ENTER

Economy Watch

Monitoring India's macro-fiscal performance

March 2023

Building a better working world

Contents

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Highlights

1. Real GDP and GVA growth fell to 4.4% and 4.6% respectively in 3QFY23 from 6.3% and 5.5% in 2QFY23.

2. In February 2023, PMI indicated a sustained robust growth in manufacturing with its level at 55.3. PMI services was at a 12-year high of 59.4 during the month.

3. Led by higher growth in electricity and manufacturing output, IIP growth improved to 5.2% in January 2023 from 4.7% in December 2022.

4. Driven by elevated food and fuel prices, CPI inflation remained at a high level of 6.4% in February 2023, although marginally lower than 6.5% in January 2023.

5. WPI inflation fell to a 25-month low of 3.9% in February 2023, led by moderating inflation in crude and commodities, and aided by a favorable base effect.

6. Central government's gross tax revenues (GTR) grew by 12.6% during April-January FY23 with growth in direct taxes at 16.8% and that in indirect taxes at 8.6%.

7. During April-January FY23, GoI's total expenditure grew by 12.8%, with growth in revenue expenditure at 9.7% and that in capital expenditure at 29%.

8. During April-January FY23, GoI's fiscal and revenue deficits as a proportion of RE stood at 67.8% and 61.1% respectively.

9. Growth in bank credit increased to a three-month high of 16.3% in January 2023 from 14.9% in December 2022.

10. Contraction in merchandise exports and imports increased to (-)8.8% and (-)8.2% respectively in February 2023, from (-)6.6% and (-)3.6% in January 2023 reflecting moderating global demand.

11. Merchandise trade deficit narrowed to a 13-month low of US$(-)17.4 billion in February 2023 from US$(-)17.7 billion in January 2023.

12. Net FDI inflows surged to an eight-month high of US$4.1 billion in January 2023.

13. Average global crude price at US$80.3/bbl. in February 2023 remained nearly unchanged from its January 2023 level. The US EIA has projected brent crude price at US$83/bbl. in 2023, easing to US$78/bbl. in 2024.

14. The OECD has projected global growth at 2.6% in 2023, with India's FY24 growth forecasted at 5.9%.

Foreword

Revisiting the adverse impact of COVID-19 and assessing India's current growth prospects

The NSO released a set of revised GDP numbers pertaining to annual and quarterly national income for FY21, FY22 and FY23. This dataset can be used to make a final assessment of the adverse impact of COVID-19 on India's GDP growth. As per the second revised estimates, the contraction in India's GDP in FY21 was revised downwards to (-)5.7% from the first advance estimate at (-)7.7% released earlier in January 2021. In terms of growth, three sectors namely, manufacturing, construction, and financial, real estate et al., witnessed the largest upward revisions. It is notable that the contraction in GDP in FY21 was an aberration. Using the real GDP magnitude in the pre-COVID-19 year of FY20 at INR145.2 lakh crore, the compound annual average growth rate to reach the FY23 level of INR159.7 lakh crore may be estimated at 3.2%. Thus, considering India's potential growth rate at 7%, COVID-19 caused an erosion in growth of nearly 4% points over a period of three years. India's real growth is likely to remain below 7% in FY24 as per current estimates given by the RBI (6.4%), the IMF (6.1%), and the OECD (5.9%). According to the IMF and the OECD, India's is expected to reach closer to its potential growth only in FY25.

In sectoral terms, revised NSO data indicate that while the overall GVA in FY23 was higher by 11.3% as compared to FY20, one sector namely, mining and quarrying, still showed a contraction of (-)0.3%. Trade, hotels, transport et al. also showed a weak growth of 4.3%. Sectors with higher than the overall GVA growth include construction at 18.6%, manufacturing at 14.8%, financial, real estate et al. at 14.3% and agriculture at 12%. From demand side, the overall increase in real GDP was 10% with government final consumption expenditure (GFCE) growing at 7.4%. Gross fixed capital formation (GFCF) and private final consumption expenditure (PFCE) showed an increase of 17.7% and 13.1% respectively.

The GFCF to GDP ratio in nominal terms is estimated at 29.2% in FY23 as compared to 28.6% in FY20. The corresponding real investment rates are 34% and 31.8%. The difference in real and nominal rates is due to the differential inflation rates of capital goods vis-à-vis the overall GDP. Thus, in real terms, there is a larger improvement in the investment rate. Accordingly, the estimated incremental capital output ratio (ICOR) was at 8.5 in FY20 as compared to 4.9 in FY23. This is so because the FY20 GDP growth rate was rather low at 3.7% reflecting considerable unutilized capacity. The average capacity utilization ratio in the manufacturing sector was only 70.3% in FY20, having fallen from 75.2% in FY19. In 1HFY23, the capacity utilization ratio was higher at 73.5%. While the investment rate has picked up, whether measured in real or nominal terms, the subdued real GDP growth in 2HFY23 would imply a lower capacity utilization and a higher ICOR in the second half.

As per the quarterly data, real GDP growth was at 4.4% in 3QFY23, falling from 6.3% in 2Q and 13.2% in 1Q. However, this decline in growth rate is in line with the projections made by the RBI earlier. Sectorally, in 3QFY23, manufacturing showed a contraction at (-)1.1% while public administration, defence et al. showed a weak growth at 2%. On the demand side, GFCE contracted by (-)0.8% while PFCE showed a weak growth at 2.1%. However, contribution of net exports to real GDP growth was (-)0.2% points, improving from (-)3.4% points and (-)3.1% points respectively in the previous two quarters. Achieving an annual real GDP growth of 7% in FY23 requires a growth of 5.1% in 4Q.

High frequency indicators signal the ongoing recovery in the Indian economy. PMI manufacturing in January and February 2023 at 55.4 and 55.3 respectively, remained above its long-term average at 53.7. PMI services increased from 57.2 in January 2023 to a 12-year high level of 59.4 in February 2023. IIP showed a growth of 5.2% in January 2023 as compared to 4.7% in December 2022. In fact, core IIP growth was at a four-month high of 7.8% in January 2023 as compared to 7% in December 2022. Credit growth was also high at 16.3% in January 2023. As per Federation of Automobile Dealers Association (FADA), automobile retail sales grew by 15.9% in February 2023, increasing from 13.6% in January 2023. As per the CGA, PIT and union government's GST collections showed a vigorous growth of 18.9% and 21.9% respectively during April-January FY23.

Given the anticipated global economic slowdown, India's FY24 growth is likely to remain lower than the FY23 growth at 7%. The IMF and the RBI have projected a growth of 6.1% and 6.4% respectively for FY24. NSO's data revisions indicate a lowering of the negative contribution of net exports in FY23 to (-)1.9% points as per the second advance estimates from (-)2.8% points in the first advance estimates. If fiscal stimulus is continued, injected largely through capital expenditures as envisaged in the FY24 union budget, we may come closer to the RBI's growth estimate. On the whole, FY24 growth may be in the range of 6.1% to 6.4% depending on how the global situation pans out.

The Ministry of Finance has come up with the second batch of 'Supplementary Demands' involving a net additional cash outgo of INR1.48 lakh crore, amounting to 0.5% of GDP. The government has made maximum allocations toward defence pensions, telecommunication services, transfer to GST compensation fund and fertilizer subsidies. This may imply a small deviation in GoI's FY23 fiscal deficit target of 6.4% of GDP. However, it is important to adhere to the medium-term fiscal consolidation roadmap with a view to uplifting growth closer to 7%.

An important medium-term threshold for India is to cross the US$5 trillion benchmark in market exchange rate terms. We assess that India would reach this milestone by FY28[1]. One way to look at India's growth is to examine the contribution made by states to achieve this benchmark. In the In-focus section of this issue, we analyze the economic, fiscal and demographic features of the top five Indian states in terms of their size with a view to providing a spatial dimension to India's growth story. We estimate that by FY28, the combined size of these five states namely, Maharashtra, Tamil Nadu, Gujarat, Karnataka and Uttar Pradesh would reach US$2.6 trillion, requiring the contribution of some more states for enabling the Indian economy to reach the US$5 trillion target. The next set of states in this sequence are West Bengal, Rajasthan, Andhra Pradesh, Telangana, Madhya Pradesh, and Kerala. In PPP terms, however, the top five states are projected to have a size larger than $1 trillion each in FY24. To accelerate growth in these states, conscious efforts are needed to increase government capital expenditures relative to respective GSDPs, ensuring that most of their fiscal deficit is used for capital expenditures. Further, there is a need to progressively increase the share of services and industry in their GSVA as compared to agriculture. This would be useful both for output and employment growth.

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[1] EY report titled 'India@100: realizing the potential of a US$26 trillion economy' (January 2023)

1. Growth: real GDP growth moderated to 4.4% in 3QFY23

A. GDP and GVA growth: were lower at 4.4% and 4.6%, respectively, in 3QFY23

- As per the national accounts data released by the Ministry of Statistics and Programme Implementation (MoSPI) on 28 February 2023, real GDP growth fell to 4.4% in 3QFY23 from 6.3% in 2QFY23. The second advance estimates (SAE) for FY23 retained the real GDP growth at 7.0% **(Chart 1)**.
- Using the GDP estimates for the first three quarters of FY23 and the annual estimates for FY23, the implied real GDP growth for 4QFY23 is estimated at 5.1%.
- The slowdown in GDP growth in 3QFY23 is largely attributable to two key domestic demand components namely, PFCE and GFCE. Growth in PFCE fell to an eight-quarter low of 2.1% while GFCE contracted by (-)0.8% in 3QFY23.
- Although growth in GFCF, a measure of investment demand, continued to remain strong at 8.3% in 3QFY23, it was lower than 9.7% in 2QFY23 **(Table 1)**.
- On the external front, growth in exports of goods and services fell to 11.3% in 3QFY23 from 12.3% in 2QFY23. Imports growth was sharply lower at 10.9% in 3QFY23 as compared to 25.9% in 2QFY23. Thus, the negative contribution of net exports to real GDP growth was lower at (-)0.2% points in 3QFY23 as compared to (-)3.4% points in 2QFY23.
- On the output side, real GVA growth moderated to 4.6% in 3QFY23 from 5.5% in 2QFY23 due to continued weakness in manufacturing and a lower growth in the ouput of public administration, et al. and financial, real estate, et al. sectors.
- GVA in manufacturing contracted for the second successive quarter, although at a slower pace of (-)1.1% in 3QFY23 as compared to (-)3.6% in 2QFY23.
- Public administration, defence et al. sector showed a low growth of 2.0% in 3QFY23 as compared to 5.6% in 2QFY23. Similarly, growth in financial, real estate, et al. sector moderated to 5.8% in 3QFY23 from 7.1% in 2QFY23.
- With waning base effects, the trade, transport, et al. sector, grew by 9.7% in 3QFY23, lower than 15.6% in 2QFY23.
- GVA in agriculture showed a higher growth of 3.7% in 3QFY23 as compared to 2.4% in 2QFY23.
- Nominal GDP growth moderated to 11.2% in 3QFY23 from 17.2% in 2QFY23, implying a lower implicit price deflator (IPD)-based inflation at 6.6% in 3QFY23 as compared to 10.3% in 2QFY23.

