

Summary¹

As per the Advance Estimates released by the Central Statistics Office, GDP will grow at 9.2 per cent during 2021-22. While most sectors are likely to exceed their pre-pandemic levels, the contact- and lockdown-intensive sectors such as transport and hospitality are yet to recover to their pre-pandemic levels. Private consumption expenditure is also lagging behind the level reached in 2019-20.

Economic buoyancy has, however, continued, albeit with a softened momentum. The generation of E-way bills has picked up; the total GST collection was at a wholesome figure of ₹1.29 lakh crore in December 2021; merchandise trade was also remarkably buoyant. The manufacturing and services PMI declined as compared to that in previous months while remaining above the 50-level expansionary mark. The Index of Industrial Production (IIP) lost some momentum; and the labour market too showed some correction. The imposition of fresh restraints and restrictions due to a surge in COVID cases caused by the Omicron variant is likely to have a further impact on economic activity in January 2022.

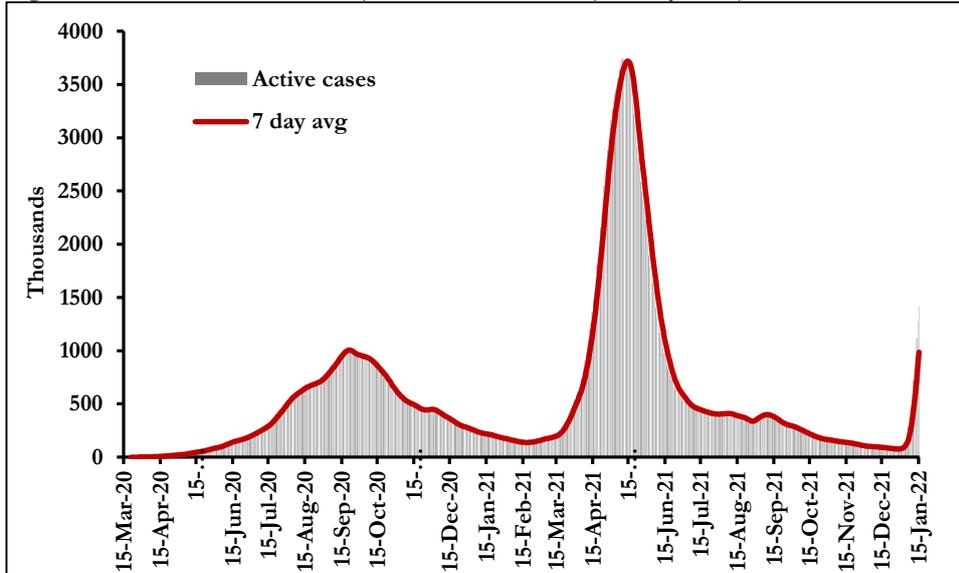
Bond yields have bottomed out globally as well as in India. The US 10-year bond yields have increased by 28 basis points thus far in January. Inflation has been increasing in both advanced as well as emerging and developing economies. The US CPI inflation was 7 per cent in December (year-on-year) and Germany registered a record high annual inflation at 5.3 per cent. Stocks have been down across the world in the wake of the expected tightening of monetary policy by the Federal Reserve Board of the US and profit taking. Oil prices have inched up by 12 per cent thus far in January 2022.

¹ This report has been prepared by Ayesha Ahmed, Research Associate at NCAER, under the guidance of Dr Poonam Gupta. 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

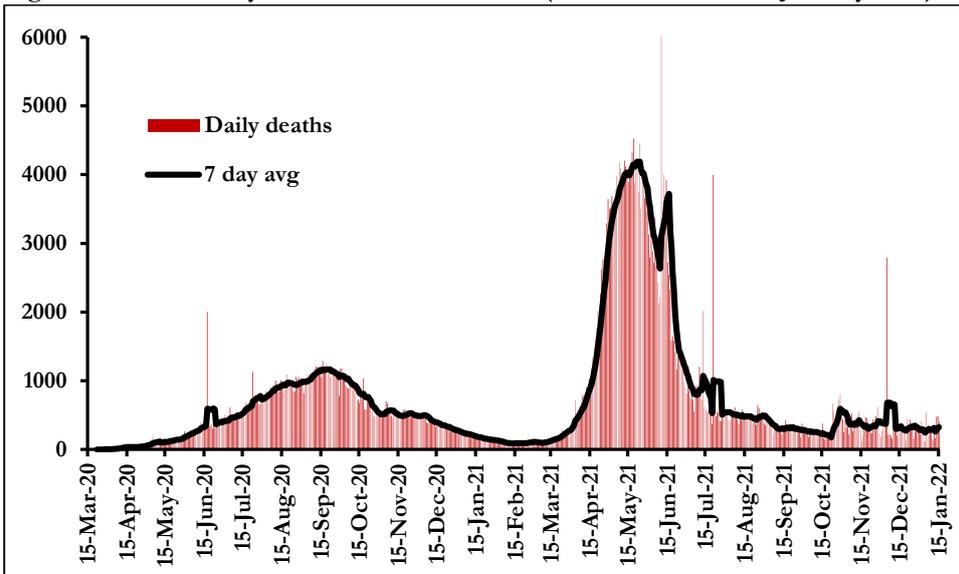
Since the beginning of January 2022, India has been witnessing a rapid rise in the number of COVID infection rates (Figure 1). The daily positivity rate for COVID cases, as of 18 January 2022, was 14.43 per cent. The number of daily deaths was, however, quite low if seen in the context of the infection and positivity rates (Figure 2). The number of vaccinations has also been ramped up in January, with the vaccine now becoming available for the 15-18 year age group, while precautionary doses have also been introduced for certain sections of the population.

Figure 1: Active COVID Cases (25 March 2020 to 15 January 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 15 January 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).

2. The Real Sector

The First Advance Estimates for 2021-22 were released on 7 January 2022. According to the estimates, GDP grew at 9.2 per cent in 2021-22 against a corresponding figure of -7.3 per cent in 2020-21 (PE). Overall recovery has been strong, even though not all the sectors have recovered sufficiently. Sectors such as manufacturing, mining, construction, trade, and hotels have shown high recovery rates, but compared to the pre-pandemic levels, contact-intensive sectors such as hospitality and transport are nearly 10 per cent below their pre-pandemic levels. Similar is the case with private consumption expenditure on the demand side, which is currently 3 per cent below the pre-pandemic level (Figures 3 to 18).

