



India – Economic Outlook and Policy Priorities

IMF Asia Pacific Regional Seminar

Luis E. Breuer
Senior Resident Representative,
India, Nepal, and Bhutan

December 08, 2021

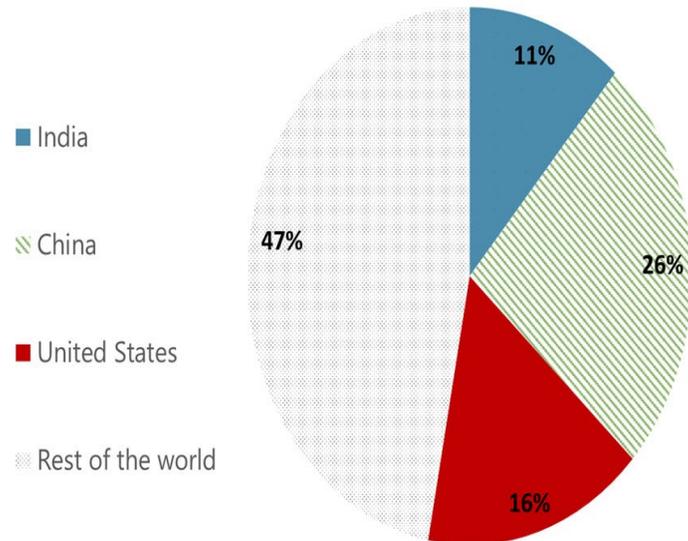




Context: India's Global Contributions

Contributes 11 percent to global GDP growth in 2021 (based on GDP PPP weights)

Contribution to global GDP growth



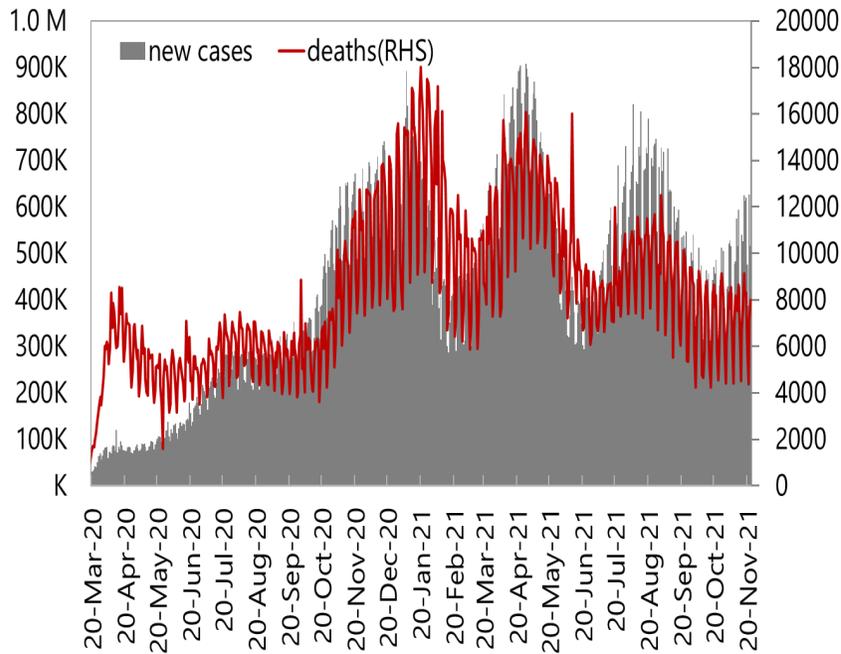
- Air travel bubbles and border trade support regional connectivity and trade
- Global leader in vaccine production and important contributor to COVAX
- Climate pledges to reach net zero emissions by 2070 (COP26)

