NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

NCAER

QUARTERLY REVIEW

REVIEW OF THE ECONOMY

Forecast

Agriculture

Industry

Services

Money and Capital Markets

External Sector

Prices

Public Finance

Data File

July 2013

Contents

Annual Subscription
India: Rs 50,000.00
Foreign: US $ 1,500.00

Growth, Trade and Economic Management
National Council of Applied Economic Research,
Parisila Bhawan, 11, Indraprastha Estate,
New Delhi 110 002
Tel: 2337 9861-63 Fax: 2337 0164
Email: indpack@ncaer.org
Web: www.ncaer.org

Contributors:

Overview: Mythili Bhusnurmath
Forecast: Purna Chandra Parida
Agriculture: Anil Kumar Sharma
Industry: Saurabh Bandyopadhyay
Services: Devender Pratap
Monetary and Capital Market: Mythili Bhusnurmath
External Sector: Rajesh Chadha and Anjali Tandon
Prices: Bornali Bhandari
Public Finance: Mythili Bhusnurmath

Data File: Devender Pratap
Data Support: Charu Jain and Himani Gupta

Computer and Design Support: Praveen Sachdeva
Organisational Assistance: Shikha Sachdev Vasudeva and Sudesh Bala

Coordinators: Bornali Bhandari, Shashanka Bhide and Mythili Bhusnurmath

Overview

After falling to a decadal low of five per cent GDP growth in 2012–13, the outlook for 2013–14 can at best be described as cautiously hopeful that a slow recovery is in the works. The first quarter has not brought much cheer, other than on the inflation (WPI) front. While the risk in terms of over-shooting of the fiscal deficit has abated, that on the external front remains. The vulnerability of the economy to sudden stop and reversal of capital flows, subdued investment sentiment and tightening supply constraints, particularly in the food and infrastructure sectors, pose serious risks to recovery.

External environment

Global growth remains subdued with incipient signs of recovery in some advanced economies, especially the US and Japan, getting offset by slowing growth in key emerging market and developing economies (EMDEs), including China and India. The International Monetary Fund (IMF) in its World Economic Outlook has revised the global growth down to 3.1% in 2013 from 3.3% earlier.

While global commodity prices are expected to remain range-bound, financial markets are expected to show renewed volatility in the face of uncertainty about continuance of the extraordinary easy money policy by the US Federal Reserve. Statements by the US Fed Chairman, Ben Bernanke about a possible phasing out or tapering of the policy of monthly purchase of $ 85 billion worth of bonds, have added to the climate of uncertainty. The global bond sell-off witnessed in May and June resulted in most currencies depreciating against the US dollar, triggering further portfolio flows from countries like India.

Domestic scenario

On the domestic front, the portents are not too bright. According to the Reserve Bank of India (RBI) the slowdown has become pervasive with most sectors, including services, showing below-trend rate growth. Leading indicators do not suggest any improvement. On the contrary, the index of industrial production, after remaining stagnant in April actually contracted 1.6% in May 2013. Initial numbers for June do not look much brighter with core sector growth slowing to 0.1% in June 2013, down from 7.9% during the comparable month of the previous year and 2.3 % in May 2013.

The services sector, which has so far propped up overall growth also seems to be showing signs of flagging with growth in services slowing down to single digits in the last quarter of the last fiscal. For now agriculture seems to be the only bright spot, thanks to the abundant monsoon. With the country receiving 15% more rainfall than the long-term average, the hope is that the farm sector will shore up overall growth. The dwindling share of the farm sector (about 12%) will not quite make up for the lacklustre performance of manufacturing, mining and services, nonetheless it has important welfare implications since close to 60% of the population is still dependent on agriculture. A bumper crop can also help address some of the supply constraints that have bedeviled the sector and ease food inflation.

On the inflation front, moderation in global commodity prices and measures taken by the RBI had some impact on wholesale price inflation (WPI). WPI inflation fell to below five per cent in May 2013. Non-food manufactured product inflation declined sharply to its lowest level in the past three years. However, the falling trend was reversed in June 2013 with WPI inflation rising to 4.86%, up from 4.7% in May 2013. Food inflation, in particular, rose in May and June 2013, raising the spectre of a resurgence of inflationary pressures. These pressures could moderate somewhat if the monsoon remains on track during the rest of the season. Meanwhile, consumer price inflation remains stubbornly high and recent currency depreciation and upward revisions in fuel prices have increased upside risks to both wholesale and consumer price inflation.

The external sector is presently the Achilles heel of the economy. The current account deficit moderated during the fourth quarter of the last fiscal when the deficit fell to 3.8% of GDP, down from 6.5% in the third quarter (bringing the CAD for the year as whole to 4.8%). However, indications are that it might have widened once again in the first quarter of the current fiscal. The only silver lining is that gold imports, after recording a high of 142.5 tonnes in April and 162 tonnes in May have fallen sharply to 32 tonnes in June and 40 tonnes in July.

Policy action by the RBI which embarked on a series of liquidity-tightening measures in July and fresh strictures on import of gold, have brought some semblance of stability to the exchange rate. However, the relief may prove short-lived if as is feared the underlying problem of an unsustainably high current account deficit is not addressed.

Faced with the reality of a sustained and sharp fall in GDP growth the government has announced a number of reforms, mainly with a view to encouraging foreign direct investment (FDI) flows. Thus, FDI caps have been raised in various sectors, notably telecom, and FDI in a number of sectors has been brought under the automatic approval route. Many of the caveats attached to FDI in retail trade have also been relaxed. While none of these measures is likely to result in any immediate impact on FDI flows into the country, especially since the general elections are now less than a year away, the pre-reform signal is welcome. Whether it has come too late to make a difference to GDP growth this year remains to be seen.

Agriculture

Growth in the agriculture sector fell to 1.9% in 2012–13, down from 3.6% in 2011–12, with growth in Q4, 2012–13 falling to 1.4%. The output of rice and wheat stayed closed to their record levels achieved in 2011–12. However, the output of pulses in 2012–13 seems to have touched a new record at 18.5 million tonnes. The output of non-foodgrain crops such as oilseeds and cotton has also been close to their record levels at 32.5 million tonnes (in 2010–11) and 35.3 million bales (in 2011–12), respectively.

However, timely and bountiful rainfall during the south-west monsoon 2013 has raised the prospect of a good agricultural output.

The estimates from the Ministry of Agriculture reveal that area sown under all kharif crops taken together is up 25% this year compared to the area allocated in the corresponding period last year. The incidence of pests and disease has also remained below the Economic Threshold Level for most of the crops and storage of water in major reservoirs of the country is significantly higher than last year as well as the average for the last ten years.

All these developments augur well for the sector. Food inflation, which has stayed at relatively higher levels compared to general inflation, will also be kept in check.

Industry

The Index of Industrial Production (IIP) stagnated during 2012–13, registering a dismal 1.1% growth on a low base of 2.9% in the preceding year. During the first two months of the current fiscal, the IIP registered a marginal growth of 0.1% as against 0.6 % during the comparable period last fiscal. The slowdown was not confined to any one sector but was pervasive across wide range of sectors.

Manufacturing, which accounts for about 75% of the IIP, continues to be the biggest drag on industrial growth. After recording nine per cent growth in 2010–11, the growth of the manufacturing sector (IIP manufacturing) fell steeply to 1.3% in 2012–13 and declined further to a meagre 0.1% during April–May (Y-o-Y), 2013–14.

Growth in manufacturing was constrained by high inflation and rising cost of labour and raw materials, loss of pricing power, shortage of power, lack of credit as well as policy uncertainty.

As part of the government's National Manufacturing Policy (which aims to increase the share of manufacturing in GDP to 25% by 2022 up from the present 16%), the government announced a number of steps in July 2013 to energise the sector. These include developing a civilian aircraft, adding another 300 million tonnes of steel capacity by the middle of the next decade through special purpose vehicles of central PSUs with states and increasing textile exports by 30% this year.

The performance of the mining sector is discouraging (–4.5% growth in 2013–14), thanks to policy uncertainties and the issues of governance. Among the various sectoral indices, electricity is the only bright spot (5.2%) during April–May 2013–14, though here too growth is lower than in the corresponding period of the previous fiscal.

The contraction of the mining sector and capital goods continues to affect the overall performance of the industrial sector. Excluding capital goods and mining, the growth of the IIP during April–May 2013 was a minuscule 0.1%

Services

The y-o-y growth in the services sector, including construction, was marginally higher at 6.3% in Q4, 2012–13 compared to 6.2% during Q3, 2012–13.but excluding construction, dipped to 6.6 % compared to 6.7% in Q3, 2012–13. The 'construction' sector which accounts for 7.8% share in total GDP, grew faster at 4.4% during Q4, 2012–13 compared to 2.9% in Q3, 2012–13.

Overall, the improvement in growth in 'financing, insurance, real estate and business services' countered the marginal dip in growth in 'trade hotel & restaurant; and transport storage and communication' during the fourth quarter and helped shore up growth in services GDP in 2012–13.

However, the slowdown in the services sector with growth falling to 6.8 % in 2012–13, down from 7.9% in 2011–12, seems set to continue. Key indicators of the services sector performance during first quarter of current fiscal reveal a mixed trend.

While railway freight traffic grew faster at 4.9% during Q1:2013–14 as compared to 4.7% in the corresponding quarter of last fiscal, growth in most other sectors such ports, communications, banking, air traffic etc was distinctly slower.

Export demand for services has been a major driver of growth in the services sector. The services sector has grown in importance in India's invisibles receipts in the external sector. Invisible receipts as percent of GDP maintained their share in the range of 12–13.5% during all four quarters of 2012–13.

According to NASSCOM, increased global spending on IT technologies, and newer opportunities created through disruptive technologies are likely to ensure that revenue from IT exports remain in the region of US $ 84–87 billion during 2013–14, despite the overall slowdown in export growth..

Public Finance

It is too early in the year to decipher any clear trend in either revenue or expenditure. As per the latest numbers released by the Controller General of accounts, the Centre's fiscal deficit as at the end of May 2013 stood at 33.3% of the target for the year as against 27.6% in the comparable period of the previous year and worsened to 48% of the target for the year by the end of the first quarter.

The revenue deficit at the end of May 2013 is higher at 38.1% as against the comparable figure of 33.8% of the previous year. However, the primary deficit, which is the fiscal deficit less interest payments is not only well above the 50% number for the comparable period last year but has already touched 84.5% of the estimate for the year.

The Finance Minister has reiterated his commitment to the fiscal deficit for the year (4.8%). Though the first quarter has not ended on a fiscally bright note, it is possible that severe expenditure compression of the kind resorted to in the last fiscal might keep the final deficit for the current fiscal year under check. However the outlook for the coming years is not so sanguine. The outgo on account of the food security programme that seeks to provide subsidized grain to 67% of the population is bound to put severe pressure on the centre's finances in an environment of slowing tax revenues and inability to phase out subsidies on oil and fertilizers. An estimate by Ashok Gulati, Chairman Commission on Agriculture Costs and Prices (CACP) and Jyoti Gujral puts the cost of the scheme at roughly Rs 2,50,000 crore in the very first year of rollout. The deleterious impact of such a huge expenditure cannot be over-stated.

Money, Credit and Finance

After showing a mixed trend in 2012–13, liquidity conditions improved in the first quarter of 2013. However, the rapid weakening on the rupee, following the statements made by the Chairman of the US Federal Reserve regarding a possible tapering of its QE, compelled the RBI to come out with some strong measures to restore stability to the foreign exchange market on 15 July 2013. As part of this package, the Marginal standing Facility (MSF) rate was re-calibrated at 300 basis points above the policy repo rate under the Liquidity Adjustment Facility (LAF). Further, the overall allocation of funds under LAF was capped at 1.0 per cent of the Net Demand and Time Liabilities (NDTL) of the banking system, with the cap reckoned at Rs750 billion. The Reserve Bank also conducted open market sales of G-secs withdrawing liquidity to the tune of Rs 25 billion on July 18, 2013.

The net result was a tightening of liquidity in the system and a sharp rise in bond yields from 7.6% in May 2013 to well over eight per cent by mid–July 2013, especially after the RBI came out with further measures in late July.

The deterioration in asset quality in 2012–13 continued during Q1, 2013–14, with public sector banks showing a sharper deterioration compared to private sector banks. Tight liquidity and slower growth in deposits also saw a reduction in bank lending to industry. Year-on-year bank credit growth to industry at 15.7%in March 2013 was sharply lower than the comparable number of 20.3% in March 2012.

> Deceleration in credit growth to industry was observed in all the major sub-sectors, barring leather, chemicals, cement, wood products, food processing, textiles, glass and vehicles

Prices

The first quarter number indicate weakening trend of prices. However, retail inflation continues to remain in double digits or close to it. The outlook for prices remain uncertain as the rapid depreciation of the rupee has put pressure on import prices of oil and because of pass-through, howsoever incomplete has put upward pressure on domestic prices. However, the economic slowdown has weakened prices significantly. Depending on the strength of the economic force on each side, prices may go up or down. Given that this is an election, structural reforms which could clamp down structural inflation seems remote and thereby the inflation scenario may remain volatile.

External Sector

The picture on the external front is discouraging. Just three months after the IMF presented a fairly sanguine view of the global economy in its *World Economic Outlook* (April 2013), the July update of the Fund's *Outlook* is distinctly less upbeat. Growth forecast for 2013 has been lowered to 3.1% with the prospect of stagnation replacing the hoped-for acceleration. The growth forecast for 2014 has also been revised downward.

The global economy continues to face downside risks to growth. In line with slowing global growth exports of many EMDEs, viz., Brazil, Indonesia, Malaysia and Indonesia, have contracted in recent months. India has been no exception. Trends in exports and imports in Q1: 2013–14 suggest a widening of the merchandise trade deficit. The trade deficit widened from US$ 42.2 billion in Q1 of 2012–13 to US$ 50.2 billion in Q1 of 2013–14, mainly on account of a sharp increase in gold imports.

Reflecting global demand conditions, exports contracted in May and June 2013 after recording growth for five consecutive months (since December 2012). Despite a 5.7 per cent decline in international crude oil prices (Indian basket) in Q1, 2013–14 (y-o-y), POL imports grew by 6.4%. Overall, imports grew by six per cent in Q1, 2013–14 as against a decline of 5.7 per cent in Q1, 2012–13.

Continued reliance on debt flows to finance the burgeoning current account deficit resulted in a worsening of external debt indicators

The share of short-term debt, by residual maturity, a percentage of total external debt has increased to 44.2% as at the end of March 2013, up from 42.7% the previous fiscal even as the ratio of forex reserve cover to short-term debt has fallen.

Forecast

Overall, a strong recovery in the short-term looks unlikely. However, that perception may change if agriculture performs better

Current estimates of quarterly GDP for 2013–14 are the first revision of our preliminary estimates in April 2013. They are based on a number of assumptions relating to exogenous variables and updating high frequency exogenous variables till May/June 2013, such as normal monsoon, marginally better capital market performance, slight tightening of monetary policy, slower growth in bank credit to the commercial sector (BCC) – from 16.6% in 2012–13 to 15.8 % in 2013–14, 16.4% yoy growth of government expenditure and a WPI inflation at 6.1 per cent for 2013–14.

Based on these assumptions, we project GDP growth at 2004–05 constant prices at 5.7% for 2013–14, a downward revision of 0.5 percentage points over our preliminary estimate of 6.2% in April 2013. The slower overall growth is mainly due to downward revision of service sector growth from 7.5% earlier to 6.8% now. Industrial growth is also revised downward from 4.8 % to 4.5 % while agricultural growth is retained at 3.3%

The revised annual assessment for 2013–14 places overall GDP growth, in constant 2004–05 prices, at 5.9%, 0.3 percentage points lower than our earlier estimate of 6.2 per cent in April 2013 and lower than the 5.7% growth using the quarterly GDP growth approach. Service sector growth is revised downwards from 7.7 % in April 2013 to 7.1 %; there is a marginal downward revision of industrial sector's growth by 0.1 percentage point from 4.4 % in April while the estimate for agriculture growth is retained at 3.2%.

Concluding Remarks

The Indian economy is in deep trouble. On the contrary, a new dimension – external sector weakness - has been added to the trade-off between growth and inflation that has dogged policy makers for more than two years now. Indeed much of the deterioration in our macroeconomic fundamentals can be directly traced to high inflation of the past three years. This has lowered the competitiveness of our exports, put pressure on government finances and lowered savings and investments rates. Unfortunately, the only lasting solution to our economic ills – structural reforms to reduce the current account deficit and increase savings and investment – are noticeably absent.

Forecast

The quarterly and annual models predict GDP growth at 5.7% and 5.9%, respectively for 2013-14. Both forecasts have been revised downwards.

F.1 Backdrop

The prospect of a growth recovery in the current fiscal looks bleak. While risk factors have got amplified, positive factors have weakened. Containment of the fiscal deficit was an important positive three months ago. But the implications of the Food Security Ordinance/ Bill on the fisc cannot be ignored. According to estimates made by Surjit Bhalla (*The Indian Express,* 25 July), India will spend close to three per cent of its GDP on food subsidies under this scheme. The economy also faces a serious challenge on the external front, where Rupee touched an all-time low of Rs 61.21 against US dollar on July 8, 2013.

Investment and private consumption, which were key drivers of domestic demand-led growth, have also declined sharply. As a result, growth in both services and industry has shown considerable decline. The consensus survey carried out by various agencies suggests median growth for the current fiscal is likely to be only 5.6 per cent, well below the 6 per cent plus estimated three months ago. If sentiment fails to revive, growth rate is likely to decline further to five per cent.

Table F.1: GDP forecast by different agencies for 2013-14

Agency	Earlier	Latest
World Bank (GDPfc)	6.1% (Jan)	5.7%(June)
IMF (GDPmp)	5.8%(Apr)	5.6% (July)
ADB (GDPfc)	6.0% (Apr)	5.8% (July)
RBI (GDPfc)	6.6% (Jan)	5.7% (Mar)
PEAC (GDPfc)	6.7% (Jan)	6.4% (Apr)
Ministry of Finance	6.1-6.7% (Feb)	-

Revised projections by various agencies are given in Table F.1.

The decline in new investment in the infrastructure sector has resulted in capacity constraints and affected the growth performance of the manufacturing and services sectors. Infrastructure recorded a mere 2.8 per cent year-on-year (y-o-y) growth during 2012–13 compared to 5.02 per cent during the same period of the previous fiscal year. All six major infrastructure sectors, other than cement, witnessed negligible growth in 2012–13. The cement industry has recorded an outstanding growth of 9.3 per cent 2012–13 compared to 6.7 percent during the previous fiscal. The poor performance of the infrastructure sector is likely to act as an obstacle to growth elsewhere in the economy with the result that prospects of growth recovery are expected to remain weak in the current fiscal.

Stubborn food inflation is another important factor adversely affecting economic growth. Figure F.1 illustrates the y-o-y growth rates of three-month moving average of IIP, and CPI-IW series. Although WPI inflation has declined to below five per cent, CPI inflation remains high. Industrial growth, as measured by the index of industrial production (IIP), remained lacklustre due to poor performance of the manufacturing sector. In order to boost industrial production, particularly manufacturing sector, the RBI has slashed the Repo rate thrice since January 2013 despite of high consumer price inflation. The latest downward revision was made in May 03, 2013 by 25 basis points from 7.5 to 7.25 per cent, the lowest rate since May 2011.

However, the RBI is unlikely to go for further rate cuts as consumer price inflation has again picked up in May and June 2013. Further, import prices of oil and raw materials have picked up due to weakening of Rupee against US dollar. This will stoke domestic inflation further. With a number of state elections and the general elections scheduled over the next 12 months, there is bound to be an increase in government spending which will spur demand, and hence, inflation. Under these circumstances, there will be less scope for the RBI to go for a pro-growth monetary policy in order to boost investment and revive the growth.

