बैंक ऑफ़ बड़ौदा
Bank of Baroda
India's International Bank

Economic Intelligence

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MONTHLY MACRO INSIGHTS

Global growth prospects seem favourably brightened, as also visible from the projections of major international agencies. However, growth projections of Indian economy were slashed considerably for FY'18 as it continued to be hit by the underlying structural reforms in the short term. The Reports also highlighted that growth is likely to rebound in the later period, once these reforms fully materialise. Latest monthly indicators for India indicate that economic activity has started to rebound. In Sep'17, while retail inflation remained steady, wholesale inflation moderated. Softer food inflation coupled with incomplete pass through of fuel inflation kept the overall inflation in check. Industrial production showed an uptick, led by rebounding of mining and manufacturing activity in Aug'17. India's trade competitiveness also improved as visible from the movement of REER. Merchandise exports grew at its fastest pace in FY'18, whereas import growth slowed down considerably on the back of softening non-oil imports. However, there were some indicators which continued to lag behind. The latest release of IMD showed that Southwest monsoon remained above normal, albeit slightly lower compared to the earlier forecasted range. This might be the reason that production of Kharif crops have been lower compared to previous year. Gross bank credit picked up marginally amidst the ongoing exercise of faster resolution process. However credit growth to industry remained in contractionary zone for the eleventh straight month. Capacity addition data presented bleak investment picture. Project status whether be in terms of outstanding projects, new projects, or completed projects, reflected falling capacity addition in the economy. RBI in its recent bi-monthly policy also cited laggard investment demand as one of the main reason behind downgrading India's growth projection in FY'18. The other risks to Indian economy seem to be emanating from global financial markets. There are apprehensions about tapering of global liquidity in the form of balance sheet normalisation by US and reduction of bond purchase programme by ECB. The current macro data of US economy might prompt the FOMC to undergo another round of Fed rate hike in its Dec'17 policy meeting. Though Indian economy is quiet insulated on the external front, slight strain on the capital account is inevitable. However, continued reliance of domestic investors on the structural reforms of Indian economy seems to brighten the growth outlook in the near term.

Key Takeaways

- In its latest World Economic Outlook (WEO) published on Oct 10, 2017, IMF upgraded its global economic growth forecast for both 2017 and 2018 upwards by 0.1 percentage points driven by a pickup in trade, investment, and consumer confidence. Global growth is expected to pick up from 3.2% in 2016 to 3.2% in 2017 to 3.7% in 2018.
- In an update to the Asian Development Outlook Report released in Apr'17, ADB has revised the growth forecast for the Asia Pacific region upward on the back of pickup in global trade along with firm recovery in advanced economies such as US and more than expected growth in China. GDP growth in the region is expected to be 5.9% in 2017 from 5.8% in 2016 and 0.2% points higher than the earlier forecast. GDP growth in 2018 is expected to be 5.8%.
- However, India's growth projections have been downgraded by Major international agencies for FY'18. World Bank in its recent release have revised downward India's growth projection to 7% in FY'18 compared to 7.2% estimated earlier. IMF has also downgraded India's growth projection 6.7% in FY'18 down from 7.2% projected in Apr'17.

Financial and Commodities Markets

Indicator	21-Jul-17	21-Aug-17	21-Sep-17	23-Oct-17
Call	6.10	5.99	5.89	5.85
Repo	77,720	119,140	30,070	26,250
US Treasury	2.24	2.18	2.27	2.38
G-Sec	6.44	6.51	6.67	6.8
Dollar	64.32	64.03	64.53	65.02
Pound	83.54	82.4	87.15	85.84
Sensex	32,029	31,259	32,370	32,507
Crude	48.10	50.97	55.51	56.38
Gold	29,200	29,900	30,850	30,450
FII	-150.4	-106.4	-111.4	-185.3
FII-E	27.2	-288.5	-137.6	-172.2
FII-D	-177.6	182.1	26.2	-13.1

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

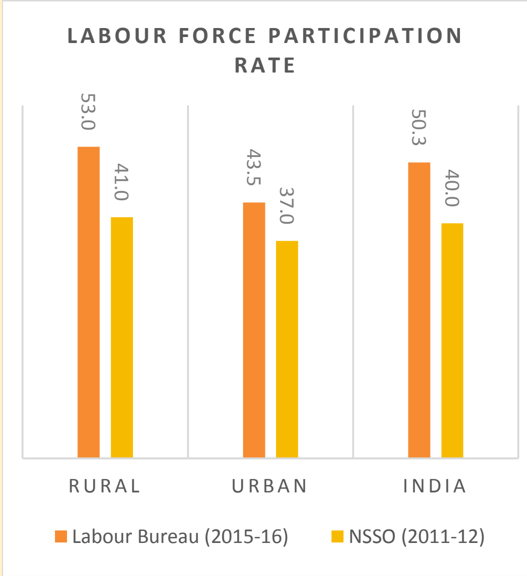
FII-refers to the net FII inflow in both debt and equity segments.

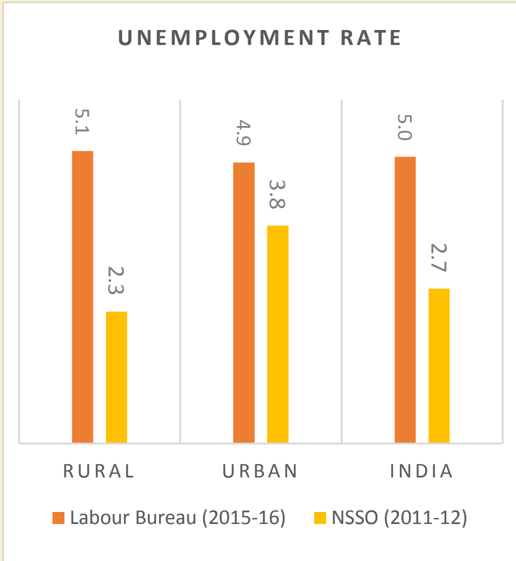
Inside

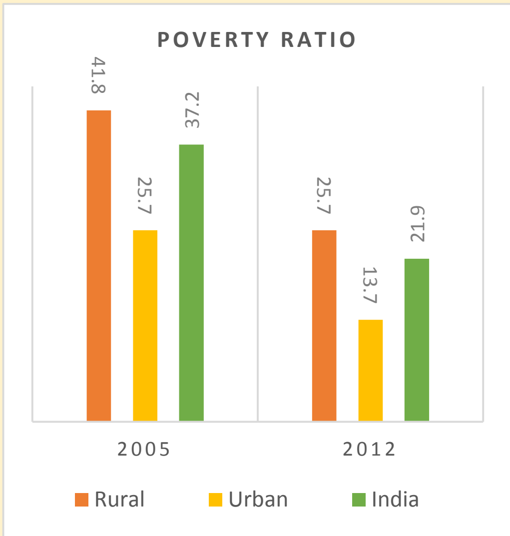
Key Takeaways

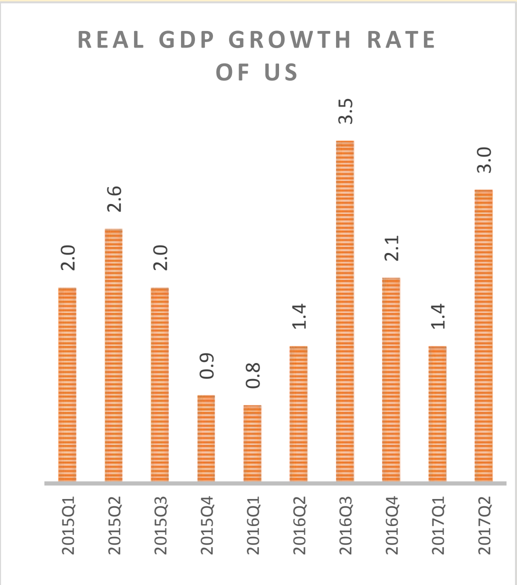
- Industrial Production witnessed an uptick as it rebounded to a nine-month high of 4.3% in Aug’17 compared to a growth of 0.9% (revised) in Jul’17 and 4.0% in Aug’16, on a y-o-y basis. On cumulative basis, IIP grew by 2.2% compared to the growth of 5.9% seen for the corresponding period last year.
- Growth in gross bank credit improved in Aug’17 to 5.0% as compared to 4.7% in Jul’17 and 4.4% in Jun’17 on a y-o-y basis. Non-food credit growth from the banking system accelerated to 5.5% in Aug’17 from 5.3% in Jul’17 on a y-o-y basis.
- CPI inflation at 3.3% in September was at the same level as August. Retail inflation as measured by CPI rose to 3.4% in Aug’17 compared to 2.4% in Jul’17 and 5.1% in Aug’16 on a y-o-y basis. The flat m-o-m reading can be explained by sharp drop in prices of vegetables.
- WPI inflation moderated to 2.6% in Sep’17 compared to 3.2% in Aug’17 due to easing off inflationary pressure in primary articles especially food articles.
- As per the latest release of IMD, rainfall over the country as a whole during the monsoon season (Jun-Sep’17) was 95% of its long period average (LPA) against the earlier forecasted range of 98% with a with a model error of ±4%. Seasonal rainfall over Northwest India, Central India, south Peninsula and Northeast (NE) India were at 90%, 94%, 100% and 96% of respective LPAs.
- As per the data released by Ministry of Agriculture, total production of Kharif foodgrains in FY’18 is estimated at 134.67 million tonnes which is 3.86 million tonnes lower compared to last year’s record production of 138.52 million tonnes. Though production of most of the Kharif crops have remained lower compared to previous year, yet the first estimate of FY’18 revealed that it remained the average production during the last five years.
- RBI in its fourth bi-monthly monetary policy has kept rep rates unchanged at 4%. It has revised upward its inflation projections for H2 FY’18. It projects inflation to range between 4.2%-4.6% in H2 of FY’18 from its earlier estimate of 4.0%-4.5%. Projection of real GVA growth for FY’18 on the other hand has been revised downward to 6.7% from its earlier projection of 7.3% with risks evenly balanced around it.
- India’s merchandise exports noted a whooping growth rate of 25.7% in Sep’17 compared to 10.3% in Aug’17 on a y-o-y basis. Whereas on a sequential basis, exports increased by 20.1% in Jun’17 compared to 5.7% in May’17. Merchandise imports on the other hand slowed down considerably to 18.1% in Sep’17 compared to 21% in Aug’17 on a y-o-y basis. While on a sequential basis, imports grew by 6% in Sep’17 compared to 4.3% in Aug’17.
- The GST Council in its meeting held on Oct 06, 2017, made sweeping changes in its procedures and revised tax rates of over 27 items to ease tax and compliance burden on assesses. Threshold limit for composition scheme has been widened from Rs.75 lakh to Rs.1 cr. Further, businesses with turnover of up to Rs.1.5cr can now file returns quarterly instead of monthly. The Council has deferred the reverse charge mechanism till Mar’18. This is turn will reduce the burden on large firm and act as a relief for the SMEs for the time being.
- Non tax revenue collection was Rs.0.69 lakh crore or 24% of Budget Estimates (BE) upto Aug’17 compared to Rs.1.05 lakh crore or 32.5% of BE during corresponding period of previous year. The government has set a fiscal deficit target of Rs.5.47 lakh crore for 2017-18 of which it has already exhausted Rs.5.25 lakh crore (96.1% of BE) by August, FY’18.
- On October 6, 2017, the government rolled back August 23 notification that notified dealers in precious metals, precious stones and other high value goods as persons carrying on designated business and professions under the PMLA, 2002. Hence, mandating PAN and Aadhaar cards for purchases above Rs 50,000 was revoked.

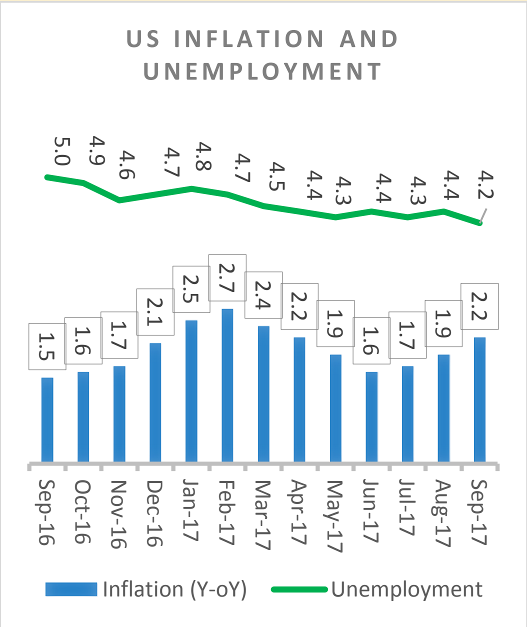
Indian Economy-Structural Coordinates

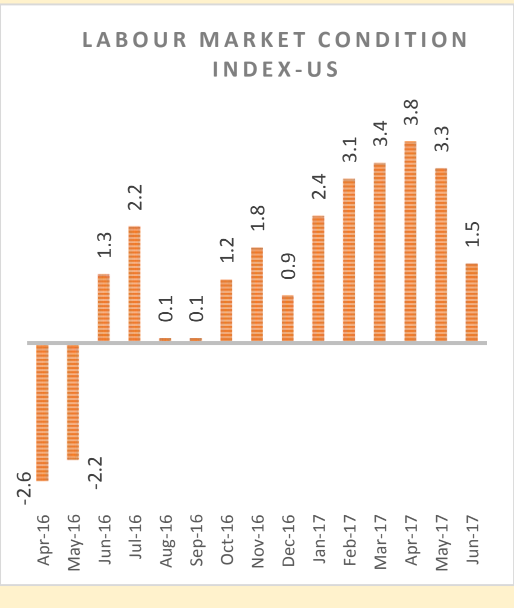












Global Developments

IMF World Economic Outlook, October 2017

- In its latest World Economic Outlook (WEO) published on Oct 10, 2017, IMF upgraded its global economic growth forecast for both 2017 and 2018 upwards by 0.1 percentage points driven by a pickup in trade, investment, and consumer confidence. Global growth is expected to pick up from 3.2% in 2016 to 3.2% in 2017 to 3.7% in 2018.
- Amongst the advanced economies, growth forecasts for the euro area, Japan and Canada were revised upward. In the euro area, economic activity is expected to gather strength growing by 2.1% in 2017, before moderating to 1.9% in 2018. However, growth in UK is projected to slow down to 1.7% in 2017 (-0.3%) and 1.5% in 2018, due to weaker-than-expected growth in the first two quarters of the year. US economy is projected to grow by 2.2% in 2017 and 2.3% in 2018 slightly down from Apr'17 forecast of 2.3% and 2.5% respectively for 2017 and 2018.
- Growth is forecasted to increase strongly in emerging market and developing economies, from 4.3% in 2016 to 4.6% (+0.1%) in 2017 and 4.9%(+0.1%) in 2018. The upward revisions to the growth forecast primarily reflect stronger projected activity in China and in emerging Europe for 2017 and 2018.
- Despite the overall optimism, the Report notes that growth remains weak in many countries, and inflation is below target in most advanced economies. While short term risks are broadly balanced, medium-term risks are still tilted to the downside. These include, tightening global financial conditions, financial turmoil in emerging market economies, trade protectionism and geopolitical risks.

Asian Development Outlook Update, September 2017

- In an update to the Asian Development Outlook Report released in Apr'17, ADB has revised the growth forecast for Asia Pacific region upward on the back of pickup in global trade along with firm recovery in advanced economies such as US and more than expected growth in China. GDP growth in the region is expected to be 5.9% in 2017 from 5.8% in 2016 and 0.2% points higher than the earlier forecast. GDP growth in 2018 is expected to be 5.8%.
- Further, inflation forecasts for the region were revised downward on the back of stable fuel prices in first half of 2017. Average inflation in the region is now expected to grow by 2.4% in 2017 compared to 3.0% estimated earlier, and from 3.2% to 2.9% in 2018.
- Growth forecasts for China were revised upwards by 0.2% for both 2017 and 2018. GDP in the country is expected to grow by 6.7% in 2017 and 6.4% in 2018, on the back of higher than expected growth so far in 2017 as a result of expansionary fiscal policy and a pickup in external demand.

Unemployment

- In US, the headline unemployment rate declined to 4.2% in Sep'17 compared to 4.4% in Aug'17.
- The seasonally-adjusted unemployment rate in EA19 remained stable at 9.1% in Aug'17 sequentially, though it declined from 9.9% in Aug'16.
- The EU28 unemployment rate declined to 7.6% in Aug'17 from 7.7% in Jul'17 sequentially and 8.5% in Aug'16. Among the Member States, the lowest unemployment rates in Aug'17 were recorded in Czech Republic (2.9%), Germany (3.6%) and Malta (4.2%). The highest rates were observed in Greece (21.2% in Jun'17) and Spain (17.1%).

