

Executive Summary¹

On April 8 2022, the Monetary Policy Committee of the Reserve Bank of India (RBI) signalled that the RBI was ready to withdraw accommodation and consequently, a rise in interest rates can be expected. RBI revised downward GDP growth projection for FY 22-23 to 7.2 per cent from a projection of 7.8 per cent in February 2022. Moreover, CPI inflation for the same fiscal year is projected at 5.7 per cent. The International Monetary Fund and World Bank have also lowered their growth rate projections for India from 9.0 to 8.2 and from 8.7 to 8.0 per cent, respectively, since January 2022.

High-frequency indicators for the domestic economy point towards continued recovery in March. Rural demand mirrored in tractor and two wheeler sales shows an increase; urban demand has also improved. Merchandise exports, buoyed by petroleum and textiles, registered a 14.4 per cent increase in March 2022, but imports have shown a faster increase. The Purchasing Manager's Index (PMI) remained in the expansion zone, with PMI for manufacturing softening marginally. GST collection was at a record high of INR 1.42 lakh crores; e-way bills have increased too. Industrial recovery continues to be nascent. Despite an easing in essential commodity prices, food inflation registered an increase of 7.7 per cent, largely being driven by an increase in the prices of edible oils. The unemployment rate declined from 8.1 per cent to 7.6 per cent in March 2022, though the labour force participation rate also showed a decline. The Indian rupee depreciated by 0.7 per cent between March and April 2022. Foreign institutional investments remain volatile due to expectations of rate hikes.

Overall, sentiments across the globe have weakened. The war in Ukraine has disrupted global food markets and resulted in a spike in energy prices. This has added to the inflationary pressures, with adverse fallouts for net commodity importers. The resurgence of COVID in China and lockdowns in multiple cities across the country is likely to affect China's growth momentum. US headline inflation increased to 8.5 per cent in March 2022, the highest in the last four decades. Financial markets have largely remained cautious due to faster hikes in rates by the Federal Reserve. The Federal Open Market Committee (FOMC) of the Federal Reserve is expected to meet in the first week of May 2022. It is anticipated that the FOMC may continue, even aggressively, with normalisation and thereby further tighten monetary policy. Increased uncertainty has led global investors to shift to safer havens such as gold and US Treasuries; investor sentiments remain bearish in global equity markets too. Crude oil prices continue to remain elevated.

¹ This report has been prepared by Ayesha Ahmed and Kavya Singh, both Research Associates at NCAER. 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.

