

ENTER

Economy Watch

Monitoring India's
macro-fiscal performance

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Highlights

1. In July 2023, PMI manufacturing at 57.7 remained above the threshold of 50 for the 25th consecutive month. PMI services at 62.3 was at its highest level since June 2010.
2. Led by a moderation in the growth of manufacturing output, IIP growth slowed to 3.7% in June 2023. In 1QFY24, IIP grew by 4.5%, similar to its level in 4QFY23.
3. During its August 2023 monetary policy review, the RBI retained the repo rate at 6.5% for the third successive time.
4. CPI inflation accelerated to a 15-month high of 7.4% in July 2023 from 4.9% in June 2023, driven by higher inflation in food items, particularly vegetables.
5. The pace of contraction in WPI decelerated to (-)1.4% in July 2023 from (-)4.1% in June 2023, led by a surge in the prices of tomatoes.
6. During 1QFY24, Gol's gross tax revenues (GTR) showed a growth of 3.3% with direct taxes witnessing a contraction of (-)1% and indirect taxes showing a growth of 9%.
7. Gol's total expenditure grew by 10.8% during 1QFY24, with capital expenditure witnessing a strong growth of 59.1% while revenue expenditure showing a contraction of (-)0.1%.
8. During 1QFY24, Gol's fiscal and revenue deficits as a proportion of their annual BE stood at 25.3% and 21.1%, respectively.
9. Gross bank credit by SCBs accelerated to a five-month high of 16.2% in June 2023 from 15.4% in May 2023.
10. Reflecting subdued global demand, merchandise exports and imports contracted sharply by (-)15.9% and (-)17% in July 2023, although lower than (-)22% and (-)17.5% respectively in June 2023.
11. Merchandise trade deficit widened marginally to US\$20.7 billion in July 2023 from US\$20.1 billion in June 2023.
12. In June 2023, net FPI inflows surged to US\$7.1 billion while net FDI outflows amounted to US\$0.5 billion.
13. After falling to an 18-month low of US\$73.3/bbl. in June 2023, average global crude price increased to US\$79/bbl. in July 2023, driven by expectations of an extension of oil production cuts by OPEC+ countries.
14. The IMF has projected global growth to ease to 3% in 2023, with India's FY24 growth forecasted at 6.1%.



Foreword

Inflationary pressures emerge while fiscal initiatives support growth

Owing to the seasonal inflationary pressures especially on vegetable prices, the RBI, in its August 2023 monetary policy review, has revised upwards, its CPI inflation projection for 2QFY24 by 1% point to 6.2% from its earlier estimate of 5.2% (June 2023). The annual inflation forecast has been revised upwards to 5.4% for FY24. The latest data indicates that CPI inflation accelerated to a 15-month high of 7.4% in July 2023 from 4.9% in June 2023 mainly on account of a surge in prices of food items, especially vegetables. In RBI's assessment, real GDP growth estimates remain buoyant at 6.5% for the current year. Relying on domestic demand to take care of growth in spite of the continued supply side challenges, the RBI has kept the repo rate unchanged at 6.5% with continued monitoring of the liquidity situation.

The fiscal landscape provides considerable reassurance for maintaining investment momentum. The union government has demonstrated proactive measures by front-loading its capital expenditure, resulting in a remarkable growth of 59.1% during 1QFY24. This is expected to crowd in private investment in the economy. As per the RBI (monthly bulletin for July 2023), a sustained pick up in bank credit, rising capacity utilisation, improved business outlook and demand conditions and government policy initiatives to support investment activities have provided a conducive environment for the private corporates to undertake fresh capital investment. Manufacturing capacity utilization has increased to 76.3 in 4QFY23, its highest level 4QFY13.

During 1QFY24, Gol's gross tax revenues (GTR) showed a growth of 3.3% with direct taxes witnessing a contraction of (-)1% and indirect taxes showing a growth of 9%. Personal Income Tax (PIT), union government's GST and customs duties showed double-digit growth rates of 11%, 11.5%, and 34.9% respectively while union excise duties (UED) and Corporate Income Tax (CIT) revenues continued to contract sharply at (-)15.4% and (-)13.9%. Non-tax revenues of the Gol showed a high growth of 149.3% during 1QFY24 on account of high receipt of dividends and profits which were at INR95,870 crores, already exceeding its FY24 BE by INR4,870 crore. This is largely attributable to high dividends transferred by the RBI to the Gol¹. Gol's total expenditure grew by 10.8% during 1QFY24, with capital expenditure witnessing a strong growth while revenue expenditure was curtailed, showing a contraction of (-)0.1%. During 1QFY24, Gol's fiscal and revenue deficits as a proportion of their annual BE stood at 25.3% and 21.1%, respectively. These are significantly lower as compared to the corresponding average levels during FY18 to FY21 at 73.5% and 93.9% respectively.

High-frequency indicators for June and July 2023 showed a strong growth momentum. In July 2023, PMI manufacturing at 57.7 remained above the threshold of 50 for the 25th consecutive month. PMI services at 62.3 was at its highest level since June 2010. As per Federation of Automobile Dealers' Association (FADA), growth in retail sales of vehicles remained robust at 10% in July 2023. Growth in power consumption increased to a six-month high of 7.9% in July 2023 from 3.3% in June 2023. As per the data released by the Ministry of Finance, gross GST revenues were at INR1.65 lakh crore in July 2023, increasing from INR1.61 lakh crore in June 2023. Growth in bank credit by SCBs accelerated to a five-month high of 16.2% in June 2023 from 15.4% in May 2023.

The IMF, in its July 2023 update of the World Economic Outlook, has revised upwards, India's FY24 real GDP growth projection by 0.2% points to 6.1% reflecting momentum from stronger than expected growth in 4QFY23 as a result of buoyant domestic investment. Growth is forecasted to increase to 6.3% in FY25. In comparison, global growth is projected to fall from 3.5% in 2022 to 3% in both 2023 and 2024, well below the historical annual average growth of 3.8% during 2000 to 2019. This subdued global growth is primarily attributable to advanced economies (AEs) with their growth forecasted to fall from 2.7% in 2022 to 1.5% in 2023 and further to 1.4% in 2024. In the US, growth is estimated at 1.8% in 2023, falling to 1% in 2024. Similarly, in the Euro area, growth is projected at just 0.9% in 2023 before modestly improving to 1.5% in 2024. Thus, among major economies, India is projected to be the fastest growing economy in FY23 and FY24. Further, based on IMF's medium-term projections released earlier in April 2023, India is expected to retain this position for the entire forecast period up to FY29. Based on IMF's projections, India is well on its way to become the third largest economy in terms of the size of its GDP measured in market exchange rate

¹ <https://rb.gy/5e824>

terms by FY28. In the In-focus section of this issue entitled '*India - towards becoming the third largest economy in the world*', we highlight India's relative prospects of growth in the medium term while discussing not only GDP but also other critical parameters of economic progress and prospects along with required policy initiatives to ensure sustaining growth at a high level.

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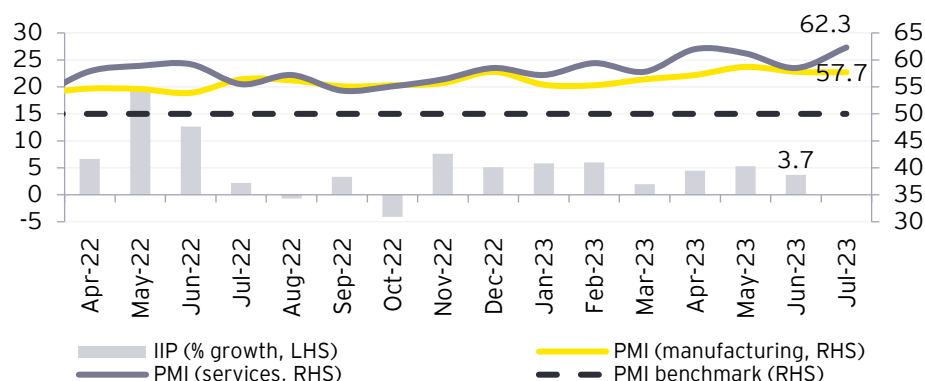


1. Growth: led by services, PMI indicated a substantial increase in private sector activity in July 2023

A. PMI: PMI services at 62.3 in July 2023 was at its highest level since June 2010

- ▶ Headline manufacturing PMI (seasonally adjusted (sa)) remained above the threshold of 50 for the 25th consecutive month in July 2023 with its level at 57.7, nearly unchanged from 57.8 in June 2023 (Chart 1). New orders, output, and employment growth continued to remain strong during the month.
- ▶ PMI services increased from 58.5 in June 2023 to 62.3 in July 2023, its highest level since June 2010. This is attributable to a pickup in international sales, along with the already buoyant domestic sales.
- ▶ Reflecting a substantial increase in private sector activity particularly boosted by the services sector, the composite PMI Output Index (sa) increased from 59.4 in June 2023 to 61.9 in July 2023, its highest level since June 2010.

Chart 1: PMI and IIP growth



In July 2023, PMI manufacturing at 57.7 remained above the threshold of 50 for the 25th consecutive month. PMI services at 62.3 was at its highest level since June 2010.

Source: MoSPI and S&P Global.

B. IIP: growth moderated to 3.7% in June 2023

- ▶ According to the quick estimates, IIP growth moderated to 3.7% in June 2023 from 5.3% (revised) in May 2023 (Chart 1) led by a slowdown in the growth of manufacturing output. In 1QFY24, IIP grew by 4.5%, similar to its level in 4QFY23.
- ▶ Among the sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, grew by 3.1% in June 2023, moderating from 5.8% (revised) in May 2023.
- ▶ Within manufacturing, among the key sectors, growth in motor vehicles and products (7.9%), pharmaceutical products (6.7%), other machinery and equipment (5.5%)², and other non-metallic mineral products (4.6%), witnessed a sharp moderation during the month.
- ▶ Among other major sub-industries, growth in the mining sector output increased for the third successive month to 7.6% in June 2023 from 6.4% in May 2023. Growth in the output of electricity also improved to 4.2% in June 2023 from 0.9% in May 2023.
- ▶ As per the 'use-based' classification of industries, growth in the output of infrastructure/construction remained strong at 11.3% in June 2023. Growth in the output of capital goods and consumer non-durables moderated sharply to 2.2% and 1.2% respectively, while that in consumer durables contracted by (-)6.9% in June 2023.
- ▶ According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) increased to a five-month high of 8.2% in June 2023. This was largely driven by strong growth rates in steel (21.9%), coal (9.8%), and cement (9.4%). Growth in the output of petroleum refinery products (4.6%) and electricity (3.3%) improved during the month. On a quarterly basis, core IIP showed a slower growth of 5.8% in 1QFY24 as compared to 7.0% in 4QFY23.

Led by a moderation in the growth of manufacturing output, IIP growth slowed to 3.7% in June 2023. In 1QFY24, IIP grew by 4.5%, similar to its level in 4QFY23.

