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Economy Watch

Monitoring India's macro-fiscal performance

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EY
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Highlights

1. In July 2021, PMI manufacturing recovered to 55.3 while PMI services showed a slower pace of contraction at 45.4.
2. IIP continued to show a high growth of 13.6% in June 2021 due to a favorable base effect.
3. CPI inflation eased to 5.6% in July 2021 after remaining above the RBI's 6% upper tolerance limit for two successive months.
4. WPI inflation remained elevated at 11.2% in July 2021 due to high global commodity prices particularly crude prices.
5. Global crude price increased to US$73.3/bbl. in July 2021 considered as an average over Brent, WTI Texas and Dubai Fateh. This was the highest level since October 2018.
6. In its August 2021 monetary policy review, the RBI retained the repo rate at 4.0%. Compared to the June 2021 forecasts, the RBI retained its real GDP growth forecast at 9.5% for FY22 while revising upward, the CPI inflation projection to 5.7%.
7. As per the CGA, Center's gross taxes showed a high growth of 97.1% during 1QFY22 over 1QFY21, reflecting a favorable base effect.
8. While Center's revenue expenditure contracted by (-)2.4% during 1QFY22, capital expenditure was frontloaded, showing a growth of 26.3%.
9. During 1QFY22, Center's fiscal deficit and revenue deficit as a proportion of their corresponding BE stood respectively at 18.2% and 14.9%, their lowest levels since FY11.
10. Merchandise trade deficit increased to a three-month high of US$11.0 billion in July 2021 from US$9.4 billion in June 2021.
11. The IMF has projected global growth at 6.0% in 2021 with India's growth forecasted at 9.5% in FY22.

Foreword

Reassessing India's growth and inflation prospects

The RBI, in its August 2021 monetary policy review, revised its CPI inflation forecast upwards but retained its real GDP growth forecast for FY22. CPI inflation is now projected at 5.7% for FY22 consisting of 5.9% in 2Q, 5.3% in 3Q, and 5.8% in 4Q of FY22. It was at 5.6% in 1QFY22. This upward inflationary pressure is mainly driven by elevated levels of global commodity prices particularly crude prices. Supply side constraints on crude oil may ease, but any relief on this account may be neutralized by a firming up of global demand for oil as the global economy gathers momentum. The RBI has favored a calibrated reduction in the taxation of petroleum products in India by central and state governments. In its reassessment, the RBI has left its growth forecast at 9.5% for FY22 that is the same as its original forecast in June 2021.

The IMF, in its July 2021 update of the World Economic Outlook, has brought down India's FY22 GDP growth forecast to 9.5% from its earlier projection of 12.5% in April 2021. The IMF had not taken into account the impact of COVID's second wave in its earlier forecast. According to the IMF's reassessment, even though the growth forecast for emerging market and developing economies (EMDEs) has been revised down from 6.7% to 6.3% in 2021, its impact on global growth has been neutralized by an upward revision of 0.5% points for the advanced economies (AEs) leaving global GDP growth prospects for 2021 unchanged at 6%. As per IMF's estimates, the cumulated effect of two years of COVID has led to an erosion of real GDP for five major economies namely the UK, Japan, Germany, France and Italy. By end 2021, the magnitude of their GDP is expected to be lower than the corresponding levels in 2019.

India may, however, emerge on the positive side after these two years provided it is ensured that its FY22 growth is higher than the benchmark level of 7.8%[1]. Both the IMF and the RBI forecasts for FY22 growth affirm that this threshold would be crossed. This expectation is further strengthened by some of the high frequency data that have become available. PMI manufacturing recovered to 55.3 in July 2021 from an 11-month low of 48.1 in June 2021. PMI services contracted at a slower pace in July 2021 with its level at 45.4 as compared to 41.2 in June 2021. Passenger vehicle sales improved to 2.6 lakh units in July 2021, up from 2.3 lakh units in June 2021. Growth in power consumption improved to a three-month high of 9.9% in July 2021 from 8.4% in June 2021. GST collections picked up to INR1,16,393 crore in July 2021 from INR92,849 crore in June 2021. Merchandise exports growth (y-o-y) remained high at 49.8% in July 2021 due partly to a favorable base effect. Compared to July 2019 levels, exports grew by 34.5% reflecting pickup in external demand.

Center's gross tax revenues (GTR) showed an unprecedented growth of 97.1% in 1QFY22. However, it largely reflects a strong base effect because in 1QFY21, there was a contraction of (-)32.6%. Center's GTR in 1Q as percentage of the full year budget estimate (BE) for FY22 is 24.0% which is much higher than the corresponding percentages relative to actuals in recent years covering FY17 to FY21. This reflects that the recovery in center's GTR in 1QFY22 may lead to an upward revision in the BE for the fiscal year in due course. This would be conditional upon the Indian economy maintaining the momentum of recovery and avoiding any adverse impact of COVID's second or subsequent waves. For non-tax revenues, it is notable that the dividend the central government receives from the RBI has been substantially raised in terms of its magnitude. RBI's dividend to the central government in FY22 at INR99,122 crores looks quite high although it reflects the effect of a change in the RBI's accounting year from July-June to April-March. The Ministry of Finance in collaboration with the NITI Aayog has recently released the guidelines and the detailed program relating to the National Monetization Pipeline (NMP) which is estimated to garner INR6 lakh crore over the period from FY22 to FY25. In FY22, the estimated amount is INR0.88 lakh crore[2].

With respect to expenditures, there has been an emphasis on frontloading capital expenditure while delaying revenue expenditures. Capital expenditure grew by 26.3% in 1QFY22 while revenue expenditure showed a contraction of (-)2.4%.

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[1] Economy Watch June 2021; Economy Watch June 2021 (ey.com)

[2] https://pib.gov.in/PressReleasePage.aspx?PRID=1748297

Looking at the need to reboot the economy after COVID's deleterious effects in FY21 and partially in 1QFY22, the policymakers would now need to focus on strategic growth initiatives to provide a solid foundation for a robust medium-term growth. For this purpose, it is important to catch up with the progress made so far in regard to the earlier planned National Infrastructure Pipeline (NIP) which may have been partially derailed due to COVID. It is time now to take stock of the status of investment in NIP and identify sectors characterized by deficient investment measured against the original NIP targets. The recently launched NMP is also being aligned to the NIP to supplement its financing.

With strong base effects expected in the remaining part of the fiscal year, we consider that center's tax prospects are likely to improve over the budget estimates by a tangible margin. The budgeted target for non-tax revenues is also likely to be met if not exceeded. However, there may be a shortfall in government's non-debt capital receipts, possibly due to excessive expectations in regard to disinvestment and monetization of assets. With revenue receipts likely to be more than the budgeted magnitudes, government will have the option to either lower the fiscal deficit or increase the expenditures as compared to the budgeted magnitudes. It may be desirable to go for the second option so as to support growth and lay a foundation for medium-term growth. This would require sustained emphasis on building up infrastructure including that of the health sector.

D.K. Srivastava
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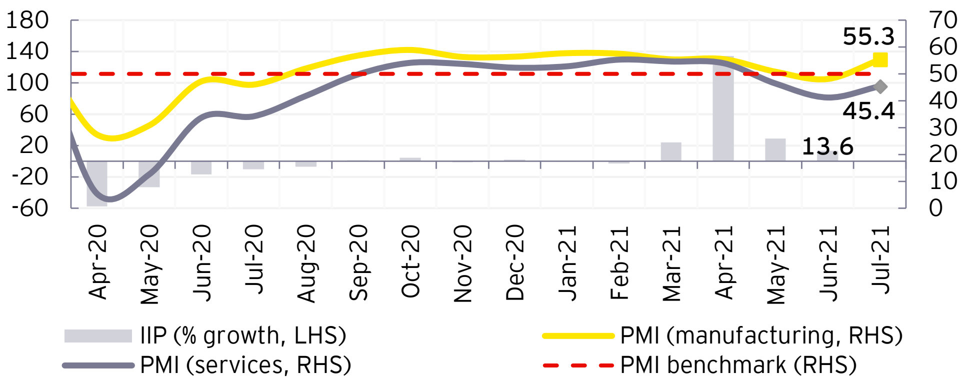
1. Growth: PMI signaled a recovery in manufacturing in July 2021

A. PMI: signaled a recovery in manufacturing and a slower pace of contraction in services in July 2021

- Headline manufacturing PMI (seasonally adjusted (sa)) increased from an eleven-month low of 48.1 in June 2021 to 55.3 in July 2021 (**Chart 1**) as COVID-19 restrictions were eased. Both new orders and output indices increased to a three-month high in July 2021. Further, employment index at 50.6 in July 2021 showed an expansion for the first time since the onset of COVID-19 in April 2020.
- In July 2021, PMI services contracted for the third consecutive month, although the pace of contraction was lower. PMI services was at 45.4 in July 2021 as compared to 41.2 in June 2021.
- The composite PMI Output Index (sa) continued to contract, although increasing from a ten-month low of 43.1 in June 2021 to 49.2 in July 2021. This reflects a recovery in manufacturing and a slower pace of contraction in services during the month.

Chart 1: PMI and IIP growth



Source: MoSPI and IHS Markit

In July 2021, PMI manufacturing recovered to 55.3 while PMI services showed a slower pace of contraction at 45.4.

B. IIP: grew by 13.6% in June 2021, moderating from 28.6% in May 2021, indicating a weakening base effect

- As per the quick estimates of IIP released by the MoSPI on 12 August 2021, IIP continued to show a strong growth of 13.6% in June 2021 owing to a favorable base effect across most sub-industries **(Chart 1)**. However, a comparison of IIP in June 2021 with its pre-pandemic index value in June 2019 shows that IIP contracted by (-)5.2% in June 2021.
- Supported by a continued favorable base effect, the output of manufacturing and mining sectors showed a high y-o-y growth of 13.0% and 23.1% respectively in June 2021. Growth in the output of electricity sector increased to 8.3% in June 2021 from 7.5% in May 2021.
- As per the use-based classification of industries, output of consumer durables, capital goods and infrastructure/construction goods continued to witness strong growth rates of 30.1%, 25.7% and 19.1% respectively in June 2021. These high growth numbers are largely reflective of a favorable base effect.

IIP continued to show a high growth of 13.6% in June 2021 due to a favourable base effect.

