22 December 2023

MOTILAL OSWAL FINANCIAL SERVICES

ECOSCOPE
The Economy Observer

India's Quarterly Economic Outlook – 3QFY24

Growth forecast at 5.4% for FY25; could trigger a rate cut

- **For the third consecutive quarter, India's real GDP posted better-than-expected growth of 7.6% YoY in 2QFY24. Not only India but also the US economy has proven to be much more resilient. It is therefore no surprise that we have to revise our growth forecasts upwards yet again in this version of the Quarterly Economic Outlook (QEO). We upgrade India's real GDP growth projection to 6.7% YoY for FY24 vs. the anticipated 6.0% YoY in Sep'23 (and from 5.6% YoY in Jun'23). For FY25, however, we leave the forecast unchanged at 5.4%, assuming a broad-based slowdown. Further, nominal GDP growth forecast is also revised upwards to 8.2% for FY24 and 10.1% for FY25 (from 7.8%/9.9% in FY24/FY25 earlier).**
- **After higher-than-expected CPI inflation in 2QFY24, it has moderated to ~5.0% in the past three months (Sep-Nov'23). Accordingly, we keep our FY24 CPI inflation projection unchanged at 5.6% and revise it down to 5.0% from 5.3% earlier for FY25. Further, while the RBI expects CPI inflation to moderate to 4.0% by 2QFY25, this will be due to the base effect and hence temporary. Without a major downward revision in the RBI/market forecasts for India's growth and/or a global slowdown, a rate cut by the RBI appears difficult in CY24.**
- **As in the last two years, government receipts could exceed budget estimates (BEs) again this year, by about INR1t. If so, it will allow the GoI to spend an additional amount of up to INR650b and still meet its deficit target of 5.9% of GDP. This target, we believe, would be achieved. For FY25, however, achieving a fiscal deficit of 5.2% of GDP would imply a growth of <7.0% YoY in core fiscal spending, the lowest in 13 years.**

Changes in economic forecasts since Sep'23

Real GDP growth: Driven by better-than-expected real GDP growth for the third consecutive quarter in 2QFY24, we upgrade our forecast again to 6.7% for FY24 (from 6.0% in Sep'23) but keep it unchanged at 5.4% for FY25. Nominal GDP growth forecast revised to 8.2%/10.1% for FY24/FY25 (vs. 7.8%/9.9% earlier).

The next rate action could be a cut in CY24, only if domestic/global growth slows down.

CPI inflation and interest rates: Higher inflation in 2QFY24 was largely offset by lower inflation in subsequent months, due to which we keep our CPI inflation projection unchanged at 5.6% for FY24 with a downward revision in FY25 to 5.0% (from 5.3% earlier). The next rate action could be a cut in CY24, only if domestic/global growth slows down.

Fiscal deficit: With better-than-expected receipts, GoI could meet higher spending needs and achieve its fiscal deficit target of 5.9% of GDP in FY24. For FY25, however, core fiscal spending growth will need to be at a 13-year low of <7.0% YoY (vs. an expected ~15% YoY growth in FY24) to achieve a fiscal deficit of 5.2% of GDP.

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

Macro indicators	Unit	FY21	FY22	FY23	FY24 Forecasts			FY25 Forecasts		
					MOFSL Sep'23	MOFSL Dec'23	Consensus (BMBG#)	MOFSL Sep'23	MOFSL Dec'23	Consensus (BMBG#)
Nominal GDP_{MP}	YoY (%)	(1.4)	18.4	16.3	7.8	8.2	…	9.9	10.2	…
Real GDP_{MP}	YoY (%)	(5.8)	9.1	7.0	6.0	6.7	6.6	5.4	5.4	6.2
Consumer price index	YoY (%)	6.2	5.5	6.6	5.6	5.6	5.4	5.3	5.0	4.7
Repo rate (year-end)	p.a. (%)	4.0	4.0	6.5	6.25	6.50	6.0	5.25	5.75	5.75
USD:INR (average)	unit	74.2	74.5	80.4	83.1	82.9	81.5	84.6	84.5	82.0
Current a/c deficit	% of GDP	(0.9)	1.2	1.8	1.3	1.6	1.5	1.3	1.8	1.6
Combined fiscal deficit	% of GDP	13.2	9.4	8.5	8.6	8.7	8.7	7.8	8.0	8.2

Bloomberg (BMBG) data as of 18th December, 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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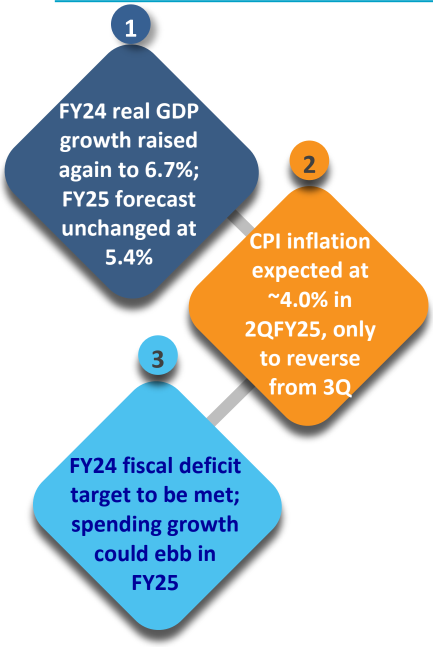


Three key themes:

In this report, we provide our updated macroeconomic forecasts for India and discuss the three key themes that are likely to play out in CY24/FY25.

