92nd issue

Economy Watch

Monitoring India's macro-fiscal performance

June 2024

ENTER

Building a better working world

Contents

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

D.K. Srivastava, Chief Policy Advisor, EY: dk.srivastava@in.ey.com

Muralikrishna Bharadwaj, Senior Manager, EY: muralikrishna.b@in.ey.com

Tarrung Kapur, Senior Manager, EY: tarrung.kapur@in.ey.com

Ragini Trehan, Senior Manager, EY: ragini.trehan@in.ey.com

Highlights

1. The quarterly national accounts data released by the MoSPI on 31 May 2024 showed a real GDP growth of 7.8% in 4QFY24. With this, the FY24 real GDP growth was at 8.2%, accelerating from 7% in FY23.

2. In May 2024, both manufacturing and services PMI indicated a slower but substantial expansion with their respective levels at 57.5 and 60.2.

3. Led by a moderation in the growth of manufacturing output, IIP growth eased to 5.0% in April 2024 from 5.4% in March 2024.

4. CPI inflation at 4.7% in May 2024 continued its downward trend since January 2024. Core CPI inflation at 3.0% in May 2024 was at its lowest level in the 2012 base series.

5. WPI inflation remained low at 2.6% in May 2024, although higher than 1.3% in April 2024, mainly due to benign inflation in manufactured products and fuel and power.

6. The RBI retained the repo rate, for the eighth consecutive time, at 6.5% in its June 2024 monetary policy review.

7. As per the CGA, GoI's gross tax revenues (GTR) showed a strong growth of 13.5% in FY24 with growth in direct taxes at 17.6% and that in indirect taxes at 8.3%.

8. GoI's total expenditure grew by 6.1% in FY24, with growth in capital expenditure at 28.8% and that in revenue expenditure at 1.2%.

9. GoI's fiscal and revenue deficits relative to GDP in FY24 stood at 5.6% and 2.6%, an improvement over the FY24 RE at 5.8% and 2.8% respectively.

10. Gross bank credit continued to show a double-digit growth of 15.3% in April 2024, although easing from 16.3% in March 2024.

11. Growth in merchandise exports increased to 9.1% and that in imports reduced marginally to 7.7% in May 2024 from 1.1% and 10.3% respectively in April 2024.

12. Current account showed a surplus for the first time in 10 quarters at 0.6% in 4QFY24. On an annual basis, current account deficit eased to 0.7% of GDP in FY24 from 2.0% in FY23.

13. Net FDIs turned positive, registering inflows amounting to US$4.0 billion in April 2024 as compared to net outflows of US$3.7 billion in March 2024.

14. Average global crude price eased from US$88/bbl. in April 2024 to a three-month low of US$81.4/bbl. in May 2024 owing to the expectation of continued high interest rates by the US Fed for longer than expected.

15. The United Nations has projected global growth at 2.7% in 2024 and 2.8% in 2025, with India's projected growth rates in these calendar years at 6.9% and 6.6% respectively.

Foreword

Robust government finances to sustain growth momentum

Driven by buoyant 4Q growth in manufacturing, construction, public administration and defence services, and financial and real estate services, India's full year FY24 real GDP growth turned out at 8.2%, exceeding the expectations of both domestic and multilateral institutions. While private final consumption expenditure growth has still been languishing at 4.0%, the main demand side push has come from gross fixed capital formation, which has grown at 9.0% in FY24. This has largely been driven by GoI's capital expenditure growth. The external sector drag has also lessened. In 4QFY24, the contribution of net exports turned positive after remaining negative for three successive quarters.

Government finances are also quite robust. Recent trends reflect a steady fall in GoI's fiscal deficit to GDP ratio from its peak of 9.2% in the COVID-affected year of FY21 to 5.6% in FY24 as per CGA data. The quality of fiscal deficit reflected by the ratio of revenue deficit to fiscal deficit has also improved from near 80% in FY21 to 46.3% in FY24. Both tax and non-tax revenues show strong growth with GoI's gross tax buoyancy at 1.4 in FY24. In spite of the elections, GoI's revenue expenditure growth has been kept low in the range of 1.2% to 7.8% over the period from FY22 to FY24. On the other hand, capital expenditure growth has averaged 29.7% over the last four years. This large investment push by the GoI is the main growth driver, resulting in India doing well despite continuing global tailwinds. We assess India's FY25 real GDP growth to be in the range of 7% to 7.5%. With this, FY25 would be the fourth successive year after the COVID-affected year of FY21 when the real GDP growth rate would be in excess of 7%.

Indian economy's robust growth performance is also reflected by the latest high frequency indicators. Both manufacturing and services PMI indicated a slower but substantial expansion with their respective levels at 57.5 and 60.2 in May 2024. In fact, services PMI has remained above 60 for the fifth successive month in May 2024. Gross GST collections also remained buoyant at INR1.73 lakh crore in May 2024, following the historic high level of monthly collections at INR2.1 lakh crore in April 2024. Gross bank credit continued to show a double-digit growth of 15.3% in April 2024. Growth in the output of eight core infrastructure industries improved to 6.2% in April 2024 from 6.0% in March 2024. CPI inflation at 4.7% in May 2024 continued its downward trend since January 2024. Core CPI inflation at 3.0% in May 2024 was at its lowest level in the 2012 base series. WPI inflation also remained low at 2.6% in May 2024, although slightly higher than 1.3% in April 2024. Growth in merchandise exports increased to 9.1% and that in imports reduced marginally to 7.7% in May 2024 from 1.1% and 10.3% respectively in April 2024. Current account data showed a surplus for the first time in 10 quarters at 0.6% in 4QFY24. On an annual basis, current account deficit eased to 0.7% of GDP in FY24 from 2.0% in FY23. As per the data available from RBI, India's foreign exchange reserves reached an all time high of US$651.5 billion as on 31 May 2024.

The GoI will present the final FY25 budget in July 2024, revising the assessments as per the interim budget presented earlier in February 2024. By now, a clearer idea of FY24 actuals based on CGA data is available so that the RE for FY24 given in the interim budget can be updated. Our budget arithmetic contained in this month's in-focus section titled "Fiscal trends and FY25 budget prospects", discusses the available options for the GoI. Our expectation is that in the light of continued drag on global growth, the GoI would continue to strengthen capital expenditure growth while also signaling its commitment to fiscal consolidation by reducing its fiscal deficit to GDP ratio to close to 5% in FY25. The government's continued emphasis and prioritization of infrastructure expansion while accommodating some required increase in revenue expenditure growth would ensure a healthy GDP growth while progressively increasing space for private sector participation in additional investment. These trends would be in line with the objective of laying solid foundations for a medium-term growth of 7% plus. Ensuring this level of medium-term growth would also require maintaining the savings ratio in the range of 31% to 32% of GDP. The causes of the recent fall in the nominal household sector financial savings relative to GDP to 5.1% in FY23 should be examined and addressed. This, in combination with net capital inflow of 1.5-2% of GDP, would ensure an investment ratio of 35-37% in real terms taking into account the relatively lower capital goods price deflator which provides a margin of 2% to 3% points while converting nominal investment ratio into real terms. Further, a sustained 7% plus growth should be balanced between rural and urban areas, and formal and informal sectors while favoring labor-intensive technologies. This would improve the employment elasticity of output.

While equity is important, the objective in the next few years should be to eliminate poverty. Extreme poverty in India, according to available information, has already been eliminated. The *Aatmanirbhar* strategy, especially focusing on knowledge intensive employment generating and strategic manufacturing, will serve India well in the long run while providing scope for increasing both services and goods exports.

D.K. Srivastava
Chief Policy Advisor, EY India

1 Growth: real GDP showed a robust growth of 8.2% in FY24

1.1 GDP and GVA: grew by 7.8% and 6.3%, respectively, in 4QFY24

- The quarterly national accounts data released by the MoSPI on 31 May 2024 showed that real GDP growth eased marginally to 7.8% in 4QFY24 from 8.6% in 3QFY24 **(Chart 1).** The provisional estimates (PE) showed that real GDP growth accelerated to 8.2% in FY24 from 7% in FY23.
- Among the domestic demand components, gross fixed capital formation (GFCF) posted the highest growth of 6.5% in 4QFY24 **(Table 1).** With a strong growth of 9% in FY24, the contribution of GFCF to overall GDP growth was the highest at 3% points.
- Growth in private final consumption expenditure (PFCE) and government final consumption expenditure (GFCE) showed was low at 4% and 0.9% respectively in 4QFY24. As per PE, growth in both PFCE and GFCE was subdued at 4% and 2.5% respectively in FY24.
- With regard to external demand, even while growth in imports remained stable at 8.3%, exports growth surged to 8.1% in 4QFY24, leading to a marginally positive contribution of net exports to real GDP growth at 0.1% point. However, with persistent weakness in global demand, net exports contribution to GDP growth was sharply negative at (-)2% points in FY24.
- On the output side, real GVA growth eased to marginally to 6.3% in 4QFY24 from 6.8% in 3QFY24.
- In 4QFY24, GVA growth was driven by robust growth in manufacturing at 8.9%, followed by construction at 8.7%, public administration and defence et al. at 7.8% and financial, real estate et al. sector at 7.6%.
- Agricultural GVA growth continued to remain low at 0.6% in 4QFY24, although marginally improving from 0.4% in 3QFY24.
- As per PE, real GVA grew by 7.2% in FY24, improving from 6.7% in FY23. This improvement was largely attributable to a robust growth in manufacturing GVA at 9.9% in FY24, following a contraction of (-)2.2% in FY23. Growth in GVA of construction also remained strong at 9.9% in FY24 as compared to 9.4% in FY23.
- Among the services sector, financial, real estate et al. showed the highest growth at 8.4% in FY24 although moderating from 9.1% in FY23. This was followed by public administration and defence et al. and trade, transport et al. sectors with a growth of 7.8% and 6.4% respectively in FY24 as compared to 8.9% and 12.0% in FY23.
- GVA growth in agriculture fell to an eight-year low of 1.4% in FY24 owing to deficient and uneven distribution of monsoon.

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

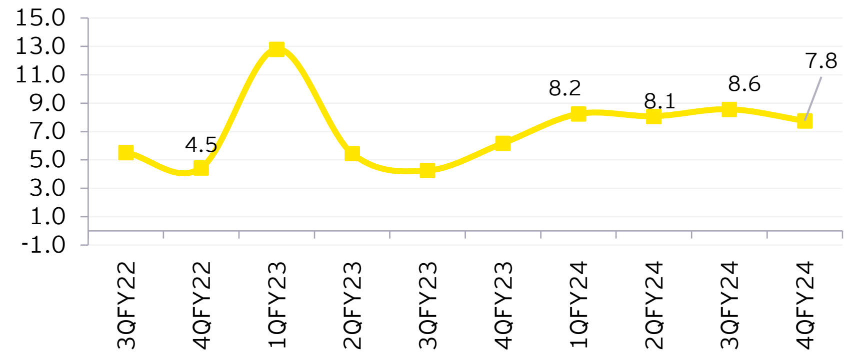


Table 1: Real GDP and GVA growth (%, annual)

