

Economic Division

Monthly Economic Review

September 2022



आर्थिक कार्य विभाग
DEPARTMENT OF
ECONOMIC AFFAIRS

सत्यमेव जयते

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Abstract

Halfway into FY 2022-23, growth and stability concerns for India are less than that of the world at large. As measured by PMI composite index, economic activity level was higher for India at 56.7 compared to 51.0 for the world during April-Sept 2022. Retail inflation for India during these six months stood at 7.2 per cent, lower than the world inflation of 8.0 per cent, as represented by the median inflation of major economies. During the same period, the INR depreciated by 5.4 per cent against the US\$, less than the depreciation of 8.9 per cent of six major currencies in the DXY Index.

India's growth narrative in the first six months of the current financial year featured the uninterrupted thrust government provided to its capital expenditure that, until August of FY 2022-23, stood 46.8 per cent higher than the corresponding period of the previous year. The increase marked a decisive shift towards improved quality of spending as the ratio of revenue expenditure to capital outlay fell to 4.5 from 6.4 in the last year. Rising capital expenditure levels were also supported by stronger revenue generation following an improvement in tax compliance, higher corporate profitability, and growing economic activity. Increasing revenue generation has further kept the fiscal deficit until August aligned with its budgeted level, which otherwise could have gone awry with high capital expenditure, higher fertilizer and food subsidies and excise tax cuts to rein in inflation.

The rising levels of capital expenditure of the government also induced capital formation in the private sector, mirrored in the robust performance of the manufacturing industry during the last six months. PMI Manufacturing continued in the expansionary zone in September 2022, driven by new business growth, demand resilience, and expanded operating capacities. In addition, business sentiment also rose as input cost inflation fell to a 23-months low on the back of declining prices of industrial metals, leading to an increase in profits of the private corporate sector. The RBI Industrial Outlook Survey further captures an improvement in overall business sentiment in the manufacturing industry as seen in the rise of the Business Assessment Index (BAI) during Q2 of 2022-23, which is explained by an increase in production and order books, enhanced capacity utilisation, and better employment and trade conditions.

In the first half of the current financial year, India also overcame a major hurdle to growth by restoring critical levels of coal availability. As of 30th Sept, coal stock at power plants stood at 9.4 days compared to just four days a year ago and is higher than that April 2022 level, when concerns over coal availability were much higher. The energy deficit in Q2: 2022:23 has also reduced from a peak in Q1:2022-23. Timely measures taken by the government in April and May helped increase coal supply.

For much of the April-September period, the contact-based services sector has shown considerable promise to support growth by ventilating the pent-up demand. The green shoots of revival are already visible in the form of robust performance of various HFI capturing the sector's performance. The strong resurgence is also reflected in improving sentiments of the services sector enterprises reporting a sharp uptick in the overall business situation, employment, and turnover during Q2:2022-23, as per the latest RBI Services and

Infrastructure Outlook Survey. The tourism industry has made good progress in the last six months, while recent government initiatives like the Ayush visa and Heal in India can assist in capturing a larger share of the global medical tourism market in times to come. In addition, with the resumption of corporate travel, a rebound in MICE tourism and 'bleisure' travel will further kick-start the sector.

The robust growth performance in the first half of the current fiscal has been ably supported by a well-capitalized banking system that witnessed an upswing in credit disbursement to the retail, industry and services segments. Non-food credit growth has almost doubled from 8.7 per cent in March 2022 to 16.4 per cent in September 2022, reflecting not only an acceleration in the growth of current economic activities but also an anticipation of continued acceleration in the future as well. The growth in credit to industries has been driven by an increase in bank credit to MSMEs aided by the ECLG scheme. Growth in credit outstanding to MSMEs rose from Rs. 4.8 lakh crore in September 2020 to 7.8 lakh crore in August 2022, marking an increase of 63.8 per cent.

Six months into the current financial year, India has managed inflation better than most countries in the world. Wholesale and retail inflation, which averaged 16.1 per cent and 7.3 per cent, respectively, in Q1 FY 2022-23, has declined. The wholesale inflation is now down to 12.4 per cent, and retail inflation is a notch above 7 per cent in Q2 of FY 2022-23. Notably, retail inflation has remained stable all through the period of April-September at near 7 per cent. The gap between wholesale and retail inflation has narrowed, indicating that the magnitude of pass-through of input costs on retail inflation is likely to be lower in the future. Declining global commodity prices have helped to restrain inflation, as have the RBI's repo rate hikes and quantitative tightening. In addition, the government's proactive measures, including excise and import duty reductions, levying of export duties and curbs, and building of buffer stocks, have helped restrain inflation from the supply side. Barring further weather extremities, retail food inflation is expected to decline in the coming months, leading to lower headline retail inflation.

Monetary tightening by the Fed has strengthened the US Dollar and consequently led to the weakening of all currencies. The volatility in the movement of the Indian rupee against US Dollar has been minimized by calibrated interventions of the RBI in the forex market with the backing of large forex reserves. Reserves have been large by virtue of a global perception that continues to see India as very much an investible country. Not surprisingly, foreign direct investment (FDI) inflows during April-July, increased from US\$ 13.1 billion in 2021-22 to US\$ 18.8 billion in the current year. And despite the hikes in the rates by Fed, FPI outflows declined in H1 of FY 2022-23 as compared to the preceding half year (H2 of FY 2021-22), as foreign portfolio investors became net buyers in Q2 of FY 2022-23 with a net investment of US\$ 3.3 billion. Series of measures taken by the RBI during July 2022 is expected to stabilise the capital flows further and support the INR.

In the last six months, growth would have been higher, but for the performance of merchandise exports which, after witnessing a strong recovery in FY 2021-22, and sustaining the rebound

in Q1 of FY 2022-23 as well, plateaued in Q2 with the demand slowdown in the advanced economies. On the other hand, merchandise imports driven by elevated global commodity prices and the continued recovery of the Indian economy have shown sustained growth. Stabilised exports and sustained imports have widened the current account deficit, adding to the pressure on the rupee already being exerted by weak capital inflows.

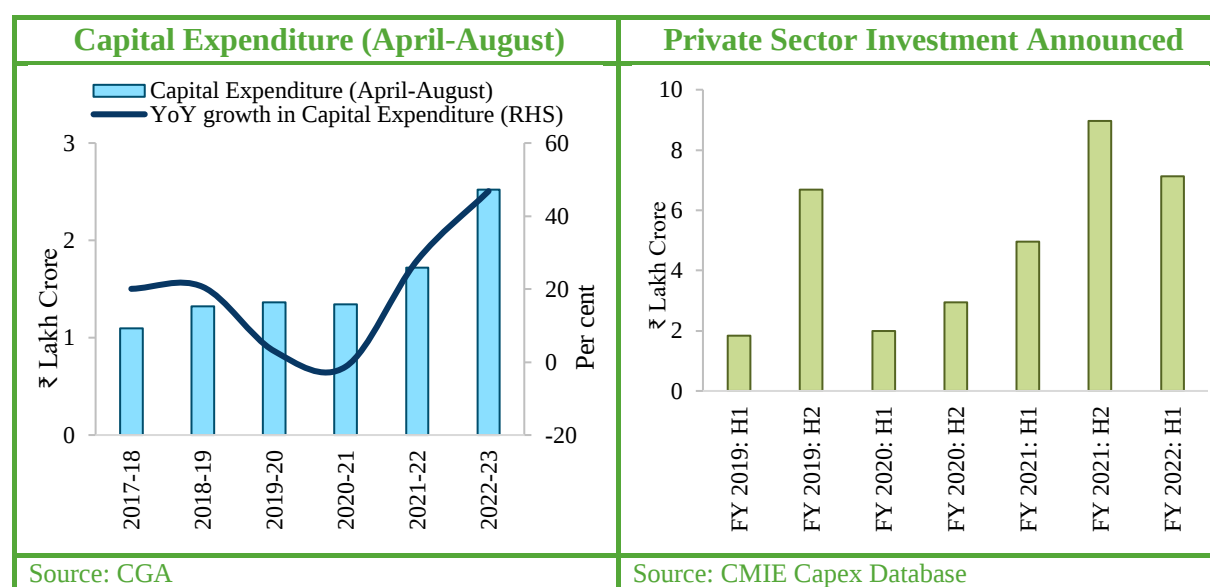
Expected real economic growth of 6.8 per cent for India in 2022-23 is the second highest in G-20 and at 6.1 per cent for 2023-24, the highest in G-20. Both are projections made by the IMF. India's medium-term growth rate is likely higher than 6.0 per cent. A long-awaited domestic investment cycle that had started will accelerate once current external shocks – geopolitical conflicts and monetary tightening – fade. Corporate and bank balance sheets in India are ready for it. India's public digital infrastructure, after several years of development, appears poised to deliver big time on financial access and formalisation for households and smaller businesses in India. The economy has been resilient and is adapting to technological change smartly. Further, recent developments elsewhere in the region further bolster the relative attractiveness of India as an investment destination. That said, this is no time for celebrations and complacency.

Global energy prices and supplies remain sources of concern. Geopolitical conflicts may yet intensify reigniting supply chain pressures that have eased recently. If so, inflation may yet see a resurgence rather than a decline in 2023. While capital formation and digitalisation boost medium-term potential growth rate, learning losses caused by the pandemic-induced shutdowns and rising obesity levels restrain it. A healthy and educated India is a productive India. The government quietly went about facilitating the development of India's digital infrastructure on the foundation of unique national identity, financial inclusion and payments. The world is taking notice now. Similarly, quietly rebuilding the economy's ability to grow and letting it grow, after at least half a decade of financial stress followed by the pandemic, the global inflation shock and the global tightening of financial conditions will yield results that will be harder for the world to miss.

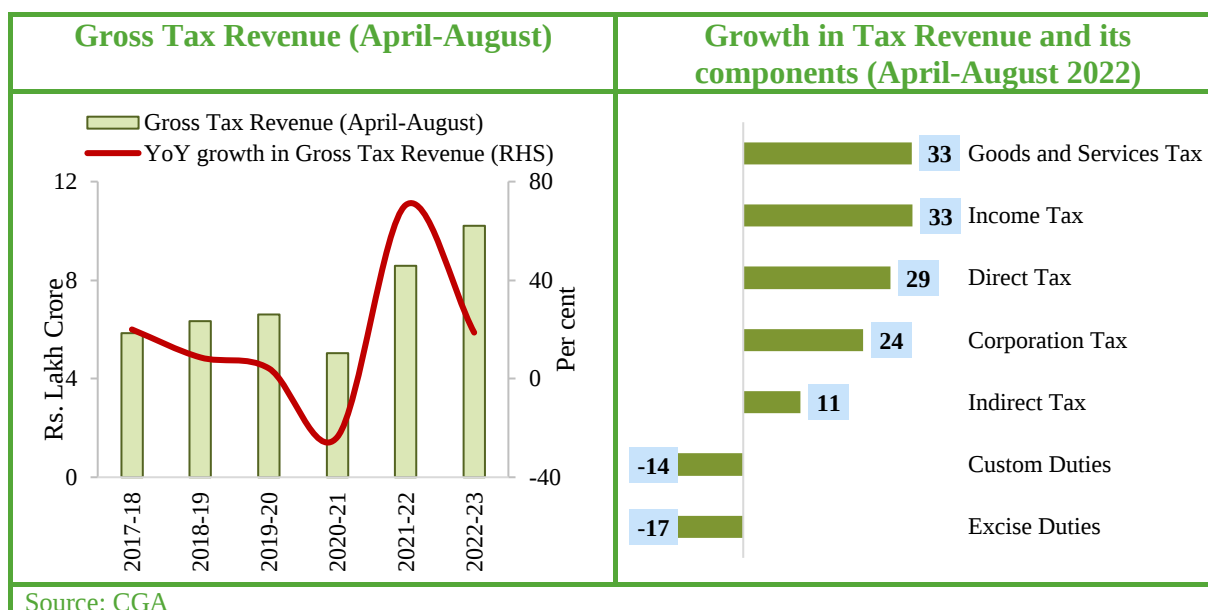
Fiscal Position

Buoyant revenue generation to support increased capital expenditure

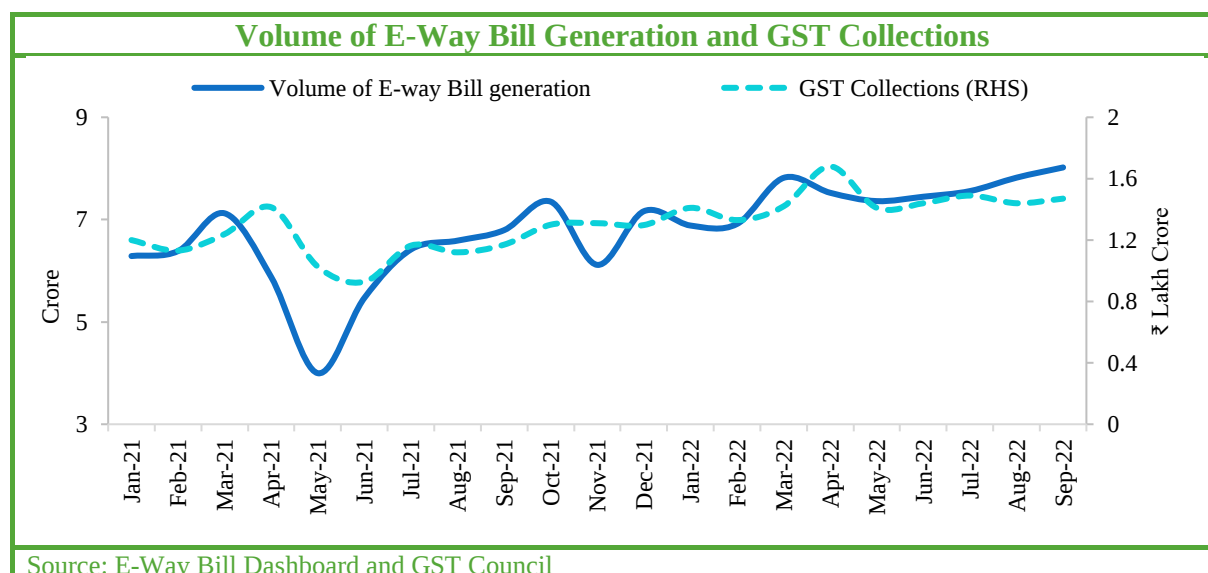
1. Central Government's continuous thrust on capital expenditure has significantly promoted broad-based growth by facilitating private sector capital formation. The government's capital expenditure during April-August 2022 is 46.8 per cent higher than the corresponding period of the previous year, with a majority of the spending witnessed in roads, railways, and defence. There is a marked improvement in the quality of spending, with the revenue expenditure to capital outlay ratio declining to 4.5 during April-August 2022 compared to 6.4 in the corresponding period of the previous year. Complementing the higher level of capital expenditure in the Central Government is a significant increase in private investment, with new projects announced by the private sector growing at 44 per cent in the H1 of 2022-23 over the corresponding period of the previous year.



2. The Central Government has undertaken various measures to incentivise States to increase capital spending. Out of the Centre's interest-free loans of ₹ 1 lakh crore allocated to States in the Union Budget of 2022-23 to boost capital formation, ₹ 51,084.6 crores has been approved for 18 States. Further, there is evidence of frontloading of tax devolution to States with the release of two instalments amounting ₹1.17 lakh crore in August 2022 against the normal monthly devolution of ₹0.58 lakh crore. This has enabled states to accelerate their capital and developmental expenditure. Capital expenditure by 21 States picked up in July 2022-23, with large States such as Uttar Pradesh, Madhya Pradesh, Karnataka, Maharashtra, and Gujarat accounting for nearly 54 percent of the spending in April-July 2022.



3. Rising capital expenditure is being supported by strong revenue generation. Until August 2022 of the current year, Gross Tax Revenue registered year-on-year growth of 18.7 per cent. An increase in tax revenue can be attributed to improvements in tax compliance (seen in a surge in the number of returns filed), higher corporate profitability and rising economic activity. Growth in tax collections is visible across all direct and indirect taxes except Customs and Union Excise Duties which declined due to the suspension of duty on cotton, edible oils, lentils, petrol, and diesel. GST collections have also been robust, registering a year-on-year growth of 25.6 per cent in September 2022 and reflecting the effectiveness of various measures undertaken by the Government to reduce anti-evasion activities.