F.2 Recent Trends in Selected Macroeconomic Indicators

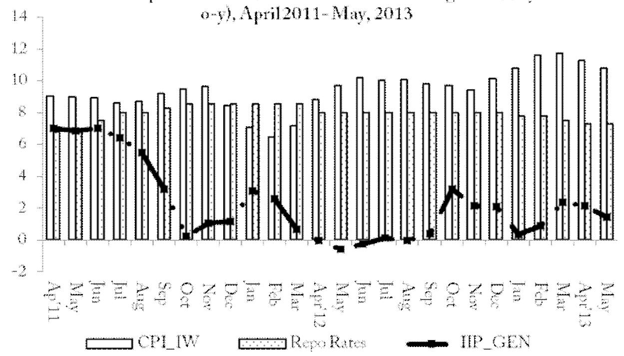
The overall economic output of the country expanded at its lowest pace during the second-half of last fiscal year. GDP grew a mere 4.7 and 4.8 per cent in Q3 and Q4 of 2012–13 respectively, the lowest since Q3:2004–05. The poor performance was across all three sectors. While industrial performance was adversely affected by the lacklustre performance of manufacturing, agriculture, which performed reasonably well in 2011–12, grew by just 1.9% in 2012–13 due to poor monsoon in several parts of India. The performance of services sector, on the other hand, was affected by unfavourable external conditions, slowing down of services-related manufacturing activities, high cost of borrowing and decline in private investment.

The current trends in the major macro indicators are given in Table F.2. Some of the important patterns emerging are the following.

After scripting a marginally-improved performance in second-half of 2012–13, the IIP shows no sign of recovery during the first quarter of the current fiscal.

- Industrial output in May 2013 actually declined 1.6%. Mining and quarrying sector continued to underperform due to various policy logjams and environment issues. As a result, the electricity sector, which is largely dependent upon the coal and mining sectors, has shown meagre growth.

Figure F.1: RBI has cut the key policy rates despite of high consumer price inflation, to boost investment and growth, (%y-o-y), April 2011- May, 2013



- Broader inflation, as measured by the wholesale price index, has declined continuously since Q1:2012–13. It fell below the five per cent mark in Q1 of current fiscal due to a steady decline in manufacturing inflation which accounts for a high share (65 per cent) of WPI. The price of primary articles and fuel has also subsided compared to 2011–12 and the first-half of 2012–13 but still remains above the comfort zone due to supply side constraints and the weak Rupee. While the price of wheat and edible oils has declined substantially, the price of rice remains sticky, registering an 18.2 per cent increase in Q1:2013–14 compared to 6.1 per cent in Q1:2012–13. Retail inflation defined in terms of consumer price inflation eased during the first-half of 2012–13 and increased thereafter. The price of UK Brent oil has declined significantly from US$ 120.46 per barrel in April 2012 to US$102.9 per barrel in April 2013 but has started increasing thereafter.

- Broad money supply (M3) growth continued to decline despite RBI's easy monetary policy since January 2012. M3 recorded 13 per cent growth in Q4:2012–13 but declined to 12.8 per cent in the first quarter of current fiscal. The capital market has performed reasonably well in the first quarter of current fiscal, registering 15 per cent growth compared to a negative 9.8 per cent growth in the same quarter of the previous fiscal year. However, the strong base effect should be discounted to get the true growth rate.

- The Rupee continued to be under pressure against the US dollar due to weakening of domestic growth and foreign capital inflows. In 2012–13, the Rupee depreciated 13.4% against the US$. This was followed by a further depreciation of 3.5% in Q1:2013–14. The recent data shows the value of Rupee touched its all-time low of 61.21 on July 8, 2013. Surprisingly, the sharp depreciation of Rupee has not been favourable to merchandise exports although there are some positive impacts on services exports. Merchandise exports (US$) contracted by 1% in 2012–13 and fell further by 3.7% in Q1:2013–14. Merchandise imports (US$), on the other hand, have surged due to oil and non-oil products becoming costlier. Imports grew 0.6% in 2012–13 but increased by 6.4% in Q1 of 2013–14. Large short-term capital outflows and sporadic efforts by the RBI to support the rupee have adversely affected our forex reserves. As a result, forex reserves contracted 4.4% in 2012–13 and declined further by 3.5% in Q1:2013–14.

F.3 Economic Prospects for 2013–14

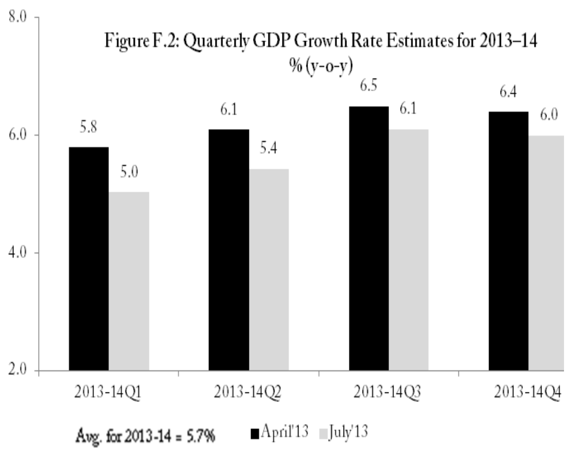
Any likelihood of economic recovery in 2013–14 is slowly fading. Most macroeconomic parameters continue to remain weak compared to the previous fiscal. Despite a good Budget in February 2013 and a few policy announcements thereafter, the investment climate continues to remain unfavourable for new investment. The NCAER-MasterCard business expectation survey reveals that business confidence index has been continuously declining since April 2012 mainly due to weak overall economic conditions and an unfavourable business environment. With the general elections fast approaching, it is unlikely government will announce any big ticket reforms in the days to come or be able to get pending Bills passed by Parliament.

On the contrary, chances are populist measures like the Food Security programme will see the light of day adding to the burden on the fisc. A higher deficit will add to inflationary pressures as the government spends more on current consumption than investment. High government borrowings will also crowd out private investment and lead to erosion of growth.

As pointed out by NCAER in its monthly bulletin, 'MacroTrack' February 2013, the Indian economy is in a crisis.

> The economy faces four serious challenges – collapse of economic growth, stubborn inflation, slowing down of savings and investment and a vulnerable external situation.

GDP growth is expected to remain low during the first-half of the current fiscal. A big worry apart from the current account deficit is the slowdown of services sector growth.



Overall, a strong recovery in the short-term looks unlikely. However, that perception may change if agriculture performs better. This will also put a check on food inflation and give ample space for the RBI to deliver a pro-growth monetary policy.

On the fiscal front, it is difficult to put a check on government expenditure during the election years. Higher government spending will improve GDP growth in the short-term, but will increase inflation expectations and mean less growth in the medium–term. One way to minimise the negative impact of government spending is to change spending choices in favour of investment rather than consumption. The economic condition of developed countries, particularly the Euro Zone, remains fragile and recovery is unlikely to happen soon. Hence, judicious domestic policy decisions alone will help prevent further damage to growth prospects.

Against this backdrop, we have re-assessed the economic outlook for the current fiscal year using two approaches: (1) quarterly GDP growth assessment based on a quarterly model that incorporates some of the inter-sectoral relationships and evolution patterns of variables over time and (2) annual GDP growth assessment based on a more detailed annual macro-econometric model. The results are presented below.

F.4 Quarterly GDP Growth in 2013–14

Current estimates of quarterly GDP for 2013–14 are the first revision of our preliminary estimates in April 2013. Quarterly projections for 2013–14 are based on a number of assumptions relating to exogenous variables and updating high frequency exogenous variables till May/June 2013.

The assumptions are:

- Normal monsoon.
- Marginally better capital market performance
- Slight tightening of monetary policy
- Slower growth in bank credit to the commercial sector (BCC) – from 16.6% in 2012–13 to 15.8 % in 2013–14.
- 16.4% y-o-y growth of government expenditure
- Using the ARIMA methodology, we project WPI inflation at 6.1 per cent for 2013–14.

Findings:

- GDP growth rate at 2004–05 constant prices estimated at 5.7% for 2013–14, a downward revision of 0.5 percentage points over our preliminary estimate of 6.2 per cent in April 2013.

- The slowing down of overall growth is mainly due to downward revision of service sector growth from 7.5 per cent earlier to 6.8 per cent.
- Industrial growth is also revised downward from 4.8 per cent to 4.5 per cent.
- Agricultural growth is retained at 3.3 per cent for the current fiscal.

F.5 Annual Assessments for 2013–14

The current forecast is the second revision of real GDP growth rate for 2013–14 after the first revision was made in April 2013. We had projected real GDP growth at 6.2 per cent in April 2013. The current forecast incorporates the changes of key macroeconomic parameters during the past three months. The key assumptions on which the forecast is based are the following.

- Normal monsoon.
- World GDP growth revised downward to 3.1 per cent from the earlier estimates of 3.3 per cent in April 2013 (IMF World Economic Outlook, July 2013).
- No y-o-y change in International crude oil price as against 3% increase assumed in April 2013.
- No y-o-y change in current estimates of non-fuel commodity prices in the international markets as against five per cent increase in 2013–14.

- Eight per cent y-o-y increase of net invisibles and 10% y-o-y increase in net FDI inflows in 2013–14 as against 10% and 15%, respectively.
- 10 per cent net FII inflows in current estimates as compared to 15 per cent in April.
- Four per cent Y-o-Y increase in domestic fuel prices in the current fiscal as in April 2013.
- Five per cent y-o-y increase in the BSE Sensex as compared to seven per cent in April 2013.
- No further moderation in interest rate in the current fiscal.
- LIBOR remains at 0.2 per cent.
- Two per cent depreciation of Rupee against US dollar in as compared to 1.5 per cent in April.
- Disinvestment revenue of Rs 40,000 crore, subsidies at 2.03 per cent of GDP, higher public investment in agriculture and non-agriculture sectors.
- Y-o-Y increases of direct and indirect tax collection rates remain at two and one per cent from last quarter, respectively.

The revised assessment of for 2013–14 is summarised in Table F.3.

- The revised assessment places the overall GDP growth, in constant 2004–05 prices, at 5.9 per cent in 2013–14 which is 0.3 percentage points decline from our earlier estimates of 6.2 per cent in April 2013.

- Service sector growth is revised downwards from 7.7 per cent in April 2013 to 7.1 per cent in current estimates.
- Industrial sector will continue to underperform. There is a marginal downward revision of industrial sector's growth by 0.1 percentage point from 4.4 per cent in April.
- In case of agriculture, we retain our earlier estimates of y-o-y 3.2 increase in output.
- Our revised estimates show 5.9 per cent WPI inflation in 2013–14 which is unchanged from our earlier estimates. In case of quarterly model, based on ARIMA projection, we find WPI inflation at 6.1 per cent for the current fiscal.
- Current estimates show merchandise export growth (US$) at 9.4 per cent which is significantly lower than the earlier estimates of 23.9 per cent. It is important to note here that the current model is unable to capture the sudden decline of merchandise exports and imports accurately. Therefore, we have made these estimates in outside of the model.
- Merchandise imports (US$) growth has also been revised downward from 15.8 per cent in April to 12.4 per cent in current estimates.
- Therefore, the current account deficit as a ratio to GDP has been revised upward from 3.5 per cent to 4.6 per cent for the current fiscal.
- The fiscal deficit of the Central government is revised slightly upward from 5.0 per cent to 5.1 per cent of GDP at current market prices for the current fiscal.

Table F.2: Recent Trends in Selected Economic Indicators

% Change y-o-y	2012–13	2012–13	2012–13	2012–13	2013–14	2013–14	2013–14
	Q1	Q2	Q3	Q4	Q1	April	May
I. Growth Environment: IIP							
Manufacturing	–0.8	0.2	2.5	3.2	-	2.3	-2.0
Mining and Quarrying	–1.5	–0.7	–2.9	–4.0	-	–3.3	–5.7
Electricity	6.4	2.8	4.4	2.3	-	4.2	6.2
General	–0.3	0.4	2.1	2.4	-	1.9	–1.6
II. Price environment							
WPI(New Base)							
Primary articles	9.9	9.7	9.3	10.0	6.6		
Fuel, power etc	11.9	8.7	10.4	11.3	7.6		
Manufacturing	5.3	6.0	5.6	4.8	3.2		
Rice or paddy	6.1	11.0	15.8	17.7	18.2		
Wheat	6.5	12.7	21.9	21.0	13.3		
Edible oils	10.3	10.8	9.4	6.0	0.9		
All commodities	7.5	7.4	7.3	7.2	4.8		
CPI							
Industrial workers	10.1	9.8	10.1	11.7	-	10.2	10.7
Agricultural labour	7.9	9.1	10.5	12.6	-	12.3	12.7
III. Monetary/ Capital market variables							
Sensex	–9.8	4.1	16.2	10.0	15.1		
M3	14.5	14.2	13.0	13.0	12.8		
RM	7.3	5.2	4.1	–1.7	6.9		
Bank credit to commercial sector	18.6	17.7	17.2	15.3	14.1		
LIBOR (3 months, end period rate %)*	0.47	0.4	0.3	0.3	0.3		
IV. External account							
Exports (merchandise)	–4.8	–15.4	22.4	0.2	–3.7		
Imports (merchandise)	4.2	–4.6	9.3	–5.2	6.4		
Exchange rate Rs/US$ (+ depreciation/- appreciation	19.9	20.4	6.5	8.0	3.5		
Brent $/barrel*	108.9	110.0	110.4	112.9	103.0		
Forex Currency Assets (US$)	–7.6	–8.7	–4.3	4.0	–3.5		

Table F.3: GDP Forecasts for 2012–13 and 2013–14

Item	2011–12(RE)	2012–13(AE)	NCAER forecast for 2013–14 April 2013	NCAER forecast for 2013–14 July 2013
% Change y-o-y				
Real GDP				
- Agriculture	2.8	1.8	3.2	3.2
- Industry	3.4	3.1	4.4	4.3
- Services	8.9	6.6	7.7	7.1
Total	6.5	5.0	6.2	5.9
Exports ($ value)	21.8	–1.8	23.9	9.4
Imports ($ value)	32.3	0.4	15.8	12.4
Inflation (WPI)	8.8	7.2	5.9	5.9
% of GDP at market prices				
Current account balance*	–4.2	–5.1#	–3.5	–4.6
Fiscal Deficit (Centre)	5.7	5.2	5.0	5.1

Notes: Forecast Based on Annual Model.
*AE: Advance Estimates RE: Revised Estimates *Surplus (+)/deficit (–) # PMEAC*

Agriculture

The satisfactory progress to date of the South-west monsoon augurs well for the agriculture sector. However, management of the food economy remains a challenge, particularly since the country is already holding buffer stock well in excess of the norm.

A.1 Progress of South-west Monsoon

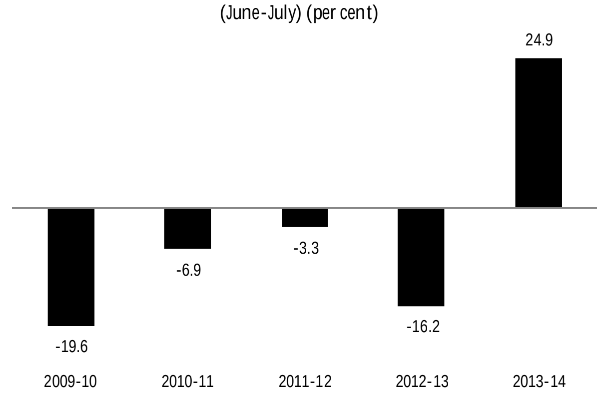
After its timely arrival on June 1 in Kerala the Southwest monsoon has advanced into the rest of the country. Rainfall during the month of June has been fairly vigorous and by 16 June, nearly a month ahead of the normal date – 15 July - the entire country had been covered.

According to the India Meteorological Department (IMD) the pace of advancement of monsoon rainfall during 2013 has been the fastest in the last six decades. As a consequence, overall rainfall during the month of June was excess/normal in 33 and deficient or scanty in only 3 (Arunachal Pradesh; Assam and Meghalaya; and Nagaland, Manipur, Mizoram, and Tripura) out of 36 meteorological sub-divisions.

The robust pace of rainfall activity continued its momentum even in the month of July and the overall precipitation up to the end of July was excess/normal in 30 and deficient in only 6 out of 36 meteorological sub-divisions. These include - Arunachal Pradesh; Assam and Meghalaya; and Nagaland, Manipur, Mizoram, and Tripura; Jharkhand; Bihar; and Haryana, Chandigarh, and Delhi. Thus, at the aggregate regional level, barring the eastern region the rainfall has been normal in the western, northern, and central regions.

A comparison of the performance of monsoon rainfall from the beginning of June to the middle of July over the last five years reveals that this year's rainfall has been the best (Figure A.1 and Table A.1), as revealed by the overall surplus of about 25% as well as the large number of agro-climatic regions that received excess to normal rainfall – 87% in 2013–14.

Figure A.1: Deviations in Monsoon Rainfall from the Normal (June-July) (per cent)



A.2 Prospects for 2013-14

The IMD in its regular updates in April and June had suggested that overall rainfall during the monsoon season would be close to normal, about 98 per cent of the long-term average with a model error of ±4 to 5 %. The actual rainfall during the season so far has exceeded these expectations. Predictions for the second half of monsoon season (August to September) also suggest that rainfall for the country as a whole is likely to be 96% of normal with a model error of ±8 %.

This is good news for the agricultural sector, which did not perform so well last year due to poor monsoon. Despite record production, agriculture, forestry and fishing growth rate slowed down to 1.9% in 2012–13 versus 3.6% in 2011–12. Recent estimates of crop production for 2012–13 suggest that output of foodgrains was impacted adversely only to some extent, 1.5 % less than last year (Table A.2). The output of rice and wheat stayed closed to their record levels achieved in 2011–12. However, the output of pulses in 2012-13 seems to have touched a new record at 18.5 million tonnes. The output of non-foodgrain crops such as oilseeds and cotton has also been close to their record levels at 32.5 million tonnes (in 2010-11) and 35.3 million bales (in 2011-12), respectively.

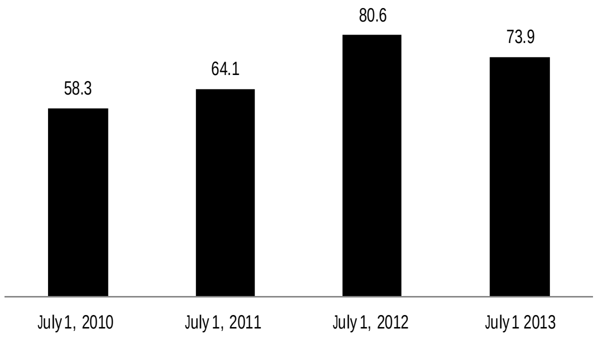
It is too early to predict growth rates in the agricultural sector for 2013–14 with any certainty because much will depend on the actual spatial progress of the monsoon during the remaining part of the season. Indications so far reveal that agricultural output will post a decent growth and this is likely to ensure adequate supplies of major agricultural commodities in the economy. The estimates from the Ministry of Agriculture reveal that area sown under all kharif crops taken together is up 25% this year compared to the area allocated in the corresponding period last year. The incidence of pests and disease has also remained below the Economic Threshold Level for most of the crops and storage of water in major reservoirs of the country is significantly higher than last year as well as the average for the last ten years.

