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MONTHLY MACRO INSIGHTS

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In Brief

The big developments in the recent past has been the victory of Mr. Donald Trump as the next US President and the decision of the Indian Government to demonetise currencies of Rs. 500 and Rs. 1000 denominations which account for 86% of the value of currency in circulation. Softening of inflation both at wholesale and retail level coupled with downward pressure on inflation following the demonetisation initiative has created space for RBI to reduce policy rates. However, global headwinds arising from possible Fed decision to increase interest rates and the likely OPEC decision to cut production amidst narrowing of spread between 10 year benchmark of G-Sec and US Treasury, RBI will pursue a status quoist approach to policy rates. The consumption stimulus from the implementation of 7th pay commission award and good monsoon would to some extent be negated by the cash crunch following the demonetisation initiative. GDP would take a hit in the transition period which may last for the rest of FY'17 as the system adjust itself to the changes in the behavioral and transaction pattern following demonetisation. Our estimates under alternate scenarios indicate that GVA growth for FY17 will be in the range of 3.6-5.5% depending on whether normalcy in cash transactions is restored in Q4 of F'17 or in Q1 of FY'18. The setback to growth from demonetisation, however, would be temporary as the major growth drivers remain intact.

Table-1
FINANCIAL AND COMMODITIES MARKETS – POST DEMONETISATION

	8-Nov 2016	9-Nov 2016	15 - Nov 2016	21-Nov 2016
Call	6.22	6.20	6.05	5.92
G-Sec	6.90	6.75	6.71	6.47
Dollar	66.71	66.80	67.72	68.26
Pound	82.71	83.43	84.42	84.20
Crude	43.34	43.10	42.95	45.51
Sensex	27,591	27,253	26,305	25,765
Gold	30,700	32,500	30,400	30,600

Note
G-Sec refers to yield on 10 year G-Secs.
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 10gms of standard gold in Mumbai markets.

SNIPPETS

- India's growth was estimated to be in the range of 7.4-8% for FY17 prior to demonetisation initiative. Post demonetisation various agencies have pared down India's growth to a range of 3.5 -7.2% for 2016-17. As per our empirical estimates GDP growth for FY'17 will be in the range of 3.75-5.75% under alternate scenarios for cash flowing back to the system, cash not tendered for exchange and pace of credit off take from the banking system
- The setback to growth, however, would be temporary as major growth drivers remain intact. As the transition phase of replenishing old notes with new ones is over, growth will be faster due to the series of supply side reform measures undertaken by the government in the past several months and base broadening effect on GDP, consequent to demonetisation.
- RBI's target of 5% CPI inflation by March 2017 seems achievable post the demonetization initiative as economic activity will remain subdued in Q3 and will gradually recover in Q4 of FY'17.
- Post demonetization, tax collection of government will get a boost. Thus, the risk to inflation arising from overshooting of fiscal deficit target has also subsided significantly post demonetisation.
- Domestic economic conditions have created policy space for RBI to reduce rates further so as to give an impetus to economic activity as well as move towards its long term objective of creating a low interest rate regime.
- The global economic developments which have adverse implications of the exchange rate will, however, may restrain RBI to lower rates at the first instance. As such , we expect a stauts quo on the rate front on during the fifth bimonthly monetary policy meet on December 7, 2016

Inside

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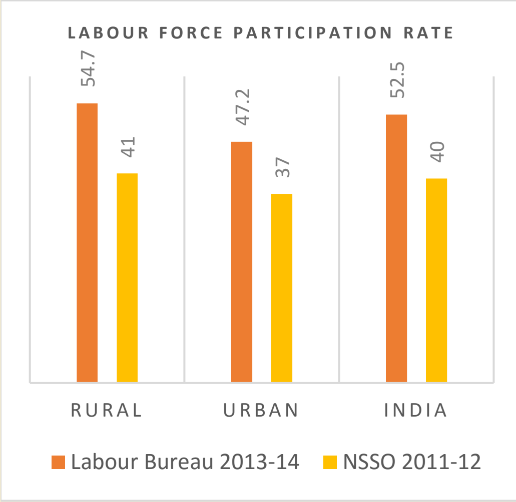
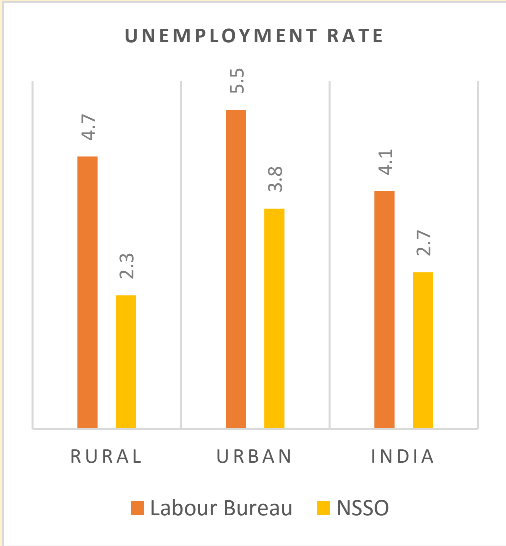
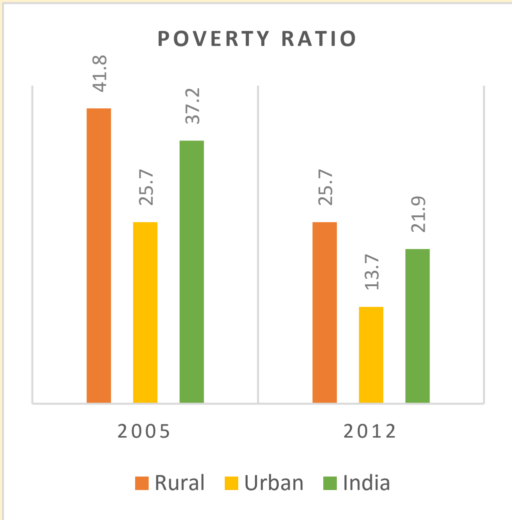
SNIPPETS

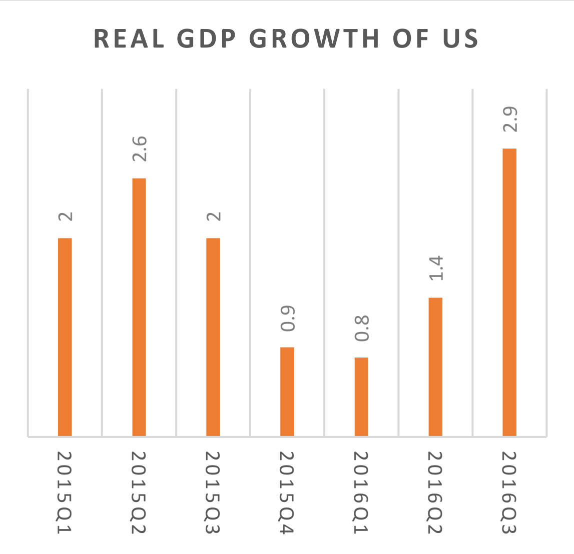
- The president elect, Mr. Donald Trump in US has a "trillion-dollar rebuilding plan" with an aim to increase spending on infrastructure such as building bridges, highways, roads or airports and also plans to extend tax concession for construction related activities.
- In addition to low headline unemployment ratio, the labor market conditions index based on 19 indicators of US labour market has shown a positive reading for Oct 2016 suggesting added traction in the labor market.
- As the US economy is close to full employment situation, a significant increase in government spending would give a push to inflationary conditions, necessitating more aggressive rate hike by the Fed.
- The Fed Chairperson has indicated that conditions are favourable for a rate hike in December. Bond markets in US have started factoring the likely rate hike in December 2016. This is reflected in hardening of yields of 10 years US Treasury from 1.88% on Nov 8, 2016 to 2.34% on Nov 18, 2016.
- As things have unfolded since their meeting in Algeria in Sep 2016, OPEC is set in all likelihood to reach an agreement to cut production at Vienna on Nov 30, 2016. This is significant as consensus had eluded the Oil Bloc since 2008 to adjust production to stabilize prices.
- Oil analysts have estimated crude price to hover around US$50 if OPEC strikes a deal. Further, crude prices can move upwards in the range of US$55 in case Russia comes on Board with OPEC to support their decision.
- Outcome of OPEC meeting will be crucial from India's macroeconomic stability point of view and in these circumstances, India should get prepared for a reversal of lower crude oil prices.
- The narrowing of spread between 10 year G-Sec benchmark and 10 year US Treasury yields has reduced the relative attractiveness of India as an investment destination after pricing in the emerging market risks. This can also put pressure on the exchange rate.
- The transitional dip in India's growth following demonetization will also add to the pressure on rupee in the short term.
- Significant drop in CPI and WPI based inflation both on y-o-y coupled with likely CPI trajectory in the rest of FY 17 gives confidence that the 5% inflation target for Mar 17 will be met.
- The Ministry of Agriculture has set the country's grain production target at 270.10 million tonne (mt) for the 2016-17 crop year (July-June), up 6.7% from the actual grain production of 253.23 mt in 2015-16.
- South Western monsoon has been normal and IMD had predicted that the North Eastern monsoon also will be normal. However, progress of North East monsoon with a deficit of 39% from long period average till Nov 16, 2016 has been tardy and it is doubtful if the lost ground can covered in the second half of the North East Monsoon season.
- Credit growth continues to be tepid for the industry and negative for infrastructure industries all through April to Sep in FY 17.

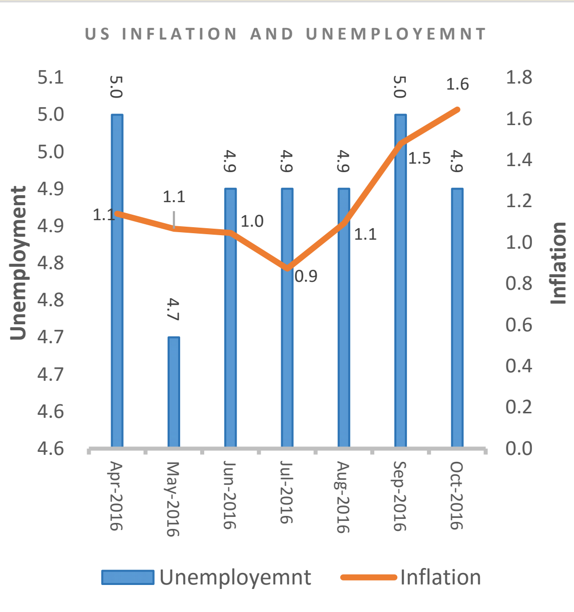
Indian Economy-Structural Coordinates

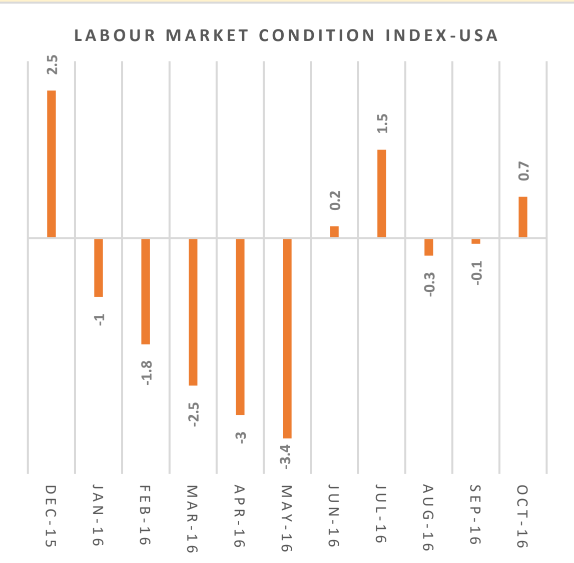












Growth Outlook-Global

Economic Polices of President Elect in USA - The outcome of the Presidential Elections in USA which resulted in a Republican victory has a number of significant implications for the economic policies and growth prospects of USA and through its linkage effects on the global economy. Though the President elect Mr. Donald Trump will be assuming office in January 2017, his victory speech had a number of takeaways about the likely policy posture of the US government under his leadership. The key takeaways from his Victory Speech are-

- Moving away from his extreme views on immigration, he pledged to every citizen of US that he will be 'president for all Americans' and his stance to 'always put America's interests first' but to 'deal fairly with everyone, with everyone - all people and all other nations'. Further, his intent to 'seek common ground, not hostility; partnership, not conflict', assuaged fears of people who were critical of his extreme views.
- Intent to double economic growth through focus on building infrastructure. He expressed to fix inner cities and rebuild highways, bridges, tunnels, airports, schools, and hospitals and transform infrastructure in US to make it the best in the world and in the process create huge employment opportunities.

Mr Trump's economic policies enunciated during the election campaign though not completely coherent had the following elements-

- Cutting taxes significantly- This would include reducing the Federal corporation tax rate from 35% to 15% as well reduction in tax for all income groups.
- Rebuilding infrastructure-To increase spending on building bridges, highways, roads or airports. He had indicated a "trillion-dollar rebuilding plan" which would involve spending on infrastructure as well as extending tax credits to private firms willing to spend on construction.
- Spending significantly higher amounts on defence. Mr. Trump had indicated his plans to build a wall between US and Mexico to prevent illegal migration. Expenditure on creating a wall, would count both for defence as well as infrastructure spending.

The President elect, however, has not laid down how the proposed spending will be financed. Tax cut along with increased spending on infrastructure can lead to a significant rise in national debt. As the US economy is close to full employment, a significant increase in government spending would create inflationary pressures, necessitating more aggressive rate hike by the Fed.

Republicans traditionally have an economic philosophy which favours minimalist government and supply side policies that boost productivity in the economy. While tax cut falls in this scheme, significant push to government spending is out of sync with the republican economic thinking. Observers of US economy would be keenly watching how the economic policy including those related to immigration will be implemented. The Bond market seem to have factored in the implications of likely fiscal expansion, which is reflected in the hardening of US Treasury bond yields.

