ENTER

Economy Watch

Monitoring India's macro-fiscal performance

January 2022

Building a better working world

Contents

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

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Highlights

1. As per National Statistical Office's (NSO) first advance estimates (FAE), real and nominal GDP growth rates are estimated at 9.2% and 17.6% respectively in FY22.

2. The magnitude of real GDP at INR147.5 lakh crore in FY22 is marginally higher than INR145.7 lakh crore in FY20, implying a growth of only 1.3% over FY20.

3. In December 2021, PMI manufacturing and services expanded at a slower pace with both their levels easing to 55.5.

4. IIP growth moderated to 1.4% in November 2021 from 4.0% in October 2021 led by a broad-based slowdown across all sectors.

5. In December 2021, CPI inflation increased to a five-month high of 5.6% with core CPI inflation remaining high at 6.1%.

6. WPI inflation remained elevated at 13.6% in December 2021 as compared to an all-time high of 14.2% in November 2021 due to broad based inflationary pressures.

7. As per the CGA, Center's gross taxes grew by 50.3% during April-November FY22 over the corresponding period of FY21, and by 31.3% over the corresponding period of FY20.

8. Center's total expenditure grew by 8.8% during April-November FY22 with a slowdown in the growth of capital expenditure to 13.5% during this period.

9. During April-November FY22, Center's fiscal and revenue deficits as a proportion of their corresponding BE stood respectively at 46.2% and 38.8%, their lowest levels since FY01.

10. Merchandise exports and imports growth was elevated at 38.9% and 38.5% in December 2021 as compared to 27.2% and 56.6% respectively in November 2021.

11. Current account recorded a deficit at (-)1.3% of GDP in 2QFY22 as compared to a surplus of 0.9% of GDP in 1QFY22.

12. The World Bank estimated global growth at 5.5% in 2021, moderating to 4.1% in 2022.

13. The World Bank projected India's FY23 real GDP growth at 8.7% while the UN forecasted it at 6.5%.

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Foreword

Supporting growth, containing inflation

NSO released the FAE of national accounts for FY22 on January 7, 2022. India's real GDP growth in FY22 is estimated at 9.2%, that is 30 basis points lower than the RBI and IMF[1]'s projection of 9.5%. The adverse effect of COVID's third wave, which is mainly affecting the last quarter of FY22, may call for a further downward adjustment in the growth rate to about 9%. The main sectors that have held back a more robust recovery are trade, transport, et. al. on the output side and private final consumption expenditure (PFCE) on the demand side as their annual estimated FY22 magnitudes remain below the corresponding levels in FY20.

High frequency indicators point to a moderating pace of recovery in economic activities. PMI manufacturing eased to 55.5 in December 2021 from a ten-month high of 57.6 in November 2021. PMI services also moderated to a three-month low of 55.5 in December 2021 from 58.1 in November 2021. Gross GST collections fell marginally to INR1.29 lakh crore in December 2021 from INR1.31 lakh crore in November 2021. Daily e-way bill generation under GST was at 20.45 lakh for the first nine days of January 2022, 11% lower than the daily average for December 2021, reflecting a moderation in goods dispatches[2]. IIP growth moderated to 1.4% in November 2021 from 4.0% in October 2021 led by a broad-based slowdown across all sectors. As per available information, on a year-on-year basis, total vehicle retail sales in December 2021 fell by (-)16.0%. When compared to the pre-COVID month of December 2019, overall vehicle retail sales showed a fall of (-)6.0% in December 2021[3]. Growth in power consumption (y-o-y) continued to remain subdued at 2.6% in December 2021, although marginally higher than 1.6% in November 2021. It has ranged between 0-3% during the period September 2021 to December 2021. Bank credit growth (y-o-y) has languished between 6.7-7.0% during August to November 2021. While merchandise exports growth at 38.9% in December 2021 was higher as compared to 27.2% in November 2021, imports growth slowed to 38.5% in December 2021 from 56.6% last month indicating some moderation in domestic demand.

Both CPI and WPI inflation reflect ongoing pressures. In December 2021, CPI inflation increased to a five-month high of 5.6% from 4.9% in November 2021. Core CPI inflation also remained elevated at 6.1% in December 2021. WPI inflation had surged to an all-time high (2011-12 series) of 14.2% in November 2021. In December 2021, it remained elevated at 13.6%. These inflationary pressures have largely emanated from high prices of global crude and primary commodities. There have also been supply-side bottlenecks putting pressure on prices. In the first step, these global pressures affect India's WPI inflation rate which is slowly transmitted into the CPI inflation rate. There is one positive spinoff of these inflation pressures emanating from the fact that the implicit price deflator (IPD)-based inflation is mainly a weighted combination of the WPI and CPI inflation rates. In recent quarters, the weight of WPI inflation has been in the range of 75-80% in determining the IPD-based inflation. Accordingly, as per NSO's FAE, the IPD-based inflation rate is estimated to be as high as 7.7% in FY22. This is the main reason for the excess of the nominal GDP growth at 17.6% over the real GDP growth of 9.2% by a margin of 8.4% points.

[1] World Economic Outlook, IMF (October 2021)
[2] https://www.financialexpress.com/economy/e-way-bill-generation-moderates/2403261/
[3] 161d510bfbc9d6FADA releases December 2021 Vehicle Retail Data.pdf

The high nominal growth combined with base effects resulted in center's gross tax revenue (GTR) growth of 50.3% during the first eight months of FY22. In the first six months of FY22, this growth was even higher at 64.2%. In October and November 2021, the average growth in center's GTR has fallen to about 17.4% as the base effect has been weakening. This trend is likely to continue in the remaining part of the fiscal year. Taking this into account, we assess that the annual growth in center's GTR may be close to 35% implying a buoyancy of nearly 2. With these buoyant tax revenues, government may be able to limit the FY22 fiscal deficit to its budgeted level of 6.8% of GDP although a marginal slippage may not be ruled out. There may be some shortfall in disinvestment targets. Also, two supplementary expenditure demands have already been announced which need to be accommodated.

Going forward, since the base effects in center's GTR would have weakened, we may expect a lower annual GTR growth of about 16% in FY23 which in combination with an estimated nominal GDP growth of 14% implies a buoyancy of little less than 1.2. This would still compare well with center's GTR growth performance in the pre-COVID years which averaged only 5.6% during FY18 to FY20. It would be appropriate now to consider a calibrated return to fiscal consolidation while using fiscal policy to support growth.

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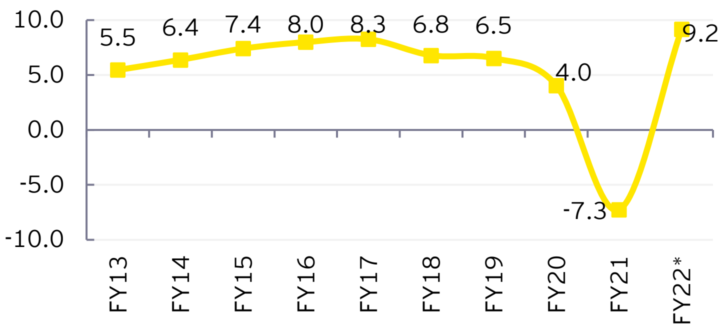
1. Growth: real GDP growth is estimated at 9.2% in FY22

A. GDP and GVA growth: real and nominal GDP growth is estimated at 9.2% and 17.6% respectively in FY22

- As per the first advance estimates (FAE) of national accounts data released by the Ministry of Statistics and Programme Implementation (MoSPI) on 7 January 2022, real GDP is estimated to grow by 9.2% (y-o-y) in FY22 **(Chart 1)**. With this, the implied growth for 2HFY22 is estimated at 5.6%. When compared to its level in FY20, the magnitude of real GDP at INR147.5 lakh crore in FY22 is marginally higher than INR145.7 lakh crore in FY20, implying a growth of only 1.3% over FY20.
- Gross fixed capital formation (GFCF), a measure of investment demand is estimated to show a strong growth of 15.0% in FY22 after contracting by (-)10.8% in FY21. Government final consumption expenditure (GFCE) is estimated to grow by 7.6% in FY22 as compared to 2.9% in FY21. Private final consumption expenditure (PFCE) which witnessed a sharp contraction of (-)9.1% in FY21, is slated to grow by 6.9% in FY22.
- In FY22, the magnitude of both GFCF and GFCE is estimated to be higher by INR1.2 lakh crore and INR1.7 lakh crore respectively over their corresponding levels in FY20. However, the magnitude of PFCE in FY22 is estimated to be lower by INR(-)2.4 lakh crore over its level in FY20 **(Table 1)**.
- On the external front, exports of goods and services is estimated to grow by 16.5% in FY22. With imports growth likely to be significantly higher than exports, the contribution of net exports to real GDP growth is estimated to be negative at (-)2.9% points in FY22.
- On the output side, real GVA is estimated to grow by 8.6% in FY22 after contracting by (-)6.2% in FY21, surpassing its FY20 magnitude by INR2.5 lakh crore.

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



* First advance estimates (FAE)

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

Agg. demand	FY18	FY19	FY20	FY21	FY22 (FAE)	FY22 minus FY20 (INR lakh crore)
PFCE	6.2	7.6	5.5	-9.1	6.9	-2.4
GFCE	11.9	6.3	7.9	2.9	7.6	1.7
GFCF	7.8	9.9	5.4	-10.8	15.0	1.2
EXP	4.6	12.3	-3.3	-4.7	16.5	3.1
IMP	17.4	8.6	-0.8	-13.6	29.4	3.9
GDP	**6.8**	**6.5**	**4.0**	**-7.3**	**9.2**	**1.8**
Output side						
Agr.	6.6	2.6	4.3	3.6	3.9	1.5
Ming.	-5.6	0.3	-2.5	-8.5	14.3	0.1
Mfg.	7.5	5.3	-2.4	-7.2	12.5	1.0
Elec.	10.6	8.0	2.1	1.9	8.5	0.3
Cons.	5.2	6.3	1.0	-8.6	10.7	0.1
Trans.	10.3	7.1	6.4	-18.2	11.9	-2.3
Fin.	1.8	7.2	7.3	-1.5	4.0	0.7
Publ.	8.3	7.4	8.3	-4.6	10.7	1.0
GVA	**6.2**	**5.9**	**4.1**	**-6.2**	**8.6**	**2.5**

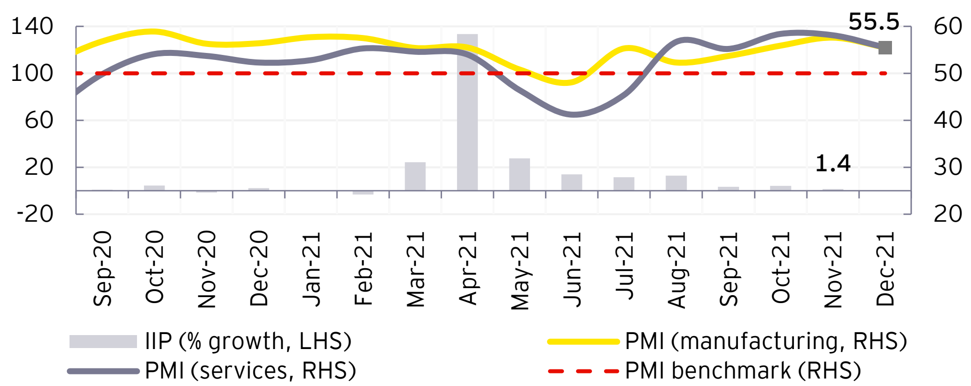
Source: MoSPI, GoI; #implied growth for 2HFY22

- GVA in manufacturing and mining is estimated to show a strong growth of 12.5% and 14.3% respectively while growth in construction is estimated at 10.7% in FY22. Similarly, among the services sectors, growth in trade, transport, et.al and public administration, defence and other services is estimated at 11.9% and 10.7% respectively in FY22. Growth in financial, real estate and professional services is estimated to be relatively lower at 4.0% in FY22.
- GVA growth in agriculture is estimated at 3.9% in FY22, improving from 3.6% in FY21.
- When compared to their respective levels in FY20, except for the contact-intensive sector of trade, transport, et.al, the magnitude of the remaining seven GVA sectors is estimated to be higher in FY22 indicating a recovery in the output of these sectors to their pre-COVID levels.
- Nominal GDP growth is estimated at 17.6% in FY22, its highest level since FY11 (2011-12 series).

