87th issue

Economy Watch

Monitoring India's macro-fiscal performance

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Building a better working world

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Highlights

1. As per the First Advance Estimates (FAE) of national accounts, real GDP is estimated to show a strong growth of 7.3% in FY24.

2. In December 2023, manufacturing PMI was at 54.9 indicating an easing of growth momentum. Services PMI increased to a three-month high of 59 during the month.

3. IIP growth moderated to 2.4% in November 2023, its lowest since March 2023.

4. CPI inflation increased marginally to 5.7% in December 2023 from 5.6% in November 2023, led by higher vegetable prices. Core CPI inflation, however, eased for the sixth successive month to 3.8% in December 2023.

5. WPI inflation increased marginally to 0.7% in December 2023 from 0.3% in November 2023 led mainly by higher inflation in vegetables.

6. During April-November FY24, GoI's gross tax revenues (GTR) showed a growth of 14.7%, with growth in direct taxes at 24.8% and that in indirect taxes at 4.8%.

7. GoI's total expenditure grew by 8.6% during April-November FY24, with growth in capital expenditure at 31% and that in revenue expenditure at 3.6%.

8. During April-November FY24, GoI's fiscal and revenue deficits, as a proportion of their annual BE, stood at 50.7% and 39.8%, respectively.

9. Growth in gross bank credit increased to a five-month high of 16.2% in November 2023 from 15.2% in October 2023.

10. Growth in merchandise exports turned positive at 1% in December 2023 while merchandise imports contracted by (-)4.8%, reflecting slowdown in global economic activity and lower global crude prices.

11. Current account deficit marginally declined to 1% in 2QFY24 from 1.1% in 1QFY24 due to a pick-up in services exports.

12. Net FDI inflows moderated to US$2.9 billion in November 2023 from US$5.9 billion in October 2023.

13. Average global crude price moderated to a six-month low of US$75.7/bbl. in December 2023 from US$81.4/bbl. in November 2023.

14. The World Bank has projected global growth at 2.6% in 2023, with India's FY24 growth forecasted at 6.3%.

Foreword

FY25 Interim Budget: reducing fiscal deficit may imply easing of capital expenditure growth

The National Statistical Organization's (NSO) FAE for FY24 show a real GDP growth of 7.3%, positively surprising most observers. This does better than the revised growth estimate of RBI at 7% and those of IMF and World Bank at 6.3% each. The IMF estimate is likely to be revised upwards in its January 2024 update of World Economic Outlook. This robust growth performance has been delivered largely by investment (gross fixed capital formation) growth of 10.3% on the demand side. The Government of India (GoI) has led growth from the front by emphasizing capital expenditure which has grown by 31% during the first eight months of FY24, aimed at augmenting infrastructure. Consumption expenditure is estimated to show a sluggish performance with growth in private final consumption expenditure (PFCE) and government final consumption expenditure (GFCE) at 4.4% and 4.1% respectively. The external sector continues to constitute a major drag on India's growth with the contribution of net exports to real GDP growth remaining negative at (-)3% points. Profile of sectoral growth shows a balanced recovery in all sectors except agriculture, which is estimated to grow at only 1.8%. Construction is the leading growth sector, with a growth rate of 10.7%, followed by financial, real estate, and professional services at 8.9%, public administration and defense at 7.7%, and manufacturing at 6.5%. The implicit price deflator (IPD)-based inflation for FY24 is only 1.4%. With such a low IPD-based inflation, the nominal GDP growth is estimated at 8.9% which is only marginally higher than the real GDP growth. The level of nominal growth is important for assessing growth in the fiscal aggregates.

Available high frequency indicators also support NSO's growth estimate for FY24. Despite falling from 56 in November 2023 to 54.9 in December 2023, manufacturing PMI remained above the long run series trend indicative of the ongoing improvement in the manufacturing sector. Services PMI increased sharply from 56.9 in November 2023 to a three-month high of 59 in December 2023. Gross GST collections at INR1.65 lakh crore in December 2023 remained above the INR1.6 lakh crore mark for the seventh consecutive month. According to the data released by Federation of Automobile Dealers Association (FADA), retail sales of vehicles continued its robust momentum with a growth of 21.4% in December 2023 as compared to 18.5% in November 2023. Growth in gross bank credit increased to a five-month high of 16.2% in November 2023 from 15.2% in October 2023.

On the fiscal side, monthly data on GoI's finances show a robust growth in union government's GTR at 16.3% in the first half and 14.7% in the first eight months of FY24. Tax revenue growth is estimated as the product of tax buoyancy and the nominal GDP growth. While the budget had assumed a tax buoyancy of 0.99, the realized buoyancy in the GoI's GTR in the first half of FY24 at 1.9 resulted in the strong GTR growth. This was primarily driven by a solid growth in direct taxes. A growth of only 3.6% is required in the remaining four months of the fiscal year to meet the budgeted GTR target. We expect that for the year as a whole, GoI's GTR may exceed the budget estimates by a margin enough to meet any shortfall in disinvestment receipts. Further, non-tax revenues are also likely to marginally exceed the budget estimates.

We expect the fiscal deficit target of 5.9% of GDP for FY24 to be met. This can be further reduced in incremental steps of 5.2%, 4.5% and 4.0% by FY27. In FY24, the absolute amount of the budgeted fiscal deficit is INR17.87 lakh crore. Assuming a nominal GDP growth of 10.5%, the fiscal deficit would need to be reduced to INR 17 lakh crore to reach a level of 5.2% of GDP in FY25. This would call for a reduction in expenditure growth. The scope for reducing revenue expenditure growth may be limited since it is already quite low. In the first eight months of the fiscal year, this growth rate was 3.6%. The main adjustment will have to be on the side of capital expenditure growth, which was 31% during April-November 2023. However, maintaining a high growth in government capital expenditure is critical to support overall growth as long as the external sector constitutes a major constraint. Thus, a careful calibration of capital expenditure growth is called for in the next few years to enable a suitable fiscal consolidation path. Eventually, a fiscal deficit of 3% of GDP would have to be reached as per the FRBM target.

In the In-focus section of this issue, we have shown that a fiscal deficit reduction path needs to be carefully worked out where critical parameters are nominal GDP growth, GTR buoyancy, and capital expenditure growth. For a capital expenditure growth of nearly 30%, a nominal GDP growth of about 11.5% and a GTR buoyancy of 1.25 may be required in FY25. Since it is the government capital expenditure which is currently supporting growth, a realistic combination of fiscal deficit reduction and a reduction in capital expenditure growth will have to be worked out. The GoI should also specify a fiscal consolidation glide path showing as to when and how the FRBM targets would be reached.

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1 Growth: real GDP growth estimated at 7.3% in FY24

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1.1 GDP and GVA: estimated to grow by 7.3% and 6.9% respectively in FY24

- As per the FAE of national accounts released by the MoSPI on 5 January 2024, real GDP is estimated to show a strong growth of 7.3% in FY24 **(Chart 1)**. With this, the implied real GDP growth for 2HFY24 is estimated at 7.0%.
- Among demand side components, GDP growth is shown to be driven by investments as measured by gross fixed capital formation (GFCF) which is likely to show the highest growth of 10.3% (**Table 1**).
- Among the other two domestic demand components, growth in GFCE is estimated to improve to 4.1% in FY24 from 0.1% in FY23. However, growth in PFCE is likely to moderate to 4.4% in FY24 from 7.5% in FY23.
- Exports growth is estimated to remain low at 1.4% in FY24 as compared to 13.6% in FY23 due to subdued external demand. With growth in imports likely to remain high at 13.2% in FY24, the contribution of net exports to real GDP growth is likely to be sharply negative at (-)3.0% points, its lowest under the 2011-12 base series.
- On the output side, real GVA growth is estimated at 6.9% in FY24, close to its level of 7.0% in FY23. Among the eight GVA sectors, excluding agriculture, all the others are estimated to show strong growth rates in FY24.
- GVA growth in construction is estimated to be the highest at 10.7% in FY24, followed by that in financial, real estate et al. sector at 8.9%. Both these sectors show an improvement over their growth rates of 10.0% and 7.1% respectively in FY23.
- Growth in manufacturing is estimated to be significantly higher at 6.5% in FY24 as compared to 1.3% in FY23. Public administration, defence et al. sector is also likely to show a higher growth of 7.7% in FY24 as compared to 7.2% in FY23. Trade, hotels, transport, et al. sector is estimated to show a normalizing growth of 6.3% in FY24.
- Growth in agriculture is estimated to be at an eight-year low of 1.8% in FY24, largely owing to deficient and uneven distribution of southwest monsoon.
- With IPD-based inflation rate falling to 1.4% in FY24 from 8.2% in FY23, nominal GDP growth is estimated to be significantly low at 8.9% in FY24 as compared to 16.1% in FY23.

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

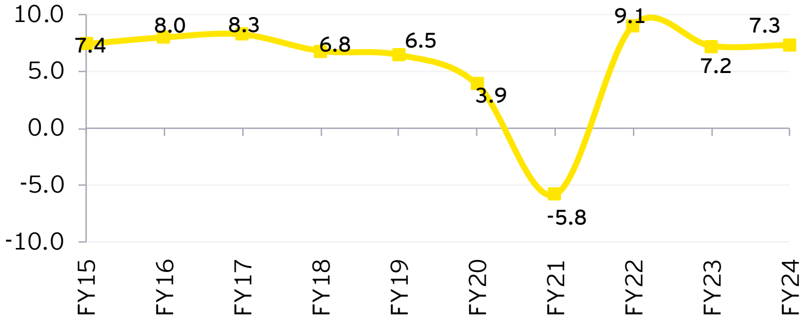


Table 1: Real GDP and GVA growth (%, annual)

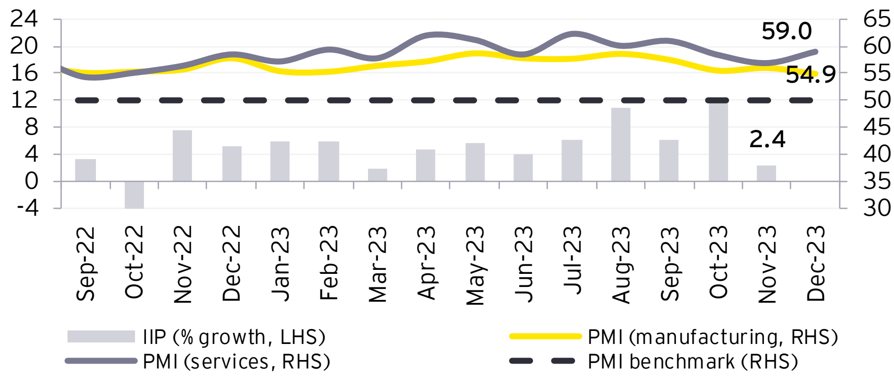
Agg. demand	FY20	FY21	FY22	*FY23*	*FY24 (FAE)*
PFCE	5.2	-5.2	11.2	7.5	4.4
GFCE	3.9	-0.9	6.6	0.1	4.1
GFCF	1.1	-7.3	14.6	11.4	10.3
EXP	-3.4	-9.1	29.3	13.6	1.4
IMP	-0.8	-13.7	21.8	17.1	13.2
GDP	**3.9**	**-5.8**	**9.1**	**7.2**	**7.3**
Output side					
Agr.	6.2	4.1	3.5	4.0	1.8
Ming.	-3.0	-8.6	7.1	4.6	8.1
Mfg.	-3.0	2.9	11.1	1.3	6.5
Elec.	2.3	-4.3	9.9	9.0	8.3
Cons.	1.6	-5.7	14.8	10.0	10.7
Trans.	6.0	-19.7	13.8	14.0	6.3
Fin.	6.8	2.1	4.7	7.1	8.9
Publ.	6.6	-7.6	9.7	7.2	7.7
GVA	**3.9**	**-4.2**	**8.8**	**7.0**	**6.9**

Source: MoSPI, GoI

1.2 PMI: in December 2023, while expansion in manufacturing eased, services sector showed a strong pickup in activity

- Despite falling from 56 in November 2023 to an 18-month low of 54.9 in December 2023, headline manufacturing PMI (seasonally adjusted (sa)) remained above the long run series trend at 53.9 indicative of the ongoing improvement in the manufacturing sector **(Chart 2).** On a quarterly basis, PMI manufacturing averaged 55.5 in 3QFY24 as compared to 57.9 in 2QFY24.
- Services PMI increased sharply from 56.9 in November 2023 to a three-month high of 59 in December 2023. Owing to relatively lower levels in October and November 2023, services PMI averaged 58.1 in 3QFY24, down from 61.1 in 2QFY24.
- Led by a strong growth in the services sector, the composite PMI Output Index (sa) increased from 57.4 in November 2023 to 58.5 in December 2023, its highest level since September 2023. On a quarterly basis, composite PMI Output index averaged 58.1 in 3QFY24 as compared to 61.3 in 2QFY24.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global.

