EcoScope
The Economy Observer

India's Quarterly Economic Outlook (QEO): 3QCY22

Current account deficit (CAD) could widen to 5.5% of GDP in 2QFY23

- **The continuation of hostilities between Russia and Ukraine has led to an entrenched episode of higher inflation across the globe. However, commodity prices have come off sharply from their peaks with renewed concerns on global growth, led by strong monetary tightening that is likely to continue at least until Dec'22. At this juncture, India seems isolated from the high inflation-slow growth challenges. Nevertheless, this isolation will fade over the next few months. We believe that growth concerns will emerge everywhere, including India, in CY23/FY24E, limiting rate hikes and reversing the current narrative.**
- **Although we have raised India's FY23E real GDP growth to 6.8%, we have kept our FY24 projection broadly unchanged at just 5.5%, much lower than the consensus of 6.3%. A serious global recession presents a downside risk to our below-consensus growth forecast.**
- **At the same time, we have cut our FY23 CPI inflation forecast to 6.7% (from 7.0% earlier), keeping FY24E unchanged at 5.2%. Nevertheless, with the repo rate already at 5.4%, we have raised our terminal repo rate forecast to 6.0% (from 5.5%) by Dec'22. If, however, the RBI remains concerned about the Rupee and focuses more on the 4% target (unlikely to be reached before FY25), we could see another hike in Feb'23E, taking the repo rate to 6.25% in this cycle.**
- **India's external situation has also worsened quickly. We expect CAD to widen to 3.7% of GDP in 1QFY23 and peak at 5.5% of GDP in 2QFY23, implying a decadal-high CAD at 3.8% of GDP in FY23. Our estimates suggest that India's foreign exchange reserves could fall to ~USD530b this year. Accordingly, we believe that the Indian Rupee (INR) could cross 82/USD in 4QFY23E and stay above 80/USD in CY23/FY24E.**

Changes in economic forecasts since Jun'22

Real GDP growth: With 13.5% YoY real GDP growth in 1QFY23, the market consensus has been downgraded to sub-7%. However, we have upgraded our FY23E growth to 6.8% from 6.3%, with a broadly unchanged projection of 5.5% in FY24.

CPI inflation and interest rates: After raising it substantially in the past few months, FY23 inflation projection is lowered to 6.7% from 7% earlier, with no change in FY24E. However, the terminal repo rate would be higher than our previous forecast – expected at 6% by Dec'22 *(Exhibit 1)*.

India's CAD could worsen to 5.5% of GDP in 2QFY23 and rise towards 3.8% of GDP in FY23E, before easing to ~2% next year

External trade and INR: India's CAD could worsen to 5.5% of GDP in 2QFY23 and rise towards 3.8% of GDP in FY23E, before easing to ~2% next year. Consequently, India's foreign exchange reserves could fall to ~USD530b this year, leading to faster depreciation in INR against USD. We expect INR to surpass 82/USD in 4QFY23, and stay above 80/USD in CY23/FY24.

Exhibit 1: Forecasts of key macroeconomic variables for the Indian economy

Macro indicators	Unit	FY21	FY22	FY23 forecasts			FY24 forecasts		
				MOFSL Jun'22	MOFSL Sep'22	Consensus #	MOFSL Jun'22	MOFSL Sep'22	Consensus #
Nominal GDP_{MP}	YoY (%)	(1.4)	19.5	13.9	15.9	…	10.5	9.4	…
Real GDP_{MP}	YoY (%)	(6.6)	8.7	6.3	6.8	7.1	5.6	5.5	6.3
Consumer price index	YoY (%)	6.2	5.5	7.0	6.7	6.7	5.2	5.2	5.2
Repo rate (year-end)	p.a. (%)	4.0	4.0	5.5	6.0	5.9	5.5	6.0	…
USD:INR (average)	unit	74.2	74.5	77.9	80.1	79.6	77.0	80.4	…
Current a/c deficit	% of GDP	(0.9)	1.2	2.4	3.8	3.0	1.9	2.1	2.3
Fiscal deficit*	% of GDP	9.2	6.7	6.2	6.1	6.5	5.7	5.7	6.0

#RBI's Survey of Professional Forecasters (SPF) *Central government Source: RBI, MOFSL

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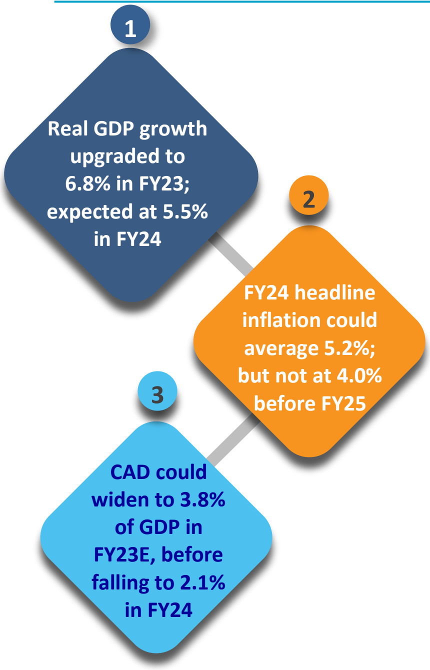


Three key themes:

In this note, we provide our updated macroeconomic forecasts for India and discuss the three key themes that are likely to play out in CY22. These themes have predominantly helped shape our forecasts.

