



The NCAER Quarterly Review of the Economy 2021-22: Q1

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Outline

I. Introduction

II. Real & External Sector Trends

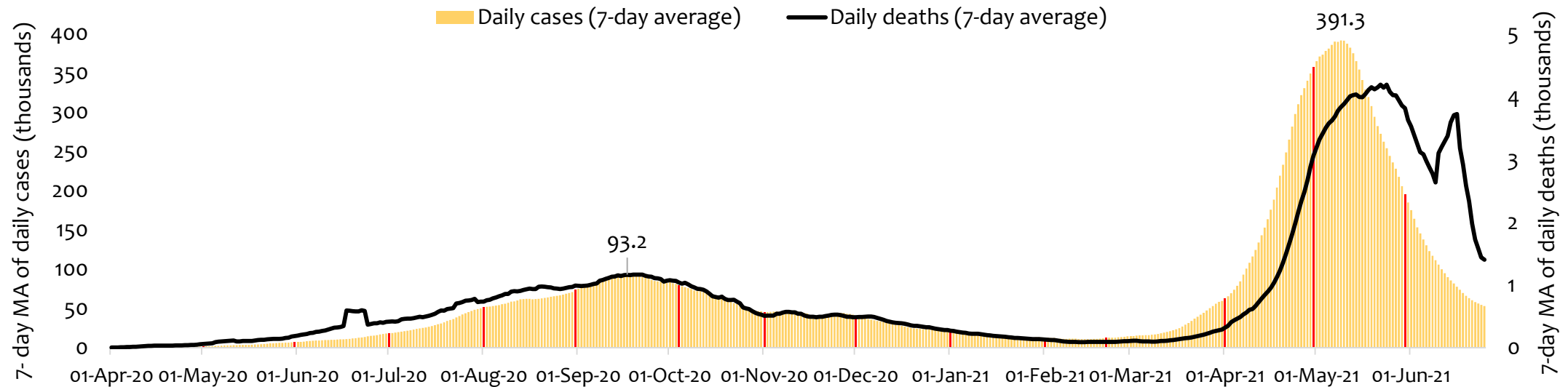
- A. Growth Outlook for 2021-22
- B. Domestic Real Sector
- C. External Sector

III. Inflation Forecast for 2021-22

IV. Fiscal Policy Outlook

V. Monetary Policy Developments

2nd Covid-19 wave, four times stronger than first wave, has completely disrupted economic recovery



- 2nd Covid-19 wave rose sharply from mid-March and peaked on 9th May
- Peak number of cases and deaths in second wave were four times higher than the peak in the first wave.
- Daily deaths peaked at 4,190 on 24th May compared to first wave peak of 1,167.
 - Experts say these numbers are underestimates, and actual Covid deaths are much higher. Apparent upturn in daily deaths from 9th June 2021 reflects correction of underestimates in Maharashtra and Bihar.
- 2nd wave also concentrated in a few States like first wave: Maharashtra, Karnataka, Tamil Nadu, Delhi, Uttar Pradesh, West Bengal, Punjab, Chhattisgarh and Andhra Pradesh account for about 75% of total deaths; Maharashtra alone accounts for nearly 30% of all deaths. [A1.1](#)
- 2nd wave has completely disrupted the economic recovery process, with sharp rise in unemployment to nearly 12% on 13th June 2021 compared to 6.5% in January 2021.
 - This is despite limited period of lockdowns in different States in different phases compared to full nationwide lockdown for two months in first wave.

[A1.2](#)

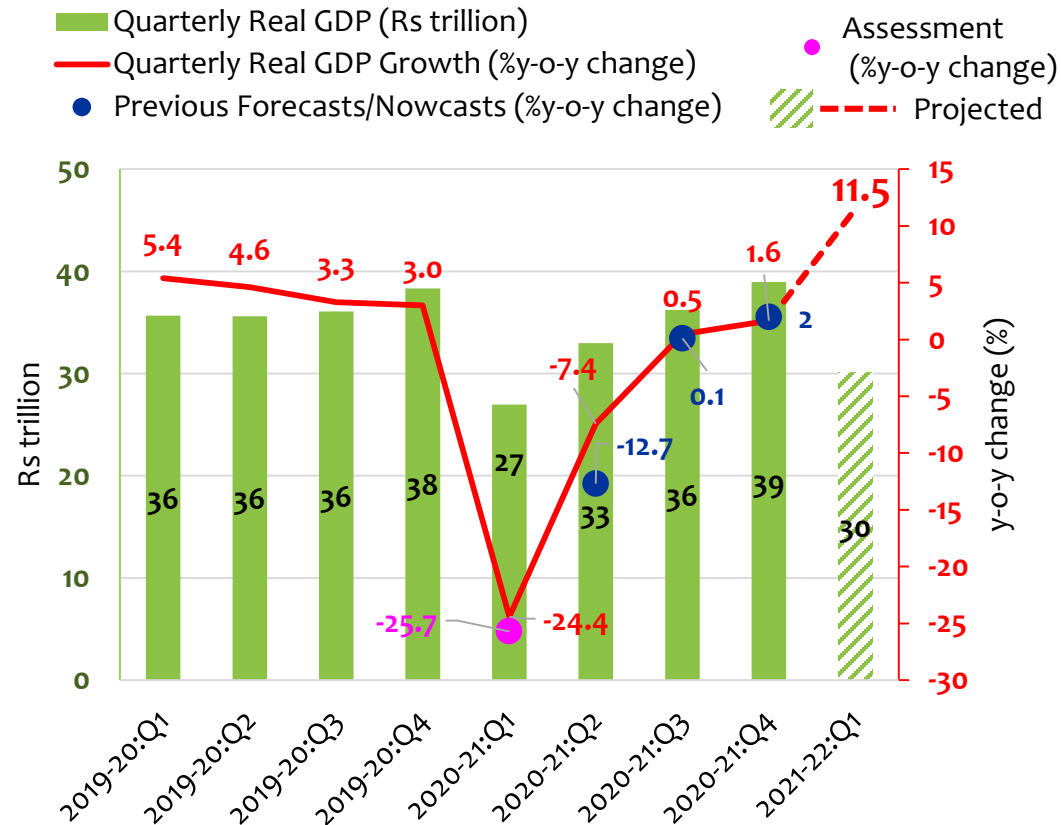
Broad Overview of the Presentation

- Using an alternative approach to conventional forecasting, we assess GDP will grow by 11.5% in Q1, & 8.4% - 10.1% for the whole year 2021-22
- However, these high growth rates are misleading since 2021-22:Q1 follows the very steep decline in 2020-21:Q1 and mainly reflects strong base effect
- At the end of 2021-22 GDP still be about the same as Rs 146 trillion as in 2019-20 --- two lost years
- High frequency indicators show a sharp decline in economic activity during April, May 2021- the peak of the second Covid-19 wave
- There are some indicators of recovery in June as unlocking proceeds
- Export growth is projected to remain buoyant with recovery in the global economy.
- This, combined with expansionary macroeconomic policies could help accelerate growth recovery
- Unfortunately, an inexplicably contractionary fiscal policy in 2021-22, sharply reducing the deficit, will delay recovery
- An accommodating expansionary monetary policy has also become challenging because of rising inflationary pressures, but growth recovery is still the priority for RBI

Conventional forecasting not feasible for 2021-22:Q1 Alternative method used successfully for estimating 2020-21 growth has been used

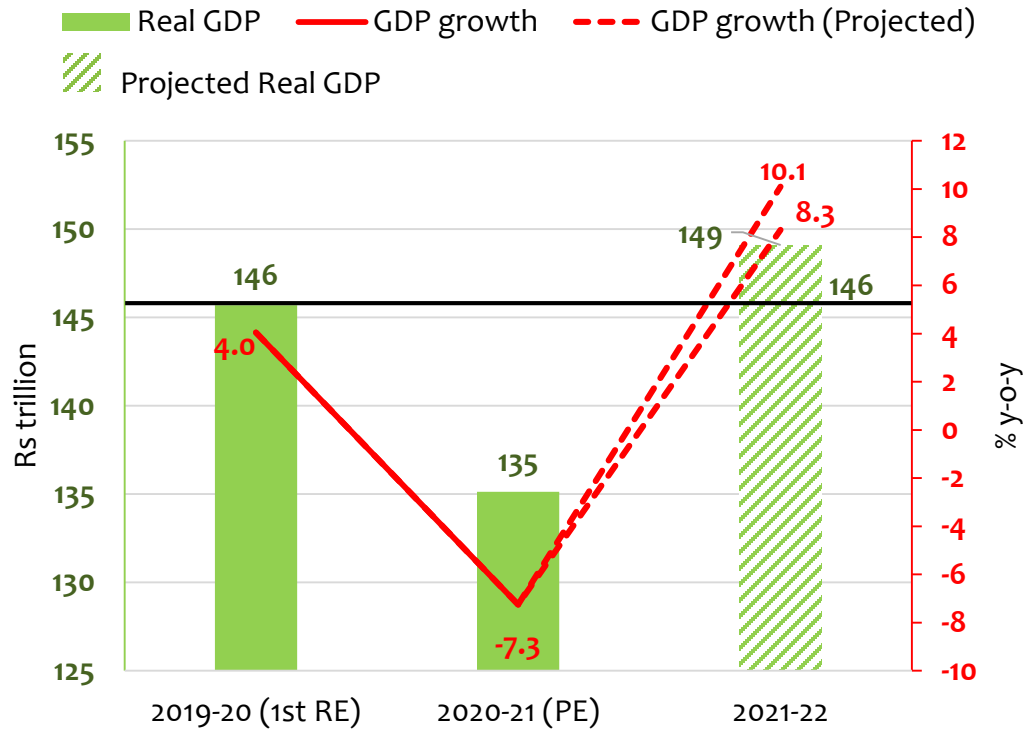
- Conventional forecasting techniques don't work well when there are major shocks because the techniques are very sensitive to large recent shocks.
- Hence NCAER has used an alternative approach to assess growth in 2021-22:Q1. This is based on highly granular sub-sector level assessments (going down to NIC 5-digit disaggregation in some cases)
- These assessment use such information as is available at the micro level, taking into account lockdown periods in important geographies for the relevant activities.
- These sub-sector level estimates have then been aggregated up step-wise using sectoral weights to arrive at the national GVA growth estimate. This has been marked up by 0.1 percent, the observed average difference between GVA and GDP growth, as a proxy for GDP growth. [A2.1](#)
- The same method was used for 2020-21:Q1 to arrive at a growth estimate of (-)25.7%, which was very close to the actual outcome of (-) 24.4%.

Sharp V-shaped contraction & recovery in 2020-21:Q1 & Q2, followed by moderate growth thereafter, now estimated at 11.5% in 2021-22:Q1



- Growth slowdown started long before the pandemic.
- Pandemic & stringent nation-wide lockdown led to sharp contraction in 2020-21:Q1
- Unlocking and deficit-financed public spending led to equally sharp recovery after June 2020
- The pace of recovery moderated during Q4.
- GDP levels in 2020-21:Q4 was Rs 39 trillion, about the same as Rs 38 trillion in 2019-20:Q4
- **Using our alternative methodology we estimate that GDP growth will be 11.5% in 2021-22:Q1** [A2.2](#)

GDP will grow between 8.3% & 10.1% in 2021-22 in the optimistic & pessimistic scenarios

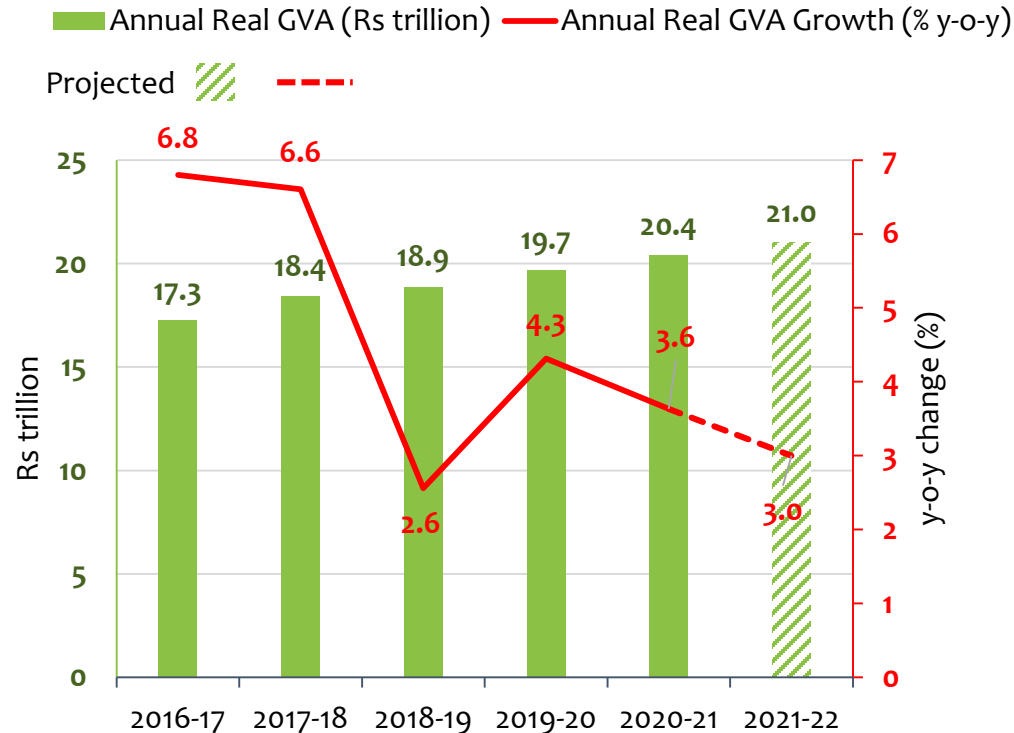


- Using the Q1 growth estimates and alternative assumptions for growth in Q2, Q3, Q4, we assess that GDP will grow between 8.3% & 10.1% in 2021-22 in the optimistic & pessimistic scenarios. [A2.2](#)
- In the optimistic scenario, it has been assumed that GDP will grow by 9.7% in Q2, Q3 & Q4. [A2.2](#)
- In the pessimistic scenario, it has been assumed that GDP will grow by 8.0%, 6.2% and 7.8% in Q2, Q3 & Q4 respectively, reflecting slower recovery of economic activity & decline in growth during Q3 because of a potential third wave. [A2.2](#)

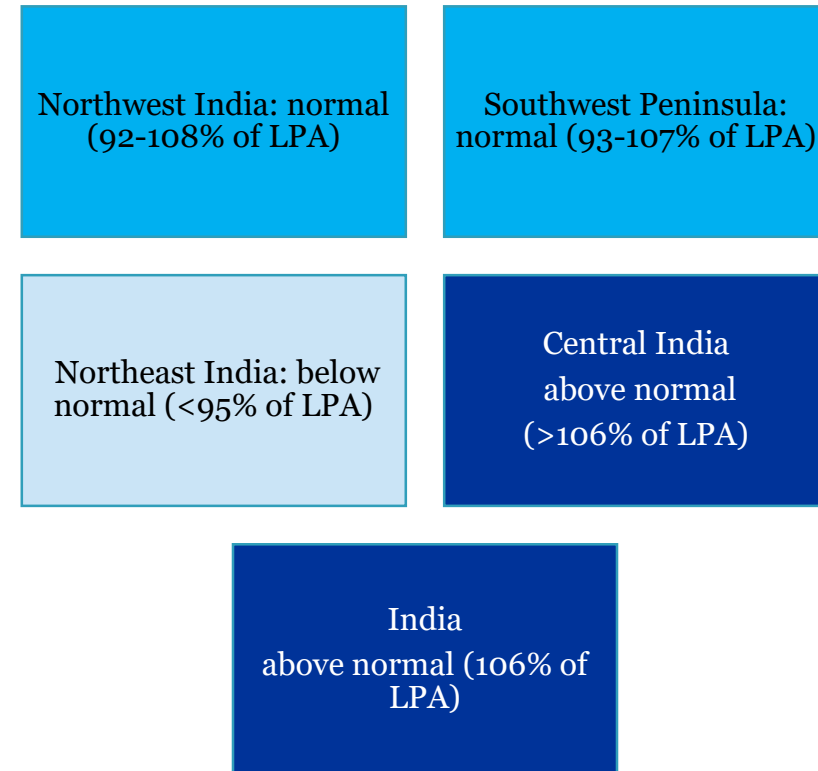
Notes: RE stands for revised estimates, PE stands for Provisional Estimates.