Growth Outlook-Global

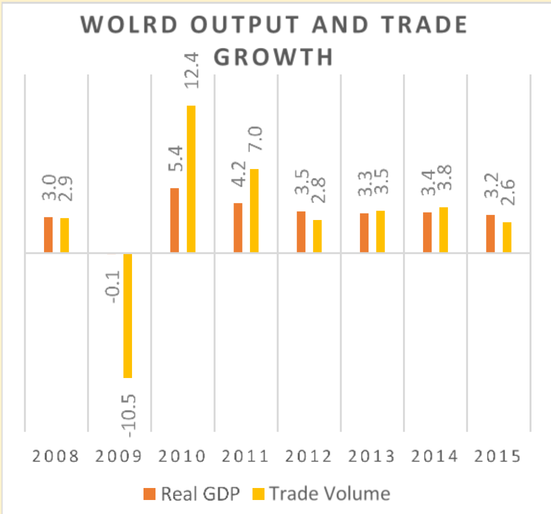
IMF in its recent assessment of World Economic Outlook published on Oct 4, 2016 has maintained its growth forecast for world economy at 3.1% for 2016 as provided in its review in July 2016.

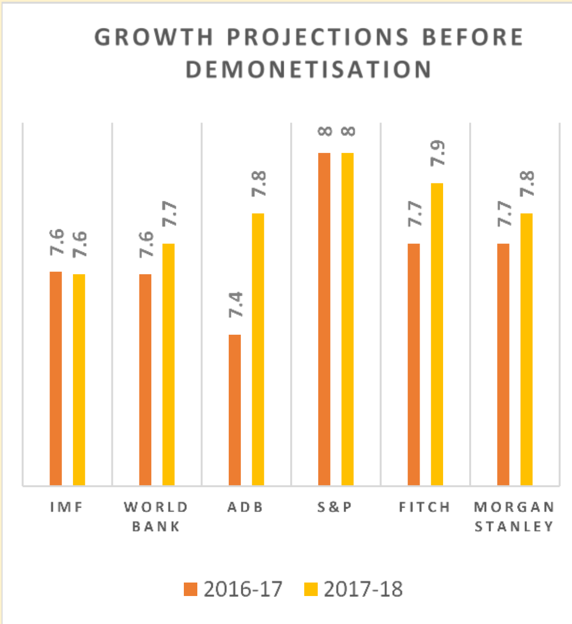
- Global growth is expected to be subpar at 3.1% in 2016, which will slightly increase to 3.4% in 2017. Advanced economies will expand just 1.6% in 2016, less than last year's 2.1% pace and down from the July forecast of 1.8%.
  - In emerging market and developing economies, growth will accelerate in 2016 for the first time in six years to 4.2%, slightly higher than the July forecast of 4.1%. Next year, emerging economies are expected to grow at 4.6%.
  - Chinese economy, the world's second largest, is forecasted to expand 6.6% in 2016 and 6.2% in 2017, down from growth of 6.9% in 2015. In China, policymakers will continue to shift the economy away from their reliance on investment and industry towards consumption and services, a policy that is expected to slow growth in the short term while building the foundations for a more sustainable long-term expansion.
- The forecast reflects a more subdued outlook for advanced economies following Brexit and weaker-than-expected growth in the United States.
- IMF has highlighted the need for ending the creeping protectionism in the world and more progress on moving ahead with free-trade agreements and other trade-creating measures. IMF has pointed out that the earlier consensus that more trade implied better economic growth is now being put to question.
- IMF has raised the specter that persistent stagnation, particularly in advanced economies, could further fuel populist calls for restrictions on trade and immigration. Such restrictions would hamper productivity, growth, and innovation.

World Trade Outlook

In its trade statistics and outlook published on Sep 27, 2016 WTO has observed that:

- World merchandise trade volume is expected to grow by 1.7% in 2016, accompanied by real GDP growth of 2.2% at market exchange rates. This would be the slowest pace of trade and output growth since the financial crisis.
- Trade growth was weaker than expected in the first half of 2016 due to falling import demand and slowing GDP growth in several major developing economies as well as in North America.
- Trade in 2017 is expected to grow between 1.8% and 3.1%, a range being provided to reflect potential changes in the relationship between trade and output.
- Certain trade-related indicators have improved, including export orders and container port throughput, but overall momentum in trade remains weak.





Indian Growth Outlook

Demonetisation of High Denomination Notes and its Implications- Government of India took a historic step on Nov 8, 2016 to withdraw the legal tender status of High Denomination Currencies when it announced phasing out of currencies of Rs. 500 and Rs.1000 denomination from circulation which account for 86% of the value of notes in circulation. The objective of the move is to curb the use of unaccounted money to finance illegal activities apart from bringing more economic activity within the formal sector. The implications of this move for the macro economy are as under

Payment Habit

RBI has provided a 50 day window to people to deposit upto Rs. 2.5 lakhs in Rs. 500 and Rs. 1000 in bank branches to get the necessary credit in their bank account. However, cash conversion of these high denomination notes is restricted to around Rs. 4000 per person. This entails RBI encouraging a move away from cash to electronic modes of payment.

Money Supply

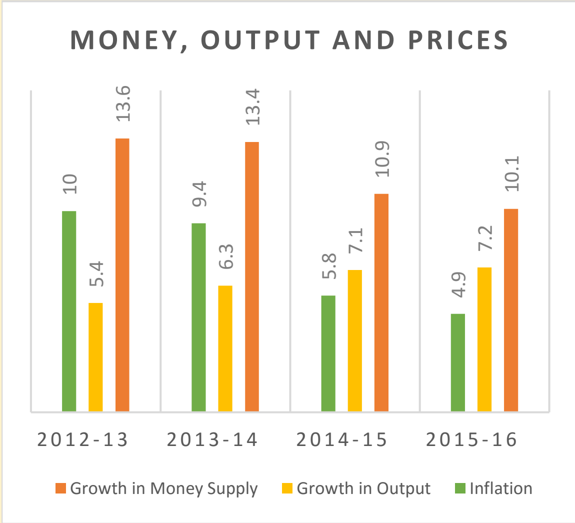
- Post demonetization, additional liquidity will flow to the banking system from hoarders of high denomination notes. This additional liquidity will lower the currency deposit proportion and will tend to increase the money multiplier and money supply. However, if credit pick up does not take place this will lead to higher reserve deposit ratio for banks, negating the expansionary impact on money supply.
- During the transition phase cash based economic transactions will be adversely affected and as the different segments of the economy adjust to the replacement of old currencies with the new ones, credit offtake from the banking system might see decline. In such a scenario, money supply will fall. A reduction in money supply will put downward pressure on prices and GDP

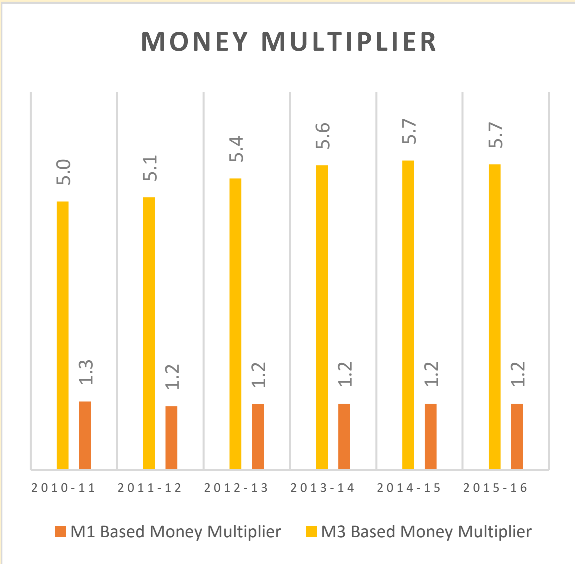
Interest Rates

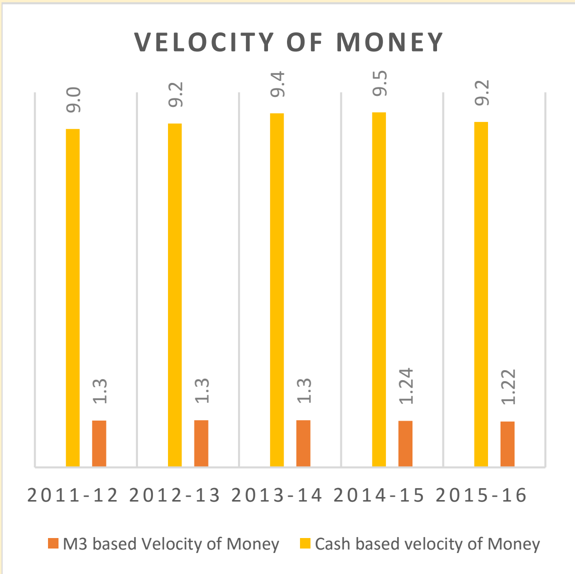
- It is very much likely that the CASA base of PSBs who have around 60% of their branch network in rural and urbans areas will get a push. The improved CASA proportion under the MCLR system will create a tendency for the bank interest rates to move down.
- Besides, the lower interest rate regime will support banks' treasury income. The gains from treasury income is likely to more than compensate the increased provisioning requirement for employee pensions on account of actuarial valuation on account of increased interest rates.

Inflation

- The additional liquidity with the banking system will have a sobering impact on interest rates. A lower interest rate regime will have an ameliorating impact on inflation. Further, inflation is going to be lower on account of withdrawal of unaccounted purchasing power. Traders having unaccounted money used it to hoard essential goods, inflating their prices. Though the demonization step, one of the essential contributors to inflation has been withdrawn. The moderation of inflation will augur well for macroeconomic stability and hence indirectly support sustained higher growth.







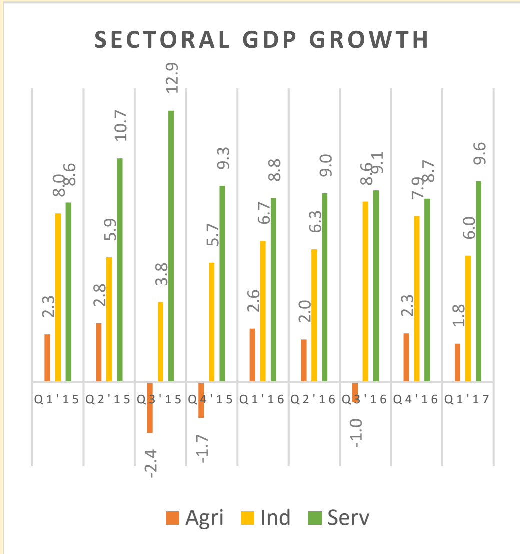
India's Growth Outlook

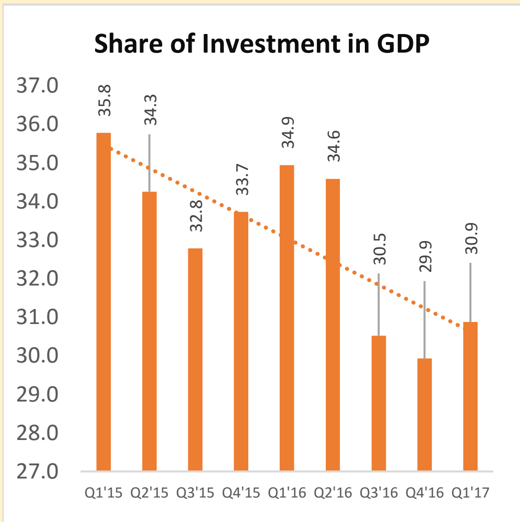
Government Finances

- Traders with unaccounted money will try their best now to portray the excess unaccounted cash with them as sales. This would require payment of VAT and other taxes related to sales of goods and services. In the process, government finances will get some support through better indirect tax collection. In this sense, one can view, the demonetization of large denominated currencies is a forced income declaration scheme. Improved government finances will keep the market borrowings under check and hence will impart a downward bias to interest rates and inflation.

GDP

- The genuine purchase of consumer durables to some extent and non-durables to a great extent will be affected during the transition period. The impact of which will be felt in the GDP numbers of the third and fourth quarter of FY'17.
- But as more and more transactions get reported the GDP base will be broadened. This is because, the demonetization step will encourage hoarders of unaccounted money operating in the allied activities related to agriculture and some segments of manufacturing but in the informal segment to bring their operations into the formal fold. In all likelihood many of the activities which were earlier going unaccounted will now come into the fold of the formal economy and thus will help in broadening the GDP base. One should not be surprised to see GDP chugging along at a higher pace from FY' 18.
- The various reform measures undertaken by the government in the last 6 to 8 months is a long term positive as they will help to improve supply situation. However, supply side measures to work their way through the system will involve some lead time. It was expected that the dual demand stimulus from monsoon and pay commission award will hold growth steady for the Indian economy in the meantime. However, post demonetization, the consumption activities will remain subdued for some time as the economy negotiates with the transitional issue of flushing out old currencies of high denomination and replace them with new ones.
- However, nothing has altered the growth drivers of the Indian economy and with higher proportion of transaction brought under the formal economy, GDP should grow at higher pace in FY'18.
- **India moves up by single position in World Bank's ease of doing business index-**India was ranked 130 among 190 countries in 2017 as compared to 131 position in 2016 in the 'Ease of Doing Business' Index by the World Bank. The index measures performance across 10 parameters viz. starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. India's performance improved only on four fronts viz. getting electricity, registering property, trading across borders and enforcing contracts and deteriorated for the rest of the parameters. India's rank was based on data sourced from the cities of Delhi and Mumbai. It may be observed that India had the lowest ranking among the BRICS group. New Zealand was ranked at the first position followed by Singapore.