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

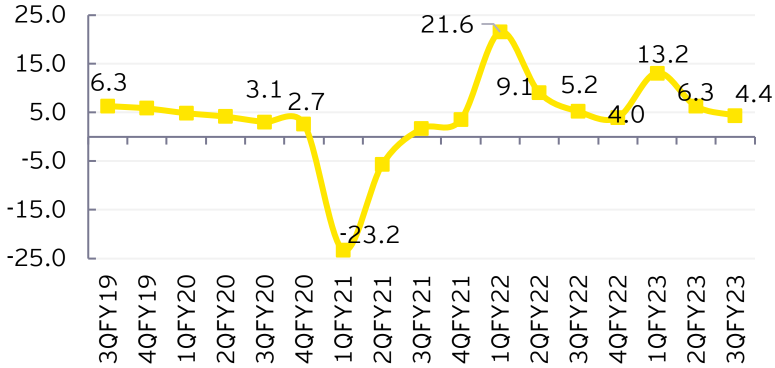


Table 1: Real GDP and GVA growth (%, annual)

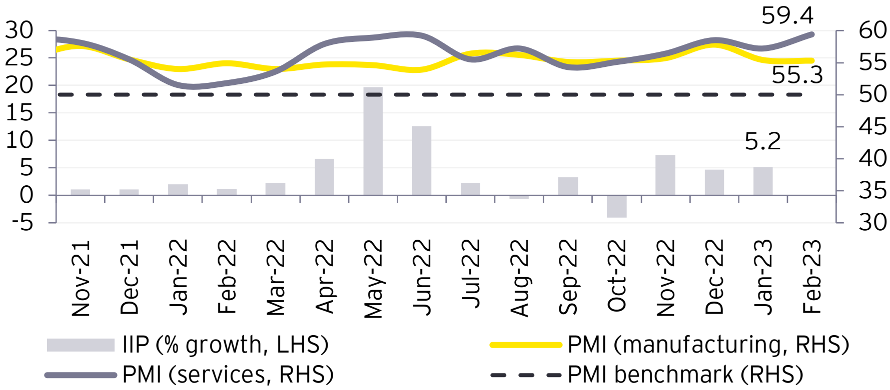
Agg. demand	1Q FY22	2Q FY22	3Q FY22	4Q FY22	1Q FY23	2Q FY23	3Q FY23	FY23 (SAE)
PFCE	17.6	14.2	10.8	4.7	20.0	8.8	2.1	**7.3**
GFCE	-2.1	11.7	5.8	11.8	1.8	-4.1	-0.8	**1.2**
GFCF	61.0	12.4	1.2	4.9	20.6	9.7	8.3	**11.2**
EXP	46.1	25.1	27.8	22.4	19.7	12.3	11.3	**11.5**
IMP	44.8	26.6	19.7	6.7	33.7	25.9	10.9	**18.8**
GDP	**21.6**	**9.1**	**5.2**	**4.0**	**13.2**	**6.3**	**4.4**	**7.0**
Output side								
Agr.	3.4	4.8	2.3	4.1	2.5	2.4	3.7	**3.3**
Ming.	12.2	10.6	5.4	2.3	9.3	-0.4	3.7	**3.4**
Mfg.	51.5	6.6	1.3	0.6	6.4	-3.6	-1.1	**0.6**
Elec.	16.3	10.8	6.0	6.7	14.9	6.0	8.2	**9.2**
Cons.	77.0	10.8	0.2	4.9	16.2	5.8	8.4	**9.1**
Trans.	41.4	13.1	9.2	5.0	25.7	15.6	9.7	**14.2**
Fin.	2.8	7.0	4.3	4.6	8.6	7.1	5.8	**6.9**
Publ.	6.5	16.8	10.6	5.2	21.3	5.6	2.0	**7.1**
GVA	**20.2**	**9.3**	**4.7**	**3.9**	**12.1**	**5.5**	**4.6**	**6.6**

Source: MoSPI, GoI

B. PMI: indicated a strong expansion in private sector output in February 2023

- Headline manufacturing PMI (seasonally adjusted (sa)) remained above the threshold of 50 for the 20th successive month in February 2023 with its level at 55.3 **(Chart 2)**. This was only marginally lower than its January 2023 level of 55.4 and remained above its long run average of 53.7.
- PMI services increased from 57.2 in January 2023 to a 12-year high of 59.4 in February 2023, indicating a sharp expansion in output. Growth was driven by the consumer services segment.
- Signaling a strong expansion in private sector output, composite PMI Output Index (sa) increased from 57.5 in January 2023 to 59.0 in February 2023. Growth was stronger in services than in manufacturing during the month.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global.

In February 2023, PMI manufacturing at 55.3 indicated a sustained robust growth. PMI services was at a 12-year high of 59.4 during the month.

C. IIP: grew by 5.2% in January 2023

Led by higher growth in electricity and manufacturing output, IIP growth improved to 5.2% in January 2023 from 4.7% in December 2022.

- According to the quick estimates, IIP grew by 5.2% in January 2023, improving from 4.7% (revised) in December 2022 **(Chart 2)**. Higher growth in manufacturing and electricity output led to this improvement.
- Among the sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, grew by 3.7% in January 2023 as compared to 3.1% (revised) in December 2022.
- Within manufacturing, industries that showed higher growth rates include electrical equipment (13.6%), motor vehicles (12.9%), machinery and equipments (11.3%), food products (8.3%), coke and refined petroleum products (5.1%) and chemical and chemical products (4.2%).
- Among other major sub-industries, the output of electricity posted a vigorous growth of 12.7% in January 2023 as compared to 10.4% in December 2022. Mining output grew by 8.8% in January 2023, marginally lower than 10% in December 2022.
- As per the ‘use-based’ classification of industries, output of capital goods and primary goods showed high growth rates of 11% and 9.6% respectively in January 2023. Output of infrastructure and construction, and consumer non-durables also showed a strong growth of 8.1% and 6.2% respectively in January 2023, although moderating from 9.1% and 7.6% in December 2022. However, the output of consumer durables contracted for the second successive month by (-)7.5% in January 2023.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) increased to a four-month high of 7.8% in January 2023 from 7.0% (revised) in December 2022. Strong growth momentum in coal (13.4%), electricity (12.0%) and improvement in the growth of petroleum refinery products (4.5%) supported the overall core sector growth.

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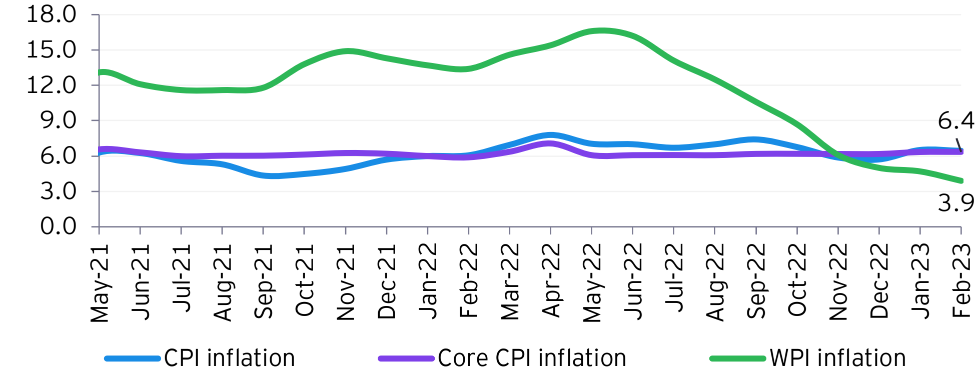
2. Inflation: CPI inflation remained elevated at 6.4% in February 2023

Led by elevated food and fuel prices, CPI inflation remained at a high level of 6.4% in February 2023, although marginally lower than 6.5% in January 2023 (Chart 3).

- Consumer food inflation was at 6.0% in February 2023, the same level witnessed in January 2023. Vegetable prices contracted for the fourth successive month at (-)11.6% in February 2023, similar to the contraction of (-)11.7% seen in January 2023. Inflation in cereals and products surged to a 116-month high of 16.7%, milk and products to a 98-month high of 9.6% and fruits to a six-month high of 6.4% in February 2023.
- Fuel and light-based inflation remained elevated at 9.9% in February 2023, although lower than 10.8% in January 2023. Inflation in kerosene (excluding PDS) and LPG was high at 34.0% and 16.1% respectively in February 2023.
- Inflation in personal care and effects was marginally lower at 9.4% in February 2023 from its 24-month high level of 9.6% in January 2023.
- Inflation in clothing and footwear remained high at 8.8% in February 2023, although moderating from 9.1% in January 2023.
- Transportation and communication services inflation remained stable at a 35-month low of 4.5% in February 2023 partly due to a favorable base effect.
- Core CPI inflation[2] increased to a ten-month high of 6.4% in February 2023.

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



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

In February 2023, CPI inflation at 6.4% remained above the RBI's 6% upper tolerance limit. Core CPI inflation remained sticky at a ten-month high of 6.4%.

WPI inflation fell to a 25-month low of 3.9% in February 2023, led by moderating inflation in crude and commodities, and aided by a favorable base effect.

- Inflation in crude petroleum turned negative for the first time since January 2021 at (-)10.2% in February 2023, reflecting both lower global crude prices and a favorable base effect.
- Fuel and power-based inflation was at a 23-month low of 14.8% in February 2023 as inflation in diesel eased to a 24-month low of 24.6%, mainly due to a favorable base effect.
- WPI food index-based inflation remained subdued at 2.8% in February 2023 as compared to 2.9% in January 2023.
- Inflation in manufactured products eased to a 29-month low of 1.9% in February 2023, reflecting broad-based moderation in inflation across segments. Inflation in manufactured food products fell to 0.9% in February 2023, its lowest level since March 2019.
- Core WPI inflation eased for the ninth successive month to a 28-month low of 2.1% in February 2023, reflecting broad-based easing of price pressures, led by a contraction in prices of manufactured basic metals at (-)0.2%.

