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In Brief

The world economic outlook has perked up as per the latest estimates of growth in 2018 for both developed and emerging market economies. US Fed has delivered the second rate hike in the last three months but has desisted from using a very hawkish tone on the pace of future rate hikes. Financial markets assimilated the rate hike without much strain on equity markets as the Fed had prepared the market well for this round of rate hike. The pace and quantum of future rate hike by Fed which is contingent of the fiscal posture in US is expected to have significant implications for India. The crude oil inventory coupled with dynamics of shale oil production, post the OPEC decision to cut output has contained the extent of price rise. Crude oil prices now are expected to be in the range of US$50-55 per barrel in the near term compared to the earlier expectation of US$55-65 per barrel. Overall developments on the oil front will help the oil producing economies to improve their growth prospects without posing major threat to the macroeconomic stability of crude oil importing countries. The growth outlook for India has improved on account of moderation in crude prices and support from exports. The rather unexpected strengthening of rupee post the rate hike by Fed also signifies the improved growth prospects and confidence of FIIs on the ability of the Government to deliver on reforms. Notwithstanding the recent strength in rupee, the inflation dynamics provides little scope for RBI to lower policy rates. The medium term outlook for the rupee is a depreciating bias as inflationary pressure is building up in India and Fed is likely to increase policy rates. GDP grew by 7% and GVA by 6.6% in Q3 of FY'17 reflecting the robust tax growth post demonetisation. GDP growth in Q4 of FY'17 is expected to be rather low reflecting the lagged impact of demonetisation. Notwithstanding the expected slump in 2016-17, GDP growth is expected to be significantly higher in 2017-18.

Key Takeaway

- GDP in Q3 grew by 7.0% as against 7.4% in Q2 and 7.2% in Q1 of 2016-17.
- The reported GDP growth numbers for Q3 was much higher than what expected. Demonetisation led disruption in economic activity seems to have marginal impact economic growth.
- The growth in real GDP (constant prices) for 2016-17 is expected to be 7.1% as against 7.9% in 2015-16 AS per the second advance estimates. However, GVA at basic prices is estimated to grow at 6.7% in 2016-17 compared to 7.8% in 2015-16. The relatively higher growth in GDP compared to GVA in 2016-17 is attributed to the robust tax collections during the demonetisation period wherein old currencies were allowed to pay tax.
- The robust tax collection could be because of channel stuffing, the practice by which undisclosed money at the trade channel i.e. retailers and wholesalers was used to pay manufacturers who used it to pay excise duty. The effect of demonetisation on retail sales was perhaps masked by channel stuffing in the December quarter.
- OECD has projected India to grow by 7.3% in 2017-18 and 7.7% in 2018-19. The growth momentum is expected to be sustained through implementation of structural reforms and strong public sector wage growth.

Financial and Commodities Markets at a Glance

	3-Jan-17	1-Feb-17	1-Mar-17	22-Mar-17
Call	6.00	6.05	6.04	5.97
Repo	15,200	14,000	5,500	14,550
US Treasury	2.45	2.48	2.46	2.40
G-Sec	6.48	6.41	6.92	6.84
Dollar	68.09	67.65	66.85	65.49
Pound	83.76	84.95	82.72	81.68
Sensex	26,643	28,142	28,984	29,168
Crude	54.88	54.26	55.33	49.44
Gold	28,350	29,450	29,850	29,250
FII	-51.8	93.6	185.5	1,032.6
FII-E	-51.1	66.5	154.9	247.6
FII-D	-0.7	27.1	30.5	785.0

Note
G-Sec refers to yield on 10 year G-Secs and US treasury refers to 10 year US Government Paper.
Call refers to Weighted average call money rate.
Crude refers to price of Indian basket of crude
Dollar and Pound refers to the respective exchange rates with respect to Indian rupee.
Gold refers to price of 10 gms of standard gold in Mumbai markets
FII-D refers to net FII inflow in the debt segment
FII-E refers to net FII inflow in the equity segment
FII-refers to the net FII inflow in both debt and equity segments.

Inside

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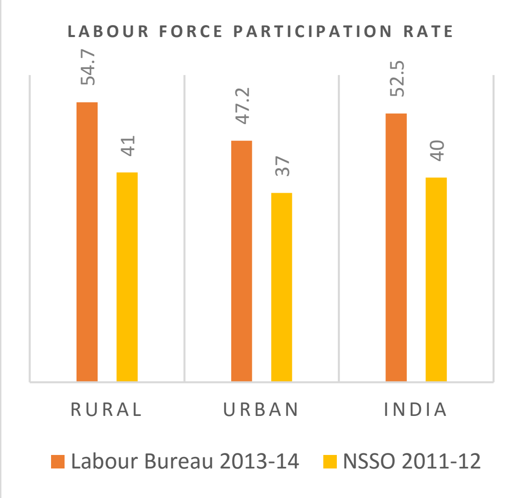
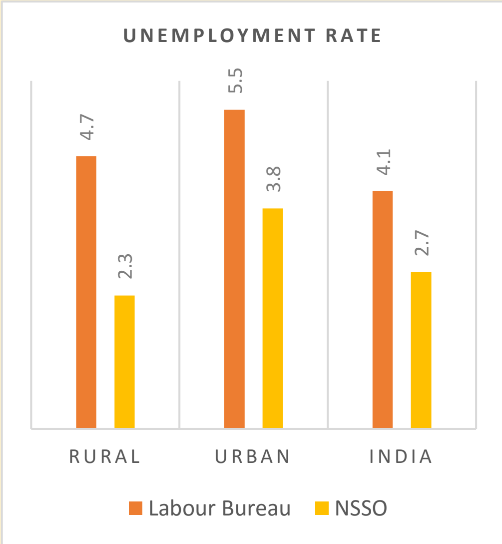
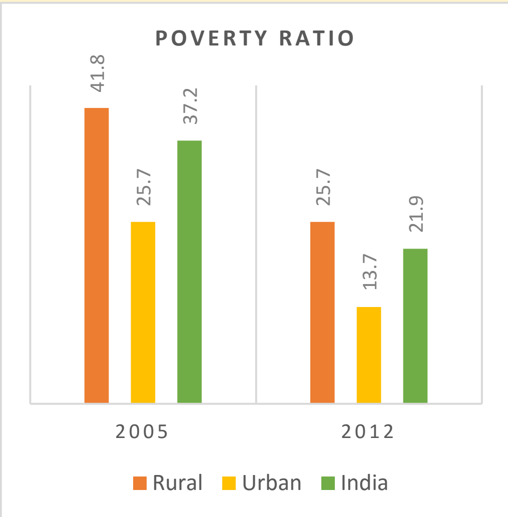
Key Takeaway

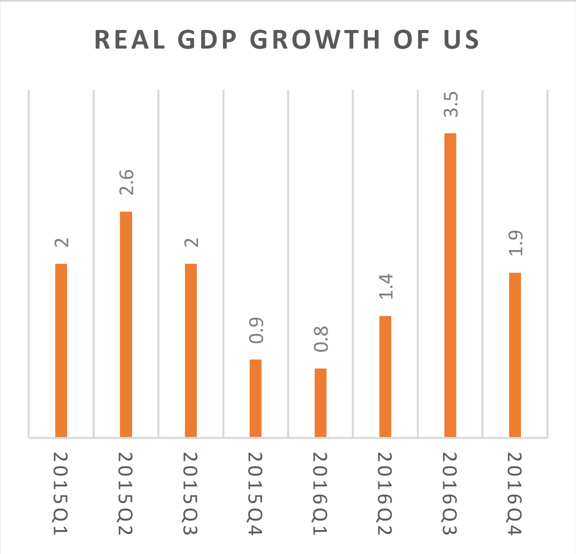
- OECD has highlighted that the current NPA problem reveals the misallocation of resources during the boom period and is a major area of concern.
- OECD has noted that the demonetization had transitory and short-term costs while it expects that it would have long-term benefits.
- IIP registered a positive growth of 2.7% in Jan'17, bouncing back from the Dec'16 growth of (-) 0.1% as well as from a (-) 1.6% in Jan'16.However, the cumulative growth in IIP during April-Jan FY'17 at 0.6% is lower than 2.7% recorded during the same period last fiscal, which is worrisome.
- The PMI for services sector crossed the threshold of 50 for the first time since Oct'16. The composite PMI also reflected expansion as it rose to 50.7 in Feb'17 from below 50 after three months.
- Credit growth from the banking system has moderated to 6.8% during Apr-Jan, FY'17 compared to average loan growth of 8.6% during the same period of FY'16.
- While credit to industry and infrastructure remained lack luster, service sector credit growth has been relatively better at 10.4% during Apr-Jan, FY'17 compared to average growth of 7.2% during the same period in FY'16.
- The GST council in its meetings held on March 4 and March 17, 2017 has approved all the Bills pertaining to GST implementation that includes Central GST (CGST), State GST (SGST), Integrated GST (IGST), Union Territories GST (UTGST) and the compensation law. This is an important landmark in the process of implementing the GST by meeting its revised deadline of July 1, 2017.
- The stock markets exhibited exuberance till March 20, 2017 on the back of robust FII inflows despite the US Fed rate hike. The reason for the better performance of Sensex despite Fed hiking policy rate was due to host of factors including absence of any hawkish rate hike guidance from Fed, sweeping victory of the incumbent government at the Centre in some of the crucial state elections which has fuelled expectations among market participants for more reform oriented policy measures, progress made in implementation of GST and sturdy GDP growth numbers for Q3 of FY'17
- Although oil market fundamentals were improving as a result of the curbs by OPEC and non-OPEC producers, crude oil prices have shed most of their gains by March 20, 2017and are now hovering around US$50 per barrel as global inventories have fallen more slowly than was expected in the first two months of 2017.
- The outlook for crude prices will be governed by the decision in the next OPEC meet scheduled on May 25 in Vienna to whether extend supply curbs implemented on Jan 1, 2017. OPEC Secretary General Mohammed Barkindo in the second week of March 2017 held that for the cartel to renew its production output agreement, non-OPEC members must be on board.
- A very important development which could have significant bearing for crude oil outlook is the dinner meeting of executives from a few U.S. shale oil producers with OPEC ministers ahead of the CERAWeek conference organized by investment bank Lazard Ltd during March 6-10, 2017 at Houston.
- In view of the improvement in labour market conditions and inflation approaching its 2% target, the FOMC raised the target range for the federal funds rate to 3/4 to 1% in its meeting on March 15, 2017. The stance of monetary policy, however, remains accommodative.

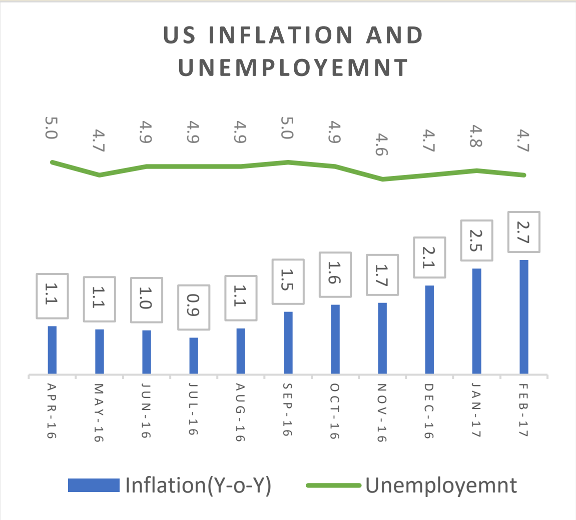
Indian Economy-Structural Coordinates

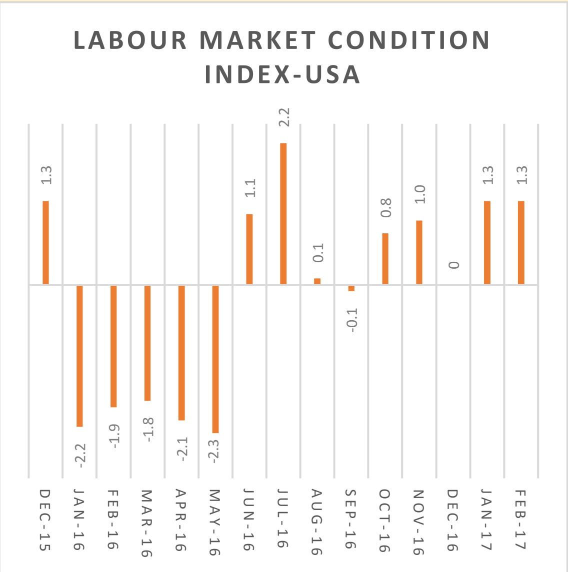












Global Developments

Growth

- In its Mar 2017 issue of Economic Outlook, Organisation for Economic Cooperation and Development (OECD) has projected a modest pickup in global growth to 3.6% in 2018 from 3.3% in 2017.
- The improvement in the growth outlook is due to expected fiscal and structural initiatives in advanced economies such as China, Canada and US and expansionary monetary stance in the Euro area.
- The outlook, however, is overcast by rising protectionism, financial vulnerabilities, divergence in interest rate movements and disassociation between the market valuations and real activity.
- According to OECD, the overall global economy is characterized by sub-par GDP growth and high inequality, hence, calling for policy responses to improve inclusiveness.
- OECD has reported signs of pickup in growth across a number of large developing countries, as well as the US and Japan. OECD has held that there has been growth in countries that were taking fiscal initiatives but highlighted the risks of financial risks and vulnerabilities that may emerge from policy errors. It also emphasized the importance of coherent and committed policy actions to achieve higher growth with increased inclusivity.
- Fiscal policy, if implemented and is effective, could catalyze private economic activity and push the global economy to a modestly higher growth rate of around 3.5% by 2018.
- OECD expects the global trade to improve slightly but remain below pre-crisis levels. Also, inflation is anticipated to be rising on the back of higher energy prices due to a coordinated reduction in supply by OPEC.
- OECD noted that equity valuations have increased in major markets despite increase in nominal interest rates, low growth in consumption and investments, slowdown in productivity and persistent inequality.
- As per OECD, India is projected to grow at 7.3% in 2017-18 and 7.7% in 2018-19. The growth momentum is expected to be sustained through implementation of structural reforms and strong public sector wage growth. It further highlighted the surging NPA problem that revealed the misallocation of resources during the boom period that has created a pressure on the banking system.
- OECD has noted that the demonetization had transitory and short-term costs while it expects that it would have long-term benefits. It further held that high corporate taxes, weak corporate balance sheet, high NPAs and infrastructural bottlenecks are some of the areas of concern.
- IMF in its note on Global Prospects and Policy Challenges released on the occasion of Group of Twenty- Finance Ministers and Central Bank Governors' Meetings scheduled during Mar 17-18, 2017 referred to the improvement in global economy driven by pick up in global manufacturing and trade but demand remains deficient and core inflation is subdued.
- The growth forecast assumes smooth unfolding of US fiscal policy, gradual US Fed rate normalization, China managing its transition efficiently, no disruptions to trade and investment and cyclical forces lending support to the growth. The downside risks to growth include inward looking policies that disrupt global trade, greater capital outflows from emerging economies, lingering financial and fiscal stability concerns and geopolitical risks.

Unemployment

- Both headline as well as a broader indicator of labour market conditions indicate improved labour market conditions in USa beginning with June 2016
- The seasonally-adjusted unemployment rate in the 19 member euro area declined to 9.6 % in December 2016 both on a sequential (9.7 % in Nov'16) and y-o-y basis (10.5 % in Dec' 15).
- Unemployment rate in the 28 member European Union was 8.2 % in December 2016, stable compared to November 2016 and down from 9.0 % in December 2015. Among the Member States, the lowest unemployment rates in December 2016 were recorded in the Czech Republic (3.5 %) and Germany (3.9 %). The highest rates were observed in Greece (23.0 % in October 2016) and Spain (18.4 %).

Food

The Global Food Price Index released by Food and Agriculture Organisations (FAO) increased by 2.1% sequentially and 16.4% on y-o-y basis in Jan'17 to reach 173.8. This is highest growth in the index since February 2015. The surge has been contributed by sugar (9.9% seq), cereals (3.4% seq) and vegetable oils (1.8% seq).

Commodities

- In its publication, 'Gold Demand Trends Full Year 2016', the World Gold Council has reported that gold demand in calendar year 2016 increased by 2.2% on y-o-y basis to reach a 3-year high of 4,308.7 tonnes.
- Around 70% increase in investment has offset the drop in demand for jewelry by 15% and bars and coins by 2% leading to an increase in overall demand. The gold price increased 8% despite gold supply increasing 5% on y-o-y basis. Having risen by 25% till the end of Sept' 16, gold relinquished some of its gains in Q4 following President Trump's conciliatory acceptance speech and Fed's rate hike in Dec'16.

