



Ministry Of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
& STATES
DIVISION

MONTHLY ECONOMIC REPORT

FEBRUARY 2019

20

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India's US\$2.6 trillion economy is estimated to grow by 7 per cent during fiscal 2018-19 ending March 31 2019, compared with a growth of 7.2 per cent in fiscal 2017-18.

Meanwhile, the average Gross Domestic Product (GDP) growth in the last five years has topped 7.5 per cent defining a new normal for the Indian economy.

FIG 1: ANNUAL GROWTH RATE (PER CENT)

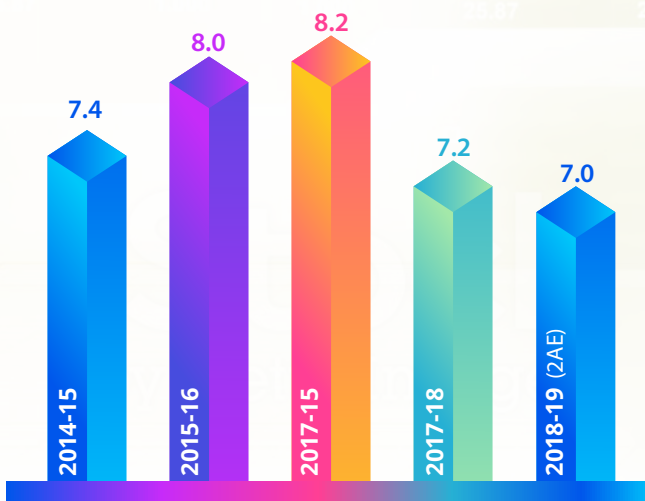


FIG 2: QUARTER WISE GROWTH RATE (PER CENT)

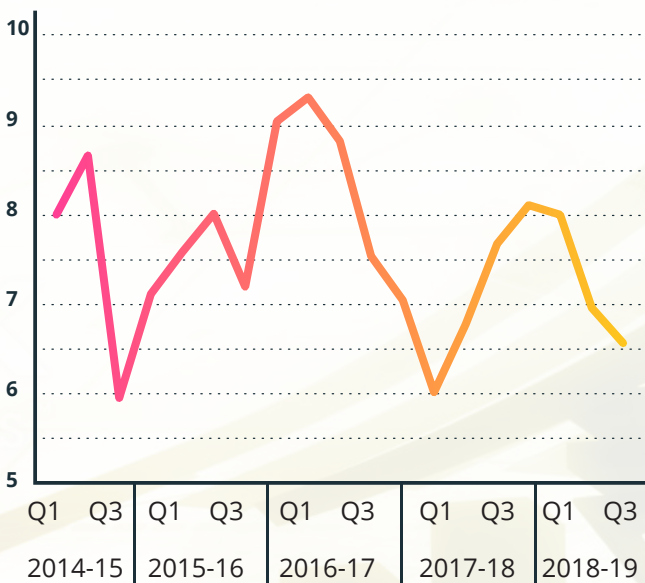


FIG 3: GROWTH IN NUMBER OF PASSENGER AND COMMERCIAL VEHICLES SALE (PER CENT)

