MONETARY POLICY STATEMENT

July 2017

Royal Monetary Authority of Bhutan

Monetary Policy Statement

The Monetary Policy Statement of the Royal Monetary Authority of Bhutan is being issued in accordance with Chapter II, Section 10 of the Royal Monetary Authority Act of Bhutan 2010.

The Monetary Policy Statement 2017 was endorsed by the Board of Directors of the Royal Monetary Authority of Bhutan during its 126th meeting held on June 27, 2017. The Monetary Policy Statement is issued annually in July, coinciding with the first month of the new fiscal year.

Macroeconomic projections are based on the work of the multi-sector Macroeconomic Framework Coordination Technical Committee, endorsed by the policy-level Macroeconomic Framework Coordination Committee, composed at both levels by various government and statistical agency representatives, and led by the Ministry of Finance, Royal Government of Bhutan.

Contents

Acronyms

BEFIT	Bhutan Economic Forum for Innovative Transformation
BIPS	Bhutan Immediate Payments Service
CPI	Consumer Price Index
CSI	Cottage and Small Industry
FI	Financial Institution
FY	Fiscal Year (July 1 – June 30)
FYP	Five Year Plan
GDP	Gross Domestic Product
IMF	International Monetary Fund
INR	Indian Rupees
M2	Broad Money
MFCC	Macroeconomic Framework Coordination Committee
MFCTC	Macroeconomic Framework Coordination Technical Committee
MFI	Microfinance Institution
MLR	Minimum Lending Rate
MoF	Ministry of Finance
PSL	Priority Sector Lending
RGoB	Royal Government of Bhutan
RMA	Royal Monetary Authority of Bhutan
USD	US Dollars

Governor's Statement

Even as growth prospects remain positive, averaging 6.4 percent in the medium term, the current account deficit continues to remain challenging for the Bhutanese economy. Nonetheless, since the large current account deficit is mainly attributed to hydropower developments which are self financing in nature, this characteristic of our current account imbalances must not be interpreted only with concerns but also in terms of opportunities.

The current account deficit is also a manifestation of domestic supply bottlenecks and limited employment opportunities, requiring increase in the momentum of intervention from both the Government and the financial sector. On our part, the monetary policy stance of the RMA will continue to remain accommodative to support growth, complemented by a strong focus on financial inclusion, targeting as a first step activities related to agriculture, CSI and entrepreneurship amongst the youth.

With the implementation of fiscal incentives and increasing pro-activeness of the government in addressing the supply side factors, the interest rate is expected to ease gradually, especially to reallocate the financial sector resources from unproductive to more productive sectors of the economy. As a result, the credit to private sector is expected to pick up over the medium term. To complement the Government efforts made through flagship projects which will be implemented during the 12th five-year plan, the RMA also commits to support the initiatives by creating enabling monetary and financial sector polices geared towards boosting the domestic investment in the economy.

While hydropower remains an important driver of growth for Bhutan, investments in the agriculture and CSI sectors and the implementation of the flagship projects will provide the much needed diversification and resilience to the economy. Building a solid economic foundation by channeling resources from unproductive to more productive sectors that has strong forward and backward linkages in the economy which is vital for achieving sustainable economic growth.

On inflation front, over the medium term, the CPI inflation is projected at around 6 percent. Given Bhutan's strong economic and financial linkages with India, the recently adopted inflation targeting framework in India has positive impact on Bhutan.

Firstly, inflation targeting provides medium term signal on our general prices, which are indirectly embedded in the imported CPI, constituting 52% weight in the CPI basket. Secondly, the benchmark inflation target can be used to accordingly align our policies and also calibrate volatility in our exchange arrangements.

As announced in the 2016 Monetary Policy Statement, the RMA's measures to support growth and address this challenge targets the prudent management of reserves and credit. Several measures announced last year have already been implemented while efforts continue into this year to implement the remaining measures. In addition, the RMA is also taking an important step forward on the credit front through a renewed emphasis on advancing financial inclusion.

