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OVERVIEW

The growth of India's gross domestic product (GDP) at constant prices for the fourth quarter of financial year 2017-18 was recorded at 7.7 per cent, which is higher as compared with the growth registered in previous six quarters. As a result, India's US\$2.5 trillion economy is estimated to grow by 6.7 per cent over the financial year ending March 31 2018¹. Meanwhile, the growth in Gross Value Added (GVA) at constant basic prices for FY 2017-18 is expected to be 6.5 per cent (PE). 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 are estimated to grow at the rate of 3.4 per cent, 5.5 per cent and 7.9 per

cent, respectively in 2017-18. The Index of Industrial Production (IIP) grew by 4.9 per cent in April 2018, as compared to a growth of 3.2 per cent recorded in April 2017. Meanwhile, production of eight core industries grew by 4.7 per cent in April 2018, as compared with 2.6 per cent in April 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\$412.8 billion as on May 25, 2018, compared with US\$420.4 billion as on April 27. The CPI inflation increased to 4.9 per cent in May 2018 from 4.6 per cent in April 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(PA).

INDIA'S FINANCIAL MARKETS

Money Supply: Growth of Money Supply on year on year basis (as on May 25th) stood at 10.7 per cent, as compared with a growth of 6.6 per cent a year earlier. In the components of money supply, the growth of 'currency with the public' was 31.1 per cent, as against a drop of 14.9 per cent recorded a year earlier.

Growth of Aggregate deposits of Scheduled Commercial Banks (SCBs) as on May 25 was 8.5 per cent. Bank credit grew by 13.1 per cent as on May 25 as compared with a rise of 4.7 per cent last year.

INDIA'S PUBLIC FINANCE

The Union Budget 2018-19 was presented on 1st February 2018. As per the provisional actuals 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 Rs14.4 trillion as compared with Rs13.7

trillion in the previous year. Tax revenue (net to Centre) is estimated at Rs12.4 trillion, as compared with Rs11 trillion a year earlier. Total expenditure is estimated to rise by more than 8.5 per cent to Rs21.4 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 (CPIs): The all India Consumer Price Index – Combined (CPI-C) inflation increased to 4.9 per cent in May 2018 from 4.6 per cent in April 2018.

Food inflation, based on Consumer Food Price Index (CFPI) increased to 3.1 per cent in May 2018 from 2.8 per cent in April 2018 due to increase in prices of cereals and products, oils and fats, fruits and vegetables.

CPI Fuel and light inflation for May 2018 increased to 5.8 per cent as compared to 5.2 per cent in April 2018.

Wholesale Price Index (WPI): The WPI inflation increased to 4.4 per cent in May 2018 from 3.2 per cent in April 2018.

WPI food inflation (food articles + food products) increased to 1.1 per cent in May 2018 from 0.7 per cent in April 2018, mainly on account of rise in prices of cereals, vegetables, egg, meat & fish

and edibles oils. Inflation in Fuel and power was 11.2 per cent in May 2018, as compared to 7.9 per cent in April 2018. Inflation for Manufactured products increased to 3.7 per cent in May 2018 from

3.1 per cent in April 2018. Inflation for Non-food manufactured products (core) increased to 4.4 per cent in May 2018, as compared with 3.6 per cent in April 2018.

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 June 1, 2018, was 73.3 million tonnes, as compared with 43.2 million tonnes as of April 1, 2018.

Industry and Infrastructure

Index of Industrial Production (IIP)

Index of Industrial Production (IIP) The general IIP grew by 4.9 per cent in April 2018, as compared with a growth of 3.2 per cent in April 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 5.2 per cent in April 2018, as compared with the growth of 2.9 per cent in April 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 have registered positive growth in April 2018.

Notably capital goods production grew by 13 per cent in April 2018, as compared to a contraction of 4.8 per cent recorded in April 2017.

Infrastructure/construction goods sector registered a robust production growth of 7.5 per cent in April 2018, as compared to a growth of 4.7 per cent in April 2017.

Eight Core Industries

Production of eight core infrastructure industries grew by 4.7 per cent in April 2018, as compared with 2.6 per cent in April 2017. On cumulative basis, during 2017-18, the production of eight core industries grew by 4.3 per cent, as compared with the growth of 4.8 per cent in 2016-17.

Infrastructure Indicators

The number of telephone subscribers in India declined from 1.2 billion at the end of March 2018 to 1.1 million at end April 2018. The overall teledensity in India declined from 92.8 per 100 individuals at

Production growth (per cent) in Core Infrastructure-Supportive Industries				
Industry	2016-17	2017-18	April -2017	April -2018
Coal	3.2	2.6	-3.3	16.0
Crude oil	-2.5	-0.9	-0.6	-0.8
Natural Gas	-1.0	2.9	2.0	7.4
Refinery Products	4.9	4.6	0.2	2.7
Fertilizers	0.2	0.03	6.2	4.6
Steel	10.7	5.6	9.0	3.5
Cement	-1.2	6.3	-5.2	16.6
Electricity	5.8	5.3	5.3	2.2
Overall growth	4.8	4.3	2.6	4.7

Source: Office of the Economic Adviser, DIPP (Ministry of Commerce & Industry).

end of March 2018 to 88.3 at end April 2018; the urban tele-density was 156.5 and rural tele-density was 56.7 at end April 2018.

