

India Economics

Monthly Chartbook

February 2019

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Stimulus to negate slowdown

Higher global oil prices (up by 15% in Jan'19) and anticipation of an expansionary budget led to higher domestic yields. Global yields were lower. Budget did deliver a rural stimulus and a large increase in gross borrowing at 24%. This along with the wedge between credit and deposit growth will put upward pressure on interest rates. The stimulus will negate the impact of a slowing economy as evidenced from deceleration in exports and consumption (auto sales, car volumes, non-oil-non-gold imports and air passenger traffic). Hence, inflation is likely to remain within RBI's target of 4% in FY20 as well. We believe RBI will be more likely to change its stance and wait for data before it moves on rates.

Muted consumption: Given muted consumption demand over the last few months (as also witnessed in decelerating auto volumes and non-oil-non-gold imports), the government delivered a consumption centric budget with a rural income support program amounting to 0.36% of GDP. This should uplift consumption spending to 9.1% in FY19AE.

Centre close to meeting FY19RE: In the union budget announced on 1 Feb 2019, government revised its net tax revenue and total expenditure marginally upward, thereby taking its fiscal deficit from 3.3% to 3.4% of GDP. These targets are likely to be met. During 9MFY19, direct tax collections are Rs 7.3tn and FY19RE is Rs 12tn. FYTD19 indirect tax

collections are Rs 6.2tn versus revised target of Rs 10.4tn. CGST collections at Rs 3.4tn are closer to FY19RE of Rs 5tn. Centre will be utilising Rs 290bn from GST cess and get an additional Rs 280bn from RBI as interim dividend. General government spending has decelerated in Q3 and will remain muted as government looks at achieving its fiscal target. Notably, states' capital spending has also decelerated in Q3.

Pressure on interest rates to persist: While fiscal deficit has increased by 11% in FY20BE, gross borrowings are higher by 24%. Even in Q4FY19, the centre is now planning an additional borrowing of Rs 360bn. States issued dated securities of Rs 509bn in Jan'19. For FY19, states are expected to issue upwards of Rs 4.5tn (Rs 4.1tn in FY18). Centre's gross borrowing is Rs 7.1tn as per FY20BE compared with Rs 5.71tn in FY19RE. This year market was supported by OMO of Rs 2.7tn (upto Feb'19). Liquidity, more than change in stance or reduction in repo rates, will matter for yields.

FPI outflows resume: After inflows of US\$ 3bn in Nov-Dec'18, FPI outflows resumed in Jan'19 (US\$ 443mn). As a result, INR depreciated by (-) 1.8% in Jan'19. Rupee's underperformance despite a weaker dollar (DXY declined by 0.6% in Jan'19) is due to higher oil prices (15% in Jan'19) and fiscal concerns. However, with trade deficit declining to a 10-month low in Dec'18, CAD is likely to be contained at 2.6% of GDP. This should lend some support to the rupee.

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

Consumption

Final consumption expenditure

FIG 1 – CONSUMPTION SLOWED BY 7% IN Q2FY19 AS AGAINST 8.6% IN Q1FY19

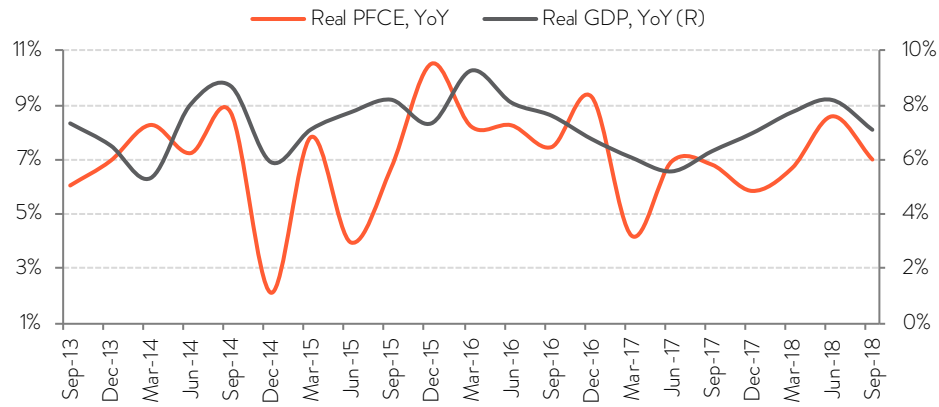


FIG 2 – GOVERNMENT CONSUMPTION ROSE TO 12.7% IN Q2FY19

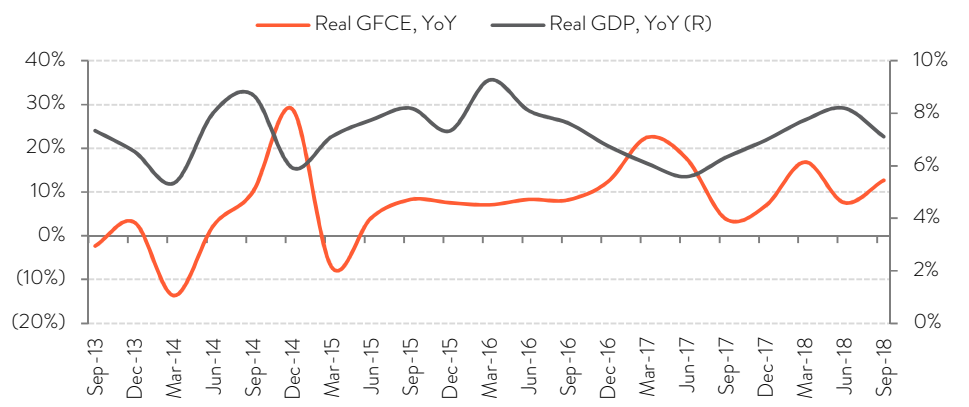


FIG 3 – GENERAL GOV REVENUE SPENDING RISES...

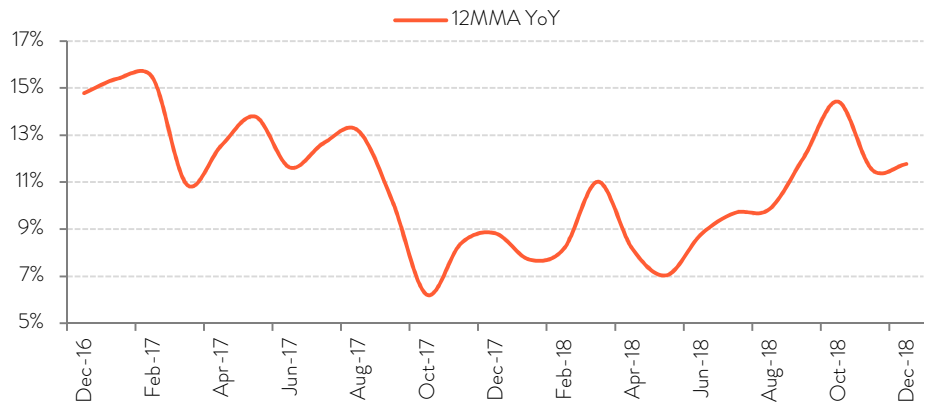
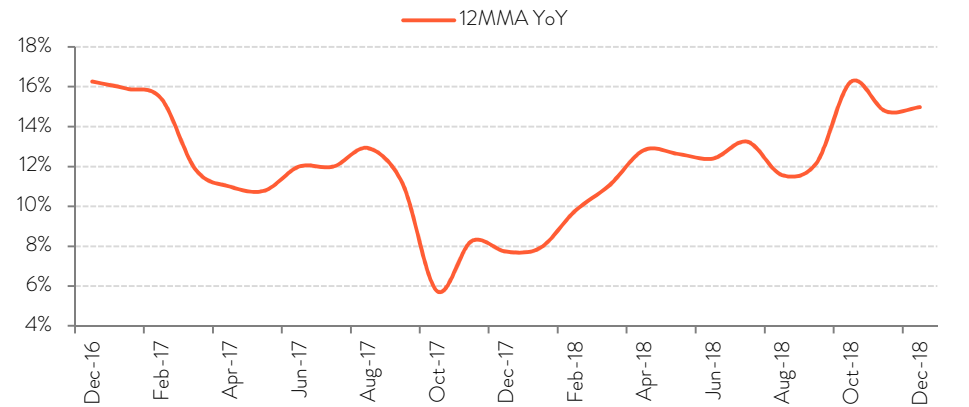


FIG 4 – ...STATE* GOV REVENUE SPENDING FOLLOWING SUIT



Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

Non-oil imports, electronic imports

FIG 5 – NON-OIL-NON-GOLD IMPORTS SLIP FURTHER

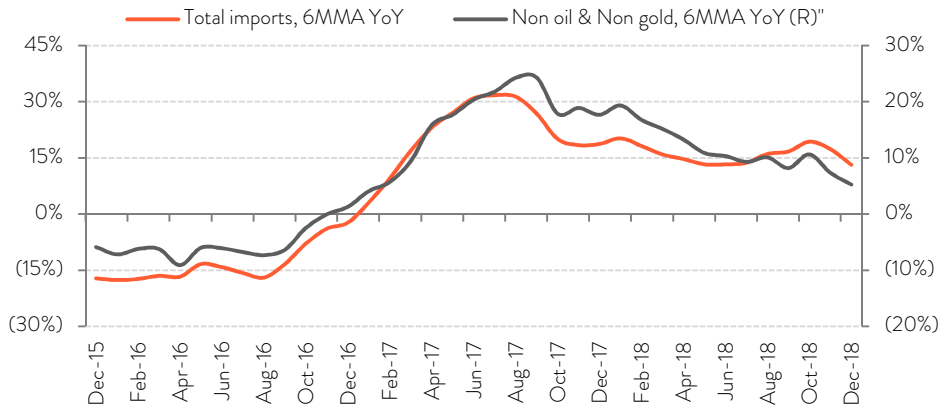


FIG 6 – ELECTRONIC IMPORTS DECLINE BY (-) 9% IN DEC'18

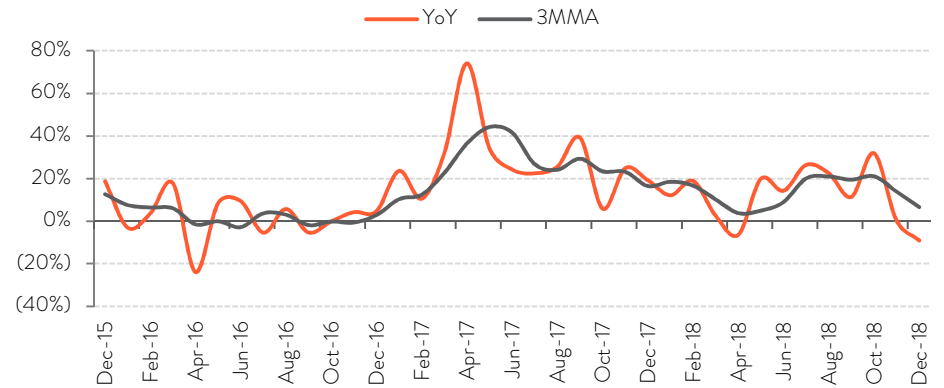


FIG 7 – SLOWDOWN CONTINUES IN PASSENGER CAR SALES

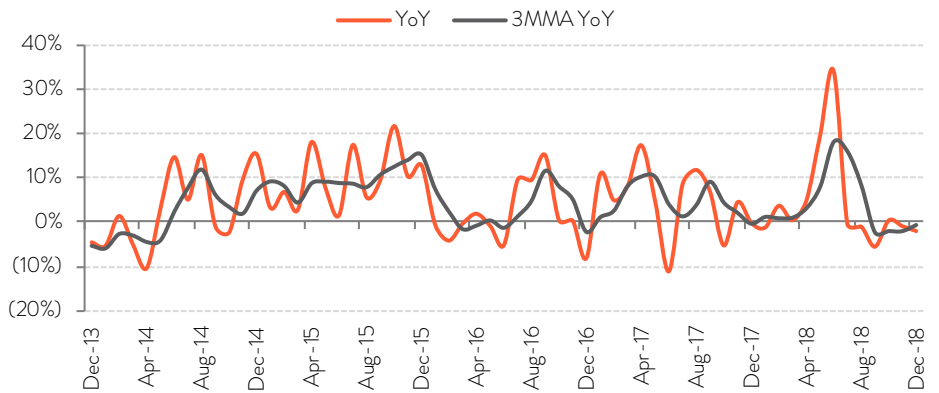
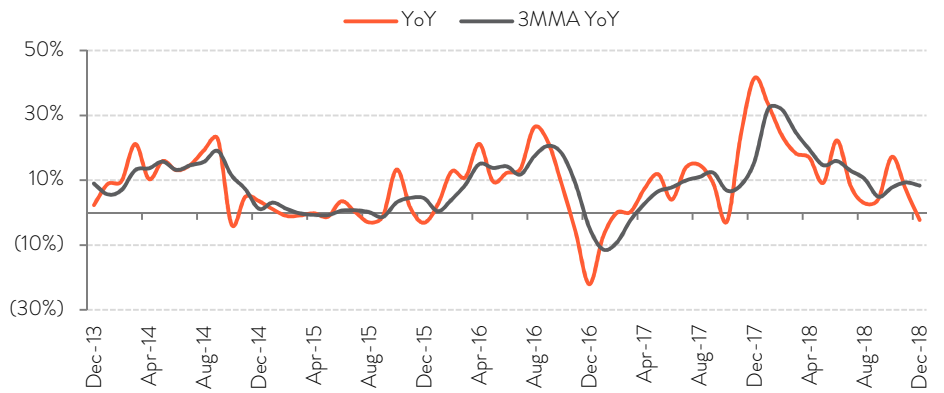


FIG 8 – TWO-WHEELER SALES DECELERATE IN DEC'18



Credit deployment of personal loans

FIG 9 – GROWTH IMPROVES IN CREDIT CARD OUTSTANDING

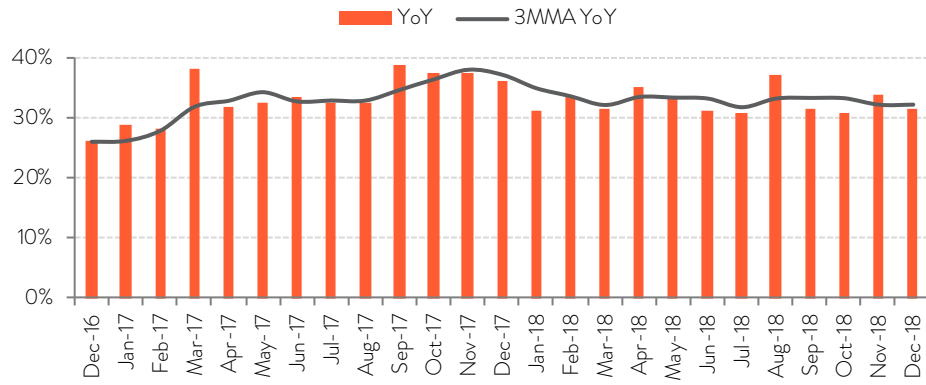


FIG 10 – PERSONAL LOAN GROWING AT STEADY PACE OF 17% IN DEC'18

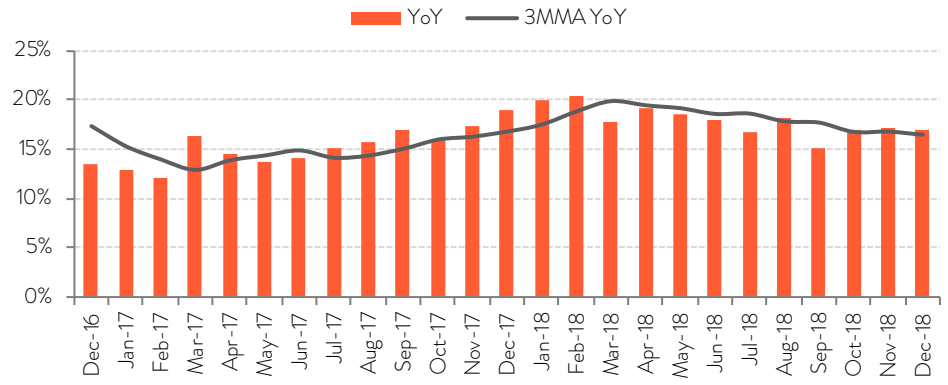


FIG 11 – GROWTH OF VEHICLE LOANS MODERATES IN DEC'18

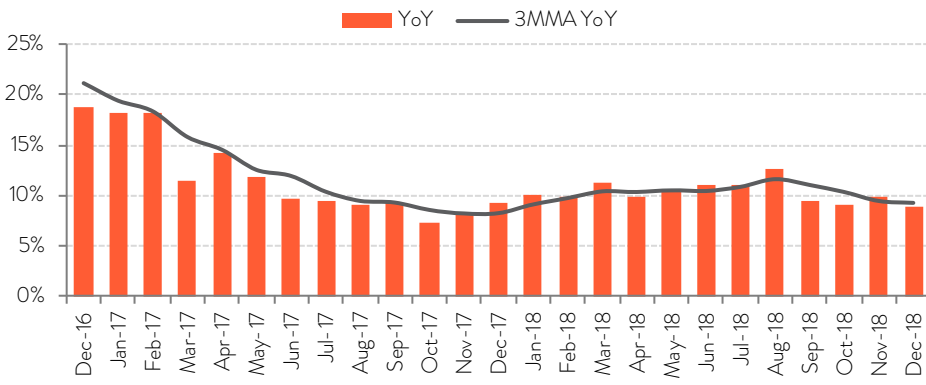
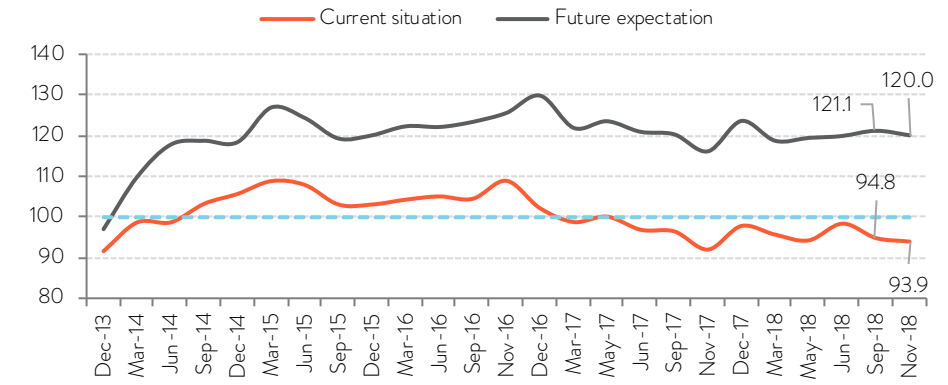


FIG 12 – CONSUMER CONFIDENCE MODERATES



Consumer durables & non-durables production

FIG 13 – CONSUMER DURABLES DROP TO (-) 0.9% IN NOV'18

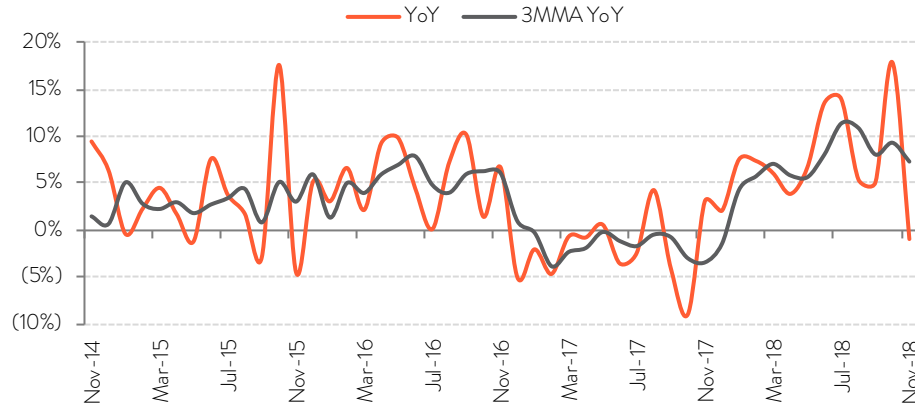
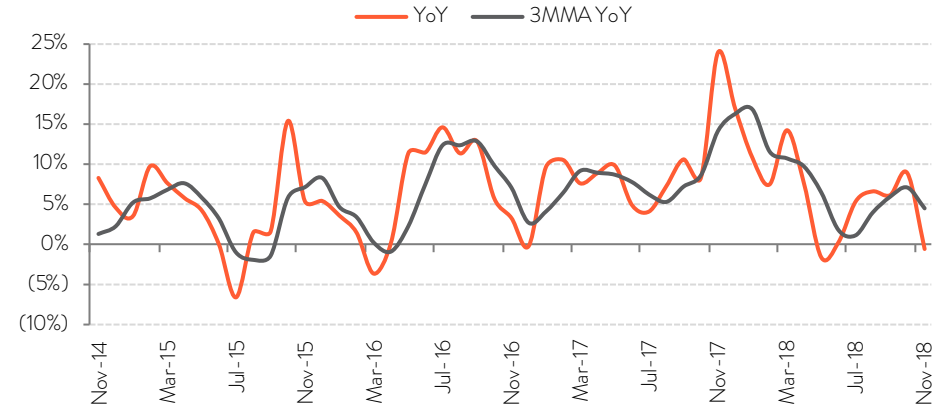


FIG 14 – FMCG OUTPUT TOO DECLINES



Agriculture

FIG 15 – AGRICULTURE GROWTH DROPS TO 3.8% IN Q2FY19 (2.6% IN Q2FY18)

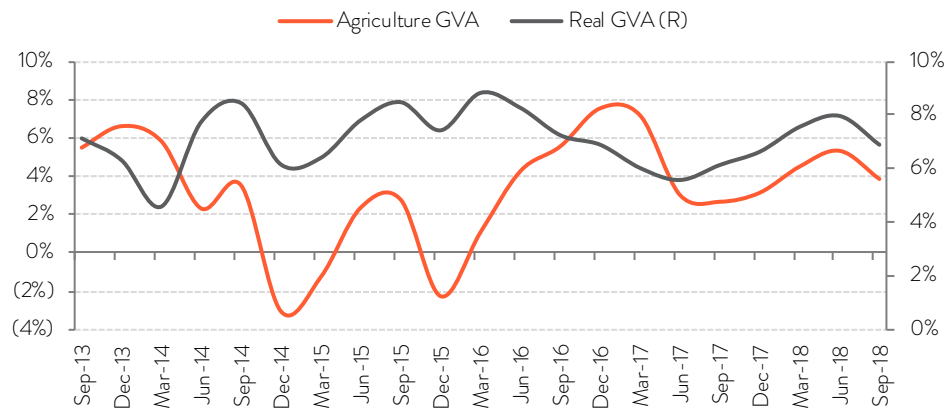


FIG 16 – STOCK OF FOODGRAINS ROSE TO 64 MN TN IN DEC'18 COMPARED TO 53 MN TN IN DEC'17

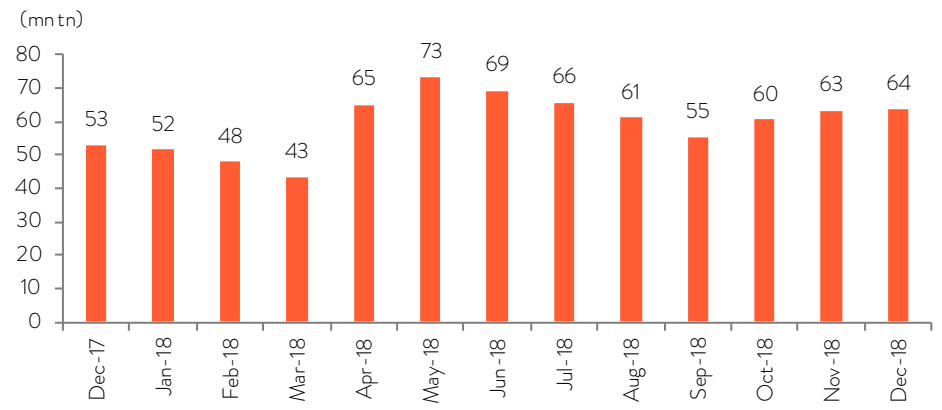


FIG 17 – AGRICULTURE CREDIT RISES TO 8% IN DEC'18

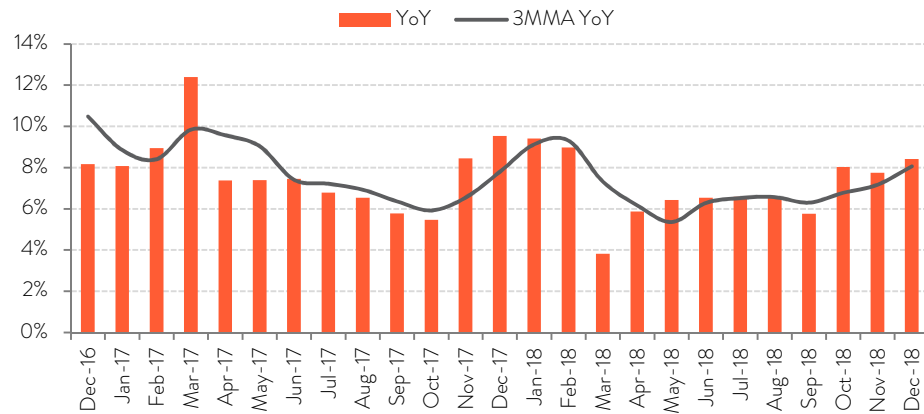
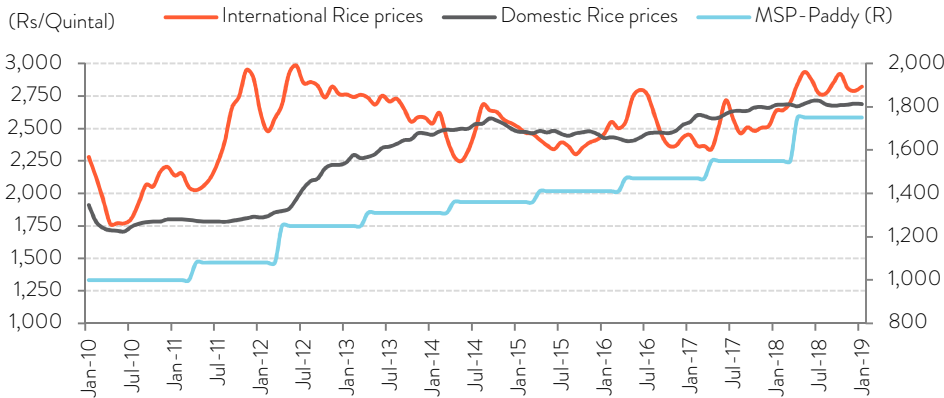


FIG 18 – RICE PROCUREMENT IS HIGHER THAN WHEAT

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	38.19
2018-19*	35.80	18.25

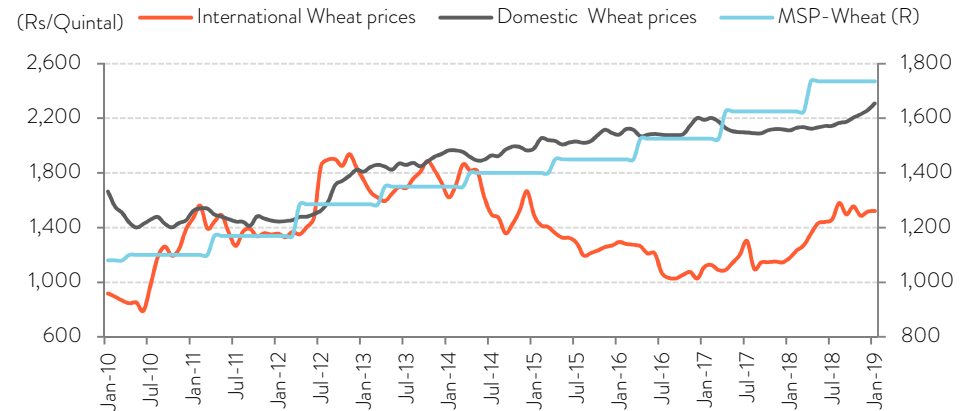
Source: Ministry of Consumer Affairs, Food and Public Distribution | *As on: 30 Nov 2018

