ENTER

# Economy Watch

## Monitoring India's macro-fiscal performance

**September 2023**

*83rd issue*

Building a better working world

# Contents




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

D.K. Srivastava, Chief Policy Advisor, EY: dk.srivastava@in.ey.com

Muralikrishna Bharadwaj, Senior Manager, EY: muralikrishna.b@in.ey.com

Tarrung Kapur, Senior Manager, EY: tarrung.kapur@in.ey.com

Ragini Trehan, Senior Manager, EY: ragini.trehan@in.ey.com

# Highlights

1. Led by a strong growth in private final consumption expenditure (PFCE) and gross fixed capital formation (GFCF), real GDP growth increased to 7.8% in 1QFY24 from 6.1% in 4QFY23.

2. In August 2023, PMI manufacturing at 58.6 was at its second highest level in nearly three years. PMI services at 60.1 also indicated one of the strongest increases in output since mid-2010.

3. Led by a favourable base effect, IIP growth increased to a five-month high of 5.7% in July 2023.

4. Driven by steep inflation in food items, particularly vegetables, CPI inflation remained elevated at 6.8% in August 2023, although lower than 7.4% in July 2023.

5. The pace of contraction in prices at the wholesale level (WPI) decelerated for the second successive month to (-)0.5% in August 2023 from (-)1.4% in July 2023, led by a slower contraction in fuel prices.

6. During April-July FY24, GoI's gross tax revenues (GTR) showed a growth of 2.8%, with direct taxes contracting by (-)1.1% and indirect taxes showing a growth of 7.8%.

7. GoI's total expenditure grew by 22.5% during April-July FY24, with growth in capital expenditure at 52% and that in revenue expenditure at 15.9%.

8. During April-July FY24, GoI's fiscal and revenue deficits as a proportion of their annual BE stood at 33.9% and 34.7% respectively.

9. Gross bank credit by SCBs continued to post a double-digit growth of 14.7% in July 2023.

10. Reflecting subdued global demand, merchandise exports and imports continued to contract by (-)6.8% and (-)5.2% in August 2023, although lower than (-)15.9% and (-)17.0% witnessed in July 2023.

11. Merchandise trade deficit widened to a 10-month high of US$24.2 billion in August 2023.

12. Net FDIs turned positive, registering inflows amounting to US$0.7 billion in July 2023 as compared to outflows of US$0.6 billion in June 2023.

13. Average global crude price increased to a nine-month high of US$84.7/bbl. in August 2023 as Saudi Arabia and Russia extended their voluntary supply cuts to the end of 2023.

14. The ADB has projected growth in Developing Asia at 4.8% in 2023, with India's FY24 growth forecasted at 6.4%.

# Foreword

## India's increasing role in facilitating sustainable global economic growth

India recently presided over the G-20 meeting held in New Delhi during 9-10 September 2023. The expanded G-20 now includes the African Union (AU). This expanded G-20 accounts for 89% of global GDP (2022) and 79.1% of global population (2023). Most of the members of this expanded G-20 group are currently suffering from an economic slowdown. In fact, Germany has shown a recession with a contraction in its GDP in two successive quarters. In this scenario, India appears to be a bright spot with a potential medium-term growth in the range of 6% to 6.3%. Its contribution to global growth is acknowledged to be around 15% in 2023 (IMF)[1]. The G-20 meeting has also provided the basis of India's participation in the expansion of global infrastructure through the provision of major inter-continental trade and transport corridors, one connecting India to Europe through the Middle East and the other running across Africa (Trans African Corridor). India is slated to play a critical and expanding role in global economic growth and welfare through its participation in the provision of large scale digital public infrastructure, global trade and transport corridors, global biofuel alliance, and international solar alliance. India can take advantage of the size of its population which is the largest for an individual country with a share of 17.8% in global population, and its relatively younger population with a median age of 28.2 years in 2023. It can play a leading role in facilitating an equitable and sustainable global growth by participating in the expansion of infrastructure, manufacturing and services in the AU and by filling up critical and growing human resource gaps in the fast ageing European and other developed countries. This theme is discussed in detail in this issue's In-focus section titled '*India's economic opportunities in the expanded G-20 group*'.

On the domestic front, the National Statistical Office (NSO) recently released the 1QFY24 GDP data. It showed real and nominal GDP growth rates at 7.8% and 8% respectively. Private final consumption expenditure (PFCE) and gross fixed capital formation (GFCF) showed robust growth rates at 6% and 8% respectively in 1QFY24. However, India's growth prospect was held down by the contraction in exports at (-)7.7%.

On the output side, manufacturing showed a growth of only 4.7% in 1QFY24, partly reflecting the effect of the global economic slowdown. From a longer-term perspective, there is a noticeable concern in the performance of the large service sector namely, trade, hotels, transport, communication, and storage. Although its quarterly growth in real terms was 9.2%, its magnitude (in 2011-12 prices) was lower by 2% as compared to the corresponding magnitude in the first quarter of the pre-COVID year of FY20. It indicates that this employment-intensive sector has not yet fully recovered from the COVID shock and the continuing supply side disruptions.

The closeness of real and nominal GDP growth implies a low implicit price deflator (IPD) based inflation which is estimated only at 0.2% in 1QFY24. The relatively low nominal GDP growth combined with a subdued tax buoyancy has led to a lower growth of government tax revenues both at the central and state levels. In fact, GoI's GTR have grown only by 3.3% in 1QFY24 and by 2.8% during the first four months of FY24. The buoyancy of GoI's GTR is also quite low at 0.4 in 1QFY24.

High-frequency indicators for July and August 2023, however, showed a strong growth momentum. In August 2023, PMI manufacturing at 58.6 was at its second highest level in nearly three years. PMI services at 60.1 also indicated one of the strongest increases in output since mid-2010. As per Federation of Automobile Dealers' Association (FADA), growth in retail sales of vehicles remained buoyant at 8.6% in August 2023, although lower than 10% in July 2023. As per the data released by the Ministry of Finance, gross GST revenues remained high at INR1.60 lakh crore in August 2023, as compared to INR1.65 lakh crore in July 2023. Growth in power consumption was at a 15-month high of 17.4% in August 2023. Gross bank credit by SCBs continued to post a double-digit growth of 14.7% in July 2023.

CPI inflation has started showing a downward trend although it remains higher than the RBI's upper tolerance limit. It has fallen from 7.4% in July 2023 to 6.8% in August 2023. RBI's full year expectation for FY24 is at 5.4%. Merchandise trade deficit widened to a 10-month high of US$24.2 billion as both merchandise exports and imports

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[1] https://indianexpress.com/article/business/economy/india-economy-bright-spot-global-growth-2023-imf-md-8460948/

continued to contract by (-)6.8% and (-)5.2% in August 2023, although lower than (-)15.9% and (-)17.0% in July 2023, mainly reflecting subdued global demand. However, growth in exports excluding oil, gold and jewelry turned positive at 3.2% in August 2023 after showing a contraction for eight successive months. In spite of these setbacks, India may still be on course to show an annual GDP growth of about 6.3% in FY24 as recently forecasted by the OECD in its September 2023 release of *Interim Economic Outlook*.

**D.K. Srivastava**
***Chief Policy Advisor, EY India***

# 1. Growth: real GDP grew by 7.8% in 1QFY24

## A. GDP and GVA growth: increased to 7.8% each in 1QFY24

- As per the national accounts data released by the Ministry of Statistics and Programme Implementation (MoSPI) on 31 August 2023, real GDP grew by 7.8% in 1QFY24, improving from 6.1% in 4QFY23 **(Chart 1).**
- On the demand side, the improvement in real GDP growth was led by higher growth in PFCE at 6.0% in 1QFY24 as compared to 2.8% in 4QFY23.
- In addition, GFCF, a measure of investment in the economy, continued to show a strong growth of 8.0% in 1QFY24, although moderating from 8.9% in 4QFY23 **(Table 1).** Frontloading of GoI's capital expenditure may have sustained the momentum of investment in the economy.
- Other two major demand side components namely, government final consumption expenditure (GFCE) and exports contracted by (-)0.7% and (-)7.7% respectively in 1QFY24. The subdued performance of GFCE may be attributable to a contraction in governments' revenue expenditure while weakness in global demand has led to a deterioration in exports.
- Infact, with imports showing a growth of 10.1% in 1QFY24, the contribution of net exports to real GDP growth turned sharly negative at (-)4.6% points, its worst performance since 1QFY13.
- On the output side, real GVA growth at 7.8% in 1QFY24 was higher than 6.5% in 4QFY23. This was led by a double-digit growth in the GVA of financial, real estate et al. sector at 12.2% in 1QFY24 as compared to 7.1% in 4QFY23.
- Growth in trade, hotel, transport et al. sector was the second highest at 9.2% in 1QFY24, marginally higher than 9.1% in 4QFY23. However, GVA of this sector in 1QFY24 was lower by INR12,961 crore when compared to its corresponding magnitude in 1QFY20, the pre-COVID year, indicating that this employment intensive sector has not yet fully recovered from COVID's impact.
- Both public administration and defence et al., and construction sectors posted a growth of 7.9% each in 1QFY24.
- GVA in agriculture grew by 3.5% in 1QFY24, close to its long-term average growth, but lower than 5.5% in 4QFY23.
- The IPD-based inflation fell sharply to its lowest level since 2QFY20 at 0.2% in 1QFY24 from 4.1% in 4QFY23. Owing to this, the nominal GDP growth remained low at 8.0% in 1QFY24.

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

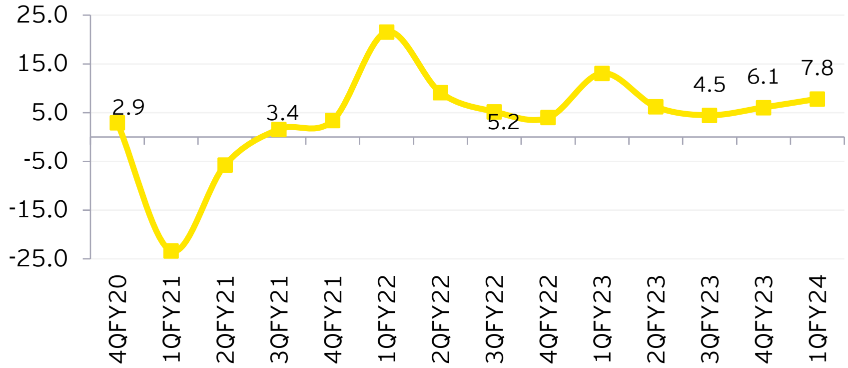



**Table 1: Real GDP and GVA growth (%, annual)**

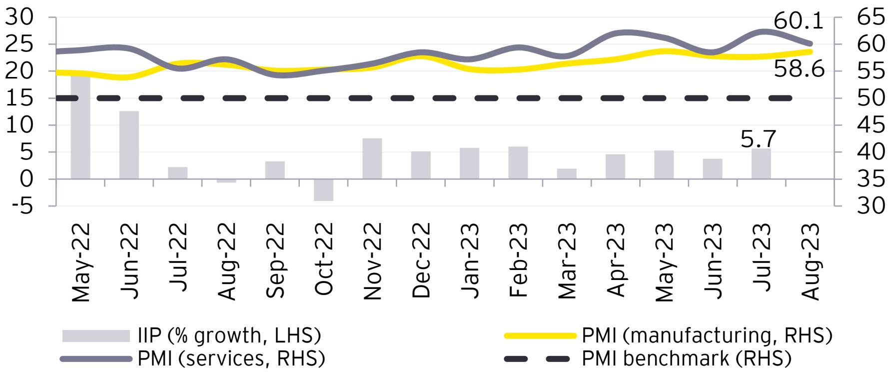
| Agg. demand | 2Q FY22 | 3Q FY22 | 4Q FY22 | 1Q FY23 | 2Q FY23 | 3Q FY23 | 4Q FY23 | 1Q FY24 |
|---|---|---|---|---|---|---|---|---|
| **PFCE** | 14.2 | 10.8 | 4.7 | 19.8 | 8.3 | 2.2 | 2.8 | 6.0 |
| **GFCE** | 11.7 | 5.8 | 11.8 | 1.8 | -4.1 | -0.6 | 2.3 | -0.7 |
| **GFCF** | 12.4 | 1.2 | 4.9 | 20.4 | 9.6 | 8.0 | 8.9 | 8.0 |
| **EXP** | 25.1 | 27.8 | 22.4 | 19.6 | 12.2 | 11.1 | 11.9 | -7.7 |
| **IMP** | 26.6 | 19.7 | 6.7 | 33.6 | 23.1 | 10.7 | 4.9 | 10.1 |
| **GDP** | **9.1** | **5.2** | **4.0** | **13.1** | **6.2** | **4.5** | **6.1** | **7.8** |
| Output side | | | | | | | | |
| **Agr.** | 4.8 | 2.3 | 4.1 | 2.4 | 2.5 | 4.7 | 5.5 | 3.5 |
| **Ming.** | 10.6 | 5.4 | 2.3 | 9.5 | -0.1 | 4.1 | 4.3 | 5.8 |
| **Mfg.** | 6.6 | 1.3 | 0.6 | 6.1 | -3.8 | -1.4 | 4.5 | 4.7 |
| **Elec.** | 10.8 | 6.0 | 6.7 | 14.9 | 6.0 | 8.2 | 6.9 | 2.9 |
| **Cons.** | 10.8 | 0.2 | 4.9 | 16.0 | 5.7 | 8.3 | 10.4 | 7.9 |
| **Trans.** | 13.1 | 9.2 | 5.0 | 25.7 | 15.6 | 9.6 | 9.1 | 9.2 |
| **Fin.** | 7.0 | 4.3 | 4.6 | 8.5 | 7.1 | 5.7 | 7.1 | 12.2 |
| **Publ.** | 16.8 | 10.6 | 5.2 | 21.3 | 5.6 | 2.0 | 3.1 | 7.9 |
| **GVA** | **9.3** | **4.7** | **3.9** | **11.9** | **5.4** | **4.7** | **6.5** | **7.8** |

Source: MoSPI, GoI

## B. PMI: in August 2023, PMI indicated one of the strongest expansions in private sector activity in 12 years

- Headline manufacturing PMI (seasonally adjusted (sa)) increased from 57.7 in July 2023 to 58.6 in August 2023, indicating its second best performance in nearly three years **(Chart 2).** New orders witnessed its fastest upturn since January 2021 with new export orders posting its highest increase since November 2022.
- Despite falling from 62.3 in July 2023 to 60.1 in August 2023, PMI services indicated one of the strongest increases in output since mid-2010. This is attributable to a strong pick up in new export orders which was at its highest level since the inception of this series in September 2014. This was however accompanied by a sharp increase in prices charged for services.
- Reflecting a slight fall in PMI services, there was a moderation in the composite PMI Output Index (sa) from 61.9 in July 2023 to 60.9 in August 2023. Nonetheless, the August 2023 level was amongst the strongest rates of expansion in over 12 years.

