ENTER

Economy Watch

Monitoring India's macro-fiscal performance

February 2022

Building a better working world

Contents

Prepared by Macro-fiscal Unit, Tax and Economic Policy Group, EY India

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Highlights

1. In January 2022, PMI indicated a slowdown in the pace of output expansion in both manufacturing and services with their respective levels at 54.0 and 51.5.
2. IIP growth fell to 0.4% in December 2021 from 1.3% in November 2021, partly owing to an unfavorable base effect. In 3QFY22, IIP showed a low growth of 1.9% as compared to 9.5% in 2QFY22.
3. In January 2022, CPI inflation increased to a seven-month high of 6.0%, touching the upper end of the RBI's tolerance range. Core CPI inflation remained elevated at 6.0%.
4. WPI inflation remained high at 13.0% in January 2022, although lower than 13.6% in December 2021, due to broad based inflationary pressures, particularly emanating from global crude and commodity prices.
5. In the February 2022 monetary policy review, the RBI retained the repo rate, reverse repo rate and its policy stance respectively at 4%, 3.35%, and accommodative.
6. As per the CGA, Center's gross taxes (GTR) grew by 44.2% during April-December FY22 over the corresponding period of FY21. The Union Budget FY23 estimated Center's GTR to grow by 24.1% in FY22 RE after a muted growth of 0.8% in FY21.
7. According to CGA, Center's total expenditure grew by 10.6% during April-December FY22 with a growth of 8% in revenue expenditure and 26.8% in capital expenditure.
8. Center's total expenditure is estimated to grow by 7.4% in FY22 RE with a strong growth of 41.4% in capital expenditure and a low growth of 2.7% in revenue expenditure.
9. During April-December FY22, Center's fiscal and revenue deficits as a proportion of their corresponding RE stood respectively at 47.7% and 36.4%.
10. The Union Budget targeted Center's fiscal and revenue deficits at 6.9% and 4.7% of GDP respectively in FY22 RE.
11. Merchandise exports and imports growth (y-o-y) eased to 25.3% and 23.5% respectively in January 2022 from 38.9% and 38.5% respectively in December 2021.
12. Net FDI inflows fell to a six-month low of US$0.6 billion while net FPI outflows were at a 21-month high of US$(-)3.6 billion in December 2021.
13. The IMF forecasted global growth at 4.4% in 2022 with India's growth projected at 9% for FY23.
14. Global crude price at US$84/bbl. in January 2022 was at its highest level since October 2014.

Foreword

Post FY23 Budget, India's emerging growth and inflation prospects

The RBI, in its February 2022 monetary policy review, the first of the calendar year 2022 and the last of the fiscal year FY22, retained the repo rate, reverse repo rate and its policy stance respectively at 4%, 3.35%, and accommodative. This accommodative policy stance indicates an emphasis on sustaining and uplifting growth while managing inflation within the tolerance limit. The RBI also assessed the FY23 real GDP growth at 7.8% which is marginally below the lower limit of the band of 8-8.5% given in the Economic Survey of 2021-22, and well below the IMF's forecast of 9%. RBI's CPI inflation forecast for FY23 is at 4.5% based on the assumption of a normal monsoon during the year. The European Central Bank as well as the US Fed are likely to continue their effort to firm up their policy rates since in these countries, CPI inflation rates continue to be well above recent historical averages. This is largely driven by inordinately high prices of global crude and primary products and continuing supply side bottlenecks. In India, the WPI inflation rate has been at significantly high levels in recent months. During October 2021-January 2022, WPI inflation rate averaged 13.8%. This is bound to pull up CPI inflation rate also. In January 2022, CPI inflation had risen to a seven-month high of 6.0%, touching the upper end of the RBI's tolerance range. There would also be some pressure on interest rate on government borrowing due to its large gross borrowing program in FY23. It is possible that the RBI may reconsider its growth and inflation forecasts and its policy stance early in the next fiscal year.

The quarterly growth profile projected by the RBI for FY23 also provides some reason for concern. While there is a strong base effect accounting for the 1Q growth forecast at 17.2%, it is followed by a tapering of growth to 7% in 2Q, 4.3% in 3Q, and 4.5% in 4Q of FY23. It is the projected growth in the last two quarters which indicates achieving normal growth momentum without any base effects. These are indicative of rather low growth of the Indian economy upon the resumption of normalcy.

Going by the annual real GDP growth of 7.8% in FY23 and combining it with an IPD-based inflation rate of say, 5.5%, the nominal GDP growth can be projected at 13.7%. The IPD-based inflation rate may be above the CPI inflation rate as long as the WPI inflation remains higher than the CPI inflation. A nominal GDP growth of close to 14% would imply exceeding the growth of 11.1% as projected in the FY23 Union Budget. This would result in higher gross tax revenues (GTR) for the Center which would benefit both the central and state governments. The central government may, as a consequence, have the flexibility either to accelerate the pace of fiscal consolidation or increase growth of government expenditure over the budgeted estimate so as to strengthen the overall stimulus and growth momentum. In this month's In-Focus section, we have analyzed the role of the FY23 Union Budget in supporting growth in FY23 and in the medium-term. The most notable feature of the FY23 Union Budget pertains to a change in the structure of government expenditure with an increased emphasis on capital spending while signaling a restoration of fiscal consolidation.

High frequency indicators (HFIs) point to a mixed picture with respect to economic recovery for the last few months of FY22. PMI manufacturing fell to 54.0 in January 2022 from 55.5 in December 2021 due to the adverse impact of COVID's third wave. PMI services also moderated to 51.5 in January 2022 from 55.5 in December 2021. In spite of recovering demand, passenger vehicle sales continued to face the brunt of semi-conductor shortage as indicated by a y-o-y contraction of (-)10.0% in this category and (-)10.7% in the total vehicle retail sales in January 2021[1]. Growth in power consumption (y-o-y) dipped to 0.5% in January 2022 from 2.7% in December 2021. It has ranged between 0-3% during the period September to December 2021. Overall IIP growth fell to 0.4% in December 2021 from 1.3% in November 2021. Merchandise exports and imports growth (y-o-y) continued to remain high although easing to 25.3% and 23.5% respectively in January 2022 from 38.9% and 38.5% respectively in December 2021. Gross GST collections at INR1.40 lakh crore increased to its highest level since April 2021[2]. Bank credit growth improved to 9.1% in the week ended 31 December 2021, its highest level since the week ended 13 September 2019.

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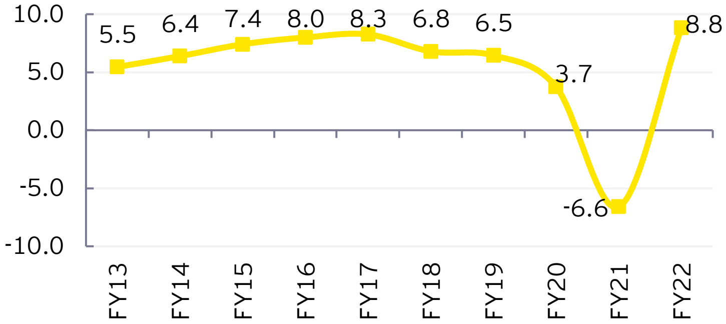
[1] https://fada.in/images/press-release/1620091addc405FADA%20releases%20January%202022%20Vehicle%20Retail%20Data.pdf
[2] https://pib.gov.in/PressReleasePage.aspx?PRID=1796308

1. Growth: downward revision to FY21 GDP implied a real growth of 8.8% in FY22

A. GDP and GVA growth: revisions to FY19, FY20 and FY21 GDP numbers implied a real growth of 8.8% in FY22

- As per the first revised estimates (FRE) of national accounts for FY21[3], released by the Ministry of Statistics and Programme Implementation (MoSPI) on 31 January 2022, the contraction in real GDP in FY21 eased to (-)6.6% as compared to the provisional estimates which showed a contraction of (-)7.3%.

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



- Using this revised data with the first advance estimates (FAE) for FY22, the real GDP growth for FY22 is slated to be lower at 8.8% as against 9.2% estimated earlier.
- In FY21, on the demand side, major upward revisions were observed in private final consumption expenditure (PFCE) wherein the contraction was less severe at (-)6.0% as compared to (-)9.1% estimated earlier. In FY22, PFCE is the only demand component that is estimated to remain below the FY20 magnitude by INR(-)1.8 lakh crore **(Table 1)**.

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

Agg. demand	FY18	FY19	FY20	FY21	FY22 (FAE)	FY22 minus FY20 (INR lakh crore)
PFCE	6.2	7.1	5.2	-6.0	4.1	-1.8
GFCE	11.9	6.7	3.4	3.6	11.0	2.2
GFCF	7.8	11.2	1.6	-10.4	17.4	2.4
EXP	4.6	11.9	-3.4	-9.2	23.0	3.3
IMP	17.4	8.8	-0.8	-13.8	29.5	3.9
GDP	**6.8**	**6.5**	**3.7**	**-6.6**	**8.8**	**2.4**
Output side						
Agr.	6.6	2.1	5.5	3.3	3.5	1.4
Ming.	-5.6	-0.8	-1.5	-8.6	14.6	0.2
Mfg.	7.5	5.4	-2.9	-0.6	5.5	1.1
Elec.	10.6	7.9	2.2	-3.6	14.7	0.3
Cons.	5.2	6.5	1.2	-7.3	8.8	0.1
Trans.	10.3	7.2	5.9	-20.2	15.0	-2.2
Fin.	1.8	7.0	6.7	2.2	0.9	0.9
Publ.	8.3	7.5	6.3	-5.5	13.8	1.3
GVA	**6.2**	**5.8**	**3.8**	**-4.8**	**7.4**	**3.0**

Source: MoSPI, GoI

- On the contrary, exports have contracted at a sharper rate of (-)9.2% in FY21 as compared to the earlier estimate of (-)4.7%.
- Major downward revisions were observed in gross fixed capital formation (GFCF) and government final consumption expenditure (GFCE) in FY20 as well as in FY21.
- On the output side, contraction in real GVA was lower at (-)4.8% in FY21 as compared to (-)6.2% estimated earlier.
- Among output sectors, major upward revisions were observed in GVA of manufacturing and financial, real estate.et.al sector in FY21.
- GVA in manufacturing contracted only by (-)0.6% in FY21 as compared to (-)7.2% estimated earlier. Financial, real estate, et.al sector showed a growth of 2.2% in FY21 as compared to a contraction of (-)1.5% estimated earlier.
- On the contrary, data revisions indicated that the contraction in trade, transport.et.al and public administration, defence, et.al sectors worsened to (-)20.2% and (-)5.5% respectively in FY21 as compared to (-)18.2% and (-)4.6% estimated earlier. In FY22, trade, transport, et.al. is the only sector that is estimated to remain below its FY20 magnitude by INR(-)2.2 lakh crore.
- Contraction in nominal GDP is shown to ease to (-)1.4% in FY21 as compared to (-)3.0% estimated earlier. Using the revised data for FY21 with the FAE for FY22, the nominal GDP growth for FY22 is slated to be lower at 17.2% as against 17.6% estimated earlier.

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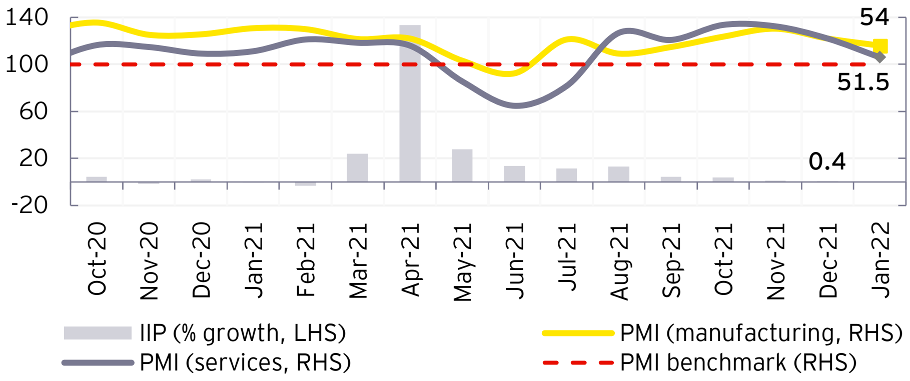
[3] This release also contains third revised estimates for FY19 and second revised estimates for FY20.