Source: Ministry of Statistics and Programme Implementation.

GVA Agriculture is expected to grow at 3% in 2021-22 given the forecast for above normal monsoon



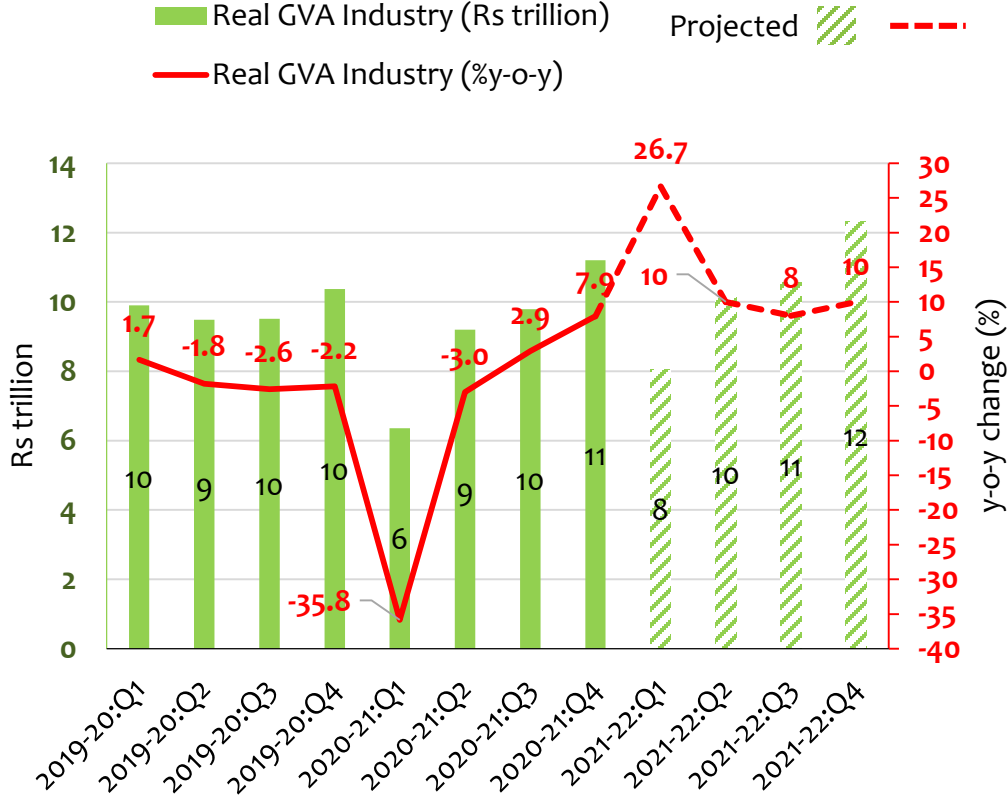
Forecast for 2021 Southwest Monsoon Rainfall, June 2021



Notes: LPA stands for Long Period Average

Sources: Ministry of Statistics and Programme Implementation and India Meteorological Department

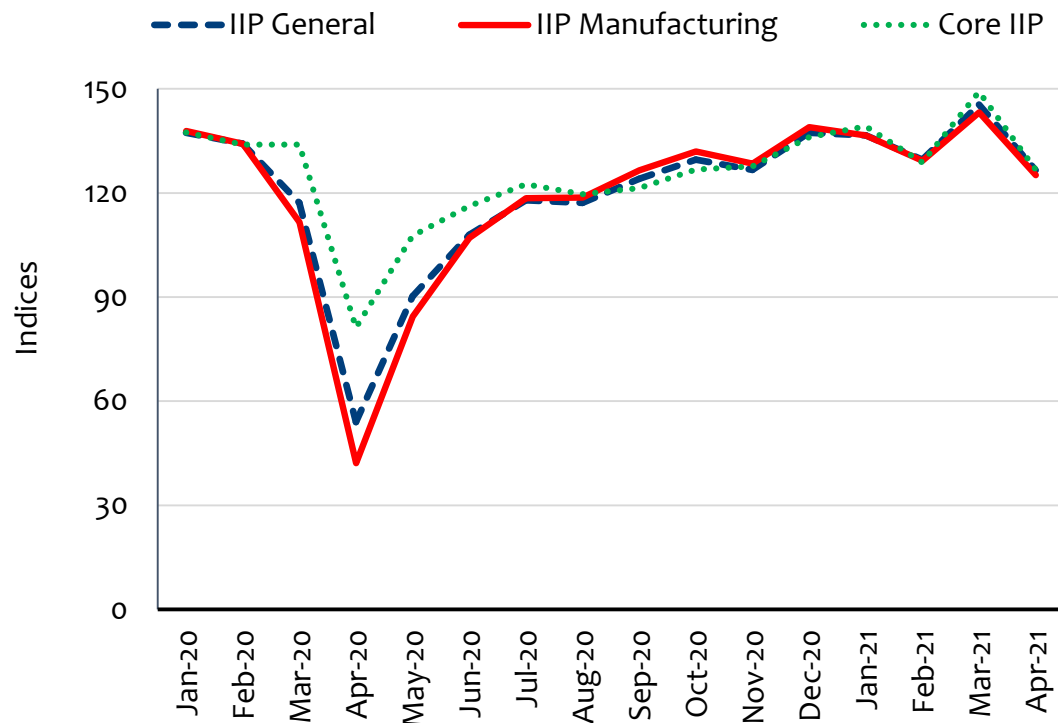
Industry, which witnessed a sharp V-shaped contraction and recovery in 2020-21 is likely to grow by 13.7%-15.7% in 2021-22



- Industrial growth was already declining well before the pandemic.
- Then came the sharp contraction of industrial output in 2020-21:Q1 (-35.8%) following the end-March lockdown.
- Sharp V-shaped recovery since Q2, led by Electricity, Gas & Water (EGW). All industrial sub-sectors followed this pattern except mining.
- GVA of manufacturing and construction sectors in 2020-21:Q4 surpassed that of the previous seven quarters. **A2.3**
- Based on the methodology described earlier we assessed that industry will grow by 26.7% in 2021-22:Q1 followed by 10% in Q2, 8% in Q3 and 10% in Q4.
- This translates to annual industrial growth of 13.7% in 2021-22 or Rs 41.1 trillion in real terms.
- This is marginally higher than Rs 39.3 trillion in 2019-20.

Source: Ministry of Statistics & Programme Implementation.

Monthly IIP data for the organised sector indicates that the pattern of moderate recovery observed since June 2020 has continued till April 2021

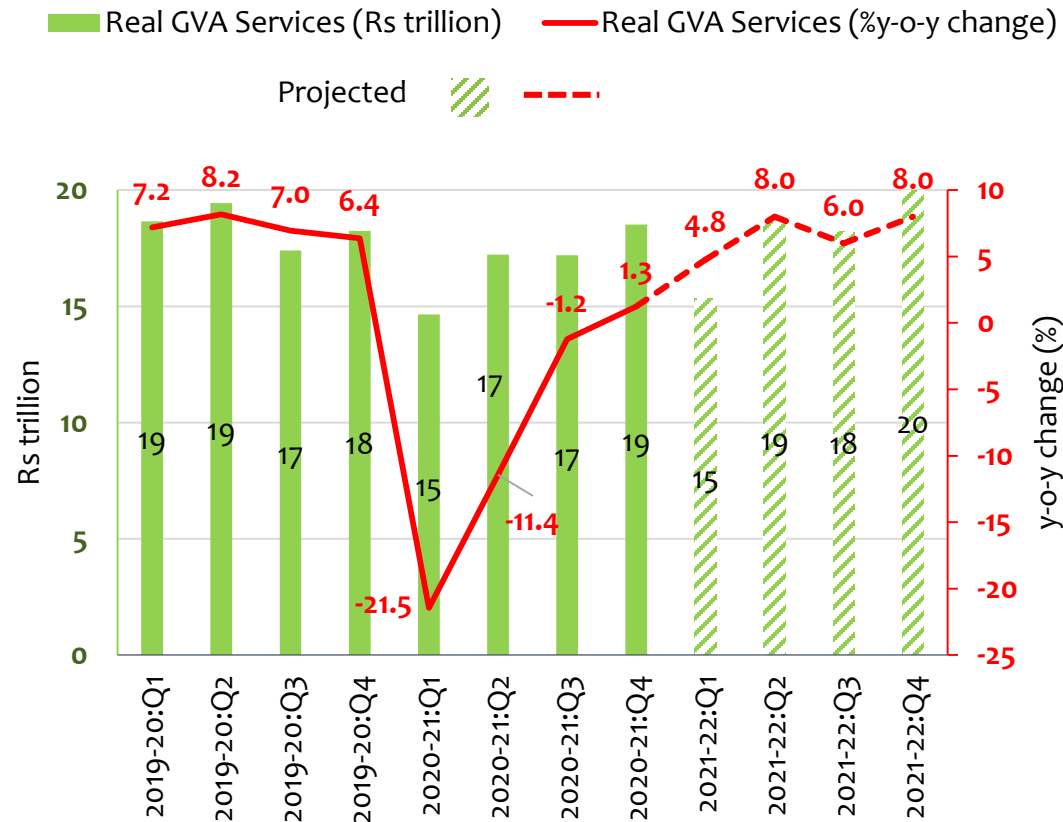


- All three IIP indices indicate a sharp V-shaped recovery till June which has become shallower thereafter.
- The moderate recovery of industrial output observed since June 2020 continued till April 2021.
- Other indicators such as maximum electricity demanded, Purchasing Managers' Index and GST collection also suggest a continuing pattern of positive but moderate growth. [A2.4](#)
 - Electricity demanded dipped during May when the second wave was at its peak

Sources: MoSPI and Office of Economic Advisor.

Note: Core IIP includes coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity.

Services output declined in 2021-22:Q1, when the 2nd wave peaked, but y-o-y growth was still positive because of a much steeper output decline in 2020-21:Q1

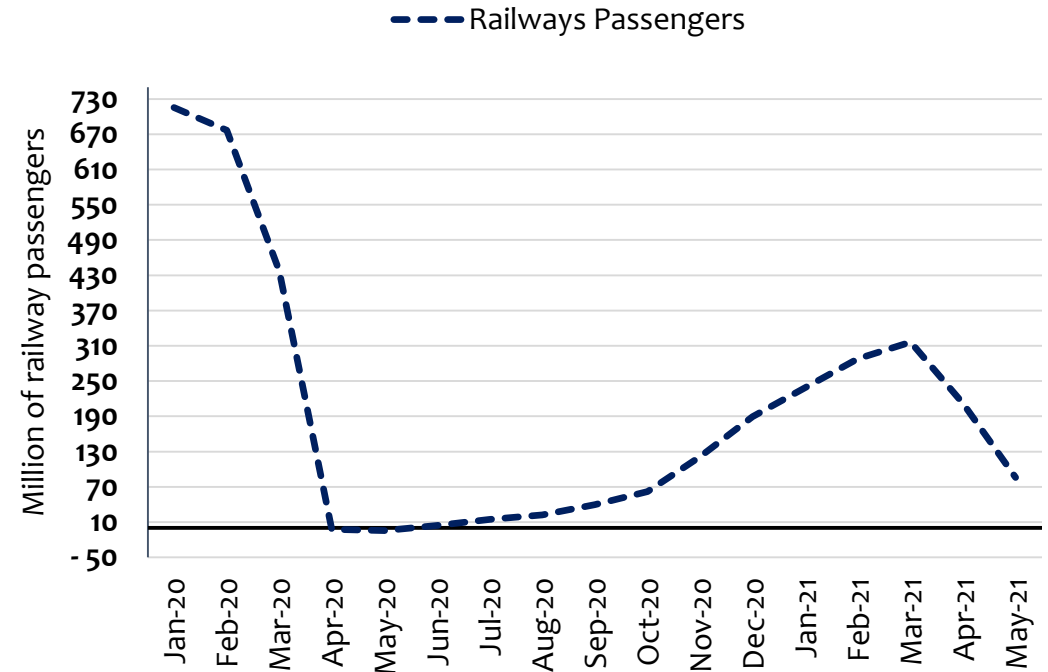
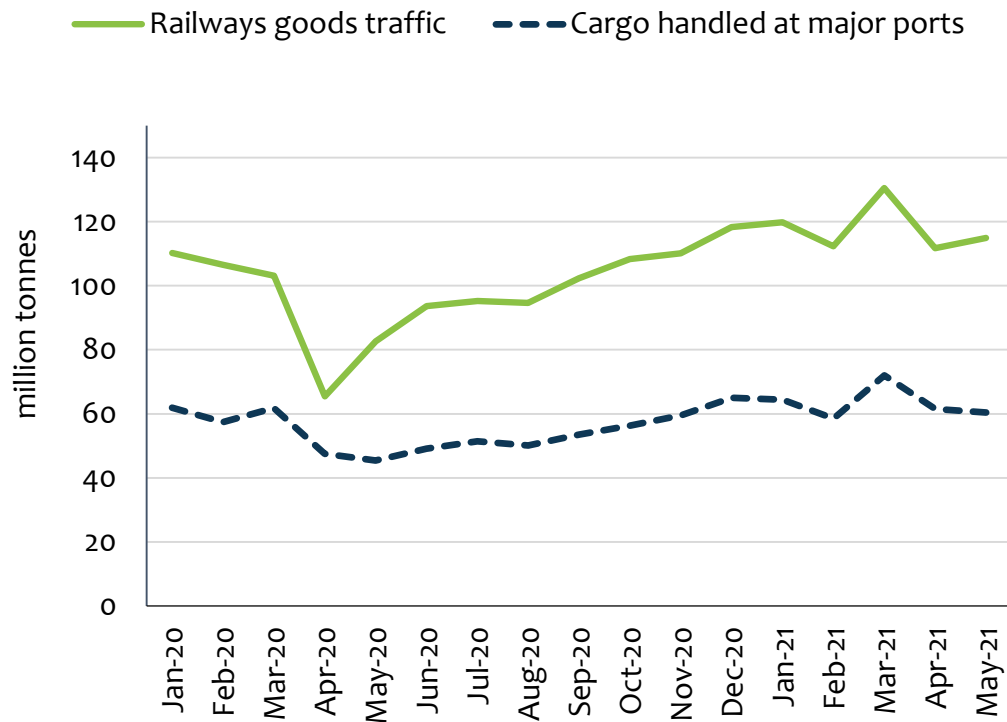


Source: Ministry of Statistics and Programme Implementation.