1) With better-than-expected real GDP growth for the third consecutive quarter in 2QFY24, we upgrade our FY24 forecast again to 6.7% from 6.0% earlier. The nominal GDP growth forecast, however, sees only a small upgrade to 8.2% (from 7.8% earlier). At the same time, we keep our FY25 growth forecast unchanged at 5.4%, much lower than the market consensus and the RBI projection of ~6.5%. We argue that the slowdown could be broad based, with weak consumption (private as well as government) and investments next year.
2) The RBI and the market consensus project headline inflation to moderate to 4.0% by 2QFY25, from ~5.0% in the last quarter (Sep-Nov'23). However, since this is driven by the base effect, it is likely to be temporary and return to 4.7% YoY in 3QFY25. Accordingly, unless India's growth forecasts are revised downward and/or the global slowdown materializes, a rate cut appears difficult next year.
3) As in the last two years, government receipts could exceed the budget estimates (BEs) this year as well, though by a smaller magnitude. Our calculations suggest that GoI receipts could be about INR1t more than BEs, allowing it to spend an additional amount of up to INR650b and still meet its deficit target of 5.9% of GDP. This, we believe, would be achieved. For FY25, however, core fiscal spending growth will need to be at a 13-year low of <7.0% YoY (vs. an expected ~15% YoY growth in FY24) to achieve a fiscal deficit of 5.2% of GDP.

1. Real GDP growth raised again to 6.7% for FY24; FY25 forecast unchanged at 5.4%

According to recent data, the Indian economy grew 7.6% YoY in 2QFY24, much better than the RBI forecast/market consensus of 6.8-7.0% and our expectation of 6.6%. For the third consecutive quarter, real GDP growth has surprised us *(Exhibit 2)*, which forces us again to revise our FY24 growth forecasts upwards.

Not only has the growth been better than expected in recent quarters, it also remained resilient in Oct'23. According to our in-house monthly estimates, India's Economic Activity Index (EAI) grew strongly in Oct'23, confirming a strong start to 3QFY24 *(Exhibit 3)*. Although farm sector remained weak, the non-farm sector is estimated to have grown the most in 16 months.

Exhibit 2: India's real GDP growth was better than expected for the third consecutive time in 2QFY24…

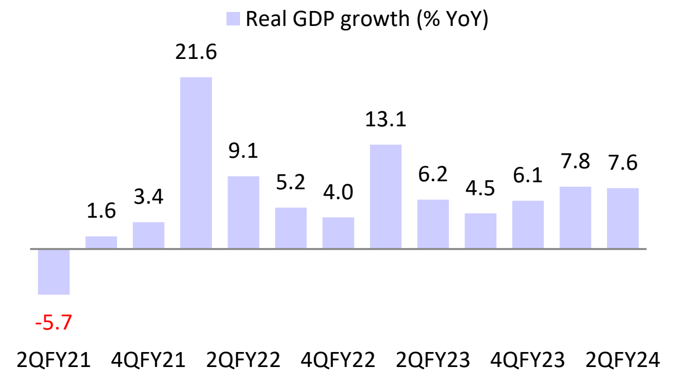
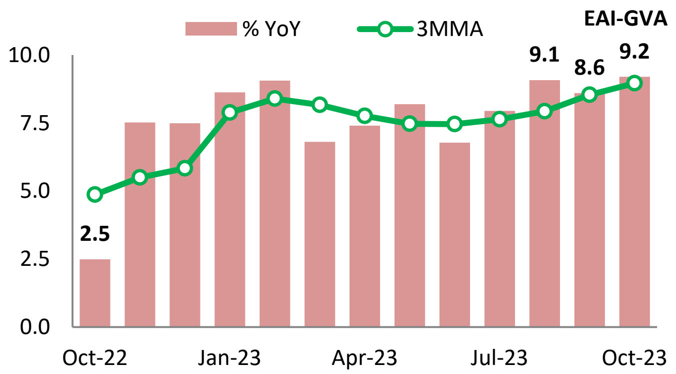


