Economy Watch

Monitoring India's macro-fiscal performance

April 2018

Building a better working world

Contents

Prepared by Macro-fiscal Unit, Policy Advisory Group, EY India

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Highlights

1. Citing uncertainties surrounding the CPI inflation outlook, **the RBI maintained its policy repo rate at 6.0%** during its first bi-monthly Monetary Policy Review held on 5 April 2018

2. **Overall CPI inflation moderated to 4.3% in March** from 4.4% in February due to a fall in food and fuel based inflation. WPI-based inflation remained stable at a subdued level of 2.5%.

3. **Overall IIP grew above 7% for the fourth successive month** in February 2018, indicating strengthening growth momentum.

4. **The IMF has projected India's growth at 7.4% in FY19** and at 7.8% in FY20.

5. At 50.3 in March 2018, **headline services PMI edged above the 50 mark in March 2018** as compared to 47.8 in February 2018).

6. As per CGA data, **gross central tax revenues grew by 15.8%** during April-February FY18, while **non-tax revenues contracted sharply by (-) 32%** during this period.

7. **Fiscal deficit during April-February FY18 stood at 120.3% of the annual revised estimate** as compared to 113.4% in the corresponding period of FY17.

8. **Non-food credit growth marginally improved to 9.8% (y-o-y) in February** from 9.5% in January 2018 led by slightly improved credit offtake in the services sector.

9. **Average global crude price increased to US$64.2/bbl. in March 2018** from US$63.5/bbl. in February 2018 as global oil supply reduced on account of significant production cuts by OPEC and non-OPEC producers.

Foreword

India's growth prospects: Strengthening domestic drivers; weakening external trade

In its first bi-monthly meeting in 2018-19 on 5 April, the Monetary Policy Committee (MPC) voted to keep the policy rate on hold at 6%, maintaining its neutral stance. Fiscal slippages for 2017-18 and 2018-19, along with the postponement of the medium-term adjustment path, are seen to constitute a key risk to growth and inflation outlook. RBI expects CPI inflation to pick up from 4.4% in February 2018 to 5.1% in 1QFY19 due to unfavorable base effects and then moderate to 4.7% in 2Q, and 4.4% in 3Q and 4Q of FY19, with risks tilted to the upside. With respect to growth, the RBI noted that after languishing for five consecutive quarters, economic activity in India is gathering pace. This turnaround is based mainly on a revival of investment demand and manufacturing output. In its baseline scenario, the RBI has forecasted real GDP growth to improve to 7.4% in FY19 from 6.6% in FY18. The expected quarter-wise growth rates are 7.3%, 7.4%, 7.3%, and 7.6% in 1Q, 2Q, 3Q and 4Q of FY19. The IMF has forecasted India's growth in FY19 at 7.4% and 7.8% in FY20.

Domestic drivers of growth appear to be robust. The India Meteorological Department (IMD) indicated that monsoon for the current year is expected to be normal. The IMD observed that, "Currently, the sea surface temperature conditions over equatorial Pacific suggest moderate La Nina conditions." This augurs well for the Monsoon which is expected to be close to the long-term trend. Early estimates indicate that the rainfall may be around 97% of the long-run average. Manufacturing output and investment demand show signs of strengthening. Domestic consumption and investment demand may remain strong during 2018-19 with general elections scheduled for 2019. Fiscal policies at the central level and, in most states, are likely to support government expenditure - both consumption and capital expenditures.

The key weakness for India's growth prospects appears to come from its external trade. The contribution of 'net exports' to GDP growth has been negative for six consecutive quarters since 3QFY17, with one exception in 2QFY17, when this contribution was low but positive. Although the prospects of global growth are being looked at positively by most multilateral agencies including the World Bank and IMF, the firming up of crude prices and the likely trade and tariff skirmishes between the US and China, constitute a significant risk to India's growth prospects. A prolonged tariff war between the US and China may threaten global trade with India which may also suffer from its adverse consequences. The US has been running a massive trade deficit with a number of countries, with China being the leading country followed by Germany and Japan. Other important countries with whom the US has had a persistent trade deficit for a number of years are Mexico, Italy, Malaysia, South Korea, and India. Currently, the US trade deficit with India accounts for about 3% of the total trade deficit of the US. The corresponding number for China is about 47.1%. While the focus of the newly evolving US trade policy is on China, India is also on the radar. The US has already lodged a protest with the WTO on India's export subsidies. This month's In Focus carries a detailed analysis of the gathering clouds carrying potent headwinds for global trade.

The RBI in its April 2018 Monetary Policy Report has stated that currency in circulation reached the pre-demonetization level during the week ending March 9, 2018. In spite of this, there are reports of cash shortages in certain states in India in April 2018. This may be due to a temporary mismatch between demand for cash and supply through ATMs. There is a case for further deepening digitization of transactions in India, particularly in the non-urban areas so that dependence on cash for purposes of carrying out routine transactions progressively comes down.

This issue also contains an analysis of selected high-frequency indicators to draw some conclusions on 4QFY18 growth.

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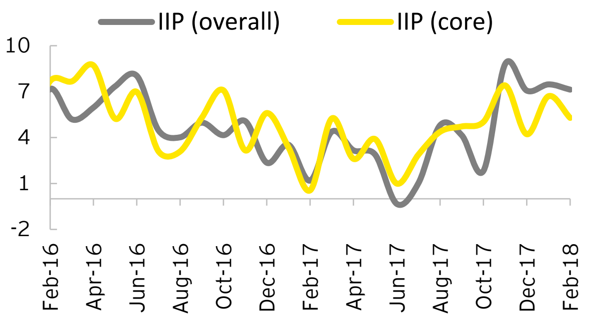
1. Growth: industrial sector maintained its growth momentum

A. GDP growth: Overall IIP growth remained robust in February 2018

Overall IIP grew above 7% for the fourth successive month, pointing towards a strengthening of growth momentum. But core sector IIP moderated in February 2018.

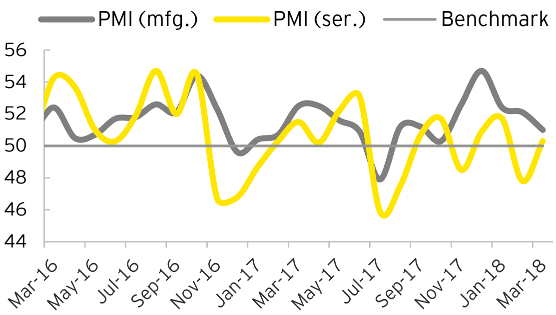
- IIP posted a robust growth of 7.1% (y-o-y) in February 2018, partly due to a favorable base effect and partly due to higher growth in manufacturing output. However, IIP growth in February was marginally lower than that in January 2018 at 7.4% (Chart 1).
- The manufacturing sector output (accounting for 77.6% of overall IIP) grew by 8.7% in February 2018, marginally higher than 8.6% (revised) in January. Growth in the output of electricity moderated to 4.5% in February from 7.6% in January.
- Growth in the output of the capital goods industry (a proxy for investment demand) increased to a 28-month high of 20.0% in February 2018 from 12.6% (revised) in January 2018. Growth in consumer non-durable sector fell to a four-month low of 7.4% in February 2018 from 11.0% in January 2018, while that in consumer durable sector increased to a 17-month high of 7.9% as compared to 7.8% in January 2018. Growth in the infrastructure/construction sector increased to 12.6% in February 2018 from 7.0% in January 2018.
- Growth in the output of eight core infrastructure industries fell to 5.3% (y-o-y) in February 2018 from 6.1% (revised) in January. This was due to a broad based moderation in the growth of major sub-industries including petroleum refinery products (7.8%), electricity (4.0%), coal (1.4%) and contraction in the output of crude oil (-2.4%) and natural gas (-1.5%).

Chart 1: IIP growth (% y-o-y)



Source: Office of the Economic Adviser, Ministry of Commerce and Industry.

Chart 2: IHS Markit PMI



Source: IHS Markit PMI, Markit Economics.

B. PMI: Signaled slower expansion in manufacturing and stabilization in services

In March 2018, manufacturing PMI fell to a five-month low of 51.0 and services PMI edged above the 50 mark as compared to a sharp contraction in February. In FY18, both manufacturing and services PMI averaged lower than the average levels witnessed in the early 2000s.

- Headline manufacturing PMI (sa) fell to a five-month low of 51 in March 2018 from 52.1 in February 2018 (Chart 2). New orders and output expanded but at the weakest pace since October 2017. Manufacturing PMI averaged 51.5 in FY18, close to 51.6 in FY17. However, it remained lower than the levels achieved in the early 2000s.
- At 50.3 in March 2018, headline services PMI (sa) edged above the 50 mark in March 2018 (47.8 in February 2018). PMI services averaged 50.0 in FY18 as compared to 51 in FY17, lower than the average level of 57.6 during FY06 to FY13.
- Composite PMI Output Index (sa) increased to 50.8 in March 2018 as compared to 49.7 in February, driven by improvement in services and continued although weaker expansion in manufacturing. PMI Output Index averaged 51.0 in FY18 as compared to 51.6 in FY17.

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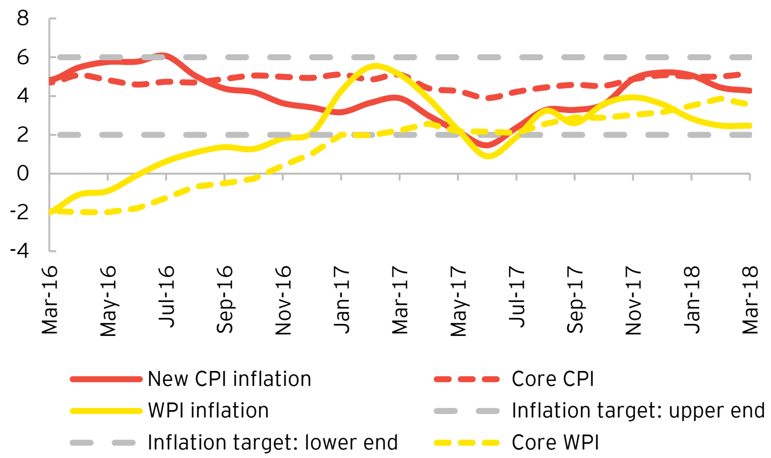
2. Inflation: CPI inflation eased further to a five-month low of 4.3% in March from 4.4% in February

Overall CPI inflation moderated further to 4.3% in March from 4.4% in February due to a fall in food and fuel based inflation. Core inflation remained elevated at 5.2% as compared to 5.0% in February.

- Growth in vegetable prices declined to a five-month low of 11.7% from 17.6% in February. It had earlier reached a four-year high of 29.1% (y-o-y) in December. The decline was led by lower inflation in onions at 67.1% in March as compared to 112.4% in February and that in tomatoes turning negative at (-) 6.9% in March after 8 successive months of positive growth.
- As a result, the Consumer Food Price Index-based inflation eased to a five-month low of 2.8% in March 2018 from 3.3% in February. Further, a near normal monsoon forecast for FY19 by the IMD is likely to have a subdued effect on food inflation in FY19.
- Fuel and light-based inflation moderated to 5.7% in March from 6.9% in February as inflation in LPG nearly halved to 8.5% from 15.9% in February partly due to a favorable base effect.
- Core CPI inflation (excluding food and fuel and light) however increased to 5.2% in March from 5.0% in February, as housing-based inflation remained at a 46-month high level of 8.3% and inflation in services such as transportation, health and education rose marginally.
- As per the RBI, major factors likely to impact the inflation trajectory in FY19 include softening food prices, volatile oil prices, strengthening domestic demand and the statistical impact till H1FY19 of an increase in HRA for central government employees under the 7th Central Pay Commission.

Chart 3: Inflation (y-o-y; %)



Source: MOSPI.

As per the First Bi-monthly Monetary Policy Statement of FY19 by the RBI, projected CPI inflation for 2018-19 was revised to 4.7-5.1% in 1HFY19 and 4.4% in 2HFY19 with risks tilted to the upside.

WPI-based inflation remained stable at a subdued level of 2.5% in March even as WPI Core inflation fell to 3.5% from an elevated level of 3.9% in February.

- Prices of vegetables fell by (-) 2.7% in March, the first such instance of contraction since June 2017, as compared to a growth of 15.3% in February 2018. The pace of contraction in prices of tomatoes doubled to (-) 26.5% in March whereas inflation in onions moderated considerably to 42.2% in March.
- However, inflation in manufactured food products turned positive at 0.3% in March from (-) 1.3% in February. As a result, inflation based on the newly constructed WPI Food Price Index remained nearly stable at 0%.
- Fuel and power based inflation rose to 4.7% in March from 3.8% in February as inflation in electricity turned positive after nine months of contraction.
- WPI core inflation eased to 3.5% from a 43-month high of 3.9% in February due to moderation in inflation in manufacture of basic metals, non-metallic minerals and motor vehicles.

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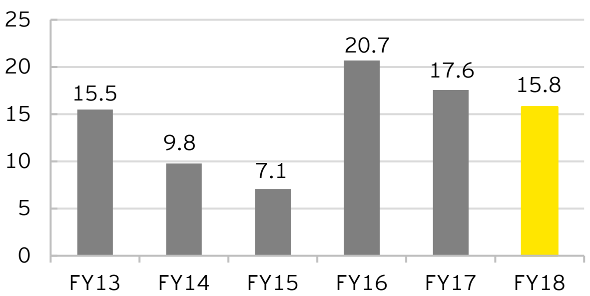
3. Fiscal performance: Fiscal deficit was 120.3% of the annual revised target during April-February FY18

A. Tax and non-tax revenues

As per CGA data, gross central tax revenues grew by 15.8% during April-February FY18, while non-tax revenues contracted sharply by (-) 32% during this period.

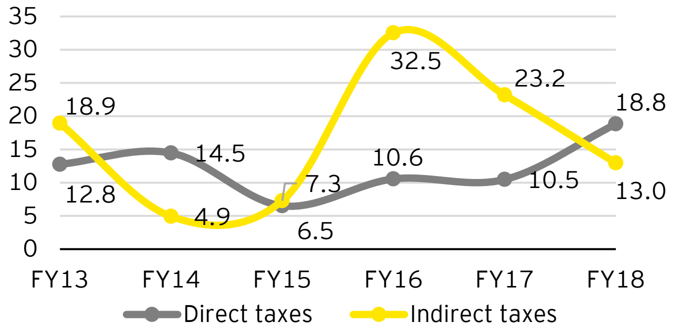
- Gross central taxes grew by 15.8% during April-February FY18, lower than 17.6% in the corresponding period of the previous year (Chart 4).
- Gross central taxes up to February 2018 stood at 80.6% of the FY18 revised estimates, close to the three-year average (FY15 to FY17) of 78.2% achieved up to February as a percentage of the annual actuals.
- Growth in direct taxes (comprising personal income tax and corporation tax) during April-February FY18 was higher at 18.8% as compared to 10.5% in the same period of FY17 driven by strong growth in revenues from corporation tax (Chart 5). With the last installment of advance tax due in March 2018, the Center is likely to achieve the FY18 Revised Estimate (RE) for direct tax collections which was INR25,000 crore higher than the Budget Estimate (BE).
- Growth in personal income tax during April–February FY18 was at 17.7% as compared to 20.9% in the corresponding period of the previous fiscal year. Corporation tax revenues grew sharply by 19.7% during this period as compared to just 3.5% in the corresponding period of FY17.
- Growth in indirect taxes (comprising union excise duties, service tax, customs duty, CGST, UTGST, IGST and GST compensation cess) was at 13.0% during April-February FY18, lower than the corresponding value of 23.2% in FY17. In March 2018, refunds amounting to INR19,725 were witnessed with respect to IGST indicating utilization of IGST credit for tax payments.