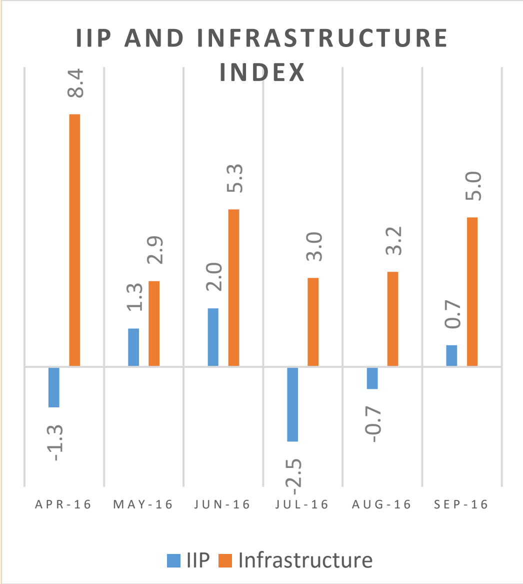


India's Growth Outlook

- **S&P retains India's credit ratings at 'BBB'-** In the first week of Nov 2016, Global rating agency S&P has retained India's `BBB-' long-term sovereign credit ratings with a stable outlook. The ratings reflect India's sound external profile and improved monetary credibility, strong democratic institutions and a free press that promotes policy stability and predictability. S&P has held that it is unlikely to upgrade the country's ratings in the next two years. BBB (-) is the lowest investment grade rating. Low capita income and weak public finances are cited as the reasons for not upgrading the ratings. S&P has indicated that upward pressure on the credit ratings could emerge if the government reforms markedly improve India's fiscal performance resulting in government debt below 60% of GDP. However, lower than expected growth due to stalled reforms and deteriorating external liquidity position could trigger a rating downgrade. S&P has forecast growth rate of 7.9% and current account deficit at 1.4% of GDP in 2016. It also expects RBI to meet its inflation target of 5% by March 2017. It may be observed that S&P had last upgraded India's rating to stable from negative in September 2014. Indian Government was expecting a rating upgrade as a number of game changer initiatives have been undertaken in the recent past. S&P wants reforms to take deep roots before factoring them for a rating upgrade.

Industrial Production

- IIP grew by 0.7% in Sep'16 following a degrowth of -0.7% in Aug'16 and -2.5% in Jul'16 on y-o-y basis.
- Mining as per sectoral and Capital Goods as per use based classification exhibited negative growth in Sep'16. Within manufacturing, ten out of the twenty two industry groups (as per 2 -digit NIC -2004) have shown negative growth in Sep'16 on a y-o-y basis.
- If we look at the m-o-m seasonally adjusted (SA) numbers, IIP grew by 1.3% in Sep'16 compared to 2.5% in Aug'16. Except in July, IIP on a m-o-m SA basis has shown positive growth in all months during Apr-Sep FY'17.
- The Eight Core Industries (infrastructure) comprising nearly 38% of the weight of items included in the IIP, recorded growth of 5% in Sep'16 on y-o-y basis. Infrastructure segment had a cumulative growth of 4.6% during Apr-Aug, FY'17 compared to 2.6% during Apr-Aug, FY'16. All segments except coal, crude and natural gas registered positive growth in Sep'16.
- The seasonally adjusted Manufacturing PMI was above the threshold of 50 for the tenth consecutive month in Oct'16. PMI at 54.6 in Oct'16 was at its highest since Aug'15. The October reading for PMI provide "positive news" for the economy as manufacturing output and new orders expanded at the fastest rates in 46 and 22 months, respectively.
- Reflecting the higher demand during the festival season, consumer goods registered the strongest rate of expansion in output and new orders, outperforming intermediate and investment goods.
- The PMI sub indices also indicated that much of the new orders were from domestic markets; growth in new business from abroad eased to a three-month low. However, the spurt in business did not translate into new jobs. Manufacturing employment remained unchanged in October, with the index recording exactly 50.

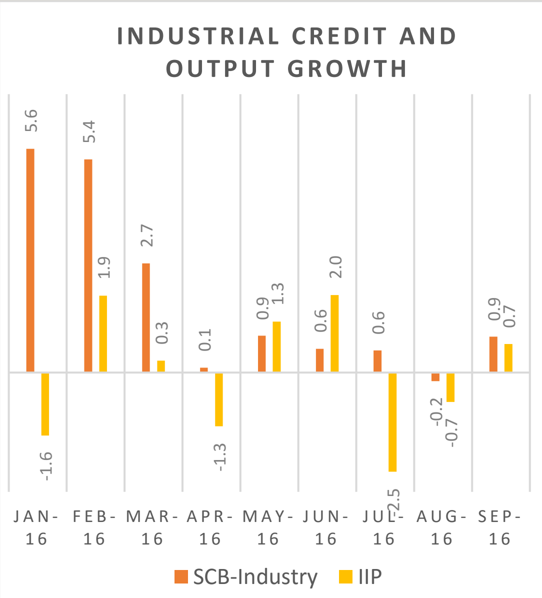


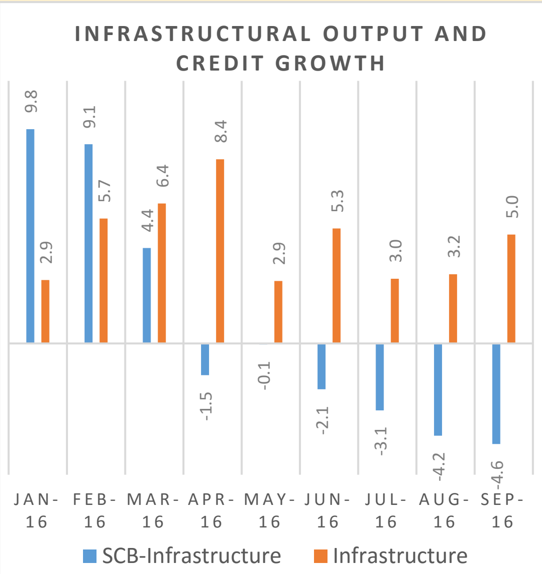
IIP-Sectoral and Used based Components Growth-Sep 2016

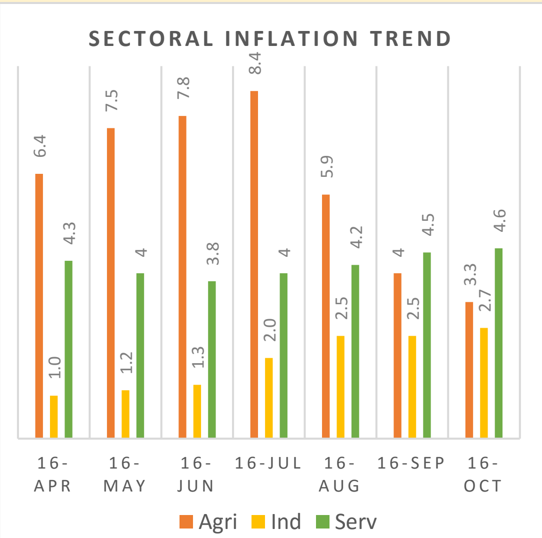
	Sectors	Weight	Sep-2016	Sep-2015	Apr-Sep FY 17	Apr-Sep FY 16
Sectoral	Mining	14.2	-3.1	3.5	0.0	1.7
	Manufacturing	75.5	0.9	2.7	-0.8	4.2
	Electricity	10.3	2.4	11.4	5.1	4.5
Use Based	Basic	45.7	4.0	4.2	4	4.5
	Capital	8.8	-21.6	10.1	-21.4	7.8
	Intermediate	15.7	2.2	1.8	3.7	1.9
	Consumer Durable	8.4	14.0	8.5	-2.4	-0.6
	Consumer Non Durable	21.3	0.1	-3.6	7.6	7.7
	Consumer Goods	29.8	6.0	1.2	1.7	2.5
	General	**100**	0.7	3.7	-0.1	4.0

Core Sector Growth

Sector	Weight	Sep-2016	Sep-2015	Apr-Sep FY 17	Apr-Sep FY 16
Coal	4.4	-5.8	2.1	1.2	4.0
Crude Oil	5.2	-4.1	-0.1	-3.3	0.4
Natural Gas	1.7	-5.5	0.9	-4.5	-2.1
Refinery Products	5.9	9.3	0.5	7.9	3.6
Fertilizers	1.3	2.0	18.3	5.6	9.5
Steel	6.7	16.4	-0.9	7.2	0.1
Cement	2.4	5.5	-1.6	4.5	1.5
Electricity	10.3	2.1	11.5	5.1	4.5
Infrastructure Index	37.9	5.0	3.7	4.6	2.6







Credit Growth

- Credit growth from the banking system has moderated to 8.4% during Apr-Sep, FY'17 compared to 8.2% average loan growth during the same period of FY'16.
- While credit to industry and infrastructure has been lack luster, service sector credit growth has been quite steady at 11.8% during Apr-Sep, FY'17 compared to average growth of 6.8% during the same period in FY'16.
- Within services, professional services (32.7%) and personal loan (19.7%) growth has been robust. Loan to Housing (18%), Consumer durables (21.5%), Vehicle Loans (22.8%) and Credit Card Outstanding (28%) have also posted high growth in Sep 2016 on a y-o-y basis.
- IIP grew by 0.7% in Sep'16 in contrast to a decline of -0.7% in Aug'16 on a y-o-y basis.
- Growth in Bank credit to industry was 0.5% during Apr-Sep, FY'17 compared to 5% growth recorded during Apr-Sep, 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.
- Credit growth to infrastructure has been negative in each of the five months and was -2.6% during Apr-Sep, FY'17 compared 8.9% during Apr-Sep, FY'16.
- Focus on stressed asset management by PSBs which are one of the major financiers of infrastructure projects is partly responsible.

Inflation

- The latest reading for both WPI and CPI which is for Oct'16 indicates continued moderation in inflation at the wholesale level and considerable softening at the retail level.
- While WPI based inflation paced down to 3.4% in Oct'16 from 3.6% in Sep'16, CPI based inflation fell to 4.2% in Oct'16 from 4.4% in Sep'16 on y-o-y basis.
- Notwithstanding their deceleration on y-o-y basis, both CPI and WPI Inflation were around 0.4% in Oct'16 on m-o-m seasonally adjusted (SA) basis. October 2016 indicated a reversal of the declining m-o-m SA seen for CPI based inflation during July-Sep, FY' 17 and WPI during Aug-Sep, FY' 17.
- Agriculture related product inflation which had been a matter of concern since Apr'16 has eased significantly in the past three months on y-o-y basis.
- Manufactured products inflation is slowly building up as suggested by WPI inflation.
- Though WPI inflation has not reached the stage of concern, gradual building up of manufactured products inflation needs monitoring.
- Services inflation is gradually gaining momentum from 3.8% in June'16 and reached 4.6% in Oct'16.
- RBI will be keenly monitoring services inflation as well developments in the crude oil front because of its implications for fuel inflation.

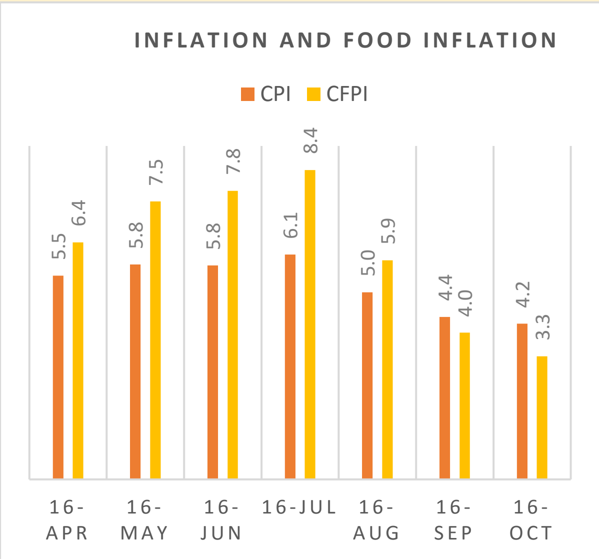
Food Inflation-Converging Trends From WPI and CPI

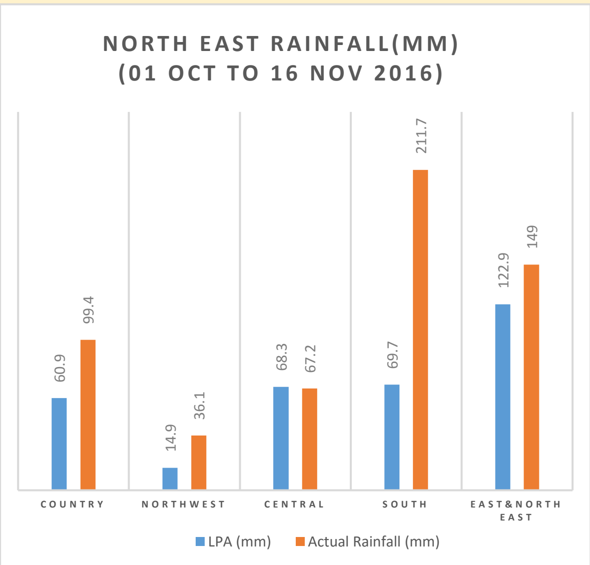
(y-o-y)

	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	9.0	14.1
16-Jun	7.8	26.9	3.1	14.8	2.8	5.5	16.8
16-Jul	8.4	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	4.0	14.3	4.3	-7.2	6.0	9.9	25.9
16-Oct	3.3	4.1	4.4	-5.7	4.4	9.4	23.6
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	5.7	24	6.8	-10.9	14.1	9.9	32.9
16-Oct	4.3	21.8	6.1	-10.0	6.4	10.3	29.6

Eggs in WPI include 'Meat and Fish' in WPI and Sugar includes 'Sugar and confectionary' in CPI

Sugar in WPI is covered under manufactured food products.