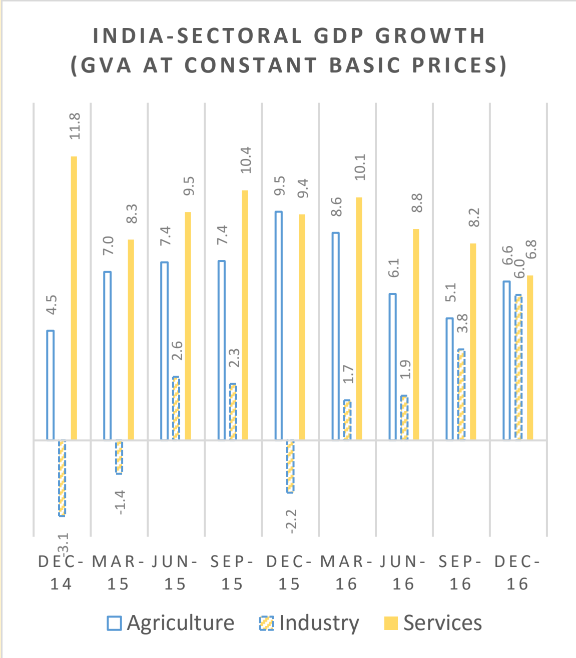
World Trade Outlook

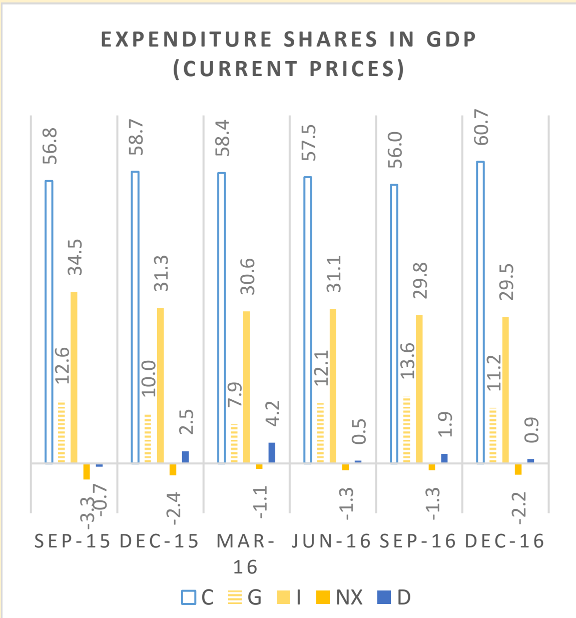
The major observations in the Trade Statistics and Outlook published by WTO on Feb 14, 2017, are:

- The latest reading for World Trade Outlook Indicator (WTOI) at 102.0 for the month of Nov 2016 suggest that trade growth will be above trend in Feb-March 2017. The WTOI has been consistently rising for the past two quarters suggesting global trade is gaining traction.
- It may be noted that WTOI is a leading indicator of world trade, which provides guidance on the trajectory of merchandise trade 3 to 4 months ahead.
- WTOI is published with a 3 months lag. The latest WTOI for November 2016 was published on Feb 14, 2017. WTOI was 99 at the time of its first ever publication by WTO in July 2016. In its first update in Nov 2016, WTOI improved to 100.9 for Aug 2016 and subsequently in its second update in Feb 2017 to 102.0 for Nov 2016.
- The WTO trade forecast issued on 27 September last year foresaw world merchandise trade growth of 1.7% in 2016 and growth between 1.8% and 3.1% in 2017.The WTOI currently suggests that trade volume may begin to recover in the fourth quarter once data become available. Any such rebound would have to be fairly strong for trade growth in 2016 to match the 1.7% increase forecast by the WTO last September.

World Trade Outlook Indicator

Drivers of Trade	Level of Index		
	16-Jul	16-Nov	17-Feb
Merchandise trade volume	96.9	97	97.4
Export Orders	101.3	101.8	102.2
International air freight (IATA)	98	103.2	105.8
Container port throughput	97.1	99.3	101
Automobile production and sales	100	99.6	103.1
Electronics components	95	100.4	99
Agriculture raw materials	106.5	103.1	99.2
WTOI	99	100.9	102





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India's Growth Outlook

CSO

■ GDP growth in Q3 of 2016-17 released on Feb 28, 2017 was 7.0% as against 7.4% in Q2 of 2016-17 and 7.2% in Q1 of 2016-17. The reported GDP growth numbers for Q3 was a surprise as there were expectations of lower GDP growth because of the impact of demonetisation led transient disruption in economic activity.

■ The reported GDP growth for Q3 seems to convey that the impact of withdrawal of specified bank notes was marginal. Many reasons are cited for the marginal impact of demonetisation such as growth of unorganized sector not being captured accurately in the GDP computation which was largely affected during the demonetization period, and the sharp increase in digital channels that supported consumption during the demonetisation period.

■ Part of the higher growth observed in Q3 was also due to revision in the GDP numbers of earlier quarters. If we exclude the impact of the revision in earlier GDP numbers, the growth in Q3 would have been only 6.2% compared to the reported 7%.

■ As per the second advance estimates, the growth in GDP (constant prices) for 2016-17 is to be at 7.1% as against 7.9% in 2015-16. While GVA at basic prices is estimated to grow at 6.7% in 2016-17 compared to as against 7.8% in 2015-16.

■ The relatively higher growth in GDP compared to GVA in 2016-17 is attributed to the robust tax collections during the demonetisation period wherein old currencies were allowed to pay tax.

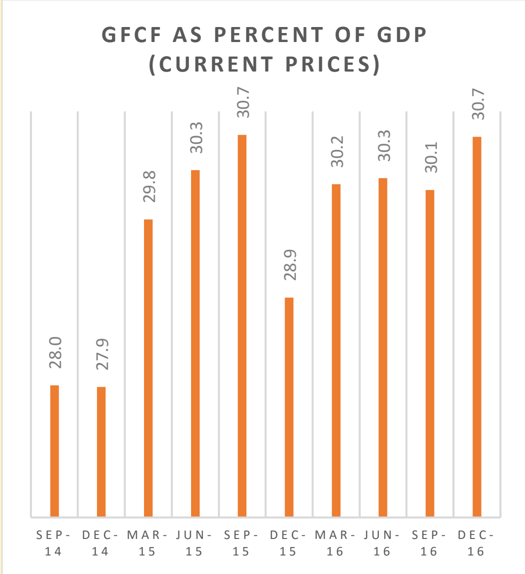
■ The robust tax collection could be because of channel stuffing, the practice by which undisclosed money at the trade channel i.e. retailers and wholesalers was used to pay manufacturers who used it to pay excise duty. The effect of demonetisation on retail sales was perhaps masked by channel stuffing in the December quarter.

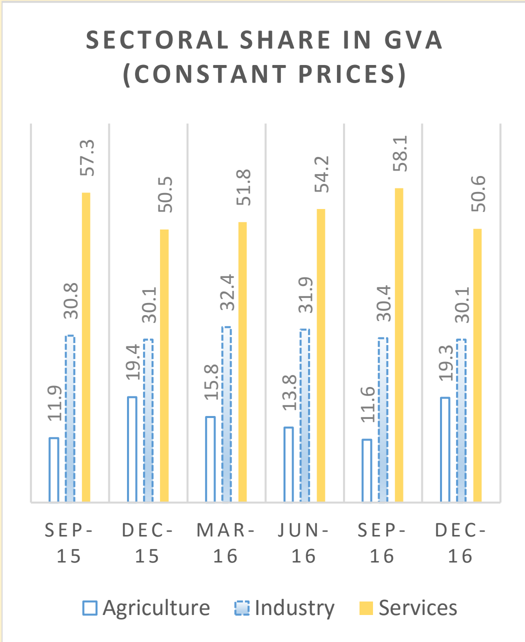
■ Q4 growth is also expected to be 7% as per the second advanced estimate for 2016-17. The impact of demonetisation on retail sales is expected to be reflected in the Q4 GDP growth numbers. We expect the Q4 GDP growth to be significantly lower than the 7% presumed in the Second Advanced estimates.

■ Given the normal monsoon in the Kharif season after two consecutive years of drought, the GVA for agriculture and allied activities is expected to grow by 4.4% in FY 2016-17 as against 0.8% in 2015-16.

■ The GVA growth from manufacturing sector is estimated to grow at 7.7% in 2016-17 as against 10.6% in 2015-16. It may be noted that the GVA from organised manufacturing is estimated using the information filed by companies whereas that for unorganized segment is estimated using IIP manufacturing.

■ Within services sector, the GVA from Trade, Hotels and Transport slipped to 7.3% in 2016-17 as against 10.7% in 2015-16. The financial, insurance, real estate and professional services sector grew by 6.5% in 2016-17 as against 10.8% during 2015-16.





GDP Components in Spending-Share and Growth (Current Prices)

Component	Attribute	Sep -15	Dec-15	Mar -16	Jun -16	Sep -16	Dec-16
Consumption Spending	Share	56.8	58.7	58.4	57.5	56.0	60.7
	Growth	6.4	8.4	12.9	11.7	10.2	14.4
Government Spending	Share	12.6	10.0	7.9	12.1	13.6	11.2
	Growth	9.2	10.0	9.8	20.8	20.7	24.2
Investment Spending	Share	34.5	31.3	30.6	31.1	29.8	29.5
	Growth	10.0	3.6	0.0	-1.6	-3.4	4.4
Exports	Share	20.7	19.7	18.8	19.7	18.9	18.8
	Growth	-5.5	-7.5	-0.6	4.3	2.4	5.7
Imports	Share	23.9	22.0	19.9	21.0	20.3	21.0
	Growth	-5.4	-9.3	-3.3	-1.4	-5.2	5.6

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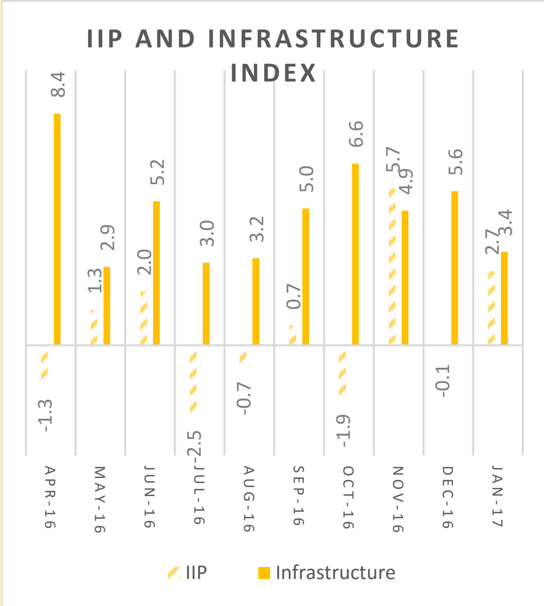
Industrial Production

- IIP registered a positive growth of 2.7% in Jan'17, bouncing back from the Dec'16 growth of (-) 0.1% as well as from a (-) 1.6% in Jan'16.
- As per sectoral classification, all the three segments namely Mining, Manufacturing and Electricity recorded a positive growth in Jan'17, thus contributing to the rebound in IIP.
- As per use based classification, all segments except the consumer non-durables and the intermediate goods registered positive growth Jan'17.
- The cumulative growth during April-Jan 2017, contracted sharply and recorded a negative growth of (-) 15% in the capital goods sector and (-) 2.3% for Non-Durables sector.
- Within the manufacturing sector, twelve out of twenty-two industry groups (as 2-digit NIC-2004) have shown negative growth in Jan'17 on a Y-o-Y basis.
- The eight core industries (infrastructure) which include close to 38% weight in the IIP rose by 3.4% in Jan'17 on a Y-o-Y basis.
- The cumulative growth registered in the infrastructure segment was 4.8% during April-Jan'17 compared to 2.9% growth witnessed during Apr-Jan'16. All the other sectors barring Refinery Products, Fertilizers and Cement registered a positive growth in Jan'17.
- If we look at the m-o-m seasonally adjusted (SA) numbers, IIP grew by 2.74% in Jan'17 compared to -0.11% in Dec'16. Except in April, July, August, October and Dec, IIP on a m-o-m SA basis has shown positive growth in all the months during Apr-Jan FY'17.
- The expansion in factory output was reflected in Manufacturing PMI which rose marginally from 50.4 in Jan'17 to 50.7 in Feb'17. Post the demonetization led transient disruptions, a marked improvement in demand from both domestic as well as export markets might have helped to support industrial production.
- The services sector rebounded as business improved for the first time since October. The seasonally adjusted PMI rose to 50.3 in Feb'17 from 48.7 levels registered in Jan'17, edging past the 50.0 mark, thereby moving to the expansion phase. This has been due to the improvement in the new business, though the pace of improvement in the new work is marginal, it is still quite significant as the new business has been contracting continuously for the last three months.
- The composite PMI also reflected expansion as it rose to 50.7 in Feb'17 from below 50 after three months.
- Though, it is still too early to judge, the January IIP on the whole has conveyed a positive note. However, the cumulative growth in IIP during April-Jan FY'17 at 0.6% is lower than 2.7% recorded during the same period last fiscal, which is worrisome.
- The low IIP growth should be seen in the light of the volume and value dichotomy observed in the industrial sector. Being anchored to the 2004-05 base, IIP numbers signify more of noise than signal. There is a strong possibility that the old base year would be updated to the new base year of 2011-12 by April end.
- In this context, credit flowing to industry could be an alternative indicator to ascertain momentum in industrial activity.

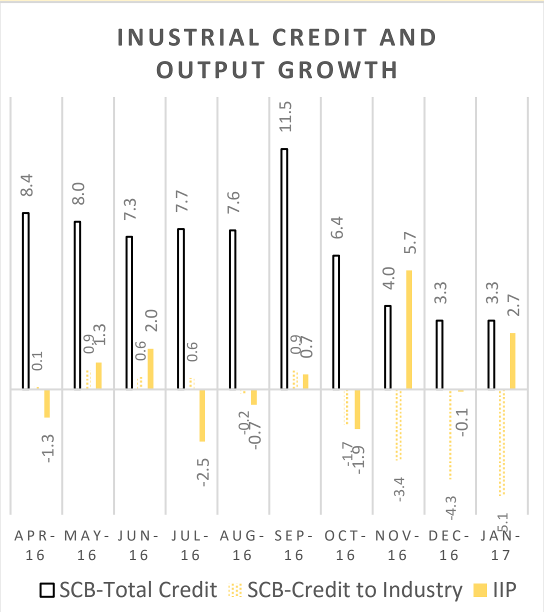


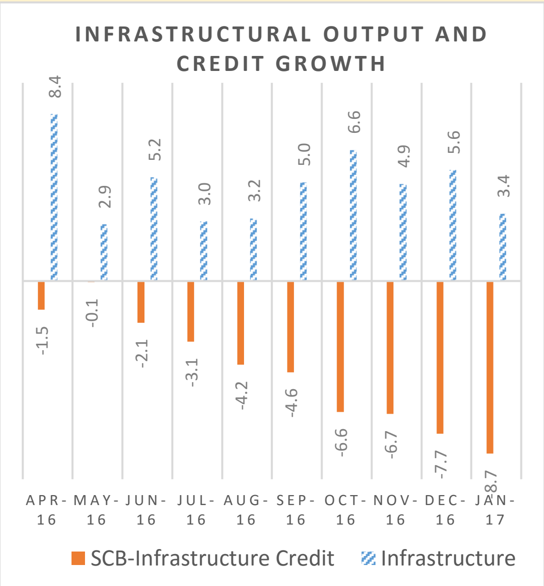
IIP-Sectoral and Used based Components

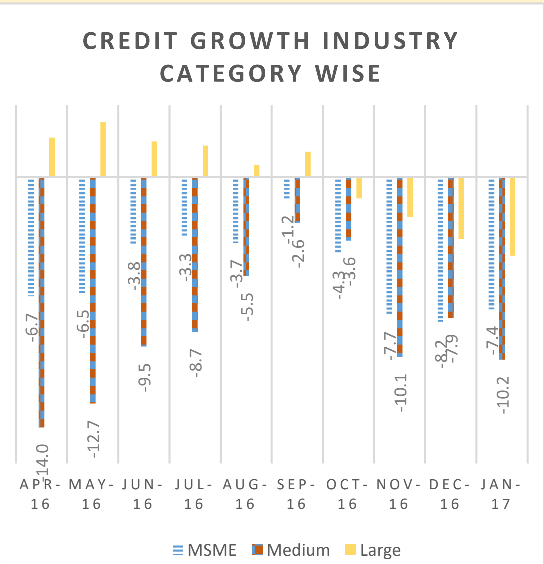
Sectors	Weight	Jan-17	Jan-16	Apr-Jan FY 17	Apr-Jan FY 16	
Mining	14.2	5.3	1.5	1.4	2.1	Sectoral
Manufacturing	75.5	2.3	-2.9	-0.2	2.5	
Electricity	10.3	3.9	6.6	5.0	4.7	
Basic	45.7	5.3	1.9	4.4	3.3	Use Based
Capital	8.8	10.7	-21.6	-15.0	-0.6	
Intermediate	15.7	-2.3	2.8	2.2	2.1	
Consumer Durable	8.4	2.9	5.6	4.9	11.6	
Consumer Non Durable	21.3	-3.2	-3.2	-2.3	-1.2	
Consumer Goods	29.8	-1.0	-0.1	0.5	3.6	
General	**100**	2.7	-1.6	0.6	2.7	