**Chart 2: PMI and IIP growth**




Source: MoSPI and S&P Global.

**In August 2023, PMI manufacturing at 58.6 was at its second highest level in nearly three years. PMI services at 60.1 also indicated one of the strongest increases in output since mid-2010.**

## C. IIP: growth increased to 5.7% in July 2023

- According to the quick estimates, IIP growth increased to a five-month high of 5.7% in July 2023 from 3.8% (revised) in June 2023, largely owing to a favourable base effect **(Chart 2).**
- Among sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, grew by 4.6% in July 2023 as compared to 3.1% in June 2023.
- Within manufacturing, sectors that showed relatively higher growth include basic metals (12.8%), pharmaceuticals and medicinal products (12%), motor vehicles (8.9%), other non-metallic mineral products (6.5%), food products (5.2%) and other machinery and equipment (4.7%)[2].

**Led by a favourable base effect, IIP growth increased to a five-month high of 5.7% in July 2023.**

- Among other major sub-industries, growth rates of mining and electricity output increased to 10.7% and 8.0% respectively in July 2023 from 7.6% and 4.2% in June 2023.
- As per the 'use-based' classification of industries, growth in the output of infrastructure/construction was the highest amongst all industries at 11.4% in July 2023, although lower than 12.9% (revised) in June 2023. Growth in the output of consumer non-durables and capital goods improved to 7.4% and 4.6% respectively in July 2023 from 0.3% and 2.0% in June 2023.
- Output of consumer durables contracted at a slower pace of (-)2.7% in July 2023 as compared to (-)6.7% in June 2023.
- According to provisional estimates, output of eight core infrastructure industries (core IIP) grew by 8.0% in July 2023, close to its level of 8.3% (revised) in June 2023. This was largely driven by strong growth rates in the output of coal (14.9%), steel (13.5%), natural gas (8.9%), cement (7.1%) and electricity (6.9%). After showing a contraction for 13 successive months, the output of crude oil showed a low but positive growth of 2.1% in July 2023.

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

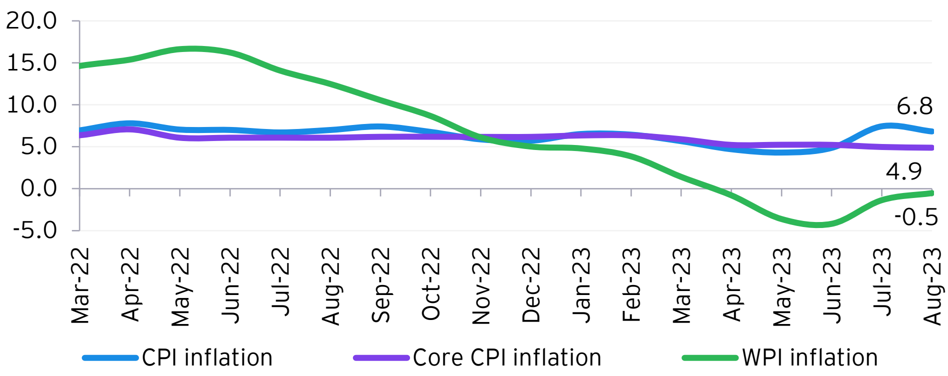
# 2. Inflation: CPI inflation remained elevated at 6.8% in August 2023

Home

**Driven by high inflation in food items particularly vegetables, CPI inflation remained high at 6.8% in August 2023, although lower than 7.4% in July 2023 (Chart 3).**

- Consumer food inflation was high at 9.9% in August 2023, but lower than 11.5% in July 2023. Inflation in vegetables remained elevated at 26.1% in August 2023, although lower than 37.4% witnessed in July 2023.
- Inflation in tomatoes was at 180.3% in August 2023 as compared to 202.1% in July 2023. Inflation in spices increased to 23.2% in August 2023, its highest level since December 2013.
- Fuel and light-based inflation increased to 4.3% in August 2023 from a 29-month low of 3.7% in July 2023 owing mainly to an unfavourable base effect. Inflation in LPG eased for the fifth consecutive month to 4.2% in August 2023.
- Inflation in household goods and services moderated to a 27-month low of 4.7% and that in personal care and effects to an eight-month low of 8.1% in August 2023.
- Core CPI inflation[3] eased for the second successive month to 4.9% in August 2023 from 5.0% in July 2023. It was below 5.0% for the first time since June 2020.

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




At 6.8% in August 2023, CPI inflation remained above the RBI's upper tolerance limit of 6% for the second successive month. However, core CPI inflation eased to a 39-month low of 4.9% in August 2023.

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

**The pace of contraction in prices at the wholesale level (WPI) decelerated for the second successive month to (-) 0.5% in August 2023 from (-)1.4% in July 2023, led by a slower contraction in fuel prices.**

- The price of crude petroleum contracted at a slower pace of (-)9.1% in August 2023 as compared to (-)22.8% in July 2023 reflecting the high global crude price in August 2023 on account of supply cuts by Saudi Arabia and Russia.
- The pace of contraction in prices of fuel and power fell to (-)6.0% in August 2023 from (-)12.8% in July 2023, due to a slower pace of contraction in mineral oils. Contraction in diesel and petrol prices at the wholesale level eased to (-)2.1% and (-)11.3% respectively in August 2023 from (-)13.5% and (-)19.0% respectively in July 2023.
- WPI food index based inflation moderated to 5.6% in August 2023 from a 10-month high of 7.7% in July 2023 as inflation in vegetables declined to 48.4% from 62.1% over the same period.
- Inflation in manufactured products was negative for the sixth successive month at (-)2.4% in August 2023, close to its level of (-)2.5% in July 2023.
- Core WPI inflation remained nearly constant at (-)2.1% in August 2023 as compared to (-)2.2% in July 2023. It has remained range bound within 2.1% to 2.2% since May 2023.

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

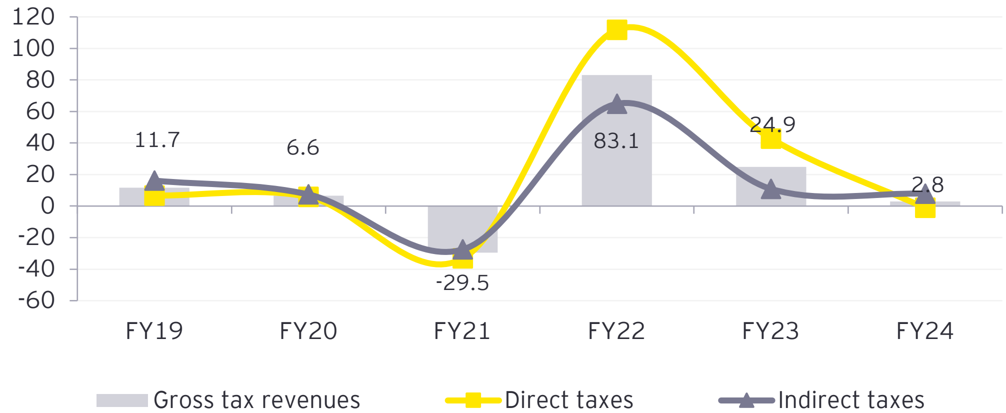
# 3. Fiscal: GoI's capital expenditure growth stood at 52% during April-July FY24

Home

## A. Tax and non-tax revenues

- As per the CGA, the central government's GTR[b] showed a growth of 2.8% during April-July FY24 as compared to 24.9% during the corresponding period of FY23 **(Chart 4)**.
- During April-July FY24, GTR stood at 26.6% of the annual BE, close to the three-year average ratio based on actual collections at 27% (excluding the COVID-19 affected year of FY21).
- There was a considerable increase in the assignment to states which showed a growth of 53.9% during April-July FY24 as compared to 21.8% during the corresponding period of the previous year. This led to a contraction of (-)12.6% in GoI's net tax revenues during the first four months of FY24 as compared to a growth of 25.9% during the corresponding period of FY23.
- Direct taxes[a] showed a contraction of (-)1.1% while indirect taxes[a] grew by 7.8% during April-July FY24. The corresponding growth rates in FY23 were at 42.7% and 10.8% respectively.
- Corporate income tax (CIT) revenues contracted by (-)10.4% during the first four months of FY24 as compared to a growth of 34.7% during the same period in FY23.
- Personal income tax (PIT) revenues grew by 6.4% during April-July FY24, much lower than 50% during the corresponding period of FY23.
- Among indirect taxes, GoI's GST revenues[c] grew by 9.8% during April-July FY24, lower than 28.6% during the corresponding period of FY23, partly owing to an unfavorable base effect.
- UED showed a contraction of (-)10.5% during the first four months of FY24 as compared to (-)15.2% during the corresponding period of FY23.
- Customs duties grew by 27.5% during April-July FY24 as compared to a contraction of (-)12% during April-July FY23.
- In 1QFY24, considering a growth of 3.3% in GoI's GTR and a nominal GDP growth of 8%, the GTR buoyancy is estimated at 0.4.

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




**During April-July FY24, GoI's GTR showed a growth of 2.8%, with direct taxes contracting by (-)1.1% and indirect taxes showing a growth of 7.8%.**

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

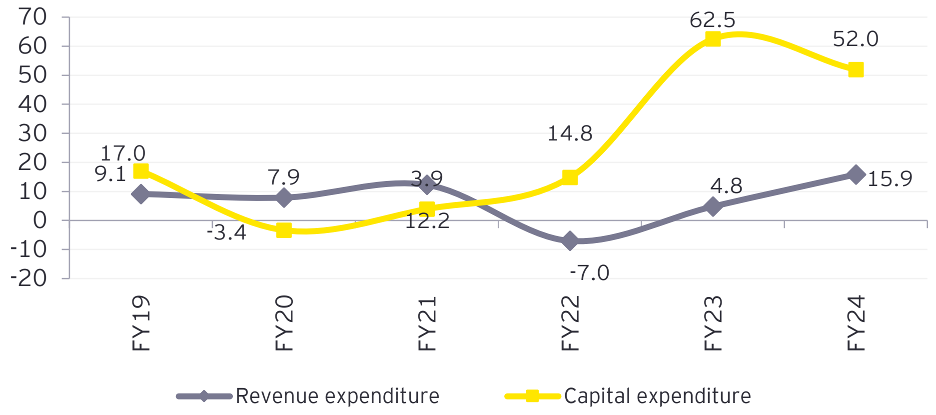
- GoI's non-tax revenues showed a high growth of 99.6% during April-July FY24 on account of high receipt of dividends and profits at INR1,03,943 crore, exceeding its FY24 BE by INR12,943 crore.
- Non-tax revenues during April-July FY24 as a proportion of annual BE stood at 59.3%, much higher than the three-year average ratio of 27.7% based on actual collections (excluding the COVID-19 affected year of FY21).
- Non-debt capital receipts of the GoI during April-July FY24 stood at 16.3% of the BE as compared to the three-year average ratio of 34.2% based on actual collections (excluding the COVID-19 affected year of FY21).

- As per DIPAM[4], disinvestment receipts as of 26 September 2023 stood at INR 6,949.40 crores, that is 13.6% of the FY24 BE at INR 51,000 crore.