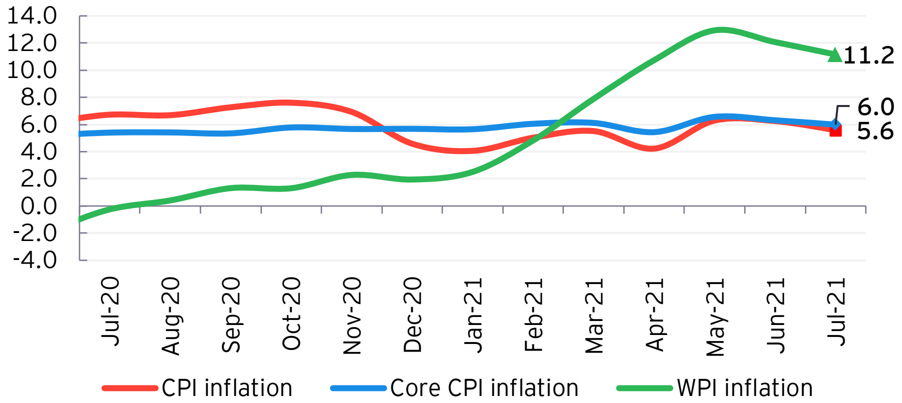
- According to provisional estimates, output of eight core infrastructure industries (core IIP) grew by 8.9% (y-o-y) in June 2021, moderating from 16.3% (revised) in May 2021. However, when compared with its index value in June 2019, core IIP showed a contraction of (-)4.7% in June 2021, indicating that the core sector output has not yet recovered to its pre-pandemic levels.

2. Inflation: CPI inflation eased to 5.6% in July 2021

CPI inflation moderated to 5.6% in July 2021 (Chart 2) led by a faster pace of contraction in vegetable prices, partly due to favorable base effect.

- Consumer food inflation fell to a three-month low of 4.0% in July 2021 from 5.1% in June 2021 as the pace of contraction in vegetable prices increased to (-)7.7% in July 2021 from (-)0.7% in June 2021. Contraction in prices of onions increased to (-)37.3% in July 2021 from (-)12.6% in June 2021 whereas that in potatoes increased to (-)50.2% from (-)46.5% over the same period, led by a favorable base effect.
- Fuel and light inflation remained elevated at 12.4% in July 2021, marginally lower than 12.7% in June 2021.
- Inflation in miscellaneous goods and services eased to 6.7% in July 2021 from 7.2% in June 2021. According to the RBI's August 2021 monetary policy statement, input prices are rising across manufacturing and services sectors, but weak demand and efforts towards cost cutting are tempering the pass-through to output prices.
- Inflation in household goods and services and in personal care and effects eased to 4.9% and 3.8% respectively in July 2021 from 5.7% and 4.7% respectively in June 2021. Inflation in transportation and communication services remained high at 10.5% in July 2021 due to high domestic fuel prices.
- Core CPI inflation[3] was sticky at 6.0% in July 2021, remaining above the overall CPI inflation for the eighth successive month.

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



Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)
Note: Headline CPI inflation and inflation in certain groups for the month of April 2020 and May 2020 have been imputed by the MoSPI[4]; Core CPI inflation has been estimated for April 2020 and May 2020 using this imputed data

CPI inflation eased to 5.6% in July 2021 after remaining above the RBI's 6% upper tolerance limit for two successive months. Core CPI inflation remained sticky at 6.0% in July 2021.

WPI inflation remained elevated at 11.2% in July 2021 due to high global commodity prices particularly crude prices.

- Core WPI inflation was at a historic high (2011-12 series) of 10.8% in July 2021 as compared to 10.4% in June 2021 led by continued broad based inflationary pressures particularly on manufactured basic metals, where inflation increased to an all-time high of 29.1% in July 2021.
- Fuel and power inflation remained elevated at 26.0% in July 2021 as compared to 32.8% in June 2021, due to high global crude prices and domestic taxation of fuels. Electricity prices contracted by (-)0.2% in July 2021 from an inflation level of 10.0% in June 2021 contributing to the overall decline in fuel and power inflation.
- WPI food index-based inflation eased to a five-month low of 4.5% in July 2021 from 6.7% in June 2021 reflecting a contraction of (-)6.7% in fruits and vegetables prices in July 2021 from an inflation rate of 2.0% in June 2021.
- Contraction in prices of flowers eased to an eight-month low of (-)3.2% in July 2021 from (-)30.8% in June 2021 contributing to the elevated level of WPI inflation during the month.

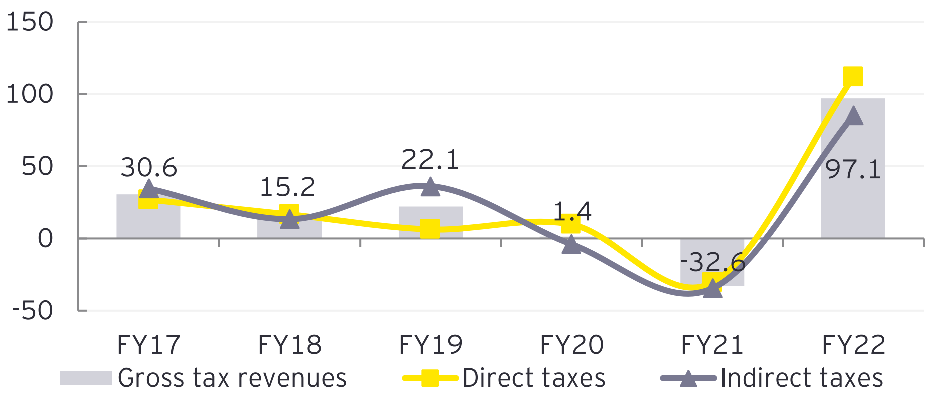
[3] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.
[4] http://www.mospi.gov.in/sites/default/files/press_release/CPI%20Technical%20Note%20on%20Imputation.pdf

3. Fiscal performance: Center's fiscal deficit during 1QFY22 stood at 18.2% of the BE

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)[5], Center's gross tax revenues (GTR) showed a y-o-y growth of 97.1% during 1QFY22 owing to a strong base effect. In the corresponding period of FY21, GTR contracted by (-)32.6% (**Chart 3**).
- As a proportion of FY22 BE, gross taxes during April-June 2021 stood at 24.0% as compared to the corresponding ratio of 11.1% in FY21.
- Both direct and indirect[6] taxes showed high growth rates of 111.8% and 85.2% respectively during 1QFY22 as compared to a contraction of (-)30.6% and (-)34.5% in 1QFY21.
- Corporate income tax (CIT) and personal income tax (PIT) showed a growth of 128.2% and 97.5% respectively during 1QFY22 as compared to a contraction of (-)23.3% and (-)35.9% respectively during 1QFY21.
- Among indirect taxes, Center's GST revenues showed a growth of 71.0% during April-June FY22 as compared to a contraction of (-)35.2% during the corresponding period of FY21.
- Union excise duties grew by 92.1% during 1QFY22 as compared to a contraction of (-)4.3% during the corresponding period of FY21.
- Center's customs duty revenues showed a growth of 168.3% during April-June FY22 as compared to a contraction of (-)61.0% during the corresponding period of FY21. The high growth rate in 1QFY22 partly reflects the increase in the customs duty rates for selected items in the beginning of FY21 accompanied by a pick-up in imports in 1QFY22 and partly a favorable base effect.

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



As per the CGA, Center's gross taxes showed a high growth of 97.1% during 1QFY22 reflecting a strong base effect.

Source: Monthly Accounts, Controller General of 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, CGST, UTGST, IGST and GST compensation cess; (b) Other taxes (securities transaction tax, wealth tax, fringe benefit tax, banking cash transaction tax, etc.) are included in the center's gross tax revenues along with direct and indirect taxes, (c) IGST revenues are subject to final settlement.

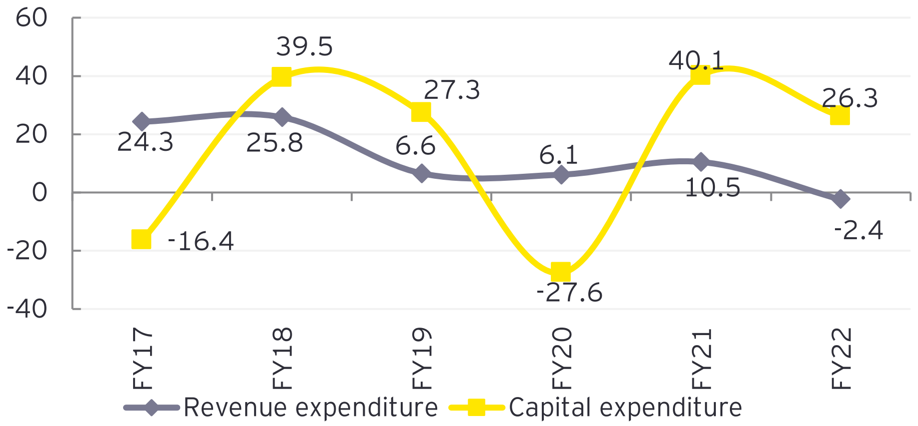
- Center's non-tax revenues posted a high growth of 738.4% during 1QFY22 as compared to a contraction of (-)54.6% during the corresponding period of FY21. Non-tax revenues during 1QFY22 stood at 52.4% of the annual BE. This shows the effect of the high dividend received by the central government from the RBI.
- Non-debt capital receipts grew by 107.2% during 1QFY22 as compared to a contraction of (-)25.0% in 1QFY21 reflecting a strong base effect. As a proportion of the annual BE, non-debt capital receipts during April-June FY22 stood at 3.9%.
- As per information sourced from the Department of Investment and Public Asset Management[7], disinvestment receipts as of 25 August 2021 stood at INR8,368.56 crores, that is 4.78% of the FY22 BE.

[5] Monthly accounts for June 2021 released on 31 July 2021
[6] comprising CGST, UTGST, IGST and GST compensation cess, union excise duties, arrears of service tax and customs duty
[7] https://www.dipam.gov.in/dipam/home

B. Expenditures: revenue and capital

- Center's total expenditure grew by 0.7% during 1QFY22 as compared to 13.1% during 1QFY21. Total expenditure during April-June FY22 stood at 23.6% of the annual BE as compared to the corresponding ratio of 26.8% for FY21.
- Revenue expenditure contracted by (-)2.4% during 1QFY22 as compared to a growth of 10.5% during the corresponding period of FY21 possibly reflecting the impact of the revenue expenditure curbs imposed on specific central ministries and departments in 1Q and 2Q of FY22 (**Chart 4**). Revenue expenditure during April-June FY22 stood at 24.2% of the annual BE as compared to the corresponding ratio of 27.7% for FY21.
- Center's capital expenditure showed a growth of 26.3% during 1QFY22 as compared to 40.1% during the corresponding period of FY21. Capital expenditure during April-June FY22 stood at 20.1% of the annual BE as compared to the corresponding ratio of 21.4% for FY21.