Chart 4: Growth in cumulated gross tax revenues up to February 2018



Source: Monthly Accounts, Controller General of Accounts, Government of India

Chart 5: Growth in cumulated tax revenues up to February 2018



Source: Monthly Accounts, Controller General of Accounts, Government of India
Note: Direct taxes include personal income tax and corporation tax, and indirect taxes include union excise duties, service tax, customs duty and CGST, UTGST, IGST and GST compensation cess from July 2017 onward

- The Center's non-tax revenues contracted by (-) 32.0% during April-February FY18 as compared to (-) 1.1% in the same period of FY17. This was largely due to a decline in Center's dividends and profits and other non-tax revenues[1].
- The Center's non-tax revenues up to February 2018 stood at 60.2% of the FY18 revised estimates (RE was lower than BE). This was lower than the three-year average of 81.4% achieved up to February as a percentage of the annual actuals.
- The revised estimate of total receipts from disinvestment for FY18 stood at INR100,000 crore, higher the budgeted target of INR72,500 crore. According to the Department of Disinvestment, the disinvestment proceeds as on 28 March 2018 at INR100, 056.91 confirms that the FY18 RE for disinvestment has been met.

[1] Other non-tax revenues include 5 categories namely, (1) fiscal services, (2) other general services, (3) social services, (4) economic services and (5) grants-in-aid and contributions

B. Expenditures: Revenue and capital

- Total expenditure grew by 14.0% during April-February FY18 as compared to the corresponding value of 12.7% in FY17.
- Revenue expenditure as a percentage of GDP stood at 8.1% during the first two months of 4QFY18 as compared to 10.7% in 3QFY18. This ratio was at 9.5%in 4QFY17 (Chart 6).
- Center's capital expenditure was at 2.1% of GDP during the first two months of FY18, same as that in 3QFY18 (Chart 7). Capital expenditure to GDP ratio has remained in a narrow range of 1.2% to 2.6% during the period from 1QFY16 to 4QFY18 (First two months of the quarter).
- The Center's total major subsidies (food, nutrient-based fertilizer, urea and petroleum subsidy) grew by 0.4% during April-February FY18. Total subsidies up to February 2018 stood at 94.7% of the FY18 annual budgeted target.

The Center's total expenditure up to February 2018 stood at 90.1% of the FY18 RE (which was higher than the BE) as compared to the three-year average of 88.4% achieved up to February as a percentage of the annual actuals.

Chart 6: Revenue expenditure as % of GDP (quarterly)

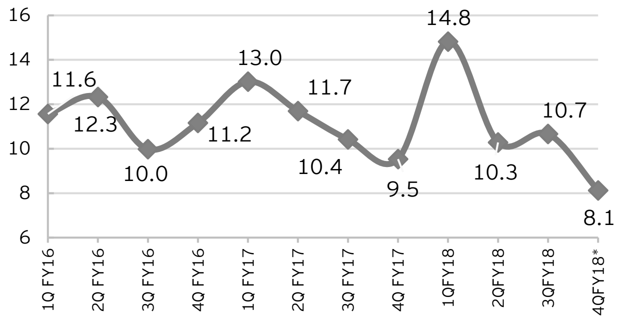
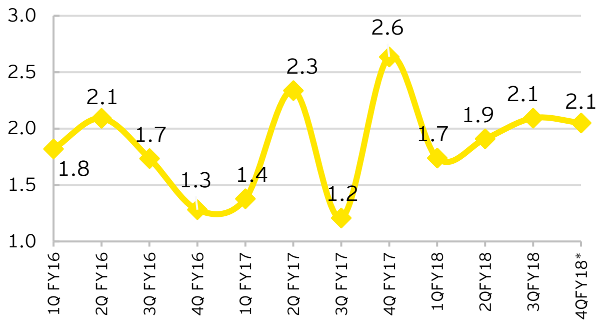


Chart 7: Capital expenditure as % of GDP (quarterly)



Source: Monthly Accounts, Controller General of Accounts, Government of India
* Expenditure is cumulated for January and February 2018 and two-third of 4QFY18 derived quarterly nominal GDP is used.

C. Fiscal imbalance

- Fiscal deficit during April-February FY18 stood at 120.3% of the annual revised estimate as compared to 113.4% in the corresponding period of FY17 (Chart 8).
- The Center's revenue deficit up to February 2018 stood at 119.5% of the annual revised estimate as compared to 142.8% during the corresponding period of FY17 (Chart 9).

In Budget FY19, the Center's FY18 fiscal deficit estimate was revised upward to 3.5% of GDP and the revenue deficit estimate was revised upward to 2.6% of GDP.

Chart 8: Fiscal deficit up to February 2018 as a % of annual revised estimate for FY18

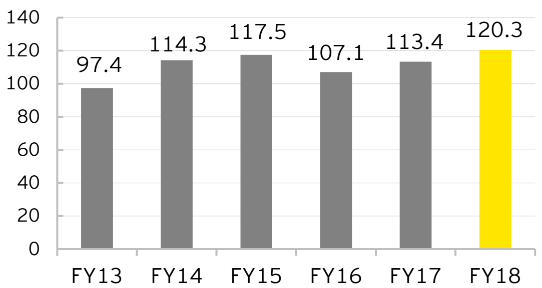
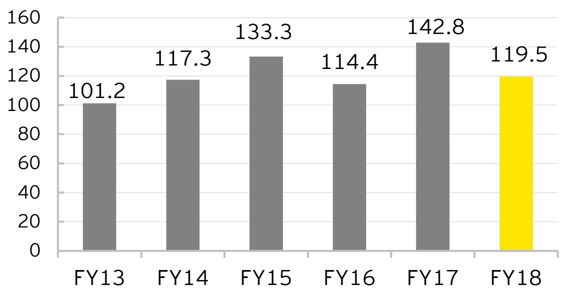


Chart 9: Revenue deficit up to February 2018 as a % of annual revised estimate for FY18



Source: Monthly Accounts, Controller General of Accounts, Government of India

4. India in a comparative perspective: Status and prospects

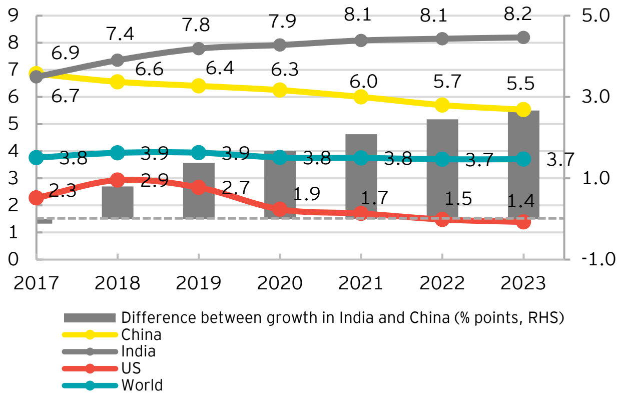
GDP growth: *India to re-emerge as the global growth leader during 2018 to 2023*

- As per the IMF, global growth is expected to strengthen from 3.8% in 2017 to 3.9% in 2018 and 2019 led by a projected pick up in the growth of Emerging Markets and Developing Economies (EMDEs) particularly commodity exporters and India, and a cyclical recovery in advanced economies. However, global growth is projected to moderate to 3.7% by 2023.
- GDP growth in advanced economies is projected to pick-up to 2.5% in 2018 due to stronger growth prospects for Euro area and Japan relative to the earlier forecasts, and the positive impact of expansionary fiscal policy in the US. Growth is forecasted to fall to 1.5% by 2023 in line with modest potential growth for these countries.
- Growth in the EMDEs is projected to strengthen to 4.9% in 2018 and stabilize around 5% beyond it. However, mixed signals emerge within the group.
- Amongst the EMDEs, India's growth is projected to be the highest over the period 2018 to 2023. As indicated in Chart 10, India is expected to overtake China in 2018 where growth is forecasted to moderate from 6.9% in 2017 to 5.5% in 2023. The gradual recovery in commodity exporters like Brazil and Russia is expected to continue.

Table 1: Real GDP growth (%)

Country	2017	2018	2019	2020	2021	2022	2023
Advanced economies	**2.3**	**2.5**	**2.2**	**1.7**	**1.7**	**1.5**	**1.5**
US	2.3	2.9	2.7	1.9	1.7	1.5	1.4
UK	1.8	1.6	1.5	1.5	1.6	1.6	1.6
Euro area	2.3	2.4	2.0	1.7	1.5	1.5	1.4
Japan	1.7	1.2	0.9	0.3	0.7	0.5	0.5
EMDEs	**4.8**	**4.9**	**5.1**	**5.1**	**5.1**	**5.0**	**5.0**
Brazil	1.0	2.3	2.5	2.2	2.2	2.2	2.2
China	6.9	6.6	6.4	6.3	6.0	5.7	5.5
India*	6.7	7.4	7.8	7.9	8.1	8.1	8.2
Russia	1.5	1.7	1.5	1.5	1.5	1.5	1.5
South Africa	1.3	1.5	1.7	1.8	1.8	1.8	1.8
World	**3.8**	**3.9**	**3.9**	**3.8**	**3.8**	**3.7**	**3.7**

Chart 10: Real GDP growth (%) – selected countries



Source (Basic Data): IMF World Economic Outlook, April 2018;*Data is based on fiscal year; Note: Projections start from 2018 onward.

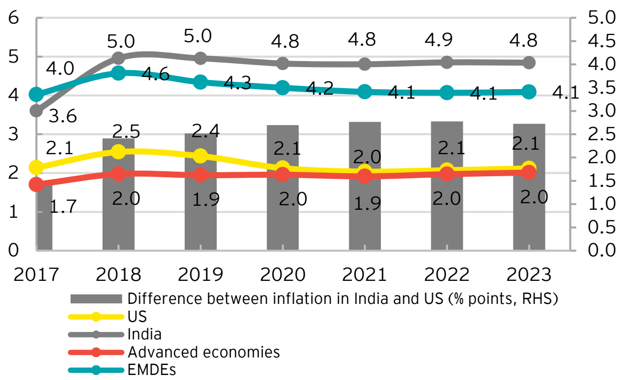
Inflation: India's *CPI inflation forecasted to be the highest among BRIC countries*

- Global inflation (CPI-based) is projected to pick-up to 3.5% in 2018 from 3% in 2017 largely due to a recovery in oil prices since September 2017.
- In the advanced economies, inflation is projected to remain around the long-term target of 2% during 2018 to 2023.
- In the US, CPI inflation is projected to increase to 2.5% in 2018 following the expected fiscal expansion. It is expected to moderate to 2% thereafter, reflecting a monetary policy response to keep expectations and actual inflation anchored.
- Among the EMDEs, India's inflation is expected to rise to 5% in 2018 and moderate to 4.8% by 2023, remaining the highest among BRIC countries (excluding South Africa).

Table 2: Average CPI inflation (%, annual)

Country	2017	2018	2019	2020	2021	2022	2023
Advanced economies	**1.7**	**2.0**	**1.9**	**2.0**	**1.9**	**2.0**	**2.0**
US	2.1	2.5	2.4	2.1	2.0	2.1	2.1
UK	2.7	2.7	2.2	2.0	2.0	2.0	2.0
Euro area	1.5	1.5	1.6	1.8	2.0	2.1	2.1
Japan	0.5	1.1	1.1	1.7	1.1	1.2	1.3
EMDEs	**4.0**	**4.6**	**4.3**	**4.2**	**4.1**	**4.1**	**4.1**
Brazil	3.4	3.5	4.2	4.2	4.0	4.1	4.1
China	1.6	2.5	2.6	2.7	2.8	2.8	3.0
India*	3.6	5.0	5.0	4.8	4.8	4.9	4.8
Russia	3.7	2.8	3.8	4.0	4.0	4.0	4.0
South Africa	5.3	5.3	5.3	5.5	5.5	5.5	5.5
World	**3.0**	**3.5**	**3.4**	**3.3**	**3.2**	**3.3**	**3.3**

Chart 11: Average CPI inflation (%) – selected countries



Source (Basic Data): IMF World Economic Outlook, April 2018;*Data is based on fiscal year; Note: Projections start from 2018 onward.

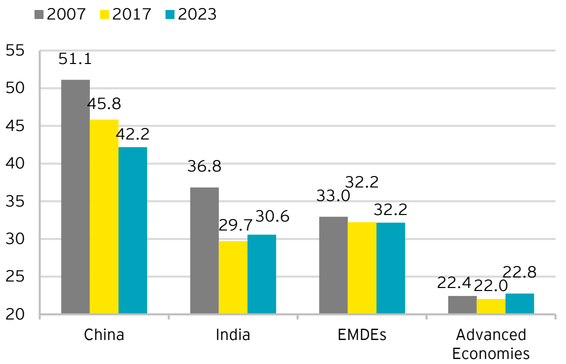
Gross National Savings: *India's saving to GDP ratio remains below that of the EMDE average*

- Since the global economic crisis, the average savings rate in EMDEs has dropped marginally from 33.0% in 2007 to 32.2% in 2017.
- However, China's and India's savings rate have fallen sharply by approximately 5.3% points and 7% points respectively to 45.8% and 29.7% over the same period.
- The average savings rate of EMDEs is expected to rise slightly before returning to the 2017 level of 32.2% in 2023. In China, it is projected to further fall by 3.6% points while in India is it expected to marginally increase to 30.6% by 2023.
- The average savings rate in advanced economies has fallen marginally to 22.0% in 2017 from 22.4% in 2007. It is likely to gradually trend upwards till 2023 reflecting a marginal increase in savings across major AEs such as the Euro area, the UK and the US.

Table 3: Gross National Savings (% of GDP)

Country	2007	2017	2018	2019	2020	2023
Advanced Economies	22.4	**22.0**	**22.2**	**22.3**	**22.5**	22.8
Japan	29.2	28.0	28.3	28.4	28.8	28.5
Euro Area	24.2	24.4	24.6	24.8	24.9	25.0
UK	14.4	12.8	13.3	13.7	14.1	14.8
US	17.3	17.5	17.2	17.4	17.6	18.0
EMDEs	33.0	**32.2**	**32.8**	**32.9**	**32.8**	32.2
China	51.1	45.8	45.4	44.9	44.4	42.2
India*	36.8	29.7	29.7	30.0	30.3	30.6
Russia	29.3	27.0	27.7	27.6	27.0	26.3
South Africa	15.6	16.3	15.8	15.8	15.7	16.1
Brazil	19.8	15.0	14.5	15.1	16.0	17.6
World	25.4	**26.1**	**26.4**	**26.6**	**26.8**	26.9

Chart 12: Gross National Savings (% of GDP) — selected countries



Source (Basic Data): IMF World Economic Outlook, April 2018;*Data is based on fiscal year; Note: Projections start from 2018 onward.