FIG 19 – WHILE INTERNATIONAL PRICES OF RICE ARE RISING; DOMESTIC PRICES ARE MODERATING



Source: World Bank

FIG 20 – DOMESTIC PRICES OF WHEAT ARE MUCH HIGHER THAN INTERNATIONAL PRICES



Source: World Bank

FIG 21 – GLOBAL FOOD PRICES IMPROVE MARGINALLY

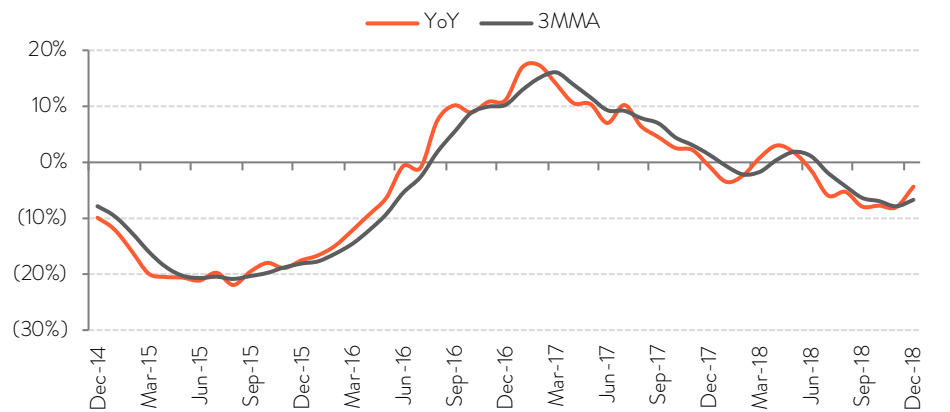


FIG 22 – RURAL WAGES (MEN) RISING AT A STEADY PACE

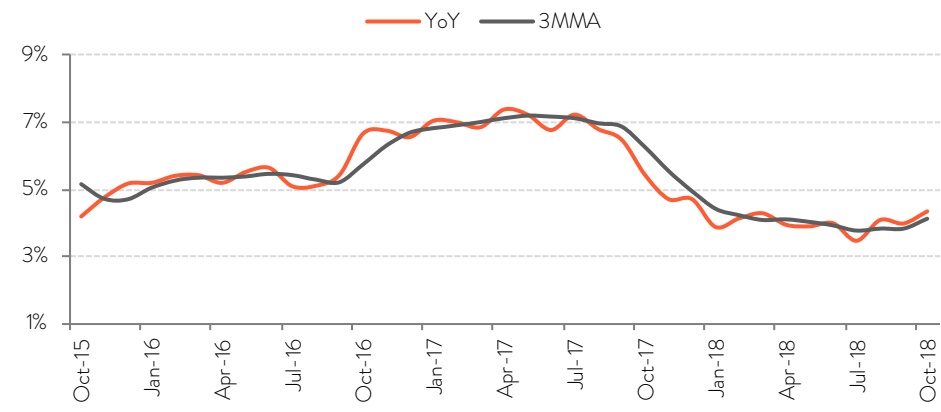


FIG 23 – RABI SOWING CONTINUES TO DECLINE

Crop type (ha mn)	Normal area as on date	Area sown in 2018-19	Area sown in 201-18	Normal area for whole Rabi Season	Growth (YoY %)
Wheat	30.7	29.6	30.4	30.6	(2.5)
Rice	2.1	1.8	2.3	4.2	(21.3)
Coarse Cereals	5.7	4.7	5.5	6.5	(13.9)
Pulses	15.0	15.1	16.1	14.1	(6.1)
Oilseeds	8.2	7.9	7.9	8.1	(0.5)
Total	61.7	59.2	62.2	63.4	(4.9)

Note: As on 1 Feb 2019

Inflation

FIG 24 – RETAIL INFLATION PLUNGED TO ITS LOWEST SINCE JUN'17 AT 2.2% VS 2.3% IN NOV'18 LED BY FOOD

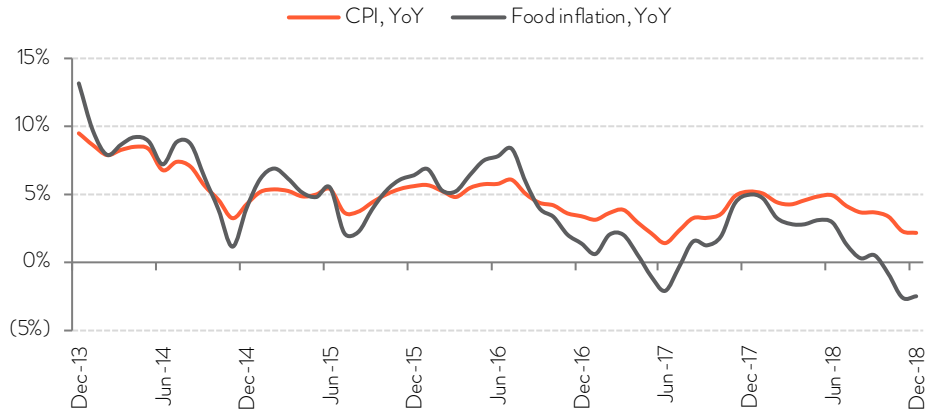
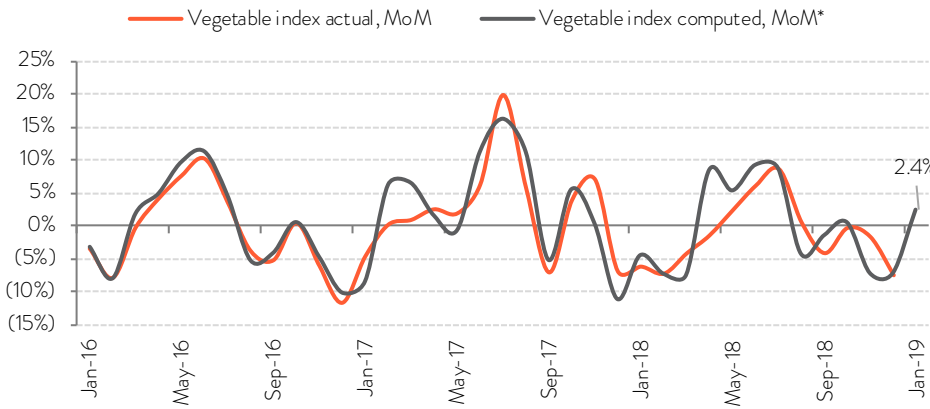


FIG 26 – ...HOWEVER, THE TREND OF FALLING VEGETABLE PRICES IS SEEN REVERSING IN JAN'19



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

FIG 25 – ...FOOD DEFLATION PERSISTED AT (-) 2.5% IN DEC'18 LED BY VEGETABLES (-16.1%).

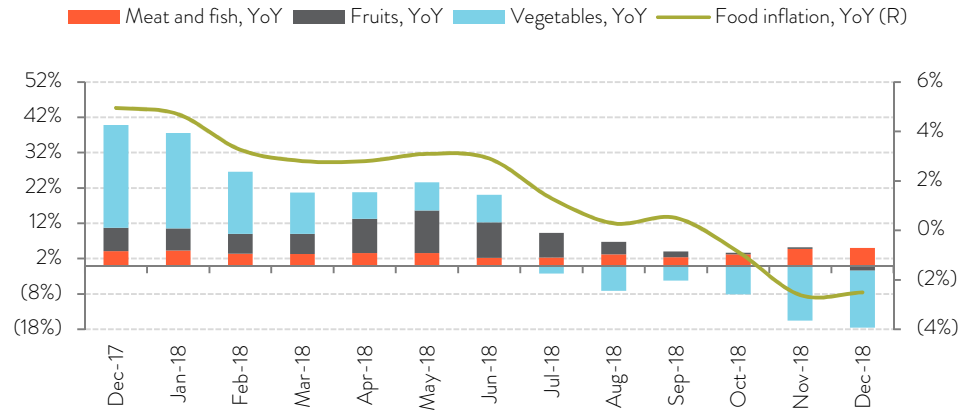


FIG 27 – CPI AND CPI EXCL. FOOD SHOWED DIVERGENT TREND WITH THE LATTER REMAINING STICKY AT 5.7% IN DEC'18

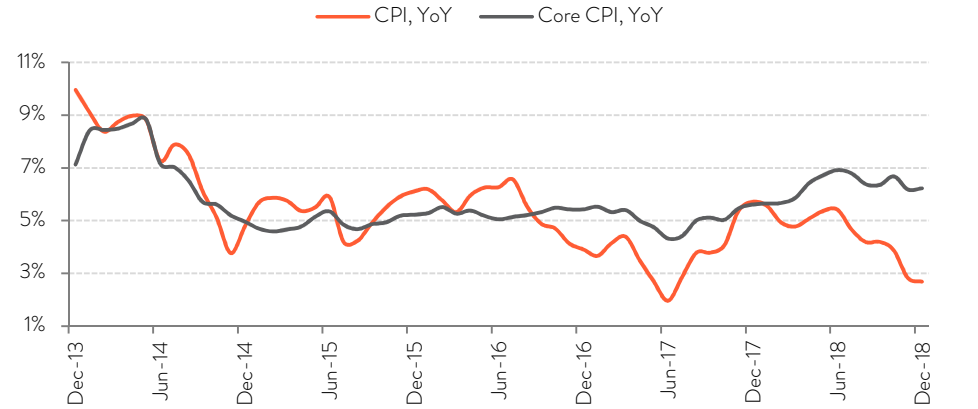


FIG 28 – WITHIN CORE, APART FROM TRANSPORT & COMMUNICATION, INFLATION OF ALL ITEMS INCHED UP (ESP. HEALTH & EDUCATION)

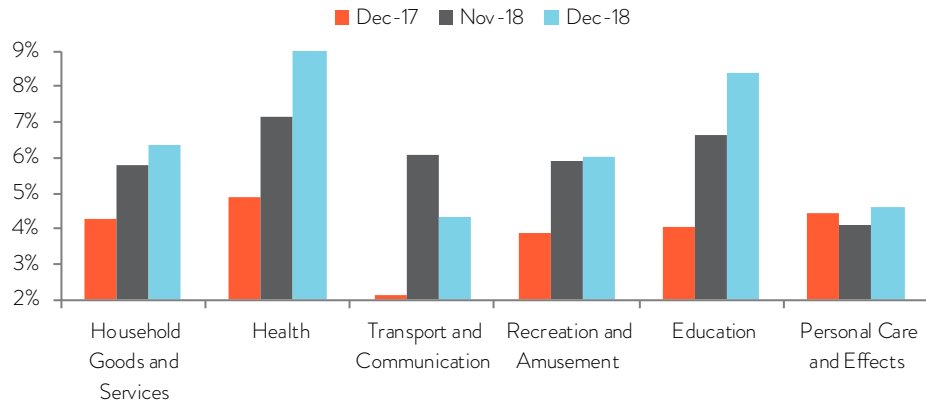


FIG 29 – CORE CPI EXCL. TRANSPORT, COMMUNICATION & HOUSING INCREASED BY 70BPS TO 6.2% IN DEC'18

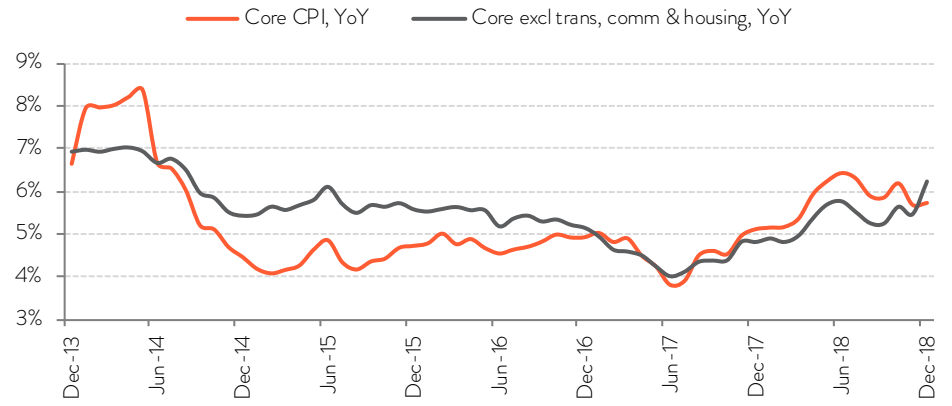


FIG 30 – RETAIL PRICES OF PETROL & DIESEL REMAINED FLAT AT RS 69.5/LT IN JAN'19 LED BY HIGHER CRUDE PRICES

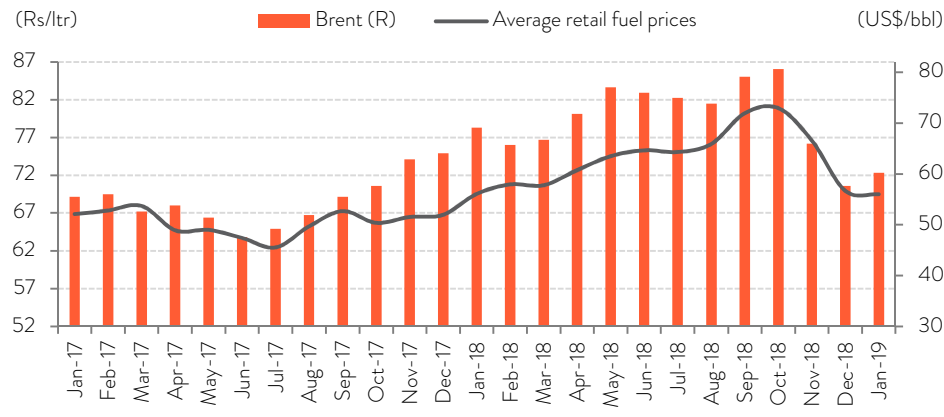
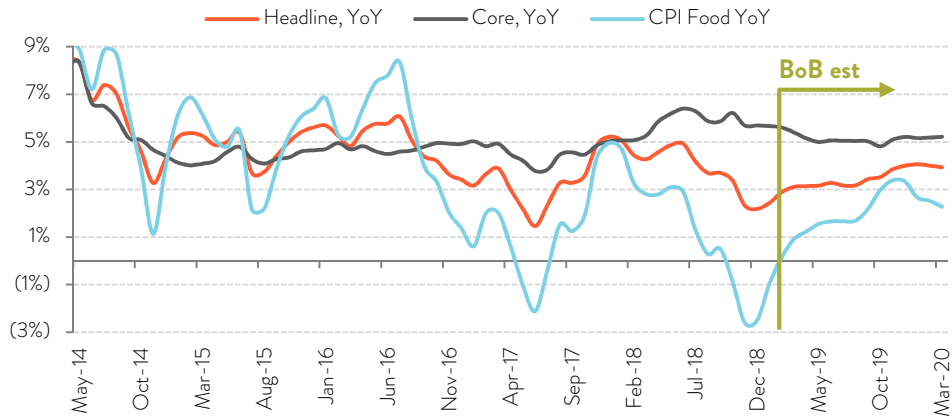
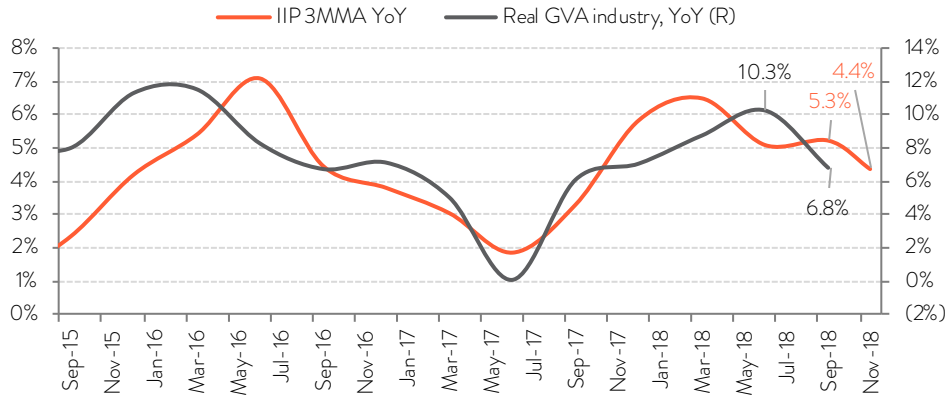


FIG 31 – HEADLINE CPI IS EXPECTED TO BE 3.5% IN FY19 & 3.6% IN FY20



Industry

FIG 32 – INDUSTRIAL OUTPUT DROPS IN NOV'18



Note: IIP for Oct-Nov'18 is on a YoY basis

FIG 33 – BROAD BASED IMPROVEMENT ON YOY BASIS

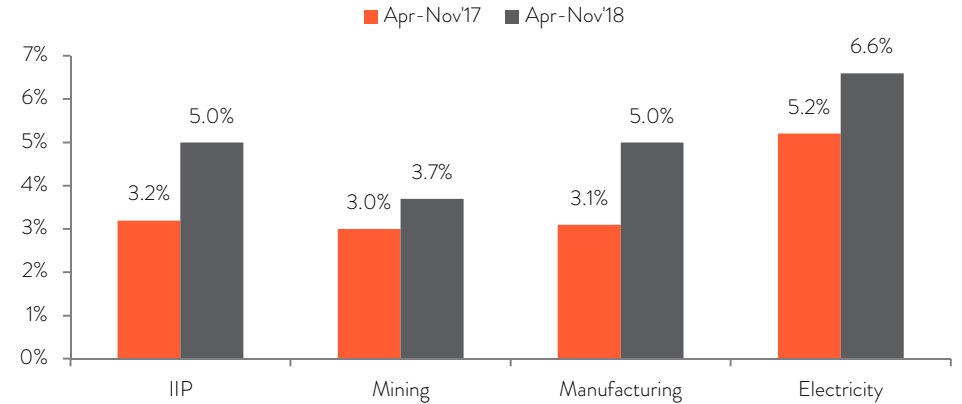


FIG 34 – CAPITAL GOODS PUSHED IIP DOWNWARDS

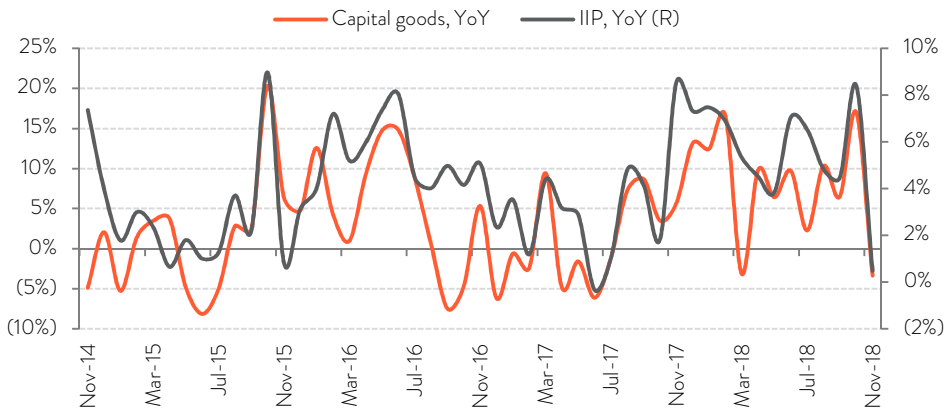


FIG 35 – CONSUMER DURABLES GOODS DOING THE SAME

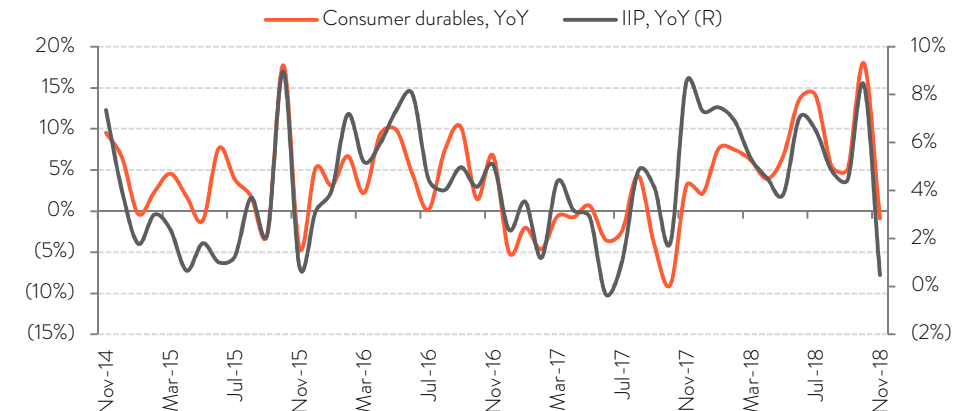
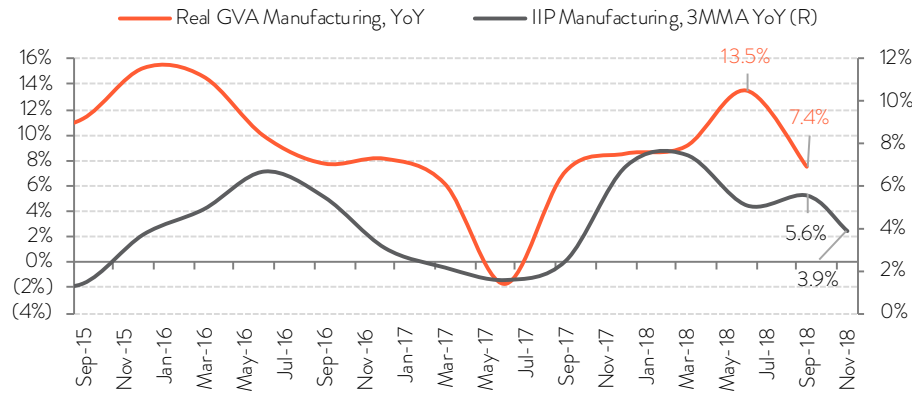


FIG 36 – INDUSTRIAL PRODUCTION PLUNGES TO 0.5% IN NOV'18

Sectoral (%)	Weight	Nov-18	Oct-18	Nov-17	Apr-Nov'18	Apr-Nov'17
IIIP	100.0	0.5	8.4	8.5	5.0	3.2
Mining	14.4	2.7	7.2	1.4	3.7	3.0
Manufacturing	77.6	(0.4)	8.2	10.4	5.0	3.1
Electricity	8.0	5.1	10.8	3.9	6.6	5.2
Use-Based						
Primary Goods	34.1	3.2	6.1	3.3	4.8	3.5
Capital Goods	8.2	(3.4)	17.0	5.7	7.2	1.3
Intermediate Goods	17.2	(4.5)	2.0	6.5	0.7	1.1
Infrastructure and Construction Goods	12.3	5.0	8.9	13.7	8.3	3.9
Consumer Durables Goods	12.8	(0.9)	18.0	3.1	8.2	(1.5)
Consumer Non-Durables Goods	15.3	(0.6)	8.8	23.7	3.9	9.6

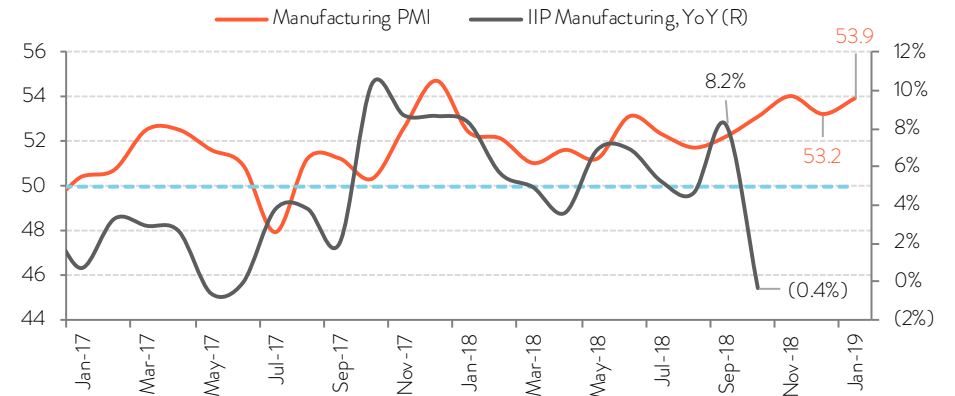
Manufacturing

FIG 37 – MANUFACTURING ACTIVITY DOWN BY 3.9% IN NOV'18



Note: IIP for Nov'18 is average for Oct-Nov'18 is on a YoY basis

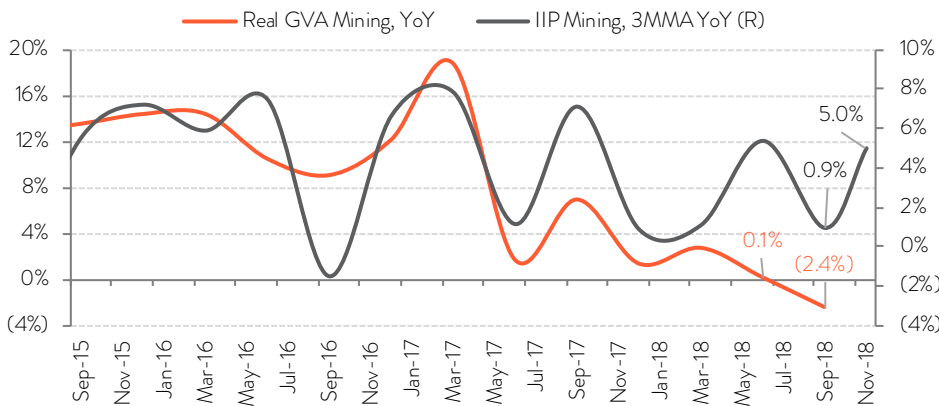
FIG 38 – MANUFACTURING PMI RISES IN JAN'19



Source: Markit

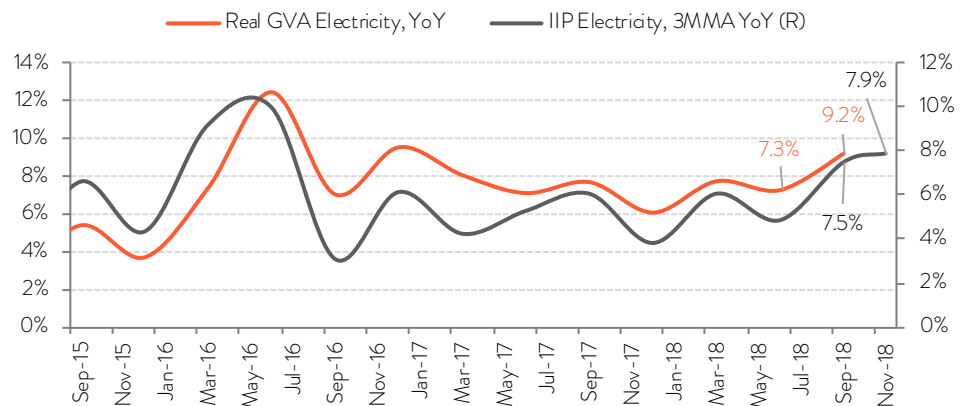
Mining & Electricity

FIG 39 – MINING ACTIVITY WAS DOWN IN Q1FY19



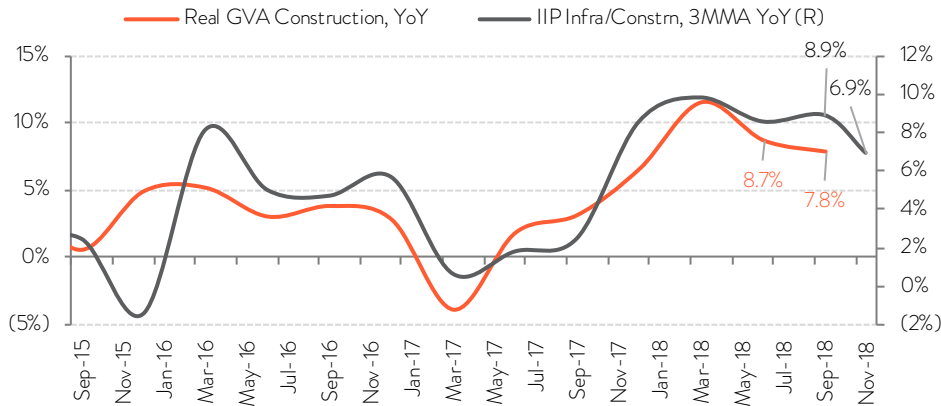
Note: IIP for Nov'18 is average for Oct-Nov'18 is on a YoY basis

