



Ministry Of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
& STATES
DIVISION

MONTHLY ECONOMIC REPORT

DECEMBER 2018

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OVERVIEW

India's US\$2.6 trillion economy is estimated to grow by 7.2 per cent in fiscal 2018-19 ending March 31 2019, compared with a growth of 6.7 per cent in fiscal 2017-18¹. The growth of India's real gross domestic product (GDP) for the first half of 2018-19 was 7.6 per cent, as compared with growth of 6 per cent in the first half of 2017-18. Meanwhile, the growth of Gross Value Added (GVA) at constant basic prices for the year 2018-19 is estimated to be 7.0 per cent, as against GVA growth of 6.5 per cent (PE) for 2017-18. At sectoral level, the growth rate of agriculture, industry and services sectors is estimated to be 3.8 per cent, 7.8 per cent and 7.3 per cent, respectively, in 2018-19.

This hints at strengthening of the economy following a slowdown in the aftermath of certain national policy enactments as well as global market headwinds. The Index of Industrial Production (IIP) grew by 0.5 per

cent in November 2018. IIP growth during April-November 2018 was 5 per cent, as compared with a growth of 3.2 per cent a year earlier. Production of eight core infrastructure industries grew by 3.5 per cent in November 2018, compared with a growth of 6.9 per cent in November 2017. Merchandise exports and imports grew by 0.3 per cent and (-) 2.4 per cent, respectively, in December 2018. The nation's foreign exchange reserves was at US\$393.4 billion at end December 2018, as compared with US\$393.7 billion at end November 2018. CPI inflation declined to 2.2 per cent in December 2018 from 2.3 per cent in November 2018. The WPI inflation declined to 3.8 per cent in December 2018 from 4.6 per cent in November 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_December_2018_0.pdf

INDIA'S FINANCIAL MARKETS

- **Money Supply:** Growth of money supply on year-on-year basis as on December 21 stood at 10.2 per cent, as compared with a growth rate of 10 per cent recorded a year earlier.
- Commercial Banks (SCBs) was 9.2 per cent, as compared with 3.4 per cent a year earlier. Bank credit grew by 15.1 per cent as on December 21, as against 10.3 per cent a year earlier.
- As on December 21, growth of aggregate deposits of Scheduled

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.
- The Budget estimate for revenue deficit as percentage of GDP for 2018-19 is 2.2 per cent, as compared with 2.6 per cent in 2017-18 (RE).
- Revenue Receipts for 2018-19 is estimated at Rs17.3 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 (CPIC) inflation declined to 2.2 per cent in December 2018 from 2.3 per cent in November 2018.
- Food inflation based on Consumer Food Price Index (CFPI) stood at (-) 2.5 per cent in December 2018, compared with (-) 2.6 per cent in November 2018.
- CPI inflation for fuel and light decreased to 4.5 per cent in December 2018, as compared with 7.2 per cent in November 2018.
- Core CPI inflation (non-food, non fuel) was 5.6 per cent in December 2018, as compared with 5.7 per cent in November 2018.
- **Wholesale Price Index (WPI):** The WPI inflation declined to 3.8 per cent in

December 2018 from 4.6 per cent in November 2018.

- WPI food inflation (food articles + food products) stood at 0.1 per cent in December 2018, compared with (-) 2.0 percent in November 2018, mainly on account of increase in inflation of cereals, pulses, and eggs, meat and fish.
- Inflation in fuel and power declined to 8.4 per cent in December 2018 from 16.3 per cent in November 2018.
- Core inflation (non-food manufactured products) was 4.2 percent in December 2018, as compared to 4.9 percent in November 2018.

PERFORMANCE OF THE TOP SECTORS

Agriculture and Food Management

- **Production of food grains:** As per 1st Advance Estimates (AE) released by Ministry of Agriculture and Farmers' Welfare on September 26, production of food-grains during 2018-19 in kharif season is estimated at 141.6 million tonnes, compared with 140.7 million tonnes in 2017-18.
- **Stocks:** The total stocks of rice and wheat held by the Food Corporation of India and State agencies as on January 1, 2019, was 63.8 million tonnes, as compared with 63.3 million tonnes on December 1.

Industry and Infrastructure

Index of Industrial Production (IIP)

- The general IIP registered a growth of 0.5 per cent in November 2018, as compared to 8.5 percent in November 2017. The growth of IIP during April-November 2018 was 5 per cent, as compared with 3.1 per cent a year earlier.

- The production of the manufacturing sector contracted by 0.4 percent in November 2018, as compared with a growth of 10.4 percent in November 2017.
- The manufacturing sector's growth during April-November 2018 was 5.0 percent, higher as compared with 3.2 percent during April-November 2017.

Eight Core Industries

- Production of eight core infrastructure industries grew by 3.5 per cent in November 2018, as compared with a growth of 4.3 per cent in September 2018. During April-November 2018, the production of eight core industries grew by 5.1 per cent, as compared with a growth of 3.9 percent recorded a year earlier.

