National Institute of Public Finance and Policy

NIPFP

FY 2024-25: Mid-Year Macroeconomic Review

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In Conversation with
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FY 2024-25: Mid-Year Review

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Part - I

Global developments

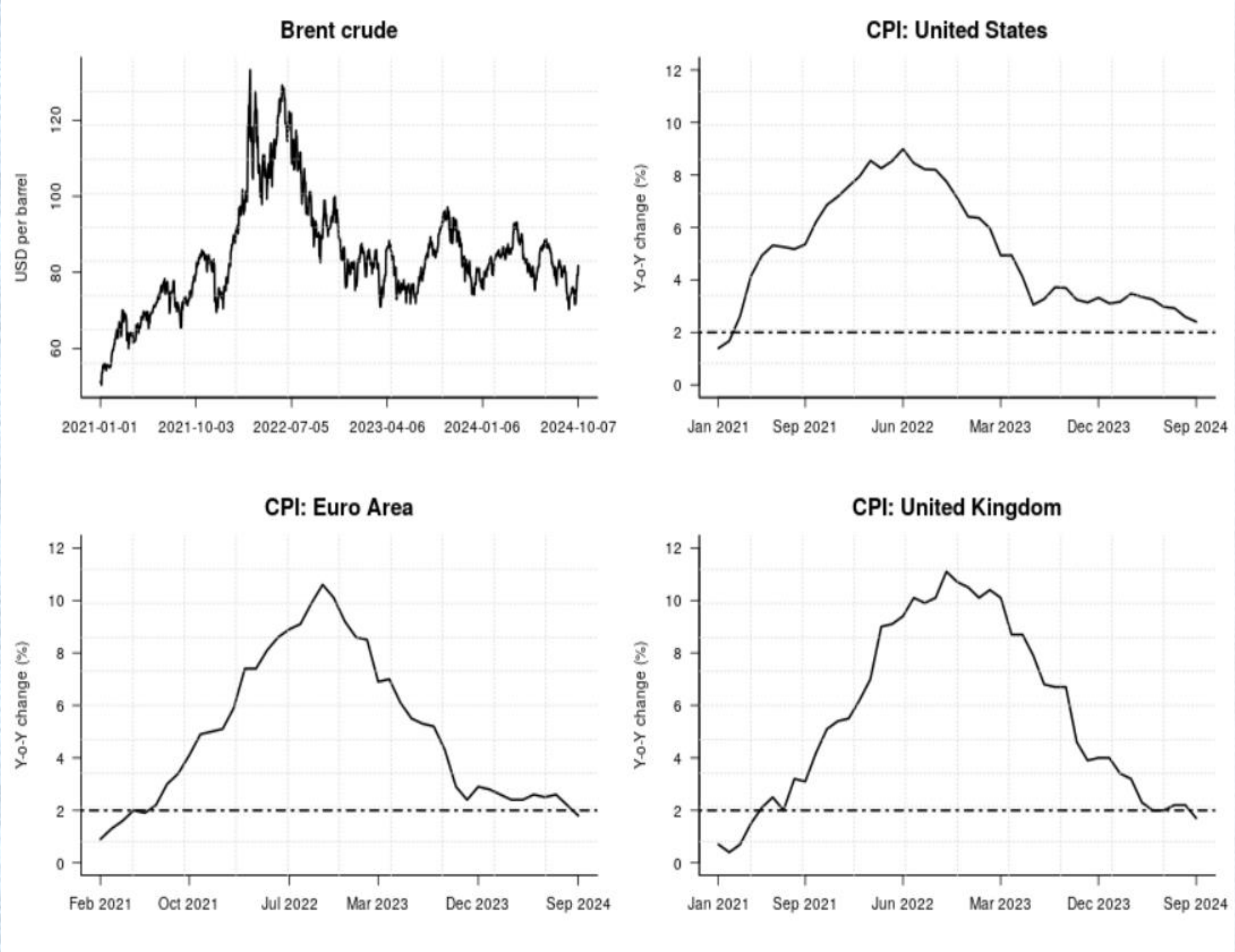
Global growth outlook: Slow recovery

	PROJECTIONS		
(Real GDP, annual percent change)	2023	2024	2025
World Output	3.3	3.2	3.2
Advanced Economies	1.7	1.8	1.8
United States	2.9	2.8	2.2
Euro Area	0.4	0.8	1.2
Germany	-0.3	0.0	0.8
France	1.1	1.1	1.1
Italy	0.7	0.7	0.8
Spain	2.7	2.9	2.1
Japan	1.7	0.3	1.1
United Kingdom	0.3	1.1	1.5
Canada	1.2	1.3	2.4
Other Advanaced Economies	1.8	2.1	2.2
Emerging Market and Developing Economies	4.4	4.2	4.2
Emerging and Developing Asia	5.7	5.3	5.0
China	5.2	4.8	4.5
India	8.2	7.0	6.5

Source: IMF - World Economic Outlook, October 2024

- Global growth is projected to grow at 3.2 percent in 2024 and 2025.
- Advanced economies growth is projected to grow at 1.8 percent in 2024 and 2025. Faster than expected US growth is likely to support advanced economies overall growth.
- Emerging market and developing economies growth projection for 2024 and 2025 are likely to remain stable at 4.2 percent.
- Emerging Asia projected to grow growth at 5.3 percent in 2024.
- India’s growth retained at 7 percent for 2024 and 6.5 percent for 2025, continues to remain the fastest growing economy.

Globally, inflation is seen to be easing, but volatility in oil prices pose a risk



- Inflation in advanced economies has eased from the highs of 2022, prompting central banks to cut rates.
- The ECB has cut its benchmark policy rate thrice this year: 25 basis points cut in June, September and October.
- The U.S. Federal Reserve opted for a 50 basis points rate cut in response to easing inflation and weak labour market conditions.
- Some of the other advanced economies central banks to cut rates include: Bank of Canada, Swiss National Bank, Sweden's Riksbank and the Reserve Bank of New Zealand.
- Oil price rebound due to ongoing conflict, especially in the Middle-East, poses an upside inflation risk.

Part - II

Growth

Aggregate demand growth in Q1 2024-25 moderated due to government spending and net exports contraction, despite accelerated private consumption growth

Demand components	2023-24 YoY (%)	2023-24 Q1 YoY (%)	2023-24 Q2 YoY (%)	2023-24 Q3 YoY (%)	2023-24 Q4 YoY (%)	2024-25 Q1 YoY (%)
Aggregate demand (GDP)	8.2	8.2	8.1	8.6	7.8	6.6
Govt. Final Consumption Exp. (GFCE)	2.5	-0.1	14.0	-3.2	0.9	-0.2
Private Final Consumption Exp. (PFCE)	4.0	5.5	2.6	4.0	4.0	7.4
Gross Fixed Capital Formation (GFCF)	9.0	8.5	11.6	9.7	6.5	7.5
Net exports	459.7	888.0	88.8	183.6	6.0	-11.8

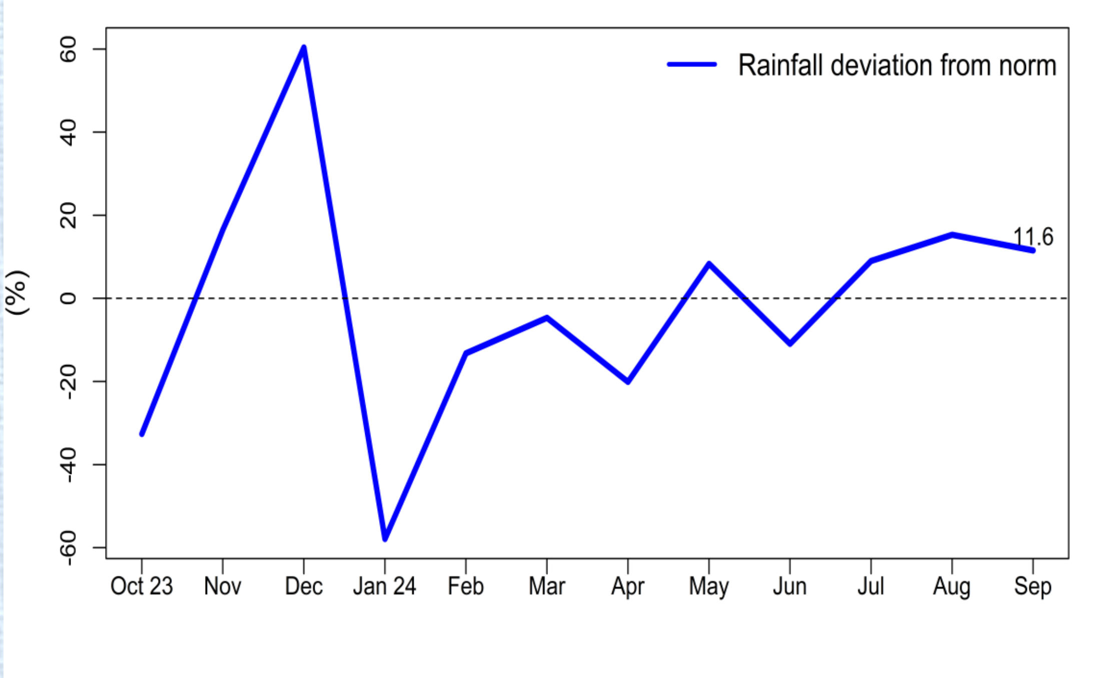
Source: CSO, MOSPI

- Private consumption growth accelerated
- Investment growth recovering
- Govt final consumption and net exports contracted

GVA growth in Q1 2024-25 moderated due to tepid growth in tourism, travel and financial services

Sector	2023-24 YoY (%)	2023-24 Q1 YoY (%)	2023-24 Q2 YoY (%)	2023-24 Q3 YoY (%)	2023-24 Q4 YoY (%)	2024-25 Q1 YoY (%)
GVA	7.2	8.2	7.7	6.8	6.3	6.8
1. **Agriculture, forestry and fishing**	1.4	3.7	1.7	0.4	0.6	2.0
2. **Industry**	9.5	6.0	13.6	10.5	8.4	8.3
2.1 Mining & Quarrying	7.1	7.0	11.1	7.5	4.3	7.2
2.2 Manufacturing	9.9	5.0	14.3	11.5	8.9	7.0
2.3 Electricity, gas, water & other utilities	7.5	3.2	10.5	9.0	7.7	10.4
2.4 Construction	9.9	8.6	13.6	9.6	8.7	10.5
3. **Services**	7.6	10.7	6.0	7.1	6.7	7.2
3.1 Trade, hotels, transport, communication, broadcasting (TRC)	6.4	9.7	4.5	6.9	5.1	5.7
3.2 Financial, real estate and professional services (FIN)	8.4	12.6	6.2	7.0	7.6	7.1
3.3 Public administration, defense and other services (PAD)	7.8	8.3	7.7	7.5	7.8	9.5

In agriculture Kharif area sown increased, but yield may vary across crops due to above-average rainfall

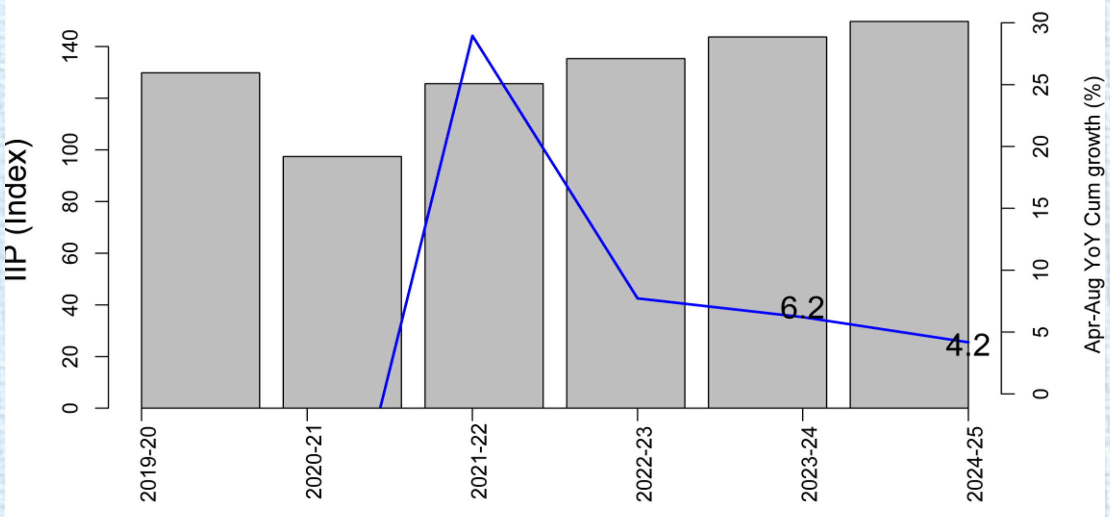


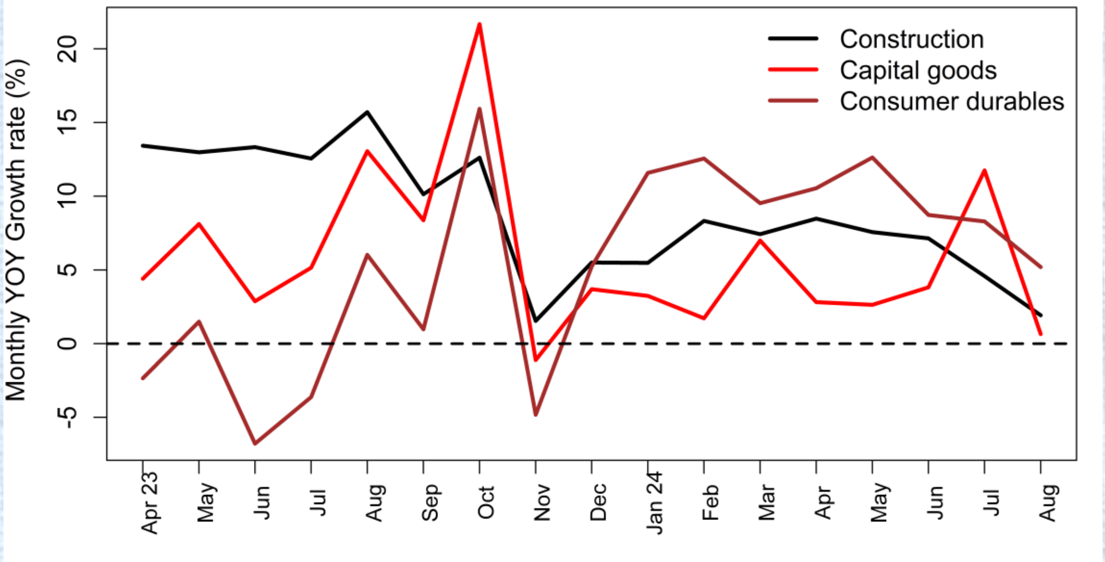
Actual gross area sown under Kharif crops (Million Hectare)				
Year	Foodgrain	Cereals	Pulses	Major Oilseeds
2023	71	59.1	11.9	19.1
2024	73.6	60.8	12.8	19.6
YoY Growth (%)	3.7	2.9	7.4	2.7

Source: CMIE; Ministry of Agriculture & Farmers Welfare

- Kharif area sown under foodgrains expanded by 3.7%, with pulses area recording highest growth
- Above average rainfall in Aug-Sep 2024 may boost rice production, but pulses may suffer due to excess moisture

Industry growing at a moderate pace

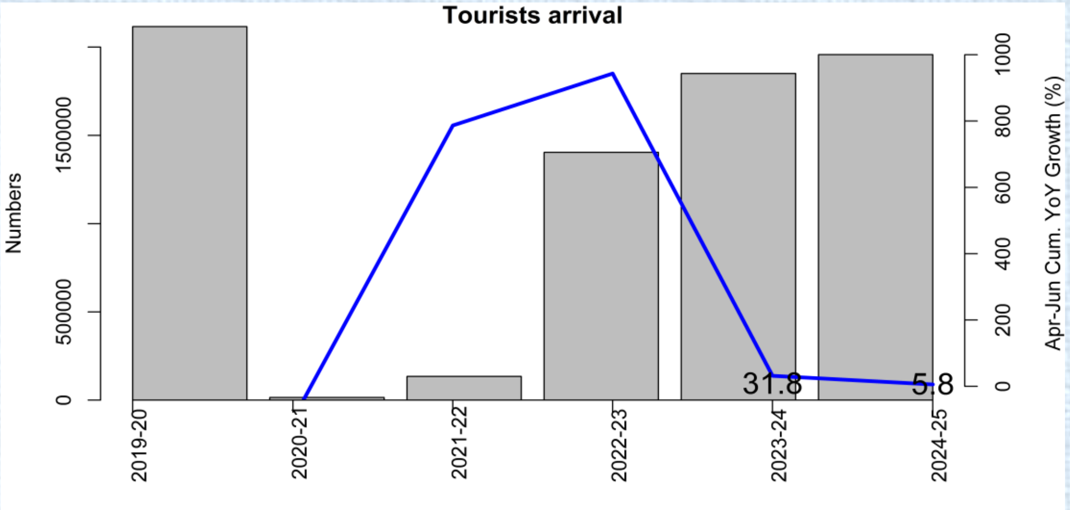


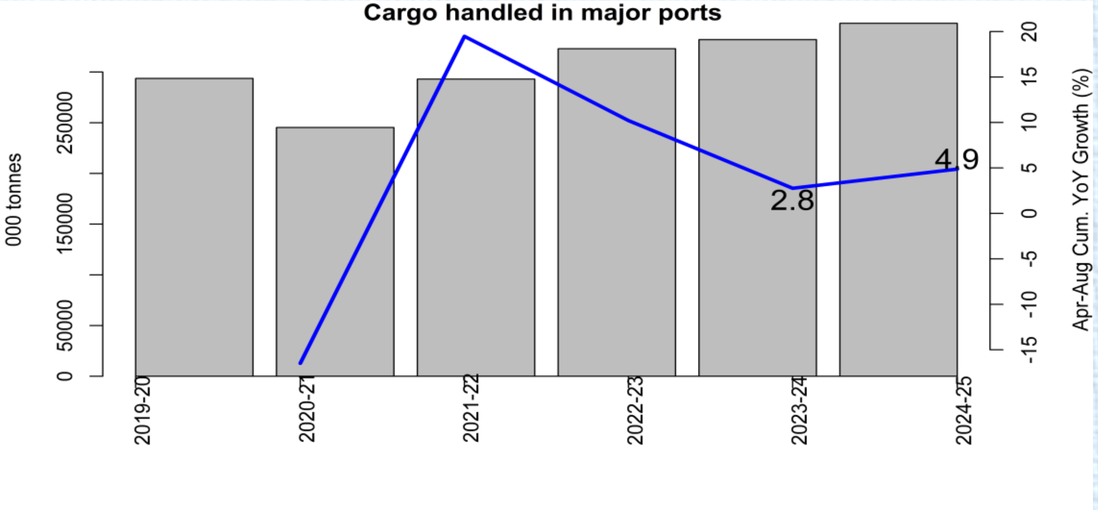


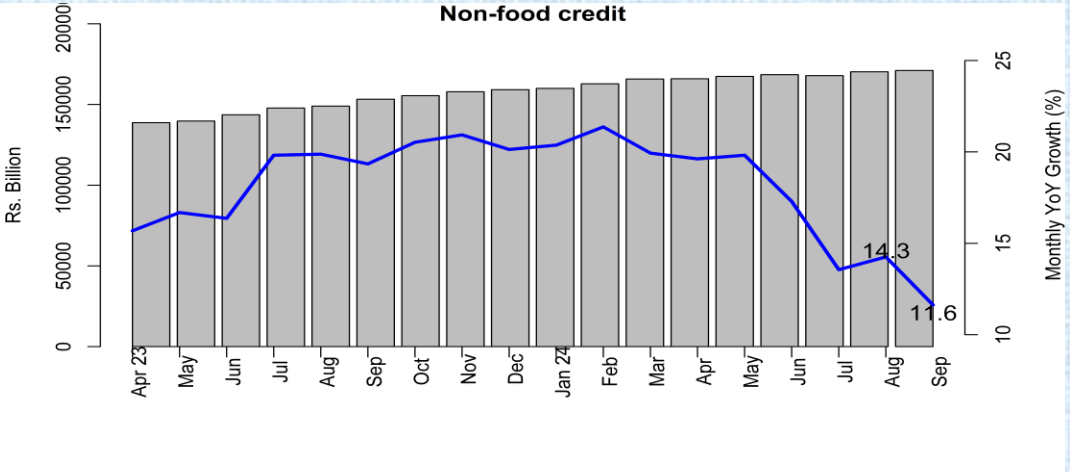
- Industrial growth moderate at 4.2% during Apr-Aug 2024, IIP contracted in August
- In August, Manufacturing IIP growth dipped, IIP Mining, Electricity contracted
- IIP growth for Construction, Capital goods and Consumer durables all moderated in August

