# Economy Watch

## Monitoring India's macro-fiscal performance

**November 2020**

Building a better working world

# Contents




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

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# Highlights

1. IIP growth turned positive for the first time since March 2020 but remained low at 0.2% in September 2020.

2. In October 2020, PMI manufacturing increased to 58.9, its highest level in over a decade. PMI services at 54.1, crossed the threshold of 50 for the first time since February 2020.

3. At 7.6% in October 2020, CPI inflation continued to breach the 6% upper tolerance limit of the RBI's inflation target range for the seventh successive month.

4. As per the CGA, center's gross taxes contracted by (-)21.6% during April-September FY21 as compared to a growth of 1.5% in the corresponding period of FY20.

5. During 1HFY21, center's capital expenditure contracted by (-)11.6% while revenue expenditures showed a subdued growth of 1.0%.

6. During 1HFY21, center's fiscal deficit stood at 114.8% of the annual budgeted target while the corresponding number for revenue deficit was 125.2%.

7. Credit growth remained subdued at 5.1% in September 2020, its lowest level since May 2017, falling from 5.5% in August 2020.

8. In 1HFY21, net FDI inflows were at a historic high of US$26.8 billion. By 6 November 2020, India's foreign exchange reserves were at an unprecedented level of US$568.5 billion.

9. Merchandise exports contracted by (-)5.1% in October 2020 as compared to a growth of 6.0% in September 2020.

10. The OECD projected the Emerging Asia region to contract by (-)2.0% in 2020 with a contraction of (-)10.2% forecasted for India.

# Foreword

## With buoyant high frequency indicators, India looks forward to a positive 3QFY21 growth

On 12 November 2020, the latest round of stimulus was announced by the Government of India, amounting to INR2.65 lakh crores, which is about 1.4% of the FY21 nominal GDP projected by the IMF. Coming a few days ahead of Diwali, while the economy has now nearly fully exited from the lockdown, this stimulus injection is well-timed. The focus of this package is mainly sectoral, covering telecom and networking products, automobiles and auto components, domestic defence equipment, pharmaceuticals and drugs, advance cell chemistry battery, food products and textile products. Further, there is an emphasis on rural and agricultural sectors, housing, real estate, industrial and overall infrastructure sectors. These sectors are employment-intensive with high multipliers. The RBI in its monetary policy statement released on 09 October 2020 projected real GDP growth at (-)9.8% for 2QFY21 and at (-)9.5% for FY21. The CSO would be releasing the 2QFY21 growth numbers on 27 November 2020. In the meanwhile, the RBI has assessed that 3QFY21 growth may turn around to become positive.

With the second wave of Covid-19 pandemic spreading rapidly across Europe, several countries have now resorted to the re-imposition of lockdowns. The US has also been showing a significant upsurge in the incidence of Covid-19. While countries including UK, France, Germany and Czech Republic have imposed strict nation-wide lockdowns, Italy, Spain, Belgium, Portugal, Ireland, the Netherlands, Greece and Denmark have imposed partial lockdowns or other forms of restrictions including curfew. Consequently, external demand continues to remain anemic as reflected in a (-)5.1% y-o-y contraction in India's exports during October 2020.

In the latest phase of exit from the lockdown, some service sector activities including cinemas, theatres, multiplexes, business to business exhibitions and entertainment parks have been opened. States/UTs have also been given the flexibility for opening schools. Further, there would be no restrictions on inter-state and intra-state movement of persons and goods. Consequently, domestic demand has started showing recovery. PMI manufacturing increased to 58.9 in October 2020, its highest level since May 2010. PMI services at 54.1, crossed the threshold of 50 for the first time since February 2020. Growth in power consumption increased to 10.3% in October 2020 from 3.5% in September 2020. By 6 November 2020, India's foreign exchange reserves were at a historic-high of US$568.5 billion. GST collections at INR1,05,155 crores in October 2020 were also at the highest level since February 2020. In September 2020, growth in IIP turned positive at 0.2% for the first time since March 2020. The average contraction in IIP was lower at (-)6.0% in 2QFY21 as compared to (-)35.7% in 1QFY21. Contraction in core IIP was also at a seven-month low of (-)0.8% in September 2020.

As per the CGA, the rate of contraction in center's gross tax revenues has progressively come down since April 2020. This rate became positive at 2% in August 2020 (y-o-y). With September 2020 data also available, the 1HFY21 center's gross tax revenues show a contraction of (-)21.6% over the corresponding period of last year. Non-tax revenues of the center also showed a massive contraction of (-)55.9% during 1HFY21. During this period, center's revenue expenditure showed a subdued growth of 1.0% while capital expenditure contracted by (-)11.6%. Together, these have resulted in a small contraction of (-)0.6% in center's total expenditure. In 1HFY21, center's fiscal deficit stood at 114.8% of the annual budgeted target as compared to 92.6% during 1HFY20. Fiscal deficit of the center grew by 40.3% during April-September FY21 as compared to 9.6% during the corresponding period of FY20. In spite of the substantive rise in the magnitude of center's fiscal deficit in 1HFY21, a contraction in center's total expenditure indicates that almost the entire increase in fiscal deficit has been utilized in making up for the shortfall in center's tax and non-tax revenues and non-debt capital receipts.

Headline CPI inflation at 7.6% in October 2020 breached the upper tolerance limit of 6% for the seventh successive month, led by supply chain disruptions and higher taxes on petroleum products among other factors even as demand remained low. Average global crude price fell to US$39.9/bbl. in October 2020 from US$40.6/bbl. in September 2020 due to a resurgence of Covid-19 cases in north America and Europe thereby dampening demand. The World Bank in its October 2020 issue of the Commodity Markets Outlook has projected the average global crude price at US$41/bbl. in 2020 and at US$44/bbl. in 2021.

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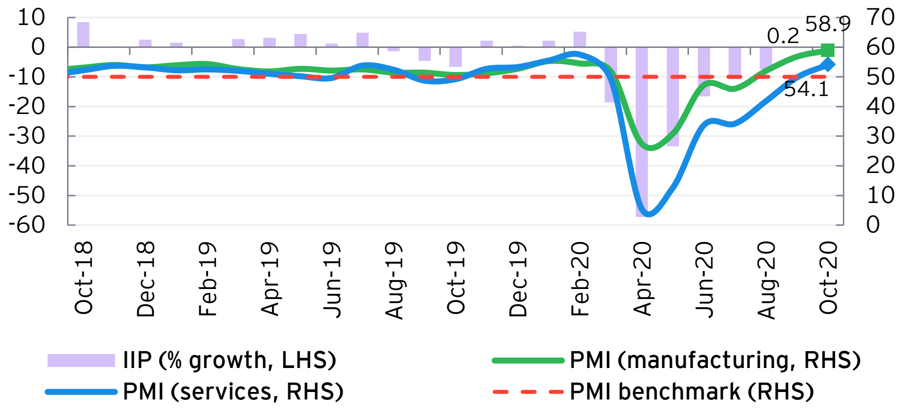
# 1. Growth: IIP growth turned positive but remained low at 0.2% in September 2020

## A. IIP: growth in IIP turned positive for the first time since March 2020

- As per the quick estimates of IIP for September 2020, released by the MoSPI on 12 November 2020[1], IIP grew by 0.2% as compared to a contraction of (-)7.4% (revised) in August 2020[2] (**Chart 1**). In 2QFY21, IIP contracted at a slower pace of (-)6.1% as compared to (-)35.6% in 1QFY21 (Table A1 in data appendix).
- Output of electricity and mining grew by 4.9% and 1.4% respectively in September 2020 as compared to a contraction of (-)1.8% and (-)9.0% respectively in August 2020. Output of manufacturing however, continued to contract although at a slower pace of (-)0.6% in September 2020 as compared to (-)7.9% in August 2020.
- Contraction in the output of capital goods was at (-)3.3% in September 2020 as compared to (-)14.8% in August 2020. Output of consumer durables and consumer non-durables grew by 2.8% and 4.1% respectively in September 2020 as compared to a contraction of (-)9.6% and (-)2.3% respectively in August 2020.
- Output of eight core infrastructure industries (core IIP) contracted by (-)0.8% in September 2020, its slowest pace of contraction since March 2020. The higher contraction in the output of natural gas ((-) 10.6%) and petroleum refinery products ((-)9.5%) was nearly counterbalanced by a strong growth in the output of coal at 21.2% and low but positive growth in the output of electricity and steel at 3.7% and 0.9% respectively in September 2020.

**Chart 1: IIP growth and PMI**




IIP growth turned positive for the first time since March 2020 but remained low at 0.2% in September 2020.

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

## B. PMI: signaled a sharp expansion in both manufacturing and services in October 2020

In October 2020, PMI manufacturing increased to 58.9, its highest level in over a decade. PMI services at 54.1, crossed the threshold of 50 for the first time since February 2020.

- Headline manufacturing PMI (seasonally adjusted (sa)) increased from 56.8 in September 2020 to 58.9 in October 2020, its highest level since May 2010 (**Chart 1**). In October 2020, new orders and output sub-indices were at their highest levels since June 2008 and October 2007 respectively. Growth was led by intermediate goods category although there was robust expansion in consumer and investment goods categories.
- After contracting for seven successive months, PMI services crossed the threshold of 50, reaching a level of 54.1 in October 2020, up from 49.8 in September 2020. Revival in activity was primarily attributed to the relaxation of Covid-19 restrictions.
- Reflecting a sharp increase in both manufacturing and service sectors activity, the composite PMI Output Index (sa) increased to a nine-year high of 58.0 in October 2020 from 54.6 in September 2020.

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[1] Quick estimates of IIP and use-based index for the month of September 2020
http://www.mospi.gov.in/sites/default/files/press_release/IIP%20Sep%2720%20Press%20Release.pdf

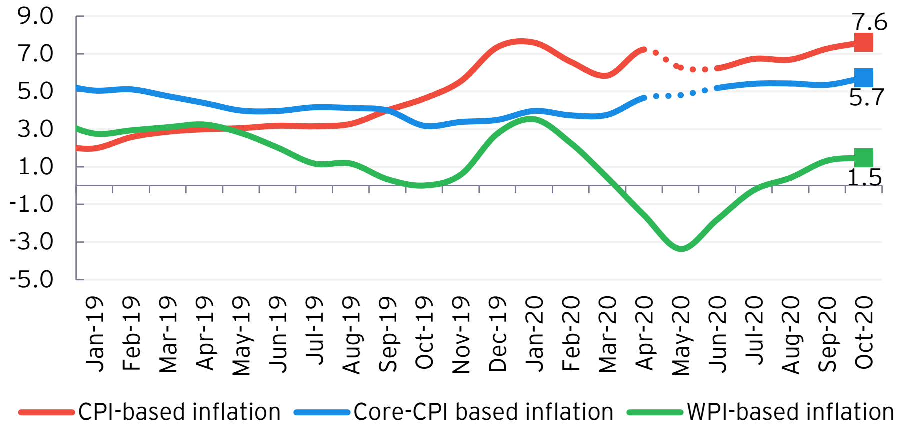
[2] It may not be appropriate to compare the IIP in the post-pandemic months with the IIP for months preceding the Covid-19 pandemic. Indices for the months of June 2020 and August 2020 incorporate updated production data.

## 2. Inflation: CPI inflation increased to 7.6% in October 2020

**CPI inflation increased to a 77-month high of 7.6% in October 2020 from 7.3% in September 2020 (Chart 2) driven by higher inflation in vegetables.**

- Inflation in vegetables increased to a six-month high of 22.5% in October 2020 from 20.8% in September 2020 led by a spike in inflation in onions to 12.6% from (-)12.5% over the same period.
- Inflation in pulses rose to a five-month high of 18.3% in October 2020. Consumer food inflation increased to a six-month high of 11.1% in October 2020.
- Core CPI inflation[3] surged to a 27-month high of 5.7% in October 2020 from 5.3% in September 2020 led by higher inflation in housing services.
- Housing-based inflation increased to 3.3% in October 2020 from 2.8% in September 2020.
- Inflation in transportation and communication services remained elevated at 11.2% in October 2020 as compared to 11.5% in September 2020 mainly due to higher taxation of fuel used for transportation. Health services inflation increased to an 11-month high of 5.2% in October 2020 from 4.9% in September 2020.
- Inflation in fuel and light eased to a four-month low of 2.3% in October 2020.