Figure 3: Real GDP Growth Rate

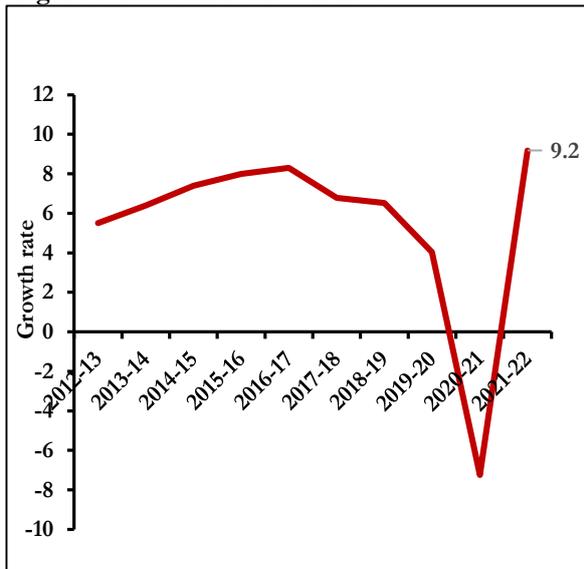


Figure 4: Private Consumption Expenditure

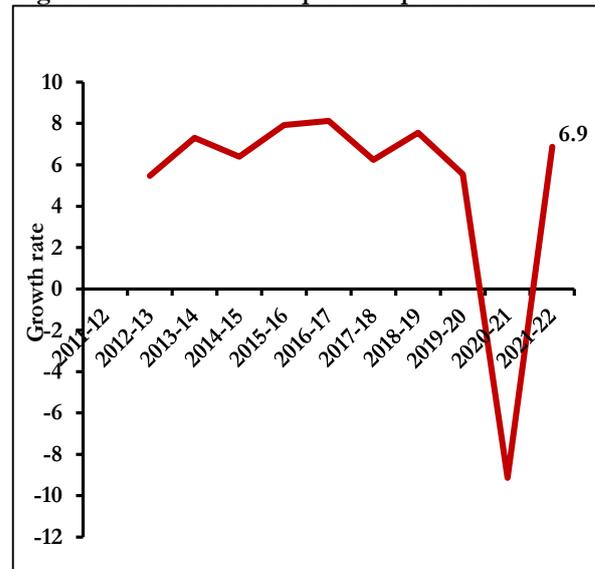


Figure 5: Government Consumption Expenditure

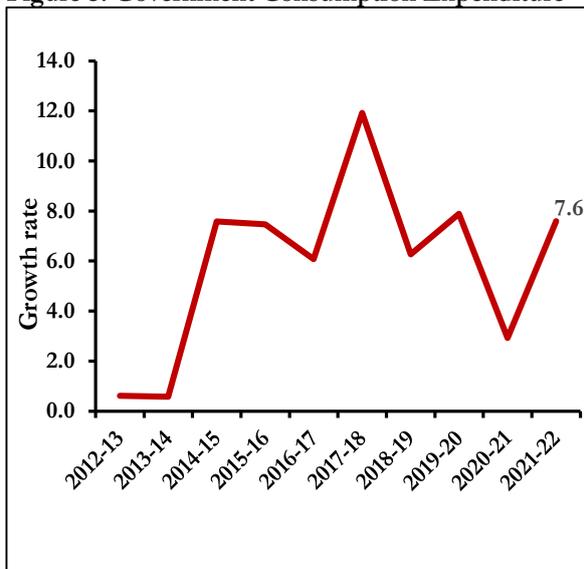


Figure 6: Investment Expenditure

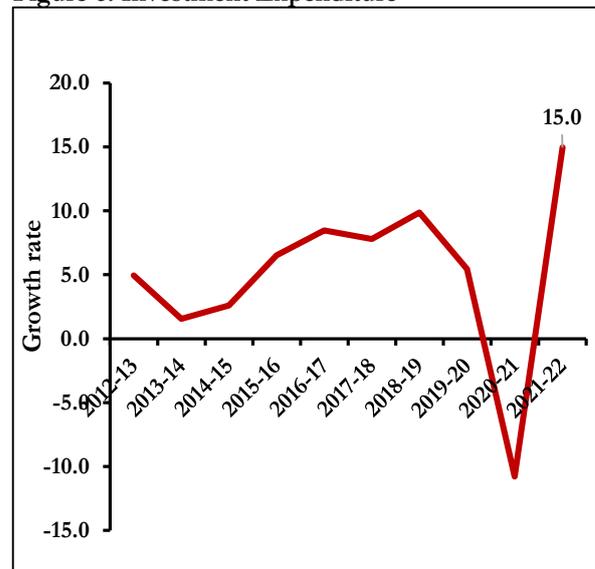


Figure 7: Exports of Goods and Services

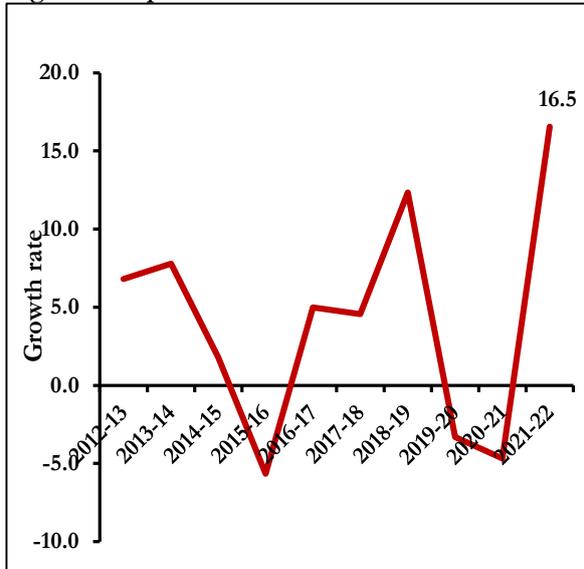
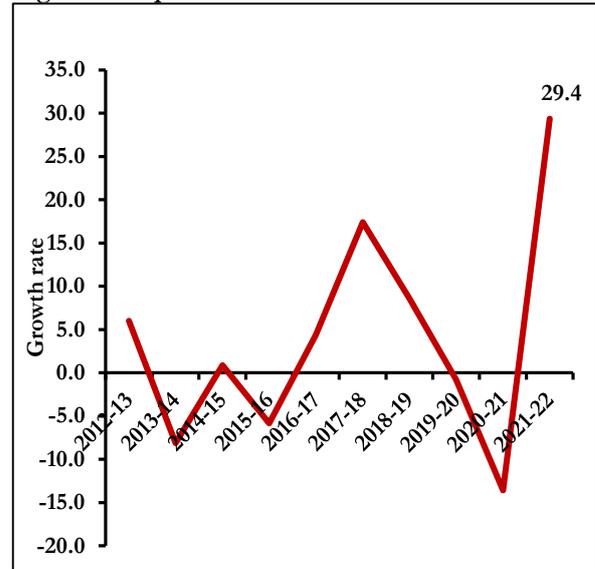


