

Executive Summary¹

The Annual Budget for 2022-23 was received positively on account of its focus on capital expenditure. The Budget adhered to a conservative tax revenue collection and a realistic overall fiscal deficit target. A nominal GDP growth of 11.1 per cent and a fiscal deficit target of 6.4 per cent have been projected for 2022-23.

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) decided to continue with its accommodative stance and kept the policy rates unchanged. The inflation projection was retained at 5.3 per cent for 2020-21, and is estimated at 4.5 per cent for 2022-23. Real GDP is expected to grow by 9.2 per cent in this fiscal year with the projection of 7.8 per cent for 2022-23.

Due to the rapid spread of the highly transmissible Omicron variant of COVID-19 and the associated restrictions, there was dampening of economic activity in January 2022, especially in the contact-intensive sectors. The generation of E-way bills dropped by 4 per cent due to curtailment of mobility but the total GST collection remained buoyant at a healthy figure of ₹1.4 lakh crore. The manufacturing and services PMI softened yet again for the third consecutive month in January 2022. The Index of Industrial Production (IIP) showed good recovery, with the electricity sector registering a growth of 9 per cent in December 2021. Meanwhile, the rural economy has also been witnessing a revival owing to an uptick in rural consumption and farm activity; the labour market too witnessed an expansion.

With commodity prices hardening, inflationary pressures have accentuated globally. The CPI inflation stood at 7.5 per cent in the US and at 5.5 per cent in the UK in January 2022, with both figures being historical highs. Several central banks have shifted focus towards unwinding of the stimulus packages provided during the pandemic and normalising policy rates. Since this move came earlier than expected, it has caused volatility in the financial markets. Bond yields firmed up across tenures, with the 10-year bond yields in the US increasing by 43 basis points thus far in February 2022; equity markets too saw some correction.

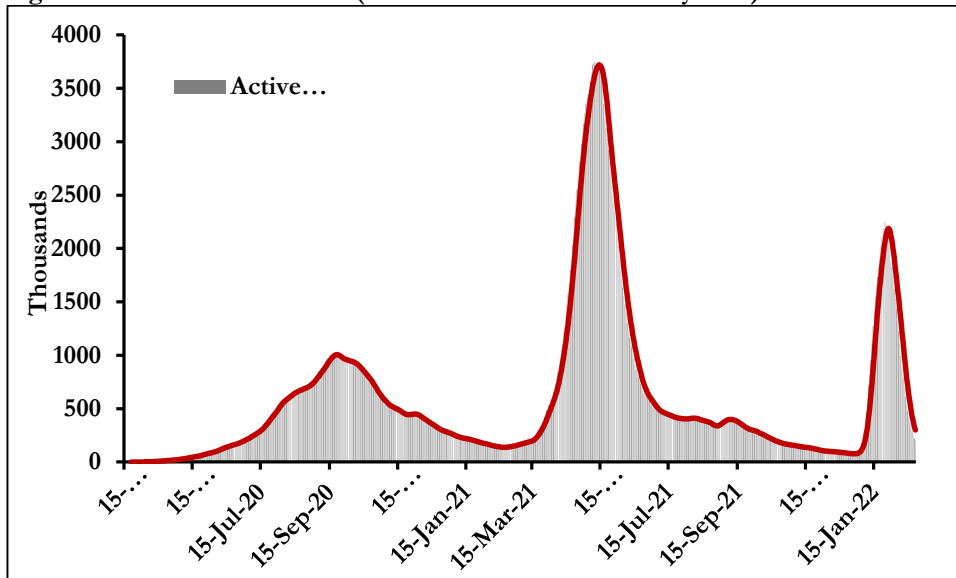
There is uncertainty regarding the pace and quantum of the rate hike announced by the Federal Reserve, along with several geo-political risks emerging from the Russia-Ukraine conflict. Consequently, oil prices have been on the boil, with Brent crude oil rate being \$97.6 per barrel as on 22 February 2022.

¹ This report has been prepared by Ayesha Ahmed with inputs from Akshara Nair, Research Associate and Intern at NCAER, respectively. Comments are welcome at aahmed@ncaer.org. Khushvinder Kaur has helped with formatting and Anupma Mehta has provided editorial guidance. The findings, interpretations, and conclusions expressed are those of the author and do not necessarily reflect the views of the Governing Body or Management of NCAER.

1. The COVID Tracker

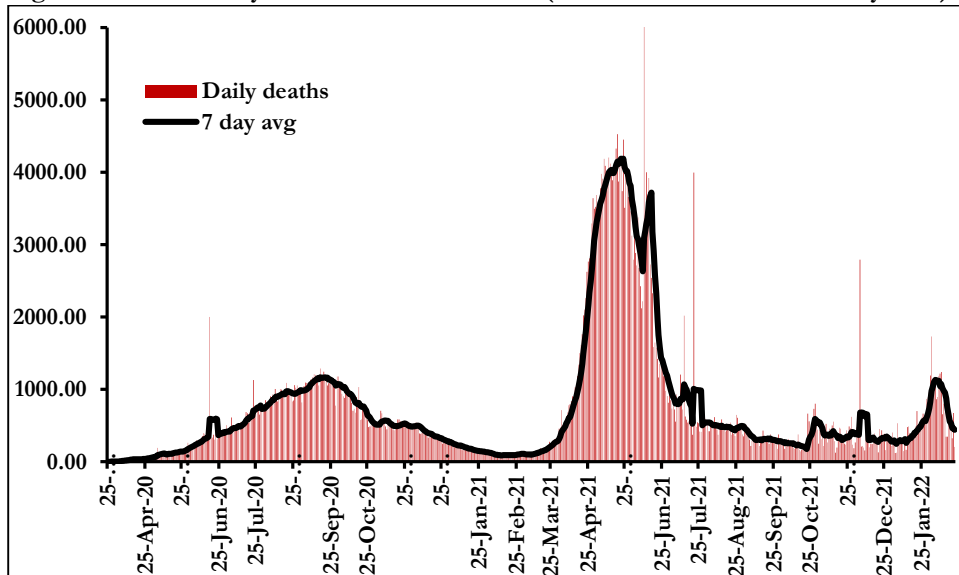
The new Omicron variant resulted in an increase in active cases in January followed by a series of fresh curbs and restrictions (Figure 1). However, the effect of this Coronavirus wave was short-lived, as the daily positivity rate, as of 22 February 2022, fell to 1.24 per cent, marking a significant decline from the daily positivity rate of 20 per cent recorded on 27 January 2022. The number of death cases has also been on the decline since the beginning of February (Figure 2). Vaccine jabs were made available for those in the 15-18 years age group in January. The latest data for both doses of vaccinations is depicted in Figure 3.

Figure 1: Active COVID Cases (25 March 2020 to 21 February 2022)



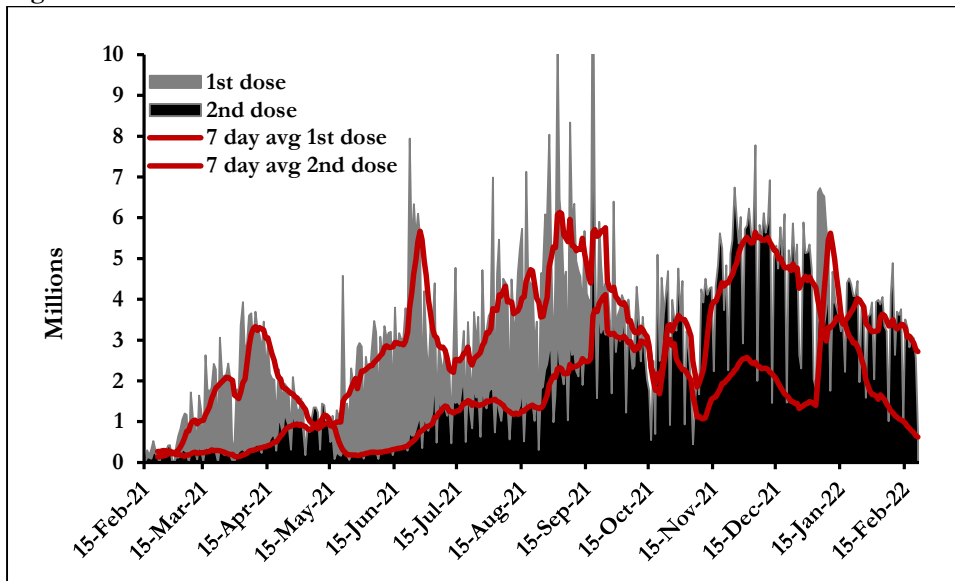
Source: Vaccination data, Ministry of Health and Family Welfare, population estimate for 2022—Report of the Technical Group on Population Projections (November 2019), National Commission on Population, Ministry of Health and Family Welfare (MoHFW).

Figure 2: India – Daily Deaths from COVID-19 (25 March 2020 to 21 February 2022)



Source: Vaccination data, Ministry of Health and Family Welfare, population estimate for 2022—Report of the Technical Group on Population Projections (July 2020), National Commission on Population, Ministry of Health and Family Welfare (MoHFW).

Figure 3: New Vaccinations – 1st and 2nd Doses



Source: Vaccination data, Ministry of Health and Family Welfare, population estimate for 2021—Report of the Technical Group on Population Projections (July 2020), National Commission on Population, Ministry of Health and Family Welfare (MoHFW). Last updated on 21 February 2022.

2. Data Releases

A. Budget Note

The Annual Budget was announced on 1 February 2022 by the Finance Minister. Overall, the Budget exhibits fiscal rectitude. It has budgeted for only a modest increase in the nominal expenditure of the Government (a proposed increase of only 4.5 per cent in 2022-23 over the Revised Estimate for 2021-22); a sharp increase in capital expenditure, reflecting an increase of 24 per cent over the Revised Estimate for 2021-22 (Figure 4A); and a flat revenue expenditure (Figure 4B). The Government has revised its fiscal deficit slightly from the budgeted 6.8 per cent to 6.9 per cent for the current fiscal year (Figure 4C), and made a small reduction to 6.4 per cent for the next fiscal, with a gradual reduction thereafter to 4.5 per cent by the fiscal year 2026. Politically tricky subsidies are slated to decline significantly, while the revenue projections seem highly conservative (Figure 4D), indicating a 9.5 per cent increase in tax revenue and a 14 per cent decline in non-tax revenue. The general government debt and deficit as shares of GDP are high by international standards. The country's debt-to-GDP-ratio in the last decade (averaging 68 per cent) and the fiscal deficit-to-GDP ratio (averaging around 7 per cent) were high among comparators.