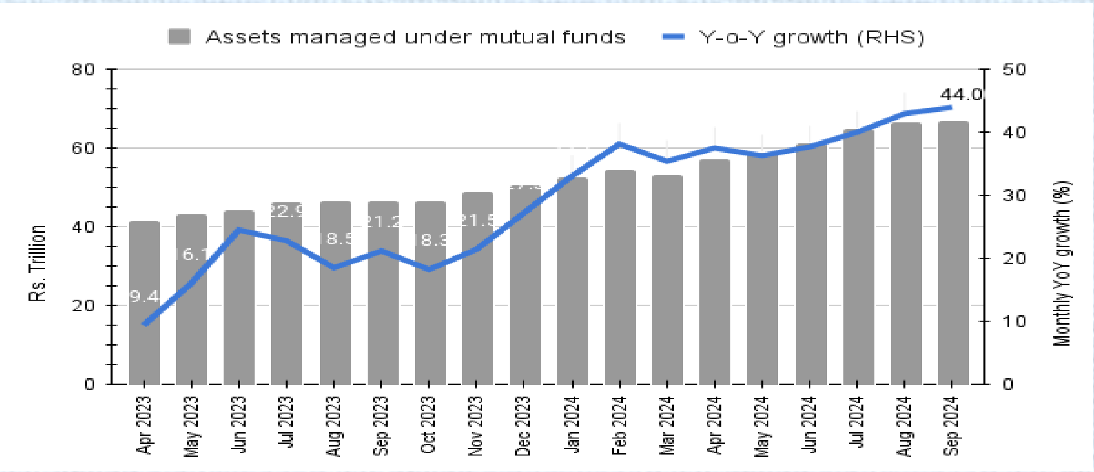
Source: MOSPI

Mixed performance in services: Tourism & credit growth moderate, trade buoyant, mutual funds still booming





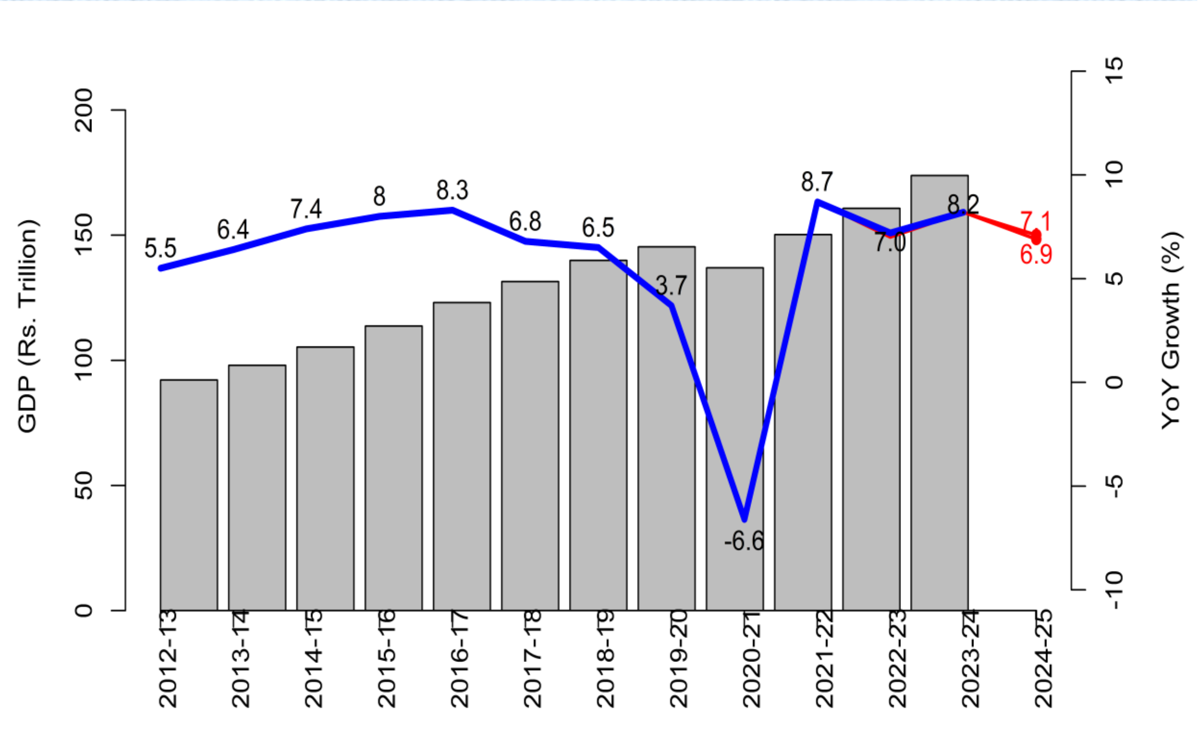




Source:
CMIE, RBI

- Tourists arrival still below the pre- pandemic level
- Mutual fund assets under management growing at a very high and rising rate

GDP growth forecast at 6.9-7.1% for FY 24-25



	FY 23-24	Q1 24-25	Q2 24-25	Q3 24-25	Q4 24-25	FY 24-25
Actual	8.2	6.7				
NIPFP (H)	7.8	7.2	6.6	6.9	7.3	6.9
NIPFP (A)	7.6					7.1
RBI		7.1	7.2	7.3	7.2	7.2
IMF						7.0
World Bank						7.0

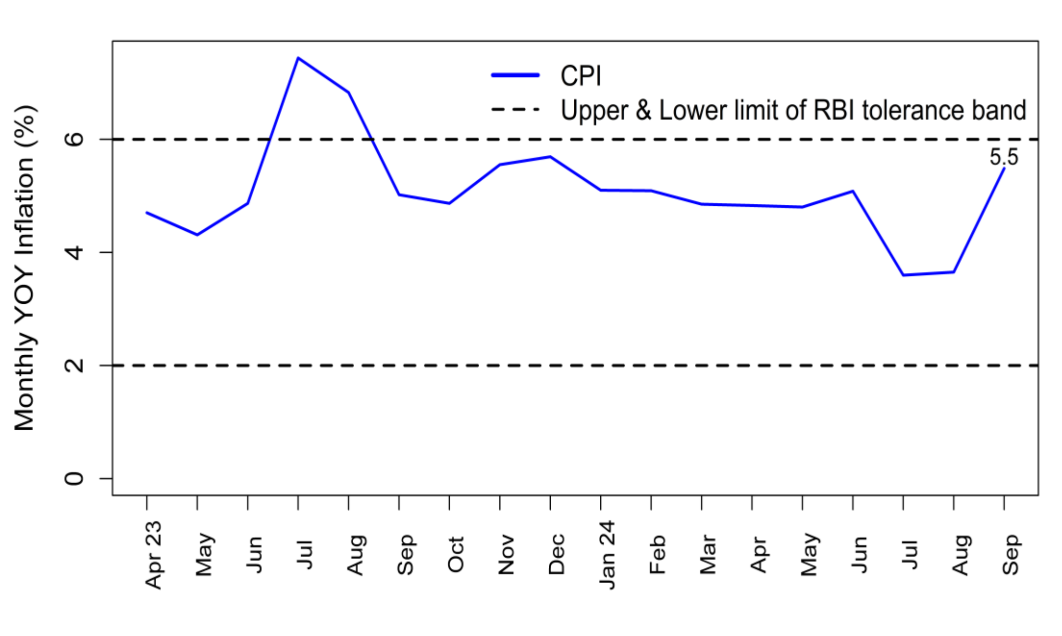
Source: MOSPI; Bhattacharya, Chakravartti and Mundle (2023); Bhattacharya, Bhandari and Mundle (2023)

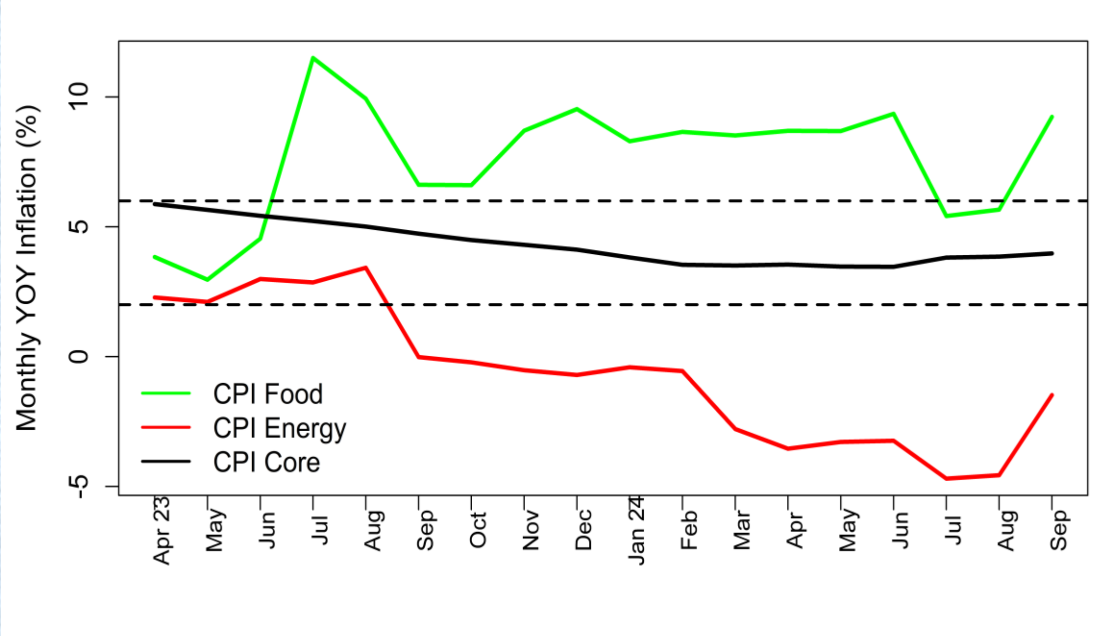
- Growth back to high growth trend of 7-8% observed prior to slowdown since 2017-18
- GDP growth of 8.2% in FY24 compared to GVA growth of 7.2% suggests high tax buoyancy
- Alternative growth forecasts derived from high-frequency and annual data models are 6.9 &7.1%
- Pick up in private consumption & investment likely to maintain growth momentum
- Downside risk: decline in net exports due to potential oil price shock

Part - III

Inflation

Headline inflation rising again due to surging food inflation

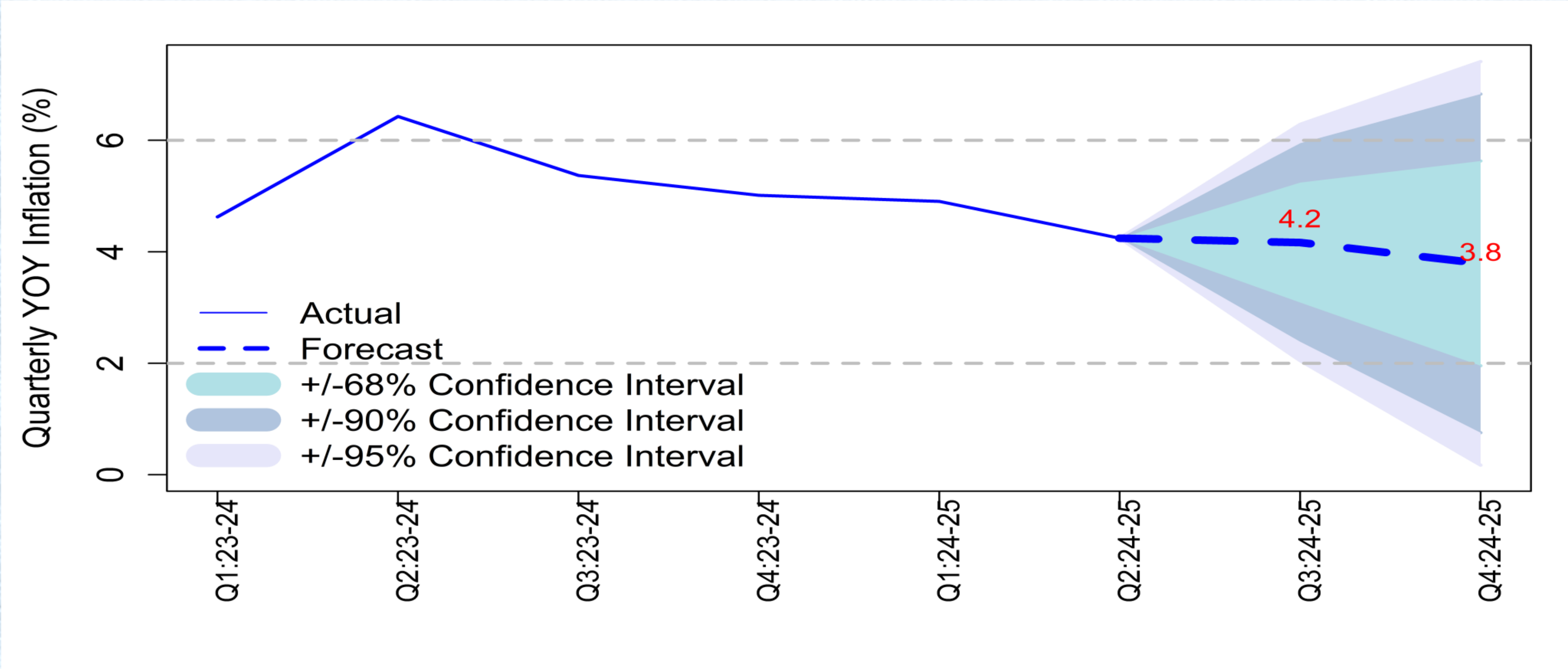




Source: CSO

- CPI headline inflation fell below 4% target on account of moderate food, core inflation and energy price deflation till August 2024
- But broad based rebound in all components of CPI in September
- Food inflation high at 9.2% due to surge in vegetable prices, sticky high pulses price inflation
- Declining core inflation reversed due to rise in gold and silver price inflation

Inflation forecast at 4.2% & 3.8% for FY25 Q3 and Q4



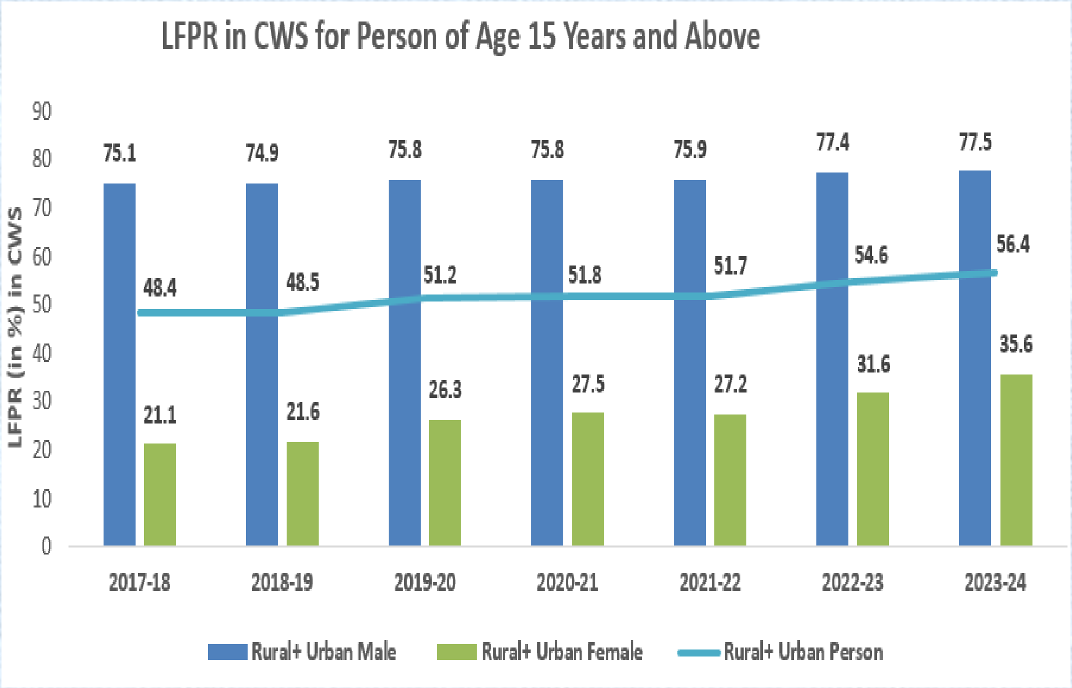
Source: Bhattacharya & Kapoor, 2020

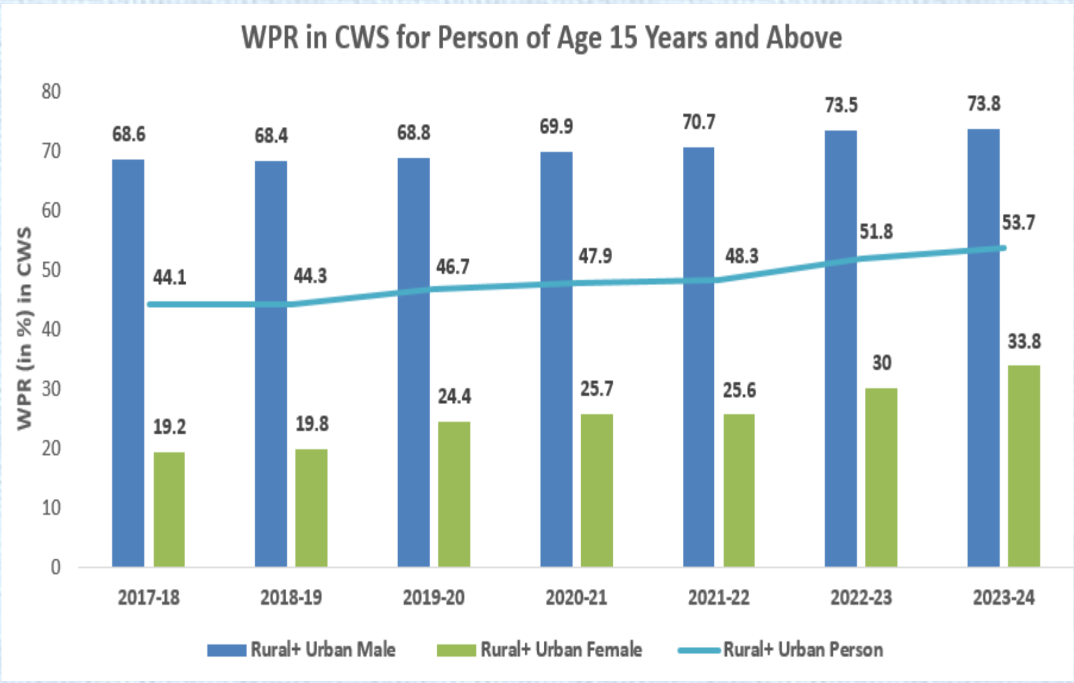
- **Average annual inflation forecast at 4.3%, slightly higher than target of 4%**
- RBI forecasts: FY 2024-25: 4.5%;
  - 4.8% & 4.2% for FY25 Q3 and Q4
- Upside risk: Surge in food inflation, rebound in core inflation

