

State of the Indian Economy : A Macro View¹

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Abstract

Global economy in 2018 had a difficult year with world output growth falling to 3.6% in 2018. Growth rate of world output is projected to fall further to 3.3% in 2019 as growth of both advanced economies, emerging & developing economies are expected to decline. Growth of the Indian economy moderated in 2018-19 with a growth of 6.8%. Yet, India continued to be the fastest growing major economy in the world. India maintained its macroeconomic stability by containing inflation within 4% & had manageable CAD to GDP ratio. The manufacturing sector had higher growth in 2018-19 while the growth in agriculture sector witnessed tapering. Growth in investment has bottomed out & has started to recover since 2017-18. In fact, growth in fixed investment picked up to 10% in 2018-19. Net FDI inflows grew by 14.2% in 2018-19. Capital expenditure of Central Government grew by 15.1% in 2018-19 leading to increase in share of capital expenditure in total expenditure. Given the macroeconomic situation and the structural reforms being undertaken by the government, the economy is projected to grow at 7% in 2019-20.

I. Overview

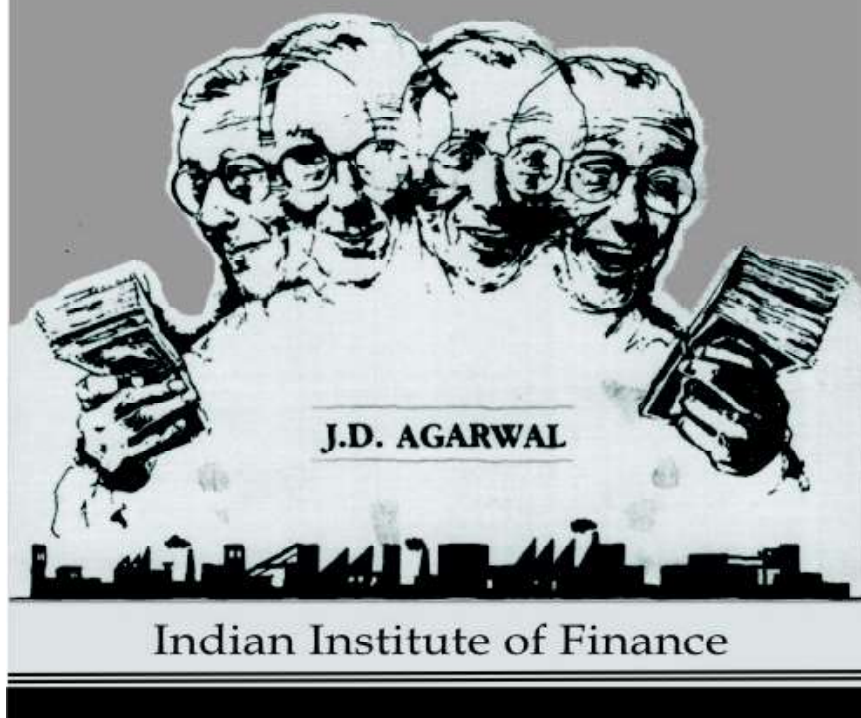
1.1 *Global Economic Scenario*

INDIA CONTINUES TO remain the fastest growing major economy in the world in 2018- 19, despite a slight moderation in its GDP growth from 7.2 per cent in 2017-18 to 6.8 per cent in 2018-19. On the other hand, the world output growth declined from 3.8 per cent in 2017 to 3.6 per cent in 2018. The slowdown in the world economy and Emerging Market and Developing Economies (EMDEs) in 2018 followed the escalation of US China trade tensions, tighter credit policies in China, and financial tightening alongside the normalization of monetary policy in the larger advanced economies. In 2019, when the world economy and EMDEs are projected to slow down by 0.3 and 0.1 percentage points respectively, growth of Indian economy is forecast to increase (Figure 1). Crucially, India forms part of 30 per cent of the global economy, whose growth is not projected to decline in 2019 (World Economic Outlook (WEO), April 2019 of IMF).

1 Reproduced from Economic Survey 2018-19 tabled in the Parliament of India on July 4th, 2019

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