



DATA SOURCE-Department of Economic Affairs-Ministry of Finance Economic Division

Economic Report for the month of December 2019

HIGHLIGHTS:

1-The Real GDP Growth rate for 2019-20 is estimated at 5.0% as compared to 6.1% in 2018-19.

2-CPI stood at 7.3% In December 2019 as compared to 5.5% in November 2019.

3-The value of merchandise exports and imports in terms US\$ declined by 1.8% and 8.8% respectively showing a downfall in net merchandise exports and imports.

4-India's current account deficit was 0.9% in Q2 of 2019-20, as compared to 2.9 % in Q2 of 2018-19.

5-Forex reserves stood at 466.7 billion US dollars as on 24th January 2020, as compared to 412.9 billions US dollars at March-end 2019.

6.IIP(Index of Industrial Production) grew by 1.8% during November 2019, as compared to a growth of 0.2% during November 2018.

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542, 5TH FLOOR, RISHABH CLOUD 9 TOWERS, SECTOR-1, VAISHALI, UTTAR PRADESH- 201010

CONTACT: - 01204294162, EMAIL ID: - info.mudraguna@gmail.com

Website: - www.mudraguna.com



ECONOMIC GROWTH

Global Synopsis:

The global economic activity was weak with growth for 2019 downgraded to 2.9%, which is slowest since the global financial crisis. The key reasons behind this were trade policy uncertainty, geopolitical tensions, weather-related disasters and idiosyncratic stress in key emerging market economies.

India's Economic Growth:

1-Real GDP is estimated to grow at 5.0% in 2019-20 according to First advance estimates which is lower than 2018-19 where first revised estimates showed that real GDP was 6.1%.

2-Real Gross Value Added(GVA) is estimated to grow at 4.9%(First advance estimate) in 2019-20 as compared to 6.0%(First revised estimate) in 2018-19.

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INFLATION

Consumer Price Inflation for India and Rest of the world(ROW):

Consumer price inflation among the major economies mostly increased during the course of last five years, India's inflation declined significantly from 5.9% in 2014-15 to 3.4% in 2018-19.

CONSUMER PRICE INDEX(CPI) INFLATION IN 2019-20:

- Combined inflation was 4.1% in April-December 2019, as compared to 3.7% in April-December 2018.
- CPI of combined inflation was 7.3% in December 2019 as compared to 5.5% in November 2019.
- Food inflation based on Consumer Food Price Index (CFPI) increased to 14.1% in December 2019, as compared to 10% in November 2019, mainly due to increase in inflation of cereals and products, milk and products, meat, fish, eggs, oils and fats, fruits, vegetables, pulses and products, sugar and confectionery and spices.
- CPI inflation for fuel and light stood at 0.7% in December 2019 as compared to (-)1.9% in November 2019, showing a significant rise in petrol and electricity in case of India.
- CPI for Industrial workers increased to 8.6% in November 2019 as compared to 7.6% in October 2019. CPI for Agricultural labourers and CPI for Rural labourers stood at 11.1% and 10.6% in December 2019 respectively.

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WHOLESALE PRICE INDEX(WPI) INFLATION IN 2019-20:

- WPI inflation rate increased to 2.6% in December 2019 as compared to 0.6% in November 2019.
- WPI food inflation (food articles and food products) increased to 11.1% in December 2019 from 9.0% in November 2019 due to increase in inflation of vegetables, sugar, edible oils, and milk.
- Inflation in fuel and power stood at (-)1.46% in December 2019 as compared to (-)7.32% in November 2019.
- Core inflation(non-food manufactured products) stood at (-)1.6% in December 2019 as compared to (-)1.9% in November 2019.
- Food inflation on World Bank Food Index stood at 6.99% in December 2019 as compared to 5.97% in November 2019.
- Energy prices inflation as measured by the World Bank Energy Index stood at 5.91% and 'metals and minerals' stood at 1.84% in December 2019.

DOMESTIC AND EXTERNAL DEMAND

DOMESTIC DEMAND

1. Consumption Expenditure-The share of private final consumption in GDP at current prices in 2019-20 is estimated at 60.2% as compared to 59.3% in 2018-19.The share of total

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final consumption (private+public consumption) in GDP at current prices in 2019-20 is estimated at 72.1% as compared to 70.4% in 2018-19.

2. Government Consumption-The share of government final consumption in GDP at current prices in 2019-20 is estimated at 11.9% as compared to 11.1% in 2018-19. The real government consumption is estimated to grow at 10.5% in 2019-20 as compared to 10.1% in 2018-19.