B. PMI: signaled an easing output expansion in manufacturing and services in January 2022

- Headline manufacturing PMI (seasonally adjusted (sa)) remained above the benchmark of 50 for the seventh successive month in January 2022. However, its level fell to 54.0 in January 2022 from 55.5 in December 2021 due to the adverse impact of COVID's third wave (**Chart 2**).
- PMI services also fell to 51.5 in January 2022 from 55.5 in December 2021 due to intensification of the pandemic, reintroduction of restrictions and inflationary pressures.
- The composite PMI Output Index (sa) fell from 56.4 in December 2021 to 53.0 in January 2022 due to easing of output growth in both manufacturing and services sectors owing to the third wave of the pandemic.

Chart 2: PMI and IIP growth



In January 2022, PMI indicated a slowdown in the pace of output expansion in both manufacturing and services with their respective levels at 54.0 and 51.5.

Source: MoSPI and IHS Markit

C. IIP: growth fell to 0.4% in December 2021

- The quick estimates of IIP released by the MoSPI on 11 February 2022 showed that IIP growth fell further to 0.4% in December 2021, from 1.3% in November 2021, partly owing to an unfavorable base effect **(Chart 2)**. With the favorable base effect gradually waning, IIP growth moderated sharply to 1.9% in 3QFY22 from 9.5% in 2QFY22.
- Manufacturing output contracted by (-)0.1% in December 2021 as compared to a growth of 0.8% in November 2021. Growth in mining output moderated to 2.6% in December 2021 from 4.9% in November 2021. Growth in electricity output improved marginally to 2.8% in December 2021 from 2.1% in November 2021.

IIP growth fell sharply to 1.9% in 3QFY22 from 9.5% in 2QFY22.

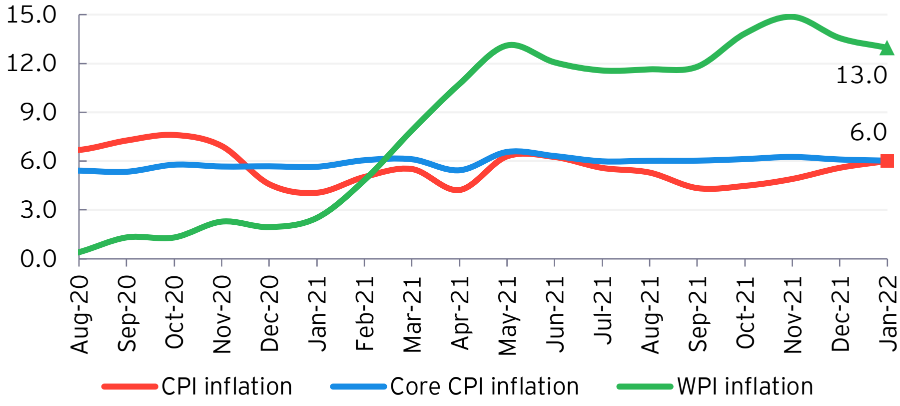
- As per the use-based classification of industries, output of capital goods contracted for the third consecutive month by (-)4.6% in December 2021. Both consumer durables and non-durables showed a contraction of (-)2.7% and (-)0.6% respectively in December 2021. Growth in output of infrastructure and construction moderated further to 1.7% in December 2021 from 3.1% in November 2021.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) increased to 3.8% in December 2021 from 3.4% (revised) in November 2021. Among sub industries, improvement in output growth was seen in cement (12.9%), petroleum refinery (5.9%), fertilizer (3.5%) and electricity (2.5%). In 3QFY22, as the base effect waned gradually, growth in core IIP averaged at 5.1%, lower as compared to 9.2% in 2QFY22.

2. Inflation: CPI inflation increased to a seven-month high of 6.0% in January 2022

CPI inflation increased to 6.0% in January 2022 from 5.7% in December 2021 led by higher inflation in vegetables (Chart 3).

- Consumer food inflation increased to a 14-month high of 5.4% in January 2022 from 4.0% in December 2021 as inflation in vegetables turned positive at 5.2% in January 2022 after 13 successive months of contraction. Inflation in vegetables was driven partly by base effect.
- Fuel and light-based inflation moderated to 9.3% in January 2022, its lowest in the last nine months.
- Core CPI inflation[4] remained elevated at 6.0% in January 2022 as compared to 6.2% in December 2021 due to continued inflationary pressures from clothing and footwear, transportation and communication services, and health sub-groups.
- Inflation in transportation and communication services was at 9.4% in January 2022, marginally lower than 9.7% in December 2021.
- Inflation in household goods and services increased to a 91-month high of 7.1% in January 2022.

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



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

In January 2022, CPI inflation at 6% reached the upper end of RBI's tolerance range for the first time in seven months. Core CPI inflation has remained at or above 6.0% for nine successive months.

WPI inflation remained high at 13.0% in January 2022, although lower than 13.6% in December 2021, due to broad based inflationary pressures emanating particularly from global crude and commodity prices.

- Fuel and power inflation was stationary at an elevated level of 32.3% in January 2022 as moderation in inflation in mineral oils (including petrol and diesel) to 52.2% in January 2022 from 62.6% in December 2021 was offset by an increase in inflation in electricity which turned positive at 15.7% from (-)0.2% over the same period.
- Inflation in crude petroleum and natural gas eased to a five-month low of 39.1% in January 2022 partly owing to base effect.
- WPI food index-based inflation climbed to a 24-month high of 9.6% in January 2022 as inflation in vegetable prices surged to a 24-month high of 38.5% partly due to base effect.
- Core WPI inflation eased to 9.7% in January 2022 from 11.0% in December 2021 as inflation in manufactured basic metals fell to an 11-month low of 16.3% in January 2022.

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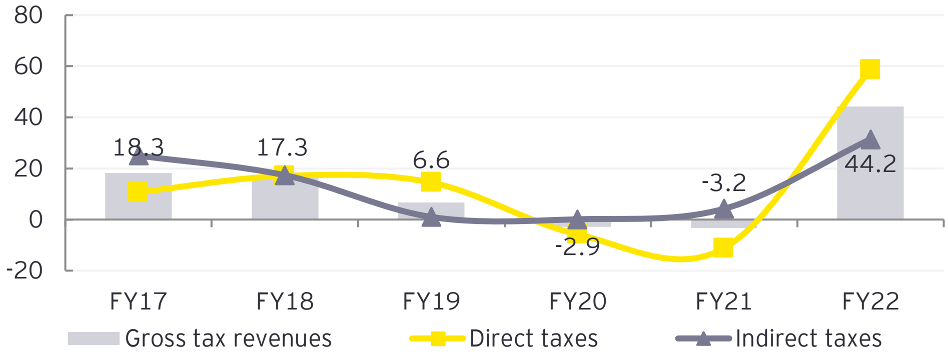
[4] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3. Fiscal performance: Center's fiscal deficit is estimated at 6.9% of GDP in FY22 RE

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA), Center's gross tax revenues (GTR) grew by 44.2% during April-December FY22 as compared to a contraction of (-)3.2% during the corresponding period of FY21 (**Chart 4**). As a proportion of the FY22 RE, Center's GTR during the first three quarters of FY22 stood at 76.7%, higher than the corresponding average ratio of 67.9% during the five-year period from FY17 to FY21.
- As per the Union Budget FY23, the FY22 RE for GTR has been revised up to INR25.2 lakh crore, implying a healthy growth of 24.1% in the current year as compared to 0.8% in FY21 and a contraction of (-)3.4% in FY20.
- Direct taxes grew by 58.7% during April-December FY22 as compared to a contraction of (-)11.2% during April-December FY21. Direct taxes are estimated to grow by 32.3% in FY22 RE as compared to a contraction of (-)10.0% in FY21.
- Corporate income tax (CIT) showed a growth of 66.5% during April-December FY22 as compared to a contraction of (-)15.4% in the corresponding period of FY21. CIT revenues are estimated to grow by 38.7% in FY22 RE as compared to a contraction of (-)17.8% in FY21.
- Personal income tax (PIT) grew by 50.5% during April-December FY22 as compared to a contraction of (-)6.2% in the corresponding period of FY21. As per the FY23 Union Budget, PIT revenues are estimated to grow by 26.2% in FY22 RE as compared to a contraction of (-)1.1% in FY21.
- Indirect taxes grew by 31.5% during April-December FY22 as compared to 4.2% in the corresponding period of FY21. The Budget estimated indirect taxes to grow by 17% in FY22 RE as compared to 12.7% in FY21.
- Center's GST revenues[(a)] grew by 32.2% during April-December FY22 as compared to a contraction of (-)10.9% during the corresponding period of FY21. GST revenues are estimated to grow by 23% in FY22 RE as compared to a contraction of (-)8.3% in FY21.
- Union excise duties (UED) grew by 15.2% during April-December FY22 as compared to 54.0% during the corresponding period of FY21. UED growth is estimated at 0.6% in FY22 RE due to high base effect as reflected in the growth of 62.8% achieved in FY21.
- Center's customs duty revenues showed a strong growth of 77.2% during April-December FY22 as compared to a contraction of (-)6.5% during April-December FY21. Customs duties are estimated to grow by 40.3% in FY22 RE as compared to 23.3% in FY21.

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



The Union Budget FY23 estimated Center's GTR to grow by 24.1% in FY22 after a muted growth of 0.8% in the pandemic affected year of FY21.

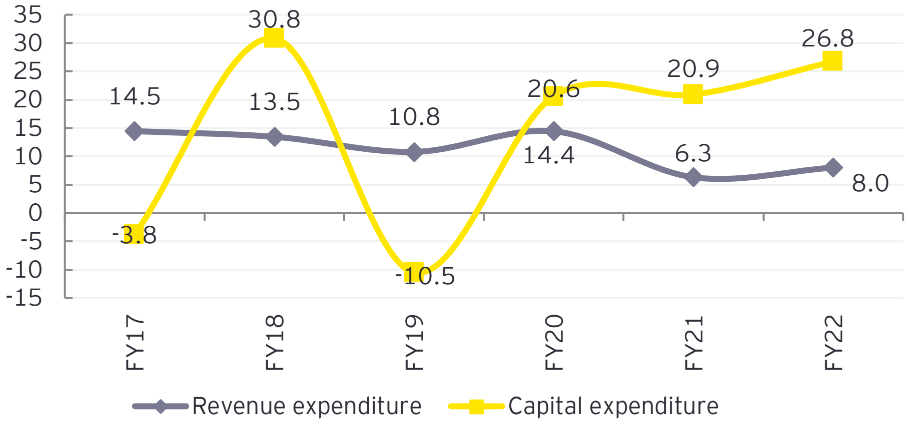
Source: Monthly Accounts, CGA, Government of India
Notes: (a) Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, and GST (comprising CGST, UTGST, IGST and GST compensation cess) (b) Other taxes (securities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

- Center's non-tax revenues grew by 105.6% during April-December FY22 as compared to a contraction of (-)47.8% during the corresponding period of FY21. Non-tax revenues during the first nine months of FY22 stood at 82.7% of the annual RE as compared to the corresponding ratio of 59.9% in FY21.
- Non-debt capital receipts showed a contraction of (-)14.0% during April-December FY22 as compared to a growth of 6.7% over the corresponding period of FY21. Non-debt capital receipts during the first three quarters of FY22 stood at 28.5% of the FY22 RE. The FY22 RE itself has been lowered to INR99,975 crores from the BE of INR1.88 lakh crore.