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

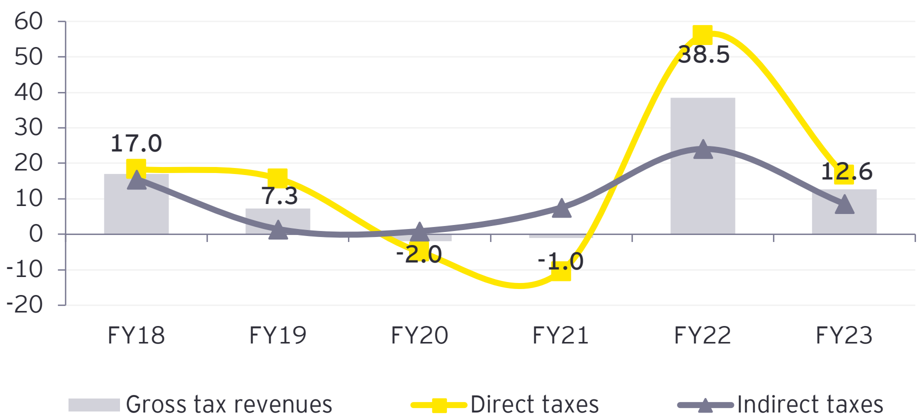
Home

3. Fiscal: GoI's capital expenditure grew by 29% during April-January FY23

A. Tax and non-tax revenues

- As per the CGA, the central government's GTR[b] grew by 12.6% during April-January FY23. GTR had shown a high growth of 38.5% during the corresponding period of FY22, partly due to a favorable base effect **(Chart 4).**
- As a proportion of the annual revised estimate (RE), GoI's GTR during April-January FY23 stood at 77.6% as compared to the three-year average of GTR during April-January as a proportion of annual actuals at 76.2%.
- During April-January FY23, direct taxes[a] showed a growth of 16.8% while indirect taxes[a] grew by 8.6%. Owing to tangible base effects, growth in direct and indirect taxes during the corresponding period of FY22 was high at 56.1% and 24.1%, respectively.
- Both corporate income tax (CIT) and personal income tax (PIT) revenues showed double-digit growth rates of 14.8% and 18.9% respectively during April-January FY23. In comparison, these taxes showed a growth of 63.8% and 48.3% respectively during the corresponding period of FY22.
- Among indirect taxes, the central government's GST revenues[c] showed a vigorous growth of 21.9% during April-January FY23, close to 26.1% during the corresponding period of FY22.
- Union excise duties (UED) showed a contraction of (-)19.3% during April-January FY23 as compared to a growth of 9.5% during the corresponding period of the previous year.
- Customs duties grew by 13.6% during April-January FY23 as compared to a high growth of 56.5% during April-January FY22, reflecting strong base effects.
- Considering a nominal GDP growth of 18.2% during April-December FY23 based on the latest data released by the NSO (28 February 2023) and a cumulated GTR growth of 12.5% during this period, GTR buoyancy can be estimated at 0.7 for the first three quarters of FY23.

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



Central government's GTR grew by 12.6% during April-January FY23 with growth in direct taxes at 16.8% and that in indirect taxes at 8.6%.

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

- GoI's non-tax revenues contracted by (-)20.8% during April-January FY23. Non-tax revenues during this period stood at 88.2% of the annual RE as compared to the three-year average of non-tax revenues during April-January as a proportion of annual actuals at 76.3%.
- Non-debt capital receipts of the GoI during April-January FY23 stood at 68.5% of the RE as compared to the corresponding ratio of 32.6% during FY22.
- As per DIPAM[3], disinvestment receipts up to 23 March 2023 stood at INR31,106.6 crore, that is 51.8% of the FY23 RE at INR60,000. In comparison, the corresponding ratio for FY22 was 15.9%[4].

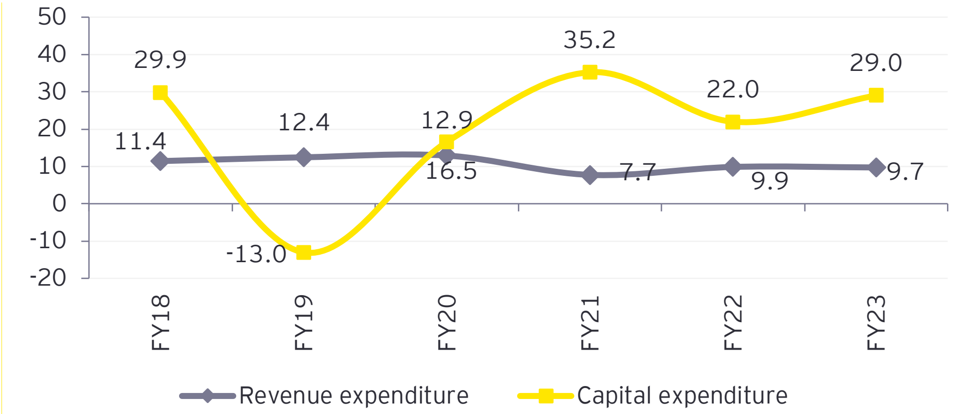
[3] https://dipam.gov.in/

[4] Considering the disinvestment receipts amounting to INR12,423.67 crore up to 24 March 2022. The FY22 actual disinvestment as a proportion of RE stood at 18.8%.

B. Expenditures: revenue and capital

- GoI's total expenditure grew by 12.8% during April-January FY23 as compared to 11.6% during the corresponding period of FY22. As a proportion of FY23 (RE), GoI's total expenditure during this period stood at 75.7%
- Revenue expenditure grew by 9.7% during April-January FY23 as compared to 9.9% during April-January FY22.
- GoI's capital expenditure showed a strong growth of 29% during April-January FY23, higher than the corresponding level of 22% in FY22 **(Chart 5).**

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



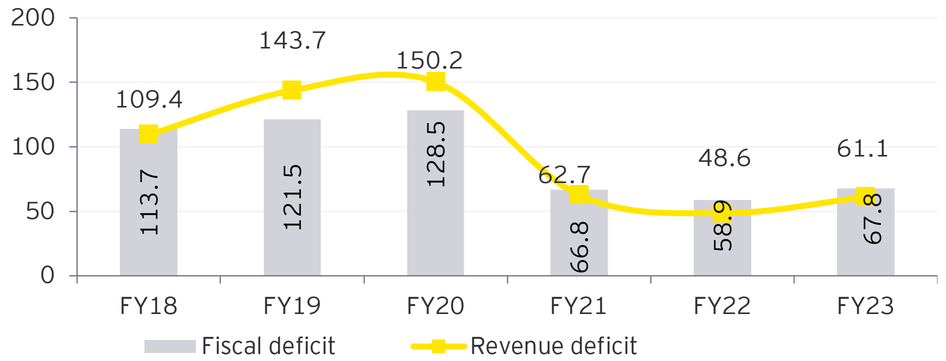
During April-January FY23, GoI's total expenditure grew by 12.8%, with growth in revenue expenditure at 9.7% and that in capital expenditure at 29%.

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

C. Fiscal imbalance

- GoI's fiscal deficit during April-January FY23 stood at 67.8% of the annual RE, higher than the corresponding ratio at 58.9% in FY22. The GoI's fiscal deficit target of 6.4% of GDP in FY23 (RE) may be re-assessed at 6.5% considering the magnitude of fiscal deficit as per FY23 (RE) and the second advance estimate of GDP for FY23 released by the NSO **(Chart 6).**
- GoI's revenue deficit during April-January FY23 was at 61.1% of the annual RE as compared to 48.6% during the corresponding period of FY22.

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



During April-January FY23, GoI's fiscal and revenue deficits as a proportion of RE stood at 67.8% and 61.1% respectively.

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

4. Comparative trends: IMF assesses the size of government in India as the lowest amongst peers

General government expenditure relative to GDP

- The size of the government in an economy is generally measured as general government total expenditure relative to GDP.
- As per the IMF (October 2022), it is clear that general government expenditure relative to GDP increased sharply in the COVID-19-affected year of 2020 on account of large stimulus packages rolled out by most countries **(Table 2).**
- Amongst the selected set of countries, the UK witnessed the highest increase (10.7% points), followed by the US (9.6% points) and Japan (7.3% points) from their 2019 levels.
- There has been a normalization of these ratios in the post-pandemic years of 2021 and 2022.
- It is evident that throughout the period under review, including the projection period ranging from 2023 to 2027, the size of the government in advanced economies (AEs) has remained higher than that in emerging market and developing economies (EMDEs).
- Considering the average during the projection period, it is seen that the size of the government is the largest in the Euro area at 48.7% followed by the US (38.4%), Japan (37.8%), and the UK (37.1%).
- India's general government expenditure to GDP ratio, projected to average 27.9% during 2023 to 2027, is the lowest amongst all major economies. It is notable that this ratio is projected to remain above 33% for all BRICS economies except India.

Table 2: General government expenditure (% to GDP)

Country	2019	2020	2021	2022 (e)	Avg. (2023 to 2027)
US	35.7	45.3	42.4	37.5	38.4
UK	38.2	48.9	44.9	41.3	37.1
Euro area	46.9	53.4	52.3	50.7	48.7
Japan	37.3	44.6	42.5	43.4	37.8
Brazil	37.4	42.9	35.9	37.6	35.5
Russia	33.8	39.3	35.9	35.5	35.3
India*	27.4	31.1	30.1	28.9	27.9
China	34.2	35.4	32.7	33.8	33.1
South Africa	31.5	34.6	33.0	32.8	33.5

Source: IMF Fiscal Monitor Database, October 2022
*data pertains to fiscal year; (e) refers to estimate
Note: Projection period pertains from 2023 to 2027

General government revenues relative to GDP

- Due to the economic slowdown owing to the pandemic, general government revenues relative to GDP saw a dip in the case of all BRICS economies in 2020. The increase in the case of AEs was also minimal. This resulted in a borrowing based financing of the COVID-19-related stimulus packages.
- Following a similar pattern as in the case of general government expenditure relative to GDP, for the projection period 2023 to 2027, the average level of general government revenue to GDP ratio is higher for AEs relative to that in EMDEs except Russia. Russia's government revenue to GDP ratio at 34.6% is higher than that of the US at 31.6% **(Table 3).**
- The highest level of general government revenue relative to GDP on average in the projection period is for the Euro area at 45.9%, followed by the UK (35.6%) and Japan (35.1%).
- India's government revenues relative to GDP projected at an average level of 19.8% during 2023 to 2027 is the lowest among all selected economies. Thus, the relatively lower size of the government in India may be attributable to its lowest government revenue to GDP ratio amongst selected major economies.

Table 3: General government revenue (% to GDP)

Country	2019	2020	2021	2022 (e)	Avg. (2023 to 2027)
US	30.3	30.8	31.5	33.4	31.6
UK	36.0	36.2	36.9	37.0	35.6
Euro area	46.3	46.4	47.2	46.9	45.9
Japan	34.2	35.6	35.9	35.5	35.1
Brazil	31.5	29.5	31.5	31.8	29.5
Russia	35.7	35.3	36.7	33.2	34.6
India*	19.9	18.3	20.2	19.0	19.8
China	28.1	25.7	26.6	24.9	25.9
South Africa	26.7	25.0	26.9	27.9	26.9

Source: IMF Fiscal Monitor Database, October 2022
*data pertains to fiscal year; (e) refers to estimate
Note: Projection period pertains from 2023 to 2027

5. In focus: India's $1 trillion state economies

Introduction

Two international organizations, namely, OECD and CEPR, have recently undertaken studies examining India's long-term growth prospects in a global context. EY India, in its report titled 'India@100: realizing the potential of a US$26 trillion economy'[5] released at the World Economic Forum on 19 January 2023, has also examined India's GDP growth prospects, highlighting key growth enablers and potential challenges. A near-term threshold for India is to cross the US$5 trillion benchmark in market exchange rate terms. One way to look at India's growth is to assess the contribution made by states to achieve this benchmark. In this write-up, we identify the top five states in terms of their size and examine their economic, fiscal and demographic features with a view to providing a spatial dimension to India's growth story.

