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OVERVIEW

The COVID-19 pandemic has emerged as a key risk to human health and the economy the world over. As per the International Monetary Fund's (IMF) World Economic Outlook (April 2020), global growth is expected to contract sharply by 3 per cent in 2020-21, much worse than during the global financial crisis of 2008-09. India's US\$2.9 trillion economy is estimated to grow by 5 per cent during the financial year 2019-20 as compared with 6.1 per cent in 2018-19. However, with the onset of COVID-19 pandemic, its intensity, spread and duration will now majorly determine whether India is able to realize its estimated GDP growth. The country recorded an average gross domestic product (GDP) growth of 7 per cent over the past five fiscals. Meanwhile, the real GVA is estimated to grow at 4.9 per cent in 2019-20, compared with 6 per cent in 2018-19. At sectoral level,

growth of agriculture, industry and services sectors has been estimated at 3.7 per cent, 1.8 per cent and 7 per cent, respectively, in 2019-20. The Index of Industrial Production (IIP) registered a growth of 0.9 per cent in April-February 2019-20, as compared with 4 per cent during April-February 2018-19. The value of overall exports (merchandise and services) dropped by 1.4 per cent while overall imports fell by 6.3 per cent over April-March 2019-20. India's foreign exchange reserves stood at US\$474.7 billion as on April 3, 2020, compared with US\$476.1 billion as on February 21, 2020. The annual CPI inflation increased to 4.8 per cent in 2019-20 from 3.4 per cent in 2018-19. The Budget Estimate of the fiscal deficit for 2020-21 has been set at 3.5 per cent of GDP, as compared with 3.8 per cent in 2019-20.



INDIA'S FINANCIAL MARKETS

- **Money Supply:** Growth of money supply on a year-on-year basis as on March 27 2020 stood at 8.8 per cent, as compared with a growth rate of 10.6 per cent a year earlier.
- Growth of aggregate deposits at scheduled commercial banks was 7.9 per cent as on March 27, as compared with 10 per cent a year earlier. Bank credit grew by 6.1 per cent, as against 13.3 per cent a year earlier.

INDIA'S PUBLIC FINANCE

- The Union Budget 2019-20 was presented on February 1, 2020. The Budget Estimate of the fiscal deficit as percentage of GDP for 2020-21 has been set at 3.5 per cent, as compared with 3.8 per cent in 2019-20 (Revised Estimates (RE)).
- The budget estimate for revenue deficit as a percentage of GDP for 2019-20 was 2.4 per cent (RE), as compared with 2.3 per cent in 2018-19. The revenue deficit for 2020-21 is budgeted to be 2.7 per cent of GDP.
- Revenue Receipts for 2019-20 is estimated at Rs.18.5 trillion, as compared with an estimated Rs.12.7 trillion in 2018-19. Tax revenue (net to Centre) is estimated to be Rs.15 trillion, as compared with Rs.10.9 trillion. Total expenditure is estimated to rise by more than 9.5 per cent to Rs.27 trillion.

INDIA'S INFLATION

- **Inflation based on Consumer Price Indices (CPIs):** The all India Consumer Price Index – Combined (CPIC) inflation was 5.9 per cent in March 2020, as compared with 6.6 per cent in February 2020 and 2.9 per cent in March 2019.
- Food inflation based on Consumer Food Price Index (CFPI) decreased to 8.8 per cent in March 2020 as compared with 10.8 per cent in February 2020, mainly due to decrease in inflation of pulses and products, meat and fish, egg, fruits and vegetables.
- CPI inflation for fuel and light stood at 6.6 per cent in March 2020 as compared with 6.4 per cent in February 2020 and 2.3 per cent in March 2019.
- The annual consumer price inflation increased to 4.8 per cent in 2019-20 from 3.4 per cent in 2018-19.
- CPI core inflation (non-food non-fuel) stood at 4 per cent in March 2020 as compared with 3.9 per cent in February 2020 and 5.1 per cent in March, 2019.

- **Wholesale Price Index (WPI):** The WPI inflation rate decreased to 1 per cent in March 2020, as compared with 2.3 per cent in February 2020 and 3.1 per cent in March 2019.
- WPI inflation declined to 1.7 per cent in 2019-20 from 4.3 per cent in 2018-19.
- WPI food inflation (food articles + food products) decreased to 5.5 per cent in March 2020 from 7.3 per cent in February 2020, mainly on account of decrease in inflation of egg, poultry chicken, tea, fish-marine, maize, fruits and vegetables, jowar, bajra and wheat, gram, paddy, betel leaves and urad and fish-inland, arhar, pork, masur and mutton.
- Inflation in fuel & power declined to 1.8 per cent in March 2020.
- WPI core inflation (non-food manufactured products) stood at (-) 0.8 per cent in March 2020, as compared with (-) 0.7 per cent in February 2020 and 2.5 per cent in March 2019.

PERFORMANCE OF THE TOP SECTORS

Agriculture and Food Management

- **Production of food grains:** As per the 2nd Advance Estimates for 2019-20, the total production of food-grains during 2019-20 is estimated at 292 million tonnes compared with 285.2 million tonnes in 2018-19.
- **Stocks:** The total stocks of rice and wheat held by the Food Corporation of India and the state agencies as on 1st March, 2020 was 77.7 million tonnes, compared with 75.3 million tonnes on February 1 2020.

Industry and Infrastructure

Index of Industrial Production (IIP)

- IIP registered a growth of 0.9 per cent in April-February 2019-20, as compared with 4.0 per cent during April-February 2018-19.
- IIP grew by 4.5 per cent in February 2020, as compared with a growth of 0.2 per cent recorded in February 2019.
- The manufacturing sector's growth during April-February 2019-20 was 0.6 per cent, lower as compared with 3.9 per cent a year earlier.
- IIP of the manufacturing sector grew by 3.2 per cent in February 2020, as compared with a decline of 0.3 per cent in February 2019.