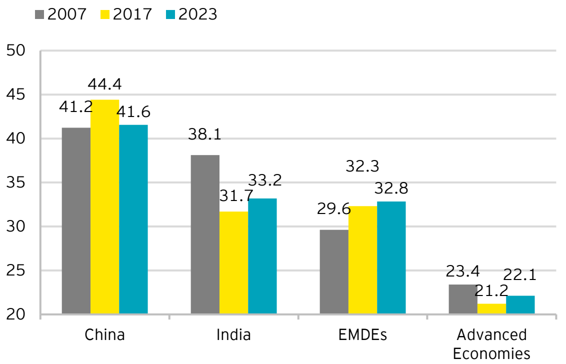
Total Investment: *India's investment rate likely to catch up with the EMDE average in 2023*

- Since the 2008 global economic crisis, the average investment rate in EMDEs has increased marginally from 29.6% in 2007 to 32.3% in 2017.
- China's investment rate has also marginally risen to 44.4% from 41.2% during the period 2007-2017. However, India's investment rate has fallen sharply by approximately 6.4% points over the same period to 31.7% in 2017.
- While the average investment rate in EMDEs and India is expected to marginally rise to 32.8% and 33.2% respectively till 2023, in China it is expected to fall to 41.6% over the same period.
- Average investment rate in advanced economies has marginally fallen to 21.2% in 2017 from 23.4% in 2007. It is likely to gradually trend upwards till 2023 reflecting a marginal increase across major advanced economies such as the Euro area, the UK and the US.

Table 4: Total Investment (% of GDP)

Country	2008	2007	2018	2019	2020	2023
Advanced Economies	**23.4**	**21.2**	**21.5**	**21.8**	**22.1**	**22.1**
Japan	24.5	24.0	24.6	24.7	24.8	24.5
Euro Area	24.0	20.9	21.1	21.3	21.4	21.8
UK	18.2	16.9	17.0	17.1	17.3	17.7
US	22.4	19.8	20.2	20.8	21.2	21.0
EMDEs	**29.6**	**32.3**	**32.9**	**33.0**	**33.1**	**32.8**
China	41.2	44.4	44.2	43.7	43.2	41.6
India*	38.1	31.7	32.0	32.1	32.4	33.2
Russia	24.1	24.3	23.3	23.8	23.6	22.9
South Africa	21.0	18.6	18.7	18.8	19.0	19.4
Brazil	19.8	15.5	16.1	16.9	17.7	19.4
World	**25.1**	**25.6**	**26.0**	**26.4**	**26.6**	**26.8**

Chart 13: Total Investment (% of GDP) — selected countries



Source (Basic Data): IMF World Economic Outlook, April 2018;*Data is based on fiscal year; Note: Projections start from 2018 onward.

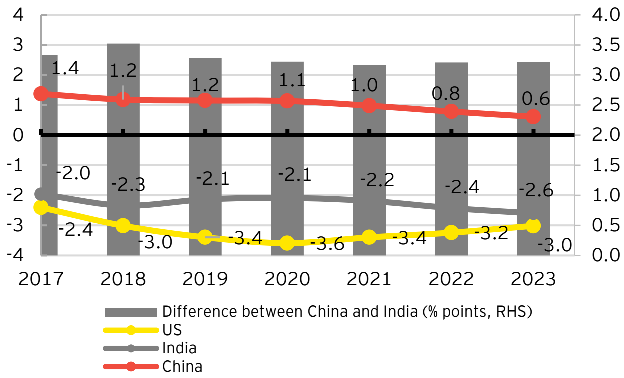
Current account balance (CAB) as a percentage of GDP: *India's current account deficit is expected to be above 2% of GDP during 2018 to 2023*

- Among the advanced economies, current account deficit in the US is projected to widen in 2018 and beyond driven by expansionary fiscal policy. As the expansionary impact of the fiscal policy fades in the medium-term, current account deficit is expected to narrow down by 2023.
- In China, the current account is expected to remain in surplus during 2018 to 2023, but the surplus is expected to narrow down to 0.6% of GDP by 2023, partially reflecting the narrowing of current account deficit in the US.
- For Russia, current account surplus is expected to increase from 2.6% of GDP in 2017 to 4.5% of GDP in 2018 reflecting the strengthening of oil prices in 2018.
- In India, current account deficit is expected to widen from 2% of GDP in 2017 to 2.6% by 2023. The same trend is also depicted by South Africa with its current account deficit forecasted to increase to 3.4% of GDP by 2023.

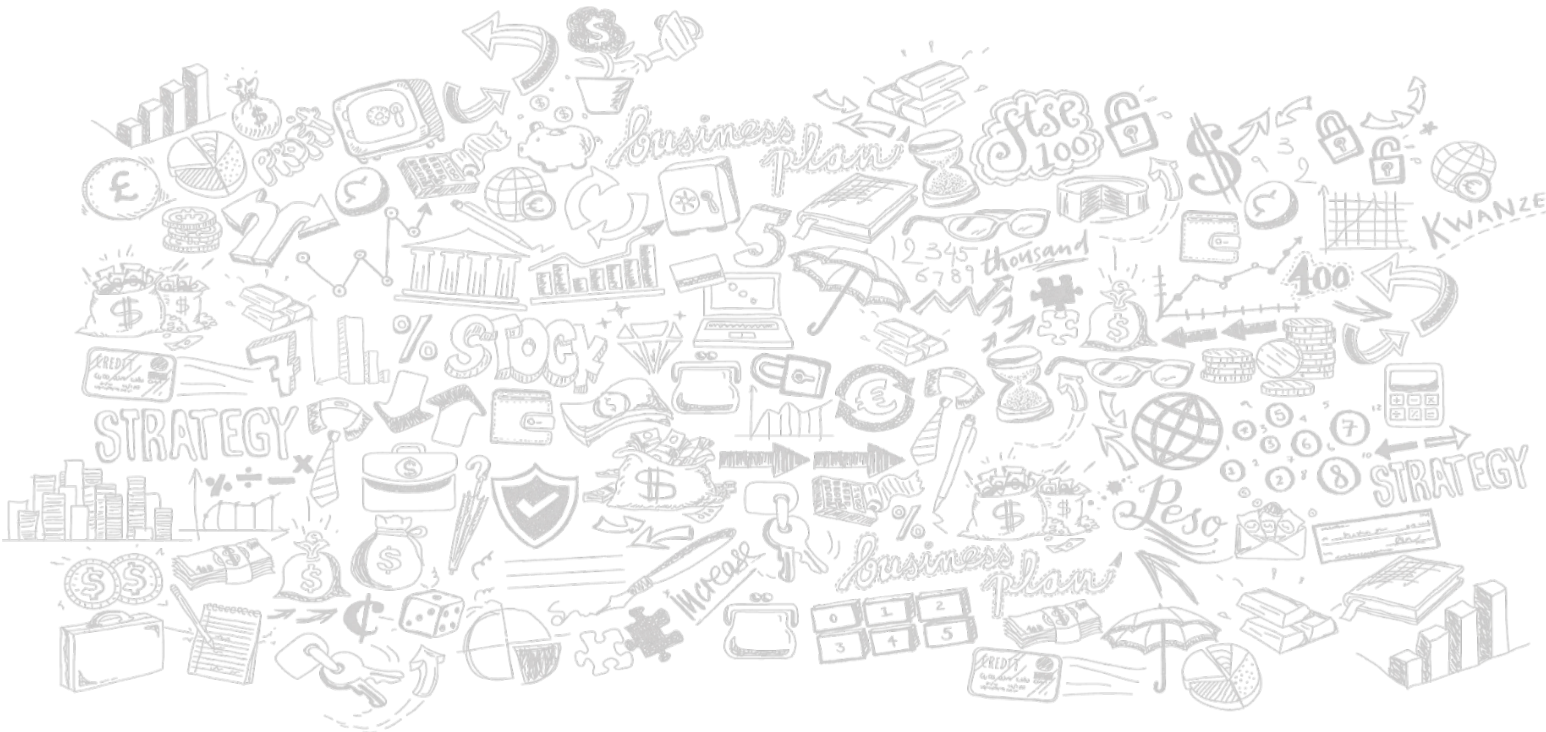
Table 5: CAB as % of GDP

Country	2017	2018	2019	2020	2021	2022	2023
US	-2.4	-3.0	-3.4	-3.6	-3.4	-3.2	-3.0
UK	-4.1	-3.7	-3.4	-3.2	-3.1	-3.0	-2.9
Japan	4.0	3.8	3.7	4.0	4.1	4.0	4.0
Brazil	-0.5	-1.6	-1.8	-1.8	-1.9	-2.0	-1.9
China	1.4	1.2	1.2	1.1	1.0	0.8	0.6
India*	-2.0	-2.3	-2.1	-2.1	-2.2	-2.4	-2.6
Russia	2.6	4.5	3.8	3.4	3.4	3.4	3.4
South Africa	-2.3	-2.9	-3.1	-3.3	-3.3	-3.3	-3.4

Chart 14: CAB as % of GDP – selected countries



Source (Basic Data): IMF World Economic Outlook, April 2018;*Data is based on fiscal year; Note: Projections start from 2018 onward.



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5. In focus: US-China Trade: Gathering Protectionist Clouds

Introduction

On 3 April 2018, the United States published a list of products including iron, steel and aluminium products, machinery and equipment parts and organic chemicals, of Chinese origin proposing an imposition of an additional ad-valorem duty of 25% on these items, affecting US$50 billion of Chinese imports[2]. The proposed duties would be applied only to China's products and in excess of the United States' bound rates in its Schedule of Concessions and Commitments annexed to the GATT 1994. In response, China undertook retaliatory measures. With these measures and counter-measures, two of the largest economies of the world appear to be entering a trade war. India cannot escape being adversely affected. On the priority watch list of the US, countries such as Algeria, Argentina, Chile, India, Indonesia, Kuwait, Russia, Thailand, Ukraine and Venezuela are also listed.

International trade has made considerable progress since the signing of the General Agreement on Trade and Tariffs (GATT) in 1947. Its main aim guided by the objective of barrier-free international trade was 'substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.' GATT was replaced by the World Trade Organisation (WTO) in 1995. Currently, WTO has 159 countries as its members.

The March 2018 Report to the US President on Trade Policy Agenda observed that the scope of China's trade-measures and its economic practices increasingly affect the United States and the overall global economic and trade system. As per this report, the US sees China as a "statist economic model" with a large and growing government role. The 2017 Annual Report by the office of the US Trade Representative (USTR) argues that while China has been a member of the WTO for more than 16 years, it has yet to adopt the market economy system expected of all WTO members. Rather, China appears to be moving further away from market principles in recent times. The report asserts that China has been contributing to a "dramatic misallocation of global resources that leaves everyone –including the Chinese people –poorer than they would be in a world of more efficient markets".

As a result of these trade imbalances, the US workers and businesses are at a disadvantage in global markets, as unfair trading practices flourish. The USTR Report goes on to say that it is not only China but a number of other countries who have benefited from market-distorting practices. As such, the trade policy changes proposed by the US aims at the following:

a. Supporting US National Security
b. Strengthening the US Economy
c. Negotiating Better Trade Deals
d. Aggressive Enforcement of the US Trade Laws
e. Reforming the Multilateral Trading System

US trade deficits: major trading partners

The US has been running major trade deficits with a number of its trading partners, the largest accounting for about 47.1% of the average total US trade deficit in 2016-17 coming from its trade with China.

The average total US Trade Deficit has risen more than six-fold to US$766.5 billion during 2016-2017 from US$120.4 billion during 1987-1990 (Table 6). Nearly 55.0% of this increase can be attributed to an increased deficit in trade with China. Over the period 1987-2017, trade with China has increased at a rapid pace with imports into the US rising more than 80 times and exports from the US by more than 37 times. The average trade deficit with China in 2016-17 was 63 times the level over 1987-90. As a result, China's share in the overall trade deficit of the US increased from 5.2% to 47.1% over this period (Chart 15).

In the meanwhile, Japan's share in the US trade deficit fell by 32.5% points to 9.0% in 2016-17 from 41.5% during1987-90. The average trade deficit with India, on the other hand, has grown at a much slower pace, increasing from US$0.8 billion in 1987-90 to US$23.7 billion in 2016-17. This reflected a gain of only 2.5% in terms of shares. No other EME has gained as much as China during the process of expansion of the US trade deficit over the last three decades. China has been followed by Mexico with its average share increasing by a margin of 6.4% points during 1987-90 to 2016-17.

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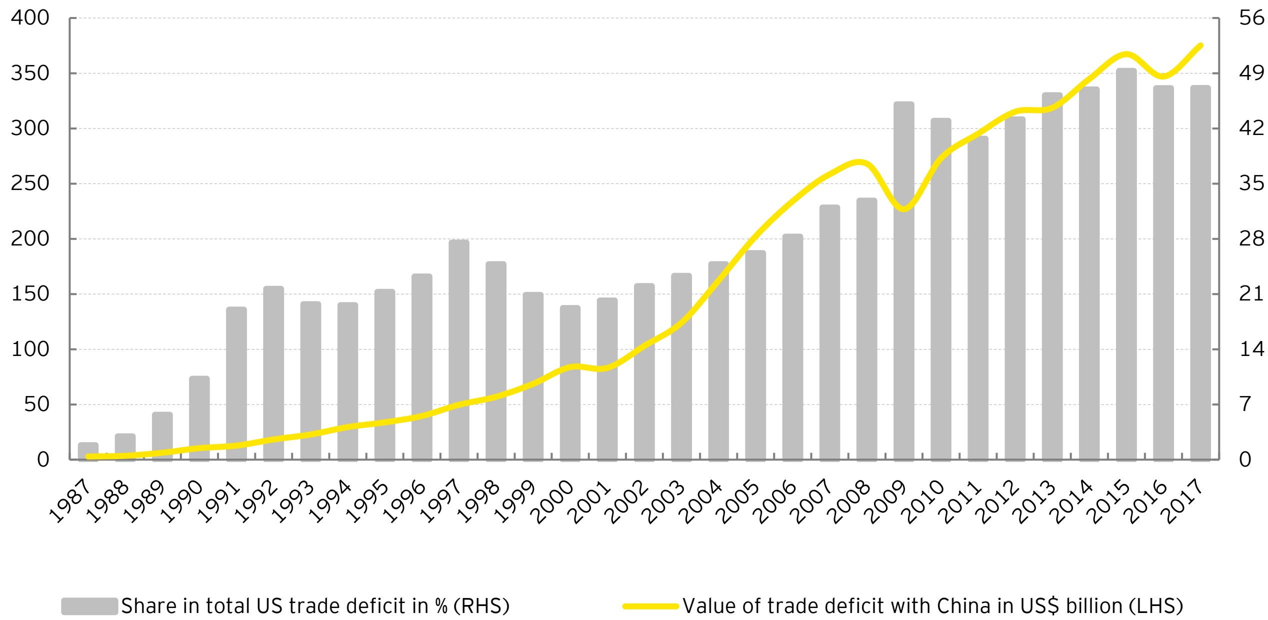
[2] https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/april/under-section-301-action-ustr

Table 6: US trade deficit with major trading partners 1987-2017

Period	China	Mexico	Japan	Germany	Vietnam	Ireland	Italy	Malaysia	India	S. Korea	World
Trade Deficit (US$ billion) (Average over given period)											
1987 to 1990	5.7	3.1	49.6	11.2	0.0	-0.8	4.9	1.6	0.8	7.0	120.4
1991 to 1995	23.4	1.1	55.4	9.8	0.0	-0.4	5.7	5.3	2.1	1.3	115.2
1996 to 2000	59.7	19.1	64.5	23.0	0.2	3.7	11.6	10.7	4.7	4.5	269.1
2001 to 2005	135.0	40.6	72.9	40.1	3.0	17.1	16.0	16.3	8.4	15.1	567.9
2006 to 2010	252.1	63.6	70.6	39.6	9.3	22.9	18.0	17.5	8.9	12.2	718.4
2011 to 2015	328.2	59.2	69.9	65.3	20.8	27.8	22.8	15.6	20.0	20.8	725.0
2016 to 2017	361.1	67.7	68.8	64.5	35.2	37.0	30.1	24.7	23.7	25.2	766.5
Share in Overall Trade Deficit (%)											
1987 to 1990	5.2	2.4	41.5	9.2	0.0	-0.7	4.2	1.4	0.6	5.8	100.0
1991 to 1995	20.3	-0.4	51.2	8.4	0.0	-0.5	4.9	4.4	1.8	1.4	100.0
1996 to 2000	23.1	7.6	25.6	9.0	0.0	1.2	4.7	4.2	1.8	1.0	100.0
2001 to 2005	23.3	7.2	13.3	7.1	0.5	3.0	2.9	2.9	1.5	2.7	100.0
2006 to 2010	36.2	9.0	9.7	5.5	1.4	3.3	2.5	2.4	1.2	1.7	100.0
2011 to 2015	45.3	8.2	9.7	9.0	2.9	3.8	3.1	2.1	2.8	2.9	100.0
2016 to 2017	47.1	8.8	9.0	8.4	4.6	4.8	3.9	3.2	3.1	3.3	100.0
2016-2017 minus 1987-1990 share	41.9	6.4	-32.5	-0.8	4.6	5.5	-0.2	1.8	2.5	-2.5	0.0

Source: United States Census Bureau

Chart 15: Trend of the US trade deficit with China: 1987-2017



Source (Basic data): United States Census Bureau

US complaints with Chinese trade interventions

In relation to trade between the US and China trade, the US has expressed four main categories of issues. These relate to Intellectual property rights, technology-related issues, food and agricultural products and subsidies and support by the trading countries to their exports.