FIG 40 – ELECTRICITY UP IN Q1FY19



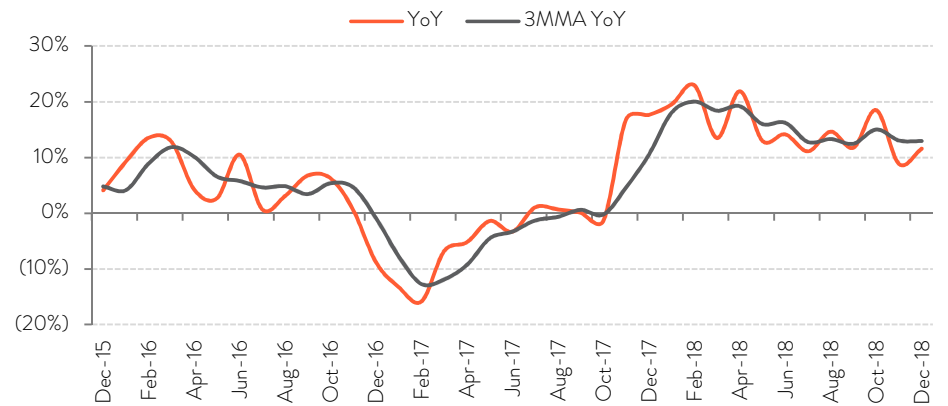
Infrastructure and Construction

FIG 41 – GROWTH IN CONSTRUCTION MODERATED IN Q1FY19



Note: IIP for Nov'18 is average for Oct-Nov'18 is on a YoY basis

FIG 42 – CEMENT PRODUCTION IMPROVES IN DEC'18



Infrastructure Index

FIG 43 – INFRA INDEX SLOWS TO 2.6% IN DEC'18

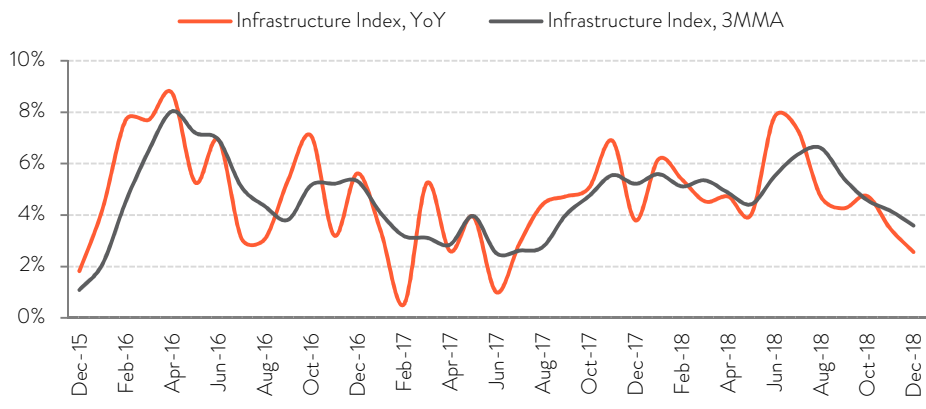
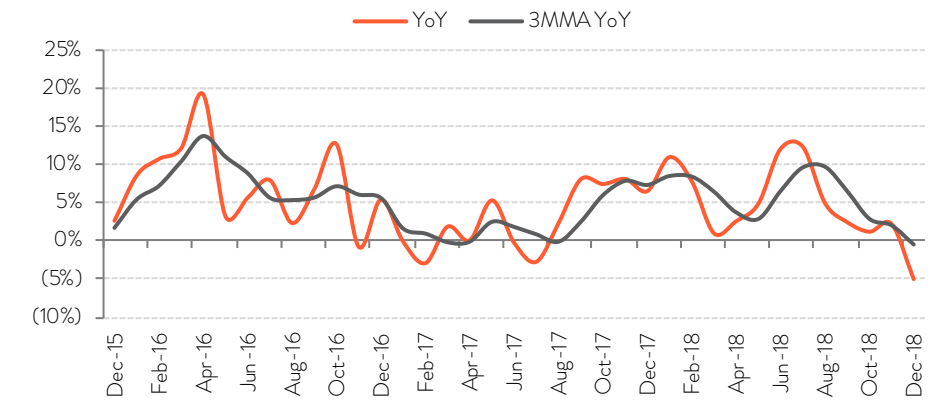


FIG 44 – PETROLEUM REFINERY PRODUCTION DOWN BY (-)4.8% IN DEC'18



Auto production & Business expectation index

FIG 45 – MARGINAL IMPROVEMENT IN AUTO PRODUCTION

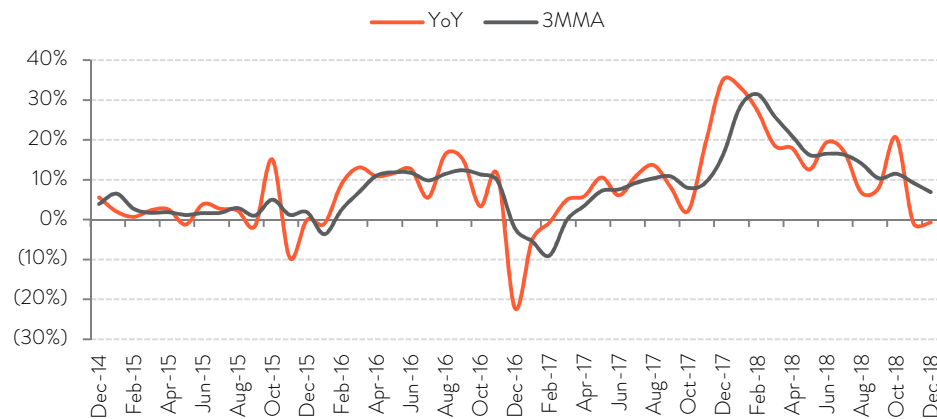


FIG 46 – BUSINESS SENTIMENT REMAINS OPTIMISTIC

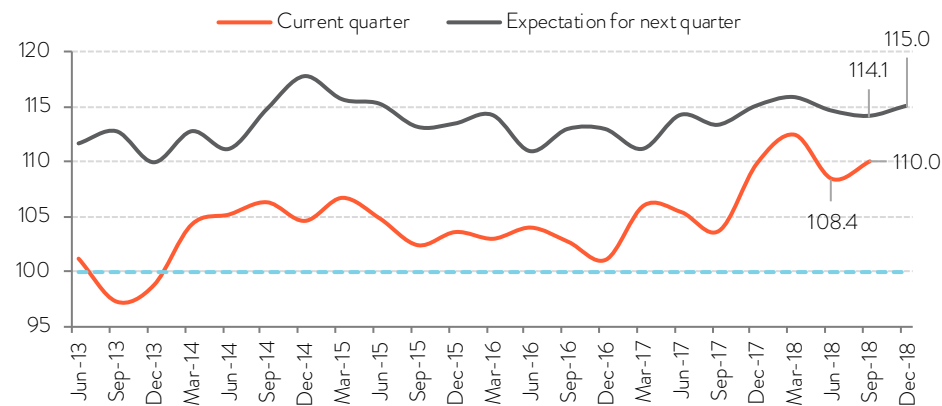
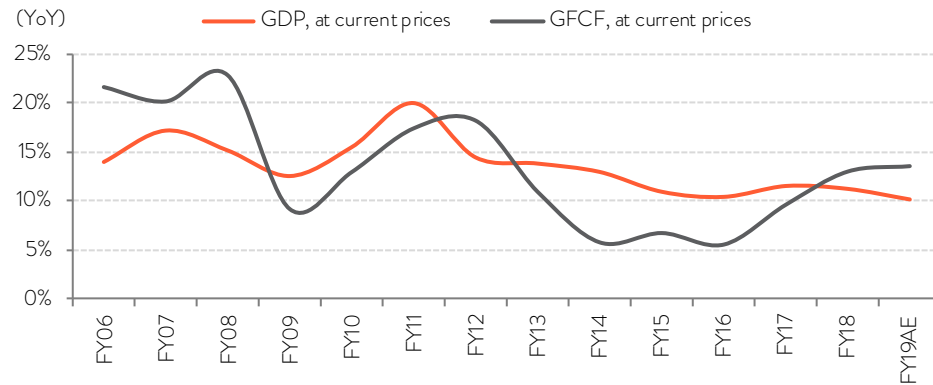


FIG 47 – INFRASTRUCTURE INDEX SLOWS TO 2.6% IN DEC'18

(%)	Weight	Dec-18	Nov-18	Oct-18	Dec-17
Infrastructure Index	100	2.6	3.4	4.8	3.8
Coal	10.3	0.9	3.7	11.3	0.4
Crude Oil	9.0	(4.3)	(3.5)	(5.0)	(2.1)
Natural Gas	6.9	4.2	0.5	(0.9)	1.1
Petroleum Refinery Products	28.0	(4.8)	2.3	1.3	6.6
Fertilizers	2.6	(2.4)	(8.1)	(11.5)	3.0
Steel	17.9	13.2	5.8	2.6	0.4
Cement	5.4	11.6	8.8	18.4	17.7
Electricity	19.9	4.0	5.1	10.9	4.4

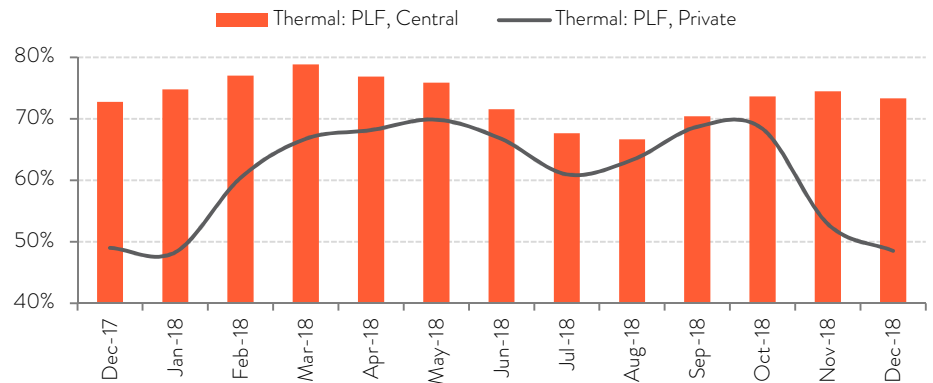
Investment

FIG 48 – NOMINAL GFCF GROWTH IS EXPECTED TO RISE TO 14% IN FY19AE VS 13% IN FY18



Note: AE-Advanced estimates

FIG 50 – CAPACITY UTILISATION IS PICKING UP AS VISIBLE FROM THE STABLE IMPROVEMENT IN CENTRE'S PLF: THERMAL



Source: Data for Sep'18 taken from RBI policy

FIG 49 – PRIVATE CORPORATE INVESTMENT IS ALSO SEEN PICKING PACE

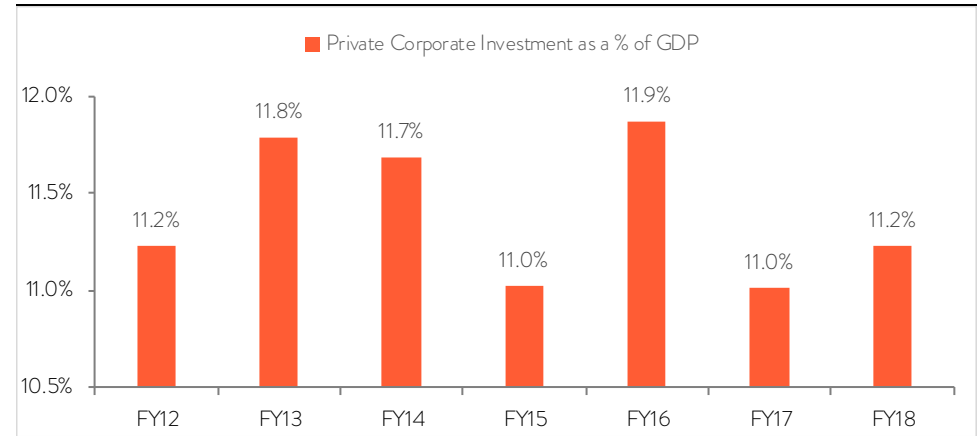


FIG 51 – ...HOWEVER, CAPITAL GOODS PRODUCTION DECLINED SHARPLY LED BY UNFAVOURABLE BASE

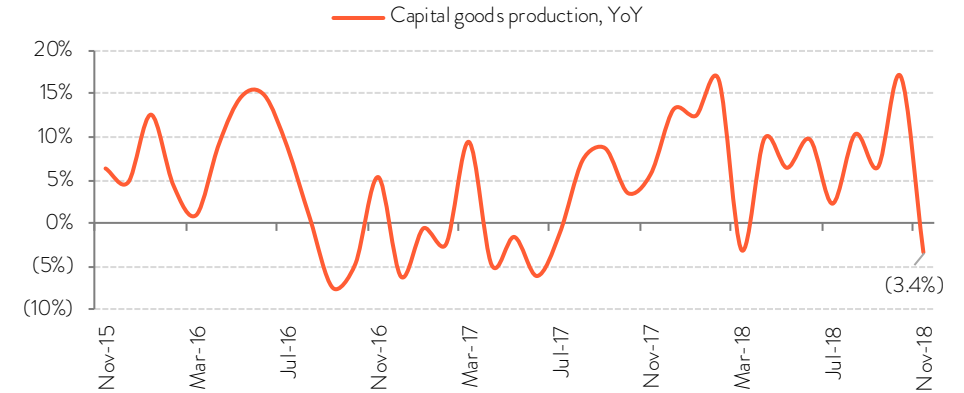


FIG 52 – ... CAPITAL GOODS IMPORT ON A 6MMA BASIS MODERATED TO 6% IN DEC'18 FROM A PEAK OF 25% IN AUG'18

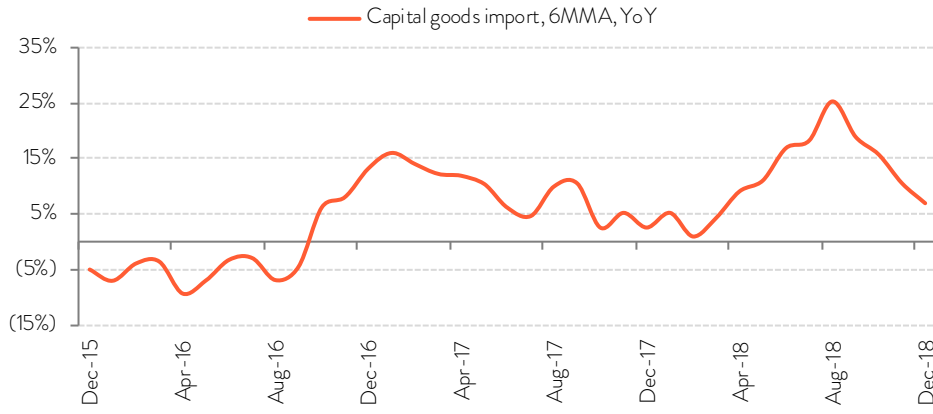


FIG 53 – CENTRAL GOVERNMENT'S CAPEX SPENDING DECLINED SHARPLY IN DEC'18 DUE TO FISCAL CONSOLIDATION

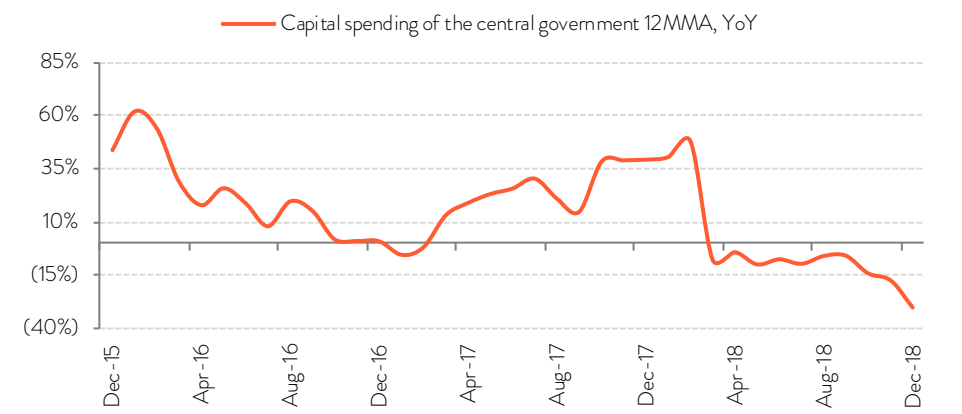


FIG 54 – INDUSTRY CREDIT PICKED UP TO 4.4% IN DEC'18 VS A LOW OF 5.3% IN FEB'17

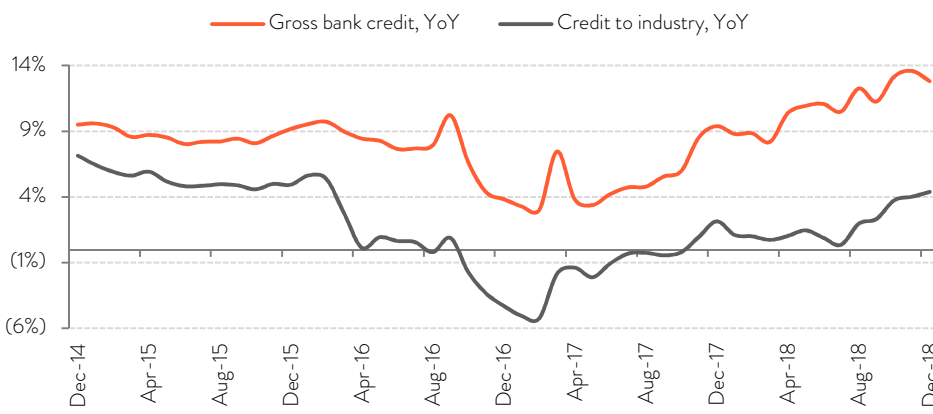


FIG 55 – ...LED BY SIGNIFICANT CREDIT OFFTAKE TO LARGE INDUSTRY

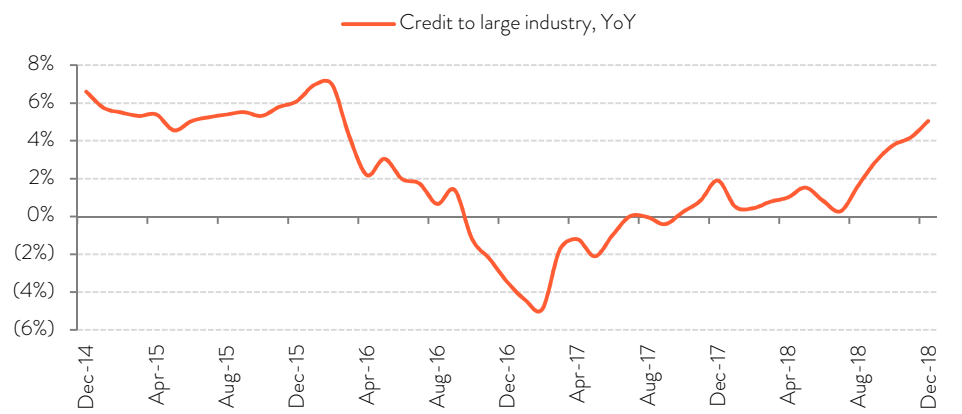


FIG 56 – CREDIT TO INFRA ALSO GREW BY 9.2% IN DEC'18 VS 8.9% IN NOV'18

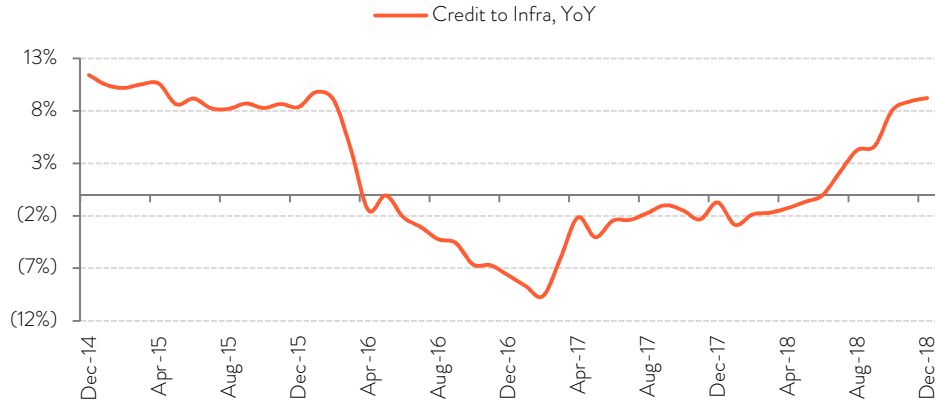


FIG 57 – ...HOWEVER, CREDIT TO MSE DECLINED BY (-) 0.9% IN DEC'18 VS 1.1% IN NOV'18

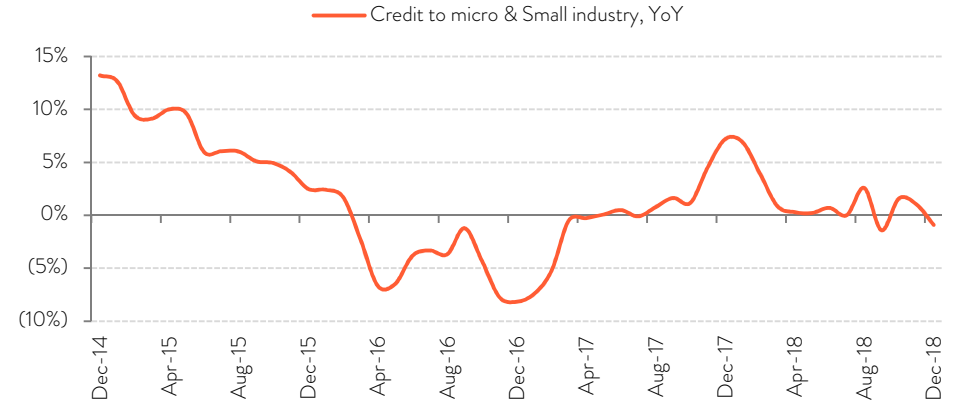


FIG 58 – CREDIT TO HOUSING CONTINUED TO MAINTAIN ITS DOUBLE DIGIT GROWTH OF 17% ON A 6MMA & 3MMA BASIS IN DEC'18

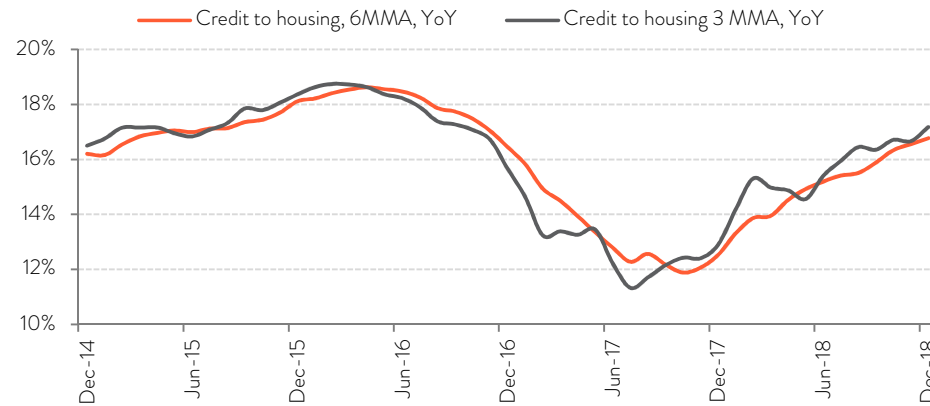
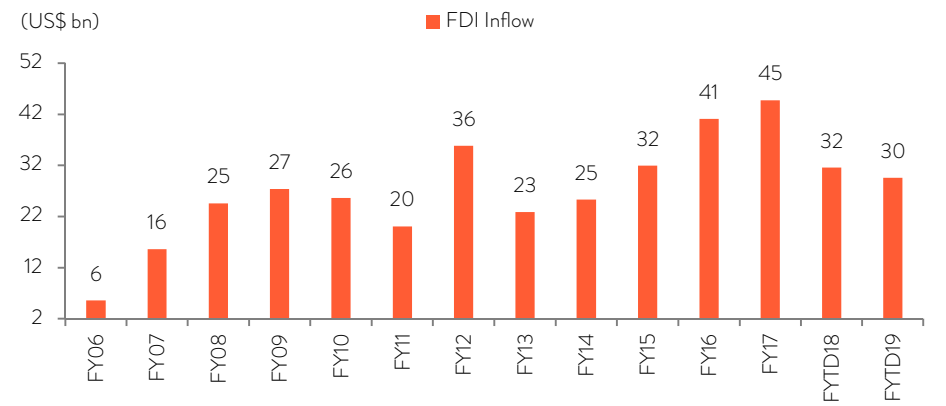


FIG 59 – FDI INFLOWS MODERATED SLIGHTLY TO US\$ 30BN IN FYTD19 VS US\$ 32BN IN THE SAME PERIOD OF PREVIOUS YEAR



Source: DIPP FYTD19: Apr-Nov

Services sector

FIG 60 – GVA: SERVICES ACTIVITY GROWTH REMAINS STEADY IN Q2FY19

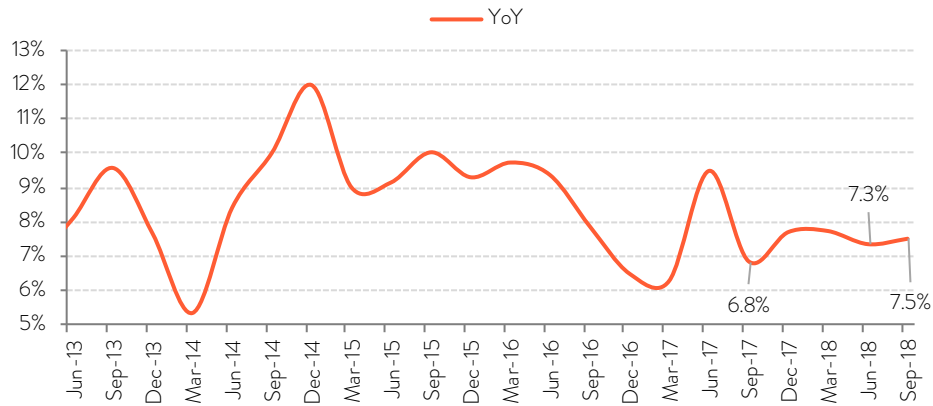
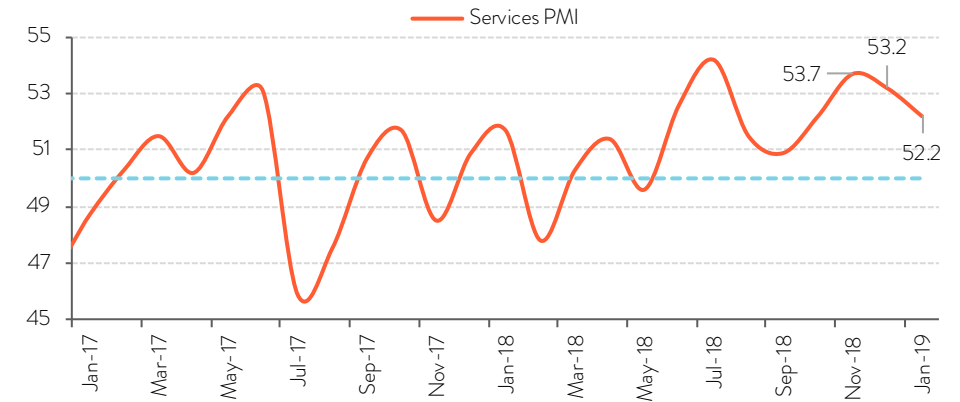


