



Ministry Of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
& STATES
DIVISION

MONTHLY ECONOMIC REPORT

JULY 2018

CONTENTS

Overview	3
India's financial markets	4
India's public finance	4
India's Inflation	4
Performance of the top sectors	5
Agriculture and Food Management	
Industry and Infrastructure	
India's external transactions	6
India's FDI and ODI	7
Foreign Direct Investment into India (FDI)	
India's Overseas Direct Investment (ODI)	
Outlook for the Indian economy	9

OVERVIEW

The growth of India's gross domestic product (GDP) at constant prices for the first quarter of financial year 2018-19 was 8.2 per cent, reinforcing the upswing trend started since second quarter of 2017-18.¹ As a result, India's US\$2.6 trillion economy is estimated to grow by as much as 7.5 per cent over the financial year ending March 31 2019.

Meanwhile, the growth in Gross Value Added (GVA) at constant basic prices for FY 2017-18 is estimated 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 grew at an estimated 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 7.0 per cent in June 2018, as compared with a decline of 0.3 per cent recorded in June 2017. IIP growth during April-June

2018-19 was 5.2 per cent, as compared with growth of 1.9 per cent during corresponding period of previous year.

Meanwhile, production of eight core infrastructure industries grew by 6.6 per cent in July 2018, as compared to 2.9 per cent in July 2017. The value of merchandise exports and imports increased by 14.3 per cent and 28.8 per cent, respectively, during July 2018 over July 2017.

The nation's foreign exchange reserves stood at US\$401.3 billion as on August 24, 2018, compared with US\$406.1 billion as on June 29, 2018. The CPI inflation decreased to 4.2 per cent in July 2018 from 4.9 per cent in June 2018. The WPI inflation increased to 5.1 per cent in July 2018 from 5.8 per cent in June 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).

¹ https://dea.gov.in/sites/default/files/MER_July_2018.pdf

INDIA'S FINANCIAL MARKETS

Money Supply: Growth of money supply on year-on-year basis (as on August 3 2018) stood at 9.8 per cent, as compared with a growth rate of 7 per cent a year earlier. In the components of money supply, the growth of 'currency with the public' was 25.1 per cent, as against a drop of 11.3 per cent registered a year ago.

Growth of aggregate deposits of Scheduled Commercial Banks (SCBs) was 8.2 per cent. Bank credit grew by 12.7 per cent during the period, compared with 6 per cent a year earlier.

INDIA'S PUBLIC FINANCE

The Union Budget 2018-19 was presented on February 1st, 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 2018-19 is estimated at Rs 17.3 trillion, as compared with Rs14.4 trillion in 2017-18. Tax revenue (net to Centre) is estimated Rs14.8 trillion, as compared with Rs12.4 trillion. Total expenditure is estimated to rise by more than 14 per cent to Rs24.4 trillion.

INDIA'S INFLATION

- Inflation based on Consumer Price Indices (CPIs): The all India Consumer Price Index – Combined (CPI-C) inflation decreased to 4.2 per cent in July 2018 from 4.9 per cent in June 2018.
- Food inflation based on Consumer Food Price Index (CFPI) decreased to 1.4 per cent in July 2018 from 2.9 per cent in June 2018 due to decrease in inflation of fruits and vegetables.
- CPI Fuel and light inflation for July 2018 increased to 8 per cent, as compared with 7.2 per cent in June 2018.
- Wholesale Price Index (WPI): The WPI inflation decreased to 5.1 per cent in July 2018 from 5.8 per cent in June 2018.
- WPI food inflation (food articles + food products) dropped by 0.9 per cent in July 2018 compared with a rise of 1.6 per cent in June 2018, mainly on account of fall in inflation of fruits and vegetables.
- Inflation in fuel and power increased to

18.1 per cent in July 2018, as compared with 16.2 per cent in June 2018.

- Inflation for manufactured products increased to 4.3 per cent in July 2018

from 4.2 per cent in June 2018.

- Inflation for Non-food manufactured products (core) was 4.7 per cent in July 2018, as compared to 4.8 per cent in June 2018

PERFORMANCE OF THE TOP SECTORS

Agriculture and Food Management

Production of food grains: As per the 4th Advance Estimates (AE) released by Ministry of Agriculture and Farmers' Welfare on August 28, the production of food-grains during 2017-18 is estimated at 284.8 million tonnes, as compared to 275.1 million tonnes in 2016-17.

Stocks: The total stocks of rice and wheat held by the Food Corporation of India and State agencies as on August 1 was 65.8 million tonnes, as compared with 69.4 million tonnes on July 1, 2018.

Industry and Infrastructure

Index of Industrial Production (IIP)

- The general IIP grew by 7 per cent in June 2018, as compared with a decline of 0.3 per cent recorded in June 2017. The growth of IIP during April-June 2018-19 was 5.2 per cent, as compared with a growth of 1.9 per cent a year earlier. The production of the manufacturing sector grew by 6.9 per cent in June 2018, as compared with a contraction of 0.7 per cent in June 2017.