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




**At 7.6% in October 2020, CPI inflation continued to breach the 6% upper tolerance limit of the RBI's inflation target range for the seventh successive month.**

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

**WPI inflation increased to an eight-month high of 1.5% in October 2020 from 1.3% in September 2020, largely due to higher inflation in manufactured products.**

- Core WPI inflation increased to an 18-month high of 1.7% in October 2020 from 1.1% in September 2020 led by rising inflation in manufactured basic metals.
- Inflation in manufactured basic metals increased to a 22-month high of 5.3% in October 2020 from 3.4% in September 2020. Inflation in manufactured products at 2.1% in October 2020 was higher than that in September 2020 at 1.6%.
- WPI food index-based inflation declined to 5.8% in October 2020 from a seven-month high of 6.9% in September 2020.
- The pace of contraction in prices of crude and natural gas slowed to an eight-month low of (-)13.0% in October 2020.
- Fuel and power-based inflation was at (-)10.9% in October 2020 as compared to (-)9.5% in September 2020.

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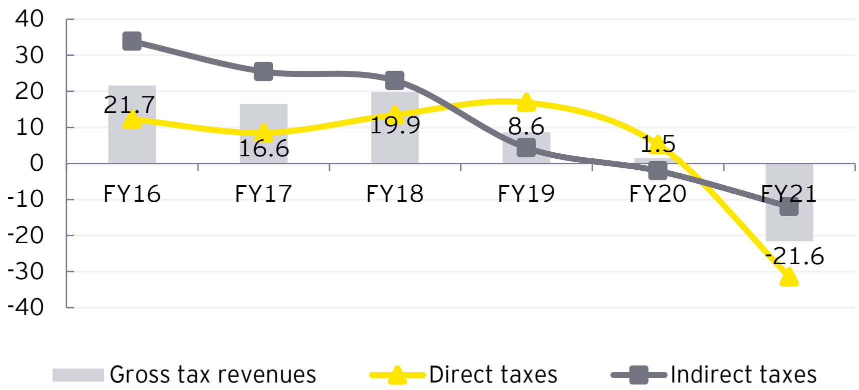
[3] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.
[4] http://www.mospi.gov.in/sites/default/files/press_release/CPI%20Technical%20Note%20on%20Imputation.pdf

# 3. Fiscal performance: center's gross tax revenues during 1HFY21 contracted by (-)21.6%

## A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)[5], gross central taxes during April-September FY21 contracted by (-)21.6% as compared to a growth of 1.5% during April-September FY20 (**Chart 3**). Both direct and indirect taxes contracted on a y-o-y basis during the first half of FY21.
- As a proportion of the annual budgeted target, gross taxes during 1HFY21 stood at 29.8%, the lowest since at least FY01. The corresponding ratio for FY20 stood at 37.4%.
- On a quarterly basis, central gross tax revenues contracted by (-)13.1% in 2QFY21 over 2QFY20.
- Direct tax revenues contracted by (-)31.4% during April-September FY21 as compared to a growth of 5.2% in the corresponding period of FY20.
- Corporate income tax (CIT) revenues contracted sharply by (-)39.7% during April-September FY21 as compared to a growth of 2.3% in the corresponding period of FY20.
- There was a contraction of (-)21.8% in personal income tax (PIT) revenues during April-September FY21 as compared to a growth of 8.9% during the corresponding period of the previous year.
- Indirect taxes (comprising union excise duties, service tax, customs duty, CGST, UTGST, IGST[6] and GST compensation cess) showed a contraction of (-)12.0% during 1HFY21 as compared to (-)2.0% during the corresponding period of the previous year.

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




**As per the CGA, center's gross taxes contracted by (-)21.6% during April-September FY21 as compared to a growth of 1.5% in the corresponding period of FY20.**

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, 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.

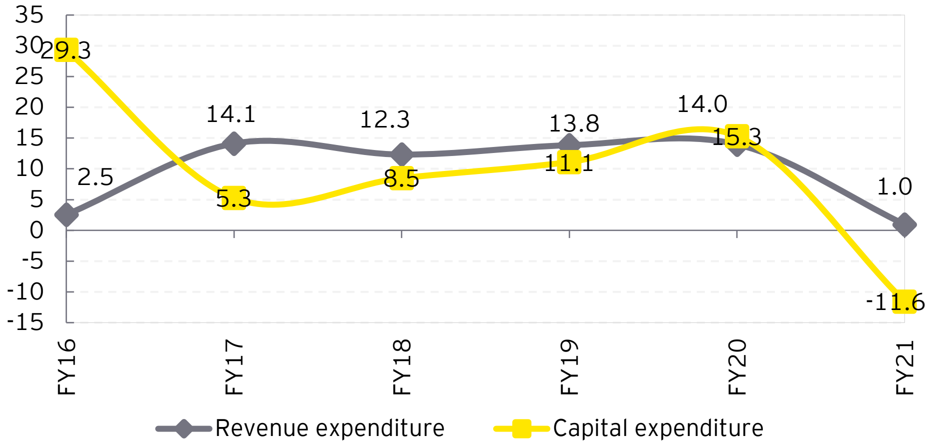
- Center's non-tax revenues showed a contraction of (-)55.9% during 1HFY21 as compared to a growth of 91.8% in 1HFY20. The surplus transferred by the RBI to the central government for this year amounts to INR57,128 crores as compared to INR1,75,987 crores last year[7].
- As a proportion of the annual budgeted target, non-tax revenues during April-September FY21 stood at 24.0% as compared to 66.7% during April-September FY20.
- As per the Department of Disinvestment[8], disinvestment receipts stood at INR6,311.64 crores as on 21 November 2020, that is, 3.0% of the annual budgeted target of INR2,10,000 crores.

[5] Monthly accounts for September 2020 released on 29 October 2020
[6] IGST revenues are subject to final settlement
[7] RBI Annual Report 2019-20; https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/0RBIAR201920DA64F97C6E7B48848E6DEA06D531BADF.PDF
[8] https://www.dipam.gov.in/dipam/home

## B. Expenditures: revenue and capital

- Center's total expenditure during 1HFY21 contracted by (-)0.6% as compared to a growth of 14.1% during the corresponding period of FY20.
- Revenue expenditure grew by a meagre 1.0% during April-September FY21 as compared to 14.0% during the corresponding period of FY20 (**Chart 4**).
- Center's capital expenditure showed a contraction of (-)11.6% during April-September FY21 as compared to a growth of 15.3% in the corresponding period of previous year.

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



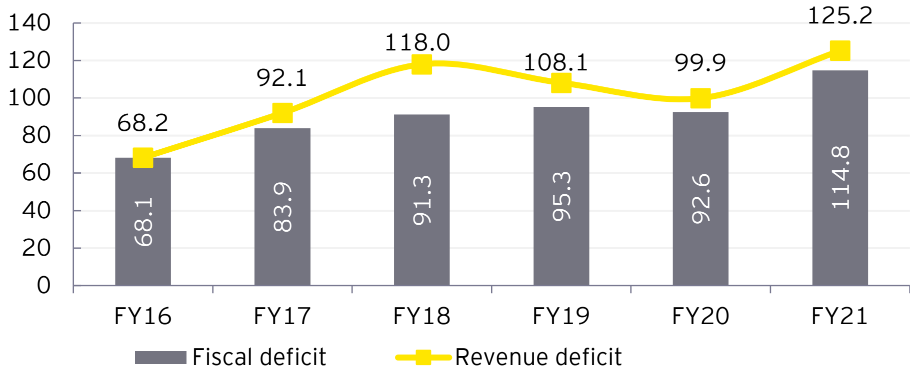

During 1HFY21, center's capital expenditure contracted by (-)11.6% while revenue expenditure showed a subdued growth of 1.0%.

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

## C. Fiscal imbalance

- Center's fiscal deficit during 1HFY21 stood at 114.8% of the annual budgeted target as compared to 92.6% during the corresponding period of FY20 (**Chart 5**).
- Center's revenue deficit during April-September FY21 stood at 125.2% of the annual budgeted target as compared to 99.9% in the corresponding period of FY20.

**Chart 5: fiscal and revenue deficit during April-September as percentage of annual budgeted target**




During 1HFY21, center's fiscal deficit stood at 114.8% of the annual budgeted target while the corresponding number for revenue deficit was 125.2%.

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

# 4. India in comparative perspective: export volume projected to contract by (-)10.9% in 2020

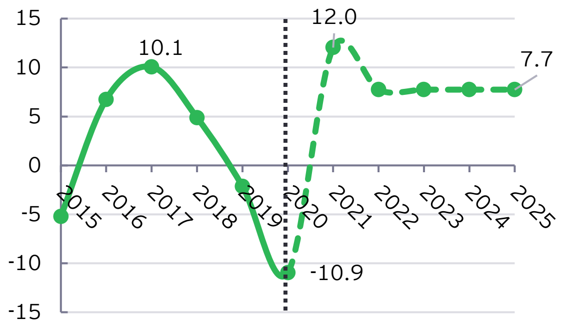
## Volume of exports of goods and services

**Table 1: volume of goods and services exports (% change)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| **AEs** | **1.3** | **-11.6** | **7.0** | **5.1** | **3.9** | **3.4** | **3.1** |
| US | -0.1 | -12.6 | 7.2 | 4.6 | 4.0 | 3.0 | 2.4 |
| UK | 5.0 | -14.6 | 5.7 | 4.4 | 1.9 | 2.1 | 2.1 |
| Euro area | 2.4 | -13.0 | 8.3 | 5.9 | 4.3 | 3.6 | 3.3 |
| Japan | -1.6 | -11.6 | 9.6 | 3.5 | 2.9 | 2.7 | 2.7 |
| **EMDEs** | **0.9** | **-7.7** | **9.5** | **5.7** | **5.0** | **4.5** | **4.3** |
| Brazil | -1.6 | -0.02 | 7.8 | 5.1 | 4.4 | 3.9 | 3.8 |
| Russia | -3.2 | -8.8 | 1.5 | 2.7 | 2.2 | 2.3 | 1.4 |
| India* | -2.1 | -10.9 | 12.0 | 7.7 | 7.7 | 7.7 | 7.7 |
| China | 2.6 | 0.02 | 7.8 | 3.9 | 3.9 | 3.9 | 3.9 |
| S. Africa | -2.5 | -11.4 | 9.6 | 7.7 | 2.5 | 3.5 | 4.4 |
| **Global** | **1.1** | **-10.1** | **7.9** | **5.3** | **4.3** | **3.8** | **3.5** |

Source (basic data): IMF World Economic Outlook, October 2020
*data pertains to fiscal year; actuals for 2019 and projections from 2020 onwards

**Chart 6: India's volume of goods and services exports (% change)**




- Global volume of goods and services exports is projected to contract by (-)10.1% in 2020, similar to the pace of contraction witnessed during the global financial crisis in 2009, despite the contraction in economic activity being much more pronounced in 2020.
- A sharper contraction of (-)11.6% in the export volumes is projected for advanced economies (AEs) as compared to (-)7.7% for emerging market and developing economies (EMDEs) in 2020.
- Consistent with a projected recovery in global activity, global export volumes are expected to grow by nearly 8% in 2021, and slightly more than 4% on average in the subsequent years till 2025.
- India's volume of goods and services exports is projected to contract by (-)10.9% in 2020 (FY21), its lowest growth at least since 1980 (FY81). China is the only economy amongst the selected set of countries that is expected to avoid a contraction in export volumes in 2020.