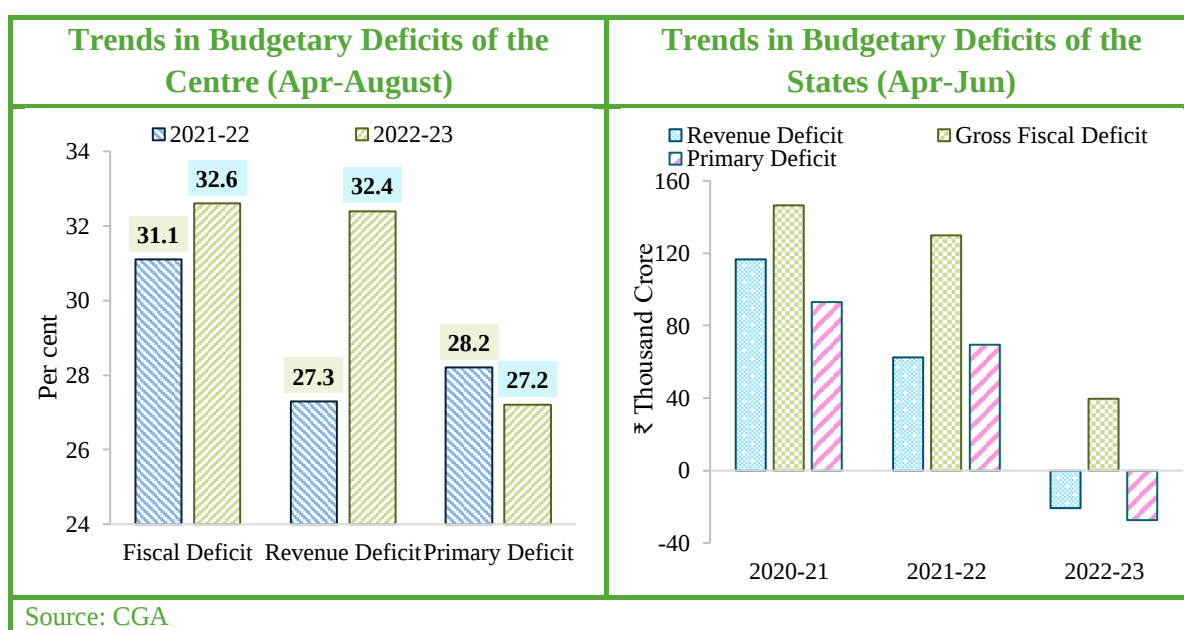


4. Five years after its implementation, GST collections have started paying dividends now. This can be attributed to the deepening GST rollout as reflected in the rising volume of e-way bill collections. During H1 of FY 2022-23, average GST collections stood at ₹ 1.49 lakh crore, almost ₹ 25,000 crores higher than the corresponding period of the previous year. During the

same period, 7.6 crore e-way bills were generated, 30 per cent higher than the corresponding period of the last year reflecting strong growth in GST revenue in the upcoming months. Significant pick-up in consumption has resulted in a more-than-proportionate jump in GST revenues; a more robust economic recovery could allow the collections to settle at an elevated level, proving the high revenue productivity of the broad-based consumption.

5. Non-Tax Revenue declined by 21.4 per cent during April-August 2022 compared to the corresponding period of the previous year due to a fall in dividends transferred from RBI and Public Sector Banks to the Central Government. The decline in dividends can be attributed to higher interest paid by RBI on variable reverse repo auctions to suck out excess liquidity from the banking system that was infused following the onset of the Covid-19 pandemic.

6. Increasing revenue generation has also kept the fiscal deficit until August aligned with the budget. The Central Government's fiscal deficit up to August of the current year stood at 32.6 per cent of the budgeted level, only slightly higher than the corresponding period of the previous year. The focus on capital expenditure and rationalization of spending through digitization is expected to create necessary fiscal space to support the vulnerable sections. There is evidence of an improvement in states' finances, with the gross fiscal deficit of states declining by 69.6 per cent in Q1 of 2022-23 over the corresponding period of the previous year, driven by higher revenue receipts and a reduction in revenue expenditure.

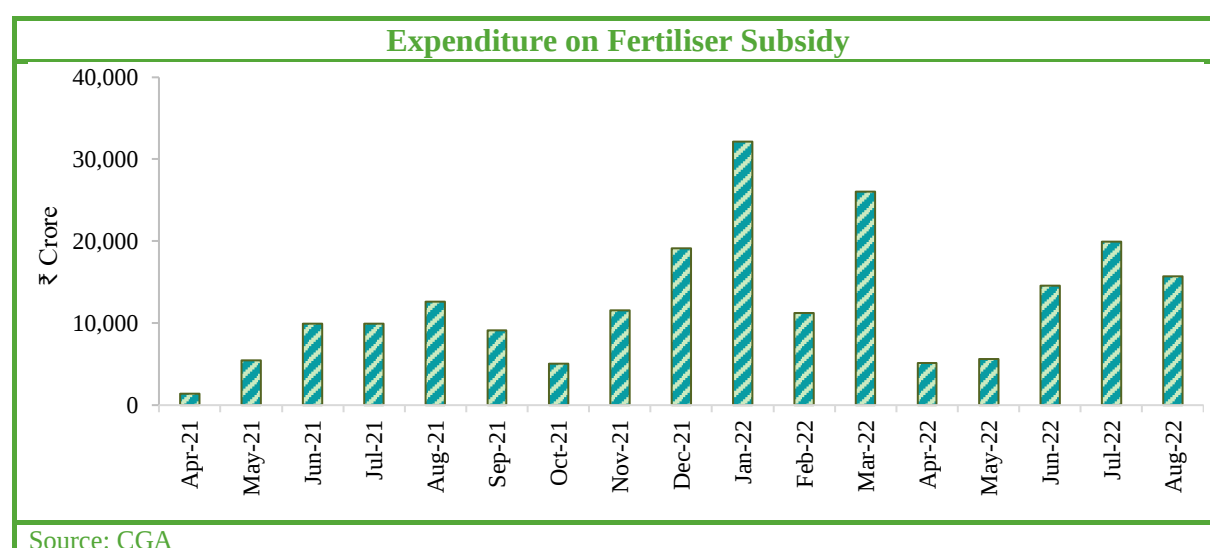


7. Complementing Central Government's efforts to improve fiscal health, a series of measures have been announced by the States as well to increase revenue generation. States of Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Madhya Pradesh, Assam, UT of Puducherry, etc., have increased power tariffs. Madhya Pradesh Electricity Regulatory Commission (MPERC) has increased electricity rates by 2.6 per cent, pointedly to overcome the rising revenue deficit. Kerala Government has increased property and entertainment tax, for the following Financial Year. Uttar Pradesh Government has introduced a new excise policy which includes a rise in license fees, renewal fees, processing fees, and registration fees across

various liquor categories. Odisha witnessed robust growth in revenue collection from the mining sector owing to an increase in the market price of iron ore and other minerals.

Increasing expenditure on subsidies, rising interest payments, and Government borrowing may lead to a surge in public debt

8. Elevated geopolitical tensions have led to disruptions in global supply chains that, in turn, have raised international prices of several commodities. One of the commodities is fertilizers whose international price, after a modest slowdown, started spiking again in August 2022 as a shortage of natural gas arose in Europe. Measures undertaken by the Government to reduce the burden of soaring inflation on the consumers such as surge in expenditure on fertiliser subsidy and recent announcement of extension of Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) up to December 2022 can put a stress on Government finances by raising non-plan revenue expenditure. Buoyant tax revenue receipts are, however, expected to absorb the higher subsidy burden.



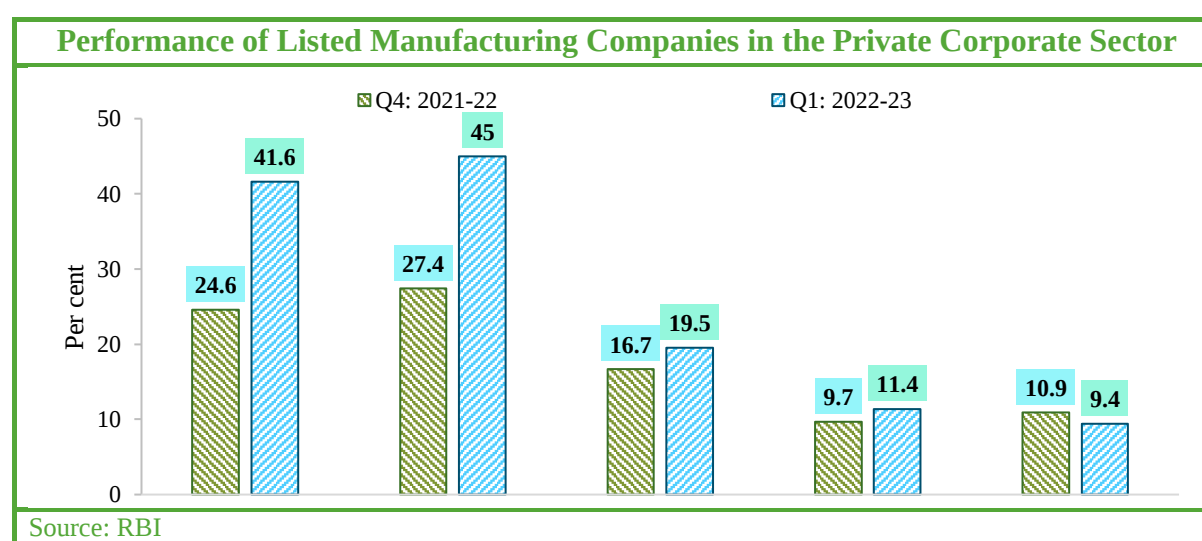
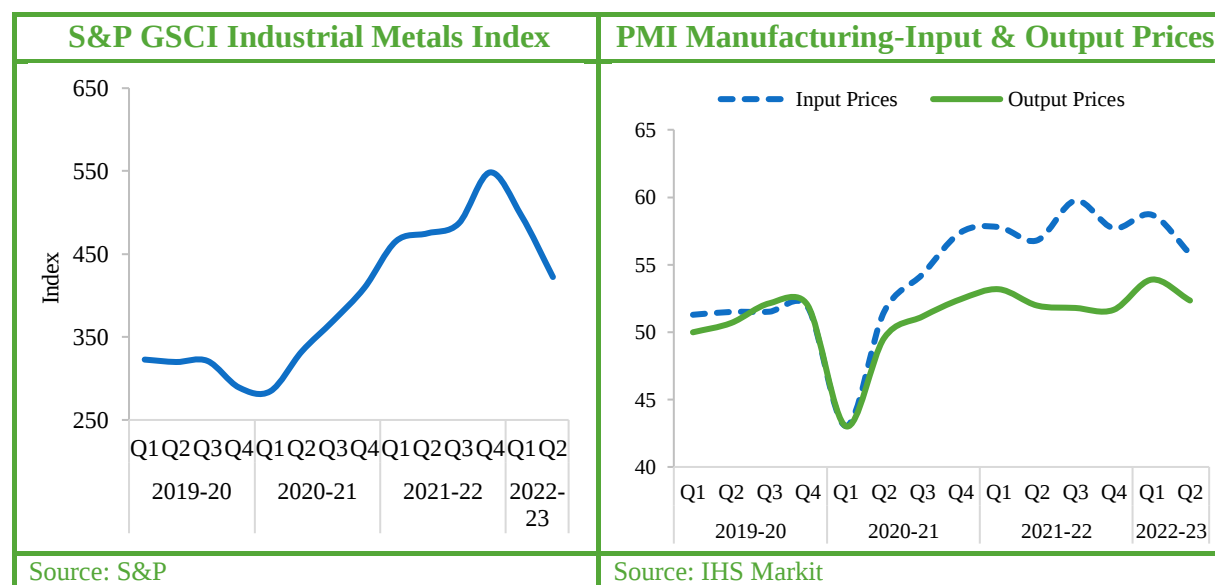
Industry

Recovery in the manufacturing sector driven by new business growth and expansion in operating capacities

9. PMI Manufacturing, reflective of the manufacturing sector's performance, remained in the expansionary zone at 55.1 in September 2022, driven by new business growth, demand resilience, and expanded operating capacities. In addition, business sentiment also rose as input cost inflation, as mentioned in the PMI manufacturing report of September 2022, fell to a 23-months low on the back of declining prices of industrial metals. This is captured by the S&P GSCI Industrial Metals Index, which went southward in Q2 of 2022-23, after a spike in March 2022 following Russia's invasion of Ukraine.

10. The RBI Industrial Outlook Survey also captures an improvement in overall business sentiment in the manufacturing sector as seen in the rise of the Business Assessment Index

(BAI) during Q2 of 2022-23, explained by an increase in production and order books, enhanced capacity utilization, and better employment and trade conditions. Manufacturers perceive an expansion in demand conditions and overall business expectations during Q3 and Q4 of 2022-23 as well. The easing of input cost pressures could lead to lower selling prices, reflecting a robust recovery of the manufacturing sector.



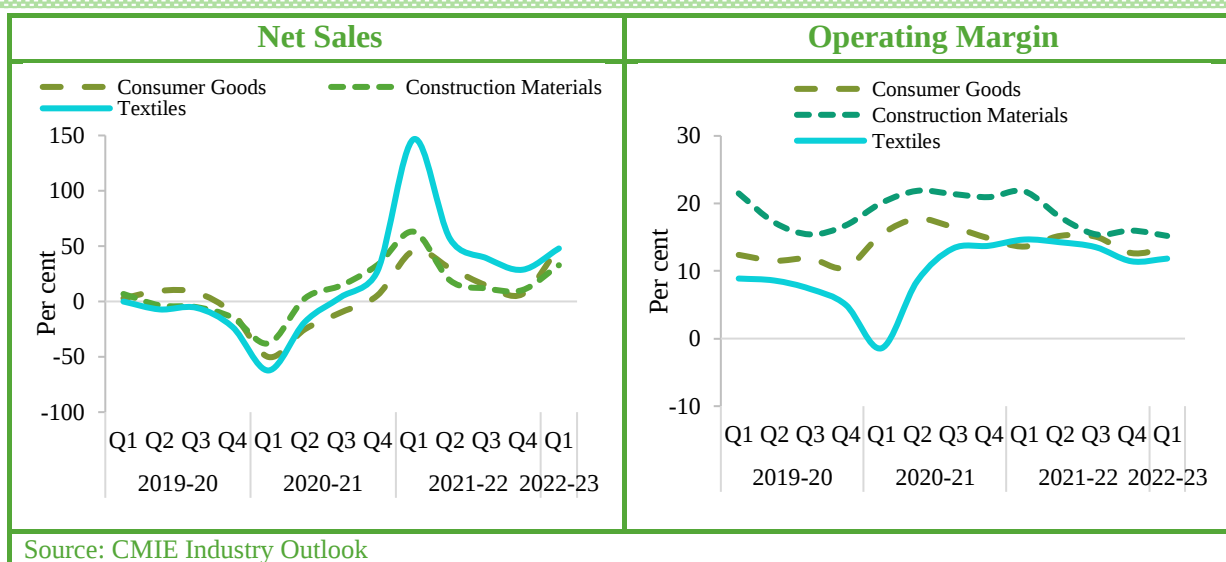
11. During April-August 2022, the Index of Industrial Production (IIP) witnessed a year-on-year growth of 7.7 per cent, with the most robust growth seen in the production of capital goods and consumer durables, indicative of rising consumption levels inducing investment. During the same period, the Index of Eight Core Industries registered a growth of 9.8 per cent, with a significant increase in the production of coal and fertilizer, meeting the requirements of increasing the production of consumables. Growth momentum in the industry has been supported by strong credit offtake, which registered a double-digit growth in April-August 2022 for financing inflation-induced higher working capital demand and increase in capacity utilization.

12. An improved business sentiment and a positive outlook on manufacturing output are seeded in improvement in the profitability of manufacturing companies in the private corporate sector. These firms witnessed rise in output with sales registering YoY growth of 41.6 per cent in Q1 of 2022-23 compared to 24.6 per cent in Q4 of 2021-22 (both volume and price components contributing to higher growth) on account of improvement in demand. The YoY growth in net profit of these companies also rose from Q4 to Q1 despite supply chain disruptions persisting through the ongoing geopolitical tensions. With their net profits to sales ratio nudging 10 per cent in Q1 of 2022-23, the profit outlook in the remaining quarters of the year shows up on the brighter side.