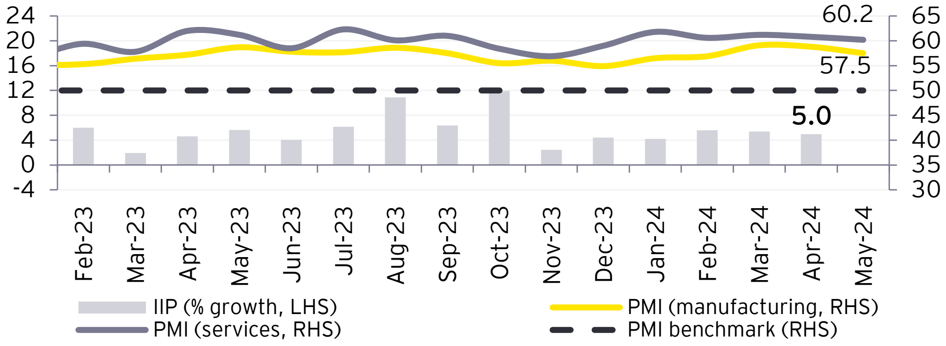
Agg. demand	4Q FY22	1Q FY23	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	*FY24 (PE)*
PFCE	6.2	18.5	8.2	1.8	1.5	5.5	2.6	4.0	4.0	**4.0**
GFCE	5.0	9.8	3.4	7.1	13.9	-0.1	14.0	-3.2	0.9	**2.5**
GFCF	6.4	13.9	4.7	5.0	3.8	8.5	11.6	9.7	6.5	**9.0**
EXP	22.5	19.1	11.7	10.9	12.4	-6.6	5.0	3.4	8.1	**2.6**
IMP	6.9	26.1	16.1	4.1	-0.4	15.2	11.6	8.7	8.3	**10.9**
GDP	**4.5**	**12.8**	**5.5**	**4.3**	**6.2**	**8.2**	**8.1**	**8.6**	**7.8**	**8.2**
Contr. NEXP (% pts)	***2.7***	***-1.4***	***-1.2***	***1.4***	***2.8***	***-5.5***	***-1.8***	***-1.3***	***0.1***	***-2.0***
Output side										
Agr.	5.5	2.7	2.3	5.2	7.6	3.7	1.7	0.4	0.6	**1.4**
Ming.	1.0	6.6	-4.1	1.4	2.9	7.0	11.1	7.5	4.3	**7.1**
Mfg.	-0.3	2.2	-7.2	-4.8	0.9	5.0	14.3	11.5	8.9	**9.9**
Elec.	7.2	15.6	6.4	8.7	7.3	3.2	10.5	9.0	7.7	**7.5**
Cons.	7.0	14.7	6.9	9.5	7.4	8.6	13.6	9.6	8.7	**9.9**
Trans.	6.2	22.1	13.2	9.2	7.0	9.7	4.5	6.9	5.1	**6.4**
Fin.	5.8	10.5	8.7	7.7	9.2	12.6	6.2	7.0	7.6	**8.4**
Publ.	3.2	23.6	7.3	3.5	4.7	8.3	7.7	7.5	7.8	**7.8**
GVA	**4.3**	**11.3**	**5.0**	**4.8**	**6.0**	**8.3**	**7.7**	**6.8**	**6.3**	**7.2**

Source: MoSPI, GoI

1.2 PMI: signaled easing growth momentum in both manufacturing and services in May 2024

- Headline manufacturing PMI (seasonally adjusted (sa)) fell from 58.8 in April 2024 to 57.5 in May 2024, indicating a slower but substantial improvement in the health of the manufacturing sector **(Chart 2).** The May 2024 level remained well above the long-term average of 53.9.
- Services PMI fell to 60.2 in May 2024, from 60.8 in April 2024. Nonetheless, services PMI remained above 60 for the fifth consecutive month in May 2024.
- Reflecting an easing growth momentum in both manufacturing and services sector activity, the composite PMI Output Index (sa) fell to 60.5 in May 2024 from 61.5 in April 2024.

Chart 2: PMI and IIP growth



Source: MoSPI and S&P Global.

In May 2024, both manufacturing and services PMI indicated a slower but substantial expansion with their respective levels at 57.5 and 60.2.

1.3 IIP: growth eased to 5.0% in April 2024

Led by a moderation in the growth of manufacturing output, IIP growth eased to 5.0% in April 2024 from 5.4% in March 2024.

- According to the quick estimates, IIP growth fell for the second successive month to 5.0% in April 2024 from 5.4% (revised) in March 2024 **(Chart 2).**
- Among the sub industries, the output of electricity sector grew by 10.2% in April 2024, its highest growth since October 2023. Owing to a favorable base effect, the mining sector output also showed a high growth of 6.7% in April 2024, increasing from 1.3% in March 2024.
- Growth in the output of manufacturing sector, however, slowed to 3.9% in April 2024 from 5.8% (revised) in March 2024. Within manufacturing sector, the segments which saw moderation in growth include pharmaceutical products (3.1%), other non-metallic mineral products (1.7%), other machinery and equipment (1.0%), and chemical and chemical products (0%). However, output of two sub-industries namely coke and refined petroleum products and motor vehicles, trailers et al. improved to 4.9% and 11.4% respectively in April 2024 from 0.9% and 6.5% respectively in March 2024.
- As per the 'use-based' classification of industries, output of consumer durables showed the highest growth of 9.8% in April 2024 as compared to 9.5% in March 2024. This was followed by infrastructure /construction sector, which showed a growth of 8.0% in April 2024 as compared to 7.4% (revised) in March 2024. Growth in the output of capital goods, which is usually volatile, eased to 3.1% in April 2024 from 6.6% in March 2024. However, output of consumer durables contracted by (-)2.4% in April 2024 following a growth of 5.3% in March 2024.
- Growth in the output of eight core infrastructure industries (core IIP) improved to 6.2% in April 2024 from 6.0% (revised) in March 2024. This pickup may be attributable to strong growth rates seen in the output of electricity (9.4%), natural gas (8.6%), coal (7.5%) and steel (7.1%) in April 2024. Growth in the output of petroleum refinery products and crude oil remained low at 3.9% and 1.6% respectively in April 2024.

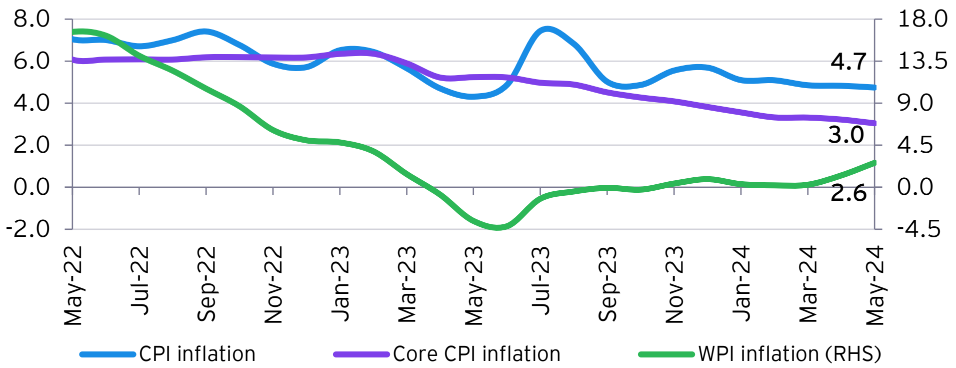
2 Inflation: CPI inflation eased to a 12-month low of 4.7% in May 2024

Home

2.1 CPI inflation

- CPI inflation moderated to 4.7% in May 2024, lower than 4.8% in April 2024, continuing its downward trend, which started in January 2024.
- Fuel and light inflation continued to remain negative at (-)3.8% in May 2024 as compared to (-)4.0% in April 2024 reflecting price cuts in LPG for households effective March 2024.
- Consumer food price index-based inflation remained stable at 8.7% in May 2024, the same level witnessed in April 2024. Inflation in vegetables remained elevated at 27.3% in May 2024, although marginally lower than 27.8% in April 2024.
- Inflation in housing, and clothing and footwear eased further to levels of 2.6% and 2.7% respectively in May 2024 from 2.7% and 2.9% respectively in the previous month.
- Inflation in transportation and communication services moderated to a 12-month low of 1.0% in May 2024, reflecting a favorable base effect.
- Core CPI inflation[1] at 3.0% in May 2024 **(Chart 3)** was at its lowest level in the 2012 base series.

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



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

CPI inflation at 4.7% in May 2024 continued its downward trend since January 2024. Core CPI inflation at 3.0% in May 2024 was at its lowest level in the 2012 base series.

2.2 WPI inflation: *remained low at 2.6% in May 2024, although higher than 1.3% in April 2024*

- WPI inflation continued to remain low, mainly due to benign inflation in manufactured products and fuel and power. It has, however, trended upwards since March 2024 due to waning base effects leading to higher inflation in food items, both in primary and manufactured form.
- Inflation in fruits and vegetables increased to a nine-month high of 19.7% in May 2024. Vegetable prices are showing a summer uptick after showing some moderation in winter months.
- Inflation in manufactured food products was at a 16-month high of 2.7% in May 2024.
- Inflation in fuel and power at 1.3% in May 2024, was marginally lower than 1.4% witnessed in April 2024. Even as inflation in mineral oils turned positive in May 2024 at 2.0% after showing a contraction for 13 successive months, its impact was neutralized by inflation in electricity which turned negative at (-)0.4% in May 2024 from 6.3% in April 2024.
- Inflation in crude petroleum and natural gas increased to an eight-month high of 9.8% in May 2024 owing largely to an unfavorable base effect.
- Core WPI inflation turned positive at 0.4% in May 2024 after showing a contraction for 14 consecutive months. Inflation in manufactured basic metals was positive for the first time since November 2022 at 0.3% in May 2024.

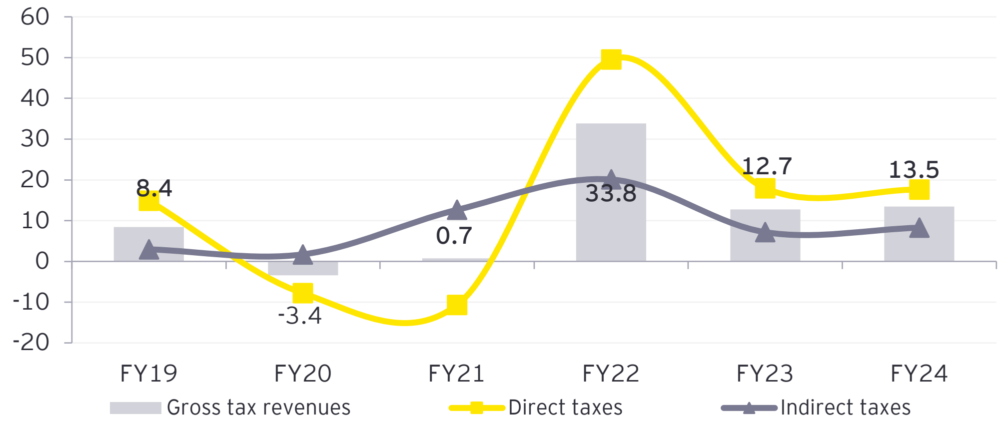
[1] Core CPI inflation is measured in different ways by different organizations/agencies. Here, it has been calculated by excluding food, and fuel and light from the overall index.

3 Fiscal: GoI's fiscal deficit stood at 5.6% of GDP in FY24, an improvement over the RE at 5.8%

3.1 Tax and non-tax revenues

- As per the CGA, GoI's GTR[b] showed a growth of 13.5% in FY24, higher than 12.7% in FY23 **(Chart 4)**. GTR as a percentage of annual RE stood at 100.8% in FY24, indicating achievement of the target.
- Accompanied by a nominal GDP growth of 9.6% in FY24 (NSO's PE for FY24), the GTR buoyancy is estimated at 1.4 in FY24 as compared to 0.9 in FY23.
- Direct taxes[a] showed a strong growth of 17.6% while indirect taxes[a] grew by 8.3% in FY24. The corresponding growth rates in FY23 were at 17.9% and 7.2% respectively.
- CIT revenues grew by 10.3% in FY24 as compared to 16% in FY23. PIT revenues grew by 25.1% in FY24, higher than 20% in FY23.
- Among indirect taxes, GoI's GST revenues[c] grew by 12.7% in FY24, lower than 21.6% in FY23.
- Union excise duties (UED) showed a contraction for the second successive year at (-)4.3% in FY24 as compared to (-)18.4% in FY23.
- Customs duties showed a relatively low growth of 9.2% in FY24, although higher as compared to 6.8% in FY23.
- In April 2024, the first month of FY25, GoI's GTR grew by 16.9% with growth in direct and indirect taxes at 12.1% and 19.9% respectively.