## B. Expenditures: revenue and capital

- GoI's total expenditure grew by 22.5% during April-July FY24, higher than 12.2% during the corresponding period of the previous year.
- After posting a contraction up to June 2023, GoI's revenue expenditure showed a growth of 15.9% during April-July FY24 largely showing a favourable base effect in July 2023. In comparison, growth in GoI's revenue expenditure was at 4.8% during April-July FY23 **(Chart 5)**.
- GoI's capital expenditure was front-loaded, showing a strong growth of 52% during April-July FY24. This trend of a strong growth in GoI's capital expenditure during the initial months of the fiscal year is visible even for FY23.

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



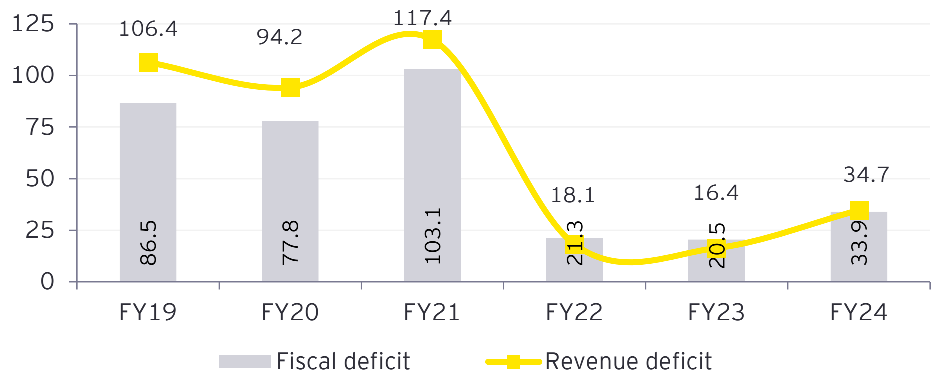

**GoI's total expenditure grew by 22.5% during April-July FY24, with growth in capital expenditure at 52% and that in revenue expenditure at 15.9%.**

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

## C. Fiscal imbalance

- GoI's fiscal deficit during April-July FY24 stood at 33.9% of the BE, higher than the corresponding ratios in FY22 and FY23 but significantly lower as compared to the respective levels during FY19 to FY21 **(Chart 6)**.
- Following the same pattern, GoI's revenue deficit during this period stood at 34.7% of the BE.

**Chart 6: Fiscal and revenue deficit during April-July as percentage of BE**




**During April-July FY24, GoI's fiscal and revenue deficits as a proportion of their annual BE stood at 33.9% and 34.7%, respectively.**

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

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

# 4. Comparative trends: ADB projected India's CPI inflation at 4.9% in FY24 and 4.5% in FY25

## CPI Inflation

- CPI inflation in Developing Asia is projected to fall from its high level of 4.4% in 2022 to 3.6% in 2023 and further to 3.4% in 2024 with a waning of supply side pressures and a halt in monetary tightening **(Table 2).** Most central banks have kept their policy rates steady so far in 2023 and there are emerging signs of a shift toward monetary easing.
- Inflation in China is projected to moderate from 2% in 2022 to 1% in 2023 reflecting softer global commodity prices and weaker than anticipated domestic demand.
- CPI inflation in india is projected to fall to 4.9% in 2023 (FY24) and to 4.5% in 2024 (FY25), coming within the tolerance limit of the central bank with a relative moderation in the prices of food and global crude. However, the ADB indicates that core inflation is expected to remain sticky at high levels.
- Among the selected set of economies, Phillipines and Vietnam are exceptions as CPI inflation in these countries is forecasted to increase in 2023 relative to their levels in 2022.
- Inflation in major advanced economies (comprising US, Euro area and Japan) is projected to moderate from 7.5% in 2022 to 4.5% in 2023, remaining considerably higher than their targets. To tame inflation, the US Fed is expected to raise rates one or two times in the coming months of 2023. However, in Japan, with inflation expected to hover around 2% in 2023 and 2024, the Bank of Japan may reassess the monetary policy after its July 2023 meeting.

**Table 2: CPI Inflation forecasts for 2023 and 2024 (%, annual)**

| Country/Ragion | 2022 | 2023 | 2024 |
|---|---|---|---|
| **Developing Asia** | 4.4 | 3.6 | 3.4 |
| India* | 6.7 | 4.9 | 4.5 |
| Thailand | 6.1 | 2.9 | 2.3 |
| Indonesia | 4.2 | 3.8 | 3.0 |
| Philippines | 5.8 | 6.2 | 4.0 |
| China | 2.0 | 1.0 | 2.0 |
| Singapore | 6.1 | 5.0 | 2.0 |
| Korea | 5.1 | 3.5 | 2.5 |
| Malaysia | 3.4 | 3.1 | 2.8 |
| Vietnam | 3.2 | 4.0 | 4.0 |
| **Major advanced economies** | **7.5** | **4.5** | **2.3** |

Source (basic data): Asian Development Outlook, July 2023

*Data pertains to fiscal year

## Manufacturing PMI

- Manufacturing PMIs across major developing Asian economies show divergence but also general weakness in export-oriented economies **(Table 3).**
- PMIs remain below 50 in Korea, Singapore, Malaysia and Vietnam. In the case of Korea and Sigapore, these readings reflect weakness in the exports of semiconductors, electronics, and other high technology products.
- High PMI readings indicate a strong growth momentum in India, Philippines, and Thailand buoyed by resilient domestic demand.
- In China, exports of motor vehicles, lithium batteries, and solar cells improved in the first half of 2023, but exports of furniture, textiles, and electronics and components faltered. Thus, the PMI levels have remained close to the threshold of 50 during the first six months of 2023.

**Table 3: Seasonally adjusted manufacturing PMIs: 2023**

| Country/ Quarter | Q1 | | | Q2 | | |
|---|---|---|---|---|---|---|
| | Jan | Feb | March | Apr | May | June |
| India | 55.4 | 55.3 | 56.4 | 57.2 | 58.7 | 57.8 |
| Thailand | 54.5 | 54.8 | 53.1 | 60.4 | 58.2 | 53.2 |
| Indonesia | 51.3 | 51.2 | 51.9 | 52.7 | 50.3 | 52.5 |
| Philippines | 53.5 | 52.7 | 52.5 | 51.4 | 52.2 | 50.9 |
| China | 49.2 | 51.6 | 50 | 49.5 | 50.9 | 50.5 |
| Singapore | 49.8 | 50.0 | 49.9 | 49.7 | 49.5 | 49.7 |
| Korea | 48.5 | 48.5 | 47.6 | 48.1 | 48.4 | 47.8 |
| Malaysia | 46.5 | 48.4 | 48.8 | 48.8 | 47.8 | 47.7 |
| Vietnam | 47.4 | 51.2 | 47.7 | 46.7 | 45.3 | 46.2 |

Source (basic data): Asian Development Outlook, July 2023

# 5. In focus: India's economic opportunities in the expanded G-20 group

## 1. Introduction

The expanded G-20 group of countries with the addition of the African Union (AU) constitutes a large complex group of countries and country groups that accounted for nearly 88.6% of global GDP in 2022 **(Table 4)** and 79.1% of global population in 2023. Its members represent diverse economic achievements and challenges. Currently, a large segment of the G-20 group is facing an economic slowdown, high inflation, large debt-GDP ratios, limited scope for policy intervention, and unutilized investment opportunities. The age structure of population in these countries represents diverse patterns with one group of countries aging fast while another group of countries having a relatively higher share of young population. The current geo-political realities have affected all of these countries with supply-side bottlenecks adversely impacting the availability of food and raw materials accompanied by high and volatile global crude and commodity prices. The latest addition to the G-20 group, namely the African Union, comes with significant economic challenges and opportunities. While the developed countries such as the US and the EU are currently facing an economic slowdown/recession, a good part of Asian and African countries are contributing tangibly to the global growth.

**Table 4: Share in World GDP (nominal market exchange rate terms)**

| Country/country groups | 2000 | 2010 | 2015 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|---|---|---|---|---|---|---|---|---|---|
| US | 30.1 | 22.6 | 24.3 | 24.5 | 24.8 | 24.2 | 25.4 | 25.4 | 24.0 |
| China | 3.5 | 9.1 | 14.8 | 16.4 | 17.5 | 18.4 | 18.1 | 18.4 | 20.4 |
| **EU *of which*** | 21.3 | 21.9 | 18.1 | 18.0 | 18.1 | 17.9 | 16.6 | 16.9 | 15.6 |
| Germany | 5.7 | 5.1 | 4.5 | 4.5 | 4.6 | 4.4 | 4.1 | 4.1 | 3.7 |
| France | 4.0 | 4.0 | 3.3 | 3.1 | 3.1 | 3.1 | 2.8 | 2.8 | 2.5 |
| Italy | 3.4 | 3.2 | 2.5 | 2.3 | 2.2 | 2.2 | 2.0 | 2.1 | 1.8 |
| Japan | 14.6 | 8.7 | 5.9 | 5.9 | 5.9 | 5.2 | 4.2 | 4.2 | 4.0 |
| India* | 1.4 | 2.6 | 2.8 | 3.2 | 3.1 | 3.3 | 3.4 | 3.5 | 4.1 |
| UK | 4.9 | 3.8 | 3.9 | 3.3 | 3.2 | 3.2 | 3.1 | 3.0 | 3.1 |
| **AU *of which*** | 2.0 | 3.0 | 3.2 | 2.8 | 2.8 | 2.8 | 2.9 | 2.8 | 3.0 |
| South Africa | 0.4 | 0.6 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 |
| Russia | 0.8 | 2.5 | 1.8 | 1.9 | 1.8 | 1.9 | 2.2 | 2.0 | 1.7 |
| Canada | 2.2 | 2.4 | 2.1 | 2.0 | 1.9 | 2.1 | 2.1 | 2.0 | 1.9 |
| Brazil | 1.9 | 3.3 | 2.4 | 2.1 | 1.7 | 1.7 | 1.9 | 2.0 | 2.0 |
| Australia | 1.2 | 1.9 | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 | 1.6 | 1.5 |
| Korea | 1.7 | 1.7 | 2.0 | 1.9 | 1.9 | 1.9 | 1.7 | 1.6 | 1.6 |
| Mexico | 2.1 | 1.6 | 1.6 | 1.5 | 1.3 | 1.3 | 1.4 | 1.6 | 1.5 |
| Indonesia | 0.5 | 1.1 | 1.1 | 1.3 | 1.3 | 1.2 | 1.3 | 1.3 | 1.5 |
| Saudi Arabia | 0.6 | 0.8 | 0.9 | 1.0 | 0.9 | 0.9 | 1.1 | 1.0 | 0.9 |
| Turkey | 0.8 | 1.2 | 1.2 | 0.9 | 0.8 | 0.8 | 0.9 | 1.0 | 1.0 |
| Argentina | 0.9 | 0.6 | 0.9 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.5 |
| **Expanded G20** | **90.6** | **88.8** | **88.5** | **88.8** | **89.2** | **89.1** | **88.6** | **88.8** | **88.4** |

Source: IMF WEO – April 2023
*Data is on fiscal year basis
Notes: (1) The share of African Union in World GDP excludes two countries namely Sahrawi Republic and Ivory Coast due to unavailability of comparable data from the IMF.
(2) Countries/country groups are arranged in decreasing order of their share in world GDP in 2022. The shares beyond 2022 are projections.

## 2. Perspectives on growth: fighting recession and slowdown

On a global scale, growth has been challenged by two recent phenomena namely, COVID-19 and economic slowdown linked to the current geopolitical conditions. **Table 5** shows that four quarters spanning from 2020-Q1 to 2020-Q4 were mainly affected by COVID-19. Most economies in these four quarters experienced a contraction in their GDP. There are very few positive growth rates among the G-20 countries in these quarters. The adverse effect of the second episode pertaining to the geopolitical conflict became visible within six to seven quarters of the COVID impact. This episode has been characterized by various barriers pertaining to global trade and flow of finances that has led to a notable economic slowdown, and in the case of Germany, a recession. Inspite of the widespread slowdown, India and Indonesia and to some extent, Mexico appear to be exceptions to this general trend. Data regarding the growth performance of Russia are not available from 2021-Q4 onwards.

