Ministry Of External Affairs
Government Of India

ECONOMIC DIPLOMACY & STATES DIVISION

MONTHLY ECONOMIC REPORT

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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 over the 5.7 per cent growth in the first quarter.[1] This is an indication of a recovery following a slowdown in the aftermath of certain national policy enactments as well as global market headwinds. India's gross domestic product (GDP) at constant prices for the second quarter is estimated at around US$499.2 billion, compared with US$469.3 billion a year earlier. Total stocks of rice and wheat held by the Food Corporation of India and State agencies as on November 1st 2017 was 37.9 million tonnes comprising of 14 million tonnes of rice and 23.9 million tonnes of wheat. The value of merchandise exports increased by 30.5 per cent and that of merchandise imports increased by 19.6 per cent in US dollar terms in November 2017. The Central Government's net tax revenue increased by 19.5 per cent during April-October of 2017. Foreign exchange reserves stood at US$400.7 billion on 24th November 2017 as compared with US$370 billion at end-March 2017.

1 http://mospi.nic.in/sites/default/files/press_release/PRESS_NOTE-Q2_2017-18.pdf

INDIA'S FINANCIAL MARKETS

Money Supply: Growth of money supply on year-on-year (YoY) basis as on November 24th stood at 8.8 per cent, as compared with a growth rate of 8.1 per cent a year earlier.

Growth of aggregate deposits with Scheduled Commercial Banks (SCBs) was 3.5 per cent. Bank credit grew by 9.6 per cent as against 6.2 per cent. The Y-o-Y growth of investment in Government and other approved securities by SCBs was 3.9 per cent, as compared with 20.4 per cent.

The budget estimate of the fiscal deficit for 2017-18 is 3.2 per cent of GDP, as

INDIA'S PUBLIC FINANCE

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 with 2.1 per cent.

Revenue Receipts (net to Centre) for April-October 2017 increased to Rs7.3 trillion - a growth of 4.4 per cent Y-o-Y. Tax revenue (net to Centre) increased to Rs6.3 trillion - a growth of 19.5 per cent. Total expenditure amounting to Rs.12.9trillion - an increase of 12.3 per cent.

INDIA'S INFLATION

The Inflation based on Consumer Price Indices (CPI): The all India headline inflation based on Consumer Price Index – Combined (CPI-C) increased to 4.9 per cent in November 2017 from 3.6 per cent in October 2017. Food inflation based on Consumer Food Price Index (CFPI) increased to 4.4 per cent from 1.9 per cent on account of increase in inflation of fruits, vegetables, egg and sugar and confectionery.

Wholesale Price Index (WPI): The WPI inflation based on the revised series (2011-12=100) increased to 3.9 per cent in November 2017 from 3.6 per cent in October 2017. WPI food inflation (food articles + food products) increased to 4.1 per cent from to 3.2 per cent. Inflation in fuel and power decreased to 8.8 per cent as compared with 10.5 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 was estimated at 134.7 million tonnes, as compared with 138.5 million tonnes (4th Advance estimates) and 135 million tones (1st Advance estimates) in 2016-17.
- Stocks: Stocks of foodgrains held by FCI and State agencies as on November 1st was 37.9 million tonnes comprising of 14 million tonnes of rice and 23.9 million tonnes of wheat.

Industry and Infrastructure

Index of Industrial Production (IIP)

- The IIP grew by 2.2 per cent in October 2017, as compared with a growth of 4.2 per cent in October 2016. IIP growth during April-October 2017 was 2.5 per cent, as compared with growth of 5.5 per cent a year earlier.

Eight Core Industries

- Production of eight core infrastructure industries grew by 4.7 per cent in October 2017, as compared with 7.1 per cent in October 2016. During April-October 2017, the cumulative production grew by 3.5 per cent, as compared with 5.6 per cent a year earlier.

