

Under embargo until 12:00 noon. Bangkok Time, Monday, 1 May 2017

INDIA

GDP (current US\$, billions):	\$2,116.24	Population (thousands):	1,326,800
Share of GDP in developing Asia-Pacific:	11.4%	GDP per capita (current US\$):	\$1,614.10
Share of GDP in South and South-West Asia:	51.1%	Average inflation (2016)	5.0%

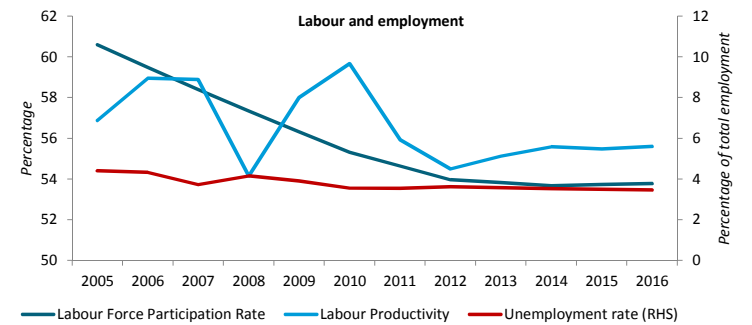
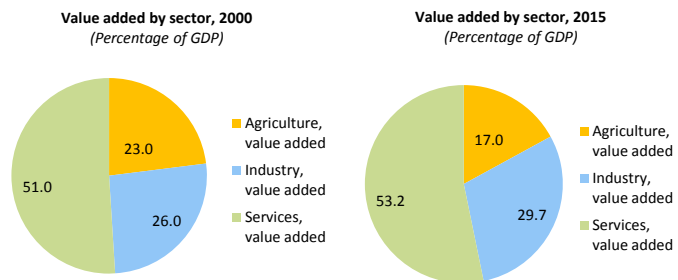
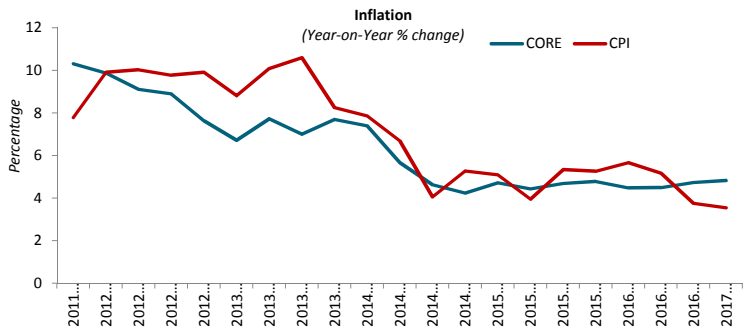
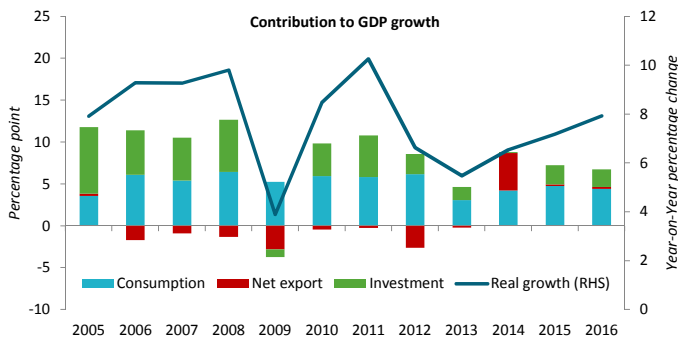
- The rate of India's economic growth moderated to 7.1 per cent in 2016 from 7.6 per cent in 2015. The manufacturing sector was more sluggish in 2016 relative to 2015 owing to weaker domestic demand, rising input costs and subdued bank credit. Fixed investment continued to contract as stressed corporate balance sheets suppressed firms' appetite for additional spending.
- Overall, the still rapid output growth in 2016 benefited from a modest recovery in agriculture due to an improved monsoon season and robust growth in public administration following public sector salary increases.
- The unexpected withdrawal of the two largest denomination currency notes in November 2016 and their subsequent replacement with new currency, a process known as demonetization, weighed down economic conditions in late 2016 and early 2017. For example, the resulting liquidity crunch led to delays in the payment of wages and purchase of inputs in the industrial sector.
- Economic growth is projected to be stable at 7.1 per cent in 2017 before edging up to 7.5 per cent in 2018, underpinned by higher private and public consumption and increased infrastructure spending.
- Despite the overall fiscal tightening, capital expenditure under the budget for fiscal year 2017/18 is about 25 per cent higher than that in the preceding budget.
- Inflation is projected to reach 5.3-5.5 per cent in 2017 and 2018, which is somewhat above the official target of 4.5-5 per cent.
- A key downside risk is heightened financial sector risks related to the concentration of bad loans in public sector banks. The gross non-performing assets ratio in public sector banks reached almost 12 per cent in 2016, which points to the need for bank recapitalization.
- While the impact of demonetization on the economy is expected to be transient, a slower-than-expected recovery would particularly diminish the outlook for cash-intensive sectors and supply chains for agricultural products. In this regard, the recent budget calls for various measures that seek to mitigate the large temporary adverse shocks on income and wealth, such as expanding a low-cost housing scheme and providing more relief to the agricultural sector and credit support for small enterprises.
- Notwithstanding its short-term disruptions, one of the medium-term benefits of the demonetization that took place was to help expand banking sector liquidity. The country's medium-term economic development will also benefit from recent reforms that are aimed at easing domestic supply bottlenecks, such as the implementation of the goods and services tax, amendment of a bankruptcy law and opening up of the pharmaceuticals, defence and civil aviation sectors.