Sources: IMF World Economic Outlook, October 2021

A shock like no other: Covid-19 Pandemic

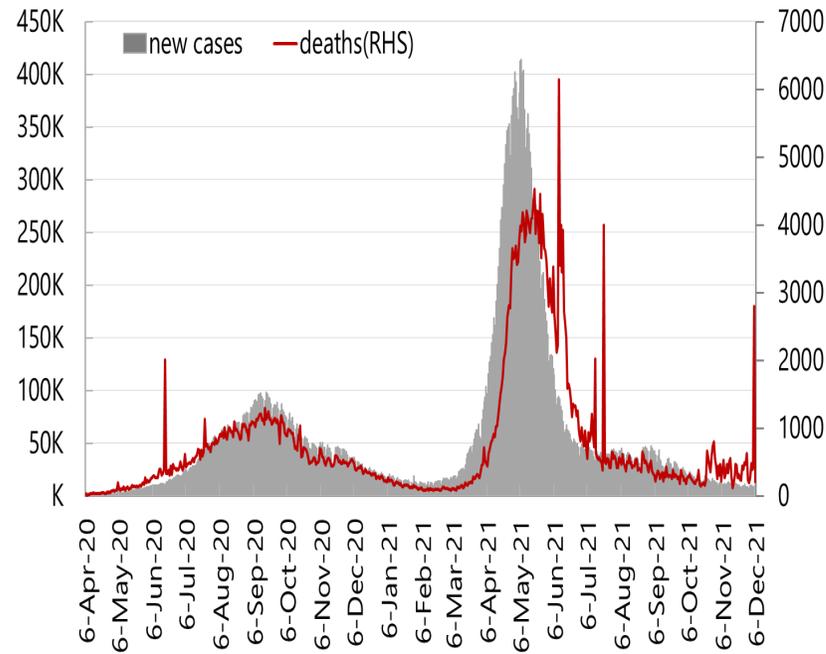
The spread of COVID-19 caused a prolonged domestic health crisis in India and across the World.

Daily new cases and deaths- World



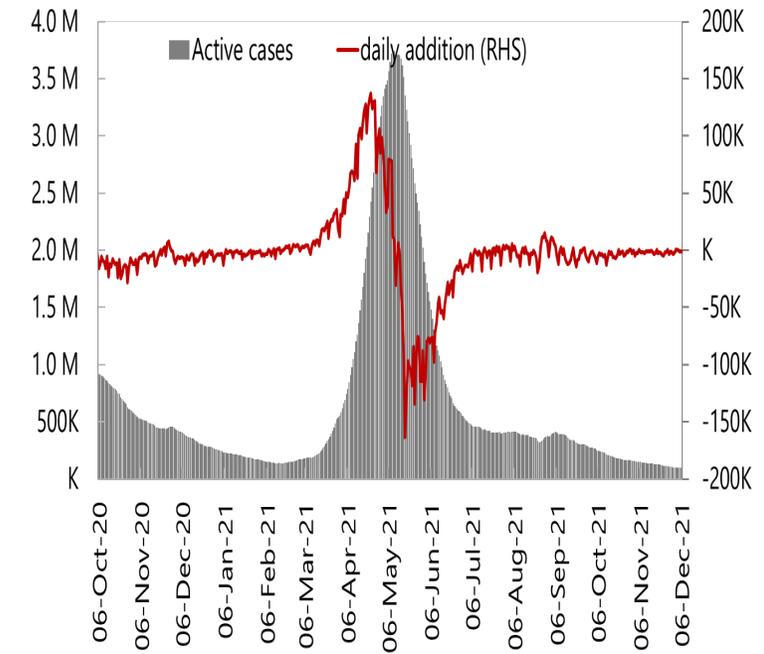
Sources: Our world in data

Daily new cases and deaths- India



Sources: CEIC, IMF staff calculations

Active cases- India



Sources: CEIC, IMF staff calculations

The International Growth Impact of Covid-19

PROJECTIONS

	 World	 Asia	 Asia AE	 EMDE Asia	 Australia	 New Zealand	 China	 Japan	 Korea	 India	 ASEAN	 PICs and Small States
2020	-3.1	-1.3	-2.7	-0.7	-2.4	-2.1	2.3	-4.6	-0.9	-7.3	-3.3	-8.5
2021	5.9	6.5	3.7	7.2	3.5	5.1	8.0	2.4	4.3	9.5	2.6	2.0
Revisions from April WEO	-0.1	-1.1	-0.1	-1.3	-1.0	1.1	-0.4	-0.9	0.7	-3.0	-1.9	-2.5
2022	4.9	5.7	3.4	6.3	4.1	3.3	5.6	3.2	3.3	8.5	5.5	5.5
Revisions from April WEO	0.5	0.3	0.6	0.3	1.3	0.1	0.0	0.7	0.5	1.6	-0.3	-0.8