FIG 61 – SERVICES SECTOR STARTS Q4FY19 ON A WEAKER FOOTING; SERVICES PMI IN JAN'19 SLIPS BELOW Q3 AVG (53)



Source: Markit

FIG 62 – GVA: TRADE & RELATED SERVICES HELD GROUND IN Q2FY19

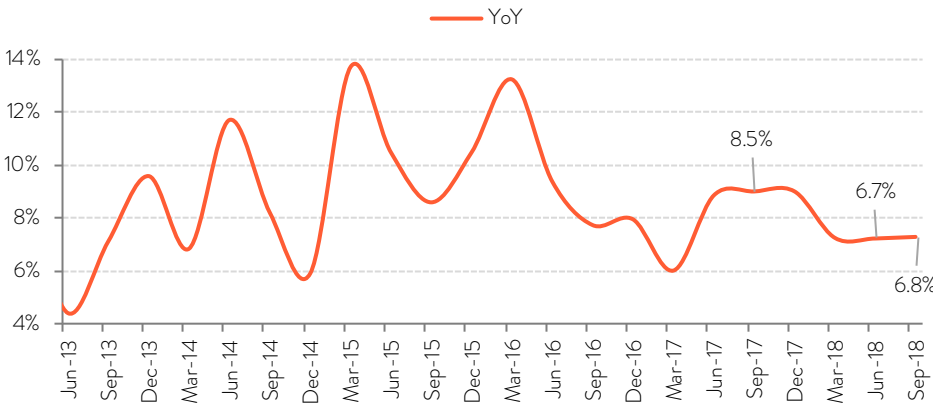
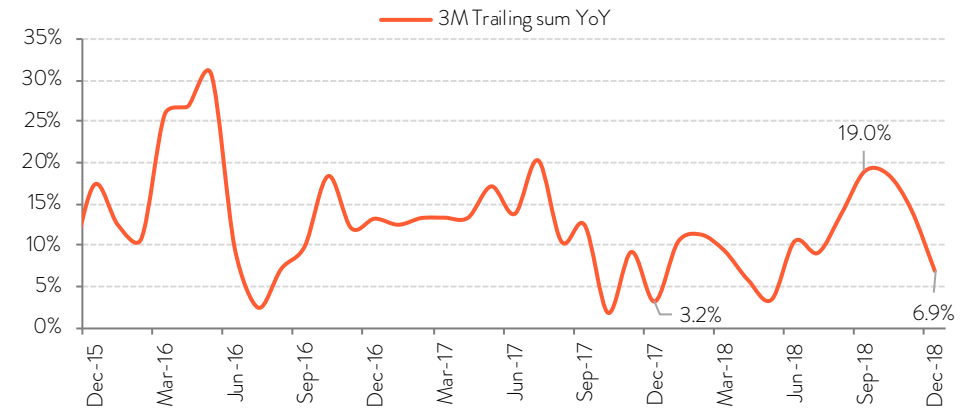


FIG 63 – STATES* REVENUE RECEIPTS DECLINE SHARPLY IN Q3FY19 VS Q2



Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

Trade

FIG 64 – COMMERCIAL VEHICLE SALES GROWTH MUCH LOWER IN Q3FY19 VS Q2

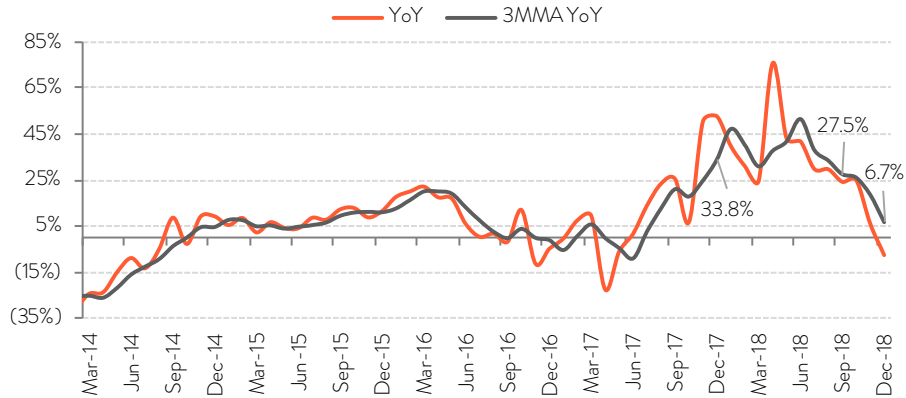
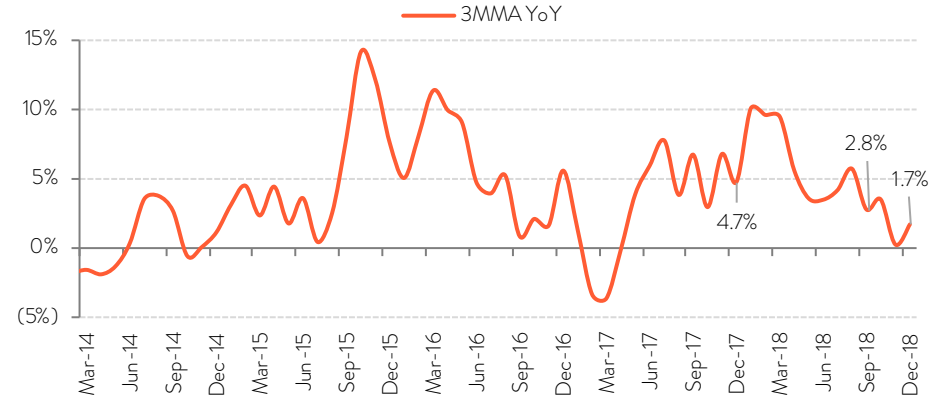


FIG 65 – ...HOWEVER, DIESEL CONSUMPTION PICKED UP, AS PRICES FELL



Source: PPAC

FIG 66 – PORT CARGO VOLUMES DECLINED SHARPLY IN Q3 VS Q2

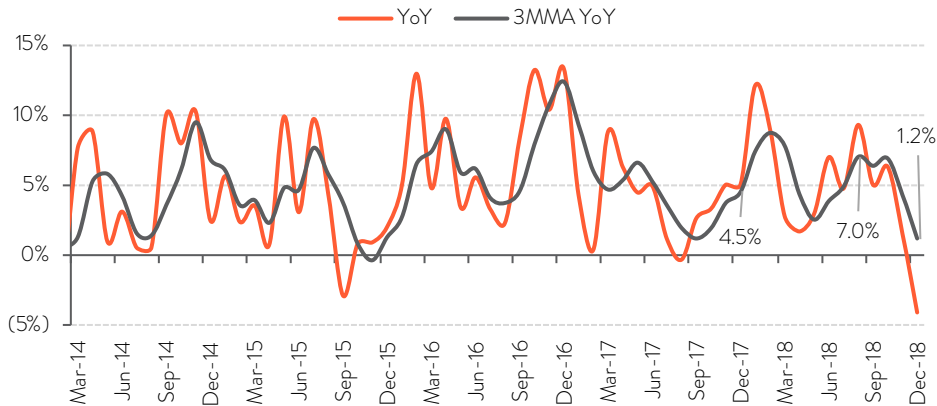
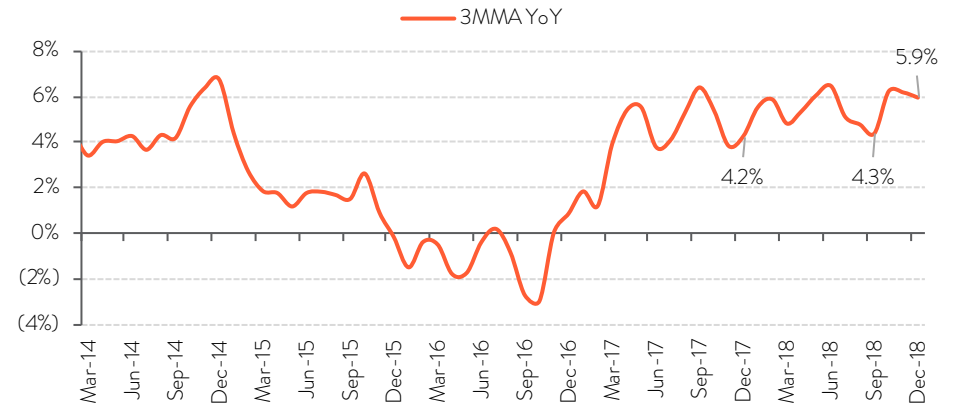


FIG 67 – ...BUT RAILWAY FREIGHT TRAFFIC IN Q3 HIGHER THAN LAST YEAR



Hotels and Communications

FIG 68 – FOREIGN TOURIST ARRIVAL GROWTH FAR LOWER IN DEC'18

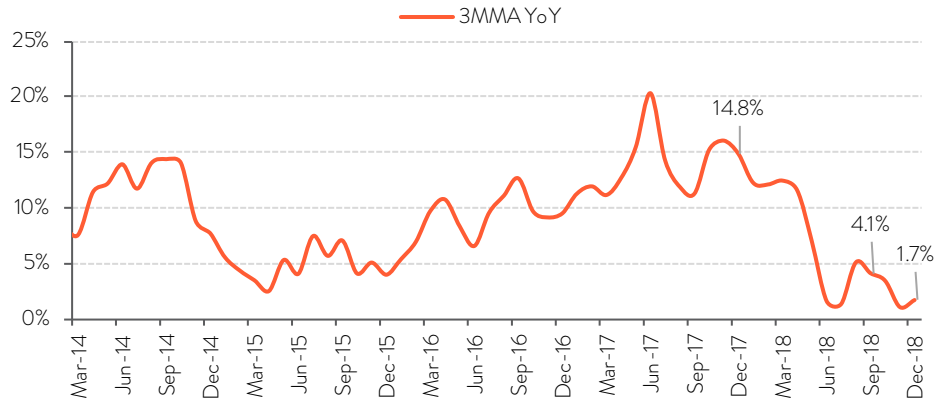


FIG 69 – ...DRAGGING AIRLINE PASSENGER TRAFFIC GROWTH ALSO DOWN

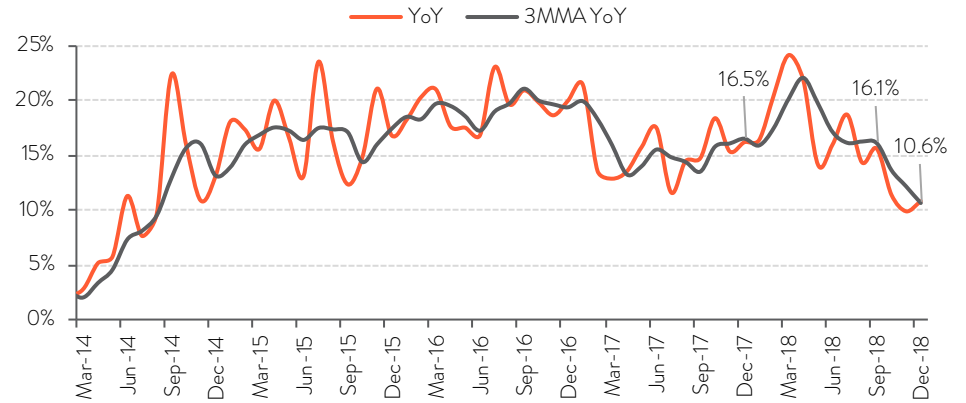


FIG 70 – RAILWAY PASSENGER TRAFFIC GROWTH ALSO DIPS, BUT STILL HIGHER THAN Q3FY18

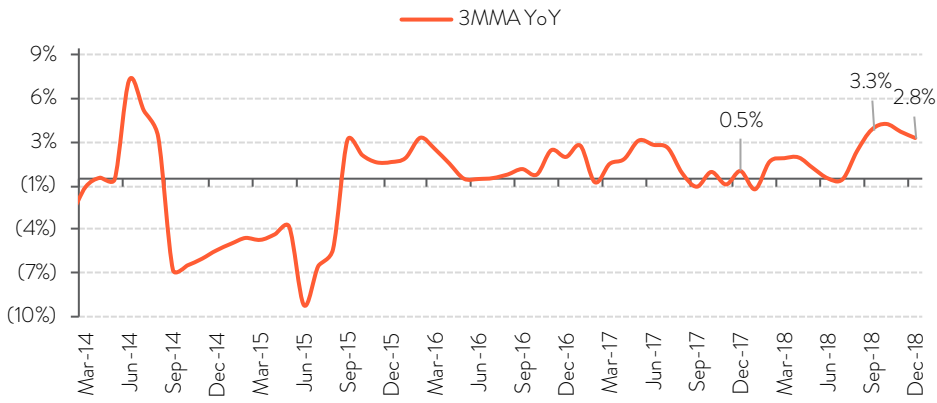
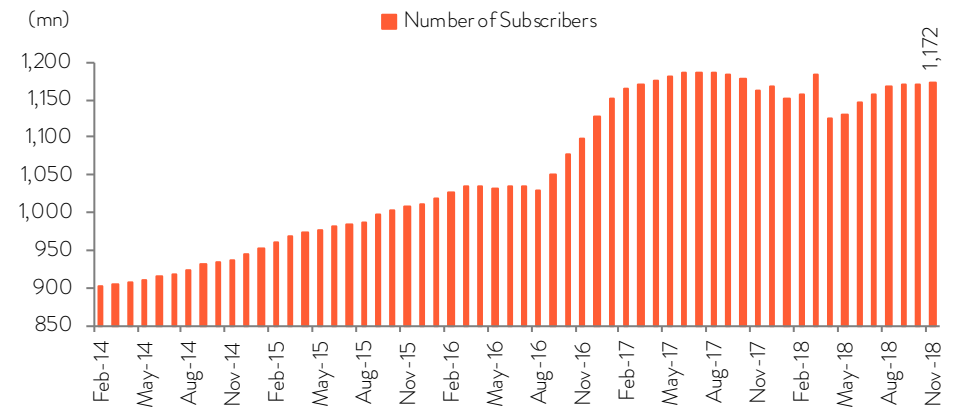


FIG 71 – WIRELESS SUBSCRIBER NOS. STEADY FOR THE FOURTH MONTH IN NOV'18



Finance and Real estate

FIG 72 – GVA: FINANCE, REAL ESTATE & PROF. SERVICES IN Q2FY19 ROSE SLIGHTLY LOWER THAN PREVIOUS QUARTER

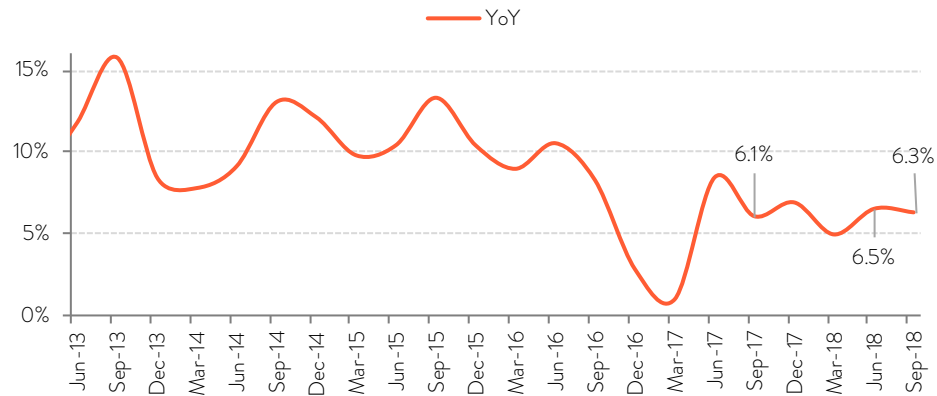
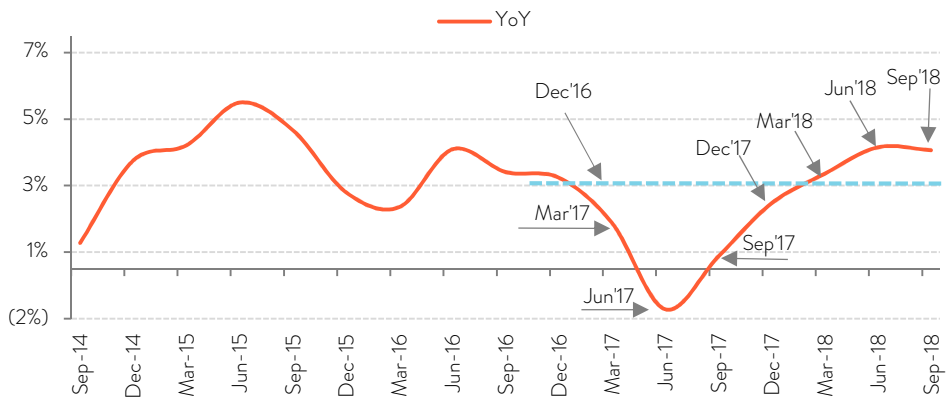


FIG 74 – AVERAGE PROPERTY PRICE INDEX* INDICATING EARLY SIGNS OF PROPERTY MARKET COOLING



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

FIG 73 – BOTH DEPOSIT AND CREDIT GROWTH POST ROBUST GROWTH IN Q3, BUT GAP BETWEEN THE TWO STEADILY WIDENING SINCE SEP'18

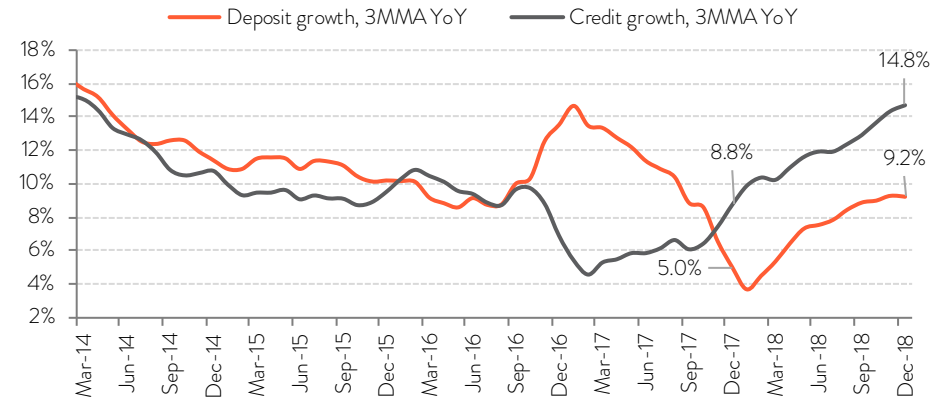
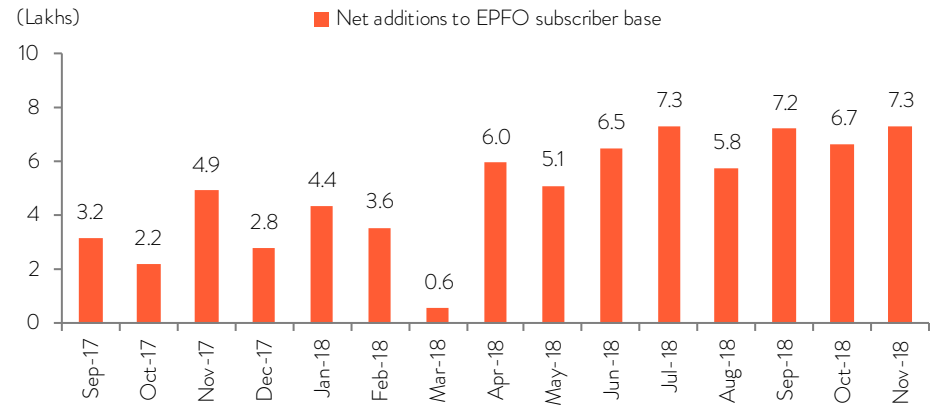


FIG 75 – 73.5 LAKH JOBS FORMALIZED SINCE SEP'17; ADDITIONS IN NOV'18 PICK UP



Source: EPFO

Public administration

FIG 76 – PUBLIC ADMINISTRATION & RELATED SERVICES DRIVE OVERALL SERVICES GROWTH IN Q2FY19

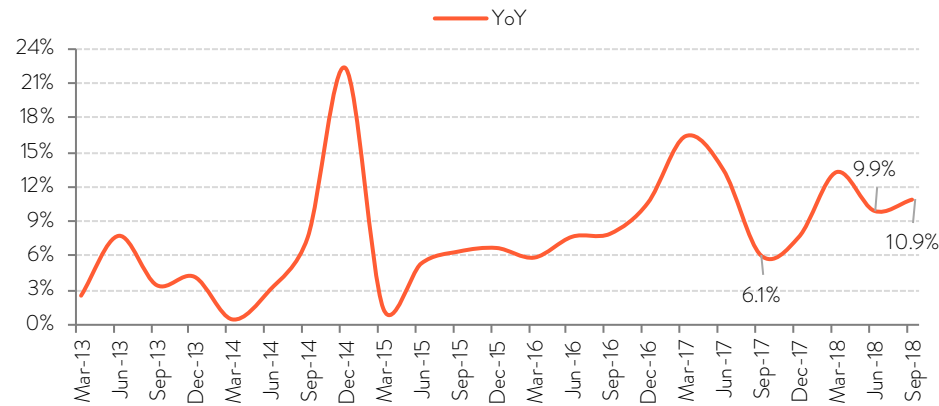


FIG 77 – GENERAL GOVT. SPENDING DECLINES STEEPLY IN Q3FY19, IS NOW FAR LOWER THAN LAST YEAR

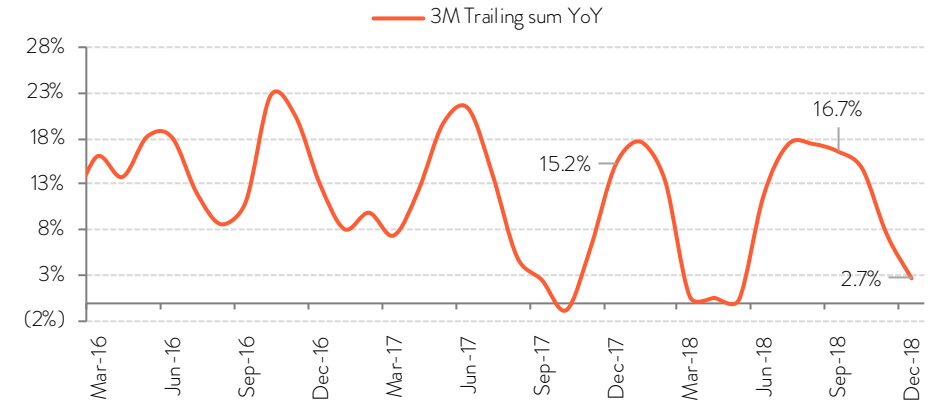


FIG 78 – ...AS CENTRAL GOVT. SPENDING DEGROWS IN DEC'18

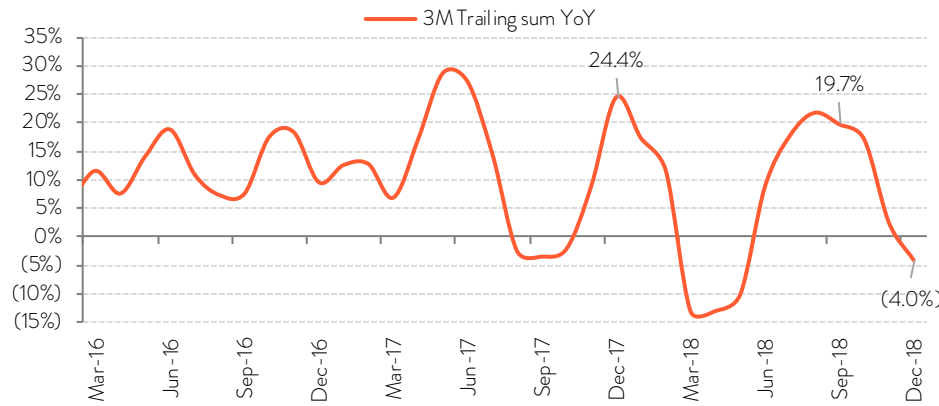
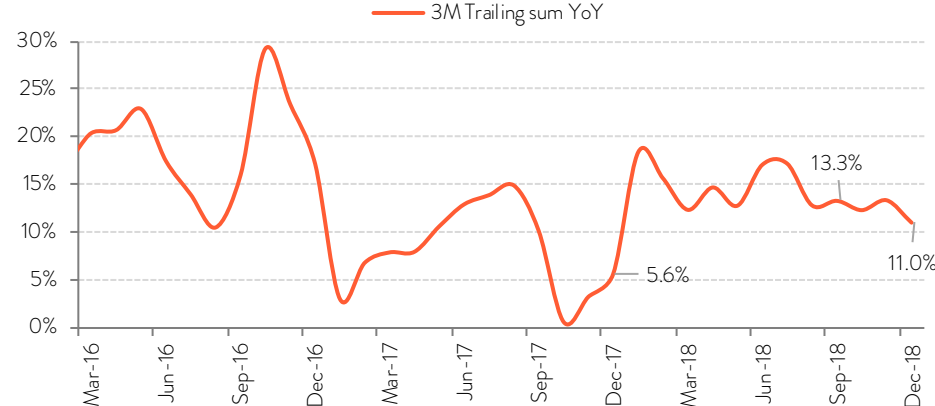


FIG 79 – ...STATE* GOVT. SPENDING ALSO EASING

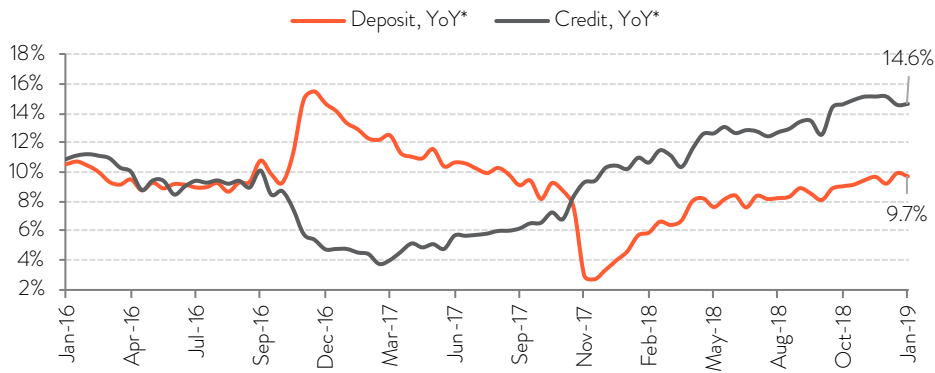


Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

Financial sector

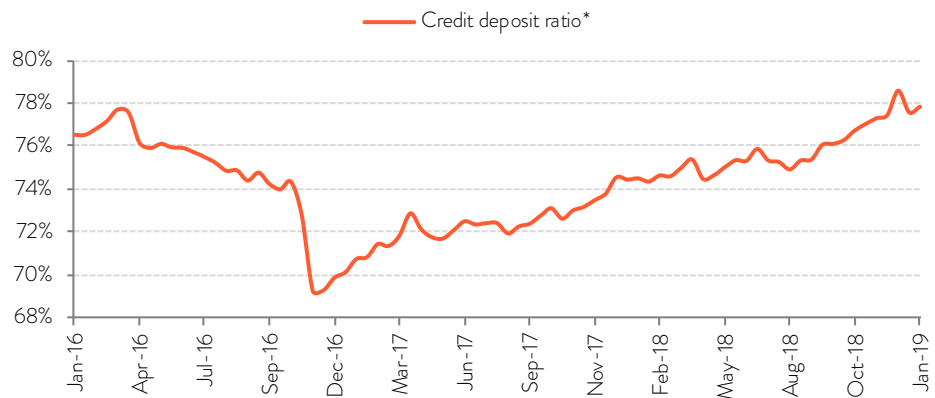
Money and banking

FIG 80 – CREDIT & DEPOSIT GROWTH PICKED UP TO 15% & 10% IN JAN'19 VS 10% & 5% IN THE PREVIOUS YEAR



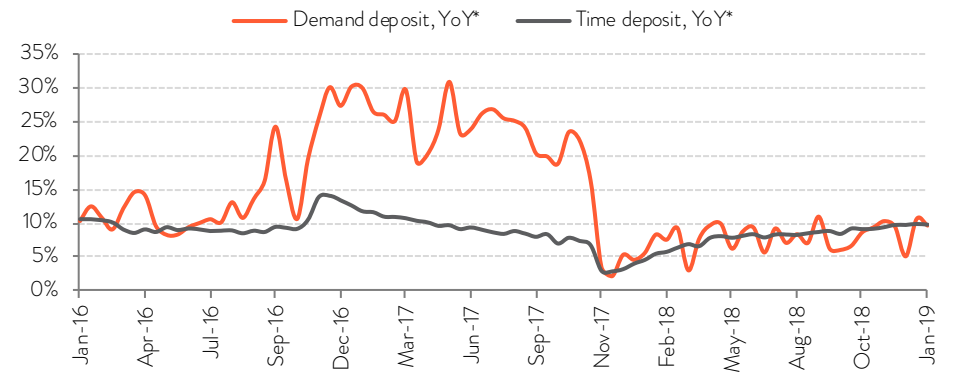
Note: *Dec18 implies fortnight as of 18 Jan 2019.

