

QUARTERLY REVIEW

REVIEW OF THE ECONOMY

Forecast

Agriculture

Industry

Services

Money and Capital Markets

External Sector

Prices

Public Finance

Data File

October 2013

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Overview

Bountiful rain has had a positive impact on agricultural growth but it will not be enough to pull up the rest of the economy which is suffering from a lack of confidence, high inflation, dismal domestic scenario and uncertain external scenario. Predictably growth rates have been revised onwards

GDP numbers that came in since the date of our last Quarterly Review in July 2013 suggest some of our worst fears have been realised. First quarter growth for 2013-14 plummeted to 4.4%, the slowest quarterly growth in the past seventeen quarters.

Growth in the second quarter (for which data is awaited) is also likely to be subdued partly on account of the upheaval caused by developments on the external sector. The outlook for the third and fourth quarters is not much brighter, thanks to a combination of domestic and external factors.

On the domestic front, though the government has embarked on a flurry of activity during the past three-four months, these are unlikely to bear fruit in the near-term in view of the political uncertainty on account of impending general elections in May 2014. On the external front, likewise, there is uncertainty regarding the timing and pace of the US Federal Reserve's move to taper its record stimulus programme under which it has been pumping liquidity into the system by buying bonds worth US\$ 85 billion every month. Any reduction in the Fed's bond buying programme will drive investors away from emerging markets and led to volatility in the forex market.

In such a scenario it is not surprising that estimates by various agencies of GDP growth during 2013-14 have progressively been lowered. While the government has not formally lowered its estimate of 6.5% announced at the time of the Budget, the Prime Minister's Economic Advisory Council in its latest Economic Outlook published in September 2013 has lowered its estimate from 6.4% (projected in April 2013) to 5.3%. The Reserve Bank of India has gone one step ahead

and lowered its GDP projection to just five per cent, down from 5.5% earlier.

A notable aspect of the second quarter was continuance of turmoil on the external front. The immediate trigger was the US Federal Reserve Chairman, Ben Bernanke's testimony of 22 May suggesting the US Fed might start tapering its Quantitative Easing programme sometime later this year.

The resultant mayhem on Indian markets was marked by large scale exit of foreign institutional investors (FIIs), especially debt funds. This led to a sharp depreciation of in the exchange rate of the rupee vis-à-vis the dollar by 7.5% during the period 22 May to 15 July compelling the Reserve Bank of India (RBI) to announce liquidity tightening measures on 15 July in a bid to raise the short-term interest rate and thereby curb volatility in the exchange rate.

Following the Fed's decision to defer tapering of its bond-buying programme and a series of confidence-boosting measures announced by the RBI, stability seems to have returned but economic agents are on edge. The worry is that this stability may only superficial and the next six months may not be any better, especially given the political over-hang.

The performance and outlook for the various sectors is detailed below:

Agriculture, Industry and Services

The rain gods have been kind to us. Monsoon rainfall during June-September period of 2013-14 has been excess-to-normal in large parts of the country. The actual rainfall received during the entire monsoon season is 6% above its long-term average. Of the total 36 agro-meteorological sub-divisions, 31 sub-divisions covering about 78% of all districts in the country

have received normal-to-excess rainfall. The spatial distribution of seasonal rainfall at the level of sub-divisions and districts has also been fairly good this year.

This has improved the outlook for agricultural production tremendously. This is reflected in the first advance estimates of kharif output released by the ministry of agriculture. According to these estimates the output of kharif food grains is likely to be in the region of 129 million tonnes, marginally above the previous year's estimated output of 128 million tonnes. Our estimates are still higher because of differences in the method used to arrive at these estimates. The ministry's estimates are based on information supplied by the state governments. Our own estimates for the kharif season are based on regression models, which incorporate the impact of monsoon rainfall as well as trend factors both of which suggest significant improvement in the output of various crops.

The performance of industry and within industry of manufacturing has been nothing short of dismal. The index of industrial production (IIP) for April-August 2013 grew marginally by 0.1 per cent. Contraction of the mining and manufacturing sectors is the main factor responsible for lowering overall industrial growth. Excluding capital goods and the mining sector, IIP grew by 0.5% during the period.

In terms of use-based industries, consumer durables and basic goods, which together have 54% weight in IIP, pulled down overall growth. Capital goods have been particularly volatile; (-) 15.6% growth in July was followed by a two per cent decline in August. Unfortunately, the quality of IIP data, marked by frequent revisions and spikes in output of certain items, makes it very difficult to come to any clear conclusion about the sector.

Output of eight core industries improved consecutively for three months with September growth reaching 8%. However, this has not translated into higher industrial growth. The pickup in performance is led by steel, cement and electricity. However,

on a year-to-date (YTD) basis, the growth of eight core industries decelerated to 2.3% during April-August 2013 from 6.3% in the corresponding period last year.

The services sector grew at 6.2% during Q1 of 2013-14 compared to 7.6% during the same period last year largely on account of a moderation in the growth of 'construction' and 'trade, hotels, restaurant, transport and communication' sectors.

Developments in lead indicators of the services sector reveal a mixed picture. Passenger and commercial vehicles sales and some segments of the aviation industry contracted even though indicators like tourist arrivals, railway freight revenue and steel production showed signs of improvement. The Reserve Bank's services sector composite indicator, which is based on growth in indicators of construction, trade and transport and finance, showed a downturn in Q1 of 2013-14, but a modest pickup in July-August. Either way what is clear is that the services sector can no longer be the engine of growth. Growth has hit a plateau and this sector alone cannot power growth and more importantly provide employment opportunities to our teeming millions.

External Sector

In September 2013 the World Trade Organisation (WTO) cut its forecasts for trade growth in 2013 and 2014 to 2.5% and 4.5% respectively, well below the 20-year average of 5.4 %.

The fall in world trade is a direct consequence of slowdown in emerging markets and dollar weakness, driven by signs that the US Fed is likely to continue its stimulus. The dollar has declined five per cent on a trade-weighted basis since mid-July.

If the first six months of the current fiscal were tumultuous, most of the tumult was caused by developments on the external sector.

In common with emerging markets the world over, the exchange of the rupee in terms of the US dollar fell sharply following the May 2013

remarks of the US Fed Chairman, Ben Bernanke about a possible tapering of the US bond purchase programme in the course of the year. The rupee, however, declined much more than other currencies, barring the South African Rand and the Indonesian Rupiah, in view of our more adverse current account deficit (CAD).

Fortunately, by early September 2013 the rupee recovered ground and appreciated by six per cent and further by 1.9 per cent by 25 October 2013 as market sentiment improved. Sentiment was also boosted by definite signs that the CAD will be more manageable this year; despite the widening of the CAD to 4.9% of GDP in Q1: 2013-14 as against 3.6% of GDP in Q4: 2012-13.

The trade balance seems to have responded to the policy measures taken by the government and the RBI. Gold imports have declined significantly (though there are indications that smuggling is on the rise) and exports have picked up. As a result the trade deficit, that had widened to \$ 50.5 billion in Q1: 2013-14, up from \$ 43.8 billion a year ago, is expected to come down substantially in the second quarter. For now external risks have come down. But the recent CAD improvement cannot be taken for granted. It must be bolstered through more structural adjustments.

Greater attention will also need to be paid to altering the pattern of financing of the CAD – towards stable long-term capital inflows and away from volatile portfolio flows especially debt flows. This is critical given that the share of external debt, especially short-term debt measured by residual maturity – has risen sharply in recent months.

Money Credit and Finance

The monetary situation continues to be extremely challenging. On 15 July, in response to extreme volatility in the market, the RBI hiked the MSF rate sharply to 10.25%. The overall allocation of funds under LAF was also capped at one per cent of the Net Demand and Time Liabilities (NDTL) of the banking system. On 23 July the RBI tightened

liquidity further by restricting access to LAF by way of repos at each individual bank level and restricting it to 0.5 % of the bank's own NDTL with effect from 24 July, 2013. Rules for maintenance of CRR were also tightened.

These measures had an immediate impact on bond yields though the rupee continued to be under pressure (touching an all-time low of Rs 68.85 on 28 August 2013) till early September. Stability returned to the market only it became evident that the Fed was not going to commence its tapering any time soon.

The RBI in its mid-quarter review of monetary policy on 20th September (for the first time the original date of the Review was pushed back to after the Federal Open Markets Committee meet) rolled back some of the exceptional liquidity-tightening measures announced in July but raised the repo rate 25 basis points to 7.50%. This was again raised to 7.75% in the Second Quarter Review announced on 29 October 2013. The MSF rate was correspondingly reduced 25 basis points to 8.75, thereby restoring the corridor between the two rates to 100 basis points.

The slowdown in the economy impacted both deposit as well as credit growth. Deposit growth has been slowing over the past few years as savers responded to negative real rates of interest by turning away from banks towards gold and other physical assets.

As on 6 September 2013, deposit growth was only 13.4%, compared to 14.5% in the previous year. Credit growth, in contrast, was higher at 18.2% as on 6 September compared to 16.6% in the previous year.

As far as stock markets are concerned, it was a roller-coaster ride during the second quarter as FIIs first fled the market on talk of Fed tapering and then returned with almost as much vigour once it became apparent the Fed would stay the course for a while. On 16 August the BSE Sensex tanked 769.41 points, the largest single day fall in four years. The Nifty also nose-dived 234 points. On 21 August the Sensex slipped below the 18,000 mark to close at 17,905.91. However by the

end of August, it had recovered ground to again touch the psychologically important level of 18,000 before touching a high of 20,646 on 19 September 2013. It has since gone on to touch an all-time high of 21,034 on 30 October 2013 on the back of strong overseas inflows.

Prices

Driven by a spike in vegetable prices, inflation has once again reared its ugly head during the second quarter of the current fiscal. Retail inflation is persisting at close to double digits and inflationary expectations have gone up. India's retail inflation is the highest amongst the BRIC countries and United States, United Kingdom, France and Germany. Forecasts till 2018 show that India's inflation rate is going to remain the highest amongst the countries although the inflation rate will come down. High inflation also affects India's competitiveness adversely

Headline inflation, as measured by the Wholesale Price Index (WPI) with base year 2004–05 had fallen below 5% on a y-o-y basis in the first quarter of the current fiscal. The trend has since reversed and wholesale inflation increased to 6.1%, although this is significantly lower than the inflation rate in the corresponding period last fiscal year (7.9%).

Second quarter inflation is mainly due to supply side factors though demand side factors continue to play a role. Persistence of high retail inflation is a matter of serious concern because it has a destabilising impact on inflation expectations. While food inflation may come down in the immediate future, uncertainties regarding currency fluctuations and energy pricing remain and may aggravate price pressures.

Public Finance

While it is still early to dismiss the promises made in Budget 2013-14 outright, the portents to date are not encouraging. The Finance Minister, P Chidambaram remains confident that he will be able to abide by the

line he has drawn in the sand as far as the GFD is concerned.

However, as per the latest numbers released by the Controller General of Accounts the fiscal deficit has already reached 75% of the Budget Estimates (BE) during the first five months of the year compared to 66% in April-August 2012 period.

The cumulative fiscal deficit reached 3.7% of GDP during April-August 2013 (vs. the budget estimate of 4.8% of GDP for full year FY14).

With growth likely to be significantly lower than the 6-6.5% projected in the Budget, it may be difficult to achieve the budgeted tax-GDP ratio of 10.9% even with the budgeted tax buoyancy of 1.4 % during 2013-14. Indeed gross tax revenue growth during the first quarter of 2013-14 was lower than a year ago due to deceleration/decline in major tax revenues. The other major items of government revenue such as disinvestment receipts of Rs 400 billion are likely to be just as problematic given the volatile conditions in financial markets.

Forecast

Forecasting economic growth during crisis or recession periods is becoming difficult due to unusual structural shifts in some of the key macroeconomic parameters. Wide variations between the actual and projected GDP growth rates have become the norm.

For the current fiscal all agencies started with optimistic growth numbers of around 6.5% in their preliminary assessments but have since revised their estimates steadily downward. NCAER is no exception! We expect growth to remain low in the current fiscal despite better performance in agriculture as the sector's share in total GDP is only about 14%.

Investment data released by the Centre for Monitoring Indian Economy (CMIE) for the quarter ended June 2013 is not encouraging. New investment announcements during Q1:2013-14 at Rs 784 billion were 32% lower

than the quarterly average of Rs 1.1 trillion new proposals announced during 2012-13. New investment proposals in the manufacturing sector slipped 47% to Rs 544 billion over its year ago level. Commissioning of new projects fell to Rs 270 billion in Q1:2013-14, the lowest in the past 34 quarters. On a positive note, the quantum of stalled projects has improved 34% to Rs 940 billion during the June 2013 quarter compared to the year ago level.

Weakening private investment is also explained by the continuous decline in business confidence. The NCAER-MasterCard Business Expectations Survey reveals that business confidence index has been declining continuously since April 2012 mainly due to weak overall economic conditions and an unfavourable business environment. The June 2013 quarter, however, shows a marginal improvement in business sentiment though questions regarding sustainability remain.

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 the evolving pattern of variables over time and (2) annual GDP growth assessment based on a more detailed annual macro-econometric model. The assumptions underlying the two approaches have been detailed in the Section on Forecast.

Based on our assumptions regarding exogenous variables, we have revised our quarterly GDP estimates from Q2:2013-14 onwards. The GDP growth rate at 2004-05 constant prices is estimated at 5.3% for 2013-14, a downward revision of 0.4 percentage points over our July 2013 estimate of 5.7%. GDP growth in all three quarters has been revised downwards compared to our previous estimate in July 2013. This is mainly due to contraction of output in industry and services sectors. While agricultural output is revised upwards from 3.3% in July to 4.1% in the current estimates on account of better rainfall, industrial growth is revised downward to 2.9%

from earlier estimates of 4.5% in July 2013. Services sector growth rate is also revised downward from 6.8% in July 2013 to 6.6% in the current estimates.

It is important to note that the current quarterly model is unable to fully capture the impact of a few important factors such as investment, exchange rate, interest rate etc. on sectoral output. Hence, the trend slowdown or policy impact of these variables on output at the sectoral levels is difficult to quantify accurately.

The second approach based on a more detailed annual macro-economic model gives us overall GDP growth, in constant 2004-05 prices, at 5.2% in 2013-14 which is 0.7 percentage points lower than our earlier estimate of 5.9% in July 2013.

A substantial downward revision of growth is made in the case of the services sector followed by a marginal decline in the growth in industry. In case of agriculture, we estimate a higher growth rate of 3.9% compared to our earlier estimate of 3.2% in 2013-14.

In an alternative scenario, where we assume disinvestment revenue will fall short of our baseline target of Rs 40,000 crore and the exchange rate would depreciate more than that assumed in the baseline, overall GDP growth, in constant 2004-05 prices, is estimated at 4.8%. At the sectoral level, industry is expected to grow by 2.6% and services by 6% in 2013-14. Thus, the annual model gives a GDP growth range 4.8-5.2% for the current fiscal.

Forecast

The official estimates of first quarter GDP growth rate suggests that the Indian economy perhaps has bottomed out. But it is quite clear that the economic growth in current fiscal is unlikely to be very different than the previous fiscal year. Our revised assessment for 2013-14 shows GDP growth rate at 5.2% using the quarterly model and 5.3% using the annual model. Both are revised downwards from the July forecast.

