MONTHLY ECONOMIC REPORT

DECEMBER 2017

Ministry Of External Affairs
Government Of India

ECONOMIC DIPLOMACY & STATES DIVISION

CONTENTS

OVERVIEW

India's Gross Domestic Product (GDP), currently estimated at around US$2.5 trillion, is estimated to grow by 6.5 per cent over the financial year 2017-18[1] ending March 31st.Meanwhile, the growth in Gross Value Added (GVA) at constant (2011-12) basic prices for FY 2017-18 has been pegged at 6.1 per cent. This is an indication of strengthening of the economy following a slowdown in the aftermath of certain national policy enactments as well as global market headwinds. At the sectoral level, agriculture, industry and services sectors grew at the rate of 2.1 per cent, 4.4 per cent and 8.3 per cent, respectively, in 2017-18. The Index of Industrial Production (IIP) grew by 8.4 per cent in November 2017, as compared to a growth of 5.1 per cent in November 2016. Meanwhile, production of eight core infrastructure industries grew by 4.0 per cent in December 2017.

The value of merchandise exports and imports increased by 12.4 per cent and 21.1 per cent, respectively, in December 2017 over December 2016. Concurrently, foreign exchange reserves stood at US$409.4 billion on December 29th, 2017 as compared with US$400.7 billion on November 24th, 2017. The CPI inflation increased to 5.2 per cent in December 2017 from 4.9 per cent in November 2017. The budget estimate of the fiscal deficit for 2018-19 has been set at 3.3 per cent of GDP, as compared to 3.5 per cent in 2017-18 (RE).

1 https://dea.gov.in/sites/default/files/MER%20December%202017_0.pdf

INDIA'S FINANCIAL MARKETS

Money Supply: Growth of money supply on year-on-year (YoY) basis as on January 5th, 2018 stood at 10.7 per cent, as compared with a growth rate of 6.1 per cent a year earlier. In the components of money supply, the growth of "currency with the public" was 97.7 per cent against a contraction of 45.3 per cent a year earlier.

Growth of aggregate deposits with Scheduled Commercial Banks (SCBs) as on 5th January 2018 was 4.5 per cent. Bank credit grew by 11.1 per cent as against 4.7 per cent last year.

INDIA'S PUBLIC FINANCE

The Union Budget 2018-19 was presented on February 1st, 2018. As per the revised estimate for 2017-18, the fiscal deficit of the Central Government as percentage of GDP is 3.5 per cent, as against the corresponding budget estimate of 3.2 per cent. The fiscal deficit is budgeted to decline to 3.3 per cent of GDP in 2018-19.

Revenue Receipts for 2017-18 is estimated at Rs15.1 trillion as compared with Rs13.7 trillion in the previous year. Tax revenue (net to Centre) is estimated at Rs12.7 trillion, as compared with Rs11 trillion a year earlier. Total expenditure amounting to Rs22.2 trillion - an increase of 11 per cent. Revenue receipts and tax revenue (net to Centre for the fiscal 2018-19) are estimated at Rs17.3 trillion and Rs14.8 trillion, respectively.

INDIA'S INFLATION

The Inflation based on Consumer Price Indices (CPI): The all India CPI inflation (New Series Combined) increased to 5.2 per cent in December 2017 from 4.9 per cent in November 2017. Food inflation based on Consumer Food Price Index (CFPI) increased to 5.0 per cent from 4.4 per cent in November 2017 on account of increase in inflation in fruits, vegetables, egg and meat and fish.

Wholesale Price Index (WPI): The WPI inflation based on the revised series (2011-12=100) decreased to 3.6 per cent in December 2017 from 3.9 per cent in November 2017. WPI food inflation (food articles + food products) decreased to 2.9 per cent from to 4.1 per cent. Inflation in fuel & power increased to 9.2 per cent as compared to 8.8 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: The total stocks of rice and wheat held by the Food Corporation of India and State agencies as on January 1st 2018 was 35.8 million tonnes comprising of 16.2 million tonnes of rice and 19.6 million tonnes of wheat.

Industry and Infrastructure

Index of Industrial Production (IIP)

- The IIP grew by 8.4 per cent in November 2017, as compared with a growth of 5.1 per cent in November 2016. The growth over April-November 2017 was 3.2 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 per cent in December 2017, as compared with 5.6 per cent in December 2016. During April-December 2017, the production of eight core industries grew by 4 per cent, as compared to the growth of 5.3 per cent in corresponding period of previous year.