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



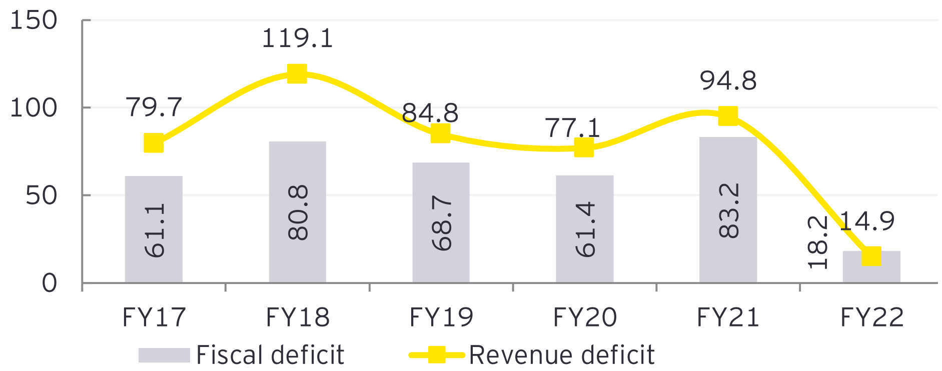
Source (basic data): Monthly Accounts, Controller General of Accounts (CGA), Government of India

While Center's revenue expenditure contracted by (-)2.4% during 1QFY22, capital expenditure was frontloaded, showing a growth of 26.3%.

C. Fiscal imbalance

- Center's fiscal deficit during 1QFY22 stood at 18.2% of the annual BE as compared to the corresponding ratio of 83.2% for FY21 (**Chart 5**). Fiscal deficit during April-June as a proportion of the annual BE in FY22 was the lowest since FY11 when it was at 10.5%.
- Center's revenue deficit during 1QFY22 as a proportion of the BE stood at 14.9%, its lowest level since FY11.

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



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

During 1QFY22, Center's fiscal deficit and revenue deficit as a proportion of their corresponding BE stood respectively at 18.2% and 14.9%, their lowest levels since FY11.

4. Comparative global perspective: India's direct fiscal stimulus was lowest amongst major economies

Discretionary fiscal response to COVID-19: a cross-country comparison

Chart 6: direct fiscal stimulus as a % of GDP

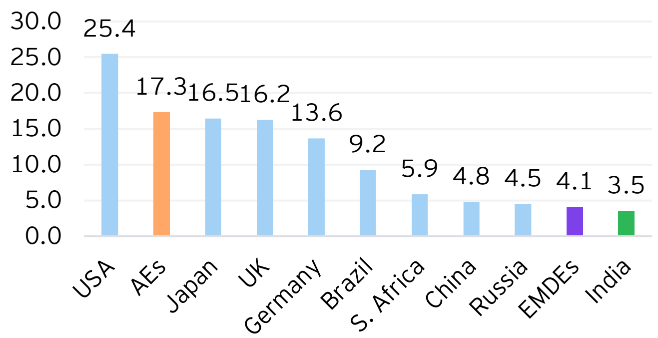
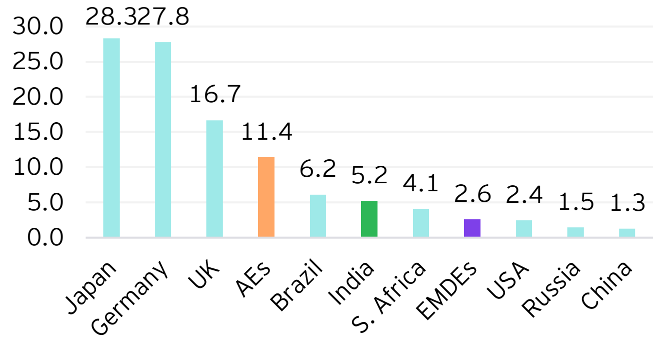


Chart 7: liquidity support as a % of GDP



Source: IMF Fiscal monitor database (July 2021)
Note: This analysis incorporates measures announced or undertaken since January 2020 up to 5 June 2021

- As a response to the COVID-19 pandemic, nearly all countries have announced stimulus measures. The IMF classifies fiscal support into different categories depending on their implications for public finances in the near term and beyond.
- In this analysis, direct fiscal stimulus refers to additional spending and forgone revenue. The impact of these measures is immediately reflected in government's budget deficit and debt.
- Liquidity support comprises below the line measures which include: a) equity injections, loans and asset purchase, b) government guarantees and c) quasi-fiscal operations such as non-commercial activity of public corporations on behalf of the government. These measures may have little or no upfront impact on the fiscal deficit unless they have a concessional component, but they can increase debt.
- Considering the period from January 2020 to June 2021, direct fiscal stimulus relative to GDP for AEs has been much higher at 17.3% as compared to just 4.1% for EMDEs. Amongst selected AEs, the highest direct fiscal stimulus relative to GDP has been for the US at 25.4%, followed by Japan at 16.5% and the UK at 16.2%. India's direct fiscal stimulus at 3.5% of GDP has been the lowest amongst selected countries and is also below the EMDE average at 4.1%.
- Quantified liquidity support measures relative to GDP for AEs at 11.4% has also been higher than that for EMDEs at 2.6%. Amongst selected AEs, while Japan, Germany and the UK have provided significant liquidity support, the US has not relied heavily on this category of stimulus.
- India's liquidity support relative to GDP at 5.2% is higher as compared to the EMDE average at 2.6%. India has relied relatively more on liquidity support measures as compared to direct stimulus measures as is the case with Japan, Germany and the UK also.

Direct fiscal stimulus: health and non-health components

Table 1: Health and non-health components (% to GDP)

Country	Total	Health	Non-health	Health as a % of total
USA	**25.4**	3.3	22.2	**12.9**
UK	**16.2**	7.5	8.7	**46.4**
Japan	**16.5**	1.9	14.6	**11.4**
Germany	**13.6**	1.8	11.8	**13.4**
Brazil	**9.2**	1.5	7.8	**15.8**
Russia	**4.5**	0.7	3.8	**16.0**
India	**3.5**	0.4	3.1	**10.3**
China	**4.8**	0.1	4.6	**3.0**
S. Africa	**5.9**	0.8	5.1	**13.1**

Source: IMF Fiscal monitor database (July 2021)

- The direct fiscal stimulus relative to GDP can be decomposed into health and non-health components.
- In all selected economies, the non-health component occupies a larger portion of the total direct stimulus.
- Comparing health component as a proportion of total direct stimulus, UK leads the selected set of countries at 46.4%, followed by Russia at 16.0%, Brazil at 15.8% and Germany at 13.4%.
- India's share of health component in the total direct stimulus at 10.3% is the second lowest after China.

5. In focus: IMF's reassessment of growth rates - India in a global perspective

1. Introduction

The prospects of global growth including India have recently been revisited by the IMF which published its revised forecasts for growth and selected fiscal parameters in its July 2021 update of the World Economic Outlook. The original forecasts covering the period 2021 to 2026 were published in April 2021. The revised forecasts relate to a limited number of variables and is only for two years namely, 2021 and 2022. The main change captured by the IMF between its April and July 2021 projections relates to the impact of COVID's second or subsequent waves for different economies of the world. The Indian economy was mainly affected by COVID's second wave in the month of April and May 2021. Many of the advanced economies (AEs) have been able to gather momentum in their respective vaccination drives and as a result, some of these economies have done better than what was anticipated in April 2021. However, subsequent COVID waves are now catching up and some of the AEs including the US and the UK are witnessing a tangible increase in the number of COVID cases. These effects, which are becoming visible now, may be captured in IMF's next update due in October 2021. Our focus in the present analysis is mainly on the performance of the Indian economy while we look at the growth and selected fiscal outcomes of India in a global context.

2. Re-assessment of growth outcomes

Table 2 gives IMF forecasts of real GDP growth for 2021 and 2022 for ten selected large economies. We also cover the growth prospects of the overall global economy. Comparing IMF's July 2021 forecasts with those of April 2021, it is seen that the growth prospects for 2021 are revised downwards for only three of the ten selected economies namely, Japan, India and China. In 2022 also, three countries show a lower growth than that projected in April 2021, but these countries are different from those in this group in 2021. These countries are the UK, Brazil and Russia. Perhaps, this latter downward revision reflects the anticipation of the impact of incomplete coverage of vaccination in these countries and/or resurgence of COVID cases due to new variants.

Table 2: IMF forecasts of real GDP growth (%): 2021 and 2022

#	Country	April 2021 forecast (%)	July 2021 forecast (%)	July 2021 minus April 2021 (% point)	April 2021 forecast (%)	July 2021 forecast (%)	July 2021 minus April 2021 (% point)
		2021			2022		
1	US	6.4	7.0	0.6	3.5	4.9	1.4
2	UK	5.3	7.0	1.7	5.1	4.8	-0.3
3	Japan	3.3	2.8	-0.5	2.5	3.0	0.5
4	Germany	3.6	3.6	0.0	3.4	4.1	0.7
5	France	5.8	5.8	0.0	4.2	4.2	0.0
6	Italy	4.2	4.9	0.8	3.6	4.2	0.6
7	Brazil	3.7	5.3	1.6	2.6	1.9	-0.7
8	Russia	3.8	4.4	0.6	3.8	3.1	-0.7
9	India*	12.5	9.5	-3.0	6.9	8.5	1.6
10	China	8.4	8.1	-0.3	5.6	5.7	0.1
11	**Global**	**6.0**	**6.0**	**0.0**	**4.4**	**4.9**	**0.5**

Source (basic data): IMF World Economic Outlook April 2021 and World Economic Outlook Update July 2021
*Data pertains to fiscal year, that is, 2021 implies 2021-22 (FY22) and 2022 implies 2022-23 (FY23)

We also note that some of the upward revisions for 2021 growth in the July 2021 update vis.-a-vis. the April 2021 forecasts may reflect some delayed loading of stimulus as well as IMF's assessment of the impact of the pace of opening up of these economies.

Table 3 shows that for five major economies namely, UK, Japan, Germany, France and Italy, the cumulated effect of two years of COVID in its multiple waves, has led to an erosion of real GDP such that at the end of 2021, these are likely to be lower than their respective real GDP levels in 2019. In India's case, the economy is expected to emerge on the positive side after two years, although only by a small margin of 1.5%. This would be so on the basis of the projected growth of 9.5% in FY22 (2021) which is lower than the April 2021 forecast at 12.5% by a margin of 3% points. India may still emerge in the negative territory if the economy is not able to show a real GDP growth of at least 7.8% which we had earlier estimated as the relevant benchmark[8]. Such an eventuality may arise if COVID's third wave turns out to be unduly strong. However, since India has invested in shoring up its health infrastructure after the second wave and there is considerable progress in the pace of vaccination, such an eventuality may not arise. Among the large economies, the US recovery appears to be quite strong with its real GDP in 2021 expected to be about 3.3% higher than that in 2019. Among other factors, the US has been able to launch a strong stimulus package focused largely on rebuilding its human and physical infrastructure.