B. Expenditures: revenue and capital

- Center’s total expenditure grew by 10.6% during April-December FY22 as compared to 8.1% during the corresponding period of FY21. Total expenditure is estimated to grow by 7.4% in FY22 RE as compared to 30.7% in FY21.
- Revenue expenditure showed a growth of 8.0% during April-December FY22 as compared to 6.3% during the corresponding period of FY21 (**Chart 5**). Revenue expenditure is estimated to growth by 2.7% in FY22 RE as compared to 31.2% in FY21.
- Growth in Center’s capital expenditure was at 26.8% during April-December FY22, higher than 20.9% during the corresponding period of FY21. Capital expenditure is estimated to grow by 41.4% in FY22 RE as compared to 27.0% in FY21.

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



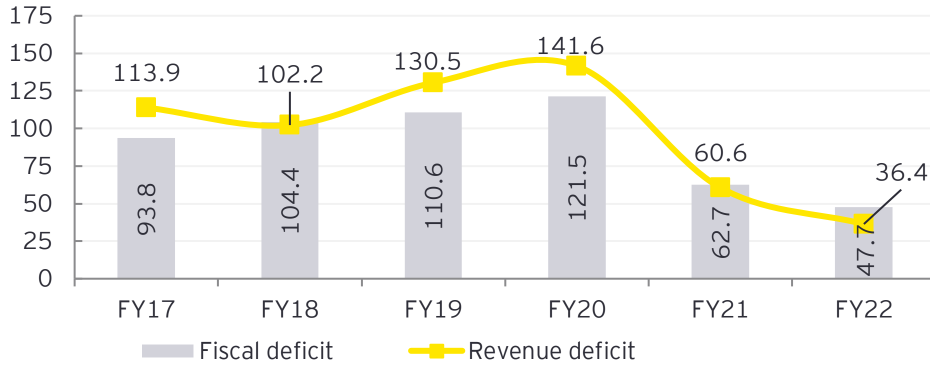
Source (basic data): Monthly Accounts, Controller General of Accounts (CGA), Government of India

Center’s total expenditure is estimated to grow by 7.4% in FY22 RE with a strong growth of 41.4% in capital expenditure and a low growth of 2.7% in revenue expenditure.

C. Fiscal imbalance

- Center’s fiscal deficit during April-December FY22 stood at 47.7% of the RE as compared to the corresponding ratio of 62.7% in FY21. The Union Budget has estimated Center’s fiscal deficit at 6.9% of GDP in FY22 RE, a marginal slippage from the BE of 6.8% (**Chart 6**).
- Center’s revenue deficit during April-December FY22 as a proportion of the RE stood at 36.4% as compared to the corresponding level of 60.6% in FY21. Center’s revenue deficit is estimated at 4.7% of GDP in FY22 RE.

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



Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India.

The FY23 Union Budget estimated Center’s fiscal and revenue deficits at 6.9% and 4.7% of GDP respectively in FY22 RE.

4. Comparative global perspective: in FY22, India may marginally exceed its pre-pandemic real GDP level

Impact of COVID-19 on real GDP: India vis-à-vis. selected major economies

- Using the magnitude of real GDP in 2019 (FY20 for India) in national currency from the October 2021 issue of the IMF's World Economic Outlook (WEO) along with the latest projections of real GDP growth for 2020 and 2021 (FY21 and FY22 respectively for India) sourced from the January 2022 update of the WEO, real GDP levels have been calculated for 2020 and 2021.
- For assessing the impact of COVID-19 on major economies, real GDP growth in 2021 has been calculated over 2019 in **Table 2**. This identifies whether at the end of 2021, an economy has emerged above or below its pre-pandemic real GDP level.

Table 2: Real GDP (in national currency, billion)

Country	2019	2020	2021	2022	Excess of 2021 over 2019 (%)	Excess of 2022 over 2019 (%)
Italy	1,726	1,572	1,670	1,733	-3.3	0.4
Mexico	18,487	16,971	17,871	18,371	-3.3	-0.6
Japan	5,54,382	5,29,435	5,37,906	5,55,657	-3.0	0.2
UK	2,173	1,969	2,110	2,210	-2.9	1.7
South Africa	17	16	17	17	-2.1	-0.2
Germany	3,245	3,096	3,179	3,300	-2.0	1.7
France	2,333	2,146	2,290	2,370	-1.8	1.6
Saudi Arabia	2,640	2,532	2,605	2,730	-1.3	3.4
Argentina	693	624	687	707	-0.9	2.1
Canada	2,102	1,993	2,086	2,172	-0.7	3.3
Brazil	1,206	1,159	1,213	1,217	0.6	0.9
India*	**1,45,693**	**1,35,057**	**1,47,213**	1,60,462	**1.0**	10.1
Indonesia	1,09,49,038	1,07,19,108	1,10,72,839	1,16,92,918	1.1	6.8
Russia	91,449	88,980	92,984	95,588	1.7	4.5
Australia	1,972	1,929	2,010	2,092	1.9	6.1
USA	19,033	18,386	19,415	20,192	2.0	6.1
S. Korea	18,52,666	18,35,992	19,09,432	19,66,715	3.1	6.2

Source: IMF World Economic Outlook (October 2021 and January 2022 update)

Note: red color indicates negative growth.

- Among the selected set of 17 major economies, 10 economies are estimated to remain below their pre-pandemic real GDP at the end of 2021. These economies include Italy, Mexico, Japan, UK, South Africa, Germany, France, Saudi Arabia, Argentina, and Canada.
- Among these 10 economies, the level of real GDP in Mexico and South Africa is estimated to remain below their corresponding 2019 level even at the end of 2022 reflecting the continued impact of the pandemic. This implies a loss of three years in terms of real GDP growth for these two economies.
- Further, the excess of 2022 real GDP magnitude over the 2019 level for Japan and European economies including France, Italy, Germany and the UK is expected to remain modest in the range of 0.2% to 1.7%. This may be attributable to the continuous emergence of COVID-19 variants resulting in mobility restrictions, adversely affecting growth.
- Seven economies namely, Brazil, India, Indonesia, Russia, Australia, USA and South Korea are expected to emerge above their pre-pandemic level of GDP at the end of 2021.
- While Brazil and India are expected to show a low growth in their real GDP magnitude in 2021 (FY22 for India) over their 2019 levels, the US and South Korea are expected to show a growth of 2% and 3.1% respectively.

5. In focus: budgeting for a normalizing economy – pushing infrastructure, returning to fiscal consolidation

A. Introduction

FY23 is expected to be the first normal year after the onslaught of COVID-19 which virtually eliminated meaningful increase in economic output during the two-year period covering FY21 and FY22. Beginning FY23, it would be critical for the Indian economy to sustain a medium-term real GDP growth ranging from 7-7.5% for emerging as the global growth leader.

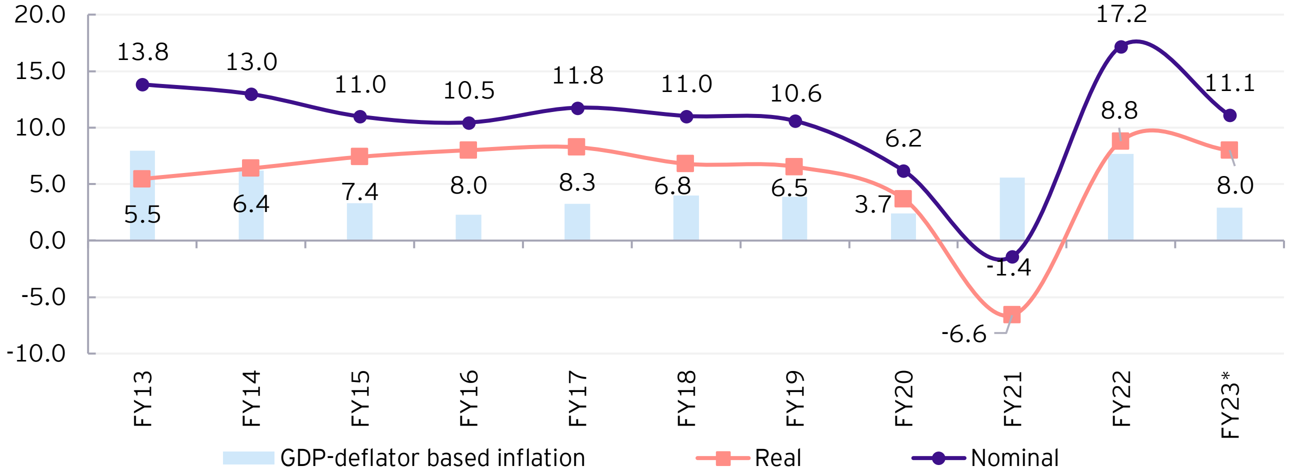
B. Recovery and growth prospects

In this section, we discuss the extent and nature of recovery beginning FY23 and the medium-term growth prospects of the Indian economy.

a) *Extent and nature of recovery*

In order to arrive at the latest GDP numbers, it is important to take into consideration, the National Statistical Office's (NSO) revised estimates of national accounts for FY19, FY20 and FY21 released on 31 January 2022, and the first advance estimates (FAE) for FY22 released on 7 January 2022. **Chart 7** shows that the Indian economy had started slowing down even before the onset of the pandemic. From a peak of 8.3% in FY17, real GDP growth fell year after year, reaching 3.7% in FY20, the year just preceding the COVID year.

Chart 7: Real and nominal GDP growth (%, annual)



Source (basic data): MoSPI, Economic Survey FY22 and Union Budget FY23
*Real GDP growth is as per the lower limit of the range (8-8.5%) provided by the Economic Survey FY23. Nominal growth is sourced from the Union Budget FY23. Implicit price deflator (IPD)-based inflation rate is calculated using these real and nominal growth rates.

A similar downward trend was observed for nominal GDP growth over the three years preceding the pandemic. It is notable that after the latest data revisions by the NSO, the slowdown in FY20 was sharper than estimated earlier. The FY20 real growth has been revised downwards to 3.7% as against the earlier estimate of 4.0%. Further, in FY21, the contraction at (-)6.6% is lower as compared to (-)7.3% estimated earlier. Real GDP growth is estimated to recover to 8.8% in FY22. This estimate is based on combining the FAE for FY22 with the first revised estimate for FY21.

Table 3: Real and nominal GDP (INR lakh crore)

Fiscal year	Nominal	Real
FY20	200.7	145.2
FY21	198.0	135.6
FY22 (FAE)	232.1	147.5
FY23	258.0^	159.3$^{\#}$
CAGR (FY22 over FY20)	***7.5%***	***0.8%***
CAGR (FY23 over FY20)	***8.7%***	***3.1%***

Source: MoSPI, Economic Survey FY22 and Union Budget FY23
 # estimated using the lower end of real growth range at 8.0% as given by the Economic Survey 2021-22; ^Budget assumption

The estimated growth rebound in FY22 is just enough to offset the contraction in FY21 with a marginal positive growth over FY20. In fact, the magnitude of real GDP at INR147.5 lakh crore in FY22 is only slightly higher than INR145.2 lakh crore in FY20, implying a CAGR of 0.8% over FY20 (**Table 3**). Thus, the Indian economy has lost almost two years of real growth due to the adverse impact of COVID-19.

b) Growth: FY23 and beyond

With regard to India's growth prospects in FY23 and beyond, there are differing views amongst multilateral institutions, rating agencies, the Economic Survey 2021-22 (ES) and the RBI. Among the various forecasts available for FY23 real growth, the IMF's projection at 9.0% is the highest while the lowest projection at 6.5% is by the UN (**Table 4**). The RBI, in its February 2022 monetary policy review projects the FY23 growth at 7.8%. The ES projects India's real GDP growth to range between 8-8.5% in FY23. The lower end of this range, that is, 8.0% may be considered close to the median growth estimate by various institutions and agencies for FY23. In the medium term, as per the IMF, India's growth is projected in the range of 6-7%. In our assessment, maintaining a medium-term growth of 7-7.5% would establish India as the global growth leader. This would call for a sustained and strong fiscal support to growth.