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



GoI's GTR showed a strong growth of 13.5% in FY24 with growth in direct taxes at 17.6% and that in indirect taxes at 8.3%.

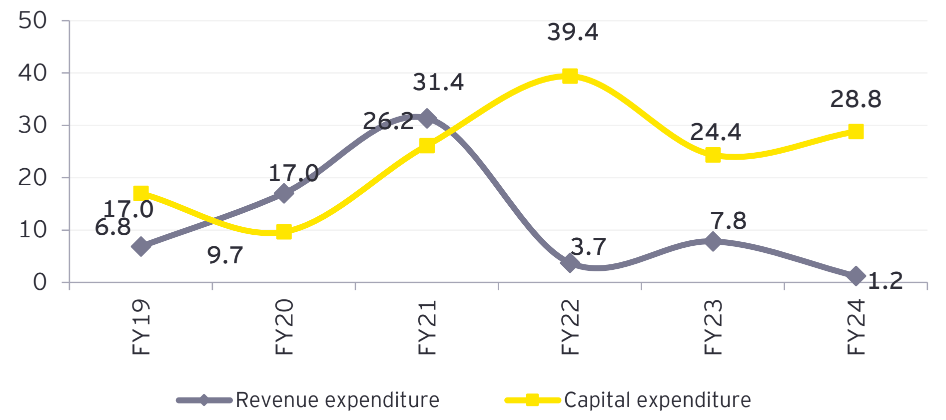
Source: Monthly Accounts, CGA, Government of India
Notes: (a) Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, arrears of service tax, customs duty, and GST (comprising CGST, UTGST, IGST and GST compensation cess) (b) Other taxes (securities 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 40.4% in FY24 on account of high receipt of dividends and profits. In FY23, there was a contraction of (-)21.6% in GoI's non-tax revenues.
- Non-tax revenues as a proportion of annual RE stood at 106.9%, indicating an overachievement when compared to the FY24RE.
- Non-debt capital receipts of the GoI in FY24 stood at 108% of the RE despite a shortfall in GoI's disinvestment receipts. The excess over FY24 RE is attributable to other miscellaneous capital receipts to the tune of INR 15,976.56 crores which had not been budgeted in the RE for FY24 during the presentation of the FY25 Interim Budget.
- GoI's disinvestment receipts in FY24 stood at INR17,145.12 crores, that is 57% of the FY24 RE at INR30,000 crore.
- In April 2024, largely reflecting strong base effects, non-tax revenues showed an exceptionally high growth of 149.1% as compared to a contraction of (-)8.2% in April 2023. As a proportion of FY25 interim BE, non-tax revenues stood at 6.8% as compared to the three-year average ratio at 3.8% based on annual actuals.
- GoI's non-debt capital receipts in April 2024 stood at 1.3% of FY25 interim BE as compared to the three-year average ratio at 2.3% based on annual actuals.

3.2 Expenditures: revenue and capital

- GoI's total expenditure grew by 6.1% in FY24, lower than 10.4% in the previous year. As a proportion of annual RE, total expenditure in FY24 stood at 98.9%.
- GoI's revenue expenditure growth was limited to 1.2% in FY24. It is notable that GoI has considerably reduced its revenue expenditure growth during the period FY22 to FY24 **(Chart 5)**.
- GoI's capital expenditure continued to show a strong growth of 28.8% in FY24, higher than 24.4% in FY23. Capital expenditure to GDP ratio was at 3.2% in FY24, its highest level since FY05.
- In April 2024, the first month of FY25, total expenditure growth was at 39.3% with growth in revenue expenditure at 43.7% owing to higher interest payments, and that in capital expenditure at 26.5%.

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



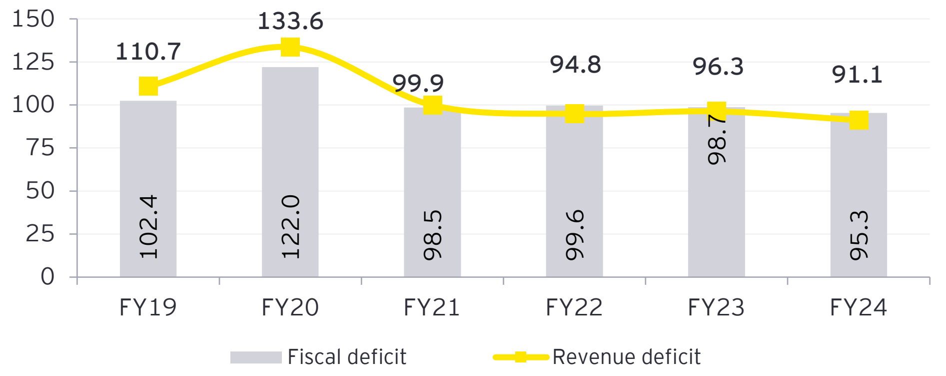
GoI's total expenditure grew by 6.1% in FY24, with growth in capital expenditure at 28.8% and that in revenue expenditure at 1.2%.

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

3.3 Fiscal imbalance

- GoI's fiscal deficit in FY24 stood at 95.3% of the RE, lower than the corresponding ratio at 98.7% in FY23 **(Chart 6)**. In fact, GoI's fiscal deficit to GDP ratio stood at 5.6% in FY24, an improvement over the RE at 5.8%.
- GoI's revenue deficit in FY24 stood at 91.1% of the RE, lower than the corresponding ratio at 96.3% in FY23. GoI's revenue deficit to GDP ratio in FY24 was at 2.6%, an improvement over 2.8% as estimated in the RE for FY24.
- The quality of GoI's fiscal deficit as reflected by the ratio of revenue deficit to fiscal deficit has also improved from near 80% in FY21 to 46.3% in FY24.
- In April 2024, fiscal and revenue deficits as a proportion of their annual BE stood at 12.5% and 17.1% respectively.

Chart 6: Fiscal and revenue deficit as a percentage of RE



GoI's fiscal and revenue deficits relative to GDP in FY24 stood at 5.6% and 2.6%, an improvement over the FY24 RE at 5.8% and 2.8%, respectively.

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

4 Comparative trends: India's export volume to grow at 3.9% in FY25, exceeding world export growth by 1% point

Home

4.1 Volume of export of goods and services

- According to the IMF, growth in world trade volume (goods and services) which had fallen to 0.3% in 2023, is expected to recover to 3% in 2024 and 3.3% in 2025 **(Table 2)**.
- World trade growth, projected at 3.2% in 2029, is expected to remain below its historical annual average growth rate of 4.9% over the medium term (2000 to 2019).
- The profile of growth in the volume of export of goods and services shows that when compared to 2022, the year 2023 was marked by a subdued performance in all selected major economies except Brazil largely owing to the adverse impact of the ongoing geopolitical tensions. Brazil's peak export growth in 2023 was attributable to its record volumes of food commodity exports.
- Growth in goods and services export volume is expected to improve beginning 2024 in all countries except for the US where recovery begins in the subsequent year of 2025 and Brazil where after a spike in 2023, export growth is expected to return to its normal growth levels (average export growth witnessed in the pre-pandemic period from 2015 to 2019 was at 3.9%).
- Considering the projection period from 2024 to 2029, growth in export volumes amongst selected major advanced economies (AEs) is expected to average 2.8% for the Euro area, followed by 2.6% for the US, 2% for Japan and 1% for the UK.
- For emerging market and developing economies (EMDEs), average growth in export volumes during 2024 to 2029 is projected at 4.6% for Russia (largely owing to its oil exports), followed by 3.9% for India, 3.6% for South Africa, 3.1% for Brazil and 2.8% for China.

Table 2: Volume of export of goods and services (%, y-o-y)

Country	2023	2024	2025	2026	2027	2028	2029
World	**0.5**	**2.9**	**3.3**	**3.5**	**3.4**	**3.3**	**3.2**
AEs	**0.9**	**2.5**	**2.9**	**3.0**	**2.9**	**2.9**	**2.8**
US	2.7	1.5	2.5	2.8	2.9	2.9	2.8
UK	-1.4	-1.2	0.7	1.4	1.9	1.6	1.5
Euro area	-0.9	1.8	3.1	3.0	3.0	2.9	2.9
Japan	3.0	3.3	1.7	2.5	1.8	1.6	1.5
EMDEs	**-0.1**	**3.7**	**3.9**	**4.2**	**4.0**	**3.9**	**3.8**
Brazil	9.4	3.0	4.1	3.5	3.0	2.6	2.2
Russia	-15.6	6.5	5.9	4.5	4.0	3.3	3.5
India*	-0.9	3.9	4.1	3.9	3.9	3.8	3.8
China	-0.3	2.5	2.0	3.0	3.0	3.0	3.0
S. Africa	3.5	3.5	3.6	3.7	3.7	3.7	3.7
World trade	**0.3**	**3.0**	**3.3**	**3.5**	**3.4**	**3.3**	**3.2**

Source: IMF World Economic Outlook, April 2024
*data pertains to fiscal year

4.2 Volume of import of goods and services

- Similar to the trends in export volumes, growth in the global volume of import of goods and services also fell in 2023 relative to 2022. This trend reflects the impact of subdued global demand in 2023, as reflected by an easing of global GDP growth.
- Import volumes contracted for all major AEs in 2023, reflecting a more severe demand slowdown. In the case of EMDEs, growth in import volumes fell for Brazil, India and South Africa in 2023.
- In the case of Russia and China, the contraction in import volumes was witnessed in 2022, with 2023 posting a positive growth partly due to base effects **(Table 3)**.
- Considering the forecast period from 2024 to 2029, average growth in import volumes amongst AEs is estimated at 2.8% for the Euro area, 2.1% for the US, 1.7% for Japan and 0.7% for the UK. The average growth rates among EMDEs are estimated at 5.9% for India, followed by 3.9% for South Africa, 3.5% for China, 2% for Brazil and 1.9% for Russia.

Table 3: Volume of import of goods and services (%, y-o-y)

Country	2023	2024	2025	2026	2027	2028	2029
World	**0.1**	**3.1**	**3.3**	**3.4**	**3.4**	**3.4**	**3.3**
AEs	**-1.0**	**2.0**	**2.8**	**2.9**	**3.0**	**2.9**	**2.8**
US	-1.7	1.1	2.0	2.4	2.5	2.3	2.1
UK	-1.6	-0.7	-0.2	0.8	1.5	1.5	1.2
Euro area	-1.5	1.6	3.1	3.0	3.1	3.1	3.1
Japan	-1.3	2.2	2.0	1.7	1.6	1.4	1.3
EMDEs	**2.0**	**4.9**	**4.1**	**4.4**	**4.1**	**4.1**	**4.0**
Brazil	-3.3	0.1	1.7	2.7	2.4	2.5	2.6
Russia	16.0	1.5	1.9	1.7	1.9	2.0	2.2
India*	-0.1	4.9	6.3	6.1	6.1	6.1	5.9
China	3.0	4.4	1.6	3.9	3.7	3.6	3.5
S. Africa	4.1	4.0	3.9	3.8	3.8	3.8	3.8