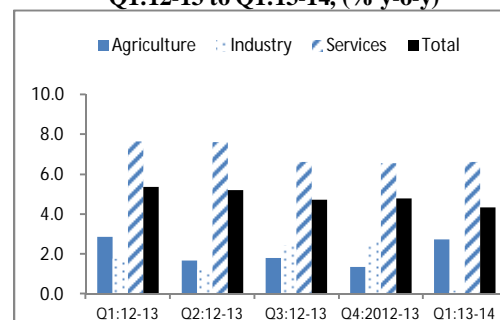
F.1 Backdrop

Economic fundamentals of the Indian economy continue to remain weak despite several policy initiatives taken by the government during the past few months. Weak private demand, low savings and investment, low business confidence, collapse of the Rupee and ballooning current account deficit have deterred economic recovery. For the first time since the financial crisis, the economy expanded at its slowest pace during the first quarter of the current fiscal. Official estimates show GDP at factor cost in constant 2004-05 prices recorded a mere 4.4% growth in Q1:2013-14. While the GDP growth of industry and the services sector declined in Q1 of 2013-14 compared to the corresponding quarter of the previous fiscal year, agriculture shows improved growth (Figure F1). Low growth in the industrial sector is explained by the contraction of manufacturing output by 1.2%. It is unlikely that a better agricultural growth in the current fiscal compared to the previous fiscal year will make a dent on overall economic growth rate as its share in GDP is only 14%.

The poor performances of industry and services are largely explained by fall in investment (Figure F2). Gross fixed capital formation (GFCF) registered negative growth owing to policy logjam, unfavourable business environment, weakened business confidence and slow down of economic growth. The NCAER-MasterCard Business Expectations Survey reveals that the business confidence index has been declining continuously since April 2012. The June 2013 quarter shows marginal improvement in business sentiment but its sustainability remains in question. Investment data released by the Centre for Monitoring Indian Economy (CMIE) for the

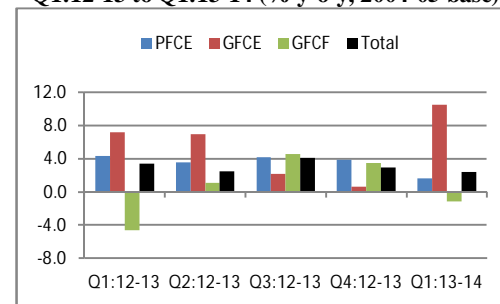
quarter ended June 2013 shows that new investment announcements were 32% lower during Q1:2013-14 compared to the corresponding period of 2012-13. Commissioning of new projects also dropped to the lowest in the past 34 quarters.

**Figure F1: India's Economic growth slide continues
Q1:12-13 to Q1:13-14, (% y-o-y)**



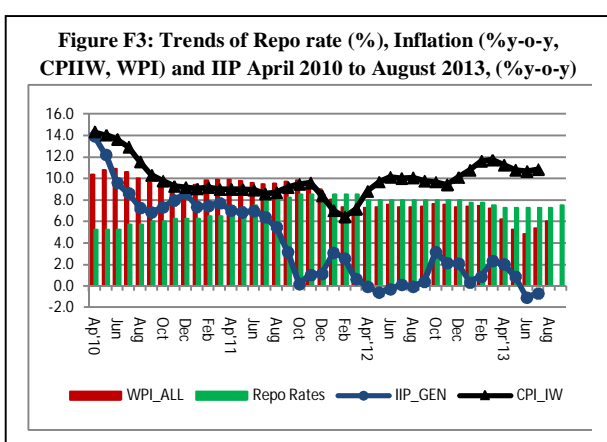
Private final consumption expenditure (PFCE) has fallen due to high inflation and decline in real income. As PFCE and GFCF constitute more than 90% of GDP at market price, the decline in these two components is bound to have a long-term impact on the economy. Government Final Consumption Expenditure (GFCE), which was low during the last two quarters of the previous fiscal year owing to a squeeze on expenditure, has shown a 10.5%

**Figure F2: Trends of GDP at market prices,
Q1:12-13 to Q1:13-14 (% y-o-y, 2004-05 base)**



growth in Q1:2013-14.

The Reserve Bank of India (RBI) had slashed the Repo rate (the rate at which banks borrow from RBI) thrice since January 2013 due to the decline in WPI inflation (Figure F3). Manufacturing output showed improvement in this period. The WPI inflation picked up in July and August due to rise in food inflation especially vegetables inflation (due to heavy monsoon) forcing the central bank to reverse its policy stance. It is likely the central bank will maintain its present stance till December 2013 thereby diminishing chances of recovery in the manufacturing sector.



On the external front, the Rupee depreciated on average by 10.55% against the US dollar in July-August 2013 compared to the corresponding period in the previous year, falling to a historic low of 68.85 against US dollar on August 28 2013. This fall is due to weak domestic growth, large oil imports, global factors like the crisis in Syria and likely tapering of quantitative easing in the U.S. According to analysts, a depreciating rupee and rising international crude oil prices are like a double whammy on oil and gas companies as the cost of imported oil reached a historic high of `7,000 per barrel in August 2013. The steady rise in the oil subsidy bill puts pressure on both current account and fiscal deficits. The depreciation of the rupee helped exports grow in double digits during the first two months of the second quarter. Simultaneously, the oil import bill increased by 33% in August 2013. Increased oil prices have led to higher under-recovery of oil marketing companies and eroded investment

opportunities. Further, there is upward pressure on domestic oil prices and inflation.

In order to arrest any further slide in the exchange rate of the Rupee and check volatility in the forex markets, RBI set up a swap window for oil companies. The central bank has also imposed a partial control on domestic capital outflow to check volatility in the forex market.

The overwhelming opinion across a range of brokerage houses and agencies is that GDP growth rate is expected to remain low in the second quarter as well and will be below five per cent for the year as a whole.

In contrast, the government (Prime Minister Economic Advisory Council) remains optimistic of recovery in the second half of the fiscal year due to better performance of agriculture and various policy initiatives. These mainly include kick starting various delayed infrastructure projects and reining in Government spending. However, the impact the resurgence of the infrastructure sector will be felt only in the medium to long run. And as for lowered spending, as per the latest numbers released by the Controller General of Accounts the fiscal deficit has already reached 75 per cent of the Budget Estimates (BE) during the first five months of the year compared to 66 per cent in April–August 2012 period.

While the risks factors to growth have got amplified, positive factors have weakened. The few policy initiatives taken by the government and the central bank may not be good enough to lift economic growth from its present lows. The economic outlook for the current fiscal year have been re-assessed using two approaches: (1) quarterly GDP growth assessment based on a quarterly model that incorporates some of the inter-sectoral relationships and evolving patterns of variables over time and (2) annual GDP growth assessment based on a more detailed annual macro-econometric model.

F.2 Quarterly GDP Estimates for 2013-14

Current estimates of quarterly GDP for 2013-14 are based on a number of assumptions relating to exogenous variables and other high frequency data, updated till July/August 2013. This is the second revised estimates of our preliminary estimates made in April 2013. The first revised estimates were made in July 2013.

In current estimates, we assume rainfall at three per cent above normal compared to our earlier assumption of normal monsoon due to 4% above normal rainfall between 1 June and September, 18. We retain our earlier assumption of marginally better capital market (BSE). In the case of bank credit to the commercial sector, we assume a lower growth rate of 15% compared to our earlier assumption of around 16% in the current fiscal on account of the recent hike in policy rate. We retain our earlier assumption of 16.4% year-on-year (y-o-y) growth in Central government expenditure over the Revised Estimates of the previous fiscal. We have used the ARIMA model to project WPI inflation. Figure F4 depicts the estimates of monthly and quarterly WPI inflation from September 2013 onwards. Our estimates show WPI inflation at 6.5 per cent for the current fiscal, up 0.4 percentage points over previous estimates.

Based on the above assumptions regarding exogenous variables, we have revised our quarterly GDP estimates from Q2:2013-14 onwards. The estimates are illustrated in Figure F5.

GDP growth rate at 2004-05 constant prices is estimated at 5.3% for 2013-14, a downward revision of 0.4 percentage points over our July 2013 estimate of 5.7%.

There is a downward revision in GDP growth rate in all three quarters compared to our previous estimate in July 2013. This is mainly due to contraction of output in industry and services. While agricultural output is revised up from 3.3% in July to 4.1% in the current estimates due to better rainfall, industrial

growth is revised down to 2.9% from earlier estimates of 4.5% in July 2013. Services sector growth rate is also revised down from 6.8% in July 2013 to 6.6% in the current estimates.

Figure F4: Quarterly inflation forecast from Q2:2013-14 onwards

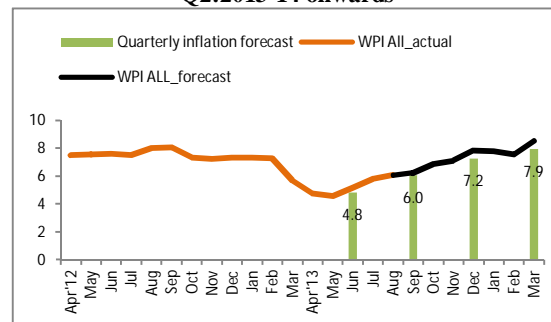
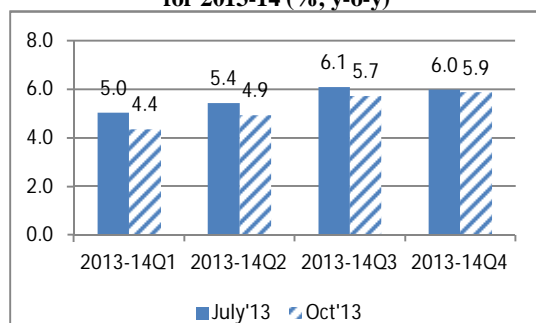


Figure F5: Quarterly GDP growth rate estimates for 2013-14 (% , y-o-y)



F.3 Annual Assessments for 2013-14

The current forecast is the third revision of real GDP growth rate for 2013-14 after the first revision was made in July 2013. We had projected real GDP growth at 5.9% in July 2013. The current forecast incorporates changes in key macroeconomic parameters during the past three months. The key assumptions on which the forecast is based are the following.

Rainfall: We assume rainfall three per cent above normal compared to the earlier assumption of 'normal' monsoon.

World GDP growth: World GDP growth was revised downward to 2.9 per cent from the

earlier estimates of 3.1 per cent in July 2013 (IMF World Economic Outlook, October 2013).

International crude oil price: We retain our earlier assumption of no y-o-y change in international crude oil prices.

Non-fuel commodity prices in the international markets: We continue with our earlier estimates assuming no y-o-y change.

FDI net inflows and net invisibles receipts: Y-o-Y change of net invisible receipts and net FDI inflows are assumed at eight and 10 per cent respectively which are same as our earlier assumptions.

Foreign institutional investment: We assume no improvement of net FII inflows in current fiscal over the previous fiscal year as compared to our earlier assumption of 10% y-o-y increase.

Domestic energy price index (WPI for fuel, power, light and lubricants): WPI energy prices are assumed to increase 5.56% in the current fiscal due to an increase in the price of oil imports compared to our earlier assumption of four per cent.

BSE Sensex: We keep our earlier assumption of y-o-y five per cent increase in this indicator.

Interest and exchange rates: We retain our earlier assumption of no further moderation of interest rate. Earlier assumption of LIBOR at 0.2% is retained. The steep fall in the value of the rupee in July and August results in changing our assumption to 9.5% depreciation in the exchange rate of the Rupee against the US dollar in October compared to two per cent in July.

Central government finances: We retain our earlier assumptions on government finances i.e., disinvestment revenue of ₹40,000 crore, subsidies at 2.03% of GDP. We also retain our assumption on tax collection rates viz y-o-y increase in direct and indirect tax collection of two and one per cent, respectively. We expect that oil subsidies will exceed the Budget Estimates in the current fiscal and therefore total expenditure will also exceed Budget

Estimates. But the government may try to neutralise these additional burdens either by cutting down non-Plan expenditure or shifting some/entire portion of the additional oil subsidies to the next fiscal.

In addition to above assumptions, we have also made an intercept adjustment in private investment functions to capture the decline in investment on account of the rising under-recovery of oil marketing companies.

The revised assessment places overall GDP growth, in constant 2004–05 prices, at 5.2% in 2013–14 which is 0.7 percentage points lower than the earlier estimate of 5.9% in July 2013 (Table F1).

Available indicators suggest slower growth in the services sector compared to the previous year which is reflected in the significant downward revision of estimates from 7.1% in July to 6.1% in October. The industrial sector continues to underperform due to sluggish growth of manufacturing and contraction of output in the mining and quarrying sectors. Industrial growth estimates are revised downwards by 0.4 percentage point from 4.3% in July. A higher growth rate of agriculture is estimated (3.9% in October) compared to July 2013.

Our revised estimates show WPI inflation at 6.8% in 2013–14, an upward revision of 0.9 percentage points over the July estimates due to recent heightened prices. In the case of the quarterly model, based on ARIMA projections, we estimate WPI inflation at 6.5% for the current fiscal. Therefore, our inflation estimate ranges between 6.5–6.8% for the current fiscal.

A substantial decline in the value of the Rupee despite of a lower real world GDP growth is likely to improve the growth prospects of India's merchandise exports. The merchandise imports bill is also likely to go up due to the rising oil import bill. Current estimates show growth in merchandise exports (US\$) at 11.0% which is 1.6 percentage points higher than the earlier estimates. Merchandise imports growth (US\$) is also revised upward by 0.7 percentage points to 13.1% in current estimate.

As we expect a better export performance, the current account deficit/GDP ratio has been revised down to 4.5% from the earlier estimate of 4.6%.

The estimate of the Central Government fiscal deficit remains unchanged at 5.1% of GDP at current market prices for the current fiscal.

Table F.1: GDP Forecasts for 2013–14

<i>Item</i>	<i>2011–12(RE)</i>	<i>2012–13(AE)</i>	<i>NCAER forecast for 2013–14 July 2013</i>	<i>NCAER forecast for 2013–14 October 2013</i>
% change y-o-y				
<i>Real GDP</i>				
- Agriculture	2.8	1.9	3.2	3.9
- Industry	3.4	2.1	4.3	3.9
- Services	8.9	7.1	7.1	6.1
Total	6.5	5.0	5.9	5.2
Exports (\$ value)	21.8	-1.8	9.4	11.0
Imports (\$ value)	32.3	0.4	12.4	13.1
Inflation (WPI)	8.8	7.2	5.9	6.8
<i>% of GDP at market prices</i>				
Current account balance*	-4.2	-4.8	-4.6	-4.5
Fiscal Deficit (Centre)	5.7	5.2	5.1	5.1

Notes: Forecast Based on Annual Model.

AE: Advance Estimates RE: Revised Estimates * Surplus (+)/deficit (-)

Agriculture

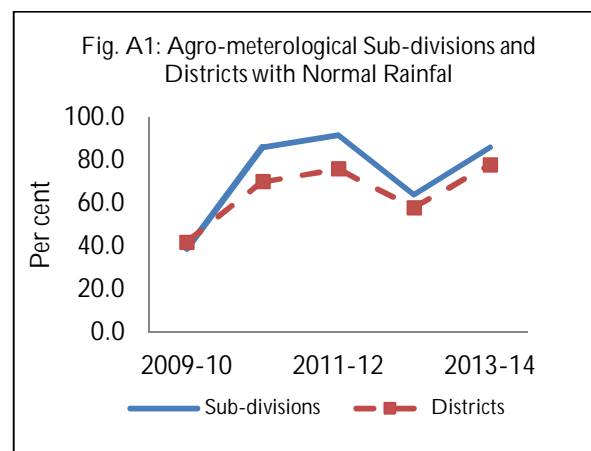
Normal to excess monsoon with even spatial distribution has translated into higher agricultural output than last year. The prospects for the Rabi crops are also promising.