Figure 4A: Capital Expenditure

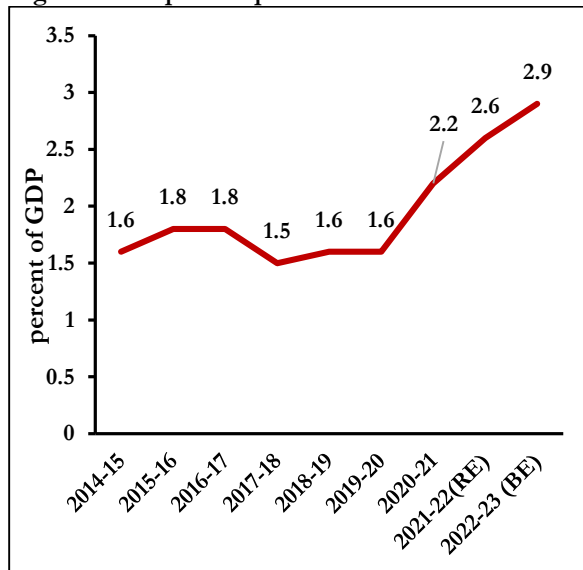


Figure 4B: Current Expenditure

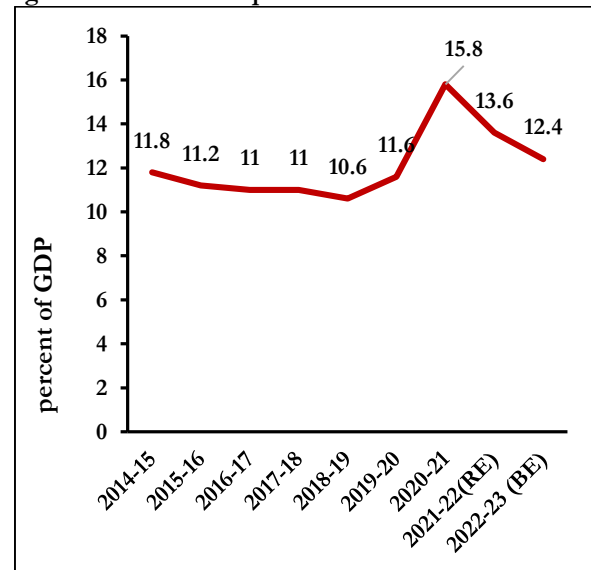


Figure 4C: Fiscal Deficit

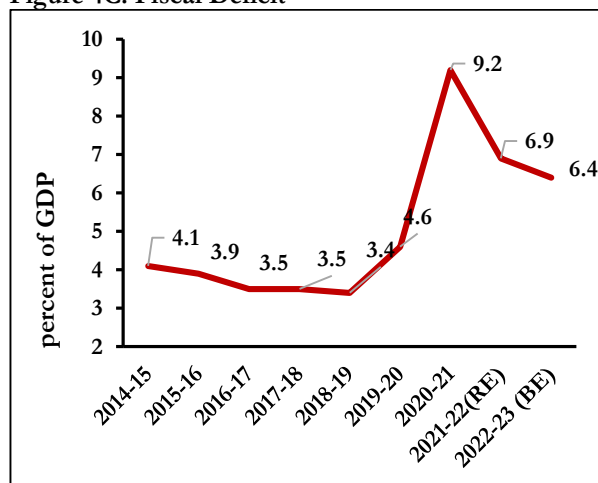
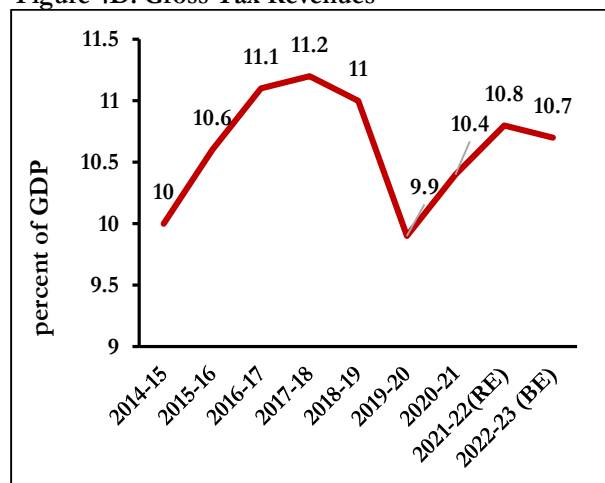


Figure 4D: Gross Tax Revenues

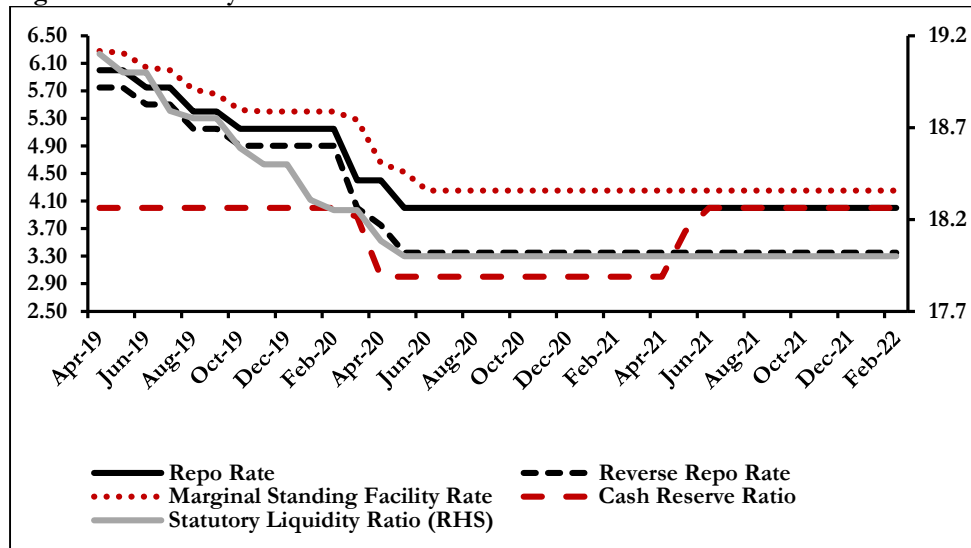


Source: Annual budget documents, NAS (Figures).

B. Monetary Policy Committee

During its meeting on 10 February 2022, the MPC decided to continue with its accommodative stance as long as necessary to sustain and revive growth on a durable basis. The policy repo rate under the Liquidity Adjustment Facility (LAF) remains unchanged at 4.0 per cent, while there are also no changes in the reverse repo rate at 3.35 per cent, and the bank rate at 4.25 per cent (Figure 5). The outlook for the domestic economy projects real GDP growth for 2022-23 at 7.8 per cent along with the quarterly projections (Figures 6A and 6B).

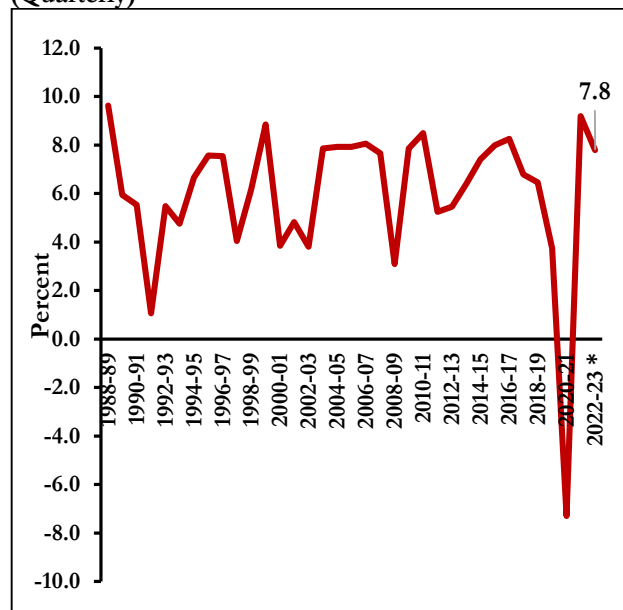
Figure 5: The Policy Corridor



Source: RBI.

Note: The MPC announces policy rates every alternate month beginning from February of each year.

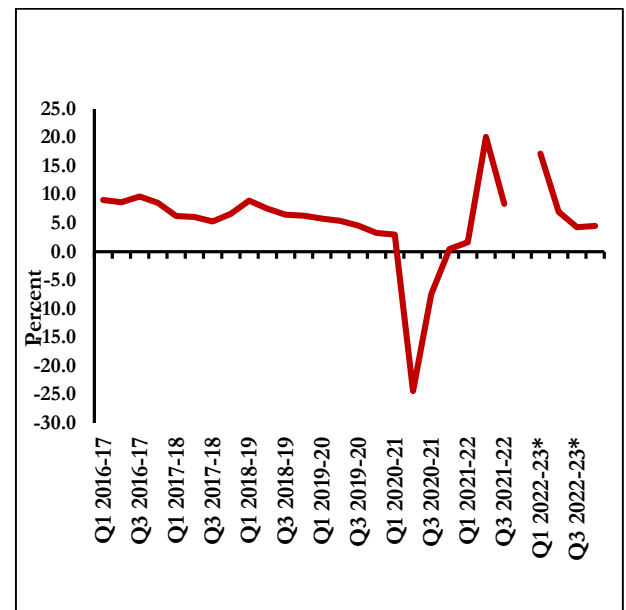
Figure 6A: Real GDP Growth as per the MPC (Quarterly)



Source: RBI.

Note: Years marked with asterisks are projections given by RBI.

Figure 6B: Real GDP Growth as per the MPC



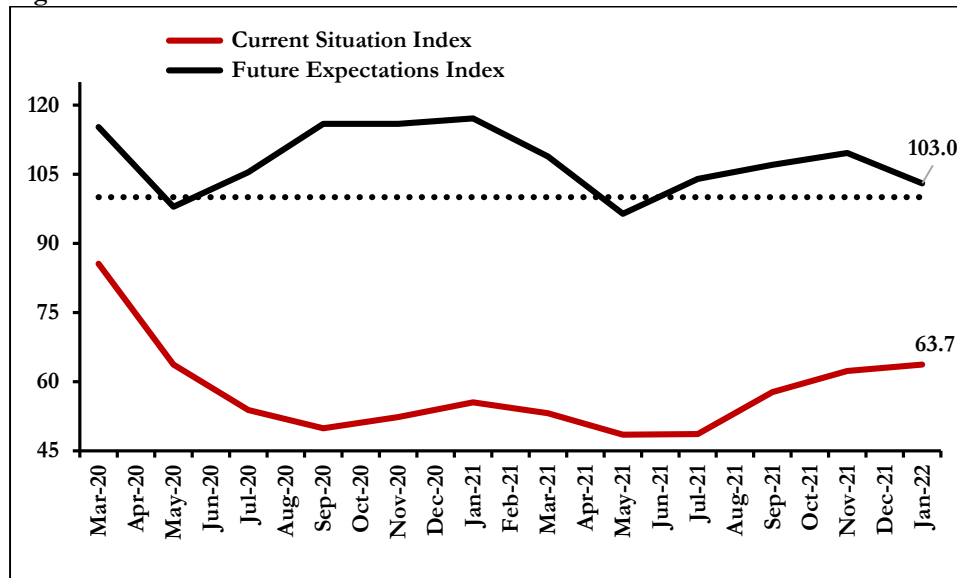
Source: RBI.

Note: the Q4 2021-22 data is yet to be released. Years marked with asterisks are projections given by RBI.

3. Perception-based Indicators

Survey-based indicators are useful in assessing sentiments among different economic agents. Among the Consumer Confidence indices, the Current Situation Index has recovered for the third consecutive month but it still remains in the pessimistic zone. The Future Expectations Index showed a dampening since the latest survey period, coinciding with the surge in COVID-19 infection cases (Figure 7). The share of household respondents expecting higher inflation has significantly reduced from the November 2021 round of the survey. Households expect inflation to be more range-bound in the near to medium term (Figure 8). Capacity utilisation for the manufacturing sector recovered to 68.3 in the second quarter of 2021-22 after the waning of the second wave of COVID-19 in the country (Figure 9).

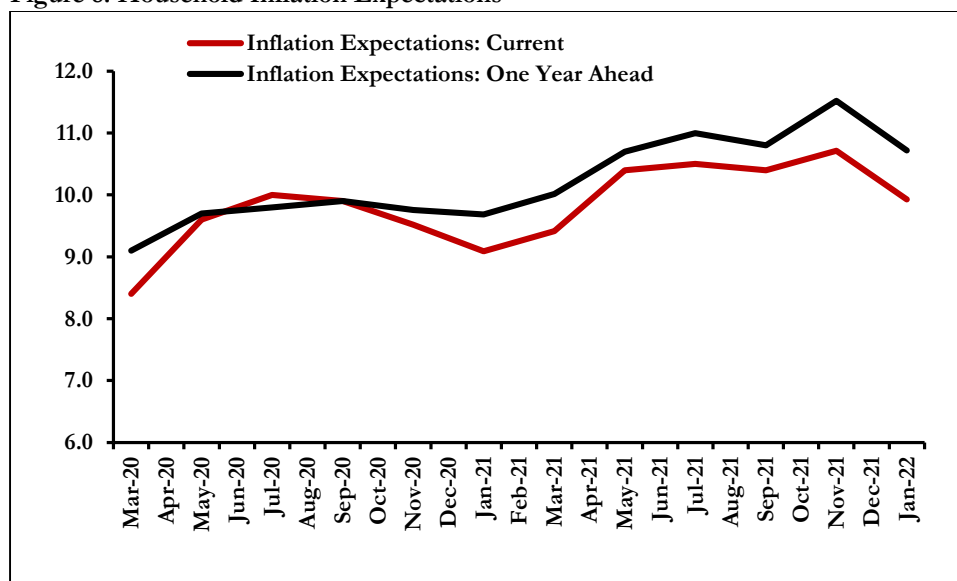
Figure 7: Consumer Confidence Index



Source: RBI. The survey was conducted during 2- 10 January 2022.