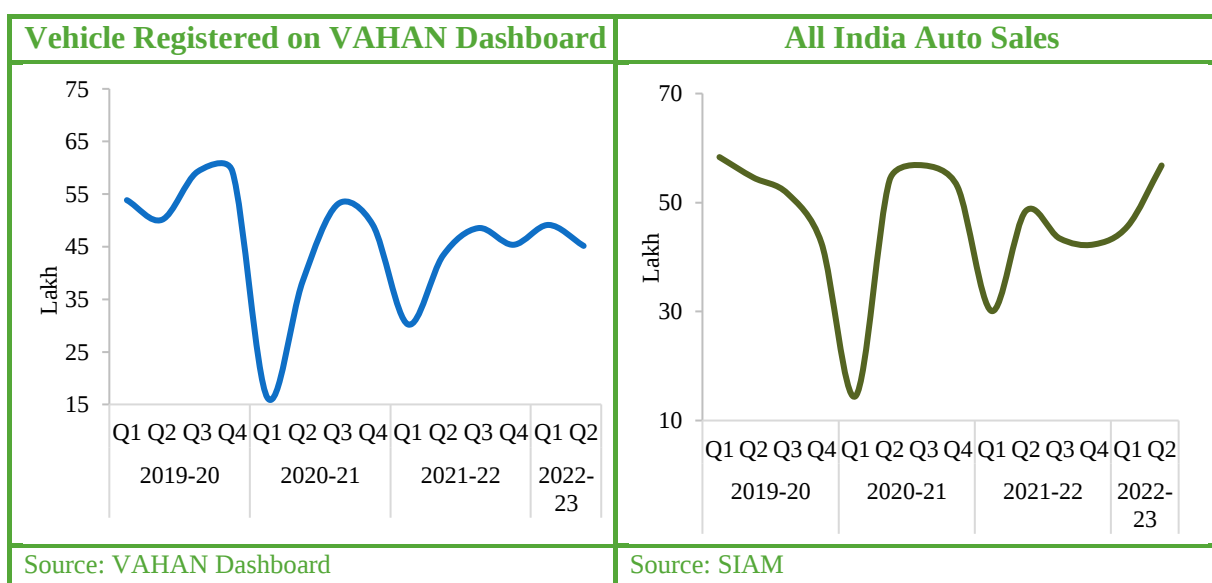
13. A mixed trend in recovery, however, is visible across sub-sectors. Consumer goods firms witnessed an increase in net sales and an improvement in interest coverage ratio in Q1 of 2022-23 due to price increases by consumer goods manufacturers and strong demand for beverages and branded products such as edible oil, rice, spices, and wheat flour. In offline retail and e-commerce platforms, demand for consumer goods has recently increased pepped up by festive season purchases even as inflation remained high, which is likely to improve firms' financial health in Q3 of 2022-23.

14. Construction firms, on the other hand, witnessed subdued demand during Q2 of 2022-23 as the southwest monsoon bought construction activity, especially in the individual home building segment, to a halt. Further, the price of fuel used in manufacturing cement, such as coal and petroleum coke, continued to increase, resulting in higher power and fuel cost for the industry. However, housing construction under the Pradhan Mantri Awas yojana continued to progress, and an increase in infrastructure projects under National Infrastructure Pipeline is expected to boost demand for construction materials and raise firms' profitability.

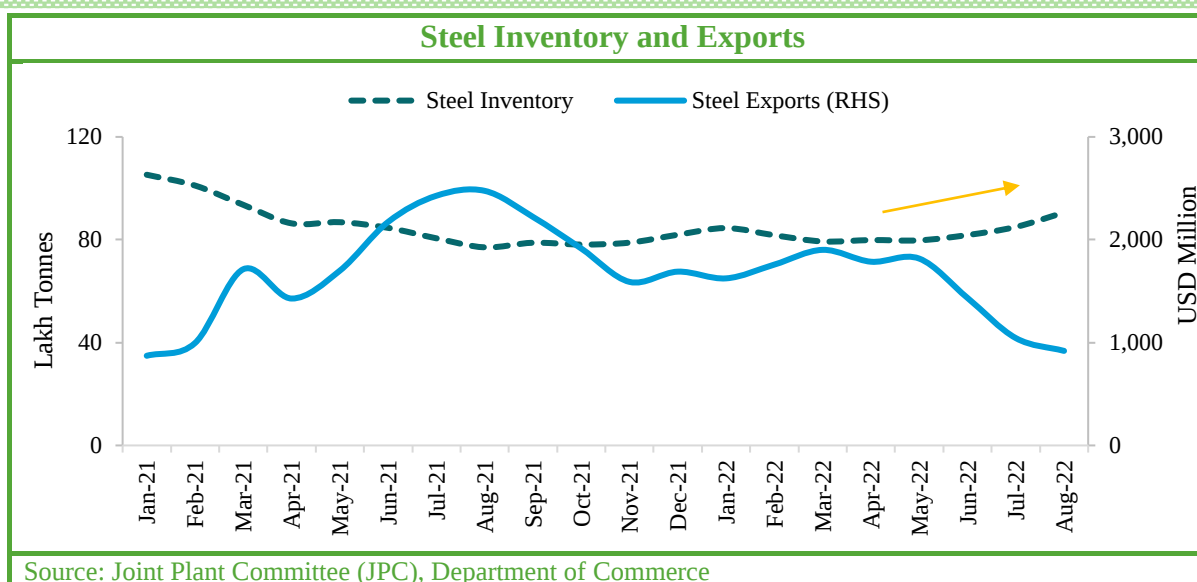
15. Textile firms witnessed robust sales in Q1 of 2022-23; however, high input prices took a toll on their profitability. While net sales increased from 28.7 per cent in Q4 of 2021-22 to 47.9 in Q1 of 2022-23, the interest coverage ratio remained unchanged during the same period. Textile and apparel exports declined in Q2 of 2022-23 due to significantly high cotton prices and a slowdown in key export markets such as the USA and Europe. Support provided by the Government to the textile sector in the form of cheaper credit, loans in foreign currency, and tax reimbursement is expected to improve the financial health of firms in upcoming quarters.



16. At the industry level, the number of vehicles registered on the VAHAN portal grew by 4.2 per cent in Q2 of 2022-23 despite a rise in input costs for the automobile industry. Auto sales also recorded a double-digit YoY growth in Q2 supported by improved availability of semiconductor chips and reflecting demand ahead of the festive season. A surge in the construction of roads, railways, and airports, pushed by the government's strong focus on Capital expenditure has contributed to YoY growth in steel consumption rising from 9.4 per cent in Q1 to 12 per cent in Q2 of 2022-23.



17. However, the slowdown in the global economy and duty imposition on steel exports in May 2022 is leading to higher domestic inventory. Due to rising interest rates and a decline in demand from China following a real estate crisis and the COVID-19 lockdown, steel demand and prices are likely to be under pressure in the upcoming months. Cement production is also witnessing a decline on a sequential basis as monsoon rains during the second quarter has slowed the pace of construction activity in many areas.



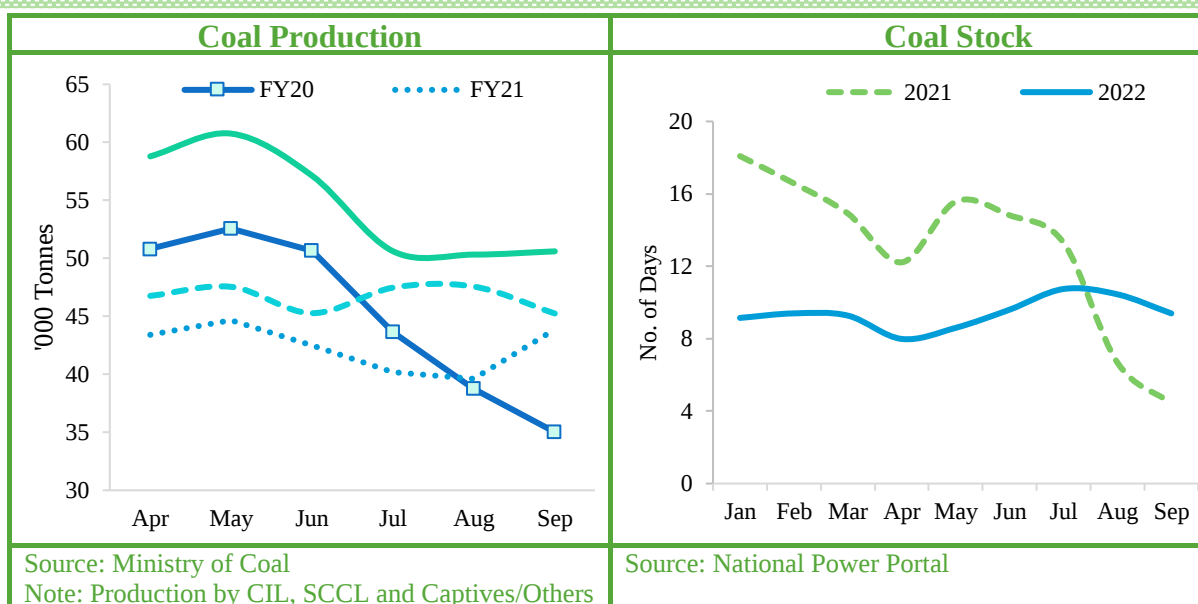
Enhancement of manufacturing capacity with increased investment driven by initiatives taken by the government

18. A series of initiatives have been undertaken to promote the development of physical infrastructure such as the launch of PM Gati Shakti, National Monetization Pipeline, National Infrastructure Pipeline (NIP), Production Linked Incentive (PLI) scheme, etc. Starting with 6,835 projects, the number of targeted projects under NIP has been extended to 9,335, with a total investment of ₹108 trillion spread across 34 sub-sectors. Presently, 2117 projects are under the development phase with an estimated investment of \$1.9 trillion. Sectors such as transport, water & sanitation, and social infrastructure are among the key sectors witnessing maximum infrastructure investment in India.

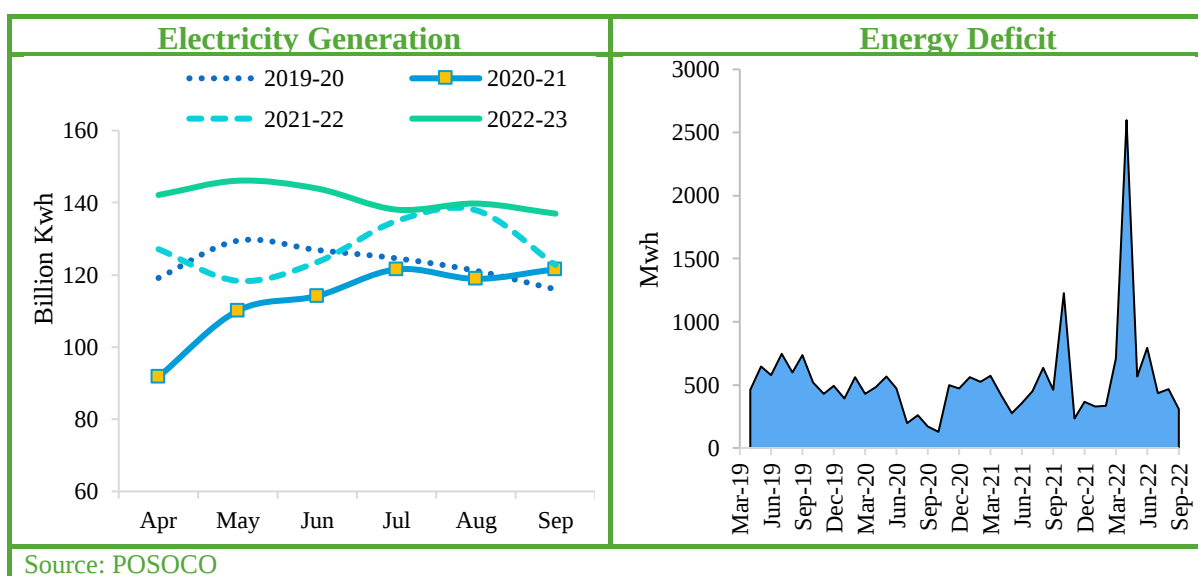
19. As of June 2022, the PLI scheme has led to a total production of more than Rs. 1.68 lakh crore, including exports of Rs 65,240 crore, providing employment to 28,636 individuals. According to the Emkay Investment Managers report, the scheme has witnessed maximum production in the electronics, auto components, and pharma sectors. Registration of manufacturing companies has shot up to the highest ever in the last seven years along with a rise in the number of environmental clearances sought and granted.

Coal production ramps up, and stock is adequate to cater to festive energy demand, aided by prompt actions taken by the government

20. A resurgence in economic activity and the emergence of intense heat waves from early March to mid-May increased the demand for power in the country, throwing up the challenge of coal availability for India's largely thermal-based power generation plants. Coal adequacy was threatened as an increase in domestic production of coal could not keep pace with its rising demand by power-generating plants. As a result, in April 2022, even as coal offtake rose to meet higher demand, coal stock with power plants, as on 31st April 2022, fell to 8 days from 12 days a year ago.



21. Government immediately took several steps through April and May, to address the supply constraints of coal. First, all generators were asked to import coal to the extent of 10 per cent of their requirements (as against 4 per cent earlier). Penalties, including curtailment of domestic coal entitlements, were announced if power plants failed to import coal. Second, Section 11 of the Electricity Act 2003 (Act) was invoked to direct imported coal-based plants to run at full capacity with the assurance that their enhanced cost of operation would be compensated. Third, tolling was enabled, which allowed states to transfer their allotted coal to private generators near the mines instead of transporting it too far away from state generators. This move eased the burden on the availability of railway rakes. Fourth, REC/PFC and commercial banks were advised to facilitate the availability of additional working capital to power generating plants.



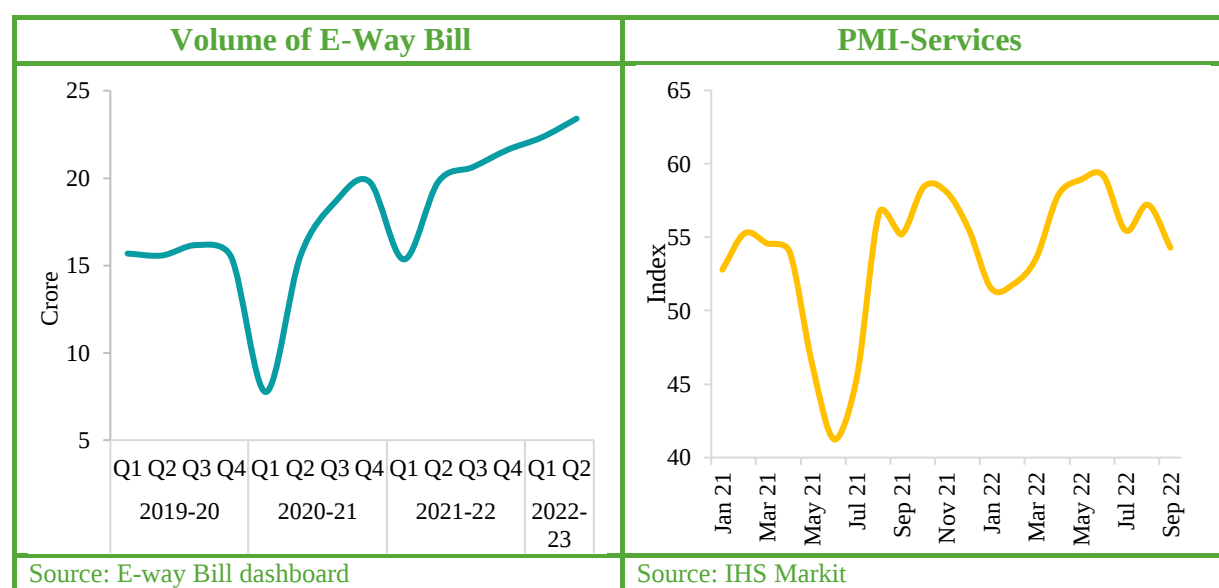
22. India is in a better position now to cater to excess energy demand during the festive season. Coal production has been ramped up by 8 per cent during Q2: 2022-23 on a year-on-year basis and was 29 per cent higher than the pre-pandemic quarter of 2019-20. As of 30th

Sept, coal stock at power plants stood at 9.4 days compared to just four days a year ago and is higher than April 2022 level. As of 7th Oct, coal stock has declined to 8.9 days and needs to be monitored for the smooth functioning of the economy. Energy production has also increased by 11 per cent during April-Sept 2022 on a year-by-year basis, with renewables registering a growth of 16 per cent, followed by 11 per cent in hydro and 10 per cent in thermal sources. The energy deficit reduced to 1.2 billion kWh in Q2: 2022:23 from a peak of 4.0 billion kWh in Q1:2022-23.