A.1 The South-west Monsoon

Monsoon rainfall during June-September period of 2013-14 has been excess to normal in large parts of the country. The actual rainfall received during the entire monsoon season has been 6 per cent above its long-term average. Of the total 36 agro-meteorological sub-divisions, 31 sub-divisions covering about 78 per cent of all districts in the country have received normal to excess rainfall. The spatial distribution of seasonal rainfall at the level of sub-divisions and districts has also been fairly good this year as reflected in the shares of sub-divisions and districts that received normal to excess rainfall (Figure A1). Without a doubt, in comparison to both last year, that is, 2012-13 as well as 2009-10 (which was a drought year) the spread of monsoon rainfall during 2010-11 has been fairly satisfactory.

The monsoon arrived in Kerala and its adjoining parts on time, that is, June 1 and advancement of Southwest monsoon rainfall during the month of June was fairly vigorous. It proceeded rapidly and covered the entire southern peninsula, north-eastern states, and most parts of the central India in the second week of June. And, it progressed further to some more central and northern parts of the country in the beginning of the third week. The spread of monsoon rainfall this year was so fast that it covered the entire country on 16th June, nearly a month ahead of the normal date, which is usually July 15.

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.

During the month of July, 11 sub-divisions from the north, eastern, and southern parts of the country received deficient rainfall. Of the remaining 25, 12 sub-divisions received normal and 13 sub-divisions from the central and western parts of the country received excess rainfall.

In August, rainfall activity weakened compared to the first two months of the season. Only 8 sub-divisions received excess rainfall and 18 received rainfall close to normal. And, the remaining 10 sub-divisions received deficient rainfall. These included parts of Maharashtra, Karnataka, Orissa, Bihar, and parts of north-east.

The monsoon rainfall activity reduced further in the month of September, though, some parts of the country witnessed heavy rainfall. These include parts of Rajasthan, Gujarat, Maharashtra, Karnataka, Andhra Pradesh, and Kerala. And, 17 sub-divisions received deficient or scanty rainfall, while 10 sub-divisions received normal rainfall.

A comparison of the performance of monsoon rainfall during the period from the beginning of June to the end of September over the last four years reveals that this year's rainfall has been the best in three of the four major regions

of the country (Table A1). The only exception is the eastern region, which on the whole received below normal rainfall. But, for the national as a whole the performance of monsoon rainfall was much better, about 7.7 per cent above normal as measured by the rainfall indices computed on the basis of un-irrigated area under foodgrains as weights.

A.2 Prospects for 2013-14

From an overall perspective it is evident that this year's monsoon rainfall delivered much better spatial as well temporal distribution despite some hiccups during the season. The abundant monsoon rainfall has improved the outlook for agricultural production tremendously. This is also reflected in the first advance estimates of kharif output released by the ministry of agriculture (Table A2).

According to these estimates the output of kharif food grains is likely to be in the region of 129 million tonnes, marginally above the previous year's estimated output of 128 million tonnes. The advance estimates of output for oilseeds, cotton, and sugarcane are also higher in comparison to their previous year's estimates.

The underlying input at the back of these estimates is the area allocated to various crops, and the numbers suggest that there has been a significant growth in area allocated under various crops. Area under cereals and pulses is up by 5 per cent and area allocated to oilseeds has increased by 10 per cent. And, area under all crops has witnessed an increase of 4 per cent in comparison to last year's acreage.

Our own estimates for kharif season based on regression models, which incorporate the impact of monsoon rainfall as well as trend factor, also suggest significant improvement in output of various crops.

Among cereals, the output of kharif rice is expected to be in the region of 95 to 100 million tonnes, which is higher compared to the numbers put out by the ministry. It is clear from these estimates that but for the deficiency in monsoon rainfall in the eastern region,

which is a major rice growing region the output of kharif rice would still be much higher compared to last year's output. For coarse cereals our estimates suggest that the output is likely to exhibit 15 per cent to 23 per cent increase, which is again higher than the estimates produced by the ministry of agriculture. The reason for higher growth in our projections is the rainfall, which has been very good in the areas where coarse cereals are cultivated. On the other hand, for pulses our estimates suggest only 13 to 17 per cent increase in output, which is lower than the first advance estimates released by the ministry of agriculture.

Like coarse cereals and pulses the outlook for improved performance of oilseeds is also encouraging. Our estimates for this year suggest significant improvement ranging from 33 per cent to 36 per cent over last year's output. This is better than the initial estimates of the ministry, which show only 15 per cent increase in the expected output of oilseeds. This again is due to better rainfall and the consequent improvement in area allocated to them in oilseeds growing parts of the country is also positive.

For cotton the ministry's estimates place output at about 35.3 million bales, which is 4 per cent more than last year's output. The estimates computed by us suggest a growth of 9 per cent to 22 per cent. The projected rate of growth for jute and mesta is close to the projections made by the ministry.

In the case of sugarcane, the preliminary estimates by the ministry have placed output of sugarcane at about 341.9 million tonnes, which is approximately one per cent higher than last year's output. Our own estimates also suggest only a modest improvement or even a fall in output compared to last year's output.

These differences in projections made by us and those prepared by the ministry are due to differences in methods used to arrive at these estimates. The ministry's estimates are based on information supplied by the state governments, our estimates on the other hand are based on regression models.

Notwithstanding these differences, it is likely that rates of growth in output of various crops will be close to our estimates when the second and third advance estimates are released by the ministry in the subsequent months. It is important to flag that estimates of food grain production released by the ministry indicate that output is likely to remain above the levels of output achieved in 2008-09 (118 million tonnes) and a year before, that is, 2007-08 (121 million tonnes). Our estimates on the other hand are somewhat in line with these numbers.

A.3 Outlook for Rabi Season and Food Prices

The outlook for rabi season also remains positive and quite favourable for the following reasons. For most part of the year the incidence of pests and diseases has remained below the economic threshold level. The current level of water storage in major reservoirs of the country at the end of September was also significantly higher – about 16 per cent above last year's storage level and 18 per cent above the average storage for last ten years.

The higher level of soil moisture and sufficient availability of irrigation water means that output in the rabi season is expected to be fair better than last year's output.

On the stocks of cereals the situation continues to be both satisfactory as well as worrisome. The Food Corporation of India (FCI) has procured 38.1 million tonnes of wheat, just 9.8 million tonnes more than what was procured last year (28.3 million tonnes). The procurement of rice has also been fairly high, 32.4 million tonnes as against 35.1 million tonnes procured last year. The consequence has been the swelling of stocks held by government agencies. The stocks of wheat and rice had been reckoned at 36.1 million tonnes and 19.0 million tonnes, respectively as against the buffer stocking

norms of 11 million tonnes for wheat and 5.2 million tonnes for rice for October 1. Adding the stock of coarse cereals held by state and the central agencies the total stock of cereals adds up to 55.4 million tonnes at the end of September. With overflowing granaries the levels of wastage have also increased due to lack of adequate storage space.

To make matters even more worrisome the stocks are likely to swell further with progressive procurement of rice from October to December. The cost of holding stocks has been fairly high for the last few years, and the same is likely to increase. Hence, finding ways of disposing off surplus stocks through a combination of open market operations, exports, and increasing allocations under food supply programmes is extremely essential (Box A.1).

Though the average rate of food inflation this year during the first six months is low compared to last year, yet price rise in cereals; vegetables; eggs, meat, and fish; and condiments and spices is still in the double digits (Table A3). The items that have seen moderation in prices this year include pulse, milk, other food articles, and manufactured food products. This year's food inflation is mainly driven by cereals, vegetables, and eggs, meat and fish.

With much better agricultural outlook for the year as a whole the expectations are that food inflation will come down as the year progresses. The prices of items such as cereals, vegetables, and other food items, which have witnessed significant increase during the first six months of the year should see some moderation. Much, of course, will also depend on the policy framework – disposal off surplus stocks through open market operations and exports and overall trade in general.

Box A.1: Food Security Bill

The National Food Security Bill was passed by the Parliament in September 2013. It is an entitlement programme that covers 67% of India's 1.2 billion people under a subsidised grain regime. This program has several macro-economic implications for the domestic economy. The NCAER QRE has been covering for several quarters the record levels of food production and its accumulation. However, the media has also noted the wastage and essentially bad management of the food grain. It was speculated that this storing above and beyond what is required was for the Food security bill even when cereals inflation was in double digits. The macro implications are that the impact on the already high fiscal deficit is uncertain. Second high food inflation is plaguing India right now. Because of that the country has had to resort to high interest rate which in turn is strangulating the manufacturing industry. Within this background, doesn't it make more sense to control food inflation? Also demand patterns are changing with rising demand for proteins. Fruits and vegetables especially the latter often spikes up inflation. In that case, wouldn't money have been better spent in shoring up infrastructure and improving supply chains for delivery of vegetables rather than providing subsidised grains which may or may not reach the poor and consists of uncertain quality. Further, India will have to explain to the WTO that food subsidy may potentially distort market prices. The program is well-intentioned but there are two questions with subsidies. How does one wean people off subsidies and second what are the macro trade-offs?

Table A1: Deviations in the Monsoon Rainfall Indices from the Normal (Per cent).

<i>S. No.</i>	<i>Region</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>	<i>2013-14</i>
1.	Eastern	-18.16	-3.46	-8.05	-15.80
2.	Western	1.89	10.32	-3.38	27.18
3.	Northern	11.49	10.12	-7.23	6.36
4.	Southern	22.35	-5.16	-15.30	13.13
	All India	-0.74	4.36	-6.80	7.68

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 A2: Estimated Crop Output during 2013-14.

<i>Crops</i>	<i>Estimated Output (Ministry of Agriculture)</i> <i>(Million tonnes/bales*)</i>		<i>Change</i> <i>(Per cent)</i>	<i>Our Estimates of Crop Output for 2013-2014</i>	
	<i>2012-13</i>	<i>2013-14</i>		<i>Estimate I</i>	<i>Estimate II</i>
Rice					
Kharif	92.8	92.3	-0.5	95.1	99.7
Coarse cereals					
Kharif	29.5	31.0	5.1	33.9	36.4
Pulses					
Kharif	5.9	6.0	1.7	6.7	6.9
Foodgrains					
Kharif	128.2	129.3	0.9	135.6	142.9
Oilseeds					
Kharif	20.9	24.0	14.8	28.4	27.7
Cotton*	34.0	35.3	3.8	37.1	41.7
Jute and Mesta*	11.3	11.2	-0.9	11.3	11.7
Sugarcane	338.9	341.7	0.8	341.9	331.1

Source: Computed.

Notes:

1. Estimate I has been worked out using output equations.
2. Estimate II has been worked out using area and yield equations.

Table A.3: Changes in Prices of Food Articles (April to September)

<i>S. No.</i>	<i>Product</i>	<i>Nominal change in 2011-12 over 2010-11</i> <i>(Per cent)</i>	<i>Nominal change in 2012-13 over 2011-12</i> <i>(Per cent)</i>	<i>Nominal change in 2013-14 over 2012-13</i> <i>(Per cent)</i>
1.	Food Articles	9.0	10.0	5.6
2	Cereals	5.0	8.7	15.7
3	Pulses	-5.7	23.6	-3.6
4	Vegetables	5.4	28.0	36.2
5	Fruits	24.2	-3.6	3.1
6	Milk	8.5	9.2	4.5
7	Eggs, meat and fish	9.9	15.8	13.1
8	Condiments and spices	7.1	-15.4	13.4
9	Other food articles	21.7	12.6	-1.8
10	Food products	7.9	7.5	4.6
11	Dairy products	9.1	6.7	0.5
12	Sugar group	4.6	9.9	2.1
13	Edible oils	14.7	10.6	-1.0

Source: Government of India, Office of the Economic Advisor, Ministry of Commerce and Industry, New Delhi.

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

Industry

Industrial sector is in a recession especially the manufacturing and mining sectors. Higher agricultural growth and weaker rupee may help the sector to recover in the next six months but an uncertain economic environment, high inflation and therefore high interest rates, are strangulating the economy.

In line with the lower GDP growth, manufacturing growth dipped to one per cent in FY 2012-13, compared to 2.8% in the previous fiscal on year-on-year (y-o-y) basis. The downturn continued unabated during the first quarter of the current fiscal with manufacturing growth slipping to (-) 1.2% (Figure I1).

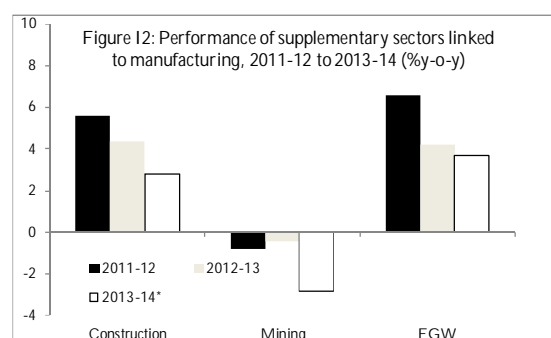
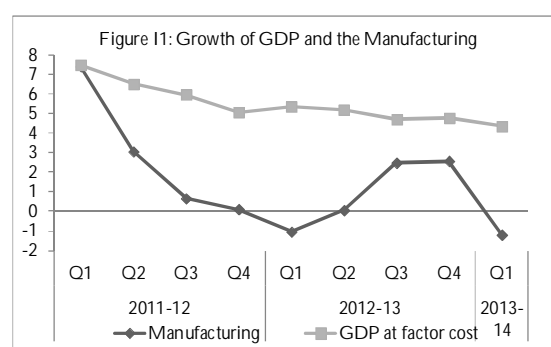
Construction, mining and electricity, gas and water have fared poorly. While the mining sector has been ailing for quite a few years due to policy uncertainties (including outright ban) construction and electricity, gas and water supply recorded positive growth but with a declining trend (Figure I2).

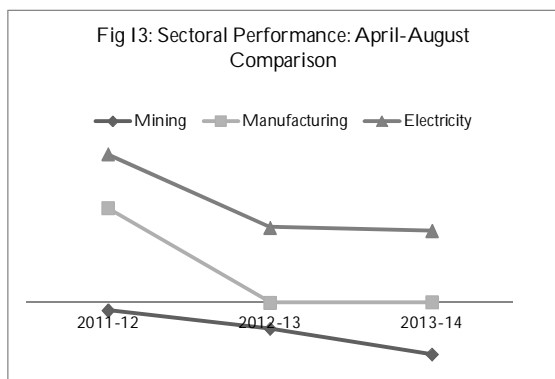
Better agricultural performance in the coming quarters is expected to boost demand for manufactured goods and help the sector turn around.

I.1 Components of the Index of Industrial Production (IIP)

The Index of Industrial Production (2004-05=100) is the leading indicator to indicate performance of industries in the country. IIP is reported every month by the Central Statistical Organisation (CSO), and comprises 399 products/groups, categorized into three broader groups, i.e., mining, manufacturing and electricity. Growth of industry is observed to be volatile across sectors and showed a downward trend in the seasonally adjusted series. More specifically, industrial performance during April-August has noticeably borne out the fact that India is indeed in the midst of a deep-rooted

industrial deceleration. For three consecutive years, industrial growth at the sectoral level has shown a declined sharply. Manufacturing growth, with 75.5% weight turned negative during April-August 2012-13 as well as during the corresponding period of 2013-14 (Figure I3). Mining, with a weight of 14.16%, revealed severe structural weakness due to widespread policy uncertainties, and exhibited negative growth of (-)1.72% during April-August 2012-13 and fell further to (-)3.35% in the same period of the ongoing fiscal 2013-14. Electricity is the only sector with positive growth, though with a declining trend. A steep decline in this sector was noted during 2012-13 (a decline of almost 5%!) and a slight decline (around 0.2%) in 2013-14 due to uncertainty in the mining of coal and subsequent lower supply of coal to the thermal power plants of the country.