The financial sector is uniquely positioned to translate His Majesty's vision that our recent example in ensuring a successful democratic transition must be accompanied by successful economic transformation based on the foundations of a just, equal and harmonious society. The financial sector will work collectively to uphold His Majesty's vision for the sector – that we must be relevant, dynamic and resilient, and driven by SMART banking principles with the following "core values" of governance and management; (i) ensuring that the financial services are delivered with **Sincerity**, (ii) that the financial sector is **Mindful** of our bigger impact and social responsibility beyond the profit bottom line, (iii) that financial service providers are **Astute**, (iv) that the financial sector is **Resilient** and (v) provide services that are **Timeless**.

Inspired by His Majesty's vision and recognizing that financial inclusion is the foundational pillar of ensuring inclusive growth and macroeconomic success, an International Financial Inclusion Summit was organized in May 2017 as the inaugural event for the newly launched Bhutan Economic Forum for Innovative Transformation (BEFIT).

An important priority under the financial inclusion agenda is to increase productivity in the agriculture sector, which engages almost 60 percent of the total labor force, with a key focus on transforming farming from subsistence to a more enterprising and business oriented model. Another important focus area, with crosscutting fields in the broader agriculture sector is the cottage and small industry (CSI) sector. In order to encourage flow of credit to agriculture and CSI, the RMA is already in the final stages of implementing a Priority Sector Lending Policy as well as the Rules and Regulations for Cottage and Small Industries Banks.

Initiatives to advance the financial inclusion agenda will leverage the use of digital technology to deliver financial services to the un-banked and under-banked segments of our population living in sparsely populated villages, divided by tough mountainous terrains. In addition to overcoming costs and physical barriers, digital platforms provide a speedy and transparent mode of delivering financial services. It also offers opportunities to rapidly scale up access to financial services using mobile phones, retail point of sales, and other broadly available access points, through the use of agent networks, supported by an appropriate financial consumer protection framework. Here, the reach and reliability of telecommunication services and mobile connectivity is paramount.

The promotion and use of digital financial services also has a much bigger impact beyond inclusion. The digitalization of government payments has significant implications for the ease and efficiency of service delivery and the RMA is committed to continue our collaboration with the Government to support e-government initiatives. Digitalization of financial services is also an important facilitator of cross border trade with the rapidly increasing reliance on technology to facilitate delivery and payments. The RMA will continue to work with relevant stakeholders to ensure a safe and reliable digital payments platform. Within Bhutan, the infrastructure to enable inter-bank transfers – the Bhutan Immediate Payments Service (BIPS) was launched in January 2017. Going forward, the RMA is now working to connect the Bhutan Financial Switch with the Indian Financial Switch to facilitate seamless inter-operability of ATMs within the two countries to facilitate tourism and other travel services. Beyond payments, the RMA is also tapping technology to encourage inward remittances, such as for example, the launch of REMIT Bhutan in September 2016. We look forward to work closely with the Government, the financial sector and the Telco's to take forward Bhutan's digital initiative.

Lastly, I would like to thank all our partners including the government, financial institutions and the general public for their unwavering support and collaboration in all of our initiatives. We strongly hope that such cooperation and synergy will continue as we work together to take our economy to greater heights of prosperity.

Tashi Delek!

(Dasho Penjore)
Governor
July 2017

I. Macroeconomic Review[1]

Bhutan's **real GDP** growth was recorded at 6.7 percent in FY 2015/16, a slightly lower than the anticipated growth of 7 percent. Economic growth has been driven by investment in hydropower project, private sector and implementation of the 11th FYP.

With an increase in prices of both the food and non food components of the CPI basket, **inflation** increased from 3.3 percent in FY 2015/16 to 5.1 percent in the third quarter of 2016/17.