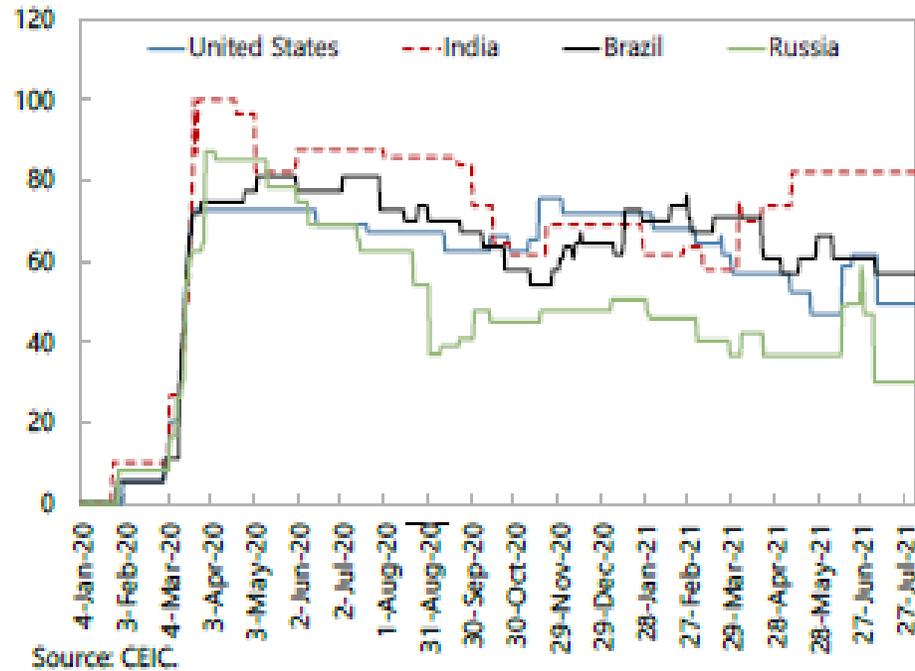
Source: IMF World Economic Outlook, October 2021.



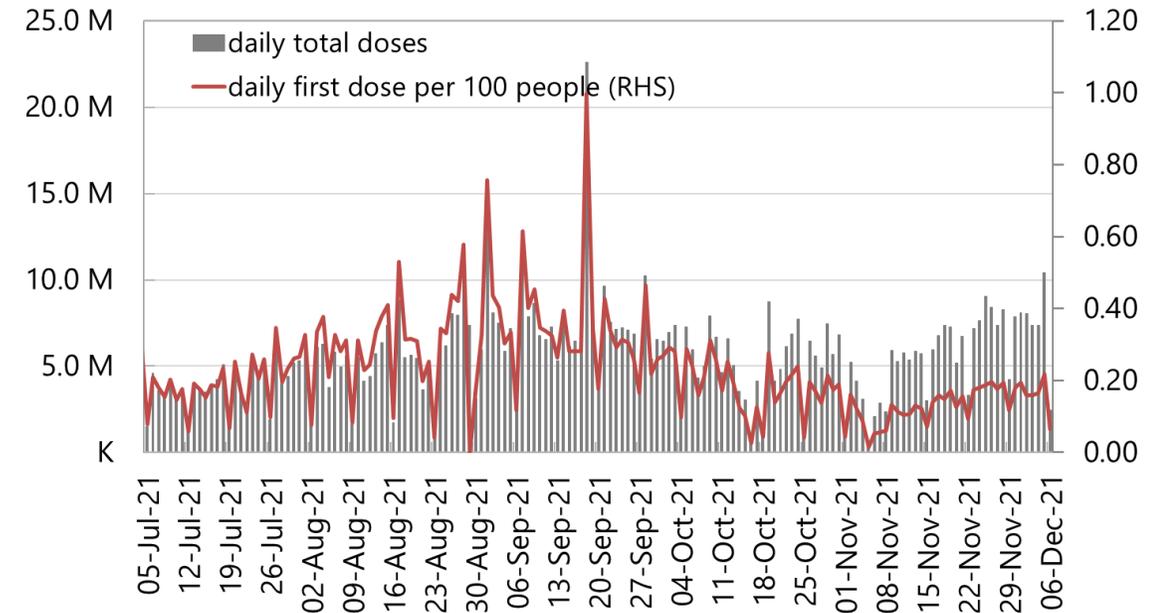
Covid-19: The Non-Economic Response

- The authorities responded with containment measures, including lockdowns and vaccination.

International comparison of Oxford Stringency Index



Vaccine doses administered (per day)





Covid-19: The Non-Economic Response

- The authorities responded with containment measures, including lockdowns and vaccination.

