ENTER

Economy Watch

Monitoring India's macro-fiscal performance

December 2021

EY

Building a better working world

Contents

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Highlights

1. Real GDP showed a strong growth of 8.4% in 2QFY22 owing to continued favorable but weakening base effect. When compared to its level in 2QFY20, real GDP growth in 2QFY22 turned marginally positive at 0.3%.
2. In November 2021, PMI manufacturing increased to a ten-month high of 57.6. PMI services at 58.1 showed the second fastest rise in output since July 2011.
3. IIP grew by 3.2% in October 2021, close to the level of 3.3% in September 2021. However, when evaluated over October 2019, IIP showed a strong growth of 7.8% in October 2021.
4. In November 2021, CPI inflation increased to a three-month high of 4.9% and core CPI inflation rose to a five-month high of 6.3%.
5. WPI inflation surged to an all-time high (2012 series) of 14.2% in November 2021 led by higher inflation in food and fuel.
6. The RBI retained the repo and reverse repo rates at 4.0% and 3.35% respectively while maintaining an accommodative policy stance in its December 2021 monetary policy review.
7. As per the CGA, Center's gross taxes grew by 55.8% during April-October FY22 over the corresponding period of FY21, and by 29.7% over the corresponding period of FY20.
8. Center's total expenditure grew by 9.9% during April-October FY22 with a growth of 7.5% in revenue expenditure and 28.3% in capital expenditure.
9. During April-October FY22, Center's fiscal and revenue deficits as a proportion of their corresponding BE stood respectively at 36.3% and 27.5%, their lowest levels since FY01.
10. Merchandise exports and imports growth was elevated at 27.2% and 56.6% respectively in November 2021 although lower than their respective levels of 43.0% and 62.5% in October 2021.
11. Merchandise trade deficit surged to a historic high of US$22.9 billion in November 2021 due to the relatively higher growth in imports vis-à-vis exports.
12. The OECD projected global growth at 5.6% in 2021 and 4.5% in 2022 with India's growth forecasted at 9.4% in FY22 and 8.1% in FY23.

Foreword

Center's tax revenues surge with high nominal GDP growth in 1HFY22

The RBI, in its December 8, 2021 monetary policy statement, left the repo and reverse repo rates unchanged while continuing its accommodative policy stance. Thus, the repo rate has been retained at 4% since May 2020. With the monetary policy remaining passive with respect to both growth and inflation for long, the active policy support to growth has to continue to come from the fiscal side. The RBI has retained its assessment of annual FY22 real GDP growth at 9.5% although it has revised downwards, its 3Q growth estimate to 6.6% from 6.8%, and 4Q growth estimate to 6.0% from 6.1%. The RBI has also retained its annual CPI inflation estimate at 5.3% while revising upward, its 3Q projection to 5.1% from 4.5%, and downward, its 4Q assessment to 5.7% from 5.8%. Risk factors to growth pointed out by the RBI relate to potential resurgence in COVID-19 infections with new mutations and persisting supply side bottlenecks. Risks to inflation outlook include cost-push pressures from high industrial raw material prices, transportation costs, and global supply chain issues. The RBI recognized that recovery in private investment and private consumption are still lagging below their pre-pandemic levels.

The latest US CPI inflation reached a 40-year high of 6.8% in November 2021[1]. This inflation surge is likely to have significant consequences for the rest of the world including India. The US Fed has responded by accelerating its tapering program which may now be completed by March 2022. The US federal funds target rate range has been kept at 0.0 to 0.25% since 16 March 2020 with the effective federal funds rate at close to 0.08% since August 2021. The expectation is that the US interest rate would be increased three times[2] during 2022 possibly by increments of 25 basis points each. An increase in the US interest rate would result in a larger inflow of the US dollar back into the US including that from India. To counter this trend and the likely impact on the Indian rupee, the RBI may have to consider an increase in the repo rate in the near future.

The quarterly national accounts statistics released by the NSO indicate real GDP and GVA growth rates at 8.4% and 8.5% respectively in 2QFY22 following their comparatively high levels of 20.1% and 18.8% respectively in 1QFY22. This reflects a gradual weakening of the base effect due to the growth pattern in FY21 wherein there was a severe contraction in 1QFY21. Considering the first two quarters together, real GVA for 1HFY22 at INR63.4 lakh crore, has remained below the level in 1HFY20 at INR65.8 lakh crore by (-)3.7%. This difference is even larger for real GDP which at the end of 1HFY22 stood at INR68.1 lakh crore, (-)4.4% below the corresponding level of GDP at INR71.3 lakh crore in FY20. As the base effect progressively weakens in 3Q and 4Q of FY22, a strong growth momentum would be needed to ensure that at the end of this fiscal year, in terms of magnitude, GVA and GDP in real terms exceed their corresponding pre-COVID levels of FY20.

High frequency indicators point to an ongoing robust recovery in economic activities. PMI manufacturing increased to a ten-month high of 57.6 in November 2021 from 55.9 in October 2021. PMI services remained high at 58.1 in November 2021, its second highest level since July 2011. Gross GST collections at INR1.31 lakh crore remained above the benchmark of INR1 lakh crore for the fifth consecutive month in November 2021. According to recent information related to advance direct tax collections, a growth in excess of 50.0% has been recorded as on 16 December 2021[3]. The IIP grew by 3.2% in October 2021, close to its growth of 3.3% in September 2021. However, when evaluated over October 2019, IIP showed a strong growth of 7.8% in October 2021. Core IIP growth increased to 7.5% in October 2021 from 4.4% in September 2021. Merchandise exports growth was elevated at 27.2% in November 2021, reflecting robust external demand. Overall export growth during the month was driven by exports of oil, engineering goods and organic and inorganic chemicals.

A noticeable difference between FY20, the pre-COVID year, and FY22, the current year, is the comparatively high growth and buoyancy of center's gross tax revenues (GTR). In 1HFY22, the growth in center's GTR at 64.2% and buoyancy at 2.7 are significantly above the corresponding numbers in FY20. Growth in center's GTR in 1HFY20 was only 1.5%. In fact, there was a contraction of (-)3.4% in FY20 as a whole. In the face of such weak revenues, the central government could not mount a meaningful fiscal stimulus in FY20 even as real GDP growth fell to 4.0%. In contrast, the government is in a significantly stronger position in FY22. Thus, the key to attaining an annual real GDP growth of 9.5% in FY22 lies in government's ongoing emphasis on infrastructure spending as reflected in government's capital expenditure. This is also

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[1] https://www.bls.gov/news.release/pdf/cpi.pdf
[2] https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20211215.pdf
[3] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1782792

seen in the high real GVA growth of 17.4% in public administration, defence and other services in 2QFY22. It is imperative that this momentum is sustained in the remaining part of the fiscal year.

Centre's incentivization of state capital expenditure through additional borrowing limits would also help in this regard. According to available information[4], 11 states in 1QFY22 and 7 states in 2QFY22 qualified for the release of the additional tranche under this window.

State governments may benefit in terms of their own tax revenues because of the higher nominal GDP growth. They would also benefit because of the higher than budgeted realization of center's GTR. We estimate an additional amount of about INR1 lakh crore which may be transferred to the states as share in central taxes over and above the budgeted amount in view of higher growth of center's GTR. States would also have a choice to either reduce their fiscal deficit or to maintain it at budgeted levels or even higher with a view to increasing capital expenditures. Thus, if both central and state governments keep supporting aggregate demand in the system especially through infrastructure spending, it should be feasible to achieve a real GDP growth of 9.5% or above in FY22.

The FY23 Union budget would be the first normal post-COVID budget after the COVID shock year of FY21 and the base effect year of FY22. In FY21, fiscal deficit for the central government amounted to 9.2% of GDP. In FY22, we estimate the fiscal deficit relative to GDP at 7.2%. The fiscal deficit for state governments is estimated at 4.5% in FY21 and may amount to about 4.0% in FY22. Together, these would account for a combined fiscal deficit relative to GDP of the center and state governments at 13.4% and 11.0% respectively in the two years. Based on incorporating these fiscal deficit levels, the general government debt-GDP ratio is estimated at 90.3% at the end of FY21 and 88.0% at the end of FY22.

These high debt-GDP levels call for a recalibration of the fiscal consolidation path starting FY23. The Fifteenth Finance Commission had also recommended the setting up of a High-powered intergovernmental group to re-examine center's FRBM and define a new fiscal consolidation path. While various considerations would go into this recalibration including the relevant levels of interest rate for government borrowing, new targets for debt and annual fiscal deficit relative to GDP for the central and state governments and on their consolidated account need to be estimated. The period for adjustment to achieve the re-defined targets will also have to be determined taking into account the GDP growth rate and effective interest rate. The level of fiscal deficit should be calibrated keeping in perspective, a robust medium-term growth objective. India has to maintain a reasonably robust and ambitious growth path over the medium term in order to at least partially make up for the lost growth momentum during FY21. FY22 has been spent mostly in making up for the contraction in FY21. Even if a real GDP growth of 9.5% in FY22 is achieved, India would land only marginally on the positive side as compared to FY20.

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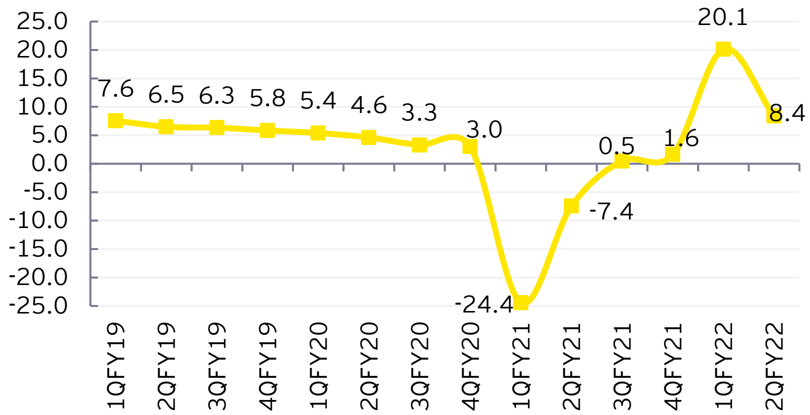
[4] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1771214; https://pib.gov.in/PressReleasePage.aspx?PRID=1754695

1. Growth: real GDP grew by 8.4% in 2QFY22

A. GDP and GVA growth: real GDP grew by 8.4% while nominal GDP grew by 17.5% in 2QFY22

- As per the GDP data released by the Ministry of Statistics and Programme Implementation (MoSPI) on 30 November 2021, real GDP showed a growth of 8.4% (y-o-y) in 2QFY22 owing to continued favorable but weakening base effect **(Chart 1)**. When compared to its level in 2QFY20, real GDP growth in 2QFY22 turned marginally positive at 0.3%. However, at the end of 1HFY22, the magnitude of real GDP at INR68.1 lakh crore was still below its corresponding level in 1HFY20 by INR3.2 lakh crore.

