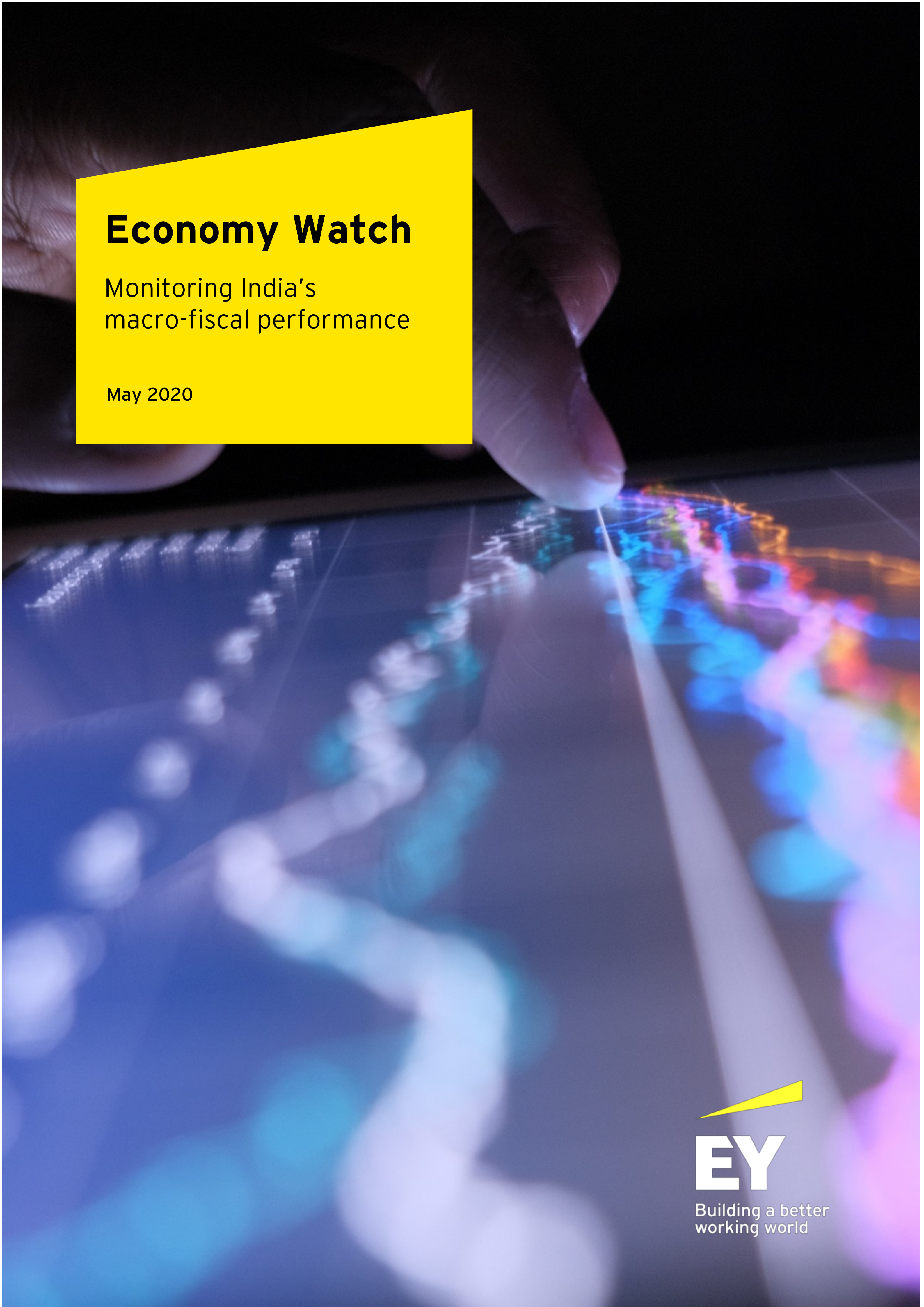

Economy Watch

Monitoring India's macro-fiscal performance

May 2020

Building a better working world

Contents

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Highlights

1. Recent projections of India's FY21 growth range from (-)5.2% to 4%, indicating significant uncertainty regarding the economic impact of COVID-19.

2. The UN has projected the global GDP to contract by (-)3.2% in 2020 with developed economies declining by (-)5.0% and developing economies contracting by (-)0.7%.

3. PMI manufacturing and services contracted to 27.4 and 5.4 respectively in April 2020, their lowest levels since the beginning of the PMI survey in 2005.

4. Merchandise exports contracted by (-)60.3% in April 2020, the highest pace of contraction since 1991.

5. IIP contracted by (-)16.7% in March 2020, its lowest level in the 2011-12 base series. On an annual basis, IIP contracted to a multi-year low of (-)0.7% in FY20.

6. Growth in bank credit fell to a 31-month low of 6.1% in March 2020 reflecting persistent weakness in domestic demand.

7. India's recently announced stimulus package amounted to INR 20.97 lakh crore, that is, 9.8% of FY21 GDP. The additional budgetary support was limited to only 9.7% of the total package while 5% of the package pertained to already budgeted expenditures.

8. The RBI on 22 May 2020, announced a further reduction in the repo rate, lowering it by 40 basis points to a historical low of 4%.

9. The CPI and WPI data could only be collected for selected groups/ sub-groups in April 2020. This data showed that WPI-based food inflation eased to 3.6%. On the other hand, CPI-based food inflation increased to 10.5% in April 2020 indicating supply-side disruptions.

10. Average global crude price fell to US$21.0/bbl. in April 2020, its lowest level since February 2002. The World Bank projected global crude prices to average US$35/bbl. in 2020 with downside risks relating to duration and severity of the COVID-19 crisis.

Foreword

Strategizing stimulus under fiscal compulsions

Most high frequency data paint a dismal picture of the economy. PMI manufacturing and services contracted to unprecedented levels of 27.4 and 5.4 respectively in April 2020. In March 2020, IIP contracted by (-)16.7%, its lowest level in the 2011-12 base series. Contraction in power consumption increased considerably to (-)24.7% in April 2020 reflecting a sharp fall in domestic demand. At (-)60.3% in April 2020, contraction in merchandise exports was the sharpest since 1991 reflecting global and domestic supply disruptions. With respect to automobile sales, information from major players in the sector indicates zero domestic sales in April 2020*. Reflective of weakness in demand conditions, growth in bank credit remained subdued at 6.7% in the fortnight ending 24 April 2020.

Recent assessments by various analysts have significantly lowered India's growth prospects for FY21. In a release dated 8 May 2020**, Nomura projected a contraction of (-)5.2% for India. On 17 May 2020***, Goldman Sachs also projected a contraction of (-)5.0%. Available growth forecasts vary from (-)5.2% to 4%, showing a wide range of 9.2% points. This only indicates significant uncertainty in the assessment of the economic impact of COVID-19 on the Indian economy by domestic and international observers. The actual outcome is likely to depend on (a) the pace at which the Indian economy opens up, (b) the magnitude and composition of fiscal stimulus over and above the budgeted expenditures, (c) the impact of the monetary stimulus, and (d) the effectiveness of expenditure reprioritization by the central and state governments as compared to their respective budget estimates.

A total stimulus package amounting to INR 20,97,053 crore, that is 9.8% of FY21 estimated GDP, has been announced for the Indian economy. This package can be seen in two parts. The first part namely ***'Stimulus 1'*** comprised RBI's liquidity augmenting initiatives (INR 8,01, 603 crores) and government's relief measures (INR 1,92,800 crores) undertaken prior to 12 May 2020. The second part, that is, ***'Stimulus 2'*** amounting to INR 11,02,650 crores was announced in five successive tranches during 13 to 17 May 2020. The total magnitude of the stimulus can be decomposed into three components namely (a) amounts already provided for in the FY21 budget (5.0%), (b) amounts that are to be additionally provided for (9.7%), and (c) amounts pertaining to RBI, banks, NBFCs and other institutions and components (85.3%). The occasion of announcing the stimulus package was also used to outline a number of major structural reforms which may have a far-reaching efficiency augmenting impact. These measures have now been supplemented by one more round of monetary initiatives wherein the repo rate has been reduced further by 40 basis points, taking it to a historically low level of 4%.

The Indian economy has been on a downslide in recent years although quite a number of growth-supporting initiatives were introduced in the earlier years. In spite of these initiatives, the erosion of growth could not be arrested. The reason for this has been a steady fall in private investment which could not be undone by a corresponding increase in public investment particularly that in government's capital expenditure. In fact, center's non-defence capital expenditure has been languishing at low levels of 1.0% to 1.3% of GDP during FY16 to FY21 (BE). The typical reform, relief and stimulus packages have been based on insurance schemes (PM Fasal Bima Yojana, PM Suraksha Bima Yojana, PM Jeevan Jyoti Bima Yojana, and Ayushman Bharat) and credit guarantee programs. Their success depends on a number of behavioral parameters in which entrepreneurial decisions of farmers, MSME entities, managers of NBFCs and banks etc. are involved.

Growth calls for a straight-forward push to demand, particularly investment demand. To kickstart this, it is the government's capital expenditure that should play a pivotal role. By augmenting this, private investment would also increase through multiplier effects. Government's relief packages are meant to provide temporary support and help in kickstarting the economy. Given that the present crisis is fundamentally a health crisis, emphasis may be placed on building up health infrastructure which is also a part of the National Infrastructure Pipeline (NIP). Other components of NIP should also be taken up in the earlier years of its five-year period.