FIG 82 – CD RATIO WAS AT 77.9% IN JAN'19 VS 78.6% IN DEC'18



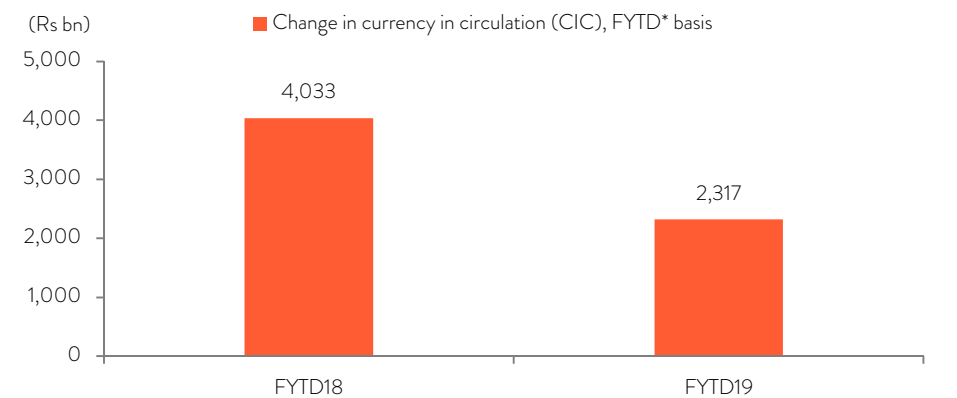
Note: *Dec18 implies fortnight as of 18 Jan 2019.

FIG 81 – TIME & DEMAND DEPOSITS REMAINED LARGELY STABLE IN JAN'19



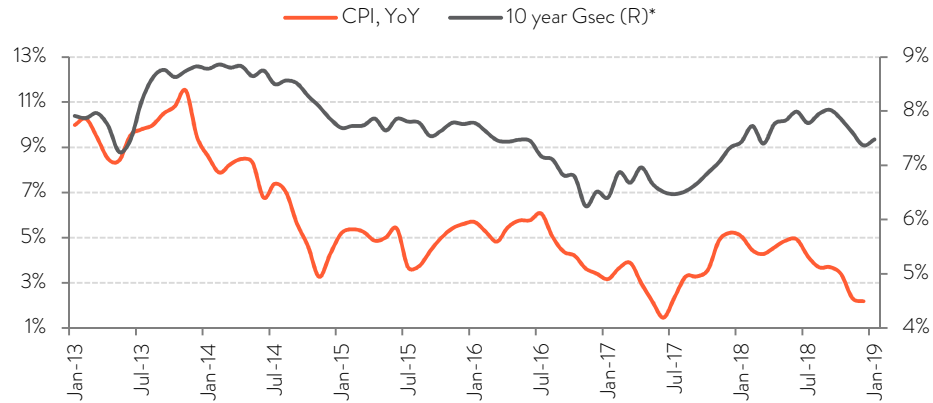
Note: *Dec18 implies fortnight as of 18 Jan 2019.

FIG 83 – ACCRETION TO CIC IS INCREASING AT A SLOWER PACE OF RS 2.31N IN FYTD19 VS RS 4TN IN THE SAME PERIOD OF LAST YEAR



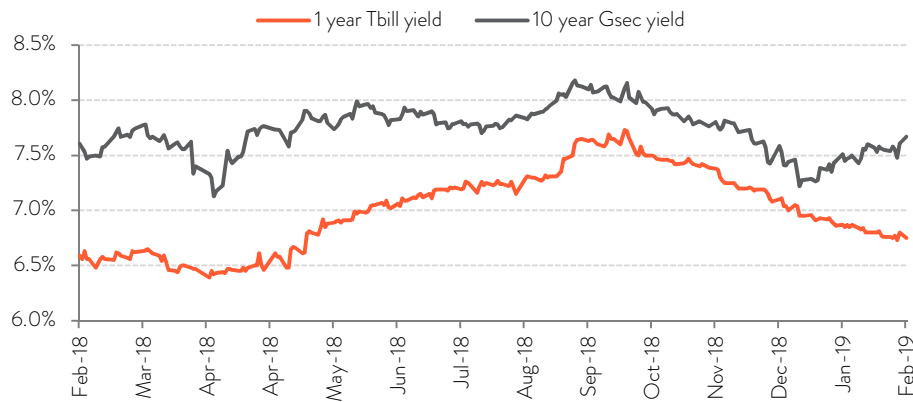
Note: *FYTD implies Apr-Jan.

FIG 84 – REAL RATE WAS AROUND 5% IN DEC'18, HOWEVER 10Y GSEC IS SEEN INCHING UP LATELY DUE TO FISCAL CONCERNS



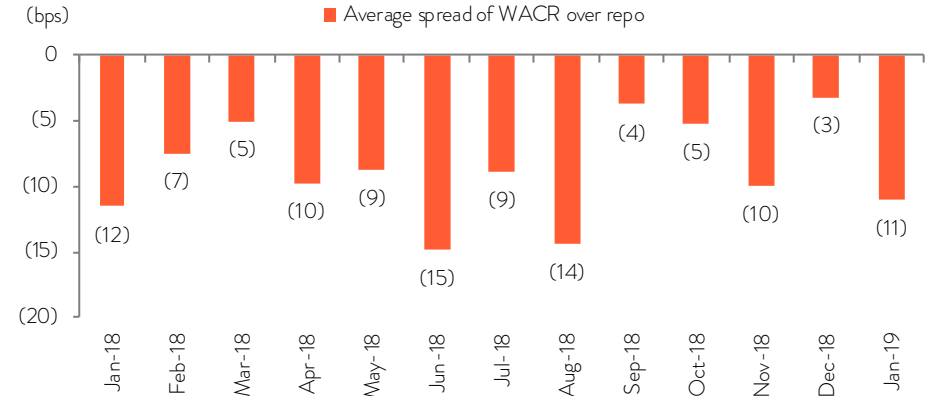
Note: *As on last trading day of the month

FIG 86 – RISING 10Y GSEC YIELD WIDENED THE SPREAD BETWEEN THE SHORT & LONG END YIELDS



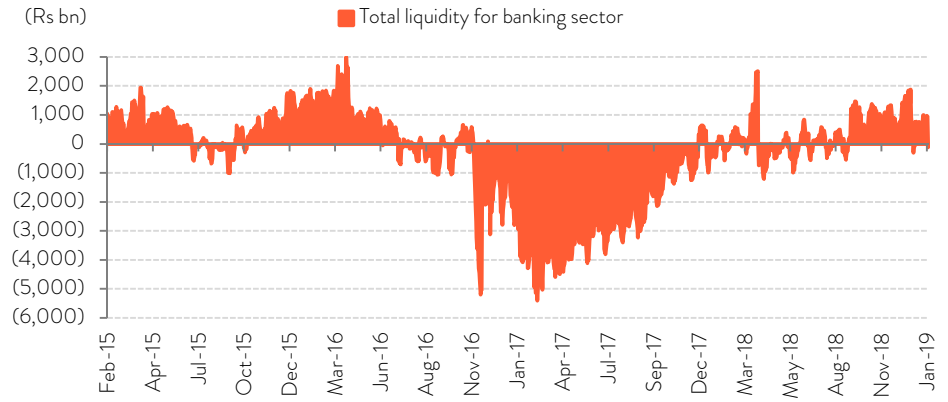
Source: RBI

FIG 85 – SPREAD BETWEEN CALL AND REPO WIDENED TO 11BPS IN JAN'19 VERSUS 3BPS IN DEC'18



Source: RBI

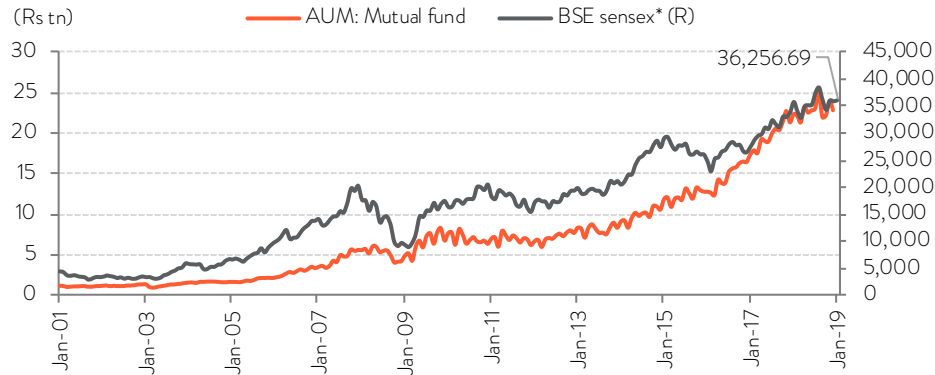
FIG 87 – SYSTEM LIQUIDITY DEFICIT WAS AT RS 940BN AS ON 29 JAN 2019 VS RS 921BN IN DEC 2018, BUT CURRENTLY IS IN SURPLUS OF RS 331BN



Source: RBI

Mutual fund (MF) indicators

FIG 88 – SENSEX ROSE TO 36257 IN JAN'19 VS 36,068 IN DEC'18, AUM OF MFS WAS AT 23TN IN DEC'18 VS RS 24TN IN NOV'18



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

Insurance sector indicators

FIG 90 – GROWTH OF LIFE INSURANCE POLICIES SOLD IN DEC'18 PICKED UP TO 2% DESPITE UNFAVOURABLE BASE

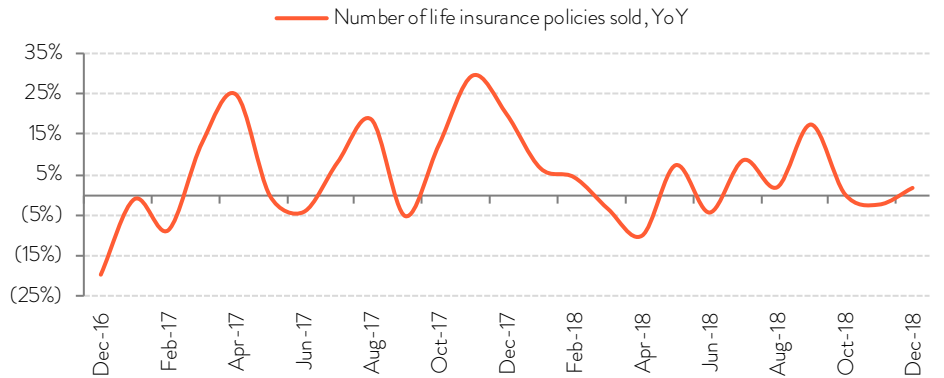


FIG 89 – MF NET INFLOW DECLINED SHARPLY TO RS 1.4TN IN DEC'18 DRIVEN BY HIGHER DEBT OUTFLOW

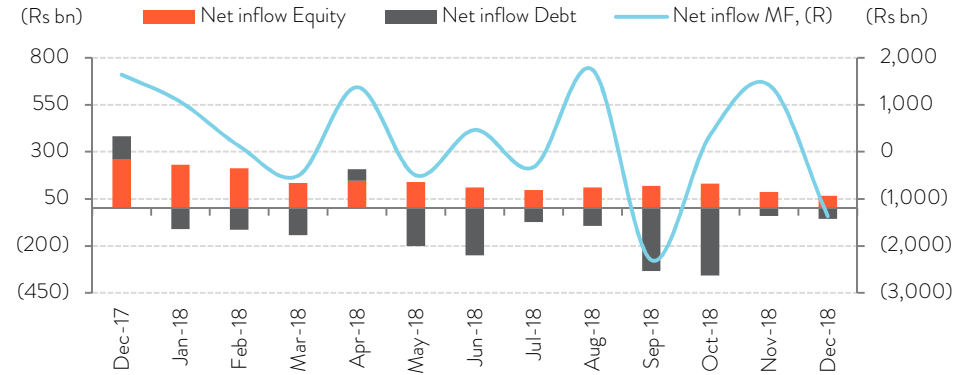
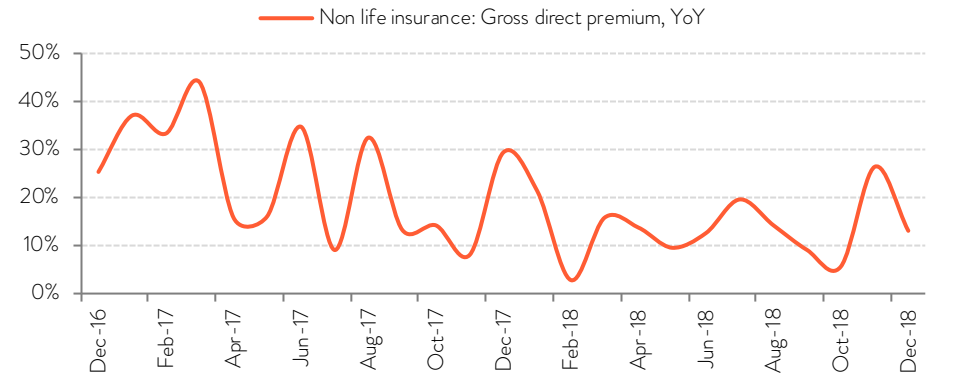


FIG 91 – ...HOWEVER, GROSS DIRECT PREMIUM FOR NON LIFE INSURANCE MODERATED BY 13% IN DEC'18 VS 27% IN NOV'18



Public finance

Central government finances

FIG 92 – OVERALL FISCAL DEFICIT NARROWED IN DEC'18, ON PATH TO REACH 3.4% (FY19RE)

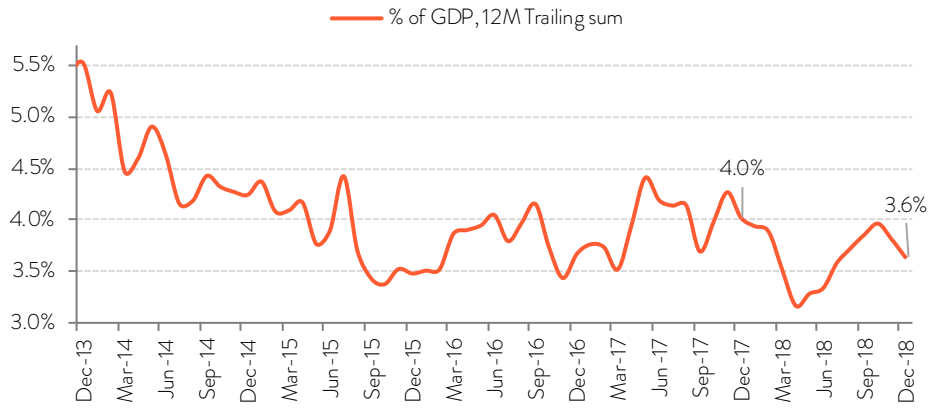


FIG 93 – ...HOWEVER REVENUE DEFICIT INCHED UP MARGINALLY

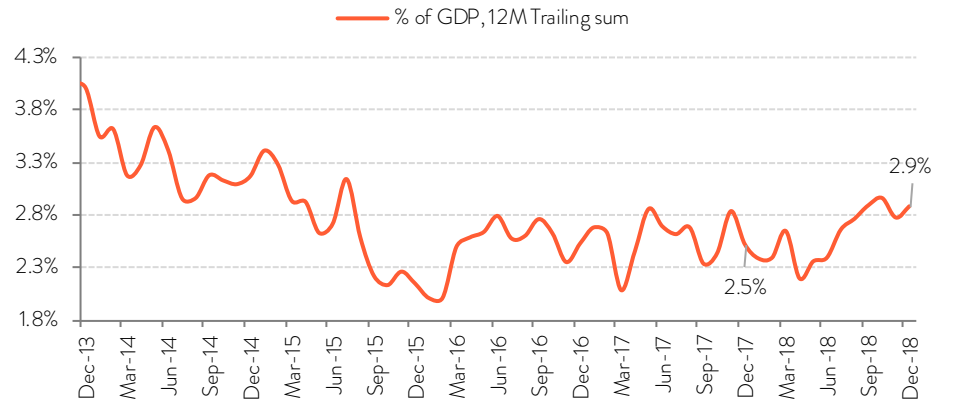


FIG 94 – PRIMARY DEFICIT AT 0.5% IN DEC'18

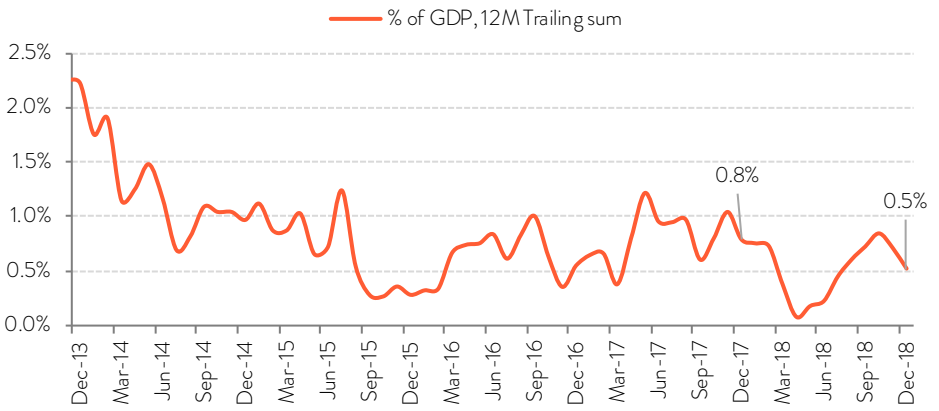


FIG 95 – TOTAL EXPENDITURE CONTINUES TO DECLINE

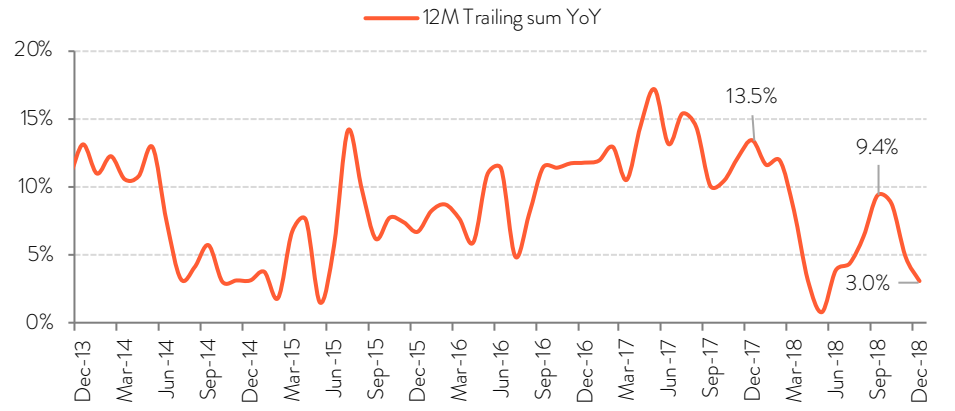


FIG 96 – ...AS CAPEX GROWTH CONTRACTS FURTHER

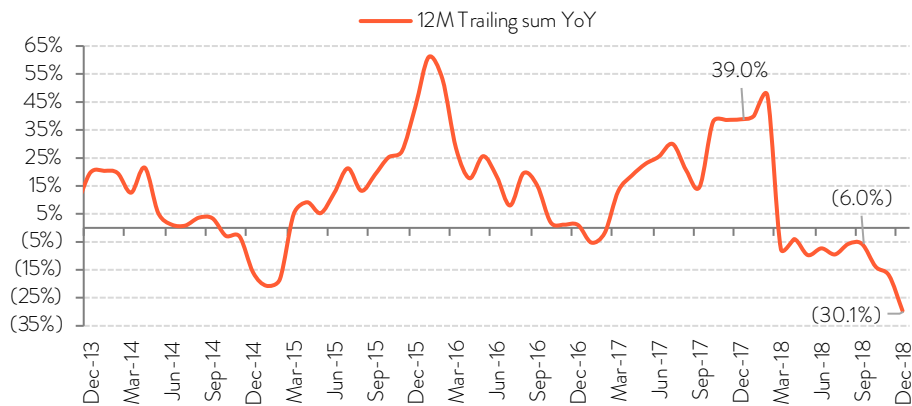


FIG 97 – ...REVENUE EXPENDITURE GROWTH ALSO DOWN

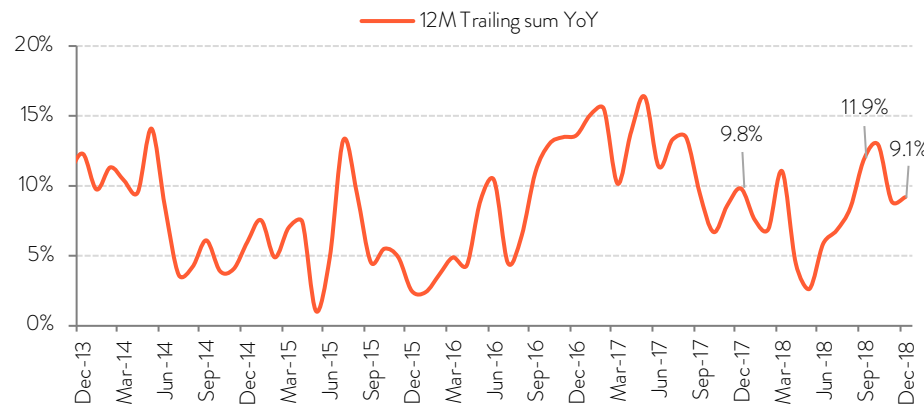


FIG 98 – CHEMICALS AND AGRICULTURE MINISTRY KEY DRIVERS OF SPENDING IN DEC'18 (FYTD BASIS)

Ministry	Apr'16-Dec'16 (Rs bn)	Apr'17-Dec'17 (Rs bn)	Change (%)	Apr'18-Dec'18 (Rs bn)	Change (%)	FY19RE (% change)
Ministry of Finance	4,731	5,488	16.0	6,018	9.6	12.4
Ministry of Defence	2,521	3,067	21.6	3,330	8.6	6.7
Ministry of Consumer Affairs, Food and Public Distribution	1,349	1,502	11.3	1,658	10.4	64
Ministry of Rural Development	776	892	14.9	926	3.8	3.7
Ministry of Home Affairs	631	768	21.7	896	16.6	5.1
Ministry of Human Resource Development	592	604	2.1	464	(23.2)	118.8
Ministry of Road Transport and Highways	505	607	20.2	537	(11.6)	28.9
Ministry of Chemicals and Fertilisers	619	540	(12.8)	601	11.3	5.3
Ministry of Petroleum and Natural Gas	226	332	46.7	281	(15.2)	(2.2)
Ministry of Agriculture	352	355	0.8	427	20.3	70.5
Ministry of Health and Family Welfare	271	391	44.3	412	5.4	5.5

FIG 99 – TOTAL RECEIPTS DROP SHARPLY IN DEC'18...