On the fiscal front, the fiscal deficit improved to 1.1 percent of GDP for FY 2015/16 against the target of 3. 2 percent of GDP. This was mainly due to an increase in the domestic revenue by 6.6 percent and decrease in total outlay by 10.6 percent. Likewise, the fiscal balance for 2016/17 is also projected to remain in a deficit at 4.1 percent of GDP.

In the balance of payments, the current account deficit continues to remain elevated. However, the current account deficit for FY 2015/16 was slightly lower at 29.0 percent compared to the initial projection of 31.1 percent of GDP

As the case historically, net inflows in the capital and financial account, made up largely of grant and loans, have financed the current account deficit, with a resulting buildup in the country's international reserves. The reserves amounted to USD 1,118.8 million as of June 2016.

Going forward, the medium-term outlook (FY 2016/17 – FY 2018/19) has been revised based on both the outcomes of FY 2015/16 as well as new developments in the last year.

1 Comparisons between initial projections and revised estimates/projections are based on the April 2016 and April 2017 projection results of the MFCC/MFCTC, respectively. The April 2016 projections were featured in the 2016 Monetary Policy Statement of the RMA. All ratios to the GDP use fiscal year GDP, which are derived by averaging two calendar year GDPs. In contrast, other publications of the RMA use calendar year GDP in all ratios; and therefore figures may vary slightly.

II. Medium-term Outlook

Real GDP growth is projected to decrease slightly from 6.7 percent in FY 2015/16 to 6.3 percent and 6.2 percent in 2016/17 and 2017/18 respectively. The decrease is mainly due to the winding down of hydropower constructions related to Mangdechhu and Punatsangchhu II. However, with the partial commissioning of Mangdechhu hydropower project the growth is expected to pick up marginally at 6.7 percent in FY 2018/19.

Bhutan's **inflation** remained slightly lower than projected for FY 2015/16 at 3.3 percent owing to the decline in fuel and commodity prices in the global market. Nonetheless, in the medium term due to increase in the commodity prices globally, Bhutan's headline inflation is projected to increase within the range of 6 - 7 percent.

On the fiscal front, according to the National Budget Report presented to the summer session of the National Assembly 2017, a fiscal deficit of 4.1 percent of GDP is expected in FY 2016/17 with a fall to 2. 5 percent of GDP in FY 2017/18. However, by the end of the 12 FYP the fiscal deficit is projected to be in a surplus at 7 percent of GDP. The improvement is mainly attributed to the commissioning of Mangdechhu, Punatsangchhu I & II hydropower projects in the medium term.

In the external sector, with the export projected to grow by 8.7 percent in 2016/17, the current account deficit is expected to improve to 23.0 percent of GDP from 29.0 percent in 2015/16. Although with the partial commissioning of Mangdechhu in 2018/19, the export is projected to increase by 19.5 percent. **However, the overall trade deficit is expected to persist due to the large and sustained growth of overall imports that are not offset by the increase in hydro exports. As a result, the current account deficit is projected to remain elevated, averaging close to 20.0 percent over the medium-term.**

Official inflows in the form of capital transfers (grants for hydropower development) and external loans of the Government are expected to continue to finance the current account deficit. The net surpluses in the capital and financial account are anticipated to be slightly larger than the current account deficit, resulting in a gradual buildup of reserves over the medium-term.

In the monetary sector, the broad money supply (M2) is projected to grow at an average of 22.3 percent over the medium term. Higher growth in M2 is expected to be influenced largely by growth in the net foreign assets (NFA) owing to additional inflows from hydropower project, particularly on account of partial commissioning of Mangdechhu hydro electric project.

Almost 50 percent of GDP of domestic credit is anticipated, mainly contributed by the access to credit transmitted through financial inclusion initiatives during the medium term.

Assessment of Key Challenges

The current account deficit continues to pose challenges for the economy over the medium-term. Since the external sector challenges are largely structural in nature, addressing the challenges will require concerted efforts from both fiscal and monetary fronts including favorable sector-specific policies, reforms and interventions.

