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Economy Watch

Monitoring India's macro-fiscal performance

June 2023

Building a better working world

Contents

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Highlights

1. Real GDP and GVA growth improved to 6.1% and 6.5% respectively in 4QFY23. On an annual basis, real GDP growth at 7.2% in FY23 turned out to be higher than 7% as indicated earlier by the second advance estimates.

2. In May 2023, PMI manufacturing increased to a 31-month high of 58.7. PMI services at 61.2 was at its second highest level in close to 13 years.

3. Led by a recovery in the growth of manufacturing output, IIP growth increased to 4.2% in April 2023 from 1.7% in March 2023.

4. The RBI retained the repo rate for the second successive time at 6.5% in its June 2023 monetary policy review.

5. CPI inflation moderated for the fourth successive month to 4.3% in May 2023 from 4.7% in April 2023 led by lower food inflation and aided by a favorable base effect.

6. WPI contracted at a faster pace of (-)3.5% in May 2023 as compared to (-)0.9% in April 2023, led by a contraction in prices of food and commodities.

7. Central government's gross tax revenues (GTR) grew by 12.7% in FY23 with growth in direct taxes at 17.9% and that in indirect taxes at 7.2%.

8. GoI's total expenditure grew by 10.4% in FY23, with growth in revenue expenditure at 7.8% and that in capital expenditure at 24.4%.

9. In FY23, GoI's fiscal and revenue deficits as a proportion of GDP stood at 6.4% and 3.9% implying an achievement of its revised targets as per the FY24 Union Budget.

10. Growth in gross bank credit by SCBs increased to a three-month high of 15.9% in April 2023 from 15.0% in March 2023.

11. Merchandise exports and imports contracted by (-)10.3% and (-)6.6% in May 2023 as compared to (-)12.7% and (-)14.1% respectively in April 2023, reflecting subdued global demand.

12. Merchandise trade deficit increased to a five-month high of US$22.1 billion in May 2023.

13. Net FDI inflows increased to a three-month high of US$2.8 billion in April 2023.

14. Average global crude price fell to a 17-month low of US$74.1/bbl. in May 2023 driven by concerns of a sharp growth slowdown in the US and China.

15. The World Bank has projected global growth to ease to 2.1% in 2023, with India's FY24 growth forecasted at 6.3%.

Foreword

With post-COVID-19 recovery, India emerges as a global growth leader in the medium term

With a moderation in CPI inflation in April 2023, the RBI, in its June 2023 monetary policy review, retained the repo rate at 6.5% while continuing to remain focused on withdrawal of accommodation. The RBI has retained its FY24 real GDP growth estimate at 6.5%. It has forecasted CPI inflation at an average of 5.1% in FY24, marginally lower than 5.2% as assessed in its April 2023 monetary policy review. In May 2023, CPI inflation moderated further to a 25-month low of 4.3% led by lower food inflation and aided by a favorable base effect.

National Statistics Office (NSO) released the provisional estimates for FY23 national income aggregates on 31 May 2023. The annual real GDP growth for FY23 is estimated at 7.2%. This contains the 1Q growth of 13.1% which reflects a strong base effect. The average growth for the 2Q, 3Q, and 4Q of FY23 at 5.6% is therefore indicative of normal growth in the post-COVID-19 period.

On the demand side, a robust feature of growth is reflected in the average growth of gross fixed capital formation (GFCF) at 8.8% over the last three-quarters of FY23. Growth in private final consumption expenditure (PFCE), however, continued to show sluggishness with an average growth of only 4.4% over the last three quarters. Government consumption expenditure showed a contraction of (-)0.8% during this period. Thus, the post-COVID-19 recovery has been driven primarily by growth in capital expenditure, especially that of the government, while domestic consumption expenditure growth has remained slow. Further, the external sector continued to constitute a drag on the economy with the contribution of net exports to growth during this period averaging at (-)0.5% points.

On the output side, agriculture has shown a consistent growth averaging at 4.2% for the last three quarters of FY23. During this period, three sectors namely, (1) trade, hotels et al., (2) construction, and (3) financial, real estate et al. showed buoyant growth rates of 11.4%, 8.1%, and 6.6% respectively. The manufacturing sector has shown some promising recovery with a y-o-y growth at 4.5% in 4Q of FY23, although its three-quarter average growth was still negative at (-)0.2%.

To some extent, GoI's finances have been helped by relatively high inflation reflected in the implicit price deflator (IPD) of GDP at 8.2% for FY23. With a nominal GDP growth of 16.1% and a buoyancy of 0.8, growth in GoI's GTR turned out to be 12.7%. With a budgetary policy focussed on expanding capital expenditure and limiting revenue expenditure growth, it has been possible to contain GoI's fiscal deficit in FY23 at the budgeted target of 6.4% while enabling a healthy capital expenditure growth of 24.2%.

High-frequency indicators for April and May 2023 show a strong growth momentum at the beginning of FY24. Manufacturing PMI increased to a 31-month high of 58.7 in May 2023. PMI services also continued to remain at an elevated level of 61.2 in May 2023, its second-highest level in close to 13 years. Bank credit showed a strong growth of 15.9% in April 2023, increasing from 15% in March 2023. As per Federation of Automobile Dealers' Association (FADA), retail sales of vehicles showed a double-digit growth of 10.1% in May 2023. As per the data released by the Ministry of Finance, gross GST revenues were at INR1.8 lakh crore in April 2023, the highest level of monthly collections since the inception of GST in July 2017. Gross GST collections continued to remain strong at INR1.6 lakh crore in May 2023 as well.

In the medium term, India is well on its course to remain a global growth leader among the relatively larger economies of the world. However, there is considerable variation in the FY24 growth projections for India. Growth assessments range from 5.9% (IMF) to 6.5% (RBI). The ADB (April 2023), World Bank, and OECD (June 2023) have projected India's FY24 growth at 6.4%, 6.3% and 6% respectively. The actual outcome might depend on the severity of the El Nino impact on the monsoons and therefore, agricultural output. There is a likelihood that this adverse impact would be moderate in this year due to the neutralization of El Nino by the Indian Ocean Dipole. These perspectives are discussed in detailed in the 'In-focus' section of this issue.

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1. Growth: real GDP growth increased to 6.1% in 4QFY23

A. GDP and GVA growth: improved to 6.1% and 6.5% respectively in 4QFY23

- As per the national accounts data released by the Ministry of Statistics and Programme Implementation (MoSPI) on 31 May 2023, real GDP growth improved to 6.1% in 4QFY23 from 4.5% in 3QFY23 **(Chart 1)**. The provisional estimates (PE) showed that real GDP growth turned out to be 7.2% in FY23 as compared to the second advance estimate of 7.0%.
- On the demand side, a pickup in GDP growth in 4QFY23 was largely attributable to a sustained robust growth in gross fixed capital formation (GFCF) at 8.9% **(Table 1)**.
- In addition, for the first time since 4QFY23, net exports contributed positively, adding 1.4% points to GDP growth as exports growth at 11.9% was significantly higher than imports growth of 4.9%.
- Growth in private final consumption expenditure (PFCE) and government final consumption expenditure (GFCE), however, remained subdued at 2.8% and 2.3% respectively in 4QFY23.
- On the output side, real GVA growth improved to 6.5% in 4QFY23 from 4.7% in 3QFY23. This was led by a strong growth in the GVA of construction (10.4%) and the two key services sectors namely, trade transport et. al (9.1%) and financial, real estate et al. (7.1%).
- Growth in agricultural output increased to 5.5% in 4QFY23 from 4.7% in 3QFY23.
- After showing a contraction for two successive quarters, the GVA of manufacturing grew by 4.5% in 4QFY23. Public administration, defence et al. sector continued to post a low growth of 3.1%.

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

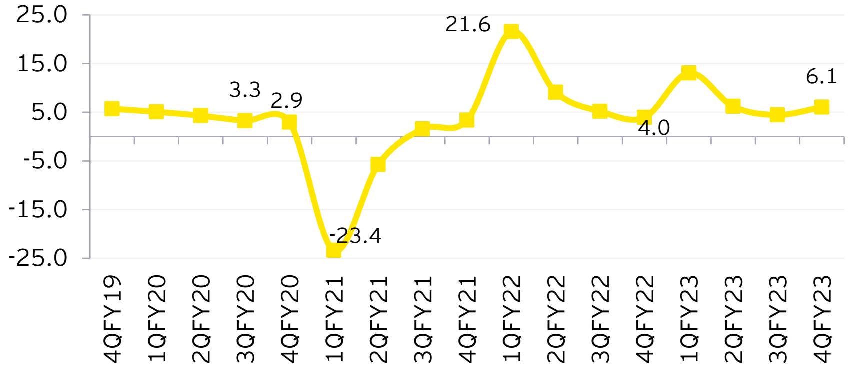


Table 1: Real GDP and GVA growth (%, annual)

Agg. demand	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	FY23 (PE)
PFCE	17.6	14.2	10.8	4.7	19.8	8.3	2.2	2.8	7.5
GFCE	-2.1	11.7	5.8	11.8	1.8	-4.1	-0.6	2.3	0.1
GFCF	61.0	12.4	1.2	4.9	20.4	9.6	8.0	8.9	11.4
EXP	46.1	25.1	27.8	22.4	19.6	12.2	11.1	11.9	13.6
IMP	44.8	26.6	19.7	6.7	33.6	23.1	10.7	4.9	17.1
GDP	**21.6**	**9.1**	**5.2**	**4.0**	**13.1**	**6.2**	**4.5**	**6.1**	**7.2**
Output side									
Agr.	3.4	4.8	2.3	4.1	2.4	2.5	4.7	5.5	4.0
Ming.	12.2	10.6	5.4	2.3	9.5	-0.1	4.1	4.3	4.6
Mfg.	51.5	6.6	1.3	0.6	6.1	-3.8	-1.4	4.5	1.3
Elec.	16.3	10.8	6.0	6.7	14.9	6.0	8.2	6.9	9.0
Cons.	77.0	10.8	0.2	4.9	16.0	5.7	8.3	10.4	10.0
Trans.	41.4	13.1	9.2	5.0	25.7	15.6	9.6	9.1	14.0
Fin.	2.8	7.0	4.3	4.6	8.5	7.1	5.7	7.1	7.1
Publ.	6.5	16.8	10.6	5.2	21.3	5.6	2.0	3.1	7.2
GVA	**20.2**	**9.3**	**4.7**	**3.9**	**11.9**	**5.4**	**4.7**	**6.5**	**7.0**

