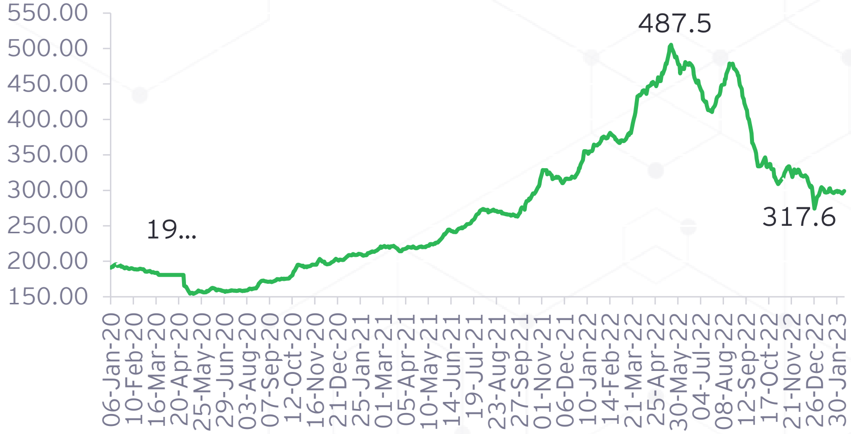
Trends in commodity prices (agriculture)

Commodity and input price trends

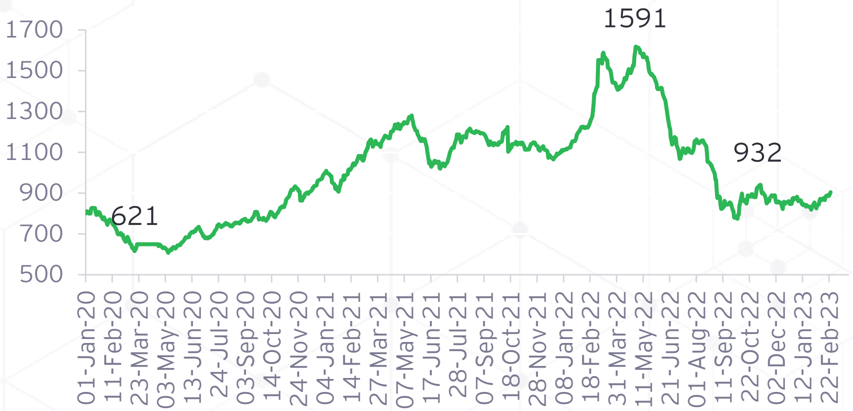
Corn Feed per MT (in INR)

Wheat Price per MT (In US$)

Cotton price per bale (in '00 INR)



Palm (CPO) oil per 10 kg (in INR)



Note: Data as on February 2023
Source: MCX, CapitalIQ

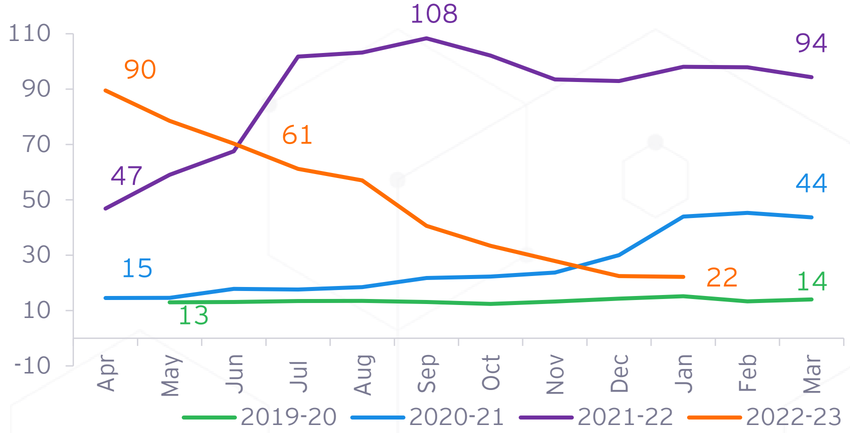
Key findings

- Prices of agricultural commodities have not reduced to the same extent as metals and energy commodities.
- Wheat prices have softened as the Black Sea Grain export corridor continues to facilitate wheat export from Russia and Ukraine. Palm oil and cotton prices have reduced by 44% and 41% from their respective peaks.
- Geo-political uncertainty, changes in export policies and reduced production due to rising temperatures represent an upside risk.

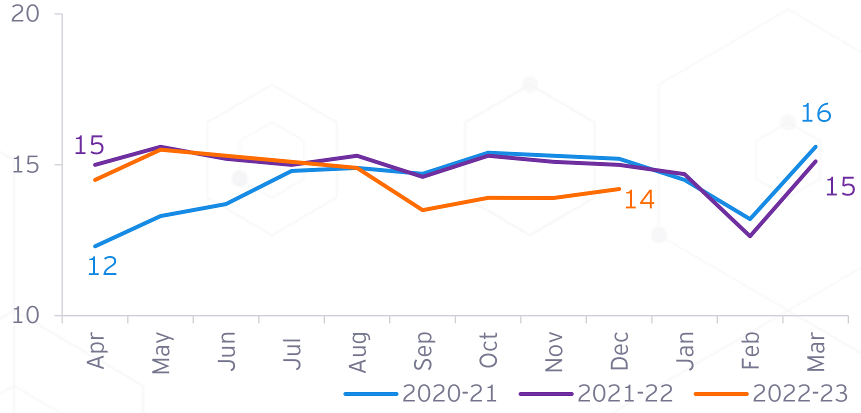
EY

Global container freight transportation volumes and rates

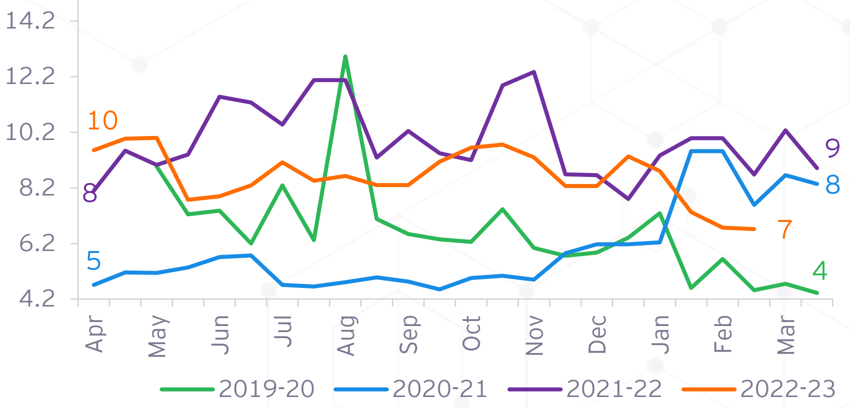
Global container freight index (in ‘00 US$)



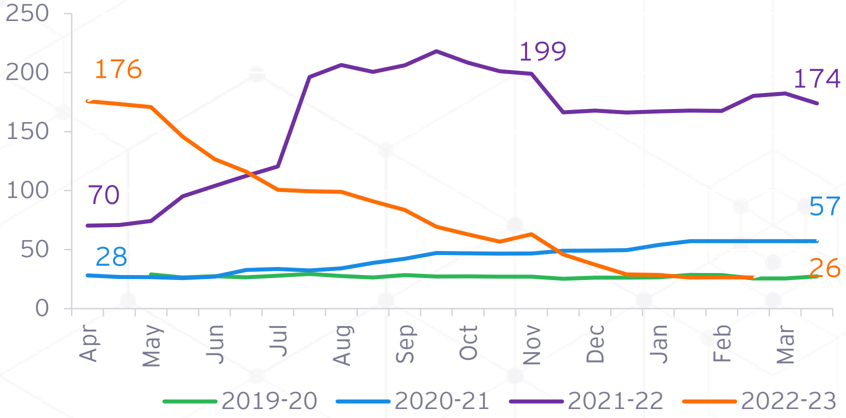
Global container traffic volume (million TEU’s)