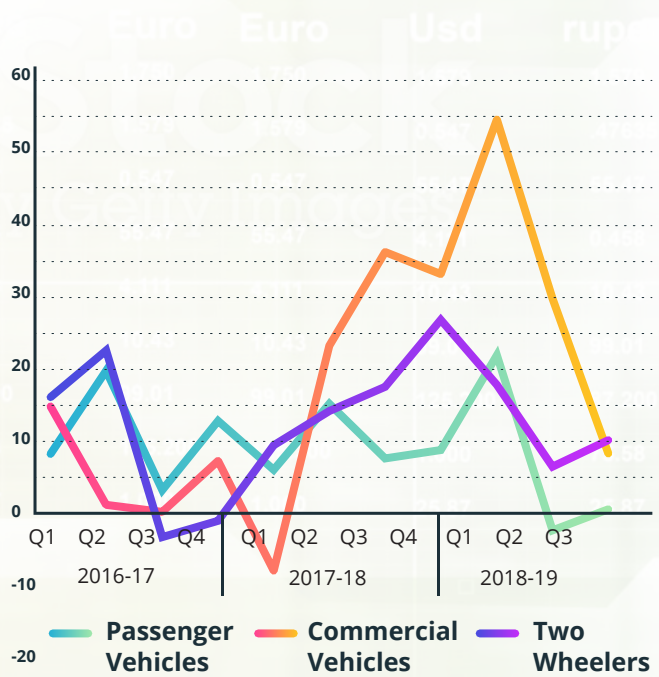
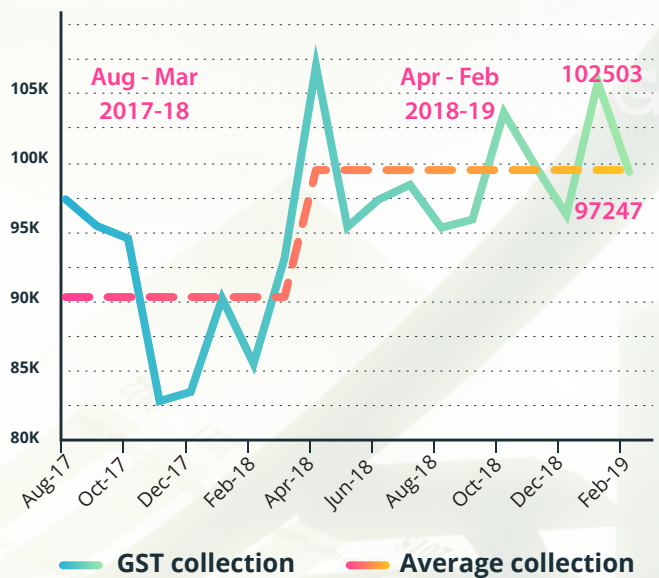


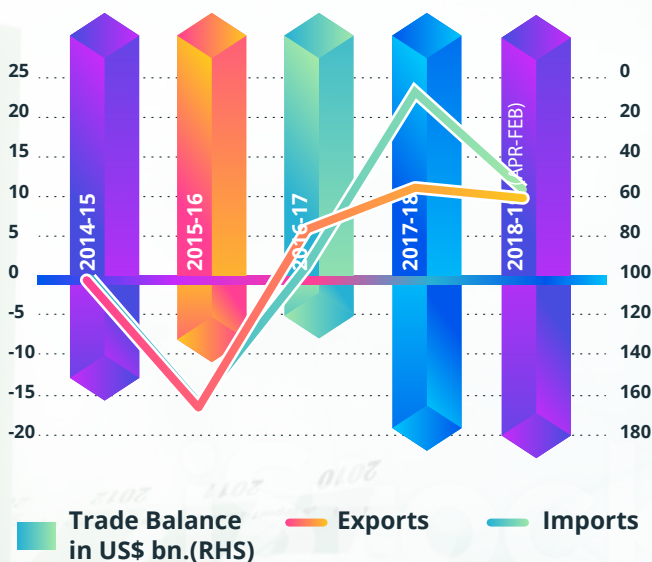
FIG 4: MONTHLY GST COLLECTION (RS. CRORE)



Consumption growth was a major driver behind India's economic strength, even as investment softened owing to high leverage in the corporate sector and the overload of non-performing assets (NPA) in the banking industry. However, declining investment appears to have bottomed out with fixed investment in 2018-19 rising in proportion to GDP.

Meanwhile, the growth of Gross Value Added (GVA) at constant basic prices for 2018-19 is estimated to be 6.8 per cent, as against GVA growth of 6.9 per cent for 2017-18. Additionally, during the year, the nation's imports narrowed while export balanced despite international economic volatilities.