- Services growth which had been slowing since 2018-19:Q4 registered a sharp contraction in 2020-21:Q1 followed by a sharp recovery to Q3.
- However, output levels were still lower than in 2019-20 up to 2020-21:Q4.
- Trade, hotels, transport, communication & broadcasting has borne the brunt of the pandemic. It contracted by (-) 18.2% in 2020-21. A2.5
- Services output then dipped sharply in 2021-22:Q1 as the second Covid wave peaked.
- But y-o-y growth was still positive because of the sharper dip in output in 2020-21:Q1.
- With the second wave having subsided and phased unlocking, services output is expected to recover from Q2 onwards.
- However, there may be again a dip in output in Q3 because of the risk of a third wave.
- We assess that the Services GVA will reach Rs 72.2 trillion in 2021-22, lower than what was in 2019-20 (Rs 73.8 trillion), but a positive y-o-y growth of 6.7% compared to even lower output of Rs 67.6 trillion in 2020-21.

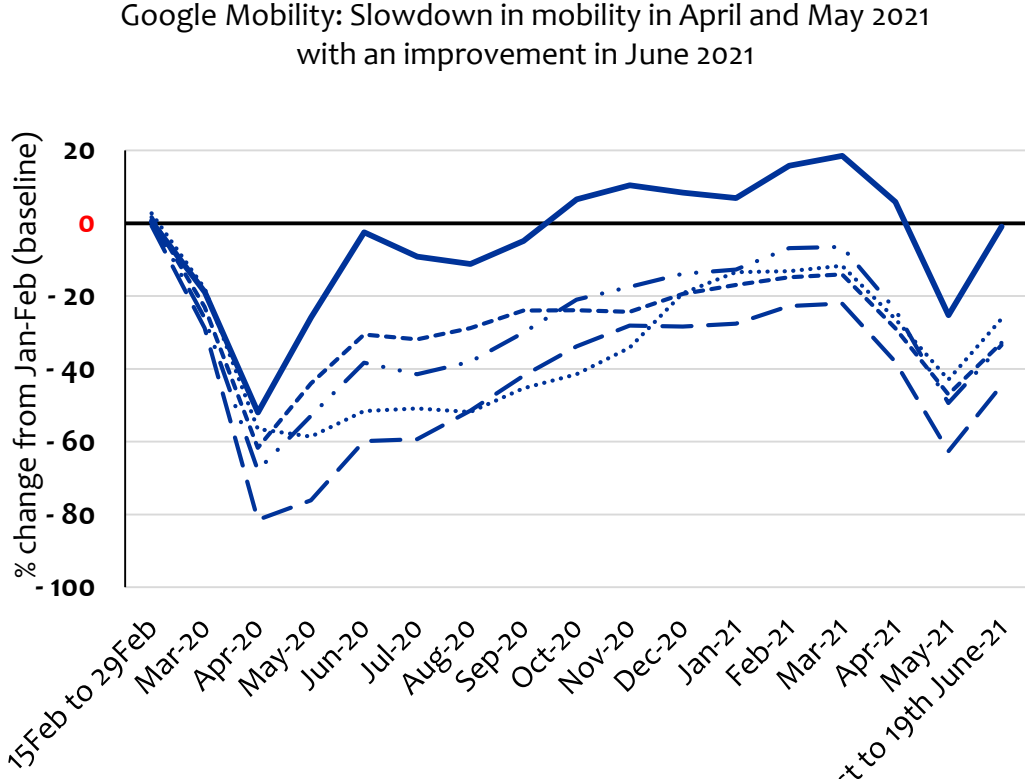
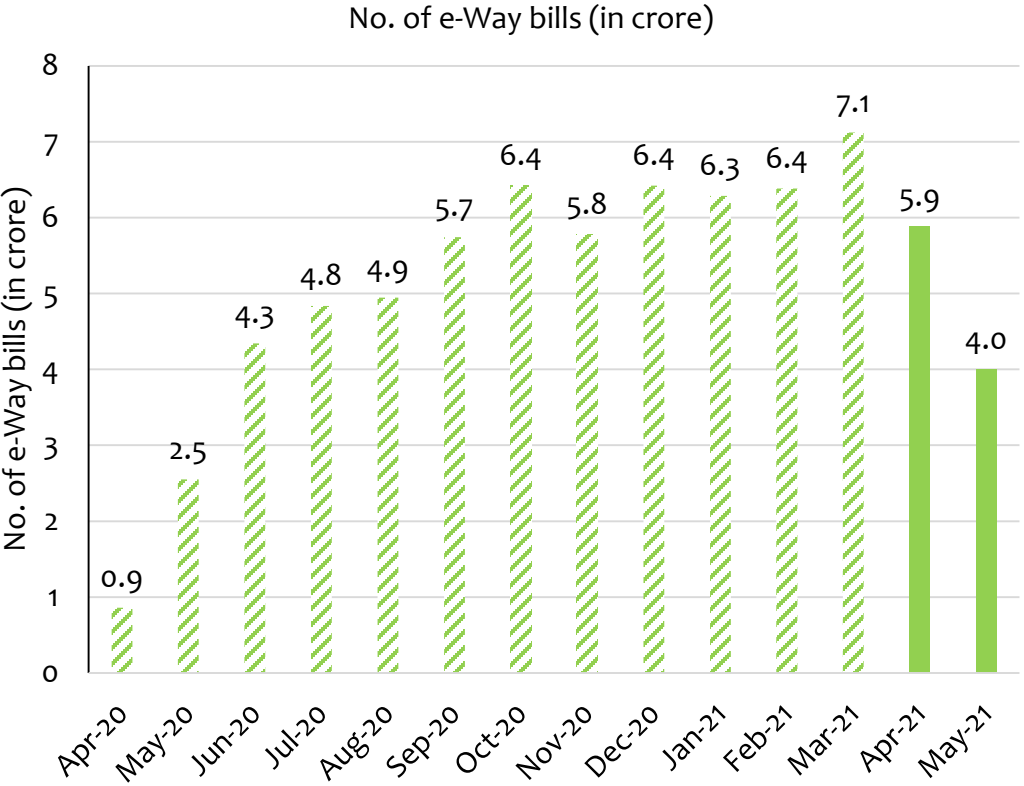
Large variations in recovery pace within sectors

In transport sector cargo recovery much faster than passenger traffic



Sources: Ministry of Railways and Indian Ports Association.

Some high-frequency indicators indicate sharp fall in April & May 2021 and reversal in June



Sources: Goods & Services Tax Network & Google Inc.

Exports are continuing to grow in 2021 despite the dip in April due to the second wave, imports declined through April and May

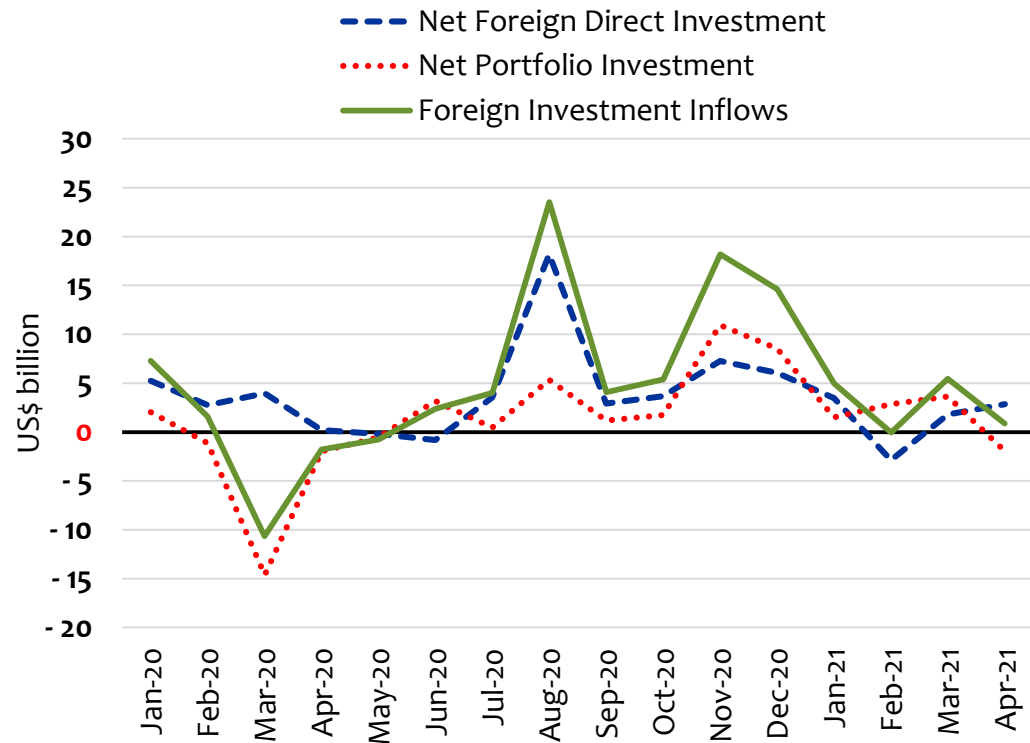


Sources: Ministry of Commerce and RBI.

Notes: 1. Services data for May are estimated.

- Merchandise exports have continued to recover since nation-wide lockdown in March 2020, however there was a dip during the 2nd Covid wave in April 2021.
- Merchandise imports followed a similar recovery path but has declined through April and May due to the second wave.
- Services exports & imports has remained flat since March 2020 [A2.6](#)
- Trade balance was surplus in the first half of 2020-21 and in deficit during the second half, it has turned positive in May 2021.
- Going forward the outlook for exports remains buoyant because of strong growth in some of India's major trading partners.

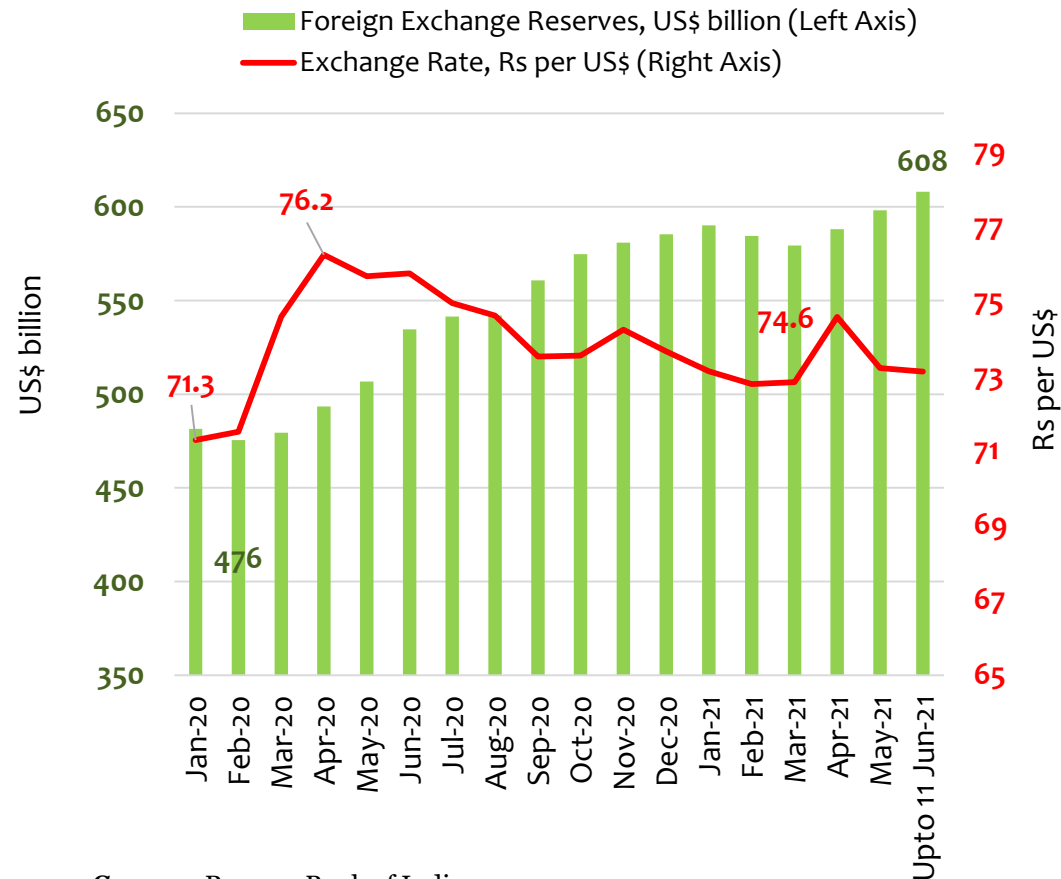
Highly volatile capital flows, rose from net outflow of USD 10.7 billion in March 2020 to peak inflow of USD 23.5 billion in August 2020, then declined to USD 0.9 billion



- Net FDI inflows have also been highly volatile, declining from a peak of USD 18.2 billion in August 2020 to USD (-) 3.0 billion in February 2021. It has since risen to USD 2.8 billion.
- Net Portfolio inflows have also been volatile since January 2020 with a net outflow of USD 2.0 billion in April 2021.
- Alternative NSDL data shows FPI turned positive again, rising to USD 1.9 billion in June 2021 (data upto 24th June).

Source: Reserve Bank of India.