Container freight prices – North America East Coast to China/East Asia (in ‘00s US$)



Container freight prices – China/East Asia to North America East Coast (in ‘00s US$)



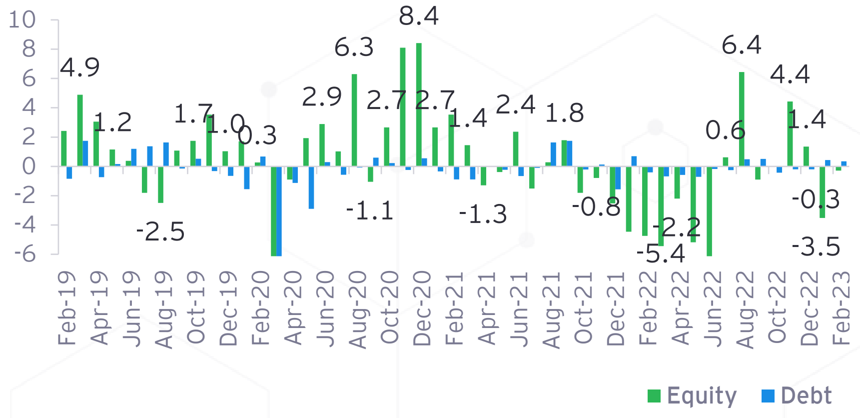
Note: Container freight index and freight prices as of 17th February 2023
Source: FBX: Global Container Freight Index, Container Statistics

Key findings

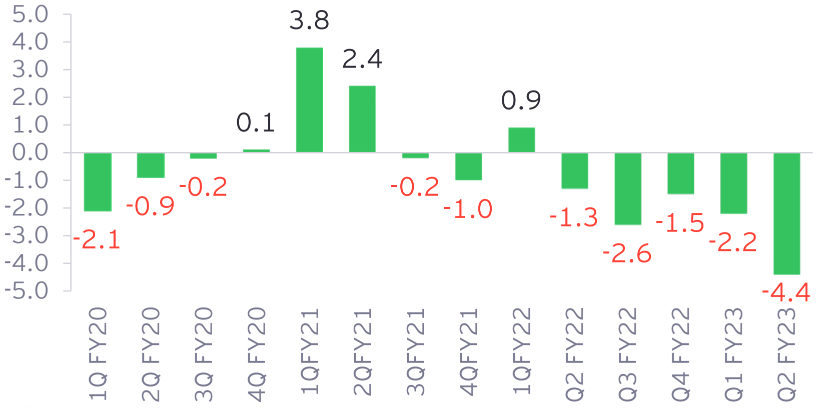
- Global container traffic volumes have moderated post August 2022, indicating a slowdown in global trade
- The global container freight index has noted a significant decline to about US$ 2,200 in January 2023, from a peak of US$ 10,800 in September 2021.
- There has been a sharp decline in container freight prices from China/ East Asia to North America East Coast from a peak of US$ 16,705 to US$ 2,652 in February 2023
- The reduction in freight prices reflects easing supply chain pressures, while at the same time is an indication of muted global demand conditions.

Foreign capital flows and exchange rate position

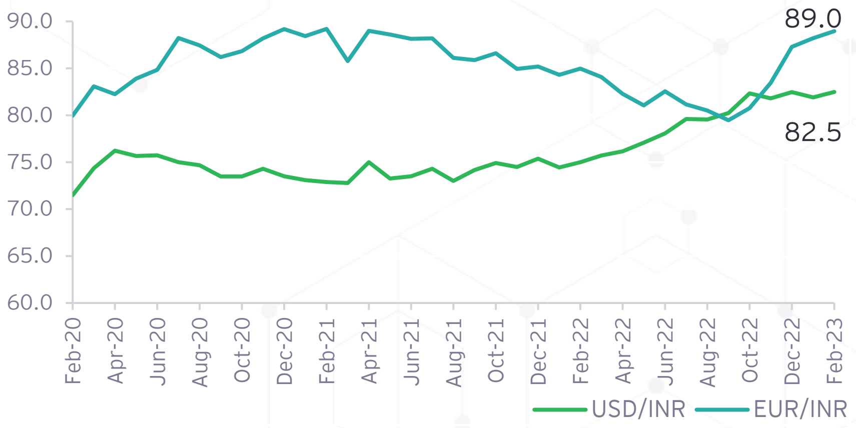
FPI investments (in US$ billion)



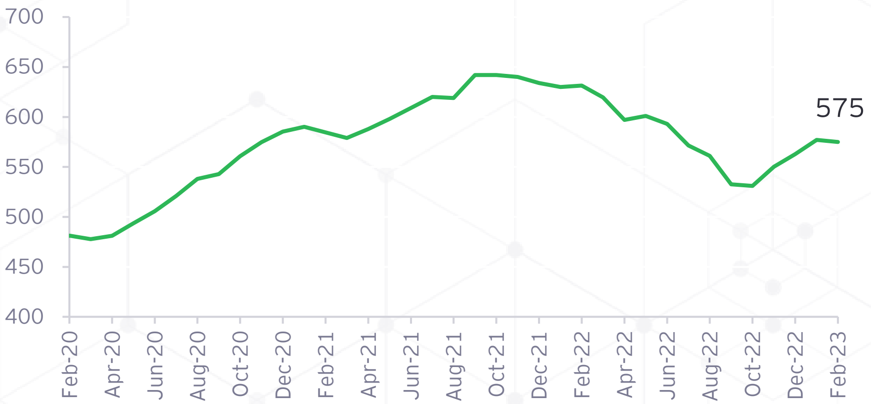
CAD as a % of nominal GDP



Exchange rates



India foreign exchange reserves (in US$ billion)