Part - IV

Employment

Gradual improvement in LFPR as well as WPR

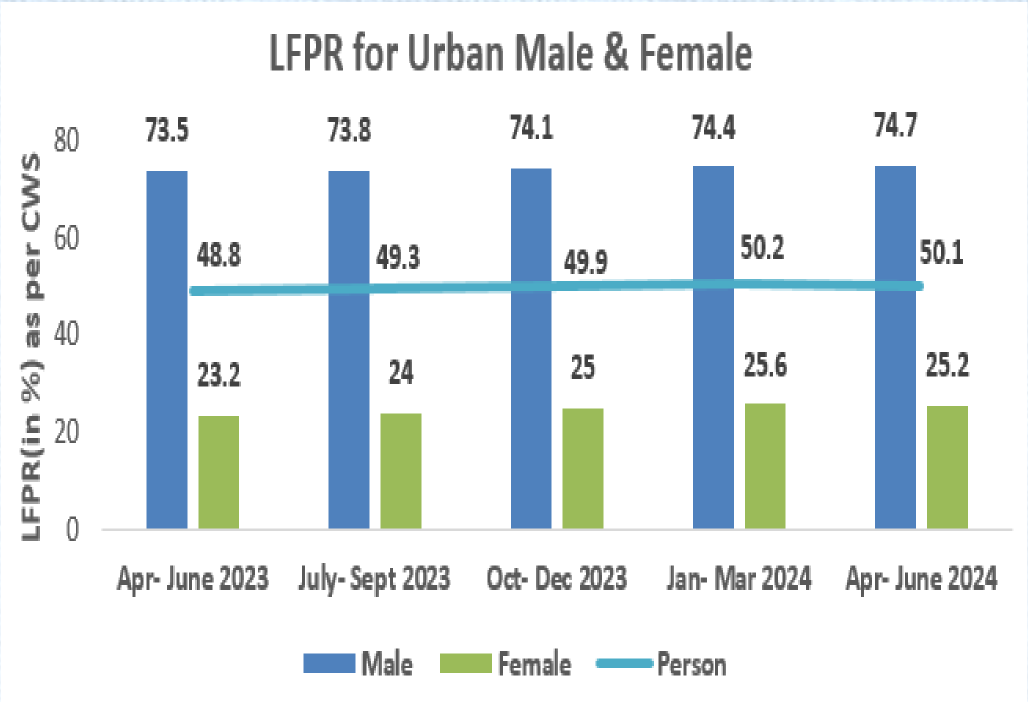


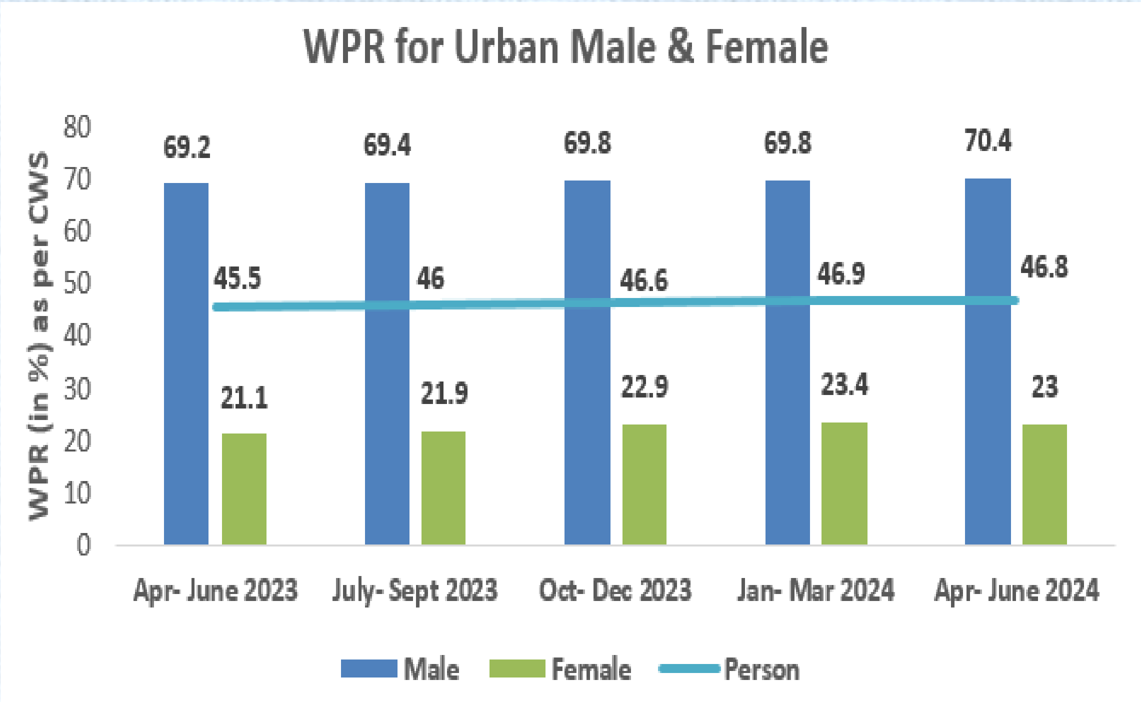


Source: PLFS, NSSO

- Labour Force Participation Rate (LFPR) for male rose from 75.1 to 77.5% between FY18 and FY24, while that for female rose from 21.1 to 35.6 %
- Male employment rate (WPR) improved from 68.6 to 73.8% between FY18 and FY24, while female employment rate rose from 19.2 to 33.8%

Quarterly urban LFPR and WPR are fairly stable, but marginal increase for males & decline for females





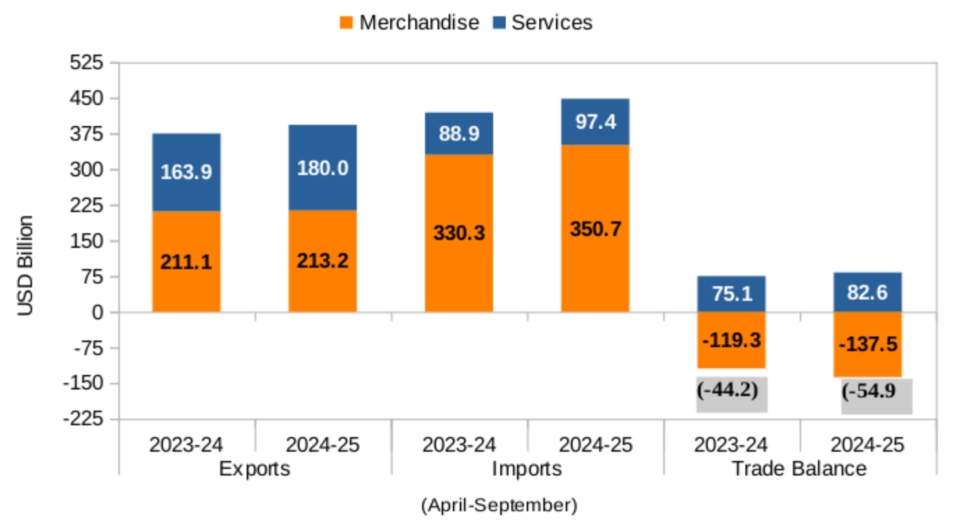
Source: PLFS, NSSO

- LFPR for males rose from 74.4 to 74.7% between Jan-Mar 2024 to Apr-Jun 2024
- LFPR for females declined from 25.6 to 25.2%
- WPR for males rose from 69.8 to 70.4%
- WPR for females declined from 23.4 to 23%

Part - V

External Sector

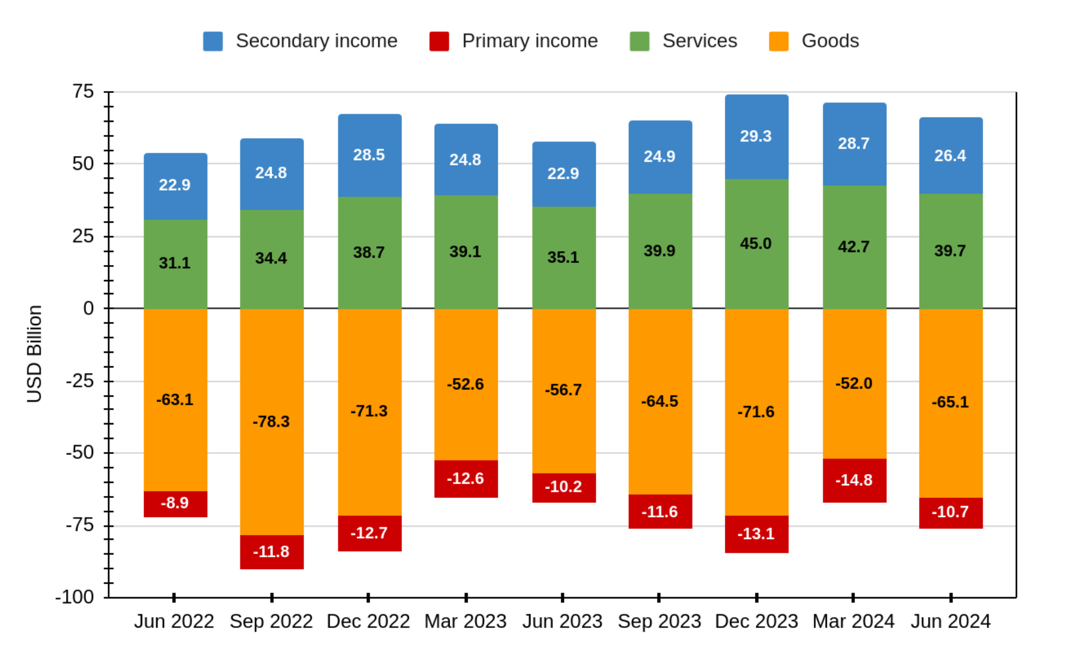
Merchandise exports growth weak due to geo-political disruptions and slowdown in global demand

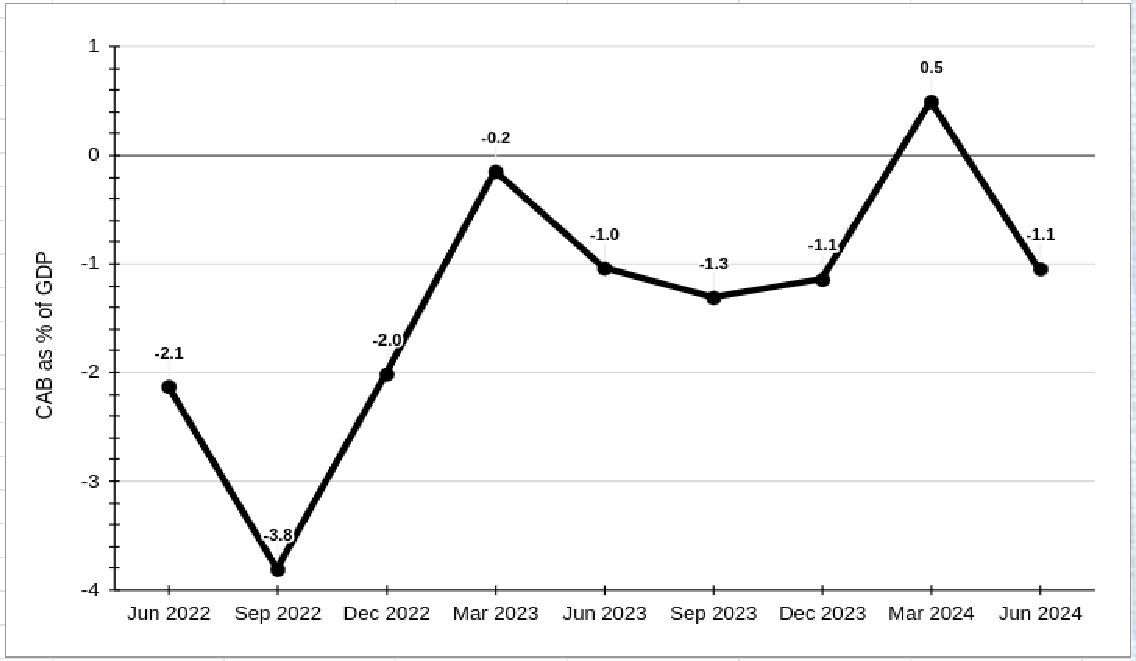


- After two months of contraction, merchandise exports at USD 34.6 billion, rose marginally by 0.5 % in September.
- Imports grew by a tepid 1.6 % in September due to a contraction in oil imports. Gold imports that had surged in August slowed in September.
- Trade deficit narrowed to a 5 month low of USD 20.78 billion due to slowdown in imports.
- Services exports posted a growth of 7.7 % and services trade surplus was USD 14.3 billion in September.
- For April-September, India’s total exports (goods and services) posted a growth of 4.9 % while total imports registered a growth of 6.9 %.

Source: RBI

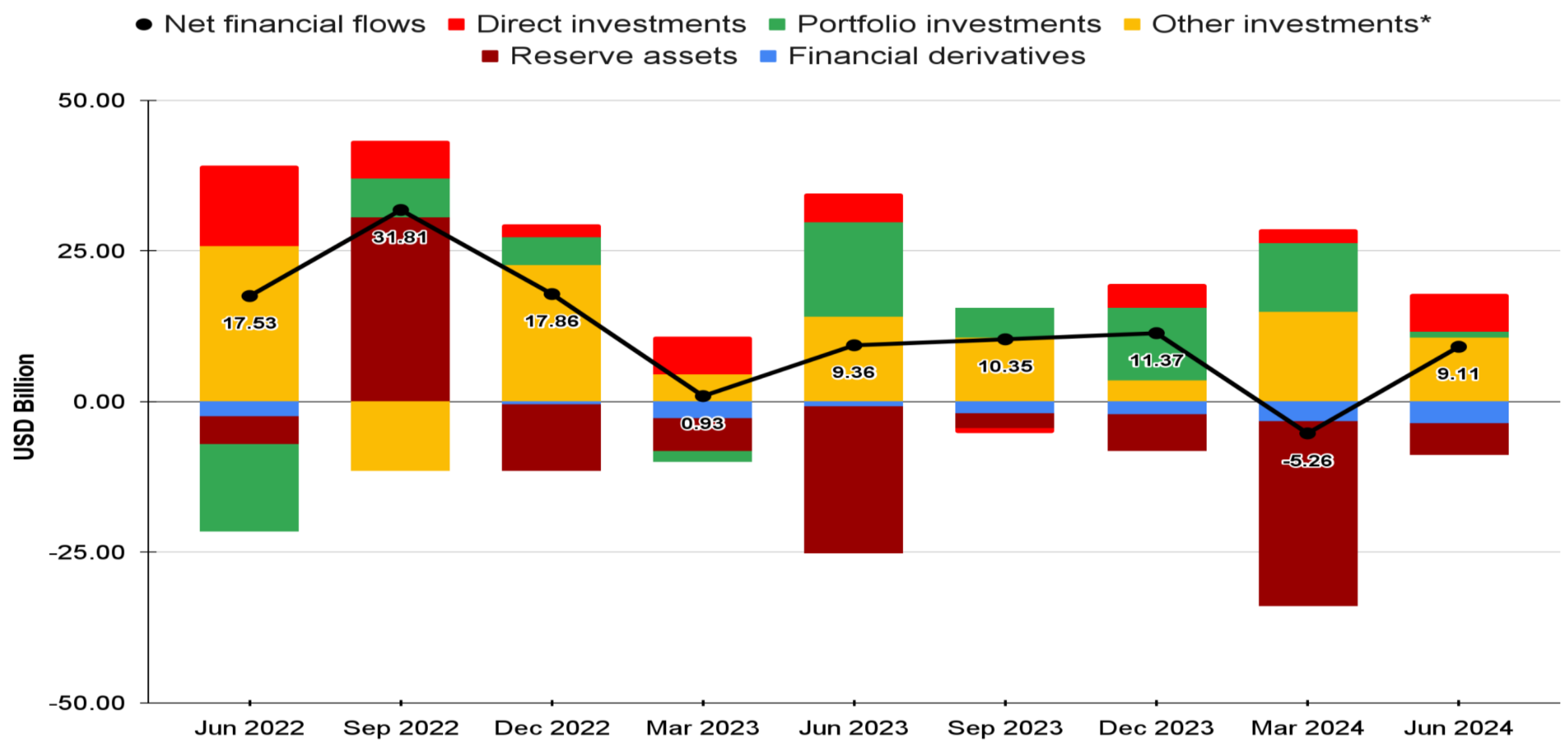
Current account balance turned negative due to rise in merchandise trade deficit





- Current account balance turned negative at 1.1 percent of GDP in Q1 2024-25 from a surplus of 0.5 percent of GDP in Q4 2024 and a deficit of 1 percent of GDP in Q1 of FY 24.
- Merchandise trade deficit widened from USD 56.7 billion in Q1 FY 24 to USD 65.1 billion in Q1 FY 25, due to higher oil imports. Oil prices were in the range of USD 80-90 per barrel in the June quarter. (75-88 in Q4 FY 24, & 73-88 Q1 FY 24)
- Surplus on service trade improved in Q1 FY 25 to USD 39.7 billion as compared to USD 35.1 billion in Q1 of FY 24.
- Secondary income improved from USD 22.9 billion in Q1 FY 24 to USD 26.4 billion in Q1 FY 25 due to higher remittances by Indians employed overseas.

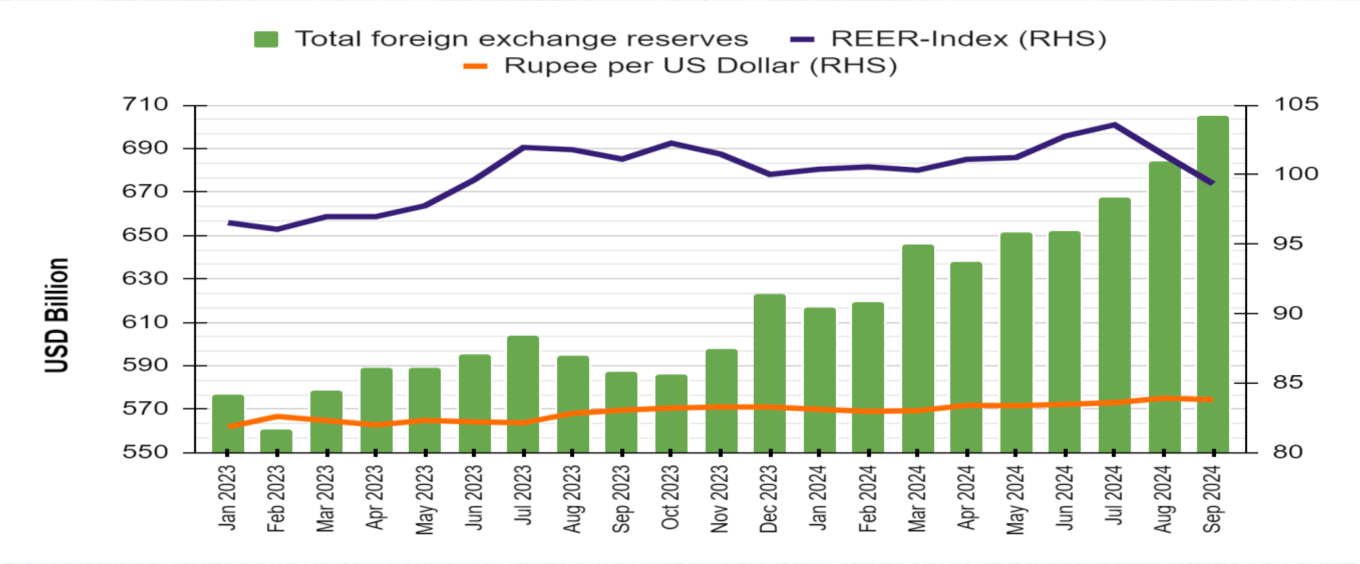
Financial Account: Slowdown in portfolio flows, rise in FDI in Q1 FY 25

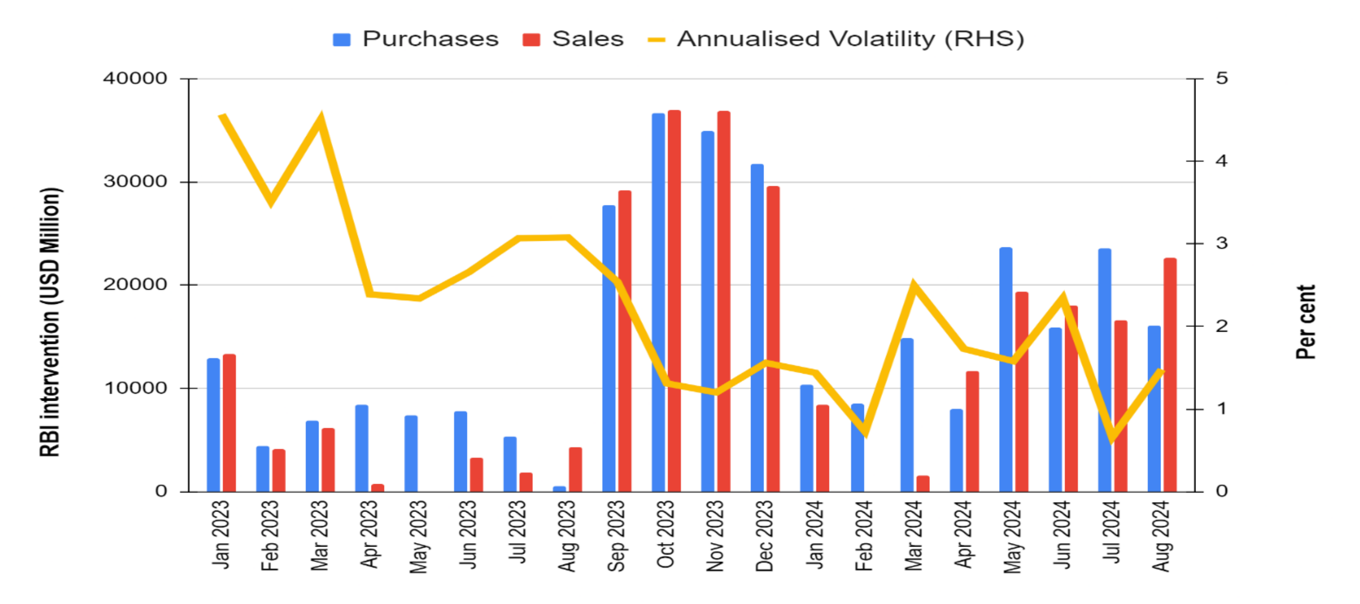


*includes ECB and NRI deposits

- Q1 FY 25 saw weaker capital flows due to sharp decline in portfolio flows on account of global risks and election related uncertainty.
- Direct investment saw an improvement in Q1 FY 25 as compared to the previous quarter.
- Amongst other investments, net flows under External Commercial Borrowings rose in Q1 FY 25 as compared to the previous quarter due to increase in short-term credit.