All these developments will help improve the contribution of agriculture to overall GDP and also keep food inflation, which has stayed at relatively higher levels compared to general inflation, under control. However, there has been some reversal of this trend in the first quarter. Almost all food articles, barring cereals, fruits, and condiments and spices, have registered a small increase compared to the same period last year. (Table A.3). Some food items such as pulses, vegetables, milk and other food articles have, in fact, experienced a significant drop in the rate of inflation. Similarly, prices of manufactured food products like dairy products and edible oils have also witnessed much lower levels of inflation this year compared to the same period last year.

The persistence of high inflation in cereals highlights a dilemma in the country's food management policy.

The stock of rice and wheat with the central and state agencies as on July 1, 2013 was 73.9 million tones, comprising 31.5 million of rice and 42.4 million tonnes of wheat. Not only is this more than double the minimum norm of 31.9 million tonnes prescribed for 1st of July, it has been a feature of the food economy for the past few years as well. (Figure A.2).

Figure A.2: Stocks of Cereals with Government Agencies (Million tonnes)



This problem is likely to worsen further when the Kharif crop starts arriving in the market. Rather than allowing excess stocks to go waste/deteriorate due to lack of proper storage, options such as open market sales to liquidate surplus stocks must be considered more vigorously than in the past. This will also have a soothing effect on inflation in cereals, which has touched a high of 16% during the current year.

Government agencies continue to carry too much inventory and the nation is paying a very high cost for the same. Wastages and higher level of subsidies will certainly put a lot of pressure on resources. The gravity of the situation shows serious deficiencies in the overall pricing, procurement, and overall management of food economy, which need to be addressed on a priority basis.

Table A.1: Deviations in Monsoon Rainfall Indices from the Normal during June-July (Per cent)

S. No.	Region	2009-10	2010-11	2011-12	2012-13	2013-14
1	Eastern	-20.3	-18.7	-15.8	-7.8	-12.6
2	Western	-12.5	1.6	8.2	-15.2	59.5
3	Northern	-38.0	-14.3	2.2	-32.8	27.8
4	Southern	-11.5	18.0	-3.5	-26.8	26.0
	All India	-19.6	-6.9	-3.3	-16.2	24.9

Source: Computed.

Notes:

1. *These are deviations in regional level rainfall indices computed on the basis of un-irrigated area under foodgrains as weights.*
2. *The eastern region includes – Assam, Bihar, Jharkhand, Orissa, and West Bengal.*
3. *The western region includes – Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, and Rajasthan.*
4. *The northern region includes - Haryana, Himachal Pradesh, Jammu and Kashmir, Punjab, Uttar Pradesh, and Uttarakhand.*
5. *The southern region includes Andhra Pradesh, Karnataka, Kerala, and Tamilnadu.*

Table A.2: Actual and Estimated Levels of Output of Selected Crops (Million tonnes)

Crops	Actual 2010-11	Actual 2011-12	Fourth Advance Estimates 2012-13
Rice	96.0	105.3	104.4
Wheat	86.9	94.9	92.5
Coarse cereals	43.4	42.0	40.1
Pulses	18.2	17.1	18.5
Total Food grains	244.5	259.3	255.4
Oilseeds	32.5	29.8	31.0
Cotton*	33.0	35.2	34.0
Sugarcane	342.4	361.0	339.0

Source: Government of India, Ministry of Agriculture.
*Notes: * The estimates for cotton are in million bales.*

Table A.3: Changes in Prices of Food Items (April to June)

S. No.	Product	Change in 2011-12 over 2010-11	Change in 2012-13 over 2011-12	Change in 2013-14 over 2012-13
1	Food Articles	8.8	10.8	8.0
2	Cereals	5.1	6.4	16.2
3	Pulses	-8.3	16.2	5.9
4	Vegetables	-2.0	53.8	4.3
5	Fruits	30.5	-9.1	0.4
6	Milk	6.8	11.6	4.1
7	Eggs, meat and fish	9.2	17.1	11.3
8	Condiments and spices	14.5	-18.2	14.8
9	Other food articles	22.6	10.0	3.6
10	Food products	7.5	6.0	6.7
11	Dairy products	6.0	9.4	0.3
12	Sugar group	3.7	5.3	7.4
13	Edible oils	14.9	10.3	0.9

Notes: These changes in wholesale price indices are with respect to averages of three months for these commodity groups.

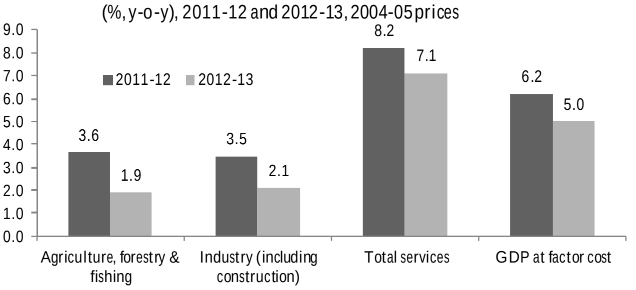
Industry

The industrial sector has experienced a free fall since 2010–11. As per the latest indicators from 2013–14, mining sector continues to be in recession and manufacturing has stalled. The electricity sector is the only bright spot. The primary concern is the fall in investment.

I.1 The Backdrop

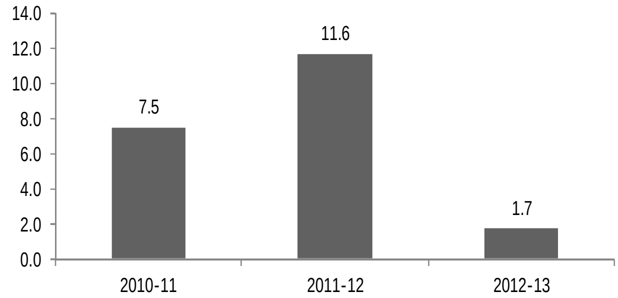
Indian economy slowed down further in 2012–13 driven by the fall in growth rates of all the three sectors – agriculture, industry and services. GDP Industry (including construction) grew at barely 2.1% (year-on-year, y-o-y) in last fiscal (Figure I.1). This is of concern as the industrial sector can provide employment opportunities to the rising surplus labour force. The share of industry (including construction) in GDP has remained in the range of 27–28 per cent since 2009–10. This is much less than the share of industry in China, 40%.

Figure I.1: Growth of Major Sectors of the Indian Economy (%, y-o-y), 2011-12 and 2012-13, 2004-05 prices



Source: Central Statistical Organisation, GoI (www. mospi.gov.in)

Figure I.2: Stalled investment, 2010-11 to 2012-13 (% y-o-y)



Source:Central Statistical Organisation (CSO), Government of India (GoI) (www.mospi.gov.i

I.2 Index of Industrial Production (IIP): Sectoral performance

Indian industry is passing through a challenging phase. The index of industrial production (IIP) barely grew in the last fiscal and the first two months of the current fiscal shows continued weakness (Table I.1). Decomposition of the IIP shows that the mining sector has been in recession since 2011–12. Issues of governance and environmental regulations have affected the viability of the sector. Manufacturing growth has slid downwards from the peak of nine per cent in 2010–11 to 1.3% in 2012–13. The 2013–14 data indicates even further fall in the abyss. Among all the sectors of IIP, electricity is the only bright spot (5.2%) in April–May period of 2013–14.

Industrial Investment

Restrictive monetary policy in order to rein in inflation has affected the industrial sector both large and small firms by driving up borrowing costs. Gross-fixed capital formation (GFCF), an indicator of investment activity by industry dropped significantly in 2012–13 (Figure I.2), which is also reflective in bank credit statistics.

I.3 Why has industrial growth fallen?

1. High Retail Inflation: Despite year-long adherence to the restrictive monetary policy, retail inflation, measured by CPI

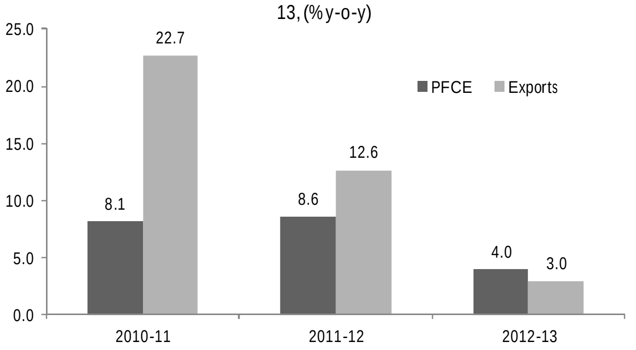
has inched up, nullifying every effort to contain the same. During May, 2013, the retail inflation was 11%. Economic intuition suggests that this would affect demand for industrial goods.

2. Weak Final Demand: The internal demand, which is revealed primarily through Private Final Consumption Expenditure (PFCE) and the external demand, reflected through the growth of export, is observed to be declining, albeit with a variation. The external demand (read export) declined significantly in 2012–13 compared to 2011–12 (Figure I.3)
3. External investment also fell in 2012–13. There was steady outflow of overall FDI investment (in rupee term) during this period with equity FDI registering negative growth of –28.2 per cent, and actual FDI went down by –37.3 per cent compared with the FY 2011–12.
4. Price of Raw Materials: The growth in the WPI of some of the crucial raw materials in 2012–13 is summarised in Table I.2.High cost of raw materials and low earning expectation is one of the major areas of concern for the growth of manufacturing production.

I.4 IIP Growth across Use-based Groupings of Industry

Among the use-based classification of the industries, all goods showed slower growth in 2012–13 with capital goods' recession deepening (Table I.3). Data from the first two months of 2013–14 shows variations with recovery in some, recession in others and still others maintained status quo. Basic and consumer durables growth weakened with the latter slipping into recession. Intermediate goods and consumer durables show improvement especially the latter. Recession in capital goods continue.

Figure I.3: Annual Growth of PFCE and Export, 2010-11 to 2012-13, (% y-o-y)



Source:Central Statistical Organisation (CSO), Government of India (GoI) (www.mospi.gov.in)

I.5 IIP Growth across sub-sectors (2–digit classification)

The IIP data for 22 sub-groups, disaggregated at 2–digit level of National Industrial Classification, 2004 has showed diverse performances across industry in 2012–13 and also during April–May period of the on-going fiscal 2013–14.Overall, 12 out of the 22 industry groups in the manufacturing sector showed positive growth during April–May, 2013–14. Prominent among these are wearing apparels (55%), leather products (15.5%), furniture (12.9%) refined petroleum products (5.2%), chemical & products (6.6%), wood & products (1.9%) paper & products (1.6%) rubber & plastics (3.6%), machinery (2%), motor vehicles (2.7%) and finally other metallic minerals (8.2%).

All these segments, specially the wearing apparel segment, have recorded impressive growth, reflecting positive impact from the demand-side as well.

The causes of worry, however, are the insignificant growth in textiles, and negative growth in metal and metal products, which has relatively higher potential for labour absorption. As echoed by the consumer durable sector, there are products that have registered steep negative growth. Noticeable among them are: Fabricated metal products (–13.4%), Office machinery (–

26.3%), Radio, TV and communication equipment & apparatus (–38.5%) and Medical, precision & optical instruments, watches and clocks (–15.8%).

The automobile sector is passing through a challenging phase. The short run elasticity of the automobile consumption (and production) did not have much impact with regard to the hike in the price of petrol. However, the long run elasticity shows a greater impact

In 2012–13, the motor vehicle sector recorded a negative growth (–5.4%). The demand for passenger vehicle has shown a significant dip, as per the report released by Society of Indian Automobile Manufacturers (SIAM). The domestic passenger car sales fell by 12 per cent to 1.43 lakh units in May against 1.63 lakh units in the corresponding month last year.

I.6 Infrastructure: Performance of the eight core industries

Infrastructure industries are the important contributor to the growth of industrial activity. With a combined weight of 37.9 per cent in the IIP (Table I.5), the eight infrastructure industries (crude oil, petroleum refinery, coal, electricity, cement, steel, natural gas, and fertilisers) registered a growth of 2.4 per cent during April–May, 2013–14, which is significantly lower than the corresponding period in 2012–13 (6.5%). Among the components of the core sector, refinery products, steel, cement and electricity registered a positive growth but less than what they have achieved in the same period of the previous fiscal

Table I.1: Sectoral Performance of IIP, 2010–11 to 2013–14* (% y-o-y)

	Mining	Manufacturing	Electricity	General
2010–11	5.2	9.0	5.5	8.2
2011–12	–2.0	3.0	8.2	2.9
2012–13	–2.4	1.3	4.0	1.1
2013–14*	–4.5	0.1	5.2	0.1

*Note: * April–May (Y-o-Y)*
Source: Central Statistical Organisation (CSO), Government of India (GoI) (www.mospi.gov.in)

Table I.2: WPI of Selected Raw materials in April–June, 2012–13: WPI (% y-o-y)

Raw Materials/ Months	April	May	June	Average Growth
Crude Petroleum	–9.9	–2.6	7.3	–2.2
Raw Silk	33.6	30.2	27.8	30.5
Copper Ore	13.9	20.9	5.0	13.3
Iron Ore	–4.8	–2.9	–17.5	–8.5
Fuel & Power	8.3	7.3	7.1	7.6
Coal	–9.8	–9.8	–8.9	–9.5
Lignite	1.6	1.6	1.6	1.6
Petrol	2.8	–4.4	–7.8	–3.3
High speed Diesel	20.6	21.2	22.8	21.5
Naphtha	–7.7	–10.4	–2.7	–7.0
Light Diesel Oil	–8.3	–9.7	6.4	–4.4
Furnace Oil	–8.6	–11.0	–1.9	–7.3
Lubricants	7.1	7.1	4.9	6.3
Electricity(Industry)	26.6	26.6	14.1	22.2
Polymers	3.1	2.8	2.8	2.9
Cement & Lime	3.9	3.0	1.7	2.8
Ferro Alloys	1.1	1.1	–0.7	0.5
Piston & Compressors	–0.7	–1.9	–1.9	–1.5
Ferrous Metals	–2.0	–2.1	–2.5	–2.2
Petrochemical Intermediates	2.7	1.7	0.4	1.6

Source: Office of the Economic Advisor, GoI

Table I.3: Use-based classification of IIP, 2010–11 to 2013–14* (% y-o-y)

Period/ Year	Basic goods	Capital goods	Intermediate goods	Consumer durables	Consumer non-durables	Overall
(Weights)	(456.82)	(88.25)	(156.86)	(84.60)	(213.47)	(1000.0)
2010–11	6.0	14.8	7.4	14.2	4.3	8.2
2011–12	5.5	–4.0	–0.6	2.6	5.9	2.9
2012–13	2.4	–6.1	1.6	2.0	2.7	1.1
2013–14*	0.8	–1.5	2.0	–9.6	6.6	0.1

**April–May*
Source: Central Statistical Organisation (CSO), Government of India (GoI) (www.mospi.gov.in)

Table I.4: Growth rate of IIP: 2–Digit Classification, 2010–11 to 2013–14 (% y-o-y)

Industry descriptions*	Weight	2010–11	2011-12	2012-13	2013-14#
Food products and beverages	72.8	7.0	15.4	2.9	–4.8
Tobacco products	15.7	2.0	5.4	–0.9	–3.6
Textiles	61.6	6.7	–1.3	5.3	0.0
Wearing apparel; dressing and dyeing of fur	27.8	3.7	–8.5	10.0	55.0
Luggage, handbags, saddlery, harness & footwear; tanning and dressing of leather products	5.8	8.1	3.7	7.3	15.5
Wood and products of wood & cork except furniture; articles of straw & plating materials	10.5	–2.2	1.8	–7.0	1.9
Paper and paper products	10	8.6	5.0	0.3	1.6
Publishing, printing & reproduction of recorded media	10.8	11.2	29.6	–5.1	0.3
Coke, refined petroleum products & nuclear fuel	67.2	–0.2	3.5	7.4	5.2
Chemicals and chemical products	100.6	2.0	–0.4	3.6	6.6
Rubber and plastics products	20.2	10.6	–0.3	0.0	3.6
Other non–metallic mineral products	43.1	4.1	4.8	1.2	8.2
Basic metals	113.4	8.8	8.7	2.5	–2.9
Fabricated metal products, except machinery & equipment	30.8	15.3	11.2	–5.1	–13.4
Machinery and equipment n.e.c.	37.6	29.4	–5.8	–3.9	2.0
Office, accounting & computing machinery	3.1	–5.3	1.6	–14.3	–26.3
Electrical machinery & apparatus n.e.c.	19.8	2.8	–22.2	0.4	–1.5
Radio, TV and communication equipment & apparatus	9.9	12.7	4.3	5.6	–38.5
Medical, precision & optical instruments, watches and clocks	5.7	6.8	10.9	–1.1	–15.8
Motor vehicles, trailers & semi-trailers	40.6	30.2	10.8	–5.4	2.7
Other transport equipment	18.2	23.2	11.9	–0.5	–1.6
Furniture; manufacturing n.e.c.	30	–7.5	–1.8	–4.5	12.9

**Industry codes are as per National Industrial Classification 2004*

 # April–May (Y-o-Y)

Source: Central Statistical Organisation (CSO), Government of India (GoI) (www.mospi.gov.in)

Table I.5: Growth of Core Infrastructure Industries, 2008–09 to 2013–14*, % y–o–y

	Weight	2008–09	2009–10	2010–11	2011–12	2012–13	April–May 2012–13	April–May 2013–14
Coal	4.38	8	8.1	–0.2	1.2	3.5	7.8	–0.1
Crude Oil	5.22	–1.8	0.5	11.9	1	–0.6	–0.4	–1.8
Natural Gas	1.71	1.3	44.6	10	–8.9	–14.5	–11.0	–18.1
Refinery Products	5.94	3	–0.4	3	3.1	10.3	22.1	5.3
Fertilizers	1.25	–3.9	12.7	0	0.4	–3.4	–12.4	–2.2
Steel	6.68	1.9	6	13.2	10.3	2.5	3.0	3.0
Cement	2.41	7.2	10.5	4.5	6.7	9.3	13.9	5.6
Electricity	10.32	2.7	6.2	5.6	8.1	4.0	5.6	4.9
Overall Index	37.90	2.8	6.6	6.6	5	3.4	6.5	2.4

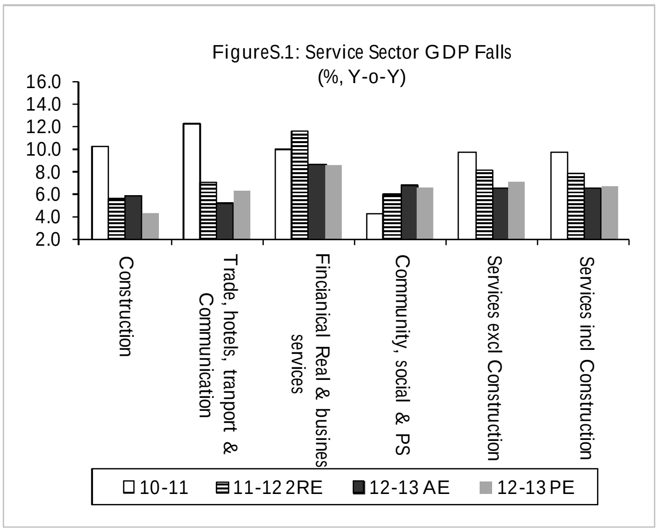
*Note: * April–May, 2013–14*
Source: Office of Economic Adviser, GoI

Services

The fourth quarter GDP data for 2012–13 shows services sector growth has stagnated. The performance of the sector during first quarter of current fiscal has been mixed. In view of the weakness in the external sector, the outlook for the services sector during the first half of current fiscal remains weak.

S.1 Trends in Services Sector GDP

India's GDP growth dropped to decadal-low of five per cent during 2012–13. The services sector GDP grew at 6.8% year-on-year (y-o-y) during 2012–13, compared to 7.9% in 2011–12 (Figure S.1).