Table 3: real GDP (in national currency, billion)

#	Country	Currency	2019	2020	2021	Excess of 2021 over 2019 (% change)
1	US	USD	19,099	18,430	19,721	3.3
2	UK	GBP	2,172	1,959	2,096	-3.5
3	Japan	JPY	5,54,301	5,28,248	5,43,039	-2.0
4	Germany	EUR	3,234	3,079	3,189	-1.4
5	France	EUR	2,331	2,145	2,269	-2.7
6	Italy	EUR	1,726	1,572	1,649	-4.4
7	Brazil	BRL	1,206	1,157	1,218	1.0
8	Russia	RUB	91,419	88,676	92,578	1.3
9	India*	INR	1,45,635	1,35,003	1,47,829	1.5
10	China	CNY	89,430	91,487	98,898	10.6

Source (basic data): IMF World Economic Outlook April 2021 and World Economic Outlook Update July 2021
*Data pertains to fiscal year, that is, 2021 implies 2021-22 (FY22) and 2022 implies 2022-23 (FY23)
Note: Magnitude of real GDP in national currency for the base year, that is, 2018 is taken from the April 2021 WEO. Real GDP growth rates for 2019,2020 and 2021 as given in WEO Update July 2021 are applied to estimated magnitude of GDP for each country in 2019, 2020 and 2021.

3. Impact on government deficit

The IMF, in its July 2021 forecast has also given its revised assessment of government deficit and debt relative to GDP for 2021. We note that in the April 2021 forecast, all selected countries listed in Table 4, show large magnitudes of fiscal deficit relative to GDP except Russia whose revenues depend on inflows from petroleum exports. The largest fiscal deficit relative to GDP as per the July 2021 forecast was that for the US at (-)13.3%, followed by the UK, India and Italy. Comparing the July 2021 forecasts with those of April 2021, the expected fiscal deficit has fallen for the US, Brazil and Japan. In the case of the US and Brazil, this largely reflects an improvement in anticipated GDP growth. In the case of Japan, although growth is likely to fall as per the July 2021 forecast relative to that of April 2021, the fiscal deficit is still anticipated to fall, indicating a lowering of the fiscal stimulus in absolute terms as compared to the earlier plans. For Germany, France, Italy, Russia and India, the IMF anticipates the fiscal deficit to increase in the July 2021 forecast as compared to the April 2021 forecast. The fiscal deficit to GDP ratio at 11.3% for India in FY22 (2021) pertains to the combined deficit of the central and the state governments. Considering the overall global picture, the expectation is that fiscal stimulus is likely to be moderated marginally as compared to the earlier estimates.

Table 4: general government fiscal deficit as a percentage of GDP: IMF forecasts for 2021

Countries	April 2021 forecast$	July 2021 forecast	July 2021 minus April 2021
	% of GDP		(% point)
US	-15.1	-13.3	1.8
UK	-11.7	-11.7	0.0
Japan	-9.4	-9.2	0.2
Germany	-5.4	-7.2	-1.8
France	-7.2	-9.3	-2.1
Italy	-8.8	-11.1	-2.3
Brazil	-8.3	-6.3	2.0
Russia	-0.8	-1.1	-0.3
India*	-10.0	-11.3	-1.3
China	-9.6	-8.3	1.3
Global	**-9.3**	**-8.8**	**0.5**

Source (basic data): IMF World Economic Outlook April 2021 and World Economic Outlook Update July 2021

*Data pertains to fiscal year, that is, 2021 implies 2021-22 (FY22) and 2022 implies 2022-23 (FY23); $for the purpose of arriving at consistent values we have reverse derived the April-2021 forecast values of general government deficit using July 2021 forecast and the percentage point difference between the two forecasts as given in the World Economic Outlook Update July 2021.

[8] Economy Watch June 2021; Economy Watch June 2021 (ey.com)

In the US, two multi-year spending packages equivalent to 18% of 2021 GDP have been proposed namely, the American Families Plan (US$2 trillion) and the American Jobs Plan (US$2.3 trillion). While these plans continue to provide support for vulnerable households, their main purpose is to strengthen recovery. Also, some EU countries hit by new COVID outbreaks in late March and April 2021, approved supplementary budgets or extended fiscal support for businesses, affected workers and the health care system (France, Germany, Italy). The effect of increased fiscal deficits is captured in revision of government debt as percentage of GDP which is discussed in the next section.

4. Impact on government debt

As a result of changes in fiscal deficit, the debt-GDP ratio forecasts for 2021 have also been revised by the IMF. In the case of the US, it is estimated as 134.5% of GDP at the end of 2021 which is exceeded only by Italy at 157.8% and Japan at 256.5%. In India's case, it is anticipated at 90.1% of GDP at the end of FY22 which is 3.5% points higher than the earlier estimate of 86.6%.

Table 5: general government debt at end 2021 as a percentage of GDP: IMF forecasts

Countries	April 2021 forecast$	July 2021 forecast	July 2021 minus April 2021
	% of GDP		(% point)
US	132.8	134.5	1.7
UK	107.2	107.0	-0.2
Japan	256.5	256.5	0.0
Germany	70.3	73.0	2.7
France	115.2	117.2	2.0
Italy	157.2	157.8	0.6
Brazil	98.4	91.8	-6.6
Russia	18.1	18.0	-0.1
India*	86.6	90.1	3.5
China	69.6	70.3	0.7
Global	**98.9**	**98.8**	**-0.1**

Source (basic data): IMF World Economic Outlook April 2021 and World Economic Outlook Update July 2021
*Data pertains to fiscal year, that is, 2021 implies 2021-22 (FY22) and 2022 implies 2022-23 (FY23) $for the purpose of arriving at consistent values we have reverse derived the April-2021 forecast values of general government debt using July 2021 forecast and the percentage point difference between the two forecasts as given in the World Economic Outlook Update July 2021.

5. India's emerging fiscal prospects: Center

In the next few sections of this write-up, we focus on India's fiscal prospects for FY22 based on information that has become available from the CGA for 1QFY22 fiscal aggregates of the center.

Tax revenue prospects

Table 6 shows y-o-y quarterly growth in center's tax revenues. We compare the 1QFY22 performance with that in the corresponding quarters in the last few years. A quarterly growth of 97.1% in 1QFY22 is quite unprecedented. It however largely reflects a strong base effect because in 1QFY21, there was a contraction of (-)32.6% in Center's gross tax revenues (GTR). The pattern of quarterly growth for earlier years indicates that 1Q growth rates have generally been relatively higher for GTR except in FY21. Growth in 1QFY21 was negative across the board for individual central tax categories also. In 1QFY22, the growth rate is the highest for customs, followed by CIT, PIT, UED and GST. In the case of customs duties, the central government had decided to increase the customs duty rates for selected items in the beginning of FY21. Its positive impact became visible in 3Q and 4Q of FY21 when the economy started to recover and import growth picked up substantially.

Table 6: center's tax revenues: quarterly growth (y-o-y, %)

Quarter	Gross taxes	Direct taxes	CIT	PIT	Indirect taxes	GST	UED	Customs
1Q FY17	30.6	26.9	3.9	53.4	34.5	--	60.5	17.8
2Q FY17	8.7	-0.1	1.6	-2.9	19.4	--	40.7	-5.2
3Q FY17	21.0	14.3	8.5	25.6	24.2	--	37.4	4.2
4Q FY17	17.1	16.2	11.6	23.4	14.6	--	15.9	14.2
1QFY18	15.2	16.6	24.3	10.6	13.4	--	7.3	15.0
2QFY18	23.0	11.7	6.0	21.7	30.3	--	-29.1	-56.7
3QFY18	13.4	22.6	25.3	18.1	8.1	--	-43.5	-60.3
4QFY18	1.0	21.7	19.1	25.4	-16.7	--	-43.7	-67.5
1QFY19	22.1	6.2	-1.2	12.8	36.3	--	-38.1	-47.1
2QFY19	0.1	23.5	26.1	19.7	-16.8	-13.5	-7.3	32.2
3QFY19	3.2	10.9	9.9	12.8	-5.3	-13.8	5.1	41.1
4QFY19	12.6	15.7	20.4	9.3	8.6	13.9	-1.3	10.0
1QFY20	1.4	9.7	6.3	12.3	-4.0	-5.9	-7.7	16.9
2QFY20	1.6	2.8	0.8	6.2	0.1	1.2	-2.6	5.5
3QFY20	-10.6	-22.5	-34.6	-1.8	4.5	21.1	2.7	-59.1
4QFY20	-4.4	-11.5	-20.6	2.0	6.1	-2.1	15.8	15.7
1QFY21	-32.6	-30.6	-23.3	-35.9	-34.5	-35.2	-4.3	-61.0
2QFY21	-13.1	-31.9	-46.1	-10.1	11.5	-1.4	58.4	-23.0
3QFY21	33.1	30.5	34.8	25.5	35.3	4.3	87.3	194.8
4QFY21	9.6	-9.7	-22.8	5.4	33.9	-1.1	77.9	129.7
1QFY22	97.1	111.8	128.2	97.5	85.2	71.0	92.1	168.3

Source: Monthly Accounts, CGA
Notes: (1) Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, CGST, UTGST, IGST and GST compensation cess
(2) Other taxes (securities transaction tax, wealth tax, fringe benefit tax, banking cash transaction tax, etc.) are included in the center's gross tax revenues along with direct and indirect taxes.

Table 7 shows that center's GTR in 1Q as a percentage of the full year BE for FY22 is 24.0% which is much higher than the corresponding ratios to actuals in recent years covering FY17 to FY21. This reflects that the recovery in center's GTR in 1QFY22 may lead to an upward revision in the budget estimates for the fiscal year in due course. However, this would be conditional upon the Indian economy maintaining the momentum of recovery and avoiding any adverse impact of COVID's second or subsequent waves. Should this happen, it would strengthen the case for financing additional stimulus in the remaining part of FY22. This is discussed in detail in sections 7 and 8 of this write-up.