Eight Core Industries

- In February 2020, the production of eight core industries grew by 5.5 per cent, as compared with a growth of 2.2 per cent in February 2019. Production

of eight core industries grew by 1 per cent in April-February 2019-20 as compared with a growth of 4.2 per cent 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	7.1	-1.2	7.4	10.3
Crude oil	-4	-6	-6.1	-6.4
Natural Gas	0.8	-4.8	3.8	-9.6
Refinery Products	3	0.3	-0.8	7.4
Fertilizers	0.02	4.1	2.5	2.9
Steel	4.5	5	4.9	-0.4
Cement	13	1.8	8	8.6
Electricity	5.4	1.8	1.2	11
Overall Growth	4.2	1	2.2	5.5

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

Infrastructure Indicators

- The number of telephone subscribers in India declined from 1175.9 million at end November 2019 to 1172.4 million at end December 2019. The overall tele-density in India was 88.6 at end December 2019; the urban tele-density was 156.3 and rural tele-density was 56.7.
- The traffic handled at major ports grew by 0.8 per cent to 704.8 million tonnes in 2019-20, from 699.1 million tonnes in the previous year.

- The total installed capacity for electricity generation was 368,690 MW at the end of January 2020, of which the share of thermal, hydro, renewable and nuclear sources was 62.4 per cent, 12.3 per cent, 23.4 per cent and 1.8 per cent, respectively.
- As per the Central Electricity Authority, electricity generation grew by 10.7 per cent (y-o-y) in February 2020 as compared with 2.1 per cent in January 2020. However, as per the March 2020 report (tentative), electricity generation contracted by 8.8 per cent, showing significant impact of COVID-19 on economic activity.

INDIA'S EXTERNAL TRANSACTIONS

Foreign trade: India's overall exports (merchandise and services) during 2019-20 are estimated to be US\$528.45 billion, exhibiting a drop of 1.4 per cent from a

year earlier. Overall imports during 2019-20 are estimated to be US\$598.6 billion, exhibiting a drop of 6.3 per cent.¹

Exports and Imports (US\$ billion)							
Items	2018-19	August		Growth (%)	April-August		Growth (%)
		2019	2020		2018-19	2019-20	
Exports	32.7	21.4	-34.6	330.1	314.3	-4.8	-1.9
Imports	43.7	31.2	-28.7	514.1	476.2	-9.1	-8.1
Oil Imports	11.8	10	-15	140.9	129.4	-8.2	-9.2
Non-Oil imports	31.9	21.2	-33.8	373.2	337.7	-9.5	-7.7
Trade Deficit	-11	-9.7	-	-184	152.9	-	-

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

- Balance of Payments:** India's current account deficit (CAD) was 0.2 per cent of GDP (US\$1.4 billion) in Q3 of 2019-20, as compared with 2.7 per cent of GDP (US\$17.7 billion) in Q3 of 2018-19. The contraction of CAD in Q3 of 2019-20 was primarily on account of lower trade deficit and higher invisible receipts.
- Foreign Exchange Reserves:** India's foreign exchange reserves stood at US\$474.7 billion as on April 3, 2020, compared with US\$476.1 billion on February 21 2020.
- Exchange rate:** The Indian rupee depreciated against the US dollar, Japanese Yen and Euro by 3.85 per cent, 6.12 per cent and 5.18 per cent, respectively, in March 2020. However, it appreciated against Pound sterling by 0.79 per cent in March 2020.
- External Debt:** India's external debt stood at US\$563.9 billion at end-December 2019, recording an increase of 1.2 per cent over the level at end-September 2019. Short-term external debt (by original maturity) was US\$106.8 billion at end-December 2019, as compared with US\$109.1 billion at end-September 2019.



¹ <https://pib.gov.in/newsite/PrintRelease.aspx?relid=202278>

INDIA'S FDI AND ODI

Foreign Direct Investment into India (FDI)

- The nation's foreign direct investment (FDI) equity inflow over April-December 2019 was US\$36.8 billion, a jump of 10 per cent from the previous year.²
- FDI equity inflow in 2018-19 was US\$44.4 billion, compared with US\$44.9 billion a year earlier.³
- The top investing nations were - Mauritius, Singapore, Japan, the Netherlands, the USA, the UK, Germany, Cyprus, France, and the United Arab Emirates.
- The top sectors in India attracting foreign investments were - services, computer software and hardware, telecommunications, trading, infrastructure development, automobile, chemicals, pharmaceuticals, construction, and power.
- The top states receiving foreign investments - Maharashtra, Delhi, Karnataka, Gujarat, Tamil Nadu, Haryana, Telangana, Rajasthan, Andhra Pradesh, and West Bengal.

India's Overseas Direct Investment (ODI)

- Cumulative ODI outflow (2019-20, up to November 30): US\$6.9 billion⁴
- Cumulative ODI (financial commitment): US\$18.3 billion
- Top ten ODI destination countries: Singapore, the USA, the UK, Switzerland, Russia, Japan, the Netherlands, Mauritius, UAE, British Virgin Islands
- Sectors attracting highest ODI outflows: manufacturing, financial services, retail and hospitality, construction, energy and water, agriculture and mining, community services, connectivity projects, and others.

² https://dipp.gov.in/sites/default/files/FDI_Factsheet_December-19_5March2020.pdf

³ https://dipp.gov.in/sites/default/files/FDI_Factsheet_27May2019.pdf

⁴ <https://dea.gov.in/sites/default/files/Overseas%20Direct%20Investment%20Data%20from%20April%202017%20to%20November%20202019.pdf>





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