**Table 5: Quarterly real GDP growth trends**

| | Argentina | Australia | Brazil | Canada | China | Germany | France | UK | Indonesia | India* |
|---|---|---|---|---|---|---|---|---|---|---|
| 2019-Q4 | -0.5 | 2.2 | 1.7 | 1.8 | 5.8 | 0.9 | 1.0 | 1.3 | 4.8 | 3.2 |
| 2020-Q1 | -4.9 | **1.5** | -0.9 | -0.5 | -6.9 | -1.5 | -4.9 | -2.0 | **2.9** | **2.3** |
| 2020-Q2 | -19.5 | -5.7 | -10.1 | -12.2 | **3.1** | -10.6 | -18.0 | -22.6 | -5.4 | **-21.9** |
| 2020-Q3 | -10.4 | -2.9 | -2.9 | -4.7 | **4.8** | -2.6 | -3.8 | -10.3 | -3.4 | -4.8 |
| 2020-Q4 | -4.6 | -0.1 | -0.3 | -2.9 | **6.4** | -2.1 | -4.0 | -9.2 | -2.2 | **1.0** |
| 2021-Q1 | 3.3 | 2.1 | 2.9 | 0.5 | 18.7 | -1.6 | 1.4 | -7.7 | -0.6 | 2.3 |
| 2021-Q2 | 20.7 | 10.3 | 12.4 | 12.1 | 8.3 | 10.8 | 17.8 | 24.4 | 7.1 | 22.2 |
| 2021-Q3 | 11.5 | 4.0 | 4.5 | 4.3 | 5.2 | 2.4 | 3.3 | 8.5 | 3.8 | 9.0 |
| 2021-Q4 | 8.9 | 4.6 | 2.2 | 3.9 | 4.3 | 1.6 | 4.6 | 8.9 | 4.7 | 4.6 |
| 2022-Q1 | 5.9 | 3.1 | 2.3 | 3.2 | 4.8 | 4.0 | 4.4 | 10.6 | 4.7 | 3.6 |
| 2022-Q2 | 7.6 | 3.1 | 3.6 | 4.7 | 0.4 | 1.6 | 3.9 | 3.8 | 5.3 | 13.3 |
| 2022-Q3 | 5.4 | 6.0 | 3.6 | 3.8 | 3.9 | 1.2 | 1.2 | 2.0 | 6.1 | 5.6 |
| 2022-Q4 | 1.1 | 2.6 | 2.5 | 2.1 | 2.9 | 0.8 | 0.7 | 0.6 | 5.2 | 4.6 |
| 2023-Q1 | 1.2 | 2.3 | 3.4 | 2.2 | 4.5 | -0.3 | 0.9 | 0.2 | 4.9 | 6.1 |
| 2023-Q2 | | | | 1.6 | 6.3 | -0.1 | 0.9 | 0.4 | 4.9 | 7.8 |
| | **Italy** | **Japan** | **South Korea** | **Mexico** | **Russia** | **Saudi Arabia** | **Turkey** | **US** | **South Africa** | **EA19** |
| 2019-Q4 | -0.3 | -2.0 | 2.7 | -0.6 | 0.8 | 0.1 | 5.5 | 2.6 | -0.4 | 1.2 |
| 2020-Q1 | -6.3 | -1.8 | **1.4** | -1.6 | **0.6** | -1.5 | **4.4** | **0.8** | **0.8** | -2.8 |
| 2020-Q2 | -17.7 | -9.9 | -2.7 | -18.8 | -6.0 | -6.4 | -8.8 | -8.4 | -16.6 | -14.2 |
| 2020-Q3 | -6.1 | -5.0 | -0.8 | -8.3 | -2.5 | -5.0 | 5.9 | -2.0 | -5.3 | -3.8 |
| 2020-Q4 | -6.0 | -0.4 | -0.7 | -3.9 | -1.3 | -4.4 | 5.7 | -1.5 | -2.7 | -4.1 |
| 2021-Q1 | 0.2 | -1.0 | 2.4 | -2.6 | -0.4 | -3.0 | 7.5 | 1.2 | -2.3 | -0.8 |
| 2021-Q2 | 16.8 | 8.0 | 6.5 | 19.4 | 7.6 | 3.8 | 22.4 | 12.5 | 19.1 | 14.2 |
| 2021-Q3 | 5.2 | 1.8 | 4.2 | 4.3 | 3.8 | 6.8 | 8.7 | 5.0 | 2.8 | 4.0 |
| 2021-Q4 | 6.9 | 1.0 | 4.2 | 1.2 | NA | 7.0 | 9.2 | 5.7 | 1.4 | 4.8 |
| 2022-Q1 | 6.5 | 0.7 | 3.1 | 1.8 | NA | 11.6 | 7.2 | 3.7 | 2.3 | 5.5 |
| 2022-Q2 | 5.0 | 1.4 | 3.0 | 2.2 | NA | 10.9 | 7.0 | 1.8 | 0.2 | 4.4 |
| 2022-Q3 | 2.5 | 1.5 | 3.1 | 4.3 | NA | 7.6 | 4.1 | 1.9 | 3.9 | 2.4 |
| 2022-Q4 | 1.5 | 0.4 | 1.3 | 3.7 | NA | 6.5 | 3.5 | 0.9 | 1.3 | 1.8 |
| 2023-Q1 | 2.0 | 1.9 | 1.0 | 3.7 | NA | 2.2 | 3.0 | 1.8 | 0.2 | NA |
| 2023-Q2 | 0.6 | 2.1 | 0.8 | 3.5 | NA | 1.0 | NA | 2.6 | 0.0 | NA |

Source: OECD; *Quarterly data is on fiscal year basis. For instance, 2023-Q2 pertains to 1QFY24 and so on.

## 3. Challenges of high inflation

Along with growth slowdown, the G-20 countries are also experiencing high CPI inflation. **Table 6** shows that in 2022 and 2023, exceptionally high CPI inflation rates are shown by Argentina and Turkey. Some of the G-20 countries who had maintained low inflation trajectories over a long period of time until 2022 are also experiencing significantly high CPI inflation rates. These include the UK, the EU, Mexico, Australia, Brazil, and the US. As a general trend, inflation in 2023 is projected to be lower than that in 2022. In the African Union, inflation experienced by some of the larger countries namely Nigeria, Egypt, Algeria, South Africa and Morocco was also quite high. Countries facing high inflation rates do not find it easy to reduce their interest rates in order to monetarily stimulate the economy. For instance, in the US, despite a cumulated increase of 525 basis points in the federal funds rate since February 2022, CPI inflation has not yet converged to its long term target of 2%. In fact, after a rate hike of 25 basis points in July 2023, the US Fed has retained the Federal Funds rate at 5.25-5.5% in its latest monetary policy review held in September 2023. Further, it indicated a likelihood of a further upward revision.

**Table 6: CPI inflation trends**

| Country/country groups | Avg. 2001-2005 | Avg. 2006-2010 | Avg. 2011-2015 | Avg. 2016-2019 | 2020 | 2021 | 2022 | 2023* |
|---|---|---|---|---|---|---|---|---|
| Argentina | 10.5 | 9.0 | 10.1 | 37.8 | 42.0 | 48.4 | 72.4 | 98.6 |
| Turkey | 28.3 | 8.7 | 7.9 | 12.6 | 12.3 | 19.6 | 72.3 | 50.6 |
| Russia | 14.9 | 10.3 | 8.7 | 4.5 | 3.4 | 6.7 | 13.8 | 7.0 |
| UK | 1.5 | 2.7 | 2.3 | 1.9 | 0.9 | 2.6 | 9.1 | 6.8 |
| ***EU of which*** | 2.7 | 2.2 | 1.5 | 1.3 | 0.7 | 2.9 | 9.3 | 6.3 |
| Germany | 1.6 | 1.6 | 1.5 | 1.3 | 0.4 | 3.2 | 8.7 | 6.2 |
| France | 2.0 | 1.7 | 1.2 | 1.2 | 0.5 | 2.1 | 5.9 | 5.0 |

| Country/country groups | Avg. 2001-2005 | Avg. 2006-2010 | Avg. 2011-2015 | Avg. 2016-2019 | 2020 | 2021 | 2022 | 2023* |
|---|---|---|---|---|---|---|---|---|
| Italy | 2.4 | 2.0 | 1.6 | 0.8 | -0.1 | 1.9 | 8.7 | 4.5 |
| Mexico | 4.9 | 4.4 | 3.6 | 4.3 | 3.4 | 5.7 | 7.9 | 6.3 |
| Australia | 3.0 | 3.0 | 2.3 | 1.7 | 0.9 | 2.8 | 6.6 | 5.3 |
| Brazil | 8.7 | 4.7 | 6.7 | 4.9 | 3.2 | 8.3 | 9.3 | 5.0 |
| India** | 4.1 | 9.0 | 7.9 | 4.1 | 6.2 | 5.5 | 6.7 | 4.9 |
| US | 2.5 | 2.2 | 1.7 | 1.9 | 1.3 | 4.7 | 8.0 | 4.5 |
| Indonesia | 9.3 | 7.8 | 5.7 | 3.4 | 2.0 | 1.6 | 4.2 | 4.4 |
| Canada | 2.3 | 1.7 | 1.7 | 1.8 | 0.7 | 3.4 | 6.8 | 3.9 |
| Korea | 3.3 | 3.0 | 1.9 | 1.2 | 0.5 | 2.5 | 5.1 | 3.5 |
| Saudi Arabia | 0.1 | 4.2 | 2.7 | 0.4 | 3.4 | 3.1 | 2.5 | 2.8 |
| Japan | -0.4 | -0.1 | 0.7 | 0.5 | 0.0 | -0.2 | 2.5 | 2.7 |
| China | 1.3 | 3.0 | 2.9 | 2.1 | 2.5 | 0.9 | 1.9 | 2.0 |
| AU (selected economies) | | | | | | | | |
| Egypt | 5.0 | 10.9 | 9.5 | 17.1 | 5.7 | 4.5 | 8.5 | 21.6 |
| Nigeria | 15.7 | 10.3 | 9.7 | 13.9 | 13.2 | 17.0 | 18.8 | 20.1 |
| Algeria | 3.0 | 4.1 | 4.9 | 4.6 | 2.4 | 7.2 | 9.3 | 8.1 |
| South Africa | 5.1 | 6.8 | 5.4 | 5.1 | 3.3 | 4.6 | 6.9 | 5.8 |
| Morocco | 1.4 | 2.5 | 1.0 | 1.0 | 0.6 | 1.4 | 6.6 | 4.6 |
| **World** | **4.0** | **4.2** | **3.7** | **3.3** | **3.2** | **4.7** | **8.7** | **7.0** |

Source: IMF WEO – April 2023; *projection, ** Data is on fiscal year basis

## 4. High government debt burdens

**Table 7** shows that countries like Japan and the US have inordinately high government debt to GDP ratios which were at 261.3% and 121.7% respectively at end 2022. These are projected by the IMF to increase to 264.0% and 136.2% by 2028.

**Table 7: General government debt as % of respective GDP**

| Country/country groups | 2001 | 2009 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|---|---|---|---|---|---|---|---|---|
| Japan | 145.1 | 198.8 | 236.4 | 258.7 | 255.4 | 261.3 | 258.2 | 264.0 |
| US | 53.1 | 86.6 | 108.7 | 133.5 | 126.4 | 121.7 | 122.2 | 136.2 |
| Canada | 81.5 | 81.9 | 90.2 | 118.9 | 115.1 | 106.6 | 105.1 | 91.1 |
| UK | 33.8 | 63.1 | 84.5 | 105.6 | 108.1 | 102.6 | 106.3 | 113.1 |
| Brazil | 70.1 | 65.5 | 87.9 | 96.8 | 90.7 | 85.9 | 88.4 | 96.2 |
| **EU *of which*** | 65.5 | 74.8 | 79.2 | 91.6 | 89.5 | 85.3 | 84.4 | 80.4 |
| Italy | 108.9 | 116.6 | 134.1 | 154.9 | 149.8 | 144.7 | 140.3 | 131.9 |
| France | 58.3 | 79.0 | 97.4 | 114.7 | 112.6 | 111.1 | 111.4 | 115.0 |
| Germany | 58.2 | 73.2 | 58.9 | 68.0 | 68.6 | 66.5 | 67.2 | 59.6 |
| Argentina | 48.0 | 55.4 | 88.8 | 102.8 | 80.9 | 84.5 | 76.3 | 65.4 |
| India* | 78.7 | 71.5 | 75.0 | 88.5 | 84.7 | 83.1 | 83.2 | 83.6 |
| China | 24.6 | 34.6 | 60.4 | 70.1 | 71.8 | 77.1 | 82.4 | 104.9 |
| **AU *of which*** | 58.3 | 31.8 | 55.0 | 64.7 | 64.1 | 61.4 | 60.6 | 55.9 |
| South Africa | 38.0 | 27.0 | 56.2 | 69.0 | 69.0 | 71.0 | 72.3 | 84.9 |
| Mexico | 39.3 | 43.7 | 53.3 | 60.1 | 58.7 | 56.0 | 55.6 | 57.9 |
| Australia | 17.1 | 16.6 | 46.7 | 57.1 | 57.6 | 55.7 | 59.4 | 62.2 |
| Korea | 17.2 | 30.0 | 42.1 | 48.7 | 51.3 | 54.3 | 55.3 | 58.2 |
| Indonesia | 73.7 | 26.5 | 30.6 | 39.7 | 41.1 | 39.9 | 39.1 | 37.3 |
| Turkey | 75.5 | 43.4 | 32.6 | 39.7 | 41.8 | 31.2 | 35.0 | 42.3 |
| Saudi Arabia | 93.1 | 14.0 | 21.6 | 31.0 | 28.8 | 22.6 | 23.6 | 19.9 |
| Russia | 44.4 | 9.9 | 13.7 | 19.2 | 16.5 | 19.6 | 24.9 | 21.5 |
| **Expanded G20** | **67.4** | **78.8** | **89.0** | **105.2** | **100.7** | **97.4** | **98.7** | **106.4** |

Source: IMF WEO – April 2023; Note: Data on African Union excludes two countries namely Sahrawi Republic and Ivory Coast due to unavailability of comparable data from the IMF.
*Data is on fiscal year basis

Some of the other developed G-20 countries which had higher than 100% government debt to GDP ratios at end 2022 include Canada, UK, Italy and France. In comparison, India has a government debt-GDP ratio of 83.1% and that of Russia is at 19.6%. The government debt-GDP ratio of the expanded G-20 group at the end of 2022 is estimated at 97.4%. This is projected to increase to 106.4% by end-2028.

