

# Monthly Political & Economic Updates

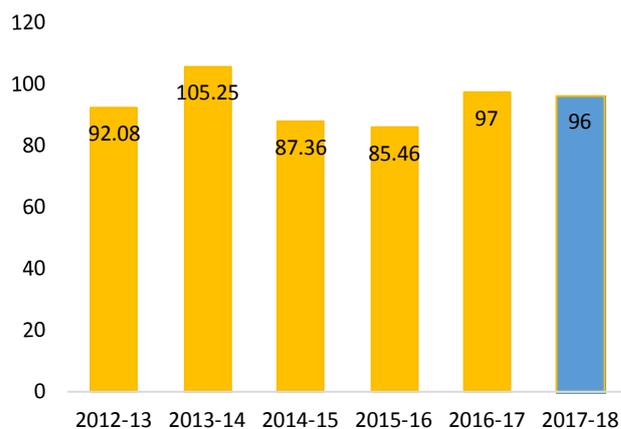
April & May 2017



## FDI Inflows – Top 10 Host Economies in 2016 (USD bn)+(x = 2015 ranking)



## Actual Monsoon Rainfall in India (% of long period average)



(2017-18 denotes initial rainfall forecast)

Source: UNCTAD Publications – World Investment Report 2017

Source: India Meteorological Department (IMD)

Note: This report combines the updates / notable events of both April and May

### 1. FY17 GDP marked 7.1% growth versus 8.0% in FY16, reflecting demonetisation

Year-on-year (yoy) growth in the fiscal year of 2017 slowed but still showed a healthy 7.1% growth rate. Impact of demonetisation was felt on manufacturing, real estate and construction. Agriculture production remained robust. Consumption continued to support growth – in particular, an uptick in government consumption was recorded. Going forward, FY18 growth should gain traction from pent up consumption demand and a revival in the investment cycle, supported by policy initiatives.

### 2. Global agencies positive on India and revise up growth forecasts

In its bi-annual economic India Development Update, the World Bank said India's growth will accelerate in FY18 due to the impact of demonetisation and protracted investment recovery. Moody's projected India's economy to accelerate to grow at 7.5% in FY18 and 7.7% in FY19. The IMF also said that India's growth is expected to rebound to 7.2% in FY18 and 7.7% in FY19 after disruptions caused by demonetisation, while recommending the removal of long-standing structural bottlenecks to enhance market efficiency. The Asian Development Bank said that India's growth rate will improve to 7.4% during FY18 and go up further to 7.6% in the next financial year. With these forecasts, India remains a standout within EM.

### 3. Positive monsoon forecasted according to the India Meteorological Department

The first monsoon forecast from the IMD is positive and likely to be 96% of the long period average, which would provide a great boost to India's rural demand/agricultural economy, particularly in states suffering through drought (Karnataka and Tamil Nadu). A positive monsoon provides comfort in inflation numbers.

### 4. India's headline inflation (CPI) softens to 2.99% in April, provides comfort for rates

The CPI which came in lower than consensus expectations was driven by lower food prices and soft global fuel prices. The annual rate of inflation, based on monthly WPI (wholesale prices), stood at 3.85% for the month of April 2017 as compared to 5.29% for March 2017. This provides continuous support for easier monetary policy.

### 5. Highest FDI recorded in India for FY17, Make In India Campaign makes headway

According to official data (ministry of commerce and industry) India recorded the highest ever FDI in a year in FY17 at \$43.5 billion, although the year-on-year growth rate slipped to 9% from 29% in the previous year and 27% in FY15. Reform measures by the government including the liberalisation of FDI regimes in 21 sectors and the launch of the "Make in India" campaign almost three years ago, have been key drivers. According to UNCTAD, India improved by one notch in the calendar year of 2016 to the 9th most attractive FDI destination globally.

### 6. Indian government modifies Banking Regulation Act to speed up resolution of bad assets

On 5 May, the government notified changes to the Act in an ordinance, which allows the Reserve Bank of India (RBI) to exercise more power in dealing with non-performing assets in the Indian banking system which are near \$150bn (10 trillion rupees). The government may also be able to authorize the RBI to invoke insolvency and Bankruptcy Code against defaulters. This is a positive step towards trying to achieve a more transparent and speedier insolvency process.

The report does not constitute an Offer for share/units and is neither a recommendation nor statement of opinion or an advertisement. It does not constitute any prediction or any representation of likely future movements in rates or prices of any securities. The content of the statement above are for information purpose only without regard to the specific objectives, financial situation and particular needs of any specific person who may receive this statement. Users of this document should seek advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to on this document.