

MONTHLY CHARTBOOK

12 February 2018

Growth on the anvil

While consumption spending in India has softened, government's emphasis on raising farm incomes should boost rural spending. Investment and manufacturing activity is improving as domestic demand and exports have picked up. We are thus on course to achieve 7.5% GDP growth in FY19. However, inflation is also likely to be higher than last year led by food and oil. While we expect RBI to maintain the status quo on rates in 2018, a sharp spike in food and commodity prices may force a rate hike sooner than later.

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Consumption softening: Consumption showed some deceleration in Q3FY18 as growth in non-oil, non-gold imports and four-wheeler sales declined. Two-wheeler sales have been far better due to a soft base. Given the government's focus on doubling farmer income by 2022, we expect rural consumption to get a leg-up. RBI's consumer confidence index mirrors this optimism.

Investments recovering: Broad indicators of investment demand such as capital goods production, construction, and credit to infrastructure and industry are showing an uptick. Industrial output reversed its Oct'17 slump to surge 8.4% YoY in Nov'17. The cement sector continued to grow robustly, raising the possibility of infrastructure and construction goods performing well in the coming months. Manufacturing PMI data also points to expansion, as visible in higher capacity utilisation.

FY19 fiscal deficit at 3.3%: While the Centre did exceed its fiscal deficit target of 3.2% for FY18, the government has a new fiscal consolidation roadmap which envisages a debt-to-GDP ratio of 40% in FY25. For FY19, the government is increasingly reliant on CGST collections which are estimated to rise to Rs 500bn a month from the current run-rate of ~Rs 300bn. The extended fiscal deficit up to Nov'17 did reduce in Dec'17 on improved revenue collections.

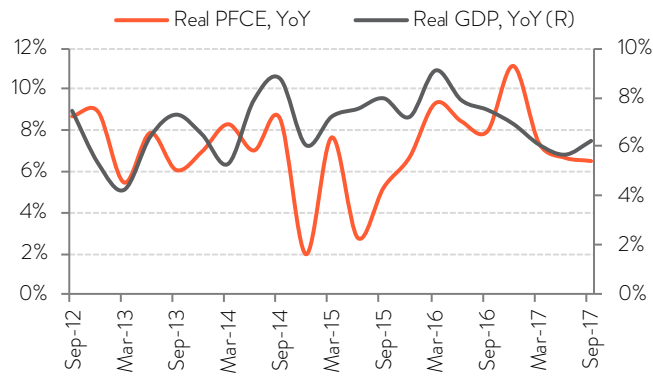
External deficits rising: Even though export growth moderated in Dec'17, it has exhibited a broad pickup over the year. While exports are expected to improve on the back of a recovery in global demand, higher oil prices will continue to put upward pressure on imports. Oil imports have already increased significantly this year, causing the trade deficit to balloon to a three-year high in Dec'17. We expect the current account deficit to come in at 2.2% and 2.6% of GDP in FY18 and FY19 respectively.



Consumption

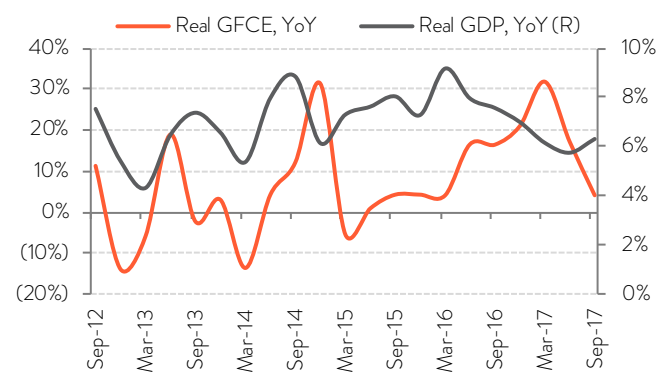
Final consumption expenditure

FIG 1 – CONSUMPTION REMAINS WEAK



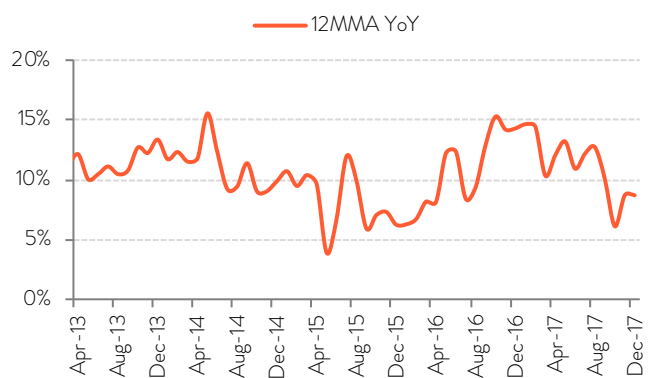
Source: CEIC, Bank of Baroda

FIG 2 – GOVERNMENT CONSUMPTION ALSO DOWN



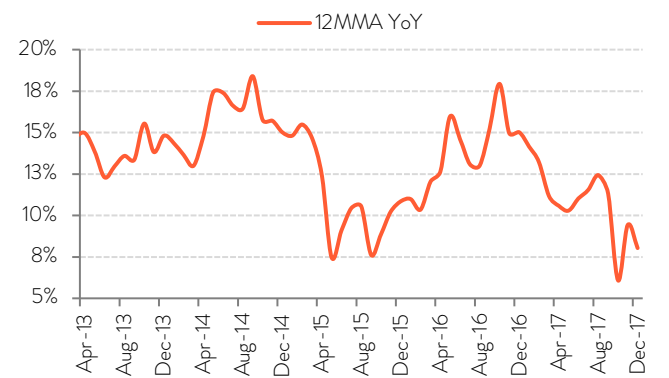
Source: CEIC, Bank of Baroda

FIG 3 – GENERAL GOVT* SPENDING CRAWLING BACK



Source: CEIC, Bank of Baroda | *Includes both Centre and State (Bank of Baroda classification)

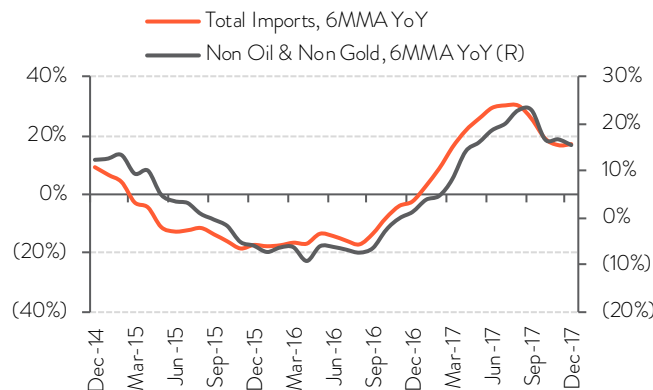
FIG 4 – SLIPPAGE IN STATE* GOVT. SPENDING



Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

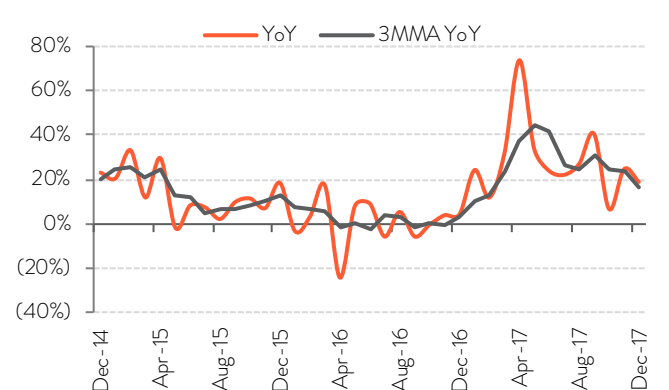
Non-oil imports, electronic imports

FIG 5 – CONSUMPTION SLOWING: NON-OIL, NON-GOLD IMPORT GROWTH ON THE DECLINE



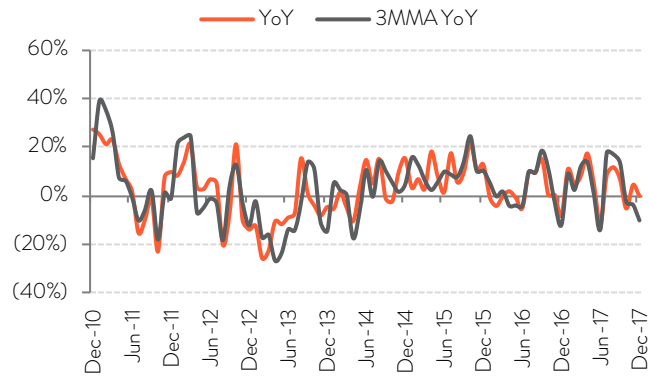
Source: CEIC, Bank of Baroda

FIG 6 – ELECTRONIC IMPORTS ALSO SHOWING SOME DOWNTICK



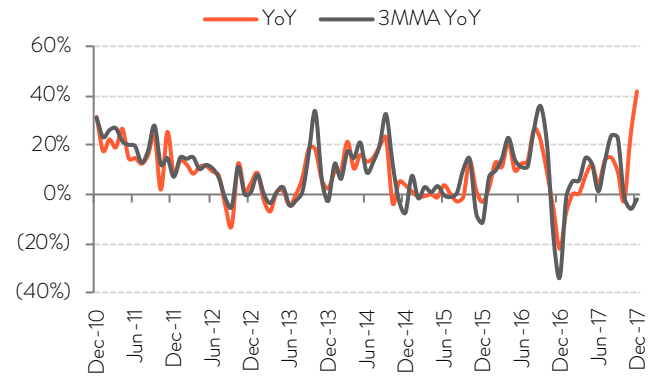
Source: CEIC, Bank of Baroda

FIG 7 – DOWNTURN IN PASSENGER CAR SALES...



Source: CEIC, Bank of Baroda

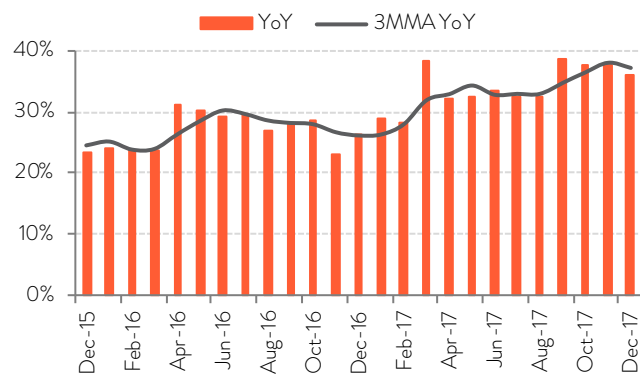
FIG 8 – ...BUT TWO-WHEELER SALES IMPROVING



Source: CEIC, Bank of Baroda

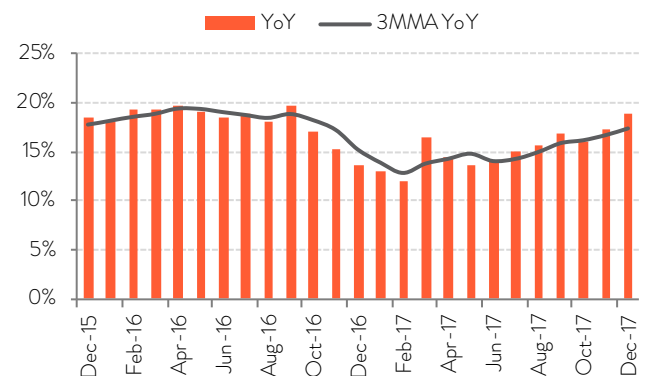
Credit deployment of personal loans

FIG 9 – CREDIT CARD OUTSTANDING INCHING UP



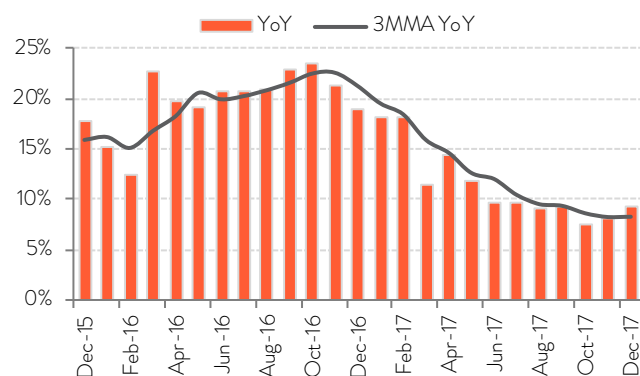
Source: CEIC, Bank of Baroda

FIG 10 – PERSONAL LOANS GROWING TOO



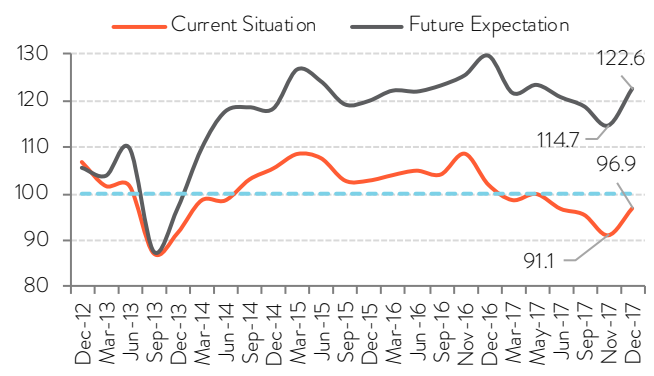
Source: CEIC, Bank of Baroda

FIG 11 – VEHICLE LOANS REMAIN SOFT



Source: CEIC, Bank of Baroda

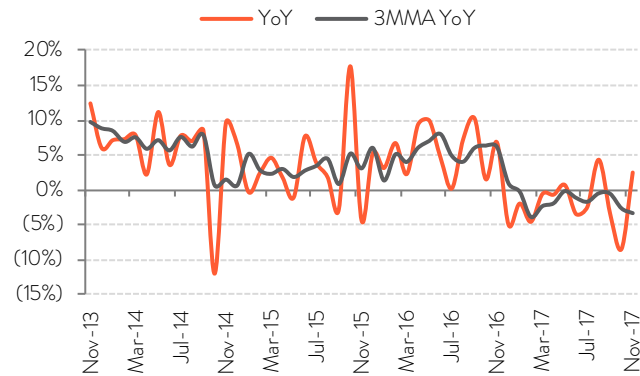
FIG 12 – CONSUMER EXPECTATION SHOOTING UP



Source: CEIC, Bank of Baroda

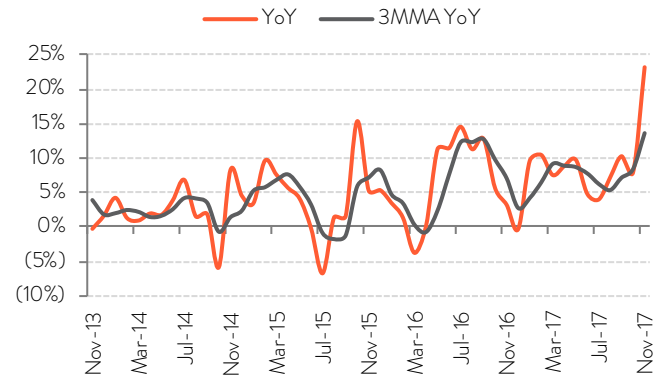
Consumer durables & non-durables production

FIG 13 – CONSUMER DURABLES OUTPUT IMPROVED



Source: CEIC, Bank of Baroda

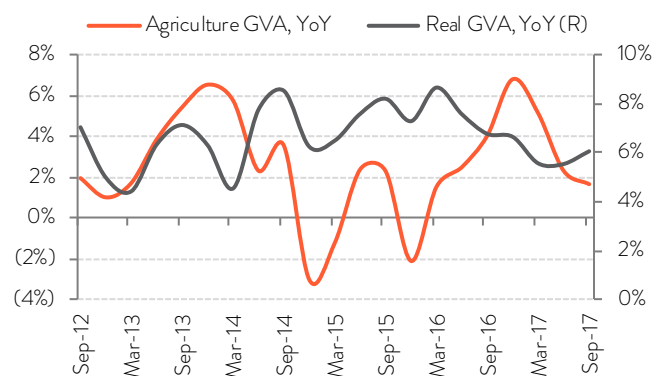
FIG 14 – FMCG OUTPUT SHOWING TRACTION



Source: CEIC, Bank of Baroda

Agriculture

FIG 15 – FALLING GROWTH IN AGRICULTURE SECTOR



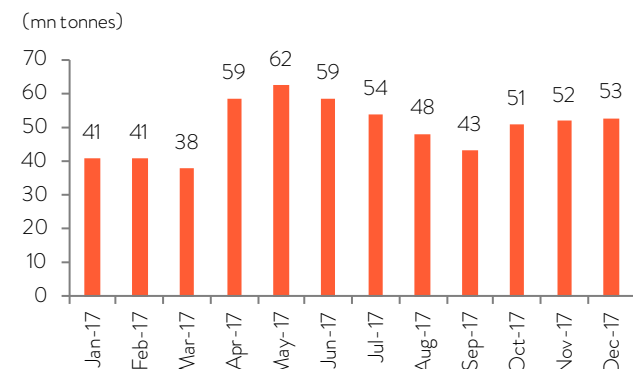
Source: CEIC, Bank of Baroda

FIG 16 – SOWN AREA* LOWER LED BY WHEAT

| (mn ha) | Area sown in 2017-18 | Area sown in 2016-17 | Normal Area for Whole Rabi season | Growth YoY (%) |
|----------------|----------------------|----------------------|-----------------------------------|----------------|
| Wheat | 30.07 | 31.78 | 30.17 | (5.38) |
| Rice | 2.86 | 2.42 | 3.65 | 18.18 |
| Coarse Cereals | 5.63 | 5.72 | 6.43 | (1.57) |
| Pulses | 16.65 | 15.8 | 13.95 | 5.38 |
| Oilseeds | 8.03 | 8.44 | 8.15 | (4.86) |
| Total | 63.24 | 64.16 | 62.35 | (1.43) |

Source: CEIC, Bank of Baroda | *Data as of 2 Feb 2018

FIG 17 – FOODGRAIN STOCK INCREASING



Source: CEIC, Bank of Baroda

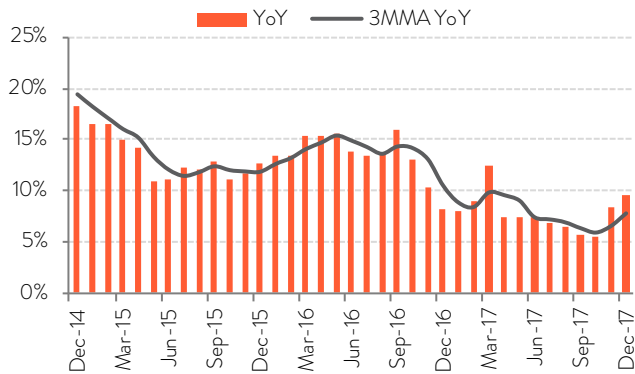
FIG 18 – RICE PROCUREMENT TO EXCEED WHEAT

| Year | Wheat (%) | Rice (%) |
|---------|-----------|----------|
| 2010-11 | 22.51 | 34.20 |
| 2011-12 | 28.33 | 35.04 |
| 2012-13 | 38.14 | 34.04 |
| 2013-14 | 25.09 | 31.85 |
| 2014-15 | 28.02 | 32.04 |
| 2015-16 | 28.08 | 34.22 |
| 2016-17 | 22.96 | 38.11 |
| 2017-18 | 30.82 | 28.30* |

Source: Ministry of Consumer Affairs, Food and Public Distribution, Bank of Baroda |