Food

- According to the latest data released by the Food and Agriculture Organisation (FAO), global food commodity prices increased marginally in Sep'17 after a decline in Aug'17. The Global Food Price Index increased by 0.8% on a sequential basis, though it increased by 4.3% on a y-o-y basis in Sep'17. The increase was mainly on account of higher prices for vegetable oils and dairy sectors. On the other hand, while prices of cereals declined sequentially, prices for sugar and meat remain broadly unchanged.

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World Trade Outlook

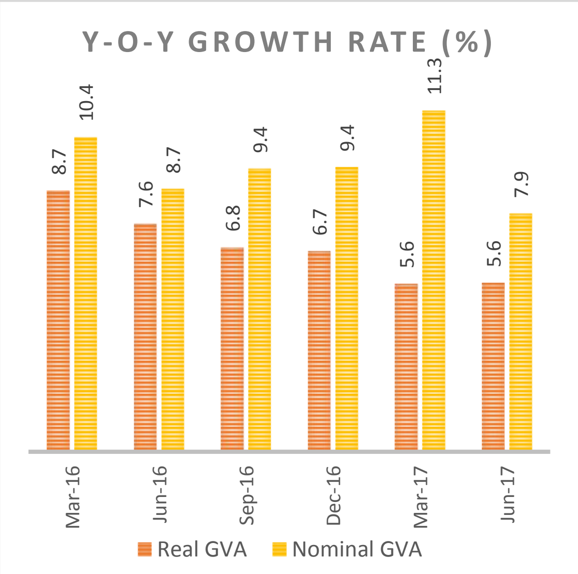
- World Trade Organisation (WTO) has revised its global trade growth projections on the back of stronger than expected recovery in global trade. Export orders have strengthened signalling sustained trade momentum in second half of 2017.
- As per the latest estimates, world merchandise trade volume is forecast to grow 3.6% in 2017, placed within a range from 3.2% to 3.9%, up significantly from the April forecast of 2.4% (range 1.8-3.6%). This is mainly driven by accelerating economic growth and rising import demand in China and US. Global GDP growth is expected to be 2.8%.
- In 2018, however, trade growth is expected to moderate to 3.2%, within a range from 1.4% to 4.4%, as global GDP growth remains stable at 2.8%.
- Further, the ratio of trade growth to GDP growth, which traditionally ran at about 2:1 but slumped to about 1:1 in the decade since the financial crisis, should rise this year, with trade growing 1.3 times faster than the global economy.
- Several downside risks such as trade policy measures, monetary tightening, geopolitical tensions and natural disasters could however, undermine the recovery in global trade.
- It may be noted that the World Trade Outlook Indicator (WTOI) increased to 102.6 in Aug'17 from its last reading of 102.2 in Mar'17. This is the highest reading for the indicator since May'11, suggesting sustained momentum for trade growth in the third quarter of 2017. It must be noted that the WTOI has been consistently rising for the past four quarters suggesting that global trade is gaining traction.

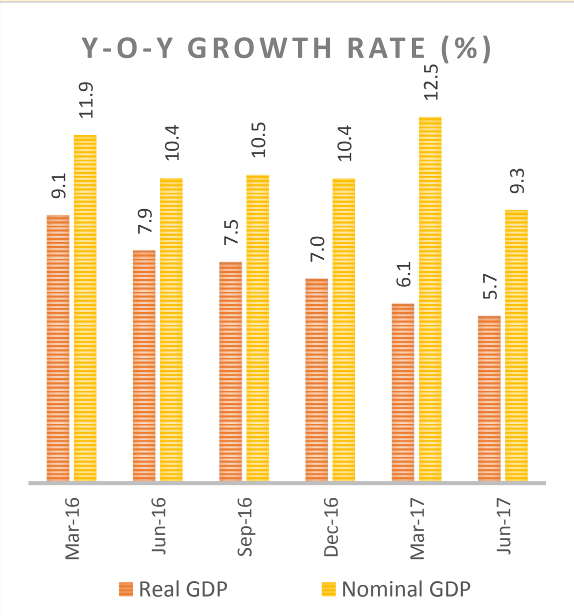
India's Growth Outlook

- The growth outlook of Indian economy is expected to brighten in the second half of FY'18. As per media reports, festive demand has remained steady. However, investment demand continued to falter which might act as a drag down to growth in the near term.
- As per the data released by CSO, there were visible signs of stress on India's growth story in Q1'18. Both GVA and GDP in real and nominal terms grew at a subdued rate in Q1'18. Sector wise, agriculture and industrial sector performed poorly. However, performance of service sector reflected optimism. Impact of GST was visible in the muted performance of manufacturing activity. Consumption demand remained subdued due to postponement of consumption decisions over apprehensions concerning GST. Investment demand noted considerable pick up owing to whooping increase in the valuables component primarily due to GST. Sectors such as construction, financial, real estate and professional services recovered slightly from the lagged impact of demonetization.
- Real GVA grew by 5.6% in Q1'18 unchanged from Q4'17 and significantly lower compared to 7.6% in Q1'17 on a y-o-y basis. This has been the lowest growth rate since Q4'14. The major drag to real GVA growth has been the poor performance of agricultural and industrial sector. Nominal GVA grew by 7.9% in Q1'18 compared to 11.3% in Q4'17 and 8.7% in Q1'17.
- Agriculture sector (at constant prices) grew by 2.3% in Q1'18 compared to 5.2% in Q4'17 and 2.5% in Q1'17. Growth rate of industrial sector remained subdued at 1.6% in Q1'18 compared to 3.1% in Q4'17 and 7.4% in Q1'17. Within industry, all sectors barring electricity, gas, water supply and other utility services, performed poorly. Mining and quarrying activities contracted by (-)0.7% in Q1'18 compared to 6.4% in Q4'17 and -0.9% in Q1'17. Manufacturing activities grew at a muted rate of 1.2% in Q1'18 compared to 5.3% in Q4'17 and 10.7% in Q1'17. Construction sector slowly recovered from the setback suffered during demonetization. It grew by 2.0% in Q1'18 compared to -3.7% in Q4'17 and 3.1% in Q1'17.

World Trade Outlook Indicator

Drivers of Trade	Level of Index			
	Aug-16	Nov-16	Mar-17	Aug-17
Merchandise trade volume	97.0	97.4	98.6	99.9
Export Orders	101.8	102.2	104.2	102.9
International air freight (IATA)	103.2	105.8	104.4	107.9
Container port throughput	99.3	101.0	104.1	104.2
Automobile production and sales	99.6	103.1	99.7	95.3
Electronics components	100.4	99.0	97.9	100.4
Agriculture raw materials	103.1	99.2	98.6	98.8
WTOI	100.9	102.0	102.2	102.6





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India's Growth Outlook

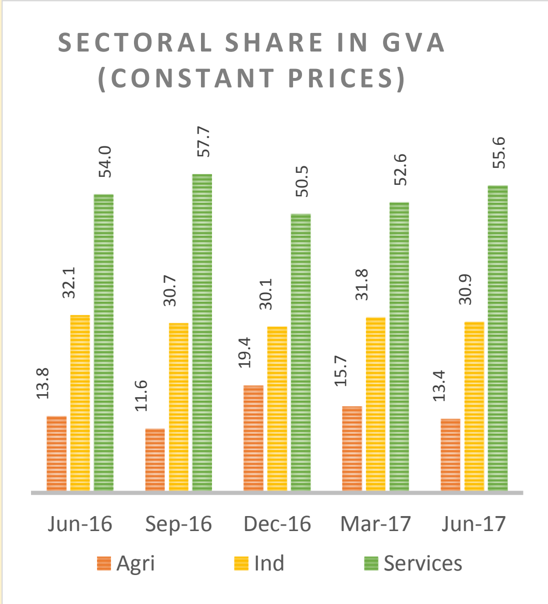
- Performance of Service sector however reflected optimism. It grew by 8.7% in Q1'18 compared to 7.2% in Q4'17 and 9% in Q1'17. Financial, Real estate and Professional services also recovered considerably post demonetization. It grew by 6.4% in Q1'18 compared to 2.2% in Q4'17 and 9.4% in Q1'17.
- Real GDP grew by 5.7% in Q1'18 compared to 6.1% in Q4'17 and 7.9% in Q1'17 on a y-o-y basis. Nominal GDP grew by 9.3% in Q1'18 compared to 12.5% in Q4'17 and 10.4% in Q1'17 on a y-o-y basis. Subdued growth rate of consumption demand has impacted the overall growth rate of nominal GDP.
- Consumption demand (at current prices) grew by 10.9% in Q1'18 compared to 14.7% in Q4'17 and 13.5% in Q1'17. Government consumption spending declined steeply (19.8% in Q1'18 compared to 36.8% in Q4'17 and 21.3% in Q1'17) compared to private consumption spending (9.1% in Q1'18 compared to 11.8% in Q4'17 and 12.0% in Q1'17).
- Investment demand picked up effectively and grew by 9% in Q1'18 compared to 0.1% in Q4'17 and 5.3% in Q1'17. Gross Fixed Capital Formation noted improvement and grew by 3.1% in Q1'18 compared to 0.6% in Q4'17 and 5.9% in Q1'17. The improved growth rate of investment demand was attributable to enhanced growth rate of valuables due to GST. Valuables grew by 186.3% in Q1'18 compared to -21.5% in Q4'17 and -15.2% in Q1'17.Contribution of Exports towards GDP fell considerably. It grew by 3.1% in Q1'18 compared to 15.2% in Q4'17 and 2.4% in Q1'17. Imports on the other hand grew by 15.2% in Q1'18 compared to 15.1% in Q4'17 and -1.5% in Q1'17.

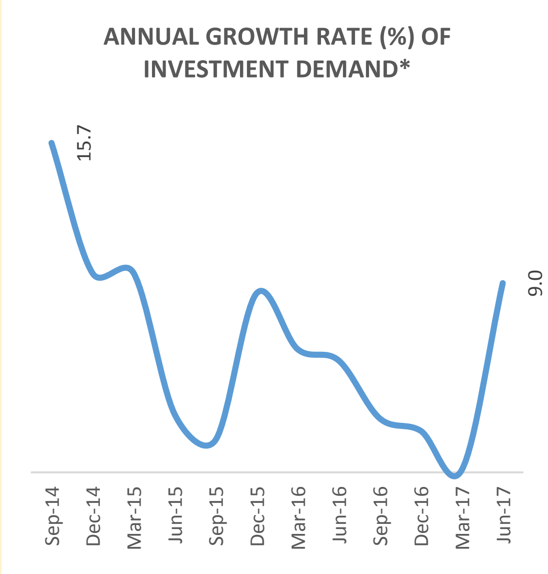
Growth Projections by International Agencies

- Major international agencies have downgraded India's growth projections for FY'18. World Bank in its recent release has revised downward India's growth projection to 7% in FY'18 compared to 7.2% estimated earlier. IMF has also downgraded India's growth projection 6.7% in FY'18 down from 7.2% projected in Apr'17. In 2018, the economy is expected to recover sharply and grow by 7.4%, albeit 30bps less than its Apr'17 projection. The Report also highlighted that in the medium to long term, India is likely to be on its desired growth trajectory on account of underlying structural reforms.

RBI's Assessment of Growth Outlook

- RBI in its Fourth Bi-monthly Monetary Policy 2017-18 has revised downwards the projection of real GVA growth for FY'18 to 6.7% from its earlier projection of 7.3% with risks evenly balanced around it.
- The dampeners to growth outlined by the RBI are (a) erratic south-west monsoon which lost momentum during the crucial period of kharif sowing (b) edging up of inflation both at the retail and wholesale level (d) GST led disruptions in manufacturing activity which could further impact the growth in investment activity (e) ebbing consumer confidence and worsening business sentiment in manufacturing sector surveyed by RBI in Q2'18. However, implementation of salary and HRA allowances by states might reinvigorate household consumption. The transitory problems associated with GST could also fade away in the long term.
- The MPC acknowledged the fact that the underlying structural reforms are likely to have a positive impact on growth over the medium to long term by improving the business environment, enhancing transparency and increasing formalisation of the economy. It also stressed the need for recapitalizing public sector banks which would ensure that credit flows to the productive sectors are not hampered. Apart from this, efforts are also required to address the severe infrastructure gap; as well as restarting stalled investment projects, particularly in the public sector.



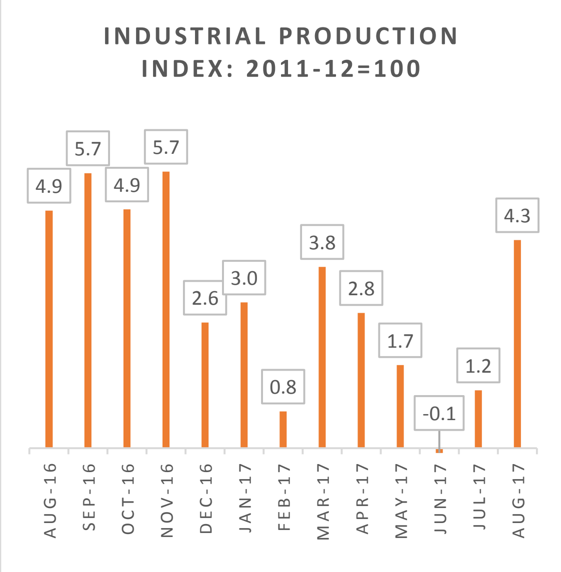


GDP Components in Spending-Share and Growth (Current Prices)

Component	Attribute	Jun-16	Sep-16	Dec-16	Mar -17	Jun-17
Consumption Spending	Share	57.4	57.3	61.6	58.7	57.3
	Growth	12.0	11.9	14.4	11.8	9.1
Government Spending	Share	12.2	13.8	11.3	9.6	13.4
	Growth	21.3	21.2	24.8	36.8	19.8
Investment Spending	Share	32.5	30.6	30.2	28.6	32.5
	Growth	5.3	2.6	2.0	0.1	9.0
Exports	Share	19.3	19.3	18.9	19.2	18.2
	Growth	2.4	3.1	5.9	15.2	3.1
Imports	Share	21.0	20.8	20.4	20.3	22.2
	Growth	-1.5	-3.7	2.4	15.1	15.2

Industrial Production

- Industrial Production witnessed an uptick as it rebounded to a nine-month high of 4.3% in Aug'17 compared to a growth of 0.9% (revised) in Jul'17 and 4.0% in Aug'16, on a y-o-y basis.
- On cumulative basis, IIP grew by 2.2% compared to the growth of 5.9% seen for the corresponding period last year. IIP on a seasonally adjusted basis grew by 4.1% in Aug'17 compared to a contraction of -1.6% in Jul'17.
- The turnaround was primarily due to the expansion in mining activity and electricity sector as they both grew by 9.4% and 8.3% respectively in Aug'17 compared to a contraction of (-)4.3% (mining) and growth of 2.1% (electricity) on a y-o-y basis.
- Manufacturing sector recorded a growth of 3.1% in Aug'17, compared to a growth of 5.5% registered in Aug'16 on a y-o-y basis. The buoyancy in growth was on account of firms restocking their warehouses post GST and ahead of the festive season. The unfavourable base effect also contributed to the strengthening of industrial output.
- Industry wise, ten out of twenty three industry groups in the manufacturing sector showed positive growth in Aug'17 on a y-o-y basis, with Manufacture of computer, electronic and optical products registering the highest growth of 24.9% for the same period. Manufacture of furniture and tobacco products recorded the highest decline of (-) 16.0% and (-) 15.1% respectively for Aug'17 on a y-o-y basis.
- In accordance with the use based classification, Intermediate goods continued to be the worst performing sector as it declined by (-) 0.2% in Aug'17 as against the growth of 4.6% in Aug'16 on a y-o-y basis. Both Primary and Capital goods registered the sharpest improvement at 7.1% and 5.4% respectively in Aug'17 compared to the corresponding period of last year. Consumer durables goods grew moderate pace of 1.6% in Aug'17 compared to a robust growth of 7.3% seen in Aug'16.
- The index of eight core industries, comprising 40.27% of weight in IIP grew by 4.9% in Aug'17 compared to 2.6% in Jul'17 and 3.1% in Aug'16 on a y-o-y basis.
- The overall index improved mainly on the back of positive growth witnessed in Coal and Electricity sector which grew sharply 0.6% and 6.5% in Jul'17 to 15.3% and 10.3% respectively in Aug'17.
- On the other hand, Crude Oil, Fertilizers and Cement continued to perform dismally for second month in a row as they contracted by (-) 1.6%, (-) 0.7% and (-) 1.3% respectively for the same time frame. On a cumulative basis, the infrastructure index increased by 3% in Apr-Aug'18 compared to a growth of 5.4% in the same period last year.
- Other high frequency indicators viz. India's Manufacturing PMI reflected sustained expansion, as the index in Sep'17 remained unchanged from Aug'17 at 51.2, and up from an 8-year low of 47.9 in Jul'17. The turnaround from July's GST-related contraction has been on the back of robust growth of factory orders, new orders, production and employment, supported by stronger domestic demand conditions. However, strengthening of rupee did put some strain on exports. Increased prices for steel and petroleum products reportedly led to increase in input costs in September, and firms raised their output prices to maintain their margins.
- Services PMI for India expanded for the first time in three months as it recovered from GST related contractions witnessed in the last two months. The index rose from 47.5 in Aug'17 to 50.7 in Sep'17, inches away from the no change mark of 50. The improvement was led by growing business orders and the fastest rate of job creation seen since Jun'11 adding to the growing momentum. With expansion registered in the manufacturing sector too, the composite index grew from 49.0 in Aug'17 to 51.1 in Sep'17.