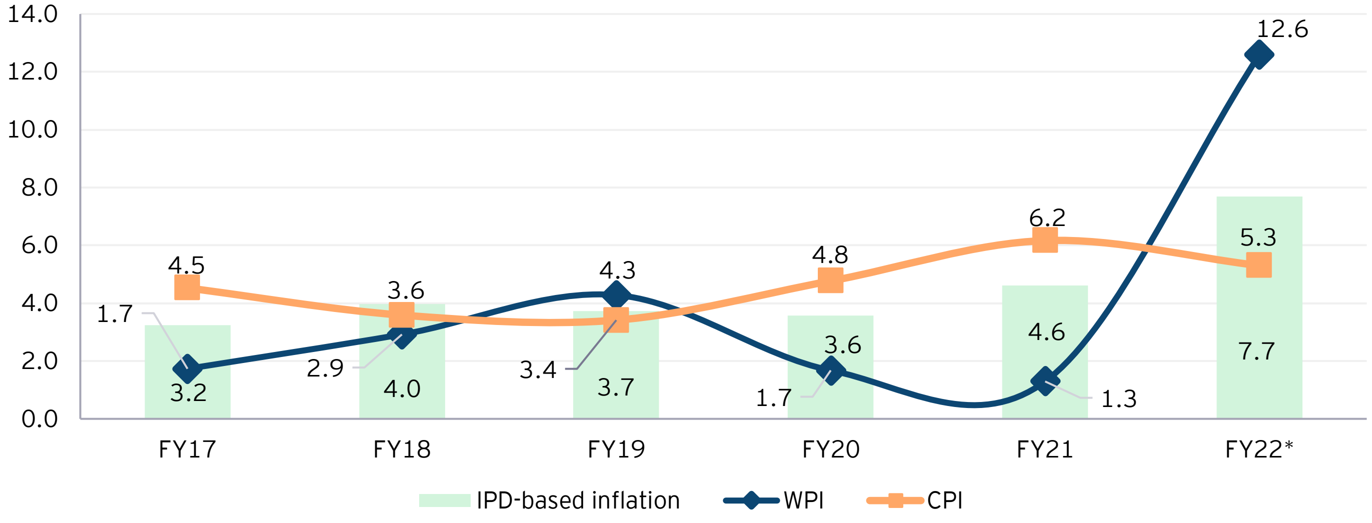
Table 4: India's real GDP growth prospects: forecasts by major institutions and agencies

Year	FY22	FY23	FY24	FY25	FY26	FY27
IMF	9.0	9.0	7.1	6.3	6.2	6.1
World Bank	8.3	8.7	6.8	--	--	--
Economic Survey 2021-22	--	8-8.5	--	--	--	--
OECD	9.4	8.1	5.5	--	--	--
RBI*	--	7.8	--	--	--	--
CRISIL	--	7.8	--	--	--	--
ADB	9.7	7.5	--	--	--	--
UN	8.4	6.5	5.9	--	--	--

Source (Basic data): IMF, OECD, ADB, World Bank, UN, Economic Survey FY22, RBI and media sources
Note: (1) The IMF forecasts for FY22, FY23 and FY24 are taken from the January 2022 update of the WEO and the forecasts for FY25, FY26 and FY27 are sourced from the October 2021 issue of the WEO
(2) FY23 column is colored to indicate the growth prospects for the upcoming fiscal year.
*February 2022 monetary policy statement

The Union Budget FY23 does not explicitly give an estimate for real GDP growth. However, it provides a nominal GDP growth estimate for FY23 at 11.1%. Taking the ES's lower end of real GDP growth at 8% along with the nominal growth assumed in the Budget, the implied implicit price deflator (IPD)-based inflation stands at 2.9% in FY23. This is significantly below the IPD based inflation in FY22 estimated at 7.7%. The implied fall in the IPD-based inflation rate is premised on a substantial fall in the WPI inflation rate which has averaged rather high at 12.6% over April 2021 to January 2022 (**Chart 8**).

Chart 8: CPI, WPI and IPD-based inflation (%, y-o-y)



Source (basic data): MoSPI
* For FY22, CPI and WPI inflation is for the period April 2021 to January 2022.

This upsurge in WPI inflation has been driven by high prices of global crude and primary products as also supply-side bottlenecks. These trends are not likely to be reversed in a short span of time. Thus, assuming a higher IPD-based inflation rate and accordingly a higher nominal growth rate would have been more realistic, leading to the creation of some valuable additional fiscal space. This is discussed in detail subsequently.

C. Sectoral perspectives

This section discusses the performance of major demand aggregates and output sectors in the last four years from FY19 to FY22.

a) Demand side

In the pandemic year of FY21, a contraction was witnessed in all demand segments except GFCE which had shown a growth of 3.6% reflecting government's large fiscal stimulus. In FY22, all segments are estimated to show a positive growth, enabling a recovery in the overall GDP growth. In terms of magnitude, in FY22, all segments except PFCE are estimated to exceed their corresponding levels in FY20. PFCE is estimated to remain below its pre-pandemic level in FY22 by INR(-)1.8 lakh crore **(Table 5)**. Given that PFCE accounted for an average share of 56.2% in real terms during FY16 to FY20, policy should focus on facilitating recovery in private consumption demand.

Table 5: Real GDP growth: demand segments (%, annual)

Aggregate demand	FY19 (3rd RE)	FY20 (2nd RE)	FY21 (1st RE)	FY22 (FAE)	FY22 (FAE) minus FY20 (INR lakh crore)
PFCE	7.1	5.2	-6.0	4.1	-1.8
GFCE	6.7	3.4	3.6	11.0	2.2
GFCF	11.2	1.6	-10.4	17.4	2.4
EXP	11.9	-3.4	-9.2	23.0	3.3
IMP	8.8	-0.8	-13.8	29.5	3.9
GDP	**6.5**	**3.7**	**-6.6**	**8.8**	**2.4**

Source: MoSPI

b) Output side

On the output side, all sectors except agriculture and financial, real estate et. al. contracted in the COVID-year of FY21. It is notable that the revision to NSO data has resulted in a positive GVA growth of 2.2% in financial, real estate et. al. in FY21 as against a contraction of (-)1.5% estimated earlier.

Table 6: Real GVA growth: output sectors (%, annual)

Aggregate demand	FY19 (3rd RE)	FY20 (2nd RE)	FY21 (1st RE)	FY22 (FAE)	FY22 (FAE) minus FY20 (INR lakh crore)
Agri.	2.1	5.5	3.3	3.5	1.4
Ming.	-0.8	-1.5	-8.6	14.6	0.2
Mfg.	5.4	-2.9	-0.6	5.5	1.1
Elec.	7.9	2.2	-3.6	14.7	0.3
Cons.	6.5	1.2	-7.3	8.8	0.1
Trans.	7.2	5.9	-20.2	15.0	-2.2
Fin.	7.0	6.7	2.2	0.9	0.9
Publ.	7.5	6.3	-5.5	13.8	1.3
GVA	**5.8**	**3.8**	**-4.8**	**7.4**	**3.0**

Source: MoSPI

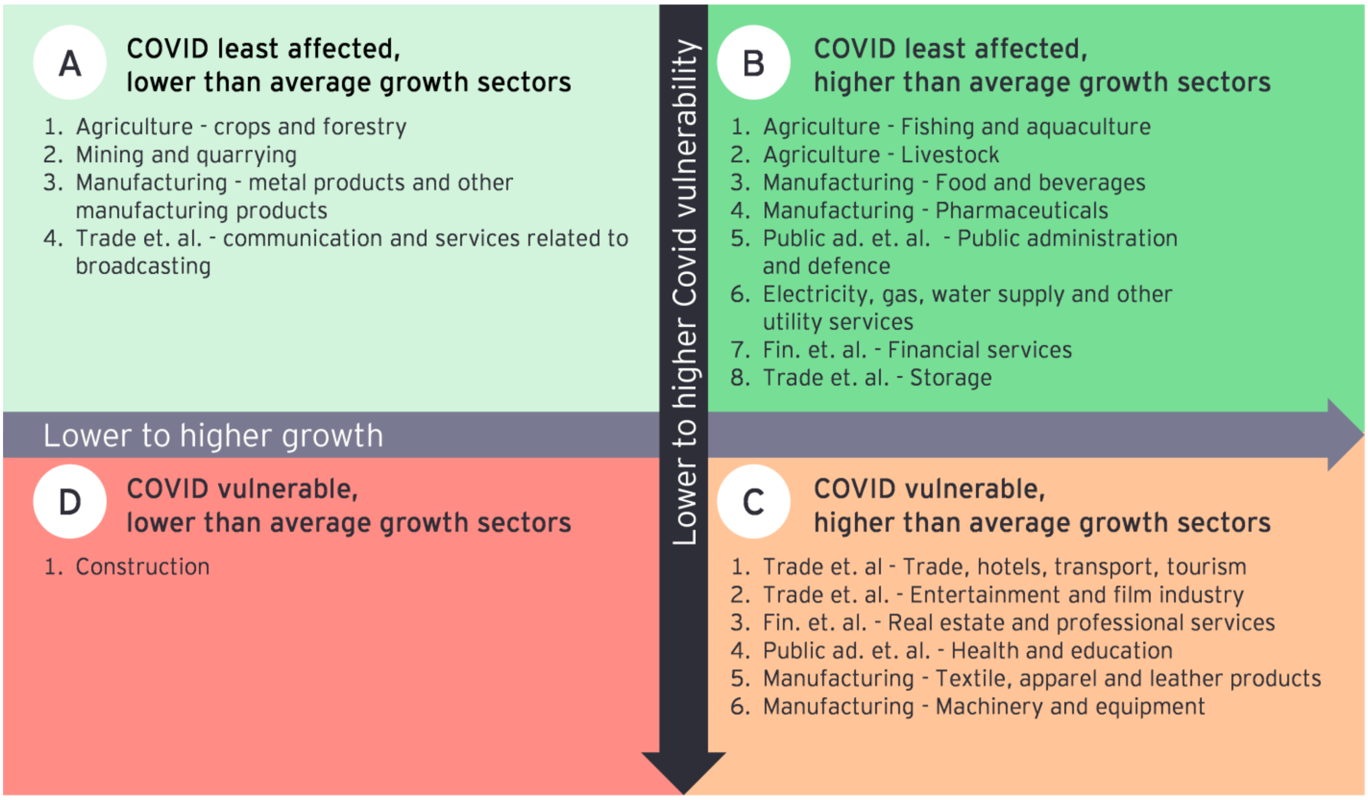
In FY22, all sectors have shown a positive growth. Despite showing the highest growth among all GVA sectors, the magnitude of real GVA of the trade, transport et. al. sector in FY22 is estimated to remain below its FY20 level by INR(-)2.2 lakh crore (**Table 6**). Since this sector is highly contact-intensive and also has a large share of MSMEs, it would require immediate and large policy support. As per the ES, MSMEs contributed 33.1% in nominal terms to the overall GVA in FY20, indicating their relative importance in the overall output.

c) Disaggregated perspective

In order to further decipher the nature of policy support, the eight output sectors have been disaggregated into 19 subsectors. These subsectors as shown in **Chart 9,** have been arranged in four groups using a 2X2 classification. On the X-axis, sectors are arranged according to their historical medium-term growth performance relative to the overall GVA growth during the five years (FY16 to FY20) preceding the COVID year of FY21. These are arranged from lower to higher growth. On the Y-axis, sectors are arranged to reflect lower to higher COVID vulnerability.

Agriculture has been divided into three subsectors, manufacturing into five, trade et. al. into four, financial, real estate et. al. and public administration, defence et. al. into two subsectors each. Three sectors have been retained as they are namely, construction, mining and quarrying and electricity, gas., water supply et. al. Bringing together, growth performance along with COVID vulnerability helps in identifying sectors that require policy attention on a priority basis. Thus, construction can be seen as the most adversely affected sector since its average growth is lower than the overall GVA growth, and it has proved to be highly vulnerable to COVID. It is an employment-intensive sector and has in fact, received the highest policy attention both in the FY22 and FY23 Union Budgets. Sectors placed in group B have come out from COVID's impact with minimal adverse effect. Some of these sectors may have even prospered as a result of COVID such as the IT-based sectors in financial services et. al. sector, communication and broadcasting services in the trade et. al. sector and pharmaceuticals in the manufacturing sector.