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



- Investment demand as measured by gross fixed capital formation (GFCF) grew by 11.0% in 2QFY22 over its level in 2QFY21. When compared to its level in 2QFY20, GFCF was the only domestic demand segment to show a growth of 1.5% in 2QFY22.
- Both real government final consumption expenditure (GFCE) and private final consumption expenditure (PFCE) grew by 8.7% and 8.6% respectively in 2QFY22 over 2QFY21. However, their magnitudes in 2QFY22 were below their respective 2QFY20 levels by INR0.73 lakh crore and INR0.71 lakh crore respectively.
- Exports of goods and services grew by a robust 19.6% in 2QFY22 over 2QFY21, surpassing its 2QFY20 magnitude by INR1.2 lakh crore.
- On the output side, real GVA grew by 8.5% in 2QFY22 over its level in 2QFY21. When compared to its level in 2QFY20, real GVA showed a low but positive growth of 0.5% in 2QFY22. However, in 1HFY22, the magnitude of real GVA fell short of its 1HFY20 level by INR2.4 lakh crore.

Table 1: Real GDP and GVA growth (%, y-o-y)

Agg. demand	2Q FY20	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22	2Q FY22
PFCE	6.5	6.4	2.0	-26.2	-11.2	-2.8	2.7	19.3	8.6
GFCE	9.6	8.9	12.1	12.7	-23.5	-1.0	28.3	-4.8	8.7
GFCF	3.9	2.4	2.5	-46.6	-8.6	2.6	10.9	55.3	11.0
EXP	-1.3	-5.4	-8.8	-21.8	-2.0	-3.5	8.8	39.1	19.6
IMP	-1.7	-7.5	-2.7	-40.9	-17.9	-5.0	12.3	60.2	40.6
GDP	**4.6**	**3.3**	**3.0**	**-24.4**	**-7.4**	**0.5**	**1.6**	**20.1**	**8.4**
Output sectors									
Agr.	3.5	3.4	6.8	3.5	3.0	4.5	3.1	4.5	4.5
Ming.	-5.2	-3.5	-0.9	-17.2	-6.5	-4.4	-5.7	18.6	15.4
Mfg.	-3.0	-2.9	-4.2	-36.0	-1.5	1.7	6.9	49.6	5.5
Elec.	1.7	-3.1	2.6	-9.9	2.3	7.3	9.1	14.3	8.9
Cons.	1.0	-1.3	0.7	-49.5	-7.2	6.5	14.5	68.3	7.5
Trans.	6.8	7.0	5.7	-48.1	-16.1	-7.9	-2.3	34.3	8.2
Fin.	8.9	5.5	4.9	-5.0	-9.1	6.7	5.4	3.7	7.8
Publ.	8.8	8.9	9.6	-10.2	-9.2	-2.2	2.3	5.8	17.4
GVA	**4.6**	**3.4**	**3.7**	**-22.4**	**-7.3**	**1.0**	**3.7**	**18.8**	**8.5**

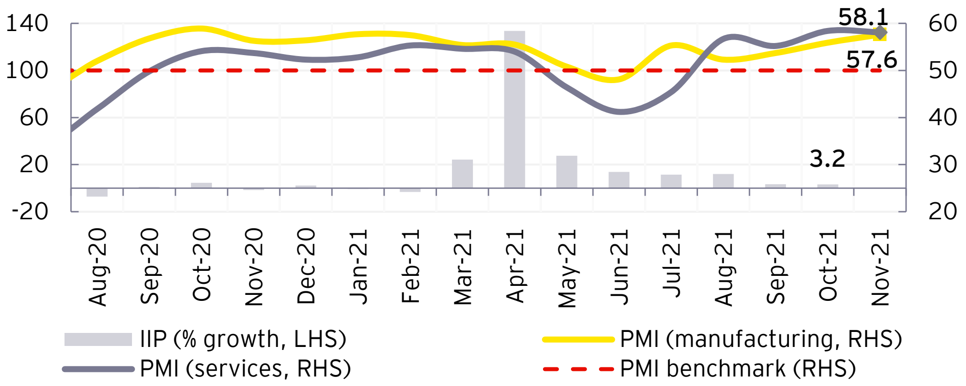
Source: MoSPI, GoI

- With continued favorable but weakening base effect, all the GVA sectors showed strong growth rates in 2QFY22 over 2QFY21 **(Table 1)**. However, the magnitude of real GVA of three important sectors namely, (1) construction, (2) trade, hotels et. al. and (3) financial, real estate et. al. in 2QFY22 fell short of their 2QFY20 magnitudes by a total of INR0.77 lakh crore. Among these, the maximum shortfall of INR0.59 lakh crore was seen in the contact intensive sector of trade, hotels et. al.
- On the contrary, in 2QFY22, the magnitude of remaining five GVA sectors namely, (1) agriculture, (2) mining and quarrying, (3) manufacturing, (4) electricity, gas et. al., and (5) public administration, defence services et. al. surpassed their 2QFY20 levels by a total of INR0.94 lakh crore.
- Nominal GDP grew by 17.5% in 2QFY22 over 2QFY21 implying an implicit price deflator (IPD)-based inflation of 8.4%. In 1HFY22, nominal GDP posted a robust growth of 23.9% with IPD-based inflation reaching an all-time high (under the 2011-12 base series) of 9.0%.

B. PMI: signaled a robust output expansion in manufacturing and services in November 2021

- Headline manufacturing PMI (seasonally adjusted (sa)) expanded for the fifth successive month in November 2021, with its level increasing to a ten-month high of 57.6 from 55.9 in October 2021 (**Chart 2**). The headline manufacturing PMI in November 2021 was well above its long-term average of 53.6.
- PMI services remained high at 58.1 in November 2021 as compared to 58.4 in October 2021. The November 2021 level marked the second fastest rise in output since July 2011.
- The composite PMI Output Index (sa) increased from 58.7 in October 2021 to 59.2 in November 2021, its highest level since January 2012. Both manufacturing and services sectors showed a robust increase in activity with growth led by the former.

Chart 2: PMI and IIP growth



Source: MoSPI and IHS Markit

In November 2021, PMI manufacturing increased to a ten-month high of 57.6 and PMI services at 58.1 marked the second fastest rise in output since July 2011.

C. IIP: growth moderated marginally to 3.2% in October 2021

- The quick estimates of IIP released by the MoSPI on 10 December 2021 show that IIP grew by 3.2% in October 2021, close to its level of 3.3% (revised) in September 2021 due to moderation in the growth of manufacturing output **(Chart 2)**. IIP growth, when evaluated over October 2019, was high at 7.8% in October 2021.
- Growth in the output of manufacturing fell to 2.0% (y-o-y) in October 2021 from 3.0% in September 2021. However, manufacturing output when evaluated over October 2019 showed a growth of 6.7% in October 2021.

IIP growth at 3.2% in October 2021 was close to its level of 3.3% in September 2021.

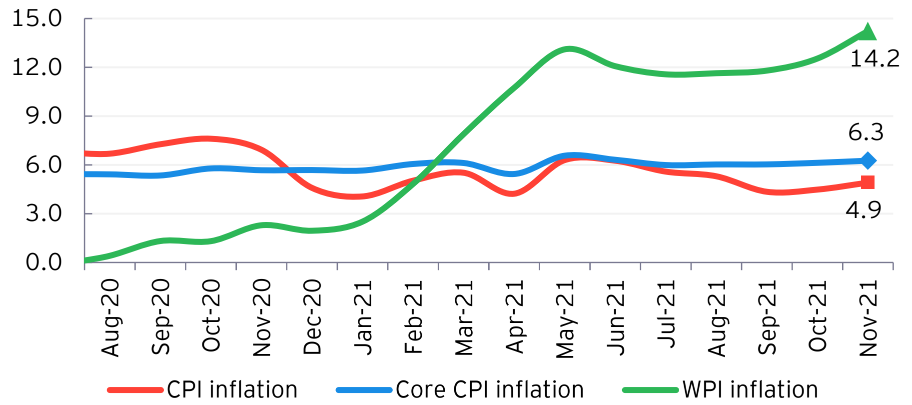
- Growth in the output of mining and electricity sectors increased sharply to 11.4% and 3.1% respectively in October 2021 as compared to 8.6% and 0.9% respectively in September 2021. When compared to their respective output levels in October 2019, both mining and electricity sectors showed a robust growth of 10.3% and 14.7% respectively in October 2021.
- As per the use-based classification of industries, output of capital goods industry contracted by (-)1.1% in October 2021 as compared to a growth of 2.4% (revised) in September 2021. Output of consumer durables contracted further to (-)6.1% in October 2021 from (-)1.9% in September 2021. Growth in the output of infrastructure and construction fell to 5.3% in October 2021 from 7.8% in September 2021. Output of consumer non-durables showed a low growth of 0.5% in October 2021 as compared to 0.2% in September 2021.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) accelerated to 7.5% in October 2021 from 4.5% (revised) in September 2021. This was due to a strong y-o-y growth of four sub-industries namely, natural gas (25.8%), coal (14.6%), cement (14.5%) and petroleum refinery products (14.4%). When compared to its level in October 2019, core IIP showed a strong growth of 7.0% in October 2021.

2. Inflation: CPI inflation increased to a three-month high of 4.9% in November 2021

CPI inflation increased to 4.9% in November 2021 from 4.5% in October 2021 led by a slower pace of contraction in vegetable prices and higher core inflation (Chart 3).

- Consumer food inflation increased to a three-month high of 1.9% in November 2021. The pace of contraction in vegetable prices reduced to (-)13.6% in November 2021 from (-)19.4% in October 2021.
- Fuel and light-based inflation remained elevated at 13.3% in November 2021 as compared to an all-time high (2012 series) of 14.3% in October 2021 supported by elevated inflation levels in LPG and Kerosene.
- Inflation in transportation and communication services eased marginally to 10.0% in November 2021 from 10.9% in October 2021. Inflation in petrol and diesel used for transportation services moderated to 23.8% and 22.4% respectively in November 2021 from all-time highs of 27.3% and 31.8% respectively in October 2021, reflecting the impact of lowering of taxes, particularly central road and infrastructure cess, and VAT rates in certain states.
- Core CPI inflation[5] was at a five-month high of 6.3% in November 2021 due to continuing upside pressures stemming from clothing and footwear, health, and transportation and communication sub-groups.

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



In November 2021, CPI inflation increased to a three-month high of 4.9% with core CPI inflation rising to a five-month high of 6.3%.