1. State-wise perspective: identifying India's $1 trillion state economies

The size of an economy is usually measured in domestic currency terms. However, when international comparisons are involved, the size of the economy is converted into US$ either in market exchange rate (MX) terms or in PPP terms. Periodically, the OECD provides comparative country-wise estimates of the size of the GDP in PPP terms, while the CEPR provides these estimates in MX terms.

In India, state-wise nominal GSDP estimates in INR terms are available up to FY21 for all states from MoSPI[6]. For some states, data up to FY22 are also available. Using the latest available estimates, we have projected the GSDP magnitudes forward. In MX terms, none of the Indian states is expected to reach a level of US$1 trillion in FY24. However, as **Table 4** shows, five states namely, Maharashtra (MH), Tamil Nadu (TN), Uttar Pradesh (UP), Gujarat (GJ), and Karnataka (KA) may be identified as $1 trillion state economies when considered in PPP terms. While comparing the economic size of states, it may be more relevant to make these comparisons in PPP terms because this represents purchasing power within the economy. Market exchange rates become relevant only with respect to that part of output in these states, which involves international trade.

Table 4: Estimated size of top five state economies in FY24

States	State wise share in India's nominal GDP (estimated)	Nominal GSDP in FY24 (in trillion)		
		INR	US$ (MX)	$ (PPP)
Maharashtra (MH)	13.1	40.1	0.50	1.67
Tamil Nadu (TN)	8.7	26.7	0.33	1.11
Uttar Pradesh (UP)	8.6	26.2	0.33	1.09
Gujarat (GJ)	8.6	26.2	0.33	1.09
Karnataka (KA)	8.6	26.3	0.33	1.10
Total	47.6	145.4	1.81	6.06
Memo				
India		305.7	3.80	12.75

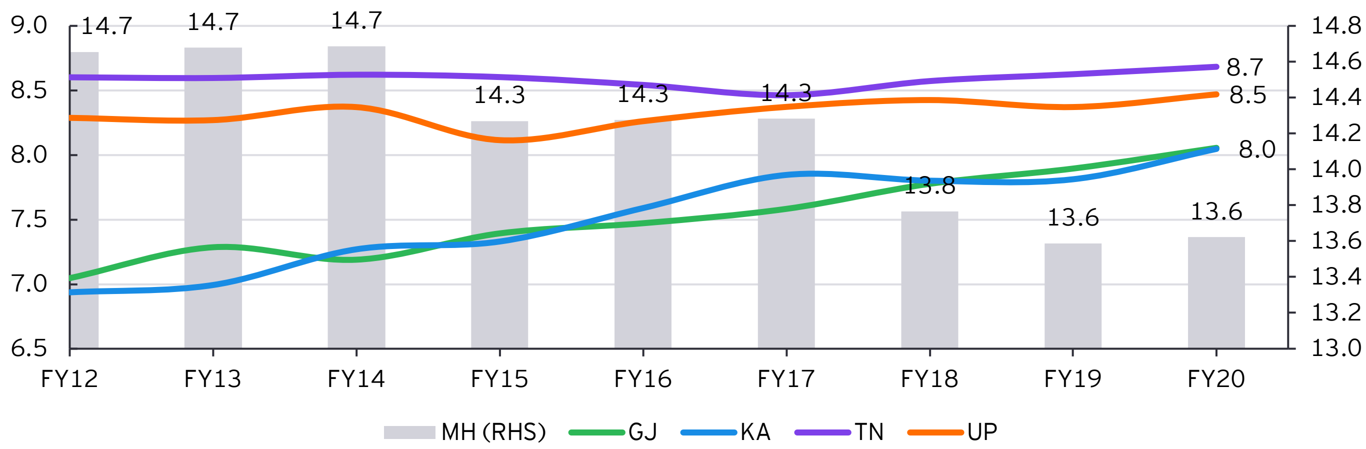
Source (basic data): MoSPI, IMF

Notes: (1) India's FY24 nominal GDP is projected at INR305.7 trillion by applying a growth rate of 12.4% to the FY23 level of INR272 trillion. This growth rate was assumed by the IMF in its World Economic Outlook released in October 2022; (2) All India nominal GDP is converted into market exchange rate and PPP terms by using respective exchange rates as sourced from the IMF (October 2022); (3) State-wise nominal shares have been projected forward based on average change in shares of these states in nominal GDP over the period FY13 to FY20; (4) State-wise nominal GSDP levels have been estimated by applying the projected shares to all-India nominal GDP in INR, MX and PPP terms.

Chart 7 shows the top five states in terms of their shares in nominal GDP. MH's share in nominal GDP (shown as columns) has remained the highest during the period under review. However, it has shown a falling trend. On the other hand, the shares of KA and GJ have been increasing over this period. Although UP's share has been relatively stable, with an average of 8.3% during FY12 to FY20, it has shown an increasing trend post FY15 with some inter-year volatility. Given these underlying trends, it would be best to recognize that their shares have clear trends in one or the other direction. This information has been utilized in projecting forward the magnitudes of the state GSDPs.

Chart 7: Share of selected states in nominal GDP (%)

[5] https://www.ey.com/en_in/india-at-100
[6] Data sourced from MoSPI as on 01 March 2023



Source (basic data): MoSPI

2. Economic and demographic features of the top five state economies

Real GSDP growth

Table 5: Real GSDP growth trends (%)

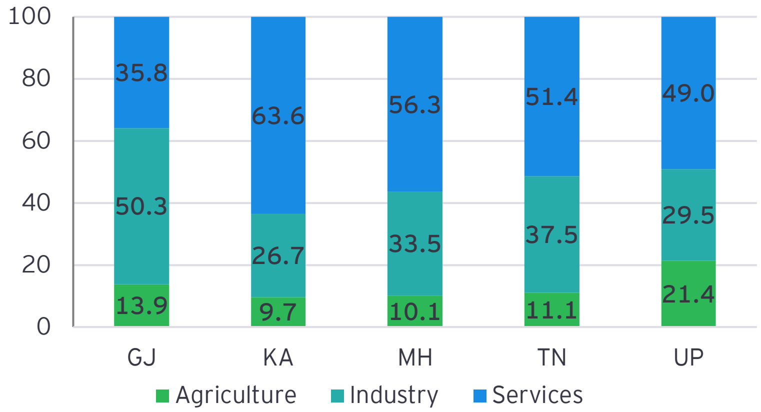
State	FY15	FY16	FY17	*Avg. (FY15 to FY17)*	FY18	FY19	FY20	*Avg. (FY18 to FY20)*	FY21
GJ	10.5	10.2	9.7	*10.2*	10.7	8.9	7.0	*8.9*	-1.4
KA	5.2	11.1	13.3	*9.9*	8.3	6.2	6.2	*6.9*	-0.5
TN	4.9	8.2	7.2	*6.8*	8.6	7.0	3.3	*6.3*	0.1
MH	6.3	7.2	9.2	*7.6*	4.5	4.5	3.6	*4.2*	-7.6
UP	4.0	8.8	11.4	*8.1*	4.4	3.9	3.9	*4.1*	-5.5
All states	**6.0**	**8.6**	**9.3**	***7.9***	**6.9**	**6.3**	**4.7**	***6.0***	**-3.4**

Source (basic data): MoSPI

Table 5 shows a comparative growth performance of these five states. The highest average growth for the three-year period preceding COVID-19 (FY18 to FY20) is that of GJ, followed by KA and TN. In these cases, the growth rates are above the all-state average. In the case of MH and UP, these average growth rates are somewhat lower at just above 4%. In all cases, average growth rates in the period FY18 to FY20 are shown to have fallen as compared to the average growth in the period FY15 to FY17. The largest fall was in the case of UP, followed by MH and KA. All of these states suffered in the COVID-19 year of FY21 with the highest contraction witnessed by MH at (-)7.6% followed by UP at (-)5.5%. The only state that still showed a positive growth in the COVID-19 year was TN. The growth rates in GJ and KA were negative but with a relatively low magnitude.

Broad sectoral shares

Chart 8: Composition of real GSVA



Source: MoSPI
Note: Sectoral share averages for the period FY18 to FY20 are given

Chart 8 shows that the structure of the output is noticeably different across these five states. Considering the average sectoral shares for the pre-COVID-19 period of FY18 to FY20, it is seen that the share of agriculture in GVA has been the highest for UP at 21.4%. The share of services in these economies, excluding GJ has ranged from 49% (UP) to 64% (KA). In GJ's case, the share of services was 36% whereas that of industry was high at 50%. This is due to the high share of a selected set of industries, including petroleum refineries, petrochemicals, drugs and pharmaceuticals, textiles, and cement and ceramics, in its output structure. GJ is also an export-oriented economy, contributing to India's growth through a growth in net exports.

The structure of sectoral shares has a bearing on the overall GSVA/GSDP growth. States with a relatively larger share of agriculture are expected to experience lower growth, since the average growth in agriculture has been relatively lower than that of industry and services. Between industry and services, the average all-state growth in industry during FY13 to FY20 was comparatively lower at 6.1% as compared to 7.5% for services. Thus, states with a relatively higher share of services initially are likely to experience a continuing increase in the share of services. However, GJ is an exception to this expectation, as discussed above.

Trends in GSDP deflator-based inflation

Table 6: GSDP IPD-based inflation trends

	FY18	FY19	FY20	*Average FY18 to FY20*	FY21
UP	7.0	5.8	3.4	*5.4*	2.6
TN	3.6	4.0	3.6	*3.7*	3.6
MH	2.4	4.5	2.8	*3.2*	7.3
KA	2.0	4.3	3.0	*3.1*	7.7
GJ	2.8	3.1	1.3	*2.4*	2.6
All states	**4.0**	**4.4**	**3.2**	***3.9***	**4.9**

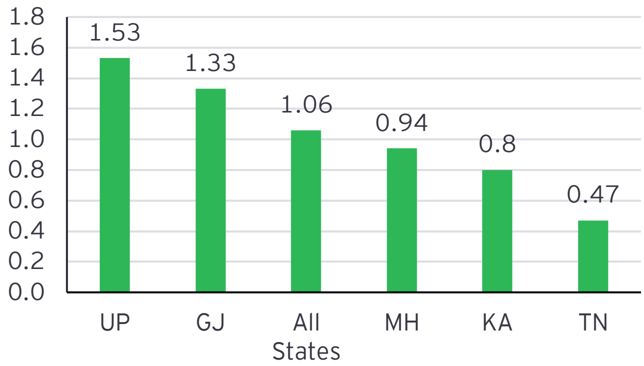
Source (basic data): MoSPI

There is a differential in the inflation experiences of these states, particularly when inflation is measured in terms of the GSDP deflators. These differences arise largely because of different sectoral shares and therefore the weights attached to the sectoral deflators. It is notable that deflator-based inflation in agriculture is relatively higher than that in industry and services. Thus, states such as UP, that have a higher share of agriculture in their output, have a comparatively higher overall GSDP-based inflation on average **(Table 6)**.