Exhibit 3: …and was resilient in Oct'23 before weakening in Nov'23



Source: CSO, Various national sources, CEIC, MOFSL

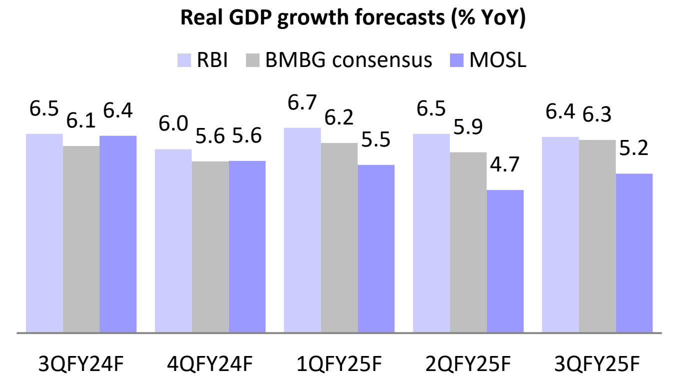
A look at the limited available data for Nov'23, however, suggests that India's growth momentum slowed down. With the continued fall in water reservoir level, it is likely that the farm sector remained weak. Further, the first decline (in YoY terms) in fuel consumption, the fastest decline in rail freight traffic, deceleration in power generation, and a sharp weakness in passenger (PV) and commercial vehicle (CV) sales in Nov'23, were more than enough to offset the continued resilience shown by the PMIs, toll collections, and e-way registrations.

Overall, although India's economic growth appears to be finally showing some weakness, it is still expected to grow strongly in 3QFY24. From >7.5% growth in 1HFY24, we now expect real GDP to grow ~6.5% in the current quarter, in line with the RBI's revised projections and market consensus. Similarly, we have increased our 4QFY24 forecasts as well, though it is still slightly lower than the RBI's projections *(Exhibit 4)*. Accordingly, we upgrade our FY24 real GDP growth forecast yet again to 6.7% from 6.0% projected in Sep'23, only slightly lower than RBI's projection of 7%.

With another upward revision in FY24 real GDP growth, we continue to expect a broad-based growth slowdown to 5.4% YoY in FY25.

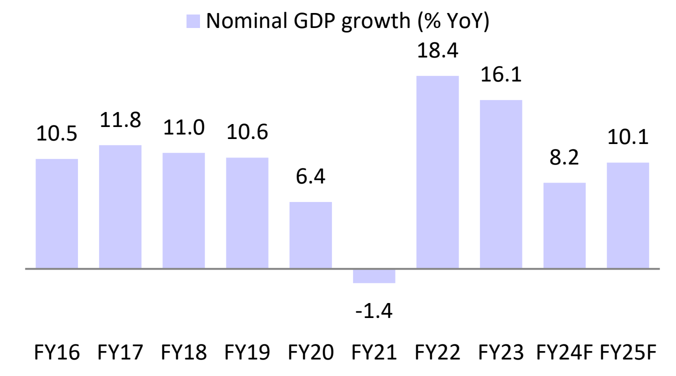
Our forecasts, however, are unchanged at 5.4% for FY25, which is much lower than the RBI's projection and the market consensus of ~6.5%. Better-than-expected growth over the last two years has made analysts more optimistic, which is reflected in their forecasts. We believe that the slowdown in FY25 will be broad based. A continued slowdown in personal consumption (as the RBI has also tightened unsecured lending), weak growth in government spending (since it has to bring down fiscal deficit to 5.2% of GDP in FY25, and then to 4.5% in FY26), fading of strong manufacturing growth (with WPI moving into inflation zone in FY25), and an expected global slowdown will pull FY25 GDP growth down.

Exhibit 4: FY24 real GDP growth forecast raised again to 6.7% but FY25 maintained at 5.4%



BMBG data taken on 18th Dec'23

Exhibit 5: Further, nominal GDP growth is still likely at 8.2% in FY24, before improving to 10.1% in FY25



Source: RBI, CSO, Bloomberg, MOFSL

Higher real GDP growth is largely offset by lower GDP deflator, implying nominal GDP growth of 8.2%/10.1% YoY in FY24/FY25.

Moreover, while we have revised our FY24 real GDP growth multiple times by almost 1.5 percentage points in the past year, continued downward revision in WPI-inflation – which is not relevant from the monetary policy perspective but an important input in the GDP deflator – led to only marginal upward revision in the nominal GDP growth. Higher real GDP growth, in other words, is largely offset by lower GDP deflator, implying nominal GDP growth at 8.2%/10.1% YoY in FY24/FY25, compared to 7.8%/9.9% in Jun'23 *(Exhibit 5)*. This would have serious implications for several sectors of the economy, which we had discussed **here**.

