

# India Economics

## Monthly Chartbook

October 2018

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## Risks to growth emerging

**High frequency indicators such as manufacturing PMI and CV sales improved in Sep'18. However, auto sales came under pressure.**

**Depreciating currency, rising oil prices and muted indirect tax collections pose risk to growth and upside risk to inflation. RBI changed its stance to calibrated tightening while keeping rates on hold. Given the FPI outflows, we believe INR and yields will be under pressure and RBI will raise rates by 50bps in the next 6-12 months.**

**Consumption demand healthy, pockets of weakness seen:** Overall consumption demand is still signalling a positive trajectory even as two-wheeler and four-wheeler sales have seen some deceleration. Imports, in particular, non-oil-non-gold continue to grow at a healthy rate (9.7% in FYTD19). RBI's consumer confidence also gave mixed signals. On the agriculture front, despite receiving skewed and below normal rainfall, country is likely to achieve record food grain production at 248.8mn tons (up 3.5%). The higher MSP for both kharif and rabi crops is likely to boost farmers' income and improve rural consumption.

**Services sector growth mixed:** Services PMI fell further to 51.6 in Sep'18 from 51.9 in Aug'18 led by dip in new orders. Depreciating currency and rising oil prices have impacted domestic trade in Q2FY19 (as also visible in railway freight data), while it has lent support to external trade (visible

in port cargo volumes). Other broad indicators for first two months of Q2FY19, such as CV sales, diesel consumption, states' tax revenues, and air traffic are showing continuous signs of growth. Given the muted indirect tax collections, centre's spending is expected to be lower than the current trajectory (12.7% in FYTD19) implying lower growth in H2.

**Interest rates rising:** Even as inflation is relatively muted, interest rates have increased significantly. 10Y yield has risen by 10bps in Sep'18. However, yields did ease after MPC kept rates on hold. Rising US yields (up by 20bps in Sep'18), tightening liquidity (deficit of Rs 293bn as on 09 Oct'18) and anticipation of higher inflation on the back of depreciating currency and rising crude prices (27% in CYTD18) has led to higher yields. While centre has reduced its borrowing program by Rs 200bn in H2, 10Y yield is likely to remain in 8-8.25% range.

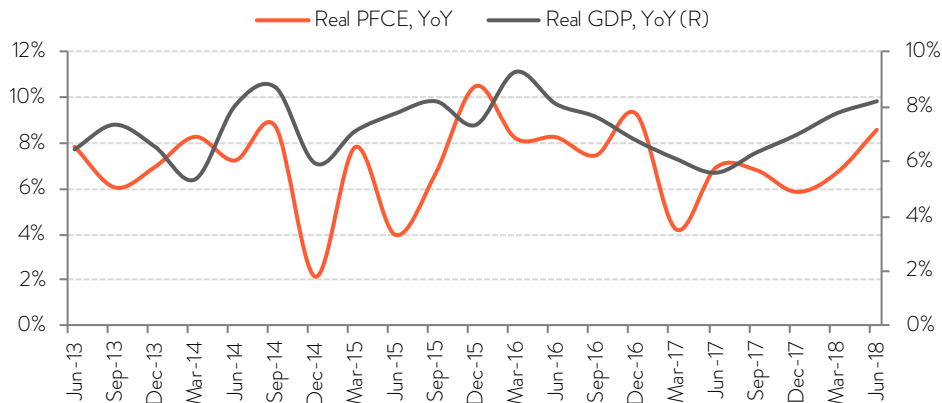
**INR to remain under pressure:** INR depreciated by 2.1% in Sep'18. In the same period, oil prices rose by 7% to settle above US\$ 80/bbl. FPI outflow of US\$ 2.9bn in Sep'18 and US\$ 2.2bn in Oct'18 so far is putting further pressure on the currency. Even as exports witnessed a much needed recovery, rising oil prices continue to inflate the import bill. As a result, CAD is expected to rise to 2.9% of GDP in FY19, implying that the pressure on INR is likely to sustain for some time.

**Note: The source for all exhibits is 'CEIC and Bank of Baroda' unless otherwise specified**

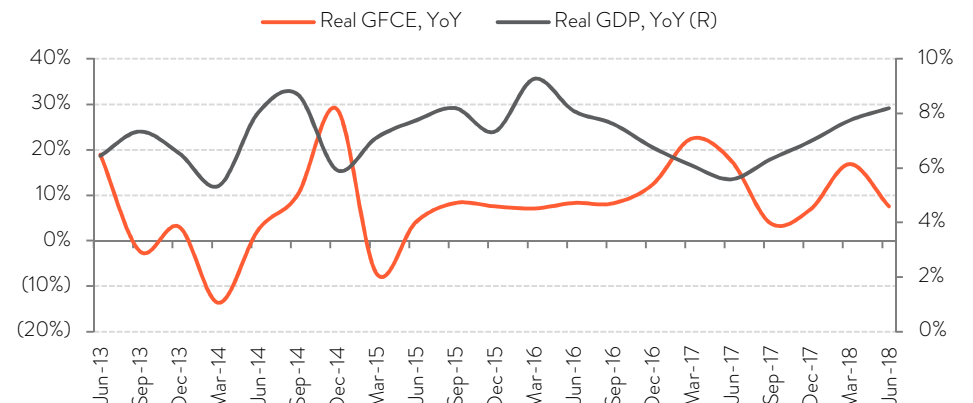
# Consumption

## Final consumption expenditure

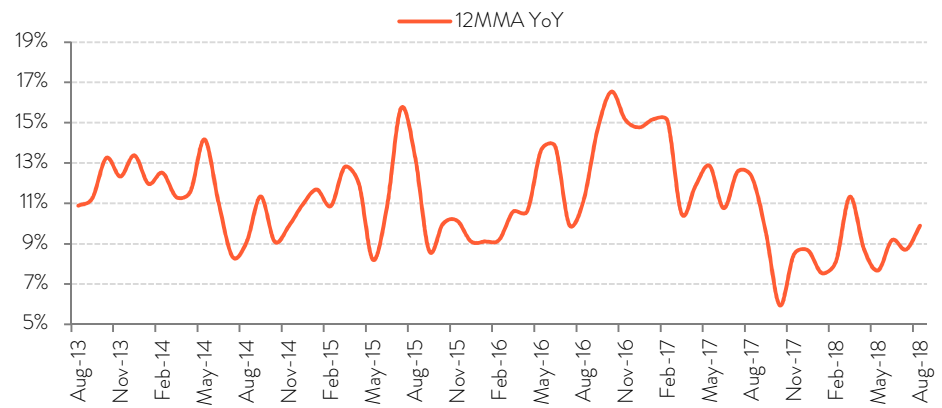
**FIG 1 – CONSUMPTION GREW BY 8.6% IN Q1FY19 AS AGAINST 6.9% IN Q1FY18**



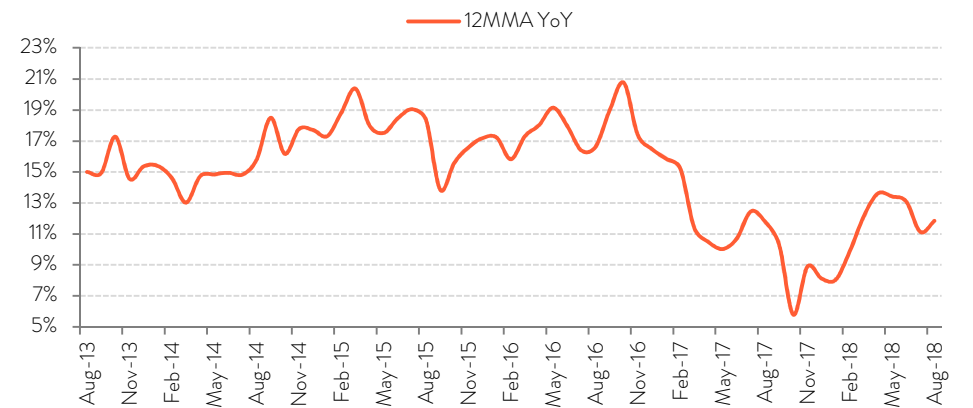
**FIG 2 – SLOWDOWN IN GOVERNMENT CONSUMPTION**



**FIG 3 – GENERAL GOV REVENUE SPENDING RISES...**



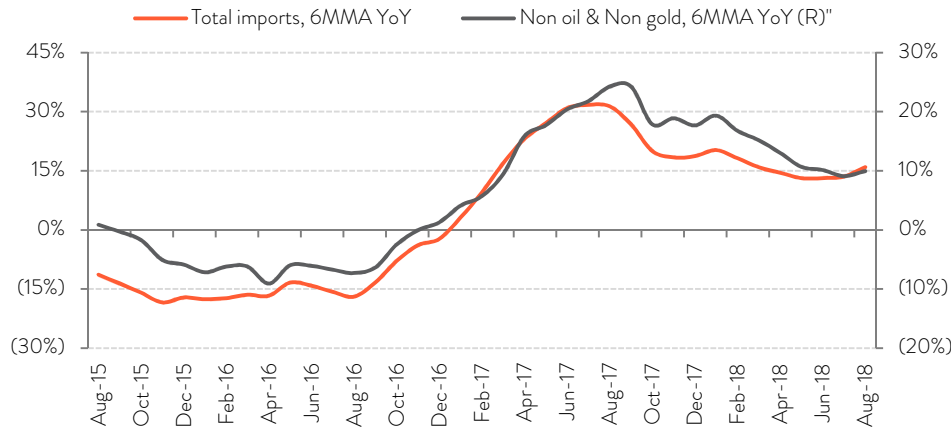
**FIG 4 – ... STATE\* GOV REVENUE SPENDING TOO IMPROVES**



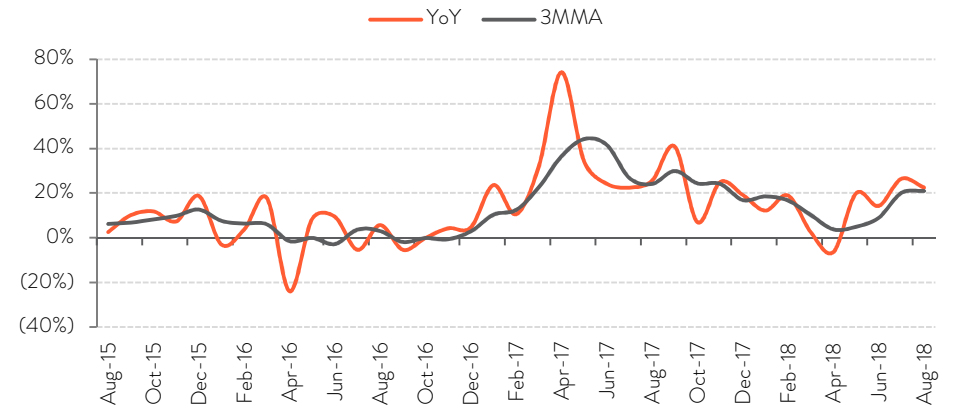
Note: \* All states excluding N.E states, Andhra Pradesh, Goa & J&K

**Non-oil imports, electronic imports**

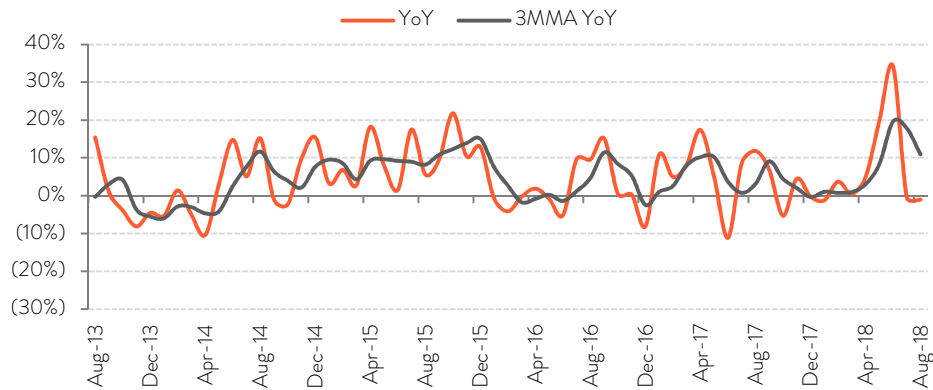
**FIG 5 – NON-OIL-NON-GOLD IMPORTS REMAINS ROBUST**



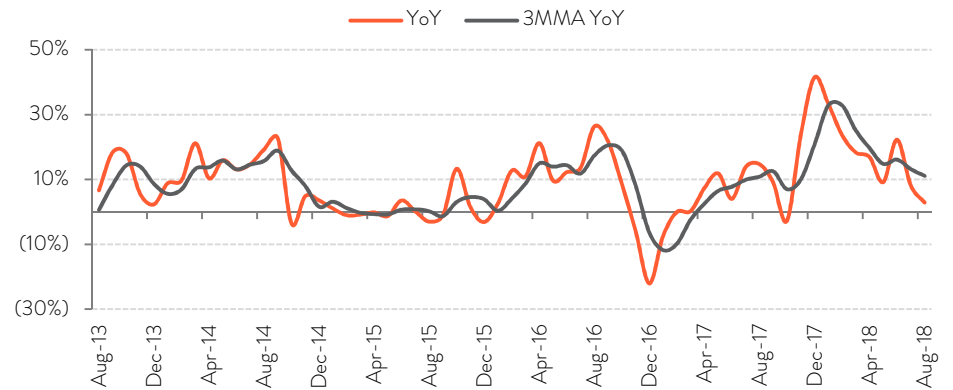
**FIG 6 – ELECTRONIC IMPORTS SOFTENS TO 22.5% FROM 26.4% IN JUL'18**



**FIG 7 – PASSENGER CAR SALES WAS DOWN BY (-)1% IN AUG'18**

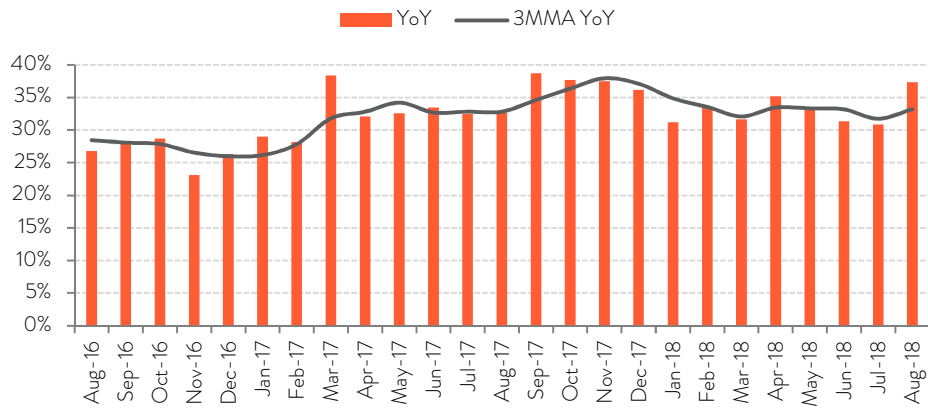


**FIG 8 – ... TWO-WHEELER SALES CONTINUES TO DECELERATE**

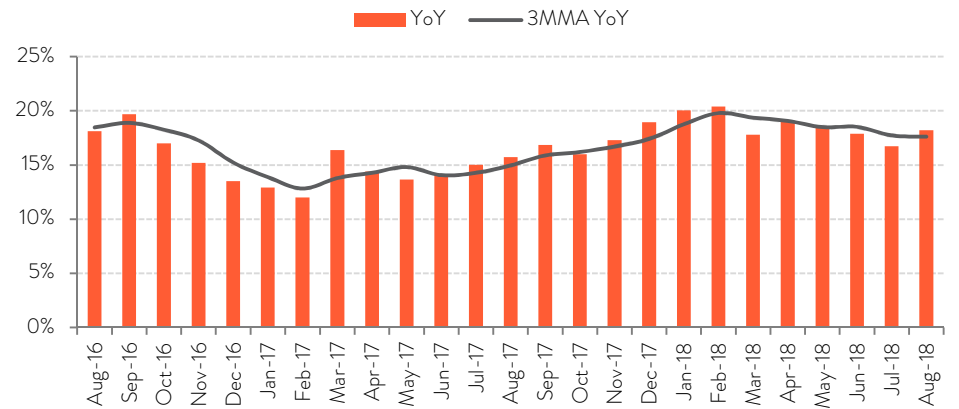


## Credit deployment of personal loans

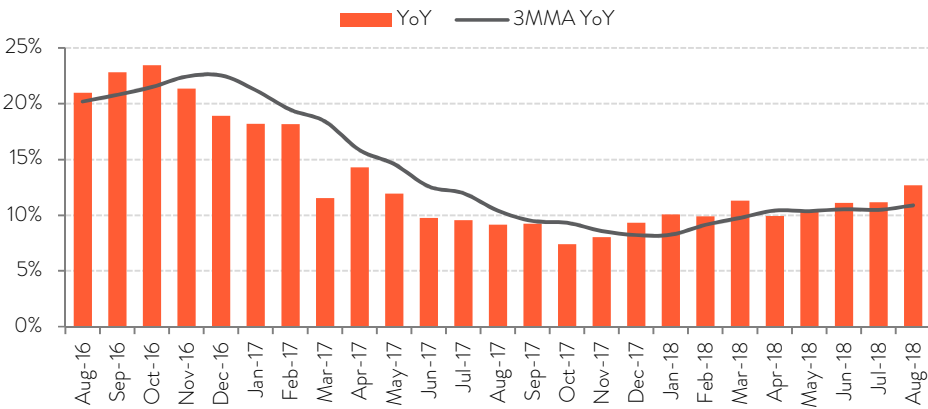
**FIG 9 – STEADY GROWTH IN CREDIT CARD OUTSTANDING**



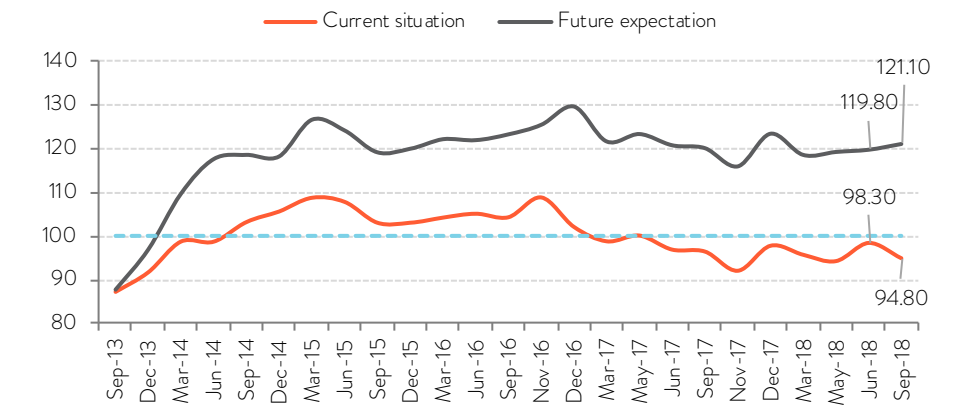
**FIG 10 – PERSONAL LOANS IMPROVES**



**FIG 11 – VEHICLE LOANS GROWS FROM 11% IN JUL'18 TO 12.6% IN AUG'18**

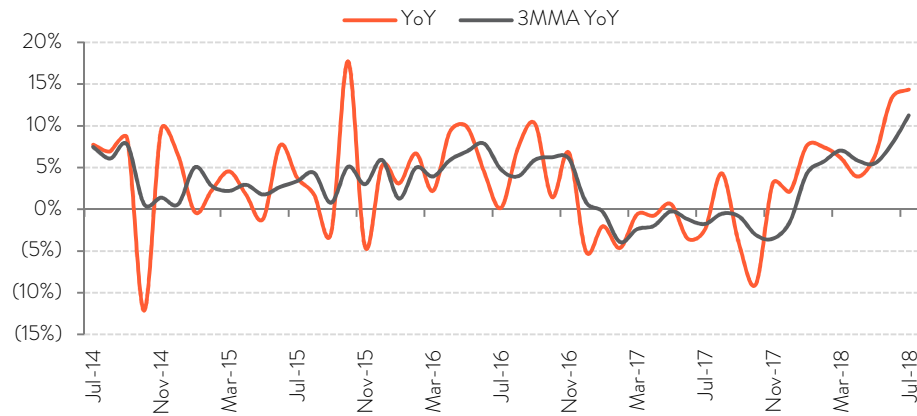


**FIG 12 – CONSUMER CONFIDENT ABOUT FUTURE OUTLOOK**

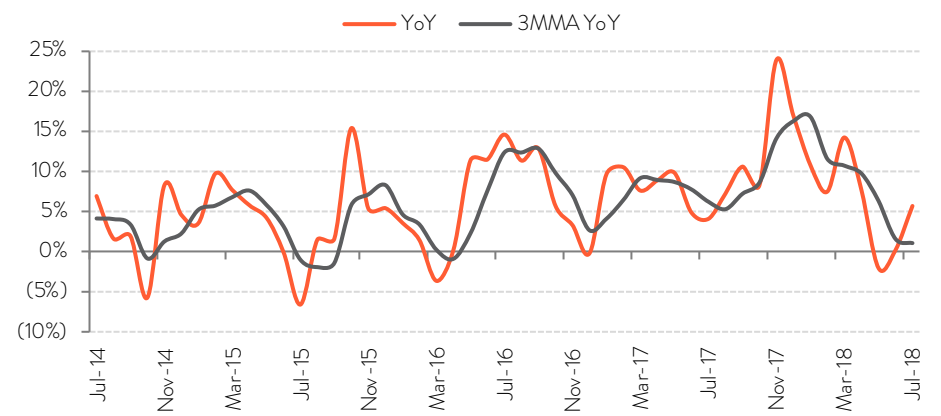


## Consumer durables & non-durables production

**FIG 13 – CONSUMER DURABLES OUTPUT RISING**

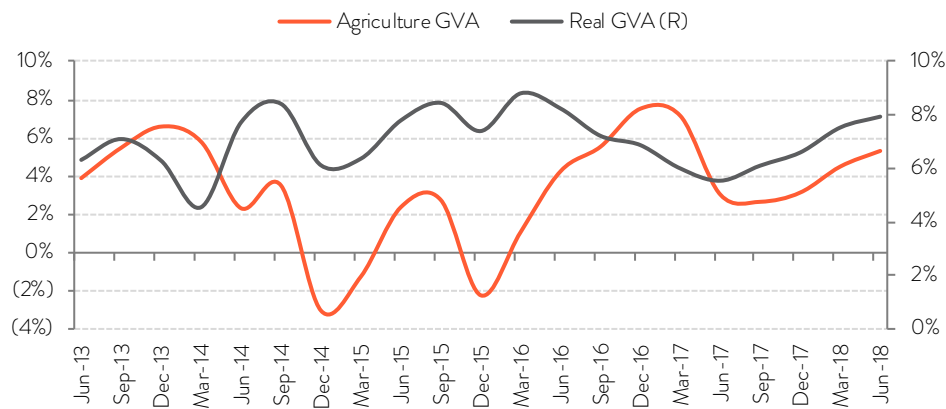


**FIG 14 – ...UPTICK IN FMCG OUTPUT**

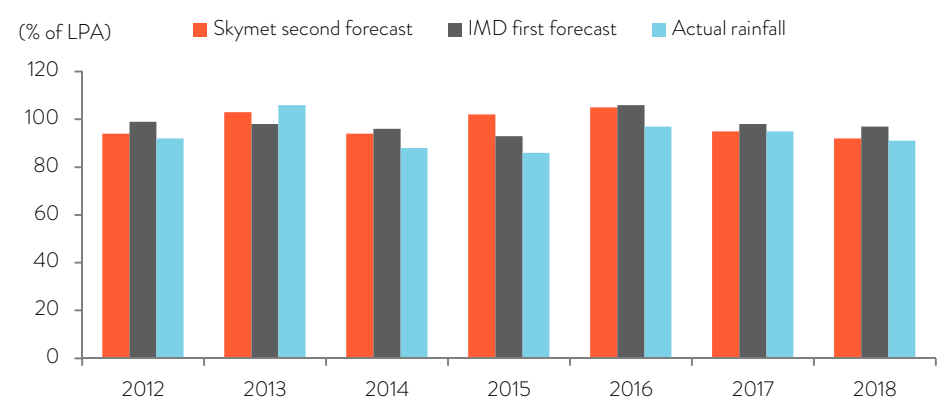


## Agriculture

**FIG 15 – AGRICULTURE GROWTH JUMPS TO 5.3% IN Q1FY19 (3% IN Q1FY18)**

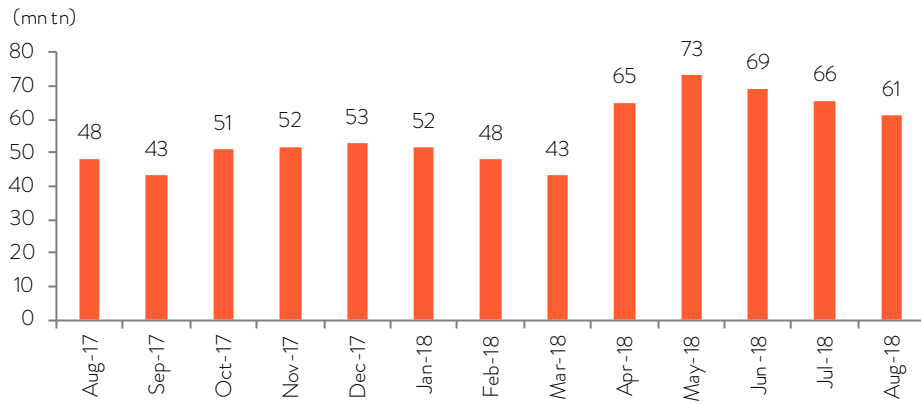


**FIG 16 – INDIA RECEIVED BELOW NORMAL RAINFALL AT 91% OF LPA IN 2018**



Source: Skymet Projections, IMD

**FIG 17 – STOCK OF FOODGRAINS ROSE TO 61 MN TN IN AUG'18 COMPARED TO 48 MN TN IN AUG'18**

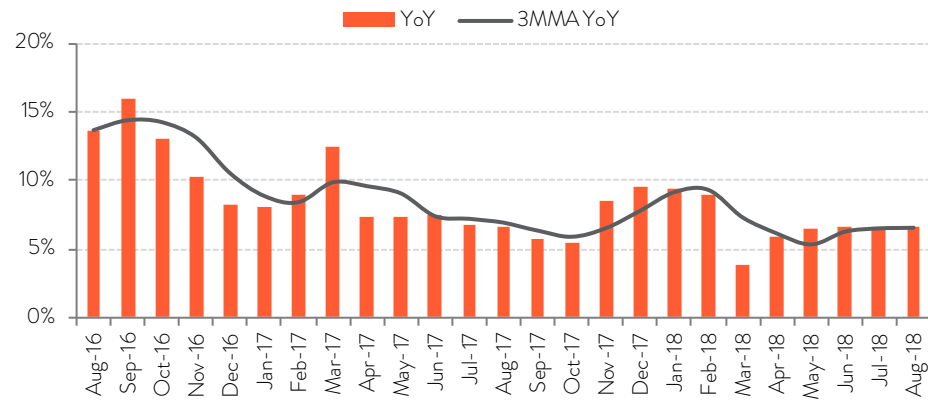


**FIG 18 – RICE PROCUREMENT IS HIGHER THAN WHEAT**

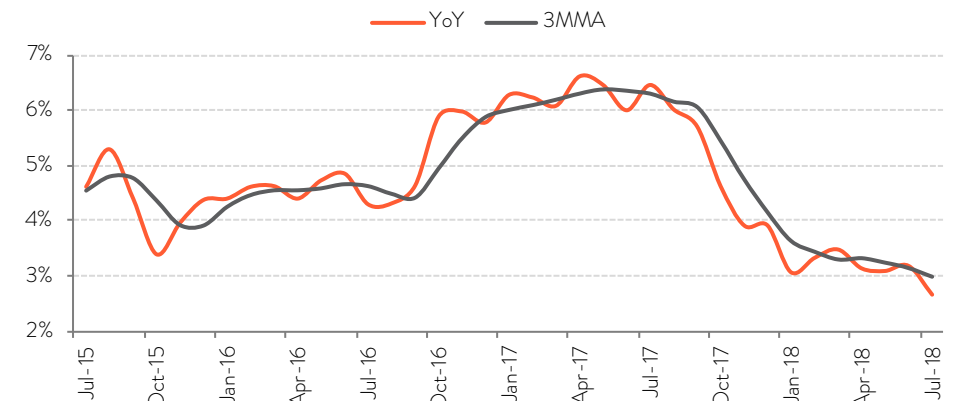
Year	Wheat	Rice
2010-11	22.51	34.20
2011-12	28.34	35.04
2012-13	38.15	34.04
2013-14	25.09	31.85
2014-15	28.02	32.04
2015-16	28.09	34.22
2016-17	22.96	38.11
2017-18	30.83	38.18*
2018-19	35.80**	-

Source: Ministry of Consumer Affairs, Food and Public Distribution | \*As on: 28 Sep 2018 | \*\*As on: 5 Oct 2018

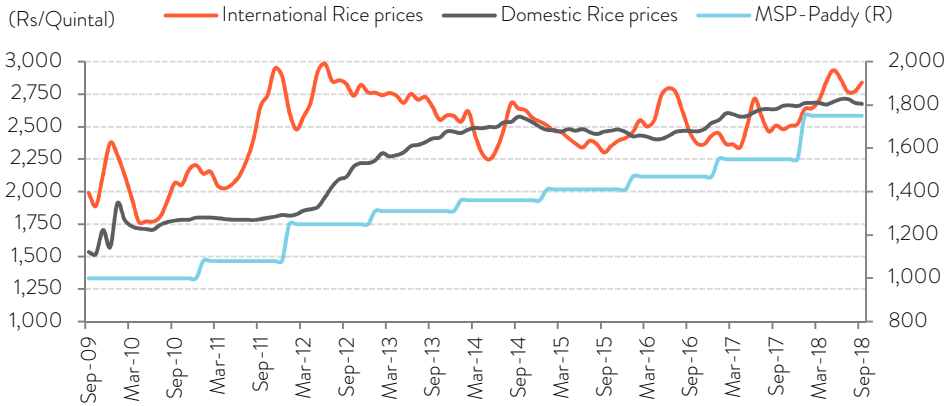
**FIG 19 – AGRICULTURE CREDIT REMAINS STEADY IN AUG'18**