Domestic Vaccinations (As of Dec.06, 2021)

(in per cent)	1st Dose	Fully vaccinated
Above 18 years	85.2%	51.3%
Total Population	60.0%	35.9%
(in levels)	1st Dose	Fully vaccinated
18-44 years	0.5 bn	0.2 bn
45-59 years	0.2 bn	0.1 bn
Over 60 years	0.1 bn	0.1 bn

Vaccine Exports (in million doses)

	Grant	Commercial	Covax
As of May'21	12.7	38.2	19.9
In Oct'21	1.0
In Nov'21	5.0

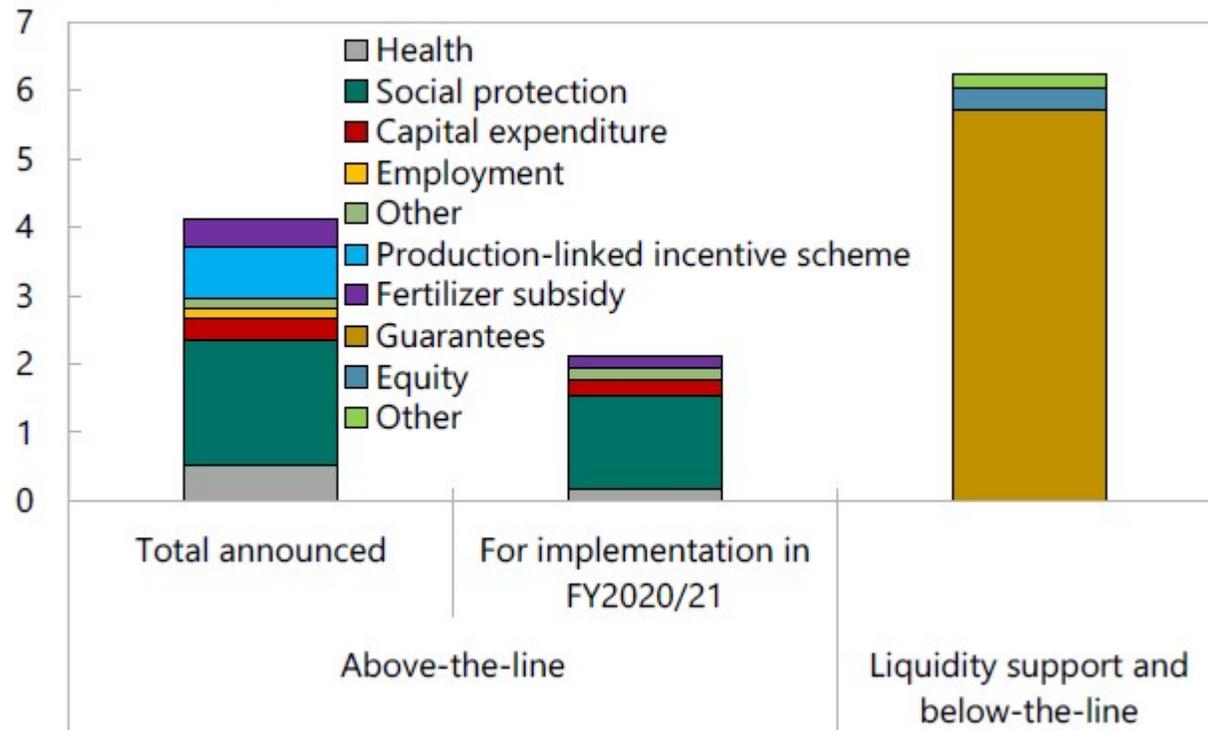


Covid-19 and the Economic Policy Reaction I—Fiscal Policy

- Fiscal Policy included direct support to vulnerable groups and higher spending for health and infrastructure.

Central Government COVID-19 Support

(In percent of GDP)



Sources: IMF estimates based on authorities' public announcements.

India: Summary Central Government Fiscal Developments

(In percent of GDP)

	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	
	Est.	Est.	Proj.	Budget	Proj.
Total Revenues	8.4	8.5	8.5	8.2	8.7
Net tax revenues	6.9	6.7	7.2	6.9	7.2
Non-tax revenues	1.4	1.8	1.3	1.3	1.5
Total Expenditure	12.3	13.2	17.1	15.5	16.1
Revenue expenditure 1/	10.6	11.6	14.9	13.1	13.9
Capital expenditure	1.6	1.7	2.2	2.5	2.2
Central Government (CG) Fiscal Deficit	3.9	4.8	8.6	7.4	7.3
Memo Items					
CG Fiscal Deficit (authorities' definition) 2/	3.4	4.6	9.2	6.7	7.0
IMF Extended CG Deficit 3/	4.8	5.4	8.8	7.4	7.3
General Government Fiscal Deficit	6.4	7.4	12.8	...	11.3
State Government Fiscal Deficit	2.5	2.6	4.2	...	3.9
General Government Debt (% of GDP) 4/	70.4	74.1	89.6	...	90.7

1/ Starting in FY2020/21, includes food subsidies covered by the Food Corporation of India (FCI). For FY2020/21, excludes retroactive payment to FCI for previous years' food subsidy bill.