Core Sector Growth

Sector	Weight	Jan-17	Jan-16	Apr-Jan FY 17	Apr-Jan FY 16
Coal	4.4	4.8	7.9	2.3	4.9
Crude Oil	5.2	1.3	-4.7	-2.8	-1.2
Natural Gas	1.7	11.9	-15.3	-1.9	-4.0
Refinery Products	5.9	-1.5	9.0	6.8	3.0
Fertilizers	1.3	-1.6	8.2	2.9	11.0
Steel	6.7	11.4	0.0	9.2	-1.5
Cement	2.4	-13.3	9.2	1.0	3.3
Electricity	10.3	4.8	11.6	5.4	6.7
Infrastructure Index	37.9	3.4	5.7	4.8	2.9







Credit Growth

- Non food Credit growth from the banking system excluding food credit decelerated to 3.5% in Jan'17 from an already low of 4.0% in Dec'16 on a y-o-y basis, a multi-year low level of growth despite the GDP growth showing relatively robust growth.
- Credit growth from the banking system has moderated to 6.8% during Apr-Jan, FY'17 compared to average loan growth of 8.6% during the same period of FY'16.
- While credit to industry and infrastructure remained lack luster, service sector credit growth has been relatively better at 10.4% during Apr-Jan, FY'17 compared to average growth of 7.2% during the same period in FY'16.
- Within Services, the segments which exhibited better credit growth in Jan 2016 on a y-o-y basis include professional services (21.8%), personal loan (12.9%), Loan to Housing (13.5%), Consumer durables (17.1%), Vehicle Loans (18.2%) and Credit Card Outstanding (29%).
- It may be observed that all the above segments within services except Credit Card Outstanding and Consumer Durables have undergone deceleration in credit growth in Jan'17 compared to Dec'16. The growth in credit card outstanding could possibly reflect the impact of demonetization.
- Credit to industry degrew by 5.1% in Jan'17 on the back of -4.3% growth in Dec'16, -3.4% growth in Nov'16, -1.7% growth in Oct'16, and 0.9% in Sep'16 on a y-o-y basis.
- Average growth in Bank credit to industry was -1.2% during Apr-Jan, FY'17 compared to 5.1% growth recorded during Apr-Jan, FY'16.
- Credit to infrastructure sectors used to be in the 8-10% range between Apr'15 and Mar'16 is experiencing anemic growth since Apr'16, and continued to experience negative growth (-8.7%) in Jan'17.
- Credit growth to infrastructure has been negative in each of the ten months and was -4.5% during Apr-Jan, FY'17 compared to 8.9% during Apr-Jan, FY'16.
- Credit growth to all the three categories of industries viz, MSME, Medium and Large has been negative beginning with Oct 2016.
- The MSME and Medium industries have been experiencing negative credit growth during all the months of FY'17 till January.
- Credit growth to large industries which was of a low order but nonetheless positive, turned negative since October 2016.
- Part of the reason for the low credit growth from the banking system is because of the growing importance of non banking sources to meet the fund requirements of large corporates.
- Credit growth below 5% also partly reflects poor credit appetite by Industry. Poor credit offtake from the banking system is also partly due to the focus on stressed asset management by PSBs which are one of the major financiers of infrastructure projects.

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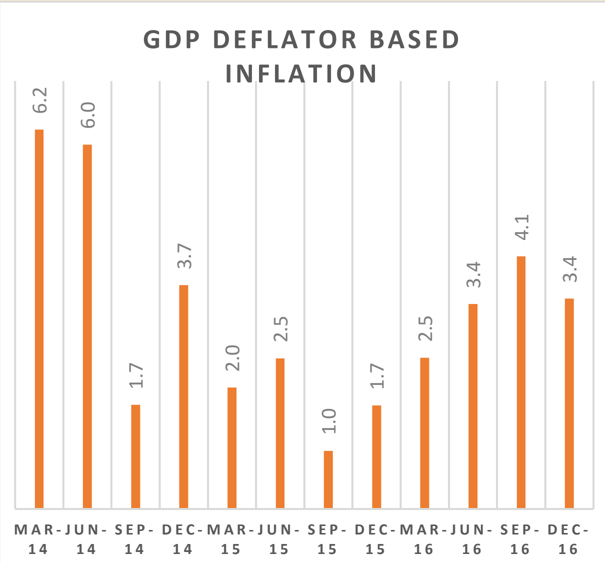
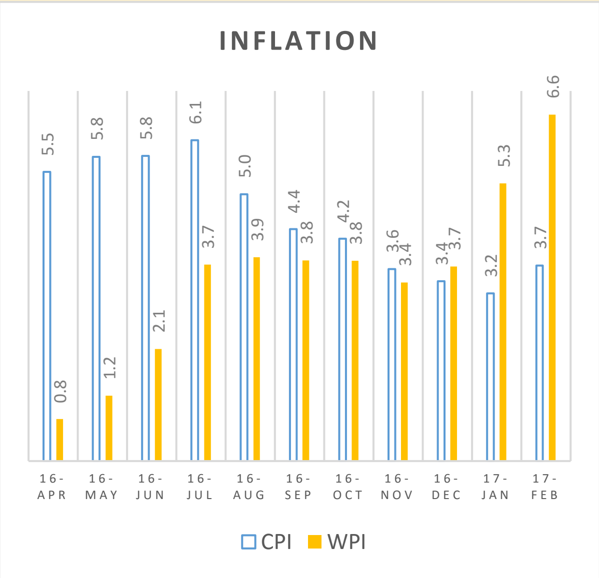
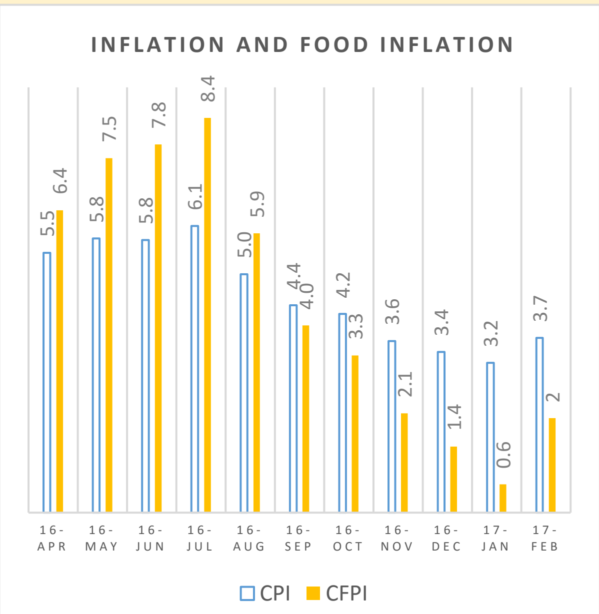






Inflation

- Tightening of Inflation was observed as per the latest reading which is for Feb' 17. The headline numbers indicate that while wholesale inflation surged, CPI inflation also paced up.
- The WPI based inflation jumped to 6.55% in Feb'17 as against 5.25% in Jan '17 and 3.4% in Dec'16. It may be noted that WPI inflation was (-) 0.85% in Feb' 16.
- The CPI based inflation also increased to 3.65% in Feb'17 from 3.17% in Jan'17 from 3.41% in Dec'16 and from 5.26% in Feb'16 on y-o-y basis.
- The WPI inflation in Feb '17 is at a 39 month high and CPI in Feb'17 is the highest since Oct' 16.
- Both CPI and WPI Inflation were positive on m-o-m seasonally adjusted (SA) basis. While CPI inflation on m-o-m SA basis was around 0.61% WPI inflation was 0.85% in Dec'16.
- It may be noted that on m-o-m SA basis, CPI inflation is positive for the last three months and WPI inflation is positive for the last five months
- Agriculture related product inflation which had been a matter of concern since Apr'16 has eased significantly in the past six months on y-o-y basis.
- Fuel and power, and manufactured products inflation is slowly building up as suggested by WPI inflation. The Fuel and power grew by 4.7% and manufactured products rose by 0.5% sequentially.
- With a reading of more than 6.5%, WPI inflation has now reached a stage of concern.
- The surge in WPI has been majorly driven by the spike in oil prices and sugar which have increased rather drastically thereby negating the effect of the sharp dip in prices of vegetables, onions, potatoes and oil seeds.
- Developments relating to fuel supply also needs close monitoring.
- Services inflation is gradually gaining momentum from 3.8% in June'16 and reached 4.7% in Dec'16 and further increased to 5.06% in Jan'17.
- RBI has highlighted the concerns regarding inflation given the CPI inflation excluding food and fuel remaining steady and OPECs agreement to cut crude oil production.
- RBI would be tracking the developments in WPI based inflation along with core CPI based inflation in deciding the policy rates.
- RBI has projected CPI Inflation in the range of 4-4.5% in H1 of 2017-18 and in the range of 4.5-5% in H2 of 2017-18. However, RBI has clarified that these projections about CPI are underestimates as they have not factored in the significant upside risks to inflation from higher crude oil prices, exchange rate depreciation and effect of house rent allowances under the seventh central pay commission award.

Food Inflation

- The CPI food inflation rose sharply to 2.01% in February from 0.61% in January.
- Within the food segment, the dynamics seems to have changed. In the last bout of high food inflation, pulses and vegetables were the main contributors.
- In the current phase of relatively overall low food inflation we find, cereals and fruits in addition to sugar experiencing higher inflation. Only Sugar continues to exhibit double digit inflation both in the CPI and WPI basket from July'16 through Dec'16.
- Sharp increment in these inflation rates might prompt the RBI to hold rates in its First Bi-Monthly Statement for 2017-18.
- It is expected that the inflation excluding food and fuel would remain sticky in the near future. Fuel inflation (WPI) rose from 18.1% in January to 21% in February.

Drivers of Food Inflation

Rainfall in adequate quantity, at appropriate time and spatially well distributed, generally have an assuaging effect on food inflation.

Winter Rainfall

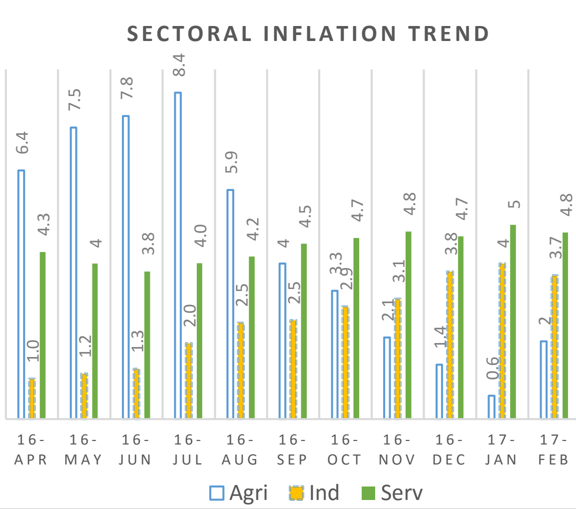
- For the country as a whole, cumulative winter rainfall beginning with Jan 1, 2017 and till Feb 8, 2017 has been 29% above LPA.
- The above LPA rainfall is contributed only by the North West and Southern regions which had rainfall over the LPA by 99% and 38% respectively. Central India and East & North East have departed from LPA to the extent of 84% and 86%.

Monsoon-North East

- Though IMD had predicted a normal North-East monsoon season (October-December) 2016, for the country as a whole, cumulative rainfall during this year's post-monsoon (beginning Oct 1, 2016) has so far up to 31 December been 45% below LPA.

Monsoon-South West

- The rainfall during monsoon season (June-September) over the country as a whole was 97% of its long period average (LPA).
- Seasonal rainfalls over Northwest India, Central India, South Peninsula and Northeast India were 95%, 106%, 92% and 89% of their respective LPA.
- Out of the total 36 meteorological subdivisions, 11 sub-divisions constituting 30% of the total area of the country received normal rainfall and 3 sub-divisions received excess rainfall (13% of the total area) during the season.
- However, 8 sub-divisions constituting 26% of the total area of the country received deficient seasonal rainfall.
- Monthly rainfall over the country as a whole was 89% of LPA in June, 107% of LPA in July, 91% of LPA in August and 97% of LPA in September.

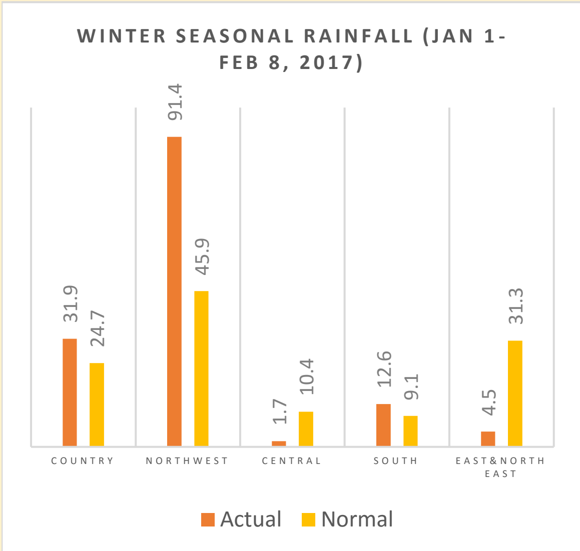


Food Inflation-Converging Trends From WPI and CPI

(y-o-y)

	Food	Pulses	Cereals	Veg	Fruits	Egg	Sugar
CPI							
Weight	45.86	2.38	9.67	6.04	2.89	0.43	1.36
16-Apr	6.4	34.2	2.5	5	1.7	6.6	11.2
16-May	7.5	31.6	2.6	10.8	2.6	9	14.1
16-Jun	7.8	26.9	3.1	14.8	2.8	5.5	16.8
16-Jul	8.35	27.5	3.9	14	3.5	9.3	21.9
16-Aug	5.9	21.9	4.1	1	4.4	9.6	24.8
16-Sep	4	14.3	4.3	-7.1	6	9.9	25.9
16-Oct	3.3	4.1	4.4	-5.7	4.4	9.5	23.6
16-Nov	2	0.3	4.8	-10.4	4.6	8.6	22.3
16-Dec	1.4	-1.6	5.3	-14.6	4.8	6.5	21.1
17-Jan	0.6	-6.6	5.3	-15.6	5.8	2.8	18.7
17-Feb	2	-9	5.3	-8.3	8.3	0.5	18.8
WPI							
Weight	14.33	0.72	3.37	1.74	2.1	0.19	1.73
16-Apr	4.7	36.5	4.2	2.9	-1.8	1.4	17.3
16-May	8.2	35.8	5.9	13.3	3.9	11.1	22.4
16-Jun	8.6	26.6	7.8	17.2	6.4	4.4	26.4
16-Jul	12.6	38.3	9.2	28.4	17.4	11.5	33
16-Aug	8.9	34.2	9.5	0.2	13.9	9.8	35.4
16-Sep	6.4	24	9.1	-10.9	14.1	10	32.9
16-Oct	4.8	22	8.3	-10	6	10.3	30.9
16-Nov	2.1	21.8	9.6	-23.7	2.4	4.5	32
16-Dec	-0.8	17.8	9.7	-34.9	-1.5	2.5	28.1
17-Jan	-0.6	6.2	5.9	-32.3	3.6	-4.2	22.8
17-Feb	2.7	-0.8	6.1	-8.1	7.1	-0.1	21.2

Note- Sugar includes 'Sugar and confectionary' in CPI. Sugar under WPI is covered under manufactured products



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Drivers of Food Inflation

Storage in Reservoirs

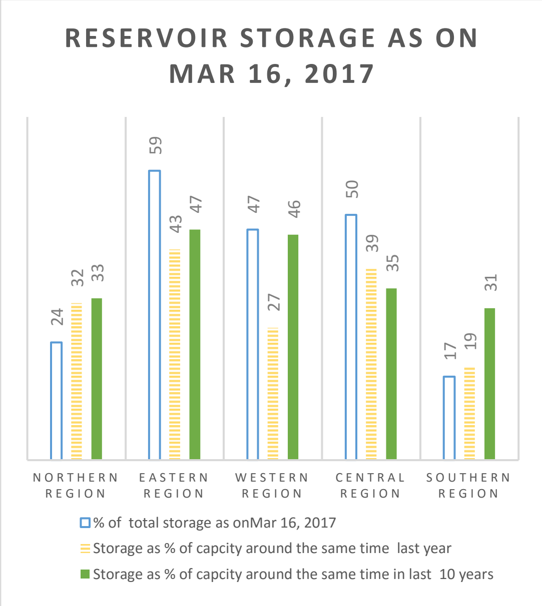
- Water level in 91 large reservoirs across the country was 37% of their combined capacity as on Mar 16, 2017. The live storage in these reservoirs is 132% of their live storage in the corresponding period of last year and 101% of storage of average of last 10 years.
- Thus, the overall storage position is better than the corresponding period of last year in the country as a whole and is also better than the average storage of last ten years during the corresponding period.
- The numbers of reservoirs having storage more than last year are 52 and reservoirs having storage more than average of last ten years are 42.
- The number of reservoirs having storage less than or equal to 50% with respect to last year are 15 and having storage less than or equal to 50% with reference to average of last ten years are 22.
- States having better storage than last year for corresponding period are Punjab, Jharkhand, Odisha, West Bengal, Gujarat, Maharashtra, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, AP &TG and Telangana.