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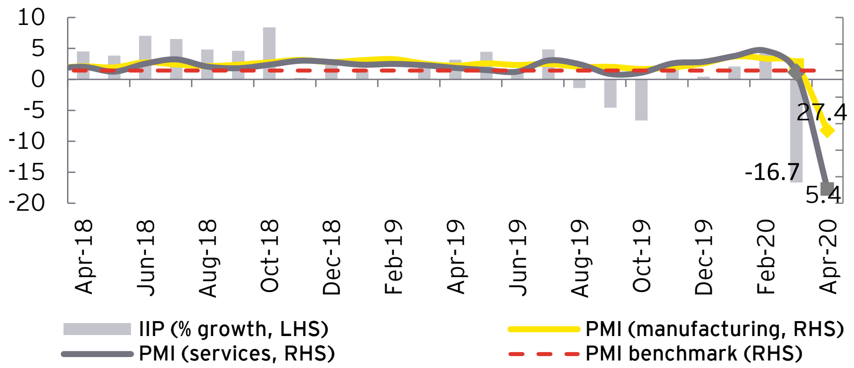
*https://www.news18.com/news/auto/april-2020-to-go-down-in-india-history-as-the-month-of-zero-car-and-two-wheeler-sales-2600945.html
** https://www.bloombergquint.com/economy-finance/indias-gdp-growth-likely-to-contract-52-in-fy21-says-nomura
***https://economictimes.indiatimes.com/news/economy/indicators/goldman-sees-worst-india-recession-with-45-second-quarter-slump/articleshow/75796510.cms

1. Growth: IIP contracted sharply to (-)16.7% in March 2020

A. IIP: pointed to a decline in the overall industrial activity in FY20

- IIP contracted to its lowest level of (-)16.7% (y-o-y) in March 2020 as compared to a growth of 4.6% (revised) in February 2020. This was a consequence of economic activities coming to a standstill due to the nationwide lockdown beginning 25 March 2020 (**Chart 1**). On an annual basis, IIP contracted to (-)0.7% in FY20, its lowest level in the 2011-12 series, as compared to a growth of 3.8% in FY19.
- Output of both manufacturing and electricity sectors contracted sharply by (-)20.6% and (-)6.8% respectively in March 2020 as compared to growth of 3.1% (revised) and 11.5% (revised) respectively in February 2020. The mining sector output showed no growth (0.0%) in March 2020 as compared to 9.7% (revised) in February 2020 (Table A1 in data appendix).
- Output of capital goods and consumer durables contracted by (-)35.6% and (-)33.1% respectively in March 2020, the sharpest pace of contraction since FY13. Output of consumer non-durables also declined by (-)16.2% in March 2020. Reflective of continued deceleration in investment, output of capital goods industry contracted by (-)13.7% in FY20 as compared to a low growth of 2.7% in FY19.
- Output of eight core infrastructure industries (core IIP) contracted by (-)6.5% in March 2020 as compared to a growth of 5.5% in February 2020. Output of seven out of eight sub-industries witnessed contraction with cement output contracting at the highest rate ((-)24.7%), followed by natural gas ((-)15.2%), steel ((-)13.0%), fertilizers ((-)11.9%), electricity ((-)7.2%), crude oil ((-)5.5%) and petroleum refinery products ((-)0.5%).

Chart 1: IIP growth and PMI



Overall IIP contracted by (-)0.7% in FY20 as compared to a growth of 3.8% in FY19 led by a sharp contraction of (-)1.3% in manufacturing sector output.

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

B. PMI: signaled unprecedented contraction in manufacturing and services in April 2020

- Headline manufacturing PMI (seasonally adjusted (sa)) contracted to an unprecedented level of 27.4 in April 2020 from 51.8 in March 2020 (**Chart 1**). The April 2020 level was the lowest since the survey began in March 2005, and was a result of the national lockdown implemented to contain the spread of COVID 19.
- PMI services also contracted to 5.4 in April 2020 from 49.3 in March 2020. April 2020 showed the sharpest contraction since the survey began in December 2005.
- New orders and output sub-indices were at historically low levels in both manufacturing and services sectors indicating a severe deterioration in demand. Supply side disruptions were reflected in the manufacturing sector with input delivery times lengthening to the greatest extent since March 2005.

The national lockdown to contain COVID-19 led to a collapse of demand for goods and services and major supply side disruptions. As a result, PMI manufacturing and services contracted to 27.4 and 5.4 respectively in April 2020, their lowest levels since the beginning of the PMI survey in 2005.

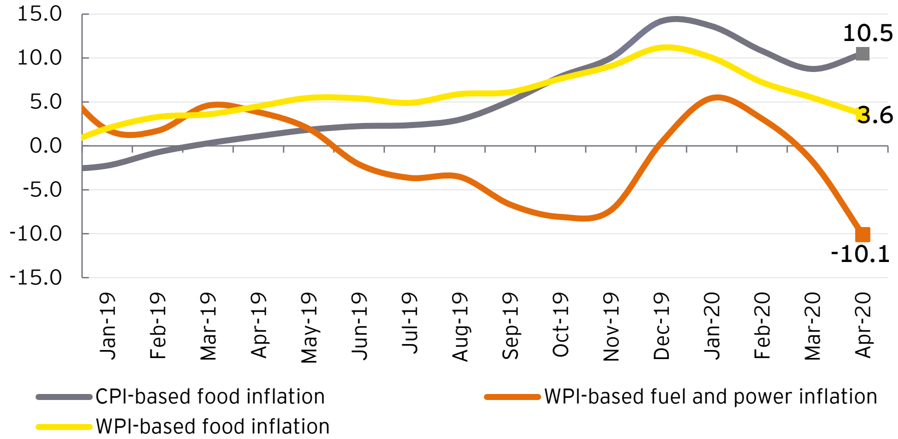
- Reflecting a historic contraction in private sector output, the composite PMI Output Index (sa) contracted to 7.2 in April 2020 from 50.6 in March 2020.

2. Inflation: CPI-based consumer food price inflation increased to 10.5% in April 2020

Consumer food price index-based inflation increased to 10.5% in April 2020 from a four-month low of 8.8%[1] in March 2020, reflecting supply-side disruptions due to COVID-19.

- Due to the preventive measures and the nation-wide lockdown to contain the spread of COVID-19, price data of only select groups/sub-groups could be collected which was subsequently released by the government.
- There was a broad-based increase in inflation in food and beverages to 8.6% in April 2020 from 7.8% in March 2020. Inflation in vegetables increased to 23.6% in April 2020 from a four-month low of 18.6% in March 2020. Inflation in cereals and products increased to a nearly six-year high of 7.8% from 5.3% over the same period.
- Housing based inflation increased marginally to 3.9% in April 2020 from an 82-month low of 3.7% in March 2020.
- Inflation in health services fell to 2.8% in April 2020 possibly reflecting the lower cost of healthcare provided by the government, as well as lower prices in the private sector due to falling demand.

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



In April 2020, WPI-based food inflation eased to 3.6% partly reflecting a good harvest. On the other hand, CPI-based food inflation increased to 10.5% during the month indicating supply-side disruptions.

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

WPI-based fuel and power inflation fell to a 46-month low in April 2020, showing a contraction of (-)10.1% as compared to (-)1.8% in March 2020 (Chart 2). This was due to falling prices of mineral oils, such as petrol and diesel.

- Price of mineral oils contracted by (-)21.5% in April 2020 as compared to (-)8.2% in March 2020 reflecting the sharp fall in crude price index-based inflation which contracted by (-)41.7% in April 2020, the highest pace of contraction in 55 months.
- Food price index-based inflation eased to a 13-month low of 3.6% in April 2020 from 5.5% in March 2020 due to a broad-based moderation in inflation across food-items, led by vegetables where inflation eased to a 15-month low of 2.2% from 11.9% over the same period.
- Even as consumer food price-based inflation increased by 1.7% points, wholesale food price-based inflation fell by 1.9% points reflecting supply-side disruptions on account of the lockdown.

[1] CPI inflation for March 2020 is based on data gathered up to 19 March 2020 (RBI Governor's statement on 17 April 2020)

Home

3. Fiscal performance: analyzing seasonality in central government tax revenues and expenditures

A. Center's tax revenues

- To understand the seasonal patterns in center's tax revenues, quarterly shares in the annual collection of taxes have been calculated over an eight-year period from FY13 to FY20.
- Table 1 shows the quarterly shares for gross central taxes. On an average, 33.1% of the annual gross tax revenues is collected in the last quarter while only 16.7% of annual collections accrue to the center in the first quarter. The average quarterly shares for 2Q and 3Q are close to 25% on average.
- This pattern indicates bunching of revenues towards the end of the fiscal year partly reflecting the calendar of advance payments in the case of direct taxes.
- This pattern also indicates fiscal year start-end adjustments caused by hard budget constraints. Considerations of meeting fiscal/revenue deficit targets usually lead to forced inflows of revenues during the last quarter even if they are not due and warranted, leading to an increase in the share of revenues in 4Q.
- These adjustments become visible in the lower share of revenues in the first quarter of the fiscal year due to refunds which must be made if over-collections have been done in the preceding year.

Table 1: quarterly shares (%): gross tax revenues of the center

Quarter/ Year	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20*	Period average
1Q	16.4	15.5	14.7	14.8	16.4	16.9	19.0	20.2	16.7
2Q	24.6	24.7	24.7	26.2	24.2	26.6	24.6	26.2	25.2
3Q	24.7	25.1	24.5	25.1	25.8	26.2	24.9	23.4	25.0
4Q	34.3	34.7	36.1	33.9	33.7	30.4	31.5	30.2	33.1

Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India
*based on estimated revenue collections in March 2020
Note: (1) 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
(2) Basic data from the CGA involves adjustment of CIT, PIT and indirect tax revenues for other taxes

- Table 2 shows the quarterly shares in annual collections of direct and indirect taxes.
- For direct taxes including corporate and personal income tax, revenue collections in 4Q account for 34.4% on an average while the collections in 1Q account for 14.5% on an average.
- For indirect taxes, the pattern differs in the pre and post GST period. Until FY17, 4Q accounted for 34.9% of the annual collections while 1Q accounted for 16.8% of total collections on average. Post that, quarterly shares have become more even with the share of 4Q reducing to 26.2% on average while that for 1Q increasing to 23.2% on average. This could be partly attributable to the change in the timelines for filing and payment of GST.

Table 2: quarterly shares (%): direct and indirect tax revenues of the center

Quarter/ Year	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20*	Period average
Direct taxes									
1Q	15.2	14.4	14.1	13.2	14.9	14.7	13.6	16.0	14.5
2Q	25.5	25.4	25.4	28.3	25.2	23.7	25.5	28.2	25.9
3Q	25.4	25.7	25.1	25.4	25.9	26.7	25.8	21.6	25.2
4Q	33.9	34.5	35.4	33.1	34.0	34.9	35.2	34.2	34.4
Indirect taxes									
1Q	17.7	16.9	15.4	16.2	18.0	19.2	25.5	24.9	19.2
2Q	23.5	23.8	23.8	24.0	23.6	29.0	23.4	23.9	24.4
3Q	24.0	24.3	23.8	24.9	25.4	25.9	23.9	25.5	24.7
4Q	34.9	35.0	37.1	34.9	33.0	25.8	27.2	25.7	31.7

Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India
*based on estimated revenue collections in March 2020
Note: (1) Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, service tax, customs duty, CGST, UTGST, IGST and GST compensation cess in the post-GST period
(2) Basic data from the CGA involves adjustment of CIT, PIT and indirect tax revenues for other taxes

B. Expenditures: revenue and capital

- As reflected in the quarterly shares in annual expenditure, it can be seen that central government expenditures are more evenly distributed as compared to revenues. This is because the bunching phenomenon is stronger in the case of revenues which respond to economic seasonalities and administrative provisions regarding filing, submission of returns and tax payments whereas most expenditures are committed in nature and once approved by the budget, can be spent in a more uniform pattern.
- In the case of revenue expenditure, 1Q accounts for the highest share at 26.7% on average, closely followed by 2Q with a share of 26.5%. This could partly be attributed to the payment of postponed expenditures from the previous year. In recent years, central government has postponed subsidy expenditures as highlighted by CAG reports[2]. The 3Q and 4Q shares are relatively lower on average indicating expenditure reductions.
- The quarterly shares for capital expenditure are highly volatile across years. These expenditures are lumpy in nature and are subject to higher adjustments as compared to revenue expenditures.