Table 7: center's tax revenues as percentage of annual actuals (BE for FY22)

Quarter	Gross taxes	CIT	PIT	GST	UED	Customs
1Q FY17	16.4	11.2	20.3	--	15.8	24.6
1QFY18	16.9	11.8	18.7	--	25.0	49.5
1QFY19	19.0	10.0	18.7	27.8	17.3	28.7
1QFY20	19.9	12.7	20.2	25.4	15.4	36.2
1QFY21	13.3	11.9	13.2	17.9	9.1	11.4
1QFY22	24.0	22.6	21.9	26.8	20.3	30.4

Source: Monthly Accounts, CGA and Union Budget

Prospects for non-tax revenues and non-debt capital receipts

Table 8 gives even better prospects for the growth of non-tax revenues. In 1QFY22, non-tax revenues show an unprecedented growth of 738.4%. It is notable that the dividend that the central government receives from the RBI has been substantially raised in terms of its magnitude. RBI's dividend to the central government in FY22 at

INR99,122 crores looks quite high although it partly reflects the effect of a change in the RBI's accounting year from July-June to April-March. The RBI paid the dividend of the nine months of the previous year in the first quarter of the current year. In the case of non-debt capital receipts, the high growth rate of 107.2% in 1QFY22 largely reflects base effect.

Table 8: center's non-tax revenue and non-debt capital receipts: quarterly growth (y-o-y, %)

Quarter	Non-tax revenues	Non-debt capital receipts
1Q FY17	-40.6	52.6
2Q FY17	-8.5	-47.8
3Q FY17	67.9	522.7
4Q FY17	32.2	-22.9
1QFY18	-6.5	106.4
2QFY18	-38.2	113.7
3QFY18	-48.7	76.9
4QFY18	-19.2	77.2
1QFY19	39.3	11.3
2QFY19	33.1	-60.2
3QFY19	18.7	-22.9
4QFY19	18.4	18.2
1QFY20	9.4	-56.1
2QFY20	124.0	129.9
3QFY20	-15.0	-63.8
4QFY20	-4.3	-43.2
1QFY21	-54.6	-25.0
2QFY21	-56.1	-30.1
3QFY21	3.0	77.1
4QFY21	-2.8	-34.8
1QFY22	738.4	107.2

Source: Monthly Accounts, CGA and Union Budget

Table 9: center's non-tax revenues and nondebt capital receipts as percentage of annual actuals (BE for FY22)

Quarter	Non-tax revenues	Non-debt capital receipts
1Q FY17	8.6	7.2
1QFY18	11.7	8.1
1QFY19	13.0	9.6
1QFY20	10.3	6.9
1QFY21	7.3	6.2
1QFY22	52.4	3.9

Source: Monthly Accounts, CGA

Table 9 shows that in 1QFY22, a relatively high portion of the budgeted annual amount of non-tax revenues has already been raised. Even if the remaining quarters remain normal, the year as a whole may show significantly better performance. The performance of non-debt capital receipts largely reflects a significantly ambitious budgeted target under this head. FY22 may turn out to be a more normal year where the budgeted target may remain underachieved.

On the whole, the revenue side of center's budget reflects positive prospects, and in all likelihood, revenue receipts in FY22 may improve upon the budget estimates by a tangible margin. As this trend becomes more evident, the central government will have a choice to use the additional revenues for supporting the economy by increasing expenditures over and above the budgeted amounts. Alternatively, the central government may choose to reduce the fiscal deficit below the budgeted magnitude. Given the need to strengthen the growth momentum, the first option may be considered more relevant and desirable. However, the revenue side prospects should be matched with the expenditure side compulsions.

Expenditure side prospects

Table 10 captures growth in center's expenditures as divided into revenue and capital expenditure. It is noted that the quarterly growth in total expenditures at 0.7% in 1QFY22 is much below the corresponding figures of earlier years. There has however been an emphasis on frontloading capital expenditure while delaying revenue expenditures.

Table 10: center's expenditures: quarterly growth (y-o-y, %)

Quarter	Total expenditure	Revenue expenditure	Capital expenditure
1Q FY17	18.8	24.3	-16.4
2Q FY17	7.6	4.9	23.5
3Q FY17	9.6	15.2	-23.1
4Q FY17	6.9	-1.8	62.0
1QFY18	27.1	25.8	39.5
2QFY18	-3.4	-2.2	-9.2
3QFY18	24.4	16.0	96.3
4QFY18	-13.1	3.2	-75.4
1QFY19	8.7	6.6	27.3
2QFY19	19.7	23.9	-3.1
3QFY19	-4.0	4.1	-45.5
4QFY19	9.1	-7.0	268.1
1QFY20	2.0	6.1	-27.6
2QFY20	28.6	23.3	64.6
3QFY20	17.7	15.5	38.2
4QFY20	19.4	27.8	-14.7
1QFY21	13.1	10.5	40.1
2QFY21	-13.5	-8.8	-37.7
3QFY21	28.9	18.9	110.5
4QFY21	113.5	125.1	42.6
1QFY22	0.7	-2.4	26.3

Source: Monthly Accounts, CGA

As a percentage of the annual budgeted expenditure, center's revenue and capital expenditures in 1QFY22 do not appear out of line with the corresponding ratios relative to actuals in the previous years, FY17 onwards.

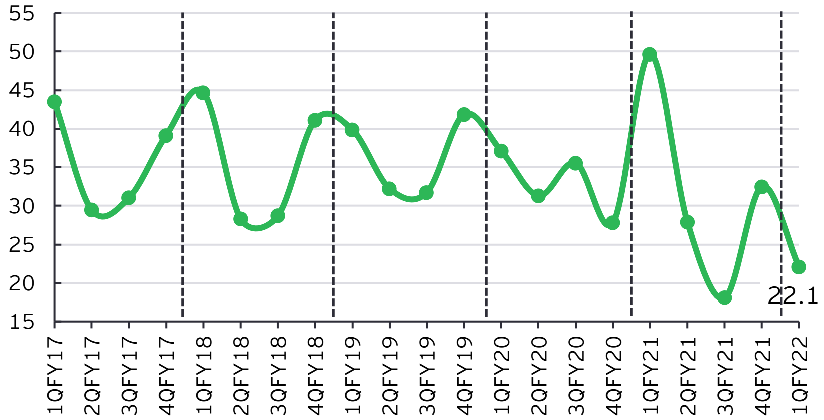
Table 11: center's expenditure as percentage of annual actuals (BE for FY22)

Quarter	Total expenditure	Revenue expenditure	Capital expenditure
1Q FY17	25.9	27.3	17.1
1QFY18	30.4	31.0	26.0
1QFY19	30.6	30.9	28.3
1QFY20	26.9	28.0	18.7
1QFY21	23.2	23.6	20.8
1QFY22	23.6	24.2	20.1

Source: Monthly Accounts, CGA and Union Budget

6. Fiscal prospects for states

Chart 8: assignment to states as a % of center's GTR

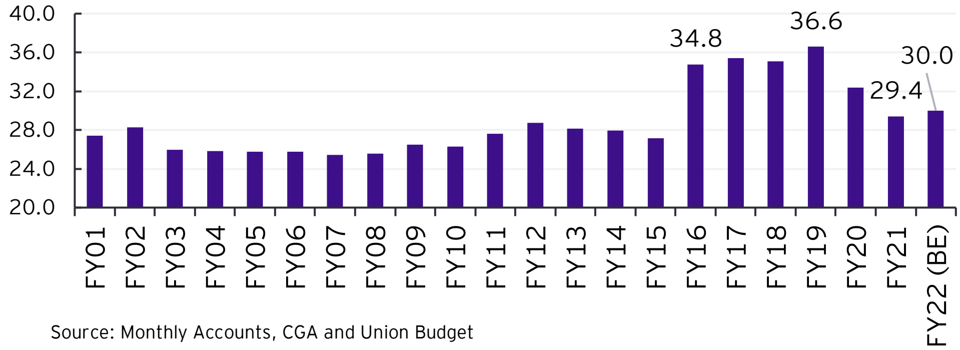


Source: Monthly Accounts, CGA and Union Budget

The performance of center's GTR has a significant bearing on state tax revenues since state finances depend heavily on their share in the devolution from the center. Chart 8 shows that states have received one of the lowest shares in center's GTR in 1QFY22 at 22.1%. This is possibly due to two factors. First, receipts under center's GTR in 1QFY22 have been higher than expected. Second, assignment to states is formula based, dividing the anticipated budgeted amount into equal monthly shares disbursed over 10 months while the months of February and March are generally used to make adjustments in line with actual collections.

Chart 9 shows longer term trends in the share of states in center's GTR. It may be noted that this share used to be in the range of 27-28%, averaging at 26.8% during FY01 to FY15. This share was raised to a range of 32.4%-36.6%, averaging 34.9% during FY16 to FY20. This upward shift reflects the increase in the recommended share of states from 32% to 42% of the sharable pool of central taxes by the Fourteenth Finance Commission (FC 14). It is noted that the average of 34.9% for the FC 14 period is well below the recommended share of 42%. This difference is mainly due to the role played by center's cesses and surcharges. The effective share of states in central taxes has been lowered further to 29.4% and 30% respectively in FY21 and FY22 (BE) which are the first two years of the Fifteenth Finance Commission (FC 15). This is despite the FC 15 maintaining parity with the FC14's recommended share of 42%, by reducing it to 41% which reflected the effect of the change in the number of states from 29 to 28.

Chart 9: assignment to states as a % of center's GTR



Source: Monthly Accounts, CGA and Union Budget

7. Fiscal prospects for the center

As per the CGA data for 1QFY22, fiscal and revenue deficits as a percentage of their corresponding BE are much lower than the corresponding numbers relative to actuals for the period FY17 to FY21 **(Table 12)**. This is partly due to robust growth in center's gross and net tax revenues which implied lower dependence on borrowing in 1QFY22 and partly due to the fact that growth in revenue expenditures, as noted earlier, was negative. However, in order to support growth, the central government may need to uplift its spending particularly on sectors which may be characterized by relatively high multiplier effects with respect to growth and employment. We expect that with limited room for a monetary stimulus, there would be progressively higher reliance on fiscal stimulus in the remaining part of the fiscal year. In 1Q and 2Q of FY22, the central government had notified certain curbs on different ministries and departments with a view to curtailing their budgeted expenditures in the early part of the year. These may have to be relaxed in 3Q and 4Q of FY22 to support growth in demand[9].

