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Economy Watch

Monitoring India's
macro-fiscal performance

July 2024

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Highlights

1. The final FY25 budget has estimated GoI's fiscal deficit to GDP ratio at 4.9% in FY25 (BE), an improvement as compared to 5.1% as provided for in the interim budget.
2. The quality of fiscal deficit is budgeted to improve with the ratio of revenue deficit to fiscal deficit falling to 36% in FY25 (BE) from 46.3% in FY24.
3. GoI's total expenditure is budgeted at INR48.2 lakh crore in FY25 (BE), divided into revenue and capital expenditures in the ratio of 77:23.
4. Both manufacturing and services PMI increased to 58.3 and 60.5 respectively in June 2024, from 57.5 and 60.2 in May 2024.
5. Led by a higher growth in manufacturing and electricity output, IIP growth increased to 5.9% in May 2024 from 5.0% in April 2024.
6. CPI inflation at 5.1%, showed an increase for the first time since January 2024. Core CPI inflation remained at a historic low (2012 base series) of 3.1% in June 2024.
7. WPI inflation remained low at 3.4% in June 2024, although showing an increase for the fourth successive month.
8. As per the CGA, GoI's gross tax revenues (GTR) grew by 15.8% during April-May FY25 with growth in direct taxes at 22.7% and that in indirect taxes at 7.5%.
9. GoI's total expenditure contracted by (-)0.4% during April-May FY25, with growth in revenue expenditure at 4.7% while capital expenditure contracted by (-)14.4%.
10. GoI's fiscal and revenue deficits during April-May FY25 stood at their historic low levels of 3.1% and (-)15.7% of the respective annual BE.
11. Gross bank credit continued its strong momentum with a growth of 16.1% in May 2024 as compared to 15.3% in April 2024.
12. Growth in merchandise exports and imports slowed to 2.5% and 5.0% respectively in June 2024 from 9.1% and 7.7% in May 2024.
13. Merchandise trade deficit narrowed to US\$21.0 billion in June 2024 from US\$23.8 billion in May 2024, primarily due to moderation in oil imports.
14. Net FDI inflows eased to US\$3.3 billion in May 2024 from US\$3.9 billion in April 2024. Net FPI's witnessed outflows amounting to US\$1.5 billion in May 2024.
15. Average global crude price eased to a four-month low of US\$81.2/bbl. in June 2024.
16. The World Bank has projected global growth at 2.6% in 2024 and 2.7% in 2025, with India's growth in FY25 and FY26 at 6.6% and 6.7% respectively. The IMF (July 2024) has projected global growth at 3.2% and 3.3% respectively for 2024 and 2025 with India's growth at 7.0% and 6.5% in the respective fiscal years.



Foreword

Budget FY25: sustaining momentum of growth and employment with fiscal consolidation



The RBI's expectation for FY25 real GDP growth is at 7.2%. In contrast, the IMF (July 2024) and the ADB (July 2024) have projected India's FY25 real GDP growth at 7% while the World Bank (June 2024) and OECD (May 2024) have projected it at 6.6%. The IMF's nominal GDP growth projection (April 2024) for FY25 is 10.5%. Govt's budget projection for nominal GDP growth is also at 10.5%. The final FY25 Union Budget continues with an investment led growth strategy where Govt's investment plays a key role in expanding infrastructure. Govt is now getting prepared to bring on board, state governments and the private sector to support overall investment and employment growth.

Available high frequency data for 1QFY25 indicates that the Indian economy is well on its way to meeting RBI's GDP growth projection of 7.3% for Q1 of FY25. PMI manufacturing and services that are available for April to June 2024 are at high levels of 58.2 and 60.5, respectively, confirming robust economic activity both in the manufacturing and services sectors of the economy. This is also reflected in the high levels of gross GST collections in April and May 2024 at INR2.1 lakh crore and INR1.73 lakh crore, respectively. As per media sources¹, gross GST collections remained buoyant at INR1.74 lakh crore in June 2024. Gross bank credit continued its strong momentum with a growth of 16.1% in May 2024 as compared to 15.3% in April 2024. Core IIP growth averaged 6.5% during April-May 2024, tangibly higher than 4.9% during the corresponding period of 2023. Merchandise trade deficit narrowed to US\$21.0 billion in June 2024 from US\$23.8 billion in May 2024, primarily owing to the moderation in oil imports.

After reaching a 12-month low level of 4.8% in May 2024, CPI inflation inched up to 5.1% owing to higher inflation in vegetables. However, it continued to remain within RBI's target range of 2% to 6%. Core CPI inflation continued to remain at an unprecedented low of 3.1% in June 2024. WPI inflation also remained low at 3.4% in June 2024, although increasing from 2.6% in May 2024, primarily attributable to higher inflation in food items.

Economic growth is closely linked with employment growth. Recent KLEMS data (RBI, July 2024)² has highlighted tangible improvement in the employment situation in India since FY20. A longer-term view of the KLEMS database, however, shows a pattern characterized by the following features. First, in FY81, the share of employed persons in total working age persons, considered as population aged 15 years and above, was 68.5%. This share progressively fell to a trough of 48.4% in FY18, implying that more than 50% of people potentially available for work were unemployed. This ratio started to rise FY19 onwards and has reached a level of 56.2% in FY23. Second, people employed in agriculture accounted for a share of 47.9% in FY81. This share fell to a trough of 20.3% in FY19. Agriculture's share in total employment increased to 23.8% by FY23. One redeeming feature of this employment pattern is that the share of non-agricultural workers in total working age persons has crossed the corresponding share of agricultural workers in FY11. This share has increased to 32.4% in FY23. The main non-agricultural sectors where employment accounted for more than 5% of total working age population in FY23 are construction and trade. The annual rate of growth of total employment fell, according to the KLEMS data, to only 0.3% during FY06 to FY18. Since then, the annual rate of growth of employment has averaged 4.7% during FY18 to FY23. In contrast, the annual growth in the population of persons aged 15 years and above had averaged 2.1% during FY06 to FY18, which was

¹ https://www.business-standard.com/economy/news/india-s-gross-gst-collection-up-7-7-to-rs-1-74-trillion-in-june-124070100889_1.html

² <https://www.rbi.org.in/Scripts/KLEMS.aspx>

lower than its average growth experienced during FY82 to FY05 at 2.5%. This further fell to 1.4% in FY23. Even though the annual growth in the number of employed persons has increased, the backlog in terms of the number of unemployed persons is quite large and employment in the non-agricultural sectors will have to increase at a faster rate not only to compensate for the fall in the share of workers employed in agriculture but also to clear the large backlog of unemployed persons. Thus, the employment intensity of non-agricultural GDP has to increase substantially.

The construction sector is one of the main non-agricultural sectors where employment intensity has been rising. Government's prioritization of construction in terms of infrastructure as well as housing would continue to sustain the growth momentum of this sector. This prioritization has been maintained in the FY25 final budget.

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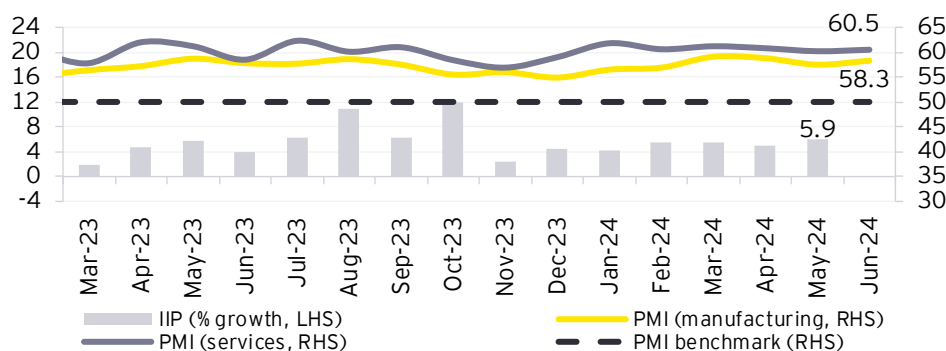


1 Growth: PMI manufacturing averaged 58.2 in 1QFY25, its highest quarterly level since 4QFY08

1.1 PMI: signaled strengthening growth in both manufacturing and services in June 2024

- ▶ Headline manufacturing PMI (seasonally adjusted (sa)) increased to 58.3 in June 2024 from 57.5 in May 2024, indicating a sharp improvement in the manufacturing sector activity, driven particularly by the consumer goods industry (**Chart 1**). PMI manufacturing averaged 58.2 in 1QFY25, its highest quarterly level since 4QFY08.
- ▶ Services PMI also increased to 60.5 in June 2024 from 60.2 in May 2024, led by an increase in both domestic and international new orders. With this, services PMI averaged at a high level of 60.5 in 1QFY25 as compared to 61.2 in 4QFY24.
- ▶ Reflecting an improvement in the growth momentum of both manufacturing and services sector activity, the composite PMI Output Index (sa) increased to 60.9 in June 2024 from 60.5 in May 2024. On a quarterly basis, composite PMI Output Index averaged 61 in 1QFY25, close to its level of 61.2 in 4QFY24.

Chart 1: PMI and IIP growth



Source: MoSPI and S&P Global.

Both manufacturing and services PMI increased to 58.3 and 60.5 respectively in June 2024, from 57.5 and 60.2 in May 2024.

1.2 IIP: growth improved to 5.9% in May 2024

- ▶ According to the quick estimates, IIP growth increased to a seven-month high of 5.9% in May 2024 from 5.0% in April 2024 (**Chart 1**).
- ▶ Among the sub industries, the output of electricity sector continued its strong performance with a growth of 13.7% in May 2024 as compared to 10.2% in April 2024. The mining sector output also showed a high growth of 6.6% in May 2024, although moderating from 6.8% in April 2024.
- ▶ Growth in the output of manufacturing sector increased to 4.6% in May 2024 from 3.9% in April 2024. Within manufacturing, fabricated metal products (12.3%), basic metals (7.8%), pharmaceuticals products (7.5%) and motor vehicles, trailers et al. (6.2%) were some of the key sub-industries to show strong growth rates during the month. However, output of two sub-industries, namely coke and refined petroleum products and other machinery and equipment, witnessed a low growth of 2.0% and 1.7% respectively in May 2024.
- ▶ As per the 'use-based' classification of industries, growth in the output of consumer durables remained the highest at 12.3% in May 2024, improving from 10.0% in April 2024. This was followed by primary goods industry with a growth of 7.3% in May 2024 as compared to 7.0% in April 2024. Output of capital goods and consumer non-durables, however, posted low growth rates of 2.5% and 2.3% respectively in May 2024.
- ▶ Growth in the output of eight core infrastructure industries (core IIP) remained strong at 6.3% in May 2024, although easing marginally from 6.7% (revised) in April 2024. This may be attributable to buoyant growth rates seen in the output of electricity (12.8%), coal (10.2%), steel (7.6%) and natural gas (7.5%) in May 2024. Growth in the output of petroleum refinery products continued to remain subdued at 0.5% while that in crude oil was negative at (-)1.1% in May 2024 as compared to 3.9% and 1.6%, respectively in April 2024. During April and May FY25, growth in core IIP averaged 6.5%, higher as compared to 4.9% during the corresponding period of FY24.

Led by a higher growth in manufacturing and electricity output, IIP growth increased to 5.9% in May 2024 from 5.0% in April 2024.