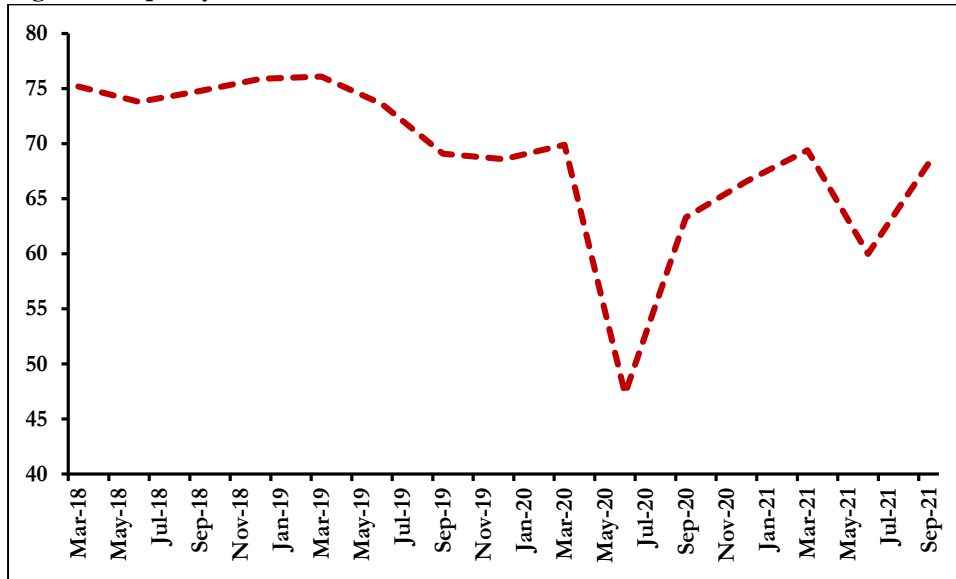
Note: An index above 100 signifies optimism while anything lower than that signifies pessimism.

Figure 8: Household Inflation Expectations



Source: RBI. The survey was conducted during 2-12 January 2022.

Figure 9: Capacity Utilisation

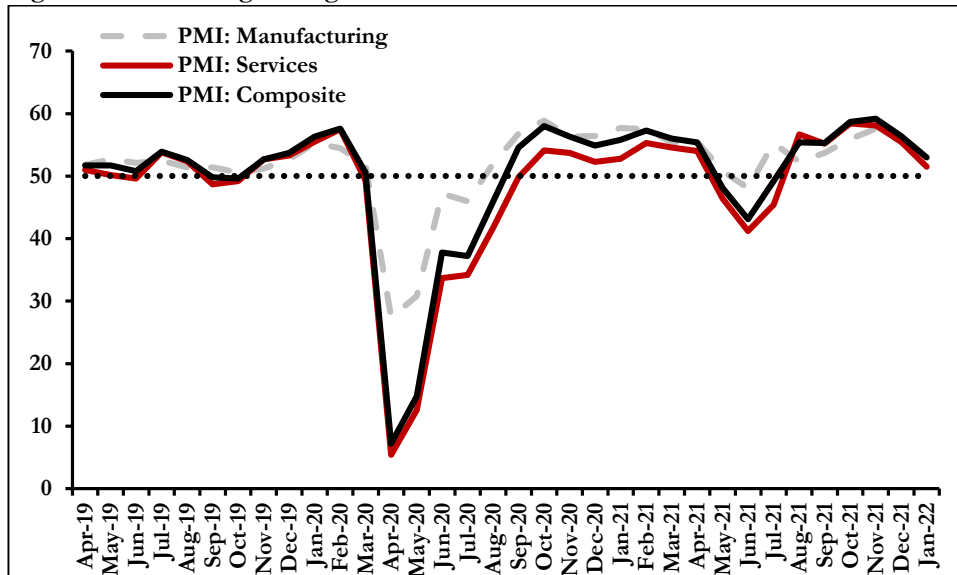


Source: RBI.

4. High-frequency Indicators

We analyse several high-frequency indicators in order to discern the economic trends on a real-time basis. The Purchasing Manager’s Index (PMI) has moderated, yet again, in January 2022, but stayed in the expansion zone. Both the PMI figures for manufacturing and services registered contractions at 54.0 and 51.0, respectively, in January 2022 from 55.5 each in December 2021 (Figure 10).

Figure 10: Purchasing Managers’ Index

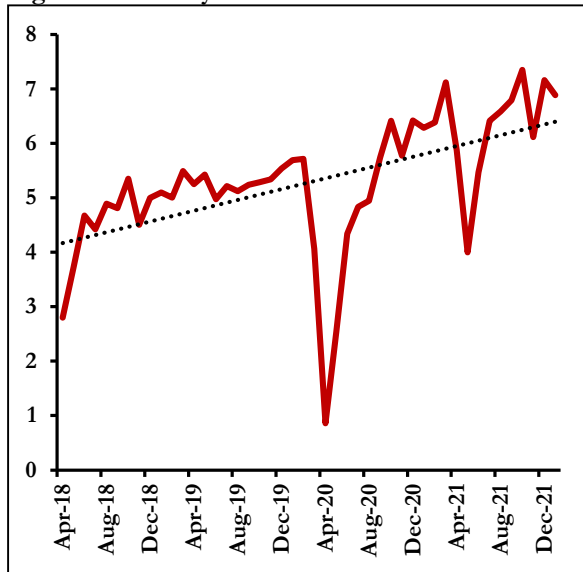


Source: IHS Markit.

Note: A PMI level greater than 50 indicates expansion in the respective sector(s).

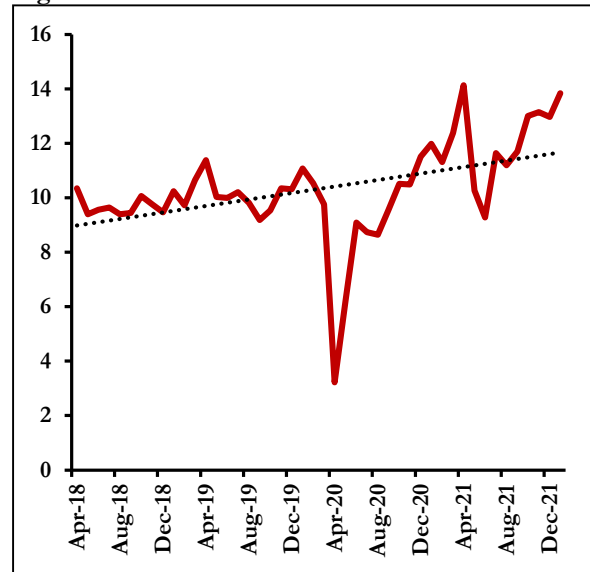
Daily E-way bills fell by 4 per cent from 7.1 crores in December 2021 to 6.8 crores in January 2022, indicating some slack in trade due to the spread of the Omicron variant of Coronavirus (Figure 11A). GST collections were, however, buoyant, touching ₹1.4 lakh crore in January and registering a more than 15 per cent year-on-year (y-o-y) increase (Figure 11B).

Figure 11A: E-way Bills



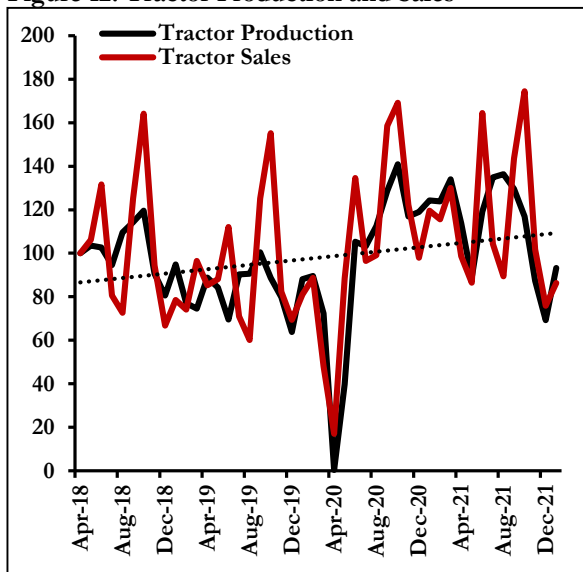
Source: GSTN, Ministry of Finance.

Figure 11B: GST Revenue



After a dip, the rural economy is witnessing green shoots. The fear of the Omicron wave has receded rapidly, and local governments have retracted the restrictions quickly, thereby preventing a severe dip in activity. Although some distress in non-farm employment is still hurting the rural sector, rural consumption has increased. Farm activity has picked up in January 2022, which is reflected in the increased production and sale of tractors (Figure 12). A majority of automakers have recorded positive growth in automobile sales in January 2022 vis-à-vis December 2021, with the total sales showing an increase of 8.4 per cent last month (Figure 13). Both the indicators are, however, still lagging below the pre-pandemic level. Various factors, such as supply-chain bottlenecks, hikes in fuel and commodity prices, and fear of the pandemic, continue to hamper the return to normalcy for the automobile industry. The proportion of electric vehicles (EVs) in the total number of vehicles has continued to rise despite a decline in new EV registrations in January 2022 (Figures 14A and 14B).

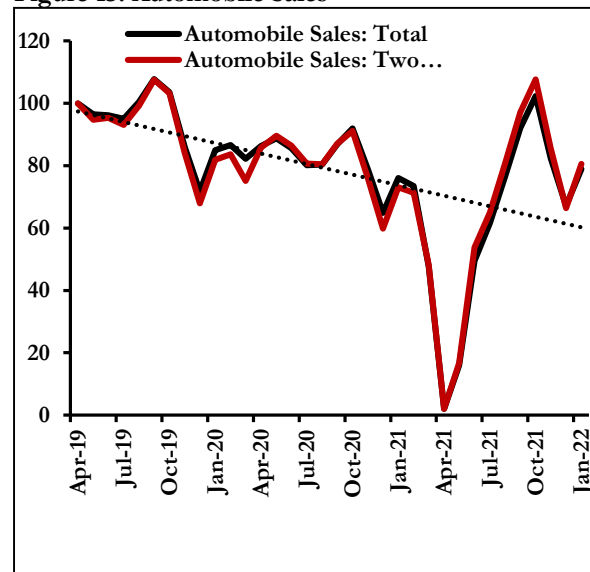
Figure 12: Tractor Production and Sales



Source: CEIC database.

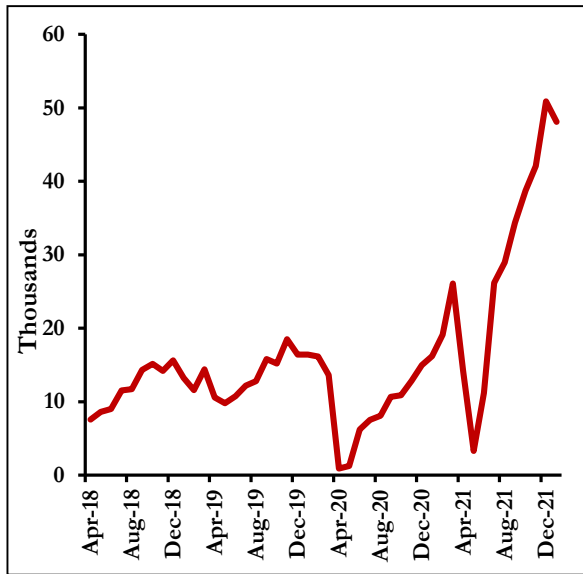
Note: Tractor sales and production are measured in units. Indexed at April 2019=100.