Source: MoSPI, Office of the Economic Adviser, Government of India (GoI)
Note: Headline CPI inflation and inflation in certain groups for the month of April 2020 and May 2020 have been imputed by the MoSPI[6]; Core CPI inflation has been estimated for April 2020 and May 2020 using this imputed data

WPI inflation surged to an all-time high (2011-12 series) of 14.2% in November 2021 led by higher inflation in food and fuel.

- WPI food index-based inflation rose to a five-month high of 6.7% in November 2021 as inflation in vegetable prices turned positive for the first time in 12 months at 3.9%.
- Fuel and power inflation accelerated to a historic high of 39.8% in November 2021, as inflation in mineral oils (including petrol and diesel) increased to a six-month high of 79.9% reflecting high global crude prices.
- Inflation in crude petroleum and natural gas was at a seven-month high of 76.6% in November 2021.
- Core WPI inflation increased to a historic high of 12.3% in November 2021 led by continued broad based inflationary pressures. Inflation in manufactured basic metals remained elevated at 29.1% in November 2021, marginally higher than 28.9% in October 2021.

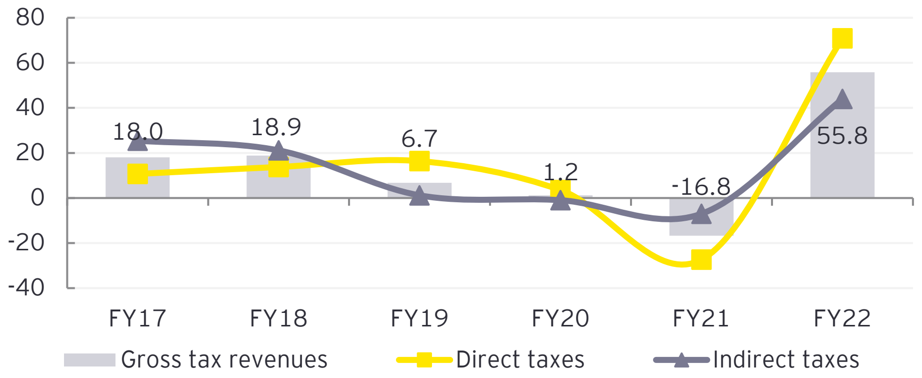
[5] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.
[6] http://www.mospi.gov.in/sites/default/files/press_release/CPI%20Technical%20Note%20on%20Imputation.pdf

3. Fiscal performance: Center's fiscal deficit during Apr-Oct FY22 stood at 36.3% of the BE

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)[7], Center's gross tax revenues (GTR) grew by 55.8% during April-October FY22 as compared to a contraction of (-)16.8% during the corresponding period of FY21. Growth in Center's GTR, when calculated over April-October FY20, was at 29.7% (**Chart 4**).
- Growth in center's GTR in 1HFY22 was at 64.2%. Using the nominal GDP growth at 23.9% during this period, the buoyancy of center's GTR is estimated at 2.7 in 1HFY22.
- Direct and indirect ta   Rxes grew by 70.9% and 44.0% respectively during April-October FY22 as compared to a contraction of (-)27.3% and (-)7.0% respectively in the corresponding period of FY21. Growth in direct and indirect taxes when evaluated over the corresponding period of FY20 was at 24.2% and 34.0% respectively.
- Corporate income tax (CIT) showed a high growth of 91.6% during April-October FY22 reflecting continued base effect due to a contraction of (-)36.7% in the corresponding period of FY21. CIT revenues grew by 21.3% during the first seven months of FY22 over the corresponding period of FY20.
- Personal income tax (PIT) grew by 53.3% during April-October FY22 over the corresponding period of FY21, and by 27.4% over the corresponding period of FY20.
- Among indirect taxes, Center's GST revenues[(a)] grew by 40.0% during April-October FY22 as compared to a contraction of (-)20.2% during the corresponding period of FY21. GST revenues during the first seven months of FY22 grew by 11.8% over the corresponding period of FY20.
- Union excise duties grew by 27.0% during April-October FY22 as compared to 41.0% during the corresponding period of FY21.
- Center's customs duty revenues showed a growth of 122.3% during April-October FY22 as compared to a contraction of (-)21.6% during April-October FY21. Growth, when calculated over the corresponding period of FY20 was also high at 74.2%.

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



As per the CGA, Center's gross taxes grew by 55.8% during April-October FY22 over the corresponding period of FY21. In 1HFY22, buoyancy of center's gross taxes stood at 2.7.

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

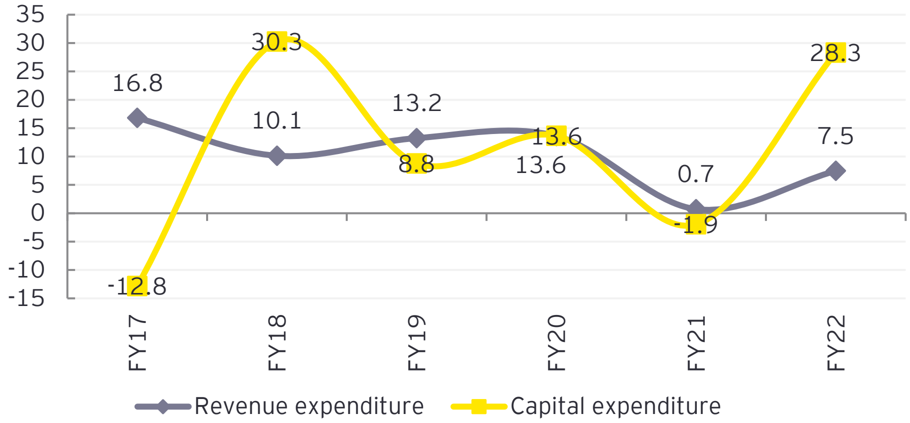
- Center's non-tax revenues grew by 78.0% during April-October FY22 as compared to a contraction of (-)48.2% during the corresponding period of FY21. Non-tax revenues during the first seven months of FY22 stood at 85.1% of the annual BE as compared to the corresponding ratio of 30.2% in FY21.
- Non-debt capital receipts grew by 20.3% during April-October FY22 over the corresponding period of FY21 but showed a contraction of (-)26.5% over the corresponding period of FY20.
- As per information sourced from the Department of Investment and Public Asset Management[8], disinvestment receipts as of 21 December 2021 stood at INR9,329.9 crores, that is 5.3% of the FY22 BE.

[7] Monthly accounts for October 2021 released on 30 November 2021
[8] https://www.dipam.gov.in/dipam/home

B. Expenditures: revenue and capital

- Center's total expenditure grew by 9.9% during April-October FY22 as compared to a marginal growth of 0.4% during the corresponding period of FY21.
- Revenue expenditure showed a growth of 7.5% during April-October FY22 as compared to 0.7% during the corresponding period of FY21 (**Chart 5**).
- Center's capital expenditure showed a strong growth of 28.3% during April-October FY22 as compared to a contraction of (-)1.9% during the corresponding period of FY21.

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



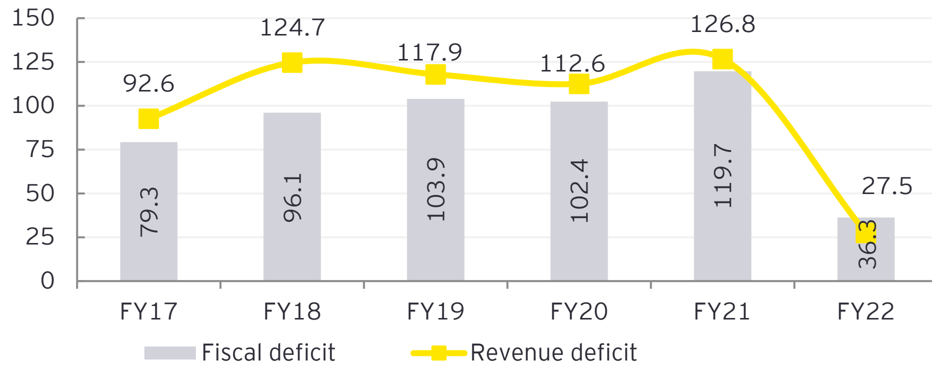
Center's total expenditure grew by 9.9% during April-October FY22 with a growth of 7.5% in revenue expenditure and 28.3% in capital expenditure.

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

C. Fiscal imbalance

- Center's fiscal deficit during April-October FY22 stood at 36.3% of the annual BE, its lowest level in recent history at least since FY01. In comparison, the corresponding average level of fiscal deficit relative to BE during FY17 to FY20 was at 95.4% (**Chart 6**).
- Center's revenue deficit during April-October FY22 as a proportion of the BE stood at 27.5%, its lowest level since FY01. It was significantly lower as compared to the corresponding average level of 111.9% over the four-year period from FY17 to FY20 (excluding the COVID year of FY21).

Chart 6: Fiscal and revenue deficit during April-October as percentage of annual BE



During April-October FY22, Center's fiscal and revenue deficits as a proportion of their corresponding BE stood respectively at 36.3% and 27.5%, their lowest levels since FY01.

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

4. Comparative global perspective: global export volume projected to grow by 9.3% in 2021

Volume of export of goods and services

- As per the IMF, the year 2020 marked a sharp contraction in the volume of export of goods and services for all major advanced and emerging market and developing economies (AEs and EMDE) resulting from the deleterious impact of the pandemic.
- The rate of contraction in export volume was relatively higher for AEs with double-digit contractions in the UK, US and Japan.
- China was the only country to have witnessed a positive growth in export volume in 2020. Among the rest of the EMDEs, the highest contraction at (-)5.9% was experienced by India **(Table 2).**
- Reflecting a recovery from the pandemic, global export volume growth is estimated to increase to 9.3% in 2021 with a relatively lower growth of 8.0% in AEs as compared to 11.6% in EMDEs.
- In the UK, growth in export volume in 2021 is expected to remain subdued at 0.4% because of increased border costs following the exit from the EU single market.
- A strong recovery in the growth of China's volume of export to 19.7% in 2021 has enabled it to clock an estimated real GDP growth of 8.1%. In Brazil, export growth is estimated at 9.0% in 2021, benefitting from global recovery, robust demand for commodities and weak exchange rate.
- Over the medium term, growth in global export volume is projected to moderate to 3.5% with a growth of 3.0% in AEs and 4.3% in EMDEs.