In December 2023, manufacturing PMI was at 54.9 indicating an easing of growth momentum. Services PMI increased to a three-month high of 59 during the month.

1.3 IIP: growth moderated to 2.4% in November 2023

IIP growth moderated to 2.4% in November 2023, its lowest since March 2023.

- According to the quick estimates, IIP growth decelerated to 2.4% in November 2023 from 11.6% (revised) in October 2023 **(Chart 2).** This slowdown may be attributable to moderation in the growth of manufacturing and electricity.
- Among sub-industries, manufacturing output, with a share of 77.6% in the overall IIP, showed a low growth of 1.2% in November 2023 as compared to 10.4% in October 2023. Within manufacturing, among key industries, contraction was seen in the output of chemicals and chemical products ((-)3.9%), other non-metallic mineral products ((-)2.8%), and machinery and equipment ((-)0.9%). However, growth in coke and refined petroleum products surged to 14.2% in November 2023 from 2.4% in October 2023.
- Among other major sub-industries, the output of the mining sector grew by 6.8% while that of electricity by 5.8% in November 2023 as compared to 13.1% and 20.4% respectively in October 2023.
- As per the ‘use-based’ classification of industries, a sharp contraction was observed in the output of consumer durables at (-)5.4% and that in consumer non-durables at (-)3.6% in November 2023 as compared to growth rates of 15.9% and 8.7% respectively in October 2023. Output of capital goods also contracted by (-)1.1% in November 2023 as compared to a growth of 21.3% (revised) in October 2023. Growth in the output of infrastructure/construction moderated sharply to 1.5% in November 2023 from 11.3% in October 2023.
- According to provisional estimates, the output of eight core infrastructure industries (core IIP) showed a strong growth of 7.8% in November 2023, although lower than 12.1% witnessed in October 2023. Among the sub-industries, growth was led by petroleum refinery products at 12.4%, coal at 10.9%, steel at 9.1%, natural gas at 7.6% and electricity at 5.6%. However, a contraction was observed in the output of cement ((-)3.6%) and crude oil ((-)0.4%).

2 Inflation: CPI inflation increased to 5.7% in December 2023

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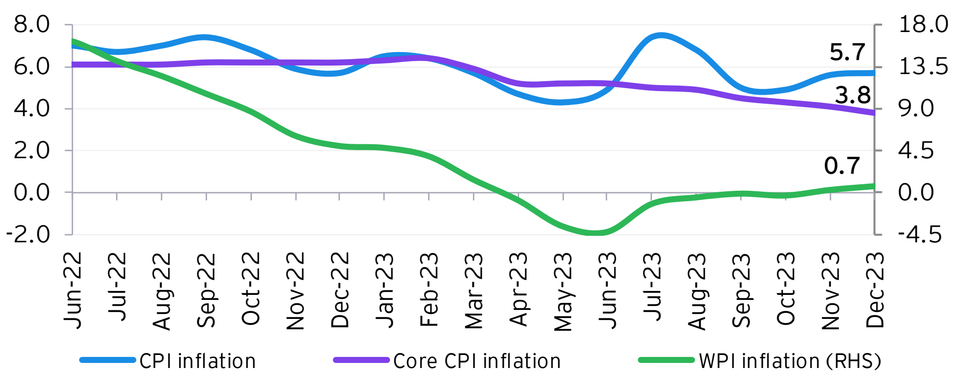
2.1 CPI inflation

- Inflation in vegetables increased to a five-month high of 27.6% in December 2023 from 17.7% in November 2023 partly on account of an unfavorable base effect.
- In December 2023, consumer food inflation increased to 9.5% from 8.7% in November 2023.
- Fuel and light prices contracted for the fourth successive month by (-)1.0% in December 2023 as compared to (-)0.8% in November 2023. Inflation turned negative September 2023 onwards, reflecting the price cut on LPG cylinders for all domestic users.
- Inflation in transportation and communication services was nearly stable at 2.0% in December 2023, reflecting lower global crude prices.
- Inflation in clothing and footwear decelerated for the fourteenth consecutive month to 3.6% in December 2023 from 3.9% in November 2023.
- Core CPI inflation[1] fell to 3.8% in December 2023, its lowest level since April 2020, from 4.1% in the previous month led by lower inflation in clothing and footwear **(Chart 3)**.

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



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

CPI inflation increased marginally to 5.7% in December 2023 from 5.6% in November 2023, led by higher vegetable prices. Core CPI inflation, however, eased for the sixth successive month to 3.8% in December 2023.

2.2 WPI inflation: *increased to 0.7% in December 2023 from 0.3% in November 2023 led mainly by higher inflation in vegetables*

- Inflation in vegetables surged to 26.3% in December 2023 from 10.4% in November 2023 led by higher inflation in tomatoes which increased to 81.7% in December 2023 from 24.0% in November 2023.
- WPI food index-based inflation increased to a four-month high of 5.4% in December 2023.
- Inflation in crude petroleum and natural gas remained negative at (-)0.1% in December 2023 as compared to (-)7.1% in November 2023, mainly reflecting lower global crude prices.
- Prices of fuel and power continued to contract for the eighth consecutive month at (-)2.4% in December 2023 as compared to (-)4.6% in November 2023. Inflation in mineral oils remained negative at (-)2.7% in December 2023 as compared to (-)5.7% in November 2023 as the pace of contraction in diesel prices slowed to (-)6.7% in December 2023 from (-)13.1% in November 2023.
- Inflation in manufactured products remained negative for the tenth successive month at (-)0.7% in December 2023 as compared to (-)0.6% in November 2023 reflecting declining input cost pressures.
- Core WPI witnessed a contraction for the tenth consecutive month at (-)0.5% in December 2023, close to the level of (-)0.4% in November 2023 as major product groups including manufactured chemicals and chemical products, textiles, basic metals and paper and paper products remained in contraction mode.

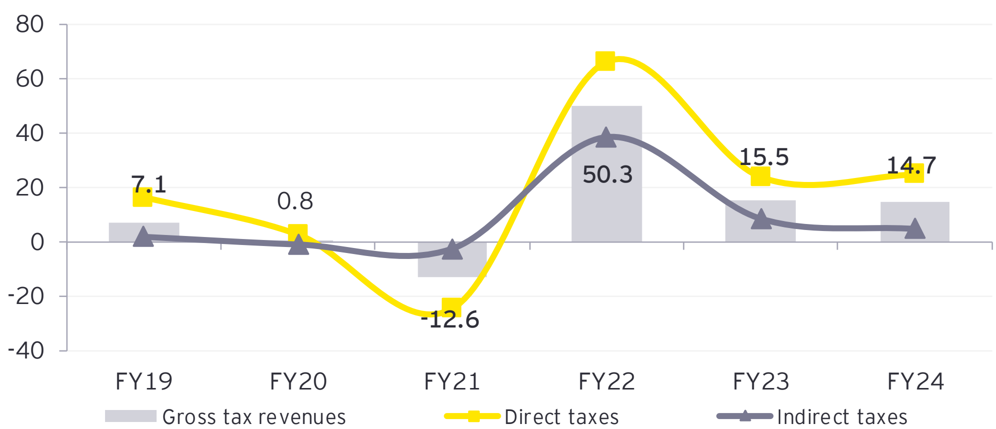
[1] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3 Fiscal: GoI's capital expenditure growth stood at 31% during April-November FY24

3.1 Tax and non-tax revenues

- As per the CGA, GoI's GTR[(b)] showed a growth of 14.7% during the first eight months of FY24 as compared to 15.5% during the corresponding period of FY23 **(Chart 4).**
- During April-November FY24, GTR stood at 60.8% of the annual BE, higher than the three-year average ratio (FY21 to FY23) based on actual collections at 55.3%.
- Direct taxes[(a)] showed a double-digit growth of 24.8% while indirect taxes[(a)] grew by 4.8% during April-November FY24. The corresponding growth rates in FY23 were at 23.9% and 8.6% respectively.
- CIT revenues grew by 20.1% during the first eight months of FY24 as compared to 21.1% during the same period in FY23.
- PIT revenues grew by 29.4% during April-November FY24, higher than 26.7% during the corresponding period of FY23.
- Among indirect taxes, GoI's GST revenues[(c)] grew by 10.3% during April-November FY24, lower than 23.3% during the corresponding period of FY23.
- Union excise duties (UED) showed a contraction of (-)7.9% during the first eight months of FY24 as compared to (-)20.9% during the corresponding period of FY23.
- Owing to subdued growth in imports, customs duties grew by only 0.3% during April-November FY24 as compared to 12.4% during the corresponding period of FY23.

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



During April-November FY24, GoI's GTR showed a growth of 14.7%, with growth in direct taxes at 24.8% and that in indirect taxes at 4.8%.

Source: Monthly 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 GoI's GTR along with direct and indirect taxes, (c) IGST revenues are subject to final settlement.

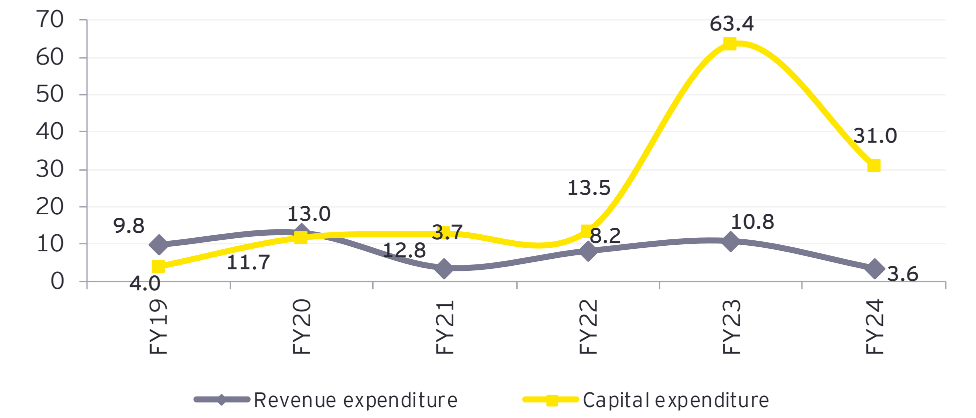
- GoI's non-tax revenues showed a high growth of 43.4% during April-November FY24 on account of high receipt of dividends and profits at INR1,31,109 crore, exceeding its FY24 BE by INR40,109 crore.
- Non-tax revenues during April-November FY24 as a proportion of annual BE stood at 94.3%, much higher than the three-year average (FY21 to FY23) ratio of 63.4% based on actual collections.
- Non-debt capital receipts of the GoI during April-November FY24 stood at 30.3% of the BE, much lower than the three-year average (FY21 to FY23) ratio of 47.2% based on actual collections.
- As per DIPAM[2], disinvestment receipts as of 23 January 2024 stood at INR12,504.32 crores, that is 24.5% of the FY24 BE at INR51,000 crore.

[2] https://dipam.gov.in/

3.2 Expenditures: revenue and capital

- GoI's total expenditure grew by 8.6% during April-November FY24 as compared to 17.7% during the corresponding period of the previous year.
- GoI's revenue expenditure showed a growth of 3.6% during April-November FY24 as compared to 10.8% during the corresponding period of FY23 **(Chart 5)**. There is a likelihood of revenue expenditure exceeding its BE on account of higher subsidy burden owing to relatively higher global crude prices and additional outgo on Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA).
- GoI's capital expenditure continued to show a strong growth of 31% during the first eight months of FY24, although it was lower than 63.4% during the corresponding period of FY23.