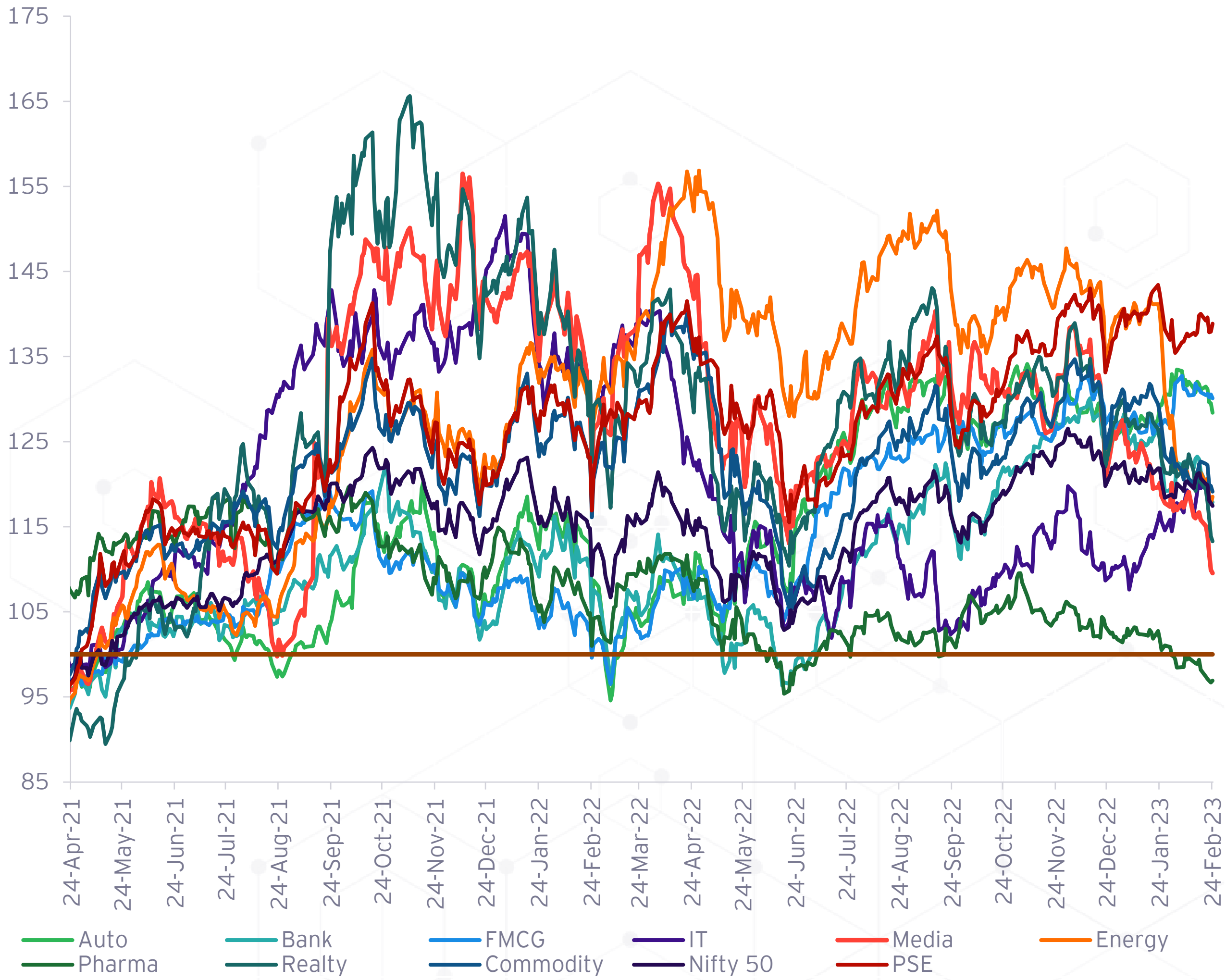


Key findings

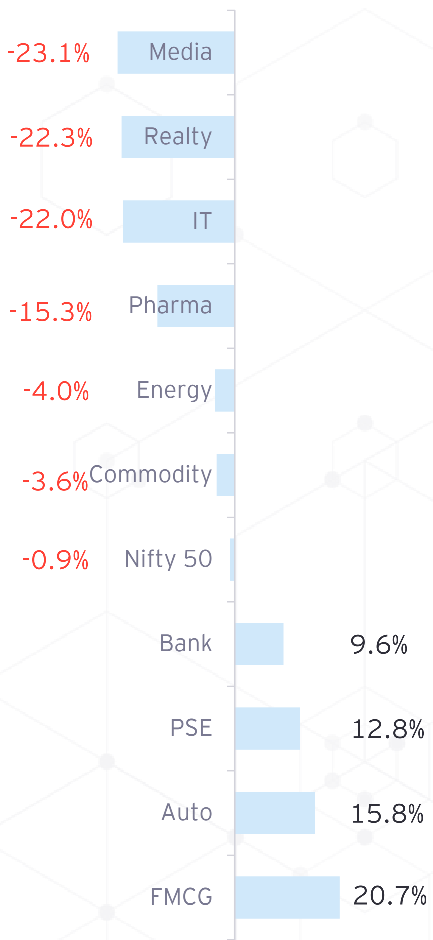
- Current account deficit widened to 4.4% in Q2 FY23 due to the rise in imports from high global crude prices and moderating merchandise exports.
- Foreign Portfolio Investors were net sellers in Jan and Feb 2023 with close to US$3.8 b flowing out
- Since October 2022, the Dollar Rupee exchange rate has fluctuated in 81-83 range. However, in the same period, Rupee depreciated sharply against the Euro largely on account of strengthening of Euro against all currencies.
- Foreign exchange reserves declined in the aftermath of the conflict in Europe from US$630b to US$531b in October 2022. They have since risen steadily to US$572b as of February 2023.

Source: DBIE, RBI, FBIL, NSDL
All date available as on 28th February 2023

NSE indices (% change YTD)



NSE Indices (% change YTD)



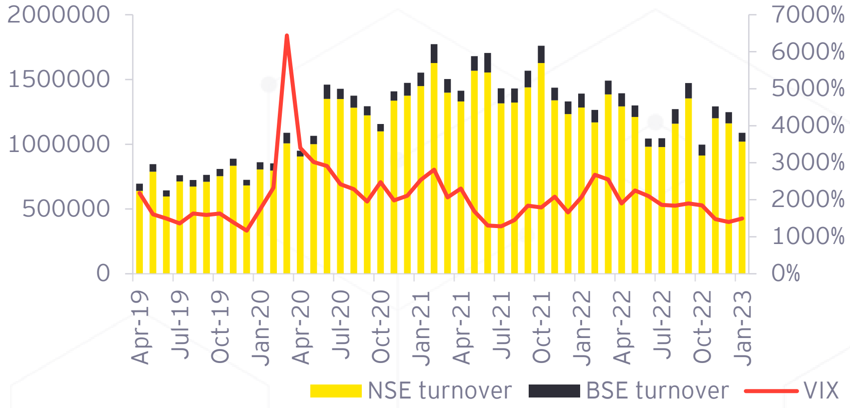
Key findings

- The Indian stock markets have noted a slow start to 2023, with Nifty50 down by 1%
- IT sectoral index has seen a significant decline of 22%. This is in line with global trends, where large IT players have announced layoffs and the PE/VC investments (a large portion of which is invested in the IT sector) have declined.
- On the other hand, in line with personal credit growth, auto, banking and FMCG stocks have performed well – reflecting the confidence of markets in the consumption story of India

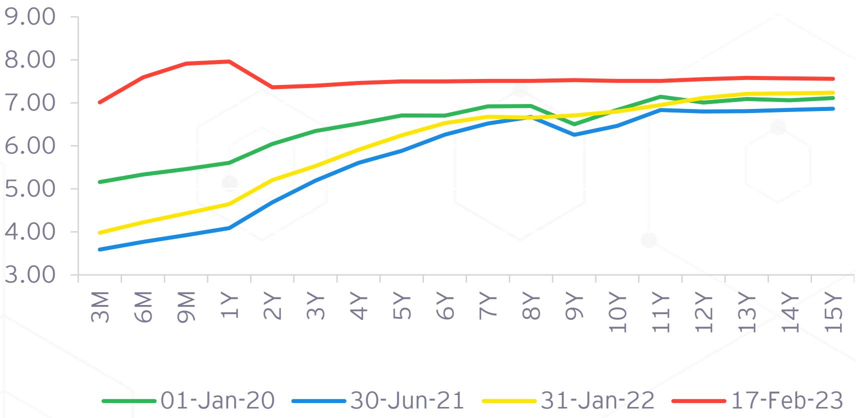
Source: NSE, Bloomberg Quint
Data available as on 28th February 2023
Base for calculating % change is 3rd January 2022