² Refers to machinery and equipment not else classified (n.e.c)

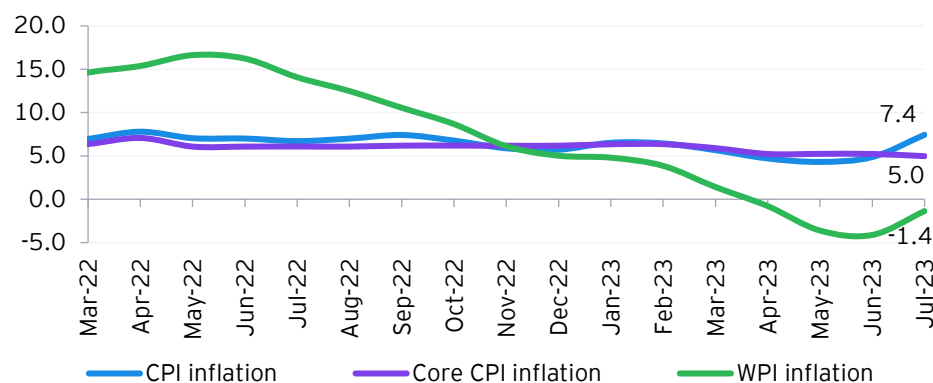


2. Inflation: CPI inflation accelerated to 7.4% in July 2023

CPI inflation accelerated to a 15-month high of 7.4% in July 2023 from 4.9% in June 2023, driven by higher inflation in food items, particularly vegetables (Chart 2).

- ▶ Consumer food inflation increased to a 39-month high of 11.7% in July 2023 from 4.5% in June 2023 as inflation in vegetables surged to 37.3% in July 2023 after remaining negative since November 2022.
- ▶ Inflation in vegetables was led by a sharp y-o-y increase in prices of tomatoes by 201.5% in July 2023, the highest increase under the 2012 series, after showing a contraction for eight successive months. The surge in prices of tomato was on account of an outbreak of mosaic disease in Karnataka and Maharashtra, as well as excessive rainfall in these and other major tomato growing states.
- ▶ Inflation in cereals remained in double-digit for the eleventh successive month at 13.0% in July 2023.
- ▶ Fuel and light-based inflation moderated to a 29-month low of 3.7% in July 2023, showing a deceleration for the seventh successive month. Contraction in the price of subsidized kerosene increased for the third successive month to (-)32.3% in July 2023. Inflation in LPG eased for the fourth consecutive month to a 32-month low of 4.9% in July 2023.
- ▶ Core CPI inflation³ eased to 5.0% in July 2023, its lowest level since June 2020, due to broader dis-inflationary pressures stemming from clothing and footwear, education services and housing services.

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



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

In July 2023, vegetable prices caused CPI inflation to rise to a 15-month high of 7.4%, but core CPI inflation moderated to 5.0% due to broader dis-inflationary pressures.

The pace of contraction in prices at the wholesale level (WPI) decelerated to (-)1.4% in July 2023 from (-)4.1% in June 2023, led by a surge in the prices of tomatoes.

- ▶ WPI food index increased to a 10-month high of 7.7% in July 2023 from (-)1.2% in June 2023 as inflation in vegetables accelerated to a 43-month high level of 62.1% from (-)22% over the same period. This was led by inflation in tomatoes, which surged to 236.3% in July 2023 after showing a contraction for eight successive months.
- ▶ The inflation in crude petroleum remained in the negative territory for the sixth successive month at (-)22.8% in July 2023 as compared to (-)32.7% in June 2023.
- ▶ Prices of fuel and power contracted for the third successive month at (-)12.8% in July 2023, marginally higher than (-)12.6% in June 2023, reflecting relatively lower global crude prices.
- ▶ Inflation in manufactured products was negative for the fifth successive month at (-)2.5% in July 2023, close to its level of (-)2.7% in June 2023, reflecting subdued inflation across segments. The pace of contraction in prices of manufactured food products slowed to (-)4.0% in July 2023 from (-)6.0% in June 2023.
- ▶ Core WPI inflation remained nearly constant at (-)2.2% in July 2023 as compared to (-)2.1% in June 2023.

³ Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

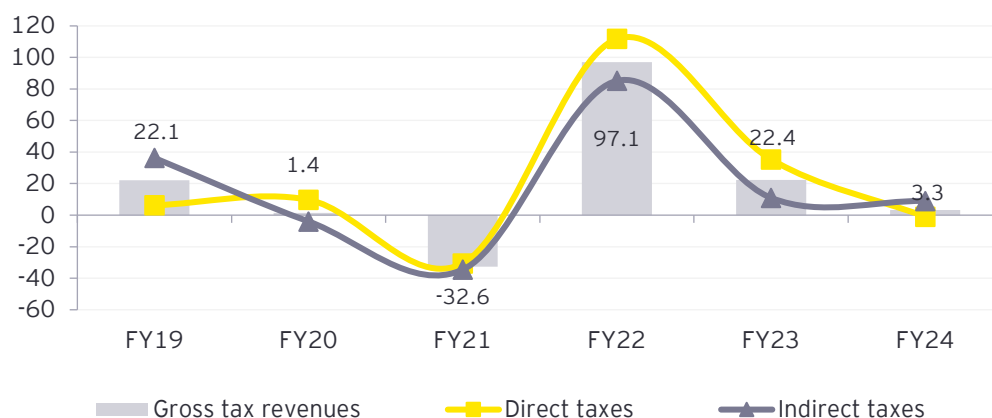


3. Fiscal: Gol's capital expenditure growth stood at 59.1% during 1QFY24

A. Tax and non-tax revenues

- ▶ As per the CGA, the union government's GTR^(b) showed a growth of 3.3% during April-June FY23 as compared to 22.4% during the corresponding period of FY23 (**Chart 3**).
- ▶ During 1QFY24, GTR stood at 20% of the annual BE, close to the three-year average ratio based on actual collections at 20.3% (excluding the COVID-19 affected year of FY21).
- ▶ Direct taxes^(a) showed a contraction of (-)1% while indirect taxes^(a) grew by 9% during April-June FY24. The corresponding growth rates in FY23 were at 35.4% and 11% respectively.
- ▶ CIT contracted by (-)13.9% during 1QFY24 as compared to a growth of 30% during 1QFY23. Considering the pre-COVID-19 period from FY15 to FY20, barring FY18, CIT revenues have shown either a contraction or a subdued growth during the first quarter largely reflecting high tax refunds.
- ▶ PIT revenues grew by 11% during April-June FY24 as compared to 40.7% during the corresponding period of FY23.
- ▶ Among indirect taxes, Gol's GST revenues^(c) grew by 11.5% during April-June FY24, lower than 24.9% during the corresponding period of FY23, partly owing to an unfavorable base effect.
- ▶ UED showed a contraction of (-)15.4% during 1QFY24 as compared to (-)9.8% during the corresponding period of FY23.
- ▶ Customs duties grew by 34.9% during 1QFY24 as compared to a contraction of (-)11.8% during 1QFY23.

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



During 1QFY24, Gol's GTR showed a growth of 3.3%, with direct taxes witnessing a contraction of (-)1% and indirect taxes showing a growth of 9%.

Source: Monthly Accounts, CGA, Government of India

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

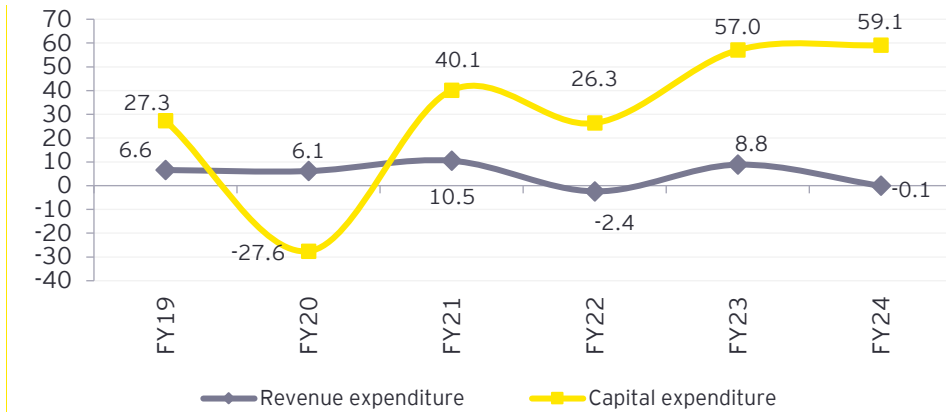
- ▶ Gol's non-tax revenues showed a high growth of 149.3% during 1QFY24 on account of high receipt of dividends and profits at INR95,870 crore, already exceeding its FY24 BE by INR4,870 crore. In comparison, non-tax revenues witnessed a contraction of (-)51.2% during 1QFY23.
- ▶ Non-tax revenues during 1QFY24 as a proportion of annual BE stood at 51.4%, much higher than the three-year average ratio of 21.3% based on actual collections.
- ▶ Non-debt capital receipts of the Gol during April-June FY24 stood at 12.7% of the BE as compared to the three-year average ratio of 21.3% based on actual collections.
- ▶ As per DIPAM⁴, disinvestment receipts as of 23 August 2023 stood at INR 5,600.93 crore, that is 10.9% of the FY24 BE at INR 51,000 crore³.

⁴ <https://dipam.gov.in/>

B. Expenditures: revenue and capital

- ▶ Gol's total expenditure grew by 10.9% during April-June FY24 as compared to 15.4% during the corresponding period of the previous year.
- ▶ Revenue expenditure during the first three months of FY24 showed a contraction of (-)0.1% as compared to a growth of 8.8% during the corresponding period of FY23 (**Chart 4**).
- ▶ Gol's capital expenditure was front-loaded, showing a strong growth of 59.1% during 1QFY24. This trend of a strong growth in Gol's capital expenditure during the first quarter is visible for the last three years as well.

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



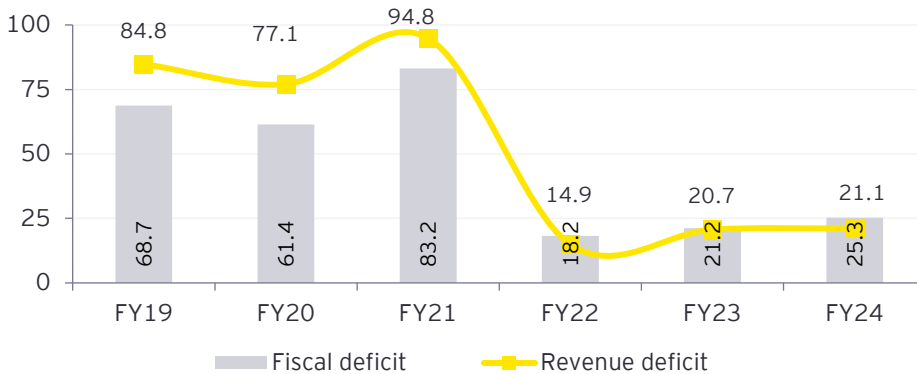
Gol's total expenditure grew by 10.8% during 1QFY24, with capital expenditure witnessing a strong growth of 59.1% while revenue expenditure showing a contraction of (-)0.1%.