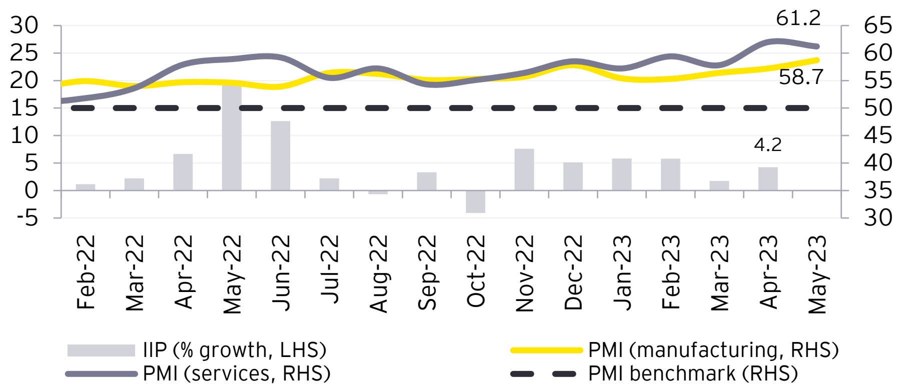
Source: MoSPI, GoI

- As per PE, real GVA grew by 7.0% in FY23, an improvement over the second advanced estimate of 6.6% released in February 2023.
- Among the services sectors, trade, transport et al. and financial, real estate et al. sectors showed robust growth rates of 14.0% and 7.1% respectively in FY23. This was supplemented by a strong growth in the construction sector GVA at 10.0% in FY23 and an improvement in the growth of agricultural GVA to 4.0%.
- In FY23, nominal GDP grew by 16.1% as the IPD-based inflation remained high at 8.2%.

B. PMI: indicated a continuing vigorous growth in private sector activity in May 2023

- Headline manufacturing PMI (seasonally adjusted (sa)) at 58.7 in May 2023 was at its highest level since October 2020 **(Chart 2).** Out of the five PMI sub-components, stocks of purchases showed notable vigor, increasing at an unprecedented pace in May 2023.
- PMI services continued to remain at an elevated level of 61.2 in May 2023, its second highest level in close to 13 years supported by sustained growth of new business owing to resilient demand trends. However, inflationary pressures persisted, as evidenced by stronger increases in both input costs and output charges.
- Reflecting a strong growth in private sector activity, the composite PMI Output Index (sa) remained at a high level of 61.6 in May 2023, unchanged from April 2023, and at its joint-highest level since July 2010.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global.

In May 2023, PMI manufacturing increased to a 31-month high of 58.7. PMI services at 61.2 was at its second highest level in close to 13 years.

C. IIP: growth increased to 4.2% in April 2023

Led by a recovery in the growth of manufacturing output, IIP growth increased to 4.2% in April 2023 from 1.7% in March 2023.

- According to the quick estimates, IIP growth increased to 4.2% in April 2023 from 1.7% (revised) in March 2023 **(Chart 2)** led by a higher growth in manufacturing output.
- Among the sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, grew by 4.9% in April 2023 as compared to 1.2% in March 2023.
- Within manufacturing, some key industries which showed an improvement in growth include pharmaceutical products (24.5%), other machinery and equipment (10.6%)[1], basic metals (10.2%) and other non-metallic mineral products (6.1%).
- Among other major sub-industries, the mining sector showed a growth of 5.1% in April 2023, lower than 6.8% in March 2023. Output of electricity showed a contraction for the second consecutive month at (-)1.1% in April 2023, marginally lower than (-)1.6% in March 2023.
- As per the 'use-based' classification of industries, growth in the output of infrastructure/construction goods was the highest at 12.8% in April 2023 as compared to 7.0% in March 2023. This was followed by consumer non-durables, which showed a growth of 10.7% in April 2023, recovering from a contraction of (-)2.7% in March 2023.
- Output of capital goods grew by 6.2% in April 2023, although moderating from 9.1% in March 2023. Output of consumer durables contracted by (-)3.5% in April 2023, its fifth successive contraction.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) at 3.5% in April 2023 was close to its level of 3.6% in March 2023. This was largely driven by higher growth rates in steel (12.1%), cement (11.6%) and coal (9.0%). However, the output of petroleum refinery products, having the largest weight of 28% in the overall index, contracted by (-)1.5% in April 2023.

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

2. Inflation: CPI inflation eased to a 25-month low of 4.3% in May 2023

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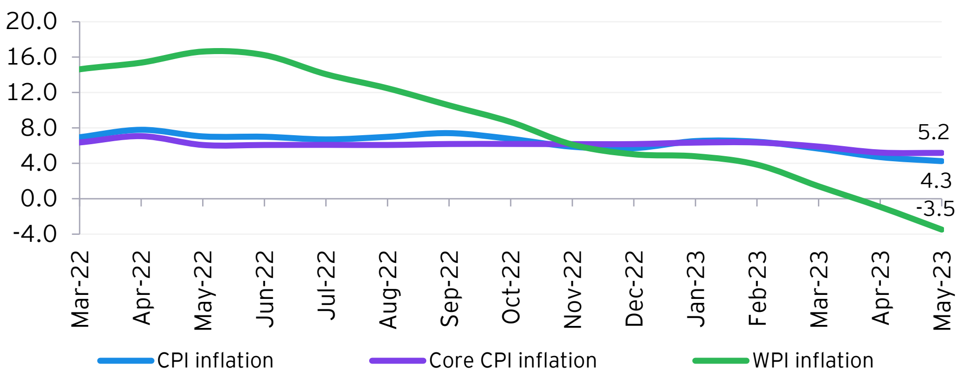
CPI inflation moderated to 4.3% in May 2023 from 4.7% in April 2023 led by lower food inflation and aided by a favorable base effect (Chart 3).

- Consumer food inflation was at an 18-month low of 2.9% in May 2023 as compared to 3.8% in April 2023. The pace of contraction in prices of oils and fats was at an all-time high (2012 series) of (-)16.0% in May 2023 whereas that in vegetables fastened to (-)8.2% in May 2023 from (-)6.5% in April 2023.
- Fuel and light-based inflation eased to a 26-month low of 4.0% in May 2023, showing a deceleration for the fifth successive month. Kerosene (PDS) prices contracted for the second successive month by (-)18.0% in May 2023. Inflation in LPG eased to a 14-month low of 11.1% in May 2023.
- Transportation and communication services inflation moderated to a 42-month low of 1.1% in May 2023 as inflation in petrol and diesel used for transportation continued to contract for the second successive month.
- Core CPI inflation[2] remained stable at a 36-month low of 5.2% in May 2023, staying below 6% for the third successive month.

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



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

In May 2023, CPI inflation moderated to 4.3%, remaining below RBI's 6% target for the third successive month. Core CPI inflation was at a 36-month low of 5.2% in May 2023.

The pace of contraction in prices at the wholesale level (WPI) fastened to (-)3.5% in May 2023 from (-)0.9% in April 2023, led by a contraction in prices of food and commodities.

- Inflation in crude petroleum and natural gas turned negative at (-)13.7% in May 2023 from 1.6% in April 2023.
- Inflation in fuel and power turned negative for the first time in 28 months at (-)9.2% in May 2023 due to a contraction in prices of mineral oils by (-)16.2%. Diesel prices contracted for the first time since January 2021 by (-)17.0% in May 2023, reflecting considerably lower global crude prices.
- WPI food index showed a contraction of (-)1.6% in May 2023, the first instance of contraction since January 2021. Contraction in prices of vegetables accelerated to (-)20.1% in May 2023 from (-)1.5% in April 2023.
- Inflation in manufactured products was negative for the third successive month at (-)3.0% in May 2023 as compared to (-)2.4% in April 2023, reflecting broad-based moderation in inflation across segments.
- The contraction in prices of manufactured food and textile products increased to all-time highs (2011-12 series) of (-)6.9% and (-)8.3% respectively in May 2023. Prices of manufactured basic metals contracted for the fourth successive month by (-)9.2% in May 2023.
- Core WPI showed a contraction for the third successive month at (-)2.2% in May 2023, reflecting broad-based easing of price pressures, led by sectors including manufactured basic metals, textiles and chemicals.

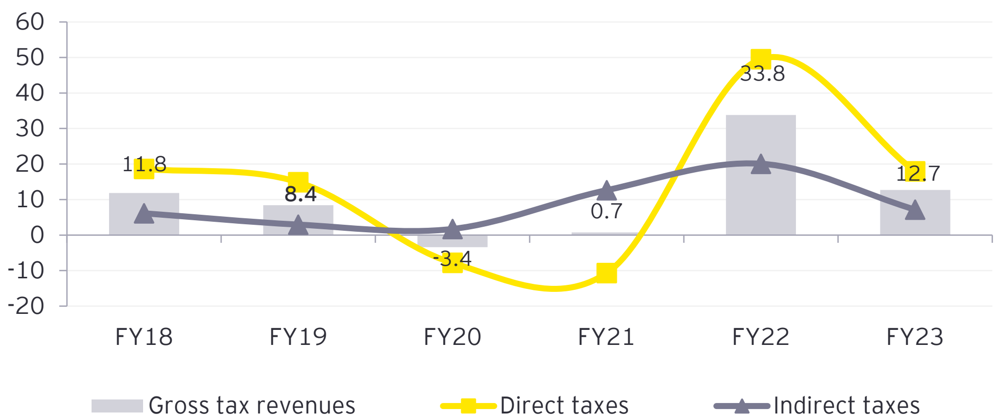
[2] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3. Fiscal: GoI achieved 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 12.7% in FY23. GTR had shown a high growth of 33.8% in FY22, reflecting a recovery from the pandemic year of FY21 along with favorable base effects **(Chart 4).**
- Considering the NSO's estimate of a nominal GDP growth of 16.1% in FY23, the buoyancy of GTR turned out to be 0.8.
- In FY23, direct taxes[(a)] showed a strong growth of 17.9% while indirect taxes[(a)] grew by 7.2%. Owing to tangible base effects, growth in direct and indirect taxes in FY22 was high at 49.6% and 20.1%, respectively.
- While direct taxes showed a buoyancy of 1.1, indirect tax buoyancy languished at 0.4 in FY23, mainly on account of a subdued performance of GoI's union excise duty (UED) revenues.
- Both corporate income tax (CIT) and personal income tax (PIT) revenues showed double-digit growth rates of 16% and 20% in FY23. In comparison, these taxes showed a growth of 55.7% and 43.5% respectively in FY22.
- Among indirect taxes, the central government's GST revenues[(c)] showed a strong growth of 21.6% in FY23 as compared to 27.4% in FY22.
- UED showed a contraction of (-)18.4% in FY23 after a meagre growth of 0.3% in the previous year.
- Customs duties grew by 6.8% in FY23 as compared to a high growth of 48.2% in FY22, reflecting strong base effects.
- In the first month of FY24, GoI's GTR showed a contraction of (-)6.1% with a contraction of (-)9.2% in direct taxes and a zero growth in indirect taxes. The contraction in direct taxes was on account of a sharp negative growth in CIT revenues reflecting refunds. Among indirect taxes, the y-o-y growth in GoI's GST revenues in April 2023 was negative, largely owing to unfavorable base effects.