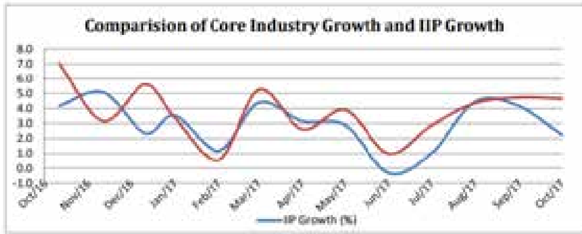
Production growth (per cent) in Core Infrastructure Supportive Industries

Industry	2016-17 (Apr-Oct.)	2017-18 (Apr-Oct.)	October - 2016	October - 2017
Coal	0.4	1.8	-1.9	3.9
Cure oil	-3.3	-0.2	-3.2	-0.4
Natural Gas	-3.9	4.7	-1.5	2.8
Refinery Products	8.0	2.9	12.6	7.5
Fertilizers	1.4	-1.3	0.7	3.0
Steel	10.9	6.0	17.4	8.4
Cement	4.9	-1.6	6.2	-2.7
Electricity	6.0	5.2	3.0	2.1
Overall Growth	5.6	3.5	7.1	4.7

Source: Office of Economic Advisor, DIPP (Ministry of Commerce & Industry)

Infrastructure Indicators

- The number of telephone subscribers in India declined slightly to 1.2 million at the end of October from a month earlier. The overall tele-density in India stood at 92.9 per 100 individuals at end October 2017.
- The traffic handled in major ports grew by 3.5 per cent to 439.7 million tonnes in April-November 2017 from 425.0 million tonnes a year earlier.
- The total installed capacity for electricity generation was 330.9 MW at the end of November 2017, of which the share of thermal, hydro, renewable and nuclear sources was 66.2 per cent, 13.6 per cent, 18.2 per cent and 2.0 per cent, respectively.



Source: Ministry of Finance

INDIA'S EXTERNAL TRANSACTIONS

- **Foreign trade:** The value of merchandise exports increased by 30.6 per cent Y-o-Y to US$26.2 billion, while imports increased by 19.6 per cent to US$40 billion million in November 2017. In October 2017, India's service export was US$14.2 billion, registering a positive growth of 3.06 per cent. Meanwhile, India's service import increased by 3 per cent to US$8.7 billion.[2]

Exports and Imports (US$ billion)							
Items	2016-17	2016	2017	Growth(%)	2016	2017	Growth(%)
		(November)			(April-November)		
Exports	275852	20066	26196	30.5	175411	196482	12.0
Imports	384356	33462	40025	19.6	243297	296459	21.9
Oil Imports	86964	6864	9551	39.1	53653	65803	22.6
Non-Oil imports	297392	26598	30474	14.6	189644	230656	21.6
Trade Deficit	-108504	-13396	-13829	-	-67886	-99977	-
Source: Provisional data as per the Press Release of the Ministry of Commerce and Industry							

2 http://pib.nic.in/newsite/PrintRelease.aspx?relid=174381

- **Balance of Payments:** India's current account deficit (CAD) of US$22.2 billion (1.8 per cent of GDP) in the first half of 2017-18 increased from US$3.9 billion (0.4 per cent of GDP) a year earlier.
- **Foreign Exchange Reserves:** Foreign exchange reserves stood at US$400.7 billion as on November 24th, as compared with US$370 billion at end-March.
- **Exchange rate:** The rupee appreciated against the US dollar, Pound sterling, Euro and Japanese Yen by 0.3 per cent, 0.2 per cent, 0.5 per cent and 0.3 per cent, respectively, in November 2017 over the previous month.
- **External Debt:** India's external debt stood at US$495.7 billion at end-September 2017, increasing by 5.1 per cent from end-March 2017. Short-term external debt was US$92.7 billion at end-September 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. Meanwhile, portfolio investment recorded a net inflow of US$14.5 billion during the first half of 2017-18 as compared with US$8.2 billion a year earlier.

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's GDP is expected to reach US$6 trillion by financial year (FY) 2027 and achieve upper-middle income status on the back of digitisation, globalisation, favourable demographics, and reforms.

India is planning to achieve 40 per cent of its energy from non-fossil sources by 2030 which is currently 30 per cent and also have plans to increase its renewable energy capacity from 57 GW to 175 GW by 2022.

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.

For more information: Ministry of Finance, Department of Economic Affairs Monthly Economic Report, November 2018.