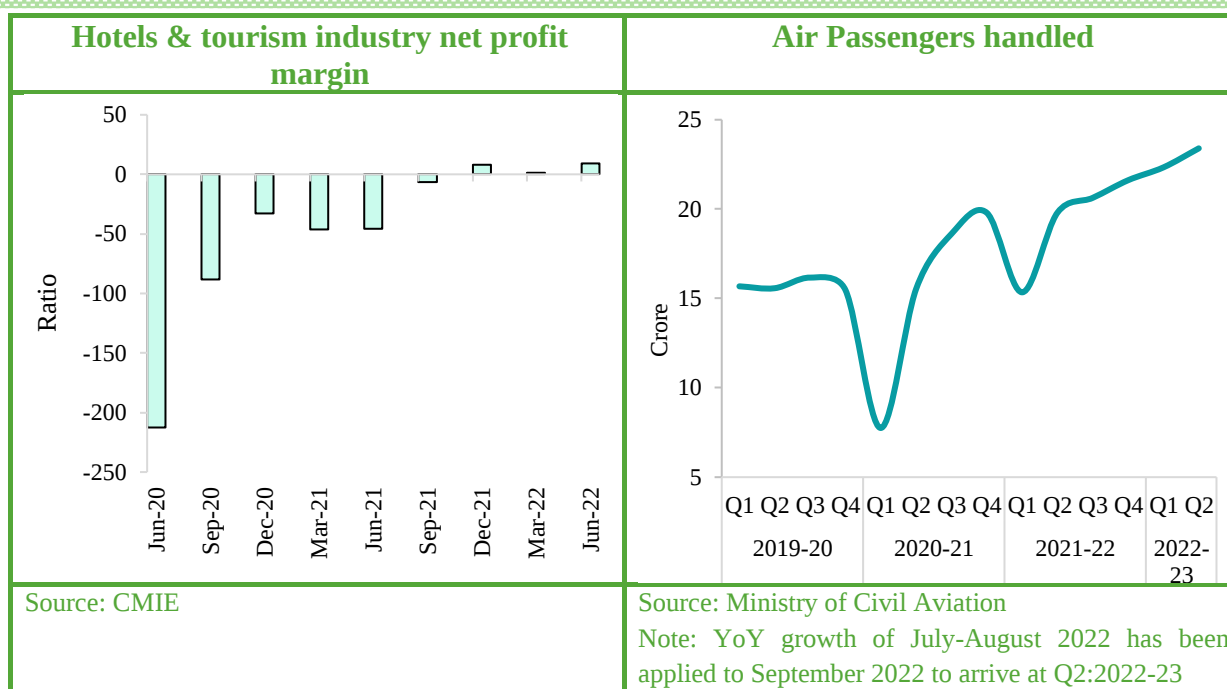
Services

The services sector is witnessing renewed growth

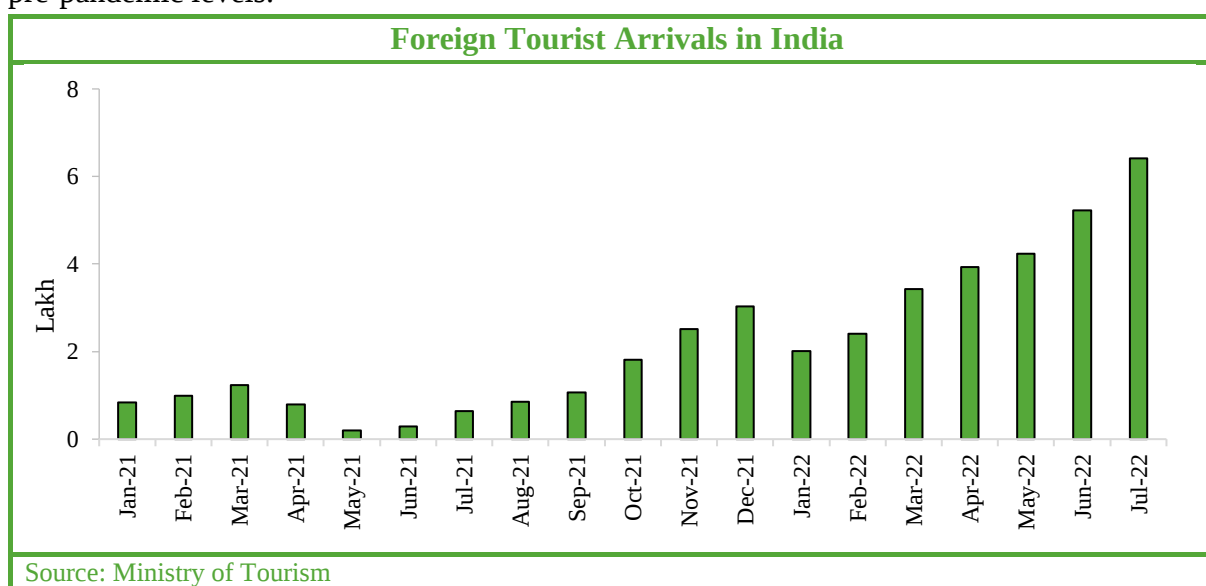
23. The services sector, especially contact-intensive services, which bore the brunt of the COVID-19 pandemic, is poised to emerge as a key growth driver for India, buoyed by the release of pent-up demand and ease of mobility restrictions, and near-universal vaccination coverage. Green shoots of revival are already visible in the services sector. High-Frequency Indicators (HFIs) suggest a continued broadening of traction in services activity. E-way bills in particular point to the overall growth of inter-state wholesale and retail trade. Their YoY growth of 30 per cent in H1:2022-23 and 46 per cent over the H1 of 2019-20 reflect the new-found robustness of economic activity.



24. S&P Global India services PMI numbers, another indicator for growth momentum in the sector, has been in the expansionary zone for the last 14 months. Overall sentiment in the service sector firms is also witnessing improvement. As per the latest RBI Services and Infrastructure Outlook Survey, services sector enterprises report a sharp uptick in the overall business situation, employment, and turnover during Q2:2022-23. The upturn has stemmed from ongoing improvements in demand, leading to an acceleration in new orders and output.



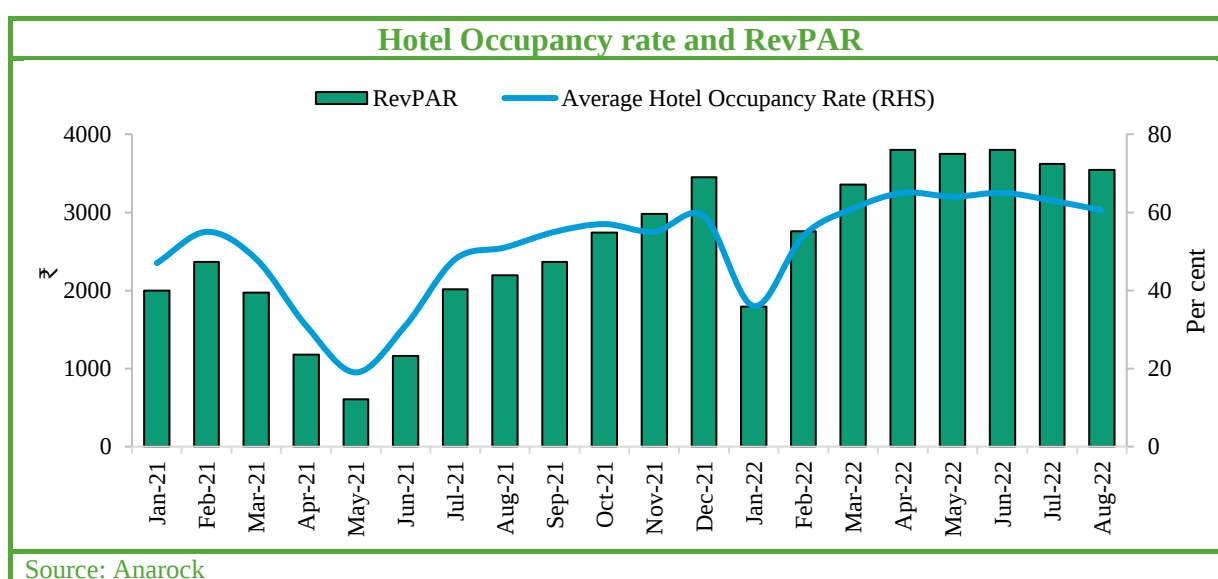
25. With travel restrictions and health concerns subsiding, tourism has become a vital driver of a strong upswing in contact-intensive activity. As per the latest UNWTO World Tourism Barometer, globally, international tourist arrivals almost tripled in January-July 2022 compared to the corresponding period last year, implying the sector has recovered nearly 60 per cent of pre-pandemic levels.



26. Air passenger traffic and foreign tourist arrivals in India also witnessed sequential growth in April-July/August 2022, indicative of a fast-paced resumption of tourism activity. Profitability ratios of the tourism industry further point towards a strong rebound in the June 2022 quarter. India has also attempted to improve its attractiveness as a destination for specialized tourism. Recent initiatives like the Ayush visa and Heal in India can assist in capturing a larger share of the global medical tourism market. In addition, with the resumption

of corporate travel and flexible work arrangements, the rebound in MICE tourism and bleisure¹ travel is re-gaining popularity in India. However, high airfares and an inflationary environment may dampen growth and may induce people to postpone travel plans, impacting leisure travel demand to some extent.

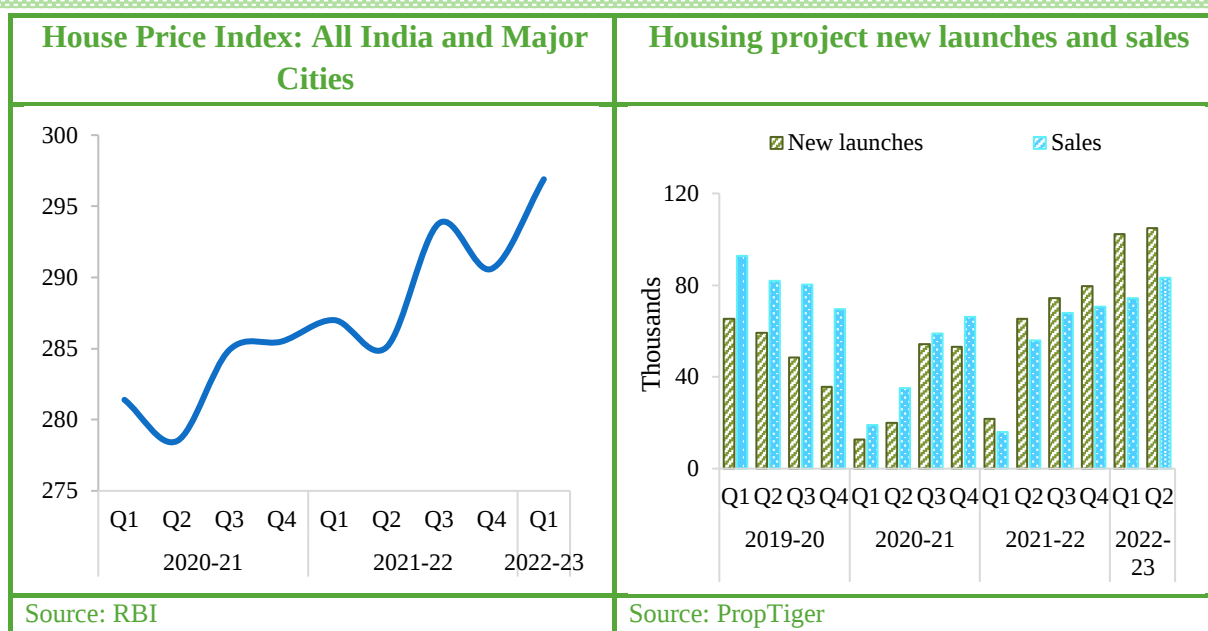
27. As the tourism sector is showing signs of recovery, the hotel industry has been booming with improvements in occupancy rate, increase in the average room rate (ARR) and rise in revenue per available room (RevPAR) that are now much nearer to the pre-pandemic level of 2019-20. The occupancy rate in the April-August 2022 period stood at around 63.5 per cent, only a few percentage points lower than in H1:2019. The average room rate has also witnessed robust growth in the same period.



28. The transportation sector has also witnessed an uptick in H1:2022-23, with railway freight traffic posting a growth of 10.2 per cent in H1:2022-23 compared to the corresponding period last year. During April-August 2022, air cargo handled also saw an increase of 4 per cent over the corresponding period last year despite a challenging operating backdrop and inflationary pressures.

29. Even the real estate sector, which has witnessed many disruptions in the past few years, has shown resilient growth in H1:2022-23. Despite rising interest rate on home loans and a rise in property prices, housing sales and the launch of new houses has registered significant sequential growth in H1 of FY 2022-23. Further, as per the latest study by PropEquity, excellent traction in housing projects of Tier-2 cities has been noted post-COVID-19 pandemic, fuelled by a hybrid mode of work leading to the migration of skilled workforce to Tier 2 cities. As per the report, some residential real estate market sizes of Tier-2 cities have outshone some Tier-1 cities.

¹ Bleisure is a term used to describe travel that combines both business and leisure



30. To boost the services sector further, the government has taken various measures. The proposed National Tourism Policy will lay a framework for sustainable and responsible growth of the tourism sector. It may further help leverage the sector to enhance India's soft power and make it a key driver of economic growth and job creation. The proposed policy will provide framework conditions for tourist industry's growth, to make India a year-round travel destination and enhance sector's competitiveness. Further, to help the airline sector tide over cash-flow problems, the loan limit under the Emergency Credit Line Guarantee Scheme (ECLGS) for the aviation sector has been raised. The new National Logistics Policy will help add further vitality to the transportation sector, ensuring quick last-mile delivery, ending transport-related challenges, reducing wastage, and making the sector more competitive and efficient.