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



Central government's GTR grew by 12.7% in FY23 with growth in direct taxes at 17.9% and that in indirect taxes at 7.2%.

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

- GoI's non-tax revenues showed a contraction of (-)21.6% in FY23, reflecting unfavorable base effects. Non-tax revenues exceeded the FY23 RE by INR24,400 crores, primarily attributable to GoI's receipt of higher dividends and profits.
- Non-debt capital receipts of the GoI stood at 86.5% of the FY23 RE, showing a shortfall of INR 11,313 crores from the RE.
- As per DIPAM[3], disinvestment receipts in FY23 stood at INR35,293.52 crore, implying a shortfall of nearly INR14,706 crore from the RE at INR50,000 crore.

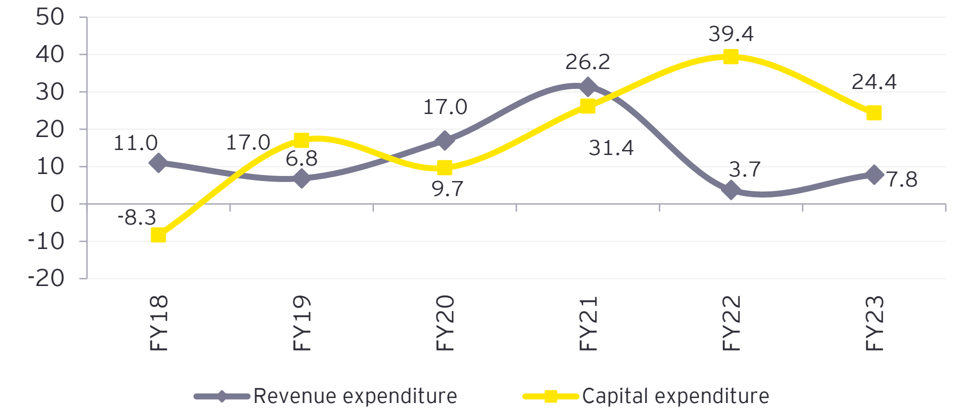
[3] https://dipam.gov.in/

- On a monthly basis, GoI's non-tax revenues witnessed a contraction of (-)8.2% in April 2023 as compared to a contraction of (-)29% in April 2022.
- Disinvestment receipts as of 26 June 2023 stood at INR 4,234.94 crores, that is 8.3% of the FY24 BE at INR 51,000 crore[3].

B. Expenditures: revenue and capital

- GoI's total expenditure grew by 10.4% in FY23, increasing from 8% in FY22. While revenue expenditure showed a growth of 7.8%, capital expenditure showed a strong growth of 24.4% in FY23 **(Chart 5)**. Capital expenditure relative to GDP stood at a multi-year high of 2.7% in FY23.
- GoI's total expenditure in April 2023 grew by 10.6% with growth in revenue expenditure at 15.2% and that in capital expenditure at (-)0.6%. The mild contraction in capital expenditures reflect an unfavorable base effect.

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



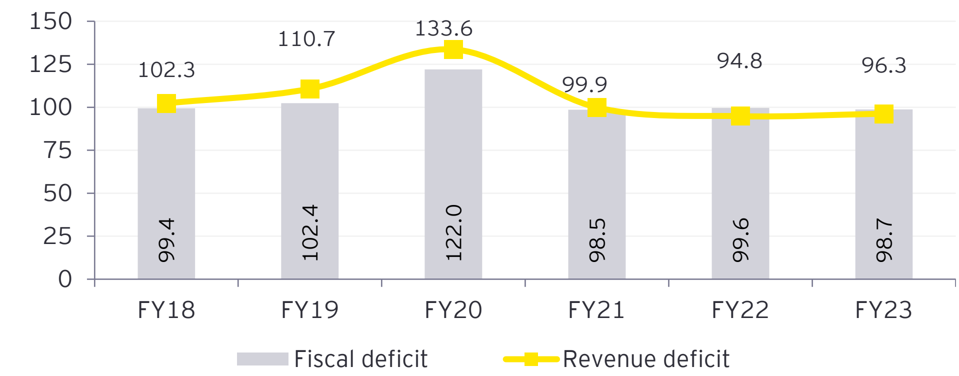
GoI's total expenditure grew by 10.4% in FY23, with growth in revenue expenditure at 7.8% and that in capital expenditure at 24.4%.

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

C. Fiscal imbalance

- GoI's fiscal deficit stood at 98.7% of the FY23 RE. With this, GoI was able to achieve its fiscal deficit target of 6.4% of GDP in FY23 **(Chart 6)**.
- GoI's revenue deficit stood at 96.3% of the FY23 RE. As a proportion of GDP, revenue deficit stood at 3.9% in FY23, lower than the target set by the RE at 4.1%.
- During April 2023, fiscal and revenue deficits stood at 7.5% and 6.4% of their respective annual BE.

Chart 6: Fiscal and revenue deficit during April-March as percentage of RE



In FY23, GoI's fiscal and revenue deficits as a proportion of GDP stood at 6.4% and 3.9% implying an achievement of its revised targets as per the FY24 Union Budget.

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

4. Comparative trends: Due to global demand slowdown, India's export volume growth to ease in FY24

Volume of exports of goods and services

- After a contraction in global export volumes in the pandemic year of 2020, 2021 and 2022 witnessed growth rates of 10.6% and 4.8% respectively. However, growth in global volume of goods and services exports is projected to ease to 2.5% in 2023, reflecting a slowdown in global demand triggered by the geopolitical conflict. Export growth is projected to improve thereafter, averaging 3.5% during the period 2024 to 2028.
- Export slowdown in emerging market and developing economies (EMDEs) in 2023 is more pronounced as compared to that in advanced economies (AEs) mainly due to an expected contraction in China's export volumes **(Table 2)**.
- In IMF's assessment, with a substantial share of economies' exports absorbed by China, a weaker than expected recovery in China may have significant cross-border effects, especially for commodity exporters and tourism-dependent economies.

Table 2: Volume of exports of goods and servies (% annual)

Country	2022 (e)	2023	2024	2025	2026	2027	2028
World	4.8	2.5	3.5	3.6	3.5	3.4	3.3
AEs	5.2	3.0	3.1	3.2	3.0	2.9	2.7
US	7.2	2.5	0.9	2.4	2.5	2.3	2.3
UK	10.3	2.3	1.6	2.4	1.8	1.5	1.5
Euro area	7.2	2.9	3.4	3.6	3.4	3.2	3.1
Japan	4.9	4.0	1.9	2.0	1.8	1.7	1.7
EMDEs	4.1	1.6	4.3	4.2	4.3	4.2	4.1
Brazil	11.2	6.6	5.7	4.6	3.8	3.1	3.0
India*	9.4	3.7	4.7	4.9	4.4	4.4	4.4
China	-1.3	-1.6	2.3	3.0	3.0	3.0	3.0
S. Africa	7.5	3.6	5.7	5.3	4.6	3.9	3.6

Source: IMF World Economic Outlook, April 2023
*data pertains to fiscal year; (e) refers to estimate; projection period: 2023 to 2028

- Barriers to trade such as export bans on food and fertilizers in response to commodity price spike following the geopolitical conflict, restrictions on trade in micro-chips and semiconductors (as in the US Creating Helpful Incentives to Produce Semiconductors and Science Act) etc., pose a downside risk to global export and import volumes of goods and services.
- Among AEs, growth rates in export volumes in the US, UK and Japan are expected to reach troughs of 0.9%, 1.6% and 1.9% respectively in 2024, followed by a mild recovery 2025 onwards.
- During the projection period from 2023 to 2028, average growth in export volumes is estimated to be the highest for Brazil at 4.5%, closely followed by India and South Africa at 4.4%, while China's export growth is forecasted at an average of 2.1% during this period.

Volume of imports of goods and services

- Global import volumes also show the same trend as that in global exports, with a significant slowdown in 2023 before improving 2024 onwards **(Table 3)**.
- Import slowdown in 2023 is, however, more pronounced in AEs as compared to EMDEs, largely on account of a contraction of (-)2.0% in the import volumes of the US.
- Subdued growth in import volumes for the US, UK, and Japan is forecasted to continue in 2024, reflecting the expected growth slowdown in these economies.
- Among EMDEs, India's imports growth in 2023 (FY24) is expected to be the highest at 7.5%, followed by South Africa (5.9%), Brazil (3.9%) and China (2.3%).

