

India's Quarterly Economic Outlook: 2QFY24

Upgrade real GDP growth forecast for FY24 again

- For the past nine months, the fears of slowdown have been totally unfounded. India's real GDP growth was better than expected (at 6.1% YoY) in 4QFY23 and then improved in line with expectations (at 7.8% YoY) in 1QFY24. Not only India, the US economy too has been much more resilient than our predictions at the beginning of the year.
- It is then no surprise that we have to revise our growth forecasts upward yet again in this version of the Quarterly Economic Outlook (QEO). We upgrade India's real GDP growth projection to 6.0% YoY for FY24 from 5.6% YoY anticipated in Jun'23 (and vs. 5.2% YoY in Mar'23). We, however, keep it broadly unchanged at 5.4% for FY25E (projected at 5.5% in Jun'23). Further, nominal GDP growth forecast is also kept unchanged at 7.8% for FY24, since higher real growth is entirely offset by a cut in GDP deflator forecast. It is likely to improve ~10% for FY25, slightly lower than earlier projection.
- After lower-than-expected retail inflation in Apr-May'23, CPI inflation has been much higher in 2QFY24 led by vegetables, pulses and spices. Accordingly, we raise our CPI inflation projection to 5.6% for FY24 (from 4.3% earlier) with a slight upward revision in FY25 (to 5.3% from 5.0% earlier). Nevertheless, it is very likely that the RBI will keep interest rates unchanged in CY23. The next rate action could be a cut, initiated by the US growth slowdown in 1QCY24 (or 4QFY24). Without a growth slowdown, there is no reason for any rate action in CY24 as well.
- Lastly, rising crude oil prices and upward revisions in growth forecasts have pushed up our current account deficit (CAD) projection. India's CAD is projected at 1.3% of GDP each in FY24 and FY25, vs. 0.6%/0.9% of GDP forecasted in Jun'23. Consequently, INR is expected to weaken only in 4QFY24 when growth slowdown could materialize. We continue to expect INR to average 83.1/84.6 per USD in FY24/FY25, lower than our earlier projections.

Changes in our economic forecasts since Jun'23

Real GDP growth: Due to better real GDP growth in [4QFY23](#) and [1QFY24](#), we upgrade our forecast to 6.0% for FY24 (from 5.6% anticipated in Jun'23) and keep it unchanged at 5.4% for FY25 (from 5.5% anticipated in Jun'23). However, with downward revision in GDP deflator, the nominal GDP growth forecast is kept unchanged at 7.8% for FY24, and ~10% (from 10.5%) for FY25.

CPI inflation and interest rates: Due to higher inflation in 2QFY24 led by vegetables, pulses and spices, we raise our CPI inflation projection to 5.6% for FY24 (from 4.3% earlier) with a slight upward revision in FY25 (to 5.3% from 5.0% earlier). The next rate action could be a cut in CY24 due to growth slowdown.

External trade and INR: India's CAD is projected at 1.3% of GDP each in FY24 and FY25, compared to 0.6%/0.9% of GDP forecasted in Jun'23. We continue to expect INR to average 83.1/84.6 per USD in FY24 and FY25, lower than our earlier forecasts.

The next rate action could be a cut in CY24 due to growth slowdown.

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

Macro indicators	Unit	FY21	FY22	FY23	FY24 forecasts			FY25 forecasts		
					MOFSL Jun'23	MOFSL Sep'23	Consensus (SPF#)	MOFSL Jun'23	MOFSL Sep'23	Consensus (SPF#)
Nominal GDP _{MP}	YoY (%)	(1.4)	18.4	16.3	7.8	7.8	...	10.5	9.9	...
Real GDP _{MP}	YoY (%)	(5.8)	9.1	7.0	5.6	6.0	6.1	5.5	5.4	6.5
Consumer price index	YoY (%)	6.2	5.5	6.6	4.3	5.6	5.2	5.0	5.3	4.7
Repo rate (year-end)	p.a. (%)	4.0	4.0	6.5	6.25	6.25	6.5	5.25	5.25	...
USD:INR (average)	unit	74.2	74.5	80.4	82.9	83.1	81.5	84.1	84.6	...
Current a/c deficit	% of GDP	(0.9)	1.2	1.8	0.6	1.3	1.4	0.9	1.3	1.5
Combined fiscal deficit	% of GDP	13.2	9.4	8.5	8.2	8.6	8.7	7.5	7.8	8.2