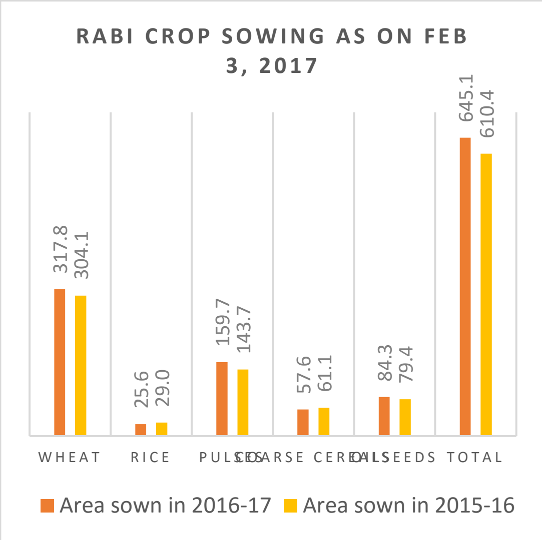
Progress in Cultivation

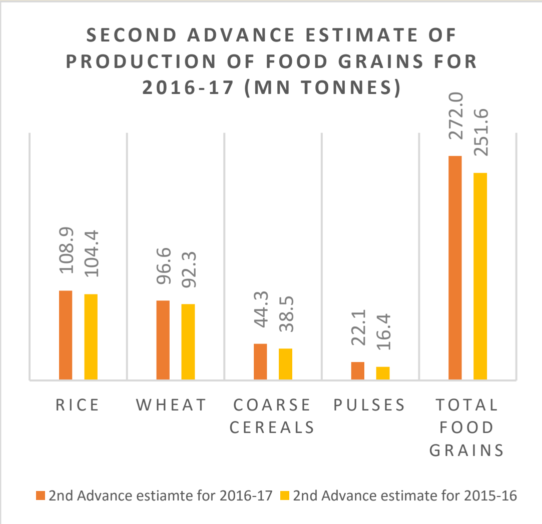
- As per preliminary reports received from the States, the total area sown under Rabi crops as on February 3, 2017 stands at 645.12 lakh hectares as compared to 610.44 lakh hectare this time in 2016 registering a growth of 5.7%.
- Wheat has been sown/transplanted in 317.81 lakh hectares, pulses in 159.72 lakh hectares, coarse cereals in 57.61 lakh hectares and area sown under oilseeds in 84.34 lakh hectares.
- The Pradhan Mantri Fasal Bima Yojana (PMFBY) launched in the country from Kharif 2016 has provided coverage to 366.64 lakh farmers (26.50%) and it is expected to exceed the target of 30% coverage for both Kharif and Rabi seasons in 2016-17.

Second Advance Estimate of Agricultural production in 2016-17

- As a result of a very good rainfall during monsoon 2016 and various policy initiatives taken by the Government especially post demonetisation to ensure availability of inputs, India is expected to witness record foodgrain production in 2016-17.
- As per Second Advance Estimates for 2016-17, total Foodgrain production in the country is estimated at 271.98 million tonnes which is higher by 6.94 million tonnes than the previous record production of Foodgrain of 265.04 million tonnes achieved during 2013-14.
- The current year's production is also higher by 14.97 million tonnes than the previous five years' (2011-12 to 2015-16) average production of Foodgrains. The current year's production is significantly higher by 20.41 million tonnes than the last year's foodgrain production.
- The Ministry of Agriculture has set the country's grain production target at 271.98 million tonne (mt) for the 2016-17 crop year (July-June), 8.1% higher than the actual grain production of 251.57 mt in 2015-16.







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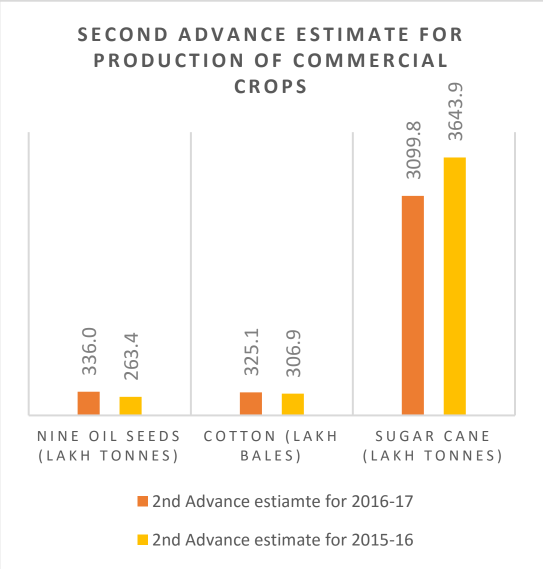

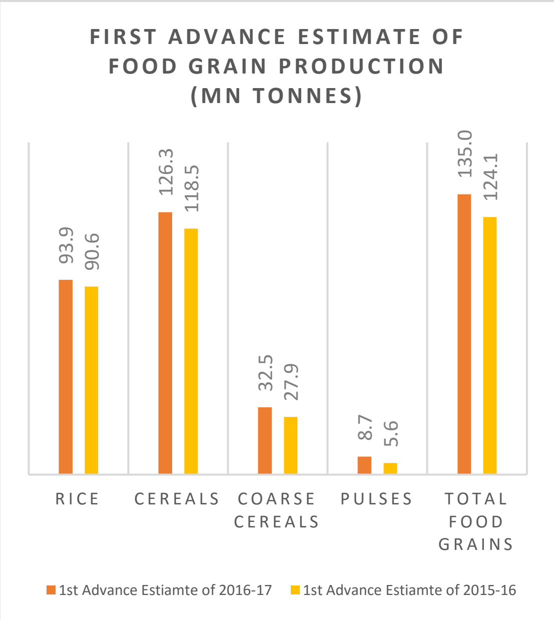

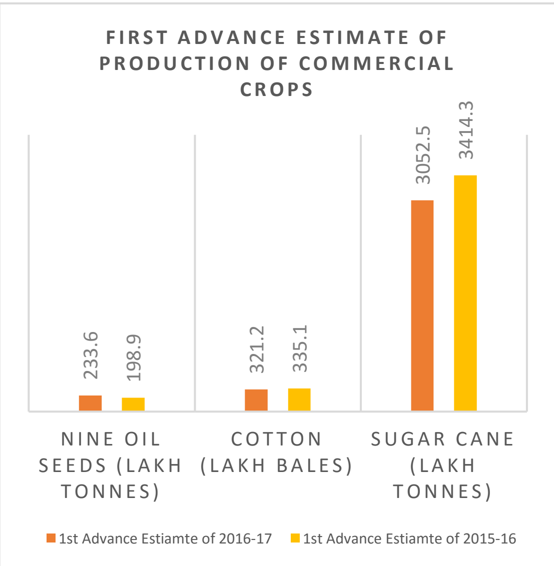

Drivers of Food Inflation

Second Advance Estimates of Food grain production in 2016-17

- Production of a number of food grains is estimated to touch new record levels such as rice is estimated to touch a new record at 108.86 million tonnes, wheat at 96.64 million tonnes, pulses at 22.14 million tonnes. However, production of sugarcane has been lower at 309.98 million tonnes lower than last years production of 348.45 million tonnes.
- As a result of significant increase in the area coverage and productivity of all major Pulses, total production of pulses during 2016-17 is estimated at 22.14 million tonnes which is higher by 2.89 million tonnes than the previous record production of 19.25 million tonnes achieved during 2013-14.
- Production of Pulses during 2016-17 is also higher by 4.50 million tonnes than their Five years' average production. Current year's production is higher by 5.79 million tonnes than the previous year's production of 16.35 million tonnes.
- Production of Sugarcane is estimated at 309.98 million tonnes which is lower by 38.46 million tonnes than the last year's production of 348.45 million tonnes.
- Despite lower area coverage during 2016-17, higher productivity of Cotton has resulted into higher production of 32.51 million bales (of 170 kg each) as compared to 30.01 million bales during 2015-16.
- To give a boost to production of rabi crops, Government has upwardly revised the procurement prices of a number of rabi crops. Besides, accepting the recommendations of CACP to increase MSPs of both Kharif and Rabi pulses for 2016-17 season, Government has announced a bonus of Rs.425 per quintal for Kharif Pulses viz. Arhar, Moong and Urad, Rs.200 per quintal for Gram and Rs.150 per quintal for Masur.

Inflation and Rate Outlook

- RBI has projected CPI Inflation in the range of 4-4.5% in H1 of 2017-18 and in the range of 4.5-5% in H2 of 2017-18. However, RBI has clarified that these projections about CPI are underestimates as they have not factored in the significant upside risks to inflation from higher crude oil prices, exchange rate depreciation and effect of house rent allowances under seventh central pay commission award.
- Notwithstanding the recent strengthening of the rupee and some comfort form the downward movement in crude oil prices, RBI is unlikely to lower policy rates at this juncture as CPI inflation is gaining momentum and the pace of rise of WPI inflation has become worrisome.

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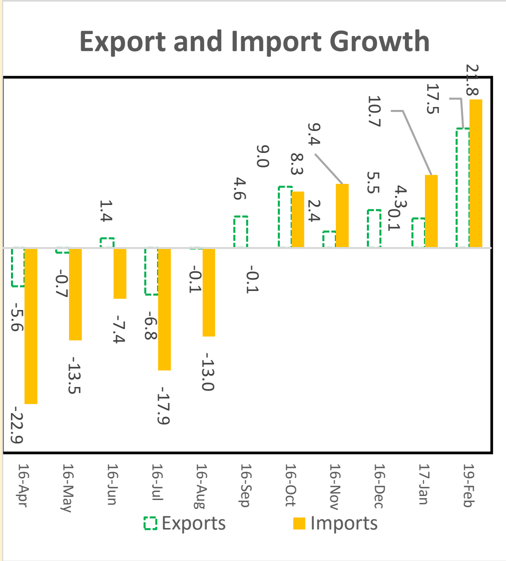
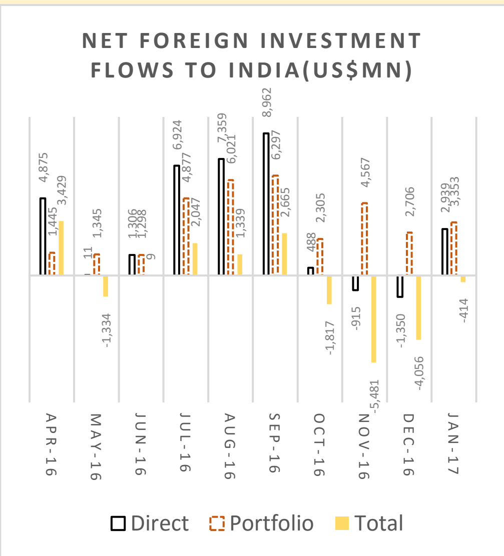


FII and Exchange Rate				
Month	**FII-Equity**	**FII-Debt**	**FII**	**Re-Dollar Exchange Rate**
Jan-16	-11126	2313	-8814	67.3
Feb-16	-5521	-8195	-13716	68.2
Mar-16	21143	-1476	19667	67.0
Apr-16	8416	6418	14834	66.5
May-16	2543	-4409	-1866	66.9
Jun-16	3713	-6220	-2507	67.3
Jul-16	12612	6845	19457	67.2
Aug-16	9071	-2625	6446	66.9
Sep-16	10443	9789	20233	66.7
Oct-16	-4306	-6000	-10306	66.7
Nov-16	-18244	-21152	-39396	67.6
Dec-16	-8176	-18935	-27111	67.9
Jan-17	-1177	-2319	-3496	68.1
Feb-17	9902	5960	15862	67.1
Mar-17	17124	4950	22075	66.5

Note-FII figures are in Rs. Crores
Monthly Average exchange rates between Indian Rs. and $



External Sector

- India's trade competitiveness deteriorated sequentially in Feb'17. It may be noted that except in Jan 2017, trade competitiveness has deteriorated continuously since April 2016 through December 2016 as reflected in a rise in 36-Currency Export and Trade Based Weights REER and also the 6-Currency Trade Based Weights REER.
- Export grew by 17.48% on a y-o-y basis in Feb'17 to US$ 24.49bn as against a deceleration in Jan' 17 to 4.3% and a growth of 5.7% in Dec' 16. January 2017 was the first month when exports recorded a double digit growth in the fiscal year so far. It is worth noting that exports have shown positive growth consecutively for the past six months reflecting the fact that global growth and trade gaining some momentum.
- Cumulative value of exports for the period April-February 2016-17 was US$ 245.41 bn registering a growth of 2.52% on y-o-y basis.
- Non-petroleum and non- gems exports in February 2017 grew by 20.15% to US$ 18.01 bn on y-o-y basis. During April-Feb FY'17, Non-petroleum exports grew by a meagre 2.2% on y-o-y basis to reach US$ 179.13 bn.
- Imports increased by 21.76% on y-o-y basis to reach US$ 33.39bn in February 2017. While oil imports grew by 60.02% reflecting the impact of the increase in oil prices following the curbs on production placed by the OPEC, non oil imports exhibited buoyant growth of 13.65% to reach US$ 7.68 bn and 25.71 bn respectively in February 2017.
- Cumulative value of imports for the period April-Feb FY'17 was US$ 340.70 bn registering a negative growth of 3.67% on y-o-y basis. Both oil and non-oil imports for the period Apr-Feb 2016-17 registered a decline of 1.76% and 4.22% on y-o-y basis to reach US$76.74 bn and US$263.95bn respectively.
- A robust growth in non-oil imports by 13.65% on y-o-y basis in Feb 2017 provides early indication of economic activity gaining traction, post demonetisation.
- As per RBI, the trade balance in services for Jan'17 was estimated at US$ 5.1 bn with the exports at US$ 13.5 bn and imports at US$ 8.40 bn. The net export of services for April-Jan 2016-17 is estimated at US$ 53.48 bn which is lower than the net export of services of US$ 59.29 bn during the April-Jan, 2015-16.

Exchange Rate Outlook

- The recent strengthening of the rupee vis a vis dollar despite Fed increasing policy rates is a temporary phase.
- Fed has already indicated its path of increasing policy rates in 2017 and 2018. While there could be some change in the path guided by incoming data, the broad direction and quantum of rate hike is source of vulnerability for the rupee
- Softening of crude prices in recent times post the OPEC decision is a major source of comfort for the outlook on rupee.
- Change in Monetary policy stance in view of increasing inflationary pressure will also support the Rupee.
- On balance, the medium term outlook for the rupee is a depreciating bias. However, much will depend on the pace at which growth gains momentum.