Food Inflation

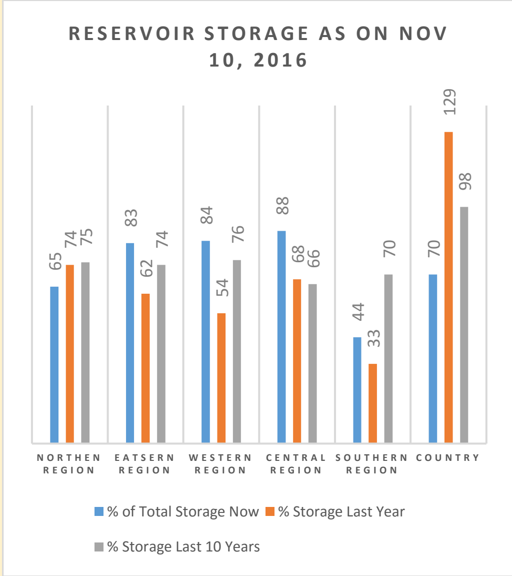
- Food inflation is down both at retail (CPI) and wholesale (WPI) level.
- Food inflation at 8.4% which had been the major driver of high print for CPI in July'16 has come down to 3.3% in Oct'16 on y-o-y basis.
- Food component of WPI based inflation is down from 12.6% in Jul'16 to 4.3% in Oct'16 on y-o-y basis.
- The CPI food inflation which had been negative since July'16 through Sep'16 turned positive (0.21%) on m-o-m seasonally adjusted (SA) basis.
- Seasonally Adjusted CPI food inflation had been negative in July'16(-0.12%), Aug'16(-1.5%) and Sep'16 (-1.2%).
- Seasonally Adjusted WPI food inflation has also been negative in Aug'16(-2.6%) and Sep '16(-1.7%) turned positive in Oct'16 (0.5%).
- It is expected that food inflation will sustain its downward trend in the coming months on the back of good production.
- Inflation of vegetables which used to be more than 10% during May-July 2016 has turned negative in Sep and Oct 2016. Significant moderation is seen in the inflation for Pulses.
- Only Sugar continued to exhibit double digit inflation in the CPI basket in Oct'16 and Eggs near double digit inflation.
- From an index perspective, Cereals, Pulses, Vegetables and sugar which have a combined weight of 21% in CPI are witnessing significant moderation in their inflation. Hence from an overall CPI perspective, there is good relief.

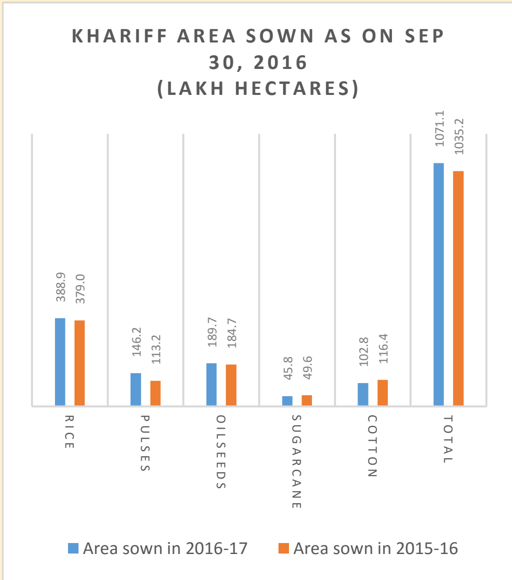
Drivers of Food Inflation

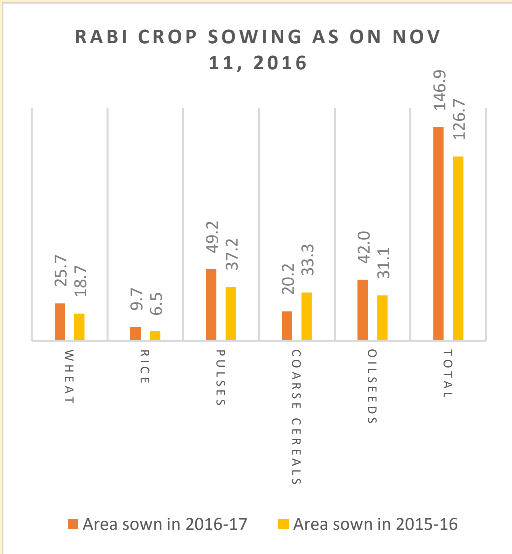
- Rainfall in adequate quantity, at the appropriate time and spatially well distributed, generally have an assuaging effect on food inflation.
- The rainfall during monsoon season (June-September) over the country as a whole was 97% of its long period average (LPA).
- Seasonal rainfalls over Northwest 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, 23 sub-divisions constituting 72% of the total area of the country received normal rainfall and 4 sub-divisions received excess rainfall (13% of the total area) during the season.
- However, 9 sub-divisions constituting 15% 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.

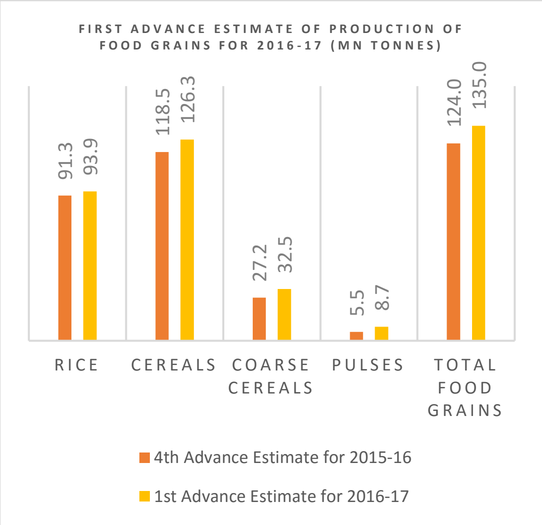
Drivers of Food Inflation

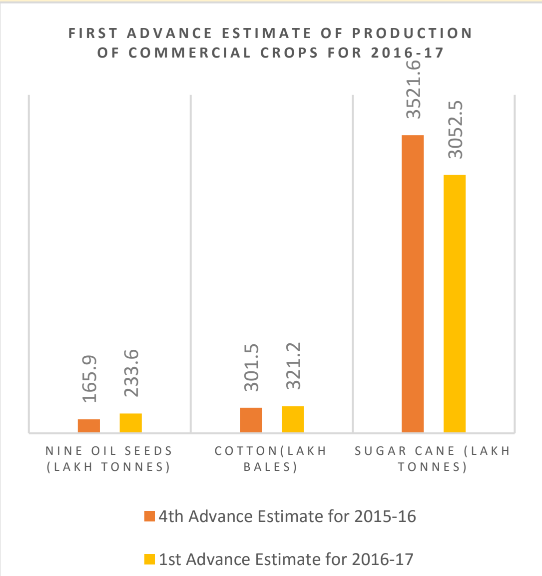
- Though IMD had predicted a normal North-east monsoon season (October-December) 2016, for the country as a whole, cumulative rainfall during this year's post-monsoon (beginning Oct 1, 2016) has so far up to 16 November been 39% below LPA.
- As on Nov 16, Southern Peninsula had the highest departure (-67%) from the LPA followed by Northwest (-59%) and East and North East (-18%). Only Central India had actual rainfall 2% above the LPA.
- As on Nov 16, 2016, only 5 out of 36 meteorological subdivisions had received excess rainfall. As on that date, 9 sub divisions had received deficient and 13 had scanty rain. Only 9 sub divisions had normal rainfall
- The northeast monsoon is likely to remain weak over the southern peninsula because of the late onset of La Niña and a predominantly northward movement of the cyclonic disturbances.
- It may be noted that the south Peninsula receives about 30% of its annual rainfall during the NE monsoon season. Tamil Nadu in particular receives about 48% of its annual rainfall during this season.
- During 2015, a strong El Niño and the side effects of warming of the surface temperature of north Indian Ocean had resulted in active cyclones with a pre -dominant westward motion. Several parts of Tamil Nadu were inundated due to the heavy cyclonic rains last year.
- Though south west monsoon had been normal, a below normal north east monsoon act as a constraint to achieve 4% agricultural growth.
- Water level at 91 large reservoirs across the country touched 70% of their combined capacity as on Nov 10, 2016. The live storage in these reservoirs is 129% of their live storage in the corresponding period of last year and 98% of storage of average of last 10 years.
- States having better storage than last year for corresponding period are Punjab, Rajasthan, Jharkhand, Odisha, West Bengal, Gujarat, Maharashtra, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, AP&TG (Two combined projects in both states), Andhra Pradesh, Telangana and Karnataka.
- State having equal storage than last year for corresponding period is Uttarakhand.
- States having lesser storage than last year for corresponding period are Himachal Pradesh, Tripura, Kerala and Tamil Nadu.
- As per preliminary reports received from the States, the total area sown under Rabi crops as on 11th November, 2016 stands at 146.85 lakh hectares as compared to 126.71 lakh hectare this time in 2015.
- Wheat has been sown/transplanted in 25.72 lakh hectares, rice in 9.68 lakh hectares, pulses in 49.24 lakh hectares, coarse cereals in 20.17 lakh hectares and area sown under oilseeds in 42.03 lakh hectares.

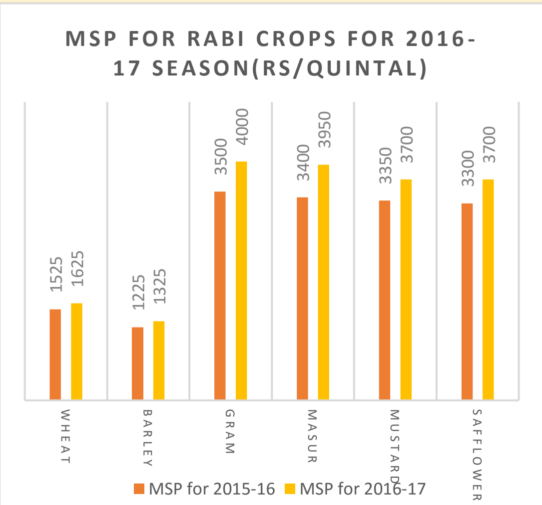










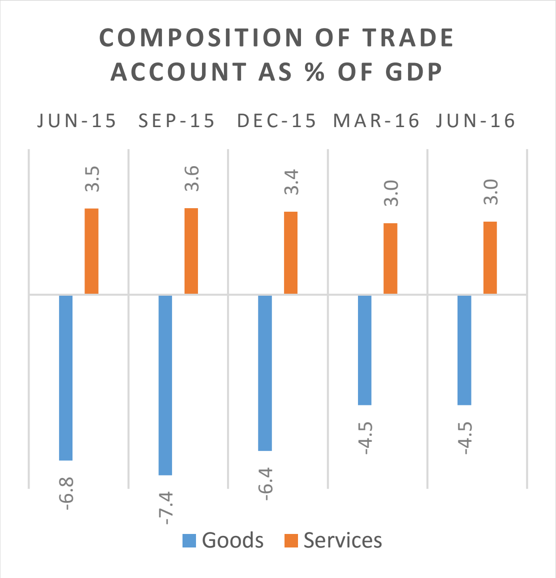


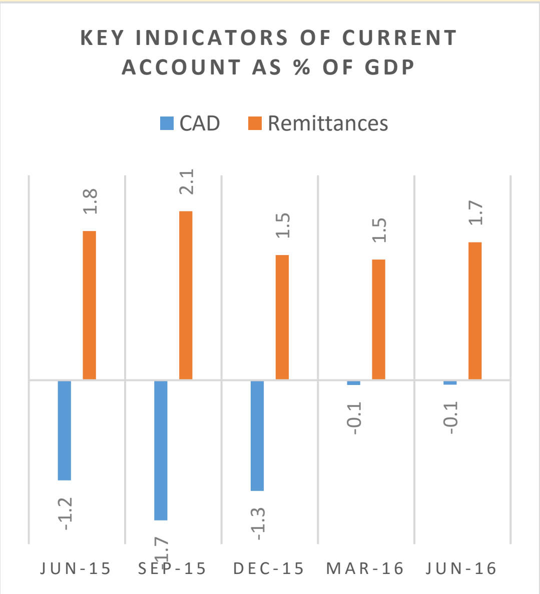
Drivers of Food Inflation

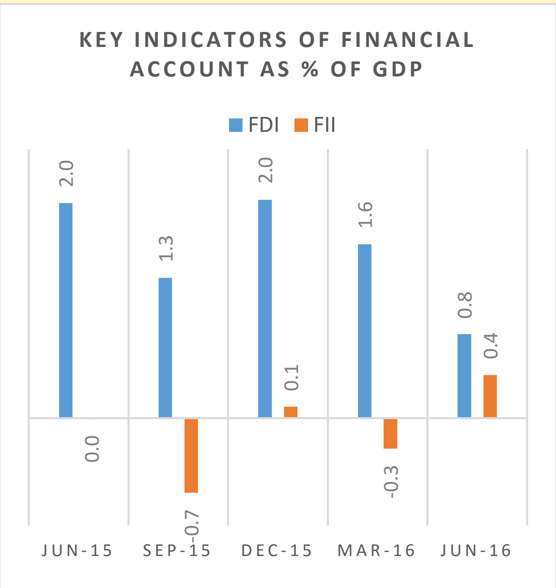
- The Ministry of Agriculture has set the country's grain production target at 270.10 million tonne (mt) for the 2016-17 crop year (July-June), 6.7% higher than the actual grain production of 253.23 mt in 2015-16.
- As per the 1st Advance Estimates for 2016-17, total production of Kharif foodgrains is estimated at 135.03 million tonnes which is a new record. If realized, production will be higher by 11.02 million tonnes as compared to last year's Kharif foodgrains production of 124.01 million tonnes.
- Production of Kharif rice is estimated at 93.88 million tonnes, and that of Kharif pulses is estimated at 8.70 million tonnes a new record.
- 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's target of 5% CPI inflation by March 2017 seems achievable post the demonetization initiative as economic activity will remain subdued in Q3 and will gradually recover in Q4 of FY'17.
- Post demonetization, tax collection of government will get a boost. Thus, the risk to inflation arising from overshooting of fiscal deficit target has also subsided significantly post demonetisstion.
- Domestic economic conditions have created policy space for RBI to reduce rates further so as to give an impetus to economic activity as well as move towards its long term objective of creating lower interest rate regime.
- The global economic developments, however, may restrain RBI to lower rates aggressively.
- If OPEC members come on board for a production cut, it is expected that crude price will hover around US$50 per barrel. On top of this, if non OPEC members like Russia support this production cut, crude price can jump to around US$55 per barrel. This will have adverse implications on the external account including exchange rate.
- The narrowing of spread between 10 year G-Sec benchmark and 10 year US Treasury yields has reduced the relative attractiveness of India as an investment destination after pricing in the emerging market risks. This can also put pressure on the exchange rate.
- Thus, the global headwinds will force the RBI to take a nuanced view. RBI will opt for status quo on the rate front weighing both domestic and global factors.