Table 2: Volume of export of goods and services (%, annual)

Country	2020	2021	2022	2023	2024	2025	2026
AEs	**-9.4**	**8.0**	**6.6**	**4.0**	**3.4**	**3.1**	**3.0**
US	-13.6	5.4	8.2	4.4	3.6	3.5	3.3
UK	-16.4	0.4	8.7	3.8	2.9	2.5	2.2
Euro area	-9.5	9.3	6.6	4.3	3.6	3.3	3.2
Japan	-11.7	13.2	7.7	2.7	2.2	1.9	1.8
EMDEs	**-5.2**	**11.6**	**5.8**	**5.0**	**4.4**	**4.3**	**4.3**
Brazil	-1.2	9.0	4.2	4.4	3.5	4.4	4.4
Russia	-4.3	3.2	5.6	2.0	1.7	1.6	1.6
India*	-5.9	6.7	6.1	6.2	6.2	6.2	6.2
China	2.2	19.7	4.6	4.8	3.8	3.8	3.8
World	**-7.9**	**9.3**	**6.3**	**4.4**	**3.7**	**3.5**	**3.5**

Source: IMF World Economic Outlook, October 2021; *data pertains to fiscal year;

Volume of import of goods and services

- Global import volume also showed a contraction of (-)8.6% in 2020 indicating depressed demand. Among major AEs and EMDEs, three countries namely, UK, India and Russia showed a double-digit contraction in import volume **(Table 3).**
- In 2021, global import volume is estimated to grow by 10.1% with a growth of 9.0% in AEs and 12.1% in EMDEs.
- Among AEs, UK's import growth is projected to remain subdued at 1.6% in 2021 due to worsening trade relationship with the EU and increased border costs post EU exit that is also expected to hamper export growth.
- China's import growth is estimated to recover to 19.1% in 2021, the highest among selected EMDEs and AEs while India's import growth estimated at 7.6% will remain relatively lower when compared to other countries in the EMDE group.
- In the medium term, growth in global import volume is expected to moderate to 3.7% with a growth of 3.0% in AEs and 4.8% in EMDEs.

Table 3: Volume of import of goods and services (%, annual)

Country	2020	2021	2022	2023	2024	2025	2026
AEs	**-9.0**	**9.0**	**7.3**	**4.1**	**3.2**	**3.0**	**3.0**
US	-8.9	14.1	8.7	4.1	2.1	2.0	2.0
UK	-17.8	1.6	9.8	3.6	2.7	2.4	2.2
Euro area	-9.3	7.2	6.9	4.3	3.8	3.5	3.5
Japan	-7.3	9.5	9.1	2.7	2.3	2.1	2.1
EMDEs	**-8.0**	**12.1**	**7.1**	**5.7**	**4.9**	**4.8**	**4.8**
Brazil	-7.7	10.7	5.0	5.0	4.1	3.8	3.8
Russia	-12.0	17.3	6.8	1.6	1.5	1.6	1.7
India*	-13.8	7.6	8.2	8.2	8.2	8.2	8.2
China	-1.4	19.1	8.5	5.8	4.5	4.1	4.1
World	**-8.6**	**10.1**	**7.2**	**4.7**	**3.9**	**3.7**	**3.7**

Source: IMF World Economic Outlook, October 2021; *data pertains to fiscal year

5. In focus: determining priorities for the FY23 budget

1. Introduction

The quarterly national accounts statistics released by the NSO indicate real GDP and GVA growth rates at 8.4% and 8.5% respectively in 2QFY22 following their comparatively high levels of 20.1% and 18.8% respectively in 1QFY22. This reflects a gradual weakening of the base effect due to the growth pattern in FY21 wherein there was a severe contraction in 1QFY21. Considering the first two quarters together, real GVA for 1HFY22 at INR63.4 lakh crore, has remained below its level in 1HFY20 at INR65.8 lakh crore by (-)3.7%. This difference is even larger for real GDP which at the end of 1HFY22 stood at INR68.1 lakh crore, (-)4.4% below the corresponding level of GDP at INR71.3 lakh crore in FY20. As the base effect progressively weakens in 3Q and 4Q of FY22, a strong growth momentum would be needed to ensure that at the end of this fiscal year, in terms of magnitude, GVA and GDP in real terms exceed their corresponding pre-COVID levels of FY20.

We expect that a real GDP growth of 9.5% in FY22 may be realized subject to government keeping up its infrastructure spending in the form of capital expenditure at levels consistent with the budget estimates or even higher than those. Further, the nominal GDP growth in 1HFY22 has amounted to 23.9% consisting of real GDP growth of 13.7% and an IPD-based inflation of 9.0%. In 2HFY22, a real GDP growth of about 6% is required if the annual growth of 9.5% is to be maintained. However, IPD-based inflation would remain under pressure because of the WPI inflation remaining higher than the CPI inflation. We expect that the annual IPD-based inflation may be in the range of 7-7.5%. Thus, a combination of real growth of 9.5% and an IPD-based inflation of 7.25% may give a nominal GDP growth for FY22 of 17.5%.

The FY22 budget had given a nominal GDP estimate of INR222.87 lakh crore which implies a nominal growth of 12.9% over the FY21 GDP (provisional estimates). Thus, nominal GDP growth in FY22 may have to be revised upward by a margin of 4% points or more. Considering this, the budget magnitudes may require to be reworked relative to GDP. Applying a 17.5% nominal growth on a base of INR197.45 lakh crore in FY21, the nominal GDP for FY22 is estimated at INR232 lakh crore, implying an increase of INR9.13 lakh crore over the budgeted magnitude. In the subsequent discussion, the revised budget magnitudes as percentage of GDP have utilized a nominal GDP magnitude of INR232 lakh crore.

One noticeable weakness in the ongoing economic recovery is the slow recovery in private final consumption expenditure (PFCE). While investment expenditure as measured by gross fixed capital formation (GFCF) showed a growth of 1.5% in 2QFY22 over 2QFY20, private final consumption expenditure (PFCE) remained in contraction in this quarter over 2QFY20 by a margin of (-)3.5%. The reason for slow PFCE growth includes low spending due to a high precautionary motive which became prominent at the time of Covid's second wave. PFCE growth also depends on income and employment growth particularly in low-income sectors with a high marginal propensity to consume. These sectors relate to the contact intensive sectors of the economy such as the trade, hotels, transport and communications services sector. Another factor relates to the relatively high retail prices for transport and communication services. The combination of high precautionary motive, low incomes especially in the MSME sectors, and high CPI inflation in transport and communications has resulted in poor consumer confidence.

Revenue prospects

Centre's gross tax revenues (GTR) have shown an unprecedented growth rate of 64.2% and a buoyancy of 2.7 in 1HFY22. The nominal GDP growth at 23.9% and the IPD-based inflation at 9.0% in 1HFY22 is the key reason for the buoyant tax revenues. During April-October FY22, Center's GTR showed a growth of 55.8% over the corresponding period of FY21 and 29.7% over the corresponding period of FY20.

Non-tax revenues and non-debt capital receipts for FY22 were budgeted at INR2.43 lakh crore and INR1.88 lakh crore respectively. During April-October FY22, non-tax revenues and non-debt capital receipts stood at 85.1% and 10.5% of their budget estimates respectively. Non-debt capital receipts which mainly include disinvestment receipts may fall well short of the budget estimates whereas the budget estimates for non-tax revenues may be realized. Any shortfall on these accounts will have to be met by the surplus over tax revenue budget estimate. The relevant amount should be considered in terms of center's net tax revenues which may also be called upon to make up for any under-provision of expenditures.

During April-October FY22, assignment to states relative to center's GTR was lower at 22.6% as compared to the corresponding average of 34.9% during the last five years. This is also lower than the budgeted assignment to states as a proportion of GTR for FY22 which stands at 30%. This implies that in the remaining part of the current fiscal year, transfer to states in the form of sharing of tax revenues would increase substantially.

Adjusting for underprovided expenditures

Recent trends indicate that some of the critical expenditure heads may have been underprovided for in the FY22 budget. Important among these are food and fertilizer subsidies. The fertilizer subsidies have been underprovided as a result of the recent pressure on petroleum prices. According to recent media information[9], the Center's buoyant tax collections in the current year has enabled making a payment of nearly INR20,000 crore against oil bond dues and interest. This will lower the Center's interest outgo on oil bonds over the coming years. Of the total payment of INR20,000 crore, an amount of INR10,000 crore has been made towards bringing down the principal amount under oil bond dues which is the first such payment since FY15.

There may be some under-provision of health expenditures also. The provision for COVID vaccines was limited to INR35,000 crore. Since the pace of vaccination has gathered momentum and the coverage has been increasing by the day, there may be a need to provide for more central budgetary resources on this account. In the second supplementary demand for grants, an additional demand under the head "Ministry of Health and Family Welfare" of about INR7,500 crore has been provided.

The first and second supplementary demand for grants based on demand for additional gross expenditure amounted to INR1.87 lakh crore and INR3.74 lakh crore, equivalent to 0.81% and 1.61% of the FY22 estimated nominal GDP respectively **(Table 4)**. The government has proposed financing of these expenditures largely by the savings from within the Ministries/ Departments and additional expected recoveries within the Departments. As a result, the estimated net cash outgo which would be the additional pressure on budgetary resources is estimated at INR3.23 lakh crore which is 1.39% of the estimated nominal GDP.

Table 4: Supplementary demand for grants: first and second tranches

Items	INR Crore	% of est. FY22 nominal GDP
Total supplementary demand for grants April 2021 to December 2021 *of which*	5,60,963	2.42
Total cash outgo (first and second suppl. demand for grants)	3,22,918	1.39
On revenue account	2,54,446	1.10
On capital account	68,472	0.30
First supplementary demand for grants[10]	**1,87,202**	**0.81**
Cash outgo	**23,675**	**0.10**
Revenue	21,038	0.09
Capital	2,637	0.01
Second supplementary demand for grants[11]	**3,73,761**	**1.61**
Cash outgo	***2,99,243***	**1.29**
Revenue	**2,33,408**	**1.01**
Fertilizer subsidy	58,430	0.25
Food subsidy	49,805	0.21
Export promotion schemes*	53,123	0.23
MGNREGA	22,039	0.09
Others	50,011	0.22
Capital	**65,835**	0.28
Repayment of past dues of Air India#	62,057	0.27
Others	3,778	0.02
Memo		
Estimated nominal GDP for FY22	2,32,01,163	

Source (Basic data): Department of Economic Affairs, GoI
* Export Promotion and remission schemes and current year's requirements for RoSCTL | # For equity infusion in AIAHL for repayment of past Government Guaranteed borrowing, past Government Guaranteed SLB lease rental & past dues/liabilities of AI Ltd

Fiscal deficit and capital expenditures

The fiscal deficit target of 6.8% of GDP for FY22 may come under pressure because of upward revisions in some expenditure items such as food and fertilizer subsidies, MGNREGA and extension of PMGKAY along with some

[9] https://www.business-standard.com/article/current-affairs/excise-tax-mop-up-services-govt-s-20k-cr-oil-bond-dues-in-fy22-121120500651_1.html
[10] https://dea.gov.in/sites/default/files/SDG%20july%202021.pdf
[11] https://dea.gov.in/sites/default/files/Final%20%281st%20Suppl.%29.pdf

shortfall primarily in non-debt capital receipts. The arithmetic of reworking the fiscal deficit numbers will have to accommodate the following adjustments as shown in Table 5.