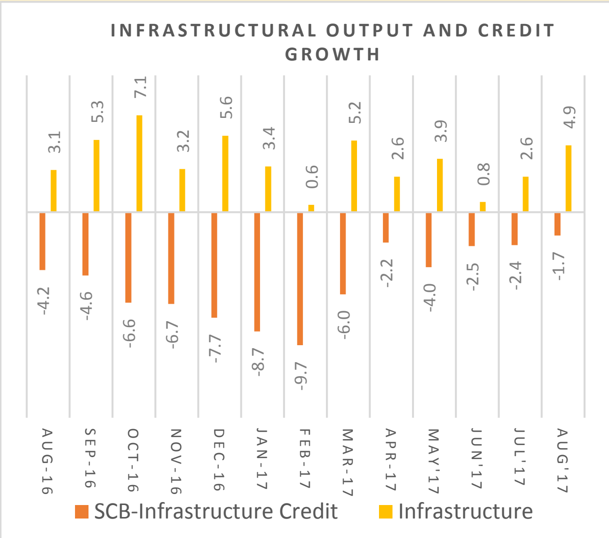


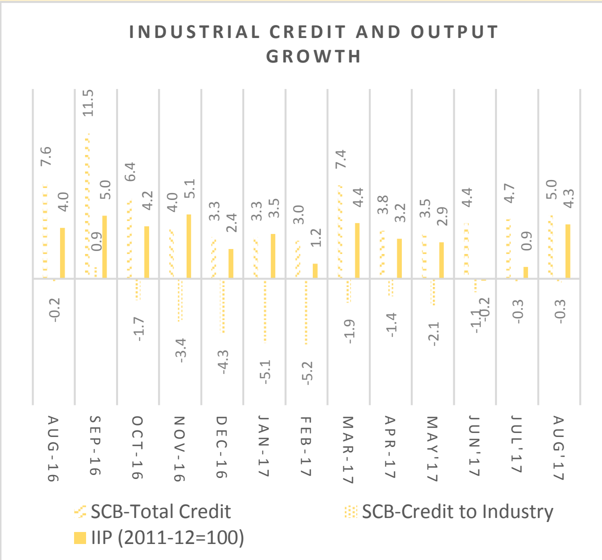
IIP-Sectoral Components

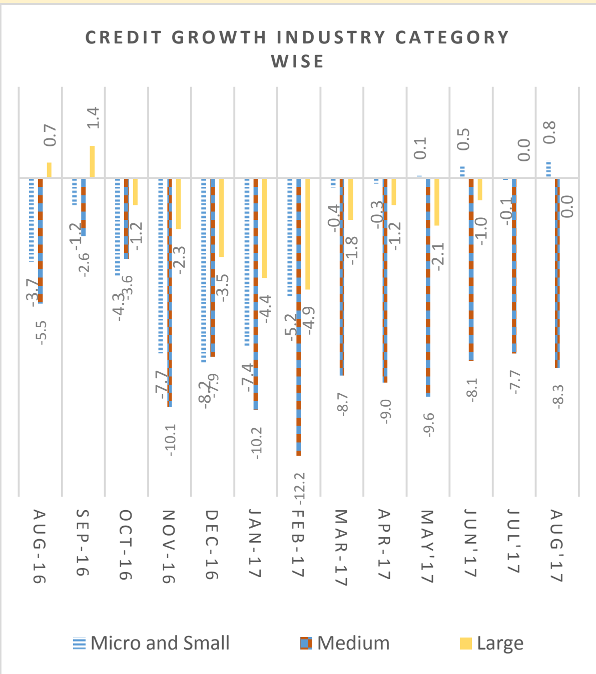
Sectors	Weight	Aug-16	Aug-17	Apr-Aug FY 17	Apr-Aug FY 18	
Mining	14.3	-4.3	9.4	4.0	3.3	Sectoral
Manufacturing	77.6	5.5	3.1	6.1	1.6	
Electricity	7.99	2.1	8.3	6.7	6.2	
Primary	34.05	-1.0	7.1	5.6	3.2	Use Based
Capital	8.22	0.5	5.4	9.5	-1.9	
Intermediate	17.22	4.6	-0.2	3.4	0.4	
Infrastructure /Construction	12.34	6.5	2.5	4.1	2.0	
Consumer Durable	12.84	7.3	1.6	6.2	-0.9	
Consumer Non-Durable	15.33	11.3	6.9	9.6	6.8	
General	**100**	4.0	4.3	5.9	2.2	

Core Sector Growth

Sector	Weight	Aug-17	Aug-16	Apr-Aug FY 18	Apr-Aug FY 17
Coal	10.3	15.3	-9.7	-0.2	2.3
Crude Oil	9.0	-1.6	-3.9	-0.3	-3.1
Natural Gas	6.9	4.2	-5.9	4.8	-3.9
Refinery Products	28.0	2.4	2.5	1.0	7.4
Fertilizers	2.6	-0.7	2.5	-1.1	1.7
Steel	17.9	3.0	16.7	6.0	8.7
Cement	5.4	-1.3	3.1	-3.3	4.3
Electricity	19.9	10.3	2.2	6.5	6.8
Infrastructure Index	40.3	4.9	3.1	3.0	5.4

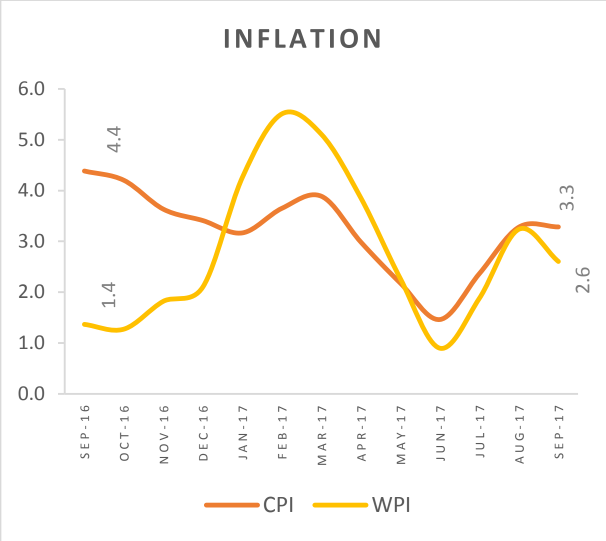


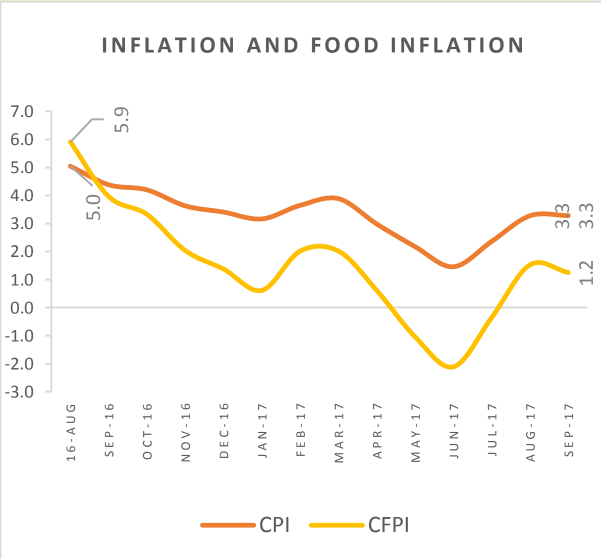


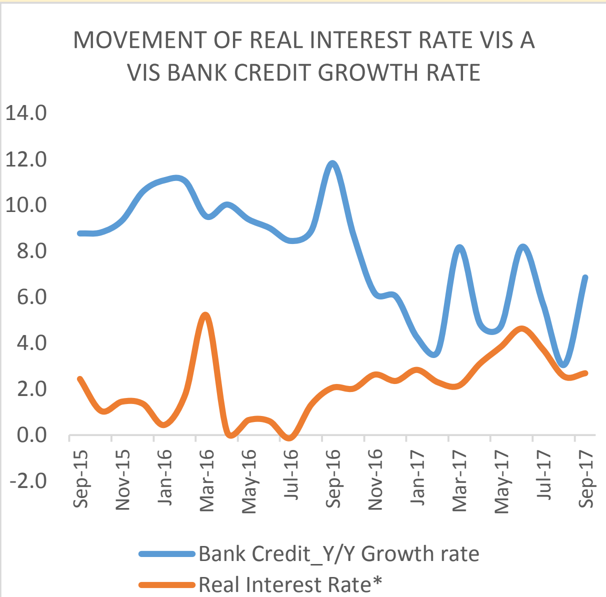


Credit Growth

- Growth in gross bank credit improved in Aug'17 to 5.0% as compared to 4.7% in Jul'17 and 4.4% in Jun'17 on a y-o-y basis.
- Non-food credit growth from the banking system accelerated to 5.5% in Aug'17 from 5.3% in Jul'17 on a y-o-y basis.
- Credit growth in the banking system severely declined to 4.3% during Apr-Aug, FY'18 compared to 7.8% average loan growth during Apr-Aug, FY'17.
- Agricultural credit decelerated to 6.5% in Aug'17 from 6.8% in Jul'17 and 13.6% in Aug'16 on a y-o-y basis.
- Credit to industry continued the trend of negative growth for the eleventh consecutive month and contracted by -0.3%, same as in Jul'17. Among the industry sub-sectors, growth of credit to Micro and small industries (MSE) showed minor improvement as it recorded positive growth of 0.8%in Aug'17 compared to -0.1% in Jul'17. Credit to Medium industry continued to spiral downward by growing at -8.3% in Aug'17 on y-o-y basis. Credit to Large industries, after sliding down for ten months consecutively, remained stagnant in terms of growth in Aug'17 as it failed to register any movement in the past two months.
- Service sector credit growth grew marginally to 5.0% in Aug'17 from 4.9% in Jul'17 even though it was lower than 12.1% in Aug'16. Within Services, the segments which exhibited positive credit growth in Aug'17 on a y-o-y basis include Other Services (13.0%), Professional Services (13.8%), Trade (4.7%), Transport Operators (4.5%) and NBFC (0.3%).
- It may be observed that all other segments under personal loans excluding credit card outstanding, housing and advances against deposits witnessed slowing of growth rates in Aug'17 as against those observed in Jul'17.
- Among the industry groups, Mining & Quarrying, Gems & Jewellery and Infrastructure showed negative credit growth in both Aug'17 and Aug'16 on y-o-y basis.
- Beverage & Tobacco, Leather and Leather Products, Petroleum, Coal Products & Nuclear Fuels, Chemical & Chemical Products, Rubber, Plastic and their Products, Cement & Cement Products, Vehicles & Transport Equipment, Gems & Jewellery, Construction and Other Industries were segments which registered positive growth in Aug'17 on y-o-y basis. Of these, Leather and Leather Products and Gems & Jewellery had witnessed negative growth in terms of credit in Jul'17.
- Credit to infrastructure sectors continues to experience deteriorating growth since Apr'16 and it registered growth of -1.7% in Aug'17 as compared to -2.4% in Jul'17.
- Credit growth which has remained below 5% since the demonetization period i.e. Nov'16 has not been able to bounce back, thus reflecting poor credit appetite by industry in addition to the issue of stressed assets management which continues to plague the banking sector.
- It should be noted that although credit appetite has remained poor it has shown signs of a pickup lately. Once the various structural reforms are successful in improving health of the balance sheet, a sharp revival may be underway.







*Real Interest Rate have been computed taking into account weighted average call money rate as the benchmark rate.

Inflation

- Though retail inflation remained steady, wholesale inflation moderated in Sep'17.
- CPI inflation at 3.3% in Sep'17 was at the same level as Aug'17. It was expected to move higher. The flat m-o-m reading can be explained by sharp drop in prices of vegetables. As a result, the upward pressure on food inflation seen in the last few months eased.
- With gradual implementation of HRA component of 7th Pay Commission and pass-through of higher international energy prices, core inflation increased to 4.6% in Sep'17 from 4.5% in Aug'17. Core inflation is expected to move even higher in the next few months as HRA component is fully reflected in the Housing index. The upward pressure on core inflation is mitigated by decline seen in education, health and personal, care & effects categories that make up the core index. Easing of inflation in some of the above categories bodes well for ensuring that CPI inflation remains close to RBI's stated trajectory of 4%.
- WPI inflation moderated to 2.6% in Sep'17 compared to 3.2% in Aug'17 due to easing off inflationary pressure in primary articles especially food articles. On a sequential basis, WPI noted deflation rate of 0.4% in Sep'17 compared to an inflation rate of 0.8% in Aug'17 due to sharp fall in vegetable prices which contracted by (-)23.7% in Sep'17 compared to an inflation rate of 8.6% in Aug'17. Despite an increase in international crude oil price, fuel inflation eased considerably in Sep'17. The pass through of higher international crude oil price was not complete as fuel inflation eased considerably in Sep'17 driven by favorable base.
- Among major food articles, pulses and potato continued their deflationary trend. Inflation rate of Onion and tomato which was previously exerting upside risk to wholesale inflation also sighed considerably. However, inflation rate of protein based items of consumption viz. eggs, meat and fish increased to 5.5% in Sep'17 compared to 3.9% in Aug'17. The growth rate of WPI Food Index almost halved to 2% in Sep'17 compared to 4.4% in Aug'17.
- On the other hand, input cost pressure persisted. Inflation rate of manufactured products grew marginally by 2.7% in Sep'17 compared to 2.5% in Aug'17. Increasing inflationary trend of Basic metals continued to pose upside risk. Core WPI i.e. manufacturing excluding food hardened to 2.8% in Sep'17 compared to 2.5% in Aug'17.
- The buildup inflation rate of CPI and WPI was 3.3% and 1% respectively in Sep'17 compared to 3.4% and 1.4% in Aug'17.
- Sector wise, agriculture inflation eased to 1.2% in Sep'17 compared to 1.5% in Aug'17 on a y-o-y basis. While inflation in the industrial sector increased to 2.7% in Sep'17 compared to 2.5% in Aug'17. The impact of GST continued to make services inflation sticky at 3.8% in Sep'17.
- CPI on a seasonally adjusted basis (SA) contracted by -0.03% in Sep'17 compared to a growth rate of 0.6% in Aug'17 and -0.04% in Sep'16. WPI SA basis noted deflation rate of 0.5% in Sep'17 compared to 0.8% in Aug'17.

Food Inflation

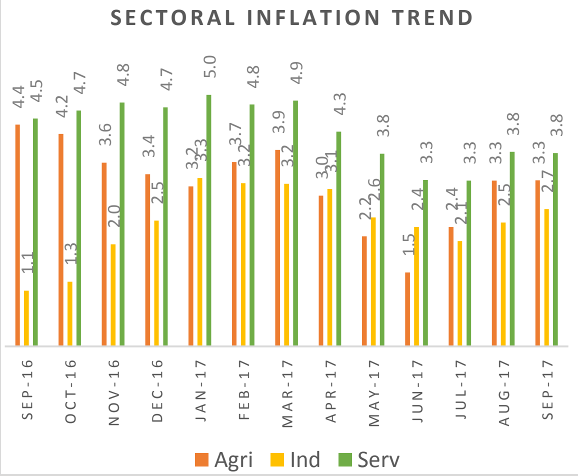
- Food inflation at the retail level edged down slightly and grew by 1.2% in Sep'17 compared to 1.5% in Aug'17 on a y-o-y basis. On a m-o-m basis, consumer food price index plunged into the deflationary zone and fell by -1.4% in Sep'17 compared to 0.9% in Aug'17. WPI Food Index grew at a subdued rate of 2% in Sep'17 compared to 4.4% in Aug'17.
- The movement of inflation rate in the CPI and WPI basket were more or less similar. Among the major food items in CPI basket, pulses, spices and eggs noted deflation in Sep'17. Other protein based items of consumption viz. meat, fish, milk and milk products continued to pose upside risk to inflation. Inflation rate of Cereals and products component in the retail basket eased considerably to 3.7% in Sep'17 compared to 3.9% in Aug'17 on a y-o-y basis. Higher festive demand continued to pose upside risk to inflation in clothing and footwear items.
- In the WPI food basket, cereals and pulses noted deflation in Sep'17. The deflationary trend of vegetables such as potato continued for the 10th straight month in a row.
- CFPI SA contracted by -1% in Sep'17 compared to a growth of 0.6% in Jul'17 and -0.7% in Aug'17. WPI Food on a seasonally adjusted basis noted deflation rate of 1.8% in Sep'17 compared to 0.7%. Vegetable index on a seasonally adjusted basis noted deflation of 19.2% in Sep'17 compared to an inflation rate of 2.4% in Aug'17.