**FIG 20 – RURAL WAGES (MEN) MODERATES IN JUL'18**

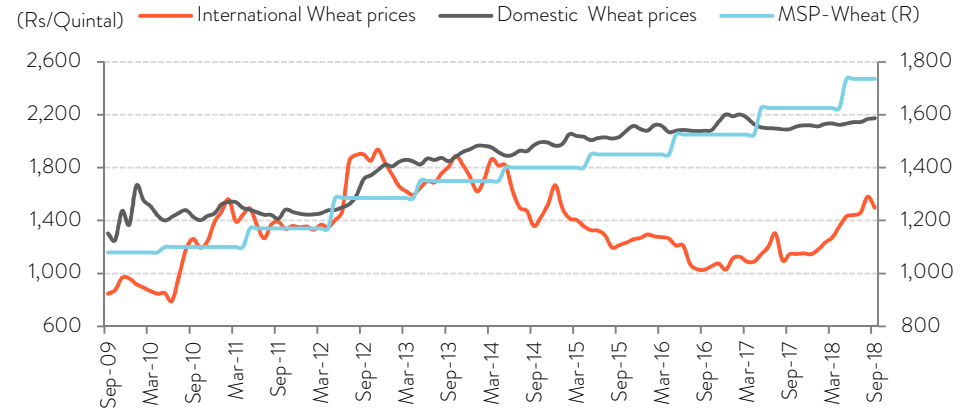


**FIG 21 – WHILE INTERNATIONAL PRICES OF RICE ARE RISING; DOMESTIC PRICES ARE MODERATING**



Source: Bloomberg

**FIG 22 – DOMESTIC PRICES OF WHEAT ARE MUCH HIGHER THAN INTERNATIONAL PRICES**

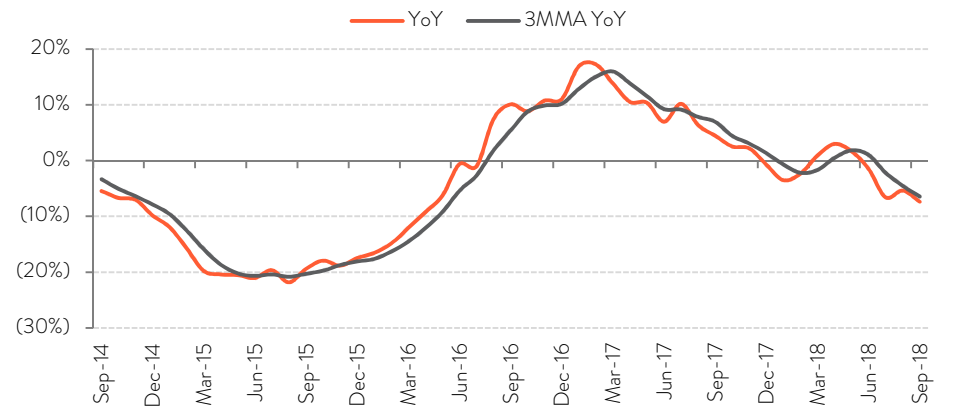


Source: Bloomberg

**FIG 23 – KHARIF SOWING DIPS BY 1.9% COMPARED TO LAST YEAR**

Crop type (ha mn)	Area sown in 2018-19	Area sown in 2017-18	Normal area for whole Kharif season	Growth (YoY %)
Food grains	69.5	72.1	69.6	(3.5)
Cereals	56.0	58.0	58.4	(3.5)
Rice	38.4	39.4	39.5	(2.4)
Pulses	13.6	14.1	11.2	(3.8)
Oilseeds	17.6	17.3	18.7	1.6
Cotton	12.2	12.4	12.0	(1.5)
Sugarcane	5.2	4.7	4.9	9.0
Jute and Mesta	0.7	0.7	0.8	1.1
<b>Total</b>	<b>105.2</b>	<b>107.3</b>	<b>106.0</b>	<b>(1.9)</b>

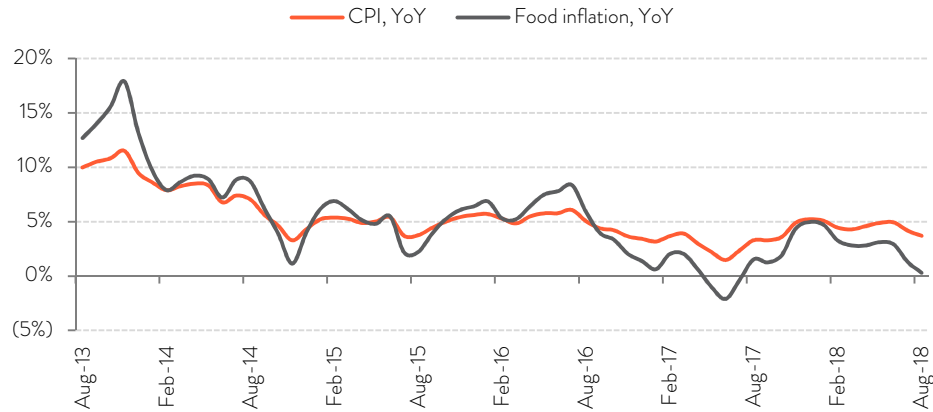
**FIG 24 – GLOBAL FOOD PRICES DEPRESSES FURTHER IN SEP'18**



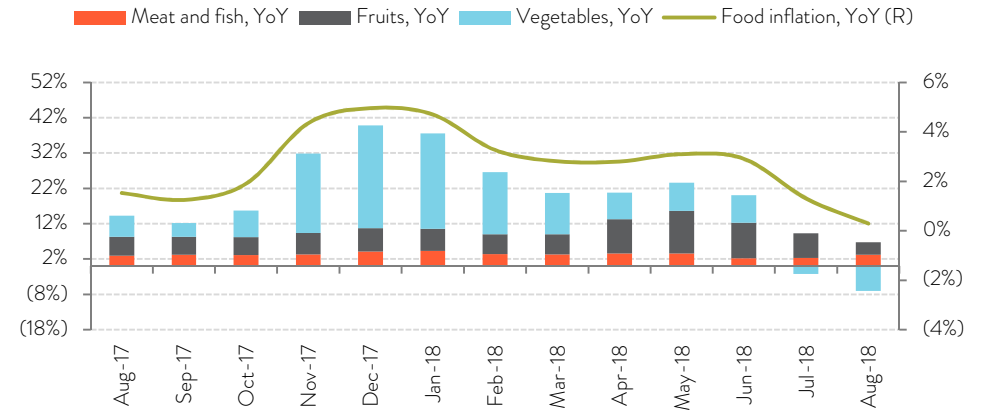


## Inflation

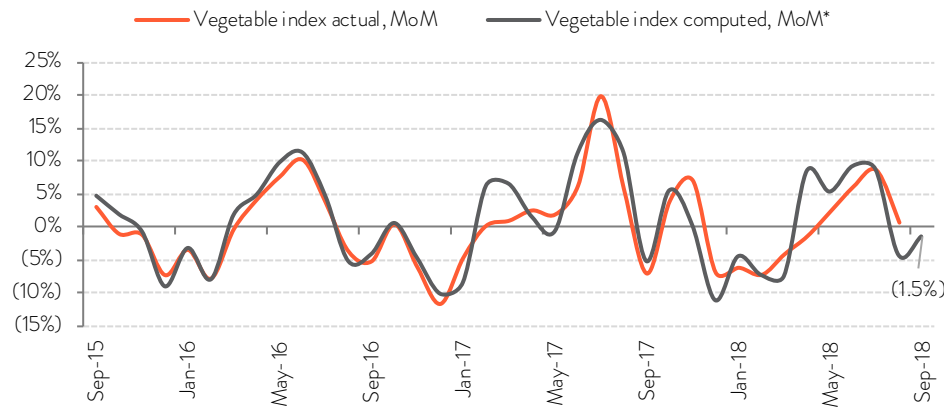
**FIG 25 – CPI INFLATION DECLINED TO 10-MONTH LOW OF 3.7% IN AUG'18 VS 4.2% IN JUL'18**



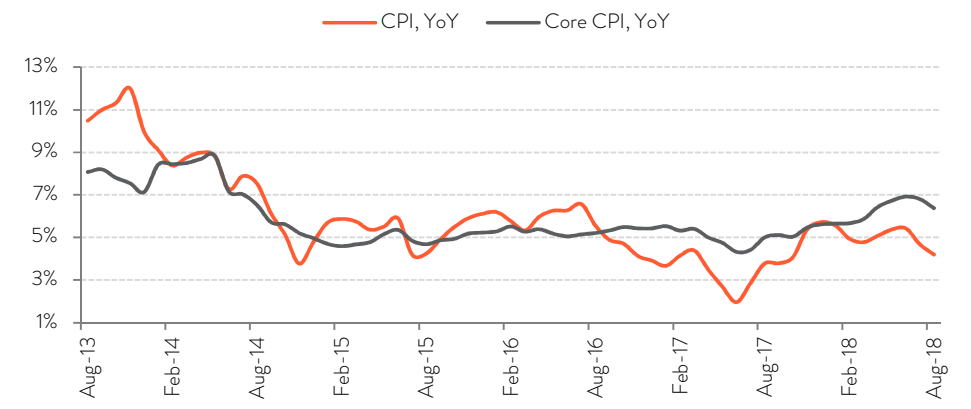
**FIG 26 – ...LED BY DECLINE IN VEGETABLES AND FRUITS**



**FIG 27 – ...TREND OF FALLING VEGETABLE PRICES IS SEEN IN SEP'18 AS WELL**

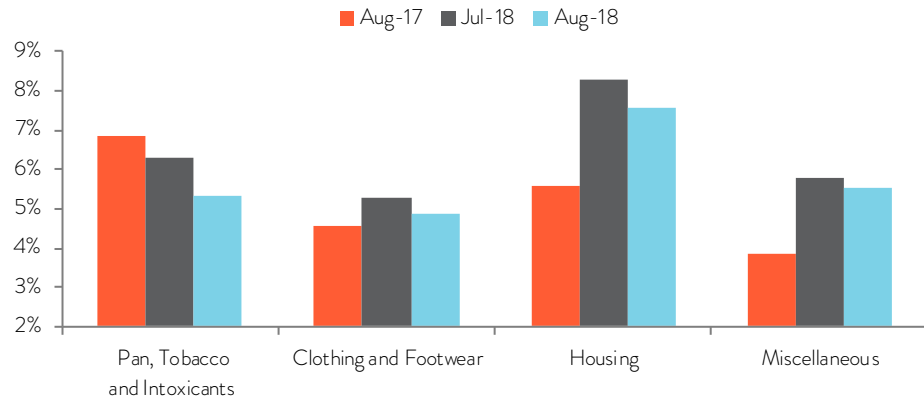


**FIG 28 – CORE CPI ALSO EDGED DOWN BY 40BPS TO 5.9% IN AUG'18 FROM 6.3% IN JUL'18**

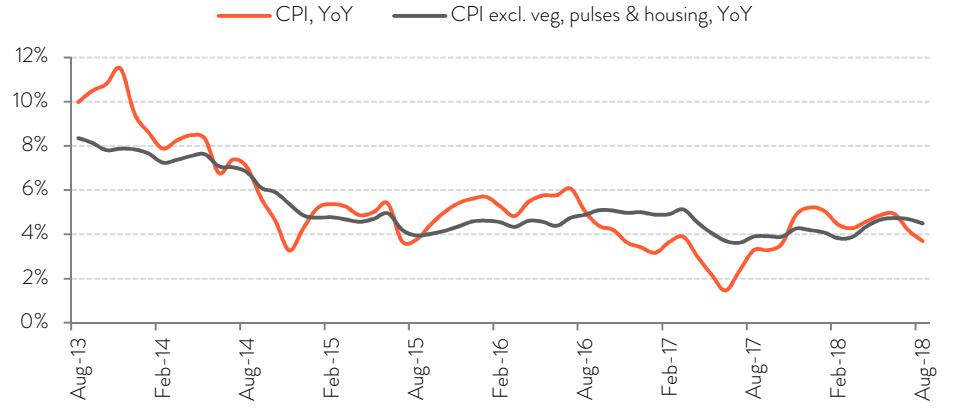


Source: NHB | \*Vegetable index computed using average retail price of major items

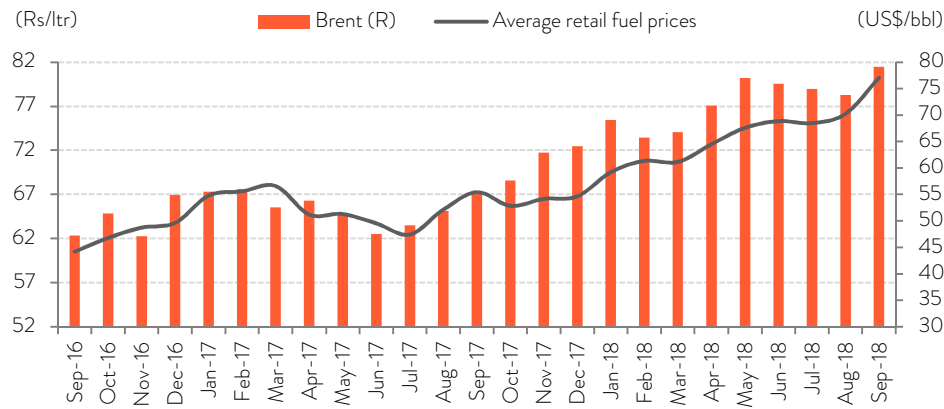
**FIG 29 – ...LED BY BROAD BASED DECLINE IN ALL CATEGORIES**



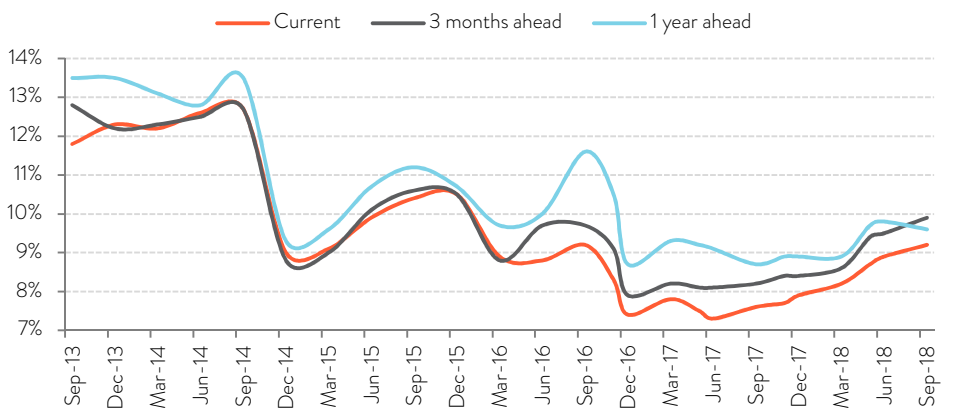
**FIG 30 – CPI EXCLUDING VOLATILE COMPONENTS ALSO MODERATED SLIGHTLY**



**FIG 31 – RETAIL PRICES OF PETROL & DIESEL SHOT UP TO RS 80/LT IN SEP'18 VS RS76/LT IN AUG'18**

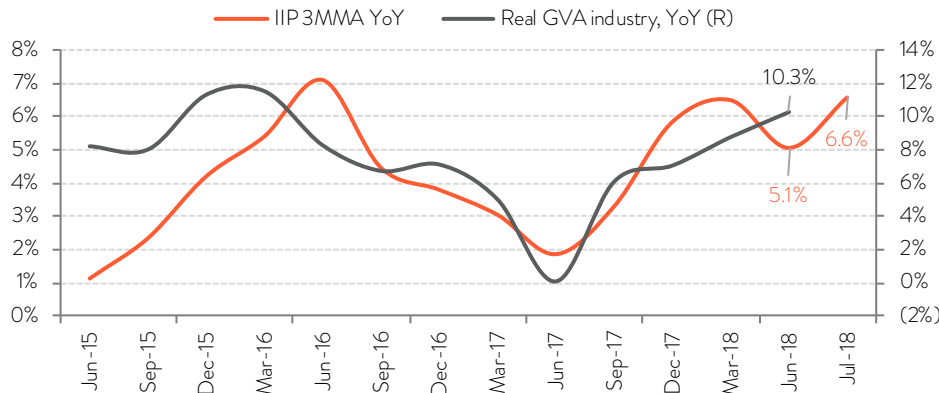


**FIG 32 – RBI INFLATION EXPECTATIONS SEEN SHOOTING UP, HOWEVER FOR 1YEAR AHEAD IT MODERATED**



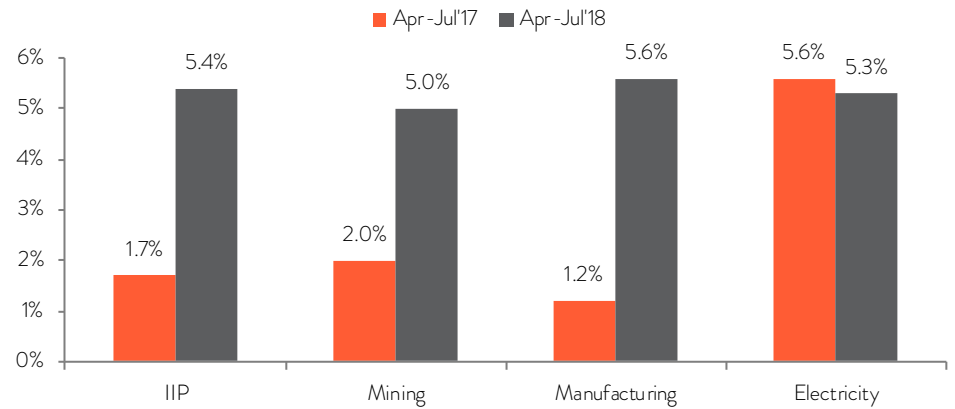
## Industry

**FIG 33 – INDUSTRIAL OUTPUT ACCELERATES TO 10.3% IN Q1FY19**

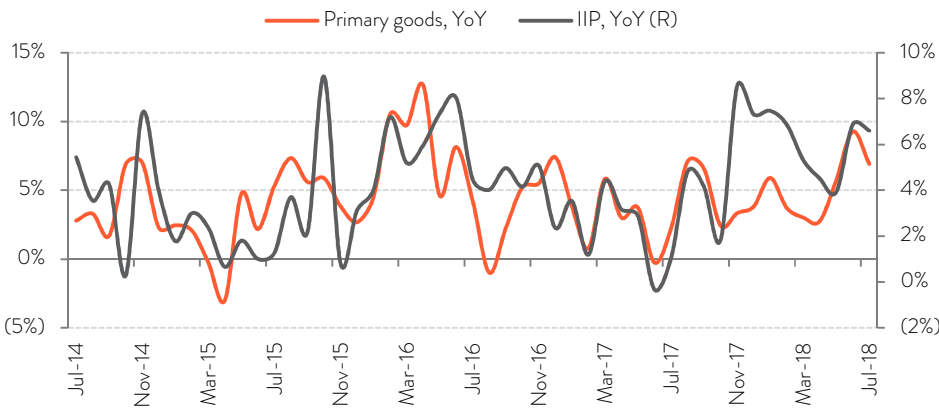


Note: IIP for Jul'18 is on a YoY basis

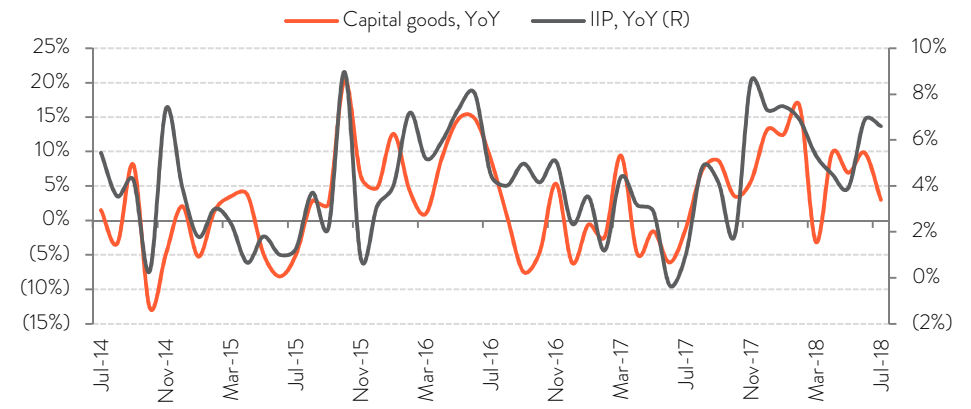
**FIG 34 – ... BARRING ELECTRICITY, BROAD BASED IMPROVEMENT ON YOY BASIS**



**FIG 35 – PRIMARY GOODS PUSHED IIP DOWN**



**FIG 36 – CAP GOODS DOING THE SAME**

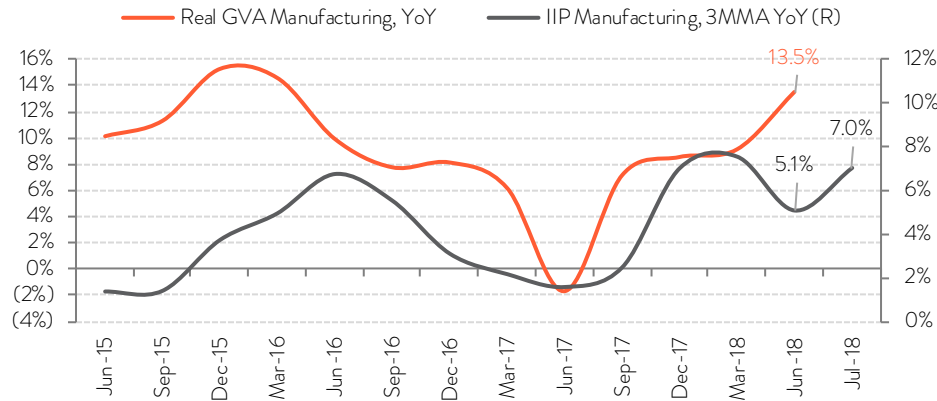


**FIG 37 – INDUSTRIAL PRODUCTION GROWS AT 6.6% IN JUL'18**

Sectoral (%)	Weight	Apr-Jul'17	Apr-Jul'18	Jul-17	Jun-18	Jul-18
IIIP	100.0	1.7	5.4	1.0	7.0	6.6
Mining	77.6	2.0	5.0	4.5	6.6	3.7
Manufacturing	14.4	1.2	5.6	(0.1)	6.9	7.0
Electricity	8.0	5.6	5.3	6.6	8.5	6.7
<b>Use-Based</b>						
Primary Goods	34.1	2.2	6.1	2.2	9.3	6.9
Capital Goods	8.2	(3.5)	7.4	(1.1)	9.6	3.0
Intermediate Goods	17.2	0	1.0	(2.8)	2.4	1.2
Infrastructure and Construction Goods	12.3	2.4	8.1	4.3	8.5	8.4
Consumer Durables Goods	12.8	(1.5)	9.4	(2.4)	13.1	14.4
Consumer Non-Durables Goods	15.3	6.8	2.7	4.1	0.5	5.6

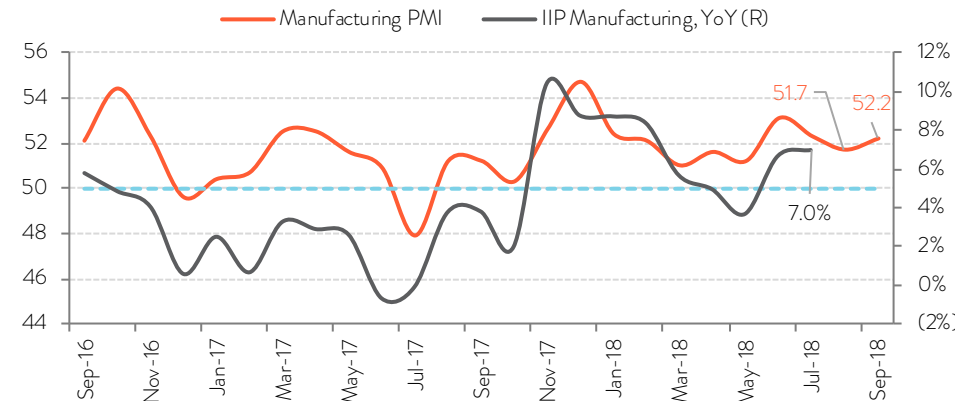
## Manufacturing

**FIG 38 – MANUFACTURING ACTIVITY CLOCKS DOUBLE DIGIT GROWTH**



Note: IIP for Jul'18 is on a YoY basis

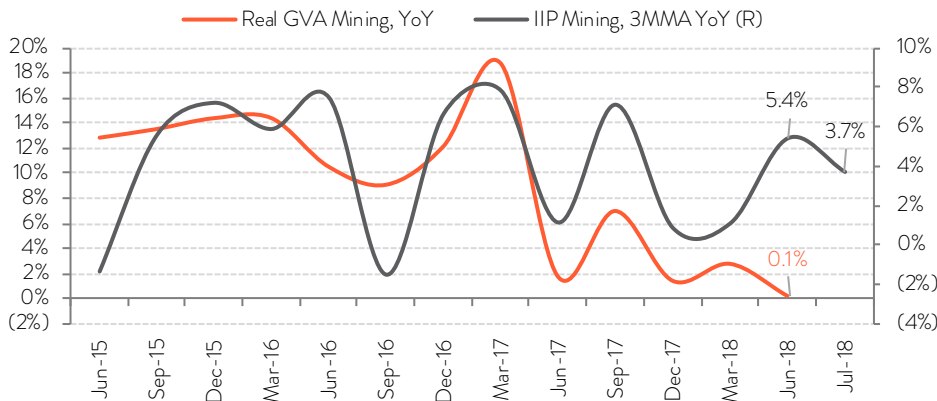
**FIG 39 – MANUFACTURING PMI ROSE TO 52.2 IN SEP'18**



Source: Markit

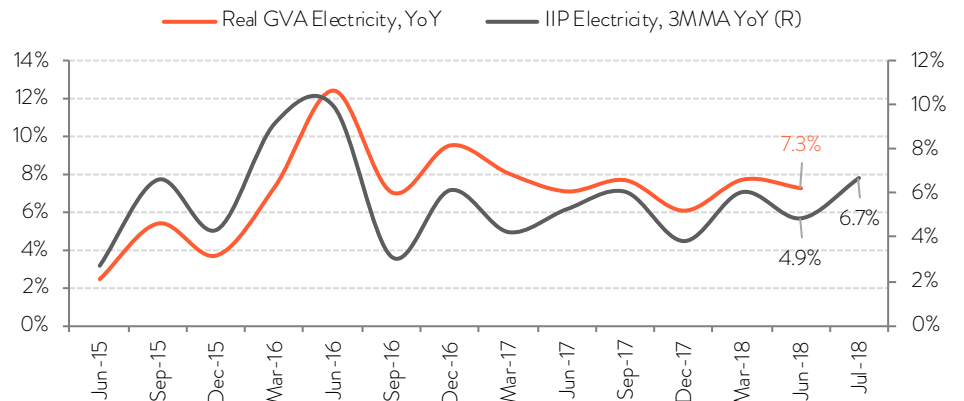
## Mining & Electricity

**FIG 40 – MINING ACTIVITY DIPS IN JUL'18**



Note: IIP for Jul'18 is on a YoY basis

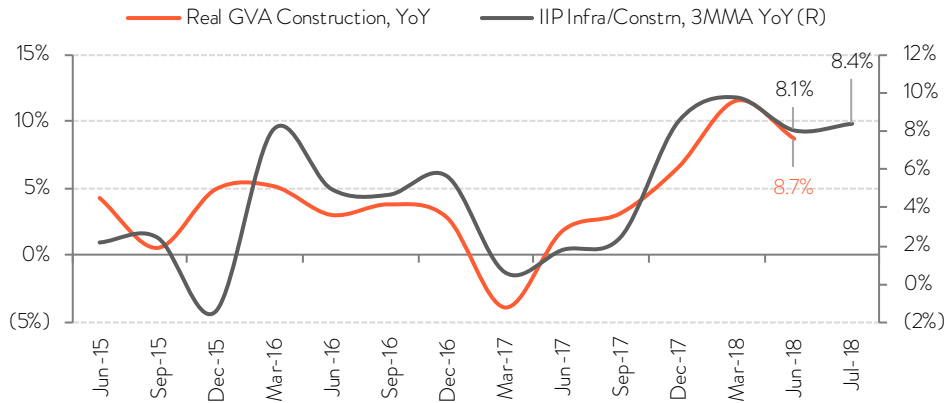
**FIG 41 – ELECTRICITY IMPROVES BY 6.7% IN JUL'18**



