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OVERVIEW

India's US\$2.7 trillion economy is estimated to have grown 5 per cent during the first quarter of financial year 2019-20 ended June 2019.¹ The nation recorded an average gross domestic product (GDP) growth of 7.5 per cent over the past five fiscals. The growth of gross value added (GVA) at constant basic prices for the first quarter of 2019-20 is estimated at 4.9 per cent. At sectoral level, growth of agriculture, industry and services sectors is estimated at 2 per cent, 2.7 per cent and 6.9 per cent, respectively, in Q1 2019-20.

Meanwhile, the Index of Industrial Production (IIP) growth during July 2019

was 4.3 per cent. The value of overall exports (merchandise and services) increased by 3.2 per cent while overall imports declined by 1.2 per cent over April-August 2019-20. India's foreign exchange reserves stood at US\$428.6 billion as on September 20, against US\$429.1 billion on August 23. The CPI inflation stood at 3.2 per cent in August 2019, compared to 3.1 per cent in July 2019, while WPI inflation remained unchanged at 1.1 per cent in August from July. The Budget Estimate of the fiscal deficit for 2019-20 has been set at 3.3 per cent of GDP, as compared with 3.4 per cent in 2018-19 (Provisional Actuals).

¹ https://dea.gov.in/sites/default/files/August_2019_0.pdf

INDIA'S FINANCIAL MARKETS

- **Money Supply:** Growth of money supply on year-on-year basis as on August 30 stood at 9.9 per cent, as compared with a growth of 10.3 per cent a year earlier.
- Growth of aggregate deposits with scheduled commercial banks was 9.7 per cent as on August 30, as compared with 8.9 per cent a year earlier. Bank credit grew by 10.2 per cent, as against 13.4 per cent a year earlier.

INDIA'S PUBLIC FINANCE

- The Union Budget 2019-20 was presented on July 5, 2019. The budget estimates of the fiscal deficit as a percentage of GDP for 2019-20 has been set at 3.3 per cent, as compared with 3.4 percent in 2018-19.
- The budget estimate for revenue deficit as a percentage of GDP for 2018-19 was 2.3 per cent, as compared with 2.6 per cent in 2017-18 (RE). The revenue deficit for 2019-20 is budgeted to be 2.3 per cent of GDP.
- Revenue Receipts for 2019-20 is estimated at Rs19.6 trillion, as compared with Rs17.3 trillion in 2018-19. Tax revenue (net to Centre) is estimated Rs16.5 trillion, as compared with Rs14.8 trillion. Total expenditure is estimated to rise by more than 13.4 per cent to Rs27.9 trillion.

INDIA'S INFLATION

- **Inflation based on Consumer Price Indices (CPIs):** The all India Consumer Price Index – Combined (CPIC) was 3.2 per cent in August 2019, as compared with 3.1 per cent in July 2019.
- Food inflation based on Consumer Food Price Index (CFPI) rose to 3 per cent in August 2019, from 2.4 per cent in July 2019.
- CPI inflation for fuel and light decreased to (-)1.7 per cent in August 2019 from (-)0.3 per cent in July 2019.
- **Wholesale Price Index (WPI):** The WPI inflation remained unchanged at 1.1 per cent in August as compared to July 2019.
- WPI food inflation (food articles + food products) increased to 5.8 percent in August 2019 from 4.5 per cent in July 2019, mainly on account of increase in inflation of vegetables, fruits, eggs, meat & fish and milk.

- Inflation in fuel & power declined to (-)4.0 percent in August 2019 from (-)3.6 percent in July 2019.
- Core inflation (non-food manufactured products) declined to (-) 0.4 percent in August 2019, as compared to 0.1 percent in July 2019.

PERFORMANCE OF THE TOP SECTORS

Agriculture and Food Management

- **Production of food grains:** As per the 4th Advance Estimates for 2018-19, the total production of foodgrains during 2018-19 is estimated at 285 million tonnes, the same as in 2017-18.
- **Stocks:** The total stocks of rice and wheat held by the Food Corporation of India and State agencies as on August 1 was 76.5 million tonnes, compared with 81.2 million tonnes as on July 1.

Industry and Infrastructure

Index of Industrial Production (IIP)

- IIP registered a growth of 3.6 per cent in April-June 2019, as compared to 5.1 per cent during the April-June 2018. The growth of IIP was 2 per cent in June 2019, as compared to 7 per cent recorded in June 2018.
- The manufacturing sector's growth during April-June 2019 was 3.1 per cent, compared to 5.1 per cent a year earlier.

- IIP of manufacturing sector grew by 1.2 per cent in June 2019, as compared to a growth of 6.9 per cent in June 2018.

Eight Core Industries

- In August 2019, the production of eight core industries declined by 0.5 percent, as compared to a growth of 4.7 percent recorded in August 2018. Production of eight core industries grew by 2.4 percent in April-August 2019 as compared to 5.7 percent a year earlier.

Infrastructure Indicators

- The number of telephone subscribers in India increased from 1186.6 million at end June 2019 to 1189.3 million at end July 2019. The overall tele-density in India was 90.2 at end July 2019; the urban tele-density was 161.1 and rural tele-density was 57.0 at end July 2019.
- The traffic handled at major ports grew by 1.9 per cent to 293.8 million tonnes in April-August 2019, from 288.5 million tonnes a year earlier.