Source: IMF World Economic Outlook, April 2024
*data pertains to fiscal year

5 In focus: fiscal trends and FY25 budget prospects

5.1 Introduction

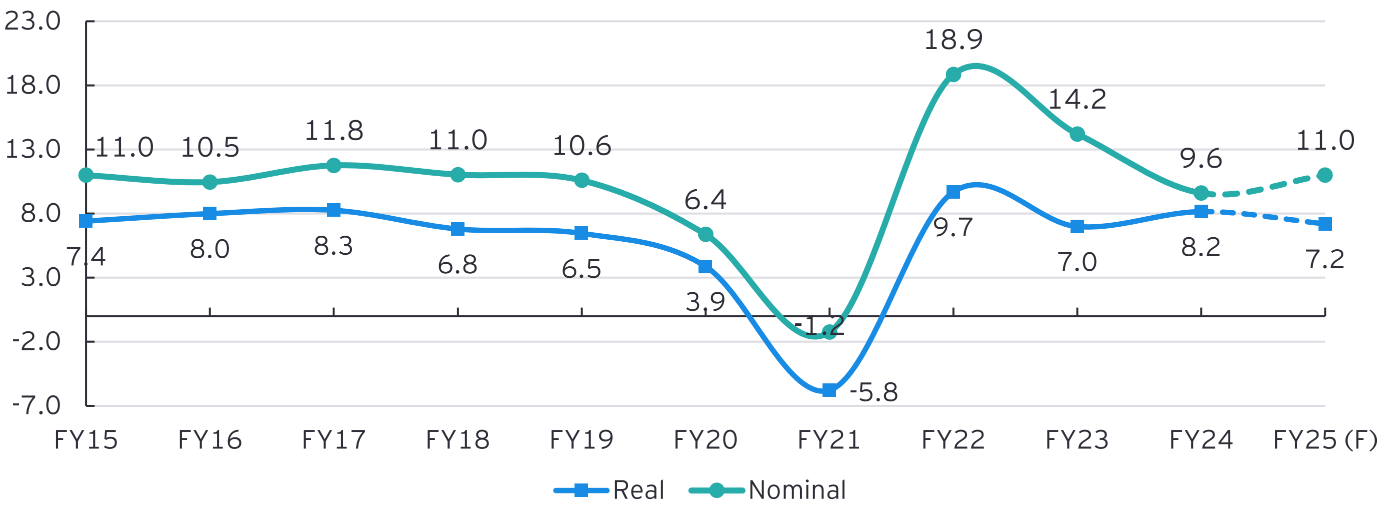
The GoI will present the final FY25 budget in July 2024, revising the assessments as per the interim budget presented earlier in February 2024. By now, a clearer idea of FY24 actuals based on CGA data is available so that the RE for FY24 given in the interim budget can be updated. This final budget is likely to be used by the GoI to signal any changes in policies and preferences as well as for clearly laying down solid foundations for medium-term growth and fiscal consolidation.

5.2 Growth and inflation prospects

Provisional estimates of National Income Accounts released by the NSO on 31 May 2024 highlight a robust real GDP and GVA growth performance of 8.2% and 7.2% respectively in FY24. Two noticeable features of this growth profile are (1) a large difference between real GDP and GVA growth, and (2) a small difference of only 1.4% points between GDP growth at current and constant prices. The reason for the first feature is the increase in growth of net indirect taxes (indirect taxes minus subsidies) which is traceable to a sharp fall in subsidies. In the GoI's interim budget for FY25, major subsidies were budgeted to fall to 1.16% of GDP as compared to 1.4% in FY24 (CGA actuals) and 1.96% in FY23. The reason for the second feature is the relatively low implicit price deflator (IPD)-based inflation, which is estimated at 1.3% in FY24. For FY25, we expect that both these features would be revised to their normal magnitudes. In other words, GDP and GVA growth would be closer to each other.

The RBI, in its June 2024 monetary policy review, has estimated a real GDP growth of 7.2% for FY25. It has not projected nominal GDP growth. It projects a CPI inflation of 4.5% in FY25. In our assessment, the WPI inflation is likely to be higher at about 3%. This is also aligned with the projections of the RBI's Professional Forecasters Survey (June 2024). Together, these may give rise to an IPD-based inflation of 3.6% with an implicit weight of 60% for WPI inflation and 40% for CPI inflation. Thus, we assess the nominal GDP growth in FY25 at close to 11%. As **Chart 7** shows, FY25 would be the fourth successive year after the COVID-affected year of FY21 when the real GDP growth rate would be in excess of 7%. The nominal GDP growth, which had been falling since its peak level of 18.9% in FY22 (reflecting a strong base effect), would also recover from its trough of 9.6% in FY24.

Chart 7: Real and nominal GDP growth (%, y-o-y)



Source (basic data): MoSPI
Note: For FY25, real GDP growth is as per the June 2024 monetary policy review of the RBI. Nominal GDP growth is an EY estimate.

Driven by buoyant 4Q growth in manufacturing, construction, public administration and defence services, and financial and real estate services, the full year FY24 real GDP growth at 8.2% has exceeded the expectations of both domestic and multilateral institutions. While private final consumption expenditure growth is still languishing at 4.0%, the main demand side push has come from GFCF, which has grown at 9.0% **(Table 4)**. This has largely been driven by GoI's capital expenditure growth. The drag from the external sector, as indicated by the contribution of net exports, was at (-)2% points in FY24.

Table 4: Real GDP and GVA growth (%, annual)

Agg. demand	FY20	FY21	FY22	FY23	FY24 (1st PE)
PFCE	5.2	-5.3	11.7	6.8	**4.0**
GFCE	3.9	-0.8	0.0	9.0	**2.5**
GFCF	1.1	-7.1	17.5	6.6	**9.0**
EXP	-3.4	-7.0	29.6	13.4	**2.6**
IMP	-0.8	-12.6	22.1	10.6	**10.9**
GDP	3.9	-5.8	9.7	7.0	**8.2**
Contribution of NEXP (% pts.)	*-0.5*	*1.5*	*1.0*	*0.5*	***-2.0***
Output side					
Agr.	6.2	4.0	4.6	4.7	**1.4**
Ming.	-3.0	-8.2	6.3	1.9	**7.1**
Mfg.	-3.0	3.1	10.0	-2.2	**9.9**
Elec.	2.3	-4.2	10.3	9.4	**7.5**
Cons.	1.6	-4.6	19.9	9.4	**9.9**
Trans.	6.0	-19.9	15.2	12.0	**6.4**
Fin.	6.8	1.9	5.7	9.1	**8.4**
Publ.	6.6	-7.6	7.5	8.9	**7.8**
GVA	3.9	-4.1	9.4	6.7	**7.2**

Source (basic data): MoSPI

5.3 Revenue trends and prospects

Tax revenues

Table 5 provides a broad overview of fiscal aggregates relative to nominal GDP over a ten-year period from FY15 to FY24. In FY15, GoI's GTR was only 10% of GDP. It increased to 11.2% in FY18, but the immediate impact of two major tax reforms relating to implementation of GST and extensive CIT reforms led to a fall in the GTR to GDP ratio to 10% in FY20. The next year namely FY21 was a COVID-affected year and did not show any significant improvement in the GTR to GDP ratio. In the three years since then, GoI's GTR to GDP ratio has increased to reach a level of 11.7% in FY24 reflecting a peak, which compares well to the corresponding previous peak of 12.1% in FY08, an all-time high. Non-tax revenues relative to GDP have languished in the range of 1.0% to 1.8% throughout the 10-year period under review. In FY24, as per the CGA data, it is estimated at 1.4% of GDP. However, after taking into account RBI's dividend transfers, which have already been announced, there would be an additional transfer to the GoI of INR1.1 lakh crore in FY25. This would amount to 0.33% of estimated FY25 GDP. Thus, non-tax revenues may be expected to reach a level of nearly 1.55% of GDP in the final budget of FY25. Given this background, GoI's fiscal deficit, which has already fallen to 5.6% of GDP in FY24, may fall further by another 50-60 basis points in FY25.

Table 5: Center's receipts (% of GDP)

Fiscal year	Gross tax revenue	Center's net tax revenue	Non-tax revenue	Center's net revenue receipts	Non-debt capital receipts	Fiscal deficit
FY15	10.0	7.2	1.6	8.8	0.41	4.1
FY16	10.6	6.9	1.8	8.7	0.46	3.9
FY17	11.1	7.2	1.8	8.9	0.43	3.5
FY18	11.2	7.3	1.1	8.4	0.70	3.5
FY19	11.0	7.0	1.2	8.2	0.60	3.4
FY20	10.0	6.7	1.6	8.4	0.34	4.7
FY21	10.2	7.2	1.0	8.2	0.29	9.2
FY22	11.5	7.6	1.5	9.2	0.17	6.7
FY23	11.3	7.8	1.1	8.8	0.27	6.4
FY24	**11.7**	**7.9**	**1.4**	**9.2**	**0.20**	**5.6**

Source (basic data): CGA and MoSPI

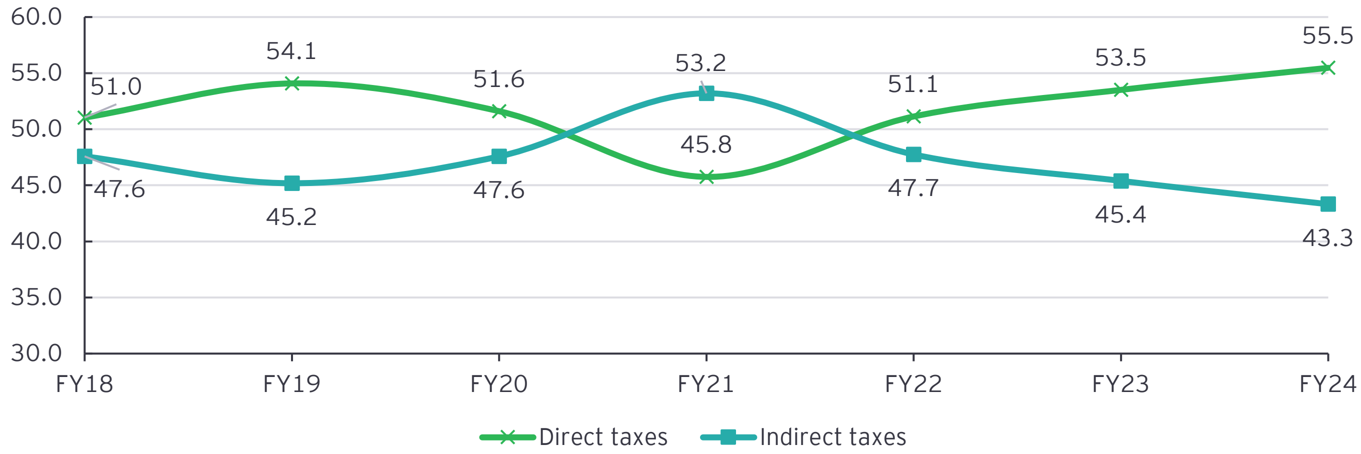
The major contribution to GoI's revenue receipts comes from the central taxes. In gross terms, the contribution of direct taxes has been substantially higher than that of indirect taxes, particularly in recent years. **Chart 8** shows that the share of both direct and indirect taxes in GoI's GTR in the period from FY18 to FY21 were affected by major tax reforms and the COVID pandemic. Transition to GST happened in FY18 and its first revenue impact was somewhat adverse. The CIT reforms took effect in FY20, and its first revenue impact was also adverse. In the post-COVID years, these tax groups appear to be stabilizing, with direct taxes showing a much higher buoyancy relative to GDP compared to that of indirect taxes **(Table 6)**.

Table 6: Tax revenues growth and buoyancy

Fiscal Year	Direct tax *of which*	CIT	PIT	Indirect taxes *of which*	UED	GST	Customs	Gross taxes	Nominal GDP growth
				Growth (%)					
FY19	14.9	16.2	13.1	3.0				8.4	10.6
FY20	-7.8	-16.1	4.0	1.7	3.7	2.9	-7.3	-3.4	6.4
FY21	-10.7	-17.9	-2.3	12.7	62.6	-8.4	23.4	0.7	-1.2
FY22	49.6	55.7	43.5	20.1	0.3	27.4	48.2	33.8	18.9
FY23	17.9	16.0	20.0	7.2	-18.4	21.6	6.8	12.7	14.2
FY24	17.6	10.3	25.1	8.3	-4.3	12.7	9.2	13.5	9.6
				Buoyancy					
FY19	1.4	1.5	1.2	0.3				0.8	
FY20	--	--	0.6	0.3	0.6	0.5	--	--	
FY21	8.6	14.4	1.9	--	--	6.7	--	--	
FY22	2.6	3.0	2.3	1.1	0.02	1.5	2.6	1.8	
FY23	1.3	1.1	1.4	0.5	--	1.5	0.5	0.9	
FY24	1.8	1.1	2.6	0.9	--	1.3	1.0	1.4	

Source (basic data): CGA and MoSPI
Note: Years marked by '--' indicate negative buoyancies.