Drivers of Food Inflation

- The current inflation reading showed some respite due to easing food inflation which was rebalanced by falling vegetable prices driven by seasonality factor. However, few upside risks still persist with regard to dissipation of a favorable base, oil price risk emanating from adverse demand supply dynamics, high rural and non-rural wage and impact of GST on services inflation. The enhanced house rent allowance disbursed to Central government employees is also expected to push housing inflation upward. The erratic south west monsoon may further escalate food price index in the near term.

Monsoon-South West

- As per the latest release of IMD, rainfall over the country as a whole during the monsoon season (Jun-Sep'17) was 95% of its long period average (LPA). Seasonal rainfall over Northwest India, Central India, south Peninsula and Northeast (NE) India were at 90%, 94%, 100% and 96% of respective LPAs.
- The spatial distribution of rainfall revealed that while 65% of the total area of the country received normal seasonal rainfall, 18% and 17% received excess rainfall and deficient seasonal rainfall respectively.
- The report highlighted that monthly rainfall over the country realized as a whole was 104% of LPA in Jun'17, 102% of LPA in Jul'17, 87% of LPA in Aug'17, and 88% of LPA in Sep'17.
- IMD had earlier upgraded its monsoon forecasts to 98% of LPA with a model error of ±4%. Though the forecast for seasonal for the seasonal rainfall over country remained within the range predicted earlier, the forecasts for the rainfall during the second half of the monsoon season and Aug'17 rainfall were overestimated to the observed rainfall.
- The weekly monsoon report revealed that for the week Oct 05-11, 2017 rainfall was 17% above normal. Apart From Northwest India, all other regions received above normal rainfall. However, on a cumulative basis, rainfall has been 5% above LPA. Here also apart from Northwest India, all other regions received above normal monsoon.

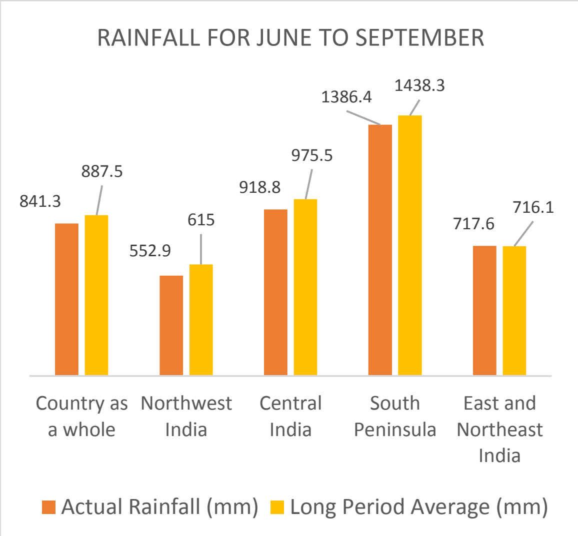


Food Inflation-Converging Trends From WPI and CPI

(y-o-y)

	Food	Pulses	Cereals	Veg	Fruits	Egg	Sugar
CPI							
Weight	39.1	2.4	9.7	6.0	2.9	0.4	1.4
16-Sep	4.0	14.3	4.3	-7.1	6.0	9.9	25.9
16-Oct	3.3	4.1	4.4	-5.7	4.4	9.5	23.6
16-Nov	2.0	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	2.0	-9.1	5.3	-8.3	8.3	0.5	18.7
17-Mar	2.0	-12.4	5.4	-7.2	9.6	3.2	16.9
17-Apr	0.6	-15.9	5.1	-8.6	3.8	3.4	11.4
17-May	-1.0	-19.5	4.8	-13.4	1.4	0.7	9.8
17-Jun	-2.1	-21.9	4.4	-16.5	2.0	-0.2	8.8
17-Jul	-0.4	-24.7	4.0	-3.6	2.9	-2.0	8.3
17-Aug	1.5	-24.4	3.9	6.0	5.4	-1.7	7.4
17-Sep	1.2	-22.5	3.7	3.9	5.1	-0.2	6.8
WPI							
Weight	24.4	0.6	2.8	1.9	1.6	0.2	1.1
16-Sep	6.3	19.2	9.4	-9.9	12.8	9.2	34.8
16-Oct	5.3	18.2	8.3	-11.8	6.4	7.5	33.5
16-Nov	5.3	19.0	9.9	-17.3	5.5	4.5	33.0
16-Dec	3.6	14.8	9.9	-26.9	0.6	1.4	27.5
17-Jan	3.8	4.2	8.5	-23.5	1.9	-5.4	25.5
17-Feb	5.2	-2.8	9.1	-8.0	3.6	1.1	24.4
17-Mar	5.0	-7.8	7.6	-0.5	6.0	6.5	21.8
17-Apr	2.4	-13.6	6.9	-8.0	0.0	6.7	12.9
17-May	0.1	-19.7	4.1	-18.4	-0.7	-1.7	12.4
17-Jun	-1.0	-25.6	1.9	-21.2	0.0	-2.2	10.9
17-Jul	2.2	-31.4	0.6	22.0	2.7	-4.7	8.9
17-Aug	4.4	-30.2	0.2	44.9	7.4	-0.8	8.5
17-Sep	2.0	-24.3	-0.1	15.5	2.9	0.2	7.4

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 of 91 major reservoirs across the country was 70% of their combined capacity as on Oct 05, 2017. The live storage in these reservoirs was 93 % of their live storage in the corresponding period of last year and 94 % of storage of average of last 10 years.
- The overall storage position for the week ending Oct 18, 2017, reflected that water storage remained below the corresponding period of last year and average storage of last ten years during the corresponding period.
- The numbers of reservoirs having storage more than last year is 37 whereas only 15 reservoirs are having storage more than average storage of last ten years.
- States having better storage than last year for corresponding period are Himachal Pradesh, Punjab, West Bengal, Tripura, Uttarakhand, AP&TG (Two combined projects in both states), Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.

Progress in Cultivation

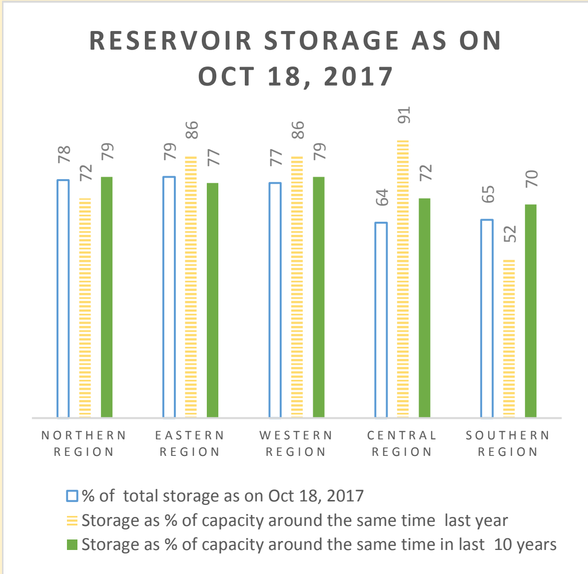
- As per the data released by Ministry of Agriculture, total area sown as on Sep 08, 2017, under kharif crops stood at 1041.17 lakh hectare compared to 1049.87 lakh hectare in the corresponding period of previous year.
- Apart from sugarcane (which noted an increase of 4.24 lakh hectare increase in sown area in FY'18), area sown of all other crops declined in FY'18. The major decrease was observed in area sown of cotton, oilseeds and pulses, which declined by 19.26, 17.96 and 5.67 lakh hectares respectively in FY'18 compared to the corresponding period of previous year.

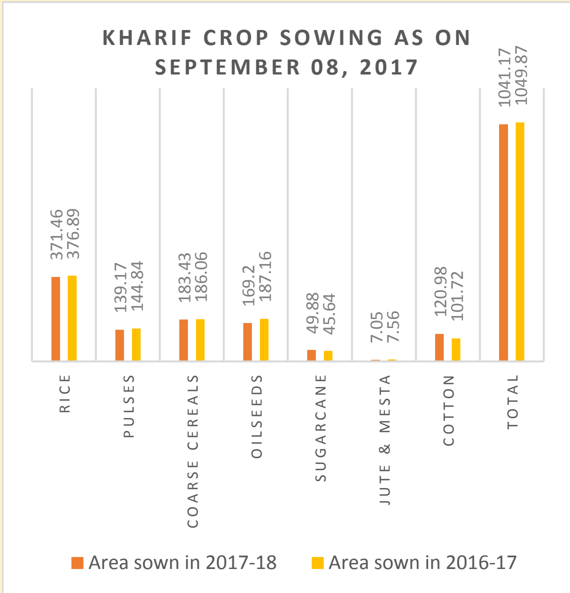
Initiatives for strengthening supply management framework

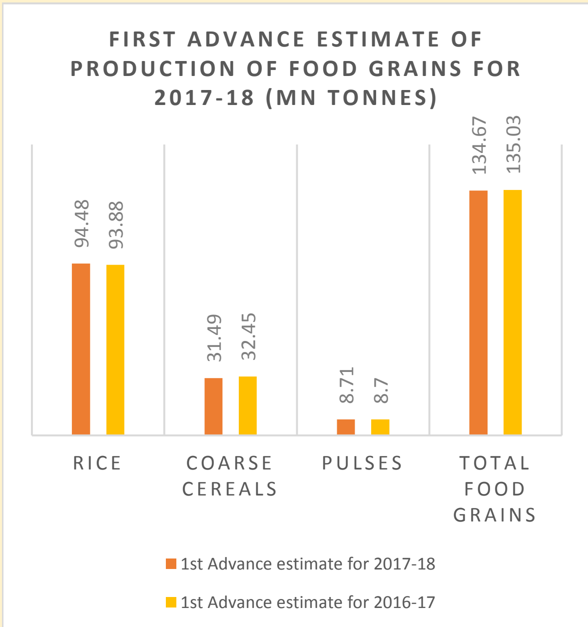
- Several initiatives have been taken by the government to build a robust supply framework that involves increase in production, reducing cultivation cost and post-harvest losses, creating value addition, bringing in reforms with regard to agriculture marketing and reducing the possible risk and enhancing security and assistance. In order to fulfill these, a variety of schemes have been in place such as Pradhan Mantri Krishi Sinchai Yojana, Soil Health Card Scheme, Pradhan Mantri Kisan Sampada Yojana, Pradhan Mantri Fasal Bima Yojana and e-NAM.
- For encouraging farmers to diversify in allied sectors, various schemes such as Integrated Development of Horticulture (MIDH), Integrated Farming System (IFS), Rashtriya Gokul Mission, Integrated Development and Management of Fisheries are in place. These initiatives would strengthen the supply framework and help in achieving the goal of income security of farmers in the future.
- Lately, ministry of agriculture has reviewed the progress of Project CHAMAN. This project uses remote sensing technique for strategic development of horticulture sector. In a way it helps in identifying selected crops in the high suitable areas which might contribute towards increasing farmers' income.

First Advance Estimate of major Kharif crops for 2017-18

- As per the data released by Ministry of Agriculture, total production of Kharif foodgrains in FY'18 is estimated at 134.67 million tonnes which is 3.86 million tonnes lower compared to last year's record production of 138.52 million tonnes. Cumulative rainfall in the country during the monsoon season i.e. Jun 01-Sept 06, 2017 has been 5% lower than Long Period Average (LPA). This might have impacted Kharif production.
- Though production of most of the Kharif crops have remained lower compared to previous year, yet the first estimate of FY'18 revealed that it remained the average production during the last five years.







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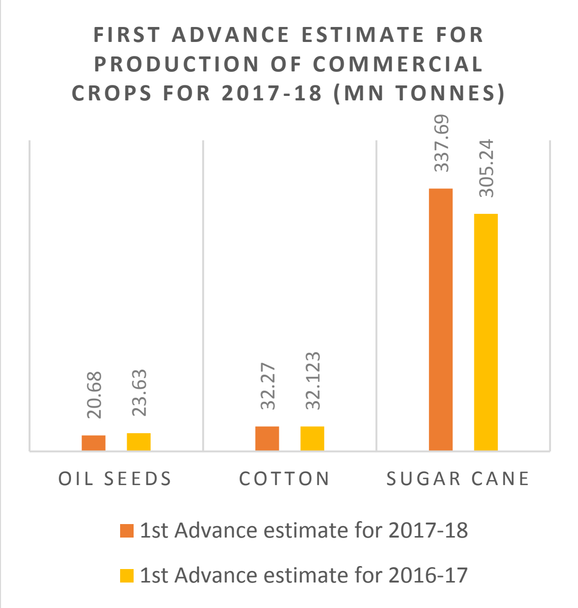
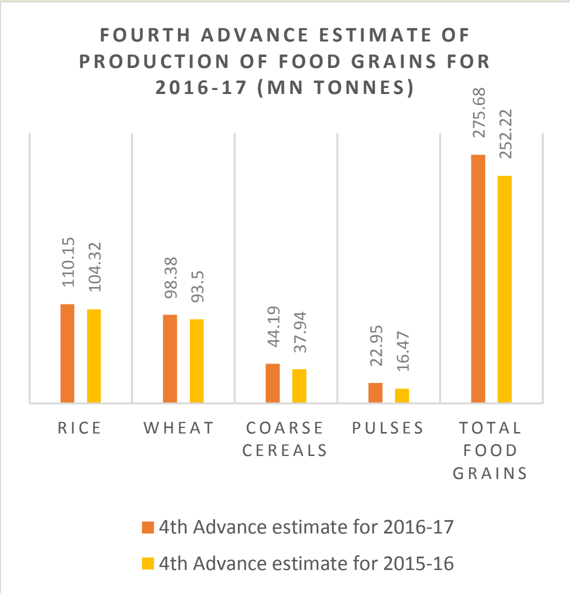
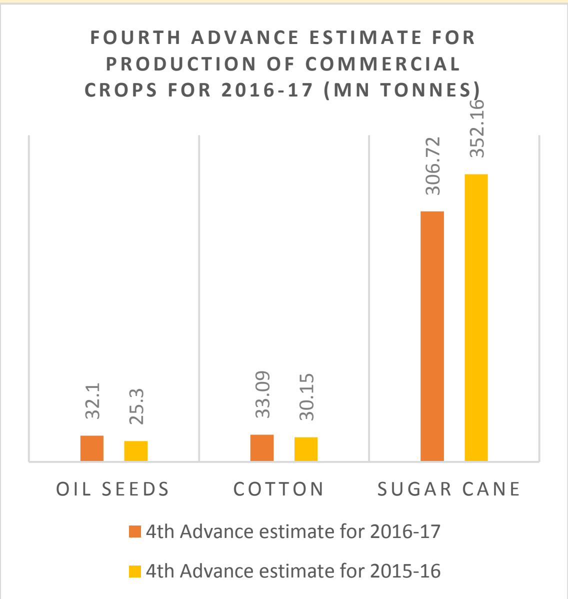






First Advance Estimate of major Kharif crops for 2017-18

- Production of rice is estimated at 94.48 million tonnes which 1.91 million tonnes lower compared to last year's record production of 96.39 million tonnes. However, it is higher by 2.59 million tonnes over the average production of Kharif rice during the last five years.
- Production of coarse cereals has decreased to 31.49 million tonnes as compared to 32.71 million tonnes during FY'17. Production of Maize is expected to be 18.73 million tonnes which is marginally lower by 0.52 million tonnes than that of last year's record production. However, this is higher by 2.15 million tonnes than the average production of maize during the last five years.
- Production of pulses is estimated at 8.71 million tonnes which is lower by 0.72 million tonnes than that of last year's record production of 9.42 million tonnes. However, kharif pulses estimated production is 2.86 million tonnes more than the last five years average production.
- Production of oilseeds is estimated at 20.68 million tonnes as compared to 22.40 million tonnes during FY'17, i.e., a decrease of 1.72 million tonnes. However, it is higher by 0.69 million tonnes than the average production of last five years.
- Production of sugarcane is estimated at 337.69 million tonnes which is higher by 30.97 million tonnes than the last year's production of 306.72 million tonnes.
- Despite higher area coverage, lower productivity of cotton has resulted in reduced estimated production of 32.27 million bales as compared to 33.09 million bales during 2016-17. Production of Jute & Mesta estimated at 10.33 million bales is marginally lower than its production of 10.60 million bales during the last year.