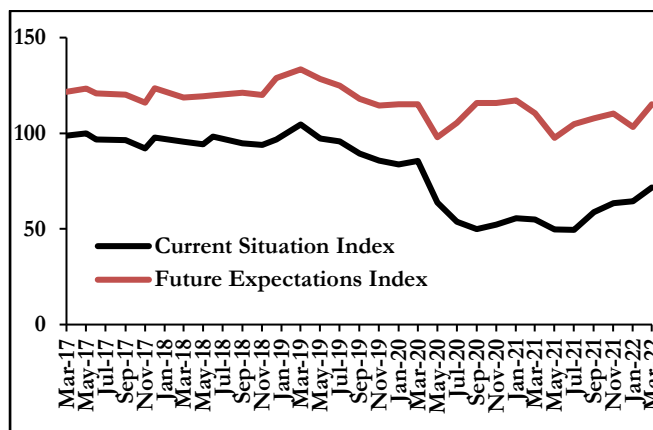
1. Policy Announcements

- A. MPC signals that RBI is ready to withdraw accommodation:** The Monetary Policy Committee of the Reserve Bank of India, in its first bi-monthly meeting for 2022-23, decided to keep the policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 4.0 per cent. The Marginal Standing Facility (MSF) rate and the Bank Rate remain unchanged at 4.25 per cent (Figure 1). However, the Standing Deposit Facility (SDF) rate, which will now be the floor of the LAF corridor, will be at 3.75 per cent. While the monetary policy stance remained accommodative, the RBI committed itself to focusing on the withdrawal of accommodation.
- B. HDFC merger:** HDFC, the largest private sector bank in India, with over 6.8 crore customers, will be merged with HDFC Ltd, which deals in home loans. This merger is likely to create the third largest entity in India in terms of market capitalisation.
- C. FEMA amended to allow 20 per cent FDI limit in LIC:** The government has amended the rules of the Foreign Exchange Management Act (FEMA), paving the way for up to 20 per cent Foreign Direct Investment (FDI) in the insurance behemoth, the Life Insurance Corporation (LIC). The government is planning to dilute its stake in LIC through the Initial Public Offering (IPO). In February 2022, LIC had filed the Draft Red Herring Prospectus (DRHP) before the market regulator, Securities Exchange Board of India (SEBI), for the IPO.
- D. New company to monetise surplus land approved:** The Union Cabinet, on 9 March 2022, approved the creation of a new company to hold and monetise surplus land and buildings of government agencies and Public Sector Undertakings (PSUs) that are being privatised or being shut down. The Special Purpose Vehicle (SPV), called the National Land Monetisation Corporation (NLMC), will be set up as a wholly-owned Government of India company, with an initial authorised share capital of Rs 5,000 crore.
- E. Comprehensive Economic Partnership Agreement (CEPA) with UAE and Australia:** One of the main aims of the CEPA is to increase bilateral non-oil merchandise trade to USD 100 billion in the next five years. The CEPA will encourage bilateral investments with gains in labour-intensive industries like textiles, gems and jewellery, leather goods and footwear, and food processing. Both nations stand to benefit from this agreement. India and Australia are also in talks to finalise an interim trade and economic cooperation deal.

2. Perception-based Indicators

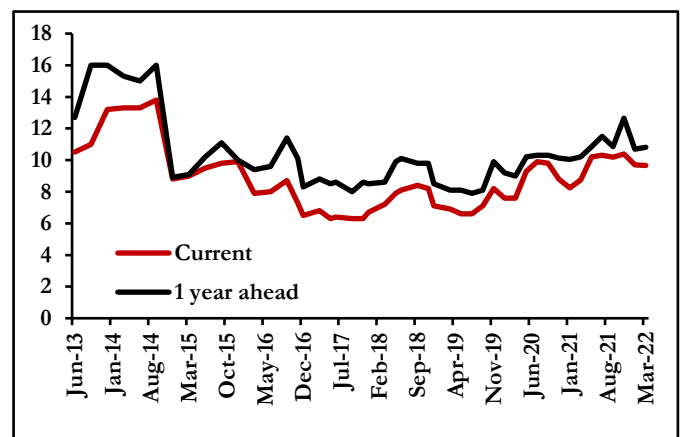
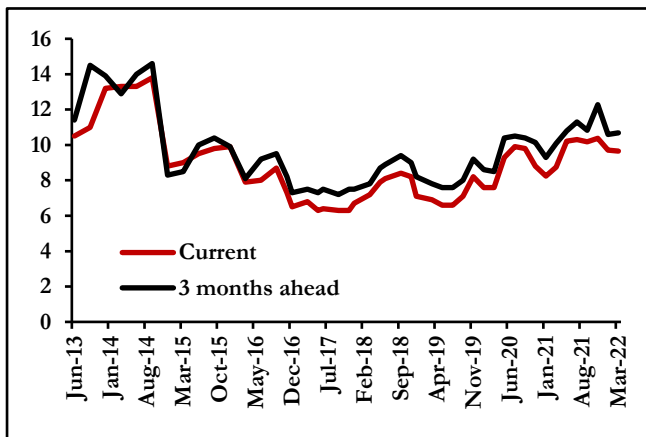
Consumer confidence, as measured by both the current situation index and the future expectations index, has exhibited a recovering trend since mid-2021. Improved sentiments on the general economic situation, employment, and household income were likely behind the improved current situation index in March 2022 (Figure 1). The household's median inflation perception for the current period remained the same in April 2022 as in January, at 9.7 per cent. Expectations for three months and one year ahead both rose by 0.1 per cent, settling at 10.7 and 10.8 per cent, respectively (Figure 2). The capacity utilisation for the manufacturing sector has been picking up since the first quarter of 2021-22, rising to 72.4 per cent in Q3 2021-22 from 68.3 per cent in the previous quarter, indicating an improvement in manufacturing activities (Figure 3). One year ahead business inflations expectations, according to the survey conducted by the Indian Institute of Management Ahmedabad (IIM-A), have increased by 15 basis points, from 5.94 per cent in January 2022 to 6.09 per cent in February 2022. The trajectory of inflation expectations from October 2021 suggests that the inflation expectations of firms have remained unanchored (Figure 4).