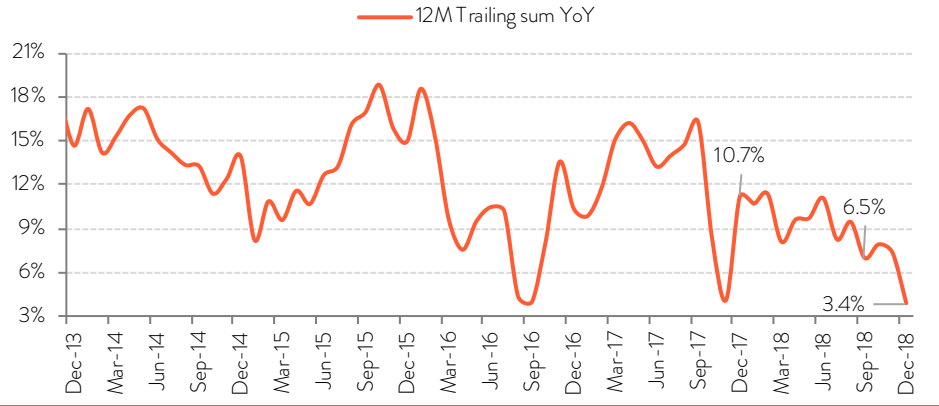


FIG 100 – ...LED BY REVENUE RECEIPTS

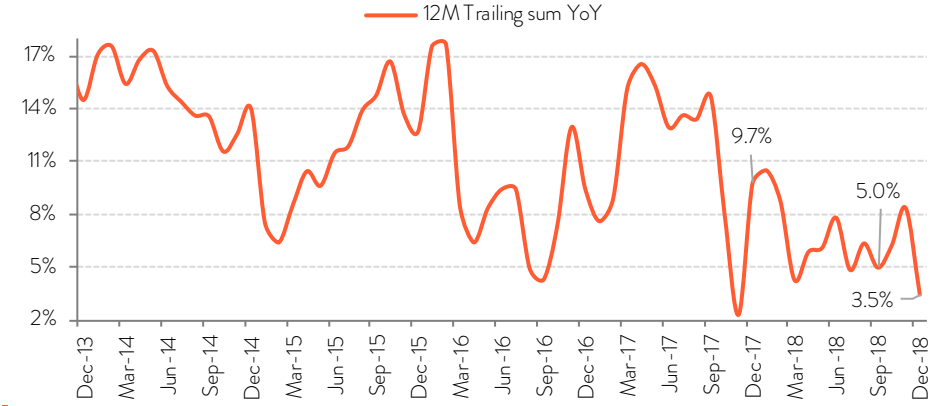


FIG 101 – TAX REVENUE GROWTH DOWN TO 2.4% IN DEC'18

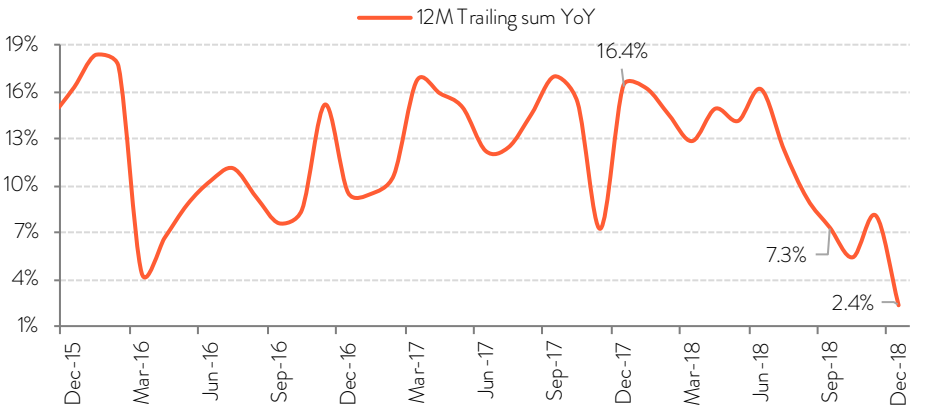


FIG 102 – ...AS INDIRECT TAX REVENUES CONTINUE TO DEGROW

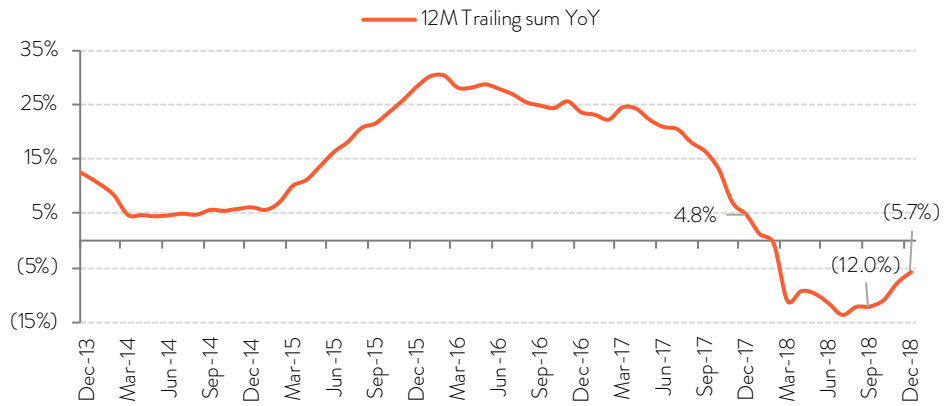


FIG 103 – CENTRE’S TAX REVENUE AND EXPENDITURE GROWTH (FYTD BASIS) FAR BELOW FY19 TARGET

	Apr'16-Dec'16 (Rs bn)	Apr'17-Dec'17 (Rs bn)	Change (%)	Apr'18-Dec'18 (Rs bn)	Change (%)	FY19RE (% change)
Tax revenue	11,391	12,200	7.1	13,478	10.5	19.5
Direct taxes	5,445	6,374	17.1	7,296	14.5	19.8
Corp Tax	3,203	3,751	17.1	4,275	14.0	17.5
Income Tax	2,242	2,623	17.0	3,022	15.2	22.8
Indirect taxes	5,946	5,826	(2.0)	6,182	6.1	14.3
Non-tax revenue	1,825	1,135	(37.8)	1,477	30.1	27.3
Centre's revenue	13,215	13,335	0.9	14,955	12.2	20.5
Total expenditure	14,697	16,990	15.6	18,320	7.8	14.7
Capital exp	1,809	2,366	30.8	2,118	(10.5)	20.3
Revenue exp	12,889	14,624	13.5	16,202	10.8	13.9
Fiscal deficit	5,013	6,209	23.9	7,015	13.0	7.3

FIG 104 – GROSS DIRECT TAX COLLECTIONS SLOW IN DEC'18

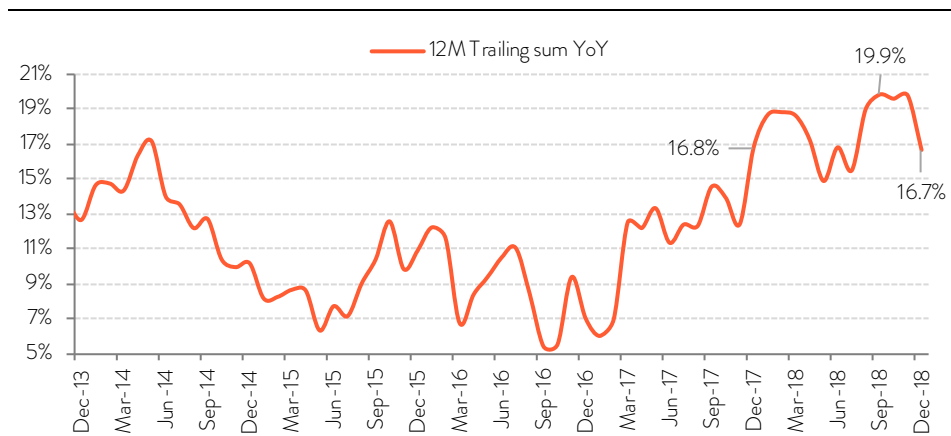


FIG 105 – SHARE IN GDP OF DIRECT TAX STEADY, WHILE THAT OF INDIRECT TAX CONTINUES TO DECLINE

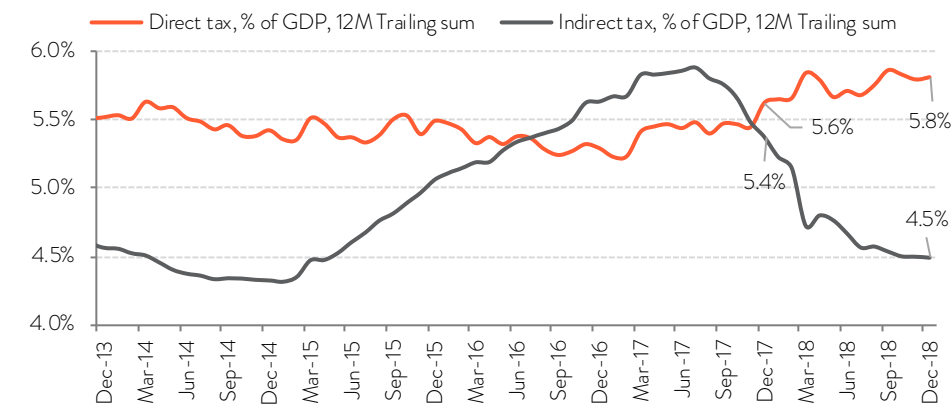


FIG 106 – CORPORATE TAX REVENUE GROWTH IN DEC'18 SIMILAR TO PREVIOUS YEAR

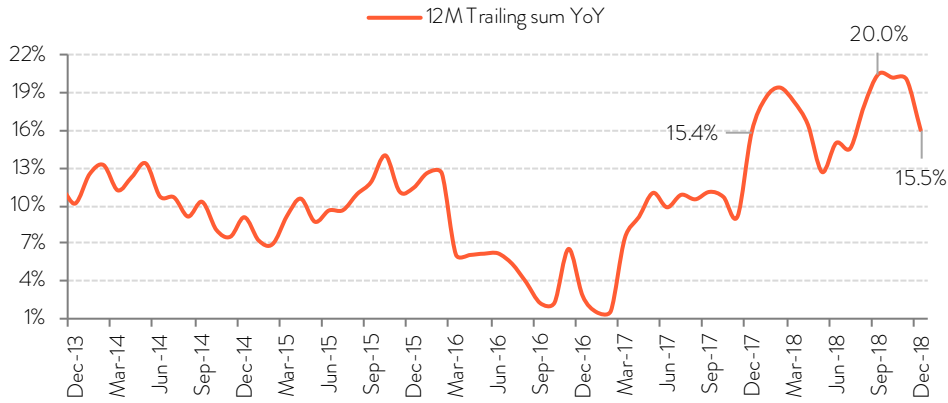


FIG 107 – INCOME TAX REVENUE GROWTH IN DEC'18 LOWER THAN LAST YEAR

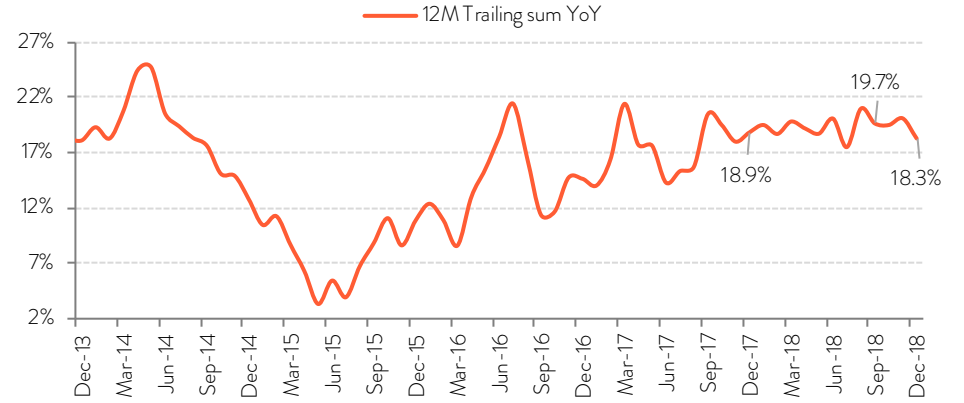


FIG 108 – DEC'18 GST COLLECTIONS CROSS RS 1TN MARK

(Rs bn)	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Monthly run rate	FYTD19	FY19 (RE)
CGST	242	231	431	274	321	281	309	579	360	299	480	344	431	378	3,404	5,039
UT GST	2.2	1.9	0.9	9.7	0.9	0.5	0.6	1.6	3.3	1.1	1.3	0.8	5.9	2	16	-
IGST	171	194	(197)	137	200	169	102	(399)	52	148	(142)	90	(94)	14	126	500
SGST*	395	373	576	539	333	433	473	678	455	481	561	433	605	495	4,452	4,882
Cess	79	80	82	76	85	72	80	80	74	79	77	79	77	78	703	900
Total GST	889	880	893	1,035	940	956	965	940	944	1,007	976	947	1,025	967	8,701	-
GST 3B Filing by deadline (mn)	5.4	5.4	5.5	6.0	6.2	6.5	6.6	6.7	6.7	6.7	7.0	7.2	7.3	-	-	-

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

FIG 109 – CENTRAL GOVT. PUBLIC DEBT STEADY IN Q2FY19

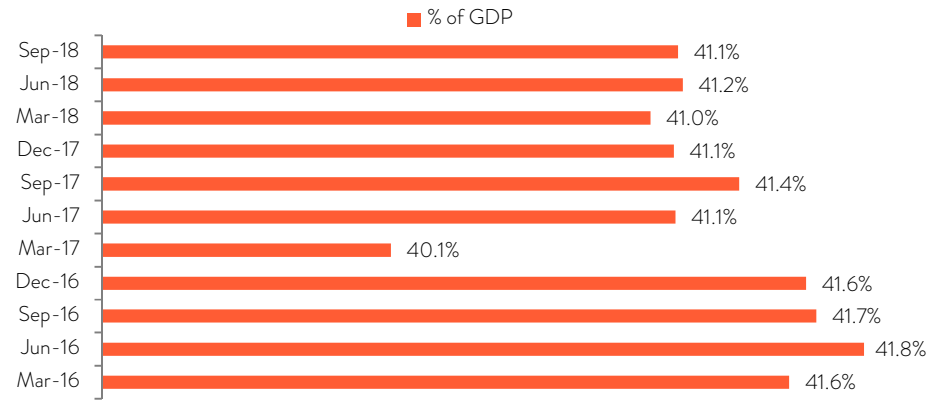
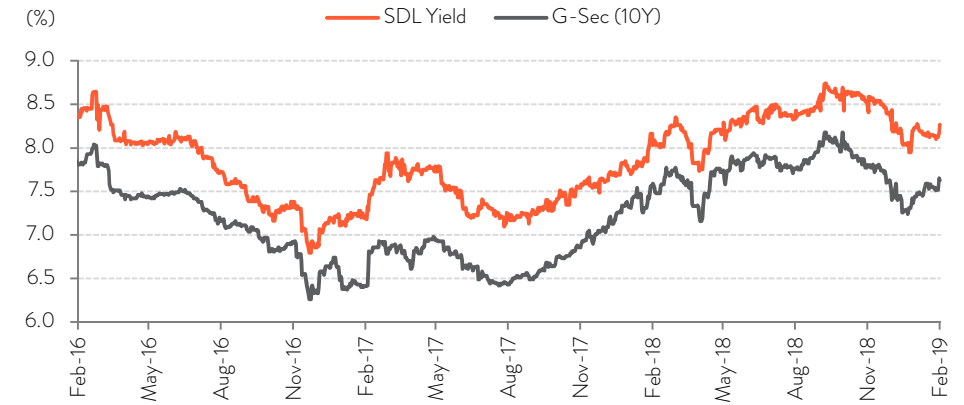


FIG 110 – GAP BETWEEN AVG. YIELD ON SDL & 10Y G-SEC NARROWING SINCE NOV'18; IS AT ITS LOWEST SINCE SEP'18 IN FEB'19



Source: CCIL

FIG 111 – SUBSIDIES MAINTAINED AT A STEADY RATIO IN FY19 & FY20

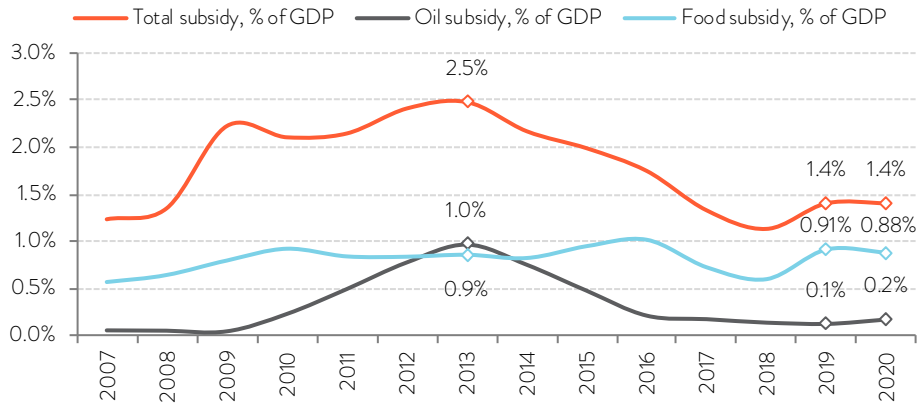
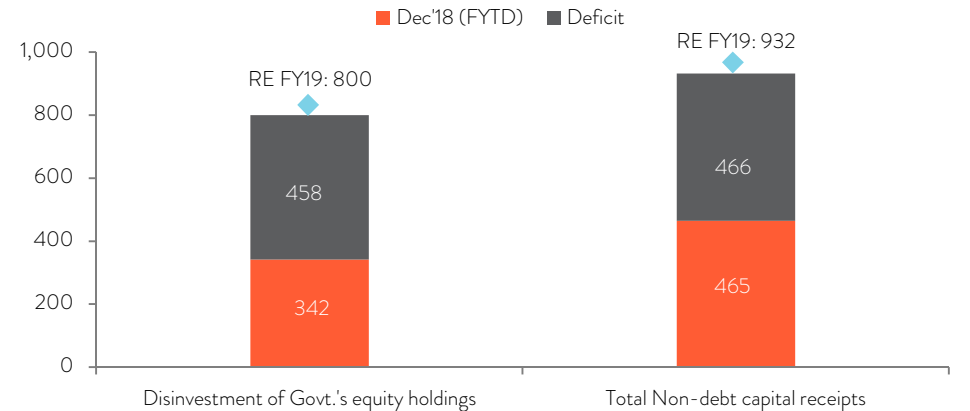
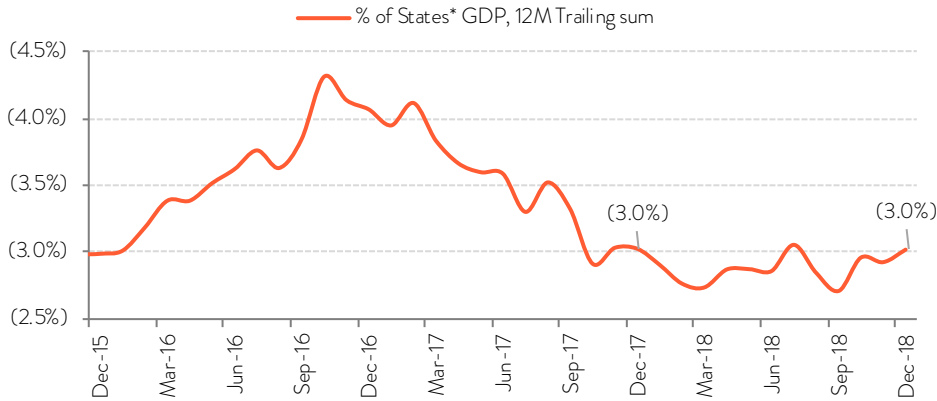


FIG 112 – CENTRAL GOVT.'S DISINVESTMENT STATUS



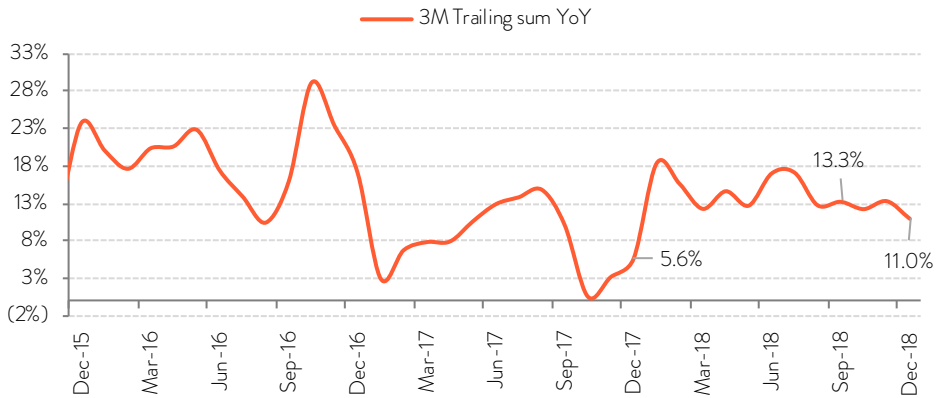
State government finances

FIG 113 – STATES* LIKELY TO BREACH 2.6% FISCAL DEFICIT TARGET FOR FY19



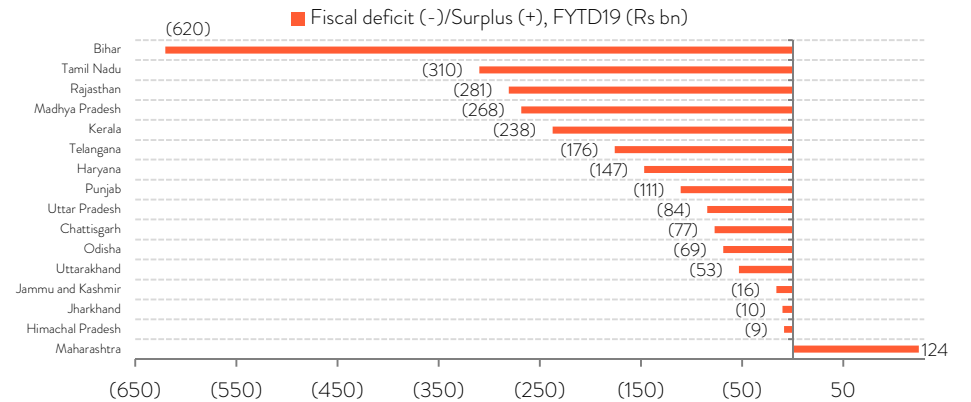
Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 115 – TOTAL EXPENDITURE OF STATES* DIPS IN Q3FY19, BUT STILL HIGHER THAN LAST YEAR



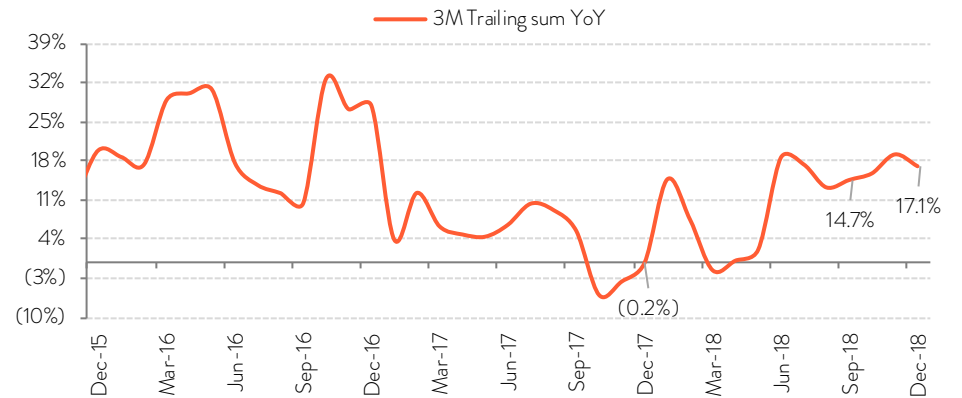
Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 114 – BIHAR & TAMIL NADU HIGHEST DEFICIT STATES AS OF DEC'18



Note: FYTD - Apr'18-Dec'18

FIG 116 – TOTAL RECEIPTS OF STATES* IN Q3FY19 HIGHER THAN Q2FY19 AND Q3FY18



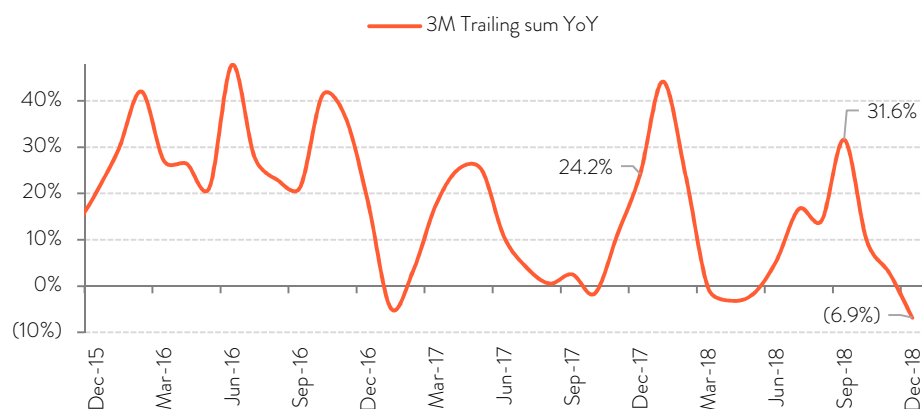
Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 117 – STATE* GOVT. TAX REVENUES IMPROVING IN DEC'18, BUT CAPEX STILL DOWN (FYTD BASIS)

	Apr'16-Dec'16 (Rs bn)	Apr'17-Dec'17 (Rs bn)	% change	Apr'18-Dec'18 (Rs bn)	% change
Total Receipts	11,874	12,314	3.7	14,371	16.7
Revenue Receipts	9,624	10,534	9.5	11,812	12.1
Receipts: Tax Revenue	7,346	8,104	10.3	9,061	11.8
Receipts: Non-Tax Revenue	706	752	6.5	931	23.9
Capital Receipts	2,297	1,780	(22.5)	2,559	43.8
Total Expenditure	11,601	12,683	9.3	14,412	13.6
Revenue Expenditure	9,891	10,757	8.8	12,322	14.6
Capital Expenditure	1,710	1,926	12.6	2,090	8.5
Revenue Surplus or Deficit	(257)	(223)	(13.5)	(510)	129.1
Fiscal Surplus or Deficit	(2289)	(1729)	(24.5)	(2344)	35.6

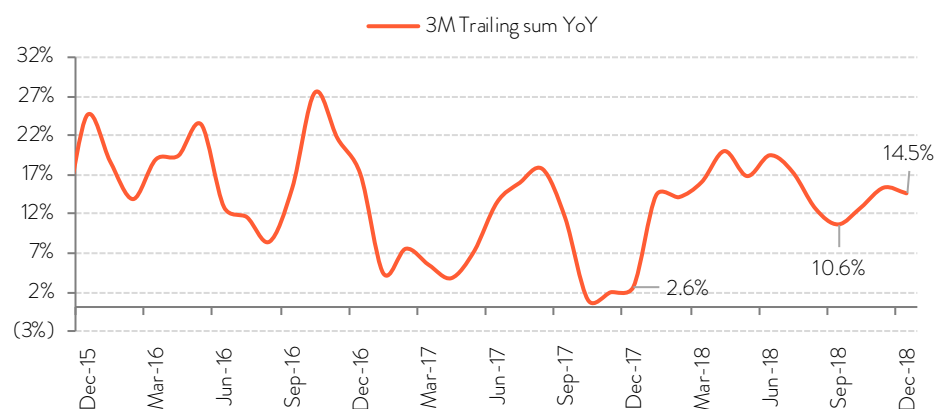
Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 118 – CAPITAL EXPENDITURE OF STATES* SEES DEGROWTH IN DEC'18



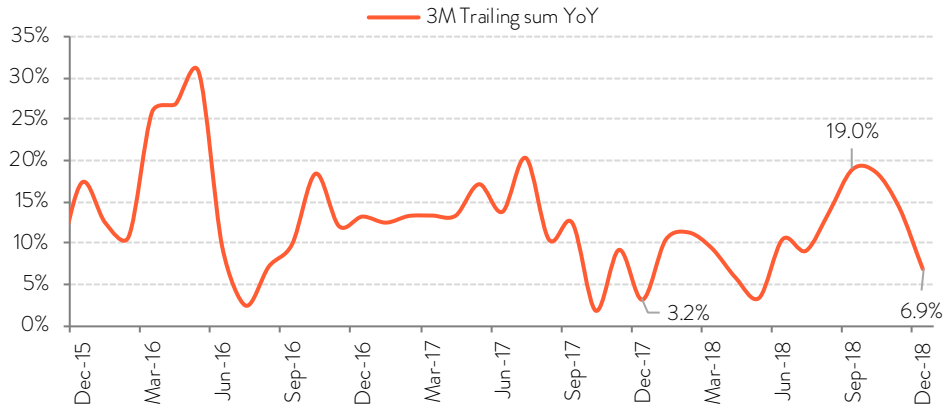
Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 119 – ... BUT REVENUE EXPENDITURE BY STATES* INCHING UP VS Q2