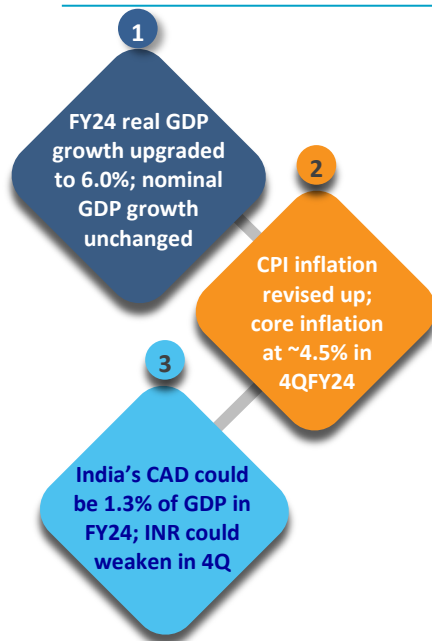
83rd round: Responses received during 12th and 31st July, 2023

Source: Central Statistics Office (CSO), Reserve Bank of India (RBI), MOFSL

Nikhil Gupta – Research Analyst (Nikhil.Gupta@MotilalOswal.com)

Tanisha Ladha – Research Analyst (Tanisha.ladha@motilaloswal.com)

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 Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.



Three key themes:

In this note, we provide our updated macroeconomic forecasts for India and discuss the three major themes that are likely to play out in FY24.

- 1) Given better-than-expected growth in 1QFY24 and continued resilience in Jul-Aug'23, we upgrade our FY24 real GDP growth forecast to 6.0% from 5.6% earlier. At the same time, recent readings have led to a reduction in our GDP deflator forecast. The wholesale price index (WPI) is expected at -0.4% in FY24 (vs. 0.6% earlier), offsetting the impact of higher real GDP growth on nominal GDP growth. Thus, the nominal GDP growth forecast is kept unchanged at 7.8% (vs. 7.7% earlier).
- 2) CPI inflation has been much higher in 2QFY24, owing to vegetables, pulses and spices. Accordingly, we raise our CPI inflation projection to 5.6% for FY24 (from 4.3% earlier) with a slight upward revision in FY25 (to 5.3% from 5.0% earlier). Nevertheless, the next rate action could be a cut, initiated by the US growth slowdown in 4QFY24 or later. Without a growth slowdown, there is no reason for any rate action in CY24 as well.
- 3) Rising crude oil prices and upward revisions in growth forecasts have pushed up our CAD projections. India's CAD is now projected at 1.3% of GDP each in FY24 and FY25, vs. 0.6%/0.9% of GDP forecasted in Jun'23. Consequently, INR is expected to weaken only in 4QFY24 when growth slowdown could materialize. We continue to expect INR to average 83.1/84.6 per USD in FY24/FY25, lower than our earlier projections.

1. FY24 real GDP growth forecast raised to 6.0%; nominal GDP growth unchanged

According to the recent data, Indian economy grew 7.8% YoY in **1QFY24**, in line with market consensus and marginally slower than the RBI's forecast of 8.0% (and much better than our forecast of 7.2%). For the second consecutive quarter, real GDP growth has been better than our projections (*Exhibit 2*). It is, hence, obvious that we have to revise up our forecasts and fall in line with the reality.

Not only has the growth been better than expected in recent quarters, but it also remained resilient in Jul-Aug'23. According to our in-house monthly estimates, **India's Economic Activity Index (EAI)** grew strongly in Jul'23, confirming a strong start to 2QFY24 (*Exhibit 3*). The acceleration was propelled by the non-farm sector and robust government spending.

Exhibit 2: India's real GDP growth was better-than-expected in 4QFY23 and 1QFY24...

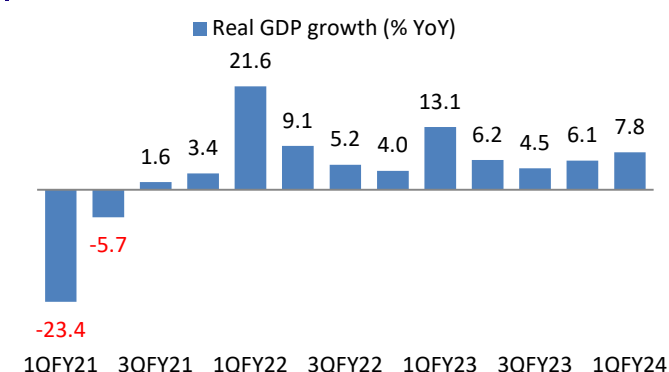
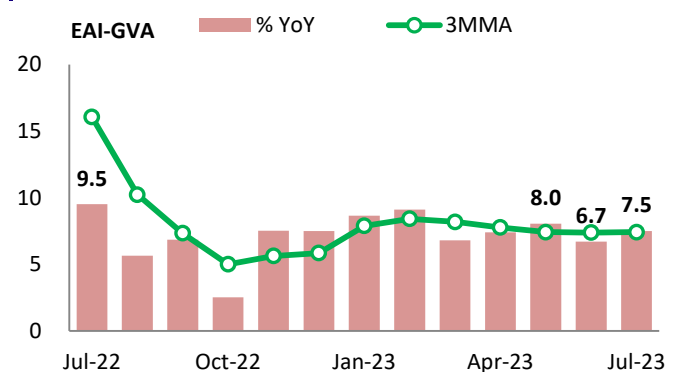