2/ Includes asset sales in receipts, and excludes certain non-tax revenue items. Includes the retroactive payment to Food corporation of India for previous years' food subsidy bill.

3/ Includes NSSF loans to central gov PSUs (Union budget, Annex 8) and fully serviced bonds (Union budget, statement 27).

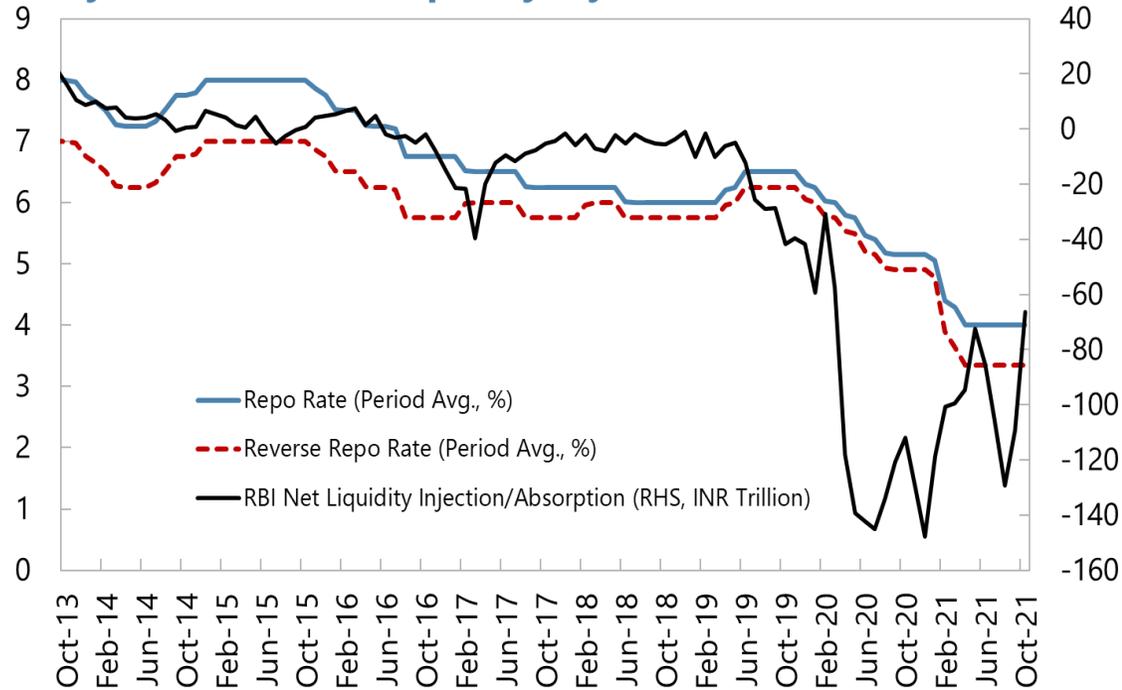
4/ For FY2021/22 reflects the additional SDR allocation of about 0.6 percent of GDP.



...Reaction II: Monetary Policy

- The RBI has provided significant and appropriate monetary easing through interest rate cuts, liquidity injections, and accommodative forward guidance.