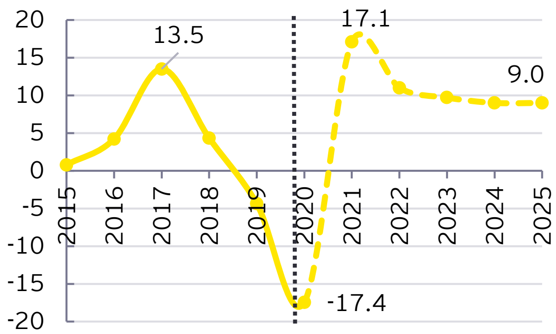
## Volume of imports of goods and services

**Table 2: volume of goods and services imports (% change)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|
| **AEs** | **1.7** | **-11.5** | **7.3** | **5.1** | **3.8** | **3.2** | **3.0** |
| US | 1.1 | -12.3 | 7.0 | 4.0 | 3.6 | 2.6 | 2.2 |
| UK | 4.6 | -20.0 | 12.7 | 4.3 | 1.9 | 1.9 | 1.9 |
| Euro area | 3.8 | -11.7 | 7.8 | 5.7 | 4.2 | 3.6 | 3.3 |
| Japan | -0.7 | -8.3 | 8.3 | 5.9 | 2.2 | 2.7 | 2.2 |
| **EMDEs** | **-0.6** | **-9.4** | **11.0** | **6.0** | **5.4** | **4.7** | **4.6** |
| Brazil | 3.5 | -12.1 | 12.5 | 3.5 | 4.9 | 4.2 | 4.9 |
| Russia | 2.9 | -12.6 | 4.3 | 3.5 | 2.9 | 2.5 | 2.2 |
| India* | -4.3 | -17.4 | 17.1 | 11.0 | 9.7 | 9.0 | 9.0 |
| China | -0.9 | -2.7 | 10.0 | 4.8 | 4.4 | 4.3 | 4.1 |
| S. Africa | -0.5 | -15.1 | 11.0 | 8.2 | 2.8 | 3.7 | 4.2 |
| **Global** | **0.9** | **-10.7** | **8.7** | **5.5** | **4.4** | **3.8** | **3.6** |

Source (basic data): IMF World Economic Outlook, October 2020
*data pertains to fiscal year; actuals for 2019 and projections from 2020 onwards

**Chart 7: India's volume of goods and services imports (% change)**




- Showing similar trends as the export volumes, import volume of goods and services is also projected to contract in the selected countries and country groups in 2020. Global import volumes are projected to contract by (-)10.7% in 2020 with AEs expected to show a relatively sharper contraction vis-à-vis. EMDEs.
- Amongst selected AEs, the sharpest pace of contraction in 2020 is forecasted for the UK ((-)20.0%), followed by the US ((-)12.3%), and Euro area ((-)11.7%). After a sharp recovery in 2021, growth in import volumes is forecasted to slow for all these countries during 2022 to 2025.
- In the case of India, import volume contracted by (-)4.3% even in the pre-pandemic year, that is, 2019. In 2020, contraction in import volume is projected at (-)17.4%, the sharpest since 1991 when there was a contraction of (-)18.2%.

# 5. In focus: pandemic induced debt shock: India, China and G-7 countries

## Introduction

India is expected to experience a major upsurge in its government debt-GDP ratio as a result of both the extremely high fiscal deficit and a sharp contraction in its real GDP in FY21. This experience for the Indian economy would be shared by a number of other major economies of the world. We looked at this pandemic induced debt shock for India along with the G-7 countries and China[9] (G-9 countries from hereinafter). We studied the evolution of country-wise debt-GDP ratios over 1996 to 2019. This review indicates that major economic crises have led to one-time upsurges in the debt-GDP ratios. These tend to remain at high levels well after the crises are over showing downward rigidity. We find that the projected debt shock caused by Covid-19 may turn out to be much higher than that experienced in the 2008 crisis. We bring out the role of fiscal deficit, growth rate and inflation rate in determining the impact on government debt-GDP ratio in a crisis year as compared to a normal year.

## Evolution of country-wise total debt-GDP ratio: 1996 to 2019

In this section, we undertake a review of the evolution of country-specific total debt-GDP ratios over the period 1996-2019. This analysis is in terms of debt-GDP ratios where both debt and nominal GDP are in local currency units (LCU). Data for this analysis has been drawn from the International Monetary Fund (IMF)[10]. The IMF data on total debt extends up to 2019. For two years, that is, 2020 and 2021, government debt relative to GDP has been projected by using real GDP growth and inflation rate forecasts as sourced from the IMF World Economic Outlook (October 2020). Further, the fiscal deficit to GDP ratio for 2020 and 2021 has been derived by using government debt to GDP ratio and the nominal GDP for these two years as projected by the IMF in its WEO.

**Table 3: total debt-GDP ratio of G-9 economies: 1996 to 2019**

| Countries | 1996 | 2005 | 2010 | 2013 | 2019 | 2005-1996 | 2010-2005 | 2013-2010 | 2019-2013 | 2019-1996 |
|---|---|---|---|---|---|---|---|---|---|---|
| CAN | 245.8 | 219.6 | 259.8 | 276.2 | 304.0 | -26.2 | 40.2 | 16.4 | 27.8 | 58.2 |
| CHN | 104.8 | 134.8 | 172.3 | 192.1 | 245.4 | 30.1 | 37.5 | 19.7 | 53.4 | 140.7 |
| FRA | 189.7 | 216.6 | 257.7 | 274.7 | 312.6 | 26.9 | 41.1 | 17.0 | 37.9 | 123.0 |
| DEU | 173.3 | 192.7 | 197.5 | 189.2 | 174.0 | 19.3 | 4.8 | -8.3 | -15.3 | 0.6 |
| IND | 92.2 | 123.9 | 121.8 | 126.9 | 127.6 | 31.7 | -2.0 | 5.1 | 0.7 | 35.4 |
| ITA | 186.8 | 205.1 | 244.5 | 256.6 | 244.5 | 18.3 | 39.4 | 12.1 | -12.2 | 57.7 |
| JPN | 313.4 | 341.3 | 371.6 | 392.6 | 401.0 | 27.9 | 30.3 | 21.0 | 8.4 | 87.6 |
| GBR | 159.6 | 203.9 | 266.9 | 264.2 | 249.3 | 44.2 | 63.0 | -2.7 | -14.9 | 89.7 |
| USA | 189.2 | 216.3 | 262.4 | 255.3 | 259.0 | 27.1 | 46.1 | -7.1 | 3.6 | 69.8 |
| Average | 183.9 | 206.0 | 239.4 | 247.5 | 257.5 | 22.1 | 33.4 | 8.1 | 9.9 | 73.6 |

Source (basic data): IMF

In terms of the underlying economic conditions during 1996 to 2019, the 2008 global economic and financial crisis was preceded by other economic crises such as the Latin American economic crisis and the Southeast Asian crisis experienced during the late 90's and early 2000's. During the period from 2010 to 2013, there was the European sovereign debt crisis. Additionally, there were country-specific crises during 2013 to 2019. These include the Chinese stock market crash (2015), Russian financial crisis (2014), Brazilian economic crisis (2014 to 2017) and Turkish currency and debt crisis (2018). Further, the movement of global crude prices which had been strongly cyclical during this period had also affected the fortunes of the oil-rich economies on the one hand, and oil-import dependent economies on the other. The evolution of the debt-GDP ratio over the years under review indicates that every major economic crisis leads to a sharp and one-time jump in the indebtedness of a country. Its debt-GDP ratio then remains relatively stable at an elevated level until the next crisis is encountered, and then again, a one-time jump happens. Thus, the evolution of the debt-GDP ratio has generally been episodic. The downward adjustments in the indebtedness of a country have been limited in the case of some countries. Table 3 indicates the total debt-GDP ratio comprising non-financial private debt and government debt of the selected countries.

All countries have experienced an increase in their total debt-GDP ratio by significant margins between 1996 and 2019, with the exception of Germany. The highest increase at 140.7% points is that for China, followed by

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[9] The selected set of countries include Canada (CAN), China (CHN), France (FRA), Germany (DEU), India (IND), Italy (ITA), Japan (JPN), the UK (GBR), and the US (USA).

[10] Global debt database, IMF; https://www.imf.org/external/datamapper/datasets/GDD

France at 123.0% points, the UK at 89.7% points, Japan at 87.6% points and the US at 69.8% points. India also witnessed an increase of 35.4% points.

This overall period can be divided into certain sub-periods to examine the impact of specific crises characterizing these periods. We have selected during the overall period of 1996-2019, the following years as the intervening time markers: 2005, 2010, and 2013. During 1996 to 2005, the maximum increases in the total debt-GDP ratio occurred for the UK at 44.2% points, India at 31.7% points, Japan at 27.9% points, the US at 27.1% points, and France at 26.9% points. During this period, the global crude oil prices also increased sharply 1999 onwards[11].

The increase recorded over the period 2005 to 2010 captures the impact of the 2008 global economic and financial crisis. In this period, some of the sharpest country-wise increases in the total debt-GDP ratios occurred. Many western and European economies were particularly adversely affected. The sharpest increase during this period was experienced by the UK, with an increase in its total debt-GDP ratio of 63.0% points, followed by the US at 46.1% points, and France at 41.1% points. In India's case, the total debt relative to GDP fell by 2.0% points between 2005 to 2010 although this ratio had increased by 3.8% points by 2008. It fell thereafter.

In the next phase during 2010 to 2013, when the European sovereign debt crisis occurred, countries that experienced a higher than 10% points increase in their total debt-GDP ratio include Japan at 21.0% points, China at 19.7% points, France at 17.0% points, and Canada at 16.4% points.

In the last phase during 2013 to 2019, characterized by country-specific crises, some sharp increases were observed for China at 53.4% points, followed by France at 37.9% points and Canada at 27.8% points.

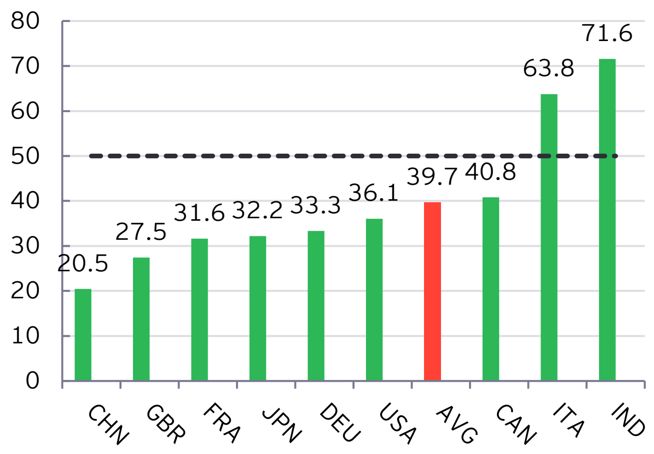
## Comparative debt profiles: 1996 to 2019

In this section, we have compared (1) share of government debt in total debt; and (2) government debt to GDP ratio as they evolved over this period with respect to four benchmark years namely, 1996, 2005, 2010 and 2019.

*Composition of debt: share of government debt in total debt*

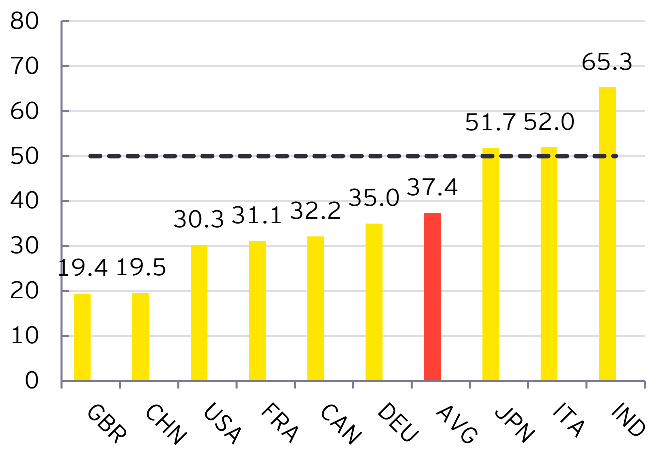
In this section, we undertake a review of the composition of total debt as divided between government debt and private debt for individual countries. Chart 8 shows that in the selected set of countries, in 1996, the share of government debt in total debt was the highest for India at 71.6%, followed by Italy at 63.8% and Canada at 40.8%. At the lower end, the lowest share of government debt in total debt was for China at 20.5%, followed by the UK at 27.5%. The average share of government debt in total debt for the selected set of countries was 39.7% in 1996.