FIG 5: GROWTH OF MERCHANDISE EXPORTS AND IMPORTS (PER CENT)



LEADING DEVELOPMENTS IN THE YEAR SO FAR:

- Improvement in investment rate has been the most positive development in 2018-19, rising by 0.3 percentage points (pp) to 28.9 per cent and more promisingly by 1 pp to 29.5 per cent in Q3

- Both Index of Industrial Production (IIP) and manufacturing IIP has also risen in 2018-19 over their respective levels of the previous year as has the production growth of eight core industries

- CPI headline inflation has fallen from an average of 3.6 per cent in 2017-18 to 3.5 per cent in April-Feb 2018-19; Headline inflation in the 4 per cent target of the Monetary Policy Committee

- Commercial banks reported higher growth of credit disbursement in 2018-19 in H1 2018-19; Bank credit growth in February 2019 was 14.6 per cent, higher than the average of the year so far

- Despite government consumption rising in relation to GDP, combined fiscal deficit of the Central and State Governments is projected to reduce by 0.6 pp to 5.8 per cent of GDP in 2018-19

- India's forex reserves of over US\$400 billion as of March 2019 provided support to imports for 8-9 months; Moody has upgraded India's local, foreign currency issuer rating from Baa3 to Baa2

- External debt to GDP ratio has been reported to be below 21 per cent during Q3 of 2018-19 and debt-servicing ratio below 7 per cent reflecting an untapped potential for external funding

FIG 6: IIP GROWTH (IN PER CENT)

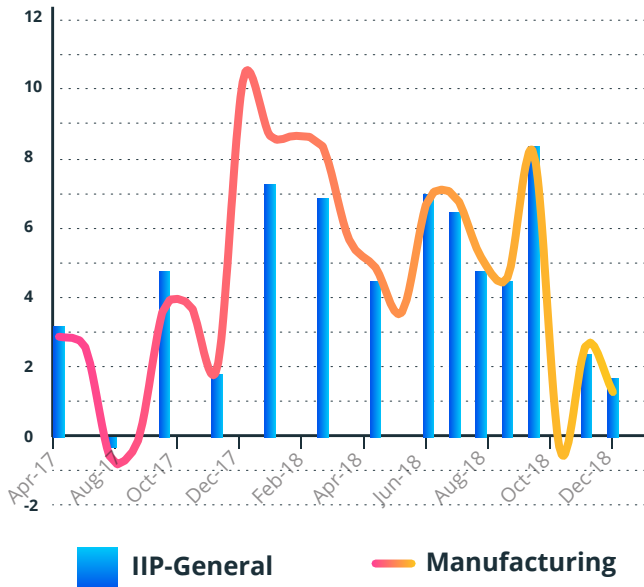


FIG 8: FISCAL INDICATORS (AS PERCENTAGE OF GDP)

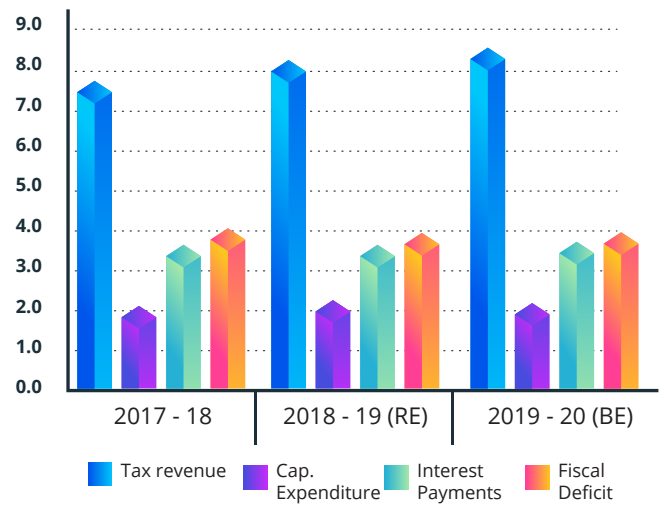
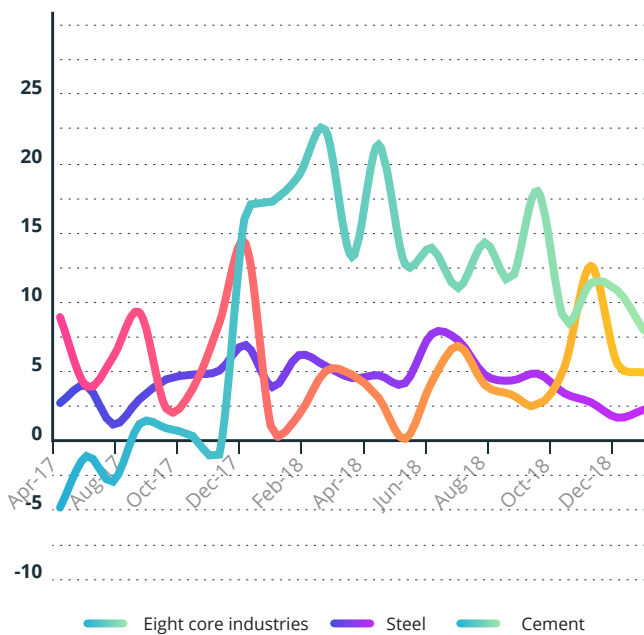