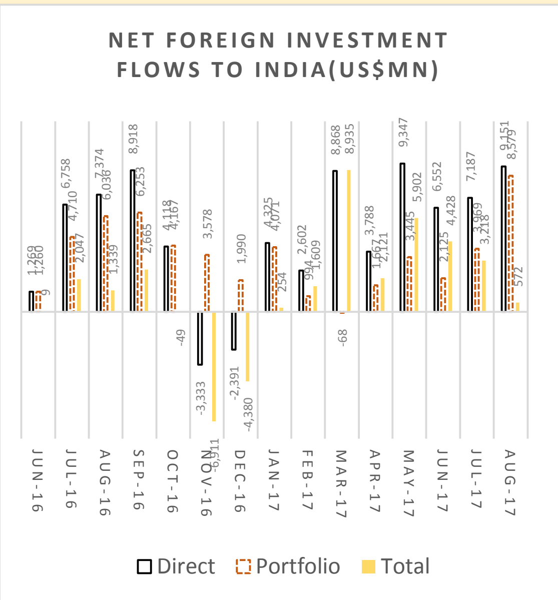
RBI's assessment of inflation and rate outlook

- RBI has revised upward its inflation projections for H2 FY'18. It projects inflation to range between 4.2%-4.6% in H2 of FY'18 from its earlier estimate of 4.0%-4.5%.
- Even though RBI's assessment of food prices going forward is largely favourable, several factors could affect it. First advance estimates of kharif production suggest lower foodgrains production in FY'18 which could lead to higher food prices. Further, price revisions on account of GST implementation, rise in core CPI and increase in international crude prices could also impact the long term inflation trajectory.
- Apart from this, RBI has also cautioned against the uncertainty impacting its baseline projections. These include, possible fiscal slippages owing to farm loan waiver implementation by states, and timing of implementation of salary and HRA by states. RBI has cautioned that if salary revisions by states are in line with that of the Centre, then projected headline inflation could cross over additional 100bps in the next 1.5-2 years.
- RBI in its Monetary Policy Report has highlighted that inflation is expected to pick up in the coming months on account of reversal of favourable base. However, the data prints of Sep'17 have provided initial round of comfort as WPI eased moderately and CPI remained steady on account of sharp decline in vegetable prices primarily due to seasonality factor.
- The result of RBI's Households' Inflation Expectations Survey however revealed that the proportion of respondents expecting general prices to increase in the next three months went up further in Sept'17 round of survey.
- Thus in view of all these factors, status quo on rates seems likely unless the underlying structural reforms materializes into effective pick of growth rate of the economy.

FII and Exchange Rate

Month	FII-Equity	FII-Debt	FII	Re-Dollar Exchange Rate
Aug-16	9071	-2625	6446	66.94
Sep-16	10,443	9,789	20,233	66.74
Oct-16	-4306	-6000	-10306	66.75
Nov-16	-18,244	-21,152	-39,396	67.63
Dec-16	-8176	-18935	-27111	67.90
Jan-17	-1,177	-2,319	-3,496	68.08
Feb-17	9902	5960	15862	67.08
Mar-17	30,906	25,355	56,261	65.88
Apr-17	2,394	20,364	22,758	64.51
May-17	7,711	19,155	26,866	64.42
Jun-17	3,617	25,685	29,302	64.44
Jul-17	5,161	18,867	24,028	64.46
Aug-17	-12770	15,477	2,677	63.97
Sep-17	-4,443	4,575	132	64.44
Oct-17*	-524	1860	1336	65.16

* upto 18th Oct'17
Note: FII figures are in Rs. Crores
Monthly Average exchange rates between Indian Rs. and $



External Sector

- India's trade competitiveness improved sequentially in Sep'17 both in terms of trade based and export based REER. It may be noted that since Apr'17, trade based REER has fallen continuously reflecting improved competitiveness while the pattern of movement of export based REER has been different.
- India's exports noted a whooping growth rate of 25.7% in Sep'17 compared to 10.3% in Aug'17 on a y-o-y basis. Whereas on a sequential basis, exports increased by 20.1% in Jun'17 compared to 5.7% in May'17.
- All top ten commodity groups of exports viz. Engineering Goods, Gems and Jewellery, Petroleum Products, Organic & Inorganic Chemicals, RMG of all Textiles, Drugs & Pharmaceuticals, Cotton Yarn/Fabs./made-ups, Handloom Products etc, Marine Products, Rice and Electronic Goods have exhibited positive growth rate on a y-o-y basis.
- Import growth however slowed down to 18.1% in Sep'17 compared to 21% in Aug'17 on a y-o-y basis. While on a sequential basis, imports grew by 6% in Sep'17 compared to 4.3% in Aug'17.
- Oil imports grew by 18.5% in Sep'17 compared to 14.2% in Aug'17 on a y-o-y basis. Non-oil imports grew by 18% in Sep'17 compared to 23.1% in Aug'17 on a y-o-y basis.
- Trade deficit narrowed down considerably to USD 9 bn in Sep '17 compared to USD 11.6 billion in Aug'17 as growth of exports far outweighed the growth of imports. The forex cover to merchandise imports broadly remained unchanged at 11 months in Sep'17.
- As per the data released by RBI, services exports slowed down slightly and grew by 2.39% in Aug'17 compared to 3.15% in Jul'17. Services imports however increased at a faster pace of 7.5% in Aug'17 compared to a decline of 1% in Jul'17 on a y-o-y basis. Trade surplus in services narrowed to USD 5.0 billion in Aug 17, 2017 compared USD 5.8 bn in Jul'17.

Exchange Rate Outlook

- Indian currency remained in the range of 63.8664-65.7604/USD in Sep'17. Persistent buying by domestic institutional investors have supported domestic currency. However, FPIs remained a net seller through the equity route in Sep'17.
- A lot of factors impacted the exchange rate movement. The minutes of US Federal Reserve Sep'17 policy meeting showed that US macro fundamentals have essentially remained strong. On federal fund rates, many participants felt that if the medium term outlook remained unchanged, another increase in the target range later this year might be warranted. The balance sheet normalization process is also likely to begin in Oct'17. Though India is quiet insulated on external front, yet a possible capital outflow cannot be invaded.
- The Monetary Policy Report of RBI has also highlighted these underlying risks which might pose strain on India's external position. Apart from this concerns of tapering of global liquidity might also impact exchange rate movement in the near term. Apart from this, oil price risk also remains an additional concern. The OPEC Reference Basket rose to $53.44/b in September, its highest value since July 2015 on account of prevailing geopolitical and rebalancing in the oil market.
- The various instruments deployed by RBI post demonetization to mop up excess liquidity of the system had a bearing on the exchange rate appreciation seen in recent times. The various reform initiatives that have encouraged Forex inflows have also supported the rupee to chart higher levels. Going forward, RBI will have to strike a balance between the need to control domestic liquidity and export competitiveness.

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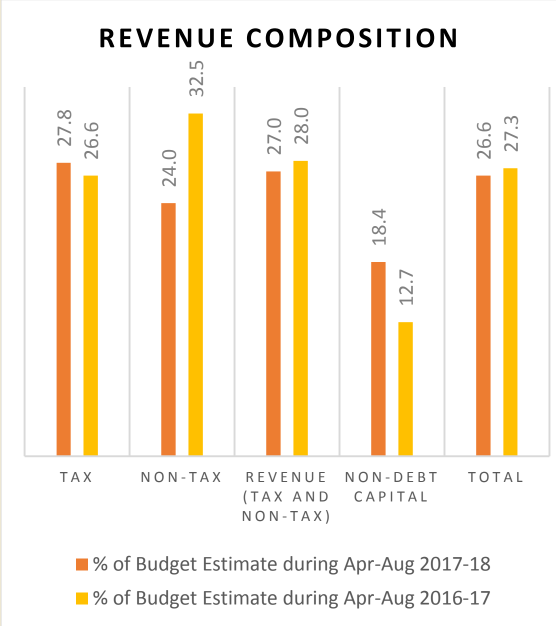
Fiscal Sector

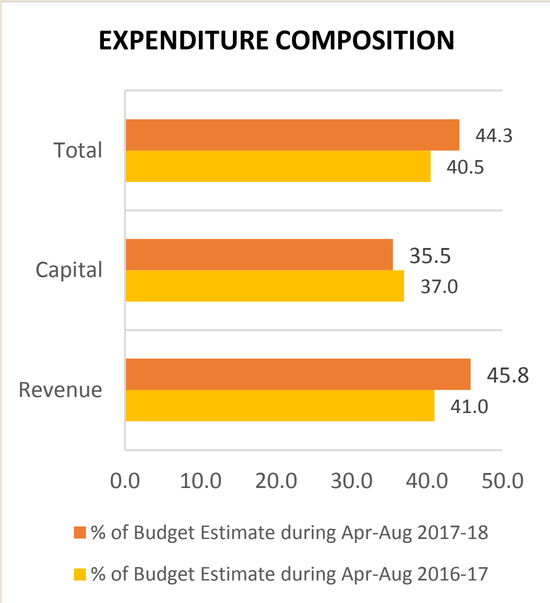
GST Rollout

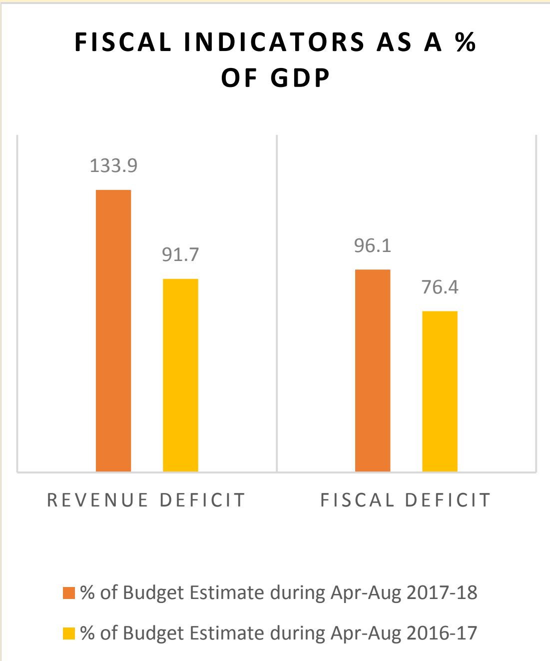
- The GST Council in its meeting held on Oct 06, 2017, made sweeping changes in its procedures and revised tax rates of over 27 items to ease tax and compliance burden on assesses. These include stationery items as well as diesel parts and engine on which applicable tax has been reduced from 28% to 18%, from 18% to 12% on man-made yarn, for zari work the tax rate has been revised from 12% to 5%, apart. On services front, the Council has revised the rates on job works across different activities from 12% to 5%.
- Threshold limit for composition scheme has been widened from Rs.75 lakh to Rs.1 cr. Further, businesses with turnover of upto Rs.1.5cr can now file returns quarterly instead of monthly. The Council has deferred the reverse charge mechanism till Mar’18. This is turn will reduce the burden on large firm and act as a relief for the SMEs for the time being.
- In much relief to exporters the council has decided to refund cheques for the month of July and Aug by Oct 10 & 18 respectively and in future, these refunds will be transferred through E-wallet, which will be in place after six months. The clearing of refunds will address the issues of cash crunch which the exporters had been witnessing for a long time. With the E-wallet facility the exporters will receive an amount which will act as advance refund and this credit can be used to pay IGST and GST to offset the refunds.
- It has also removed interstate GST till Mar’18 and has initiated 0.1% rate on merchant exporters, a relief from the full GST rates applicable earlier on their procurements.
- The E-way bill is also expected to be rolled out by Apr 1, 2018 as this allow the stakeholders to adapt well to the GST regime.
- The Council while extending the timeline for filing GSTR-4 by taxpayers under composition scheme by mid of Nov’18 stated that no further extension will be granted to the assess with regards to filing of their GSTR-1 returns for the month of July which stays at Oct 10, 2017, as it had already provided two months of extensions to the taxpayers previously.
- In order to reduce the cascading of taxes occurring due to non-inclusion of diesel, petrol, ATF, natural gas and crude oil in the GST framework and to further incentivise investments in Exploration and Production (E&P) sector, the Council came up with following recommendations: 1) Transportation of natural gas through pipeline without input tax credit will attract a tax of 5% and 12% with full ITC. 2) Offshore work contract services related to oil & gas exploration in offshores areas beyond 12 nautical miles will attract a tax of 12%. 3) Import of rigs and ancillary goods imported under lease will be exempted from IGST once payment on such services has been made.

Tax Collection

- Non tax revenue collection was Rs.0.69 lakh crore or 24% of Budget Estimates (BE) upto Aug’17 compared to Rs.1.05 lakh crore or 32.5% of BE during corresponding period of previous year.
- The government has set a fiscal deficit target of Rs.5.47 lakh crore for 2017-18 of which it has already exhausted Rs.5.25 lakh crore (96.1% of BE) by August, FY’18.
- Net tax receipts for Apr-Aug’18 was Rs.3.41 lakh crore or 27.8% of the estimates.
- Total receipts (from revenue and non-debt capital) of the government up to the fifth month (Aug’17) came in at Rs.4.25 lakh crore, or 26.6% of the estimates for FY’18.
- Total expenditure of the government upto Aug’ FY’18 was nearly Rs.9.50 lakh crore, or 44.3% of the entire year estimate.
- While the revenue deficit for the month of Apr-Aug FY’18 reached Rs.4.31 lakh crore, or 133.9%, of the estimates, the fiscal deficit for the same period reached Rs.5.25 lakh crore, or 96.1% of the Budget estimate.







Financial and Commodities Markets

Stock Market

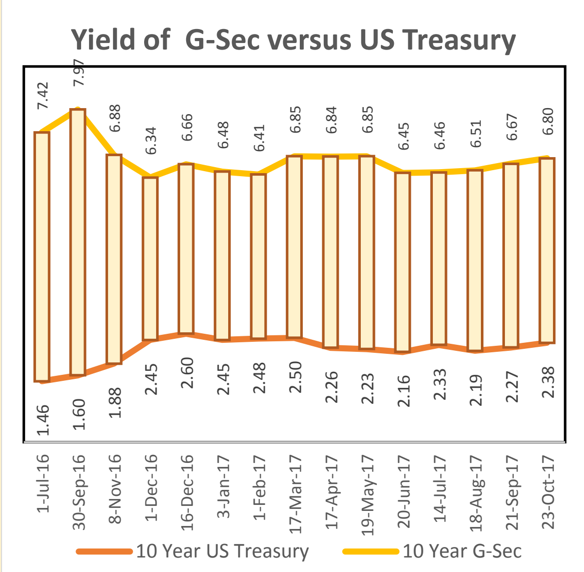
- Between Sep 19, 2017 and Oct 18, 2017, the BSE Sensex increased from 32402.37 to 32584.35, recording a gain of 0.56%. The small-cap marginally improved from 16893.67 to 17063.39, mid-cap from 16110.83 to 16115.98 recording a gain of 1% and 0.03%, respectively during the same period. This time the festive season failed to bring a cheer for investors. Samvat 2074 saw one of its worst Muhurat trading session in over a decade. The Sensex gained 4,642.84 points, or 16.61% in the Hindu Samvat year 2073, while the broader NSE Nifty surged 1,572.85 points, or 18.20%. Among the sectoral indices of BSE, metal, oil and gas, IT, FMCG and Teck showed positive signs as it grew by 4.7%, 3.8%, 2.4%, 3.2% and 3.2%, respectively. The BSE Bankex, Power and Realty fell by 3.8%, 1.8 and 2.3%, respectively.
- Ultratech Cement profit fell 28%to Rs 431 crore in Q2'17 from Rs 601 crore in Q2'16. NIIT Technology profit rises 14% to Rs 67.2 crore in Q2'17 from Rs 58.9 crore in Q2'16. Bajaj Finance profit rises 37% to Rs 557 crore in Q2'17. HT media profit doubled to Rs 66.2 crore in Q2'17 from Rs 30.9 crore in Q2'16.
- During the period under review, the market saw more than 9 IPO from large and small companies like General Insurance Corporation of India, SBI Life Insurance, Pratap Snacks limited, India energy exchange and Godrej agrovet limited.
- The committee on corporate governance formed under the chairmanship of Mr. Uday Kotak proposed a host of recommendations in various domains for enhancing standards of corporate governance of listed entities in India: Disclosures and transparency, Accounting and audit-related issues, Leniency mechanism, Composition and role of directors, Composition of nomination and remuneration committee, Membership and chairpersonship limits, obligation on the board of listed entity with respect to subsidiaries, Re-classification of promoters/Classification of entities as professionally managed, Approval of related party transactions, Royalty and brand payments to related parties, Remuneration of non-executive directors and Materiality policies.
- The DIIs continued to be the net buyer of equities since the beginning of the current financial year so far, while the FIIs are net sellers (baring the month of July). In Sep'17, the FIIs off-load of equities worth Rs 23969.97 crore was partially compensated by the DII purchase of Rs 21025.53 crore. Till October 18, 2017, again the FII had a net sell position of Rs 8242.58 crore while the DII had a net buy position of Rs. 9036.09 crore. This implies that BSE Sensex is primarily driven by DIIs.