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

C. Fiscal imbalance

- ▶ Gol's fiscal deficit during 1QFY24 stood at 25.3% of the BE, slightly higher than the corresponding ratios in FY22 and FY23 but significantly lower as compared to the respective levels during FY19 to FY21 (**Chart 5**).
- ▶ Gol's revenue deficit during this period stood at a low level of 21.1% of the BE, mainly on account of a contraction in Gol's revenue expenditure and a sharp increase in its non-tax revenues.

Chart 5: Fiscal and revenue deficit during April-June as percentage of BE



During 1QFY24, Gol's fiscal and revenue deficits as a proportion of their annual BE stood at 25.3% and 21.1%, respectively.

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



4. Comparative trends: OECD projected India's general government fiscal deficit at 7.9% of GDP in FY24

General government financial balance

- ▶ General government fiscal deficit relative to GDP had peaked in 2020 for all major advanced and emerging market economies (AEs and EMEs) in the wake of the COVID-19 pandemic.

- ▶ Although fiscal deficit to GDP ratios have moderated from their 2020 peaks, many governments have continued to provide sizable fiscal support in order to cushion the impact of high energy prices leading to higher fiscal deficit to GDP ratios in 2022 and 2023 relative to their pre-pandemic levels (average during 2016 to 2019).

- ▶ In the US, although a moderate fiscal consolidation is expected, some fiscal transfers from federal to state and local governments are yet to be fully spent. Further, there would also be an increase in public investment under the Infrastructure Investment and Jobs Act, given the 10-year horizon of this plan. These developments are expected to keep the level of general government fiscal deficit relative to GDP slightly elevated at 5.1% in 2023 and 2024 (**Table 1**).
- ▶ Other AEs (UK, Euro area and Japan) are expected to witness a moderation in their government fiscal deficit to GDP ratios in 2023 and 2024 with a full withdrawal of pandemic support and a gradual phasing out of energy-related support.
- ▶ As per the OECD, fiscal policy is expected to remain expansionary in Brazil with gradual consolidation starting only in 2024. Similarly, in China, fiscal policy is expected to continue to provide support through tax cuts and exemptions. In South Africa, the energy crisis is likely to slow the pace of fiscal consolidation.
- ▶ In India, a gradual move towards fiscal consolidation is expected to lower the government fiscal deficit to GDP ratio to 7.9% in 2023 and 2024 (FY24 and FY25) from 8.9% in 2022 (FY23).

Table 1: General government financial balances (% of GDP)

| Country | Avg. (2016 to 2019) | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------|---------------------|-------|-------|------|------|------|
| US | -5.7 | -14.9 | -12.1 | -4.2 | -5.1 | -5.1 |
| UK | -2.6 | -13.1 | -8.0 | -5.2 | -4.8 | -3.5 |
| Japan | -3.1 | -9.0 | -6.2 | -5.9 | -5.3 | -3.5 |
| Euro area | -0.9 | -7.1 | -5.3 | -3.6 | -2.9 | -2.2 |
| Brazil | -7.4 | -13.3 | -4.6 | -4.7 | -6.7 | -6.6 |
| India* | -6.4 | -13.1 | -10.4 | -8.9 | -7.9 | -7.9 |
| China | -3.3 | -7.0 | -6.6 | -6.7 | -6.7 | -6.6 |
| S. Africa | -4.3 | -11.3 | -6.6 | -5.4 | -6.4 | -6.2 |

Source: OECD Economic Outlook, June 2023; Note: +ve indicates surplus and -ve indicates deficit; *data pertains to fiscal year

Current account balance

- ▶ Among the selected AEs, while the US and the UK show a current account deficit (CAD), Japan and the Euro area show a surplus (**Table 2**).
- ▶ Among the AEs, except for the UK, the current account balance situation is expected to improve in 2023 and 2024 as compared to 2022. The US is projected to witness a lower CAD and current account surplus in Euro area and Japan is forecasted to increase.

- ▶ Among EMEs, while Brazil and India's CAD is expected to moderate in 2023 and 2024 relative to their local peaks in 2022, in the case of South Africa, it is expected to widen during these two years. China has a surplus on its current account which increased in 2022 mainly due to a sharp fall in imports owing to a slowdown in its domestic demand. Its current account surplus is expected to further increase in 2023 and 2024.

Table 2: Current account balances (% of GDP)

| Country | Avg. (2016 to 2019) | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------|---------------------|------|------|------|------|------|
| US | -2.1 | -2.9 | -3.6 | -3.7 | -3.3 | -3.3 |
| UK | -4.0 | -3.2 | -1.5 | -3.8 | -3.9 | -3.7 |
| Japan | 3.7 | 2.9 | 3.9 | 1.9 | 2.0 | 2.0 |
| Euro area | 3.4 | 2.6 | 3.7 | 0.7 | 2.4 | 2.6 |
| Brazil | -2.4 | -1.8 | -2.8 | -2.9 | -2.0 | -1.8 |
| India* | -1.4 | 1.0 | -1.2 | -2.6 | -1.8 | -1.3 |
| China | 1.0 | 1.7 | 2.0 | 2.2 | 2.5 | 2.4 |
| S. Africa | -2.6 | 2.0 | 3.7 | -0.5 | -2.4 | -2.6 |

Source: OECD Economic Outlook, June 2023; Note: +ve indicates surplus and -ve indicates deficit; *data pertains to fiscal year



5. In focus: India - towards becoming the third largest economy in the world

Introduction

The Indian economy is acknowledged to be the fastest growing large economy by major multilateral organizations, including the IMF. At the same time, some of the AEs are facing economic slowdown, chronic shortages, high inflation, and aging populations. India is climbing the ladder of large economies at an accelerated pace. Its GDP in market exchange rate terms overtook that of the UK in 2021 (FY2022 for India), making it the fifth-largest economy. According to the IMF, India's GDP is slated to exceed that of Germany and Japan in 2027 (FY2028 for India). This would place India as the third largest economy in the global order, behind US and China. In purchasing power parity (PPP) terms, however, India is already the third-largest economy, exceeding the GDPs of Germany and Japan by wide margins. In this write-up, we look at the comparative economic profile of the five largest economies, not only in terms of GDP but other major economic parameters that would determine the relative course of growth and development in these economies.

1. Comparing size of GDP in the medium term: alternative perspectives

In comparing the relative size of the economy using GDP as a summary measure, two perspectives can be drawn based on converting a domestic currency to US\$. One relates to conversion of the domestic currency using the market exchange rate and the other, using the PPP conversion rate. **Table 3** provides both comparisons based on IMF's medium-term projections. In terms of the more frequently used comparison based on market exchange rate, the Indian economy is projected to overtake both Japan and Germany in 2027 (FY2028 for India), that is four years from the current fiscal year. After reaching this stage, the US economy would still be nearly six times as large as the Indian economy in market exchange rate terms⁵.

In terms of the more relevant comparison, which focuses on the purchasing power of the domestic currency within the domestic economy, India is already the third largest economy, well above the next two largest economies, namely Japan and Germany. In PPP terms, at the end of 2027 (FY2028 for India), the US economy would be only about 1.7 times that of India. In the next few decades, if India is able to maintain a real growth rate of about 6% to 7%, it may be possible to catch up with the US economy⁶.

Table 3: Size of the economy as measured by nominal GDP

| Country | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| In US\$ trillion | | | | | | | |
| USA | 25.46 | 26.85 | 27.74 | 28.77 | 29.90 | 31.09 | 32.35 |
| China | 18.10 | 19.37 | 20.88 | 22.41 | 24.04 | 25.72 | 27.49 |
| Japan | 4.23 | 4.41 | 4.53 | 4.73 | 4.92 | 5.08 | 5.34 |
| Germany | 4.08 | 4.31 | 4.45 | 4.64 | 4.82 | 4.95 | 5.04 |
| India* | 3.39 | 3.74 | 4.06 | 4.40 | 4.77 | 5.15 | 5.58 |
| UK | 3.07 | 3.16 | 3.38 | 3.57 | 3.79 | 4.02 | 4.25 |
| In PPP International Dollar trillion | | | | | | | |
| China | 30.22 | 33.01 | 35.26 | 37.39 | 39.60 | 41.78 | 44.03 |
| USA | 25.46 | 26.85 | 27.74 | 28.77 | 29.90 | 31.09 | 32.35 |
| India* | 11.86 | 13.03 | 14.17 | 15.33 | 16.56 | 17.88 | 19.31 |
| Japan | 6.14 | 6.46 | 6.67 | 6.83 | 7.00 | 7.15 | 7.31 |
| Germany | 5.35 | 5.55 | 5.73 | 5.96 | 6.18 | 6.37 | 6.57 |
| UK | 3.71 | 3.85 | 3.97 | 4.13 | 4.29 | 4.45 | 4.60 |

Source (basic data): IMF World Economic Outlook (April 2023)

*Data pertains to fiscal year. For example, 2022 implies FY2023 and so on.

There are, however, various critical economic parameters other than GDP that are relevant in such inter-country comparisons of economic growth prospects and potential. We consider some of these below.

⁵ For the year-wise profile of the size of the Indian economy as measured by its GDP in market exchange rate terms up to FY2048, see, EY (2023). India@100: Realizing the potential of a US\$26 trillion economy.

⁶ EY Economy Watch (August 2022). In focus section 'India's growth potential: the next 25 years and beyond';

https://assets.ey.com/content/dam/ey-sites/ey-com/en_in/topics/tax/economy-watch/2022/08/ey-economy-watch-august-2022.pdf

2. Comparing populations and workforce

One important distinguishing feature of the Indian economy in the current century would be its economic potential linked to the size and age structure of its population. In terms of the overall size, India is estimated to have the largest share in global population at 17.8%, that is more than one-sixth of the global population, overtaking China in the current year⁷ (Table 4). As part of the evolving demographic trends, major changes are predicted in the share of the working age population in India's total population and the dependency ratios, particularly the old age dependency. In terms of the share of working age population, India is expected to overtake China in 2030. This share is projected to remain not only higher than that of China in the remaining decades of this century, but the gap is also estimated to increase over time.