**Table 8** shows the fiscal deficit to GDP ratios of the expanded G-20 group over different years. This ratio, for most individual countries, as well as for the expanded G-20 group as a whole was the highest in 2020, which was the COVID affected year. The weighted average for the expanded G-20 group in this year was 10.1%. It fell to 5.2% in 2022. India's combined fiscal deficit to GDP ratio, considering central and state governments together, had become as high as 12.9% in FY21. It has been gradually falling since then and is projected to reach a level of 7.6% by FY29. In order to counter the ongoing economic slowdown, most of the countries need to stimulate demand through both fiscal and monetary stimuli.

**Table 8: General government fiscal balance as % of respective GDP**

| Country/country groups | 2001 | 2009 | 2019 | 2020 | 2021 | 2022 | 2023 | 2028 |
|---|---|---|---|---|---|---|---|---|
| India* | -10.8 | -9.5 | -7.7 | -12.9 | -9.6 | -9.6 | -8.9 | -7.6 |
| Japan | -6.2 | -9.7 | -3.0 | -9.1 | -6.2 | -7.8 | -6.4 | -3.7 |
| China | -2.6 | -1.8 | -6.1 | -9.7 | -6.0 | -7.5 | -6.9 | -6.0 |
| UK | 0.2 | -10.0 | -2.2 | -13.0 | -8.3 | -6.3 | -5.8 | -3.7 |
| US | -0.5 | -13.2 | -5.7 | -14.0 | -11.6 | -5.5 | -6.3 | -6.8 |
| Brazil | -2.8 | -3.2 | -5.8 | -13.3 | -4.3 | -4.6 | -8.8 | -4.4 |
| Mexico | -2.7 | -4.1 | -2.3 | -4.4 | -3.9 | -4.4 | -4.1 | -2.7 |
| **AU *of which*** | -1.2 | -4.6 | -4.4 | -7.3 | -5.2 | -4.0 | -4.7 | -4.5 |
| South Africa | -1.0 | -4.7 | -4.7 | -9.6 | -5.6 | -4.5 | -5.9 | -6.5 |
| Argentina | -5.4 | -1.8 | -4.4 | -8.6 | -4.3 | -3.9 | -3.8 | -1.3 |
| **EU *of which*** | -1.9 | -6.0 | -0.6 | -6.8 | -4.8 | -3.5 | -3.5 | -1.9 |
| Italy | -3.2 | -5.1 | -1.5 | -9.7 | -9.0 | -8.0 | -3.7 | -0.7 |
| France | -1.4 | -7.2 | -3.1 | -9.0 | -6.5 | -4.9 | -5.3 | -4.0 |
| Germany | -3.0 | -3.2 | 1.5 | -4.3 | -3.7 | -2.6 | -3.7 | -0.5 |
| Australia | 0.0 | -4.6 | -4.4 | -8.7 | -6.3 | -3.3 | -3.1 | -1.9 |
| Indonesia | -1.8 | -1.6 | -2.2 | -6.1 | -4.5 | -2.3 | -2.6 | -2.1 |
| Russia | 3.0 | -5.9 | 1.9 | -4.0 | 0.8 | -2.2 | -6.2 | 0.2 |
| Turkey | -11.7 | -5.8 | -4.8 | -5.1 | -4.0 | -1.6 | -6.5 | -5.6 |
| Korea | 2.5 | 0.2 | 0.4 | -2.2 | 0.0 | -0.9 | 0.0 | -0.1 |
| Canada | 0.5 | -3.9 | 0.0 | -10.9 | -4.4 | -0.7 | -0.4 | 0.0 |
| Saudi Arabia | -3.9 | -5.4 | -4.2 | -10.7 | -2.3 | 2.5 | -1.1 | -0.3 |
| **Expanded G20** | **-2.0** | **-7.7** | **-3.9** | **-10.1** | **-7.1** | **-5.2** | **-5.5** | **-4.7** |

Source: IMF WEO – April 2023; **Note:** The share of African Union in World GDP excludes two countries namely Sahrawi Republic and Ivory Coast due to unavailability of comparable data from the IMF.
*Data is on fiscal year basis

High fiscal deficit and government debt to GDP ratios accompanied by high inflation and low growth are indicators of economic stress. If debt sustainability conditions, which depend on fiscal deficit and growth and interest rates are analyzed, many of the advanced countries and some of the larger emerging market economies such as India, might be found to be under stress. In such a condition, while it is desirable to stimulate demand, these governments may find it difficult to do so because of the existence of high deficit and debt levels. Thus, unlike during the 2008 global economic and financial crisis, these countries have not been able to jointly mount a coordinated stimulus.

## 5. Population: India's unique position in the diverse profiles of G-20 countries

In terms of the size and age structure of population, the profiles of individual member countries of the expanded G-20 group provides for considerable diversity. **Table 9** shows that in terms of share in global population, the overall group accounts for 79.1% in 2023. Of this, two countries namely, India and China and one country group namely, the African Union together account for 53.6% of the global population. Thus, some of the countries are very large while others are rather small in terms of their population size. The number of countries that have a share of 1% or less in the pre-expanded G-20 group is 10.

**Table 9: Demographic profile: Share in global population and median age**

| Country/country groups | Share in global population (%) | | | Median age (in years) | | |
|---|---|---|---|---|---|---|
| | 2023 | 2030 | 2050 | 2023 | 2030 | 2050 |
| India | 17.8 | 17.7 | 17.2 | 28.2 | 30.9 | 38.1 |
| China | 17.7 | 16.6 | 13.5 | 39.0 | 42.7 | 50.7 |
| **AU *of which:*** | **18.1** | **20.0** | **25.6** | **19.3** | **20.3** | **24.2** |
| Egypt | 1.4 | 1.5 | 1.7 | 24.2 | 25.4 | 30.3 |
| Nigeria | 2.8 | 3.1 | 3.9 | 17.2 | 18.3 | 22.4 |
| Algeria | 0.6 | 0.6 | 0.6 | 28.2 | 29.5 | 34.5 |
| South Africa | 0.8 | 0.8 | 0.8 | 27.6 | 29.0 | 33.1 |
| Morocco | 0.5 | 0.5 | 0.5 | 29.3 | 31.2 | 36.6 |
| **EU *of which:*** | **5.8** | **5.4** | **4.6** | **43.2** | **45.2** | **48.5** |
| Germany | 1.0 | 1.0 | 0.8 | 44.9 | 45.9 | 49.2 |
| France | 0.8 | 0.8 | 0.7 | 42.0 | 43.5 | 46.1 |
| Italy | 0.7 | 0.7 | 0.5 | 47.7 | 50.3 | 53.4 |
| US | 4.2 | 4.1 | 3.9 | 38.1 | 39.7 | 43.1 |
| Indonesia | 3.4 | 3.4 | 3.3 | 29.9 | 31.7 | 36.5 |
| Brazil | 2.7 | 2.6 | 2.4 | 33.6 | 36.5 | 43.6 |
| Russia | 1.8 | 1.7 | 1.4 | 39.2 | 42.1 | 43.6 |
| Mexico | 1.6 | 1.6 | 1.5 | 29.8 | 32.8 | 40.7 |
| Japan | 1.5 | 1.4 | 1.1 | 49.1 | 51.5 | 53.6 |
| Turkey | 1.1 | 1.0 | 1.0 | 31.8 | 34.8 | 41.1 |
| UK | 0.8 | 0.8 | 0.7 | 40.1 | 41.6 | 44.9 |
| Korea | 0.6 | 0.6 | 0.5 | 44.5 | 48.4 | 56.7 |
| Argentina | 0.6 | 0.6 | 0.5 | 31.9 | 34.1 | 39.9 |
| Canada | 0.5 | 0.5 | 0.5 | 40.6 | 42.0 | 45.3 |
| Saudi Arabia | 0.5 | 0.5 | 0.5 | 30.6 | 33.4 | 38.8 |
| Australia | 0.3 | 0.3 | 0.3 | 37.5 | 39.5 | 43.6 |
| **Expanded G-20** | **79.1** | **78.8** | **78.4** | **31.6** | **33.4** | **37.4** |
| **World** | **100.0** | **100.0** | **100.0** | **30.5** | **32.1** | **35.9** |

Source (basic data): UN World Population Prospects 2022

The age profile of the member countries also shows considerable variation with some countries having a relatively larger share of older population while others having a relatively younger population. **Table 8** shows that the oldest country is Japan with a median age of 49.1 years whereas the country with the lowest median age at 17.2 years is Nigeria (considering only major economies within the AU group).

India is uniquely positioned both in terms of size and median age. It accounts for 17.8% of the total global population, the highest for an individual country in 2023. Its median age is 28.2 years which is well below that of China at 39.0 years. The average for the EU is even higher at 43.2 years. With its young and large population, India can take advantage of the diversity within the G-20 group by actively participating in the growth of the member countries of the AU which are resource rich but largely underdeveloped in terms of size and diversity of economies. It can also take advantage of the fast ageing member countries in the developed world where there is considerable scope for expanding services in health and education sectors by filling up the gaps in human resources that are slated to increase over time. Further, it can participate in expanding manufacturing and infrastructure as well as services in Africa where the available young population needs to be educated, trained and skilled.

## 6. India's economic promise

In comparison to major advanced and emerging market economies, India is projected to show a relatively high growth in the range of 6.1% (IMF)-6.5% (RBI) in FY24. Its CPI inflation rate has averaged 5.6% during the first five months of FY24, close to the RBI's annual projection at 5.4%. Thus, it compares well in terms of CPI inflation with some of the developed countries. According to the IMF, India is estimated to contribute 15% of global growth in 2023 (FY24)[5]. In the medium term also, India is projected to sustain a GDP growth rate in the range of 6.0-6.3% during the period FY25 to FY29.

[5] https://indianexpress.com/article/business/economy/india-economy-bright-spot-global-growth-2023-imf-md-8460948/

Economic slowdown being experienced by some of the larger G-20 countries is however beginning to adversely affect India's export performance. The recently released GDP data for 1QFY24 showed that India's exports contracted by (-)7.7%. This led to a sharp negative contribution of net exports to real GDP growth at (-)4.6% points, which was its worst quarterly performance since FY13.

Comparatively higher interest rates in the US has also led to some adverse impact on foreign direct investment inflows in India. FDI as a percentage of GDP has fallen to 2.1% in FY23 as compared to an average of 2.6% during FY16 to FY22.

Thus, while India is able to show the promise of a high GDP growth even in the presence of global economic slowdown, it can potentially perform much better if the global economy normalizes, overcoming the present supply-side constraints due to the continuing geo-political challenges.

## 7. Conclusions

The expanded G-20 group of countries accounts for 89% of global GDP (2022) and 79.1% of global population (2023). Two recent global crises that occurred in quick succession have significantly adversely affected global growth prospects. COVID-19 affected the four quarters of 2020 leading to a contraction in the GDP of all major economies. This was followed by recent geopolitical developments which have adversely affected global growth since the second quarter of 2022 leading to an economic slowdown in most of the major economies with a recession in Germany. The policy options for stimulating the world economy have also been squeezed due to most of the non-oil large economies nursing a high government debt-GDP ratio and also showing a higher than trend CPI inflation. As a result, it is difficult for these economies to stimulate demand individually or in a coordinated effort either by reducing interest rates or by increasing fiscal deficit. India is acknowledged to be a bright star in this gloomy scenario, showing a medium-term growth prospect in the range of 6.0 to 6.3%. It may be able to improve its growth performance even more as soon as the global economic conditions begin to normalize. In the long run, India is also suitably placed to take advantage of the growing size and changing age structure of its population along with the increasing size of its GDP. It can productively participate in expanding infrastructure, manufacturing and services in Africa while filling up the growing gaps in human resources in the fast aging developed countries.