**Chart 8: share of government debt in total debt: 1996**




Source (basic data): IMF

**Chart 9: share of government debt in total debt: 2005**



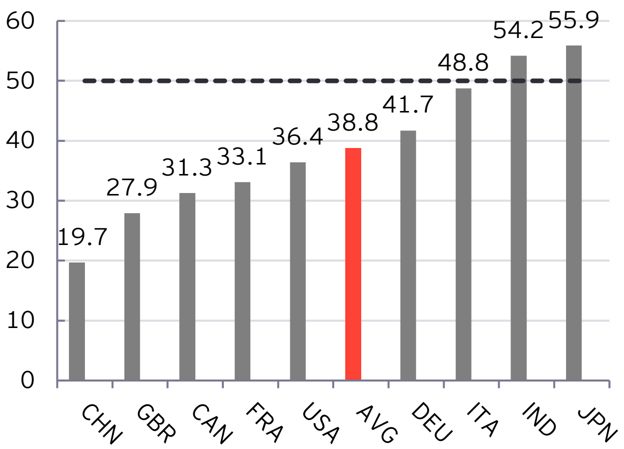

Source (basic data): IMF

By 2005 (Chart 9), seven out of nine selected countries experienced a decline in their share of government debt in total debt as compared to that in 1996. However, in the case of Japan and Germany, this share increased by 19.5% points and 1.6% points respectively in 2005. The average share of government debt in total debt for the selected set of countries was 37.4% in 2005, a fall of 2.3% points from the 1996 level.

[11] Pink Sheet data, World Bank

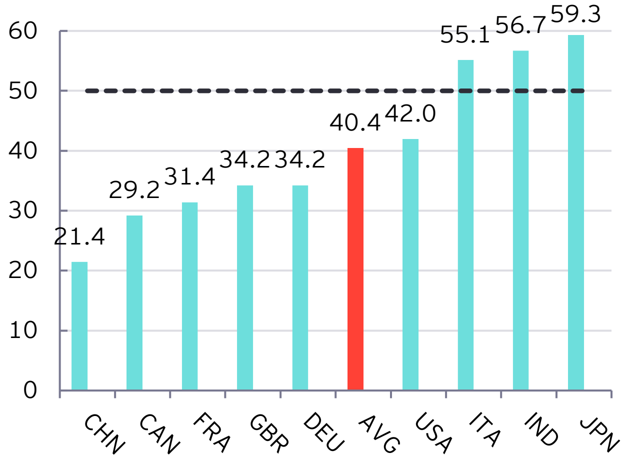
By 2010 (Chart 10), the effect of the 2008 global economic and financial crisis had become visible. The share of government debt in total debt increased in Japan, Germany, the US, France, the UK and China. However, in Italy, Canada and India, this share fell indicating that the 2008 crisis had led to an even greater increase in private debt. The average share of government debt in total debt for the selected countries was 38.8% in 2010, an increase of 1.4% points from the level in 2005.

**Chart 10: share of government debt in total debt: 2010**




Source (basic data): IMF

**Chart 11: share of government debt in total debt: 2019**



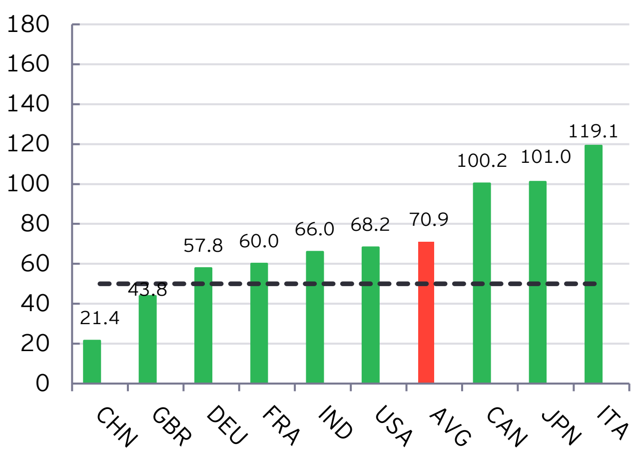

Source (basic data): IMF

In Chart 11, we look at the composition of debt for 2019. The intervening years from the 2008 crisis were characterized by relatively higher growth of government debt in most countries and in certain other countries, there was a higher growth of private debt vis-a-viz. government debt. The relative share of government debt increased in the case of Japan, India, Italy, the US, the UK, and China. Countries which experienced a decline in their share of government debt in 2019 as compared to 2010 include Germany, France and Canada. The average share of government debt in total debt for all the selected countries was 40.4% in 2019, an increase of 1.6% points from the level in 2010.  Thus, over the period from 1996 to 2005, there was an increase in the overall debt-GDP ratio of countries in general, but this increase was relatively more for private sector debt whereas the share of government debt in total debt had shown some decline. Between 2005 and 2019, the overall debt-GDP ratio continued to surge, but in this period, the share of government debt in total debt increased on average.

### *Government debt-GDP ratio*

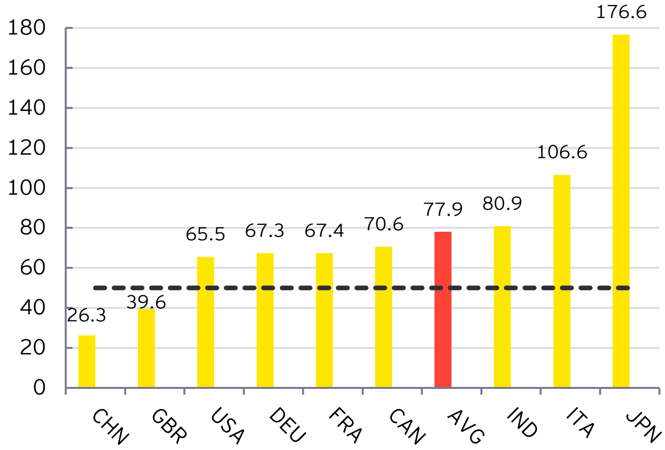
In this section, we look at the comparative position of countries with respect to the evolution of government debt to GDP ratio. In 1996 (Chart 12), three countries, namely Italy, Japan and Canada already had a government debt to GDP ratio which was higher than 100%. Other countries like the UK, Germany, France, India and the US had a government debt-GDP ratio in the range of 57.8% to 68.2%. China's government debt-GDP ratio at 21.4% was the lowest amongst the selected set of countries. As economies went through different phases of economic crises and responded to these through fiscal stimulus based on an increase in their fiscal deficits, their government debt to GDP ratio kept increasing. The average government debt to GDP ratio for the selected set of countries was 70.9% in 1996.

**Chart 12: government debt relative to GDP: 1996**




Source (basic data): IMF

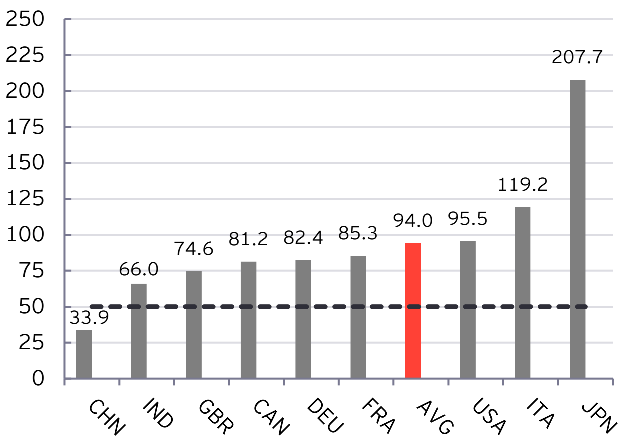
**Chart 13: government debt relative to GDP: 2005**




Source (basic data): IMF

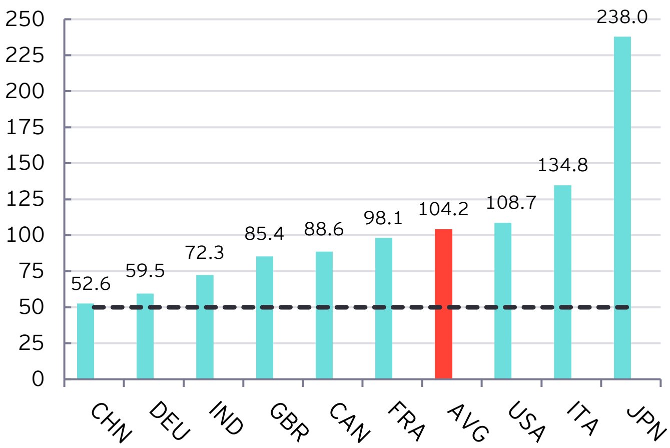
By 2005 (Chart 13), in the case of Japan, the government debt to GDP ratio had increased to 176.6%. For Italy, while this ratio remained above 100%, it fell marginally from 119.1% in 1996 to 106.6% in 2005. In India's case, the government debt relative to GDP increased from 66% in 1996 to 80.9% in 2005. This ratio remained in the range of 65.5% to 70.6% for the US, Germany, France and Canada. China's government debt-GDP ratio increased only marginally by 4.9% points in 2005. The average government debt to GDP ratio for the selected countries was 77.9% in 2005, an increase of 7.0% points from its level in 1996.

**Chart 14: government debt relative to GDP: 2010**




Source (basic data): IMF

**Chart 15: government debt relative to GDP: 2019**




Source (basic data): IMF

By 2010 (Chart 14), the government debt-GDP ratio surged to 207.7% for Japan and 119.2% for Italy. For the US, there was a massive jump from 65.5% in 2005 to 95.5% in 2010, an increase of 30% points. Some of the other western economies like France, Canada, the UK and Germany also experienced an increase in their government debt to GDP ratios. These countries had borne the brunt of the 2008 crisis. India, however experienced an improvement in its government debt-GDP ratio which fell from 80.9% in 2005 to 66% in 2010, a fall of nearly 15% points. This showed the effect of adherence to the Fiscal Responsibility and Budget Management Act (FRBMA) which was adopted by both the central and state governments during 2003 to 2010. The average government debt to GDP ratio for the selected countries was 94.0% in 2010, a sharp increase of 16.1% points from its level in 2005.

By 2019 (Chart 15), all countries except Germany showed an increase in their government debt to GDP ratio relative to their levels in 2010. In the case of Japan, government debt to GDP ratio had continued to surge, reaching a level of 238.0%. Italy also showed a substantial increase, touching a level of 134.8%. In the US, government debt relative to GDP had by now crossed the threshold of 100%, reaching a level of 108.7%. The average government debt to GDP ratio for the selected set of countries was 104.2% in 2019, an increase of 10.3% points from its level in 2010.

Charts 16, 17, 18 and 19 show the evolution of total debt to GDP ratio, government debt to GDP ratio, private debt to GDP ratio and share of government and private debt in total debt on average for the selected set of countries for the years 1996, 2005, 2010 and 2019.