1) Although we have raised India's FY23E real GDP growth to 6.8%, it is important to note that the growth is likely to weaken to ~4.5% in 2HFY23. Further, with 5.5% growth in FY24E, India's GDP growth is not on a very strong footing. Our forecasts suggest an average growth of just 3.4% during the four years up to FY24, v/s 6.3% between FY16 and FY20. It also implies that nominal GDP growth will be just 9.4% in FY24E, v/s an average growth of 13.6% between FY04 and FY19.
2) Headline CPI inflation is likely to remain at 7.0% YoY in Sep'22, before easing to 6.5% by Feb'23 and falling below 6.0% in Mar'23. Further, it is projected to ease to 5.0-5.5% in FY24, implying that the 4.0% level is unlikely to come before FY25. **Nevertheless, with the repo rate already at 5.4%, we have raised our terminal repo rate forecast to 6.0% (from 5.5%) by Dec'22. If, however, the RBI remains concerned about the Rupee and focuses more on the 4% target, we could see another hike in Feb'23E, taking the repo rate to 6.25% in this cycle**.
3) The external situation has turned quickly from very comfortable until about a few months ago to one of the major concerns now. From as high as ~3.7% of GDP in 1QFY23, India's CAD could widen further to 5.5% of GDP in 2QFY23, implying FY23E CAD of 3.8% of GDP, the highest in a decade. The only relief is that a mix of lower commodity prices and weaker domestic growth (along with weak global growth) is likely to pull down CAD to 2.1% of GDP in FY24E.

1. Real GDP growth upgraded to 6.8% in FY23E; expected at 5.5% in FY24

The Indian economy grew 13.5% YoY in 1QFY23, marking the highest growth among other major economies in the world. However, the growth was weaker than the market/RBI forecasts (of 15.3%/16.2%) and higher than our expectation (of 10.5%).

According to our in-house monthly India's Economic Activity Index (EAI), real GVA is estimated to have increased 7.3% YoY in Aug'22, following an average growth of 12.7% YoY in 1QFY23 *(Exhibit 2)*. The deceleration in Jul'22 was also broad-based with lower growth in all three major components – agriculture, industry and services sectors *(Exhibit 3)*.

Exhibit 2: India's EAI-GVA grew 7.3% YoY in Jul'22…

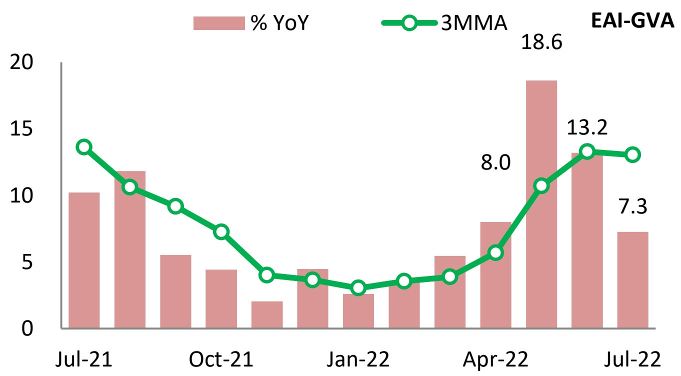
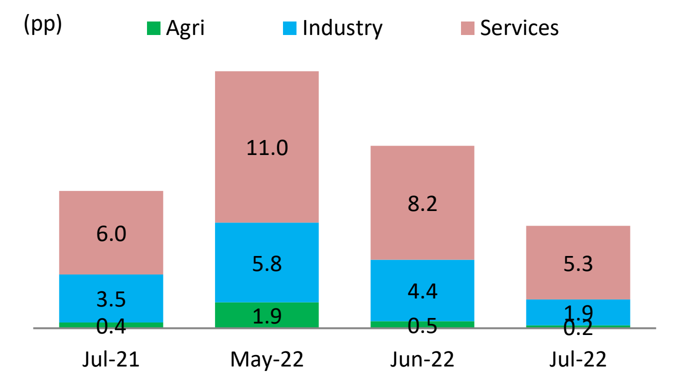


Exhibit 3: …which was led by broad-based deceleration



Source: Various national sources, CEIC, MOFSL

An analysis of selected indicators available for Aug'22 suggests mixed situation with deceleration in exports, toll collections and power generation, along with better PMI services and retail fuel consumption. Overall, we believe that real GDP growth could be ~5.5% in 2QFY23, slower than the 6.2% projected by the RBI.

Although we are not as sanguine as the RBI for 2QFY23 growth, we anticipate better growth in 2HFY23. The RBI, based on its forecasts published in early Aug'22, projects an average real GDP growth of just 4% YoY in 2HFY23. In contrast, we expect it to be closer to 4.6%, bringing real GDP growth to 6.8% for FY23 *(Exhibit 4)*.

India's nominal GDP growth could soften to 9.4% in FY24, compared to an average growth of 13.6% between FY04 and FY19

As noted earlier also, although the RBI has hiked the policy repo rate sharply since Apr'22 (including unexpected hike in May'22), it has kept its growth projections unchanged at 7.2%. This is in sharp contrast to the most advanced economies that have revised down their growth forecasts meaningfully. We believe that the global monetary tightening will have serious consequences on growth in CY23/FY24, which is reflected in our forecast of 5.5% growth next year vis-à-vis market consensus of +6.3%. In fact, while the RBI projects a growth of 6.7% YoY in 1QFY24, we see it at only 5.3% *(Exhibit 5)*.

Exhibit 4: We expect India's growth to stabilize at 4.5-5.5%...