MACROECONOMIC SNAPSHOT

INDIA

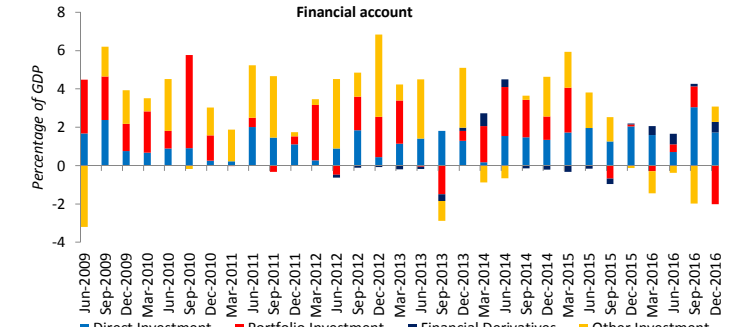
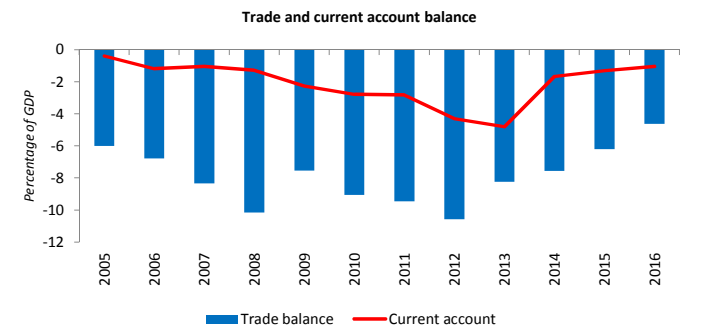
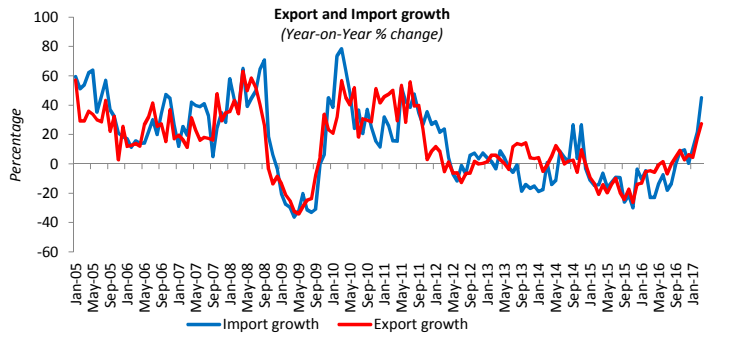
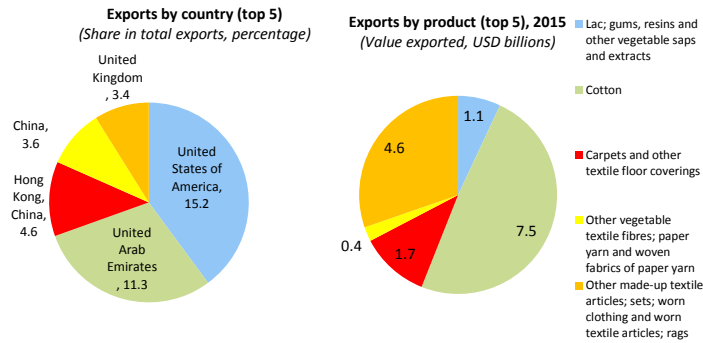
GDP (current US\$, billions):	2116.24	Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population, 2011)	21.23
Share of GDP in developing Asia-Pacific:	11.4	Population (thousands):	1,326,800
Average inflation (2016)	5.0	Inequality (Gini index, 2011)	35.15
GDP per capita (current US\$):	1,614.10	Note: Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.	