Note: IIP for Jul'18 is on a YoY basis

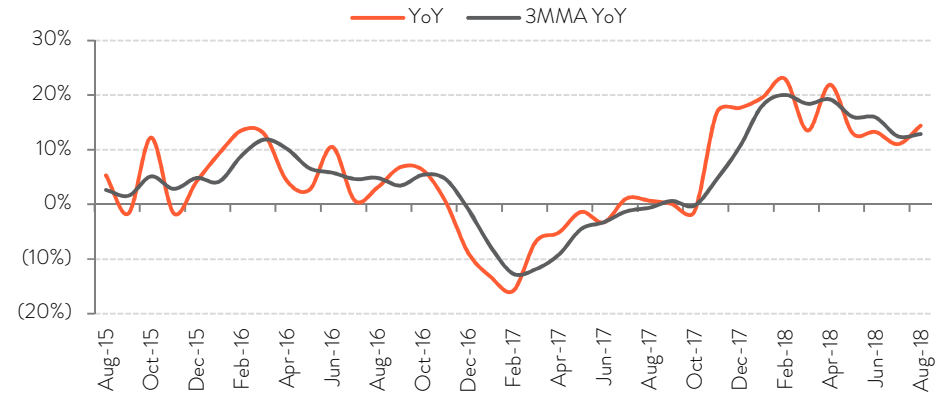
## Infrastructure and Construction

**FIG 42 – GROWTH IN CONSTRUCTION SECTOR REMAINS ROBUST**



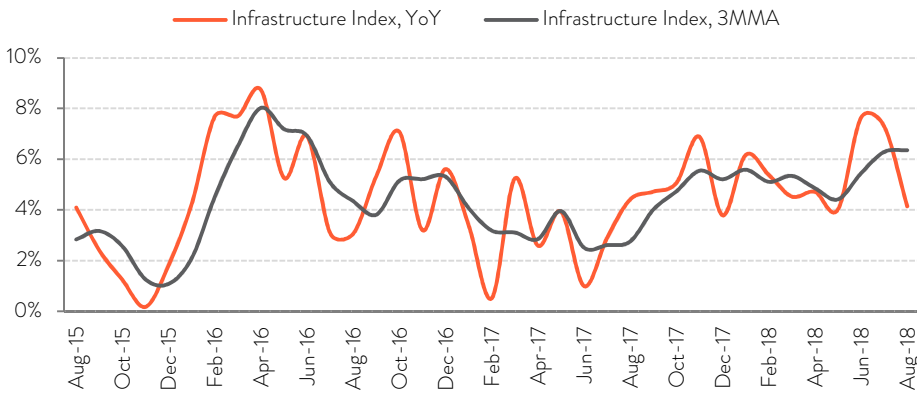
Note: IIP for Jul'18 is on a YoY basis

**FIG 43 – CEMENT PRODUCTION CONTINUES TO GROW AT A HEALTHY PACE**

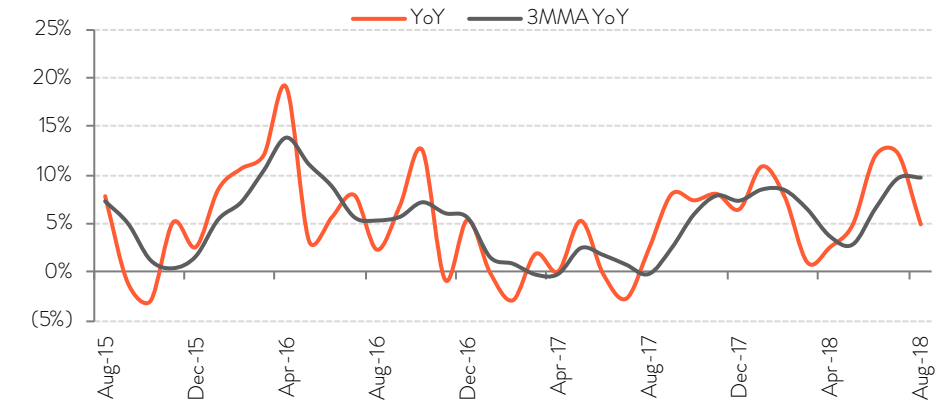


## Infrastructure Index

**FIG 44 – INFRA INDEX EASES IN AUG'18**

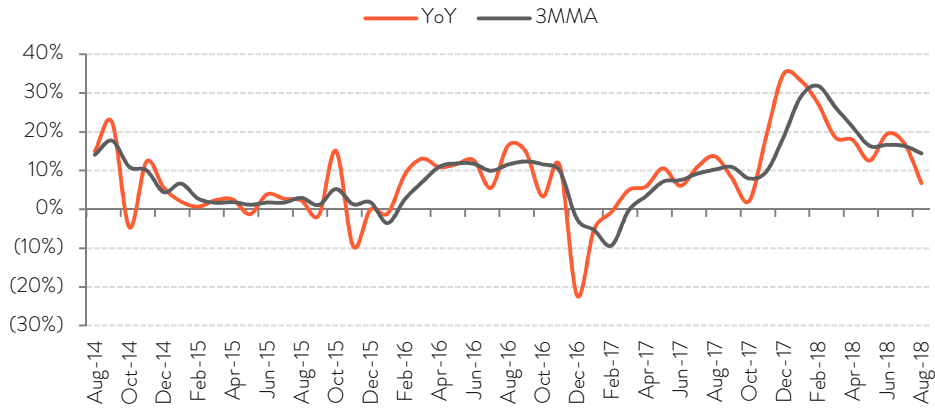


**FIG 45 – REFINERY PRODUCTS CONTRACTED BY 5.1% IN AUG'18**

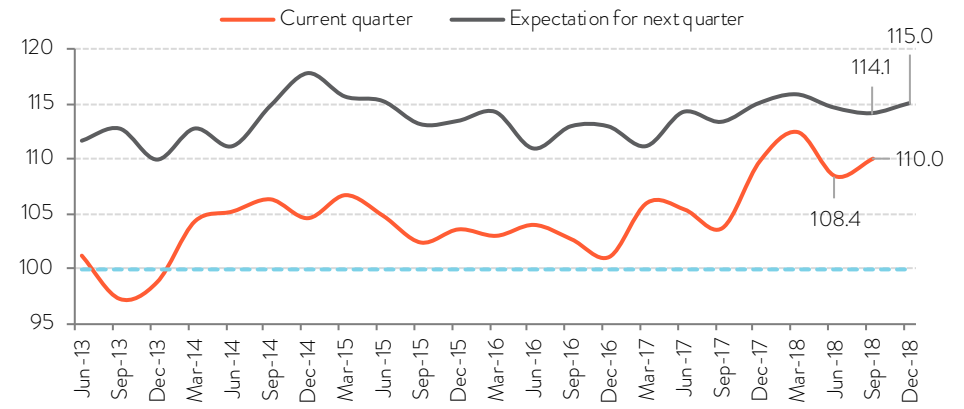


## Auto production & Business expectation index

**FIG 46 – AUTO PRODUCTION DECELERATES TO 7% IN AUG'18**



**FIG 47 – BUSINESS SENTIMENT REMAINS OPTIMISTIC**

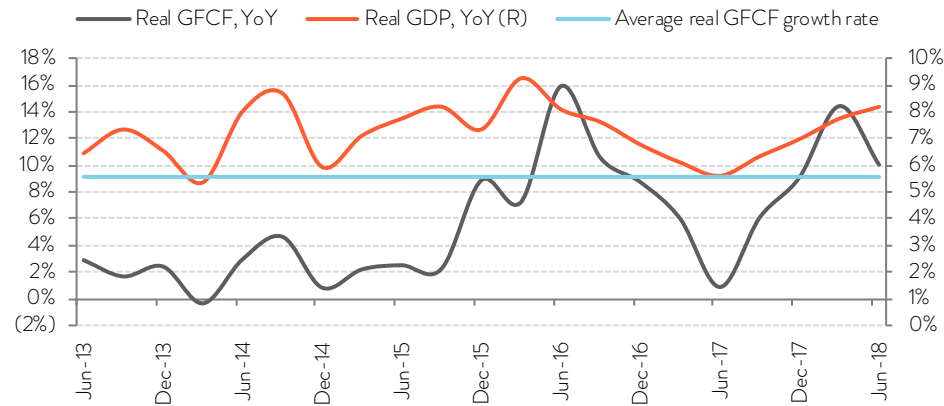


**FIG 48 – INFRASTRUCTURE INDEX SLOWS TO 4.2% IN AUG18**

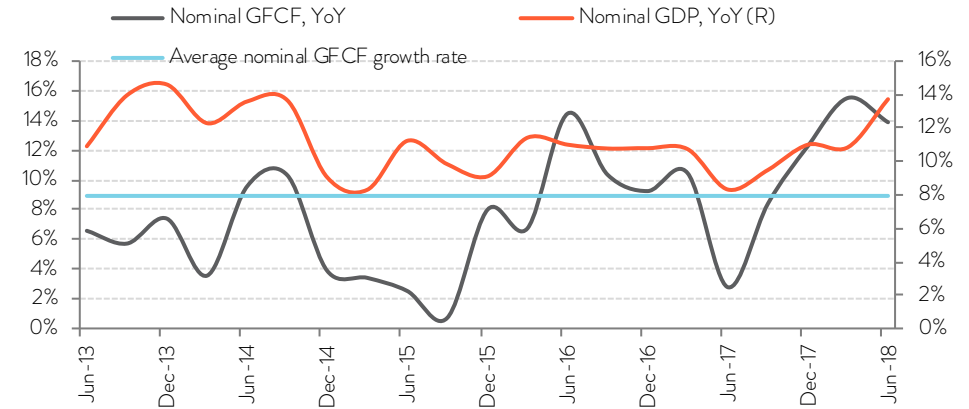
(%)	Weight	Aug-17	Jun-18	Jul-18	Aug-18
Infrastructure Index	100	4.4	7.6	7.3	4.2
Coal	10.3	15.4	11.8	9.8	2.4
Crude Oil	9.0	(1.6)	(3.4)	(5.4)	(3.7)
Natural Gas	6.9	4.2	(2.7)	(5.2)	1.1
Petroleum Refinery Products	28.0	2.4	12.1	12.3	5.1
Fertilizers	2.6	(0.7)	1.0	1.3	(5.3)
Steel	17.9	2.2	3.4	6.9	3.9
Cement	5.4	0.7	13.2	11.1	14.3
Electricity	19.9	8.3	8.4	6.7	5.4

## Investment

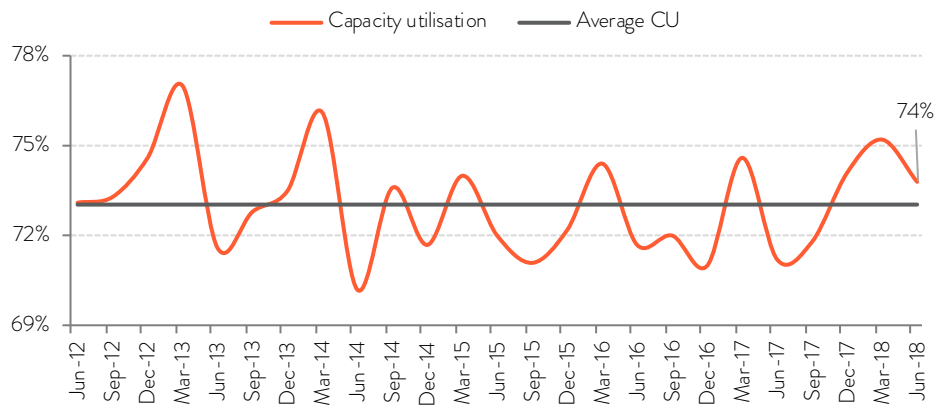
**FIG 49 - HIGHER REAL GFCF GROWTH DROVE GDP HIGHER IN MAR'18**



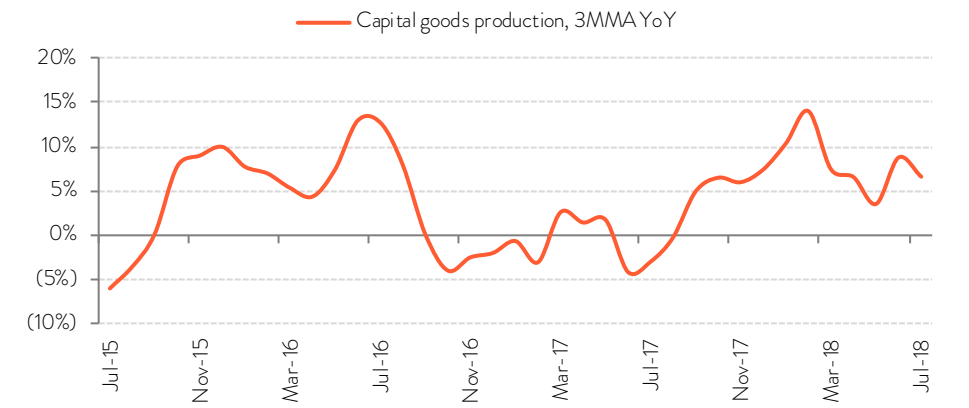
**FIG 50 - NOMINAL GFCF ALSO PICKED UP SHARPLY TO 15.5% IN MAR'18**



**FIG 51 - CAPACITY UTILISATION DETERIORATED TO 74% IN SEP'18...THOUGH ABOVE LONG PERIOD AVERAGE**

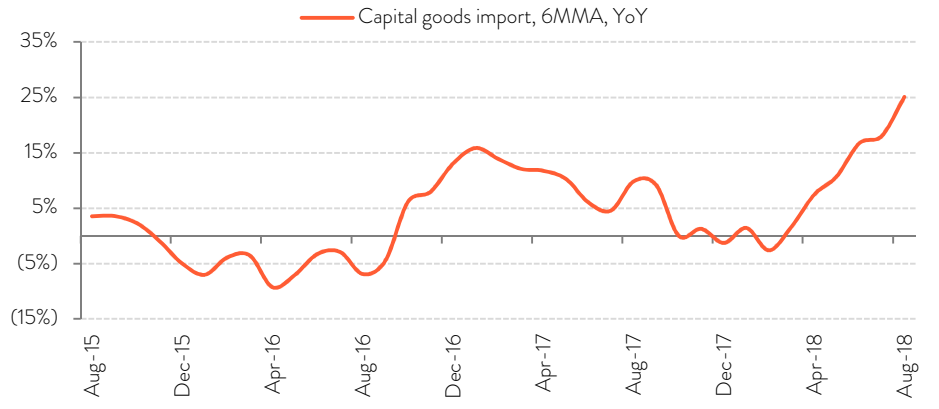


**FIG 52 - CAPITAL GOODS PRODUCTION DIPPED IN JUL'18**

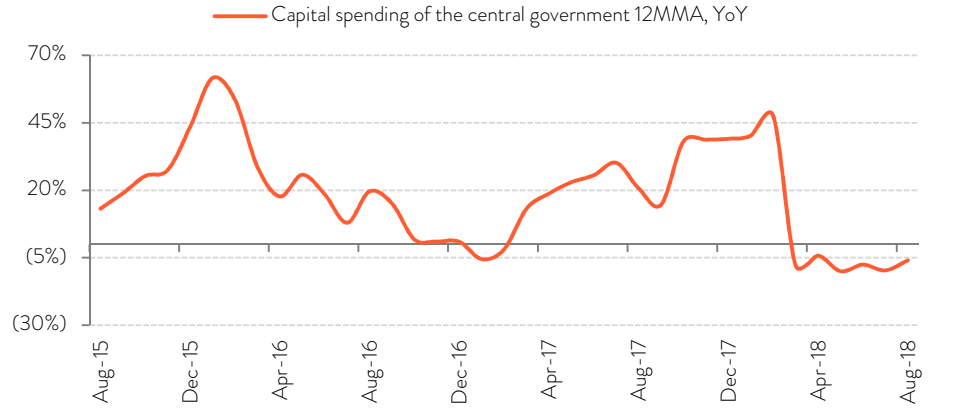




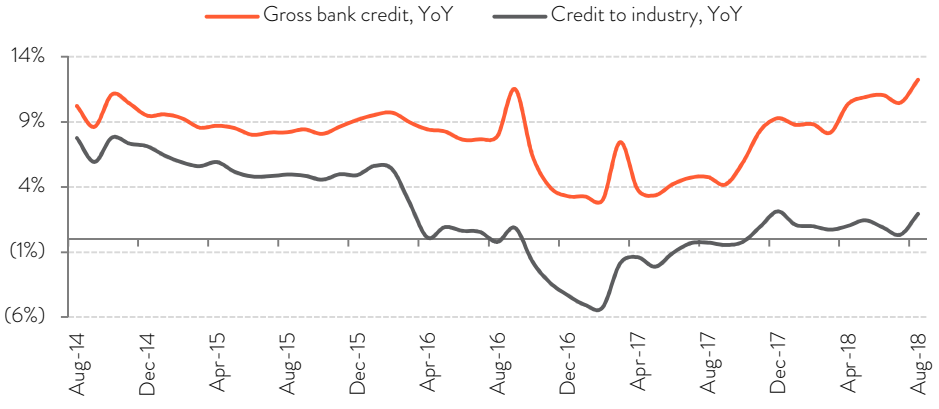
**FIG 53 – CAPITAL GOODS IMPORT CONTINUED TO PICK UP SHARPLY IN AUG'18**



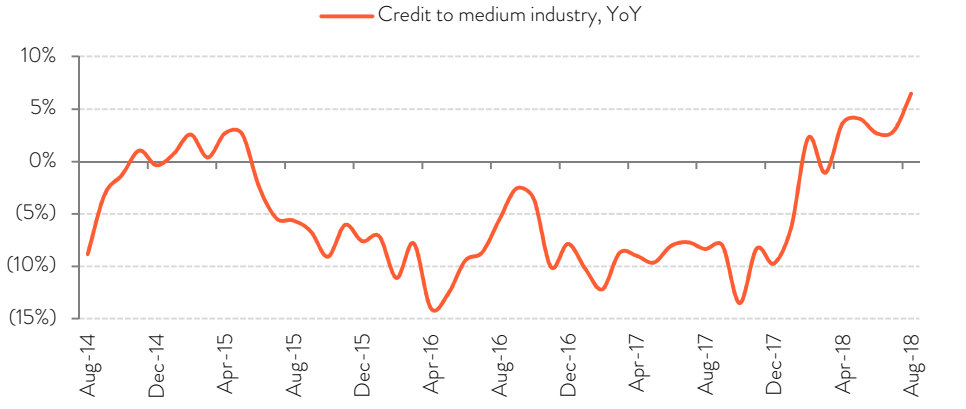
**FIG 54 – CENTRAL GOVERNMENT'S SPENDING MODERATED ON ACCOUNT OF FISCAL CONSOLIDATION**



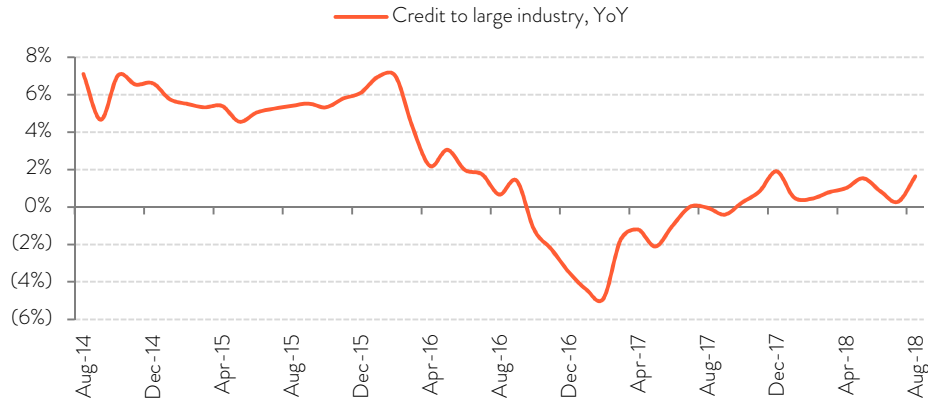
**FIG 55 – INDUSTRY CREDIT JUMPED UPTO 1.9% IN AUG'18 VERSUS 0.3% IN JUL'17**



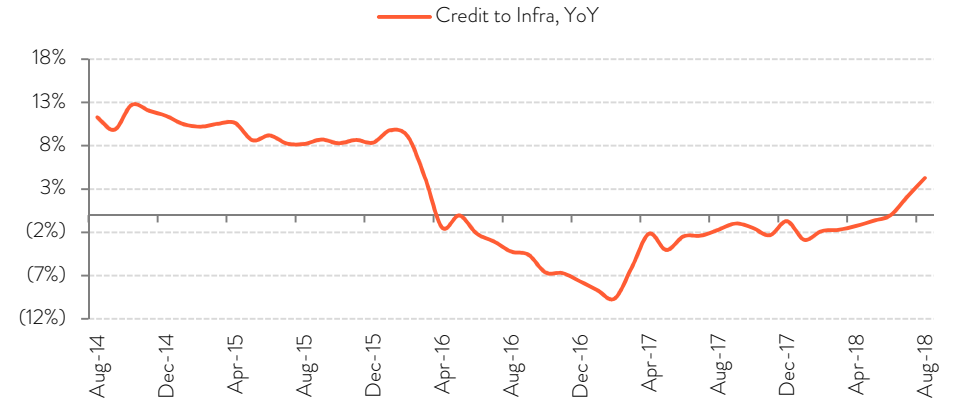
**FIG 56 – ...LED BY SIGNIFICANT CREDIT OFFTAKE TO MEDIUM INDUSTRY**



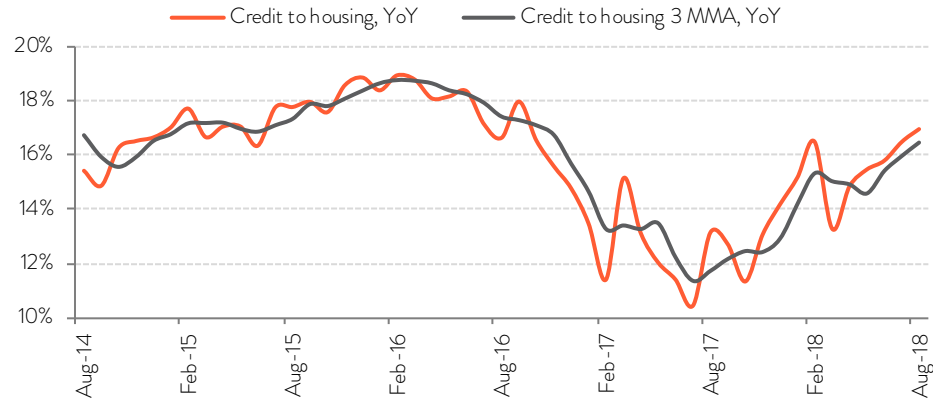
**FIG 57 – CREDIT TO LARGE INDUSTRY ALSO PICKED UP TO 1.6% IN AUG'18 VS 0.3% IN JUL'18**



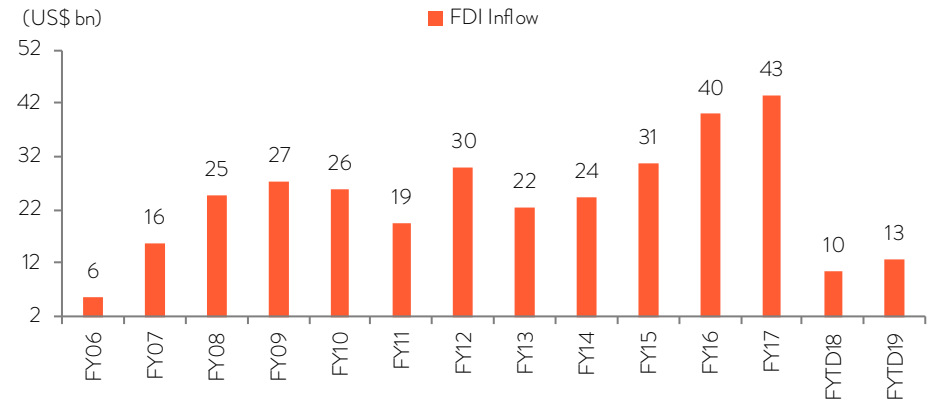
**FIG 58 – CREDIT TO INFRA PICKED UP TO 4.3% IN AUG'18 VS 2.2% IN JUL'18**



**FIG 59 – CREDIT TO HOUSING JUMPED TO 17% IN JUL'18**



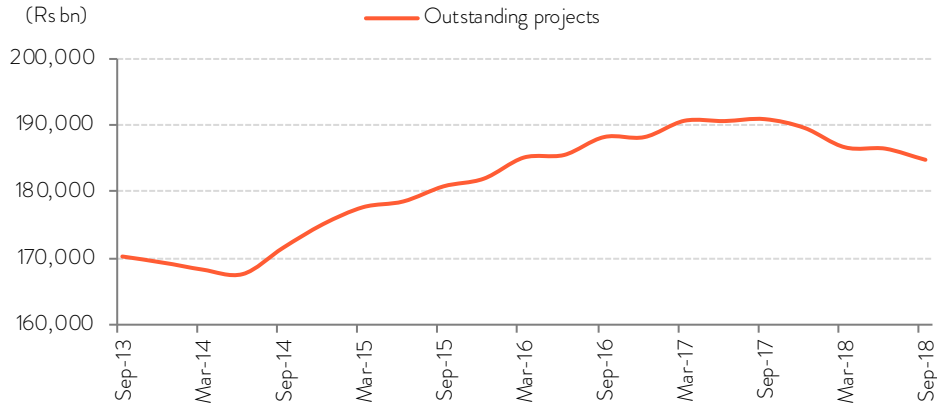
**FIG 60 – FDI INFLOW PICKED UP IN FY18**



