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## Monthly Bulletin for April 2020

The Reserve Bank of India today released the [April 2020](#) issue of its monthly Bulletin. The Bulletin includes [Seventh Bi-monthly Monetary Policy Statement for the Year 2019-20](#), [Monetary Policy Report – April 2020](#), one Speech, two Articles and Current Statistics.

The two articles are: [I. Climate Change: Macroeconomic Impact and Policy Options for Mitigating Risks](#); [II. Union Budget 2020-21: An Assessment](#).

### I. Climate Change: Macroeconomic Impact and Policy Options for Mitigating Risks

Climate change and the associated shift in weather pattern following an increase in average global temperature has emerged as a key risk to the macroeconomic outlook of both advanced and emerging market economies. India has witnessed significant changes in climatic patterns in the recent period. During the past two decades, not only has the average annual temperature witnessed a significant rise, but the dynamics of the South West Monsoon season in India has also undergone gradual changes. The article highlights the rising risks from climate change to the macroeconomic outlook of economies around the world and also reviews the available risk mitigating policy options. In particular, it looks at the impact of weather on inflation (particularly, food inflation) and economic activity in the Indian context.

#### Highlights:

- An analysis of major weather-related events in India since 1901 shows that the incidence of extreme events has increased in the last two decades, with rising average temperature levels and more volatile precipitation pattern relative to the long period average (LPA).
- With increase in population and economic activity, the cumulative level of greenhouse gas (GHG) emissions have increased causing the average temperature to rise over time. There exists a bi-directional causality between temperature and Gross Domestic Product (GDP) per capita. Also, rainfall affects the amount of available irrigated area, which in turn affects agricultural yield.
- Data reveal that some of the key agricultural states in India have been the most affected by extreme weather events such as excessive/unseasonal rainfall, severe temperature fluctuations and high speed winds.

- Empirical analysis shows that weather conditions, especially rainfall, have a strong influence on the food inflation trajectory and the impact was found to last for a couple of months. Within food, vegetables prices are the most vulnerable to rainfall shocks.
- Empirical analysis suggests that weather conditions have a significant impact on some of the key indicators of economic activity like Purchasing Managers Index (PMI), Index of Industrial Production (IIP), demand for electricity, trade, tourist arrivals, tractor and automobile sales.

## **II. Union Budget 2020-21: An Assessment**

This article presents an assessment of the Union Budget 2020-21. The budget aimed at energising the Indian economy through a combination of short-term, medium-term and long-term measures. It walked a tight rope, balancing the need for providing counter-cyclical support to growth, while adhering to fiscal discipline. The Union Budget 2020-21 introduced tax reforms in the form of simplified tax structure and easing compliance. It also avoided cutting down capital expenditure to meet the fiscal deficit target.

### **Highlights:**

- As against the budgeted gross fiscal deficit (GFD) of 3.3 per cent of GDP for 2019-20, the revised estimates (RE) for GFD stood at 3.8 per cent of GDP. The budgeted GFD for 2020-21 stands at 3.5 per cent of GDP.
- Despite the higher than budgeted fiscal deficit in 2019-20, the gross and net market borrowings for the fiscal were kept intact. For 2020-21 (BE), the gross market borrowing is higher at ₹7.8 lakh crore, while the net borrowing is budgeted at ₹5.5 lakh crore. Recent years have also witnessed a growing share of National Small Savings Fund (NSSF) in Centre's borrowing programme.
- Total outstanding liabilities of the Union government (including borrowings through extra budgetary resources) are expected to increase sharply to 51.0 per cent of GDP in 2019-20 (RE) and moderate slightly to 50.6 per cent in 2020-21 (BE).
- Resource transfers from the Centre to states declined in 2019-20 (RE) due to lower tax devolution, which was partially offset by increase in other transfers. In 2020-21, gross transfers are budgeted at 6.2 per cent of GDP.
- During the ensuing year, however, the fiscal performance of the country depends on the impact of the COVID-19 pandemic on Indian economy and the evolving situation.