Rise in reserves, exchange rate stable, volatility of exchange rate declining



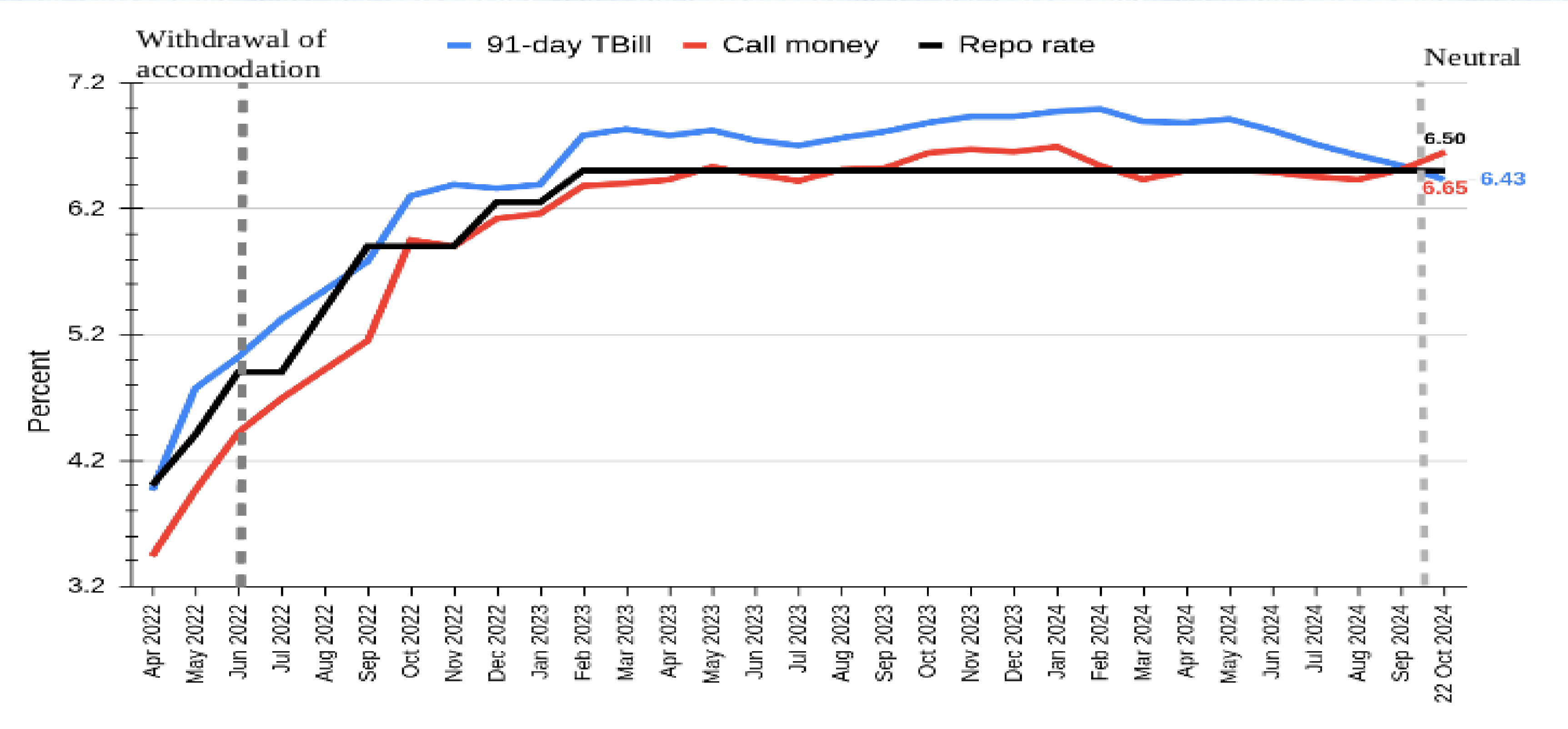


- Rupee-dollar rate has remained in a narrow range amidst a gradual depreciation.
- The annualised volatility of the rupee-dollar rate has declined since 2023.
- Steady rise in foreign exchange reserves due to revaluation and net forex purchases. Recent moderation in reserves due to rupee depreciation.

Part - VI

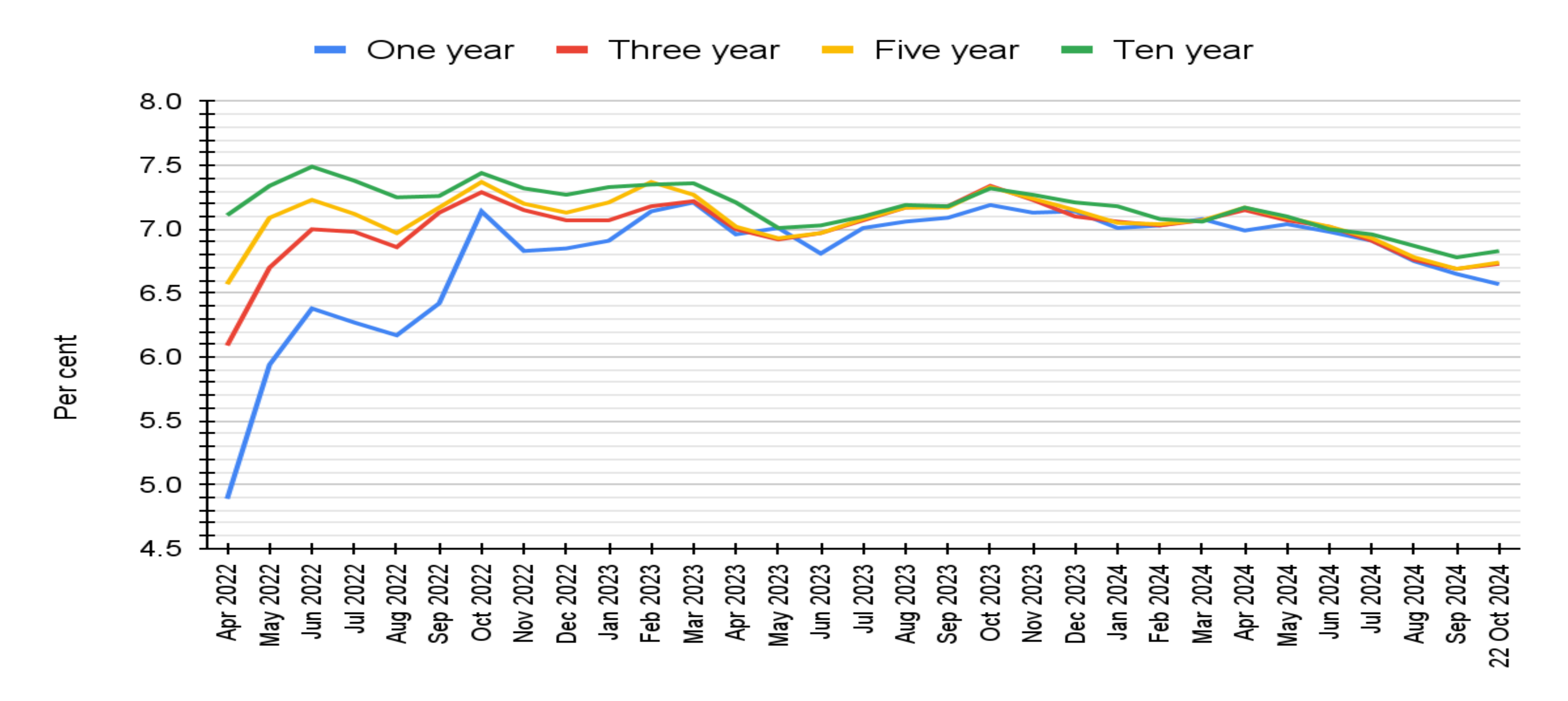
Monetary Policy and Financial markets

Status quo on policy rate, stance changed to neutral, short-term rates inch closer to the repo rate



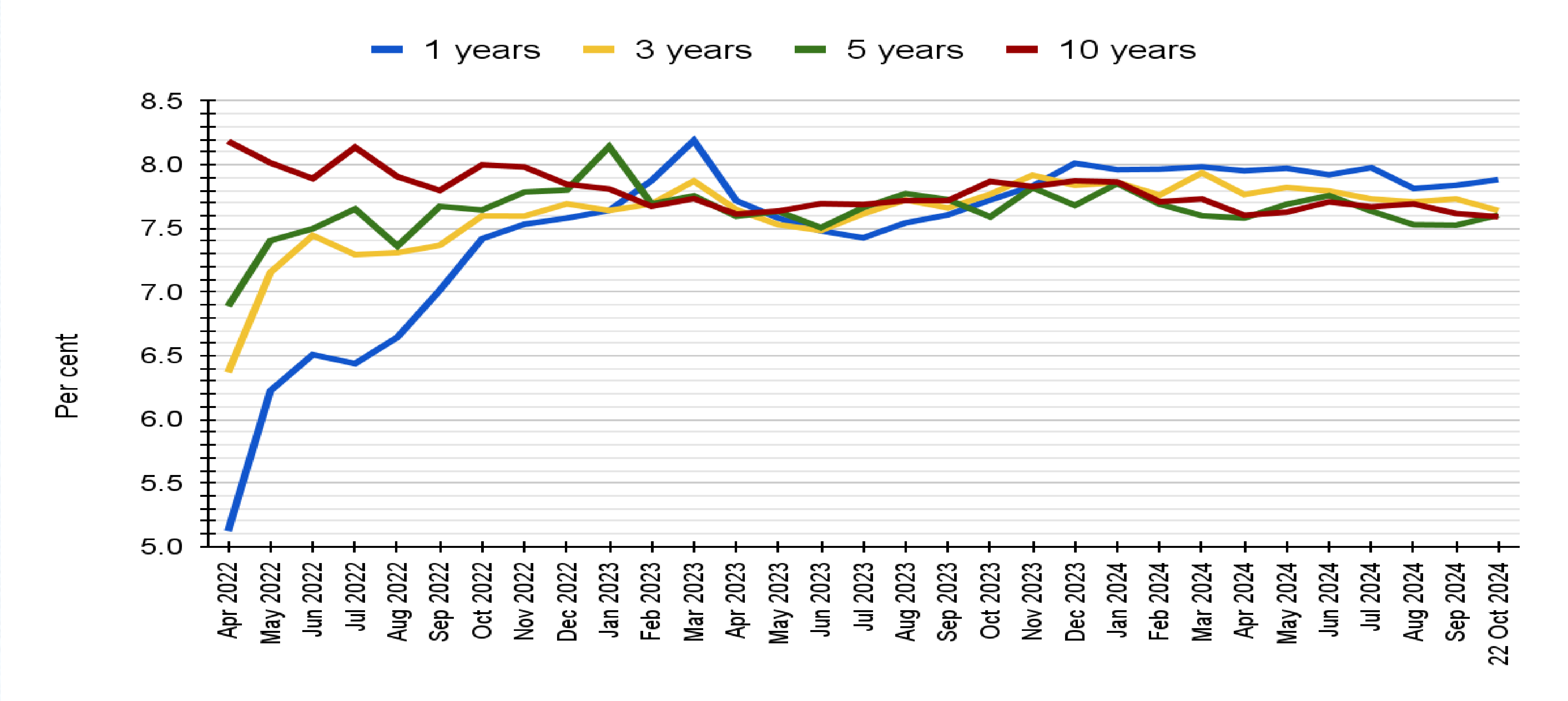
- From May 2022 to February 2023, the RBI raised the repo rate by 250 basis points to 6.5 percent.
- Subsequently, RBI has maintained status quo on the policy rate.
- In the October monetary policy meeting, the RBI kept the policy rate unchanged but changed the stance from withdrawal of accommodation to neutral.
- In the current financial year, call rate has been hovering around the repo rate. In June, July and August, the call rate was lower than the repo rate owing to surplus liquidity. In September and October, the average call rate inched slightly higher.

Government bond yields have eased across maturities



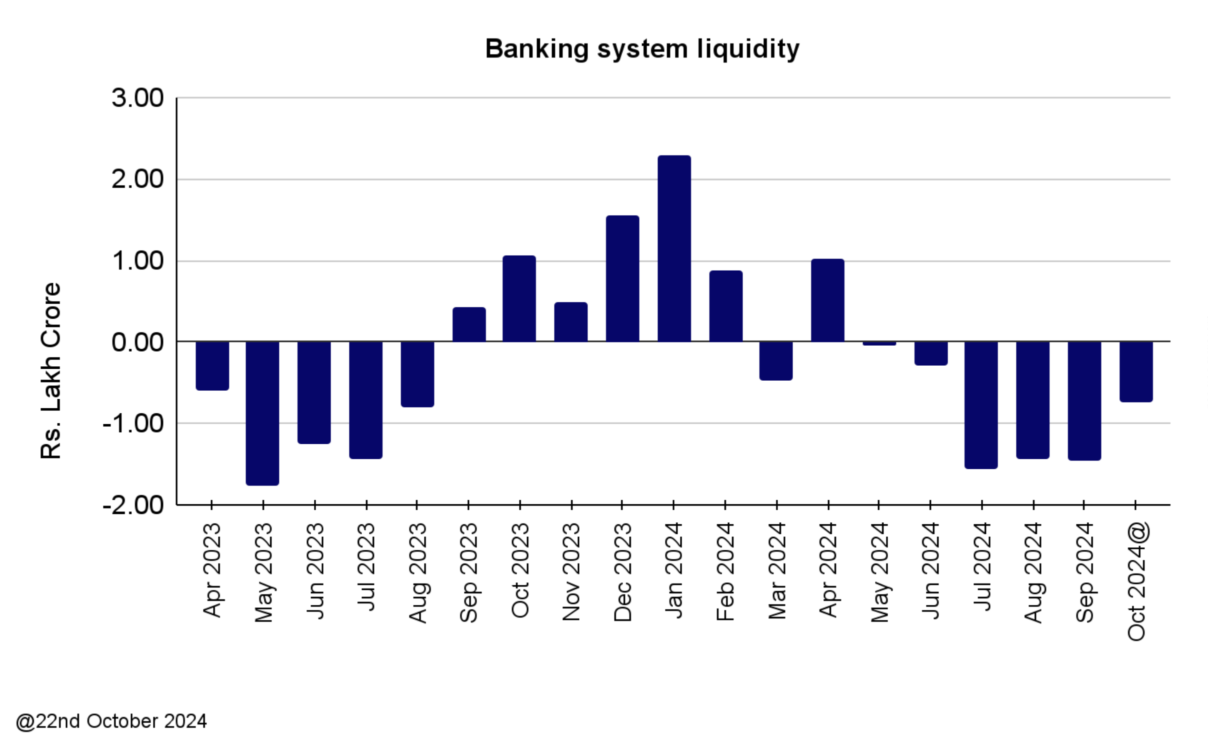
- In the current financial year, government bond yields across maturities have trended downwards due to easing of inflation and anticipation of monetary easing.
- Indian sovereign bond inclusion in the JP Morgan bond index also led to greater demand and softening of yields.
- Rising crude oil prices and geo-political uncertainties could put upward pressure on yields.

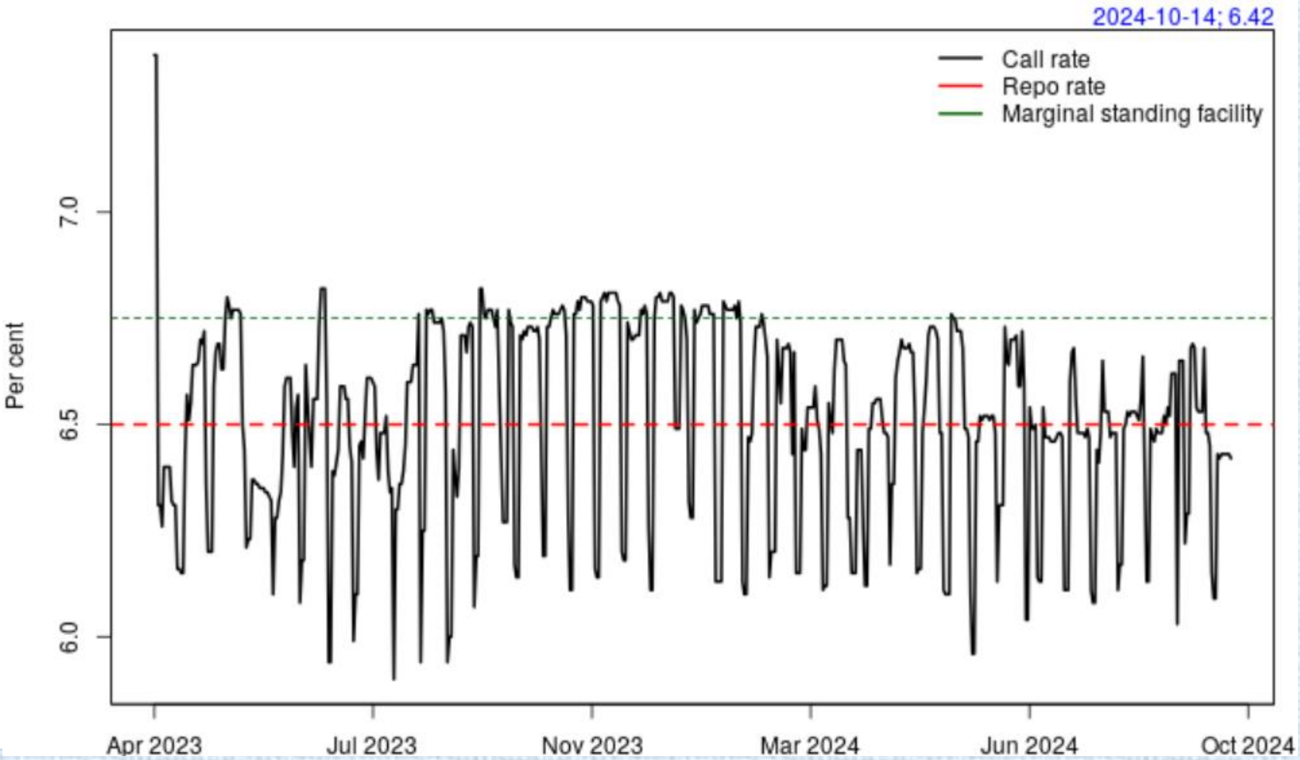
Corporate bond yields have also eased



- Corporate bonds yields have mirrored the trend in government bond yields.
- Greater demand for long-term bonds from institutional investors such as insurance companies has led to downward pressure on bond yields.