- On the **monetary policy** front, credit growth has a direct impact on the current account deficit because we are highly import dependent and therefore a large portion of any credit extended by the financial sector translates into imports and subsequent pressures on the external sector (rising current account deficit and pressures on international reserves). In this context, significance of managing the demand side factors using monetary policy tools becomes crucial although it tends to lose its effectiveness when used for longer period.

- Effort towards addressing structural challenges through financial inclusion is significant for the economy to achieve a sustainable path of economic development. The challenges associated with financial inclusion and financial deepening need to be reviewed from three fronts (i) building a favorable institutional and regulatory framework (ii) mechanism for risk management and mitigation and (iii) ensuring stable overall macroeconomic stability. There is a challenge for maintaining a right balance on the above three factors while pursuing financial deepening efforts.

- From the **fiscal policy** front, expansion of fiscal deficit owing to large increase in current expenditure translates into increased financing for consumption led imports putting pressure on external sector and international reserves. Since our economy is largely influenced by public investment, the Government will be in the best place to influence the supply front dynamics and minimize the potential risk associated with undesirable spending. Consolidation of tax and appropriate fiscal reforms that support the inherent economic challenges will be beneficial for the economy to pave the way forward for a sustainable path of economic development. More importantly, focus on addressing supply bottleneck and employment generation efforts of the Government keeping in view the graduation to middle income country and potential withdrawals of the donor are some of the associated challenges over the medium to longer term.

- The Government can play a vital role in supporting priority sector lending activities through establishing a special window facility for farmers and other priority sector borrowers that guide and provide technical backstopping to develop priority sector project proposals. Further, the support provided by the government through introduction of Endowment Fund for Crop and Livestock Conservation will support farmers and priority sector related activities.

- Effective and prudent management of the stabilization fund sourced from hydro dividends and other sources also becomes critically important for the country along with efforts to diversify the economy away from hydropower sector. Issues concerning access to finance, labor shortages, low economies of scale, poor entrepreneurial skills and technology and market access are some of the factors that require due consideration for review in our efforts towards economic diversification.

Beyond the medium-term, the accelerated growth in GDP led by capital intensive hydropower sector poses several opportunities as well as challenges. The opportunities include higher growth prospect and increased per-capita income and other economic opportunities. The challenges relate to how effectively and prudently we take advantage of hydropower development in addressing our overall socioeconomic developmental needs– the positive externalities created by the development of hydropower sector are required to be optimally tapped through profitable investment and business undertakings, creating more employment and output in the economy.

Focused interventions to ensure that hydro-spillovers are managed effectively will require the coordinated and concerted efforts from the government as well as the community where the project is being undertaken. On our part, we will support the Government in all initiatives that are aimed at addressing the challenges associated with macroeconomic management.

Policy Prescriptions

Being mindful of the importance of finance in promoting investment in the country, channelizing credit to productive sectors through financial inclusion initiatives along with prudent management of reserves will continue to be the key focus areas of the RMA over the medium term. Along with the Minimum Lending Rate framework and prudential regulatory tools, the RMA will place importance on the deployment of credit to productive sectors of the economy that can boost production and generate employment opportunities for the youth using microfinance institutions, priority sector lending policy, CSIs banks and other such modes including agent banking.

On the reserve management front, the RMA will continue to encourage remittances from abroad using REMIT Bhutan. The RMA will continue to manage the existing reserves more prudently and effectively in line with its core mandate and functions as stipulated in the RMA Act 2010.

To address issues related to domestic supply bottlenecks and limited employment opportunity that continues to pose a threat to our overall macroeconomic stability, there is an urgent need for a collective intervention from both the government and the financial sector. Achieving sustained and inclusive growth must translate into pragmatic policy actions and all such initiatives must be effectively consolidated; complementing and reinforcing each other to address our common national goals.

Financial Inclusion as the Enabler of Economic Growth and Empowerment

Financial inclusion generally refers to universal access to useful and affordable financial products and services that meet the needs of individuals and business sector for – transactions, payments, savings, credit and insurance – delivered responsibly at a reasonable cost and in a sustainable way.