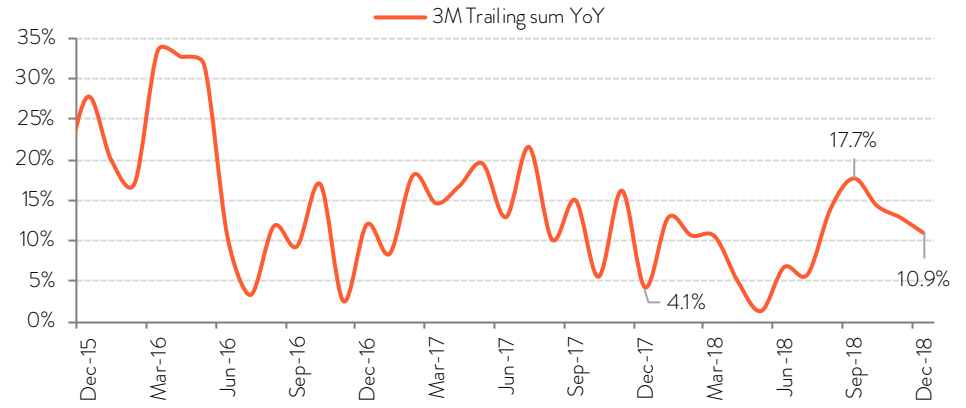
Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 120 – REVENUE RECEIPTS OF STATES* DECLINING SHARPLY



Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 121 – ...LED BY STEEP FALL IN TAX REVENUE OF STATES*



Note: *All states excluding N.E states, Andhra Pradesh, Goa, Gujarat, Karnataka and W. Bengal

FIG 122 – PATTERN OF STATE SPENDING

State	Pay commission implemented	Loan waiver announced	Capex Increasing (Dec'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 Sep'18; **Capex as of Nov'18

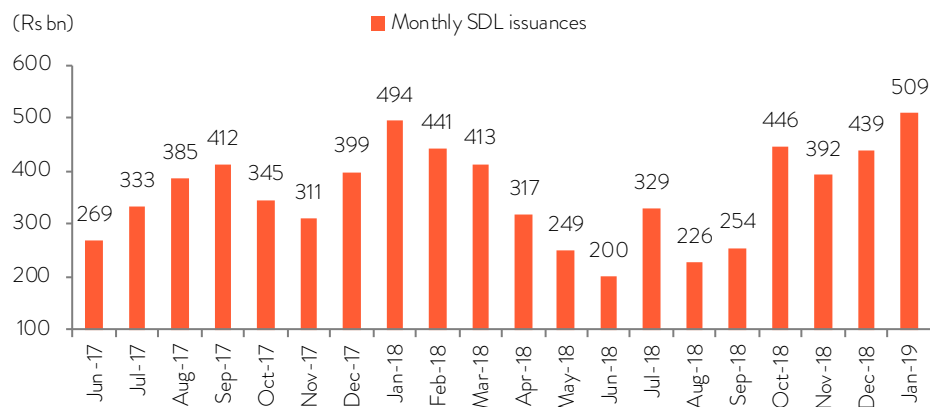
FIG 123 – CENTRE’S GROSS BORROWING WAS AT RS 480BN IN JAN’19 VS RS 360BN IN DEC’18



Source: RBI

State government borrowing

FIG 125 – STATE BORROWING IN JAN’19 HIGHEST IN ALMOST 5 YEARS



Source: RBI

FIG 124 – CENTRE’S Q4 BORROWING CALENDAR HAS BEEN REVISED FROM RS 1080BN TO RS 1440BN

Total accepted amount (G-Sec), (Rs bn)	FY15	FY16	FY17	FY18	FY19 (Actual)	FY19 (planned)
Q1	1,830	1,740	1,500	1,680	1,320	1,440
Q2	1,570	1,630	1,910	1,890	1,440	1,440
Q3	1,430	1,640	1,610	1,640	1,270	1,390
Q4	1,090	840	800	670	480*	1,440#
Total	5,920	5,850	5,820	5,880	-	5,710

Source: RBI | *till Jan’19, # auction calendar has been revised from earlier amount of Rs 1080bn in Q4FY19

FIG 126 – STATES BORROWED RS 3.4TN IN FYTD*19 VS PLANNED RS 6.1TN

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	1,277	1,258
Q4	809	959	1,322	1,348	509*	2,223
Total	2,408	2,946	3,876	4,182	-	6,074

Source: RBI | *till 29 Jan 2019

External sector

Exports

FIG 127 – EXPORT GROWTH SLIPS FURTHER IN DEC'18

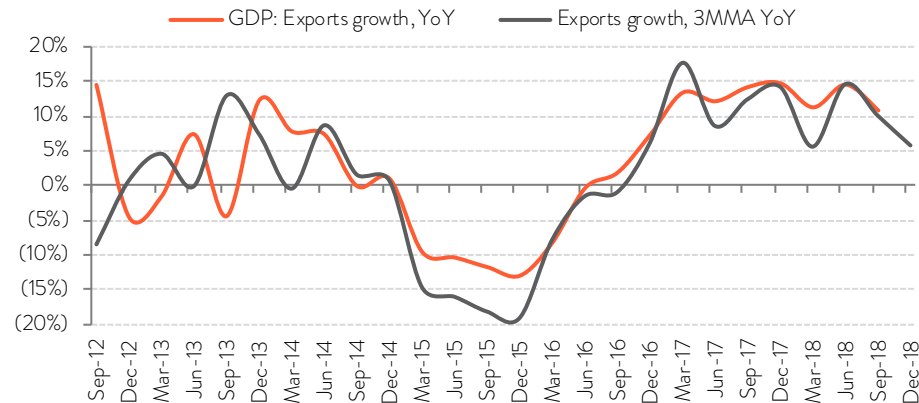


FIG 128 – LED BY A SHARP DECLINE IN EXPORTS OF GEMS AND JEWELLERY



Exports by major sectors

FIG 129 – AGRI EXPORTS DECLINE FOR THE FIFTH STRAIGHT MONTH

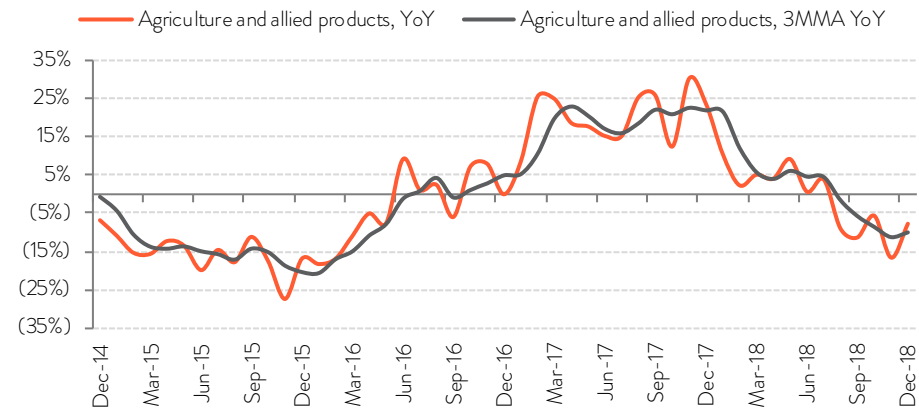


FIG 130 – ENGINEERING GOODS EXPORTS ALSO DECLINE

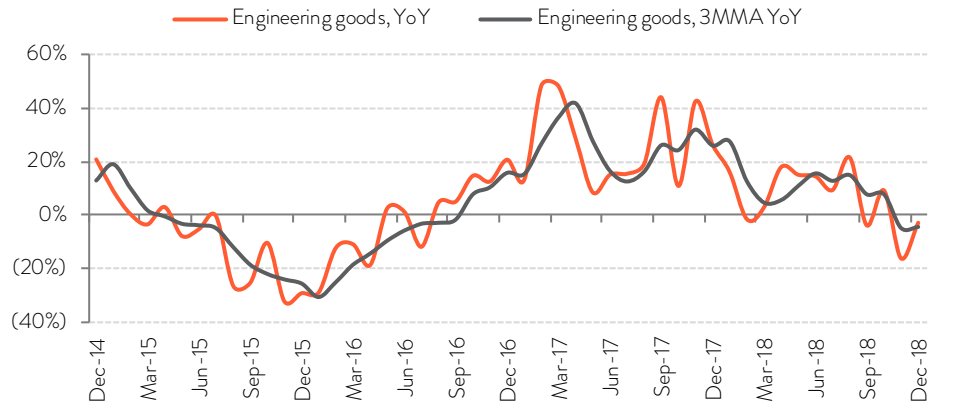


FIG 131 – DECELERATION IN OIL IMPORTS

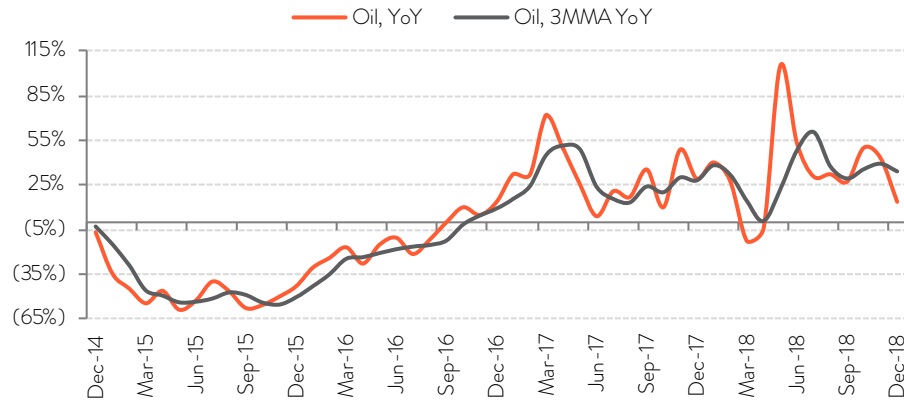
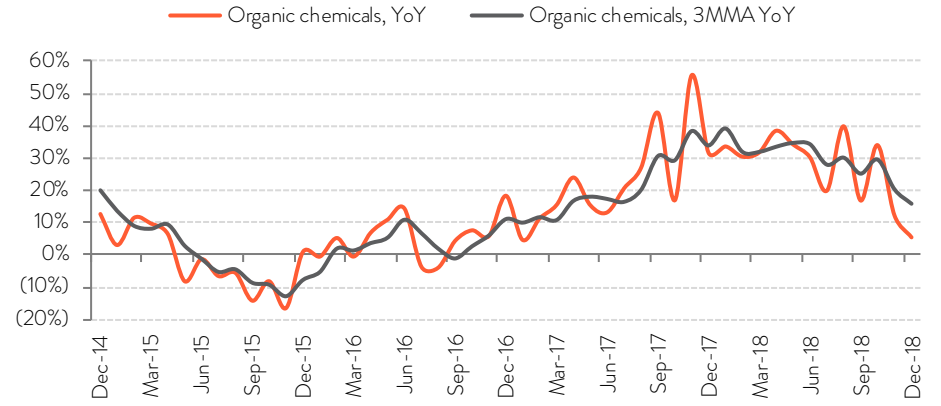


FIG 132 – SAME TREND VISIBLE IN EXPORTS OF ORGANIC CHEMICALS



Imports

FIG 133 – IMPORT GROWTH ALSO DECLINES

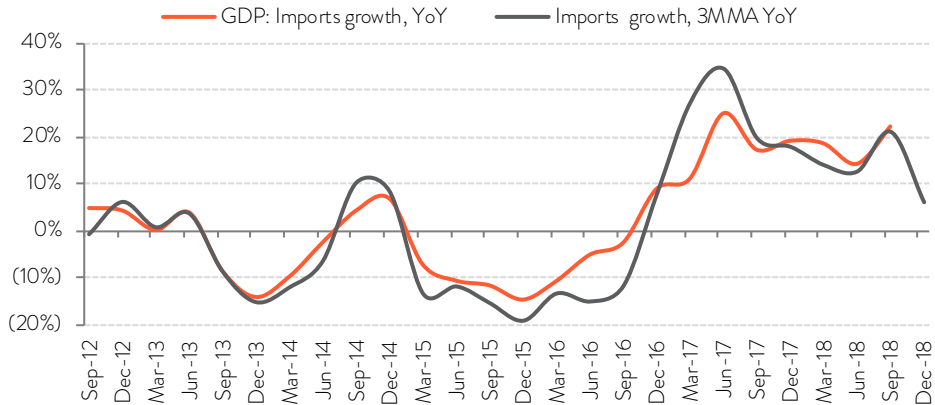


FIG 134 – LED BY A SHARP DECLINE IN GOLD IMPORTS

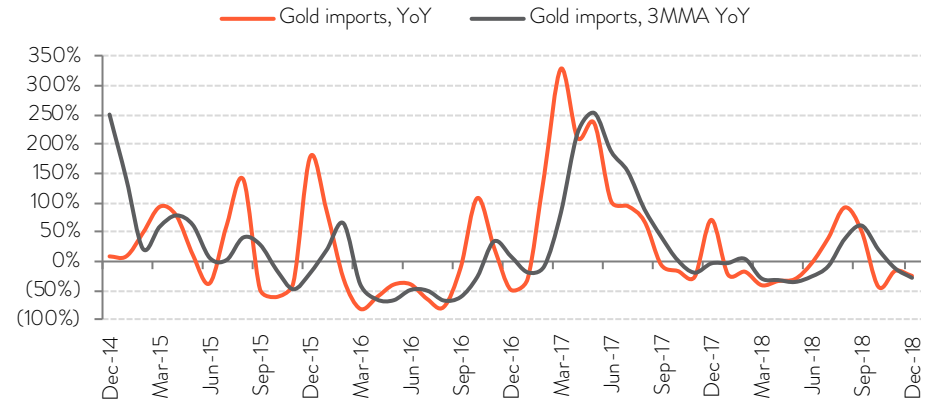


FIG 135 – ELECTRONIC IMPORTS ALSO DECLINE

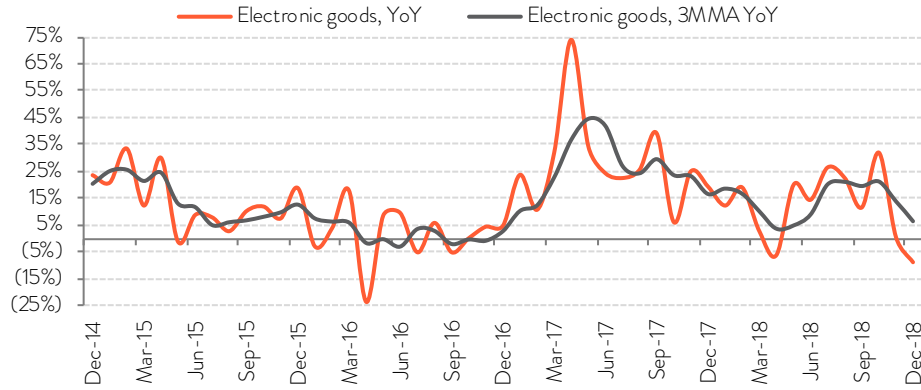


FIG 136 – SIMILAR TREND VISIBLE IN IMPORTS OF PRECIOUS METALS

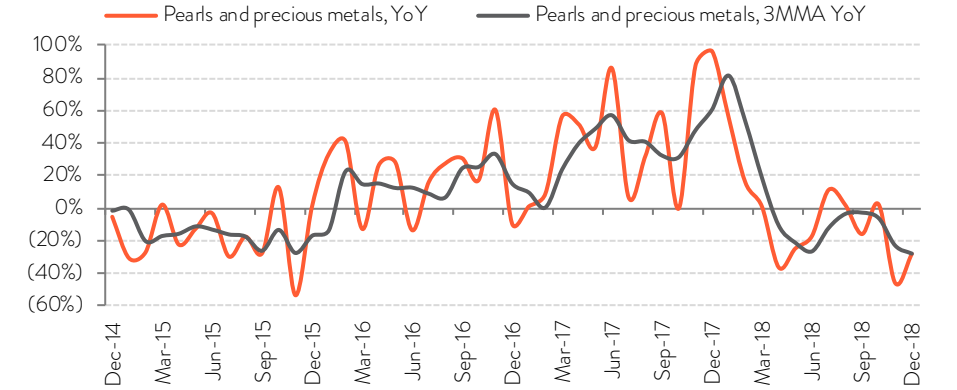


FIG 137 – OIL IMPORTS DECELERATE IN DEC'18 (3% VS 41% IN NOV'18)

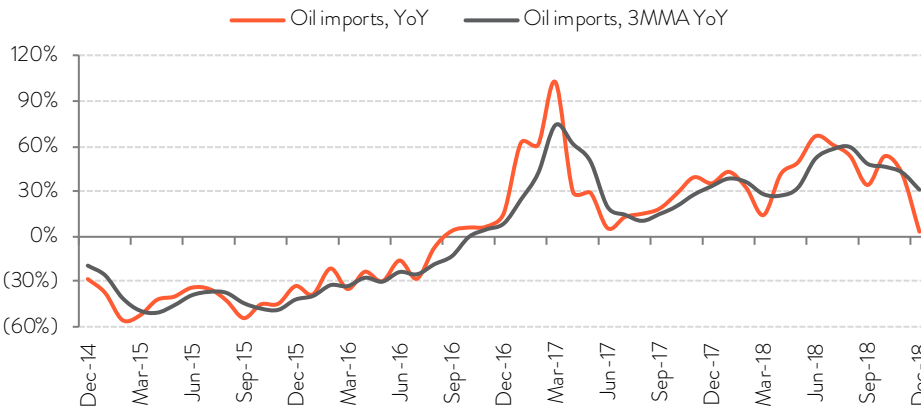
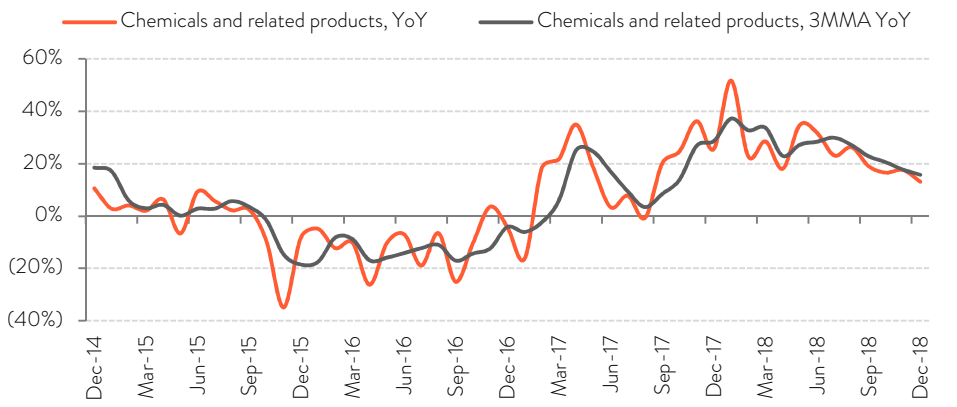


FIG 138 – SO DO IMPORTS OF CHEMICALS



Exports and imports by major regions

FIG 139 – EXCEPT MIDDLE EAST AND AFRICA, EXPORTS TO OTHER MAJOR REGIONS DECLINE ON A FYTD BASIS

Region (% YoY)	Share (%) FY18	Oct'18	Nov'18	Dec'18	FYTD18	FYTD19
Americas	24.4	23.9	(3.3)	4.2	13.1	10.5
Asia and Pacific (Ex. China)	4.4	13.7	(4.2)	(8.9)	18.7	6.5
China	20.9	17.1	26.1	22.5	36.1	34.9
Europe	29.3	10.8	(0.3)	3.1	12.2	10.5
Middle East and Africa	20.0	25.0	3.9	0.5	3.0	8.3
Other	1.0	51.4	7.6	(4.9)	(36.2)	25.3

FIG 140 – SIMILAR TREND VISIBLE IN IMPORTS

Region (% YoY)	Share (%) FY18	Oct'18	Nov'18	Dec'18	FYTD18	FYTD19
Americas	12.0	9.4	3.3	(4.9)	21.4	17.2
Asia and Pacific (Ex. China)	23.0	33.3	18.8	12.8	25.2	23.3
China	16.4	4.6	(7.2)	(17.8)	23.6	(4.5)
Europe	15.0	4.5	(21.0)	(3.6)	19.6	10.7
Middle East	28.8	33.9	26.5	1.3	23.1	27.8
Other	4.8	(55.6)	(58.1)	(35.2)	38.6	(54.7)

Trade deficit

FIG 141 – TRADE DEFICIT NARROWS TO A 10-MONTH LOW IN DEC'18

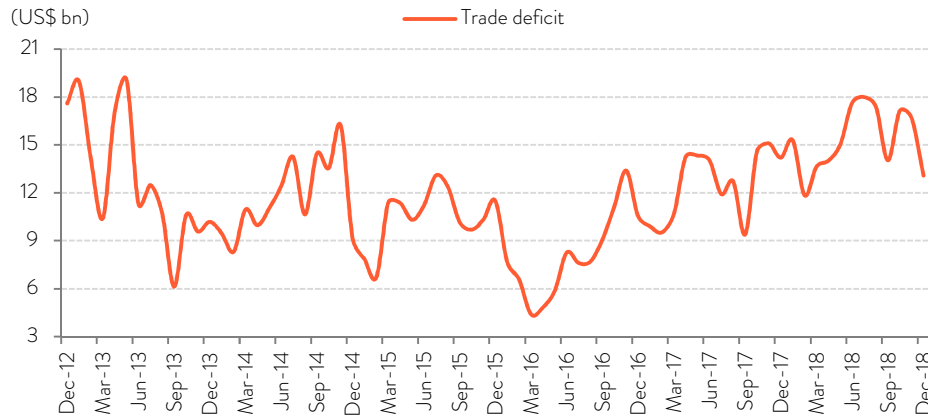
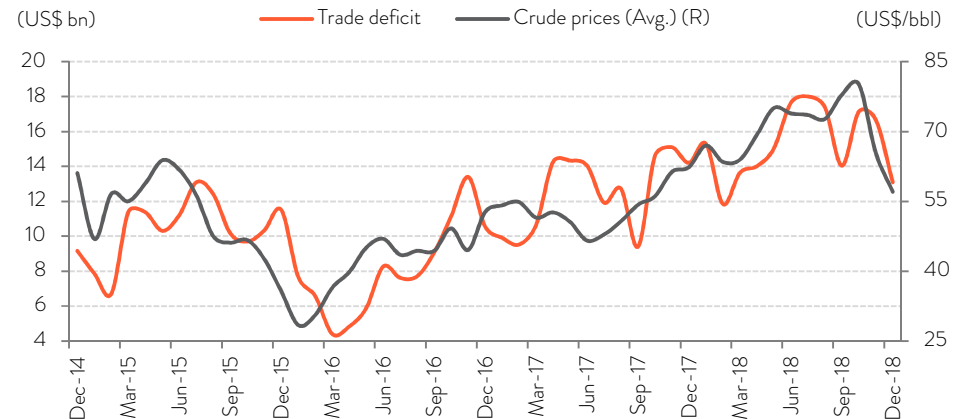
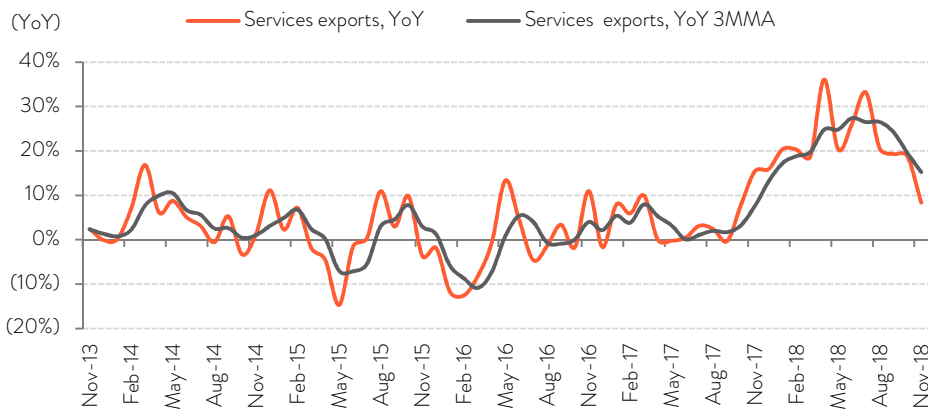


FIG 142 – ON THE BACK OF EASING OIL PRICES



Trade in services

FIG 143 – SERVICES EXPORT DECELERATING



BoP

FIG 144 – CAD RISES TO 2.9% OF GDP IN Q2FY19 FROM 2.4% IN Q1FY19

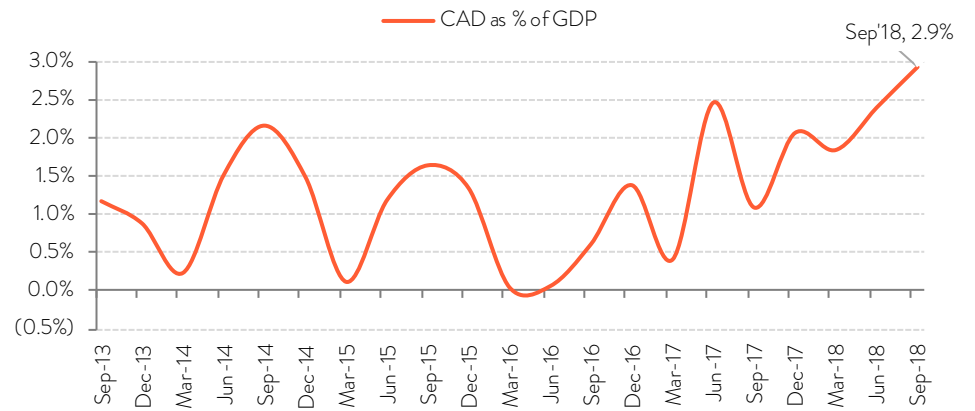


FIG 145 – ON THE BACK OF HIGHER MERCHANDISE TRADE DEFICIT

(US\$ bn)	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
Current account	(6.9)	(13.7)	(13.0)	(15.8)	(19.1)
CAD/GDP (%)	(1.1)	(2.1)	(1.9)	(2.4)	(2.9)
- Trade balance	(14.1)	(23.3)	(21.5)	(27.1)	(29.8)
- Merchandise exports	76.1	77.5	82.2	83.4	83.4
- Merchandise imports	108.5	121.6	123.8	129.1	133.4
-- Oil imports	23.7	29.2	33.0	36.8	40.6
-- Non-oil imports	84.8	92.4	90.8	92.3	92.8
- Net Services	18.4	20.7	20.2	18.7	20.2
-- Telecom, Computer and Information	18.3	18.4	18.9	18.7	19.6
- Primary income	(8.6)	(6.5)	(7.8)	(5.9)	(8.7)
- Secondary income	15.7	16.1	16.2	17.1	19.4
Capital account	0	0	0	0	0
Financial account	7.4	13.0	11.8	16.6	18.2
Foreign investments (FDI + FII)	14.5	9.6	8.7	1.6	6.3
- FDI	12.4	4.3	6.4	9.7	7.9
- FII	2.1	5.3	2.3	(8.1)	(1.6)
-Other investments	3.5	13.3	16.5	5.2	8.8
-ADRs/GDRs	0.0	0.0	0.0	0.0	0
-Currency and deposits	0.8	3.3	4.7	3.0	3.3
-Loans	(1.8)	2.4	2.3	6.9	(1.4)
-Trade credits	4.0	4.8	4.5	(3.5)	4.8
-Other receivables/payable accounts	0.6	2.9	5.8	(0.7)	2.2
-Reserve assets	(9.5)	(9.4)	(13.2)	11.3	1.9
Errors & Omissions	(0.4)	0.6	1.3	(0.8)	0.9