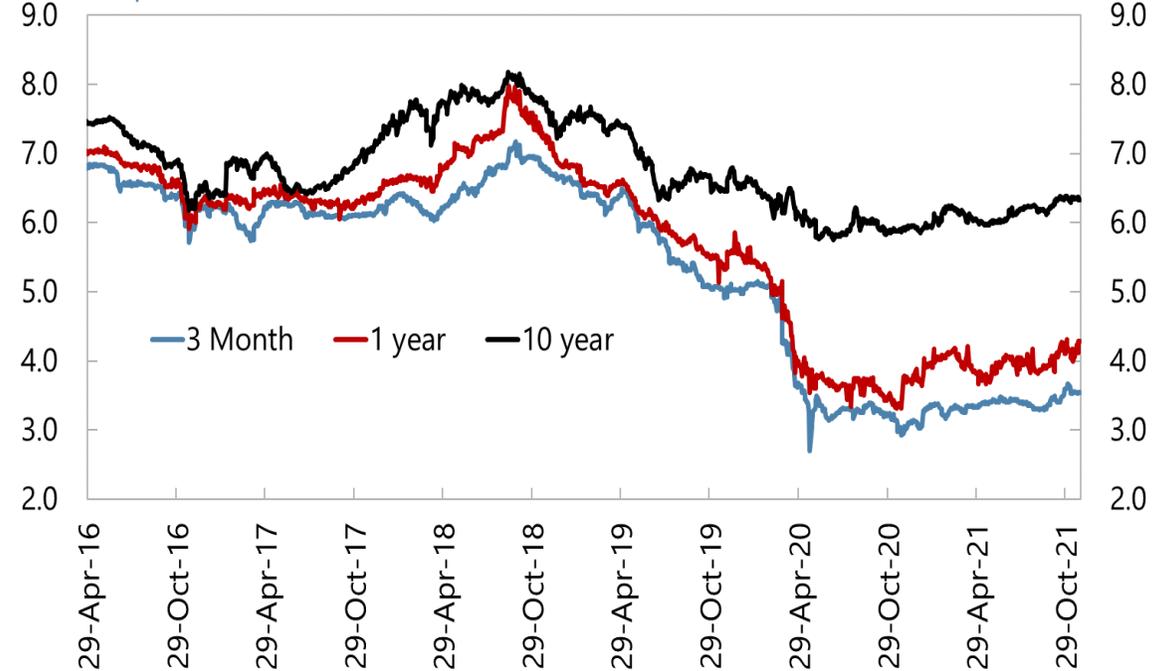
Policy Rates and RBI Liquidity Injection



Sources: Haver Analytics, and CEIC CDMNext.

Government Bond Yields

(In percent)



Sources: Thomson Reuters EIKON.

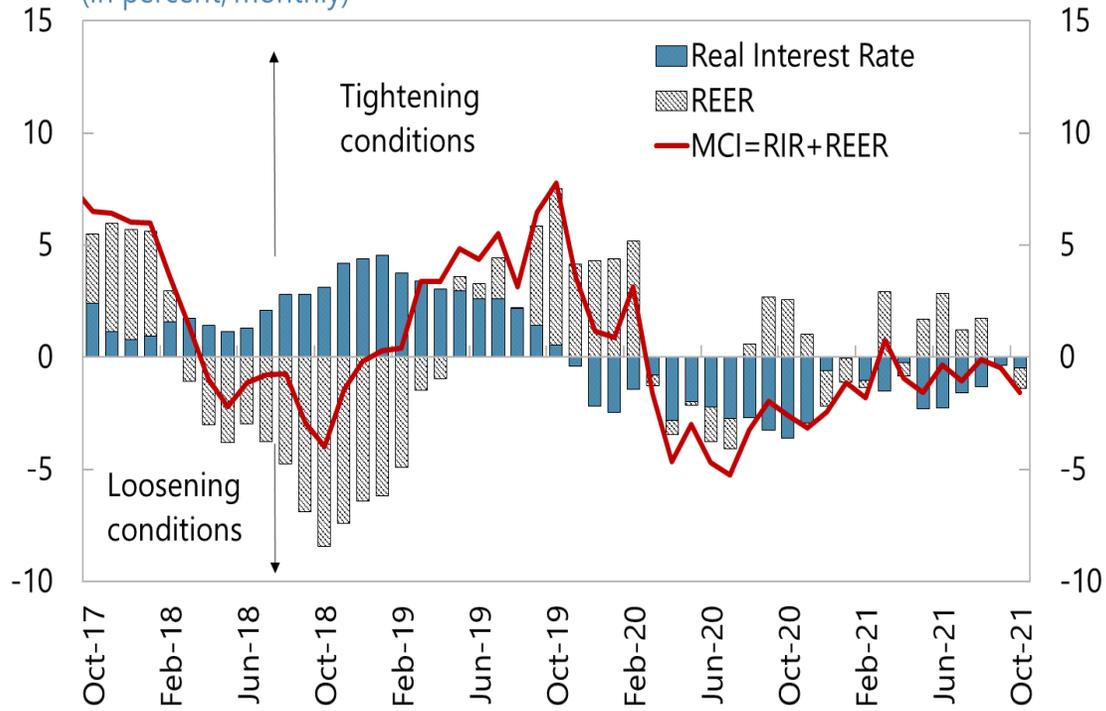


...Reaction III: Monetary Policy and Capital flows

- The RBI has provided significant, broad-based and appropriate monetary easing through interest rate cuts and accommodative forward guidance.