Exhibit 3: ...and our in-house analysis suggests that it was resilient over Jul-Aug'23 as well



Source: CSO, Various national sources, CEIC, MOFSL

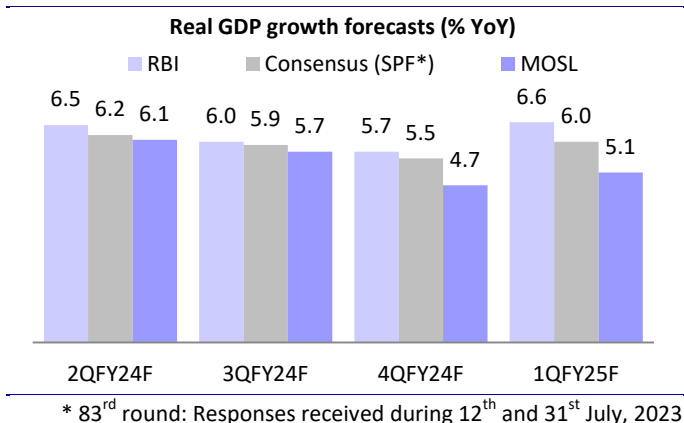
A look at limited available data for Aug'23 also suggests that India's growth resilience may have continued further. The manufacturing and services PMI remained strong in Aug'23, passenger and commercial vehicle sales picked up, freight traffic was decent, electricity production grew strongly and toll collections were also healthy. The farm sector, however, has not been doing so well due to erratic monsoon and depleting water reservoir levels.

Overall, India's economic growth seems to maintain the momentum in 2QFY24 as well. Accordingly, we upgrade our FY24 real GDP growth forecast to 6.0% from 5.6% projected in Jun'23 and 5.2% in Mar'23 (*Exhibit 4*). As highlighted last time, there are three primary reasons for this upgrade: *First*, the anticipated economic slowdown in the US has not materialized yet. We do not believe that it can be averted, but it certainly appears delayed. Thus, while 1HFY24 is likely to be better than previously anticipated, 4QFY24 and FY25 could be weaker. *Second*, although we still expect a slowdown in consumption, a delayed global economic slowdown means that consumption could grow better than previously projected. *Third*, investment growth could also be slightly better than previously anticipated, primarily financed by larger than previously forecasted CAD.

We project real GDP growth at ~5.0% in 1HCY24 vs. 6.1% by the RBI and 5.8% by the market (consensus).

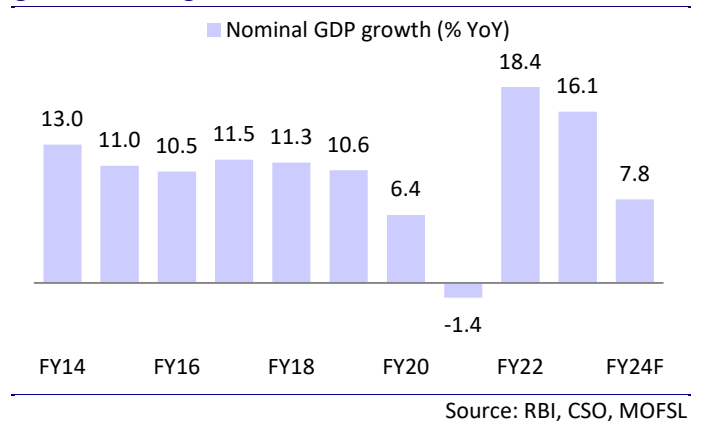
A comparison of our revised projections with the RBI's recent forecasts and the market consensus (as per SPF) reveals that the gap between our forecasts and others has narrowed now, though the RBI remains the most optimistic. Quarterly forecasts reveal that the major differences between our forecasts and the RBI's projections will be in 1HCY24, when we expect global growth to slow down and affect India's growth adversely. Accordingly, we project real GDP growth of ~5.0% in 1HCY24, compared to 6.1% by the RBI and 5.8% by the market consensus (*Exhibit 4*).

Exhibit 4: We raise our real GDP growth forecast to 6.0% in FY24 from 5.6% earlier...



Higher real GDP growth would be largely negated by lower inflation forecasts, implying unchanged nominal GDP growth of 7.8% YoY in FY24.

