

## **This publication was archived on 5 August 2016.**

This article is no longer current. Please refer to [Overseas Business Risk – India](#).

### **India: monthly economic report October 2014**

#### **Government's reforms**

In a significant move, the government has now completely deregulated diesel prices; carrying forward a series of staggered increases initiated by the previous administration. This comes at a time of moderation in global oil prices. The deregulation has helped oil companies make profit on diesel for the first time in years. It may also encourage private players to enter into the largely public-sector dominated oil industry, increasing competition. On gas pricing, the government has decided to increase administered prices from \$4.2 per mmBtu to \$5.61 – falling short of the \$8 per mmBtu promised by the previous government.

The Supreme Court recently decided to cancel over two hundred coal block licenses from 1993 to 2011. The government has now introduced a new policy that, at least temporarily, mitigates industry concerns about the energy shortages arising in the economy as a result of the Court's decision. The government has promised to liberalise the sector and challenge the monopoly of the public sector monolith, Coal India. Currently, the only other players allowed to own mines are steel, power and cement companies. Despite having one of the world's largest coal reserves, India still imports a sizeable amount of coal in order to meet its energy demands – efforts to liberalise the sector are a step towards addressing this anomaly.

At a recent economic summit in Delhi, Finance Minister Jaitley outlined his government's priorities in reforming land acquisition and labour laws, and continuing the disinvestment agenda. Newspaper reports here suggest that Congress is likely to support the government's insurance and GST bills, and the coal ordinance (mentioned above), during the forthcoming parliamentary session.

#### **State of the Economy**

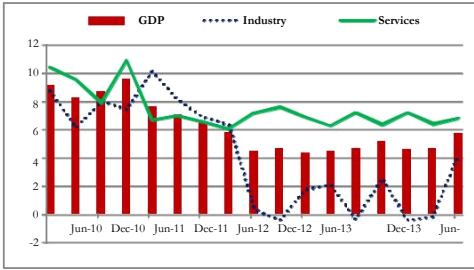
The Services' Purchasing Managers' Index (PMI) has dropped sharply in October to a six-month low of 50, down from 51.6 in the previous month (readings above 50 indicate expansion). However, the business confidence sub-index reached a three-month high and the Manufacturing PMI hit 51.6 in October, marking the twelfth consecutive month of expansion. The orders' sub-index is also at a four-month high.

Almost halfway into this fiscal year, the government has reached 83% of the 4.1% of GDP fiscal deficit. Revenue growth is at a lacklustre 7%, falling way below the budgeted estimate of 19%. However, expenditure has accelerated by 30% as opposed to a budgeted 13%. The government has also announced austerity measures to bring down discretionary 'non-plan' expenditure across its departments and the recent fuel sector reforms will also create some fiscal space.

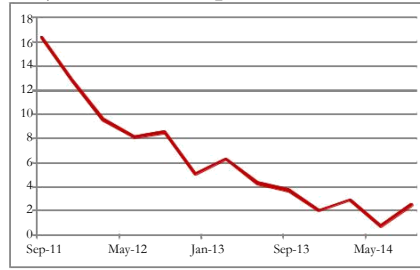
*We also publish a monthly trade report. Our previous reports are accessible [here](#).*