- The manufacturing sector's growth during April-June 2018-19 was 5.2 per cent, as compared with growth of 1.6 per cent the previous year. In terms of use based classification, all sectors registered positive growth in June 2018.

Eight Core Industries

- Production of eight core infrastructure industries grew by 6.6 per cent in July 2018, as compared with a growth of 2.9 per cent in July 2017. During April-July 2018-19, the production of eight core industries grew by 5.8 per cent, as compared with the growth of 2.6 per cent in the previous year.

Infrastructure Indicators

- The number of telephone subscribers in India increased from 1.1 billion at the end of May 2018 to 1.2 billion at end June 2018. The overall teledensity in India increased from 88.6 per hundred individuals at end of May 2018 to 89.7 at end June 2018; the urban teledensity was 158.2 and rural tele-density was 58 at end June 2018.
- The traffic handled at major ports grew

Production growth (per cent) in Core Infrastructure Supportive Industries

Industry	2016-17	2017-18	2017-18 (Apr-Jul)	2018-19 (Apr-Jul)	July 2017	July 2018
Coal	3.2	2.6	-3.3	12.3	0.6	9.7
Cure oil	-2.5	-0.9	0.1	-3.2	-0.5	-5.4
Natural Gas	-1.0	2.9	4.9	-1.1	6.6	-5.2
Refinery Products	4.9	4.6	0.7	8.0	-2.7	12.3
Fertilizers	0.2	0.0	-0.9	3.7	0.2	1.3
Steel	10.7	5.6	7.0	3.2	9.4	6.0
Cement	-1.2	6.3	-2.3	14.7	1.0	10.8
Electricity	5.8	5.3	5.6	4.8	6.6	4.8
Overall Growth	4.8	4.3	2.6	5.8	2.9	6.6

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

by 4.1 per cent to 231.5 million tonnes in April-July 2018- 19, from 222.3 million tonnes a year earlier.

- The total installed capacity for electricity generation was 345.5 GW at the end of July 2018, of which the share of thermal, hydro, renewable and nuclear sources was 64.4 per cent, 13.1 per cent, 20.4 per cent and 2.0 per cent, respectively.
- As per the Central Electricity Authority, electricity generation grew by 4.3 per cent in July 2018 (year on year basis).

INDIA'S EXTERNAL TRANSACTIONS

- **Foreign trade:** Merchandise exports during July 2018 were valued at US\$25.8 billion as compared with US\$22.5 billion during July 2017, exhibiting a growth of 14.3 per cent.² Meanwhile, merchandise imports

during July 2018 were valued at US\$43.8 billion, which was 28.8 per cent higher over the level of imports

² <http://pib.nic.in/PressReleaseframePage.aspx?PRID=1543012>

valued at US\$34 billion in July 2017. Under services, exports during June 2018 were valued at US\$16.9 billion registering a growth of 4.3 per cent from a year earlier, and imports were valued at US\$10.3 billion, registering a growth of 1 per cent.

- **Balance of Payments:** India's current account deficit (CAD) was US\$13 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. 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\$400.9 billion on August 10, compared with US\$406.1 billion on June 29. 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 earlier.
- **Exchange rate:** In July 2018, the rupee depreciated against the US dollar, pound sterling, Euro and Japanese Yen by 1.3 per cent, 0.5 per cent, 1.4 per cent and 0.1 per cent, respectively, over June 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.

INDIA'S FDI AND ODI

Foreign Direct Investment into India (FDI)

- The nation's foreign direct investment (FDI) equity inflow over the first quarter of 2018-19 spanning April-June was US\$12.8 billion, marking an increase of 23 per cent from previous year.³
- The nation's foreign direct investment (FDI) equity inflow over 2017-18 spanning April-March was US\$44.9 billion, marking an increase of 3.2 per cent from previous year.⁴
- 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, trading, automobile, pharmaceuticals, chemicals, power and construction.
- The top regions receiving foreign investments - Mumbai, New Delhi,

³ http://dipp.nic.in/sites/default/files/FDI_FactSheet_23August2018.pdf

⁴ http://dipp.nic.in/sites/default/files/FDI_FactSheet_29June2018.pdf

Exports and Imports (US\$ billion)

Item	2017-18	July		Growth (%)	April-July (P)		Growth (%)
		2017	2018		2017	2018	
Exports	303.3	22.5	25.8	14.3	94.8	108.2	14.2
Imports	464.7	34.0	43.8	28.8	146.3	171.2	17.1
Oil Imports	108.6	7.8	12.3	57.4	31.0	47.0	51.5
Non-Oil imports	356.1	26.1	31.4	20.2	115.2	124.2	7.8
Trade Deficit	-161.4	-11.5	-18.0	-	-51.5	-63.0	-

Source: Ministry of Commerce and Industry

Note: P: Provisional

Bengaluru, Chennai, Ahmedabad, Hyderabad, Kolkata, Kochi, Jaipur, Chandigarh.

- 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 billion ⁵
- 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.

⁵ <https://dea.gov.in/sites/default/files/ODI%20Fact%20Sheet%20from%20April%202014%20to%20December%202017.pdf>

OUTLOOK FOR THE INDIAN ECONOMY

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

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."

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, July 2018](#).