2.1 Fiscal Development

2.1.1-The Budget Estimate of fiscal deficit as percentage of GDP for 2020-21 has been set at 3.5% as compared to 3.8% in 2018-19. (Revised Estimates).

2.1.2-The revenue deficit as a percentage of GDP for 2019-20 was 2.4%(RE) which is same as compared to 2018-19. The revenue deficit for 2020-21 is budgeted to be 2.7% of GDP.

2.1.3-Changes in Fiscal parameters in April-December 2019 as compared to April-December 2018 are as follows:

- Gross tax revenue declined by 2.9% to ₹ 13.8 lakh crore.
- Tax revenue declined by 3.4% to ₹ 9.0 lakh crore.
- Revenue Receipts increased by 5.8% to ₹11.5 lakh crore.
- Non-Tax revenue increased by 63.8% to ₹ 2.4 lakh crore.
- Revenue expenditure grew by 14.4% to ₹ 18.5 lakh crore.

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- Capital expenditure increased by 20.6% to ₹ 2.6 lakh crore.
- Total expenditure increased by 15.2%, amounting to ₹21.1 lakh crore.

3. Investment:

3.1-The fixed investment rate(ratio of gross fixed capital formation to GDP) is estimated at 28.1% in 2019-20 as compared to 29.0% in 2018-19. The real fixed investment is estimated to grow at 1.0% in 2019-20 as compared to 9.8% in 2018-19.

3.1.1-Money Supply (M3)-Growth of M3 as on 3rd January 2020 stood at 10.1% as compared to a growth rate of 10.6% as recorded in the corresponding fortnight end in the previous year. Growth of currency with public, time deposits with banks, and demand deposits was 11.7%, 9.8%, and 10.5% respectively, as against 19.5%, 9.4%, and 9.5% respectively registered during the corresponding fortnight end of the previous quarter.

3.1.2-Aggregate deposits of Scheduled Commercial Banks (SCB's) grew by 9.8% as on 3rd January 2020 as compared to 9.9% recorded during the corresponding fortnight end of the previous year.

3.1.3-Growth of Bank credit was 7.6% as on 3rd January 2020 as compared to 14.5% in the corresponding fortnight end of the previous year. Growth of investment in Government and

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other approved securities by SCBs was 11.6% as on 3rd January 2020 as compared to (-)0.1% in the corresponding fortnight end of the previous year.

3.2-Lending and Deposit Rates:

The base lending rate as of 10th January 2020 was 8.45/9.40% as compared to 8.95/9.45% during the corresponding end of the week of the previous year. The term deposits rates for above one year was 6.10/6.40% as of 10th January 2020 as against 6.25/7.50% during the corresponding end of the week of the previous year.

EXTERNAL DEMAND

Merchandise Trade:

- Merchandise exports and imports (in US\$ terms) declined by 2.0 percent and 8.9 percent respectively in April-December 2019 (Figure 7). Oil imports declined by 11.8 percent and non-oil imports declined by 7.8 percent in April-December 2019.
- During April-December 2019, merchandise trade deficit was US\$ 118.1 billion, lower as compared to US\$ 148.2 billion in April- December 2018.

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India's Balance of Payments:

- India's current account deficit (CAD) was 0.9 percent of GDP (US\$ 6.3 billion) in Q2 of 2019-20, as compared to 2.9 percent of GDP (US\$ 19.0 billion) in Q2 of 2018-19. The contraction of the CAD in Q2 of 2019-20 was primarily on account of lower trade deficit.
- Net foreign direct investment was US\$ 7.4 billion in Q2 of 2019-20, almost at same level as compared to Q2 of 2018-19. There was net inflow of US\$ 2.5 billion of foreign portfolio investment in Q2 of 2019-20, as against inflow of US\$ 0.2 billion in the corresponding period of previous year.

Foreign Exchange Reserves:

- Foreign exchange reserves stood at US\$ 466.7 billion as on 24th January 2020, as compared to US\$ 412.9 billion at end-March 2019.

Exchange Rate:

- The rupee appreciated against the Pound sterling and Euro by 1.2 percent and 0.2 percent respectively. However it depreciated against US dollar and Japanese Yen by 0.3 percent and 0.6 percent respectively.

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External Debt:

- India's external debt stood at US\$ 557.5 billion at end-September 2019, recording an increase of 0.5 percent over the level at end-June 2019. Long-term debt was US\$ 448.4 billion at end-September 2019, as compared to US\$ 447.3 billion at end-June 2019.
- Short-term external debt (by original maturity) was US\$ 109.1 billion at end-September 2019, as compared to US\$ 109.7 billion at end-June 2019.