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



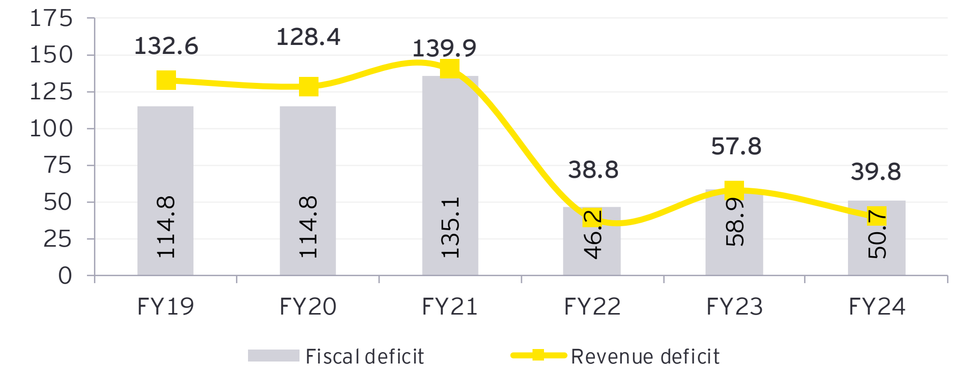
GoI's total expenditure grew by 8.6% during April-November FY24, with growth in capital expenditure at 31% and that in revenue expenditure at 3.6%.

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

3.3 Fiscal imbalance

- GoI's fiscal deficit during April-November FY24 stood at 50.7% of the BE, its second lowest level considering the corresponding ratios at least since FY01 **(Chart 6)**. This ratio was at its lowest level in FY22 at 46.2%.
- Following the similar pattern, GoI's revenue deficit during the first eight months of FY24 stood at 39.8% of the BE, its second lowest level at least since FY01. This ratio stood at its lowest level of 38.8% in FY22.

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



During April-November FY24, GoI's fiscal and revenue deficits, as a proportion of their annual BE, stood at 50.7% and 39.8%, respectively.

Source: Monthly Accounts, CGA, Government of India and MoSPI

4 Comparative trends: OECD projected India's growth at 6.3% and CPI inflation at 6.1% in FY24

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4.1 Real GDP growth

- After the COVID-19 pandemic, the year 2021 saw high rates of GDP growth for all major economies reflecting strong base effects. The negative shock of the Russia-Ukraine conflict adversely affected growth rates in the subsequent years of 2022 and 2023. The OECD has assessed that heightened geopolitical tensions due to the Israel-Hamas conflict may pose a significant risk to global growth in the near term.
- Among advanced economies (AEs), growth in the US is projected to reach a local trough of 1.5% in 2024 as growth in private consumption and investment are expected to moderate in response to the effects of tighter monetary and financial conditions. Growth is projected to recover marginally in 2025.

Table 2: Real GDP growth (% annual)

Country	2021	2022	2023	2024	2025
US	5.8	1.9	2.4	1.5	1.7
UK	8.7	4.3	0.5	0.7	1.2
Germany	3.1	1.9	-0.1	0.6	1.2
Japan	2.2	0.9	1.7	1.0	1.2
Brazil	5.3	3.0	3.0	1.8	2.0
Russia	5.6	-2.0	1.3	1.1	1.0
India*	9.1	7.2	6.3	6.1	6.5
China	8.4	3.0	5.2	4.7	4.2
South Africa	4.7	1.9	0.7	1.0	1.2

Source: OECD Economic Outlook, November 2023;
*data pertains to fiscal year

- While the UK is projected to witness a subdued growth of 0.5% and 0.7% in 2023 and 2024, respectively, Germany is expected to witness a contraction in 2023, followed by a marginally positive growth in 2024. Both economies are forecasted to witness recovery 2025 onwards.
- Among emerging market economies (EMEs), growth in India is projected to be the highest in 2024 and 2025, driven mainly by strong public investment and buoyant services exports.
- Growth in China is expected to ease in 2024 and 2025 as consumption growth is likely to remain subdued due to increased precautionary savings, gloomier prospects for employment creation, and heightened uncertainty. Challenges also emerge from the ongoing adjustment in the real estate sector along with falling investment and continued financial stress.
- In Brazil, growth is projected to ease to 1.8% in 2024, improving somewhat in 2025. As per the OECD, downside risks to growth in Brazil emanate from (a) slower growth in China, a key trading partner, (b) sustained increase in inflation leading to reduced investment and consumption, and (c) any further policy rate hikes in AEs, exerting pressure on the exchange rate.

4.2 CPI inflation

- Headline inflation has eased in almost all major economies after witnessing a sharp increase in 2022 that was led by a very large rise in global energy prices.
- Inflation in the US is projected to ease from 4.2% in 2023 to 2.8% in 2024. In OECD's assessment, this would allow an easing of monetary policy in the second half of 2024 and a recovery of domestic demand growth in 2025.
- In the UK, inflation is likely to subside from historically high levels but remain above target until 2025. In Germany, tighter monetary conditions, fading energy price pressures and fiscal tightening would help to bring down inflation during 2024 and 2025.

Table 3: CPI inflation (%)

Country	2021	2022	2023	2024	2025
US	4.7	8.0	4.2	2.8	2.2
UK	2.6	9.1	7.3	2.9	2.5
Germany	3.2	8.7	6.2	2.7	2.1
Japan	-0.2	2.5	3.2	2.6	2.0
Brazil	8.3	9.3	4.6	3.2	3.0
Russia	6.7	13.7	5.8	7.2	5.3
India*	5.5	6.7	6.1	5.3	4.2
China	0.8	1.9	0.4	1.0	1.5
South Africa	4.6	6.9	5.9	5.0	4.6

Source: OECD Economic Outlook, November 2023;
*data pertains to fiscal year

- Among EMEs, inflation in India is projected to fall progressively, reaching close to the central bank's target of 4% by 2025 (FY26).
- Unlike other countries, China did not witness a rise in its CPI inflation on account of high global energy and food prices as its food self-sufficiency rate is high and it has substituted some crude oil imports with discounted oil from Russia. High unemployment, subdued wage growth and low demand have also contributed to low inflation. This trend is projected to continue in 2024 and 2025 as well.
- Inflation in Brazil is expected to decrease to 4.6% in 2023, 3.2% in 2024, and 3.0% in 2025, aligning with the target band as of 2024. This decline is the result of an early monetary policy response and the normalization of earlier supply chain disruptions.

5 In focus: Growing government indebtedness: sustainability signals from the Budget

5.1 Introduction

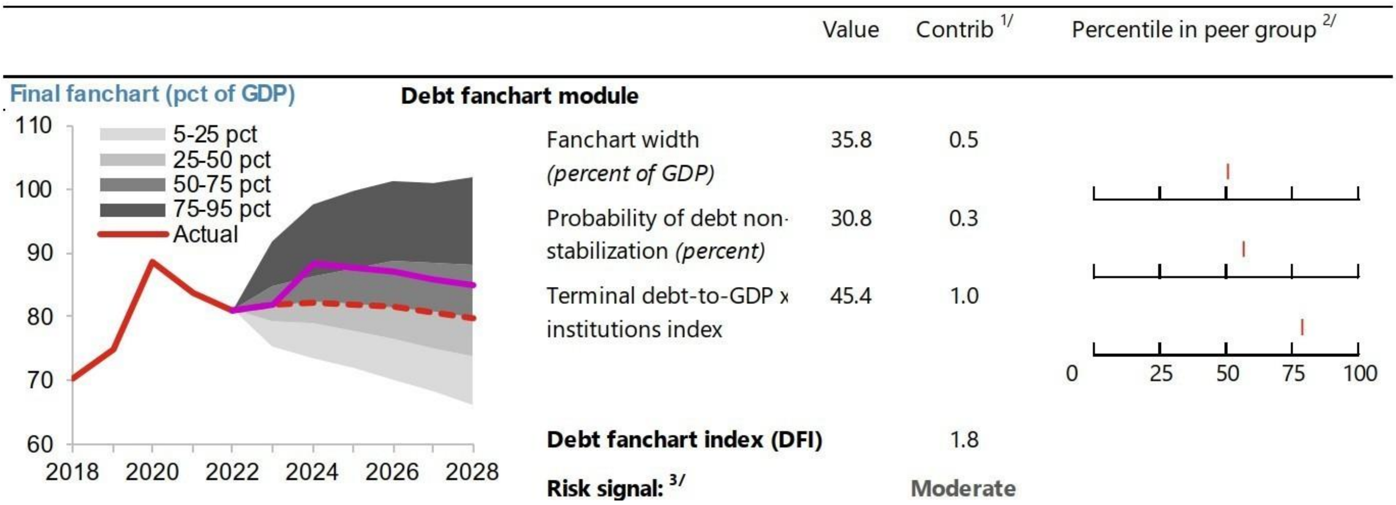
GoI's Interim Budget for FY25 is scheduled to be presented on 1 February 2024. With general elections due in May 2024, any major policy announcements are not expected in this Budget. The Budget would provide an occasion to assess the fiscal health of the economy against the backdrop of a robust economic growth. A recent IMF study (India - 2023 Article IV Consultation) has pointed out significant risks associated with the India's combined debt of central and state governments. In particular, they had raised the possibility of the combined government debt crossing 100% of GDP under a stress scenario. The Budget would provide an occasion for the GoI to give a clear roadmap for achieving the Fiscal Responsibility and Budget Management Act (FRBMA) targets. The statutory targets for the combined government debt and GoI's debt relative to GDP are 60% and 40% respectively. In this write-up, we examine the dynamics of growth of government debt in India and study the adjustments needed in order to reach these targets.

5.2 IMF's assessment of India's fiscal risks

The IMF, in its 2023 Article IV Consultation, has suggested that an ambitious fiscal consolidation path is needed to replenish buffers and sustainably lower government debt while supporting inclusive growth. Given the shocks that India has experienced historically, and instances of fiscal slippages between 2000 and 2020, the baseline carries the risk that, should similar shocks materialize, India's government debt would exceed 100% of GDP in the medium term. Reaching the fiscal deficit target in FY26 and then maintaining further fiscal tightening would rebuild buffers at a faster pace, safeguarding against shocks. This would also reduce the interest burden on the budget (currently at around one third of tax revenue), creating room for expenditure which supports long-term growth, such as on infrastructure, health, and climate change mitigation and adaptation.

IMF's stress scenario envisages a real GDP growth rate below their estimated potential growth at 6.3% by a margin of 1.5% points. This implies an actual real GDP growth of 4.8%. This can potentially materialize if India experiences another major economic shock due to global factors. The 2008-09 global economic and financial crisis and the 2020-21 COVID shock are comparable examples. Even at this lower growth rate, the risk of combined government debt to GDP ratio crossing 100% only arises in the 75th to 95th percentile of the fan chart associated with this scenario of a one time shock. This is shown in Chart 7.