Table 3: quarterly shares (%): revenue and capital expenditure

Quarter/ Year	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20*	Period average
Revenue expenditure									
1Q	21.8	23.8	25.0	24.2	27.5	31.0	30.9	29.1	**26.7**
2Q	27.6	27.9	27.4	26.7	25.5	22.4	25.9	28.4	**26.5**
3Q	20.5	21.3	22.8	22.3	23.5	24.5	23.8	24.4	**22.9**
4Q	30.1	26.9	24.8	26.8	23.5	22.2	19.3	18.1	**24.0**
Capital expenditure									
1Q	24.0	29.0	26.6	24.9	16.9	25.9	28.7	18.7	**24.3**
2Q	23.7	22.5	26.4	29.6	29.6	29.6	25.0	37.0	**27.9**
3Q	25.5	32.9	22.3	25.4	15.8	34.2	16.2	20.2	**24.1**
4Q	26.7	15.6	24.7	20.1	37.7	10.3	30.1	24.2	**23.7**

Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India
*based on estimated expenditures in March 2020

C. Fiscal and revenue deficits

- A mismatch between the pattern of unevenness in revenues and expenditures leads to the need for short-term financing of expenditures that cannot be financed by current revenues when expenditure shares exceed revenue shares.
- Table 4 shows that 1Q of each fiscal year accounts for the highest shares of the annual fiscal and revenue deficits. The quarterly share falls significantly in the subsequent quarters and becomes negative on average in 4Q. This trend reflects higher expenditure shares vis-à-vis. revenue shares in 1Q and a reversal in this pattern in 4Q.

Table 4: quarterly shares (%): fiscal and revenue deficit

Quarter/ Year	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20*	Period average
Fiscal deficit									
1Q	38.9	51.7	59.3	53.9	61.0	74.7	66.5	53.4	57.4
2Q	29.9	29.4	28.1	17.3	22.7	9.7	25.7	27.1	23.7
3Q	13.8	20.5	18.6	20.6	10.0	20.6	16.5	34.6	19.4
4Q	17.4	-1.6	-6.1	8.3	6.3	-4.9	-8.7	-15.2	-0.6
Revenue deficit									
1Q	42.0	58.4	69.6	67.5	91.5	86.3	79.2	69.4	70.5
2Q	30.4	31.0	26.7	11.0	14.2	-0.8	21.8	20.6	19.4
3Q	9.6	13.6	15.8	15.5	9.2	15.6	19.4	41.3	17.5
4Q	18.0	-3.0	-12.1	6.0	-14.9	-1.1	-20.4	-31.2	-7.4

Source: Monthly Accounts, Controller General of Accounts (CGA), Government of India
*based on estimated deficits in March 2020

[2] https://cag.gov.in/sites/default/files/audit_report_files/Report_No_20_of_2018_Compliance_of_the_Fiscal_Responsibility_and_Budget_Management_Act_2003_Department_of_Economic_Affairs_Minis.pdf

4. India in a comparative perspective: fiscal balance projected to deteriorate sharply in 2020

General government net lending/ borrowing as % of GDP

Fiscal packages for combating COVID-19 are expected to lead to a sharp deterioration in fiscal balance in 2020

- In response to COVID-19, all economies have announced fiscal stimuli, leading to a significant deterioration in their fiscal balance in 2020. Although an improvement is projected in 2021, it is contingent on the severity of the health crisis, the duration over which it lasts and its impact on the economy and financial markets.
- Most advanced economies (AEs) pursued expansionary fiscal policies in 2019 which resulted in an increase in their fiscal deficit to 3% of GDP. Owing to large fiscal packages announced in 2020, general government fiscal deficit relative to GDP is expected to increase sharply to 10.6% in 2020.
- Fiscal deficit relative to GDP in 2020 is estimated at 15.4% in the US, followed by the UK at 8.3%, Euro area at 7.5% and Japan at 7.1%.

Table 5: general government net lending/ borrowing (% of GDP)

	2018	2019	2020	2021
AEs	**-2.6**	**-3.0**	**-10.6**	**-5.4**
US	-5.7	-5.8	-15.4	-8.6
UK	-2.2	-2.1	-8.3	-5.5
Euro area	-0.5	-0.7	-7.5	-3.6
Japan	-2.4	-2.8	-7.1	-2.1
EMDEs	**-3.7**	**-4.7**	**-8.9**	**-7.2**
Brazil	-7.2	-6.0	-9.3	-6.1
Russia	2.9	1.9	-4.8	-3.0
India*	-6.3	-7.4	-7.4	-7.3
China	-4.7	-6.4	-11.2	-9.6
S. Africa	-4.1	-6.3	-13.3	-12.7

Source (basic data): WEO, IMF, April 2020
Note: (1) actuals for 2018 and 2019 and forecasts for 2020 and 2021,
(2) -ve indicates deficit while +ve indicates surplus
*data pertains to fiscal year.

- In EMDEs, fiscal deficit relative to GDP is estimated to increase to 8.9% in 2020 from 4.7% in 2019 reflecting discretionary policy response to COVID-19, falling commodity prices and tighter financing conditions.
- Fiscal deficit relative to GDP is estimated to be the highest in South Africa (13.3%), followed by China (11.2%) and Brazil (9.3%). Russia is projected to have a fiscal deficit in 2020 from a surplus in 2018 and 2019. India's general government fiscal deficit is estimated at 7.4% of GDP in 2020.

Current account balance (CAB) as % of GDP

Relatively larger contraction in export volumes due to COVID-19 is expected to lead to a deterioration in CAB in AEs and crude and commodity exporting EMDEs.

- The IMF has projected a sharp contraction in export volumes in 2020 which have been adversely impacted by COVID-19. Export volumes are projected to contract by (-)12.8% in AEs and (-)9.6% in EMDEs.
- Current account surplus in AEs as a group is projected to fall from 0.7% of GDP in 2019 to 0.1% of GDP in 2020 and remain at that level in 2021.
- In the US and UK, current account deficit (CAD) relative to GDP is expected to increase in 2020 and 2021. Current account surplus in Euro area and Japan is projected to fall in 2020 and increase only marginally in 2021.
- EMDEs as a group is expected to have a deficit on the current account in 2020 and 2021 from a marginal surplus in 2019.

Table 6: current account balance (% of GDP)

	2018	2019	2020	2021
AEs	**0.7**	**0.7**	**0.1**	**0.1**
US	-2.4	-2.3	-2.6	-2.8
UK	-3.9	-3.8	-4.4	-4.5
Euro area	3.1	2.7	2.6	2.7
Japan	3.5	3.6	1.7	1.9
EMDEs	**-0.1**	**0.1**	**-0.9**	**-0.6**
Brazil	-2.2	-2.7	-1.8	-2.3
Russia	6.8	3.8	0.7	0.6
India*	-2.1	-1.1	-0.6	-1.4
China	0.4	1.0	0.5	1.0
S. Africa	-3.5	-3.0	0.2	-1.3

Source (basic data): WEO, IMF, April 2020
Note: (1) actuals for 2018 and 2019 and forecasts for 2020 and 2021,
(2) -ve indicates deficit while +ve indicates surplus
*data pertains to fiscal year.

- Subdued global oil prices are expected to lower current account surplus relative to GDP in Russia to 0.7% in 2020 and 0.6% in 2021. Current account surplus in China is also expected to narrow to 0.5% of GDP in 2020 but increase to 1% of GDP in 2021.
- Subdued exports and lower import bills mainly due to lower oil prices are expected to lead to a narrowing of the CAD in Brazil and India and a marginal current account surplus in South Africa in 2020.

5. In focus: Deciphering India's stimulus package: the sum and fiscal substance

Introduction

Recent assessments by various analysts have significantly lowered India's growth prospects for FY21. In a release dated 8 May 2020[3], Nomura projected a contraction of (-)5.2% for India. On 17 May 2020[4], Goldman Sachs also projected a contraction of (-)5.0%. Available growth forecasts vary from (-)5.2% to 4%, showing a wide range of 9.2% points. This only indicates significant uncertainty in the assessment of the economic impact of COVID-19 on the Indian economy by domestic and international observers. The actual outcome is likely to depend on (a) the pace at which the Indian economy opens up, (b) the magnitude and composition of fiscal stimulus over and above the budgeted expenditures, (c) the impact of the monetary stimulus, and (d) the effectiveness of expenditure reprioritization by the central and state governments as compared to their respective budget estimates.

A stimulus package amounting INR 20.97 lakh crore, equivalent to 9.8% of FY21 GDP, was announced for the Indian economy. In this write-up, we decipher the overall package and the related fiscal cost, as divided between already budgeted amounts and additional expenditures. The additional budgetary cost of the package was limited to 9.7% of the total package. About 5% of the stimulus related to already budgeted expenditures. The rest pertained primarily to RBI's liquidity enhancement measures, government's insurance programs, credit guarantee schemes, and viability gap funding.

Deciphering the stimulus package

The total stimulus package can be seen in two parts. The first part namely ***'Stimulus 1'*** comprised RBI's liquidity augmenting initiatives (INR 8,01, 603 crores) and government's relief measures (INR 1,92,800 crores) undertaken prior to 12 May 2020. The second part, that is, ***'Stimulus 2'*** amounting to INR 11,02,650 crores was announced in five successive tranches during 13 to 17 May 2020. These measures have now been supplemented by one more round of monetary initiatives wherein the repo rate has been reduced further by 40 basis points, taking it to a historically low level of 4%.

The first tranche

In terms of amounts involved, the first tranche was the largest with a total estimated benefit of INR 5.94 lakh crores. The additional expenditure from the FY21 budget is estimated to be INR 16,800 crores. The key highlights of this package are summarized in Table 7.

Table 7: The first tranche - schemes and related costs (INR crore)

#	Schemes	Total Amount	Additional to Centre's FY21 Budget	Other than Central Budget
1	MSMEs (Standard establishments)	3,00,000		3,00,000
2	MSMEs (Stressed and High NPA establishments)	20,000	4,000	16,000
3	MSMEs (Potential and viable establishments)	50,000	10,000	40,000
4	EPF support to business and workers	2,800	2,800	
5	Liquidity relief due to reduction in statutory reduction in PF contribution from 12% to 10%	6,750		6,750
6	NBFCs, HFCs and MFIs - Special liquidity scheme	30,000		30,000
7	NBFCs - Partial credit guarantee scheme 2.0	45,000		45,000
8	DISCOMs – One-time provision to infuse liquidity	90,000		90,000
9	TDS/TCS (rate reduced by 25% for the next three months)	50,000		50,000
10	Total	5,94,550	16,800	5,77,750

Source (basic data): PIB, FY21 union budget documents

The focus of the first tranche was largely on the MSME sector that is facing the maximum brunt of COVID-19. A large package of INR 3,70,000 crores will help them reboot their production activities. Further, a benefit amounting to nearly INR 75,000 crores was provided for NBFCs including HFCs and MFIs which should facilitate activation of their lending program particularly to the MSMEs.