Exhibit 5: ...but lower GDP deflator could keep nominal GDP growth unchanged at 7.8% in FY24



Although real GDP growth is lifted by as much as 40bp again, WPI inflation – which is not relevant from the monetary policy perspective, but an important input in GDP deflator – has been weaker than expected. Thus, we reduce our WPI inflation forecast to -0.4% YoY in FY24 from 0.6% earlier. If so, GDP deflator could be 1.7% in FY24, lower than 2.2% projected earlier. Consequently, higher real GDP growth would be largely offset by lower inflation forecasts, implying unchanged nominal GDP growth of 7.8% YoY in FY24 (*Exhibit 5*). This would have serious implications for several sectors in the economy, which we had discussed [here](#).

2. CPI inflation forecast raised; core inflation at ~4.5% in 4QFY24

Growth has been better than expected but CPI-based headline inflation has surged unexpectedly and suddenly from Jul'23. CY23 has been highly volatile in terms of India's inflation. After rising unexpectedly to 6.5% YoY in Jan-Feb'23, headline inflation eased sharply to 4.7% YoY in Apr'23, before rising back to 7.4% YoY in Jul'23 and 6.8% YoY in [Aug'23](#). The acceleration in headline inflation was entirely led by food items, especially vegetables. Excluding vegetables (weight = 6%), CPI inflation has been stable at around 5.4% for the past five months.

The headline CPI inflation could ease to 5.7% YoY this month and average ~5.5% in 2HFY24.

Vegetable prices are extremely volatile and tend to decline as quickly as they rise. We expect vegetable prices to fall ~10% MoM in Sep'23 and do not anticipate any sudden shock in the remaining months of FY24. If so, the headline CPI inflation could ease to 5.7% YoY this month and average ~5.5% in 2HFY24 (*Exhibit 6*). At the same time, core inflation (excluding food & beverages and fuel & light) is expected to ease gradually in 2HFY24 and average ~4.5% in 4QFY24. Accordingly, we revise up our CPI inflation projection to 5.6% for FY24 (from 4.3% earlier) with slight upward revision in FY25 (to 5.3% from 5.0% earlier). A few key reasons for our revisions are: 1) not only vegetable prices, but pulses, spices and crude oil prices have also firmed up in the past quarter; 2) we expected the Government of India to be more vigilant of inflationary forces, as the general elections are due in less than a year. However, it is clearly not the case; and 3) we have pushed forward our growth slowdown forecast to 4QFY24.

Exhibit 6: Headline inflation revised up; though core inflation could be ~4.5% in 4QFY24

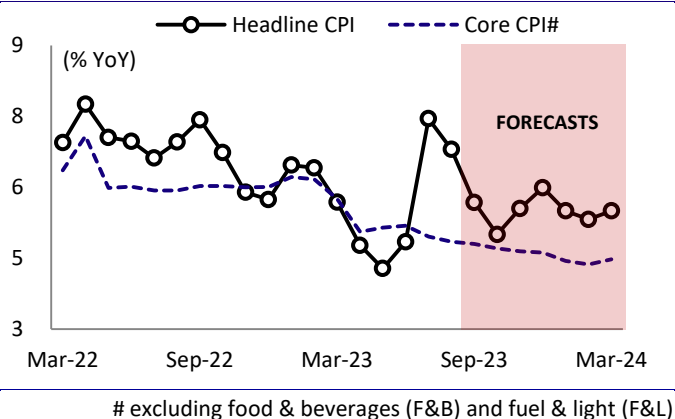
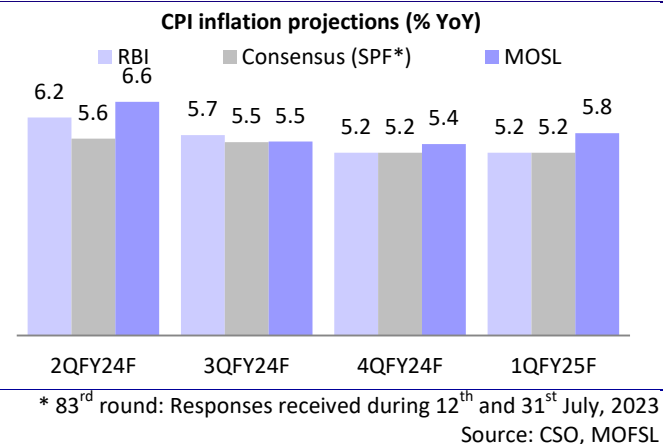


Exhibit 7: The RBI is expected to revise its FY24 inflation forecasts upwards due to food prices



Unlike our previous forecasts, our revised projections are more in line with the RBI's and the market consensus (*Exhibit 7*). Nevertheless, we expect the RBI to revise up its FY24 inflation projections to 5.7-5.9% from 5.4% earlier.

We believe that a rate cut could occur only in 2024 if the global economy weakens.