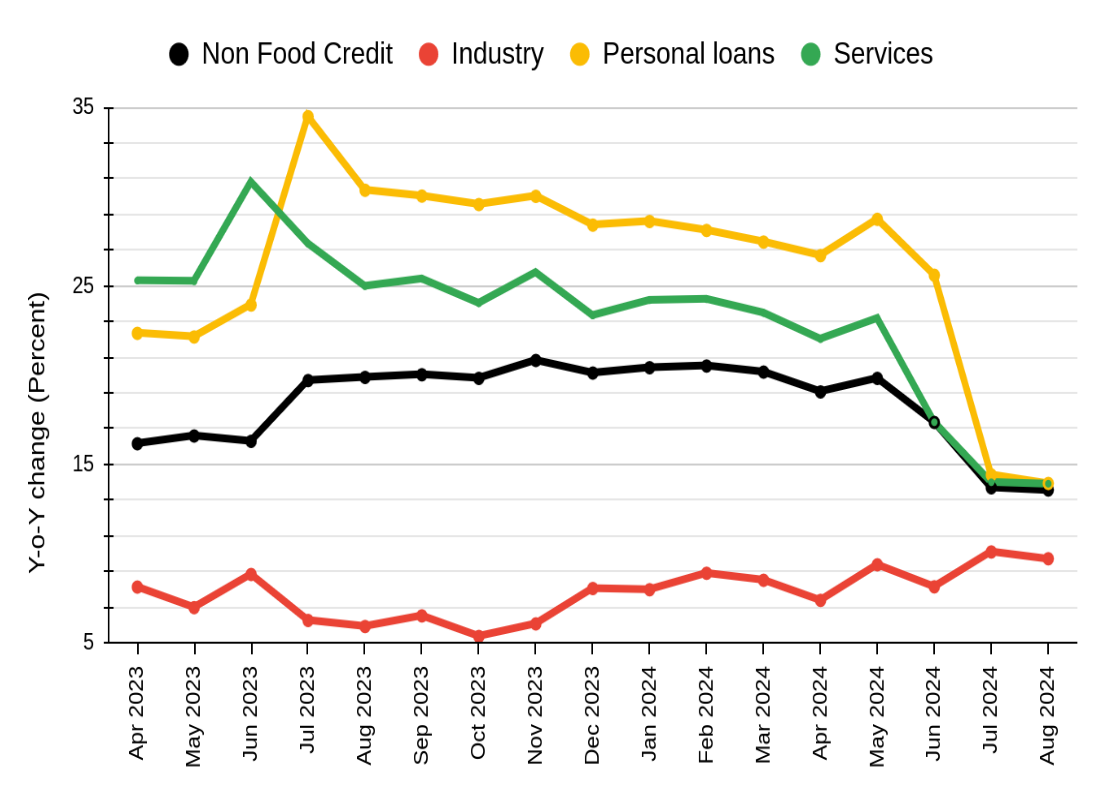
Liquidity has turned surplus and call rates have inched lower

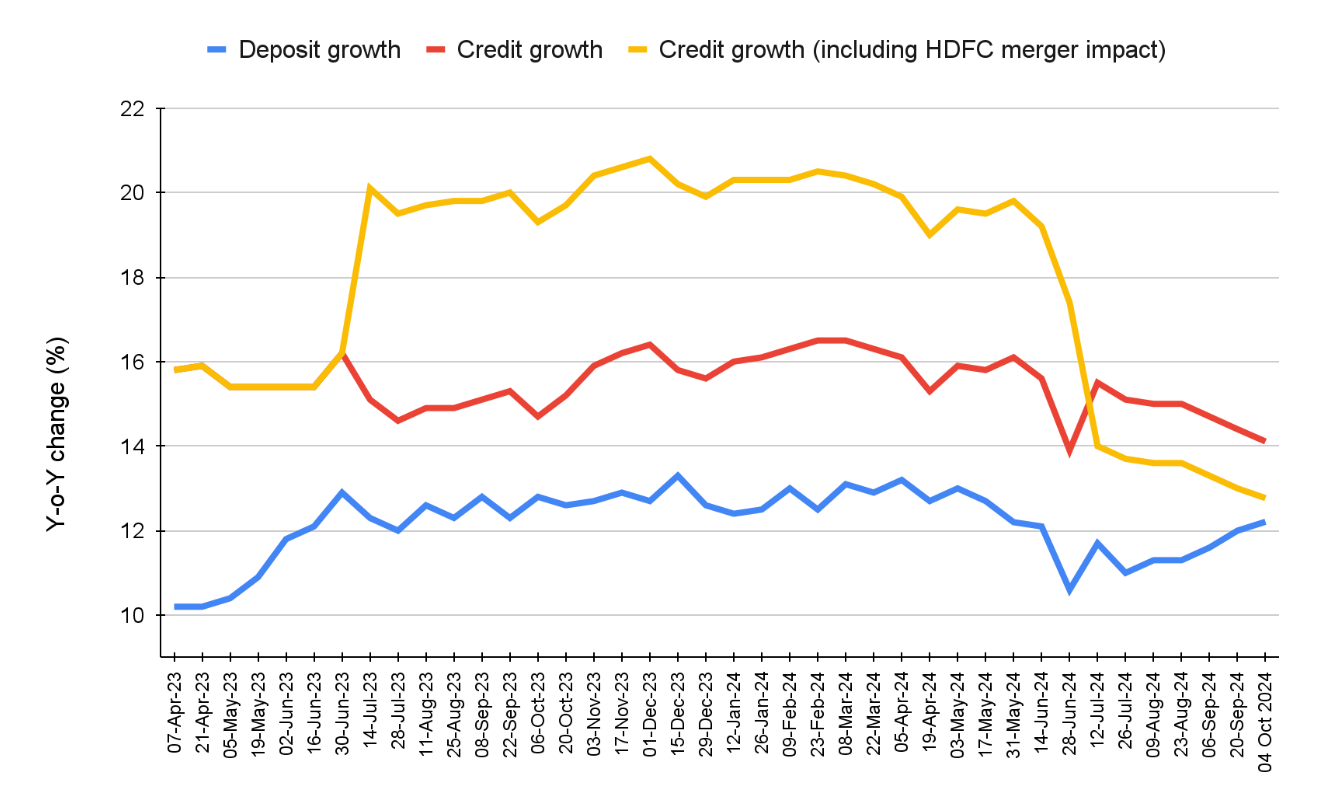




- In July, August and September, the liquidity surplus was around Rs 1.4-Rs 1.5 lakh crore. This was mainly due to increased government spending after an election induced disruption. Liquidity continues to be in surplus in October.
- As an outcome, the call rate has been hovering around the policy rate.

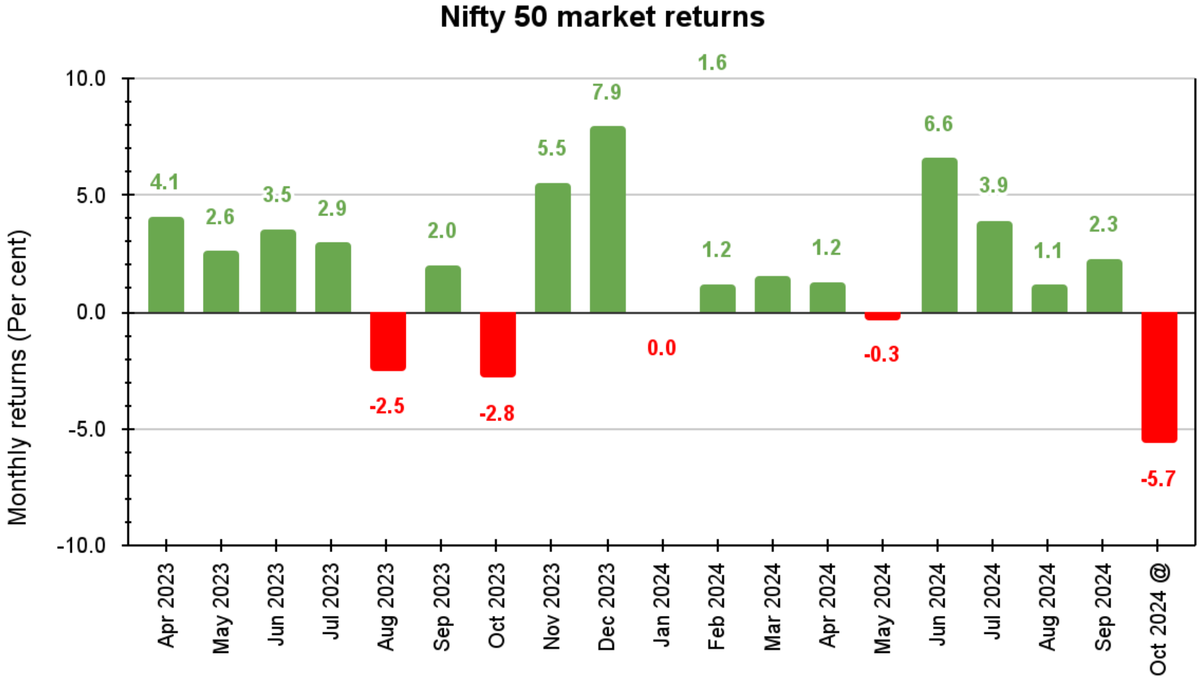
Credit growth has moderated but continue to exceed deposit growth, credit deposit gap narrows



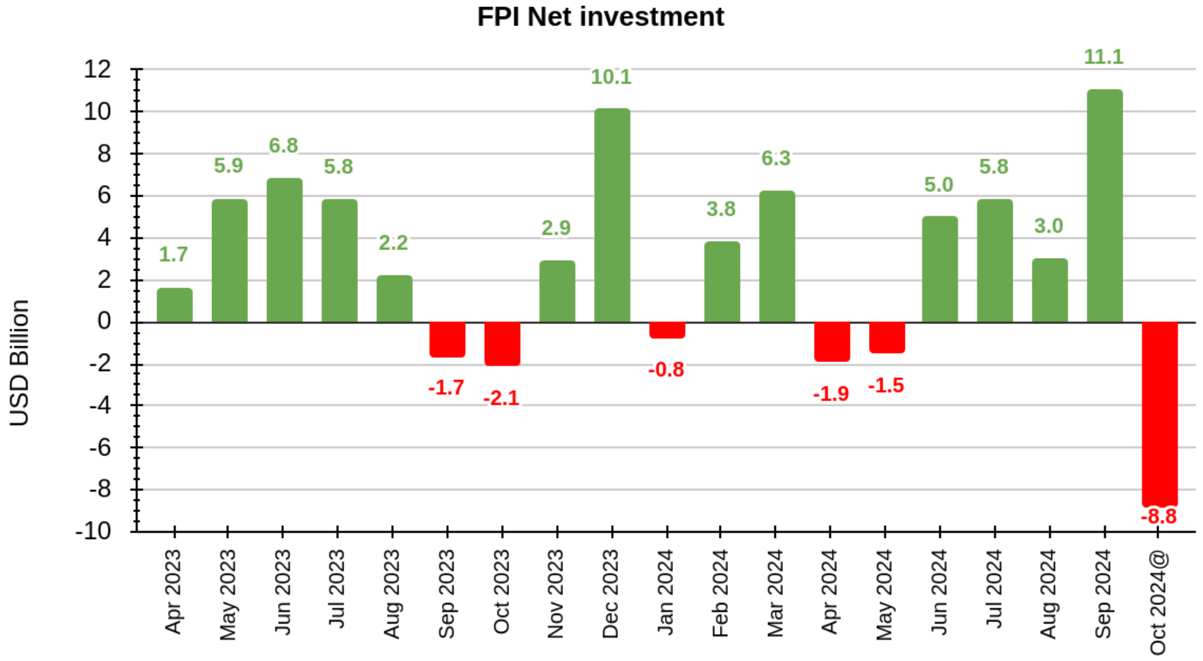


- Non-food bank credit registered a growth of 13.6 percent in August, 2024 lowest in last 27 months. This is a sharp slide from 19.8 percent growth in August, 2023.
- The two key drivers of non-food bank credit: personal loans and services have been moderating since May 2024
- Despite a moderation, bank credit growth continues to surpass deposit growth. As on 4 October 2024, credit growth and deposit growth stood at 14.1 percent and 12.2 percent respectively (excluding the HDFC merger impact).

FPIs turned net sellers in October after 4 months of being net buyers



@ 22 October 2024



@ Upto 22 October 2024

- *NSE Nifty 50 registered positive returns consecutively for last four months (June-September). In October markets slid.*
- FPIs turned buyers after the election related uncertainty faded. FPI's net investment surged to USD 11.1 billion in September from USD 3 billion seen at end of August.
- In October, FPIs turned net sellers owing to escalating geo-political conflict, rising crude oil prices and strong performance of the Chinese markets after the announcement of stimulus measures by China.

Part - VII

Fiscal Outlook:
Central and State Governments

Central taxes buoyant except corporation tax & excise duties during Apr-Aug 2024

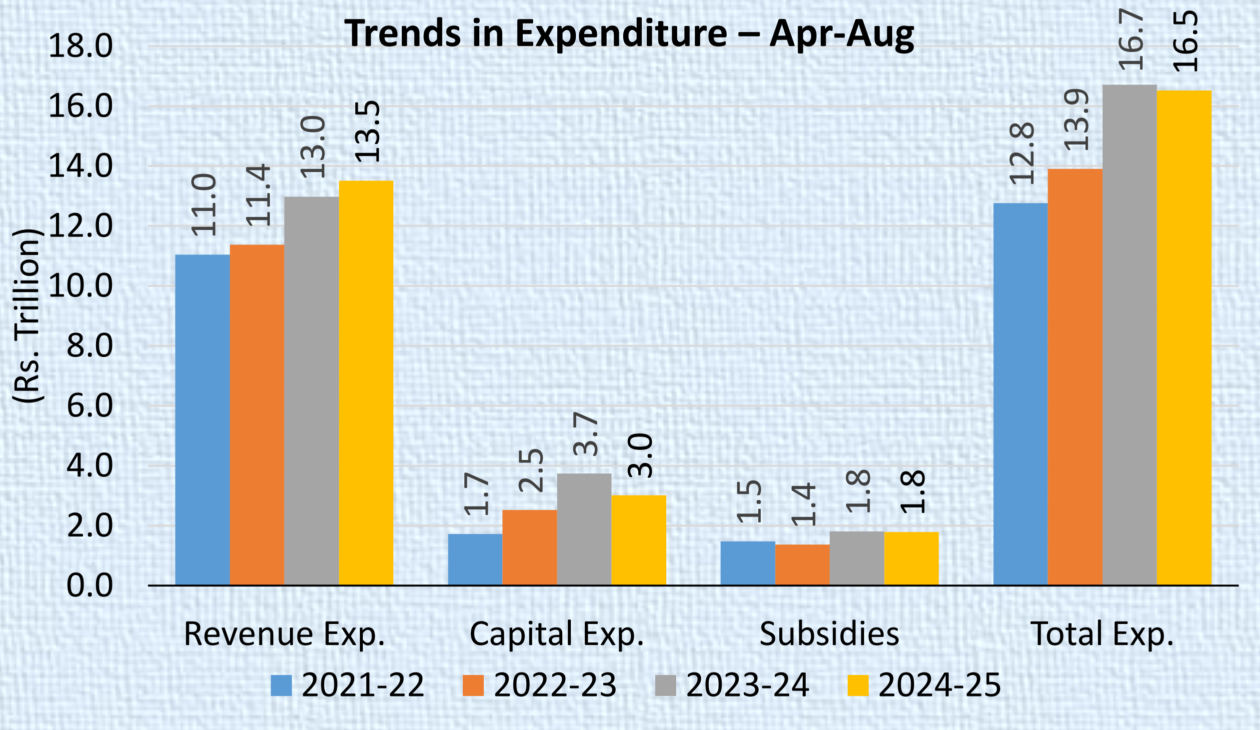
- All taxes buoyant except Corporation tax & Excise duties
- Gross tax revenue (GTR) grew 12% during Apr-Aug 2024
  - Income tax growth 25.5%
  - Customs duty growth 13%
  - Central Goods & Services tax (CGST) growth 10.4% due to continuing momentum of economic activity
- GTR growth target set at a modest 11.7% in 2024-25BE, nominal GDP growth projected at 10.5%
- Non-tax revenue growth very high at 59.6%, mainly due to enhanced dividends from RBI
- Non-tax revenue is budgeted to grow by 45% in 2024-25

Revenue Collection Apr-Aug

Indicators	Y-o-Y growth (%) 2023-24	Y-o-Y growth (%) 2024-25	2024-25BE over 2023-24RE
Centre's Net Revenue*	21.6	19.2	15.9
Gross Tax Revenue (GTR)	14.3	12.1	11.7
Corporation Tax	4.0	-6.0	10.5
Income tax	30.5	25.5	16.1
Union Excise duties	-4.5	4.2	5.1
CGST	13.8	10.4	12.2
Customs duty	20.2	12.9	8.7
Non-Tax Revenue (NTR)	69.2	59.6	45.2

Note: * net of states' share in central taxes & collections under NCCD.

Contraction in capital expenditure (capex) during Apr-Aug 2024 due to election conduct code



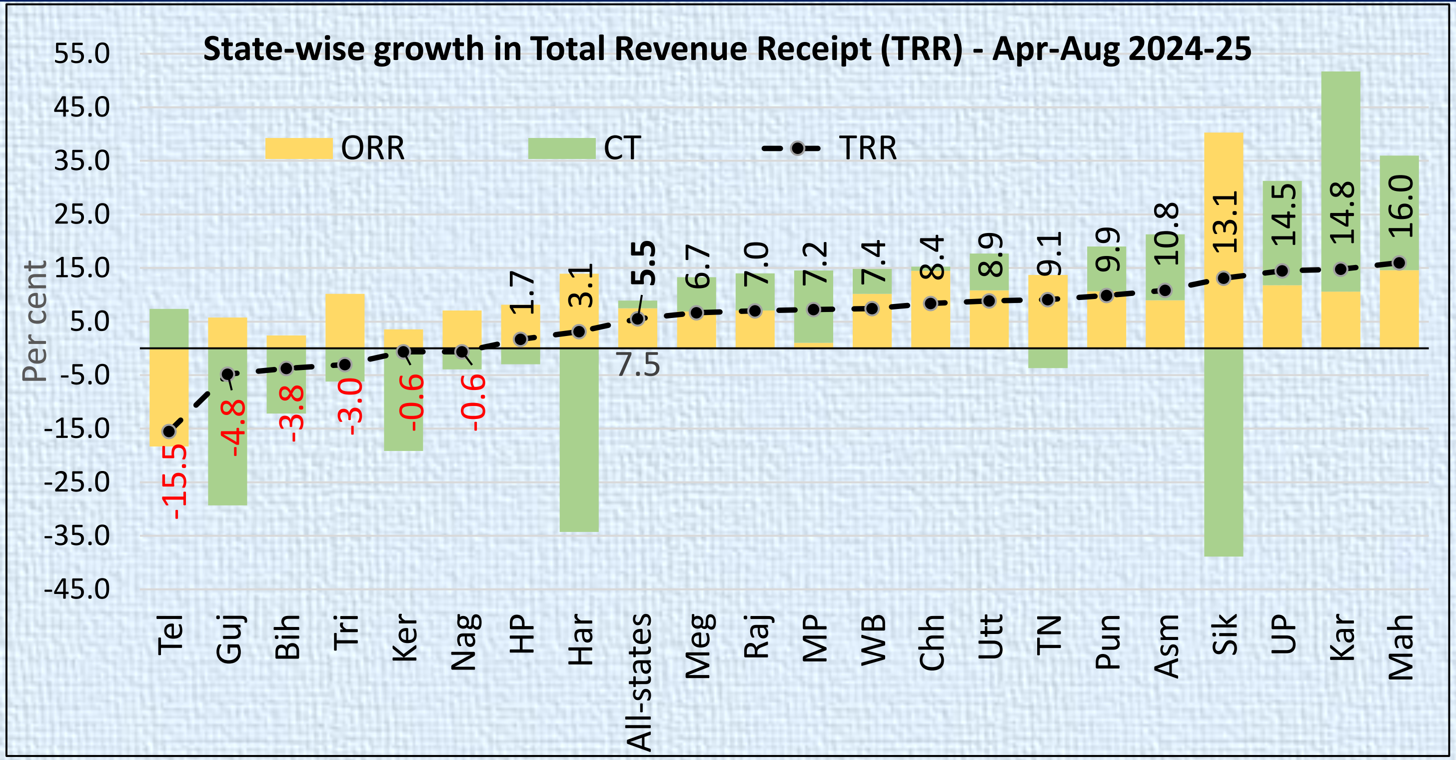
Fiscal Deficit (FD) *(% of GDP)*

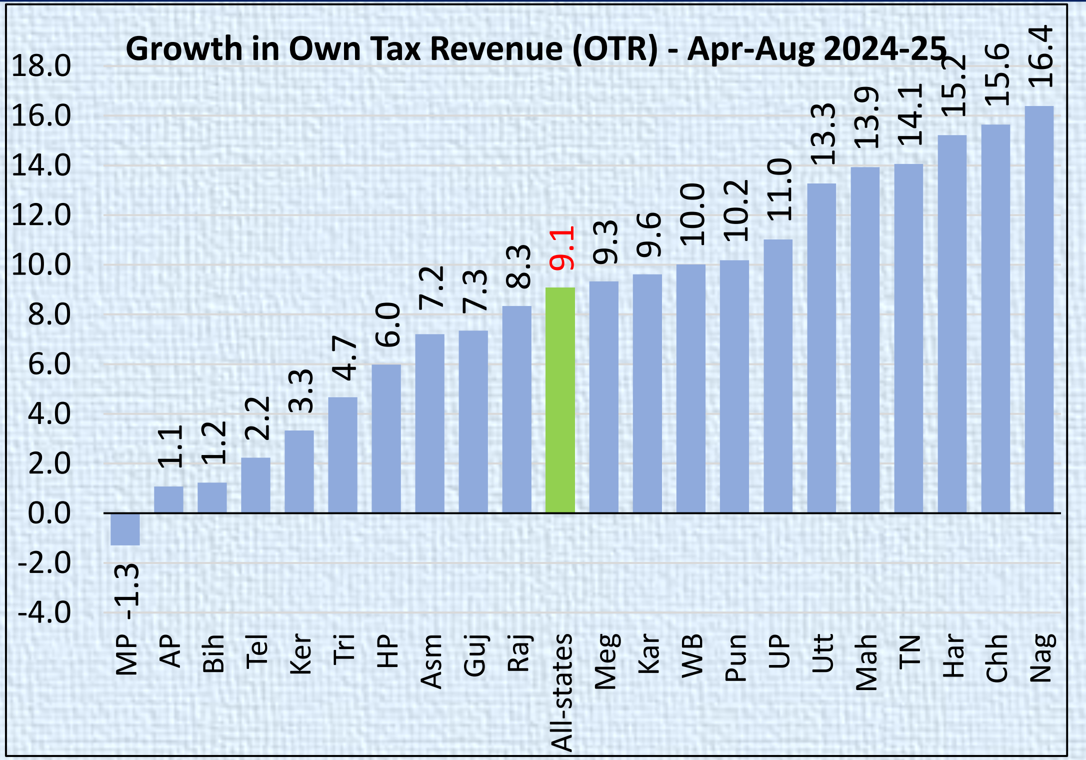
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Target	3.3	3.5	6.8	6.4	5.9	4.9
Actual	4.7	9.2	6.7	6.4	5.6	--
Apr-Aug	2.8	4.4	2.0	2.0	2.2	1.3