**GROWTH: IIP growth remains subdued at 0.4% in August 2014**

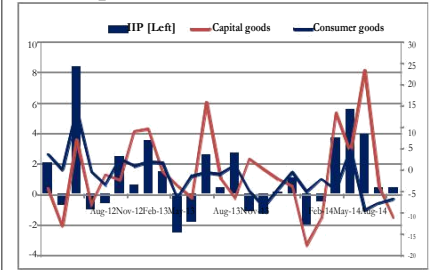
**GDP**



**Projects Under Implementation**

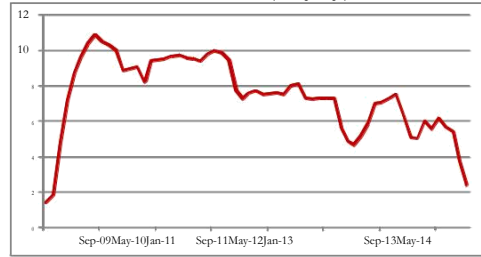


**IIP/Capital/Consumer Goods**

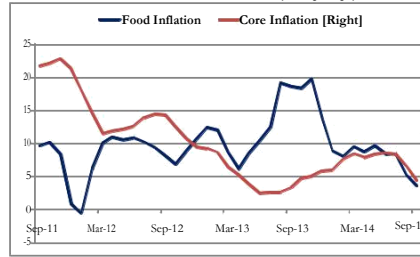


**INFLATION: September WPI inflation dips to 5-year low of 2.4% as food prices ease**

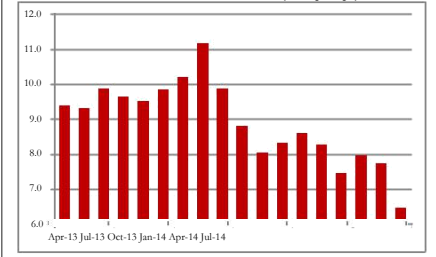
**Wholesale Price Index (% y/y)**



**Food vs. Core Inflation (% y/y)**

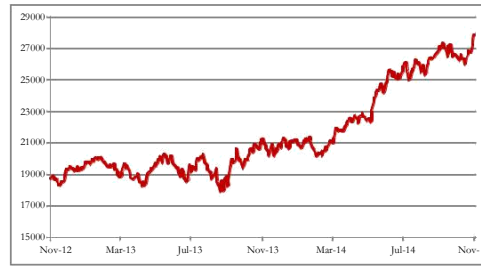


**Consumer Price Index (% y/y)**

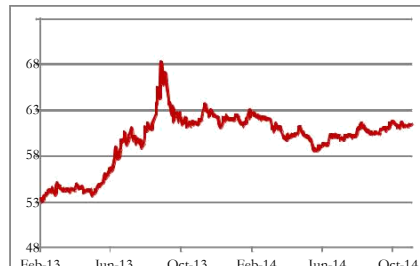


**MARKETS: Rupee remains range-bound**

**SENSEX**



**USD/INR**

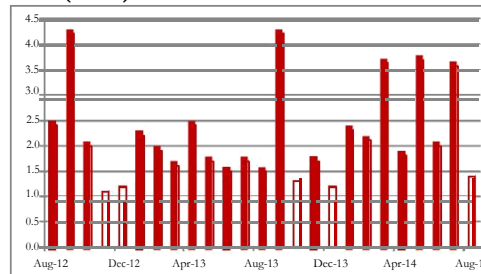


**10yr Govt. Securities yield (%)**

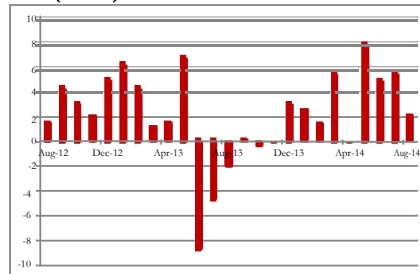


**EXTERNAL: FDI dips to \$1.4 bn in August, lowest in eight months**

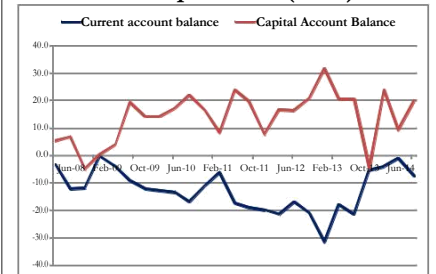
**FDI (\$ Bn)**



**FII (\$ Bn)**

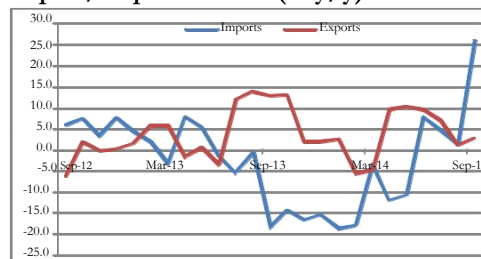


**Current vs. Capital A/c (\$ Bn)**

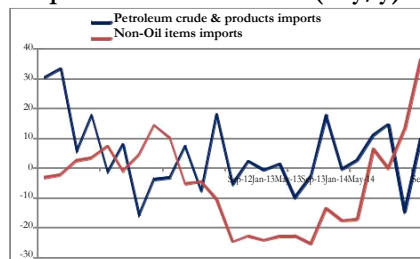


**TRADE: Surge in gold imports widens trade deficit in September 2014**

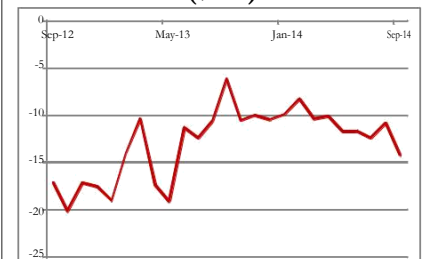
**Export/Import Growth (% y/y)**



**Imports- Oil and Non Oil (% y/y)**



**Trade Balance (\$ Bn)**



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