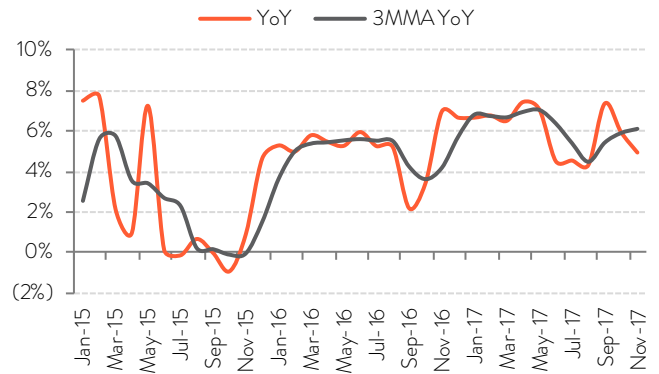
*Data as of 1 Feb 2018

FIG 19 – AGRICULTURE CREDIT SHOWING SOME REVERSAL SINCE NOVEMBER



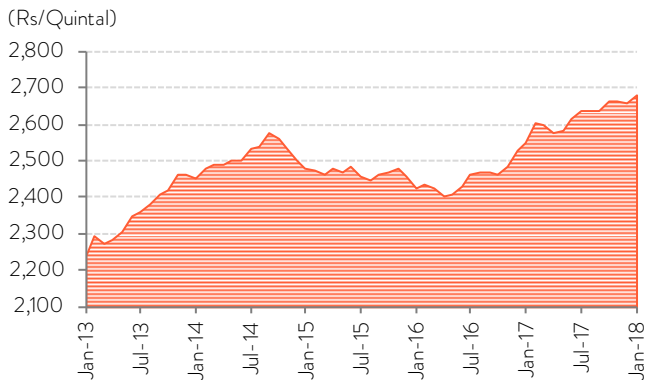
Source: CEIC, Bank of Baroda

FIG 20 – DOWNWARD BLIP IN AGRICULTURE WAGES IN NOVEMBER, TREND STILL UP



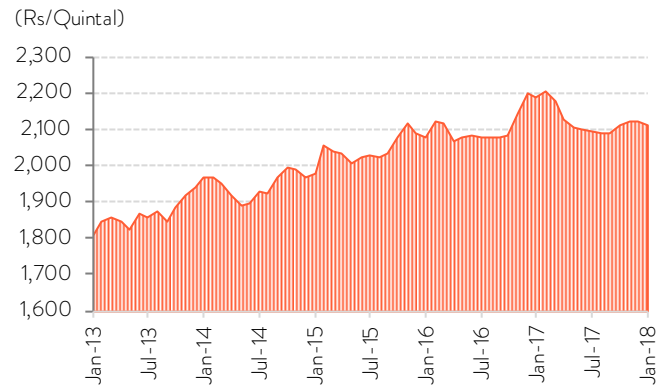
Source: CEIC, Bank of Baroda

FIG 21 – WHOLESALE PRICE OF RICE INCREASING



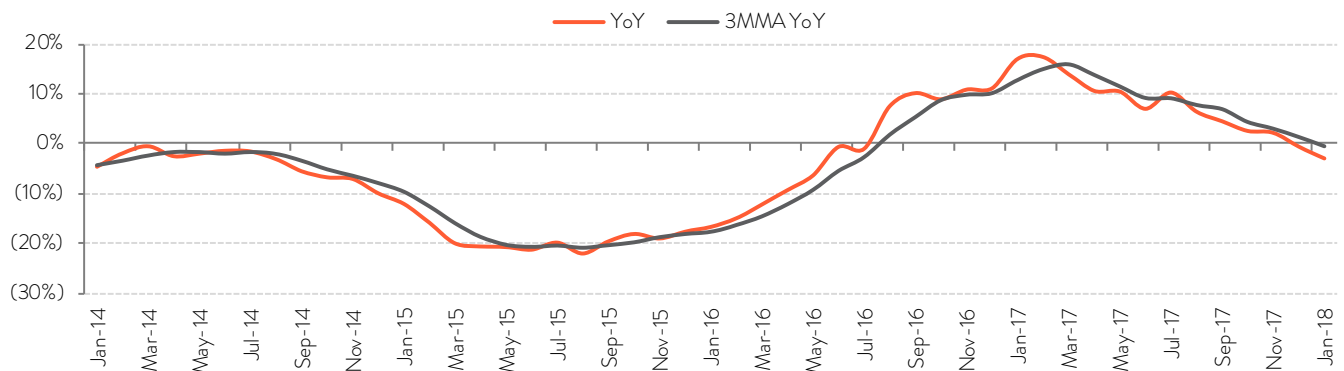
Source: CEIC, Bank of Baroda

FIG 22 – WHOLESALE PRICE OF WHEAT FLAT



Source: CEIC, Bank of Baroda

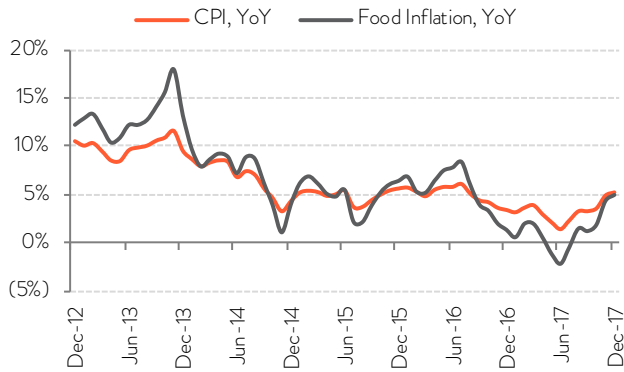
FIG 23 – GLOBAL FOOD PRICES REMAIN SOFT



Source: FAO, Bank of Baroda

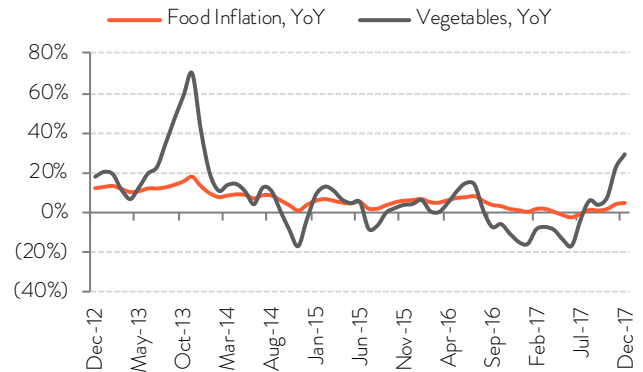
Inflation

FIG 24 – RETAIL INFLATION ROSE TO 15-MONTH HIGH OF 5.2% DRIVEN BY FOOD



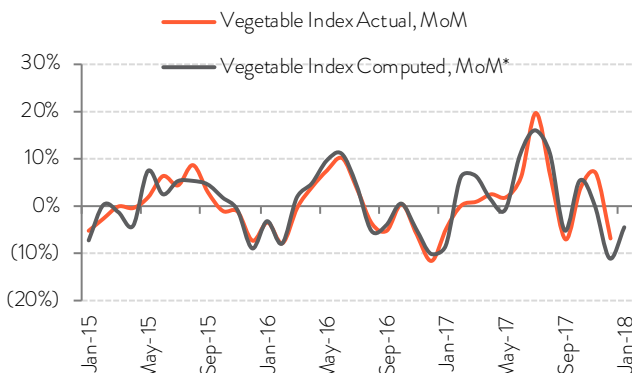
Source: CEIC, Bank of Baroda

FIG 25 – VEGETABLES DRIVING FOOD INFLATION HIGHER



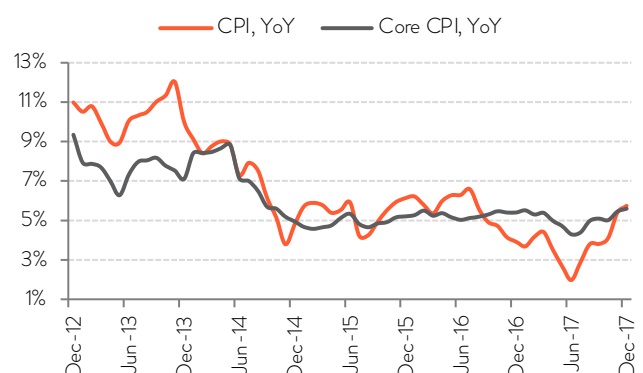
Source: CEIC, Bank of Baroda

FIG 26 – VEGETABLE INFLATION SEEN BUILDING UP IN JAN'18 AS WELL



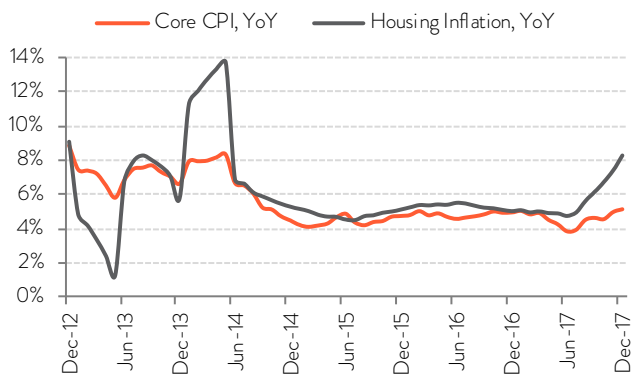
Source: CEIC, Bank of Baroda *Vegetable index computed using average retail price of major vegetables

FIG 27 – CORE INFLATION MOVED UP TO 5.1% IN DEC'17...



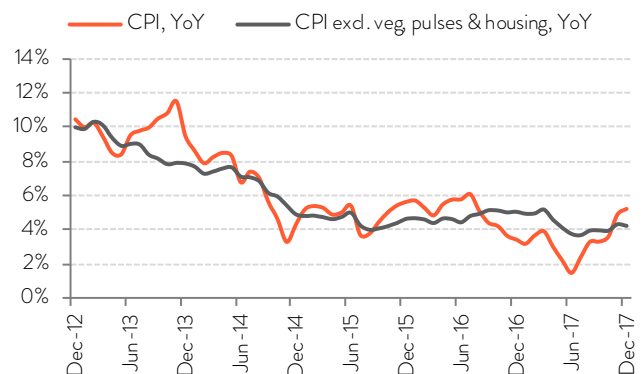
Source: CEIC, Bank of Baroda

FIG 28 – ...LED BY HOUSING



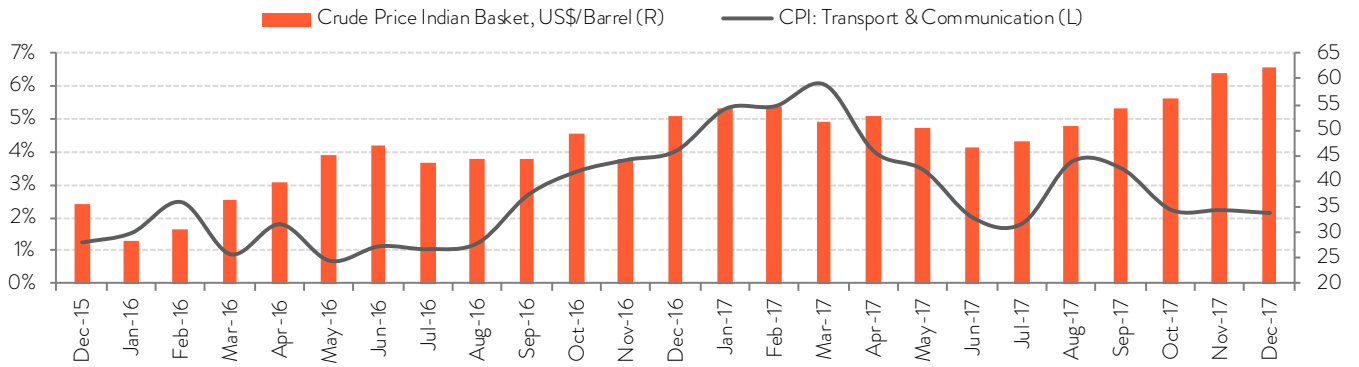
Source: CEIC, Bank of Baroda

FIG 29 – CPI EXCLUDING VOLATILE ITEMS EDGED DOWN IN DEC'17



Source: CEIC, Bank of Baroda

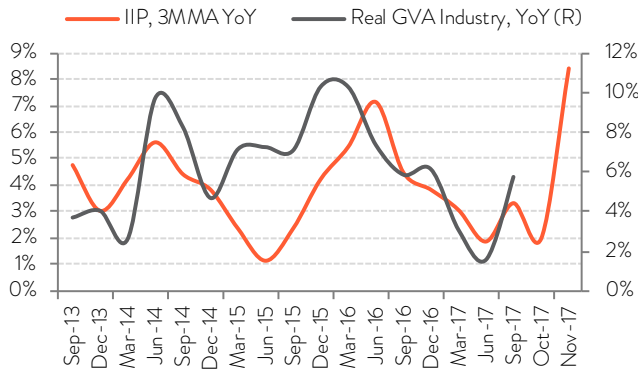
FIG 30 – LOWER PASS-THROUGH OF CRUDE PRICES PROVIDED RESPITE



Source: CEIC, Bank of Baroda

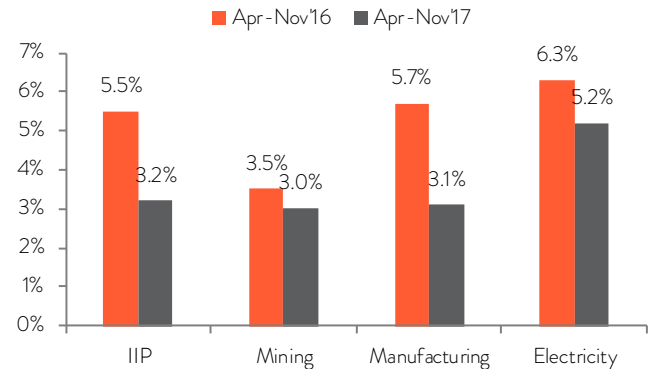
Industry

FIG 31 – INDUSTRIAL OUTPUT IMPROVING...



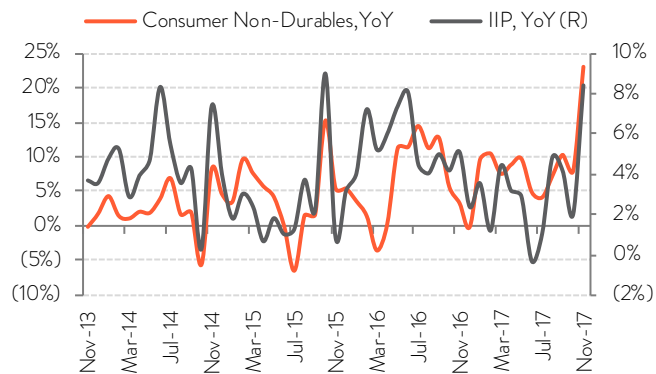
Source: CEIC, Bank of Baroda

FIG 32 – ...THOUGH SLOWING DOWN ON A CUMULATIVE BASIS



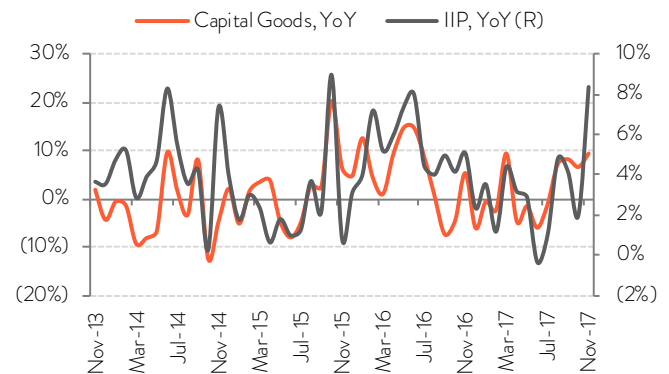
Source: CEIC, Bank of Baroda

FIG 33 – CONSUMER NON-DURABLES PUSHED IIP UPWARDS



Source: CEIC, Bank of Baroda

FIG 34 – CAPITAL GOODS DOING THE SAME



Source: CEIC, Bank of Baroda

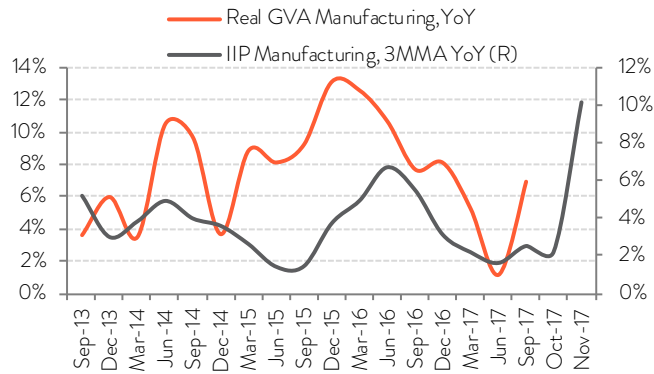
FIG 35 – INDUSTRIAL OUTPUT BOUNCES BACK

| Sectoral (%) | Weight | Apr-Nov'16 | Apr-Nov'17 | Nov-16 | Oct-17 | Nov-17 |
|---------------------------------------|--------|------------|------------|--------|--------|--------|
| IIP | 100 | 5.5 | 3.2 | 5.1 | 2.0 | 8.4 |
| Mining | 77.6 | 3.5 | 3.0 | 8.1 | (0.1) | 1.1 |
| Manufacturing | 14.4 | 5.7 | 3.1 | 4.0 | 2.2 | 10.2 |
| Electricity | 8 | 6.3 | 5.2 | 9.5 | 3.2 | 3.9 |
| Use-Based | | | | | | |
| Primary Goods | 34.1 | 5.1 | 3.4 | 5.5 | 2.4 | 3.2 |
| Capital Goods | 8.2 | 4.7 | 2.1 | 5.3 | 6.6 | 9.4 |
| Intermediate Goods | 17.2 | 3.6 | 0.9 | 5.7 | 0.2 | 5.5 |
| Infrastructure and Construction Goods | 12.3 | 5.0 | 3.8 | 3.9 | 5.5 | 13.5 |
| Consumer Durables Goods | 12.8 | 6.1 | (1.4) | 6.8 | (8.6) | 2.5 |
| Consumer Non-Durables Goods | 15.3 | 8.7 | 9.4 | 3.3 | 7.9 | 23.1 |

Source: CEIC, Bank of Baroda

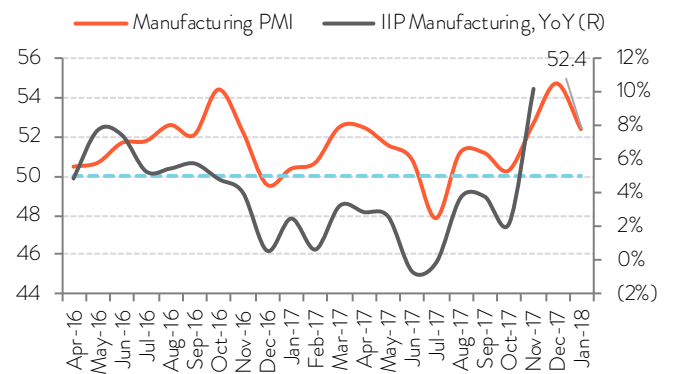
Manufacturing

FIG 36 – UPTICK IN MANUFACTURING



Source: CEIC, Bank of Baroda

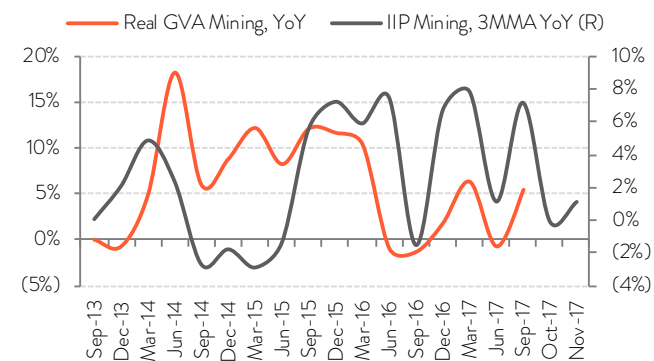
FIG 37 – MANUFACTURING PMI COOLS OFF



Source: CEIC, Bank of Baroda

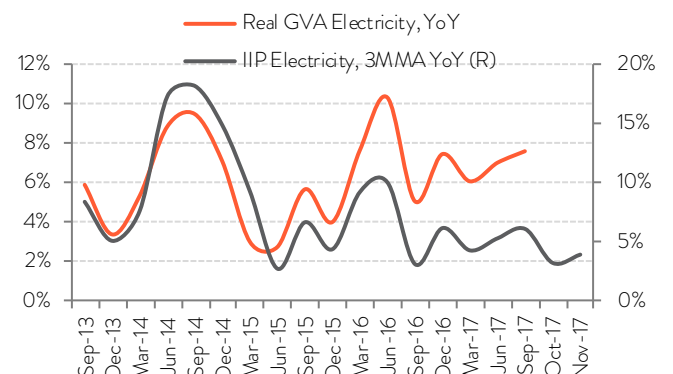
Mining & Electricity

FIG 38 – MINING ACTIVITY SHOWING SOME IMPROVEMENT



Source: CEIC, Bank of Baroda

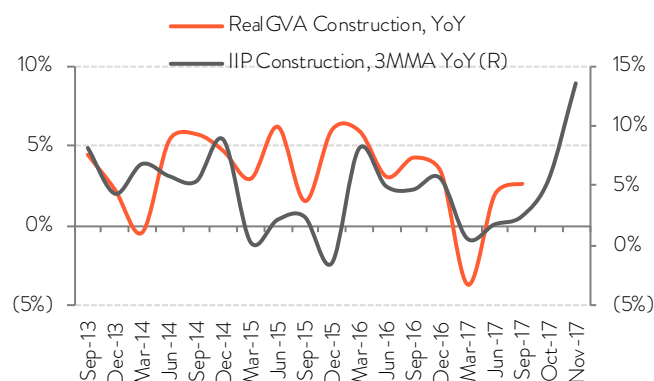
FIG 39 – MARGINAL UPTICK IN ELECTRICITY GROWTH



Source: CEIC, Bank of Baroda

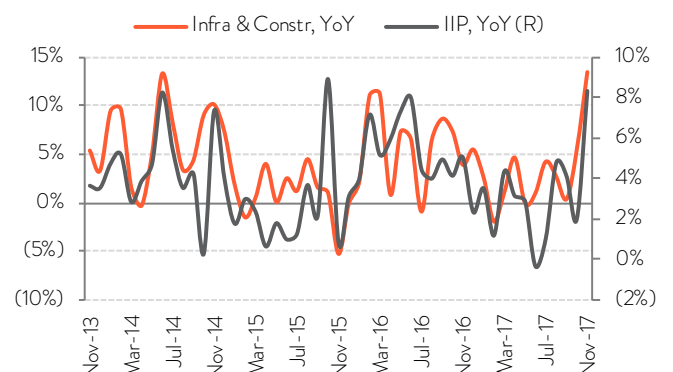
Infrastructure and Construction

FIG 40 – CONSTRUCTION SECTOR GROWING FASTER IN Q3...