The traffic handled across major Indian ports grew by 2.4 per cent to 116.3 million tonnes in April-May 2018-19, from 113.5 million tonnes in the corresponding period of previous year.

The total installed capacity for electricity

generation was 344 GW at the end of May 2018, of which 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 May 2018. In April-March 2017-18, electricity generation had increased by 4 per cent.

INDIA'S EXTERNAL TRANSACTIONS

Foreign trade: Merchandise exports during May 2018 were valued at US\$28.9 billion as compared with US\$24 billion during May 2017, exhibiting a growth of over 20 per cent². Meanwhile, merchandise imports during May 2018 were valued at US\$43.5 billion which was 15 per cent higher over the level of imports valued at US\$37.9 billion in May 2017. Under services, exports during April 2018 were valued at US\$17.6 billion, registering a positive growth of 4.3 per

cent, and imports during April 2018 were valued at US\$10.9 billion registering a growth of 6.2 per cent.

Balance of Payments: India's current account deficit (CAD) was US\$ 13.0 billion (1.9 per cent of GDP) in the fourth quarter (January-March) of 2017-18, as compared with US\$2.6 billion (0.4 per cent of GDP) in the corresponding quarter of 2016-17.

² <http://pib.nic.in/newsite/PrintRelease.aspx?relid=179994>

On cumulative basis, CAD was US\$48.7 billion (1.9 per cent of GDP) in 2017-18, as compared with US\$14.4 billion (0.6 per cent of GDP) in 2016-17.

Foreign Exchange Reserves: Foreign exchange reserves stood at US\$412.8 billion at 25th May 2018, as compared with US\$420.4 billion as on April 27th 2018. In 2017-18, there was an accretion of US\$ 43.6 billion to the foreign exchange reserves as compared with US\$ 21.6 billion a year ago (on a BoP basis).

Exchange rate: The rupee depreciated against the US dollar and Japanese Yen, while appreciating against Pound sterling, and Euro in May 2018 over the previous month of April 2018.

External Debt: India's external debt stood at US\$529.7 billion at end-March 2018, recording an increase of 12.4 per cent over the level at end-March 2017. Short-term external debt was US\$ 102.2 billion at end-March 2018.

Exports and Imports (US\$ billion)							
Item	2017-18	May		Growth (%)	April-May		Growth (%)
		2017	2018		2017	2018	
Exports	303.3	24.0	28.9	20.2	48.7	54.8	12.6
Imports	464.7	37.9	43.5	14.9	75.8	83.1	9.7
Oil Imports	108.6	7.7	11.5	49.4	15.0	21.9	45.6
Non-Oil Imports	356.1	30.2	32.0	6.0	60.7	61.2	0.8
Trade Deficit	161.4	13.9	14.6	--	27.1	28.3	--

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

INDIA'S FDI AND ODI

Foreign Direct Investment into India (FDI)

- The nation's foreign direct investment (FDI) equity inflow over the financial year 2017-18 spanning April-March was US\$44.9 billion, marking an increase of 3.2 per cent from previous year³.
- The top investing nations were - Mauritius, Singapore, Japan, the UK, the Netherlands, the USA, Germany, Cyprus, France and the United Arab Emirates.
- The top sectors in India attracting foreign investments were - services, computer software and hardware, telecommunications, infrastructure development, automobile, trading, pharmaceuticals, chemicals, power and construction.
- The top regions receiving foreign investments - Mumbai, New Delhi, Bengaluru, Chennai, Ahmedabad,

³ http://dipp.nic.in/sites/default/files/FDI_FactSheet_29June2018.pdf

Hyderabad, Kolkata, Kochi, Jaipur, Chandigarh.

- Meanwhile, portfolio investment recorded a net inflow of US\$22.1 billion in 2017-18, as against an inflow of US\$7.6 billion a year earlier.

India's Overseas Direct Investment (ODI)

- Cumulative ODI outflows (from April to December 2017): US\$7.3 billion⁴

- 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

As global economic activity continues to strengthen, global growth is forecast to grow by 3.9% during 2018 as per the International Monetary Fund's (IMF) January 2018 World Economic Outlook. The IMF expects India to grow at 7.4% during 2018 which could increase further to 7.8% during 2019 in contrast to 6.7% during 2017. The Economic Survey for 2017-18 pegs the figure at 7-7.5% for the financial year ahead.⁵

A report by OECD states: "Economic growth will be supported by an acceleration in private investment as excess capacity diminishes, deleveraging by corporates and banks continues and infrastructure projects mature. Exports will strengthen thanks to competitiveness gains resulting from the implementation of the GST. While higher agricultural prices

will raise rural incomes and consumption, modernisation of labour laws would promote job creation and make growth more inclusive."⁶

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

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

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

5 <https://www.ciiblog.in/indian-economic-outlook-2018-19/>

6 <http://www.oecd.org/eco/outlook/economic-forecast-summary-india-oecd-economic-outlook.pdf>