Table 5: Fiscal arithmetic: FY22

#	Item	FY21 Actual (CGA)	FY22 BE	April to October FY22	Change in FY22	Estimated FY22	Required in balance 5 months	FY22 estimates as % of estimated FY22 GDP
		INR lakh crore						
(1)	(2)	(3)	(4)	(5)	(6)=(7)-(4)	(7)	(8)=(7)-(5)	(9)
1	**Gross tax revenues**	**20.25**	**22.17**	**13.64**	**(+) 3.39**	**25.56***	**11.92**	**11.0%**
2	assignment to states	5.95	6.66	3.08	(+) 1.02	**7.67**	4.60	3.3%
3	Net tax revenue	14.24	15.45	10.53	(+) 2.44	**17.89**	7.36	7.7%
4	Non-Tax revenue	2.08	2.43	2.07	-	**2.43**	0.36	1.0%
5	Non-debt capital receipts	0.58	1.88	0.20	(-) 0.93	**0.95**	0.75	0.4%
6	**Total non-debt receipts**	**16.90**	**19.76**	**12.80**	**(+) 1.51**	**21.27**	**8.47**	**9.2%**
7	**Total Expenditure**	35.11	34.83	18.27	(+) 3.23	**38.06**	19.79	16.4%
8	Revenue Expenditure	30.86	29.29	15.73	(+) 2.54	**31.83**	16.10	13.7%
9	Capital Expenditure	4.25	5.54	2.53	(+) 0.68	**6.23**	3.69	2.7%
10	**Revenue deficit**	**14.54**	**11.41**	**3.13**	**(+) 0.11**	**11.51**	**8.38**	**5.0%**
11	**Fiscal deficit**	**18.21**	**15.07**	**5.47**	**(+) 1.72**	**16.79**	**11.32**	**7.2%**
12	**Nominal GDP (FY22)**	-	-	-	-	232.01	-	-

Source (basic data): CGA and EY estimates.
Estimated Nominal GDP for FY22 is INR2,32,01,163 crore. A 17.5% nominal GDP growth is assumed for FY22 over FY21.
*Buoyancy of 1.5 has been used for estimating the GTR for FY22.

The balance of additional revenue receipts and additional expenditure requirements relative to the budgeted magnitudes for FY22 may call for some additional borrowing. We estimate that the revised fiscal deficit for FY22 could be around 7.2% of estimated GDP unless the central government decides to further curtail expenditures.

Our suggestion is that some marginal upward revision of fiscal deficit in this year of recovery may be accommodated so as to not constrain the ongoing growth momentum. Thus, it would be advisable for the center to continue infrastructure spending.

Role of state governments

Centre's recent incentivization of state capital expenditure through additional borrowing limits would also help in uplifting infrastructure spending. According to available information[12], 11 states in 1QFY22 and 7 states in 2QFY22 qualified for the release of the additional tranche under this window.

State governments will benefit in terms of their own tax revenues because of the higher nominal GDP growth in FY22. They will also benefit because of the higher than budgeted realization of center's GTR. We estimate an additional amount of about INR1 lakh crore may be transferred to the states as share in central taxes over and above the budgeted amount in view of higher growth of center's GTR. States would also have a choice to either reduce their fiscal deficit or to maintain it at budgeted levels or even higher with a view to increasing capital expenditures. Thus, if both central and state governments keep supporting aggregate demand in the system especially through infrastructure spending, it should be feasible to achieve a real GDP growth of 9.5% or above in FY22.

Recalibrating medium-term fiscal consolidation

The FY23 Union budget would be the first normal post-COVID budget after the COVID shock year of FY21 and the base effect year of FY22. In FY21, fiscal deficit for the central government amounted to 9.2% of GDP. In FY22, we estimate the fiscal deficit relative to GDP at 7.2%. The fiscal deficit for state governments in these years relative to GDP may amount to 4.5% and 4.0% respectively. Together, these would account for a combined fiscal deficit relative to GDP of the center and state governments at 13.4% and 11.0% respectively. Based on incorporating these fiscal deficit levels, the general government debt-GDP ratio is estimated at 90.3% at the end of FY21 and 88.0% at the end of FY22.

These high debt-GDP levels call for a recalibration of the fiscal consolidation path starting FY23. The Fifteenth Finance Commission had also recommended the setting up of a High-powered intergovernmental group to re-

[12] https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1771214, https://pib.gov.in/PressReleasePage.aspx?PRID=1754695

examine center's FRBM and define a new fiscal consolidation path. While various considerations would go into this recalibration including the relevant levels of interest rate for government borrowing, new targets for debt and annual fiscal deficit relative to GDP for the central and state governments and on their consolidated account need to be estimated. The period for adjustment to achieve the re-defined targets will also have to be determined taking into account, the GDP growth rate and effective interest rate. The level of fiscal deficit should be calibrated keeping in perspective, a robust medium-term growth objective. India has to keep up a reasonably robust and ambitious growth path over the medium term in order to at least partially make up for the lost growth momentum during FY21. FY22 has been used up mostly for making up for the contraction in FY21. Even if a real GDP growth of 9.5% in FY22 is achieved, India would land only marginally on the positive side as compared to FY20. The medium-term growth prospects are discussed in the next section.

The relatively higher expected nominal GDP growth of FY22 will provide an augmented base year magnitude for FY23 GDP. According to the IMF and the OECD, FY23 real GDP growth may be in excess of 8.0%. This is mainly because there was some base effect in FY22 particularly in 1QFY22 which would still be available in 1QFY23. If the present trend of high WPI-inflation continues, the IPD-based inflation even in FY23 may be about 7.0%. Thus, nominal GDP growth in FY23 could be close to 16.0%. Applying this nominal growth to the FY22 magnitude of nominal GDP of INR232.0 lakh crore, it should be possible to reach a level of about INR270.0 lakh crore in FY23. On this base, applying a central GTR buoyancy of 1.5, center's GTR growth may turn out to be close to 24.0%. This should facilitate achieving a more tangible reduction in fiscal deficit relative to FY22 and ensuring that the central government is able to devote enough budgetary resources for capital spending to make up for the deficiency in infrastructure spending in the first three years of the National Infrastructure Pipeline (NIP). As such, a fiscal deficit to GDP level in the range of 5.5-6% for the center may be required to sustain the growth momentum.

Medium-term growth prospects

As per the October 2021 issue of IMF's World Economic Outlook, the Indian economy is poised to become the global growth leader FY22 onwards. Not only does it overtake China amongst major economies in FY22, but it is projected to retain this position for the next five years. The OECD's projections at 8.1% for FY23 and 5.5% for FY24 are lower than those of the IMF **(Table 6)**. As per the December 2021 projections by the ADB, India is forecasted to show a growth of 9.7% in FY22 followed by 7.5% in FY23.

Table 6: India's real GDP growth prospects: forecasts by multilateral agencies

Institution	FY22	FY23	FY24	FY25	FY26	FY27
IMF	9.5	8.5	6.6	6.3	6.2	6.1
OECD	9.4	8.1	5.5	--	--	--
ADB	9.7	7.5	--	--	--	--

Source: IMF, OECD, ADB

In order to achieve a real GDP growth rate of 8.0% in FY23, considering an average incremental capital-output ratio (ICOR) of 5, a real investment rate[13] of 40% would be required. A medium-term growth of 7% requiring a real investment rate of nearly 35% appears sustainable, in view of the fact that real investment rate in terms of gross fixed capital formation had fallen to about 32.5% in FY20. The higher growth projection for FY23 by the IMF and the OECD possibly take into account, utilization of some available unutilized capacity beyond which an increased investment rate would be required.

In order to further strengthen the ongoing growth momentum, the following initiatives may be taken up.

1. For reviving consumption demand, the precautionary motive can be neutralized if people get the sense that the government is 'ahead of the curve' with respect to COVID's potential third wave due to the Omicron variant. In this context, India may do well by expanding its vaccination program by:
    a. Implementing a booster dose program according to stated priorities covering first, the frontline workers and the vulnerable segments of population.
    b. Accelerating vaccine coverage to population below 18 years of age.
    c. Completing two-dose vaccination of population aged 18 years and above as soon as possible.
    d. Spending far more on research and development to create an infrastructure for developing variations of vaccines as new variants of the virus evolve.

2. An urban counterpart of the MGNREGA scheme should be developed to provide targeted income support to the urban unemployed as long as recovery in the MSME sector does not gather further momentum.

3. Continued momentum of spending on infrastructure expansion including a focus on health infrastructure is required. For this purpose, even a marginal slippage in fiscal deficit in FY22 which was budgeted at 6.8% of GDP,

[13] Relates to gross fixed capital formation

if required, should be accommodated. Strong multiplier effects are expected to generate induced economic activities in construction as well as construction-related service sectors.

4. As part of the medium-term strategy, a strong growth in exports of both goods and services require policy support. Recent World Trade Organization (WTO) judgements have gone against India in some respects, for example, with respect to sugar export subsidies[14]. A comprehensive new strategy for supporting exports should include new export areas such as semiconductors and other high technology intensive products, defence products and health services exports.

Conclusion

The main constraints to achieving growth higher than 8% in FY23 and an average growth of 7% in the medium term can be considered as likely challenges from COVID-19 and the slow pace of acceleration of private consumption demand. Containing COVID-19 including its emergent strains is going to be a function of the coverage of vaccination and its intensity in terms of number of doses, including booster doses. India may require extending the coverage to include children and providing for booster doses for frontline workers and the vulnerable segments of the population. On the economic and fiscal front, India would need in the medium term, a return to fiscal consolidation with a carefully recalibrated adjustment path and uplifting the saving and investment rates by 2-3% points on average. With a view to laying down a strong foundation for Atma Nirbhar Bharat, the government of India has recently approved an outlay of INR2,30,000 crore as part of a comprehensive incentive program for developing under production-linked incentive (PLI) scheme, IT hardware, ACC battery, auto components, telecom and networking products and solar PV modules among other products. This will position India as a global hub for electronics manufacturing with an emphasis on production of semiconductors[15].