SECTORAL PERFORMANCE AND GROWTH

Real GVA growth of Agriculture and allied sectors is estimated at 2.8 percent in 2019-20 (1st advance estimates), as compared to 2.4 percent in 2018-19 (1st revised estimates).

Agriculture and Food Management

- All India production of food-grains: As per the first Advance estimates for 2019-20, the total production of kharif food grains is estimated at 140.6 million tonnes. As per the 4th advance estimates for 2018-19, the total production of food

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grains during 2018-19 is estimated at 285 million tonnes, same as in 2017-18 (final estimate).

- **Rainfall:** The cumulative rainfall received for the country as a whole during the period 1st January, 2020 to 27th January, 2020 has been 70 percent above normal. The actual rainfall received during this period has been 24.4 mm as compared to the normal rainfall of 14.4 mm. Out of the total 36 meteorological subdivisions, 13 subdivisions received large excess rainfall, 7 subdivisions received excess rainfall, 4 subdivisions received normal rainfall, 5 subdivisions received deficient rainfall, 4 of the subdivisions received large deficient rainfall and 3 subdivision remained without rainfall during the period.
- **Procurement:** Procurement of rice as on 31st December 2019 during kharif marketing season 2019- 20 was 25.6 million tonnes while procurement in the previous marketing season (KMS 2018- 19) during corresponding period was 25.1 million tonnes. Procurement of Wheat during the Rabi Marketing Season 2019-20 was 34.1 million tonnes while procurement in the previous marketing season (RMS 2018-19) during corresponding period was 35.8 million tonnes.
- **Off take:** The off take of rice, all schemes during the month of November, 2019 has been 30.5 lakh tonnes. This comprises 25.0 lakh tonnes under NFSA (off take against the allocation for the month of December, 2019) and 5.5 lakh tonnes under other

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schemes. In respect of wheat, the total off take has been 24 lakh tonnes comprising of 19.4 lakh tonnes under NFSA (off take against the allocation for the month of December, 2019) and 4.4 lakh tonnes under other schemes. The cumulative off take of food grains during 2019-20 is 44.6 million tonnes.

- Stocks: The total stocks of rice and wheat held by FCI as on 1st January, 2020 was 74.9 million tonnes compared to 63.4 million tonnes as on 1st January, 2019.

Industry and Infrastructure

- Real GVA growth of industry sector in 2019-20 is estimated at 2.5 percent (1st advance estimates), lower than 4.9 percent (1st revised estimates) in 2018-19.

Index of Industrial Production (IIP)

- IIP grew by 1.8 percent in November 2019, as compared to 0.2 percent recorded in November 2018. IIP registered a growth of 0.6 percent in April-November 2019, as compared to 5.0 percent during April-November 2018.
- IIP of manufacturing sector grew by 2.7 percent in November 2019, as compared to a contraction of 0.7 percent in November 2018. The manufacturing sector's growth during April-

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November 2019 was 0.9 percent, lower as compared to 4.9 percent during the corresponding period of previous year.

- IIP of mining sector grew by 1.7 percent in November 2019, as compared to a growth of 2.7 percent in November 2018. During April-November 2019, production of mining sector declined by 0.1 percent, as compared to a growth of 3.7 percent during the corresponding period of previous year.

Note-Performance of Eight Core Infrastructure Industries:

In December 2019, the production of eight core industries grew by 1.3 percent, as compared to a growth of 2.1 percent recorded in December 2018. Production of eight core industries grew by 0.2 percent in April-December 2019 as compared to a growth of 4.8 percent in the corresponding period of previous year.

Services Sector

Real GVA growth of services sector is estimated at 6.9 percent in 2019-20 (1st advance estimates), lower than 7.7 percent in 2018-19(1st revised estimates).

Some Infrastructure Indicators:

- The number of telephone subscribers in India declined from 1204.9 million at end October 2019 to 1175.9 million at end November 2019. The overall tele-density in India was 88.9 at

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end November 2019; the urban tele-density was 157.3 and rural tele-density was 56.7 at end November 2019.

- The traffic handled at major ports grew by 1.0 percent to 524 million tonnes in April-December 2019, from 518.9 million tonnes in the corresponding period of the previous year.
- As per the Central Electricity Authority, electricity generation declined by 2.1 percent in December 2019 (YoY basis).
- The total installed capacity for electricity generation was 3,67,281 MW at the end of December 2019, of which the share of thermal, hydro, renewable and nuclear sources was 62.8 percent, 12.4 percent, 23 percent and 1.8 percent respectively.

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Prepared By:-

MAYANK RAJ(Head-Economic R&D)

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