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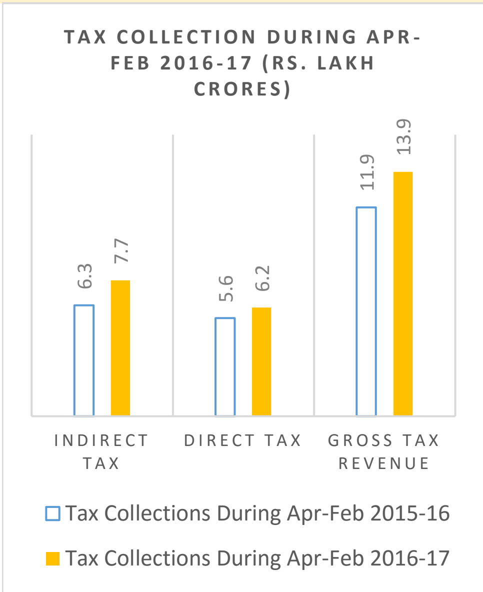
Fiscal Sector

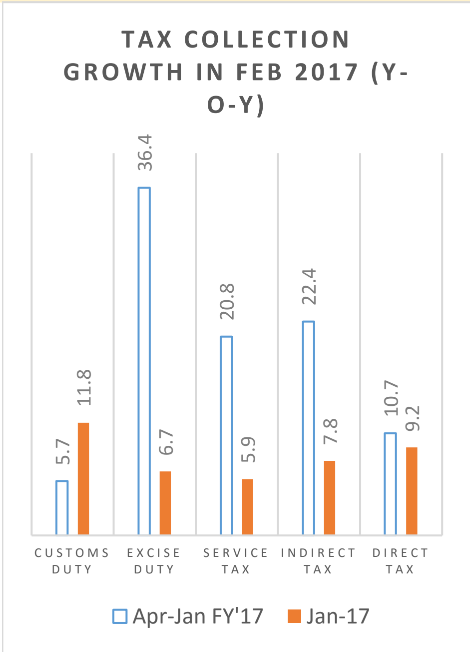
GST Roll Out

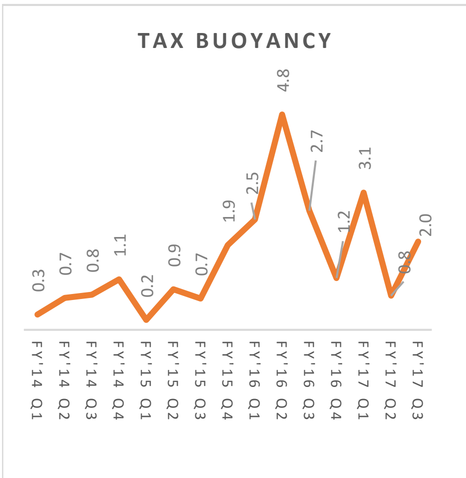
- The GST council in its meetings held on March 4 and March 17, 2017 has approved all the Bills pertaining to GST implementation that includes Central GST (CGST), State GST (SGST), Integrated GST (IGST), Union Territories GST (UTGST) and the compensation law. This is an important landmark in the process of implementing the GST by meeting its revised deadline of July 1, 2017.
- Next step in implementing GST consists of passing of these legislations in the parliament and state legislature. Also, regulations under the various Bills need to be approved which pertain to composition, valuation, input tax credit and transitions. The various regulations are expected to be discussed in the Council's next meeting scheduled on 31 March 2017. This would be followed by discussion on fitment of rates for different goods and services.
- The GST council has set a cap the cess on various demerit (or sin and luxury) goods in the legislation. The collections through cess will be used to build the compensation fund. It has been already agreed that the Center would compensate the states for five years for loss of revenue.
- GST, which will replace a plethora of central and state taxes, is a consumption-based tax levied on sale, manufacture and consumption of goods and services at a national level. Under it, C-GST will be levied by the Centre, S-GST by states and I-GST on inter-state supply of goods and services. Various indirect taxes of central excise duty, central sales tax and service tax are to be merged with C-GST, while S-GST will subsume state sales tax, VAT, luxury tax and entertainment tax.
- At the Central level, the taxes being subsumed in GST are Central Excise Duty, Additional Excise Duty, Service Tax, Additional Customs Duty commonly known as Countervailing Duty, and Special Additional Duty of Customs. All the Cesses and surcharges would be subsumed under the GST except Clean Energy Cess.
- At the State level, the taxes being subsumed in GST are State Value Added Tax/Sales Tax, Central Sales Tax (levied by the Centre and collected by the States), Entertainment Tax (other than the tax levied by the local bodies), Octroi and Entry tax, Purchase Tax, Luxury tax, and Taxes on lottery, betting and gambling. Also, State cesses and surcharges in so far as they relate to supply of goods and services are covered in the GST.

Tax Collection

- Net indirect tax collections (Central Excise, Service Tax and Customs) during Apr-Feb 2016-17 grew by 22.2% on a y-o-y basis to reach Rs. 7.72 lakh crore.
- During the Apr-Feb 2016-17 period on y-o-y basis, growth in net central excise, service tax and custom collections was 36.2%, 20.8% and 5.2% to reach Rs.3.45 lakh crore, 2.21 lakh crore and 2.05 lakh crore respectively
- Net indirect tax collections during April-Feb 2016-17 grew by 8.4% on y-o-y basis while growth in net collections for customs, central excise and services was at 10.9%, 7.4% and 7.6%, respectively in Feb'17 as compared to the corresponding month last year.
- Net direct tax collections during Apr-Feb 2016-17 grew by 10.7% on a y-o-y basis and touched Rs 6.17 lakh crore. This is 72.9% of the Budget Estimate for direct tax for FY2016-17.
- As regards to the growth rates for Corporate Income Tax (CIT) and Personal Income Tax (PIT), in terms of gross revenue collections, the growth rate under CIT is 11.9% while that under PIT (including STT etc.) is 20.8%. However, after adjusting for refunds, the net growth in CIT collections is 2.6% while that in PIT collections is 19.5%. Refunds amounting to Rs.1.48 lakh crore have been issued during April-Feb, 2016-17, which is 40.2% higher than the refunds issued during the corresponding period last year.







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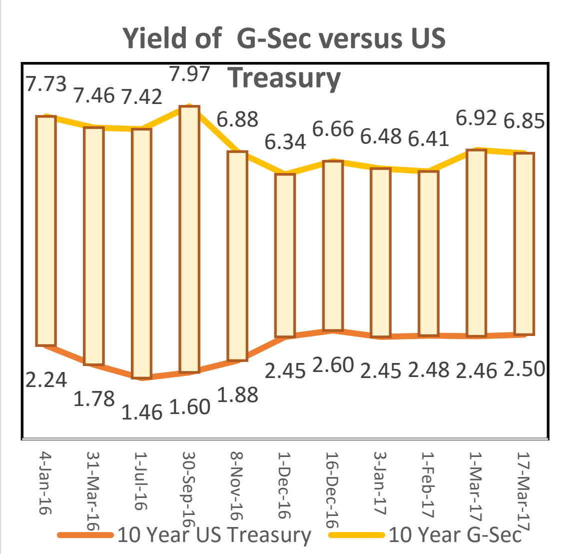
Financial and Commodities Markets

Stock Market

- The stock markets exhibited exuberance till March 20, 2017 on the back of robust FII inflows despite the US Fed rate hike.
- Though the US Fed hiked the policy rate, absence of any hawkish rate hike guidance comforted the market participants about the continuance of the flow of liquidity to the emerging markets.
- The reasons for the surge in Sensex was on account of a number of factors which include the sweeping victory of the incumbent government at the Centre in some of the crucial state elections which has fueled expectations among market participants for more reform oriented policy measures.
- The other reasons for the better performance of the Sensex were the progress towards implementation of GST and sturdy GDP growth numbers for Q3 of FY'17 published by CSO which indicated that the impact of demonetisation on growth was minimal.
- Between February 20, 2017 and March 17, 2017, the BSE Sensex increased by 3.45% to touch 29,648.99 points while NSE Nifty crossed the 8000 level index and touched 9160.05 given the positive sentiments in the market. As compared to the broader index, the mid-cap and small-cap indices showed relatively lower growth of 2.80% and 3.11%, respectively.
- Among the sectoral indices of BSE, the consumer durables index surged by 7.26% to 14506.83 from Feb 20, 2017 index of 13524.73. It has risen from a low of 10670.29 on Nov, 21, 2016 reflecting the impact of demonetization to record a growth of around 36% by mid-March 2017.
- It is worth noting that FIIs which were net sellers in the stock market during October 2016 to January 2017 became net purchasers in Feb and Mar 2017. Moreover, the net purchase position of FIIs has exceeded that of the DIIs. The DIIs who were persistent net buyers in the market have turned net sellers till Mar 17, 2017.
- Post the change in monetary stance to 'neutral' by the RBI, demand-supply dynamics for UDAY bonds seems to have altered significantly. This is reflected in the fact that the issuance of UDAY bonds by Madhya Pradesh Government had to be scrapped and that issued by Andhra Pradesh government remained partially unsubscribed.
- The 10-year bond yield that crossed 6.90% following the change in RBI's policy stance has eased to some extent to around 6.85% by mid-Mar, 2017 given the surplus liquidity in the system
- Gold has again become a safe haven post the US Fed rate hike and a conservative guidance. Its prices have again risen following the weakness in the dollar.

Financial and Commodities Markets



Gold

- The World Gold Council's Market Update released on Mar 8, 2017 predicts that the demand for gold in India would sustain in 2017 in the range of 650-750 tonnes on the back of robust growth, good monsoon and pay commission award for central government employees.
- Further, there are some global headwinds that would support the gold demand such as heightened political and geopolitical risks, surging inflation in advanced economies and currency depreciation.
- In 2016, the gold demand in India weathered a number of challenges such as 1% excise duty on Jewellery manufacturing that was protested through a 42-day strike and the demonetisation initiative which adversely affected spending
- Moreover, from April 1, 2017, the cash transaction over Rs 3 lakh would be prohibited and this is expected to adversely affect the demand for gold in rural areas and especially for areas which are more dependent on cash than on alternative channels.
- Further, the industry is apprehensive of the impact of GST and expects a change in import duty to compensate for any potential increase in GST which may have an adverse impact on the demand for gold.

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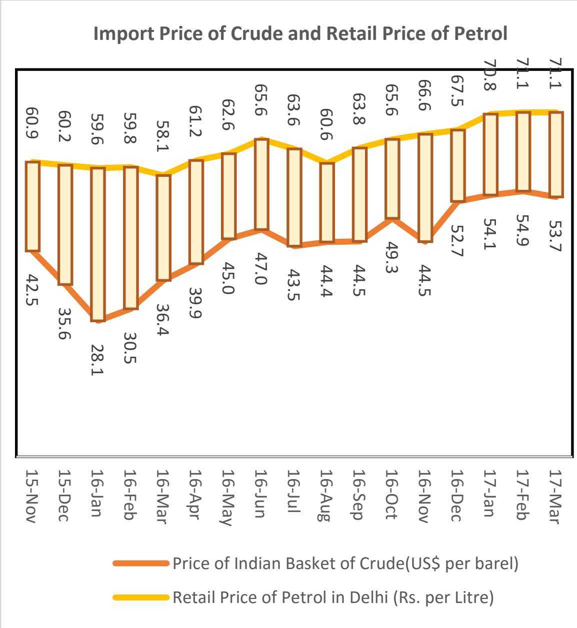
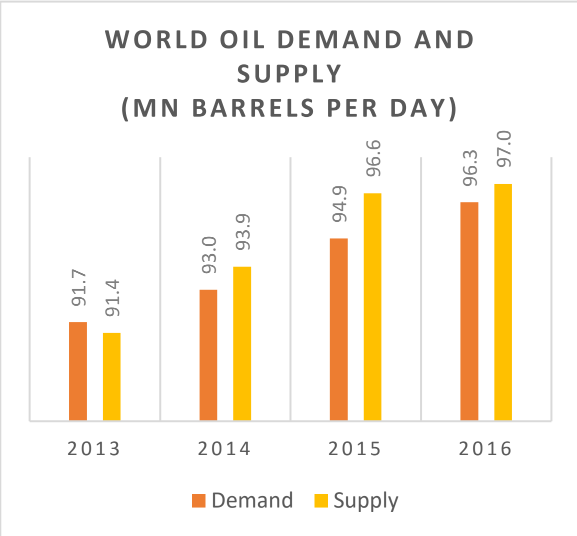
Drivers of International Crude Oil Prices

- Although oil market fundamentals were improving as a result of the curbs by OPEC and non-OPEC producers, crude oil prices have shed most of their gains by March 20, 2017and are now hovering around US$50 per barrel as global inventories had fallen more slowly than was expected in the first two months of 2017.
- Unlike the OPEC and non-OPEC memebrs which are state-run producers that have agreed to curb output, there is no mechanism to enforce curtailment of output by independent US shale oil producers. US shale oil producers are driven by commercial considerations but have significant implications for OPEC decisions
- U.S. crude oil inventories rose by 4.5 million barrels in the week to March 17 as reported by the American Petroleum Institute (API) on March 21, 2017. The huge inventory has to be seen in the context of more than 8% increase in oil production since mid-2016 to more than 9.1 million barrels per day (bpd) to levels comparable in late 2014, when the oil market slump started.
- The outlook for crude process will be governed by the decision in the next OPEC meeting scheduled on May 25 in Vienna to whether extend supply curbs implemented on Jan 1, 2017. OPEC Secretary General Mohammed Barkindo in the second week of March 2017 held that for the cartel to renew its production output agreement, non-OPEC members must be on board.
- A very important development which could have significant bearing for crude oil outlook is the dinner meeting of executives from a few U.S. shale oil producers with OPEC ministers ahead of the CERAWeek conference organized by investment bank Lazard Ltd during March 6-10, 2017 at Houston.
- The meeting, the first between the two groups, was described by attendees as cordial. Though in its infancy, any form of cooperation can have significant bearing for crude oil prices.

Implication of Oil price hike on India

- It may be noted that Price of Indian basket of crude had increased by 23% between end November and mid-February 2017. However, between mid Feb and Mid march 2017, crude prices dipped by around 8%.
- A dip in crude oil prices have important implications for macroeconomic stability in India. Decrease in oil prices have a sobering impact on inflation apart from having a soothing impact on the government finances and helps to avoid sharp fluctuation in the currency.
- In the last five and half years, oil imports amounted to on an average 30% of total import bill for India. However, between November 2015 and Dec 2016, this ratio was only 22% reflecting the gain from cheaper crude oil prices.





Global Petroleum and Other Liquids

	2015	2016	2017	2018
Supply & Consumption	(million barrels per day)			
Non-OPEC Production	58.80	58.20	58.48	59.55
OPEC Production	38.03	39.02	39.55	40.21
OPEC Crude Oil Portion	31.63	32.52	32.70	33.20
Total World Production	96.83	97.22	98.03	99.76
OECD Commercial Inventory (end-of-year)	2969	3087	3066	3107
Total OPEC surplus crude oil production capacity	1.46	1.26	1.69	1.21
OECD Consumption	46.33	46.63	47.03	47.26
Non-OECD Consumption	48.73	49.83	51.06	52.29
Total World Consumption	95.06	96.47	98.09	99.55
Primary Assumptions (percent change from prior year)				
World Real Gross Domestic Product[a]	2.6	2.3	2.7	3.0
Real U.S. Dollar Exchange Rate[b]	10.7	6.3	5.3	0.9

Source- Short-Term Energy Outlook, Feb 2017, US ENERGY Information Administration
a Weighted by oil consumption.
b Foreign currency per U.S. dollar

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Rate Decision by Major Central Banks

RBI

- RBI kept the policy rates unchanged in its Sixth bi monthly policy review on Feb 8, 2017 but changed its stance to neutral from accommodative.
- The change in stance and greater emphasis on macroeconomic stability reflected in the last policy review is welcome for higher sustainable growth.
- The status quoist approach coupled with the hawkish stance helped to bring parity in the interest rate spectrum.
- In a way the policy has set the floor in the context of moving towards a lower interest rate regime for an emerging country like India with its aspirations and constraints.

FED

- In view of realized and expected labor market conditions and inflation, the FOMC raised the target range for the federal funds rate to 3/4 to 1% in its meeting on March 15, 2017.
- The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.
- FOMC held that it will assess whether upcoming data points in meeting the objectives of maximum employment and 2% inflation before determining the timing and size of future adjustments to the target range for the federal funds rate.
- FOMC held that it expects that economic conditions will evolve in a manner that will warrant gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run. However, the actual path of the federal funds rate will depend on the economic outlook as informed by incoming data.

BoE

- In its meeting ending on 15 March 2017, BoE's Monetary Policy Committee with a majority of 8-1 voted in favor of keeping the Bank rates intact at 0.25%.
- The Committee voted unanimously to continue with the programme of sterling non-financial investment-grade corporate bond purchases totalling up to £10 billion, financed by the issuance of central bank reserves.
- The Committee also voted unanimously to continue with the programme of £60 billion of UK government bond purchases to take the total stock of these purchases to £435 billion, financed by the issuance of central bank reserves.
- Compared to 1.8% in January, MPC expects CPI inflation to rise above the 2% target over the next few months, before peaking at around 2.75% in early 2018 and drifting gradually back down towards the target thereafter. The projected overshoot entirely reflects the expected effects of the drop in sterling.

Rate Decision by Major Central Banks

ECB

- The Governing Council of the ECB on March 9, 2017 left the interest rate on the main refinancing operations, interest rates on the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.40% respectively.
- The Governing Council continues to expect the key ECB interest rates to remain at current or lower levels for an extended period of time, and well past the horizon of the net asset purchases.
- ECB decided to continue its QE program at €80 billion per month until the end of March 2017. From April 2017, the net asset purchases are intended to continue at a monthly pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.

BoJ

- BoJ in its monetary policy review held on March 16, 2017 adopted status quoist approach.
- BoJ decided to continue applying an interest rate of -0.1 % to the short term Policy-Rate balances that financial institutions park with it. BoJ further decided to purchase Japanese government bonds (JGBs) at the current pace viz, annual increase in the amount outstanding of its JGB holdings of about 80 trillion yen so that 10-year JGB yields will remain at around zero percent. BoJ has also given guidance for improved growth outlook and pacing up of inflation in 2017 and 2018.
- The bank believes that the economic risks are skewed to the downside and with weakening inflation expectations, the 2% inflation target remains a distant goal. The bank expects the economy to expand at a moderate level, owing to growth in exports, the possibility of a fiscal stimulus in the future and rising consumption levels.