External Sector

- India's trade competitiveness has deteriorated continuously since April 2016 through October 2016 as reflected in a rise in 36-Currency Export and Trade Based Weights REER and also the 6-Currency Trade Based Weights REER.
- Continuing with the revival exhibited in September 2016, exports grew by 9.6% on y-o-y basis in October 2016 and reached US$ 23.51 billion.
- Cumulative value of exports for the period April-October 2016-17 was US$ 154.91 billion as against US$ 155.17 billion in October 2015-16, registering a negative growth of 0.17% on y-o-y basis.
- Non-petroleum exports in October 2016 valued at US$ 207.97 billion grew by 9.9% on y-o-y basis. Non-petroleum exports during April to October 2016 valued at US$ 138.11 billion grew by 1.8%. Thus, the September data point suggests a pickup in export momentum in non commodities.
- Imports increased by 8.1% in October 2016 to US$ 336.73 billion reversing a trend observed since December 2014 suggesting improved absorptive capacity of the economy in recent times. However, much should not be read from a single data point.
- Cumulative value of imports for the period April-October 2016-17 was US$ 208083.15 million registering a negative growth of 10.85% in Dollar terms on y-o-y basis.
- Oil imports during October, 2016 valued at US$ 71.41 billion grew by 3.98% on y-o-y basis. Oil imports during April-October, 2016-17 valued at US$ 464.38 billion registered a decline of 15.78% on y-o-y basis.
- Non-oil imports during October, 2016 were estimated at US$ 265.32 billion registering a growth of 9.28%. Non-oil imports during April-October 2016-17 valued at US$ 161.64 billion was 9.33% lower on a y-o-y basis.
- Merchandise trade deficit for April-October, 2016-17 valued at US$ 53169.95 million declined by 32.04% on y-o-y basis.

Exchange Rate Outlook

- The prospects of a rate hike by US Fed weighed heavily on the Indian rupee. The rupee breached the psychological barrier of 67 on Nov 11 and 68 on Nov 18, 2016.
- As things have unfolded since their meeting in Algeria in Sep 2016, OPEC is set in all likelihood to reach an agreement to cut production at Vienna on Nov 30, 2016. This is significant as consensus had eluded the Oil Bloc since 2008 to adjust production to stabilize prices.
- Oil analysts have estimated crude price to hover around US$50 if OPEC strikes a deal. Further, crude prices can move upwards in the range of US$55 in case Russia comes on Board with OPEC to support their decision.
- With the likelihood of OPEC agreeing to production cut and Russia coming on board, the oil import bill of India can increase substantially putting further pressure on rupee.
- The transitional dip in India's growth following demonetization will also add to the pressure on rupee in the short term.

Fiscal Sector

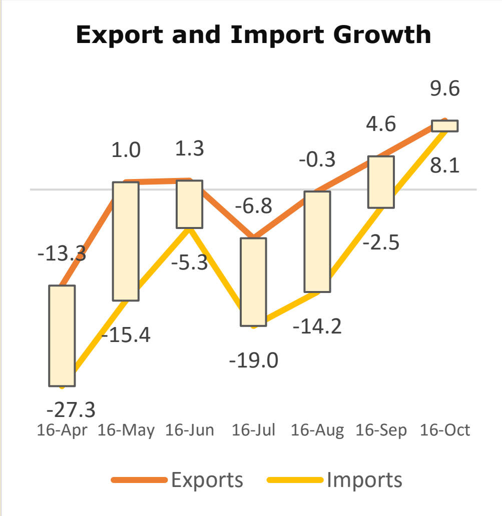
- **Advancement of Union Budget FY18 presentation to 1 February 2017-** The Central Government has decided to present the Union Budget for 2017-18 on 1 February 2017 in contrast to the practice of presenting it on the last working day of February. The decision is guided by two major considerations. First, preponing the budget date will enable implementation of tax proposals from the beginning of the fiscal year overcoming the uncertainty on various tax proposals presented in the finance bill. Second, advancing the budget will help improve public spending as expenditure would be spread out across the year.
- **Tax Implications of Demonetisation** - Following demontisation, there has been upsurge in tax collections with some of the municipalities registering record collections as demonetised currency was used for payments of property tax and other utility bills.
- Among the 22 Corporations, the Greater Hyderabad Municipal Corporation (GHMC) stood first with 2,250 per cent increase as its revenues for November 2015 were Rs 8 crore, which rose to a record Rs 188 crore from November 1 to 19 and majority of it comprising property tax, Layout Regularisation Collection amount came after November 10 after the Centre allowed citizens to pay their arrears for essential services with the demonetised currency. Kalyan in Maharashtra stood in second position by collecting Rs 170 crore, followed by Ahmedabad Rs 150 crore.
- The unprecedented tax payments received in November 2016 is a definite advantage to the civic body, as it occurred without the usual intensive efforts which the Corporation undertakes.
- The Income tax authorities have also sent notices to several jewelers, money changers, realty firms, religious, charitable trusts to check illegal use of old currency.
- Further, the government has asked banks and post offices to report to the Income Tax Department all deposits above Rs 2.5 lakh in savings accounts, and those in excess of Rs 12.5 lakh in current accounts, made during the 50-day window for depositing demonetised high value notes.

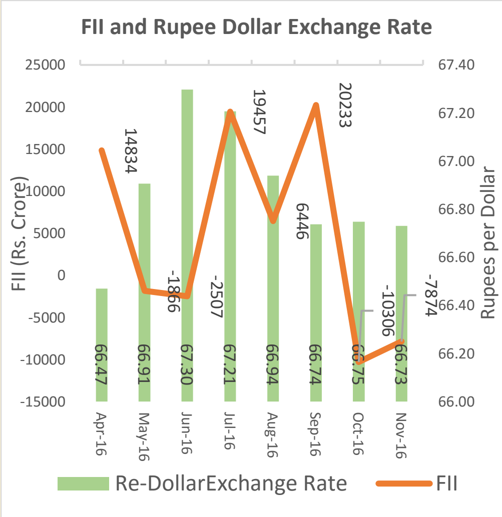
GST Council decides on Rate Structure - The GST council on Nov 3, 2016 agreed upon a five-tier rate structure (0%, 5%, 12%, 18% and 28%) under the GST framework. The key features of the proposed tax structure are

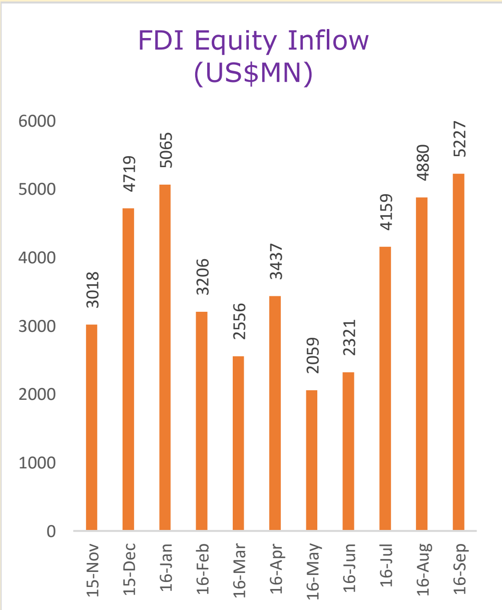
  - Essential items including food, which presently constitute roughly half of the consumer inflation basket, will be taxed at zero rate. This measure is pro poor and also will help to keep retail inflation under control.
  - The lower rate of 5% would be for common use items while there would be two standard rates of 12% and 18%.
  - The highest tax slab will be applicable to luxury and de-merits goods which are currently taxed at 30-31% (excise duty plus VAT). Luxury cars, tobacco and aerated drinks would also be levied with an additional cess on top of the highest tax rate.

The collection from this cess as well as that of the clean energy cess would create a revenue pool which would be used for compensating states for any loss of revenue during the first five years of implementation of GST. The cess, however, would be lapsable after five years.

The Finance minister has estimated that Rs 50,000 crore would be needed to compensate states for loss of revenue from rollout of GST, which is to subsume a host of central and state taxes like excise duty, service tax and VAT, in the first year.



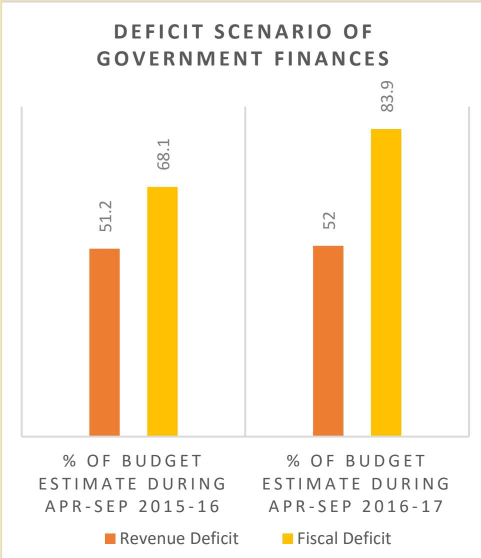


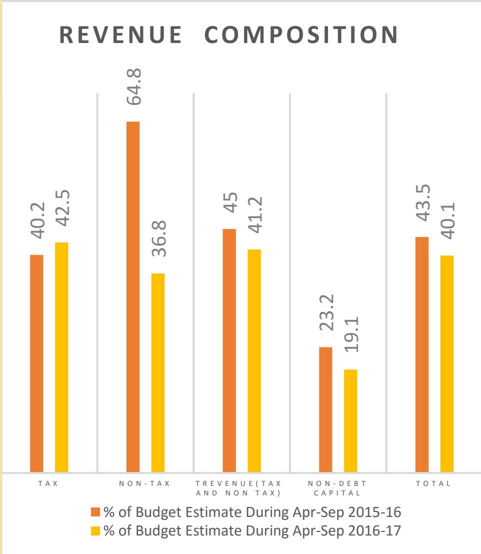


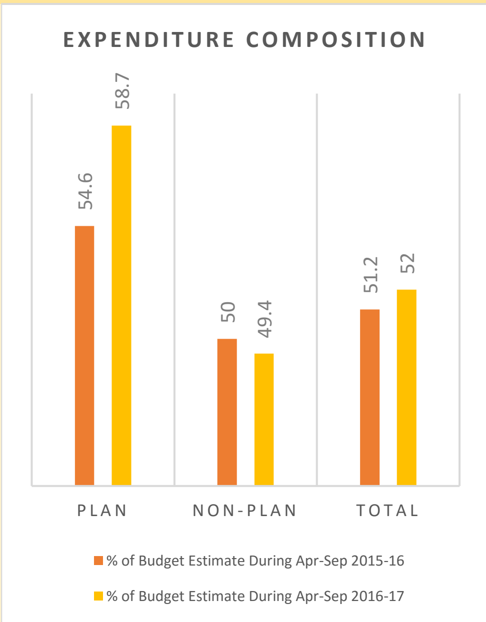
- **Stalemate over Tax Administration under GST** The GST council meeting on November 20, 2016 failed to resolve the contentious dual control issue as to which set of taxpayer is assessed by whom. The states are insisting on having oversight over all assesses, goods and services, who have turnover of up to Rs 1.5 crore, or a horizontal division.
- The earlier solution was that assesses with turnover of up to Rs 1.5 crore in the case of goods will be assessed by states and above that by the Centre. In case of services, all were to be assessed by the Centre. The formula collapsed as states wanted oversight of the services as well and there were doubts that it may not be able to split goods and services in some cases, making the implementation of the Rs 1.5-crore threshold difficult.
- The Central Government is keen on a vertical split wherein certain percentage of taxpayers are under central administration and the balance under the states. The percentage could also be the sticking point in this case. The Centre is willing to give a bigger share to states to settle the issue.
- As a result, the November 25 meeting would assume importance given that the April 1, 2017 is the deadline for the roll out of the goods and services tax (GST). Notwithstanding the differences, the Finance Minister has expressed that GST has to be rolled out by Sep 2017.

Tax Collection

- The figures for indirect tax collections (Central Excise, Service Tax and Customs) up to October 2016 show that net revenue collections are at Rs 4.85 lakh crore which is 26.7% more than the net collections for the corresponding period last year. Till October 2016, 62.4% of the Budget Estimates of indirect taxes for Financial Year 2016-17 has been achieved.
- As regards Central Excise, net tax collections stood at Rs.2.14 lakh crore during April-October, 2016 as compared to Rs.1.47 lakh crore during the corresponding period in the previous Financial Year, thereby registering a growth of 45.4%.
- Net Tax collections on account of Service Tax during April-October, 2016 stood at Rs. 1.43 lakh crore as compared to Rs.1.12 lakh crore during the corresponding period in the previous Financial Year, thereby registering a growth of 26.9%.
- Net Tax collections on account of Customs during April-October 2016 stood at Rs. 1.27 lakh crore as compared to Rs. 1.22 lakh crore during the same period in the previous Financial Year, thereby registering a growth of 4.1%.
- The figures for Direct Tax Collections up to October, 2016 show that net collections are at Rs.3.77 lakh crore which is 10.6% more than the net collections for the corresponding period last year. Till October, 2016, 44.5% of the Budget Estimates of direct taxes for FY 2016-17 has been achieved.
- As regards 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 11.6% while that under PIT (including STT etc.) is 18.6%. However, after adjusting for refunds, the net growth in CIT collections is 5.0% while that in PIT collections is 18.4%. Refunds amounting to Rs.93,836 crore have been issued during April-October, 2016, which is 32.2% higher than the refunds issued during the corresponding period last year.