Source: CEIC, Bank of Baroda

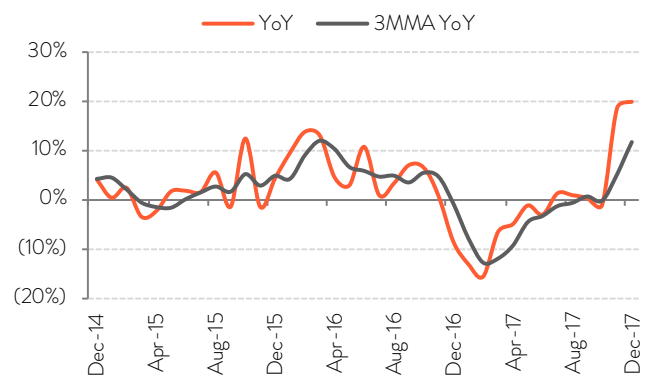
FIG 41 – ...LED BY SHARP RECOVERY IN NOV'17



Source: CEIC, Bank of Baroda

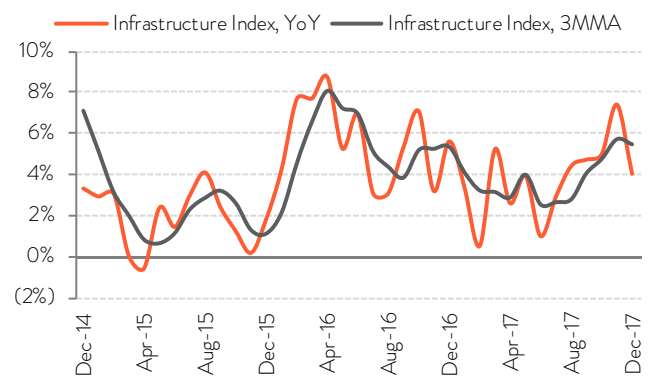
Cement production and Infrastructure index

FIG 42 – ROBUST DEMAND FOR CEMENT CONTINUES



Source: CEIC, Bank of Baroda

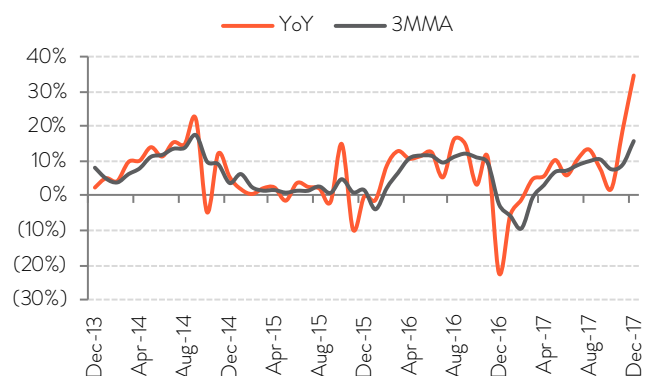
FIG 43 – INFRASTRUCTURE INDEX SCALING DOWN



Source: CEIC, Bank of Baroda

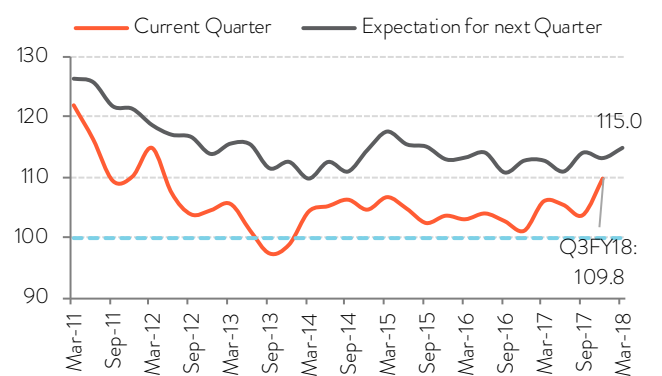
Auto production and Business expectation index

FIG 44 – IMPROVEMENT IN AUTO PRODUCTION



Source: CEIC, Bank of Baroda

FIG 45 – IMPROVEMENT IN BUSINESS



Source: CEIC, Bank of Baroda

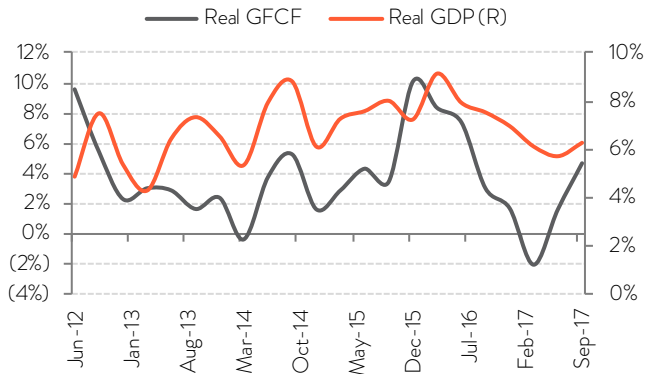
FIG 46 – INFRASTRUCTURE INDEX – COAL AND CRUDE OIL REPORTING SOFT GROWTH

| (%) | Weight | Apr-Nov'17 | Apr-Nov'18 | Dec-16 | Nov-17 | Dec-17 |
|-----------------------------|--------|------------|------------|--------|--------|--------|
| Infrastructure Index | 100 | 5.3 | 4.0 | 5.6 | 6.7 | 4.0 |
| Coal | 4.16 | 1.5 | 1.3 | 3.6 | (0.2) | (0.1) |
| Crude Oil | 3.62 | (3.2) | (0.4) | (0.8) | 0.2 | (2.1) |
| Natural Gas | 2.77 | (3.3) | 4.0 | (0.4) | 2.4 | 1.0 |
| Petroleum Refinery Products | 11.29 | 6.7 | 3.9 | 5.4 | 8.2 | 6.6 |
| Fertilizers | 1.06 | 1.2 | (0.6) | (2.9) | 0.3 | 3.0 |
| Steel | 7.21 | 10.9 | 6.7 | 15.9 | 16.7 | 2.6 |
| Cement | 2.16 | 2.8 | 2.7 | (8.7) | 17.3 | 19.6 |
| Electricity | 7.9 | 6.4 | 4.9 | 6.4 | 1.9 | 4.0 |