Figure 8: Imports of Goods and Services



GVA Supply Side Components

Figure 9: Agriculture

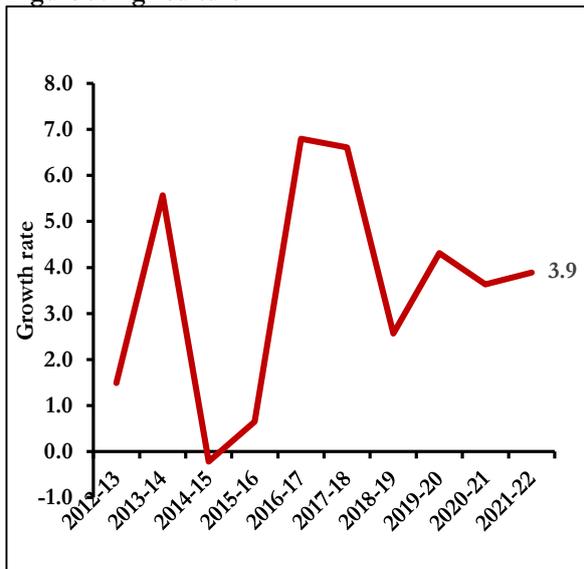


Figure 10: Mining and Quarrying

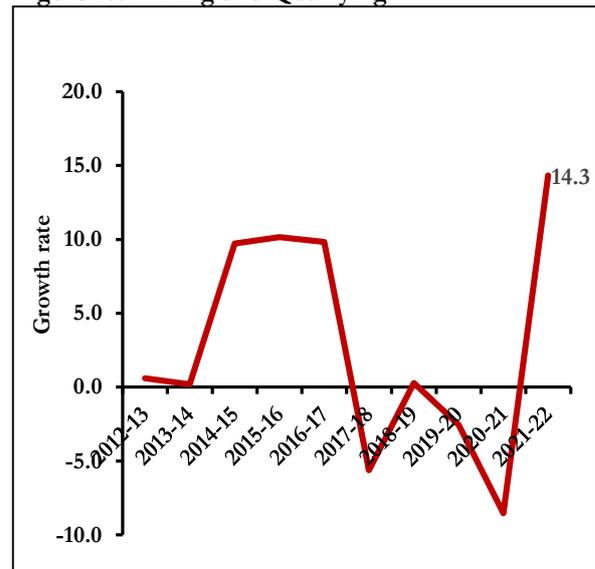


Figure 11: Manufacturing

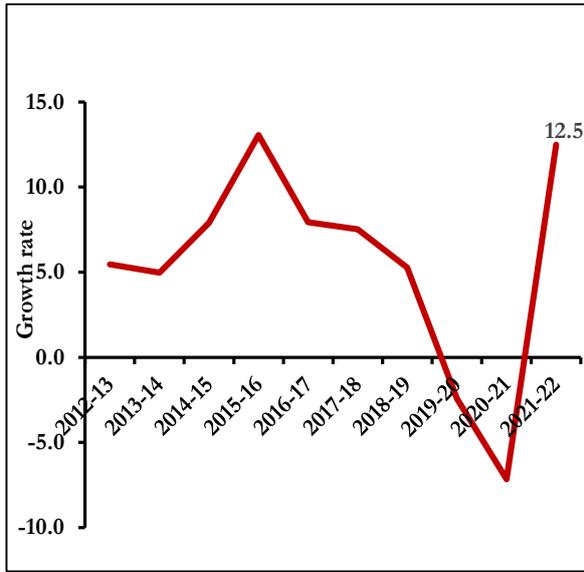


Figure 12: Electricity, Gas, Water Supply, and Other Services

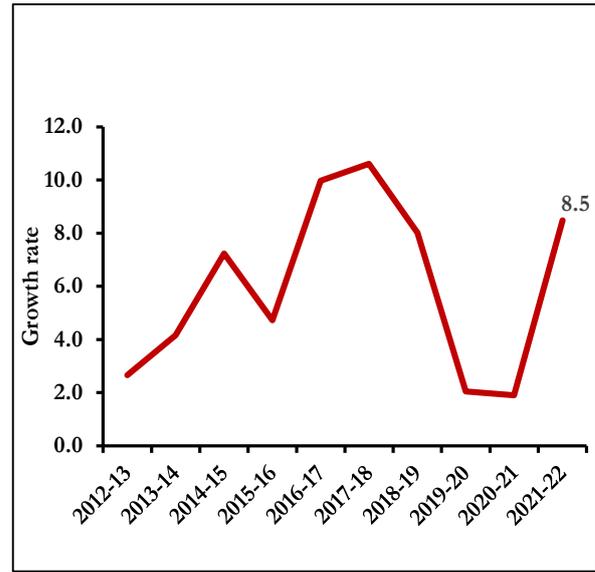


Figure 13: Construction

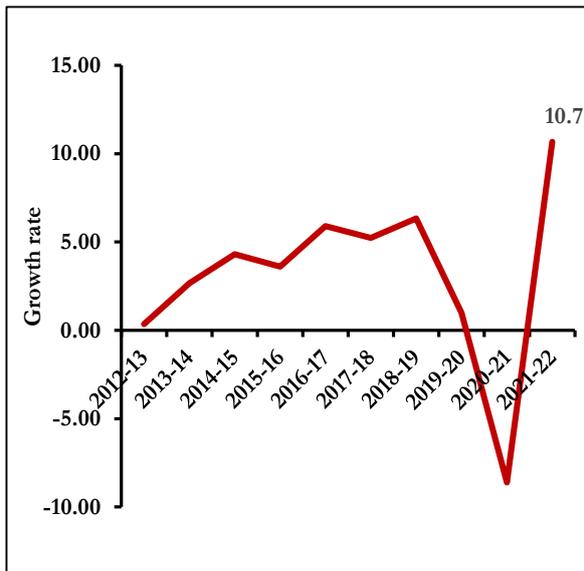


Figure 14: Trade, Hotels, Transport, and Broadcasting Services

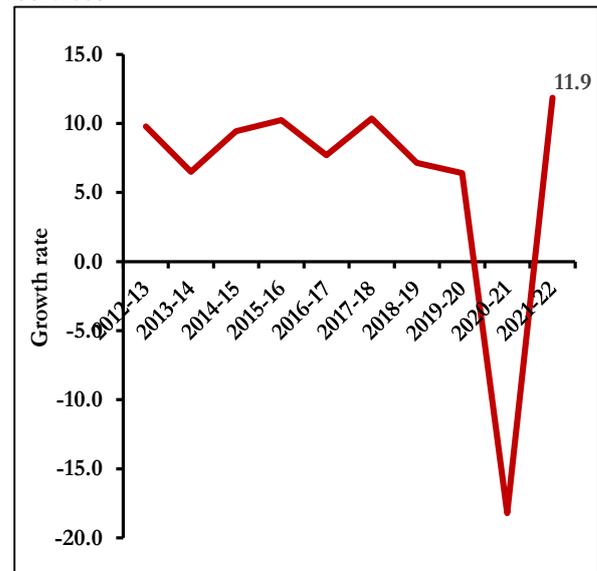


Figure 15: Financial, Real Estate, and Professional Services

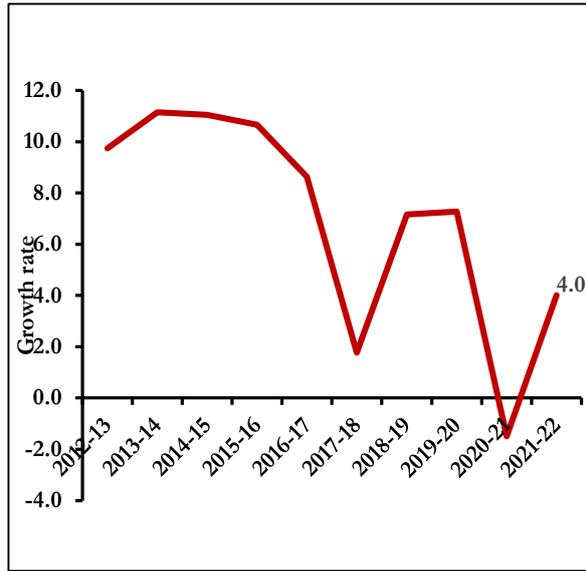
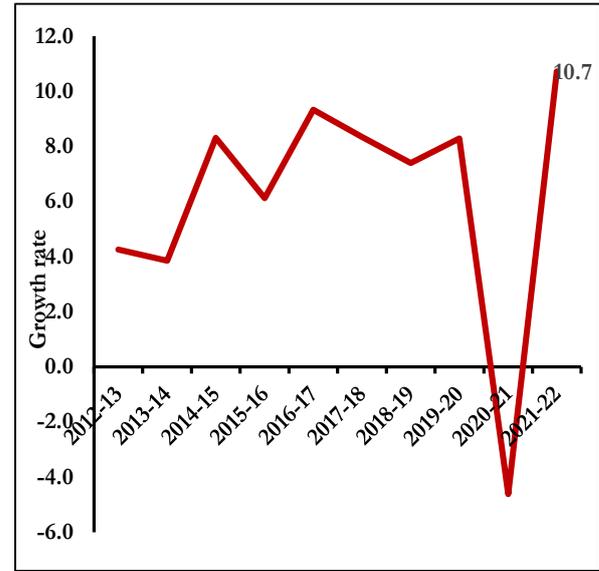


Figure 16: Public Administration, Defence, and Other Services



Comparison with the Pre-pandemic Levels

While most other activities have returned to their pre-pandemic level growth rates, and some have even shown positive growth rates, private consumption is still 3 per cent below the corresponding level in 2019-20, and trade, hotel, transport and communication are collectively nearly 10 per cent below the level recorded in 2019-20.

Figure 17: GDP Demand Side Components

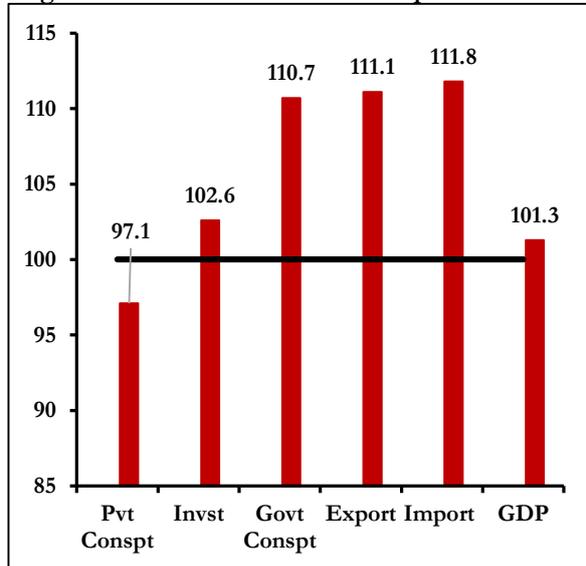
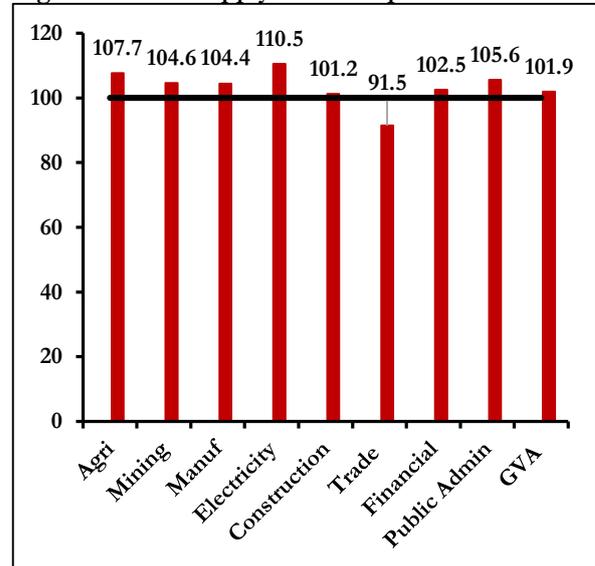


Figure 18: GVA Supply Side Components

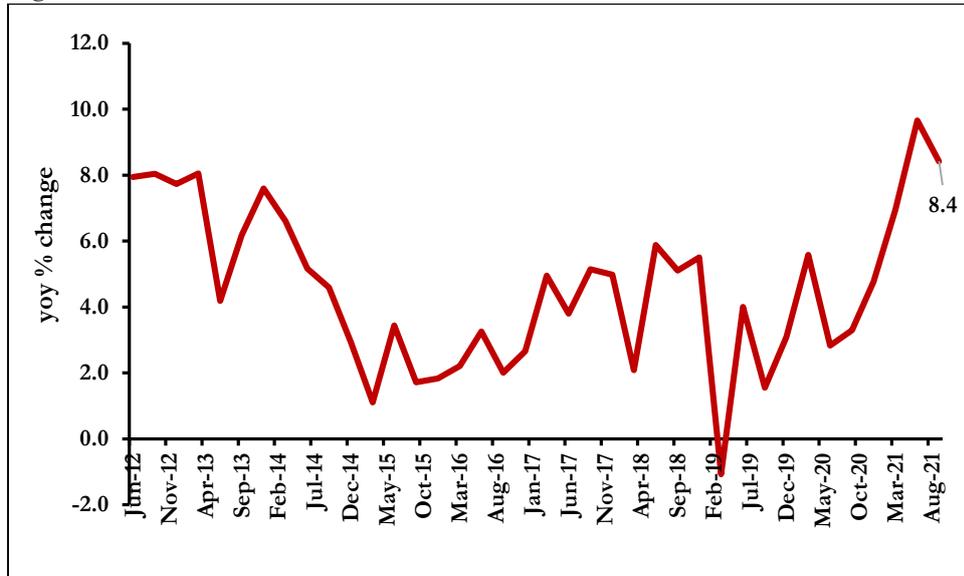


Source: National Accounts Statistics (Figures 5-20).
 Note: Index 2019-20 = 100.