The picture is somewhat mixed if we turn into analysing the performance of the use-based classification of the IIP. The grim performance of the capital goods sector (which is crucial to support manufacturing activity) during April-August, 2012-13 (-14.4%) is mitigated and reached positive trajectory in the ongoing fiscal. Intermediate goods, too, notched a better performance (Table I1). However, the steep decline in the consumer durables sector, with growth receding to -11% during April-August, 2013-14, compared with 5% growth recorded during the same time of the previous year, remains a cause for worry.

1.2 Performance at the Two-Digit level

An in-depth scrutiny of industry performance at the two-digit classification level reveals that:

1. Of the total weights (755.2), weights of 321.2 (i.e., 42.6%) of the manufacturing industries recorded positive growth.
2. Wearing apparel; dressing and dyeing of fur recorded the highest 41.1% growth during April-August, 2013-14 compared with -3.7% growth recorded during the same period of the previous fiscal.
3. With the growth of 29.4%, electrical machinery and apparatus positioned second in terms of growth rate achievement during April-August, 2013-14, compared with -31.8 growth rate

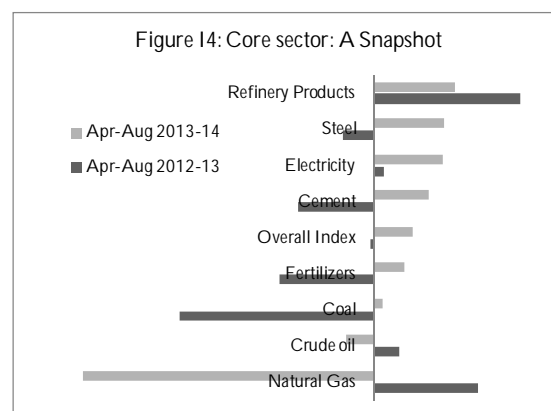
recorded in the same period of the previous fiscal. One may argue, however, that the achievement in this fiscal might have been nullified by the loss registered in the previous year.

4. Industries which recorded a growth rate of over 8% are the leather products, coke and petroleum products along with chemicals and chemicals product.

However, close to 60% of manufacturing industries show negative growth rates or a worsening of performances in the April-August period of the ongoing fiscal.

1.3 Performance of the Core Infrastructure Sectors

The eight core infrastructure industries (with a weight of 37.9 in IIP) showed an improved performance in September 2013-14 (Figure 14). The overall index rose 8% in September. All sectors have recorded a positive growth, with highest growth achieved by refinery products (32.1%), followed by electricity (12.6%), coal (12.5%) and cement (7.3%). The only industry that reported a decline in production in September was natural gas (-14.1%) and crude oil.



For coal, this is the highest growth achieved in the last 12 months and came despite a strong base (22.2% growth in September 2012). Coal India, with around 80% share in total production, reported

15.6% growth in output. The company also achieved 99% of its production target for the month. The improved availability of coal increased electricity generation by 12.6%. As per the data released by the Central Electricity Authority (CEA), coal based electricity generation increased by 21.9% in September 2013, compared to its year-ago level. It more than compensated the fall in gas based (-31.3%) and nuclear power (-5.2%) generation and weak growth in hydel power generation (3.1%).

Construction activity in India has gathered momentum after the monsoon. This has increased the demand for cement as well as steel and is reflected in a healthy 6.6% rise in steel production.

However, when compared to the corresponding performance in the previous year the performance in the first half of the current financial year is discouraging. Coal production has grown 2.3%, down from 9.4% growth recorded in the same period of the previous financial year. Crude oil production declined from -0.8% to -1.3% and there is a huge decline in the natural gas sector (-16.5%), probably reflecting the uncertainty on price mechanism for natural gas and the controversy linked to allocation of gas block and production control by the principle private producer (i.e., Reliance Industries).

Refinery products, on the other hand, have recorded a growth of 5.3%, down from

27% during the same period (i.e., April-September) of the previous year.

I.4 Credit availability

Credit growth to industry declined from 23% in 2010-11 to 15% in 2012-13. There was a noticeable decline in bank credit extended to the construction, infrastructure and mining sectors but credit to the commercial sector has picked-up since the middle of Q2.

Overall industrial credit growth (y-o-y) was at 17.6 per as at the end of September with sectors such as basic metals, chemicals, cement, gems and jewellery, wood and food-processing delivering an above-average growth.

I.5 Outlook

The outlook for the sector is none too bright. Overall industry is expected to grow at a slower pace than last year. Weak industrial growth would bring in adverse impact in infrastructure, cement, steel, power, construction and automobiles, where sales volumes will remain under stress due to the relentless re-adjustment in the investment cycle along with decelerating consumption. The slow pace of industry will also impact employment generation and will put a pressure on income growth.

Table I1: IIP-Performance in terms of the Use-Based Classification: April-August period of comparison

	<i>Basic goods</i>	<i>Capital goods</i>	<i>Intermediate goods</i>	<i>Consumer durables</i>	<i>Consumer non-durables</i>
2011-12	7.6	7.4	0.9	4.5	4.3
2012-13	2.8	-14.4	1.0	5.1	1.6
2013-14*	0.5	0.7	2.3	-11.0	6.6

Note: These figure refer to April-August, 2013-14

Source: eaindustry.nic.in

Services

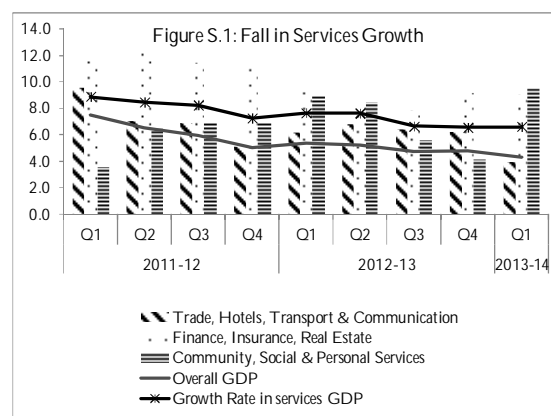
Leading indicators suggest continued slow growth in the services sector in the second quarter of 2013-14. FDI inflows have halved in 2013 compared to 2012. Software exports growth is lower than compared to historical figures. Non-software miscellaneous service exports continue to show negative growth.

S.1 Growth rate stagnates in first quarter of 2013-14

The services sector, excluding construction forms approximately 60 per cent of Indian GDP. The growth rate of this sector has steadily fallen from 8.9% in 2011-12:Q1 to 6.6% in 2012-13:Q4. Growth rate stagnated at 6.6% in 2013-14:Q1 (Figure S.1). Construction forms 7.8% of the Indian GDP. Growth rate has fluctuated in this sector throughout 2012-13 and in the first quarter of 2013-14, it dropped significantly to 2.8% from the last quarter of 2012-13 (4.4%). Therefore, if construction is included in the services sector, the growth rate of the services sector shows a drop to 6.2% in 2013-14:Q1. Services sector including construction forms about 67% of the Indian GDP.

The growth rate of the components of the services sector is uneven. 'Trade, Hotels, Transport and Communication' shows a significant fall in growth rate to 3.9% in 2013-14:Q1 from the average growth rate of 6.7% in 2012-13. It forms approximately 28% of Indian GDP. The slowdown in 'Finance, Insurance and Real Estate' was lower. Its growth rate fell to 8.9% of GDP in 2013-14:Q1 from 9.1% in 2012-13:Q4. This sector forms 18.6% of Indian GDP. Last but not the least, the component shows an upswing – 'Community, Social and Personal Services' which forms approximately 13% of Indian GDP, increased from 4% in 2012-13:Q4 to 9.4% in 2013-14:Q1. This is due to higher government spending in the first quarter to prop up the economy.

Imports growth of services sector also shows slowdown.



S.2 Lead Indicators from the Second Quarter of 2013-14

Majority of the indicators from the second quarter show negative growth rates or slowdown in them. This indicates that the services sector will continue to grow at a slower pace in the second quarter too. (Table S.1 and S.2). Exceptions are tourist arrivals, which shows an improvement in growth (2.9%) in the second quarter of the current fiscal over the first (1.9%). Banking indicators show double digit growth rates. However, there is slowdown in growth of aggregate deposits. Bank credit to the commercial sector shows improvement from 14.2% to 15.5% in the first and second quarters of the current fiscal year, respectively. Both international and domestic passenger traffic show improved growth rates in the second quarter as compared to the first. International passenger traffic shows the most improvement from 3.2% in the first quarter of the current fiscal year to 10.9% in the second quarter. Traffic handled at minor ports showed 9.8% growth in 2012-13 as compared to (-) 2.6% of major ports. The services sector composite indicator of the RBI shows a modest pick up in July-August

S.3 External Sector

Services exports as a per centage of GDP showed improvement in the first quarter of the current fiscal (8.4%) as compared to the last quarter of the previous fiscal (8%). It is the largest component in total invisibles exports of India comprising approximately 65%. De-composing services exports one finds that software (45%) and non-software miscellaneous services (29%) are the largest components of service exports. The growth rate of software exports shows improvement to 5.5% in the first current of the current fiscal, an improvement over the last quarter of the last fiscal (2.9%). Compared to the 2011-12 numbers of double digit growth, the improvement in the first quarter seems paltry. Non-software miscellaneous services continue to show negative growth (Table S.3). Export of travel services shows a remarkable turnaround in the first quarter of the current fiscal (9.1%). All other components show negative growth rates.

The services sector received 14% of total FDI inflows between April to August, 2013. This is lower than the historical cumulative share of 19% between April' 2000 and August 2013.

The services sector includes Financial, Banking, Insurance, Non-Financial/ Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis. Between April to August, 2012, this sector had received US\$ 2,280 million FDI inflows. For the corresponding period in 2013 it received US\$ 1,195 million. The lower FDI inflows reflect lower growth in the services sector.

The telecommunications sector barely received US \$23 million between April to August, 2013. Computer Hardware and software sector received for this same

period, US\$252 million. Hotel and tourism sector received US\$159 million. The lower FDI inflows are a reflection of external and internal factors and not just a reflection of the weaknesses of the individual sector. In a capital-scarce country, growth "engine" sectors receiving lower FDI is a setback for the overall economy.

The long-run potential of the services sector is quite high. Box S.1 discusses the potential of the higher education services sector.

S.4 Outlook

Services sector will continue to grow slowly in the second quarter. A recovery in the external sector or improvement in the domestic industrial sector will benefit the services sector growth. With high inflation and therefore high interest rates, revival of the domestic industrial sector looks tough. Recovery in the external economy is the only hope!

Box S.1: Higher Education Services

High economic growth in the 1990s and 2000s has been led by software and business services. Recently with the weakening of the external economy, these sectors are witnessing a slowdown. Does this mean an end to the service led growth? The answer is no because there are other sectors which can be grown into more sustainable engines of economic growth for India in the long run and Higher Education Services is one of them. The Price Waterhouse Cooper Report released in 2012 shows that number of colleges has grown at 11.8% Compound Annual Growth Rate (CAGR) between 2004-05 and 2010-11. The CAGR of the number of universities in the same period has been 10.8%. The Indian Higher Education system is divided in Regulated sector: Central & State Universities, Private Universities, Technical Institutions, Private/Professional colleges and Research Institutions. Unregulated sector consists of Vocational training, finishing schools, Professional development and Training & coaching classes. The Report states that enrollments wise, India has the third largest higher education system in the world. However, in terms of research output, India lags behind developed countries. FDI in the regulated sector is very restricted. However, the unregulated sector has seen large amount of FDI inflows. The DIPP reports that the education sector has received US\$ 902.9 million from April, 2000 to August, 2013. The share of FDI has been a paltry 0.45%.

This high growth has been driven by various factors mainly the high demand-supply gap and increased demand for highly skilled workers. Proposed liberalization of the sector has also helped.

NCAER in preparing the Kerala State Perspective Plan 2030 for the Kerala State Planning Board has recommended that trade in higher education should be promoted.

Sources: DIPP, Price Waterhouse Cooper (2012). India: Higher Education sector Opportunities for Foreign Universities

Table S1: Indicators of Service Sector (% y-o-y), 2011-12:Q1 to 2013-14:Q2

<i>Quarter/Fiscal Year</i>	<i>Tourists Arrival (Numbers)</i>	<i>Revenue Earning Goods Traffic by Railways (Million Tonnes)</i>	<i>Cargo Handled at Major Ports ('000 tonnes)</i>	<i>Production of Commercial Vehicles ('000 Numbers)</i>	<i>New Telephone Connections (Fixed+ Wireless in Millions)*</i>	<i>Growth in Aggregate Deposits (Cr)</i>	<i>Bank Credit to Commercial Sector (Cr)</i>
2011-12							
Q1	10.6	7.0	5.2	26.0	33.5	17.9	21.6
Q2	9.4	2.7	0.9	23.9	27.4	17.6	19.6
Q3	9.6	4.5	-4.9	25.9	20.2	16.2	17.7
Q4	14.0	6.6	-6.6	20.3	14.2	14.5	16.6
2012-13							
Q1	6.3	9.9	-5.5	-4.4	9.8	14.6	18.2
Q2	4.5	4.8	-0.9	-5.3	4.6	13.9	17.0
Q3	-30.8	3.4	-2.7	-13.5	-0.2	12.8	16.5
Q4	4.8	3.7	-1.1	-16.4	-5.2	13.4	15.5
2013-14							
Q1	1.9	0.0	-1.1	0.2	-6.2	14.0	14.2
Q2	2.9	-28.4*	-27.4*	-22.0	-35.8*	13.5	15.5

Note. * Data includes only till August, 2013

Sources: 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 S2: Domestic and international Air Passengers and Cargo Traffic, April to July, 2012-13 and 2013-14 (% y-o-y)

<i>Month/Year</i>	Domestic Traffic		International Traffic		Total Traffic	
	<i>Passengers</i>	<i>Cargo</i>	<i>Passengers</i>	<i>Cargo</i>	<i>Passengers</i>	<i>Cargo</i>
2012-13	-0.5	3.7	3.2	-4.3	0.4	-1.6
2013-14	1.9	-3.2	10.9	-1.5	4.2	-2.1

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

Table S3: Growth Rate of Services Sector Exports (%y-o-y)

<i>Year</i>	<i>Quarter</i>	<i>Travel</i>	<i>Transportation</i>	<i>Insurance</i>	<i>G.n.i.e</i>	<i>Software Services</i>	<i>Non-Software Miscellaneous Services</i>	<i>Total Services</i>
2011-12	Q1	23.1	38.6	38.8	47.9	26.7	57.5	36.1
	Q2	19.8	35.8	40.7	17.6	16.9	-7.9	11.3
	Q3	11.4	28.3	59.5	-3.3	14.2	-11.1	7.2
	Q4	16.0	13.6	8.2	-71.5	12.7	-3.6	8.0
2012-13	Q1	-5.2	-2.4	-6.5	14.2	4.6	13.0	5.0
	Q2	-6.6	-6.2	-11.0	1.4	15.3	9.4	7.3
	Q3	-0.4	-7.5	-33.7	-3.4	2.1	-1.7	-1.3
	Q4	0.5	-3.6	-4.8	168.9	2.9	-6.5	-0.7
2013-14	Q1	9.1	-2.7	-5.5	-18.0	5.5	-2.1	2.1

Note: G.n.i.e. Government not included elsewhere. Data given as Credit in Overall Balance of Payment means Exports. Data is in US\$ million

Source: Quarterly data from Handbook of Statistics, RBI

Money and Capital Markets

India is caught in the impossible trinity dilemma. The last quarter was a roller-coaster ride for the money and capital markets. And the outlook is that liquidity conditions are expected to ease on account of strong dollar inflows which means that inflation will persist.