Source: CEIC, Bank of Baroda

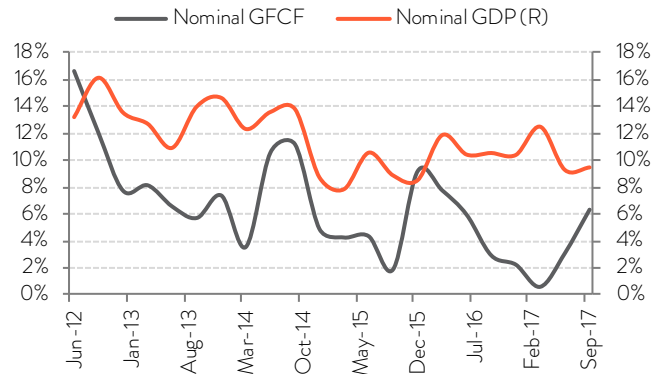
Investment

FIG 47 – REAL GFCF PICKING UP SHARPLY



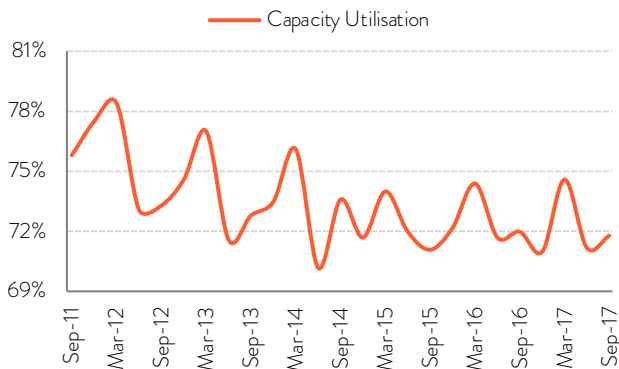
Source: CEIC, Bank of Baroda

FIG 48 – NOMINAL GFCF ALSO PICKING UP



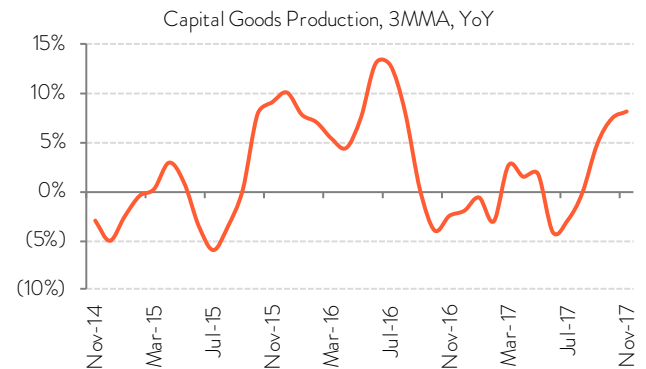
Source: CEIC, Bank of Baroda

FIG 49 – CAPACITY UTILISATION PICKING UP



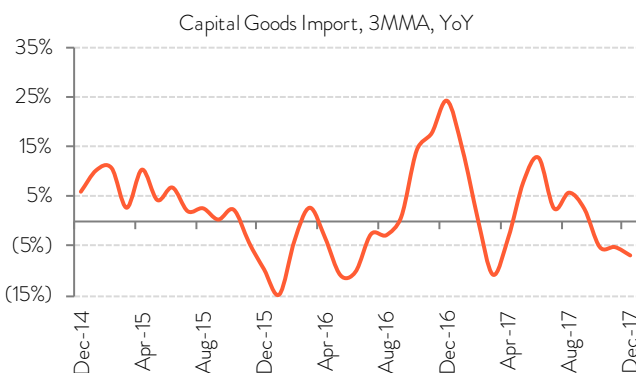
Source: CEIC, Bank of Baroda

FIG 50 – CAPITAL GOODS PRODUCTION RISING



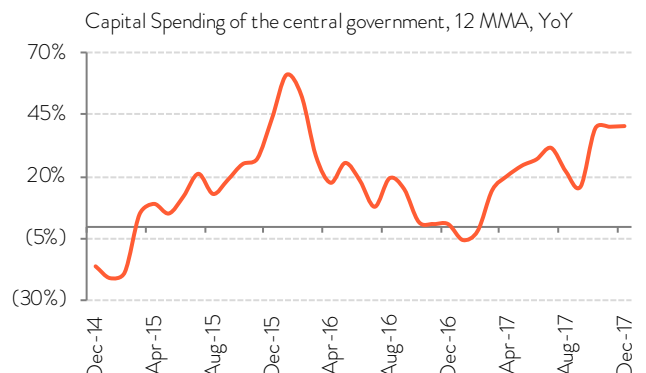
Source: CEIC, Bank of Baroda

FIG 51 – CAPITAL GOODS IMPORTS DECLINING



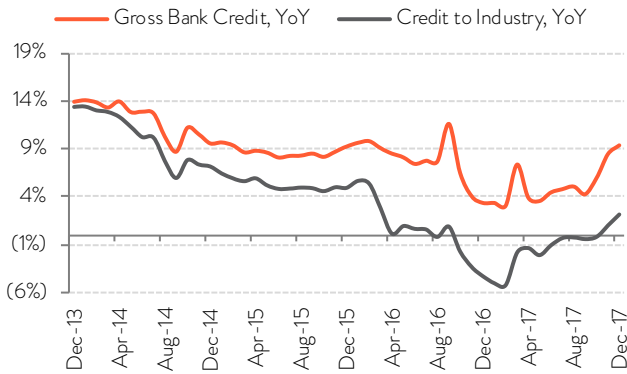
Source: CEIC, Bank of Baroda

FIG 52 – GOVT.'S CAPITAL SPENDING REMAINED STEADY IN DEC'17



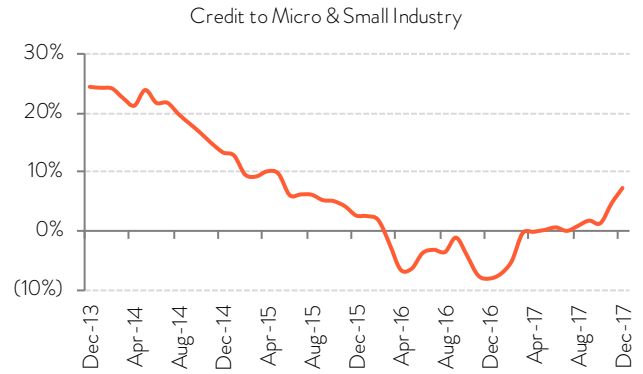
Source: CEIC, Bank of Baroda

FIG 53 – INDUSTRY CREDIT PICKING UP



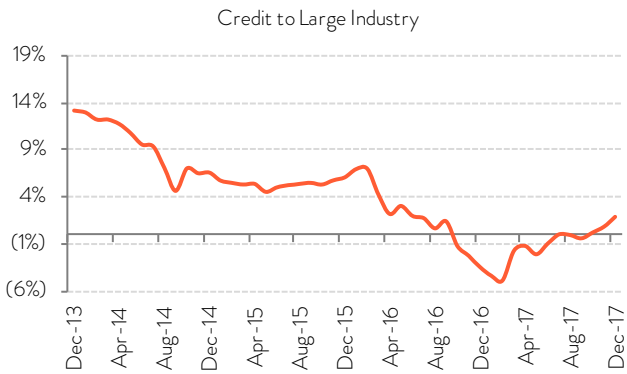
Source: CEIC, Bank of Baroda

FIG 54 – CREDIT TO MICRO/SMALL INDUSTRY RISING



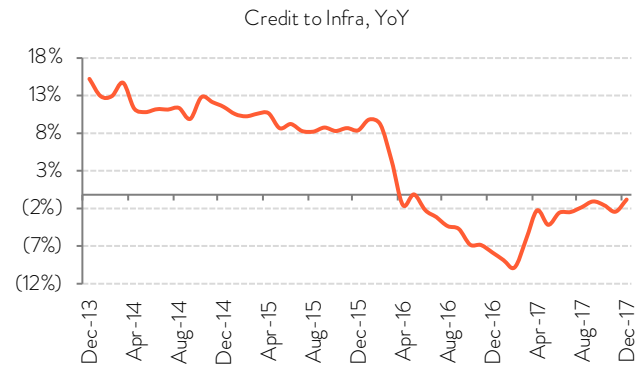
Source: CEIC, Bank of Baroda

FIG 55 – CREDIT TO LARGE INDUSTRY ON AN UPTICK



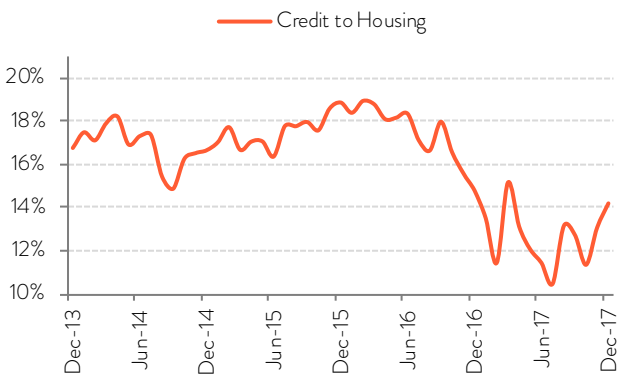
Source: CEIC, Bank of Baroda

FIG 56 – CREDIT TO INFRASTRUCTURE PICKING UP



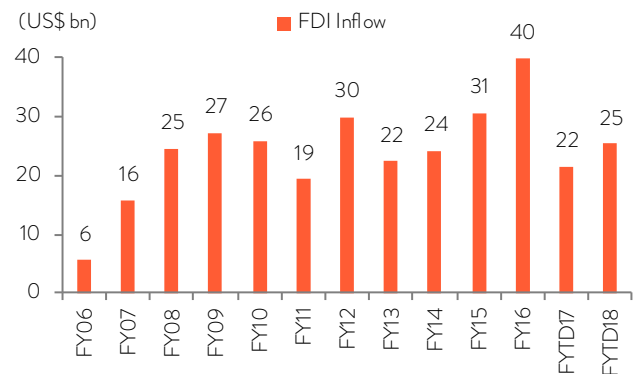
Source: CEIC, Bank of Baroda

FIG 57 – CREDIT TO HOUSING ON THE RISE



Source: CEIC, Bank of Baroda

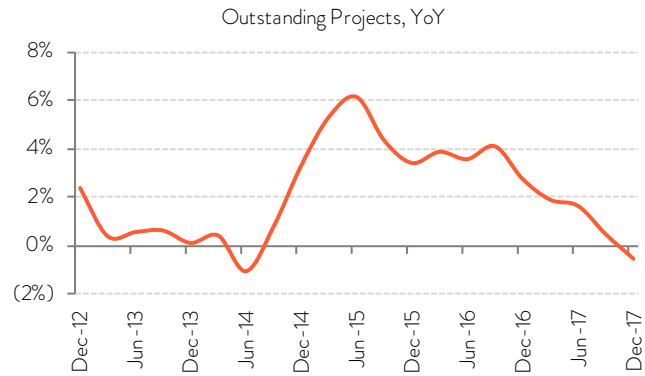
FIG 58 – FDI INFLOWS IMPROVING



Source: CEIC, Bank of Baroda, Note: YTD data is Apr-Sep

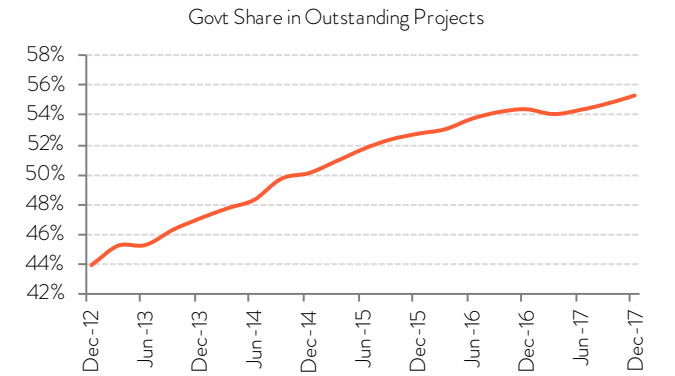
Capex data

FIG 59 – O/S PROJECTS DECLINING



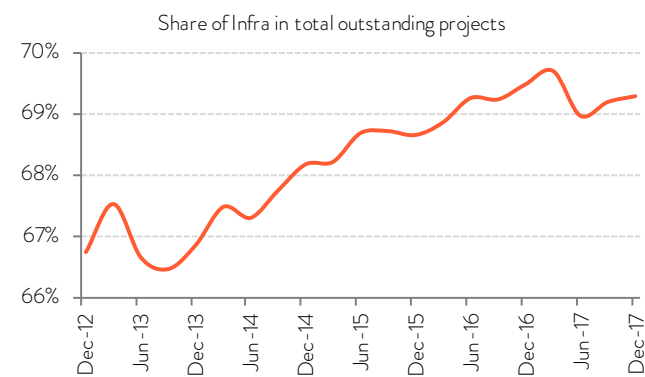
Source: CMIE, Bank of Baroda

FIG 60 – GOVT. SHARE IN O/S PROJECTS PICKING UP



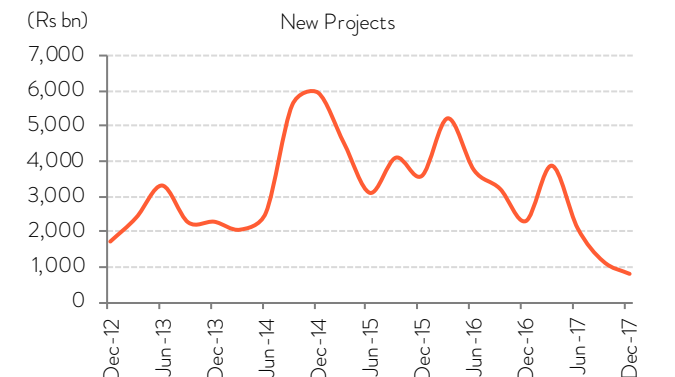
Source: CMIE, Bank of Baroda

FIG 61 – SHARE OF INFRA* IN O/S PROJECTS RISING



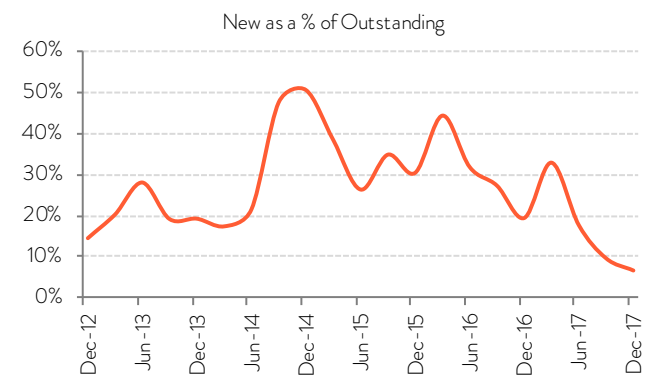
Source: CMIE, Bank of Baroda | *Infra in capex database is constructed taking into account electricity, transport and communication services, construction and real estate, and irrigation

FIG 62 – NEW PROJECTS FALLING



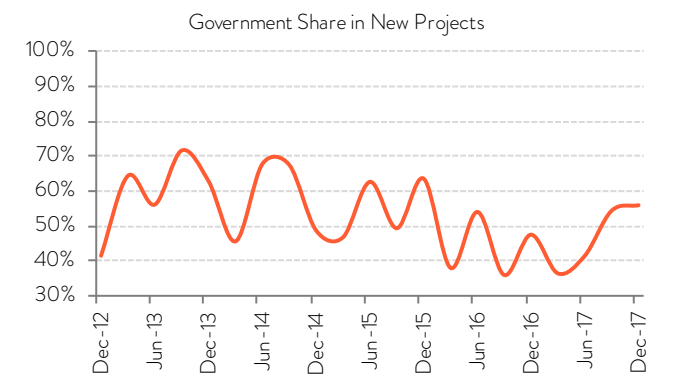
Source: CMIE, Bank of Baroda

FIG 63 – NEW PROJECTS AS A % OF O/S PROJECTS DECLINING



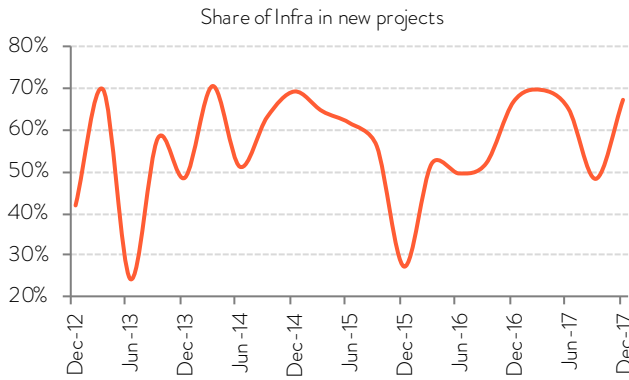
Source: CMIE, Bank of Baroda

FIG 64 – GOVT. SHARE IN NEW PROJECTS REMAINED STABLE



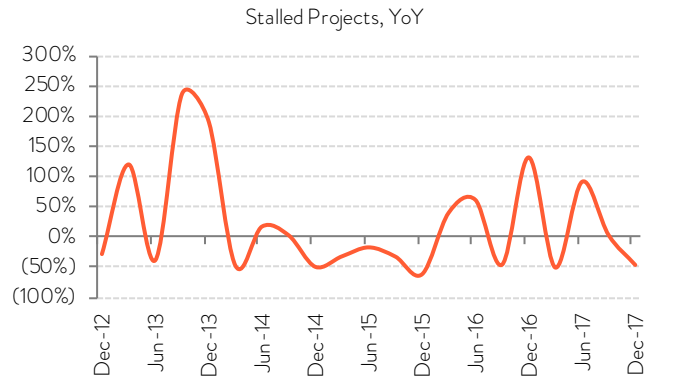
Source: CMIE, Bank of Baroda

FIG 65 – SHARE OF INFRA IN NEW PROJECTS IMPROVING MARKEDLY



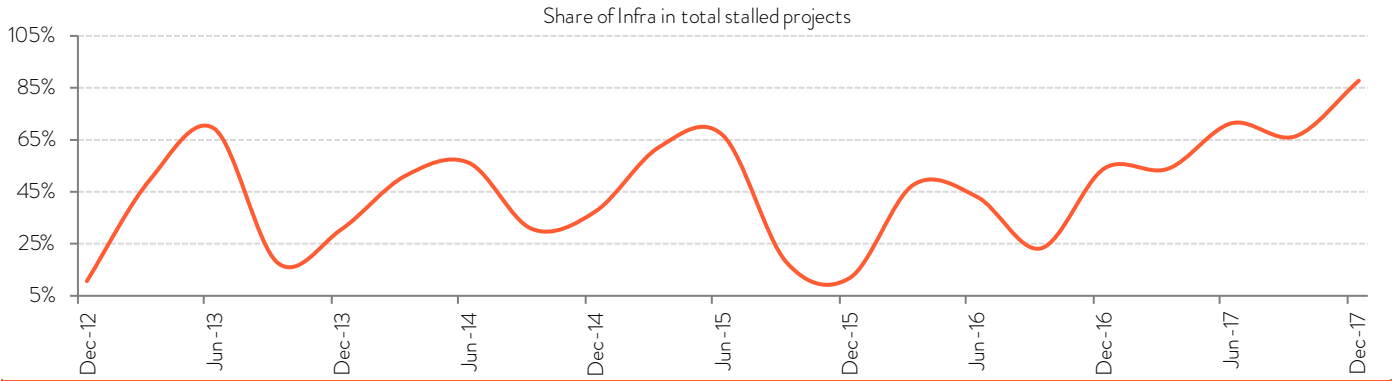
Source: CMIE, Bank of Baroda

FIG 66 – STALLED PROJECTS FALLING



Source: CMIE, Bank of Baroda

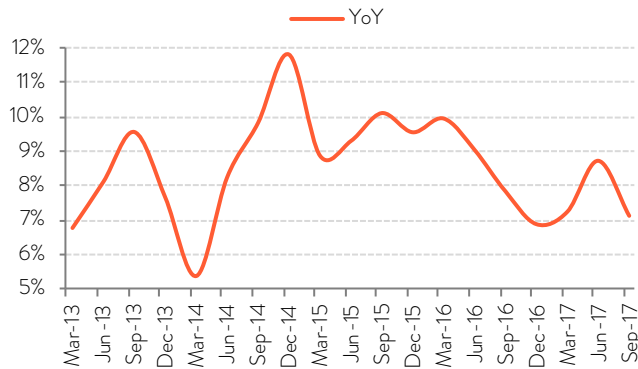
FIG 67 – SHARE OF INFRASTRUCTURE IN STALLED PROJECTS RISING



Source: CMIE, Bank of Baroda

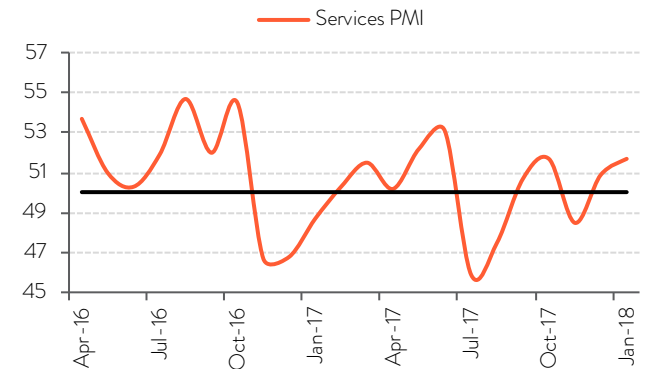
Services sector

FIG 68 – POST-GST ROLLOUT, SERVICES ACTIVITY GROWTH SLOWED TEMPORARILY IN Q2FY18



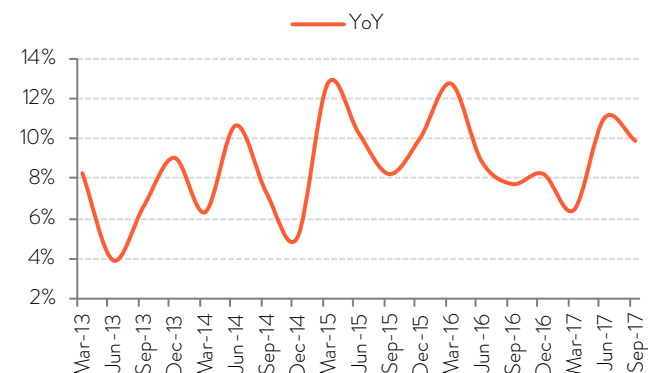
Source: CEIC, Bank of Baroda

FIG 69 – SERVICES ACTIVITY REGAINS MOMENTUM IN JAN'18



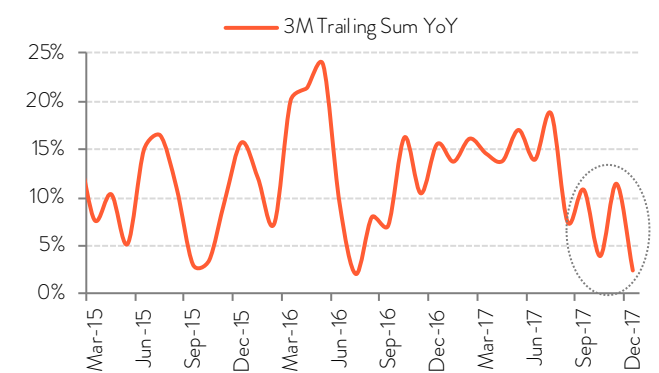
Source: Markit, Bank of Baroda

FIG 70 – TRADE & RELATED SERVICES GROWTH DIPPED IN Q2FY18 IN REAL TERMS



Source: CEIC, Bank of Baroda

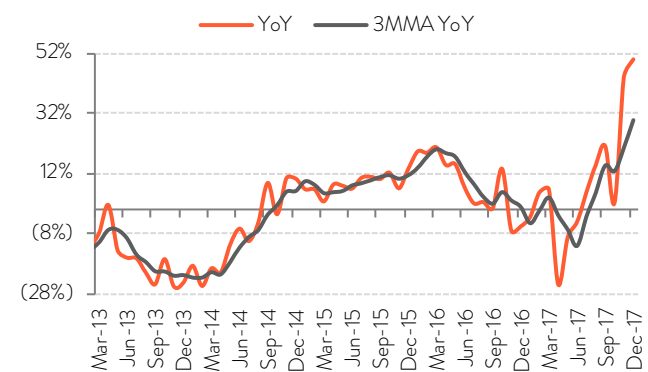
FIG 71 – REVENUE RECEIPTS OF STATES* REMAINS A DRAG IN Q3FY18



Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

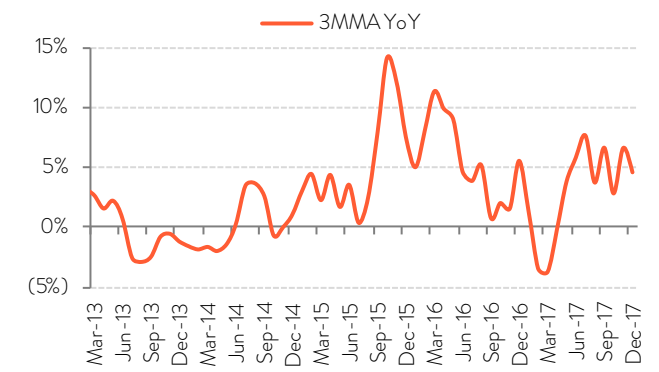
Trade

FIG 72 – COMMERCIAL VEHICLES SALES SHOOT UP IN DEC'17 – BASE EFFECT



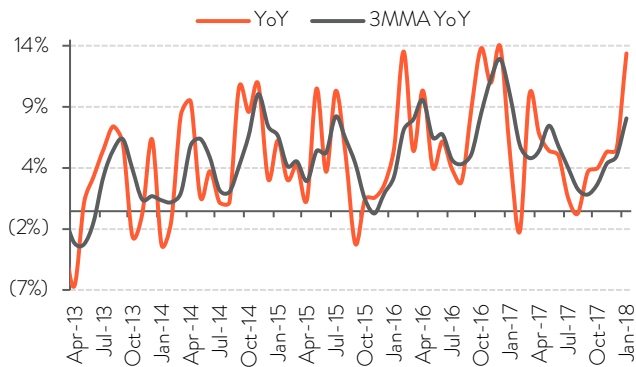
Source: CEIC, Bank of Baroda

FIG 73 – DIESEL CONSUMPTION SLIPS IN DEC'17



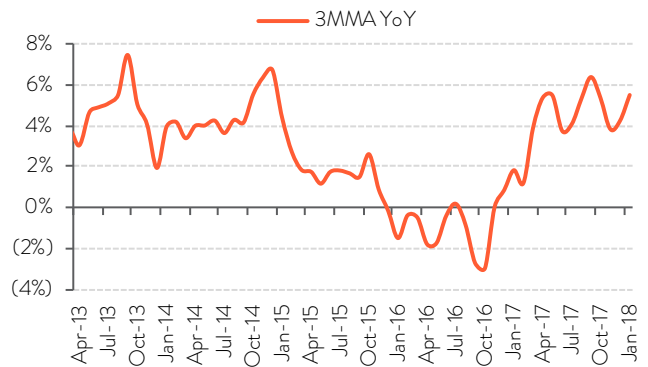
Source: PPAC, Bank of Baroda

FIG 74 – PORT CARGO TRAFFIC GAINING SPEED



Source: CEIC, Bank of Baroda

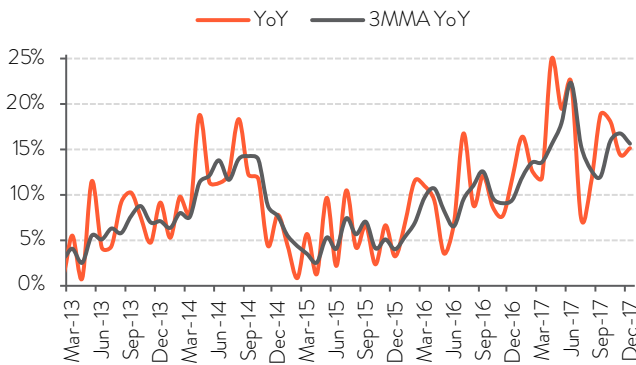
FIG 75 – RAILWAY FREIGHT TRAFFIC GROWTH MAINTAINS MOMENTUM



Source: CEIC, Bank of Baroda

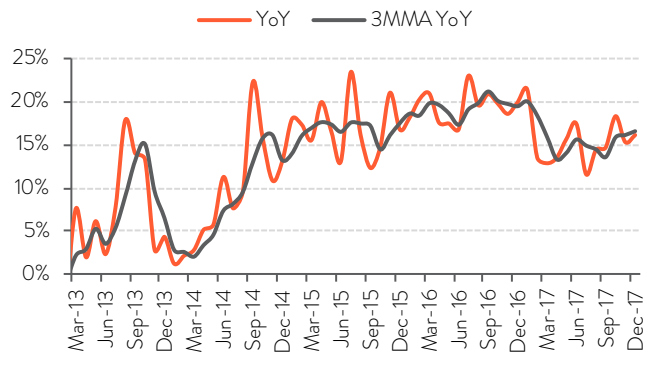
Hotels and Communications

FIG 76 – FOREIGN TOURIST ARRIVAL GROWTH PICKING UP



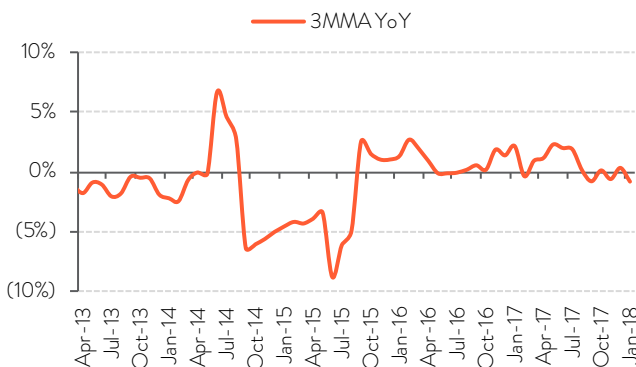
Source: CEIC, Bank of Baroda

FIG 77 – AIRLINE PASSENGER TRAFFIC GROWTH IMPROVING



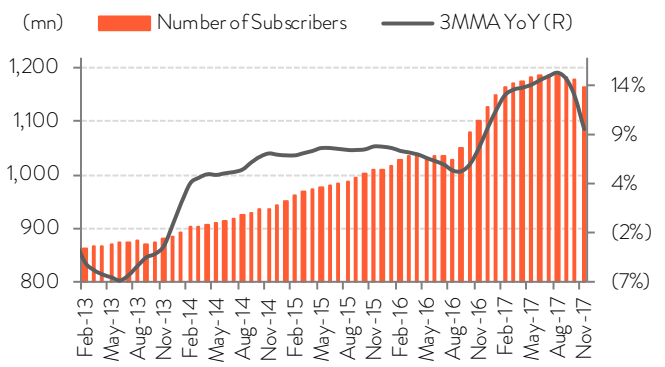
Source: CEIC, Bank of Baroda

FIG 78 – RAILWAY PASSENGER TRAFFIC GROWTH SLIPS AGAIN IN DEC'17



Source: CEIC, Bank of Baroda

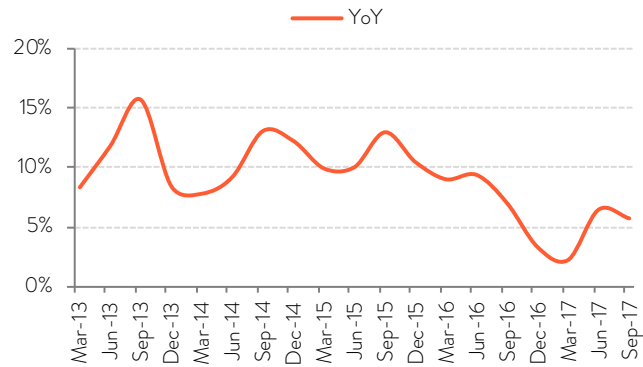
FIG 79 – WIRELESS SUBSCRIBER GROWTH DECLINED FURTHER IN NOV'17