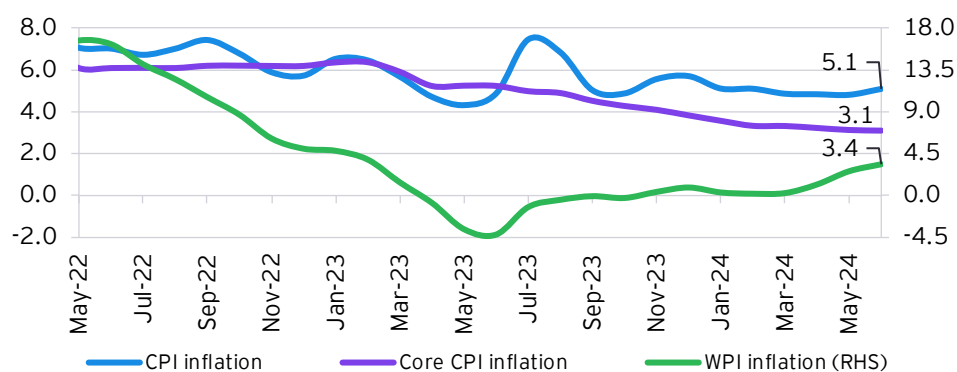
2 Inflation: CPI inflation reached a four-month high of 5.1% in June 2024



2.1 CPI inflation

- ▶ CPI inflation was at 5.1% in June 2024, as compared to 4.8% in May 2024, showing a sequential increase for the first time since January 2024, primarily owing to higher inflation in food items such as vegetables (**Chart 2**).
- ▶ Weak monsoon and heat waves across India led to higher inflation in vegetables, which increased to 29.3% in June 2024 from 27.4% in May 2024 despite waning unfavorable base effects.
- ▶ Inflation in cereals and products and pulses also remained elevated at 8.8% and 16.1% in June 2024 as compared to 8.7% and 17.1% in the previous month, respectively. Consumer food price index-based inflation increased to a six-month high of 9.4% in June 2024 from 8.7% in May 2024.
- ▶ Inflation in clothing and footwear remained at a 51-month low of 2.7% in June 2024 for the second successive month. Inflation in housing increased for the first time in sixteen months, although marginally to 2.7% in June 2024 from 2.6% in May 2024.
- ▶ Fuel and light inflation continued to remain negative at (-)3.7% in June 2024, the same level seen in May 2024, reflecting price cuts in LPG for households effective March 2024.
- ▶ Inflation in transportation and communication services remained at a 12-month low of 1.0% in June 2024, the same level as seen in May 2024.
- ▶ Core CPI inflation³ continued to remain at an unprecedented low of 3.1% (2012 series) in June 2024 for the second successive month (**Chart 2**).

Chart 2: Inflation (y-o-y, in %)



CPI inflation at 5.1% showed a sequential increase for the first time since January 2024, even as core CPI inflation continued to remain at an unprecedented low of 3.1% in June 2024.

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

2.2 WPI inflation: remained low at 3.4% in June 2024, although showing an increase for the fourth successive month

- ▶ WPI inflation increased to 3.4% in June 2024 from 2.6% in May 2024, primarily owing to higher inflation in food items. Food inflation increased for the fifth successive month to a 22-month high of 8.7% in June 2024.
- ▶ Food inflation was led by inflation in fruits and vegetables, which increased to a 22-month high of 10.1% and a 10-month high of 38.8% in June 2024, respectively. Inflation in manufactured food products also increased to 4.3% in June 2024, its highest level since December 2022, indicating some transmission of inflationary pressures.
- ▶ Inflation in fuel and power remained low at 1.0% in June 2024 after turning positive at 1.3% in May 2024 as inflation in mineral oils remained subdued at 1.9% while that in electricity was at 0.2% in June 2024.
- ▶ Inflation in manufactured products was also benign at a 1.4% in June 2024, although higher than 0.8% in May 2024.
- ▶ Inflation in crude petroleum and natural gas increased to a 16-month high of 12.6% in June 2024 owing largely to an unfavorable base effect.
- ▶ Core WPI inflation inched up to 0.9% in June 2024 after turning positive at 0.4% in May 2024 mainly due to marginally higher inflation rates in manufactured food products, basic metals and chemicals.

³ Core CPI inflation is measured in different ways by different organizations. Here, it has been calculated by excluding food, and fuel and light from the overall index.

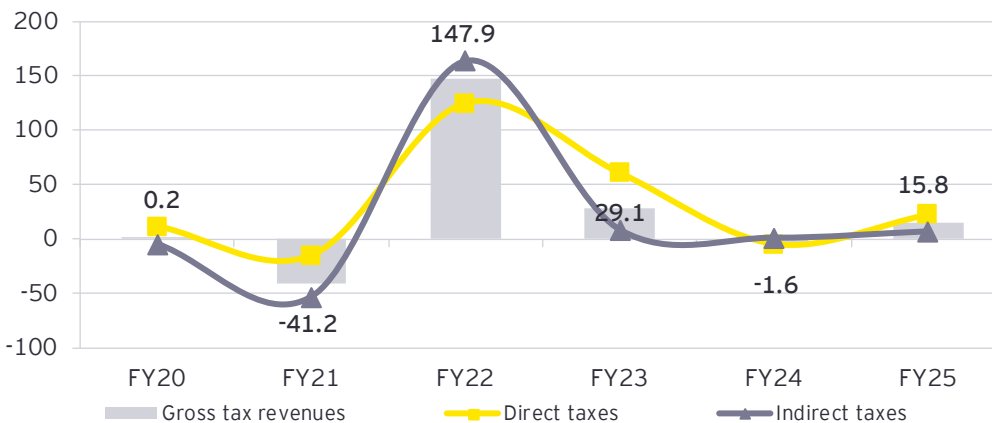


3 Fiscal: Gol's fiscal deficit during April-May FY25 hit a historic low of 3.1% of BE

3.1 Tax and non-tax revenues

- ▶ As per the CGA, Gol's GTR^(b) showed a growth of 15.8% during the first two months of FY25 as compared to a contraction of (-)1.6% during the corresponding period of FY24 (**Chart 3**). GTR during April-May FY25 as a percentage of annual BE stood at 12% in FY24, close to the three-year average of 12.1% during FY22 to FY24 based on actual data.
- ▶ Direct taxes^(a) showed a strong growth of 22.7% while indirect taxes^(a) grew by 7.5% during April-May FY25. The corresponding growth rates in FY24 were at (-)4% and 1.6% respectively.
- ▶ CIT revenues showed a contraction of (-)19.8% during April-May FY25 as compared to (-)28% during the corresponding period of FY24. This may generally be attributable to CIT refunds during the initial months of the fiscal year.
- ▶ PIT revenues grew by 41.6% during the first two months of FY25, significantly higher than the corresponding growth of 12.6% in FY24.
- ▶ Among indirect taxes, Gol's GST revenues^(c) grew by 10.5% during April-May FY25, higher than 3.8% during the corresponding period of FY24.
- ▶ Union excise duties (UED) showed a contraction of (-)5.8% during April-May FY25 although the pace of contraction eased as compared to (-)16.3% during April-May FY24.
- ▶ Customs duties showed a relatively low growth of 3.8% during April-May FY25 as compared to 10.4% during the corresponding period of FY24.

Chart 3: Growth in central gross tax revenues during April-May (% , y-o-y)



Gol's GTR showed a growth of 15.8% during the first two months of FY25 with growth in direct taxes at 22.7% and that in indirect taxes at 7.5%.

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

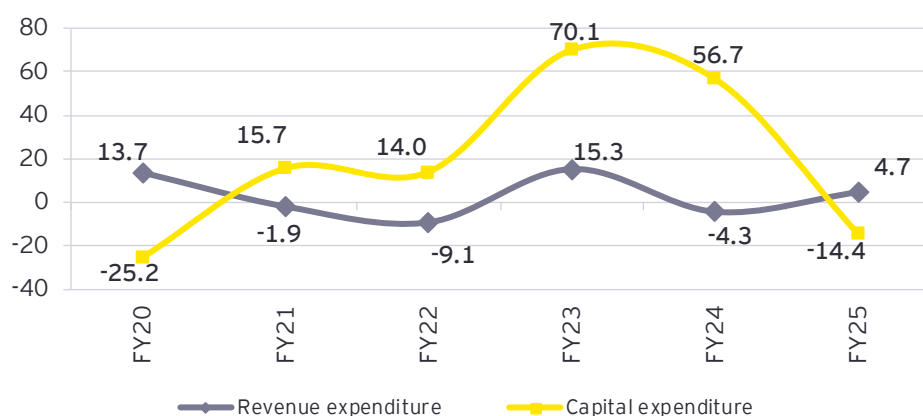
- ▶ Gol's non-tax revenues showed a high growth of 86.9% during the first two months of FY25, owing to substantially higher dividends by the RBI. Gol's dividends and profits during April-May FY25 at INR2,15,829 crore stood at 74.6% of the FY25 (BE) which are now budgeted at INR2,89,134.
- ▶ Non-debt capital receipts of the Gol during April-May FY25 stood at 2.7% of the annual BE, much lower than the three-year average ratio at 17.3% during FY22 to FY24 based on actual data.
- ▶ As per the Department of Investment and Public Asset Management (DIPAM)⁴, there were no receipts from Gol's disinvestment during the first two months of FY25. The FY25 Union Budget has set a target of INR50,000 for the current fiscal year, unchanged from its level in the interim budget.

⁴ <https://dipam.gov.in/>

3.2 Expenditures: revenue and capital

- ▶ Gol's total expenditure showed a contraction of (-)0.4% during the first two months of FY25 as compared to a growth of 6.9% during the corresponding period of FY24. Gol's total expenditure during April-May FY25 stood at 12.9% of FY25 BE, marginally lower than the three-year average at 13.6% during FY22 to FY24 based on actual data.
- ▶ Gol's revenue expenditure growth was at 4.7% during April-May FY25 as compared to a contraction of (-)4.3% during April-May FY24 (Chart 4).
- ▶ Unlike the last four years, Gol's capital expenditure showed a contraction of (-)14.4% during April-May FY25. The final FY25 Union Budget has retained its capital expenditure level at INR11.11 lakh crore in FY25, implying a growth of 17.1% over the FY24 level.

Chart 4: Growth in central expenditures during April-May (% y-o-y)



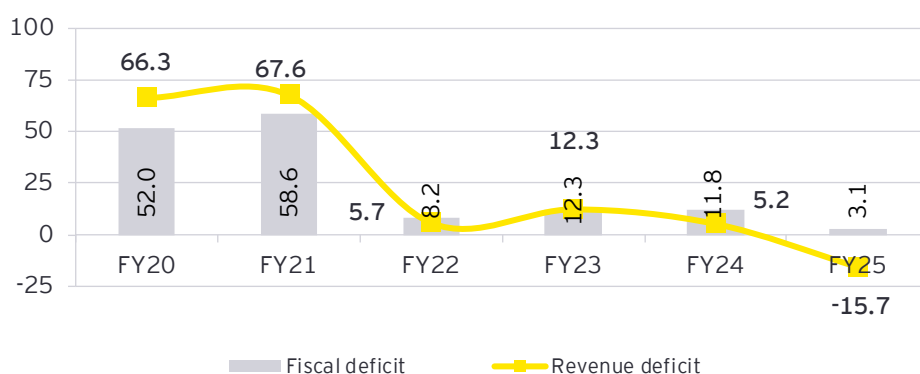
Gol's total expenditure showed a contraction of (-)0.4% during April-May FY25, with growth in revenue expenditure at 4.7% while capital expenditure contracted by (-)14.4%.

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

3.3 Fiscal imbalance

- ▶ Gol's fiscal deficit during April-May FY25 stood at a historically low level of just 3.1% of the FY25 BE helped by substantially enhanced non-tax revenues of the Gol owing to higher RBI dividends. In comparison, the corresponding ratio in FY24 stood at 11.8% (Chart 5).
- ▶ The final budget for FY25 has targeted a fiscal deficit to GDP ratio of 4.9% in FY25 as compared to 5.1% budgeted in the interim budget.
- ▶ Gol's revenue account during April-May FY25 showed a surplus, the first such instance during the corresponding period since FY01. The corresponding ratio during April-May FY24 stood at 5.2% of the respective annual BE.

Chart 5: Fiscal and revenue deficit during April-May as a percentage of BE



Gol's fiscal and revenue deficits during April-May FY25 stood at their historic low levels of 3.1% and (-)15.7% of the respective annual BE.