M.1 Introduction

India is caught in the impossible trinity dilemma. The last quarter was a roller-coaster ride for the money and capital markets. And the outlook is that liquidity conditions are expected to ease on account of strong dollar inflows which means that inflation will persist.

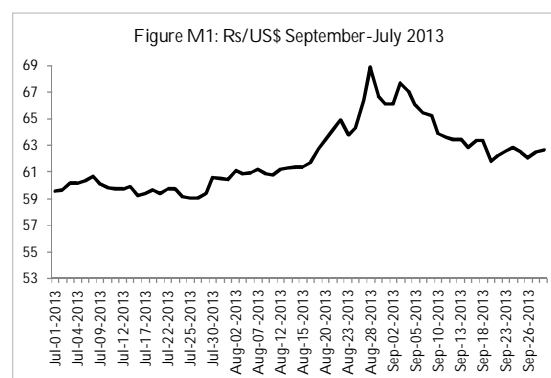
The first quarter of the current fiscal saw the Reserve Bank of India (RBI) ease its monetary stance as inflationary pressures seemed to be on the decline. However, hopes of further easing during the second quarter were quickly belied following the US Fed Reserve Chairman Ben Bernanke's hints, mid-May 2013, about tapering the Fed's bond buying programme. There was no respite for anxious markets as the Fed chairman followed up his May remarks about tapering at his press conference late June 2013. The resultant mayhem in the forex and bond markets, with the Rupee depreciating sharply against the dollar and bond yields rising dramatically forced the RBI to reverse its stance and announce a number of measures to tighten liquidity early in the second quarter.

M.2 Liquidity tightening measures

Saying India is caught in a classic 'impossible trinity' trilemma where it is forced to 'forfeit some monetary policy discretion to address external sector concerns', the then RBI governor, D Subbarao, announced a spate of liquidity tightening measures aimed at 'checking undue volatility in the foreign exchange market' on 15 July 2013.

These measures included (i) a hike in Marginal Standing Facility (MSF) rate/Bank Rate; (ii) restriction on banks' access to funds

under Liquidity Adjustment Fund (LAF) repo; (iii) Open Market Operations (OMO) sales; (iv) maintenance of minimum daily CRR balances by Scheduled Commercial Banks (SCBs) at 99% of the requirement; (v) capping of Primary Dealers (PDs') access to LAF at 100% of their individual net owned funds; and (vi) restrictions on gold import.



The MSF rate was re-calibrated to 300 basis points above the policy repo rate under the LAF to 10.25%. The overall allocation of funds under LAF was also capped at one per cent of the Net Demand and Time Liabilities (NDTL) of the banking system, with the cap reckoned at ₹750 billion. The Reserve Bank also conducted open market sales of G-secs withdrawing liquidity to the tune of ₹25 billion on July 18, 2013.

This was followed by more restrictions on July 23 when the RBI tightened liquidity further by restricting access to LAF by way of repos at each individual bank level and restricting it to 0.5% of the bank's own NDTL with effect from 24 July, 2013. Rules for maintenance of Cash Reserve Ratio (CRR) were also made tighter. Thus the CRR, which banks have to maintain on a fortnightly average basis subject to a daily minimum requirement of 70%, was modified. Banks were henceforth required to

maintain a daily minimum of 99% of the required CRR.

The RBI clarified that these measures would be rolled back in a 'calibrated manner as stability is restored to the foreign exchange market, enabling monetary policy to revert to supporting growth with continuing vigil on inflation.'

Meanwhile, in a bid to encourage forex inflows, the RBI exempted banks from maintenance of CRR and Statutory Liquidity Ratio (SLR) on their incremental Foreign Currency Non-resident Banking (FCNR(B)) deposits as also Non-resident External (NRE) deposits with maturity of three years and above with effect from the fortnight beginning 24 August 2013. It also opened a swap window to supply dollars directly to oil-marketing companies so as to ease the pressure on the spot market for dollars.

M.3 Impact

In the event, none of these measures served the purpose for which they were intended: to restore some semblance of stability to the market. On the contrary the liquidity tightening measures were perceived as a panic reaction and did not go down well with the market. Forex, equity and bond markets tanked, almost in unison.

The exchange rate of the Rupee versus the US dollar continued to decline despite the emergency measures adopted by the RBI even as bond yields rose and overseas investors pulled out of the debt market in a big way. The nadir was reached on 28 August when the Rupee touched an unprecedented low of ₹68.85 to the dollar (Figure M1).

M.4 Change of guard at RBI

Following the change of guard at the RBI and the announcement of some confidence-boosting measures by the new RBI governor, Raghuram Rajan, on 4 September 2013 the Rupee recovered somewhat and bond yields fell. The measures announced by the RBI include a special concessional window for

swapping fresh FCNR mobilised by banks for a minimum tenor of three years and over, at a fixed rate of 3.5% per annum for the tenor of the deposit. Additionally, overseas borrowing limits of banks have been raised from 50% of the unimpaired Tier I capital to 100%. Borrowings mobilised under this provision can be swapped with RBI at the option of the bank at a concessional rate of 100 bps below the ongoing swap rate prevailing in the market. Both these measures are to remain in force till 30 November 2013, coinciding with the expiry of the relaxations allowed on NRI deposits.

M.5 RBI's September mid-quarter Review

At the RBI's mid-quarter Review of its Annual Monetary Policy for 2013-14 on 20 September, the first Review by the new governor, the Bank rolled back some of the exceptional liquidity-tightening measures it had announced in July. The MSF rate was reduced by 75 bps to 9.5% and the requirement of 99% daily maintenance of CRR was reduced to 95%. However, in a signal that the RBI was not taking its eye off inflation, the new governor, Raghuram Rajan, raised the repo rate 25 basis points to 7.50%. (Incidentally, this was the first time that the original date of the Review was pushed back to after the Federal Open Markets Committee meet, a tacit admission of the dominance of the US Fed on our monetary policy formulation.). Though the hike in the repo rate took markets by surprise, the reduction in the MSF rate –marking the first step in unwinding of the extraordinary measures taken in July – was well-received by markets.

Together with the US Fed's decision at its September meet to defer tapering its bond-purchase programme, the announcement of an enhancement in the Currency Swap Arrangement with Japan from \$ 15 to \$ 50 bn and the RBI's announcement on 25 September assuring markets on the liquidity front, the effect was to restore stability to the forex and bond markets. Indeed the Rupee posted a V shaped recovery by mid September moving

from a low of 68.80 on 28th August to ` 61-62 levels by the end of the quarter.

Encouraged by this return to 'normalcy' the RBI followed up its action of 20 September by another 50 bps cut in the MSF rate on 7 October 2013, bringing the gap between the repo (7.5%) and the MSF rates (9.0%) to 150 bps. The measure is expected to ease liquidity strains in the system which, thanks to banks' half-yearly account closure, seasonal pick-up in credit demand, festival-related demand for currency and sluggish deposit growth, continues to be tight. As a result the Reserve Bank is reportedly injecting about ` 1.5 trillion into the system on a daily basis through the liquidity adjustment facility (LAF), the export credit refinance facility (ECR) and the marginal standing facility (MSF) taken together.

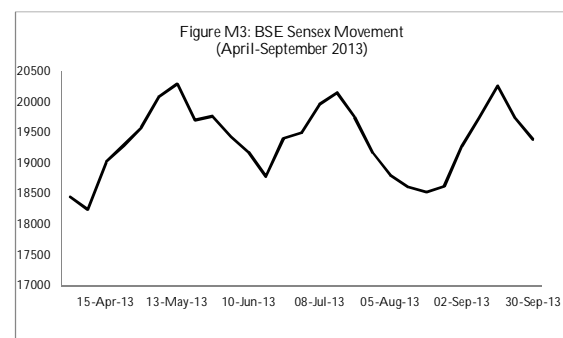
M.6 Money and banking

The slowdown in the economy has impacted deposit as well as credit growth. Deposit growth has been slowing over the past few years as savers responded to negative real rates of interest (thanks to soaring inflation) by turning away from banks towards gold and other physical assets. As on 20 September 2013, deposit growth was only 13.7% year-on-year (y-o-y) compared to 14.1% in the previous year. Credit growth, in contrast, was higher at 17.9% compared to 16.3% in the previous year. As a result the incremental credit-deposit ratio shot up to 102%, up from 84% during the comparable period of the previous year.

M.7 Financial Markets

It's been a roller coaster ride for stock markets as well. The quarter was marked by sharp ups and downs in the Sensex as foreign institutional investors pulled out in large numbers following talk of Fed tapering. On 16 August the BSE Sensex tanked 769.41 points,

the largest single day fall in four years on fresh concerns about the Fed withdrawing its stimulus programme. The Nifty also nose-dived 234 points. The next few days brought little respite as FIIs continued to exit the market. On 21 August the Sensex slipped below the 18,000 mark to close at 17,905.91. However by the end of August, it Sensex had recovered ground to again touch the psychologically important level of 18,000. September has been less volatile though the month finally ended on a weak note (Figure M3). While the BSE Sensex closed at 19,727.27, the NIFTY closed at 5,833.2. Broad market indices ended on a mixed note.



M.8 Outlook

Liquidity conditions are expected to ease during the second half of the year, mainly on account of strong dollar inflows. With the US Fed now expected to stay the course till early next year and the RBI girding up to boost its forex reserves, chances are we might see a return to unsterilized intervention by the RBI.

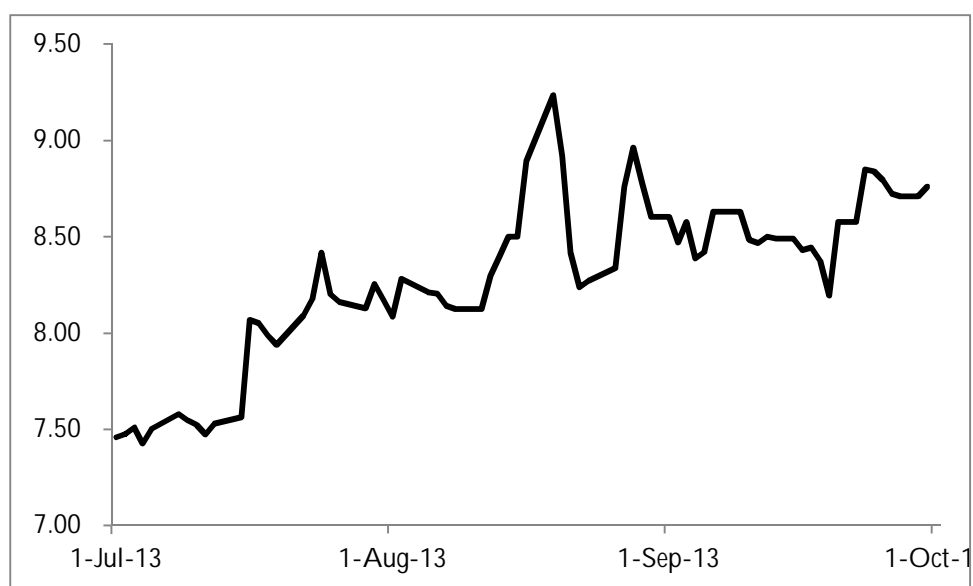
Of course, the persistence of high inflation means that the RBI will once again do a tight-rope walk – balance its need to stock up its forex coffers by buying dollars and pumping in rupees with the inflationary consequences of higher liquidity in the system.

Box M1: Bond yields

Bond yields showed almost as much volatility as the exchange rate during the quarter under review. Relatively easy liquidity conditions and better inflation numbers during the latter part of the first quarter and early days of the second quarter saw yields on the benchmark 10 year Government securities fall to 7.4 -7.5%. However, following the upheaval caused by the US Fed Chairman's statement of mid May and his subsequent press conference in June where he seemed to suggest the Fed would begin to taper its bond-buying programme later the year, bond yields rose dramatically as overseas investors fled emerging market economies like India.

Beginning mid-July bond yields rose precipitously almost impervious to the RBI's liquidity tightening measures. After touching a high of over nine per cent mid-August, yields fell to below eight per cent as stability returned to the market following the Fed's decision to defer its tapering programme. The quarter finally closed with the 10-year benchmark G-Sec in the range of 8.6-8.7%, considerably higher than the yield of 7.4% in April 2013, but lower than the highs of over nine per cent seen mid August 2013.

Figure M2: Yield on 10 year G-Secs, July 1, 2013 to September 30, 2013 (%)



Source: Reserve Bank of India

External Sector

The global outlook continues to remain below the pre-crisis level when growth was high with large imbalances. Future policy adjustments are required for internal balancing to contain large and growing budget deficits that also impact external deficits.

E.1 Global Trends

The world economy is slated for softer growth at 2.9% during 2013.¹ This is lower than the 3.2% growth realised during 2012 (Table 1). However, the forecast for the following year 2014 is promising for growth acceleration at 3.6%. Growth projections for advanced economies as well as the emerging market and developing economies indicate a growth slowdown at 1.2% and 4.5% respectively. The existing risks of external and internal imbalances remain although in comparatively lower magnitudes, newer challenges of coordinated policy action for sustainable and balanced global growth have emerged.

The US has been predicted to be the growth driver during 2013 with an estimated 1.6% growth. Economic activity in US is expected to be greatly helped by a revival in the real estate sector supported by easier lending conditions and higher borrowings. The euro area is beginning to show signals for stabilization in 2013 among fiscal tightening and strict credit conditions. In Japan, growth is estimated at 2% during 2013 due to stimulus package and spending on reconstruction.

While the emerging market and developing economies are expected to benefit from export growth due to stronger demand from the developed countries, they face the risks due to supply constraints. Brazil is expected to maintain a growth of 2.5% during 2013 on account of increase in consumption and higher investment spending. Developing Asia is expected to grow at a moderate rate of 6.3% during 2013. Economies such as China may settle for a slightly lower growth rate at 7.6% during 2013 in response to policies for

sustainable and balanced growth. However, growth may scale up in presence of a stimulus package. Growth projections for India have been set at 3.8% during 2013, almost same as the 3.9% growth in the crisis year of 2008.

The volume of trade is expected to expand by 2.9%. Exports from advanced countries have been projected to grow at 2.7% in 2013 as compared with 2% growth in 2012. However, exports from the emerging market and developing economies are projected to slow down at 3.5% during 2013 against the 4.2% growth in 2012. Similarly, imports of the advanced world are projected for 1.5% growth against 1% growth in 2012. Imports of emerging market and developing economies would slow down at 5% compared with 5.5% growth during 2012.

Oil prices are expected to decline owing to slowdown in the activity in emerging markets. However, the IMF has projected a petroleum spot price of US\$104.5 per barrel in 2013 as against US\$ 112 per barrel in 2012. Prices of manufactured goods have been projected to increase while those of nonfuel primary commodities such as beverages may decline during 2013. Price of metal has been projected to decline due a slowdown of developing countries such as China.

The global outlook continues to remain below the pre crisis level when growth was high with large imbalances. Over time, imbalances have reduced due to compression in demand which has hurt growth. Future policy adjustments are required for internal balancing to contain large and growing budget deficits that also impact external deficits. In addition, the countries need to adapt policies for external balance. While the trade surplus countries need to design policies that encourage domestic demand, the deficit countries, such as India, need to improve international competitiveness by removing supply side constraints (IMF survey, September 2013).

¹ Projections in this sub-section are sourced from the IMF, World Economic Outlook, October 2013.

E.2 India's merchandise trade

Recent data available for the first half, H1: 2013-14 shows an increase in merchandise export growth.

Cumulative exports over the period April-September 2013 have been recorded at US\$152.1 billion registering a growth of 5.1% as compared with a negative growth of 6.2% over the comparable period of the past fiscal.