Table 3: Volume of imports of goods and services (% annual)

Country	2022 (e)	2023	2024	2025	2026	2027	2028
World	5.4	2.4	3.6	3.6	3.6	3.6	3.4
AEs	6.6	1.8	2.7	3.1	3.1	3.0	2.9
US	8.2	-2.0	0.3	1.6	2.4	2.5	2.4
UK	12.6	4.2	0.4	1.1	1.5	1.5	1.5
Euro area	7.9	2.8	3.2	3.7	3.5	3.3	3.3
Japan	7.9	4.3	1.7	2.1	1.9	1.7	1.7
EMDEs	3.5	3.3	5.1	4.5	4.5	4.4	4.3
Brazil	6.6	3.9	1.0	1.3	2.4	2.5	2.3
India*	9.6	7.5	5.4	5.5	5.5	5.5	5.5
China	-4.1	2.3	5.4	4.0	3.9	3.9	3.8
S. Africa	14.2	5.9	5.3	3.6	3.6	3.5	3.6

Source: IMF World Economic Outlook, April 2023
*data pertains to fiscal year; (e) refers to estimate; projection period: 2023 to 2028

5. In focus: Would El Nino dampen India's FY2024 growth prospects?

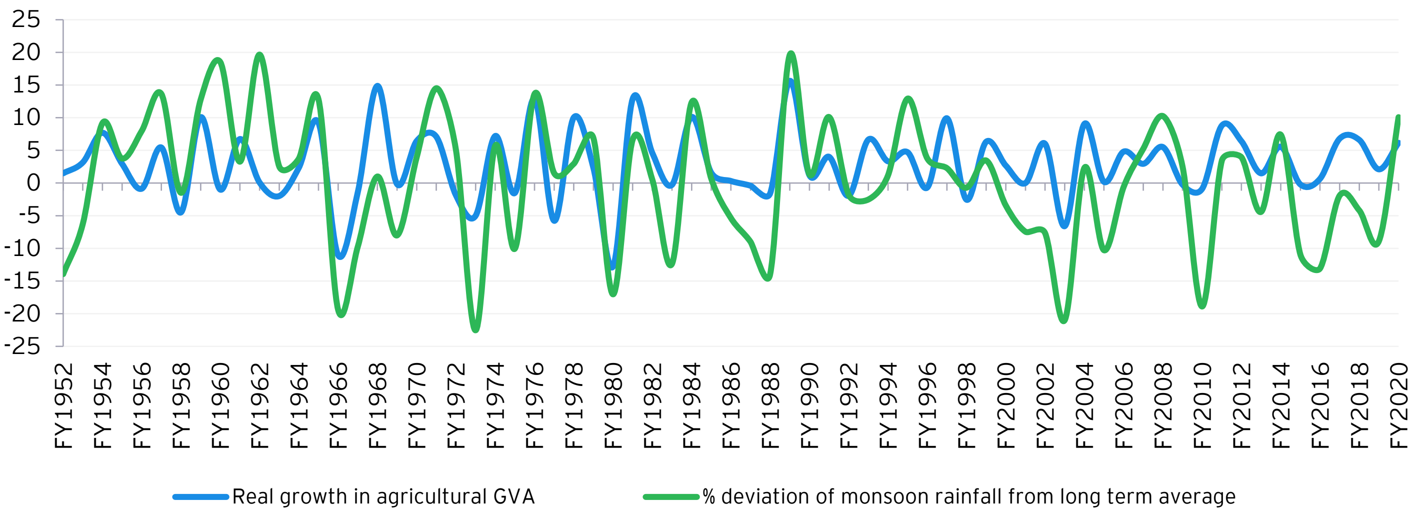
Introduction

The performance of the agricultural sector is expected to be critical in determining India's overall growth outlook in FY2024. While the RBI has projected a real GDP growth of 6.5%, the IMF has forecasted it at only 5.9%. Whether the actual outcome would be closer to the lower or the higher end of this range would depend on growth in the agricultural sector. The share of agriculture in GVA at constant prices has fallen to 15.1% in FY2023. It has performed consistently well during the last four years, showing an average growth of 4.4%. Even a fall of 2% points from this benchmark would involve an fall in overall GVA growth of nearly 0.3% points. This may imply a reduction in RBI's current growth estimate at 6.5% to 6.2%. Many analysts expect the monsoon to be below normal in the current year due to the strong likelihood of the presence of El Nino[4]. Historically, El Nino has been one of the major reasons for agricultural cycles. It is associated with a strong adverse impact on India's agricultural output, which depends heavily on the monsoons. In the current year, however, there is the possibility of a partial offset of the adverse impact of El Nino due to the presence of the Indian Ocean Dipole (IOD). In this write-up, we consider the relative roles of El Nino and IOD over the past few decades in India and their potential impact on the agricultural output in the current year.

1. Cyclicality in agricultural output

Rainfall continues to assert an important impact on India's agricultural performance. Chart 7 shows the pattern of cyclicality of (a) deviation of rainfall from its long-period average (LPA) and (b) real growth rate in agricultural GVA. There are two clearly noticeable patterns: (1) peaks and troughs of the rainfall deviation from its LPA are reflected in corresponding peaks and troughs in agricultural growth and (2) the amplitude of the agricultural output growth cycle which had come down during the 1990s has increased again in recent years.

Chart 7: Trends in rainfall and agricultural GVA since 1951



Source (basic data): MoSPI and data.gov.in (https://data.gov.in/catalog/rainfall-india)

Table 4 shows decade-wise means and standard deviations for monsoon rainfall and real agricultural output. The standard deviations reflect variation from corresponding LPAs. Relatively fewer instances of variations from the trend are notable for the periods FY1991 to FY2000 and FY2011 to FY2020. For the two decades namely, FY2001 to FY2010 and FY2011 to FY2020, the variation in agricultural output is tangibly lower than that in monsoon (columns 5 and 3). This is indicative of a relatively reduced importance of monsoons for agriculture. If this trend is sustained beyond FY2020, it may imply a lowering of the dependence of Indian agriculture on monsoons.

[4] https://www.livemint.com/news/india/stronger-el-nino-dims-monsoon-prospects-11686340240565.html; https://rb.gy/cbd8g

Table 4: Agricultural output growth and rainfall deviation from mean (in percentage terms)

Period	Deviation of monsoon rainfall from long-term average		Real growth of agricultural output	
	Decade-wise mean	decade-wise standard deviation	decade-wise mean	decade-wise standard deviation
(1)	*(2)*	*(3)*	*(4)*	*(5)*
FY1952 to FY1960	4.9	10.4	2.7	4.6
FY1961 to FY1970	1.0	11.2	2.5	7.2
FY1971 to FY1980	0.1	12.5	1.3	8.1
FY1981 to FY1990	0.0	10.8	4.4	6.2
FY1991 to FY2000	2.5	5.4	3.2	4.0
FY2001 to FY2010	-4.6	10.3	2.1	4.5
FY2011 to FY2020	-1.9	7.9	4.4	3.1
FY1952 to FY1990	*1.4*	*11.0*	*2.7*	*6.5*
FY1991 to FY2020	*-1.3*	*8.4*	*3.3*	*3.9*

Source (Basic Data): data.gov.in and MoSPI

It is not only the monsoons and less than adequate irrigation facilities, but increasingly scarce water availability from other sources and its inefficient use that has also hampered the growth of Indian agriculture. According to the World Bank (February 2023)[5], India has 18% of the world's population, but only 4% of its water resources, making it among the most water-stressed in the world. As per the NITI Aayog[6], India was ranked 120 amongst 122 countries in the water quality index, with nearly 70% of its water being contaminated. It projected the country's water demand to be twice the available supply by 2030, implying severe water scarcity, leading to an eventual loss in the country's GDP. Composite Water Management Index 2.0 (CWMI), released in August 2019, ranked various Indian states for the reference year FY2018 as against the base year FY2017 and found that 16 out of the 27 states scored less than 50 points on the Index (out of 100), and lie in the low-performing category.

2. Concepts and episodes of El Nino, La Nina and Indian Ocean Dipole (IOD)

The monsoon patterns are greatly affected by two weather phenomena namely, El Nino and La Nina. The El Nino involves an abnormal warming of the Pacific waters near Ecuador and Peru, affecting temperatures worldwide and generally leading to subnormal monsoons in India. La Nina has the opposite effect.

The south-west monsoon (SWM) in India is significantly influenced by El Nino or La Nina conditions. During El Nino, sea level pressure tends to be lower in the Eastern Pacific and higher in the Western Pacific. This implies warmer ocean waters in the east and colder ocean waters in the west. The opposite condition prevails during La Nina. The warming of ocean waters triggers a see-saw in atmospheric pressure between the eastern and western tropical Pacific, known as Southern Oscillation (SO). Since El Nino and SO are related, the two terms are often combined into a single term 'El Nino Southern Oscillation' or 'ENSO'. A warm ENSO phase signals El Nino and a cold ENSO phase is related to La Nina. El Nino is generally associated with deficient rainfall in India, whereas the development of La Nina tends to bring above normal monsoon (Rajeevan and Pai, 2006)[7].

In addition to these phenomena in the Pacific Ocean, the SWM also depends on the developments in the Indian Ocean, known as the Indian Ocean Dipole (IOD) conditions. The IOD can be in one of three phases namely, positive, negative, or neutral. A positive IOD occurs when the western basin of the Indian Ocean warms up relative to the tropical eastern basin. A negative IOD occurs when the reverse takes place. Positive IOD events are associated with above-average rainfall in East Africa, particularly in countries like Somalia, Kenya, and Tanzania, leading to increased flooding. On the other hand, drier conditions prevail over parts of Indonesia and Australia, potentially leading to droughts and reduced agricultural productivity in those areas. Conversely, negative IOD events can result in decreased rainfall in East Africa and enhanced rainfall in Indonesia and Australia. In the neutral phase of the IOD, temperatures are close to normal across the tropical Indian Ocean, and hence the neutral IOD does not affect the Indian SWM. It may rather sometimes strengthen the monsoon winds leading to a higher rainfall[8].

The IOD has implications for regional and global climate patterns. It can influence the development of weather systems such as the Asian monsoon and the Australian summer monsoon. The IOD is closely monitored by

[5] https://rb.gy/b8i5o.
[6] Report on Composite Water Management Index (CWMI), NITI Aayog (June 2018)
[7] Reserve Bank of India - RBI Bulletin
[8] https://rb.gy/c0cfq

meteorological agencies and climate scientists to understand its behavior, predict its occurrence, and assess its potential impact on agriculture, fisheries, and water resources in the affected regions.

The occurrence of a positive IOD can reduce the impact of El Nino, which takes place in the faraway Pacific Ocean. **Table 5** gives the years of occurrences of El Nino and IOD from FY1952 to FY2019. There were 15 years during which a moderate to very strong El Nino occurred. Among these 15 years, a positive IOD was present in six years. Within these six years, a drought in India was averted for three years namely, FY1964, FY1995, and FY1998. However, in FY1973, FY1983 and FY2016, a positive IOD could not neutralize a very strong El Nino and the SWM eventually turned out to be deficient.

Out of the 15 years where global El Nino events occurred, there were 11 years in which a contraction in agricultural output was witnessed. Among these 11 years, a neutralizing positive IOD event did not occur. Thus, during the period under review, in the absence of a neutralizing IOD effect, moderate-to-severe El Nino events may have led to a contraction in India's agricultural GVA.