Source: CEIC, Bank of Baroda

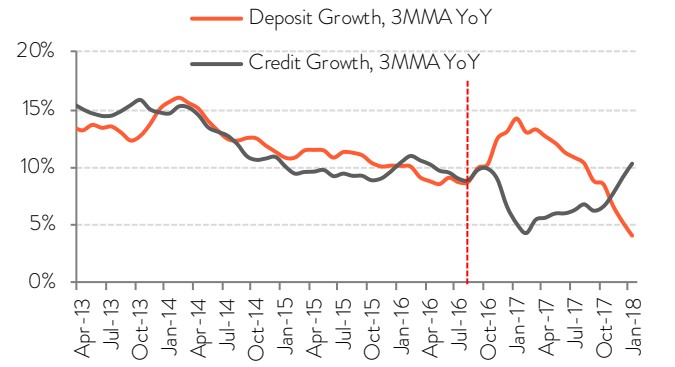
Finance and Real estate

FIG 80 – FINANCE, REAL ESTATE & PROF. SERVICES GROWTH SLOWED ON ACCOUNT OF GST



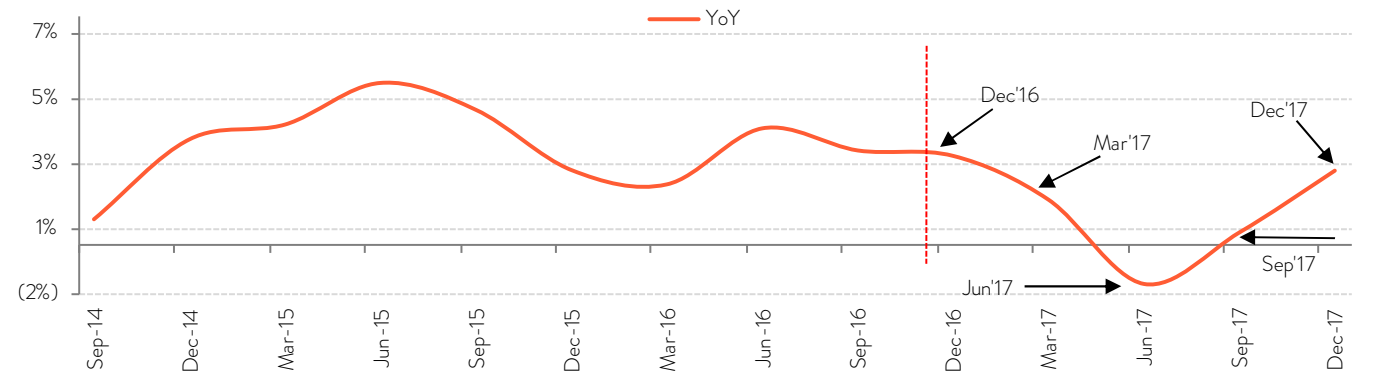
Source: CEIC, Bank of Baroda

FIG 81 – DEPOSIT GROWTH CONTINUES TO DECLINE WHILE CREDIT GROWTH PICKS UP



Source: CEIC, Bank of Baroda

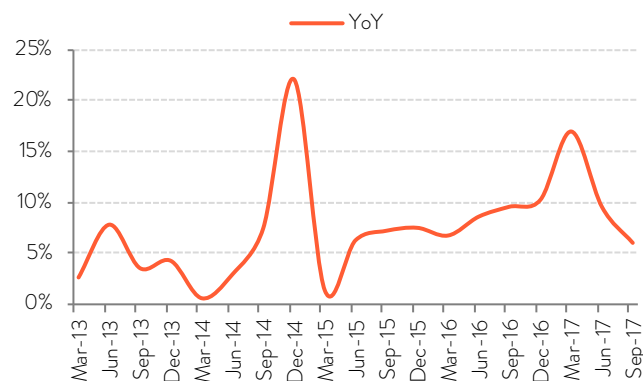
FIG 82 – AVERAGE PROPERTY PRICE INDEX* INCHING UP TO PRE-DEMONETISATION LEVELS



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

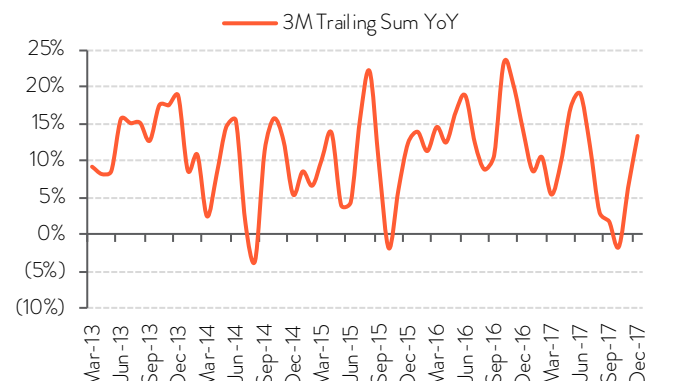
Public administration

FIG 83 – PUBLIC ADMINISTRATION & RELATED SERVICE SECTOR GROWTH FALLS IN Q2FY18



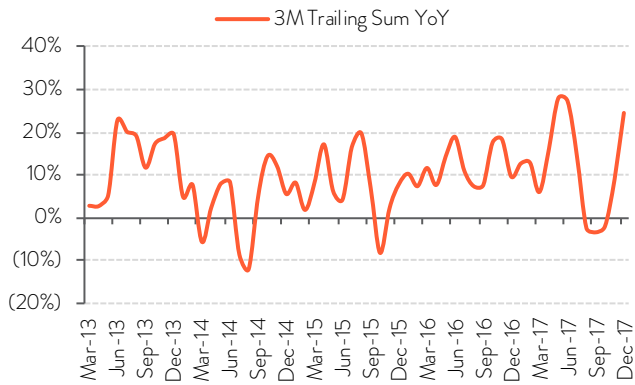
Source: CEIC, Bank of Baroda

FIG 84 – GENERAL GOVT. SPENDING MAINTAINS SOLID GROWTH IN DEC QUARTER



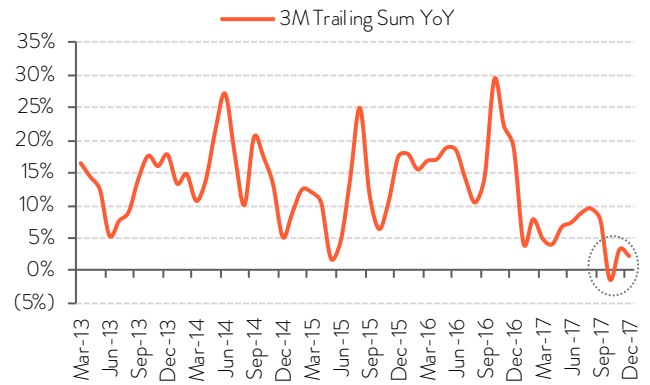
Source: CEIC, Bank of Baroda

FIG 85 – CENTRAL GOVT. SPENDING CONTINUES TO LEAD THE WAY



Source: CEIC, Bank of Baroda

FIG 86 – STATE* GOVT. SPENDING DECLINES IN DEC'17

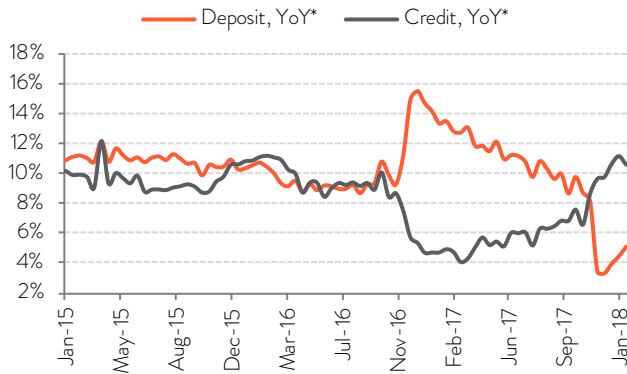


Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Nagaland, Telangana, Tripura, W.Bengal

Financial sector

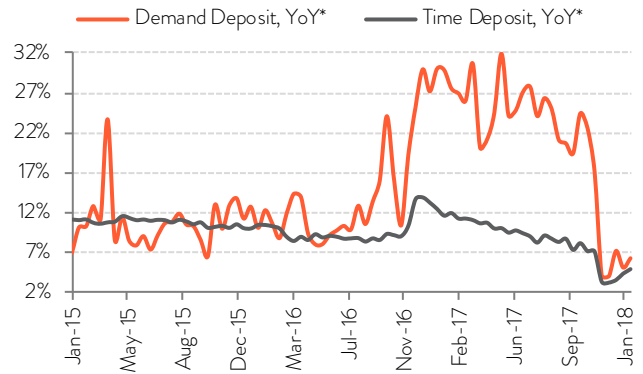
Money and banking

FIG 87 – CREDIT GROWTH FALLING MARGINALLY



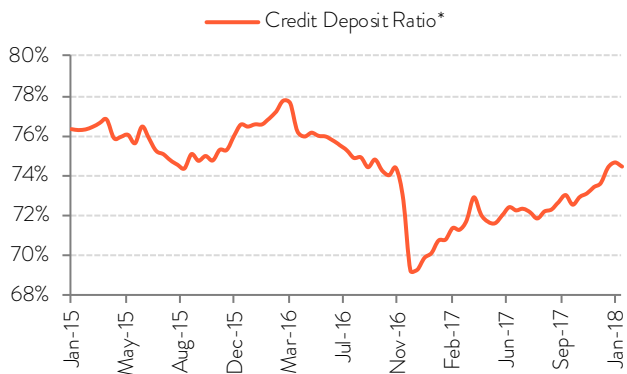
Source: CEIC, Bank of Baroda Research | *Jan18 implies fortnight as of 19 Jan 2018.

FIG 88 – DEPOSIT GROWTH INCHING UP



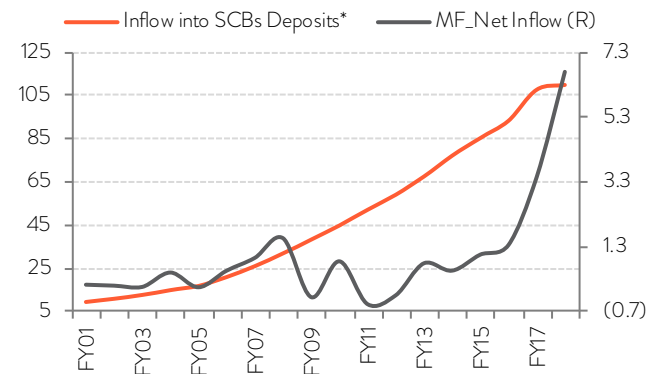
Source: CEIC, Bank of Baroda Research | *Jan18 implies fortnight as of 19 Jan 2018.

FIG 89 – CD RATIO AT 74%



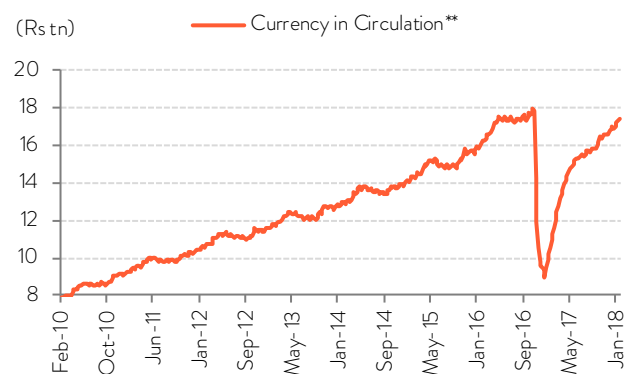
Source: CEIC, Bank of Baroda Research | *Jan18 implies fortnight as of 19 Jan 2018.

FIG 90 – INFLOW INTO MUTUAL FUNDS RISING



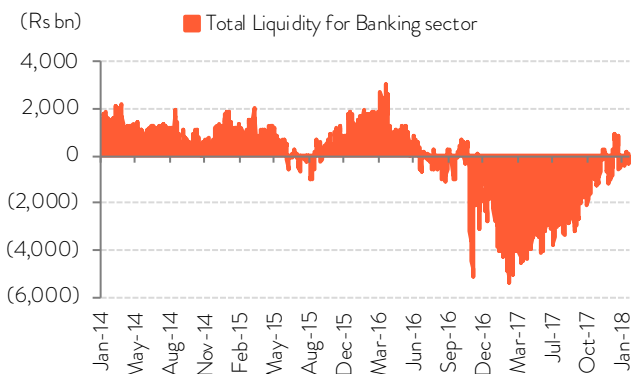
Source: CEIC, Bank of Baroda Research | *Jan18 implies fortnight as of 19 Jan 2018.

FIG 91 – CURRENCY IN CIRCULATION PICKING UP PACE



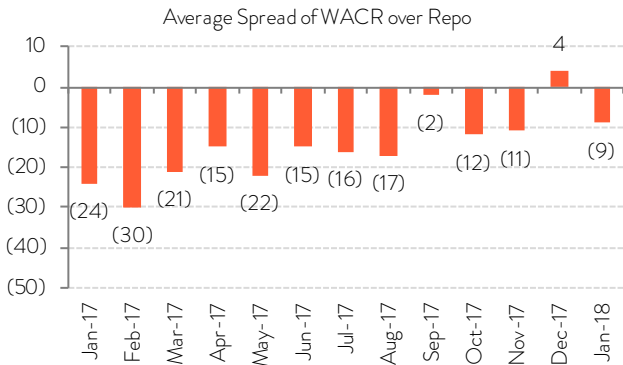
Source: CEIC, Bank of Baroda Research | **Feb-18 implies week ending 2 Feb 2018

FIG 92 – LIQUIDITY IN THE SYSTEM MOVING CLOSER TO NEUTRALITY



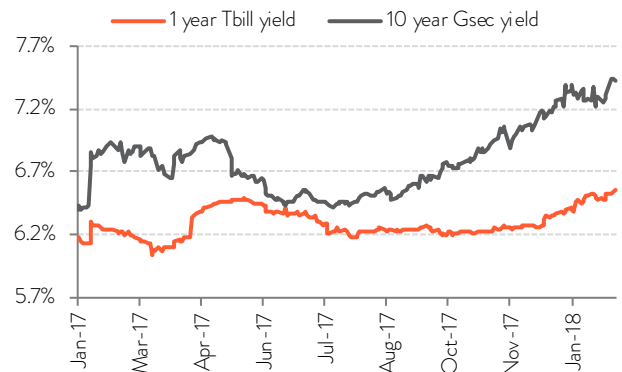
Source: CEIC, Bank of Baroda Research

FIG 93 – SPREAD BETWEEN CALL AND REPO FALLING



Source: CEIC, RBI, Bank of Baroda Research

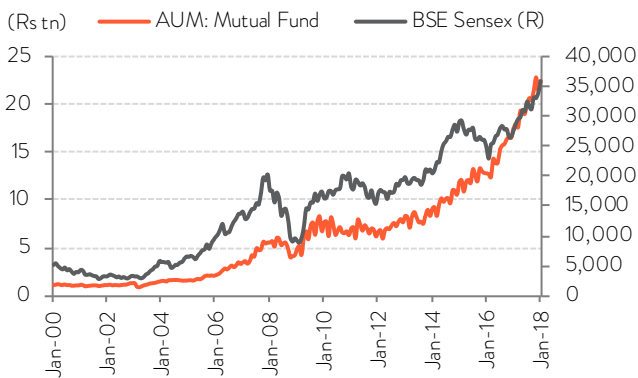
FIG 94 – GAP BETWEEN LONG-TERM AND SHORT-TERMS YIELDS WIDENS



Source: CEIC, Bank of Baroda Research

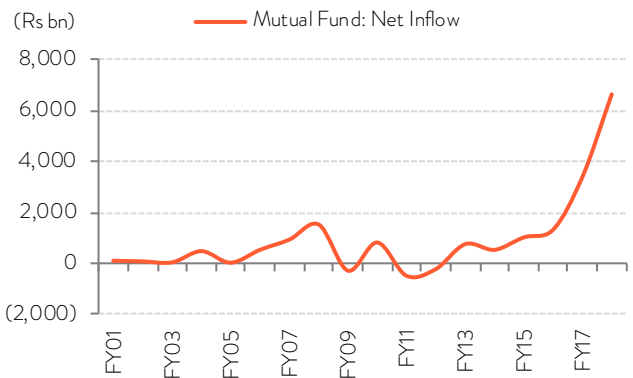
Mutual fund (MF) indicators

FIG 95 – AUM UNDER MF, SENSEX INCREASING



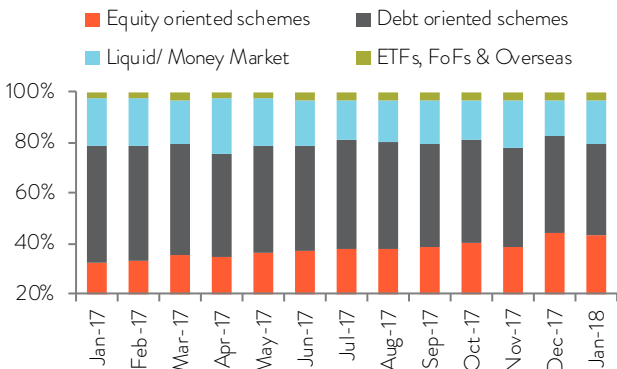
Source: CEIC, Bank of Baroda Research

FIG 96 – NET INFLOW INTO MF RISING SHARPLY



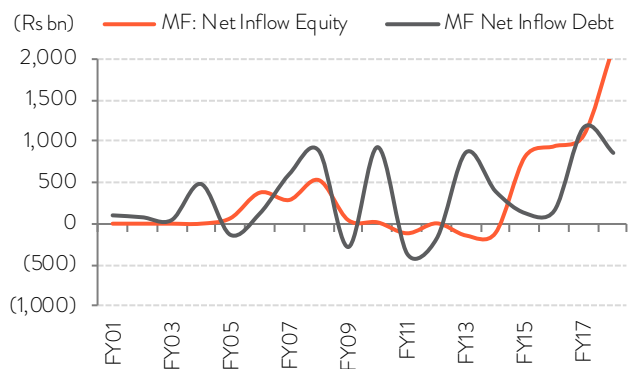
Source: CEIC, Bank of Baroda Research

FIG 97 – EQUITY AND DEBT SCHEMES COMPRISED MAJOR PORTION OF AUM



Source: CEIC, Bank of Baroda Research

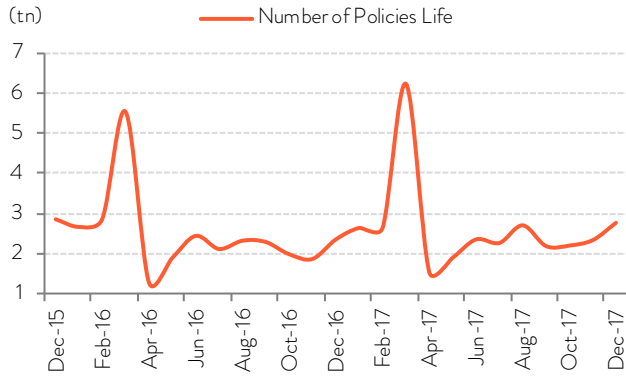
FIG 98 – NET INFLOW INTO EQUITY SCHEMES RISING SHARPLY