GDP Deflator, WPI Inflation and CPI Inflation

As compared to the pre-pandemic levels of 2019-20, the Wholesale Price Index (WPI) has grown rapidly. The rise in WPI is largely being driven by the rise in the prices of mineral oils, metals, crude, and petroleum gas. The GDP deflator has been picking up this massive price rise as the two are very highly correlated (0.93). As per the advanced estimates, the average annual growth in the GDP deflator is at 8.4 per cent against 4.5 per cent last year (Figures 19 and 20). The GDP deflator shows very little correlation with headline CPI (0.37). The average annual headline CPI has fallen from 6.2 per cent in 2020-21 to 5.2 per-cent in 2021-22 (Figure 21).

Figure 19: GDP Deflator



Source: The estimate for the 2021-22 GDP deflator has been taken from the First Advance Estimates.

Figure 20: GDP Deflator and WPI

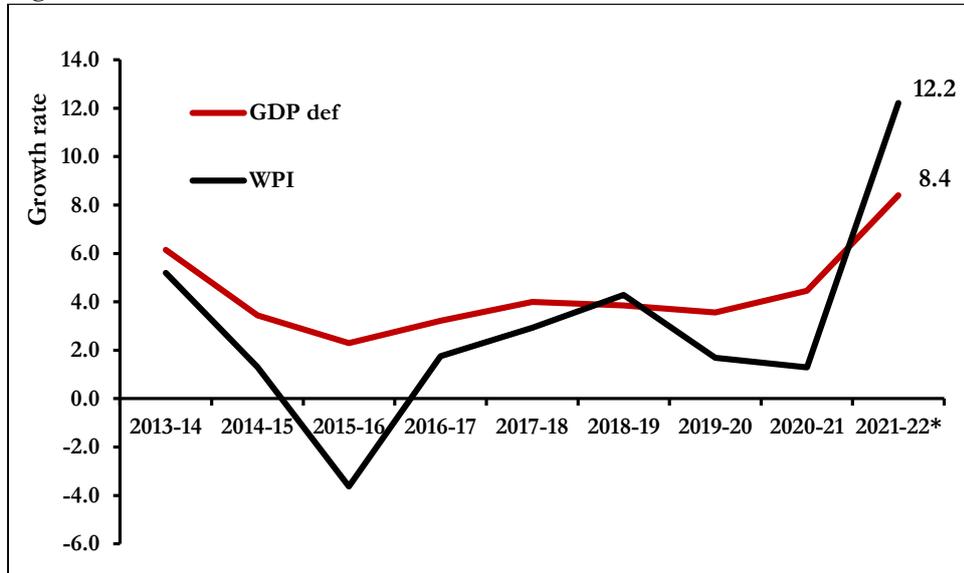
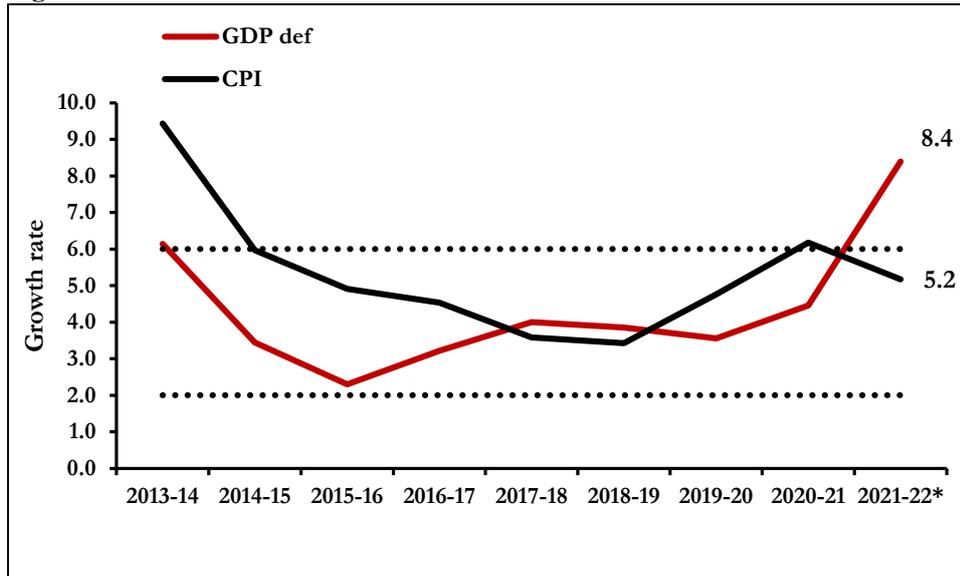


Figure 21: GDP Deflator and Headline CPI



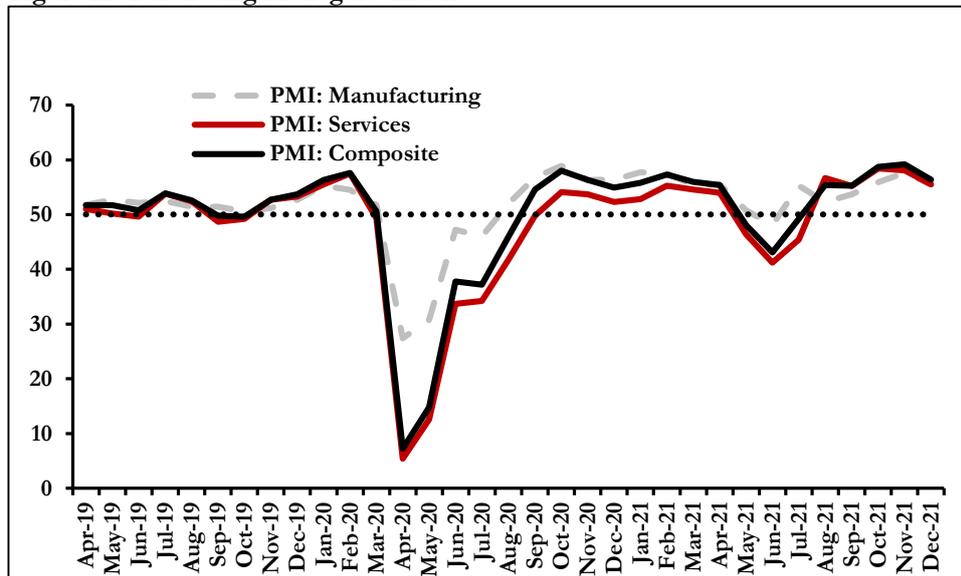
Source: CSO for CPI and WPI inflation data.

Note: CPI and WPI inflation uses data till November 2021. The estimate for the 2021-22 GDP deflator has been taken from the First Advance Estimates.

3. High-frequency Indicators

We analyse several high-frequency indicators in order to discern the economic trends on a real-time basis. The Purchasing Managers’ Index (PMI) figures, overall and for the manufacturing and services sectors (Figure 22) have softened in December to 56.4 and 55.5 for both manufacturing and services from 59.2, 57.6 and 58.1, respectively, in November, while remaining above the 50-level mark.

Figure 22: Purchasing Managers’ Index



Source: IHS Markit.

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

The total amount raised in E-way bills rose to 7.16 crores in December after dipping to 6.1 crores in November, as the shipment of goods within and across states picked up (Figure 23A). GST collections touched ₹1.29 lakh crore in December, declining 1.3 per cent month-on-month (Figure 23B).

Figure 23A : E-way Bills

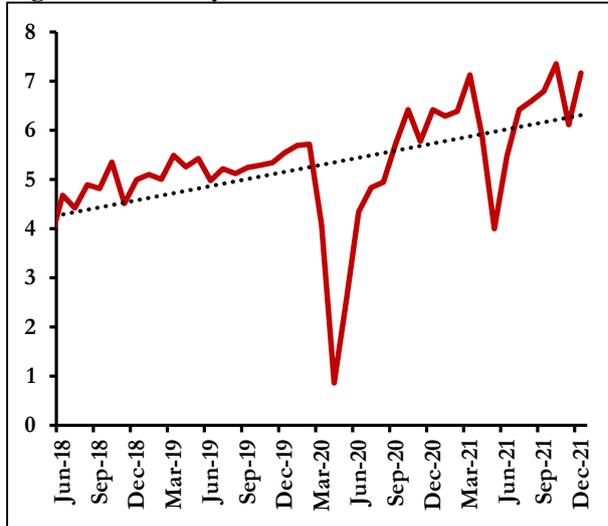
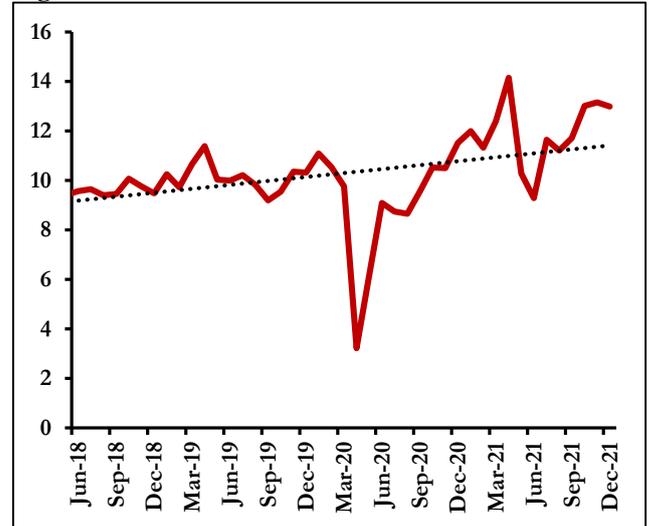


Figure 23B: GST Revenue



Source: GSTN, Ministry of Finance.