B. PMI: signaled a slowing expansion in manufacturing and services in December 2021

- Headline manufacturing PMI (seasonally adjusted (sa)) expanded for the sixth successive month in December 2021 although its level fell from a ten-month high of 57.6 in November 2021 to 55.5 in December 2021 (**Chart 2**). On a quarterly basis, PMI manufacturing averaged 56.3 in 3QFY22, its highest since 4QFY21.
- PMI services continued to expand in December 2021 although its level fell from 58.1 in November 2021 to a three-month low of 55.5. On a quarterly basis, PMI services averaged 57.3 in 3QFY22, its highest since 4QFY11.
- The composite PMI Output Index (sa) fell from 59.2 in November 2021 to 56.4 in December 2021, although remaining higher than its long-term average at 53.9. On a quarterly basis, composite PMI averaged 58.1 in 3QFY22, its highest since 1QFY12.

Chart 2: PMI and IIP growth



In December 2021, PMI manufacturing and services continued to expand but at a slower pace with both their levels at 55.5.

Source: MoSPI and IHS Markit

C. IIP: growth moderated sharply to 1.4% in November 2021

- The quick estimates of IIP released by the MoSPI on 12 January 2022 showed that IIP growth fell to 1.4% in November 2021 from 4.0% (revised) in October 2021 due to a broad-based moderation in the growth of all three sub industries **(Chart 2)**.
- Growth in the output of manufacturing fell to 0.9% in November 2021 from 3.1% (revised) in October 2021. Growth in the output of mining and electricity also moderated to 5.0% and 2.1% respectively in November 2021 from 11.5% and 3.1% respectively in October 2021.

IIP growth fell to 1.4% in November 2021 from 4.0% in October 2021 due to a broad-based slowdown in the growth of all sectors.

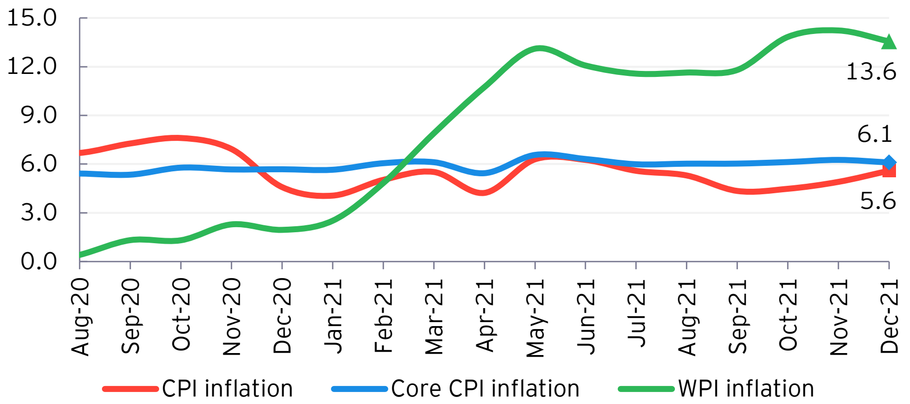
- As per the use-based classification of industries, output of capital goods and consumer durables contracted further to (-)3.7% and (-)5.6% respectively in November 2021 from (-)1.5% (revised) and (-)3.6% respectively in October 2021. Growth in the output of infrastructure and construction fell to 3.8% in November 2021 from 6.6% (revised) in October 2021. Output of consumer non-durables showed a low growth of 0.8% in November 2021, close to its growth of 0.9% in October 2021.
- According to provisional estimates, growth in the output of eight core infrastructure industries (core IIP) fell sharply to 3.1% in November 2021 from 8.4% (revised) in October 2021. Growth in four out of eight sub industries namely, steel (0.8%), electricity (1.5%), petroleum (4.3%) and coal (8.2%) was lower in November 2021 when compared to that in October 2021. Further, output of crude oil and cement showed a contraction of (-)2.2% and (-)3.2% respectively in November 2021.

2. Inflation: CPI inflation increased to a five-month high of 5.6% in December 2021

CPI inflation increased to 5.6% in December 2021 from 4.9% in November 2021 led by a significantly lower contraction in vegetable prices (Chart 3).

- Consumer food inflation increased to a five-month high of 4.0% in December 2021 from 1.9% in November 2021. The pace of contraction in vegetable prices reduced to a six-month low of (-)3.0% in December 2021 from (-)13.6% in November 2021.
- Fuel and light-based inflation remained high at 11.0% in December 2021 as compared to 13.3% in November 2021 led by elevated inflation levels in LPG and Kerosene.
- Inflation in transportation and communication services eased marginally to a three-month low of 9.7% in December 2021.
- Core CPI inflation[4] was high at 6.1% in December 2021 as compared to 6.3% in November 2021 due to continued pressures from clothing and footwear, health, and transportation and communication sub-groups. Core CPI inflation has ranged between 6.0-6.6% since May 2021.

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



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

In December 2021, CPI inflation increased to a five-month high of 5.6%. with core CPI inflation remaining elevated at 6.1%.

WPI inflation remained elevated at 13.6% in December 2021 as compared to an all-time high (2011-12 series) of 14.2% in November 2021 due to broad based inflationary pressures.

- WPI food index-based inflation rose to a 23-month high of 9.2% in December 2021 as inflation in vegetable prices surged to a 15-month high of 31.6% partly due to base effect.
- Fuel and power inflation was elevated at 32.3% in December 2021, although lower than the all-time high of 39.8% in November 2021, as inflation in mineral oils (including petrol and diesel) was at 62.6% reflecting high global crude prices.
- Inflation in crude petroleum and natural gas eased to 55.7% in December 2021 from a seven-month high of 76.6% in November 2021 partly owing to base effect and partly due to a fall in global crude prices.
- Core WPI inflation at 11.0% in December 2021, was above 10% for the eighth successive month. Inflation in manufactured basic metals remained elevated at 22.2% in December 2021, although lower than 29.1% in November 2021.

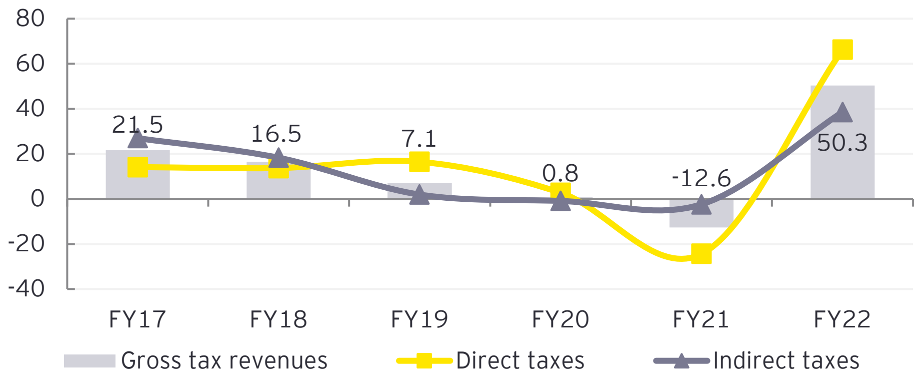
[4] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3. Fiscal performance: Center's fiscal deficit during Apr-Nov FY22 stood at 46.2% of the BE

A. Tax and non-tax revenues

- As per the Comptroller General of Accounts (CGA)[5], Center's gross tax revenues (GTR) grew by 50.3% during April-November FY22 as compared to a contraction of (-)12.6% during the corresponding period of FY21. Growth in Center's GTR, when calculated over April-November FY20, was at 31.3% (**Chart 4**).
- Direct and indirect taxes grew by 66.3% and 38.6% respectively during April-November FY22 as compared to a contraction of (-)24.4% and (-)2.4% respectively in the corresponding period of FY21. Growth in direct and indirect taxes when evaluated over the corresponding period of FY20 was at 25.7% and 35.3% respectively.
- Corporate income tax (CIT) showed a high growth of 90.4% during April-November FY22 reflecting continued base effect due to a contraction of (-)35.7% in the corresponding period of FY21. CIT revenues grew by 22.5% during the first eight months of FY22 over the corresponding period of FY20.
- Personal income tax (PIT) grew by 47.2% during April-November FY22 over the corresponding period of FY21, and by 29.2% over the corresponding period of FY20.
- Among indirect taxes, Center's GST revenues[(a)] grew by 36.4% during April-November FY22 as compared to a contraction of (-)16.5% during the corresponding period of FY21. GST revenues during the first eight months of FY22 grew by 14.0% over the corresponding period of FY20.
- Union excise duties grew by 23.2% during April-November FY22 as compared to 47.7% during the corresponding period of FY21.
- Center's customs duty revenues showed a growth of 99.5% during April-November FY22 as compared to a contraction of (-)17.0% during April-November FY21. Growth, when calculated over the corresponding period of FY20 was also high at 65.6%.

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



As per the CGA, Center's gross taxes grew by 50.3% during April-November FY22 over the corresponding period of FY21 and by 31.3% over 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, 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.