Stock market turnover and interest yields

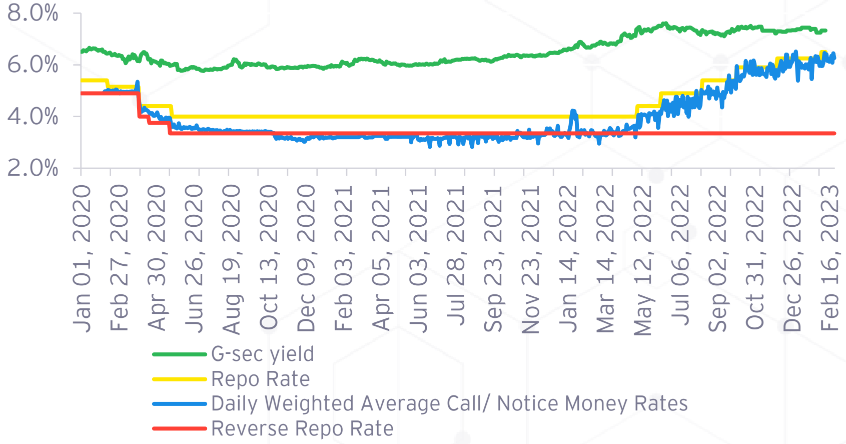
Stock market turnover and volatility



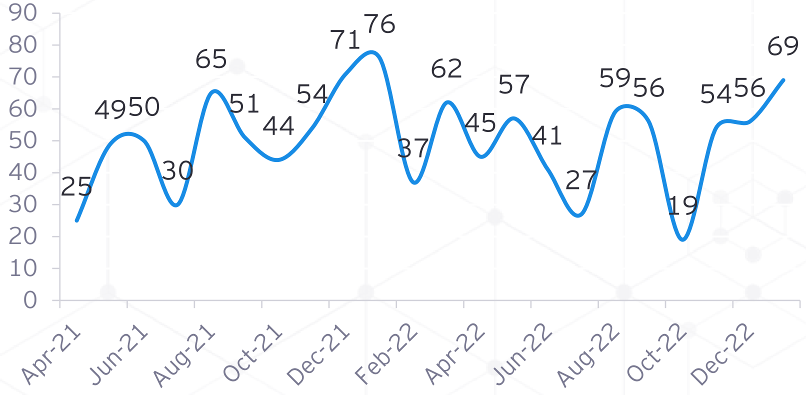
India sovereign yield curve (Annualized)



G-Sec yield (10yr), policy rate and spread



Corporate Bond Spread over G-sec AAA - (bps) -1Yr



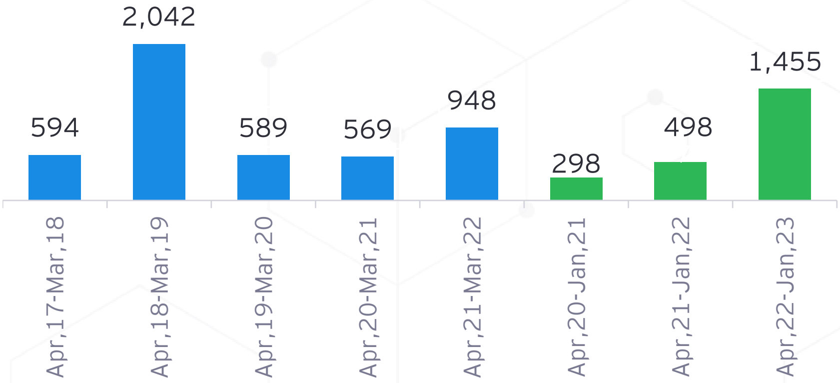
Key findings

- The RBI increased the repo rate by 25 basis points in February 2023 to 6.5% as core inflation remains sticky.
- Since 2022, the repo rate has increased by 2.5% from 4% in January 2022.
- In line, major interest rates in the economy, such as the daily call rates, have seen an uptick, trending closer to the repo rate.
- Yield on 10-year G Secs has been largely stable and has hovered around 7.3% since August 2022.

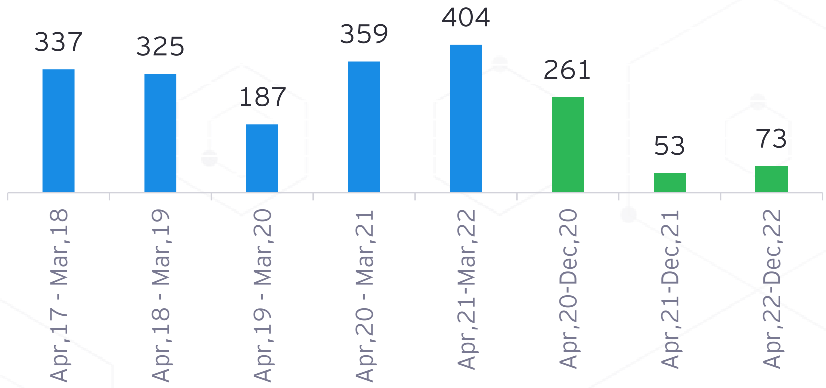
Source: NSE, BSE, CCIL and FBIL. Data available as on 31st January 2023
VIX is a volatility index based on the NIFTY Index Option prices. It indicates the expected market volatility over the next 30 calendar day

Credit flow trends

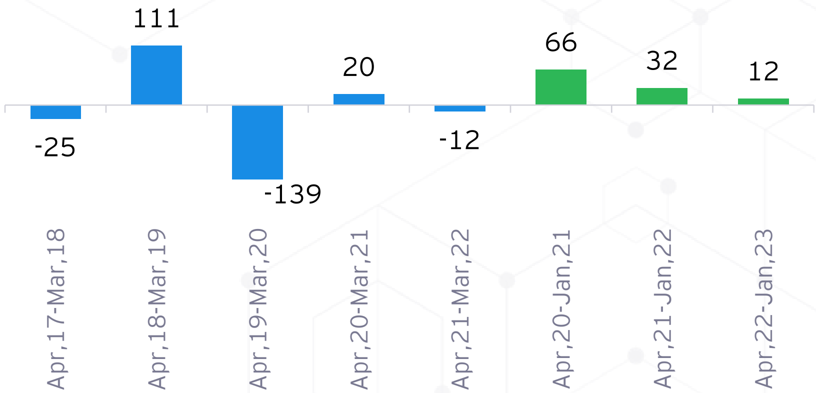
Flow of gross non food credit of scheduled commercial banks (INR ‘000 crores)



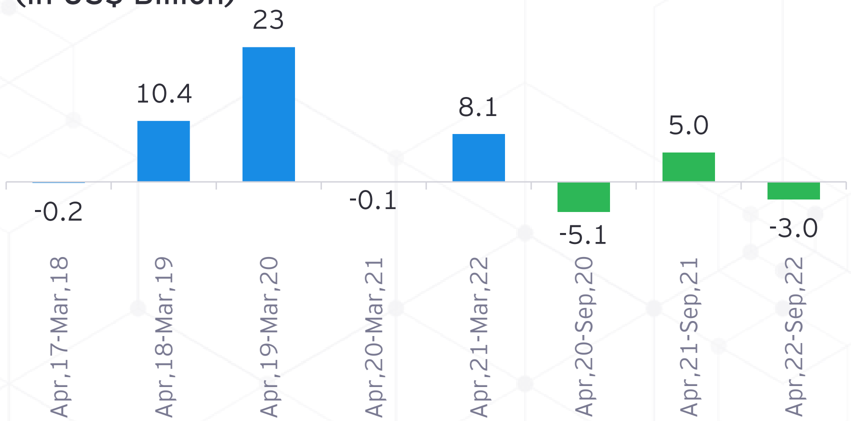
Change in outstanding corporate bonds listed on NSE & BSE (INR ‘000 Crores)