Chart 7: IMF's projection of India's general government debt-GDP ratio under stress scenario

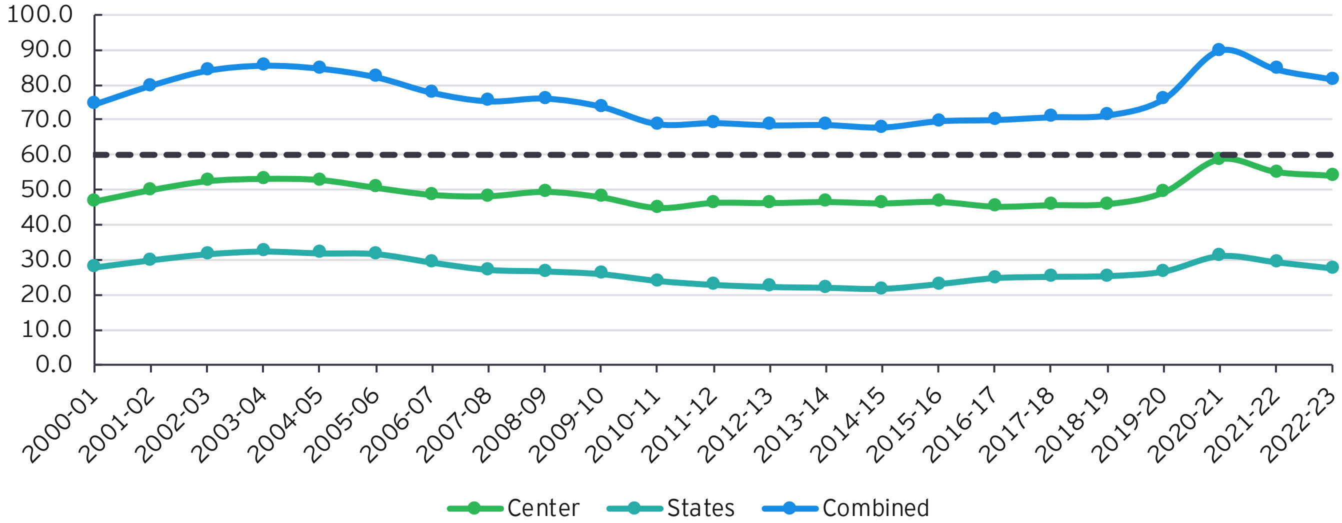


Source: IMF (India - 2023 Article IV Consultation)

The profile of the government debt-GDP ratio indicates that the state governments have shown an aggregate debt-GDP ratio of about 30% which can be considered sustainable under certain macro assumptions. It can be shown that a 3% fiscal deficit-GDP target for states is consistent with 30% debt-GDP ratio for stabilization. If the states are to be given a debt-GDP target of 30%, the central government will have to reduce its own target to 30% of GDP in order to remain consistent with the consolidated target of 60%. This will also be consistent with fiscal-deficit to GDP target of 3%. In fact, it has been shown in the literature that 40% of debt-GDP target is not consistent with a 3% fiscal deficit to

GDP target[3]. However, the central government has exceeded even the FRBM debt-GDP target of 40% for many years (Chart 8). It is therefore important for the central government to bring down its debt-GDP ratio. In this analysis, we focus on the drivers of GoI's fiscal deficit and debt.

Chart 8: Debt-GDP ratio (%): Center, states and combined



Source: IPFS, RBI, Union Budgets, CGA, and MoSPI
Note: Debt is evaluated in market exchange rate terms; Center's debt excludes net on-lending to states.

5.3 Fiscal deficit glide path

Debt is an accumulation of fiscal deficit. Compared to the previous year's debt relative to GDP (b_{t-1}), the current year's debt (b_t) would be higher relative to GDP depending on the current year's fiscal deficit to GDP ratio (f_t) and the nominal GDP growth rate (g). This relationship can be depicted by:

$$b_t - b_{t-1} = f_t - b_{t-1}\left[\frac{g}{(1+g)}\right]$$

Starting with a debt-GDP ratio of 54% for the GoI in FY23, and assuming a nominal GDP growth of 8.9% in FY24 with a fiscal deficit to GDP ratio of 5.9% envisaged by the FY24 Union Budget, we estimate the debt-GDP ratio for FY24 to be 55.5% using the above equation. If the growth and fiscal deficit path is maintained as shown in Table 4 below, the GoI would reach the debt-GDP target of 40% by FY37 (base case). However, such a glide path is predicated on the GoI achieving a fiscal deficit target of 3% of GDP in at least FY29. There are many conditions under which reaching this target would either be delayed or would have to be indefinitely postponed. We consider two examples. *First*, if a one-time economic shock is experienced in say, FY29 to which the GoI responds with a higher fiscal deficit and then incrementally adjusts it downwards, the target would be reached by FY43 (Simulation 1). *Second*, if fiscal deficit is reduced and retained at 4% of GDP FY27 onwards, it would not be possible to reach a debt-GDP level of 40% if the nominal growth rate is 10.5% (not shown here). In fact, the equilibrium value of GoI's debt-GDP ratio when the fiscal deficit is 4% of GDP and nominal growth is 10.5% would be 42.1%. In the next section, we consider various economic drivers that force the fiscal deficit of the GoI upwards.

Table 4: Estimating GoI's debt-GDP ratio: Base case and Simulation 1

Base case					Simulation 1				
Year	f	g	$b_t - b_{t-1}$	b_t	Year	f	g	$b_t - b_{t-1}$	b_t
FY24	0.059	0.089	0.015	0.555	FY24	0.059	0.089	0.015	0.555
FY25	0.052	0.105	-0.001	0.554	FY25	0.052	0.105	-0.001	0.554
FY26	0.045	0.105	-0.008	0.546	FY26	0.045	0.105	-0.008	0.546
FY27	0.040	0.105	-0.012	0.535	FY27	0.040	0.105	-0.012	0.535

[3] *Srivastava, D. K. (2022).* The Future of fiscal consolidation in India, Economic and Political Weekly, Issue No. 13, Volume 57, 29-35.; *Srivastava, D.K., Bharadwaj, M., Kapur, T., & Trehan, R. (2021).* Covid's Economic Impact: Should India Recast its Fiscal and Monetary Policy Frameworks?: Journal of International Economics and Finance. 1(1), 63-81; *Srivastava, D. K. (2021).* Fiscal consolidation and FRBM in the COVID-19 context: Fifteenth finance commission and beyond. Economic and Political Weekly, Vol. 56, Issue No. 33, 48-55.

Base case					Simulation 1				
Year	f	g	$b_t - b_{t-1}$	b_t	Year	f	g	$b_t - b_{t-1}$	b_t
FY28	0.035	0.105	-0.016	0.519	FY28	0.035	0.105	-0.016	0.519
FY29	0.030	0.105	-0.019	0.499	FY29	0.060	0.080	0.022	0.540
FY30	0.030	0.105	-0.017	0.482	FY30	0.055	0.080	0.015	0.555
FY31	0.030	0.105	-0.016	0.466	FY31	0.050	0.105	-0.003	0.553
FY32	0.030	0.105	-0.014	0.452	FY32	0.045	0.105	-0.008	0.545
FY33	0.030	0.105	-0.013	0.439	FY33	0.040	0.105	-0.012	0.533
FY34	0.030	0.105	-0.012	0.427	FY34	0.035	0.105	-0.016	0.518
FY35	0.030	0.105	-0.011	0.417	FY35	0.030	0.105	-0.019	0.498
FY36	0.030	0.105	-0.010	0.407	FY36	0.030	0.105	-0.017	0.481
FY37	**0.030**	**0.105**	**-0.009**	**0.398**	FY37	0.030	0.105	-0.016	0.465
FY38	0.030	0.105	-0.008	0.391	FY38	0.030	0.105	-0.014	0.451
FY39	0.030	0.105	-0.007	0.383	FY39	0.030	0.105	-0.013	0.438
					FY40	0.030	0.105	-0.012	0.427
					FY41	0.030	0.105	-0.011	0.416
					FY42	0.030	0.105	-0.010	0.407
					FY43	**0.030**	**0.105**	**-0.009**	**0.398**

Source: estimated

5.4 Drivers of GoI's fiscal deficit and debt

The extent of borrowing by the GoI depends on (1) GoI's revenue receipts prior to fiscal transfers to states in the form of tax devolution and grants, (2) the magnitude of fiscal transfers to states determined by Finance Commissions and to some extent, by the central government itself, (3) the competition between GoI and states for fiscal space as reflected by their respective shares in combined primary expenditure, and (4) GoI's primary role in macro stabilization in the face of exogenous economic shocks. Over time, the GoI's committed expenditures, in the form of pensions, interest payments, and fiscal transfers, have increased relative to its gross revenue receipts. It is seen that most of the discretionary expenditures of the GoI are being financed progressively more by fiscal deficit. The share of GoI's net tax revenues in combined tax revenues of the GoI and states considering FY01 onwards, as shown in Column (2) of Table 5, was at its peak at 50.5% in FY08. Since then, it has fallen, reaching a low of 39.97% in FY19. This fall has also been translated into a fall in GoI's share in the combined revenue receipts, which was at its peak of 41.1% in FY08. It then fell to a trough of 29.3% in FY21.

The GoI competes with the state governments for fiscal space that can be measured through its share in the combined primary expenditure. This was as high as 47.2% in FY03, indicating that the GoI had nearly half of the fiscal space at that time. Since then, this share has eroded, and fell to a low of 33% in FY19. After this, it has started to pick up and is currently at 40.5% (FY23). The share of the GoI in the combined primary expenditure is much higher than its share in the combined revenue receipts. This is possible only by GoI's higher reliance on borrowing, which is reflected in a much higher share of the GoI in the combined fiscal deficit of the central and state governments. This share was at its peak at 75% in FY12. After that, it fell but has picked up to reach back the level of 71% in FY22. The higher the share of the GoI in combined fiscal deficit, the higher would be its share in the combined debt. As its share in debt increases, its share in combined interest payments is also expected to increase considering nearly equal effective interest rates for the GoI and the states.

Table 5: Share of GoI in combined fiscal aggregates (%)

Fiscal year	Taxes	Revenue receipts*	Primary expenditure	Interest payment	Fiscal deficit	Debt
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
FY01	44.76	35.28	45.82	59.00	58.3	62.67
FY02	42.50	35.16	46.04	56.22	60.3	62.58
FY03	44.75	37.38	47.20	57.13	59.6	62.44
FY04	45.16	38.74	43.99	54.12	50.5	62.15
FY05	45.47	39.93	44.16	54.04	54.5	62.39
FY06	45.99	38.88	42.00	58.06	62.6	61.55
FY07	47.67	39.24	40.47	59.03	64.1	62.45

Fiscal year	Taxes	Revenue receipts*	Primary expenditure	Interest payment	Fiscal deficit	Debt
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
FY08	50.50	41.08	44.26	61.91	62.6	63.98
FY09	48.43	38.09	45.83	64.83	72.6	64.95
FY10	45.62	36.20	44.61	63.55	68.2	64.89
FY11	44.81	40.43	45.84	63.66	70.2	65.16
FY12	42.88	34.65	43.30	65.25	75.0	66.96
FY13	43.23	36.06	41.45	66.39	71.2	67.52
FY14	43.42	37.60	40.61	67.96	66.6	67.89
FY15	44.29	31.99	35.32	67.28	61.7	68.02
FY16	40.44	32.11	34.16	66.64	55.8	66.89
FY17	41.90	35.20	34.12	65.31	50.0	64.61
FY18	40.74	30.75	33.81	64.02	59.0	64.48
FY19	39.97	31.22	33.02	64.31	58.4	64.44
FY20	41.96	30.25	35.27	63.46	64.0	64.90
FY21	44.59	29.26	42.26	66.12	69.3	65.43
FY22	43.16	32.24	38.63	65.09	70.8	65.29
FY23	43.23	32.47	40.50	66.05	69.7	66.25
Finance Commission (FC) averages						
FC11	44.53	37.30	45.44	56.10	56.63	62.45
FC12	47.64	38.70	43.43	61.48	66.01	63.56
FC13	43.73	36.15	41.30	66.11	68.96	67.11
FC14	41.00	31.91	34.08	64.75	57.44	65.06
FC15	43.66	31.32	40.46	65.75	69.93	65.66

Source (basic data): IPFS, RBI, Union Budget Documents, and CGA
Note: Center's fiscal deficit excludes net on-lending to states.

The dynamics of this process can be described in terms of a chain of causation. In the first step, the FC increases the share of states in GoI's divisible pool of taxes, which increases total transfers from the GoI to the states. Consequently, the lower share of the GoI in the combined revenue receipts can only finance a lower share in combined primary expenditure, but the GoI limits the fall in its share in combined primary expenditure by resorting to additional borrowing. The increase in fiscal deficit and therefore debt leads to higher interest payments, leaving little scope for discretionary expenditures. It can be shown that GoI's committed expenditures have currently become so high that little space is left for incurring discretionary primary expenditures that must be financed by fiscal deficit. Table 6 shows that four items of committed expenditures in which GoI has little control except, to some extent, in the case of grants currently account for more than 80% of GoI's gross revenue receipts. Tax devolution and grants that constitute transfers to the states together accounted for nearly 50% in the FC14 and FC15 periods. Interest payments have been rising in recent years after showing an improvement that happened as a result of the positive impact of the enactment of the FRBM in 2003. GoI's interest payments relative to gross revenue receipts increased from 25% in the FC14 period to 28% in the FC15 period. The GoI has no option except to progressively borrow more if it wants to increase its share in the combined primary expenditures. It has some option in the case of grants. However, it is seen that in general election years, it gets increased to a local peak. In the case of tax devolution, there has been a marked step increase in the FC14 and FC15 periods. This change is exogenous to the central government. Thus, there is a built-in pressure for the GoI to rely progressively more on borrowing. Under these circumstances, it may not stick to the fiscal deficit target of 3% of GDP. Instead, it may like to settle at a fiscal deficit of 4% of GDP in combination with a debt-GDP ratio of 40%. In such a case, the target for the combined debt-GDP ratio will have to be shifted to 70%.