2. CPI-inflation expected at ~4% in 2QFY25, only to reverse from 3QFY25

After a higher-than-expected headline inflation of >7% YoY in Jul-Aug'23, it has subsided to a more tolerant level of ~5% YoY in the past three months (Sep-Nov'23). There has been quite some improvement in India's retail inflation *(Exhibit 6)*. Not only has headline inflation been lower than expected in the last two months, but other details are also encouraging:

1) 'Vegetables' (weight of 6.4%) have been a very volatile item. CPI excluding vegetables stood at 4.7% YoY in Nov'23, the lowest in almost four years (since Jan'20);
2) Core inflation eased to 4.1% YoY last month, the lowest in 44 months;
3) Services inflation (weight of 23%) decelerated to 3.5% YoY in Nov'23, the lowest on record since 2015. Core services (weight of 13%, excluding housing) posted a record-low inflation of 3.4% last month;

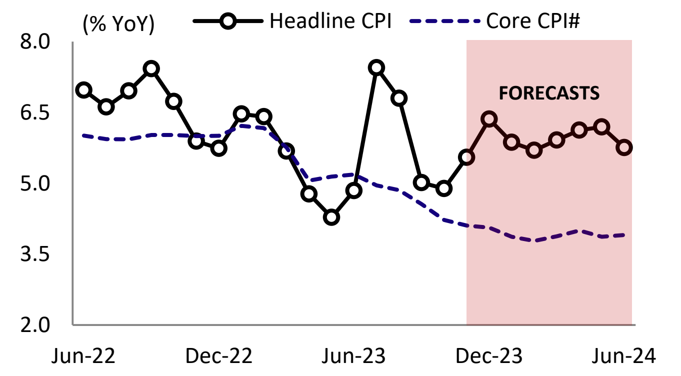
Thus, not only has GDP growth been better than expected in the past few quarters, but CPI inflation has also been tamed in recent months, with core inflation at ~4%.

The RBI projects headline inflation at 5.2% YoY each in 4QFY24 and 1QFY25, which is much lower than our forecast of ~6% in the two quarters. We believe that food inflation explains the divergence, which we expect to surge to ~10% YoY in the next two quarters. Our rationale is that since water reservoir level has been declining and Southern India has faced floods, inflation in some food items (such as pulses, vegetables etc.) will remain elevated, keeping inflation higher before the next Rabi season sowing kicks in.

The forecast of ~4% headline inflation in 2QFY25 is expected to be temporary and largely driven by the base effect.

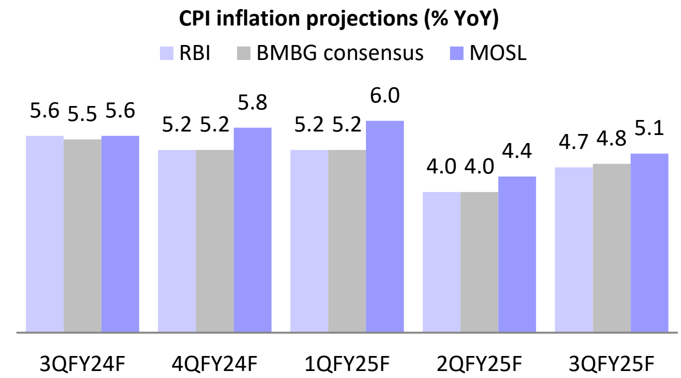
Further, with lower-than-expected inflation of 5.6% YoY in Nov'23 (vs. market forecasts of 6.0-6.5%), the analysts are now penciling in 4.0% headline inflation in 2QFY25, just like the RBI. If achieved, this would be the first 4.0% quarterly reading in almost five years (since the pandemic), but it is likely to be temporary and largely driven by the base effect. Not surprisingly then, the RBI projects headline inflation to move back to 4.7% YoY in 3QFY25 *(Exhibit 7)*. We, in contrast, expect headline inflation to moderate to 4.4% in 2QFY25, and rise to 5.1% in 3QFY25.

Exhibit 6: Headline inflation could be ~6% over the next two quarters; though core inflation to remain at ~4%



excluding food & beverages (F&B) and fuel & light (F&L)

Exhibit 7: Inflation is expected to moderate in 2QFY25, but it would only be temporary



BMBG data taken on 18th Dec'23
Source: RBI, Bloomberg, MOFSL

Accordingly, though core inflation has been lower than expected in FY24, food inflation has kept the headline inflation forecasts unchanged. Thus, we continue to expect headline inflation at 5.6% YoY this year, which is expected to moderate to 5.0% in FY25 (revised down from 5.3% earlier).

If our growth forecasts turn out to be true and/or the global slowdown materializes, rate cuts could be announced in line with the US Federal Reserve.