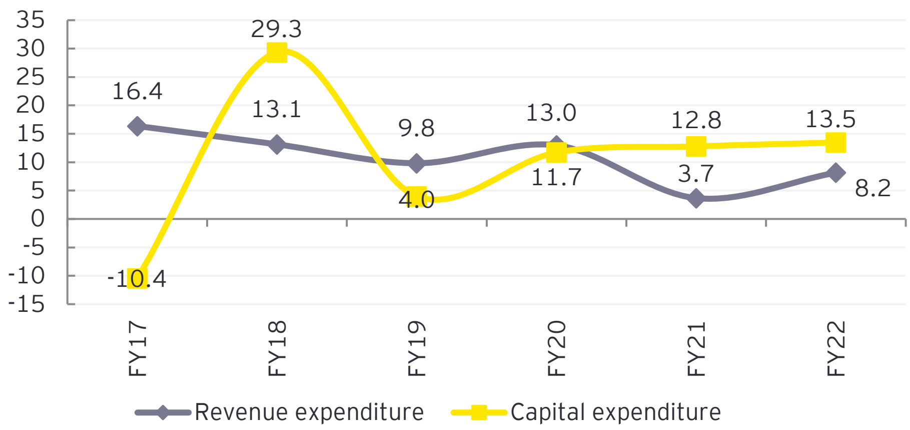
- Center's non-tax revenues grew by 79.5% during April-November FY22 as compared to a contraction of (-)46.6% during the corresponding period of FY21. Non-tax revenues during the first eight months of FY22 stood at 91.8% of the annual BE as compared to the corresponding ratio of 32.3% in FY21.
- Non-debt capital receipts grew by 14.1% during April-November FY22 over the corresponding period of FY21 but showed a contraction of (-)28.6% over the corresponding period of FY20.
- As per information sourced from the Department of Investment and Public Asset Management[6], disinvestment receipts as of 24 January 2022 stood at INR9,329.9 crores, that is 5.3% of the FY22 BE.

[5] Monthly accounts for November 2021 released on 31 December 2021
[6] https://www.dipam.gov.in/dipam/home

B. Expenditures: revenue and capital

- Center's total expenditure grew by 8.8% during April-November FY22 as compared to 4.7% during the corresponding period of FY21. Total expenditure during the first eight months of FY22 stood at 59.6% of the annual BE as compared to the corresponding ratio of 62.7% last year.
- Revenue expenditure showed a growth of 8.2% during April-November FY22 as compared to 3.7% during the corresponding period of FY21 (**Chart 5**). Revenue expenditure during the first eight months of FY22 stood at 61.5% of the annual BE, slightly lower as compared to the corresponding ratio of 63.3% in FY21.
- Growth in center's capital expenditure slowed from 28.3% up to October FY22 to 13.5% during April-November FY22. This is marginally higher than the growth of 12.8% during the corresponding period of FY21. Capital expenditure during the first eight months of FY22 stood at 49.4% of the annual BE, significantly lower than 58.5% during the corresponding period of FY21.

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



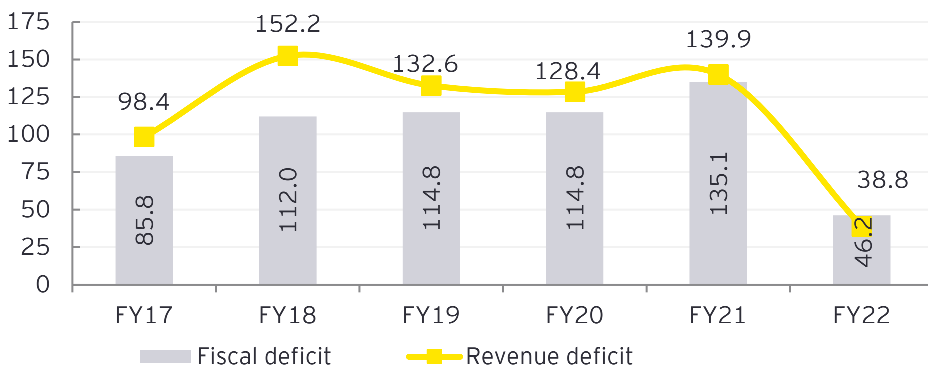
Source (basic data): Monthly Accounts, Controller General of Accounts (CGA), Government of India

Center's total expenditure grew by 8.8% during April-November FY22 with a slowdown in the growth of capital expenditure to 13.5% during this period.

C. Fiscal imbalance

- Center's fiscal deficit during April-November FY22 stood at 46.2% of the annual BE, its lowest level in recent history at least since FY01 (**Chart 6**).
- Center's revenue deficit during April-November FY22 as a proportion of the BE stood at 38.8%, its lowest level since FY01. It was significantly lower as compared to the corresponding average level of 127.9% over the four-year period from FY17 to FY20 (excluding the COVID year of FY21).

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



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

During April-November FY22, Center's fiscal and revenue deficits as a proportion of their corresponding BE stood respectively at 46.2% and 38.8%, their lowest levels since FY01.

4. Comparative global perspective: OECD projected India's growth at 8.1% and inflation at 4.8% for FY23

Real GDP growth

- As per the OECD, the global economy contracted by (-)3.4% in 2020 due to the adverse impact of the pandemic.
- Amongst selected major economies, the rate of contraction was the sharpest in the UK, followed by India and the Euro area.
- Global growth is estimated to have recovered to 5.6% in 2021 **(Table 2)**. However, the rebound has still not led to a full healing of the global economy with global GDP in mid-2021 remaining 3.5% lower than projected before the pandemic.
- In 2021 (FY22), India's growth estimated at 9.4% is the highest among major advanced and emerging market economies (AEs and EMEs). This trend is expected to continue in the next two years as well.
- Among AEs, recovery in the US, UK and Euro area is projected to be stronger as compared to that in Japan. However, renewed rise in COVID-19 cases particularly across Europe remains a cause of concern. In Japan, growth is projected to pick up in 2022 with a reduction in household saving ratio which together with the fiscal package announced for 2022 is likely to boost activity.
- Global growth is expected to moderate to 4.5% in 2022 and further to 3.2% in 2023. There are, however, significant downside risks to these projections emanating from appearance of more transmissible COVID-19 variants, intensification of problems in China's real estate sector with spillover effects on other economies, and higher inflation in major AEs and EMDEs.

Table 2: Real GDP growth (%, annual)

Country	2020	2021	2022	2023
US	-3.4	5.6	3.7	2.4
UK	-9.7	6.9	4.7	2.1
Euro area	-6.5	5.2	4.3	2.5
Japan	-4.6	1.8	3.4	1.1
Brazil	-4.4	5.0	1.4	2.1
Russia	-3.0	4.3	2.7	1.3
India*	-7.3	9.4	8.1	5.5
China	2.3	8.1	5.1	5.1
World	**-3.4**	**5.6**	**4.5**	**3.2**

Source: OECD Economic Outlook, December 2021; *data pertains to fiscal year

CPI inflation

- Headline CPI-based inflation is estimated to have increased markedly in most countries in 2021 as compared to 2020 **(Table 3)**.
- There has been a sharp rise particularly in the commodity prices and in many durable goods sectors.
- In the US, the shift in consumer demand from services to durable goods was especially marked, which drove up the inflation to 4.6% in 2021. In comparison, there was much less surge in the demand for durables in the Euro area and accordingly the price rise was relatively muted.
- The upward trend in inflation is expected to continue in most AEs in 2022. In most EMEs, inflation is expected to remain elevated in 2022 although moderating from its high level in 2021.
- Among EMEs, inflation in Brazil is expected to have increased sharply to 7.8% in 2021. It is projected to remain high in 2022 as well. Factors contributing to rising inflation include higher international commodity prices, pick up in global demand underpinned by fiscal stimulus in major trading partners, global value chain bottlenecks leading to high inflation in industrial goods, hydric crisis contributing to higher domestic electricity prices and food price inflation.
- In India, inflation exceeded the 6% upper tolerance limit of the RBI in 2021 (FY22) due to rising commodity prices and supply disruptions such as coal and chip shortages. These risks to inflation remain in 2022 (FY23) as well with the headline CPI inflation projection at 4.8%.

Table 3: CPI-based inflation (% change)

Country	2020	2021	2022	2023
US	1.2	4.6	4.8	2.5
UK	0.9	2.4	4.4	2.4
Euro area	0.3	2.4	2.7	1.8
Japan	0.0	-0.2	0.8	0.8
Brazil	3.2	7.8	5.1	3.5
Russia	3.4	6.3	5.9	4.4
India*	6.2	6.4	4.8	4.2
China	2.5	0.8	1.7	2.4

Source: OECD Economic Outlook, December 2021; *data pertains to fiscal year

5. In focus: evolving contours of the Indian economy and budget prospects

1. GDP growth: signals from the first advance estimates of FY22

NSO released the FAE of national accounts for FY22 on 7 January 2022. In their estimation, India's real GDP growth in FY22 is 9.2%. This is 30 basis points lower than the RBI and IMF[7]'s projection at 9.5% for this year. The NSO estimates have utilized available information up to the months ranging from September to December 2021. As such, the likely adverse impact of COVID's third wave on the economy may not have been fully captured in these estimates. While COVID's third wave may peak in a few weeks' time, its adverse economic impact may affect not only the last quarter of FY22 but also the first few months of the next fiscal year. It is possible that another 20 basis points of growth may be shaved off from FY22 growth by the time the second advance estimates become available. The main sectors that have held back a more comprehensive recovery are trade, transport, hotels et. al. on the output side and private final consumption expenditure (PFCE) on the demand side as their annual estimated FY22 magnitudes remain below the corresponding levels in FY20.

Using this information, we may formulate a view on the prospects of FY23 growth. Available forecasts from the IMF and the OECD have indicated growth rates at 8.5% and 8.1% respectively. However, these may turn out to be on the higher side because the strong base effects characterizing FY22 may not be available in FY23. In fact, as per NSO's FAE, at the end of FY22, the magnitude of GDP in real terms is estimated at INR147.5 lakh crore that is only marginally higher than INR145.7 lakh crore in FY20. In other words, due to the three waves of COVID that India has experienced, nearly two years of real growth in economic activity has been wiped out. The economy has to now start on a clean slate in FY23. Growth in this year would depend on the basic determinants such as the saving and investment rates in the economy. As per the FAE, the gross fixed capital formation (GFCF) relative to GDP at current prices stands at 29.6% in FY22. Capacity utilization in India continues to have considerable slack. Available quarterly data indicate a capacity utilization ratio of only 60.0% at the end of 1QFY22 and an average of 61.7% in the preceding four quarters[8]. As such, a pick-up in private investment may take some time.

At present, PFCE continues to show a low growth. As per the FAE, this growth has been estimated at 6.9% in FY22. Any pick-up in consumption demand would continue to be constrained by low-income growth in sectors characterized by a high marginal propensity to consume (MPC) such as the trade, transport, hotels et. al. sector and the MSME sector more broadly. Growth in FY23 would also continue to be constrained by supply-side bottlenecks and high prices of global crude and primary products. As such, it may not be prudent to expect a real GDP growth which is tangibly higher than 7%. The implicit price deflator (IPD)-based inflation which is estimated to be as high as 7.7% in FY22, may come down but still be in the range of 6-6.5%. Thus, we may expect a nominal GDP growth of about 13-14% in FY23.