Chart 9: A 2X2 representation of GVA sectors according to medium-term historical growth and COVID vulnerability



A **COVID least affected, lower than average growth sectors**

1. Agriculture - crops and forestry
2. Mining and quarrying
3. Manufacturing - metal products and other manufacturing products
4. Trade et. al. - communication and services related to broadcasting

B **COVID least affected, higher than average growth sectors**

1. Agriculture - Fishing and aquaculture
2. Agriculture - Livestock
3. Manufacturing - Food and beverages
4. Manufacturing - Pharmaceuticals
5. Public ad. et. al. - Public administration and defence
6. Electricity, gas, water supply and other utility services
7. Fin. et. al. - Financial services
8. Trade et. al. - Storage

D **COVID vulnerable, lower than average growth sectors**

1. Construction

C **COVID vulnerable, higher than average growth sectors**

1. Trade et. al - Trade, hotels, transport, tourism
2. Trade et. al. - Entertainment and film industry
3. Fin. et. al. - Real estate and professional services
4. Public ad. et. al. - Health and education
5. Manufacturing - Textile, apparel and leather products
6. Manufacturing - Machinery and equipment

Source: EY representation

The agricultural sector consisting of crops and forestry is characterized by an average medium-term growth of 4.3% (FY16 to FY20). This sector remained relatively less adversely affected by COVID in FY21 and FY22 with its real GDP growth averaging at 3.4%. Its lower-than-average GVA growth performance however affects the income levels of rural population dependent on output of crops. Since there is considerable seasonal unemployment and underemployment in agriculture, this segment of population has required income support through schemes like MGNREGA. In the context of rural population, some of the non-agricultural rural activities may be linked to manufacturing, particularly food and beverages (sector 3. in group B) and textile, apparel and leather products (sector 5 in group C) and the trade et. al. relating to MSME and the informal sectors (sector 1. in group C). These sectors did require considerable policy support from the government during FY21 and FY22 and would require further support in FY23.

Most other sectors would be uplifted along with an increase in the overall growth rate. Indirectly, we can also draw some insights regarding increasing PFCE from this sectoral analysis. Rural demand has been weak due to relatively low average income levels and increased unemployment in the contact-intensive sectors covering MSMEs and unorganized economic activities. Multiple COVID waves led to increased saving for precautionary motive. As employment and income levels increase in these sectors with the weakening of the impact of COVID, PFCE may pick up. Until that happens, demand support should still come from maintaining reasonably high levels of GFCE. The anticipated multiplier effects through infrastructure expansion would help augment employment and income levels but its impact on consumption would be visible only with a time lag. With these economy-related perspectives, we consider the role that the Center's FY23 Budget may play in FY23 and in the medium-term.

D. Center's FY23 budget

Center's FY23 budget has introduced some key structural changes. First, it has clearly accorded a higher priority to capital expenditure in total expenditure. Second, within the composition of capital expenditure, it has provided greater emphasis on non-defence capital outlay. Alongside, the Budget has signaled a restoration of fiscal consolidation.

a) *Fiscal balance: returning to consolidation*

From a peak of 9.2% of GDP in FY21, Center's fiscal deficit has been reduced to 6.9% in FY22 (RE) and is budgeted to be further brought down to 6.4% in FY23. The Budget, in its Medium-Term Fiscal Policy cum Fiscal Policy Strategy Statement indicates reaching the level of 4.5% by FY26 **(Table 7).**

Table 7: Debt and deficit profile of the government

	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Centre's fiscal deficit to GDP ratio (%)							
FY23 Budget	--	9.2	6.9	6.4	--	--	4.5
15 FC (2nd Report)	--	--	6.5	6.0	5.5	5.0	4.5
Debt to GDP ratio (%)							
Centre	51.0*	62.2	59.6	60.0	--	--	--
Combined	74.6	89.9	87.3	88.5	--	--	--

Source (basic data): Union Budgets; Report of the Fifteenth Finance Commission, Centre's FRBM Act (2018), EY estimates from FY22 onwards; *sourced from Economic Survey 2021-22

Center's debt is estimated at 60% of GDP at the end of FY23, 20% points above the FRBM target of 40%. Further, the combined debt-GDP ratio is estimated at 88.5% at the end of FY23. The path of downward adjustment of debt depends on the profile of fiscal deficit, nominal GDP growth and the effective interest rate. The interest rate has a key role in determining the ratio of interest payments to revenue receipts. This ratio would remain under pressure as long as debt relative to GDP is high. In fact, domestic interest rates may be pushed up, at least in the short run, due to global pressures also since money is flowing back to the US and other developed countries as their interest rates have been increasing. A careful calibration of the fiscal consolidation path in the medium and long term is called for as part of a reliable fiscal strategy. Therefore, there is a need to constitute a new FRBM Committee as suggested by the Fifteenth Finance Commission.

b) *Budgetary balance*

Table 8 shows the broad contours of budgetary aggregates. Central government's total expenditure is budgeted to grow only by 4.6% in FY23, lower than 7.4% and 30.7% in FY22 and FY21 respectively. Thus, the strength of the fiscal stimulus is somewhat limited and the Budget banks on imparting structural shifts to improve the impact of the limited fiscal stimulus.

Table 8: Fiscal aggregates in FY22 and FY23: broad contours

Item	FY20	FY21	FY22 (RE)	FY23 (BE)	FY21 over FY20	FY22 (RE) over FY21	FY23 (BE) over FY22(RE)
	% to GDP				% growth		
Gross tax revenues	**10.0**	**10.2**	**10.8**	**10.7**	**0.8**	**24.1**	**9.6**
Net tax revenues	6.8	7.2	7.6	7.5	5.1	23.8	9.6
Non-tax revenues	1.6	1.1	1.4	1.0	-36.5	51.1	-14.1
Non-debt capital receipts	0.3	0.3	0.4	0.3	-16.0	73.5	-20.7
Fiscal deficit	**4.7**	**9.2**	**6.9**	**6.4**	**--**	**--**	**--**
Total expenditure	**13.4**	**17.7**	**16.2**	**15.3**	**30.7**	**7.4**	**4.6**
Revenue exp.	11.7	15.6	13.6	12.4	31.2	2.7	0.9
Capital exp.	1.7	2.2	2.6	2.9	27.0	41.4	24.5
Memo	INR lakh crore				% growth		
Nominal GDP	**200.7**	**198.0**	**232.1**	**258.0**	**-1.4**	**17.2**	**11.1**

Source (basic data): MoSPI, Union Budgets

Total expenditure is budgeted at 15.3% of GDP in FY23 that is to be financed by net tax revenues, non-tax revenues and non-debt capital receipts. The remaining gap is to be financed by center's borrowings that are budgeted at 6.4% of GDP in FY23.

Center's gross tax revenues (GTR) are budgeted to grow by 9.6% in FY23 after a strong growth of 24.1% in FY22 (RE). A contraction is budgeted for both non-tax revenues and non-debt capital receipts in FY23. In particular, the magnitude of disinvestment receipts budgeted at INR65,000 crore for FY23 appears relatively realistic given the amounts realized through this channel in the recent years. In fact, the FY22 RE for disinvestment proceeds has also been revised down to INR78,000 crore from the BE of INR1.75 lakh crore.

c) *Government expenditures: prioritizing capital expenditure*

The FY23 Budget provides a tangible shift in favor of expanding capital expenditure which is budgeted to increase to 2.9% of GDP in FY23 from 2.6% in FY22 **(Table 8)**. This is a welcome change. Growth in capital expenditure at 24.5% in FY23 is significantly higher than that in revenue expenditure at 0.9%. This also implicitly improves the quality of fiscal deficit since a much higher proportion of 45.2% of fiscal deficit is earmarked for capital expenditure in FY23. Within capital expenditure, capital outlay is also structured in favor of non-defence outlay which has a higher multiplier effect.

Table 9 shows the structure of Center's expenditure in terms of major components of revenue and capital expenditures. The share of capital expenditure in total expenditure is budgeted to increase to 19.0% in FY23 (BE) from 16.0% in FY22 (RE). Within capital expenditure, non-defence capital outlay relative to total expenditure is budgeted to increase to 11.6% in FY23 (BE) from 10.8% in FY22 (RE).

Table 9: Structure of expenditure: revenue and capital

Expenditure items	FY19	FY20	FY21	FY22 (RE)	FY23 (BE)
	% of total expenditure				
Revenue Expenditure	**86.7**	**87.5**	**87.9**	**84.0**	**81.0**
Interest Payments	25.2	22.6	19.1	21.4	23.8
Pensions	6.9	6.8	5.9	5.3	5.3
Defence Services	8.4	7.7	5.9	6.1	5.9
Education	1.6	1.6	1.2	1.3	1.4
Medical, public health et.al.	0.9	1.1	1.0	2.8	2.5
Capital expenditure of which	**13.3**	**12.5**	**12.1**	**16.0**	**19.0**
Capital Outlay	**12.1**	**11.6**	**9.0**	**14.5**	**15.5**
Capital outlay on non-defence	8.0	7.5	5.2	10.8	11.6
Capital outlay on defence	4.1	4.1	3.8	3.7	3.9
Memo items					
Subsidies as a % of total expenditure	16.5	16.1	40.7	21.5	14.6
Interest Payments as % of revenue receipts	37.5	36.3	41.6	39.1	42.7
Total expenditure as % of GDP	12.2	13.4	17.7	16.2	15.3

Source (basic data): MoSPI, Union Budgets

d) *Increasing interest payments, falling subsidies*

Committed expenditures of the government largely include interest payments, salaries and pensions, and subsidies. Interest payments, pensions and subsidies together are budgeted to pre-empt 43.6% of total expenditure in FY23 **(Table 9)**. In fact, the share of interest payments in revenue receipts is correctly budgeted to increase to 42.7% in FY23 as compared to 39.1% in FY22 (RE) as this is linked to the relatively high debt-GDP ratio of the central government as well as on the combined account of center and states. With respect to subsidies, there is a reduction in the budgeted amount to 14.6% of total expenditure in FY23 from 21.5% in FY22 (RE). This is premised on the assumption that it would be feasible to bring down major subsidies including food, fertilizer and petroleum. However, since these subsidies are linked to global crude prices, a downward adjustment may not come about in the near future. Given this, growth in government's revenue expenditure that is budgeted at less than 1% in FY23 may have been underprovided.

e) *Revenue receipts: scope for upward revision*

Table 10 shows that Center's GTR are estimated to grow by 24.1% in FY22 (RE). This indicates achieving a buoyancy of 1.4. In FY23 (BE) however, the buoyancy has been brought down to 0.9. Given the expanded digitization and formalization of the economy and the tax assessees, Center's tax buoyancy may turn out to be higher than 0.9 in FY23. If the underassessment in both tax buoyancy and nominal GDP growth assumptions is marginally corrected to say, 1.1 and 13% respectively, Center's GTR would have shown a more realistic growth of 14.3%. In fact, there may be another source providing scope for upward revision of the estimates of Center's GTR in FY23. CGA's data up to December 2021 indicates that in the first nine months of FY22, collections of Center's GTR at INR19.3 lakh crore has already covered 76.7% of RE which is nearly 9% points higher than the corresponding average ratio at 68% during the last five years (FY17 to FY21).