Source: CEIC, Bank of Baroda Research

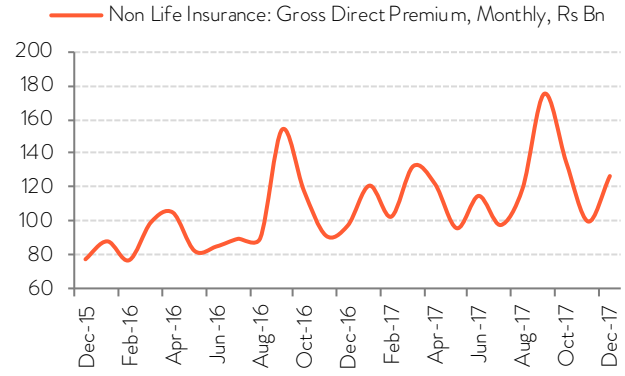
Insurance sector indicators

FIG 99 – NUMBER OF LIFE INSURANCE POLICIES SOLD RISING



Source: CEIC, Bank of Baroda Research

FIG 100 – GROSS DIRECT PREMIUM FOR NON-LIFE INSURANCE INCREASING

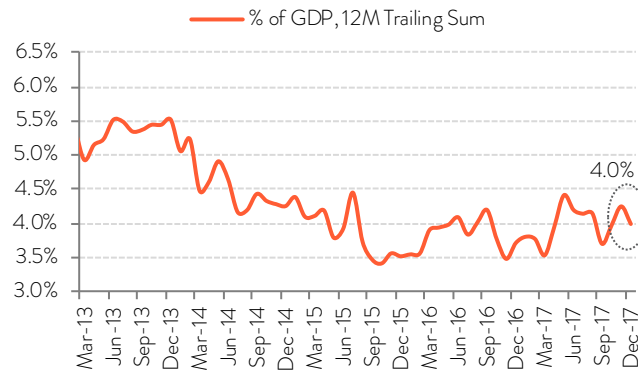


Source: CEIC, Bank of Baroda Research

Public finance

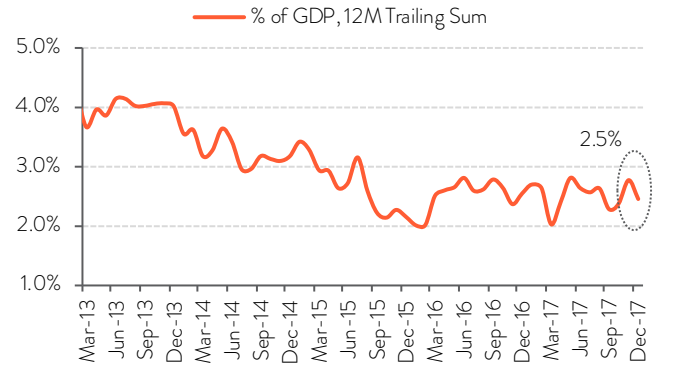
Central government finances

FIG 101 – FISCAL DEFICIT DIPS TO 4% IN DEC'17



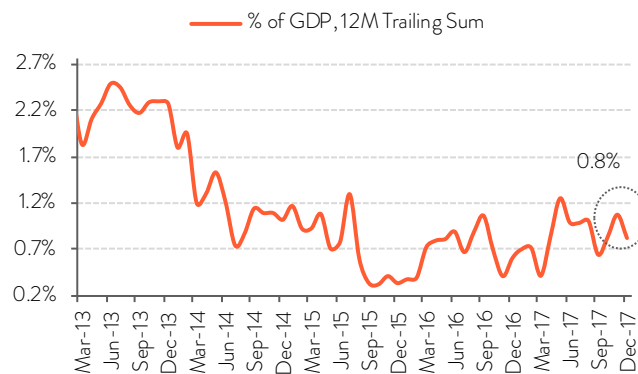
Source: CEIC, Bank of Baroda

FIG 102 – ...LED BY DECLINE IN REVENUE DEFICIT



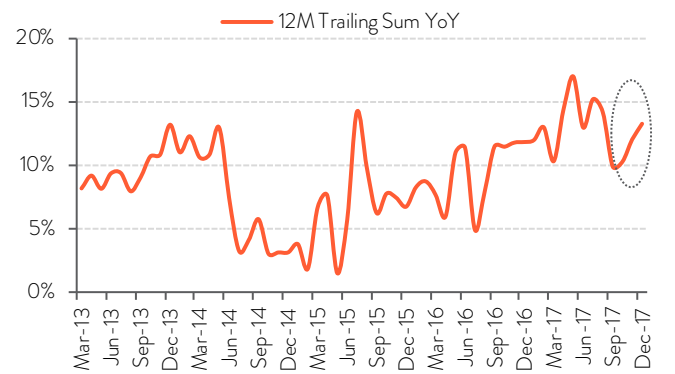
Source: CEIC, Bank of Baroda

FIG 103 – PRIMARY DEFICIT SLIPS BELOW 1%



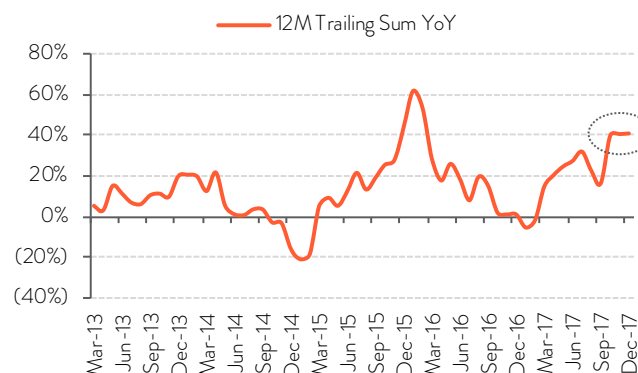
Source: CEIC, Bank of Baroda

FIG 104 – TOTAL EXPENDITURE CONTINUES TO GROW



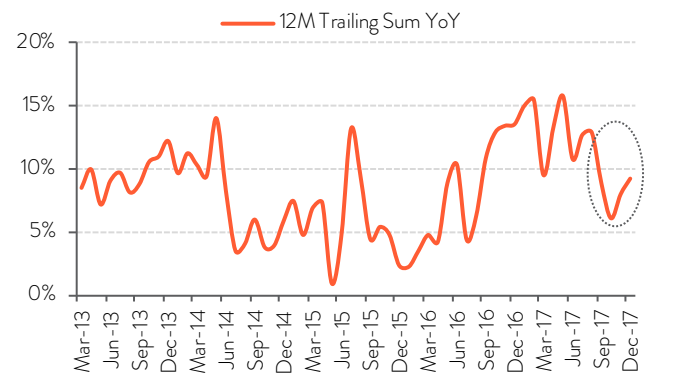
Source: CEIC, Bank of Baroda

FIG 105 – CAPITAL EXPENDITURE GROWTH STABILISES IN DEC'17



Source: CEIC, Bank of Baroda

FIG 106 – REVENUE EXPENDITURE RISES AS GOVT. IMPLEMENTS 7TH PAY COMMISSION



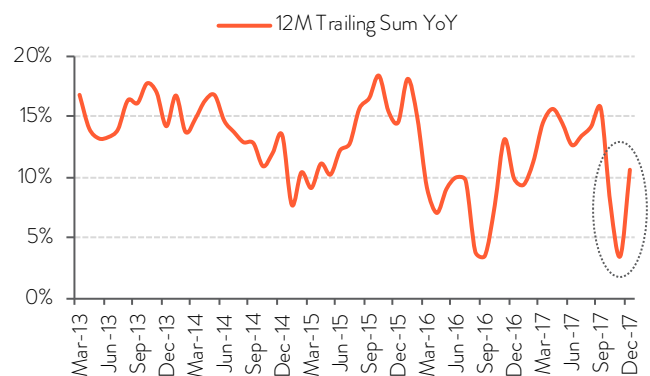
Source: CEIC, Bank of Baroda

FIG 107 – PETROLEUM & NATURAL GAS MINISTRY EXPENDITURE SHOWS HIGHEST GROWTH IN FY18 (YTD)

| Ministry | Apr-Dec'15 (Rs bn) | Apr-Dec'16 (Rs bn) | % change YoY | Apr-Dec'17 (Rs bn) | % change YoY |
|--|--------------------|--------------------|--------------|--------------------|--------------|
| Ministry of Finance | 4,540 | 4,731 | 4.2 | 5,488 | 16.0 |
| Ministry of Defence | 2,127 | 2,521 | 18.5 | 3,067 | 21.6 |
| Ministry of Consumer Affairs, Food and Public Distribution | 1,205 | 1,349 | 12.0 | 1,502 | 11.3 |
| Ministry of Rural Development | 626 | 776 | 24.0 | 892 | 14.9 |
| Ministry of Home Affairs | 539 | 631 | 17.1 | 768 | 21.7 |
| Ministry of Human Resource Development | 527 | 592 | 12.3 | 604 | 2.1 |
| Ministry of Road Transport and Highways | 386 | 505 | 31.1 | 607 | 20.2 |
| Ministry of Chemicals and Fertilisers | 681 | 619 | (9.2) | 540 | (12.8) |
| Ministry of Petroleum and Natural Gas | 281 | 226 | (19.7) | 332 | 46.7 |
| Ministry of Agriculture | 163 | 352 | 116.7 | 355 | 0.8 |
| Ministry of Health and Family Welfare | 245 | 271 | 10.7 | 391 | 44.3 |

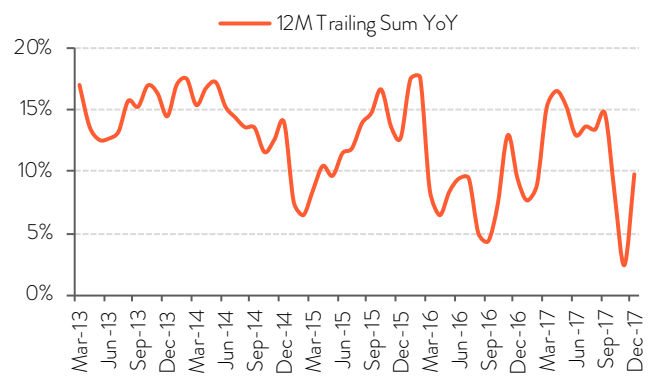
Source: CEIC, Bank of Baroda

FIG 108 – TOTAL RECEIPTS BOUNCE BACK IN DEC'17



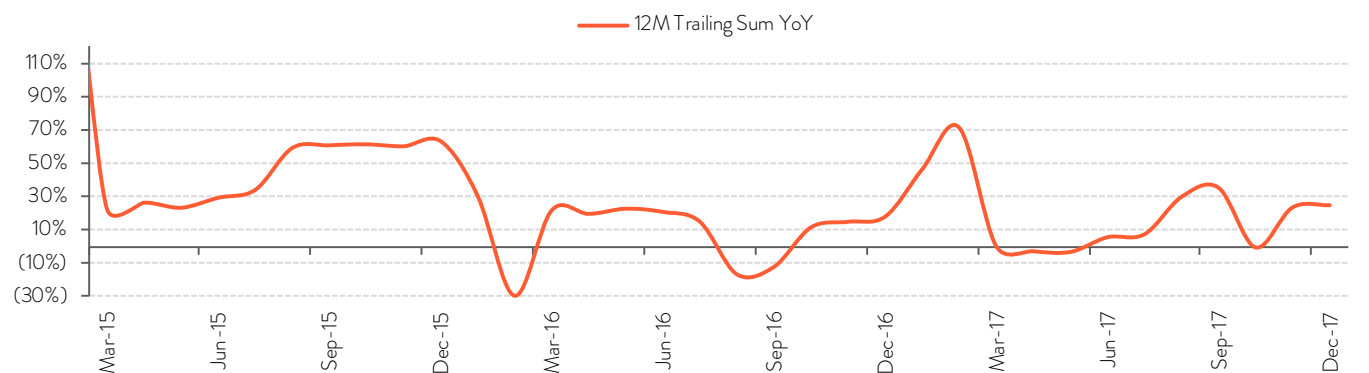
Source: CEIC, Bank of Baroda

FIG 109 – REVENUE RECEIPTS INCREASE DRIVEN BY BOTH DIRECT & INDIRECT TAX COLLECTION



Source: CEIC, Bank of Baroda

FIG 110 – CAPITAL RECEIPTS TAKE OFF AS DISINVESTMENT SCENARIO IMPROVES



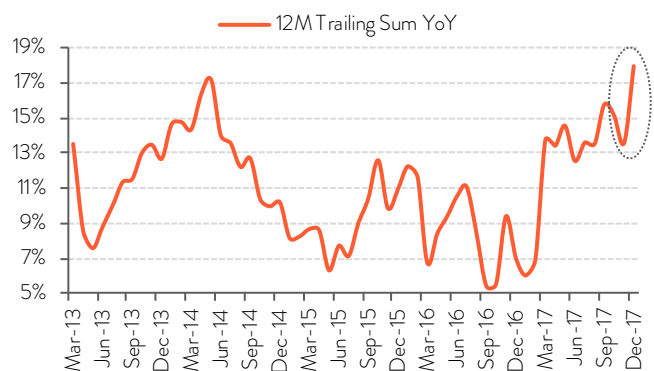
Source: CEIC, Bank of Baroda

FIG 111 – CAPEX GROWTH REMAINS ROBUST DESPITE DECLINING TAX REVENUES IN FY18 (YTD)

| | Apr-Dec'15 (Rs bn) | Apr-Dec'16 (Rs bn) | % change YoY | Apr-Dec'17 (Rs bn) | % change YoY |
|-------------------|--------------------|--------------------|--------------|--------------------|--------------|
| Tax revenue | 9,632 | 11,391 | 18.3 | 13,366 | 17.3 |
| Direct taxes | 4,918 | 5,445 | 10.7 | 6,374 | 17.1 |
| Corp Tax | 3,057 | 3,203 | 4.8 | 3,751 | 17.1 |
| Income Tax | 1,861 | 2,242 | 20.5 | 2,623 | 17.0 |
| Indirect taxes | 4,715 | 5,946 | 26.1 | 5,826 | (2.0) |
| Non-tax revenue | 1,816 | 1,825 | 0.5 | 1,135 | (37.8) |
| Centre's revenue | 11,448 | 13,215 | 15.4 | 14,501 | 9.7 |
| Total expenditure | 13,140 | 14,697 | 11.9 | 16,990 | 15.6 |
| Capital exp | 1,880 | 1,809 | (3.8) | 2,366 | 30.8 |
| Revenue exp | 11,260 | 12,889 | 14.5 | 14,624 | 13.5 |
| Fiscal deficit | 4,882 | 5,013 | 2.7 | 6,209 | 23.9 |

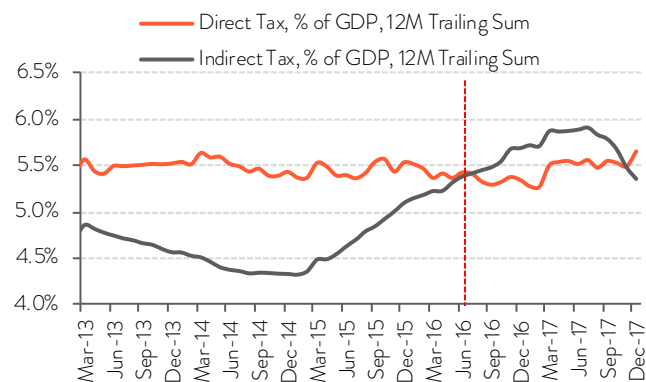
Source: CEIC, Bank of Baroda

FIG 112 – GROSS DIRECT TAX COLLECTION SHOOTS UP IN DEC'17



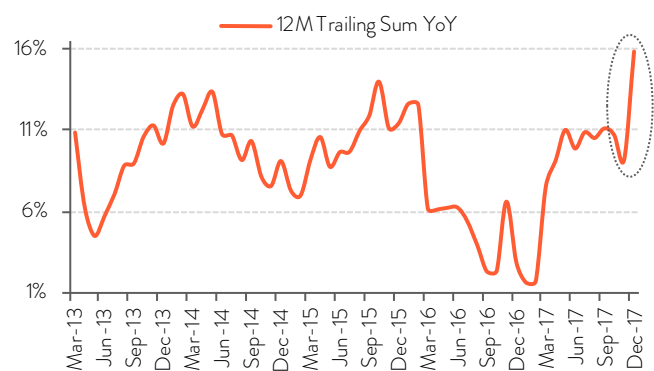
Source: CEIC, Bank of Baroda

FIG 113 – SHARE OF DIRECT TAXES RISE AS THAT OF INDIRECT TAX FALLS



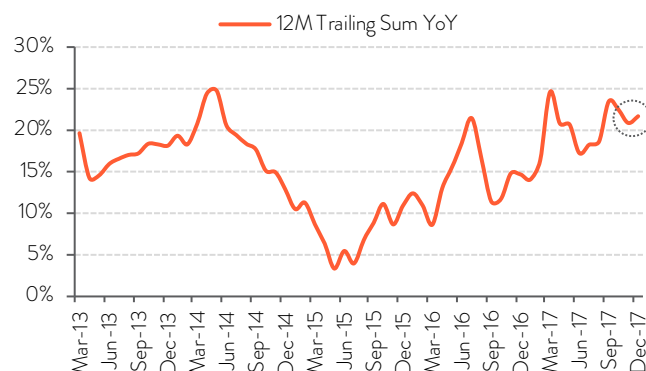
Source: CEIC, Bank of Baroda

FIG 114 – CORPORATE TAX REVENUE LEADS THE WAY UNDER DIRECT TAXES



Source: CEIC, Bank of Baroda

FIG 115 – INCOME TAX REVENUE IMPROVES MARGINALLY



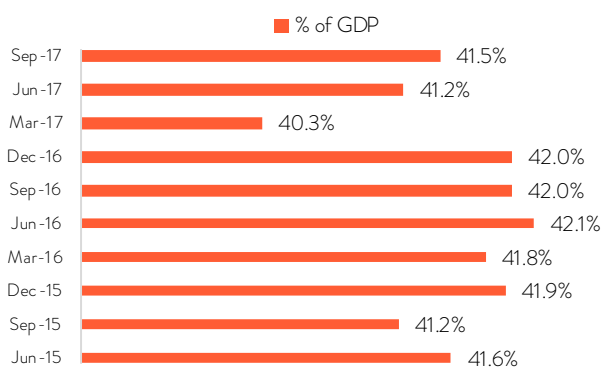
Source: CEIC, Bank of Baroda

FIG 116 – GST COLLECTIONS SPIKE UPWARD IN DEC'17

| | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | FY18 YTD |
|-----------------------------------|--------|--------|--------|--------|--------|--------|----------|
| Central GST (in Rs bn) | 0.1 | 153 | 151 | 312 | 238 | 242 | 1,096 |
| UT GST (in Rs bn) | 0.0 | 0.0 | 0.0 | 0.2 | 0.8 | 2.2 | 3.1 |
| Integrated GST (in Rs bn) | 0.3 | 709 | 304 | 184 | 186 | 171 | 1,555 |
| State GST (in Rs bn) | 227.2 | 211 | 212 | 223 | 187 | 372 | 1,431 |
| GST Cess (in Rs bn) | 0.0 | 77 | 80 | 80 | 71 | 79 | 388 |
| Total GST | 0.4 | 939 | 536 | 576 | 496 | 867 | 3,414 |
| GST 3B Filing by deadline (in mn) | 5.9 | 5.9 | 5.7 | 5.0 | 5.3 | 5.6 | - |
| No. of Eligible Taxpayers (in mn) | 6.0 | 6.8 | 7.3 | 9.6 | 9.9 | 10.0 | - |