State-wise population trends

There are noticeable differences in the population growth trends across these five states. Over the period FY19 to FY21, UP has shown an average population growth which is more than three times that of the average growth in TN **(Chart 9)**. GJ, MH and KA also have a higher rate of population growth. In general, states with a high population growth would experience a growing share of its working age population. This will have a bearing on the way the demographic dividend unfolds in these states in due course.

Chart 9: State wise average population growth (FY19 to FY21)



Source: MoSPI

3. Fiscal performance and policy support

State-level fiscal performance

The economic performance of a state depends, among other factors, to a significant extent on the size of the state public finances and the fiscal policies followed by the state government. It is also affected by the fiscal policies of the central government. **Table 7** shows that the size of the government, that is, total government expenditure relative to GSDP, was the highest for UP at 22% during FY18 to FY20. In the COVID-19 year, there was a marginal fall in this share. But it has recovered in FY22. The lowest share was that of GJ. In fact, between revenue and capital expenditures, UP has allocated a higher priority for capital expenditures, which accounted for 3.6% of GSDP on average during FY18 to FY20. It was higher at 6% during FY15 to FY17. On the other hand, MH has provided for a relatively lower share of capital expenditures relative to GSDP. Thus, in the case of GJ and MH, the private sector has played a relatively important part whereas in the case of UP, government intervention in the state economy has been quite significant.

Table 7: Expenditures as percentage of GSDP

State	FY15	FY16	FY17	FY18	FY19	FY20	Avg. (FY18 to FY20)	FY21	FY22
Revenue expenditure									
GJ	9.4	9.3	8.9	8.9	8.9	8.7	**8.8**	9.2	7.9
KA	11.3	11.2	10.9	10.7	11.1	10.8	**10.9**	10.2	10.0
MH	10.0	9.7	9.7	10.3	10.4	11.0	**10.5**	11.5	10.5
TN	12.0	12.0	11.8	11.5	12.1	12.1	**11.9**	13.1	12.0
UP	16.9	18.7	18.4	18.5	19.1	17.6	**18.4**	18.1	17.9
Capital expenditure									
GJ	2.7	2.4	2.0	2.0	2.0	1.7	**1.9**	1.7	1.5
KA	2.2	2.0	2.5	2.7	2.7	2.5	**2.6**	2.8	2.5
MH	1.2	1.2	1.4	1.2	1.4	1.4	**1.3**	1.2	1.5
TN	2.1	1.8	3.6	1.8	1.9	1.7	**1.8**	2.0	1.9
UP	5.5	6.5	5.9	2.8	4.3	3.7	**3.6**	3.2	3.9
Total expenditure									
GJ	12.1	11.7	10.9	10.9	10.9	10.4	**10.7**	10.9	9.4
KA	13.5	13.2	13.4	13.4	13.8	13.2	**13.5**	12.9	12.6
MH	11.1	10.9	11.1	11.4	11.8	12.4	**11.9**	12.6	12.0
TN	14.1	13.8	15.3	13.3	14.0	13.8	**13.7**	15.1	13.9
UP	22.4	25.2	24.3	21.3	23.4	21.2	**22.0**	21.3	21.8

Source (basic data): RBI, MoSPI,and CAG
Note: Fiscal data for FY22 is sourced from CAG

Table 8 shows that a good part of government expenditure has been financed by revenue receipts of the states. The revenue receipts to GSDP ratio in the case of UP averaged 20.6% during FY18 to FY20. For the other four states, this ratio has been much lower, ranging between 9.1% to 11% on average.

Table 8: Revenue receipts as percentage of GSDP

State	FY15	FY16	FY17	FY18	FY19	FY20	Avg. (FY18 to FY20)	FY21	FY22
GJ	10.0	9.5	9.4	9.3	9.1	8.8	**9.1**	7.8	8.3
KA	11.4	11.4	11.0	11.0	11.2	10.9	**11.0**	9.1	9.6
MH	9.3	9.4	9.3	10.4	10.9	10.4	**10.5**	9.9	10.0
TN	11.4	11.0	10.8	10.0	10.7	10.0	**10.2**	9.6	10.0
UP	19.1	20.0	19.9	19.4	20.9	21.5	**20.6**	18.0	19.2

Source (basic data): RBI, MoSPI,and CAG
Note: Fiscal data for FY22 is sourced from CAG

Accordingly, UP has a surplus on its revenue account in all years except FY21 when it posted a marginal deficit of 0.1% of GSDP. UP even showed a fiscal surplus in FY20, which implies that the government was able to reduce some of its debt relative to GSDP by a net redemption of its debt. KA and GJ have also shown revenue account surpluses in many years prior to COVID-19. Only TN has shown a revenue deficit relative to GSDP in all the years under review.

Table 9: Fiscal and revenue deficits as percentage of GSDP

State	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Fiscal deficit								
GJ	2.0	2.2	1.4	1.6	1.8	1.5	2.5	1.1
KA	2.1	1.8	2.4	2.3	2.6	2.4	3.9	3.0
MH	1.8	1.4	1.8	1.0	0.9	2.0	2.6	2.0
TN	2.5	2.8	4.3	2.7	2.9	3.5	5.2	3.7
UP	3.2	5.1	4.3	1.9	2.2	-0.7	3.3	2.6
Revenue deficit								
GJ	-0.6	-0.2	-0.5	-0.4	-0.2	-0.1	1.4	0.4
KA	-0.1	-0.2	-0.1	-0.3	0.0	-0.1	1.1	0.5
MH	0.7	0.3	0.4	-0.1	-0.5	0.6	1.5	0.5
TN	0.6	1.0	1.0	1.5	1.4	2.1	3.4	2.0
UP	-2.2	-1.3	-1.6	-0.9	-1.8	-4.0	0.1	-1.2

Source (basic data): RBI, MoSPI,and CAG
Notes: (1) Fiscal data for FY22 is sourced from CAG; (2) +ve indicates a deficit and -ve indicates a surplus

In India's federal fiscal system, states' growth performance also responds to the national level policies, especially fiscal policy. The beneficial effect of national fiscal policy depends on many factors, including physical location of national public sector entities and the spread of infrastructure facilities. Infrastructure provisions include the state-wise division of rail and road links and the development of ports and shipping facilities in the coastal states by the national authorities. Further, state-wise allocation of central sector schemes and the distribution of beneficiaries across states in schemes like MGNREGA and PM Kisan Samman Nidhi also have a bearing on differential growth performance.

4. Projecting the size of top five state economies

In projecting the size of these top five state economies, the methodology utilizes the projections of India's GDP in nominal terms used in the recently released EY's 'India@100' report. For the purpose of this exercise, assumptions relating to Simulation 3 (S3) of the India@100 report have been used. Projections under S3 have been modified to some extent by utilizing the latest NSO data pertaining to the nominal GDP numbers for FY21, FY22 and FY23. These have led to a marginal revision in the base numbers. The projection period for this exercise covers seven years, from FY22 to FY28. This was required because state-wise GSDP data on a comprehensive basis are available only up to FY21, although GDP data have become available up to FY23 at least in terms of advance estimates. The methodology consists of first projecting a profile of state-wise shares in nominal GDP and then applying these shares to the projected GDP up to FY28 (For details, refer to notes below **Table 4**).

Table 10: Size of top five state economies (nominal magnitudes, in trillion)

State	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28
INR									
GJ	16.2	16.3	19.7	23.1	26.2	29.7	33.5	37.8	42.4
KA	16.2	17.3	19.7	23.1	26.3	29.9	33.8	38.1	42.8
MH	27.3	27.1	31.6	36.2	40.1	44.3	48.9	53.7	58.8
TN	17.4	18.1	20.6	23.8	26.7	29.8	33.3	37.0	41.0
UP	17.0	16.5	20.2	23.3	26.2	29.3	32.8	36.5	40.4
Total (five states)	**94.1**	**95.2**	**111.7**	**129.5**	**145.4**	**163.0**	**182.3**	**203.1**	**225.5**
GDP	***200.7***	***198.0***	***236.6***	***273.3***	***305.7***	***341.5***	***380.6***	***422.6***	***467.5***
US$									
GJ	0.23	0.22	0.26	0.29	0.33	0.36	0.40	0.44	0.48
KA	0.23	0.23	0.26	0.29	0.33	0.36	0.40	0.44	0.49
MH	0.39	0.36	0.42	0.46	0.50	0.54	0.58	0.63	0.67
TN	0.25	0.24	0.28	0.30	0.33	0.36	0.40	0.43	0.47

UP	0.24	0.22	0.27	0.30	0.33	0.36	0.39	0.42	0.46
Total (five states)	**1.33**	**1.28**	**1.50**	**1.64**	**1.81**	**1.98**	**2.17**	**2.37**	**2.58**
GDP (All India)	***2.83***	***2.67***	***3.18***	***3.47***	***3.80***	***4.15***	***4.53***	***4.92***	***5.34***
PPP$									
GJ	0.73	0.74	0.84	0.98	1.09	1.21	1.33	1.47	1.61
KA	0.73	0.79	0.84	0.98	1.10	1.22	1.34	1.48	1.63
MH	1.23	1.23	1.35	1.54	1.67	1.80	1.94	2.09	2.24
TN	0.79	0.82	0.88	1.01	1.11	1.21	1.32	1.44	1.56
UP	0.77	0.75	0.86	0.99	1.09	1.19	1.30	1.42	1.54
Total (five states)	**4.25**	**4.34**	**4.77**	**5.50**	**6.06**	**6.64**	**7.24**	**7.89**	**8.57**
GDP (All India)	**9.06**	**9.02**	**10.11**	**11.61**	**12.75**	**13.91**	**15.13**	**16.42**	**17.77**

Source (Basic data): MoSPI, IMF
Note: In the current exercise, nominal GDP in domestic currency has been converted in PPP terms by using the relevant exchange rate as sourced from IMF (October 2022).

Table 10 shows that none of the five largest state economies of India is likely to reach a US$1 trillion level by FY28 in MX terms. Earlier, we have estimated that the Indian economy would reach the US$5 trillion benchmark in MX terms by FY28[7]. For this purpose, since the five states under study here are projected to reach a combined size of US$2.6 trillion, we would need the contribution of some more states to enable the Indian economy to reach the US$5 trillion target. The next set of states in this sequence are West Bengal, Rajasthan, Andhra Pradesh, Telangana, Madhya Pradesh, and Kerala.

The largest state economy by FY28 would be MH, whose size is estimated at US$0.67 trillion (MX terms). However, in PPP terms, each of these five economies are projected to have a size larger than $1 trillion by FY24. In fact, MH had already crossed the PPP$1 trillion benchmark way back in FY17. It had reached a level of PPP$1.23 trillion in FY20. TN is estimated to cross PPP$1 trillion in FY23. The remaining three state economies would reach a level very close to each other ranging from PPP$0.98 trillion to PPP$0.99 trillion in FY23. All of these are on the verge of crossing the PPP$1 trillion benchmark which, based on present trends, is estimated to happen in FY24. However, together, these five states are estimated to account for a size higher than PPP$5 trillion in FY23.