Financial inclusion is recognized as a powerful agent of strong and inclusive growth. The merits of financial inclusion are deeply rooted in empowerment. Access to finance is a bridge for economic opportunities and economic outcomes. By empowering individuals and families, financial inclusion helps to cultivate economic opportunities and gain economic freedom.

Studies show that access to finance and financial services empowers people in many ways – they are better able to start and expand their businesses, invest in education, manage risk, and absorb financial distress. Financial inclusion also helps to reduce income inequality and thereby accelerating economic growth. While financial inclusion initiatives have gained increased global attention with many important international players devoting increasing resources towards it, however, the challenges remain.

The World Bank Group estimates that there are about two billion people worldwide currently who lack access to basic financial services. Most of them are poor, and a large proportion are in African and Asian countries. In Bhutan, access to banking and financial services is yet to reach the most remote part of the country. According to Global Findex 2014, only 34 percent of all adults (above the age group of 15 years) own bank accounts, while only 15 percent of them save their money in the banks. Despite a long history of financial sector development in Bhutan, there is still a huge gap in realizing the national objective of a financially inclusive economy.

Given the difficult topographical and population distribution, modern technology becomes an effective tool to advance financial inclusion efforts across the country. The RMA will leverage the use of technology in the financial sector, especially mobile technology to drive the financial inclusion agenda. Recent initiatives along include implementation of Bhutan Immediate Payment Services, Payment Gateways, and initiatives on promoting mobile banking and mobile payments services and PoS services in the country. Financial technology and digital solutions not only enable the last mile connectivity and delivery but also offers scope for customization, improved efficiencies and reduced transaction costs. The RMA in collaboration with the financial institutions and the telecommunication sector is focused on leveraging technology, particularly in the mobile space to develop digital platforms to reach out to the financially excluded segments of the population, especially in the remote regions of the country.

Financial inclusion must be seen as being closely intertwined with the process of financial sector development. The RMA is also formulating a comprehensive financial inclusion and financial literacy policy. Currently, the financial inclusion efforts are categorized into two phases:

The first phase of **financial inclusion is directed towards poverty alleviation.** Under this initiative, the RMA is undertaking numerous measures such as – identification of priority sector activities, promotion of micro-finance institutions and agent banking, promotion of cottage and small scale industries (CSIs), bringing informal money lender under the purview of financial sector regulations and promotion of digital payment system in the country.

Further, under the broader financial inclusion initiatives and new framework of interest rate policies– Minimum Lending Rate, the main thrust of RMA over the medium term will be to implement the second phase of financial inclusion program. The **second phase of financial inclusion** will include the following;

i) **Implementation of Priority Sector lending policy:** The policy aims to strengthen the country's economic fundamentals targeting the supply side factors. The priority sector lending policy will act as a stimulus for economic transformation, targeting important sectors such as agriculture and CSIs that have greater capabilities to become more enterprising and business oriented. The main objectives of the priority sector lending policy are to (i) make agricultural farming and CSI business more enterprising whereby the financial institutions can expand their business opportunities through productive investment (ii) promote youth employment opportunities (iii) promote domestic production and import substitution and (iv) to achieve equitable, balanced and inclusive economic growth. The broad categories under priority sector includes agriculture, livestock and its allied activities, cottage and small-scale industries, education and skill development loan and home ownership loans.

ii) **Financing of cottage and small-scale industries:** The RMA also accords high priority in financing the CSIs as the sector can play a crucial role in employment creation, income generation and in bringing regional balanced development. The full potential of the CSI sector is yet to be tapped and explored. Constraints such as underdeveloped infrastructure, poor business development services, limited access of CSI to finance, and ineffective and poorly coordinated institutional support framework continue to impede the development of the CSIs. To address these problems, the RMA formulated Rules and Regulations for CSI Banks. The main objectives of CSI Bank regulation is to develop, promote, assist and support the establishment of, expansion or improvement of CSI enterprises by granting credit facilities to foster job creation and income generation thereby increasing their participation and contribution to the domestic economy.

iii) Keeping in mind the need to ensure financial stability along with financial deepening efforts, the RMA is also developing National Financial Inclusion Strategy. The strategy takes an integrated approach to establish specialized financial institutions such as CSI banks and specialized housing development corporation while also encouraging foreign capital for local industries. The RMA is also exploring opportunities to establish partnerships with regional and international partners to promote infrastructure development projects in the country.