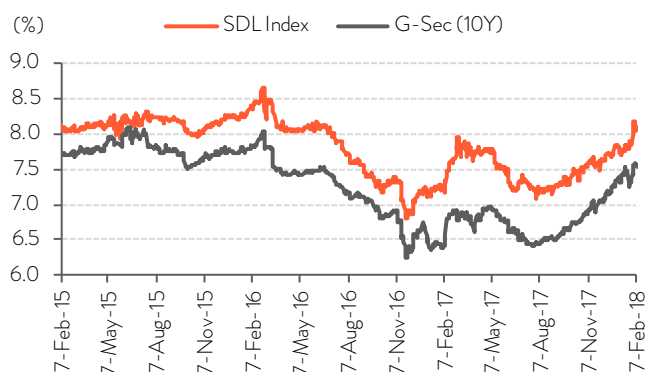
Source: CEIC, PIB, Bank of Baroda

FIG 117 – CENTRAL GOVT. PUBLIC DEBT RECORDS RISE MARGINALLY IN Q2FY18



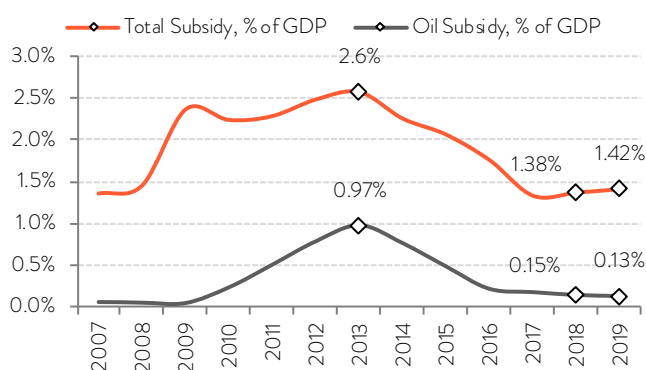
Source: CEIC, Bank of Baroda

FIG 118 – GAP BETWEEN AVG. YIELD ON SDL AND 10Y G-SEC WIDENING AGAIN



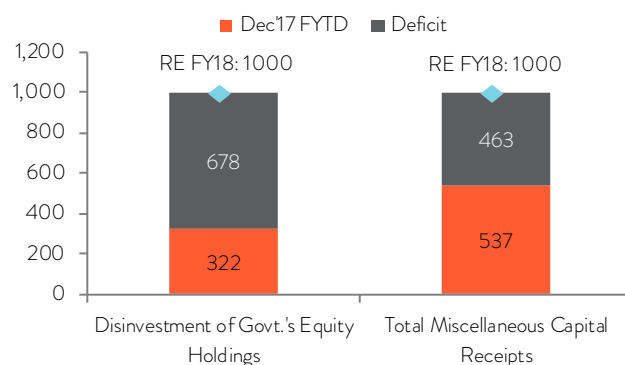
Source: CEIC, CCIL, Bank of Baroda

FIG 119 – SUBSIDIES HAVE BEEN RATIONALISED



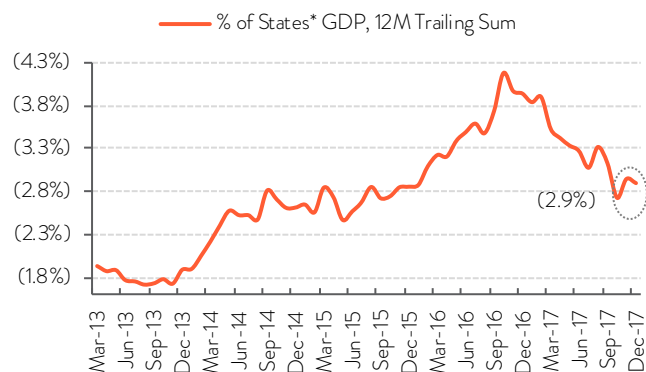
Source: CEIC, Bank of Baroda

FIG 120 – CENTRAL GOVT. MOVES CLOSER TO MEETING REVISED DISINVESTMENT TARGET



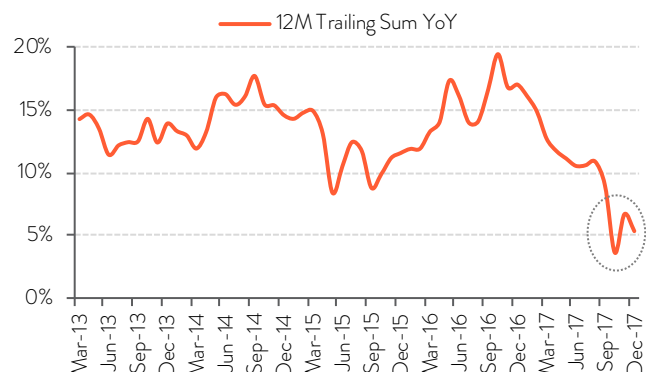
Source: CEIC, Bank of Baroda

FIG 121 – FISCAL DEFICIT OF STATES* IMPROVES FURTHER IN DEC'17



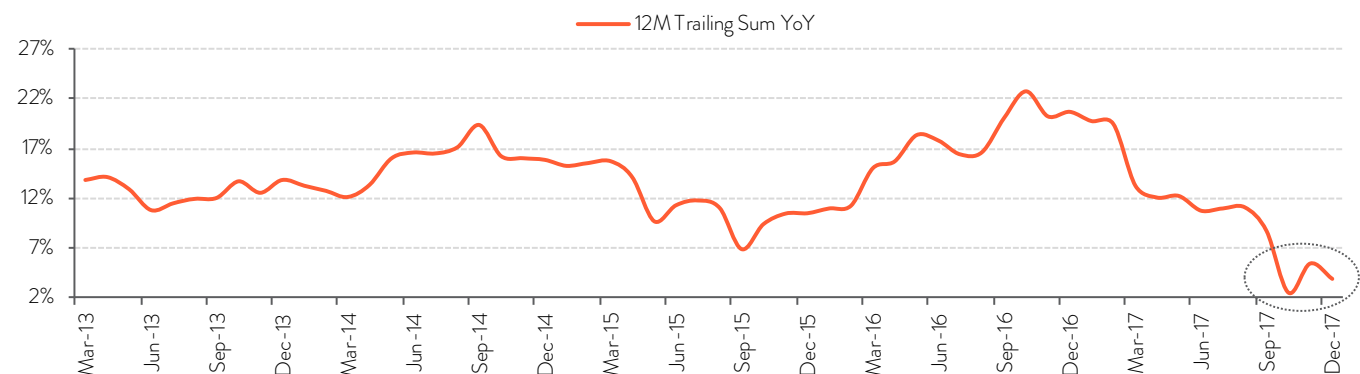
Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

FIG 122 – TOTAL EXPENDITURE BY STATES* DECLINES AGAIN IN DEC'17



Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

FIG 123 – TOTAL RECEIPTS OF STATES* ALSO DECLINE



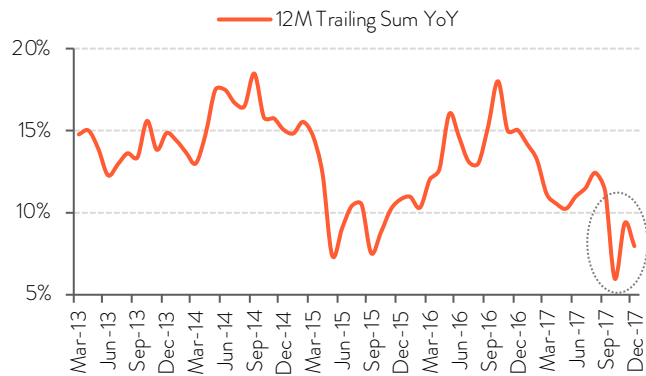
Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

FIG 124 – STATE* GOVT. REVENUE AND EXPENDITURE GROWTH SEEN DETERIORATING IN FY18 VS. FY17 (YTD)

| | Apr-Nov'15 (Rs bn) | Apr-Nov'16 (Rs bn) | % change YoY | Apr-Nov'17 (Rs bn) | % change YoY |
|----------------------------|--------------------|--------------------|--------------|--------------------|--------------|
| Total Receipts | 10,695 | 12,718 | 18.9 | 13,224 | 4.0 |
| Revenue Receipts | 9,312 | 10,328 | 10.9 | 11,228 | 8.7 |
| Receipts: Tax Revenue | 7,198 | 7,913 | 9.9 | 8,679 | 9.7 |
| Receipts: Non-Tax Revenue | 700 | 770 | 10.0 | 836 | 8.7 |
| Capital Receipts | 1,383 | 2,437 | 76.2 | 1,998 | (18.0) |
| Total Expenditure | 10,615 | 12,443 | 17.2 | 13,147 | 5.7 |
| Revenue Expenditure | 9,154 | 10,523 | 15.0 | 11,562 | 9.9 |
| Capital Expenditure | 1,460 | 1,709 | 17.0 | 1,561 | (8.6) |
| Revenue Surplus or Deficit | 158 | (345) | (319.2) | (358) | 3.7 |
| Fiscal Surplus or Deficit | (1,366) | (2,413) | 76.6 | (1,942) | (19.5) |

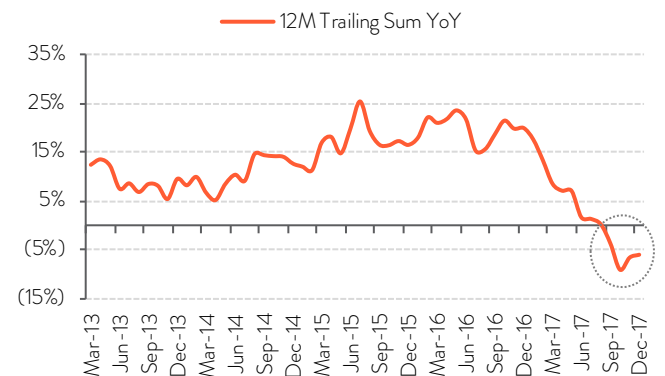
Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

FIG 125 – DECLINING TOTAL EXPENDITURE OF STATES* LED BY SHARPLY DECLINING REVENUE EXP



Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

FIG 126 – CAPEX GROWTH OF STATES* SEEN CRAWLING BACK UP



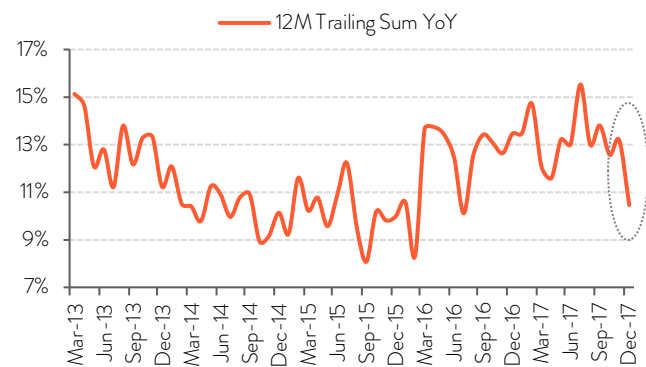
Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

FIG 127 – PATTERN OF STATE SPENDING

| State | Pay Commission | Loan Waiver | Capex Declining (Dec'17, 12M Trailing Sum, %YoY) |
|----------------|----------------|-------------|--|
| Andhra Pradesh | ✓ | ✓ | ✓ |
| Bihar | ✓ | ✗ | ✗ |
| Chhattisgarh | ✓ | ✗ | ✗ |
| Gujarat | ✓ | ✗ | ✓ |
| Haryana | ✓ | ✗ | ✗ |
| Madhya Pradesh | ✓ | ✓ | ✓ |
| Maharashtra | ✓ | ✓ | ✓ |
| Odisha | ✓ | ✗ | ✓ |
| Punjab | ✗ | ✓ | ✓ |
| Uttar Pradesh | ✓ | ✓ | ✓ |
| Rajasthan | ✓ | ✓ | ✓ |
| Telangana | ✓ | ✓ | ✗ |
| Uttarakhand | ✓ | ✗ | ✓ |

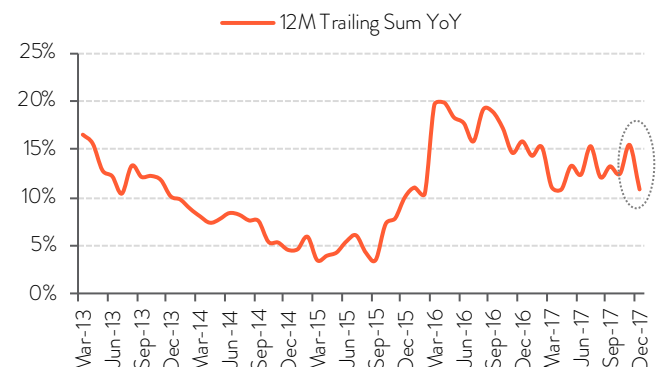
Source: News Reports, Bank of Baroda

FIG 128 – REVENUE RECEIPTS OF STATES* FALL...



Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

FIG 129 – ...AS TAX REVENUES DECLINE SHARPLY

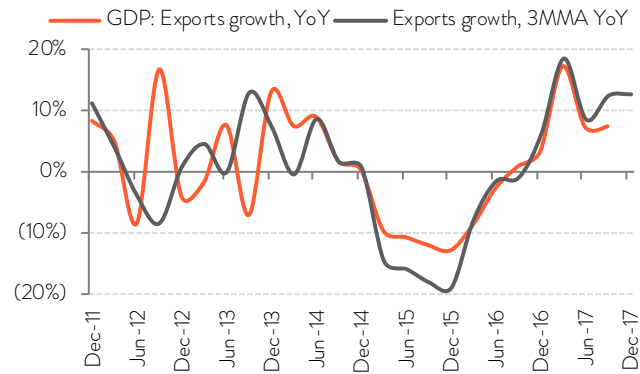


Source: CEIC, Bank of Baroda | *Excludes Arunachal Pradesh, Assam, Goa, J&K, Karnataka, Manipur, Meghalaya, Nagaland, Telangana, Tripura, W. Bengal

External sector

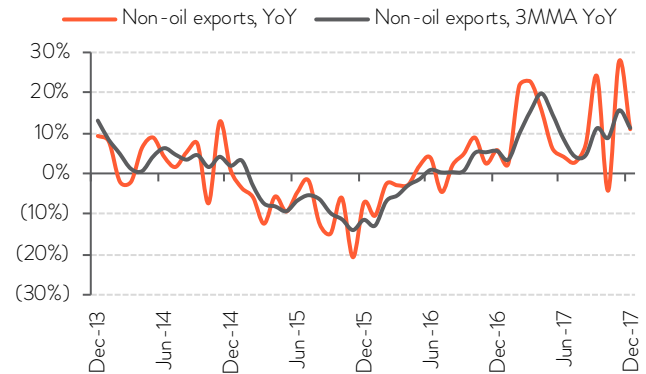
Exports

FIG 130 – EXPORTS GROWTH MODERATING



Source: CEIC, Bank of Baroda Research

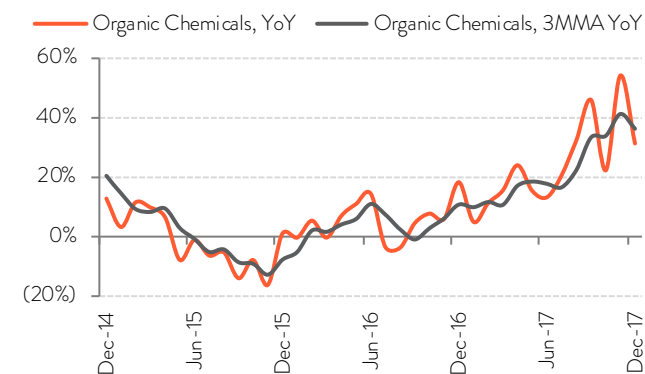
FIG 131 – NON-OIL EXPORTS DECLINE SHARPLY



Source: CEIC, Bank of Baroda Research

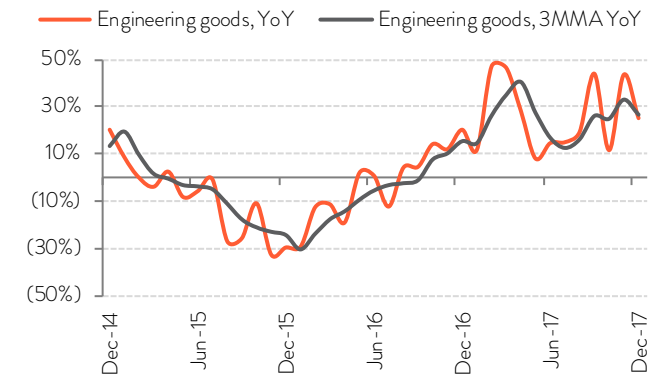
Exports by major sectors

FIG 132 – ORGANIC CHEMICALS EXPORTS PERFORM WELL



Source: CEIC, Bank of Baroda Research

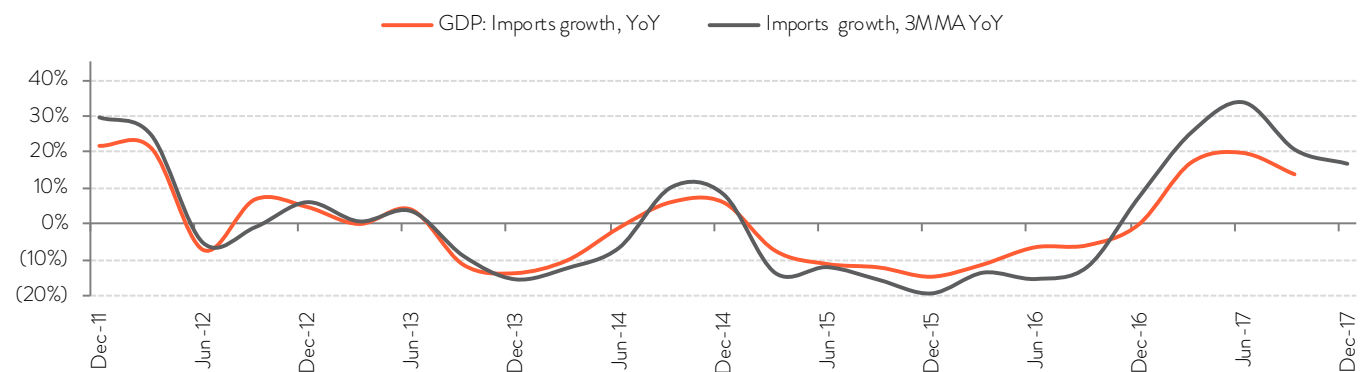
FIG 133 – EXPORTS OF ENGINEERING GOODS REMAIN ROBUST