Table 10: Central tax revenues: growth and buoyancy

Fiscal Year	Direct tax of which	CIT	PIT	Indirect taxes	Gross taxes
Growth (%, y-o-y)					
FY19	13.4	16.2	9.8	2.9	8.4
FY20	-7.7	-16.1	4.2	1.8	-3.4
FY21	-10.0	-17.8	-1.1	12.7	0.8
FY22 (RE)	32.3	38.7	26.2	17.0	24.1
FY23 (BE)	13.6	13.4	13.8	5.7	9.6
Buoyancy					
FY19	1.3	1.5	0.9	0.3	0.8
FY20	-1.2	-2.6	0.7	0.3	-0.5
FY21	7.3	13.0	0.8	-9.3	-0.6
FY22 (RE)	1.9	2.2	1.5	1.0	1.4
FY23 (BE)	1.2	1.2	1.2	0.5	0.9

Source (basic data): MoSPI, Union Budgets

Seasonality studies[5] indicate that the January-March quarter usually experiences a peak growth in tax revenue collections particularly for direct taxes. Although account has to be taken of the likely fall in the growth of revenues from union excise duties due to a reduction in the specific rates on petroleum products[6], the weight of direct taxes is much higher than that of union excise duties. In fact, a contraction to the extent of (-)14.5% in GTR in the last quarter of FY22 would be required to realize the FY22 RE for Center's GTR. If, in fact, the Center does better than this RE, the resultant additional revenues would come in handy for increasing allocations for some of the underprovided sectors during the course of the year such as MGNREGA, health expenditures including vaccines and major subsidies.

E. Medium-term strategy: reemphasizing infrastructure push

The structural shift towards infrastructure expansion is visible in the FY23 Budget. There is a clear emphasis on uplifting capital expenditure which is associated with relatively higher output and employment multipliers. Further, as part of loans and advances within capital expenditure, the Center has made a provision for extending an interest-free loan amounting to INR1 lakh crore to the states for undertaking infrastructure expansion over and above the normal borrowing limit. The normal borrowing limit for states itself has been extended to 4% of GDP for FY23 of which 0.5% points is linked to power sector reforms. This is a timely initiative since central government often finds itself administratively constrained to accelerate infrastructure expansion as most of the relevant subjects are under states' supervision. In fact, up to December 2021, as per CGA's data, the central government could undertake capital expenditure of only 65% of the annual RE.

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[5] Srivastava, D. K., and Ragini Trehan. "Managing Central Government Finances: Asymmetric Seasonality in Receipts and Expenditures." Global Business Review 19.5 (2018): 1322-1344.

[6] On 3 November 2021, the Central government had announced the reduction of excise duty on petrol and diesel by INR5 and INR10 respectively, with effect from 4 November 2021. https://www.pib.gov.in/PressReleasePage.aspx?PRID=1769306

The Budget speech has elaborated a proposal to undertake a seven-pronged initiative over a period of 25 years to accelerate movement of goods and people in India (GatiShakti). These seven initiatives pertain to roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure. Successful implementation of such a plan would provide infrastructural support for achieving high-medium-term growth. It would be useful to fully integrate the already existing six-year National Infrastructure Pipeline (NIP) framework with the new GatiShakti initiative.

F. Conclusion: some salient hits and misses of Budget FY23

The Union Budget for FY23 has clearly signaled restoration of fiscal consolidation. The reorientation of government expenditure in favor of capital expenditure is expected to support India's medium to long term growth. Apart from initiatives such as the GatiShaki, states have also been incentivized to increase their capital expenditure. Other key initiatives include: (a) extension of the concessional CIT rate on newly incorporated domestic manufacturing companies until 31 March 2024, (b) improved budgetary transparency through discontinuation of off-budget expenditures, and (c) proposed taxation regime for digital assets along with the potential introduction of digital Rupee based on blockchain and other related technologies.

It is also useful to take note of some gaps. The Budget may have left unutilized fiscal space on account of a possible underassessment of base magnitude, nominal GDP growth, and tax buoyancy. This additional fiscal space could have been utilized for augmenting allocations for some of the underprovided sectors such as MGNREGA, health expenditures including vaccines and major subsidies. This could also have been utilized for expanding the limited support that the FY23 Budget has provided to the MSMEs. Alternatively, this could have facilitated an accelerated pace of fiscal consolidation.

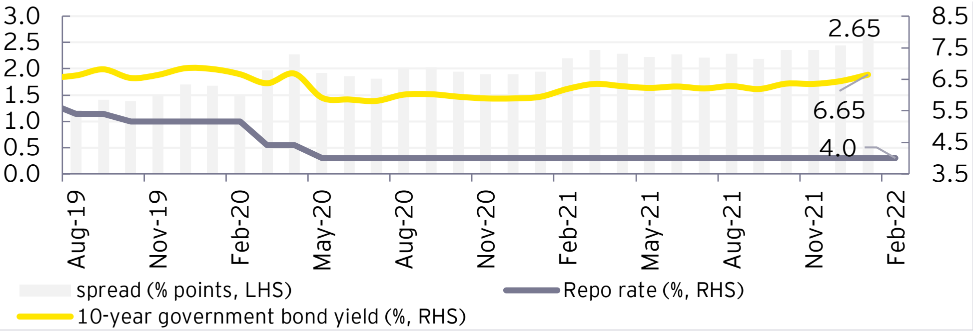
6. Money and finance: the RBI maintained the repo rate at 4.0% in February 2022

Monetary sector

Monetary policy

- In its February 2022 monetary policy review, the RBI retained the repo rate at 4.0% for the 10th successive time since May 2020 **(Chart 10)**. The reverse repo rate was also retained at 3.35% while maintaining an accommodative policy stance for supporting growth. This has come by despite the CPI inflation surging to 5.6% in December 2021, closer to the upper tolerance limit of the RBI's inflation target.
- The RBI assessed that the overall growth had lost some momentum in the near-term largely owing to the impact of the Omicron variant. Further, there was an uneven recovery in economic activity with private consumption and contact-intensive services remaining below their pre-pandemic level. However, with CPI inflation expected to remain within the tolerance band in the last quarter of FY22, the Monetary Policy Committee was of the view that there was some space for the monetary policy to remain accommodative.

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



The RBI retained the repo rate at 4.0% for the 10th successive time in its February 2022 monetary policy review.

Source: Database on Indian Economy, RBI

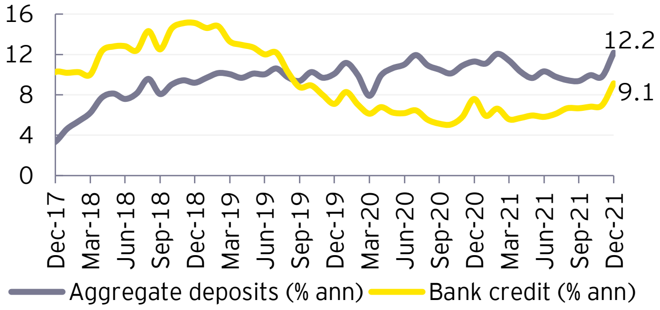
Money stock

- Growth in broad money stock (M3) fell to 8.4% in January 2022, its lowest level since October 2017. This was due to a fall in the growth of narrow money (M1) and time deposits.
- Growth in M1 moderated to 10.1% in January 2022, its lowest since October 2017, due to a sharp slowdown in the growth in demand deposits. Growth in demand deposits fell to a 16-month low of 12.6% in January 2022. However, growth in currency with the public increased to 8.3% in January 2022 from 7.9% in December 2021.
- Time deposits, accounting for about 76% of M3 on average (last three years), showed a growth of 7.8% in January 2022, its lowest level since June 2018.

Aggregate credit and deposits

- Outstanding bank credit by scheduled commercial banks (SCBs) increased to a 28-month high of 9.1% in December 2021 **(Chart 11)**. In 3QFY22, credit growth averaged 7.7%, improving from 6.5% in 2QFY22.
- Growth in non-food credit improved to 9.3% in December 2021 as compared to 7.1% in November 2021. Non-food credit growth averaged 7.6% in 3QFY22, increasing from 6.5% in 2QFY22.
- Sectoral deployment of bank credit[7] showed that growth in outstanding credit to industries increased sharply to 7.6% in December 2021 from 3.8% in November 2021 largely owing to a favorable base effect.

Chart 11: Growth in credit and deposits



Source: Database on Indian Economy, RBI

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[7] As per RBI, data on sectoral deployment of bank credit collected from select 33 scheduled commercial banks accounts for about 90% of the total non-food credit deployed by all scheduled commercial banks

- Within the industrial sector, growth in credit to infrastructure and to chemicals increased to 10.9% and 12.7% respectively in December 2021 from 10.7% and 7.6% respectively in November 2021. Growth in credit to textiles and drugs and pharmaceuticals at 11.8% and 11.0% respectively in December 2021 was also higher as compared to 7.4% and 6.7% respectively in November 2021. These high growth numbers are largely attributable to favorable base effect.
- Growth in credit to services sector increased sharply to 10.8% in December 2021 from 3.6% in November 2021.
- Growth in credit to agricultural sector accelerated to 14.5% in December 2021 from 10.4% in November 2021. Similarly, personal loans, accounting for about 30% of total non-food credit also showed a strong growth of 14.3% in December 2021, increasing from 11.6% in November 2021.
- Growth in aggregate bank deposits also increased to 12.2% in December 2021, its highest level since March 2017. In 3QFY22, deposit growth averaged 10.6%, higher as compared to 9.5% in 2QFY22.

B. Financial sector

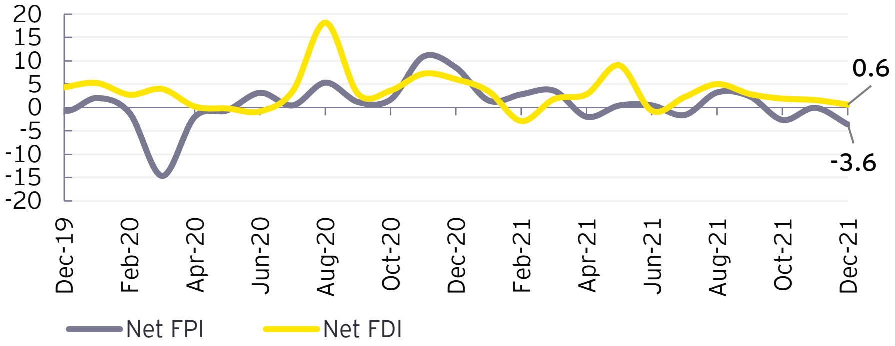
Interest rates

- As per the data released by the RBI on 4 February 2021, the average interest rate on term deposits with a maturity of more than one year was increased marginally from 5.24% in December 2021 to 5.28% in January 2022 with the actual rate ranging from 4.95% to 5.60%.
- The MCLR was marginally lowered from 6.75% in December 2021 to 6.73% in January 2022 with the actual rate ranging between 6.46% and 7.00%.
- The average yield on 10-year government bonds increased to a 21-month high of 6.65% in January 2022 from 6.44% in December 2021 **(Chart 10)**. Given that the repo rate was retained at 4.0% in December 2021, the spread between benchmark bond yield and repo rate increased to 2.65% points in January 2022, its highest level since December 2011.
- WALR on fresh rupee loans by SCBs eased to 7.72% in December 2021 from 7.98% in November 2021.

FDI and FPI

- As per the provisional data released by the RBI on 16 February 2022, overall foreign investments[8] (FI) registered outflows amounting to US$(-)3.0 billion in December 2021 as compared to inflows amounting to US$1.6 billion in November 2021. In 3QFY22, FI outflows amounted to US$(-)2.2 billion as compared to inflows of US$14.2 billion in 2QFY22.

Chart 12: Net FDI and FPI inflows (US$ billion)



Net FDI inflows fell to a six-month low of US$0.6 billion while net FPI outflows were at a 21-month high of US$(-)3.6 billion in December 2021.

Source: Database on Indian Economy, RBI

- Net FDI inflows fell to a six-month low of US$0.6 billion in December 2021 **(Chart 12)**. In 3QFY22, net FDI inflows were lower at US$4.1 billion as compared to US$10.2 billion in 2QFY22.
- FPIs continued to witness net outflows for the third consecutive month, amounting to US$(-)3.6 billion in December 2021 as compared to US$(-)0.04 billion in November 2021. In 3QFY22, net FPI outflows amounted to US$(-)6.3 billion as compared to net inflows of US$4.0 billion in 2QFY22.