[3] https://www.bloombergquint.com/economy-finance/indias-gdp-growth-likely-to-contract-52-in-fy21-says-nomura
[4] https://economictimes.indiatimes.com/news/economy/indicators/goldman-sees-worst-india-recession-with-45-second-quarter-slump/articleshow/75796510.cms

The second tranche

The second tranche involved an estimated benefit of INR 3.10 lakh crores. The additional burden on the FY21 budget amounts to INR 9,500 crores. The details of this package are summarized in Table 8. The second tranche focused on the poorer segments of the society including migrant labor, small and marginal farmers and urban poor. These measures included a mix of short-term relief provisions and a scheme for affordable rental housing for migrant workers and urban poor.

Table 8: The second tranche - schemes and related costs (INR crore)

#	Schemes	Total Amount	Part of Center's FY21 Budget	Additional to Center's FY21 Budget	Other than Central Budget
1	Free food grains support	3,500		3,500	
2	Interest subvention of 2% for prompt payees (MUDRA-shishu loans)	1,500		1,500	
3	Special credit facility for street vendors	5,000			5,000
4	Additional Emergency Working Capital Funding for farmers	30,000			30,000
5	Extension of credit linked subsidy scheme for housing	70,000	500	4,500	65,000
6	Concessional credit boost through Kisan credit card	2,00,000			2,00,000
7	Total	3,10,000	500	9,500	3,00,000

Source (basic data): PIB, FY21 union budget documents

The third tranche

Table 9: The third tranche - schemes and related costs (INR crore)

#	Schemes	Total Amount	Additional to Centre's FY21 Budget	Other than Central Budget
1	Agricultural infrastructure development fund for farm gate infrastructure	1,00,000		1,00,000
2	Scheme for Formalization of Micro Food Enterprises	10,000	10,000	
3	PM Matsya Sampada Yojana	20,000	20,000	
4	Animal husbandry infrastructure development fund	15,000	15,000	
5	Promotion of Herbal Cultivation	4,000	2,000	2,000
6	Beekeeping initiatives	500	500	
7	From 'Top' to 'total'	500	500	
8	Total	1,50,000	48,000	1,02,000

Source (basic data): PIB, FY21 union budget documents

The third tranche had an estimated benefit of INR 1.50 lakh crores. The additional burden on the FY21 budget is INR 48,000 crores. The details of this package are summarized in Table 9.

The focus of the third tranche was on supply-side agricultural reforms which were long overdue in India. The emphasis on agriculture and allied sectors is justified due to its large share in employment. These reforms are likely to have welfare-improving and efficiency-augmenting effects.

The fourth and fifth tranches

Considering the fourth and the fifth tranches together, the estimated benefit amounted to INR 48,100 crores which is to be fully provided for in the FY21 budget (Table 10).

Table 10: The fourth and fifth tranche - schemes and related costs (INR crore)

#	Schemes	Total Amount	Additional to Centre's FY21 Budget
1	Support to social infrastructure through enhanced viability gap funding scheme	8,100	8,100
2	Additional allocation towards MGNREGA	40,000	40,000
3	Total	48,100	48,100

Source (basic data): PIB, FY21 union budget documents

The fourth tranche focused largely on industrial reforms. The enhanced role of the private sector in coal, minerals, defence, energy, aviation and space sectors is an element of medium-term efficiency-improving reforms. The proposal to restrict imports of specified defence items, aimed at promoting self-reliance, was long overdue.

A notable feature in the fifth tranche was the enhancement of the budgeted MGNREGA allocation of INR 61,500 crores in FY21 by INR 40,000 crores. Together, these add to about 0.5% of GDP which is a substantive amount to support rural demand and agricultural prices. This tranche also contained relief measures for the currently resource-constrained state governments by enhancing their borrowing limit from 3% to 5% of their respective GSDPs subject to certain conditions.

The financing of the overall package amounting to INR 20,97,053 crore, equivalent to 9.8% of estimated FY21 GDP, can be decomposed into three components namely (a) amounts already provided for in the FY21 budget (5% of total package), (b) amounts that are to be additionally provided for (9.7% of total package), and (c) amounts pertaining to RBI, banks, NBFCs and other institutions and components (85.3% of total package).

Table 11: Deciphering overall stimulus package

Date of announcement	Type of initiative	Total amount	Part of Center's FY21 Budget	Additional to Center's FY21 Budget	Other than Central Budget
		INR Crore	INR Crore	INR Crore	INR Crore
Prior to 12th May	RBI measures	8,01,603			8,01,603
	Fiscal relief	1,92,800	1,05,000	80,000	7,800
13 to 17 May 2020	Total of 5 Tranche	11,02,650	500	1,22,400	9,79,750
13-May-20	1st Tranche	5,94,550	0	16,800	5,77,750
14-May-20	2nd Tranche	3,10,000	500	9,500	3,00,000
15-May-20	3rd Tranche	1,50,000	0	48,000	1,02,000
16-May-20	4th Tranche	8,100	0	8,100	0
17-May-20	5th Tranche	40,000	0	40,000	0
Total Stimulus		**20,97,053**	**1,05,500**	**2,02,400**	**17,89,153**
	% of total stimulus	100.0%	5.0%	9.7%	85.3%
	as % of GDP	9.80%	0.49%	0.95%	8.36%
Memo item					
Estimated Nominal FY 21 GDP		2,13,90,909			

Source (basic data): PIB, FY21 union budget documents, RBI

The occasion of announcing the stimulus package was also used by the FM to outline a number of major structural reforms. These include repositioning of the public sector, decriminalization of certain corporate lapses, privatization of coal and other mineral mining, increased FDI limit in defence, ban on imports of specified defence weapons/platforms, and privatization of DISCOMs in union territories. Direct listing of Indian companies abroad will enable them to raise capital overseas. In the case of agriculture, the proposed barrier-free all-India market for agricultural produce would be a key feature of India's new normal. As part of the new normal, the education sector is being augmented through the use of IT-enabled platforms. These include PM e-Vidya programme including 'one channel for one class', new DTH channels, extension of Diksha initiative, and special e-content for visually and hearing impaired. These are far-reaching efficiency augmenting supply side reforms.

With regard to direct support to demand, there are only a limited number of components in the entire stimulus package which constitute an additionality with respect to FY21 Budget. The main demand-side components in **'Stimulus 2'** pertained to the provision of free food grains and credit-linked subsidy scheme for housing amounting to INR 8000 crores, and the enhanced allocation under the MGNREGA program amounting to INR 40,000 crores. The demand side support in the PM Garib Kalyan Yojana announced earlier on 26 March 2020 was somewhat larger, estimated at nearly INR 62,082 crores. Together, these add to about INR 1,10,082 crores, which is about 5% of the total stimulus package.

Components of monetary stimulus

The monetary stimulus comprised measures which can be grouped under four heads: (a) reduction in repo rate, reverse repo rate and CRR, (b) supplementary liquidity augmenting measures (c) enhanced Ways and Means Advances (WMA) limits for center and states/UTs and (d) regulatory measures. These are summarized below:

(a) The RBI on 22 May 2020[5], lowered the repo rate further by 40 basis points to a historic low of 4.0%, well below the 4.75% level to which it was brought down in April 2009 in response to the 2008-09 crisis. Consequently, the reverse repo rate was also reduced to 3.35%. On 27 March 2020, the CRR was reduced by 100 basis points to 3.0%.

(b) The liquidity augmenting measures announced on 27 March 2020[6] included (i) Targeted Long-Term Repo Operations (TLTROs) and (ii) permitting banks to borrow overnight by dipping up to 3% into the Statutory Liquidity Ratio (SLR) from the existing limit of 2%. On 17 April 2020, TLTRO 2.0 was announced wherein an aggregate amount of INR 50,000 crore was particularly aimed at supporting NBFCs. A special refinance facility was announced for infusing liquidity into National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and National Housing Bank (NHB) for on-lending/refinancing purposes. On 27 April 2020, the RBI announced injection of INR 50,000 crore through a Special Liquidity Facility for Mutual Funds. On 22 May 2020, the RBI extended a line of credit of INR 15,000 crore to the EXIM Bank.

(c) In order to support the state/UT governments, who are currently undertaking COVID-19 related containment and mitigation measures, the RBI on 1 April 2020[7], increased the WMA limit by 30% from the existing limit for all states/UTs. On 7 April 2020, the RBI eased overdraft rules for the states/UTs and also extended the duration of the overdraft facility[8]. As per the relaxed norms, a state/UT can be in overdraft continuously up to 21 working days as compared to 14 working days. On 17 April 2020[9], borrowing limit for state and UT governments under WMA was further enhanced by 60%. For the central government, the WMA limit for 1HFY21 was increased to INR 2 lakh crore on 21 April 2020[10]. On 22 May 2020, the RBI relaxed the rules for withdrawal by states from the Consolidated Sinking Fund.

(d) The RBI began undertaking regulatory measures on 27 March 2020 when it relaxed norms for mitigating the burden of debt repayment of borrowers. Specific measures included (i) permitting all commercial banks and financial institutions to provide moratorium of three months on payment of instalments in respect of all term loans outstanding as on 1 March 2020 and (ii) deferment of interest on working capital facilities for a period of three months on all such facilities outstanding as on March 1, 2020. On 17 April 2020, the RBI (i) reduced the LCR requirement for scheduled commercial banks, (ii) stalled the distribution of dividends by scheduled commercial banks and co-operative banks for FY20 until further notice, (iii) provided a one-year extension of NBFC loans to commercial and real estate projects over and above the present norm, and (iv) temporarily eased the asset classification norms. On 22 May 2020, the RBI extended (a) the duration of the refinancing facility for SIDBI by 90 days, (b) the moratorium on term loan instalments by three months and (c) the working capital facilities in the form of cash credit/overdraft provided by lending institutions by three months.

[5] RBI's press release dated 22 May 2020 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49843)
[6] Statement on Developmental and Regulatory Policies dated 27 March 2020; (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49582)
[7] RBI's press release dated 1 April 2020 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49619)
[8] RBI's press release dated 07 April 2020 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49638)
[9] RBI's press release dated 17 April 2020 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49684)
[10] RBI's press release dated 20 April 2020 (https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49701)

According to estimates provided by the FM, the estimated liquidity enhancement impact of the monetary measures till 17 May 2020 amounted to INR 8,01,603 crores.