Table 6: Share of GoI's committed expenditures in gross revenue receipts (%)

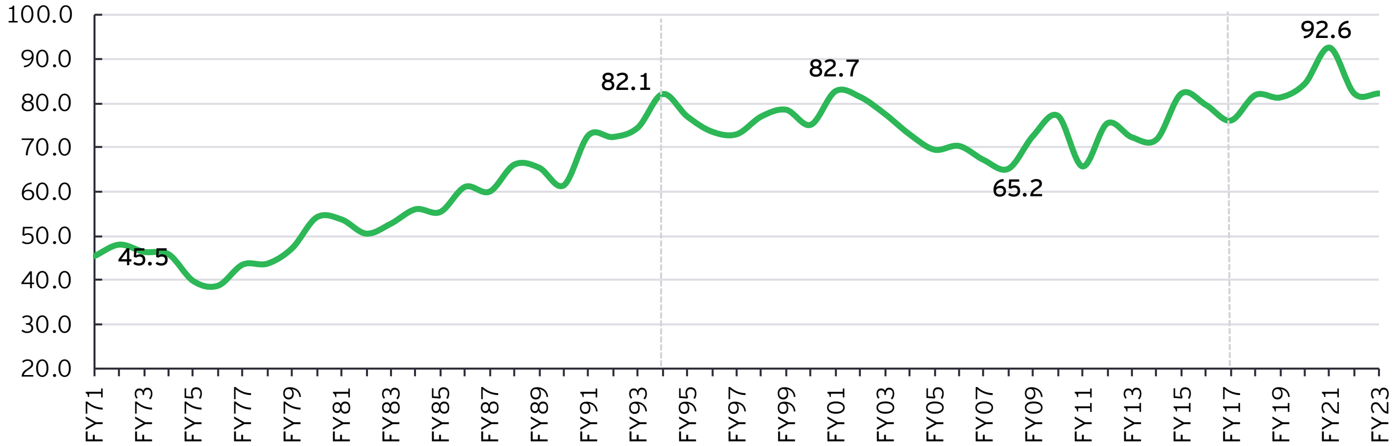
Fiscal year	Interest payment	Pensions	Tax devolution	Grants	Total
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
FY01	0.34	0.07	0.24	0.18	**0.83**
FY02	0.35	0.05	0.23	0.19	**0.81**
FY03	0.34	0.05	0.22	0.17	**0.78**
FY04	0.31	0.04	0.22	0.16	**0.73**
FY05	0.28	0.05	0.22	0.15	**0.70**
FY06	0.27	0.05	0.22	0.17	**0.70**

Fiscal year	Interest payment	Pensions	Tax devolution	Grants	Total
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
FY07	0.25	0.04	0.22	0.16	**0.67**
FY08	0.23	0.04	0.23	0.16	**0.65**
FY09	0.26	0.05	0.24	0.18	**0.73**
FY10	0.27	0.08	0.23	0.19	**0.77**
FY11	0.22	0.06	0.22	0.16	**0.66**
FY12	0.26	0.06	0.26	0.18	**0.75**
FY13	0.26	0.06	0.25	0.15	**0.72**
FY14	0.27	0.06	0.24	0.15	**0.72**
FY15	0.28	0.07	0.24	0.24	**0.82**
FY16	0.26	0.06	0.30	0.18	**0.80**
FY17	0.24	0.07	0.31	0.14	**0.76**
FY18	0.25	0.07	0.32	0.18	**0.82**
FY19	0.25	0.07	0.33	0.16	**0.81**
FY20	0.26	0.08	0.28	0.22	**0.84**
FY21	0.30	0.09	0.27	0.26	**0.93**
FY22	0.26	0.06	0.30	0.20	**0.82**
FY23	0.28	0.07	0.29	0.18	**0.82**
FC Averages					
FC11	0.32	0.05	0.23	0.17	**0.77**
FC12	0.26	0.05	0.23	0.17	**0.70**
FC13	0.26	0.06	0.24	0.17	**0.73**
FC14	0.25	0.07	0.31	0.18	**0.81**
FC15	0.28	0.08	0.28	0.22	**0.86**

Source (basic data): IPFS, RBI, Union Budget Documents, and CGA

Chart 9 shows the ratio of committed expenditures consisting of interest payments, pensions, tax devolution, and grants to GoI's gross revenue receipts. This ratio can be considered in three distinct phases. In the first phase, up to FY95, it progressively increased from 45.5% in FY71 to a peak of 82.1% in FY94. During the period from FY94 to FY17, it varied within the range of 65.2% to 82.7%. Since then, it has risen again, reaching a peak of 92.6% in the COVID year of FY21. This indicates that for any remaining expenditures, the central government will have to rely mainly on borrowing.

Chart 9: Ratio of committed outflows to GoI's gross revenue receipts



Source (basic data): Indian Public Finance Statistics, Union Budget Documents, RBI
Note: Committed outflows constitute pensions, interest payments, tax devolution and grants from Centre to states

5.5 Fiscal deficit arithmetic for FY24 and prospects for FY25

Table 7 shows that a near 13% growth in GoI's GTR over FY23 actuals would be the main factor that would take GoI's fiscal deficit close to the targeted level of 5.9% of GDP in FY24 provided total expenditure growth remains limited to just about 9% decomposed into revenue and capital expenditure growth rates of 3% and 37% respectively. If these numbers turn out to be close to the revised estimates for FY24, we can work out the indicative magnitudes of BE for FY25. The target of reducing fiscal deficit from 5.9% to 5.2% of GDP may call for reducing capital expenditure growth to 20% provided a GTR growth of close to 13% is maintained with an underlying assumption of nominal GDP growth at 10.5%. This implies a GTR buoyancy of 1.24. However, maintaining a high growth in government capital expenditure is critical for sustaining real GDP growth at around 7%. Maintaining a GTR buoyancy of 1.25, a combination of nominal GDP growth of 11.5% and marginal adjustment in the fiscal deficit target to say, 5.3% of GDP in FY25, may accommodate a higher capital expenditure growth of close to 30%. Such a combination appears to be within the feasibility range.

Table 7: Fiscal arithmetic for FY24 and FY25

Item	FY23 Actual (CGA)	FY24 BE	FY24 (8 months)	FY24 (e)	FY25 (e)	Growth of FY24 (e) over FY23 actual	Growth of FY25 (e) over FY24 (e)	FY24 (e)	FY25 (e)
	INR Lakh crore					% annual		% to GDP	
Gross tax revenues	30.54	33.61	20.42	34.62	39.12	13.4	13.0	11.67%	11.94%
Assignment to states	9.48	10.21	6.01	10.61	11.99	11.9	13.0	3.58%	3.66%
Net tax revenue	20.97	23.31	14.36	24.01	27.13	14.5	13.0	8.09%	8.28%
Non-Tax revenue	2.86	3.02	2.84	3.39	3.73	18.3	10.0	1.14%	1.14%
Revenue receipts	23.84	26.32	17.20	27.39	30.85	14.9	12.6	9.24%	9.41%
Non-debt capital receipts	0.72	0.84	0.25	0.72	0.79		10.0	0.24%	0.24%
Total non-debt receipts	24.56	27.16	17.46	28.11	31.65	14.5	12.6	9.48%	9.66%
Fiscal deficit	**17.33**	**17.87**	**9.07**	**17.50**	**17.05**	--	--	**5.90%**	**5.20%**
Total Expenditure	41.89	45.03	26.52	45.61	48.69	8.9	6.8	15.38%	14.86%
Revenue Expenditure	34.53	35.02	20.67	35.56	36.63	3.0	3.0	11.99%	11.18%
Capital Expenditure	7.36	10.01	5.86	10.05	12.07	36.6	20.0	3.39%	3.68%
Revenue deficit	10.69	8.70	3.46	8.17	5.78	--	--	2.75%	1.76%
Debt	**147.16**	**163.85**		**164.66**	**181.71**	--	--	**55.52%**	**55.45%**
Nominal GDP	***272.41***			***296.58***	***327.72***	***8.9***	***10.5***		

Source (basic data): Union Budget FY24, CGA, and MoSPI
Note: Our estimates are denoted by (e)

5.6 Conclusions

GoI's FY25 interim budget due to be presented on 1 February 2024 may be of significance to the extent that it can provide an assessment of the health of central government finances and specify a glide path for fiscal consolidation. In FY24, the budgeted fiscal deficit is 5.9% of GDP. This is likely to be achieved. However, it is nearly twice the FRBM fiscal deficit to the GDP target of 3% for the central government. Correspondingly, the debt-GDP ratio at 54% is also well above the target of 40%. In this writeup, we have argued that, based on the possibility of sustaining a nominal GDP growth at 10.5%, it may take up to 13 years to reach a debt-GDP level of 40%. This is based on successfully reducing the fiscal deficit to GDP ratio to 3% by FY29. However, if fiscal deficit is retained at 4% of GDP FY27 onwards, it would not be possible to reach a debt-GDP level of 40% with a nominal growth rate of 10.5%. In fact, the equilibrium value of GoI's debt-GDP ratio when the fiscal deficit is 4% of GDP and nominal growth is 10.5% would be 42.1%. There are many possibilities of slippage in reaching the statutory FRBM debt target of 40% for the GoI. We have shown that if there is a shock, slowing down the growth in say about five years, reaching the debt target would take up to FY43. The GoI should specify the assumptions regarding the trajectories of fiscal deficit and the nominal growth to indicate a realistic path to achieve the FRBM targets. We have also shown that if fiscal deficit is to be reduced in FY25 from the current levels, the GoI's capital expenditure growth will have to be adjusted downwards. This adjustment would become larger and larger as fiscal deficit is reduced progressively more to reach 3% of GDP. Since it is the government capital expenditure which is currently supporting growth, a realistic combination of fiscal deficit reduction and a reduction in capital expenditure growth will also have to be worked out in the forthcoming FY25 Interim Budget.

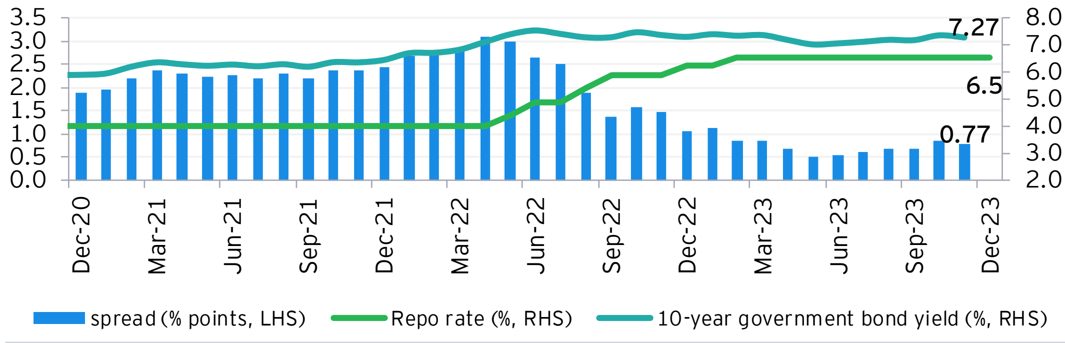
6 Money and finance: gross bank credit posted a strong growth of 16.2% in November 2023

6.1 Monetary sector

Monetary policy

- In the monetary policy review held in December 2023, all members of the Monetary Policy Committee (MPC) unanimously voted to retain the repo rate at 6.5% **(Chart 10)**. The RBI noted that the headline CPI inflation continued to show volatility even while core disinflation remained steady. Further, it noted that recurring food price shocks pose an upside risk to the ongoing disinflation process.
- In RBI's assessment, risks to inflation outlook may emanate from (a) domestic food inflation unpredictability and (b) volatility in crude oil prices and financial markets on account of the ongoing geopolitical uncertainty.

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



Growth in gross bank credit increased to a five-month high of 16.2% in November 2023 from 15.2% in October 2023.