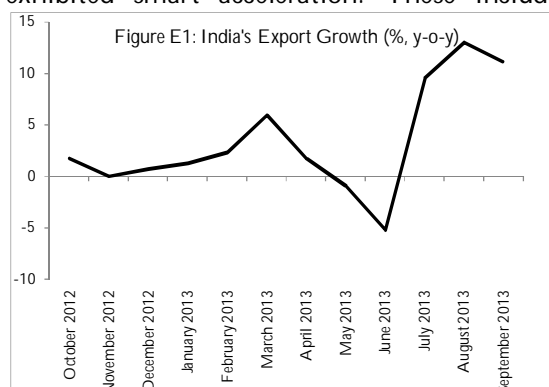
Since April 2013, monthly exports slowed down or declined continuously till June. However exports have picked up beginning July 2013. The year-on-year (y-o-y) export growth during the past three months of July, August and September has been 9.5, 13 and 11.2% respectively (Figure E1). Export growth over the past three months has however been primarily on the back of a decline observed in the comparable months last year. The month-on-month growth pattern of exports, however, shows slower growth with variations (Figure E2).

Import growth continues to be in negative zone with growth of (-) 1.9% during April-September 2013 as compared with (-) 2.9% during comparable period of past year. Total imports during this period amounted to US\$232.1 billion with oil imports at US\$ 82.8 billion and non-oil imports at US\$149.4 billion.

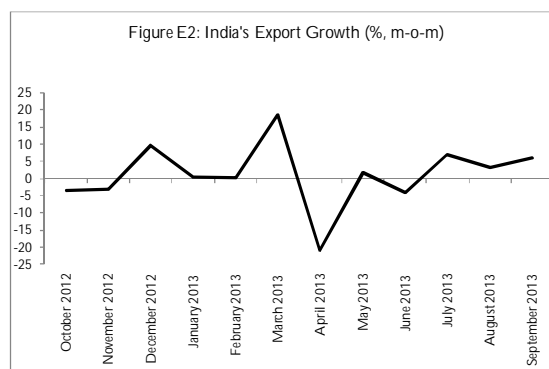
E.3 Composition of exports

Recent structure of merchandise export is available for the cumulative period April-July 2013. India's merchandise exports have been dominated by manufactured goods followed by petroleum products, other commodities, agricultural & allied products, and ores & minerals. Total exports over the period remained rather stable as compared with the negative growth of (-) 6.1% over the April-July 2012. Exports under two broad categories namely petroleum products and other commodities recorded positive growth at 12.9 and 3.1% respectively while exports of agriculture & allied products as well as ores & mineral declined at 5.7% and 25.3%

respectively. Exports of manufactured goods declined by 1.6% over the period. However, some items within these broad categories have exhibited smart acceleration. These include



basmati rice (1.9%) exports that have grown at 57.9% and have helped India become the lead global exporter of rice.² In addition, double digit growth is observed for exports of marine products and meat & preparation each of which account for 1.3% share in total exports. Within manufactured goods, significant products with share exceeding 1% that recorded a double digit growth include leather & leather manufactures (1.8%), inorganic, organic & agro chemicals (2.1%), primary & semi-finished iron & steel (1.6%), yarns, fabric s & made-ups (4.5%) and readymade garments of cotton including accessories (5%).



Among the above mentioned items, exports of textile and engineering goods have benefited in particular from the widening of the interest subvention scheme. These sectors are further expected to benefit from the recent increase in rate of interest subvention that is an attempt to

² Figures in parenthesis refer to shares in corresponding total merchandise trade flows (exports or imports).

boost exports from small and medium enterprises that are labour intensive. However, exports of certain other labour intensive sectors such as gems and jewellery and handicrafts have been hit. The government has announced initiatives to support these sectors. These include liberal finance assistance under the Market Access Initiative and Market Development Assistance scheme. Another policy attempt to support SEZ units has been through revival of the scheme to realize and repatriate full value of goods / software and services to Indian exporters within a period of up to 12 months from the date of export.

E.4 Destination of merchandise exports

Nearly half of India's exports are destined to the Asian region, with another one-fifth directed to the Europe, closely followed by the Americas and another one-tenth is destined to the African continent. During April-July 2013, exports to all regional players declined except for the European region. The USA (13.6%), UAE (10.2%), Singapore (6.1%), Saudi Arab (4.3%) and Hong Kong (4.1%) are the top five export destinations though exports to not all of them accelerated during the period. Other important destinations that recorded double digit growth include Japan, Iran, Italy, Malaysia and Vietnam. Each of these destinations has an export share in excess of one per cent.

E.5 Composition of imports

Cumulative imports during April-July 2013 grew at a growth rate of 2.8% with oil as well as non-oil imports growing at a similar rate. The decline in imports of capital goods is worrisome as an indicator of slowdown in the domestic investment activity. Similarly the decline in imports of coal, coke & briquettes as well as iron & steel are indicative of a relatively low level of activity in the infrastructure sectors. Nevertheless, certain important imports have recorded positive growth. Imports of chemicals & related products (7.2%) have grown at 5.7% over the period while imports of transport equipment (2.5%) have increased at 12%. It is interesting to see that

gold imports (11.8%) have been rather price inelastic. Despite multiple and successive hikes in import duty of gold, the yellow metal imports have not given an indication of a slowdown. Similarly, a double digit growth in imports of pearls precious & semiprecious stones (5.9%) have increased at 38%.

E.6 Sources of Imports

During April-July 2013, imports from the highest regional partner – Asia (46.4%), declined marginally while imports from Europe and America increased at 7.5 and 13.4%, respectively. Imports from Africa and Oceania also declined over the period. China remained the most significant source of imports of India with the highest share of 10.3%. However, imports from China declined at (-) 6.2%. Imports from eight other major sourcing countries declined. These include UAE, USA, Nigeria, Germany, Australia, Japan and Malaysia. At the same time, imports from some countries recorded double digit growth. These include Switzerland, Iraq, Kuwait, Venezuela, South Africa, UK and Hong Kong.

E.7 Balance of Payments

Developments during the Q1: 2013-14 show an increase of 27.5% in the CAD primarily due to an increase in imports while the exports have been nearly stagnant (Table 2). The CAD has increased to US\$ 21.8 billion compared to US\$17.1 billion per cent during Q1: 2012-13.

The CAD to GDP ratio has increased from 4% to 4.9% over the period.

The BOP merchandise exports declined by 1.5% at US\$ 73.9 billion due to a growth of 4.7% in the imports that reached US\$ 124.4 billion. Growth in surplus on invisibles has been lower than the growth in merchandise deficit thus resulting in wider CAD.

Net inflows in the capital account increased at 24.1%. Net FDI increased at a smart 70% when compared with the similar period last year with about two-third of the net FDI

inflows on account of equity and one-third due to reinvested earnings. However portfolio investment continued to shy away as net portfolio inflows declined at a staggering (-) 88.3%. Considering the errors and omission of US\$ 0.9 billion, the overall balance of payments shows a net deficit of US\$ 0.3 billion as compared with an overall surplus of US\$0.5 billion last year.

E.8 Prognosis

Growth in world output has slowed down for the fourth consecutive year in 2013. The US has been projected as a major driver of growth. A one per cent expansion in the US economy has a spillover in output growth of 0.2% elsewhere with a lag of two years. A healthier US economy is considered as an indicator of stronger demand from the developing countries with greater export opportunities. However, the recent trends in the US CAD that has shrunk to low levels, hint that the US domestic demand could be served by rising domestic production. Thus indicating that opportunity for developing countries like India could be limited in view of their continued structural problems and supply constraints.

The turnaround in India's exports over the past quarter is expected to stay on account of improved demand from the US and EU.

Exports have also benefitted by a number of government policies that include raise in the rate of interest subvention for exporters of small and medium enterprises and labour intensive sectors such as handicrafts, handlooms, carpets, readymade garments, processed agricultural products, sports goods and toys. Further, as many as 53 countries of the Latin America and Africa have been included for market diversification with an attempt to insulate export growth from a slowdown in the US and China. In addition, the rupee depreciation is also expected to help exports.

While imports of oil are expected to be fuelled by rising requirements for crude, a decline in international oil price would help to limit the import bill. However non-oil imports, other than those of gold, are expected to slow down due to likely decline in manufacturing activity.

Box E.1: India Textiles Exports³

The Indian textiles and clothing industry accounts for about 12% of the manufacturing output, 4% of GDP, 11% of merchandise exports and employs about 45 million people. A large proportion of this sector operates in unorganised sector and hence lacks international competitiveness. The exports of textiles and clothing have been estimated at US\$ 64.41 billion by the end of March, 2017. India has emerged as one of the major import sourcing country for many international buyers after the dismantling of the multi-fibre agreement.

India's exports of textiles increased from \$6.9 billion in 2004 to \$15 billion in 2011 posting a growth rate of 12.9% per annum. The corresponding growth rate of clothing was 12%. The value of clothing exports increased from \$6.6 billion in 2004 to \$14.4 billion in 2011. India lags behind Bangladesh in exports of clothing.

The total exports of textiles & clothing and textiles products (carpet, rugs etc.) in 2012-13 are estimated at US\$ 31.7 billion registering a decline of about 5% over last year and 22% below the target of \$39.6 billion (2012-13). However, in rupee terms, exports increased by 12% (Rs. 16,347 billion in 2012-13). The rupee depreciation is likely to help boost exports of textiles and textile products.

³ The write-up in this sections draws upon the 1) Twelfth Five year Plan document; Note on Textiles & clothing Exports of India, International Trade Division, Ministry of Textiles; 3) Note from Apparel Export Promotion Council dated May 17, 2013; and 4) DGCI&S data.

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

	2011	2012	Projections	
			2013	2014
World Output	3.9	3.2	2.9	3.6
Advanced Economies	1.7	1.5	1.2	2.0
United States	1.8	2.8	1.6	2.6
Euro Area	1.5	-0.6	-0.4	1.0
Germany	3.4	0.9	0.5	1.4
France	2.0	0.0	0.2	1.0
Italy	0.4	-2.4	-1.8	0.7
Spain	0.1	-1.6	-1.3	0.2
Japan	-0.6	2.0	2.0	1.2
Emerging Market and Developing Economies ⁴	6.2	4.9	4.5	5.1
Central and Eastern Europe	5.4	1.4	2.3	2.7
Commonwealth of Independent States	4.8	3.4	2.1	3.4
Russia	4.3	3.4	1.5	3.0
Developing Asia	7.8	6.4	6.3	6.5
China	9.3	7.7	7.6	7.3
India ¹	6.3	3.2	3.8	5.1
ASEAN-5 ²	4.5	6.2	5.0	5.4
Latin America and the Caribbean	4.6	2.9	2.7	3.1
Brazil	2.7	0.9	2.5	2.5
Mexico	4.0	3.6	1.2	3.0
World Growth Based on Market Exchange Rates	2.9	2.6	2.3	3.0
World Trade Volume (goods and services)	6.1	2.7	2.9	4.9
Imports				
Advanced Economies	4.7	1.0	1.5	4.0
Emerging Market and Developing Economies	8.8	5.5	5.0	5.9
Exports				
Advanced Economies	5.7	2.0	2.7	4.7
Emerging Market and Developing Economies	6.8	4.2	3.5	5.8
Commodity Prices (U.S. dollars)				
Oil	31.6	1.0	-0.5	-3.0
Nonfuel (average based on world commodity export weights)	17.9	-9.9	-1.5	-4.2

Source: *World Economic Outlook, IMF, October 2013*

¹ data and forecasts are presented on a fiscal year basis.

² Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Table E.2: Overall Balance of Payment in India (US\$ billion)

	April-June 2013 P			April-June 2012 PR		
	Credit	Debit	Net	Credit	Debit	Net
A. CURRENT ACCOUNT						
I. MERCHANDISE	73,909	124,393	-50,484	75,001	118,850	-43,849
II. INVISIBLES (a+b+c)	57,049	28,354	28,695	55,403	28,647	26,756
a) Services	36,522	19,655	16,868	35,773	20,792	14,981
i) Travel	3,825	2,999	826	3,506	3,101	405
ii) Transportation	4,134	3,696	438	4,250	3,656	594
iii) Insurance	503	263	240	532	249	283
iv) G.n.i.e.	130	300	-169	159	163	-5
v) Miscellaneous of which:	27,930	12,397	15,533	27,326	13,622	13,704
Software Services	16,484	350	16,134	15,631	632	14,999
Business Services	7,263	6,696	567	7,611	8,204	-593
Financial Services	1,799	2,390	-591	1,306	1,436	-130
Communication Services	635	426	209	419	104	316
b) Transfers	18,001	1,343	16,658	17,495	831	16,664
i) Official	131	265	-134	40	185	-144
ii) Private	17,870	1,078	16,792	17,455	647	16,808
c) Income	2,526	7,357	-4,830	2,135	7,024	-4,889
i) Investment Income	1,777	6,784	-5,007	1,436	6,540	-5,104
ii) Compensation of Employees	750	573	177	698	483	215
Total Current Account (I+II)	130,958	152,747	-21,789	130,403	147,497	-17,093
B. CAPITAL ACCOUNT						
1. Foreign Investment (a+b)	65,201	58,931	6,270	43,581	41,683	1,899
a) Foreign Direct Investment (i+ii)	10,486	3,991	6,495	8,168	4,347	3,821
i. In India	8,129	1,653	6,476	7,305	1,390	5,915
Equity	5,619	1,526	4,093	4,683	1,033	3,650
Reinvested Earnings	2,059		2,059	2,259		2,259
Other Capital	451	127	324	363	358	5
ii. Abroad	2,357	2,339	18	863	2,957	-2,094
Equity	2,357	1,084	1,273	863	1,382	-519
Reinvested Earnings		276	-276		297	-297
Other Capital		978	-978		1,278	-1,278
b) Portfolio Investment	54,715	54,939	-225	35,413	37,335	-1,922
In India	54,203	54,665	-462	35,175	36,787	-1,612
FIIs	54,183	54,665	-482	35,081	36,787	-1,706
ADRs/GDRs	20		20	94		94
Abroad	512	274	237	238	548	-310
2. Loans (a+b+c)	37,578	33,935	3,643	36,777	30,817	5,960
a) External Assistance	1,044	756	288	945	891	54

i) By India	12	66	-54	13	84	-72
ii) To India	1,031	689	342	932	807	125
b) Commercial Borrowings(ST,MT<)	36,534	33,179	3,355	35,832	29,926	5,906
3. Banking Capital (a+b)	25,945	15,664	10,280	25,787	16,379	9,408
4. Rupee Debt Service	0	25	-25	0	26	-26
5. Other Capital	5,924	5,578	346	3,209	3,914	-705
Total Capital Account (1 to 5)	134,648	114,134	20,514	109,355	92,819	16,535
C. Errors & Omissions	929	0	929	1,080	0	1,080
D. Overall Balance (A+B+C)	266,535	266,881	-346	240,838	240,316	522
E. Monetary Movements (i+ii)	346	0	346	0	522	-522
i) I.M.F.	0	0	0	0	0	0
ii) Foreign Exchange Reserves (Increase - / Decrease +)	346		346		522	-522

Source: Monthly Bulletin, RBI, October, 2013.

PR: Partially Revised. P: Preliminary.

Prices

Inflation has reared its ugly head again in the second quarter of the current fiscal driven by vegetables inflation and mineral oil inflation. Retail inflation is persisting in double digits or close to it and inflationary expectations have gone up. While food inflation may come down in the immediate future, uncertainties regarding currency fluctuations and energy pricing remain.