Table 12: center's deficits as a % of annual actuals (BE for FY22)

Quarter	Fiscal deficit	Revenue deficit
1Q FY17	60.7	89.0
1QFY18	74.7	85.3
1QFY19	66.1	77.6
1QFY20	46.2	56.0
1QFY21	36.4	39.7
1QFY22	18.2	14.9

Source: Monthly Accounts, CGA and Union Budget

8. Concluding observations

Looking at the need to reboot the economy after COVID's deleterious effects in FY21 and in 1QFY22, the policymakers would now need to focus on strategic growth initiatives to provide a solid foundation for a robust medium-term growth. For this purpose, it is important to catch up with the progress made so far in regard to the earlier planned National Infrastructure Pipeline (NIP) which may have been partially derailed due to COVID. It is time now to take stock of the status of investment in NIP and identify sectors characterized by deficient investment measured against the original NIP targets. With strong base effects expected in the remaining part of the fiscal year, we consider that center's tax prospects may show a tangible improvement over the budgeted estimates. For non-tax revenues, with RBI providing a significant uplift in its dividends to the government in 1QFY22, the budgeted target for this year is likely to be met if not exceeded. The only likely shortcoming may be with respect to government's non-debt capital receipts, primarily due to excessive expectations in regard to disinvestment and monetization of assets. With revenue receipts likely to be more than the budgeted magnitudes, the government may have the option to either lower the fiscal deficit or increase the expenditures as compared to the budgeted magnitudes. It may be desirable to go for the second option so as to support growth and lay a foundation for medium-term growth. This would require sustained emphasis on building up infrastructure including that of the health sector.

[9] 7191_curtailing.pdf (pcdawc.gov.in)

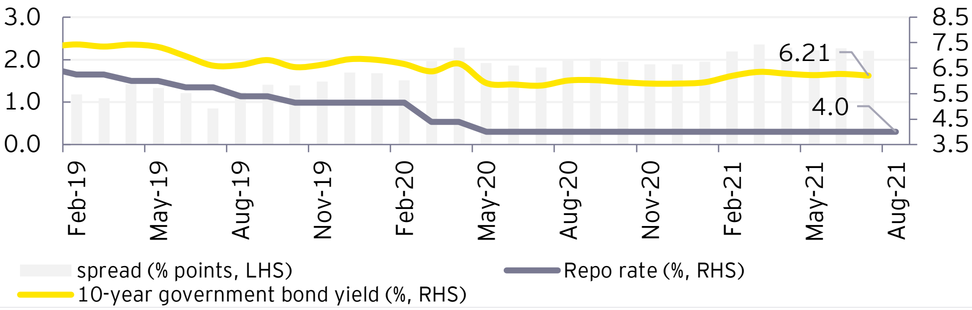
6. Money and finance: the RBI retained the repo-rate at 4.0% in August 2021

A. Monetary sector

Monetary policy

- The RBI, in its monetary policy review held on 6 August 2021, retained the repo rate at 4.0% (Chart 10) for the seventh consecutive time as CPI inflation in May and June 2021 remained above the RBI's upper tolerance limit of 6%. While retaining the reverse repo rate at 3.35%, the RBI also maintained an accommodative policy stance in order to revive and sustain the growth momentum.
- In RBI's assessment, the inflation outlook may be influenced by: (a) likely easing of price pressure on selected food items due to the revival of south-west monsoon, pick-up in kharif sowing, adequate food stocks and supply side interventions by the government, (b) surging input prices across manufacturing and services which may be partly counterbalanced by weak demand and cost cutting measures, and (c) elevated level of international crude prices.

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



Source: Database on Indian Economy, RBI

The RBI retained the repo rate at 4.0% in the monetary policy review held on 6 August 2021.

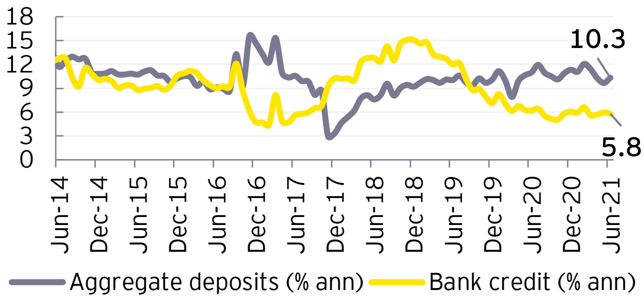
Money stock

- Growth in broad money stock (M3) fell to a 16-month low of 9.9% in July 2021. This was due to a fall in the growth of both time deposits and narrow money (M1). Growth in time deposits fell to 8.7% in July 2021 from 9.2% (revised) in June 2021.
- Growth in M1 moderated marginally to 13.8% in July 2021 from 15.4% in June 2021 due to a fall in the growth of currency in circulation to 10.3% in July 2021 from 12.3% in June 2021. Growth in demand deposits fell marginally to 19.4% in July 2021 from 20.0% in June 2021.

Aggregate credit and deposits

- Growth in bank credit remained subdued as it moderated to 5.8% in June 2021 from 6.0% in May 2021 (**Chart 11**). Indicative of subdued demand in the economy, growth in bank credit averaged 5.8% in 1QFY22, significantly lower than the corresponding average growth of 10.7% over the last 10 years.
- Growth in non-food credit at 5.4% in June 2021 was marginally lower than that in May 2021 at 5.5%.
- Sectoral deployment of bank credit[10] indicates that the outstanding credit to industries contracted for the first time since February 2021 by (-)0.3% in June 2021, pointing to continued weakness in industrial activity. Within the industrial sector, growth in credit to infrastructure fell to a four-month low of 2.2% in June 2021. Credit to iron and steel contracted sharply to a historic low of (-)22.6% in June 2021. Contraction in credit to cement sector moderated marginally to (-)12.1%

Chart 11: growth in credit and deposits



Source: Database on Indian Economy, RBI

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

in June 2021 from (-)13.2% in May 2021. Credit to industries posted a low growth of 0.3% in 1QFY22 although better than a contraction of (-)0.4% in 4QFY21.

- Growth in credit to services sector increased to 2.9% in June 2021 from 1.1% in May 2021. However, in 1QFY22, it fell to a historic low of 1.6%. Growth in credit to agricultural sector slowed to 11.4% in June 2021 from 12.1% in May 2021. During 1QFY22, credit to agriculture grew by 11.9% as compared to 10.8% in 4QFY21.
- Growth in personal loans moderated to 11.9% in June 2021 from 12.4% in May 2021.
- Growth in aggregate bank deposits improved marginally to 10.3% in June 2021 from 9.7% in May 2021 led by a higher growth in both time deposits and demand deposits. In 1QFY22, growth in aggregate deposits fell to 10.1% from 11.5% in 4QFY21.

B. Financial sector

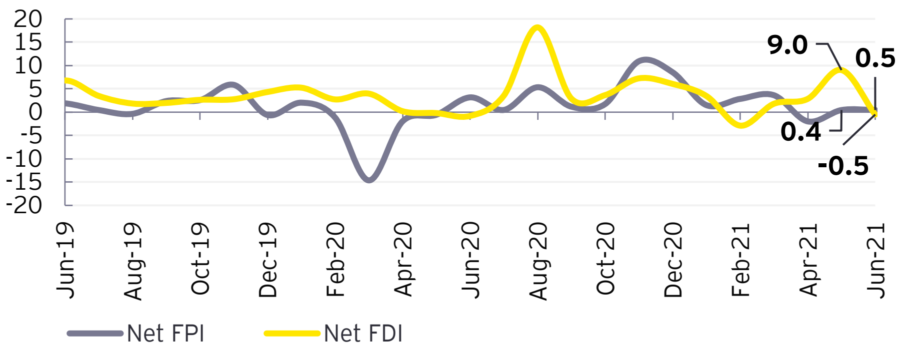
Interest rates

- As per the data released by the RBI on 6 August 2021, the average interest rate on term deposits with a maturity of more than one year was retained for the tenth successive month at 5.20% in July 2021, with the actual rate ranging from 4.90% to 5.50%.
- The average MCLR fell marginally to 6.78% in July 2021 from 6.80% in June 2021, with the actual rate ranging between 6.55% and 7.00%.
- The average yield on 10-year government bonds fell marginally to 6.21% in July 2021 from 6.27% in June 2021 **(Chart 10)**. Despite elevated CPI inflation rates, continued liquidity support by the RBI[11] may have lowered the pressure on government bond yields.
- WALR on fresh rupee loans by SCBs was at 7.80% in June 2021, close to the rate of 7.81% in May 2021.

FDI and FPI

- As per the provisional data released by the RBI on 17 August 2021, overall foreign investments (FI)[12] registered outflows amounting to US$(-)0.05 billion in June 2021 as compared to inflows of US$9.6 billion in May 2021. In 1QFY22, FI inflows amounted to US$10.3 billion as compared to outflows of US$(-)0.2 billion in 1QFY21.

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



Source: Database on Indian Economy, RBI

In June 2021, net FDI outflows amounted to US$(-) 0.5 billion, a four-month low, as compared to net inflows of US$9.0 billion in May 2021.

- Net FDI outflows amounted to US$(-)0.5 billion in June 2021 as compared to inflows of US$9.0 billion in May 2021 **(Chart 12)**. Gross FDI inflows were lower at US$4.2 billion in June 2021 as compared to US$12.1 billion in May 2021. Net FDI inflows were at US$11.4 billion in 1QFY22 as compared to net outflows of US$(-)0.8 billion in 1QFY21.
- Net FPI inflows were at US$0.5 billion in June 2021 as compared to US$0.4 billion in May 2021. In 1QFY22, net FPI outflows amounted to US$(-)1.1 billion as compared to inflows of US$0.6 billion in 1QFY21.

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[11] Details of RBI's interventions through OMOs under G-SAP 2.0 can be accessed at (a) https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51900 and (b) https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=51854

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

7. Trade and CAB: merchandise trade deficit rose to a three-month high of US$11.0 billion in July 2021

Home

A. CAB: current account posted a deficit of (-)1.0% of GDP in 4QFY21

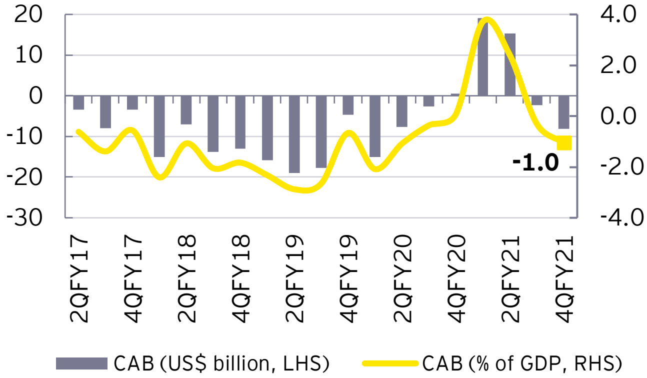
Current account recorded a deficit for the second successive quarter at (-)1.0% of GDP in 4QFY21, higher than (-)0.3% of GDP in 3QFY21 **(Chart 13, Table 13).** Net merchandise trade deficit deteriorated to (-)5.4% of GDP in 4QFY21 from (-)4.7% of GDP in 3QFY21. Merchandise exports relative to GDP increased to 11.7% in 4QFY21 from 10.4% in 3QFY21 reflecting revival in external demand. Merchandise imports rose to a seven-quarter high of 17.1% of GDP in 4QFY21. Net invisible receipts fell to a 12-quarter low of 4.3% of GDP in 4QFY21 partly reflecting the moderation in net transfers to 2.4% of GDP. In FY21, current account posted a surplus of 0.9% of GDP.