Figure 13: Automobile Sales



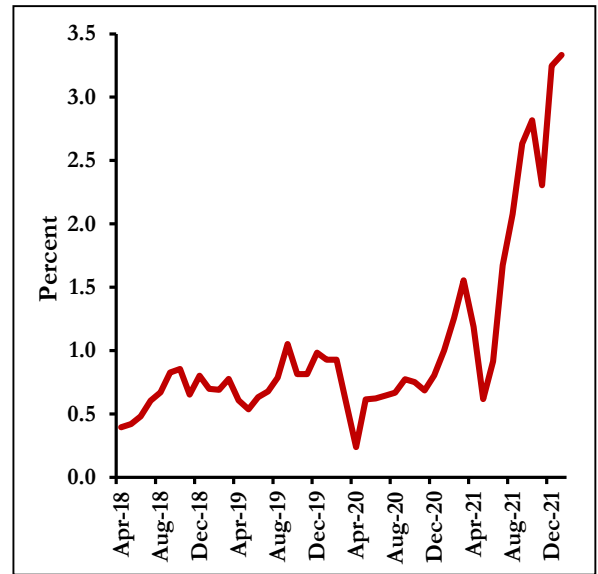
Source: SIAM, CEIC database

Figure 14A: Registration of Electric Vehicles



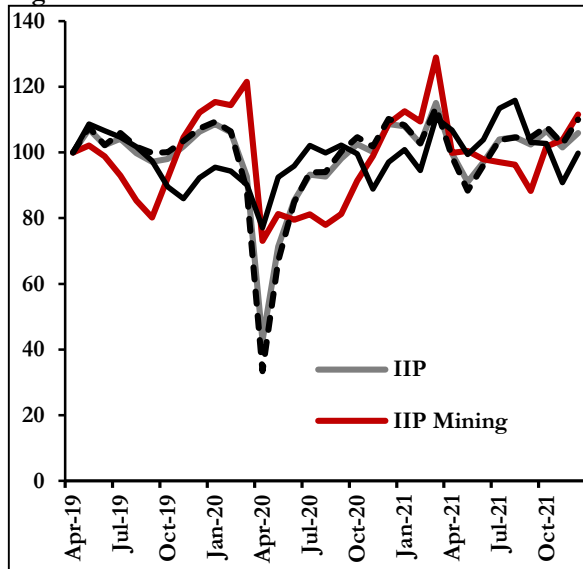
Source: Ministry of Road Transport and Highways.

Figure 14B: Electric Vehicles as a Percent of the Total Registered Vehicles



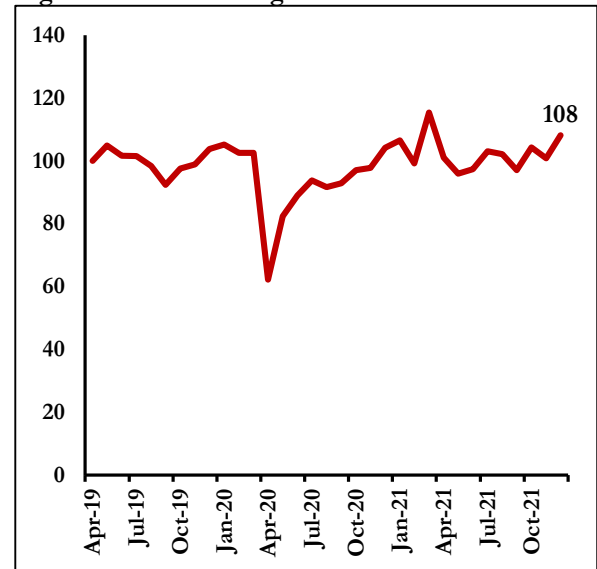
The Index of Industrial Production (IIP) increased to 134 in December from 128 in November 2021 (Figure 15). All the sub-indices of the IIP have registered month-on-month (m-o-m) growth, with the Electricity Index recording a growth of 9 per cent. The Index for Core Industries has also gone up (Figure 16). Cement production, coal, and electricity production have seen the maximum increase, signalling a rise in both construction activity and power demand (Figure 17). Digital payments picked up in January 2022, driven by the overall rise in the volume of digital payments after imposition of lockdowns and curbs due to the pandemic (Figure 18).

Figure 15: Index of Industrial Production



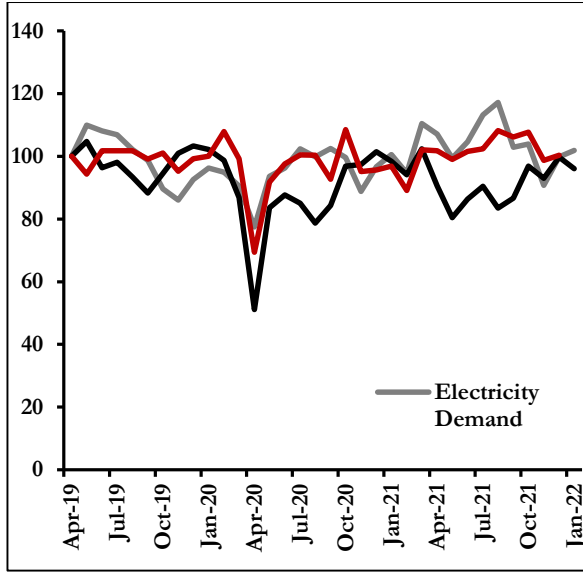
Source : MoSPI/Office of the Economic Adviser.

Figure 16: Index for Eight Core Industries

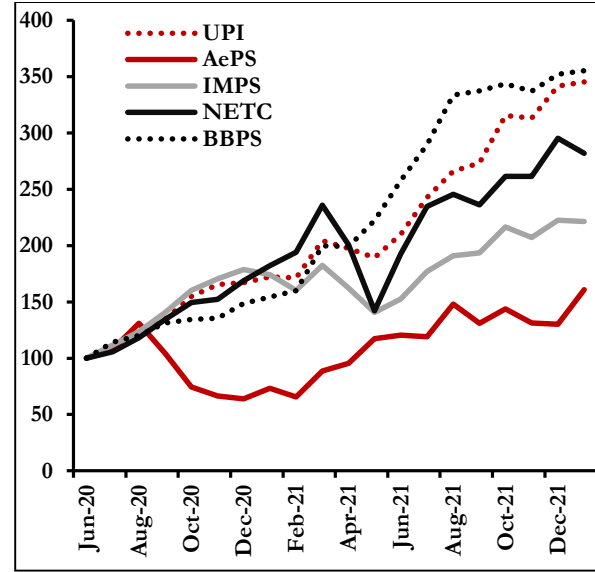


Source : MoSPI/Office of the Economic Adviser.

Figure 17: Energy Consumption and Electricity Demand Figure 18: Digital Payments



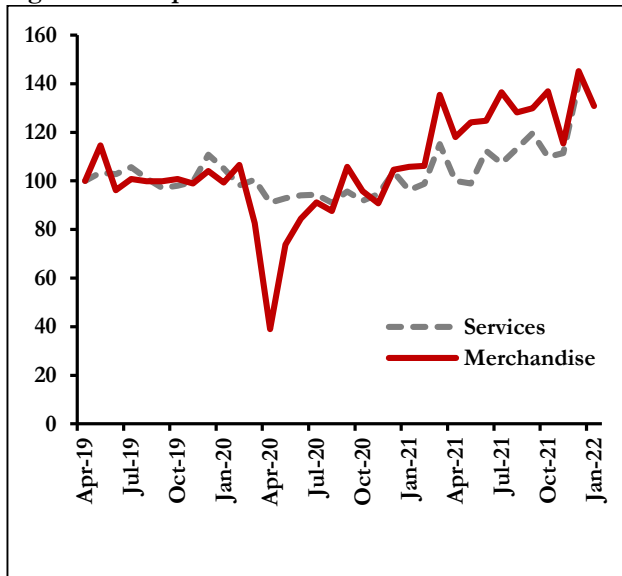
Source: CEIC database.
 Note: Electricity is measured in gigawatt hour, petroleum in metric tonnes thousand, and natural gas in cubic m. million. Indexed at April 2019=100.



Source: RBI.
 Note: Daily data averaged to create monthly values, which are indexed at June 2020=100. The volume of digital payments volume data has been measured in unit million. AePS: Aadhaar Enabled Payment System, IMPS: Immediate Payment Service, NETC: National Electronic Toll Collection, BBPS: Bharat Bill Payment System.

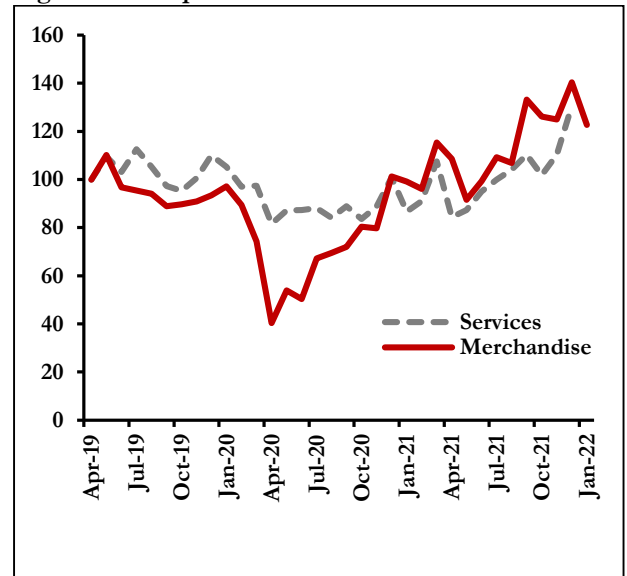
The y-o-y growth for trade remains positive, recording a 23.7 per cent increase for both merchandise imports and exports, as well as growth of 35 per cent and 29 per cent for exports and imports of the service sector, respectively, in January 2022 vis-à-vis January 2021. This is on account of the robust performance of the engineering, petroleum, and gems and jewellery sectors (Figures 19A and 19B). However, trade deficit has widened to \$14.4 billion in January 2022.

Figure 19A: Exports of Merchandise and Services



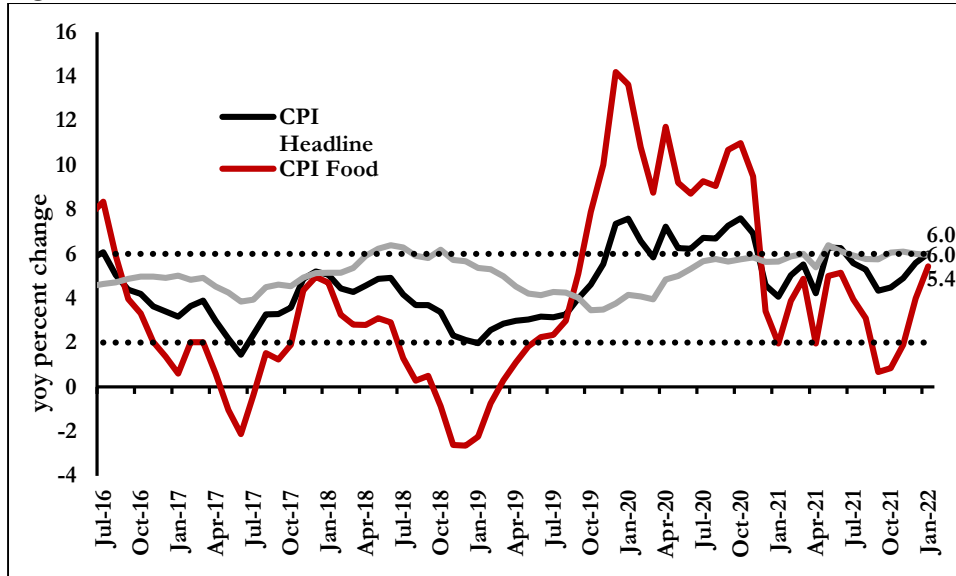
Source: Ministry of Commerce and Industry.
 Note: Monthly values in USD billion indexed at April 2019=100. Data for services export and import is available till December 2021.