Chart 8: Share of direct and indirect taxes in GoI's GTR (%): recent years



Source (basic data): CGA

Non-tax revenues and Disinvestments

The non-tax revenue to GDP ratio shows a downward trend. In FY15, it was nearly 1.6%. During the period under review, this ratio peaked at 1.82% in FY16. It reached a trough of 1.05% in the COVID year of FY21 and even after a recovery in FY22, it fell to 1.06% in FY23. In FY24, there was a marginal recovery with the NTR to GDP ratio reaching 1.36% **(Table 7)**. Most of this downward trend in GoI's NTR-GDP ratio during FY15 to FY23 is traceable to a fall in dividends and profits.

Table 7: Trends in non-tax revenues (NTR) (% to GDP)

Year	Total NTR of which:	Interest receipts	Dividends and profits	Other NTR
FY15	**1.59**	0.19	0.72	0.67
FY16	**1.82**	0.18	0.81	0.83
FY17	**1.78**	0.11	0.80	0.88
FY18	**1.10**	0.08	0.53	0.49
FY19	**1.25**	0.07	0.60	0.58
FY20	**1.62**	0.06	0.92	0.58
FY21	**1.05**	0.09	0.49	0.47
FY22	**1.55**	0.09	0.68	0.77
FY23	**1.06**	0.10	0.37	0.59
FY24	**1.36**	0.13	0.58	0.65

Source (basic data): CGA and MoSPI

Contribution of disinvestment receipts to total receipts, measured in terms of the ratio of disinvestment receipts to GDP, has remained quite low during the period under review. Its maximum level was 0.59% in FY18 while its lowest level was 0.06% of GDP in FY22 and FY24 **(Table 8).** The success of the disinvestment process, as indicated by actuals as percentage of target, was in excess of 100% in only four years of the ten-year period under review. This performance, however, has deteriorated in the recent three years from FY22 to FY24 with the ratio of actual disinvestment receipts to target ranging between 17.4% to 71%.

Table 8: Disinvestment performance: comparison over the recent periods

Year	Actuals (INR cr)	Target (INR cr)	Actuals as share of Target (%)	Actuals as % of GDP
FY15	24,349	26,353	92.4	0.20
FY16	23,997	25,313	94.8	0.17
FY17	46,247	45,500	101.6	0.30
FY18	1,00,037	1,00,000	100.0	0.59
FY19	84,972	80,000	106.2	0.45
FY20	50,300	65,000	77.4	0.25
FY21	32,886	32,000	102.8	0.17
FY22	13,534	78,000	17.4	0.06
FY23	35,294	50,000	70.6	0.13
FY24	16,507	30,000 (RE)	55.0	0.06

Source (basic data): Department of Disinvestment; https://dipam.gov.in/major-achievement and Union Budget

5.4 Expenditure prospects

On the expenditure side, revenue expenditure has been stable in the range of 11.0% to 13.6% of GDP during FY15 to FY24, excluding the COVID year, where this ratio increased to 15.5% **(Table 9).** Among major components of revenue expenditure, subsidies fell from 2.07% in 2014-15 to a low of 1.18% in 2019-20. It rose in the COVID year of 2020-21 to 3.82% of GDP before falling again to 1.49% in 2024-24 as per the revised estimates in the interim budget 2024. Interest payments, which had stayed within a narrow range of 3% to 3.2% of GDP during FY15 to FY20 have increased to 3.6% in FY24 owing to a significant increase in GoI's debt to GDP ratio. Capital expenditure remained less than 2% of GDP between FY15 and FY20. Since the COVID affected year of FY21, it has remained higher than 2%, showing a sustained increase from 2.1% in FY21 to 3.2% in FY24.

In terms of growth, there was a sharp fall in the growth of revenue expenditure from FY22 onwards. Most of this may be attributable to a fall in the growth of subsidies. Correspondingly, growth in capital expenditure was in the range of 24.4% to 39.4% in four consecutive years, from FY21 to FY24. This reflects a major thrust towards infrastructure expansion by the GoI on the one hand and a determined policy to reduce major subsidies on the other.

Table 9: GoI's expenditures

Fiscal year	*Interest payments*	*Pensions **	*Total subsidies **	Revenue expenditure	Capital expenditure	Total expenditure	Revenue expenditure	Capital expenditure	Total expenditure
						% to GDP			Growth (%)
FY15	3.2	0.75	2.07	11.8	1.6	13.3	6.9	4.8	6.7
FY16	3.2	0.70	1.92	11.2	1.8	13.0	4.8	28.6	7.6
FY17	3.1	0.85	1.53	11.0	1.9	12.9	10.1	13.1	10.5
FY18	3.1	0.85	1.31	11.0	1.5	12.5	11.0	-8.3	8.2
FY19	3.1	0.85	1.18	10.6	1.6	12.2	6.8	17.0	8.1
FY20	3.0	0.92	1.30	11.7	1.7	13.4	17.0	9.7	16.0
FY21	3.4	1.05	3.82	15.5	2.1	17.7	31.4	26.2	30.7
FY22	3.4	0.84	2.14	13.6	2.5	16.1	3.7	39.4	8.0
FY23	3.4	0.90	2.14	12.8	2.7	15.5	7.8	24.4	10.4
FY24	3.6	0.80 (RE)	1.49 (RE)	11.8	3.2	15.0	1.2	28.8	6.1

Source (basic data): CGA, Union Budget documents, and MoSPI
*Data for pensions and total subsidies is sourced from Union Budget documents

The fall in subsidies is further disaggregated in terms of the share of fertilizer, food and petroleum subsidies. The largest contribution to subsidies has come from food subsidies which have remained in the range of 0.54% to 1.22% of GDP during FY15 to FY24, except in the COVID affected year of FY21 **(Table 10).** There has been some increase in the fertilizer subsidies in the last four years, which may be linked to global crude prices. Petroleum subsidies constitute a relatively smaller fraction of major subsidies.

Table 10: Major subsidies (as % of GDP)

Fiscal year	Major subsidies	Fertilizer subsidy	Food subsidy	Petroleum subsidy
FY15	2.00	0.57	0.94	0.48
FY16	1.76	0.53	1.01	0.22
FY17	1.33	0.43	0.72	0.18
FY18	1.12	0.39	0.59	0.14
FY19	1.04	0.37	0.54	0.13
FY20	1.14	0.40	0.54	0.19
FY21	3.56	0.64	2.73	0.19
FY22	1.89	0.65	1.22	0.01
FY23	1.97	0.93	1.01	0.03
FY24 (CGA)	1.40	0.64	0.72	0.04

Source (basic data): Union budget documents, CGA and MoSPI

5.5 Fiscal imbalance: managing debt and deficit

The excess of total expenditure over total revenue receipts is financed by fiscal deficit, which had fallen from 4.10% of GDP in FY15 to 3.44% in FY19. Even in these years, it remained higher than the FRBM norm of 3% of GDP. In the COVID affected year of FY21, it shot up to 9.17% of GDP **(Table 11).** Since then, there has been a gradual annual fall in its level. By FY24, it has reached a level of 5.6% as per the CGA actuals, an improvement over 5.8% as estimated in the interim budget RE. The annual average fall during FY22 to FY24 was 1.2% points of GDP. These high fiscal deficit levels relative to the FRBM norm of 3% of GDP have resulted in an increase in the debt levels of the GoI, which had peaked to 60.7% of GDP in FY21, higher than the FRBM target of 40%. Although it has fallen to 57.1% in FY24, it continues to remain above 40%. The quality of fiscal deficit, as measured by the ratio of revenue deficit to fiscal deficit, however, has improved. The higher is the value of this ratio, the larger is the proportion of total borrowing used for non-asset forming expenditure. This was as high as 76% in FY18 and 79.8% in FY21. Since then, it has fallen to 46.3% in FY24 indicating larger use of borrowed resources to finance asset-forming expenditures such as those on infrastructure expansion thereby supporting growth. Correspondingly, in FY24, the share of capital expenditure in fiscal deficit has increased to 57.4%.

Table 11: Deficit and Debt Indicators (% to GDP)

Fiscal year	Revenue deficit	Fiscal deficit	Primary deficit	Debt$	RD/FD ratio	CE/FD ratio
FY15	2.93	4.10	0.87	50.1	71.6	38.5
FY16	2.49	3.87	0.66	50.1	64.3	47.5
FY17	2.06	3.49	0.37	48.3	58.9	53.2
FY18	2.63	3.46	0.36	48.2	76.0	44.4
FY19	2.41	3.44	0.35	48.1	70.1	47.3
FY20	3.32	4.65	1.61	50.7	71.3	36.0
FY21	7.32	9.17	5.74	60.7	79.8	23.3
FY22	4.37	6.71	3.31	57.4	65.1	37.4
FY23	3.97	6.43	2.99	56.5	61.7	42.5
FY24	2.59	5.60	2.00	57.14*	46.3	57.4

Source (basic data): Union budget documents, CGA and MoSPI
$ Sourced from Union Budget documents
*Estimated by addition of annual fiscal deficit for FY24 to the liabilities at the end of FY23 as taken from the Union Budget
RD = Revenue deficit, FD = Fiscal Deficit and CE= Capital expenditure

5.6 Fiscal arithmetic of FY25 budget aggregates

For the 2024-25 final central budget, the main trade off appears to be between emphasizing capital expenditure growth vis-à-vis a reduction in fiscal deficit to GDP ratio. In order to understand the fiscal arithmetic, we look at the difference between fiscal aggregates relative to GDP between the base year of 2023-24 and 2024-25 (2024-25 (FBE) minus 2023-24). This difference is at 0.38% points of GDP for GoI's revenue receipts (tax plus non-tax revenues). Further, there is an expected increase in non-debt capital receipts of 0.04% points giving an additionality of 0.42% points for non-debt receipts (revenue receipts plus non-debt capital receipts). On the expenditure side, following recent trends, we expect a further fall in revenue expenditure relative to GDP by a margin of 0.37% points **(Table 12)**. This would enable an increase in revenue expenditure growth of 7.5% in 2024-25 FBE over 2023-24 CGA actuals. This is slightly higher than 4.6% growth provided in the interim budget 2024, reflecting additional allocations to cover some of the post-election supplementary expenditures. Thus, a total additionality of 0.79% points of GDP would be available (0.42% points on account of increase in non-debt receipts plus 0.37% points on account of reduction in revenue expenditure). Of this, 0.6% points of GDP may be used to bring down GoI's fiscal deficit to GDP ratio to 5% and the remaining 0.19% points can be used to increase capital expenditure to GDP ratio to 3.4%, implying a capital expenditure growth of 17.5% in 2024-25 over 2023-24 CGA actuals. This may be increased even further if fiscal deficit to GDP ratio is kept at 5.1% as per the interim budget 2024.