Rural demand continues to show a dampening recovery, with the sales and production of tractors further decreasing in December 2021 as compared to November (Figure 24A). Automobile sales also declined in December (Figure 24B). Both the indicators are still lagging below the pre-pandemic level. The likely causes for this are semi-conductor shortages and weak consumer sentiments. The growth of two-wheeler sales also remains subdued. However, the registrations of electric vehicles have continued their upward swing since July 2021 (Figures 25A and 25B).

Figure 24A: Tractor Production and Sales

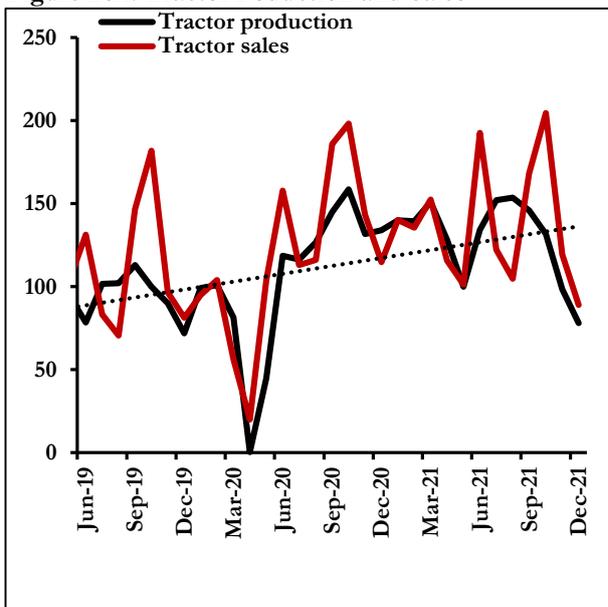
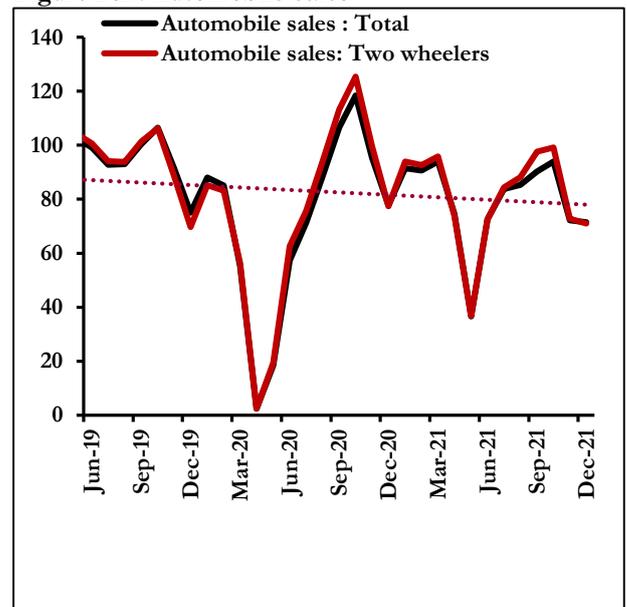


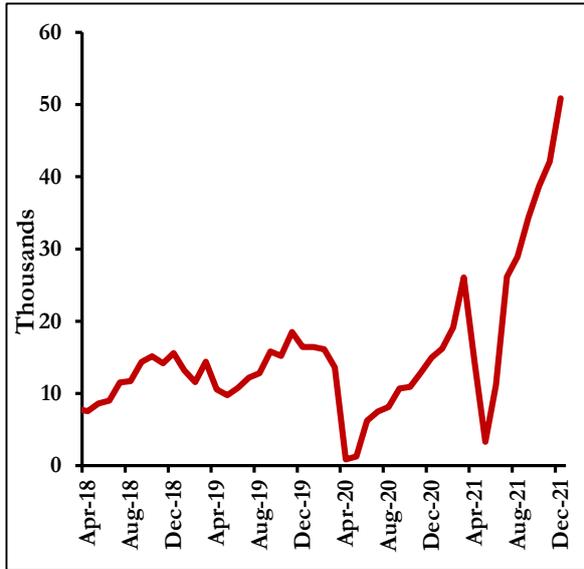
Figure 24B: Automobile Sales



Source: CEIC database.

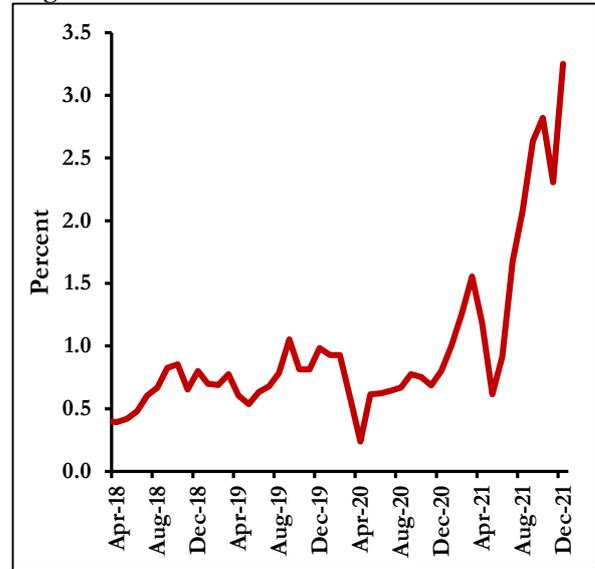
Note: Tractor sales and production are measured in units. Indexed at April 2019=100.

Figure 25A: Registration of Electric Vehicles



Source: Ministry of Road Transport and Highways.

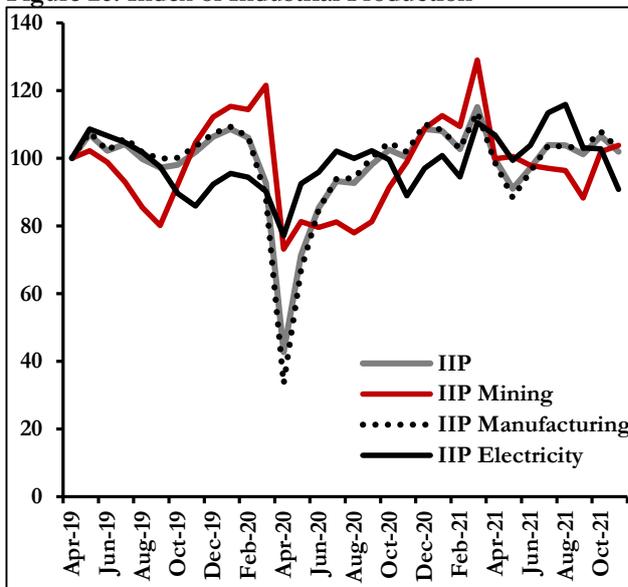
Figure 25B: Electric Vehicles as a % of the Total Registered Vehicles



IIP fell from 106.5 in October to 101.8 in November 2021. IIP for electricity and manufacturing decelerated in November relative to their performance in October, with only mining hovering around the same level as in October (Figure 26).

The index for eight core industries also fell to 101 from 104 in December (Figure 27). Cement declined by 3.4 per cent in December after seeing a 14 per cent rise in November. The indicators, though slightly subdued, continue to point towards recovery. Electricity demand has also increased (Figures 28). Digital payments have continued to show an increasing trend increase due to their ease of transaction, though this increase softened somewhat in December as compared to November (Figure 29).

Figure 26: Index of Industrial Production



Source : MoSPI/ Office of Economic Adviser.