Source: Database on Indian Economy, RBI

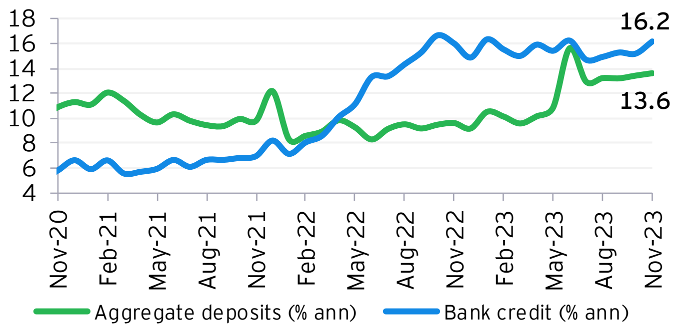
Money stock

- Broad money stock (M3) continued to show a double-digit growth for the ninth successive month, although, easing marginally to 11.5% in December 2023 from 11.8% in November 2023. Time deposits, the largest component of M3, grew by 13.0% in December 2023, close to its level of 13.2% in November 2023.
- Growth in M1 eased to 7% in December 2023 from 7.9% in November 2023 as growth in demand deposits and currency with the public eased. Growth in demand deposits moderated to 10% in December 2023 from 11.7% in November 2023 while that in currency with the public fell to 4.3% in December 2023 from 5.2% in November 2023.

Aggregate credit and deposits

- Growth in gross bank credit increased to a five-month high of 16.2% in November 2023 from 15.2% in October 2023 **(Chart 11)**.
- Non-food credit maintained its strong growth momentum at 16.3% in November 2023, led by higher growth in credit offtake across key sectors of the economy.
- Sectoral bank credit data indicate that credit to services, with an average share of about 27% in total non-food credit (last five years), showed the highest growth of 21.9% in November 2023, improving from 20.1% in October 2023.

Chart 11: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Growth in credit to the agricultural sector increased to a five-month high of 18.2% in November 2023, from 17.5% in October 2023.
- Personal loans, a key component of retail loans, with a share of close to 29% on average in total non-food credit (last five years), posted a strong growth of 18.6% in November 2023, increasing from 18.0% in October 2023.
- Outstanding credit to industries, with a share of close to 29% on average in total non-food credit (last five years), grew by 6.1% in November 2023 as compared to 5.4% in October 2023. Within the industrial sector, there was a

broad-based improvement in credit growth across the key sub-industries. In particular, growth in credit to iron and steel was the highest at 18.4% in November 2023 followed by cement at 16.7%, textiles at 14.6% and drugs and pharmaceuticals at 11.8%.

- Growth in credit to infrastructure, having the largest share of over 37% on average in total industrial credit (last five years), remained low at 2.1% in November 2023, although marginally improving from 1.0% in October 2023.
- Growth in aggregate deposits of residents increased to 13.6% in November 2023 from 13.4% in October 2023.

6.2 Financial sector

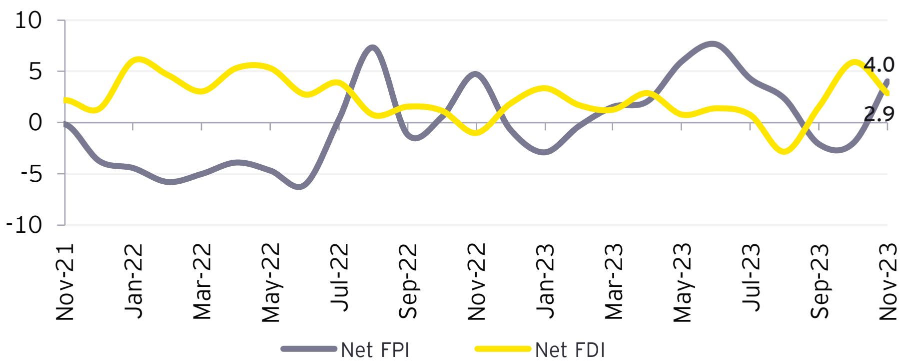
Interest rates

- As per the data released by the RBI in the first week of January 2024, the average interest rate on term deposits with a maturity period of more than one year was increased marginally to 6.68% in December 2023 from 6.63% in November 2023. At the lower end, the term deposit rate averaged 6.10% during the month, while at the upper end it was 7.25%.
- The MCLR averaged 8.23% for the second successive month in December 2023, ranging between 7.95% and 8.50%.
- The average yield on 10-year government bonds eased marginally to 7.22% in December 2023 from 7.27% in November 2023 **(Chart 10)**. During the first nine months of FY24, benchmark bond yields averaged 7.17%, lower as compared to 7.34% during the corresponding period of FY23.
- WALR on fresh rupee loans by SCBs fell to 9.3% in November 2023 from 9.5% in October 2023.

FDI and FPI

- As per the provisional data released by the RBI on 18 January 2024, overall foreign investments[4] (FIs) increased to US$6.9 billion in November 2023 from US$3.9 billion in October 2023 as net portfolio investments turned positive.

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



Source: Database on Indian Economy, RBI

Net FDI inflows moderated to US$2.9 billion in November 2023 from US$5.9 billion in October 2023.

- Net FPIs turned positive, registering inflows amounting to US$4.0 billion in November 2023 as compared to outflows of US$2.0 billion in October 2023. During April-November FY24, on a cumulated basis, net FPI inflows amounted to US$22.3 billion as compared to net outflows of US$2.8 billion during the corresponding period of FY23.
- Net FDI inflows moderated to US$2.9 billion in November 2023 from US$5.9 billion in October 2023 **(Chart 12)**. During April-November FY24, net FDI inflows were lower at US$13.3 billion as compared to US$19.8 billion during the corresponding period of FY23.
- Gross FDI inflows fell to US$5.1 billion in November 2023 from US$8.4 billion in October 2023. On a cumulated basis, gross FDI inflows amounted to US$46.6 billion during April-November FY24 as compared to US$49 billion during April-November FY23.

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

7 Trade and CAB: current account deficit remained low at 1.0% in 2QFY24

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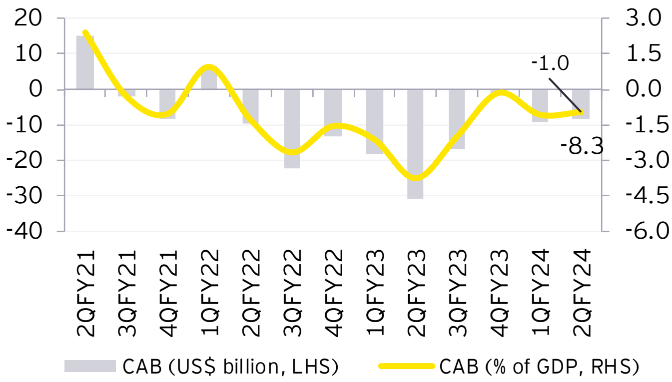
7.1 CAB: current account deficit marginally declined to 1.0% in 2QFY24 from 1.1% in 1QFY24

- Net merchandise trade deficit widened to a three quarter high of 7.0% of GDP in 2QFY24 from 6.6% in 1QFY24. Merchandise imports increased by 0.8% points to 19.6% of GDP in 2QFY24 from 18.8% in 1QFY24, as compared to a 0.3% points rise in merchandise exports to 12.5% of GDP from 12.2% during the same period.
- Net invisibles were higher at 6.1% relative to GDP in 2QFY24 as compared to 5.5% in 1QFY24, reflecting a substantial improvement in net service exports to 4.6% of GDP in 2QFY24 from 4.1% in 1QFY24. Net private transfers were at a three quarter high of 2.9% of GDP in 2QFY24 whereas net foreign income fell to (-)1.4% of GDP in 2QFY24 from (-)1.2% in the previous quarter.

Table 8: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
FY20	-0.9	-24.7	-157.5	132.8
FY21	0.9	23.9	-102.2	126.1
FY22	-1.2	-38.8	-189.5	150.7
FY23	-2.0	-67.1	-265.3	198.2
3QFY23	-2.0	-16.8	-71.3	54.5
4QFY23	-0.2	-1.4	-52.6	51.2
1QFY24	-1.1	-9.2	-56.6	47.4
2QFY24	-1.0	-8.3	-61.0	52.7

Chart 13: CAB



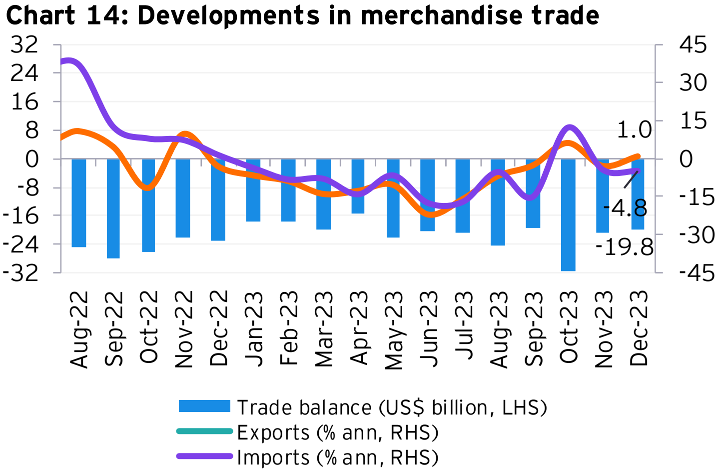
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

7.2 Merchandise trade and exchange rate

Growth in merchandise exports turned positive at 1.0% in December 2023 while merchandise imports contracted by (-)4.8%, marginally higher than (-)4.3% in November 2023, reflecting slowdown in global economic activity and lower global crude prices (Chart 14).

- The recovery in exports growth was led by exports of engineering goods, electronic goods and drugs and pharmaceuticals which grew by 10.2%, 14.4% and 9.3% respectively in December 2023 as compared to (-)3.1%, 1.1% and 7.3% respectively in November 2023. Despite these high growth rates, overall export performance remained subdued due to the contraction in value of exports of petroleum products at (-)17.6% in December 2023 mainly attributable to lower global crude prices.
- Within imports, petroleum and crude showed a sharp contraction at (-)22.8% in December 2023 as compared to (-)8.5% in November 2023 whereas contraction in transport equipment fastened to (-)55.1% in December 2023 from (-)18.6% in November 2023. Growth in gold imports increased to 156.5% from 6.2% over the same period.
- Exports excluding oil, gold and jewelry grew by 5.4% in December 2023 after showing a contraction of (-)2.8% in November 2023. Imports of this category contracted by (-)0.3% in December 2023 as compared to zero growth in November 2023.
- Merchandise trade deficit remained nearly stable at US$19.8 billion in December 2023 as compared to US$20.6 billion in November 2023. It was earlier at an unprecedented high of US$31.5 billion in October 2023.
- The INR remained stable at INR83.3 per US$ (avg.) in November and December 2023.

Chart 14: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

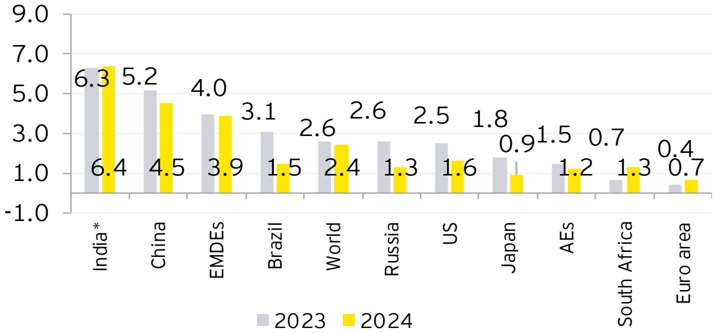
8 Global growth: World Bank projected global growth at 2.6% in 2023 and 2.4% in 2024

8.1 Global growth

The World Bank has projected global growth at 2.6% in 2023, with India's FY24 growth forecasted at 6.3%.