Table 12: Fiscal arithmetic for FY25

#	Item	FY23	FY24	FY25 (IBE)	FY25 (FBE)	FY25 (FBE) minus FY24	FY24 over FY23	FY25 (IBE) over FY24 (Act.)	FY25 (FBE) over FY24 (Act.)
		% to GDP				*% points*	*% growth*		
1	Gross tax revenues	11.3	11.7	11.7	11.8	0.12	13.5	10.6	12.1
2	Assignment to states	3.5	3.8	3.7	3.8	-0.04	19.1	8.0	9.8
3	Net tax revenues	7.8	7.9	7.9	8.1	0.19	10.9	11.8	13.6
4	Non-tax revenues	1.1	1.4	1.2	1.6	0.19	40.4	-0.5	26.6
5=3+4	Revenue receipts	8.8	9.2	9.2	9.6	0.38	14.5	10.0	15.6
6	Non-debt capital receipts	0.27	0.20	0.19	0.24	0.04	-16.2	30.7	30.7
7=5+6	Non-debt receipts	9.1	9.4	9.4	9.9	0.42	13.6	10.4	15.9
8	Fiscal deficit	6.4	5.6	5.1	5.0	-0.60	--	--	--
9=10+11	Total expenditure	15.5	15.0	14.5	14.9	-0.18	6.1	7.3	9.6
10	Revenue exp.	12.8	11.8	11.2	11.5	-0.37	1.2	4.6	7.5
11	Capital exp.	2.7	3.2	3.4	3.4	0.19	28.8	17.1	17.5
12=10-5	Revenue deficit	4.0	2.6	2.0	1.8	-0.75	--	--	--
13	Debt	56.5	57.1	56.6	56.5	-0.66	--	--	--
	Memo				INR lakh crore				% growth
14	Nominal GDP	269.5	295.4	327.7	327.8		9.6	10.5	11.0

Source (basic data): Union budget documents, CGA, MoSPI and EY estimates.

5.7 Concluding observations

There has been a considerable recovery in the profile of fiscal aggregates after the COVID year. In that year, fiscal deficit had peaked at 9.17% of GDP and GoI's debt to GDP ratio had also sharply exceeded 60%. Since then, as the economy recovered, the profile of fiscal imbalance also improved. Gradually, the fiscal deficit to GDP ratio fell to 5.6% by FY24 and it can potentially be targeted at a level of 5.0% of GDP in FY25. On the other hand, there has been a persistent emphasis on capital expenditure growth meant for infrastructure expansion. This thrust towards infrastructure expansion has enabled India to show an average real GDP growth of above 7% in four consecutive years FY22 onwards. In the pre-COVID years, there has been a clear thrust towards fiscal reforms involving a reduction in major subsidies as a proportion of GDP, revenue expenditure growth and fiscal deficit to GDP ratio. These trends have laid a solid foundation for a sustainable medium-term growth of 7% plus for India, which would be a significant achievement in spite of the expected drag on global growth.

Ensuring this level of medium-term growth would also require maintaining the savings ratio in the range of 31% to 32% of GDP. The causes of the recent fall in the nominal household sector financial savings relative to GDP to 5.1% in FY23 should be examined and addressed. This, in combination with net capital inflow of 1.5-2% of GDP, would ensure an investment ratio of 35-37% in real terms taking into account the relatively lower capital goods price deflator which provides a margin of 2% to 3% points while converting nominal investment ratio into real terms. Further, a sustained 7% plus growth should be balanced between rural and urban areas, and formal and informal sectors while favoring labor-intensive technologies. This would improve the employment elasticity of output.

While equity is important, the objective in the next few years should be to eliminate poverty. Extreme poverty in India, according to available information, has already been eliminated. The *Aatmanirbhar* strategy, especially focusing on knowledge intensive employment generating and strategic manufacturing, will serve India well in the long run while providing scope for increasing both services and goods exports

6 Money and finance: the RBI retained the repo rate at 6.5% in June 2024

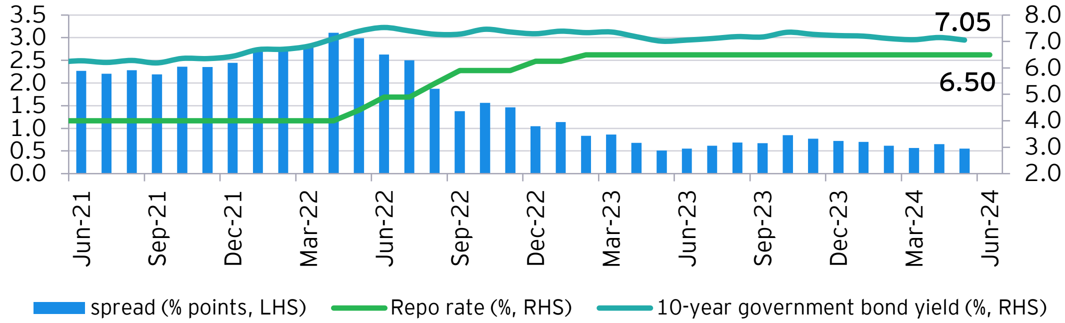
Home

6.1 Monetary sector

Monetary policy

- The monetary policy committee (MPC), retained the repo rate at 6.5% in its monetary policy review, held on 7 June 2024. **(Chart 9)** The MPC voted to retain the monetary policy stance as 'withdrawal of accommodation' as CPI inflation remained above the 4% target.
- In RBI's assessment, overall CPI inflation outlook is likely to be impacted by continued pressure from food prices, particularly those of vegetables and fruits driven by rising incidence of adverse climate events. In addition, considerable uncertainties may emanate from sustained volatility in international crude oil prices and financial markets along with a gradual pickup in non-energy commodity prices.

Chart 9: Movements in the repo rate and 10-year government bond yield



The RBI retained the repo rate at 6.5% in its June 2024 monetary policy review.

Source: Database on Indian Economy, RBI

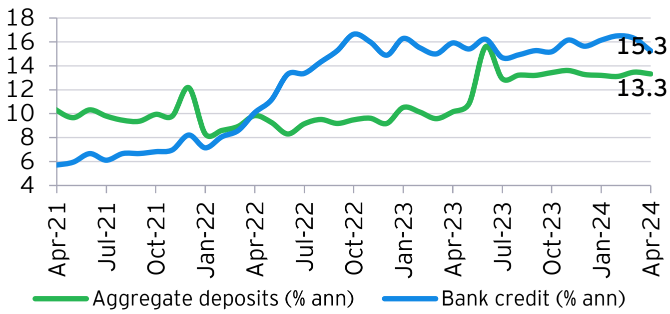
Money stock

- Growth in broad money stock (M3)[2] remained stable for the second successive month at 10.9% in May 2024. This was due to a relatively higher growth in time deposits, the largest component of M3, which grew by 12.1% in May 2024, improving from 11.9% in April 2024.
- Growth in narrow money (M1) however, eased to 7.5% in May 2024 from 7.8% in April 2024. This may be attributable to a slowdown in the growth of demand deposits to 12.9% in May 2024 from 14.0% in April 2024. Meanwhile, currency with the public, the second major component of M1, continued to show a low growth of 3.5% in May 2024 although marginally improving from 3.2% in April 2024.

Aggregate credit and deposits

- Gross bank credit continued to show a double-digit growth of 15.3% in April 2024, although easing from 16.3% in March 2024 **(Chart 10)**.
- Non-food credit also grew by 15.3% in April 2024, lower than 16.3% in March 2024, owing to a broad-based moderation in the growth of credit across key sectors of the economy.
- Sectoral bank credit data indicate that credit to services, with an average share of about 26% in total non-food credit (last five years), grew by 19.2% in April 2024, its slowest growth since August 2022.

Chart 10: Growth in credit and deposits



Source: Database on Indian Economy, RBI

- Growth in credit to the agricultural sector also eased marginally to 19.7% in April 2024 after showing a growth of 20.1% for three successive months since January 2024.
- Personal loans, a key component of retail loans, with a share of close to 28% on average in total non-food credit (last five years), grew by 17.4% in April 2024, marginally lower as compared to 17.7% in March 2024 as loan growth in consumer durables segment eased to 11.0% in April 2024 from 13% in March 2024. Growth in housing loans remained robust at 17.7% in April 2024, improving marginally from 17.4% in the previous month.

[2] The data on M3, demand and time deposits and bank credit exclude the impact of merger of a non-bank with a bank.

- Growth in outstanding credit to industries, having a share of about 27% on average in total non-food credit (last five years), eased to a five-month low of 6.9% in April 2024 from 8.5% in March 2024. This may be attributable to a lower growth in credit to infrastructure, textile and cement industries.
- Growth in credit to infrastructure, having the largest share of over 37% on average in total industrial credit (last five years), eased to a five-month low of 4.9% in April 2024 from 6.5% in March 2024. Growth in credit to textiles at 8.3% in April 2024 was lower as compared to 11.1% in March 2024 while that in cement at 0.3% reflected its weakest growth since June 2022. Growth in credit to iron and steel, however, improved marginally to 19.1% in April 2024 from 18.9% in March 2024.
- Growth in aggregate deposits eased marginally to 13.3% in April 2024 from 13.5% in March 2024. Deposit growth has averaged 13.3% during August 2023 to April 2024.

6.2 Financial sector

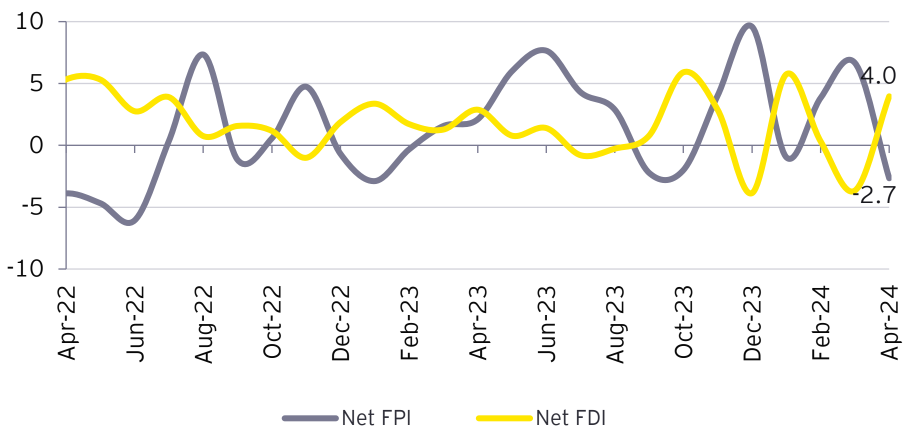
Interest rates

- As per the data released by the RBI in the first week of June 2024, the average interest rate on term deposits with a maturity period of more than one year was lowered, although only marginally, for the second successive month to 6.63% in May 2024 from 6.69% in April 2024. Term deposit rates on average ranged between 6.00% and 7.25% in May 2024.
- The MCLR, in May 2024, was retained at 8.30% on average for the fifth consecutive month with the actual rates ranging between 8.00% and 8.60%.
- The average yield on 10-year government bonds fell by 10 basis points to 7.05% in May 2024 as compared to 7.15% in April 2024 **(Chart 9)**.
- WALR on fresh Rupee loans by SCBs increased to 9.55% in April 2024 from 9.37% in March 2024.

FDI and FPI

- As per the provisional data released by the RBI on 20 June 2024, overall foreign investments[3] (FIs) fell to US$1.3 billion in April 2024 from US$3.0 billion (revised) in March 2024 owing to net portfolio investment outflows.

Chart 11: Net FDI and FPI inflows (US$ billion)



Net FDIs turned positive, registering inflows amounting to US$4.0 billion in April 2024 as compared to net outflows of US$3.7 billion in March 2024.

Source: Database on Indian Economy, RBI

- Net FPIs turned negative, registering outflows amounting to US$2.7 billion as compared to net inflows of US$6.7 billion in March 2024.
- Net FDIs however turned positive, registering inflows amounting to US$4.0 billion in April 2024 as compared to net outflows of US$3.7 billion in March 2024 **(Chart 9)**. Gross FDI inflows increased further to US$7.3 billion in April 2024 from US$6.0 billion in March 2024.