Source: DIPP

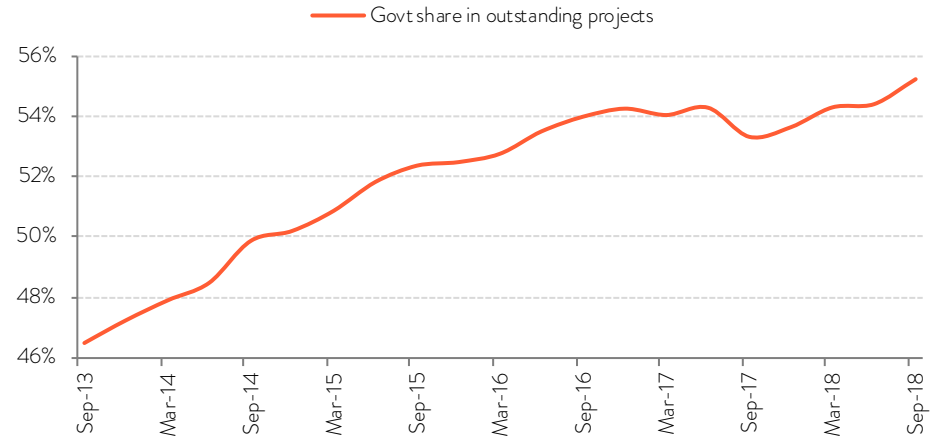
Capex data

**FIG 61 – O/S PROJECTS MODERATED IN SEP'18**



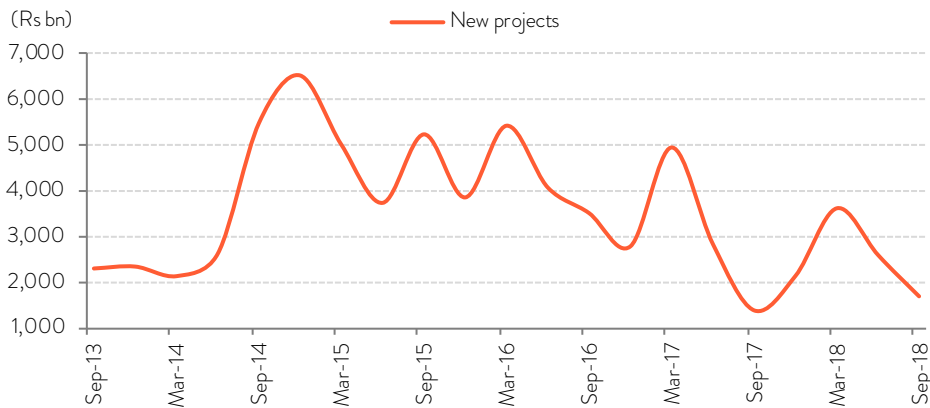
Source: CMIE

**FIG 62 – ...HOWEVER GOVT SHARE IN O/S PROJECTS PICKED UP**



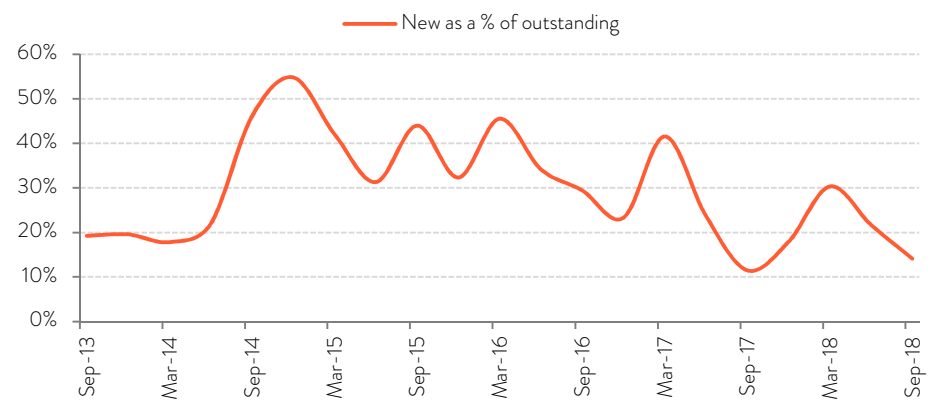
Source: CMIE

**FIG 63 – NEW PROJECTS DECLINED SHARPLY IN SEP'18**



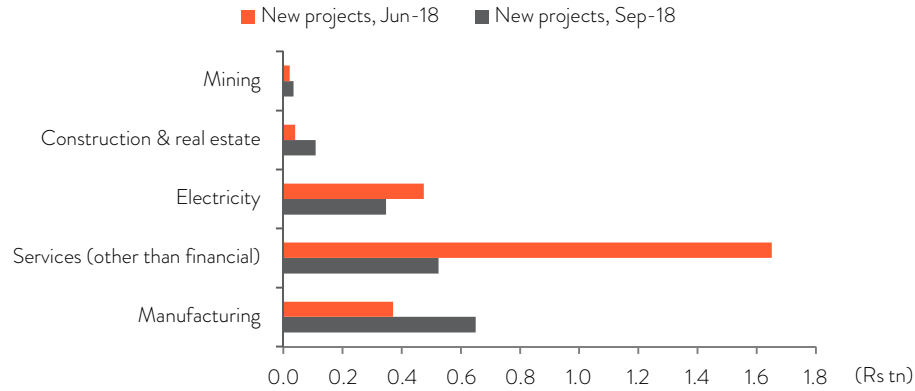
Source: CMIE

**FIG 64 – NEW AS A % OF O/S ALSO NOTED CONSIDERABLE DECLINE**



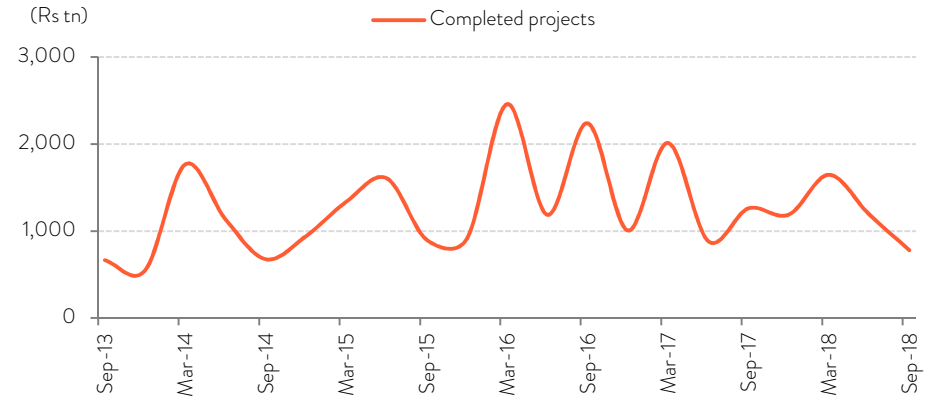
Source: CMIE

**FIG 65 – FALL IN NEW PROJECTS WAS LED BY ELECTRICITY AND SERVICES SECTOR.**



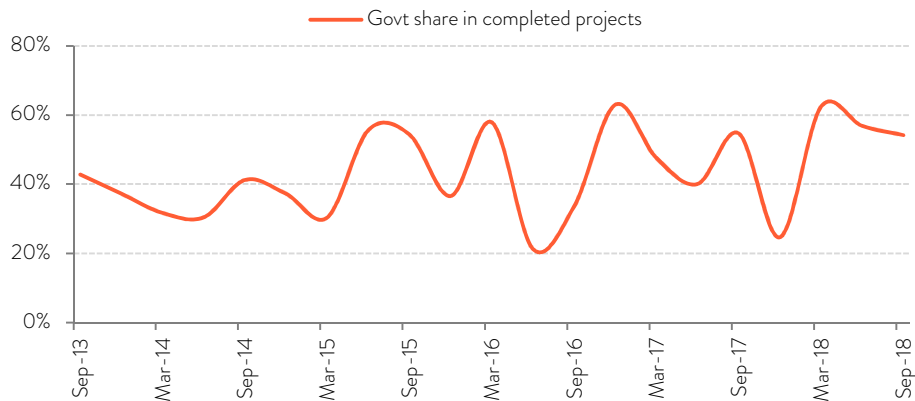
Source: CMIE

**FIG 66 – COMPLETED PROJECTS ALSO DECLINED SHARPLY**



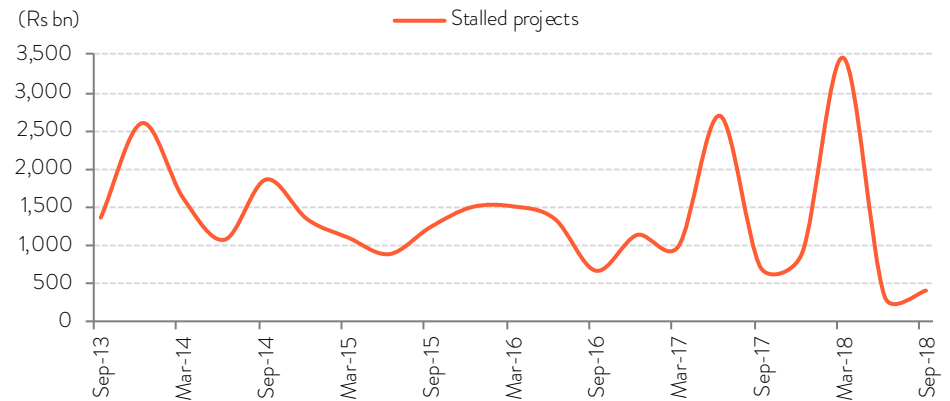
Source: CMIE

**FIG 67 – GOV SHARE IN COMPLETED PROJECTS FELL IN SEP'18**



Source: CMIE

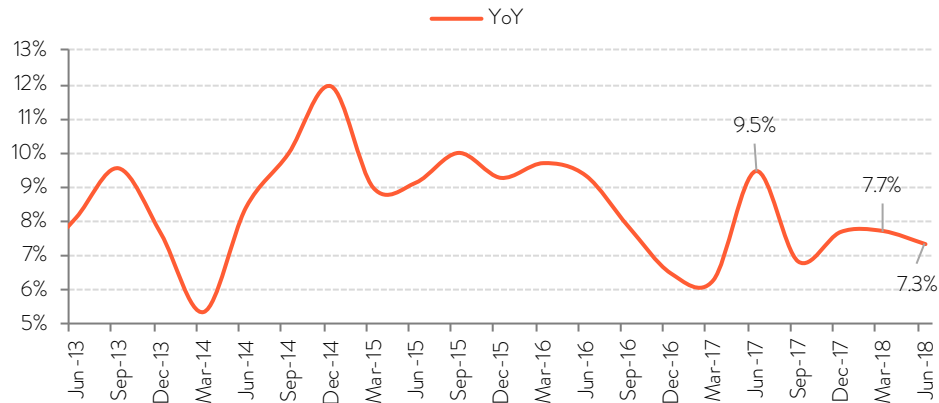
**FIG 68 – STALLED PROJECTS PICKED UP IN SEP'18**



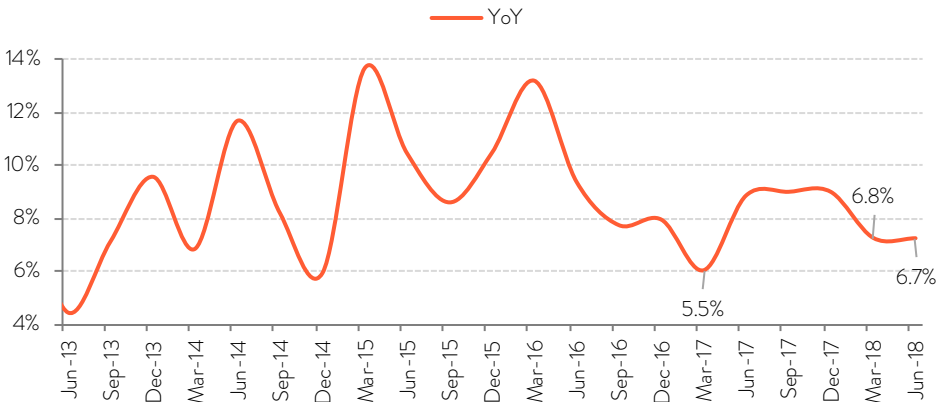
Source: CMIE

## Services sector

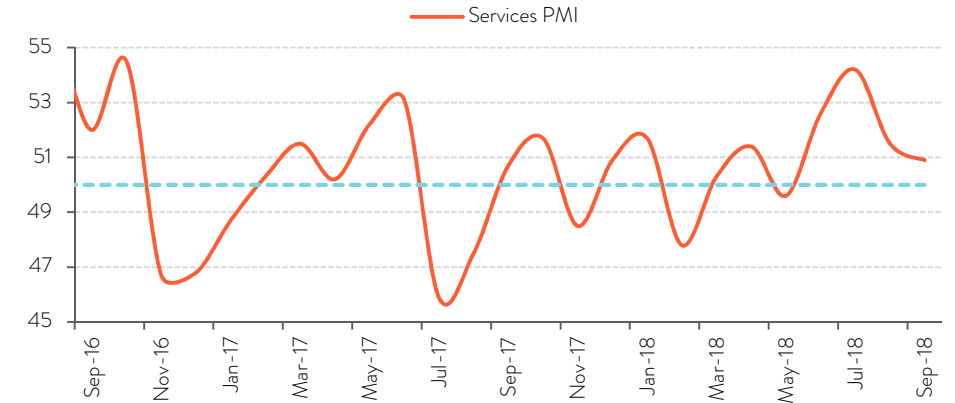
**FIG 69 – GVA: SERVICES ACTIVITY GREW STEADILY IN Q1FY19**



**FIG 71 – GVA: TRADE & RELATED SERVICES ALSO HOLD GROUND IN Q1FY19**

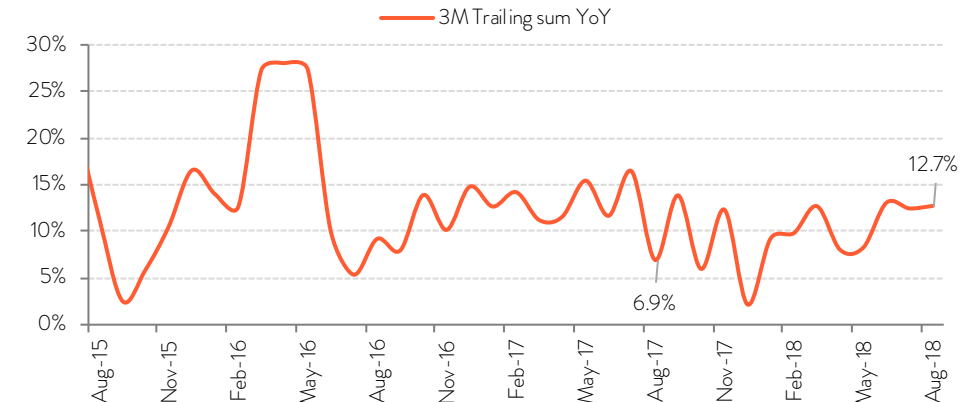


**FIG 70 – SERVICES PMI SHOWS ACTIVITY SLOWED FURTHER IN SEP'18; THOUGH Q2FY19 AVERAGE (52.2) STILL HIGHER THAN Q1 (51.2)**



Source: Markit

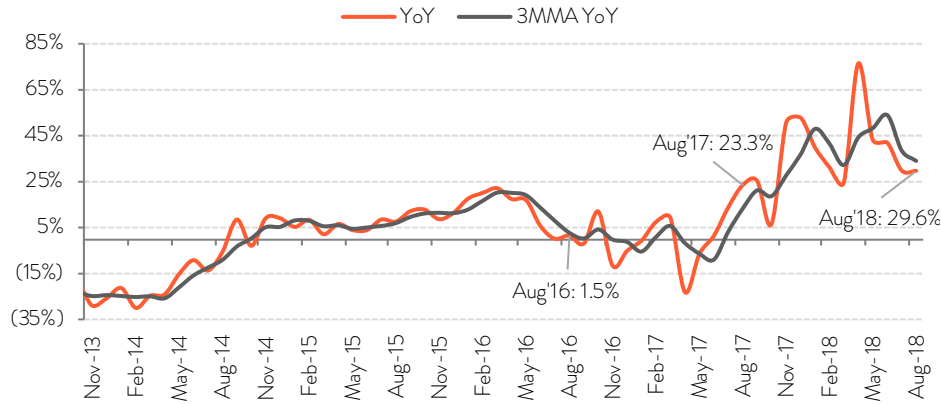
**FIG 72 – STATES\* REVENUE RECEIPTS STEADIES IN AUG'18**



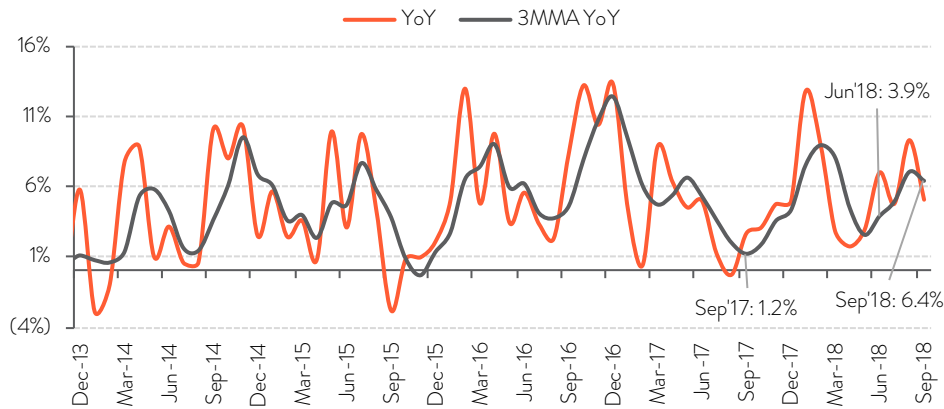
Note: \*All states excluding N.E states, Andhra Pradesh, Goa and J&K

Trade

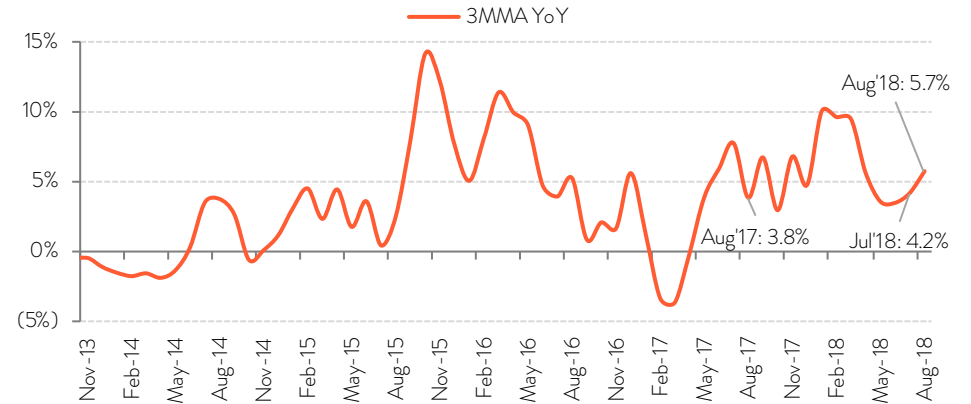
**FIG 73 – COMMERCIAL VEHICLE SALES RECOVER IN AUG'18, JUL-AUG'18 AVERAGE (29.6%) ALSO BETTER THAN LAST YEAR (18.5%)**



**FIG 75 – PORT CARGO VOLUMES IN Q2FY19 IMPROVE COMPARED TO Q1, INDICATING POSITIVE CONTRIBUTION FROM EXTERNAL TRADE**

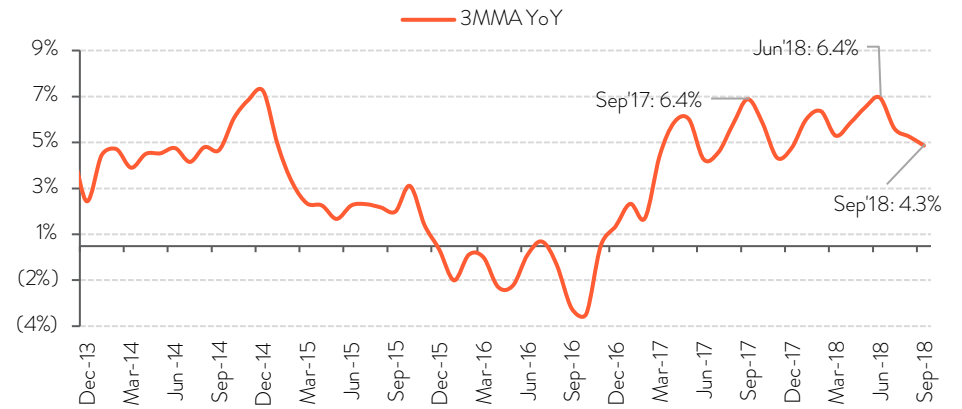


**FIG 74 – ...THUS DIESEL CONSUMPTION ALSO BOUNCING BACK, AS OIL PRICES DECLINED IN AUG'18 (-1.7%)**



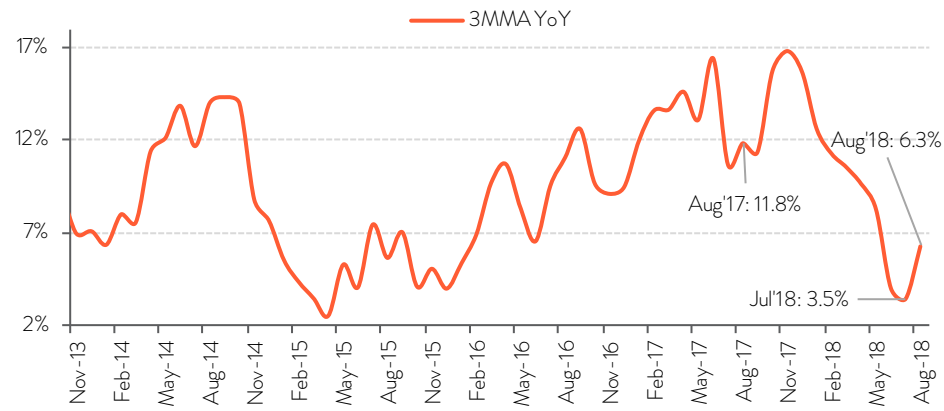
Source: PPAC

**FIG 76 – ...BUT RAILWAY FREIGHT TRAFFIC DIPPED IN Q2FY19 VS Q1, ALSO LOWER THAN Q2FY18**

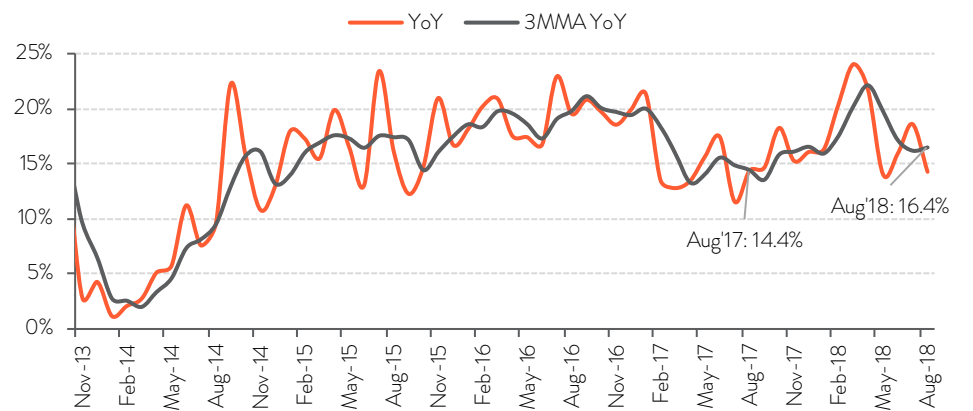


**Hotels and Communications**

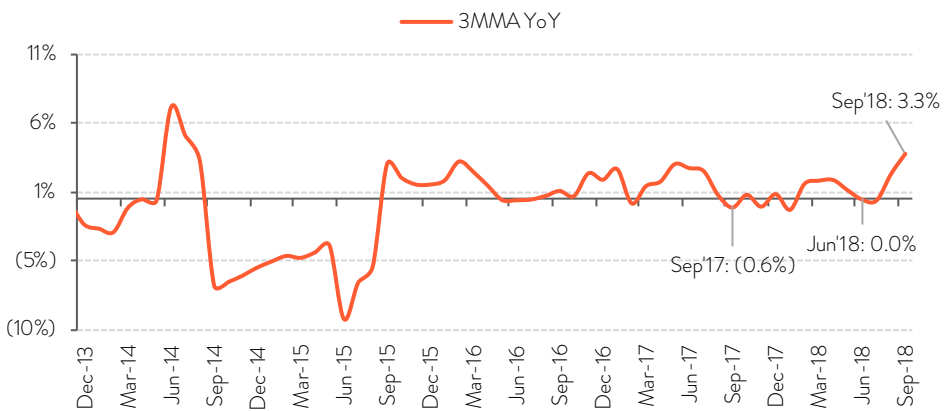
**FIG 77 – FOREIGN TOURIST ARRIVAL GROWTH BOUNCES BACK IN AUG'18**



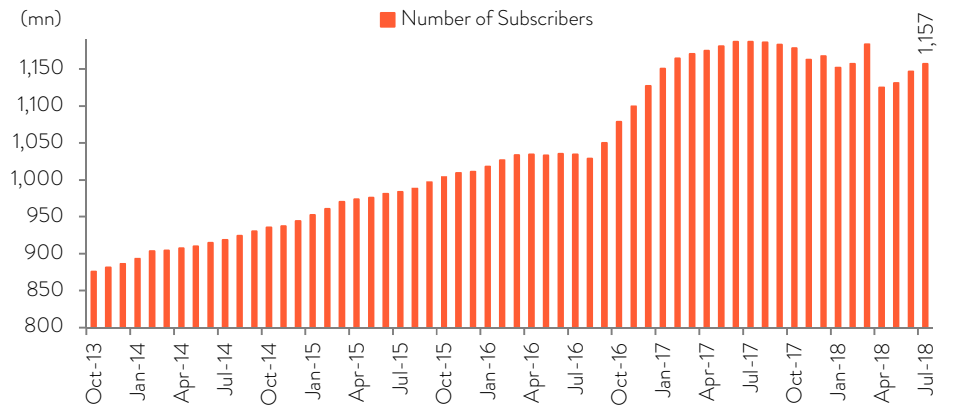
**FIG 78 – ...PROVIDING ADDITIONAL SUPPORT TO AIRLINE PASSENGER TRAFFIC GROWTH**



**FIG 79 – RAILWAY PASSENGER TRAFFIC GROWTH ALSO REBOUNDS IN Q2FY19**

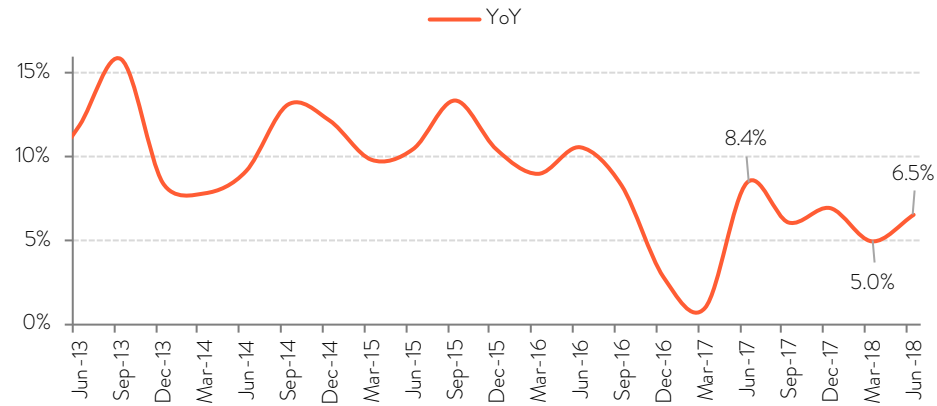


**FIG 80 – WIRELESS SUBSCRIBER NOS. IMPROVE FURTHER IN JUL'18**

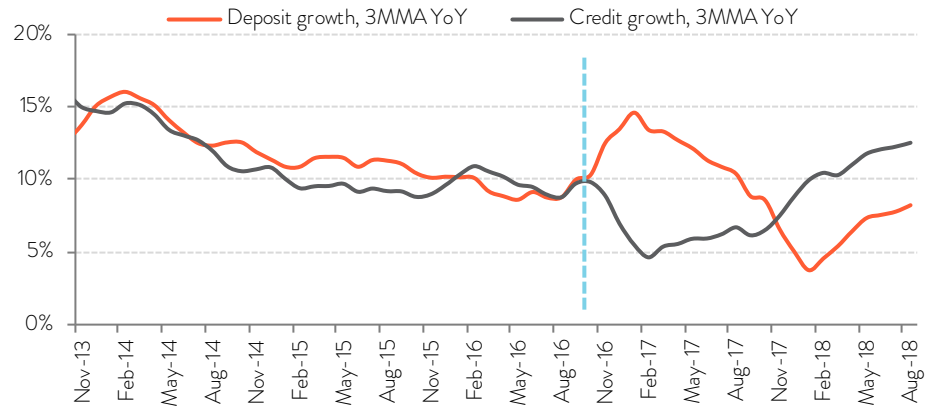


**Finance and Real estate**

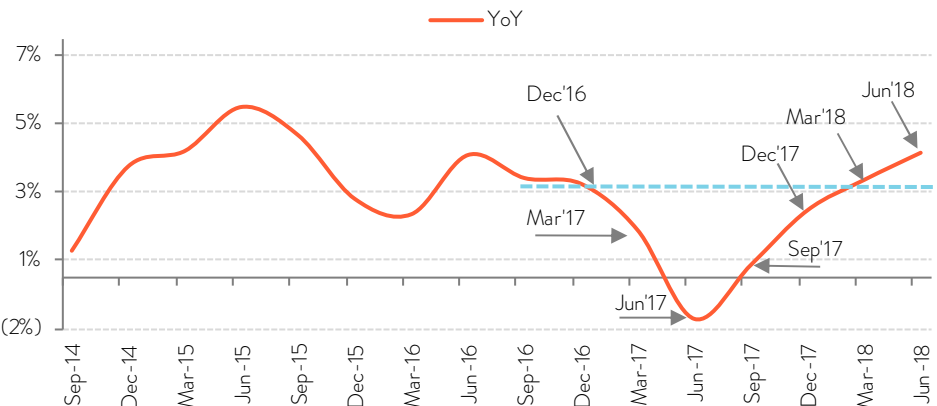
**FIG 81 – GVA: FINANCE, REAL ESTATE & PROF. SERVICES INCHES UP IN Q1FY19, THOUGH STILL LOWER THAN Q1FY18**



**FIG 82 – BOTH DEPOSIT AND CREDIT GROWTH SHOW MARKED IMPROVEMENT IN Q1FY19; GROWTH IN JUL-AUG'18 STEADY**

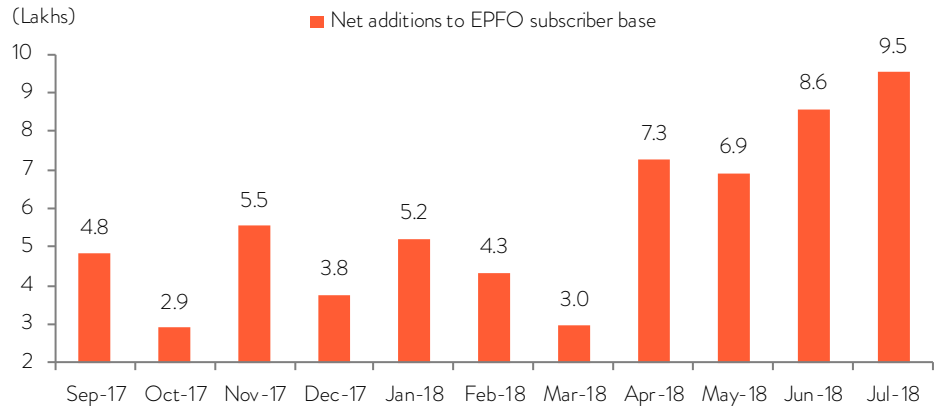


**FIG 83 – AVERAGE PROPERTY PRICE INDEX\* RISES FURTHER HIGHER IN JUN'18**



Source: \*Index for Delhi-NCR, Mumbai & Bangalore; using Colliers International data for commercial property rental price (Rs/sqft)

**FIG 84 – 61.8 LAKH JOBS FORMALIZED SINCE SEP'17; ADDITION IN JUL'18 HIGHEST SINCE THEN**

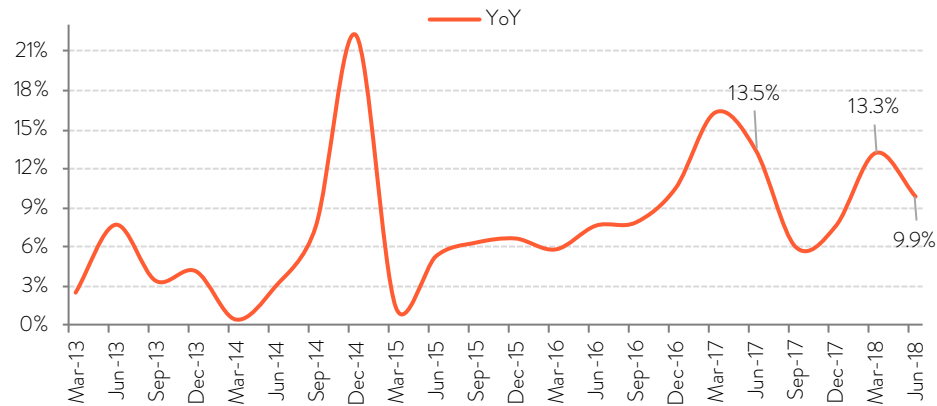


Source: EPFO

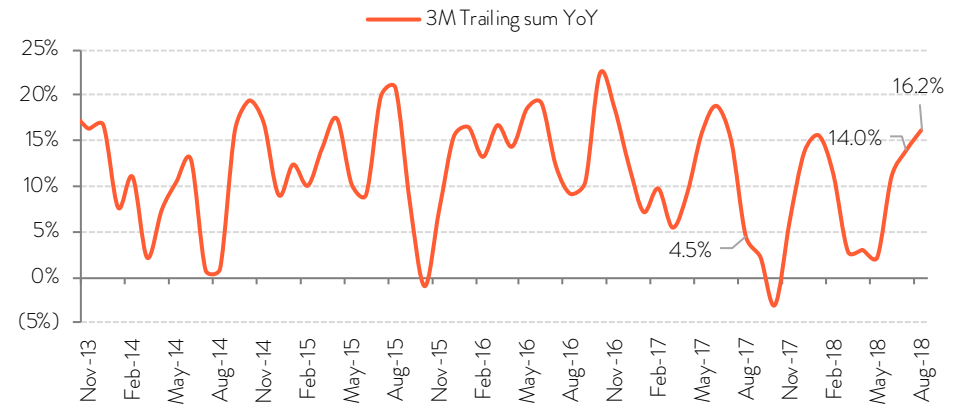


**Public administration**

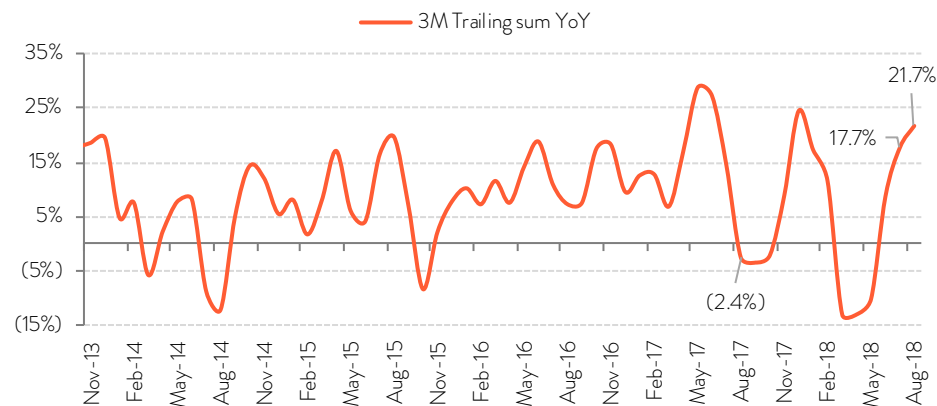
**FIG 85 – PUBLIC ADMINISTRATION & RELATED SERVICES GROWTH PULLS BACK, MAKING SPACE FOR PRIVATE SECTOR**