Rate Decision by Major Central Banks

RBI

- The fifth bi monthly monetary policy statement of RBI is scheduled on December 7, 2016.
- Given the current macroeconomic scenario in India and the likely developments in the global economy especially on the oil front and rate decision by Fed scheduled during Dec 13-14, there is greater chance of RBI maintaining status quo.

FED

- In its FOMC meeting dated Nov 3, 2016 Fed left interest rates unchanged. The Committee, however, held that the case for an increase in the federal funds rate has continued to strengthen but decided, for the time being, to wait for some further evidence of continued progress toward its objectives.
- On Nov 17, 2016 in her testimony to the Congress, Fed Chairperson Janet Yellen observed that economic growth in US is strengthening and labor markets conditions are improving and inflation is moving up, thus creating the space for a rate hike relatively soon and in the absence of dramatic changes, a gradual pace of hikes after that
- Yellen also observed that market are expecting a fiscal package that involves a net expansionary stance of policy. This in an economy that is operating reasonably close to full employment with inflation heading back to 2 percent will lead to overheating. As greater clarity emerges about the economic policy of the new president FOMC will factor their impact on employment and inflation and adjust its outlook

ECB

- The Governing Council of the ECB on Oct 20, 2016 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. The decision on prolonging asset purchases scheduled to end in March has been delayed.
- ECB president in a Press Conference shared that inflation is expected to pick up over the next couple of months, aided by higher oil and energy prices. There's still no sign of an upward trend in the underlying inflation trend and low interest rates do not hinder transmission of policy. The ECB president also shared that the bank could agree to new stimulus measures at its December meeting.

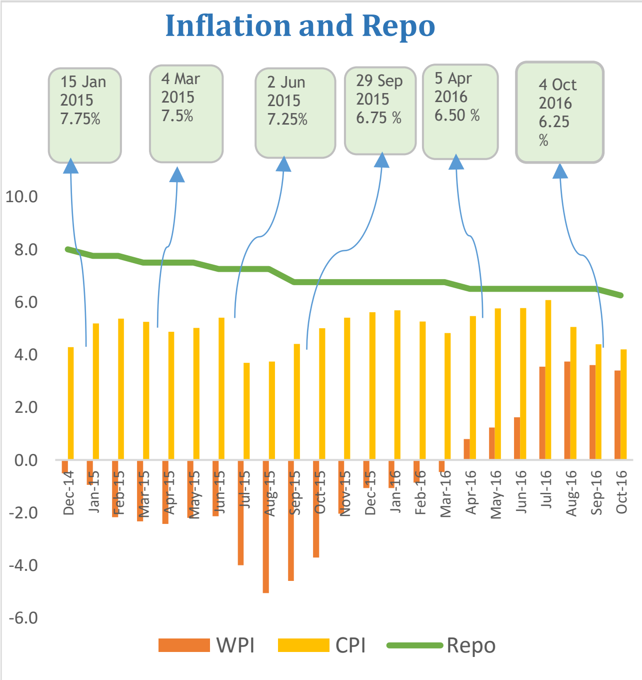
RBI-Policy Rates

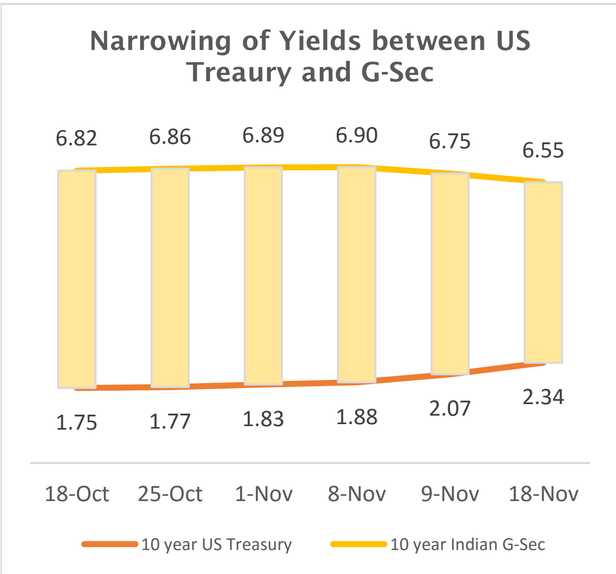
- Following this policy rate cut on Oct 4, 2016, the new policy rates and ratios are as given below

Policy Rates and Ratios (%)

Repo- 6.25
Reverse Repo- 5.75
Bank rate -6.75
MSF- 6.75
CRR- 4
SLR- 21.25

REPO AND INFLATION DYNAMICS





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Rate Decision by Major Central Banks

BoE

- At its meeting ending on 3 November 2016, the nine members of the MPC voted unanimously to maintain Bank Rate at 0.25%, the level to which they were cut in August in the wake of the Brexit vote.
- 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.
- BoE had maintained in September that the bank rate most likely was going to be lowered for a second time post-referendum to bring the rate close to zero. The unanimous view to hold to rates indicated the widespread belief that conditions have indeed picked up.
- A slew of positive reports before the rate decision showed steady growth in the dominant services sector, as well as in manufacturing and construction in October. These reports follow a better-than-expected overall GDP reading for the third quarter last week. In fact BoE's own forecasts have been revised higher. It is now predicting growth of 2.2% in 2016 and 1.4% in 2017, up from 2% and 0.8% in August.
- Growth estimate for 2018 however has been pared down to 1.5% from 1.8% and inflation will be much above the 2% inflation target at 2.8%. While high inflation would require increase in policy rates, subdued growth would demand just the opposite putting policy makers in a quandary.

BoJ

- In its monetary policy meeting on Nov 1, 2016, BoJ decided to maintain interest rate of -0.1% on some of the excess reserves that financial institutions park with it.
- The Bank will continue with interest rate targeting. The Bank maintained its purchase of Japanese government bonds so that the 10-year JGB yield will remain at zero percent.
- It added a long-term interest rate target to its massive asset-buying programme, overhauling its policy framework and recommitting to reaching its 2% inflation target as quickly as possible.
- BoJ maintained that it will allow inflation to overshoot its target by maintaining an ultra-loose policy.

Financial and Commodities Markets

- The November month saw stock markets grappling with uncertainty pertaining to the capital inflows following the surprise win of the US President. While the global stock markets welcomes the US presidential elections, there were heightened fears of capital outflows from emerging markets due to the anticipated new policies. Further, the US Fed has also indicated that the rates would be hiked in near future. The uncertainty of the impact of demonetization affected the stock indices during the month.
- Between November 17, 2016 and October 18, 2016, the BSE Sensex dipped by about 6.50% while mid-cap and small cap indices declined sharply above 10% in the range of 10.84%-11.41%, respectively. During this period, all the indices have fallen, but a sharp correction was witnessed in consumer durables, realty, Auto. Even following demonitisation, the decline has been higher in these three indices.
- The G-sec yields have declined sharply spurred by the liquidity surge and an expectations of positive impact of demonetization on investment and containing fiscal deficit. The impact of domestic developments somewhat shielded the impact of rising US yield rates.
- The call money rates have been ruling much below the repor rate and post demonetisation dipped below 6%.
- Following the demonetization, there was upsurge in the demand for gold according to estimates by GFMS Thomson Reuters, gold worth $2.8 billion has been imported in the first 17 days of November. Of this, $2.1 billion worth of gold was imported nine days after demonetisation. In November last year, 98 tonnes of gold valued at $3.54 billion was imported. In October 2016, imports stood at 84 tonnes worth $3.5 billion.
- OPEC seems to have moved closer to strike a deal to restrict crude oil output in a meeting scheduled on Nov 30, 2016 at Vienna following its meeting in Alegeria on Sep 28, 2016 to limit supply with special concessions granted to Iran, Libya, Nigeria whose output has been hit by wars and sanctions.
- In the sidelines of a gas forum in Doha, where several members of OPEC met for an informal and consultative meeting on Nov 18, 2016 to build consensus around the decision taken in Algeria to restrict output. In the informal meet, it was proposed to permit Iran production up to 3.92 mbpd against its current production of 3.6-3.7 mbpd. Iran, however, wants a output volume of 4-4.2 mbpd. Iran's OPEC governor who attended the informal meeting was optimistic of OPEC reaching a deal on Nov 30, 2016.
- It may be noted that Russia, the major non OPEC producers has already to cooperate if OPEC reaches an agreement between its members. Meanwhile, Saudi Energy Minister has indicated that OPEC should cut output to 32.5 mbpd, the lower end of the agreed range in Algeria to balance the market.

Banking

Competition in the Lending Space

- The inflow of money to the banking system post demonetisation has prompted quite a bit of activity in the commercial banks' rate space.
- Amongst select 12 banks (6 from the PSB space and 6 New Private Banks), all have revised down their 1 year MCLR, 2 have made changes in their base rate, 8 in their FD rates for 1-2 year tenure.
- Base rates of these 12 banks varied within a range of 135 bps. HDFC bank had the lowest base rate at 9.25% and IndusInd Bank had the highest base rate at 10.60%.
- SBI matched with HDFC Bank to have the lowest MCLR rates in the 1-year tenure. IndusInd Bank continued to have the highest MCLR rates in the 1-year tenure.
- The variation in MCLR, was maintained within a range of 70 bps as it was in the previous month. As far as deposit rates are concerned, we find the range amongst the select 12 banks have narrowed to 60 bps in Nov 2016 compared to 75 bps in Oct 2016 for term deposits of tenure between 1 year-2 years and for less than Rs.1 crore.

Innovation

IDFC bank plans to utilises Micro-ATMs to tap into unbanked areas

IDFC Bank is planning to use a micro-ATM as a part of its strategy to reach out to lower-income customers in non-urban or rural areas. It has a biometric scanner and a thermal printer attached to it and is Aadhaar-enabled. All basic banking transactions can be carried out through this innovation. The bank plans to enter into a partnership with the Andhra Pradesh government, for cashless PDS payments. The Bank is expecting to gain market share through strategic placement of these micro-ATMs and their interoperability feature- through a phone number, card or Aadhaar number. Post its success in rural areas, the bank is deploying these devices in metro cities such as Delhi and Mumbai to facilitate remittance of money from labourers and daily wage earners. About 820 micro-ATMs have been deployed so far.

Development

Cyber Security Threat

- Large scale financial data breach was reported by customers of various banks in India in the third week of October 2016 and a few major Banks reported blocking of debit cards on Oct 20, 2016. NPCI (National Payments Corporation of India) has observed that around 90 ATMs belonging to 19 banks have been affected by the data breach. This has necessitated changing security codes of around 3.2 million debit cards. While most of these cards belong to the Visa and Master Card platform, some of them are also on the Rupay platform.
- The origin of the breach is reported to be from systems belonging to Hitachi Payment Services which provides ATMs, Point-of-Sale (POS) devices and other services to banks. The security of these ATMs is reported to have been compromised since May 2016. The cause of the data breach has been attributed to malicious software that damage computer systems at ATMS/bank servers and allow access to confidential card details. Usage of cards at affected ATMs caused the card details to be copied and passed on to people who misused them for fraudulent financial transactions. It is reported that the locations of unauthorised use of these cards have been traced to China and the US. Payment Card Industry Data Security Standard (PCIDSS), an international body that sets data security standards has indicated to carry out a forensic audit of the data breach in India. NPCI, has appointed SISA to carry out a forensic audit and submit its report by November 2016.

RBI Allows Banks to Issue Masala Bonds

RBI, on Nov 3, 2016 allowed banks to issue rupee-denominated bonds, or masala bonds, in the overseas market to strengthen their capital base as well as for financing infrastructure and affordable housing. The characteristic feature of these bonds is that the exchange rate risk is borne by the investor than the issuing banks. Banks can raise perpetual debt instruments, which can be considered for calculating a bank's additional tier-1 capital, or debt capital instrument that can go into calculating a bank's tier-2 capital. These bonds will be issued according to the Basel-III norms and therefore, will have loss absorption clause. Under this clause, a bank can choose not to honour the coupon payment in case of financial stress. The rupee bond route will open an additional avenue to raise funds for banks and will help develop the market of rupee-denominated bonds abroad. The borrowing by the banks would still has to be within the overall limit of foreign investment in corporate bonds, which is estimated at Rs 244323 crore presently. It may be noted that RBI on August 25, 2016, had announced its plans for letting banks tap the overseas market with rupee bonds along with number of measures to develop the bond and currencies market. Companies had already been allowed to raise money through masala bonds.

RBI Modifies Guidelines For Stressed Assets Resolution - RBI in its attempt to make the resolution mechanisms for NPAs of banks more effective relaxed guidelines pertaining to S4A, SDR and 5/25 schemes on Nov 10, 2016

<u>Modifications in S4A scheme</u>

- The Sustainable Structuring of Stressed Assets (S4A) scheme which was introduced by the RBI in June 2016 had provided 90 days for formulation and implementation of the resolution plan. As per the revised guidelines, this time frame has been extended to a period of 180 days.

Development

NBFCS' borrowings from banks up over 20 times in one year

Net borrowing by Non-Banking Financial Companies increased to Rs 74000 crore from Rs 3600 crore over a 12 month period ending September 2016. On the supply side, the factors which have contributed to this sharp rise in lending to NBFCs is the excess liquidity in the banking system amidst an easing interest rate cycle and relatively poor demand for credit from manufacturing and infrastructure. The demand by NBFCs for bank borrowings is driven by the relatively lower cost of funds, and their business model which is to cater to a wider target group using premium pricing and nimbleness in their organisation structure. It may be noted that the banking system remains the primary source of funding for retail-focused NBFCs, accounting for close to 42 per cent of the total resources as on March 31, 2016.