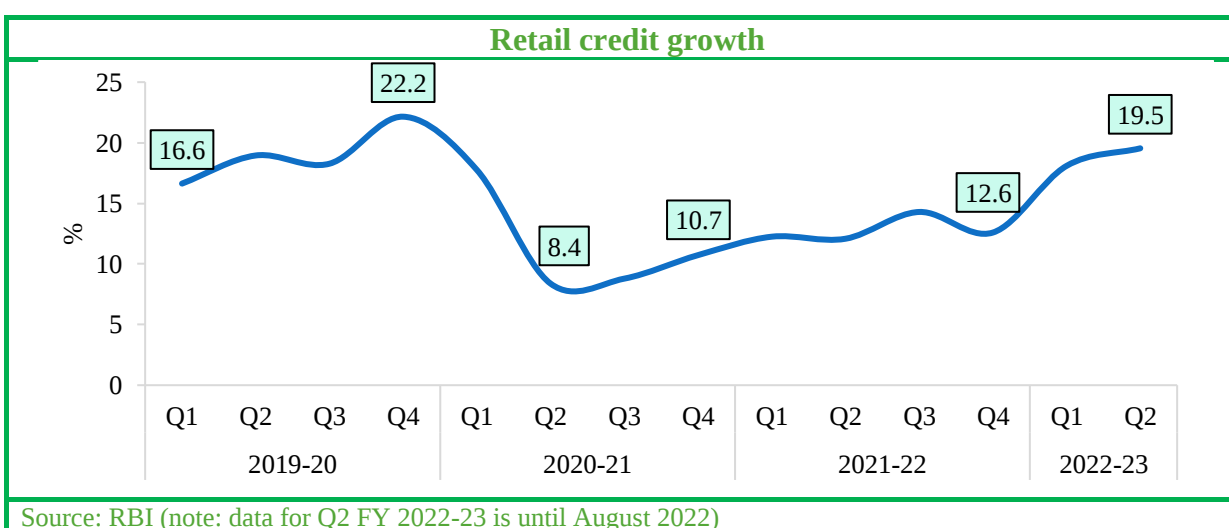
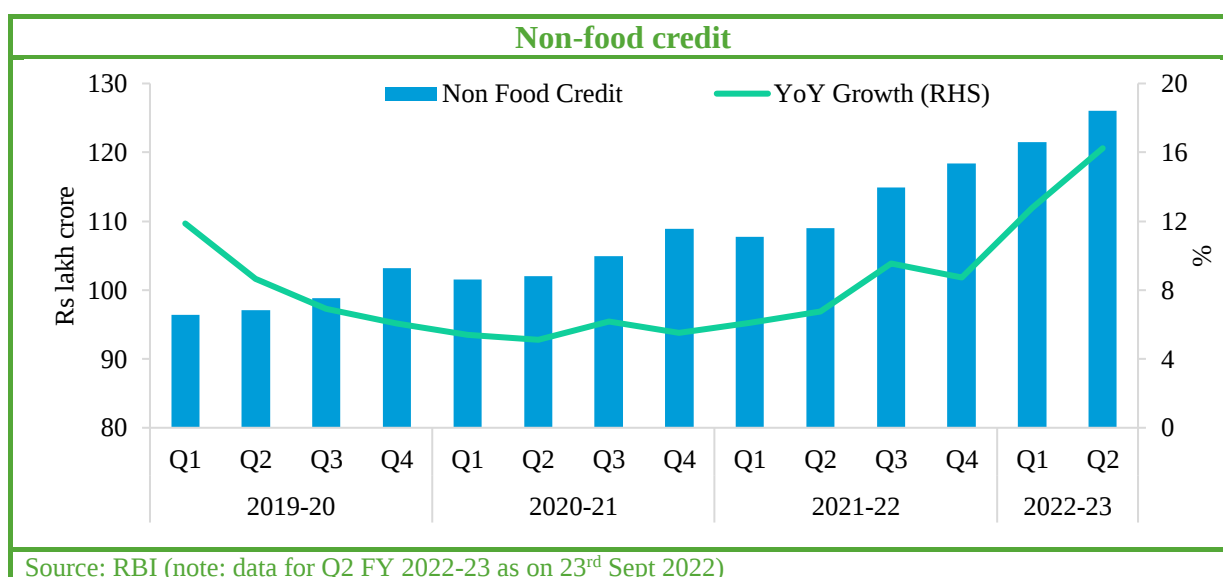
31. Going forward, the pent-up demand in the services sector combined with a strong economic outlook for India will drive growth in the service sector. Service sector firms also expressed optimism on demand conditions, turnover, job landscape, and the overall business situation they expect in Q3:2022:23.

Credit Demand

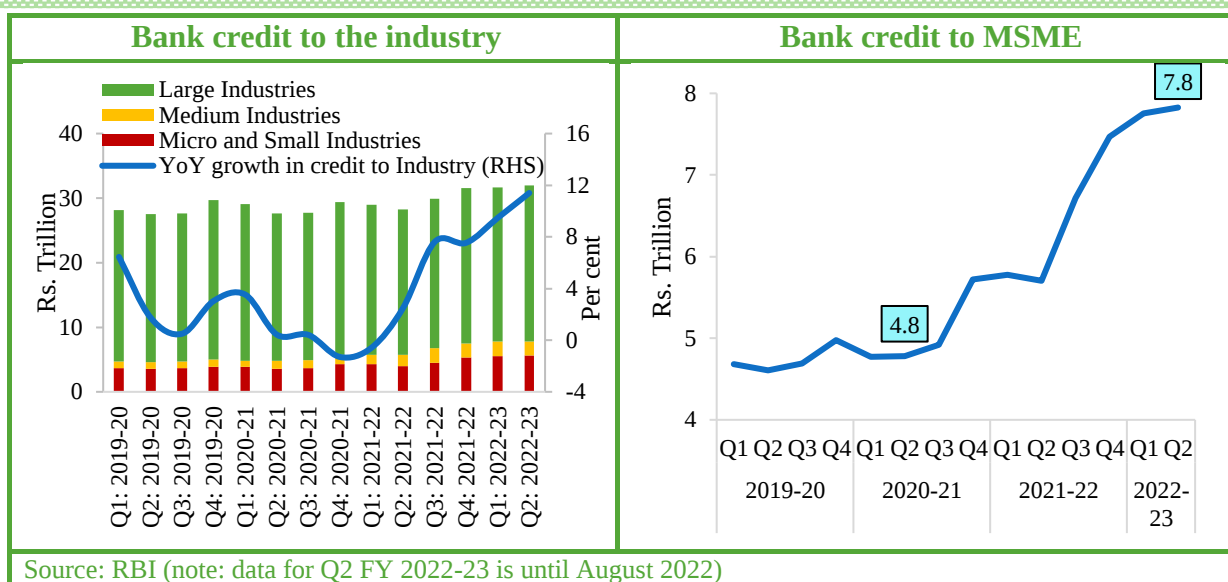
Demand for credit grows at a healthy pace but tightening monetary policy and downward revisions of global output growth may apply brakes

32. When FY 2021-22 was in its last quarter and full recovery of the economy was in evidence, both through advanced estimates of GDP released by NSO in early January and high-frequency indicators tracked by this department, the beginning of the upswing in credit growth went relatively unnoticed. In a matter of two quarters, the YoY credit growth has almost doubled. In the week ending September 23, 2022 YoY credit growth has been estimated at 16.4 per cent as against 8.7 per cent in the week ending March 25, 2022. Non-food credit grew from 8.7 per cent at the end of FY 2021-22, to 12.8 per cent in end-Q1 and 16.2 per cent in end-Q2

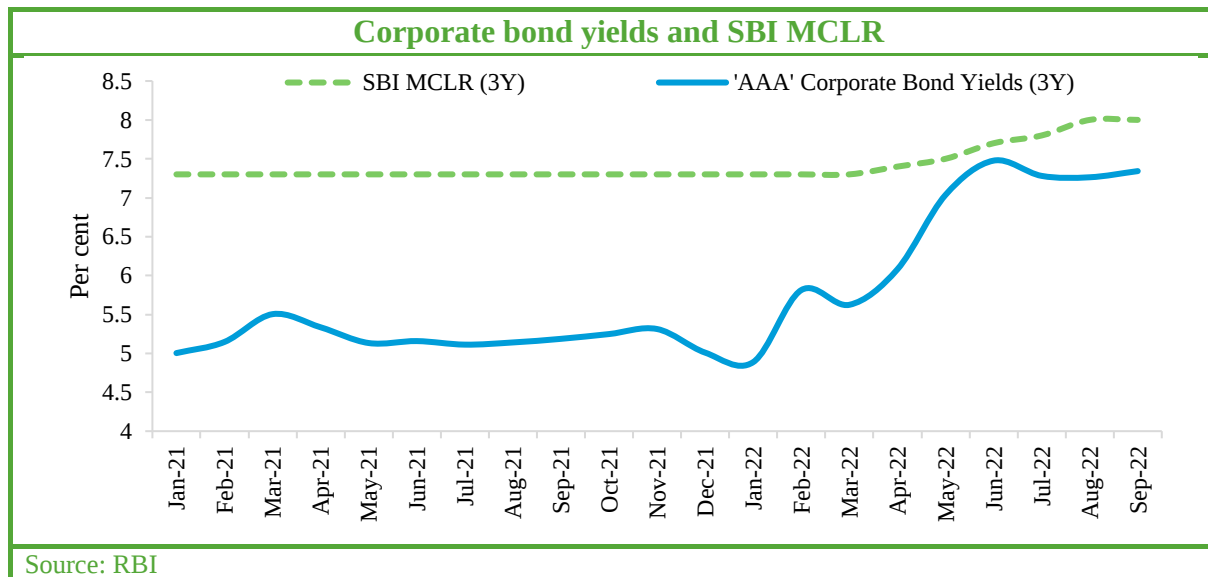
of the current fiscal year on the back of sustained growth in retail credit and improving levels of wholesale credit. This shows not only acceleration in the growth of current economic activities but also anticipation of continued acceleration in the future as well.



33. Demand for retail credit has now seen 7 consecutive quarters of double-digit YoY growth, primarily on account of rising demand for loans for vehicles, housing, and consumer durables. An increase in demand for consumer durables and housing induces greater investment that in turn sets off a virtuous cycle of growth and investment. The upcoming festive season is expected to strengthen the cycle with a further uptick in the demand for retail credit.



34. Induced by growth in retail credit, credit growth of the industry segment also accelerated to near double-digit growth in August 2022, nudged by an increase in working capital requirements, high commodity prices, and a continued improvement in capacity utilization. Within the industry segment, growth in credit to MSME was higher, in part assisted by the benefits accruing from the ECLGS Scheme. As per the National Credit Guarantee Trustee Company Ltd. (NCGTCL), the agency which operates the ECLGS, as on 11th March 2022, 117.9 lakh businesses were supported by the scheme, of which 95.2 per cent were MSMEs.

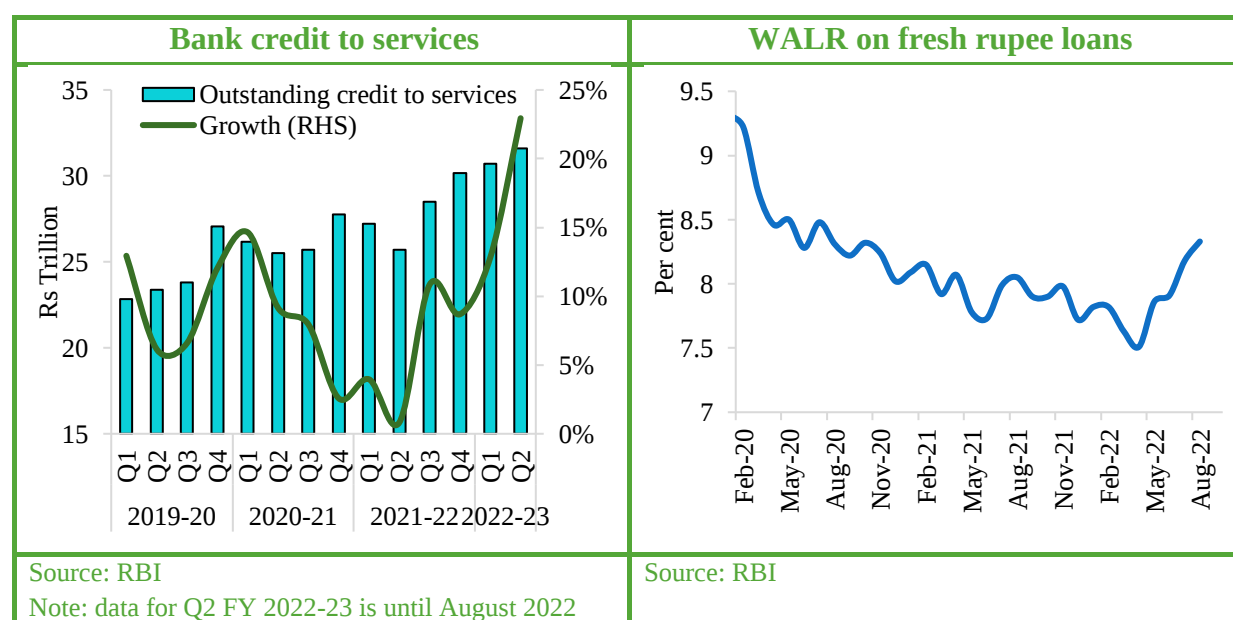


35. The credit offtake by MSMEs which was subdued until Q2 FY 2020-21 increased substantially post the introduction of the scheme with credit outstanding to the MSME segment growing by 63.8 per cent between September 2020 and August 2022. The extension of the ECLG scheme until 31st March 2023 is expected to keep the credit appetite of MSMEs robust. Credit growth in the large industry segment was slow to start but picked up in the first two quarters of the current financial year. As the spread between corporate bond yields and the marginal cost of funds-based lending rate (MCLR) narrows down and the volatility in the

capital markets remains high, corporates appear to be gradually shifting their sources of financing from bond markets to bank capital where rates thus far have remained stable and predictable

36. Year-on-year credit growth in the services sector dipped in the second quarter of the last fiscal year (Q2:2021-22) as markets showed hesitancy in availing contact-intensive services. However, as vaccination picked up the pace, the services sector began to recover. Credit to this sector in August 2022 grew YoY by 17.2 per cent, highest in 40 months. The momentum in credit growth is also visible with credit outstanding continuously increasing for four consecutive quarters. Within the services sector, credit to wholesale and retail trade increased by 17.6 per cent and 16 per cent in August 2022 respectively, reflecting the strength of the underlying economic activity.

37. Loans for housing have been growing at an impressive pace with credit outstanding to housing growing by 16.4 per cent YoY in August 2022, the fourth consecutive month of double-digit growth. Credit disbursement to the residential real estate sector was provided a fillip by the RBI in June 2022 when it revised the limit for individual housing loans for Tier-I urban cooperative banks to Rs 60 lakh from Rs 30 lakh earlier. The same limit for Tier-II urban cooperative banks has been raised to Rs 140 lakh from Rs 70 lakh earlier. The limit on individual housing loans for regional rural cooperative banks has also been enhanced to Rs 50 lakhs from Rs 20 lakhs earlier for banks with assessed net worth less than Rs 100 crore. For rural cooperative banks with net worth of more than Rs 100 crores, the limit now stands at Rs 75 lakh as against Rs 30 lakh earlier. These measures are expected to boost the flow of capital to the real estate and construction sectors in the coming months.



38. The weighted average lending rate (WALR) of scheduled commercial banks (SCBs) on fresh rupee loans has risen by 82 basis points (bps) between April 2022 and August 2022 on account of banks transmitting higher repo rates to their lending rates. However, real interest rates continue to be relatively low on account of inflation averaging 7.2 per cent since the

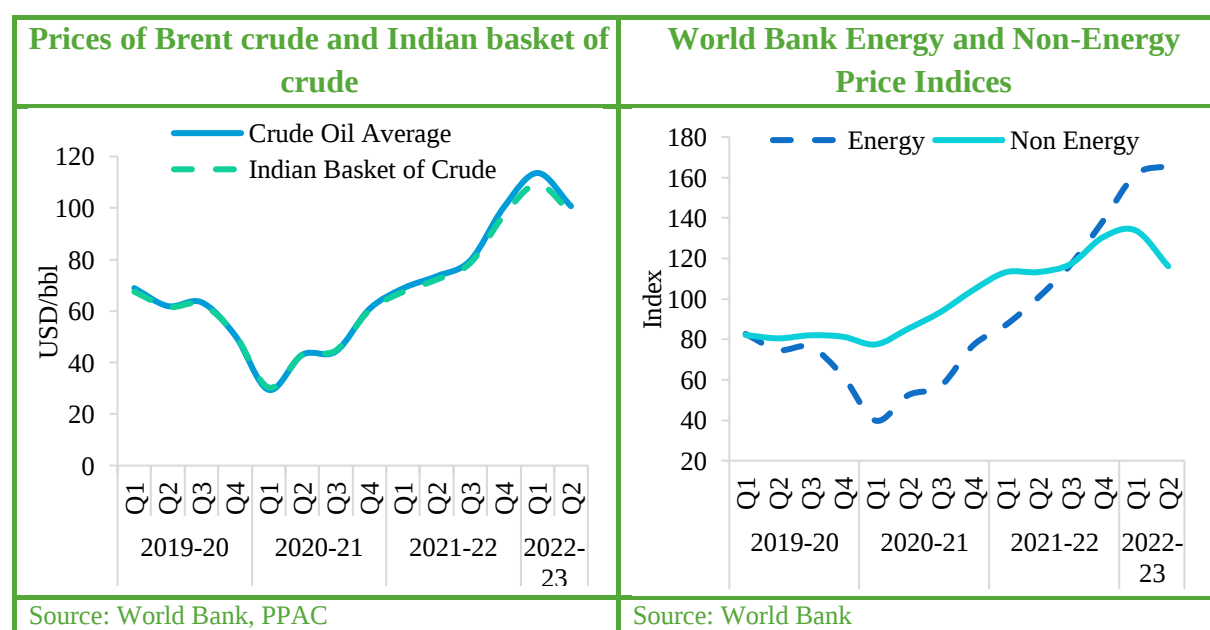
beginning of FY 2022-23. Further, while the repo rate has risen by a cumulative 190 bps between April 2022 and September 2022 to 5.9 per cent, the current policy rate is some distance away from the peak of 8.5 per cent observed in the second half of FY 2011-12. These factors have helped credit disbursal to grow steadily despite the current episode of monetary tightening and are expected to support the financing of the strong underlying future economic activity.