However, it is very likely that the RBI will keep interest rates unchanged in CY23. The next rate action could be a cut, initiated by the US growth slowdown in 4QFY24 (or 1QCY24). However, a rate cut could occur only in 2024 if the global economy weakens. Further, it is very likely that the RBI will cut rates only after the US Federal Reserve since the domestic economic growth may weaken but not substantially to warrant rate cuts before.

3. India's CAD could be 1.3% of GDP in FY24; INR could weaken in 4Q

As a result of our upgrade in growth forecast and inflation, we have also revised our external sector outlook. It is well known that India's growth is highly import intensive, and thus, associated with higher CAD. This is particularly true this year, as the global growth environment is not favorable, hurting merchandise exports more than imports. At the same time, our services exports have been exceptionally stable at high level, providing necessary cushion to rising merchandise trade deficit.

India's CAD is now projected at 1.3% of GDP each in FY24 and FY25, compared to 0.6%/0.9% of GDP forecasted in Jun'23

A close look at the details of CAD confirms that owing to higher crude oil prices (now projected at USD86.7/bbl, assuming at USD90/bbl in the remainder of FY24) and better-than-expected domestic growth, merchandise trade deficit could be higher. At the same time, the surplus in the services sector will also be higher than previously expected. However, on net basis, India's CAD is expected to widen. India's merchandise deficit is expected to widen to USD261b now from USD227b earlier, while the services' surplus is now raised to USD215b from USD204b earlier.

On a net basis, thus, India's CAD is now projected at 1.3% of GDP each in FY24 and FY25, vs. 0.6%/0.9% of GDP forecasted in Jun'23 (*Exhibit 9*). Wider-than-expected CAD will give more space to investments to grow faster this year than previously estimated, though we expect domestic savings to remain unchanged at low levels, as anticipated in Jun'23.

Exhibit 8: India's CAD is now expected at 1.3% of GDP each in FY24 and FY25...

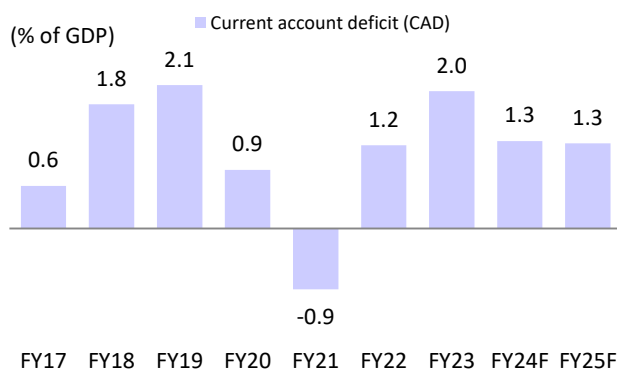
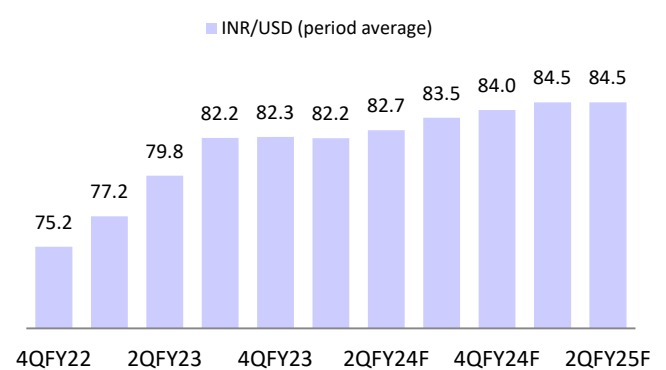


Exhibit 9: ...due to which we have revised our INRUSD forecasts as well



Source: RBI, Bloomberg, CSO, MOFSL

We expect India's balance of payments (BOP) to show a surplus of USD27.3b (or 0.8% of GDP) in FY24.

Not only CAD is expected to widen, but capital flows, especially foreign portfolio investments (FPIs) are also likely to be much higher than previously estimated, largely offset by weak foreign direct investments (FDIs) and lower other capital inflows. In any case, we expect India's balance of payments (BOP) to show a surplus of USD27.3b (or 0.8% of GDP) in FY24, compared to USD48b expected earlier.

Consequently, INR is expected to weaken only in 4QFY24 when growth slowdown could materialize. We continue to expect INR to average 83.1/84.6 per USD in FY24/FY25, compared to our earlier projections of 82.9/84.1 per USD.