PBOC

- The People's Bank of China (PBOC) raised interest rates by 10 basis points on both medium-term lending facility (MLF) loans and its open market operation reverse repurchase agreements to 3.05% and 3.2% respectively on March 15, 2017.
- PBOC also raised the rate on open market operation reverse repos for seven-day, 14-day and 28-day tenors, bringing them to 2.45%, 2.60% and 2.75% respectively.

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Banking

Competition in the Lending Space

- Among select 12 banks (6 from the PSB space and 6 New Private Banks), only YES Bank revised down its 1 year MCLR, none of them revised their base rates and FD rates for 1-2 years.
- Base rates of these rates varied within a range of 130 range. SBI, Axis Bank, HDFC Bank and ICICI Bank had the lowest base rate at 9.25% and IndusInd Bank had the highest base rate at 10.55%.
- SBI had the lowest MCLR rates at 8.00% in the 1-year tenure and IndusInd continued to have the highest MCLR rate at 9.10% in the 1-year tenure.
- There was no variation in MCLR as compared to the previous month. Range among the 12 banks with respect to deposit rates remained unchanged at 90 bps as in February 2017 for term deposits of tenure between 1 year-2 years and for less than Rs. 1 crore.

Innovation

- **HDFC Bank launches chat robot EVA-**HDFC Bank on March 5, 2017 launched an electronic virtual assistant (EVA), driven by artificial intelligence, that can chat with customers to answer queries. The chatbot provides information on the Bank's products and services to the customers across the world. In future, HDFC Bank plans to utilize EVA's services for real banking related transactions.
- **HDFC Bank to offer online loans against securities-**HDFC Bank on March 15, 2017 launched an instant digital loan against securities (LAS) facility in association with the National Securities Depository Limited (NSDL). To avail of the overdraft facility, customers have to select the shares to be pledged on net banking, accept agreement through one-time password (OTP) and pledge the shares with NSDL online through OTP. The facility at present is available for demat shares. The Bank, however, plans to extend LAS against scrips of mutual funds, bonds and insurance policies. Auto-renewal, withdrawals and enhancements will be a part of the LAS facility.
- **Karur Vysya Bank launches new technology services-**Karur Vysya Bank (KVB) launched a new technology service FAS Tag on March 8, 2017 in association with Indian Highways Management Company, a subsidiary of National Highway Authority of India. FAS Tags, are pre-loaded tags affixed to vehicles that will help in avoiding the queues at toll plazas and handling cash for payment. These tags are pre-loaded with amounts, which can be reloaded whenever required, and toll amounts are automatically debited by sensors at toll plazas. KVB also launched UPI for inter-bank fund transfer 2487 through smartphones and Bharat Bill Payment System (BBPS), offered through NPCI for payment of utility bills such as electricity, water, gas and telecom services through a single utility instead of multiple sites.

Cabinet approves merger of associate banks with SBI-In its gazette notification dated Jan 22, 2017, Government has set April 1, 2017 as the record date for the merger of five associate banks - State Bank of Bikaner and Jaipur, State Bank of Hyderabad, State Bank of Mysore, State Bank of Patiala and State Bank of Travancore with SBI. Record date indicates the date when share trading of all concerned firms is put on hold for smooth transition. SBP & SBH are not listed on the stock exchange as they are wholly owned subsidiaries of SBI and hence their entire share capital would be merged with that of SBI. For the remaining three associate banks, their shares would be delisted on April 1, 2017 and merged with that of SBI.

RBI reduces NBFCs cash loans against gold limit- RBI has reduced the cash limit pertaining to NBFCs for disbursal of loans against gold. In its notification dated March 9, 2017, RBI stated these loans amounting to Rs. 20000 and above must be disbursed only by cheque. The earlier threshold was set at Rs. 1 lakh for gold loans. This move is in line with the rules issued under the Income Tax Act. This move needs to be seen in the backdrop of the government scrapping Rs. 500 and Rs. 1000 bank notes during the demonetisation period (November 8, 2016 to December 30, 2016) and its emphasis on digital payments.

Finance ministry approves ESOPs by PSBs- It was reported on March 5, 2017 that the Finance Ministry has agreed in principle to allow public sector banks to offer stock options to their employees from FY 2017-18. The move is aimed at retaining experienced personnel with better incentives. Employee Stock Option plans (ESOPs) could be offered by banks which have improved their earnings substantially as well as significantly improved their NPAs. Details such as proportion of profit to be set aside for ESOPs are still under discussion. According to the recommendations of the Bank Board Bureau, a fixed percentage of the net profit may be offered to the employees, in addition to other bonuses and performance linked incentives. Since an improvement in the stock price will directly benefit the employees, it will serve as greater motivation for the employees to give their best, resulting in gains for the organization as well as the shareholders.

Initiatives

- **SBI to relocate 1600 branches-** It was reported on Mar 2, 2017 that SBI plans to relocate around 1500-1600 of its branches as a part of its consolidation exercise. The merger of the five associate banks with SBI will result in proximity of the branches. The number of branches is expected to remain the same at 24000 (as on Dec 31, 2016), with the existing branches relocated according to business potential and the financial inclusion agenda of the government. With this exercise, SBI aims to improve service quality by having greater accessibility to various sections of the society.
- **State Bank of India signs MoU with CREDAI-**SBI and CREDAI have signed a MoU for a period of three years for the development of the realty sector. The MoU was signed at the CREDAI National Conclave at Delhi on 6-7 March, 2017. SBI plans to partner with CREDAI for various marketing activities like conclaves, seminars, exhibitions, campaigns and CSR activities as well. The collaboration seeks to achieve CREDAI's objective of making housing more affordable through provision of cheaper finance.

Development

- **IDBI Bank to reduce exposure in non-core business-**IDBI Bank's Board of Directors on Feb 21, 2017 approved the proposal to divest some of its non-core business. The Bank proposes to reduce its stake in IDBI Federal Life Insurance, IDBI Capital Market Services, IDBI Intech, IDBI Asset Management Company, NSE, NSDL and NSDL E-Governance. The monetization of non-core assets would be carried out in the next three years. The decision is reportedly aimed at strengthening the capital base of the Bank as its net worth declined by 26% as on Dec 2016 compared to Dec 2015. The plan of divestment were initiated in May 2016 and Rs. 6500 crore was expected to be realised from sale of non-core assets. It may be noted that the Bank's GNPA ratio stood at 15.16% at the end of Dec' 16 further causing strain on its capital through higher provisioning and necessitating the unlocking of capital through the non-core business.
- **SBI offers one-time settlement for tractor loans-**It was reported on March 14, 2017 that SBI has offered an one-time settlement schemes for tractor loans worth Rs. 6000 crore. Accounts categorized as doubtful or loss assets for loans disbursed prior to September 30, 2011 are eligible for the scheme, which is open till March 31, 2017. Other agricultural loans such as Kisan Credit Card (KCC) and other term loans of same tractor and farm accounts is also covered under the scheme. The motivation for the scheme is a perceived risk of loss for the Bank of up to 40% of the outstanding balance in this category as on Sept 30, 2016. The Bank has observed that, at times, recovery is better through such schemes as it had extended similar schemes for SME and education loans in December 2016.
- **SBI signs $274 mn deal with German Development Bank KfW**- It was reported on Mar 10, 2017 that SBI and KfW, the German development bank have signed a $274 million agreement to finance affordable housing. The loan facility has a maturity period of five years. The entire process of fund raising was facilitated by SBI Capital Markets. The two banks had concluded a similar agreement worth US$300 mn in October 2015 to support rural and micro-enterprise lending in India.
- **SBI to hike stake in credit card JVs with GE-**In a filing to BSE, SBI has announced its plans to increase its shareholding in its two credit-card joint ventures with General Electric. As reported on March 16, 2017, SBI plans to increase its stake to at least 74% from 40% in GE Capital Business Process Management Services and to 74% from 60% in SBI Cards and Payments, marketer and distributor of credit cards. The proposal is also in tandem with General Electric's global strategy to exit financial services, which is a non-core business for the American conglomerate.

Development

- **Govt asks SBI to reconsider levy of minimum balance penalty-** Government, on Mar 6, 2017 asked SBI to reconsider the penalty for non-maintenance of minimum balance in savings bank accounts. This measure comes in the wake of SBI's decision on March 5, 2017 to re-introduce minimum balance penalty charges after it withdrew the same in 2012. As per the revised charges, failure to maintain Monthly Average Balance (MAB) would attract penalty in the range of Rs. 20-100. This is excluding the revised service charges which is going to be effective from April 1, 2017. MAB and service charges vary depending on the location. SBI has also revised its ATM charges from April 1, 2017.
- **RBI conducts meet of Supervisory Colleges -** Meetings of the supervisory colleges of SBI, PNB, ICICI and Axis Bank were held on Feb 22, 23 and 24, 2017 respectively. A number of host supervisors from overseas banking supervisory authorities participated in the individual Colleges meetings. The event was inaugurated by Deputy Governor of RBI who addressed issues such as macroeconomic overview, asset quality in the Indian banking sector, focus on cyber security, supervisory measures adopted by the RBI and supervisory approach of the RBI. The participants deliberated on issues of mutual concern and shared their views on the presence and overseas operations of the four banks.
- **14 banks enrolled on Aadhaar link -** Till end of Feb 2017, only 14 banks have implemented 'Aadhar Pay' which enables payment to an Aadhar number linked to a bank account. This feature is also present on the BHIM app launched on Dec 30, 2016.

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- **Growth in UPI transactions slows down in Feb 2017-** Transactions through the UPI mode have grew by only 3.6% in Feb 2017 over Jan 2017 after a high growth rate of 677% and 137% in Dec'16 and Jan'17 respectively. In Feb'16, 3.8 mn transactions were carried out on the UPI platform whereas in Jan '16, the figure stood at 4.2 mn. However, the average transaction value rose marginally to Rs. 4553 in Feb '16 from Rs. 4517 in Jan '16. The increase in transaction value could be due to data captured for the first 26 days of February and 31 days in January. Growth in value and volume of transactions through USSD also declined by around 11% and 33% respectively in Feb' 17. Post recording a decline of 25% in Jan'17, value of PoS transactions dropped by around 27% over Jan'16, thus reflecting the return to cash based transactions after the phase wise easing of cash withdrawal limits.
- **Inclusion of Capital Small Finance Bank in Second Schedule -** In a notification dated Feb 16, 2017, RBI has informed that Capital Small Finance Bank and Equitas Small Finance Bank have been included in the Second Schedule to the RBI Act, 1934.
- **Ten PSU Banks receive capital support from Government-** On March 18, 2017, the government announced capital allocation to Allahabad Bank (Rs. 418 crore), Andhra Bank (Rs.1100 crore), Bank of India (Rs.1500 crore), Bank of Maharashtra (Rs. 300 crore), Central Bank of India (Rs. 100 crore); Dena Bank (Rs. 600 crore), IDBI Bank (Rs. 1900 crore), Indian Overseas Bank (Rs.1100 crore), UCO Bank (Rs. 1150 crore) and United Bank of India (Rs. 418 crore). The process of capital allocation requires the signing of a tripartite MoU between the government, the concerned bank management and its employees. However, stringent conditions have been laid down for banks to avail of the capital support. These include active bad loan management, raising capital from the market, continuous plan for divestment in non-core assets, closure of loss-making domestic and international branches, rationalisation of administrative expenses and temporary reduction in employee benefits.

Development

ESAF Small Finance Bank launched - ESAF Small Finance Bank launched its operations on March 17, 2017 in Thrissur, Kerala after a trial week starting on March 10, 2017. The SFB, promoted by ESAF MicroFinance and Investments, plans to open 85 branches across major centres in the state and in metropolitan cities through the country in its first year of operation. The SFB also proposes to open at least ten branches in unbanked areas of the state. It plans to leverage its network of 285 microfinance branches in 11 states to cater to customers and provide banking services. It also proposes to replicate its successful model of doorstep delivery for banking services. The Bank, which has Rs. 300 crore as owned funds and additional Rs. 330 crore raised through issue of commercial papers, is aiming to grow its business to Rs. 20,000 crore by 2020. ESAF SFB is the sixth Small Finance Bank to launch operations out of the ten entities that received Small Finance Bank licenses from RBI.

State Bank of India gets Board approval to raise Rs 15,000 crore-SBI convened a general meeting of the Board of Directors on Feb 26, 2017 to obtain approval to sell its shares worth Rs. 15000 crore in FY 2017-18. The sale of shares could be routed through a public offer, qualified institutional placement, rights issue, Global Depository Receipt, American Depository Receipt or combination of the above. In addition to receiving Rs. 7575 crore of capital from the government in FY 2016-17, the Bank has approached the market to raise further capital in order to be fully compliant by the Basel III norms by March 2019.

IDBI Bank puts a hold on lending and branch expansion plans- It is reported on Feb 27, 2016 that post recording a loss of Rs. 2255 crore for the quarter ended Dec 2016, IDBI Bank has decided to pause its lending activities except for retail and priority sector loans. The decision is aimed at conservation of its depleting capital, which is utilized as a buffer against loan defaults. The Bank has decided to focus on NPA recovery as its GNPA ratio stood at 15.16% as at Dec'16. It has also set its recovery target at Rs. 1200 crore for FY 2016-17 as against Rs. 360 crore for FY 2015-16. The Bank also decided to slow down its branch expansion plans as it wants to focus on branches registering profit. In its report dated Feb 24, 2017, ICRA downgraded the Bank's Tier I and II bonds on the back of concerns relating to failure to adhere to minimum capital requirements as per Basel III norms. Weak financial performance led to capital erosion of 35 bps on a Q-o-Q basis, whereas CET 1 ratio declined by 12 bps sequentially, thereby placing the Bank under significant pressure to meet the minimum mandated requirement of 6.75% for CET 1 ratio as on March 31, 2017.

Annex-1
Base Rate and MCLR of Select Banks

Name	Effective from	1 Y - MCLR	Effective from	Base Rate	Effective from	FD Rate for 1-2 years
Bank of Baroda	07-Mar-17	8.35	01-Jul-16	9.60	Nov-16	7.00
Bank of India	07-Mar-17	8.50	30-Sep-16	9.65	Dec-16	7.00
Canara Bank	07-Mar-17	8.45	07-Jan-17	9.50	Jan-17	6.90
Punjab National Bank	01-Mar-17	8.45	01-Jan-17	9.35	Dec-16	6.90
Union Bank of India	01-Mar-17	8.50	01-Feb-16	9.30	Jan-16	7.00
State Bank of India	01-Mar-17	8.00	01-Jan-17	9.25	Mar-16	6.90
Axis Bank	18-Mar-17	8.25	02-Jan-17	9.25	Dec-16	7.00
HDFC Bank	07-Mar-17	8.15	24-Oct-16	9.25	Jan-17	6.25
ICICI Bank	01-Mar-17	8.20	03-Jan-17	9.25	Dec-16	7.00
IndusInd Bank	17-Mar-17	9.10	17-Jan-17	10.55	Jan-17	7.15
Kotak Bank	01-Mar-17	8.85	06-Jan-17	9.30	Mar-17	6.75
Yes Bank	01-Mar-17	8.80	05-Oct-15	10.25	Nov-16	7.10

Note- All Banks in this sample except Kotak Mahindra Bank, Yes Bank and IndusInd Bank offer 4% interest rate on SB deposits. Yes bank offers 6% p.a interest rate on Saving Bank accounts for account balance of over Rs. 1 lakh. Kotak Mahindra bank offers 6% p.a interest rate on Saving Bank accounts for account balance of over Rs. 1 lakh and 5% p.a. interest rate on Saving Bank accounts for account balance upto Rs. 1 lakh. IndusInd Bank offers 5% interest rate on Saving Bank accounts for account balance of over Rs. 1 lakh - Rs. 10 lakh and 6% for account balance of over Rs. 10 lakh.

Punjab National Bank offers 7.00% for term deposits of 1 year and 6.90% for term deposits of 1 to 2 years.

Union Bank of India offers 7.00% for term deposits of 1 year and 6.80% for term deposits of 1 to 3 years.

State Bank of India offers 6.90% for term deposits of 1 year to 455 days, 6.75% for term deposit of 456 days to 2 years.

AXIS Bank offers 7.00% for term deposits of 1 year to less than 2 years and 6.75% for term deposits of 2 years.

HDFC Bank offers 6.90% for term deposit of 1 year, 6.95% for term deposits of 1 year to 1 year 3 days and 6.25% for term deposits of 1 year 4 day to 2 years.