Table 13: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY18	-48.7	-1.8	-160.0	111.3
FY19	-57.3	-2.1	-180.3	123.0
FY20	-24.7	-0.8	-157.5	132.8
FY21	32.1	0.9	-60.4	92.5
1QFY21	19.1	3.7	-11.0	30.0
2QFY21	15.3	2.4	-14.8	30.1
3QFY21	-2.2	-0.3	-34.6	32.4
4QFY21	-8.2	-1.0	-41.7	33.6

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

Chart 13: CAB



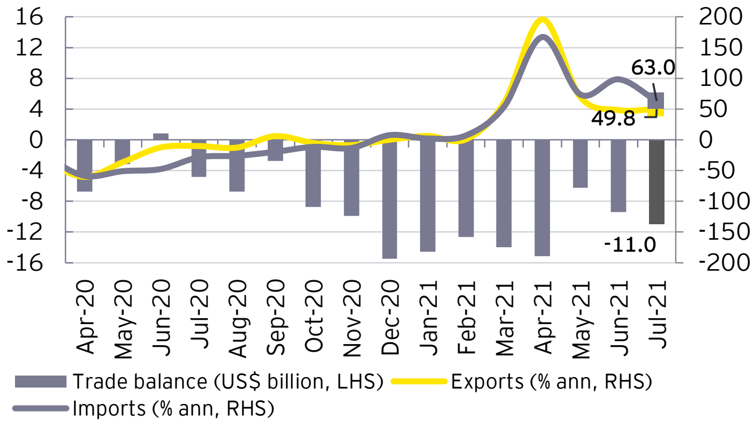
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise trade deficit increased to US$11.0 billion in July 2021 from US$9.4 billion in June 2021.

- Merchandise exports and imports growth (y-o-y) remained high at 49.8% and 63.0% respectively in July 2021 due partly to favorable base effects **(Chart 14)**. Compared to July 2019 levels, exports grew by 34.5% in July 2021, reflecting pickup in external demand. Imports were 16.7% higher than their July 2019 levels.
- On a y-o-y basis, exports growth of petroleum products, engineering goods and organic and inorganic chemicals were at 231.0%, 42.6% and 28.5% respectively in July 2021. However, as compared to July 2019 levels, these sectors grew by 60.4%, 54.6% and 28.4% respectively.
- Similarly, imports of oil, gold and electrical and non-electrical machinery experienced high y-o-y growth rates of 97.4%, 135.6% and 31.3% respectively in July 2021. Compared to July 2019 however, machinery imports contracted by (-)11.4%, oil imports grew by 34.3% reflecting high global crude prices, and gold imports rose by 145.4% due to pent up demand.
- Although the y-o-y growth in exports and imports excluding oil, gold and jewelry was high at 28.2% and 38.8% respectively in July 2021, compared to July 2019, imports showed a contraction of (-)0.2% whereas exports showed a growth of 32.5%.
- The rupee depreciated to INR74.5 per US$ (average) in July 2021 as compared to INR73.6 per US$ in June 2021 partly due to the widening trade deficit and elevated commodity prices.

Chart 14: developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

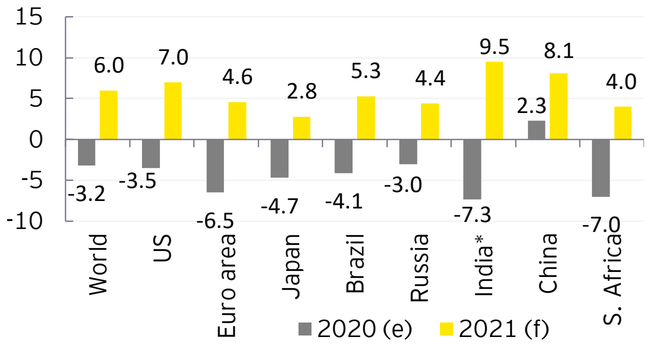
8. Global growth: IMF projected global growth at 6.0% in 2021

The IMF has projected global growth at 6.0% in 2021 with India's growth forecasted at 9.5% in FY22.

A. Growth outlook

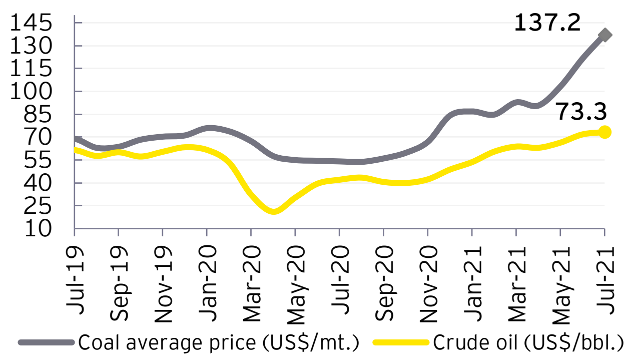
- The IMF (World Economic Outlook Update, July 2021) projected global GDP to show a growth of 6.0% in 2021 following a contraction of (-)3.2% in 2020 **(Chart 15).** The projection for 2021 is unchanged from the April 2021 forecast but there are offsetting revisions across AEs and EMDEs reflecting differences in pandemic developments and policy shifts.
- While growth forecast for the EMDEs in 2021 has been revised down by 0.4% points to 6.3%, forecast for AEs has been revised up by 0.5% points to 5.6%.
- In the US, growth has been sharply revised up to 7.0% in 2021 led by the impact of anticipated legislation boosting infrastructure investment and strengthening the social safety net in the second half of 2021. The additional support is expected to lead to a 0.3%-point increase in the 2021 US GDP growth with positive spillovers for trading partners.
- In Japan, growth rate in 2021 has been revised down to 2.8% reflecting higher COVID-related restrictions in the first half of the year. A stronger rebound is expected in the second half of 2021 as vaccination gathers momentum and the economy fully reopens. A similar strengthening in growth momentum in the second half of 2021 is expected in Euro area economies including France, Germany, Italy, and Spain, carrying over into 2022.
- China's 2021 growth forecast has been revised down by 0.3% points to 8.1% on account of a scaling back of public investment and overall fiscal support.
- India's growth forecast for 2021 (FY22) has been revised down by 3% points to 9.5% following the severe second COVID wave during March to May 2021 and expected slow recovery thereafter.
- Brazil's 2021 growth has been revised up to 5.3% due to better than expected outcomes in the first quarter of 2021 and improving terms of trade.

Chart 15: growth projections (%)



Source: IMF World Economic Outlook Update (July 2021)
(e): estimated, (f): forecasted; *data for India pertains to fiscal year

Chart 16: global crude and coal prices



Source (basic data): World Bank, Pink Sheet, August 2021

B. Global energy prices: average global crude price increased to US$73.3/bbl. in July 2021, its highest level since October 2018

- Average global crude price[13] increased to US$73.3/bbl. in July 2021, its highest level since October 2018 **(Chart 16).** This may be attributable to a faster growth in demand relative to supply helped by the increasing pace of vaccination across countries despite some resurgence in COVID cases.
- Average global coal price[14] increased to US$137.2/mt. in July 2021, its highest level since September 2008.

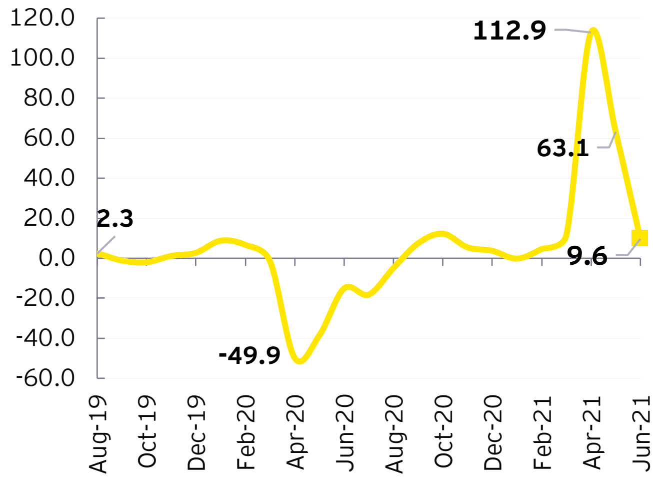
[13] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[14] Simple average of Australian and South African coal prices

9. Index of Aggregate Demand (IAD): growth in IAD fell to 9.6% in June 2021

With a weakening favorable base effect, growth in IAD fell to 9.6% in June 2021

- EY has developed an IAD to reflect the monthly combined demand conditions in the agriculture, manufacturing and services sectors. It considers the movements in PMI for manufacturing and services, both measured in non-seasonally adjusted terms, tracing the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- Growth in IAD was lower at 9.6% in June 2021 as compared to 63.1% in May 2021 largely indicative of a subsiding base effect (**Chart 17**).
- Demand conditions worsened further in both industrial and services sectors during June 2021 due to the impact of COVID's second wave **(Table 14)**. However, demand conditions in agricultural sector remained robust as reflected by a double-digit growth in agricultural credit offtake during June 2021.