Figure 1: Consumer Confidence Indices Reflect Recovery in Consumer Sentiments



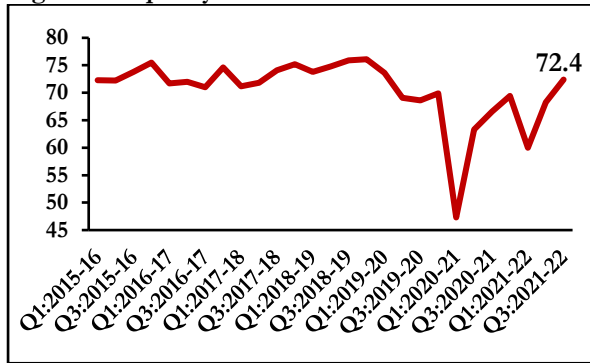
Source: RBI Consumer Confidence Survey.

Figure 2: Households Inflation Expectations – Current, Three Months Ahead, and One Year Ahead



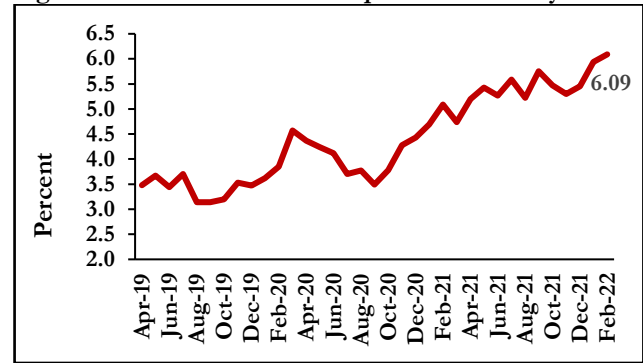
Source: RBI's Inflation Expectations Survey of Households (IESH).

Figure 3: Capacity Utilisation



Source: RBI OBICUS Survey.