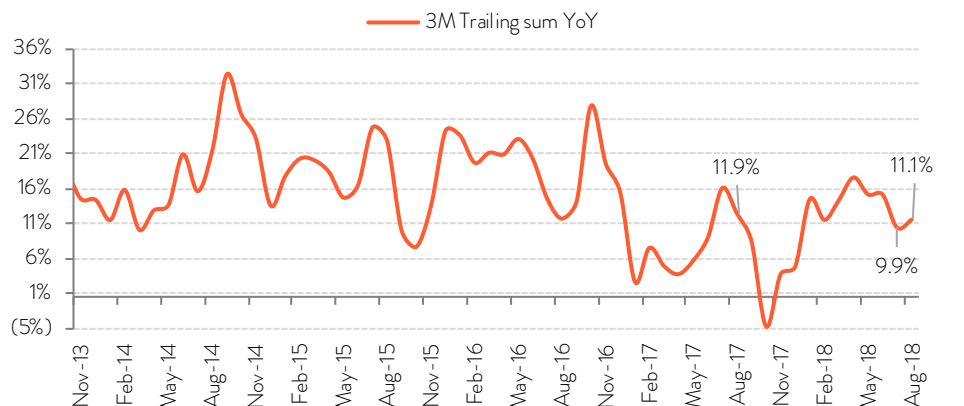
**FIG 86 – GENERAL GOVT. SPENDING GAINS FURTHER MOMENTUM IN AUG'18...**



**FIG 87 – ...LED BY CENTRAL GOVT. SPENDING**



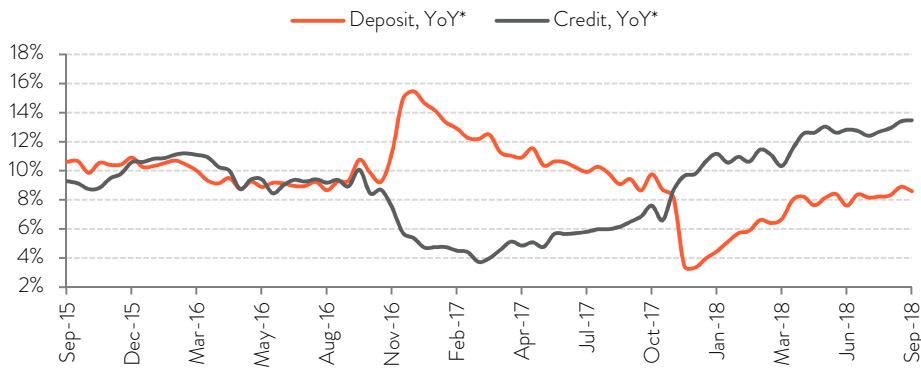
**FIG 88 – ...STATE\* GOVT. SPENDING ALSO SHOWING SIGNS OF IMPROVEMENT, BUT STILL LOWER THAN LAST YEAR**



## Financial sector

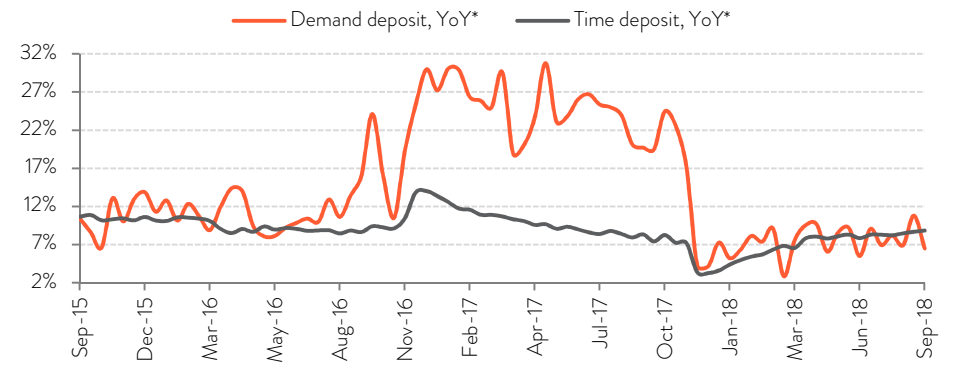
### Money and banking

**FIG 89 – CREDIT GROWTH PICKED UP TO 13.5%, DEPOSITS AT 8.6% IN SEP'18**



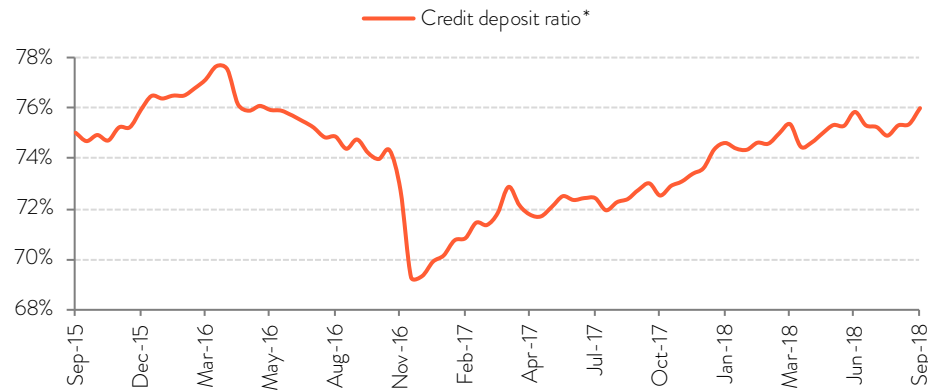
Note: \*Aug18 implies fortnight as of 14 Sep 2018.

**FIG 90 – DEMAND DEPOSITS SLIPPED, TIME DEPOSITS STABLE IN SEP'18**



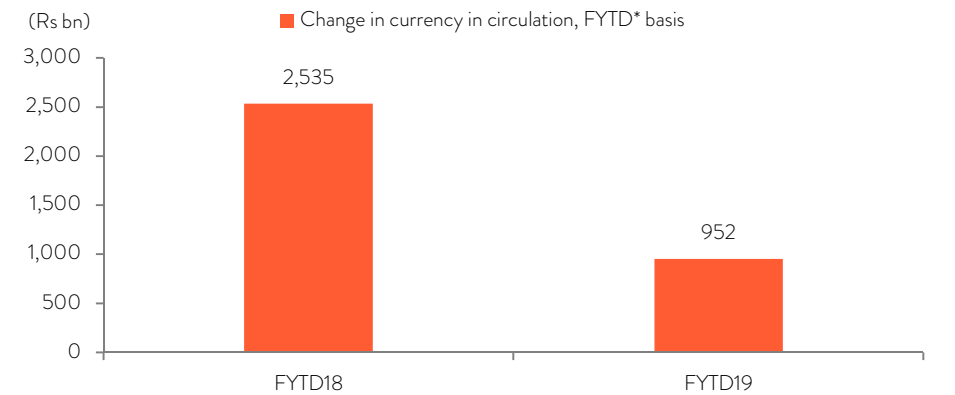
Note: \*Aug18 implies fortnight as of 14 Sep 2018.

**FIG 91 – CD RATIO WAS AT 76% IN SEP'18 VS 75% IN AUG'18**



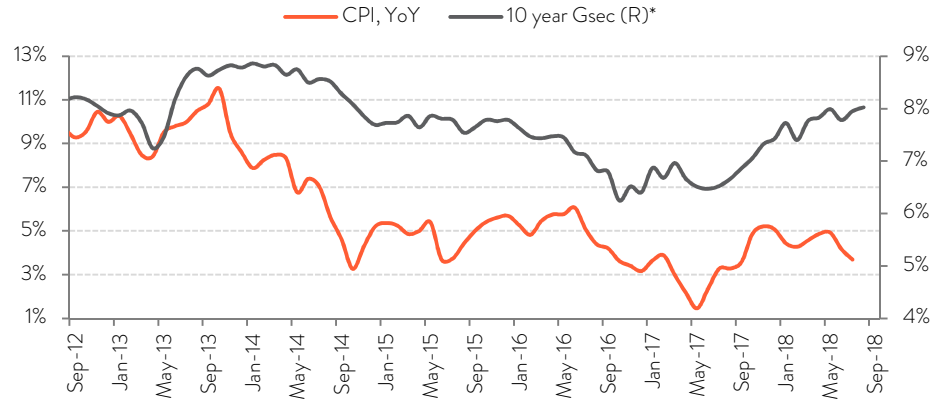
Note: \*Aug18 implies fortnight as of 17 Aug 2018.

**FIG 92 – CURRENCY IN CIRCULATION ROSE TO RS 19TN, UP BY RS 3TN YOY**



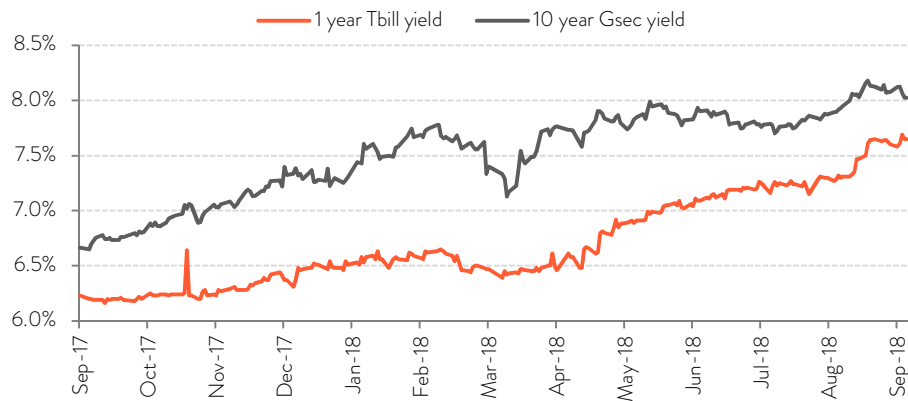
Note: \*FYTD implies Apr-Aug.

**FIG 93 – INFLATION INCHED DOWN LATELY, 10-YEAR GSEC YIELD FIRMED UP**



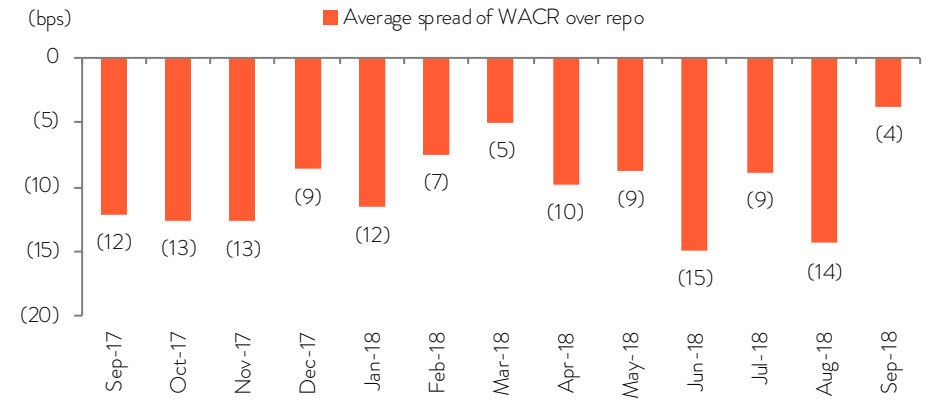
Note: \*As on last trading day of the month

**FIG 95 – RISING 1Y YIELD NARROWED THE LONG AND SHORT END GAP**



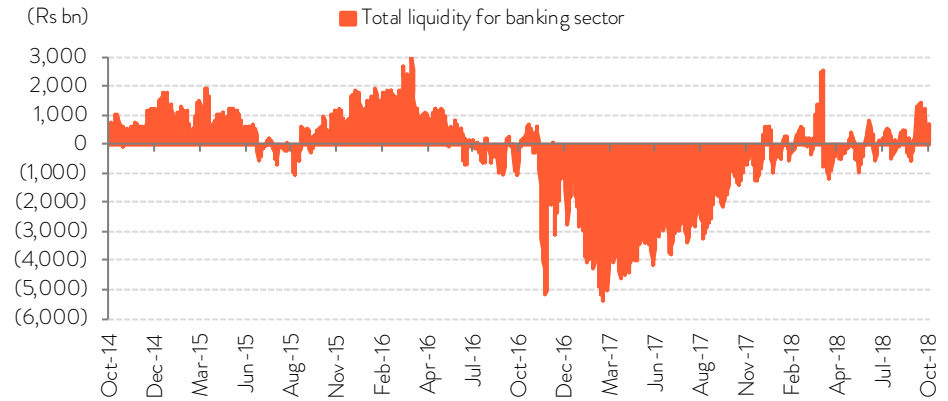
Source: RBI

**FIG 94 – SPREAD BETWEEN CALL AND REPO NARROWED TO 4BPS IN SEP'18 VERSUS 14BPS IN AUG'18**



Source: RBI

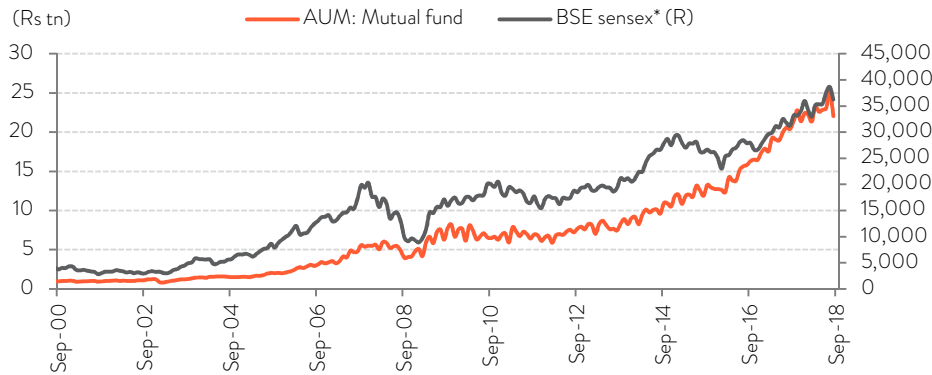
**FIG 96 – SYSTEM LIQUIDITY WAS IN DEFICIT OF ABOUT RS 293BN AS ON 9 OCT 2018 VERSUS RS 924BN AS ON 29 SEP 2018**



Source: RBI

### Mutual fund (MF) indicators

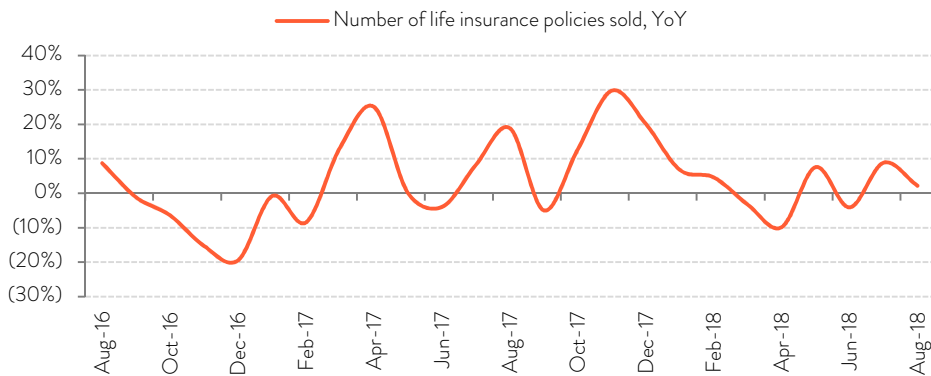
**FIG 97 – BOTH SENSEX AND AUM DECLINED IN SEP'18 TO 36,227 AND 22TN RESPECTIVELY**



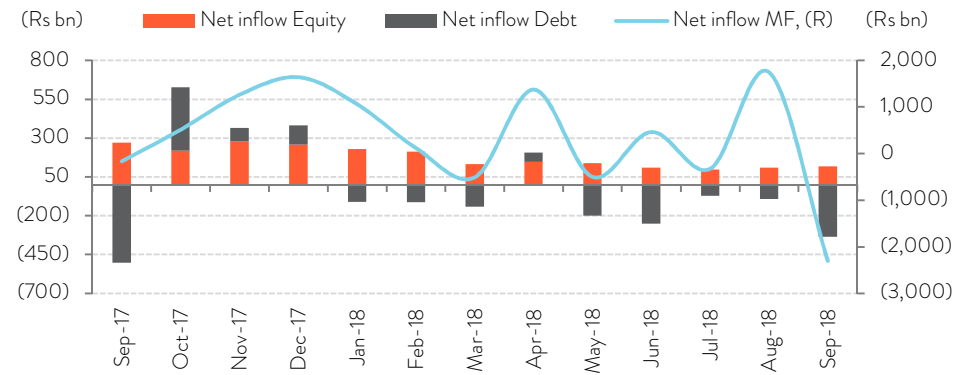
Source: \*Sensex as on last trading day of the month.

### Insurance sector indicators

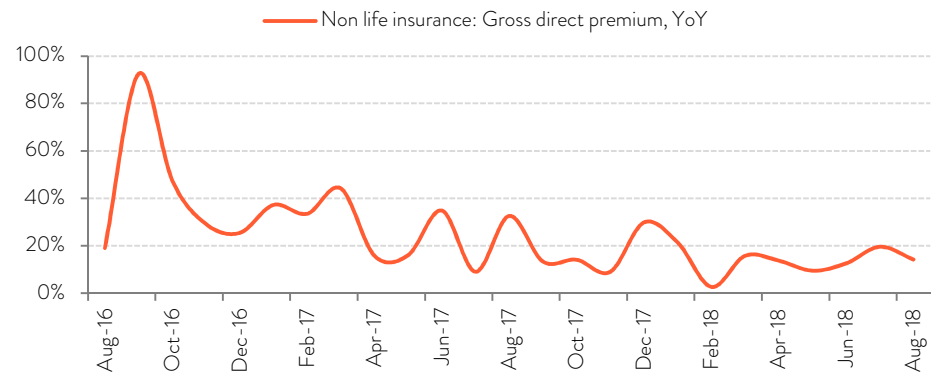
**FIG 99 – NUMBER OF LIFE INSURANCE POLICIES SOLD SOFTEN IN AUG'18 ON YOY BASIS**



**FIG 98 – MF EQUITY INFLOW WAS AT RS119BN IN SEP'18... HOWEVER SIGNIFICANT OUTFLOW RS 334BN OCCURRED IN THE DEBT SEGMENT**



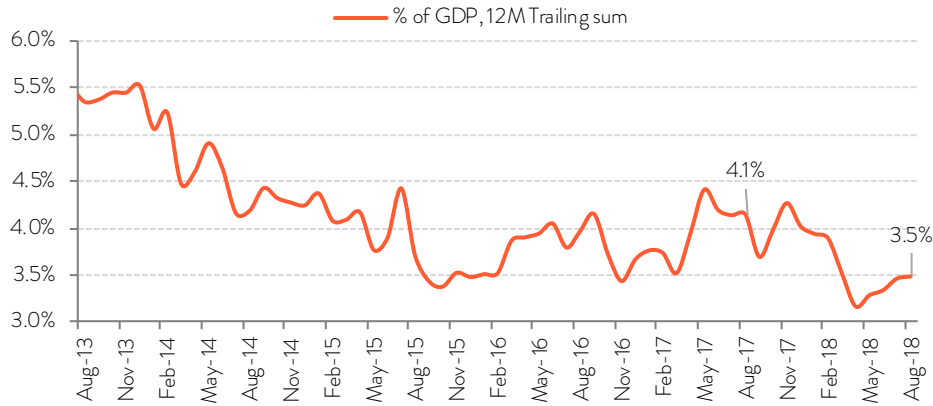
**FIG 100 – GROSS DIRECT PREMIUM FOR NON LIFE INSURANCE ALSO MODERATING**



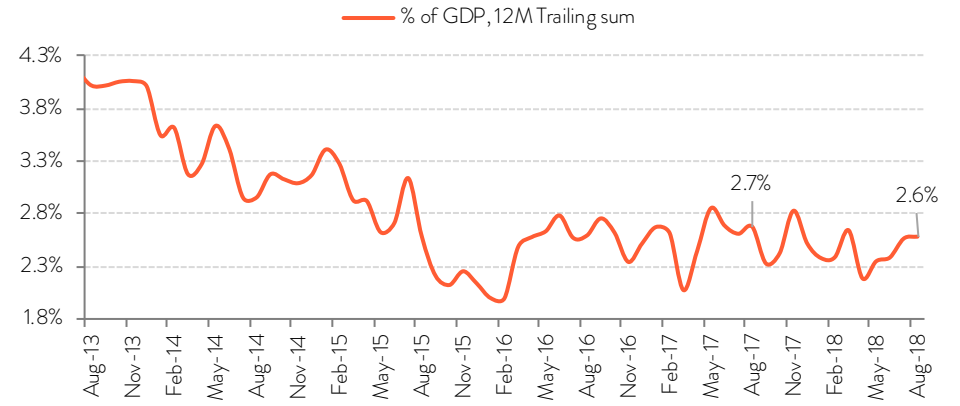
## Public finance

### Central government finances

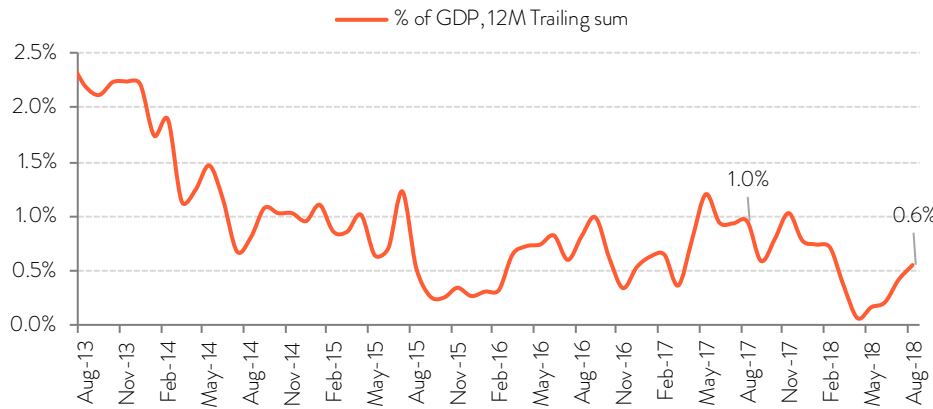
**FIG 101 – OVERALL FISCAL DEFICIT NARROWS IN AUG'18 VS A YEAR AGO**



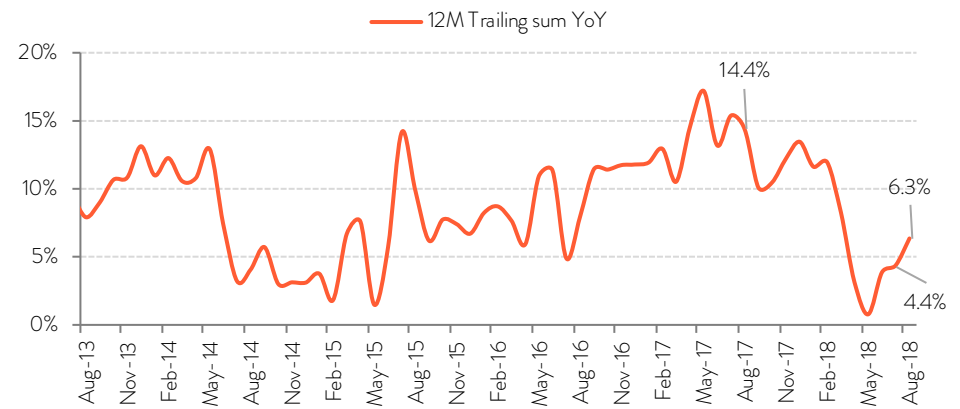
**FIG 102 – REVENUE DEFICIT STABILIZES**



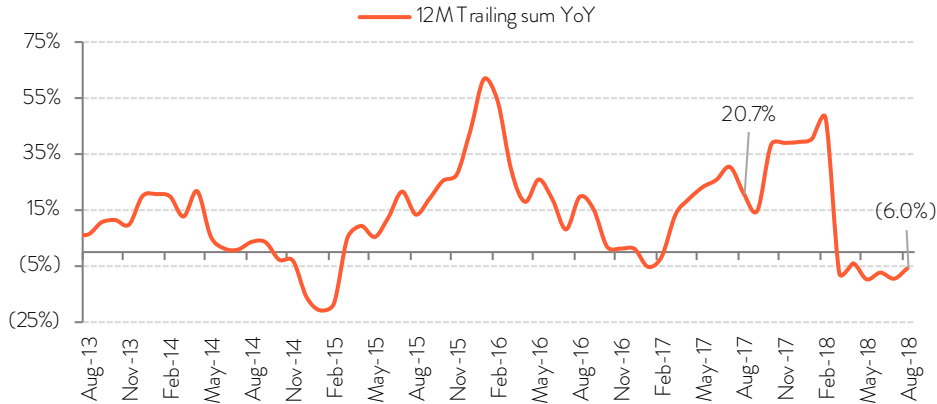
**FIG 103 – PRIMARY DEFICIT ALSO UNDER CONTROL**



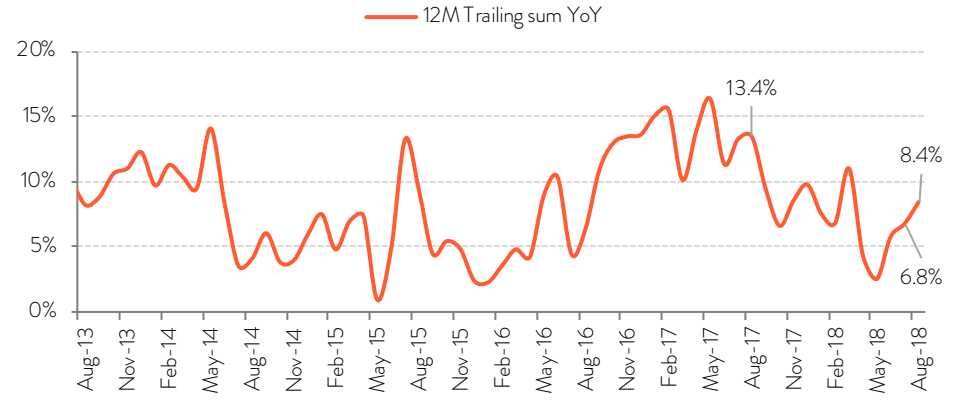
**FIG 104 – TOTAL EXPENDITURE GROWTH REBOUNDS IN AUG'18**



**FIG 105 – ...WHILE CAPEX GROWTH CONTINUES TO DEGROW**



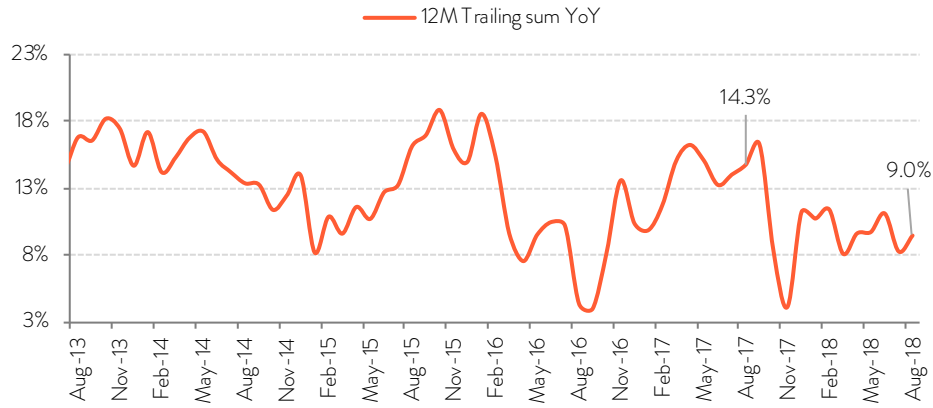
**FIG 106 – REVENUE EXPENDITURE GROWTH INCHES UP IN AUG'18**



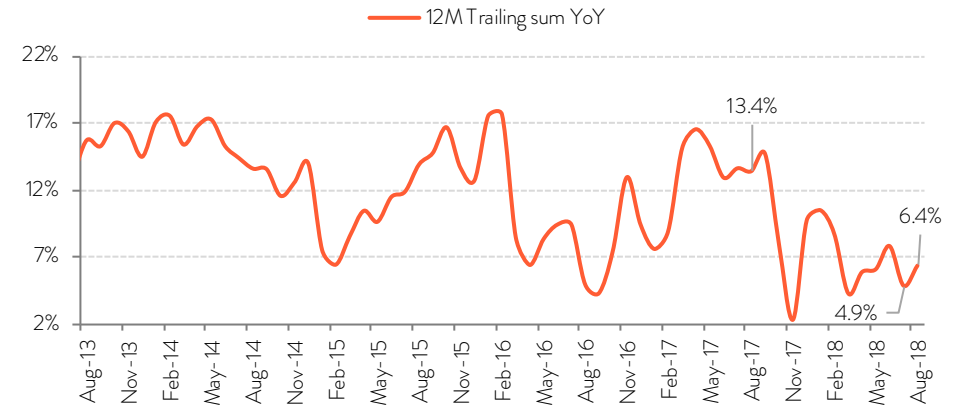
**FIG 107 – ROAD TRANSPORT & HIGHWAYS, AND AGRICULTURE MINISTRY DRIVE SPENDING IN AUG'18 (FYTD BASIS)**