Fiscal stimulus and overall fiscal imbalance

Center's tax revenues have shown a dismal performance so far in FY20. Gross taxes of the center contracted by (-)0.8% during April-February FY20. There is a strong likelihood that the center's budgeted tax revenue growth of 4.0% in FY21 may be missed by a significant margin since both GDP growth and buoyancy assumptions are not likely to be met. Recognizing this, the central government has announced its revised gross borrowing program for FY21 uplifting its budgeted fiscal deficit from 3.5% to 5.7% of GDP. The borrowing limit for states has also been relaxed from 3% to 5% of their respective GSDPs subject to certain conditions. Thus, the combined fiscal deficit for FY21 would stand at 10.7% of GDP.

Table 12: Profile of evolving fiscal imbalance

#	Item	% to estimated FY21 nominal GDP		
		Centre	States	Combined
1	Revised fiscal deficit according to borrowing program*	5.70*	5.00	10.70
	As compared to budget estimates			
2	Shortfall in revenues (tax and non-tax revenues and non-debt capital receipts)	2.47	1.22**	3.69
3	Estimated slippage in fiscal deficit due to lower GDP	0.18	-	0.18
4	Additional borrowing to meet shortfalls (2+3)	2.65	1.22	3.87
5	Budgeted fiscal deficit	3.50	3.00	6.50
6	Availability of additional fiscal space (1-4-5)	-0.45	0.78	0.33
	Stimulus through additionality in relief and stimulus packages			
7	Relief package (INR 1.7 lakh crore; 26 March 2020)	0.30	-	0.30
8	COVID-19 Emergency Health Package (INR 15000 crore; 9 April 2020)	0.07	-	0.07
9	First to fifth tranche of stimulus (INR 11.02 lakh crore; 13 to 17 May 2020)	0.57	-	0.57
10	Total stimulus/additionality (7+8+9)	0.95	0.78#	1.73#
11	Fiscal deficit required to maintain budgeted expenditure and relief and stimulus packages (4+5+10)	7.10	5.00	12.10
12	Borrowing by PSUs	2.60	0.90	3.50
13	Total PSBR (11+12)	9.70	5.90	15.60
View from financing side				
14	Household and private corporate sector excess savings			7.00
15	Public sector saving			1.50
16	Net capital inflow			1.00
17	Supply of resources (14+15+16)			9.50
18	Financing gap (13-17)			6.10
Exploring additional fiscal intervention		Centre	States	Combined
19	Expenditure reprioritization	1.05	0.50	1.55
	Memo			
1	FY21 estimated nominal GDP (INR crore)			2,13,90,909

Source (basic data): Union budget documents FY21, CGA, MOSPI, and PIB;
*as on 8 May 2020; **shortfall in own tax revenues (0.61%) and tax devolution (0.61%); #assuming states fully utilize the additional fiscal space
Notes: (1) A nominal GDP growth of 5.25% for FY21 is assumed over the revised nominal GDP for FY20. The magnitude of the estimated nominal GDP of FY21 is close to that derived by using the data provided by the FM as part of the fifth tranche of stimulus package, namely, a benefit of INR 4.28 lakh crores to the states corresponding to a 2.0% points relaxation in their borrowing limit relative to their nominal GSDPs (assuming the sum of nominal GSDPs of all states is equal to the national level nominal GDP).
(2) The revised nominal GDP for FY20 is estimated to be lower than the 2nd advance estimate of the CSO by INR 60,855 crores.
(3) Centre's gross tax revenue for FY20 is estimated to be lower than the FY20 (RE) by INR 1,75,070 crores
(4) A buoyancy of 0.25 is assumed for center's FY21 gross tax revenues
(5) Shortfall in center's non-debt capital receipts in FY21 is on account of a shortfall in disinvestment receipts
(6) In calculating devolution to states, budgeted ratio of assignment to states to the center's gross tax revenues at 32.5% is used.
(7) For the borrowing requirement of public sector enterprises, the budgeted requirement of central PSUs at 2.6% of GDP is retained and a requirement of 0.9% of GDP is estimated for the state PSUs.
(8) Basic data from the CGA involves adjustment of CIT, PIT and indirect tax revenues for other taxes.
(9) Indirect tax revenues used from FY21 budget exclude taxes of the UTs.

As shown in Table 12, the total resources for government borrowing at 9.5% of GDP in FY21 fall well short of the total public sector borrowing requirement (PSBR) at about 15.6% of GDP. This gap of 6.1% points may have to be met by monetization of debt as well as additional borrowing from abroad. To the extent an imbalance continues, the borrowing by PSUs may have to be reduced and/or state governments may not borrow to the full extent of their enhanced limit of 5% of GDP. In this situation, a downgrading in India's credit ratings is quite likely. In all likelihood, the cost of borrowing would increase. States have already experienced a sharp increase in their cost of borrowing as the yield of 10-year state government bonds auctioned on 7 April 2020 rose by nearly 100 basis points as compared to that which prevailed a month before. However, the enhanced liquidity resulting from the monetary measures may limit the increase in the borrowing cost for the central and state governments.

Scope for expenditure restructuring

Three reasons predominantly warrant government expenditure restructuring. First, in the period of the lockdown and partial opening up, the government can save significantly on operational expenses including travel and meeting expenses, and expenses on transfer of personnel. Second, the government can take advantage of the significantly lower global crude prices in order to reduce its expenditure on fertilizer and petroleum subsidies. Third, there is a clear need to reprioritize expenditure in favour of health expenditures both on the revenue and capital account while saving on other heads, including defence purchases.

The size of center's expenditure relative to GDP as budgeted for FY21 amounts to 14.22%. This consists of revenue expenditure relative to GDP amounting to 12.30% and capital expenditure of 1.93% of GDP of which non-defence capital expenditure amounts to 1.39% of GDP (Table 13). As we consider expenditure restructuring, it would be desirable to reduce revenue expenditure particularly on establishment expenditure and subsidies. The amount saved on this account should be used to uplift capital expenditure above the budgeted magnitudes. If, however, the government uses this potential fiscal space to maintain its fiscal deficit at 5.7% of GDP and finances the stimulus largely from these expenditure savings, its effect would be to neutralize the stimulus since there would hardly be any additional expenditure over and above the budgeted amounts.

Table 13: Structure of Center's FY21 budgeted expenditure

Expenditure item	FY21 (BE)		Targeted savings	
	INR Crore	as % of GDP	INR Crore	% of GDP
Total expenditure	**30,42,230**	14.22	**2,23,865**	**1.05**
Revenue expenditure	2630145	12.30		
Establishment exp. *of which*	6,02,276	2.82	1,20,455	**0.56**
Salary	--	--	37,530[11]	**0.18**
Pensions	210682	0.98		
Total Subsidies	2,62,109	1.23		
Major subsidies	2,27,794	1.06		
Fertilizer subsidy	71,309	0.33	23,770[12]	**0.11**
Food subsidy	1,15,570	0.54		
Petroleum subsidy	40,915	0.19	16,366[12]	**0.08**
Capital expenditure	4,12,085	1.93		
Establishment exp.	7,308	0.03	1,462	**0.01**
Defence	1,13,734	0.53	17,060[13]	**0.08**
Non-Defence	2,98,351	1.39	44,753	**0.21**
Memo				
Nominal GDP (estimated)				**213,90,909**

Source (basic data): Union Budget 2020-21

According to some recent estimates[11], the center may be able to save about INR 37,530 crores on account of deferring three instalments of dearness allowance to employees and dearness relief to pensioners. Saving of about INR40,000 to INR80,000 crore is also likely on account of a reduction in non-salary defence expenditure[13]. Utilizing this information, we estimate that the center may be able lower its establishment expenditures by 20% vis-à-vis the budgeted amount, saving nearly INR 1.2 lakh crore. In addition, a 30%-40% reduction in expenditure on petroleum and fertilizer subsidies may enable a saving of about INR 40,000 crore.

[11] https://www.livemint.com/news/india/central-government-freezes-da-dr-hike-for-employees-pensioners-till-july-2021-11587629823509.html
[12] 30% to 40% reduction may be assumed on fertilizer and petroleum subsidies owing to lower global crude prices
[13] https://www.business-standard.com/article/economy-policy/defence-budget-may-be-slashed-by-40-may-save-centre-rs-80-000-crore-120042900077_1.html

Within the capital expenditure, both defence and non-defence expenditures may be reduced by about 15% each, enabling a saving of about INR 60,000 crores. Taken together, total savings of INR2.2 lakh crore, that is, 1.05% of FY21 estimated nominal GDP, may be facilitated on account of expenditure rationalization.

The Ministry of Finance prepares an economic and functional classification of the Union Budget every year, but it comes with a lag. This classification may provide useful insights into the nature of expenditure reprioritization. In terms of economic classification, central government expenditure can be divided into three broad categories namely consumption expenditure which accounts for about 21.2% of total expenditure, transfer payments which account for 58.5%, and total investment from center's budget which accounts for 20.3%. These shares pertain to FY18 (BE) when the fiscal deficit was budgeted at 3.5% of GDP, similar to that in FY21 (BE). In the transfer payments, grants to states are included but their share in tax devolution is not included since total expenditure is the net of states' share in central taxes. Transfer payments also include pensions and subsidies. In the category of consumption expenditure, salary payments are included. As discussed above, there is a saving possible in some of these components in FY21.

Conclusion

The Indian economy has been on a downslide in recent years although quite a number of growth-supporting initiatives were introduced in the earlier years. In spite of these initiatives, the erosion of growth could not be arrested. The reason for this has been a steady fall in private investment which could not be undone by a corresponding increase in public investment particularly that in government's capital expenditure. In fact, center's non-defence capital expenditure has been languishing at low levels of 1.0% to 1.3% of GDP during FY16 to FY21 (BE). The typical reform, relief and stimulus packages have been based on insurance schemes (PM Fasal Bima Yojana, PM Suraksha Bima Yojana, PM Jeevan Jyoti Bima Yojana, and Ayushman Bharat) and credit guarantee programs. Their success depends on a number of behavioral parameters in which entrepreneurial decisions of farmers, MSME entities, managers of NBFCs and banks etc. are involved. Because of these factors, the impact of these schemes gets considerably diluted. Growth calls for a straight-forward push to demand particularly investment demand. To kickstart this, it is government's capital expenditure that should play a pivotal role. By augmenting this, private investment would also increase through multiplier effects. Government's relief packages are meant to provide temporary support and help in kickstarting the economy. Given that the present crisis is fundamentally a health crisis, emphasis may be placed on building up health infrastructure which is also part of the National Infrastructure Pipeline (NIP). Other components of NIP should also be taken up in the earlier years of its five-year period.