Figure 4: Business Inflation Expectations Survey

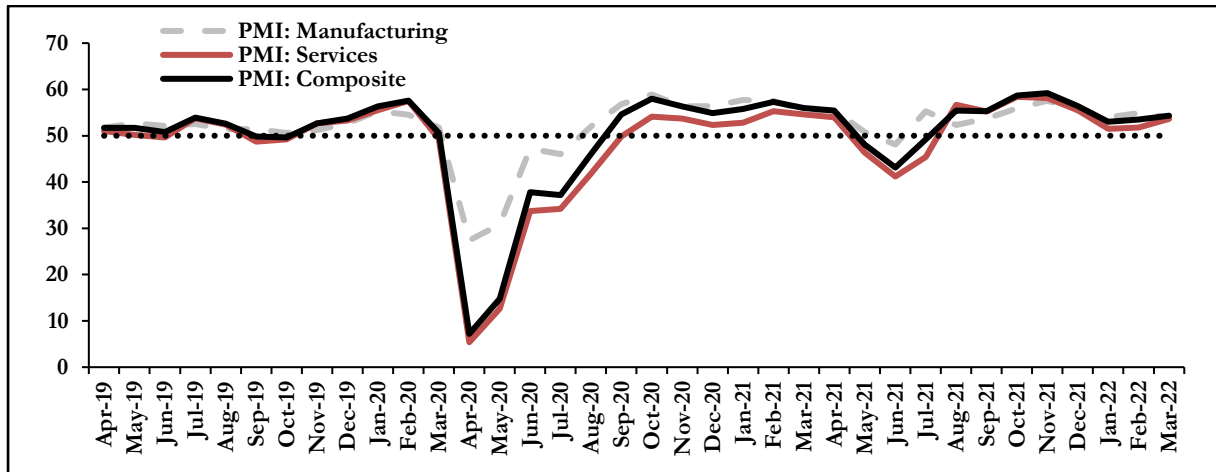


Source: IIM, Ahmedabad.

3. High-frequency Indicators

We analyse several high-frequency indicators in order to discern the economic trends on a real-time basis. The composite Purchasing Manager’s Index (PMI) registered an increase from 53.5 in February 2022 to 54.3 in March 2022. The PMI for manufacturing, while remaining above the expansionary mark, softened marginally in March 2022. The PMI for services expanded from an index of 51.8 in February 2022 to 53.6 in March 2022. However, rising input costs could affect operating costs and dampen business confidence (Figure 5). Electronic permits (E-way bills) for goods shipment within and across States also shot up in March 2022, with 7.8 crore permits being registered, which is 18 per cent higher than the permits generated in February 2022 (Figure 6A). Normally, the last month in the financial year sees a spurt in sales, with businesses trying to conclude annual sales commitments. The GST collection touched an all-time high in March 2022, with the total collection amounting to Rs 14.2 billion, 6.7 per cent higher than the collection in February 2022, and 15 per cent higher than the collection in March 2021 (Figure 6B). This was achieved due to economic recovery and anti-evasion drives.

Figure 5: Purchasing Managers’ Index Remains in the Expansion Zone



Source: IHS Markit.

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

Figure 6A: E-way Bills Shot up

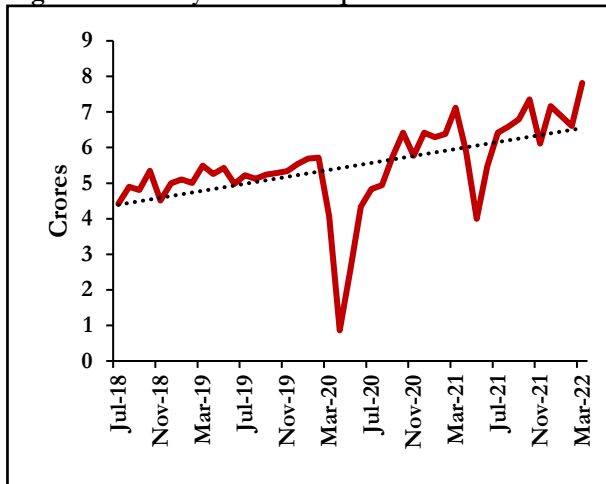
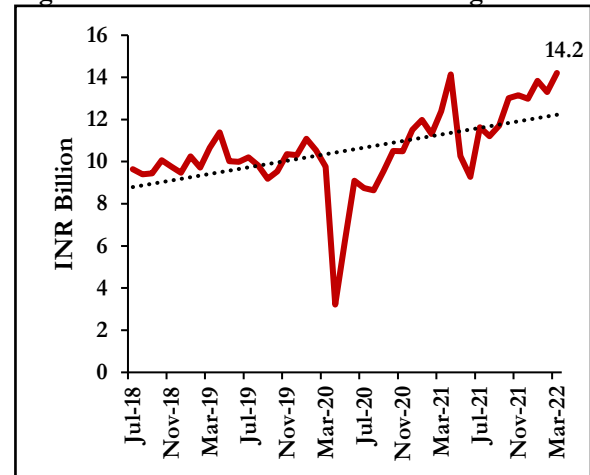