Figure 27: Index for Eight Core Industries

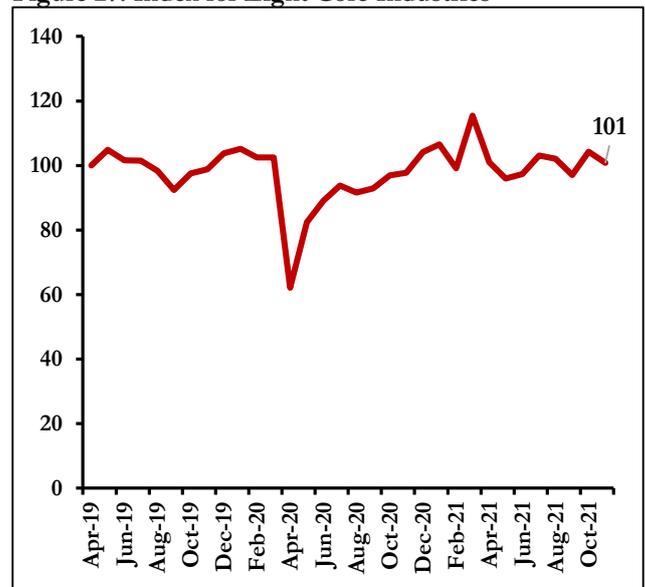
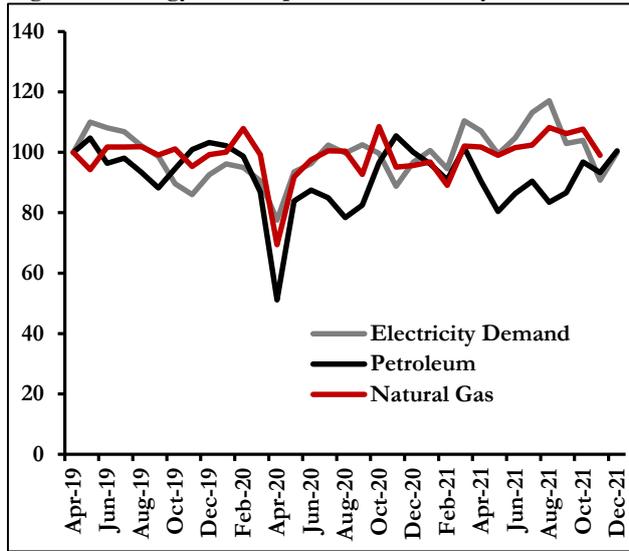


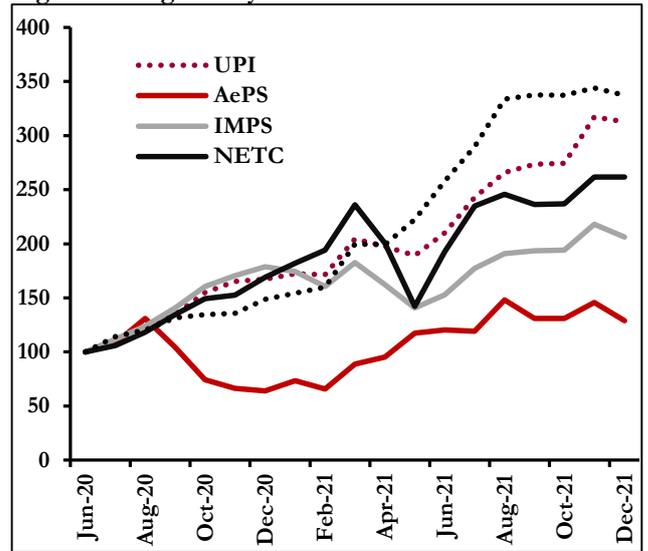
Figure 28: Energy Consumption and Electricity Demand



Source: CEIC database.

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

Figure 29: Digital Payments



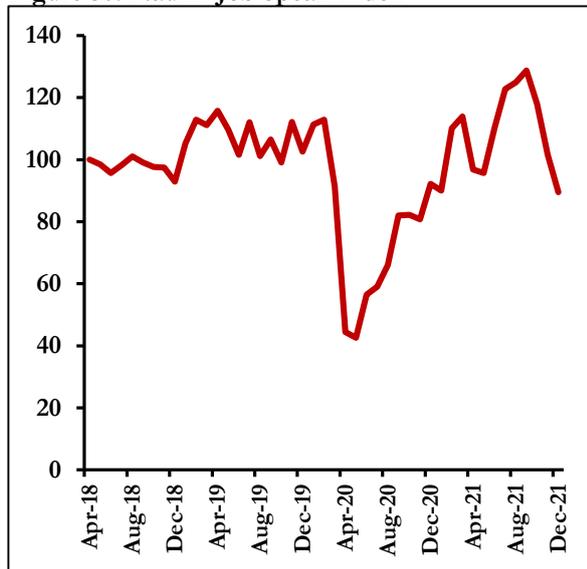
Source: CEIC database.

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

4. Labour Statistics

The Naukri Job Speak Index (Figure 30) shows a 2.9 per cent contraction in December 2021 vis-à-vis December 2020. Most other sectoral indices showed some decline in December 2021 (Figure 31).

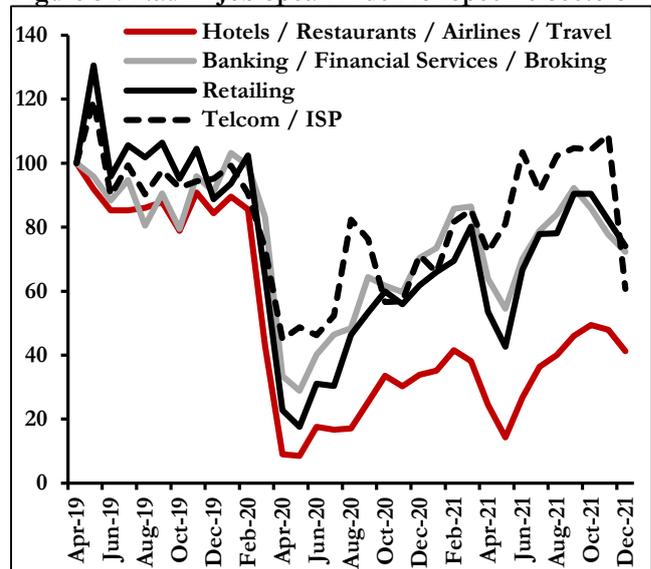
Figure 30: Naukri Job Speak Index



Source: CEIC/Naukri Job Speak Report (December 2021).

Note: Indexed at April 2019= 100.

Figure 31: Naukri Job Speak Index for Specific Sectors



Source: CEIC/Naukri Job Speak Report (December 2021).

Note: Indexed at April 2019=100.