FIG 7: PRODUCTION GROWTH (IN PER CENT)

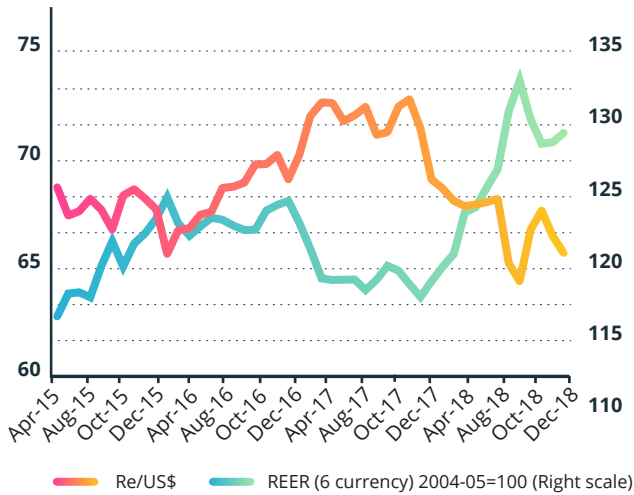


India's forex reserves of over US\$400 billion as of March 2019 can support imports for 8-9 months; Moody has upgraded India's local, foreign currency issuer rating from Baa3 to Baa2.

India's fiscal deficit, meanwhile, is projected to reduce by 0.1 pp to 3.4 per cent, without compromising capital expenditure, which is expected to rise by 0.2 pp to 1.7 percent of GDP. A growth in tax revenues (net of states' share) to 8.1 per cent of GDP in 2018-19 helped the Centre maintain fiscal discipline.

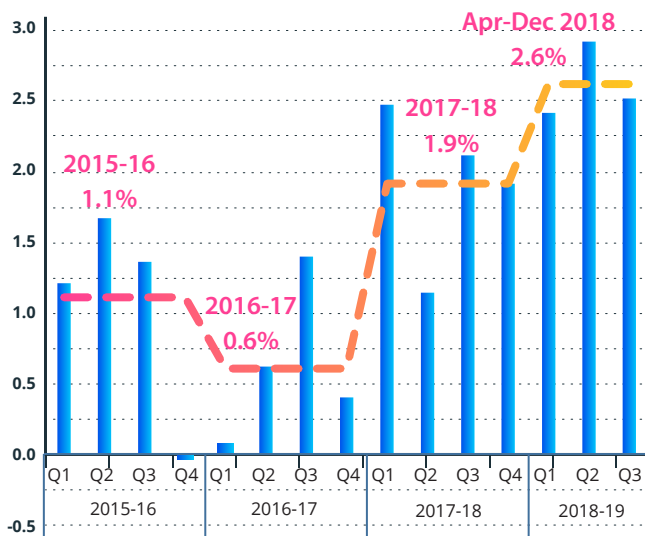


FIG 9: EXCHANGE RATE MOVEMENT



Note: Decline in REER indicates depreciation

FIG 10: CURRENT ACCOUNT DEFICIT TO GDP (PERCENT)



Debt portfolio outflows are more an outcome of what happens abroad, while inflows continue to grow in the absence of external disturbance reflecting growing confidence of the world in India's economy.