Home

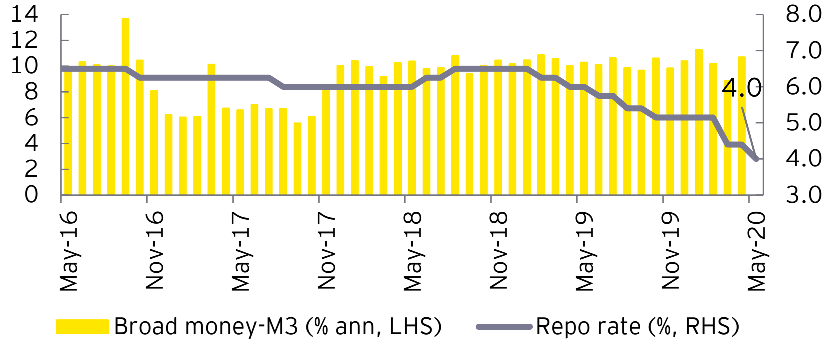
6. Money and finance: repo rate lowered to a historic low of 4.0% in May 2020

A. Monetary sector

Monetary policy

- On 22 May 2020, the RBI lowered the repo rate further by 40 basis points to an unprecedented level of 4.0%. Consequently, the reverse repo rate was also lowered by 40 basis points to 3.35%. These measures are expected to infuse additional liquidity into the system.
- The RBI also announced supplementary measures to (a) improve the functioning of markets and market participants, (b) support exports and imports, (c) provide relief on debt servicing and improving access to working capital and (d) ease financial constraints faced by state governments.
- The monetary policy statement observed that transmission of repo rate reductions to lending rates has gradually improved. In response to a cumulated reduction in the repo rate by 210 basis points during February 2019 to March 2020, the weighted average lending rate (WALR) on fresh rupee loans has declined by a cumulated 114 basis points, indicating that the transmission rate stands at about 54%.

Chart 3: growth in broad money and movements in repo rate



Source: Database on Indian Economy, RBI

Pointing to subdued demand conditions, bank credit growth averaged 9.4% in FY20 as compared to a robust 13.7% in FY19.

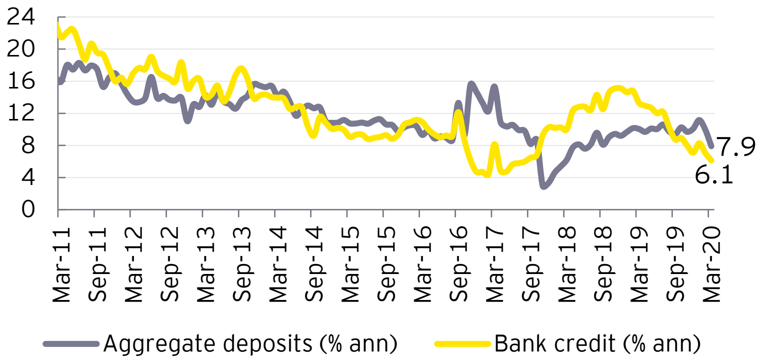
Money stock

- Growth in broad money stock (M3) increased to 10.7% in April 2020 from 8.9% in March 2020 (**Chart 3**). This was led by higher growth in demand and time deposits at 8.4% and 10.0% respectively in April 2020 as compared to 6.8% and 8.1% respectively in March 2020.
- Narrow money (M1) grew at a faster pace of 13.1% in April 2020 as compared to 11.2% in March 2020. This was due to a higher growth in currency in circulation, which increased to a six-month high of 15.7% in April 2020 as compared to 14.5% in March 2020. Growth in demand deposits continued to remain low at 8.4% in April 2020.

Aggregate credit and deposits

- Growth in bank credit decelerated to a 31-month low of 6.1% in March 2020 as compared to 7.0% in February 2020 (**Chart 4**). On an annual basis, bank credit growth averaged 9.4% in FY20 as compared to 13.7% in FY19 pointing to subdued demand conditions during FY20.
- Growth in non-food credit fell further to 6.7% in March 2020 from 7.3% in February 2020 due to deterioration in credit growth across all major sectors.
- Growth in credit to industry was low at 0.7% in March 2020 similar to the level seen in February 2020 while agricultural credit growth fell to 4.2% in

Chart 4: growth in credit and deposits



Source: Database on Indian Economy, RBI

March 2020 as compared to 5.8% in February 2020. Growth in credit to services remained subdued at 7.4% in March 2020, although improving marginally from 6.9% in February 2020.

- Growth in credit to housing sector fell to a 16-month low of 15.4% in March 2020 from 17.1% in February 2020.
- Growth in aggregate bank deposits fell to 7.9% in March 2020 from 10.0% in February 2020. On an annual basis, growth in aggregate deposits averaged 9.9% in FY20, slightly higher than 8.9% in FY19.

B. Financial sector

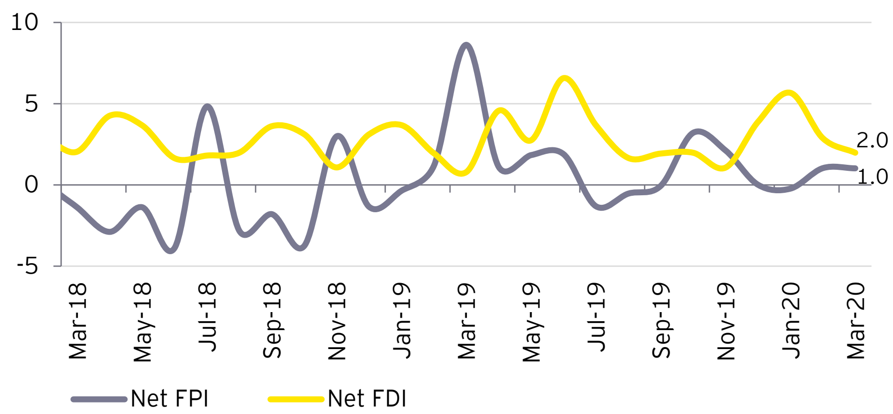
Interest rates

- Interest rates offered by commercial banks on term deposits with a maturity of more than one year fell to 5.88% (ranging between 5.7% and 6.1%) in April 2020 from 7.53% on average in March 2020.
- The average yield on 10-year G-secs increased by 31 basis points to 6.68% in April 2020 as compared to 6.37% in March 2020. Bond yields were influenced by further deterioration in the growth prospects as reflected by several high frequency indicators and the possibility of a higher than budgeted borrowing by both the state and central governments this year.
- The MCLR was lower by 60 basis points to 7.06% on average during April 2020 as compared to 7.66% in March 2020.
- Post a steep reduction in the repo rate, the WALR on fresh rupee loans by scheduled commercial banks was lowered by 43 basis points to 8.83% in March 2020 as compared to 9.26% in February 2020.

FDI and FPI

- As per the provisional data released by the RBI on 14 May 2020, the overall foreign investment inflows (FIIs) fell further to US$3.0 billion in March 2020 from US$3.9 billion in February 2020 due to lower net FDI inflows. FII inflows increased by US$18.6 billion to US$48.7 billion in FY20 from US$30.1 billion in FY19.

Chart 5: net FDI and FPI inflows (US$ billion)



Net FDI inflows slowed to US$2.0 billion in March 2020 as compared to US$2.9 billion in February 2020. In FY20, net FDI inflows were at a historical high of US$38.6 billion.

Source: Database on Indian Economy, RBI

- Net FDI inflows fell to a four-month low of US$2.0 billion in March 2020 from US$2.9 billion in February 2020 (**Chart 5**). On an annual basis, net FDI inflows increased to a historic high of US$38.6 billion in FY20 from US$ 30.7 billion in FY19. Gross FDI inflows reached a historic high of US$70.8 billion in FY20 from US$62.0 billion in FY19.
- Net portfolio investment (FPIs) inflows were at US$1.0 billion in March 2020, the same level as in February 2020. Net FPI inflows amounted to US$10.1 billion in FY20 as compared to outflows of US$0.6 billion in FY19.

7. Trade and CAB: contraction in merchandise exports intensified to (-)60.3% in April 2020

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A. CAB: Current account deficit (CAD) narrowed to 0.2% of GDP in 3QFY20

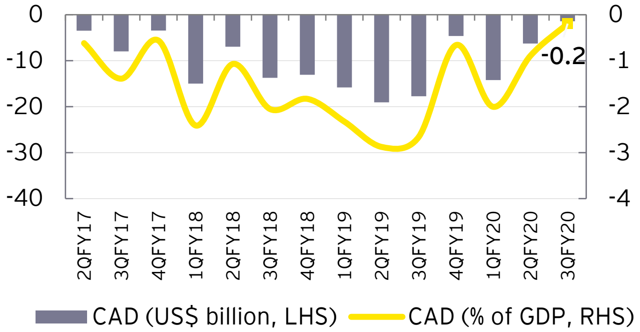
- CAD narrowed to 0.2% of GDP in 3QFY20 from 0.9% of GDP in 2QFY20 **(Chart 6)** as merchandise trade deficit fell to a 13-quarter low of 4.8% of GDP from 5.4% of GDP during the same period (**Table 14**). Relative to GDP, merchandise imports moderated to a 62-quarter low of 15.9% in 3QFY20 from 16.8% in 2QFY20, while merchandise exports eased to a 15-year low of 11.2% from 11.4% over the same period. Net service exports increased marginally to 3.0% of GDP in 3QFY20 from 2.9% in 2QFY20. CAD is expected to be close to 1.0% of GDP in FY20.

Table 14: components of CAB in US$ billion

	CAB	CAB as a % of nominal GDP	Goods account net	Services account net
FY16	-22.2	-1.1	-130.1	69.7
FY17	-15.3	-0.7	-112.4	67.5
FY18	-48.7	-1.8	-160.0	77.6
FY19	-57.3	-2.1	-180.3	81.9
4QFY19	-4.6	-0.7	-35.2	21.3
1QFY20	-14.2	-2.0	-46.2	20.1
2QFY20	-6.3	-0.9	-38.1	20.4
3QFY20	-1.4	-0.2	-34.6	21.9

Source: Database on Indian Economy, RBI
Note: (-) deficit; (+) surplus

Chart 6: CAD



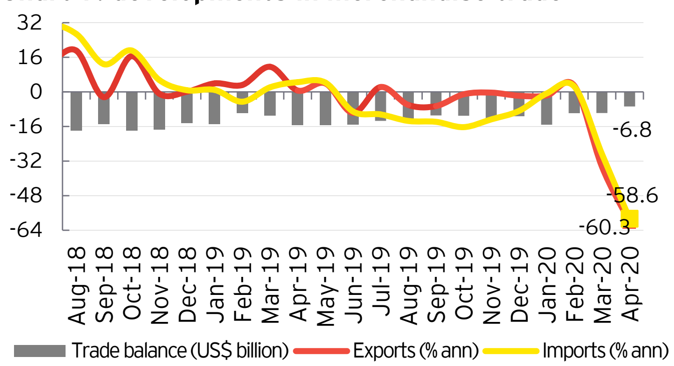
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise exports and imports contracted by (-)60.3% and (-)58.6% respectively in April 2020 due to disruptions in the global and Indian economies caused by COVID-19 (Error! Reference source not found.).