Ministry	Apr'16-Aug'16 (Rs bn)	Apr'17-Aug'17 (Rs bn)	% change	Apr'18-Aug'18 (Rs bn)	% change
Ministry of Finance	2,535	2,696	6.3	3,144	16.6
Ministry of Defence	1,223	1,830	49.6	1,917	4.8
Ministry of Consumer Affairs, Food and Public Distribution	769	1,196	55.5	1,222	2.2
Ministry of Rural Development	446	548	22.8	638	16.5
Ministry of Home Affairs	351	432	23.2	521	20.6
Ministry of Human Resource Development	370	372	0.7	265	-28.8
Ministry of Road Transport and Highways	283	287	1.4	356	23.8
Ministry of Chemicals and Fertilisers	423	345	(18.5)	308	-10.7
Ministry of Petroleum and Natural Gas	80	189	136.5	216	14.8
Ministry of Agriculture	170	197	15.8	276	39.8
Ministry of Health and Family Welfare	170	203	19.3	240	18.3

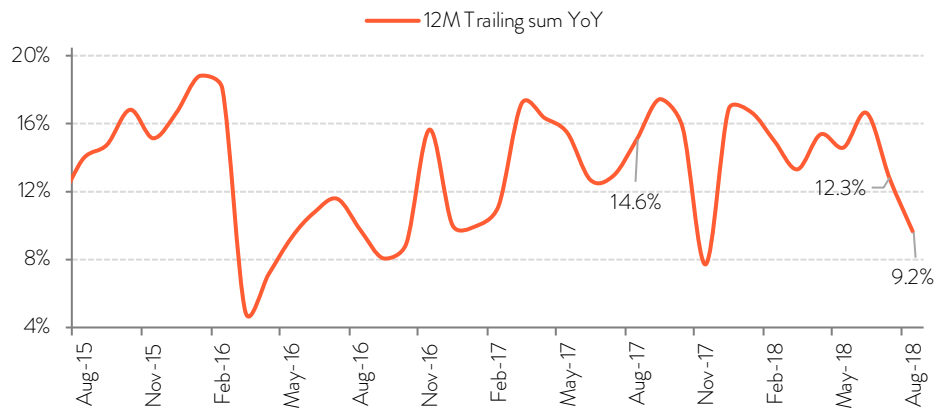
**FIG 108 – TOTAL RECEIPTS INCH UP IN AUG'18**



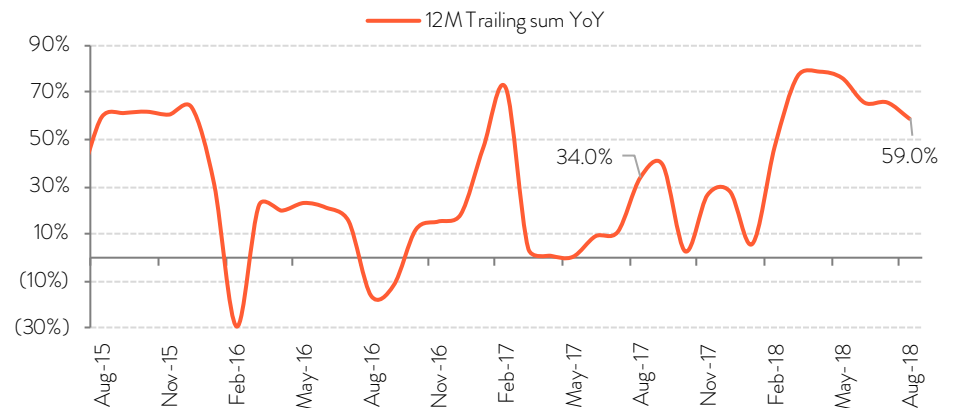
**FIG 109 – ...SUPPORTED BY REVENUE RECEIPTS**



**FIG 110 – ...ALTHOUGH TAX REVENUE GROWTH IN AUG18 FAR LOWER THAN LAST YEAR**



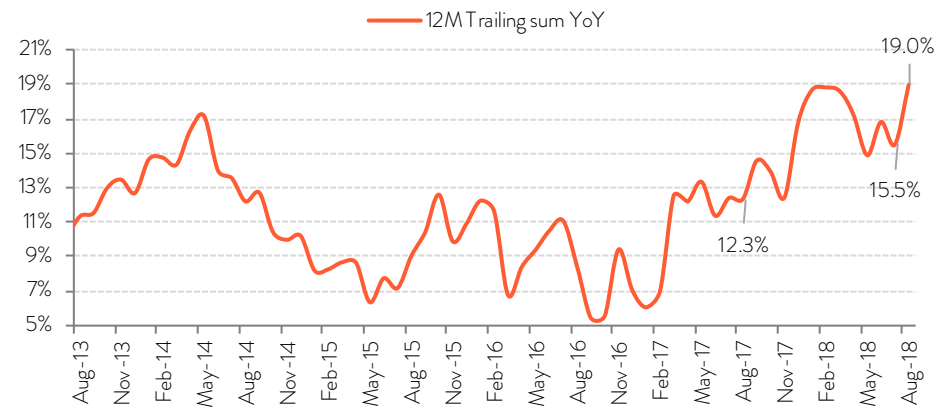
**FIG 111 – ...CAPITAL RECEIPTS COMPENSATE WITH MUCH HIGHER GROWTH**



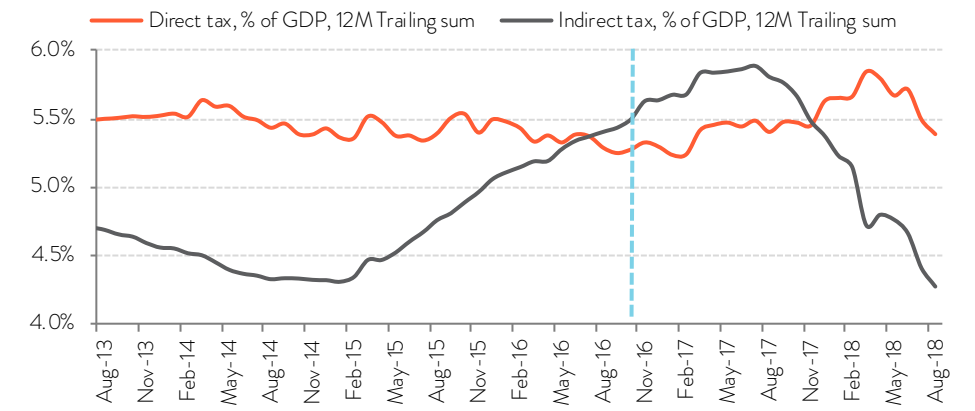
**FIG 112 – CENTRE’S EXPENDITURE AND TAX REVENUE TAKES A STRONG HIT IN AUG’18 VS AUG’17 (FYTD BASIS)**

	Apr’16-Aug’16 (Rs bn)	Apr’17-Aug’17 (Rs bn)	% change	Apr’18-Aug’18 (Rs bn)	% change
Tax revenue	4,864	5,836	20.0	6,341	8.7
Direct taxes	1,904	2,175	14.2	2,525	16.1
Corp Tax	805	929	15.5	1,063	14.3
Income Tax	1,099	1,245	13.3	1,462	17.5
Indirect taxes	2,960	3,229	9.1	3,363	4.1
Non-tax revenue	1,051	693	(34.1)	983	42.0
Centre’s revenue	5,914	6,529	10.4	7,325	12.2
Total expenditure	8,017	9,504	18.6	10,709	12.7
Capital exp	913	1,096	20.1	1,322	20.6
Revenue exp	7,103	8,408	18.4	9,386	11.6
Fiscal deficit	4,078	5,250	28.7	5,913	12.6

**FIG 113 – GROSS DIRECT TAX COLLECTION IN AUG’18 MUCH HIGHER THAN LAST YEAR**

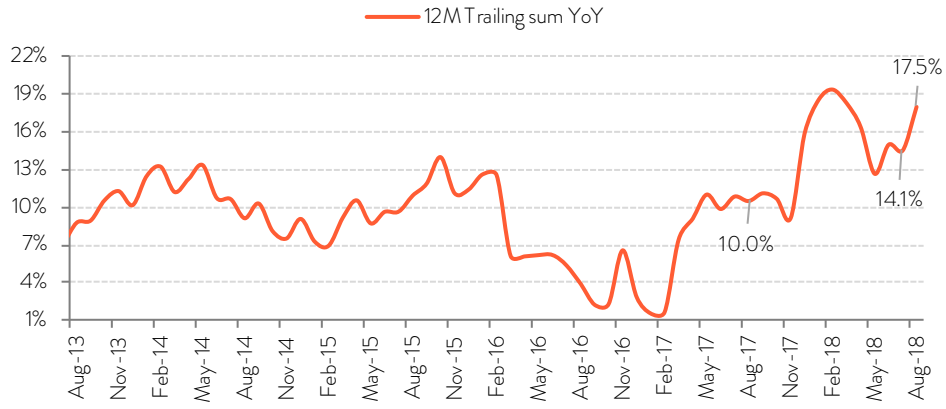


**FIG 114 – SHARE IN GDP OF BOTH INDIRECT & DIRECT TAX CONTINUES TO DECLINE**

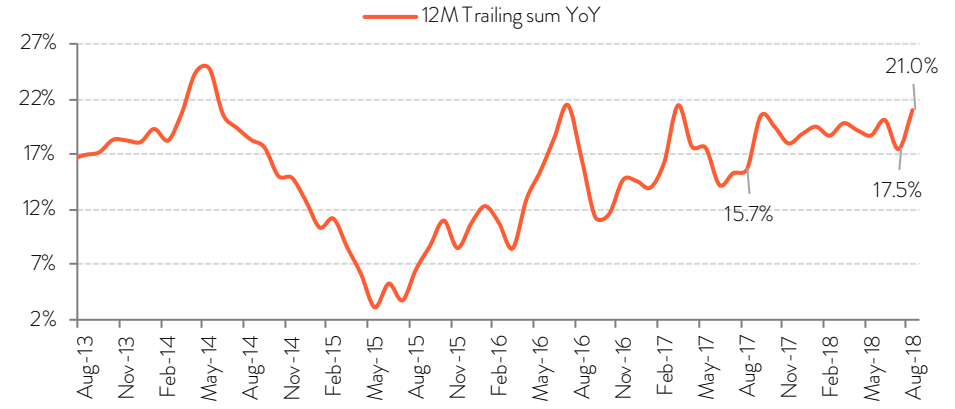




**FIG 115 – CORPORATE TAX REVENUE IN AUG'18 GROWING AT A HEALTHY RATE**



**FIG 116 – TREND IN GROWTH OF INCOME TAX REVENUE ALSO HIGHER**

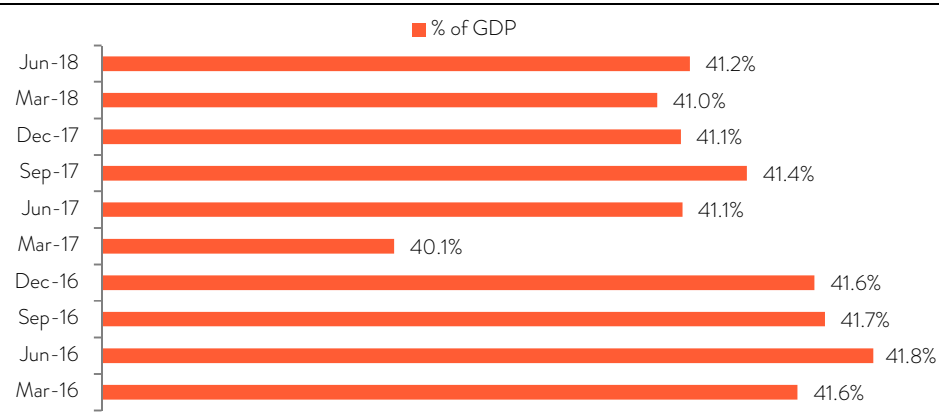


**FIG 117 – GST COLLECTIONS AVERAGE AT RS 949BN TILL AUG'18 VS RS 912 IN FY18**

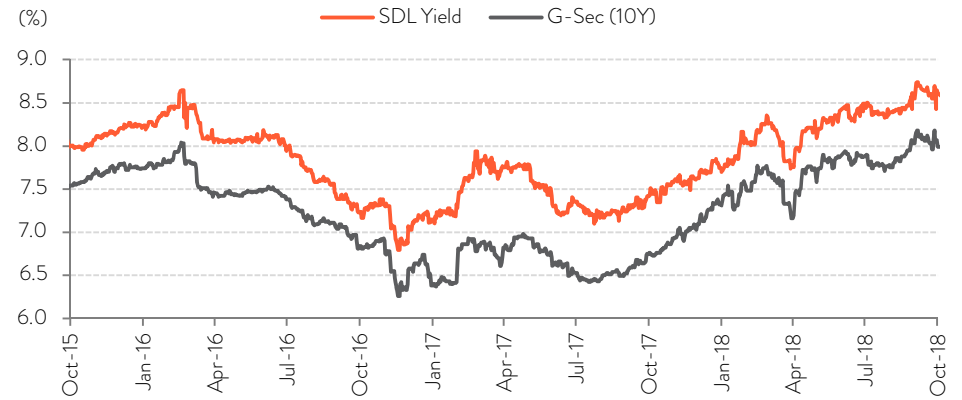
	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Monthly run rate	FY19 (BE)
Central GST (Rs bn)	153	151	312	238	242	231	431	274	321	281	309	579	360	370	6,039
UT GST (Rs bn)	0.0	0.0	0.2	0.8	2.2	1.9	0.9	9.7	0.9	0.5	0.6	1.6	3.3	1	-
Integrated GST (Rs bn)	709	304	184	186	171	194	(197)	137	200	169	102	(399)	52	25	500
State GST* (Rs bn)	-9	416	283	341	395	373	576	539	333	433	473	678	455	474	-
GST Cess (Rs bn)	77	80	80	71	79	80	82	76	85	72	80	80	74	78	900
Total GST	930	951	859	837	889	880	893	1,035	940	956	965	940	944	949	-
GST 3B Filing by deadline (mn)	2.7	3.9	4.4	4.9	5.4	5.4	5.5	6.0	6.2	6.5	6.6	6.7	6.7	-	-
No. of Eligible Monthly Taxpayers (mn)	7.4	7.8	7.7	8.0	8.1	8.3	8.5	8.7	-	-	-	-	-	-	-
Compliance (%)	37%	50%	57%	62%	67%	65%	64%	69%	-	-	-	-	-	-	-

Source: PIB | \*Computed from PIB and CGA data.

**FIG 118 – CENTRAL GOVT. PUBLIC DEBT UP IN Q1FY19**

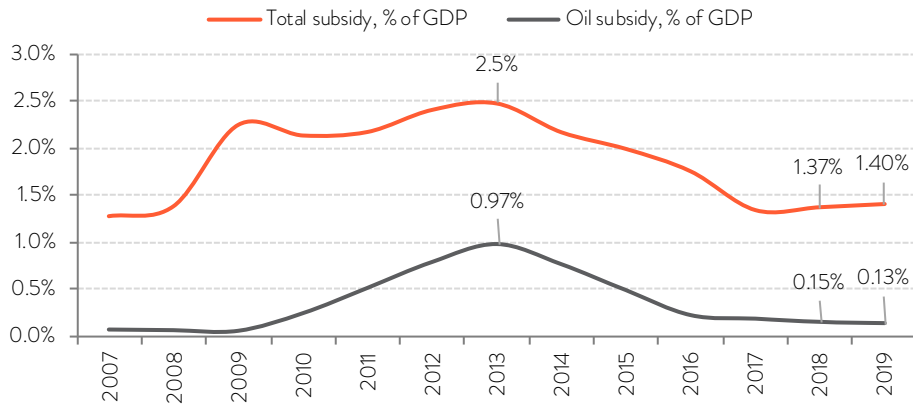


**FIG 119 – GAP BETWEEN AVG. YIELD ON SDL & 10Y G-SEC WIDENS IN SEP-OCT'18**

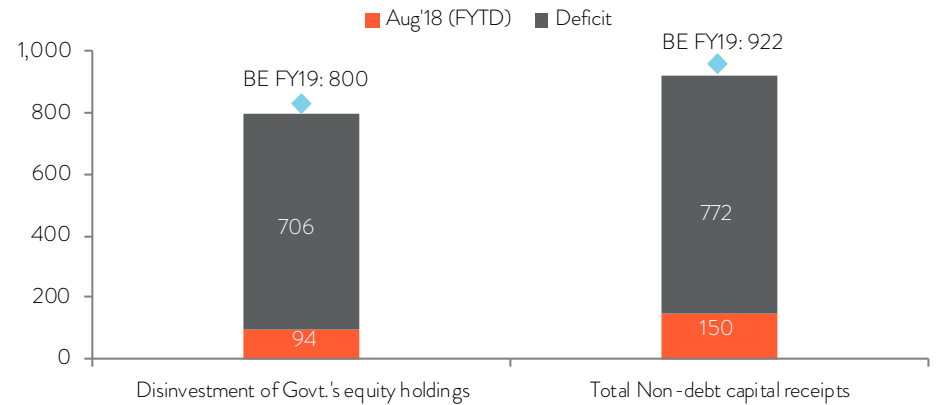


Source: CCIL

**FIG 120 – SUBSIDIES HAVE BEEN RATIONALISED**

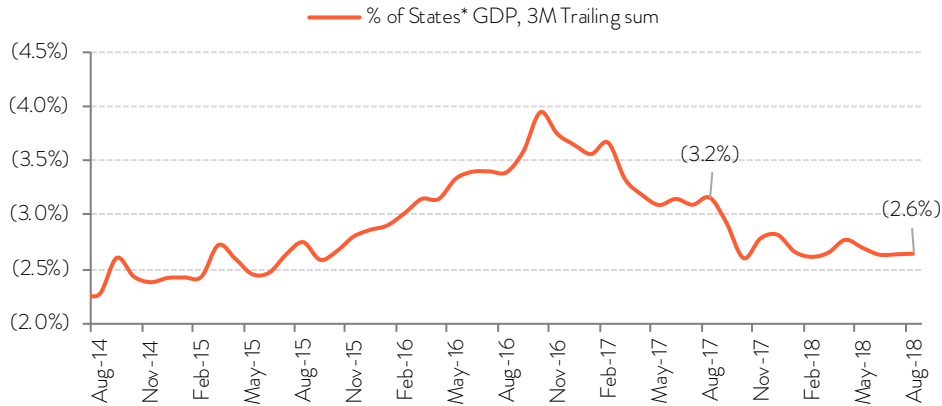


**FIG 121 – CENTRAL GOVT.'S DISINVESTMENT STATUS**



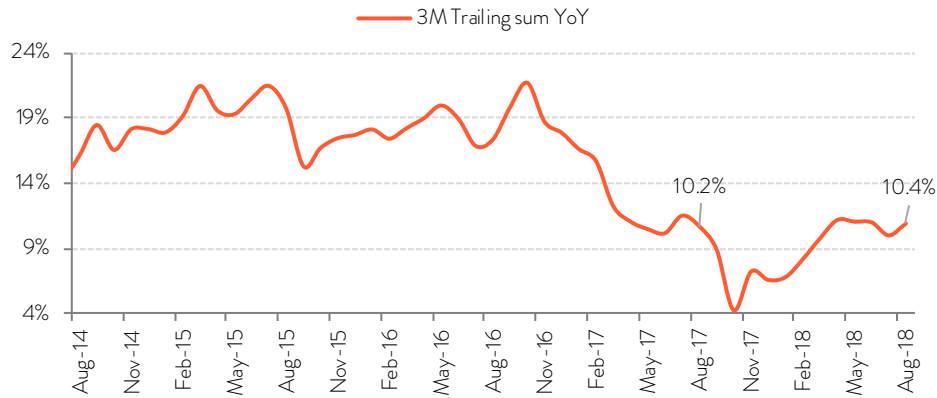
State government finances

**FIG 122 – FISCAL DEFICIT OF STATES\* ON THE PATH OF CONSOLIDATION**



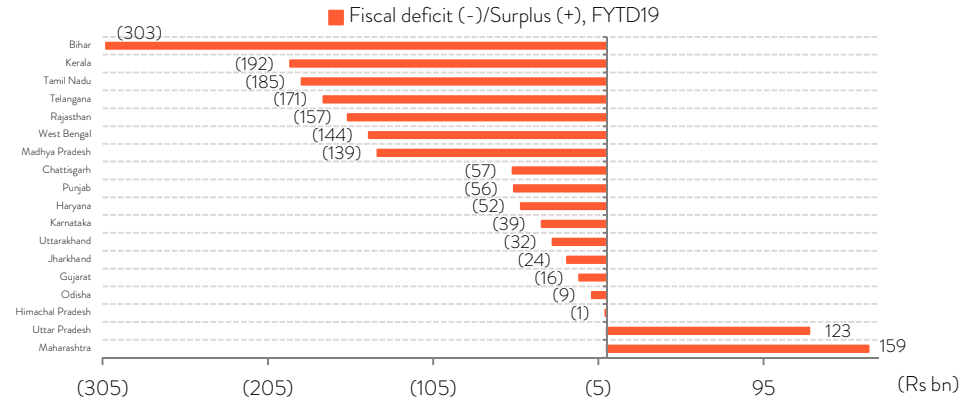
Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

**FIG 124 – TOTAL EXPENDITURE OF STATES\* SHOWS AN UPTICK IN AUG'18**



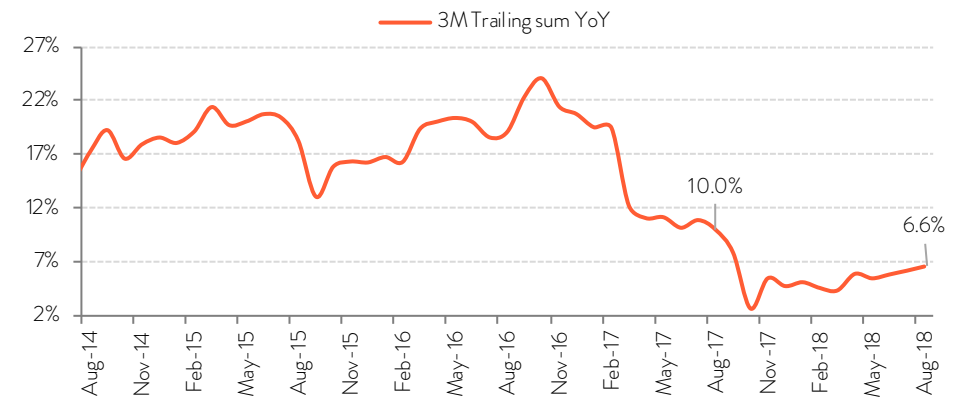
Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

**FIG 123 – BIHAR MOST DEFICIT STATE TILL AUG'18**



Note: FYTD- Apr'18-Aug'18

**FIG 125 – TOTAL RECEIPTS OF STATES\* ALSO RISING, ALBEIT SLOWER THAN LAST YEAR**



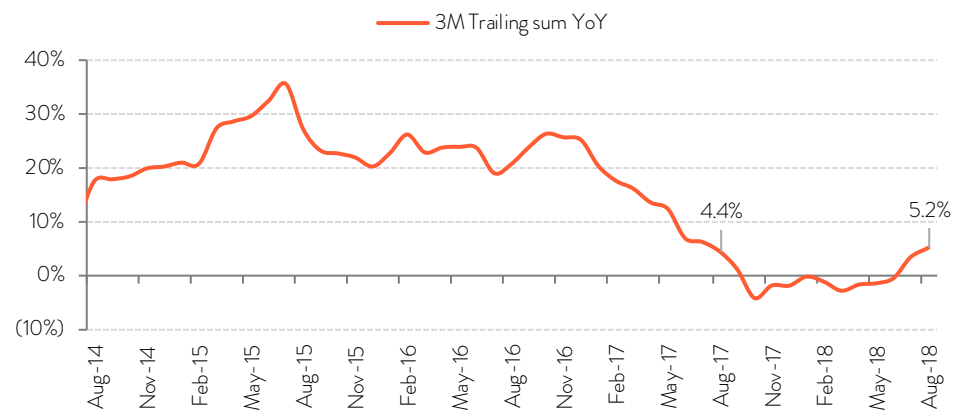
Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

**FIG 126 – STATE\* GOVT. EXPENDITURE AND REVENUES IMPROVES (FYTD BASIS)**

	Apr'16-Aug'16 (Rs bn)	Apr'17-Aug'17 (Rs bn)	% change	Apr'18-Aug'18 (Rs bn)	% change
Total Receipts	7,293	7,920	8.6	9,078	14.6
Revenue Receipts	6,200	6,907	11.4	7,773	12.5
Receipts: Tax Revenue	4,882	5,499	12.6	6,108	11.1
Receipts: Non-Tax Revenue	384	435	13.2	554	27.4
Capital Receipts	1,139	1,013	(11.1)	1,305	28.8
Total Expenditure	7,217	7,967	10.4	9,038	13.4
Revenue Expenditure	6,179	7,073	14.5	8,015	13.3
Capital Expenditure	1,038	894	(13.9)	1,023	14.4
Revenue Surplus or Deficit	22	(166)	(868.9)	(242)	46.1
Fiscal Surplus or Deficit	(1,130)	(1112)	(1.6)	(1,295)	16.5

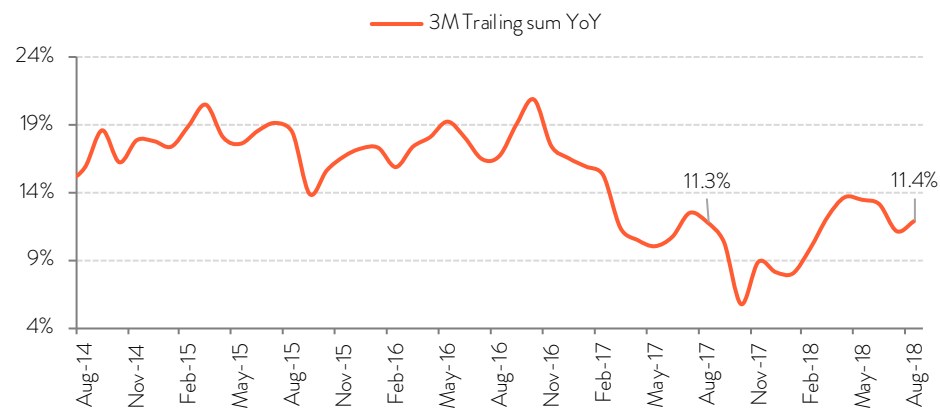
Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

**FIG 127 – CAPITAL EXPENDITURE OF STATE\* GOVERNMENT ON THE PATH OF RECOVERY**



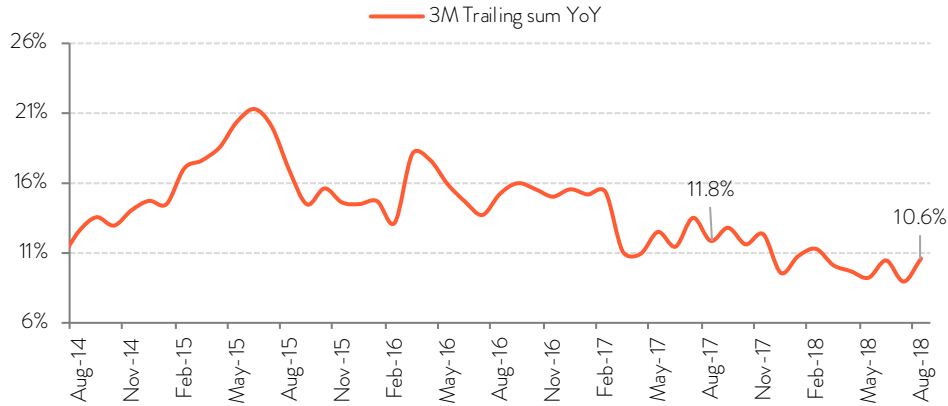
Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

**FIG 128 – REVENUE EXPENDITURE BY STATES\* TOO SEES AN INCREASE**



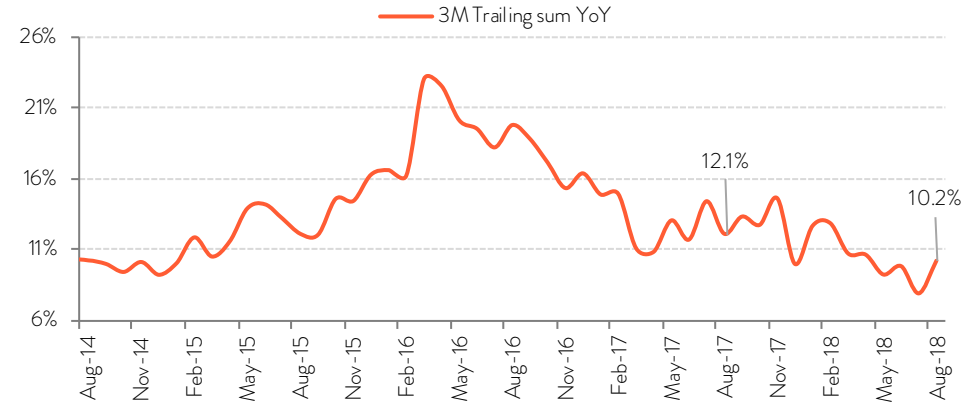
Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