Foreign exchange reserves have been rising significantly since March 2020 barring a small dip in February & March 2021



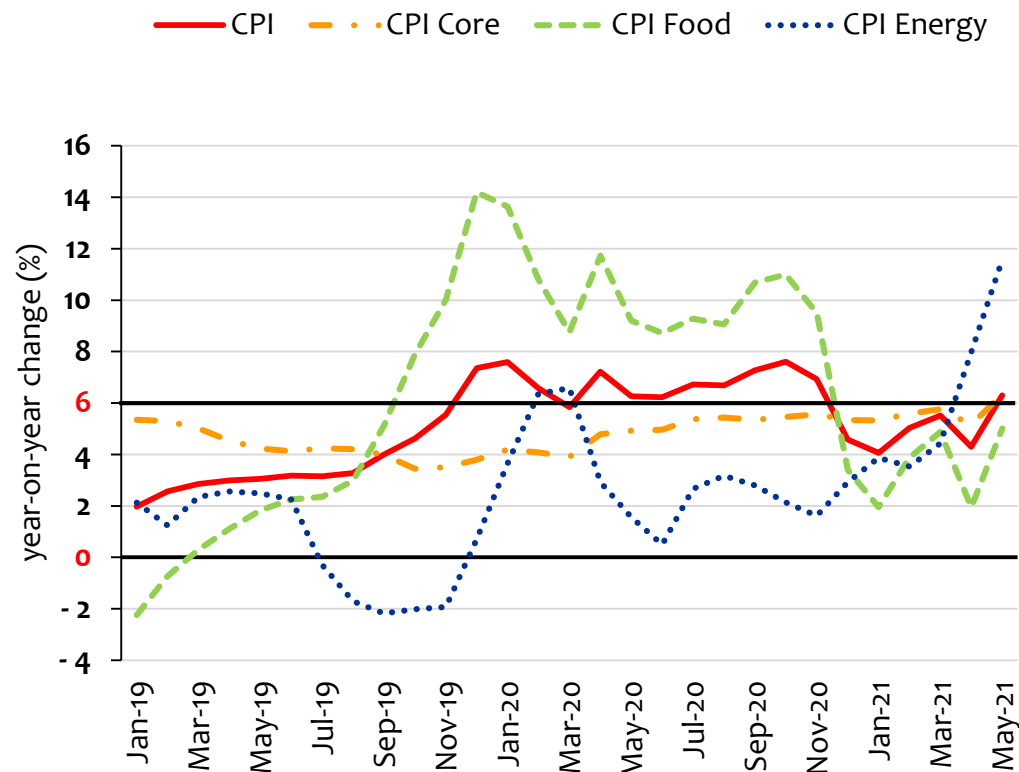
Source: Reserve Bank of India.

Note: Foreign exchange reserves data is as on June 11, 2021.

The exchange rate data is the average of 1 Jun-18 Jun 2021.

- Reflecting this reserve accumulation, the exchange rate has been appreciating April 2020, barring a small depreciation in April 2021.
- This is despite an increase in the trade deficit since October 2020. The reserve accumulation is mainly accounted for by net inflow of foreign capital. [A2.7](#)
- Adjusting for India's high inflation rate relative to its trade partners, the real effective exchange rate (REER) has appreciated even more. [A2.8](#)
- Though a positive development, the accumulation of reserves has been driving up liquidity and a build up of inflationary pressures.
- However, the Reserve Bank has said that even with these large reserves may not be adequate if a recovery of economic activity leads to a large trade deficit along with a small negative capital inflow.

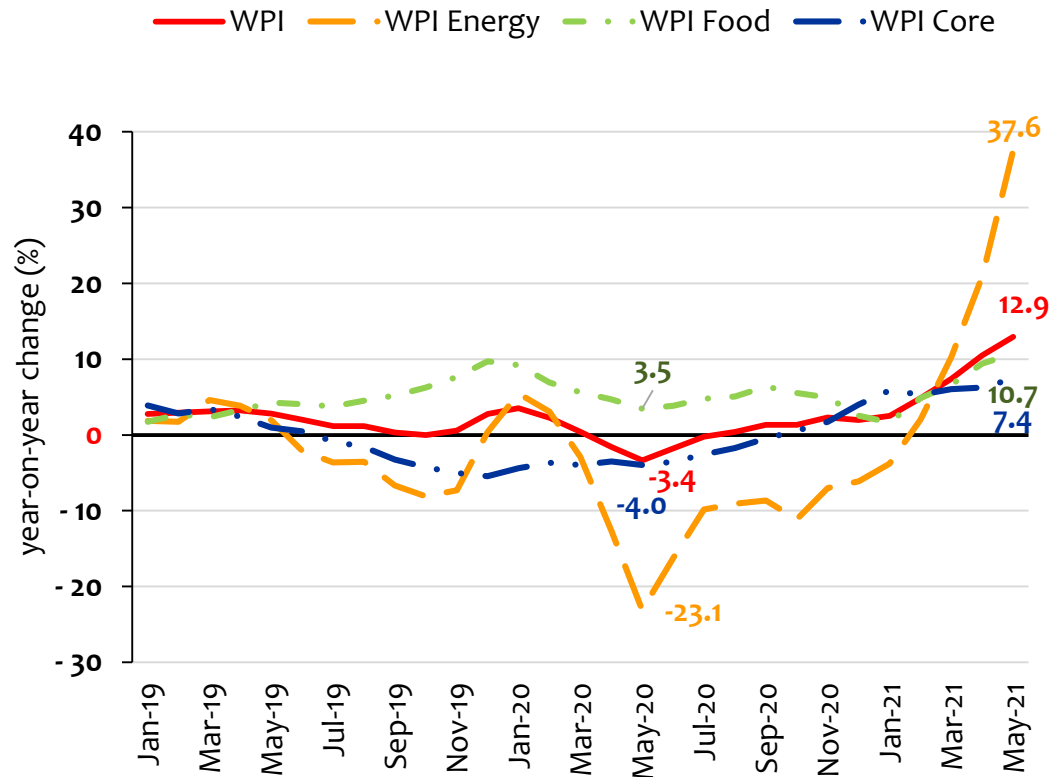
Rising inflation a challenge for expansionary macroeconomic policy required for reviving growth



- CPI headline inflation has risen to 6.3% in May, 2021 from 4.3% in April, 2021.
 - The inflation rate in May 2021 was exactly the same as in May 2020.
- While inflation was being driven by food price inflation in 2020, it is now being driven by the rise in energy prices.
- From a low of 2.7% during 2020-2021 owing to a decline in crude oil prices, CPI energy price inflation rose to 8% in April, 2021 and 11.6% in May, 2021, mainly driven by the sharp increase in crude oil prices since February 2021, amounting to over 100% during April-May, 2021. [A3.1](#)
- Food price inflation which was rising at 9.9% during April-November 2020 subsequently moderated to 3.5% during December 2020-March 2021.
- CPI Core inflation (excluding food & fuel) remained sticky around at around 6% since July 2020 and has since risen to 6.6% in May 2021 since prices of commodities other than energy have also been rising

Sources: Ministry of Statistics & Programme Implementation and Office of Economic Advisor.

All time high WPI inflation during second wave of pandemic



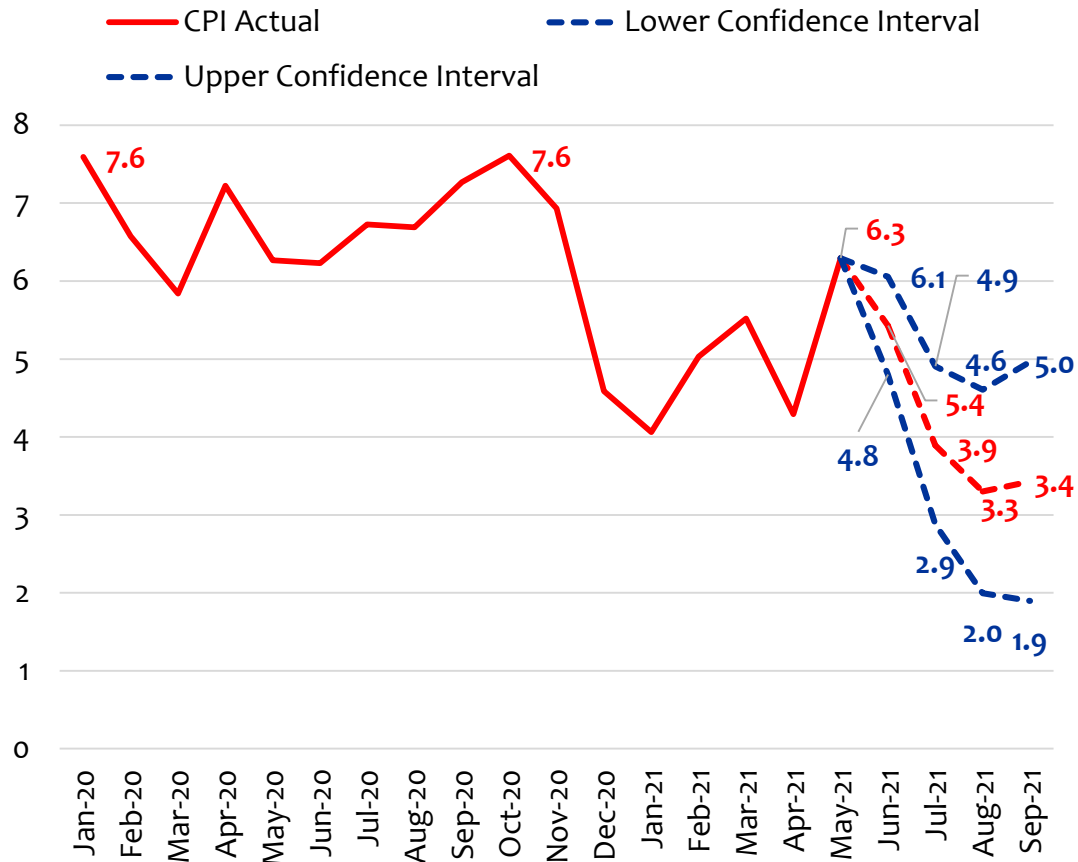
- WPI registered deflation in April-July, 2020 due to deflation in energy prices driven by crude oil price deflation
- Aggregate WPI rebounds on account of rising food & energy prices, recording 0.7% inflation during April, 2020 to February, 2021. WPI Food and Core inflation register 4% and 0.15% inflation rate respectively in this period.
- **Aggregate WPI (base year 2011-12) registers an all-time high inflation rate of 11.7% in April-May, 2021, since its release in April, 2012**
- Double-digit WPI inflation during March-May, 2021 is on low base of 2020 as well as intensifying pressure in all components—food (double digit inflation in manufactured food products), core and energy during second wave of the pandemic.

Sources: Ministry of Statistics & Programme Implementation and Office of Economic Advisor.

Factors driving inflation during pandemic time

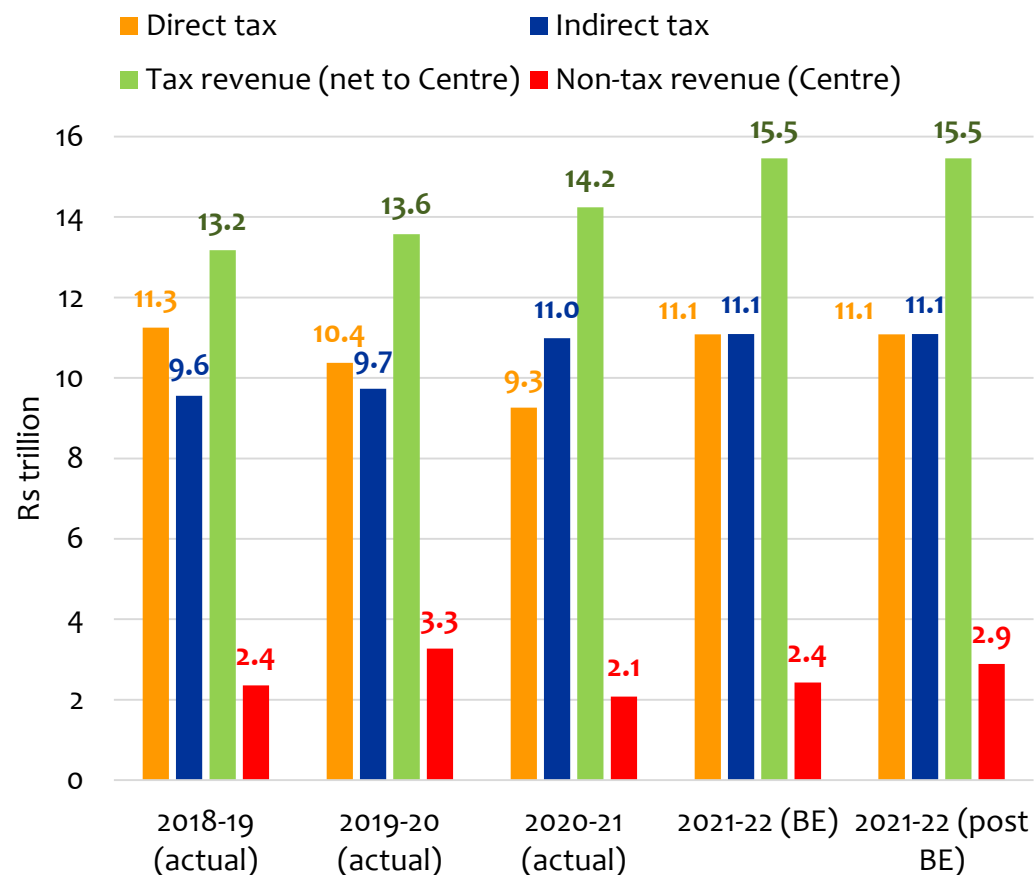
- Food inflation, both retail and wholesale soared in 2020 due to abnormal rainfall, agricultural wage inflation and supply distortion cause by pandemic
- Pressure on food prices relaxed with arrival of winter crops in December, 2020 and January, 2021
- Rebound of food inflation due to :
 - Further rise in agricultural wages
 - Recent episodes of cyclone leading to crop damages
 - Surge in crude oil inflation
 - Re-imposition of lockdown restrictions during second wave of pandemic
- Rising wholesale and retail core inflation due to triple digit inflation in crude oil prices
- On account of soaring inflation rate in all the components—food, core and energy, headline CPI inflation breached RBI's upper limit of the target band again in May, 2021