39. While the upcoming festival season is expected to help credit demand stay elevated in the short term, the risks to its outlook stem from inflation and global interest rate differentials. Although the RBI has been managing domestic retail inflation, rising global interest rates may force its hand in maintaining the current interest rate differential which may lead to higher real rates of interest, thereby affecting credit disbursal in the medium term.

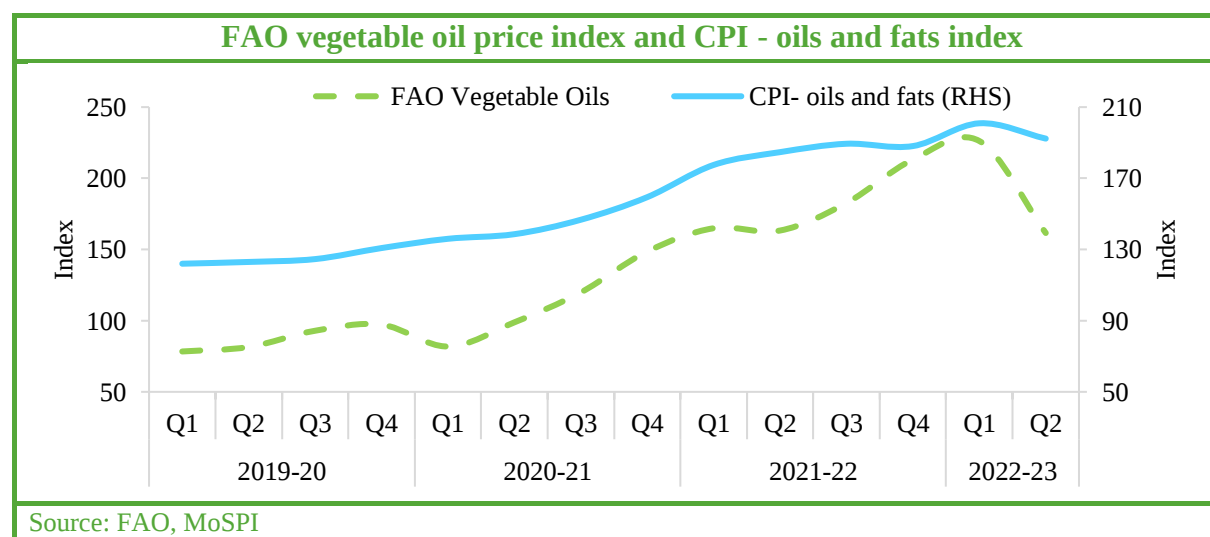
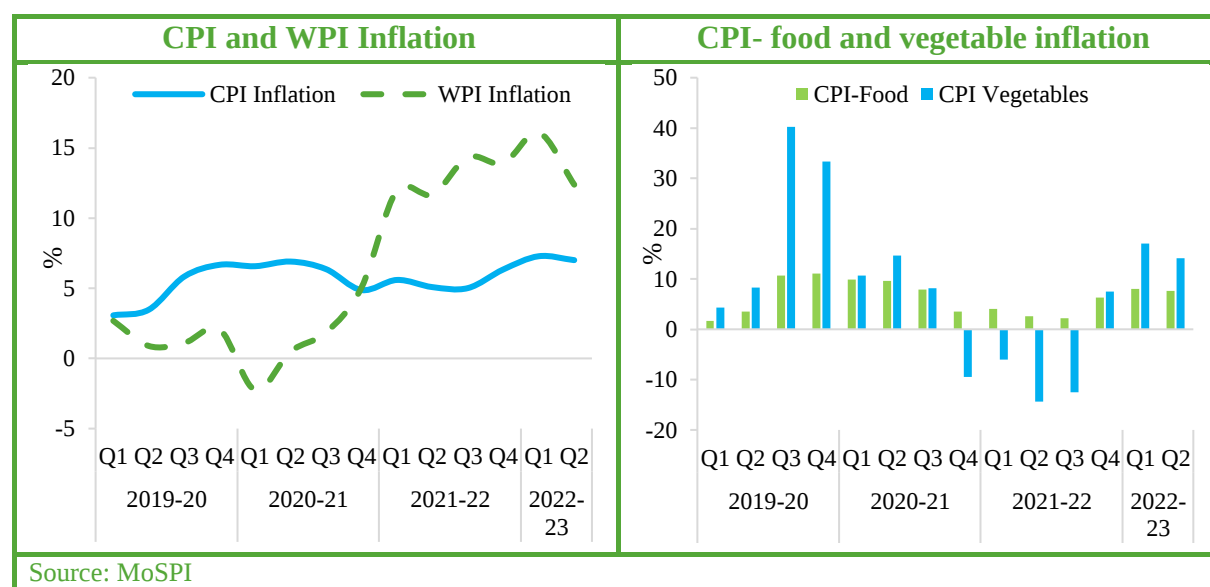
Inflation

Monetary and fiscal policies have helped bring down inflation, and so has the downward trend of global commodity prices.

40. In the 12 months leading to the Jan-Mar quarter of 2022, the global economy was on track to recover from the pandemic-induced shock to economic activity, aided by accommodative monetary and supportive fiscal policies. The recovery was accompanied by a rise in global commodity prices as overwhelmed global supply chains struggled to meet the pent-up demand. This commodity upcycle was further aggravated by the outbreak of the Russia-Ukraine conflict in late February 2022 which strained the supply chains of a few critical commodities such as coal, metals, edible oils, and crude oil, with the latter two being essential and major imports of India. As a result, the World Bank's energy and non-energy price indices rose by 80 per cent and 25.1 per cent, respectively between Q4 of FY 2020-21 and Q4 of FY 2021-22.



41. The increase in commodity prices began to translate into domestic price pressures in several economies, including India. WPI inflation in India, which had averaged 5.1 per cent in the Jan-March quarter of 2021, rose to 13.9 per cent in the same quarter of 2022. Central banks and governments of the advanced economies viewed the development of domestic price pressures as transitory and reasoned that as supply chains return to normalcy, inflationary pressures would decline. At the same time, however, there was this concern that if high price pressures were to sustain, they would stoke expectations of higher inflation. Thus, it became necessary to undertake monetary tightening.



42. The global prices of these commodities soared to record highs. The price of Brent crude oil increased by 40 per cent from US\$ 85.5/barrel in January 2022 to US\$ 120.1/barrel within a week of the conflict, while the broader World Bank energy price index rose by 40.7 per cent. Edible oil supplies were further strained as a drought in Latin America affected the soybean crop, while palm-producing Indonesia imposed export restrictions to temper sharply increasing domestic prices. The palm oil price increased by 27.7 per cent between January 2022 and May 2022. As coal imports by India also rose to improve its availability with power generating

plants, its rising international prices additionally contributed to accelerating the WPI Inflation in India from 13.9 per cent in Q4 of 2021-22 to 16.1 per cent in Q1 of 2022-23. Higher edible oil prices combined with the elevated wheat and vegetable prices on account of the heat waves led to an increase in the retail food inflation from 6.3 per cent in Q4 of 2021-22 to 8.0 per cent in Q1 of 2022-23.

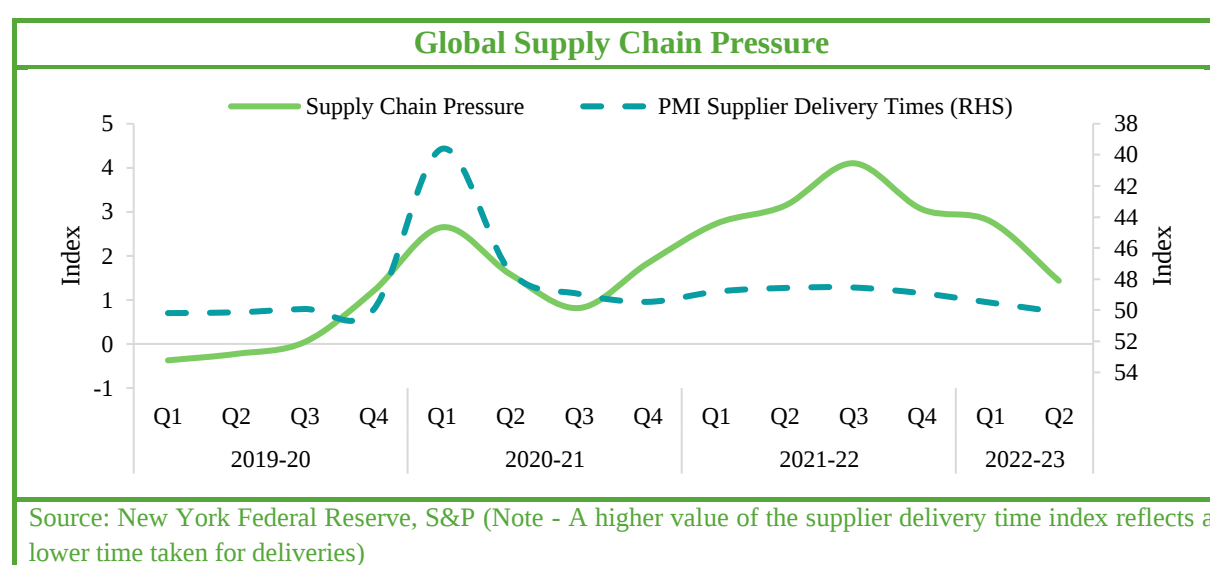
43. Anticipating the deleterious effects of inflationary pressures, the government stepped in to curb further price rises in critical commodities such as wheat, edible oils and fuels. It lowered the import duty on crude palm, sunflower, and soybean oil to 0 per cent from 2.5 per cent. Agricultural infrastructure cess was reduced from 20 per cent to 7.5 per cent in respect of crude palm oil and 5 per cent for crude soybean and sunflower oil. Import duty on refined palm oil, soybean and sunflower oil was almost halved from 32.5 per cent to 17.5 per cent. Next, stock limits imposed on all edible oils and oilseeds were extended up to December 31st 2022. Exports of wheat and wheat products were banned to increase their domestic availability. A limit of 100 lakh tonnes was imposed on sugar exports to ensure adequate local stock to cover three months of domestic consumption when the sugar season begins in October. Vegetable inflation was addressed by building a buffer stock of 2.5 LMT of onion by procuring the rabi harvest. This was intended for release in a calibrated manner during the lean season of Aug-Dec. To counter inflationary pressures from a rise in crude oil prices, the government cut the excise duty on petrol and diesel in November 2021 by Rs.5/litre and Rs.10/litre respectively and effected another reduction of Rs.8/litre and Rs.6/litre respectively, in May 2022. To reduce hardships of price rise, a subsidy of Rs 200 per cylinder was provided to Ujjwala Yojana beneficiaries, for 12 cylinders in a year.

44. On the wholesale side as well, the government implemented a slew of measures that were aimed at keeping domestic prices of commodities such as steel and other raw material in check. To this end, import duties on some raw materials like coking coal and ferronickel used by the steel industry were waived. Next, export duties were also levied on certain other inputs used by the steel industry to ensure their domestic adequacy. While the export duty on iron ores/ concentrates and iron ore pellets were raised to 50 per cent and 45 per cent respectively, a 15 per cent export duty was imposed on pig iron and several steel products.

45. The beginning of Q2 of 2022-23 (July 2022) saw central banks around the world including the RBI embarking on a new rate hike cycle to counter inflation. However, high inflation seemed to be entrenched in economies whose governments provided massive fiscal and monetary support in response to the pandemic-induced shock. In September 2022, retail inflation in the Euro area averaged 10 per cent and 8.2 per cent in the US. Persistent inflationary pressures and interest rate hikes have led to a downward revision of global growth outlook, which has cooled commodity prices. The World Bank's energy and non-energy price indices decreased by 7.9 per cent and 10.3 per cent respectively between June 2022 and September 2022. During the same period, the prices of Brent crude declined by 25 per cent while those of palm oil by 39 per cent. As a consequence, WPI inflation softened from 16.1 per cent in Q1 to 12.4 per cent in Q2 of FY 2022-23. Even though supply chain pressure as gauged by the Global Supply Chain Pressure Index is higher than the pre-pandemic levels, it has been on a downward

trajectory indicating lesser friction on the supply side. This development is also reflected in the supplier delivery time component of the India Manufacturing PMI.

46. Q2 of 2022-23 witnessed a mostly copious monsoon season, but rainfall was patchy in the rice-producing states of UP, West Bengal, and Jharkhand leading to concerns over a reduced kharif crop output. The first advanced estimates of kharif crops peg rice production at 105 LMT, which is 6 per cent lower than the fourth advance estimates of rice produced in the previous kharif cycle. Anticipating a shortfall in rice production, the government banned the export of broken rice and imposed a 20 per cent levy on the export of non-basmati rice, with a view to keeping prices in check. Additionally, a buffer of 244.64 LMT of rice stocks is also available with the government to counter any price volatility. These stocks will increase as the current procurement cycle progresses.



47. The marginal uptick in headline retail inflation from 7 per cent in August 2022 to 7.4 per cent in September 2022 is on account of an increase in food inflation to 8.6 per cent. In the three months ending September 2022, domestic retail inflation averaged 7 per cent. The average retail food inflation edged lower to 7.6 per cent, in this period, from 8.0 per cent in the previous quarter. The increase in food prices appears to be mainly seasonal as the prices of many commodities tend to rise before harvest. Therefore, in the absence of any further weather extremities, retail inflation is expected to trend lower in the rest of the fiscal year.

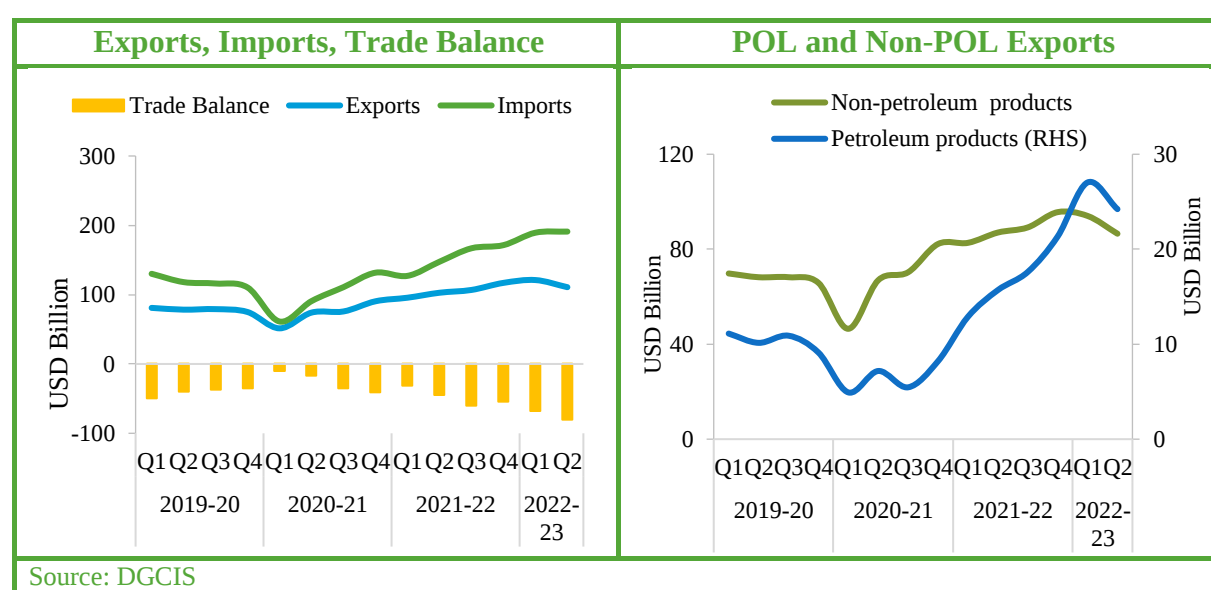
48. Going forward, the trajectory of inflation remains dependent on geopolitical developments. Even though commodity prices have softened as recessionary risks continue to rise in the advanced economies, elevated imported inflation is expected to be an upside risk with the outlook for crude oil remaining uncertain and significantly tethered to geopolitical conditions. The risk is further amplified by an appreciating US Dollar. In addition, adverse climatic conditions pose a threat to the outlook on food inflation. Core inflation continues to remain sticky at 6.0 per cent in September 2022 and its trajectory will depend on the extent of pending pass-through of rising input costs to the final consumer. Considering these factors, the

RBI in its latest monetary policy statement estimated inflation in Q3 and Q4 FY 2022 at 6.5 per cent and 5.8 per cent respectively.