Table 4: Demographic trends: size and structure of population

| Country | 2010 | 2020 | 2023 | 2030 | 2040 | 2047 | 2100 |
|--|------|------|------|------|------|------|------|
| Share in global population (%) | | | | | | | |
| India | 17.8 | 17.8 | 17.8 | 17.7 | 17.5 | 17.3 | 14.8 |
| China | 19.3 | 18.2 | 17.7 | 16.6 | 15.0 | 14.0 | 7.4 |
| US | 4.5 | 4.3 | 4.2 | 4.1 | 4.0 | 3.9 | 3.8 |
| Japan | 1.8 | 1.6 | 1.5 | 1.4 | 1.2 | 1.1 | 0.7 |
| Germany | 1.2 | 1.1 | 1.0 | 1.0 | 0.9 | 0.8 | 0.7 |
| Working age-group (15 to 64 years) share in total population (%) | | | | | | | |
| India | 64.0 | 67.2 | 68.0 | 68.9 | 68.4 | 67.5 | 56.3 |
| China | 72.9 | 69.4 | 68.9 | 68.7 | 62.9 | 59.9 | 49.3 |
| US | 67.1 | 65.3 | 64.7 | 63.0 | 61.5 | 60.9 | 55.5 |
| Japan | 63.2 | 58.5 | 58.5 | 57.9 | 53.8 | 51.8 | 50.1 |
| Germany | 65.9 | 64.3 | 63.3 | 59.7 | 57.6 | 57.2 | 53.4 |
| World | 65.3 | 64.9 | 65.0 | 65.1 | 63.9 | 63.2 | 59.5 |
| Old age-group (above 65 years) share in total population (%) | | | | | | | |
| India | 5.1 | 6.7 | 7.1 | 8.8 | 11.6 | 13.8 | 29.8 |
| China | 8.6 | 12.6 | 14.3 | 18.2 | 26.2 | 28.7 | 40.9 |
| US | 13.0 | 16.2 | 17.6 | 20.5 | 22.4 | 23.2 | 30.5 |
| Japan | 23.6 | 29.6 | 30.1 | 31.4 | 35.2 | 37.0 | 38.7 |
| Germany | 20.5 | 22.0 | 22.7 | 26.4 | 29.5 | 30.1 | 33.7 |
| World | 7.7 | 9.4 | 10.0 | 11.8 | 14.5 | 15.8 | 24.0 |

Source: UN World Population Prospects 2022

One important aspect of the age structure of the population is the old age dependency ratio. The lower is the share of people above 65 years of age in the total population of a country, the higher would be its saving and investment rates since a relatively larger portion of the population would be earning and spending lower amounts on the sustenance of the elderly in the family. They would then be in a position to save for their own future or invest in the future of their children, especially through education. India would maintain the lowest old age dependency ratio throughout the remaining decades of the century relative to the peer countries.

One major challenge for the Indian economy, however, relates to finding productive employment for the large and growing working age population. If these people can be productively employed, it would provide significant economic growth potential. However, if a good portion of this population remains unemployed or under-employed, it would hinder India's potential growth. Creation of suitable employment opportunities is therefore India's key current policy challenge. This situation may become even more challenging due to the emerging labor-saving technological developments relating to AI and Generative AI. This subject is discussed in section 5 of the In-Focus.

⁷ India's total population in 2023 is estimated at 1428.6 million while that of China is estimated at 1425.7 million (<https://www.unfpa.org/data/world-population-dashboard>)

Table 5 shows that India's labor force participation rate is the lowest among the peer countries. With respect to the female labor force participation rate, India's gap from the peer countries is even wider.

Table 5: Labour force participation rates (%)

| Country | 1990 | 2000 | 2010 | 2015 | 2019 | 2023 | 2024 |
|---|------|------|------|------|------|------|------|
| Total labour force participation rate | | | | | | | |
| China | 79.2 | 76.8 | 71.0 | 69.3 | 67.4 | 66.2 | 65.8 |
| Japan | 63.3 | 62.4 | 59.6 | 59.5 | 62.0 | 63.1 | 63.2 |
| US | 65.0 | 65.9 | 63.5 | 62.1 | 62.6 | 62.0 | 61.7 |
| Germany | 58.0 | 57.5 | 59.4 | 60.2 | 61.9 | 61.7 | 61.5 |
| India | 54.2 | 57.2 | 54.7 | 50.5 | 49.4 | 49.6 | 49.6 |
| Female labour force participation rate | | | | | | | |
| China | 73.1 | 70.6 | 63.7 | 62.7 | 61.4 | 60.4 | 60.0 |
| US | 55.9 | 58.9 | 57.6 | 56.0 | 56.9 | 56.5 | 56.2 |
| Germany | 45.4 | 48.9 | 53.1 | 54.7 | 56.6 | 56.5 | 56.4 |
| Japan | 50.1 | 49.2 | 48.4 | 49.4 | 53.3 | 54.6 | 54.8 |
| India | 27.8 | 30.5 | 28.8 | 23.7 | 23.7 | 24.1 | 24.1 |

Source: ILO Modelled estimates (2022), ILOStat

3. Comparing liabilities

Another critical economic dimension is to assess a country's liabilities relative to its respective GDP, as this indicates the burden of debt servicing for future generations which is to be provided from future income. Table 6 provides the total as well as government debt-GDP ratios. Here, total debt covers liabilities of households, private non-financial corporations, and the government. India is most favorably placed in comparison to its peers with a total debt-GDP ratio of 172.7% at the end of December 2022. In comparison, China's total debt-GDP ratio was nearly 300% and that of Japan was more than 400%. These high liabilities would have to be serviced by these countries, especially in a period when the share of their working age population would be shrinking.

Table 6: Total debt and government debt relative to GDP (%)

| Year | India | Germany | USA | China | Japan |
|--|-------|---------|-------|-------|-------|
| Total debt relative to GDP (end December) | | | | | |
| 2015 | 169.9 | 195.5 | 248.7 | 239.0 | 359.5 |
| 2019 | 165.7 | 187.3 | 255.1 | 266.3 | 381.5 |
| 2020 | 188.1 | 209.3 | 294.3 | 294.1 | 421.5 |
| 2021 | 174.1 | 207.1 | 277.7 | 285.1 | 416.1 |
| 2022 | 172.7 | 190.0 | 255.6 | 297.2 | 414.1 |
| General government debt relative to GDP | | | | | |
| 2015 | 69.0 | 71.9 | 105.1 | 41.5 | 228.3 |
| 2019 | 75.0 | 58.9 | 108.7 | 60.4 | 236.4 |
| 2020 | 88.5 | 68.0 | 133.5 | 70.1 | 258.7 |
| 2021 | 84.7 | 68.6 | 126.4 | 71.8 | 255.4 |
| 2022 | 83.1 | 66.5 | 121.7 | 77.1 | 261.3 |
| 2023 | 83.2 | 67.2 | 122.2 | 82.4 | 258.2 |
| 2024 | 83.7 | 66.5 | 125.8 | 87.2 | 256.3 |
| 2025 | 83.8 | 64.4 | 129.1 | 92.0 | 257.6 |
| 2026 | 83.8 | 62.3 | 131.8 | 96.5 | 259.2 |
| 2027 | 83.7 | 60.9 | 134.0 | 100.8 | 261.5 |
| 2028 | 83.6 | 59.6 | 136.2 | 104.9 | 264.0 |

Source (basic data): BIS, IMF

Notes: (1) Total debt to GDP ratios are sourced from BIS

(2) Data for government debt to GDP ratios is sourced from IMF World Economic Outlook (April 2023). Government debt-GDP ratios are projected beyond 2022.

(3) For government debt-GDP ratio, data for India pertains to fiscal year. For example, 2022 implies 2022-23 and so on.

An important component of the total debt of a country pertains to government debt. Government debt in many countries is controlled through Fiscal Responsibility Legislations (FRLs). A sustainable level of government debt to

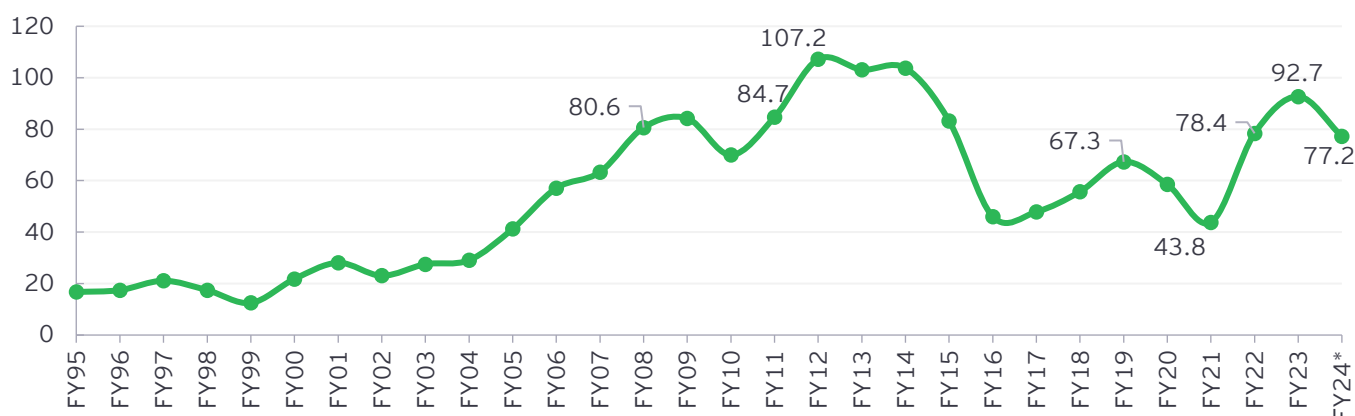
GDP ratio indicates a country's ability to pursue macro stabilization objectives by fiscal expansion in times of an economic downturn. India's government debt-GDP ratio is the second lowest after Germany. Both, for India and for European countries, the general government debt-GDP ratio target is 60% as per India's FRBM Act 2018 and the Maastricht Treat Norms, respectively. One important difference between India's FRBM and the Maastricht Treaty Norms is the underlying growth rate. The underlying growth rate in nominal terms under the Maastricht Treaty Norms is 5.26% while for India, it is 11%⁸. Since India is projected to maintain a higher growth rate in real and nominal terms in the upcoming decades, its government debt to GDP ratio may be brought within sustainable limits relatively faster. As part of a growth sustaining economic strategy, India should also prepare for certain other challenges and vulnerabilities which are discussed in the next section.

4. India-specific challenges

One vulnerability specific to the Indian economy relates to the volatility of global crude prices. **Chart 6** shows global crude price movements beginning the mid-1990s. After remaining subdued during FY1996 to FY2004, global crude prices witnessed a long stretch of price surge up to FY2009. Following a price crash in FY2010 in the aftermath of the global economic and financial crisis, there was a second phase of increase in global crude prices wherein prices crossed US\$100/bbl., reaching a peak of US\$107.2/bbl. in FY2012.

More recently, FY2021 witnessed a sharp fall in global crude prices due to COVID-19-induced demand slowdown. In FY2022, prices increased as there was a release of pent-up demand along with significant supply rigidities. The third and the most recent phase of the price upsurge began in FY23 on account of the ongoing geopolitical tensions. Global crude prices averaged US\$92.7/bbl. in FY2023 and have moderated at a slow pace during April-July FY2024.

Chart 6: Movements in global crude oil prices (US\$/bbl.)



Source (basic data): World Bank

*Global crude prices in FY2024 represents average price during April to July 2023.