**Chart 16: average total debt relative to GDP**

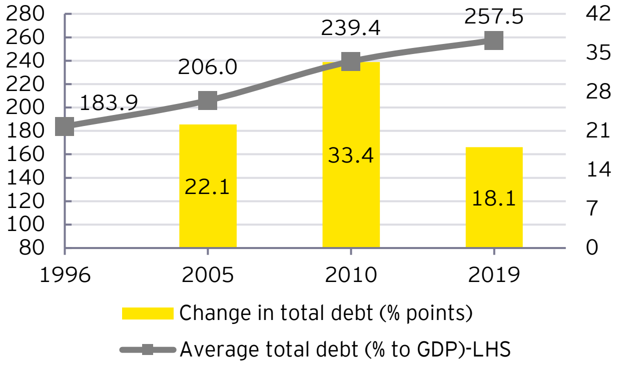



**Chart 17: average government debt relative to GDP**

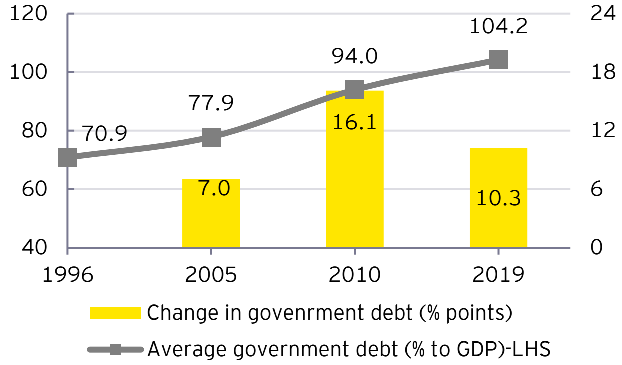
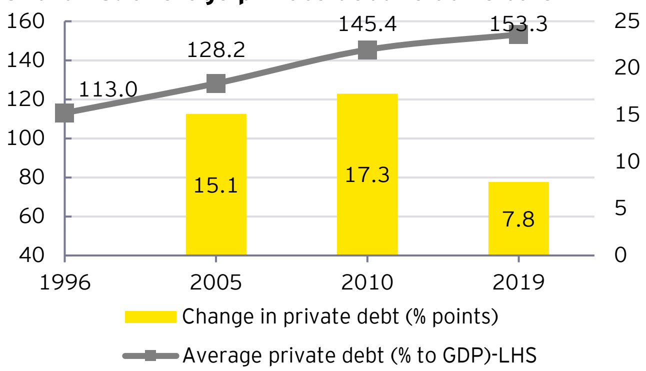
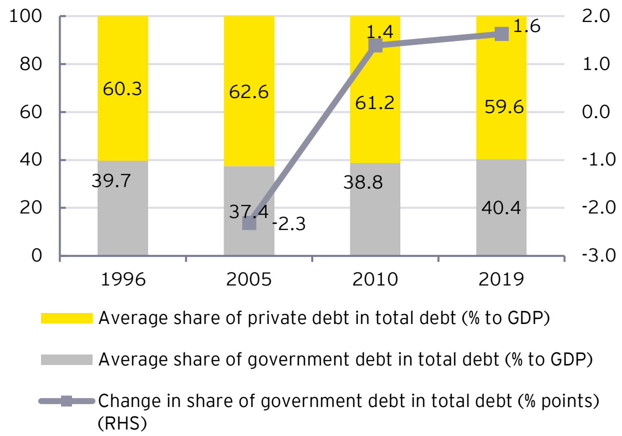



**Chart 18: average private debt relative to GDP**




Source (basic data): IMF

**Chart 19: average share of government debt in total debt**




## Growth in government debt-GDP ratio: relative contribution of determinants

In Table 4, we have analyzed the change in government debt-GDP ratio in 2009 as compared to 2008 thereby highlighting the impact of the 2008 crisis. Looking at the change in government debt-GDP ratio in 2009 over 2008, it is clear that in all those countries where the growth factor made a positive contribution to the increment in debt-GDP ratio, the change in debt became quite substantial.

**Table 4: estimated contribution to increase in government debt to GDP ratio: 2009 over 2008 (% points)**

| # | Countries | 2009 over 2008 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Fiscal deficit | Growth | Inflation | Residual | Total | Real GDP growth |
| 1 | CAN | 7.7 | 2.0 | 1.6 | 0.1 | 11.4 | -2.9 |
| 2 | CHN | 9.7 | -2.3 | 0.0 | 0.0 | 7.4 | 9.4 |
| 3 | FRA | 12.3 | 2.0 | 0.0 | 0.0 | 14.3 | -2.9 |
| 4 | DEU | 4.8 | 3.9 | -1.2 | -0.1 | 7.5 | -5.7 |
| 5 | IND | 7.9 | -5.6 | -4.1 | 0.3 | -1.7 | 8.5 |
| 6 | ITA | 6.4 | 5.9 | -1.8 | -0.1 | 10.4 | -5.3 |
| 7 | JPN | 5.9 | 10.5 | 1.1 | 0.1 | 17.6 | -5.4 |
| 8 | GBR | 12.6 | 2.2 | -0.8 | 0.0 | 13.9 | -4.2 |
| 9 | USA | 11.7 | 1.9 | -0.6 | 0.0 | 13.0 | -2.5 |
| Average | | 8.8 | 2.3 | -0.6 | 0.0 | 10.4 | -1.2 |
| Share of average in total | | 84.0 | 21.9 | -6.1 | 0.2 | 100.0 | -- |

Source (basic data): IMF, OECD, EY estimates

Thus, in Canada, the increase was 11.4% points, in France, 14.3% points, in Italy, 10.4% points, in Japan, 17.6% points, in the UK, 13.9% points and in the US, 13.0% points. Countries which could show a positive growth rate and therefore a negative contribution of the growth factor escaped with a much lower impact in terms of the increment in government debt relative to GDP. Thus, India was able to show a contraction in its debt-GDP ratio of (-)1.7% points.

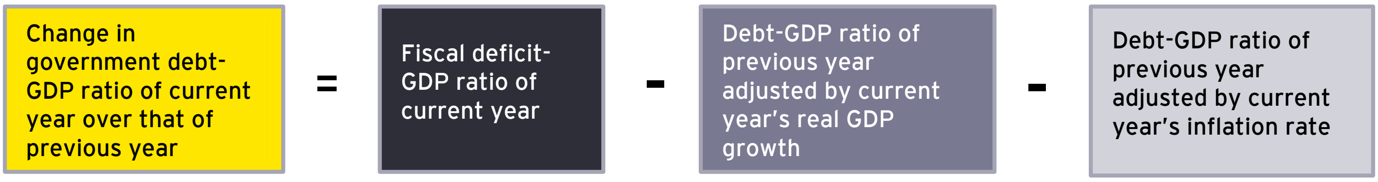
## Projecting the pandemic's impact on debt-GDP ratio

In this section, we project the government debt-GDP levels for 2020 and 2021 for the selected countries. For this purpose, we need independent projections of fiscal deficit to GDP ratio, real GDP growth and inflation rate in these years. Real GDP growth and inflation forecasts for different countries for these two years are taken from the October 2020 issue of IMF's World Economic Outlook (WEO). The fiscal deficit to GDP ratio for 2020 and 2021 has been derived by using government debt to GDP ratio and the nominal GDP for these two years as projected by the IMF in its WEO.

### *Methodology: projection and decomposition*

It can be shown that the increase in debt-GDP ratio over two successive years (current year over previous year) is given by the fiscal deficit-GDP ratio of the current year, minus previous year's debt-GDP ratio adjusted for current year's real GDP growth, minus previous year's debt-GDP ratio adjusted for current year's GDP deflator-based inflation rate[12] **(Chart 20).** The assumption is that in a normal year, both real GDP growth and the inflation rates are positive.

**Chart 20: methodology for projection and decomposition of government debt-GDP ratio**




Source: EY analysis

It may be noted that in a crisis year, if a GDP contraction takes place, the second term in the above relationship adds positively to the change in the debt-GDP ratio. Thus, in a crisis year, the debt-GDP ratio increases over that of the previous year both because of high fiscal deficit and negative GDP growth.

**Table 5: projected government debt relative to GDP: 2020 and 2021**

| Country | 2018 | 2019 | 2020 | 2021 | 2020 *minus* 2019 | 2021 *minus* 2020 |
|---|---|---|---|---|---|---|
| CAN | 89.7 | 88.6 | 114.6 | 115.1 | 25.9 | 0.5 |
| CHN | 48.8 | 52.6 | 61.7 | 66.7 | 9.1 | 5.0 |
| FRA | 98.1 | 98.1 | 118.5 | 118.4 | 20.3 | -0.1 |
| DEU | 61.6 | 59.5 | 73.2 | 72.2 | 13.7 | -1.0 |
| IND | 69.6 | 72.3 | 88.9 | 89.8 | 16.6 | 0.9 |
| ITA | 134.8 | 134.8 | 161.5 | 158.1 | 26.7 | -3.4 |
| JPN | 236.6 | 238.0 | 266.1 | 263.9 | 28.1 | -2.2 |
| GBR | 85.7 | 85.4 | 107.7 | 111.2 | 22.4 | 3.5 |
| USA | 106.9 | 108.7 | 131.1 | 133.7 | 22.4 | 2.6 |
| **Average** | **103.5** | **104.2** | **124.8** | **125.4** | **20.6** | **0.6** |

Source (basic data): IMF

Table 5 shows that in the pandemic year, the government debt-GDP ratio is projected to increase by 20.6% points on average, which is nearly double the average increase experienced by these countries in 2009 at 10.4% points (Table 4). Individual countries projected to experience substantively high Covid-19 induced increments in their debt-GDP ratios are Japan (28.1% points), Italy (26.7% points), Canada (25.9% points), the UK (22.4%

[12] $b_t - b_{t-1} = f_t - b_{t-1}.(g_t - g_t^2) - b_{t-1}.(\pi_t - \pi_t^2)$ ; where $b_t$ and $b_{t-1}$ refer to the government debt-GDP ratio in periods t and t-1 respectively, $f_t$ refers to the fiscal deficit-GDP ratio in period t, $g_t$ refers to real GDP growth in period t, and $\pi_t$ refers to the GDP deflator-based inflation in period t.

points), the US (22.4% points) and France (20.3% points). India is also projected to suffer an increase of 16.6% points in its government debt-GDP ratio.

**Table 6: estimated contribution to increase in government debt to GDP ratio: 2020 over 2019 (% points)**

| # | Countries | 2020 over 2019 | | | | | |
|---|---|---|---|---|---|---|---|
| | | Fiscal deficit | Growth | Inflation | Residual | Total | Real GDP growth |
| 1 | CAN | 20.0 | 6.8 | -0.7 | -0.1 | 25.9 | -7.1 |
| 2 | CHN | 10.6 | -1.0 | -0.6 | 0.0 | 9.1 | 1.9 |
| 3 | FRA | 12.1 | 10.5 | -1.9 | -0.4 | 20.3 | -9.8 |
| 4 | DEU | 11.2 | 3.8 | -1.2 | -0.1 | 13.7 | -6.0 |
| 5 | IND | 12.1 | 8.2 | -3.1 | -0.7 | 16.6 | -10.3 |
| 6 | ITA | 12.8 | 15.9 | -1.6 | -0.3 | 26.7 | -10.6 |
| 7 | JPN | 15.8 | 13.2 | -0.8 | -0.1 | 28.1 | -5.3 |
| 8 | GBR | 16.1 | 9.1 | -2.4 | -0.5 | 22.4 | -9.8 |
| 9 | USA | 19.2 | 4.8 | -1.5 | -0.1 | 22.4 | -4.3 |
| **Average** | | **14.4** | **7.9** | **-1.5** | **-0.3** | **20.6** | **-6.8** |
| **Share of average in total** | | **70.1** | **38.5** | **-7.4** | **-1.2** | **100.0** | **--** |

Source (basic data): IMF, OECD, EY estimates

Table 6 shows that a major reason for this sharp increase in the government debt-GDP ratio in the Covid-19 period is the expected contraction in the growth rates of both developed and developing countries. In contrast, in 2008, some of the developing countries experienced a slowdown but could avoid a contraction in real GDP. In 2020, developing economies are expected to show a significantly severe contraction. The average percentage contribution of the growth factor to the increase in government debt-GDP ratio is estimated to rise to 38.5% in 2020 as compared to 21.9% in 2009. Thus, Covid-19 is turning out to be a far more serious crisis than the 2008 crisis, impacting countries' economic and fiscal parameters.