2. Sectoral growth perspectives

Table 4 shows the growth of eight major output sectors in the first and second halves of the last three years along with the annual growth estimate for FY22. The growth in 2HFY22 is residually derived using the FY22 FAE and the already released growth numbers for the first two quarters providing us the growth numbers for 1HFY22. Considering the two halves of FY22, the sectoral growth in 1HFY22 is much higher than that in 2HFY22 indicating strong base effects. The base effects are estimated to considerably weaken in 2HFY22. To understand the extent of recovery in these sectors, we compare the magnitudes of GVA in 1H and 2H of FY22 with the corresponding periods of FY20, the pre-COVID year. In 1HFY22, the magnitude of overall real GVA remained below its level in 1HFY20 by INR(-)2.4 lakh crore. The sectors where the magnitude in 1HFY22 did not surpass the 1HFY20 levels include (1) trade, transport, et.al, (2) construction, (3) financial, real estate, et.al and (4) manufacturing. In 2HFY22, overall real GVA is estimated to be above the 2HFY20 level by INR4.91 lakh crore with all sectors recovering above their 2HFY20 levels. This recovery is expected to take the magnitude of overall real GVA in FY22, above its level in FY20, by INR2.51 lakh crore. However, in FY22, the magnitude of one major service sector namely, trade, transport, et. al. is estimated to be below its FY20 magnitude by INR(-)2.29 lakh crore.

[7] World Economic Outlook, IMF (October 2021)
[8] https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=20650

Table 4: Real GVA growth

Sector	1H FY20	2H FY20	1H FY21	2H FY21	1H FY22	2H FY22#	FY22 (FAE)	1HFY22 over 1HFY20	2HFY22 over 2HFY20	FY22 over FY20
	% y-o-y							INR lakh Crore		
Agr.	3.4	5.0	3.3	3.9	4.5	3.4	3.9	0.66	0.85	1.51
Ming.	-3.0	-2.1	-12.5	-5.2	17.1	12.2	14.3	0.04	0.11	0.15
Mfg.	-1.3	-3.6	-18.8	4.4	22.9	4.4	12.5	-0.02	1.03	1.01
Elec.	4.3	-0.3	-3.9	8.2	11.5	5.6	8.5	0.11	0.20	0.32
Cons.	2.4	-0.3	-29.1	10.7	30.0	-0.9	10.7	-0.40	0.51	0.12
Trans.	6.5	6.3	-32.4	-5.0	18.4	7.5	11.9	-2.60	0.30	-2.29
Fin.	8.9	5.2	-7.1	6.0	5.8	2.0	4.0	-0.30	1.01	0.72
Publ.	7.3	9.3	-9.7	0.1	12.0	9.7	10.7	0.09	0.89	0.99
GVA	**4.8**	**3.5**	**-14.9**	**2.4**	**13.2**	**4.8**	**8.6**	**-2.40**	**4.91**	**2.51**

Source: NSO, MoSPI

3. Segment wise contours of aggregate demand

In Table 5, we have provided the growth of major demand segments in the first and second halves covering the period FY20 to FY22 and the annual growth estimates for FY22. The overall GDP is estimated to grow by 9.2% in FY22. Despite such high growth, the magnitude of real GDP in FY22 over that in FY20 is estimated to be higher by only INR1.84 lakh crore, implying a low growth of 1.3%. In 1HFY22, the magnitude of all three domestic demand segments namely PFCE, GFCE and GFCF remained below their respective levels in 1HFY20. In 2HFY22, their magnitudes are estimated to surpass their corresponding levels in 2HFY20. However, for the year as a whole, PFCE, the largest contributor to domestic demand is estimated to remain lower than its pre-pandemic level by INR(-)2.41 lakh crore. With respect to the external demand components, the magnitude of exports of goods and services in FY22 is estimated to be higher by INR3.14 lakh crore as compared to its FY20 level.

Table 5: Real GDP growth

Agg. demand	1H FY20	2H FY20	1H FY21	2H FY21	1H FY22	2H FY22#	FY22 (FAE)	1HFY22 over 1HFY20	2HFY22 over 2HFY20	FY22 over FY20
	% y-o-y							INR lakh Crore		
PFCE	7.0	4.2	-18.7	-0.1	13.5	1.8	6.9	-3.12	0.71	-2.41
GFCE	5.7	10.5	-6.3	13.6	1.0	13.9	7.6	-0.44	2.10	1.66
GFCF	8.6	2.5	-28.4	6.8	28.3	6.1	15.0	-1.94	3.15	1.21
EXP	0.8	-7.1	-11.9	2.6	28.2	6.4	16.5	1.84	1.30	3.14
IMP	3.7	-5.1	-29.7	3.6	49.0	15.1	29.4	0.83	3.08	3.91
GDP	**5.0**	**3.1**	**-15.9**	**1.1**	**13.7**	**5.6**	**9.2**	**-3.17**	**5.01**	**1.84**

Source: NSO, MoSPI

Considering the current surge in COVID's third wave, overall real growth in FY22 may turn out to be closer to 9.0%. In that case, FY22 real GDP would exceed the corresponding FY20 magnitude by a margin of INR1.6 lakh crore, implying a growth of only 1.1% over FY20. The sectoral profile may remain almost the same highlighting the weakness in the recovery of PFCE.

4. Emerging compulsions of the global economy

There are two major challenges faced by the global economy with significant ramifications for the Indian economy. The first one pertains to the emerging variants of COVID-19 leading to a sharp surge in infections across the globe, posing a downside risk to growth. The second one relates to the unfolding of an unprecedented era of high inflation in major AEs and EMDEs. These are briefly discussed below.

a. *Rising COVID cases*

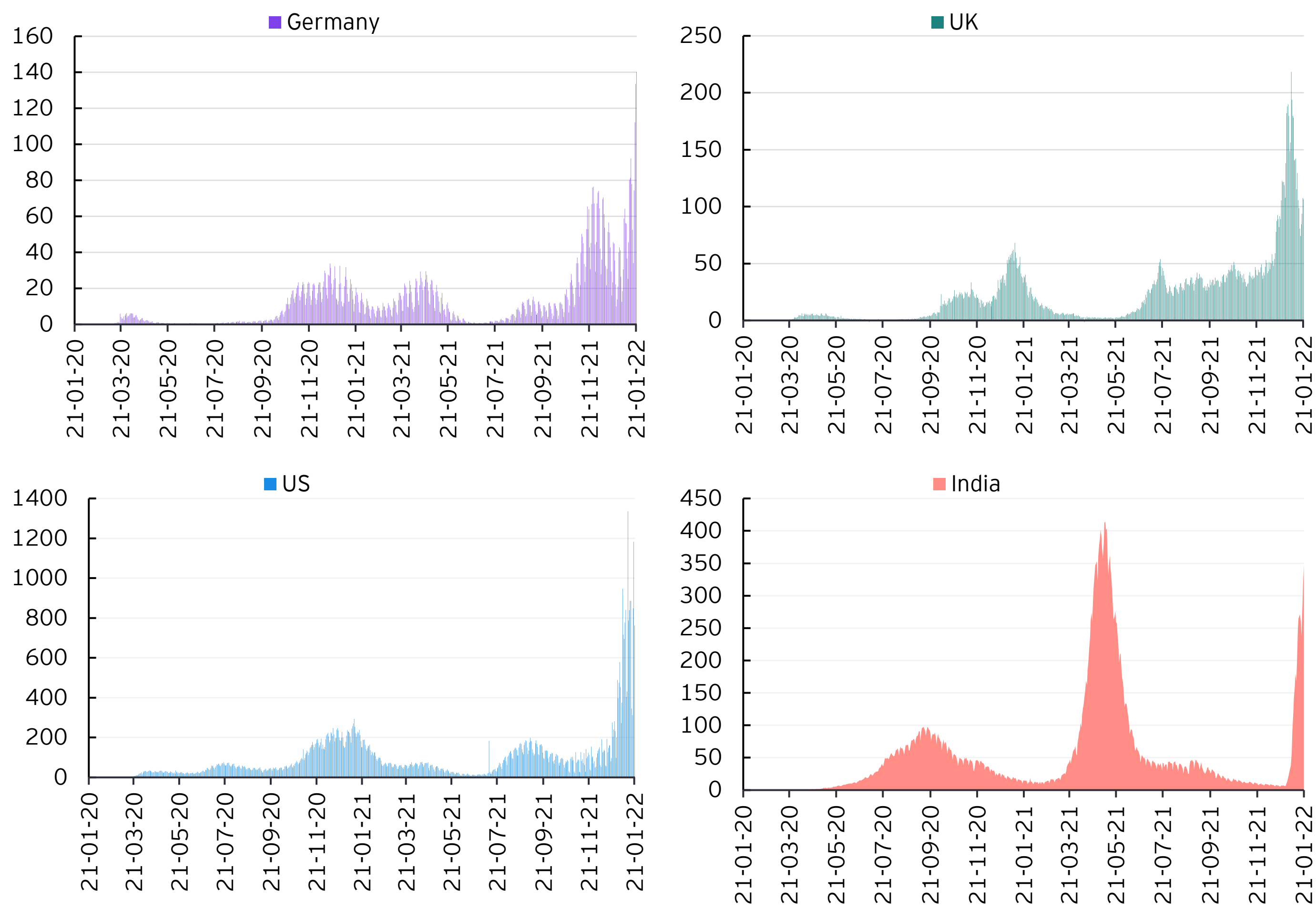
The global economy is seriously beset by the current surge in COVID. Individual economies, with different peaking patterns, are suffering from their fourth or fifth COVID waves. As on 21 January 2022, the highest number of new cases were seen in the US at 763 thousand, followed by France at 422 thousand and India at 347 thousand. New COVID cases in Brazil were at 205 thousand and in Italy, these were recorded at 199 thousand. In Germany, the cases were at 140 thousand and in the UK, these were at 107 thousand. The daily new COVID cases in some of these economies is shown in Chart 7. Major European economies as well as the US have been affected in a significant way and many of them may not show a positive growth in their real GDP in 2022 over 2020 **(Table 6).** India is currently experiencing its third COVID wave. However, future COVID waves may not be ruled out.

Table 6: Real GDP (National currency, in billion): selected countries

Country	Currency	2019	2020	2021	Excess of 2021 over 2019 (% change)
US	USD	19,033	18,385	19,483	2.4
France	EUR	2,333	2,147	2,282	-2.2
Germany	EUR	3,245	3,097	3,191	-1.6
UK	GBP	2,173	1,959	2,091	-3.8
Japan	JPY	5,54,382	5,28,961	5,41,433	-2.3
India*	INR	1,45,693	1,35,127	1,47,960	1.6
China	CNY	89,451	91,546	98,884	10.5
Russia	RUB	91,449	88,750	92,912	1.6
Brazil	BRL	1,206	1,157	1,218	1.0

Source: IMF World Economic Outlook, October 2021
*data pertains to fiscal year. For example, 2019 refers to FY20, 2020 refers to FY21 and so on.

Chart 7: Daily new COVID cases: selected countries (in thousands)



Source: WHO

b. *Unprecedented high inflation trend in selected AEs*

Inflation pressures have emerged in almost all economies in 2021. Major factors that have contributed to a surge in headline inflation across countries are: (1) disruptions in energy, food and commodity markets which have significantly pushed up food, energy and transportation prices, adversely affecting low-income households in particular, (2) disruptions in manufacturing of key materials and intermediate goods due to high energy prices and fuel shortages and (3) bottlenecks in production chains that are spreading to more generalized shortages of goods. The OECD in its December 2021 Economic Outlook underlines the risk that continued supply disruptions associated with further waves of COVID-19, may result in longer and higher inflationary pressures.