Monetary Conditions Index (MCI)

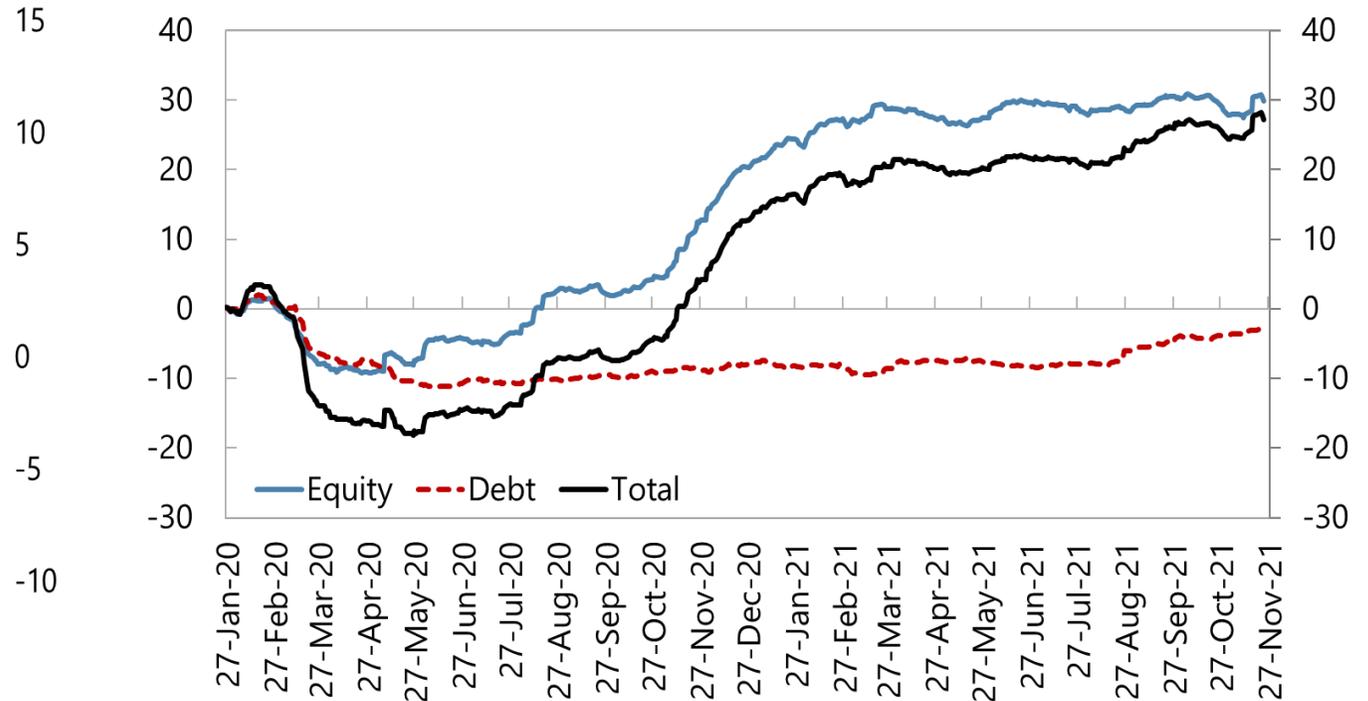
(In percent, monthly)



Sources: Haver Analytics, CEIC CDMNext, and IMF staff calculations.

India: Foreign Portfolio Investment Flows (Net)

(USD Billion, cumulative starting Jan-27, 2020)



