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OVERVIEW

The growth of India's gross domestic product (GDP) at constant prices for the third quarter of financial year 2017-18 was recorded at 7.2 per cent, which is higher as compared with the growth registered in previous four quarters. As a result, India's US\$2.5 trillion economy is estimated to grow by 6.6 per cent over the financial year ending March 31 2018.¹ Meanwhile, the growth in Gross Value Added (GVA) at constant basic prices for FY 2017-18 is expected to be 6.4 per cent. This indicates towards 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 3.0 per cent, 4.8 per cent and 8.3 per cent, respectively, in 2017-18. The Index of

Industrial Production (IIP) grew by 4.4 per cent in March 2018, which was the same as in March 2017. Meanwhile, production of eight core infrastructure industries grew by 4.1 per cent in March 2018, as compared with 5.2 per cent in March 2017. The value of merchandise exports and imports increased by 5.2 per cent and 4.6 per cent, respectively, during April 2018 over April 2017. The nation's foreign exchange reserves stood at US\$420.4 billion as on April 27th, compared with US\$424.4 billion as on March 30th. The CPI inflation increased to 4.6 per cent in April 2018 from 4.3 per cent in March 2018. The budget estimate of the fiscal deficit for 2018-19 has been set at 3.3 per cent of GDP, as compared with 3.5 per cent in 2017-18(RE)

¹ <https://dea.gov.in/sites/default/files/MER-April%202018.pdf>

INDIA'S FINANCIAL MARKETS

Money Supply: Growth of money supply on year on year basis (outstanding as on April 27th) stood at 10.6 per cent, as compared with a growth of 6.7 per cent a year earlier. In the components of money supply, the growth of 'currency with the public' was 33.9 percent, against a drop of 17.4 percent registered a year earlier.

Growth of Aggregate deposits of Scheduled Commercial Banks (SCBs) as on April 27th was 8.2 per cent. Bank credit grew by 12.6 per cent as on April 27th as compared to 4.8 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 is estimated to rise by more than 12 per cent to Rs22.2 trillion. 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

Inflation based on Consumer Price Indices (CPI): The all India Consumer Price Index – Combined (CPI-C) inflation increased to 4.6 per cent in April 2018 from 4.3 per cent in March 2018.

Food inflation, based on Consumer Food Price Index (CFPI), remained unchanged at 2.8 per cent in April 2018 as in March 2018.

Wholesale Price Index (WPI): The WPI inflation increased to 3.2 per cent in April

2018 from 2.5 per cent in March 2018.

WPI food inflation (food articles + food products) increased to 0.7 per cent in from a drop of 0.1 per cent. Inflation in fuel and power increased to 7.9 per cent, as compared with 4.7 per cent.

PERFORMANCE OF THE TOP SECTORS

Agriculture and Food Management

- Production of food grains: As per the 3rd Advance Estimates (AE) released by Ministry of Agriculture and Farmers Welfare on May 16th 2018, the production of foodgrains during 2017-18 is estimated at 279.5 million tonnes, compared with 275.1 million tonnes in 2016-17 (Final Estimate).
- Stocks: The total stocks of rice and wheat held by the Food Corporation of India and State agencies as on April 1, 2018 was 43.2 million tonnes, compared with 37.8 million tonnes as on 1st April, 2017.

Industry and Infrastructure

Index of Industrial Production (IIP)

- The general IIP grew by 4.4 per cent in March 2018, as in March 2017. The cumulative growth of IIP for 2017-18 was 4.3 per cent, as compared with

a growth of 4.6 per cent recorded in 2016-17. The production of the manufacturing sector grew by 4.4 per cent in March 2018, as compared to the growth of 3.3 per cent in March 2017.

- The manufacturing sector's growth during 2017-18 was 4.5 per cent, as compared to growth of 4.4 per cent during 2016-17. In terms of use based classification, all sectors except the capital goods sector registered positive growth in March 2018.

Eight Core Industries

- Production of eight core infrastructure industries grew by 4.1 per cent in March 2018, as compared with 5.2 per cent in March 2017. On cumulative basis, during 2017-18, the production of eight core industries grew by 4.2 per cent, as compared with the growth of 4.8 per cent in 2016-17.