# 6. Money and finance: bank credit grew by 14.7% in July 2023

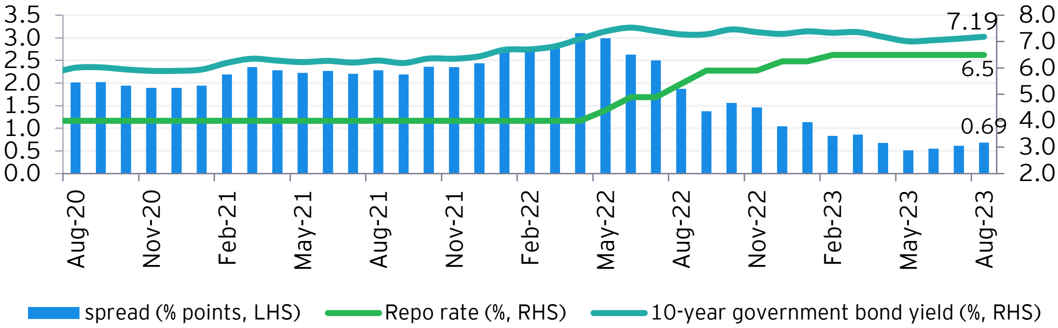
Home

## A. Monetary sector

### Monetary policy

- In the August 2023 monetary policy review, the Monetary Policy Committee (MPC) unanimously voted to retain the repo rate at 6.5% **(Chart 7)**. Further, the MPC also maintained the policy stance as 'withdrawal of accommodation' to ensure that inflation is progressively brought closer to the target.
- The RBI has forecasted CPI inflation to average 5.4% in FY24, with its projected level at 6.2% in 2QFY24, higher than the RBI's upper tolerance level of 6%. CPI inflation is projected to ease to 5.7% in 3QFY24 and further to 5.2% in 4QFY24.
- In RBI's assessment, CPI inflation is expected to remain elevated in the coming months on account of supply disruptions owing to adverse weather conditions. In addition, risks to inflation may emanate from skewed south west monsoon, possible El-Nino conditions, and increased global food prices due to continued geopolitical uncertainties.

**Chart 7: Movements in the repo rate and 10-year government bond yield**




Bank credit continued to post a double-digit growth of 14.7% in July 2023.

Source: Database on Indian Economy, RBI

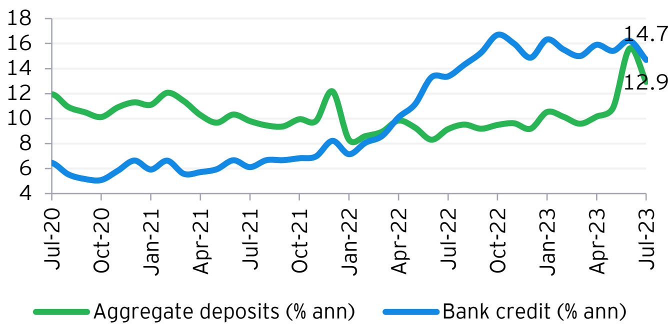
### Money stock

- Broad money stock (M3) grew by 10.8% in August 2023, increasing marginally from 10.6% in July 2023. Time deposits, the largest component of M3, posted a robust growth of 12.2% in August 2023 as compared to 11.7% in July 2023.
- Growth in M1 however, fell to 6.0% in August 2023 from 7.1% in July 2023. This was due to lower growth in currency with the public at 4.7% in August 2023 as compared to 5% in July 2023 as also the growth in demand deposits at 9.4% in August 2023 as compared to 9.8% in July 2023.

### Aggregate credit and deposits

- Gross bank credit continued its robust performance with a growth of 14.7% in July 2023, although moderating from 16.2% in June 2023 **(Chart 8)**.
- Growth in non-food credit moderated to 14.8% in July 2023 from 16.3% in June 2023 as credit growth eased across all key sectors of the economy.
- Sectoral bank credit data indicate that credit to services continued to show the highest growth at 19.4% in July 2023, although moderating from 26.7% in June 2023.

**Chart 8: Growth in credit and deposits**




Source: Database on Indian Economy, RBI

- Personal loans, a key component of retail loans, showed a strong growth of 18.4% in July 2023. It was however lower as compared to 20.9% in June 2023.
- Growth in credit to agriculture and allied activities also moderated marginally to 16.8% in July 2023 from 19.7% in June 2023.

- Growth in outstanding credit to industries fell to a 20-month low of 5.2% in July 2023 from 8.1% in June 2023. Within the industrial sector, growth in credit to iron and steel was the highest at 19.7% in July 2023, although moderating from 25.9% in June 2023. Growth in cement and cement products also moderated to 15% in July 2023 from 17.4% in June 2023.
- Credit to chemicals and chemical products contracted for the first time since August 2021 by (-)0.3% in July 2023 as compared to a growth of 6.3% in June 2023. Growth in credit to infrastructure remained low at 1.5% in July 2023, moderating from 1.7% in June 2023.
- Growth in aggregate deposits of residents moderated to 12.9% in July 2023 from 15.6% in June 2023.

## B. Financial sector

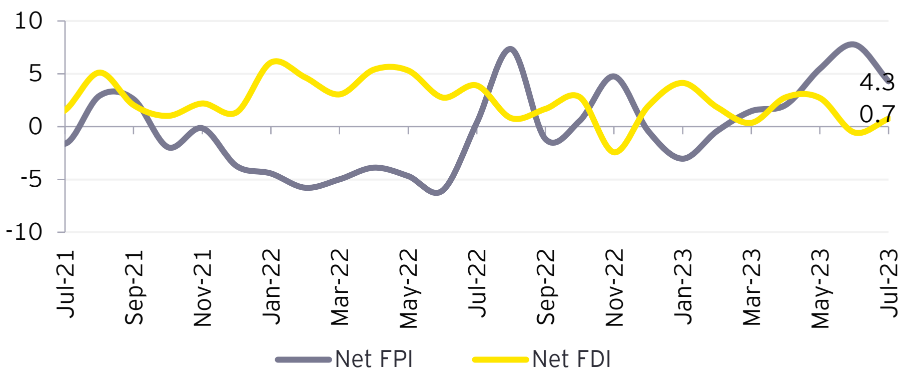
### Interest rates

- As per the data released by the RBI in the first week of September 2023, the average interest rate on term deposits with a maturity period of more than one year was retained for the eighth successive month at 6.63% in August 2023 with the actual rate ranging between 6.00% and 7.25%.
- The MCLR averaged marginally higher at 8.18% in August 2023 as compared to 8.15% in July 2023 with the actual MCLR ranging between 7.95% and 8.40% during the month.
- The average yield on 10-year government bonds increased to a 5-month high of 7.19% in August 2023 from 7.11% in July 2023 **(Chart 7).** In the first five months of this fiscal year, benchmark bond yields have stayed within a narrow range of 7.01% to 7.19%, averaging 7.11%, as compared to the range of 7.11% to 7.53%, with an average of 7.34%, seen during the corresponding period of FY23.
- WALR on fresh rupee loans by SCBs increased to 9.44% in July 2023, its highest level since November 2019. In comparison, it was at 9.20% in June 2023.

### FDI and FPI

- As per the provisional data released by the RBI on 18 September 2023, overall foreign investments[6] (FIs) inflows fell to US$5.0 billion in July 2023 from US$7.2 billion (revised) in June 2023 due to lower net portfolio inflows.

**Chart 9: Net FDI and FPI inflows (US$ billion)**




**Net FDIs turned positive, registering inflows amounting to US$0.7 billion in July 2023 as compared to outflows of US$0.6 billion in June 2023.**

Source: Database on Indian Economy, RBI

- Net FPI inflows moderated to US$4.3 billion in July 2023 from US$7.8 billion (revised) in June 2023. During April-July FY24, on a cumulated basis, net FPI inflows amounted to US$19.6 billion as compared to net outflows of US$14.3 billion during the corresponding period of FY23.
- Net FDIs turned positive, registering inflows amounting to US$0.7 billion in July 2023 as compared to outflows of US$0.6 billion in June 2023 **(Chart 9).** During April-July FY24, net FDI inflows were significantly lower at US$5.7 billion as compared to US$17.4 billion during the corresponding period of FY23.
- Gross FDI inflows fell to US$4.4 billioin in July 2023 from US$5.3 billion in June 2023. On a cumulated basis, gross FDI inflows amounted to US$22 billion during April-July FY24 as compared to US$29.6 billion during April-July FY23.

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

# 7. Trade and CAB: merchandise trade deficit widened to a 10-month high in August 2023

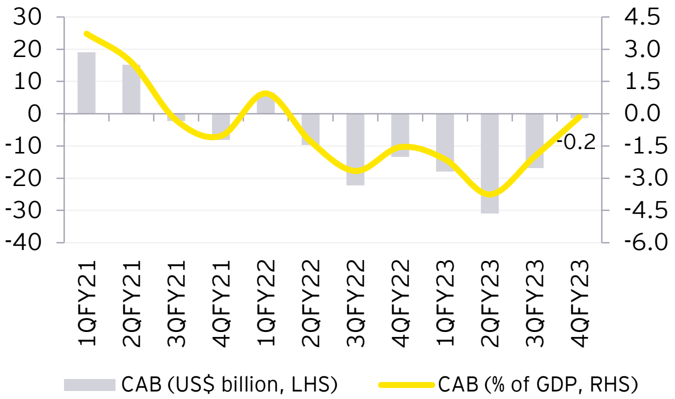
## A. CAB: current account deficit eased to a seven-quarter low of 0.2% of GDP in 4QFY23

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

**Table 10: Components of CAB in US$ billion**

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

**Chart 10: CAB**



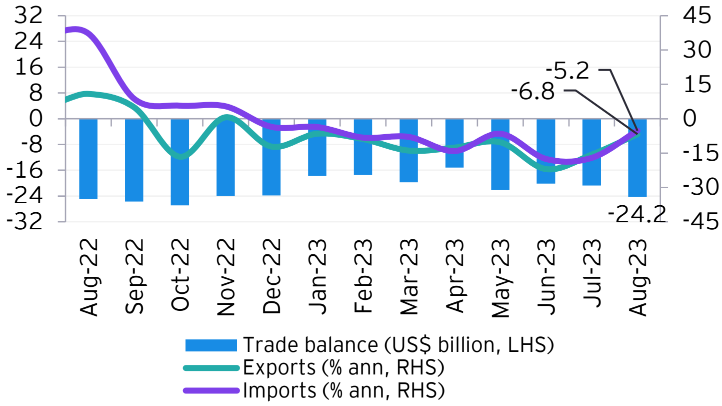

Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

## B. Merchandise trade and exchange rate

**Mainly reflecting subdued global demand, merchandise exports and imports continued to contract by (-)6.8% and (-)5.2% in August 2023, although lower than (-)15.9% and (-)17.0% in July 2023.**

- The contraction in merchandise exports and imports was led by contracting trade in oil, which was partly due to the fall in oil prices on a y-o-y basis. Oil exports showed a contraction of (-)30.6% whereas oil imports fell by (-)23.8% in August 2023.
- Growth in exports excluding oil, gold and jewelry turned positive at 3.2% in August 2023 after showing a contraction for eight successive months while the contraction in imports of this category moderated to (-)0.3% in August 2023 from (-)10.0% in July 2023.
- Chemicals exports and imports continued to contract by (-)17.8% and (-)26.7% respectively in August 2023.
- Growth in exports of electronic goods doubled to 26.3% in August 2023 from 13.1% in July 2023 whereas growth in its imports eased to 8.3% from 14.9% over the same period.
- Exports of engineering goods grew by 7.7% in August 2023 after contracting for thirteen successive months.
- Out of the 30 sectors for which trade data is provided, 15 sectors each showed a y-o-y decline in exports and imports as compared to 16 and 19 sectors respectively in the previous month.

**Chart 11: Developments in merchandise trade**




Source: Ministry of Commerce and Industry, GoI

- Merchandise trade deficit widened to a 10-month high of US$24.2 billion in August 2023 from US$20.7 billion in July 2023 **(Chart 11).**
- The INR appreciated to INR82.8 per US$ (average) in August 2023 from INR83.2 per US dollar in July 2023.

# 8. Global growth: ADB projected growth in Developing Asia at 4.8% in 2023 and at 4.7% in 2024

Home

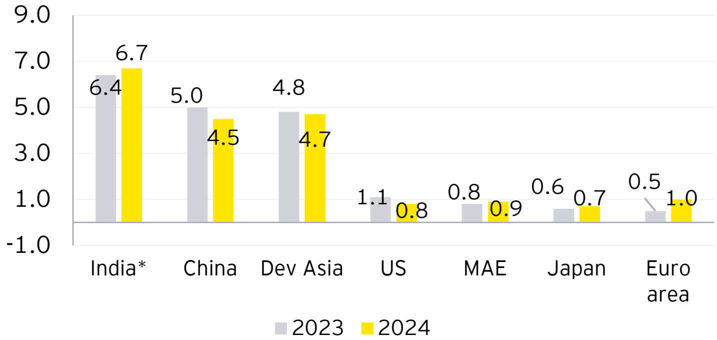
## A. Global growth

- The ADB (Asian Development Outlook, July 2023) has projected growth in Developing Asia to improve from 4.3% in 2022 to 4.8% in 2023, falling only marginally to 4.7% in 2024 **(Chart 12)**.
- The ADB has left its forecasts for China unchanged from its April 2023 projections at 5% in 2023 and 4.5% in 2024 on account of a strong improvement in the performance of contact-intensive services in Q1 of 2023. Monetary and fiscal policies are expected to continue to support economic recovery, particularly to boost domestic demand.