**FIG 129 – REVENUE RECEIPTS OF STATES\* LOWER THAN LAST YEAR**



Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

**FIG 130 – ...TAX REVENUE OF STATES\* DRAGS IT DOWN**



Note: \*All states excluding N.E states, Andhra Pradesh, Goa, and J&K

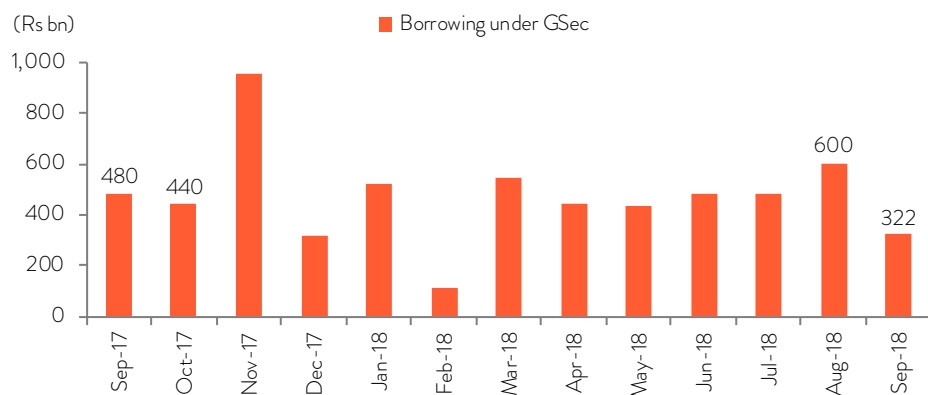
**FIG 131 – PATTERN OF STATE SPENDING**

State	Pay commission implemented	Loan waiver announced	Capex Declining (Aug'18, 12M Trailing sum, %YoY)
Andhra Pradesh*	✓	✓	✓
Bihar	✓	✗	✓
Chhattisgarh	✓	✗	✗
Gujarat	✓	✗	✗
Haryana	✓	✗	✗
Karnataka	✗	✓	✗
Madhya Pradesh	✓	✓	✗
Maharashtra	✗	✓	✓
Odisha	✓	✗	✗
Punjab	✗	✓	✓
Uttar Pradesh	✓	✓	✓
Rajasthan	✓	✓	✗
Telangana	✓	✓	✓
Uttarakhand	✓	✗	✗

Source: News Reports, CEIC, Bank of Baroda | Note: ✓ means yes; ✗ means no | \*Capex as of Apr'18

## Central government borrowing

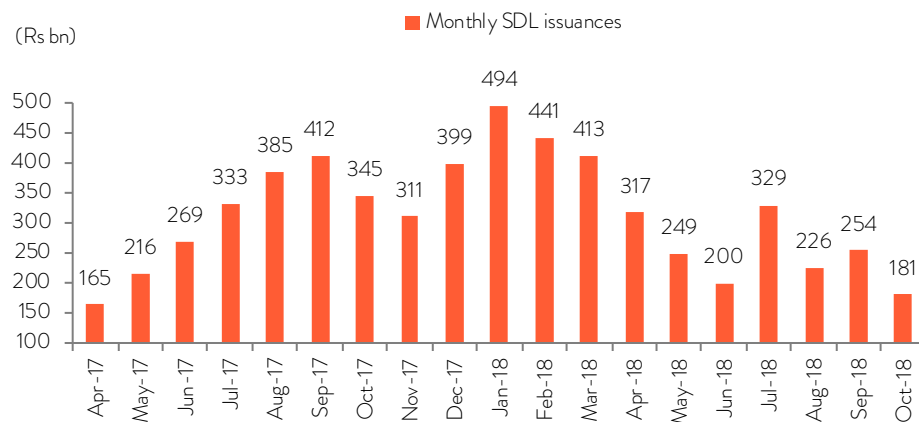
**FIG 132 – CENTRE’S GROSS BORROWING WAS AT RS 322BN IN SEP’18**



Source: RBI

## State government borrowing

**FIG 134 – STATE BORROWING LIKELY TO PICK UP IN H2FY19**



Source: RBI

**FIG 133 – ACTUAL Q1 & Q2FY19 BORROWING LOWEST IN 5 YEARS**

Total accepted amount (G-Sec), (Rs bn)	FY15	FY16	FY17	FY18	FY19 (Actual)	FY19 (planned)
Q1	1,962	1,751	1,650	1,798	1,360	1,440
Q2	1,506	1,710	1,620	1,740	1,402	1,440
Q3	1,450	1,453	1,448	1,710	-	1,390
Q4	950	826	537	1,178	-	1,080
<b>Total</b>	<b>5,867</b>	<b>5,740</b>	<b>5,255</b>	<b>6,426</b>	<b>-</b>	<b>5,350</b>

Source: RBI

**FIG 135 – STATES BORROWED RS 1.8TN IN FYTD\*19 VS PLANNED RS 3.9TN**

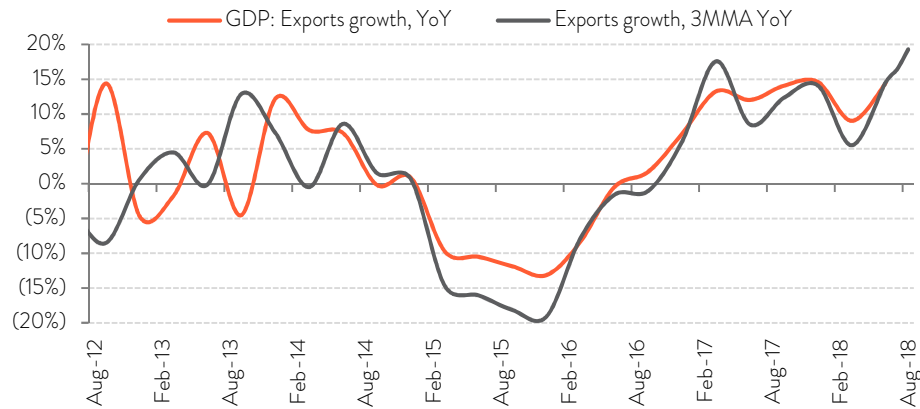
Quarterly SDL issuances, (Rs bn)	FY15	FY16	FY17	FY18	FY19 (Actual)	FY19 (planned)
Q1	439	502	548	650	766	1,219
Q2	469	627	792	1,130	809	1,374
Q3	692	858	1,214	1,054	181*	1,258
Q4	809	959	1,322	1,348	-	-
<b>Total</b>	<b>2,408</b>	<b>2,946</b>	<b>3,876</b>	<b>4,182</b>	<b>-</b>	<b>-</b>

Source: RBI | \*till 9 Oct 2018

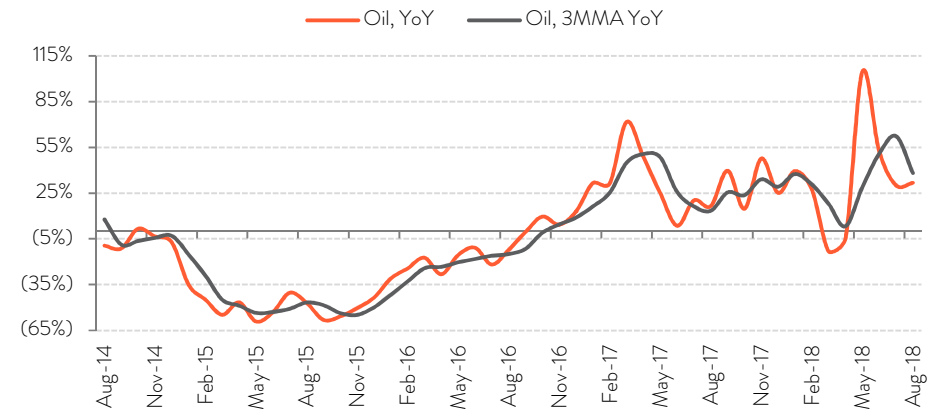
## External sector

### Exports

**FIG 136 – EXPORT GROWTH IMPROVES IN AUG'18**

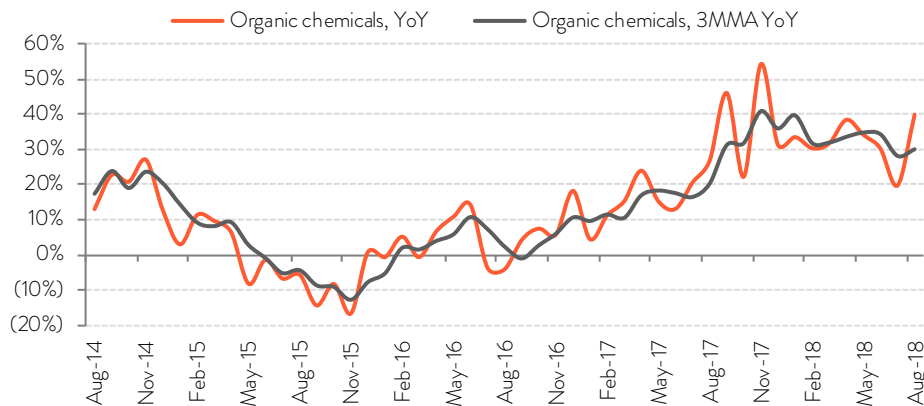


**FIG 137 – OIL EXPORTS REMAIN BUOYANT (31.8% IN AUG'18 VS. 30% IN JUL'18)**

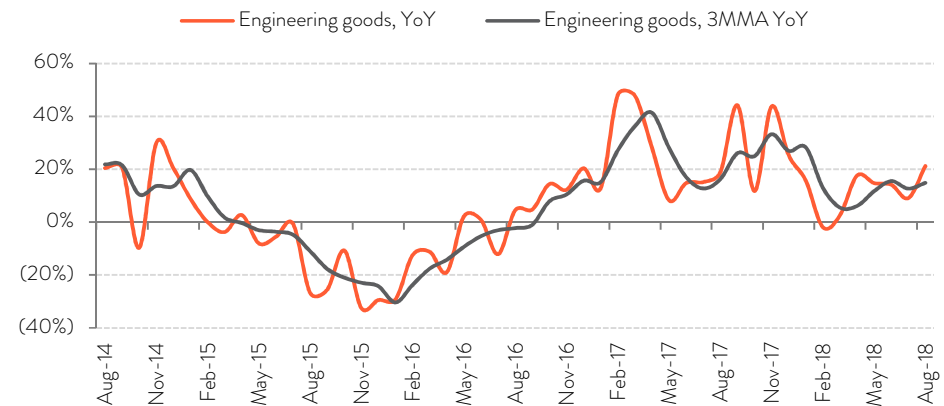


### Exports by major sectors

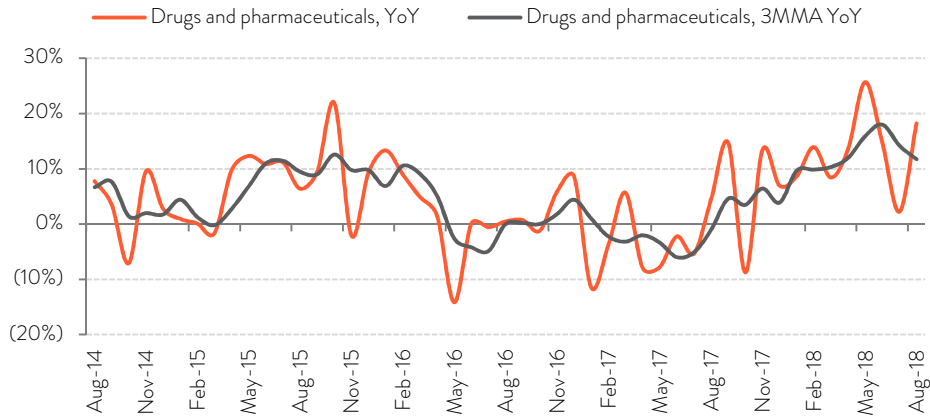
**FIG 138 – EXPORTS OF ORGANIC CHEMICALS RISE 40% IN AUG'18**



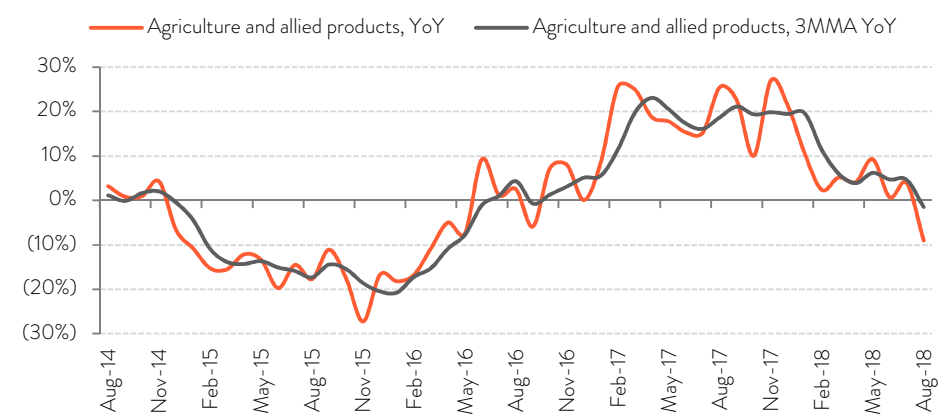
**FIG 139 – ENGINEERING EXPORTS ALSO IMPROVE**



**FIG 140 – EXPORTS OF DRUGS AND PHARMACEUTICALS PICKS UP**

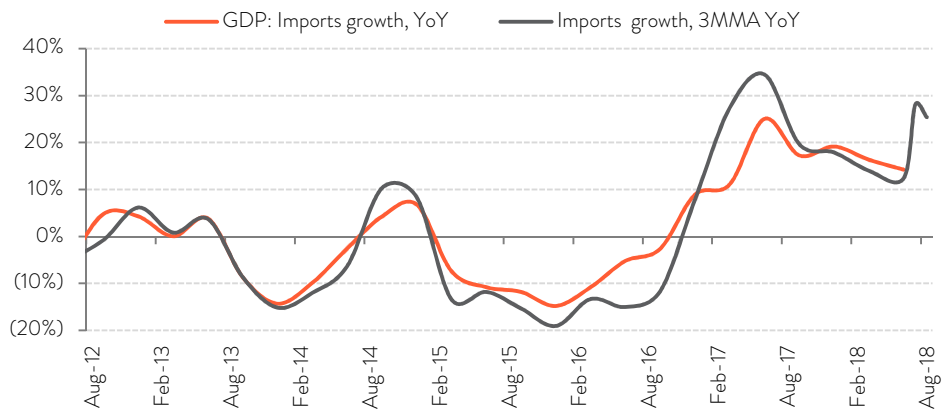


**FIG 141 – NO IMPROVEMENT SEEN IN AGRICULTURAL EXPORTS**

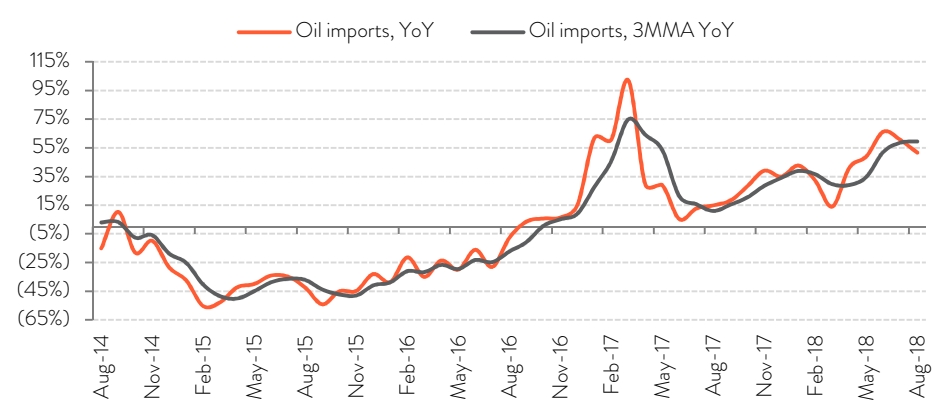


**Imports**

**FIG 142 – IMPORT GROWTH REMAINS RESILIENT**

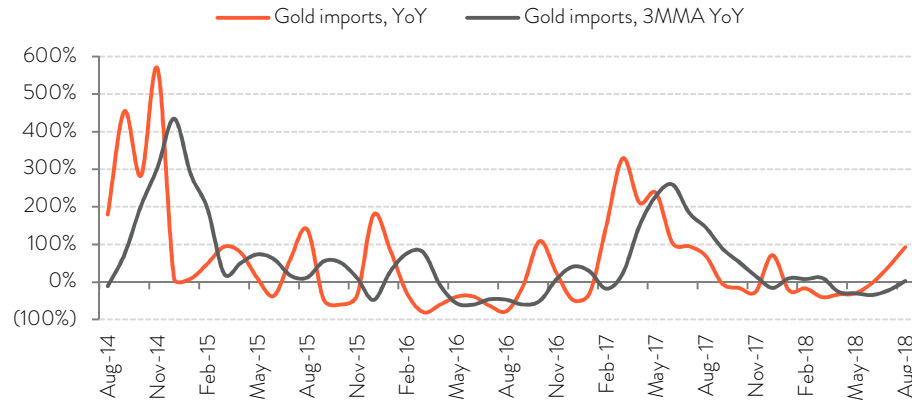


**FIG 143 – LED BY HIGHER OIL IMPORTS (UP BY 51.6% IN AUG'18)**

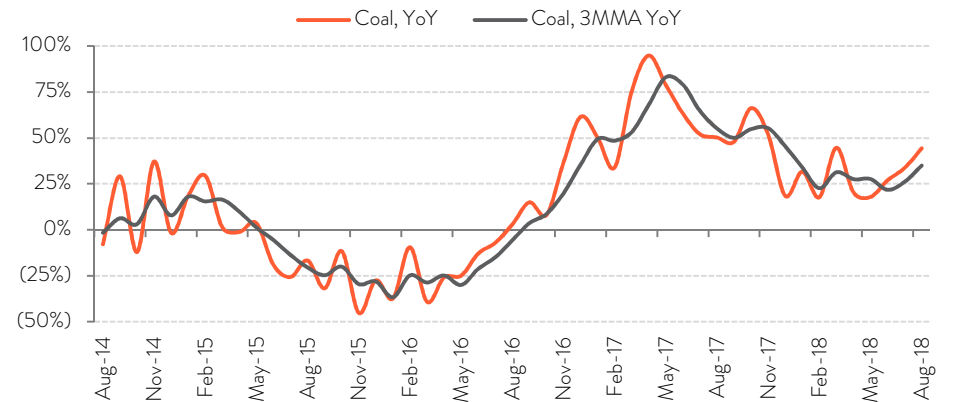




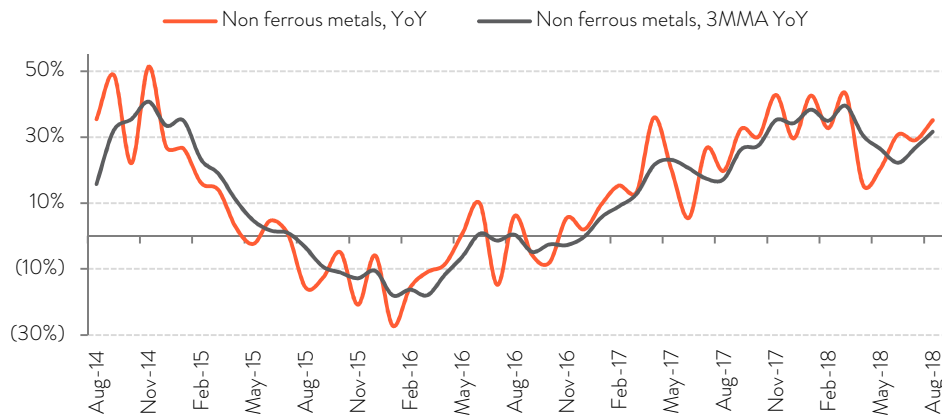
**FIG 144 – GOLD IMPORTS ALSO HIGHER BY 93% IN AUG'18 VS 41% IN JUL'18**



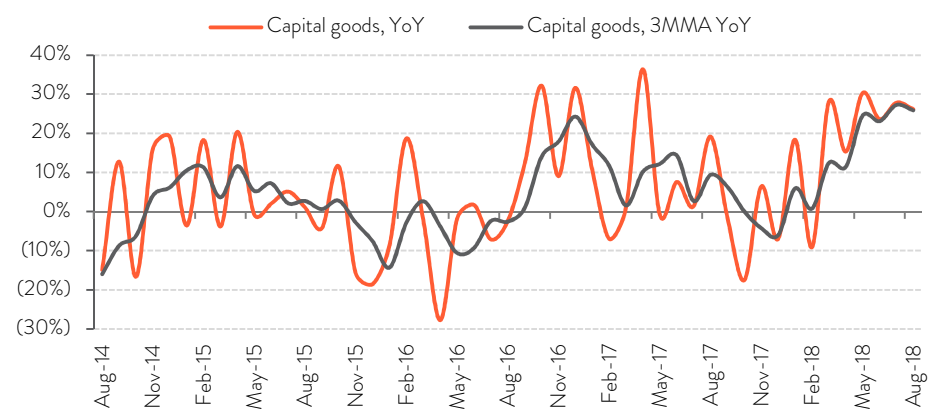
**FIG 145 – COAL IMPORTS ALSO EXHIBITING AN UPWARD TREND**



**FIG 146 – SIMILAR TREND VISIBLE IN IMPORTS OF NON-FERROUS METALS**



**FIG 147 – IMPORTS OF CAPITAL GOODS BUOYANT (24% IN FYTD19)**



## Exports and imports by major regions

**FIG 148 – EXPORTS TO EUROPE AND AMERICAS RISE IN AUG'18**

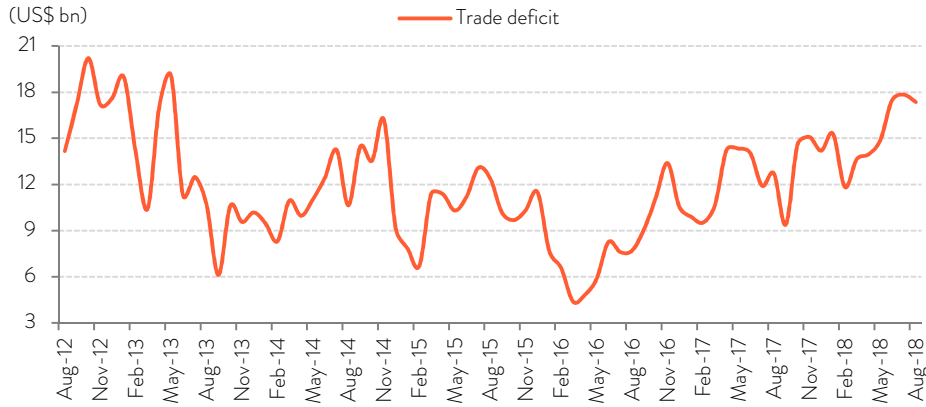
Region (% YoY)	Share (in %) FY18	Jun'18	Jul'18	Aug'18	FYTD18	FYTD19
Americas	20.9	11.8	12.5	24.6	11.9	15.3
Asia and Pacific (Ex. China)	29.2	23.3	7.7	18.5	13.8	13.0
China	4.4	83.2	38.8	32.7	32.9	50.6
Europe	20.0	19.6	13.7	22.3	5.3	18.9
Middle East	24.4	10.2	28.0	12.8	(0.3)	13.2
Other	1.0	69.1	13.5	17.5	(44.2)	27.9

**FIG 149 – IMPORTS FROM CHINA, EUROPE AND MIDDLE EAST DECLINE, IMPORTS FROM AMERICAS HIGHER IN AUG'18**

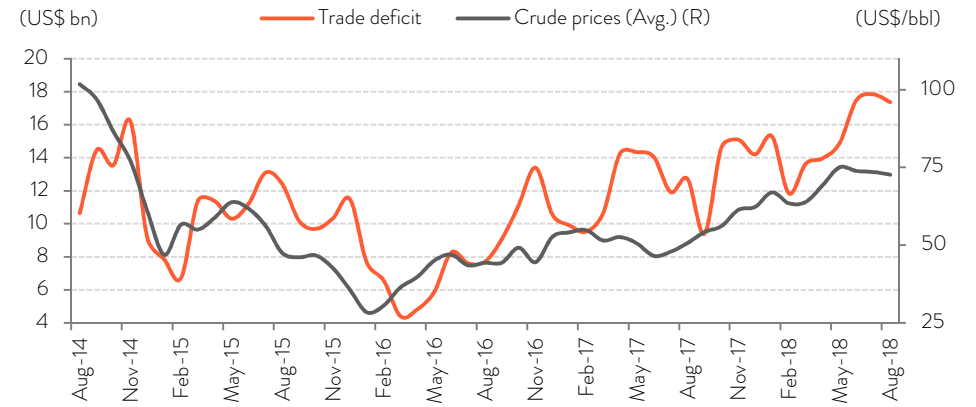
Region (% YoY)	% Share FY18	Jun'18	Jul'18	Aug'18	FYTD18	FYTD19
Americas	11.9	27.5	26.0	55.7	36.2	25.5
Asia and Pacific (Ex. China)	23.1	29.9	30.7	25.5	31.3	22.3
China	16.4	2.2	1.2	(0.7)	27.7	(2.2)
Europe	14.9	15.5	45.9	39.4	26.7	19.5
Middle East	28.8	43.1	52.1	33.5	22.1	35.0
Other	4.9	(62.4)	(57.3)	(56.0)	46.2	(54.2)

**Trade deficit**

**FIG 150 – TRADE DEFICIT STABILISES (US\$ 17.4BN IN AUG'18)**

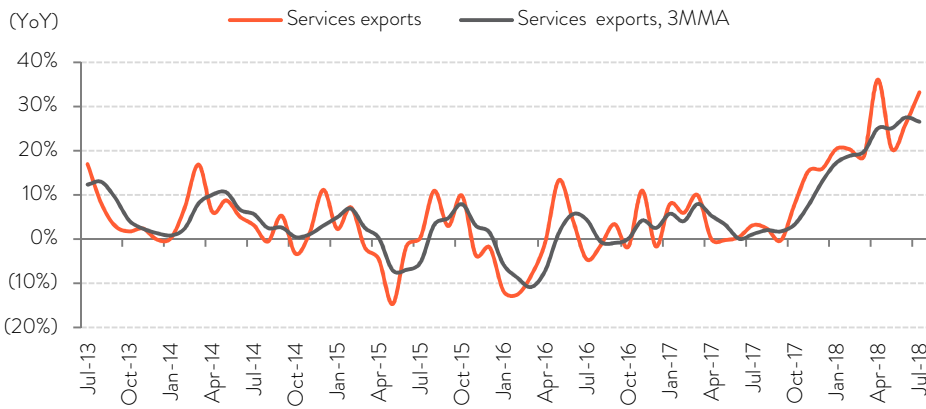


**FIG 151 – HIGHER OIL PRICES DRIVING UP TRADE DEFICIT**



**Trade in services**

**FIG 152 – SERVICES EXPORT CONTINUE TO PERFORM WELL**



**BoP**

**FIG 153 – CAD AS A % OF GDP RISES TO 2.4% IN Q1FY19 FROM 1.9% IN Q4FY18**

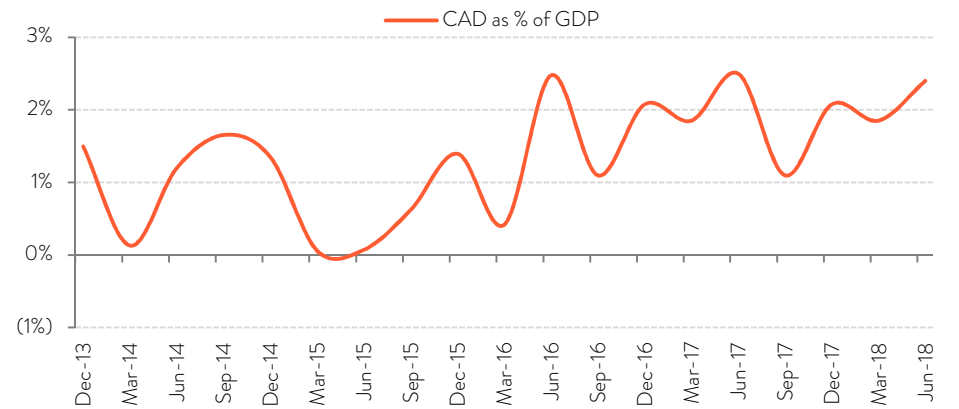


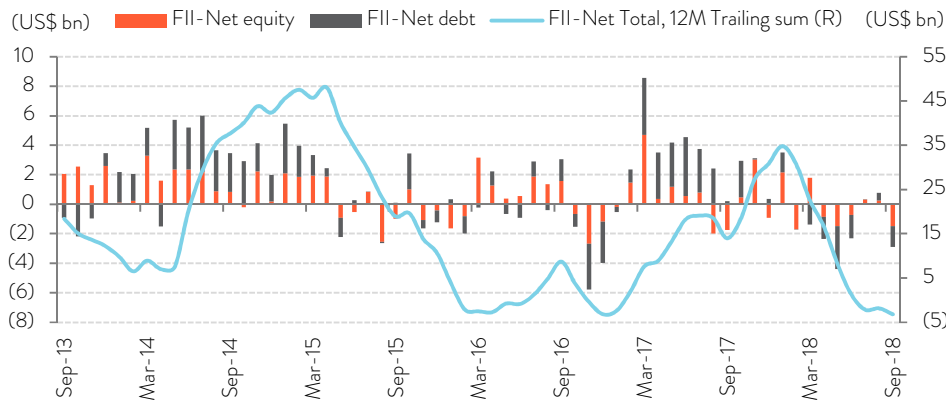
FIG 154 – ...ON THE BACK OF HIGHER MERCHANDISE TRADE DEFICIT