Concluding observations

India reaching US$5 trillion benchmark in MX terms critically depends on the performance of its states. Many of the Indian states are individually quite large. Economic efficiency of India as a whole may improve if these states compete and co-operate with each other. In this write-up, we have shown that in FY24, five of India's largest state economies, namely MH, TN, GJ, KA and UP, are each estimated to have a size larger than $1 trillion in PPP terms. However, in MX terms, these five states are projected to reach a combined size of US$2.6 trillion by FY28. In an earlier study[7], India has been estimated to achieve a US$5 trillion benchmark in MX terms by FY28. For this purpose, we may need the contribution of a few more states such as West Bengal, Rajasthan, Andhra Pradesh, Telangana, Madhya Pradesh, and Kerala. To accelerate growth in these state economies, conscious efforts are needed first, to increase government capital expenditures relative to respective GSDPs, ensuring that a large part of their fiscal deficit is used for capital expenditures; and second, they need to progressively increase the share of services and industry in their GSVA as compared to agriculture. This would be useful both for output and employment growth.

[7] EY report titled 'India@100: realizing the potential of a US$26 trillion economy' (January 2023)

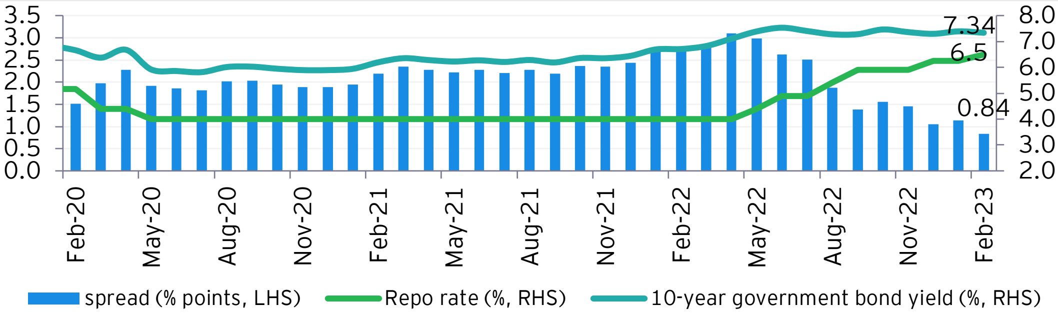
6. Money and finance: bank credit continued to post a robust growth of 16.3% in January 2023

A. Monetary sector

Monetary policy

- The RBI increased the repo rate by 25 basis points to 6.5% in February 2023, its sixth rate hike since April 2022. On a cumulated basis, between April 2022 and February 2023, the repo rate has been increased by 250 basis points **(Chart 10)**.
- While acknowledging the risks to inflation emanating from adverse weather events, upward pressures on commodity prices and the ongoing pass-through of input costs to output prices, and taking into account the average price of Indian crude basket at US$95/bbl., the RBI has projected CPI inflation at 6.5% in FY23. Further, basis the assumption of a normal monsoon, the RBI has projected CPI inflation to ease to 5.3% in FY24.

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



Growth in bank credit increased to a three-month high of 16.3% in January 2023 from 14.9% in December 2022.

Source: Database on Indian Economy, RBI

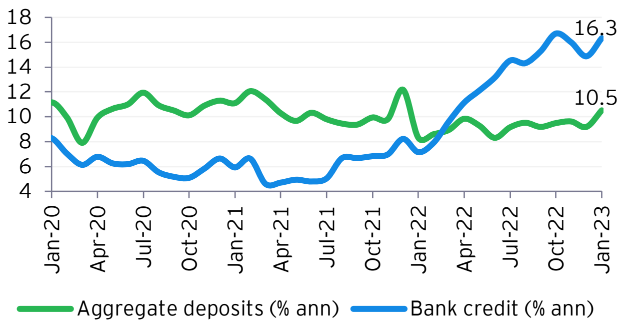
Money stock

- Growth in broad money stock (M3) eased marginally to 9.5% in February 2023 from 9.8% in January 2023, reflecting a moderation in narrow money (M1).
- Growth in M1 slowed to a five-month low of 8.7% in February 2023 from 9.8% in January 2023 led by a moderation in the growth of demand deposits to 9.0% in February 2023 from 12.0% in January 2023. Currency with public grew at a marginally higher rate of 8.4% in February 2023 as compared to 8.1% in January 2023.
- Time deposits, accounting for slightly over 75% of M3 on average in the last three years, grew by 9.8% in February 2023, close to its growth of 9.7% in January 2023.

Aggregate credit and deposits

- Growth in gross bank credit by SCBs increased to a three-month high of 16.3% in January 2023 from 14.9% in December 2022 **(Chart 11)**.
- Non-food credit growth remained strong at 16.7% in January 2023, increasing from 15.3% in December 2022.
- Sectoral bank credit data indicate that credit to services showed the highest growth of 21.5% in January 2023 as compared to 19.6% in December 2022.

Chart 11: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Growth in credit to the agricultural sector increased to 14.4% in January 2023 from 11.5% in December 2022.
- Growth in outstanding credit to industries remained stable at 8.7% in January 2023, similar to its level in December 2022. Within the industrial sector, growth in credit to infrastructure moderated sharply to 2.3% in January 2023 from 5.3% in December 2022. On the other hand, growth in credit to iron and steel, and cement improved to 29.2% and 12.3%, respectively, in January 2023.
- Personal loans, a key component of retail loans, showed a robust growth of 20.4% in January 2023, improving marginally from 20.2% in December 2022.

- Growth in aggregate deposits of residents increased to a 13-month high of 10.5% in January 2023 from 9.2% in December 2022.

B. Financial sector

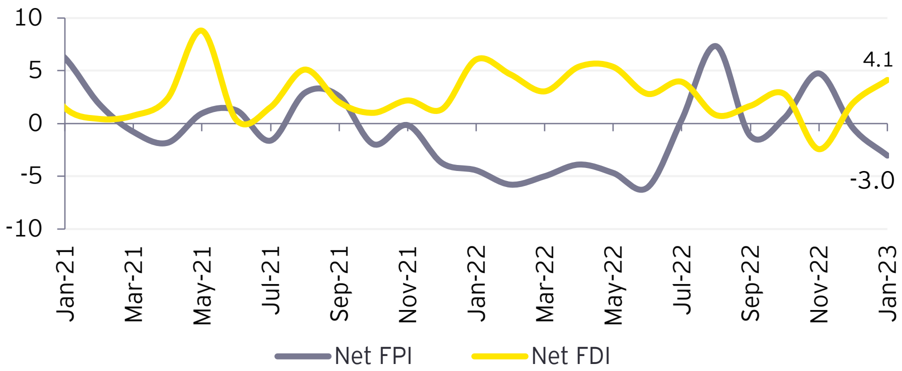
Interest rates

- As per the data released by the RBI on 3 March 2023, the average interest rate on term deposits with a maturity period of more than one year was at 6.63% for the second successive month in February 2023 with the actual rate ranging between 6.00% and 7.25%.
- The average MCLR increased by 10 basis points to 7.95% in February 2023 from 7.85% in January 2023. Actual MCLR ranged between 7.50% and 8.40% during the month.
- The average yield on 10-year government bonds was marginally lower at 7.34% in February 2023 as compared to 7.39% in January 2023 **(Chart 10).**
- WALR on fresh rupee loans by SCBs increased to 9% in January 2023, its highest since February 2020. During April to January 2023, on a cumulated basis, WALR on fresh rupee loans rose by 149 basis points while the repo rate was hiked by 225 basis points.

FDI and FPI

- As per the provisional data released by the RBI on 21 March 2023, overall foreign investments[8] (FIs) inflows fell for the third successive month to US$1.1 billion in January 2023 from US$1.5 billion in December 2022 on account of higher net FPI outflows during the month.

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



Net FDI inflows surged to an eight-month high of US$4.1 billion in January 2023.

Source: Database on Indian Economy, RBI

- Net FDI inflows surged to an eight-month high of US$4.1billion in January 2023 from US$2 billion in December 2022 **(Chart 12)**. Gross FDI inflows remained high at US$6.2 billion in January 2023, marginally lower as compared to US$6.5 billion in December 2022.
- On the other hand, net FPI witnessed outflows for the second successive month amounting to US$(-)3.0 billion in January 2023, its highest outflows since June 2022.

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

7. Trade and CAB: merchandise trade deficit narrowed to US$(-)17.4 billion in February 2023

Home

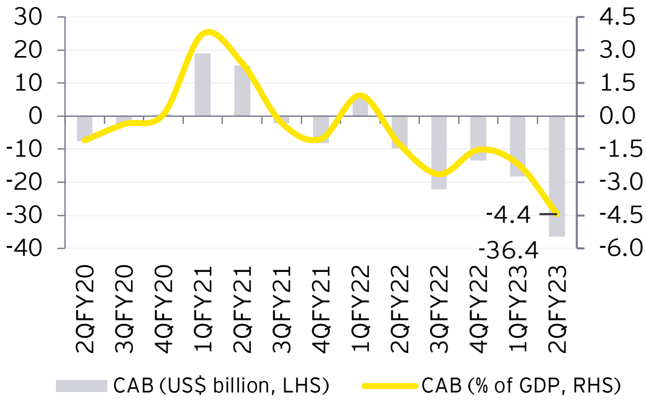
A. CAB: current account deficit surged to a 37-quarter high of (-)4.4% of GDP in 2QFY23

- Current account deficit widened to (-)4.4% of GDP in 2QFY23 from (-)2.2% in 1QFY23 **(Chart 13, Table 11),** reflecting a surge in net merchandise trade deficit to a 37-quarter high of (-)10.2% of GDP. This was due to a) rise in imports to a 32-quarter high of 23.9% of GDP reflecting higher global crude prices and b) moderation in exports to 13.7% of GDP in 2QFY23 from 14.6% in 1QFY23 reflecting slowing global economic activity.
- Net invisibles relative to GDP increased to a nine-quarter high of 5.8% in 2QFY23, as net services exports improved to a 36-quarter high of 4.2% of GDP.