Intellectual Property Rights

An important US concern is about protection of intellectual property rights. The USTR Report (2018) says that preserving the US lead in research and technology and protecting the US economy from competitors who unfairly acquire their intellectual property is important. For this purpose, the US has already launched an investigation pursuant to Section 301 of the Trade Act of 1974 into allegations that China is engaged in unreasonable and discriminatory efforts to obtain the US technologies and intellectual property.

Technology Related Issues

The USTR Report (2018)[3] raises a number of technology-related issues as quoted in the excerpt below:

1. The Chinese government reportedly uses a variety of tools, including opaque and discretionary administrative approval processes, joint venture requirements, foreign equity limitations, procurements, and other mechanisms to regulate or intervene in the US companies' operations in China, in order to require or pressure the transfer of technologies and intellectual property to Chinese companies.
2. The Chinese government's acts and policies constrain achieving market-based terms in licensing and other technology related negotiations with Chinese companies thereby undermining U.S. companies' control.
3. The Chinese government reportedly directs or unfairly facilitates the systematic investment in, or acquisition of, U.S. companies and assets by Chinese companies to obtain cutting edge technologies and intellectual property and generate large scale technology transfer in industries deemed important by Chinese government industrial plans.
4. The Chinese government is conducting or supporting unauthorized intrusions into U.S. commercial computer networks or cyber enabled theft of intellectual property, trade secrets, or confidential business information, and this conduct harms U.S. companies or provides competitive advantages to Chinese companies or commercial sectors.

The USTR Report (2018) asserts that the ITC investigation revealed that from 2012 to 2016, the US imports of CSPV solar cells and modules grew nearly six-fold, and prices fell dramatically. Most of the US producers ceased production entirely or moved their facilities to other countries. Despite the favorable demand conditions, prices fell. Those producers who remained were operating at below full capacity and employment levels, and consistently suffered with negative financial performance. These conditions forced them to cut capital investment and research and development expenditures. The ITC determined that the injury to the domestic industry was serious and that increased imports were the most important cause of that injury.

Food and agricultural products

To combat the myriads of unfair trade barriers facing the US food and agricultural exports, the US is also prioritizing its efforts for resolving unfair trade barriers around the world for food, beverages, and agriculture products used for industrial inputs. In 2017, the following initiatives were undertaken: seeking to open Argentina to the US pork and fruit, achieving science based standards for the US beef exports to Australia, resolving barriers to exports of American lamb, beef, horticultural products and processed foods to Japan, establishing year-round markets for the US rice exports to Colombia, Nicaragua and China, resolving access issues with the European Union for the US high quality beef, reopening the Indian market to the US poultry and opening it to pork, working with Middle Eastern countries, China and elsewhere on food certificates, where necessary, based on science; opening Vietnam to meat offal; and resolving barriers to the US corn and soybeans derived from agricultural biotechnology in various countries.

Subsidies and Support: China and other US trading partners

The United States has challenged the excessive government support that China provides for the production of rice, wheat, and corn. China's market price support for rice, wheat, and corn inflated Chinese prices above market levels, creating an artificial government incentive for Chinese farmers to obtain government support. The USTR calls for reducing distortions for rice, wheat, and corn to help American farmers to compete on a more level playing field. This dispute presents issues of systemic importance. The USTR had established a panel in 2017 and it is likely to pursue this case aggressively.

As of 2016, global trade in seafood had grown to US$126 billion, and China alone exported nearly as much seafood annually as the next three largest exporters combined. Global fishing capacity has increased approximately 50% from 2001 to a level that some have estimated it to be 250% higher than required to fish at sustainable levels.

[3] *2018 Trade Policy Agenda and 2017 Annual Report of the President of the United States on the Trade Agreements Program*, Office of the President of the United States, March 2018

The USTR Report estimates that the value of harmful global subsidies to support fishing are close to US$20 billion annually. These harmful fisheries subsidies are considered as a major contributing factor in the unsustainable exploitation of fisheries resources. The Food and Agriculture Organization (FAO) most recently estimated that approximately 31% of global fish stocks are now in an overfished condition and almost 60% are fully fished and therefore are at risk of overexploitation without effective management.

The USTR calls for urgent action to address overexploitation of fisheries resources. In its view, WTO Members can make a significant contribution in ending these destructive subsidy programs that are exacerbating overfishing and overcapacity by agreeing to new prohibitions on the most harmful fisheries subsidies.

In April 2017, the United States and the European Union jointly submitted Article 25.8 requests to China on potential subsidies provided to its steel industry. In previous meetings of the Subsidies and Countervailing Measures (SCM) Committee, China stated that it only provided subsidies to its steel companies under three broadly available (*i.e.,* non-specific) programs. In light of this statement, the United States, along with the European Union, requested information on nearly 160 apparent subsidy programs maintained by the government of China. All of these programs were listed in the annual reports of several steel companies and many appear to meet the notification requirements set forth under Article 25 of the Subsidies Agreement.

Given the worldwide overcapacity in the steel industry, the United States believes that it is critical for China to respond to this request for information and appropriately notify all subsidies received by its steel industry in accordance with China's obligations. These questions are being followed up in 2018.

Among other related complaints, the USTR Report says that China is home to widespread infringing activity, including trade secret theft, rampant online piracy and counterfeiting, and high levels of physical pirated and counterfeit exports to markets around the globe. Combined shipments/goods coming from or through China and Hong Kong in Fiscal Year FY16 accounted for an overwhelming majority (88%) of all U.S. Customs border seizures of IPR infringing merchandise. China also requires that U.S. firms localize research and development activities. Structural impediments to civil and criminal IPR enforcement are also problematic, as are impediments to pharmaceutical innovation.

US Concerns with India's trade policies
Export subsidies

The WTO provisions on subsidies and countervailing measures in respect of trade in goods are contained in Articles VI and XVI of GATT 1994, the Agreement on Subsidies and Countervailing Measures (ASCM) and the Agreement on Agriculture. The intention in the ASCM was to bring about greater uniformity in the interpretation of concepts like subsidies, export subsidies, material injury and domestic industry, and lend greater precision and predictability to the rights and obligations.

The US has requested consultations with the Government of India pursuant to Articles 1 and 4 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* and Articles 4 and 30 of the *Agreement on Subsidies and Countervailing Measures* ("SCM Agreement") with regard to certain export subsidy measures of India. India provides export subsidies through: (1) The Export Oriented Units Scheme and sector-specific schemes, including Electronics Hardware Technology Parks Scheme, (2) The Merchandise Exports from India Scheme, (3) The Export Promotion Capital Goods Scheme, (4) Special Economic Zones, and (5) a duty-free imports for exporters program.

The USTR Report asserts that India is not entitled to these subsidies as its per-capita income has crossed US$1000 per annum. The US says that these subsidy measures appear to be inconsistent with Article 3.1(a) of the SCM Agreement, and India appears to have acted inconsistently with Article 3.2 of the SCM Agreement. The USTR Report points out that instead of constraining market distorting countries like China, the WTO has in some cases given them an unfair advantage over the United States and other market-based economies. Instead of promoting more efficient markets, the WTO has been used by some Members as a bulwark in defense of market access barriers, dumping, subsidies, and other market-distorting practices.

Currency management

According to an April 2018 Report of the US Treasury Department to Congress on Macroeconomic and Foreign Exchange Policies of Major Trading Partners of the US, the US Treasury has established a Monitoring List of major trading partners that merit close attention to their currency practices and macroeconomic policies. If a country meets two of the following three criteria, as per a 2015 Act, it is placed on the Monitoring List:

1. A significant bilateral trade surplus with the United States is one that is at least $20 billion;
2. A material current account surplus is one that is at least 3% of gross domestic product (GDP); and
3. Persistent, one-sided intervention occurs when net purchases of foreign currency are conducted repeatedly and total at least 2% of an economy's GDP over a 12-month period.

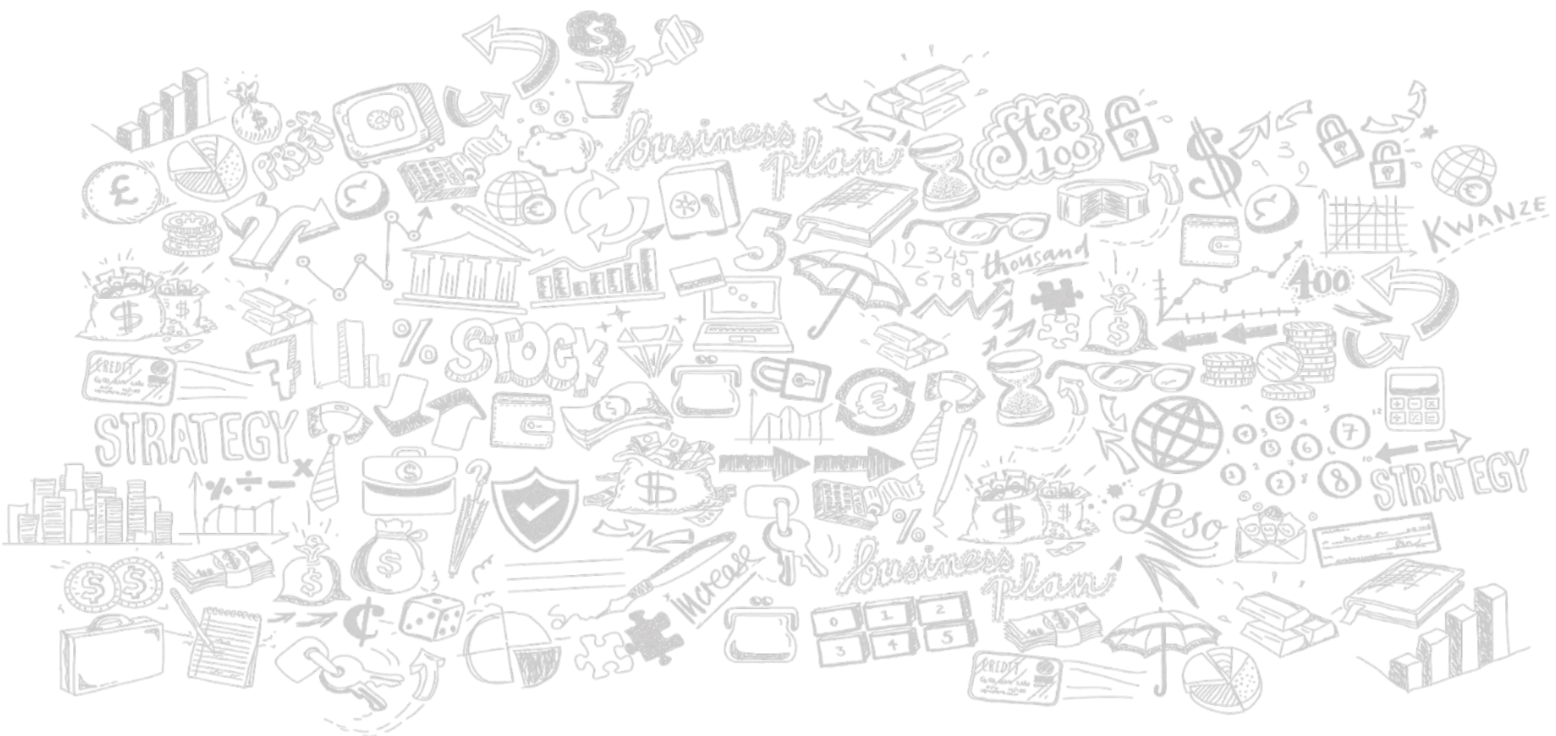
India is also placed on its monitoring list on account of points (1) and (3).

Table 7: India's import and export performance (quarterly)

Quarter	Growth rates (%)			Contribution to growth (% points)		
	Exports	Imports	GDP	Exports	Imports	Net Exports
1QFY15	11.7	-0.5	7.4	2.8	-0.1	2.9
2QFY15	1.2	4.7	7.8	0.3	1.3	-1.0
3QFY15	2.0	5.7	6.1	0.5	1.5	-1.0
4QFY15	-6.3	-6.1	6.7	-1.6	-1.6	0.0
1QFY16	-6.2	-5.7	7.8	-1.5	-1.5	0.0
2QFY16	-4.6	-3.7	8.5	-1.1	-1.0	-0.2
3QFY16	-9.1	-10.1	7.3	-2.2	-2.6	0.4
4QFY16	-1.6	-3.7	9.0	-0.4	-0.8	0.5
1QFY17	3.6	0.1	8.1	0.8	0.0	0.7
2QFY17	2.4	-0.4	7.6	0.5	-0.1	0.6
3QFY17	6.7	10.1	6.8	1.4	2.2	-0.8
4QFY17	10.3	11.9	6.1	2.1	2.4	-0.3
1QFY18	5.9	16.0	5.7	1.2	3.4	-2.2
2QFY18	6.5	5.4	6.5	1.3	1.2	0.2
3QFY18	2.5	8.7	7.2	0.5	1.9	-1.4
4QFY18	-0.4	4.8	7.1	-0.1	1.0	-1.1

Source (Basic data): Central Statistical Organisation, Ministry of Statistics and Programme Implementation, GoI

For India, these developments imply both an opportunity and a challenge. India's exports have been weakening in recent times as indicated in Table 7. Export growth has been consistently declining from a six-year high of 30.5% that had been reached in November 2017. Global trade is expected to slow down if these tariff and trade skirmishes between the US and China further escalate. Both countries may look for alternate destinations for imports. With suitable policies in place, India may be able to increase its exports to the US as also cut its trade deficit with China.