Infrastructure Indicators

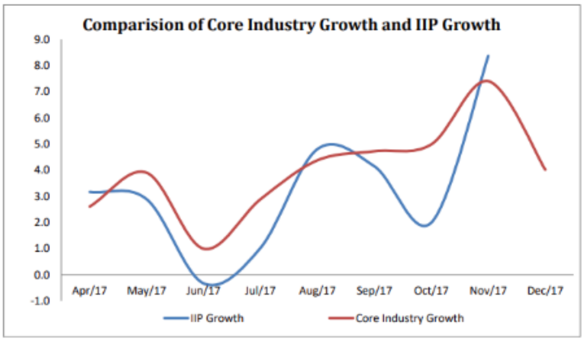
- The number of telephone subscribers

Production growth (per cent) in Core Infrastructure Supportive Industries

Industry	2016-17 (Apr-Dec.)	2017-18 (Apr-Dec.)	December - 2016	December - 2017
Coal	1.5	1.3	3.6	-0.1
Cure oil	-3.2	-0.4	-0.8	-2.1
Natural Gas	-3.3	4.0	-0.4	1.0
Refinery Products	6.7	3.9	5.4	6.6
Fertilizers	1.2	-0.6	-2.9	3.0
Steel	10.9	6.7	15.9	2.6
Cement	2.8	2.7	-8.7	19.6
Electricity	6.4	4.9	6.4	3.3
Overall Growth	5.3	4.0	5.6	4.0

Source: Office of Economic Advisor, DIPP (Ministry of Commerce & Industry) in India slightly declined from 120.2 million at end-October to 118.6 million at end-November. The overall tele-density in India stood at 91.6 per hundred individuals at end-November.

- The traffic handled in major ports grew by 3.6 per cent to 499.4 million tonnes in April-December 2017, from 481.9 million tonnes a year earlier.
- The total installed capacity for electricity generation was 330,861 MW at the end of December 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. As per the Central Electricity Authority, electricity generation grew by 1.4 per cent in December 2017. In April-December 2017, electricity generation grew by of 4.0 per cent.



Source: Ministry of Finance

INDIA'S EXTERNAL TRANSACTIONS

- **Foreign trade:** The value of merchandise exports increased by 12.4 per cent Y-o-Y to US$27 billion, while imports increased by 21 per cent to US$41.9 billion million in December 2017. In November 2017, India's service export was US$15.4 billion, registering a positive growth of 8.76 per cent. Meanwhile, India's service import increased by 10.89 per cent to US$9.7 billion.[2]

Exports and Imports (US$ billion)							
Items	2016-17	2016	2017	Growth(%)	2016	2017	Growth(%)
		(November)			(April-November)		
Exports	275852	24056	27030	12.4	199467	223513	12.1
Imports	384356	34602	41910	21.1	277899	338370	21.8
Oil Imports	86964	7667	10346	34.9	61320	76149	24.2
Non-Oil imports	297392	26935	31565	17.2	216580	262221	21.1
Trade Deficit	-108504	-10546	-14880	-	-78432	-114857	-
Source: Provisional data as per the Press Release of the Ministry of Commerce and Industry							

2 http://pib.nic.in/newsite/PrintRelease.aspx?relid=175639

- **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$409.4 billion as on December 29th, 2017, as compared with US$400.7 billion as on November 24th.
- **Exchange rate:** The rupee appreciated against the US dollar, Euro and Japanese Yen by 1.0 per cent, 0.2 per cent and 1.1 per cent, respectively, while depreciated against Pound sterling by 0.4 per cent in December 2017 over the previous month of November 2017.
- **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 nine months of financial year 2017-18 spanning April-December was US$35.9 billion, marking an increase of 0.3 per cent from previous year.[3]
- 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 December 2017): US$7.3 billion[4]
- Cumulative ODI (financial commitment): US$16.6 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.

3 http://dipp.nic.in/sites/default/files/FDI_FactSheet_21February2018.pdf

4 https://dea.gov.in/sites/default/files/ODI%20Fact%20Sheet%20from%20April%202014%20to%20December%202017.pdf

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.
- India is expected to be the third largest consumer economy as its consumption may triple to US$4 trillion by 2025, owing to shift in consumer behaviour and expenditure pattern, according to a report by Boston Consulting Group
- 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, December 2018.