The y-o-y growth rate of services sectors shows opposite trends depending on the inclusion of the construction sector (Table S.1). The services sector including construction improved marginally to 6.3% in Q4:2012–13 versus 6.2% in Q3:2012–13, driven by the improvement in the construction sector. The 'construction' sector which accounts for 7.8% share in total GDP (Table S.2), grew faster at 4.4% during Q4:2012–13 compared to 2.9% in Q3:2012–13.

In contrast, the growth rate of the services sector excluding construction sector dipped marginally to 6.6% in Q4:2012–13, compared to 6.7% in the third quarter of last fiscal. This is because of the mixed trends within the sector. While 'financing, insurance, real estate and business services' growth rate improved significantly between the third and fourth quarter of last fiscal, 'trade hotel & restaurant; and transport storage and communication' and community, social and personal services declined.

S.2 Indicators of Services Sector Output

The performances of key indicators of the services sector during first quarter of current fiscal provide some indication of the likely outlook for services sector GDP for the first half of this fiscal. The growth performances of these indicators reveal a mixed pattern (Table S.3).

Transport and communications: The y-o-y increase in the revenue-earning freight traffic by railways improved to 4.9% in Q1: 2013–14 after declining for two consecutive quarters. This is a healthy signal.

The y-o-y increase in 'production of commercial vehicles'- a proxy for incremental demand for road freight transport was in recession for all the four quarters of 2012–13. In the first quarter of this fiscal, it shows signs of marginal improvement.

The performance of ports sector, in terms of cargo handled, depends on economic activity both in domestic and global markets. The cargo tonnage handled at 12 major ports declined 2.6% during 2012–13 on a y-o-y basis. On the other hand, cargo handled by non-major ports registered a y-o-y increase of 9.8%. Owing to a higher growth of cargo tonnage in non-major ports, the total tonnage by major and non-major ports registered a 2.2% increase. The dismal y-o-y performance of cargo handled during 2012-13 is attributed mainly to the steep contraction in the volume of iron ore and fertilizer, both finished and raw (dry), cargo during this period.

Cargo handled at major ports, which has witnessed negative growth since Q3:2011–12, continued to decline in the first quarter of the current fiscal.

In the communication sub-sector, net addition to total telephone connections (fixed and wireless) continued to decline. The total telephone subscriber base which stood at 892.02 million in February 2013 has been dwindling since June 2012 (965.52 million) and stood at 890 million in April 2013.

The secular decline in total subscriber base occurred largely due to the shake-up in the sector following the Supreme Court judgment of February 2013. The Court had ruled out that the companies that have been unsuccessful in the bidding in November 2012 and those that did not intend to participate in the fresh auction in March 2013 after their licenses were cancelled, were to immediately stop their services in affected areas. The ruling itself led to closure of operation of the operators like Unitech Wireless in 15 circles and led to a drop of subscriber base to the extent of 8.4 million.

The banking services indicators, namely, aggregate deposits grew 13.8% during the first quarter of 2013–14 as against 16.5% in the corresponding quarter of the last fiscal. Y-o-Y growth in ‘Bank Credit to Commercial Sector’ dipped to 13.3% during Q1:2013–14, as compared to 19.2% in the comparable quarter in the previous fiscal.

Air traffic both in terms of passenger and cargo traffic registered a y-o-y decline in growth during 2012–13 (Table S.4). The decline in growth in total passenger traffic is mainly due to a dip in domestic passenger traffic which accounts for nearly 73% of total passenger traffic. While the growth of domestic passenger traffic fell, the growth in the international air passenger traffic increased, albeit at a weaker rate in 2012–13.

The first two months of current fiscal shows recovery in passenger traffic growth led by modest recovery in the domestic segment and double digit growth in the international once. Cargo traffic continues to be in recession.

The mixed performances of services sector indicators signal a weaker outlook for growth.

Trade in Services

Invisible receipts as percentage of GDP has fallen from 13.5% in Q2:2012–13 to 12.2% in Q4:2012–13 (Table S.5). The share of services in invisible receipts increased from 63.2% in Q2:2012–13 to 65.9% Q4:2012–13. Overall the y-o-y growth of service exports has declined in the last two quarters of 2012–13.

Software services followed by non-software miscellaneous services continue to be the two biggest contributors to service exports (Table S.6). Not surprisingly, the slide has been mainly driven by negative growth of all service exports especially non-software miscellaneous services and massive slow down in software service exports (Table S.7). Travel is also another notable exception to the overall trend in service exports. Decline in business and financial services are the main reasons behind the fall in non-software miscellaneous services (Table S.8). Box S.1 discusses the strategic view of IT exports in details.

S.3 Supply Side of Services

Other than hotel & tourism, all services received less FDI in 2012–13 compared to 2011–12 (Table S.9). This is a reflection of both a weakened domestic and external economy. It is too early to comment on FDI inflows based on one month of data in 2013.

S.4 Outlook for 2013–14

The performance of services sector indicators during the first quarter of the current fiscal shows a mixed pattern of growth. In the face of weak external conditions, visible trends point to a weak performance of the sector during the first quarter of the current fiscal.

Box S.1: IT-BPM Sector in India

Despite global economic uncertainty, India's IT –BPM (Information Technology –Business Process Management) is estimated to have attained aggregate revenue of USD 108 billion during 2012-13. IT software and services sector (excluding hardware) accounted for 95 USD billion of revenue. Direct employment is estimated to have touched nearly 3 million whereas indirect job creation is estimated at 9.5 million during this period. As per NASSCOM estimates, the share of IT-BPM sector to India's GDP increased from 6.4% in 2009-10 to eight per cent during 2012-13.

- The contribution of exports in IT-BPM sector has been quite significant. During this period, gross revenues (excluding hardware) are estimated to touch USD 75.8 billion. Export revenue during this fiscal grew by 10.2% compared to the earlier fiscal. Exports contributed nearly 80% of total IT-BPM revenue and employed over 2.3 million employees.

- Of the major segments of IT-BPM (excluding hardware), IT services clocked export revenue of 43.9 billion, ie 58% of total exports. During 2012-13, IT services are estimated to have grown 9.9% compared to the previous fiscal. Increased global spending on remote infrastructure management, application management and Services oriented architecture testing (SOAT) augurs well for India.

- The BPM segment is re-orienting itself for the past several years. This segment is estimated to attain revenue of US$ 14.1 billion during 2012-13. The sector is estimated to grow by 12.2 on y-o-y basis during. 2012-13. The BPM segment is fast transforming itself to new service delivery methods.

- Engineering and R& D services (ER&D) and Off-shore Product Development (OPSD) and software product segment are estimated to have generated export revenue of US $ 14.1 billion during 2012-13. Disruptive technologies – cloud, mobility, social, media, and big data analytics -are poised to take off. Experts feel that SMAC (Social, Mobile, and Analytics & Cloud) could indeed be game changers for India's IT-BPM industry. IDC estimates that IT vendors could generate US$ 225 billion SMAC related revenue by 2020.

- As per NASSCOM, increased global spending on IT technologies, and newer opportunities created through disruptive technologies, IT exports is projected to stay around 84-87 US$ billion during 2013-14. NASSCOM Strategic Review 2013 pegs domestic revenue from IT sector at around Rs 1,18,000 -1,20,000 crores, a growth of 13-15 % during 2013-14.

Source: NASSCOM (2013), The IT –BPM Sector in India, Strategic Review 2013, February

Table: S.1: Trends in Growth of Services Sector GDP (% y-o-y)

Quarter/ Fiscal Year	Construction	Trade, hotels, transport, communication	Financing, insurance, real estate	Community, social & Personal Services	Services excluding Construct-ion	Services including Construction	GDP at Factor Cost
2011–12 Q1	3.8	9.5	11.6	3.5	8.9	8.3	7.5
Q2	6.5	7.0	12.3	6.5	8.5	8.2	6.5
Q3	6.9	6.9	11.4	6.8	8.3	8.1	6.0
Q4	5.1	5.1	11.3	6.8	7.3	7.0	5.1
2012–13 Q1	7.0	6.1	9.3	8.9	7.7	7.6	5.4
Q2	3.1	6.8	8.3	8.4	7.6	7.1	5.2
Q3	2.9	6.4	7.8	5.6	6.7	6.2	4.7
Q4	4.4	6.2	9.1	4.0	6.6	6.3	4.8

Source: CSO, Provisional Estimates of Annual National Income, 2012–13 and Quarterly Estimates of GDP 2012–13 http://mospi.nic.in/Mospi_New/upload/nad_pr_31may13.pdf

Table S.2: Share (%) of Services in GDP (2004–05 Prices)

Quarter/ Fiscal Year	Construction	Trade, hotels, transport, communication	Financing, insurance, real estate	Community, social & Personal Services	Services excluding Construct-ion	Services including Construction
2011–12 Q1	7.9	28.0	18.4	11.6	58.0	65.8
Q2	8.0	27.9	18.9	14.0	60.8	68.8
Q3	7.7	26.4	17.7	12.1	56.1	63.8
Q4	7.9	27.7	17.5	13.6	58.8	66.7
2012–13 Q1	8.0	28.2	19.1	12.0	59.2	67.2
Q2	7.8	28.3	19.5	14.4	62.2	70.0
Q3	7.6	26.8	18.2	12.2	57.2	64.7
Q4	7.8	28.0	18.3	13.5	59.8	67.7

Source: CSO, Provisional Estimates of Annual National Income, 2012–13 and Quarterly Estimates of GDP 2012–13 http://mospi.nic.in/Mospi_New/upload/nad_pr_31may13.pdf

Table S.3: Indicators of Service Sector Output (% y-o-y)

Quarter/ Fiscal Year	Tourists Arrival (Numbers)	Revenue Earning Goods Traffic by Railways (million tonnes)	Cargo Handled at Major Ports ('000 tonnes)	Production of Commercial Vehicles ('000 Numbers)	New Telephone Connections (Fixed+ Wireless in Millions)	Growth in Aggregate Deposits (Rs cr)	Bank Credit to Commercial Sector (Rs cr)
2011–12 Q1	–19.7	7.0	5.2	24.8	31.9	18.3	20.6
Q2	8.1	2.7	0.9	22.9	25.4	17.5	19.5
Q3	9.6	4.5	–4.7	24.3	17.7	17.0	16.2
Q4	14.0	6.6	–7.4	18.5	12.4	13.5	17.0
2012–13 Q1	4.8	4.7	–5.5	–3.7	9.0	16.5	19.2
Q2	7.3	9.3	–0.8	–5.2	3.4	13.7	16.5
Q3	5.3	–3.0	–2.7	–13.6	–3.3	10.9	15.0
Q4	4.8	–0.8	–0.9	–17.3	–5.6	14.3	9.8
2013–14 Q1	1.9	4.9	–1.0	0.1	–5.9*	13.8	13.3

Note: *As on April 2013.

Source: i) Foreign Tourist Arrivals – Press Information bureau, Ministry of Tourism; Railway traffic - Press Information bureau, Ministry of Railways; Port Cargos – Indian Port Association; http://ipa.nic.in/pcs/default.asp; and Aggregate Deposits and Bank Credit – RBI.

Table S.4. Domestic and international air passenger and cargo traffics

	Domestic Traffic				International Traffic				Total Traffic			
Month/Year	Passenger Lakh	% chg	Cargo '000' tonnes	% chg	Passenger Lakh	% chg	Cargo '000' tonnes	% chg	Passenger Lakh	% chg	Cargo '000' tonnes	% chg
M04–12	101.3	8.3	66.1	2.0	33.9	5.3	119.8	–6.0	135.2	7.6	185.9	–3.3
M05–12	108.6	0.1	71.4	8.1	35.1	4.2	123.7	–6.8	143.7	1.1	195.1	–1.8
M06–12	101.9	–2.2	66.4	5.3	33.9	5.0	124.3	–1.1	135.8	–0.5	190.7	1.0
M07–12	91.0	–7.9	66.0	–0.3	33.2	–1.5	125.2	–3.2	124.2	–6.3	191.1	–2.1
M08–12	88.6	–6.1	64.5	–8.9	32.8	2.8	113.5	–8.7	121.4	–3.9	178.0	–8.8
M09–12	79.5	–11.6	64.7	-10.4	31.2	–0.3	116.8	–3.2	110.7	–8.7	181.5	–5.9
M10–12	88.8	–14.9	64.7	–3.2	33.2	–2.1	115.6	–2.8	122.0	–11.8	180.3	–2.9
M11–12	97.0	–9.2	64.5	–4.7	37.7	8.0	110.4	–5.9	134.7	–4.9	174.9	–5.5
M12–12	105.8	–4.9	66.8	–5.1	40.6	9.1	113.2	–6.3	146.4	–1.3	180.0	–5.9
M01–13	101.4	–4.6	63.0	–6.5	41.1	10.5	106.2	–2.2	142.5	–0.7	169.2	–3.8
M02–13	97.2	–3.7	59.6	–9.5	36.5	7.0	106.1	–6.0	133.7	–1.0	165.6	–7.3
M03–13	101.2	5.1	66.0	–7.5	39.9	12.1	130.5	1.0	141.1	7.0	196.5	–2.0
2011–12	1215.2	15.2	812.5	–4.7	408.0	7.6	1467.9	–1.9	1623.2	13.2	2280.4	–2.9
2012–13	1162.3	–4.4	783.6	–3.6	429.1	5.2	1405.3	–4.3	1591.4	–2.0	2188.9	–4.0
	April–May				April–May				April–May			
2012–13	210.0	4.0	137.4	5.1	68.9	4.6	243.5	–6.4	278.9	4.1	381.0	–2.5
2013–14	213.2	1.5	124.7	–9.3	76.5	11.0	240.0	–1.5	289.7	3.9	364.7	–4.3

Source: Airport Authority of India, Various Issues, http://www.aai.aero/traffic_news/traffic_news.jsp

Table S.5: Major Components of Invisible Receipts in Current Accounts Balance as % to GDP

Year	Services *	Transfers	Income **	Total Invisibles	Share of Services in Total Invisible Receipts
2011–12 Q1	7.8	3.6	0.6	12.0	65.4
Q2	7.7	3.8	0.7	12.2	62.6
Q3	8.7	4.0	0.5	13.2	66.0
Q4	8.5	4.0	0.5	12.9	65.5
2012–13 Q1	8.5	4.3	0.5	13.3	63.9
Q2	8.6	4.2	0.7	13.5	63.7
Q3	8.0	3.7	0.6	12.3	65.2
Q4	8.0	3.6	0.6	12.2	65.9

*Notes: *Includes travel, transportation, insurance, government not included elsewhere and Miscellaneous which includes Software in invisibles accounts; ** Includes Investment income and compensation to employees in invisible accounts*

Table S.6: Quarterly Composition of India's Services Exports (%)

Year	Travel	Transportation	Insurance	G. n. i. e	Software Services	Non-Software Miscellaneous Services*	Total Services
2011–12 Q1	10.9	12.8	1.7	0.4	43.9	30.4	100.0
Q2	13.0	13.8	1.9	0.4	42.7	28.2	100.0
Q3	13.5	12.5	2.1	0.4	42.9	28.5	100.0
Q4	14.3	12.3	1.7	0.1	45.2	26.4	100.0
2012–13 Q1	10.1	12.2	1.5	0.5	44.9	30.8	100.0
Q2	11.4	12.1	1.6	0.4	46.5	27.9	100.0
Q3	13.8	11.5	1.4	0.4	45.1	27.7	100.0
Q4	14.5	11.9	1.6	0.3	46.8	24.8	100.0

*Notes: G. n. i. e.: Government not included elsewhere, * Include business and professional services; R: Revised*
Source: RBI, RBI's Data Warehouse http://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics

Table S.7: Growth of Service Sector Exports (% y-o-y)

Year	Travel	Transportation	Insurance	G. n. i. e	Software Services	Non-Software Miscellaneous Services*	Total Services
2011–12 Q1	23.1	38.6	38.8	47.4	26.7	57.5	36.1
Q2	19.8	35.8	40.7	17.5	16.9	–7.9	11.3
Q3	11.4	28.3	59.5	–3.4	14.2	–11.0	7.2
Q4	16.0	13.6	8.2	–71.4	12.7	–3.6	8.0
2012–13 Q1	–5.2	–2.4	–6.5	14.5	4.6	3.5	2.1
Q2	–6.6	–7.2	–11.8	1.8	15.3	4.9	5.9
Q3	–0.4	–10.4	–34.4	–3.7	2.1	–5.7	–2.8
Q4	0.5	–3.6	–4.9	166.0	2.9	–6.5	–0.7

Source: RBI, RBI's Data Warehouse http://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics

Table S.8: Break- up of Non-Software Miscellaneous Services Receipts, US $ billion

Year	Business	Financial	Communication	Total Non-Software Miscellaneous Services
2011–12Q1	5.8	1.3	0.360	10.3
Q2	6.1	1.6	0.390	9.2
Q3	6.8	1.6	0.456	10.7
Q4	7.2	1.5	0.395	10.1
2012–13Q1	7.6	1.3	0.419	10.7
Q2	7.1	1.4	0.455	9.6
Q3	7.1	1.4	0.358	10.1
Q4	6.6	1.1	0.454	9.4

Source: RBI, RBI's Data Warehouse http://dbie.rbi.org.in/DBIE/dbie.rbi?site=statistics

Table S.9. Sectors attracting highest FDI equity inflows, Rs Crores

Sector	2011-12 (Apr-Mar)	2012-13 (Apr-March)	2013-14 (Apr 13)	% to total FDI inflows 2012-13 US $ terms	% to total FDI inflows in April-March 2012-13 ,US $ terms	Total FDI inflows in April 2000-April 2013	% to total FDI inflows in US $ terms
Services (Financial and Non Financial)	24,656 (5,216)	26,306 (4,833)	1,291 (238)	21.6	10.3	173,567 (37,472)	19.1
Construction Development (incl. Housing etc.)	15,236 (3,141)	7,248 (1,332)	173 (32)	5.9	1.4	101,222 (22,112)	11.3
Telecommunication s	9,012 (1,997)	1684 (304)	33 (6)	1.4	0.3	58,765 (12,862)	6.6
Computer Software and Hardware	3,804 (796)	2,656 (486)	56 (10)	2.2	2.2	52,830 (11,701)	6.0
Hotel & Tourism	4,754 (993)	17,774 (3,259)		14.5		33,442 (6,664)	3.4
Total FDI inflow	165,146 (35,121)	121,907 (24,423)	12,623 (2,321)	100	100	909,535 (195,724)	100

http://dipp.nic.in/English/Publications/FDI_Statistics/2013/india_FDI_April2013.pdf
Note: Figures in parenthesis are values in USD Million

Money and Capital Markets

Just when liquidity conditions seemed to be easing following the 25 basis points cut in the repo rate in May, the rapid and unprecedented weakening of the Rupee beginning late May forced the RBI to announce some strong arm measures to restore a measure of stability to the currency. The measures, which were aimed at sucking out liquidity from the market in order to dampen speculation against the rupee and shore up FII debt inflows, have adversely affected liquidity conditions in the market and are likely to adversely impact credit growth as well.

M.1 Backdrop

Liquidity conditions exhibited mixed trends during 2012–13 and posed a severe challenge to the Reserve Bank of India (RBI). While the situation was generally comfortable, the year was marked by periodic bouts of tightness.

The Report on Macroeconomic Conditions released by the RBI on the eve of its Annual Monetary Policy announcement on 3 May 2013 divides the year into three broad phases. In the first phase that lasted until June 2012, the liquidity deficit was broadly outside the RBI's comfort zone, largely due to the spillover of the tight liquidity conditions of Q4, 2011–12. The second phase of comfortable liquidity lasted until mid–October 2012. The third phase began from roughly mid-October, when, despite easing measures followed by the RBI, persistently high government cash balances and strong currency demand kept the inter-bank liquidity deficit beyond the Bank's comfort zone.