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6. Money and finance: RBI maintained the repo rate at 6.0% in its April 2018 monetary policy review

A. Monetary sector

Citing uncertainties surrounding the CPI inflation outlook, the RBI maintained its policy repo rate at 6.0% during its first bi-monthly monetary policy review held on 5 April 2018.

Monetary policy

- The RBI retained its policy repo rate at 6.0% in its April 2018 monetary policy review as uncertainties surrounding the CPI inflation outlook heightened. As per the RBI's monetary policy statement, elevated core CPI inflation continued to be a cause of concern for the policy makers. However, there was a fall in the overall CPI inflation in February and March 2018.
- According to the RBI, upside risks to inflation outlook may emanate from the following: (i) Impact of the revised formula for minimum support price, (ii) Staggered impact of HRA revisions by various state governments, (iii) Any further fiscal slippage from the Union Budget estimates for FY19, (iv) Fiscal slippage at the state level (v) Volatility in international crude prices, (vi) Rising input cost conditions and (vii) Uncertainties surrounding the monsoon.

Chart 16: Movements in repo rate

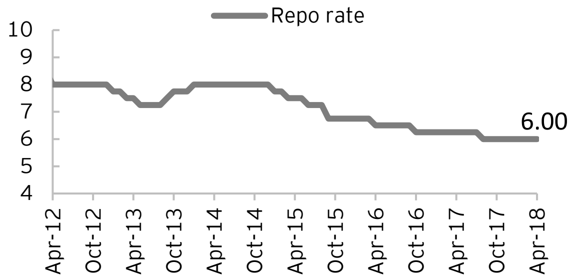
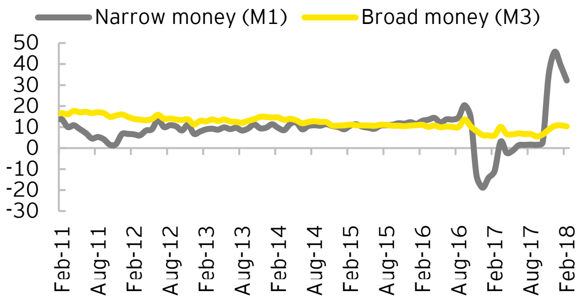


Chart 17: Growth in narrow and broad money



Source: Database on Indian Economy, RBI.

Money stock

- Broad money stock (M3) grew at a slower pace of 10.3% (y-o-y) in February 2018, as compared to 10.8% in January 2018 (Chart 17). Time deposits (accounting for over 76% of the broad money stock) grew further to 5.4% in February 2018 from 4.8% in January 2018.
- Narrow money (M1) continued to post a double-digit growth in February 2018 at 32.2% (y-o-y) due to a favorable base effect, but was lower than that in January 2018 at 39.3%. Currency in circulation (excluding non-demonetized currency) as a percentage of the total demonetized currency (indicating the extent of re-monetization) was at 102.3% by 30 March 2018.

Aggregate credit and deposits

- Credit by scheduled commercial banks remained above 10% for the third consecutive month as it grew further to 10.7% (y-o-y) in February 2017 from 10.2% in January 2018 (Chart 18). Since February 2015, bank credit growth has averaged around 8.4% as compared to a robust growth of 14.6% achieved over the previous three years.
- Non-food credit growth marginally improved to 9.8% (y-o-y) in February from 9.5% in January 2018 led by slightly improved credit offtake in the services sector. Growth in credit to the services sector increased to 14.2% in February 2018 from 13.2% in January 2018 while credit growth to industries remained low at 1.0% in February 2018.
- Personal loans, a key driver of retail sector credit, grew at a robust pace of 20.4% in February 2018 marginally higher than 20.0% in January 2018 led by a sustained increase in the demand for housing loans (Chart 19).
- Growth in aggregate bank deposits improved further to 5.9% (y-o-y) in February 2018 from 4.6% in January 2018.

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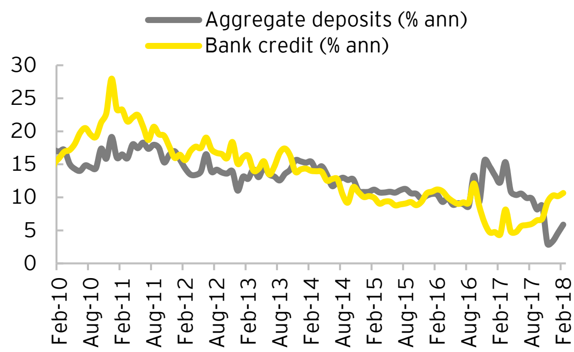
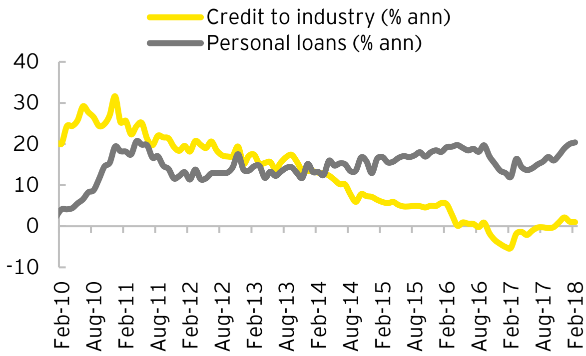
Chart 18: Growth in credit and deposits



Source: Database on Indian Economy, RBI.

Chart 19: Growth in industrial and personal loans



Source: Database on Indian Economy, RBI.

B. Financial sector

Net FDI inflows were at a 6-month high of US$4.5 billion while net FPIs registered an outflow of US$2.4 billion in February 2018.

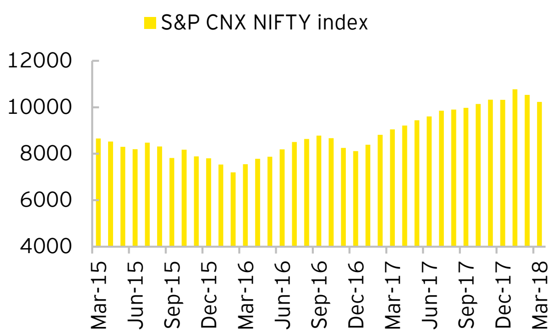
Interest rates

- Banks marginally increased the interest rates offered on term deposits with a maturity of more than one year, to range between 6.2% and 6.75% in March 2018. Since November 2017, the term deposit rates have ranged between 6.0% and 6.75%.
- The marginal cost of fund-based lending rate (MCLR) was increased further to range between 7.76% and 7.95% in March 2018 from 7.65% and 7.9% in February 2018.
- The average yield on 10-year government securities rose to a 25-month peak of 7.61% (weekly average) in March 2018 from 7.55% in February 2018. Benchmark bond yields were influenced by higher inflation expectations, deteriorating the fiscal position of the union government and the uncertainties linked to the US policy rate decision.

FPI and stock market

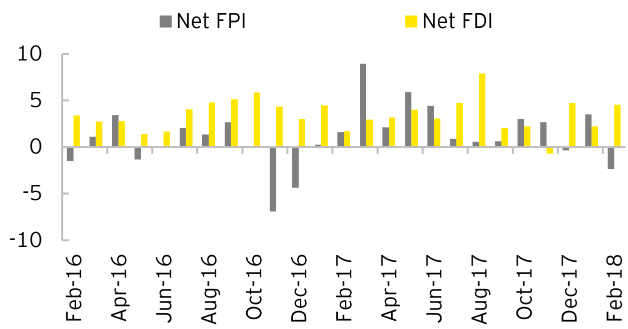
- The benchmark S&P NIFTY index fell for the second consecutive month to 10,223 in March 2018 from 10,533 in February 2018 registering a loss of 300 points during the month (Chart 20). The markets witnessed losses amidst concerns on widening current account deficit during 3QFY18, continued deterioration in the asset quality of commercial banks and political uncertainties following the no-confidence motion moved by the regional political parties.
- As per provisional data, overall foreign investment inflows dipped to US$1.6 billion in February 2018 from US$ 5.4 billion in January led by higher FPI outflows relative to inflows.
- Net FDI inflows increased to a six-month high of US$4.0 billion in February 2018 as compared to US$1.9 billion in January 2018 (Chart 24). Gross FDI inflows reached US$56.8 billion during April-February FY18, marginally higher than the inflows of US$56.2 billion during the corresponding period of previous fiscal year.

Chart 20: Stock market movement



Source: Database on Indian Economy, RBI.

Chart 21: Net FDI and FPI inflows



Source: Database on Indian Economy, RBI.

- Net FPIs outflows amounted to US$2.4 billion in February 2018 as compared to Net inflows of US$3.5 billion in January 2018.

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7. Trade and CAB: Exports dip for the second time in FY18

A. CAB: Sharp deterioration in 3QFY18

CAB as a percentage of GDP reached (-) 2.0% in 3QFY18 from (-) 1.2% in 2QFY18 as merchandise trade deficit increased to an 18-quarter high of US$44.1 billion from US$32.8 billion in 2QFY18.

The decline in CAB over 2QFY18 was due to the combined effect of a slowdown in merchandise exports and a pickup in merchandise imports (Table 8). Merchandise imports rose to an 18-quarter high driven by the impact of rising oil prices on the oil import bill. Despite subdued merchandise exports, net service exports rose to an all-time high of US$20.9 billion. Accompanied by rising net private transfer receipts and slowing net primary income payments, net invisibles receipts climbed to an 11-quarter high of US$30.6 billion.

Table 8: CAB

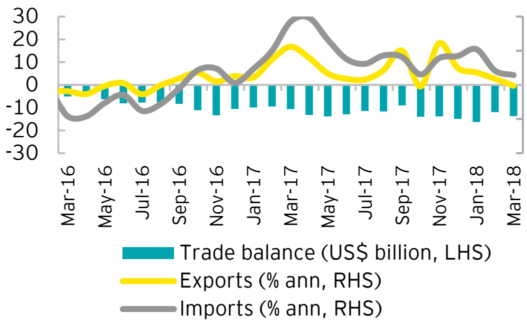
	CAB (- deficit/ +surplus) (US$ billion)	CAB as a % of nominal GDP	Goods account net (US$ billion)	Services account net (US$ billion)	Income account net (US$ billion)	Transfers net (US$ billion)
FY14	-32.4	-1.7	-147.6	73.0	-23.0	65.3
FY15	-26.8	-1.3	-144.9	76.6	-24.1	65.7
FY16	-22.2	-1.0	-130.1	69.7	-24.4	62.6
FY17	-15.3	-0.7	-112.4	67.5	-26.3	56.0
4QFY17	-3.5	-0.6	-29.7	17.6	-5.6	14.2
1QFY18	-15.0	-2.5	-42.0	18.3	-5.8	14.5
2QFY18	-7.2	-1.1	-32.8	18.4	-8.5	15.6
3QFY18	-13.5	-2.0	-44.1	20.9	-6.4	16.1

Source: Database on Indian Economy, RBI.

B. Merchandise trade and exchange rate

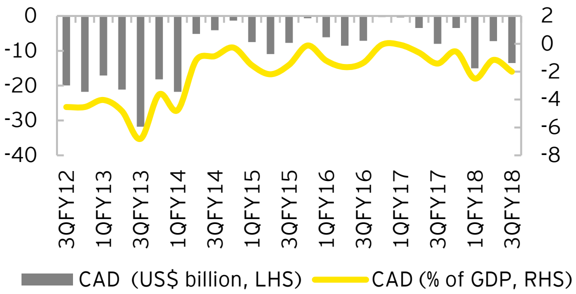
- Merchandise exports contracted by (-) 0.7% in March as compared to a growth of 4.5% growth in February 2018. It has consistently declined from a six-year high of 30.5% that had been reached in November 2017 (Chart 22).
- The fall was driven by faster contraction in exports of gems and jewelry at (-)16.6% from (-)5.1% in February along with contraction in oil exports for the first time in 18 months at (-) 13.2% (27.4% growth in February). However on an annual basis, growth in merchandise exports for FY18 was at 10.0%, the highest in the last six years (5.1% in FY17).
- Imports growth moderated to a 15-month low of 7.1% in March from 10.4% in the previous month driven by lower growth in imports of petroleum products, gold, pearls and precious and semi-precious metals.
- Growth in oil imports eased to 13.9% in March from 32.1% in February 2018, that of pearls and precious/semi-precious stones to 0.8% from 15.9%, while the pace of contraction in gold imports rose to (-) 40.3% from (-) 16.9% in February. Annual growth in imports increased to a six-year high of 19.9% in FY18 from 0.9% in FY17.
- Trade deficit increased to US$13.7 billion from US$12.0 billion in February. Moreover, services surplus fell to US$5.6 billion in February from US$6.5 billion in January.
- The Indian rupee depreciated to INR65.0 per US$ in March from INR 64.3 per US$ in February partly due to FPI outflows.

Chart 22: Developments in merchandise trade



Source: Ministry of Commerce and Industry.

Chart 23: CAD



Source: Database on Indian Economy, RBI.

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8. Global growth: IMF projected strengthening of global growth; cautioned about the sustainability of growth momentum

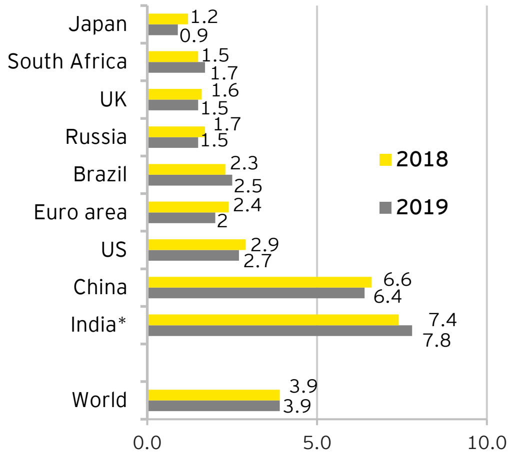
A. Global growth outlook

- The IMF (World Economic Outlook, April 2018) estimated the global growth at 3.8% in 2017, the strongest since 2011 (Chart 24). This was attributed to an investment recovery in advanced economies and an acceleration in private consumption in EMDEs in general. However, the trends are varied within the group of EMDEs. Growth in China and India was supported by revival in net exports and private consumption respectively, while investment remained subdued. On the other hand, growth was supported by higher fixed investment growth in commodity exporters and other EMDEs. Global growth is estimated at 3.9% in 2018 and 2019.
- Growth in EMDEs is projected at 4.9% in 2018 on account of improved prospects for commodity exporters. In advanced economies, growth has been revised upward by 0.2% points to 2.5% in 2018 on account of projected domestic and international effects of expansionary fiscal policy in the US and stronger growth prospects for the Euro area and Japan.
- Growth in the US is expected to rise from 2.3% in 2017 to 2.9% in 2018, moderating to 2.7% in 2019 (upward revision of 0.2% points from the January 2018 WEO Update), indicating stronger than expected growth performance in 2017, firmer external demand, positive impact of the December 2017 tax reform relating to lower corporate tax rates and temporary allowance for full expensing of investment and higher public spending following the February 2018 bipartisan Budget agreement.

The IMF has estimated global growth to pick-up to 3.9% in 2018 and 2019. Growth is expected to moderate to 3.7% in the medium run as the cyclical recovery in advanced economies and the US fiscal stimulus wane.