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

7. Trade and CAB: merchandise exports growth eased to 25.3% in January 2022

A. CAB: after a surplus of 0.9% of GDP in 1QFY22, current account posted a deficit of (-)1.3% of GDP in 2QFY22

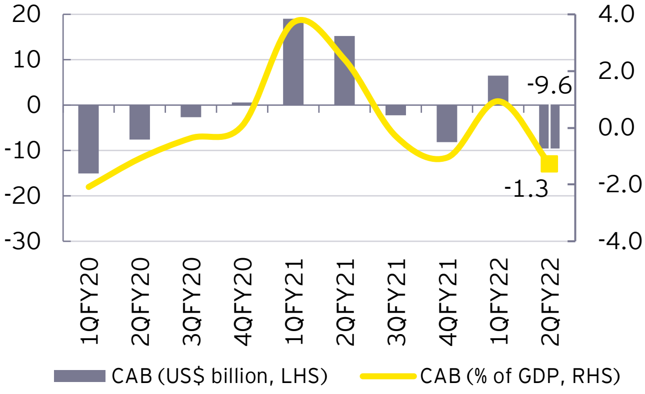
Current account recorded a deficit at (-)1.3% of GDP in 2QFY22 as compared to a surplus of 0.9% of GDP in 1QFY22 **(Chart 13, Table 11).** Net merchandise trade deficit deteriorated to a nine-quarter high of (-)5.9% of GDP in 2QFY22 from (-)4.4% in 1QFY22 as merchandise imports rose to a 12-quarter high of 19.9% of GDP in 2QFY22 from 18.5% in 1QFY22. Merchandise exports relative to GDP were at a 27-quarter high of 14.0% in 2QFY22, the same level as seen in 1QFY22. Net service receipts and net transfer receipts relative to GDP weakened to 3.4% and 2.5% respectively in 2QFY22 from 3.7% and 2.7% respectively in 1QFY22.

Table 11: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY18	-48.7	-1.8	-160.0	111.3
FY19	-57.3	-2.1	-180.3	123.0
FY20	-24.7	-0.8	-157.5	132.8
FY21	32.1	0.9	-60.4	92.5
3QFY21	-0.3	-2.2	-34.6	32.4
4QFY21	-1.0	-8.2	-41.7	33.6
1QFY22	0.9	6.5	-30.7	37.2
2QFY22	-1.3	-9.6	-44.4	34.8

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

Chart 13: CAB



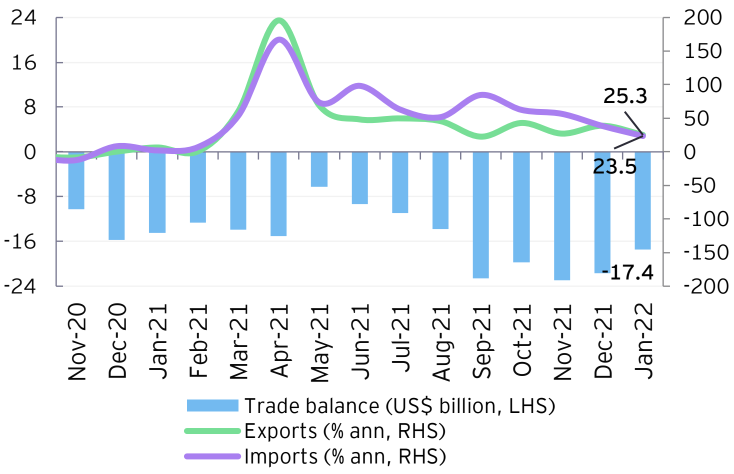
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise exports and imports growth (y-o-y) eased to 25.3% and 23.5% respectively in January 2022 from 38.9% and 38.5% respectively in December 2021 (Chart 14).

- Merchandise exports growth was driven primarily by exports of oil, engineering goods and organic and inorganic chemicals whose growth eased to 95.2%, 24.1%, and 25.8% respectively in January 2022 from 152.0%, 38.4% and 26.9% respectively in December 2021.
- Growth in merchandise imports was led by imports of oil, electronic goods and fertilizers which grew by 26.9%, 45.6% and 167.4% respectively in January 2022 as compared to 67.9%, 27.6% and 170.7% respectively in December 2021.
- Y-o-y growth in exports and imports excluding oil, gold and jewelry moderated to 20.1% and 33.6% respectively in January 2022 from 29.7% and 35.1% respectively in December 2021.
- Merchandise trade deficit was lower at US$(-)17.4 billion in January 2022 as compared to US$(-)21.7 billion in December 2021, due to the relatively higher growth in exports vis-à-vis imports.
- The rupee appreciated to INR74.4 per US$ (average) in January 2022 from INR75.4 per US$ (average) in December 2021.

Chart 14: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

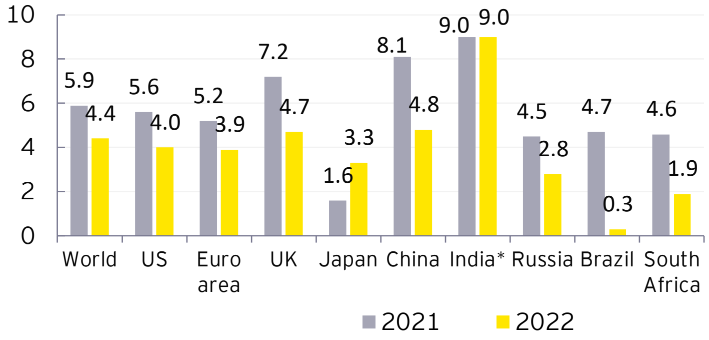
8. Global growth: IMF projected global growth at 4.4% in 2022 with India's growth at 9% in FY23

A. Global growth outlook

The IMF projected global growth at 4.4% in 2022, a downward revision of 0.5% points largely due to a growth downgrade in the US and China.

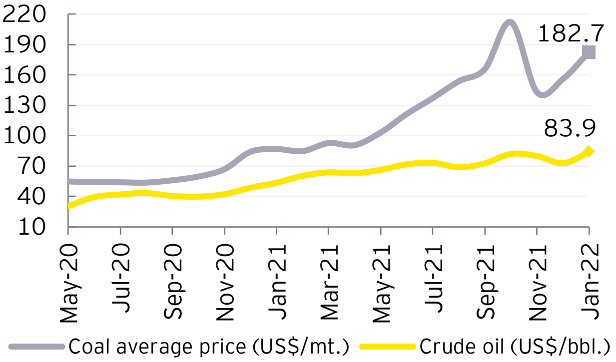
- The IMF (World Economic Outlook Update, January 2022) has forecasted global growth to moderate from 5.9% in 2021 to 4.4% in 2022 **(Chart 15)**. The 2022 forecast has been revised down by 0.5% points from the October 2021 projection largely due to a growth downgrade in the US and China.
- Growth in AEs is projected to decelerate from 5% in 2021 to 3.9% in 2022 while that in EMDEs is forecasted to ease from 6.5% to 4.8% over the same period.
- In the US, growth is estimated to ease from 5.2% in 2021 to 4% in 2022. A revised assumption removing the Build Back Better fiscal policy package from the baseline, earlier withdrawal of monetary accommodation, and continued supply shortages resulted in a downward revision of 1.2% points for the US growth in 2022.
- In the Euro area, growth is projected to fall from 5.2% in 2021 to 3.9% in 2022 due to the recently imposed mobility restrictions. In the UK, Omicron-related disruptions and supply constraints particularly in labor and energy markets led to a downward revision of 0.3% points in the 2022 forecast to 4.7%.
- In China, the strict zero-COVID strategy has led to recurrent mobility restrictions and deteriorating prospects for construction sector employment. With lower than anticipated private consumption as well as investment in real estate, growth in 2022 has been revised down by 0.8% points to 4.8%. This is likely to have negative implications for trading partners' growth prospects.
- The growth prospects have considerably weakened for Brazil, where high inflation has prompted a strong monetary policy response, weighing on domestic demand. Growth is projected at only 0.3% in 2022.
- India's growth projected at 9% in both 2021 (FY22) and 2022 (FY23), is the highest among major economies. This strong growth outlook is largely owing to an improvement in credit growth and subsequently investment and consumption.

Chart 15: Growth projections (%)



Source: IMF World Economic Outlook Update (January 2022)
*on a fiscal year basis

Chart 16: Global crude and coal prices



Source (basic data): World Bank, Pink Sheet, February 2022

B. Global energy prices: global crude price at US$84/bbl. in January 2022 was at its highest level since October 2014

- Average global crude price[9] at US$83.9/bbl. in January 2022 was at its highest level since October 2014 **(Chart 16)**. This was driven by stronger than expected demand despite the renewed rise in COVID and supply outages in the Middle East accompanied by tensions between Russia and Ukraine. Further, there was a slower increase in output largely attributable to OPEC+ countries during the month.
- Average global coal price[10] also increased to US$182.7/mt. in January 2022 from US$156.1/mt. in December 2021 due to concerns regarding potential supply disruption in Europe stemming from the tensions between Russia and Ukraine leading to an increase in coal imports by European utilities[11].

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

[10] Simple average of Australian and South African coal prices

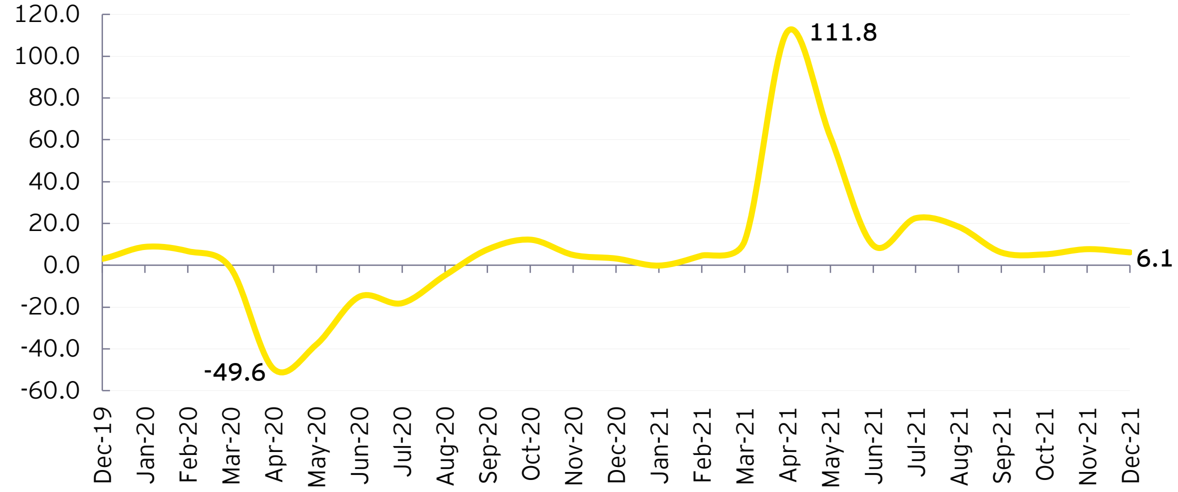
[11] https://www.reuters.com/business/energy/global-coal-prices-surge-ukraine-tensions-worsen-supply-woes-2022-01-28/

9. Index of Aggregate Demand (IAD): moderated to 6.1% in December 2021

IAD pointed to weakening demand conditions in December 2021

- EY has developed an 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 non-seasonally adjusted terms, tracing the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- Growth in IAD fell to 6.1% in December 2021 from 7.7% in November 2021, indicating weakening demand conditions **(Chart 17** and **Table 12)**.
- Demand conditions in both manufacturing and services sectors deteriorated in December 2021 from November 2021. In contrast, demand conditions in the agricultural sector improved significantly in December 2021 as reflected by the growth in agricultural credit off-take.