- Contraction in merchandise exports intensified to (-)60.3% in April 2020 from (-)34.6% in March 2020. This was the highest pace of contraction in nearly three decades.

Chart 7: developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

- Exports of engineering goods contracted sharply by (-)64.8% in April 2020 as compared to (-)42.3% in March 2020. The pace of contraction in oil exports more than doubled to (-)66.2% in April 2020 from (-)31.1% in March 2020.
- Contraction in imports increased to (-)58.6% in April 2020 from (-)28.7% in March 2020.
- Oil imports plunged by (-)59.0% in April 2020 as compared to (-)15.0% in March 2020 due to subdued domestic demand and supply disruptions besides falling oil prices.
- Gold imports declined by (-) 99.9% in April 2020. The pace of contraction in pearls and precious stones, machinery, and electronic goods imports sharpened to a 48-month high of (-)99.9%, (-)53.9% and (-)62.1% respectively in April 2020.
- Imports and exports excluding oil, gold and jewelry contracted by (-)47.9% and (-)53.5% respectively in April 2020 as compared to (-)27.8% and (-)34.2% respectively in the previous month. Out of the 30 sectors for which exports and imports data is provided, 28 and 30 sectors respectively experienced a contraction in April 2020.
- Merchandise trade deficit fell to US$6.8 billion in April 2020 as compared to US$9.8 billion in March 2020 due to the sharp contraction in imports.
- The Indian rupee depreciated significantly for the third successive month to INR76.2 per US$ in April 2020 from INR74.4 per US$ in March 2020 partly due to capital outflows.

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8. Global growth: UN projected a global contraction of (-)3.2% in 2020 with a modest rebound in 2021

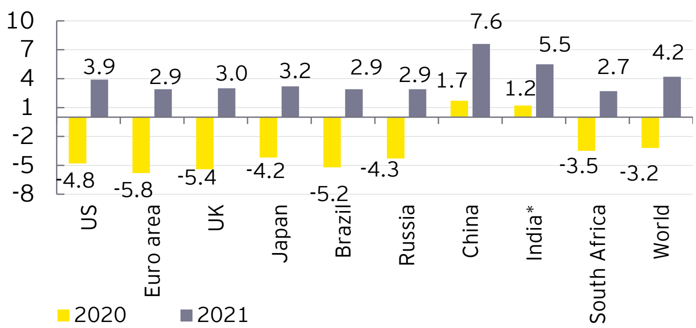
A. Global growth outlook

- The United Nations (UN; World Economic Situation and Prospects, May 2020) projected a global contraction of (-)3.2% in 2020 due to the economic collapse caused by COVID-19 and a modest rebound of 4.2% in 2021 under the baseline scenario. The baseline scenario assumes a pick-up in the global economic activities starting 3Q of 2020, with fiscal and monetary stimulus supporting demand.
- Under the pessimistic scenario, global contraction of (-)4.9% in 2020 is projected followed by a meagre recovery of 0.5% in 2021. Under the optimistic scenario, a lower contraction of (-)1.4% in 2020 and a more robust rebound of 6.1% is projected in 2021.
- The UN projected cumulative output losses at US$8.5 trillion for 2020 and 2021.

The UN projected a global contraction of (-)3.2% in 2020 due to the economic collapse caused by COVID-19. Only a modest rebound to 4.2% is projected in 2021.

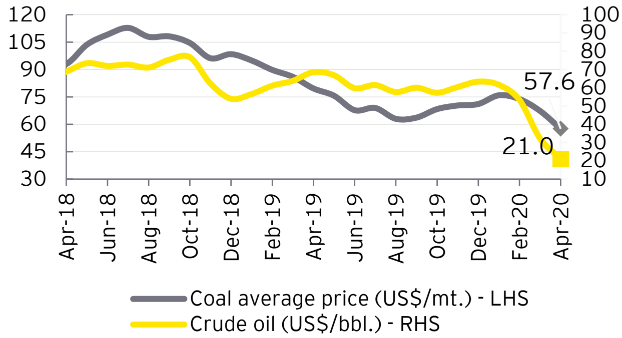
- GDP contraction in developed economies is estimated at (-)5.0% while that in developing economies is forecasted at (-)0.7% in 2020. In 2021, growth is expected to recover to 3.4% in developed economies and 5.3% in developing economies.
- Contraction in the Euro area is projected to be the highest at (-)5.8%, followed by the UK at (-)5.4%, the US at (-)4.8% and Japan at (-)4.2% in 2020. In 2021, growth is projected to recover to close to 3% in Euro area, the UK and Japan while a relatively sharper recovery at 3.9% is forecasted for the US.
- Brazil, Russia and South Africa are expected to contract in 2020. Growth in Brazil and Russia is likely to be impacted by a sharp fall in commodity and fuel prices, and a collapse of tourism is likely to adversely affect South Africa's growth prospects.
- Growth in India and China is projected to be positive at 1.2% and 1.7% respectively in 2020 and a recovery of 5.5% and 7.6% respectively is forecasted for 2021.

Chart 8: global growth projections



Source: World Economic Situation and Prospects, UN, May 2020
* data pertains to fiscal year

Chart 9: global crude and coal prices



Source (basic data): World Bank, Pink Sheet, May 2020

B. Global energy prices: global crude price fell to US$21.0/bbl. in April 2020, its lowest level since February 2002

- Average global crude price[14] fell to US$21.0/bbl. in April 2020, its lowest level since February 2002, from 32.2/bbl. in March 2020 due to a sharp fall in demand amid the COVID-19 pandemic (**Chart 9**). The World Bank[15] projected global crude prices to average US$35/bbl. in 2020, recovering to US$42/bbl. in 2021 with major downside risks relating to the duration and severity of COVID-19 pandemic.
- Average global coal price[16] also fell to US$57.6/mt. in April 2020, its lowest level since June 2016, as compared to US$67.3/mt. in March 2020. The World Bank[15] projected Australian coal price to fall by nearly 17% to US$65/mt. in 2020 from US$77.9/mt. in 2019. It is expected to recover marginally to US$68/mt. in 2021.

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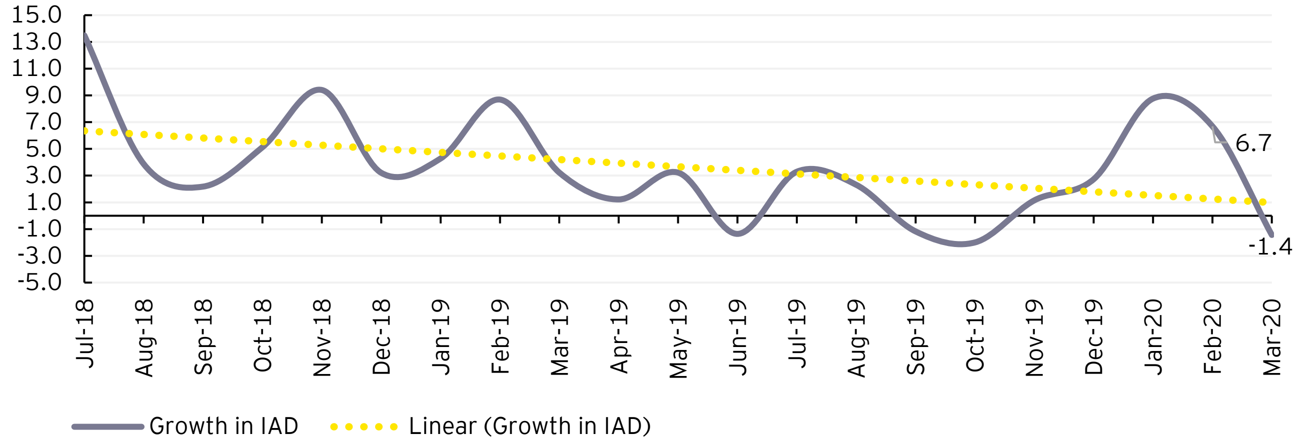
[14] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[15] Commodity Markets Outlook, World Bank (April 2020); https://openknowledge.worldbank.org/bitstream/handle/10986/33624/CMO-April-2020.pdf
[16] Simple average of Australian and South African coal prices

9. Index of Aggregate Demand (IAD): pointed to a contraction in demand in March 2020

Growth in IAD contracted by (-)1.4% in March 2020

- An IAD has been developed by EY 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.
- Pointing to a deterioration in demand conditions, IAD declined by (-)1.4% in March 2020 as compared to a growth of 6.7% in February 2020 **(Chart 10).** Contraction in IAD was last observed in October 2019.
- This was largely because of a sharp contraction in services sector demand and subdued demand in agriculture and manufacturing sectors during March 2020 (**Table 15**).
- On an annual basis, IAD growth fell to 1.9% in FY20 from 5.0% in FY19.