**The ADB has projected growth in Developing Asia at 4.8% in 2023, with India's FY24 growth forecasted at 6.4%.**

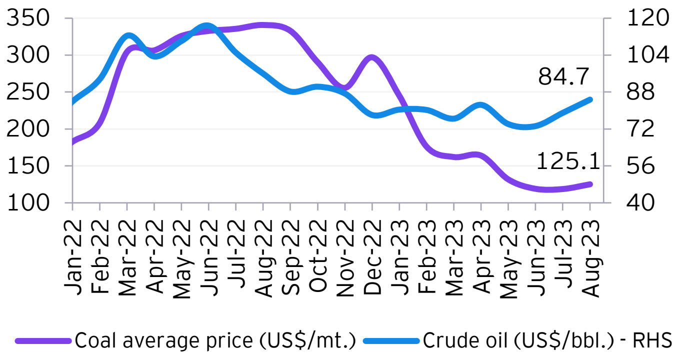
- Assuming normal rainfall and other weather factors, and no further geopolitical shocks, the Indian economy is forecasted to grow by 6.4% in 2023 (FY24) and 6.7% in 2024 (FY25). Growth is expected to be driven by recovering consumption demand, robust investment growth, and fewer interest rate hikes by the central bank.
- Growth in major advanced economies (MAE) is projected to fall sharply from 2.5% in 2022 to 0.8% in 2023 and 0.9% in 2024.
- In the US, GDP growth is projected at 1.1% in 2023, an upward revision of 0.2% points from the April 2023 forecast mainly on account of a better than expected growth performance in Q1 of 2023. Growth is forecasted to fall to 0.8% in 2024 owing to the adverse impact of interest rate hikes and weak consumer confidence.
- As per the ADB, the Euro area entered into a technical recession in Q1 of 2023. Growth is projected at 0.5% in 2023 and 1% in 2024 as high inflation and tight liquidity dent consumer and capital spending and as softening external demand drags down exports.
- In Japan, growth is projected at 0.6% in 2023 and at 0.7% in 2024 as global economic slowdown is expected to restrain exports and investments in the country.

**Chart 12: Global growth projections (%)**




Source: Asia Development Outlook (July 2023)
Notes: (1) MAE refers to major advanced economies
(2) *Data pertains to fiscal years FY24 and FY25 respectively

**Chart 13: Global crude and coal prices**




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

## B. Global energy prices: global crude price rose to a 9-month high of US$84.7/bbl. in August 2023

- Average global crude price[7] increased from US$79/bbl. in July 2023 to a 9-month high of US$84.7/bbl. in August 2023 as Saudi Arabia and Russia extended their voluntary supply cuts to the end of the year[8] **(Chart 13)**.
- From a 26-month low of US$118.7/mt. in July 2023, average global coal price[9] increased to US$125.1/mt. in August 2023. The International Energy Agency (IEA) in its July 2023 issue of the Coal Market Update indicated that global coal consumption, which hit an all-time high in 2022, is expected to stay at those levels in 2023, driven by robust growth in Asia's power generation and industrial sectors. This may exert an upward pressure on coal prices.

[7] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[8] https://www.reuters.com/markets/commodities/oil-prices-mixed-receding-support-chinas-steps-revive-economy-2023-09-05/
[9] Simple average of Australian and South African coal prices.

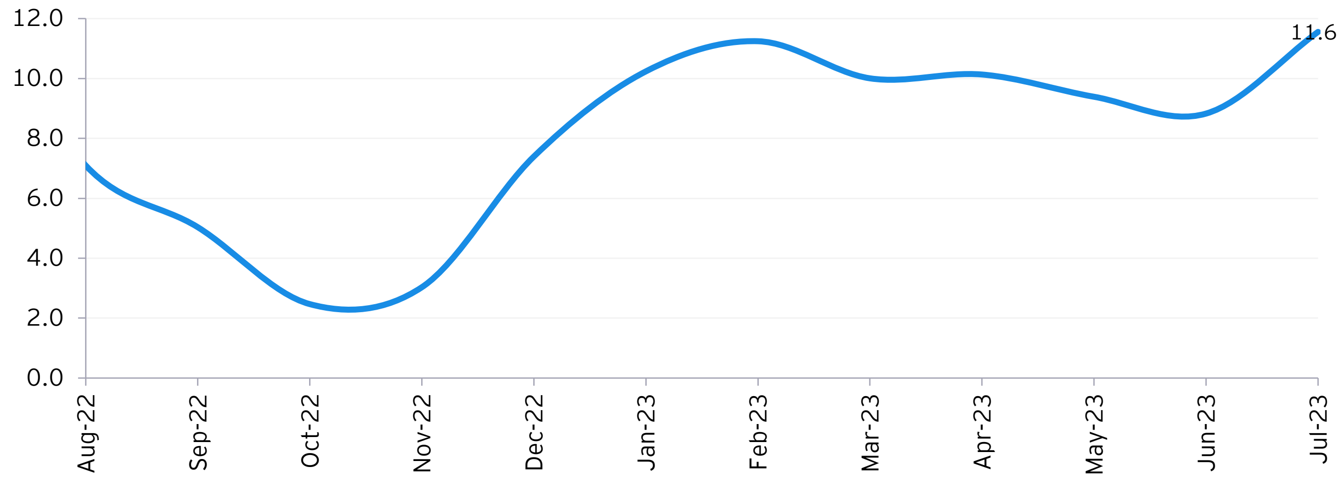
# 9. Index of Aggregate Demand (IAD): grew by 11.6% in July 2023

Home

## Growth in IAD accelerated to 11.6% in July 2023 from 8.8% in June 2023

- Pointing towards strengthening demand conditions in the economy, IAD[10] posted a double-digit growth of 11.6% in July 2023 as compared to 8.8% in June 2023 **(Chart 14 and Table 11).** This strong recovery in IAD may be largely attributable to continued resilience in the demand conditions across key sectors of the economy.
- In particular, demand conditions in the services sector showed a strong pick up in July 2023, as indicated by the services PMI at 62.3 as compared to 58.5 in June 2023.
- Similarly, demand conditions in the manufacturing sector remained healthy as indicated by the manufacturing PMI at 57.7 in July 2023 which stayed close to its level of 57.8 in June 2023.
- Demand conditions in the agricultural sector also stayed firm, as indicated by agricultural credit offtake, which showed a double-digit growth of 16.8% (sa)[11] in July 2023.

**Chart 14: 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 11: IAD**

| Month | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 |
|---|---|---|---|---|---|---|---|---|---|
| IAD | 153.2 | 157.4 | 155.1 | 157.9 | 157.9 | 163.9 | 164.7 | 164.8 | 167.6 |
| Growth (% y-o-y) | 3.0 | 7.4 | 10.2 | 11.2 | 10.0 | 10.1 | 9.4 | 8.8 | 11.6 |
| Growth in agr. Credit | 13.7 | 11.4 | 14.5 | 15.0 | 15.6 | 16.7 | 16.0 | 19.7 | 16.8 |
| Mfg. PMI** | 5.7 | 7.8 | 5.4 | 5.3 | 6.4 | 7.2 | 8.7 | 7.8 | 7.7 |
| Ser. PMI** | 6.4 | 8.5 | 7.2 | 9.4 | 7.8 | 12.0 | 11.2 | 8.5 | 12.3 |

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

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

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

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

# 10. Capturing macro-fiscal trends: data appendix

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

| Fiscal year/ quarter/ month | IIP | Mining | Manufacturing | Electricity | Core IIP | Fiscal year/ quarter /month | PMI mfg. | PMI ser. |
|---|---|---|---|---|---|---|---|---|
| | % change y-o-y | | | | | | | |
| FY20 | -0.8 | 1.6 | -1.4 | 0.9 | 0.4 | FY20 | 52.3 | 51.9 |
| FY21 | -8.5 | -7.8 | -9.6 | -0.5 | -6.4 | FY21 | 50.2 | 41.7 |
| FY22 | 11.4 | 12.2 | 11.7 | 8.0 | 10.4 | FY22 | 54.0 | 52.3 |
| FY23 | 5.2 | 5.8 | 4.6 | 8.9 | 7.7 | FY23 | 55.6 | 57.3 |
| 2QFY23 | 1.6 | -0.9 | 1.5 | 4.9 | 5.7 | 2QFY23 | 55.9 | 55.7 |
| 3QFY23 | 2.8 | 7.6 | 1.4 | 7.9 | 4.9 | 3QFY23 | 56.3 | 56.7 |
| 4QFY23 | 4.5 | 6.9 | 3.9 | 6.0 | 7.0 | 4QFY23 | 55.7 | 58.1 |
| 1QFY24 | 4.6 | 6.4 | 4.8 | 1.3 | 5.9 | 1QFY24 | 57.9 | 60.6 |
| Apr-23 | 4.6 | 5.1 | 5.5 | -1.1 | 4.6 | May-23 | 58.7 | 61.2 |
| May-23 | 5.3 | 6.4 | 5.8 | 0.9 | 5.0 | Jun-23 | 57.8 | 58.5 |
| Jun-23 | 3.8 | 7.6 | 3.1 | 4.2 | 8.3 | Jul-23 | 57.7 | 62.3 |
| Jul-23 | 5.7 | 10.7 | 4.6 | 8.0 | 8.0 | Aug-23 | 58.6 | 60.1 |

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

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

| Fiscal year/ quarter/ month | CPI | Food Price Index | Fuel and light | Core CPI | WPI | Food Price Index | Mfg. products | Fuel and power | Core WPI |
|---|---|---|---|---|---|---|---|---|---|
| | % change y-o-y | | | | % change y-o-y | | | | |
| FY20 | 4.8 | 6.7 | 1.3 | 3.8 | 1.7 | 6.9 | 0.3 | -1.8 | -0.4 |
| FY21 | 6.2 | 7.7 | 2.7 | 5.5 | 1.3 | 4.0 | 2.8 | -8.0 | 2.2 |
| FY22 | 5.5 | 3.8 | 11.3 | 6.1 | 13.0 | 6.8 | 11.1 | 32.5 | 11.0 |
| FY23 | 6.7 | 6.6 | 10.3 | 6.2 | 9.4 | 6.3 | 5.6 | 28.1 | 5.8 |
| 2QFY23 | 7.0 | 7.6 | 11.0 | 6.1 | 12.4 | 9.1 | 7.3 | 37.5 | 7.7 |
| 3QFY23 | 6.1 | 5.3 | 10.5 | 6.2 | 6.6 | 3.3 | 3.7 | 21.0 | 3.7 |
| 4QFY23 | 6.2 | 5.6 | 9.8 | 6.2 | 3.3 | 2.7 | 1.4 | 12.5 | 1.6 |
| 1QFY24 | 4.6 | 3.8 | 4.7 | 5.2 | -2.9 | -0.8 | -2.7 | -7.1 | -2.0 |
| May-23 | 4.3 | 3.0 | 4.7 | 5.2 | -3.6 | -1.5 | -3.0 | -9.2 | -2.2 |
| Jun-23 | 4.9 | 4.5 | 3.9 | 5.2 | -4.2 | -1.3 | -2.8 | -12.5 | -2.1 |
| Jul-23 | 7.4 | 11.5 | 3.7 | 5.0 | -1.4 | 7.7 | -2.5 | -12.8 | -2.2 |
| Aug-23 | 6.8 | 9.9 | 4.3 | 4.9 | -0.5 | 5.6 | -2.4 | -6.0 | -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 | 20.1 | 6.7 | 4.4 |
| FY23 (CGA) | 12.7 | 16.0 | 20.0 | 17.9 | 7.2 | 6.4 | 3.9 |
| FY24 (BE over FY 23 RE) | 10.4 | 10.5 | 10.5 | 10.5 | 10.4 | 5.9 | 2.9 |
| | Cumulated growth (%, y-o-y) | | | | | % of budgeted target | |
| Dec-22 | 12.5 | 16.9 | 19.2 | 18.0 | 7.1 | 56.6$ | 50.3$ |
| Jan-23 | 12.6 | 14.8 | 18.9 | 16.8 | 8.6 | 67.8$ | 61.1$ |
| Feb-23 | 12.0 | 13.5 | 19.1 | 16.2 | 8.1 | 82.8$ | 83.1$ |
| Mar-23 | 12.7 | 16.0 | 20.0 | 17.9 | 7.2 | 98.7$ | 96.3$ |
| Apr-23 | -6.1 | -32.0 | 7.8 | -9.2 | 0.0 | 7.5 | 6.4 |
| May-23 | -1.6 | -28.0 | 12.6 | -4.0 | 1.6 | 11.8 | 5.2 |
| Jun-23 | 3.3 | -13.9 | 11.0 | -1.0 | 9.0 | 25.3 | 21.1 |
| Jul-23 | 2.8 | -10.4 | 6.4 | -1.1 | 7.8 | 33.9 | 34.7 |