India's vulnerability to crude price upsurges is captured in a recent study by the RBI (2019, 2021) which estimates that relative to a benchmark price of the Indian crude basket at US\$75/bbl., an increase of US\$10/bbl. leads to a fall of 0.27% points in real GDP growth and an increase of 0.4% points in CPI inflation⁹.

India is facing price and source volatility due to geopolitical developments, which include sanctions on oil producers like Russia and production controls by OPEC countries. This has led to India changing its sources of supply in search both of assured sources as well as the lowest possible prices.

In the 2010s, India diversified its sources favoring Latin American countries and Africa. Venezuela alone accounted for 11.2% of India's oil imports in 2013 in volume terms. However, since 2019, several geopolitical changes prompted Indian oil majors to change their import strategy. By FY2022, India completely ceased its oil purchases from Iran and Venezuela, and considerably reduced imports from Mexico as well. Instead, India switched to the US for oil imports. As a result, the US went from being the 10th largest supplier of oil to India in 2018 to the fourth largest

⁸ Srivastava, D. K., Bharadwaj, M., Kapur, T., & Trehan, R. (2021). Revisiting fiscal responsibility norms: a cross country analysis of the impact of Covid-19. *Business and Economics Journal*, 12(2021), 370 (Page 6).

⁹ https://www.rbi.org.in/Scripts/MSM_Mintstreetmemos17.aspx

For RBI (2021), source is Monetary Policy Report, October 2021 - In the original study, a baseline assumption for Indian crude basket at US\$75/bbl. for 2HFY22 is considered.

by FY2022 preceded by Iraq, Saudi Arabia, and the UAE, and followed by Nigeria at the fifth position. In FY23, the top five sources of oil imports have been Russia, Iraq, Saudi Arabia, the UAE, and the US¹⁰.

5. Growth promoting and sustaining economic policies

As mentioned earlier in section 2, the technological innovations pertaining to AI/Gen AI result in growth promoting but employment reducing impacts. India has to ensure, by suitable policy support, that the employment reducing effect of these technological developments is overcome by the growth expansion effects in a manner such that net employment growth remains suitably positive while overall GDP growth is considerably enhanced. **Table 7** provides a summary of some of the recent available estimates of the economic impact of AI/Gen AI on the global as well as the Indian economies.

Estimates available from NASSCOM* (2022)¹¹ indicate that AI could add US\$957 billion to the Indian economy by changing the nature of work to create better outcomes for businesses and society, implying that AI has the potential to increase India's annual GVA growth by 1.3% points, lifting the country's income by 15% in 2035.

It is important for the government to continue to encourage participation in AI/Gen AI by institutions of higher learning, businesses in the formal sector, start-ups operating in various sectors of the economy and multi-stakeholder partnerships. These entities would need to invest in developing AI growth blueprints, R&D directed towards AI especially Gen AI, prepare robust data capture technologies while remaining consistent with suitable regulations, and build capacity in multidisciplinary work by training and skilling India's next generations in science, technology, engineering, arts, and mathematics.

Table 7: Estimates of the economic impact of AI/Gen AI

| # | Institution | Year of publication | Country /Region | Time period | Focus area | Economic impact | Notes |
|---|---|---------------------|-----------------|-----------------------------------|-------------|-------------------------------|---|
| 1 | McKinsey Global Institute | June 2023 | Global | Annual | AI | US\$ 11.0 - US\$17.7 trillion | Covering use cases and increase in productivity resulting from application of technology across knowledge workers' activities. |
| | | | | | Gen-AI | US\$ 6.1 - US\$ 7.9 trillion | |
| | | | | | AI + Gen AI | US\$ 17.1 - 25.6 trillion | |
| 2 | Goldman Sachs | March 2023 | Global | Annual, over a period of 10 years | Gen-AI | US\$ 7 trillion | Gen-AI could increase annual global GDP by 7%. |
| 3 | The International Telecommunication Union | December 2018 | Global | by 2030 | AI | US\$ 13 trillion | This is about 16% higher cumulative GDP compared with the level of GDP in 2018. This translates to about 1.2% additional GDP growth per year. |
| 4 | FICCI, Access Partnership | June 2023 | India | ---- | Gen-AI | US\$ 621 billion | Equivalent to nearly 18% of GDP in 2021. High impact sectors: manufacturing at 41% (US\$255 billion), wholesale and retail sectors at 14% (US\$87 billion), construction at 9% (US\$57 billion), transport services at 8% (US\$47 billion), and real estate, renting and other business activities at 7% (US\$40 billion). |

¹⁰ Based on data sourced from the Ministry of Commerce and Industry

¹¹ ai-gamechangers-22-06-2022.pdf (indiaai.s3.ap-south-1.amazonaws.com); <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1896016>

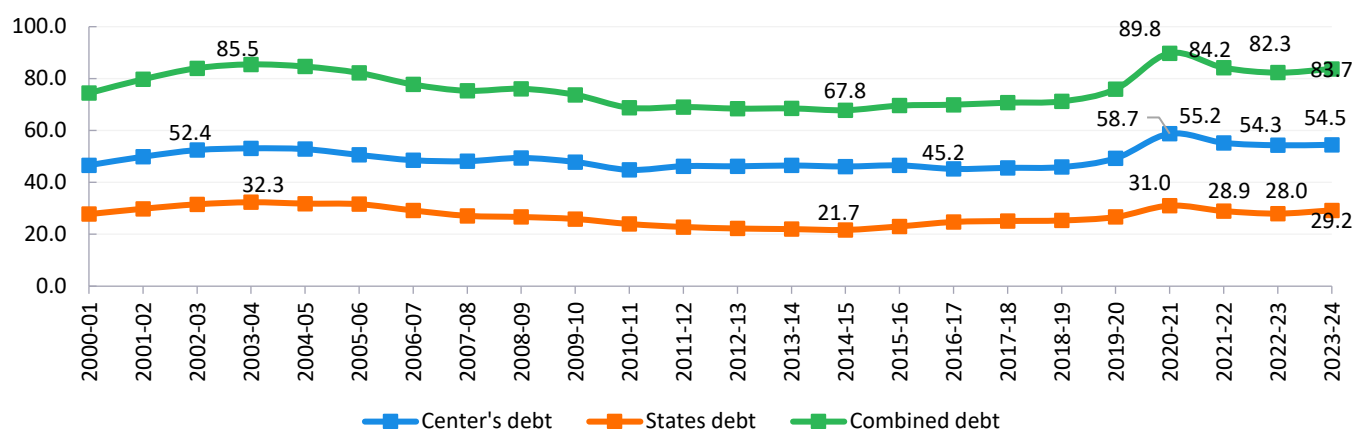
| | | | | | | | |
|---|----------------|-----------|-------|------------------------------|----|--------------------|--|
| 5 | NASSCOM and EY | 2022 | India | by FY2026 | AI | US\$ 500 billion | Four sectors namely BFSI, CPG and retail, healthcare, and industrials and automotive contributing nearly 60% of the net new value add. |
| 6 | ICRIER | July 2020 | India | Annual, over the medium term | AI | US\$ 67.25 billion | Estimated at 2.5% of 2017-18 nominal GDP. |
| 7 | NASSCOM* | 2022* | India | By 2035 | AI | US\$ 957 billion | AI has the potential to increase India's annual GVA growth by 1.3% points, lifting the country's income by 15% in 2035. |

Source (basic data): EY compilation

*NASSCOM Report titled 'AI Gamechangers 2022 - Realizing India's AI Promise' sources this estimate from Accenture (2017)¹²

One critical dimension of India's future economic strategy should be focused on developing the capacity to minimize the adverse impact of global economic upheavals. This calls for suitable macro stabilization policies. One dimension of these policies pertains to fiscal capacity for undertaking stimulus measures in the context of global economic slowdowns. This could be ensured by suitably reforming India's FRL framework. India's combined government debt-GDP ratio shot up to a peak level of 89.8% in FY2021¹³. It has started falling since then (Chart 7) but has remained well above the FRBM norms. As recommended by the Fifteenth Finance Commission, the FRBM framework may need to be recast. In particular, there is a need to provide suitable flexibility for increasing fiscal deficit relative to GDP on the combined account of central and state governments in the face of significant global economic slowdowns or recessions.

Chart 7: India's government debt to GDP ratio: Centre, states and combined



Source (basic data): IPFS, MoF, Union Budget 2023-24

Note: (1) Centre's net liabilities excludes all on-lending to states. It includes external debt estimated at the current market exchange rate.

(2) The combined debt-GDP ratio is the sum of central net liabilities excluding all on-lending to states and states' liabilities.

A similar sustainability issue arises in the context of external debt and current account deficit. At present, India's total external debt relative to GDP is nearly 18.9% (end-March 2023)¹⁴. The volume of external debt poses a different kind of economic problem, particularly if the share of exports in GDP is also limited. The entire external sector needs to remain stable to protect the economy against external shocks.

India's share of exports in nominal terms has ranged between 20.4% and 25.4% during the period FY07 to FY15, averaging close to 23%. Since then, it has fallen, averaging 19.5% during the FY16 to FY22 (Table 8). It is notable that during 2006 to 2014, global GDP growth averaged 3.8% while during 2015 to 2021, it averaged 2.9%. Thus, in a

¹² <https://newsroom.accenture.com/news/artificial-intelligence-could-add-957-billion-to-indian-economy-according-to-new-research-by-accenture.htm#:~:text=The%20report%2C%20Rewire%20for%20Growth,by%2015%20percent%20in%202035.>

¹³ Srivastava D.K. (2023). Balancing Growth with Fiscal Consolidation. Economic and Political Weekly, Vol. 58, Issue no. 12. 25 March 2023.

¹⁴ External debt is sourced from RBI's Database on Indian Economy

global slowdown, India's exports fall by a few percentage points, and in an expansionary phase, they regain this ground. A similar pattern characterizes the share of imports.