- Total expenditure growth negative due to sharp compression in capex; revenue expenditure growth modest at 4.1%.
  - No significant change in major subsidies (food, fertilizer & petroleum) in Apr-Aug 2024 compared to 2023-24
- Capex fell by 19.5% during Apr-Aug 2024 compared to Apr-Aug 2023 due to election code of conduct
  - expected to pick-up in H2-2024-25
- For FY 2024-25, capex budgeted to increase by 17% compared to only 5% for revenue expenditure
- Major subsidies budgeted to decline by 7.8%

- 2023-24 FD target of 5.9% met; attributed to buoyant revenues and moderate revenue expenditure growth
- 2024-25 FD target set at 4.9%, in line with FD reduction goal of 4.5% by 2025-26, likely to be met

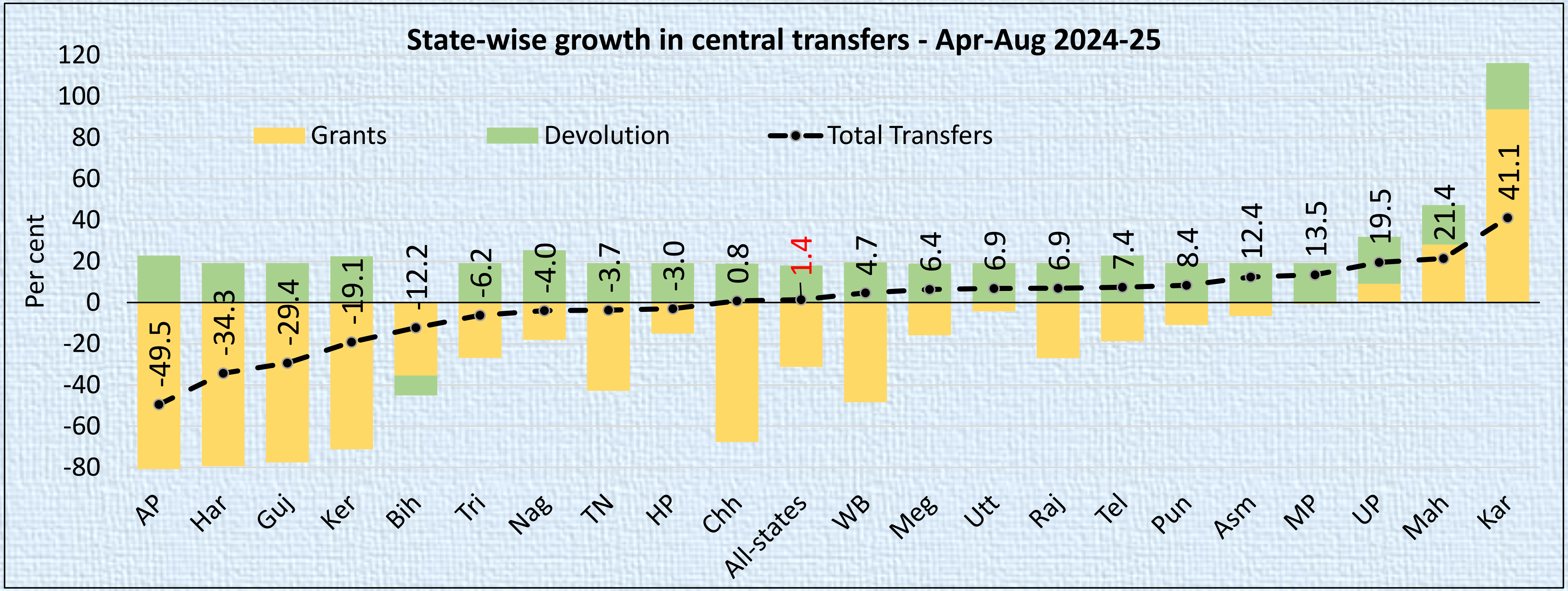
State Finances: Large variations in revenue growth during Apr-Aug 2024 ranging from contraction to high growth





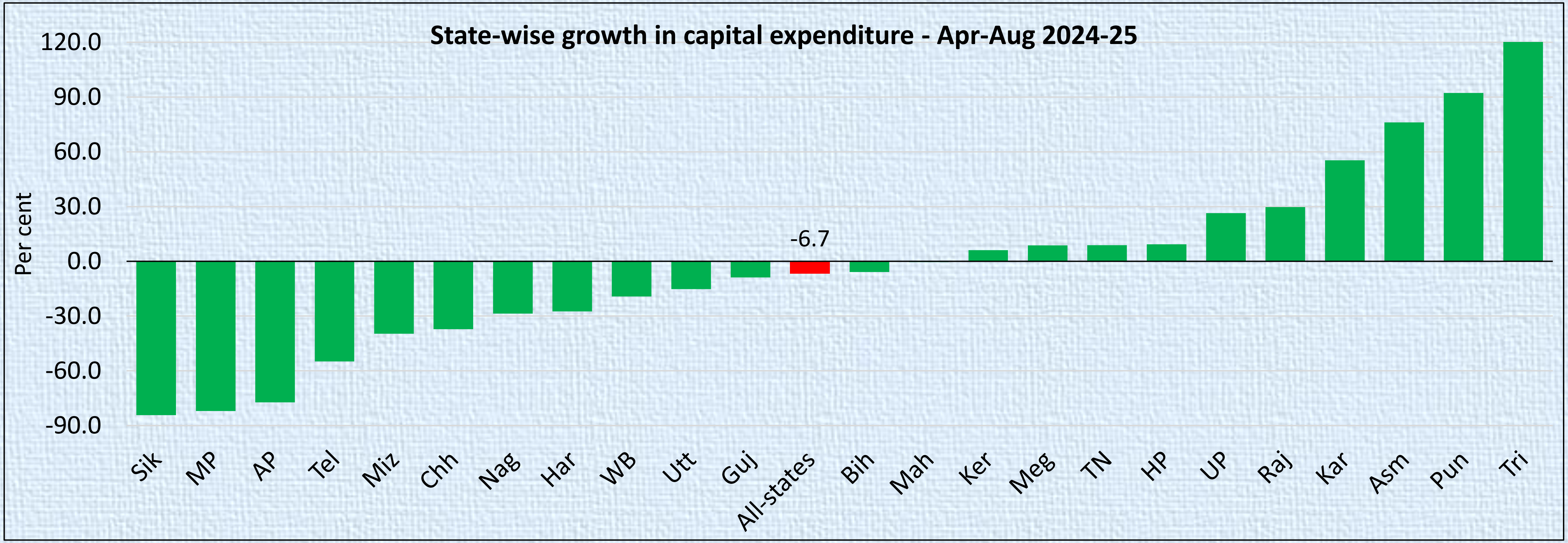
- On average own revenues receipts (ORR) accounted for 68% of total revenue receipts (TRR), share of central transfers (CT) only 32%
- On average TRR grew by 5.5% mainly due to increase in ORR (7.5%)
- OTR grew at an average rate of 9%, however large inter-state variations ranging from (-)1.3% to 16.4%
- All-states OTR budgeted to grow by 14.5% in FY 2024-25, implied buoyancy >1 if nominal GDP grows by 10.5%

Growth in total transfers negligible, high devolution growth mostly offset by decline in grants



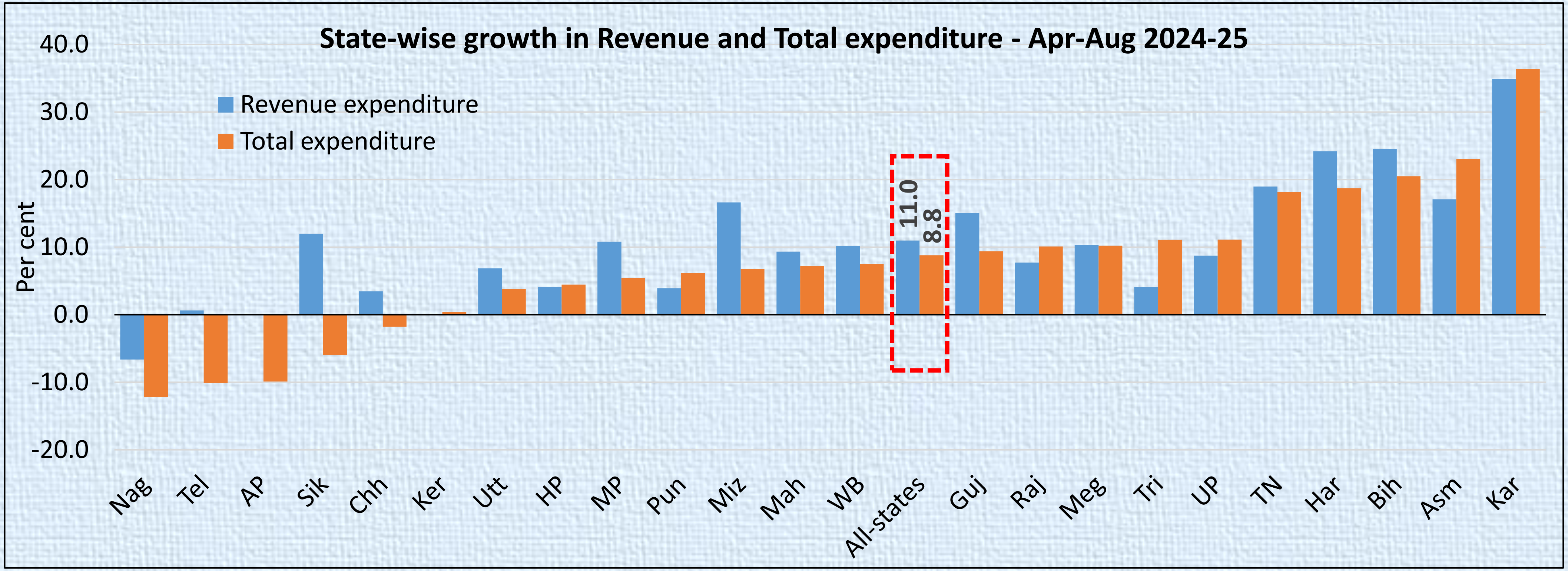
- Central transfers (CT) grew by only 1.4% on average, robust growth in devolution largely offset by decline in grants
- Devolution increased by 18% on average; however, contracted in Bihar – the only case
- Grants declined in all states except three, Uttar Pradesh, Maharashtra & Karnataka, remarkably high growth over 41% in Karnataka
- For FY 2024-25 all-states' combined budgets indicate a 11% increase in devolution but a 6% decline in grants

Capex contracted in most states during Apr-Aug 2024, but large variation across states



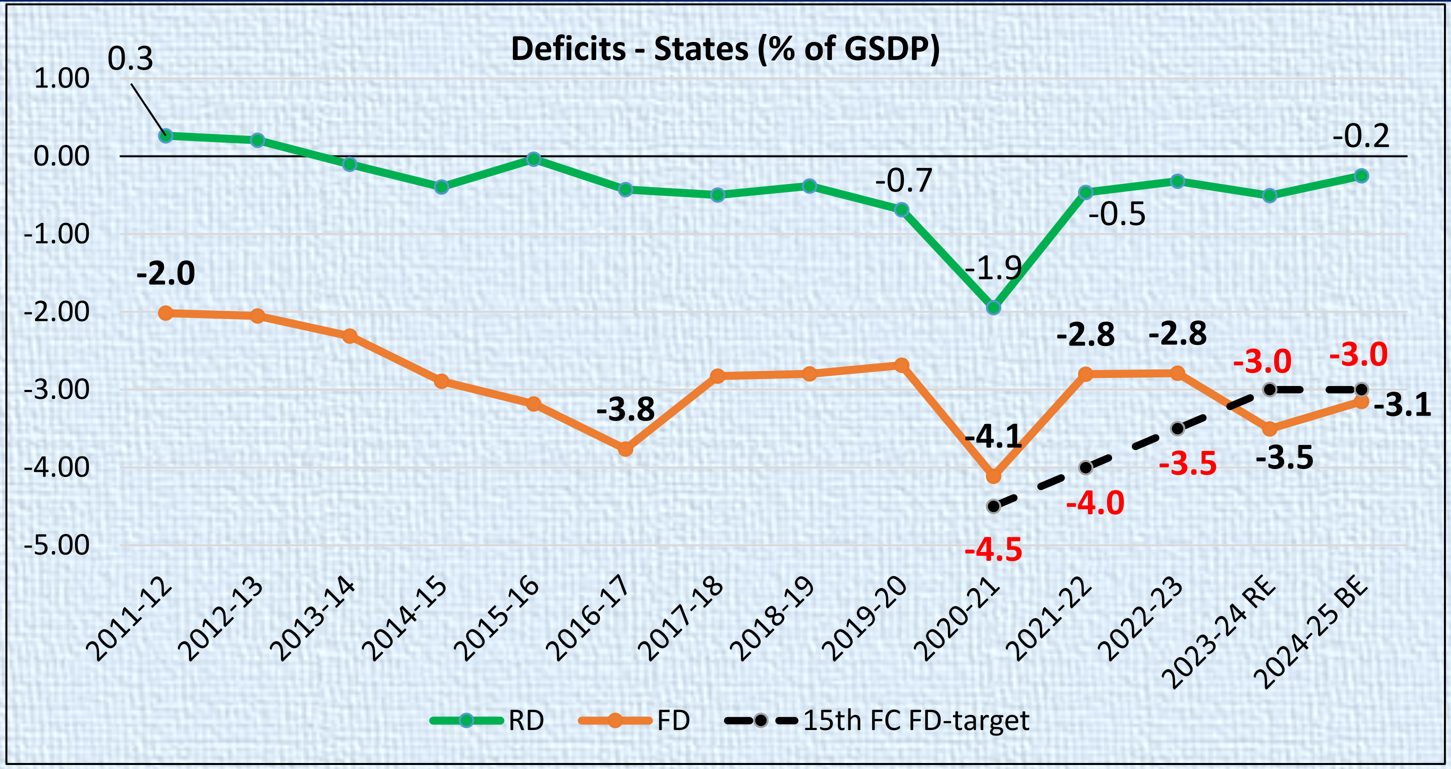
- During Apr-Aug 2024-25 combined capex of all states contracted by 6.7%
- Contraction despite Rs.1.5 trillion 50-yr interest free capex loan provision from central government
  - Till July only Rs.15,000 crore of this loan provision has been released
- For FY 2024-25 all-states capex budgeted to increase by a modest 5.6%

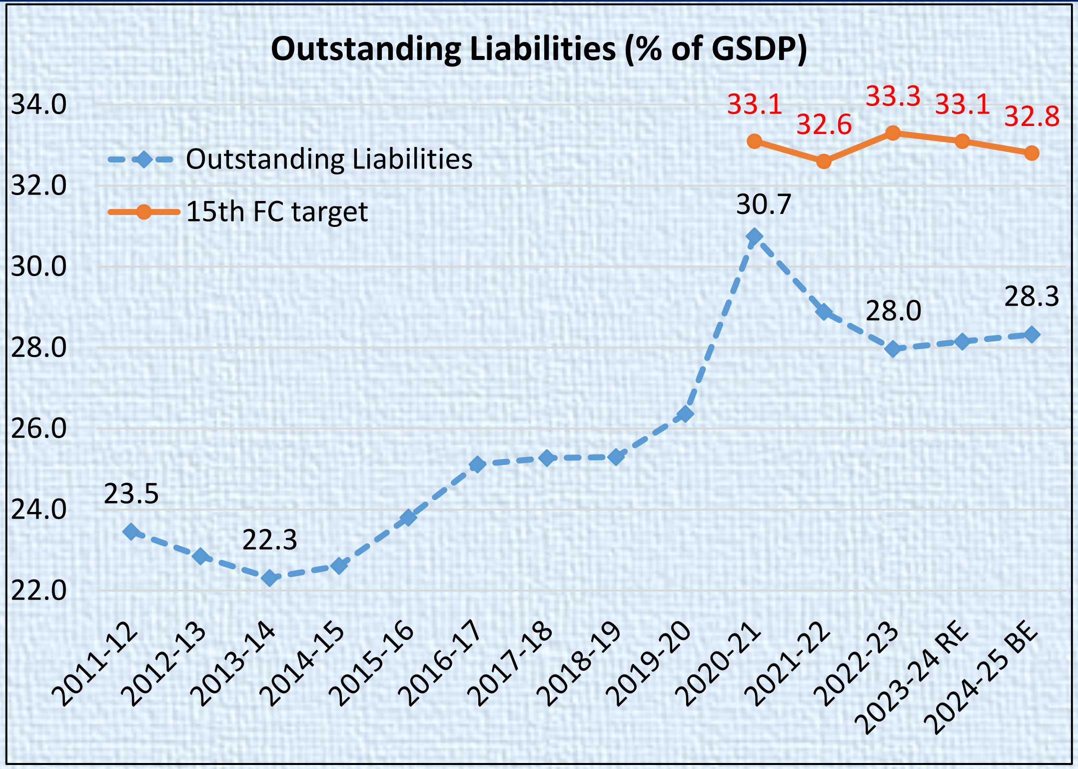
Revenue expenditure (89.5% of states' total expenditure) grew by 11%, hence total expenditure grew by 8.8% on average



- Large variations across states
  - In 5 states total expenditure contracted mostly due to capex contraction
  - In Karnataka total expenditure grew by 36% (revenue expenditure by 35%), mainly base effect of expenditure contraction in 2023
  - Revenue expenditure growth also high in Haryana, Bihar, Tamil Nadu

States' fiscal consolidation resumed after 2020-21 pandemic shock



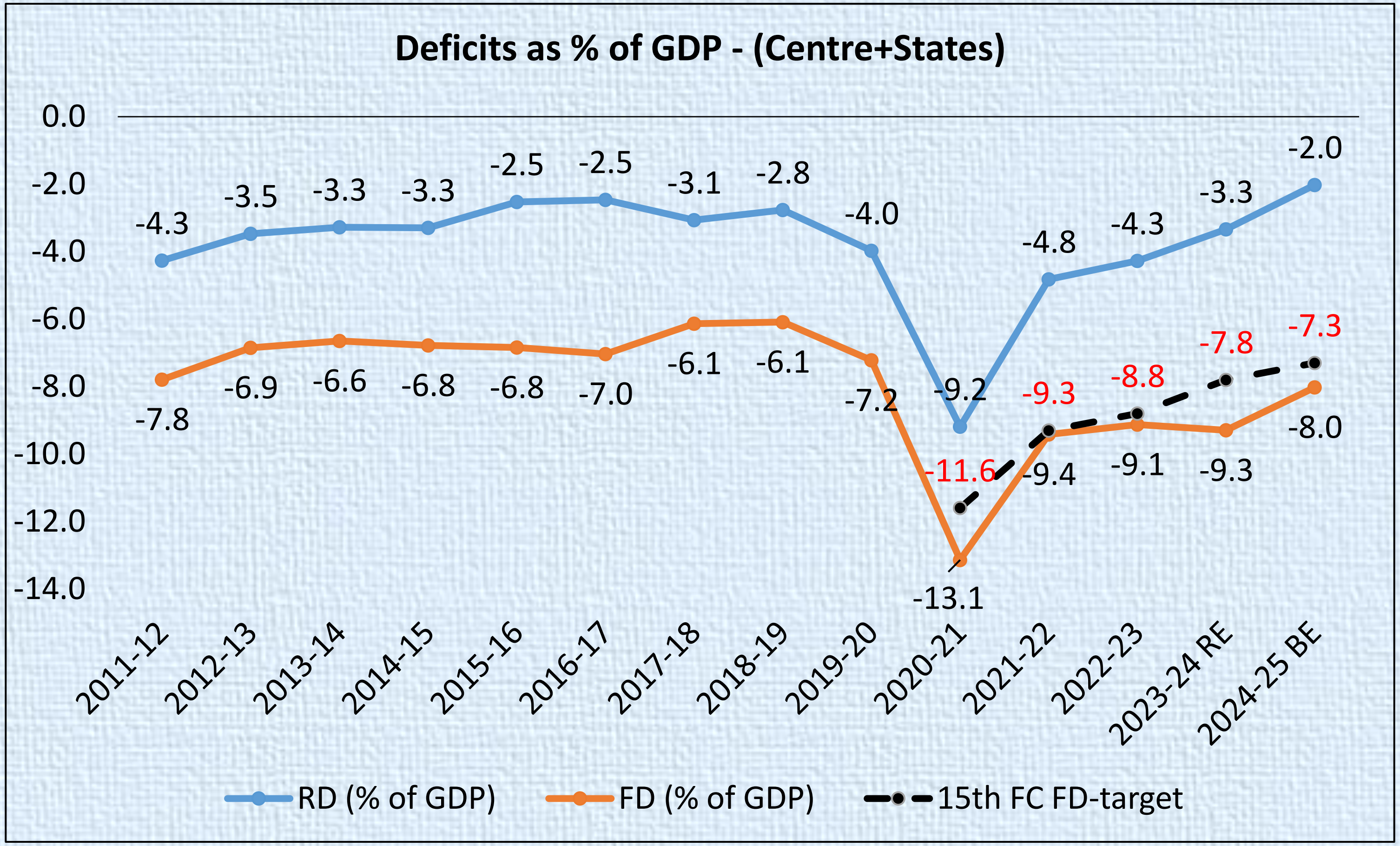


Note: Deficit (-)/Surplus (+)

- All-states' combined fiscal deficit (% of GSDP) was 2.8% in 2022-23, increased to 3.5% in 2023-24RE. In 2024-25, budgeted to improve to 3.1% - within the upper limit of 15th FC target of 3.5%
- All-states' combined revenue deficit (% of GSDP) increased to 0.5% in 2023-24; budgeted to improve to 0.2% in 2024-25
- Post covid, decline in combined outstanding liabilities of all states to 28% of GSDP in 2022-23
- Liabilities projected at 28.3% in 2024-25, well below the 15th FC recommended level of 32.8% for 2024-25

Combined fiscal consolidation of Centre + States continuing

- Combined fiscal deficit (center + states) budgeted at 8% for 2024-25
- Centre's fiscal consolidation largely driven by buoyant own tax revenue
- Central government's fiscal consolidation on track for achieving FD <4.5% in 2025-26
- After diverging from 15th FC fiscal recommendation in 2023-24, states' combined fiscal consolidation back on track
- States' liabilities (27.4% of GDP), Centre's liabilities (55.7% of GDP) and combined liabilities of centre and states at 80.2% of GDP in 2024-25BE is within the 15th FC prescription of 30.9%, 58.6% and 87.8% respectively.