Figure 19B: Imports of Merchandise and Services



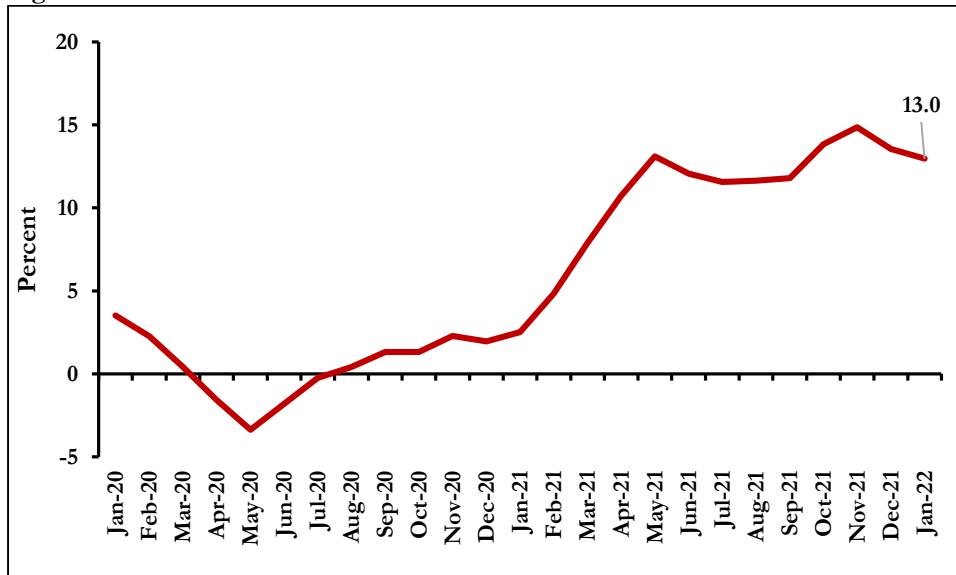
CPI headline inflation reached the upper tolerance level of the medium-term inflation target and settled at 6.01 per cent (Figure 20). This is mainly due to high food inflation, which has registered a jump of 5.4 per cent, a 14-month high. Some of this effect is also due to an unfavourable base. Core inflation continues to remain sticky at around 6 per cent. Inflation at the wholesale level softened to 13 per cent in January 2022 from 13.6 per cent in the preceding month (Figure 21). This is the tenth consecutive month when WPI has been registered in double digits. This points to high input costs and the fact that manufacturers are passing on these costs to output prices. Statistics released by RBI indicate a significant increase in the residential real market in 2021 in terms of sales and prices (Figure 22).

Figure 20: Inflation



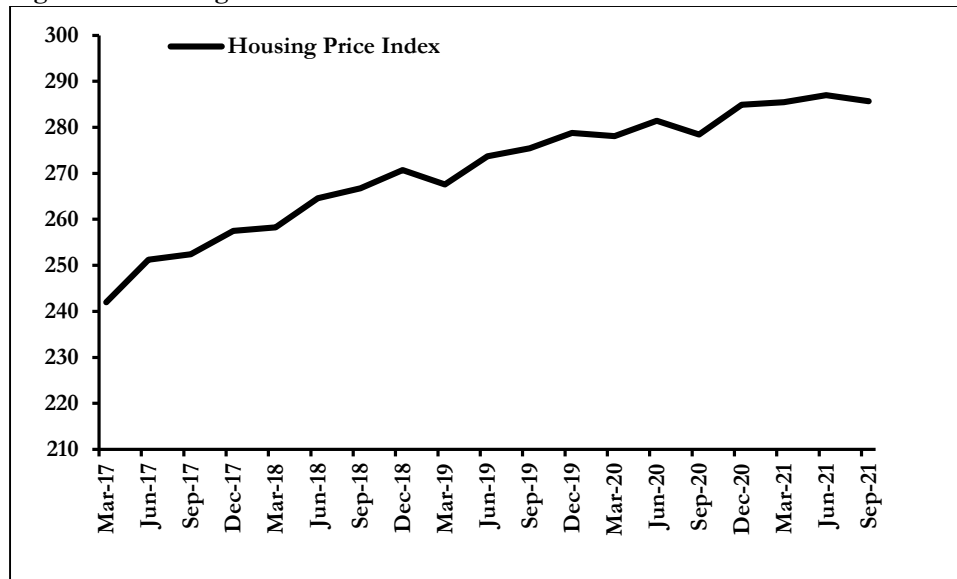
Source: CSO/MoSPI.

Figure 21: WPI Inflation



Source: Ministry of Commerce and Industry.

Figure 22: Housing Price Index



Source: RBI.

Note: HPI is a weighted average price index with 2010-11 as the base year.

Heatmap for India's High-frequency Indicators²

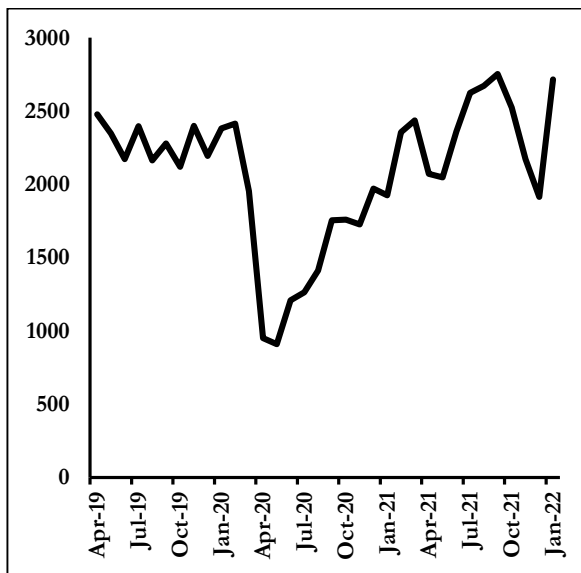
	Jun-2018	Sep-2018	Dec-2018	Mar-2019	Jun-2019	Sep-2019	Dec-2019	Mar-2020	Jun-2020	Sep-2020	Dec-2020	Mar-2021	Apr-2021	May-2021	Jun-2021	Jul-2021	Aug-2021	Sep-2021	Oct-2021	Nov-2021	Dec-2021	Jan-2022	
Agriculture																							
Tractor sales	34.7	-16.2	4.8	-15.0	-14.9	0.0	4.0	-50.2	20.2	26.7	41.2	34.7	15.7	-1.9	46.8	47.0	48.7	14.7	12.5	23.6	9.5	6.6	
Foodgrains Stock	18.1	27.8	20.8	31.3	17.2	20.9	17.9	30.0	16.1	2.3	6.4	36.0	41.4	33.2	34.7	32.0	26.2	21.9	11.3	12.7	15.6	16.6	
Industry																							
IIP (electricity)	159.9	162.9	150.4	160.1	173.6	158.7	150.3	146.9	156.2	166.4	158.0	180.0	174.0	161.9	169.1	184.7	188.7	167.9	167.3	147.9	162.5		
IIP (manufacturing)	128.6	131.6	135.8	144.6	129.0	126.0	135.4	111.6	107.1	126.5	139.0	143.3	124.6	111.5	121.2	131.0	131.9	131.9	136.1	129.5	138.8		
PMI (manufacturing)				52.6	52.1	51.4	52.7	51.8	47.2	56.8	56.4	55.4	55.5	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5	54.0	
PMI (services)				52.0	49.6	48.7	53.3	49.3	33.7	49.8	52.3	54.6	54.0	46.4	41.2	45.4	56.7	55.2	58.4	58.1	55.5	51.5	
Auto sales	26.3	5.4	-2.0	-11.6	-11.0	-19.5	-9.6	-42.1	-42.2	6.1	3.6	-1.4	-25.4	-64.5	-26.7	-9.8	-8.4	-10.2	-11.8	-21.0	-4.8	-12.0	
Natural gas production	-2.8	-1.4	4.2	1.2	-1.6	-4.3	-8.9	-14.2	-11.8	-10.7	-7.1	-4.7	-0.2	0.0	5.3	6.5	8.9	13.0	14.2	11.9	11.0		
Crude steel production	10.3	5.7	3.2	5.6	4.6	-0.5	0.3	-19.4	-17.9	1.5	9.6	2.9	2.9	-4.4	0.1	3.0	11.2	7.9	11.9	10.7	12.0	15.8	
Electricity production	9.2	7.1	4.5	2.7	8.5	-1.2	0.4	-8.7	-10.9	4.4	4.5	11.3	7.2	-9.3	-3.0	6.2	14.7	4.6	15.3	5.7	8.0	6.0	
Crude oil production	-3.4	-4.2	-4.3	-6.2	-6.8	-5.4	-7.4	-5.5	-6.0	-6.0	-3.6	-8.5	-8.3	-12.9	-7.7	-8.0	-8.4	-7.7	-8.3	-7.0	-5.3		
Services																							
Air passenger traffic	15.9	15.6	10.8	-1.1	4.2	0.2	1.9	-37.8	-85.2	-69.5	-50.4	-39.9	-53.3	-84.6	-77.5	-63.6	-50.5	-44.4	-33.6	-25.6	-21.1		
Cargo traffic	6.8	4.1	4.8	2.3	-7.7	-5.4	-4.2	-31.9	-40.5	-16.2	-8.9	-8.6	-4.5	-18.9	-13.4	-11.7	-8.6	-3.7	0.4	-7.6	-2.6		
National highways construction							3.5	-6.0	-15.4	-14.5	3.8	22.4	7.7	-13.1	6.0	-2.9	-8.2	-17.3	-13.2	-14.1	-10.9	-15.7	
Telecomm subscribers	-3.5	-1.3	0.6	-1.9	1.5	0.3	-2.1	-0.5	-2.2	-2.2	0.1	1.5	1.7	1.3	1.3	1.7	1.5	-0.5	-1.3	1.3	0.5		
NPFI retail payments - volume	58.6	36.4	59.9	71.7	67.9	60.6	53.5	23.6	28.2	38.0	43.7	117.8	100.1	87.3	101.0	108.5	131.8	126.5	133.6	137.0	139.9	132.1	
Trade																							
Exports- total	18.0	-2.5	0.1	12.2	-7.8	-6.6	-2.7	-34.3	-12.2	5.9	0.4	7.7	18.1	8.2	29.8	35.5	28.4	30.0	36.3	23.3	39.5	33.5	
Exports- non oil	11.8	-5.8	-1.3	12.5	-3.9	-4.5	-1.4	-34.8	-10.3	6.4	6.0	8.7	20.6	8.3	27.5	30.5	26.1	26.8	33.3	19.5	36.0	33.8	
Imports	20.9	12.8	0.8	2.1	-8.4	-12.0	-6.5	-28.0	-48.0	-19.6	8.4	11.9	8.6	-16.8	2.6	14.6	13.7	49.8	40.8	37.3	50.2	26.2	
Gross FDI	-4.9	74.1	-1.8	8.9	107.2	-26.2	25.4	22.7	-62.8	11.0	26.5	-8.2	-8.4	127.6	-49.2	-23.1	91.0	44.1	-7.5	8.9	-16.1		
Net FPI (USD million)	-151.1	89.6	-305.3	1615.3	-181.3	-132.2	-65.8	-326.4	82.3	-116.7	2396.2	-66.6	-149.3	-115.7	-5.5	128.7	-362.5	303.6	-173.3	-110.2	-1118.9	-2711.1	
Net FPI (INR million)	-153.9	109.4	-322.6	1731.6	-183.0	-131.3	-65.0	-342.5	98.4	-118.2	2471.9	-65.1	-152.8	-117.2	-1.0	146.7	-382.0	321.7	-177.4	-111.0	-1175.2	-3079.3	
Fiscal																							
GST: E-way bills				6.4	8.9	10.8	-26.0	-12.7	9.6	15.9	29.7	11.9	-26.3	9.9	23.0	28.6	29.6	39.0	14.5	29.3	20.9		
Monetary and Financial Markets																							
Non food credit	10.9	12.6	13.8	13.4	11.9	8.7	6.9	6.1	5.4	5.1	6.2	11.9	13.1	11.7	11.8	12.9	12.6	12.2	13.0	13.4	17.3	14.7	
Non food credit - personal loans	17.9	15.1	17.0	16.4	16.6	18.9	18.3	17.0	10.4	8.4	8.8	28.7	26.4	24.4	23.6	21.3	21.6	21.5	21.4	21.9	24.3		

² The heatmap for high-frequency indicators tracks the year-on-year growth from March 2018 onwards, for all the listed indicators, except for indices like IIP and PMI, for which the actual values have been reported. Until March 2020, data has been reported for every third month, or the month ending the respective quarter, while from April 2020 onwards, it has been reported for every month. For March 2021 and beyond, the corresponding months of 2019 have been used to calculate the growth rates. The scaling of colours has been done from red to yellow to green, wherein a particular month's colour shade represents the percentile rank of the value for the variable – with red being the lowest, bright yellow representing the 50th percentile, and green being the highest. All data used for constructing the heatmap have been sourced from the CEIC database.