Change in outstanding commercial paper (INR ‘000 crores)



Change in external commercial borrowings (in US$ Billion)



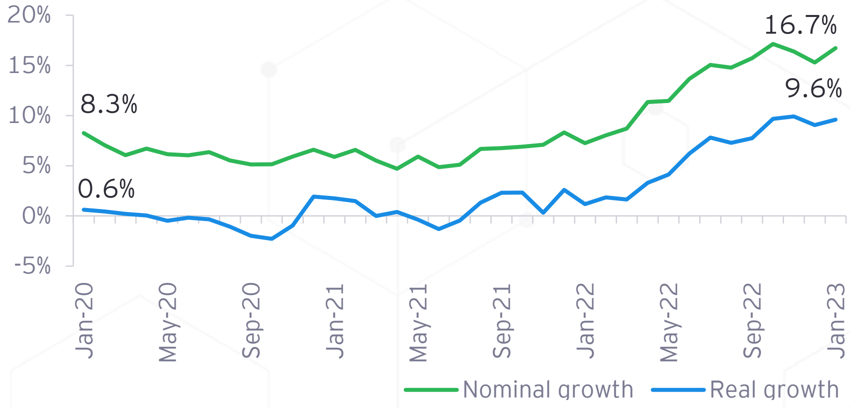
Source: RBI, SEBI
Note: Outstanding commercial paper as of 31st January
Note: March 2017 and 2018 use old reporting format for non food credit

Key findings

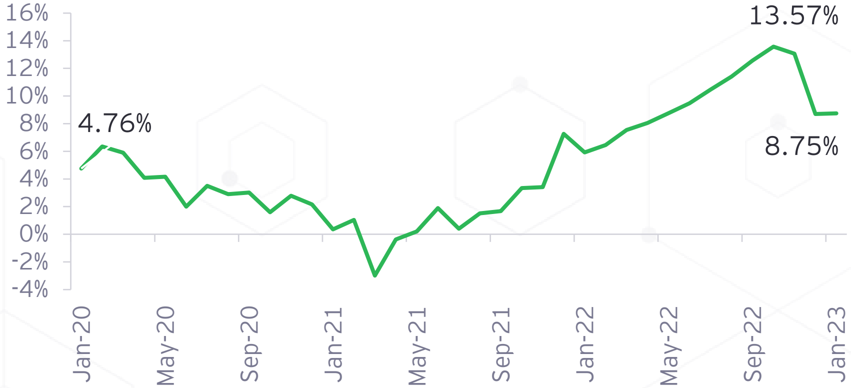
- There has been a significant growth in uptake of credit from banks. In contrast, an increase in credit from other sources, i.e., corporate bonds and commercial paper, has been muted.
- This is attributed to volatility in bond markets where the yields have increased.
- External commercial borrowings declined in the first half of the current financial year due to an increase in interest rate and hedging costs
- Healthier bank balance sheets, as evidenced by lower NPAs and adequate capital adequacy suggests possibility of accelerated growth in bank credit.

Bank credit growth by sectors

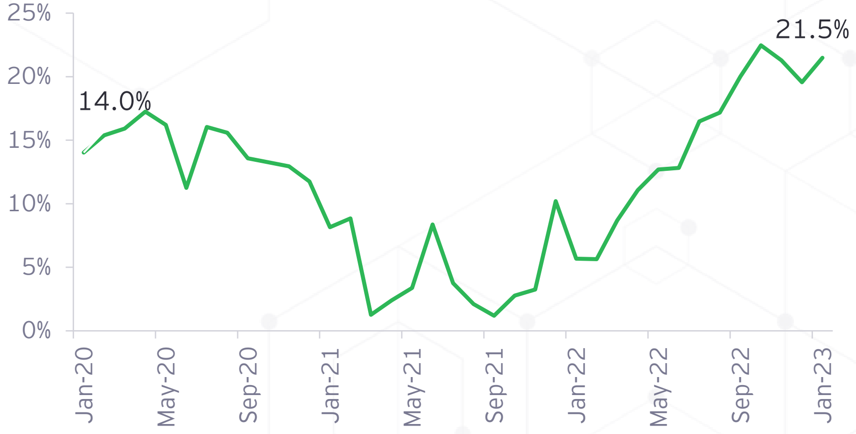
Growth rate of non food credit of scheduled commercial banks



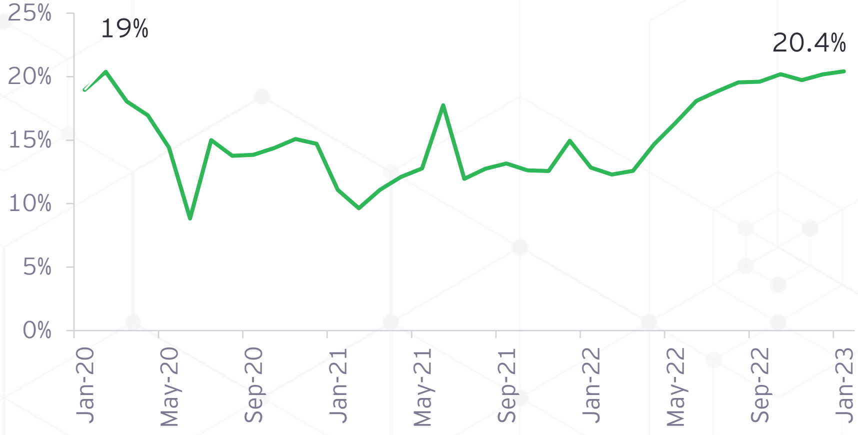
Growth rate of bank credit to industry



Growth rate of bank credit to service sector



Growth rate of bank credit to personal loans



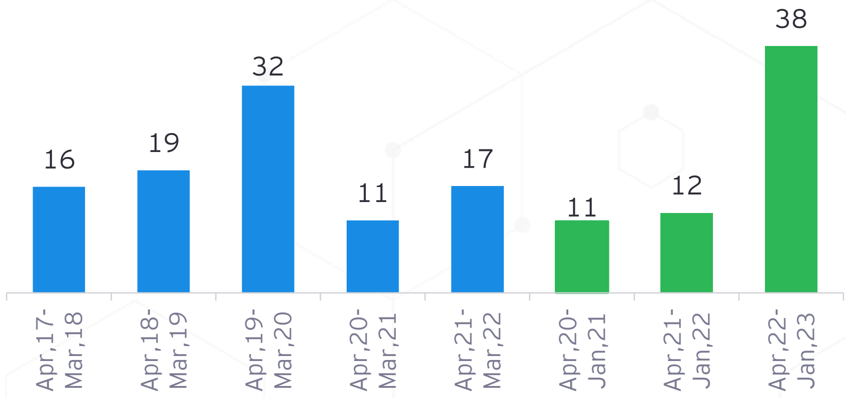
Source: RBI
Growth rates have been computed based on the change over 12 month period
Apr and May 2020 inflation based on Jan-Mar 2020 average