The RBI, in its December 8, 2021 monetary policy statement, left the repo and reverse repo rates unchanged while continuing its accommodative policy stance. Thus, the repo rate has been retained at 4% since May 2020. With the monetary policy remaining passive with respect to both growth and inflation for long, the active policy support to growth has to continue to come from the fiscal side. The RBI has retained its assessment of annual FY22 real GDP growth at 9.5% although it has revised downward, its 3Q growth estimate to 6.6% from 6.8%, and 4Q growth estimate to 6.0% from 6.1%. The RBI has also retained its annual CPI inflation estimate at 5.3% while revising upward, its 3Q projection to 5.1% from 4.5%, and downward, its 4Q assessment to 5.7% from 5.8%. Risk factors to growth pointed out by the RBI relate to potential resurgence in COVID-19 infections with new mutations and persisting supply side bottlenecks. Risks to inflation outlook include cost-push pressures from high industrial raw material prices, transportation costs, and global supply chain issues. The RBI recognized that recovery in private investment and private consumption are still lagging below their pre-pandemic levels.

A noticeable difference between FY20, the pre-COVID year, and FY22, the current year, is the comparatively high growth and buoyancy of center's GTR. In 1HFY22, the growth in center's GTR at 64.2% and buoyancy at 2.7 are significantly above the corresponding numbers in FY20. Growth in center's GTR in 1HFY20 was only 1.5%. In fact, there was a contraction of (-)3.4% in FY20. In the face of such weak revenues, the central government could not mount a meaningful fiscal stimulus in FY20 even as real GDP growth fell to 4.0%. In contrast, the government is in a significantly stronger position in FY22. Thus, the key to attaining an annual real GDP growth of 9.5% in FY22 lies in the government's ongoing emphasis on infrastructure spending as reflected in its capital expenditure. This is also seen in the high real GVA growth of 17.4% in public administration, defence and other services in 2QFY22. It is imperative that this momentum is sustained in the remaining part of the fiscal year.

[14] https://indianexpress.com/article/opinion/editorials/wto-india-sugar-subsidies-sugarcane-growers-7678411/
[15] https://pib.gov.in/PressReleseDetail.aspx?PRID=1781723

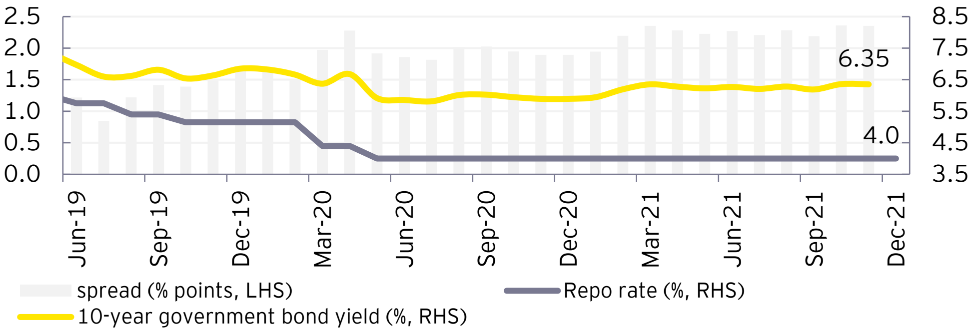
6. Money and finance: repo rate retained at 4.0% in December 2021

Monetary sector

Monetary policy

- The RBI retained the repo rate and reverse repo rate at 4.0% and 3.35% respectively in its monetary policy review held on 8 December 2021 **(Chart 7)**. In addition, the RBI continued with its accommodative monetary policy stance to support the growth momentum.
- In RBI's assessment, risks to India's growth outlook emanate from (a) volatile commodity prices, (b) persisting global supply disruptions leading to shortages and bottlenecks, (c) potential resurgence of COVID infections with new mutations, and (d) financial market volatility.
- The RBI projected CPI inflation to average 5.1% and 5.7% respectively in 3Q and 4Q of FY22. Combining these with the actual CPI inflation of 5.6% and 5.1% respectively during 1Q and 2Q of FY22, the RBI has projected the CPI inflation to average 5.3% in FY22, that is, about 1.3% points above the CPI inflation target of 4.0%.

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



Source: Database on Indian Economy, RBI

The RBI retained the repo rate for the ninth successive time at 4.0% in the monetary policy review held on 8 December 2021.

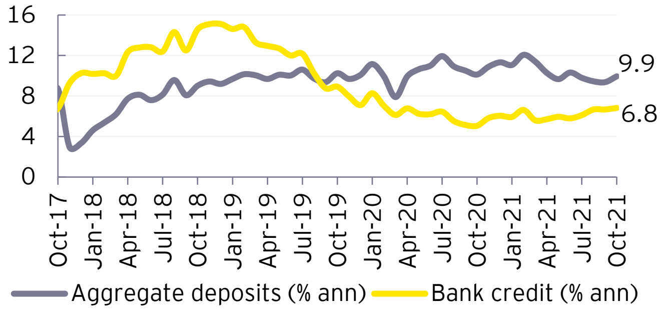
Money stock

- Growth in broad money stock (M3) was marginally lower at 9.5% in November 2021 as compared to 9.7% in October 2021. This was due to a fall in the growth of both narrow money (M1) and time deposits.
- Growth in M1 moderated to 12.3% in November 2021 from 12.8% in October 2021 due to a slower growth in currency with the public and demand deposits. Growth in currency with the public fell to 7.7% in November 2021 from 7.9% in October 2021 while that of demand deposits at 19.8% in November 2021 was lower than 20.7% in October 2021.
- Time deposits, accounting for about 76% of M3 on average (last three years), grew at a marginally lower pace of 8.6% in November 2021 as compared to 8.7% in October 2021.

Aggregate credit and deposits

- Outstanding bank credit by scheduled commercial banks (SCBs) grew by 6.8% in October 2021, marginally above 6.7% in September 2021 **(Chart 8)**.
- Non-food credit growth increased to 6.7% in October 2021 from 5.7% in September 2021 led by a higher growth in credit to industries and recovery in the growth of credit to services.
- Sectoral deployment of bank credit[16] showed that growth in outstanding credit to industries increased to a 27-month high of 4.2% in October 2021. Within the industrial sector, this pick-up was supported by a strong growth in credit to infrastructure at 11.0%, its highest level since August 2019. In addition, there was

Chart 8: Growth in credit and deposits



Source: Database on Indian Economy, RBI

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

an improvement in credit growth to three key sectors namely, chemicals, textiles and drugs and pharmaceuticals to 8.1%, 7.3% and 6.2% respectively in October 2021 as compared to 4.0%, 5.0% and 0.3% respectively in September 2021.

- Growth in credit to services sector was low at 1.1% in October 2021 but this was an improvement over a contraction of (-)0.2% in September 2021.
- Growth in credit to agricultural sector at 10.3% in October 2021 was close to its growth of 10.6% in September 2021. Similarly, personal loans accounting for about 30% of total non-food credit, grew by 13.2% in October 2021, close to its growth of 13.5% in September 2021.
- Growth in aggregate bank deposits improved marginally to 9.9% in October 2021 from 9.4% in September 2021.

B. Financial sector

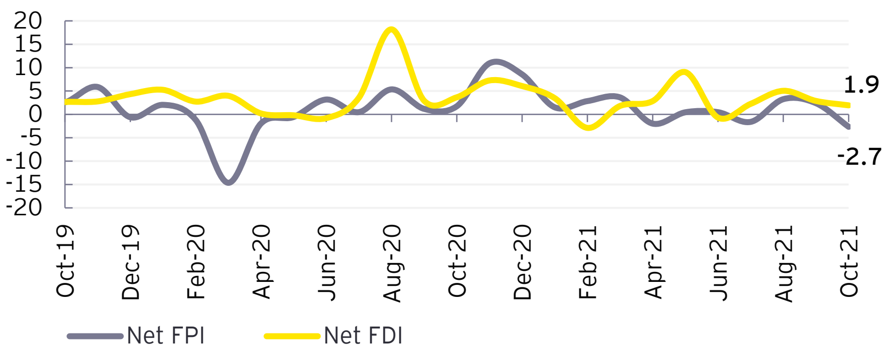
Interest rates

- As per the data released by the RBI on 3 December 2021, the average interest rate on term deposits with a maturity of more than one year was unchanged for the fourteenth consecutive month at 5.20% in November 2021, with the actual rate ranging from 4.90% to 5.50%.
- The MCLR at 6.75% in November 2021 (actual rate ranging between 6.50% and 7.00%) was close to its level of 6.76% in October 2021.
- The average yield on 10-year government bonds at 6.35% in November 2021 was close to its level of 6.36% in October 2021 **(Chart 7)**. Given that the repo rate was retained at 4.0%, the spread between benchmark bond yield and repo rate was at about 2.35% points in November 2021. Between May 2020 and November 2021, while the repo rate was kept at 4.0%, the 10-year bond yield has seen a gradual increase.
- WALR on fresh rupee loans by SCBs was stable at 7.9% in October 2021.

FDI and FPI

- As per the provisional data released by the RBI on 15 December 2021, overall foreign investments[17] (FI) registered outflows amounting to US$(-)0.7 billion in October 2021 as compared to inflows amounting to US$5.3 billion in September 2021 owing to net FPI outflows.

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



Source: Database on Indian Economy, RBI

FDI inflows fell to US$1.9 billion in October 2021 while FPIs turned negative with net outflows amounting to US$(-)2.7 billion during the month.

- Net FDI inflows were lower at US$1.9 billion in October 2021 as compared to US$2.9 billion in September 2021 **(Chart 9)**. Gross FDI inflows in October 2021 were also lower at US$5.6 billion as compared to US$6.5 billion in September 2021.
- FPIs witnessed net outflows amounting to US$(-)2.7 billion in October 2021 as compared to net inflows amounting to US$2.4 billion in September 2021.

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

7. Trade and CAB: merchandise trade deficit was at a historic high of US$22.9 billion in November 2021

A. CAB: current account posted a surplus of 0.9% of GDP in 1QFY22

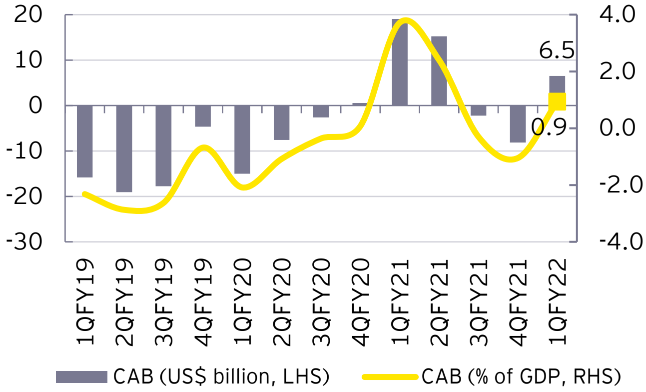
Current account recorded a surplus at 0.9% of GDP in 1QFY22 as compared to a deficit of (-)1.0% of GDP in 4QFY21 **(Chart 10, Table 7).** Net merchandise trade deficit improved to (-)4.4% of GDP in 1QFY22 from (-)5.4% of GDP in 4QFY21 as merchandise exports increased to a 26-quarter high of 14.0% of GDP in 1QFY22 reflecting revival in external demand. Merchandise imports rose to 18.5% of GDP in 1QFY22 from 17.1% of GDP in 4QFY21. Net service receipts and net transfer receipts relative to GDP increased to 3.7% and 2.7% respectively in 1QFY22 from 3.0% and 2.4% respectively in 4QFY21.