P.1 Overall Inflation Trends

Inflation is back and continues its stranglehold on the Indian economy. Not that it ever went down but inflationary trends had moderated in the first quarter of the current fiscal year. Retail inflation was finally down in single digits although they remained uncomfortably high above 9 per cent and above (Table P1). However, the trends reversed significantly in the second quarter with retail inflation back in double digits. The various measures of retail inflation rates are calculated on a year-on-year (y-o-y) basis from the following price indices: Consumer Price Index (CPI) 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 headline inflation (WPIINFL) as measured by the Wholesale Price Index (WPI) with base year 2004-05 had also fallen below five per cent (Table P1) on a y-o-y basis in the first quarter of the current fiscal. That has reversed and WPIINFL has increased to 6.1%, although this is significantly lower than the inflation rate in the corresponding period last fiscal year (7.9%). The most significant reversal of trend is seen when WPIINFL is calculated on a quarter-on-quarter (q-o-q) basis after seasonally correcting for the data. It came down from 8.5% in 2012-13:Q1 to 1.3% in 2013-14:Q1 but rose to 12.9% in the second quarter of the current fiscal year.

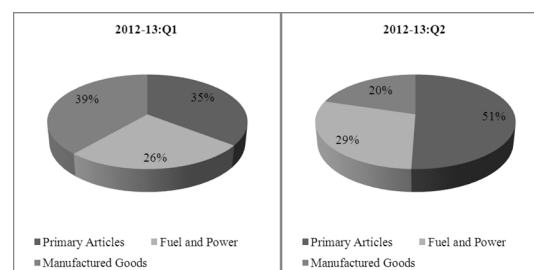
There is an increasing gap between indices of retail inflation and WPIINFL in 2012-13. While WPIINFL went down, retail inflation stayed up in double digits or close to it.

Core inflation has steadily fallen from 2011-12:Q3 (9.9%) to 3.7% in 2013-14:Q1. This trend reversed in the 2013-14:Q2 but core inflation remained low at 4.1%.

P.2 De-composition of Inflation

Inflation has been mainly driven by primary articles that jumped from 6.5% in the first quarter to 11.7% in the second quarter of the current fiscal year. Fuel and power inflation also rose to 10.9% in 2013-14:Q2 from 7.7% in 2013-14:Q1. Manufacturing inflation continues to fall and is currently at 2.18% in the second quarter of the current fiscal. Figure P1 shows the drastic change in the contributors of inflation in the country.

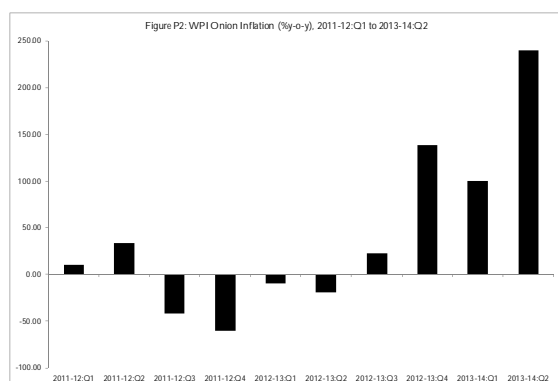
Figure P1: De-composition of WPI Inflation (%y-o-y), 2013-14:Q1 and 2013-14:Q2



Primary articles inflation has been mainly driven by food inflation as minerals inflation experienced deceleration in prices (-2.2%) and non-food articles inflation continued its downward trend (4%) in the second quarter of the current fiscal year. The fall in metals and other minerals inflation is consistent with worldwide trends.

In contrast, food inflation just doubled and that also mainly because of fruits and vegetables (Table P2). Fruit and vegetable inflation went up from 2.7% in 2013-14:Q1 to 37% in 2013-14:Q2. Within this category, vegetables were the main driver. While fruit inflation went up from 0.7% in 2013-14:Q1 to

5.5% in 2013-14:Q2, vegetable inflation went up from 4.7% in 2013-14:Q1 to 70.5% in 2013-14:Q2, with onion causing maximum angst. (Figure P2).



The rise in food inflation is not consistent with world wide trends especially in foodgrains. The Macroeconomic and Monetary Developments Second Quarter Review 2013-14 of RBI (MMDSQR 2013-14:Q2) shows that the inflation in manufactured food items is quite low especially in sugar and edible oils. World prices are also low for both these products as per the MMDSQR 2013-14:Q2.

Fuel and Power Inflation is mainly driven by inflation in mineral oil. Coal price continues to decelerate for the second quarter in the current fiscal year. Electricity inflation is in double digits but has fallen to 13% in 2013-14:Q2 from 22.5% in 2013-14:Q1. Mineral Oil inflation increased from single digits (8.5%) in 2013-14:Q1 to 15.2% in 2013-14:Q2.

P.3 Factors Affecting Inflation

Vegetable inflation and mineral oil inflation are the major causes of inflation in India. There are two different causes for each. Heavy monsoon affected vegetables production and coupled with weak supply chains, it caused disruptions in delivery to the consumer. Mineral oils inflation is mainly due to the depreciation of the rupee and increase in crude oil prices. Energy prices worldwide have arisen mildly by three per cent on a y-o-y basis. As the MMDSQR 2013-14:Q2 shows prices of freely priced products increased but administered products' prices also contributed to inflation. "Increase in administered prices

did not keep pace with the rise in crude oil prices (in rupee terms) leading to greater suppressed inflation. Crude oil prices in the Indian basket's reached a record high of Rs 7,263 per barrel in rupee terms during the first fortnight of September 2013, which was about 35% higher than the low levels recorded the second fortnight of April 2013". The MMDSQR 2013-14:Q2 shows that consumption of petrol products has fallen but given the still large under-recoveries, there is need for further upward adjustment in fuel prices which would reduce demand further and restrain the twin deficits-fiscal and external.

Protein inflation continues to be high and in double digits i.e. Eggs, Meat and fish inflation was 14.7% in 2013-14:Q2. Cereal inflation has reduced but is still high at 9.2%.

Overall, the second quarter inflation in the current fiscal is mainly due to supply side factors though demand side factors continue to play a role. These in turn affect inflation expectations adversely. Clearly, we need large scale investment in storing, transporting and managing perishable food items like fruits& vegetables, eggs, meat and fish i.e. developing adequate supply chain, good infrastructure like roads, cold storage, transport etc.

P.4 Persistence of Retail Inflation

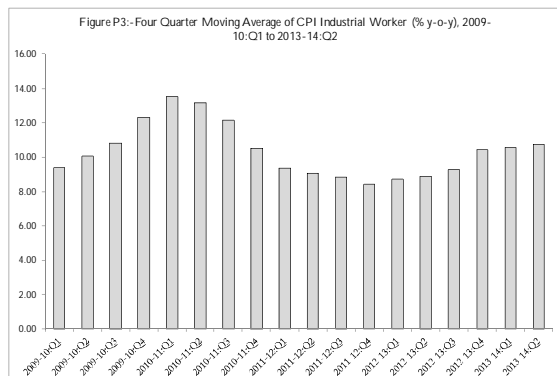
Inflation based on CPI Industrial Worker (CPIIW) has averaged 9.5% for the last six years and the headline WPI inflation has averaged 8.6% during the last three years (MMDSQR 2013-14:Q2). Four-quarter moving average, calculated for CPIIW shows that inflation has not been below 8% since 2009-10 (Figure P3).

For the last three quarters, inflation has been above 10%.

This is matter of serious concern because it has a destabilising impact on inflation expectations (Box P.1).

The MMDSQR 2013-14:Q2 states that "high persistent inflation is inimical to growth. Such high inflation eroded real consumption,

lowered savings, caused financial disintermediation, widened the current account gap and placed additional pressures for subsidised safety nets for the vulnerable population”.



P.5 Global Inflation

India's retail inflation is the highest amongst the BRIC countries and United States, United Kingdom, France and Germany.

The forecasts till 2018 show that India's inflation rate is going to remain the highest amongst the countries although the inflation rate will come down. High inflation affects India's competitiveness adversely.

P.6 Inflation Outlook

Food inflation will come down as supply pressures ease especially of vegetables. With food inflation falling, one would expect WPIINFL to dampen. However, currency movements and global oil spikes especially due to political uncertainties in the Middle East may play out adversely. The goal of the policymaker should be to bring down inflationary expectations and generally bring down retail inflation.

Box P1: Inflationary Expectations

The Reserve Bank of India assesses inflationary expectations of households. The latest survey released in September, 2013 shows that inflationary expectations have increased (Table P3). The four rounds of data show that households' estimations of current inflation are closer to the retail inflation rate (in this case CPI combined) than WPIINFL. Further the households' estimates of inflation rates are equal or higher than either the CPI Industrial Worker or combined for the four quarters shown in Table P3.

Another interesting observation that comes out of the table below is that households are expecting higher inflation over 3-months and one year. Inflation expectations have gone up over time and it is consistently higher than the already over-estimated current rate.

Unfortunately, high double digit inflationary expectations can quickly result in a spiral that India probably should avoid. With higher expectations, households factor that into their decision making, making double digit inflation a self-fulfilling prophecy and a new normal.

It is clear that the policymaker needs to reduce inflation expectations down to single digits. The RBI seems to be recognizing that consumer price indices may be a better measure of inflation as consumers make their decisions based off that rather than WPI. The new RBI governor has promised to issue inflation indexed saving certificates tied to CPI. However, for even that, inflationary expectations need to be brought down.

Inflationary Expectations				
<i>Survey Round</i>	<i>Survey Quarter Ended</i>	<i>Current Inflation Rate</i>	<i>Three-month ahead</i>	<i>One-year ahead</i>
30	December 2012	11.0	11.9	13.3
31	March 2013	10.7	11.3	12.5
32	June 2013	11.0	11.4	12.4
33	September 2013	11.8	14.5	13.5

Source: Reserve Bank of India

Table P.1: Major Indicators of Inflation, 2011-12:Q1 to 2013-14:Q2 (% y-o-y)

<i>Year: Month</i>	<i>WPIINFL</i>	<i>CPI Industrial Worker</i>	<i>CPI Agricultural Labour</i>	<i>CPI Rural</i>	<i>CPI Urban</i>	<i>CPI Combined</i>
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	9.3	8.5
2012-13:Q1	7.5	10.1	7.9	9.6	11.0	10.2
2012-13:Q2	7.9	9.8	9.1	9.8	10.0	9.9
2012-13:Q3	7.3	10.1	10.5	10.2	9.9	10.1
2012-13:Q4	6.7	11.7	12.6	10.7	10.6	10.7
2013-14:Q1	4.8	10.7	12.6	9.3	9.8	9.5
2013-14:Q2	6.1	10.5	12.9	9.3	10.1	9.7

Notes: 1. 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. 2. CPI Industrial Worker does not include the September data.

Sources: Office of the Economic Advisor, Labour Bureau and Central Statistical Organisation

Table P.2: Year-on-Year Inflation Rate of Major Categories in Food Articles in WPI, 2011-12:Q1 to 2013-14:Q2

<i>Period</i>	<i>Food Articles</i>	<i>Food Grains (Cereals and Pulses)</i>	<i>Fruits and Vegetables</i>	<i>Milk</i>	<i>Eggs, Meat and Fish</i>	<i>Condiments and Spices</i>	<i>Other Food Articles</i>
2011-12:Q1	8.8	2.3	16.1	6.8	9.2	14.5	22.6
2011-12:Q2	9.1	3.3	14.9	10.2	10.6	0.5	20.9
2011-12:Q3	6.4	4.7	1.7	11	12.3	-3.8	18.4
2011-12:Q4	5.1	4.2	-5.3	13.1	18.6	-18.1	14.2
2012-13:Q1	10.8	8.2	14.4	11.6	17.1	-18.2	10
2012-13:Q2	9.2	14.8	5.3	7.1	14.6	-12.5	15.3
2012-13:Q3	8.7	17.9	2.7	6.2	13.3	-15.9	10.7
2012-13:Q4	11	17.4	11.3	4.5	11.7	0.8	11.6
2013-14:Q1	8.2	14.3	2.7	4.2	11.5	14.8	2.9
2013-14:Q2	16.3	9.2	37	4.8	14.7	12	-6.1

Note: Base Year: 2004-05.

Source: Office of the Economic Advisor, Government of India

Public Finance

Public finances will continue to be under strain as slowdown in economic growth has meant lower growth in both tax and non-tax revenues. Expenditures have marginally slowed down from last fiscal year mainly driven by lower growth in plan expenditure. In the first five months of the current fiscal year, budget deficit has already reached 75 per cent of the budget

PF.1 Backdrop

If the first quarter of the current fiscal saw expenditure run ahead of revenues, the second quarter was no better. Public finances continued to be under strain. Part of the reason is structural – revenues usually flow with a lag. But the other is more fundamental and directly related to the assumptions underlying Budget 2013-14. This assumed a much more robust recovery with growth in the range of 6-6.5 % whereas the growth in reality has been much less. Inevitably, slow growth – GDP growth was just 4.4% in the first quarter and the second quarter is not expected to be any better – has taken a toll on tax revenues while non-tax revenues have been equally anemic as government has made slow progress on things like disinvestment and spectrum auction.

Despite the obvious flaws in the underlying assumptions of Budget 2013-14 (as borne out by subsequent developments as well), the Finance Minister, P Chidambaram has refuted all criticism on the grounds that the economy is showing signs of bottoming out and recovery is round the corner. His optimism has, however, been belied in the first six months of 2013-14 with revenues faltering on the back of slowing growth and expenditure spinning out of control.

As per the latest numbers released by the Controller General of Accounts (CGA) the fiscal deficit has already reached 75% of the Budget Estimates (BE) during the first five months of the year as compared to 66% in April-August 2012 period. The cumulative fiscal deficit reached 3.7% of GDP during April-August 2013 (vs. the budget estimate of 4.8% of GDP for fiscal year (FY) 2013-2014).

While government expenditure grew 17% year-on-year (y-o-y) during April-August 2013, behind the BE of 18% y-o-y largely driven by lower growth in plan expenditure, gross tax collections grew only nine per cent y-o-y during the same period well below the BE of 19%. Direct tax collections grew 16% behind the BE of 19% even as indirect tax collections actually declined one per cent y-o-y as against the BE of 13% growth, thanks to the slowdown in domestic growth.

Going by the trends to date there are reasons to doubt whether the FM will be able to abide by the line he has drawn in the sand as far as the Gross Fiscal Deficit (GFD) is concerned. These include (a) the distinct likelihood of a shortfall in tax revenues target due to slowdown in growth, (b) increasing subsidy burden (a 10% rupee depreciation increases India's oil subsidy by 0.3-0.4% of GDP), (c) difficulty in achieving divestment target on weak capital markets, (d) a rise in food subsidy burden under the National Food Security Act and (e) pre-election sops in the run-up to parliamentary elections in May 2014).

Austerity measures announced by the government in September, including a 10% cut on non-plan expenditure by all departments (excluding spending on interest and debt repayment, defence capital, salary, pension and on grants to states) and cap on spending are unlikely to have much impact. The FM, however, remains confident that he will be able to contain the final number for the year at 4.8% as projected, saying he has drawn a red line under it and will not exceed it under any circumstances.

The prospects of this look increasingly bleak as apart from runaway expenditure on populist schemes, even routine expenses like interest

payments are likely to over-shoot budget estimates thanks to the sharp rise in bond yields. The fiscal year began with yields in the range of 7.4- 7.5%. However, the panic in the market during the period 22 May – 20 September saw bond yields rise sharply to over nine per cent. Yields have since come down to 8.4–8.5% but they are one percentage point higher than in April and hence will impact interest payouts adversely. As deposit growth slows, more devolvement on primary dealers cannot be ruled out.