Table 8: Share of total exports and imports in nominal GDP (%)

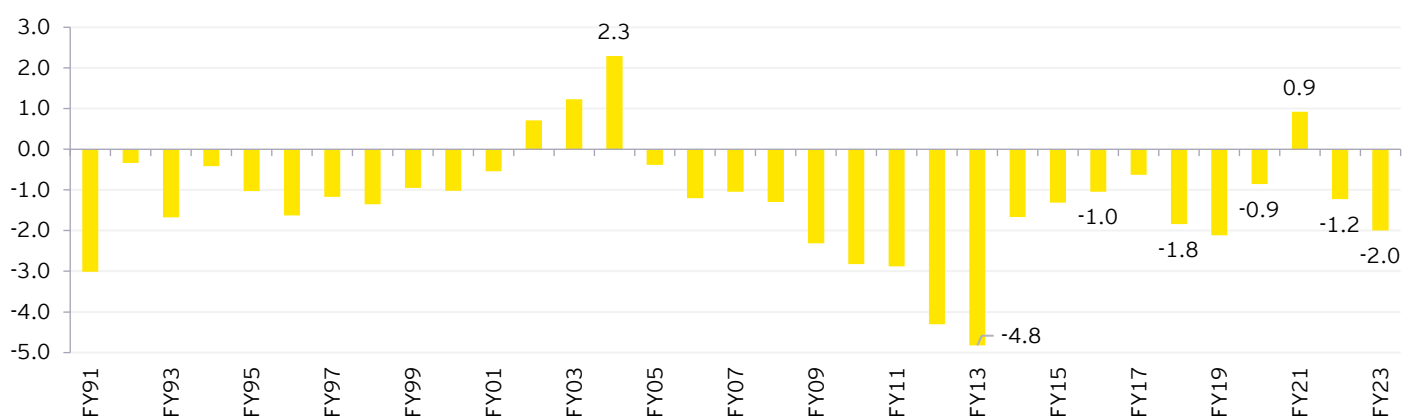
| Year | Exports | Imports | Year | Exports | Imports |
|------|---------|---------|------|---------|---------|
| FY06 | 19.6 | 22.4 | FY15 | 23.0 | 26.0 |
| FY07 | 21.3 | 24.5 | FY16 | 19.8 | 22.1 |
| FY08 | 20.8 | 24.9 | FY17 | 19.2 | 20.9 |
| FY09 | 24.1 | 29.3 | FY18 | 18.8 | 22.0 |
| FY10 | 20.4 | 25.9 | FY19 | 19.9 | 23.7 |
| FY11 | 22.4 | 26.9 | FY20 | 18.7 | 21.2 |
| FY12 | 24.5 | 31.1 | FY21 | 18.7 | 19.1 |
| FY13 | 24.5 | 31.3 | FY22 | 21.5 | 24.2 |
| FY14 | 25.4 | 28.4 | FY23 | 22.8 | 26.4 |

Source (basic data): MoSPI

In this context, ascertaining a suitable level of sustainable current account deficit is critical. Some recent estimates put it at 1.3% of GDP¹⁵. Earlier studies have shown that a current account deficit of about 2.3% of GDP annually may be sustainable¹⁶.

Chart 8 provides a relatively longer-term perspective on the movement of India's current account balance. Most years show a deficit on the current account while only four years have been characterized by a surplus. The current account deficit had reached a peak of 4.8% of GDP in FY2013 after which it fell. The long period average of current account balance as percentage of GDP over the period FY1991 to FY2023 is (-)1.3%. In fact, there is a noticeable correlation between global crude prices and the size of India's current account deficit. With a minimization of exposure to crude price volatility, the volatility of the current account deficit may also be contained.

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



Source (basic data): RBI

Note: -ve shows a deficit and +ve indicates a surplus

Conclusion

India is well on course to emerge as the third largest economy in the world in the next four years. It is important, however, to look at economic features and strategies that would ensure sustaining a high level of GDP growth over the medium term and beyond. In particular, strategies to absorb oil price shocks and contain government borrowing at prudent levels would increase India's capacity to minimize the adverse economic impacts of externally rooted shocks. Continuation of union government's recent focus on expanding infrastructure through prioritization of capital expenditure would facilitate attracting investment from abroad and domestically. At the same time, there is a need to prioritize investment in productivity enhancing technologies pertaining to AI/Gen AI. There is also a need to ensure expansion of education and skilling facilities to take advantage of India's unfolding demographic dividend.

¹⁵ Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu (<http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-percent/article8596824.ece>)

¹⁶ <https://www.epw.in/journal/2013/07/insight/indias-external-sector.html>.



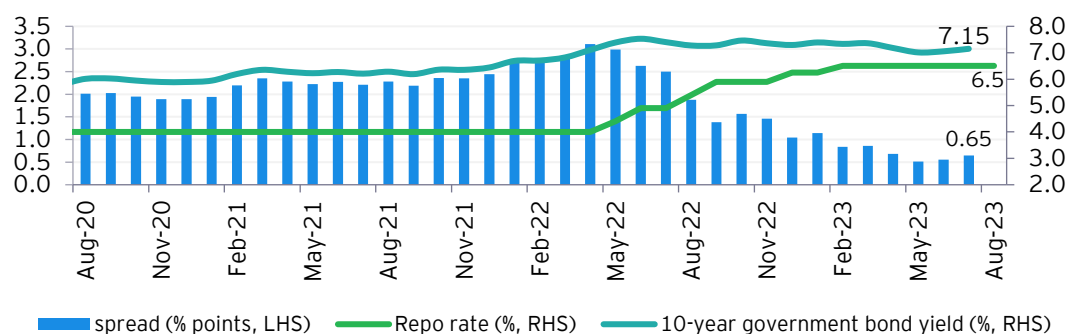
6. Money and finance: the RBI retained the repo rate at 6.5% in August 2023

A. Monetary sector

Monetary policy

- ▶ The Monetary Policy Committee (MPC) retained the repo rate for the third successive time at 6.5% in its monetary policy review held in August 2023 (**Chart 9**). Consequently, the standing deposit facility and marginal standing facility rates remained unchanged at 6.25% and 6.75% respectively. Earlier, during May 2022 to February 2023, the MPC had increased the repo rate by 250 basis points.
- ▶ The MPC also maintained the policy stance as 'withdrawal of accommodation' to ensure that inflation is progressively brought closer to the target.
- ▶ After reaching a recent trough of 4.3% in May 2023, the CPI inflation increased to 4.8% in June 2023. It surged to 7.4% in July 2023 and is anticipated to remain elevated even in August 2023, led by vegetable prices. In RBI's assessment, the surge in vegetable prices is likely to be transitory. However, it cautioned about the likely impact of an uneven distribution of south-west monsoon, possible El-Nino conditions, and high global food prices on CPI inflation.

Chart 9: Movements in the repo rate and 10-year government bond yield



During its August 2023 monetary policy review, the RBI retained the repo rate at 6.5% for the third successive time.

Source: Database on Indian Economy, RBI

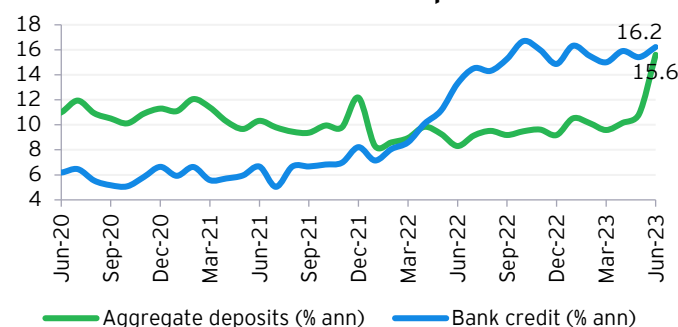
Money stock

- ▶ Led by a sustained strong growth in time deposits, broad money stock (M3) showed a growth of 10.6% in July 2023, similar to its level in June 2023. Time deposits, the largest component of M3, showed a strong growth of 11.7% in July 2023, similar to its level in June 2023.
- ▶ Growth in M1 was, however, marginally lower at 7.1% in July 2023 as compared to 7.5% in June 2023. This was due to lower growth in currency with the public at 5% in July 2023 as compared to 5.3% in June 2023 as also the growth in demand deposits which fell to 9.8% in July 2023 from 10.2% in June 2023.

Aggregate credit and deposits

- ▶ Gross bank credit by SCBs accelerated to a five-month high of 16.2% in June 2023 from 15.4% in May 2023 (**Chart 10**). In 1QFY24, growth in bank credit was at 15.9% on average, marginally higher than 15.6% in 4QFY23.
- ▶ Non-food credit grew by 16.3% in June 2023, its highest level since January 2023 led by a broad-based improvement in growth in credit across key sectors. In 1QFY24, non-food credit posted an average growth of 16%, similar to its level in 4QFY23.
- ▶ Sectoral bank credit data indicate that credit to services grew at a robust pace of 26.7% in June 2023, its fastest pace since November 2018. Similarly, personal loans, a key driver of retail loans, also posted a strong growth of 20.9% in June 2023, its highest level since March 2020.

Chart 10: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- ▶ Outstanding credit to industries showed a growth of 8.1% in June 2023, improving from 6.0% in May 2023. Within the industrial sector, growth in credit to iron and steel was the highest at 25.9%, followed by cement and cement products (17.4%) and chemicals and chemical products (6.3%). Growth in credit to infrastructure remained low at 1.7% in June 2023, close to its level of 1.8% in May 2023.
- ▶ Growth in credit to agriculture and allied activities accelerated to 19.7% in June 2023, its highest level since November 2014.
- ▶ Growth in aggregate deposits of residents increased sharply to 15.6% in June 2023, its fastest pace of growth since November 2016. In 1QFY24, aggregate deposits grew by 12.2%, increasing from 10.1% in 4QFY23.

B. Financial sector

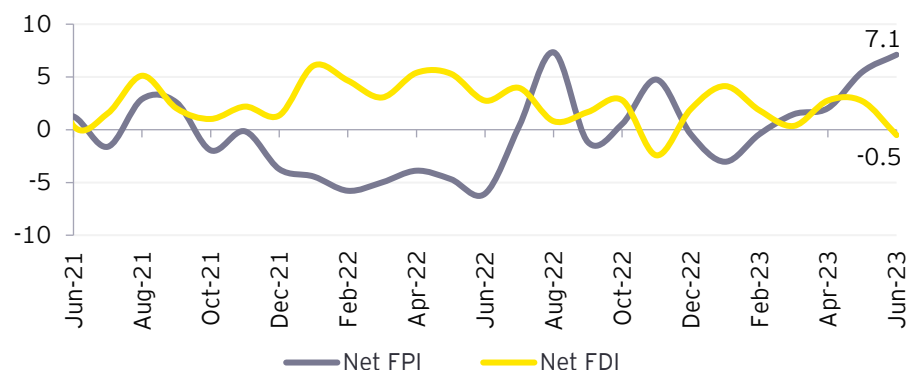
Interest rates

- ▶ As per the data released by the RBI in August 2023, the average interest rate on term deposits with a maturity period of more than one year was retained for the seventh successive month at 6.63% in July 2023 with the actual rate ranging between 6.00% and 7.25%.
- ▶ The MCLR averaged 8.15% for the second successive month in July 2023 with the actual MCLR ranging between 7.95% and 8.35% during the month.
- ▶ The average yield on 10-year government bonds increased marginally to 7.15% in July 2023 from 7.05% in June 2023 (Chart 9).
- ▶ WALR on fresh rupee loans by SCBs was lowered to 9.20% in June 2023 from 9.27% in May 2023. In 1QFY24, WALR averaged 9.18%, close to its level of 9.19% in 4QFY23.

FDI and FPI

- ▶ As per the provisional data released by the RBI on 18 August 2023, overall foreign investments¹⁷ (FIs) inflows at US\$6.6 billion in June 2023 were lower than US\$8.2 billion in May 2023 due to net FDI outflows.

Chart 11: Net FDI and FPI inflows (US\$ billion)



In June 2023, net FPI inflows surged to US\$7.1 billion while net FDI outflows amounted to US\$0.5 billion.