In a bid to address this situation, the RBI reduced the cash reserve ratio (CRR) in November 2012, and resumed open market operations (OMOs) on 4 December 2012 after a gap of more than five months.

However, despite the ups and downs, the market indicators remained within comfort zones. The call rate hovered close to the repo rate and below the marginal standing facility (MSF) rate during 2012–13. Dependence on MSF was low and less than in 2011–12, despite the Reserve Bank raising the borrowing limit of scheduled commercial banks (SCBs) under the MSF to two per cent of their net demand and time liabilities.

M.2 Monetary Stance 2013–14

According to the RBI Annual Monetary Policy for 2013–14, its monetary stance has been shaped by the need to address risks to growth and guard against re-emergence of inflation, while maintaining overall macro-financial stability.

With headline inflation moderating, the RBI reduced the repo rate by 25 bps in May 2013, over and above the 50 bps reduction in Q4 of 2012–13. The respite, however, proved short-lived. Strong capital outflows, the wide current account deficit and high consumer price inflation compelled the Bank to pause in its rate-cutting cycle and keep the repo rate unchanged in the mid-quarter review of the monetary policy, 2013–14 on 17 June 2013.

Liquidity conditions improved in June 2013. However, the rapid weakening on the rupee, following the statements made by the Chairman of the US Federal Reserve regarding a possible tapering of its QE, compelled the RBI to come out with some strong measures to restore stability to the foreign exchange market on 15 July 2013. As part of this package, the Marginal standing Facility (MSF) rate was re-calibrated at 300 basis points above the policy repo rate under the Liquidity Adjustment Facility (LAF). Further, the overall allocation of funds under LAF was capped at 1.0 per cent of the Net Demand and Time Liabilities (NDTL) of the banking system, with the cap reckoned at Rs750 billion. The Reserve Bank also conducted open market sales of G-secs withdrawing liquidity to the tune of Rs 25 billion on July 18, 2013.

Inevitably this impacted inter-bank liquidity. Liquidity conditions tightened further after the RBI came out with some fresh liquidity tightening measures on 23 July 2013. The modified norms set the overall limit for access to LAF by each individual bank at 0.5 per cent of its own NDTL outstanding as on the last Friday of the second preceding fortnight effective from July 24, 2013. Moreover, effective from the fortnight beginning July 27, 2013 banks were required to maintain a minimum daily CRR balance of 99 per cent of the average fortnightly requirement (Table M.1).

M.3 Reserve Money

During 2012–13, the trend in reserve money mainly reflected developments in net domestic asset (NDA) build up during the year. On the components side, growth of currency in circulation marginally decelerated, reflecting the impact of the economic slowdown on currency demand. Bankers' deposits with the RBI recorded negative growth, mainly on account of policy-induced CRR cuts. The reduction in CRR to four per cent since January 2012 injected around Rs1.3 trillion of primary liquidity into the banking system. Reserve money, adjusted for the CRR changes, however recorded a reasonable growth over the year.

Excess reserves created through cut(s) in the CRR generally lead to increase in money supply through the money multiplier process. However, in 2012–13, there was stagnation in aggregate deposits growth and deceleration in credit growth. This dampened the multiplier expansion. Nonetheless, broad money M3 remained on the RBI's indicative trajectory in 2012–13.

During Q1 of 2013–14, year-on-year (y-o-y) growth of reserve money increased to seven per cent compared with 5.6% in Q1 of the previous financial year. Growth in currency in circulation decelerated, reflecting the impact of the economic slowdown. The reserve money, adjusted for the CRR changes, recorded a y-o-y growth at 10.2% in Q1 of 2013–14.

M.4 Monetary Transmission

According to the Report on Macro-developments released by the RBI on 29 July 2013 on the eve of its first quarter Review of Monetary Policy 2013–14, the Weighted Average Lending Rates (WALR) based on all borrowal accounts declined by 41 bps during 2012–13 in response to a 125 bps easing in monetary policy effected since 2012–13. The modal deposit rate and the modal base rate of the banks also declined by 11 bps and 50 bps, respectively.

M.5 Credit Expansion and Asset quality

Besides sluggish demand, a major factor responsible for the low credit growth of the banking sector in 2012–13 was the deterioration in its asset quality. Asset quality indicators of the banking sector, which had deteriorated significantly during 2011–12, worsened in 2012–13.

An analysis of the sectoral deployment of credit based on data from select banks (which cover 95% of total non-food credit extended by all SCBs) for March 2013 reveals that non-food bank credit growth (y-o-y) to industries and services decelerated.

> The y-o-y bank credit growth to industry at 15.7% in March 2013 moderated considerably, from 20.3% in March 2012.

Deceleration in credit growth to industry was observed in all the major sub-sectors, barring leather, chemicals, cement, wood products, food processing, textiles, glass and vehicles

While money supply (M3), at 12.8% y-o-y on July 12, was close to the indicative trajectory of 13.0%, non-food credit growth at 14.3% was lower than the indicative projection of 15.0 per cent, with the slowdown spread across all major sectors.

With nominal growth remaining broadly at the same level as envisaged in the May Policy, monetary aggregates are expected to move along the Bank's projected trajectories

Consequently in its first quarter review the M3 growth projection for the current year has been retained at 13.0% and aggregate deposit growth at 14.0%. Non-food credit of scheduled commercial banks (SCBs) is projected to grow at 15.0% (Table M.2).

M.6 Bond Markets

In consonance with the general easing of liquidity in the first two months of the current fiscal, the yield on government of India securities (G-secs) softened in response to lower inflation, softening of international commodity prices and the decision in Budget 2013–14 to reduce withholding tax from 20 per cent to five per cent.

However, yields started hardening towards the end of May 2013 as part of the global hysteria following the US Fed Chairman's statement on the future course of quantitative easing. The yield on the benchmark 10–year securities increased from 7.12% on 24 May 2013 to 7.60% by 15 July 2013. Subsequently, in response to the RBI's liquidity tightening measures, yields crossed eight per cent and went on to briefly touch 8.5% before recovering to 8.3% on 30 July 2013.

M.7 Capital Markets

Global financial markets experienced considerable turbulence during Q1 of 2013–14, particularly in May and June following an oblique suggestion from the Chairman of the US Federal Reserve on May 22, 2013 that the Fed may taper off its asset purchase programme if economic conditions improve rapidly. The signal was followed by a more explicit forward guidance by the Fed Chairman on June 19, 2013 on moderating its asset purchases starting later this year and, in measured steps, unwinding the QE by mid–2014. This also resulted in mayhem on the Street. However, the subsequent statement by the Fed of a 'highly accommodative' monetary policy in July seems to have calmed the market to some extent.

During the financial year 2013–14 (up to July 26, 2013), the BSE Sensex and CNX Nifty recorded gains of 4.8% and 3.6%, respectively. The stock market recorded significant gains at the beginning of the quarter due to sustained FII buying and easing of concerns about the twin deficits due to moderation in commodity prices. However, the market pared some of its earlier gains in June 2013 due mainly to worries over capital outflows arising from the signals of gradual tapering of monetary stimulus by the US Fed and weak industrial output data of the domestic economy. Other ancillary factors such as the weak growth outlook for China, the persistent weakness of the rupee vis-à-vis the US dollar and net sales by FIIs reinforced the pressures.

In response to the measures announced by the Reserve Bank on July 15, 2013, the BSE Sensex declined over 180 points (0.9%) on July 16, 2013. The BSE Bankex was among the worst hit, declining by nearly 5%. Reflecting the impact of July 23 measures, the BSE Bankex declined by 590 points (4. 6%) on July 24, while the drop in the Sensex was over 200 points (1.04%).

During Q1 of 2013–14, FIIs made net sales of Rs 90 billion in the capital market (both equity and debt) as against net investment of Rs 19 billion during Q1 of 2012–13. In the equity market, FIIs made net investments of Rs153 billion in Q1 of 2013–14 as against net sales of Rs 7 billion during Q1 of the previous year, while in the debt market, FIIs made net sales of Rs 243 billion in Q1 of

2013–14 as against net investment of Rs 25 billion in Q1 of the previous year .

However, after the response of the US Fed Chairman on May 22, 2013, both debt and equity markets recorded net outflows amounting to Rs522 billion and Rs116 billion, respectively, between May 22 and July 24, 2013

Mutual funds, on the other hand, made net investments of Rs 1,376 billion during Q1 2013–14 in the capital market (both equity and debt) compared with Rs1,383 billion during Q1 of the previous year. Mutual funds, however, made net sales of Rs 52 billion in the equity market compared with net sales of Rs6 billion during Q1 of the previous year. But they remained net buyers in the debt market (Table M.3).

Equity market volatility, measured by NSE's VIX index, which was subdued during a major part of 2012–13, witnessed a marginal increase in the first quarter of 2013–14

Healthcare and FMCG continued to outperform the Sensex. During Q1 of 2013–14, the BSE healthcare and FMCG sectors continued to outperform the benchmark BSE Sensex. Indices of these sectors recorded increase of 10 per cent and nine per cent, respectively, compared with an increase of three per cent in the BSE Sensex. However, a large segment of the market underperformed the benchmark index: realty, consumer durables, metals and IT were the worst performing indices.

Table M.1: Movements in Key Policy Variables, (%)

Effective since	Reverse Repo Rate	Repo Rate	Marginal Standing Facility @	Cash Reserve Ratio*	Statutory Liquidity Ratio*
1	2	3	4	5	6
May 3, 2011	6.25 (+0.50)	7.25 (+0.50)	8.25 (+0.50)	6.00	24
June 16, 2011	6.50 (+0.25)	7.50 (+0.25)	8.50 (+0.25)	6.00	24
July 26, 2011	7.00 (+0.50)	8.00 (+0.50)	9.00 (+0.50)	6.00	24
September 16, 2011	7.25 (+0.25)	8.25 (+0.25)	9.25 (+0.25)	6.00	24
October 25, 2011	7.50 (+0.25)	8.50 (+0.25)	9.50 (+0.25)	6.00	24
January 28, 2012	7.50	8.50	9.50	5.50 (-0.50)	24
March 10, 2012	7.50	8.50	9.50	4.75 (-0.75)	24
April 17, 2012	7.00 (-0.50)	8.00 (-0.50)	9.00 (-0.50)	4.75	24
August 11, 2012	7.00	8.00	9.00	4.75	23 (-1.00)
September 22, 2012	7.00	8.00	9.00	4.50 (-0.25)	23
November 3, 2012	7.00	8.00	9.00	4.25 (-0.25)	23
January 29, 2013	6.75 (-0.25)	7.75 (-0.25)	8.75 (-0.25)	4.25	23
February 9, 2013	6.75	7.75	8.75	4.00 (-0.25)	23
March 19, 2013	6.50 (-0.25)	7.50 (-0.25)	8.50 (-0.25)	4.00	23
May 3, 2013	6.25 (-0.25)	7.25 (-0.25)	8.25 (-0.25)	4.00	23
July 15, 2013	6.25	7.25	10.25 (+2.00)	4.00	23

**: Per cent of net demand and time liabilities.*
@: With effect from Feb 13, 2012 Bank Rate was aligned to MSF rate.
Note: Figures in parentheses indicate changes in percentage points.

Table M.2: Credit Flow from Scheduled Commercial Banks (Rs billion)

Item	As on July 12, 2013 Outstanding	Variation (y-o-y)			
		As on July 13, 2012		As on July 12, 2013	
Bank Credit	Amount	Amount	Percent	Amount	Percent
1	2	3	4	5	6
1 Public Sector Banks*	39,175.8	4,900.6	16.5	4,581.7	13.2
2 Foreign Banks	2,794.1	406.5	19.9	344.3	14.1
3 Private Sector Bnaks	10,546.5	1,607.1	21.6	1,508.9	16.7
4 All Scheduled Com. Banks@	53,983.8	7,115.9	17.7	6,724.0	14.2

**: Excluding RRBs in public sector banks. @: Including RRBs.*
Note: Data as on July 12, 2013 are provisional.

Table M.3: Institutional Investment in Equity and Debt Markets (Rs billion)

	Equity Market	Debt Market	Total
1	2	3	4
FII	-6.6	25.3	18.7
Q1 2012-13	397.5	44.6	442.1
Q2 2012-13	455.4	96.1	551.5
Q3 2012-13	560.1	148.7	708.9
Q4 2012-13	152.9	-243.3	-90.3
Q1 2013-14*	-61.6	-126.9	-188.4
Q2 2013-14@			
Mutual Funds			
Q1 2012-13	-6.4	1389.8	1383.4
Q2 2012-13	-68.2	835.7	767.5
Q3 2012-13	-76.2	1033.9	957.8
Q4 2012-13	-76.7	1488.5	1411.7
Q1 2013-14	-52.0	1427.7	1375.7
Q2 2013-14#	-9.4	-23.7	-33.1

**: Data up to June 27, 2013. @: Data up to July 24, 2013. #: Data up to July 23, 2013.*
Source: SEBI

External Sector

The outlook for world trade and, in tandem, for India's exports, is none too bright. The weakness of the external sector, which is clearly manifested in our widening current account and in consequence sector, a weakening rupee, poses a grave risk to the country's external stability

E.1 World Economy

The state of the world economy is still fragile. Just three months after the IMF presented a fairly sanguine view of the global economy in its *World Economic Outlook* (April 2013), the July update of the Fund's *Outlook* is distinctly less upbeat. The growth forecast for 2013 has been lowered with the prospect of stagnation replacing the hope-for acceleration. The growth forecast for 2014 has also been revised downward. The current year is expected to post a growth of 3.1%, same as in 2012 (Table E.1).

Pessimism on the growth front has been attributed to significantly weaker domestic demand and slower growth in many of the major emerging market economies. The recession in the euro area has also continued longer than expected.

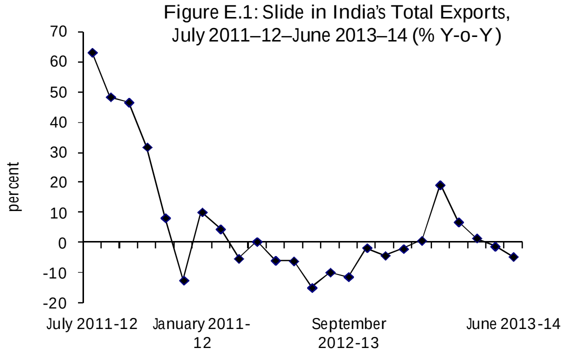
The global economy continues to face downside risks. In addition, some new risks have emerged such as the prolonged slowdown in emerging market economies (EMEs) and the possibility of unwinding of monetary policy stimulus in the United States, leading to sustained capital outflows from EMEs.

After remaining relatively calm for about a year, volatility in financial markets increased during the period May–June 2013. The rise in long-term interest rates in advanced economies has narrowed the interest differential between interest rates in EMEs and advanced economies, resulting in a flight of capital from EMEs to advanced economies. This has given a big blow to the former resulting in a sharp fall in equity prices as well as currency depreciation.

Growth projections of 2013 for most of the advanced and developing economies have been downgraded in the IMF's July forecasts compared with April forecasts. However, some major advanced economies such as Japan, UK and Canada are expected to do better. Both China and India are expected to grow at rates lower than forecast three months ago.

The IMF has suggested some steps on policy action to support growth revival of the world economy. The major advanced economies should continue supporting their respective economies using an appropriate macroeconomic policy mix. Credit plans should be prepared for achieving medium-term debt sustainability. EMEs, on their part, need to take suitable steps toward maintaining a balance between macroeconomic policies that support weak activity on the one hand and contain capital outflows on the other. Prudential macroeconomic and structural reforms would reinforce the suggested supportive measures.

Figure E.1: Slide in India's Total Exports, July 2011–12–June 2013–14 (% Y-o-Y)

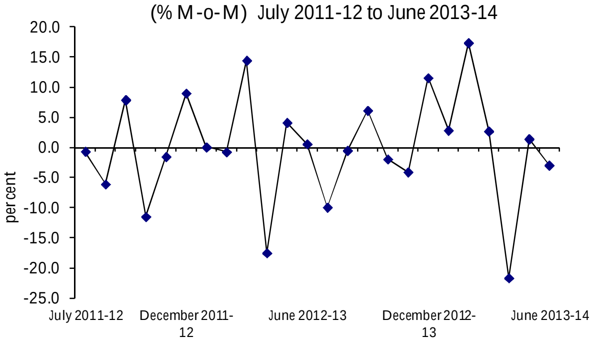


E.2 India's merchandise trade

India's export performance continues to remain weak. Merchandise export declined (–) by 1.4% (year-on-year, y-o-y) in the first quarter of 2013–14 from US$73.5 billion in Q1:2012–13 to $72.5 billion in Q1:2013–14 (Table E.2). Since May 2012, the growth rate of exports has been in negative territory except for a brief period between January and April 2013 (Figure E.1). The brief recovery in this period was reversed in May and June of 2013 (Figure E.2).

Merchandise imports increased from $115.7 billion in Q1:2012–13 to $122.6 billion during the corresponding period in 2013–14 thus posting a growth rate of six per cent. Non-oil imports grew 5.8% and oil imports 6.4% in the same period. The trade balance took a major hit and touched $50.2 billion – a decline of 19% in Q1: 2013–14 on a y-o-y basis. Information on composition and direction of trade is not available for Q1:2013–14. Such information is provided for the years 2011–12 and 2012–13 in Tables E.3 to E.6.

Figure E.2: Significant Variation in India's Total Exports (% M-o-M) July 2011-12 to June 2013-14



Composition of Exports

The commodity-wise break-up of exports is available for 2012–13. During this period, merchandise exports touched $300.6 billion posting a decline of (–) 1.8% (Table E.3), as against a growth of 21.9% in 2011–12. Growth deceleration was observed in cotton; ores and minerals; engineering goods including primary and semi-finished iron and steel, transport equipment, electronic goods and non-ferrous metals; manmade fabrics and madeups; readymade garments; gems and jewellery; manufactured goods; and other manufactured goods.

Direction of Exports

China and Singapore both accounted for an equal share of India's total exports in 2012–13, ranking behind the UAE and the USA (Table E.4). Growth in exports to most of the twenty top destination countries decelerated with a sharp decline in exports to Singapore, China, Belgium and Indonesia. Exports to Saudi Arabia and Bangladesh have, however, shown strong acceleration.

Composition of Imports

Non-oil imports declined (–) 3.6% during 2012–13 to touch $ 322.2 billion as against a high growth of 26.8% recorded during the previous fiscal (Table E.5). Many of the major import categories posted a deceleration/decline in dollar value. However, imports of edible oil, organic chemicals, professional instruments and optical goods etc. metaliferrous ores & metal scrap, artificial resins & plastic materials and non-ferrous metals recorded an increase. Gold imports accounted for 10.9% of the total import bill in 2012–13.

> The year ended with a current account deficit (CAD) to GDP ratio of 4.8% in 2012–13, marginally higher than the ratio of 4.5% recorded in 2011–12 but significantly lower than the third quarter number of 6.5%.

Empirical studies as well as past experience have shown that a sustainable current account deficit is in the range of 2.5–3.0%. Hence in a bid to contain the CAD, the RBI announced a number of restrictions on gold imports in July 2013.

Direction of Imports

The most important source country for imports is China followed by UAE, Saudi Arabia, Switzerland and the United States (Table E.6). There was a significant deceleration in imports from many of the top-20 import sourcing countries including China, Switzerland, Germany, Australia, Iran and Hong Kong.

E.3 Balance of Payments

While merchandise exports touched $306.6 billion (a decline of 1% over the comparable period last year) imports grew 1% to touch $502.2 billion. As a result, the trade deficit widened 3.1% to touch $195.7 billion during 2012–13.