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) | | | | |
| Dec-22 | 60,778 | 232 | -3,394 | 10,911 | 68,527 |
| Jan-23 | 65,171 | 238 | -1,671 | 10,427 | 74,165 |
| Feb-23 | 60,075 | 394 | -2,288 | 11,801 | 69,982 |
| Mar-23 | 61,131 | 923 | 8,590 | 10,227 | 80,871 |
| Apr-23 | 80,902 | 308 | -9,304 | 11,861 | 83,767 |
| May-23 | 60,667 | 263 | 951 | 11,241 | 73,122 |
| Jun-23 | 64,810 | 343 | 1,605 | 11,822 | 78,580 |
| Jul-23 | 67,234 | 250 | -2,396 | 11,392 | 76,480 |

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

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

| Fiscal year/ month | Repo rate (end of period) | Fiscal year/ quarter/ month | Bank credit | Agg. deposits | Net FDI | Net FPI | Fiscal year/ quarter/ month | M1 | M3 | 10-year govt. bond yield | FX reserves |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | | % change y-o-y | | US$ billion | | | % change y-o-y | | % | US$ billion |
| Sep-22 | 5.90 | FY20 | 9.5 | 9.9 | 43.0 | 1.4 | FY20 | 11.2 | 8.9 | 6.83 | 475.6 |
| Oct-22 | 5.90 | FY21 | 6.0 | 11.0 | 44.0 | 36.1 | FY21 | 16.2 | 12.2 | 6.05 | 579.3 |
| Nov-22 | 5.90 | FY22 | 6.7 | 9.7 | 38.6 | -16.8 | FY22 | 10.6 | 8.7 | 6.40 | 617.6 |
| Dec-22 | 6.25 | FY23 | 14.5 | 9.5 | 28.7 | -5.2 | FY23 | 6.8 | 9.0 | 7.35 | 578.4 |
| Jan-23 | 6.25 | 2QFY23 | 14.3 | 9.3 | 6.4 | 6.5 | 2QFY23 | 8.5 | 8.6 | 7.32 | 532.7 |
| Feb-23 | 6.50 | 3QFY23 | 15.8 | 9.4 | 2.3 | 4.9 | 3QFY23 | 7.6 | 8.7 | 7.37 | 562.9 |
| Mar-23 | 6.50 | 4QFY23 | 15.6 | 10.1 | 6.3 | -2.0 | 4QFY23 | 6.9 | 9.0 | 7.36 | 578.4 |
| Apr-23 | 6.50 | 1QFY24 | 15.9 | 12.2 | 4.9 | 15.3 | 1QFY24 | 7.5 | 10.6 | 7.08 | 595.1 |
| May-23 | 6.50 | Apr-23 | 15.9 | 10.2 | 2.8 | 2.0 | May-23 | 7.6 | 10.1 | 7.01 | 589.1 |
| Jun-23 | 6.50 | May-23 | 15.4 | 10.9 | 2.7 | 5.5 | Jun-23 | 7.5 | 10.6 | 7.05 | 595.1 |
| Jul-23 | 6.50 | Jun-23 | 16.2 | 15.6 | -0.6 | 7.8 | Jul-23 | 7.1 | 10.6 | 7.11 | 603.9 |
| Aug-23 | 6.50 | Jul-23 | 14.7 | 12.9 | 0.7 | 4.3 | Aug-23 | 6.0 | 10.8 | 7.19 | 594.9 |

Source: Database on Indian Economy - RBI

### Table A5: External trade and global growth

| External trade indicators (annual, quarterly and monthly growth rates) | | | | | | | Global growth (annual) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal year/ quarter/ month | Exports | Imports | Trade balance | Ex. rate (avg.) | Crude prices (avg.) | Coal prices (avg.) | Calendar year | World GDP | Adv. econ. | Emer. econ. |
| | % change y-o-y | | US$ billion | INR/US$ | US$/bbl. | US$/mt | | % change y-o-y | | |
| FY20 | -5.1 | -8.2 | -157.4 | 70.9 | 58.5 | 70.4 | 2013 | 3.4 | 1.4 | 5.0 |
| FY21 | -7.0 | -16.6 | -101.4 | 74.2 | 43.8 | 67.2 | 2014 | 3.5 | 2.0 | 4.7 |
| FY22 | 44.7 | 56.0 | -191.0 | 74.5 | 78.4 | 164.8 | 2015 | 3.4 | 2.3 | 4.4 |
| FY23 | 0.9 | 15.5 | -282.0 | 80.4 | 92.7 | 283.4 | 2016 | 3.3 | 1.8 | 4.4 |
| 2QFY23 | 4.9 | 26.6 | -79.1 | 79.8 | 96.4 | 336.4 | 2017 | 3.8 | 2.5 | 4.7 |
| 3QFY23 | -9.9 | 2.3 | -74.6 | 82.2 | 85.3 | 281.1 | 2018 | 3.6 | 2.3 | 4.7 |
| 4QFY23 | -10.1 | -6.7 | -54.9 | 82.3 | 79.0 | 194.4 | 2019 | 2.8 | 1.7 | 3.6 |
| 1QFY24 | -15.2 | -12.8 | -57.5 | 82.2 | 76.6 | 138.3 | 2020 | -2.8 | -4.2 | -1.8 |
| May-23 | -10.3 | -6.6 | -22.1 | 82.3 | 74.1 | 131.7 | 2021 | 6.3 | 5.4 | 6.9 |
| Jun-23 | -22.0 | -17.5 | -20.1 | 82.2 | 73.3 | 119.0 | 2022* | 3.5 | 2.7 | 4.0 |
| Jul-23 | -15.9 | -17.0 | -20.7 | 83.2 | 79.0 | 118.7 | 2023* | 3.0 | 1.5 | 4.0 |
| Aug-23 | -6.8 | -5.2 | -24.2 | 82.8 | 84.7 | 125.1 | 2024* | 3.0 | 1.4 | 4.1 |

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

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

| Fiscal year/quarter | Output: major sectors | | | | | | | | | IPD inflation |
|---|---|---|---|---|---|---|---|---|---|---|
| | GVA | Agr. | Ming. | Mfg. | Elec. | Cons. | Trans. | Fin. | Publ. | GVA |
| FY20 (3rd RE) | 3.9 | 6.2 | -3.0 | -3.0 | 2.3 | 1.6 | 6.0 | 6.8 | 6.6 | 3.0 |
| FY21 (2nd RE) * | -4.2 | 4.1 | -8.6 | 2.9 | -4.3 | -5.7 | -19.7 | 2.1 | -7.6 | 3.3 |
| FY22 (1st RE)* | 8.8 | 3.5 | 7.1 | 11.1 | 9.9 | 14.8 | 13.8 | 4.7 | 9.7 | 8.3 |
| FY23 (PE)$ | 7.0 | 4.0 | 4.6 | 1.3 | 9.0 | 10.0 | 14.0 | 7.1 | 7.2 | 7.9 |
| 1QFY22 | 20.2 | 3.4 | 12.2 | 51.5 | 16.3 | 77.0 | 41.4 | 2.8 | 6.5 | 6.1 |
| 2QFY22 | 9.3 | 4.8 | 10.6 | 6.6 | 10.8 | 10.8 | 13.1 | 7.0 | 16.8 | 8.0 |
| 3QFY22 | 4.7 | 2.3 | 5.4 | 1.3 | 6.0 | 0.2 | 9.2 | 4.3 | 10.6 | 9.4 |
| 4QFY22 | 3.9 | 4.1 | 2.3 | 0.6 | 6.7 | 4.9 | 5.0 | 4.6 | 5.2 | 9.7 |
| 1QFY23 | 11.9 | 2.4 | 9.5 | 6.1 | 14.9 | 16.0 | 25.7 | 8.5 | 21.3 | 12.5 |
| 2QFY23 | 5.4 | 2.5 | -0.1 | -3.8 | 6.0 | 5.7 | 15.6 | 7.1 | 5.6 | 10.1 |
| 3QFY23 | 4.7 | 4.7 | 4.1 | -1.4 | 8.2 | 8.3 | 9.6 | 5.7 | 2.0 | 6.0 |
| 4QFY23 | 6.5 | 5.5 | 4.3 | 4.5 | 6.9 | 10.4 | 9.1 | 7.1 | 3.1 | 4.0 |
| 1QFY24 | 7.8 | 3.5 | 5.8 | 4.7 | 2.9 | 7.9 | 9.2 | 12.2 | 7.9 | 0.2 |

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY21 and FY22 are based on NAS released by the MoSPI on 28 February 2023 and the subsequent data file released on 1 March 2023. $Growth numbers for FY23 are based on the provisional estimates released by MoSPI on 31 May 2023. 1QFY24 data was released on 31 August 2023.

| Fiscal year/quarter | Expenditure components | | | | | | IPD inflation |
|---|---|---|---|---|---|---|---|
| | GDP | PFCE | GFCE | GFCF | EX | IM | GDP |
| FY20 (3rd RE) | 3.9 | 5.2 | 3.9 | 1.1 | -3.4 | -0.8 | 2.4 |
| FY21 (2nd RE) * | -5.8 | -5.2 | -0.9 | -7.3 | -9.1 | -13.7 | 4.7 |
| FY22 (1st RE)* | 9.1 | 11.2 | 6.6 | 14.6 | 29.3 | 21.8 | 8.5 |
| FY23 (PE)$ | 7.2 | 7.5 | 0.1 | 11.4 | 13.6 | 17.1 | 8.2 |
| 1QFY22 | 21.6 | 17.6 | -2.1 | 61.0 | 46.1 | 44.8 | 8.6 |
| 2QFY22 | 9.1 | 14.2 | 11.7 | 12.4 | 25.1 | 26.6 | 8.5 |
| 3QFY22 | 5.2 | 10.8 | 5.8 | 1.2 | 27.8 | 19.7 | 8.7 |
| 4QFY22 | 4.0 | 4.7 | 11.8 | 4.9 | 22.4 | 6.7 | 8.7 |
| 1QFY23 | 13.1 | 19.8 | 1.8 | 20.4 | 19.6 | 33.6 | 12.9 |
| 2QFY23 | 6.2 | 8.3 | -4.1 | 9.6 | 12.2 | 23.1 | 10.3 |
| 3QFY23 | 4.5 | 2.2 | -0.6 | 8.0 | 11.1 | 10.7 | 6.6 |
| 4QFY23 | 6.1 | 2.8 | 2.3 | 8.9 | 11.9 | 4.9 | 4.1 |
| 1QFY24 | 7.8 | 6.0 | -0.7 | 8.0 | -7.7 | 10.1 | 0.2 |

Source: National Accounts Statistics, MoSPI
* Growth numbers for FY21 and FY22 are based on NAS released by the MoSPI on 28 February 2023 and the subsequent data file released on 1 March 2023. $Growth numbers for FY23 are based on the provisional estimates released by MoSPI on 31 May 2023. 1QFY24 data was released on 31 August 2023.

# List of abbreviations

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

| Sr. no. | Abbreviations | Description |
|---|---|---|
| 39 | ICRIER | Indian Council for Research on International Economic Relations |
| 40 | IEA | International Energy Agency |
| 41 | IGST | Integrated Goods and Services Tax |
| 42 | IIP | Index of Industrial Production |
| 43 | IMF | International Monetary Fund |
| 44 | IMI | Index of Macro Imbalance |
| 45 | IMP | imports |
| 46 | INR | Indian Rupee |
| 47 | IPD | implicit price deflator |
| 48 | MCLR | marginal cost of funds-based lending rate |
| 49 | Ming. | mining and quarrying |
| 50 | Mfg. | manufacturing |
| 51 | m-o-m | month-on-month |
| 52 | Mt | metric ton |
| 53 | MoSPI | Ministry of Statistics and Programme Implementation |
| 54 | MPC | Monetary Policy Committee |
| 55 | MPF | Monetary Policy Framework |
| 56 | NEXP | net exports (exports minus imports of goods and services) |
| 57 | NSO | National Statistical Office |
| 58 | NPA | non-performing assets |
| 59 | OECD | Organization for Economic Co-operation and Development |
| 60 | OPEC | Organization of the Petroleum Exporting Countries |
| 61 | PFCE | private final consumption expenditure |
| 62 | PIT | personal income tax |
| 63 | PMI | Purchasing Managers' Index (reference value = 50) |
| 64 | PoL | petroleum oil and lubricants |
| 65 | PPP | Purchasing power parity |
| 66 | PSBR | public sector borrowing requirement |
| 67 | PSU/PSE | public sector undertaking/public sector enterprises |
| 68 | RE | revised estimates |
| 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 |

# Our offices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22nd Floor, B Wing, Privilon,
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Ahmedabad - 380 059
Tel: + 91 79 6608 3800

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

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

**Chandigarh**
Elante offices,
Unit No. B-613 & 614
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Chandigarh - 160002
Tel: + 91 172 671 7800

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

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Ground Floor
67, Institutional Area
Sector 44, Gurugram
Haryana - 122 003
Tel: +91 124 443 4000

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

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

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

**Jamshedpur**
1st Floor, Fairdeal Complex
Holding No. 7, SB Shop Area
Bistupur, Jamshedpur – 831 001
Tel: + 91 657 663 1000

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

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

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

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

**Pune**
C-401, 4th floor
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Yerwada
(Near Don Bosco School)
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