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

7 Trade and CAB: current account reflected a surplus of 0.6% of GDP in 4QFY24

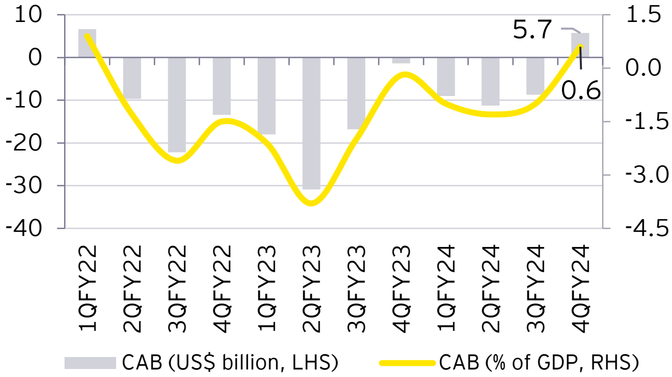
7.1 CAB: current account showed a surplus for the first time in 10 quarters at 0.6% in 4QFY24

- Net merchandise trade deficit narrowed to an 11-quarter low of 5.4% of GDP in 4QFY24 as merchandise exports increased to a five-quarter high of 12.9% and merchandise imports moderated to an 11-quarter low of 18.3% of GDP in 4QFY24. Surplus on account of net invisibles at 6% of GDP in 4QFY24, remained at or above 6% for the third successive quarter. Net services surplus was elevated at 4.5% of GDP, although lower than 5.0% in the previous quarter.
- On an annual basis, current account deficit eased to 0.7% of GDP in FY24 from 2.0% in FY23 due to a sharp fall in net merchandise trade deficit to 6.8% from 7.9% over the same period accompanied by a marginal improvement in net invisibles surplus to 6.1% from 5.9%.

Table 13: Components of CAB in US$ billion

Fiscal year	CAB as % of nominal GDP	CAB	Goods account net	Invisibles* net
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
FY24	-0.7	-23.3	-242.1	218.8
1QFY24	-1.0	-9.0	-56.7	47.7
2QFY24	-1.3	-11.3	-64.5	53.3
3QFY24	-1.0	-8.7	-69.9	61.2
4QFY24	0.6	5.7	-50.9	56.6

Chart 12: CAB



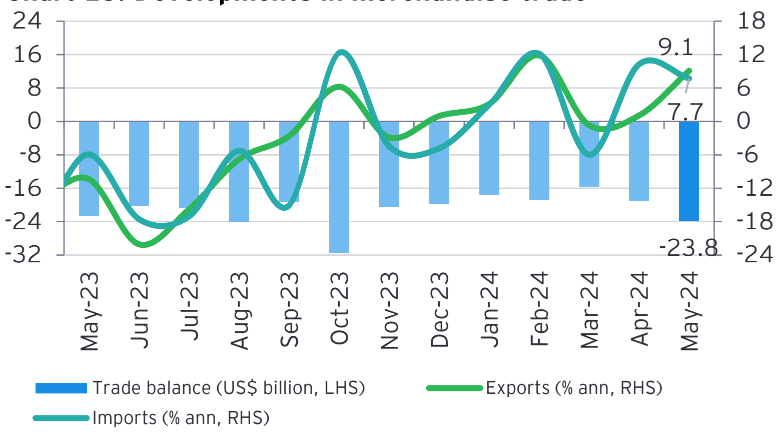
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

7.2 Merchandise trade and exchange rates

Growth in merchandise exports increased to 9.1% and that in imports reduced marginally to 7.7% in May 2024 from 1.1% and 10.3% respectively in April 2024.

- Growth in exports and imports of oil increased to 16-month highs of 15.7% and 28.1% respectively in May 2024, led by some moderation in global prices of oil leading to a higher demand.
- Exports of engineering goods turned positive at 7.4% in May 2024 from (-)3.2% in the previous month. Growth in exports of electronic goods remained elevated for the fourth successive month at 23.0% in May 2024, although lower than 25.8% in April 2024. Chemical exports growth was, however, lower at 3.2% in May 2024 as compared to 16.7% in April 2024.
- Gold imports contracted by (-)9.8% in May 2024 after showing a growth of 209.0% in April 2024. Contraction in coal imports fastened to (-)26.5% from (-)11.7% over the same period. Growth in imports of transport equipment, however, turned positive at 31.9% in May 2024 after showing a contraction for nine successive months.
- Growth in exports excluding oil, gold and jewelry increased to 8.8% in May 2024 from 1.3% in April 2024 while that in imports of the same category eased marginally to 1.1% in May 2024 from 1.9% in April 2024.
- Merchandise trade deficit widened to US$23.8 billion in May 2024 **(Chart 13)** primarily owing to the surge in oil imports. Deficit on account of trade of goods and services expanded to US$5.4 billion in April 2024 from US$2.2 billion in March 2024.
- The Indian Rupee remained stable at INR83.4/US$ in May 2024, the same level seen in April 2024.

Chart 13: Developments in merchandise trade



Source: Ministry of Commerce and Industry, GoI

8 Global growth: UN projected global growth at 2.7% in 2024 and 2.8% in 2025

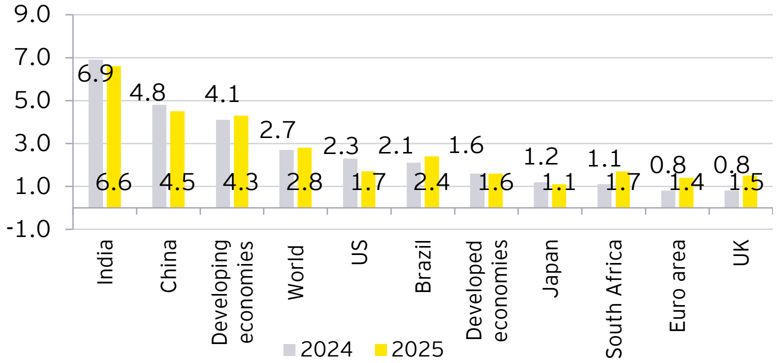
8.1 Growth

- The United Nations (UN World Economic Situation and Prospects, May 2024) has projected global growth at 2.7% in 2024, remaining unchanged from its level in 2023 **(Chart 14).** Global growth is projected to improve marginally to 2.8% in 2025.
- Developed economies are projected to grow by 1.6% in both 2024 and 2025 while the developing countries are forecasted to grow at a higher rate of 4.1% in 2024 and 4.3% in 2025.

The UN has projected global growth at 2.7% in 2024 and 2.8% in 2025, with India's growth rates in these calendar years at 6.9% and 6.6% respectively.

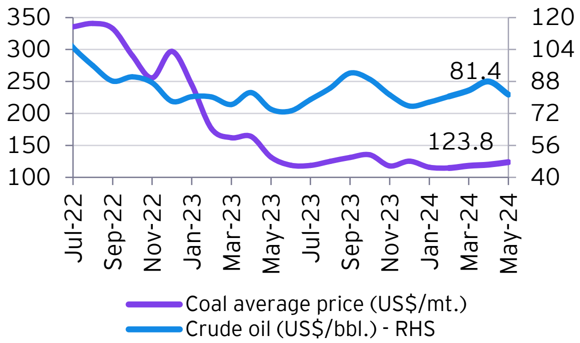
- Growth in the US is projected at 2.3% in 2024 attributable to a relatively strong labor market enabling high real income growth, and better household balance sheets, especially for middle- and high-income segments providing additional consumption boost. However, growth is projected to ease to 1.7% in 2025.
- Euro area and the UK are projected to show a subdued growth of 0.8% each in 2024, improving to 1.4% and 1.5% respectively in 2025.
- Among developing economies, China's growth is projected to moderate to 4.8% in 2024 from 5.2% in 2023 as the pent-up consumer demand released after the lifting of pandemic related restrictions has largely dissipated. Growth is projected to moderate to 4.5% in 2025 owing to challenges in the property sector, and lingering trade tensions which would continue to suppress external demand for Chinese goods.
- India's growth is projected to remain the highest among key developed and developing economies at 6.9% in 2024 and 6.6% in 2025 mainly driven by strong public investment and resilient private consumption. Although subdued external demand is expected to continue to weigh on merchandise export growth, pharmaceuticals and chemicals exports are expected to expand strongly.

Chart 14: Global growth projections (%)



Source: UN World Economic Situation and Prospects (May 2024)

Chart 15: Global crude and coal prices



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

8.2 Global energy prices: global crude price eased to a three-month low of US$81.4/bbl. in May 2024

- Average global crude price[4] eased from six-month high of US$88/bbl. in April 2024 to US$81.4/bbl. in May 2024 owing to the expectation of continued high interest rates by the US Fed for longer than expected thereby weighing on economic growth and demand for oil in the US[5] **(Chart 15).** Further, some indications of progress towards a truce in Gaza also weighed on oil prices, although geopolitical tensions remain high (IEA Oil Market Report May 2024).
- In contrast, average global coal price[6] increased to a five-month high of US$123.8/mt. in May 2024 from US$119.9/mt. in April 2024 caused by a temporary increase in demand from China[7].

[4] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh
[5] Oil prices ease on US gasoline demand worries, economic data | Reuters
[6] Simple average of Australian and South African coal prices.
[7] Global metallurgical short-term outlook May 2024 Report | Wood Mackenzie

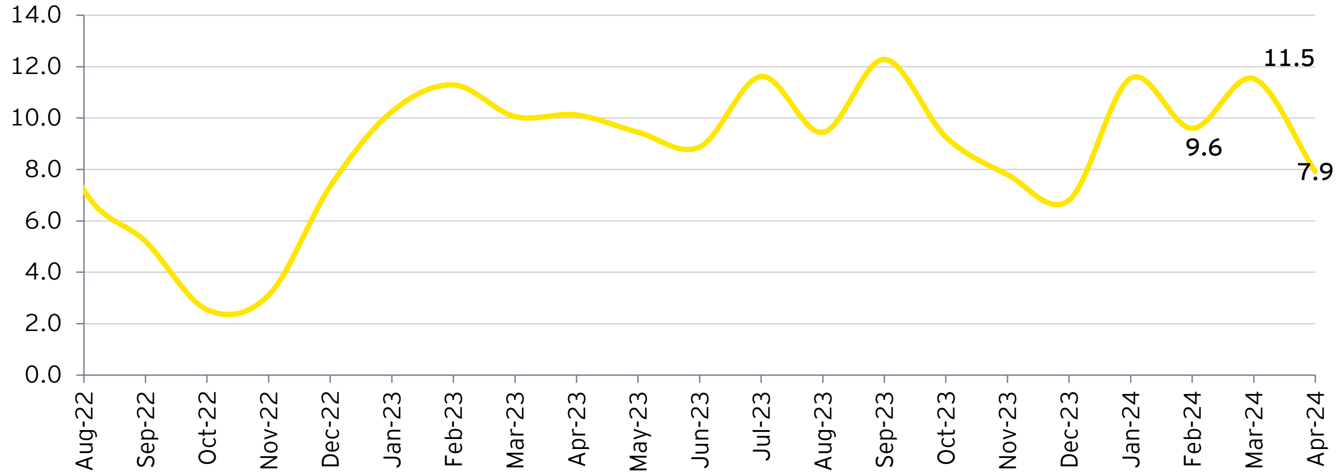
9 Index of Aggregate Demand (IAD): grew by 7.9% in April 2024

Home

9.1 Growth in IAD moderated to 7.9% in April 2024 from 11.5% in March 2024

- Owing to an unfavorable base effect, growth in IAD[8] eased to 7.9% in April 2024 from 11.5% in March 2024 **(Chart 16 and Table 14)**.
- Demand conditions in the services sector continued its robust momentum as evidenced by PMI services, which expanded at 60.8 in April 2024, although at a marginally slower rate as compared to 61.2 in March 2024.
- Similarly, the manufacturing sector also witnessed strong demand conditions in April 2024 as indicated by the manufacturing PMI reading which remained high at 58.8, although slightly lower as compared to 59.1 in March 2024.
- Demand conditions in the agricultural sector continued its strong momentum as reflected by a high and stable growth in agricultural credit offtake in April 2024. Growth in agricultural credit stood at 19.7% (sa)[9] in April 2024, close to its average growth rate of 20.1% witnessed in the previous three months.