Table 5: A track of El Nino and IOD events during FY52 to FY19

Fiscal year	Global El Nino[9]	IOD years[10]	El Nino coinciding with Drought in India[11]	Growth in agricultural Sector GVA (%)
FY1952	Moderate		Drought	1.5
FY1953	Weak			3.2
FY1954	Weak			7.7
FY1958	Strong			-4.5
FY1959	Weak	Negative		10.1
FY1964	Moderate	Positive		2.3
FY1966	Strong		Drought	-11.0
FY1969	Moderate		Drought	-0.2
FY1970	Weak			6.4
FY1973	Strong	Positive	Drought	-5.0
FY1977	Weak			-5.8
FY1978	Weak			10.0
FY1979	Weak			2.3
FY1983	Very Strong	Positive	Drought	-0.3
FY1987	Moderate		Drought	-0.4
FY1988	Strong		Drought	-1.6
FY1992	Strong		Drought	-2.0
FY1995	Moderate	Positive		4.7
FY1998	Very Strong	Positive		-2.6
FY2003	Moderate		Drought	-6.6
FY2005	Weak		Drought	0.2
FY2010	Moderate		Drought	-0.9
FY2015	Weak		Drought	-0.2
FY2016	Very Strong	Positive	Drought	0.6
FY2019	Weak	Positive	Drought	2.1

Source (basic data): Tokyo Climate Centre, Golden Gate Weather Services, MoSPI, and Saini and Gulati (2014)

El Nino events: a historical perspective

Historically, we have noted that during the period FY1952 to FY2020, there were 25 global El Nino events of different degrees of severity. However, only 14 of these translated into drought conditions in India, leading to a low growth or a contraction in agricultural output.

Drought conditions are associated with crop failures, yield reductions, and increased input costs, leading to higher prices for consumers and financial losses for farmers. The severity and geographical distribution of the adverse impact of El Nino varies across different regions in India. El Nino also causes increased salinity in soil, reduced water quality, increased risk of pests and diseases, increased risk of wildfires, and damage to infrastructure. Historically, El Nino has adversely affected the production of rice, wheat, pulses, oilseeds, and other crops. Some studies have quantified the adverse economic impact of El Nino events. For example, Saini and Gulati (2014) noted that in the

[9] https://ggweather.com/enso/oni.htm
[10] https://ds.data.jma.go.jp/tcc/tcc/products/elnino/iodevents.html
[11] Saini, S., & Gulati, A. (2014). El Nino and Indian droughts: A scoping exercise (No. 276). ICRIER Working Paper

major drought event of 2002, which was driven by El Nino, the SWM fell by more than 19% from its LPA. Food grain production contracted by nearly (-)18% (38 million tons) and agricultural output contracted by (-)7% (approximately a loss of US$8 billion). In **Table 6**, we give the y-o-y growth rates of the output of those crops which usually get severely affected by El Nino and the resultant deficiency in monsoons. We look at the growth rates for the years of moderate to very strong El Nino events, as identified earlier in **Table 5**. Total food grain production suffered a contraction in 12 out of 15 years of El Nino. Oilseed output contracted in 13 out of these 15 years with the magnitude of contraction generally exceeding that of total food grains. It is notable that sugarcane production is largely unaffected by global El Nino events.

The contraction in the output of agriculture has coincided with the contraction in the output of food grains and oilseeds. At the subnational level, such events are expected to more than proportionately impact those states that are primary producers of food grains and oilseeds. Major food grain producing states are Uttar Pradesh, Madhya Pradesh, Punjab, Rajasthan, West Bengal, Haryana, and Bihar. These states together accounted for an average share of nearly 66% of the total food grain production in India during FY2017 to FY2021. Oilseeds are largely produced in Madhya Pradesh, Rajasthan, Gujarat, Maharashtra, Uttar Pradesh, Haryana and West Bengal which together had an average share of about 86% of total oilseed production in India. Clearly, four states namely, Rajasthan, Uttar Pradesh, Haryana, and West Bengal, can be considered as the most vulnerable to such shocks.

Table 6: El Nino events and impact on Indian crop output growth (values in %)

Fiscal year	Global El Nino	Total food grains of which	Rice	Wheat	Pulses	Total Oilseeds	Sugarcane	Growth in agricultural Sector GVA (%)
FY1952	Moderate	2.3	3.5	-4.3	0.1	-2.5	8.0	1.5
FY1958	Strong	-7.9	-12.1	-15.0	-17.2	-0.2	3.1	-4.5
FY1964	Moderate	0.6	11.4	-8.6	-12.7	-3.5	13.4	2.3
FY1966	Strong	-19.0	-22.2	-15.2	-20.0	-25.2	1.7	-11.0
FY1969	Moderate	-1.1	5.7	12.8	-13.9	-17.5	30.6	-0.2
FY1973	Strong	-7.7	-8.9	-6.3	-10.6	-21.4	9.9	-5.0
FY1983	Very Strong	-2.8	-11.5	14.3	3.0	-17.2	1.7	-0.3
FY1987	Moderate	-4.7	-5.1	-5.8	-12.4	4.1	9.0	-0.4
FY1988	Strong	-2.1	-6.1	4.2	-6.4	12.2	5.7	-1.6
FY1992	Strong	-4.5	0.5	1.0	-15.7	-0.1	5.4	-2.0
FY1995	Moderate	3.9	1.9	9.9	5.6	-0.7	20.0	4.7
FY1998	Very Strong	-3.2	1.0	-4.3	-2.9	-12.6	0.7	-2.6
FY2003	Moderate	-17.9	-23.1	-9.6	-16.8	-28.2	-3.3	-6.6
FY2010	Moderate	-7.0	-10.2	0.1	0.6	-10.2	2.6	-0.9
FY2016	Very Strong	-0.2	-1.0	6.7	-4.8	-8.2	-3.8	0.6

Source (basic data): RBI, Golden Gate Weather Services, and MoSPI

3. Strategies for dealing with droughts and crop failures

There is a strong association between El Nino and La Nina events and monsoons. Around 43% of El Nino events are accompanied by drought in India12. From the viewpoint of economic repercussions of droughts, north-west India, being a more irrigated belt, can stand the pressure of a drought better than western India, which is more rain-fed. Since the north-west is a cereal belt, below normal rains in this region may lead to a disruption in cereal production, implying pressures on cereal prices11.

Over the years, a number of strategies and policy instruments have been developed in order to mitigate the adverse effects of crop failures due to droughts and other reasons. One major institutional mechanism for this purpose is the enactment of a Disaster Management Act in which the central and the subnational governments have been given specific roles. Similarly, over the years, buffer stocks have been developed for selected crops, especially wheat and rice, with a view to stabilizing their prices in the presence of supply side challenges. Such strategies include Minimum Support Prices (MSP) which are announced from year to year by the central government based on recommendations of the Commission for Agricultural Costs and Prices. The recently introduced PM Fasal Bima Yojana (crop insurance program) is also part of the overall strategy aimed at mitigating the adverse impact of crop failures.

[12] "Preparing for a poor monsoon". The Hindu.

Indian Disaster Management Act and El Nino/IOD events

For effective drought management, India has in place an institutional mechanism that ensures coordinated action across ministries. The Ministry of Home Affairs is the nodal authority for natural disaster management. The other coordinating agencies are ministries of Agriculture, Rural Development, Drinking Water Supplies, Water Resources, Health, Science and Technology, Department of Space, India Meteorological Department, Relief Commission of state governments and non-governmental organizations. The Department of Agriculture and Cooperation is mandated to coordinate relief measures necessitated by drought. The National Disaster Management Cell at the Ministry of Agriculture monitors the drought situation in different states and the availability of resources13. The Department of Agriculture also reviews and updates the Crisis Management Plan (CMP) for drought every year before the commencement of the Kharif Season. The Plan defines the roles and responsibilities of various agencies involved in crisis management during drought14.

The state governments initiate necessary relief measures in the wake of natural calamities from the State Disaster Response Fund (SDRF). Contribution to SDRF is made by central and state governments in the ratio of 3:1 for 18 general category states15 and in the ratio of 9:1 for 10 special category states16. GoI provides additional financial assistance from the National Disaster Response Fund (NDRF), over and above SDRF, for natural calamities of severe nature as per established procedure and extant norms. Allocation under SDRF is made on the basis of recommendations of the Finance Commission.

Until a few years ago, the approach to drought management in India was largely reactive and relief centric. There has now been a shift from the relief-centric approach to a holistic and integrated management with emphasis on prevention, mitigation and preparedness, which has resulted in minimizing loss of lives and livelihoods on account of drought. Under the National Guidelines for the Management of Drought as per the NDMA, drought management encompasses three vital components namely, (1) drought intensity assessment and monitoring, (2) drought declaration and prioritization of areas for drought management, and (3) development and implementation of drought management strategies17.

Several institutional structures have been set up at the central and state levels for the early assessment and monitoring of droughts in India. At the national level, the Mahalanobis National Crop Forecast Centre (MNCFC) within the Department of Agriculture carries out drought assessment for 17 states of the country based on Drought Manual guidelines under National Agricultural Drought Assessment and Monitoring System (NADAMS) project, developed by National Remote Sensing Centre. Further, a Crop Weather Watch Group (CWWG) has been in place since 1979 to provide weekly reports of rainfall, agricultural operations, market prices, employment and other activities during the drought period. At the state level, institutions like State Drought Monitoring Centres and State Remote Sensing Application Centres (SRSACs) also play a critical role.

District Agriculture Contingency Plans (DACPs) have been formulated for more than 600 agriculturally important districts in the country so far by the Central Research Institute for Dryland Agriculture (CRIDA) to suggest contingency strategies to farmers to cope with major weather-related aberrations, including delay in onset of SWM, dry spells etc. CRIDA has prepared these extensive district plans covering crops, horticulture, livestock, poultry and fisheries sectors in consultation with state agricultural universities and state government departments18. Further, the state governments are expected to have contingency plans prepared for drought management at sub-district levels (tehsil/block/mandal/taluka).

Other important drought management strategies in India include (1) Contingency Crop Planning and Crop Insurance, (2) short- and long-term programmes including Drought Prone Areas Programme, Desert Development Programme, National Rural Employment Guarantee Scheme and Pradhan Mantri Gramodaya Yojana, and (3) Water resource management (Pradhan Mantri Krishi Sinchayee Yojana, National Rainfed Area Programme, and Water Harvesting and Conservation).