Inflation forecast to remain within the RBI target band through 2021-22:H1



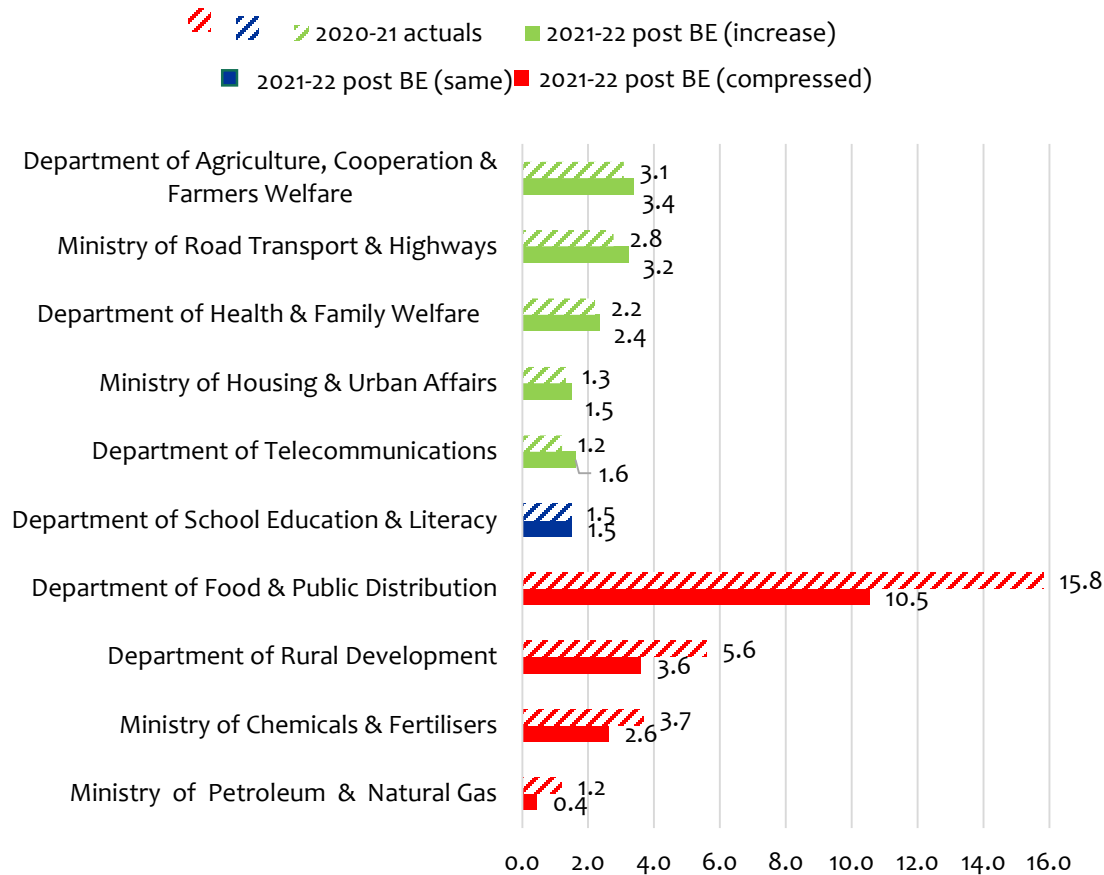
- Headline inflation will moderate from 6.3% in May, 2021 to 3.3% in August, 2021, followed by a rebound in September, 2021 A3.2
- Upward risks:
 - High crude oil inflation
 - High agricultural wage inflation
 - Sticky pandemic driven core inflation
 - Possible supply distortions due to third wave & re-imposition of lockdown

Fiscal Policy: The buoyant assumptions for tax & non-tax revenues in the 2021-22 Budget have not factored in the possible negative impact of the 2nd Covid wave & a 3rd wave



- Direct tax revenues have been assumed to grow by as much as 19.6% in 2021-22 BE, though it was declining in the previous two years. [A4.1](#)
- In contrast, indirect taxes which grew by 12.9% in 2020-21 have been assumed to remain about the same (+1%) in 2021-22 BE. [A4.1](#)
- Tax revenue (net to Centre), which has been growing consistently since 2018-19 has been assumed to grow by a further 8.5% in 2021-22 BE. [A4.1](#)
- Non-tax revenue which declined significantly in 2020-21 was assumed to grow by 16.8% in the 2021-22 BE. Subsequently, additional transfers of surpluses from RBI (Rs 0.46 trillion) will raise the non-tax revenue by 38.7% compared to 2020-21. [A4.1](#)
- However, these projections do not factor in the possible negative impact of the 2nd Covid wave and a 3rd wave.

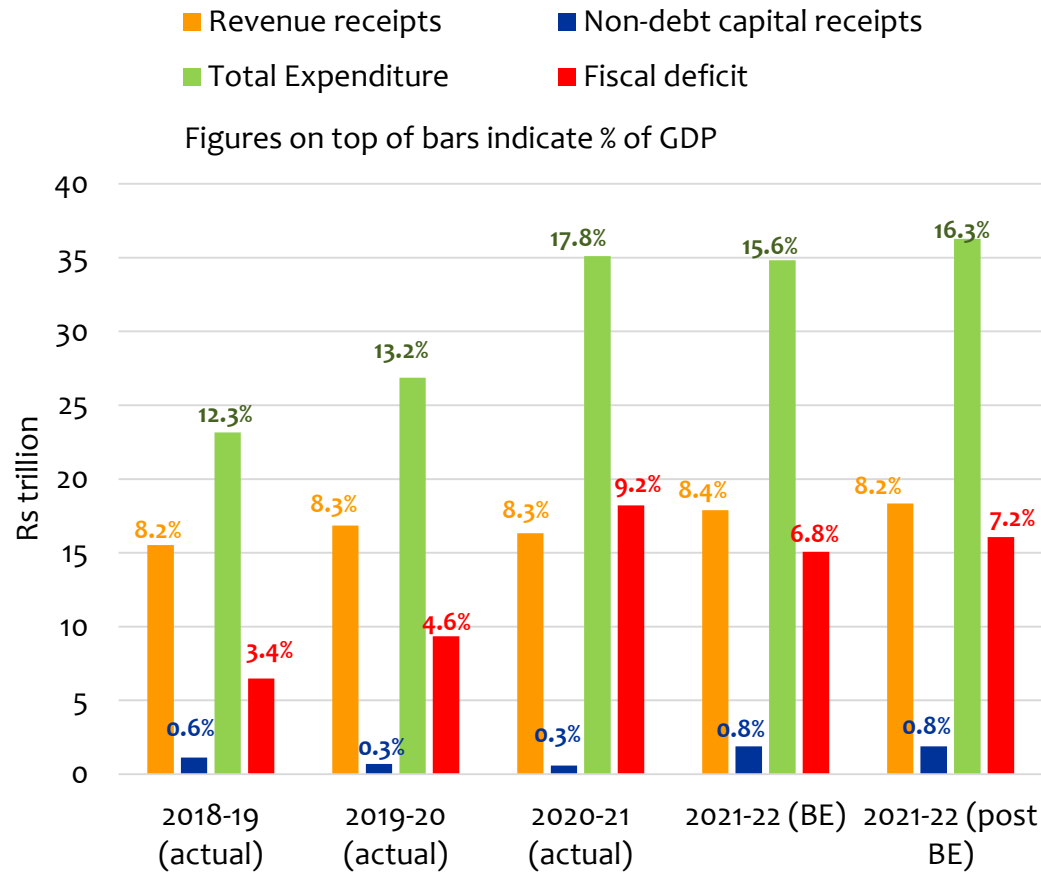
Changes in the Expenditure Shares of Major Central Government Departments



- There are significant differences in the expenditure shares allocated to different departments in 2021-22 compared to 2020-21
- The allocation share of some departments were increased while that of other departments decreased. [A4.2](#)
- While the increases in allocation were marginal, the reductions in allocation in other sectors were significant, reflecting the overall compression in total expenditure.
- Total capital expenditure has been budgeted to grow by 48.8% to boost demand. [A4.2](#)
- The apparent reduction in allocation share for food & public distribution is misleading because the 2020-21 Budget reflected the transfer to the Budget of outstanding liabilities of FCI to NSSF amounting to Rs 2.5 trillion. The actual food subsidy which was budgeted at Rs 1.3 trillion has been raised to Rs 1.45 trillion post-Budget reflecting the extension of additional food subsidy till November 2021.
- The reduction in allocation share for rural development mainly reflects the unfortunate reduction for MGNREGA.
- The reduction in allocation share for Chemicals & Fertilisers mainly reflects the reduction in the fertilisers subsidy.
- The reduction in allocation share for Petroleum & Natural Gas mainly reflects the reduction in the fuel subsidy.

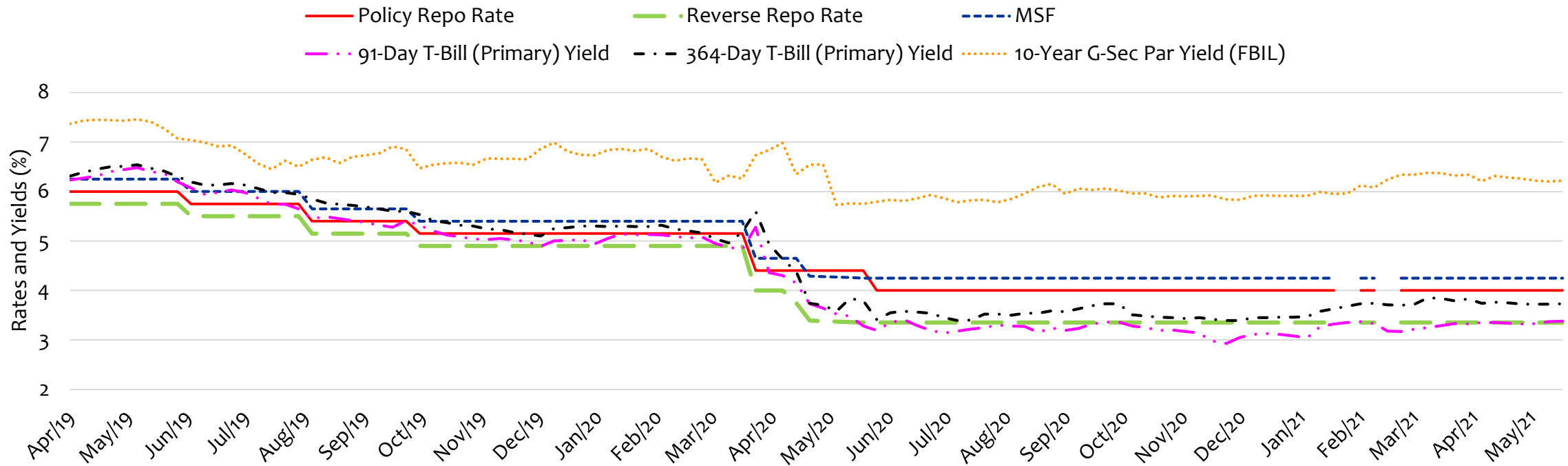
Notes: 1. Only Ministries/Departments with share of total expenditure greater than 1% are shown in this graph

Premature fiscal compression in 2021-22, combined with the impact of Covid-19 2nd wave & possibly a 3rd wave, will disrupt economic recovery



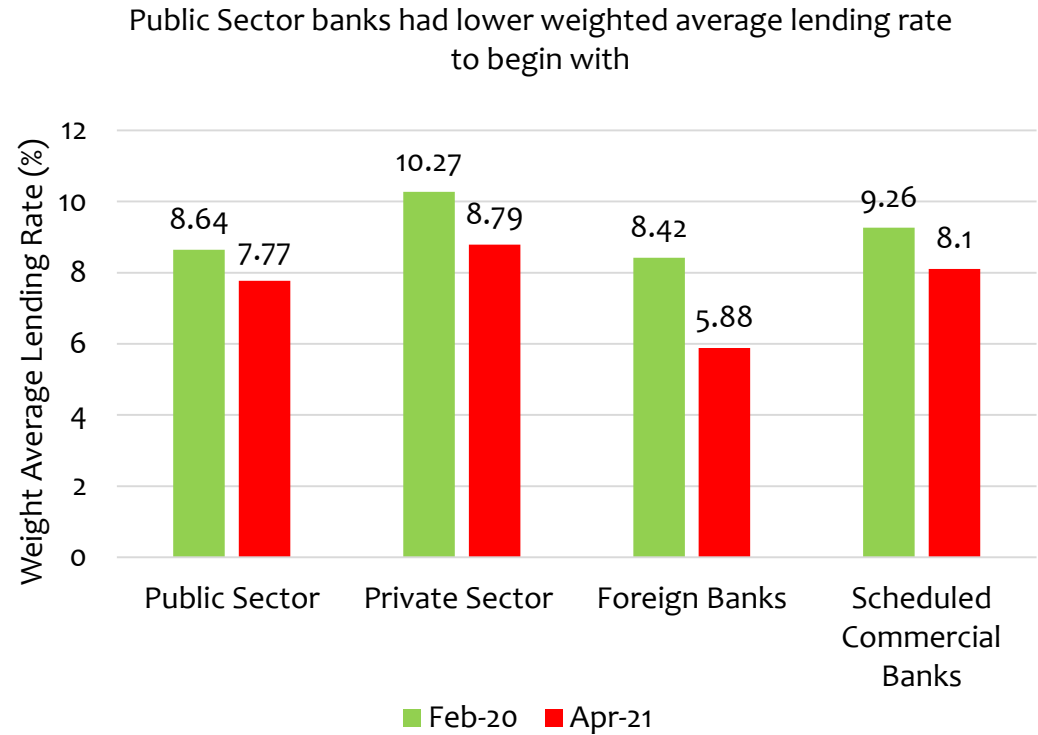
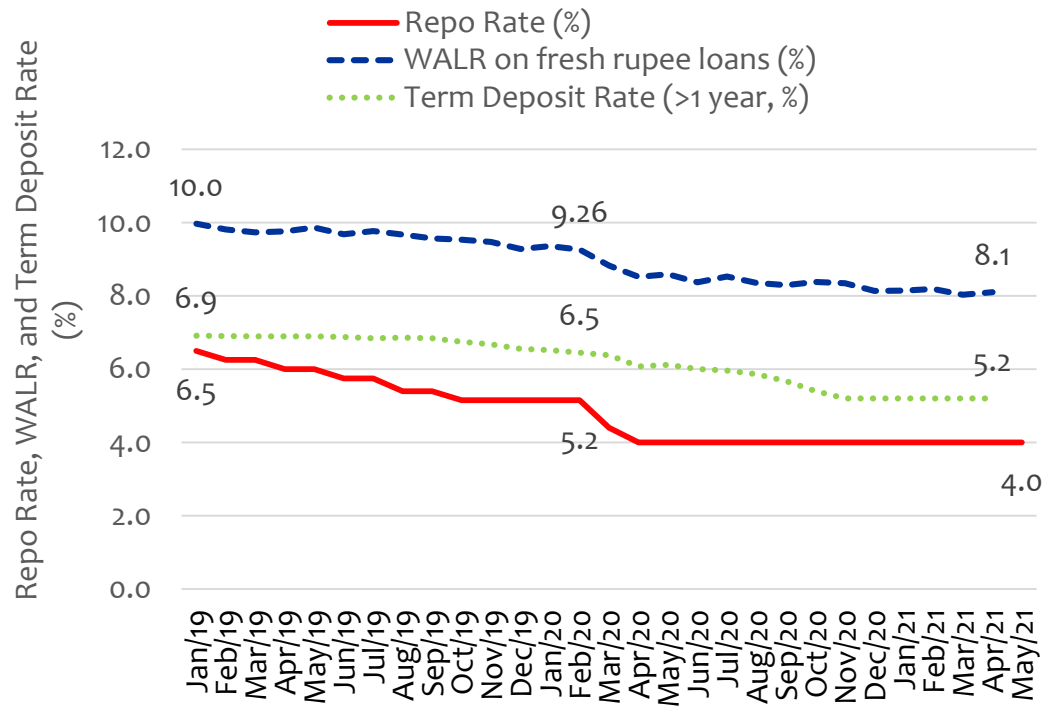
- Total expenditure rose persistently from 2018-19 to 2020-21 while revenues & non-debt capital receipts stagnated, resulting in a sharp increase of the fiscal deficit to 9.2% of GDP in 2020-21 A4.3
- Such increased deficit financed spending was essential to moderate the adverse impact on economic activity of the first Covid-19 wave & nation-wide lockdown
- Even larger deficit financing was essential in the 2021-22 BE to help revive economic activity which, declined by (-) 7.3% in 2020-21
- Instead the 2021-22 BE introduced a sharp fiscal compression, reducing the deficit from 9.2% of GDP to 6.8%.
- Post-budget increases in planned expenditure for vaccinations and food subsidy may moderate the compression to 7.2% of GDP, but this is still lower than in 2020-21.
- This fiscal compression in addition to the impact of the 2nd Covid wave, possibly also a 3rd wave, will disrupt economic recovery in 2021-22. Hence, deficit financing should be further increased.