FIG 11: EXTERNAL DEBT (US\$ BILLION)

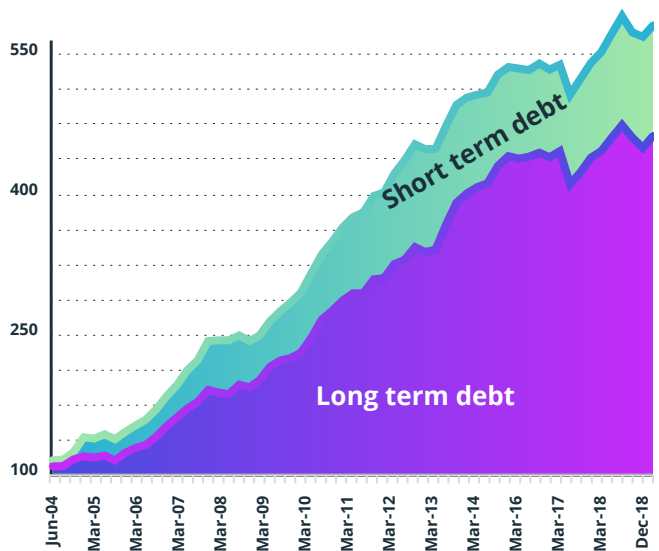
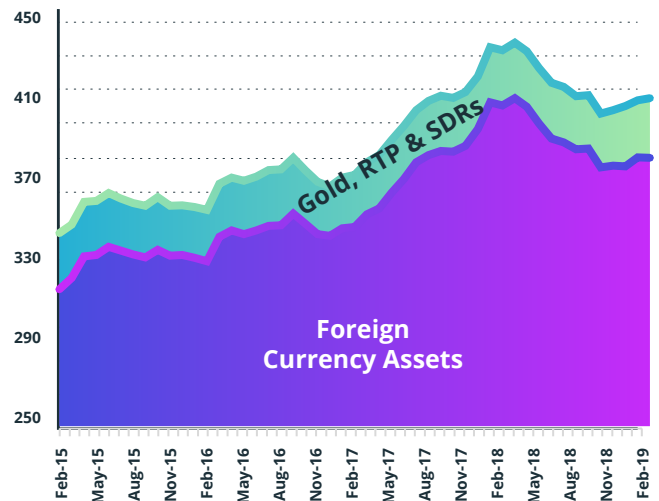


FIG 12: FOREIGN EXCHANGE RESERVE (US\$ BILLION)



Note: RTP: Reserve Tranche Position, SDRs: Special Drawing Rights

The supply response to demand, as captured by the GVA by various goods and services sectors, show manufacturing and construction sectors taking the lead to drive growth in 2018-19 among the goods sector while financial, real estate and professional services doing it for the services sector, as compared to 2017-18. The contribution of agriculture, forestry

and fishing as also mining and quarrying to GVA growth, which was modest in 2017-18 has depressed further in 2018-19. As per the 2nd Advance Estimates for 2018-19, the total production of food grains is estimated at 281.4 million tonnes as compared to 277.5 million tonnes (2nd Advance Estimates) in the previous year.