Chart 10: growth in IAD (y-o-y)



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

Table 15: IAD

Month	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
IAD	129.8	124.6	124.1	126.2	129.7	131.4	138.1	137.9	126.2
Growth (% y-o-y)	3.3	2.3	-1.2	-2.0	1.2	2.7	8.8	6.7	-1.4
Growth in agr. credit	6.8	6.8	7.0	7.1	6.5	5.3	6.5	5.8	4.2
Mfg. PMI**	1.8	1.3	1.4	0.4	1.2	3.2	5.6	4.7	1.7
Ser. PMI**	4.4	-0.7	-1.9	0.7	3.8	3.9	8.6	9.0	-1.1

**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.

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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							
FY17	4.6	5.3	4.3	5.8	4.8	FY17	51.6	51.0
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	-0.7	1.7	-1.3	1.1	0.3	FY20	52.3	51.9
1QFY20	3.0	3.0	2.4	7.3	3.4	1QFY20	52.2	50.3
2QFY20	-0.4	-1.2	-0.4	0.6	-0.9	2QFY20	51.8	51.6
3QFY20	-1.4	0.0	-1.1	-6.0	-0.9	3QFY20	51.5	51.7
4QFY20	-3.8	4.4	-5.8	2.2	-0.2	4QFY20	53.9	54.1
Dec-19	0.4	5.7	-0.3	-0.1	2.1	Jan-20	55.3	55.5
Jan-20	2.1	4.3	1.6	3.1	1.4	Feb-20	54.5	57.5
Feb-20	4.6	9.7	3.1	11.5	5.5	Mar-20	51.8	49.3
Mar-20	-16.7	0.0	-20.6	-6.8	-6.5	Apr-20	27.4	5.4

Source: 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				
FY17	4.5	4.2	3.3	4.9	1.7	5.9	1.3	-0.3	-0.1
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	-1.7	-0.4
1QFY20	3.1	1.7	2.4	4.1	2.7	5.1	1.5	1.2	1.4
2QFY20	3.5	3.5	-1.4	4.1	0.9	5.6	-0.1	-4.6	-0.5
3QFY20	5.8	10.7	-1.1	3.3	1.1	9.3	-0.7	-5.1	-1.8
4QFY20	6.7	11.1	5.5	3.8	2.3	7.6	0.5	2.2	-0.7
Jan-20	7.6	13.6	3.7	4.0	3.5	10.1	0.6	5.4	-0.7
Feb-20	6.6	10.8	6.4	3.7	2.3	7.2	0.5	3.1	-0.6
Mar-20	5.8	8.8	6.6	3.8	1.0	5.5	0.3	-1.8	-0.8
Apr-20*	--	10.5	--	--	--	3.6	--	-10.1	--

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

* The CPI and WPI data could only be collected for selected groups/ sub-groups in April 2020

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
FY17 (CGA)	17.9	6.7	21.5	12.3	21.6	3.5	2.1
FY 18 (CGA)	11.8	17.8	19.9	18.6	6.0	3.5	2.6
FY 19 (CGA)	8.4	16.2	13.1	14.9	2.9	3.4	2.4
FY20 (RE over FY 19 actuals)	4.0	-8.0	18.3	2.9	5.3	3.8	2.4
FY 21 (BE over FY 20 RE)	12.0	11.5	14.0	12.7	11.1	3.5	2.7
	Cumulated growth (%, y-o-y)					% of budgeted target	
Jul-19	6.6	5.5	6.0	5.8	7.3	77.8	94.2
Aug-19	4.2	4.6	13.2	9.6	0.6	78.7	89.9
Sep-19	1.5	2.3	8.9	5.2	-2.0	92.6	99.9
Oct-19	1.2	0.9	6.7	3.5	-1.0	102.4	112.6
Nov-19	0.8	-0.9	7.0	2.7	-0.9	114.8	128.4
Dec-19	-2.9	-13.6	5.1	-5.8	0.1	121.5	141.6
Jan-20	-2.0	-13.5	6.9	-4.9	0.9	128.5	150.2
Feb-20	-0.8	-12.0	7.7	-3.5	1.6	135.2#	156.7#

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 % of revised targets for FY20.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (center)
	INR crore				
FY 2020 (RE)	5,14,000	-	-	98,327	6,12,327
FY 2021 (BE)	5,80,000	-	-	1,10,500	6,90,500
Monthly tax collection (INR crore)					
Jul-19	24,095	197	25,250	8,183	57,725
Aug-19	68,545	117	-46,098	6,822	29,386
Sep-19	38,132	482	-3,650	7,148	42,112
Oct-19	37,135	190	19,573	8,701	65,599
Nov-19	43,654	197	247	7,119	51,217
Dec-19	40,472	170	-1,842	7,913	46,713
Jan-20	43,782	157	2,128	8,359	54,426
Feb-20	41,291	159	553	8,604	50,607

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
Jun-19	5.75	FY17	7.9	11.6	35.6	7.6	FY17	3.1	10.1	7.03	370.0
Jul-19	5.75	FY18	7.5	7.5	30.3	22.1	FY18	21.8	9.2	7.05	424.4
Aug-19	5.40	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.68	411.9
Sep-19	5.40	FY20	9.4	9.9	38.6	10.1	FY20	11.2	8.9	6.80	475.6
Oct-19	5.15	1QFY20	12.6	9.9	13.9	4.8	1QFY20	11.3	10.1	7.24	427.7
Nov-19	5.15	2QFY20	10.4	9.9	7.3	-1.9	2QFY20	10.8	9.6	6.68	433.6
Dec-19	5.15	3QFY20	8.0	10.0	6.9	5.3	3QFY20	12.5	10.4	6.68	457.5
Jan-20	5.15	4QFY20	7.1	9.6	10.5	1.8	4QFY20	11.2	8.9	6.62	475.6
Feb-20	5.15	Dec-19	7.1	10.1	3.9	0.0	Jan-20	13.9	11.2	6.82	471.3
Mar-20	4.40	Jan-20	8.3	11.2	5.7	-0.2	Feb-20	11.9	10.2	6.66	481.5
Apr-20	4.40	Feb-20	7.0	10.0	2.9	1.0	Mar-20	11.2	8.9	6.37	475.6
May-20	4.00	Mar-20	6.1	7.9	2.0	1.0	Apr-20	13.1	10.7	6.68	479.5

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		
FY17	5.1	0.9	-108.2	67.1	47.9	73.0	2010	5.4	3.1	7.4
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2011	4.3	1.7	6.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2012	3.5	1.2	5.3
FY20	-4.9	-8.9	-152.9	70.9	58.5	70.4	2013	3.5	1.4	5.1
1Q FY20	-1.7	-0.3	-46.0	69.5	65.1	74.3	2014	3.6	2.1	4.7
2Q FY20	-3.6	-12.6	-37.7	70.4	59.7	65.2	2015	3.4	2.3	4.3
3Q FY20	-1.1	-12.7	-34.4	71.2	60.3	69.9	2016	3.4	1.7	4.6
4Q FY20	-12.8	-9.8	-34.8	72.4	49.1	72.3	2017	3.8	2.5	4.8
Jan-20	-1.7	-0.7	-15.2	71.3	61.6	75.9	2018	3.6	2.3	4.5
Feb-20	2.9	2.5	-9.9	71.4	53.3	73.8	2019	2.9	1.7	3.7
Mar-20	-34.6	-28.7	-9.8	74.4	32.2	67.3	2020*	-3.0	-6.1	-1.1
Apr-20	-60.3	-58.6	-6.8	76.2	21.0	57.6	2021*	5.8	4.5	6.6

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook, April 2020, * indicates projections.

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
FY17 (3rd RE)	8.0	6.8	9.8	7.9	10.0	5.9	7.7	8.6	9.3	2.9
FY18 (2nd RE)	6.6	5.9	4.9	6.6	11.2	5.0	7.6	4.7	9.9	4.2
FY19 (1st RE)	6.0	2.4	-5.8	5.7	8.2	6.1	7.7	6.8	9.4	4.2
FY20 (AE)$	4.9	3.7	2.8	0.9	4.6	3.0	5.6	7.3	8.8	2.8
3QFY18	7.1	5.1	4.7	9.3	10.1	4.7	8.2	5.7	8.9	5.2
4QFY18	7.6	7.1	3.3	10.1	11.8	13.7	6.3	4.4	8.3	4.0
1QFY19	6.9	3.8	-7.3	10.7	7.9	6.4	8.5	6.0	8.8	4.6
2QFY19	6.1	2.5	-7.0	5.6	9.9	5.2	7.8	6.5	8.9	4.7
3QFY19	5.6	2.0	-4.4	5.2	9.5	6.6	7.8	6.5	8.1	3.8
4QFY19	5.6	1.6	-4.8	2.1	5.5	6.0	6.9	8.7	11.6	3.7
1QFY20	5.4	2.8	4.7	2.2	8.8	5.5	5.7	6.9	8.7	3.0
2QFY20	4.8	3.1	0.2	-0.4	3.9	2.9	5.8	7.1	10.1	1.7
3QFY20	4.5	3.5	3.2	-0.2	-0.7	0.3	5.9	7.3	9.7	3.2

Source: National Accounts Statistics, MoSPI
$Growth numbers for FY20 are based on the second advanced estimates of NAS released by MoSPI on 28 February 2020 over the first revised estimates (RE) of NAS for FY19 released by MoSPI on 31 January 2020.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY17 (3rd RE)	8.3	8.1	6.1	8.5	5.0	4.4	3.2
FY18 (2nd RE)	7.0	7.0	11.8	7.2	4.6	17.4	3.8
FY19 (1st RE)	6.1	7.2	10.1	9.8	12.3	8.6	4.6
FY20 (AE)$	5.0	5.3	9.8	-0.6	-1.9	-5.5	2.3
3QFY18	7.6	5.2	10.3	8.7	4.5	14.1	3.7
4QFY18	8.2	8.1	8.6	13.6	5.1	23.6	3.0
1QFY19	7.1	6.7	8.5	12.9	9.5	5.9	6.0
2QFY19	6.2	8.8	10.8	11.5	12.5	18.7	4.9
3QFY19	5.6	7.0	7.0	11.4	15.8	10.0	5.5
4QFY19	5.7	6.2	14.4	4.4	11.6	0.8	2.1
1QFY20	5.6	5.0	8.8	4.3	3.2	2.1	2.6
2QFY20	5.1	5.6	13.2	-4.1	-2.1	-9.3	1.2
3QFY20	4.7	5.9	11.8	-5.2	-5.5	-11.2	2.9

Source: National Accounts Statistics, MoSPI
$Growth numbers for FY20 are based on the second advanced estimates of NAS released by MoSPI on 28 February 2020 over the first revised estimates (RE) of NAS for FY19 released by MoSPI on 31 January 2020.

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	CSO	Central Statistical Organization
17	Disc.	discrepancies
18	ECBs	external commercial borrowings
19	EIA	US Energy Information Administration
20	Elec.	electricity, gas, water supply and other utility services
21	EMDEs	Emerging Market and Developing Economies
22	EXP	exports
23	FAE	first advanced estimates
24	FC	Finance Commission
25	FII	foreign investment inflows
26	Fin.	financial, real estate and professional services
27	FPI	foreign portfolio investment
28	FRBMA	Fiscal Responsibility and Budget Management Act
29	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
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	J&K	Jammu and Kashmir
49	MCLR	marginal cost of funds-based lending rate
50	Ming.	mining and quarrying
51	Mfg.	manufacturing
52	m-o-m	month-on-month
53	mt	metric ton
54	MoSPI	Ministry of Statistics and Programme Implementation
55	MPC	Monetary Policy Committee
56	NEXP	net exports (exports minus imports of goods and services)
57	NPA	non-performing assets
58	NCLT	National Company Law Tribunal
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	PSBR	Public sector borrowing requirement
65	RE	revised estimates
66	RBI	Reserve Bank of India
67	SOTR	states' own tax revenues
68	SLR	Statutory Liquidity Ratio
69	Trans.	trade, hotels, transport, communication and services related to broadcasting
70	US$	US Dollar
71	UTGST	Union Territory Goods and Services Tax
72	UT	union territory
73	WALR	Weighted average lending rate
74	WPI	Wholesale Price Index
75	y-o-y	year-on-year
76	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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EYIN2005-060
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