Table 7: CPI based inflation in selected AEs: trends and prospects (%, annual)

Country	2012 to 2017 (avg.)	2018	2019	2020	2021 (e)	2022 (f)	2023 (f)
US	1.4	2.4	1.8	1.2	4.6	4.8	2.5
UK	1.7	2.5	1.8	0.9	2.4	4.4	2.4
Italy	1.0	1.2	0.6	-0.1	1.8	2.2	1.6
Germany	1.2	1.9	1.4	0.4	3.1	2.8	2.2
France	0.9	2.1	1.3	0.5	2.1	2.3	1.4
Canada	1.4	2.2	2.0	0.7	3.3	3.3	2.1

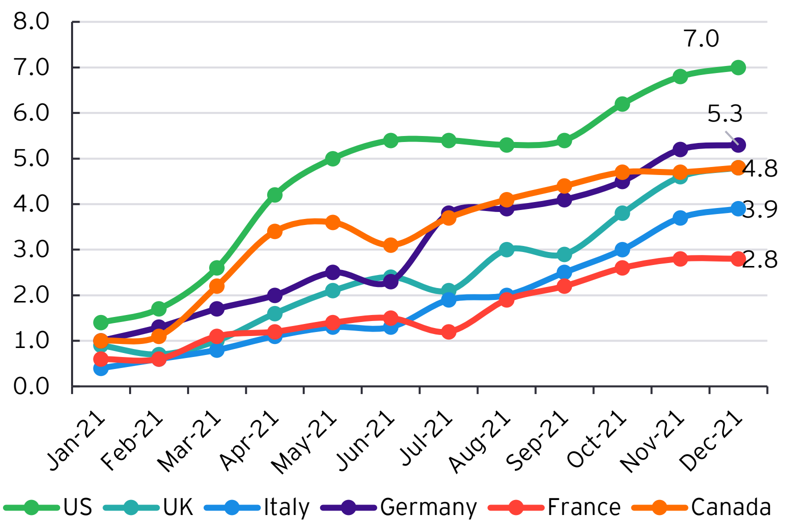
Source: OECD Economic Outlook, December 2021
Note: (e) - estimate and (f) - forecast

CPI inflation on an annual and monthly basis for selected major AEs is given in **Table 7** and **Chart 8**. The average annual CPI inflation in all these economies during 2012 to 2017 has ranged from 0.9% (France) to 1.7% (UK). In 2021, this range has considerably shifted upwards with inflation at 1.8% in Italy at the lower end and 4.6% in the US at the upper end. In 2021, CPI inflation has particularly increased in the US and to a lesser extent, in the UK, Germany and Canada. In the US, the shift in consumer demand from services to durable goods was especially marked, which drove up the inflation in 2021. Inflation is projected to continue to remain high in 2022 particularly in the US and the UK.

The monthly trends in these economies show a more pronounced pattern of rising inflation. In particular, inflation in the US surged to a high level of 6.8% in November 2021. In other selected AEs, inflation ranged from 2.8% (France) to 5.2% (Germany) during this month.

The US Fed had, in December 2021, announced an acceleration of its tapering program which may now be completed by March 2022. The expectation is that the US interest rate would be increased three times[9] during 2022 possibly by increments of 25 basis points each. The IMF[10] has assessed that a faster pace of increase in the Fed rate could disturb financial markets accompanied by a tightening of financial conditions globally. These developments would result in capital outflows from the EMEs, putting pressure on their domestic currencies as well as on their exports.

Chart 8: Monthly CPI inflation trends



Source: OECD

[9] https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20211215.pdf
[10] Emerging Economies Must Prepare for Fed Policy Tightening - IMF Blog

c. *Growth prospects for selected major AEs and EMEs*

Table 8 shows OECD's growth projections for selected major AEs and EMDEs. The OECD projected a rebound in global growth to 5.6% in 2021 and 4.5% in 2022, before moderating to 3.2% in 2023. In the US, growth is projected to slow to 3.7% in 2022 and 2.4% in 2023 after a strong rebound to 5.6% in 2021 that has taken the GDP well above its 2019 level. Recovery is underway in the euro area although near-term uncertainty has risen with the renewed rise in COVID-19 infections. India's growth, estimated at 9.4% in 2021 and 8.1% in 2022 is expected to be the highest among major economies, surpassing China's growth at 8.1% and 5.1% in these two years. In OECD's assessment, global recovery is continuing but its momentum has eased. The emergence of the Omicron variant resulting in further restrictions would significantly jeopardize the recovery.

Table 8: Real GDP growth (%, annual): selected economies

Country	2020	2021 (e)	2022 (f)	2023 (f)
US	-3.4	5.6	3.7	2.4
UK	-9.7	6.9	4.7	2.1
Euro area	-6.5	5.2	4.3	2.5
Japan	-4.6	1.8	3.4	1.1
Brazil	-4.4	5.0	1.4	2.1
Russia	-3.0	4.3	2.7	1.3
India*	-7.3	9.4	8.1	5.5
China	2.3	8.1	5.1	5.1
World	**-3.4**	**5.6**	**4.5**	**3.2**

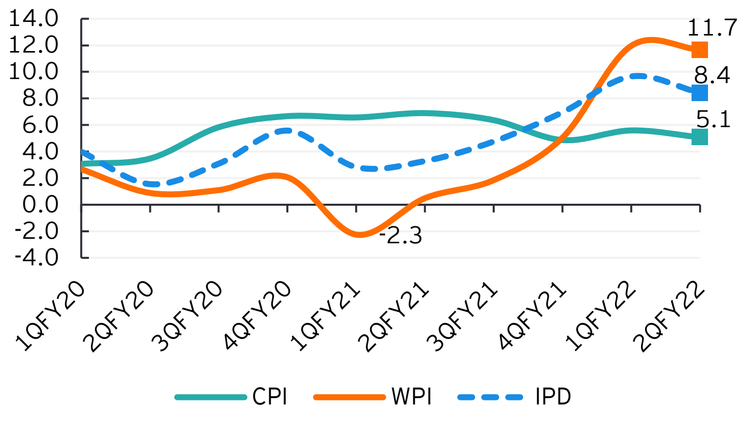
Source: OECD Economic Outlook, December 2021; * data pertains to fiscal year; Note: (e) - estimate and (f) - forecast

5. Impact on India's growth and inflation prospects

a. *Inflation trends in India*

COVID-related and other supply disruptions have pushed up global commodity prices over the past year. Global crude prices more than doubled between June 2020 and late November 2021. Similar patterns were seen for coal, metals, and a range of agricultural and industrial commodities. This has significantly driven up inflation in India. **Chart 9** shows that the WPI inflation increased from (-)2.3% in 1QFY21 to a level of 11.7% by 2QFY22. The CPI inflation on the other hand had started increasing much earlier beginning 3QFY20 due to a surge in food prices. Subsequently, the CPI inflation was additionally driven by high fuel prices and higher central and state taxes on petrol and diesel. In recent quarters, the WPI inflation has surpassed CPI inflation with the crossover occurring in 4QFY21. The IPD- based inflation has trended closer to the WPI inflation. In 1Q and 2Q of FY22, the IPD-based inflation was at historically high levels of 9.7% and 8.4% respectively.

Chart 9: CPI, WPI and IPD based inflation trends

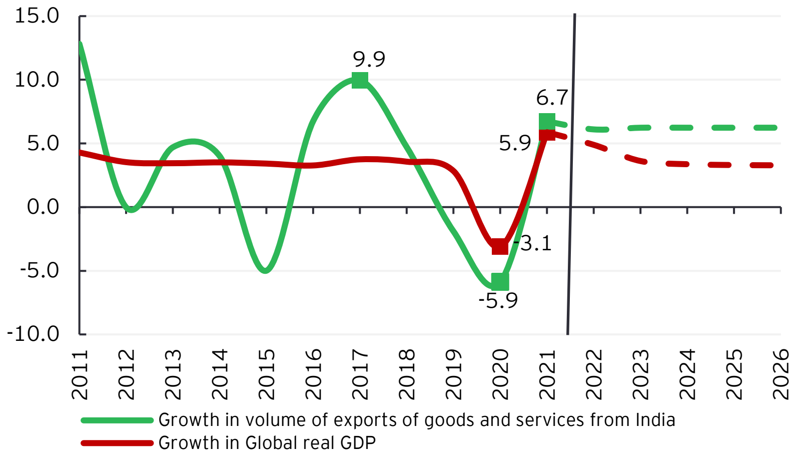


Source: MoSPI, Office of Economic Adviser, GoI

b. *Impact of global growth slowdown on India's exports*

A contraction of (-)5.9% in global output in 2020 has adversely impacted the volume of global exports including that from India (**Chart 10**). Global exports have been adversely affected by supply-side impediments including extreme weather incidents, shortages of inputs such as semiconductors, and shipping delays that have constrained production in some industries and have held back merchandise trade growth. High uncertainty due to multiple COVID waves and weak confidence has inhibited tourism and business travel, slowing the recovery in services trade as well. India's export volume which had contracted by (-)3.1% in 2020 (FY21) is expected to recover to 5.9% in 2021 (FY22) and moderate thereafter in line with global growth expectations. However, a major challenge to India's export growth emanates from the emerging new COVID waves in the global economy leading to a slowdown in demand. The share of exports in GDP in real terms in India peaked in FY14 at 25.2% but fell to 19.9% in FY21. High export growth rate years generally correlate with high GDP growth years. A rising share of trade in GDP would be critical for India's growth in the coming years.

Chart 10: Global GDP growth and growth in volume of exports from India



Source: IMF; Note: data for India pertains is on a fiscal year basis

In the medium-term, India may benefit from the emerging trend of relocation of global investment and supply sources. Investors have shown confidence in the PLI scheme introduced by the Government of India. India has recently turned from being an importer to an exporter of mobile phones[11]. This trend is likely to spill over to other sectors also. As companies look to diversify their supply chain risks, India has a significant opportunity to emerge as the preferred destination for global companies. In this context, the vision of 'Aatma Nirbhar Bharat' is extremely important. There is a renewed impetus on Make in India 2.0. This would be facilitated further by government's recent emphasis on infrastructure spending as evidenced by the National Infrastructure Pipeline (NIP) and the National Monetization Pipeline (NMP).

6. Fiscal prospects and center's FY23 budget

In formulating center's budget for FY23, it would be prudent to signal a return to fiscal consolidation while continuing to support growth. The high nominal growth combined with base effects resulted in center's GTR growth of 50.3% during the first eight months of FY22. In the first six months of FY22, this growth was even higher at 64.2%. In October and November 2021, the average growth in center's GTR has fallen to about 17.4% as the base effect has been weakening. This trend is likely to continue in the remaining part of the fiscal year. Taking this into account, we assess that the annual growth in center's GTR may be close to 35% implying a buoyancy of nearly 2. With these buoyant tax revenues, the central government may be able to limit the FY22 fiscal deficit to its budgeted level of 6.8% of GDP although a marginal slippage may not be ruled out. There may be a shortfall in the disinvestment target. Also, two supplementary expenditure demands have already been announced which require to be accommodated.