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

4 Comparative trends: OECD projected India's growth at 6.6% in FY25, twice the global growth at 3.1%



4.1 Real GDP growth

- ▶ According to the OECD, global growth at 3.1% in 2024 is projected to remain unchanged from its level in 2023 before edging up to 3.2% in 2025 helped by stronger real income growth and lower policy interest rates (**Table 1**).
- ▶ In the US, growth is projected to remain strong at 2.6% in 2024, supported by consumer spending, continued strength in the labor market, and monetary policy easing before returning to potential in 2025.
- ▶ As per the OECD, the UK and Euro area ended 2023 in recession but the unwinding of the effects from the large adverse energy price shock of 2022, a recovery in real household incomes, tight labor markets and reductions in policy interest rates are projected to help generate a gradual rebound. While growth in the UK is projected to improve to 0.4% and 1% in 2024 and 2025 respectively, that in the Euro area is forecasted to recover to 0.7% and 1.5% for these two years.
- ▶ Growth in Japan is projected to moderate to 0.5% in 2024 before strengthening to 1.1% in 2025, as domestic demand rebounds supported by wage growth and fiscal measures.
- ▶ Among emerging economies, growth in China is projected to slow only modestly to 4.9% in 2024 and 4.5% in 2025, despite the drag from the ongoing adjustment in the real estate sector. Growth is projected to be buoyed by supportive macroeconomic policies, including a sizeable fiscal stimulus in 2024 and infrastructure investment, and strengthening external demand.
- ▶ GDP growth in India is projected at 7.8% in 2023 (FY24) and at 6.6% in each of the following two fiscal years supported by gross capital formation, particularly in the public sector.

Table 1: Real GDP growth (% , annual)

Country	2022	2023	2024	2025
World	3.4	3.1	3.1	3.2
US	1.9	2.5	2.6	1.8
UK	4.3	0.1	0.4	1.0
Euro area	3.5	0.5	0.7	1.5
Japan	1.0	1.9	0.5	1.1
Brazil	3.1	2.9	1.9	2.1
Russia	-1.2	3.6	2.6	1.0
India*	7.0	7.8	6.6	6.6
China	3.0	5.2	4.9	4.5
S. Africa	1.9	0.6	1.0	1.4

Source: OECD Economic Outlook, May 2024

*data pertains to fiscal year

4.2 CPI inflation

- ▶ Headline CPI inflation fell rapidly in most economies during 2023, helped by generally restrictive monetary policy settings, lower energy prices and continued easing of supply chain pressures. Inflation is projected to follow a downward trajectory in most economies in 2024 and 2025.
- ▶ In the US, a reduction in CPI inflation is expected over the forecast period with its level in 2025 reaching close to the long-term target of 2% (**Table 2**).
- ▶ Inflation rates in the UK and the Euro area are expected to continue moderating towards target, as energy and food prices ease substantially, although persistent price pressures from services are likely to keep core inflation elevated in both the countries.
- ▶ Inflation in Japan is expected to moderate, converging to the 2% target by 2025, as government subsidies end.
- ▶ Among emerging economies, China's CPI inflation is projected to remain low, averaging 0.3% in 2024 and 1.3% in 2025 mainly owing to subdued food prices. In addition, productivity improvements, innovation and a move up the value chain are helping keep prices low, alongside the gradual pace of recovery.
- ▶ India's CPI inflation is projected to decline gradually, reaching close to the average target of 4% by 2025 (FY26). However, there would be tangible uncertainty with respect to food inflation.

Table 2: Headline CPI (% , annual)

Country	2022	2023	2024	2025
US	8.0	4.1	3.0	2.2
UK**	9.1	7.3	2.8	2.3
Euro area**	8.4	5.4	2.3	2.2
Japan	2.5	3.3	2.1	2.0
Brazil	9.3	4.6	4.0	3.3
Russia	13.7	7.4	7.4	4.7
India*	6.7	5.3	4.3	4.2
China	1.9	0.3	0.3	1.3
S. Africa	6.9	5.9	5.3	4.6

Source: OECD Economic Outlook, May 2024

*data pertains to fiscal year, **pertains to harmonized headline inflation



5.1 Introduction

The final GoI FY25 budget signals the completion of a 10-year period of the current government and the beginning of another five-year term. It is an appropriate time to take account of the fiscal reforms undertaken so far and the direction in which the fiscal system and the economy would be moving forward in the medium-term. In this write-up, we will highlight major milestones and achievements over the last 10 years covering FY15 to FY24 and assess the fiscal and economic platform that has been built so far in order to take the Indian economy and government finances into the first five-year term of the Amrit Kaal.

5.2 Tax-GDP ratio: inching upwards

India's combined tax-GDP ratio had languished in the range of 16% to 18% over a period of more than three decades from the late 1980s up to the recent years. There are indications that India may finally be breaking out of this ceiling of 18% of the combined tax-GDP ratio (**Table 3**). During FY15 to FY24, there has been a rise of more than 2% points in the combined tax-GDP ratio of the GoI and the states which had fallen to a trough of 16.1% during FY20 and FY21. FY20 was characterized by the adverse impact of two major tax reforms that occurred in quick succession relating to the introduction of GST in 2017 and extensive CIT reform in 2019. In FY21, the economy and the government finances were beset by the onset of COVID-19. The pick-up in the combined tax-GDP ratio in the last three years from FY22 to FY24 is expected to continue assuming that the global economy does not suffer another major shock. If a buoyancy of about 1.1 is maintained, we expect that the combined tax-GDP ratio would progressively increase to about 23.5% by FY48, an increase of 5% points over a period of 24 years. The contribution of GoI's GTR in this would be 3.2% points, the balance being made up by an increase in states' own tax revenue to GDP ratio. The underlying assumption is a sustained nominal GDP growth of 11% over this period.

Table 3: Combined and GoI's tax-GDP ratio (%)

Years	GoI's GTR (CGA)	Direct tax to GDP (CGA)	Indirect tax to GDP (CGA)	Combined tax-GDP
FY15	10.0	5.5	4.4	16.4
FY16	10.6	5.3	5.1	16.9
FY17	11.1	5.4	5.6	17.1
FY18	11.2	5.7	5.3	17.8
FY19	11.0	6.0	5.0	17.4
FY20	10.0	5.2	4.8	16.1
FY21	10.2	4.7	5.4	16.1
FY22	11.5	5.9	5.5	17.7
FY23	11.3	6.1	5.1	18.0
FY24	11.7	6.5	5.1	18.5

Source (basic data): Union Budgets, CGA, CAG, IPFS

Notes: (1) GoI's GTR includes direct, indirect and other taxes as provided by the CGA

(2) For estimating the combined tax revenues for FY24, data for states' own tax revenues is sourced from CAG

GoI's GTR to GDP ratio had increased from 10% in FY15 and again in FY20, to 11.7% in FY24. Over the period from FY20 to FY24, the increase in direct tax-GDP ratio was 1.3% points and that in the indirect tax-GDP ratio was 0.3% points. In fact, the indirect tax-GDP ratio had increased to a recent peak of 5.5% in FY22 from which it fell to 5.1% in FY23 and FY24 mainly because of a contraction in union excise duties and a subdued growth in customs duties. In line with these trends, going forward, we expect a greater contribution of direct taxes in the overall tax-GDP ratio of the GoI.

5.3 Major tax reforms: GST and CIT

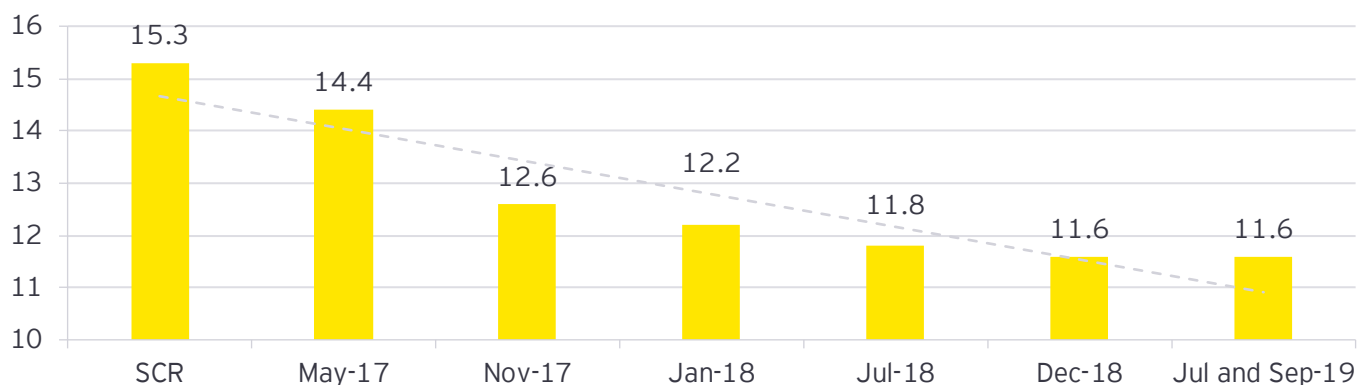
During the period FY15 to FY24, two major tax reforms were undertaken. These are briefly discussed below.

Goods and Services Tax (GST)

GST in India was introduced in July 2017 after a long period of dialogue between the GoI and state governments. Besides transitional issues, the GST rate structure did not amount to a revenue neutralizing effective rate. This was the main reason for the domestic indirect tax system in India showing lower growth and buoyancy in the initial years as compared to the pre-GST years. This situation started to improve FY22 onwards.

An RBI study (RBI Bulletin September 2019) estimated that the effective weighted average GST rate has fallen over time as compared to the effective revenue neutral rate (RNR) at the time of transition. The effective weighted average GST rate was estimated at 14.4% in May 2017, just prior to the introduction of GST in July 2017 (Chart 6). This had fallen to 11.6% in the period July to September 2019.

Chart 6: Weighted average (effective) GST rate (%)



Source (basic data): RBI Bulletin September 2019

Note: SCR refers to Subramanian Committee recommendation

The dynamics of deliberations of GST Council has been such that there is a clear emphasis on achieving unanimity amongst all participants. The states have tended to agree to relatively lower rates, especially in view of the provision for compensation for the first five years up to June 2022. The various compensation cesses would be continued for some more time to facilitate payment for unpaid accumulated arrears on account of due compensation. As the GST Council has not agreed to an extension of the compensation provision beyond five years, it may be possible progressively to reach a genuinely effective RNR in the near future. Going forward, as India's GST is made more comprehensive by including some of the sectors that are left out, care should be taken to ensure continued revenue neutrality when items presently excluded from the GST are brought into its ambit.

Corporate Income Tax (CIT)

The second major tax reform, implemented in September 2019, related to a reduction in the effective corporate income tax rate for specified categories. There was a reduction in the basic CIT rate applicable to domestic companies from 30% to 22% translating into a reduction of nearly 10% points, including cesses and surcharges. For new investments in the manufacturing sector, the basic CIT rate was reduced from 25% to 15%, translating into a reduction of nearly 12% points including cesses and surcharges. This benefit was available to companies which did not avail any exemption/incentive and commenced their production on or before 31 March 2023. This was later extended to 31 March 2024⁵ owing to the adverse impact of COVID-19. Further, in order to provide relief to companies which continued to avail exemptions/incentives, the rate of Minimum Alternate Tax (MAT) was reduced from 18.5% to 15%. These rate reductions were effective from FY20. While availing the option of reduced tax rates, the domestic companies had to forego all other exemptions or incentives. A comparable rate reduction was not provided for foreign companies operating in India.

The immediate impact of this was a fall in the CIT revenues of the GoI. CIT revenues showed a contraction of (-)16.1% in FY20 as compared to a growth of 16.2% in FY19. However, revenues have recently picked up. In FY22, FY23 and FY24, CIT revenues showed growth rates of 55.7%, 16.0% and 10.3% respectively with buoyancies at 3.0 in FY22, and 1.1 each in FY23 and FY24.

5.4 Non-tax revenue (NTR) reforms: asset monetization

The contribution of NTR to overall revenue receipts for the combined account of GoI and state governments as well as for the GoI's revenue receipts has been rather limited. In the case of the combined NTR, this contribution, measured as a percentage of GDP has ranged between 1.9% to 2.8% over the period FY15 to FY24. In GoI's case, this has ranged from 1.05% to 1.82%.