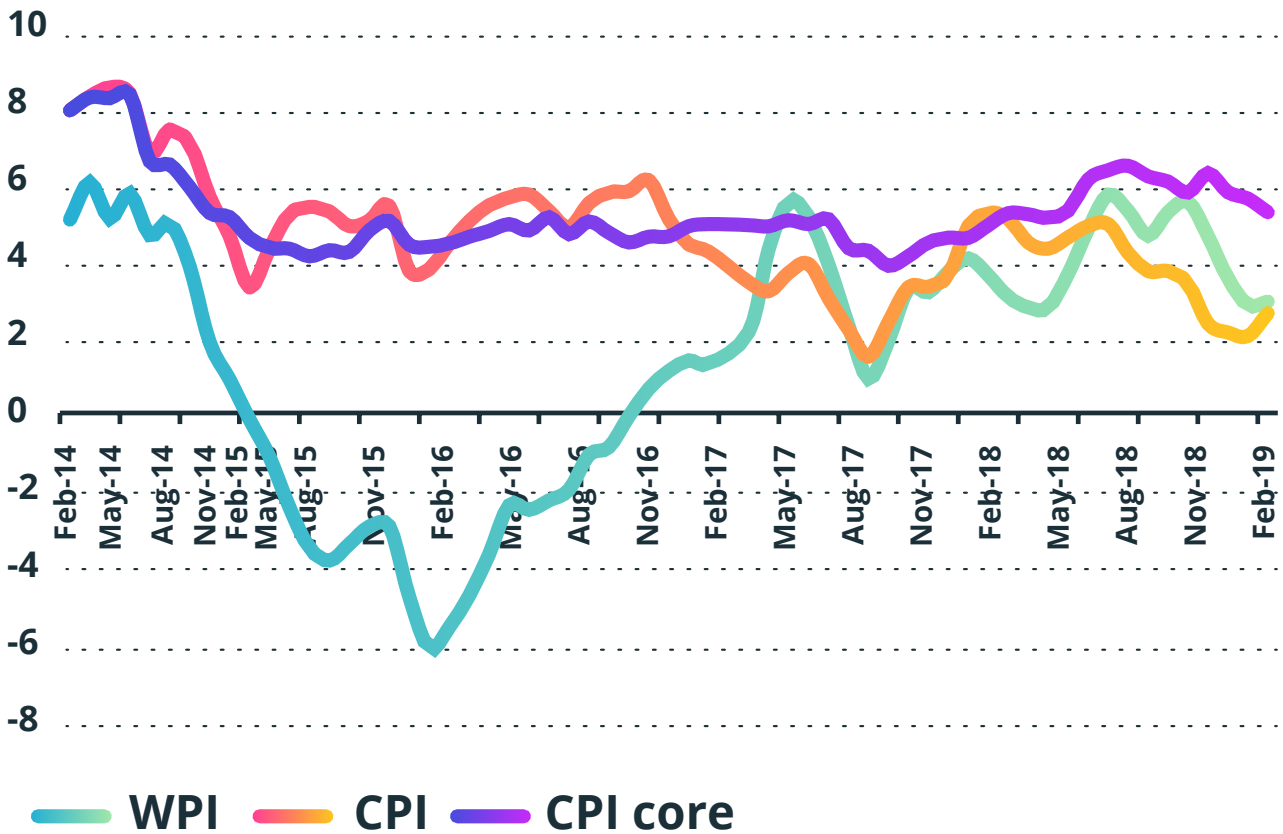
TABLE 1: SECTORAL SHARE IN GVA (PERCENT)

Production growth (per cent) in Core Infrastructure Supportive Industries			
	2017-18 (Apr-Jan)	2018-19 (Apr-Jan)	Jan 2018
Industry	29.4	29.3	29.8
Mining & quarrying	2.3	2.3	2.4
Manufacturing	16.8	16.4	16.6
Electricity, gas, water supply & other utility services	2.5	2.7	2.8
Construction	7.8	7.8	8.0
Services	52.7	53.5	54.2
Trade, hotel, transport, storage, communication & services related to broadcasting	18.2	18.2	18.3
Financial, real estate & professional services	20.9	21.0	21.3
Public Administration, defense and other services	13.6	14.3	14.6
Note: RE - Revised Estimates, AE - Advance Estimates			

CPI headline inflation has fallen from an average of 3.6 per cent in 2017-18 to 3.5 per cent in April-February 2018-19. The fall in Q3 of 2018-19 was sharper and even more so in January 2019 although some hardening is in evidence in February 2019. Significantly headline inflation has stayed within the 4 percent target of the Monetary Policy Committee, partly owing to their own efforts and mostly on