Going forward, since the base effects in center's GTR would have weakened, we may expect a lower annual GTR growth of about 16% in FY23 which in combination with a nominal GDP growth of 14% implies a buoyancy of little less than 1.2. This would still compare well with center's GTR growth performance in the pre-COVID years which averaged only 5.6% during FY18 to FY20. It would be appropriate now to consider a calibrated return to fiscal consolidation while using fiscal policy to support growth. The major CIT reform undertaken in FY20 had provided among other things, a concessional CIT rate of 15% for fresh investment in manufacturing by domestic companies provided their production took off on or before 31 March 2023[12]. Since nearly two years have been lost due to COVID, government may consider extending the time limit for availing this benefit. The GST compensation provision would also come to an end in June 2022. This would cause a major revenue shock at least for some states. This matter may be considered by the GST Council. Such continuation may be only for a limited period say, two years. Eventually, more comprehensive GST reforms are called for. In the reformed GST, cesses including the compensation cess should be discontinued.

[11] https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1128
[12] https://pib.gov.in/PressReleasePage.aspx?PRID=1585641

With respect to non-tax receipts, the scope of NMP may be extended to cover monetization of government-owned land assets. The budgeted disinvestment target for FY22 is quite ambitious at INR1.75 lakh crore. As per available information, disinvestment receipts as of 5 January 2022 stood at INR9,329.9 crores, that is 5.3% of the FY22 BE. Disinvestment initiatives require to be accelerated in the remaining two months of the fiscal year if the shortfall from the target is to be kept at a minimum. It is an appropriate time to impart momentum to disinvestment activities.

The Fifteenth Finance Commission (FC 15) had suggested a fiscal consolidation path where the FY23 fiscal deficit for the center was benchmarked at 5.5% of GDP. In their pessimistic scenario, it was kept at 6% of GDP. It may be best to limit the reduction in fiscal deficit to about 1% point of GDP to say, 6% in FY23. From here on, a stepwise reduction of 0.5% points per year would enable a level of about 4.0% of GDP by FY26. By this time, as suggested by the FC 15, a High-powered intergovernmental group should be constituted to re-examine the sustainability parameters of debt and fiscal deficit of the central and state governments in the light of new empirical realities particularly taking into account, the falling interest rate on government debt.

Expenditure prioritization in FY23 should focus on reviving both consumption and investment demand. The NIP should be reassessed, and its path may be recast in order to make up for existing deficiencies in relation to the original targets particularly in the health sector. In this regard, the infrastructure investment undertaken by the state governments and the public sector should be realistically ascertained and shortfalls with respect to original targets may be identified. According to available information for 27 states which had budgeted for an aggregate capital expenditure of nearly 2.7% of GDP in the current fiscal year, only 38.5% of their combined budget target has been achieved by October/November 2021, amounting to about 1.1% of GDP. Since consumption demand remains weak, some fiscal support in the form of an urban counterpart to MGNREGA may be considered in addition to directly supporting some of the contact-intensive sectors which are suffering due to COVID. Revival of the economy in FY23 would critically depend on containing the adverse economic impact of COVID's third and subsequent waves to a minimum.

7. Conclusion

COVID's third wave is currently spiking in India. It will adversely affect FY22 growth. The latest NSO estimate of a real GDP growth of 9.2% may eventually turn out to be 9%, which would be tangibly lower than the RBI and IMF's earlier forecasts of 9.5%. Apart from COVID, other constraining factors for the Indian economy include relatively high global crude and primary products prices. In addition, supply side bottlenecks and shipping delays have also adversely affected industrial output. In terms of magnitude, India's FY22 real GDP estimated at INR147.5 lakh crore would only marginally exceed its corresponding level of INR145.7 lakh crore in FY20. One positive feature of the FY22 growth is the excess of nominal GDP growth over the real GDP growth by a margin of 8.4% points. A high nominal growth combined with base effects has resulted in an unprecedented growth in center's GTR. During the first eight months of FY22, this growth was at 50.3%. In 2HFY22, this momentum would be moderated as the base effect would dissipate. We assess an annual GTR growth of 35% implying a buoyancy of nearly 2 in FY22.

In FY23, we expect the nominal and real GDP growth rates to moderate to 14% and 7% respectively. FY23 would be the first normal post-COVID year. This would be the first year of a medium-term recovery in which India is slated to lead global growth sustaining a growth in the range of 7-7.5%. The FY23 budget should continue to strongly support growth while signaling a calibrated return to fiscal consolidation. From a level of about 6% of GDP in FY23, center's fiscal deficit may be brought down to about 4% of GDP in the next three to four years. Expenditure prioritization should squarely focus on infrastructure expansion particularly in the health sector. The erstwhile NIP requires to be recast after identifying the investment shortfalls in relation to the original targets. The NMP should be augmented by inclusion of government owned land assets which also require to be suitably monetized. State governments should be strongly incentivized to augment their capital expenditures.

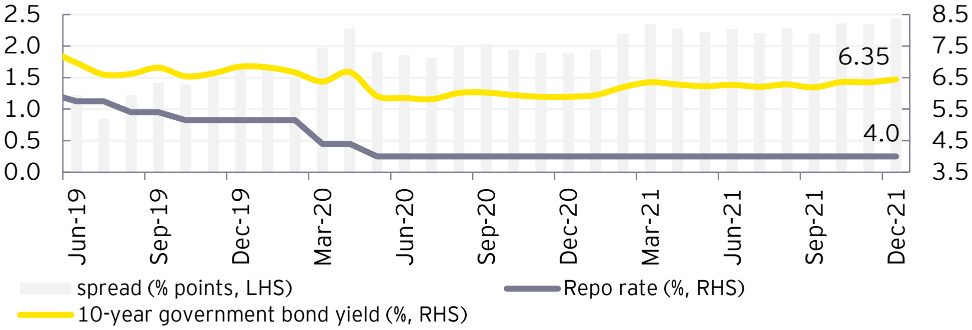
6. Money and finance: growth in bank credit increased to 7.0% in November 2021

Monetary sector

Monetary policy

- During the December 2021 monetary policy review, the members of the Monetary Policy Committee unanimously voted to retain the repo rate at 4.0% **(Chart 11)**. With this, the repo rate has been retained at this level for the ninth successive time.
- In RBI's assessment, risks to inflation may be influenced by the following factors: (1) surge in vegetable prices due to unseasonal rains in the months of October and November 2021, (2) high industrial raw material prices and transportation costs and (3) continued global logistics and supply chain bottlenecks. Accounting for these factors, the RBI has projected the CPI inflation to average 5.3% in FY22.

Chart 11: Movements in the repo rate and 10-year government bond yield



Growth in bank credit increased to 7.0% in November 2021, its highest level since February 2020.

Source: Database on Indian Economy, RBI

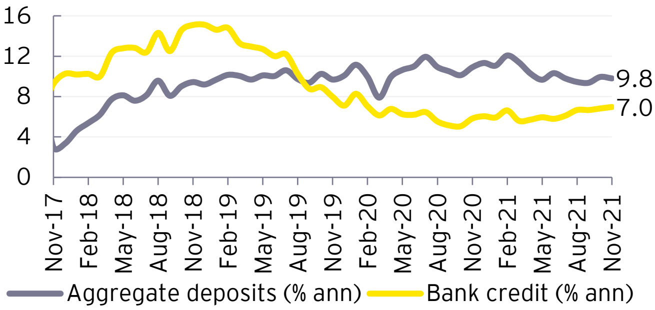
Money stock

- Growth in broad money stock (M3) fell for the second successive month to 9.3% in December 2021 from 9.5% in November 2021. This was due to a fall in the growth of narrow money (M1).
- Growth in M1 moderated to 11.5% in December 2021 from 12.3% in November 2021 due to a slower growth in demand deposits. Growth in demand deposits fell to 17.0% in December 2021 from 19.8% in November 2021. Growth in currency with the public increased marginally to 7.9% in December 2021 from 7.7% in November 2021.
- Time deposits, accounting for about 76% of M3 on average (last three years), grew by 8.7% in December 2021, marginally higher than 8.6% in November 2021.

Aggregate credit and deposits

- Outstanding bank credit by scheduled commercial banks (SCBs) increased to a 21-month high of 7.0% in November 2021 **(Chart 12)**.
- Non-food credit grew by 6.8% in November 2021, marginally higher than 6.7% in October 2021.
- Sectoral deployment of bank credit[13] showed that growth in outstanding credit to industries at 4.1% in November 2021 was close to its level of 4.2% in October 2021.

Chart 12: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Within the industrial sector, growth in credit to infrastructure and to chemicals and chemical products was lower at 10.7% and 7.6% respectively in November 2021 as compared to 11.0% and 8.1% respectively in October 2021. Growth in credit to textiles and drugs and pharmaceuticals at 7.4% and 6.7% respectively in November 2021 was marginally higher than 7.3% and 6.2% respectively in October 2021.

[13] 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

- Growth in credit to services sector continued to remain subdued at 2.2% in November 2021, although marginally higher than 1.1% in October 2021.
- Growth in credit to agricultural sector fell to 9.2% in November 2021 from 10.3% in October 2021. Similarly, personal loans, accounting for about 30% of total non-food credit, showed a slower growth of 12.9% in November 2021 as compared to 13.2% in October 2021.
- Growth in aggregate bank deposits at 9.8% in November 2021 was close to its level of 9.9% in October 2021.

B. Financial sector

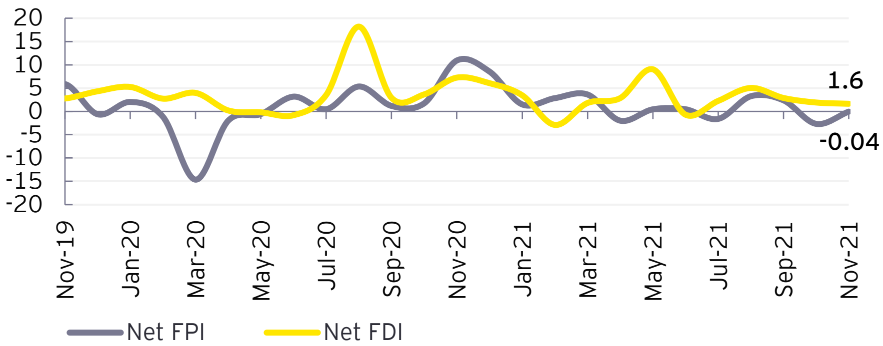
Interest rates

- 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 increased marginally from 5.20% in November 2021 to 5.24% in December 2021 with the actual rate ranging from 4.90% to 5.58%.
- The MCLR was retained for the second consecutive month at 6.75% in December 2021 with the actual rate ranging between 6.50% and 7.00%.
- The average yield on 10-year government bonds increased to a 20-month high of 6.44% in December 2021. **(Chart 11)**. Given that the repo rate was retained at 4.0% in December 2021, the spread between benchmark bond yield and repo rate increased to 2.44% points in December 2021, its highest level since December 2011.
- WALR on fresh rupee loans by SCBs increased marginally to 7.98% in November 2021 from 7.90% in October 2021.