Chart 16: 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 14: IAD

Month	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
IAD	167.5	168.6	166.1	166.4	169.2	174.3	174.4	177.6	178.1
Growth (% y-o-y)	9.4	12.3	9.3	7.8	6.8	11.5	9.6	11.5	7.9
Growth in agr. credit	16.7	17.0	17.3	18.1	19.3	20.1	20.1	20.2	19.7
Mfg. PMI**	8.6	7.5	5.5	6.0	4.9	6.5	6.9	9.1	8.8
Ser. PMI**	10.1	11.0	8.4	6.9	9.0	11.8	10.6	11.2	10.8

Source (basic data): S&P Global, RBI and EY estimates; **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 Manufacturing and Services are seasonally adjusted.

[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.

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							
FY21	-8.4	-7.8	-9.6	-0.5	-7.8	FY21	50.2	41.7
FY22	11.4	12.2	11.8	7.9	12.2	FY22	54.0	52.3
FY23	5.2	5.8	4.7	8.9	5.8	FY23	55.6	57.3
FY24	5.8	7.5	5.5	7.1	7.5	FY24	57.2	60.3
1QFY24	4.8	6.4	5.1	1.3	6.0	1QFY24	57.9	60.6
2QFY24	7.8	11.5	6.8	11.1	10.5	2QFY24	57.9	61.1
3QFY24	6.1	8.2	5.4	9.0	8.4	3QFY24	55.5	58.1
4QFY24	5.1	4.9	4.8	7.3	5.7	4QFY24	57.5	61.2
Jan-24	4.2	6.0	3.6	5.6	4.1	Feb-24	56.9	60.6
Feb-24	5.6	8.1	4.9	7.5	7.1	Mar-24	59.1	61.2
Mar-24	5.4	1.3	5.8	8.6	6.0	Apr-24	58.8	60.8
Apr-24	5.0	6.7	3.9	10.2	6.2	May-24	57.5	60.2

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				
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
FY24	5.4	7.5	1.2	4.4	-0.7	3.2	-1.7	-4.5	-1.4
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	0.3	4.0	-0.9	-2.4	-0.7
4QFY24	5.0	8.5	-1.6	3.4	0.3	4.3	-1.1	-1.6	-1.2
Feb-24	5.1	8.7	-0.8	3.3	0.2	4.1	-1.3	-1.7	-1.3
Mar-24	4.9	8.5	-3.4	3.3	0.3	4.8	-0.8	-2.7	-1.1
Apr-24	4.8	8.7	-4.0	3.2	1.3	5.5	-0.4	1.4	-0.7
May-24	4.7	8.7	-3.8	3.0	2.6	7.4	0.8	1.3	0.4

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 (CGA)	13.5	10.3	25.1	17.6	8.3	5.6	2.6
	Cumulated growth (%, y-o-y)					% of budgeted target	
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
Dec-23	14.4	18.7	28.4	23.2	4.3	56.6#	40.2#
Jan-24	14.5	20.1	27.3	23.6	4.5	63.6#	49.4#
Feb-24	13.4	17.3	25.8	21.6	4.6	86.5#	87.1#
Mar-24	13.5	10.3	25.1	17.6	8.3	95.3#	91.1#
Apr-24	16.9	-6.2	20.6	12.1	19.9	12.5	17.1

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents; # indicates that the values as percent of revised estimates
* 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				
FY24 (RE)	8,11,600	-	-	1,45,000	9,56,600
FY25 (BE)	9,17,650	-	-	1,50,000	10,67,650
	Monthly tax collection (INR crore)				
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
Dec-23	68,048	449	-11,276	11,784	69,005
Jan-24	73,685	469	-6,530	11,583	79,207
Feb-24	71,129	376	-12,690	12,529	71,344
Mar-24	73,107	695	38,265	12,709	1,24,776
Apr-24	91,188	292	-2,645	13,042	1,01,877

Source: Monthly Accounts, Controller General of Accounts, Government of India, Union Budget documents
Note: IGST revenues are subject to final settlement.

Table A4: Monetary and financial indicators (annual, quarterly, and monthly growth rates, y-o-y)

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	Bank credit	Agg. deposits	Net FDI	Net FPI	Fiscal year/ quarter/ month	M1	M3	10-year govt. bond yield	FX reserves
	%		% change y-o-y		US$ billion			% change y-o-y		%	US$ billion
Jul-23	6.50	FY21	6.0	11.0	44.0	36.1	FY21	16.2	12.2	6.05	579.3
Aug-23	6.50	FY22	7.0	9.7	38.6	-16.8	FY22	10.7	8.8	6.40	617.6
Sep-23	6.50	FY23	14.4	9.5	28.0	-5.2	FY23	6.9	9.0	7.35	578.4
Oct-23	6.50	FY24	15.7	13.0	10.6	42.2	FY24	7.3	11.1	7.16	645.6
Nov-23	6.50	1QFY24	15.9	12.2	5.1	15.7	1QFY24	7.5	10.6	7.08	595.1
Dec-23	6.50	2QFY24	15.0	13.1	-0.3	4.9	2QFY24	7.4	10.9	7.16	586.9
Jan-24	6.50	3QFY24	15.7	13.4	4.9	11.6	3QFY24	7.1	11.0	7.28	623.2
Feb-24	6.50	4QFY24	16.3	13.3	2.1	9.5	4QFY24	7.3	11.1	7.13	645.6
Mar-24	6.50	Jan-24	16.1	13.2	5.7	-1.0	Feb-24	6.7	10.9	7.11	619.1
Apr-24	6.50	Feb-24	16.5	13.1	0.3	3.8	Mar-24	7.3	11.1	7.07	645.6
May-24	6.50	Mar-24	16.3	13.5	-3.7	6.7	Apr-24	7.8	10.9	7.15	637.9
Jun-24	6.50	Apr-24	15.3	13.3	4.0	-2.7	May-24	7.5	10.9	7.05	651.5

Source: Database on Indian Economy - RBI

Table A5: External trade and global growth

External trade indicators (annual, quarterly and monthly growth rates)							Global growth (annual)			
Fiscal year/ quarter/ month	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/bbl.	US$/mt		% change y-o-y		
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	6.9	16.8	-264.9	80.4	92.7	283.4	2016	3.2	1.8	4.4
FY24	-4.7	-5.7	-245.3	82.8	81.1	126.4	2017	3.8	2.5	4.8
1QFY24	-15.2	-13.2	-56.7	82.2	76.6	138.3	2018	3.6	2.3	4.6
2QFY24	-8.6	-12.5	-64.2	82.7	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
4QFY24	4.6	2.7	-51.8	82.9	80.6	116.2	2021	6.3	5.6	6.9
Feb-24	11.9	12.2	-18.7	83.0	80.5	114.7	2022	3.5	2.6	4.1
Mar-24	-0.7	-6.0	-15.6	83.0	83.5	118.2	2023	3.2	1.6	4.3
Apr-24	1.1	10.3	-19.1	83.4	88.0	119.9	2024*	3.2	1.7	4.2
May-24	9.1	7.7	-23.8	83.4	81.4	123.8	2025*	3.2	1.8	4.2

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook (WEO) April 2024; *indicates forecasts

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 (3rd RE)	-4.1	4.0	-8.2	3.1	-4.2	-4.6	-19.9	1.9	-7.6	3.4
FY22 (2nd RE)	9.4	4.6	6.3	10.0	10.3	19.9	15.2	5.7	7.5	8.6
FY23 (1st RE)	6.7	4.7	1.9	-2.2	9.4	9.4	12.0	9.1	8.9	6.8
FY24 (PE)	7.2	1.4	7.1	9.9	7.5	9.9	6.4	8.4	7.8	1.2
4QFY22	4.3	5.5	1.0	-0.3	7.2	7.0	6.2	5.8	3.2	10.1
1QFY23	11.3	2.7	6.6	2.2	15.6	14.7	22.1	10.5	23.6	11.5
2QFY23	5.0	2.3	-4.1	-7.2	6.4	6.9	13.2	8.7	7.3	9.2
3QFY23	4.8	5.2	1.4	-4.8	8.7	9.5	9.2	7.7	3.5	4.8
4QFY23	6.0	7.6	2.9	0.9	7.3	7.4	7.0	9.2	4.7	3.0
1QFY24	8.3	3.7	7.0	5.0	3.2	8.6	9.7	12.6	8.3	0.0
2QFY24	7.7	1.7	11.1	14.3	10.5	13.6	4.5	6.2	7.7	1.5
3QFY24	6.8	0.4	7.5	11.5	9.0	9.6	6.9	7.0	7.5	1.8
4QFY24	6.3	0.6	4.3	8.9	7.7	8.7	5.1	7.6	7.8	1.6

Source: National Accounts Statistics, MoSPI
*Growth numbers for FY21 (3rd revised estimates), FY22 (2nd revised estimates), FY23 (1st revised estimates) are based on the on NAS released by the MoSPI on 29 February 2024. Provisional estimates (PE) for FY24 was released on 31-May-2024.

Fiscal year/quarter	Expenditure components						IPD inflation
	GDP	PFCE	GFCE	GFCF	EX	IM	GDP
FY21 (3rd RE)	-5.8	-5.3	-0.8	-7.1	-7.0	-12.6	4.8
FY22 (2nd RE)	9.7	11.7	0.0	17.5	29.6	22.1	8.4
FY23 (1st RE)	7.0	6.8	9.0	6.6	13.4	10.6	6.7
FY24 (PE)	8.2	4.0	2.5	9.0	2.6	10.9	1.3
4QFY22	4.5	6.2	5.0	6.4	22.5	6.9	8.5
1QFY23	12.8	18.5	9.8	13.9	19.1	26.1	11.3
2QFY23	5.5	8.2	3.4	4.7	11.7	16.1	9.0
3QFY23	4.3	1.8	7.1	5.0	10.9	4.1	4.9
4QFY23	6.2	1.5	13.9	3.8	12.4	-0.4	2.8
1QFY24	8.2	5.5	-0.1	8.5	-6.6	15.2	0.2
2QFY24	8.1	2.6	14.0	11.6	5.0	11.6	1.4
3QFY24	8.6	4.0	-3.2	9.7	3.4	8.7	1.6
4QFY24	7.8	4.0	0.9	6.5	8.1	8.3	2.0

Source: National Accounts Statistics, MoSPI
* Growth numbers for FY21 (3rd revised estimates), FY22 (2nd revised estimates), FY23 (1st revised estimates) are based on the on NAS released by the MoSPI on 29 February 2024. Provisional estimates (PE) for FY24 was released on 31-May-2024

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	aggregate demand
2	AEs	advanced economies
3	Agr.	agriculture, forests 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

Our offices

Ahmedabad
22nd Floor, B Wing, Privilon,
Ambli BRT Road, Behind Iskcon
Temple, Off SG Highway,
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

Bengaluru
12th & 13th Floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground & 1st Floor
11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

Bhubaneswar
8th Floor, O-Hub, Tower A
Chandaka SEZ, Bhubaneswar
Odisha – 751024
Tel: + 91 674 274 4490

Chandigarh
Elante offices,
Unit No. B-613 & 614
6th Floor, Plot No- 178-178A,
Industrial & Business Park, Phase-I,
Chandigarh - 160002
Tel: + 91 172 671 7800

Chennai
Tidel Park, 6th & 7th Floor
A Block, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: +91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad
THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur
9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur, Rajasthan - 302018

Kochi
9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata
22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: + 91 33 6615 3400

Mumbai
14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

Pune
C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Taluka Haveli
Pune - 411 045
Tel: + 91 20 4912 6800

Ernst & Young LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit www.ey.com/en_in.

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at Ground Floor, Plot No. 67, Institutional Area, Sector - 44, Gurugram - 122 003, Haryana, India.

EYIN2406-021
ED None

JN

ey.com/en_in

@EY_India EY EY India EY Careers India @ey_indiacareers