Production growth (per cent) in Core Infrastructure Supportive Industries

Industry	2017-18 (Apr-Sept.)	2018-19 (Apr-Sept.)	Sept 2017	Sept 2018
Coal	1.7	9	0.7	3.7
Cure oil	-0.2	-3.6	0.2	-3.5
Natural Gas	4.4	-0.7	2.4	0.5
Refinery Products	3.6	5.3	8.2	2.3
Fertilizers	-1.1	-1.3	0.3	-8.1
Steel	7	3.7	14.5	6
Cement	0.6	14.2	16.9	8.8
Electricity	5.1	6.7	3.9	5.4
Overall Growth	3.9	5.1	6.9	3.5

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

Infrastructure Indicators

- The number of telephone subscribers in India increased from 1,192 million at end October 2018 to 1,193 million at end November 2018. The overall teledensity in India was 91.2 at end November 2018; the urban teledensity was 159.8 and rural teledensity was 59.3.
- Traffic handled at major ports grew by 3.8 per cent to 518.6 million tonnes in April-November 2018, from 499.8 million tonnes a year earlier.
- The total installed capacity for electricity generation was 346.6 GW at the end of November 2018, of which the share of thermal, hydro, renewable and nuclear sources was 64.2 per cent, 13.1 per cent, 20.8 per cent and 2.0 per cent, respectively.
- As per the Central Electricity Authority, electricity generation grew by 4.6 percent in November 2018 (year on year basis).

INDIA'S EXTERNAL TRANSACTIONS

Foreign trade: Merchandise exports during December 2018 were valued at US\$27.9 billion, as compared with US\$27.8 billion in December 2017, exhibiting a positive growth of 0.3 per cent.² Meanwhile, merchandise imports during December 2018 were valued at US\$41 Billion, which was 2.4 per cent lower than imports of US\$42 billion in December 2017. Under services, exports during

November 2018 were valued at US\$16.7 billion, registering a drop of 0.8 per cent from October 2018, and imports were valued at US\$10.1 billion, clocking growth of 0.1 per cent.

² <http://pib.nic.in/newsite/PrintRelease.aspx?relid=187505>

Exports and Imports (US\$ billion)							
Items	2017-18	Oct 2017	Oct 2018 (P)	Growth (%)	Apr-sept 2017	Apr-sept 2018(P)	Growth (%)
Exports	303.5	27.8	27.9	0.3	222.8	245.4	10.2
Imports	465.6	42	41	-2.4	343.3	386.7	12.6
Oil Imports	108.7	10.3	10.7	3.2	75.7	108.1	42.9
Non-Oil imports	356.9	31.7	30.3	-4.3	267.7	278.6	4.1
Trade Deficit	-162.1	-14.2	-13.1	-	-120.6	-141.2	-
Source: Ministry of Commerce and Industry Note: P: Provisional							

- Balance of Payments:** India's current account deficit (CAD) was US\$35.1 billion (2.7 per cent of GDP) in the first half (April-Sept) of 2018-19, as compared with US\$21.9 billion (2.5 per cent of GDP) a year earlier. The widening of the CAD on year-on-year basis was primarily on account of a higher trade deficit.
- Foreign Exchange Reserves:** Foreign exchange reserves stood at US\$393.4 billion as on 28th December 2018, as compared with US\$393.7 billion at November end 2018. In H1 2018-19, there was a depletion of US\$13.2 billion of foreign exchange reserves (on BoP basis), as against an accretion of US\$20.9 billion in H1 of 2017-18.
- Exchange rate:** The Indian rupee appreciated against the US dollar, pound sterling, Euro and Japanese Yen by 1.6 per cent, 3.4 per cent, 1.4 per cent and 0.7 per cent, respectively, in December 2018 over November 2018.
- External Debt:** India's external debt stood at US\$510.4 billion at end-September 2018, recording an increase of 3.1 per cent over the level at end-September 2017. Short-term external debt was US\$104.3 billion at end-September 2018.

INDIA'S FDI AND ODI

Foreign Direct Investment into India (FDI)

- The nation's foreign direct investment (FDI) equity inflow over the first half of 2018-19 spanning April-Sept was US\$22.7 billion, as compared with US\$25.4 billion in the first half of 2017-18.³
- 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, chemicals, pharmaceuticals, power and construction.
- The top regions receiving foreign investments - Mumbai, New Delhi, Bengaluru, Chennai, Ahmedabad, Hyderabad, Kolkata, Kochi, Jaipur, Chandigarh.

India's Overseas Direct Investment (ODI)

- Cumulative ODI outflows (from April to December 2017): US\$7.3 billion⁵
- 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.

³ https://dipp.gov.in/sites/default/files/FDI_FactSheet_1February2019.pdf

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

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

OUTLOOK FOR THE INDIAN ECONOMY

- India jumped 65 spots over last four years to reach 77th ranking on World Bank's Ease of Doing Business 2019 ranking
- India, world's fifth largest manufacturer, ranked 30th on the World Economic Forum's Future of Production Report 2018
- India emerged as the top recipient of greenfield FDI among the commonwealth block of 53 countries over 2003–2016
- India is most attractive emerging market for global partners investment, as per Emerging Market Private Equity Association (EMPEA)
- India's first States' Startup Ranking 2018 released to create competition in innovation and entrepreneurship and investment
- India is expected to be the third largest consumer economy with consumption tripling to US\$4 trillion by 2025, according to a BCG
- Outlook for India remains largely positive, underpinned by robust consumption, investment and reforms, as per UN's WESP 2018 report
- The World Bank and the International Monetary Fund (IMF) recognize India as the fastest growing major economy in the world

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