Net earnings from invisibles decreased 3.7%. Two major categories of services, viz. software and business services, which used to provide a major boost to India's net earnings from service exports, showed slower growth with software services growing 4.2%. Net earnings from business services continue to remain in the negative zone. The current account deficit (CAD) touched $88.2 billion, posting an increase of 12.2% over $78.2 billion in 2011–12.

Foreign direct investment (FDI) inflows, including reinvested earnings, posted a sharp decline of (–) 18.8% to $ 39.8 billion, down from $49 billion in 2011–12.

FDI equity inflows stood at $22.9 billion in 2012–13 as against $35.9 billion in 2011–12, a decline of 36.2%. Net equity inflows were lower at $16 billion compared to $22.8 billion in 2011–12.

There was surplus of $89.3 billion on capital account. Taking errors and omissions at $2.7 billion into account the surplus on capital account touched $92 billion. Given the current account deficit (CAD) of $88.2 billion, the overall balance of payments turned out to be $3.8 billion which translated into increase in foreign exchange reserves of equivalent amount.

E.4 Exchange Rate

The Rupee depreciated by around nine per cent during Q1:2013–14 (quarter-on-quarter). The decline was driven partly by the strengthening of the US dollar and the wider trade deficit. Following fears of the Fed tapering its quantitative easing, global investors began unwinding their positions in EMEs, leading to further pressure on the rupee.

The RBI's measures to tighten liquidity shored up the rupee somewhat. As a result the rupee recovered from its all-time low of Rs 61.21 to the dollar (on 8 July 2013) to trade at the sub-Rs 60 mark. However, it again breached the Rs 60 to the dollar mark after the RBI's first quarter review of its Monetary Policy on 30 July 2013.

In terms of the real exchange rate, the 6-currency and the 36-currency REER (real effective exchange rate) as at the end of Q1, 2013–14 showed depreciation of nine per cent and 7.9% respectively over March 2013.

Box E.1: Special Section: International Trade - WTO *World Trade Report 2013*

The *World Trade Report- 2013* titled 'Factors shaping the future of world trade' was released by the WTO in July 2013. The main points from the report are:[1]

- Dramatic decreases in transport and communication costs have been the driving forces behind today's global trading system. Geopolitics has also played a decisive role in advancing and reinforcing these structural trends.
- In the last 30 years, trade in merchandise and commercial services has increased by about seven per cent per year on average, reaching a peak of $18 trillion and $4 trillion respectively in 2011. When trade is measured in value-added terms, services play a larger role.
- Between 1980 and 2011, developing economies raised their share in world exports from 34% to 47% and their share in world imports from 29% to 42%. Asia is playing an increasing role in world trade.
- For a number of decades, on average, world trade has grown nearly twice as fast as world production. This reflects the increasing prominence of international supply chains and hence the importance of measuring trade in value-added terms.
- Simulations show that in a dynamic economic and open trade environment, developing countries are likely to outpace developed countries in terms of both export and GDP growth by a factor of two to three in future decades. By contrast, their GDP would grow by less than half this rate in a pessimistic economic and protectionist scenario, and export growth would be lower than in developed countries.

Fundamental economic factors affecting international trade

- Demographic change affects trade through its impact on countries' comparative advantage and on import demand. An ageing population, migration, educational improvements and women's participation in the labour force will all play a role in years to come, as will the continuing emergence of a global middle class.
- Investment in physical infrastructure can facilitate the integration of new players into international supply chains. The accumulation of capital and the build-up of knowledge and technology associated with investment, particularly foreign direct investment, can also enable countries to move up the value chain by altering their comparative advantage.
- New players have emerged among the countries driving technological progress. Countries representing 20% of the world's total population accounted for about 70% of research and development (R&D) expenditure in 1999, but only about 40% in 2010.
- The shale gas revolution portends dramatic shifts in the future pattern of energy production and trade as North America becomes energy sufficient. Increasing water scarcity in the future in large swathes of the developing world may mean that the long-term decline in the share of food and agricultural products in international trade might be arrested or even reversed.
- Ample opportunities exist for policy actions, at the national and multilateral level, to reduce transportation costs and offset the effect of higher fuel costs in the future – improving the quantity and quality of transportation infrastructure, successfully concluding the Doha Round negotiations on trade facilitation, introducing more competition on transport routes, and supporting innovation.
- Improvements in institutional quality, notably in relation to contract enforcement, can reduce the costs of trade. Institutions are also a source of comparative advantage, and trade and institutions strongly influence each other.

Source: World Trade Organisation. 2013. World Trade Report: Factors Shaping the Future of World Trade. www.wto.org.

Table E.1: Growth of World Output and Trade (%, y-o-y)

	2011	2012	Projections 2013	Projections 2014
World Output	3.9	3.1	3.1	3.8
Advanced Economies	1.7	1.2	1.2	2.1
United States	1.8	2.2	1.7	2.7
Euro Area	1.5	–0.6	–0.6	0.9
Germany	3.1	0.9	0.3	1.3
France	2.0	0.0	–0.2	0.8
Italy	0.4	–2.4	–1.8	0.7
Spain	0.4	–1.4	–1.6	0.0
Japan	–0.6	1.9	2.0	1.2
Emerging Market and Developing Economies	6.2	4.9	5.0	5.4
Central and Eastern Europe	5.4	1.4	2.2	2.8
Commonwealth of Independent States	4.8	3.4	2.8	3.6
Russia	4.3	3.4	2.5	3.3
Developing Asia	7.8	6.5	6.9	7.0
China	9.3	7.8	7.8	7.7
India	6.3	3.2	5.6	6.3
Latin America and the Caribbean	4.6	3.0	3.0	3.4
Brazil	2.7	0.9	2.5	3.2
Mexico	3.9	3.9	2.9	3.2
World Growth Based on Market Exchange Rates	2.9	2.4	2.4	3.2
World Trade Volume (goods and services)	6.0	2.5	3.1	5.4
Imports				
Advanced Economies	4.7	1.1	1.4	4.3
Emerging Market and Developing Economies	8.7	5.0	6.0	7.3
Exports				
Advanced Economies	5.6	2.0	2.4	4.7
Emerging Market and Developing Economies	6.4	3.6	4.3	6.3

Source: IMF, World Economic Outlook Update, 9 July 2013

Table E.2: India's Foreign Trade ($ billion) and Currency Movement (% change, y-o-y)

Year	Exchange rate: Rs. per US$	Exports	Growth rate (%)	Oil imports	Growth rate (%)	Non-oil imports	Growth rate (%)	Total imports	Growth rate (%)	Trade balance
2009-10	47.3	178.8	-3.5	87.1	-7.0	201.2	-4.2	288.4	-5.0	-109.6
2010-11	45.6	251.1	40.5	106.0	21.6	263.8	31.1	369.8	28.2	-118.6
2011-12	48.0	306.0	21.8	155.0	46.2	334.4	26.7	489.3	32.3	-183.4
2012-13	54.4	300.6	-1.8	169.3	9.2	322.2	-3.6	491.5	0.4	-190.9
						April-June				
2012-13	54.0	73.5	-3.9	39.4	-0.2	76.4	-8.4	115.7	-5.7	-42.2
2013-14	55.9	72.5	-1.4	41.9	6.4	80.8	5.8	122.6	6.0	-50.2

Source: DGCI&S, in RBI, Handbook of Statistics on Indian Economy, 2011-12
GOI, Ministry of Commerce and Industry, Press Release, 18 April and 12 July, 2013

Table E.3: Share and Growth of India's Export Commodities (April-March, % $ Value)

	Growth (%)		Shares (%)	
	2011-12 over 2010-11	2012-13 over 2011-12	2011-12	2012-13
All commodities	21.9	-1.8	100.0	100.0
Agricultural & allied products	54.7	8.4	12.3	13.5
Basmati rice	29.3	10.5	1.1	1.2
Cotton raw including waste	56.2	-19.3	1.5	1.2
Guargum meal	434.4	12.9	1.1	1.3
Marine products	32.3	0.0	1.1	1.2
Meat & preparations	49.7	11.7	1.0	1.1
Oil meals	1.3	18.1	0.8	1.0
Ores & minerals	-2.2	-34.2	2.8	1.9
Manufactured goods	17.3	-0.9	60.6	61.2
Leather & leather manufactures	22.5	1.6	1.6	1.6
Chemicals & related products	26.5	9.2	8.8	9.8
Drugs, pharmaceuticals & fine chemicals	23.7	10.1	4.3	4.9
Dyes intermediates & coal tar chemicals	28.5	7.0	1.3	1.4
Inorganic/organic/agro chemicals	34.5	10.9	1.9	2.2
Engineering goods	15.9	-3.6	22.0	21.6
Manufactures of metals	13.3	4.7	3.1	3.3
Primary & semi-finished iron & steel	29.1	-1.6	1.7	1.7
Machinery & instruments	20.8	6.3	4.7	5.1
Transport equipment	31.7	-12.9	6.9	6.1
Electronic goods	7.9	-8.9	2.9	2.7
Non-ferrous metals	-28.2	-2.7	1.2	1.2
Textiles (excluding readymade garments)	13.5	0.6	4.7	4.8
Yarns, fabrics, madeups	16.0	0.8	4.0	4.1
Cotton yarn fabrics madeups etc.	17.6	10.4	2.2	2.5
Manmade yarn fabrics madeups	18.5	-10.6	1.7	1.5
Readymade garments	18.0	-5.6	4.5	4.3
Readymade garments cotton incl. accessories	12.2	-12.5	3.1	2.8
Other manufactured goods	15.5	-2.1	19.1	19.0
Gems & jewellery	10.7	-3.1	14.7	14.5
Plastic & linoleum products	33.5	1.1	2.0	2.1
Petroleum & crude products	34.9	7.7	18.3	20.0
Other commodities	0.4	-44.8	6.1	3.4
Total Exports ($ billion)	-	-	306.0	300.6

Source: Economic Outlook, CMIE, 18 July 2013.

Table E.4: Share and Growth of India's Major Export Destinations (April-March, % $ Value)

	Growth (%)		Shares (%)	
Partner	2011-12 over 2010-11	2012-13 over 2011-12	2011-12	2012-13
UAE	6.4	1.1	11.8	12.1
USA	37.3	4.0	11.4	12.0
Singapore	70.7	-19.0	5.5	4.5
China	18.3	-26.2	6.0	4.5
Hong Kong	25.0	-4.8	4.2	4.1
Netherlands	19.4	14.5	3.0	3.5
Saudi Arabia	21.4	72.2	1.9	3.3
UK	18.0	0.2	2.8	2.9
Germany	17.5	-8.7	2.6	2.4
Japan	25.1	-1.5	2.1	2.1
Brazil	42.9	5.0	1.9	2.0
Belgium	23.4	-23.0	2.3	1.8
Indonesia	17.7	-20.4	2.2	1.8
South Africa	20.8	8.3	1.6	1.7
Bangladesh	18.5	33.5	1.3	1.7
France	-11.6	8.0	1.5	1.7
Malaysia	2.7	11.3	1.3	1.5
Korea Republic (South)	16.4	0.9	1.4	1.5
Italy	6.9	-10.1	1.6	1.5
Sri Lanka	24.7	-9.1	1.4	1.3
Share of Top 20	21.8	-1.6	67.6	67.7
Others	22.1	-2.3	32.4	32.3
World	21.9	-1.8	100.0	100.0
Regions				
America	36.7	5.8	16.5	17.8
Asia	20.8	-0.4	49.4	50.1
Europe	15.7	-2.7	19.8	19.6
Africa	25.7	17.5	8.1	9.7
Oceania	16.2	-6.9	1.0	0.9
ROW	-93.3	-15.1	5.2	1.9
Total Exports ($ billion)	-	-	306.0	300.6

Source: Economic Outlook, CMIE, 18 July 2013.

Table E.5: Share and Growth of India's Imports of Non-oil Commodities (April-March, % $ Value)

	Growth (%)		Shares (%)	
	2011-12 over 2010-11	2012-13 over 2011-12	2011-12	2012-13
Petroleum crude & products	46.4	9.2	31.7	34.5
Non-pol items	26.8	-3.6	68.3	65.7
Food & related items	31.5	18.8	2.7	3.2
Vegetable oils (edible)	47.2	16.3	2.0	2.3
Chemicals and related products	29.1	-3.3	7.5	7.2
Organic chemicals	15.0	8.3	2.7	2.9
Inorganic chemicals	51.7	-12.6	1.1	1.0
Fertiliser manufactured	51.0	-20.9	1.9	1.5
Capital goods	27.5	-8.4	13.5	12.3
Non-electrical machinery	26.2	-8.2	6.2	5.6
Project goods	43.3	-25.6	1.8	1.3
Professional inst, optical goods etc.	24.5	2.3	1.1	1.1
Transport equipment	23.1	-2.6	2.9	2.8
Other non-pol items	24.4	-7.1	41.0	38.0
Gold & silver	44.5	-9.3	12.5	11.3
Gold	38.8	-4.7	11.5	10.9
Coal, coke & briquettes	77.9	-11.5	3.6	3.1
Metaliferrous ores & metal scrap	37.8	12.0	2.7	3.1
Artificial resins, plastic materials etc.	9.7	14.4	1.5	1.8
Iron & steel	12.7	-10.8	2.2	2.0
Electronic goods	22.9	-3.7	6.7	6.4
Non-ferrous metals	19.8	4.8	1.0	1.0
Pearls precious & semiprecious stones	-19.0	-19.3	5.7	4.6
Other commodities	54.4	39.4	2.8	4.0
Total Imports ($ billion)	-	-	489.3	491.5

Source: Economic Outlook, CMIE , 18 July 2013.

Table E.6: Share and Growth of India's Imports from Major Sources (April-March, % $ Value)

	Growth (%)		Shares (%)	
Year	2011-12 over 2010-11	2012-13 over 2011-12	2011-12	2012-13
China	32.4	-5.7	11.8	11.1
UAE	9.1	7.6	7.3	7.8
Saudi Arabia	52.9	7.0	6.4	6.8
Switzerland	30.8	-7.9	6.6	6.1
USA	22.0	-0.9	5.0	4.9
Iraq	110.2	6.2	3.9	4.1
Kuwait	60.2	0.4	3.4	3.4
Qatar	89.5	21.1	2.6	3.2
Indonesia	46.9	-0.3	3.0	3.0
Germany	37.1	-11.9	3.3	2.9
Venezuela	28.6	110.6	1.4	2.9
Nigeria	35.4	-5.4	3.0	2.8
Korea Republic (South)	25.3	2.4	2.7	2.7
Japan	40.6	3.1	2.5	2.5
Australia	37.8	-19.4	3.0	2.4
Iran	25.1	-15.2	2.8	2.4
Malaysia	46.3	9.3	2.0	2.1
Belgium	21.3	-3.6	2.1	2.1
Angola	30.1	24.0	1.4	1.7
Hong Kong	12.6	-23.7	2.2	1.6
Share of Top 20	35.2	0.8	76.2	76.6
Others	24.3	-1.4	23.8	23.4
World	32.4	0.2	100.0	100.0

Regions				
America	27.1	26.3	9.4	11.9
Asia	35.4	0.1	57.8	57.7
Europe	31.0	-8.3	20.5	18.7
Africa	35.1	0.1	8.8	8.8
Oceania	36.6	-19.6	3.3	2.6
ROW	-132.8	1.7	0.2	0.3
Total Imports ($ billion)	-	-	489.3	491.5

Source: Economic Outlook, CMIE , 18 July 2013.

Prices

Both wholesale and retail inflation has moderated in the first quarter of 2013–14. However, the future remains uncertain.

P.1 Overall Inflation Trends

Double digit persistent inflation has been the dominant story in India for the last two years. Is inflation increasing or decreasing? Well, it depends on the indicator being used. Six indicators are used to assess inflation in India, out of which five would be what is considered retail inflation and the other wholesale. Lately there have been divergences between the two which results in a policy conundrum for the policymaker because the wholesale inflation is the headline inflation used in India.

The inflation rates are calculated on a year-on-year (y-o-y) basis from their respective price indices which are: Wholesale Primary Index (Base Year 2004–05), Consumer Price Index of Industrial Worker (Base Year, 2001), Consumer Price Index of Agricultural Labour (Base Year 1986–87), Consumer Price Index Rural, Consumer Price Index Urban and Consumer Price Index Combined (Base Year 2010).

The primary indicator inflation in India is the one calculated from the Wholesale Primary Index (INFLWPI). INFLWPI has steadily decreased and was at 4.8% in Q1:2013–14 (Table P.1). However, the good news is that after seasonal adjustment, the quarter-on-quarter inflation rate has also steadily weakened to 1.1% in the first quarter of this fiscal. This is a significant drop from 4.4% in the last quarter of the previous fiscal. On the other hand, when one uses monthly data to calculate inflation rate, both the y-o-y (4.9%) and month-on-month (8.1%) show increase in inflation rate in June.

In sum, there is weakening of inflation but retail inflation continues to be uncomfortably high. Further, inflation shows signs of strengthening in June.

P.2 De-composition of WPI Inflation Trends

The significant fall in inflation from 6.7% in Q4:2012–13 to 4.7% Q1:2013–14 is driven by the fall in inflation of all items in the first quarter of the current fiscal – primary articles (6.6%), fuel and power (7.6%) and manufacturing (3.18%). Core inflation has significantly weakened to 3.6% too in the same period.

Within primary articles, one actually sees deflation in minerals (–1.52%). Both food articles (8%) and non-food articles (6.67%) show significant lowered inflation in the first quarter of the current fiscal. Box P.1 discusses in detail about food inflation.

Within non-food articles, fibres and flowers experience higher inflation in the first quarter of the current fiscal versus the last quarter of 2012–13. Oilseeds inflation, which has been above 20% throughout the last fiscal experienced a major drop to 13.6%. There is deflation in other non-food articles' inflation.

Within minerals in the first quarter of the current fiscal, there is deflation in metallic minerals and crude petroleum and double-digit but significantly lower inflation in other minerals (17.8% in Q1:2013–14)

Within fuel and power, coal and petrol experienced deflation in the first quarter of the current fiscal. Electricity and High Speed Diesel experienced higher inflation.

Manufacturing also shows lower inflation in all categories of goods. Basic goods has the lowest inflation (1.64%) and highest is intermediate goods at 6.04%

P.3 Factors Affecting Inflation

Both demand and supply side factors have been responsible for the hike in inflation. In the economic literature one knows that inflation tends to be sticky. Uncertain weather patterns, high commodity prices have all contributed to high inflation in the past. The supply has not been able to keep in tandem with changing demand patterns. Changing demand patterns are due to increased incomes through transfer schemes like NREGA rather than productivity changes.

P.4 Commodity Price Inflation

Except in grains, there is deflation in all items. The grains inflation in the second quarter of 2013 was only 5.33%. There is deflation in crude oil too.

P.5 Price Outlook

There are opposing trends in the dynamics of the Indian economy. Price, after all is an endogenous variable, a reflection of the various forces in play. With structural impediments, slow down of economic growth, free fall of the exchange rate, it is difficult to predict the movement of the inflation rate. It does not help that retail and WPI inflation often diverge in their trends. The fall of the exchange rate has made imports more expensive especially oil which has put an upward pressure on the prices of mineral oil. The second quarter will reflect heightened prices surely. Food inflation may also spike up due to disruptions in supply of vegetables especially onions and tomatoes. However, the impact of the food subsidy bill on prices is uncertain. At the same time, the slowdown in economic growth has already weakened inflation indicators and one may expect that inflation rate may come down further.

India is moving along with world trends but at a higher level. If it can stem the fall in the exchange rate, inflation rate may be reined in.