## Summary

We have highlighted the Covid-19 led upsurge in the indebtedness of G-9 countries, comparing it with the impact of the 2008 global economic and financial crisis. We estimate that Covid-19 induced upsurge in government debt-GDP ratio for the G-9 countries, would amount to 20.6% points on average. As such, it would be about 97.4% higher than the increase of 10.4% points resulting from the 2008 crisis.

The evolution of debt over the period 1996 to 2019 indicates that major economic crises have led to one-time increases in the total debt-GDP ratios including government and private debt. These ratios tend to remain at high levels well after the crises are over showing downward rigidity. Over the period 1996 to 2019, covering the Latin American/Southeast Asian crisis, the global economic and financial crisis of 2008, the European sovereign debt crisis of 2010 to 2013 and some country-specific crises during 2013 to 2019, G-9 countries experienced an increase in their total debt-GDP ratios amounting to 73.6% points on average.

The average government debt to GDP ratio for the G-9 countries increased from 70.9% in 1996 to 77.9% in 2005, 94.0% in 2010, and further to 104.2% in 2019. The private debt-GDP ratio also increased on average and this increase was higher than that in government debt-GDP ratio during 1996 to 2005. This changed the composition of total debt on average further in favor of private debt during this period. During 2005 to 2019 however, the private debt-GDP ratio rose at a rate which was marginally lower than that of government debt-GDP ratio. As a result, during this period, the share of government debt in total debt increased on average.

For assessing the impact of Covid-19, we have projected the government debt-GDP ratio for 2020 and 2021 using the 2019 debt-GDP ratios along with independently projected fiscal deficit, real GDP growth and inflation rates. We have indicated that the substantive upsurge in the government debt-GDP ratio is because two of its three determinants namely, fiscal deficit and negative growth supplement each other in a pandemic year leading to an increase in the government debt-GDP ratio. There is thus a policy trade-off in dealing with the pandemic. A higher fiscal deficit within a country could be justified if it can minimize the contraction in its growth rate. Furthermore, there is a case for coordination amongst major economies of the world in implementing their fiscal stimuli. A joint and well-coordinated effort to stimulate major global economies may help minimize the contractionary export effect of the pandemic. In 2008 crisis, such a coordination was consciously attempted within the G-20 framework. But in the Covid-19 crisis, such a global coordination of stimulus efforts is notably missing. It would be timely to coordinate such effort along with the introduction of the Covid-19 vaccine.

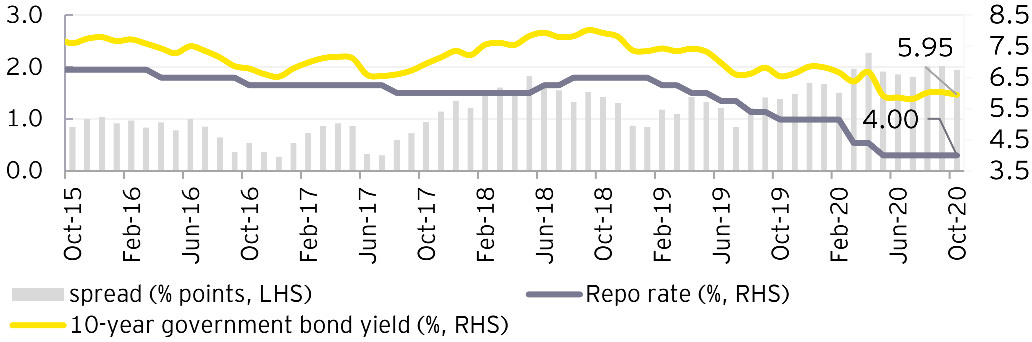
# 6. Money and finance: credit growth fell to 5.1% in September 2020

## A. Monetary sector

### Monetary policy

- Anticipating elevated levels of CPI inflation in 2Q as well as in the initial part of 3QFY21, the monetary policy committee unanimously voted to retain the repo rate at 4.0% in October 2020 **(Chart 21).**
- In the RBI's assessment, food inflation, particularly inflation in vegetables, is likely to moderate by the end of 3QFY21 due to good kharif output. However, owing to elevated import duties, price pressure in oilseeds and pulses may continue. With respect to fuel prices, although pressure from international crude prices is expected to remain low, domestic pump price of petrol and diesel may remain elevated given the current levels of central and state taxes on these products.
- Furthermore, progressive easing of lockdown and removal of restrictions on inter-state movement of goods and people is likely to ease cost-push inflation and mitigate the impact of supply side disruptions including those related to labor shortages and high transportation cost.

**Chart 21: movements in the repo rate and 10-year government bond yield**




Source: Database on Indian Economy, RBI

**Credit growth remained subdued at 5.1% in September 2020, its lowest level since May 2017, falling from 5.5% in August 2020.**

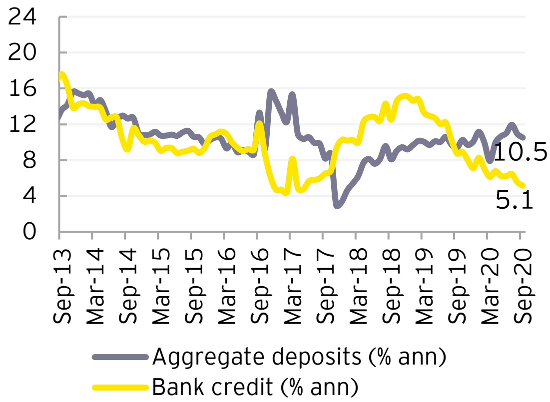
### Money stock

- Growth in broad money stock (M3) fell to 11.6% in October 2020 from 12.2% in September 2020. This was due to lower growth in both time deposits and narrow money (M1). Growth in time deposits fell marginally to 10.0% in October 2020 from 10.2% in September 2020.
- Growth in narrow money (M1) fell to 16.8% in October 2020 from 18.6% in September 2020. Both currency in circulation and demand deposits grew at a relatively slower pace of 20.3% and 10.0% respectively in October 2020 as compared to 22.7% and 11.3% respectively in September 2020.

### Aggregate credit and deposits

- Growth in bank credit fell marginally to 5.1% in September 2020, its lowest level since May 2017 (**Chart 22**). Bank credit, on average, grew at a slower pace of 5.7% in 2QFY21 as compared to 6.4% in 1QFY21.
- Growth in non-food credit fell marginally to 5.8% in September 2020 from 6.0% in August 2020.
- Outstanding credit to industry posted no growth in September 2020 over that in September 2019. Within the industrial sector, growth in credit to infrastructure fell to 1.1% in September 2020 as compared to 1.8% in August 2020. Credit to iron and steel contracted for the third consecutive month by (-)6.4% as compared to (-)3.5% in August 2020. Credit to cement sector contracted for the second consecutive month by (-)4.1% in September 2020 as compared to (-)2.4% in August 2020.

**Chart 22: growth in credit and deposits**




Source: Database on Indian Economy, RBI

- Credit growth to the services sector improved marginally to 9.1% in September 2020 from 8.6% in August 2020. Credit growth to agriculture also increased to 5.9% in September 2020 from 4.9% in August 2020.
- Growth in personal loans, a key driver of growth in retail loans, fell further to 9.2% in September 2020 from 10.6% in August 2020.
- Growth in aggregate bank deposits continued to remain subdued at 10.5% in September 2020, falling from 10.9% in August 2020.

## B. Financial sector

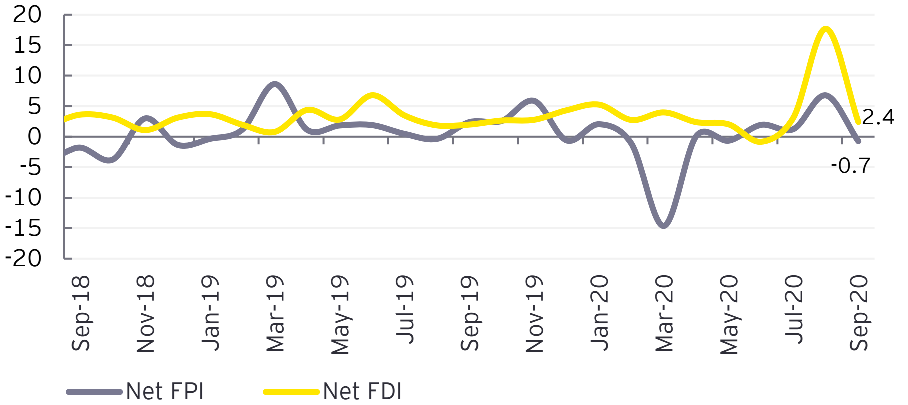
### Interest rates

- As per the data released by the RBI on 13 October 2020, interest rates offered by commercial banks on term deposits with a maturity of more than one year averaged 6.43% (ranging from 6.16% to 6.70%) in October 2020 as compared to 5.21% (ranging from 4.93% to 5.50%) in September 2020.
- The yield on 10-year government bond fell marginally to 5.95% in October 2020 as compared to 6.03% in September 2020. Bond yields were influenced by RBI's decision to infuse additional liquidity into the banking system through Targeted Long-Term Repo Operations (TLTROs) and open market operations (OMOs) in state development loans[13].
- The MCLR was marginally lower at 6.88% on average in October 2020 as compared to 6.90% in September 2020.
- WALR on fresh rupee loans by SCBs fell to 8.29% in September 2020 from 8.35% in August 2020. Thus, for a 115 basis points reduction in the repo rate between January 2020 to September 2020, the WALR on fresh rupee loan was lowered by 107 basis points, indicating a transmission rate of 93% during this period.

### FDI and FPI

- As per the provisional data released by the RBI on 11 November 2020, the overall foreign investment inflows (FIIs = net FDIs plus net FPIs) were lower at US$1.7 billion in September 2020 as compared to US$24.5 billion (revised) in August 2020. In 1HFY21, FII inflows were at a US$35.4 billion, highest in five years.

**Chart 23: net FDI and FPI inflows (US$ billion)**




**Net FDI inflows amounted to US$2.4 billion in September 2020 as compared US$17.7 billion in August 2020. In 1HFY21, net FDI inflows were at a historic high of US$26.8 billion.**

Source: Database on Indian Economy, RBI

- Net FDI inflows were lower at US$2.4 billion in September 2020 (**Chart 23**) as compared to US$17.7 billion in August 2020 (revised). In 1HFY21, net FDI inflows were at a historic high of US$26.8 billion. Gross FDI inflows were at US$4.3 billion in September 2020, lower than US$19.2 billion (revised) in August 2020.
- Foreign Portfolio investments (FPIs) recorded net outflows amounting to US$0.7 billion in September 2020 as compared to net inflows of US$6.8 billion in August 2020.

[13] https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=50492

# 7. Trade and CAB: merchandise exports contracted by (-)5.1% in October 2020

## A. CAB: current account posted a surplus of 3.9% of GDP in 1QFY21

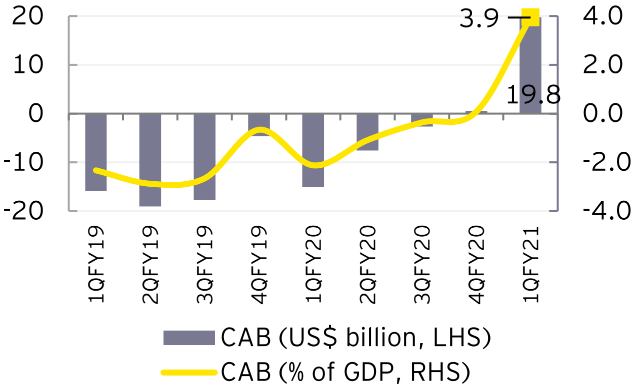
- Current account recorded a surplus of 3.9% of GDP in 1QFY21, the highest in 65 quarters **(Chart 24)** aided by lower merchandise trade deficit and higher net invisible receipts (**Table 7**). Merchandise imports relative to GDP fell to a 73-quarter low of 12.4% in 1QFY21 while merchandise exports were at 10.4% of GDP, the same level as it was in 4QFY20. Net invisible receipts improved significantly to 5.9% of GDP in 1QFY21 from 4.8% in 4QFY20. The improvement in CAB relative to GDP is partly attributable to a fall in the denominator arising from a sharp contraction in GDP in 1QFY21.