Key findings

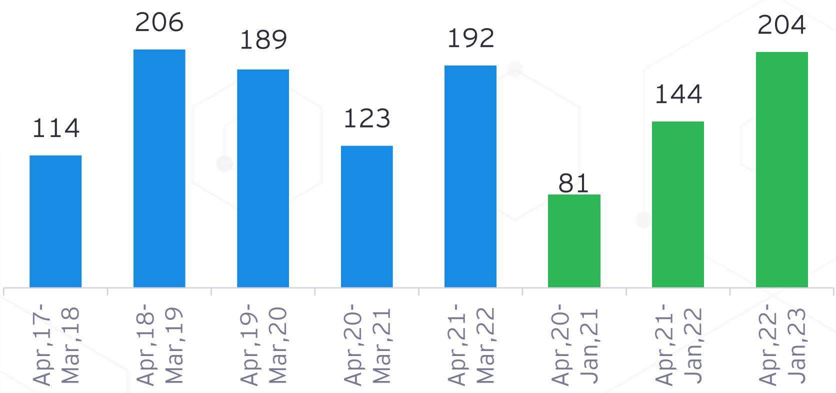
- Non-food credit growth continued to remain robust in January at 16.7% in nominal terms and 9.6% in real terms. This is, however, lower than the 17% nominal credit growth in October 2022.
- The credit growth to industry has been moderating since September 2022
- It grew by 8.7% in January 2023 vis-à-vis January 2022. Credit to large industry was up 6.5% against 0.2%, a year ago. Credit uptake by micro, small and medium enterprises in contrast has been robust.
- Credit offtake by services sector and individuals is up by over 20%, reflecting confidence in the future.

Change in gross personal loans advanced by banks

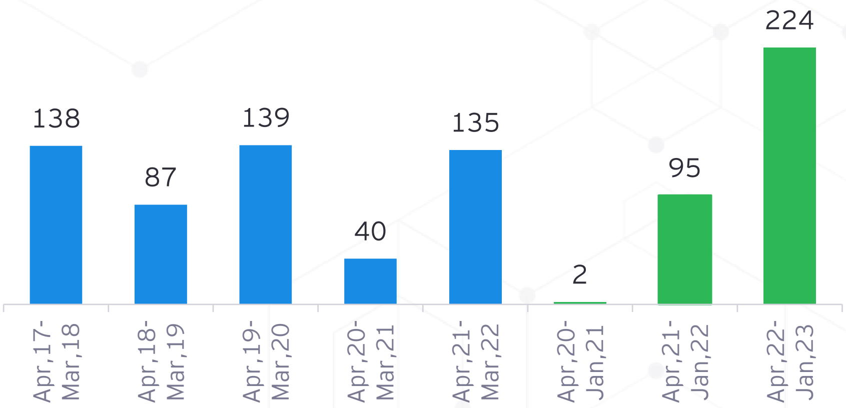
Credit card debt (in INR '000 crores)



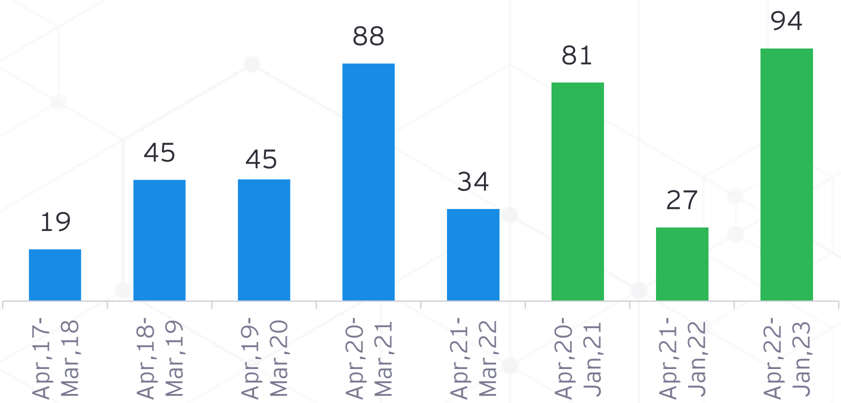
Housing loans (in INR '000 crores)



Other personal loans (in INR. '000 crores)



Vehicle loans (in INR '000 crores)



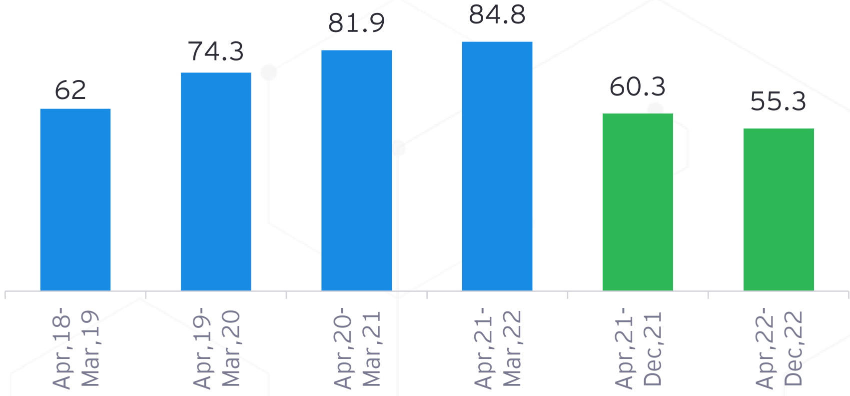
Key findings

- All categories of personal loan shows robustness, indicating resilient domestic demand even as global demand weakens.
- Credit inflow to personal loans recorded a 20.4% increase in January 2023 vis-à-vis January 2022, driven by housing and vehicle loans.
- Increased offtake of personal loans suggests consumer confidence in the future of the Indian economy.

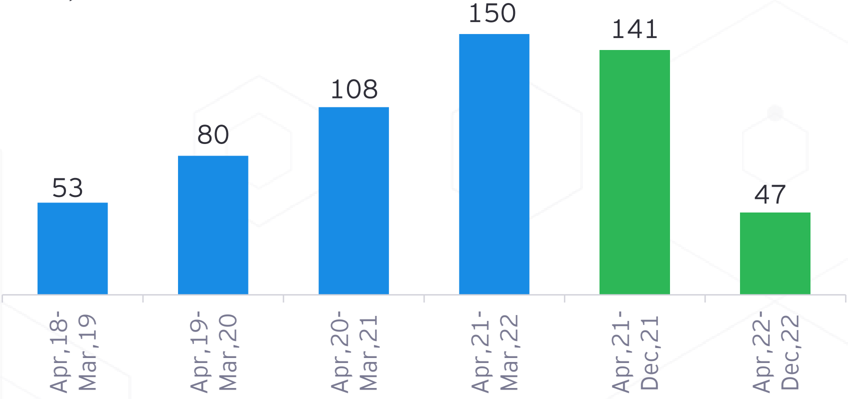
Source: RBI
Other personal loans include consumer durables, advances to individuals and FDs, education, other personal loans