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[13] https://www.droughtmanagement.info/literature/UNW-DPC_NDMP_Country_Report_India_2014.pdf
[14] http://agricoop.gov.in/en/Drought
[15] Andhra Pradesh, Bihar, Chhattisgarh, Goa, Gujarat, Haryana, Jharkhand, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttar Pradesh & West Bengal
[16] 8 North Eastern States, namely, Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura & Sikkim; and 2 Hilly States, namely, Himachal Pradesh & Uttarakhand
[17] GoI 2010, 'National Disaster Management Guidelines; Management of Drought', National Disaster Management Authority, Government of India. http://www.ndma.gov.in/en/ndma-guidelines.html.
[18] https://agricoop.nic.in/sites/default/files/Manual%20Drought%202016.pdf

Conclusion

The meteorological organizations predict occurrence of a strong El Nino effect in FY2024 affecting India's agricultural performance. However, there is a high likelihood of this adverse impact being partially mitigated by the presence of a positive IOD. The World Meteorological Organization has predicted that the chances of El Nino developing are around 15% in April-June 2023, gradually increasing to 35% in May-July 2023, and rising to around 55% during June-August 2023, which can lead to severe pre- and post-monsoon phenomena. As per the India Meteorological Department's (IMD) long-range forecast released on 11 April 2023, the SWM is likely to be normal this year at 96% of the LPA, which has boosted kharif crop prospects. The forecast suggests a 49% probability for rainfall to be normal or above for the country as a whole. Currently, La Nina conditions have changed to neutral over the equatorial Pacific region, but El Nino conditions are likely to develop in the second half of the season, which is generally associated with deficient SWM rains. However, positive IOD conditions could offset the impact of El Nino.

Since the weight of agriculture in India's GVA in real terms has come down to close to 15%, even if El Nino impacts value added in agriculture, in RBI's assessment[19], real GDP growth in India may be well above 5.9% projected in the IMF's WEO. Policymakers need to prepare for any deficiencies in agricultural output, especially with respect to specific crops. We have noted that historically, sugarcane output is not much affected by El Nino events. However, food grains including rice, wheat and pulses, as well as oilseeds, significantly bear the brunt of the adverse El Nino impact. It is notable that the sowing of kharif pulses so far has been considerably weaker than last year[20]. In these cases, suitable releases from the buffer stock and arrangements for making up of supply deficiencies through imports on a timely basis may be considered.

[19] Reserve Bank of India - RBI Bulletin
[20] https://www.business-standard.com/economy/news/tur-urad-masur-tracking-pulses-as-india-preps-for-kharif-season-123061300539_1.html

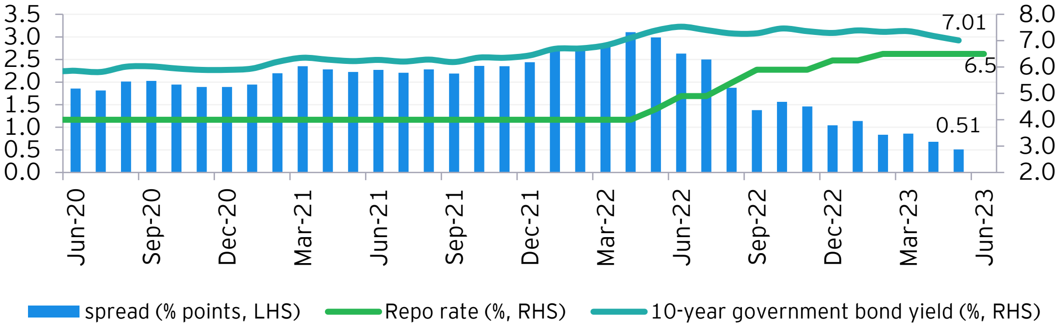
6. Money and finance: the RBI retained the repo rate at 6.5% in June 2023

A. Monetary sector

Monetary policy

- The Monetary Policy Committee (MPC) retained the repo rate at 6.5% in its monetary policy review held in June 2023, its second such decision since February 2023 **(Chart 8)**. Consequently, the Standing Deposit Facility rate and the Marginal Standing Facility rate were also retained at 6.25% and 6.75% respectively.
- Despite a sharp fall in CPI inflation in April 2023, the RBI expects it to average at 5.1% in FY24, remaining higher than the 4% target. The RBI has indicated that it would continue to be vigilant on the evolving inflation outlook given the uncertainty about the impact of El Nino on the south-west monsoon.

Chart 8: Movements in the repo rate and 10-year government bond yield



The RBI retained the repo rate for the second successive time at 6.5% in its June 2023 monetary policy review.

Source: Database on Indian Economy, RBI

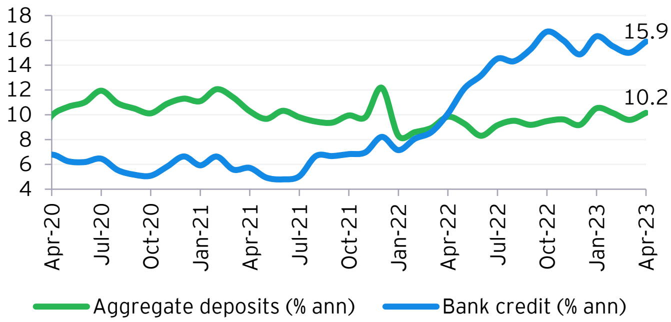
Money stock

- Growth in broad money stock (M3) increased for the second successive month to 10.1% in May 2023 from 9.5% in April 2023 as growth in time deposits increased during the month.
- Growth in time deposits increased to a 26-month high of 10.9% in May 2023 from 10.1% in April 2023.
- Growth in M1 at 7.6% in May 2023 was close to its level of 7.7% in April 2023. Although growth in currency with the public grew by 8.2% in May 2023, similar to its level in April 2023, growth in demand deposits moderated marginally to 6.3% in May 2023 from 6.8% in April 2023.

Aggregate credit and deposits

- Growth in gross bank credit by SCBs increased to a three-month high of 15.9% (y-o-y) in April 2023 from 15.0% in March 2023 **(Chart 9)**. This was led by a broad-based increase in the growth of credit to key sectors of the economy.
- Non-food credit posted a robust growth of 16.1% in April 2023, increasing further from 15.4% in March 2023.
- Sectoral bank credit data indicate that growth in outstanding credit to services was the highest at 21.6% in April 2023. This was followed by growth in credit to the agricultural sector, which increased to 16.7% in April 2023, its fastest pace since December 2014.

Chart 9: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Credit to industries grew by 7.0% in April 2023, improving from 5.7% in March 2023. Within the industrial sector, credit to cement and cement products and iron and steel continued to post double-digit growth rates of 20.9% and 22.3% respectively in April 2023.
- Credit to textiles grew by 4.3% in April 2023 as compared to 1.7% in March 2023. Growth in credit to infrastructure turned positive but remained low at 1.7% in April 2023.
- Personal loan growth remained robust at 19.4% in April 2023, although marginally lower than 20.6% in March 2023.
- Growth in aggregate deposits of residents increased to 10.2% in April 2023 from 9.6% in March 2023.

B. Financial sector

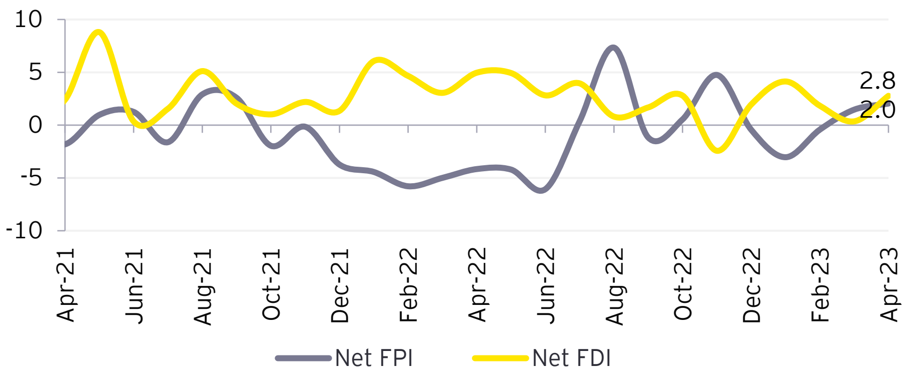
Interest rates

- As per the data released by the RBI on 2 June 2023, the average interest rate on term deposits with a maturity period of more than one year was retained for the fifth successive month at 6.63% in May 2023 with the actual rate ranging between 6.00% and 7.25%.
- The MCLR averaged 8.2% in May 2023, similar to its level in April 2023. Actual MCLR ranged between 7.9% and 8.5% during the month.
- The average yield on 10-year government bonds fell by 17 basis points to a 14-month low of 7.01% in May 2023 from 7.18% in April 2023 **(Chart 8).** In the first two months of FY24, on a cumulated basis, benchmark bond yields have fallen by 35 basis points. Benchmark bond yields may have been influenced by the easing CPI inflation rate.
- From a 39-month peak of 9.32% in March 2023, WALR on fresh rupee loans by SCBs moderated to 9.09% in April 2023.

FDI and FPI

- As per the provisional data released by the RBI on 23 June 2023, overall foreign investments[21] (FIs) inflows increased from US$1.8 billion in March 2023 to US$4.8 billion in April 2023, its highest level since August 2022.

Chart 10: Net FDI and FPI inflows (US$ billion)



Source: Database on Indian Economy, RBI

Net FDI inflows increased to a three-month high of US$2.8 billion in April 2023.

- Net FDI inflows increased to a three-month high of US$2.8 billion in April 2023 from US$0.4 billion in March 2023 **(Chart 10)**. Gross FDI inflows surged to a nine-month high of US$6.9 billion in April 2023 from US$4.5 billion in March 2023.
- Net FPIs remained positive for the second successive month with inflows increasing to US$2.0 billion in April 2023 from US$1.5 billion in March 2023.