5. Labour Statistics

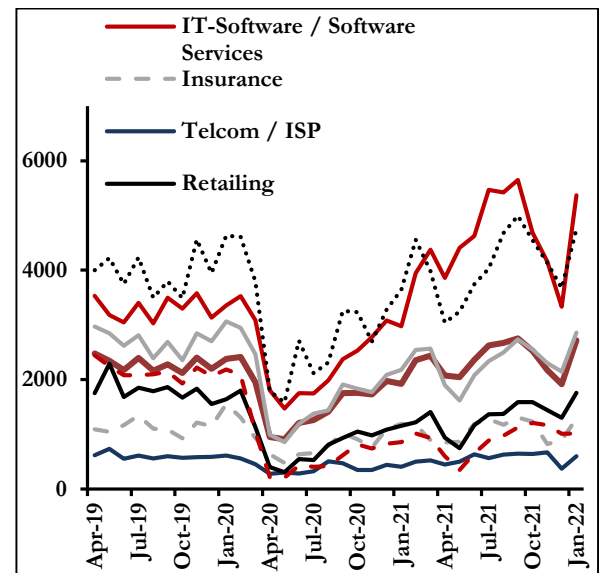
After a contractionary phase beginning in September 2021, the Naukri Job Speak Index (Figure 23A) shows a 41 per cent increase in online job hiring in January 2022 vis-à-vis January 2021. The recovery appears to be broad-based as most sectoral indices have also registered an increase (Figure 23B). Data from CMIE indicates a recovery in employment as well, in both the urban and rural sectors in January 2022 (Figure 24). The labour force participation rate, as per the Periodic Labour Force Survey (PLFS), indicates a binary trend. As compared to the pre-pandemic level, the male labour force participation has recovered only marginally in Q1 2021-22 but the participation rates among women have been constantly increasing following the dip in Q2 2020-21 during the lockdown due to the first wave of COVID-19 (Figure 25A). This could mean that the distress caused during the first wave had forced more women to join the workforce. Post Q2 2019-20, the unemployment rates for both men and women have been declining (Figure 25B).

Figure 23A: Naukri Job Speak Index



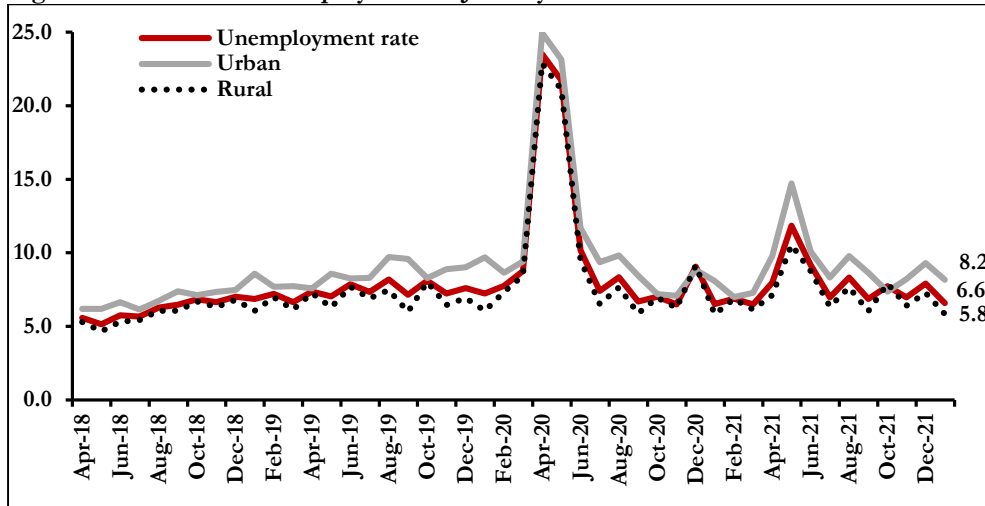
Source: CEIC/Naukri Job Speak Report (January 2022).
 Note: July 2008 has been taken as the base with an index value of 1,000.

Figure 23B: Naukri Job Speak Index for Specific Sectors



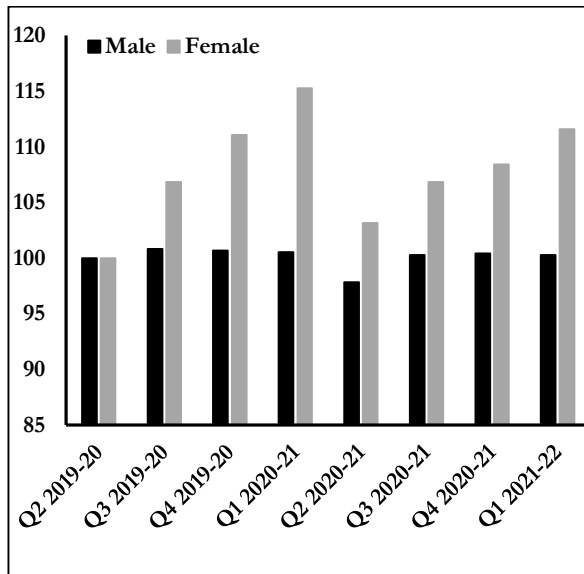
Source: CEIC/Naukri Job Speak Report (January 2022).

Figure 24: Decline in Unemployment in January 2022



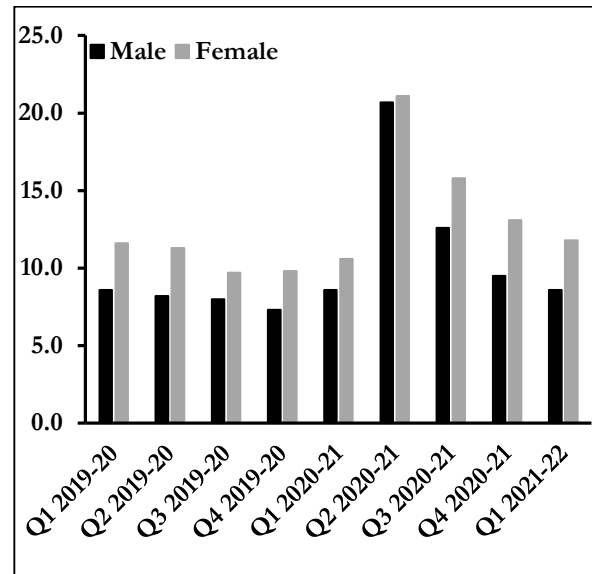
Source: CMIE.

Figure 25A: LFPR Shows Increasing Participation for Women



Source: Periodic Labour Force Survey, MoSPI.
Note: Indexed at Q2 2019-20=100.

Figure 25B: Unemployment Has Been Declining Post the Lockdown during the First COVID-19 Wave

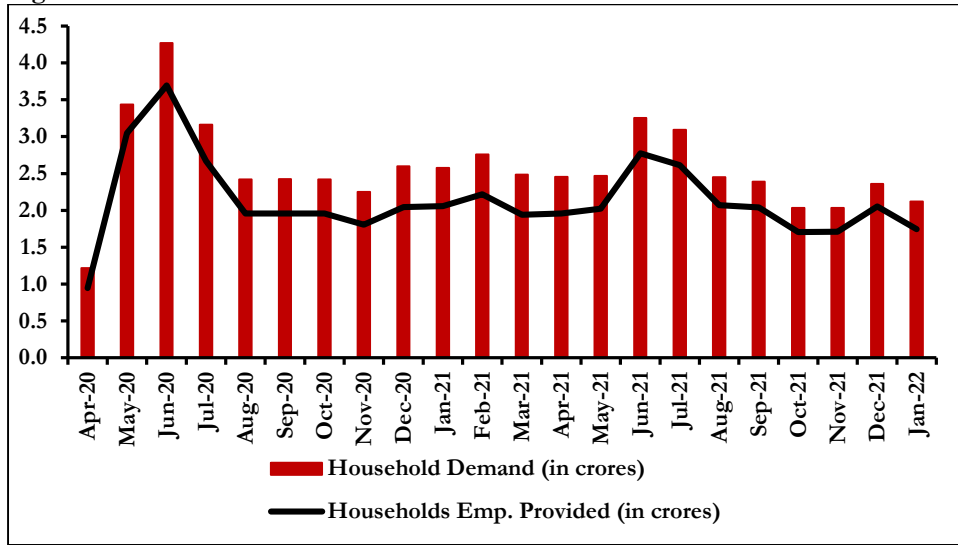


Source: Periodic Labour Force Survey, MoSPI.

The Informal/Rural Sector

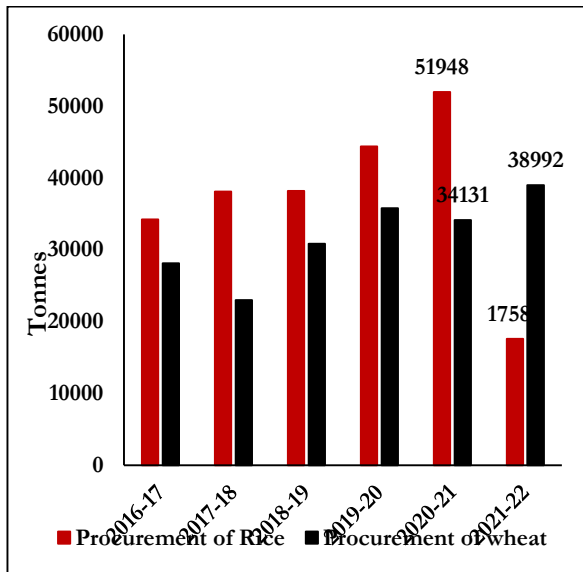
The demand for jobs under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) continues to remain elevated in January 2022 but has reduced since December 2021 (Figure 26). This corroborates the increase in rural employment shown in CMIE data (Figure 3 earlier in this report). The procurement of rice fell sharply by 66 per cent but that of wheat rose by 14 per cent in 2021-22 (Figure 27). Fertiliser sales are back to the pre-COVID levels, signalling an upswing in farm activity (Figure 28). The rise in Jan Dhan deposits indicates an increase in financial inclusion (Figure 29).

Figure 26: MGNREGA



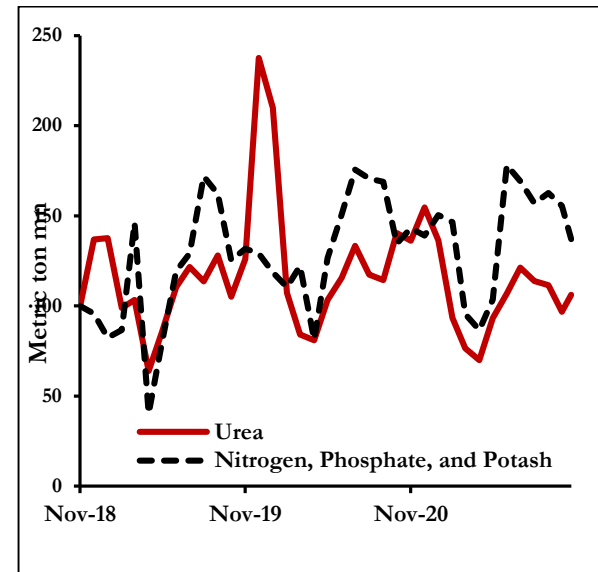
Source: Ministry of Rural Development.