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



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

Table 14: IAD

Month	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
IAD	**141.7**	**136.8**	**136.3**	**137.8**	**144.3**	**140.7**	**135.2**	**126.5**	**118.3**
Growth (% y-o-y)	12.3	5.4	3.7	-0.2	4.6	11.5	112.9	63.1	9.6
Growth in agr. credit	7.4	8.5	9.4	9.9	10.2	12.3	12.2	12.1	11.4
Mfg. PMI**	9.4	6.5	6.9	7.8	8.0	5.5	5.0	-0.9	-3.5
Ser. PMI**	7.2	3.6	2.2	2.3	8.6	5.6	0.6	-4.1	-10.7

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

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

10. Capturing macro-fiscal trends: data appendix

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

Fiscal year/ quarter/ month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/ quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY18	4.4	2.3	4.7	5.3	4.3	FY18	51.5	50.0
FY19	3.8	2.8	3.8	5.2	4.4	FY19	52.8	52.2
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.6	-7.8	-9.8	-0.5	-7.0	FY21	50.2	41.7
2QFY21	-5.7	-7.0	-6.3	0.1	-4.8	2QFY21	51.6	41.9
3QFY21	1.7	-3.2	1.8	6.7	-0.4	3QFY21	57.2	53.4
4QFY21	6.0	-0.1	6.8	9.2	3.5	4QFY21	56.9	54.2
1QFY22	44.9	27.3	53.7	16.8	25.3	1QFY22	51.5	47.2
Mar-21	24.2	6.1	28.4	22.5	12.6	Apr-21	55.5	54.0
Apr-21	134.6	36.3	197.9	38.5	60.9	May-21	50.8	46.4
May-21	28.6	23.3	33.5	7.5	16.3	Jun-21	48.1	41.2
Jun-21	13.6	23.1	13.0	8.3	8.9	Jul-21	55.3	45.4

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

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

Fiscal year/ quarter/ month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY18	3.6	1.8	6.2	4.6	2.9	1.9	2.7	8.2	3.0
FY19	3.4	0.1	5.7	5.5	4.3	0.6	3.7	11.5	4.2
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	3.9	2.7	-8.0	2.2
2QFY21	6.9	9.7	2.9	5.4	0.5	5.5	1.3	-9.2	0.5
3QFY21	6.4	7.9	2.2	5.7	1.9	4.0	3.3	-8.1	3.0
4QFY21	4.9	3.5	3.9	5.9	5.1	2.9	6.5	2.5	6.3
1QFY22	5.6	4.0	10.8	6.1	12.0	7.5	10.5	30.0	9.8
Apr-21	4.2	2.0	8.0	5.4	10.7	7.5	9.4	21.3	8.7
May-21	6.3	5.0	11.9	6.6	13.1	8.2	11.3	36.7	10.4
Jun-21	6.3	5.1	12.6	6.3	12.1	6.7	10.9	32.8	10.4
Jul-21	5.6	4.0	12.4	6.0	11.2	4.5	11.2	26.0	10.8

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY 18 (CGA)	11.8	17.8	19.9	18.6	6.1	3.5	2.6
FY 19 (CGA)	8.4	16.2	13.1	14.9	3.0	3.4	2.4
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.6	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.4
FY 22 (BE over FY 21 RE)	16.7	22.6	22.2	22.4	11.4	6.8	5.1
Cumulated growth (%, y-o-y)						% of budgeted target	
Nov-20	-12.6	-35.7	-12.3	-24.4	-2.4	135.1	139.9
Dec-20	-3.2	-15.4	-6.2	-11.2	4.2	62.7#	60.6#
Jan-21	-1.0	-14.9	-5.5	-10.5	7.5	66.8#	62.7#
Feb-21	-0.7	-16.2	-4.2	-10.4	7.8	76.0#	71.6#
Mar-21	0.7	-17.9	-2.3	-10.7	12.7	98.5#	99.9#
Apr-21	151.8	65.9	76.7	72.2	325.5	5.2	2.8
May-21	147.9	155.9	111.0	125.5	164.0	8.2	5.7
Jun-21	97.1	128.2	97.5	111.8	85.2	18.2	14.9

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 % of revised targets for FY21, fiscal and revenue deficits until November 2020 are as % of FY21 budget targets.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (Center)
	INR crore				
FY 2021 (RE)	4,31,000	-	-	84,100	5,15,100
FY 2022 (BE)	5,30,000	-	-	1,00,000	6,30,000
Monthly tax collection (INR crore)					
Nov-20	39,803	132	7,612	8,029	55,576
Dec-20	43,040	144	12,408	8,248	63,840
Jan-21	44,666	324	6,769	8,332	60,091
Feb-21	66,641	410	-37,308	9,349	39,092
Mar-21	56,818	322	-10,358	8,431	55,213
Apr-21	55,458	161	4,787	9,187	69,593
May-21	28,292	164	15,341	8,886	52,683
Jun-21	33,696	170	6,377	6,565	46,808

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-20	4.00	FY18	7.5	7.5	30.3	22.1	FY18	21.8	9.2	7.05	424.4
Oct-20	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.68	411.9
Nov-20	4.00	FY20	9.4	9.9	43.0	1.4	FY20	11.2	8.9	6.80	475.6
Dec-20	4.00	FY21	5.9	11.0	43.2	36.8	FY21	16.1	11.7	6.04	579.3
Jan-21	4.00	2QFY21	5.7	11.1	24.6	7.0	2QFY21	18.6	12.2	5.95	542.0
Feb-21	4.00	3QFY21	5.6	10.8	17.0	21.2	3QFY21	19.6	12.4	5.91	580.8
Mar-21	4.00	4QFY21	6.0	11.5	2.4	8.0	4QFY21	16.2	12.2	6.16	579.3
Apr-21	4.00	1QFY22	5.8	10.1	11.4	-1.1	1QFY22	15.4	10.7	6.26	609.0
May-21	4.00	Mar-21	5.6	11.4	1.8	3.6	Apr-21	16.4	11.1	6.28	588.0
Jun-21	4.00	Apr-21	5.7	10.3	2.8	-2.0	May-21	15.1	10.3	6.23	598.2
Jul-21	4.00	May-21	6.0	9.7	9.0	0.4	Jun-21	15.4	10.7	6.27	609.0
Aug-21	4.00	Jun-21	5.8	10.3	-0.5	0.5	Jul-21	13.8	9.9	6.21	620.6

Source: Database on Indian Economy - RBI

Table A5: external trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2011	4.3	1.8	6.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2012	3.5	1.2	5.4
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2013	3.5	1.4	5.1
FY21	-7.3	-17.4	-98.6	74.2	43.8	67.2	2014	3.5	2.1	4.7
2QFY21	-5.6	-24.8	-14.3	74.4	42.0	54.6	2015	3.4	2.4	4.3
3QFY21	-4.5	-5.6	-34.0	73.8	43.6	70.2	2016	3.3	1.8	4.5
4QFY21	19.6	18.4	-41.1	72.9	59.3	88.1	2017	3.8	2.5	4.8
1QFY22	85.9	108.7	-30.8	73.8	67.1	105.1	2018	3.5	2.2	4.5
Apr-21	195.7	167.1	-15.1	74.5	63.0	90.7	2019*	2.8	1.6	3.7
May-21	69.4	73.6	-6.3	73.3	66.4	103.2	2020*	-3.2	-4.6	-2.1
Jun-21	48.3	98.3	-9.4	73.6	71.8	121.4	2021*	6.0	5.6	6.3
Jul-21	49.8	63.0	-11.0	74.5	73.3	137.2	2022*	4.9	4.4	5.2

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook April 2021 and World Economic Outlook Update July 2021.
* revised values as per July 2021 WEO; Note: forecasts for 2021 and 2022.

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

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY18 (3rd RE)	6.2	6.6	-5.6	7.5	10.6	5.2	10.3	1.8	8.3	4.5
FY19 (2nd RE)	5.9	2.6	0.3	5.3	8.0	6.3	7.1	7.2	7.4	4.5
FY20 (1st RE) $	4.1	4.3	-2.5	-2.4	2.1	1.0	6.4	7.3	8.3	3.3
FY21(PE)#	-6.2	3.6	-8.5	-7.2	1.9	-8.6	-18.2	-1.5	-4.6	3.4
4QFY19	4.9	-0.4	1.5	1.6	5.2	6.6	6.4	8.9	8.4	3.9
1QFY20	5.0	3.3	-1.3	0.6	6.9	3.7	6.2	8.8	5.6	4.6
2QFY20	4.6	3.5	-5.2	-3.0	1.7	1.0	6.8	8.9	8.8	2.0
3QFY20	3.4	3.4	-3.5	-2.9	-3.1	-1.3	7.0	5.5	8.9	3.4
4QFY20	3.7	6.8	-0.9	-4.2	2.6	0.7	5.7	4.9	9.6	3.2
1QFY21	-22.4	3.5	-17.2	-36.0	-9.9	-49.5	-48.1	-5.0	-10.2	2.8
2QFY21	-7.3	3.0	-6.5	-1.5	2.3	-7.2	-16.1	-9.1	-9.2	2.2
3QFY21	1.0	4.5	-4.4	1.7	7.3	6.5	-7.9	6.7	-2.2	3.2
4QFY21	3.7	3.1	-5.7	6.9	9.1	14.5	-2.3	5.4	2.3	4.9

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY20 are based on the first revised estimates (RE) of NAS released by the MoSPI on 29 January 2021 over the second RE of NAS for FY19, #FY21 growth numbers are based on the provisional estimates released by MoSPI on 31 May 2021 over the second revised estimates for FY20 released on 26 February 2021.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY18 (3rd RE)	6.8	6.2	11.9	7.8	4.6	17.4	4.0
FY19 (2nd RE)	6.5	7.6	6.3	9.9	12.3	8.6	3.7
FY20 (1st RE) $	4.0	5.5	7.9	5.4	-3.3	-0.8	3.6
FY21(PE)#	-7.3	-9.1	2.9	-10.8	-4.7	-13.6	4.6
4QFY19	5.8	6.6	8.1	4.4	11.7	0.6	-1.1
1QFY20	5.4	7.6	1.8	13.3	3.0	9.4	4.0
2QFY20	4.6	6.5	9.6	3.9	-1.3	-1.7	1.6
3QFY20	3.3	6.4	8.9	2.4	-5.4	-7.5	3.1
4QFY20	3.0	2.0	12.1	2.5	-8.8	-2.7	5.6
1QFY21	-24.4	-26.2	12.7	-46.6	-21.8	-40.9	2.8
2QFY21	-7.4	-11.2	-23.5	-8.6	-2.0	-17.9	3.3
3QFY21	0.5	-2.8	-1.0	2.6	-3.5	-5.0	4.8
4QFY21	1.6	2.7	28.3	10.9	8.8	12.3	7.0

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY20 are based on the first revised estimates (RE) of NAS released by the MoSPI on 29 January 2021 over the second RE of NAS for FY19, #FY21 growth numbers are based on the provisional estimates released by MoSPI on 31 May 2021 over the second revised estimates for FY20 released on 26 February 2021

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 advanced 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

Sr. no.	Abbreviations	Description
37	GST	Goods and Services Tax
38	GVA	gross value added
39	IAD	Index of Aggregate Demand
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	J&K	Jammu and Kashmir
51	MCLR	marginal cost of funds-based lending rate
52	Ming.	mining and quarrying
53	Mfg.	manufacturing
54	m-o-m	month-on-month
55	Mt	metric ton
56	MoSPI	Ministry of Statistics and Programme Implementation
57	MPC	Monetary Policy Committee
58	NEXP	net exports (exports minus imports of goods and services)
59	NPA	non-performing assets
60	NCLT	National Company Law Tribunal
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	PSBR	public sector borrowing requirement
68	RE	revised estimates
69	PSU/PSE	public sector undertaking/public sector enterprises
70	RBI	Reserve Bank of India
71	SLR	Statutory Liquidity Ratio
72	Trans.	trade, hotels, transport, communication and services related to broadcasting
73	US$	US Dollar
74	UTGST	Union Territory Goods and Services Tax
75	WALR	weighted average lending rate
76	WPI	Wholesale Price Index
77	y-o-y	year-on-year
78	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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