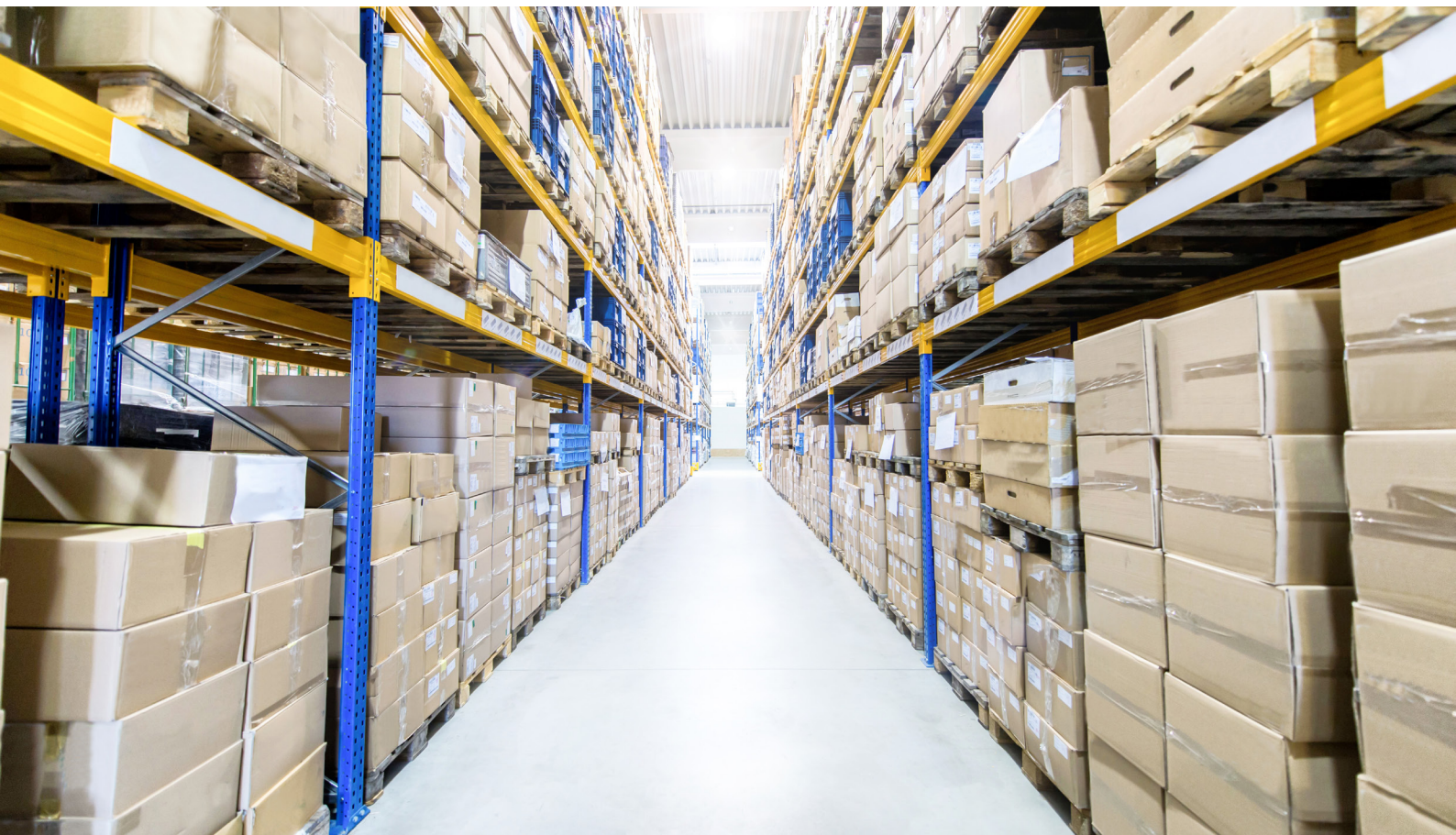
account of falling food prices that more than overcame an average rise of about 25 percent in crude prices from 2017-18 to 2018-19. Since headline inflation has shown very little volatility setting itself on a downward trend for now more than two years, it has proven to be a more complete indicator of price change than core inflation.

FIG 13: MONTH WISE CPI AND WPI INFLATION (PERCENT)



GDP deflator, however, has risen from 3.8 percent in 2017-18 to 4.2 percent in 2018-19 mostly on account of a sharp rise in the WPI inflation from 3.0 percent to 4.4

percent. It seems that manufacturers had price incentives to increase production, consumers still faced lower price burden.