RBI has successfully managed to provide adequate liquidity for financing a large government borrowing programme while maintaining moderate rates and yields



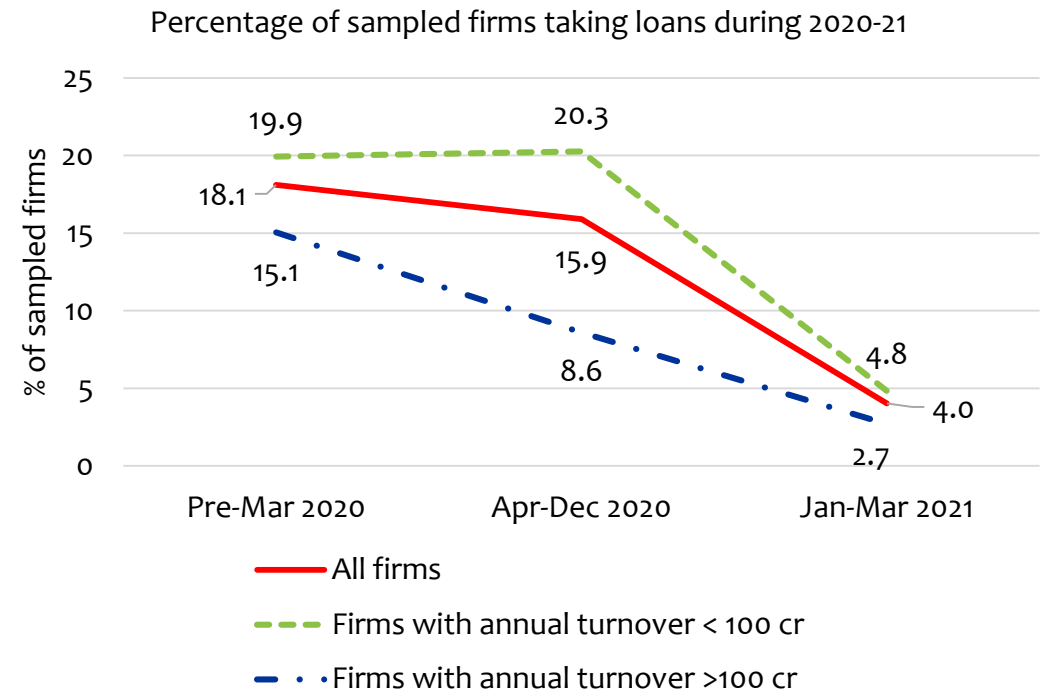
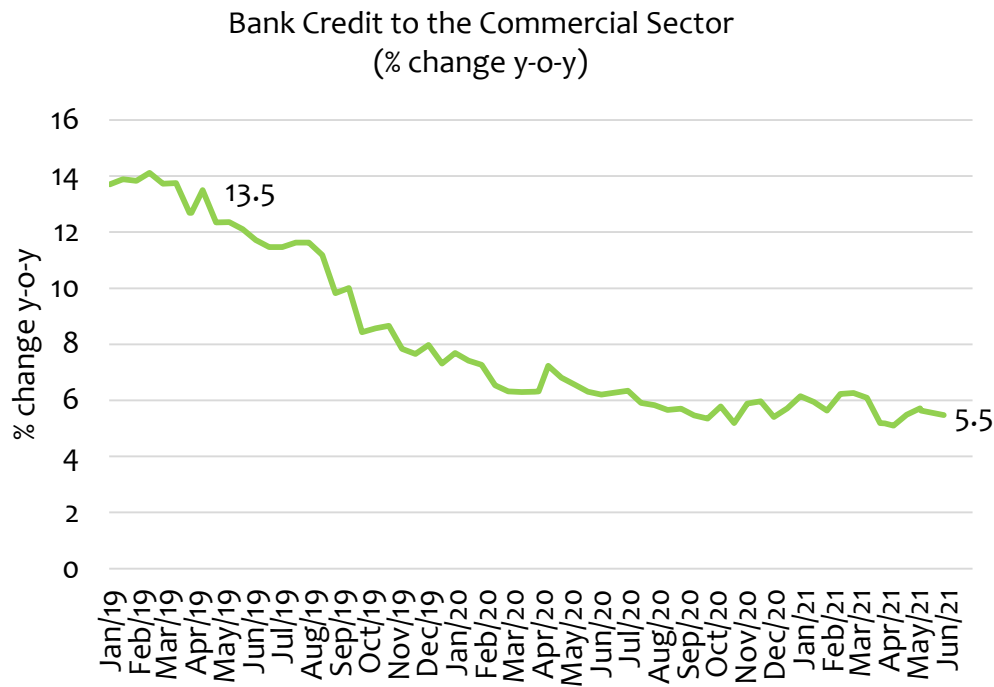
- The principle policy move to achieve this dual goal has been maintaining the repo rate at 4% since April 2020 with yields on short maturity government bonds closely tracking the policy rate.
- The yield on the 10-year benchmark government security (G-sec) has been range bound as a result of RBI interventions in the bond market such as Operation Twist combined with Open Market Operations.

The lower repo rate is also now being better transmitted to bank borrowing & lending rates



- Repo rate reduction is now better reflected in lower bank lending & borrowing rates.
- The repo rate has come down by 115 bps while the WALR for fresh loans has come down by 116 bps from February 2020 till April 2021.
- Transmission to lower weighted average lending rate (WALR) on new loans is the strongest for foreign banks and the least for private sector banks.

However, growth of total bank credit to commercial sector has continued to decline sharply



- Growth in bank credit to the commercial sector has come down from 12% in April, 2019 to only 6% on June, 2021.
- NCAER Business Expectations Survey indicates that only 4% of firms took loans during Jan-March 2021
- The corresponding percentages are 4.8% for small firms with annual turnover less than Rs 100 crore and 2.7% for large firms.

Monetary Policy will become more challenging going forward

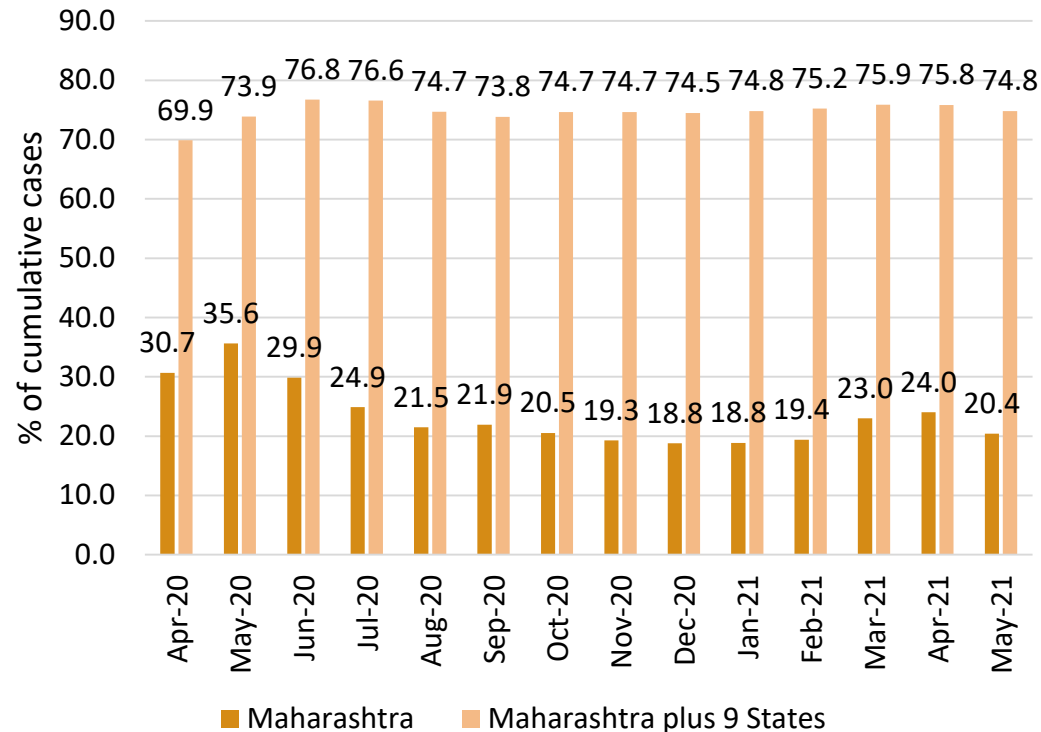
- Since the beginning of the pandemic RBI has very successfully managed to finance a huge government borrowing programme, hitherto unprecedented, and at the same time prevent a rise in bank interest rates & yields on sovereign bonds
- However, with the headline inflation rate now above the RBI's target band at 6.3% & the Federal Reserve announcement of an earlier than expected increase in the Fed Fund rate, holding down interest rates & yields on sovereign bonds will be difficult.
- Another major challenge is that the growth of bank credit has continued to decline persistently despite the reduction of interest rates and adequate liquidity in the system.

Thank you!

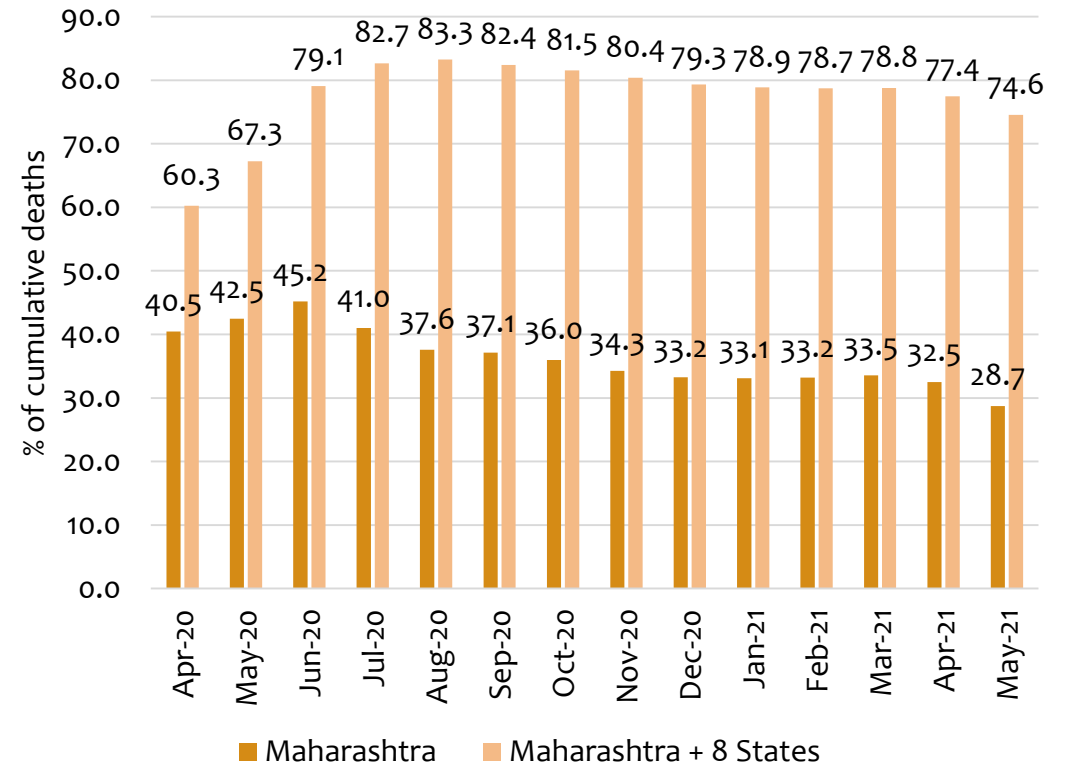


A1.1: Maharashtra and a few States have borne the burden of Coronavirus

Maharashtra & 9 other States account for around 75% of total cases



Maharashtra & 8 other States account for around 75% of total deaths



Note: The nine States in descending order are Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Uttar Pradesh, West Bengal, Delhi, Chhattisgarh and Rajasthan
Source: <https://www.covid19india.org/>.

Note: The eight States in descending order are Karnataka, Tamil Nadu, Delhi, Uttar Pradesh, West Bengal, Punjab, Chhattisgarh and Andhra Pradesh.
Source: <https://www.covid19india.org/>.

A1.2 Timeline of 2nd Wave Lockdowns in Major States

Dates	<i>Full Lockdown</i>
April 13	Chhattisgarh
April 19-22	Delhi, Jharkhand, Kerala, Maharashtra
April 29-30	Gujarat (partial), Uttar Pradesh, West Bengal
May 3-5	Andhra Pradesh, Bihar, Haryana, Karnataka, Madhya Pradesh, Punjab
May 10-13	Tamil Nadu, Telangana, Assam
	Phase-wise unlocking
June 4	Gujarat
June 7-10	Andhra Pradesh, Assam, Bihar, Delhi, Haryana, Kerala, Maharashtra, Punjab, Rajasthan, Telangana, Uttar Pradesh

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A2.1: Disruptions from the 2nd wave of the pandemic

Assumptions of Sector Disruptions in 2021-22 GDP					
Sector	Sector	Assumptions of Disruptions in 2021-22:Q1 on a y-o-y basis (%)	GVA (Rs trillion)		
			2019-20:Q1	2020-21:Q1	2021-22:Q1
Agriculture	Agriculture, forestry and fishing	3.5	4.494	4.653	4.186
Industry	Total	26.7	9.902	6.354	8.047
	Mining and quarrying	11.0	0.829	0.687	0.762
	Manufacturing	32.1	5.675	3.634	4.8
	Electricity, gas, water supply & other utility services	10.0	0.797	0.718	0.790
	Construction	25.0	2.601	1.314	1.643
Services	Total	4.8	18.657	14.653	15.350
	Trade, hotels, transport, communication and services related to broadcasting	13.2	6.643	3.451	3.907
	Financial, real estate & professional services	5.0	8.022	7.618	8.0
	Public administration, defence and other services	10.0	3.991	3.584	3.942
Total GVA	Real GVA at basic prices	9.6	33.053	25.659	28.213
Total GDP	Real GDP at market prices	9.7	35.667	26.954	30.055

Source: NCAER QRE Team.