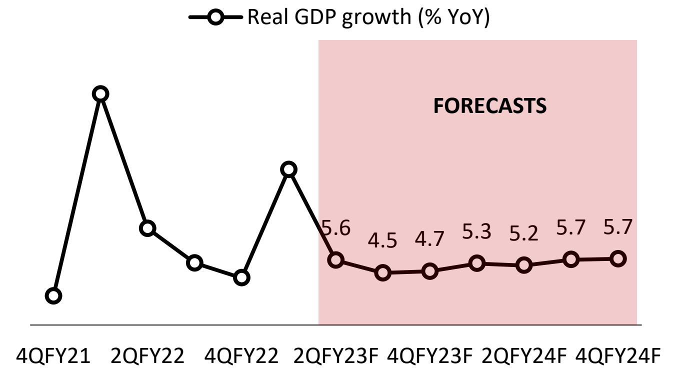
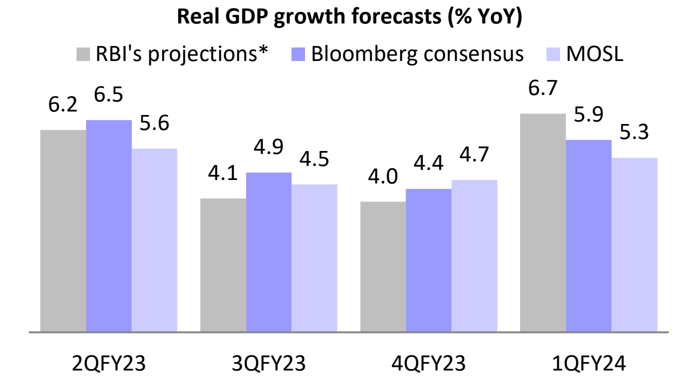


Exhibit 5: ...weaker than the market/RBI's projections



*Based on Aug'22 edition Source: RBI, Bloomberg, MOFSL

Considering our real GDP growth and inflation forecasts, it is likely that India's nominal GDP growth could soften to 9.4% in FY24, v/s an average growth of 13.6% between FY04 and FY19.

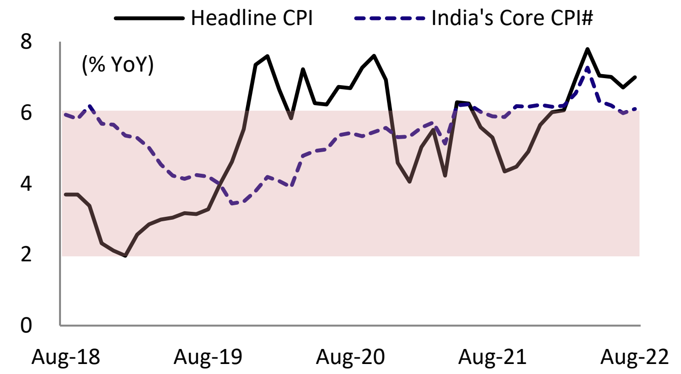
2. FY24 headline inflation could average 5.2%; but not at 4.0% before FY25

For the seventh consecutive month in Aug'22, headline CPI inflation in India remained above the broad target range of 2-6%. At 7% YoY, CPI inflation in Aug'22 was slightly higher than the market consensus, but was in line with our forecast. Not only headline inflation, but also the core inflation has been at 6% or higher for the past 11 successive months, with 6.1% YoY reading in Aug'22 *(Exhibit 6)*.

Almost the entire surge in headline inflation in FY23* is attributed to 'Food & Beverages'

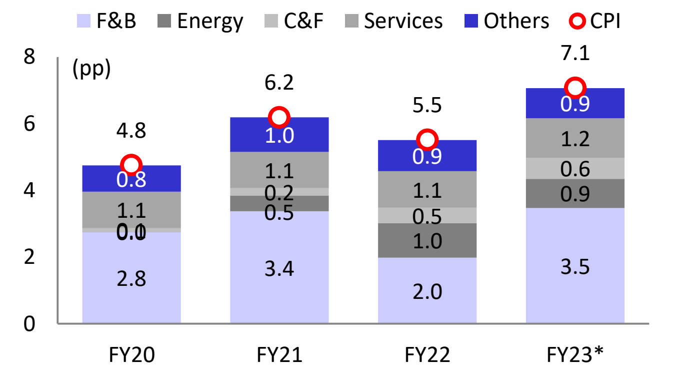
During the first five months of FY23 (Apr-Aug'22), headline inflation has averaged 7.1% YoY v/s 5.5% in the corresponding period last year. A close look at the major drivers of higher inflation in FY23* reveals that almost the entire surge in headline inflation is attributed to 'Food & Beverages (F&B)' *(Exhibit 7)*. F&B inflation in India averaged 7.5% YoY in Apr-Aug'22, compared to 4.3% in the corresponding period of FY22. Thus, its contribution increased to 3.5 percentage point (pp) over Apr-Aug'22 from 2pp in FY22. Within food items, higher prices of 'Cereals' and 'Vegetables' have led to higher headline inflation in Apr-Aug'22. Notably, the contribution of 'services' has remained extremely stable during the past many years, including FY23.

Exhibit 6: Headline inflation has exceeded the target range for the seventh consecutive month…



#Excluding F&B, PT&I and F&L

Exhibit 7: …primarily led by a surge in food inflation in FY23*



* Apr-Aug'22 Source: CSO, MOFSL

We expect headline inflation to stay unchanged at 7.0% YoY in Sep'22 as well, implying an average inflation of 6.9% in 2QFY23, slightly lower than the RBI's and market projection of 7.1% *(Exhibit 8-9)*. Further, while 3QFY23 inflation forecast is the same at 6.4%, our calculations suggest that the headline inflation could be much higher (at 6.2%) in 4QFY23, than the RBI's forecast of 5.8%. In Mar'23, however, CPI inflation could be 5.7% - the first sub-6% reading in 15 months.

