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OVERVIEW

Indian economy grew by 6.3 per cent during the second quarter of fiscal 2017-18 spanning July-September, a strong improvement from the 5.7 per cent growth in the first quarter. India's gross domestic product (GDP) at constant prices for the second quarter is estimated at around US\$494.5 billion, compared with US\$468 billion a year earlier. This is an indication of a recovery in India's GDP following a slowdown in the aftermath of certain national policy enactments as well as global market headwinds. Stock of foodgrains (rice and wheat) with the Food Corporation of India as on October 1st

2017 was 43.3 million tonnes, compared with 37.2 million tonnes a year earlier. Additionally, the Index of Industrial Production (IIP) grew by 3.8 per cent in September 2017, while production registered by the country's eight core industries grew by 5.2 per cent. Moreover, the Central Government's net tax revenue increased by 21 per cent during April-September of 2017. So far this financial year, India's foreign exchange reserves has improved by US\$28.8 billion to reach US\$398.8 billion as on October 27th.

INDIA'S FINANCIAL MARKETS

Money Supply: Growth of money supply on year-on-year basis (YoY) as on October 27th stood at 6.5 per cent as compared with a growth of 10.4 per cent a year earlier.

Growth of aggregate deposits with Scheduled Commercial Banks (SCBs) was

9.2 per cent. Bank credit grew by 7.2 per cent as against 8.7 per cent. The Y-o-Y growth of investment in Government and other approved securities by SCBs was 15.9 per cent as compared with 8 per cent.

INDIA'S PUBLIC FINANCE

The budget estimate of fiscal deficit for 2017-18 is 3.2 per cent of GDP, as compared with 3.5 per cent in 2016-17. The Budget estimate for revenue deficit as percentage of GDP for 2017-18 is 1.9 per cent, as compared to 2.1 per cent.

Revenue Receipts (net to Centre) for April-September 2017 increased to Rs6.2

trillion - a growth of 9.9 per cent Y-o-Y. Tax revenue (net to Centre) increased to Rs5.4 trillion - a growth of 21 per cent. Total expenditure amounting to Rs11.5 trillion - an increase of 11.8 per cent.

INDIA'S INFLATION

The Inflation based on Consumer Price Indices (CPI): The all India CPI inflation (New Series Combined) increased to 3.6 per cent in October 2017 from 3.3 per cent in September 2017. Food inflation based on Consumer Food Price Index (CFPI) increased to 1.9 per cent from 1.2 per cent on account of increase in inflation in vegetables, milk and milk products and egg.

Wholesale Price Index (WPI): The WPI inflation based on the revised series (2011-12=100) increased to 3.6 per cent in October 2017 from 2.6 per cent in September 2017. WPI food inflation (food articles + food products) increased to 3.2 per cent in October 2017 from 2 per cent. Inflation in fuel and power increased to 10.5 per cent in October 2017 as compared with 9 per cent.

PERFORMANCE OF THE TOP SECTORS

Agriculture and Food Management

- Production of food grains: As per the 1st Advance Estimates released by Ministry of Agriculture, Cooperation and Farmers Welfare on September 22nd, production of kharif food grains during 2017-18 is estimated at 134.7 million tonnes, as compared with 138.5 million tonnes (4th Advance estimates) and 135 million tonnes (1st Advance estimates) in 2016-17.
- Stocks: Stocks of foodgrains (rice and wheat) held by FCI as on October 1st was 43.3 million tonnes, as compared with 37.2 million tonnes a year earlier.

- The IIP grew by 3.8 per cent in September 2017, as compared with a growth of 5 per cent in September 2016. IIP growth during April-September 2017 was 2.5 per cent, as compared with growth of 5.8 per cent a year earlier.

Eight Core Industries

- Production of eight core industries grew by 5.2 per cent in September 2017, as compared with 5.3 per cent in September 2016. During April-September 2017, the cumulative production of these eight core industries grew by 3.3 per cent, as compared to a growth of 5.4 per cent

Industry and Infrastructure

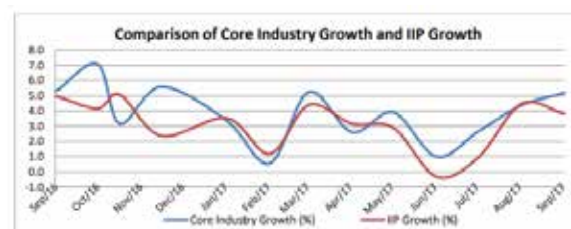
Index of Industrial Production (IIP)

Production growth (per cent) in Core Infrastructure Supportive Industries				
Industry	2016-17 (Apr-Sep)	2017-18 (Apr-Sept.)	Sept - 2016	Sept - 2017
Coal	0.8	1.5	-6.7	10.6
Cure oil	-3.3	-0.2	-4.1	0.1
Natural Gas	-4.3	5.0	-5.9	6.3
Refinery Products	7.3	2.1	6.9	8.1
Fertilizers	1.5	-2.1	0.3	-7.7
Steel	9.9	5.5	16.1	3.7
Cement	4.7	-1.9	6.7	0.1
Electricity	6.5	6.0	5.1	5.2
Overall Growth	5.4	3.3	5.3	5.2
Source: Office of Economic Advisor, DIPP (Ministry of Commerce & Industry)				

Infrastructure Indicators

- The number of telephone subscribers in India declined slightly from the end of July to 1.2 billion in August 2017. The overall tele-density in India stood at 93.7 per 100 individuals at end August 2017.
- The traffic handled in major ports grew by 3.3 per cent to 382.9 million tonnes in April-October 2017 from 370.8 million tonnes a year earlier.