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

Home

7. Trade and CAB: merchandise trade deficit widened to a five-month high of US$22.1 billion in May 2023

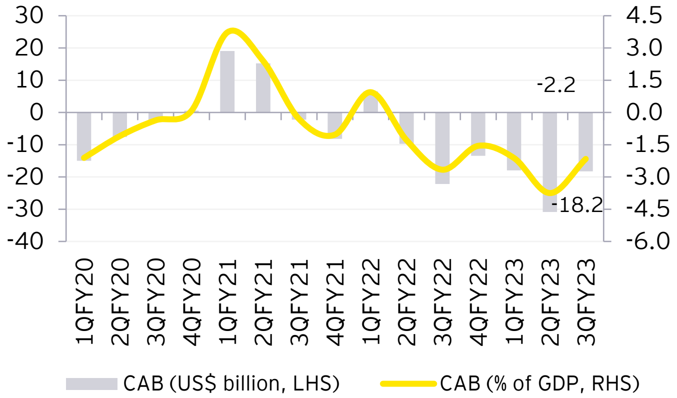
A. CAB: current account deficit fell to 2.2% of GDP in 3QFY23 from a nine-quarter high of 3.7% in 2QFY23

- Net merchandise trade deficit fell to 8.6% of GDP in 3QFY23 from 9.5% in 2QFY23. This was due to a) fall in imports to 21.1% of GDP from a 32-quarter high of 23.1% of GDP reflecting lower global crude prices and b) moderation in exports to a seven-quarter low of 12.5% of GDP in 3QFY23, reflecting easing global economic activity.
- Net invisibles relative to GDP increased to a 37-quarter high of 6.5% in 3QFY23, as net services exports improved to a 56-quarter high of 4.6% of GDP and net transfers to a 34-quarter high of 3.4% of GDP.

Table 7: 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
4QFY22	-1.6	-13.4	-54.5	41.1
1QFY23	-2.1	-18.0	-63.0	45.1
2QFY23	-3.7	-30.9	-78.3	47.4
3QFY23	-2.2	-18.2	-72.7	54.5

Chart 11: CAB



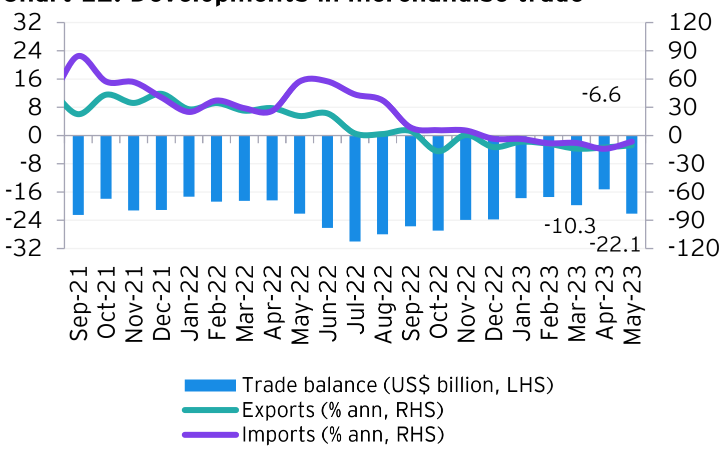
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

B. Merchandise trade and exchange rate

Merchandise exports and imports contracted by (-)10.3% and (-)6.6% in May 2023 as compared to (-)12.7% and (-)14.1% respectively in April 2023, reflecting subdued global demand.

- The contraction in overall exports and imports was led by contracting trade in oil which was partly due to the fall in oil prices on a y-o-y basis. Oil exports showed a contraction of (-)29.9% whereas oil imports fell by (-)6.0% in May 2023.
- The pace of contraction in exports excluding oil, gold and jewelry eased to (-)4.0% and that in imports of the same category turned positive at 0.5% after four successive months of contraction.
- Growth in exports of electronic goods accelerated to a 24-month high of 74.0% in May 2023 whereas growth in its imports turned positive at 18.1% after five successive months of contraction.
- A slower pace of contraction was seen in exports of engineering goods ((-)4.2%), readymade garments ((-)12.7%), and chemicals ((-)12.7%).
- Faster growth was witnessed in imports of machinery (25.4%), non-ferrous metals (25.7%), fertilizers (26.9%) whereas the pace of contraction in imports of chemicals and coal moderated to (-)20.3% and (-)16.9% respectively in May 2023, reflecting relatively resilient domestic investment demand.

Chart 12: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit increased to a five-month high of US$22.1 billion in May 2023 **(Chart 12).** Goods and services deficit was at its lowest level since June 2021 at US$(-)3.0 billion in April 2023.
- The rupee depreciated marginally to average INR82.3 per US$ in May 2023 from INR82.0 per US$ in April 2023.

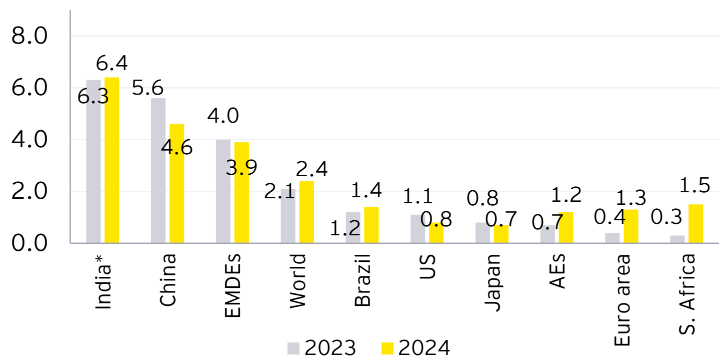
8. Global growth: World Bank projected global growth at 2.1% and 2.4% in 2023 and 2024

A. Global growth

> The World Bank has projected global growth to ease to 2.1% in 2023, with India's FY24 growth forecasted at 6.3%.

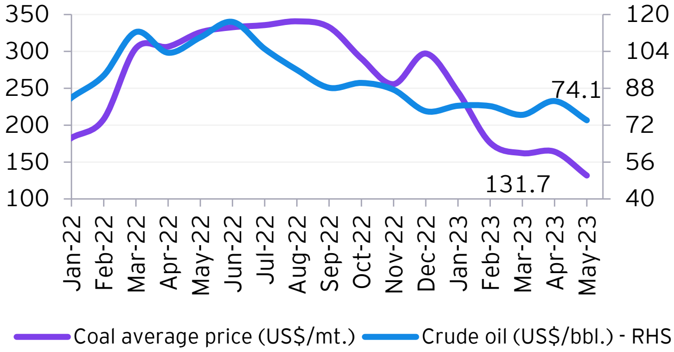
- The World Bank (June 2023) has projected global growth to slow from 3.1% in 2022 to 2.1% in 2023 before increasing to 2.4% in 2024 **(Chart 13)**.
- Growth in AEs is projected to decelerate substantially in 2023 to 0.7% and remain weak at 1.2% in 2024 as well due to monetary tightening, less favorable credit conditions, softening labor markets and high energy prices.
- In EMDEs, growth is forecasted to edge up to 4% in 2023, largely due to a recovery in China following the removal of strict pandemic-related mobility restrictions.
- India is projected to remain as the fastest growing economy, with its growth projected at 6.3% in 2023 (FY24) and 6.4% in 2024 (FY25). Growth in FY24 is expected to be supported by resilient private consumption and investment and a robust services sector, despite challenges pertaining to relatively high inflation. In FY25, the World Bank assesses India's inflation to move back toward the midpoint of the tolerance range.
- China's growth is projected to improve from 3% in 2022 to 5.6% in 2023 as economic reopening drives consumer spending, particularly on domestic services. With the reopening boost fading in the second half of the year, growth is projected to slow to 4.6% in 2024, as moderating consumption offsets a small pickup in exports.
- In the US, growth is projected to remain subdued at 1.1% in 2023, falling to 0.8% in 2024 mainly as a result of the lagged effects of the sharp rise in policy rates over the last one and a half years. In World Bank's assessment, slowdown in credit creation due to recent bank failures may also weigh on near-term activity.
- The Euro area is forecasted to grow by a meagre 0.4% in 2023. Growth is projected to improve to 1.3% in 2024 supported by reforms and investments funded by the Recovery and Resilience Facility.
- In Japan, growth is expected to slow to 0.8% in 2023 as the lagged effect of synchronized monetary policy tightening in major AEs weighs on external demand. Growth is projected to fall further to 0.7% in 2024 partly as a result of the gradual unwinding of macroeconomic policy support.

Chart 13: Global growth projections (%)



Source: Global Economic Prospects (June 2023)
*Data pertains to fiscal years FY24 and FY25 respectively.

Chart 14: Global crude and coal prices



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

B. Global energy prices: Global crude price fell to a 17-month low of US$74.1/bbl. in May 2023

- Average global crude price[22] fell from US$82.5/bbl. in April 2023 to a 17-month low of US$74.1/bbl. in May 2023 driven by concerns of a sharp growth slowdown in the US, Euro area, and China which appear to have reversed the price gains following the surprise announcement by OPEC+ countries to cut output **(Chart 14)**.
- Average global coal price[23] also fell to a 23-month low of US$131.7/mt. in May 2023 from US$164/mt. in April 2023. The World Bank[24] projected the average global coal price to fall from US$344.9/mt. in 2022 to US$200/mt. in 2023 and further to US$155/mt. in 2024.

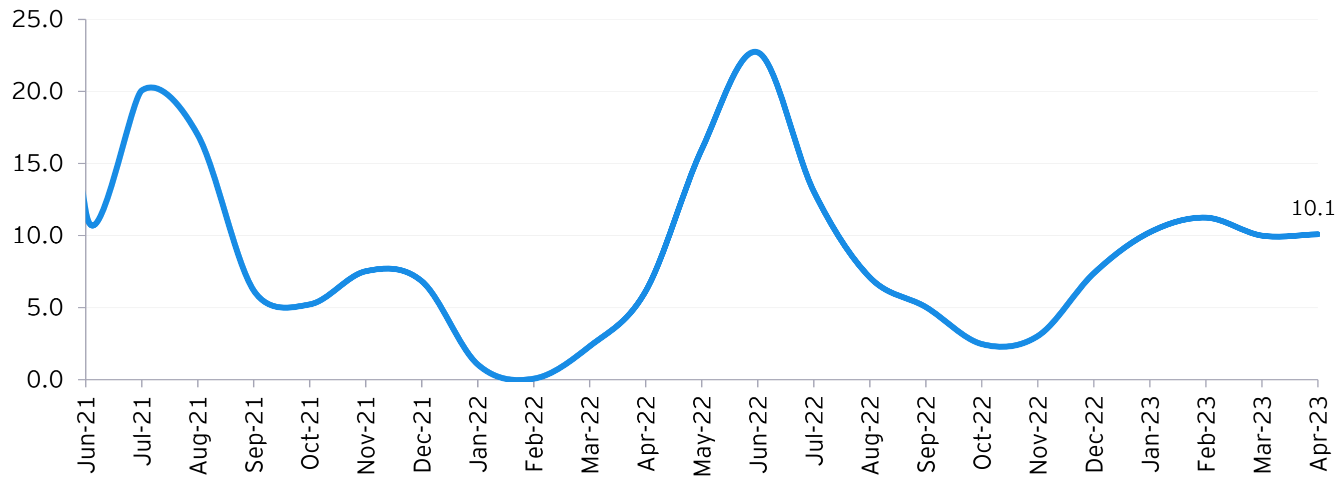
[22] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[23] Simple average of Australian and South African coal prices.
[24] Commodity Market Outlook, April 2023

9. Index of Aggregate Demand (IAD): posted a robust growth in April 2023

IAD posted a robust growth of 10.1% in April 2023

- IAD[25] continued to post a double-digit growth for the fourth successive month at 10.1% in April 2023, close to its level of 10% in March 2023 led by broad-based improvement in demand conditions across the major sectors of the economy **(Chart 15 and Table 8).**
- Demand conditions in the services improved significantly in April 2023 as indicated by services PMI, which increased to 62.0 from 57.8 in March 2023. Similarly, demand conditions in the manufacturing sector showed a recovery for the second successive month as reflected by the manufacturing PMI, which increased from 56.4 in March 2023 to 57.2 in April 2023.
- Demand conditions in the agricultural sector remained strong for the seventh successive month as indicated by a higher growth in agricultural credit off-take (sa)[26] at 16.6% in April 2023 from 15.5% in March 2023.

