

Highlights

Reversal of a seasonal rise in vegetable price inflation could shave about 1.2% from headline inflation in the coming months. With the vegetable component making up 6% of the consumer price index basket, and the prices of onions up 154% year on year in January and tomatoes up 52%; fresh supplies of onions and tomatoes reaching wholesale agriculture markets over the next few months could cool inflation in these two vegetables to low single digits. Declining farming costs will also help to bring down the vegetable sub-component of food inflation which is running at an unusually high 27%. (Source: Bloomberg)



India's industrial production grew for the second straight month rising 7.1% in December compared to 2.4% in December last year. Data released by the Central Statistics Office showed that the pickup in factory output was driven by a 8.4% growth in the manufacturing sector, with electricity and mining expanding 4.4% and 1.2% respectively, suggesting that India's economy may be stabilizing. Infrastructure and construction goods' output grew 6.7%. (Source: BloombergQuint, Central Statistics Office)

India's Business Confidence Index, which is released quarterly by the National Council of Applied Economic Research (NCAER), signalled that economic sentiment may be improving in the country as it registered a growth of 9.1% in January, after declining for two consecutive quarters. Though a low base last year (due to demonetization) is partially responsible for the pickup, higher growth in production of cement, diesel and two-wheelers signalled a revival in economic demand. (Source: Livemint, NCAER)

India GDP & Growth by Sector

	Weight	FY17	Mar-17	Jun-17	Sep-17	Dec-17	FY 2018 Est.
Agriculture	17.2	6.3	5.2	2.7	2.7	4.1	3.0
Industry	21.3	8.7	5.5	-0.4	7.0	6.8	5.0
Mining and Quarrying	3.0	13.0	6.4	1.8	7.1	-0.1	3.0
Manufacturing	16.1	7.9	5.3	-1.8	6.9	8.1	5.1
Electricity, Gas and Water	2.1	9.2	6.1	7.1	7.7	6.1	7.3
Services	54.3	6.6	5.7	8.6	6.6	7.6	7.8
Construction	8.9	1.3	-3.7	1.5	2.8	6.8	4.3
Trade, Hotels, Transport, Communication	16.2	7.4	6.5	8.4	9.3	9.0	8.3
Finance, Real Estate, IT	17.5	6.0	2.2	8.9	6.4	6.7	7.2
Public Admin, Social, Personal	11.7	10.0	17.0	13.2	5.6	7.2	10.1
GVA	92.8	7.1	5.6	5.6	6.2	6.7	6.4
Net Indirect Taxes	7.2	7.7	10.7	7.2	9.4	13.2	9.6
GDP	100.0	7.1	6.1	5.7	6.5	7.2	6.6

Source: Bloomberg Economics, Ministry of Statistics and Programme Implementation

India's GDP expanded 7.2% between October–December. The fastest growth in five quarters has prompted the government to increase its forecast for GDP to grow 6.6% in the year through March 2018 as the effects of demonetization and GST implementation wanes. (Source: MOSPI, Bloomberg)

Prime Minister Narendra Modi's political influence stand to strengthen further ahead of the five state assembly polls held later this year and the national elections in 2019. Trends are showing electoral gains in remote north-eastern states for the ruling Bharatiya Janata Party (BJP) and its allies as Mr Modi's relentless focus on improving crucial infrastructure continues to create a multiplier growth impact on the economy. (Source: Bloomberg)

India's biggest companies are tapping deposit-heavy Japanese lenders for long-tenor debt as Japan's negative interest rates increases the nation's appetite for Indian investment grade rated debt. Quasi-sovereign companies like the Indian Railway Finance Corp. and NTPC Ltd., the nation's largest power utility are looking to raise approximately USD 600 million worth of syndicated Samurai loans. The demand for high-grade emerging market debt promises to continue as Japan appears to be nowhere near ending its negative-rates policy, with BOJ members exploring the possibility of expanding its monetary stimulus further to hit its 2% inflation target. (Source: Bloomberg)

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