Production growth (per cent) in Core Infrastructure Supportive Industries

Industry	April-May 2018-19	April-May 2019-20	May 2018	May 2019
Coal	10.3	-0.2	2.4	-8.6
Crude oil	-3.3	-6.1	-3.7	-5.4
Natural Gas	-0.7	-1.5	1	-3.9
Refinery Products	7.4	-1.1	5.1	2.6
Fertilizers	1.7	0.3	-5.3	2.9
Steel	3.5	9.7	4	5
Cement	15	1.3	14.6	-4.9
Electricity	5.8	4.6	7.6	-2.9
Overall Growth	5.7	2.4	4.7	-0.5

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

- The total installed capacity for electricity generation was 360.5 GW at the end of July 2019, of which the share of thermal, hydro, renewable and nuclear sources was 63.2 per cent, 12.6 per cent, 22.4 per cent and 1.9 per cent, respectively.
- As per the Central Electricity Authority, electricity generation grew by 5.5 percent in July 2019.



INDIA'S EXTERNAL TRANSACTIONS

Foreign trade: India's overall exports (merchandise and services combined) in April-August 2019-20 are estimated to be US\$227.4 billion, exhibiting a growth of

3.2 per cent. Meanwhile, overall imports are estimated to be US\$268.2 billion, exhibiting a drop of 1.2 per cent.²

Exports and Imports (US\$ billion)							
Items	2018-19	August		Growth (%)	April-August		Growth (%)
		2018	2019(P)		2018	2019(P)	
Exports	330.1	27.8	26.1	-6	135.6	133.5	-1.5
Imports	514.1	45.7	39.6	-13.4	218.8	206.4	-5.7
Oil Imports	140.9	11.9	10.9	-8.9	59.1	55.3	-6.3
Non-Oil imports	373.2	33.8	28.7	-15.1	159.7	151.1	-5.4
Trade Deficit	-184	-17.9	-13.5	-	-83.2	-72.9	-

Source: Ministry of Commerce and Industry | Note: P: Provisional

Balance of Payments: India's current account deficit (CAD) was 2.0 per cent of GDP (US\$14.3 billion) in Q1 of 2019-20, as compared to 2.3 per cent of GDP (US\$ 15.8 billion) in Q1 of 2018-19. The contraction of the CAD in Q1 of 2019-20 was mainly on account of higher invisible receipts.

- **Foreign Exchange Reserves:** India's foreign exchange reserves stood at US\$428.6 billion as on September 20, as compared with US\$429.1 billion as on August 23.

- **Exchange rate:** The Indian rupee depreciated against the US dollar, Pound sterling, Euro and Japanese Yen by 3.3 per cent, 0.7 per cent, 2.4 per cent and 5.0 per cent, respectively in August 2019 over July 2019.
- **External Debt:** India's external debt stood at US\$557 billion at end-June 2019, recording a rise of 2.6 per cent over the level at end-March 2019. Short-term external debt (by original maturity) was US\$ 109.7 billion at end-June 2019.

² <https://pib.gov.in/newsite/PrintRelease.aspx?relid=193184>

INDIA'S FDI AND ODI

Foreign Direct Investment into India (FDI)

- The nation's foreign direct investment (FDI) equity inflow over April-June 2019 was US\$16.3 billion, a jump of 28 per cent from the previous year.³
- FDI equity inflow in 2018-19 was US\$44.4 billion, compared with US\$44.9 billion a year earlier.⁴
- The top investing nations were - Mauritius, Singapore, Japan, the Netherlands, the UK, 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, chemicals, pharmaceuticals, construction, and power.
- The top regions receiving foreign investments - Mumbai, New Delhi, Bengaluru, Chennai, Ahmedabad, Hyderabad, Kolkata, Kochi, Chandigarh and Jaipur.

India's Overseas Direct Investment (ODI)

- Cumulative ODI outflows (2019-20, up to August): US\$3.7 billion⁵
- Cumulative ODI (financial commitment): US\$8.5 billion
- Top ten ODI destination countries: Singapore, the USA, the UK, Russia, Japan, the Netherlands, Denmark, Switzerland, UAE, Mauritius
- Sectors attracting highest ODI outflows: retail and hospitality, financial services, manufacturing, construction, energy and water, construction, agriculture and mining, community services, connectivity projects, and others.

³ https://dipp.gov.in/sites/default/files/FDI_Factsheet_4September2019.pdf

⁴ https://dipp.gov.in/sites/default/files/FDI_Factsheet_27May2019.pdf

⁵ <https://dea.gov.in/sites/default/files/Overseas%20Direct%20Investment%20Data%20from%20April%202017%20to%20August%202019.pdf>



OUTLOOK FOR THE INDIAN ECONOMY

- The Union Cabinet has approved a proposal for Review of Foreign Direct Investment on various sectors like coal mining, contract manufacturing, single brand retail trading and digital media.
- The Cabinet Committee on Economic Affairs (CCEA) has approved a lump sum export subsidy of Rs10,448 per metric tonne (MT) to sugar mills for the sugar season of financial year 2019-20.
- The CCEA has given its approval for establishment of 75 additional Government Medical Colleges by 2021-22 attached with existing district/ referral hospitals under an ongoing central scheme.
- The Government has approved a Ministry of Railways plan to construct a new line between Vaibhavwadi– Kolhapur (108 km) with an estimated cost of Rs3,439 crore and by 2023-24.
- The Union Cabinet has given ex-post facto approval for the establishment of an International Coalition for Disaster Resilient Infrastructure (CDRI) along with its secretariat office in New Delhi.

For more information: Ministry of Finance, Department of Economic Affairs
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