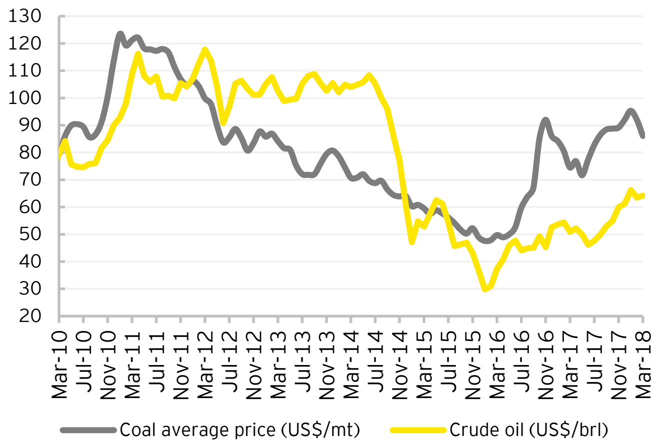
- In the Euro area, the growth projection for 2018 is revised up to 2.4% due to stronger than expected domestic demand, supportive monetary policy and improved external demand prospects. Growth is forecasted to moderate to 2% in 2019.
- Growth in Japan is expected to moderate to 1.2% in 2018 from 1.7% in 2017. It is expected to further moderate to 0.9% in 2019. Although forecasts for 2018 and 2019 have been revised up reflecting favorable external demand prospects, improving private investment and supplementary budget for 2018, medium term growth is constrained due to a shrinking labor force.
- Among the emerging economies, growth in China is expected to moderate from 6.8% in 2017 to 6.6% in 2018 and 6.4% in 2019. On the other hand, growth in India is expected to strengthen from 6.7% in 2017 to 7.4% in 2018 and 7.8% in 2019.
- Growth is expected to pick up in Brazil in 2018 and 2019 on account of stronger private consumption and investment. In Russia, growth is projected at 1.7% in 2018, moderating to 1.5% in 2019 and beyond due to structural challenges and the effect of sanctions on investment.

Chart 24: Global growth projections



Source: World Economic Outlook, IMF April 2018
*Forecast pertains to fiscal year FY19 and FY20 accordingly.

Chart 25: Global crude and coal prices

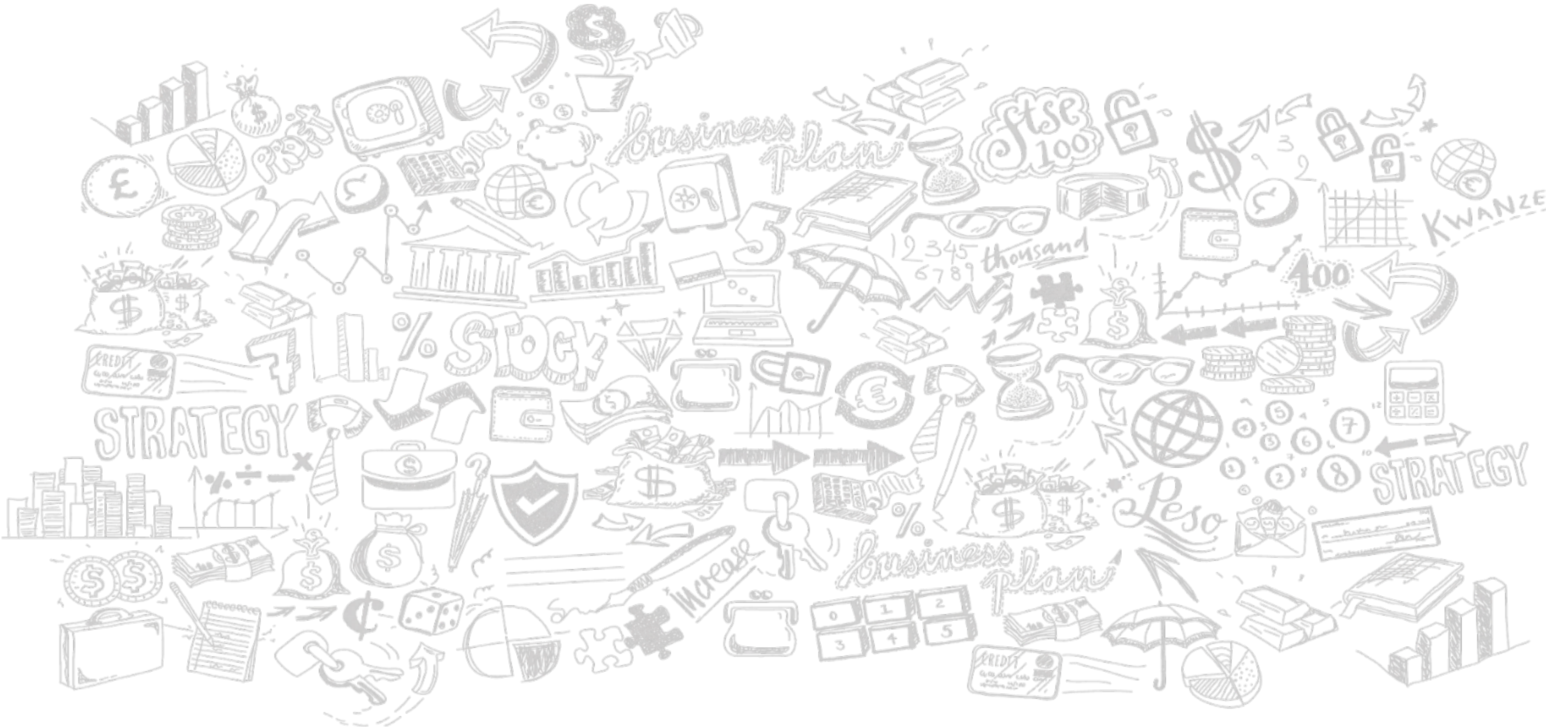


Souce: World Bank, Pinksheet.

B. Global energy prices

Average global crude price increased to US$64.2/bbl. in March 2018 while average global coal price fell to US$86.1/mt. in March 2018.

- Average global crude price[4] increased to US$64.2/bbl. in March 2018 from US$63.5/bbl. in February 2018 (Chart 25) as global oil supply reduced on account of significant production cuts by OPEC and non-OPEC producers, with the respective compliance rates to the *Vienna Agreement* at 163% and 90% in March (Oil Market Report, IEA, April 2018). Global crude prices averaged US$55/bbl. in FY18 as compared to US$47.9/bbl. in FY17 and US$46/bbl. in FY16.
- Average global coal price[5] fell to US$86.1/mt. in March 2018 from US$92.1/mt. in February 2018. Global coal prices averaged US$85.5/mt. in FY18 as compared to US$70.4/bbl. in FY17.



[4] Simple average of three spot prices, namely, Dated Brent, West Texas Intermediate and Dubai Fateh.
[5] Simple average of Australian, Columbian and South African coal prices

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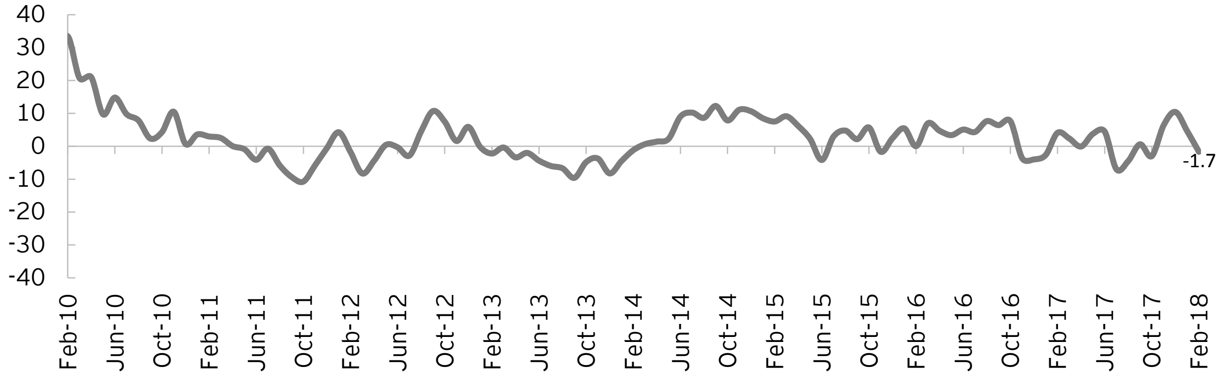
9. Index of aggregate demand (IAD): Aggregate demand contracted in February 2018

IAD contracted by (-)1.7% in February 2018 from a growth of 4.6% in January 2018 due to subdued demand conditions in both services and agricultural sector.

- An IAD has been developed to reflect the combined demand conditions in the agriculture, manufacturing and services sectors on a monthly basis. It takes into account movements in PMI for manufacturing and services, tracing the demand conditions in these sectors. Demand conditions in the agricultural sector have been captured by movements in monthly agricultural credit off-take.
- The sectoral weights in constructing the IAD are based on their respective shares in nominal GVA in the base year (2011−12): Agriculture **(18.4)**, industry **(33.1)** and services **(48.5).**
- The y-o-y growth in index of aggregate demand was negative at (-)1.7% in February 2018 as compared to 4.6% in January 2018 (Chart 26). Weak demand conditions in both services and manufacturing sector led to this contraction.

Chart 26: Growth in IAD (y-o-y)



Source (Basic data): IHS Markit PMI, RBI and EY estimates

Table 9: IAD

Month	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
IAD	122.9	110.7	117.3	122.9	122.5	117.2	123.9	121.7	119.0
Growth (% y-o-y)	4.5	-7.0	-4.5	0.6	-3.0	6.3	10.4	4.6	-1.7

Source (Basic data): IHS Markit PMI, RBI and EY estimates.

10. Messages from high-frequency indicators

Introduction

Trends in the overall and sectoral growth are of considerable interest to the policymakers as well as industry, but the related data is available at quarterly and annual frequencies only. High-frequency data, particularly monthly data, contain rich information that can be used in relation to their past variations to capture the direction of growth impulses within a quarter. Such data reflects considerable inter-sectoral variations, which might be used to form a view on which sectors are performing relatively better than the others. This section contains an analysis of selected sets of monthly data in order to capture the ongoing growth impulses in the economy with respect to the eight GVA sectors. This analysis was initiated in the January 2018 issue of the Economy Watch.

The CSO has provided second advanced estimates of national income aggregates for FY18. Also, based on quarterly data, we have information for the first three-quarters of FY18. The implied growth for 4QFY18 can be worked out using these two information sets. This can serve as a benchmark for the growth impulses in 4QFY18 that we are presenting here based on the high frequency data. Keeping these in the background, we have examined growth trends within 4QFY18 using two selected indicators of economic activity for each of the eight GVA sectors to capture sector-specific growth pulse. Our methodology is to progressively cumulate monthly data within a quarter so as to give a fuller view of the entire quarter as more data for the concerned quarter becomes available. Thus, for 4QFY18, we have data cumulated for January and February. In a few instances, we also have data for the month of March.

1. **Agriculture, forestry and fishing:** *Agricultural growth in 4QFY18 is expected to do well at about 4%*

For agriculture, we have selected two monthly indicators, namely, growth in credit to agriculture and allied activities and growth in fertilizer production. Growth in agricultural credit up to February FY18 at 9.2% is close to the growth in credit at 8.5% in the corresponding months of FY17, indicating a pick-up in agricultural activity. At the same time, growth in fertilizer production was significantly higher when January and February growth numbers are taken together as compared to the corresponding period in FY17 where it had dipped to (-) 2.6%. Taken together, agricultural growth in 4QFY18 is likely to be higher than the implied 4QFY18 growth estimate of 3.3%. The 4QFY17 growth in this sector was relatively high partly due to a base effect. This effect is not likely to be present for 4QFY18. We expect the 4QFY18 growth or this sector to be above the implied growth of 3.3%, derived from the full year estimate.

Chart 27: Growth in credit to agriculture and allied activities

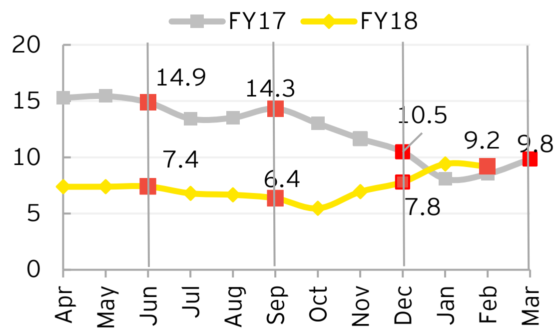
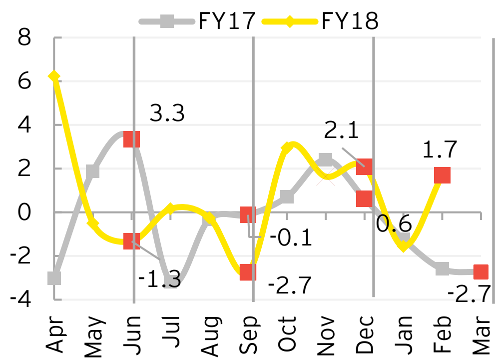


Chart 28: Growth in fertilizer production



Memo: Real growth in agriculture et. al. (%)

4QFY17
5.2

3QFY18
4.1

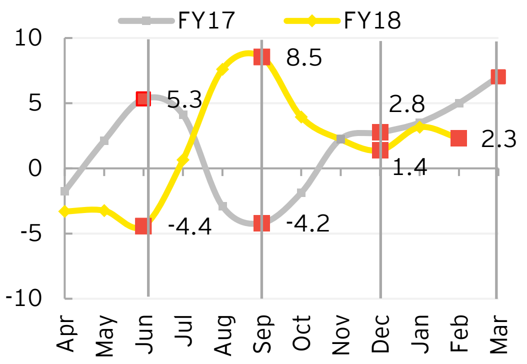
4QFY18 (Implied)
3.3

Source (Basic data): RBI, MOSPI.

2. **Mining and quarrying:** *Expected to show similar performance in terms of 4QFY18 growth as in 4QFY17*

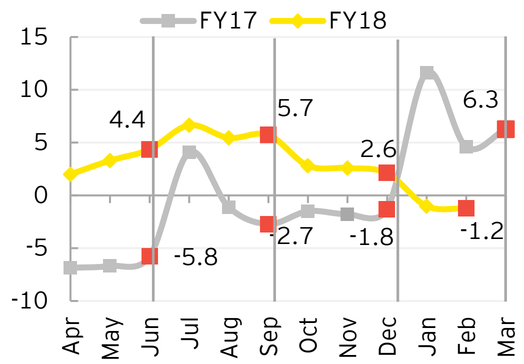
For mining and quarrying, we have looked at the monthly production of coal and natural gas. These indicators point out a fall in the mining activity in 4QFY18 compared to 4QFY17. As such, the implied growth of 17.9% in 4QFY18 appears to be an overestimate. We expect growth in this sector in 4QFY18 to be marginally less than that in 4QFY17.

Chart 29: Growth in coal production



Source (Basic data): MOSPI.