Exhibit 8: CPI inflation may fall below 6% in 1QFY24 only…

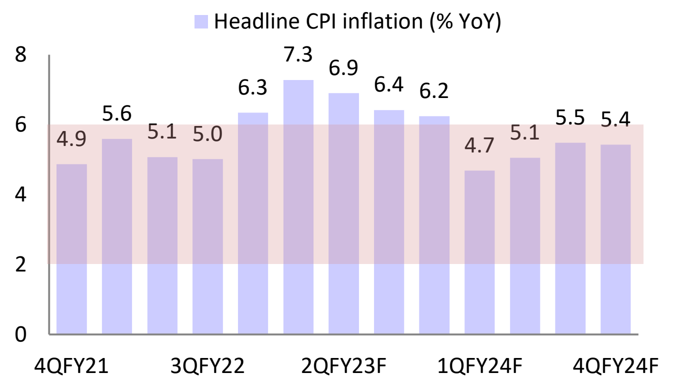
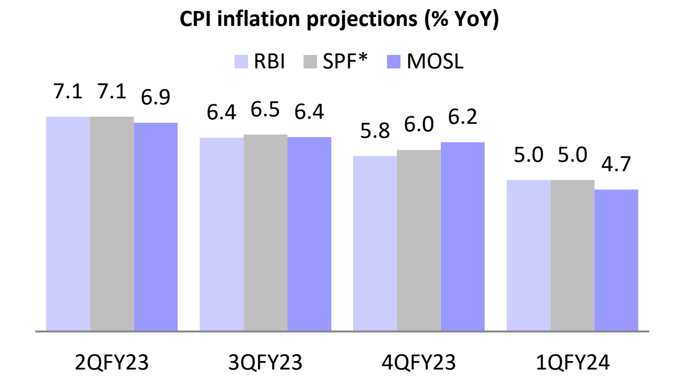


Exhibit 9: …later than expected by the RBI



* Aug'22 edition Source: RBI, CSO, CEIC, MOFSL

If the RBI remains concerned about the Rupee and focuses more on 4% target, we could see another rate hike in Feb'23, taking the terminal repo rate to 6.25% in this cycle

In any case, we do not expect headline inflation to fall towards the medium-term target of 4% before FY25 (or late-CY24). However, it is likely to ease towards 5.0-5.5% in FY24, similar to real GDP growth. Although the RBI is an inflation-targeting Central Bank, it must not ignore the growth challenges, which we fear could worsen in CY23/FY24. Consequently, the RBI may have to draw comfort from ~5% headline inflation for many more months and pause in its rate hike episode in CY23/FY24E. Therefore, we see only two more rate hikes in this episode – 35bp later this month (reflecting the beginning of the end of rate hikes) and another 25bp in Dec'22. If so, it implies the terminal repo rate at 6% by Dec'22. If, however, the RBI remains concerned about the Rupee and focuses more on 4% target, we could see another rate hike in Feb'23, taking the terminal repo rate to 6.25% in this cycle.

3. CAD could widen to 3.8% of GDP in FY23E, before declining to 2.1% in FY24

For the first time in 17 years, India posted a surplus on its current account in FY21. Starting 4QFY20 (quarter-ending Mar'20), India's current account balance moved into a surplus zone, primarily led by a sharp fall in non-valuable goods account *(Exhibit 10)*. As against a deficit between 4.5% and 6.0% of GDP, the deficit on the non-valuable goods narrowed to 2.8% of GDP in FY21. The deficits on valuables, services and income accounts were broadly similar to that in the previous years *(Exhibit 11)*. Consequently, India's current account moved from a deficit of ~2% of GDP each in FY18 and FY19 to 0.9% of GDP in FY20 and a surplus of 0.9% of GDP in FY21. It, however, reversed quickly to a deficit of 1.2% of GDP in FY22, as the deficit on non-valuable goods moved back to 4.7% of GDP last year.

Exhibit 10: India's current account moved into surplus in FY21 but reverted into deficit in FY22

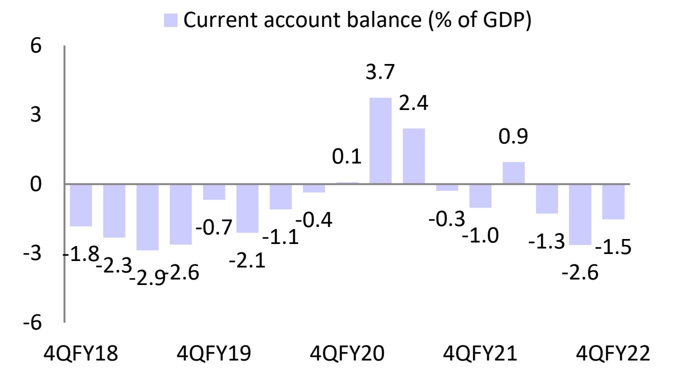
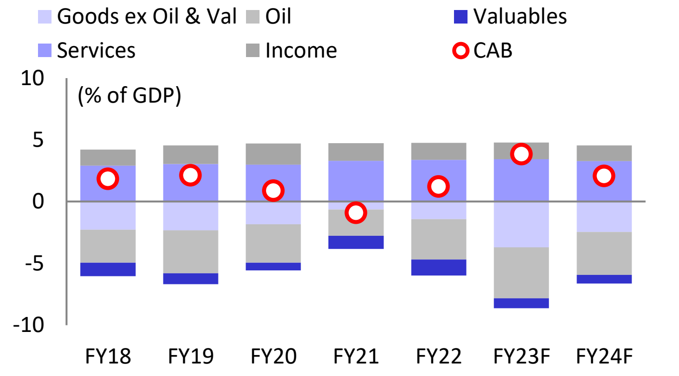


Exhibit 11: It was largely led by the movements in non-valuables goods account



Source: RBI, MOFSL

Our estimates suggest that it may have widened further to scary level of 5.5% of GDP ($44.6b) in 2QFY23

The situation has worsened remarkably in FY23. Although the data for 1QFY23 is not yet published, the monthly data available on goods & services confirm that India's CAD may have widened to 3.7% of GDP (USD31.3b) in 1QFY23. Further, our estimates suggest that it may have widened further to an alarming level of 5.5% of GDP (USD44.6b) in 2QFY23, which, if true, would be the second-worst quarterly CAD on record in India (it was 6.8% of GDP in 3QFY13). We expect it to narrow to 3.8% of GDP (USD33.3b) in 3QFY23 and further down to 2.4% of GDP (USD21.3b) in 4QFY23. It means that India's CAD could widen to a decadal-high of 3.8% of GDP in the current year from just 1.2% of GDP in FY22 *(Exhibit 12)*.