(US\$ bn)	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19
<b>Current account</b>	<b>(15.0)</b>	<b>(6.9)</b>	<b>(13.7)</b>	<b>(13.0)</b>	<b>(15.8)</b>
<b>CAD/GDP (%)</b>	<b>(2.5)</b>	<b>(1.1)</b>	<b>(2.1)</b>	<b>(1.9)</b>	<b>(2.4)</b>
- Trade balance	(24.0)	(14.0)	(23.0)	(21.0)	(27.0)
<b>Trade balance/GDP (%)</b>	<b>(4.2)</b>	<b>(2.4)</b>	<b>(3.4)</b>	<b>(3.1)</b>	<b>(4.1)</b>
- Merchandise exports	73.0	76.0	78.0	82.0	83.0
- Merchandise imports	115.0	109.0	122.0	124.0	129.0
-- Oil imports	23.0	24.0	29.0	33.0	34.0
-- Non-oil imports	92.0	85.0	92.0	91.0	95.0
- Net Services	18.0	18.0	21.0	20.0	19.0
-- Telecom, Computer and Information	18.0	18.0	18.0	19.0	19.0
- Primary income	(6.0)	(9.0)	(6.0)	(8.0)	(6.0)
- Secondary income	15.0	16.0	16.0	16.0	17.0
<b>Capital account</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Financial account</b>	<b>15.5</b>	<b>7.4</b>	<b>13.0</b>	<b>11.8</b>	<b>16.6</b>
<b>Percentage of GDP</b>	<b>2.7</b>	<b>1.3</b>	<b>1.9</b>	<b>1.7</b>	<b>2.5</b>
<b>Foreign investments (FDI + FII)</b>	<b>19.6</b>	<b>14.5</b>	<b>9.6</b>	<b>8.7</b>	<b>1.6</b>
- FDI	7.1	12.4	4.3	6.4	9.7
- FII	12.5	2.1	5.3	2.3	(8.1)
- Equities	0.7	(3.4)	2.2	2.1	(2.7)
- Debt	11.2	5.9	3.2	0.2	(6.4)
-Other investments	8.5	3.5	13.3	16.5	5.2
-ADRs/GDRs	0.0	0.0	0.0	0.0	0.0
-Currency and deposits	0.8	0.8	3.3	4.7	3.0
-- NRI deposits	1.2	0.7	3.1	4.6	3.5
-Loans	6.3	(1.8)	2.4	2.3	6.9
-Trade credits	0.6	4.0	4.8	4.5	(3.5)
-Other receivables/payable accounts	1.4	0.6	2.9	5.8	(0.7)
-Reserve assets	(11.4)	(9.5)	(9.4)	(13.2)	11.3
Errors & Omissions	(0.6)	(0.4)	0.6	1.3	(0.8)

## Foreign inflows

### FII inflows

**FIG 155 – FPI OUTFLOWS RESUME IN SEP'18 (US\$ 2.9BN VS INFLOWS OF US\$ 762 MN IN AUG'18)**



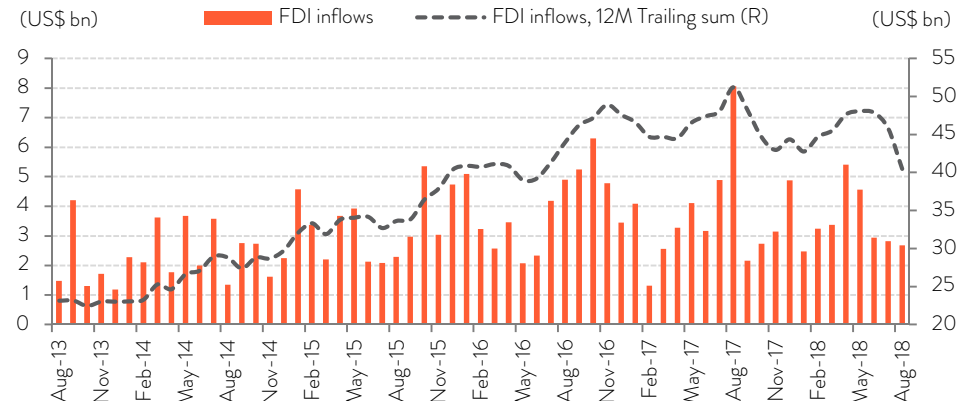
**FIG 157 – PICKUP IN FDI INFLOWS FROM SINGAPORE**

Country (US\$ bn)	% Share FY18	Jun'17	Sep'17	Dec'17	Mar'18	Jun'18
Mauritius	35.5	3.3	8.2	1.9	2.6	1.5
Singapore	27.2	3.0	2.3	3.9	3.0	6.5
Japan	3.6	0.4	0.5	0.3	0.3	0.9
UK	1.9	0.1	0.2	0.4	0.1	0.6
Netherlands	6.2	0.6	1.4	0.4	0.4	0.8

Source: DIPP

### FDI inflows

**FIG 156 – FDI INFLOWS AT US\$ 18.4BN IN FYTD19 (US\$ 23.5BN IN FYTD18)**



Source: RBI, Bank of Baroda Research

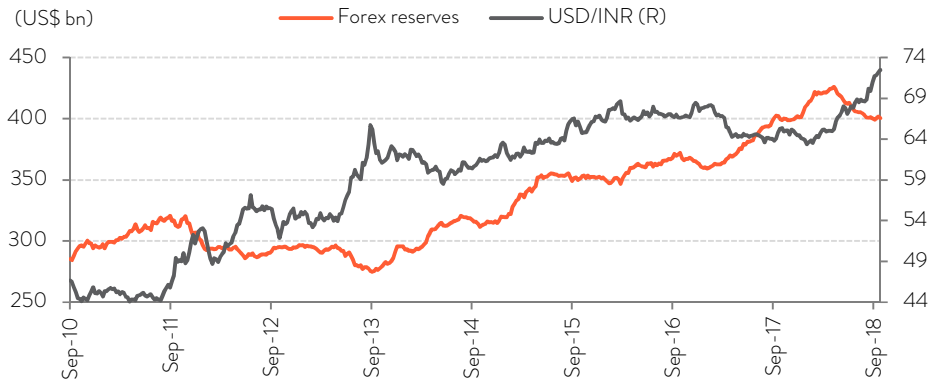
**FIG 158 – FDI INFLOWS IN TELECOM SECTOR RISE**

Sector (US\$ bn)	% Share FY18	Jun'17	Sep'17	Dec'17	Mar'18	Jun'18
Services Sector	34.4	1.9	1.0	1.7	2.1	2.4
Telecommunications	13.5	0.1	6.0	0.1	0.1	1.6
Computer software and hardware	5.3	1.3	1.7	2.1	1.0	1.4
Automobile industry	4.4	0.7	0.5	0.5	0.4	0.5
Trading	3.4	0.8	0.7	0.8	2.1	1.6

Source: DIPP

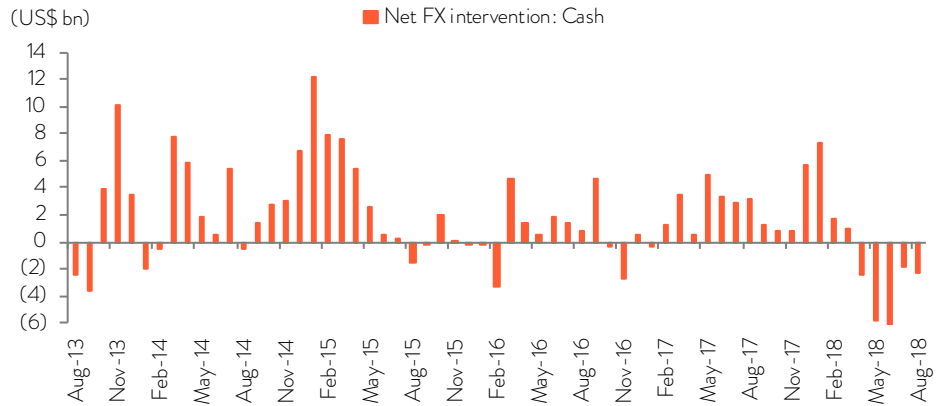
**Forex reserves and external debt**

**FIG 159 – INDIA’S FX RESERVES DECLINE TO US\$ 400BN**

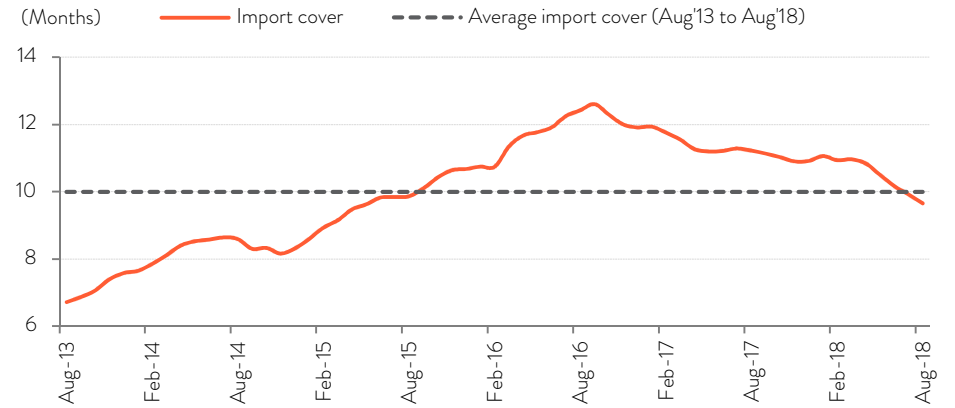


Source: Bloomberg | Weekly data as of 24 Aug 2018

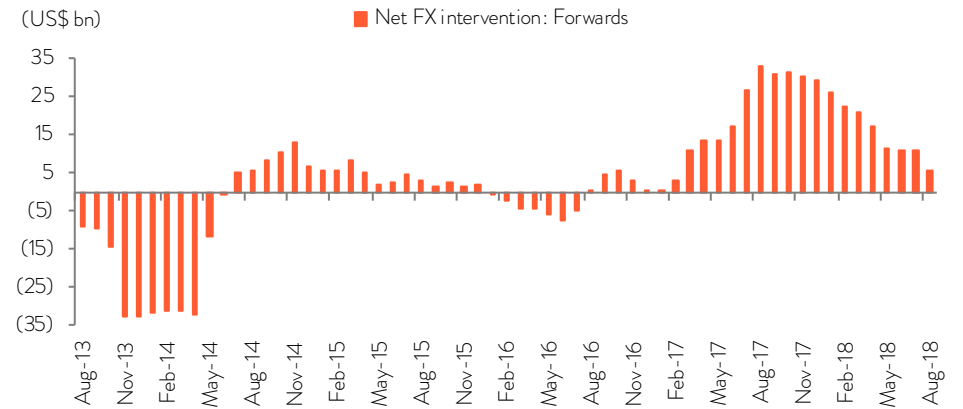
**FIG 161 – IN SPOT MARKET, RBI SOLD US\$ 2.3BN IN AUG’18 (NET SALES OF US\$ 8.6 BN IN CY18)**



**FIG 160 – FX RESERVES SUFFICIENT TO COVER 9.7 MONTHS OF IMPORTS**



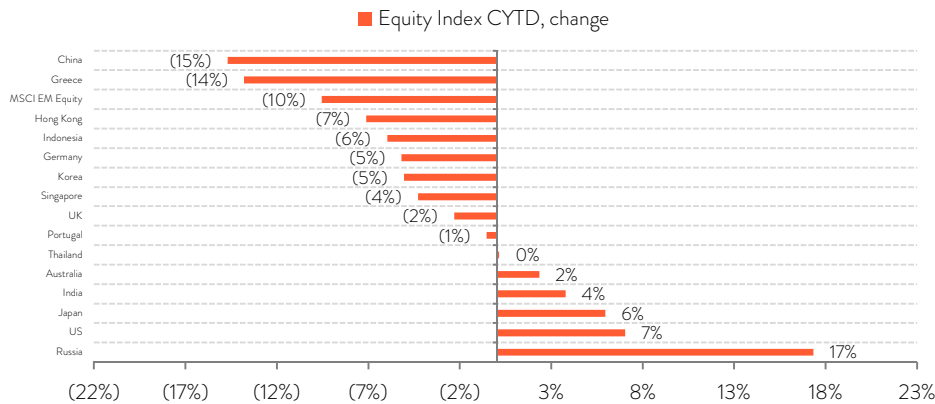
**FIG 162 – RBI’S FORWARD COVER DECLINES TO US\$ 5.7BN**



## Markets

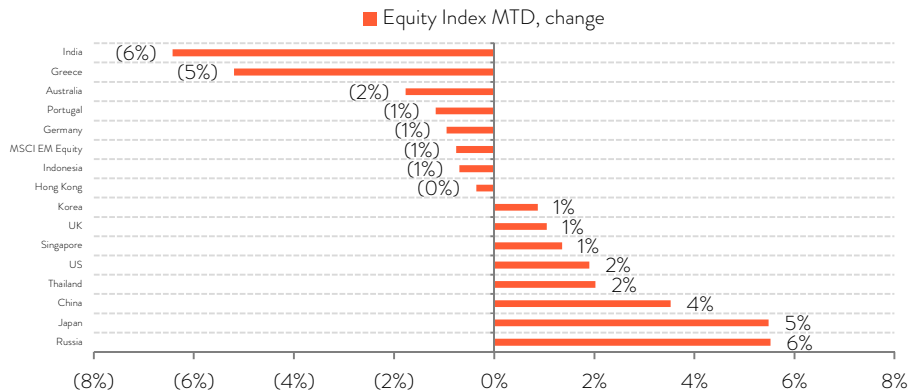
### Equity

**FIG 163 – NIFTY DECLINED BY 4% IN CYTD18\* IN LINE WITH MSCI EM INDEX DECLINE OF 14%**



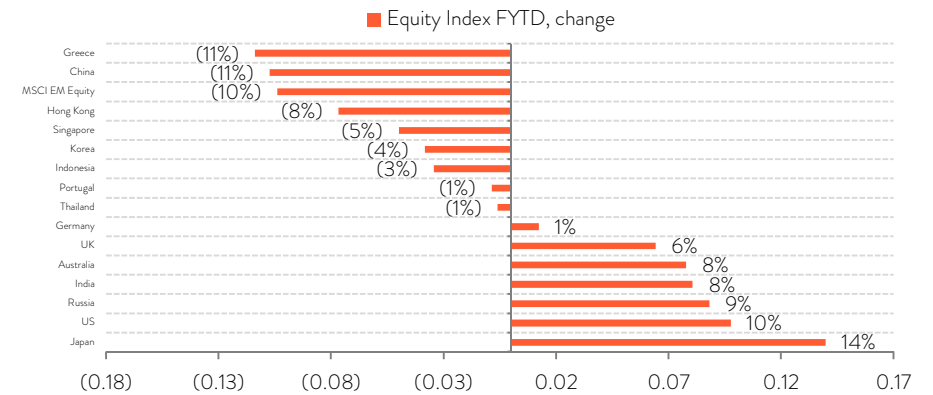
Source: Bloomberg | \*till Sep 2018

**FIG 165 – IN MTD\* BASIS, NIFTY DECLINED THE MOST BY ~6%**



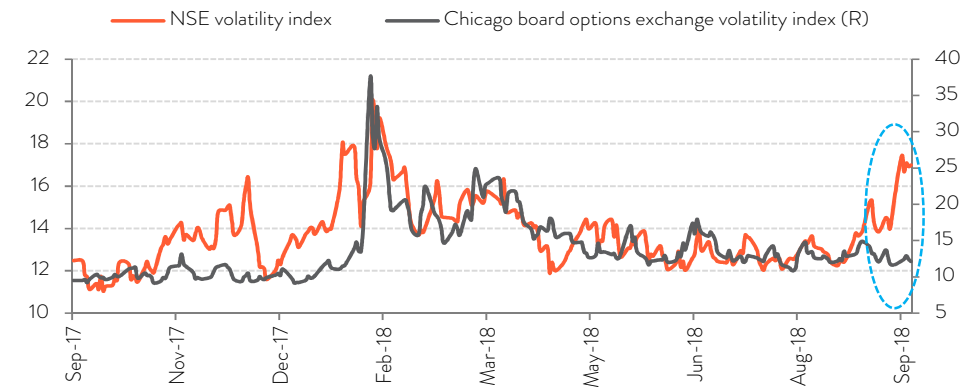
Source: Bloomberg | \*Aug-Sep 2018

**FIG 164 – IN FYTD19\*, NIFTY FELL BY 8%**



Source: Bloomberg | \*till Sep 2018

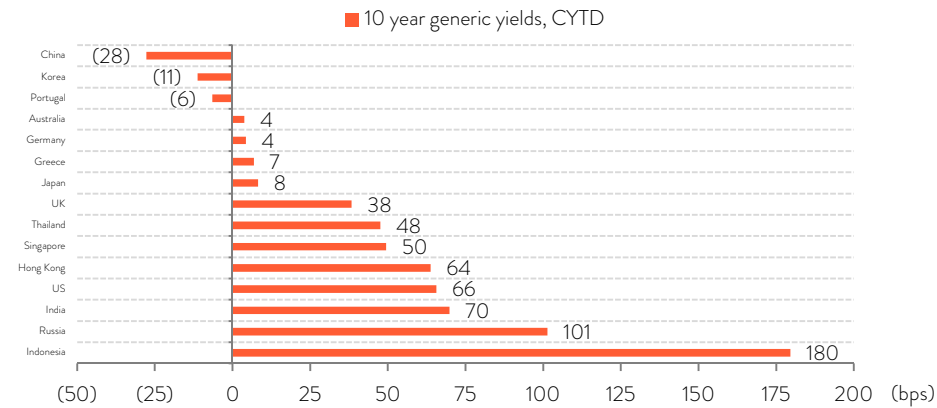
**FIG 166 – NIFTY VIX ROSE TO 16.9 IN SEP'18 VS 12.6 IN AUG'18**



Source: Bloomberg

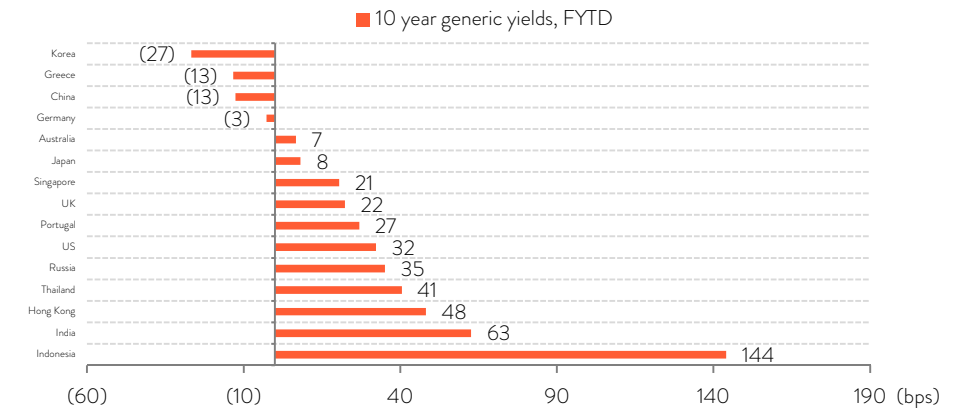
10 year Bond yields

FIG 167 – INDIAN 10 YEAR YIELD SURGED BY 70BPS IN CYTD18\*



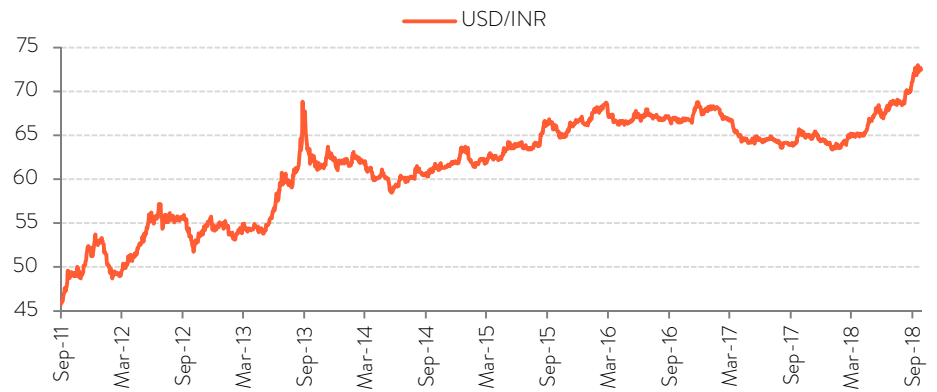
Source: Bloomberg | \*till Sep 2018

FIG 168 – IN FYTD19\*, 10 YEAR G-SEC ROSE BY 63BPS; SECOND HIGHEST COMPARED TO MAJOR ECONOMIES



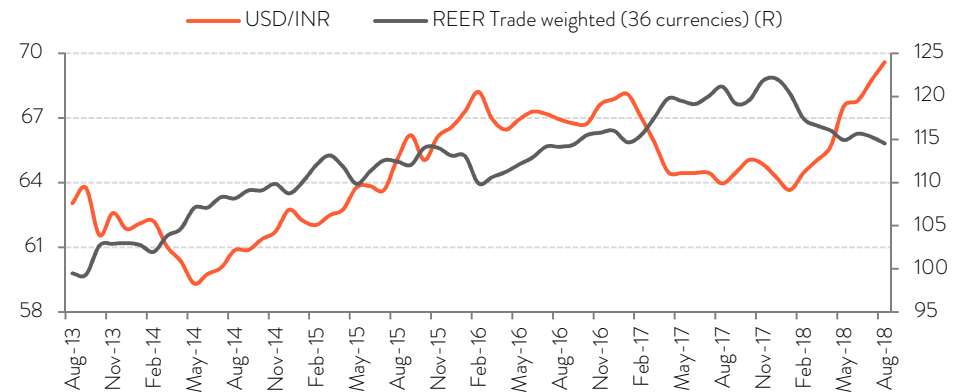
Source: Bloomberg | \*till Sep 2018

FIG 169 – DEPRECIATING PRESSURE ON INR



Source: Bloomberg | \*As on 28 Sep 2018

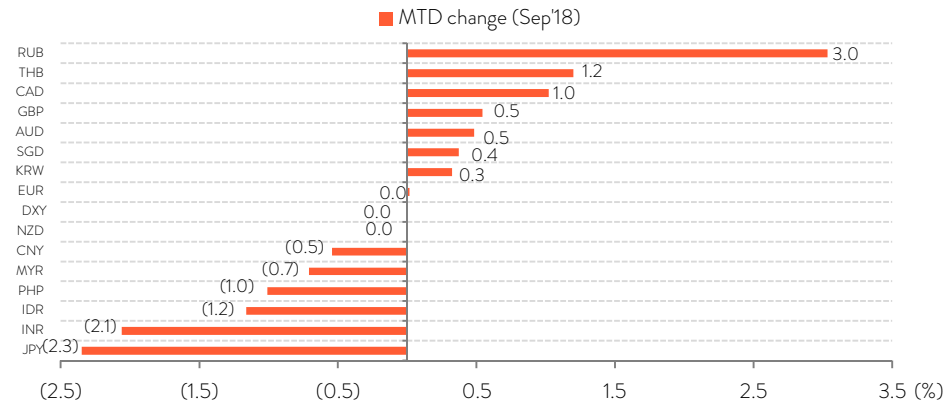
FIG 170 – INR STILL OVERVALUED BY 14.5% (AUG'18)



Source: Bloomberg



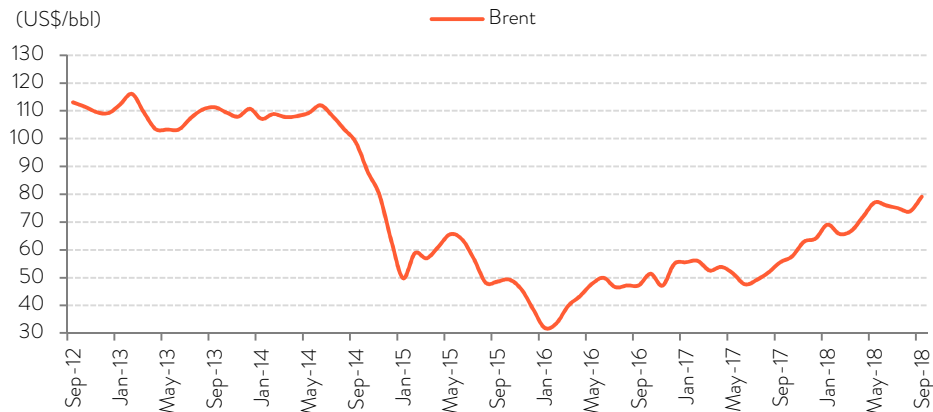
**FIG 171 – INR DEPRECIATED BY 2.1% IN AUG'18**



Source: Bloomberg | \*As on 28 Sep 2018

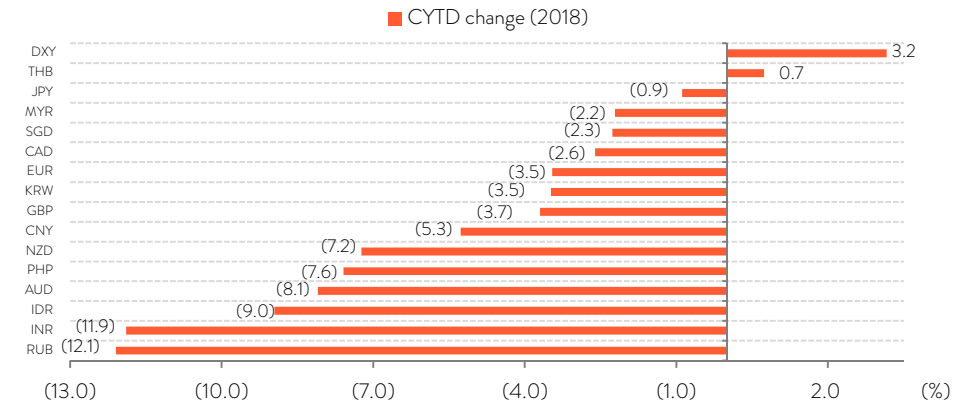
**Commodities**

**FIG 173 – BRENT PRICES ROSE TO US\$ 79/BBL IN SEP'18 AND IN OCT HAVE AVERAGED AROUND US\$ 85/BBL**



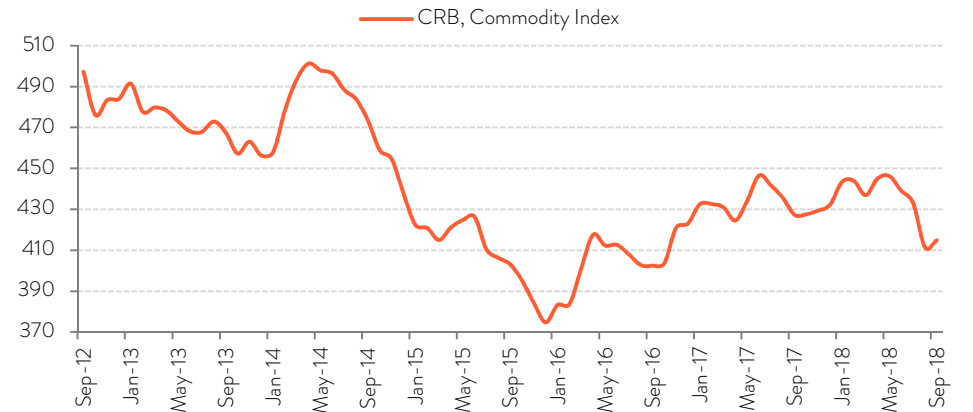
Source: Bloomberg

**FIG 172 – INR AMONGST THE WORST PERFORMING ASIAN CURRENCIES IN CYTD18**



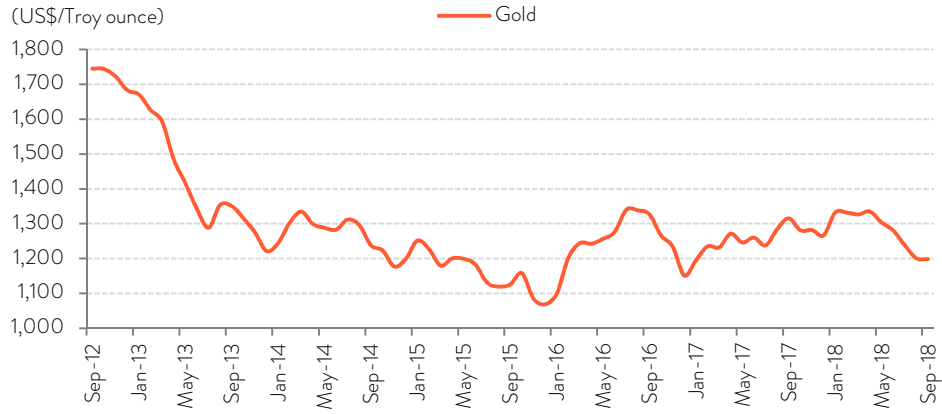
Source: Bloomberg | \*As on 28 Sep 2018

**FIG 174 – ...THIS LED GLOBAL COMMODITY PRICES INCHED UP IN SEP'18**



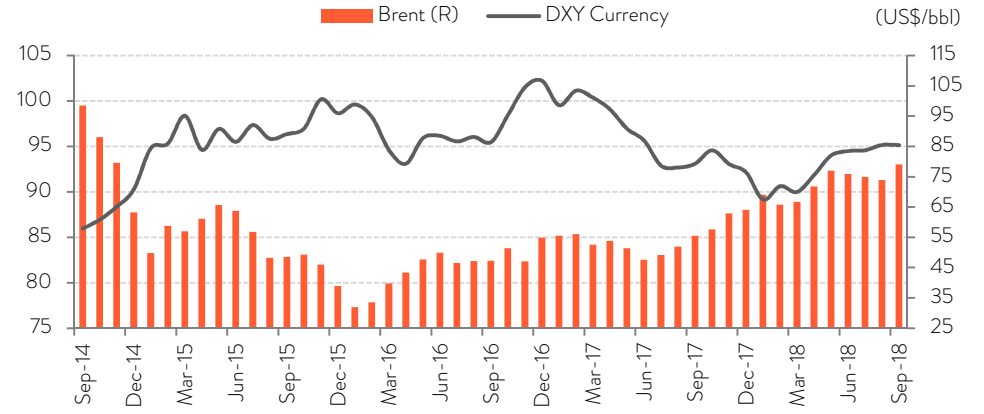
Source: Bloomberg | Index as on last trading day of the month

**FIG 175 – GOLD PRICES CONTINUED TO SOFTEN IN SEP'18**



Source: Bloomberg

**FIG 176 – BOTH DXY AND BRENT INCHED UP IN SEP'18**



Source: Bloomberg | DXY Index as on last trading day of the month

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