Heatmap for India's High-frequency Indicators²

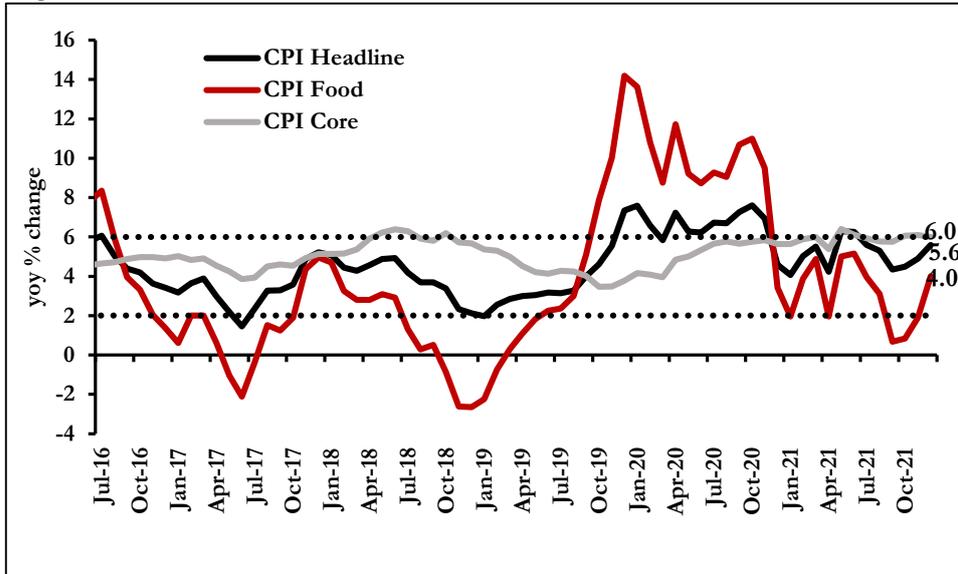
	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	
Agriculture																			
Tractor sales (All)	-16.2	4.8	-15.0	-14.9	0.0	4.0	-50.2	20.2	26.7	15.7	-1.9	46.8	47.0	48.7	14.7	12.5	23.6	9.5	
Foodgrains Stock	27.8	20.8	31.3	17.2	20.9	17.9	30.0	16.1	2.3	41.4	33.2	34.7	32.0	26.2	21.9	11.3	12.7	15.9	
Industry																			
IIP (mining)	94.5	114.4	132.7	106.5	86.4	120.9	131.0	85.7	87.6	107.6	108.3	105.5	104.6	103.6	95.1	109.8			
IIP (electricity)	162.9	150.4	160.1	173.6	158.7	150.3	146.9	156.2	166.4	174.0	161.9	169.1	184.7	188.7	167.9	167.3			
IIP (manufacturing)	131.6	135.8	144.6	129.0	126.0	135.4	111.6	107.1	126.5	124.6	111.5	121.2	131.0	131.9	130.3	136.1			
PMI (manufacturing)			52.6	52.1	51.4	52.7	51.8	47.2	56.8	55.5	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5	
PMI (services)			52.0	49.6	48.7	53.3	49.3	33.7	49.8	54.0	46.4	41.2	45.4	56.7	55.2	58.4	58.1	55.5	
Auto sales	5.4	-2.0	-11.6	-11.0	-19.5	-9.6	-42.1	-42.2	6.1	-25.4	-64.5	-26.7	-9.8	-8.4	-10.2	-11.8	-21.0	-4.8	
Natural gas production	-1.4	4.2	1.2	-1.6	-4.3	-8.9	-14.2	-11.8	-10.7	-0.2	0.0	5.3	6.5	8.9	13.0	14.2	11.9	11.0	
Crude steel production	5.7	3.2	5.6	4.6	-0.5	0.3	-19.4	-17.9	1.5	2.9	-4.4	0.1	3.0	11.2	7.9	11.9	10.7	10.7	
Electricity production	7.1	4.5	2.7	8.5	-1.2	0.4	-8.7	-10.9	4.4	7.2	-9.3	-3.0	6.2	14.7	4.6	15.3	5.7	8.1	
Crude oil production	-4.2	-4.3	-6.2	-6.8	-5.4	-7.4	-5.5	-6.0	-6.0	-8.3	-12.9	-7.7	-8.0	-8.4	-7.7	-8.3	-7.0	-5.3	
Services																			
Air passenger	15.6	10.8	-1.1	4.2	0.2	1.9	-37.8	-85.2	-69.5	-53.3	-84.6	-77.5	-63.6	-50.5	-44.4	-33.6	-25.6		
Air Cargo	4.1	4.8	2.3	-7.7	-5.4	-4.2	-31.9	-40.5	-16.2	-4.5	-18.9	-13.4	-11.7	-8.6	-3.7	0.4	-7.6		
Cargo traffic	5.2	3.8	2.9	1.5	1.4	0.9	0.8	-19.6	-14.2	2.4	2.3	2.2	-0.2	-0.2	-0.3	0.4	0.7	1.0	
National highways construction						3.5	-6.0	-15.4	-14.5	7.7	-13.1	6.0	-2.9	-8.2	-17.3	-13.2	-14.1	-10.9	
Telecomm – number of subscribers	-1.3	0.6	-1.9	1.5	0.3	-2.1	-0.5	-2.2	-2.2	1.7	1.3	1.3	1.7	1.5	-0.5	-1.3	1.3		
NPCI retail payments - volume	36.4	59.9	71.7	67.9	60.6	53.5	23.6	28.2	38.0	100.1	87.3	101.0	108.5	131.8	126.5	133.6	137.0	139.9	
Trade																			
Exports- total	-2.5	0.1	12.2	-7.8	-6.6	-2.7	-34.3	-12.2	6.0	18.1	8.2	29.8	35.5	28.5	30.0	35.9	16.7	39.5	
Exports- non oil	-5.8	-1.3	12.5	-3.9	-4.5	-1.3	-34.8	-10.3	6.1	20.6	8.3	27.5	30.5	26.1	26.7	33.1	18.9	34.9	
Imports	12.8	0.8	2.1	-8.4	-12.0	-6.5	-28.0	-48.0	-19.6	8.6	-16.8	2.6	14.5	13.7	49.8	40.7	37.4	50.2	
Gross FDI	74.1	-1.8	8.9	107.2	-26.2	25.4	22.7	-62.8	11.0	-8.4	127.6	-49.2	-23.1	91.0	44.1	-7.5	9.4		
Net FPI (USD million)	89.6	-305.3	1615.3	-181.3	-132.2	-65.8	-326.4	82.3	-116.7	-149.3	-115.7	-5.5	128.7	-362.5	303.6	-173.3	-110.2	-1118.9	
Net FPI (INR million)	109.4	-322.6	1731.6	-183.0	-131.3	-65.0	-342.5	98.4	-118.2	-152.8	-117.2	-1.0	146.7	-382.0	321.7	-177.4	-111.0	-1175.2	
Fiscal																			
GST: E-way bills			6.4	8.9	10.8	-26.0	-12.7	9.6	11.9	-26.3	9.9	23.0	28.6	29.6	39.0	14.5	29.3		
Monetary and Financial Markets																			
Non food credit	12.6	13.8	13.4	11.9	8.7	6.9	6.1	5.4	5.1	13.1	11.7	11.8	12.9	12.6	12.2	13.0	13.1	17.3	
Non food credit – personal loans	15.1	17.0	16.4	16.6	18.9	15.9	16.6	10.4	8.4	26.4	24.4	23.6	21.3	21.6	21.5	21.4	21.9		

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. Inflation and Credit

CPI headline inflation increased by 5.6 per cent in December, 2021 from 4.9 per cent in November, largely driven by a low base effect. Food inflation saw the maximum acceleration to 4.0 per cent in December from 1.9 per cent in November due to the high costs of imported food and domestic cooking gas. Core inflation continues to remain sticky at around 6 per cent (Figure 32).

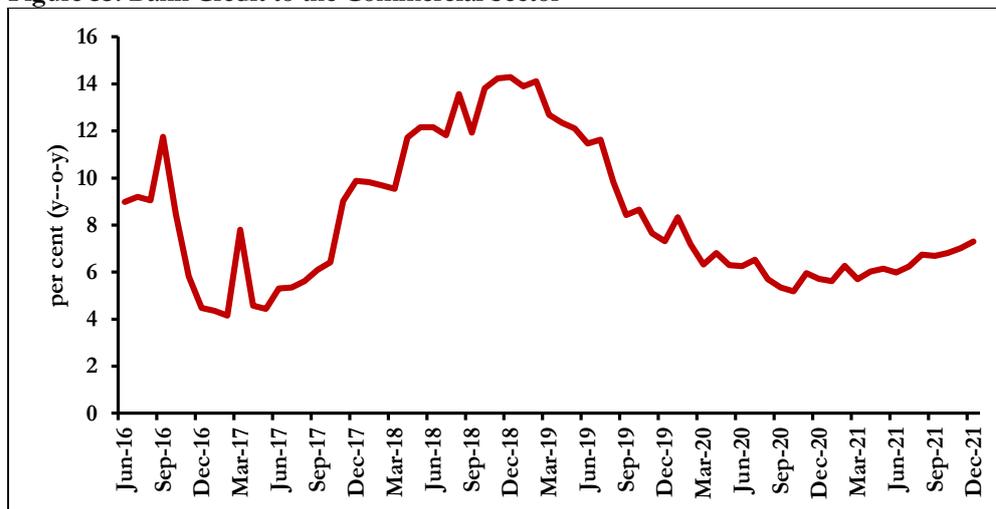
Figure 32: Inflation



Source: CSO/MoSPI.

Bank credit growth has continued to inch up, growing at 7.3 per cent in December 2021 (Figure 33).

Figure 33: Bank Credit to the Commercial Sector



Source: RBI

6. Trade and Bond Yields

Exhibiting a remarkable post-pandemic recovery, both exports and imports of merchandise and services recorded a growth rate of 39 per cent approximately in December 2021 vis-à-vis December 2020 (Figures 34A and 34B).

Figure 34A: Exports of Merchandise and Services

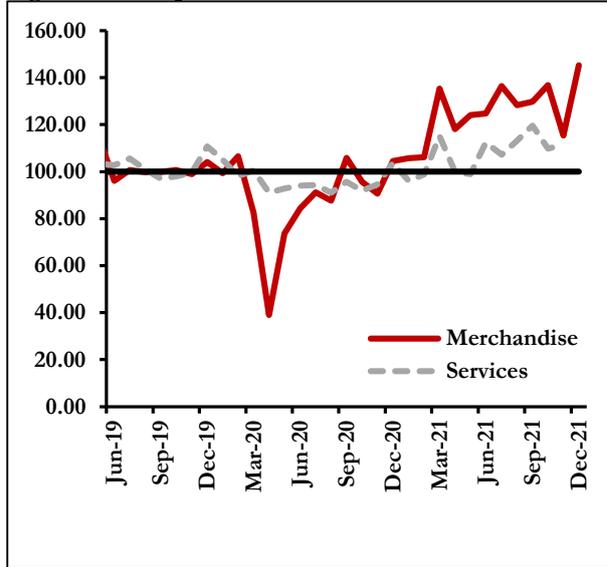
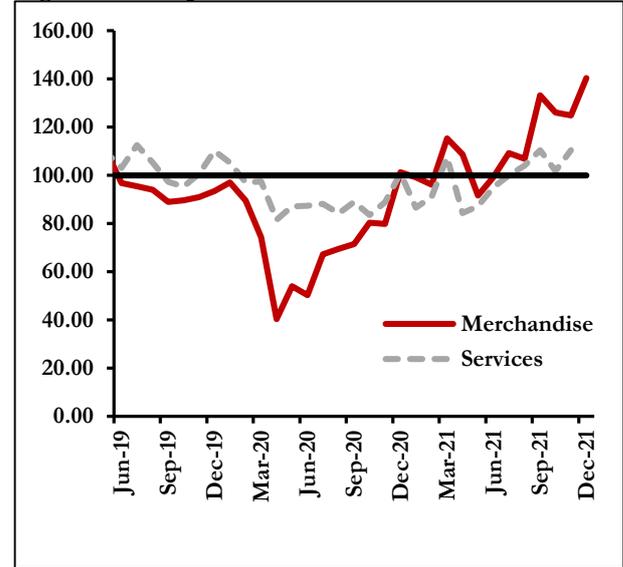