The primary reason for such sudden widening of CAD is the non-valuable goods account. While the surpluses on services and income accounts are expected to remain unchanged at 3.4% and 1.4% of GDP respectively, the deficits on oil products are likely to worsen to 4.1% of GDP (from 3.3%) and non-oil non-valuables goods could widen to as high as 3.7% of GDP (from 1.4%) this year *(Exhibit 11 above)*.

Not only CAD is expected to widen remarkably in FY23, but the foreign capital flows are also likely to weaken. Although India's foreign direct investment (FDI) flows have been very strong (at USD13.6b) in 1QFY23, there were larger outflows (of USD15b) on portfolio (FPI). Further, non-resident deposits were also negligible during the quarter. Accordingly, our estimates suggest that financial inflows in India could be about USD54b, or 1.6% of GDP, in FY23.

India's forex reserves are expected to reduce by USD77b (or 2.3% of GDP) in FY23, marking the highest-ever reduction in a year

A combination of large CAD and lower foreign capital flows suggests that India will witness a notable withdrawal of foreign exchange (Forex) reserves this year. With CAD at 3.8% of GDP and capital inflows of just 1.6% of GDP, India's forex reserves are likely to reduce by USD77b (or 2.3% of GDP) in FY23. If so, this would be almost 50% higher than the deficit at 1.6% of GDP on BOP seen in FY09 *(Exhibit 13)*.

Exhibit 12: We expect India's CAD to widen to 3.8% of GDP in FY23…

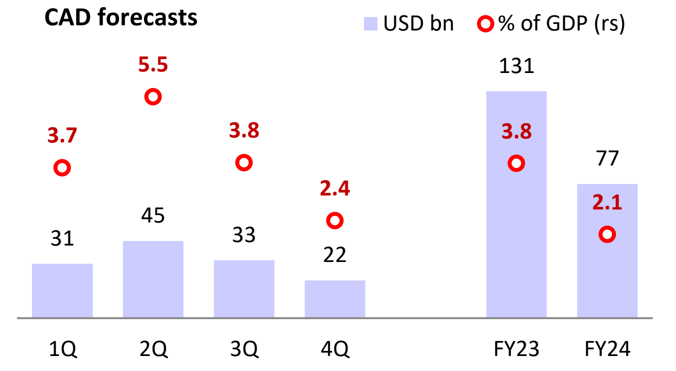
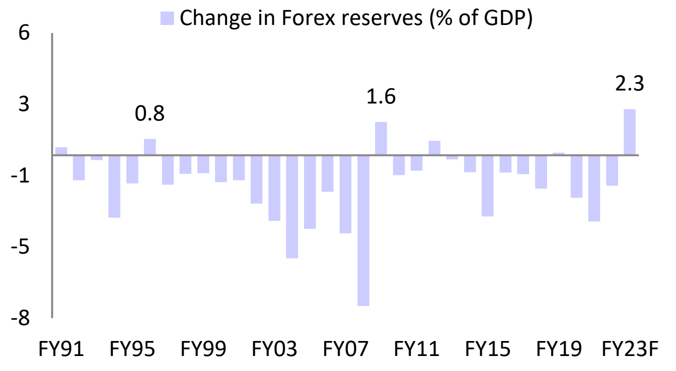


Exhibit 13: …which along with less capital inflows will lead to record withdrawal of forex reserves



(+)/(-) = Withdrawal/Accretion Source: RBI, MOFSL

Such huge reduction in forex reserves will naturally exert immense pressure on INR. As of 2nd Sep'22, the RBI's holding of forex reserves has already dropped to USD553b, which we expect to decline by another USD23b during FY23. Not surprisingly then, the INR has also weakened towards 80 against the USD. With tightening global monetary policy and rising risks of growth slowdown, it is very likely that the global liquidity will also worsen in 2HFY23, creating weakening pressures on INR, along with other EM currencies.

We believe that INR will weaken further against the USD, and cross 82/USD in 4QFY23

Therefore, we have revised our currency forecasts. We believe that INR will weaken further against the USD, and cross 82/USD in 4QFY23. However, as the global monetary tightening recedes and the US Federal Reserve pauses, the INR will stabilize during mid-CY23E before appreciating in 2HCY23E. However, we expect it to remain above-80 against the USD in CY23/FY24.