2) To ensure improved corporate and institutional system in the financial sector, the RMA has been working to formulate and institute comprehensive corporate governance systems that can be applied uniformly across all the financial institutions.

3) To reach the last mile of financially un-and under-banked sections of the population, the RMA in collaboration with the financial institutions and telecommunication service providers will continue to promote digitalization through sound and enabling legal framework supported by appropriate customer care services and consumer protection framework over the medium term.

4) The RMA is also working to formulate a more holistic financial inclusion policy and targets to complete the financial literacy and awareness program in all 20 Dzongkhags by the end of 2017.

Efforts to advance financial inclusion, in particular, the launch of BEFIT with the inaugural theme of equitable growth through financial inclusion in May 2017 have demonstrated how different institutions enable inclusive growth through innovative financial products. The BEFIT brought together a wide range of expertise to share best practices and discuss innovative solutions to emerging national and regional economic challenges, with the overarching objective of transforming and improving the livelihood of our citizens. Policy makers and practitioners in the field of financial inclusion from more than 10 countries participated in the Summit.

While the main proceedings and outcomes of the Summit are being documented to be published soon, some key take-aways from the Summit are summarized as follows:

i. The Summit provided new ideas for the financial institutions to expand their business operations. Moving away from conventional banking practices to more innovative and customer driven products have gained attention in expanding market and business opportunities using digital platforms.

ii. The Summit also highlighted the important role of MFIs in stimulating financial inclusion with the focus of improving access to finance and financial services for underprivileged sections of the population.

iii. Best practices and success stories on financial products and services innovated by some regionally known institutions (such as Bandhan Bank (India), Sanasa Bank (Sri Lanka) and BRAC (Bangladesh) provided useful lessons.

iv. While product innovation and diversification are critical in reaching clients and advancing financial inclusion, it is also vital to ensure that the financial products are simple enough to be easily understood by the people.

v. Rather than re-inventing the wheel, it is easier to capitalize on existing local systems to reach the unbanked segments of the population by identifying the untapped potential of the local communities. Restructuring and professionalizing banking activities, recruiting and educating more rural unbanked population, building institutional capacity and linkages throughout the network and mobilizing the social capital that already exist in small pockets were highlighted as the new approaches to promote financial inclusion.

Based on lessons learned from comparable countries, some of the potential challenges in achieving financial inclusion are (1) resource constraints and difficult geographical access (2) limited financial literacy (3) information asymmetry with no proper credit history (4) low value transaction leading to high transaction cost (5) low level of technology and poor infrastructure (6) continued dependence on bank financing (7) dealing with informal segment of the society and remote areas, and associated monitoring issues (8) building strong relationship with the customers and hand holding wherever needed beyond the scope of credit disbursement.

A successful financial inclusion agenda is a consistent journey that demands unwavering commitment and resilience through building smart partnerships with key stakeholders supported by a consistent institutional framework and regulatory policies. The RMA will continue to expand knowledge of the issues relating to financial inclusion, and develop and share best practices through regional and international networking, to encourage policies that enable more and more people to take advantage of opportunities to ultimately improve the livelihood of our Bhutanese citizens.