Chart 30: Growth in natural gas production



Memo: Real growth in mining et. al. (%)

4QFY17
6.4

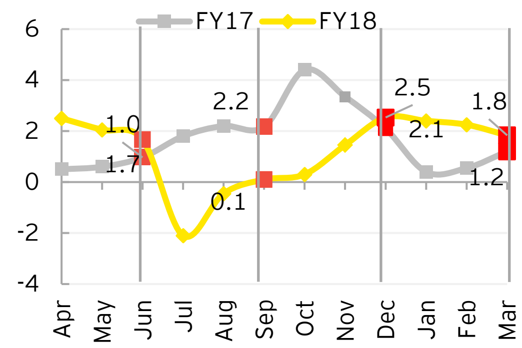
3QFY18
-0.1

4QFY18 (Implied)
17.9

3. Manufacturing: *Manufacturing growth may improve further compared to that in 3QFY18*

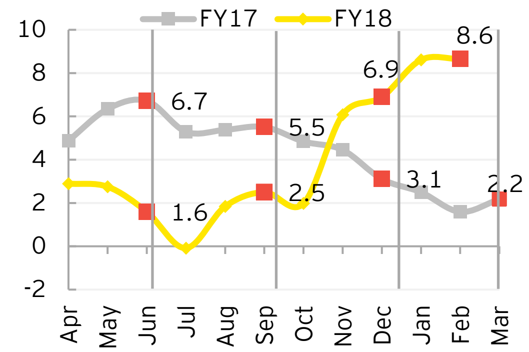
For capturing trends in manufacturing, we have looked at deviation of PMI manufacturing from the benchmark value of 50 and growth in IIP manufacturing. Both indicators point out to an acceleration in manufacturing sector growth. We expect it to be marginally above the growth rate of 3QFY18.

Chart 31: PMI manufacturing (deviation from benchmark value of 50)



Source (Basic data): SIAM, MOSPI.

Chart 32: Growth in IIP manufacturing



Memo: Real growth in manufacturing (%)

4QFY17
5.3

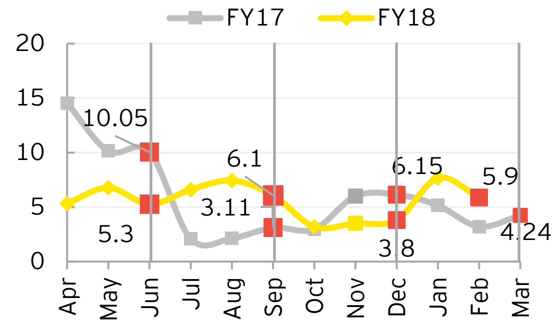
3QFY18
8.1

4QFY18 (Implied)
9.6

4. Electricity, gas, water supply and other utility services: *Growth in 4QFY18 may improve compared to that in 4QFY17*

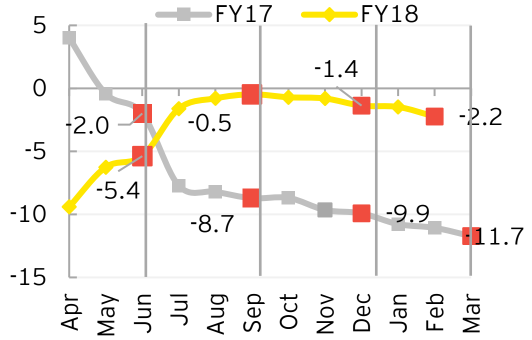
For electricity, gas, water supply and other utility services, growth in electricity production and power sector credit is a useful indicator of sectoral activity. In both cases, growth in electricity production and credit to power sector up till February 2018 was higher than the corresponding growth in FY17. In 4QFY18, both indicators signal an improvement compared to the 4QFY17. We expect an improvement in growth of this sector, marginally above 6.1% which was the growth in 4QFY17.

Chart 33: Growth in electricity production



Source (Basic data): MOSPI, RBI.

Chart 34: Growth in credit to power sector



Memo: Real growth in electricity et. al. (%)

4QFY17
6.1

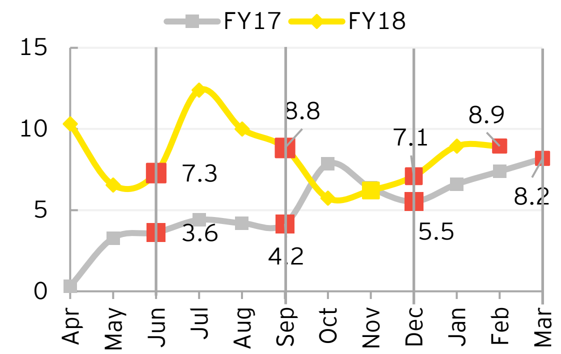
3QFY18
6.1

4QFY18 (Implied)
10.4

5. Construction: ***Construction is likely to perform better than that in 3QFY18***

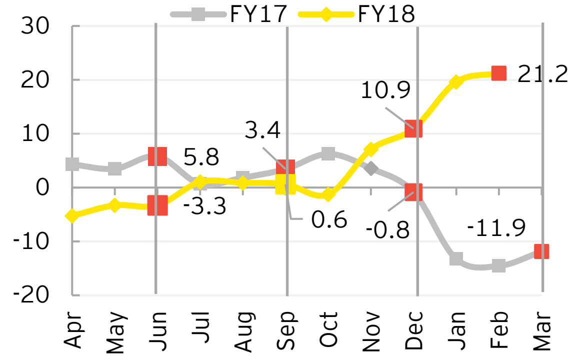
rowth impulses in the construction sector are reflected in the growth in credit to the sector and that in cement production. Credit growth to construction up till February 2018 indicates a pick-up as compared to the corresponding period of FY17. The same trend is depicted in the case of growth in cement production which was at 21.2% up till February 2018 as compared to a sharp contraction of (-) 14.5% in the corresponding period of FY17. Moreover, the cumulated growth in cement production and credit to construction during January-February 2018 was higher than those observed in 3QFY18. Overall, the sectoral growth is expected to be tangibly higher than the implied growth of 4.5% in 4QFY18.

Chart 35: Growth in credit to construction



Source (Basic data): MOSPI.

Chart 36: Growth in cement production



Memo: Real growth in construction (%)

4QFY17
-3.7

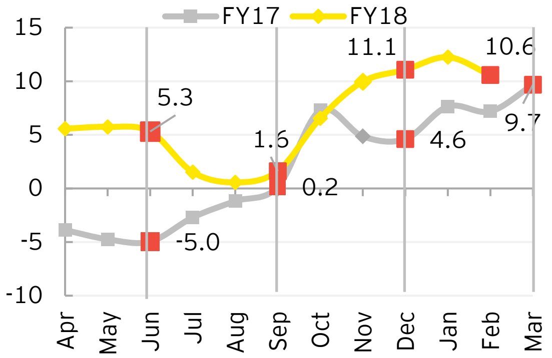
3QFY18
6.8

4QFY18 (Implied)
4.5

6. **Trade, hotels, transport, communication and broadcasting services:** *Growth may retain momentum seen in 3QFY18*

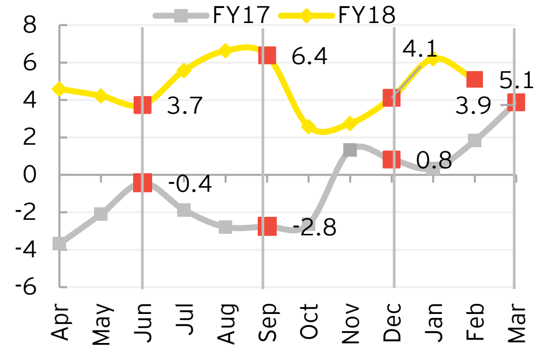
The trade, transport, communication and services related to broadcasting sector is a combination of quite a number of services. Major segments of this sector relate to trade and transport. The two selected indicators are growth in credit to wholesale trade and growth in freight movement by rail. In the case of freight movement by rail, growth was higher than the previous year in all the months up to February 2018. This trend is also confirmed by growth in credit to wholesale trade. In this case, credit growth in January and February 2018 was at 10.6%, higher than 9.7% during the same period in FY17. We expect growth in this large service sector to be higher than the implied growth of 6% but below that of 3QFY18 at 9%.

Chart 37: Growth in credit to wholesale trade



Source (Basic data): RBI.

Chart 38: Growth in freight movement by rail



Memo: Real growth in trade et. al. (%)

4QFY17
6.5

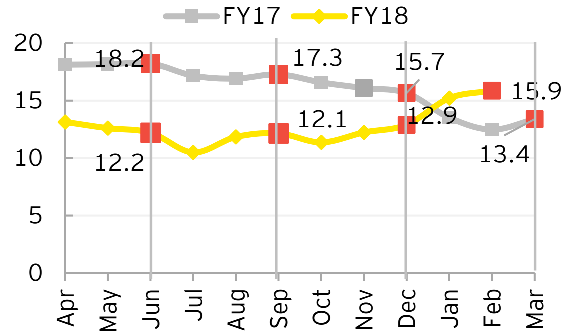
3QFY18
9.0

4QFY18 (Implied)
6.0

7. **Financial, real estate and professional services:** ***Growth in 4QFY18 is likely to improve upon that in 3QFY18***

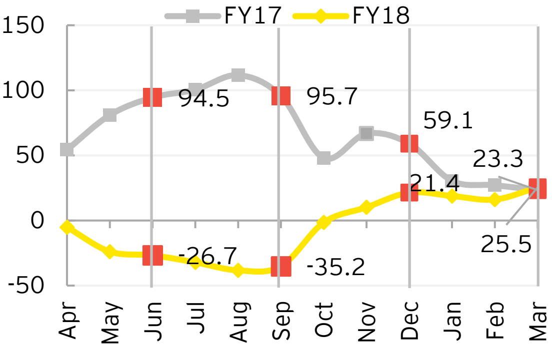
Housing credit and value of digital transactions have been used to capture growth in the financial, real estate and professional services sector. In 4QFY17, growth in this sector had dipped to 2.2%. This implies a positive base effect for 4QFY18 growth in this sector. These two indicators also highlight the continuing improvement in economic activities in 4QFY18 as compared to the previous three quarters of FY18. Within the year, quarterly growth in housing credit has remained in the narrow range of 12-13% until 3QFY18. It is expected to pick up in 4QFY18. As such, we expect growth in this sector to be higher than that of 4QFY17 at 2.2%. It is also likely to be tangibly higher than the implied growth of this sector at 5.2%.

Chart 39: Growth in credit to housing



Source (Basic data): RBI.

Chart 40: Growth in value of digital transactions



Memo: Real growth in financial services et. al. (%)

4QFY17
2.2

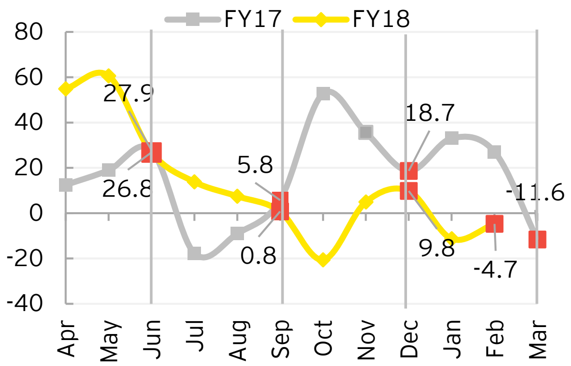
3QFY18
6.7

4QFY18 (Implied)
5.2

8. **Public administration and defense services:** ***4QFY18 growth is likely to be below that implied in the full year advanced estimates***

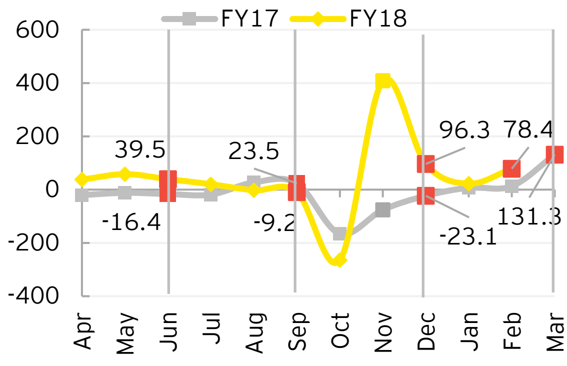
For this sector, the two selected representative indicators chosen are the Center's primary revenue expenditure and the Center's capital expenditure. In 3QFY18, growth in primary revenue expenditure, which has a much higher weight than capital expenditure, fell below that in the corresponding quarter of FY17. Given the pressure on fiscal deficit, the central government is not likely to push expenditure on revenue and capital heads significantly. We expect the growth in public administration and defense to be more than that in 3QFY18 but less than the 4QFY18 growth at 13.7%. The 4QFY18 growth in this sector could be at 7.5%, which is close to the growth in 3QFY18.

Chart 41: Growth in the Center's primary revenue expenditure



Source (Basic data): CGA.

Chart 42: Growth in the Center's capital expenditure



Memo: Real growth in public admin. et. al. (%)

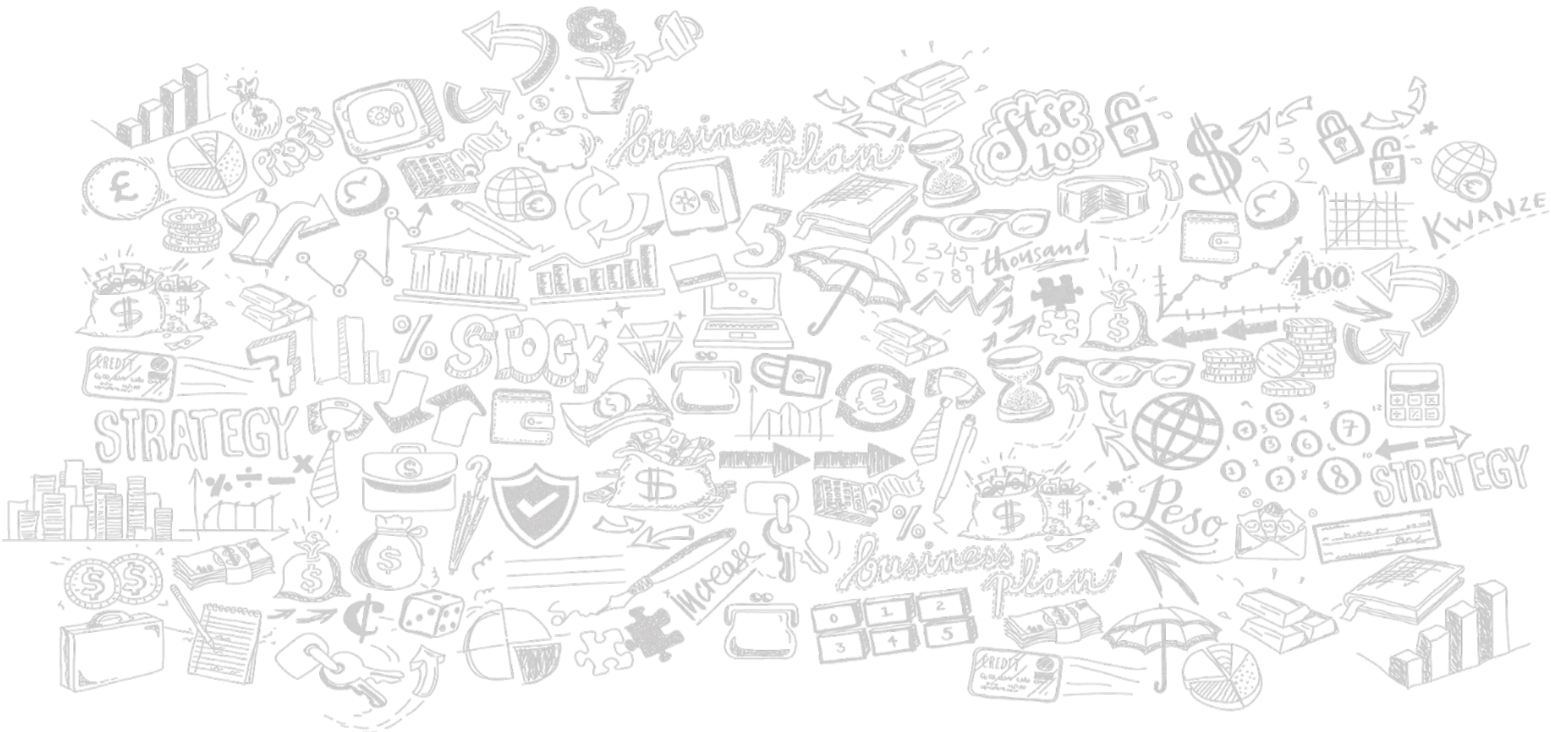
4QFY17
17.0

3QFY18
7.2

4QFY18 (Implied)
13.7

9. Observations on overall GVA prospects

High-frequency data indicate that overall GVA growth in 4QFY18 at 7.4% may be close to that implied in the CSO's second advanced estimate. A general pick-up across sectors is clearly indicated in 4QFY18 when compared to 3QFY18.