Figure 27: Procurement of Rice Falls Sharply



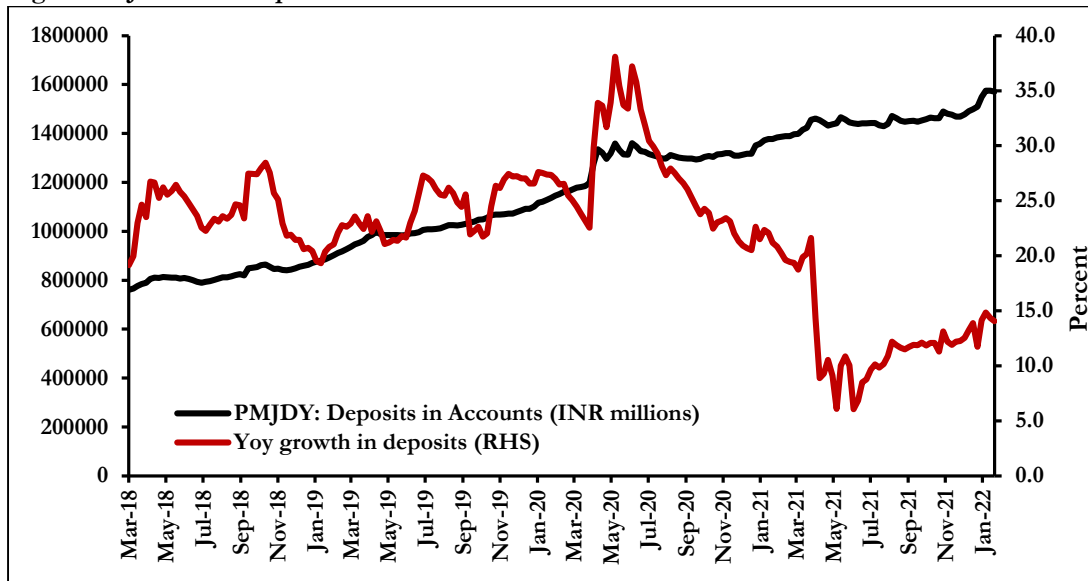
Source: Department of Agriculture and Farmers Welfare.

Figure 28: Fertiliser Sales back up to Pre-COVID Levels



Source: Department of Fertilisers.
Note: November 2018-19 indexed = 100.

Figure 29: Jan Dhan Deposits

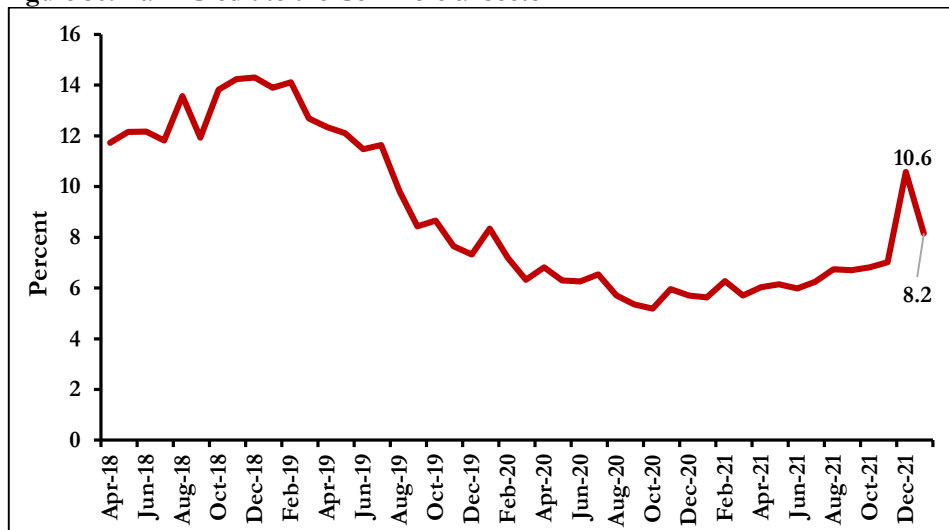


Source: Ministry of Finance.

6. Macro-financial Developments

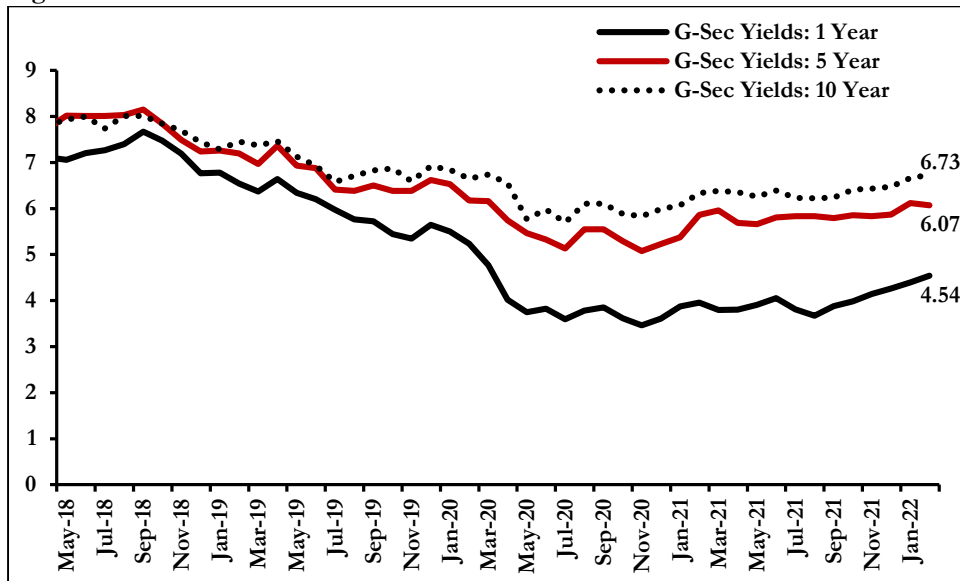
Financial markets, both at home and globally, largely remained volatile and uncertain in November 2021. The volume of bank credit to the commercial sector saw good recovery in December 2021, registering an increase of 10.6 per cent before declining again by 8.2 per cent in January 2022 (Figure 30). The yields on government securities have continued their upswing with 10-year government securities seeing an increase of 26 basis points last month. Inflationary pressures, global policy rate hikes, and increased market borrowings by the government are expected to add further pressure on bond prices (Figure 31).

Figure 30: Bank Credit to the Commercial Sector



Source: RBI.

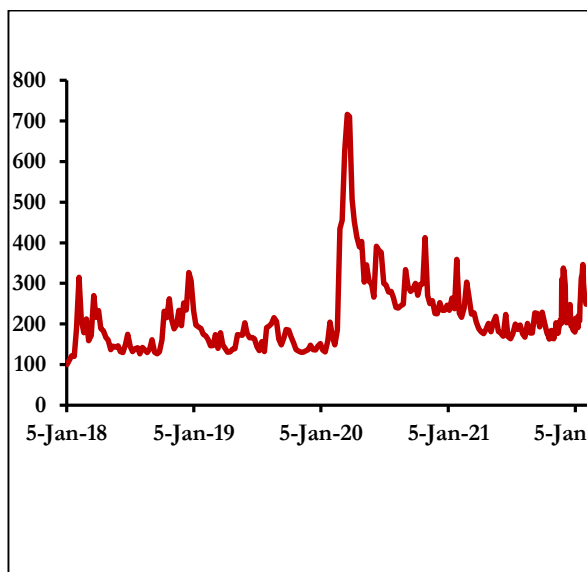
Figure 31: G-Sec Yields Have Bottomed Out



Source: RBI and Clearing Corporation of India Limited. Data is available till 16 February 2022.

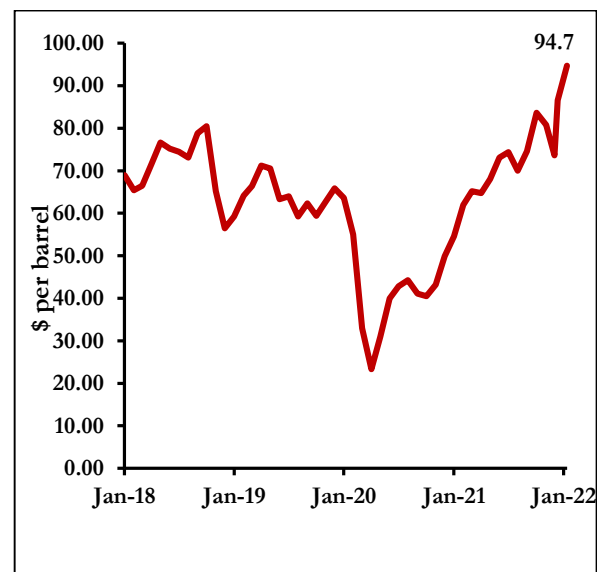
Globally, the Volatility Index of the Chicago Board Options Exchange (CBOE) reflected highly volatile investor sentiments in January 2022 (Figure 32). As mentioned earlier, crude oil prices have been on the boil since last month (Figure 33). As of 16 February 2022, Brent crude oil prices stood at \$94.7 per barrel. The major reasons influencing the hike in oil prices include robust demand, supply constraints, lower production due to lower investments, and impending geopolitical risks. The MSCI indices suggest that Indian and global stock markets have recently shown corrections (Figure 34). The digital asset market also witnessed some severe losses in January 2022. Several large cap coins such as Bitcoin and Ethereum have registered double-digit losses to the tune of 11.95 per cent and 19.17 per cent, respectively. The Crypto Volatility Index, too, saw an increase in January 2022 (Figure 35).

Figure 32: VIX Reflects Volatile Investor Sentiments in January 2022



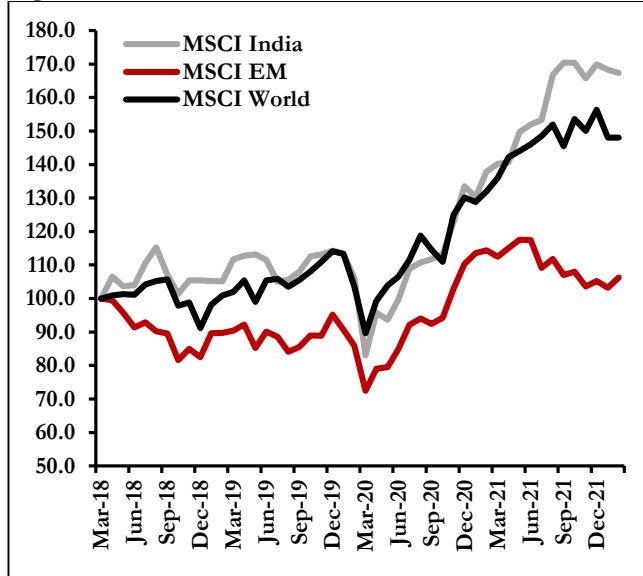
Source: The Wall Street Journal.
Note: End of period, indexed at 5 January 2018=100. Data is till 16 February 2022.

Figure 33: Brent Crude Oil Prices on the Boil



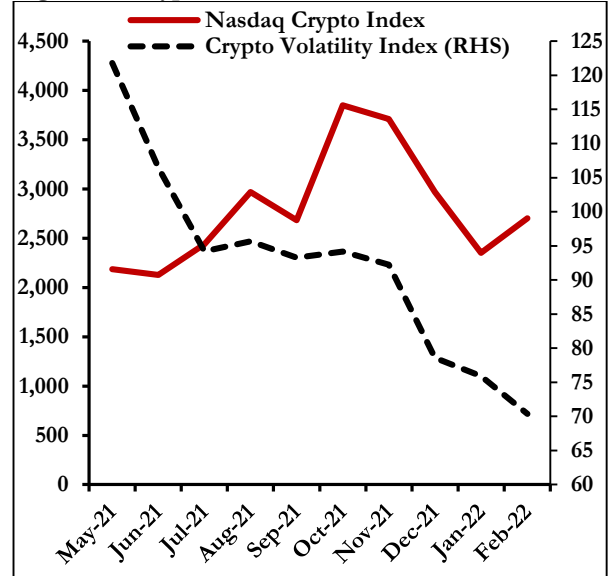
Source: Global Markets Monitor (GMM), IMF. Data is till 16 February 2022.

Figure 34: MSCI Index



Source: Investing.com. March 2018 = 100. Data is till 17 February 2022.