Financial and Commodities Markets

Bond

- The G-securities yield increased from 6.59% on Sep 19, 2017 to 6.76% on Oct 18, 2017 as the higher than expected inflation and surging geo-political risks kept the market sentiments cautious.
- Between Sep 19, 2017 and Oct 18, 2017, the RBI conducted OMO sales for Rs 20,000 crores to absorb excess liquidity from the banking system. First on Sep 28, 2017 wherein RBI mopped up Rs 10,000 crore through auction of five securities. Then, on Oct 12, 2017 RBI conducted OMO sales for
- 10,000 crore by auctioning five securities with maturity ranging from 3 years to 17 years. During the period under review, Government securities were auctioned for notified amount of Rs 45,000 crore which were fully subscribed. The state development loans were auctioned on Sep 12, 2017 for an aggregate notified amount of Rs 22725 crore out of which Rs 22034.65 crore was accepted.

Financial and Commodities Markets



Gold

- Ministry of Commerce on October 18, 2017 imposed restrictions on import of gold by export house. Through this order the government has sought to put an end to the misuse of free trade agreements (FTAs) and Comprehensive Economic Partnership Agreements (CEPA) by bullion dealers after the implementation of GST. The imports would now be through nominated agencies such as banks and refiners, making the market more transparent, and ensuring that the government does not lose out on revenue. Also, the import of gold by four-star and five-star houses with existing nominated agency certificate would be subjected to actual user condition and are permitted to import gold as input only for the purpose of manufacture and export by themselves during the remaining validity period of the nominated agency certificate.
- The demand for gold which was lackluster since demonetization has seen revival during Diwali season. On October 6, 2017, the government rolled back August 23 notification that notified dealers in precious metals, precious stones and other high value goods as persons carrying on designated business and professions under the PMLA, 2002. Hence, mandating PAN and Aadhaar cards for purchases above Rs. 50,000 was revoked resulting in upbeat market sentiments. Besides, this regulation, the upcoming marriage season and pent up demand saw strong buying trends.
- In its endeavor to encourage digital transactions while purchasing Sovereign Gold Bond (SGB) that opened on October 16, the Government offered a discount of Rs. 50 per gram less than the nominal value to those investors applying online and the payment against the application is made through digital mode.

Please refer page No. 24 for disclaimer.

Drivers of International Crude Oil Prices

Oil market Report International Energy Agency Sep 13, 2017:

- Global oil demand grew by 1.2 million barrels day mb/d in Q3'17 as compared to 2.2 mb/d in Q2'17. The slowdown in demand could be attributed to the adverse impact of hurricanes Harvey and Irma in Sep'17. The projected global demand for oil remains unchanged at 1.6 mb/d in 2017 and 1.4 mb/d in 2018.
- Global oil supply marginally grew by 90 thousand barrels day kb/d to to 97.5 mb/d in Sep'17 as the non-OPEC supply grew by 0.7 mb/d in 2017 and is forecasted to grow by 1.5 mb/d in 2018. The global output stands 620 kb/d higher than the last year.
- The benchmark crude price rose by $2-4/bbl in Sep'17 as compared to $1-3/bbl increase in Aug'17. This marked the third straight monthly increase in crude prices. Middle distillate prices increased almost twice as fast as crude, reflecting lower refinery throughputs and higher demand.
- OPEC output marginally fell from 32.67 mb/d in Aug'17 to 32.65 mb/d in Sep'17, lower than 400 kb/d in Sep'16. Higher output from Libya and Iraq offset the lower supply from Venezuela.
- OECD commercial stocks fell 14.2 mb in Aug'17 from an upwardly revised July. The surplus over the five-year average fell to 170 mb. Global stocks are likely to have drawn in Q3'17 as reductions in floating storage and the OECD outweighed net builds in China.
- As per the data released by Energy Information Administration (US) EIA, there were significant disruptions in the U.S energy market (Hurricane Harvey and Irma) leading to fall in crude production from 37831 thousand barrels per day in Aug'17 to 37383 thousand barrels per day in Sep'17.

Implication of Oil price hike on India

- Witnessing fourth straight month rise in the prices of crude, the price of Indian basket of crude increased by almost 23% from $44.48 per barrel in Sep'16 to $54.52 per barrel in Sep'17. It is 8% increase from the prices in Aug'17 at $50.63. This is in sync with the future global demand projections after the positive GDP forecast from US, Europe, Russia and other region. According to OPEC Monthly oil market report, World economy, OECD, EU and Russia have revised up their respective GDP growth projections implying higher economic activities and the need for energy.
- With the view to provide some relief to the consumer, the Central government reduced the excise duty on Petrol and Diesel by Rs 2 per Litre. The decision was further complemented by many state governments including Gujarat, Punjab, Maharashtra, Chandigarh (UT) and Uttarakhand as they decided to slash VAT and other cess rates charged on petroleum products.
- As per the Petroleum Planning and Analysis Cell (PPAC), the overall consumption of petroleum products increased (2.3%) to 15888 thousand metric tonnes in Aug'17 as compared to 16256 thousand metric tonnes in Sep'17. The LPG consumption grew by 4% in Sep'17 y-o-y basis and fell by 6% as compared to Aug'17.
- The other major products like Naptha, SKO, HSD and Bitumen registered positive growth during Sep'17 as compared to Aug'17. LPG, MS registered a modest decline and Petroleum coke consumption remained stable.

RBI-Policy Rates

- Following the policy review on August 2, 2017 the new policy rates and ratios are as given below

Policy Rates and Ratios (%)

Repo- 6.00

Reverse Repo- 5.75

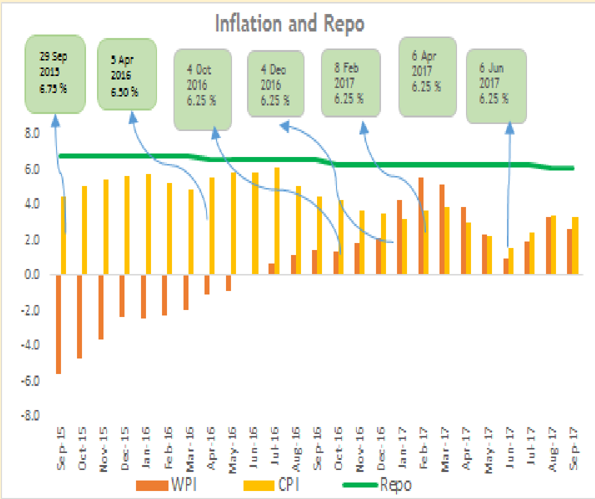
Bank rate -6.25

MSF- 6.25

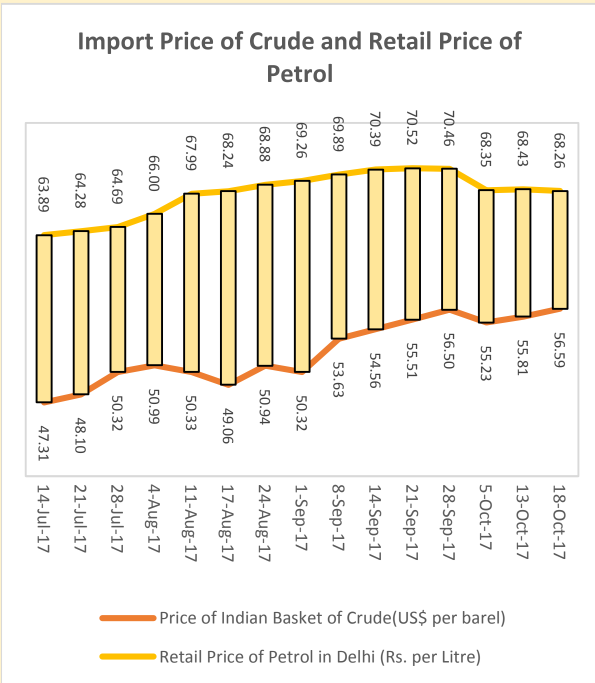
CRR- 4

SLR- 20

Repo and Inflation Dynamics



*RBI on Oct 4, 2017 has kept Repo rate unchanged at 6%



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Rate Decision by Major Central Banks

RBI

- RBI in its fourth Bi monthly policy review for 2017-18 on October 4, 2017 kept the repo rate unchanged at 6.0%. The reverse repo rate now stands at 5.75% and, MSF and Bank rate at 6.25%. RBI has continued to maintain its neutral stance.
- The Minutes of RBI's Fourth Bi-monthly Monetary Policy revealed that out of six MPC members, five voted to keep policy rates unchanged, while one member pitched for a reduction in policy rate by 25 bps. The main reason cited for maintaining status quo on rates was the recent rise in inflation print in a broad based manner. Apart from this, oil price risk, global volatility risk and likely fiscal slippage also pose additional concerns. The MPC member who voted for a reduction in 25 bps in policy rate cited more than expected slowdown in real GDP in Q1'18, higher real interest rate and widening output gap in the economy as reasons behind his decision. He also pointed out that if the underlying drivers of inflation strengthen further, one might need to raise the policy rate. The members in favour of status quo highlighted the expected revival in economic activity on account of underlying structural reforms.

FED

- The Federal Open Market Committee's (FOMC) in its meeting during September 19-20, decided to keep the federal funds rate unchanged in the target range of 1-1.25% in accordance with its mandate of maximum employment and price stability. The last rate hike occurred in Jun'17, which was the third such hike in last six months.
- FOMC members continued to forecast that inflation would stabilize around the Committee's 2% objective over the medium term. In its median projection, the Fed revised its outlook for inflation from 1.7% to 1.5% for 2017. The FOMC members believed that the underlying economic condition provides the opportune time for balance sheet normalisation which is expected to happen in a gradual manner. On federal fund rates, many participants felt that if the medium term outlook remained unchanged, another increase in the target range later this year might be warranted.
- The Committee at present expects to commence normalisation of balance sheet (US$4.5 trillion) by October, provided the economy remains broadly in line with its expectations.
- It plans to steer normalisation by initially setting a cap of US$ 10 bn. a month in bond sales by using US$ 6 bn. from treasuries and US$ 4 bn. from mortgage bonds. It will continue expand this pace and by US$ 10 bn. every three months, till it reaches the US$ 50 bn. a month.

BoE

- On Sept 13, Bank of England (BoE) kept its interest rate unchanged in in its Monetary Policy review. BoE's Monetary Policy Committee (MPC) voted by a majority of 7/2 in favour of keeping the Bank rates intact at 0.25% and continuing with its neutral stance. The Committee voted unanimously to continue with the programme of sterling non-financial investment-grade corporate bond purchases totalling up to £10 bn. over the span of 18 months, financed by the issuance of central bank reserves. The programme of £60 bn. of UK government bond purchases will continue, that would take the total stock of these bonds to £435 bn. financed by the issuance of central bank reserves. The asset purchase facility is expected to continue throughout FY'2017-18.
- On Britain's exit from European Union, it specified that as U.K moves to form new trading agreements, it is pertinent to balance off the trade-off between the speed with which it moves back to inflation target and the support the monetary policy will provide to the jobs.

Rate Decision by Major Central Banks

ECB

- The Governing Council of the ECB which is the main decision making body of ECB, on September 7, 2017 left the interest rate unchanged on the main refinancing operations, interest rates on marginal lending facility and deposit facility at 0.0%, 0.25% and -0.4% respectively.
- However in line with its growth and inflation dynamics, the governing council decided to continue its asset purchase program at a new monthly pace of € 60 bn. (as against the previous level of € 80 bn.) till Dec'17 or beyond, as and when needed.
- It clearly stated that the monetary accommodation would continue due to underlying inflation pressures which are gradually growing as it is quite far off from meeting its official target of 2%. It also acknowledged exchange rate movement as a source of uncertainty, thereby requiring further monitoring by the council.

BoJ

- BoJ in its monetary policy review held on September 21, 2017 kept its short term policy rate i.e the rate on current accounts held by financial institutions with the central bank, unchanged at -0.1%.
- It plans to continue its 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, mainly due to the inflation level remaining far away from its target of 2%.
- It stated that the economy is expanding at a moderate pace owing to the improvement seen in business fixed investment and public investment. With expansion in industrial production, and strengthening of labor market conditions, financial conditions remain highly accommodative.
- BoJ with regard to the economic outlook stated that domestic demand will continue its upward trend on the back of large scale stimulus measures by government and highly accommodative financial conditions. It even stated that the risks to these outlook arise due to change in U.S economic policies as well as its impact on global markets, new developments in emerging and commodity-exporting economies and other growing geopolitical risks.
- On the price front, Consumer price index (CPI) which currently stands at 0.5% is expected to increase steadily and achieve its 2% target level in the near future, due to improvement in output gap as well as the rise in medium to long term inflation expectation.

PBOC

- On June 15, The People's Bank of China (PBOC) kept its interest rate unchanged.
- The rate for reverse repos for seven-day, 14-day and 28-day tenors were kept unchanged at 2.45%, 2.60% and 2.75% respectively.

Banking

Competition in the Lending Space

- Among select 12 banks (6 from the PSB space and 6 New Private Banks), three bank revised its 1 year MCLR, five banks revised their base rates, one bank revised its FD rates for 1-2 years.
- Base rates of these banks varied within a range of 165 bps in Oct'17 same as in Sep'17. HDFC Bank had the lowest base rate at 8.90% 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 Bank had the highest MCLR rate at 8.85% in the 1-year tenure. MCLR varied within a range of 85 bps.
- Range among the 12 banks with respect to variation in deposit rates widened to 60 bps in Oct'17 from 55 bps in Sep'17 for term deposits of tenure between 1 year-2 years and for less than Rs.1 crore.

Innovation

- **HDFC launches 'Smartup Zones' in its branches-** On Oct 12, 2017, HDFC Bank announced the launch of 'Smartup Zones' across all its branches in India—an exclusive area dedicated to start-ups, offering them customised banking and advisory products. To begin with, the bank will launch this facility at 65 branches in 30 cities, including tier 2 and 3 cities that are emerging as start-up hubs. Apart from this, a SmartUp portal has also been launched on the bank's website, offering knowledge and experience of its network of start-ups and also allowing the new entrants to share their experiences. HDFC aims to become the 'Go-to' bank for the start-ups.
- **SBI to launch India's largest innovation centre in Mumbai-** On Oct 10, 2017, it was reported that SBI will be setting up India's largest innovation centre at its Global IT centre, in Belapur, Navi Mumbai, at the cost of Rs.100 crore. The centre will have 40 dedicated zones for each technology like, blockchain, artificial intelligence, machine learning etc. This Rs.100 crore budget comes from the Rs.200 crore earmarked by the bank last year for spending on innovation.

Initiatives

- **HDFC Bank & IIT tie-up-** HDFC Bank announced a tie-up with IIT-Bombay and IIT-Roorkee as part of the industry-academia partnership effort. HDFC Bank is expected to tie up with another 50 technology and business schools to tap into emerging fintech ideas. The purpose of the tie-up is to identify potential fintech ideas at the incubation and entrepreneurship cells in these institutes at an early stage, and help them convert into a consumer-ready products. Through this, start-ups will get the bank's platform to test their ideas in the real world, in addition to expert insights, and knowledge.
- **IDBI Bank partners with BCG-** IDBI Bank is partnering with consulting firm Boston Consulting Group (BCG) to turn around its business under an initiative called Project Nishchay. BCG will assist the bank to identify areas for cost containment and revenue maximization leading to sustainable growth and profitability of the bank. The bank hopes to identify and address existing gaps, capitalize on core strengths and improve existing products and processes.
- **PayU India plans to invest in consumer lending segment-** PayU India, the digital payments provider owned by South Africa's Naspers Ltd, in its expansion plan for the next year, is planning to invest in companies that offer unique consumer lending segments. The company plans to subsequently increase the credit limit and offer microcredit products and EMI options to the customers in partnership with Kreditech. PayU India will also explore to deliver Kreditech's unique AI and machine-learning credit underwriting and loan management technology to its network of 300,000 merchants
- **Capital Small Finance Bank raises money from SIDBI-** Capital Small Finance Bank Ltd. has reportedly raised Rs.24.35 crore from SIDBI and existing investors in its latest round of fund-raising. It was one of the 10 entities to receive RBI's in-principle approval to start small finance bank operations in Sep'15 and was the first to start operations in Apr'16. The bank plans to utilize the funds as growth capital.