Therefore, while headline inflation is expected (according to the market and the RBI) to be at 4% YoY in 2QFY25, it is clear that this is unlikely to sustain at those levels. If so, it would be too optimistic to assume the RBI will cut rates based on those forecasts. Further, if the growth projections remain in line with the RBI projections (or the market consensus), we don't see any reasons for a rate cut by the RBI in CY24. In contrast, if our growth forecasts turn out to be true and/or the global slowdown materializes, rate cuts could be announced, in line with the US Federal Reserve. This, we believe, could happen in 2HCY24. The policy rates, thus, could be cut by 75bp or more, based on the magnitude of the growth slowdown (one basis point is one-hundredth of a percentage point).

3. FY24 fiscal deficit target to be met; spending growth could ebb in FY25

During the first seven months of FY24 (Apr-Oct'23), the Government of India (GoI) has utilized 45% of its fiscal deficit target, similar to 45.6% achieved in the corresponding period last year. In the post-COVID period, GoI's receipts have been much better (vs. budget estimates, BEs), while total spending has actually been lower. Over Apr-Oct'23, total receipts of the GoI were 58.6% of BEs, the lowest in three years, but much higher than the average of 46.6% in the decade prior to the pandemic (FY11-FY20). In contrast, total spending was 53.2% of BEs in the first seven months of FY24, same as the average of the past three years, but lower than the average of 56.6% in the decade prior to the pandemic.

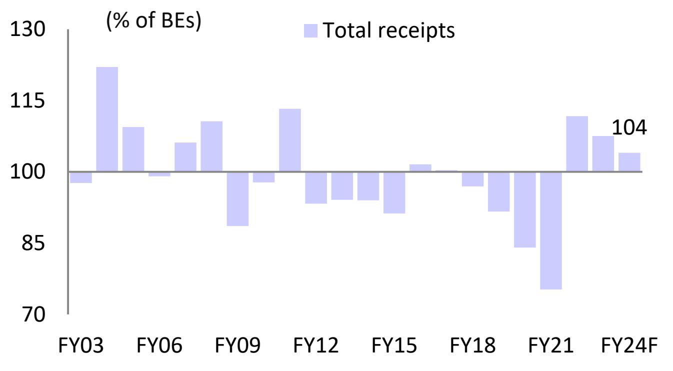
For the last two years (FY22-FY23), GoI receipts have been much better than BEs. With gross taxes exceeding BEs by INR5t and INR3t in FY22 and FY23 respectively, GoI's total receipts were INR2.3t and INR1.7t higher than the initial forecasts. Because of these additional receipts, the GoI was able to spend more (INR3.1t/ INR2.5t in FY22/FY23) supporting GDP growth in the last two years. One of the key reasons for better performance in the last two years was conservative BEs, and that is why at least a large part of this outperformance was known to the analysts.

GOI receipts could exceed the targets by about INR1t this year as well, including a shortfall in disinvestments, allowing the GoI to spend an additional amount of up to INR650b and still achieve its deficit target

The current year, however, was different. Unlike the last two years, BEs were considered more realistic than conservative. Nevertheless, although nominal GDP growth is tracking 8-8.5% vs. BE of 10.5% YoY, tax receipts could be INR800-900b higher than BEs in FY24 as well. Moreover, we expect a large excess in non-tax revenue receipts as well since the dividends from the RBI and other financial institutions would be more than INR1t vs. BE of INR480b. Overall, thus, GOI receipts could exceed the targets by about INR1t this year as well, including a shortfall in disinvestments *(Exhibit 8)*.

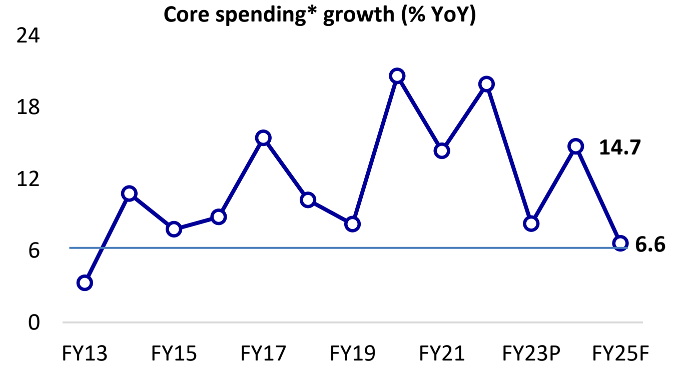
If so, as in the last two years, the GoI could spend an additional amount of up to INR650b and keep its fiscal deficit at the targeted level of 5.9% of GDP. It has already proposed an additional cash outgo of INR584b in the **first supplementary demands for grants**. Accordingly, we believe that due to better receipts, the GoI could meet its fiscal deficit target of 5.9% of GDP in FY24, despite lower nominal GDP growth and higher spending needs.