IRDAI permits micro insurance agents to market specific govt insurance schemes without upper limit.

The Insurance Regulatory and Development Authority of India (IRDAI) as a special dispension has permitted micro insurance agents to market government insurance schemes such as Pradhan Mantri Fasal Bima Yojana (PMFBY), Weather Based Crop insurance Scheme (WBCIS) and Coconut Palm Insurance Scheme (CPIS) without any limit on sum insured covering non-loanee farmers. It may be noted that as per IRDAI (Micro Insurance) Regulations 2015, the maximum amount of cover for crop insurance is fixed at Rs. 1 lakh per cover. Micro-insurance agents include self-help groups, non-government organisations, micro-finance institutions, RBI regulated NBFC-MFIs, primary agricultural cooperative societies and business correspondents appointed by banks.

AXIS bank offers online 15G/15H forms

Axis Bank has launched 'Insta Services' to enable electronic submission of Form15G/H through its mobile application. Form 15G / H is a self-declaration about tax liability of the customer. Individual resident in India (not being a company or firm) are required to submit this to their deductor that the tax on his estimated total income for the previous year, will be nil. The new service will allow customers to click an image through mobile camera or upload the scanned copy of KYC documents through its mobile application, along with important information such as estimated income, number of forms submitted with other banks, etc. The request of Form 15 G/H will be processed electronically.

India scores high in global microscope on financial inclusion index

India shared third position with Philippines in the 'Global Microscope for Financial Inclusion' Index 2016 published by the Centre for Financial Inclusion. The Pradhan Mantri Jan Dhan Yojana, opening of bank accounts for low income households, assisted by national biometric identification cards known as Aadhar and the launch of the Unified Payments Interface (UPI) to facilitate digital money transfers are the main factors that catapult India to one rank higher than the previous year. Colombia and Peru together shared the first position in the rankings.

Modifications in S4A scheme

- In the original scheme, debt was required to be segmented into Part A, comprising of debt serviced from existing operations (sustainable portion), and Part B, the remaining portion of the total debt (unsustainable portion). RBI has made some changes in the provisioning requirement for the sustainable and unsustainable portion of the loan.
- In respect of an account that is classified as a NPA as on the reference date, the Part B instruments shall continue to be classified as non-performing investment and provided for as a NPA as per extant prudential norms.
- The sustainable portion (Part A) may optionally be treated as 'Standard' upon implementation of the resolution plan by all banks, subject to provisions made upfront by the lenders being at least the higher of 50% of the amount held in part B or 25% of the aggregate outstanding (sum of Part A and part B). For this purpose, the provisions already held in the account can be reckoned.
- In all cases, lenders may upgrade Part B to standard category and reverse the associated enhanced provisions after one year of satisfactory performance of Part A loans. In case of any pre-existing moratorium in the account, this upgrade will be permitted one year after completion of the longest such moratorium, subject to satisfactory performance of Part A debt during this period.

Modifications in SDR scheme

- Under the Strategic Debt restructuring scheme, the new promoter should have acquired at least 26 per cent of the paid up equity capital of the borrower company and shall be the single largest shareholder of the borrower company.
- The revised guideline also specifies that the new promoter shall be in 'control' of the borrower company as per the definition of 'control' provided in the Companies Act 2013/regulations issued by SEBI.

Modifications in 5/25 scheme

- The Flexible Structuring of Long Term Project Loans to Infrastructure and Core Sector Industries, popularly known as the 5/25 scheme which allows repayment of the loan over a period of 25 years, while being refinanced every 5 years, too have undergone modifications by the RBI.
- The scheme can now be extended to new project loans too.
- It can also be extended to certain specific projects with construction companies.
- Earlier the scheme covered existing projects loans with an aggregate exposure of above Rs. 500 crore, which has now been lowered to Rs. 250 crore.

RBI Permits up to 100% FDI in Other Financial Services.

- In a notification dated Oct 20 2016, RBI has permitted foreign investment up to 100% under the automatic route in 'other financial services'. 'Other financial services' will include activities which are regulated by any financial sector regulator, including the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority and National Housing Bank. Such FDI investment will, however, be subject to conditionalities including minimum capitalisation norms specified by the sector regulator. Foreign investment in an activity specifically regulated by an Act, will be restricted to the levels specified in the Act. Unregulated and partly regulated financial services as well as those lacking clarity over regulatory oversight are subject to FDI up to 100% under the government approval route.

RBI permits startups to access loans under ECB framework-With the objective of encouraging start ups, RBI on Oct 27, 2016 permitted them to raise ECBs up to $ 3 million or equivalent per financial year, either in Indian Rupee or any convertible foreign currency or both. Minimum average maturity period for these borrowing has been specified to be 3 years.

Initiatives

SBI-FTSE to develop India based bond index-State Bank of India (SBI) is planning to collaborate with FTSE Russell, index and data provider unit of London Stock Exchange, to develop a bond index for global investors to benchmark Indian bond market against the global peers. The index to be known as FTSE TMX SBI India Index, is expected to be functional by 2017 and would provide a deeper understanding and analysis of the Indian bond market.

Ujjivan ties up with FSS for ATM services- Ujjivan Financial Services, a microfinance institution, which is in the process of launching a small finance bank, has partnered with global payments and fintech provider Financial Software and Systems (FSS) to provide ATM benefits to unbanked and under-served customers across the country by using biometric-enabled machines. The ATMs will provide biometric access to its customers through their thumb prints linked to their Aadhaar cards in addition to new security features like EMV chip, in line with RBI norms. It may be noted that FSS will be providing end-to-end "payments in a box" solution for Ujjivan.

UBS invests $1 billion to standardise its IT platform-UBS is planning to invest around 1 billion Swiss francs ($1 billion) to standardise its IT platform across various markets. The IT unification project, known as One Wealth Management Platform is expected to bring significant cost reduction for UBS. A unified IT structure offers digital features including its new online wealth management platform, SmartWealth. SmartWealth will be rolled out on a pilot basis in Britain, and later across markets in Europe and in Asia Pacific. The bank hopes to reduce costs by a significant margin in wealth management through the new organisational structure. The IT project which began in 2013 is likely to be completed by end-2018.

SBI to raise Rs. 5000 crore through infra bonds - It is reported that SBI proposes to issue infrastructure bonds worth Rs. 5000 crore in Q3 of FY 2016-17. The decision is aimed at reducing overall cost of deposits and diversification of its liabilities. The bank aims to raise these funds for seven years through private placement. It is reported that these bonds would be plain vanilla bonds without any put and call option. This will be the first infrastructure bond issue by SBI. It may be noted that Reserve Bank of India, in July 2014 had allowed banks to raise infrastructure bonds which would be exempt from SLR and CRR requirements. Proceeds from these bonds can be used to lend to infrastructure projects and affordable housing, both which require long-term resources, thus encouraging banks to lend to these two sectors at a competitive cost. These bonds are permitted to be classified as under Tier II capital.

Please refer page No. 26 for disclaimer.

Annex-1
Growth Projections

Organisation	Growth Forecast	Growth Boosters	Potential Drags
S&P July 22, 2016	8% Growth for 2016-17 and 2017-18	Strong consumption growth continues apace, the external accounts look reasonably resilient post-Brexit, and fiscal policy looks prudent. The structural reform drive continues to gain traction. Consumer confidence looks quite high and investor confidence seems buoyant.	Lack of investment pickup
ADB July 18, 2016	ADB expects India to grow 7.4% in 2016-17 and 7.8% in 2017-18.	The improved monsoon encouraged more planting of rice, pulses and sugarcane into July. There are some signs of an uptick in rural demand in anticipation of good monsoon and a rural-oriented government budget.	The potential growth of the country can be raised further if it can successfully implement necessary reforms including unifying the tax regime, improving labour market regulations, and opening further to foreign direct investment and trade.
IMF Oct 4, 2016	Marginally scaled up India's economic growth projections by 0.2 percentage points to 7.6 per cent each for 2016-17 and 2017-18 from its earlier review in July 2016.	India's economy benefitted from lower oil prices, effective policy actions and stronger external sector indicators	In the near term, private investment will be constrained by weal corporate and public bank balance sheets. Increasing capital buffers of banks, Timely Implementation of GST, elimination of poorly targetted subsidies, enhancing efficiency of mining sector and increasing electricity generation are key for higher growth.
World Bank June 20, 2016	India's economic growth to be at 7.6 percent in 2016-2017, followed by a modest acceleration to 7.7 percent in 2017-2018 and 7.8 percent in 2018-2019.	Economic activity in India has remained robust, supported mainly by domestic demand. Growth will continue to be driven by private consumption, which has benefited from lower energy prices and higher real incomes. The World Bank has also observed that an accommodative monetary stance, public investments in infrastructure, and progress on structural reforms, including new bankruptcy laws, should support a pickup in private investment	The most significant near- and medium-term risks stem from the banking sector and its ability to finance private investment which continues to face several impediments in the form of excess global capacity, regulatory and policy challenges, in addition to corporate debt overhang.
Fitch July 18, 2016	GDP growth to accelerate slightly to 7.7% in 2016-17 and 7.9% in 2017-18	Expected pick up in consumption in both urban and rural areas after a civil-servant wage hike of 24% and the strong likelihood of stronger rainfall than in the previous two poor monsoon years.	Weak fiscal balances, India's and NPA of PSBs which are contingent liabilities of the Government.
Morgan Stanley July 18, 2016	Revised its growth estimate from 7.5% to 7.7% for 2016. It also scaled up growth rate to 7.8%, from earlier 7.7% for 2017.	Growth recovery is becoming more broad-based, driven by public capex, foreign direct investment (FDI) and consumption.	This indicated that private investments are yet to pick up.

Annex-2
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-Nov-16	9.25	01-Jul-16	9.60	Nov-16	7.00
Bank of India	07-Nov-16	9.30	30-Sep-16	9.65	Nov-16	7.30
Canara Bank	01-Nov-16	9.30	11-Oct-16	9.60	Nov-16	7.30
Punjab National Bank	01-Nov-16	9.25	01-Oct-15	9.60	Nov-16	7.05
Union Bank of India	01-Nov-16	9.30	30-Jun-16	9.60	Nov-16	7.35
State Bank of India	01-Nov-16	8.90	05-Oct-15	9.30	Nov-16	6.90
Axis Bank	18-Nov-16	9.05	27-Jul-16	9.35	Sep-16	7.25
HDFC Bank	07-Nov-16	8.90	24-Oct-16	9.25	Sep-16	7.00
ICICI Bank	01-Nov-16	8.95	05-Oct-15	9.35	Nov-16	7.10
IndusInd Bank	17-Nov-16	9.60	19-Oct-15	10.60	Oct-16	7.25
Kotak Bank	01-Nov-16	9.45	07-Oct-16	9.40	Aug-16	6.75
Yes Bank	01-Nov-16	9.25	05-Oct-15	10.25	Nov-16	7.25

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.
Canara Bank offers 7.15% for term deposits of 1 year, 7.30% for term deposits of 1 to less than 2 years and 7.40% for 2 years and above to 3 years.
State Bank of India offers 6.90% for term deposits of 1 year to 455 days, 6.95% for term deposits of 456 days to less than 2 years and 6.85% for 2 years to less than 3 years.
Union Bank of India offers 7.30% for term deposits of 1 year and 7.35% for term deposits of 1 to 3 years.
HDFC Bank offers 7% for term deposits of 1 year and 1 year 17 days to 2 years and 7.10% for term deposits of 1 year 1 day to 1 year 16 days.
ICICI Bank offers 7% for term deposits for 1 year to 389 days and 7.10% for term deposits of 390 days to 2 years.
Kotak Mahindra Bank offers 6.75% for term deposits of 365 days to 390 days, 6.50% for term deposit of 391 days to less than 2 years and 6.25% for term deposit of 2 years.

Figures are in per cent.