> The major worry for India is to work on its domestic macro-economic imbalances.

Structural reforms like reforms in land markets, providing a good business environment, reducing clearances will all help in creating a flexible economy. In an election year, it is easier said than done. The political hard decisions may be postponed till the year after election, which means that inflation rate may continue to be volatile.

Box P.1 Food Inflation

Food inflation has slipped to 8% in the first quarter of the current fiscal driven by the fall in inflation of all items except condiments and spices. Food Grains, Eggs, Meat and Fish (EMF) continue to be in double digits (Table P.2).

Food inflation has been the dominant story since 2009. Uncertain weather problems have added to the misery. Drought or floods take a toll on agricultural crops which puts an upward pressure on prices. It is not just a supply side story in India. Though the government by trying to bring in Foreign Direct Investment in multi-retail has been trying to address the problem.

The popular hypothesis is that increased economic growth and rural wages have increased due to NREGA (National Rural Employment Guarantee Scheme) have increased rural incomes and pushed people out of poverty. Consequently, people have started not only demanding more food but different types of food or what the literature calls is protein-inflation. The double digit inflation in the EMF category bears testimony to that.

Recently, two other dynamics come into play – higher minimum support prices for Kharif crops and the food subsidy bill. The Agriculture chapter shows how stocks of food grains have increased but inflation continues to be in double digits. What is going to be the impact of the food subsidy bill on food inflation? Of course, good monsoon this year fortells lower inflation but if floods start destroying crops then spikes will occur as happened recently in the case of onions and tomatoes.

Clearly, India needs a better food management system as the current system is only adding instability to it. These structural changes may help to stem inflation in the long run and reduce volatility.

Table P.1: Major Indicators of Inflation, 2011–12:Q1 to 2013–14:Q1 (% y-o-y)

Year: Month	WPI	CPI Industrial Worker	CPI Agricultural Labour	CPI Rural	CPI Urban	CPI Combined
2011–12:Q1	9.6	8.9	9.4	N.A.	N.A.	N.A.
2011–12:Q2	9.7	9.2	9.3	N.A.	N.A.	N.A.
2011–12:Q3	9.0	8.4	8.2	N.A.	N.A.	N.A.
2011–12:Q4	7.5	7.2	6.0	7.9	9.2	8.51
2012–13:Q1	7.5	10.1	7.9	9.7	11.0	10.15
2012–13:Q2	7.9	9.8	9.1	9.8	10.0	9.94
2012–13:Q3	7.3	10.1	10.5	10.3	9.8	10.11
2012–13:Q4	6.7	11.7	12.6	10.7	10.7	10.72
2013–14:Q1	4.8	10.7	12.6	9.2	9.9	9.55

Note: Base Year: 2004–05 for WPI, 2001 for CPI Industrial Worker, 1986-87 for CPI Agricultural Labour and 2010 for CPI Rural, Urban and Combined.
Source: Office of the Economic Advisor, Labour Bureau and Central Statistical Organisation

Table P.2: WPI Food Inflation Rate Inflation Rate (% y-o-y) 2011–12:Q1 to 2013–14:Q1

Period	Food Articles	Food Grains (Cereals and Pulses)	Fruits and Vegetables	Milk	Eggs, Meat and Fish	Condiments and Spices	Other Food Articles
2011–12:Q1	8.83	2.26	16.16	6.88	9.13	14.45	22.62
2011–12:Q2	9.14	3.27	14.93	10.11	10.60	0.51	20.90
2011–12:Q3	6.36	4.70	1.71	11.02	12.28	-3.83	18.45
2011–12:Q4	5.05	4.19	-5.25	13.08	18.55	-18.06	14.22
2012–13:Q1	10.84	8.22	14.39	11.52	17.14	-18.17	10.01
2012–13:Q2	9.15	14.79	5.30	7.07	14.64	-12.48	15.22
2012–13:Q3	8.69	17.86	2.65	6.23	13.33	-15.90	10.64
2012-13:Q4	10.96	17.38	11.31	4.47	11.68	0.82	11.61
2013–14:Q1	8.00	14.14	2.31	4.11	11.32	14.78	3.56

Note: Base Year: 2004-05.
Source: Office of the Economic Advisor, Government of India

Public Finance

Initial trends in government finances are not too encouraging. Efforts to contain expenditure, especially non-plan revenue expenditure seem to have met with some success. However, the failure of revenue, especially tax revenue, to grow in line with Budget projections has resulted in both revenue as well as primary deficits for the first two months of the current fiscal being well above the comparable period in the last fiscal

PF.1 Backdrop

It is too early in the year to decipher any specific trend in either revenue or expenditure. As per the latest numbers released by the Controller General of Accounts, the Centre's fiscal deficit as at the end of May 2013 stood at 33.3% of the target for the year as against 27.6% in the comparable period of the previous year.

The revenue deficit is higher at 38.1% as against the comparable figure of 33.8% of the previous year. However, the primary deficit, which is the fiscal deficit less interest payments is not only well above the 50% number for the comparable period last year but has already touched 84.5% of the estimate of the year.

Of course this may be on account of the fact that tax revenue traditionally lags government expenditure in the early months of the fiscal year. Hence it may not be wise to draw any conclusions from numbers as at the end of just two months into the current fiscal. Nonetheless if as seems likely, expenditure on both food and oil subsidies overshoots, then the prognosis for fiscal consolidation as laid out in the Budget is not too bright.

PF.2 Trends in revenue

Though tax revenues have picked up in May after a lacklustre show in April 2013, slowing growth, in particular slower growth in manufacturing, is bound to take a toll on tax revenues. With growth in the services sector also showing signs of a slowdown as per the CSO data for the last quarter of 2012-13, the overall outlook for tax revenues is not too bright.

Gross tax revenue in the first two months of the current fiscal declined by close to eight per cent compared to the same period in the previous fiscal (Table PF.1). The decline was most marked in the case of corporate tax where revenue collections fell 68% compared to same period last fiscal. The only silver lining is that the pace of decline has eased. Corporate tax collections during April–May 2012 had fallen by a staggering 428.5% year-on-year (y-o-y).

On the indirect tax front, both customs and service tax collections improved during the first two months of the current fiscal compared to the previous, excise duties fell 37%. This is a much steeper decline than the close to five per cent decline witnessed during the comparable period of the previous year, lending credence to the belief that the slowdown in manufacturing is deep-rooted.

PF.3 Trends in expenditure

Expenditure trends in 2013–14 are more or less in line with that witnessed during the comparable period last fiscal. As at the end of May 2013, non-plan expenditure, which is the more problematic part of government expenditure stood at 13% of budgeted expenditure as against 15% for the comparable period last fiscal.

Efforts at keeping expenditure under control seem to have borne fruit; at least for now. Not only is the increase in total expenditure slightly less than during the comparable period last fiscal (Table PF.2) non-plan expenditure on revenue account has actually declined compared to the same period last fiscal even as plan expenditure both on revue as well as capital account has shot up sharply.

Clearly there is a concerted effort to re-prioritise expenditure in favour of productive rather than unproductive uses.

Unlike in the previous fiscal when fiscal deficit was contained by cutting back heavily on plan expenditure, the first two months of the current fiscal show plan expenditure picking up pace. As at the end of May 2013, plan expenditure was 12% of the total plan expenditure budgeted for the year as against 9% during the comparable period of 2012-13.

As far as food subsidies are concerned, there is some element of doubt since it is not clear whether the food security programme will be rolled out this fiscal. Nonetheless to the extent the government is likely to mount aggressive procurement operations in readiness to roll out the scheme, the final figure is likely to overshoot the budget provision of Rs 90,000 crore.

There is no such doubt as far as oil subsidies are concerned. The rise in our crude basket to $ 108 per barrel as on mid-July coupled with the sharp depreciation of the rupee that has lost little over 10% in the period June to mid-July has increased under-recoveries of oil marketing companies. The increase of 50 paise per month allowed in the price of diesel has proved grossly inadequate to bridge the gap between the administered price and cost.

Shortfall in tax revenue, especially excise taxes, is likely to nullify whatever success the government has in containing expenditure

PF.4 Status Paper on public debt

In July the finance ministry released its annual status paper on public debt - the third status in the series. The paper shows the overall liabilities (public debt plus public liabilities) of the Central Government are on a medium-term declining trajectory, though there has been a slight increase in recent years.

Unlike in Western countries, public debt in India is largely funded through domestic savings, is overwhelmingly done at fixed interest rates, and with a captive domestic institutional investor base. All of which ensure sustainability of debt in the long term even as the long maturity profile limits rollover risks

The share of external debt in total debt is relatively small. The paper, justifiably, draws comfort from this. However, it is silent on an aspect of external debt high-lighted by the RBI ie that short-term debt with residual maturity accounts for almost 67% of our forex reserves.

PF.5 Some stylized facts about India's public debt

Total outstanding liabilities

At end-March 2013, total outstanding liabilities of the Central Government stood at 46.7% of GDP, lower than the number of 50.3% reported in the budget documents. Internal debt constituted 92.9% of total debt while external debt accounted for the remaining 7.1%.

Public debt accounts for 86.9% of total liabilities, while public account liabilities constitute the remaining 13.1%, at the end-March 2013.

Internal debt of the Central Government (Rs. 37.3 trillion, 37.3% of GDP at end-March 2013) consists largely of fixed tenor and fixed rate market borrowings, viz., dated securities and treasury bills.

The weighted average maturity of dated securities issued in 2012-13 stood at 13.5 years. Floating rate instruments constituted 1.2% of public debt while short-term debt constituted 12.9%.

External Debt

External debt (Rs 3.3 trillion, 3.3% of GDP as at end-March 2013) constituted 8.2% of the public debt of the Central Government.

Note: State Governments are not empowered to contract external debt. Hence all external debt is contracted by the Central Government.

Fiscal Consolidation

The Medium Term Fiscal Policy (MTFP) Statement presented along with the Union Budget 2013–14 estimated the ratio of total Central Government liabilities to GDP at 45.9% at the end-March 2013, and 45.7% at the end March 2014.

The 13th Finance Commission had recommended that the Central Government reduce its debt-GDP ratio to 52.5% by end of 2011–12 and to 44.8% by the end of 2014-15.

As against this the ratio of total liabilities of the Central Government to GDP at 46.7% at end-March 2013 does not compare too unfavourably.

The Kelkar Committee constituted by the government in September 2012 to draft a Roadmap for Fiscal Consolidation has projected the debt-GDP ratio of the Central Government to decline to 44.9% at end-March 2014 and 42.9% at end-March 2015.

General government debt

This represents the indebtedness of the Government sector (Central and State Governments. At end-March 2013, general government debt stood at 66% of GDP slightly higher than the comparable figure of 65.5% of GDP a year ago.

Ownership pattern

Ownership pattern of dated securities indicates a gradual broadening of market over time. The share of commercial banks (including banks that are primary dealers), which had dropped from 50.9% in March 2008 to 46.1% in March 2012 continued the decline and stood at 43.9% by March 2013. Over the financial year 2012–13, the share of RBI increased from 14.4% to 17.0% while that of provident funds remains at 7.4%. The increase in RBI's share is on account of open market operations to address liquidity shortage.

Debt sustainability

Traditionally debt sustainability is assessed in terms of primary deficit and interest cost, relative to nominal GDP growth rate. There is little consensus with regard to a level of debt that may be considered unsustainable. There are instances of countries with debt/GDP ratios close to or higher than 100 per cent without doubts on their ability to service debt. A secularly rising debt/GDP ratio can nonetheless be considered as leading towards un-sustainability

Going by that yardstick, after reaching a peak of 83.3% of GDP for the Centre and States combined in 2003-04, the debt-GDP ratio has shown a secular decline. General government debt/GDP ratio stood at 66.0% at end-March 2013 compared to 65.5% at end-March 2012. The marginal increase during2008-09 was mainly on account of global factors.The position is robust even when one looks at interest payments. The ratio of the Centre's interest payments to revenue receipts (IP/RR) was 36.3 per cent 2012-13, down from 37.5% in 2009- 10 and 53.4% in 2001-02. The combined ratio for Centre and States also registered an improvement. It was 23.1% in 2012-13, down from 37.2% in 2001-02.

BOX PF.1: FOOD SUBSIDIES

1. Though the government has passed the Ordinance on Food Subsidy there is some doubt about whether the scheme would get operationalised during the year and if so to what extent the government's subsidy burden will increase beyond the budgeted expenditure.
2. The scheme envisages distribution of highly subsidised grains at a price of Rs1/2/3 per kg of coarse grains, wheat and rice to priority households (7 kg of grain per person per month) and 3 kg per person per month to general households at a price not exceeding the minimum support price (MSP) being paid to farmers (in the case of rice, derived levy price)
3. Up to 75% of the rural population (with at last 46% belonging to priority households and up to 50% of urban population (with at least 28% belonging to priority households are to covered.
4. There are other provisions such as giving maternity benefits of Rs 6000 to 2.25 crore pregnant and lactating women
5. Identification of the beneficiaries is to be done by the state-governments
6. According to the Commission on Agriculture Costs and Prices the total cost of the scheme will be around Rs 6,00,000 crore over a three year period ie at least Rs 2,00, 000 crore a year

Table PF.1: Quarterly Trends in Revenue Receipts, 2011-12:Q1 to 2013-14:Q1 (% y-o-y)

Year	Net revenue receipts	Net tax revenue	Gross tax revenue	Gross tax revenue (corporate tax)	Gross tax revenue (income tax)	Gross tax revenue (customs)	Gross tax revenue (Union excise duty)	Gross tax revenue (services tax)	Gross tax revenue (other taxes)	Net Non-tax revenue
2011-12Q1	-54.5	-6.3	5.0	-27.8	1.9	37.7	23.2	31.1	0.8	-89.4
2011-12Q2	8.2	17.8	19.7	21.3	29.0	9.3	8.4	41.6	26.3	-21.3
2011-12Q3	3.7	5.0	9.6	10.1	15.0	3.1	-0.8	36.8	-21.7	-3.6
2011-12Q4	22.7	16.4	11.6	12.0	23.1	-3.7	-0.3	36.2	-4.3	63.0
2012-13Q1	30.6	32.8	25.0	53.0	40.2	-1.2	8.0	40.7	-6.3	16.3
2012-13Q2	8.2	7.5	9.2	-1.6	15.4	11.9	17.5	27.8	-31.0	11.1
2012-13Q3	13.8	14.9	15.0	8.2	18.8	8.1	23.8	33.7	-1.9	7.4
2012-13Q4	19.6	21.5	19.1	9.5	13.2	25.5	27.8	40.5	-4.5	11.1
2013-14Q1*	-24.8	-32.1	-7.9	-68.1	2.8	7.8	-37.1	16.7	-22.6	18.3
2012-13 Apr-May	66.8	77.1	37.7	-428.5	44.2	-2.0	-4.6	37.7	0.7	24.2
2013-14 Apr-May	-24.8	-32.1	-7.9	-68.1	2.8	7.8	-37.1	16.7	-22.6	18.3

*Note: *=Apr-May*
Source: Based on data from Controller General of Accounts

Table PF.2: Quarterly Trends in Expenditure of the Union Government, 2011-12:Q1 to 2013-14:Q1 (% y-o-y)

Year	Total Expen diture	Non-Plan Expenditure (On Revenue Account)	Non-Plan Expenditure (On Revenue Account - Interest Payments)	Non-Plan Expenditure (On Capital Account)	Plan Expenditure (On revenue Account)	Plan Expenditur e (On Capital Account)	Revunue Expendit ure (Plan and Non-plan)	Capital Expenditure (Plan and Non-plan)
2011-12 Q1	7.8	13.7	24.8	22.4	-4.2	-6.2	7.2	12.1
2011-12 Q2	14.2	15.2	15.6	2.4	13.8	19.7	14.8	9.4
2011-12 Q3	19.4	9.4	30.8	157.1	21.8	32.8	13.1	86.4
2011-12 Q4	-2.4	7.1	5.2	-79.5	0.7	30.4	5.2	-37.7
2012-13 Q1	19.3	31.4	20.8	2.2	-2.5	36.6	20.3	12.5
2012-13 Q2	13.2	10.1	-2.6	-4.7	23.6	28.2	13.6	9.9
2012-13Q3	-0.1	2.6	24.4	5.3	-8.9	9.0	-1.1	6.8
2012-13Q4	4.0	12.2	18.3	34.9	-13.8	-12.1	4.9	-2.5
2013-14Q1*	13.9	-1.7	-20.8	30.0	44.7	92.7	8.7	48.9
2012-13 Apr-May	14.8	28.0	22.8	-16.8	-1.5	6.5	19.9	-10.9
2013-14 Apr-May	13.9	-1.7	-20.8	30.0	44.7	92.7	8.7	48.9

*Note: *= Apr-May*
Source: Based on data from Controller General of Accounts

Data File

Gross Domestic Product (2004-05 Prices) at Factor Cost (Rs Crore)

	Agriulture, Forestry & Fishing	Mining & Quarrying	Manufacturing	Electricity, Gas & Water	Construction	Trade, Hotels, Transport & Communication	Finance, Insurance, Real Estate	Community, Social & Personal Services	Overall GDP
2010-11									
Q1	163231	26318	189313	22993	94838	318593	205748	139577	1160611
Q2	134678	25291	193941	22685	93093	323781	208712	163084	1165264
Q3	224698	28083	201334	22930	97625	333815	214128	152527	1275140
Q4	190868	29246	216889	24165	105137	369471	221044	179170	1335989
2011-12									
Q1	171966	26205	203349	24508	98410	348903	229638	144517	1247496
Q2	138987	23942	199873	24599	99167	346452	234460	173628	1241106
Q3	233894	27345	202665	24686	104350	356768	238586	162959	1351252
Q4	194649	30758	217136	25020	110485	388189	246124	191365	1403727
2012-13									
Q1	176888	26302	201230	26018	105340	370197	250955	157324	1314255
Q2	141334	24345	200001	25386	102267	369996	253996	188204	1305531
Q3	238106	27157	207689	25798	107347	379550	257216	172006	1414869
Q4	197282	29815	222728	25716	115322	412291	268516	199111	1470782
Percentage change over the same period previous year									
2010-11									
Q1	4.1	6.9	13.0	5.0	10.2	14.1	10.0	3.8	9.7
Q2	6.4	6.8	9.9	2.3	7.8	12.0	10.3	4.0	8.9
Q3	11.3	5.6	11.6	5.9	10.5	10.9	11.2	-1.0	9.3
Q4	7.6	-0.4	11.1	7.2	10.7	12.7	9.9	8.7	10.1
2011-12									
Q1	5.4	-0.4	7.4	6.6	3.8	9.5	11.6	3.5	7.5
Q2	3.2	-5.3	3.1	8.4	6.5	7.0	12.3	6.5	6.5
Q3	4.1	-2.6	0.7	7.7	6.9	6.9	11.4	6.8	6.0
Q4	2.0	5.2	0.1	3.5	5.1	5.1	11.3	6.8	5.1
2012-13									
Q1	2.9	0.4	-1.0	6.2	7.0	6.1	9.3	8.9	5.4
Q2	1.7	1.7	0.1	3.2	3.1	6.8	8.3	8.4	5.2
Q3	1.8	-0.7	2.5	4.5	2.9	6.4	7.8	5.6	4.7
Q4	1.4	-3.1	2.6	2.8	4.4	6.2	9.1	4.0	4.8
Annual Average % [April-March]									
2008-09	0.1	2.1	4.3	4.6	5.3	7.5	12.0	12.5	6.7
2009-10	0.8	5.9	11.3	6.2	6.7	10.4	9.7	11.7	8.6
2010-11^	7.9	4.9	9.7	5.2	10.2	12.3	10.1	4.3	9.3
2011-12 *	3.6	-0.6	2.7	6.5	5.6	7.0	11.7	6.0	6.2
2012-13 #	1.8	0.4	1.9	4.9	5.9	5.2	8.6	6.8	5.0