Production growth (per cent) in Core Infrastructure Supportive Industries

Industry	2016-17 (Apr-Feb.)	2017-18 (Apr-Feb.)	February - 2017	February - 2018
Coal	3.2	2.5	10.6	9.1
Cure oil	-2.5	-0.9	0.9	-1.6
Natural Gas	-1.0	2.9	9.6	1.3
Refinery Products	4.9	4.6	2.0	1.0
Fertilizers	0.2	0.0	-3.0	3.2
Steel	10.7	5.6	11.0	4.7
Cement	-1.2	6.3	-6.8	13.0
Electricity	5.8	5.2	6.2	4.5
Overall Growth	4.8	4.2	5.2	4.1

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

Infrastructure Indicators

- The number of telephone subscribers in India increased from 1180 million at the end of February 2018 to 1206 million at end March 2018. The overall teledensity in India increased from 90.9 per hundred individuals at end of February 2018 to 92.8 at end March 2018; the urban teledensity was 165.9 and rural tele-density was 59.1 at end March 2018.
- The traffic handled across major Indian ports grew by 1.8 per cent to 56.8 million tonnes in April, the first month of the financial year 2018-19, from 55.8 million tonnes a year earlier.
- With addition to power generation capacity of around 9,505 MW during April-March 2017-18, the total installed capacity for electricity generation was 344 GW at the end of March 2018. Out of this, the share of thermal, hydro, renewable and nuclear sources was 64.8 per cent, 13.2 per cent, 20.1 per cent and 2.0 per cent, respectively.
- As per the Central Electricity Authority, electricity generation grew by 3.1 per cent in March 2018. In April-March 2017-18, electricity generation grew by 4 per cent.

INDIA'S EXTERNAL TRANSACTIONS

- Foreign trade: Merchandise exports during April 2018 were valued at US\$25.9 billion as compared with US\$24.6 billion during April 2017 exhibiting a positive growth of 5.2 per cent.² Meanwhile, merchandise imports during April 2018 were valued at US\$39.6 billion, which was 4.6 per cent higher than US\$37.9 billion in April 2017. Under services,³ exports were reported at US\$16.8 billion during March 2018 after rising by 18.7 per cent from previous year, and imports were recorded at US\$10.3 billion, marking a 24.3 per cent annual rise.

Exports and Imports (US\$ billion)						
Items	2016-17	2017-18 (P)	Growth	April 17	April 18	% Change in Apr 2018 over Apr 2017
Exports	275852	303267	9.9	24635	25908	5.2
Imports	384356	464711	20.9	37884	39625	4.6
Oil Imports	86964	108647	24.9	7359	10413	41.5
Non-Oil imports	297392	356064	19.7	30525	29213	-4.3
Trade Deficit	-108504	-161444	48.8	-13249	-13717	-

Source: Provisional data as per the Press Release of the Ministry of Commerce and Industry

- **Balance of Payments:** India's current account deficit (CAD) was US\$13.5 billion (2.0 per cent of GDP) during third quarter (October –December) of 2017-18, as compared with US\$8 billion (1.4 per cent of GDP) in the corresponding quarter of 2016 -17. On cumulative basis, CAD that stood at US\$35.6 billion (1.9 per cent of GDP) during April-December 2017, rose from US\$ 11.8 billion (0.7 per cent of GDP) a year earlier.
- **Foreign Exchange Reserves:** Foreign Exchange Reserves stood at US\$420.4 billion as on April 27th 2018, as compared with US\$ 424.5 billion at end March 2018. In April-Dec 2017, there was an accretion of US\$30.3 billion to the foreign exchange reserves
- **Exchange rate:** In April 2018, the Indian rupee depreciated against the US dollar, Pound sterling and Euro by 0.9 per cent, 1.9 per cent and 0.5 per cent, respectively, vis-à-vis the value of these currencies in March, 2018. It appreciated against Japanese Yen by 0.5 per cent in April 2018 over March 2018.
- **External Debt:** India's external debt stood at US\$513.4 billion at end-December 2017, recording an increase of 8.8 per cent over the level at end-March 2017. Short-term external debt was US\$97.6 billion at end-December 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 year⁴
- 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\$19.8 billion during April-December 2017 as against a net outflow of US\$3.2 billion a year earlier.

² <http://pib.nic.in/newsite/PrintRelease.aspx?relid=179291>

³ https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=43928

⁴ http://dipp.nic.in/sites/default/files/FDI_FactSheet_21February2018.pdf

India's Overseas Direct Investment (ODI)

- Cumulative ODI outflows (from April to December 2017): US\$7.3 billion
- 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.

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 APRIL 2018](#)