Note: Deficit (-)/Surplus (+)

Fiscal Deficit (as % of GDP)

	2019-20	2020-21	2021-22	2022-23	2023-24RE	2024-25BE
Centre	-4.7	-9.2	-6.7	-6.4	-5.9	-4.9
States	-2.6	-4.0	-2.7	-2.7	-3.4	-3.1
Combined	-7.2	-13.1	-9.4	-9.1	-9.3	-8.0

Part - VIII

Key Takeaways

Key take-aways of Mid-Year Macroeconomic Review: Growth & Inflation

- High 7% growth forecast for 2024-25 on top of 7% & 8.2% growth in 2022-23 & 2023-24
- Despite adverse global conditions, economy back to high growth path of 7-8% achieved before 2017-2018
- Some growth moderation in 2024-25 Q1 due to sharp contraction in net exports and government consumption (Election Code impact)
- Supply side growth tepid in tourism, travel and financial services
- Latest August IIP shows slowdown in construction, capital goods and consumer durables, contraction in mining and electricity
- Headline inflation fell below 4% target in August but rose again to 5.5% in September due to high food price inflation
- Annual inflation forecast 4.3%, comparable to RBI forecast of 4.5%
- Key risk factors high food price inflation & core inflation rebound

Key take-aways of Mid-Year Macroeconomic Review: Employment

- Annual PLFS data (current weekly status) shows gradual rise in LFPR for both men & women since 2017-18
- Overall LFPR rose from 48.45% in 2017-18 to 56.4% in 2023-24
- Similar rise in employment rate (WPR) for both men and women since 2017-18, overall WPR rose from 44.1% to 58.7%
- Quarterly urban PLFS data shows improvement in LFPR & WPR for men, but mild decline for women LFPR & WPR in April-June 2024

Key take-aways of Mid-Year Macroeconomic Review: External sector

- Merchandise export growth fell and deficit rose due to geo-political disruption and reduced global demand
- Merchandise trade deficit more than offset services trade surplus, leading to rise in overall trade deficit
- Financial flows data shows monthly net inflow of around $ 10 billion till June, but a net outflow of over $5 billion in March 2024
- Sustained increase in forex reserves to over $ 700 billion by September 2024
- Despite this Rs:$ exchange rate has remained stable, with REER depreciating mildly in September, volatility has also declined
- These trends attributable to RBI interventions

Key take-aways of Mid-Year Macroeconomic Review: Monetary policy & Financial markets

- Accommodation stance withdrawn in June 2022 combined with 250 point Repo rate increase to 6.5% during May 2022-March 2023
- Liquidity became surplus & call money rate closely tracked the Repo rate, now 91-day Treasury Bill yield also closely tracking Repo
- October MPC meeting: Repo rate unchanged but stance changed to Neutral.
- Sovereign bond yield curve across maturities has flattened at less than 7%, corporate bonds yield curve has also flattened below 8%
- Non-food credit growth has slowed in recent months, reducing the credit-deposit gap
- This is mainly due to reduced lending for personal loans and services (read NBFCs), driven by RBI increase in their risk weights
- Stock prices rose for 4 months with active FPI purchases, declined in October with FPI withdrawal: wars, oil price rise, China stimulus

Key take-aways of Mid-Year Macroeconomic Review: Centre's Fiscal Outlook

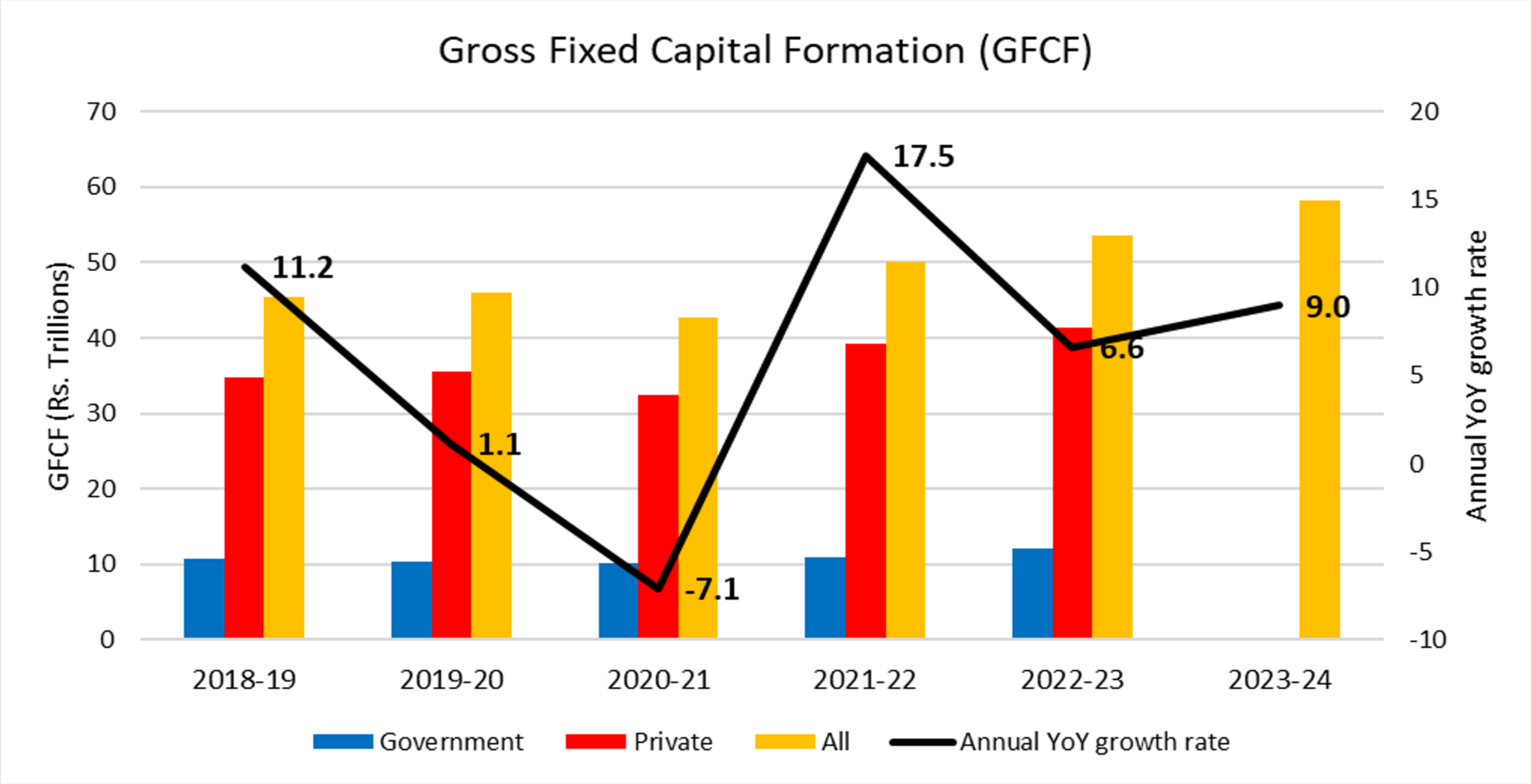
- Central tax revenues buoyant except excise and Corporation tax
- But modest tax revenue projection of 11.7% in 2024-25 BE
- Very high non-tax revenue growth projection of 45% due to exceptionally large RBI dividend
- Capex and revenue expenditure (subsidies) compressed during April-August 2024 (Election code of Conduct)
- But capex projected to grow at 17% in the budget, revenue expenditure only by 5%.
- Budgeted fiscal deficit reduction to 4.9% likely to be met, on track for 2025-26 target of 4.5%

Key take-aways of Mid-Year Macroeconomic Review:
States' Finances & overall Fiscal Outlook (Centre + States)

- Large variations across States in fiscal performance
- On average total revenues of States projected to grow at 7.5%, mainly on account of own tax revenue
- Average transfers to States modest because large devolution volume mostly offset by reduction in central grants
- Average States' expenditure composition weak: capex contracted by 6.7% while revenue expenditure (90% of total) grew 11%
- All States budgeted fiscal deficit of 3.1% close to 3% target & 28% debt: GSDP ratio well below target set by 15th FC
- Liabilities: GDP ratio of States (27.4%), Centre (55.7%) and overall (80.2%) compliant with respective targets of 30.9%, 58.6% and 87.8% set by 15th FC

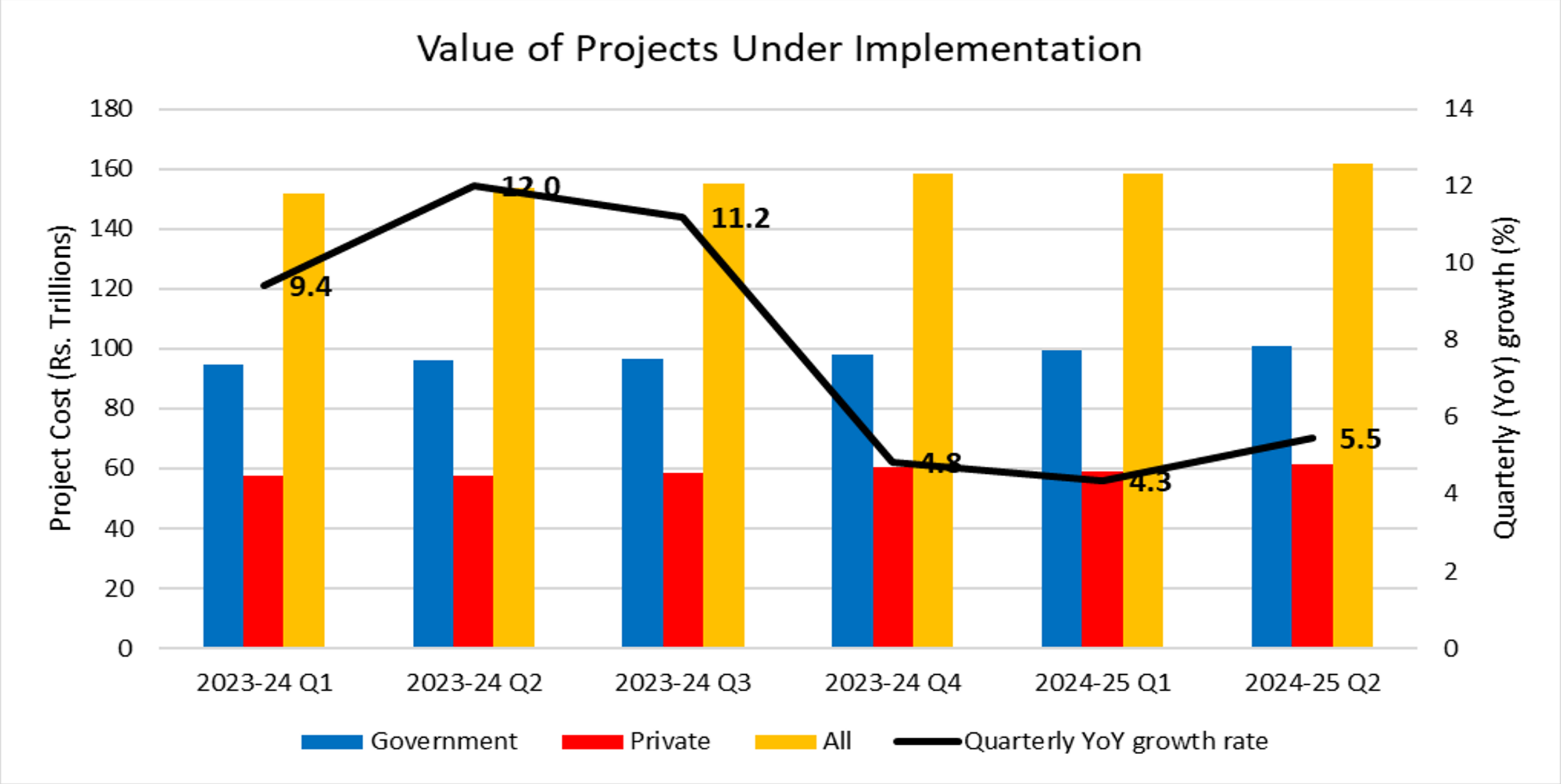
Appendix

Appendix: Revival of investment, both public and private continues



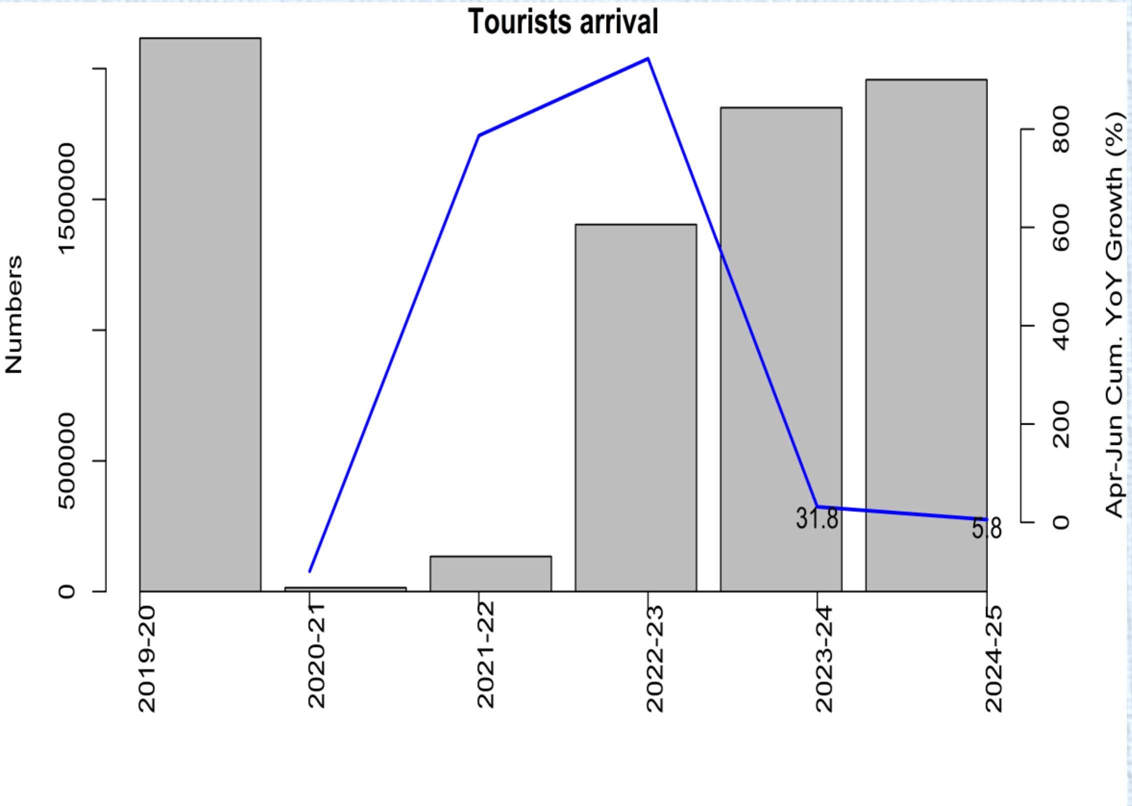
Source: CSO, MOSPI

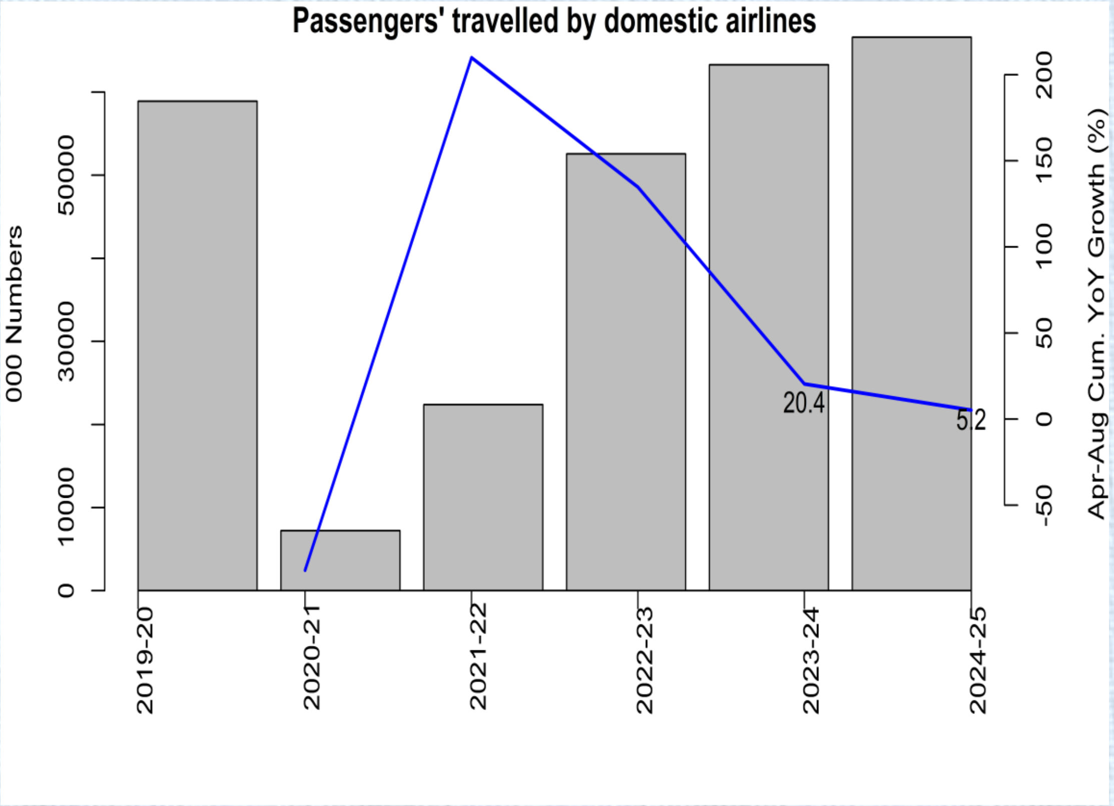
Appendix: Overall investment projects implementation beginning to pick up in Q2 2024-25



Source: CMIE Capex

Appendix: Tourism, domestic travel moderated due to competition from neighbouring nations, geo-political uncertainties