Detailed economic projections

Exhibit 14: Detailed projections of economic growth

Macro indicators	Unit	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F
Nominal variables								
Gross domestic product at market prices (GDP_{MP})	USD b	2,654	2,703	2,832	2,668	3,176	3,425	3,734
GDP_{MP}	**YoY (%)**	**11.3**	**10.6**	**6.2**	**(1.4)**	**19.5**	**15.9**	**9.4**
Private consumption expenditure (PCE)	% of GDP	59.0	59.3	61.0	60.8	59.6	62.3	62.3
Government consumption expenditure (GCE)	% of GDP	11.0	10.8	11.0	12.1	11.1	10.8	10.8
Gross capital formation (GCF)	% of GDP	30.9	32.3	30.2	27.9	31.2	31.1	30.8
GFCF + change in stocks	% of GDP	29.7	31.1	29.3	26.5	29.5	29.9	29.7
Exports of goods and services	% of GDP	18.8	19.9	18.7	18.7	21.4	21.7	20.8
Less: Imports of goods and services	% of GDP	22.0	23.7	21.3	19.1	23.9	26.7	23.7
Gross Value Added at basic prices (GVA_{BP})	**YoY (%)**	**11.1**	**10.9**	**6.9**	**(1.6)**	**18.2**	**16.4**	**9.7**
Agriculture and allied activities	% of GDP	17.2	17.6	18.3	20.0	18.6	18.0	17.9
Industry[1]	% of GDP	29.3	29.1	26.9	26.9	28.7	29.2	28.9
Manufacturing	% of GDP	16.4	16.4	14.7	15.0	15.5	15.2	15.0
Construction	% of GDP	7.8	7.9	7.5	7.3	8.1	8.2	8.1
Services	% of GDP	53.5	53.3	54.8	53.1	52.7	52.8	53.2
Real variables								
Real GDP_{MP}	**YoY (%)**	**6.8**	**6.5**	**3.7**	**(6.6)**	**8.7**	**6.8**	**5.5**
PCE	YoY (%)	6.2	7.1	5.2	(6.0)	7.9	11.0	5.0
GCE	YoY (%)	11.9	6.7	3.4	3.6	2.6	5.1	4.8
GCF	YoY (%)	10.8	11.0	(2.2)	(11.4)	21.7	8.7	5.1
Gross fixed capital formation (GFCF)	YoY (%)	9.7	12.0	(1.7)	(12.7)	20.7	10.2	5.1
Exports of goods and services	YoY (%)	4.6	11.9	(3.4)	(9.2)	24.3	7.3	1.4
Less: Imports of goods and services	YoY (%)	17.4	8.8	(0.8)	(13.8)	35.5	18.0	(6.6)
Real GVA_{BP}	**YoY (%)**	**6.9**	**5.2**	**3.8**	**(4.8)**	**8.1**	**6.6**	**5.5**
Agriculture and allied activities	YoY (%)	5.0	4.2	5.5	3.3	3.0	3.6	3.8
Industry[1]	YoY (%)	5.9	5.2	(1.4)	(3.3)	10.3	6.3	4.9
Manufacturing	YoY (%)	5.9	7.0	(2.9)	(0.6)	9.9	6.0	5.1
Construction	YoY (%)	5.6	5.9	1.2	(7.3)	11.5	7.8	4.8
Services	YoY (%)	8.1	5.5	6.3	(7.8)	8.4	7.7	6.2
Community services, etc.	YoY (%)	11.9	4.2	6.3	(5.5)	12.6	9.3	6.4
Non-agriculture GVA_{BP}	**YoY (%)**	**7.3**	**5.4**	**3.5**	**(6.2)**	**9.1**	**7.2**	**5.8**
Non-agriculture non-community GVA_{BP}	YoY (%)	6.5	5.6	3.0	(6.4)	8.5	6.8	5.6
Other real sector								
Index of industrial production (IIP)	YoY (%)	4.4	3.8	(0.8)	(8.5)	11.4	6.7	5.4
Nominal personal disposable income (PDI)	YoY (%)	11.0	12.8	7.8	2.1	15.4	14.9	9.3
Real PDI[2]	**YoY (%)**	**7.2**	**8.2**	**3.8**	**(2.4)**	**6.3**	**5.2**	**4.8**
Incremental capital-output ratio (ICOR)[3]	unit	4.95	5.42	9.28	(4.97)	3.90	5.29	6.60

[1]Industry includes mining and quarrying, manufacturing, electricity, and construction;
[2]Nominal PDI deflated by PCE deflator;
[3]The ratio for last two years' investments (as a percentage of GDP) and GDP growth – it is calculated using real-term data
Source: RBI, CSO, CEIC, MOFSL

Exhibit 15: Detailed projections of prices, rates, and money and banking

Macro indicators	Unit	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F
Price measures								
GVA_{BP} deflator	YoY (%)	4.4	4.7	2.9	3.2	9.3	9.3	4.0
GDP_{MP} deflator	**YoY (%)**	**4.2**	**4.0**	**2.4**	**5.4**	**10.0**	**8.7**	**3.7**
PCE deflator	YoY (%)	3.5	4.3	3.8	4.3	8.6	9.4	4.3
Consumer price index (CPI)	**YoY (%)**	**3.6**	**3.4**	**4.8**	**6.2**	**5.5**	**6.7**	**5.2**
Food and beverages	YoY (%)	2.2	0.7	6.0	7.3	4.2	6.8	5.4
Fuel and light	YoY (%)	6.2	5.7	1.3	2.7	11.3	11.0	5.4
Core CPI[1]	**YoY (%)**	**4.5**	**5.8**	**4.0**	**5.3**	**6.1**	**6.1**	**5.0**
Wholesale price index (WPI)	**YoY (%)**	**2.9**	**4.3**	**1.7**	1.3	13.0	11.4	2.8
Primary articles	YoY (%)	1.4	2.7	6.8	1.7	10.3	12.2	4.4
Fuel and power	YoY (%)	8.1	11.5	(1.8)	(8.0)	32.6	30.2	(1.0)
Manufactured products	YoY (%)	2.7	3.7	0.3	2.7	11.1	7.5	3.0
Non-food manufactured products	YoY (%)	2.9	4.2	(0.4)	2.2	11.0	7.6	3.1
Food items (raw + processed)	YoY (%)	1.9	0.6	6.9	4.0	6.7	8.4	4.5
Money and banking (end-period)								
Reserve money (M0)	YoY (%)	27.3	14.5	9.4	18.8	13.0	8.1	6.5
Broad money supply (M3)	YoY (%)	9.2	10.7	8.9	12.2	8.8	8.1	8.6
Bank deposit	YoY (%)	6.2	10.0	7.9	11.4	8.9	9.0	8.5
Bank credit	**YoY (%)**	**10.0**	**13.3**	**6.1**	**5.6**	**8.6**	**11.0**	**10.0**
Credit-to-deposit ratio	%	75.5	77.7	76.4	72.4	72.2	73.5	74.6
Incremental credit-to-deposit ratio	%	117.3	99.9	60.3	37.4	69.7	88.3	86.5
Key rates								
Policy repo rate (end-period)	**% p.a.**	**6.00**	**6.25**	**4.40**	**4.00**	**4.00**	**6.00**	**6.00**
USD:INR (period-average)	unit	64.4	69.9	70.9	74.2	74.5	80.1	80.4
Crude oil price (period-average)	USD/bbl	56.4	69.7	60.7	44.6	78.9	97.9	90.0
Gold price (period-average)	USD/ounce	1,285	1,263	1,462	1,823	1,819	1,766	1,700