Table 11: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY19	-2.1	-57.3	-180.3	123.0
FY20	-0.9	-24.7	-157.5	132.8
FY21	0.9	23.9	-102.2	126.1
FY22	-1.2	-38.8	-189.5	150.7
3QFY22	-2.6	-22.2	-59.7	37.6
4QFY22	-1.5	-13.4	-54.5	41.1
1QFY23	-2.2	-18.2	-63.0	44.8
2QFY23	-4.4	-36.4	-83.5	47.2

Chart 13: CAB



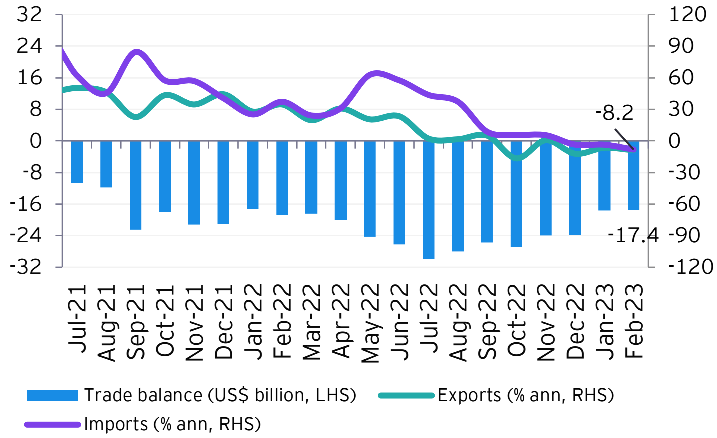
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

B. Merchandise trade and exchange rate

Contraction in merchandise exports and imports increased to (-)8.8% and (-)8.2% respectively in February 2023 from (-)6.6% and (-)3.6% in January 2023, reflecting moderating global demand.

- The contraction in overall merchandise exports was led by a sharp contraction in exports of oil ((-)28.8%), engineering goods ((-)9.7%), cotton yarn and fabrics ((-)30.4%), and chemicals ((-)12.3%) in February 2023. Growth in electronic goods exports slowed to 29.9% in February 2023 from 55.5% in January 2023.
- Contraction in overall imports in February 2023 was led by oil imports, which showed a negative growth of (-)4.3% after growing for four successive months. Imports of gold ((-)44.9%), pearls and precious metals ((-)20.9%), and electronic goods ((-)11.1%) continued to contract in February 2023.
- Contraction in exports and imports excluding oil, gold and jewelry slowed to (-)6.4% and (-)3.4% respectively in February 2023 from (-)7.5% and (-)5.2% in January 2023.
- Merchandise trade deficit narrowed to its lowest level since January 2022 to US$(-)17.4 billion in February 2023 from US$(-)17.7 billion in January 2023 **(Chart 14).**
- Services trade surplus was slightly lower at US$13.8 billion in January 2023 as compared to a historic high of US$15.5 billion in December 2022. Goods and services deficit was at its lowest level since August 2021 at US$(-)3.9 billion in January 2023.
- Aided by anticipated hikes in Federal funds rate and larger capital outflows, the rupee depreciated to a level of INR82.6 per US$ in February 2023 from a level of INR81.9 per US$ in January 2023.

Chart 14: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

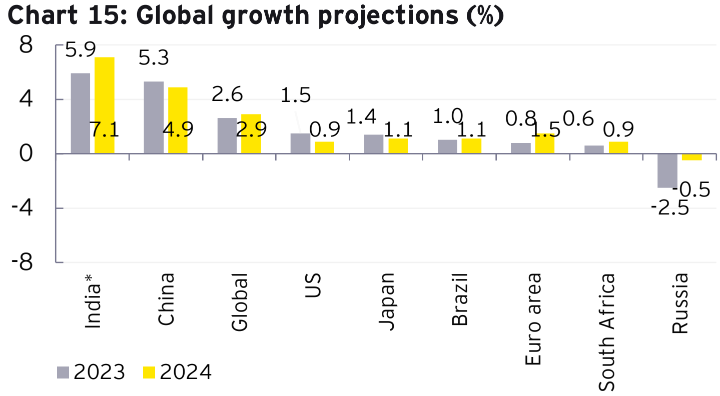
8. Global growth: OECD projected global growth at 2.6% in 2023 and 2.9% in 2024

A. Global growth

The OECD has projected global growth at 2.6% in 2023, with India's FY24 growth forecasted at 5.9%.

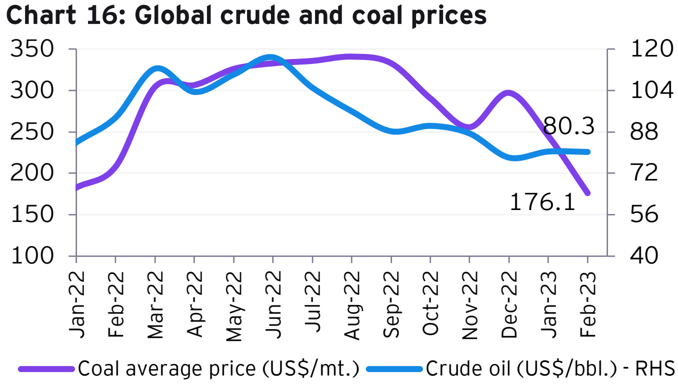
- The OECD (March 2023) has projected global growth to remain at below trend rates in 2023 and 2024 at 2.6% and 2.9% respectively, with inflation moderating gradually as the quick and synchronized monetary policy tightening over the past year takes full effect **(Chart 15).**
- As per the OECD, despite an easing of CPI inflation in 2023 and 2024 in almost all G20 countries, it would remain above the central banks' targets until the latter half of 2024 in most countries.
- In the US, growth is projected to fall from 2.1% in 2022 to 1.5% in 2023 and further to 0.9% in 2024 as monetary policy moderates demand pressures.
- Growth in the euro area is projected at 0.8% in 2023. Benefits of lower energy prices and declining inflation are expected to help growth momentum improve gradually, leading to a pickup in growth to 1.5% in 2024.
- Japan, which would have additional fiscal stimulus in the current year and no change in policy interest rates,99 is projected to grow by 1.4% in 2023 and 1.1% in 2024.
- In OECD's assessment, EMEs in Asia are likely to be less affected by the global slowdown, helped by the rebound in China and more moderate inflation pressures.
- Growth in China is projected to rebound to 5.3% in 2023 and 4.9% in 2024 from just 3% in 2022. Growth in Brazil and South Africa is projected to be sluggish over the next two years. Brazil is projected to grow at about 1% in 2023 and 2024 and South Africa is forecasted to show a growth of less than 1% during this period.
- Output in Russia is expected to decline in 2023 and 2024, as the drag from economic and financial sanctions starts to build.
- India's growth is projected to moderate to 5.9% in FY24, amidst tighter financial conditions, before rebounding to 7.1% in FY25. However, despite this moderation, India's position as the global growth leader would remain intact.

Chart 15: Global growth projections (%)



Source: OECD Economic Outlook, Interim Report (March 2023)
*Data pertains to fiscal years FY24 and FY25 respectively.

Chart 16: Global crude and coal prices



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

B. Global energy prices: brent crude price is projected at US$83/bbl. in 2023 and US$78/bbl. in 2024

- Average global crude price[9] at US$80.3/bbl. in February 2023 remained almost unchanged from US$80.4/bbl. in January 2023. The US Energy Information Administration, in its March 2023 issue of the short-term energy outlook, has projected brent crude oil price at US$83/bbl. in 2023, easing to US$78/bbl. in 2024 **(Chart 16)**.
- Average global coal price[10] fell to a 14-month low of US$176.1/mt. in February 2023 from US$245/mt. in January 2023. High inventories in China, the world's largest coal consumer, have led to lower imports, thereby putting pressure on global prices. Further, the slow recovery in China's coal consumption also indicates a gradual rebound in power consumption and growth in the economy[11].

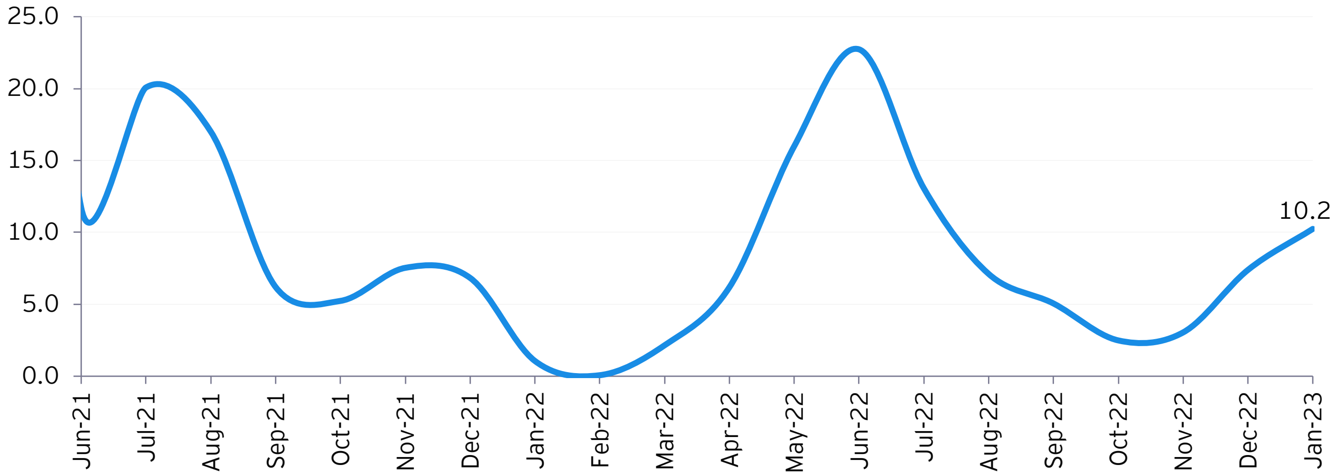
[9] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[10] Simple average of Australian and South African coal prices.
[11] https://rb.gy/m62rjp

9. Index of Aggregate Demand (IAD): grew by 10.2% in January 2023

Growth in IAD improved further to 10.2% in January 2023 from 7.4% in December 2022

- EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa)[12] capture the demand conditions in the agricultural sector.
- Growth in IAD increased to a six-month high of 10.2% in January 2023 from 7.4% in December 2022 partly due to the ongoing growth momentum in the agricultural sector and partly due to favorable base effect **(Chart 17 and Table 12).**
- Demand conditions in the agricultural sector continued to remain buoyant as indicated by the growth in agricultural credit off-take (sa) which increased to 14.5% in January 2023 from 11.4% in December 2022.
- Demand conditions in both manufacturing and services eased in January 2023 as indicated by a fall in the manufacturing and services PMI to 55.4 and 57.2 respectively in January 2023 from 57.8 and 58.5 in December 2022.