Source: CEIC, Bank of Baroda Research

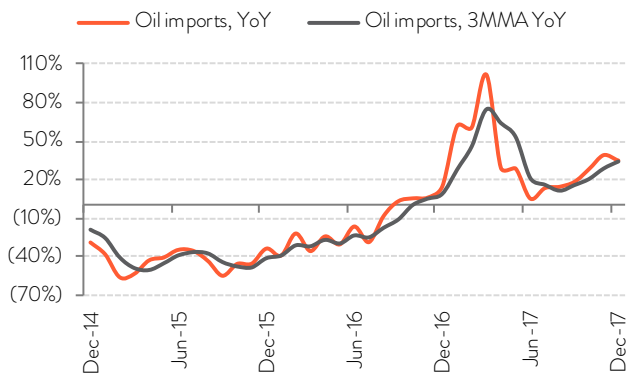
Imports

FIG 134 – IMPORT GROWTH PICKS UP



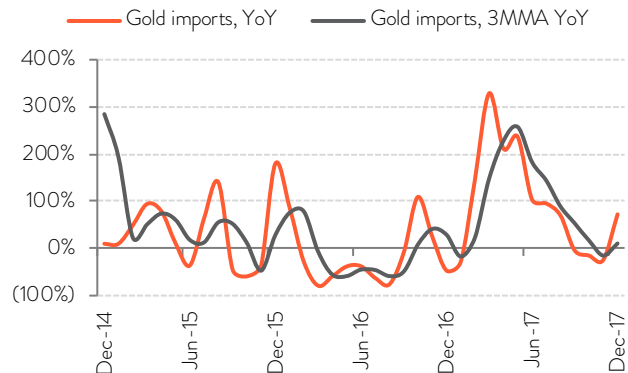
Source: CEIC, Bank of Baroda Research

FIG 135 – OIL IMPORTS CONTINUE TO SURGE



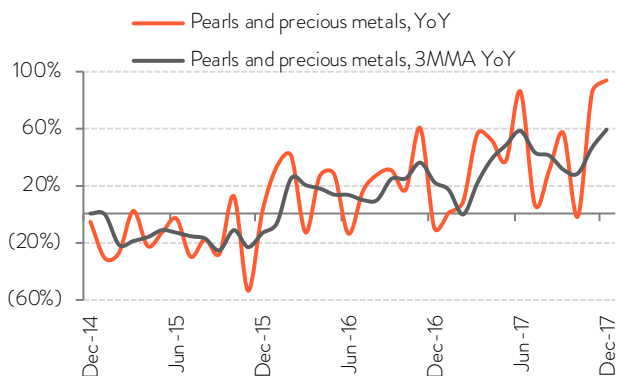
Source: CEIC, Bank of Baroda Research

FIG 136 – GOLD IMPORTS BOUNCE BACK



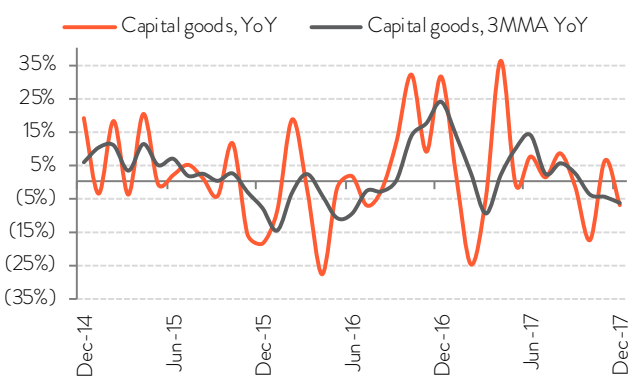
Source: CEIC, Bank of Baroda Research

FIG 137 – IMPORTS OF PRECIOUS METALS SURGE



Source: CEIC, Bank of Baroda Research

FIG 138 – CAPITAL IMPORTS REMAIN MUTED



Source: CEIC, Bank of Baroda Research

Exports and imports by major regions

FIG 139 – EXPORTS TO CHINA SHOW AN UPTICK

| Region (% YoY) | % Share (FY17) | Sep'17 | Oct'17 | Nov'17 | FY17 YTD | FY18 YTD |
|------------------------------|----------------|--------|--------|--------|----------|----------|
| Americas | 20.1 | 30.4 | 30.1 | 31.6 | 5.5 | 17.5 |
| Asia and Pacific (Ex. China) | 28.5 | 3.7 | 5.5 | 5.7 | (6.7) | 40.4 |
| China | 3.7 | 21.2 | 21.4 | 18.7 | 2.2 | 12.7 |
| Europe | 19.5 | 24.6 | 22.4 | 23.2 | (6.7) | 2.2 |
| Middle East | 26.7 | 19.3 | 19.8 | 19.7 | 2.3 | 12.4 |
| Other | 1.5 | 0.8 | 0.8 | 1.0 | 9.3 | (41.0) |

Source: CEIC, Bank of Baroda Research

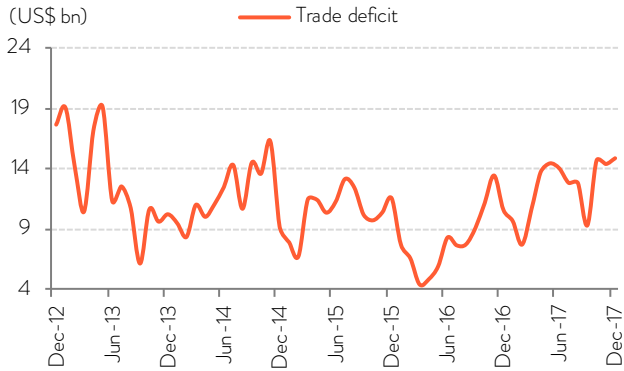
FIG 140 – IMPORTS FROM CHINA, ASIA AND PACIFIC PICK UP

| Region (% YoY) | % Share (FY17) | Sep'17 | Oct'17 | Nov'17 | FY17 YTD | FY18 YTD |
|------------------------------|----------------|--------|--------|--------|----------|----------|
| China | 15.9 | 29.7 | 4.2 | 29.2 | (3.6) | 24.8 |
| Europe | 16.0 | (3.7) | (5.8) | 3.5 | (10.7) | 13.2 |
| Asia and Pacific (Ex. China) | 23.2 | 20.8 | 12.8 | 24.5 | (4.0) | 26.3 |
| Middle East and Africa | 28.4 | 23.2 | 18.0 | 24.5 | (12.1) | 21.9 |
| Americas | 12.1 | 8.0 | (6.1) | 17.5 | (5.2) | 19.8 |
| Other | 4.4 | 36.6 | 16.4 | 25.1 | (4.0) | 37.6 |

Source: CEIC, Bank of Baroda Research

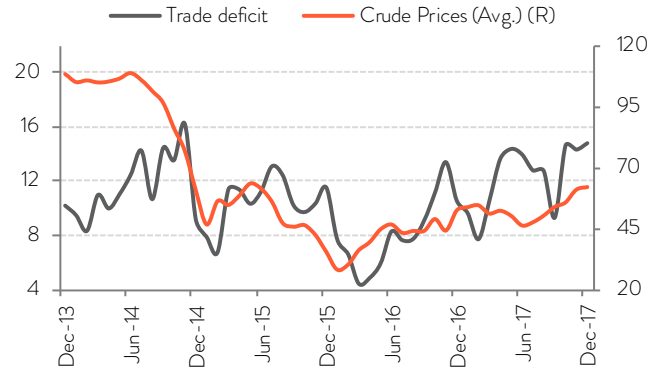
Trade deficit

FIG 141 – TRADE DEFICIT AT 3-YEAR HIGH



Source: CEIC, Bank of Baroda Research

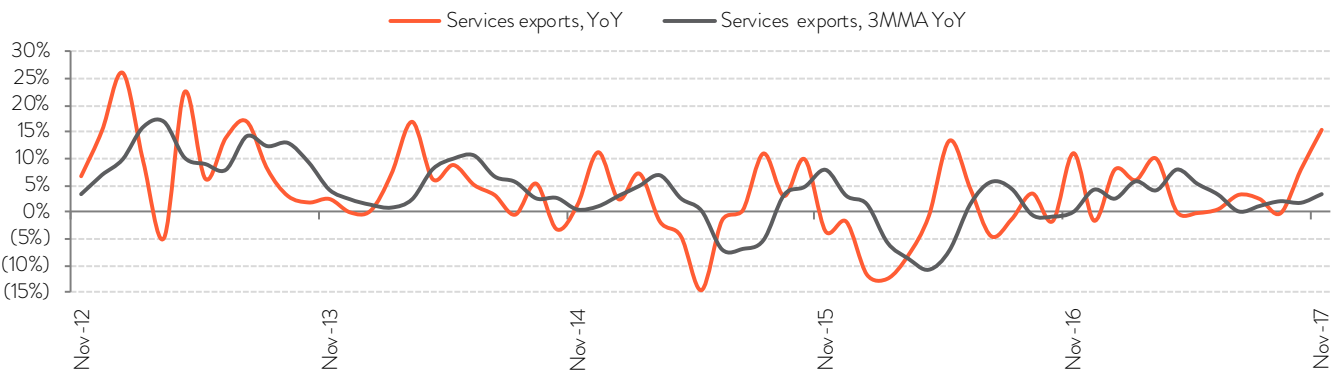
FIG 142 – RISING CRUDE OIL PRICES LIKELY TO WORSEN TRADE DEFICIT



Source: CEIC, Bank of Baroda Research

Trade in services

FIG 143 – SERVICES EXPORTS ROSE

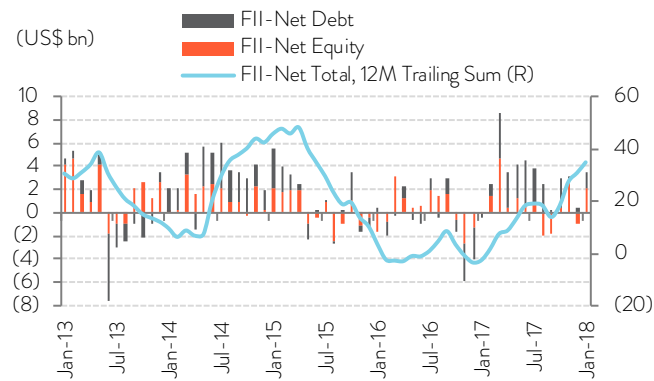


Source: CEIC, Bank of Baroda Research

Foreign inflows

FII inflows

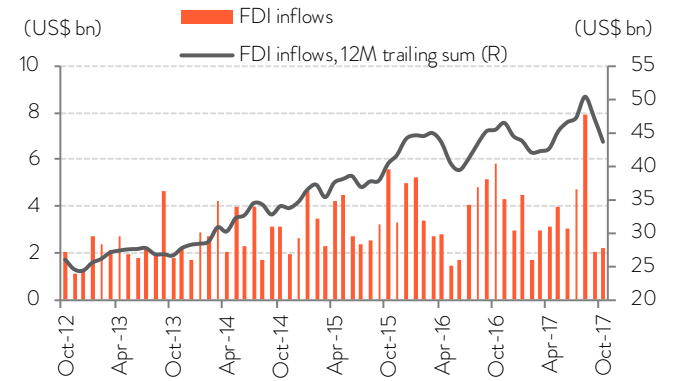
FIG 144 – IN FY18 YTD, FII INFLOWS HAVE INCREASED TO US\$ 23.9BN



Source: CEIC, Bank of Baroda Research

FDI inflows

FIG 145 – AFTER REACHING A PEAK IN AUG'17, FDI INFLOWS REMAIN SUBDUED



Source: CEIC, Bank of Baroda Research

FIG 146 – MAURITIUS DISPLACES SINGAPORE AS THE TOP SOURCE OF FDI TO INDIA

| Country (US\$ bn) | % Share in FY17 | Mar'17 | Sep'17 | FY17 YTD | FY18 YTD |
|-------------------|-----------------|--------|--------|----------|----------|
| Mauritius | 36.2 | 3.3 | 8.2 | 5.8 | 11.5 |
| Singapore | 20.1 | 3.0 | 2.3 | 4.7 | 5.3 |
| Japan | 10.8 | 0.4 | 0.5 | 2.8 | 1.0 |
| UK | 3.4 | 0.1 | 0.2 | 1.0 | 0.3 |
| Netherlands | 7.8 | 0.6 | 1.4 | 1.6 | 1.9 |

Source: CEIC, Bank of Baroda Research

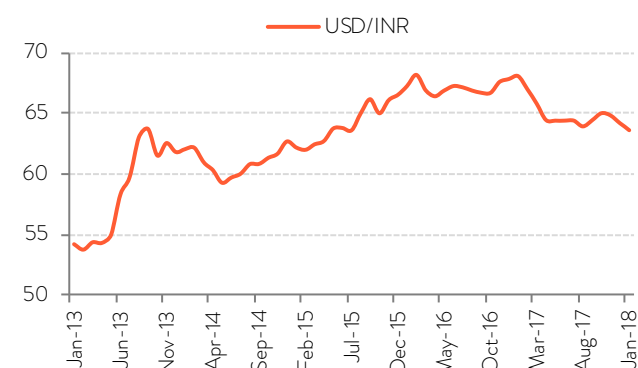
FIG 147 – FDI INFLOWS INTO TELECOM SECTOR SURGE

| Sector (US\$ bn) | % Share FY17 | Mar'17 | Sep'17 | FY17 YTD | FY18 YTD |
|--------------------------------|--------------|--------|--------|----------|----------|
| Services | 20.0 | 1.9 | 1.0 | 5.3 | 2.9 |
| Telecom | 12.8 | 0.1 | 6.0 | 2.8 | 6.1 |
| Computer software and hardware | 8.4 | 1.3 | 1.7 | 1.0 | 3.0 |
| Trading | 5.4 | 0.8 | 0.7 | 1.5 | 1.5 |
| Automobile | 3.7 | 0.7 | 0.5 | 0.7 | 1.2 |

Source: CEIC, Bank of Baroda Research

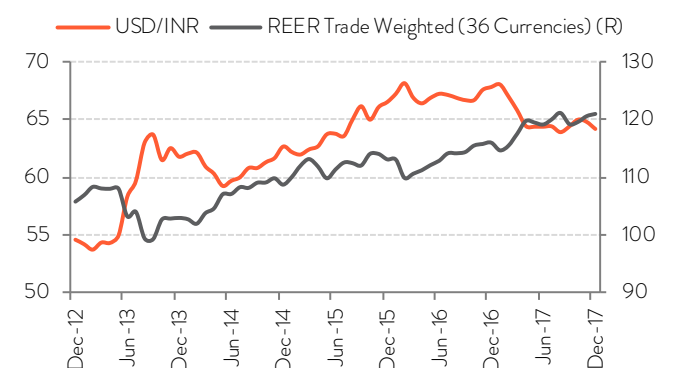
Exchange rate

FIG 148 – INR SHOWING AN APPRECIATING BIAS AGAINST USD (6.6% IN CY17)



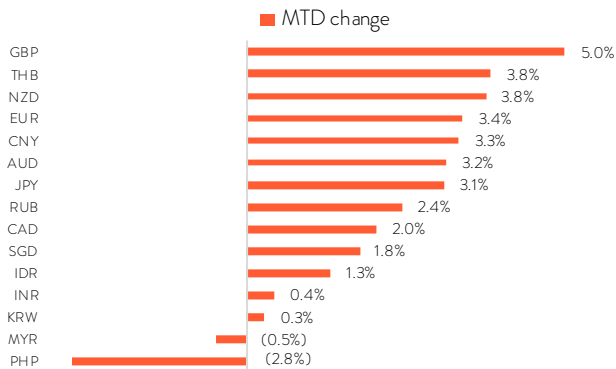
Source: Bloomberg, Bank of Baroda Research

FIG 149 – INR APPRECIATION DRIVING VALUATIONS HIGHER



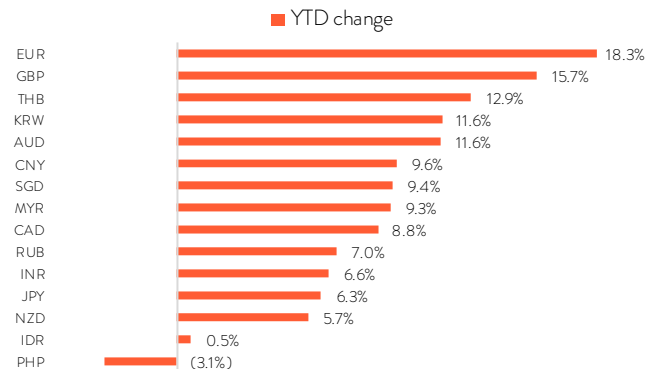
Source: Bloomberg, CEIC, Bank of Baroda Research

FIG 150 – MTD (JAN'18) CHANGE IN MAJOR CURRENCIES VS. USD



Source: Bloomberg, Bank of Baroda Research

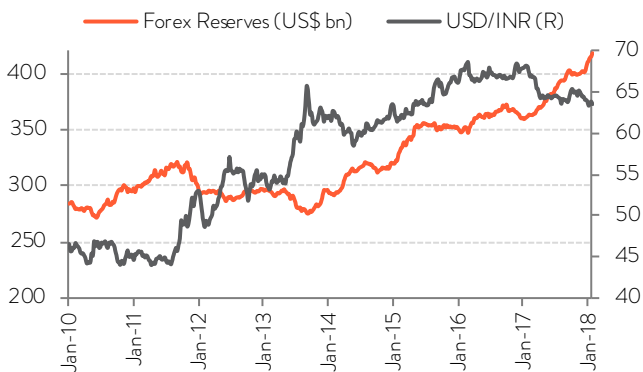
FIG 151 – CY17 CHANGE IN MAJOR CURRENCIES VS. USD



Source: Bloomberg, Bank of Baroda Research

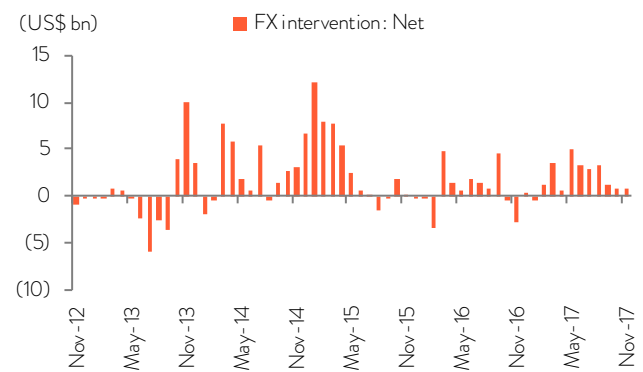
Forex reserves

FIG 152 – INDIA'S FX RESERVES HAVE STRENGTHENED STEADILY TO US\$ 417.8BN



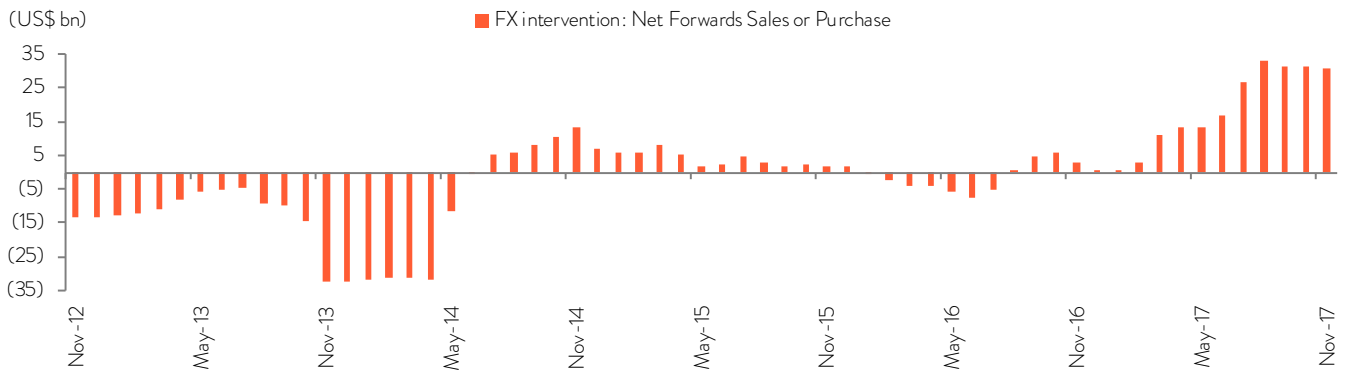
Source: Bloomberg, CEIC, Bank of Baroda Research

FIG 153 – IN FY18 SO FAR, RBI WAS A NET BUYER OF US\$ 18BN (CASH)



Source: CEIC, Bank of Baroda Research

FIG 154 – RBI HAS BUILT UP A US\$ 31BN POSITION IN FX FORWARDS



Source: CEIC, Bank of Baroda Research

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