[1]CPI excluding 'food and beverages', 'pan, tobacco, and intoxicants', and 'fuel and light'

Source: RBI, CSO, CEIC, MOFSL

Exhibit 16: Detailed projections for the external sector

Macro indicators	Unit	FY18	FY19	FY20	FY21	FY22	FY23F	FY24F
Current account balance	**USD b**	**(48.7)**	**(57.2)**	**(24.6)**	**24.0**	**(38.7)**	**(130.9)**	**(77.3)**
Merchandise	USD b	(160.0)	(180.3)	(157.5)	(102.2)	(189.5)	(294.9)	(247.6)
Invisibles	USD b	111.4	123.1	133.0	126.2	150.8	164.0	170.3
Total credit	**USD b**	**592.4**	**643.7**	**642.1**	**603.5**	**798.7**	**879.9**	**919.0**
Merchandise	USD b	309.0	337.2	320.4	296.3	429.2	464.4	481.6
Petroleum products	USD b	38.5	47.0	41.9	25.6	60.4	75.3	71.6
Valuables[1]	USD b	41.5	40.2	35.8	26.0	39.4	35.6	37.2
Invisibles	USD b	283.4	306.5	321.7	307.2	369.6	415.4	437.4
Services	USD b	195.1	208.0	213.2	206.1	254.5	291.5	310.4
Total debit	**USD b**	**641.0**	**700.9**	**666.7**	**579.5**	**837.4**	**1,010.7**	**996.3**
Merchandise	USD b	469.0	517.5	477.9	398.5	618.6	759.3	729.2
Petroleum products	USD b	109.2	140.8	129.9	82.4	163.7	216.2	201.0
Valuables[1]	USD b	70.5	63.7	53.4	54.3	80.5	63.1	63.8
Invisibles	USD b	172.0	183.4	188.8	181.1	218.8	251.4	267.1
Services	USD b	117.5	126.1	128.3	117.5	147.0	174.0	188.0
Capital and Financial account	**USD b**	**91.4**	**54.5**	**84.2**	**64.7**	**85.9**	**53.9**	**70.0**
Foreign direct investment (FDI)	USD b	30.3	30.7	43.0	44.0	38.6	41.6	45.0
Foreign portfolio investment (FPI)	USD b	22.1	(2.4)	1.4	36.1	(16.8)	(6.1)	5.0
Financial derivatives	USD b	(2.9)	1.0	4.1	(4.8)	(6.4)	0.0	0.0
Other investment	USD b	41.8	25.2	35.7	(10.6)	70.5	18.4	20.0
Non-resident Indians (NRI) deposits	USD b	9.7	10.4	8.6	7.4	3.2	2.9	0.0
Change in forex reserves[2]	**USD b**	**(42.7)**	**2.7**	**(59.6)**	**(88.7)**	**(47.2)**	**77.0**	**7.3**
Current account balance (CAB)	**% of GDP**	**(1.8)**	**(2.1)**	**(0.9)**	**0.9**	**(1.2)**	**(3.8)**	**(2.1)**
Non-oil	% of GDP	0.8	1.4	2.2	3.0	2.0	0.3	1.4
Non-oil non-valuables	% of GDP	3.5	3.7	4.1	5.1	4.6	2.1	3.1
Forex reserves	**% of GDP**	**(1.6)**	**0.1**	**(2.1)**	**(3.3)**	**(1.5)**	**2.2**	**0.2**
Savings – Investments								
National savings	**% of GDP**	**32.1**	**31.7**	**29.9**	**28.2**	**29.9**	**27.0**	**28.6**
Households	% of GDP	19.3	20.3	19.6	22.2	20.6	17.5	17.3
Net financial savings	**% of GDP**	**7.6**	**7.9**	**8.0**	**11.6**	**9.7**	**7.3**	**7.3**
Physical savings	% of GDP	11.6	12.4	11.5	10.5	10.9	10.1	10.1
Corporate sector	% of GDP	14.0	12.8	13.5	12.9	11.2	10.4	11.7
General government	% of GDP	(1.2)	(1.4)	(3.2)	(6.8)	(1.9)	(0.9)	(0.5)
Domestic investments	**% of GDP**	**33.9**	**33.8**	**30.7**	**27.3**	**31.1**	**30.8**	**30.6**
Households	% of GDP	11.4	12.2	11.3	10.3	10.8	10.0	9.9
Corporate sector	% of GDP	14.6	15.4	14.4	12.0	14.2	15.3	15.1
General government	% of GDP	3.6	3.6	3.6	4.2	4.5	4.7	4.7