MAJOR ECONOMIC DECISIONS IN FEBRUARY 2019:

- The Cabinet Committee on Economic Affairs (CCEA) approved for the creation of a corpus of Rs20 billion for Agri-Market Infrastructure Fund to be created with NABARD for development and upgradation of agricultural marketing infrastructure in Gramin Agricultural Markets and Regulated Wholesale Markets.
- The CCEA approved the Proposal of the Ministry of Information and Broadcasting regarding Prasar Bharati's "Broadcasting Infrastructure and Network Development" scheme at a cost of Rs10.5 billion for 3 years from 2017-18 to 2019-20.
- The CCEA approved for the continuation of the Scheme of "Exploration of Coal and Lignite" with an expected expenditure of Rs.18.8 billion.
- The CCEA approved for the implementation of the Central Public Sector Undertaking Scheme Phase-II for setting up 12 GW grid-connected Solar Photovoltaic (PV) Power Projects.
- The CCEA approved the Credit Linked Capital Subsidy and Technology Up-gradation Scheme (CLCS-TUS) with a total outlay of Rs29 billion. The scheme aims at improving the competitiveness of MSMEs by integrating various ongoing schematic interventions aimed at up-gradating technology through Credit Linked Capital Subsidy
- The CCEA approved for launch of Kisan Urja Suraksha evam Utthaan Mahabhiyan with the objective of providing financial and water security to farmers.
- The CCEA approved for the Phase-II of Grid Connected Rooftop Solar Programme for achieving cumulative capacity of 40 GW MW from Rooftop Solar (RTS) Projects by the year 2022.
- The CCEA has approved the "Pradhan Mantri JI-VAN (Jaiv Indhan- Vatavaran Anukool fasal awashesh Nivaran) Yojana" for providing financial support to Integrated Bioethanol Projects using lignocellulosic biomass and other renewable feedstock.
- The Union Cabinet approved the National Policy on Software Products - 2019 to develop India as a Software Product Nation.

Table 2: Key Indicators

Indicator	17-18	17-18	18-19 Q2	18-19 Q3	Jan-19	Feb-19
Real GDP Growth Rate (%)	7.2	7.0	7.0	6.6		
Nominal GDP Growth Rate (%)	11.3	11.5	11.9	11.0		
Real GVA Growth Rate (%)	6.9	6.8	6.8	6.3		
Private consumption as % of GDP (current price)	59.0	59.5	58.4	61.3		
Govt. consumption as % of GDP (current price)	11.0	11.2	12.4	10.2		
Fixed investment as % of GDP (current price)	28.6	28.9	28.5	29.5		
Net exports as % of GDP (current prices)	-3.2	-3.7	-4.5	-3.9		
Net merchandise exports as % of GDP ¹	-6.1	-7.4	-7.7	-7.6		
Current account deficit as % of GDP(CUP) (%) ¹	1.9	2.6	2.9	2.5		
Foreign exchange reserves in US\$ billion ²	424.5	405.6	400.5	395.6	400.2	401.8
Rupee/US Dollar - Period Average	64.5	69.9	70.1	67.0	70.7	71.2
CPI-C Headline Inflation (%) ³	3.6	3.5	3.9	2.6	2.0	2.6
CPI Core Inflation (%) ³	4.6	5.9	5.9	5.8	5.2	5.4
WPI Inflation (%) ³	3.0	4.4	5.0	4.5	2.8	2.9
Crude Oil Price (Indian Basket) \$/bbl -Average ³	56.4	69.9	74.6	67.8	59.3	64.5
Money Supply (M3) Growth Rate (%) ⁴	9.2	10.8	9.4	10.2	10.4	10.8
Commercial Bank Credit Growth Rate (%) ⁴	10.0	14.6	12.5	13.9	14.6	14.6
SENSEX [S&P BSE] Growth Rate (%)	17.5	10.6	3.7	0.8	4.9	17.3
NIFTI 50 Growth Rate (%)	15.4	8.7	0.5	-1.8	2.9	14.9
Gross Fiscal Deficit as % of GDP (Centre) ⁵	3.5	3.4				
IIP growth rate (%) ⁶	4.4	4.4	5.3	3.7	1.7	--
Production of Food Grains (million tons) ⁷	284.8	281.4				

Notes:

1: For 2018-19 the data corresponds to April-December, 2: 2018-19 data is up to 15th March 2019, 3: For 2018-19 the data is for April to February, 4: 2018-19 data is as on February end, 5: 2018-19 data is revised estimate, 6: 2018-19 data is for April to January, 7: Fourth advance estimate for 2017-18 and second advance estimate for 2018-19