

ANNUAL REPORT 2017-18

DEPARTMENT OF ECONOMIC AFFAIRS

1. ECONOMIC GROWTH

- I. As per the latest data released by the Central Statistics Office (CSO) India's Gross Domestic Product (GDP) grew at 7.7 per cent in the fiscal year 2017-18 making India as one of the fastest growing major economies in the world surpassing China whose GDP stood at 6.8 per cent.
- II. The real GDP growth projections for 2017-18 are expected to be around 6.75%, which is further expected to reach to 7-7.5% in 2018-19.
- III. Growth measured in terms of Gross Value Added (GVA) stood at 6.5 per cent in FY18, which is slower than 7.1 per cent as compared to the previous fiscal.
- IV. The RBI has projected GDP growth rate at 7.4% for the FY 2017-18.
- V. Growth in the agriculture, manufacturing and construction sectors stood at 4.5 per cent , 9.1 per cent and 11.5 per cent , respectively.

2. INFLATION

- I. According to the Economic Survey the average retail inflation has declined to a six-year low of 3.3 per cent in (April – December) 2017-18, with the economy moving towards a more stable price regime.
- II. Survey says that this has been made possible due to Good agricultural production coupled with regular price monitoring by the Government.
- III. It is important to note that the new monthly CPI (combined), with base 2012=100, is now taken as the measure of headline inflation and is tracked by the Reserve Bank of India.
- IV. The RBI has projected Consumer Price Index-based inflation or CPI inflation to follow a downward trend and remain in the 4.7%-5.1% band in the FY 2017-18.
- V. Average Wholesale Price Index (WPI) inflation, in (April – December) 2017-18 stood at 2.9 per cent from 1.7 per cent in 2016-17.
- VI. The Reserve Bank of India (RBI) has cut the repo rate by 25 basis points to 6.0 per cent in August 2017 . Also, the central bank has kept the reverse repo rate at 5.75 per cent.

3. AGRICULTURE AND FOOD MANAGEMENT

- I. The growth rate in Gross Value Added (GVA) by the agriculture and allied sectors is estimated to be 4.9 per cent for 2016-17, as per provisional estimates.
- II. The production of Kharif food-grains during 2017-18 is estimated at 134.7 million tonnes compared to 138.5 million tonnes in 2016-17.
- III. The area sown under rabi crops during 2017-18 has reached 61.78 million hectares as of January 19, 2018.
- IV. Coverage of non-loanee farmers under the Pradhan Mantri Fasal Bima Yojana (PMFBY) increased 123.5

per cent in 2016-17 and the scheme is being implemented in 25 states/UTs in 2017.

4. INDUSTRY PERFORMANCE

- I. The Economic Survey 2017-18 projected a decline in the industrial sector and stood at 5.2% in the current fiscal year as compared to 7.4% in the previous year. However, the eight core infrastructure-supportive industries such as coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity recorded a cumulative growth rate of 4.2% in 2017-18. The growth was 4.8% in the previous fiscal. It is important to note that the eight infrastructure sectors of coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity constitute 40.27% of the India's Index of Industrial Production.
- II. Growth rate in the Gross Value Added (GVA) by the industrial sector was 5.6 per cent in 2016-17 and 5.8 per cent in the second quarter of 2017-18.
- III. The IIP recorded growth of 8.54% in November 2017 which is the highest in 25 months..Also, it recorded a growth rate of 7.1% in December 2017 and 7.4% in January 2018. However, during April-February period, IIP has slowed to 4.3 per cent from 4.7 per cent as compared to The IIP is published every month by Central Statistics Office (CSO) of the Union Ministry of Statistics and Programme Implementation and covers 682 items comprising Manufacturing (620 items), Mining (61 items) & Electricity (1 item). The weights of the three sectors are 75.53%, 14.16 % and 10.32% respectively. Also, The Central Statistical Organisation (CSO) had revised the base year of the IIP from 2004-05 to 2011-12 in May 2017 to capture structural changes in economy.

5. INFRASTRUCTURE SECTOR

- I. In India, infrastructure output accounts for nearly 40 percent of industrial output.
- II. Under the new umbrella program 'Bharatmala Pariyojana' the government is aiming holistic development of highways in the country. With this new scheme, the Union Government has announced to build 83,677km of roads, highways, greenfield expressways and bridges with investment of Rs.6.92 lakh crore by 2022. Also, the first phase of new umbrella programme BharatMala Pariyojana involves construction of 34,800 km highways by 2022.

6. SERVICE SECTOR

Currently, service sector is the backbone of the Indian economy that contributes to around 53% of the Indian GDP. The services sector is projected to grow at 8.3 per cent in 2017-18, as compared to 7.7 per cent in 2016-17.

7. SOCIAL INFRASTRUCTURE

The Economic Survey 2017-18 has given the topmost priority to social infrastructure like education, health, and social protection.

- I. On the subject of Social Infrastructure, Employment and Human Development, education, skill development, earnings and reducing social inequalities prevalent in the society have been the

underlying goals of the development strategy to enhance human capabilities.

- II. The Economic Survey 2017-18 also mentions that India is poised to grow as one of the leading knowledge economies where education, skill development and health will remain priorities for the Government.
- III. The Survey mentions that there has been highest ever budget allocation under Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) during 2017-18. About 4.6 crore households were provided employment totaling 177.8 crore person days during 2017-18 as on 14th January, 2018. Out of this, 54% were generated by women, 22 per cent by Schedule Castes and 17% by Schedule Tribes.
- IV. Expenditure on Social services stands at 6.6 per cent in 2017-18.