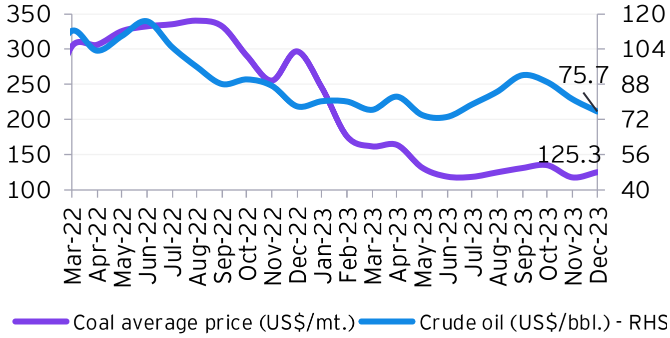
- The World Bank (Global Economic Prospects, January 2024) has projected global growth to ease to 2.4% in 2024, the third consecutive year of deceleration, reflecting the lagged and ongoing effects of tight monetary policies to rein in high inflation, restrictive credit conditions, and subdued global trade and investment.
- Growth in AEs is projected to slow from 1.5% in 2023 to 1.2% in 2024 owing to a slowdown in the growth of the US and a continuing subdued growth in the Euro area. Growth in EMDEs is estimated at 4% in 2023, easing marginally to 3.9% in 2024.
- Growth in the US was resilient at 2.5% in 2023, driven by strong consumer spending, supported by accumulated savings, tight labor markets, and a boost to disposable incomes from one-off tax adjustments. However, growth is projected to fall to 1.6% in 2024 with high real interest rates restraining activity.
- Growth in the Euro area slowed sharply to 0.4% in 2023 as high energy prices weighed on household spending and firms' activity, particularly in manufacturing **(Chart 15).** Growth in 2024 is expected to remain anemic at 0.7% as lagged effects of past monetary policy is expected to keep domestic demand, especially business investment, subdued.
- In Japan, growth bounced back to 1.8% in 2023, driven by post-pandemic pent-up demand and a rebound in auto exports and inbound tourism. Once this rebound tapers off, growth is forecasted to fall to 0.9% in 2024.
- Growth in China is projected at 5.2% in 2023, 0.4% points lower than the June 2023 forecast as the boost to consumption from the lifting of pandemic related restrictions turned out to be short-lived and the downturn in the property sector intensified. In 2024, growth is forecasted to slow to 4.5%, the slowest expansion in over three decades except for the pandemic-affected years of 2020 and 2022.
- GDP growth in India is projected to be strong at 6.3% in 2023 (FY24) driven by robust public investment growth and vibrant services activity owing to resilient domestic demand for consumer services and exports of business services. The World Bank assesses India to maintain the fastest growth rate among the world's largest economies in 2024 (FY25) as well at 6.4%.

Chart 15: Global growth projections (%)



Source: World Bank Global Economic Prospects (January 2024)
*Data pertains to fiscal years FY24 and FY25, respectively

Chart 16: Global crude and coal prices



Source (basic data): World Bank Pink Sheets, January 2024

8.2 Global energy prices: global crude price fell to a six-month low in December 2023

- Average global crude price[5] moderated from US$81.4/bbl. in November 2023 to a six-month low of US$75.7/bbl. in December 2023 primarily owing to subdued global demand[6] **(Chart 16).** On a quarterly basis, global crude price averaged US$82.1/bbl. in 3QFY24, lower than US$85.3/bbl. in 2QFY24.
- Average global coal price[7] increased slightly to US$125.3/mt. in December 2023 from a 30-month low level of US$117.9/mt. in November 2023. Global coal price averaged US$126.2/mt. in 3QFY24 as compared to US$125/mt. in 2QFY24.

[5] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[6] https://rb.gy/ppvwdm
[7] Simple average of Australian and South African coal prices.

9 Index of Aggregate Demand (IAD): growth eased to 7.7% in November 2023

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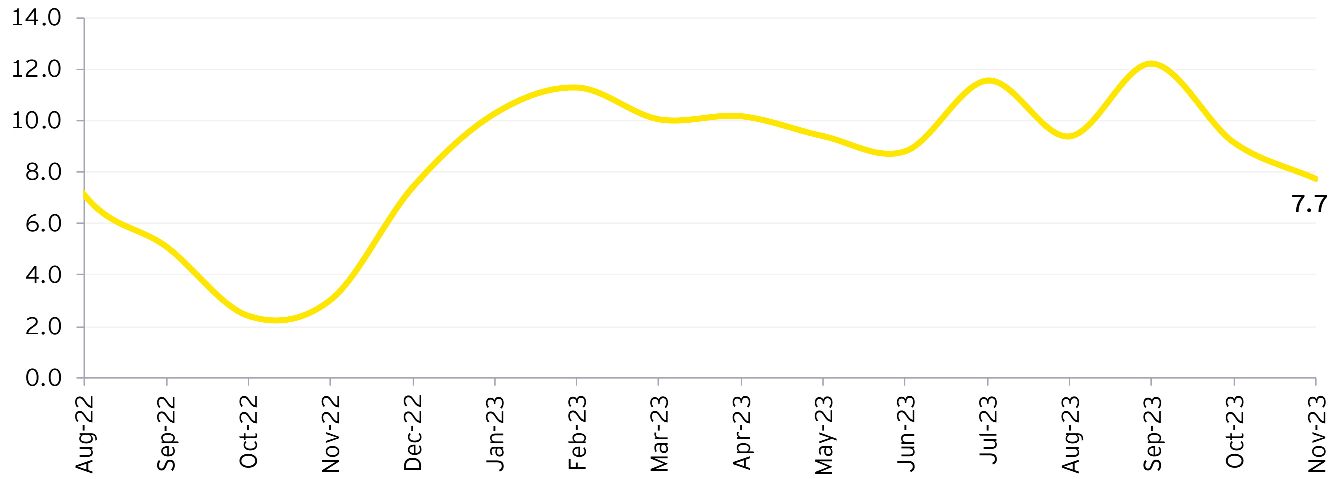
9.1 Growth in IAD moderated to 7.7% in November 2023 from 9.2% in October 2023

- IAD[8] growth at 7.7% in November 2023 was lower than 9.2% in October 2023 **(Chart 17 and Table 9)** as demand conditions in services sector eased.
- The services sector saw a moderation in demand conditions in November 2023. This was evident from PMI services which expanded by 56.9 in November 2023, its slowest pace of expansion since November 2022.
- Demand conditions in the manufacturing sector showed improvement in November 2023 as indicated by manufacturing PMI which expanded at 56.0 during the month as compared to 55.5 in October 2023.
- Demand conditions in the agricultural sector also remained strong as reflected by agricultural credit offtake, which posted a growth of 18.0% (sa)[9] in November 2023 from 17.2% in October 2023.

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



Source (Basic data): S&P - IHS Markit PMI, RBI and EY estimates
Note: From this issue onwards, we will be using seasonally adjusted data for constructing the IAD.

Table 9: IAD

Month	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
IAD	158.2	164.2	164.9	164.9	167.8	167.0	168.0	165.3	165.7
Growth (% y-o-y)	10.1	10.2	9.4	8.8	11.6	9.4	12.2	9.2	7.7
Growth in agr. Credit	15.7	16.8	16.1	19.6	16.8	16.6	16.9	17.2	18.0
Mfg. PMI**	6.4	7.2	8.7	7.8	7.7	8.6	7.5	5.5	6.0
Ser. PMI**	7.8	12.0	11.2	8.5	12.3	10.1	11.0	8.4	6.9

**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 seasonally adjusted.

Source (basic data): S&P Global, RBI and EY estimates.

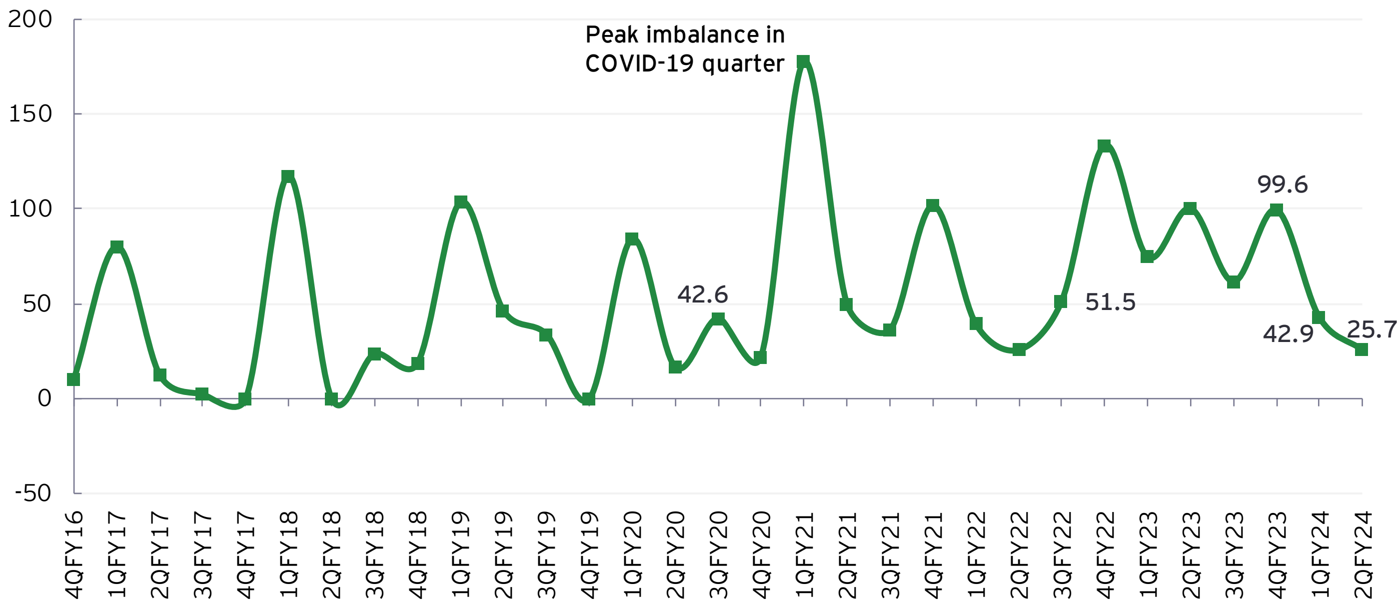
[8] EY has developed an Index of Aggregate Demand (IAD) to reflect the monthly combined demand conditions in the agriculture, manufacturing, and services sectors. It considers the movements in PMI for manufacturing and services, both measured in seasonally adjusted (sa) terms, tracing the demand conditions in these sectors. Movements in the monthly agricultural credit off-take (sa) capture the demand conditions in the agricultural sector.
[9] We have constructed a seasonally adjusted series for agricultural credit using Census X-13 technique in E-views (version 12) and the growth of this SA agricultural credit series is used in the IAD series.

10 Index of Macro Imbalance (IMI): pointed to further improvement in macro balance in 2QFY24

IMI fell further to 25.7 in 2QFY24 from 42.9 in 1QFY24

- IMI[10] pointed to sustained improvement in macro balance in 2QFY24 with the index value falling to 25.7 from 42.9 in 1QFY24 **(Chart 18)**. This may be attributable to a lower current account deficit as well as a lower fiscal deficit during the quarter.
- Current account deficit at 1.0% of GDP in 2QFY24 was below its benchmark value of 1.3%. CAD therefore did not contribute to macro imbalance in 2QFY24.
- GoI's fiscal deficit averaged 3.5% of GDP in 2QFY24 and was slightly higher than the benchmark value of 3% of GDP. It therefore contributed only marginally to the macro imbalance in 2QFY24.
- CPI inflation averaged 6.4% in 2QFY24, increasing from 4.6% in 1QFY24, and it was higher than its benchmark value of 4%. Thus, CPI inflation contributed the maximum to the macro imbalance during the quarter.

Chart 18: IMI (quarterly)



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

[10] 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% of GDP (*Rangarajan 2016*). 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.
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.)