⁵ <https://rb.gy/gflehv>

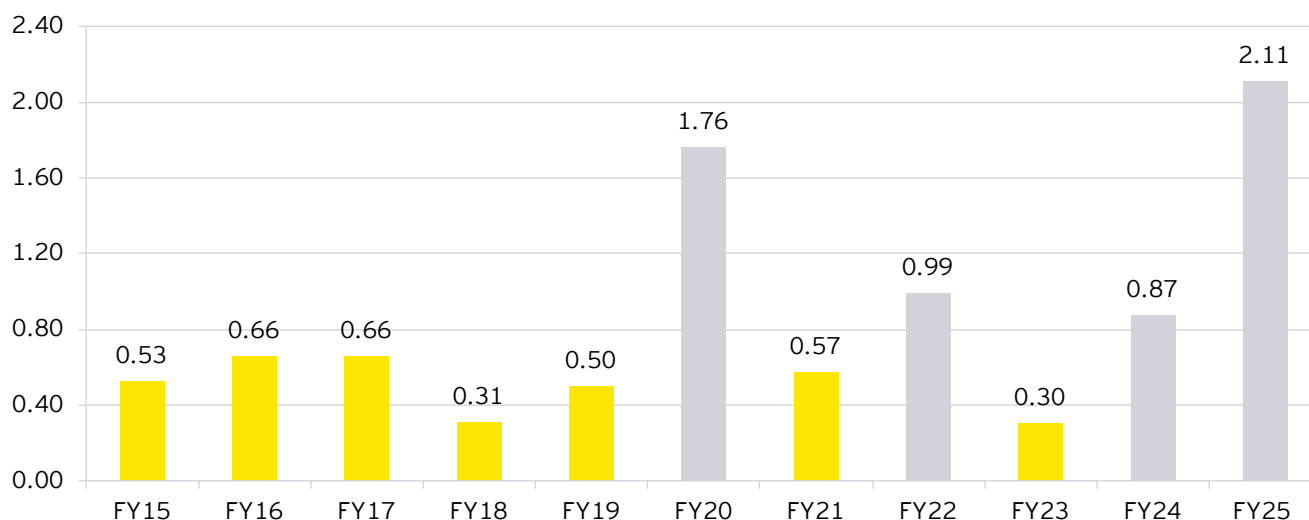
Table 4: Trends in combined and Gol's non-tax revenues (NTR) (% to GDP)

Year	Gol's NTR of which:	Interest receipts	Dividends and profits	Other NTR	Combined NTR
FY15	1.59	0.19	0.72	0.67	2.3
FY16	1.82	0.18	0.81	0.83	2.8
FY17	1.78	0.11	0.80	0.88	2.8
FY18	1.10	0.08	0.53	0.49	2.1
FY19	1.25	0.07	0.60	0.58	2.3
FY20	1.62	0.06	0.92	0.58	2.8
FY21	1.05	0.09	0.49	0.47	1.9
FY22	1.55	0.09	0.68	0.77	2.5
FY23	1.06	0.10	0.37	0.59	2.1
ssFY24	1.36	0.13	0.58	0.65	2.3*

Source (basic data): CGA, MoSPI, and IPFS

*Gol's non-tax revenues have been sourced from the CGA and it excludes externally aided grants received by the Gol but transferred to the states and interest receipts from the states. Data for externally aided grants received by the Gol but transferred to the states and interest receipts from the states pertain to revised estimates. States' non-tax revenues are sourced from the CAG.

One important component of Gol's NTR is dividends and profits, which include RBI's dividends. From time to time, RBI's dividends have shown periodic jumps (**Chart 7**). It can be seen that the Gol could access relatively high magnitudes in FY20, FY22, FY24 and FY25. It may be noted that any transfer from the RBI to the Gol has monetary implications. Such transfers are, by nature, expansionary and may have an inflationary impact.

Chart 7: RBI's dividends (INR crore) to the Gol: FY15 to FY25

Source (basic data): RBI

Given the low level of contribution of NTR to the overall revenue receipts, the Gol had initiated certain revenue augmenting measures relating to NTR. In this context, an important initiative introduced in the FY22 Union Budget relates to the idea of monetization of government and public sector owned assets, including defense assets. A National Monetization Pipeline (NMP) was proposed as a first step towards assessing the potential value of government-owned assets and devising strategies for their monetization. Monetized government assets, if leased or rented out, may yield a stream of periodic incomes which may be counted under NTR. However, outright sale of assets would generate one-time receipts and may be considered as part of government's non-debt capital receipts.

Pursuant to the announcement in FY22, the NITI Aayog in collaboration with the concerned infrastructure ministries, prepared a list of potential core assets of the central government ministries/public sector enterprises (PSEs) for monetization during the period FY22 to FY25. The NMP included assets with monetization potential of INR6 lakh crore during the four-year period. The combined target for the first two years, namely FY22 and FY23, was around INR2.5 lakh crore, against which around INR2.30 lakh crore was achieved. During FY24, against the target of INR1.8 lakh crore, which is the highest amongst all the four years, the achievement has been around INR1.56 lakh crore. The achievement rates were about 92% in FY22 and FY23 considered together, and 87% in FY24.

The top performing ministries with respect to asset monetization in FY24 are given in **Table 5**. It is seen that seven ministries accounted for 77.5% of the total target for FY24.

Table 5: Asset monetization in FY24: top performing ministries

#	Ministry	Amount garnered (INR crore)	Share in total (%)
1	Road Transport and Highways	40,314	22.4
2	Ministry of Coal	56,794	31.6
3	Power	14,690	8.2
4	Petroleum and Natural Gas	9,587	5.3
5	Shipping	7,627	4.2
6	Urban	6,480	3.6
7	Mines	4,090	2.3
8	Others	40,418	22.4
	TOTAL	1,80,000	100.0

Source (basic data): PIB; <https://pib.gov.in/PressReleaselframePage.aspx?PRID=2026675>

For FY25, the NHA has already identified and published an indicative list of 33 assets to be monetized.

5.5 Expenditure side reforms: prioritization of capital expenditure

Size of government

The size of government in terms of the ratio of total expenditure to GDP or primary expenditure to GDP indicates the purchase of goods and services by the government sector in the economy. At the level of combined government expenditures, total expenditure relative to GDP is in the range of 25.52% (FY15) to 30.47% (FY21) (Table 6). For the GoI, total expenditure relative to GDP has ranged from 10.21% (FY19) to 14.09% (FY21). The level of 14.09%, is, however, not representative in the sense that this occurred in the COVID-affected year, which was characterized by a contraction in nominal GDP. In this year, it indicated that the fall in government expenditure tends to be limited as compared to the fall in GDP when the economy suffers a major shock. In a more representative way, we can consider the improvement in the level of GoI's expenditure as rising from 10.21% of GDP in FY19 to 13.01% in FY23. It is also notable that GoI's interest payments relative to GDP have increased due to higher debt incurred during the COVID year as a result of which the increase in GoI's primary expenditure relative to GDP at 2.2% points is less than that in total expenditure relative to GDP at 2.7% points during FY19 to FY24.

Table 6: Size of government (relative to GDP)

Year	Total expenditure			Primary expenditure		
	GoI	States	Combined ⁽¹⁾	GoI ⁽²⁾	States ⁽³⁾	Combined
FY15	10.51	15.00	25.52	7.35	13.47	20.82
FY16	10.91	16.54	27.45	7.76	14.96	22.72
FY17	10.94	16.82	27.76	7.87	15.19	23.06
FY18	10.30	15.91	26.21	7.25	14.19	21.44
FY19	10.21	16.24	26.45	7.17	14.55	21.72
FY20	10.71	15.86	26.57	7.70	14.13	21.83
FY21	14.09	16.38	30.47	10.70	14.65	25.35
FY22	12.71	16.51	29.22	9.33	14.70	24.02
FY23	13.01	15.54	28.54	9.60	13.78	23.38
FY24	12.92	14.60	27.52	9.36	12.84	22.20

Source (basic data): Union Budget documents, CGA, CAG

Notes:

(1) Net of intergovernmental flows. For deriving combined total expenditure, the following adjustments were made to GoI and States' revenue and capital expenditure

a. GoI's revenue expenditures exclude transfer of total grants from GoI to states and UTs

b. States' revenue expenditures exclude interest payment by states to GoI

c. GoI's capital expenditure excludes net loans and advances to states (where Net loans and advances to states = gross loans from GoI to states and UTs less repayment of loans and advances by states and UTs)

(2) GoI's primary expenditure = GoI's total expenditure less GoI's interest payments (where GoI's interest payment excludes interest receipts from states on loans given by GoI)

(3) For FY24, interest payments for states have been taken as per BE sourced from RBI.

Abolition of plan-non plan distinction in expenditures

In 2011, an Experts' Group headed by C. Rangarajan had proposed the abolition of the distinction between plan and non-plan expenditure for the GoI and the states⁶. A number of recent Finance Commissions (FCs) had also

⁶https://www.business-standard.com/article/economy-policy/framework-for-abolition-of-plan-non-plan-classification-soon-116051801518_1.html

recommended abolition of this distinction, as it led to various inefficiencies. Plan expenditure was generally considered as additional developmental expenditure and given undue priority over essential maintenance expenditures, which were categorized as non-plan non-developmental expenditures. There was an undue emphasis on creation of new assets rather than maintenance of old assets. The plan-non plan distinction largely affected the expenditure side, but it also had a revenue side counterpart in the sense that some of the transfers to the state governments were recommended by the erstwhile Planning Commission as Plan grants. With the abolition of plan non-plan distinction, there was a merger of a large part of plan grants in the regular fiscal transfers under the recommendations of the Fourteenth FC.

Rationalization of centrally sponsored schemes (CSS)

After the discontinuation of the plan process in FY15, it was felt that CSS also need to be rationalized. A 'Sub-Group of Chief Ministers' was constituted in March 2015 for restructuring and rationalizing CSS and suggesting suitable measures for ensuring that their implementation is streamlined and adequately flexible. The recommendations of this Committee were implemented in FY16.

The Committee had identified ten priority sectors that would form a part of the 'National Development Agenda' and it was recommended that the GoI and state/UT governments should focus on achieving objectives of the CSS in these areas. These areas are listed below:

1. **Poverty elimination:** livelihoods, jobs, and skill development
2. **Drinking water and Swachh Bharat Mission**
3. **Rural connectivity:** electricity, access roads, and communication.
4. **Agriculture:** including animal husbandry, fisheries, integrated watershed management and irrigation
5. **Education:** including mid-day meals
6. **Health:** including nutrition, women and children
7. **Housing for all:** rural and urban
8. **Urban transformation**
9. **Law and order:** including justice delivery systems
10. **Others:** including wildlife conservation and greening

About 66 schemes which were operational at that time were rationalized into 28 umbrella schemes. Of these, six were categorized as 'core of the core schemes', 20 as core schemes, and the remaining two as optional schemes. Core schemes required compulsory participation by states/UTs, while participation in optional schemes was by choice. If required, related schemes could be merged and implemented as 'Umbrella schemes' with flexibility to states/UTs to administer the admissible components in line with state/UT specific requirements.

Structural shift towards capital expenditure

A major dimension of fiscal reforms during the last 10 years pertains to a tangible increase in the share of capital expenditure in total expenditure of the GoI. This share has increased from 11.8% in FY15 to 21.4% in FY24, an increase of 9.6% points (Table 7). Most of this increase has occurred during FY22 to FY24. Within capital outlay, there is a further trend of an increase favoring non-defense expenditure, which implies expenditure on infrastructure. The share of non-defense outlay in total expenditure rose from 5.2% in FY21 to 11.5% in FY23. It is this structural shift that became instrumental for GoI's policy emphasis on infrastructure expansion, which has had a positive impact on growth. Correspondingly, there has been a fall in the share of revenue expenditure in total expenditure.

Table 7: Structure of GoI's total expenditure (share in total expenditure in %)

Item	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24 (CGA)
Revenue exp.	88.2	85.9	85.6	87.7	86.7	87.5	87.9	84.4	82.4	78.6
Interest	24.2	24.7	24.3	24.7	25.2	22.6	19.1	21.1	22.1	23.9
Defense	8.2	8.1	8.4	8.7	8.4	7.7	5.9	6.0	6.1	NA
Capital exp.	11.8	14.1	14.4	12.3	13.3	12.5	12.1	15.6	17.6	21.4
Capital outlay	10.1	12.7	12.5	11.4	12.1	11.6	9.0	14.1	14.9	NA
Non-defense	5.1	8.2	8.2	7.2	8.0	7.5	5.2	10.5	11.5	NA
Defense	4.9	4.5	4.4	4.2	4.1	4.1	3.8	3.6	3.4	NA

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

Two major items under revenue expenditure are interest payments and defense expenditures. Interest payments account for nearly one-fourth of Gol's total expenditures. In the case of defense expenditure, there has been a fall in its share in total expenditure from a level of 8.2% in FY15 to 6.1% in FY23.