Overview



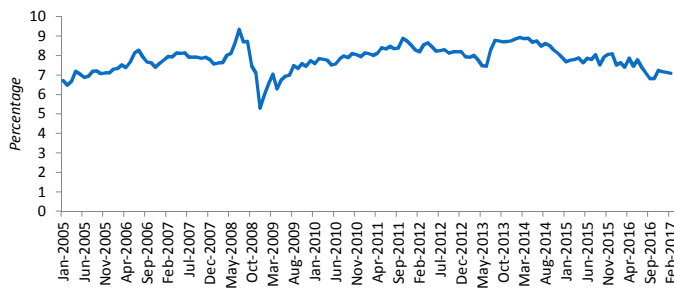
Sources: CEIC, ESCAP statistical database, and World Development Indicator database of the World Bank.
Notes: GDP 2013 onwards are 2010-11 constant price, data prior to 2013 are based on 2004-05 constant price. RHS = right-hand side.

External sector

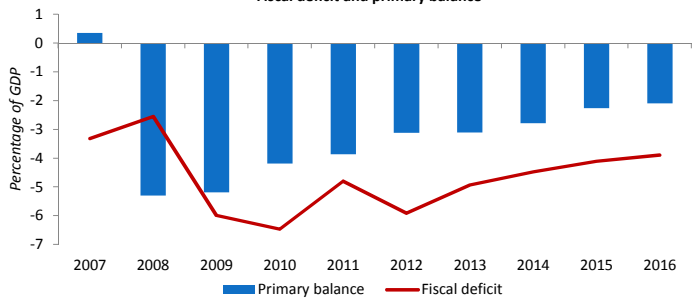


Sources: CEIC and Trade Map data of the International Trade Centre (ITC).

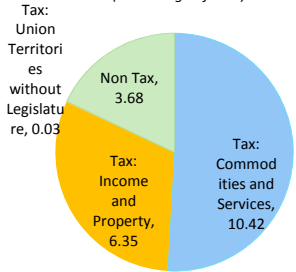
10-yr treasury bond yield



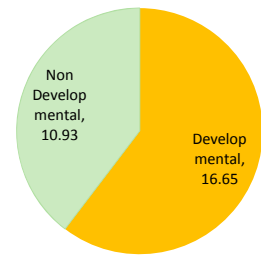
Fiscal deficit and primary balance



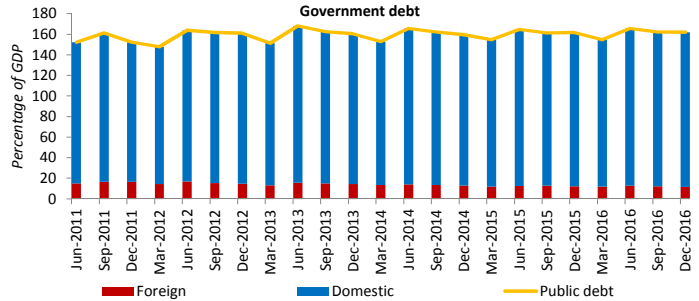
Government revenue, 2016 (Percentage of GDP)



Government expenditure, 2016 (Percentage of GDP)