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							
FY20	-0.8	1.6	-1.4	0.9	0.4	FY20	52.3	51.9
FY21	-8.5	-7.8	-9.6	-0.5	-6.4	FY21	50.2	41.7
FY22	11.4	12.2	11.7	8.0	10.4	FY22	54.0	52.3
FY23	5.2	5.8	4.6	8.9	7.7	FY23	55.6	57.3
3QFY23	2.8	7.6	1.4	7.9	4.9	4QFY23	55.7	58.1
4QFY23	4.5	6.9	3.9	6.0	7.0	1QFY24	57.9	60.6
1QFY24	4.8	6.4	5.1	1.3	6.0	2QFY24	57.9	61.1
2QFY24	7.7	11.5	6.7	11.1	10.4	3QFY24	55.5	58.1
Aug-23	10.9	12.3	10.0	15.3	13.4	Sep-23	57.5	61.0
Sep-23	6.2	11.5	4.9	9.9	9.2	Oct-23	55.5	58.4
Oct-23	11.6	13.1	10.2	20.4	12.0	Nov-23	56.0	56.9
Nov-23	2.4	6.8	1.2	5.8	7.8	Dec-23	54.9	59.0

Source: MoSPI, Office of the Economic Adviser, Ministry of Commerce and Industry and S&P Global

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				
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
FY22	5.5	3.8	11.3	6.1	13.0	6.8	11.1	32.5	11.0
FY23	6.7	6.6	10.3	6.2	9.4	6.3	5.6	28.1	5.8
4QFY23	6.2	5.6	9.8	6.2	3.3	2.7	1.4	12.5	1.6
1QFY24	4.6	3.8	4.7	5.2	-2.9	-0.8	-2.7	-7.1	-2.0
2QFY24	6.4	9.3	2.6	4.8	-0.6	5.5	-2.1	-7.6	-1.9
3QFY24	5.4	8.3	-0.7	4.1	0.2	3.8	-0.8	-2.9	-0.6
Sep-23	5.0	6.6	-0.1	4.5	-0.1	1.9	-1.3	-3.3	-1.2
Oct-23	4.9	6.6	-0.4	4.3	-0.3	1.5	-1.1	-1.6	-0.9
Nov-23	5.6	8.7	-0.8	4.1	0.3	4.7	-0.6	-4.6	-0.4
Dec-23	5.7	9.5	-1.0	3.8	0.7	5.4	-0.7	-2.4	-0.5

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

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
FY20 (CGA)	-3.4	-16.1	4.0	-7.8	1.7	4.7	3.3
FY21 (CGA)	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.3
FY22 (CGA)	33.8	55.7	43.5	49.6	20.1	6.7	4.4
FY23 (CGA)	12.7	16.0	20.0	17.9	7.2	6.4	3.9
FY24 (BE over FY 23 RE)	10.4	10.5	10.5	10.5	10.4	5.9	2.9
	Cumulated growth (%, y-o-y)					% of budgeted target	
Apr-23	-6.1	-32.0	7.8	-9.2	0.0	7.5	6.4
May-23	-1.6	-28.0	12.6	-4.0	1.6	11.8	5.2
Jun-23	3.3	-13.9	11.0	-1.0	9.0	25.3	21.1
Jul-23	2.8	-10.4	6.4	-1.1	7.8	33.9	34.7
Aug-23	16.5	15.1	35.7	26.6	7.8	36.0	32.7
Sep-23	16.3	20.2	31.1	25.4	6.5	39.3	26.6
Oct-23	14.0	17.4	31.1	24.1	3.5	45.0	32.2
Nov-23	14.7	20.1	29.4	24.8	4.8	50.7	39.8

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 (GoI)
	INR crore				
FY23 (RE)	7,24,000	-	-	1,30,000	8,54,000
FY24 (BE)	8,11,600	-	-	1,45,000	9,56,600
Monthly tax collection (INR crore)					
Apr-23	80,902	308	-9,304	11,861	83,767
May-23	60,667	263	951	11,241	73,122
Jun-23	64,810	343	1,605	11,822	78,580
Jul-23	67,234	250	-2,396	11,392	76,480
Aug-23	62,720	306	6,250	11,430	80,706
Sep-23	61,731	199	1,686	11,385	75,001
Oct-23	70,510	1,122	-15,888	11,898	67,642
Nov-23	66,079	251	4,301	11,802	82,433

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
Feb-23	6.50	FY20	9.5	9.9	43.0	1.4	FY20	11.2	8.9	6.83	475.6
Mar-23	6.50	FY21	6.0	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Apr-23	6.50	FY22	6.7	9.7	38.6	-16.8	FY22	10.6	8.7	6.40	617.6
May-23	6.50	FY23	14.5	9.5	28.0	-5.2	FY23	6.8	9.0	7.35	578.4
Jun-23	6.50	3QFY23	15.8	9.4	2.0	4.6	4QFY23	6.9	9.0	7.36	578.4
Jul-23	6.50	4QFY23	15.6	10.1	6.4	-1.7	1QFY24	7.5	10.6	7.08	595.1
Aug-23	6.50	1QFY24	15.9	12.2	5.1	15.7	2QFY24	7.3	10.8	7.16	586.9
Sep-23	6.50	2QFY24	15.0	13.1	-0.5	4.5	3QFY24	7.0	11.5	7.28	623.2
Oct-23	6.50	Aug-23	14.9	13.2	-2.8	2.3	Sep-23	7.3	10.8	7.17	586.9
Nov-23	6.50	Sep-23	15.3	13.2	1.5	-2.1	Oct-23	6.4	11.4	7.35	586.1
Dec-23	6.50	Oct-23	15.2	13.4	5.9	-2.0	Nov-23	7.9	11.8	7.27	597.9
Jan-23	6.50	Nov-23	16.2	13.6	2.9	4.0	Dec-23	7.0	11.5	7.22	623.2

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		
FY20	-5.1	-8.2	-157.4	70.9	58.5	70.4	2013	3.4	1.4	5.0
FY21	-7.0	-16.6	-101.4	74.2	43.8	67.2	2014	3.5	2.0	4.7
FY22	44.7	56.0	-191.0	74.5	78.4	164.8	2015	3.4	2.3	4.3
FY23	3.8	15.1	-267.9	80.4	92.7	283.4	2016	3.2	1.8	4.4
4QFY23	-10.1	-6.7	-54.9	82.3	79.0	194.4	2017	3.8	2.5	4.8
1QFY24	-15.2	-12.8	-57.5	82.2	76.6	138.3	2018	3.6	2.3	4.6
2QFY24	-8.6	-12.5	-64.2	83.0	85.3	125.0	2019	2.8	1.7	3.6
3QFY24	1.3	1.0	-71.9	83.3	82.1	126.2	2020	-2.8	-4.2	-1.8
Sep-23	-2.6	-15.0	-19.4	83.0	92.2	131.2	2021	6.3	5.6	6.9
Oct-23	6.2	12.3	-31.5	83.2	89.1	135.3	2022	3.5	2.6	4.1
Nov-23	-2.8	-4.3	-20.6	83.3	81.4	117.9	2023	3.0	1.5	4.0
Dec-23	1.0	-4.8	-19.8	83.3	75.7	125.3	2024	2.9	1.4	4.0

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook (WEO) October 2023

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
FY21 (2nd RE) *	-4.2	4.1	-8.6	2.9	-4.3	-5.7	-19.7	2.1	-7.6	3.3
FY22 (1st RE)*	8.8	3.5	7.1	11.1	9.9	14.8	13.8	4.7	9.7	8.3
FY23 (PE)$	7.0	4.0	4.6	1.3	9.0	10.0	14.0	7.1	7.2	7.9
FY24 (FAE)	6.9	1.8	8.1	6.5	8.3	10.7	6.3	8.9	7.7	1.0
2QFY22	9.3	4.8	10.6	6.6	10.8	10.8	13.1	7.0	16.8	8.0
3QFY22	4.7	2.3	5.4	1.3	6.0	0.2	9.2	4.3	10.6	9.4
4QFY22	3.9	4.1	2.3	0.6	6.7	4.9	5.0	4.6	5.2	9.7
1QFY23	11.9	2.4	9.5	6.1	14.9	16.0	25.7	8.5	21.3	12.5
2QFY23	5.4	2.5	-0.1	-3.8	6.0	5.7	15.6	7.1	5.6	10.1
3QFY23	4.7	4.7	4.1	-1.4	8.2	8.3	9.6	5.7	2.0	6.0
4QFY23	6.5	5.5	4.3	4.5	6.9	10.4	9.1	7.1	3.1	4.0
1QFY24	7.8	3.5	5.8	4.7	2.9	7.9	9.2	12.2	7.9	0.2
2QFY24	7.4	1.2	10.0	13.9	10.1	13.3	4.3	6.0	7.6	1.5

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY21 and FY22 are based on NAS released by the MoSPI on 28 February 2023 and the subsequent data file rele ased on 1 March 2023.
$Growth numbers for FY23 are based on the provisional estimates released by MoSPI on 31 May 2023. FAE for FY24 was released on 5 January 2023

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY21 (2nd RE) *	-5.8	-5.2	-0.9	-7.3	-9.1	-13.7	4.7
FY22 (1st RE)*	9.1	11.2	6.6	14.6	29.3	21.8	8.5
FY23 (PE)$	7.2	7.5	0.1	11.4	13.6	17.1	8.2
FY24 (FAE)	7.3	4.4	4.1	10.3	1.4	13.2	1.4
2QFY22	9.1	14.2	11.7	12.4	25.1	26.6	8.5
3QFY22	5.2	10.8	5.8	1.2	27.8	19.7	8.7
4QFY22	4.0	4.7	11.8	4.9	22.4	6.7	8.7
1QFY23	13.1	19.8	1.8	20.4	19.6	33.6	12.9
2QFY23	6.2	8.3	-4.1	9.6	12.2	23.1	10.3
3QFY23	4.5	2.2	-0.6	8.0	11.1	10.7	6.6
4QFY23	6.1	2.8	2.3	8.9	11.9	4.9	4.1
1QFY24	7.8	6.0	-0.7	8.0	-7.7	10.1	0.2
2QFY24	7.6	3.1	12.4	11.0	4.3	16.7	1.4

Source: National Accounts Statistics, MoSPI
* Growth numbers for FY21 and FY22 are based on NAS released by the MoSPI on 28 February 2023 and the subsequent data file rele ased on 1 March 2023. $Growth numbers for FY23 are based on the provisional estimates released by MoSPI on 31 May 2023. FAE for FY24 was released on 5 January 2023.

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	Disc.	discrepancies
18	ECBs	external commercial borrowings
19	Elec.	electricity, gas, water supply and other utility services
20	EMDEs	Emerging Market and Developing Economies
21	EXP	exports
22	FAE	first advance estimates
23	FC	Finance Commission
24	FII	foreign investment inflows
25	Fin.	financial, real estate and professional services
26	FPI	foreign portfolio investment
27	FRBMA	Fiscal Responsibility and Budget Management Act
28	FRL	Fiscal Responsibility Legislation
29	FY	fiscal year (April–March)
30	GDP	Gross Domestic Product
31	GFCE	government final consumption expenditure
32	GFCF	gross fixed capital formation
33	GoI	Government of India
34	G-secs	government securities
35	GST	Goods and Services Tax
36	GVA	gross value added
37	IAD	Index of Aggregate Demand
38	IBE	interim budget estimates

Sr. no.	Abbreviations	Description
39	ICRIER	Indian Council for Research on International Economic Relations
40	IEA	International Energy Agency
41	IGST	Integrated Goods and Services Tax
42	IIP	Index of Industrial Production
43	IMF	International Monetary Fund
44	IMI	Index of Macro Imbalance
45	IMP	imports
46	INR	Indian Rupee
47	IPD	implicit price deflator
48	MCLR	marginal cost of funds-based lending rate
49	Mfg.	manufacturing
50	MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act
51	Ming.	mining and quarrying
52	m-o-m	month-on-month
53	Mt	metric ton
54	MoSPI	Ministry of Statistics and Programme Implementation
55	MPC	Monetary Policy Committee
56	MPF	Monetary Policy Framework
57	NEXP	net exports (exports minus imports of goods and services)
58	NSO	National Statistical Office
59	NPA	non-performing assets
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	PPP	Purchasing power parity
67	PSBR	public sector borrowing requirement
68	PSU/PSE	public sector undertaking/public sector enterprises
69	RE	revised estimates
70	RBI	Reserve Bank of India
71	SLR	Statutory Liquidity Ratio
72	Trans.	trade, hotels, transport, communication and services related to broadcasting
73	US$	US Dollar
74	UTGST	Union Territory Goods and Services Tax
75	WALR	weighted average lending rate
76	WHO	World Health Organization
77	WPI	Wholesale Price Index
78	y-o-y	year-on-year
79	1HFY20	first half of fiscal year 2019-20, i.e., April 2019-September 2019

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