External Sector

Prospects of an extended period of subdued global growth and trade, and continuous hike in US interest rates cast a pall of uncertainty over India's external sector

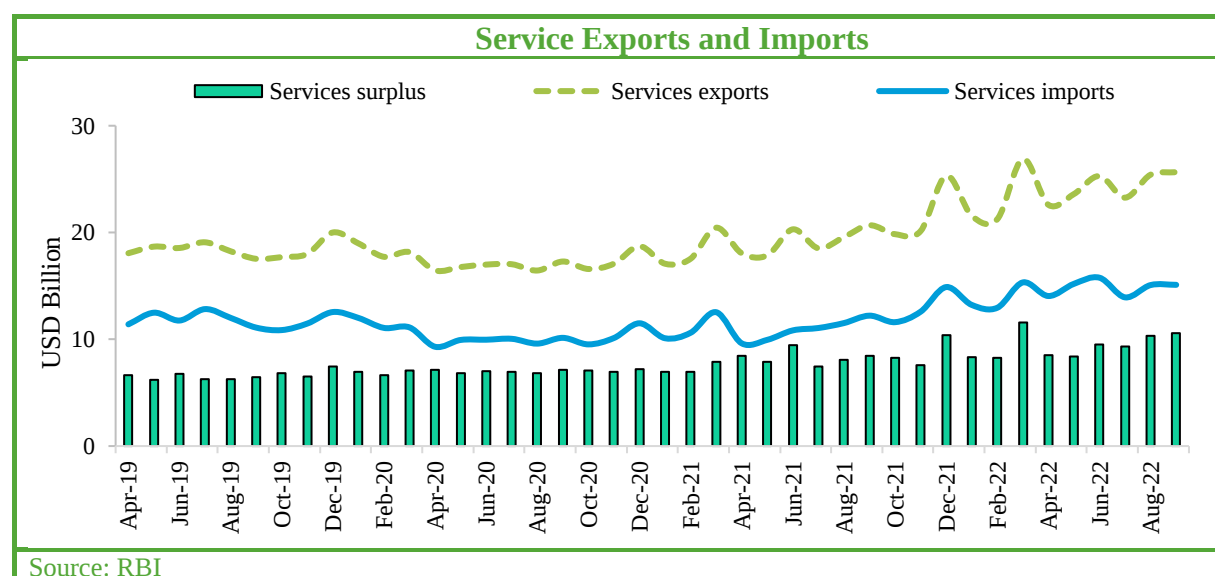
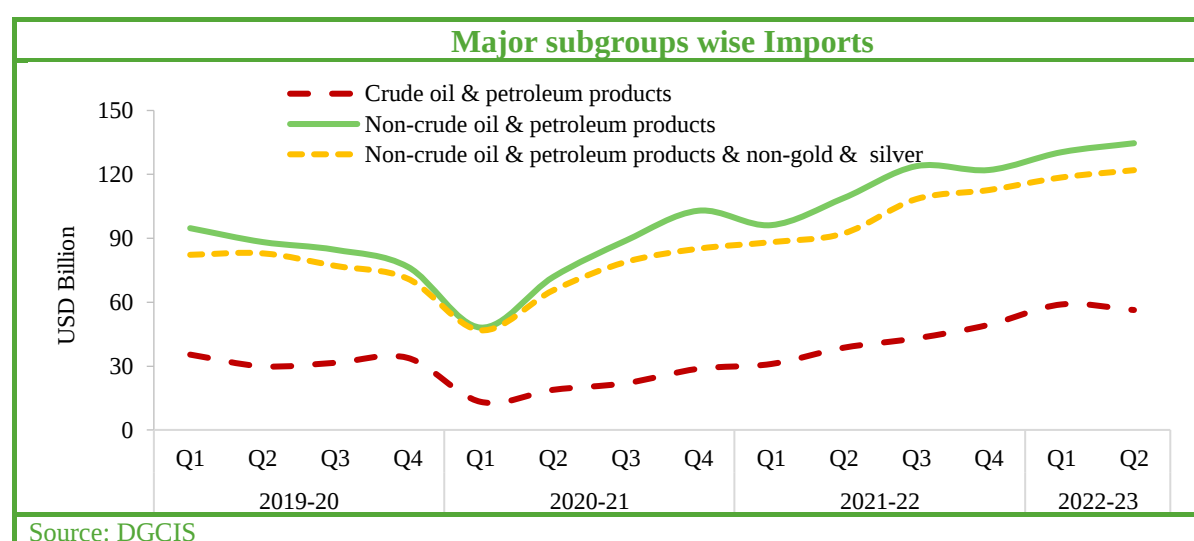
49. India's trade, after witnessing a strong recovery in 2021-22 post the pandemic-induced slump of the previous year, continued to grow in Q1:2022-23 with merchandise exports touching a record high of \$121.1 billion. Besides exports of petroleum, oil, and lubricants (POL), export performance was also driven by non-POL exports with agriculture and manufactured products showing impressive growth.



50. Growth in exports in Q2 of 2022-23 has however plateaued coinciding with moderation in international trade, declining consumer spending in advanced nations, and aggressive monetary policy tightening, all combining to reflect a bleak global economic outlook in the year ahead. In its September update of the Interim Economic Outlook, the OECD has projected a pervasive global economic slowdown trimming the global growth forecast to 3 per cent for 2022 and 2.2 per cent for 2023. The OECD has also projected the GDP growth to slow down for some of India's critical export markets like the USA, UK, and China, the impact of which is evident in the decline in Indian exports of engineering goods, textiles, handloom products, and plastic products. In some cases of manufacturing exports, India is also supply-constrained. Shortages of manufacturing inputs from China is as persistent as the country's reaffirmation of its commitment to a zero COVID-19 policy. Yet despite these global headwinds, exports in H1:2022-23 have already attained 54.9 per cent of the previous year's levels 2021-22. However, the sequential weakening of exports is worrying particularly with the WTO forecasting the world trade to lose momentum in the second half of 2022 and remain subdued in 2023 as multiple shocks continue to weigh on the global economy.

51. Conversely, merchandise imports are showing no signs of letting up, driven by elevated global commodity prices along with sustained recovery and growth of the Indian economy. That India's imports are highly sensitive to commodity prices is confirmed in the UNCTAD Report, 2022, that show commodities, including food and fuel, accounting for more than 50 per cent of India's import basket, much higher than some of India's peers such as China and Egypt, which have a share of less than 40 per cent.

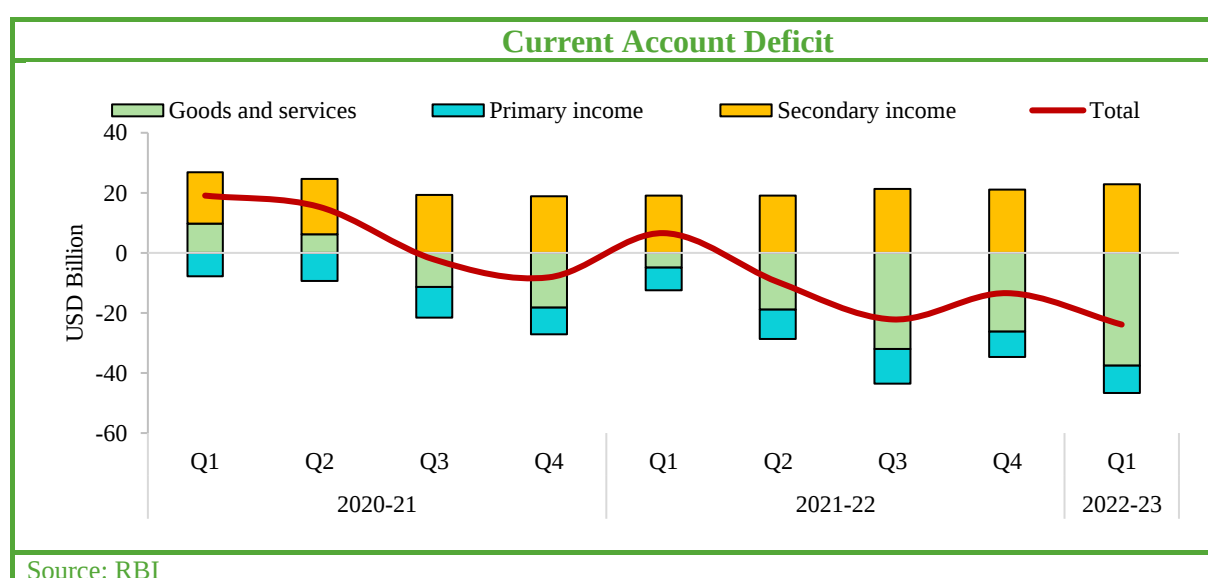
52. Higher commodity prices thus have a substantial impact on import bills, and more so in respect of crude oil, whose prices may have declined from the peak attained in March 2022 but remain elevated in the uncomfortable zone of US\$ 90 plus per barrel (Indian basket). Commodity prices apart, another primary driver of the surging import bill is the strong economic recovery driving the demand for consumer goods and industrial inputs, as seen in sustained sequential growth of non-POL, non-Gold & silver imports.



53. Stabilised exports and sustained imports have almost doubled the merchandised trade deficit from \$ 76.3 billion in H1: 2021-22 to \$148.5 billion in H1: 2022-23. The overall trade

deficit has, however, widened to a lesser extent as it combines an increase in net service exports with a deterioration in the merchandise trade deficit. Net service exports during April-August 2022 rose 11.7 per cent over the corresponding period last year. Service exports continue to be driven by computer and business services.

54. The rising trade deficit has resulted in the widening of the Current Account Deficit (CAD) from 1.5 per cent of GDP in Q4:2021-22 to 2.8 per cent of GDP in Q1:2022-23. The sequential increase in CAD is, however, not only driven by a widening of merchandise trade deficit but also by an increase in net outgo of investment income payments. Net outgo of investment income payments is mainly on account of dividend repatriation by foreign investors, such as multinational companies and portfolio investors, besides profit from investments in companies.



55. Yet, viewing the narrowing of the merchandise trade deficit as most critical to the narrowing of the CAD, the Government has taken measures to restrain the import of non-essentials. To this end, customs duty on gold was raised from 10.75 to 15 per cent. To bring parity in the import duty structure between gold and platinum, the import duty on platinum was also raised in October 2022.

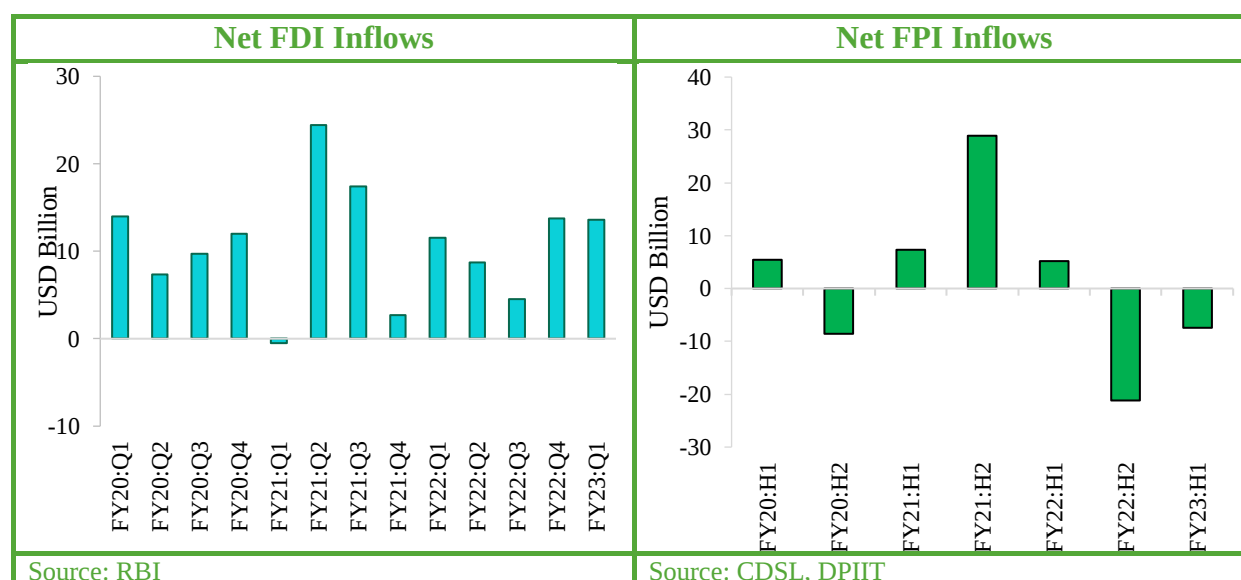
56. The widening of CAD should also cease with the easing of global commodity prices, as recent indicators have begun to suggest. Industrial metals prices have witnessed moderation owing to the manufacturing slowdown in Europe and the lockdown in China. However, the future trajectory of crude oil prices appears to be uncertain. The recent announcement by OPEC+ to cut production and the rising demand for crude by European countries during winter may increase crude prices. On the other hand, the forecast of slowing global growth and trade may reduce crude prices. For India, the crude price may also decline as the country diversifies its crude purchases to include non-traditional suppliers as well. The import share of Petroleum crude and products has increased from Russia, Turkey, and UAE. In contrast, the import share of traditional suppliers like Saudi Arabia, Qatar, and Iraq has relatively declined in 2022-23.

57. Merchandise exports, and thus the CAD, will also improve once export tariffs and other restrictions on exports put in place by the government to ease inflationary pressures are no longer required. Services exports may also improve as runaway inflation in advanced economies driving up wages makes local sourcing expensive, opening up avenues for outsourcing to low-wage countries, including India. Overall, CAD is projected by the RBI to be within 3 per cent of GDP in 2022-23.

The quantum of foreign capital outflows has decreased in H1:2022-23

58. The RBI has also stated that the CAD of this order is eminently financeable, with capital flows expected to be stable. The foreign direct investment (FDI) inflows are indeed so with their level during April-July, rising from US\$ 13.1 billion in 2021-22 to US\$ 18.8 billion in the current year. The computer software & hardware industry has attracted the highest FDI equity inflow, followed by the services sector, trading, chemicals, and automobile industry and construction (infrastructure) activities. The robust inflows of funds indicate that investor confidence on the growth prospects of the Indian economy remains undiminished.

59. The foreign portfolio investment (FPI) inflows have been less stable. Persistently high inflation in the US and the hikes in interest rates by the Federal Reserve has resulted in capital flight to the US, not only from India but from several other countries as well. Yet India, by virtue of a global perception increasingly favouring it as an investible country, has held up well, witnessing a lower quantum of outflows in H1:2022-23 as compared to the preceding half year, H2:2021-22. H1: 2022-23 saw a lower quantum of outflows as FPI turned net buyers in Q2: 2022-23 with a net investment of US\$ 3.3 billion on the back of improved corporate performance and resilient economic activity.