Regulatory Developments

- **RBI revises FPI limit for Q3 FY18-** RBI has revised the investment limit of FPI for Oct-Dec, 2017 quarter. The limits for investment by FPIs for the quarter Oct-Dec 2017 is increased by Rs.80 bn in Central Government Securities (CGS) and Rs.62 bn in State Development Loans (SDL). Thus, the total limit for quarter ending Dec 31, 2017 would be for CGS at Rs.2500 bn and for SDL at Rs.393 bn. Thus, the aggregate limit would be Rs.2893 billion.
- **RBI sets average base rate chargeable by NBFC-MFI-** RBI has set applicable average base rate to be charged by Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) to their borrowers for the quarter beginning Oct 01, 2017, which will be 9.06%. RBI uses the average of the base rates of the five largest commercial banks to arrive at the average interest rates that NBFC-MFI can its borrowers.
- **RBI Amends directions for Banks' investments-** RBI made amendments to Master Direction where in it changed Banks investments in NBFCs and new investment avenues. Some of important measures are as follows: (1) No bank is allowed to hold more than 10% in the equity of a deposit taking NBFC except for the housing finance company; (2) Banks are not allowed to make an investment of more than 10% of the unit capital of a Real Estate Investment Trust/Infrastructure Investment Trust subject to overall ceiling of 20% of its net worth permitted for investments in shares and others; (3) Banks are not permitted to hold more than 10% of the paid up capital of a company, not being its subsidiary engaged in non-financial services or 10% of the bank's paid up capital and reserves, whichever is lower; (4) Also, banks cannot make any investment in a Category III Alternative Investment Fund (AIF).

RBI's discussion paper on forex trading platform for retail players- On Oct 12, 2017 RBI released a discussion paper on 'Foreign exchange trading platform for retail participants'. The paper proposes a scheme to encourage transparent and fair pricing in retail forex market by developing a foreign exchange platform for retail participants along the lines of the FX-Clear platform of CCIL. According to the proposal, retail customer would be provided access (through internet based app) to an electronic trading platform where bid/offers from customers and AD banks can be matched anonymously and automatically. Banks may charge their customers a fee towards processing expenses. Banks will be required to publicly declare such fees.

Development

- **Dena Bank launches QIP-** Dena Bank on Oct 11, 2017, launched a Qualified Institutional Placement (QIP) of shares to raise upto Rs.1800 crore from institutional investors. The bank has set a floor price of Rs.30.73 per share for the share sale. The bank may also offer a discount of up to 5% on the floor price. In its statement the bank has informed that it intends to use the net proceeds of the issue for meeting capital requirement and to support its capital adequacy ratio and general corporate purposes.
- **Kerala Bank expected to be operational from next year-** On Oct 10, 2017, it was reported that the Kerala Bank is expected to come into place by Aug 16, 2018. Kerala Bank is an ambitious project of the present Kerala government, which proposes to form the bank by merging district co-operative banks with state co-operative banks, thereby converting the present three-tier banking system into two-tier system. The government has approached the RBI for necessary permissions.
- **YesBank to raise funds via tier-II bonds-** It was reported on Sep 30, 2017 that Yes Bank is planning to raise upto Rs.4000 crore through tier-II bonds, for better capital adequacy and to support business growth. India Ratings has given an 'AA+' rating with a stable outlook for the proposed offer. According to the ratings agency, the outlook reflects an expectation that any deterioration in asset quality would be adequately absorbed by operating profits without impairing Tier-1 capitalisation.
- **Paytm payment bank posts losses-** Paytm Payments Bank, a newly formed payment bank, posted losses worth Rs.30.7 crore between Aug'16 and Mar 31, 2017 and recorded a revenue of Rs.2.5 crore. As per RBI guidelines, payment banks can only take deposits and cannot lend directly but through third party NBFCs. This makes the banks difficult to earn profits. According to some market experts, the bank would require 4-5 years to post profits.
- **SBI-Moody's Analytics Tie-up-** SBI on Oct 10, 2017 announced that it is collaborating with Moody's Analytics to provide bank-wide credit certification to SBI employees. The collaboration will help to enhance the employees' ability to source, appraise and monitor loans. It will also speed up the process in more efficient manner.
- **ICICI Bank offers cashback on home loans-** ICICI Bank announced a cash back scheme for new home loan borrowers. Under this scheme, borrowers will receive an amount equivalent to 1% of their annual repayment. All loans with duration of 15 years and maximum tenure of 30 years are eligible. The cashback will start to accrue from the first equal monthly instalment itself. The accrued amount, however, will first get credited into the borrower's account after three years and annually thereafter. Further, customers will have the flexibility of using the amount either for prepayment of the principal amount outstanding or it can be credited to the customer's account.
- **Lakshmi Vilas Bank to raise Rs.800 crore-** On Sep 27, 2017, it was reported that Lakshmi Vilas is planning to raise up to Rs.800 crore by issuing shares on a rights basis to shareholders. Terms and conditions of the rights issue, including the rights entitlement ratio, the issue price, issue size, record date, timing of the issue and other matters are yet to be finalized by the Capital Raising Committee of the board.
- **Edelweiss Financial Services plans to raise Rs.2000 crore-** Edelweiss Financial Services' board on Sep 26, 2017 approved raising up to Rs2000 crore through various modes, including bonds, rights issue or qualified institutional placement (QIP). It has been reported that money can be raised through either through American depository receipts (ADR) or global depository receipts (GDR) or any other securities convertible into equity shares or non-convertible debentures with or without warrants. The equity capital is expected to be raised through QIP/preferential issue/rights issue or through any other permissible mode or a combination.

Regulatory Developments

RBI releases report of the internal study group review the working of MCLR

On Oct 04, 2017, RBI published the report of the working group, constituted to study various aspects of the marginal cost of funds based lending rate (MCLR) system, from the perspective of improving monetary transmission.

According to the press release, the Group observed that internal benchmarks such as the base rate/MCLR have not delivered effective transmission of monetary policy. Arbitrariness in calculating the base rate/MCLR and spreads charged over them has undermined the integrity of the interest rate setting process. The base rate/MCLR regime is also not in sync with global practices on pricing of bank loans.

Highlights of the suggestions includes:

- All floating rate loans extended beginning April 1, 2018 could be referenced to external benchmarks
- The spread fixed at the time of sanction of loans to all borrowers, including corporates, should remain fixed all through the term of the loan unless there is a clear credit event necessitating a change in the spread.
- Banks may be encouraged to accept deposits, especially bulk deposits at floating rates linked directly to external benchmarks.
- The periodicity of resetting the interest rates by banks on all floating rate loans, retail as well as corporate, will be reduced from once in a year to once in a quarter.

Peer to Peer Lending Platform Directions, 2017

- RBI issued guidelines for Non-Banking Financial Companies (NBFCs) that want to operate as peer-to-peer (P2P) lending platforms.

Some of the important guidelines include:

- A certificate of registration would be needed to commence business and existing P2P platforms can apply within three months. The minimum net owned funds required would be of Rs.2 crore or higher.
- The aggregate exposure of a lender to all borrowers at any point of time, across all P2Ps, is subjected to a cap of Rs.10 lakh. The exposure of a single lender to the same borrower, across all P2Ps, must not exceed Rs.50,000. The maturity of the loans must not exceed 36 months.
- The fund transfer between parties has been strictly restricted through bank accounts and cash transactions are prohibited.

Development

- **SBI to provide loans to MSMEs in accordance with GST-** SBI on Oct 12, 2017 announced that it will offer loans to MSMEs based on GST-related input credit claims. The loan to be given for nine months, will be outside the sanctioned bank finance. The loan amount will be either 20% of existing fund-based working capital limit or 80% of input tax claim due, whichever is lower. To avail this offer MSMEs will have to submit a certificate from their chartered accountant confirming the input credit claims.
- **IndusInd Bank Q2 net profit rises-** On Oct 12, 2017, IndusInd Bank announced its Q2FY18 financial results. According to the release, net profit for the Sep quarter rose by 25% on y-o-y basis, on account of higher net interest income and other income. Net profit for the quarter stood at Rs.880.10 crore versus Rs.704.26 crore a year ago. Provisions and contingencies surged 37.34% to Rs.293.75 crore against Rs.213.88 crore in the same quarter last year. Gross non-performing assets (NPAs) rose 49.64% to Rs.1345.28 crore from Rs.899.01 crore a year ago.
- **South Indian Bank Q2 net profit falls 96% to Rs4.32 crore-** On Oct 10, 2017 South Indian Bank announced its Q2FY18 financial results. According to their release, net profit declined by 96% to stand at Rs.4.32 crore against Rs.110.52 crore a year ago. Provisions and contingencies surged over 253% to Rs.453.68 crore from Rs.128.33 crore a year ago. Gross non-performing assets (NPAs) rose marginally 1.21% to Rs.1766.32 crore at the end of the September quarter from Rs.1745.28 crore in the same quarter last year.
- **Bank of Baroda to raise Rs1,650 crore from bonds issue-** Bank of Baroda on Oct 10, 2017 informed that it proposes to raise up to Rs.1650 crore from Additional Tier-I (AT-1) bonds to fund its business expansion. Finance committee of the bank has given approval for issuance of AT-1 capital bonds compliant with Basel III capital norms of the RBI, for minimum amount of Rs.500 crore with green shoe option. The total issuance cannot exceed Rs.1650 crore in one or multiple issuances.
- **Government to dilute stake in 8 PSBs-** On Oct 23, 2017, it was reported that the government is planning to reduce stake in 8 Public Sector Banks (PSBs) where its holding is more than 75% currently. As per news reports, the eight banks shortlisted are: United Bank of India, Indian Bank, Bank of Maharashtra, Central Bank of India, Punjab and Sind Bank, Indian Overseas Bank, UCO Bank and Bank of India. The government is undertaking this exercise to garner more financial resources to help the banks in need. Proceeds from the sale of stake in these banks will be used for capital infusion into eligible candidates, based on urgency of requirement and other parameters.
- **Axis Bank's Q2FY18 profit rises-** On Oct 18, 2017, Axis Bank reported its Q2FY18 financial results, showing that the Bank made a profit of Rs.432.38 crore, compared to Rs.319.08 crore a year ago and Rs.1305.60 crore in the previous quarter. Its gross NPAs rose to Rs.27,402.32 crore as of quarter ending Sep'17, up from Rs.16,378.65 crore as of Sep'16 and Rs.22,030.87 as of Jun'17. Axis Bank's own disclosure and RBI's assessment of Axis Bank's NPAs showed a divergence of Rs.5630 crore for FY17. Divergence in provisions stood at Rs.1318 crore for the same period. These divergences impacted NPAs reported in this quarter.
- **64% Indians use banks-** According to Intermedia, a research organisation that conducts financial inclusion surveys across India, Bangladesh, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda, 63% of the 45,000 Indians surveyed have some kind of financial account. 64% of all bank account users had used their account in the last 90 days preceding the survey period (Sep'16-Jan'17). As opposed to 46% in Urban India, only 37% in rural India actively used their bank accounts. Also, only 33% females used a bank account compared to 47% males. Use of banks in India was highest as compared to 19% in Bangladesh, 30% in Indonesia, 31% in Kenya, 41% in Nigeria and 9% in Pakistan.

Development

- **Small savings interest rate for Q3 FY18-**The Government of India on Sep 29, 2017, kept the interest rates on small savings schemes like PPF (public provident fund), Kisan Vikas Patra and Sukanya Samriddhi for Oct-Dec quarter unchanged. Investments in the PPF scheme will fetch annual rate of 7.8%, while Kisan Vikas Patra (KVP) investments will yield 7.5% and mature in 115 months. Investments under the girl child savings, Sukanya Samriddhi Account Scheme, and under the 5-year Senior Citizens Savings Scheme will offer 8.3% annually. The interest rate on the senior citizens scheme is paid quarterly. The move is expected to push banks to lower their deposit rate in line with the small savings rate as offered by the government.
- **Interoperable mobile wallets-** On Oct 11, 2017, RBI issued a directive to bank and non-bank entities to make KYC compliant prepaid payment instruments (PPIs), such as mobile wallets, interoperable through UPI within the next six months. As per the release, interoperability will be enabled between wallets and bank accounts through UPI in subsequent phases. Similarly, interoperability for PPIs issued in the form of cards shall also be enabled in due course. The directive also revised the limit of semi-closed PPIs from Rs.20,000 to Rs.10,000 per month. Semi-closed PPIs are used for purchase of goods and services, at a group of clearly identified merchant locations or establishments which have a specific contract with the issuer (or contract through a payment aggregator/payment gateway) to accept the PPIs as payment instruments. These instruments do not permit cash withdrawal.
- **Government allows banks to accept small savings deposits-** In order to promote savings, government has allowed PSBs and 3 major private sector lenders (ICICI, HDFC, and Axis Bank) to accept deposits under various small savings schemes such as, National Savings Certificate (NSC), Recurring Deposits and Monthly Income Scheme (MIS). Until now these banks were allowed to receive subscription only under Public Provident Fund, Kisan Vikas Patra-2014, Sukanya Samriddhi Account, and Senior Citizen Savings Scheme-2004.
- **Digital Transaction on the rise-** Data released by the RBI on Oct 03, 2017, showed that digital transactions in Sep'17 rose by 13.5% on m-o-m basis, significantly up from 2.3% in Aug'17 and (-5.6%) in Jul'17. In absolute terms transactions increased from Rs.109.8 tn in Aug'17 to Rs.124.7 tn. In volume terms, digital transactions fell from 883mn to 866mn in the same period, and transactions through UPI continued to record the highest growth rate in Sep'17 as well. Since Nov'16, this is the second highest monthly level by value, after reaching the highest in Mar'17.

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	Effective from	SB rate
Bank of Baroda	07-Oct-17	8.30	01-Oct-17	9.15	Aug-17	6.60	05-Aug-17	3.5
Bank of India	10-Oct-17	8.30	10-Oct-17	9.45	Sep-17	6.60	24-Aug-17	3.5
Canara Bank	07-Oct-17	8.30	01-Apr-17	9.40	Sep-17	6.30	01-Sep-17	3.5
Punjab National Bank	01-Oct-17	8.15	01-Sep-17	9.15	Aug-17	6.50	18-Aug-17	3.5
Union Bank of India	01-Oct-17	8.20	30-Sep-17	8.95	Aug-17	6.50	18-Aug-17	3.5
State Bank of India	01-Oct-17	8.00	01-Oct-17	8.95	Jul-17	6.50	31-Jul-17	3.5
Axis Bank	18-Oct-17	8.15	04-Oct-17	9.00	Jul-17	6.75	08-Aug-17	3.5
HDFC Bank	07-Sep-17	8.15	30-Jun-17	8.90	Aug-17	6.25	19-Aug-17	3.5
ICICI Bank	01-Sep-17	8.20	10-Aug-17	9.00	Jul-17	6.75	18-Aug-17	3.5
IndusInd Bank	17-Oct-17	8.85	17-Jan-17	10.55	Aug-17	6.85	17-Aug-17	4.0
Kotak Bank	01-Sep-17	8.60	02-Aug-17	9.10	Oct-17	6.60	04-Aug-17	5.0
Yes Bank	03-Oct-17	8.80	05-Oct-15	10.25	Aug-17	6.75	16-Aug-17	5.0

Note- Yes Bank offers 5% p.a interest rate on Saving Bank accounts for account balance upto Rs. 1 lakh and balance above Rs. 50 lakh- Rs. 1 cr, 6% p.a. on balance above Rs. 1 lakh – Rs. 50 lakh, 6.25% p.a. on balance above Rs. 1 cr. Kotak Mahindra Bank offers 5% p.a interest rate on Saving Bank accounts for account balance upto Rs. 1 lakh, 6% p.a. interest rate on Saving Bank accounts for account balance above Rs. 1 lakh up to Rs. 1 cr and 5.5% p.a. on balance above Rs. 5 cr. IndusInd Bank offers 4% interest rate on Saving Bank accounts for account balance of upto Rs. 10 lakh, 5% interest rate for balance from Rs. 10 lakh - Rs. 1 cr, 5.5% interest rate for balance from Rs. 1 cr - Rs 10 cr and 6% for account balance of over Rs. 10 cr

Bank of Baroda, Bank of India, Canara Bank, Punjab National Bank, Axis Bank, HDFC Bank, and ICICI Bank offer 3.5% p.a. interest rate on Saving Bank accounts upto Rs. 50 lakh and 4% p.a. on Saving Bank accounts above Rs. 50 lakh. SBI offers 3.5% p.a. interest rate on Saving Bank accounts upto Rs. 1 cr and 4% p.a. on Saving Bank accounts above Rs. 1 cr. Union Bank of India offers 3.5% p.a. interest rate on Saving Bank accounts upto Rs. 25 lakh and 4% p.a. on Saving Bank accounts above Rs. 25 lakh.