FDI and FPI

- As per the provisional data released by the RBI on 17 January 2022, overall foreign investment[14] (FI) inflows were at US$1.6 billion in November 2021 as compared to outflows amounting to US$(-)0.7 billion in October 2021.

Chart 13: Net FDI and FPI inflows (US$ billion)



Source: Database on Indian Economy, RBI

FDI inflows were lower at US$1.6 billion in November 2021 as compared to US$1.9 billion in October 2021.

- Net FDI inflows fell further to US$1.6 billion in November 2021 from US$1.9 billion in October 2021 **(Chart 13)**. However, gross FDI inflows were higher at US$6.1 billion in November 2021 as compared to US$5.6 billion in October 2021.
- FPIs continued to witness net outflows for the second consecutive month, amounting to US$(-)0.04 billion in November 2021 as compared US$(-)2.7 billion in October 2021.

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

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7. Trade and CAB: current account posted a deficit of (-)1.3% of GDP in 2QFY22

A. CAB: after a surplus of 0.9% of GDP in 1QFY22, current account posted a deficit of (-)1.3% of GDP in 2QFY22

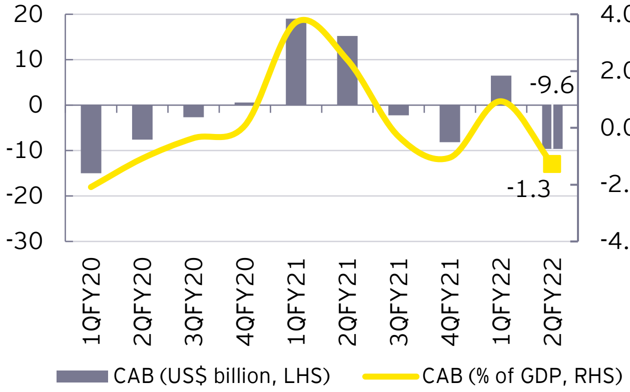
Current account recorded a deficit at (-)1.3% of GDP in 2QFY22 as compared to a surplus of 0.9% of GDP in 1QFY22 **(Chart 10, Table 7).** Net merchandise trade deficit deteriorated to a nine-quarter high of (-)5.9% of GDP in 2QFY22 from (-)4.4% in 1QFY22 as merchandise imports rose to a 12-quarter high of 19.9% of GDP in 2QFY22 from 18.5% in 1QFY22. Merchandise exports relative to GDP were at a 27-quarter high of 14.0% in 2QFY22, the same level as seen in 1QFY22. Net service receipts and net transfer receipts relative to GDP weakened to 3.4% and 2.5% respectively in 2QFY22 from 3.7% and 2.7% respectively in 1QFY22.

Table 9: 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
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
2QFY22	-1.3	-9.6	-44.4	34.8

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

Chart 14: CAB



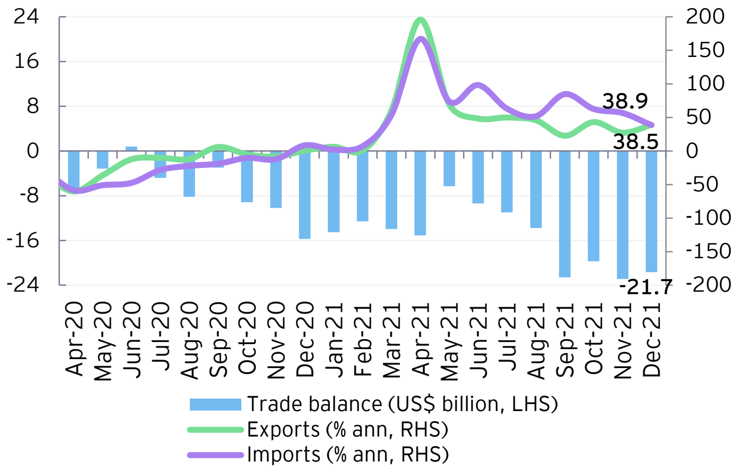
Source: Database on Indian Economy, RBI

B. Merchandise trade and exchange rate

Merchandise exports and imports growth (y-o-y) was elevated at 38.9% and 38.5% respectively in December 2021 as compared to 27.2% and 56.6% in November 2021 (Chart 15).

- The uptick in merchandise exports growth was driven primarily by exports of oil, engineering goods and gems and jewelry which grew by 152.0%, 38.4% and 16.4% respectively in December 2021 as compared to 154.2%, 37.0% and (-)11.1% respectively in November 2021.
- Growth in merchandise imports was led by imports of oil, organic and inorganic chemicals and electronic goods which grew by 67.9%, 73.1% and 27.6% respectively in December 2021 as compared to 132.4%, 66.5%, and 21.7% respectively in November 2021.
- Y-o-y growth in imports and exports excluding oil, gold and jewelry was elevated at 35.1% and 29.7% respectively in December 2021 as compared to 41.7% and 22.3% respectively in November 2021.
- Merchandise trade deficit remained high at US$21.7 billion in December 2021, although marginally lower than the historic high of US$22.9 billion in November 2021 due to the relatively higher growth in exports vis-à-vis imports.
- The rupee depreciated to INR75.4 per US$ (average) in December 2021 from INR74.5 per US$ (average) in November 2021 partly due to the announcement of the Federal Reserve regarding the acceleration of its tapering program which may now be completed by March 2022.

Chart 15: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

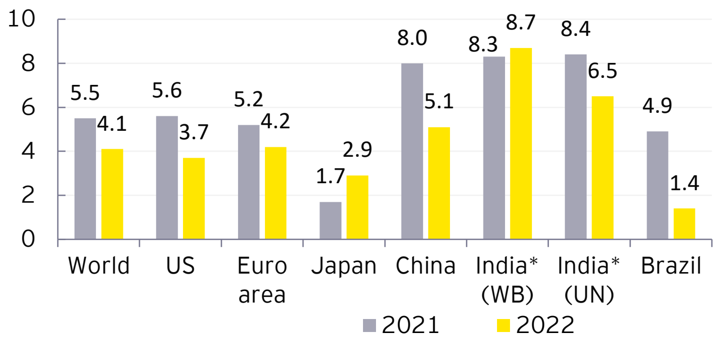
8. Global growth: World Bank projected global growth at 5.5% in 2021 and 4.1% in 2022

A. Global growth outlook

The World Bank estimated global growth at 5.5% in 2021, moderating to 4.1% in 2022.

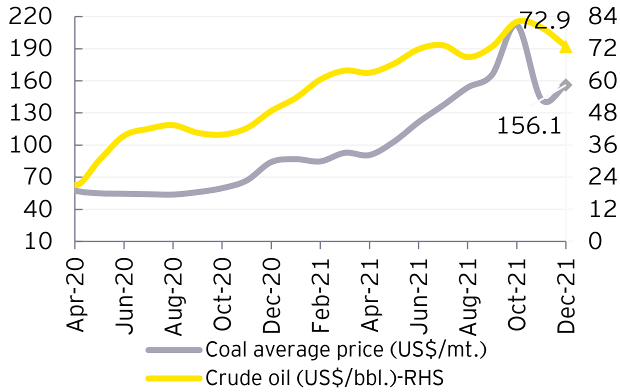
- The World Bank (WB) estimated global growth to recover to 5.5% in 2021, moderating to 4.1% in 2022 **(Chart 16)** reflecting continued COVID flare ups, diminished fiscal support and lingering supply bottlenecks.
- Growth in AEs is projected to decelerate from 5% in 2021 to 3.8% in 2022 as the unwinding of pent-up demand is expected to only partly cushion the withdrawal of fiscal policy support.
- In EMEs, growth is projected at 6.3% in 2021, slowing to 4.6% in 2022 due to the withdrawal of macroeconomic support, COVID flare-ups particularly the spread of the Omicron variant and continued vaccination obstacles.
- In the US, growth is estimated at 5.6% in 2021, 1.2% points below the previous forecast due to a slowdown in private consumption and manufacturing production. Challenges emanated from COVID outbreaks, supply shortages and rising energy prices. Alongside, there was a sharp upsurge in inflation with upward pressure on wages. Growth is projected to slow to 3.7% in 2022.
- After reaching an estimated 5.2% in 2021, Euro area growth is projected to slow to 4.2% in 2022 reflecting a softer than-expected recovery in services consumption due to the emergence of the Omicron variant.
- Growth in China is estimated at 8% in 2021, moderating to 5.1% in 2022 amid the lingering effects of the pandemic and tighter regulations on certain sectors of the economy.
- The WB estimated India's growth at 8.3% in 2021 (FY22) while the UN estimated it at 8.4%. In FY23, the WB projected India's growth to improve to 8.7%. In contrast, the UN forecasted FY23 growth to moderate to 6.5%.

Chart 16: Growth projections (%)



Source: World Bank Global Economic Prospects and World Economic Situation and Prospects, UN (January 2022)
*on a fiscal year basis

Chart 17: Global crude and coal prices



Source (basic data): World Bank, Pink Sheet, January 2022

B. Global energy prices: global crude prices fell in December 2021 due to the adverse impact of the Omicron variant on demand

- Average global crude price[15] fell for the second consecutive month to US$72.9/bbl. in December 2021 from 79.9/bbl. in November 2021 **(Chart 17)** driven by the adverse impact of the Omicron variant on demand. The IEA reduced its oil demand forecast by 100,000 bbl./ day for 2021 and 2022. On The supply side, in December 2021, OPEC+ members decided to increase monthly crude oil production by 400,000 bbl./day in January 2022 adjusting production later if required[16].
- With an improved supply situation in China, average global coal price[17] was relatively lower at US$156.1/mt. in December 2021 as compared to an all-time high of US$212.1/mt. in October 2021, although falling from US$142.7/mt. in November 2021. On a quarterly basis, global coal price averaged at an all-time high of US$170.3/mt. in 3QFY22.