Merger of railway budget with the main budget

With effect from FY18, the rail budget was merged with the Union Budget. Railways continued to function as a departmentally run commercial undertaking. However, a separate statement of budget estimates and demand for grants was created for railways. It is the Ministry of Finance (MoF) that started to handle all legislative work connected with the railways. After this merger, railways got exemption from payment of dividend to general revenues. The MoF provided gross budgetary support to the Ministry of Railways towards meeting its capital expenditure, while the Ministry of Railways was also given the freedom to raise resources from the market for financing its capital expenditure. It was expected that the merger of the rail budget with the Union Budget would facilitate multimodal transport planning between highways, railways, and inland waterways⁷.

Advancement of Budget presentation

With effect from the FY18 budget, the date of presentation of the Union Budget was advanced by nearly one month as compared to its regular date of end-February. This was meant to enable the government to launch its capital expenditures from the beginning of the financial year itself, that is, in the month of April. This allowed a number of infrastructure projects to be undertaken before the onset of the monsoons. In earlier years, major infrastructure projects were often launched only in September, after the end of the rainy season.

Subsidy reduction and transition to direct benefit transfer (DBT)

An important component of revenue expenditures are subsidies that are explicitly provided in the budget. Major Gol subsidies relate to food, fertilizer, and petroleum. As a part of prioritized reform, the Gol had focused on reducing the share of major subsidies in government revenue expenditures. The Gol was able to achieve a steady reduction in major subsidies which were at its peak relative to GDP at 3.57% in the COVID year of FY21 (**Table 8**). Since then, this ratio has fallen to 1.40% in FY24.

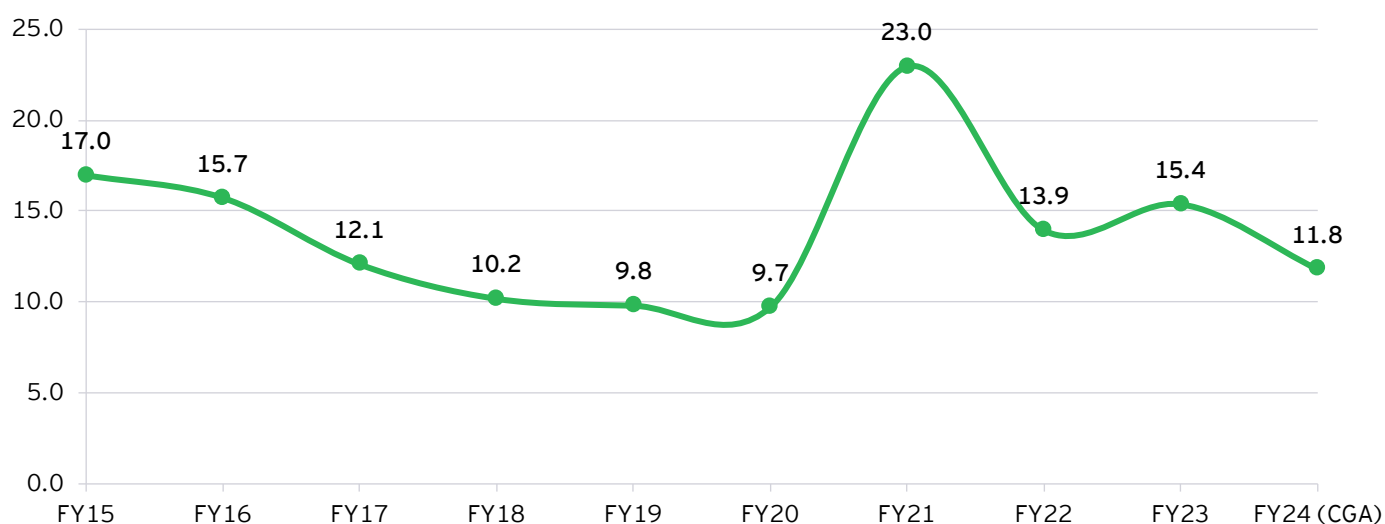
Table 8: Trends in major subsidies (% of GDP)

Year	Major subsidies of which	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	3.57	0.65	2.73	0.19
FY22	1.90	0.66	1.23	0.01
FY23	1.95	0.92	1.00	0.03
FY24 (CGA)	1.40	0.64	0.72	0.04

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

The period from FY15 to FY20 witnessed a steady reform aimed at reducing the share of subsidies in Gol's revenue expenditure primarily by better targeting and delivery to the intended beneficiaries through DBT by using India's substantially improved public digital infrastructure. As a result, as a percentage of revenue expenditures, major subsidies fell from 17% in FY15 to 9.7% in FY20 (**Chart 8**). This was disturbed in the COVID year, where there was a dire need to increase the extent of benefits and the ambit of beneficiaries. In that year, the share of major subsidies in Gol's revenue expenditure shot up to 23%. This includes the effect also of Gol's effort towards transparency by clearing any arrears of entities like Food Corporation of India (FCI) and the Oil Marketing Companies. However, since then, it has progressively been brought down to 11.8% in FY24.

⁷ Merger of Rail Budget With Union Budget (pib.gov.issn)

Chart 8: Share of major subsidies in Gol's revenue expenditure (%)

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

Direct benefit transfers

As part of overall fiscal reforms, the Gol focused on the strategy of DBT, taking advantage of the evolving IT and digital platforms with a view to minimizing leakages and improving transparency and timeliness of delivery of benefits to the intended beneficiaries. The Jan Dhan accounts played a major role in the success of the DBT strategy. The Gol utilized both cash transfers and transfers in kind as delivery methods for benefit transfers. **Table 9** gives the progress of DBT in terms of the growing magnitudes of the cash and in-kind transfers, as well as the number of beneficiaries. The amount of total funds transferred under DBT witnessed a near-18 fold increase from INR38,926 crore in FY15 to INR6,91,360 crore in FY24.

Table 9: Amount of funds transferred and number of beneficiaries under DBT

Year	Amount of funds transferred under DBT (INR crore)			Number of beneficiaries under DBT (crore)	
	Cash	In Kind	Total	Cash	In Kind
FY15	38,926	-	38,926	22.8	0
FY16	61,942	-	61,942	31.2	0
FY17	74,689	-	74,689	35.7	0
FY18	1,70,292	20,579	1,90,871	46.3	77.7
FY19	2,14,092	1,15,704	3,29,796	59	70.2
FY20	2,39,729	1,41,902	3,81,632	70.6	74.1
FY21	2,96,578	2,55,950	5,52,527	98	81.9
FY22	2,68,139	3,62,126	6,30,265	73.5	105.4
FY23	2,60,573	4,55,823	7,16,396	72.3	93.7
FY24	2,92,444	3,98,916	6,91,360	71.2	104.8

Source (basic data): <https://dbtbarat.gov.in/>

Budget transparency

In recent years, the Gol has undertaken certain initiatives in the direction of increasing the transparency of the budgetary process, especially by minimizing off-budget entries. Some major steps in this context are as follows:

1. Starting FY20, the Union Budget began publishing a statement of extra budgetary resources (EBR) employed by the CPSEs.
2. Until recently, the union government was using the FCI to borrow from the NSSF in lieu of the due payment of food subsidy, with this amount not forming a part of Gol's fiscal deficit. This practice was discontinued FY21 onwards with the Gol bringing this amount onto its books.

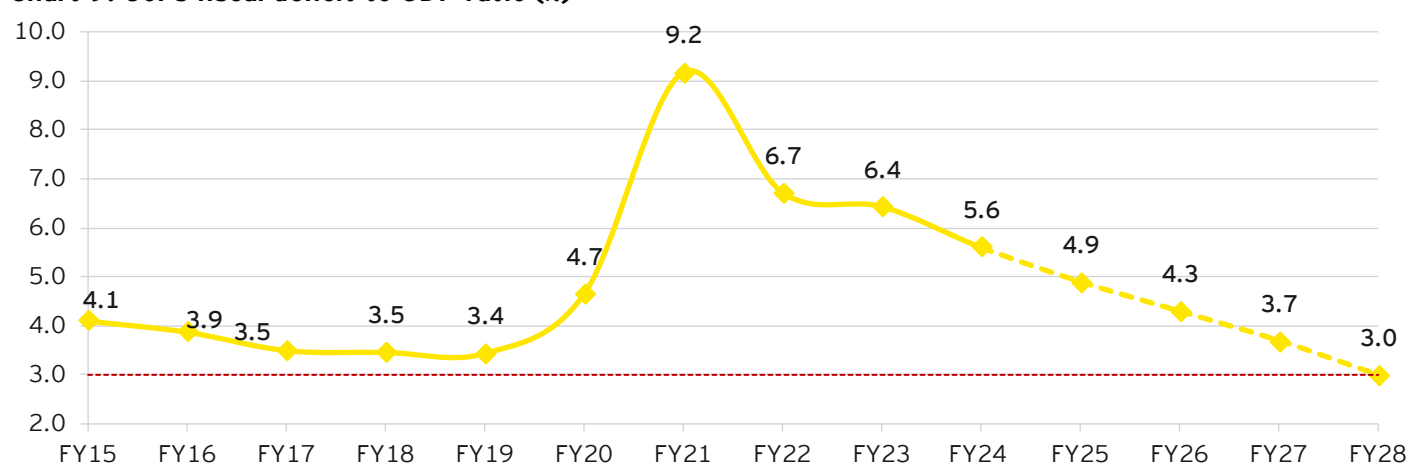
5.6 Restoring fiscal consolidation: FRBM amendment and beyond

A major landmark during the period under review was the amendment in 2018 of the Gol's Fiscal Responsibility and Budget Management Act (FRBMA) of 2003. Some of the key features of this amendment are summarized below:

1. The fiscal deficit to GDP ratios for the central and state governments were retained at 3% each and the fiscal deficit was made an operational target.
2. The target of achieving a balance on the revenue account was given up.
3. The debt-GDP targets were specified for the consolidated account of central and state governments at 60%, that for the central government at 40%, and by implication, that for the state governments at 20%⁸.
4. Some departure from the annual fiscal deficit norms was permitted under certain conditions with a view to providing a macro stabilizing role to the GoI.

Chart 9 shows the evolution of GoI's fiscal deficit to GDP ratio during FY15 to FY24 and beyond. At first, the GoI made a conscious effort to incrementally reduce the fiscal deficit to GDP ratio from 4.1% in FY15 to 3.4% in FY19. However, due to the adverse revenue effect of the tax reforms pertaining to the GST and the CIT, an upward movement in the fiscal deficit to GDP ratio to 4.7% was seen in FY20. This deteriorated further to 9.2% in the COVID year of FY21. Since then, there has been a steady improvement in the fiscal deficit to GDP ratio, which is slated to fall to 4.9% by FY25. We expect that this can be taken to 3% in the next three years, assuming an annual reduction of about 6% points.

Chart 9: GoI's fiscal deficit to GDP ratio (%)



Source (basic data): Union budget documents and MoSPI

The quality of fiscal deficit, as measured by the ratio of revenue deficit to fiscal deficit, has also 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 (**Table 10**). 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 10: GoI's 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

⁸ It can be shown that an asymmetric set of targets for the debt-GDP ratio is inconsistent with symmetric targets for the fiscal deficit to GDP ratio between the GoI and the aggregate of state governments (See, 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)

The improvement in fiscal deficit is also reflected in an improvement in the debt-GDP ratio of the GoI, which fell from a peak of 60.7% in the COVID year of FY21 to 57.1% in FY24. The reduction in the debt-GDP ratio in FY25 (BE) and beyond is expected to continue if the nominal GDP growth exceeds 11% which was the underlying growth assumption in the calculation of the sustainable level of debt-GDP ratio in the FRBM 2018 amendment⁹. As a result of falling debt-GDP ratio, we may expect a fall in the interest payments to revenue receipts, creating further space for reduction in revenue expenditures. The fall in interest rates due to lower government borrowing may also stimulate private investment in the economy.