MFCTC Projections

Particulars	2015/16	2016/17	2017/18	2018/19
	(prov)	(projections)		
Output and Prices				
Nominal GDP at market prices (mn. of Nu, fiscal year)	142,107.1	159,928.4	180,034.7	204,273.6
Real GDP (annual % change)	6.7	6.3	6.2	6.7
Agriculture & Allied	3.9	3.2	3.6	3.5
Industry	7.7	5.7	5.4	6.8
Manufacturing	*5.2*	*8.2*	*10.3*	*10.3*
Electricity & water	*6.3*	*3.0*	*5.2*	*11.7*
Construction	*10.1*	*6.0*	*1.2*	*-2.9*
Services	8.3	8.3	9.0	9.0
CPI (annual % change)	3.3	6.1	4.4	7.5
Balance of Payments and Reserves (mn. of Nu)				
Current account balance	*(41,211.8)*	*(36,707.1)*	*(37,962.8)*	*(30,989.9)*
(in % of FY GDP)	*-29.0*	*-23.0*	*-21.1*	*-15.2*
Merchandise exports	32,704.5	35,538.5	40,712.7	48,661.4
(growth in %)	-8.9	8.7	14.6	19.5
Merchandise imports (c.i.f.)	68,533.2	60,943.1	65,664.0	66,564.7
(growth in %)	10.7	-11.1	7.7	1.4
Trade balance (% of FY GDP)	-25.2	-15.9	-13.9	-8.8
Current and capital grants	24,026.5	31,860.2	31,684.7	23,462.7
of which, Budgetary Grants	14,487.9	14,969.0	14,934.3	12,577.8
Financial account balance	(42,431.6)	(22,288.2)	(24,640.2)	(28,924.9)
Overall balance (mn. of Nu)	12,567.2	9,796.3	10,333.3	15,448.3
International Reserves (mn. of USD)	1,118.8	1,250.1	1,386.8	1,593.2
(months of essential imports)	*30.4*	*31.2*	*31.8*	*33.6*
(months of merchandise imports)	*12.8*	*16.2*	*16.8*	*19.2*
National Budget (mn. of Nu)	Actual	Revised	Budget	Projection
Total Resources	42,039.3	47,890.1	51,402.9	50,286.7
(in % of FY GDP)	29.6	29.9	28.6	24.6

Particulars	2015/16	2016/17	2017/18	2018/19
	(prov)	(projections)		
Domestic revenue	28,033.8	29,167.9	34,700.4	41,607.6
(in % of FY GDP)	*19.7*	*18.2*	*19.3*	*20.4*
Grants	14,889.6	17,897.0	16,702.5	8,679.1
Total expenditure	44,688.4	56,283.2	57,915.7	53,253.3
Current	*22,880.6*	*25,670.6*	*28,569.7*	*32,494.9*
Capital	*21,807.9*	*30,612.6*	*29,346.0*	*20,758.4*
Net Lending	(1,885.3)	(1,902.8)	(2,065.4)	(2,103.3)
Fiscal balance	(1,563.7)	(6,490.4)	(4,447.4)	(863.3)
(in % of FY GDP)	*-1.1*	*-4.1*	*-2.5*	*-0.4*
Money and Credit (mn. of Nu)	Actual			(Projections)
Money Supply (M2)	79,193.7	97,268.6	116,132.7	137,374.5
(annual % change)	*15.9*	*22.8*	*19.4*	*18.3*
(in % of FY GDP)	*55.7*	*60.8*	*64.5*	*67.3*
(Income velocity)	*1.8*	*1.6*	*1.6*	*1.5*
Domestic credit	65,157.2	77,006.7	88,980.8	98,948.0
(in % of FY GDP)	*46.2*	*48.2*	*49.4*	*48.4*

Data as of the FY ending June, including GDP which is also on FY basis. Source: MFCTC, Ministry of Finance (projections as of April 2017) and IMF. 1) Fiscal projection source: Ministry of Finance. 2) BOP data source: RMA. 3) GDP data source: National Statistics Bureau. 4) CPI Inflation data source: IMF. Calendar year essential imports have been projected using an inflation of 6% (upper band of India's inflation target).

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