Exhibit 8: Higher-than-budgeted receipts could help achieve the fiscal deficit target in FY24…



FY24 are our forecasts

Exhibit 9: …but core spending growth could be at the 13-year lowest in FY25 to achieve a deficit of 5.2% of GDP



* Total spending excluding interest payments and subsidies
Source: RBI, Bloomberg, CSO, MOFSL

What about FY25? The GoI has proposed to reduce its fiscal deficit towards 4.5% of GDP by FY26, which is two years down the line. From 5.9% of GDP in FY24, it is fair to assume that the deficit would be targeted at 5.2% of GDP in FY25, if FY26 target still holds (which may well be the case as India is added to global bond indices next year).

Core spending growth will likely halve to ~7% next year, from an expected 15% growth in FY24.

Our forecasts suggest that nominal GDP growth could pick up to 10% YoY in FY25, as slower real growth coincides with a higher GDP deflator (majorly based on the WPI). Tax receipts, thus, could grow ~13% next year, implying 13.2% YoY growth in total GoI receipts. If so, total spending growth will be 7.2% YoY next year, the lowest in 11 years and compared to 9.1% in FY24. More importantly, core spending (total minus interest and subsidies) growth will likely halve to <7% next year, from an expected 15% growth in FY24 *(Exhibit 9)*.

Overall, as we have highlighted several times earlier, the fiscal consolidation path is going to be steep over the next few years, assuming the target of 3.5% of GDP by FY30. It means that fiscal spending growth will be muted, and thus, the fiscal support to real GDP growth would be limited over the next few years.

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	3,554	3,840
GDP_{MP}	**YoY (%)**	**10.6**	**6.4**	**(1.4)**	**18.4**	**16.1**	**8.2**	**10.1**
Private consumption expenditure (PCE)	% of GDP	59.3	60.9	61.3	61.1	60.6	61.5	62.3
Government consumption expenditure (GCE)	% of GDP	10.8	11.0	11.6	11.2	10.3	10.6	10.5
Gross capital formation (GCF)	% of GDP	32.3	30.1	28.8	31.2	31.0	31.8	31.1
GFCF + change in stocks	% of GDP	31.1	29.1	27.4	29.6	29.8	30.6	30.0
Exports of goods and services	% of GDP	19.9	18.7	18.7	21.5	22.8	21.9	21.5
Less: Imports of goods and services	% of GDP	23.7	21.2	19.1	24.2	26.4	24.9	24.4
Gross Value Added at basic prices (GVA_{BP})	**YoY (%)**	**10.9**	**7.0**	**(1.0)**	**17.9**	**15.4**	8.0	10.3
Agriculture and allied activities	% of GDP	17.6	18.3	20.3	19.0	18.4	18.0	18.1
Industry[1]	% of GDP	29.1	26.9	27.3	28.5	28.2	28.0	27.3
Manufacturing	% of GDP	16.4	14.7	15.4	15.8	14.7	14.7	14.1
Construction	% of GDP	7.9	7.5	7.4	8.1	8.2	8.1	8.0
Services	% of GDP	53.3	54.8	52.4	52.5	53.3	54.0	54.6
Real variables								
Real GDP_{MP}	**YoY (%)**	**6.5**	**3.9**	**(5.8)**	**9.1**	**7.2**	**6.8**	**5.4**
PCE	YoY (%)	7.1	5.2	(5.2)	11.2	7.5	4.6	5.7
GCE	YoY (%)	6.7	3.9	(0.9)	6.6	0.1	6.6	3.3
GCF	YoY (%)	11.0	(2.6)	(7.9)	17.9	9.6	8.8	5.2
Gross fixed capital formation (GFCF)	YoY (%)	12.0	(2.1)	(9.1)	17.1	11.2	9.1	5.1
Exports of goods and services	YoY (%)	11.9	(3.4)	(9.1)	29.3	13.6	2.6	5.1
Less: Imports of goods and services	YoY (%)	8.8	(0.8)	(13.7)	21.8	17.1	12.4	(2.0)
Real GVA_{BP}	**YoY (%)**	**5.2**	**3.9**	**(4.2)**	**8.8**	**7.0**	**6.6**	**5.2**
Agriculture and allied activities	YoY (%)	4.2	6.2	4.1	3.5	4.0	1.6	3.7
Industry[1]	YoY (%)	5.2	(1.4)	(0.9)	11.6	4.4	8.1	3.5
Manufacturing	YoY (%)	7.0	(3.0)	2.9	11.1	1.3	9.2	2.9
Construction	YoY (%)	5.9	1.6	(5.7)	14.8	10.0	6.4	3.9
Services	YoY (%)	5.5	6.4	(8.2)	8.8	9.5	7.1	6.5
Community services, etc.	YoY (%)	4.2	6.6	(7.6)	9.7	7.2	7.7	7.4
Non-agriculture GVA_{BP}	**YoY (%)**	**5.4**	**3.6**	**(5.7)**	**9.8**	**7.6**	**7.5**	**5.4**
Non-agriculture non-community GVA_{BP}	YoY (%)	5.6	3.0	(5.3)	9.9	7.6	7.4	5.1
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	8.7	10.3
Real PDI[2]	**YoY (%)**	**8.2**	**3.6**	**(2.2)**	**7.9**	**6.9**	**3.5**	**4.5**
Incremental capital-output ratio (ICOR)[3]	unit	5.42	8.93	(5.68)	3.76	4.94	5.34	6.84