5.7 Union Budget FY25: laying foundation for medium-term growth

GoI's final FY25 budget has assumed an underlying nominal GDP growth of 10.5%, same as that assumed in the Interim Budget (Table 11). The Economic Survey of FY24, which was released a day before the presentation of the Budget, had indicated a real GDP growth in the range of 6.5% to 7.0%. Taking its mid-point at 6.75%, a nominal GDP growth of 10.5% implies an implicit price deflator (IPD)-based inflation 3.5% in FY25. This appears realistic as WPI inflation which has a higher weight in the construction of the IPD, is expected to reach back to its normal levels after being inordinately low at (-)0.7% in FY24. The Budget has assumed a buoyancy of GoI's GTR at 1.03 in FY25. This would result in a growth of 10.8% in GoI's GTR with the corresponding magnitude at INR38.4 lakh crore (Table 11) as compared to INR38.3 lakh crore in the Interim Budget. Despite the GTR being marginally higher due to higher budgeted tax devolution to the states as compared to the Interim Budget, the net tax revenue in final Union Budget 2024-25 at INR25.8 lakh crore is lower than that in the interim budget by INR18,000 crore. By adding to GoI's net tax revenues, non-tax revenues of INR5.46 lakh crore budgeted to be realized primarily on account of significantly enhanced RBI dividend, the resultant GoI's revenue receipts amount to INR31.29 lakh crore. To this, if we add non-debt capital receipts of INR78,000 crore, we get non-debt receipts amounting to INR 32.07 lakh crore.

Table 11: Fiscal arithmetic

#	Item	FY24 [#]	FY25 (BE)	FY23	FY24 [#]	FY25 (BE)	FY24 over FY23	FY25 (BE) over FY24 (CGA Act.)
		INR lakh crore		% to GDP			% growth	
1	Gross tax revenues	34.6	38.4	11.3	11.7	11.8	13.4	10.8
2	Assignment to states	11.3	12.5	3.5	3.8	3.8	19.1	10.4
3	Net tax revenues	23.3	25.8	7.8	7.9	7.9	10.9	11.0
4	Non-tax revenues	4.0	5.5	1.1	1.4	1.7	40.8	35.8
5=3+4	Revenue receipts	27.3	31.3	8.8	9.2	9.6	14.5	14.7
6	Non-debt capital receipts	0.6	0.8	0.27	0.2	0.2	-16.3	29.0
7=5+6	Non-debt receipts	27.9	32.1	9.1	9.4	9.8	13.6	15.0
8	Fiscal deficit	16.5	16.1	6.4	5.6	4.9	--	--
9=10+11	Total expenditure	44.4	48.2	15.5	15.0	14.8	5.9	8.5
10	Revenue exp.	34.9	37.1	12.8	11.8	11.4	1.2	6.2
11	Capital exp.	9.5	11.1	2.7	3.2	3.4	28.2	17.1
12=10-5	Revenue deficit	7.7	5.8	4.0	2.6	1.8	--	--
13	Debt	171.9*	181.7	56.5	58.2*	55.7	--	--
	Memo			INR lakh crore			% growth	
14	Nominal GDP			269.5	295.4	326.4	9.6	10.5

Source (basic data): Union Budget documents, CGA

* Debt for FY24 in INR terms has been derived by using the provisional actual debt-GDP ratio of 58.2% and the magnitude of nominal GDP as per the union budget

FY24 fiscal magnitudes are sourced from CGA (provisional actuals in the union budget)

One key feature of the Union Budget 2024-25 is its emphasis on accelerating the pace of fiscal consolidation. Accordingly, a fiscal deficit of 4.9% of GDP amounting to INR16.13 lakh crore has been budgeted. Thus, total expenditure is determined by the sum of non-debt receipts and fiscal deficit, which is equal to INR48.2 lakh crore. This is divided into revenue and capital expenditures in the ratio of 77:23. While capital expenditure has been

⁹ <https://dea.gov.in/sites/default/files/Volume%201%20FRBM%20Review%20Committee%20Report.pdf> (Page 54)

maintained at its interim budget level of INR11.11 lakh crore, growth of revenue expenditure has been marginally increased to 6.2%. As compared to the interim budget, total additional resources at hand amounted to INR1.27 lakh crore. This was utilized to reduce fiscal deficit by a margin of INR72,182 crore as compared to its Interim Budget level, while revenue expenditure has been increased by INR54,744 crore.

Thrust towards fiscal consolidation

As the Budget has prioritized reduction in fiscal deficit over expanding either revenue or capital expenditures, it is useful to chart the progress made in reducing fiscal deficit from its peak of 9.2% of GDP in the COVID year to close to 3% of GDP as per the Gol's FRBM Act. This is shown in **Chart 9**. It may be noted that in FY25, government borrowings, both in gross and net terms, would be of a lower magnitude as compared to what was implied in the Interim Budget. With lower market borrowings, it is expected that room will be created for lowering interest rates. Thus, there is an attempt now to bring on board the private sector in order to stimulate growth in spite of the continuing global headwinds.

Employment initiatives

There has been a call for developing a counterpart to the existing production linked incentives (PLI). The FY25 final budget has now taken the first steps towards developing an employment-linked incentive (ELI) scheme. This scheme has three parts namely, (1) first timers joining a formal workforce, (2) job creation in manufacturing related to first time employees, and (3) an employer-centric scheme covering all additional employment in all sectors within a salary of INR1 lakh per month. Additional incentives are being provided to facilitate higher participation by women in the workforce. The budget has also co-opted the private sector in the growth and employment augmentation initiatives by providing internship opportunities partially funded by the Gol and partially by the companies through their CSR funds. These incentives will supplement the employment generation linked to Gol's large capital expenditure. As per RBI's KLEMS database, there has been an acceleration of absorption of working age persons in agriculture as well as non-farm sectors mainly construction and trade from FY18 onwards, rising from 47.5 crore persons to 59.7 crore persons in FY23. The Gol has emphasized an employment strategy that promotes shifting workers from agricultural to non-agricultural sectors and from informal to formal sectors. This would help promote formalization and digitalization of the economy.

An important consideration relates to government's capacity both at the central and state levels to undertake investment expenditures successfully and effectively, at least up to the extent of budgeted amounts. In Gol's case, there was an underspending compared to the budgeted amounts both in FY23 and FY24. In FY24 and FY25, the Gol extended a long-term interest free loan facility to states amounting to INR1.3 lakh crore and INR1.5 lakh crore. The offtake of these amounts by the states was partial in FY24 and this trend may continue in FY25 since the amounts would be available for spending only in the post-monsoon months. Thus, there are indications that the investment led growth strategy appears to be decelerating.

5.8 Conclusion

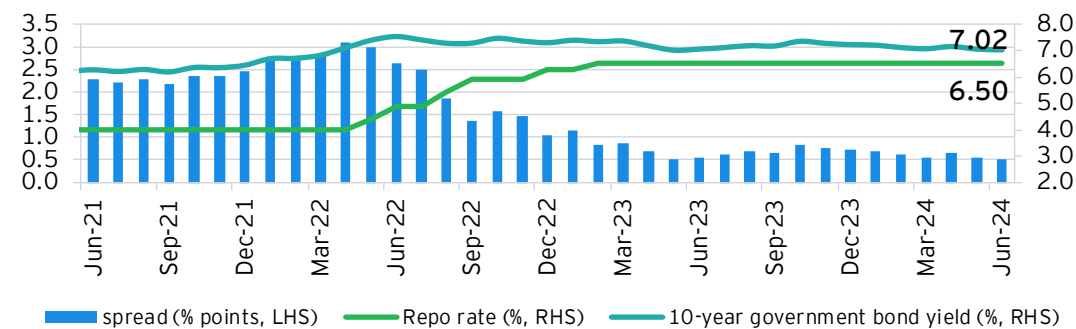
Building on the extensive fiscal reforms during the last 10 years, the Gol has laid the foundations for a medium-term growth strategy with the final FY25 Budget. Fiscal reforms during FY15 to FY24 included: (1) amendment to the Gol's Fiscal Responsibility and Budget Management Act (FRBMA) in 2018, (2) implementation of GST, (3) extensive CIT reforms, (4) a steady reduction in subsidies relative to GDP and (5) implementation of schemes, such as DBT. With an investment led growth strategy and a trajectory of reduction in interest payments along with achievement of FRBM consistent level of fiscal deficit of 3% in the next three years and consequent reduction in Gol's debt-GDP ratio, a medium-term growth of 7% plus appears feasible. Care must be taken to ensure that this growth becomes progressively greener and employment oriented.

6.1 Monetary sector

Monetary policy

- ▶ In its June 2024 monetary policy review, four of the six-membered monetary policy committee (MPC) voted to retain the repo rate at 6.5% (Chart 10), while two of them voted to reduce the repo rate by 25 basis points.
- ▶ RBI has assessed that on the external front, while the outlook for international crude oil prices and financial markets remains uncertain, on the domestic front, the forecast of above normal monsoon bodes well, particularly for the food prices. With these assumptions, the RBI has projected CPI inflation to average 4.5% in FY25. In 1QFY25, CPI inflation is projected at 4.9%, falling to 3.8% in 2Q and then increasing to 4.6% and 4.5% respectively in 3Q and 4QFY25.

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



Gross bank credit continued its strong momentum with a growth of 16.1% in May 2024 as compared to 15.3% in April 2024.

Source: Database on Indian Economy, RBI

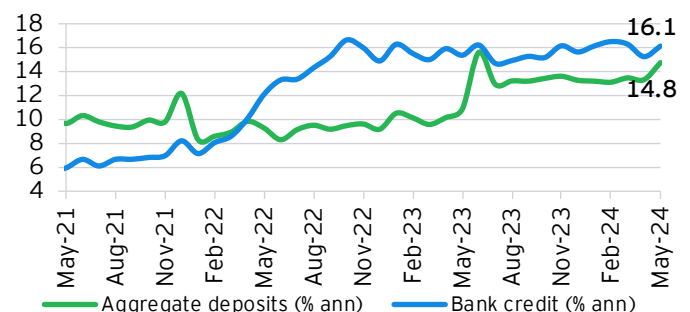
Money stock

- ▶ Growth in broad money stock (M3)¹⁰ remained stable for the third successive month at 10.9% in June 2024. This was due to a relatively higher growth in narrow money (M1).
- ▶ Growth in narrow money (M1) increased to a 16-month high of 8.5% in June 2024 from 7.5% in May 2024. This may be attributable to a higher growth in currency with the public, which reached a 13-month high of 6.8% in June 2024. However, growth in demand deposits, the second component of M1, eased to 10.2% in June 2024 from 12.9% in May 2024.
- ▶ Time deposits, the largest component of M3, continued to show a strong growth of 11.7% in June 2024, although lower than 12.1% in May 2024.

Aggregate credit and deposits

- ▶ Gross bank credit continued its strong momentum with a growth of 16.1% in May 2024 as compared to 15.3% in April 2024 (Chart 11).
- ▶ Non-food credit grew by 16.2% in May 2024 as compared to 15.3% in April 2024 owing to a broad-based pickup in the growth of credit across key sectors of the economy.
- ▶ Sectoral bank credit indicate that growth in credit to services, with an average share of about 26% in total non-food credit (last five years), increased to 20.7% in May 2024 from 19.2% in April 2024.
- ▶ Growth in credit to the agricultural sector also increased to 21.6% in May 2024 from 19.7% in April 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), continued its strong performance with a growth of 17.8% in May 2024, improving from 17.4% in April 2024 as loan growth in consumer durables segment increased to 15%, its highest level since June 2023. Growth in housing loans eased to 16.9% in May 2024 from 17.7% in April 2024.

Chart 11: Growth in credit and deposits



Source: Database on Indian Economy, RBI

¹⁰ 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), increased to an 18-month high of 8.9% in May 2024 from 6.9% in April 2024. This can be attributable to higher growth in credit to infrastructure, iron and steel and cement industries.
- ▶ Credit to infrastructure, having the largest share of over 37% on average in total industrial credit (last five years), grew by 7.2% in May 2024, its highest since November 2022. Growth in credit to iron and steel remained strong at 20.5% in May 2024, increasing from 19.1% in April 2024. Credit to cement also grew by 9.2% in May 2024 as compared to only 0.3% in April 2024. Growth in credit to chemical and textile industries also remained robust at 13.6% and 9.4% respectively in May 2024.
- ▶ Growth in aggregate deposits increased to an 11-month high of 14.8% in May 2024 as compared to 13.3% in April 2024.