Source: Central Statistical Organisation *^ Second Revised Estimates, * First Revised Estimates, and # Provisional Estimates*

Index of Industrial Production **(2004-05=100)**

	General	Manufacturing	Mining	Electricity	Basic Goods	Capital Goods	Intermediate Goods	Consumer Goods	Consumer Durables	Consumer Non-durables	Infrastructure Industries
2010-11											
Q1	157.0	165.4	126.8	136.6	136.6	238.9	141.5	172.1	277.4	130.3	134.3
Q2	159.2	169.8	120.9	134.4	135.2	282.1	144.0	167.7	275.3	125.0	132.8
Q3	166.7	176.9	135.1	136.1	144.3	296.7	145.9	173.7	280.8	131.2	139.0
Q4	179.0	190.7	141.4	145.0	152.5	297.7	149.8	199.9	317.1	153.5	147.4
2011-12											
Q1	167.9	178.2	127.6	147.9	146.8	279.5	144.1	179.7	284.9	138.0	135.2
Q2	164.3	178.6	126.2	149.9	148.1	274.1	144.7	180.1	289.6	136.8	136.0
Q3	168.7	178.8	129.4	149.2	150.6	248.7	141.6	187.0	294.6	144.4	136.8
Q4	180.1	191.4	140.9	151.6	157.7	277.3	149.0	202.0	304.0	161.6	153.6
2012-13											
Q1	167.5	176.7	125.6	157.3	151.7	223.4	145.3	186.8	307.8	138.8	150.5
Q2	165.0	175.9	115.2	152.7	147.9	244.2	144.9	178.1	297.2	130.9	150.0
Q3	172.2	183.3	125.5	155.7	154.5	245.7	145.2	192.2	303.7	147.9	150.8
Q4	184.1	197.2	135.2	155.1	160.4	292.5	151.6	205.4	295.9	169.5	156.0
Percentage change over the same period previous year											
2010-11											
Q1	9.6	10.4	8.0	5.4	5.5	17.2	10.7	11.5	19.7	5.4	7.8
Q2	6.8	7.4	6.3	2.1	3.9	15.8	6.3	6.6	12.4	2.1	5.3
Q3	8.6	9.2	6.3	6.5	7.8	22.1	7.4	4.4	9.7	0.3	6.2
Q4	7.9	8.9	1.1	8.1	6.6	5.8	5.5	11.6	15.2	8.8	6.9
2011-12											
Q1	7.0	7.7	0.7	8.3	7.5	17.0	1.8	4.5	2.7	5.9	0.7
Q2	3.2	5.2	4.4	11.6	9.6	-2.8	0.5	7.4	5.2	9.4	2.4
Q3	1.2	1.1	-4.2	9.6	4.4	-16.2	-2.9	7.7	4.9	10.1	-1.6
Q4	0.6	0.3	-0.4	4.5	3.4	-6.9	-0.5	1.1	-4.1	5.3	4.2
2012-13											
Q1	-0.3	-0.8	-1.5	6.4	3.3	-20.1	0.8	3.9	8.0	0.6	11.3
Q2	0.4	-1.5	-8.7	1.9	-0.2	-10.9	0.2	-1.1	2.6	-4.3	10.3
Q3	2.1	2.5	-3.0	4.4	2.5	-1.2	2.5	2.7	3.1	2.4	10.2
Q4	2.2	3.0	-4.0	2.3	1.7	5.5	1.7	1.7	-2.7	4.9	1.5
Annual Average % (April-March)											
2008-09	2.5	2.5	2.6	2.7	1.7	11.3	0.0	0.9	11.1	-5.0	2.8
2009-10	5.3	4.8	7.9	6.1	4.7	1.0	6.0	7.7	17.0	1.4	6.6
2010-11	8.2	9.0	5.2	5.5	6.0	14.8	7.4	8.6	14.2	4.3	6.6
2011-12	2.9	3.0	-2.0	8.2	5.5	-4.0	-0.6	4.4	2.6	5.9	5.0
2012-13	1.1	1.3	-2.4	4.0	2.4	-6.1	1.6	2.4	2.0	2.7	3.4

Source: CSO

Monetary Variables **(Rs Crore)**

	Reserve Money (M0)	Money Supply With the Public (M1)	Money supply (M3)	Net Bank Credit to Govt	Bank Credit to Commercial Sector	Net Foreign Exchange Assets of Banking Sector	Foreign Currency Assets	Non-Food Credit	Food Credit	Credit-Deposit Ratio (%)	Investment Deposit Ratio (%)
2010-11											
Q1	1170785	1486650	5710580	1720210	3573276	1288438	1163266	3262322	52970	73.3	31.3
Q2	1174452	1519831	5899266	1764773	3696238	1363398	1191418	3374996	50232	72.7	31.3
Q3	1241804	1591773	6225181	1797093	4048929	1349079	1200077	3699425	65948	75.8	30.1
Q4	1376821	1638345	6504116	1983896	4236676	1393343	1222062	3877800	64283	75.7	28.8
2011-12											
Q1	1357211	1592367	6696607	2071899	4309392	1404165	1245256	3923596	77329	74.8	29.7
Q2	1354671	1582812	6878779	2152294	4416705	1553838	1348996	4026580	68245	73.9	29.5
Q3	1393431	1697815	7221342	2240946	4704756	1595929	1400600	4282331	84547	74.9	29.1
Q4	1426344	1736449	7364837	2371694	4958445	1543780	1330510	4530548	81304	77.0	28.6
2012-13											
Q1	1463008	1069716	738245	5948268	1807961	2536531	567561	5136320	1646690	13904	1577216
Q2	1448155	1063711	683159	6069721	1746871	2590069	536203	5145299	1603072	14371	1536219
Q3	1458004	1091494	720249	6215574	1811742	2594836	550467	5411424	1634066	14845	1627854
Q4	1193966	1144534	745284	6454672	1889818	2699644	592386	5640553	1599144	15131	1609982
2013-14											
Q1	1565710	1167430	808580	6769410	1976010	2926890	641730	5817860	1737780	15720	1752830
Percentage change over the same period previous year											
2010-11											
Q1	23.4	19.1	15.2	23.0	18.8	-2.0	-2.2	20.5	-12.7	4.9	-4.0
Q2	21.7	15.9	15.2	20.1	18.7	0.1	-6.7	19.2	18.4	4.2	-6.2
Q3	22.1	19.6	18.7	19.4	27.2	0.6	-1.9	27.7	46.4	7.5	-6.9
Q4	19.1	10.0	16.1	18.9	21.3	8.7	4.1	21.3	32.6	4.8	-6.5
2011-12											
Q1	15.9	7.1	17.3	20.4	20.6	9.0	7.0	20.3	46.0	2.0	-5.0
Q2	15.3	4.1	16.6	22.0	19.5	14.0	13.2	19.3	35.9	1.6	-5.9
Q3	12.2	6.7	16.0	24.7	16.2	18.3	16.7	15.8	28.2	-1.2	-3.4
Q4	3.6	6.0	13.2	19.5	17.0	10.8	8.9	16.8	26.5	1.7	-0.9
2012-13											
Q1	7.8	11.3	17.0	16.5	13.5	22.4	50.9	19.2	17.3	13.5	43.2
Q2	6.9	13.0	6.5	14.6	10.4	20.3	50.3	16.5	3.2	15.1	22.3
Q3	4.6	11.8	-0.1	12.5	6.7	15.8	22.3	15.0	2.4	13.8	22.1
Q4	-16.3	11.9	4.4	14.7	8.8	13.8	10.6	13.8	3.6	12.5	5.7
2013-14											
Q1	7.0	9.1	9.5	13.8	9.3	15.4	13.1	13.3	5.5	13.1	11.1
Annual Average % (April-March)											
2008-09	6.4	9.0	19.3	42.0	16.9	4.4	4.2	17.8	4.1	-1.7	-0.1
2009-10	17.0	18.2	16.9	30.7	15.8	-5.2	-3.0	17.1	4.9	-0.1	1.3
2010-11	19.1	10.0	16.1	18.9	21.3	8.7	4.1	21.3	32.6	4.8	-6.5
2011-12	3.6	6.0	13.2	19.5	17.0	10.8	8.9	16.8	26.5	1.7	-0.9
2012-13	-16.3	8.8	13.3	13.8	13.8	3.6	19.5	14.0	18.6	1.3	4.1

Source: RBI

External Sector

(Rs Crore)

	DGCI&S			RBI						
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Net Invisibles	Current Account Balance	Capital Account Balance	Overall Balance
2010-11										
Q1	256130	410636	-154506	261000	401700	-140600	79700	-61000	78400	17100
Q2	249514	401137	-151622	254600	417600	-163000	83000	-80000	101800	15300
Q3	291806	416302	-124496	297500	440400	-143000	92600	-50400	73200	17900
Q4	345471	455393	-109921	352600	486400	-133800	105600	-28200	37800	9200
2011-12										
Q1	342254	548812	-206559	351600	552800	-201200	122800	-78400	107000	24300
Q2	356048	553000	-196951	364200	568000	-203800	117300	-86500	89600	1200
Q3	368366	612621	-244254	363600	611700	-248100	146400	-101600	39100	-65300
Q4	399291	631031	-231740	403100	662100	-259000	149600	-109400	83400	-28800
2012-13										
Q1	397951	623598	-225647	405793	643041	-237248	144764	-92484	89466	2823
Q2	392776	656054	-263278	400748	664662	-263913	147239	-116674	114555	-872
Q3	394214	700177	-305963	401980	718090	-316110	144079	-172031	170409	4231
Q4	445265	690492	-245227	459169	706353	-247184	148764	-98420	111305	14520
Percentage change over the same period previous year										
2010-11										
Q1	36.8	35.0	32.1	36.6	25.8	9.7	-26.2	200.5	321.5	2750.0
Q2	21.1	26.1	35.3	21.2	18.2	13.7	-15.9	79.8	9.2	-66.4
Q3	35.3	12.7	-19.0	35.2	20.9	-0.8	5.8	-11.3	9.3	118.3
Q4	46.0	22.4	-18.9	45.6	25.9	-7.2	22.6	-51.5	-42.0	-6.1
2011-12										
Q1	33.6	33.6	33.7	34.7	37.6	43.1	42.1	2852.5	3648.0	4210.5
Q2	42.7	37.9	29.9	43.0	36.0	25.0	-92.2	812.5	-1198.4	-9215.7
Q3	26.2	47.2	96.2	22.2	38.9	73.5	-464.8	10158.7	-4658.5	-46480.4
Q4	15.6	38.6	110.8	14.3	36.1	93.6	-413.0	28794.3	12063.5	-41304.3
2012-13										
Q1	16.3	13.6	9.2	15.4	16.3	17.9	-88.4	1796.5	-1638.7	-8838.2
Q2	10.3	18.6	33.7	10.0	17.0	29.5	-172.7	3488.4	2785.1	-17265.9
Q3	7.0	14.3	25.3	10.6	17.4	27.4	-106.5	6932.2	33582.8	-10648.0
Q4	11.5	9.4	5.8	13.9	6.7	-4.6	-150.4	-1003.6	3345.9	-15041.6
Annual Average % (April-March)										
2009-10	0.6	-0.8	-2.9	0.6	1.3	2.3	-9.4	40.8	741.4	-166.1
2010-11	35.2	23.4	4.3	35.0	22.7	3.7	-5.1	22.2	19.3	-7.3
2011-12	28.3	39.3	62.7	27.2	37.1	57.2	21.5	2.2	48.5	24.8
2012-13	11.5	14.0	18.0	12.5	14.1	16.7	15.7	22.5	9.1	13.8

Source: DGCI&S & RBI Note: Quarterly series may not matchto yearly totals becasue of data revisions

Price Index (2004-05=100)

	WPI										CPI	
	All Commodities	Commodity Groups Primary Articles	Fuel, Power, Light & Lubricants	Mfg. Products	Use-based Basic Goods	Capital Goods	Interm Goods	Con. Goods	Cons. Durables	Cons. Non Durables	Industrial Workers (2001=100)	Agricultural Labourers (1986-87=100)
2010-11												
Q1	139.2	173.2	142.4	127.9	138.0	126.6	133.5	128.6	122.3	130.6	172.0	541.7
Q2	141.4	178.6	147.8	128.4	137.7	126.6	137.0	130.1	124.6	131.9	178.3	557.7
Q3	144.2	186.9	149.0	130.0	139.2	126.9	139.0	132.3	128.0	133.7	182.7	572.3
Q4	148.5	191.0	154.1	134.1	143.3	128.9	145.7	135.3	130.1	136.9	186.0	586.0
2011-12												
Q1	152.5	195.9	160.5	137.3	149.9	129.7	150.4	138.7	133.4	140.3	187.3	592.3
Q2	155.1	200.2	167.0	138.5	151.5	130.4	152.7	141.7	138.1	142.8	194.7	609.7
Q3	157.2	201.4	171.4	140.3	155.5	131.3	155.4	143.3	141.9	143.8	198.0	619.3
Q4	159.7	203.8	177.2	142.0	161.8	132.1	157.3	144.5	142.5	145.1	199.3	621.3
2012-13												
Q1	164.0	215.2	179.6	144.6	164.6	132.9	159.6	146.9	144.6	147.7	206.3	639.0
Q2	167.3	220.8	183.2	147.1	167.5	134.2	161.4	151.2	147.4	152.4	213.7	665.0
Q3	168.7	220.1	189.6	148.0	167.0	134.9	165.8	153.0	149.1	154.3	218.0	684.3
Q4	170.4	223.7	193.5	148.6	167.4	135.9	170.0	152.8	148.8	154.1	219.0	699.3
2013-14												
Q1	171.9	229.4	193.2	149.2	167.3	137.0	169.3	153.4	147.0	155.4	219.0	719.7
Percentage change over the same period previous year												
2010-11												
Q1	10.5	20.7	14.0	6.0	9.2	3.2	10.9	5.8	4.0	6.3	13.7	13.9
Q2	9.3	17.7	12.3	5.3	8.1	3.4	9.8	5.1	6.1	4.8	10.3	9.9
Q3	8.9	17.0	10.9	5.2	7.8	3.6	10.4	3.9	7.5	2.9	9.2	7.9
Q4	9.6	15.9	12.1	6.3	8.1	3.8	12.5	4.0	7.7	3.0	9.0	8.8
2011-12												
Q1	9.6	13.1	12.7	7.4	8.7	2.5	12.7	7.8	9.0	7.4	8.9	9.4
Q2	9.7	12.1	13.0	7.9	10.0	3.0	11.5	8.9	10.9	8.3	9.2	9.3
Q3	9.0	7.8	15.1	8.0	11.7	3.4	11.7	8.3	10.8	7.5	8.4	8.2
Q4	7.5	6.7	14.9	5.9	12.9	2.5	8.0	6.8	9.6	6.0	7.2	6.0
2012-13												
Q1	7.5	9.9	11.9	5.3	9.8	2.5	6.1	6.0	8.4	5.2	10.1	7.9
Q2	7.9	10.3	9.7	6.2	10.6	2.9	5.7	6.7	6.7	6.7	9.8	9.1
Q3	7.3	9.3	10.6	5.5	7.4	2.8	6.7	6.8	5.1	7.3	10.1	10.5
Q4	6.7	9.7	9.2	4.7	3.5	2.9	8.0	5.8	4.4	6.2	9.9	12.6
2013-14												
Q1	4.8	6.6	7.6	3.2	1.6	3.1	6.0	4.4	1.6	5.2	6.1	12.6
Annual Average % (April-March)												
2008-09	8.1	11.0	11.6	6.2	9.6	4.0	7.7	6.6	5.3	6.9	9.1	10.2
2009-10	3.8	12.7	-2.1	2.2	-1.6	0.9	-0.9	7.8	4.8	8.8	12.4	13.9
2010-11	9.6	17.7	12.3	5.7	8.3	3.5	10.9	4.7	6.3	4.2	10.4	10.0
2011-12	8.9	9.8	14.0	7.3	10.8	2.9	10.9	8.0	10.1	7.3	4.2	4.9
2012-13	7.4	9.8	10.3	5.4	7.7	2.8	6.7	6.3	6.1	6.4	14.4	13.4

Source: Ministry of Industry, Use-based calculated by NCAER staff using WPI data from Ministry of Industry

Central Government Accounts **(Rs Crore)**

	Revenue Receipts	Non-debt Capital Receipts	Total Receipts	Non-Plan Expenditure	Interest Payments	Total Expenditure	Fiscal Deficit	Revenue Deficit	Primary Deficit
2010-11									
Q1	199810	2202	202012	154148	40223	242208	40196	10577	-27
Q2	198424	4289	202713	214122	62556	295769	93056	64344	30500
Q3	186034	24844	210878	168628	43525	248875	37997	41388	-5528
Q4	210009	4264	214273	284671	88435	412067	197794	128544	219908
2011-12									
Q1	90920	7644	98564	177093	50187	261217	162653	134621	112466
Q2	214608	5111	219719	244177	72312	337876	118157	87159	45845
Q3	192963	4103	197066	198187	56930	297268	100202	64324	43272
Q4	257702	15662	193736	228892	60514	321660	127924	91371	67410
2012-13									
Q1	118720	2402	206068	239248	70103	346270	140202	101009	70099
Q2	232168	3825	273364	265474	93026	402083	128719	98618	35693
Q3	219648	9661	-546588	-634231	-185152	-914325	-367737	-281123	-182585
Q4	224286	9834	234120	240804	77944	-916069	-351984	-262951	-160689
Percentage change over the same period previous year									
2010-11									
Q1	177.5	226.7	178.0	8.4	13.5	23.0	-67.7	-90.2	-100.0
Q2	15.0	-27.6	13.6	19.0	22.1	17.4	26.7	12.1	37.1
Q3	28.5	1372.7	44.0	-3.8	0.4	-3.8	-66.1	-52.0	-108.0
Q4	12.8	-81.0	2.7	30.0	8.3	32.5	93.3	58.1	962.9
2011-12									
Q1	-54.5	247.1	-51.2	14.9	24.8	7.8	304.6	1172.8	-416640.7
Q2	8.2	19.2	8.4	14.0	15.6	14.2	27.0	35.5	50.3
Q3	3.7	-83.5	-6.5	17.5	30.8	19.4	163.7	55.4	-882.8
Q4	22.7	267.3	-9.6	-19.6	-31.6	-21.9	-35.3	-28.9	-69.3
2012-13									
Q1	30.6	-68.6	109.1	35.1	39.7	32.6	-13.8	-25.0	-37.7
Q2	8.2	-25.2	24.4	8.7	28.6	19.0	8.9	13.1	-22.1
Q3	13.8	135.5	-377.4	-420.0	-425.2	-407.6	-467.0	-537.0	-521.9
Q4	-13.0	-37.2	20.8	5.2	28.8	-384.8	-375.2	-387.8	-338.4
Annual Average % (April-March)									
2008-09	0.9	-84.7	-5.6	19.3	11.1	23.5	154.3	344.8	-435.0
2009-10	5.7	358.8	10.0	18.2	11.1	15.5	24.9	34.6	43.7
2010-11	38.0	15.7	36.9	14.7	10.9	17.7	-10.5	-26.4	22.0
2011-12	-4.8	-8.6	-5.0	7.7	16.1	8.3	38.1	57.1	-3.1
2012-13	16.2	25.2	16.6	12.5	14.5	8.5	-3.9	-5.5	-25.0

Source: Controller General of Accounts