Fund raising trends

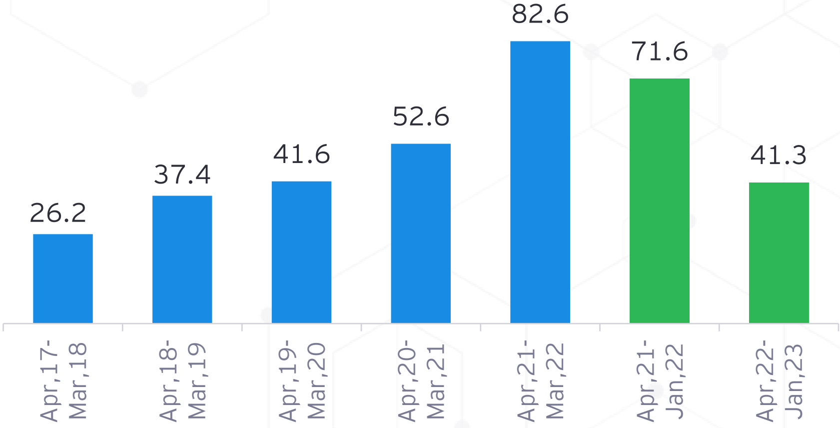
Gross FDI inflows in India (US$ billions)



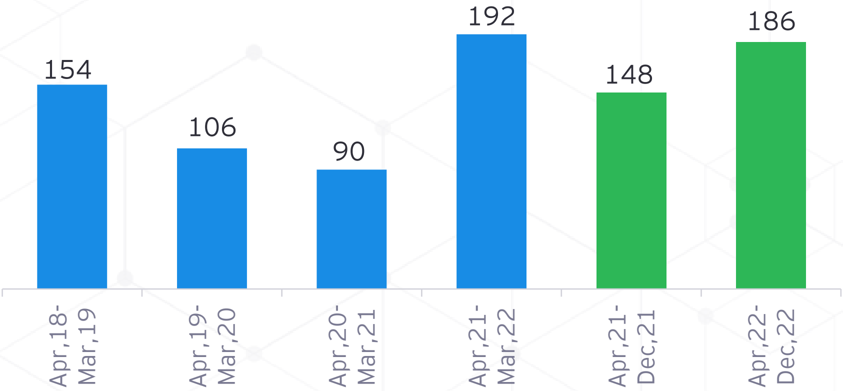
Money raised by non-governmental companies ('000 crores)



PE/VC investments (US$ billions)



No. of issues to raise money by non-governmental companies



Key findings

- There has been a decline in all the fund-raising indicators, i.e., Gross FDI inflows, PE/VC Investments and money raised by non-governmental companies.
- While the fall in Gross FDI inflows has been marginal (8%), it is very substantial in the case of PE/ FC funding and money raised by non-Governmental companies.
- This moderation is on account of an increase in interest rates and slowdown in tech sector investment.

Source: RBI, EY Analysis

6

Government's policy thrust areas

Monetary policy – RBI position

Interest rate

- RBI increased repo rates by 25 basis points from 6.25% to 6.5% on 8 February 2022
  - As per RBI, growth prospects in major economies have improved. Inflation, while on descent, remains well above the target in major economies. Outlook for the global economy is uncertain.
  - RBI expects the Indian economy to do well on the short term-- CSO projections, urban and rural demand and credit expansion
  - Inflation in India is unlikely to go below 4%
  - The outlook is clouded by continuing uncertainties from geopolitical tensions, global financial market volatility, rising non-oil commodity prices and volatile crude oil prices.
  - MPC was of the view that further calibrated monetary policy action is warranted to keep inflation expectations anchored, break the persistence of core inflation, and thereby strengthen the medium-term growth prospects

Key announcements relating to energy transition

NITI Aayog report on Policy Framework in CCUS	▶ India is now a recognized Carbon Capture Utilization and Storage (CCUS) as an embraced technology to reach its decarbonization goals set out in the updated NDCs. ▶ It has been recommended that the policy driven approach is required for CCUS to ensure sustainable development and growth in India.
Energy Conservation (Amendment) Act, 2022	▶ The amendment provides for an energy conservation and sustainable building code. This new code will provide norms for energy efficiency and conservation, use of renewable energy, and other requirements for green buildings. ▶ The act introduced carbon pricing and empowers the central government to specify a carbon credit trading scheme.
National Green Hydrogen Mission	▶ The has announced a slew of measures like waiver in transmission charges and measures for smooth open access to the producers of Green Hydrogen. ▶ The GoI has announced an investment of 19,700 crores primarily in the production of green hydrogen and development of domestic electrolyzer manufacturers.
BEE Policy Paper in Indian Carbon Market (ICM)	▶ In line with the introduction of carbon pricing and carbon markets in India, BEE has come up with a policy paper in the Indian Carbon Market (ICM) and an implementation framework. ▶ The Governance structure is also recommended Measurement, Reporting and Verification (MRV) process for the compliance market to address the issue of the current MRV process in the PAT scheme.
NDAIAPA- approaches under Article 6.2 of PA-2015	▶ India has notified the National Designated Authority for the Implementation of the Paris Agreement (NDAIAPA), the authority mandated to take decisions in regard to the type of projects that may take part in the international carbon market under Article 6 mechanisms. ▶ Along with RE, NDAIAPA has included Carbon Capture Utilization and Storage under the activity list for trading of carbon credits under bilateral/ cooperative approaches under Article 6.2 mechanism

Union Budget assumes an increased tax buoyancy in FY24 compared to FY23

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**	

- In FY23 (RE), Union government gross tax revenues are estimated to grow by 12.3% reflecting a buoyancy of 0.8 vis-à-vis. the budgeted level of 0.9 for this year.
- Union government's UED collections are estimated to witness a sharp contraction in FY23. On the other hand, high growth and buoyancies are expected for direct taxes (CIT and PIT) and GST revenues in the current year.
- Union government's gross tax revenues are budgeted to grow by 10.4% in FY24 (BE) indicating a buoyancy of 1.0.

Note 1: Negative buoyancies should not be interpreted
Note 2: The nominal GDP magnitudes are as per the First Advanced Estimates released on 7th January 2023
Source (basic data): Union budgets, MoSPI

Focus on reducing fiscal deficit while expanding capital expenditure

Fiscal aggregates in FY23 and FY24: broad contours

Item	FY21	FY22	FY23 (RE)	FY24 (BE)	FY22 over FY21	FY23 (RE) over FY22	FY24 (BE) over FY23(RE)
				% to GDP			% growth
Gross tax revenues	10.24	11.45	11.14	11.14	**33.7**	**12.3**	**10.4**
Net tax revenues	7.20	7.63	7.64	7.72	26.5	15.6	11.7
Non-tax revenues	1.05	1.54	0.96	1.00	75.8	-28.3	15.2
Non-debt capital receipts	0.29	0.17	0.31	0.28	32.8	8.2	12.1
Fiscal deficit	**9.18**	**6.70**	**6.43**	**5.92**	--	--	--
Total expenditure	17.73	16.03	15.33	14.92	8.1	10.4	**7.5**
Revenue exp.	15.57	13.53	12.67	11.61	3.8	8.1	**1.2**
Capital exp.	2.15	2.51	2.67	**3.32**	39.1	22.8	**37.4**
Memo	INR lakh crore				% growth		
Nominal GDP	198.0	236.6	273.1	301.8	19.5	15.4	10.5

- Union Budget's clear emphasis is on expanding capital expenditure – a larger portion of 56% of fiscal deficit is being devoted to capital expenditure in FY24 (BE).
- While revenue expenditure is slated to grow by only 1.2%, GoI's capital expenditure is budgeted to show a growth of 37.4%
- GoI's fiscal deficit to GDP ratio is budgeted to reduce by 0.5% points to 5.9% in FY24 (BE)