6.2 Financial sector

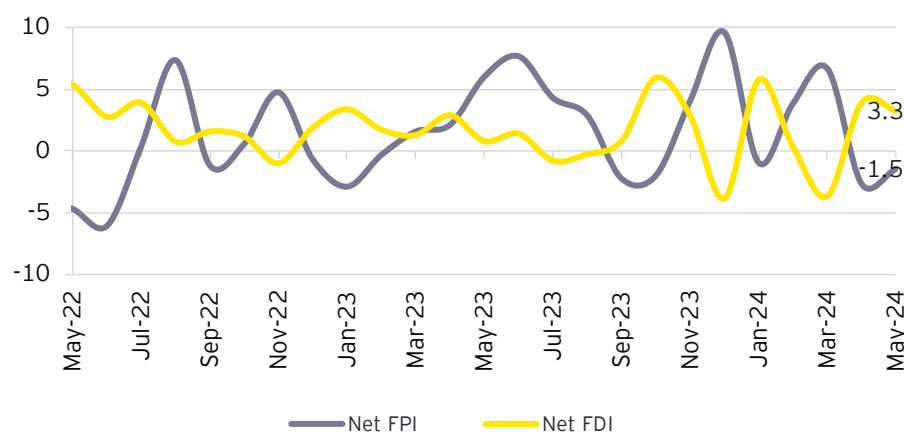
Interest rates

- ▶ As per the data released by the RBI in the first week of July 2024, the average interest rate on term deposits with a maturity period of more than one year was at 6.64% in June 2024, close to its level of 6.63% in May 2024. Term deposit rates on average ranged between 6.00% and 7.29% in June 2024.
- ▶ The MCLR averaged 8.34% in June 2024, marginally higher as compared to 8.30% in May 2024 with the actual rates ranging between 8.08% and 8.60% during the month.
- ▶ The average yield on 10-year government bonds fell to a 13-month low of 7.02% in June 2024 from 7.05% in May 2024 (**Chart 10**).
- ▶ WALR on fresh Rupee loans by SCBs eased to 9.39% in May 2024 from to 9.55% in April 2024.

FDI and FPI

- ▶ As per the provisional data released by the RBI on 18 July 2024, overall foreign investments (FIs) increased to US\$1.8 billion in May 2024 from US\$1.3 billion in April 2024.

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



Net FDI inflows were lower at US\$3.3 billion in May 2024 as compared to US\$3.9 billion in April 2024. Net FPI's witnessed outflows amounting to US\$1.5 billion in May 2024.

Source: Database on Indian Economy, RBI

- ▶ Net FDI inflows were lower at US\$3.3 billion in May 2024 as compared to US\$3.9 billion in April 2024 (**Chart 12**). However, gross FDI inflows were higher at US\$7.9 billion in May 2024 as compared to US\$7.3 billion in April 2024. During April-May FY25, net FDI inflows were higher at US\$7.1 billion as compared to US\$3.4 billion during the corresponding period of FY24.
- ▶ Net FPIs continued to remain negative, registering outflows amounting to US\$1.5 billion in May 2024, although lower as compared to US\$2.7 billion in April 2024. During April-May FY25, net FPI outflows amounted to US\$4.1 billion as compared to inflows of US\$8.1 billion during the corresponding period of the previous fiscal year.

7 Trade and CAB: merchandise trade deficit narrowed to US\$21.0 billion in June 2024

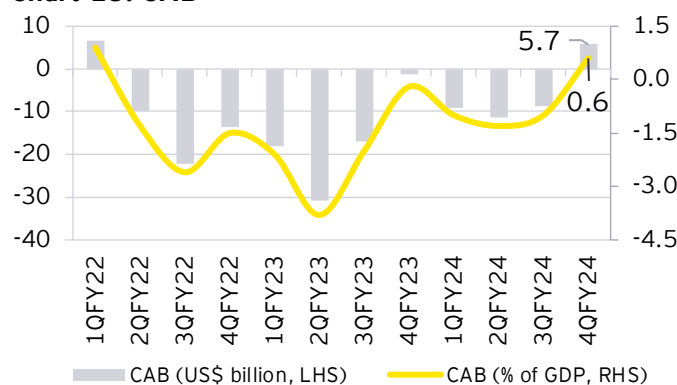
7.1 CAB: showed a surplus for the first time in 10 quarters at 0.6% of GDP in 4QFY24

- ▶ 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. 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 (Table 12) 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 12: 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 13: CAB



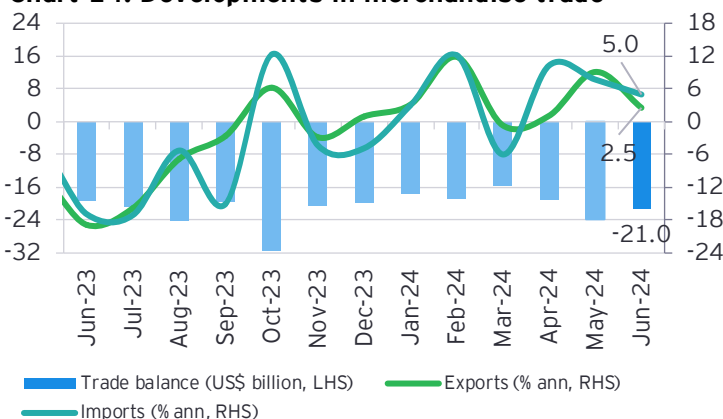
Source: Database on Indian Economy, RBI; Note: (-) deficit; (+) surplus; *invisibles include services, current transfers and income components

7.2 Merchandise trade and exchange rates

Growth in merchandise exports and imports slowed to 2.5% and 5.0% respectively in June 2024 from 9.1% and 7.7% in May 2024, mainly reflecting a contraction in oil exports and slower growth in oil imports.

- ▶ Oil exports contracted by (-)18.3% in June 2024 as compared to a growth of 15.7% in the previous month. Growth in oil imports eased to 19.6% from 28.1% over the same period, led by some moderation in global prices of oil.
- ▶ Growth in exports of engineering goods improved to 10.3% in June 2024 from 7.4% in May 2024. Growth in exports of electronic goods remained elevated for the fifth successive month at 16.9% in June 2024, although lower than 23.0% in May 2024. Exports of drugs and pharmaceuticals was at 9.9% in June 2024 as compared to 10.5% in May 2024.
- ▶ Gold imports contracted for the second successive month by (-)38.7% in June 2024 as compared to (-)9.8% in May 2024. Transport equipment imports contracted by (-)5.5% in June 2024 as compared to a growth of 31.9% in May 2024. Imports of non-ferrous metals surged by 47.6% in June 2024 as compared to 1.1% in May 2024.
- ▶ Growth in exports excluding oil, gold and jewelry eased marginally to 8.5% in June 2024 from 8.8% in May 2024 while that in imports of the same category increased to 7.6% from 1.1% over the same period.
- ▶ Merchandise trade deficit narrowed to US\$21.0 billion in June 2024 from US\$23.8 billion in May 2024 (Chart 14) primarily owing to the moderation in oil imports. Deficit on account of trade of goods and services expanded to US\$10.8 billion in May 2024 from US\$5.4 billion in April 2024.
- ▶ The Indian Rupee remained stable at INR83.5/US\$ in June 2024, close to the level of INR83.4/US\$ in May and April 2024.

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 2024 and 2.7% in 2025

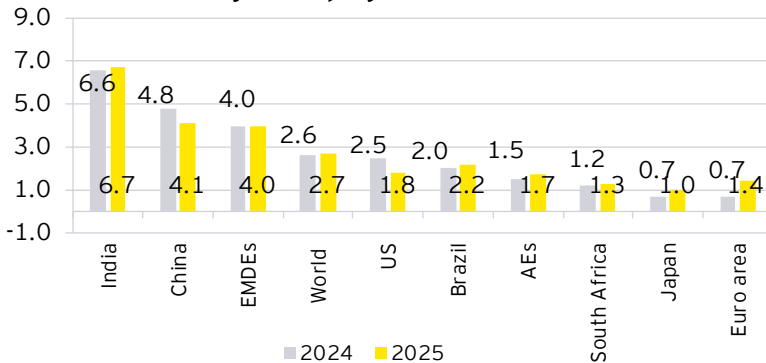


8.1 Growth

- ▶ The World Bank (Global Economic Prospects, June 2024) has projected global growth to hold steady at 2.6% in 2024 despite geopolitical tensions and high interest rates, before edging up to 2.7% in 2025 alongside modest expansion of trade and investments (**Chart 15**).
- ▶ Growth in AEs is expected to remain unchanged at 1.5% in 2024, with some increase projected in 2025.
- ▶ Growth in the US is projected at 2.5% in 2024, moderating to 1.8% in 2025, driven primarily by the cumulative effects of past monetary policy tightening and a contractionary fiscal stance.
- ▶ In the Euro area, growth slowed sharply in 2023 and is projected to firm only slightly in 2024 to 0.7% supported by an ongoing recovery in real incomes but dampened by still subdued investment and export growth. Growth is forecasted to pick up in 2025, to 1.4%, as the recovery in exports and investment growth gathers pace, with the latter benefiting from lower policy rates and the absorption of EU funds.
- ▶ In Japan, growth is expected to decelerate to 0.7% in 2024, due to a feeble expansion in consumption and slowing exports amid normalizing auto production and stabilizing tourism demand. Some improvement is expected in 2025 owing to some recovery in consumer spending and capital investment.
- ▶ Growth in EMDEs is projected to edge down from 4.2% in 2023 to 4% in both 2024 and 2025. Among EMDEs, China's growth is projected to fall from 5.2% in 2023 to 4.8% in 2024 as an expected uptick in goods exports and industrial activity supported by the global trade recovery is offset by weaker consumption growth. Growth is expected to slow further to 4.1% in 2025 owing to a weaker investment outlook.
- ▶ India is projected to remain the fastest-growing major economy. After a high growth rate of 8.2% in 2023 (FY24), steady growth rates of 6.6% and 6.7% are projected for 2024 (FY25) and 2025 (FY26) respectively, owing to continued robust public sector investment. More recently, the IMF (World Economic Outlook Update, July 2024) has projected India's FY25 and FY26 growth at 7% and 6.5% respectively.

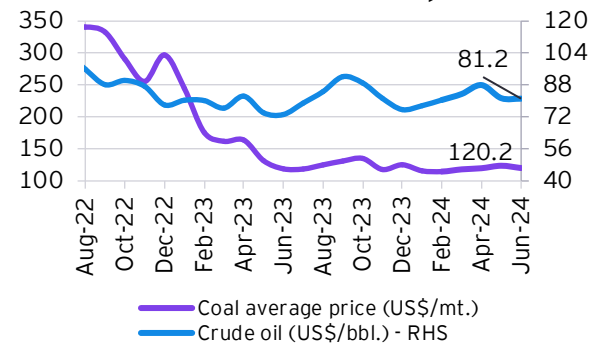
The World Bank has projected global growth at 2.6% in 2024 and 2.7% in 2025, with India's growth in FY25 and FY26 at 6.6% and 6.7% respectively.

Chart 15: Global growth projections (%)



Source: World Bank Global Economic Prospects (June 2024)

Chart 16: Global crude and coal prices



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

8.2 Global energy prices: global crude price eased to a four-month low of US\$81.2/bbl. in June 2024

- ▶ Average global crude price¹¹ eased to a four-month low of US\$81.2/bbl. in June 2024 after the OPEC+ countries announced plans to gradually unwind last year's extra voluntary output cuts 4Q2024 onwards¹² (**Chart 16**). On a quarterly basis, the global crude price averaged US\$83.6/bbl. in 1QFY25, higher than US\$80.6/bbl. in 4QFY24.
- ▶ Average global coal price¹³ also fell to US\$120.2/mt. in June 2024 from US\$123.8/mt. in May 2024. On a quarterly basis, the global coal price averaged US\$121.3/mt. in 1QFY25, up from US\$116.2/mt. in 4QFY24.