- The total installed capacity for electricity generation was 331.1 GW at the end of October 2017, of which the share of thermal, hydro, renewable and nuclear sources was 66.3 per cent, 13.5 per cent, 18.2 per cent and 2 per cent, respectively.



Source: Ministry of Finance

INDIA'S EXTERNAL TRANSACTIONS

- Foreign trade:** The value of merchandise exports declined by 1.1 per cent Y-o-Y to US\$23.1 billion and imports increased by 7.6 per cent to US\$37.1 billion in October 2017. In September 2017, India's service

export was US\$13.7 billion, registering a negative growth of 0.3 per cent. Meanwhile, India's service import increased by 2.4 per cent to US\$8.5 billion.

Exports and Imports (US\$ billion)							
Items	2016-17	2016	2017	Growth(%)	2016	2017	Growth(%)
		(October)			(April-October)		
Exports	275852	23361	23098	-1.1	155344	170287	9.6
Imports	384356	34495	37117	7.6	209835	256434	22.2
Oil Imports	86964	7261	9287	27.9	46788	56252	20.2
Non-Oil im-ports	297392	27234	27830	2.2	163047	200182	22.8
Trade Deficit	-108504	-11134	-14019	-	-54491	-86148	-
Source: Provisional data as per the Press Release of the Ministry of Commerce and Industry							

- **Balance of Payments:** India's current account deficit (CAD) increased sharply from US\$400 million (0.1 per cent of GDP) in Q1 of 2016-17 to US\$14.3 billion (2.4 per cent of GDP) in Q1 of 2017-18.
- **Foreign Exchange Reserves:** Foreign exchange reserves stood at US\$398.8 billion as on 27th October 2017, as compared to US\$370 billion at end-March 2017.
- **Exchange rate:** The rupee depreciated against the US dollar and Pound sterling by 1 per cent and 0.2 per cent, respectively, and appreciated against Euro and Japanese Yen by 0.4 per cent and 1 per cent in October 2017 from the previous month.
- **External Debt:** India's external debt stood at US\$485.8 billion at end-June 2017, recording an increase of 3 per cent over the level at end-March 2017. Short-term external debt was US\$88.8 billion at end-June 2017.

INDIA'S FDI AND ODI

Foreign Direct Investment into India (FDI)

- The nation's foreign direct investment (FDI) equity inflow over the first six months of financial year 2017-18 spanning April-September was US\$25.4 billion, marking an increase of 17 per cent from previous year.
- The top investing nations were - Mauritius, Singapore, Japan, the UK and the Netherlands, the USA, Germany, Cyprus, France and the United Arab Emirates.
- The top sectors in India attracting foreign investments were - services, telecommunications, computer software and hardware, infrastructure development, automobile, trading, pharmaceuticals, chemicals, power and construction.

- The top regions receiving foreign investments - Mumbai, New Delhi, Bengaluru, Chennai, Ahmedabad, Hyderabad, Kolkata, Kochi, Jaipur, Chandigarh.

India's Overseas Direct Investment (ODI)

- Cumulative ODI outflows (from April to August 2017): US\$3.9 billion
- Cumulative ODI (financial commitment): US\$7.9 billion
- Top ten ODI destination countries: Mauritius, Singapore, the USA, the UAE, the Netherlands, the UK, Switzerland, Russia, Jersey, British Virgin Islands
- Sectors attracting highest ODI outflows: manufacturing, financial services, retail, logistics, agriculture and mining, community services, energy and water, construction and others.

OUTLOOK FOR THE INDIAN ECONOMY

- India has become the most attractive emerging market for global partners (GP) investment for the coming 12 months, as per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).
- The World Bank has stated that private investments in India is expected to grow by 8.8 per cent in FY 2018-19 to overtake private consumption growth of 7.4 per cent, and thereby drive the growth in India's gross domestic product (GDP) in FY 2018-19.
- India's gross domestic product (GDP) is also expected to reach US\$6 Trillion by FY 2027 and achieve upper-middle income status on the back of digitisation, globalisation, favourable demographics, and reforms.
- Also, the Prime Minister, Mr Narendra Modi has stated that India has become the world's fastest growing large economy, and is expected to grow five-fold by 2040, owing to a series of policy measures.

For more information: Ministry of Finance, Department of Economic Affairs [Monthly Economic Report, October 2018](#).