Table 7: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY18	-48.7	-1.8	-160.0	111.3
FY19	-57.3	-2.1	-180.3	123.0
FY20	-24.7	-0.8	-157.5	132.8
FY21	32.1	0.9	-60.4	92.5
2QFY21	2.4	15.3	-14.8	30.1
3QFY21	-0.3	-2.2	-34.6	32.4
4QFY21	-1.0	-8.2	-41.7	33.6
1QFY22	0.9	6.5	-30.7	37.2

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

Chart 10: CAB



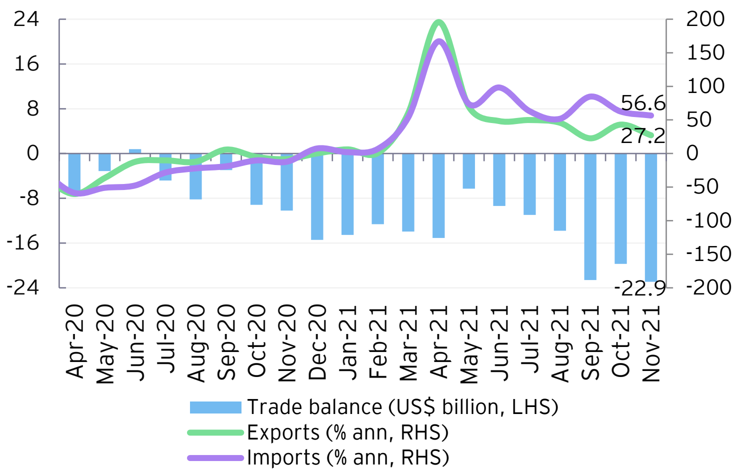
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise exports and imports growth (y-o-y) was elevated at 27.2% and 56.6% respectively in November 2021 although lower than their respective levels of 43.0% and 62.5% in October 2021 **(Chart 11).**

- Merchandise exports growth was driven by exports of oil, engineering goods and organic and inorganic chemicals which grew by 154.2%, 37.0%, and 32.5% respectively in November 2021. However, exports growth in these sectors was higher at 240.2%, 50.9% and 41.9% respectively in October 2021.
- Growth in merchandise imports was led by imports of oil, coal, gold and electronic goods which grew by 132.4%, 135.8%, 39.7% and 21.7% respectively in November 2021 as compared to 140.5%, 118.9%, 104.2% and 23.1% respectively in October 2021.
- Y-o-y growth in imports and exports excluding oil, gold and jewelry reduced marginally to 41.7% and 22.3% respectively in November 2021 from 43.3% and 27.7% respectively in October 2021.
- Merchandise trade deficit surged to a historic high of US$22.9 billion in November 2021 due to the relatively higher growth in imports vis-à-vis exports.
- The rupee appreciated marginally to INR74.5 per US$ (average) in November 2021 from INR 74.9 per US$ (average) in October 2021 partly due to higher foreign investment inflows.

Chart 11: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

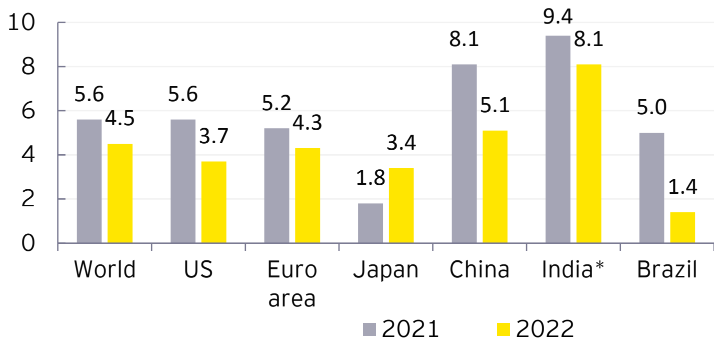
8. Global growth: OECD projected global growth at 5.6% in 2021 and 4.5% in 2022

A. Global growth outlook

The OECD has projected global growth at 5.6% in 2021 with India's growth forecasted at 9.4% in FY22.

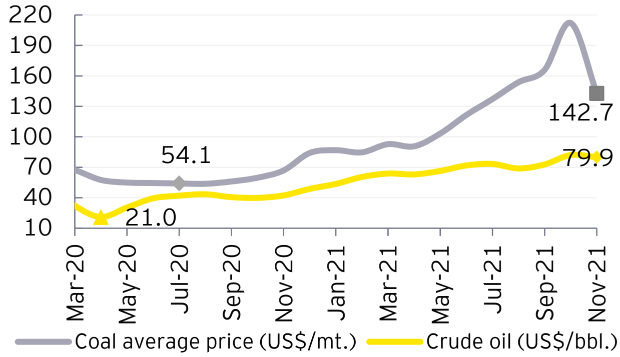
- The OECD (Economic Outlook, December 2021) projected global growth to recover to 5.6% in 2021, moderating to 4.5% in 2022 **(Chart 12)** based on an assumption of enhanced vaccination efforts and accommodative monetary and fiscal policies throughout 2022.
- In the US, growth is projected to show a strong recovery to 5.6% in 2021. In 2022 however, it is projected to slow to 3.7% due to uneven vaccination levels across the country, posing risk of localized COVID-19 outbreaks.
- GDP growth in the Euro area is projected at 5.2% in 2021 and 4.3% in 2022. Growth is expected to be supported by strong consumption and higher investments owing partly to national and European recovery plans. However, near-term uncertainty has increased with renewed rise in COVID-19 infections across Europe.
- Japan's recovery is forecasted to be relatively gradual with growth expected to be at 1.8% in 2021 as there was a re-introduction and expansion of the fourth state of emergency in July 2021 due to the surging COVID-19 infections. However, subsequent improvement of the sanitary situation owing to rapid pace of vaccination is likely to enable a growth of 3.4% in 2022.
- China's growth is estimated at 8.1% in 2021, slowing to 5.1% in 2022. The recovery driven by strong exports has stalled in the second half of 2021. Major defaults in the real estate sector have led to a weakening of investment in this sector thereby hampering growth prospects.
- In Brazil, growth is estimated at 5.0% in 2021 helped by rapid vaccination and strong export growth. Growth in 2022 is projected to fall to 1.4% owing to supply bottlenecks, high interest rates and policy uncertainty.
- Supported by a strong pace of vaccination, India's growth at 9.4% in 2021 (FY22) is projected to be the highest among major AEs and EMDEs. Growth is projected to normalize to 8.1% in 2022 (FY23).

Chart 12: Growth projections (%)



Source: OECD Economic Outlook, December 2021
*on a fiscal year basis

Chart 13: Global crude and coal prices



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

B. Global energy prices: global crude and coal prices fell in November 2021

- From a multi-year peak of US$82.1/bbl. in October 2021, average global crude price[18] eased to US$79.9/bbl. in November 2021 **(Chart 13).** The downward movement in prices during the month was driven by the US-led coordinated release of stocks from strategic reserves easing concerns over supply shortages as well as subdued demand due to resurgence of COVID-19 cases in many countries[19].
- Affected by improved supply situation particularly due to China's decision to lift restriction on coal mining, and limited demand due to increased incidence of COVID-19, average global coal price[20] dropped to US$142.7/mt. in November 2021 from an all-time high of US$212.1/mt. in October 2021[21].

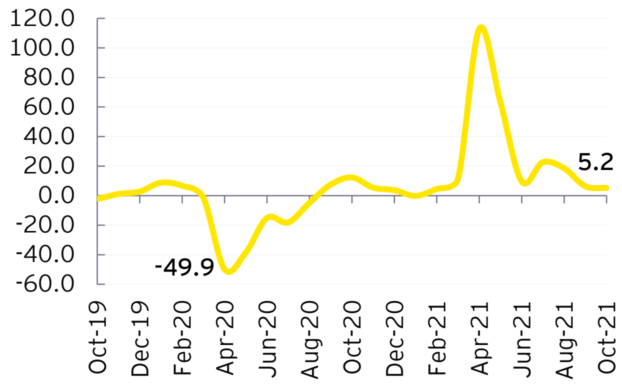
[18] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[19] https://www.thehindu.com/business/markets/oil-prices-drop-as-coordinated-reserve-release-eases-some-supply-fears/article37657337.ece
[20] Simple average of Australian and South African coal prices
[21] https://economictimes.indiatimes.com/industry/indl-goods/svs/steel/domestic-steel-prices-fall-as-iron-ore-coking-coal-prices-come-down/articleshow/88056179.cms

9. Index of Aggregate Demand (IAD): growth slowed to 5.2% in October 2021

Led by unfavorable base effect, growth in IAD fell to 5.2% in October 2021

- EY has developed an IAD to reflect the monthly combined demand conditions in the agriculture, manufacturing and services sectors. It considers the movements in PMI for manufacturing and services, both measured in non-seasonally adjusted terms, tracing the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- Despite strong demand conditions across all three key sectors, growth in IAD moderated to 5.2% in October 2021 from 6.3% in September 2021 due to an unfavorable base effect **(Chart 14).**
- Demand conditions in both manufacturing and services sectors improved significantly in October 2021 partly led by the festive demand.
- Demand conditions in agriculture remained robust in October 2021 as reflected by a sustained double-digit growth in agricultural credit offtake. However, growth in agricultural credit offtake was marginally lower than that in September 2021 **(Table 8).**

Chart 14: Growth in IAD (y-o-y)



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

Table 8: IAD

Month	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
IAD	144.3	140.7	135.2	126.5	118.3	130.2	140.5	141.8	149.1
Growth (% y-o-y)	4.6	11.5	112.9	63.1	9.6	22.7	18.5	6.3	5.2
Growth in agr. credit	10.2	12.3	12.2	12.1	11.4	12.7	11.7	10.6	10.3
Mfg. PMI**	8.0	5.5	5.0	-0.9	-3.5	5.5	2.3	6.0	7.4
Ser. PMI**	8.6	5.6	0.6	-4.1	-10.7	-5.9	7.4	5.5	11.2