Source: Database on Indian Economy, RBI

- ▶ Net FPI inflows surged to US\$7.1 billion in June 2023 from US\$5.5 billion in May 2023. During 1QFY24, on a cumulated basis, net FPI inflows amounted to US\$14.6 billion as compared to net outflows amounting to US\$2.0 billion in 4QFY23.
- ▶ Net FDIs turned negative, registering outflows of US\$0.5 billion in June 2023 as compared to inflows amounting to US\$2.7 billion in May 2023 (Chart 11). Gross FDI inflows remained stable at US\$5.3 billion in June 2023, similar to its level in May 2023. In 1QFY24, net FDI inflows amounted to US\$5.0 billion, lower than US\$6.3 billion in 4QFY23.

¹⁷ Foreign Investment (FI) = net FDI plus net FPI



7. Trade and CAB: merchandise trade deficit remained high at US\$20.7 billion in July 2023

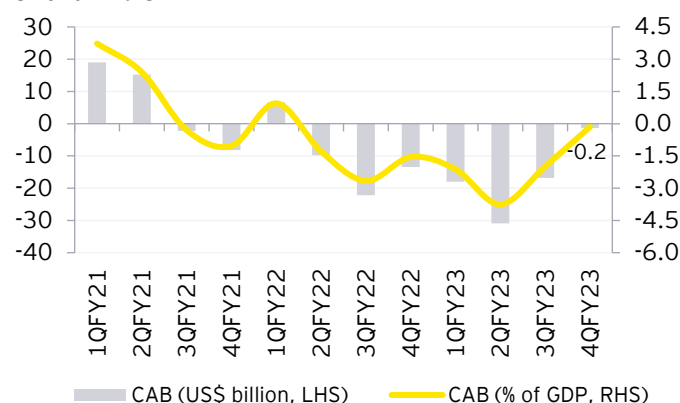
A. CAB: current account deficit eased to a seven-quarter low of 0.2% of GDP in 4QFY23

- ▶ Net merchandise trade deficit narrowed to 6.0% of GDP in 4QFY23 from 8.4% in 3QFY23. This was due to a) a fall in imports to a seven-quarter low of 19.3% of GDP in 4QFY23 reflecting lower global crude prices and b) increase in exports to 13.3% of GDP from a seven-quarter low of 12.5% in 3QFY23. On an annual basis, the current account deficit widened to 2.0% of GDP in FY23 from 1.2% in FY22.
- ▶ Net invisibles relative to GDP were lower at 5.9% in 4QFY23 as compared to 6.4% in 3QFY23, as net private transfers declined to 2.8% of GDP from a 34-quarter high of 3.4% in 3QFY23. For FY23, however, net private transfers were at a seven-year high of 3.0% of GDP.

Table 9: Components of CAB in US\$ billion

| Fiscal year | CAB as % of nominal GDP | CAB | Goods account net | Invisibles* net |
|-------------|-------------------------|-------|-------------------|-----------------|
| FY20 | -0.9 | -24.7 | -157.5 | 132.8 |
| FY21 | 0.9 | 23.9 | -102.2 | 126.1 |
| FY22 | -1.2 | -38.8 | -189.5 | 150.7 |
| FY23 | -2.0 | -67.1 | -265.3 | 198.2 |
| 1QFY23 | -2.1 | -18.0 | -63.1 | 45.1 |
| 2QFY23 | -3.8 | -30.9 | -78.3 | 47.4 |
| 3QFY23 | -2.0 | -16.8 | -71.3 | 54.5 |
| 4QFY23 | -0.2 | -1.4 | -52.6 | 51.2 |

Chart 12: CAB



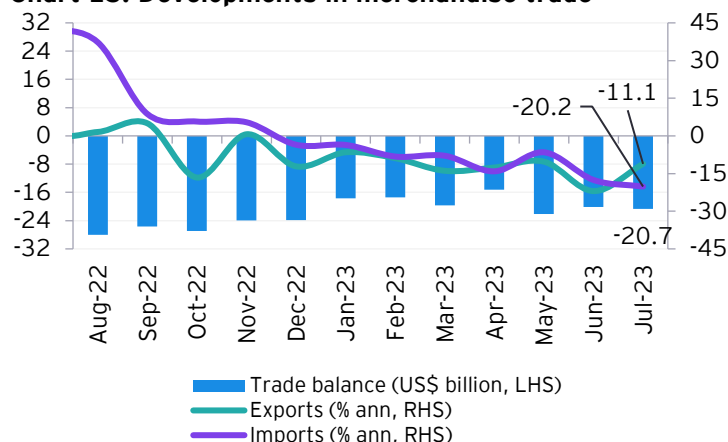
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

B. Merchandise trade and exchange rate

Reflecting subdued global demand, merchandise exports and imports contracted sharply by (-)15.9% and (-)17.0% in July 2023, although lower than (-)22.0% and (-)17.5% respectively in June 2023.

- ▶ The contraction in merchandise 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 (-)43.7% whereas oil imports fell by (-)36.6% in July 2023.
- ▶ Contraction in exports excluding oil, gold and jewelry eased to (-)5.7% in July 2023 from (-)10.7% in June 2023 and that in imports of this category moderated to (-)10.0% from (-)16.1% over the same period.
- ▶ Growth in exports of electronic goods eased but remained in double-digits at 13.1% in July 2023 whereas growth in its imports increased to 14.9% in July 2023 from 8.5% in June 2023.
- ▶ Chemicals exports and imports continued to contract by (-)3.0% and (-)26.1% respectively in July 2023.
- ▶ The pace of contraction in exports of engineering goods eased to (-)6.6% in July 2023 from (-)11.0% in June 2023.
- ▶ Out of the 30 sectors for which trade data is provided, 19 and 16 sectors showed a y-o-y decline in exports and imports respectively as compared to 21 sectors each in the previous month.
- ▶ Merchandise trade deficit widened marginally to US\$20.7 billion in July 2023 from US\$20.1 billion in June 2023 (Chart 13). Goods and services deficit had eased to US\$7.5 billion in June 2023 from US\$10.6 billion in May 2023.
- ▶ The INR depreciated to INR83.2 per US\$ (average) in July 2023 from INR82.2 per US\$ (average) in June 2023.

Chart 13: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI





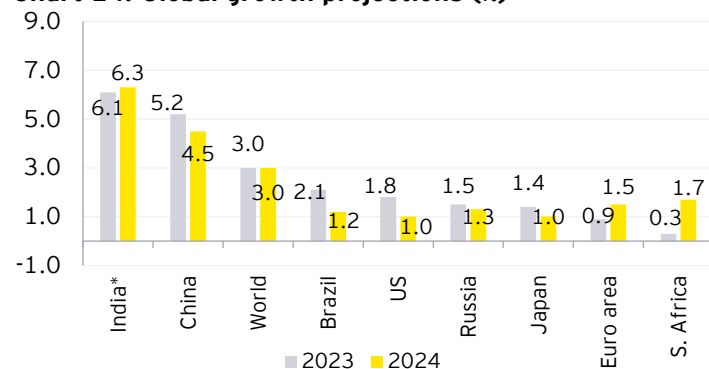
8. Global growth: Global growth is projected at 3% in both 2023 and 2024

A. Global growth

- ▶ The IMF (WEO Update, July 2023) has projected global growth to fall from 3.5% in 2022 to 3% in both 2023 and 2024 (Chart 14). The forecast for 2023-24 is well below the historical annual average growth of 3.8% during 2000 to 2019.
- ▶ The global slowdown is driven by AEs with their growth projected to fall from 2.7% in 2022 to 1.5% in 2023 and further to 1.4% in 2024. The growth outlook in EMDEs is broadly stable in 2023 and 2024, although there are notable shifts across regions. Growth in EMDEs is forecasted at 4% and 4.1% in 2023 and 2024 respectively, close to their 2022 growth rate at 4%.
- ▶ In the US, growth is projected to slow from 2.1% in 2022 to 1.8% in 2023 and further to 1% in 2024. The 2023 projection has been revised up by 0.2% points as compared to the April 2023 release of the WEO, on account of a better consumption growth in 1Q of 2023. However, the 2024 forecast has been revised down by 0.1% points as this consumption growth momentum is not likely to last and the US Fed is expected to raise rates further.
- ▶ Growth in the Euro area is projected to fall from 3.5% in 2022 to 0.9% in 2023, before rising to 1.5% in 2024. Growth in Japan is projected to rise from 1% in 2022 to 1.4% in 2023, buoyed by pent-up demand and accommodative policies, slowing to 1% in 2024, as the effects of past stimuli dissipate.
- ▶ China's growth projections have been unchanged at 5.2% for 2023 and 4.5% for 2024, but with a change in composition. Consumption growth has evolved broadly in line with April 2023 WEO projections, but investment has underperformed due to the ongoing real estate downturn. Stronger than expected net exports have offset some of the investment weakness, although their contribution is expected to decline as the global economy slows.
- ▶ Growth in India is projected at 6.1% in 2023 (FY24), a 0.2% point upward revision compared with the April 2023 projection, reflecting momentum from stronger than expected growth in 4QFY23 as a result of buoyant domestic demand.

The IMF has projected global growth to ease to 3% in 2023, with India's FY24 growth forecasted at 6.1%.

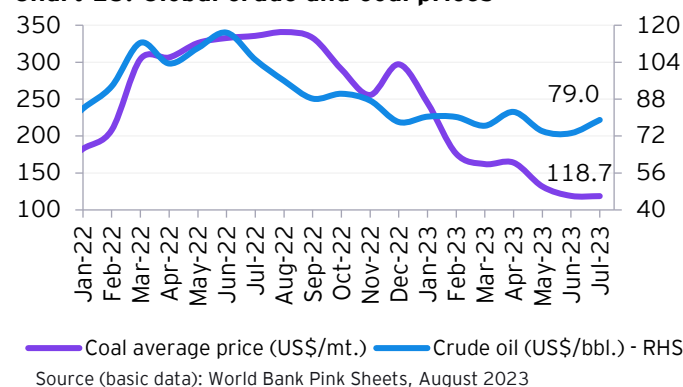
Chart 14: Global growth projections (%)



Source: World Economic Outlook Update (July 2023)

*Data pertains to fiscal years FY24 and FY25 respectively.

Chart 15: Global crude and coal prices



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

B. Global energy prices: global crude price increased to US\$79/bbl. in July 2023, driven by undersupply concerns

- ▶ After falling to an 18-month low of US\$73.3/bbl. in June 2023, average global crude price¹⁸ increased to US\$79/bbl. in July 2023, driven by expectations of an extension of oil production cuts by OPEC+ countries (Chart 15). As per available information¹⁹, Saudi Arabia and Russia have already committed to supply cuts through September 2023, ahead of the OPEC+ meeting.
- ▶ Average global coal price²⁰ continued to show a falling trend, with its level reaching a 26-month low of US\$118.7/mt. in July 2023 from US\$119/mt. in June 2023.