Sources: CDSL, IMF Staff calculations



...Reaction IV: Other Policies

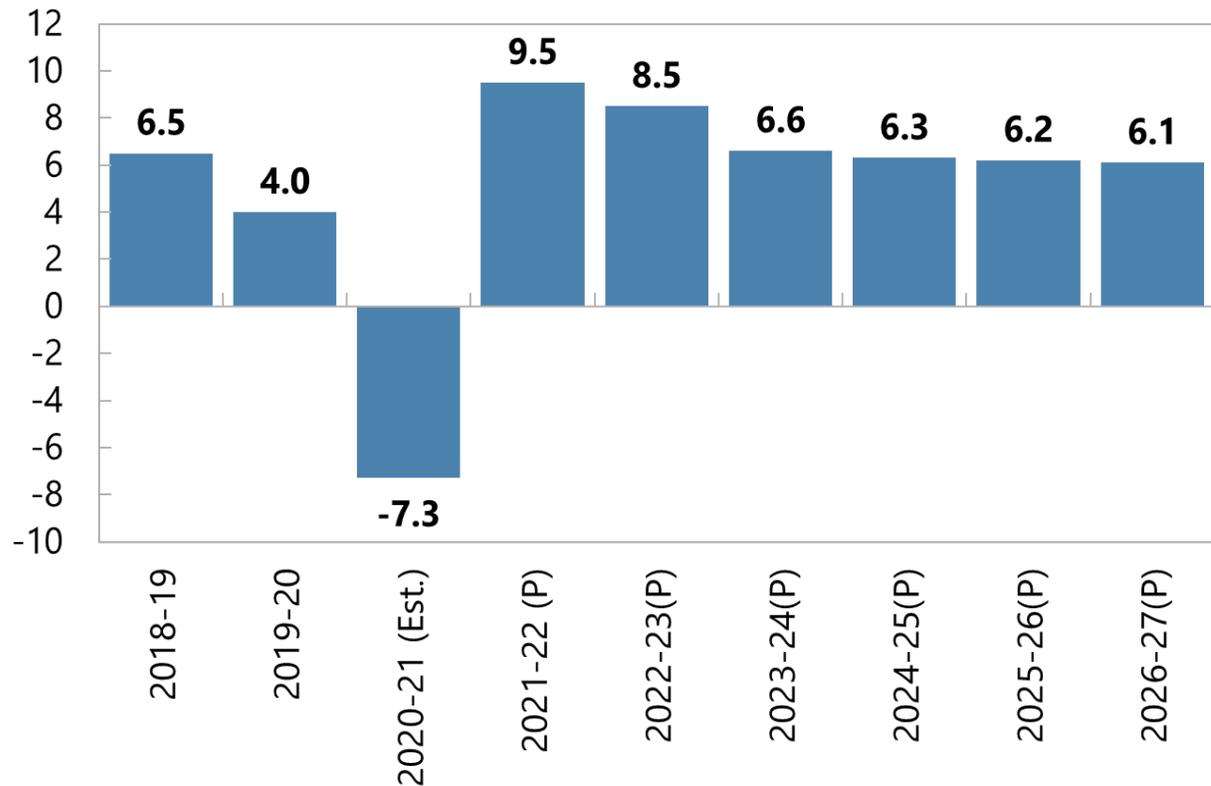
- **Financial sector.** Borrower relief measures included a six-month moratorium on loan repayments and credit guarantee schemes for MSME loans and bonds issued by NBFCs. Subsequently, the MSME credit guarantee scheme was expanded and the loan restructuring scheme for COVID-19-affected borrowers was reintroduced
- Temporary and later lifting of **bankruptcy** process. Lifting of suspension of corporate insolvency and bankruptcy process and simplification of the insolvency for MSMEs
- Other **structural reforms:** public sector balance sheet restructuring and infrastructure, and labor market with delayed implementation



India: The Economic Outlook for the Medium-term

Real GDP growth

(in percent)



Sources: IMF Staff calculations

- The recovery in consumption and investment is expected to be gradual.
 - Following a sharp contraction in GDP last year, growth is expected to rebound to 9.5 percent this year and 8.5 percent in FY2022/23.
- Uncertainty about the outlook remains elevated:
 - Downside risks- COVID-19 and vaccinations; corporate and financial sector risks; fiscal risks; and external uncertainties
 - Upside risks- A faster near-term rebound and implementation of announced reforms could increase India's growth potential.



India: key policy recommendations from IMF

- **Fiscal Policy:** there is space and scope for **additional fiscal support in FY2021/22.**
 - Increase in fiscal space through a credible and **clearly communicated medium-term fiscal consolidation** anchored around stronger **revenue mobilization** and greater expenditure efficiency
 - Improve **public financial management (PFM) and fiscal institutions**, which can enhance the credibility of the authorities' fiscal anchor and commitment to sustainability



India: key policy recommendations from IMF

- **Monetary Policy:** Maintain accommodative stance and liquidity measures through various instruments to support systemic liquidity and market confidence. As the recovery gains strength, a plan for a gradual exit would be needed.
- **Financial Sector:** Ensure proper accounting of problem assets, continue with capitalization of financial institutions, facilitate cost- and time-efficient exit of nonviable firms; continue with privatization efforts



India: key policy recommendations from IMF

- **External policy:** Two-way exchange rate flexibility as the main shock-absorber
- **Structural reforms:** Building ongoing reforms further remove bottlenecks to growth, including through further trade and investment liberalization, effective privatization, and improving education outcomes



Thanks!



@IMF_India ([www.twitter.com/IMF India](https://www.twitter.com/IMF_India))

[Email: RR-IND@imf.org](mailto:RR-IND@imf.org)