Detailed economic projections

Exhibit 10: Detailed projections of economic growth

Macro indicators	Unit	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F
Nominal variables								
Gross domestic product at market prices (GDP _{MP})	USD b	2,703	2,836	2,672	3,150	3,390	3,533	3,814
GDP_{MP}	YoY (%)	10.6	6.4	(1.4)	18.4	16.1	7.8	9.9
Private consumption expenditure (PCE)	% of GDP	59.3	60.9	61.3	61.1	60.6	60.9	60.7
Government consumption expenditure (GCE)	% of GDP	10.8	11.0	11.6	11.2	10.3	10.5	10.4
Gross capital formation (GCF)	% of GDP	32.3	30.1	28.8	31.2	31.0	31.2	30.2
GFCF + change in stocks	% of GDP	31.1	29.1	27.4	29.6	29.8	30.0	29.1
Exports of goods and services	% of GDP	19.9	18.7	18.7	21.5	22.8	21.9	21.8
Less: Imports of goods and services	% of GDP	23.7	21.2	19.1	24.2	26.4	24.7	24.2
Gross Value Added at basic prices (GVA_{BP})	YoY (%)	10.9	7.0	(1.0)	17.9	15.4	7.7	10.0
Agriculture and allied activities	% of GDP	17.6	18.3	20.3	19.0	18.4	18.7	18.7
Industry ¹	% of GDP	29.1	26.9	27.3	28.5	28.2	27.4	27.2
Manufacturing	% of GDP	16.4	14.7	15.4	15.8	14.7	14.2	14.1
Construction	% of GDP	7.9	7.5	7.4	8.1	8.2	8.0	8.0
Services	% of GDP	53.3	54.8	52.4	52.5	53.3	53.9	54.1
Real variables								
Real GDP_{MP}	YoY (%)	6.5	3.9	(5.8)	9.1	7.2	6.0	5.4
PCE	YoY (%)	7.1	5.2	(5.2)	11.2	7.5	5.2	4.7
GCE	YoY (%)	6.7	3.9	(0.9)	6.6	0.1	4.4	4.0
GCF	YoY (%)	11.0	(2.6)	(7.9)	17.9	9.6	6.4	3.7
Gross fixed capital formation (GFCF)	YoY (%)	12.0	(2.1)	(9.1)	17.1	11.2	6.7	3.9
Exports of goods and services	YoY (%)	11.9	(3.4)	(9.1)	29.3	13.6	4.0	4.3
Less: Imports of goods and services	YoY (%)	8.8	(0.8)	(13.7)	21.8	17.1	8.3	0.3
Real GVA_{BP}	YoY (%)	5.2	3.9	(4.2)	8.8	7.0	5.9	5.3
Agriculture and allied activities	YoY (%)	4.2	6.2	4.1	3.5	4.0	3.9	3.9
Industry ¹	YoY (%)	5.2	(1.4)	(0.9)	11.6	4.4	5.5	5.3
Manufacturing	YoY (%)	7.0	(3.0)	2.9	11.1	1.3	5.6	5.4
Construction	YoY (%)	5.9	1.6	(5.7)	14.8	10.0	4.5	4.9
Services	YoY (%)	5.5	6.4	(8.2)	8.8	9.5	6.7	5.8
Community services, etc.	YoY (%)	4.2	6.6	(7.6)	9.7	7.2	6.2	5.5
Non-agriculture GVA_{BP}	YoY (%)	5.4	3.6	(5.7)	9.8	7.6	6.2	5.6
Non-agriculture non-community GVA _{BP}	YoY (%)	5.6	3.0	(5.3)	9.9	7.6	6.2	5.6
Other real sector								
Index of industrial production (IIP)	YoY (%)	3.8	(0.8)	(8.5)	11.4	5.3	5.8	5.4
Nominal personal disposable income (PDI)	YoY (%)	12.8	7.7	2.4	14.5	14.4	8.0	10.3
Real PDI²	YoY (%)	8.2	3.6	(2.2)	7.9	7.0	4.9	5.4
Incremental capital-output ratio (ICOR) ³	unit	5.42	8.93	(5.68)	3.76	4.94	6.03	6.64

¹Industry includes mining and quarrying, manufacturing, electricity, and construction;

²Nominal PDI deflated by PCE deflator;

³The 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 11: Detailed projections of prices, rates, as well as money and banking