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A2.2: GDP growth is likely to vary between 8%-10%

Scenario 1: Sector Disruptions in GDP (Rs trillion)														
Sector	2019-20:Q4	2020-21:Q1	2020-21:Q4	2021-22:Q1	2021-22:Q2		2021-22:Q3		2021-22:Q4		2019-20	2020-21	2021-22	
Scenarios	Actuals			Assessed	I	II	I	II	I	II	Actuals		I	II
Agriculture	5.3 (6.8)	4.7 (3.5)	5.4 (3.1)	4.8 (3.5)	4.0 (3.5)	4.0 (3.5)	6.6 (2.5)	6.6 (3.5)	5.6 (2.5)	5.6 (3.5)	19.7 (4.3)	20.4 (3.6)	21.0 (3.0)	21.1 (3.5)
Industry	10.4 (-2.2)	6.4 (-35.8)	11.2 (7.9)	8.0 (26.7)	10.1 (10)	10.3 (12.0)	10.6 (8.0)	11.0 (12.0)	12.3 (10)	12.5 (12.0)	39.3 (-1.2)	36.5 (-7.0)	41.1 (13.7)	41.9 (15.7)
Services	18.2 (6.4)	14.7 (-21.5)	18.5 (1.3)	15.4 (4.8)	18.6 (8.0)	18.9 (10.0)	18.2 (6.0)	18.9 (10.0)	20.0 (8.0)	20.4 (10.0)	73.8 (7.2)	67.6 (-8.4)	72.2 (6.7)	73.6 (8.7)
GVA	33.9 (3.7)	25.7 (-22.4)	35.2 (3.7)	28.2 (11.4)	32.8 (7.9)	33.3 (9.6)	35.4 (6.1)	36.5 (9.6)	37.9 (7.7)	38.5 (9.6)	132.7 (4.1)	124.5 (-6.2)	134.2 (8.3)	136.6 (10.0)
GDP	38.3 (3.3)	27.0 (-24.4)	39.0 (1.6)	30.1 (11.5)	35.6 (8.0)	36.2 (9.7)	38.5 (6.2)	39.7 (9.7)	42.0 (7.8)	42.7 (9.7)	145.7 (4.0)	135.1 (-7.3)	146.1 (8.4)	148.7 (10.1)

Notes: The values in the brackets are year-on-year growth rates.

Source: NCAER QRE Team.

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A2.3: Only Electricity, Gas and Water Utilities maintained the same GVA in 2020-21 vs. 2019-20

Real GVA Industry and its Components (Rs trillion)						
Year: Quarter	Industry	Mining	Manufacturing	EGW	Construction	
2019-20:Q1	9.9	0.8	5.7	0.8	2.6	
2019-20:Q2	9.5	0.6	5.6	0.8	2.4	
2019-20:Q3	9.5	0.8	5.5	0.7	2.6	
2019-20:Q4	10.4	1.0	5.9	0.7	2.8	
2020-21:Q1	6.4	0.7	3.6	0.7	1.3	
2020-21:Q2	9.2	0.6	5.6	0.8	2.2	
2020-21:Q3	9.8	0.7	5.6	0.8	2.7	
2020-21:Q4	11.2	0.9	6.3	0.8	3.2	
2019-20	39.3 (-1.2)	3.2 (-2.5)	22.7 (-2.4)	3.0 (2.1)	10.4 (1.0)	
2020-21	36.5 (-7.0)	2.9 (-8.5)	21.1 (-7.2)	3.1 (1.9)	9.5 (-8.6)	

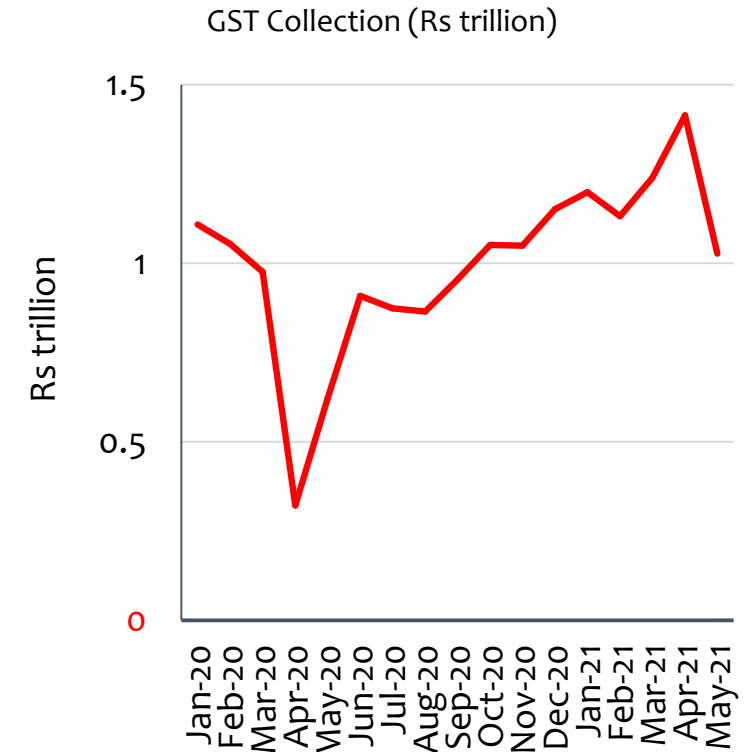
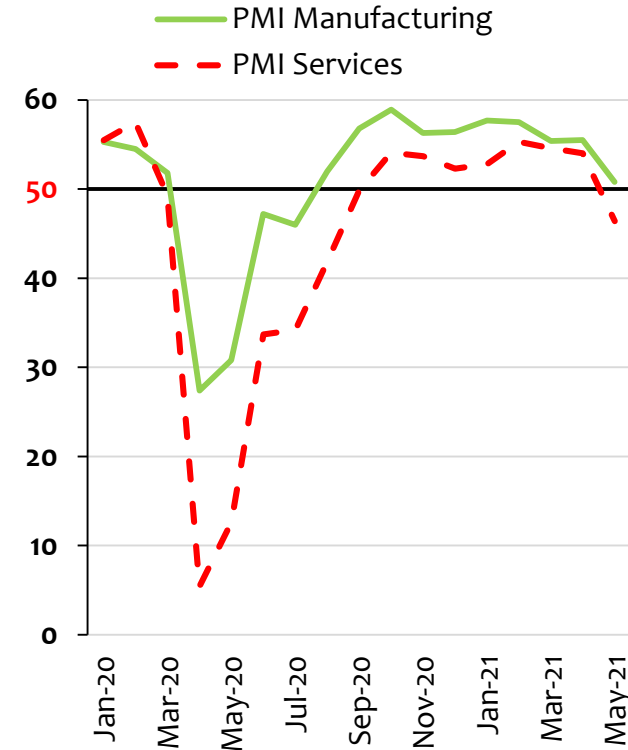
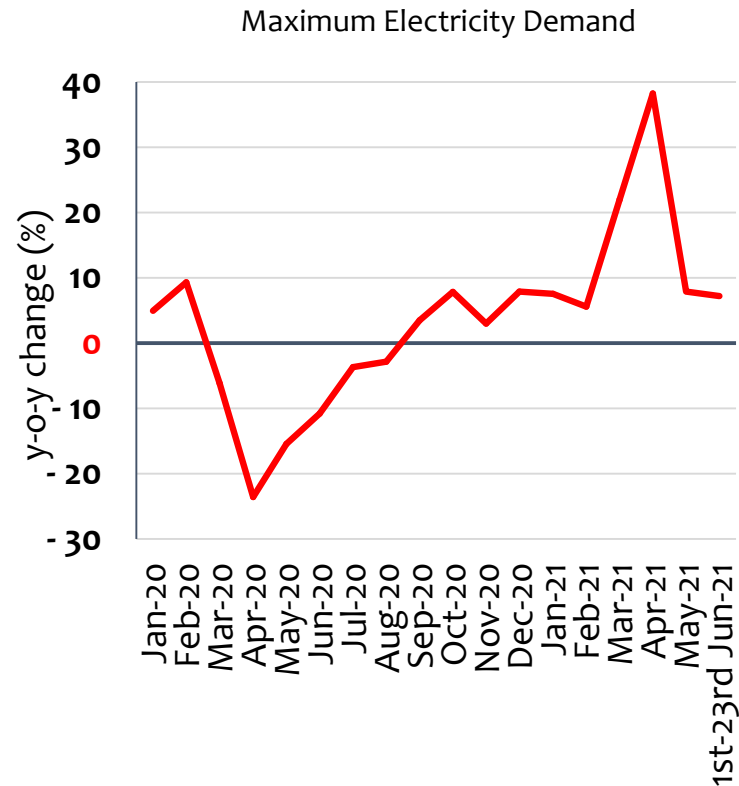
Source: Ministry of Statistics & Programme Implementation.

Notes: EGW stands for Electricity, Gas, Water Supply & other Utilities

Figures in brackets indicate year-on-year growth

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A2.4 Maximum Electricity demand, PMI and GST Collection till May 2021



Sources: POSOCO, Goods & Services Tax Network and IHS Markit.

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A2.5: Trade, Hotels, Transport, Communication & broadcasting has borne the brunt of the pandemic

Real GVA Services and its Components (Rs trillion)				
Year: Quarter	Services	Trade, Hotels, Transport, Communication & broadcasting	Finance, real estate and professional services	Public administration, defence & other services
2019-20:Q1	18.7	6.6	8.0	4.0
2019-20:Q2	19.4	6.4	8.6	4.4
2019-20:Q3	17.4	6.6	6.2	4.6
2019-20:Q4	18.2	7.3	6.3	4.6
2020-21:Q1	14.7	3.5	7.6	3.6
2020-21:Q2	17.2	5.4	7.8	4.0
2020-21:Q3	17.2	6.1	6.6	4.5
2020-21:Q4	18.5	7.2	6.6	4.7
2019-20	73.8	27.0	29.2	17.6
	(7.2)	(6.4)	(7.3)	(8.3)
2020-21	67.6	22.1	28.7	16.8
	(-8.4)	(-18.2)	(-1.5)	(-4.6)

Source: Ministry of Statistics & Programme Implementation.

Notes: EGW stands for Electricity, Gas, Water Supply & other Utilities

Figures in brackets indicate year-on-year growth

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A2.6: Merchandise trade has recovered since 2020 though there has been a moderation due to the second wave but services trade has remained flat

Time Period	Exports, US\$ billion			Imports, US\$ billion			Trade Balance US\$ billion
	Goods	Services	Total	Goods	Services	Total	
Apr-20	10	16	27	17	9	26	0
May-20	19	17	36	22	10	32	4
Jun-20	22	17	39	21	10	31	8
Jul-20	24	17	41	28	10	39	2
Aug-20	23	16	39	29	10	39	0
Sep-20	28	17	45	30	10	40	4
Oct-20	25	17	41	34	10	43	(-) ²
Nov-20	24	17	41	33	10	44	(-) ³
Dec-20	27	19	46	43	12	54	(-) ⁸
Jan-21	27	17	45	42	10	52	(-) ⁸
Feb-21	28	18	45	41	11	51	(-) ⁶
Mar-21	34	20	55	48	13	61	(-) ⁶
Apr-21	31	18	48	46	10	56	(-) ⁷
May-21	32	18 ¹	50 ¹	39	10 ¹	49 ¹	2 ¹
2020-21:Q3	76	52	128	110	31	141	(-)¹³
	(-4.5) ²	(-5.9) ²	(-5.1) ²	(-5.6) ²	(-10.7) ²	(-6.8) ²	(21.0) ²
2020-21:Q4	90	55	145	131	33	164	(-)¹⁹
	(19.6) ²	(0.4) ²	(11.5) ²	(18.4) ²	(-2.7) ²	(13.4) ²	(-30.6) ²

Sources: Ministry of Commerce (MoC) for goods trade and Reserve Bank of India (RBI) for services trade.