Chart 15: 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 8: IAD

Month	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
IAD	152.4	149.4	151.0	153.2	157.4	155.1	157.9	157.9	163.8
Growth (% y-o-y)	7.1	5.0	2.5	3.0	7.4	10.2	11.2	10.0	10.1
Growth in agr. Credit	13.4	13.4	13.5	13.7	11.4	14.5	15.0	15.6	16.6
Mfg. PMI**	6.2	5.1	5.3	5.7	7.8	5.4	5.3	6.4	7.2
Ser. PMI**	7.2	4.3	5.1	6.4	8.5	7.2	9.4	7.8	12.0

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

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

[25] EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa) capture the demand conditions in theagricultural sector

[26] 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							
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.5	-7.8	-9.6	-0.5	-6.4	FY21	50.2	41.7
FY22	11.4	12.2	11.7	8.0	10.4	FY22	54.0	52.3
FY23	5.2	5.8	4.6	8.9	7.7	FY23	55.6	57.3
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	2.8	7.6	1.4	7.9	4.9	3QFY23	56.3	56.7
4QFY23	4.4	6.9	3.7	6.0	6.7	4QFY23	55.7	58.1
Jan-23	5.8	9.0	4.5	12.7	9.7	Feb-23	55.3	59.4
Feb-23	5.8	4.8	5.6	8.2	7.2	Mar-23	56.4	57.8
Mar-23	1.7	6.8	1.2	-1.6	3.6	Apr-23	57.2	62.0
Apr-23	4.2	5.1	4.9	-1.1	3.5	May-23	58.7	61.2

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				
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	4.0	2.8	-8.0	2.2
FY22	5.5	3.8	11.3	6.1	13.0	6.8	11.1	32.5	11.0
FY23	6.7	6.6	10.3	6.2	9.4	6.3	5.6	28.1	5.8
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
3QFY23	6.1	5.3	10.5	6.2	6.6	3.3	3.7	21.0	3.7
4QFY23	6.2	5.6	9.8	6.2	3.3	2.7	1.4	12.5	1.6
Feb-23	6.4	6.0	9.9	6.4	3.9	2.8	1.9	14.0	2.2
Mar-23	5.7	4.8	8.8	5.9	1.4	2.3	-0.7	8.7	-0.3
Apr-23	4.7	3.8	5.5	5.2	-0.9	0.2	-2.4	0.9	-1.8
May-23	4.3	2.9	4.6	5.2	-3.5	-1.6	-3.0	-9.2	-2.2

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.7	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.3
FY22 (CGA)	33.8	55.7	43.5	49.6	20.1	6.7	4.4
FY23 (CGA)	12.7	16.0	20.0	17.9	7.2	6.4	3.9
FY24 (BE over FY 23 RE)	10.4	10.5	10.5	10.5	10.4	5.9	2.9
Cumulated growth (%, y-o-y)						% of budgeted target	
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$
Jan-23	12.6	14.8	18.9	16.8	8.6	67.8$	61.1$
Feb-23	12.0	13.5	19.1	16.2	8.1	82.8$	83.1$
Mar-23	12.7	16.0	20.0	17.9	7.2	98.7$	96.3$
Apr-23	-6.1	-32.0	7.8	-9.2	0.0	7.5	6.4

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)					
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
Jan-23	65,171	238	-1,671	10,427	74,165
Feb-23	60,075	394	-2,288	11,801	69,982
Mar-23	61,131	923	8,590	10,227	80,871
Apr-23	80,902	308	-9,304	11,861	83,767

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
Jul-22	4.90	FY20	9.5	9.9	43.0	1.4	FY20	11.2	8.9	6.83	475.6
Aug-22	5.40	FY21	6.0	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Sep-22	5.90	FY22	6.7	9.7	38.6	-16.8	FY22	10.6	8.7	6.40	617.6
Oct-22	5.90	FY23	14.5	9.5	28.7	-5.2	FY23	6.8	9.0	7.35	578.4
Nov-22	5.90	1QFY23	11.8	9.1	13.6	-14.6	1QFY23	8.7	7.8	7.34	593.3
Dec-22	6.25	2QFY23	14.7	9.3	6.4	6.5	2QFY23	8.5	8.6	7.32	532.7
Jan-23	6.25	3QFY23	15.8	9.4	2.3	4.9	3QFY23	12.4	10.7	7.37	562.9
Feb-23	6.50	4QFY23	15.6	10.1	6.3	-2.0	4QFY23	6.8	9.0	7.36	578.4
Mar-23	6.50	Jan-23	16.3	10.5	4.1	-3.0	Feb-23	8.7	9.5	7.34	560.9
Apr-23	6.50	Feb-23	15.5	10.1	1.8	-0.4	Mar-23	6.8	9.0	7.36	578.4
May-23	6.50	Mar-23	15.0	9.6	0.4	1.5	Apr-23	7.7	9.5	7.18	588.8
Jun-23	6.50	Apr-23	15.9	10.2	2.8	2.0	May-23	7.6	10.1	7.01	589.1

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2013	3.4	1.4	5.0
FY21	-7.0	-16.6	-101.4	74.2	43.8	67.2	2014	3.5	2.0	4.7
FY22	44.7	56.0	-191.0	74.5	78.4	164.8	2015	3.4	2.3	4.4
FY23	0.9	15.5	-282.0	80.4	92.7	283.4	2016	3.3	1.8	4.4
1QFY23	24.4	46.1	-66.7	77.2	110.1	321.7	2017	3.8	2.5	4.7
2QFY23	2.9	28.3	-83.7	79.8	96.4	336.4	2018	3.6	2.3	4.7
3QFY23	-9.9	2.3	-74.6	82.2	85.3	281.1	2019	2.8	1.7	3.6
4QFY23	-10.1	-6.7	-54.9	82.3	79.0	194.4	2020	-2.8	-4.2	-1.8
Feb-23	-8.8	-8.2	-17.4	82.6	80.3	176.1	2021	6.3	5.4	6.9
Mar-23	-13.9	-7.9	-19.7	82.3	76.5	162.0	2022	3.4	2.7	4.0
Apr-23	-12.7	-14.1	-15.2	82.0	82.5	164.0	2023	2.8	1.3	3.9
May-23	-10.3	-6.6	-22.1	82.3	74.1	131.7	2024	3.0	1.4	4.2

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook April 2023

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

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY20 (3rd RE)	3.9	6.2	-3.0	-3.0	2.3	1.6	6.0	6.8	6.6	3.0
FY21 (2nd RE) *	-4.2	4.1	-8.6	2.9	-4.3	-5.7	-19.7	2.1	-7.6	3.3
FY22 (1st RE)*	8.8	3.5	7.1	11.1	9.9	14.8	13.8	4.7	9.7	8.3
FY23 (PE)$	7.0	4.0	4.6	1.3	9.0	10.0	14.0	7.1	7.2	7.9
4QFY21	6.3	3.4	-3.8	19.4	2.5	20.1	-3.1	8.3	-0.7	5.2
1QFY22	20.2	3.4	12.2	51.5	16.3	77.0	41.4	2.8	6.5	6.1
2QFY22	9.3	4.8	10.6	6.6	10.8	10.8	13.1	7.0	16.8	8.0
3QFY22	4.7	2.3	5.4	1.3	6.0	0.2	9.2	4.3	10.6	9.4
4QFY22	3.9	4.1	2.3	0.6	6.7	4.9	5.0	4.6	5.2	9.7
1QFY23	11.9	2.4	9.5	6.1	14.9	16.0	25.7	8.5	21.3	12.5
2QFY23	5.4	2.5	-0.1	-3.8	6.0	5.7	15.6	7.1	5.6	10.1
3QFY23	4.7	4.7	4.1	-1.4	8.2	8.3	9.6	5.7	2.0	6.0
4QFY23	6.5	5.5	4.3	4.5	6.9	10.4	9.1	7.1	3.1	4.0

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

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY20 (3rd RE)	3.9	5.2	3.9	1.1	-3.4	-0.8	2.4
FY21 (2nd RE) *	-5.8	-5.2	-0.9	-7.3	-9.1	-13.7	4.7
FY22 (1st RE)*	9.1	11.2	6.6	14.6	29.3	21.8	8.5
FY23 (PE)$	7.2	7.5	0.1	11.4	13.6	17.1	8.2
4QFY21	3.4	6.8	23.4	14.0	3.9	11.9	8.2
1QFY22	21.6	17.6	-2.1	61.0	46.1	44.8	8.6
2QFY22	9.1	14.2	11.7	12.4	25.1	26.6	8.5
3QFY22	5.2	10.8	5.8	1.2	27.8	19.7	8.7
4QFY22	4.0	4.7	11.8	4.9	22.4	6.7	8.7
1QFY23	13.1	19.8	1.8	20.4	19.6	33.6	12.9
2QFY23	6.2	8.3	-4.1	9.6	12.2	23.1	10.3
3QFY23	4.5	2.2	-0.6	8.0	11.1	10.7	6.6
4QFY23	6.1	2.8	2.3	8.9	11.9	4.9	4.1

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

List of abbreviations

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

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

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