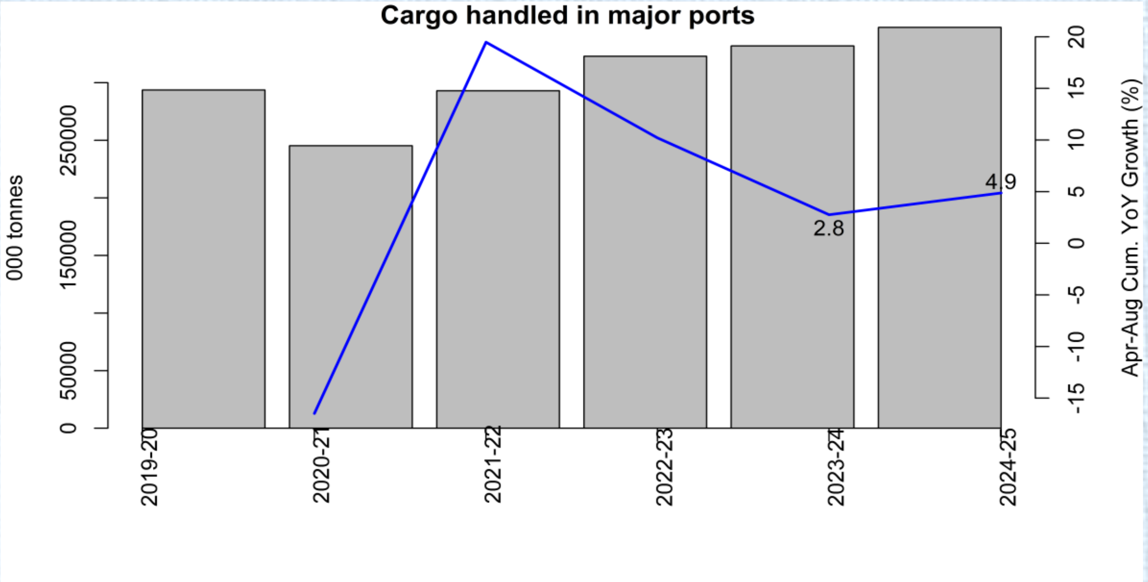


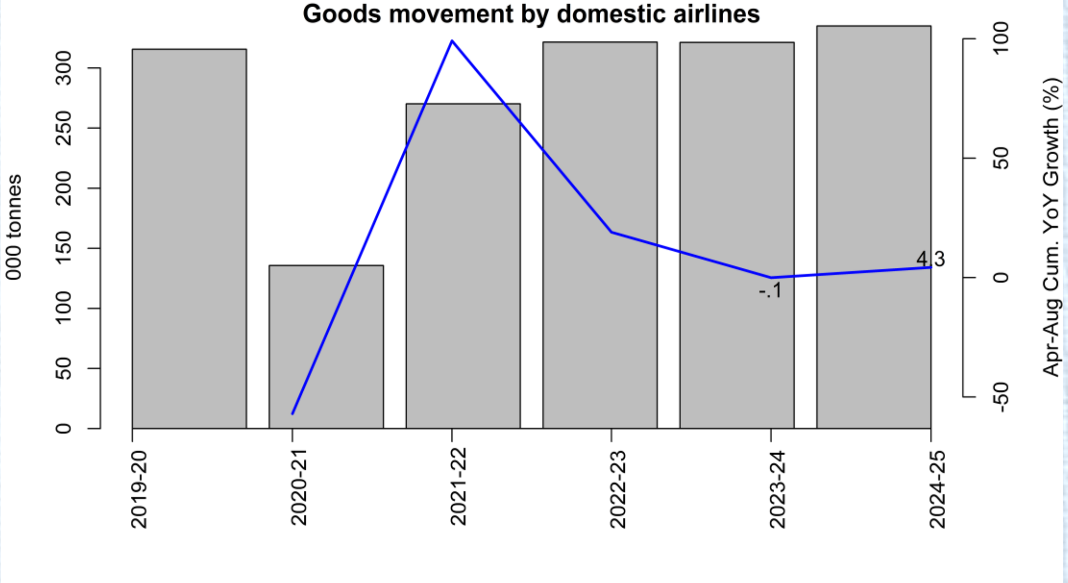


Source: CMIE Economic Outlook

- Foreign tourists arrival in India are yet to revive to the pre-pandemic level

Appendix: Both domestic and international trade improved in April-August, 2024-25 compared to same period previous year





Source: CMIE

Appendix: Meaning of Banking System Liquidity

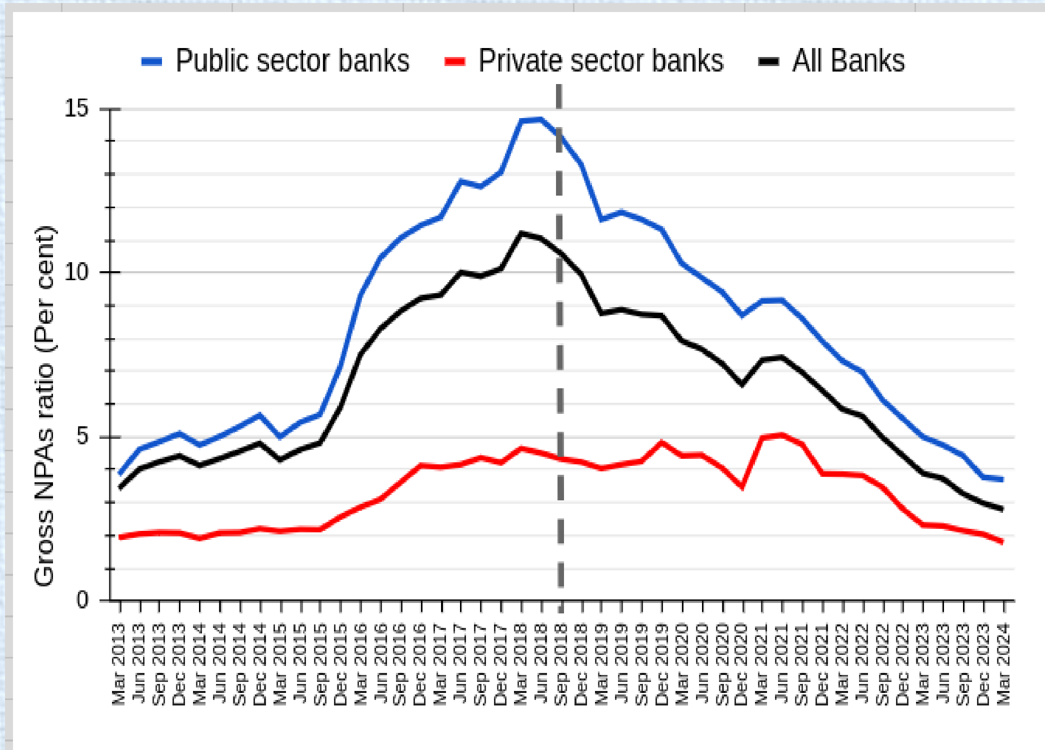
System liquidity = Net borrowing under LAF - Excess reserves maintained by banks

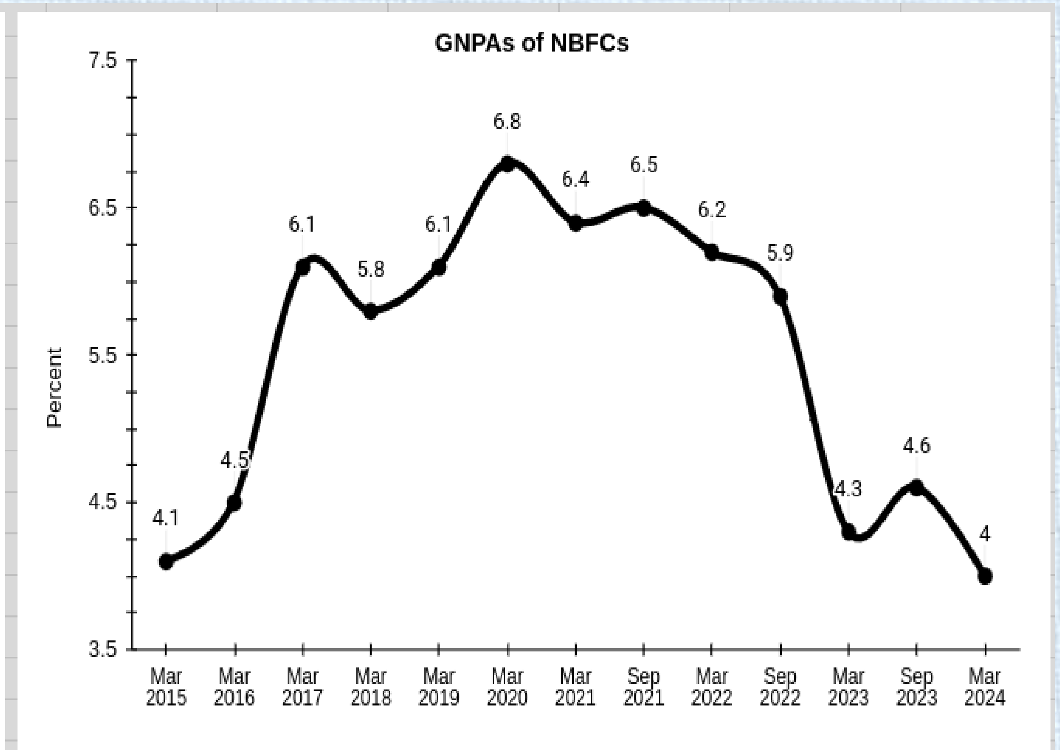
Net borrowing under LAF = Total of all Repo/MSF/SDF borrowings - Total of all Reverse-repo deposits

Excess reserves maintained by banks = Actual reserves maintained by banks - Required reserves

- If the banking system is a net borrower from Reserve Bank under LAF, the system liquidity is in deficit (i.e., system demand for borrowed reserves is positive). RBI conducts VRR auctions.
- If the banking system is a net lender to the Reserve Bank, the system liquidity is in surplus (i.e., system demand for borrowed funds is negative). RBI conducts VRRR auctions.

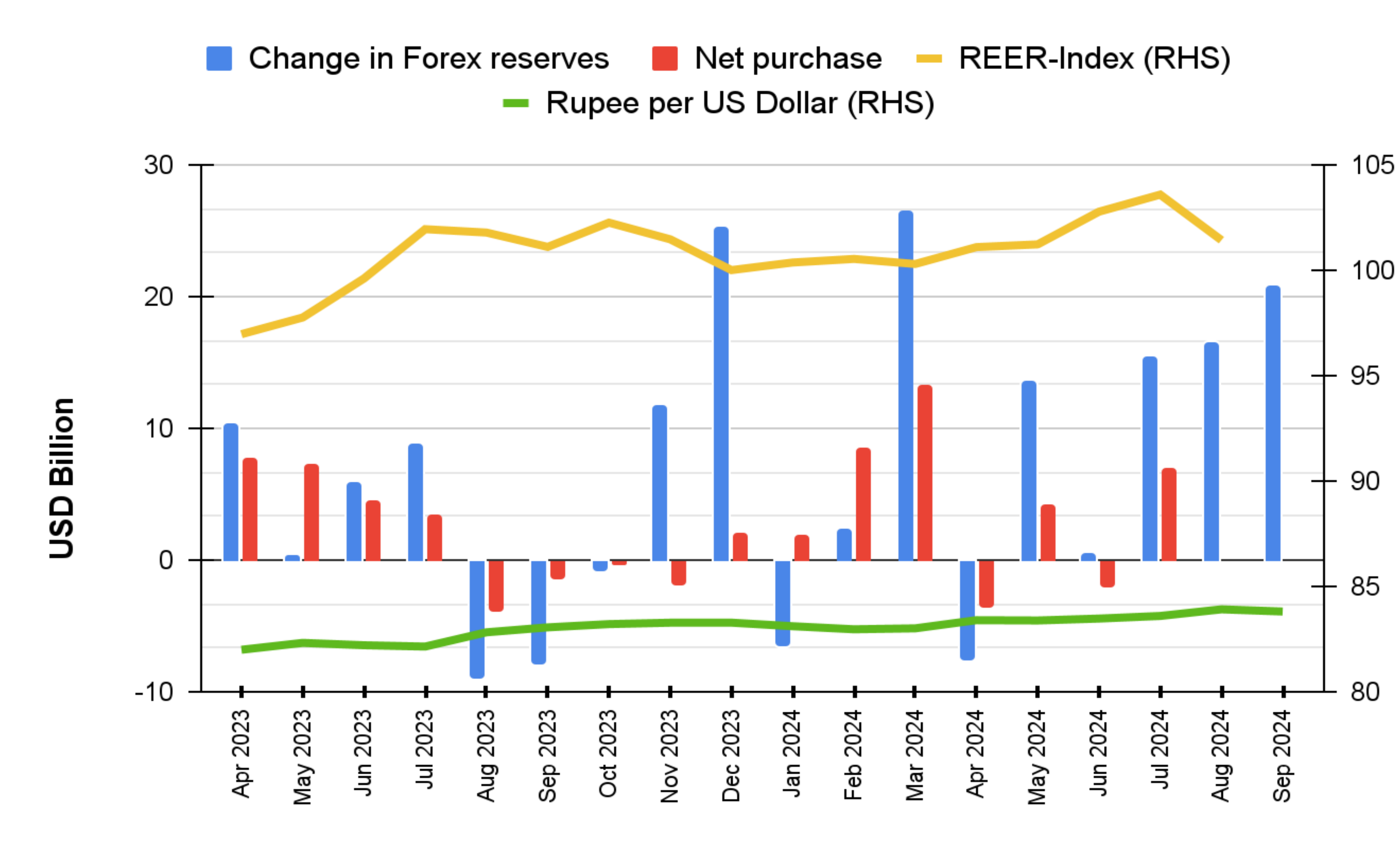
Appendix: Public sector banks and private sector banks NPAs continue declining and converging, NBFC NPAs also declining.



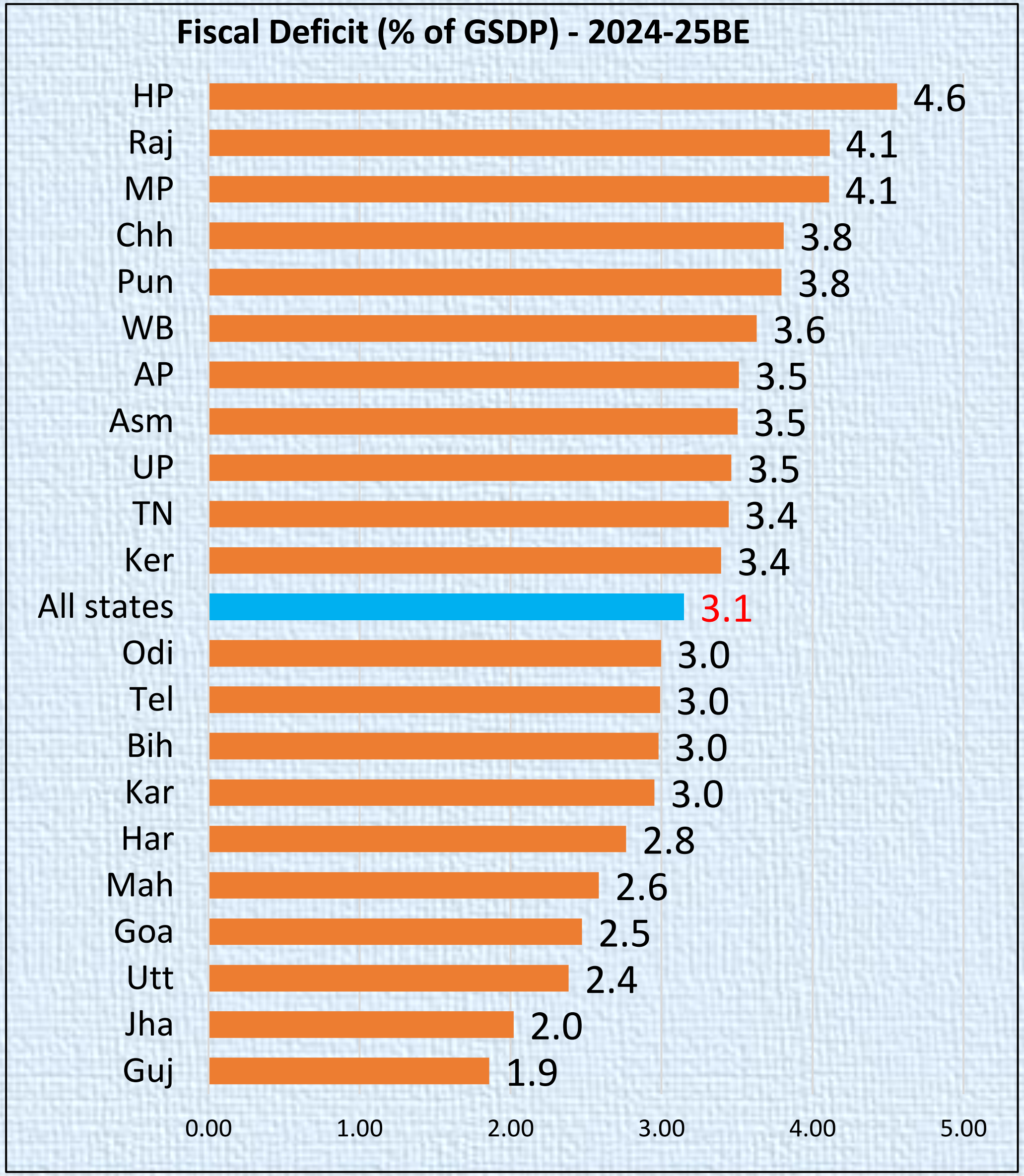


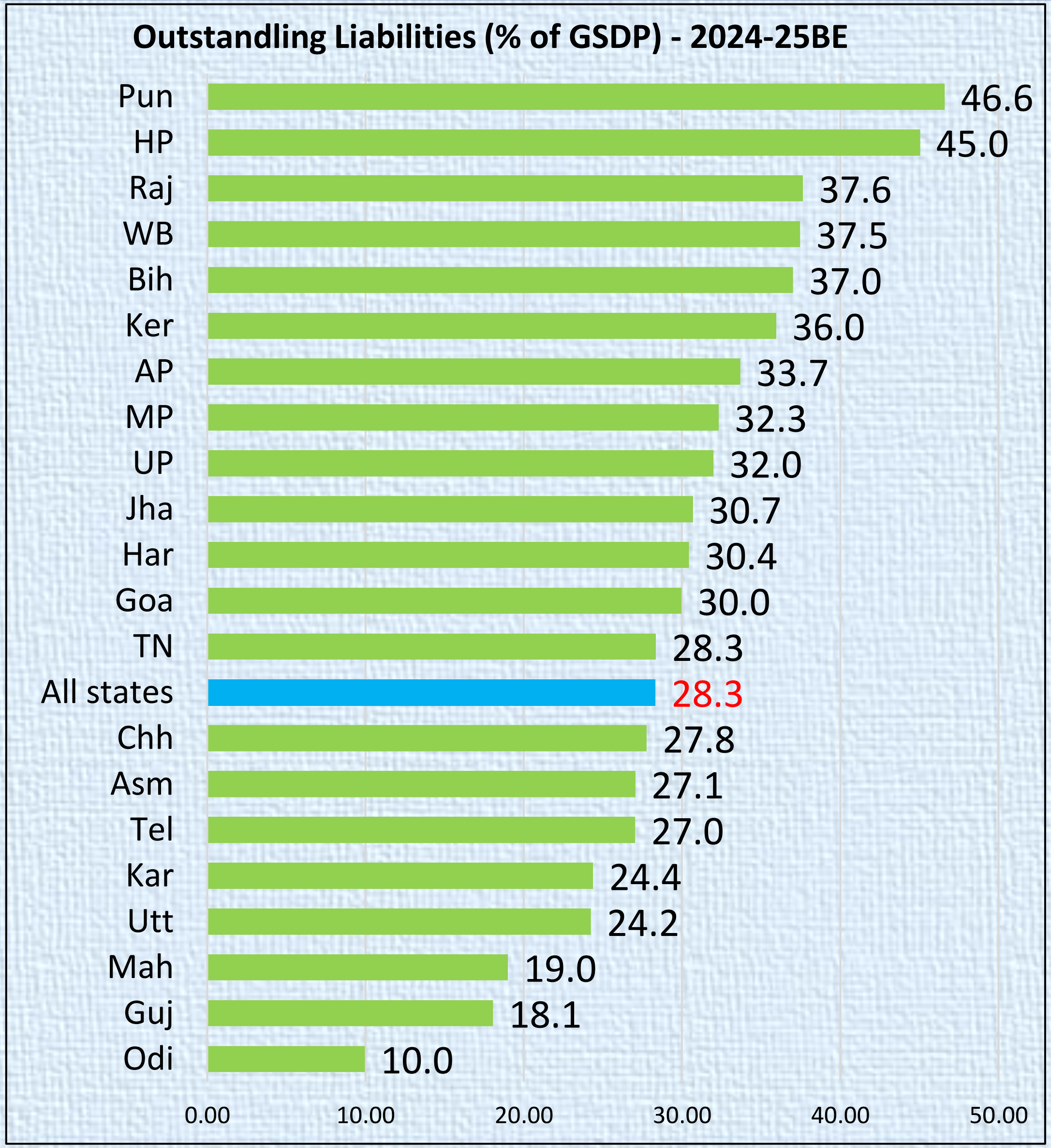
- Gross non-performing assets (GNPA) ratio of banks continue to decline, falling to 2.8 % in March 2024, lowest since March 2013. This is a sharp decline from 11 % GNPA ratio in June 2018.
- Public sector banks GNPA ratio declined from 14.64 % in June 2018 to 3.7 % in March 2024.
- Private sector banks GNPA ratio declined from 5.0 % in June 2021 to 1.8 % in March 2024.
- Norms governing NPA recognition have become tighter since 2015, requiring more capital injection.
- NPAs in the NBFC segment have also declined since September 2022 and reached 4.0 % in March 2024, lower 4.1 % in March 2015.

Appendix: Two way intervention by the RBI led to lower volatility in the rupee-dollar rate



Appendix: State-wise Fiscal Deficit and Outstanding Liabilities





Thank You