Figure 34B: Imports of Merchandise and Services

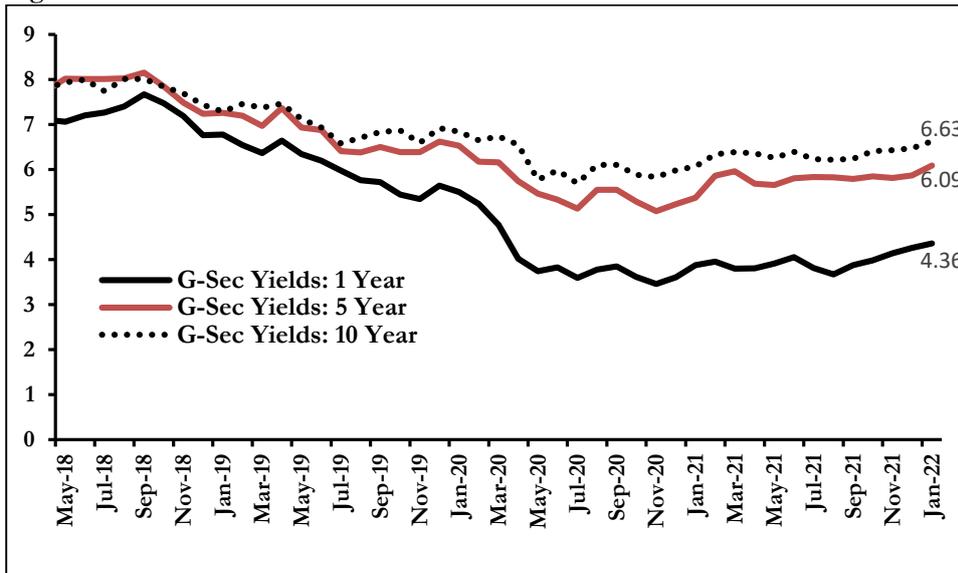


Source: Ministry of Commerce and Industry.

Note: Monthly values in USD billion indexed at April 2019=100. Services export and import data is available till November 2021.

Government bond yields have declined by 150-300 basis points across tenors over the past three years, while showing a sharp decline during the initial months after the advent of COVID. However, they are on the rise now amid inflation concerns and in view of a high level of government debt. Yields for 10-year bonds are up by 20 basis points to 6.6 per cent, while the yields for 5-year and 1-year bonds are also up by 20 and 30 basis points, respectively, since November 2021 (Figure 35).

Figure 35: G-Sec Yields



Source: RBI and Clearing Corporation of India Limited. Data is available till 18 January 2022.

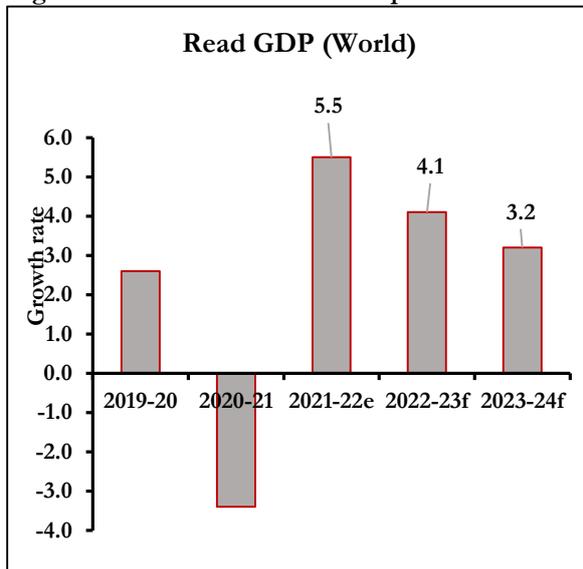
7. Global Overview

Crude oil prices stood at \$88 per barrel on 19 January 2022, having risen 20 per cent since December 2021. The annual inflation rate in the US accelerated to 7 per cent in December 2021, as compared to 6.8 per cent in November. Rising inflation is associated with robust demand resulting from a generous fiscal stimulus, wage indexation, high energy prices, semi-conductor shortages, and other supply side bottlenecks. Bond yields are also bottoming out across the globe.

Growth Outlook as per the Global Economic Prospects (World Bank), January 2022

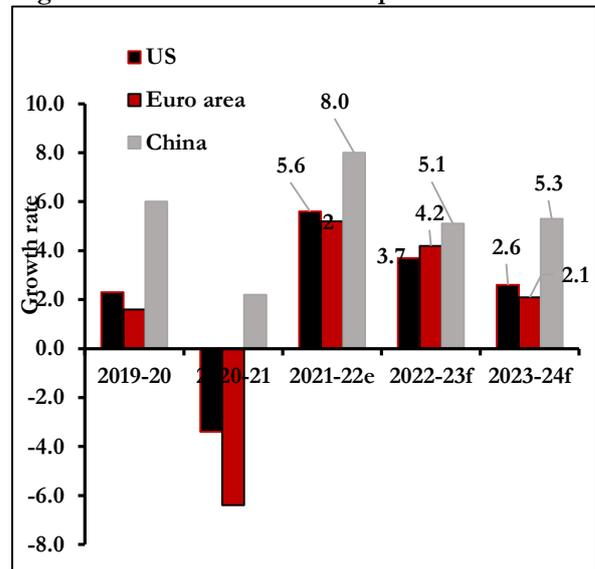
The global economy, growing at 5.5 per cent in 2021-22, is projected to decelerate to 4.1 per cent in 2022-23. Growth in advanced economies (AEs) is expected to decelerate from 5 per cent in 2021-22 to 3.8 per cent in 2022-23. In the Emerging and Developing Economies (EMDEs), growth is projected to slow down from 6.3 per cent in 2021-22 to 4.6 per cent in 2022-23. Further, in 2023-24, the global growth projection stands at 3.2 per cent, while the corresponding projected figures for AEs and EMDEs are 2.3 per cent and 4.4 per cent, respectively (Figures 36 and 37).

Figure 36: World GDP Growth as per the GEP



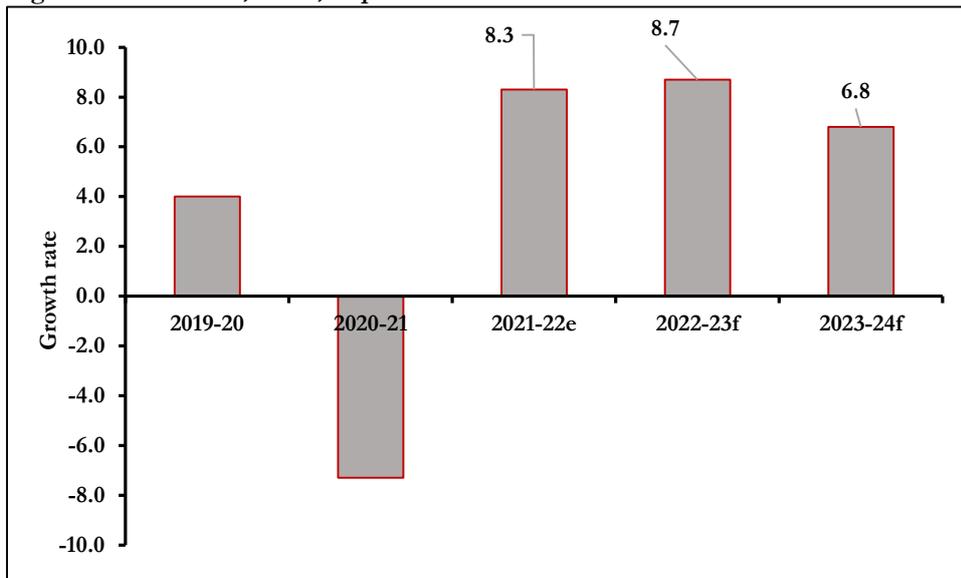
Source: *All estimates have been taken from GEP, January 2022.
Note: e = estimate, f = forecast.

Figure 37: Real GDP Growth as per the GEP



For India, the Global Economic Prospects (GEP) has estimated that the economy will grow by 8.3 per cent in 2021-22, 8.7 per cent in 2022-23, and 6.8 per cent in 2023-24. The projections have been upgraded, reflecting an improvement in the investment outlook, with private investment, particularly in manufacturing, showing an increase in infrastructure investment, along with ongoing structural reforms and better than-expected financial sector recovery (Figure 38).

Figure 38: Real GDP, India, as per the GEP





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