¹¹ Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh

¹² <https://www.iea.org/reports/oil-market-report-june-2024>

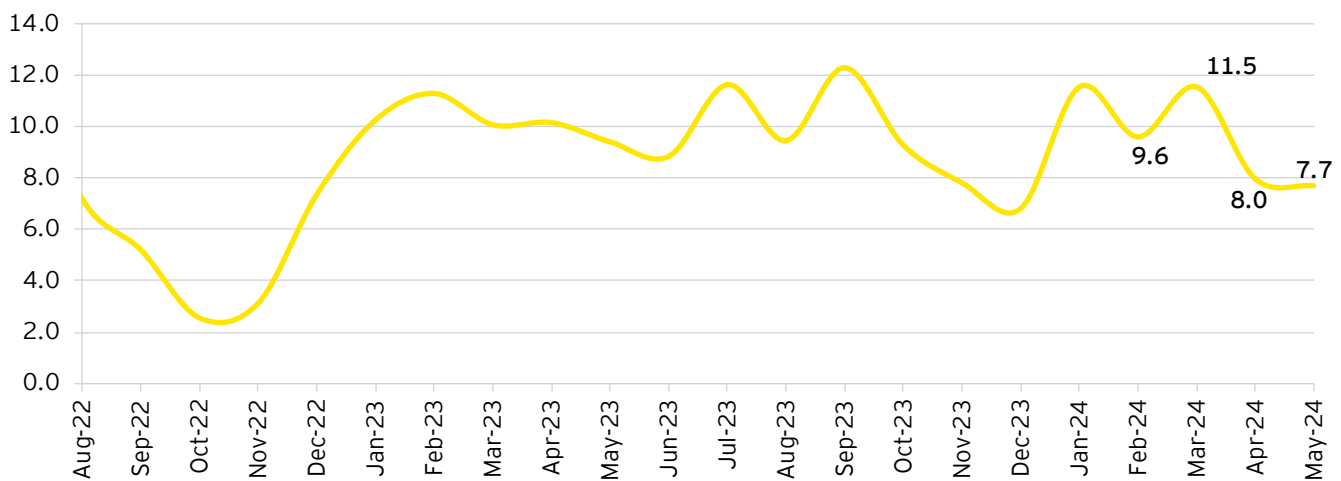
¹³ Simple average of Australian and South African coal prices.



9.1 Growth in IAD eased to a five-month low of 7.7% in May 2024 from 8.0% in April 2024

- ▶ IAD¹⁴ pointed to a gradual weakening in the demand conditions in the economy. In fact, growth in IAD fell to 7.7% in May 2024 from 8.0% in April 2024 (Chart 17 and Table 13).
- ▶ Demand conditions in the services sector eased marginally in May 2024 as evidenced by PMI services, which expanded at a slightly slower pace of 60.2 in May 2024 as compared to 60.8 in April 2024.
- ▶ Similarly, the manufacturing sector also witnessed a moderation in demand conditions in May 2024 as indicated by the manufacturing PMI level, which eased to 57.5 from 58.8 in April 2024.
- ▶ Demand conditions in the agricultural sector, however, continued to remain buoyant as reflected by a high growth in agricultural credit offtake in May 2024. Growth in agricultural credit increased to 21.5% (sa)¹⁵ in May 2024 from 19.8% in April 2024.

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 13: IAD

Month	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
IAD	168.7	166.2	166.4	169.3	174.4	174.5	177.7	178.3	178.7
Growth (% y-o-y)	12.3	9.3	7.8	6.8	11.5	9.6	11.5	8.0	7.7
Growth in agr. credit	17.0	17.4	18.1	19.3	20.1	20.1	20.2	19.8	21.5
Mfg. PMI**	7.5	5.5	6.0	4.9	6.5	6.9	9.1	8.8	7.5
Ser. PMI**	11.0	8.4	6.9	9.0	11.8	10.6	11.2	10.8	10.2

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.

¹⁴ 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.

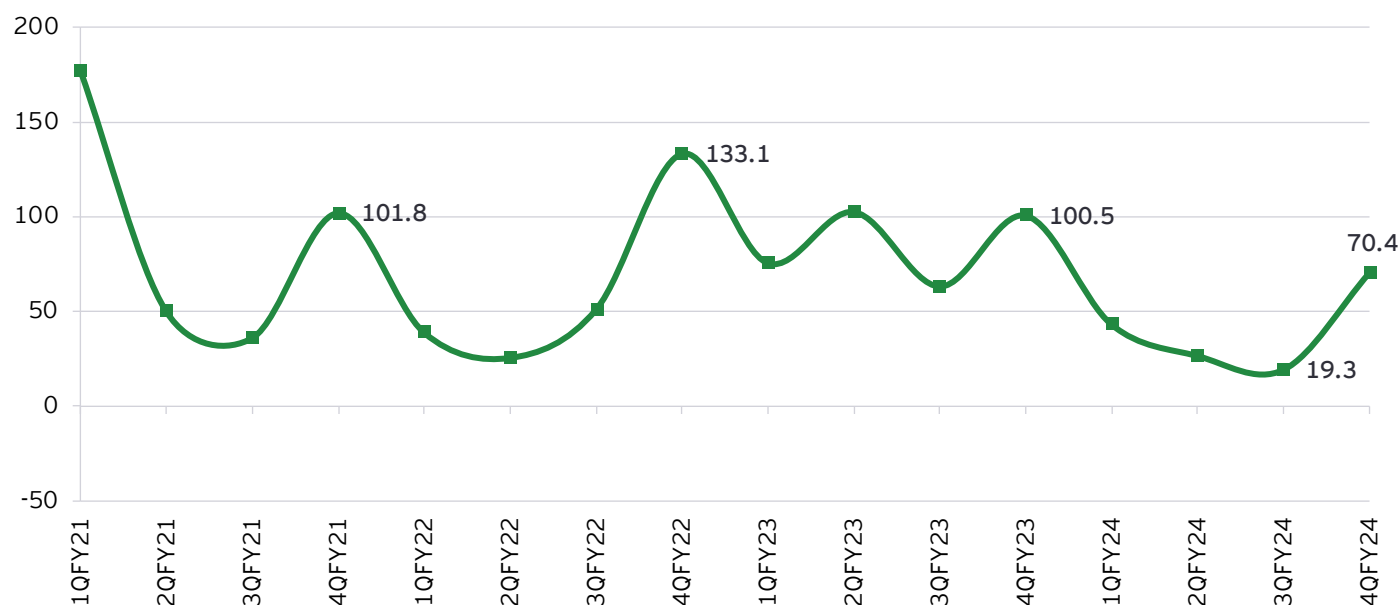
¹⁵ We have constructed a seasonally adjusted series for agricultural credit using Census X-13 technique in E-views (version 12) and the growth of this SA agricultural credit series is used in the IAD series.

10 Index of Macro Imbalance (IMI): pointed to deterioration in the macro balance in 4QFY24

10.1 IMI increased sharply to a level of 70.4 in 4QFY24 from a 17-quarter low of 19.3 in 3QFY24

- ▶ IMI¹⁶ pointed to a deterioration in the macro balance in 4QFY24 with the index value increasing sharply by 51.1 points to a level of 70.4 in 4QFY24 from 19.3 in 3QFY24 (Chart 18). This may be attributable to a seasonal surge in Gol's fiscal deficit to GDP ratio in the last quarter of FY24.
- ▶ The IMI in 4QFY24 was, however, much lower as compared to the average index values for 4Q of the last three years at 111.8, indicating a relatively better performance despite the seasonal pick up.
- ▶ Gol's fiscal deficit to GDP ratio surged to 8.6% in 4QFY24 from 3.7% in 3QFY24 and was significantly higher than the benchmark value of 3%. It, therefore, contributed the most to the macro imbalance in 4QFY24.
- ▶ CPI inflation averaged 5.0% in 4QFY24, easing from 5.4% in 3QFY24. However, CPI inflation was higher than its benchmark value of 4%. Thus, it contributed positively to the macro imbalance during the quarter, although its impact was relatively lower as compared to that in 3QFY24.
- ▶ Current account posted a surplus of 0.6% of GDP in 4QFY24 as compared to a deficit of (-)1.0% of GDP in 3QFY24. Therefore, the current account did not contribute to macro imbalance in 4QFY24.
- ▶ On an annual basis, the level of IMI was significantly lower, averaging 39.8 in FY24 as compared to 85.4 in FY23, pointing to a considerable improvement in macro balance.

Chart 18: IMI (quarterly)



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

¹⁶ 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.)



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	2QFY24	57.9	61.1
2QFY24	7.8	11.5	6.8	11.1	10.5	3QFY24	55.5	58.1
3QFY24	6.1	8.2	5.4	9.0	8.4	4QFY24	57.5	61.2
4QFY24	5.1	4.9	4.8	7.3	5.7	1QFY25	58.2	60.5
Feb-24	5.6	8.1	4.9	7.6	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	6.8	3.9	10.2	6.7	May-24	57.5	60.2
May-24	5.9	6.6	4.6	13.7	6.3	Jun-24	58.3	60.5

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
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
1QFY25	4.9	8.9	-3.8	3.1	2.4	7.4	0.7	0.5	0.2
Mar-24	4.9	8.5	-3.4	3.3	0.3	4.8	-0.8	-2.7	-1.2
Apr-24	4.8	8.7	-4.0	3.2	1.2	6.1	-0.1	-0.9	-0.6
May-24	4.8	8.7	-3.7	3.1	2.6	7.4	0.8	1.3	0.4
Jun-24	5.1	9.4	-3.7	3.1	3.4	8.7	1.4	1.0	0.9

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	-3.4	-16.1	4.0	-7.8	1.7	4.7	3.3
FY21	0.7	-17.9	-2.3	-10.7	12.7	9.2	7.3
FY22	33.8	55.7	43.5	49.6	20.1	6.7	4.4
FY23	12.7	16.0	20.0	17.9	7.2	6.4	3.9
FY24	13.4	10.3	25.1	17.6	8.2	5.6	2.6
Cumulated growth (% , y-o-y)						% of budgeted target	
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
May-24	15.8	-19.8	41.6	22.7	7.5	3.1	-15.7

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)					
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
May-24	67,653	306	-8,238	11,786	71,507

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	10.9	42.2	FY24	7.3	11.1	7.16	645.6
Nov-23	6.50	1QFY24	15.8	12.2	5.1	15.7	2QFY24	7.4	10.9	7.16	586.9
Dec-23	6.50	2QFY24	15.0	13.1	-0.3	4.9	3QFY24	7.1	11.0	7.28	623.2
Jan-24	6.50	3QFY24	15.7	13.4	4.9	11.6	4QFY24	7.3	11.1	7.13	645.6
Feb-24	6.50	4QFY24	16.3	13.3	2.4	9.5	1QFY25	8.5	10.9	7.08	652.0
Mar-24	6.50	Feb-24	16.5	13.1	0.3	3.8	Mar-24	7.3	11.1	7.07	645.6
Apr-24	6.50	Mar-24	16.3	13.5	-3.7	6.7	Apr-24	7.8	10.9	7.15	637.9
May-24	6.50	Apr-24	15.3	13.3	3.9	-2.7	May-24	7.5	10.9	7.05	651.5
Jun-24	6.50	May-24	16.1	14.8	3.3	-1.5	Jun-24	8.5	10.9	7.02	652.0

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
2QFY24	-8.6	-12.5	-64.2	82.7	85.3	125.0	2018	3.6	2.3	4.6
3QFY24	1.3	1.0	-71.9	83.3	82.1	126.2	2019	2.8	1.7	3.6
4QFY24	4.6	2.7	-51.8	82.9	80.6	116.2	2020	-2.8	-4.2	-1.8
1QFY25	4.3	7.6	-63.9	83.4	83.6	121.3	2021	6.3	5.6	6.9
Mar-24	-0.7	-6.0	-15.6	83.0	83.5	118.2	2022*	3.5	2.6	4.1
Apr-24	1.1	10.3	-19.1	83.4	88.0	119.9	2023*	3.3	1.7	4.4
May-24	9.1	7.7	-23.8	83.4	81.4	123.8	2024*	3.2	1.7	4.3
Jun-24	2.5	5.0	-21.0	83.5	81.2	120.2	2025*	3.3	1.8	4.3

Source: Database on Indian Economy - RBI, Pink Sheet - World Bank and IMF World Economic Outlook (WEO) April 2024; *based on July 2024 update of the IMF WEO


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

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