Chart 17: Growth in IAD (y-o-y)



Source (Basic data): IHS Markit PMI, RBI and EY estimates

Table 12: IAD

Month	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
IAD	135.2	126.5	118.3	130.2	140.5	141.8	149.1	146.7	144.3
Growth (% y-o-y)	111.8	61.6	9.6	22.5	18.4	6.1	5.2	7.7	6.1
Growth in agr. credit	11.3	10.3	11.4	12.4	11.3	9.9	10.2	10.4	14.5
Mfg. PMI**	5.0	-0.9	-3.5	5.5	2.3	6.0	7.4	7.6	5.1
Ser. PMI**	0.6	-4.1	-10.7	-5.9	7.4	5.5	11.2	8.6	4.9

**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 non-seasonally adjusted.

Source (basic data): IHS Markit PMI, RBI and EY estimates

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							
FY18	4.4	2.3	4.7	5.3	4.3	FY18	51.5	50.0
FY19	3.8	2.8	3.8	5.2	4.4	FY19	52.8	52.2
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.6	-7.8	-9.8	-0.5	-7.0	FY21	50.2	41.7
4QFY21	6.0	-0.1	6.8	9.2	3.5	4QFY21	56.9	54.2
1QFY22	44.4	27.5	53.0	16.8	26.0	1QFY22	51.5	47.2
2QFY22	9.5	17.1	8.6	9.3	9.2	2QFY22	53.8	52.4
3QFY22	1.9	6.0	1.2	2.7	5.2	3QFY22	56.3	57.3
Sep-21	4.4	8.6	4.3	0.9	5.4	Oct-21	55.9	58.4
Oct-21	4.0	11.5	3.1	3.1	8.4	Nov-21	57.6	58.1
Nov-21	1.3	4.9	0.8	2.1	3.4	Dec-21	55.5	55.5
Dec-21	0.4	2.6	-0.1	2.8	3.8	Jan-22	54.0	51.5

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

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				
FY18	3.6	1.8	6.2	4.6	2.9	1.9	2.7	8.2	3.0
FY19	3.4	0.1	5.7	5.5	4.3	0.6	3.7	11.5	4.2
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	4.0	2.8	-8.0	2.2
4QFY21	4.9	3.5	3.9	5.9	5.1	2.9	6.5	2.5	6.3
1QFY22	5.6	4.0	10.8	6.1	12.0	7.5	10.5	28.8	9.9
2QFY22	5.1	2.6	13.0	6.0	11.7	3.6	11.5	28.2	11.3
3QFY22	5.0	2.2	12.9	6.2	14.1	6.7	11.9	38.4	12.2
Oct-21	4.5	0.8	14.3	6.1	13.8	4.3	12.9	38.6	12.9
Nov-21	4.9	1.9	13.3	6.3	14.9	6.8	12.3	44.4	12.7
Dec-21	5.7	4.0	11.0	6.2	13.6	9.2	10.6	32.3	11.0
Jan-22	6.0	5.4	9.3	6.0	13.0	9.6	9.4	32.3	9.7

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
FY 19 (CGA)	8.4	16.2	13.1	14.9	3.0	3.4	2.4
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 (RE over budget actuals)	24.1	38.7	26.2	32.3	17.0	6.9	4.7
FY 23 (BE over FY 22 RE)	9.6	13.4	13.8	13.6	5.7	6.4	3.8
	Cumulated growth (%, y-o-y)					% of budgeted target	
May-21	147.9	155.9	111.0	125.5	164.0	8.2	5.7
Jun-21	97.1	128.2	97.5	111.8	85.2	18.2	14.9
Jul-21	83.1	171.5	76.7	111.8	64.8	21.3	18.1
Aug-21	70.5	159.7	69.3	101.4	52.1	31.1	27.3
Sep-21	64.2	105.1	64.7	83.9	48.1	35.0	27.7
Oct-21	55.8	91.6	53.3	70.9	44.0	36.3	27.5
Nov-21	50.3	90.4	47.2	66.3	38.6	46.2	38.8
Dec-21	44.2	66.5	50.5	58.7	31.5	47.7$^{\$}$	36.4$^{\$}$

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 (Center)
	INR crore				
FY 2022 (RE)	5,70,000	-	-	1,05,000	6,75,000
FY 2023 (BE)	6,60,000	-	-	1,20,000	7,80,000
Monthly tax collection (INR crore)					
May-21	28,292	164	15,341	8,886	52,683
Jun-21	33,696	170	6,377	6,565	46,808
Jul-21	47,901	254	-3,733	7,530	51,952
Aug-21	53,326	289	-16,195	8,474	45,894
Sep-21	47,379	222	-634	8,489	55,456
Oct-21	48,546	140	8,970	8,221	65,877
Nov-21	49,238	118	7,238	9,442	66,036
Dec-21	46,227	254	14,635	9,141	70,257

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
Note: IGST revenues are subject to final settlement.

Table A4: Monetary and financial indicators (annual, quarterly and monthly growth rates, y-o-y)

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Mar-21	4.00	FY18	7.5	7.5	30.3	22.1	FY18	21.8	9.2	7.05	424.4
Apr-21	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.69	411.9
May-21	4.00	FY20	9.4	9.9	43.0	1.4	FY20	11.2	8.9	6.83	475.6
Jun-21	4.00	FY21	6.1	11.0	43.2	36.8	FY21	16.2	12.2	6.05	579.3
Jul-21	4.00	4QFY21	6.0	11.5	2.4	8.0	4QFY21	16.2	12.2	6.16	579.3
Aug-21	4.00	1QFY22	5.8	10.1	11.2	-1.1	1QFY22	15.4	10.7	6.26	609.0
Sep-21	4.00	2QFY22	6.5	9.5	10.2	4.0	2QFY22	11.4	9.3	6.23	638.6
Oct-21	4.00	3QFY22	7.7	10.6	4.1	-6.3	3QFY22	11.5	9.3	6.38	633.6
Nov-21	4.00	Sep-21	6.7	9.4	2.9	2.4	Oct-21	12.8	9.7	6.36	642.0
Dec-21	4.00	Oct-21	6.8	9.9	1.9	-2.7	Nov-21	12.3	9.5	6.35	637.7
Jan-22	4.00	Nov-21	7.0	9.8	1.6	0.0	Dec-21	11.5	9.3	6.44	633.6
Feb-22	4.00	Dec-21	9.1	12.2	0.6	-3.6	Jan-22	10.1	8.4	6.65	629.8

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		
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2012	3.5	1.2	5.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2013	3.5	1.4	5.1
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2014	3.5	2.1	4.7
FY21	-7.2	-16.7	-101.2	74.2	43.8	67.2	2015	3.4	2.4	4.3
4QFY21	19.7	18.5	-41.0	72.9	59.3	88.1	2016	3.3	1.8	4.5
1QFY22	85.9	108.7	-30.8	73.8	67.1	105.1	2017	3.8	2.5	4.8
2QFY22	38.5	66.5	-47.4	74.1	71.7	152.3	2018	3.5	2.2	4.5
3QFY22	36.6	51.4	-64.3	74.9	78.3	170.3	2019	2.8	1.6	3.7
Oct-21	43.0	62.5	-19.7	74.9	82.1	212.1	2020	-3.1	-4.5	-2.0
Nov-21	27.2	56.6	-22.9	74.5	79.9	142.7	2021	5.9	5.0	6.5
Dec-21	38.9	38.5	-21.7	75.4	72.9	156.1	2022*	4.4	3.9	4.8
Jan-22	25.3	23.5	-17.4	74.4	83.9	182.7	2023*	3.8	2.6	4.7

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook October 2021 and January 2022.
* forecasts for 2022 and 2023 are sourced from the WEO Update released in January 2022.

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
FY19 (3rd RE)	5.8	2.1	-0.8	5.4	7.9	6.5	7.2	7.0	7.5	4.7
FY20 (2nd RE) [$]	3.8	5.5	-1.5	-2.9	2.2	1.2	5.9	6.7	6.3	2.9
FY21(1st RE) [$]	-4.8	3.3	-8.6	-0.6	-3.6	-7.3	-20.2	2.2	-5.5	3.3
FY22(FAE)*	7.4	3.5	14.6	5.5	14.7	8.8	15.0	0.9	13.8	8.4
2QFY20	4.6	3.5	-5.2	-3.0	1.7	1.0	6.8	8.9	8.8	2.0
3QFY20	3.4	3.4	-3.5	-2.9	-3.1	-1.3	7.0	5.5	8.9	3.4
4QFY20	3.7	6.8	-0.9	-4.2	2.6	0.7	5.7	4.9	9.6	3.2
1QFY21	-22.4	3.5	-17.2	-36.0	-9.9	-49.5	-48.1	-5.0	-10.2	2.8
2QFY21	-7.3	3.0	-6.5	-1.5	2.3	-7.2	-16.1	-9.1	-9.2	2.2
3QFY21	1.0	4.5	-4.4	1.7	7.3	6.5	-7.9	6.7	-2.2	3.2
4QFY21	3.7	3.1	-5.7	6.9	9.1	14.5	-2.3	5.4	2.3	4.9
1QFY22	18.8	4.5	18.6	49.6	14.3	68.3	34.3	3.7	5.8	6.5
2QFY22	8.5	4.5	15.4	5.5	8.9	7.5	8.2	7.8	17.4	7.7

Source: National Accounts Statistics, MoSPI

[$] Growth numbers for FY21 are based on the first revised estimates (RE) of NAS released by the MoSPI on 31 January 2022 over the second RE of NAS for FY20, *FY22 growth numbers are based on the FAE release don 7 January 2022 over the first revised estimates released on 31 January 2022.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY19 (3rd RE)	6.5	7.1	6.7	11.2	11.9	8.8	3.9
FY20 (2nd RE) [$]	3.7	5.2	3.4	1.6	-3.4	-0.8	2.4
FY21(1st RE) [$]	-6.6	-6.0	3.6	-10.4	-9.2	-13.8	5.6
FY22(FAE)*	8.8	4.1	11.0	17.4	23.0	29.5	7.7
2QFY20	4.6	6.5	9.6	3.9	-1.3	-1.7	1.6
3QFY20	3.3	6.4	8.9	2.4	-5.4	-7.5	3.1
4QFY20	3.0	2.0	12.1	2.5	-8.8	-2.7	5.6
1QFY21	-24.4	-26.2	12.7	-46.6	-21.8	-40.9	2.8
2QFY21	-7.4	-11.2	-23.5	-8.6	-2.0	-17.9	3.3
3QFY21	0.5	-2.8	-1.0	2.6	-3.5	-5.0	4.8
4QFY21	1.6	2.7	28.3	10.9	8.8	12.3	7.0
1QFY22	20.1	19.3	-4.8	55.3	39.1	60.2	9.7
2QFY22	8.4	8.6	8.7	11.0	19.6	40.6	8.4

Source: National Accounts Statistics, MoSPI

[$] Growth numbers for FY21 are based on the first revised estimates (RE) of NAS released by the MoSPI on 31 January 2022 over the second RE of NAS for FY20, *FY22 growth numbers are based on the FAE release don 7 January 2022 over the first revised estimates released on 31 January 2022.

List of abbreviations

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

Sr. no.	Abbreviations	Description
40	IBE	interim budget estimates
41	ICRIER	Indian Council for Research on International Economic Relations
42	IEA	International Energy Agency
43	IGST	Integrated Goods and Services Tax
44	IIP	Index of Industrial Production
45	IMF	International Monetary Fund
46	IMI	Index of Macro Imbalance
47	IMP	imports
48	INR	Indian Rupee
49	IPD	implicit price deflator
50	MCLR	marginal cost of funds-based lending rate
51	Ming.	mining and quarrying
52	Mfg.	manufacturing
53	m-o-m	month-on-month
54	Mt	metric ton
55	MoSPI	Ministry of Statistics and Programme Implementation
56	MPC	Monetary Policy Committee
57	NEXP	net exports (exports minus imports of goods and services)
58	NPA	non-performing assets
59	NCLT	National Company Law Tribunal
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	PSBR	public sector borrowing requirement
67	RE	revised estimates
68	PSU/PSE	public sector undertaking/public sector enterprises
69	RBI	Reserve Bank of India
70	SLR	Statutory Liquidity Ratio
71	Trans.	trade, hotels, transport, communication and services related to broadcasting
72	US$	US Dollar
73	UTGST	Union Territory Goods and Services Tax
74	WALR	weighted average lending rate
75	WHO	World Health Organization
76	WPI	Wholesale Price Index
77	y-o-y	year-on-year
78	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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