11. Capturing macro-fiscal trends: Data appendix

Table A1: Industrial growth indicators (annual, quarterly and monthly growth rates, y-o-y)

Fiscal year/quarter /month	IIP	Mining	Manufacturing	Electricity	Core IIP	Fiscal year/quarter /month	PMI mfg.	PMI ser.
	% change y-o-y							
FY14	3.3	-0.2	3.6	6.0	2.6	FY15	52.2	51.7
FY15	4.0	-1.3	3.8	14.8	4.9	FY16	51.3	51.7
FY16	3.3	4.3	2.9	5.7	3.0	FY17	51.6	51.0
FY17	4.6	5.3	4.3	5.8	4.8	FY18	51.5	50.0
4QFY17	3.1	7.9	2.2	4.3	3.1	1QFY18	51.7	51.8
1QFY18	1.9	1.1	1.6	5.3	2.5	2QFY18	50.1	48.0
2QFY18	3.3	7.1	2.5	6.1	4.0	3QFY18	52.5	50.4
3QFY18	5.8	0.8	6.9	3.8	5.4	4QFY18	51.8	49.9
Nov-17	8.5	1.4	10.4	3.9	6.9	Dec-17	54.7	50.9
Dec-17	7.1	1.2	8.5	4.4	4.2	Jan-18	52.4	51.7
Jan-18	7.4	0.2	8.6	7.6	6.1	Feb-18	52.1	47.8
Feb-18	7.1	-0.3	8.7	4.5	5.3	Mar-18	51.0	50.3

Source: Office of the Economic Adviser- Ministry of Commerce and Industry and IHS Markit Economics.

Table A2: Inflation indicators (annual, quarterly and monthly growth rates, y-o-y)

Fiscal year/quarter /month	CPI	Food Price Index	Fuel and light	Core CPI	WPI	Food Price Index	Mfg. products	Fuel and power	Core WPI
	% change y-o-y				% change y-o-y				
FY15	5.9	6.4	4.2	5.8	1.3	4.3	2.6	-6.1	2.7
FY16	4.9	4.9	5.3	4.9	-3.7	1.2	-1.8	-19.7	-1.8
FY17	4.5	4.2	3.3	4.9	1.7	5.9	1.3	-0.3	-0.1
FY18	3.6	1.8	6.2	4.6	2.9	1.9	2.7	8.1	2.9
1QFY18	2.2	-0.9	5.3	4.2	2.3	0.5	2.7	11.2	2.3
2QFY18	3.0	0.8	5.1	4.4	2.8	2.9	2.5	8.2	2.6
3QFY18	4.6	3.7	7.5	4.8	3.8	3.5	2.7	9.1	3.1
4QFY18	4.6	3.6	6.8	5.1	2.7	0.6	3.0	4.4	3.7
Dec-18	5.2	5.0	7.9	5.1	3.6	3.0	2.8	8.0	3.4
Jan-18	5.1	4.7	7.7	5.0	3.0	1.7	3.0	4.7	3.7
Feb-18	4.4	3.3	6.9	5.0	2.5	0.1	3.0	3.8	3.9
Mar-18	4.3	2.8	5.7	5.2	2.5	0.0	3.0	4.7	3.5

Source: Office of the Economic Adviser, Ministry of Commerce and Industry and MOSPI.

Table A3: Fiscal indicators (annual growth rates, cumulated monthly growth rates, y-o-y)

Fiscal year/month	Gross tax revenue	Corporate tax	Income tax	Direct taxes*	Indirect taxes**	Fiscal deficit	Revenue deficit
						% of GDP	% of GDP
FY15	9.3	8.7	8.7	8.7	9.8	4.0	2.9
FY16	17.0	6.0	8.5	6.9	30.1	3.9	2.5
FY17	17.9	6.7	21.5	12.3	21.6	3.5	2.1
FY18 (RE over BE)	13.4	16.3	21.0	18.3	8.6	3.5	2.6
Cumulated growth (%, y-o-y)						% of budgeted target	
Jul-17	17.1	24.2	18.8	21.1	13.9	92.4	131.5
Aug-17	20.0	15.5	13.3	14.2	23.6	96.1	133.9
Sep-17	19.9	11.3	16.4	13.5	23.0	91.3	118
Oct-17	18.9	11.8	16.2	13.8	21.1	96.1	124.7
Nov-17	16.5	12.4	15.3	13.7	18.3	112.0	152.2
Dec-17	17.3	17.1	17.0	17.1	17.3	104.4 (RE)	102.2 (RE)
Jan-18	17.0	19.0	17.5	18.4	15.6	113.7 (RE)	109.4 (RE)
Feb-18	**15.8**	**19.7**	**17.7**	**18.8**	**13.0**	**120.3 (RE)**	**119.5 (RE)**

Source: Monthly Accounts, Controller General of Accounts-Government of India, Union Budget Documents.
*Includes corporation tax and income tax **includes customs duty, excise duty, service tax, CGST, UTGST, IGST and GST compensation cess.

Fiscal Year/ Month	CGST	UTGST	IGST	GST compensation cess	Total GST
	INR crore				
FY18 (RE)	2, 21, 400	-	1, 61, 900	61, 331	4, 44, 631
FY19 (BE)	6, 03, 900	-	50, 000	90, 000	7, 43, 900
Monthly tax collection (INR crore)					
Jul-17	-	-	34	-	34
Aug-17	15, 253	-	70,918	7,749	93,920
Sep-17	15, 135	-	30, 395	8024	53, 554
Oct-17	31, 187	21	18, 370	8031	57, 609
Nov-17	23, 839	75	18, 627	7103	49, 644
Dec-17	24, 215	216	17, 142	7899	49, 472
Jan-18	23, 133	193	19, 402	8024	50, 752
Feb-18	**43, 091**	**89**	**-19, 725**	**8197**	**31, 652**

Source: Monthly Accounts, Controller General of Accounts-Government of India, Union Budget Documents.

Table A4: Monetary and financial indicators (annual, quarterly and monthly growth rates, y-o-y)

Fiscal year/ month	Repo rate (end of period)	Fiscal year/ quarter/ month	M1	M3	Bank credit	Agg. deposits	10 yr. Govt. B Yield	Net FDI	Net FPI	FX reserves
	%		% change y-o-y				%	US$ billion	US$ billion	US$ billion
Apr-17	6.25	FY14	8.5	13.4	14.9	14.2	8.3	21.6	4.8	304.2
May-17	6.25	FY15	11.3	10.9	11.0	12.1	8.3	31.3	42.2	341.6
Jun-17	6.25	FY16	13.5	10.1	9.7	10.5	7.7	36.0	-4.1	355.6
Jul-17	6.25	FY17	3.1	10.1	7.9	11.6	7.0	35.6	7.6	370.0
Sep-17	6.00	4QFY17	3.1	10.1	5.8	13.6	7.0	5.0	10.8	370.0
Oct-17	6.00	1QFY18	1.3	7.0	5.1	10.6	7.0	7.2	12.5	386.5
Nov-17	6.00	2QFY18	1.6	5.6	6.1	9.3	6.6	12.4	2.1	399.7
Dec-17	6.00	3QFY18	45.8	10.6	9.0	5.3	7.1	4.6	5.3	409.4
Jan-18	6.00	Nov-17	35.0	8.8	9.3	3.0	7.1	1.0	1.6	400.7
Feb-18	6.00	Dec-17	45.8	10.6	10.3	3.4	7.4	2.7	-0.1	409.4
Mar-18	6.00	Jan-18	39.3	10.8	10.2	4.6	7.2	1.9	3.5	417.8
Apr-18	6.00	Feb-18	32.2	10.3	10.7	5.9	7.6	4.0	-2.4	420.6

Source: Database on Indian Economy-RBI.

Table A5: External trade and global growth

Fiscal year/quarter/ month	External trade indicators (annual, quarterly and monthly growth rates)						Global growth (annual)			
	Exports	Imports	Trade balance	Ex. rate (avg.)	Crude prices (avg.)	Coal prices (avg.)	Calendar year	World GDP	Adv. econ.	Emer. econ.
	% change y-o-y		US$ billion	INR/US$	US$/ bbl	US$/ mt		% change y-o-y		
FY15	-1.3	-0.5	-137.7	61.1	83.2	65.9	2012	3.5	1.2	5.3
FY16	-15.6	-15.2	-117.7	65.5	46.0	52.7	2013	3.3	1.2	5.0
FY17	5.1	0.9	-108.2	67.1	47.9	70.4	2014	3.4	1.9	4.6
FY18	10.0	19.9	-156.8	64.4	55.0	85.5	2015	3.4	2.1	4.3
1QFY18	10.6	32.8	-40.1	64.5	49.4	75.3	2016	3.2	1.7	4.4
2QFY18	13.4	19.1	-32.1	64.3	50.2	85.9	2017	3.8	2.3	4.8
3QFY18	13.1	16.1	-42.7	64.7	58.7	90.0	2018*	3.9	2.5	4.9
4QFY18	3.9	13.9	-42.0	64.3	64.8	93.7	2019*	3.9	2.2	5.1
Dec-17	12.4	21.1	-14.9	64.2	61.2	92.0	2020*	3.8	1.7	5.1
Jan-18	9.1	26.1	-16.3	63.6	66.2	95.3	2021*	3.8	1.7	5.1
Feb-18	4.5	10.4	-12.0	64.3	63.5	92.1	2022*	3.7	1.5	5.0
Mar-18	-0.7	7.1	-13.7	65.0	64.2	86.1	2023*	3.7	1.5	5.0

Source: Database on Indian Economy- RBI, Pink Sheet-World Bank and IMF World Economic Outlook April 2018; * indicates projections

Table A6: Macroeconomic aggregates (annual and quarterly real growth rates, % change y-o-y)

Fiscal year/quarter	Output: Major sectors									IPD inflation
Fiscal year/quarter	GVA	Agr.	Ming.	Mfg.	Elec.	Cons.	Trans.	Fin.	Publ.	GVA
FY15	7.2	-0.2	9.7	7.9	7.2	4.3	9.4	11.0	8.3	3.6
FY16	8.1	0.6	13.8	12.8	4.7	3.7	10.3	10.9	6.1	1.0
FY17 (1st RE)	7.1	6.3	13.0	7.9	9.2	1.3	7.2	6.0	10.7	2.9
FY18 (2nd AE)	6.4	3.0	3.0	5.1	7.3	4.3	8.3	7.2	10.1	3.0
3QFY16	7.3	-2.3	12.0	14.8	3.9	4.3	10.4	10.2	6.9	1.8
4QFY16	8.7	1.5	10.5	12.7	7.6	6.0	12.8	9.0	6.7	1.6
1QFY17	8.3	4.3	10.5	9.9	12.4	3.0	8.9	10.5	7.7	1.2
2QFY17	7.2	5.5	9.1	7.7	7.1	3.8	7.2	8.3	8.0	2.3
3QFY17	6.9	7.5	12.1	8.1	9.5	2.8	7.5	2.8	10.6	2.8
4QFY17	5.6	5.2	6.4	5.3	6.1	-3.7	6.5	2.2	17.0	5.4
1QFY18	5.6	2.7	1.8	-1.8	7.1	1.5	8.4	8.9	13.2	2.3
2QFY18	6.2	2.7	7.1	6.9	7.7	2.8	9.3	6.4	5.6	2.8
3QFY18	6.7	4.1	-0.1	8.1	6.1	6.8	9.0	6.7	7.2	3.8

	Expenditure components						IPD inflation
Fiscal year/quarter	GDP	PCE	GCE	GFCF	EX	IM	GDP
FY15	7.4	6.4	7.6	2.6	1.8	0.9	3.3
FY16	8.2	7.4	6.8	5.2	-5.6	-5.9	2.1
FY17 (1st RE)	7.1	7.3	12.2	10.1	5.0	4.0	3.5
FY18 (2nd AE)	6.6	6.1	10.9	7.6	4.4	9.9	3.0
3QFY16	7.3	9.9	6.4	4.9	-9.1	-10.1	2.2
4QFY16	9.0	11.8	2.4	3.9	-1.6	-3.7	1.6
1QFY17	8.1	8.3	8.3	15.9	3.6	0.1	2.7
2QFY17	7.6	7.5	8.2	10.5	2.4	-0.4	2.9
3QFY17	6.8	9.3	12.3	8.7	6.7	10.1	3.8
4QFY17	6.1	7.3	31.9	-2.1	10.3	11.9	6.0
1QFY18	5.7	6.6	17.1	1.6	5.9	16.0	3.3
2QFY18	6.5	6.6	2.9	6.9	6.5	5.4	3.4
3QFY18	7.2	5.6	6.1	12.0	2.5	8.7	4.4

Source: National Accounts Statistics, MOSPI.

List of abbreviations

Sr. no.	Abbreviations	Description
1	AD	Aggregate demand
2	bbl.	Barrel
3	CAB	Current account balance
4	CGA	Comptroller General of Accounts
5	CGST	Central Goods and Services Tax
6	CPI	Consumer Price Index
7	CSO	Central Statistical Organization
8	Disc.	Discrepancies
9	EMDEs	Emerging market and developing economies
10	EXP	Exports
11	FII	Foreign investment inflows
12	FPI	Foreign portfolio investment
13	FY	Fiscal year (April–March)
14	GDP	Gross domestic product
15	GFCE	Government final consumption expenditure
16	GFCF	Gross fixed capital formation
17	GoI	Government of India
18	GST	Goods and Services Tax
19	GVA	Gross value added
20	IAD	Index of Aggregate Demand
21	IEA	International Energy Agency
22	IGST	Integrated Goods and Services Tax
23	IIP	Index of Industrial Production
24	IMI	Index of Macro Imbalance
25	IMP	Imports
26	IPD	Implicit price deflator
27	LAF	Liquidity adjustment facility
28	MCLR	Marginal cost of funds based lending rate
29	m-o-m	Month-on-month
30	mt	Metric tonne
31	MPC	Monetary Policy Committee
32	NDU	Non-departmental undertaking
33	NEXP	Net exports (exports minus imports of goods and services)
34	PFCE	Private final consumption expenditure
35	PMI	Purchasing Managers' Index (reference value = 50)
36	PSU	Public sector undertaking
37	RE	Revised estimate
38	SDGs	Sustainable Development Goals
39	UTGST	Union territory goods and services tax
40	WEO	World Economic Outlook
41	WPI	Wholesale Price Index
42	WTO	World Trade Organisation
43	y-o-y	Year on year

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