¹⁸ Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh

¹⁹ <https://www.reuters.com/business/energy/oil-prices-set-sixth-weekly-gain-producers-pledge-output-cuts-2023-08-04/>

²⁰ Simple average of Australian and South African coal prices.

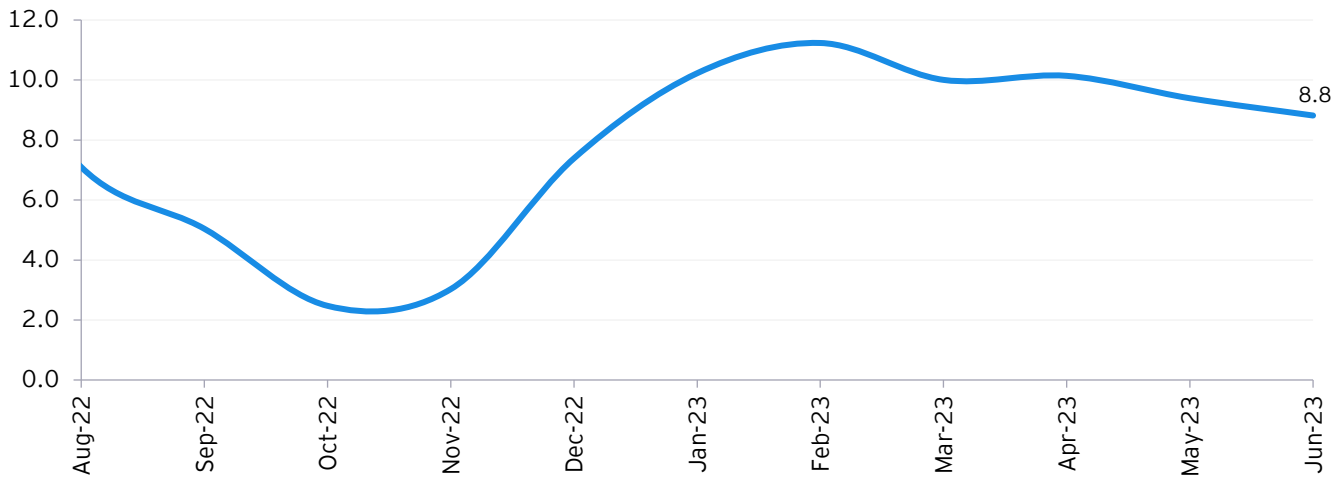


9. Index of Aggregate Demand (IAD): grew by 8.8% in June 2023

Growth in IAD moderated marginally to 8.8% in June 2023 from 9.4% in May 2023

- ▶ IAD²¹ continued to show a strong growth at 8.8% in June 2023, although moderating marginally from 9.4% in May 2023 (Chart 16 and Table 10).
- ▶ Demand conditions across the key sectors showed a positive momentum during the month. In particular, demand conditions in the agricultural sector improved considerably in June 2023 as indicated by the acceleration in growth of agricultural credit to 19.6% (sa)²² in June 2023 from 16.1% in May 2023.
- ▶ Demand conditions in the manufacturing sector stayed strong as indicated by the manufacturing PMI at 57.8 in June 2023, although it eased marginally from 58.7 in May 2023.
- ▶ Demand conditions in the services sector showed a robust expansion in June 2023, as indicated by the services PMI at 58.5. However, it was lower when compared to 61.2 in May 2023.

Chart 16: Growth in IAD (y-o-y)



Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates

Note: From this issue onwards, we will be using seasonally adjusted data for constructing the IAD.

Table 10: IAD

| Month | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| IAD | 151.0 | 153.2 | 157.4 | 155.0 | 157.8 | 157.9 | 164.0 | 164.7 | 164.8 |
| Growth (% y-o-y) | 2.5 | 3.0 | 7.4 | 10.2 | 11.2 | 10.0 | 10.1 | 9.4 | 8.8 |
| Growth in agr. Credit | 13.5 | 13.7 | 11.4 | 14.4 | 15.0 | 15.6 | 16.8 | 16.1 | 19.6 |
| Mfg. PMI** | 5.3 | 5.7 | 7.8 | 5.4 | 5.3 | 6.4 | 7.2 | 8.7 | 7.8 |
| Ser. PMI** | 5.1 | 6.4 | 8.5 | 7.2 | 9.4 | 7.8 | 12.0 | 11.2 | 8.5 |

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

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

²¹ EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa) capture the demand conditions in the agricultural sector

²² We have constructed a seasonally adjusted series for agricultural credit using Census X-13 technique in E-views (version 12) and the growth of this SA agricultural credit series is used in the IAD series.



Table A1: Industrial growth indicators (annual, quarterly, and monthly growth rates, y-o-y)

| Fiscal year/ quarter/ month | IIP | Mining | Manufacturing | Electricity | Core IIP | Fiscal year/ quarter/ month | PMI mfg. | PMI ser. |
|-----------------------------------|----------------|--------|---------------|-------------|----------|-----------------------------------|----------|----------|
| | % change y-o-y | | | | | | | |
| 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 |
| 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 | 4.5 | 6.9 | 3.9 | 6.0 | 7.0 | 4QFY23 | 55.7 | 58.1 |
| 1QFY24 | 4.5 | 6.4 | 4.7 | 1.3 | 5.8 | 1QFY24 | 57.9 | 60.6 |
| Mar-23 | 1.9 | 6.8 | 1.5 | -1.6 | 4.2 | Apr-23 | 57.2 | 62.0 |
| Apr-23 | 4.5 | 5.1 | 5.2 | -1.1 | 4.3 | May-23 | 58.7 | 61.2 |
| May-23 | 5.3 | 6.4 | 5.8 | 0.9 | 5.0 | Jun-23 | 57.8 | 58.5 |
| Jun-23 | 3.7 | 7.6 | 3.1 | 4.2 | 8.2 | Jul-23 | 57.7 | 62.3 |

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 |
| 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 |
| 1QFY24 | 4.6 | 3.8 | 4.7 | 5.2 | -2.9 | -0.8 | -2.7 | -7.2 | -2.0 |
| Apr-23 | 4.7 | 3.8 | 5.5 | 5.2 | -0.8 | 0.4 | -2.3 | 1.0 | -1.6 |
| May-23 | 4.3 | 3.0 | 4.7 | 5.2 | -3.6 | -1.5 | -3.0 | -9.2 | -2.2 |
| Jun-23 | 4.9 | 4.5 | 3.9 | 5.2 | -4.1 | -1.2 | -2.7 | -12.6 | -2.1 |
| Jul-23 | 7.4 | 11.5 | 3.7 | 5.0 | -1.4 | 7.7 | -2.5 | -12.8 | -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 | |
| 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 |
| May-23 | -1.6 | -28.0 | 12.6 | -4.0 | 1.6 | 11.8 | 5.2 |
| Jun-23 | 3.3 | -13.9 | 11.0 | -1.0 | 9.0 | 25.3 | 21.1 |

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) | | | | | |
| 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 |
| May-23 | 60,667 | 263 | 951 | 11,241 | 73,122 |
| Jun-23 | 64,810 | 343 | 1,605 | 11,822 | 78,580 |

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 |
| Sep-22 | 5.90 | FY20 | 9.5 | 9.9 | 43.0 | 1.4 | FY20 | 11.2 | 8.9 | 6.83 | 475.6 |
| Oct-22 | 5.90 | FY21 | 6.0 | 11.0 | 44.0 | 36.1 | FY21 | 16.2 | 12.2 | 6.05 | 579.3 |
| Nov-22 | 5.90 | FY22 | 6.7 | 9.7 | 38.6 | -16.8 | FY22 | 10.6 | 8.7 | 6.40 | 617.6 |
| Dec-22 | 6.25 | FY23 | 14.5 | 9.5 | 28.7 | -5.2 | FY23 | 6.8 | 9.0 | 7.35 | 578.4 |
| Jan-23 | 6.25 | 2QFY23 | 14.7 | 9.3 | 6.4 | 6.5 | 2QFY23 | 8.5 | 8.6 | 7.32 | 532.7 |
| Feb-23 | 6.50 | 3QFY23 | 15.8 | 9.4 | 2.3 | 4.9 | 3QFY23 | 7.6 | 8.7 | 7.37 | 562.9 |
| Mar-23 | 6.50 | 4QFY23 | 15.6 | 10.1 | 6.3 | -2.0 | 4QFY23 | 6.9 | 9.0 | 7.36 | 578.4 |
| Apr-23 | 6.50 | 1QFY24 | 15.9 | 12.2 | 5.0 | 14.6 | 1QFY24 | 7.5 | 10.6 | 7.08 | 595.1 |
| 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 |
| Jul-23 | 6.50 | May-23 | 15.4 | 10.9 | 2.7 | 5.5 | Jun-23 | 7.5 | 10.6 | 7.05 | 595.1 |
| Aug-23 | 6.50 | Jun-23 | 16.2 | 15.6 | -0.5 | 7.1 | Jul-23 | 7.1 | 10.6 | 7.15 | 603.9 |

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

| External trade indicators (annual, quarterly and monthly growth rates) | | | | | | | Global growth (annual) | | | |
|--|----------------|---------|------------------|--------------------|---------------------------|--------------------------|------------------------|----------------|---------------|----------------|
| Fiscal year/ quarter/ month | Exports | Imports | Trade balance | Ex. rate (avg.) | Crude prices (avg.) | Coal prices (avg.) | Calendar year | World GDP | Adv. econ. | Emer. econ. |
| | % change y-o-y | | US\$ billion | INR/US\$ | US\$/bbl. | US\$/mt | | % change y-o-y | | |
| 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 |
| 2QFY23 | 4.9 | 26.6 | -79.1 | 79.8 | 96.4 | 336.4 | 2017 | 3.8 | 2.5 | 4.7 |
| 3QFY23 | -9.9 | 2.3 | -74.6 | 82.2 | 85.3 | 281.1 | 2018 | 3.6 | 2.3 | 4.7 |
| 4QFY23 | -10.1 | -6.7 | -54.9 | 82.3 | 79.0 | 194.4 | 2019 | 2.8 | 1.7 | 3.6 |
| 1QFY24 | -15.2 | -12.8 | -57.5 | 82.2 | 76.6 | 138.3 | 2020 | -2.8 | -4.2 | -1.8 |
| Apr-23 | -12.7 | -14.1 | -15.2 | 82.0 | 82.5 | 164.0 | 2021 | 6.3 | 5.4 | 6.9 |
| May-23 | -10.3 | -6.6 | -22.1 | 82.3 | 74.1 | 131.7 | 2022* | 3.5 | 2.7 | 4.0 |
| Jun-23 | -22.0 | -17.5 | -20.1 | 82.2 | 73.3 | 119.0 | 2023* | 3.0 | 1.5 | 4.0 |
| Jul-23 | -15.9 | -17.0 | -20.7 | 83.2 | 79.0 | 118.7 | 2024* | 3.0 | 1.4 | 4.1 |

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook (WEO) April 2023; *sourced from IMF WEO Update July 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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