Annex-3
Monthly Macro Indicators

Indicator	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Production													
IIP	9.9	-3.4	-0.9	-1.6	1.9	0.3	-1.3	1.3	1.95	-2.5	-0.7	0.7	
Infrastructure	3.2	-1.3	0.9	2.9	5.8	6.4	8.5	2.8	5.2	3.0	3.2	5	
Prices													
WPI	-3.7	-2	-1.1	-1.1	-0.9	-0.5	0.8	1.2	2.1	3.7	3.7	3.6	3.4
CPI	5	5.4	5.6	5.7	5.3	4.8	5.5	5.8	5.8	6.1	5.1	4.39	4.2
Agriculture	5.2	6.1	6.4	6.8	5.3	5.2	6.4	7.5	7.8	8.4	5.9	4.0	3.3
Industry	-1.7	-1.4	-1.5	-1.2	-0.5	0.1	1	1.2	1.2	1.8	2.4	2.5	2.7
Services	3.5	3.8	4	3.9	4.4	4	4.3	4	3.8	4	4.2	4.5	4.6
Banking													
Reverse Repo (Rs. Mn)	75959	79720	70233	77843	49575	153307	199432	48331	104234	96493	55863	99851	108037
Repo (Rs. Mn)	134648	164022	136607	162492	143599	144912	113263	143911	53418	51953	64906	66210	98619
Aggregate Deposits	10.4	9.7	10.1	10.4	9.6	8.1	9.5	8.9	9.2	8.9	8.9	11.3	
Total Credit	8.1	8.6	9.2	9.5	9.7	9	8.4	8	7.3	7.7	7.6	11.5	
Non Food Credit	8.3	8.8	9.3	9.8	9.9	9.1	8.4	8.4	7.9	8.3	8.2	10.8	
Industrial Credit	4.6	5	5.3	5.6	5.4	2.7	0.1	0.9	0.6	0.6	-0.2	0.9	
Infrastructure Credit	8.3	8.7	8.4	9.8	9.1	4.4	-1.5	-0.1	-2.1	-3.1	-4.2	-4.6	
Service Credit	6.8	6.8	9.2	8.9	8.6	9.1	10.9	9.3	9.2	10.8	12.1	18.4	
SLR-Investment	11.1	11	10.6	7.6	7.1	3.6	4.9	4.6	5.6	5.9	5.3		
Leading Indicators													
Manufacturing PMI	50.7	50.3	49.1	51.1	51.1	52.4	50.5	50.7	51.7	51.8	52.6	52.1	54.4
Service PMI	53.2	50.1	53.6	54.3	51.4	54.3	53.7	51	50.3	51.9	54.7	52	54.5
Composite PMI	52.6	50.2	51.6	53.3	51.2	54.3	52.8	50.9	51.1	52.4	54.6	52.4	55.4
Services													
Passenger Traffic: All Airports	14.8	20.8	16.8	17.9	19.6	20.4	17.3	17.5	16.8	23	19.6		
Foreign Tourist Arrivals	2.2	6.6	3.1	6.7	11.3	12	10.6	3.8	7.4	17.1	11.8		
Goods Traffic Movement by Railways (Mn Tonnes)	93	88	95	98	89	100	86	92	92	89	85.6		
Automobile Sales: Total	11.1	-0.4	-1.5	3.1	10.2	10.2	14.5	7.7	7.2	8.9	16.8	15.8	7.2
Automobile Sales: Passenger Vehicle	21.5	7.2	5.1	-0.6	5.4	9.2	10.2	5.2	7.6	13.9	18.9	20.7	6.2
Automobile Sales: Commercial Vehicle	12.3	7	13.6	19.3	18.8	20.7	14.7	15.1	7.3	2.1	2.4	0.4	13.5
Automobile Sales: Two Wheelers	10.1	-1.3	-3.1	3.5	10.4	10.8	17.2	8.7	7.9	9.2	18.6	17.2	7.5
Automobile Sales: Three Wheelers	-3.5	-13.3	-6.2	-3	20.4	-7.2	-21.7	-9.9	-6.6	-8.9	-11.9	-16.1	-2.1
External													
FDI-Equity (US $mn)	5326	3018	4719	5065	3206	2556	3437	2059	2321	4159	4880	5227	
FII-Net Portfolio Investment(US $mn)	4478	-3784	-2572	-1471	-2381	4328	1133	-385	-193	2726	1022	2991	
ECB(US $mn)	2114	3164	3034	1395	1353	1521	305	1318	1072	1203	3173	2463	
Exports	-17.5	-24.4	-14.8	-13.6	-5.7	-5.5	-6.7	-0.8	1.3	-6.8	-0.3	4.6	9.6
Imports	-21.2	-30.3	-3.9	-11	-5	-21.6	-23.1	-13.2	-7.3	-19.1	-14.1	-2.5	8.1
Trade Balance(US $mn)	-9692	-9782	-11664	-7639	-6542	-5071	-4845	-6273	-8116	-7761	-7674	-8339	-10160
Rupee-Dollar Exchange Rate	65.2	66.8	66.3	67.9	68.6	66.3	66.5	67.2	67.6	67.03	67	66.7	66.85
Rupee-Pound Exchange Rate	99.9	100.4	98.4	97.8	95.2	95.1	97.4	98.7	90.5	88.3	87.7	86.4	81.29
Rupee-Euro Exchange Rate	71.7	70.7	72.5	74.1	75.1	75.1	75.7	74.8	75	74.3	74.6	74.8	72.9
REER 36 Country (Trade Based Weight) Base 2004-05=100	113.6	113.2	110.2	110.8	110.2	110.9	110.6	110.9	112.6	113.5	113.87	114.51	115.13
Forex Reserves Outstanding*(US $bn))	352	352	352	349	347	356	363	361	360.8	365.49	366.8	369.6	367.15

Note: All figures unless specified otherwise refers to y-o-y growth and are in per cent. PMI figures are numbers.
*September 2016 figures refer to reserves as on Sep 16, 2016.

Annex-4
Quarterly Macro Indicators

	2013-14		2014-15				2015-16				2016-17
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GVA at Basic Prices Growth	6.3	4.9	7.4	8.1	6.7	6.2	7.2	7.3	6.9	7.4	7.3
Components Growth											
Agriculture, Forestry and Fishing	5	4.6	2.3	2.8	-2.4	-1.7	2.6	2	-1	2.3	1.8
Industry	5.2	3.9	8	5.9	3.8	5.7	6.7	6.3	8.6	7.9	6.0
Mining and Quarrying	2.1	8.1	16.5	7	9.1	10.1	8.5	5	7.1	8.6	-0.4
Manufacturing	6.4	4.5	7.9	5.8	1.7	6.6	7.3	9.2	11.5	9.3	9.1
Electricity, Gas, Water Supply and Other Utility Services	3.8	5.8	10.2	8.8	8.8	4.4	4	7.5	5.6	9.3	9.4
Construction	4.4	0.8	5	5.3	4.9	2.6	5.6	0.8	4.6	4.5	1.5
Services	7.8	5.6	8.6	10.7	12.9	9.3	8.8	9	9.1	8.7	9.6
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	10.5	7.8	11.6	8.4	6.2	13.1	10	6.7	9.2	9.9	8.1
Financial, Real Estate and Professional Services	7.1	6.7	8.5	12.7	12.1	9	9.3	11.9	10.5	9.1	9.4
Public Administration, Defence and Other Services	4.7	0.9	4.2	10.3	25.3	4.1	5.9	6.9	7.2	6.4	12.3
Expenditure components as % of GDP											
Net Taxes on Products	7.6	11.9	3.9	6.3	8.1	13.5	5.4	7.6	9.4	14.9	5.9
Final Consumption Expenditure	69.2	65.6	70.4	71.1	68.2	64.8	71.3	72.8	70.4	66.5	73.4
Final Consumption Expenditure: Private	61	56.5	58.3	57.9	57.9	56.4	59.8	59.6	60.3	58.4	60.5
Final Consumption Expenditure: Government	8.2	9.1	12.1	13.2	10.3	8.4	11.5	13.1	10.1	8.1	12.9
Gross Fixed Capital Formation	31.2	31.1	32.2	31.1	29.9	30.1	31.6	31.4	27.6	26.9	28.3
Change in Stocks	1.5	1.6	1.9	1.8	1.6	1.8	1.8	1.8	1.6	1.7	1.8
Valuables	1.3	1.5	1.6	1.4	1.3	1.8	1.5	1.4	1.3	1.3	0.7
Exports of Goods and Services	25.1	25.1	24.2	23.8	23	20.9	21	21	19.2	18.8	20.0
Import of Goods and Services	27.1	26.6	27.4	27.5	26.2	22.7	23.9	24.5	22	19.9	20.9
Discrepancies	-1.2	1.7	-3	-1.7	2.3	3.3	-3.3	-3.8	1.8	4.7	-3.4
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
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
Capital Account as % of GDP	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
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
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
Errors and Omission as % of GDP	-0.1	-0.2	0	0.1	-0.4	0.1	-0.2	-0.1	0	0	0
Accretion(-)/Depletion (+) of Forex (Us$bn)	-19.1	-7.1	-11.2	-6.9	-13.2	-30.1	-11.4	0.9	-4.1	-3.3	-6.9
FDI(US$bn)	6.1	0.9	7.6	7.5	6.9	9.3	10	6.5	10.7	8.8	4.1
FII(US$bn)	2.4	9.3	12.4	9.8	6.3	12.5	0	-3.5	0.6	-1.5	2.1
External Debt: USD: Total (bn)	426.9	446.2	453.1	456.3	458.7	475	482.4	480.9	479.7	485.6	-
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	-
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	-
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	-
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	-

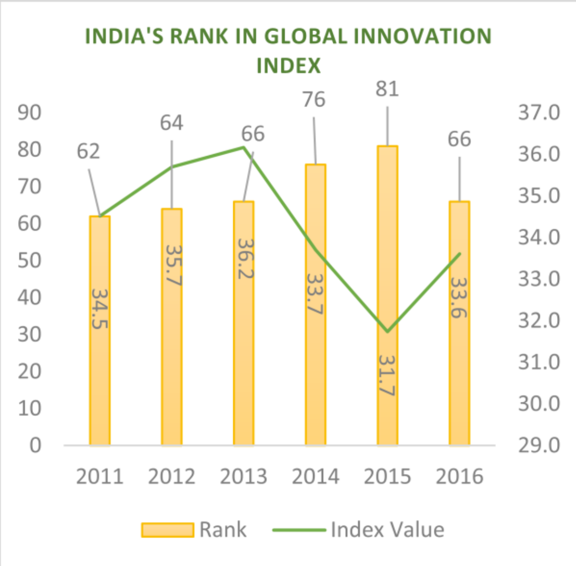
Note-Figures are in per cent unless specified otherwise.

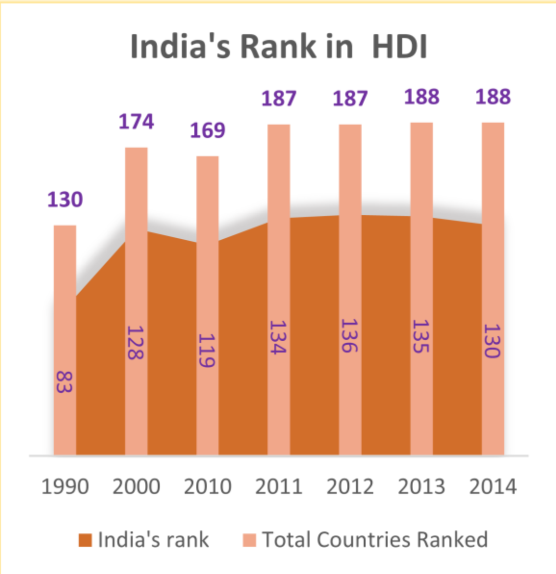
Annex-5
Annual Macro Indicators

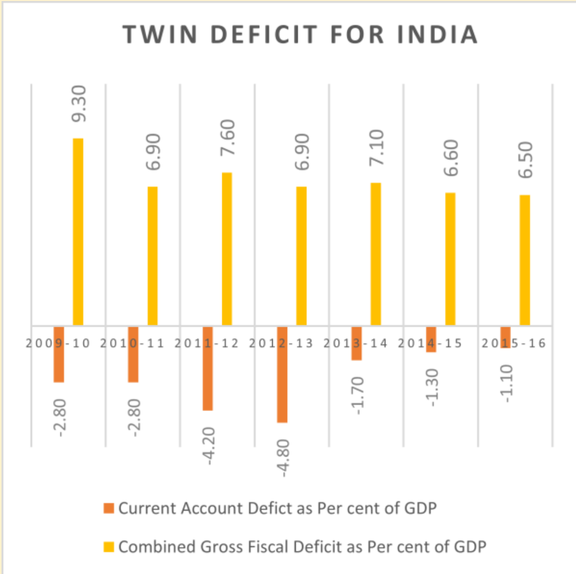
Indicator	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Real Sector Growth										
GVA at Basic Price*	9.6	9.3	6.7	8.6	8.9	6.7	5.4	6.3	7.1	7.2
I. Agriculture	4.2	5.8	0.1	0.8	8.6	5.0	1.5	4.2	-0.2	1.2
II. Industry	12.2	9.7	4.4	9.2	7.6	7.8	3.6	5.0	5.9	7.4
Mining & quarrying	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

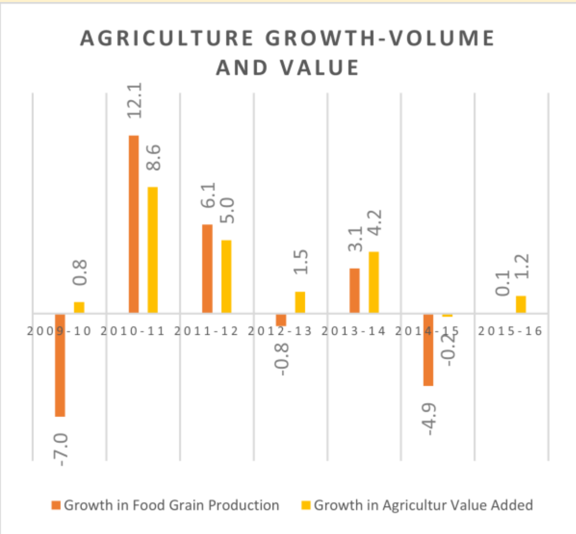
Note-*For 2006-07 to 2011-12 figures represent rate of growth GDP at factor cost (2004-05 base). Figures are in per cent unless specified otherwise.

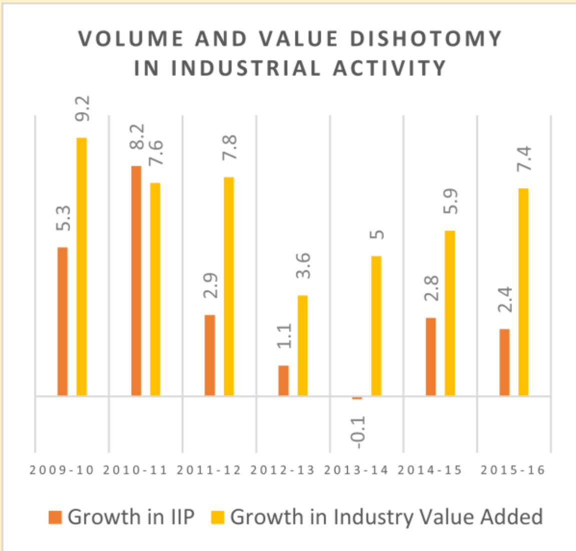
Indian Economy in Graphs











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Notes

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