Note: The nominal GDP magnitudes are as per the First Advanced Estimates released on 7th January 2023
Source (basic data): MoSPI, Union Budgets

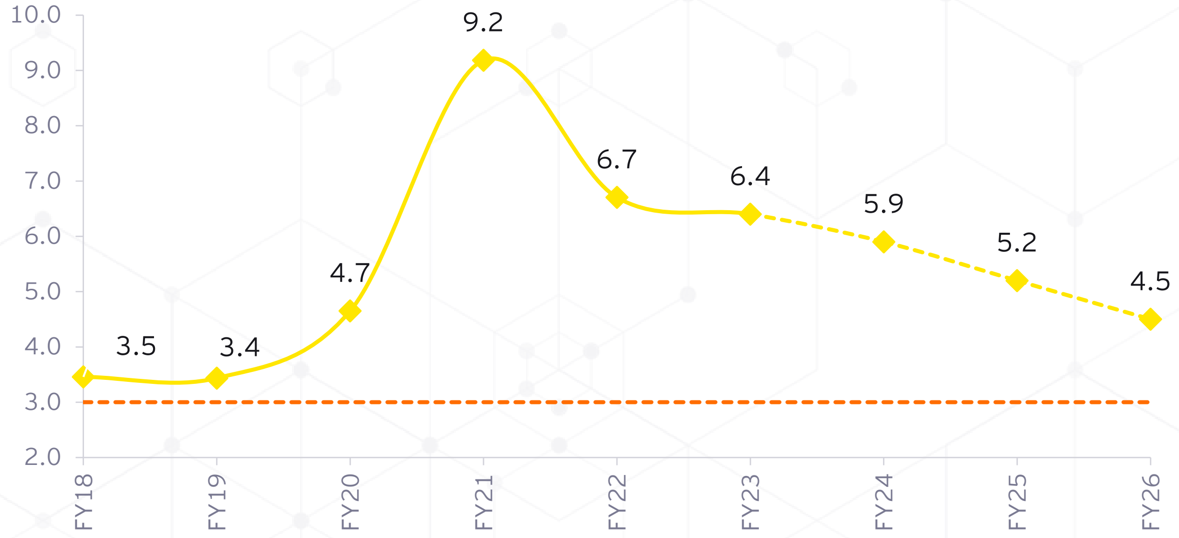
Fiscal consolidation: a steep reduction ahead in the fiscal consolidation path

Government debt-GDP ratio (%)

	FY20	FY21	FY22	FY23*	FY24*
Union government	52.7	63.3	59.0	56.6	56.7
Combined	75.1	89.1	84.1	81.2	81.7

- Union government's and combined debt is budgeted to marginally increase in FY24 from its level in FY23.
- Interest payments to revenue receipts would remain under pressure as long as the debt-GDP ratio is high.
- A steep reduction in GoI's fiscal deficit to GDP ratio would be required in the two subsequent years of FY25 and FY26 to reach the fiscal deficit target of 4.5% of GDP by FY26.

GoI's fiscal deficit relative to GDP – glide path



Source (basic data): Union Budget FY24
*Note: *external government debt is evaluated at market exchange rates; for FY23, the market exchange rate is pegged at the average for the period April To December 2022; for FY24, an annual depreciation rate of 2.5% for the market exchange rate is assumed*

Revenue expenditure growth pegged at only 1.2%

Structure of union government's expenditure: revenue and capital

Expenditure items	FY20	FY21	FY22	FY23 (RE)	FY24 (BE)
					% of total expenditure
Revenue expenditure	87.5	87.9	84.4	82.6	77.8
Interest payments	22.6	19.1	21.2	22.5	24.0
Pensions and other retirement benefits	6.8	5.9	5.2	5.8	5.2
Defense services	7.7	5.9	6.0	6.2	6.0
Education	1.6	1.2	1.2	1.2	1.2
Medical, public health et al.	1.1	1.0	2.8	2.1	2.3
Capital expenditure *of which*	**12.5**	**12.1**	**15.6**	**17.4**	**22.2**
Capital outlay	**11.6**	**9.0**	**14.1**	**14.8**	**18.6**
Capital outlay on non-defense	7.5	5.2	10.5	11.2	15.0
Capital outlay on defense	4.1	3.8	3.6	3.6	3.6
Memo items					
Major subsidies as % of total expenditure	8.5	20.2	11.8	12.5	8.3
Interest payments as % of revenue receipts	36.3	41.6	37.1	40.1	41.0
Total expenditure as % to GDP	13.4	17.7	16.0	15.3	14.9

- The share of revenue expenditure in total expenditure is budgeted to fall in FY2024 as compared to FY23, primarily on account of the reduction in subsidies.
- Major subsidies (food, fertilizer and petroleum) are budgeted to fall in FY24 as the global commodity prices are expected to moderate.
- Within capital expenditure, capital outlay is structured in favor of non-defense 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).

Source (basic data): MoSPI, Union Budgets

Macro thrust of the Budget: strongly supporting domestic demand

Focus on capital expenditure, including infrastructure investment by the government

- GoI's direct capital investment outlay increase by 33% to INR 10L Cr. (3.3% of GDP)
- Effective capital expenditure relative to GDP estimated at 4.5% in FY24 (1.2% as grants to states), up from 3.9% in FY23 (RE).
- Bulk of allocations for railways and roadways

Focus on managing inflation

- Conservative in budgeting expenditure
- Fiscal discipline through fiscal consolidation measures
- Reduction in crude oil prices should reduce inflation
- Post-Budget, RBI has increased repo-rate by 25 bps to manage inflation

Continued Focus on digitization including for Ease of Doing Business

- Common business identifier – PAN to be used in all digital systems by specified government agencies
- Unified filing process on a common portal for submission of the same information to different government agencies
- KYC process to be simplified based on risk-based system and not 'one-size-fits-all'
- Expansion of the Indian stack

Macro thrust of the Budget: strongly supporting domestic demand

Facilitating energy transition

- INR 35,000 crore for priority capital investments towards energy transition and net zero objectives
- National Green Hydrogen Mission – INR 19,700 crore to reduce fossil fuel imports
- Viability gap funding for battery storage

Promoting manufacturing in India

Long-term issues which need attention

- Prodding states for power sector reforms (0.5%)
- Urbanization: building capacity of municipalities to raise bonds

Signals policy stability and focus on long-term growth

Our team

Rajnish Gupta
Associate Partner
Tax and Economic
Policy Group
EY India

D.K. Srivastava
Chief Policy Advisor
Tax and Economic
Policy Group
EY India

Shalini Mathur
Director
Tax and Economic
Policy Group
EY India

Our Offices

Ahmedabad
22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon
Temple, Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Bengaluru
12th & 13th floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground Floor, 'A' wing
Divyasree Chambers
11, Langford Gardens
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Chandigarh
Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai
Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR
Golf View Corporate Tower B
Sector 42, Sector Road
Gurugram - 122 002
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad
THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jamshedpur
1st Floor, Shantiniketan Building
Holding No. 1, SB Shop Area
Bistupur, Jamshedpur – 831 001
Tel: + 91 657 663 1000

Kochi
9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata
22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune
C-401, 4th floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

Ernst & Young LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at 9th Floor, Golf View Corporate Tower B, Sector 42, Golf Course Road, Gurugram, Haryana - 122 002.

EYIN2303-014
ED None

ey.com/en_in

@EY_India EY EY India EY Careers India @ey_indiacareers

Building a better working world