Macro indicators	Unit	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F
Price measures								
GVA _{BP} deflator	YoY (%)	4.7	3.0	3.1	8.3	8.1	1.7	4.4
GDP_{MP} deflator	YoY (%)	4.0	2.4	4.5	8.6	8.4	1.6	4.2
PCE deflator	YoY (%)	4.3	3.9	4.5	6.1	7.1	3.0	4.6
Consumer price index (CPI)	YoY (%)	3.4	4.8	6.2	5.5	6.6	5.6	5.3
Food and beverages	YoY (%)	0.7	6.0	7.3	4.2	6.7	6.5	5.7
Fuel and light	YoY (%)	5.7	1.3	2.7	11.3	10.3	4.6	6.0
Core CPI¹	YoY (%)	5.8	4.0	5.3	6.1	6.3	4.8	4.9
Wholesale price index (WPI)	YoY (%)	4.3	1.7	1.3	13.0	9.4	(0.4)	4.4
Primary articles	YoY (%)	2.7	6.8	1.7	10.3	10.0	4.1	6.5
Fuel and power	YoY (%)	11.5	(1.8)	(8.0)	32.6	28.1	(4.5)	6.2
Manufactured products	YoY (%)	3.7	0.3	2.7	11.1	5.6	(1.5)	3.1
Non-food manufactured products	YoY (%)	4.2	(0.4)	2.2	11.0	5.8	(1.2)	3.2
Food items (raw + processed)	YoY (%)	0.6	6.9	4.0	6.7	6.3	3.6	5.2
Money and banking (end-period)								
Reserve money (M0)	YoY (%)	14.5	9.4	18.8	13.0	7.8	5.9	8.2
Broad money supply (M3)	YoY (%)	10.7	8.9	12.2	8.8	9.0	7.7	8.6
Bank deposit	YoY (%)	10.0	7.9	11.4	8.9	9.6	9.0	8.8
Bank credit	YoY (%)	13.3	6.1	5.6	8.6	15.0	10.5	11.0
Credit-to-deposit ratio	%	77.7	76.4	72.4	72.2	75.8	76.8	78.4
Incremental credit-to-deposit ratio	%	99.9	60.3	37.4	69.7	113.0	88.4	96.0
Key rates								
Policy repo rate (end-period)	% p.a.	6.25	4.4	4.0	4.0	6.5	6.25	5.25
USD:INR (period-average)	unit	69.9	70.9	74.2	74.5	80.4	83.1	84.6
Crude oil price (period-average)	USD/bbl	69.7	60.7	44.6	78.9	93.7	86.7	90.0
Gold price (period-average)	USD/ounce	1,263	1,462	1,823	1,819	1,804	1,927	1,900

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

Source: RBI, CSO, CEIC, MOFSL

Exhibit 12: Detailed projections for the external sector

Macro indicators	Unit	FY19	FY20	FY21	FY22	FY23	FY24F	FY25F
Current account balance	USD b	(57.2)	(24.6)	24.0	(38.7)	(68.7)	(45.6)	(47.9)
Merchandise	USD b	(180.3)	(157.5)	(102.2)	(189.5)	(267.0)	(260.7)	(263.4)
Invisibles	USD b	123.1	133.0	126.2	150.8	198.3	215.1	215.5
Total credit	USD b	643.7	642.1	603.5	798.7	920.2	920.6	965.7
Merchandise	USD b	337.2	320.4	296.3	429.2	454.4	438.4	470.4
Petroleum products	USD b	47.0	41.9	25.6	67.5	81.4	66.7	71.7
Valuables ¹	USD b	39.2	43.3	41.5	40.2	35.8	35.5	36.8
Invisibles	USD b	306.5	321.7	307.2	369.6	465.8	482.2	495.4
Services	USD b	208.0	213.2	206.1	254.5	325.3	342.7	366.4
Total debit	USD b	700.9	666.7	579.5	837.4	988.8	966.2	1,013.7
Merchandise	USD b	517.5	477.9	398.5	618.6	721.4	699.2	733.7
Petroleum products	USD b	140.8	129.9	82.4	161.8	199.9	186.5	195.7
Valuables ¹	USD b	63.7	53.4	54.3	80.4	71.0	71.4	67.5
Invisibles	USD b	183.4	188.8	181.1	218.8	267.5	267.1	279.9
Services	USD b	126.1	128.3	117.5	147.0	182.0	186.2	201.2
Capital and Financial account	USD b	54.5	84.2	64.7	85.9	59.0	73.0	75.0
Foreign direct investment (FDI)	USD b	30.7	43.0	44.0	38.6	28.0	25.0	30.0
Foreign portfolio investment (FPI)	USD b	(2.4)	1.4	36.1	(16.8)	(5.2)	23.0	20.0
Financial derivatives	USD b	1.0	4.1	(4.8)	(6.4)	(5.4)	0.0	0.0
Other investment	USD b	25.2	35.7	(10.6)	70.5	41.5	25.0	25.0
Non-resident Indians (NRI) deposits	USD b	10.4	8.6	7.4	3.2	9.0	2.1	0.0
Change in forex reserves²	USD b	2.7	(59.6)	(88.7)	(47.2)	9.7	(27.3)	(27.1)
Current account balance (CAB)	% of GDP	(2.1)	(0.9)	0.9	(1.2)	(2.0)	(1.3)	(1.3)
Non-oil	% of GDP	1.4	2.2	3.0	1.8	1.5	2.1	2.0
Non-oil non-valuables	% of GDP	3.7	4.1	5.1	4.3	3.6	4.1	3.8
Forex reserves	% of GDP	0.1	(2.1)	(3.3)	(1.5)	0.3	(0.8)	(0.7)
Savings – Investments								
National savings	% of GDP	31.7	29.6	28.8	30.2	28.8	29.8	28.9
Households	% of GDP	20.3	19.1	22.4	19.7	18.5	18.4	18.9
Net financial savings	% of GDP	7.9	7.7	11.5	7.6	5.1	5.0	5.8
Physical savings	% of GDP	12.4	11.4	10.9	12.1	13.4	13.5	13.1
Corporate sector	% of GDP	12.8	13.2	13.1	13.2	12.6	12.2	10.4
General government	% of GDP	(1.4)	(2.8)	(6.7)	(2.7)	(2.3)	(0.9)	(0.5)
Domestic investments	% of GDP	33.8	30.4	27.9	31.4	30.8	31.1	30.1
Households	% of GDP	12.2	11.2	10.7	11.8	13.2	13.3	13.0
Corporate sector	% of GDP	15.4	14.3	12.8	13.6	12.2	11.7	11.0
General government	% of GDP	3.6	3.6	3.8	4.2	4.4	5.0	5.2