**Table 7: components of CAB in US$ billion**

| Fiscal year | CAB as % of nominal GDP | CAB | Goods account net | Invisibles* net |
|---|---|---|---|---|
| FY17 | -0.7 | -15.3 | -112.4 | 67.5 |
| FY18 | -1.8 | -48.7 | -160.0 | 77.6 |
| FY19 | -2.1 | -57.3 | -180.3 | 81.9 |
| FY20 | -0.9 | -24.7 | -157.5 | 84.9 |
| 2QFY20 | -1.1 | -7.6 | -39.6 | 20.9 |
| 3QFY20 | -0.4 | -2.6 | -36.0 | 21.9 |
| 4QFY20 | 0.1 | 0.6 | -35.0 | 22.0 |
| 1QFY21 | 3.9 | 19.8 | -10.0 | 20.5 |

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

**Chart 24: CAB**



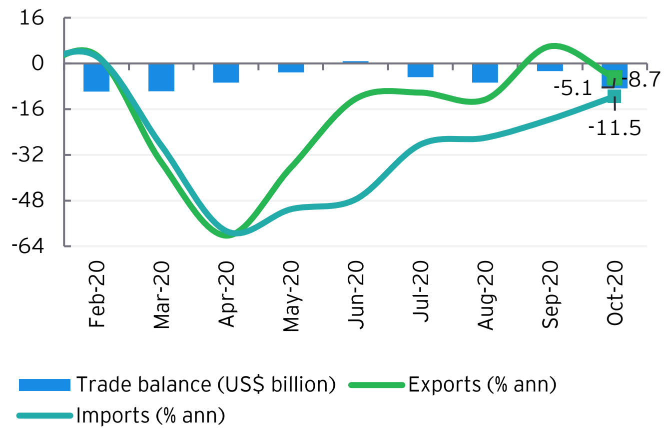

Source: Database on Indian Economy, RBI

## B. Merchandise trade and exchange rate

**Merchandise exports and imports contracted by (-)5.1% and (-)11.5%, respectively, in October 2020.**

- Merchandise exports contracted by (-)5.1% in October 2020 as compared to a growth of 6.0% in September 2020, led by a sharp contraction in oil exports **(Chart 25)**.

**Chart 25: developments in merchandise trade**




Source: Ministry of Commerce and Industry, GoI

- Exports of oil and engineering goods contracted by (-)52.0% and (-)3.7% respectively in October 2020 as compared to a growth of 5.1% and 5.4% respectively in September 2020.
- Growth in non-oil non-gold exports eased to 6.5% from 11.9% over the same period.
- The pace of contraction in merchandise imports moderated to an eight-month low of (-)11.5% in October 2020 from (-)19.6% in September 2020.
- Growth in gold imports was positive at 35.9% in October 2020 as compared to a contraction of (-)52.8% in September 2020. The pace of contraction in oil imports increased marginally to (-)38.5% from (-)35.9% over the same period.
- The pace of contraction in imports excluding oil, gold and jewelry eased to an eight-month low of (-)8.3% in October 2020.
- Out of the 30 sectors for which exports and imports data is provided, 10 and 19 sectors, respectively, experienced a contraction in October 2020 as compared to 8 and 22 sectors, respectively, in September 2020.
- Merchandise trade deficit rose to US$8.7 billion in October 2020 from US$2.7 billion in September 2020.
- The rupee remained stagnant in October 2020 at an average level of INR73.5 per US$.

# 8. Global growth: OECD projected a contraction of (-)2.0% in Emerging Asia in 2020

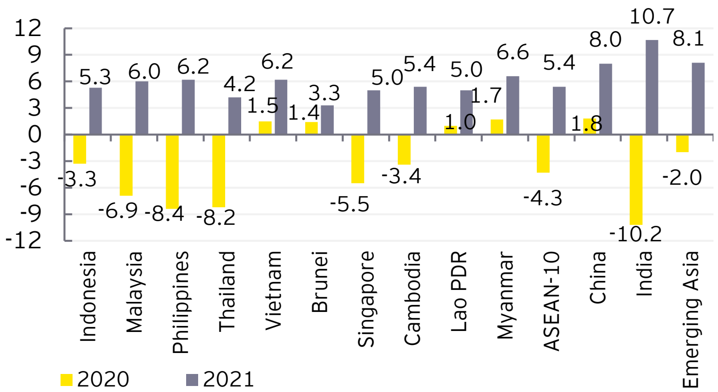
## A. Growth outlook for Southeast Asia, India and China

- The OECD (Economic Outlook for Southeast Asia, China and India, November 2020) projected the ASEAN-10 countries[14] to contract by (-)4.3% in 2020 before growing by 5.4% in 2021 (**Chart 26**).
- The broader Emerging Asia region (ASEAN-10 plus India and China) is forecasted to decline by (-)2.0% in 2020 and rebound by 8.1% in 2021 reflecting a strong base effect.
- In the ASEAN-10 group, the sharpest contraction in 2020 is projected for the Philippines ((-)8.4%), followed by Thailand ((-)8.2%) and Malaysia ((-)6.9%).
- Restrictions in Philippines due to the relatively high incidence of Covid-19 are expected to add to the pressures on consumption and investment spending. Rising debt costs are also expected to adversely affect government's ability to service debt on existing infrastructure projects and undertake fresh investment.

**The OECD projected the Emerging Asia region to contract by (-)2.0% in 2020, with a contraction of (-)10.2% forecasted for India.**

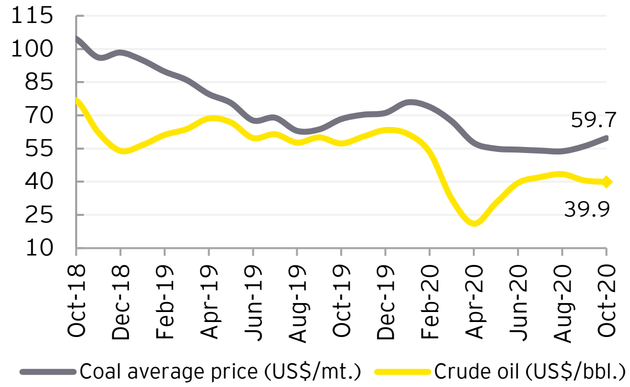
- Thailand and Malaysia are expected to suffer due to a significant loss in tourism revenues. In Malaysia, exports are expected to be particularly impacted, partly due to the country's heavy reliance on China.
- China is forecasted to show a growth of 1.8% in 2020 with infrastructure investment and net exports contributing positively to growth. Growth is expected to accelerate to 8% in 2021 on a low base.
- India is projected to contract sharply by (-)10.2% in 2020, the sharpest amongst its peers, stemming primarily from a contraction of (-)23.9% in 1QFY21 due to the impact of Covid-related restrictions on consumption and private investment.

**Chart 26: growth projections: ASEAN-10, China and India**




Source: OECD Economic Outlook for Southeast Asia, China and India, November 2020; Notes: (1) Data for India and Myanmar pertains to fiscal year, (2) Projections for Indonesia, India and China are based on the OECD Economic Outlook, Interim Report, September 2020.

**Chart 27: global crude and coal prices**




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

## B. Global energy prices: World Bank projected global crude oil price at US$41.0/bbl. in 2020 and at US$44.0/bbl. in 2021

- Average global crude price[15] fell to US$39.9/bbl. in October 2020 from 40.6/bbl. in September 2020 (**Chart 27**) due to a resurgence of Covid-19 cases in north America and Europe thereby dampening demand. The World Bank[16] projected the average global crude price at US$41/bbl. in 2020 and at US$44.0/bbl. in 2021.
- In contrast, average global coal price[17] increased to US$59.7/mt. in October 2020 from US$56.0/mt. in September 2020. As per the World Bank[15], Covid-19 pandemic has accelerated the existing trend of declining coal consumption in favor of cleaner natural gas and renewables resulting in reduced production. Global coal price is projected at US$57.2/mt. in 2020 and at US$57.8/mt. in 2021.

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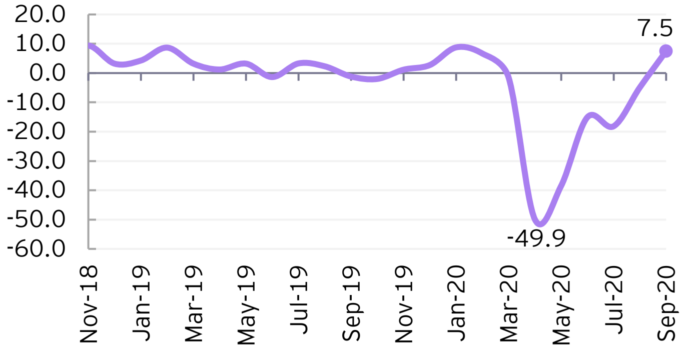
[14] Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam
[15] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[16] World Bank Commodity Markets Outlook (October 2020).
[17] Simple average of Australian and South African coal prices

# 9. Index of Aggregate demand (IAD): pointed to recovery in demand in September 2020

## IAD grew by 7.5% in September 2020 as compared to a contraction of (-)4.9% in August 2020

- EY 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.
- Reversing its contractionary trend since March 2020, IAD posted a growth of 7.5% in September 2020 (**Chart 28**).
- Demand conditions improved in all the key sectors of the economy namely agriculture, industry and services during September 2020 **(Table 9).** The recovery may be further supported by the recent announcement by the government to ease restrictions imposed on several services activities.
- On a quarterly basis, IAD contracted by (-)5.2% in 2QFY21, significantly lower than (-)34.5% in 1QFY21. This may be indicative of a recovery in demand conditions.

**Chart 28: growth in IAD (y-o-y)**




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

**Table 8: IAD**

| Month | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 |
|---|---|---|---|---|---|---|---|---|---|
| IAD | 138.1 | 137.9 | 126.2 | 63.5 | 77.5 | 107.9 | 106.2 | 118.5 | 133.4 |
| Growth (% y-o-y) | 8.8 | 6.7 | -1.4 | -49.9 | -38.5 | -15.1 | -18.2 | -4.9 | 7.5 |
| Growth in agr. credit | 6.5 | 5.8 | 4.2 | 3.9 | 3.5 | 2.4 | 5.4 | 4.9 | 5.9 |
| Mfg. PMI** | 5.6 | 4.7 | 1.7 | -23.9 | -16.5 | -3.2 | -4.9 | 2.1 | 8.0 |
| Ser. PMI** | 8.6 | 9.0 | -1.1 | -48.0 | -38.4 | -16.4 | -17.7 | -9.7 | 0.5 |

**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 | | | | | | | |
| 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 | -0.8 | 1.6 | -1.4 | 0.9 | 0.4 | FY20 | 52.3 | 51.9 |
| 3QFY20 | -1.4 | 0.0 | -1.1 | -6.0 | -0.6 | 3QFY20 | 51.5 | 51.7 |
| 4QFY20 | -4.3 | 3.9 | -6.3 | 1.6 | -0.4 | 4QFY20 | 53.9 | 54.1 |
| 1QFY21 | -35.6 | -22.3 | -40.3 | -15.8 | -23.8 | 1QFY21 | 35.1 | 17.2 |
| 2QFY21 | -6.1 | -7.1 | -6.8 | 0.1 | -5.5 | 2QFY21 | 51.6 | 41.9 |
| Jun-20 | -16.6 | -19.5 | -17.0 | -10.0 | -12.4 | Jul-20 | 46.0 | 34.2 |
| Jul-20 | -10.8 | -12.8 | -11.6 | -2.5 | -8.0 | Aug-20 | 52.0 | 41.8 |
| Aug-20 | -7.4 | -9.0 | -7.9 | -1.8 | -7.3 | Sep-20 | 56.8 | 49.8 |
| Sep-20 | 0.2 | 1.4 | -0.6 | 4.9 | -0.8 | Oct-20 | 58.9 | 54.1 |