Foreign inflows

FII inflows

FIG 146 – FII OUTFLOWS RESUME IN JAN'19 AT US\$ 443MN

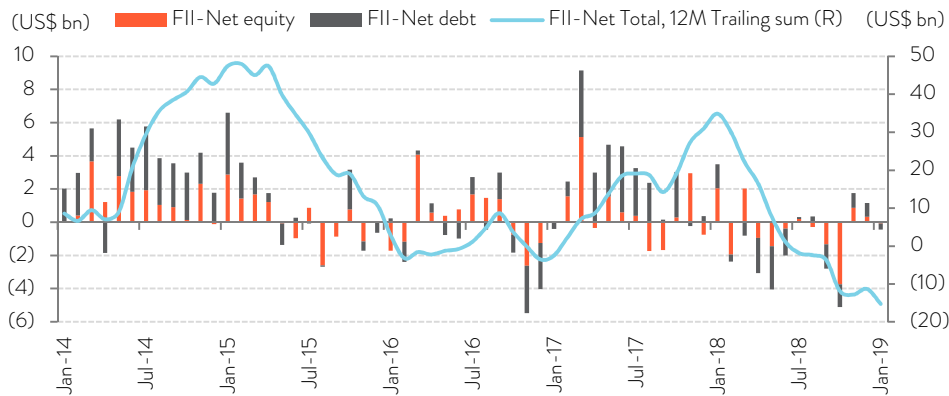


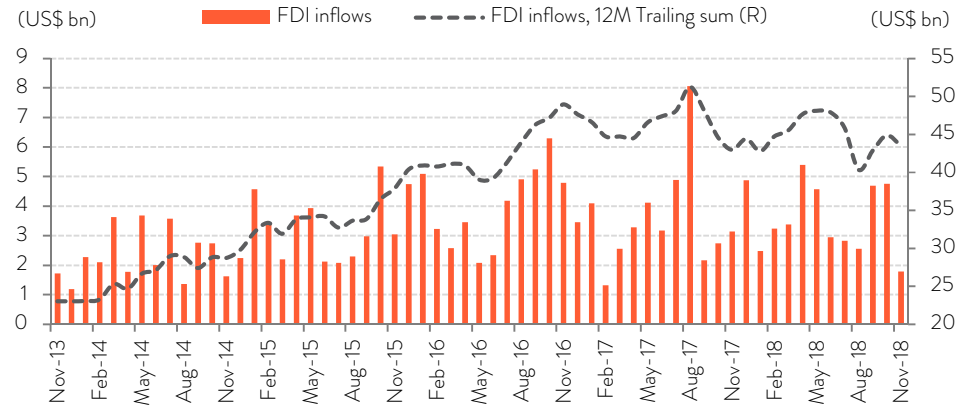
FIG 148 – PICKUP IN FDI INFLOWS FROM SINGAPORE

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 147 – FDI INFLOWS SLIGHTLY LOWER AT US\$ 29.5BN IN FYTD19 VS US\$ 31.6BN IN FYTD18



Source: RBI, Bank of Baroda Research

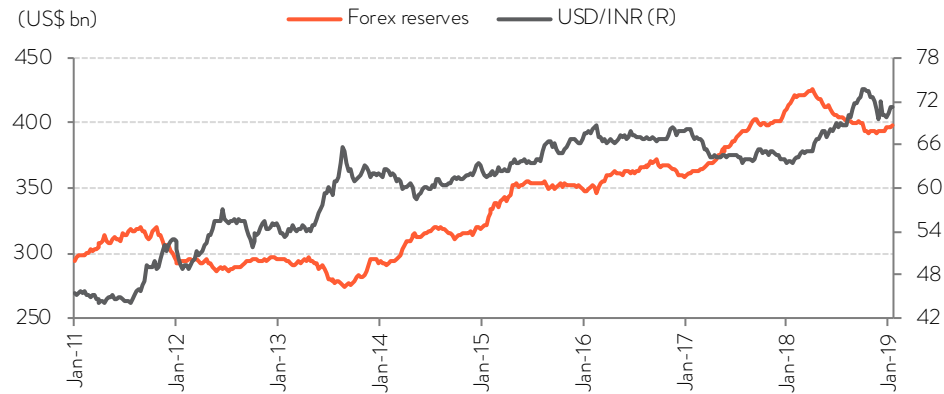
FIG 149 – FDI INFLOWS IN TELECOM SECTOR RISE

Sector (US\$ bn)	% Share FY'18	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 150 – INDIA’S FX RESERVES RISE TO US\$ 398BN



Source: Bloomberg | Weekly data as of 25 Jan 2019

FIG 151 – EXTERNAL DEBT RISES TO 20.8% OF GDP IN Q2FY19

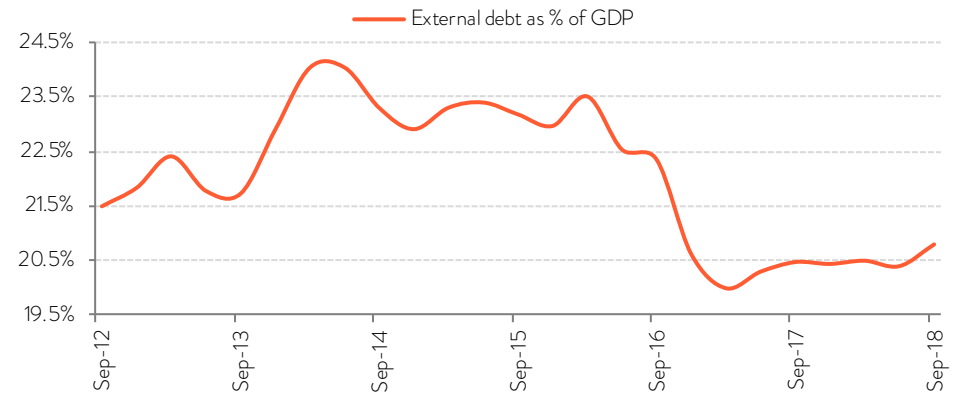


FIG 152 – RBI’S SOLD US\$ 26.5BN IN SPOT MARKET IN FYTD19

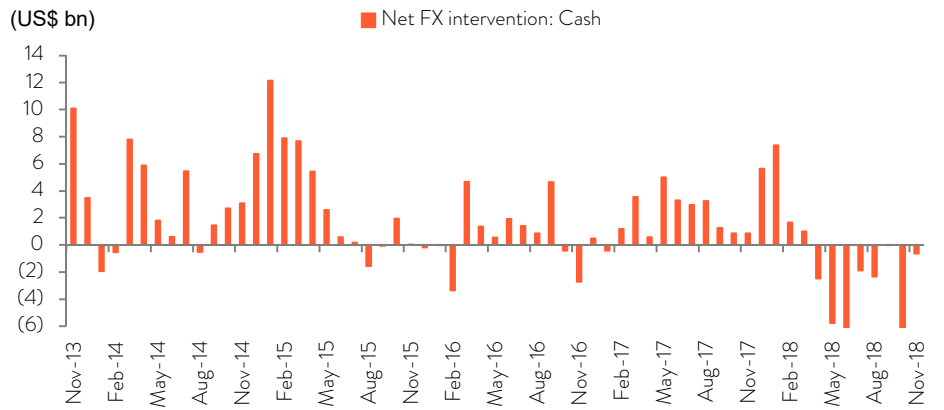
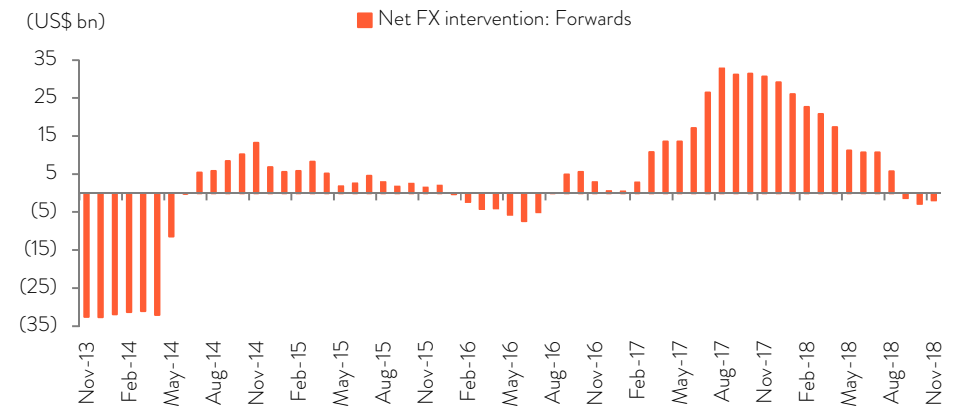


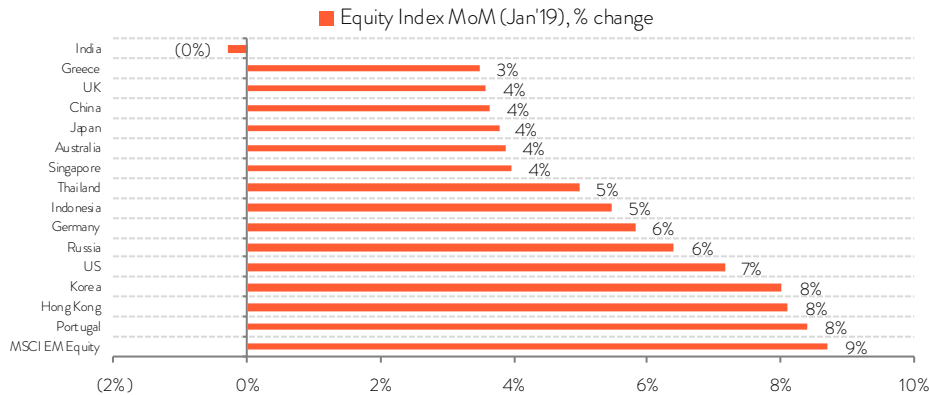
FIG 153 – RBI PURCHASED US\$ 1BN IN FORWARD MARKET IN NOV’18



Markets

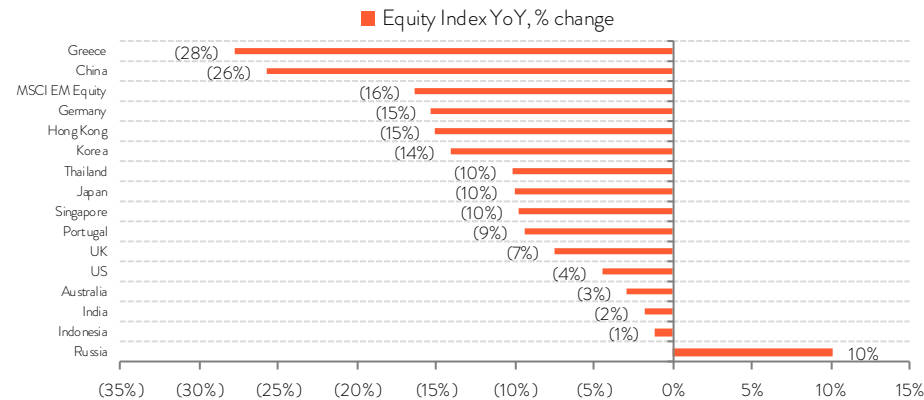
Equity

FIG 154 – NIFTY DECLINED MARGINALLY BY (-) 0.3% IN CONTRAST WITH OTHER MAJOR EQUITY INDICES



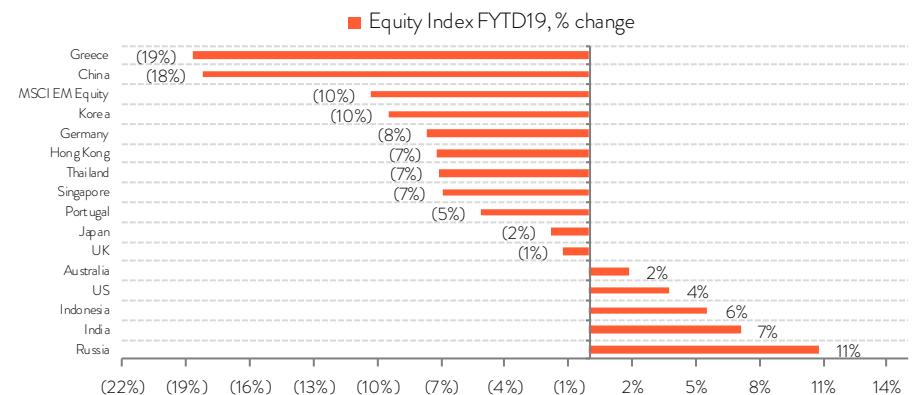
Source: Bloomberg

FIG 156 – ON YOY* BASIS, NIFTY DECLINED BY 2% IN JAN'19



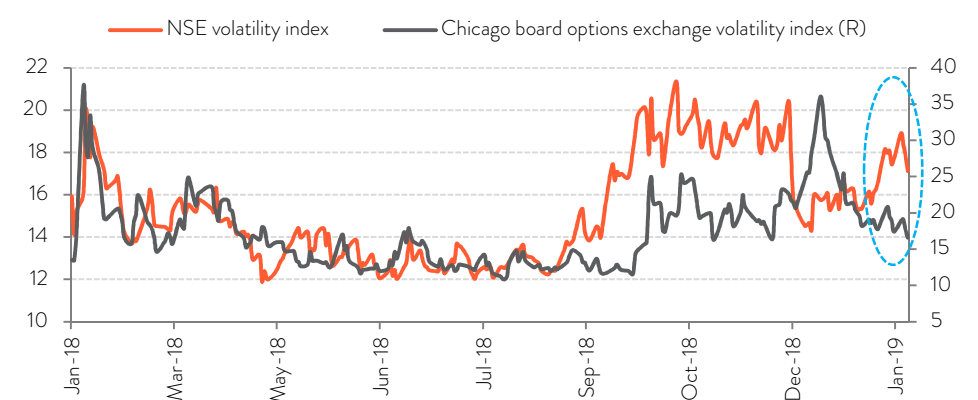
Source: Bloomberg

FIG 155 – ON FYTD19*, NIFTY ROSE THE SECOND HIGHEST BY 7%



Source: Bloomberg | *till Jan 2019

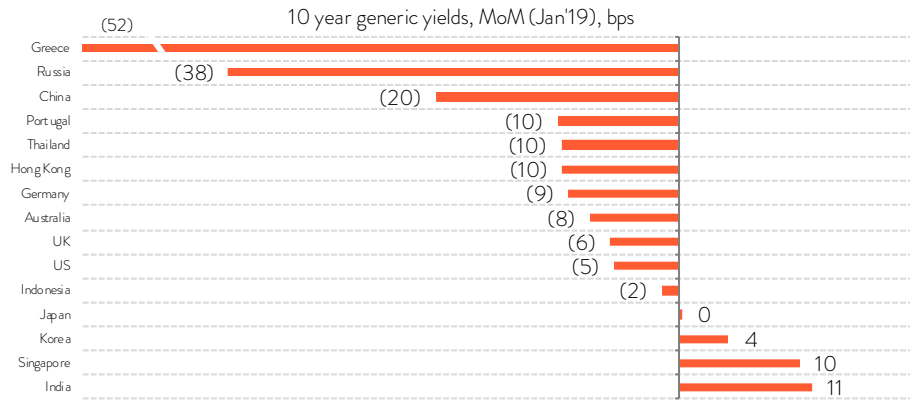
FIG 157 – NIFTY VIX SEEN DECLINING LATELY



Source: Bloomberg

10 year Bond yields

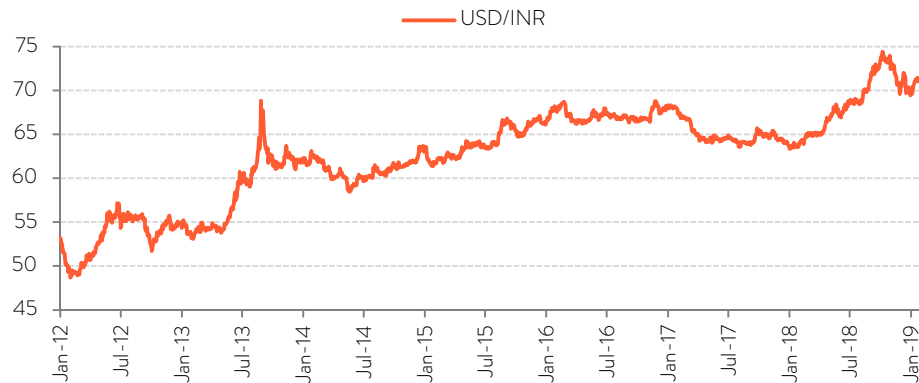
FIG 158 – INDIAN 10 YEAR YIELD ROSE BY 11BPS IN JAN'19 VS DEC'18 OVER FISCAL CONCERNS IN CONTRAST WITH FALLING GLOBAL YIELDS



Source: Bloomberg

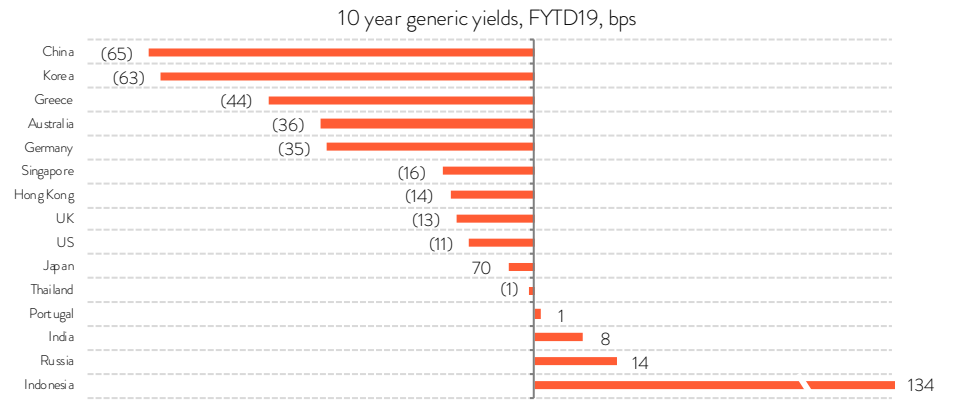
Currencies

FIG 160 – INR DEPRECIATES BY 1.8% IN JAN'19



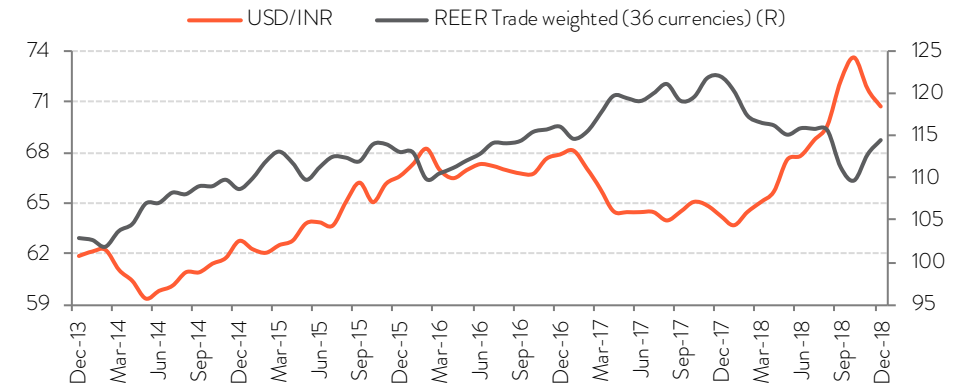
Source: Bloomberg | *As on 31 Jan 2019

FIG 159 – ON FYTD19 BASIS*, INDIAN 10 YEAR YIELD INCREASED BY 8BPS



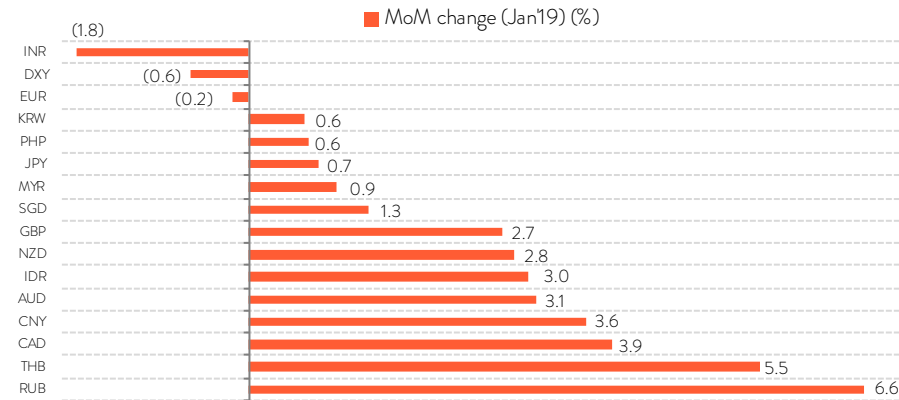
Source: Bloomberg | *Apr-Jan 2019

FIG 161 – INR STILL OVERVALUED BY 14.5% (DEC'18)



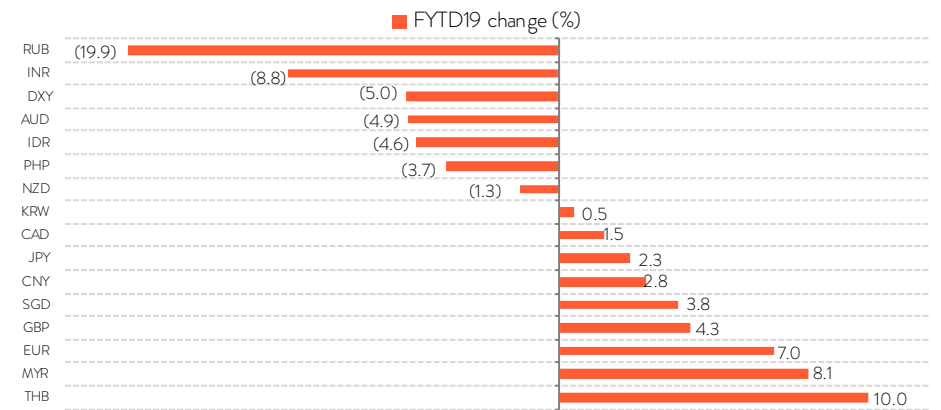
Source: Bloomberg

FIG 162 – INR THE WORST PERFORMING CURRENCY IN JAN'19



Source: Bloomberg | *As on 31 Jan 2019

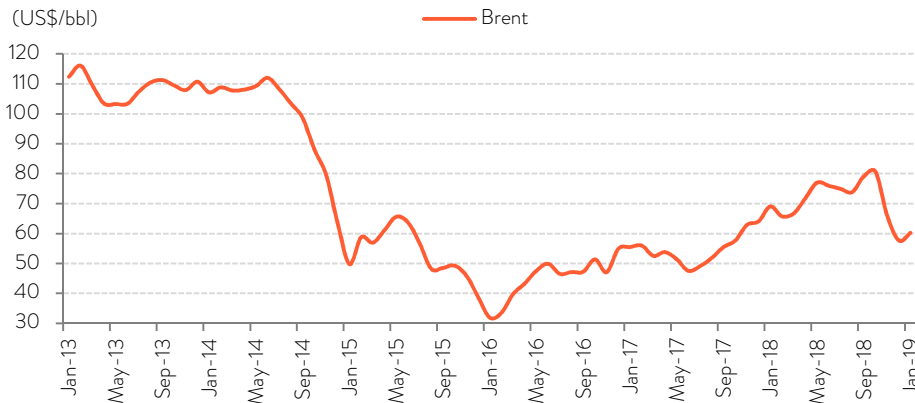
FIG 163 – INR HAS DEPRECIATED BY 8.8% IN FYTD19



Source: Bloomberg | *As on 31 Jan 2019

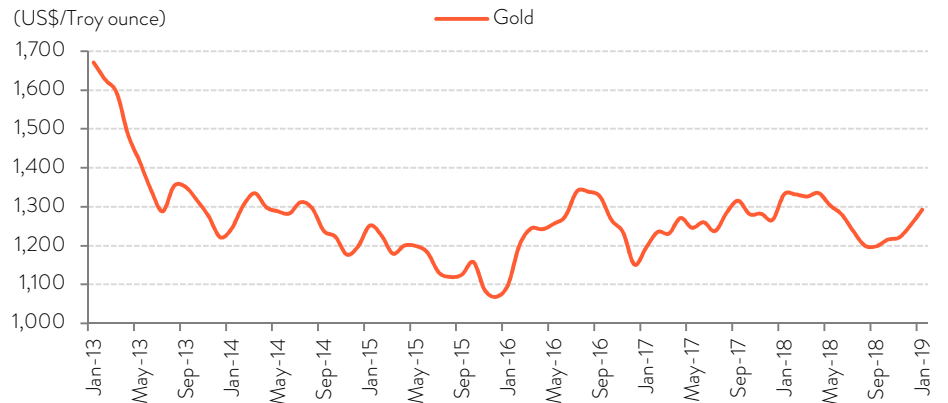
Commodities

FIG 164 – BRENT PRICES INCHED UP TO US\$ 60/BBL IN JAN'19 VS US\$ 58/BBL IN DEC'18 ON SUPPLY CONCERNS



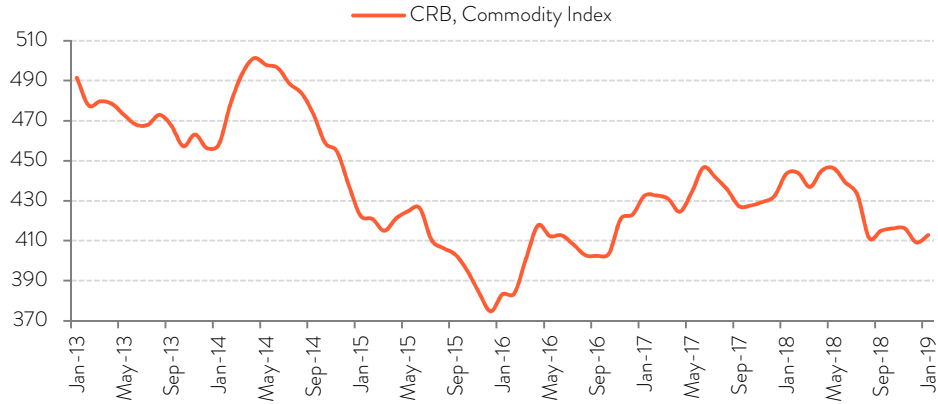
Source: Bloomberg

FIG 165 – GOLD PRICES ROSE BY 3.2% ON MOM BASIS IN JAN'19 VS 2.6% IN DEC'18 OVER WORRIES ON GLOBAL GROWTH



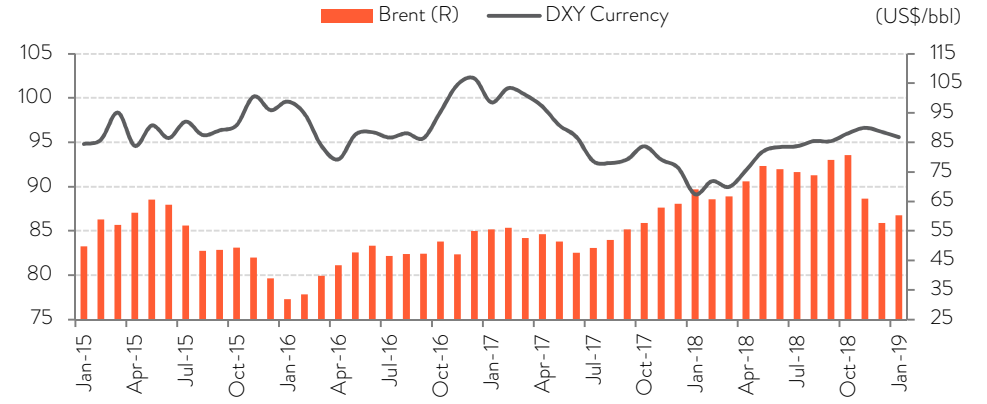
Source: Bloomberg

FIG 166 – COMMODITY INDEX EDGED UP SLIGHTLY IN DEC'18



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

FIG 167 – DXY INCHED DOWN MARGINALLY WHILE BRENT EDGED UP IN JAN'19



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

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