[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 11: Detailed projections of prices, rates, and money & 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	1.4	4.8
GDP_{MP} deflator	**YoY (%)**	**4.0**	**2.4**	**4.5**	**8.6**	**8.4**	**1.2**	**4.5**
PCE deflator	YoY (%)	4.3	3.9	4.5	6.1	7.1	5.0	5.6
Consumer price index (CPI)	**YoY (%)**	**3.4**	**4.8**	**6.2**	**5.5**	**6.6**	**5.6**	**5.0**
Food and beverages	YoY (%)	0.7	6.0	7.3	4.2	6.7	7.4	5.7
Fuel and light	YoY (%)	5.7	1.3	2.7	11.3	10.3	1.3	3.8
Core CPI[1]	**YoY (%)**	**5.8**	**4.0**	**5.3**	**6.1**	**6.3**	**4.5**	**4.6**
Wholesale price index (WPI)	**YoY (%)**	**4.3**	**1.7**	**1.3**	**13.0**	**9.4**	**(0.6)**	**4.2**
Primary articles	YoY (%)	2.7	6.8	1.7	10.3	10.0	3.9	6.5
Fuel and power	YoY (%)	11.5	(1.8)	(8.0)	32.6	28.1	(5.2)	4.7
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)	3.1
Food items (raw + processed)	YoY (%)	0.6	6.9	4.0	6.7	6.3	3.4	5.6
Money and banking (end-period)								
Reserve money (M0)	YoY (%)	14.5	9.4	18.8	13.0	7.8	6.4	8.5
Broad money supply (M3)	YoY (%)	10.7	8.9	12.2	8.8	9.0	9.1	9.3
Bank deposit	YoY (%)	10.0	7.9	11.4	8.9	9.6	11.0	10.0
Bank credit	**YoY (%)**	**13.3**	**6.1**	**5.6**	**8.6**	**15.0**	**12.0**	**12.0**
Credit-to-deposit ratio	%	77.7	76.4	72.4	72.2	75.8	76.5	77.9
Incremental credit-to-deposit ratio	%	99.9	60.3	37.4	69.7	113.0	82.7	91.8
Key rates								
Policy repo rate (end-period)	**% p.a.**	**6.25**	**4.4**	**4.0**	**4.0**	**6.5**	**6.5**	**5.75**
USD:INR (period-average)	unit	69.9	70.9	74.2	74.5	80.4	82.9	84.5
Crude oil price (period-average)	USD/bbl	69.7	60.7	44.6	78.9	93.7	85.6	90.0
Gold price (period-average)	USD/ounce	1,263	1,462	1,823	1,819	1,804	1,968	2,000