Government debt

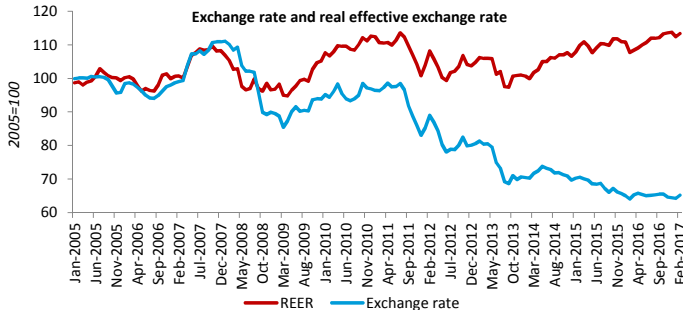


Sources: CEIC, Bank for International Settlements (BIS), and Government Financial Statistics of the IMF.

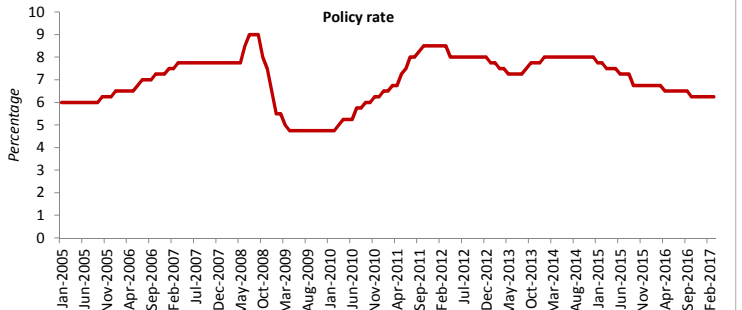
Note: Government debt based on general government.

Monetary sector

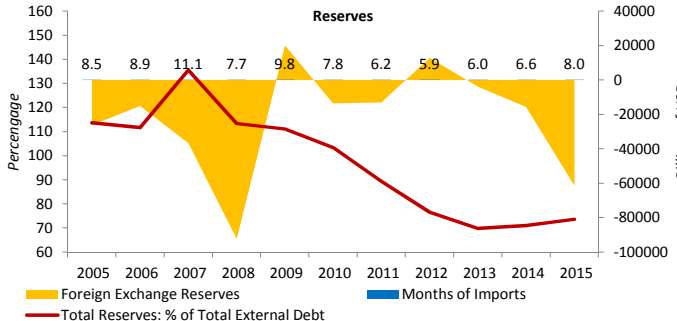
Exchange rate and real effective exchange rate



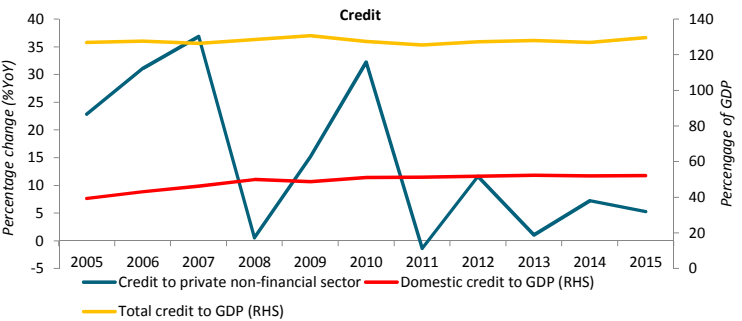
Policy rate



Reserves



Credit

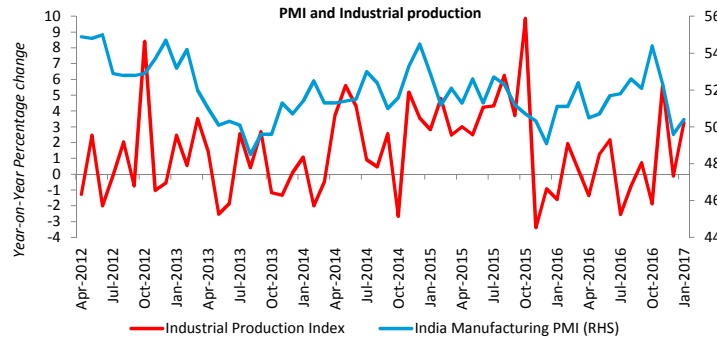


Sources: CEIC and Bank for International Settlements (BIS).

Note: RHS = right-hand side.

Sub-sector

PMI and Industrial production



Source: CEIC.