Bank of Baroda offers 6.60% for term deposits of 1 year, 6.65% for term deposits above 1 year to 400 days and 6.50% for term deposits above 400 days to 2 years.

Bank of India offers 6.60% for term deposits of 1 year to less than 2 years and 6.50% for term deposits of 2 years.

Canara Bank offers 6.50% for term deposits of 1 year, 6.30% for term deposits of above 1 year to less than 2 years and 6.20% for term deposits of 2 years.

Punjab National Bank offers 6.60% for term deposits of 1 year and 6.50% for term deposits of 1 to 3 years.

Union Bank of India offers 6.75% for term deposits of 14 months and 6.50% for term deposits of above 14 months to 3 years.

State Bank of India offers 6.50% for term deposits of 1 year to less than 2 years and 6.25% for term deposits of 2 years.

Axis Bank offers 6.75% for term deposits of 1 year to less than 18 months, 6.25% for term deposits of 18 months to less than 2 years.

HDFC Bank offers 6.75% for term deposit of 1 year to 1 year 3 days and 6.25% for term deposits of 1 year 4 day to 2 years.

IndusInd Bank offers 6.85% for term deposits of 1 year to less than 1 year 2 months, 6.75% for term deposit of 1 year 2 months to 2 years.

Kotak Mahindra Bank offers 6.60% for term deposits of 365 days to 389 days and term deposit of 391 days to 23 months, 6.90% for 390 days, 6.50% for term deposit above 23 months to less than 2 years and 6.40% for 2 years.

YES Bank offers 6.75% or term deposits from 1 year to less than 10 years, with 6.95% 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	Sep'16	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sep'17
Production													
IIP(2011-12 Base)	5.0	4.2	5.1	2.4	3.5	1.2	4.4	3.2	2.8	-0.2	0.9	4.3	
Infrastructure (2011-12 Base)	5.3	7.1	3.2	5.6	3.4	0.5	5.2	2.6	4.0	0.7	2.6	4.9	
Prices													
WPI (2011-12 Base)	1.4	1.3	1.8	2.1	4.3	5.5	5.1	3.9	2.3	0.9	1.9	3.2	2.6
CPI (2011-12 Base)	4.4	4.2	3.6	3.4	3.2	3.7	3.9	3.0	2.2	1.5	2.4	3.3	3.3
CPI Food (2011-12=100)	4.0	3.3	2.0	1.4	0.6	2.0	2.0	0.6	-1.0	-2.1	-0.4	1.5	1.2
WPI Manufacturing (2011-12=100)	1.1	1.3	2.0	2.5	3.3	3.2	3.2	3.1	2.6	2.3	2.1	2.5	2.7
CPI Services (2011-2012=100)	4.5	4.7	4.8	4.7	5.0	4.8	4.9	4.3	3.8	3.3	3.3	3.8	3.8
Banking													
Fixed Reverse Repo (Rs. Mn)	467290	63820	43050	138790	91570	223150	1351770	509900	163810	529930	160130	382050	68780
Fixed Repo (Rs. Mn)	74290	-	51080	40570	18500	14000	93950	11700	20000	24750	24750	2350	41000
Aggregate Deposits	12.8	9.2	15.6	15.7	12.7	12.0	15.3	10.9	10.9	12.8	9.5	5.2	8.7
Total Credit	11.5	6.4	4.0	3.3	3.3	3.0	7.3	3.8	3.5	4.4	4.7	5.0	
Non Food Credit	10.8	6.7	4.8	4.0	3.5	3.3	8.4	4.5	4.1	4.8	5.3	5.5	
Industrial Credit	0.9	-1.7	-3.4	-4.3	-5.1	-5.2	-1.9	-1.4	-2.1	-1.1	-0.3	-0.3	
Infrastructure Credit	-4.6	-6.6	-6.7	-7.7	-8.7	-9.7	-6.1	-2.2	-4.0	-2.5	-2.4	-1.7	
Service Credit	18.4	9.3	7.1	8.3	8.1	7.7	16.9	4.1	4.0	4.7	4.9	5.0	
Leading Indicators													
Manufacturing PMI	52.1	54.4	52.3	49.6	50.4	50.7	52.5	52.5	51.6	50.9	47.9	51.2	51.2
Service PMI	52	54.5	46.7	46.8	48.7	50.3	51.5	50.2	52.2	53.1	45.9	47.5	50.7
Composite PMI	52.4	55.4	49.1	47.6	49.4	50.7	52.3	51.3	52.5	52.7	46.0	49.0	51.1
Services													
Passenger Traffic: All Airports	20.8	19.7	18.6	19.9	21.4	13.5	12.8	13.5	15.7	17.4	11.5	14.4	
Foreign Tourist Arrivals	12.1	8.6	7.6	11.9	16.4	12.6	11.9	25.0	19.4	22.5	7.4	11.0	18.9
Goods Traffic Movement by Railways	-2.7	-2.6	5.5	-0.1	0.3	3.5	7.7	4.6	3.9	2.8	5.6	7.7	5.9
Automobile Sales: Total	15.8	7.2	-4.2	-16.0	-5.1	2.4	2.9	9.5	9.6	1.8	12.0	3.5	10.3
Automobile Sales: Passenger Vehicle	20.7	6.2	5.8	4.3	14.6	8.7	11.0	14.4	9.3	-5.9	13.6	5.1	5.4
Automobile Sales: Commercial Vehicle	0.4	13.5	-7.1	-5.7	-2.4	5.7	6.7	-25.0	-9.3	-4.2	5.7	14.9	21.1
Automobile Sales: Two Wheelers	17.2	7.5	-5.2	-19.7	-7.7	2.1	2.2	10.5	11.0	4.0	12.7	15.2	10.3
Automobile Sales: Three Wheelers	-16.1	-2.1	-22.0	-37.3	-26.9	-22.2	-23.1	-6.3	-6.8	-13.0	-6.5	7.8	22.5
External													
FDI-Equity (US $mn)	5247	6300	4782	3451	4088	1322	2560	3323	4155	3214	4925	8102	
FII-Net Portfolio Investment(US $mn)	2884	-40	-6902	-4371	-389	2454	9034	2653	4681	4587	3282	648	
ECB(US $mn)	1574	1471	278	2486	1804	1009	1697	1305	524	1618	1894	1565	
Exports	4.7	8.8	2.5	6.4	5.1	22.5	27.2	17.9	7.5	3.7	3.0	10.3	25.7
Imports	-0.9	10.7	12	1.2	10.6	21.2	45.3	48.1	34	16.9	16.2	21.0	18.1
Trade Balance(US $mn)	-8,855	-11,137	-13,421	-10,456	-9,639	-7,688	-10,524	-13,437	-13,832	-12658	-14086	-11644	-8984
Rupee-Dollar Exchange Rate	66.66	66.86	68.53	67.95	67.81	66.74	64.84	64.22	64.55	64.74	64.08	64.02	65.36
Rupee-Pound Exchange Rate	86.42	81.3	85.53	83.42	84.85	83.05	80.88	82.83	82.64	84.3	84.2	82.7	87.7
Rupee-Euro Exchange Rate	74.75	72.91	72.84	71.62	72.55	70.72	69.25	69.88	72.14	74.0	75.2	76.0	77.1
REER 36 Country (Trade Based Weight) Base 2004-05=100	114.39	115.5	115.79	116.01	114.69	115.5	117.56	119.34	119.08	118.3	117.9	118.3	116.8
Forex Reserves Outstanding (US $bn))*	372	366	361	359	363	364	370	373	380	387	394	398	399

***Sep'17 figures refer to reserves as on Sep 29, 2017**
Note: All figures unless specified otherwise refers to y-o-y growth and are in per cent. PMI figures are numbers.

Annex-3

Quarterly Macro Indicators

	2014-15				2015-16				2016-17				2017-18
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
GVA at Basic Prices Growth	6	8.5	6.2	6.5	7.6	8.2	7.3	8.7	7.6	6.8	6.7	5.6	5.6
Components Growth													
Agriculture, Forestry and Fishing	2.3	3.6	-3.1	-1.2	2.4	2.3	-2.1	1.5	2.5	4.1	6.9	5.2	2.3
Industry	9.7	8.3	4.7	7.2	7.3	7.1	10.3	10.3	7.4	5.9	6.2	3.1	1.6
Mining and Quarrying	18.3	6.0	8.9	12.2	8.3	12.2	11.7	10.5	-0.9	-1.3	1.9	6.4	-0.7
Manufacturing	10.6	9.7	3.7	8.9	8.2	9.3	13.2	12.7	10.7	7.7	8.2	5.3	1.2
Electricity, Gas, Water Supply and Other Utility Services	8.8	9.4	7.1	3.0	2.8	5.7	4.0	7.6	10.3	5.1	7.4	6.1	7
Construction	5.4	5.8	4.7	3.0	6.2	1.6	6	6	3.1	4.3	3.4	-3.7	2
Services	8.2	9.8	11.8	8.9	9.3	10.1	9.6	10	9	7.8	6.9	7.2	8.7
Trade, Hotels, Transport, Communication and Services Related to Broadcasting	10.7	7.3	5.1	12.8	10.3	8.3	10.1	12.8	8.9	7.7	8.3	6.5	11.1
Financial, Real Estate and Professional Services	9.2	13.1	12.3	9.9	10.1	13	10.5	9	9.4	7	3.3	2.2	6.4
Public Administration, Defence and Other Services	2.9	7.4	22.1	1.3	6.2	7.2	7.5	6.7	8.6	9.5	10.3	17	9.5
Growth of Expenditure Components of Nominal GDP													
GDP	13.6	13.8	8.7	7.8	10.5	8.8	8.5	11.9	10.4	10.5	10.4	12.5	9.3
Net Taxes on Products	-14.1	5.1	13.8	20.1	59.2	43.1	10.7	21.4	40.6	23.6	21.4	19.5	28.6
Final Consumption Expenditure	14.5	15.8	8.7	8.7	6.5	7.6	10.5	13.3	13.5	13.6	15.9	14.7	10.9
Final Consumption Expenditure: Private	15.7	15.8	5.6	10.9	6.5	7.3	10.5	13.8	12	11.9	14.4	11.8	9.1
Final Consumption Expenditure: Government	9.0	15.8	32	-4.9	6.3	9.1	9.9	9.7	21.3	21.2	24.8	36.8	19.8
Gross Fixed Capital Formation	10.6	11.2	4.9	4.3	4.4	1.9	9.2	7.8	5.9	2.9	2.2	0.6	3.1
Change in Stocks	122	118.6	103.6	109.9	-3.6	-4.1	-0.5	-0.5	9.4	7.9	9.6	8	2.4
Valuables	39.3	19.3	28.9	30.7	-15.9	4.1	9	-15.9	-15.2	-12.2	-13.7	-21.5	186.3
Exports of Goods and Services	14.7	-2.7	0.8	-9	-5	-5.5	-7.5	-0.6	2.4	3.1	5.9	15.2	3.1
Import of Goods and Services	4.2	1.6	6.7	-6.6	-5.3	-5.4	-9.3	-3.3	-1.5	-3.7	2.4	15.1	15.2
BoP Indicatos													
Current Account as % of GDP	-1.5	-2.2	-1.5	-0.1	-1.2	-1.7	-1.4	-0.1	-0.1	-0.6	-1.4	-0.6	-2.4
Trade Account as % of GDP	-3.6	-4.1	-3.6	-2.2	-3.2	-3.8	-3.1	-1.6	-1.5	-1.7	-2.7	-2	-3.8
Capital Account as % of GDP	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial Account as % of GDP	1.6	2.1	1.9	0.0	1.4	1.7	1.3	0	0	0.8	1.3	0.5	2.3
Foreign Direct Investment as % of GDP	1.6	1.5	1.3	1.7	2.0	1.3	2.0	1.6	0.7	3.1	1.7	0.8	1.2
Foreign Portfolio Investment as % of GDP	2.6	1.9	1.2	2.3	0.0	-0.7	0.1	-0.3	0.4	1.1	-2.0	1.7	2.1
Errors and Omission as % of GDP	0.0	0.1	-0.4	0.1	-0.2	-0.1	0.1	0.0	0.0	-0.2	0.1	0.1	0.1
Accretion(-)/Depletion (+) of Forex (Us$bn)	-1.5	-2.2	-1.5	-0.1	-1.2	-1.7	-1.4	-0.1	-0.1	-0.6	-1.4	-0.6	
FDI(US$bn)	7.6	7.5	6.9	9.3	10.0	6.5	10.7	8.8	3.9	17.0	9.7	5.0	7.2
FII(US$bn)	12.4	9.8	6.3	12.5	0.0	-3.5	0.6	-1.5	2.1	6.1	-11.3	10.8	12.5
External Debt: USD: Total (bn)	453.2	455.9	458.2	474.7	482.0	480.5	479.2	485.0	479.6	484.3	456.0	471.9	485.8
External Debt: USD: Long Term (bn)	363.1	368.9	372.6	389.2	398.4	395.7	397.7	401.6	397.5	403.0	372.1	383.9	397.0
External Debt: USD: Short Term (bn)	90.1	87	85.6	85.5	83.6	84.8	81.6	83.4	82.1	81.2	83.8	88.0	88.8
External Debt: USD: Short Term: Trade Related (bn)	82.0	80.4	79	81.6	79.3	79.2	77.4	80.0	79.7	79.5	82.5	86.5	87.1
Short Term Debt as % of Total Debt (bn)	19.9	19.1	18.7	18.0	17.3	17.6	17.0	17.2	17.1	16.8	18.4	18.6	18.3
Note-Figures are in per cent unless specified otherwise.													

Annex-4
Annual Macro Indicators

Indicator	2012-13	2013-14	2014-15	2015-16	2016-17
Real Sector Growth**					
GVA at Basic Price*	5.4	6.1	7.2	7.9	6.6
I. Agriculture	1.5	5.6	-0.2	0.7	4.9
II. Industry	3.3	3.8	7.5	8.8	5.6
Mining & quarrying	0.6	0.2	11.7	10.5	1.8
Manufacturing	5.5	5.0	8.3	10.8	7.9
Electricity, Gas &Water Supply	2.7	4.2	7.1	5.0	7.2
Construction	0.3	2.7	4.7	5.0	1.7
III. Services	8.3	7.7	9.7	9.7	7.7
Food Grains Production (Mn Tonnes)	257.1	265.0	252.0	251.6	275.7
Industrial production					
IIP	3.3	3.4	4.0	3.4	5.0
Basic Goods	0.5	2.3	3.8	5.0	4.9
Capital Goods	0.4	-3.6	-0.8	2.1	3.2
Intermediate Goods	5.1	4.5	6.2	1.5	3.4
Consumer	5.4	5.7	5.0	2.8	3.9
Consumer Durables	5.0	5.7	4.0	4.2	5.1
Consumer Non-Durables	6.1	3.7	4.1	2.7	8.5
Mining	-5.3	-0.1	-1.4	4.3	5.4
Manufacturing	4.8	3.6	3.9	3.0	4.8
Electricity	4.0	6.1	14.8	5.7	5.8
Banking					
Aggregate Deposits Growth	14.2	14.1	10.7	9.3	15.3
Demand Deposit Growth	5.9	7.8	11.2	12.0	44.2
SCBs food credit	18.6	2.1	-4.1	11.5	-48.8
SCBs non-food credit	14.0	14.2	9.3	10.9	9.0
Fiscal Sector (Combined)					
Gross fiscal deficit	6.9	6.7	6.7	7.5	6.5
Gross primary deficit	2.2	1.8	2.0	2.7	1.6
Revenue deficit	3.5	3.3	3.3	2.7	1.9
External Sector					
Exports Growth	-1.8	4.7	-1.3	-15.5	4.7
Imports Growth	0.3	-8.3	-0.5	-15.0	-0.2
Exports/GDP	16.4	17.0	15.2	12.5	12.1
Imports/GDP	26.8	24.2	22.0	18.2	16.8
Invisibles/ GDP	5.9	6.2	5.8	5.2	4.3
CAD /GDP	-4.8	-1.7	-1.3	-1.0	-0.7
Foreign Investment/GDP	5.0	2.4	4.5	1.9	1.2
Import Cover of Reserves^(Months)	7.0	7.8	8.9	10.9	12.0
FII(US$mn)	46710	26385	73457	31891	43786
FDI(US$mn)	19819	21564	31251	36021	35612

Note-@ Includes Net FDI, Net FPI and Net Other Investments
****provisional Estimates for 2016-17**
^Data for 2016-17 is as of Sept 2016
Figures are in per cent unless specified otherwise

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Notes

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