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

Daily new cases and deaths- India

Active cases- India

Sources: Our world in data

Sources: CEIC, IMF staff calculations

Sources: CEIC, IMF staff calculations
### The International Growth Impact of Covid-19

#### PROJECTIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>Asia</th>
<th>Asia AE</th>
<th>EMDE Asia</th>
<th>Australia</th>
<th>New Zealand</th>
<th>China</th>
<th>Japan</th>
<th>Korea</th>
<th>India</th>
<th>ASEAN</th>
<th>PICs and Small States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>-3.1</td>
<td>-1.3</td>
<td>-2.7</td>
<td>-0.7</td>
<td>-2.4</td>
<td>-2.1</td>
<td>2.3</td>
<td>-4.6</td>
<td>-0.9</td>
<td>-7.3</td>
<td>-3.3</td>
<td>-8.5</td>
</tr>
<tr>
<td>2021</td>
<td>5.9</td>
<td>6.5</td>
<td>3.7</td>
<td>7.2</td>
<td>3.5</td>
<td>5.1</td>
<td>8.0</td>
<td>2.4</td>
<td>4.3</td>
<td>9.5</td>
<td>2.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Revisions from April WEO</td>
<td>-0.1</td>
<td>-1.1</td>
<td>-0.1</td>
<td>-1.3</td>
<td>-1.0</td>
<td>1.1</td>
<td>-0.4</td>
<td>-0.9</td>
<td>0.7</td>
<td>-3.0</td>
<td>-1.9</td>
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<td>1.3</td>
<td>0.1</td>
<td>0.0</td>
<td>0.7</td>
<td>0.5</td>
<td>1.6</td>
<td>-0.3</td>
<td>-0.8</td>
</tr>
</tbody>
</table>

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)

Sources: CEIC, IMF Staff calculations
Covid-19: The Non-Economic Response

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

### Domestic Vaccinations (As of Dec.06, 2021)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1st Dose</th>
<th>Fully vaccinated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above 18 years</td>
<td>85.2%</td>
<td>51.3%</td>
</tr>
<tr>
<td>Total Population</td>
<td>60.0%</td>
<td>35.9%</td>
</tr>
</tbody>
</table>

### Vaccine Exports (in million doses)

<table>
<thead>
<tr>
<th>Date</th>
<th>Grant</th>
<th>Commercial</th>
<th>Covax</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of May'21</td>
<td>12.7</td>
<td>38.2</td>
<td>19.9</td>
</tr>
<tr>
<td>In Oct'21</td>
<td>1.0</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>In Nov'21</td>
<td>...</td>
<td>...</td>
<td>5.0</td>
</tr>
</tbody>
</table>

(in per cent)

(in levels)

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

Central Government COVID-19 Support
(In percent of GDP)

<table>
<thead>
<tr>
<th></th>
<th>FY 2018/19</th>
<th>FY 2019/20</th>
<th>FY 2020/21</th>
<th>FY 2021/22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenues</td>
<td>8.4%</td>
<td>8.5%</td>
<td>8.5%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Net tax revenues</td>
<td>6.9%</td>
<td>6.7%</td>
<td>7.2%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Non-tax revenues</td>
<td>1.4%</td>
<td>1.8%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Total Expenditure</td>
<td>12.3%</td>
<td>13.2%</td>
<td>17.1%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Revenue expenditure 1/</td>
<td>10.6%</td>
<td>11.5%</td>
<td>14.9%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>1.6%</td>
<td>1.7%</td>
<td>2.2%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Central Government (CG) Fiscal Deficit</td>
<td>3.9%</td>
<td>4.8%</td>
<td>8.5%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Memo Items
- CG Fiscal Deficit (authorities' definition) 2/
- IMF Extended CG Deficit 3/
- General Government Fiscal Deficit
- State Government Fiscal Deficit
- General Government Debt (% of GDP) 4/

Sources: IMF estimates based on authorities' public announcements.
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**

**Government Bond Yields**

(In percent)

Sources: Haver Analytics, and CEIC CDMNext. Sources: Thomson Reuters EIKON.
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)

Real Interest Rate
REER
MCI= RIR+REER

Tightening conditions
Loosening conditions

India: Foreign Portfolio Investment Flows (Net)
(USD Billion, cumulative starting Jan-27, 2020)

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

Sources: CDSL, IMF Staff calculations
• **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

- 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.

Sources: IMF Staff calculations
• **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.
• **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!

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