¹Valuables include items related to gold or any other precious metal

Source: RBI, CSO, CMIE, MOFSL

Exhibit 13: Detailed projections for central government finances

Macro indicators	Unit	FY20	FY21	FY22	FY23P	FY24BE	FY24F	FY25F
Total receipts	INR b	17,498	16,897	22,093	24,557	27,163	27,566	30,870
	YoY %	5.0	(3.4)	30.7	11.2	11.7	12.3	12.0
	% of GDP	8.7	8.5	9.4	9.0	9.0	9.4	9.6
Revenue receipts	INR b	16,812	16,321	21,699	23,835	26,323	26,916	30,070
	YoY (%)	8.3	(2.9)	33.0	9.8	12.1	12.9	11.7
Gross taxes	INR b	20,072	20,249	27,093	30,537	33,609	33,451	37,459
Net tax collection	INR b	13,540	14,240	18,048	20,973	23,306	23,196	25,978
	YoY (%)	2.8	5.2	26.7	16.2	11.7	10.6	12.0
Direct tax receipts	INR b	10,372	9,264	14,083	16,575	18,233	18,107	20,280
	YoY (%)	(7.8)	(10.7)	52.0	17.7	10.5	9.2	12.0
Indirect tax receipts	INR b	9,700	10,984	13,010	13,963	15,376	15,343	17,179
	YoY (%)	1.5	13.2	18.4	7.3	10.4	9.9	12.0
Non-tax collection	INR b	3,958	2,657	4,045	3,583	3,857	4,370	4,892
Non-tax receipts	INR b	3,272	2,081	3,651	2,862	3,017	3,720	4,092
Non-debt capital receipts	INR b	686	576	394	722	840	650	800
Disinvestment	INR b	503	329	146	460	610	500	550
Total expenditure	INR b	26,863	35,098	37,937	41,888	45,031	44,898	47,682
	YoY (%)	16.0	30.7	8.1	10.4	7.5	7.2	6.2
	% of GDP	13.4	17.7	16.2	15.4	14.9	15.3	14.8
Primary spending	INR b	18,120	20,718	24,844	26,895	30,200	30,068	31,802
	YoY (%)	20.6	14.3	19.9	8.3	12.5	11.8	5.8
Revenue spending	INR b	23,506	30,835	32,009	34,525	35,021	35,021	36,422
	YoY (%)	17.1	31.2	3.8	7.9	1.2	1.4	4.0
Interest payments	INR b	6,121	6,799	8,054	9,284	10,800	10,800	11,880
Subsidies	INR b	2,623	7,582	5,039	5,710	4,031	4,031	4,000
Defense	INR b	2,075	2,057	2,286	2,562	2,701	2,701	2,971
Pensions	INR b	1,679	1,908	1,989	2,215	2,344	2,344	2,508
Capital spending	INR b	3,357	4,263	5,928	7,363	10,010	9,877	11,260
	YoY (%)	9.1	27.0	39.1	24.2	37.4	34.1	14.0
Defense	INR b	1,111	1,343	1,380	1,429	1,626	1,644	1,825
Railways	INR b	678	299	1,173	1,593	2,400	2,150	2,386
Roads and Highways	INR b	1,401	1,506	1,168	2,060	2,445	2,369	2,629
Fiscal balance	INR b	(9,365)	(18,201)	(15,844)	(17,332)	(17,868)	(17,332)	(16,812)
	% of GDP	(4.7)	(9.2)	(6.8)	(6.4)	(5.9)	(5.9)	(5.2)

P=provisional, BE=Budget estimates, F=forecasts

FY24BE growth is over FY23RE

Source: Union Budget documents, CSO, MOFSL

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
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