Figure 35: Crypto Indices

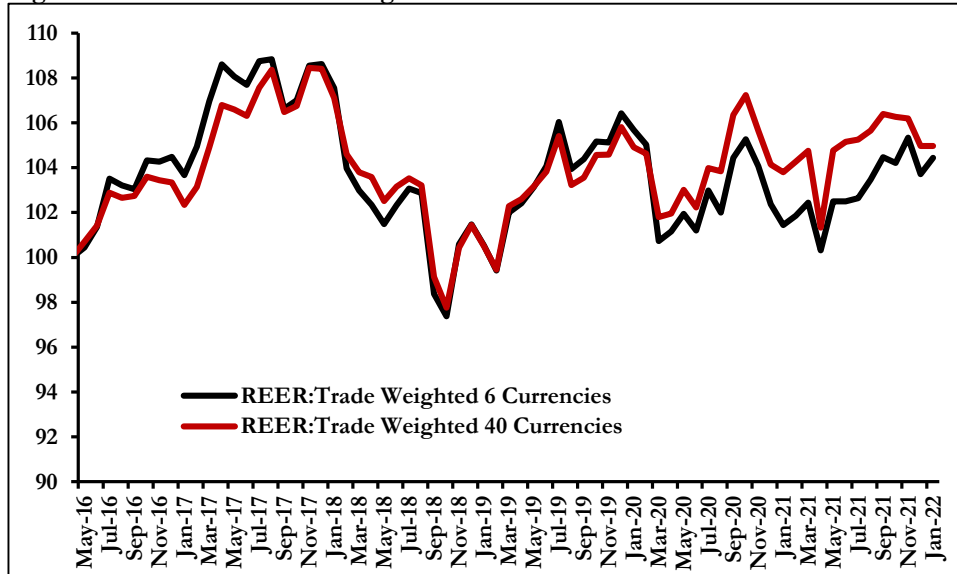


Source: Investing.com. Data is till 17 February 2022.

Note: NCI comprises the eight largest digital assets by market capitalisation.

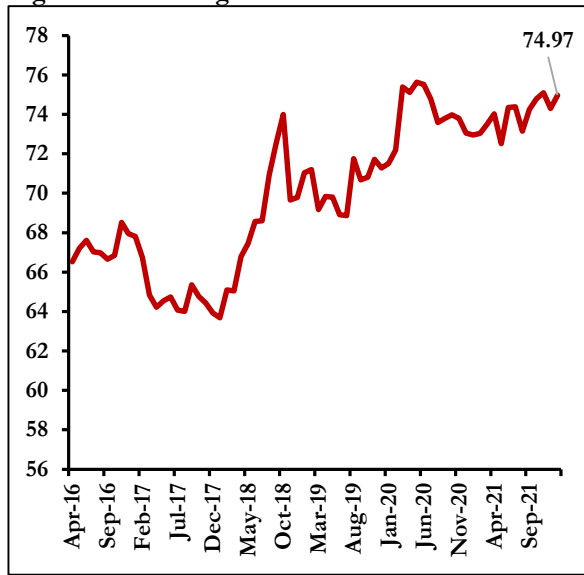
The real effective exchange rate figures are shown in Figure 36. The USD exchange rate stood at \$75 as of 22 February 2022 (Figure 37). The foreign exchange reserves in USD stood at 629.95 million, as of January 2021 (Figure 38). Gross FDI inflows have continued to increase since November 2021, with December 2021 showing an inflow of \$6.1 billion (Figure 39A). The Foreign Portfolio Investors' (FPI) debt increased in December but FPI equity registered a decline (Figure 39B).

Figure 36: Real Effective Exchange Rates



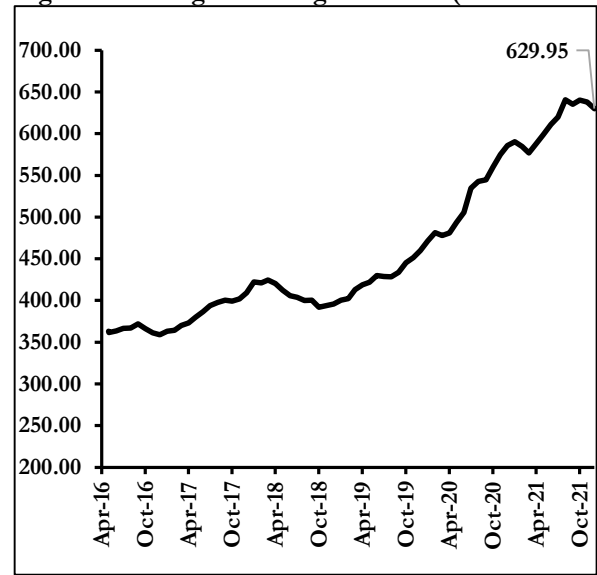
Source: RBI

Figure 37: Exchange Rate USD



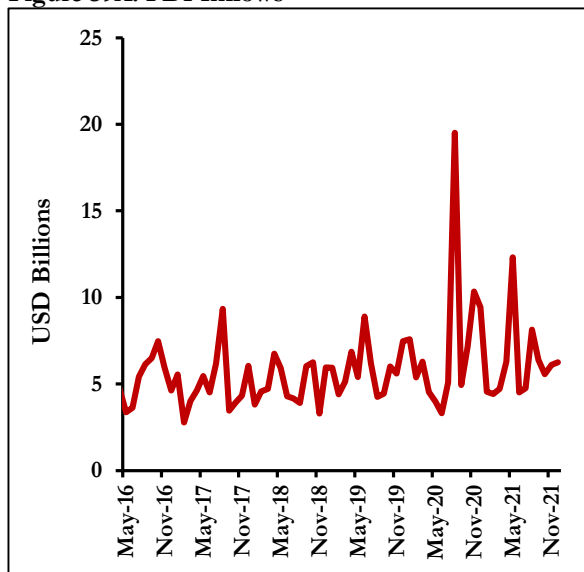
Source: RBI.

Figure 38: Foreign Exchange Reserves (USD million)



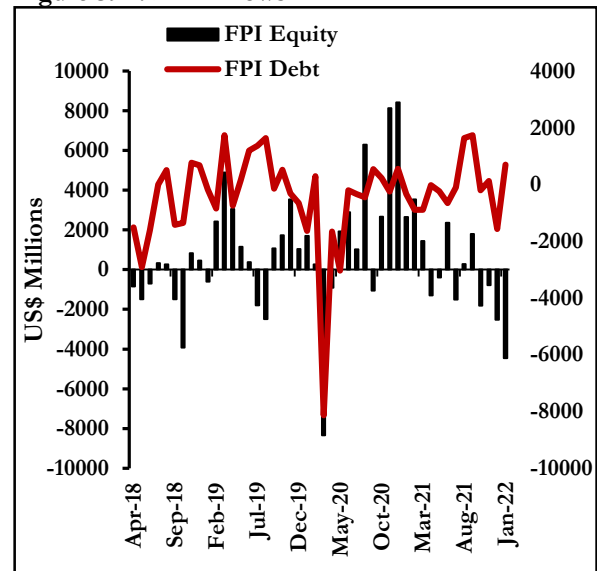
Source: RBI.

Figure 39A: FDI Inflows



Source: RBI.

Figure 39B: FPI Inflows



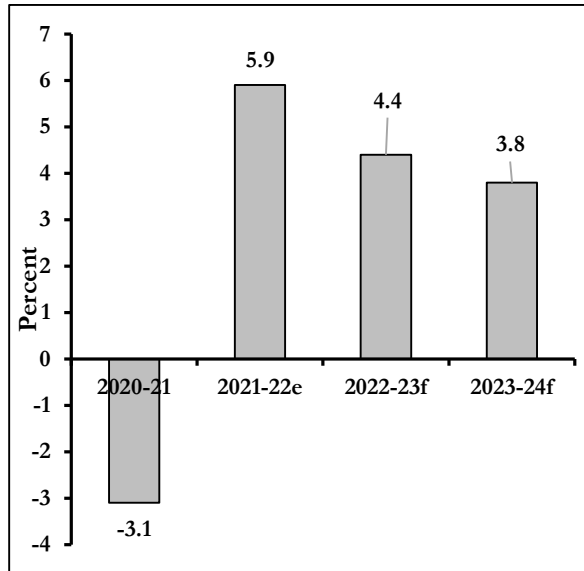
Source: RBI.

7. Global Overview

In its World Economic Outlook (WEO) of January 2022, the International Monetary Fund (IMF) revised downward its global and trade growth projections to 4.4 per cent and 6.0 per cent, respectively, from its earlier respective forecasts of 4.9 per cent and 6.7 per cent. The WEO GDP growth projections for the world, for major economies, and for India, are illustrated in Figures 40, 41, and 42, respectively. Since central banks are on the trajectory of unwinding the stimulus packages given in the last two years, hikes in interest rate may be expected. Inflationary pressures remain high around the globe.

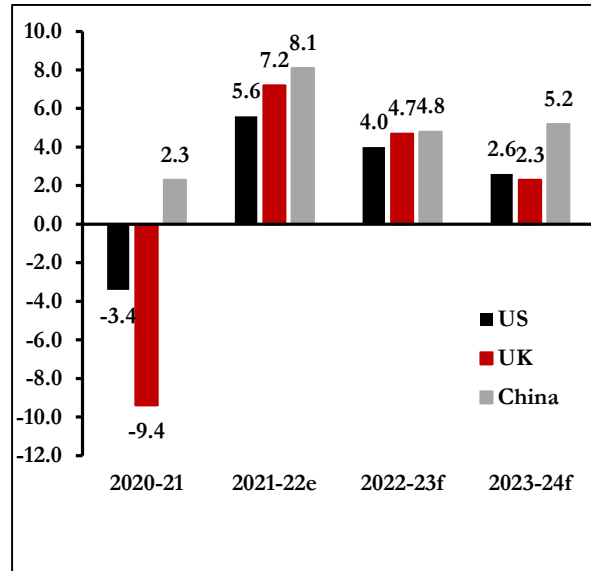
Growth Outlook as per the IMF's World Economic Outlook (WEO), January 2022

Figure 40: WEO Projections for World GDP Growth



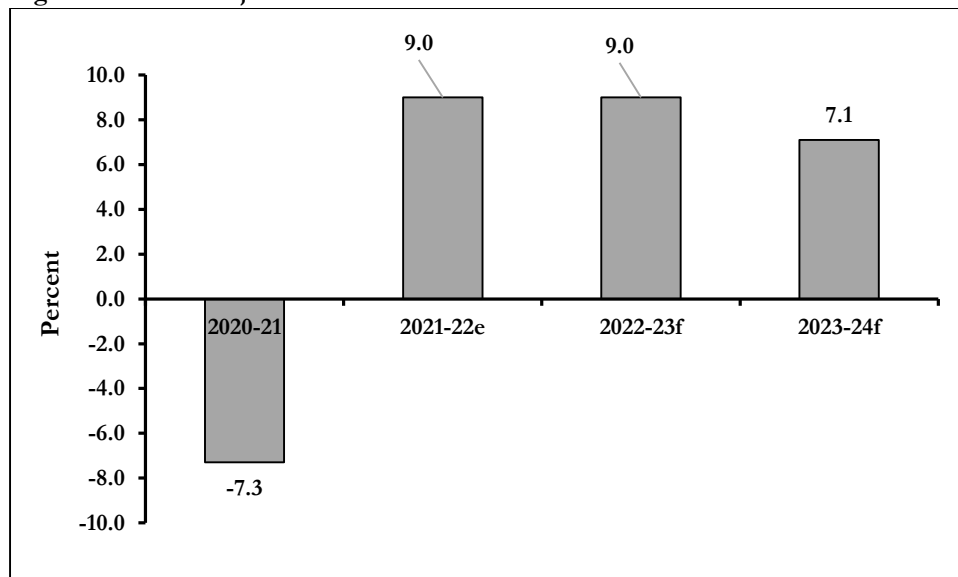
Source: IMF's WEO, January 2022.

Figure 41: WEO Projections for GDP Growth of Major Economies IMF



Source: IMF's WEO, January 2022.

Figure 42: WEO Projections for GDP Growth in India



Source: IMF's WEO, January 2022.

Note: e = estimate, f = forecast.



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