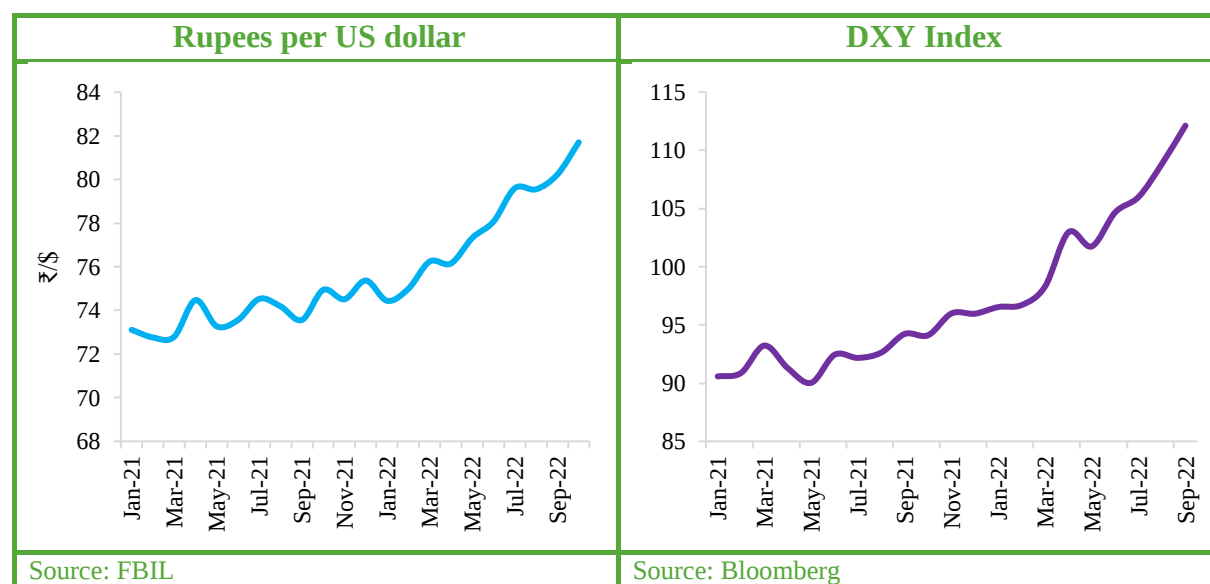
60. Yet, with the most recent increase in the fed rate by 75 basis points, FPIs turned net sellers in the last few days of September 2022. Given that FPI flows into India are highly sensitive to changes in policy rates in America, H2: 2022-23 could well be yet another period of net FPI outflows as long as inflation in the US does not return to its low level of 1-2 per cent.

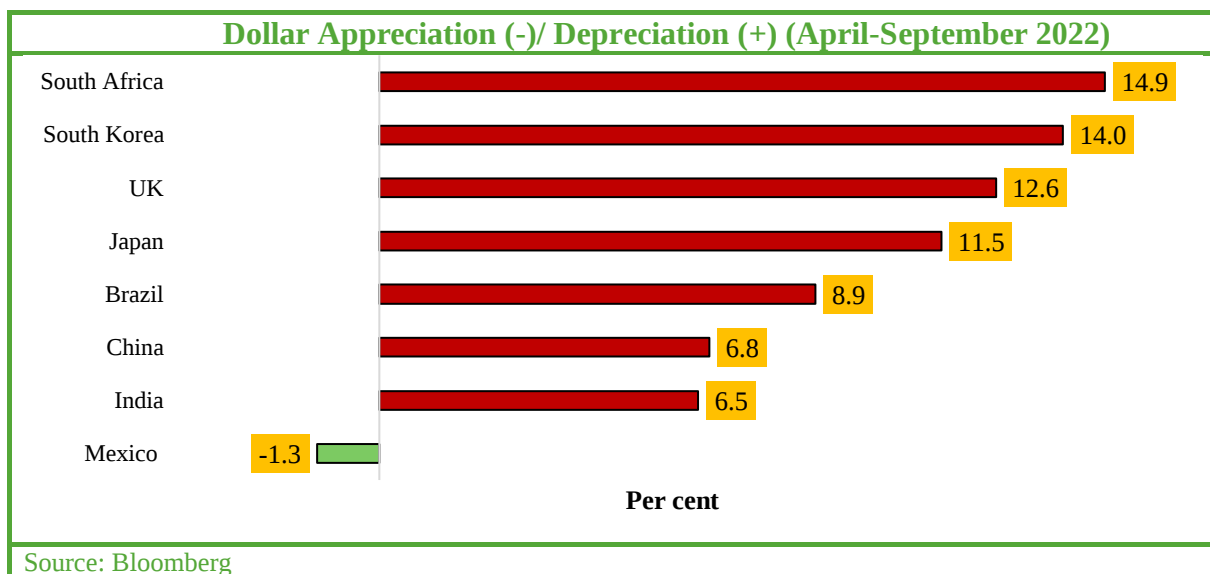
Or it could well be that the Fed ceases to increase rates or takes long pauses between infrequent rate hikes if inflation in the US, somewhat higher than its historical level, comes to be accepted as the new normal.

61. In July 2022, RBI undertook a series of measures to enhance forex inflows and expand sources of forex funding. These measures included exempting banks from maintaining the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) for incremental Non-Residential External (NRE) and Foreign Currency non-resident bank (FCNR (B)) deposits, allowing banks to raise fresh FCNR (B) and NRE deposits without reference to regulations on the interest rate, relaxing FPI norms in Government bonds and residual maturity for FPI investments in Government & corporate debt, and increasing the limit under automatic route in case of External Commercial Borrowings (ECBs). These measures are expected to stabilise capital inflows into India further.

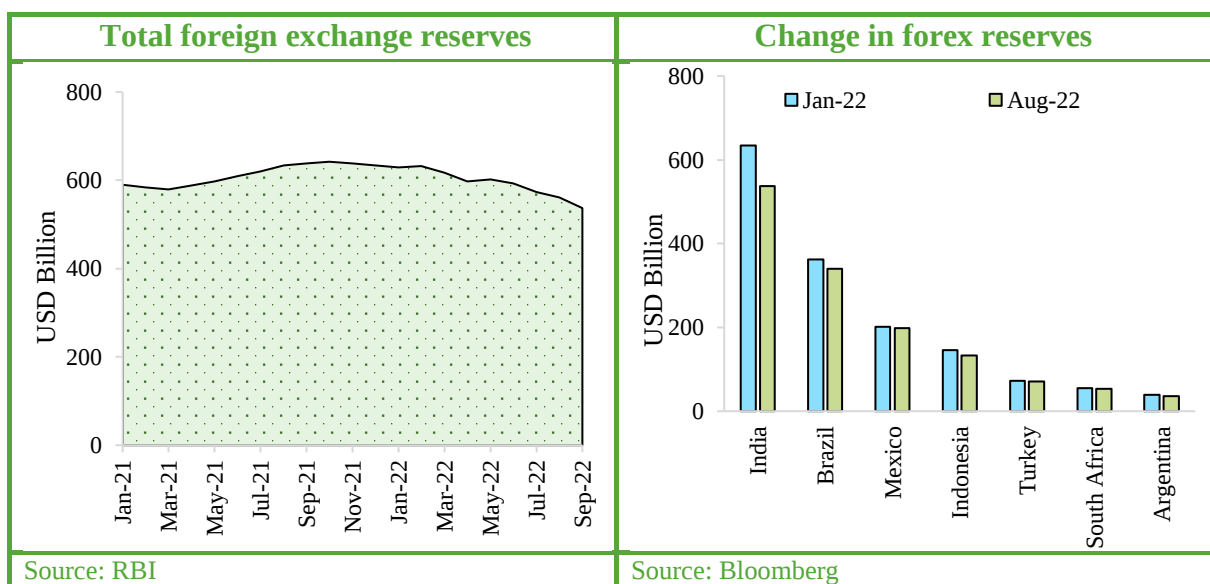
Sufficient forex reserves, despite rapid fall

62. The current uncertainty, wrought by geopolitical tensions, monetary policy tightening by Fed, and widening CAD, has exerted pressure on the Rupee-USD exchange rate. This is not entirely unexpected as past evidence shows that whenever Fed tightens monetary policy, the dollar tends to appreciate against most of the currencies. However, unlike the taper tantrum in 2013 when the US Dollar has strengthened against the currencies of most of the EMEs, the macroeconomic fundamentals of the Indian economy are now stronger and forex reserves are ample. The DXY, an index of the dollar against six major currencies, suggests that it is primarily the rate hikes in the US that have caused the US Dollar to appreciate against most of the currencies.





63. In addition to the increases in the Federal Reserve policy rates, local reasons such as the sensitivity of capital flows to changes in Fed rates and dependence on fuel and food imports, whose prices have risen following the outbreak of the Russian-Ukraine conflict, have also played a role in the depreciation of currencies against the USD. Thus, all major commodity-importing countries, including India, have an additional reason explaining the depreciation in their exchange rate. Be that as it may, the rupee has performed relatively well in H1:2022-23 compared to other major economies, reflecting the strong fundamentals of the Indian economy. A large build-up of forex reserves has been beneficial for India as it has helped in withstanding exogenous shocks.



Conclusion and outlook

64. Indian economic performance in the first half of 2022-23 has been impressive compared to the world. As measured by PMI composite index, the economic activity level was higher for India at 56.7 compared to 51.0 for the World level during April-Sept 2022. On the external front, the rupee has performed relatively well in H1:2022-23 compared to other major economies, reflecting the strong fundamentals of the Indian economy. Central Government's continuous thrust on capital expenditure promotes broad-based growth by facilitating private sector capital formation. Significant pick-up in consumption has resulted in a more-than-proportionate jump in GST revenues; a more robust economic recovery could allow the collections to settle at an elevated level, proving the high revenue productivity of the broad-based consumption. A well-capitalized banking system has led to an upswing in credit disbursement to the retail, industry and services segments.

65. High-Frequency Indicators (HFIs) suggest a continued broadening of traction in services activity. E-way bills, in particular, point to the overall growth of inter-state wholesale and retail trade. Going forward, the pent-up demand in the services sector, combined with a strong economic outlook for India, will drive growth in the service sector. Service sector firms are positive about demand conditions, sales turnover, their hiring plans and the overall business situation they expect in Q3:2022:23.

66. While wholesale inflation has significantly reduced from its peak of 16.6 per cent in May 2022 to 10.7 per cent in September 2022 on account of moderating commodity prices and government measures, retail inflation remains above the RBI's upper tolerance band due to an uptick in food prices. However, food inflation is expected to moderate as the harvesting and procurement seasons progress, thereby contributing to a declining headline retail inflation in the rest of the fiscal year.

67. Even as India remains one of the bright spots in an otherwise gloomy global scenario where the dark clouds of recession gather, the country's fiscal and monetary authorities must remain watchful. The globalised nature of India's economy portends that even as inflationary pressures abate, another challenge to macroeconomic stability will rear its head in the form of external sector pressures. On the one hand, the Federal Reserve continues to be aggressive in the fight against inflation, thereby signalling further interest rate hikes. This may lower capital inflows, increase pressure on the Rupee to depreciate, and make imports of essential commodities costlier. On the other hand, an unfavourable global economic outlook is bound to moderate the growth of exports, affecting the country's trade balance.

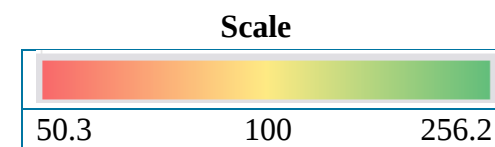
68. However, both the Government and the central bank have shown, through these challenging two years and more, that they have what it takes to navigate the economic ship through choppy waters. Just as it appeared that the worst of the pandemic had passed, erupted the conflict in Europe, sending food and energy prices soaring and supplies scarcer. Again, the government rose to the occasion securing oil supplies and the central bank pivoted to monetary tightening to contain second-round effects. The soaring dollar, higher interest rates, and external financing are the newer challenges. The one big strength that India has compared to other

countries is the strength of its balance sheet in the household, corporate, and banking sectors. The stability it imparts in these times is priceless. Therefore, the country should be able to meet these challenges and keep the economy growing steadily. Prudent macroeconomic policies that have served the country well since 2014 continue to remain essential. As is the case with batting in swinging conditions, balls well-left (policy errors avoided) will be as important as balls played well (policy decisions taken).

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To track the progress of the Indian economy since the outbreak of the Russia-Ukraine conflict, the HFI table has been rebased to January 2022.



Performance of High-Frequency Indicators
Base Month Jan 2022= 100

Indicator	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Agriculture								
Tractor Sales	98.5	138.1	169.0	155.3	179.0	104.6	99.9	215.4
Fertilisers Sales	84.8	80.4	91.2	102.4	110.5	120.1	119.3	
Industry								
8-Core Industries	94.8	109.3	99.7	103.2	99.0	97.2	95.7	
IIP-Consumer Durable goods	95.3	108.8	93.6	95.7	104.6	102.5	100.1	
IIP-Consumer Non-Durable goods	89.1	97.3	90.2	88.7	94.5	92.6	86.5	
Domestic Auto sales	94.4	106.3	101.0	108.8	114.5	121.6	131.3	146.4
Domestic Passenger vehicles sales	103.4	109.9	98.9	98.3	106.2	114.0	110.1	121.9
PMI Manufacturing	101.7	100.0	101.3	101.1	99.8	104.4	104.1	102.0
Power Consumption	97.1	115.6	118.0	120.7	119.0	114.0	111.7	113.1
Natural Gas Production	91.0	100.9	98.8	101.8	98.3	100.7	101.2	
Cement Production	95.1	112.7	96.9	93.8	100.2	89.2	85.9	
Steel Consumption	89.0	95.6	89.2	93.3	84.7	88.4	91.0	91.1

Indicator	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Services								
Electronic Toll Collection	111.5	113.5	120.4	120.9	123.3	115.4	117.7	133.8
Domestic Air Passenger Traffic	119.7	165.5	163.2	178.3	163.4	151.0	157.5	
Port Cargo Traffic	93.7	111.2	103.9	105.4	105.4	101.4	100.1	98.7
Rail Freight Traffic	92.8	107.9	94.7	102.1	97.3	94.7	92.5	89.7
PMI Services	100.6	104.1	112.4	114.4	115.0	107.8	91.5	86.9
Fuel consumption	99.8	110.2	103.2	103.6	106.0	100.0	101.1	97.5
UPI (Value)	99.4	115.5	116.6	125.0	121.9	127.6	128.8	134.2
UPI (Volume)	98.1	117.1	116.8	128.8	127.0	136.2	142.5	146.9
Inflation								
WPI	101.7	104.2	106.3	107.8	107.8	107.6	107.1	106.4
CPI	100.2	101.2	102.7	103.6	104.2	104.6	105.2	105.8
CPI food	99.8	101.2	102.7	104.4	105.4	105.5	106.2	107.2
Crude price (Brent_Dubai_WTI)	111.4	134.0	123.2	131.2	139.2	125.3	114.4	105.1
Crude oil Indian basket	110.8	135.0	122.2	129.8	136.9	125.7	116.0	107.6
External Sector								
Merch Exports	105.5	126.2	113.0	111.0	120.4	103.1	93.7	92.6
Non-oil exports	98.7	113.4	103.9	99.7	103.6	97.7	91.8	86.7
Non-oil non gold imports	93.8	109.7	103.2	101.2	111.9	103.8	101.0	98.4

Indicator	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Baltic Dry Index	104.2	139.9	126.1	167.1	135.7	118.0	80.2	84.5
Exchange Rate	100.7	102.4	102.3	103.9	104.9	106.9	106.9	107.8
NEER	99.2	98.9	98.5	99.8	99.8	98.7	98.9	
Fiscal Sector								
Gross tax revenue (Central Govt)	104.4	256.2	137.3	101.2	145.9	129.4	89.3	
Capital Expenditure	86.9	215.1	157.7	56.3	135.9	67.2	87.2	
GST Collection	94.4	100.7	119.2	100.0	102.1	105.7	102.1	104.8
E-way Bill (Volume)	100.5	113.7	109.0	107.0	108.3	109.9	113.7	122.1
Monetary and Financial Markets								
M3	101.2	102.7	103.8	103.7	103.6	105.4	105.5	105.6
Non-food credit	101.7	103.9	104.6	105.1	105.5	108.6	109.4	110.7
Sensex	97.0	101.0	98.4	95.8	91.4	99.2	102.6	99.0
Nifty	96.9	100.7	98.6	95.6	91.0	99.0	102.4	98.6
10-year G sec Yields	101.3	102.4	106.9	111.1	111.5	109.6	107.6	110.8
10-Year Corporate Bond Yields (AAA)	99.4	99.0	114.6	112.3	110.5	114.0	110.7	109.2

Note: Scale is reversed for inflation, exchange rate, 10-year G-sec yields and 10-year corporate bond yields indicators.