ICICI Bank offers 6.90% for term deposits of 365 days to 389 days, 7.00% for term deposit of 390 days to 2 years

IndusInd Bank offers 7.15% for term deposits of 1 year to less than 1 year 2 months, 7.05% for term deposit of 1 year 2 months to less than 2 years, and 6.75% for term deposit of 2 years.

Kotak Mahindra Bank offers 6.75% for term deposits of 1 year to 389 days, 6.90% for 390 days,and 6.25% for term deposit of 391 days to 2 years.

YES Bank offers 7.10% or term deposits from 1 year to less than 10 years, with 7.15% for term deposits for period ranging from 18 months 8 days – 18 months 18 days.

Figures are in per cent.

Annex-2

Monthly Macro Indicators

Indicator	16-Jan	16-Feb	16-Mar	16-Apr	16-May	16-Jun	16-Jul	16-Aug	16-Sep	16-Oct	16-Nov	16-Dec	17-Jan	19-Feb
Production														
IIP	-1.6	1.9	0.3	-1.3	1.3	1.95	-2.5	-0.7	0.7	-1.9	5.7	-0.1	2.7	
Infrastructure	2.9	5.8	6.4	8.5	2.8	5.2	3	3.2	5	6.6	4.9	5.57	3.4	
Prices														
WPI	-1.1	-0.9	-0.5	0.8	1.2	2.1	3.7	3.9	3.8	3.8	3.4	3.7	5.2	6.5
CPI	5.7	5.3	4.8	5.5	5.8	5.8	6.1	5.1	4.39	4.2	3.6	3.4	3.2	3.7
Agriculture	6.8	5.3	5.2	6.4	7.5	7.8	8.4	5.9	4	3.3	2.1	1.4	0.5	
Industry	-1.2	-0.5	0.1	1	1.2	1.2	1.8	2.4	2.5	2.7	3.2	3.7	4	
Services	3.9	4.4	4	4.3	4	3.8	4	4.2	4.5	4.6	4.8	4.7	5.1	
Banking														
Reverse Repo (Rs. Mn)	77843	49575	153307	199432	48331	104234	96493	55863	99851	108037	187952	216296	127611	119113
Repo (Rs. Mn)	162492	143599	144912	113263	143911	53418	51953	64906	66210	98619	68773	47167	22413	23141
Aggregate Deposits	10.3	10.2	9.2	9.8	8.9	9.7	9.6	8.8	13.8	10	17.8	17.4	16.11	
Total Credit	9.5	9.7	9	8.4	8	7.3	7.7	7.6	11.5	6.4	4	3.3	3.3	
Non Food Credit	9.8	9.9	9.1	8.4	8.4	7.9	8.3	8.2	10.8	6.7	4.8	4	3.5	
Industrial Credit	5.6	5.4	2.7	0.1	0.9	0.6	0.6	-0.2	0.9	-1.7	-3.4	-4.31	-5.1	
Infrastructure Credit	9.8	9.1	4.4	-1.5	-0.1	-2.1	-3.1	-4.2	-4.6	-6.6	-6.7	-7.66	-8.7	
Service Credit	8.9	8.6	9.1	10.9	9.3	9.2	10.8	12.1	18.4	9.3	7.1	8.31	8.1	
Leading Indicators														
Manufacturing PMI	51.1	51.1	52.4	50.5	50.7	51.7	51.8	52.6	52.1	54.4	52.3	49.6	50.4	50.7
Service PMI	54.3	51.4	54.3	53.7	51	50.3	51.9	54.7	52	54.5	46.7	46.8	48.7	50.3
Composite PMI	53.3	51.2	54.3	52.8	50.9	51.1	52.4	54.6	52.4	55.4	49.1	47.6	49.4	50.7
Services														
Passenger Traffic: All Airports	17.9	19.6	20.4	17.3	17.5	16.8	23	19.6	20.8	19.7	18.6	19.9	21.4	
Foreign Tourist Arrivals	6.7	11.3	12	10.6	3.8	7.4	17.1	11.8	13.3	10.3	9.2	13.6	16.5	12.9
Goods Traffic Movement by Railways	0.3	-0.7	-1.2	-3.7	-0.6	3	-1.9	-3.7	-2.7	-2.6	5.5	-0.1	0.34	
Automobile Sales: Total	3.1	10.2	10.2	14.5	7.7	7.2	8.9	16.8	15.8	7.2	-4.2	-16	-5.13	2.4
Automobile Sales: Passenger Vehicle	-0.6	5.4	9.2	10.2	5.2	7.6	13.9	18.9	20.7	6.2	5.8	4.3	14.56	8.7
Automobile Sales: Commercial Vehicle	19.3	18.8	20.7	14.7	15.1	7.3	2.1	2.4	0.4	13.5	-7.1	-5.7	-2.42	5.7
Automobile Sales: Two Wheelers	3.5	10.4	10.8	17.2	8.7	7.9	9.2	18.6	17.2	7.5	-5.2	-19.7	-7.72	2.1
Automobile Sales: Three Wheelers	-3	20.4	-7.2	-21.7	-9.9	-6.6	-8.9	-11.9	-16.1	-2.1	-22	-37.3	-26.91	-22.2
External														
FDI-Equity (US $mn)	5088	3229	2579	3456	2078	2340	4179	4901	5247	6301	4783	3452	4088	
FII-Net Portfolio Investment(US $mn)	-894	-1251	1358	3141	-1622	-279	2267	1558	2884	-1818	-5479	-4031	-389	
ECB(US $mn)	1395	1353	1521	305	1318	1072	1203	3173	2463	1771	488	2801	1816	
Exports	-13.6	-5.7	-5.5	-6.7	-0.8	1.3	-6.8	-0.3	4.6	9.6	2.2	5.7	4.3	17.5
Imports	-11	-5	-21.6	-23.1	-13.2	-7.3	-19.1	-14.1	-2.5	8.1	10.4	2.3	10.7	21.0
Trade Balance(US $mn)	-7639	-6542	-5071	-4845	-6273	-8116	-7761	-7674	-8339	-10160	-13008	-10369	-9840	-8896
Rupee-Dollar Exchange Rate	67.9	68.6	66.3	66.5	67.2	67.6	67.03	67	66.7	66.85	68.52	67.95	67.81	66.7
Rupee-Pound Exchange Rate	97.8	95.2	95.1	97.4	98.7	90.5	88.3	87.7	86.4	81.29	85.53	83.42	84.84	83.1
Rupee-Euro Exchange Rate	74.1	75.1	75.1	75.7	74.8	75	74.3	74.6	74.8	72.9	72.84	71.61	72.55	70.7
REER 36 Country (Trade Based Weight) Base 2004-05=100	113.061	109.896	110.61	111.23	112.11	112.909	114.17	114.15	114.488	115.52	115.799	116	115.2414	116.4
Forex Reserves Outstanding*(US $bn))	349	347	356	363	361	361	365	367	370	367	365	360	361.558	362.8

Note: All figures unless specified otherwise refers to y-o-y growth and are in per cent. PMI figures are numbers.

*Jan 2017 figures refer to reserves as on Jan 20, 2017.

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Annex-3

Quarterly Macro Indicators

	2013-14		2014-15				2015-16				2016-17		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
GVA At Basic Prices Growth	6.5	4.8	7.5	8.1	6.1	6.1	7.8	8.4	7.0	8.2	6.9	6.7	6.6
Components Growth													
Agriculture, Forestry and Fishing	6.6	5.8	2.2	3.5	-3.1	-1.4	2.6	2.3	-2.2	1.7	1.9	3.8	6.0
Industry	4.4	3.1	9.1	6.8	4.5	7.0	7.4	7.4	9.5	8.6	6.1	5.1	6.6
Mining and Quarrying	2.2	8.4	22.0	9.5	12.1	14.4	11.2	13.9	13.3	11.5	-0.3	-1.3	7.5
Manufacturing	5.8	3.9	9.9	7.9	3.5	8.5	8.5	10.3	12.8	10.8	9.0	6.9	8.3
Electricity, Gas, Water Supply and Other Utility Services	3.2	5.2	9.3	8.0	8.0	3.6	2.5	5.9	4.1	7.8	9.6	3.8	6.8
Construction	2.7	-0.7	3.2	3.5	3.2	2.2	4.8	0.0	3.2	3.0	1.7	3.4	2.7
Services	7.8	5.6	8.1	9.8	11.8	8.3	9.5	10.4	9.4	10.1	8.8	8.2	6.8
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	9.4	6.9	10.4	7.2	4.8	11.8	10.6	8.9	9.6	13.2	8.2	6.9	7.2
Financial, Real Estate and Professional Services	8.4	7.8	9.2	13.3	12.4	9.4	10.2	13.1	10.4	8.9	8.7	7.6	3.1
Public Administration, Defence and Other Services	4.2	0.5	2.9	7.5	22.1	1.3	6.3	7.2	7.5	6.7	9.9	11.0	11.9
Growth of Expenditure Components of Nominal GDP													
GDP	14.3	12.2	14.1	10.2	9.9	9.0	10.5	9.4	8.7	11.3	10.8	11.8	10.6
Net Taxes on Products	15.4	35.3	-16.3	2.2	10.7	23.5	62.6	45.9	12.8	22.2	27.1	19.0	17.1
Final Consumption Expenditure	15.8	11.8	14.7	15.3	8.3	7.9	6.4	6.9	8.6	12.5	13.2	12.1	15.8
Final Consumption Expenditure: Private	16.2	15.5	15.9	15.2	5.1	10.0	6.4	6.4	8.4	12.9	11.7	10.2	14.4
Final Consumption Expenditure: Government	13.0	-7.1	9.0	15.8	32.0	-4.9	6.4	9.2	10.0	9.8	20.8	20.7	24.2
Gross Fixed Capital Formation	7.9	-0.4	12.8	6.0	4.8	5.6	9.8	10.4	3.3	1.0	-1.0	-2.7	5.8
Change in Stocks	-19.5	-20.6	69.9	66.4	57.1	62.1	3.4	3.8	6.4	5.6	9.5	8.7	11.1
Valuables	-49.1	-31.8	30.4	12.5	24.3	48.3	-12.8	12.6	4.4	-20.1	-33.5	-33.5	-33.5
Exports of Goods and Services	28.4	22.8	14.7	-2.7	0.8	-9.0	-5.0	-5.5	-7.5	-0.6	4.3	2.4	5.7
Import of Goods and Services	-1.9	2.8	4.2	1.6	6.7	-6.6	-5.3	-5.4	-9.3	-3.3	-1.4	-5.2	5.6
Discrepancies	-147.2	245.0	-886.7	-604.4	-259.9	54.1	-83.5	-53.9	52.1	112.4	-222.4	-423.8	-61.0
BoP Indicators													
Current Account as % of GDP	-0.9	-0.2	-1.5	-2.2	-1.5	-0.1	-1.2	-1.7	-1.3	-0.1	-0.1	-0.6	
Trade Account as % of GDP	-3.2	-2.2	-3.6	-4.1	-3.6	-2.1	-3.3	-3.9	-3	-1.6	-1.5	-1.7	
Capital Account as % of GDP	0	0	0	0	0	0	0	0	0	0	0	0	
Financial Account as % of GDP	1	0.4	1.6	2.1	1.9	0	1.4	1.8	1.3	0.03	-0.01	0.77	
Foreign Direct Investment as % of GDP	1.3	0.2	1.6	1.5	1.3	1.7	2	1.3	2	1.6	0.8	3.2	
Foreign Portfolio Investment as % of GDP	0.5	1.9	2.6	1.9	1.2	2.3	0	-0.7	0.1	-0.3	0.4	1.1	
Errors and Omission as % of GDP	-0.1	-0.2	0	0.1	-0.4	0.1	-0.2	-0.1	0	0	0	0.1	
Accretion(-)/Depletion (+) of Forex (Us$bn)	-19.1	-7.1	-11.2	-6.9	-13.2	-30.1	-11.4	0.9	-4.1	-3.3	-6.9	-8.5	
FDI(US$bn)	6.1	0.9	7.6	7.5	6.9	9.3	10	6.5	10.7	8.8	4.1	17.2	
FII(US$bn)	2.4	9.3	12.4	9.8	6.3	12.5	0	-3.5	0.6	-1.5	2.1	6.05	
External Debt: USD: Total (bn)	426.9	446.2	453.1	456.3	458.7	475	482.4	480.5	479.3	485.1	479.7		
External Debt: USD: Long Term (bn)	334.2	354.5	363.1	369.3	373.1	389.5	398.8	396.1	398.1	402.2	397.6		
External Debt: USD: Short Term (bn)	92.7	91.7	90.1	87	85.6	85.5	83.6	84.8	81.6	83.4	82.1		
External Debt: USD: Short Term: Trade Related (bn)	86.2	81.7	82	80.4	79	81.6	79.3	79.2	77.4	80	79.7		
Short Term Debt as % of Total Debt (bn)	21.7	20.5	19.9	19.1	18.7	18	17.3	17.6	17	17.2	17.1		

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Annex-4
Annual Macro Indicators

Indicator	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Real Sector Growth										
GVA at Basic Price*	9.6	9.3	6.7	8.6	8.9	6.7	5.4	6.3	7.1	7.2
I. Agriculture	4.2	5.8	0.1	0.8	8.6	5.0	1.5	4.2	-0.2	1.2
II. Industry	12.2	9.7	4.4	9.2	7.6	7.8	3.6	5.0	5.9	7.4
Mining & quarrying	7.5	3.7	2.1	5.9	6.5	0.1	-0.5	3.0	10.8	7.4
Manufacturing	14.3	10.3	4.3	11.3	8.9	7.4	6.0	5.6	5.5	9.3
Electricity, Gas &Water Supply	9.3	8.3	4.6	6.2	5.3	8.4	2.8	4.7	8.0	6.6
Construction	10.3	10.8	5.3	6.7	5.7	10.8	0.6	4.6	4.4	3.9
III. Services	10.1	10.3	10.0	10.5	9.7	6.6	8.1	7.8	10.3	8.9
Food Grains Production (Mn Tonnes)	217.3	230.8	234.5	218.1	244.5	259.3	257.1	265.0	252.0	252.2
Industrial Production										
IIP	12.9	15.5	2.5	5.3	8.2	2.9	1.1	-0.1	2.8	2.4
Basic Goods	8.9	8.9	1.7	4.7	6	5.5	2.5	2.1	7	3.6
Capital Goods	23.3	48.5	11.3	1	14.8	-4	-6	-3.6	6.4	-2.9
Intermediate Goods	11.5	7.3	0	6	7.4	-0.6	1.6	3.1	1.7	2.5
Consumer	16.1	17.6	0.9	7.7	8.6	4.4	2.4	-2.8	-3.4	3
Consumer Durables	25.3	33.1	11.1	17	14.2	2.6	2	-12.2	-12.6	11.3
Consumer Non-Durables	12.3	10.2	-5	1.4	4.3	5.9	2.8	4.8	2.8	-1.8
Mining	5.2	4.6	2.6	7.9	5.2	-2	-2.3	-0.6	1.5	2.2
Manufacturing	15	18.4	2.5	4.8	9	3	1.3	-0.8	2.3	2
Electricity	7.3	6.3	2.7	6.1	5.5	8.2	4	6.1	8.4	5.7
Banking										
Aggregate Deposits Growth	23.8	22.4	19.9	17.2	15.9	13.5	14.2	14.1	10.7	9.9
Demand Deposit Growth	17.9	22	-0.2	23.4	-0.6	-2.6	5.9	7.8	11.2	13.1
SCBs food credit	-1	14.3	-4.6	4.1	4.9	32.6	26.5	18.6	2.1	-4.1
SCBs non-food credit	38.4	28.5	23	17.8	17.1	21.3	16.8	14	14.2	9.3
Fiscal Sector(Combined)										
Gross fiscal deficit	5.1	4	8.3	9.3	6.9	7.6	6.9	7.1	6.6	6.5
Gross primary deficit	-0.3	-1.2	3.3	4.5	2.4	3.2	2.3	2.3	1.7	1.6
Revenue deficit	1.3	0.2	4.3	5.7	3.2	4.1	3.4	3.2	2.6	2.5
External Sector										
Exports Growth	22.6	29.1	13.6	-3.5	39.8	22.5	-1.8	4.7	-1.3	-15.9
Imports Growth	24.5	35.5	20.7	-5.1	28.2	32.3	0.3	-8.3	-0.5	-15.3
Exports/GDP	13.6	13.4	15.4	13.4	15	16.8	16.7	17	15.4	12.8
Imports/GDP	20.1	20.8	25.2	22	22.4	27.1	27.4	24.9	22.5	18.5
Invisibles/ GDP	5.5	6.1	7.5	5.9	4.6	6.1	5.9	6.1	5.7	7.2
CAD /GDP	-1	-1.3	-2.3	-2.8	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1
Foreign Investment/GDP	3.1	5	2.3	4.8	3.5	2.7	3	1.9	3.7	1.6
Import Cover of Reserves (Months)	12.5	14.4	9.8	11.1	9.5	7.1	7	7.8	8.9	
FII(US$mn)	3225	20328	-15,017	29048	29422	16812	27582	5009	40923	- 3,516
FDI(US$mn)	16481	26864	32066	27146	22250	35855	22884	25274	31911	41043

Note-*For 2006-07 to 2011-12 figures represent rate of growth GDP at factor cost (2004-05 base).
Figures are in per cent unless specified otherwise.