Notes: 1. Not RBI actuals but preliminary estimates from MoC;

2. Figures in parentheses indicate % change year-on-year; 3. NA stands for Not Available.

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A2.7 Current account surplus more than offset vanishing capital account surplus in 2020-21:Q1

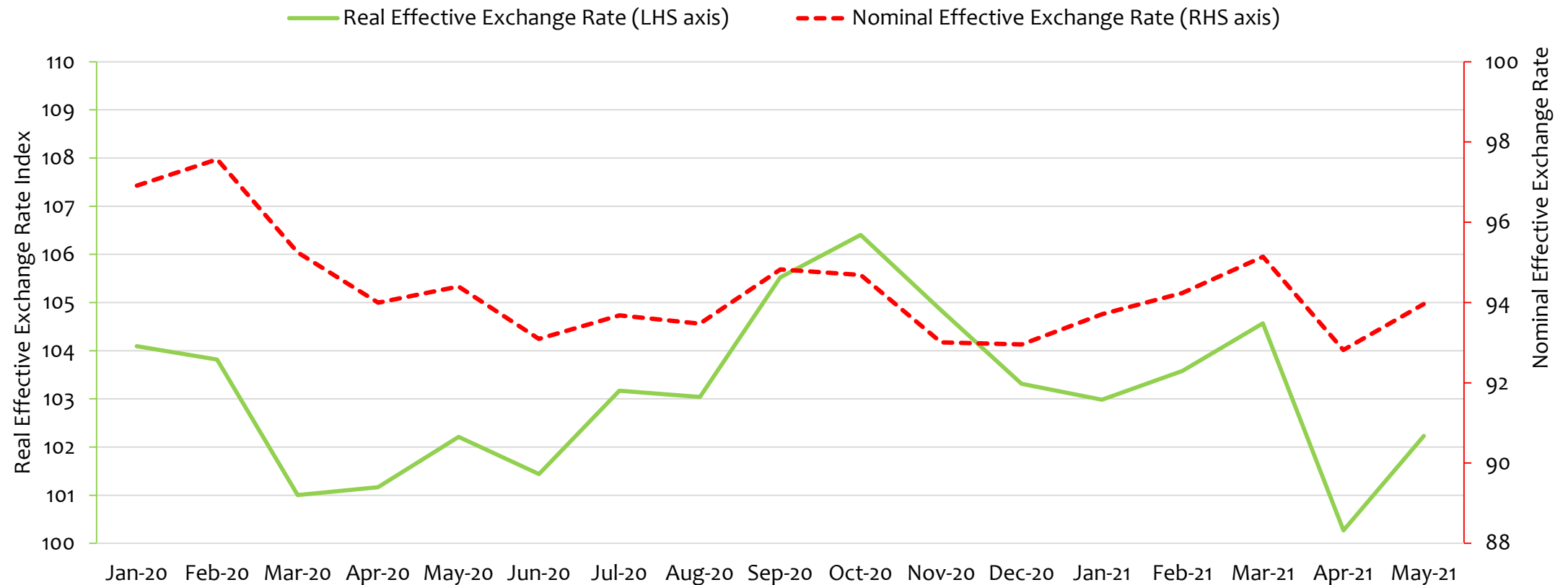
<i>(US\$ billion)</i>	<i>2019-20:Q3</i>	<i>2019-20:Q4 (P)</i>	<i>2020-21:Q1 (P)</i>	<i>2020-21:Q2 (P)</i>	<i>2020-21:Q3 (P)</i>
Overall Balance of Payments (1+2+3)	22	19	20	31	32
1. Current Account (1.1+1.2)	(-1)	1	20	(-15)	(-2)
1.1 Merchandise Trade	(-35)	(-35)	(-10)	(-15)	(-35)
1.2 Invisibles Trade	33	36	30	30	33
2. Capital Account (2.1+2.2+2.3+2.4+2.5)	22	17	1	15	33
2.1 Foreign Investment	18	(-2)	0	31	38
2.2 Loans	3	10	2	(-4)	0
2.3 Banking Capital	(-2)	(-5)	2	(-11)	(-8)
2.4 Rupee Debt Service	0	0	0	0	0
2.5 Other Capital	4	14	(-4)	(-1)	3
3.0 Errors & Omissions	1	1	(-1)	1	1
4.0 Monetary Movements (4.1+4.2)	(-22)	(-19)	(-20)	(-32)	(-32)
4.1 I.M.F.	0	0	0	0	0
4.2 Foreign Exchange Reserves	(-22)	(-19)	(-20)	(-32)	(-32)

Source: Reserve Bank of India.

Note: P stands for Preliminary

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A2.8 Real and nominal effective exchange rates have been fluctuating in 2021

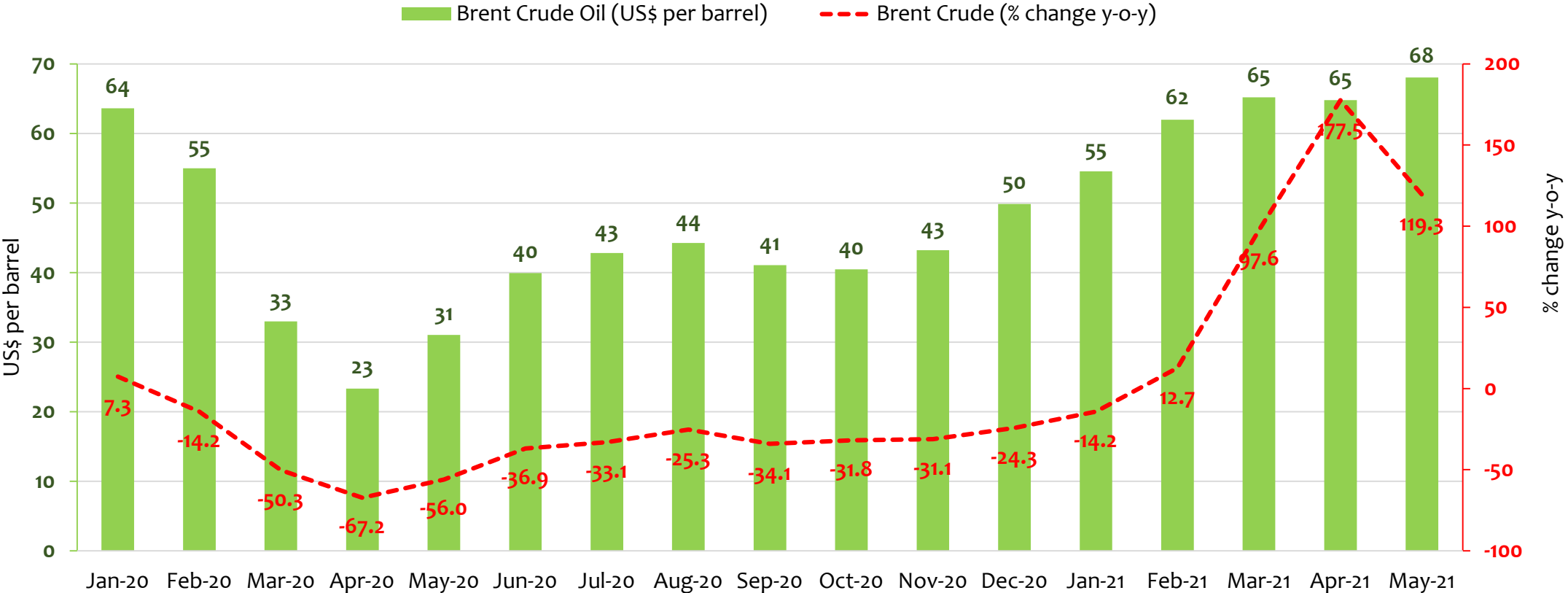


Source: Reserve Bank of India.

Note: Rising (falling) REER & falling (rising) NEER implies appreciation (depreciation).

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A3.1 Crude Oil Prices



Source: International Monetary Fund.

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A3.2: Inflation Forecast

- The model is a co-integrated Vector Auto-Regression Model
- Rudrani Bhattacharya and Mrigankshi Kapoor, (October, 2020), “Forecasting Consumer Price Index Inflation in India: Vector Error Correction Mechanism Vs. Dynamic Factor Model for Non-Stationary Time Series”, NIPFP Working Paper Series, No. 323.
- Indicators used: Weighted average of WPI food articles & WPI manufactured food, WPI Energy, CPI food, CPI energy, CPI core, Crude Oil, RBI 3-month Household Inflation Expectations, M3, Call Money rate & Non-food credit

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A4.1: Revenue Scenario

Revenue Scenario (Rs trillion)				
	<i>Direct tax</i>	<i>Indirect tax</i>	<i>Tax revenue (net to Centre)</i>	<i>Non-tax revenue (Centre)</i>
2018-19 (actual)	11.3 (6.0)	9.6 (5.1)	13.2 (7.0)	2.4 (1.2)
2019-20 (actual)	10.4 (5.1)	9.7 (4.8)	13.6 (6.7)	3.3 (1.6)
2020-21 (actual)	9.3 (4.7)	11.0 (5.6)	14.2 (7.2)	2.1 (1.1)
2021-22 (BE)	11.1 (5.0)	11.1 (5.0)	15.5 (6.9)	2.4 (1.1)
2021-22 (post BE)	11.1 (5.0)	11.1 (5.0)	15.5 (6.9)	2.9 (1.3)

Note: Figures in brackets denote percentage of GDP.

Sources: Controller General of Accounts, Union Budget and Government of India announcements

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A4.2: Share in Total Expenditure by Ministry/Department

Changes in the Expenditure Shares of Major Central Government Ministries/Departments							
Ministries/Departments	Rs trillion				Share in total expenditure (%)		
	2020-21 actual	2021-22 BE	Announcements post 2021-22 BE	2021-22 post BE	2020-21 actual	2021-22 BE	2021-22 post BE
Share of expenditure increased between 2020-21 actual and 2021-22 post BE							
Capital expenditure under all departments	4.2	5.5		5.5	12.1	15.9	15.2
Department of Agriculture, Cooperation & Farmers Welfare	1.1	1.2		1.2	3.1	3.5	3.4
Ministry of Road Transport & Highways	1.0	1.2		1.2	2.8	3.4	3.2
Department of Health & Family Welfare	0.8	0.7	0.2	0.9	2.2	2.0	2.4
Ministry of Jal Shakti	0.2	0.7		0.7	0.7	2.0	1.9
Department of Telecommunications	0.4	0.6		0.6	1.2	1.7	1.6
Ministry of Housing & Urban Affairs	0.5	0.5		0.5	1.3	1.6	1.5
Share of expenditure stayed same between 2020-21 actual and 2021-22 post BE							
Department of School Education and Literacy	0.5	0.5		0.5	1.5	1.6	1.5
Share of expenditure decreased between 2020-21 actual and 2021-22 post BE							
Department of Food & Public Distribution	5.6	2.5	1.3	3.8	15.8	7.3	10.5
Department of Rural Development	2.0	1.3		1.3	5.6	3.8	3.6
Ministry of Chemicals and Fertilisers	1.3	0.8	0.1	1.0	3.7	2.3	2.6
Ministry of Petroleum and Natural Gas	0.4	0.2		0.2	1.2	0.5	0.4
Total Expenditure	35.1	34.8	1.6	36.4	100.0	100.0	100.0

Note: Those Ministries/Departments are taken whose share in total expenditure were more than 1%.

Sources: Controller General of Accounts, Union Budget and Government of India announcements.

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A4.3: Receipts, Expenditure & Deficits

Receipts, expenditure and deficits (Rs trillion)				
	<i>Revenue receipts</i>	<i>Non-debt capital receipts</i>	<i>Total Expenditure</i>	<i>Fiscal deficit</i>
2018-19 (actual)	15.5 (8.2)	1.1 (0.6)	23.2 (12.3)	6.5 (3.4)
2019-20 (actual)	16.8 (8.3)	0.7 (0.3)	26.9 (13.2)	9.3 (4.6)
2020-21 (actual)	16.3 (8.3)	0.6 (0.3)	35.1 (17.8)	18.2 (9.2)
2021-22 (BE)	17.9 (8.0)	1.9 (0.8)	34.8 (15.6)	15.1 (6.8)
2021-22 (post BE)	18.3 (8.2)	1.9 (0.8)	36.3 (16.3)	16.1 (7.2)

Note: Figures in brackets denote percentage of GDP.

Sources: Controller General of Accounts, Union Budget and Government of India announcements

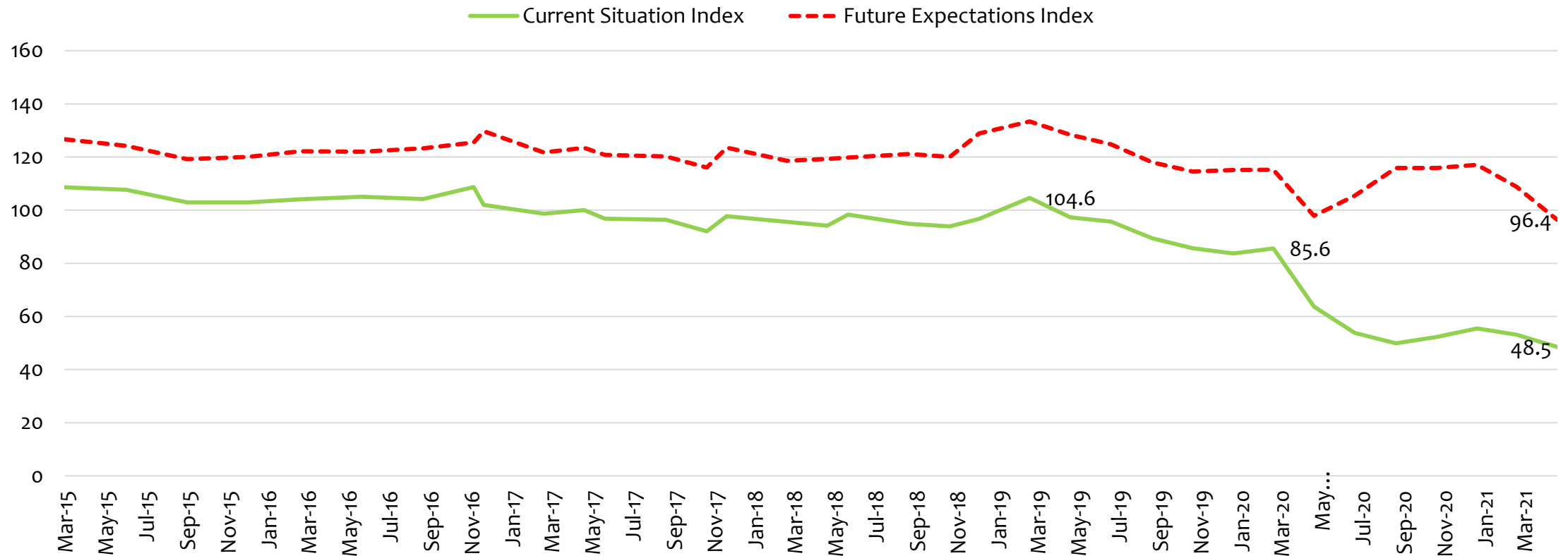
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A5.4: Private Final Consumption Expenditure, which forms 56% of GDP showed slowest recovery

<i>Time Period</i>	<i>Private Final Consumption Expenditure</i>	<i>Gross Fixed Capital Formation</i>	<i>Change in Stocks</i>	<i>Valuables</i>	<i>Government Final Consumption Expenditure</i>	<i>Exports</i>	<i>Imports</i>	<i>Discrepancies</i>	<i>GDP</i>
Rs trillion									
2020-21:Q1	15	7	0.3	0.03	4	6	5	0	27
2020-21:Q2	18	10	0.4	0.4	3	7	7	1	33
2021-22:Q3	21	12	0.4	0.4	4	7	8	0	36
2021-22:Q4	22	13	0.5	0.8	5	8	9	-1	39
% change year-on-year									
2020-21:Q1	(-) 26.2	(-) 46.6	(-) 32.8	(-) 93.0	12.7	(-) 21.8	(-) 40.9	917.9	(-) 24.4
2020-21:Q2	(-) 11.2	(-) 8.6	3.3	(-) 4.5	(-) 23.5	(-) 2.0	(-) 17.9	89.4	(-) 7.4
2021-22:Q3	(-) 2.8	2.6	5.9	10.7	(-) 0.7	(-) 3.5	(-) 5.0	(-) 42.9	0.5
2021-22:Q4	2.7	10.9	(-) 34.4	107.2	28.3	8.8	12.3	(-) 129.9	1.6

Source: Ministry of Statistics & Programme Implementation.

Continued deteriorating consumer sentiments in 2021 means that private final consumption expenditure will remain depressed



Source: Reserve Bank of India Consumer Confidence Survey.

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