• STATUS OF EDUCATION

The government has consistently prioritising to strengthen the educational and health profile of the people despite limited resources in hand. The Government is committed to achieve the Sustainable Development Goal (SDG) for education - 'Ensuring inclusive and quality education for all and promoting lifelong learning' by 2030.

Also, the 'Beti Bachao Beti Padhao' scheme for promoting survival, protection and education of girl child has been approved for expansion to cover all 640 districts in the country.

• STATUS OF HEALTH

Emphasising that the government is equally focused on improving health for all, the government has also approved setting up of National Nutrition Mission (NNM) commencing this fiscal. The NNM, an apex body, will monitor, supervise, fix targets and guide the nutrition related interventions across ministries. The programme will strive to reduce the level of stunting, under-nutrition, anaemia and low birth weight babies.

Also, The Pradhan Mantri Ujjwala Yojana (PMUY), scheme aims to safeguard the health of women and children by providing them with a clean cooking fuel - LPG, so that they do not have to compromise their health in smoky kitchens or wander in unsafe areas collecting firewood.

- It is important to note that since inception, around 3.3 crore LPG connections have already been provided as on January 18, 2018.
- The National Health Policy 2017, has recommended increase in the State sector health spending to more than 8 per cent of the State government budget by 2020.

8. LABOUR REFORMS

Several labour reform measures including legislative ones, are being implemented for the creation of employment opportunities and for providing sustainable livelihoods for the population who are largely engaged in the informal economy. Also, the government is in the process of rationalizing 38 Central Labour Acts by framing relevant provisions of existing laws into 4 labour codes. These 4 labour codes include:-

- I. Code on Wages
- II. Code on Safety and Working Conditions
- III. Code on Industrial Relations
- IV. Code on Social Security and Welfare.

9. EXTERNAL SECTOR

I) THE CURRENT ACCOUNT DEFICIT

The current account deficit has declined and to reach 1.8 per cent of GDP in the first half of FY 2018. However, Central Government is confident of achieving fiscal deficit of 3.2 per cent of GDP for 2017-18.

II) FISCAL DEFICIT

The survey points out the fiscal deficit as percentage to GDP to remain stable at 3.2 per cent which indicates that the government's priority still lies in fiscal consolidation.

III) EXPORTS

Growth of exports rebounded into positive one and expected to grow at 12.1% in 2017-18.

IV) INTERNATIONAL EXPORTS OF STATES

For the first time in India's history, data on the international exports of states was dwelled in the Economic Survey of 2017-18. The data shows a strong correlation between states' prosperity and international trade.

V) FOREX RESERVES

India is becoming one of the best performing economies in the world whose forex reserve stood at \$ 409.4 billion in FY 2018.

VI) INDIA RANKS AT 100 POSITION IN EASE OF DOING BUSINESS INDEX

India secure a place among the top-100 countries and jumped 30 spots on World Bank's ease of doing business ranking list in 2018. With this, India became the first ever country to record highest jump in World Bank's ease of doing business ranking. The survey conducted by World Bank consists of economies of 190 countries, and evaluates them on 10 specific parameters required for doing business. India has improved its performance in 6 out of these 10 indicators.

These indicators are: Starting a business, dealing with construction permits, Getting electricity, Registering property, getting credit, Protecting minority investors, Paying taxes, Trading across borders, Enforcing contracts and Resolving insolvency. Each one of these indicators carry equal weightage.

VII) EXCHANGE RATE OF RUPEE

Indian rupee for first time plunged to a record low of Rs. 70.07 against US dollar as on 14 August 2018. However, it recovered later at around Rs. 69.84 after heavy intervention by Reserve Bank of India (RBI) and the central government. This shows that Rupee has been on downside and slipped 9% in 2018.

It is important to note that among the BRICS nations after the Russian Ruble, the Indian rupee depreciated by 12% which was highest in the January - September 2018 period. However, at the time of independence, India adopted the Par Value System of International Monetary Fund (IMF).

The reasons behind the depreciation of the Indian rupee against the dollar currently are as follows:-

• INCREASING PRICE OF CRUDE OIL

According to January report, the daily fuel demand of India is expected to be more than 190,000 barrels in 2018, which is higher from last year's 93,000 barrels. Moreover, India is world's third biggest oil importer and ships in about 80% of its crude oil requirements.

Economic survey 2018 estimates that if the price of crude oil increases at the rate of 10 dollar per barrel then the GDP of India will tend to decrease up to 0.2-0.3 percent.

• FOREIGN PORTFOLIO INVESTORS (FPIs)

Foreign Portfolio Investors (FPIs) have been withdrawn to nearly Rs. 48,000 crore from Indian capital markets in the first half of 2018, making it the fastest outflow in a decade.

VIII) EXTERNAL DEBT

At end-March 2018, India's external debt witnessed an increase of 12.4 per cent as compared to March 2017, primarily on account of an increase in commercial borrowings, short-term debt and non-resident Indian (NRI) deposits. The increase in the amount of external debt was partly due to valuation loss arising from the depreciation of the US dollar against major currencies. The external debt to GDP ratio stood at 20.5 per cent at end-March 2018, which is higher than its level of 20.0 per cent at end-March 2017.

Commercial borrowings remained the largest component of external debt with a share of 38.2 per cent, NRI deposits of 23.8 per cent and short-term trade credit of 19.0 per cent.

According to the Budget document, India's total debt was estimated at Rs 66.68 lakh crore as at 31st March 2018.