[1]Valuables includes items related to gold or any other precious metal

Source: RBI, CSO, CMIE, MOFSL

Exhibit 17: Detailed projections for central government finances

Macro indicators	Unit	FY19	FY20	FY21	FY22P	FY23BE	FY23F	FY24F
Total receipts	**INR b**	**16,657**	**17,498**	**16,897**	**22,077**	**22,837**	**23,786**	**26,680**
	YoY %	**7.4**	**5.0**	**(3.4)**	**30.7**	**4.8**	**7.7**	**12.2**
	% of GDP	**8.8**	**8.7**	**8.5**	**9.3**	**8.9**	**8.7**	**8.9**
Revenue receipts	INR b	15,529	16,812	16,321	21,684	22,044	23,186	25,830
	YoY (%)	8.2	8.3	(2.9)	32.9	6.0	6.9	11.4
Gross taxes	INR b	20,805	20,072	20,249	27,083	27,578	30,609	34,148
Net tax collection	INR b	13,172	13,540	14,240	18,204	19,348	20,750	23,150
	YoY (%)	6.0	2.8	5.2	27.8	9.6	14.0	11.6
Direct tax receipts	INR b	11,252	10,372	9,264	13,854	14,200	16,546	18,532
	YoY (%)	12.2	(7.8)	(10.7)	49.6	13.6	19.4	12.0
Indirect tax receipts	INR b	9,552	9,700	10,984	13,229	13,378	14,063	15,616
	YoY (%)	4.3	1.5	13.2	20.4	5.7	6.3	11.0
Non-tax collection	INR b	3,485	3,958	2,657	3,873	3,489	3,036	3,530
Non-tax receipts	INR b	2,357	3,272	2,081	3,480	2,697	2,436	2,680
Non-debt capital receipts	INR b	1,128	686	576	392	793	600	850
Disinvestment	INR b	0	0	329	146	650	450	600
Total expenditure	**INR b**	**23,151**	**26,863**	**35,098**	**37,942**	**39,449**	**40,449**	**43,658**
	YoY (%)	**8.1**	**16.0**	**30.7**	**8.1**	**4.6**	**5.5**	**7.9**
	% of GDP	**12.2**	**13.4**	**17.7**	**16.0**	**15.3**	**14.7**	**14.5**
Primary spending	INR b	15,025	18,120	20,718	25,427	26,486	25,480	28,914
	YoY (%)	**8.2**	**20.6**	**14.3**	**22.7**	**7.3**	**(1.4)**	**13.5**
Revenue spending	INR b	20,074	23,506	30,835	32,014	31,947	33,447	35,955
	YoY (%)	6.8	17.1	31.2	3.8	0.9	4.5	7.5
Interest payments	INR b	5,826	6,121	6,799	8,054	9,407	9,312	10,244
Subsidies	INR b	2,300	2,623	7,582	4,460	3,556	5,656	4,500
Defense	INR b	1,925	2,075	2,057	2,286	2,330	2,330	2,563
Pensions	INR b	1,602	1,679	1,908	1,814	1,717	1,717	1,837
Capital spending	INR b	3,077	3,357	4,263	5,928	7,502	7,002	7,703
	YoY (%)	16.9	9.1	27.0	39.1	24.5	10.4	10.0
Defense	INR b	952	1,111	1,343	1,380	1,524	1,524	1,646
Railways	INR b	528	678	299	1,173	1,803	1,803	1,929
Roads and Highways	INR b	698	707	923	1,133	1,371	1,371	1,508
Fiscal balance	**INR b**	**(6,494)**	**(9,365)**	**(18,201)**	**(15,865)**	**(16,612)**	**(16,663)**	**(16,978)**
	% of GDP	**(3.4)**	**(4.7)**	**(9.2)**	**(6.7)**	**(6.4)**	**(6.1)**	**(5.7)**
Combined total receipts[1]	**INR b**	**38,872**	**39,421**	**37,004**	**48,654**	**52,376**	**53,590**	**59,930**
	YoY (%)	**10.9**	**1.4**	**(6.1)**	**31.5**	**10.8**	**10.1**	**11.8**
	% of GDP	**20.6**	**19.6**	**18.7**	**20.6**	**20.3**	**19.5**	**20.0**
Combined total spending[1]	**INR b**	**50,615**	**54,730**	**63,310**	**71,295**	**77,640**	**77,303**	**84,613**
	YoY (%)	**11.0**	**8.1**	**15.7**	**12.6**	**8.4**	**8.4**	**9.5**
	% of GDP	**26.8**	**27.3**	**32.0**	**30.1**	**30.1**	**28.2**	**28.2**
Combined capital spending	**INR b**	**8,558**	**8,654**	**9,409**	**12,024**	**15,345**	**13,539**	**15,023**
	YoY (%)	**14.9**	**1.1**	**8.7**	**27.8**	**20.7**	**12.6**	**11.0**
Combined fiscal deficit	**INR b**	**(11,743)**	**(15,309)**	**(26,305)**	**(22,641)**	**(25,264)**	**(23,713)**	**(24,682)**
	% of GDP	**(6.2)**	**(7.6)**	**(13.3)**	**(9.6)**	**(9.8)**	**(8.6)**	**(8.2)**

[1]Center + states (Excluding grants from the Center to the states)
FY23BE growth is over FY22RE

P=provisional, BE=Budget estimates, F=forecasts
Source: Union Budget documents, CSO, MOFSL

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