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 | -1.8 | -0.4 |
| 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 | 2.1 | 7.5 | 0.5 | 1.8 | -0.7 |
| 1QFY21 | 6.6 | 9.9 | 1.7 | 4.9 | -2.3 | 3.4 | 0.0 | -17.4 | -1.0 |
| 2QFY21 | 6.9 | 9.7 | 2.9 | 5.4 | 0.5 | 5.4 | 1.2 | -9.5 | 0.5 |
| Jul-20 | 6.7 | 9.3 | 2.7 | 5.4 | -0.2 | 4.7 | 0.6 | -9.8 | -0.2 |
| Aug-20 | 6.7 | 9.1 | 3.2 | 5.4 | 0.4 | 4.8 | 1.4 | -9.1 | 0.6 |
| Sep-20 | 7.3 | 10.7 | 2.8 | 5.3 | 1.3 | 6.9 | 1.6 | -9.5 | 1.1 |
| Oct-20 | 7.6 | 11.1 | 2.3 | 5.7 | 1.5 | 5.8 | 2.1 | -10.9 | 1.7 |

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

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

| Fiscal year/month | Gross tax revenue | Corporate tax | Income tax | Direct taxes* | Indirect taxes** | Fiscal deficit % of GDP | Revenue deficit % of GDP |
|---|---|---|---|---|---|---|---|
| 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 (CGA) | -3.4 | -16.1 | 4.0 | -7.8 | 1.7 | 4.6 | 3.3 |
| 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 | |
| Feb-20 | -0.8 | -12.0 | 7.7 | -3.5 | 1.6 | 135.2# | 156.7# |
| Mar-20 | -3.4 | -16.1 | 4.0 | -7.8 | 1.7 | 122.0# | 133.6# |
| Apr-20 | -44.3 | 57.7 | -32.1 | -10.8 | -69.9 | 35.1 | 41.3 |
| May-20 | -41.2 | 1408.1 | -41.0 | -14.6 | -52.5 | 58.6 | 67.6 |
| Jun-20 | -32.6 | -23.3 | -35.9 | -30.6 | -34.5 | 83.2 | 94.8 |
| Jul-20 | -29.5 | -39.2 | -29.1 | -33.2 | -27.5 | 103.1 | 117.4 |
| Aug-20 | -23.7 | -41.8 | -28.9 | -34.1 | -16.5 | 109.3 | 121.9 |
| Sep-20 | -21.6 | -39.7 | -21.8 | -31.4 | -12.0 | 114.8 | 125.2 |

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) | | | | | |
| Feb-20 | 41,291 | 159 | 553 | 8,604 | 50,607 |
| Mar-20 | 40,159 | 447 | 2,373 | 8,089 | 51,068 |
| Apr-20 | 5,934 | 34 | 9,749 | 990 | 16,707 |
| May-20 | 18,961 | 107 | 9,643 | 6,020 | 34,731 |
| Jun-20 | 30,152 | 154 | 9,672 | 7,472 | 47,450 |
| Jul-20 | 37,902 | 224 | -6,026 | 6,816 | 38,916 |
| Aug-20 | 32,359 | 191 | 5,198 | 6,856 | 44,604 |
| Sep-20 | 37,171 | 243 | -290 | 6,810 | 43,934 |

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 |
| Nov-19 | 5.15 | FY17 | 7.9 | 11.6 | 35.6 | 7.6 | FY17 | 3.1 | 10.1 | 7.03 | 370.0 |
| Dec-19 | 5.15 | FY18 | 7.5 | 7.5 | 30.3 | 22.1 | FY18 | 21.8 | 9.2 | 7.05 | 424.4 |
| Jan-20 | 5.15 | FY19 | 13.7 | 8.9 | 30.7 | -0.6 | FY19 | 13.6 | 10.5 | 7.68 | 411.9 |
| Feb-20 | 5.15 | FY20 | 9.4 | 9.9 | 43.0 | 1.4 | FY20 | 11.2 | 8.9 | 6.80 | 475.6 |
| Mar-20 | 4.40 | 3QFY20 | 8.0 | 10.0 | 9.7 | 7.8 | 3QFY20 | 12.5 | 10.4 | 6.68 | 457.5 |
| Apr-20 | 4.40 | 4QFY20 | 7.1 | 9.6 | 12.0 | -13.7 | 4QFY20 | 11.2 | 8.9 | 6.62 | 475.6 |
| May-20 | 4.00 | 1QFY20 | 6.4 | 10.5 | 3.6 | 1.4 | 1QFY21 | 17.7 | 12.3 | 6.15 | 506.8 |
| Jun-20 | 4.00 | 2QFY20 | 5.7 | 11.1 | 23.3 | 7.3 | 2QFY21 | 18.6 | 12.2 | 5.95 | 542.0 |
| Jul-20 | 4.00 | Jun-20 | 6.2 | 11.0 | -0.8 | 1.9 | Jul-20 | 19.3 | 13.2 | 5.81 | 534.6 |
| Aug-20 | 4.00 | Jul-20 | 6.5 | 11.9 | 3.2 | 1.2 | Aug-20 | 19.2 | 12.6 | 6.01 | 541.4 |
| Sep-20 | 4.00 | Aug-20 | 5.5 | 10.9 | 17.7 | 6.8 | Sep-20 | 18.6 | 12.2 | 6.03 | 542.0 |
| Oct-20 | 4.00 | Sep-20 | 5.1 | 10.5 | 2.4 | -0.7 | Oct-20 | 16.8 | 11.6 | 5.95 | 560.7 |

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 | 1.8 | 6.4 |
| FY19 | 8.6 | 10.6 | -182.3 | 69.9 | 67.3 | 100.4 | 2012 | 3.5 | 1.2 | 5.4 |
| FY20 | -5.0 | -8.6 | -154.8 | 70.9 | 58.5 | 70.4 | 2013 | 3.5 | 1.4 | 5.1 |
| 3QFY20 | -1.3 | -12.2 | -35.1 | 71.2 | 60.3 | 69.9 | 2014 | 3.5 | 2.1 | 4.7 |
| 4QFY20 | -12.8 | -9.8 | -34.8 | 72.4 | 49.1 | 72.3 | 2015 | 3.4 | 2.4 | 4.3 |
| 1QFY21 | -36.7 | -52.4 | -9.1 | 75.9 | 30.3 | 55.7 | 2016 | 3.3 | 1.8 | 4.5 |
| 2QFY21 | -5.6 | -24.8 | -14.3 | 74.4 | 42.0 | 54.6 | 2017 | 3.8 | 2.5 | 4.8 |
| Jul-20 | -10.2 | -28.4 | -4.8 | 75.0 | 42.1 | 54.1 | 2018 | 3.5 | 2.2 | 4.5 |
| Aug-20 | -12.7 | -26.0 | -6.8 | 74.7 | 43.4 | 53.8 | 2019 | 2.8 | 1.7 | 3.7 |
| Sep-20 | 6.0 | -19.6 | -2.7 | 73.5 | 40.6 | 56.0 | 2020* | -4.4 | -5.8 | -3.3 |
| Oct-20 | -5.1 | -11.5 | -8.7 | 73.5 | 39.9 | 59.7 | 2021* | 5.2 | 3.9 | 6.0 |

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook, October 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 (PE)$ | 3.9 | 4.0 | 3.1 | 0.0 | 4.1 | 1.3 | 3.6 | 4.6 | 10.0 | 3.0 |
| 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 | 4.8 | 3.0 | 4.7 | 3.0 | 8.8 | 5.2 | 3.5 | 6.0 | 7.7 | 3.1 |
| 2QFY20 | 4.3 | 3.5 | -1.1 | -0.6 | 3.9 | 2.6 | 4.1 | 6.0 | 10.9 | 1.8 |
| 3QFY20 | 3.5 | 3.6 | 2.2 | -0.8 | -0.7 | 0.0 | 4.3 | 3.3 | 10.9 | 3.4 |
| 4QFY20 | 3.0 | 5.9 | 5.2 | -1.4 | 4.5 | -2.2 | 2.6 | 2.4 | 10.1 | 3.7 |
| 1QFY21 | -22.8 | 3.4 | -23.3 | -39.3 | -7.0 | -50.3 | -47.0 | -5.3 | -10.3 | 2.9 |

Source: National Accounts Statistics, MoSPI
$ Growth numbers for FY20 are based on the provisional estimates of NAS released by the MoSPI on 29 May 2020 over the first revised estimates (RE) of NAS for FY19 released by the 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 (PE)$ | 4.2 | 5.3 | 11.8 | -2.8 | -3.6 | -6.8 | 2.9 |
| 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 | 5.2 | 5.5 | 6.2 | 4.6 | 3.2 | 2.1 | 2.7 |
| 2QFY20 | 4.4 | 6.4 | 14.2 | -3.9 | -2.2 | -9.4 | 1.4 |
| 3QFY20 | 4.1 | 6.6 | 13.4 | -5.2 | -6.1 | -12.4 | 3.2 |
| 4QFY20 | 3.1 | 2.7 | 13.6 | -6.5 | -8.5 | -7.0 | 4.3 |
| 1QFY21 | -23.9 | -26.7 | 16.4 | -47.1 | -19.8 | -40.4 | 1.8 |

Source: National Accounts Statistics, MoSPI
$Growth numbers for FY20 are based on the provisional estimates of NAS released by the MoSPI on 29 May 2020 over the first revised estimates (RE) of NAS for FY19 released by the 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 | 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 | FY | fiscal year (April–March) |
| 31 | GDP | Gross Domestic Product |
| 32 | GFCE | government final consumption expenditure |
| 33 | GFCF | gross fixed capital formation |
| 34 | GoI | Government of India |
| 35 | G-secs | government securities |
| 36 | GST | Goods and Services Tax |

| Sr. no. | Abbreviations | Description |
|---|---|---|
| 37 | GVA | gross value added |
| 38 | IAD | Index of Aggregate Demand |
| 39 | IBE | interim budget estimates |
| 40 | ICRIER | Indian Council for Research on International Economic Relations |
| 41 | IEA | International Energy Agency |
| 42 | IGST | Integrated Goods and Services Tax |
| 43 | IIP | Index of Industrial Production |
| 44 | IMF | International Monetary Fund |
| 45 | IMI | Index of Macro Imbalance |
| 46 | IMP | imports |
| 47 | INR | Indian Rupee |
| 48 | IPD | implicit price deflator |
| 49 | J&K | Jammu and Kashmir |
| 50 | MCLR | marginal cost of funds-based lending rate |
| 51 | Ming. | mining and quarrying |
| 52 | Mfg. | manufacturing |
| 53 | m-o-m | month-on-month |
| 54 | Mt | metric ton |
| 55 | MoSPI | Ministry of Statistics and Programme Implementation |
| 56 | MPC | Monetary Policy Committee |
| 57 | NEXP | net exports (exports minus imports of goods and services) |
| 58 | NPA | non-performing assets |
| 59 | NCLT | National Company Law Tribunal |
| 60 | OECD | Organization for Economic Co-operation and Development |
| 61 | OPEC | Organization of the Petroleum Exporting Countries |
| 62 | PFCE | private final consumption expenditure |
| 63 | PIT | personal income tax |
| 64 | PMI | Purchasing Managers' Index (reference value = 50) |
| 65 | PoL | petroleum oil and lubricants |
| 66 | PSBR | public sector borrowing requirement |
| 67 | RE | revised estimates |
| 68 | PSU/PSE | public sector undertaking/public sector enterprises |
| 69 | RBI | Reserve Bank of India |
| 70 | SLR | Statutory Liquidity Ratio |
| 71 | Trans. | trade, hotels, transport, communication and services related to broadcasting |
| 72 | US$ | US Dollar |
| 73 | UTGST | Union Territory Goods and Services Tax |
| 74 | WALR | weighted average lending rate |
| 75 | WPI | Wholesale Price Index |
| 76 | y-o-y | year-on-year |
| 77 | 1HFY20 | first half of fiscal year 2019-20, i.e., April 2019-September 2019 |

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