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

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

10. Capturing macro-fiscal trends: data appendix

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

Fiscal year/ quarter/ month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/ quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY18	4.4	2.3	4.7	5.3	4.3	FY18	51.5	50.0
FY19	3.8	2.8	3.8	5.2	4.4	FY19	52.8	52.2
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.6	-7.8	-9.8	-0.5	-7.0	FY21	50.2	41.7
3QFY21	1.7	-3.2	1.8	6.7	-0.4	3QFY21	57.2	53.4
4QFY21	6.0	-0.1	6.8	9.2	3.5	4QFY21	56.9	54.2
1QFY22	44.4	27.5	53.0	16.8	26.0	1QFY22	51.5	47.2
2QFY22	8.9	17.1	7.7	9.3	8.6	2QFY22	53.8	52.4
Jul-21	11.5	19.5	10.5	11.1	9.9	Aug-21	52.3	56.7
Aug-21	12.0	23.6	9.9	16.0	11.5	Sep-21	53.7	55.2
Sep-21	3.3	8.6	3.0	0.9	4.5	Oct-21	55.9	58.4
Oct-21	3.2	11.4	2.0	3.1	7.5	Nov-21	57.6	58.1

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

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

Fiscal year/ quarter/ month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY18	3.6	1.8	6.2	4.6	2.9	1.9	2.7	8.2	3.0
FY19	3.4	0.1	5.7	5.5	4.3	0.6	3.7	11.5	4.2
FY20	4.8	6.7	1.3	3.8	1.7	6.9	0.3	-1.8	-0.4
FY21	6.2	7.7	2.7	5.5	1.3	3.9	2.7	-8.0	2.2
3QFY21	6.4	7.9	2.2	5.7	1.9	4.0	3.3	-8.1	3.0
4QFY21	4.9	3.5	3.9	5.9	5.1	2.9	6.5	2.5	6.3
1QFY22	5.6	4.0	10.8	6.1	12.0	7.5	10.5	28.8	9.9
2QFY22	5.1	2.6	13.0	6.0	11.7	3.6	11.5	28.2	11.3
Aug-21	5.3	3.1	12.9	6.0	11.6	3.8	11.6	28.2	11.3
Sep-21	4.3	0.7	13.6	6.0	11.8	2.6	11.6	29.5	11.3
Oct-21	4.5	0.8	14.3	6.1	12.5	3.1	12.0	37.2	11.9
Nov-21	4.9	1.9	13.3	6.3	14.2	6.7	11.9	39.8	12.3

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

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

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit % of GDP	Revenue deficit % of GDP
FY 18 (CGA)	11.8	17.8	19.9	18.6	6.1	3.5	2.6
FY 19 (CGA)	8.4	16.2	13.1	14.9	3.0	3.4	2.4
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.6	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.4
FY 22 (BE over FY 21 RE)	16.7	22.6	22.2	22.4	11.4	6.8	5.1
Cumulated growth (%, y-o-y)						% of budgeted target	
Mar-21	0.7	-17.9	-2.3	-10.7	12.7	98.5#	99.9#
Apr-21	151.8	65.9	76.7	72.2	325.5	5.2	2.8
May-21	147.9	155.9	111.0	125.5	164.0	8.2	5.7
Jun-21	97.1	128.2	97.5	111.8	85.2	18.2	14.9
Jul-21	83.1	171.5	76.7	111.8	64.8	21.3	18.1
Aug-21	70.5	159.7	69.3	101.4	52.1	31.1	27.3
Sep-21	64.2	105.1	64.7	83.9	48.1	35.0	27.7
Oct-21	55.8	91.6	53.3	70.9	44.0	36.3	27.5

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
* Includes corporation tax and income tax
** Includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.
#: as % of revised targets for FY21, fiscal and revenue deficits until November 2020 are as % of FY21 budget targets.

Fiscal year/month	CGST	UTGST	IGST	GST compensation cess	Total GST (Center)
	INR crore				
FY 2021 (RE)	4,31,000	-	-	84,100	5,15,100
FY 2022 (BE)	5,30,000	-	-	1,00,000	6,30,000
Monthly tax collection (INR crore)					
Mar-21	56,818	322	-10,358	8,431	55,213
Apr-21	55,458	161	4,787	9,187	69,593
May-21	28,292	164	15,341	8,886	52,683
Jun-21	33,696	170	6,377	6,565	46,808
Jul-21	47,901	254	-3,733	7,530	51,952
Aug-21	53,326	289	-16,195	8,474	45,894
Sep-21	47,379	222	-634	8,489	55,456
Oct-21	48,546	140	8,970	8,221	65,877

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
Jan-21	4.00	FY18	7.5	7.5	30.3	22.1	FY18	21.8	9.2	7.05	424.4
Feb-21	4.00	FY19	13.7	8.9	30.7	-0.6	FY19	13.6	10.5	7.68	411.9
Mar-21	4.00	FY20	9.4	9.9	43.0	1.4	FY20	11.2	8.9	6.80	475.6
Apr-21	4.00	FY21	5.9	11.0	43.2	36.8	FY21	16.1	11.7	6.04	579.3
May-21	4.00	3QFY21	5.6	10.8	17.0	21.2	3QFY21	19.6	12.4	5.91	580.8
Jun-21	4.00	4QFY21	6.0	11.5	2.4	8.0	4QFY21	16.2	12.2	6.16	579.3
Jul-21	4.00	1QFY22	5.8	10.1	11.2	-1.1	1QFY22	15.4	10.7	6.26	609.0
Aug-21	4.00	2QFY22	6.5	9.5	10.2	4.0	2QFY22	11.4	9.3	6.23	638.6
Sep-21	4.00	Jul-21	6.1	9.8	2.2	-1.6	Aug-21	12.1	9.5	6.28	633.6
Oct-21	4.00	Aug-21	6.7	9.5	5.0	3.3	Sep-21	11.4	9.3	6.19	638.6
Nov-21	4.00	Sep-21	6.7	9.4	2.9	2.4	Oct-21	12.8	9.7	6.36	642.0
Dec-21	4.00	Oct-21	6.8	9.9	1.9	-2.7	Nov-21	12.3	9.5	6.35	637.7

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		
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2011	4.3	1.8	6.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2012	3.5	1.2	5.4
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2013	3.5	1.4	5.1
FY21	-7.3	-17.4	-98.6	74.2	43.8	67.2	2014	3.5	2.1	4.7
3QFY21	-4.3	-4.9	-34.8	73.8	43.6	70.2	2015	3.4	2.4	4.3
4QFY21	19.6	18.4	-41.1	72.9	59.3	88.1	2016	3.3	1.8	4.5
1QFY22	85.9	108.7	-30.8	73.8	67.1	105.1	2017	3.8	2.5	4.8
2QFY22	38.5	66.5	-47.4	74.1	71.7	152.3	2018	3.5	2.2	4.5
Aug-21	45.8	51.7	-13.8	74.2	68.9	153.8	2019	2.8	1.6	3.7
Sep-21	22.6	84.8	-22.6	73.6	72.8	165.9	2020	-3.1	-4.5	-2.1
Oct-21	43.0	62.5	-19.7	74.9	82.1	212.1	2021*	5.9	5.2	6.4
Nov-21	27.2	56.6	-22.9	74.5	79.9	142.7	2022*	4.9	4.5	5.1

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook October 2021.
* forecasts for 2021 and 2022.

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

Fiscal year/quarter	Output: major sectors									IPD inflation
	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY18 (3rd RE)	6.2	6.6	-5.6	7.5	10.6	5.2	10.3	1.8	8.3	4.5
FY19 (2nd RE)	5.9	2.6	0.3	5.3	8.0	6.3	7.1	7.2	7.4	4.5
FY20 (1st RE) $	4.1	4.3	-2.5	-2.4	2.1	1.0	6.4	7.3	8.3	3.3
FY21(PE) #	-6.2	3.6	-8.5	-7.2	1.9	-8.6	-18.2	-1.5	-4.6	3.4
2QFY20	4.6	3.5	-5.2	-3.0	1.7	1.0	6.8	8.9	8.8	2.0
3QFY20	3.4	3.4	-3.5	-2.9	-3.1	-1.3	7.0	5.5	8.9	3.4
4QFY20	3.7	6.8	-0.9	-4.2	2.6	0.7	5.7	4.9	9.6	3.2
1QFY21	-22.4	3.5	-17.2	-36.0	-9.9	-49.5	-48.1	-5.0	-10.2	2.8
2QFY21	-7.3	3.0	-6.5	-1.5	2.3	-7.2	-16.1	-9.1	-9.2	2.2
3QFY21	1.0	4.5	-4.4	1.7	7.3	6.5	-7.9	6.7	-2.2	3.2
4QFY21	3.7	3.1	-5.7	6.9	9.1	14.5	-2.3	5.4	2.3	4.9
1QFY22	18.8	4.5	18.6	49.6	14.3	68.3	34.3	3.7	5.8	6.5
2QFY22	8.5	4.5	15.4	5.5	8.9	7.5	8.2	7.8	17.4	7.7

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

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY18 (3rd RE)	6.8	6.2	11.9	7.8	4.6	17.4	4.0
FY19 (2nd RE)	6.5	7.6	6.3	9.9	12.3	8.6	3.7
FY20 (1st RE) $	4.0	5.5	7.9	5.4	-3.3	-0.8	3.6
FY21(PE) #	-7.3	-9.1	2.9	-10.8	-4.7	-13.6	4.6
2QFY20	4.6	6.5	9.6	3.9	-1.3	-1.7	1.6
3QFY20	3.3	6.4	8.9	2.4	-5.4	-7.5	3.1
4QFY20	3.0	2.0	12.1	2.5	-8.8	-2.7	5.6
1QFY21	-24.4	-26.2	12.7	-46.6	-21.8	-40.9	2.8
2QFY21	-7.4	-11.2	-23.5	-8.6	-2.0	-17.9	3.3
3QFY21	0.5	-2.8	-1.0	2.6	-3.5	-5.0	4.8
4QFY21	1.6	2.7	28.3	10.9	8.8	12.3	7.0
1QFY22	20.1	19.3	-4.8	55.3	39.1	60.2	9.7
2QFY22	8.4	8.6	8.7	11.0	19.6	40.6	8.4

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

List of abbreviations

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

Sr. no.	Abbreviations	Description
37	GST	Goods and Services Tax
38	GVA	gross value added
39	IAD	Index of Aggregate Demand
40	IBE	interim budget estimates
41	ICRIER	Indian Council for Research on International Economic Relations
42	IEA	International Energy Agency
43	IGST	Integrated Goods and Services Tax
44	IIP	Index of Industrial Production
45	IMF	International Monetary Fund
46	IMI	Index of Macro Imbalance
47	IMP	imports
48	INR	Indian Rupee
49	IPD	implicit price deflator
50	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	WHO	World Health Organization
76	WPI	Wholesale Price Index
77	y-o-y	year-on-year
78	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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