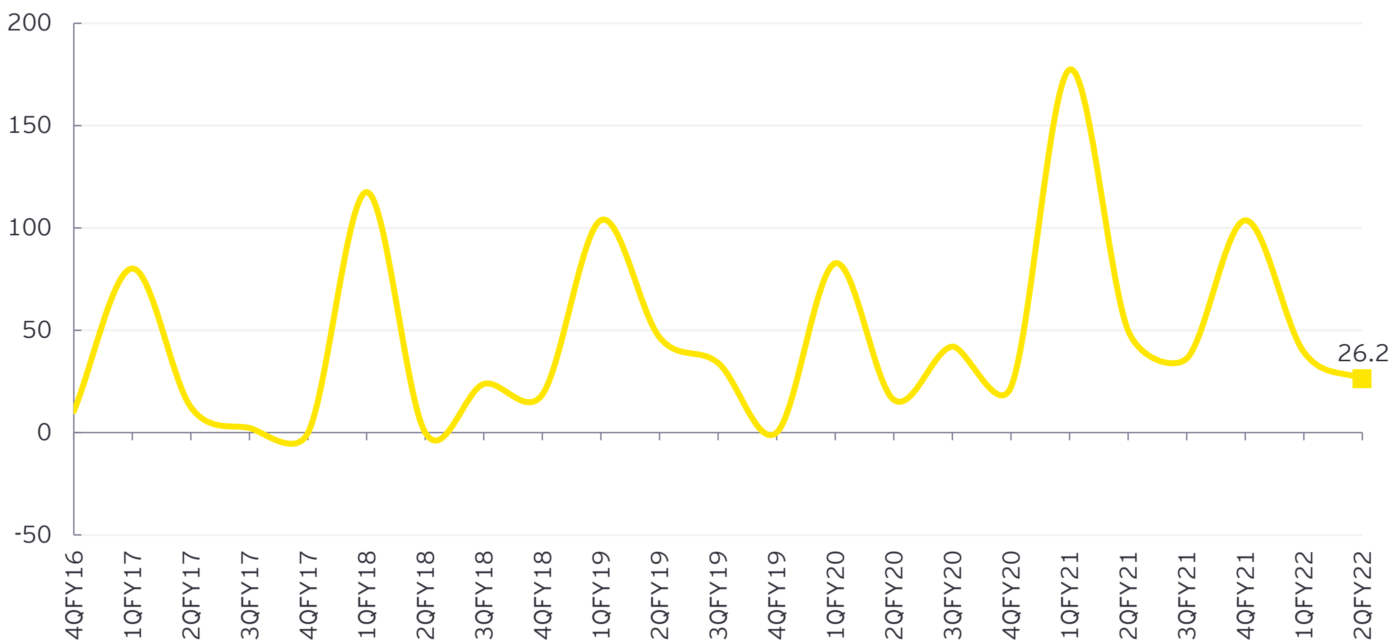
[15] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[16] World Bank, Global Monthly (December 2021)
[17] Simple average of Australian and South African coal prices

9. Index of Macro Imbalance (IMI): pointed to an improvement in macro balance in 2QFY22

IMI fell to 26.2 in 2QFY22 from 39.4 in 1QFY22

- The IMI is obtained by adding the percentage deviation of inflation rate (based on new CPI 2012 = 100), fiscal deficit (as a percentage of GDP) and current account deficit (as a percentage of GDP) from their respective benchmarks of 4%, 3% of GDP and (-)1.3%[18] of GDP. All three components of IMI have been given equal weightage (33.33%). The state of *balance* is judged by a value of 0.
- An index value greater than zero indicates the presence of an imbalance in the economy. While considering the percentage deviation of each of the indicators from its selected norm, only the positive deviations are taken. Negative deviations are equated to zero to ensure that the negative and positive deviations across indices are not canceled out.
- IMI pointed to further improvement in macro balance in 2QFY22 with the index value falling to 26.2 from 39.4 in 1QFY22 **(Chart 18)** led by a lower CPI inflation and fiscal deficit to GDP ratio. CPI inflation averaged 5.1% in 2QFY22 falling from 5.6% in 1QFY22 although remaining higher than its benchmark value of 4%. Center's fiscal deficit at 4.5% of GDP in 2QFY22 was below its level of 5.4% in 1QFY22 but was higher than its benchmark value of 3% of GDP. Current account deficit at (-)1.3% of GDP in 2QFY22 did not contribute to the IMI.

Chart 18: IMI (quarterly)



Source (Basic data): RBI, MoSPI and EY estimates

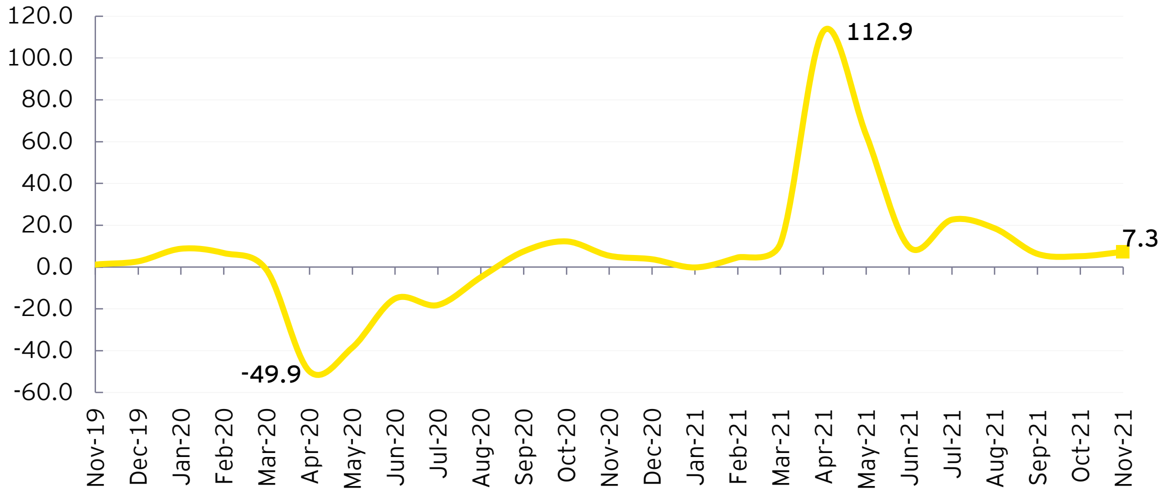
[18] Rangarajan, C (2016): "Can India grow at 8 to 9 per cent?" The Hindu, http://www.thehindu.com/opinion/lead/can-india-grow-at-8-to-9-per-cent/article8596824.ece, Accessed on 17 May 2016.

10. Index of Aggregate Demand (IAD): grew by 7.3% in November 2021

Led by strong manufacturing and services demand, IAD grew by 7.3% in November 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.
- Pointing to an improving overall demand condition, IAD posted a higher growth of 7.3% in November 2021 as compared to 5.2% in October 2021 **(Chart 19** and **Table 10)**.
- In November 2021, demand conditions in the manufacturing sector showed the maximum improvement since February 2021. In contrast, demand conditions were weaker in the services sector in November 2021 when compared to those in October 2021. Demand conditions in the agricultural sector worsened as reflected by the growth in agricultural credit off-take, which fell to a 12-month low in November 2021.

Chart 19: Growth in IAD (y-o-y)



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

Table 10: IAD

Month	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
IAD	**140.7**	**135.2**	**126.5**	**118.3**	**130.2**	**140.5**	**141.8**	**149.1**	**146.7**
Growth (% y-o-y)	11.5	112.9	63.1	9.6	22.7	18.5	6.3	5.2	7.3
Growth in agr. credit	12.3	12.2	12.1	11.4	12.7	11.7	10.6	10.3	9.2
Mfg. PMI**	5.5	5.0	-0.9	-3.5	5.5	2.3	6.0	7.4	7.6
Ser. PMI**	5.6	0.6	-4.1	-10.7	-5.9	7.4	5.5	11.2	8.6

**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

11. 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	4QFY21	56.9	54.2
4QFY21	6.0	-0.1	6.8	9.2	3.5	1QFY22	51.5	47.2
1QFY22	44.4	27.5	53.0	16.8	26.0	2QFY22	53.8	52.4
2QFY22	9.2	17.1	8.1	9.3	8.9	3QFY22	56.3	57.3
Aug-21	13.0	23.3	11.1	16.0	12.2	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	4.0	11.5	3.1	3.1	8.4	Nov-21	57.6	58.1
Nov-21	1.4	5.0	0.9	2.1	3.1	Dec-21	55.5	55.5

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	4.0	2.8	-8.0	2.2
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
3QFY22	5.0	2.2	12.9	6.2	13.9	6.7	11.8	36.8	12.0
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	13.8	4.3	12.9	38.6	12.9
Nov-21	4.9	1.9	13.3	6.3	14.2	6.7	11.9	39.8	12.3
Dec-21	5.6	4.0	11.0	6.1	13.6	9.2	10.6	32.3	11.0

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	
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
Nov-21	50.3	90.4	47.2	66.3	38.6	46.2	38.8

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.

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)					
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
Nov-21	49,238	118	7,238	9,442	66,036

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	4QFY21	16.2	12.2	6.16	580.8
Jun-21	4.00	4QFY21	6.0	11.5	2.4	8.0	1QFY22	15.4	10.7	6.26	579.3
Jul-21	4.00	1QFY22	5.8	10.1	11.2	-1.1	2QFY22	11.4	9.3	6.23	609.0
Aug-21	4.00	2QFY22	6.5	9.5	10.2	4.0	3QFY22	11.5	9.3	6.38	633.6
Sep-21	4.00	Aug-21	6.7	9.5	5.0	3.3	Sep-21	11.4	9.3	6.19	638.6
Oct-21	4.00	Sep-21	6.7	9.4	2.9	2.4	Oct-21	12.8	9.7	6.36	642.0
Nov-21	4.00	Oct-21	6.8	9.9	1.9	-2.7	Nov-21	12.3	9.5	6.35	637.7
Dec-21	4.00	Nov-21	7.0	9.8	1.6	-0.04	Dec-21	11.5	9.3	6.44	633.6

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
FY18	10.6	20.9	-159.0	64.5	55.7	90.8	2011	4.3	1.8	6.4
FY19	8.6	10.6	-182.3	69.9	67.3	100.4	2012	3.5	1.2	5.4
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2013	3.5	1.4	5.1
FY21	-7.3	-17.4	-98.6	74.2	43.8	67.2	2014	3.5	2.1	4.7
4QFY21	19.6	18.4	-41.1	72.9	59.3	88.1	2015	3.4	2.4	4.3
1QFY22	85.9	108.7	-30.8	73.8	67.1	105.1	2016	3.3	1.8	4.5
2QFY22	38.5	66.5	-47.4	74.1	71.7	152.3	2017	3.8	2.5	4.8
3QFY22	36.6	51.4	-64.3	74.9	78.3	170.3	2018	3.5	2.2	4.5
Sep-21	22.6	84.8	-22.6	73.6	72.8	165.9	2019	2.8	1.6	3.7
Oct-21	43.0	62.5	-19.7	74.9	82.1	212.1	2020	-3.1	-4.5	-2.1
Nov-21	27.2	56.6	-22.9	74.5	79.9	142.7	2021*	5.9	5.2	6.4
Dec-21	38.9	38.5	-21.7	75.4	72.9	156.1	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.

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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
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
FY22(FAE)	8.6	3.9	14.3	12.5	8.5	10.7	11.9	4.0	10.7	8.1
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; FAE refers to first advance estimates for FY22 release don 7 January 2022.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
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
FY22(FAE)	9.2	6.9	7.6	15.0	16.5	29.4	7.7
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; FAE refers to first advance estimates for FY22 release don 7 January 2022.

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 advance 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
37	GST	Goods and Services Tax
38	GVA	gross value added
39	IAD	Index of Aggregate Demand

Sr. no.	Abbreviations	Description
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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