PF.2 State Finances

As far as finances of state governments are concerned, the position is distinctly better. Several states have limited their deficit and debt in recent years within the targets set by the Thirteenth Finance Commission. However, finances of the states participating in the Financial Restructuring Plan of state power utilities is likely to be under pressure due to the additional debt and interest burden linked to issuance of bonds/special securities by state power distribution companies (discoms) under the scheme. It is imperative that the mandatory conditions and recommended suggestions of the financial restructuring plan (FRP) are implemented in the true spirit by the discoms and state governments if these utilities are to become financially viable. State governments must ensure that debt restructuring does not become a perpetual feature, endangering the stability of state finances.

PF.3 Trends in Receipts and Expenditure

According to data released by the government gross collection from direct taxes that include personal income tax and corporate taxes, increased by 10.66% to `3,01,250 crore in the April-September period of this fiscal compared to `2,72,221 crore recorded in the same period last year.

Collections from personal income tax jumped by 16.15% to `1,06,231 crore in the first half of the current financial year as compared to

`91,463 crore recorded in the same period last year.

However, growth in corporate taxes was sluggish due to a slowdown in overall economic growth.

Gross collections of corporate taxes increased by 7.93% to `1,92,308 crore during the period under review.

Net direct tax collection stood at `2,50,959 crore for the first six months of the current financial year as compared to `2,26,653 crore recorded in the same period last fiscal, registering an y-o-y increase of 10.72%. The difference in gross and net tax collection is due to refunds.

Wealth tax collection increased by 5.27% to `499 crore during the period under review, while the collection of Securities Transaction Tax (STT) dropped by 6.45% to `2,210 crore. Data on indirect tax collections is still awaited.

PF.4 Outlook

The finance minister has staked his reputation on adhering to the fiscal deficit target of 4.8 per cent of GDP as indicated in his budget estimates. Additionally, rating agencies also attach a great deal of importance to fiscal discipline; any breaching of the target risks a rating downgrade. Hence we do not expect the government to breach its target for the year. Since the government has already exceeded 75 per cent of the target for the year, what will happen, instead, is that as in 2012-13, the government will ruthlessly cut down on expenditure, especially plan expenditure, in the coming months in a bid to adhere to its target.

Data File

Gross Domestic Product (2004-05 Prices) at Factor Cost									(Rs Crore)
	Agriculture, 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	1314256
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
2013-14									
Q1	181705	25568	198827	26978	108266	384567	273388	172149	1371446
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	12.3	6.5	6.5
Q3	4.1	-2.6	0.7	7.7	6.9	6.9	11.4	6.8	6
Q4	2	5.2	0.1	3.5	5.1	5.1	11.3	6.8	5.1
2012-13									
Q1	2.9	0.4	-1	6.2	7	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	4.8
2013-14									
Q1	2.7	-2.8	-1.2	3.7	2.8	3.9	8.9	9.4	4.4
Annual Average % (April-March)									
2008-09	2.2	0.04	4.2	5.8	5.8	7.8	10.9	11.8	6.9
2009-10	1.3	7.2	9.8	5.9	7.0	10.1	8.9	11.9	8.3
2010-11^	7.7	4.5	11.4	5.1	9.8	12.4	10.4	4.0	9.5
2011-12*	3.6	-0.6	2.7	6.5	5.6	7.0	11.7	6.0	6.2
2012-13#	1.9	-0.6	1.0	4.2	4.3	6.4	8.6	6.6	5.0

Source: Central Statistical Organisation *First Revised Estimates @ Second Revised Estimates ^ Third Revised estimates released by CSO

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	141.9
Q2	164.3	175.5	116.0	148.5	144.7	265.6	142.8	175.7	297.0	127.6	139.7
Q3	168.7	178.8	129.4	149.2	150.6	248.7	141.6	187.0	294.6	144.4	146.1
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	151.8
Q2	165.0	175.9	115.2	152.7	147.9	244.2	144.9	178.1	297.2	130.9	145.5
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	135.5	155.1	160.5	293.1	151.4	205.4	295.4	169.7	156.0
2013-14											
Q1	165.8	174.8	119.9	162.8	151.5	215.8	147.6	182.5	268.5	148.5	154.2
Q2 (July-August)	168.7	179.4	115.6	163.8	152.1	257.7	151.3	177.1	269.5	140.5	155.4
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	5.7
Q2	3.2	3.4	-4.1	10.5	7.0	-5.8	-0.8	4.8	7.9	2.1	5.2
Q3	1.2	1.1	-4.2	9.6	4.4	-16.2	-2.9	7.7	4.9	10.1	5.1
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	6.9
Q2	0.4	0.2	-0.7	2.8	2.2	-8.1	1.5	1.4	0.1	2.6	4.2
Q3	2.1	2.5	-3.0	4.4	2.5	-1.2	2.5	2.7	3.1	2.4	3.2
Q4	2.2	3.1	-3.8	2.3	1.8	5.7	1.6	1.7	-2.8	5.0	1.5
2013-14											
Q1	-1.0	-1.1	-4.6	3.5	-0.1	-3.4	1.6	-2.3	-12.8	6.9	1.6
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	-2.3	4.0	2.5	-6.0	1.6	2.4	2.0	2.8	3.9

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	1152536	1472040	5687610	1719050	3507951	1285659	1149069	3204123	50117	71.8	31.3
Q2	1173670	1512449	5865367	1763528	3652951	1344152	1199654	3336754	49648	72.3	31.3
Q3	1215771	1584076	6132077	1804072	3880039	1358412	1203588	3544533	57057	73.4	29.9
Q4	1301228	1597542	6375605	1898232	4120510	1384845	1230353	3767340	63586	75.2	29.2
2011-12											
Q1	1355153	1604164	6672502	2043583	4264080	1408687	1296101	3898955	62505	74.2	29.6
Q2	1359763	1582933	6848650	2153708	4368788	1481471	1309669	3980515	70759	73.5	30.3
Q3	1394304	1637534	7079832	2219972	4567269	1596059	1399938	4158307	77394	74.4	29.9
Q4	1414965	1700023	7267573	2336645	4803226	1499249	1301077	4375358	82534	76.1	29.3
2012-13											
Q1	1454078	1768962	7627729	2495514	5041562	1611257	1473190	4579278	98126	76.5	30.0
Q2	1448206	1747847	7800367	2587820	5110226	1616988	1408680	4634779	95721	75.2	30.6
Q3	1453882	1780085	7978663	2614381	5319693	1616640	1417233	4827822	103522	76.7	30.4
Q4	1499151	1847084	8223927	2679456	5548049	1611626	1468287	5043674	103017	77.8	29.9
2013-14											
Q1	1552683	1929230	8611987	2846839	5759150	1664938	1472657	5252510	108883	77.0	29.9
Q2	1438884	1922262	8751194	2930862	5904486	1712199	1554807	5416433	100867	76.5	30.5
Percentage change over the same period previous year											
2010-11											
Q1	20.6	17.2	15.2	25.7	17.4	-2.3	-4.7	18.9	-10.0	3.2	-1.8
Q2	24.3	17.6	15.5	22.2	19.1	-1.4	-5.3	19.9	6.1	4.5	-5.7
Q3	22.0	20.2	17.5	21.1	23.5	0.9	-2.0	23.8	39.3	5.3	-7.9
Q4	19.5	12.5	16.4	17.8	22.3	6.5	5.1	22.5	36.0	5.6	-7.7
2011-12											
Q1	17.6	9.0	17.3	18.9	21.6	9.6	12.8	21.7	24.7	3.4	-5.6
Q2	15.9	4.7	16.8	22.1	19.6	10.2	9.2	19.3	42.5	1.6	-3.2
Q3	14.7	3.4	15.5	23.1	17.7	17.5	16.3	17.3	35.6	1.2	-0.3
Q4	8.7	6.4	14.0	23.1	16.6	8.3	5.7	16.1	29.8	1.2	0.1
2012-13											
Q1	7.3	10.3	14.3	22.1	18.2	14.4	13.7	17.4	57.0	3.0	1.3
Q2	6.5	10.4	13.9	20.2	17.0	9.1	7.6	16.4	35.3	2.3	0.8
Q3	4.3	8.7	12.7	17.8	16.5	1.3	1.2	16.1	33.8	3.1	1.9
Q4	5.9	8.7	13.2	14.7	15.5	7.5	12.9	15.3	24.8	2.3	2.2
2013-14											
Q1	6.8	9.1	12.9	14.1	14.2	3.3	0.0	14.7	11.0	0.7	-0.3
Q2	-0.6	10.0	12.2	13.3	15.5	5.9	10.4	16.9	5.4	1.8	-0.1
Annual Average % (April-March)											
2008-09	16.1	14.5	20.5	20.0	22.4	26.2	26.4	24.1	15.7	2.4	-3.6
2009-10	9.0	15.8	19.2	42.5	13.8	1.1	-1.9	14.5	-0.8	-4.4	5.5
2010-11	21.5	16.8	16.2	21.5	20.6	0.9	-1.8	21.4	15.9	4.7	-5.8
2011-12	14.1	5.8	15.8	21.8	18.7	11.4	11.0	18.5	33.0	1.8	-2.3
2012-13	6.0	9.5	13.5	18.5	16.8	7.9	8.7	16.3	36.6	2.7	1.5

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	247582	370182	-122600	256130	410636	-154506	79700	-61000	78400	17100
Q2	237105	441591	-204485	249514	401137	-151622	83000	-80000	101800	15300
Q3	307328	416301	-108973	291806	416302	-124496	92600	-50400	73200	17900
Q4	350907	455392	-104486	345471	455393	-109921	105600	-28200	37800	9200
2011-12										
Q1	342164	549001	-206836	342254	548812	-206559	122800	-78400	107000	24300
Q2	356138	552812	-196674	356048	553000	-196951	117300	-86500	9600	1200
Q3	368366	612621	-244254	368366	612621	-244254	146400	-101600	39100	-65300
Q4	399291	631031	-231740	399291	631031	-231740	149600	-109400	83400	-28800
2012-13										
Q1	397884	625872	-227989	398133	630172	-232039	144764	-92484	89466	2823
Q2	392954	666618	-273664	392574	660683	-268109	147239	-116674	114555	-87191
Q3	381363	694729	-313366	394214	700177	-305963	144079	-172031	170409	423132
Q4	468822	705592	-236770	444172	692666	-248494	148764	-98420	111305	14520
2013-14										
Q1	405105	684168	-279063	404338	684302	-279964	160484	-121861	114730	-1935
Q2	496090	681532	-185441	316364	460898	-144534				
Percentage change over the same period previous year										
2010-11										
Q1	32.2	21.7	24.2	36.8	35.0	32.1	-26.2	200.5	321.5	2750.0
Q2	15.1	38.8	56.9	21.1	26.1	35.3	-15.9	79.8	9.2	-66.4
Q3	42.5	12.7	-37.7	35.3	12.7	-19.0	5.8	-11.3	9.3	118.3
Q4	48.6	22.4	-23.1	46.0	22.4	-18.9	22.6	-51.5	-42.0	-6.1
2011-12										
Q1	38.2	48.3	68.7	33.6	33.6	33.7	54.1	28.5	36.5	42.1
Q2	50.2	25.2	-3.8	42.7	37.9	29.9	41.3	8.1	-12.0	-92.2
Q3	19.9	47.2	124.1	26.2	47.2	96.2	58.1	101.6	-46.6	-464.8
Q4	13.8	38.6	121.8	15.6	38.6	110.8	41.7	287.9	120.6	-413.0
2012-13										
Q1	16.3	14.0	10.2	16.3	14.8	12.3	17.9	18.0	-16.4	-88.4
Q2	10.3	20.6	39.1	10.3	19.5	36.1	25.5	34.9	27.9	-7365.9
Q3	3.5	13.4	28.3	7.0	14.3	25.3	-1.6	69.3	335.8	-748.0
Q4	17.4	11.8	2.2	11.2	9.8	7.2	-0.6	-10.0	33.5	150.4
2013-14										
Q1	1.8	9.3	22.4	1.6	8.6	20.7	10.9	31.8	28.2	-168.5
Q2	26.2	2.2	-32.2	-19.4	-30.2	-46.1				
Annual Average % (April-March)										
2008-09	28.3	44.7	81.2	28.3	36.4	51.5	38.0	101.0	-93.2	-126.3
2009-10	0.5	-0.8	1.2	0.6	-0.8	-2.9	-9.4	40.8	741.4	166.1
2010-11	35.2	23.4	0.1	35.2	23.4	4.3	-5.1	22.2	19.3	-7.3
2011-12	28.3	39.3	62.7	28.3	39.3	62.7	48.5	71.2	9.6	-215.3
2012-13	11.9	14.8	19.6	11.1	14.4	19.9	9.1	27.6	52.2	615.0
Source: DGCI&S & RBI Note: Quarterly series may not match to yearly totals because of data revisions										

Price Index

(2004-05=100)

	All Commodities	Commodity Groups			WPI				CPI			
		Primary Articles	Fuel, Power, Light & Lubricants	Mfg. Products	Basic Goods	Capital Goods	Use-based 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	222.7	699.3
2013-14												
Q1	172.0	229.2	193.4	149.3	166.8	137.3	169.6	153.5	146.7	155.6	228.3	719.7
Q2	177.6	246.6	203.2	150.3	167.1	137.7	177.0	154.8	148.1	156.9	236.0	751.0
Percentage change over the same period previous year												
2010-11												
Q1	10.6	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	9.5	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	7.3	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	15.0	7.9	11.7	3.4	11.7	8.3	10.8	7.5	8.4	8.2
Q4	7.5	6.7	15.0	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	9.8	9.2	4.6	3.5	2.9	8.0	5.8	4.4	6.2	11.7	12.6
2013-14												
Q1	4.9	6.5	7.7	3.3	1.3	3.3	6.3	4.5	1.5	5.4	10.7	12.6
Q2	6.2	11.7	10.9	2.2	-0.2	2.6	9.7	2.4	0.4	3.0	10.5	12.9
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	8.4	8.2
2012-13	7.4	9.8	10.3	5.4	7.7	2.8	6.7	6.3	6.1	6.4	10.4	10.0

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	109359
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	273364	265474	93026	402083	128719	98618	35693
2012-13									
Q1	118720	2402	121122	225361	60630	311582	190460	152712	129830
Q2	232168	3825	235993	265918	70535	382437	146444	110572	75909
Q3	219648	9661	229309	203954	70794	297104	67795	34753	-2999
Q4	308268	24840	333108	299906	110037	418299	85191	65422	-24846
2013-14									
Q1	117234	2172	119406	267397	61481	382229	262823	210475	201342
Q2 (July-August)	135238	3641	138879	212448	66695	280707	141828	121352	75133
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	428.6
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	27.6	-6.7	5.2	-2.4	-34.9	-23.3	-67.4
2012-13									
Q1	30.6	-68.6	22.9	27.3	20.8	19.3	17.1	13.4	15.4
Q2	8.2	-25.2	7.4	8.9	-2.5	13.2	23.9	26.9	65.6
Q3	13.8	135.5	16.4	2.9	24.4	-0.1	-32.3	-46.0	-106.9
Q4	19.6	58.6	21.9	13.0	18.3	4.0	-33.8	-33.7	-169.6
2013-14									
Q1	-1.3	-9.6	-1.4	18.7	1.4	22.7	38.0	37.8	55.1
Q2	-41.7	-4.8	-41.2	-20.1	-5.4	-26.6	-3.2	9.7	-1.0
Annual Average % (April-March)									
2008-09	0.9	-84.7	-5.6	19.3	8.2	23.5	154.3	344.8	-401.8
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	-33.1
2011-12	-4.8	-8.6	-5.0	7.7	16.1	8.3	38.1	57.1	76.7
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