[1]CPI 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)**	**(58.0)**	**(68.7)**
Merchandise	USD b	(180.3)	(157.5)	(102.2)	(189.5)	(267.0)	(262.5)	(279.5)
Invisibles	USD b	123.1	133.0	126.2	150.8	198.3	204.4	210.8
Total credit	**USD b**	**643.7**	**642.1**	**603.5**	**798.7**	**920.2**	**920.8**	**970.5**
Merchandise	USD b	337.2	320.4	296.3	429.2	454.4	443.5	472.1
Petroleum products	USD b	47.0	41.9	25.6	67.5	81.4	67.8	72.6
Valuables[1]	USD b	39.2	43.3	41.5	40.2	35.8	29.5	36.6
Invisibles	USD b	306.5	321.7	307.2	369.6	465.8	477.3	498.4
Services	USD b	208.0	213.2	206.1	254.5	325.3	334.9	364.4
Total debit	**USD b**	**700.9**	**666.7**	**579.5**	**837.4**	**988.8**	**978.8**	**1,039.2**
Merchandise	USD b	517.5	477.9	398.5	618.6	721.4	706.0	751.6
Petroleum products	USD b	140.8	129.9	82.4	161.8	199.9	185.2	196.3
Valuables[1]	USD b	63.7	53.4	54.3	80.4	71.0	75.2	68.7
Invisibles	USD b	183.4	188.8	181.1	218.8	267.5	272.8	287.6
Services	USD b	126.1	128.3	117.5	147.0	182.0	179.4	196.2
Capital and Financial account	**USD b**	**54.5**	**84.2**	**64.7**	**85.9**	**59.0**	**92.1**	**79.0**
Foreign direct investment (FDI)	USD b	30.7	43.0	44.0	38.6	28.0	12.6	25.0
Foreign portfolio investment (FPI)	USD b	(2.4)	1.4	36.1	(16.8)	(5.2)	28.2	18.0
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	51.3	36.0
Non-resident Indians (NRI) deposits	USD b	10.4	8.6	7.4	3.2	9.0	6.7	0.0
Change in forex reserves[2]	**USD b**	**2.7**	**(59.6)**	**(88.7)**	**(47.2)**	**9.7**	**(34.0)**	**(10.3)**
Current account balance (CAB)	**% of GDP**	**(2.1)**	**(0.9)**	**0.9**	**(1.2)**	**(2.0)**	**(1.6)**	**(1.8)**
Non-oil	% of GDP	1.4	2.2	3.0	1.8	1.5	1.7	1.4
Non-oil non-valuables	% of GDP	3.7	4.1	5.1	4.3	3.6	3.8	3.2
Forex reserves	**% of GDP**	**0.1**	**(2.1)**	**(3.3)**	**(1.5)**	**0.3**	**(1.0)**	**(0.3)**
Savings – Investments								
National savings	**% of GDP**	**31.7**	**29.6**	**28.8**	**30.2**	**28.8**	**30.4**	**29.4**
Households	% of GDP	20.3	19.1	22.4	19.7	18.5	18.4	17.6
Net financial savings	**% of GDP**	**7.9**	**7.7**	**11.5**	**7.6**	**5.1**	**4.8**	**4.7**
Physical savings	% of GDP	12.4	11.4	10.9	12.1	13.4	13.6	12.9
Corporate sector	% of GDP	12.8	13.2	13.1	13.2	12.6	12.8	12.3
General government	% of GDP	(1.4)	(2.8)	(6.7)	(2.7)	(2.3)	(0.8)	(0.5)
Domestic investments	**% of GDP**	**33.8**	**30.4**	**27.9**	**31.4**	**30.8**	**31.7**	**30.9**
Households	% of GDP	12.2	11.2	10.7	11.8	13.2	13.4	12.7
Corporate sector	% of GDP	15.4	14.3	12.8	13.6	12.2	12.2	12.1
General government	% of GDP	3.6	3.6	3.8	4.2	4.4	5.0	5.1

[1]Valuables 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**	**28,246**	**31,968**
	YoY %	**5.0**	**(3.4)**	**30.7**	**11.2**	**11.7**	**15.0**	**13.2**
	% of GDP	**8.7**	**8.5**	**9.4**	**9.0**	**9.0**	**9.6**	**9.9**
Revenue receipts	INR b	16,812	16,321	21,699	23,835	26,323	27,746	31,168
	YoY (%)	8.3	(2.9)	33.0	9.8	12.1	16.4	12.3
Gross taxes	INR b	20,072	20,249	27,093	30,537	33,609	34,436	38,811
Net tax collection	INR b	13,540	14,240	18,048	20,973	23,306	23,883	26,918
	YoY (%)	2.8	5.2	26.7	16.2	11.7	13.9	12.7
Direct tax receipts	INR b	10,372	9,264	14,083	16,575	18,233	19,477	21,914
	YoY (%)	(7.8)	(10.7)	52.0	17.7	10.5	17.5	12.5
Indirect tax receipts	INR b	9,700	10,984	13,010	13,963	15,376	14,960	16,897
	YoY (%)	1.5	13.2	18.4	7.3	10.4	7.1	12.9
Non-tax collection	INR b	3,958	2,657	4,045	3,583	3,857	4,363	5,049
Non-tax receipts	INR b	3,272	2,081	3,651	2,862	3,017	3,863	4,249
Non-debt capital receipts	INR b	686	576	394	722	840	500	800
Disinvestment	INR b	503	329	146	460	610	400	550
Total expenditure	**INR b**	**26,863**	**35,098**	**37,937**	**41,888**	**45,031**	**45,681**	**48,966**
	YoY (%)	**16.0**	**30.7**	**8.1**	**10.4**	**7.5**	**9.1**	**7.2**
	% of GDP	**13.4**	**17.7**	**16.2**	**15.4**	**14.9**	**15.5**	**15.1**
Primary spending	INR b	18,120	20,718	24,844	26,895	30,200	30,850	32,886
	YoY (%)	**20.6**	**14.3**	**19.9**	**8.3**	**12.5**	**14.7**	**6.6**
Revenue spending	INR b	23,506	30,835	32,009	34,525	35,021	35,671	37,455
	YoY (%)	17.1	31.2	3.8	7.9	1.2	3.3	5.0
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	4,200
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	10,010	11,511
	YoY (%)	**9.1**	**27.0**	**39.1**	**24.2**	**37.4**	**35.9**	**15.0**
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)**	**(17,435)**	**(16,998)**
	% 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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Contact Person	Contact No.	Email ID
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Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
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