Chart 17: 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 12: IAD

Month	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
IAD	150.6	151.5	150.3	152.5	149.5	151.1	153.3	157.5	155.1
Growth (% y-o-y)	16.0	22.7	13.1	7.1	5.1	2.5	3.0	7.4	10.2
Growth in agr. Credit	12.0	13.1	13.1	13.4	13.4	13.5	13.7	11.4	14.5
Mfg. PMI**	4.6	3.9	6.4	6.2	5.1	5.3	5.7	7.8	5.4
Ser. PMI**	8.9	9.2	5.5	7.2	4.3	5.1	6.4	8.5	7.2

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

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

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

10. Capturing macro-fiscal trends: data appendix

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

Fiscal year/ quarter/ month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/ quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY19	3.8	2.8	3.8	5.2	4.4	FY19	52.8	52.2
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.5	-7.8	-9.6	-0.5	-6.4	FY21	50.2	41.7
FY22	11.4	12.2	11.7	8.0	10.4	FY22	54.0	52.3
4QFY22	1.8	3.8	1.2	3.9	4.9	4QFY22	54.3	52.3
1QFY23	12.8	9.1	12.8	17.1	13.9	1QFY23	54.4	58.7
2QFY23	1.6	-0.9	1.5	4.9	5.7	2QFY23	55.9	55.7
3QFY23	2.6	7.5	1.1	7.9	4.5	3QFY23	56.3	56.7
Oct-22	-4.1	2.6	-5.8	1.2	0.7	Nov-22	55.7	56.4
Nov-22	7.3	9.7	6.4	12.7	5.7	Dec-22	57.8	58.5
Dec-22	4.7	10.0	3.1	10.4	7.0	Jan-23	55.4	57.2
Jan-23	5.2	8.8	3.7	12.7	7.8	Feb-23	55.3	59.4

Source: MoSPI, Office of the Economic Adviser, Ministry of Commerce and Industry and S&P Global

Table A2: Inflation indicators (annual, quarterly, and monthly growth rates, y-o-y)

Fiscal year/ quarter/ month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY19	3.4	0.1	5.7	5.5	4.3	0.6	3.7	11.5	4.2
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	4.0	2.8	-8.0	2.2
FY22	5.5	3.8	11.3	6.1	13.0	6.8	11.1	32.5	11.0
4QFY22	6.3	6.3	8.5	6.1	13.9	9.2	10.3	32.3	10.5
1QFY23	7.3	8.0	10.1	6.4	16.1	10.5	10.3	46.3	10.6
2QFY23	7.0	7.6	11.0	6.1	12.4	9.1	7.3	37.5	7.7
3Q FY23	6.1	5.3	10.5	6.2	6.6	3.3	3.7	21.0	3.7
Nov-22	5.9	4.7	10.6	6.2	6.1	2.5	3.4	19.7	3.2
Dec-22	5.7	4.2	10.9	6.2	5.0	0.9	3.4	18.1	3.2
Jan-23	6.5	6.0	10.8	6.3	4.7	2.9	3.0	15.2	2.8
Feb-23	6.4	6.0	9.9	6.4	3.9	2.8	1.9	14.8	2.1

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.7	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.3
FY22 (CGA)	33.8	55.7	43.5	49.6	20.0	6.7	4.4
FY23 (RE over FY 22 Actuals)	12.3	17.3	17.1	17.2	7.1	6.4	4.1
FY24 (BE over FY 23 RE)	10.4	10.5	10.5	10.5	10.4	5.9	2.9
	Cumulated growth (%, y-o-y)					% of budgeted target	
Jun-22	22.4	30.0	40.7	35.4	11.0	21.2	20.7
Jul-22	24.9	34.7	50.0	42.7	10.8	20.5	16.4
Aug-22	18.7	23.6	33.2	28.8	11.2	32.6	32.4
Sep-22	17.6	21.6	25.7	23.5	11.8	37.3	31.4
Oct-22	18.0	24.1	27.7	25.9	11.0	45.6	38.9
Nov-22	15.5	21.1	26.7	23.9	8.6	58.9	57.8
Dec-22	12.5	16.9	19.2	18.0	7.1	56.6$	50.3$
Jan-23	12.6	14.8	18.9	16.8	8.6	67.8$	61.1$

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)					
Jun-22	65,423	259	-16,396	10,749	60,035
Jul-22	55,357	155	6,898	10,654	73,064
Aug-22	51,911	149	8,938	9,889	70,887
Sep-22	54,689	406	9,964	9,967	75,026
Oct-22	72,219	595	-19,374	10,281	63,721
Nov-22	57,848	515	-2,580	10,323	66,106
Dec-22	60,778	232	-3,394	10,911	68,527
Jan-22	65,171	238	-1,671	10,427	74,165

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

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

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Mar-22	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.69	411.9
Apr-22	4.00	FY20	9.5	9.9	43.0	1.4	FY20	11.2	8.9	6.83	475.6
May-22	4.40	FY21	5.9	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Jun-22	4.90	FY22	6.7	9.7	38.6	-16.8	FY22	10.6	8.7	6.40	617.6
Jul-22	4.90	4QFY22	8.2	8.6	13.8	-15.2	4QFY22	10.6	8.7	6.74	617.6
Aug-22	5.40	1QFY23	12.1	9.1	13.6	-14.6	1QFY23	8.7	7.8	7.34	593.3
Sep-22	5.90	2QFY23	14.7	9.3	6.4	6.5	2QFY23	8.5	8.6	7.32	532.7
Oct-22	5.90	3QFY23	15.8	9.4	2.3	4.9	3QFY23	12.4	10.7	7.37	562.8
Nov-22	5.90	Oct-22	16.7	9.5	2.8	0.5	Nov-22	9.7	8.9	7.36	550.1
Dec-22	6.25	Nov-22	16.0	9.6	-2.4	4.8	Dec-22	12.4	10.7	7.29	562.9
Jan-23	6.25	Dec-22	14.9	9.2	2.0	-0.4	Jan-23	9.8	9.8	7.39	576.8
Feb-23	6.50	Jan-23	16.3	10.5	4.1	-3.0	Feb-23	8.7	9.5	7.34	560.9

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		
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2013	3.5	1.4	5.1
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2014	3.5	2.1	4.7
FY21	-7.0	-16.6	-101.4	74.2	43.8	67.2	2015	3.4	2.4	4.3
FY22	43.1	55.3	-193.2	74.5	78.4	164.8	2016	3.3	1.8	4.5
4QFY22	26.7	28.5	-54.6	75.2	96.6	231.7	2017	3.8	2.5	4.8
1QFY23	24.8	49.5	-70.6	77.2	110.1	321.7	2018	3.5	2.2	4.5
2QFY23	2.9	28.3	-83.7	79.8	96.4	336.4	2019	2.8	1.6	3.7
3QFY23	-9.9	2.3	-74.6	82.2	85.3	281.1	2020	-3.1	-4.5	-2.0
Nov-22	0.6	5.4	-23.9	81.8	87.4	255.6	2021	6.2	5.4	6.7
Dec-22	-12.2	-3.5	-23.8	82.5	78.1	297.1	2022	3.4	2.7	3.9
Jan-23	-6.6	-3.6	-17.7	81.9	80.4	245.0	2023	2.9	1.2	4.0
Feb-23	-8.8	-8.2	-17.4	82.6	80.3	176.1	2024	3.1	1.4	4.2

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

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

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY20 (2nd RE)	3.8	5.5	-1.5	-2.9	2.2	1.2	5.9	6.7	6.3	2.9
FY21 (2nd RE) *	-4.1	4.7	-9.9	2.8	-4.3	-5.3	-19.7	2.1	-7.4	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 (2nd AE) *	6.6	3.3	3.4	0.6	9.2	9.1	14.2	6.9	7.1	8.1
3QFY21	2.9	5.3	-7.0	12.7	0.7	8.9	-9.5	9.7	-4.9	3.4
4QFY21	6.5	4.1	-4.8	19.3	2.6	20.6	-3.1	8.3	-0.4	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	12.1	2.5	9.3	6.4	14.9	16.2	25.7	8.6	21.3	12.5
2QFY23	5.5	2.4	-0.4	-3.6	6.0	5.8	15.6	7.1	5.6	10.1
3QFY23	4.6	3.7	3.7	-1.1	8.2	8.4	9.7	5.8	2.0	5.9

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY21, FY22 and FY23 are based on NAS released by the MoSPI on 28 February 2023

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY20 (2nd RE)	3.7	5.2	3.4	1.6	-3.4	-0.8	2.4
FY21 (2nd RE) *	-5.7	-5.3	-0.4	-7.7	-9.1	-13.7	4.8
FY22 (1st RE) *	9.1	11.2	6.6	14.6	29.3	21.8	8.5
FY23 (2nd AE) *	7.0	7.3	1.2	11.2	11.5	18.8	8.3
3QFY21	1.7	1.5	-4.2	2.6	-8.5	-5.0	4.6
4QFY21	3.5	6.7	24.0	13.6	3.9	12.0	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	13.2	20.0	1.8	20.6	19.7	33.7	12.9
2QFY23	6.3	8.8	-4.1	9.7	12.3	25.9	10.3
3QFY23	4.4	2.1	-0.8	8.3	11.3	10.9	6.6

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY21, FY22 and FY23 are based on NAS released by the MoSPI on 28 February 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	CSO	Central Statistical Organization
18	Disc.	discrepancies
19	ECBs	external commercial borrowings
20	EIA	US Energy Information Administration
21	Elec.	electricity, gas, water supply and other utility services
22	EMDEs	Emerging Market and Developing Economies
23	EXP	exports
24	FAE	first advance estimates
25	FC	Finance Commission
26	FII	foreign investment inflows
27	Fin.	financial, real estate and professional services
28	FPI	foreign portfolio investment
29	FRBMA	Fiscal Responsibility and Budget Management Act
30	FRL	Fiscal Responsibility Legislation
31	FY	fiscal year (April–March)
32	GDP	Gross Domestic Product
33	GFCE	government final consumption expenditure
34	GFCF	gross fixed capital formation
35	GoI	Government of India
36	G-secs	government securities
37	GST	Goods and Services Tax
38	GVA	gross value added
39	IAD	Index of Aggregate Demand

Sr. no.	Abbreviations	Description
40	IBE	interim budget estimates
41	ICRIER	Indian Council for Research on International Economic Relations
42	IEA	International Energy Agency
43	IGST	Integrated Goods and Services Tax
44	IIP	Index of Industrial Production
45	IMF	International Monetary Fund
46	IMI	Index of Macro Imbalance
47	IMP	imports
48	INR	Indian Rupee
49	IPD	implicit price deflator
50	MCLR	marginal cost of funds-based lending rate
51	Ming.	mining and quarrying
52	Mfg.	manufacturing
53	m-o-m	month-on-month
54	Mt	metric ton
55	MoSPI	Ministry of Statistics and Programme Implementation
56	MPC	Monetary Policy Committee
57	MPF	Monetary Policy Framework
58	NEXP	net exports (exports minus imports of goods and services)
59	NSO	National Statistical Office
60	NPA	non-performing assets
61	OECD	Organization for Economic Co-operation and Development
62	OPEC	Organization of the Petroleum Exporting Countries
63	PFCE	private final consumption expenditure
64	PIT	personal income tax
65	PMI	Purchasing Managers' Index (reference value = 50)
66	PoL	petroleum oil and lubricants
67	PPP	Purchasing power parity
68	PSBR	public sector borrowing requirement
69	PSU/PSE	public sector undertaking/public sector enterprises
70	RE	revised estimates
71	RBI	Reserve Bank of India
72	SLR	Statutory Liquidity Ratio
73	Trans.	trade, hotels, transport, communication and services related to broadcasting
74	US$	US Dollar
75	UTGST	Union Territory Goods and Services Tax
76	WALR	weighted average lending rate
77	WHO	World Health Organization
78	WPI	Wholesale Price Index
79	y-o-y	year-on-year
80	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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