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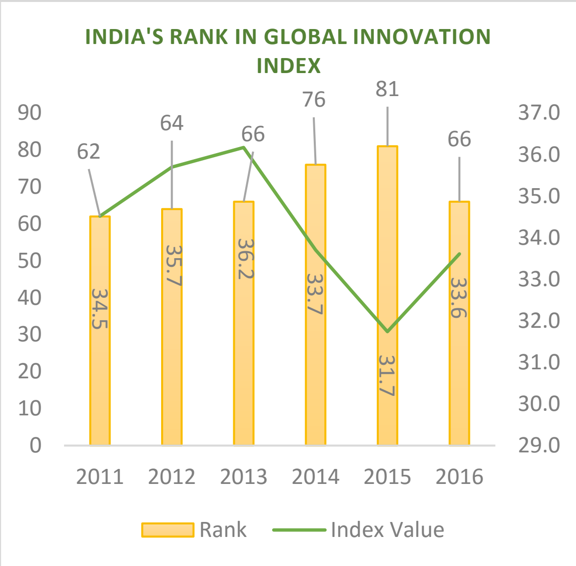

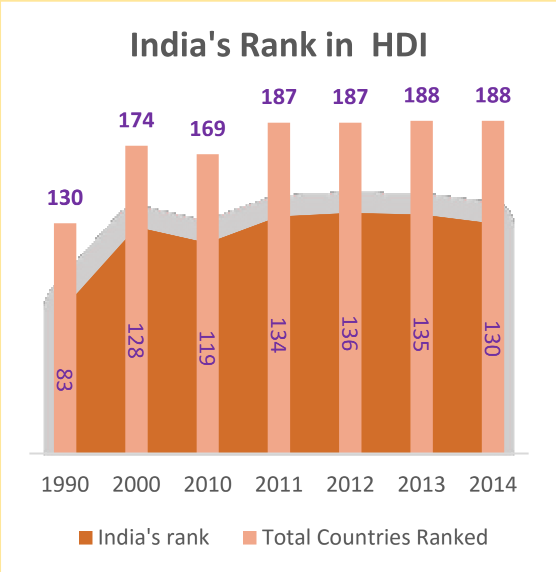

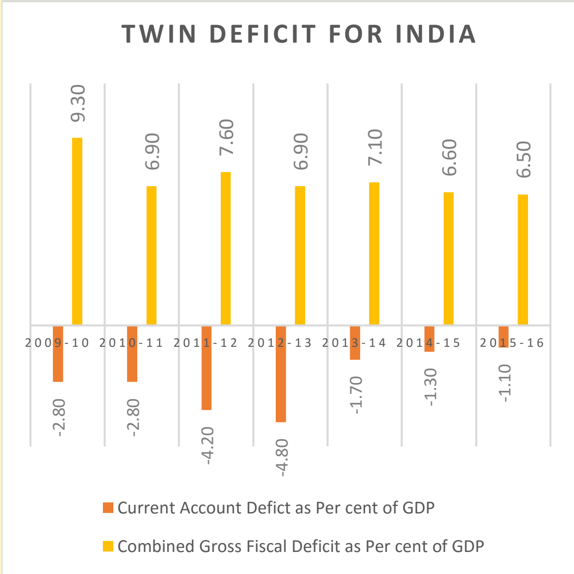

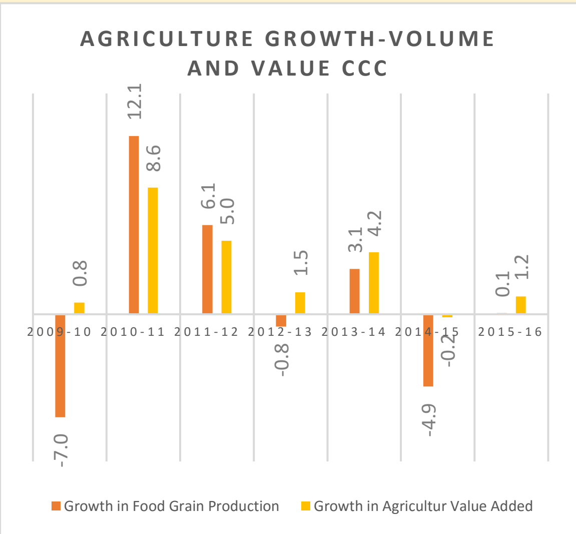

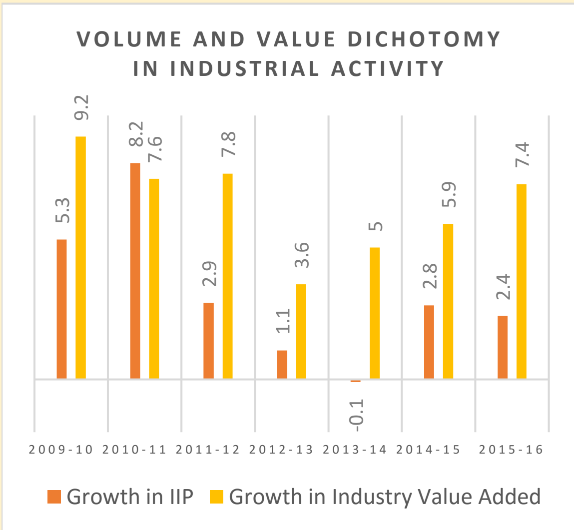

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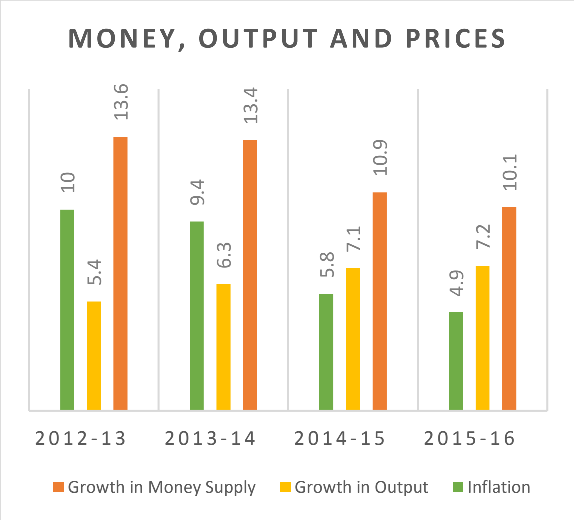

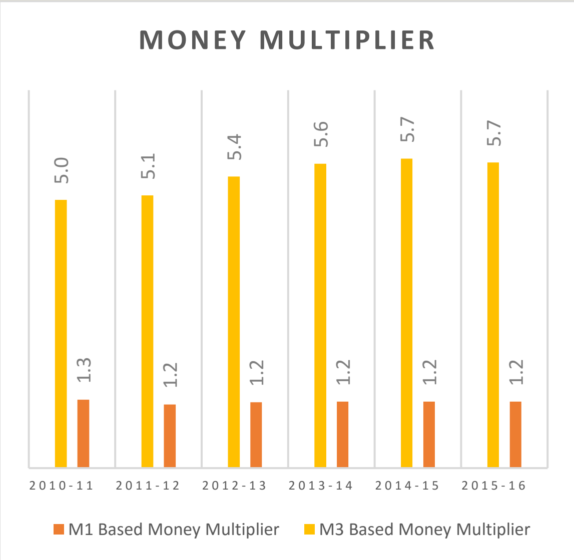

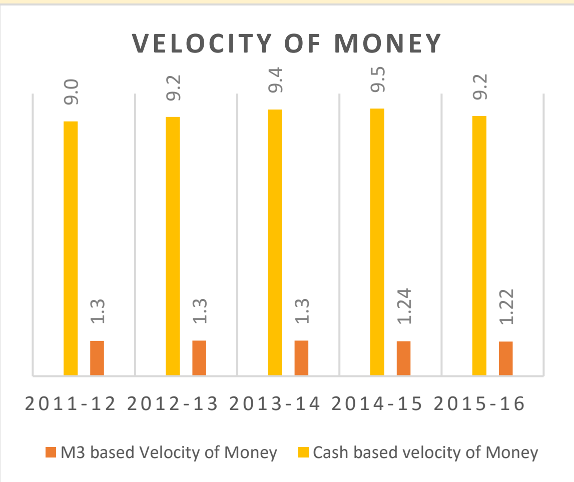

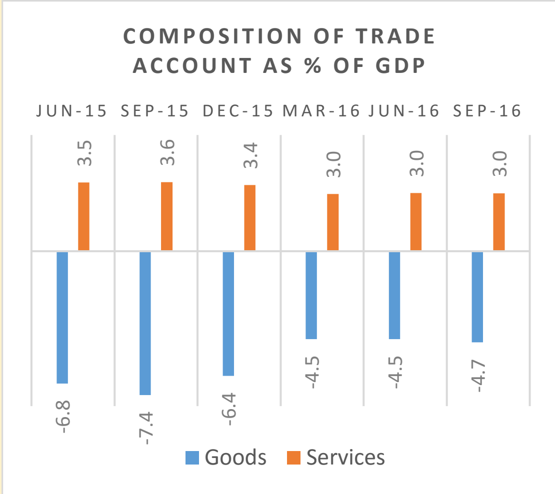

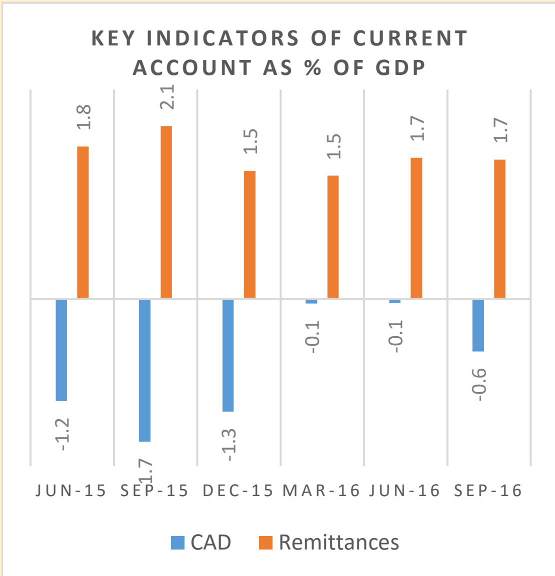

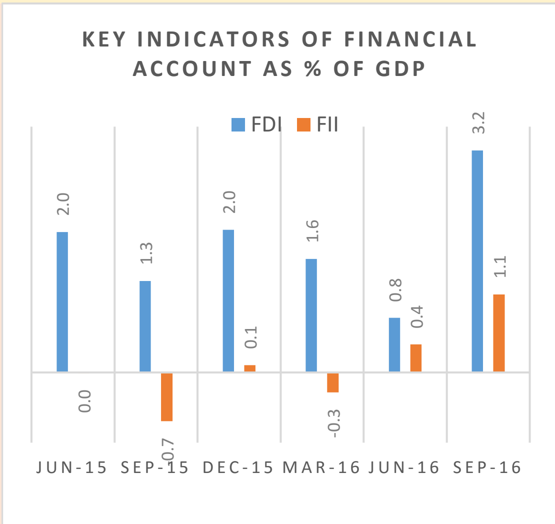

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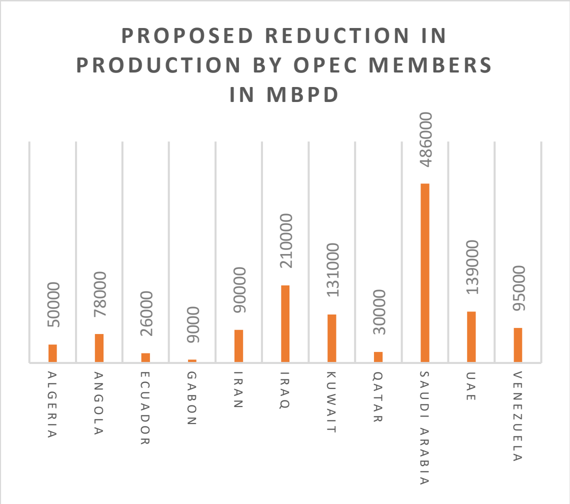

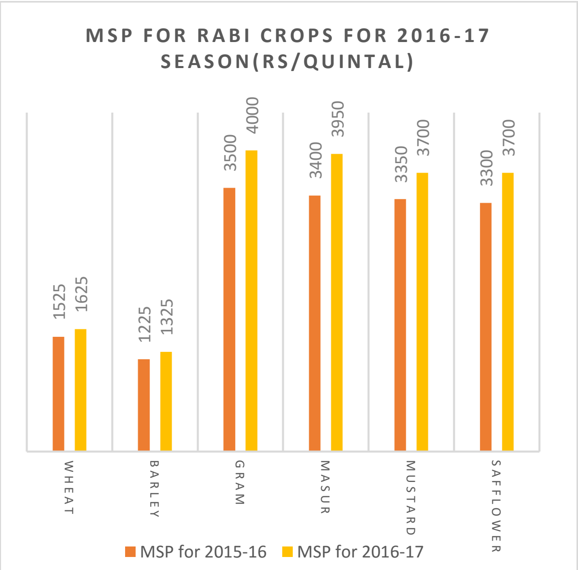

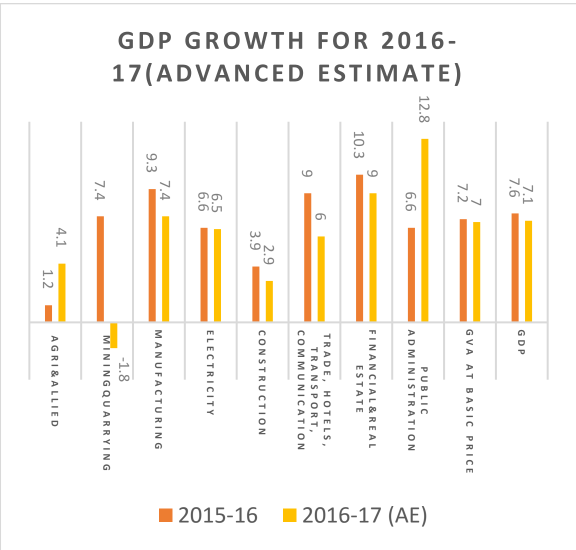

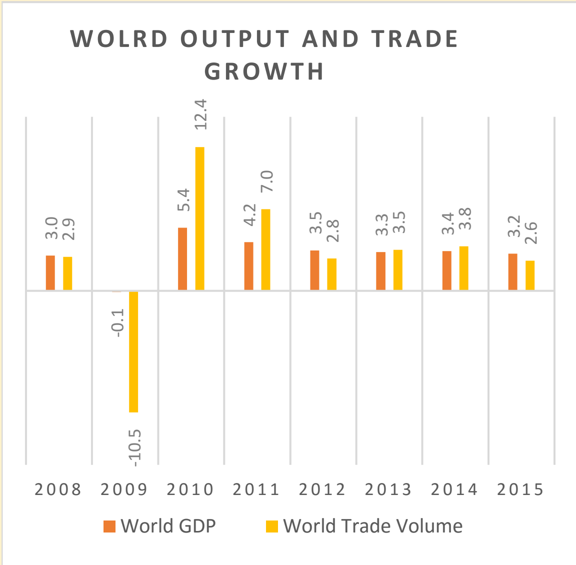

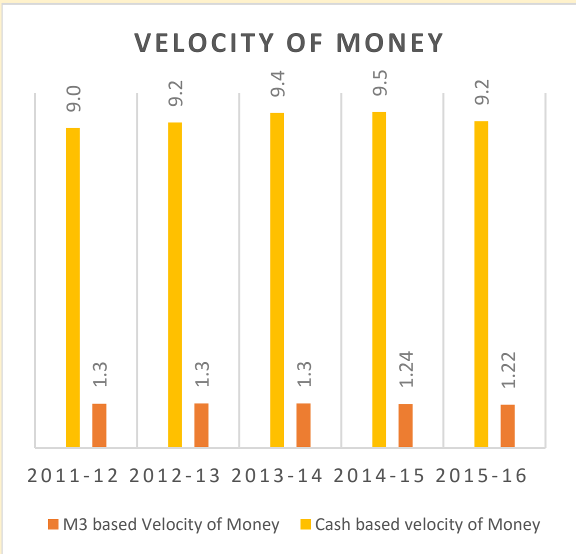

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