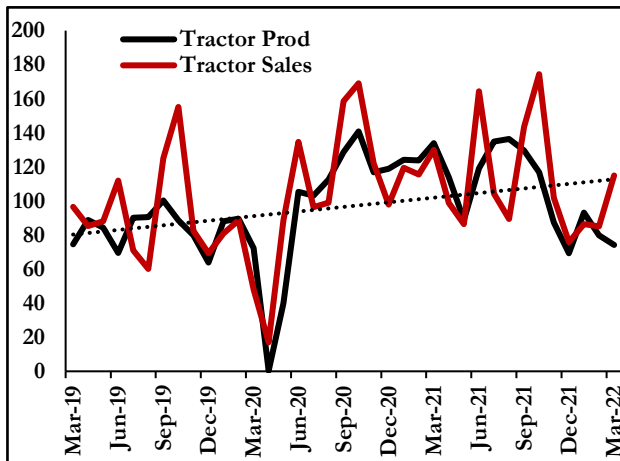
Figure 6B: GST Revenue at a Record High



Source: GSTN, Ministry of Finance.

A swift pick-up in tractor sales signals an increase in farm activity and rural demand in March 2022 (Figure 7). Automobile production and sales also increased in March 2022, but they still remain significantly lower than the corresponding pre-pandemic levels (Figure 8). Registrations of electric vehicles (EVs) continued to rise astronomically, with March 2022 witnessing the highest increase, from 54,000 vehicles in February 2022 to 77,000 vehicles in March 2022 (Figure 9). In FY 2021-22, the massive uptake of EVs was largely due to the concerted push from the government and the expanding footprint of charging infrastructure. Increasing fuel prices could act as another impetus for a rise in the demand for EVs. With the restoration of normalcy after the quick dissipation of the third COVID-19 wave, air and rail traffic for both passengers and freight have picked up significantly (Figure 10).

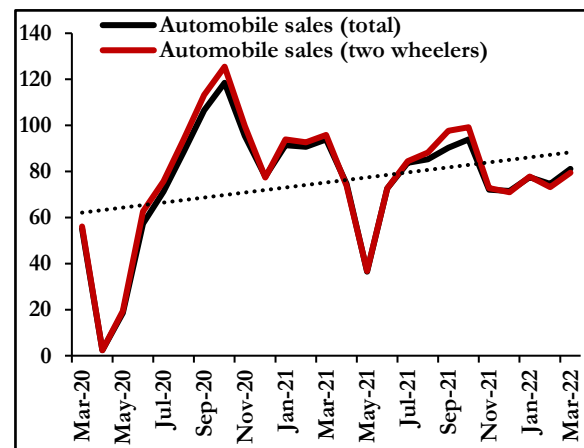
Figure 7: Tractor Sales See an Uptick



Source: CEIC database.

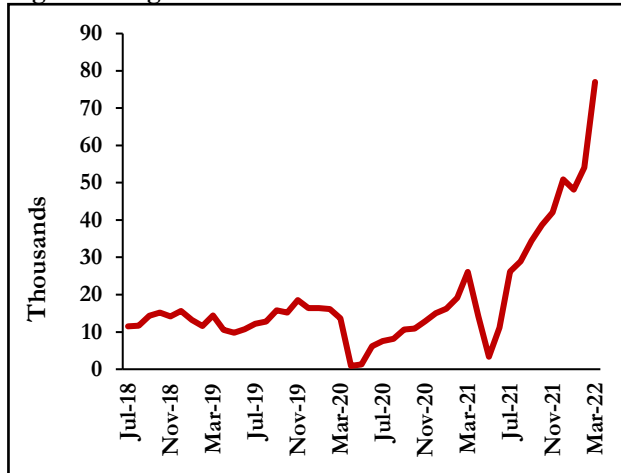
Note: Tractor sales and production are measured in units. Indexed at April 2019=100.

Figure 8: Automobile Sales Witness Expansion



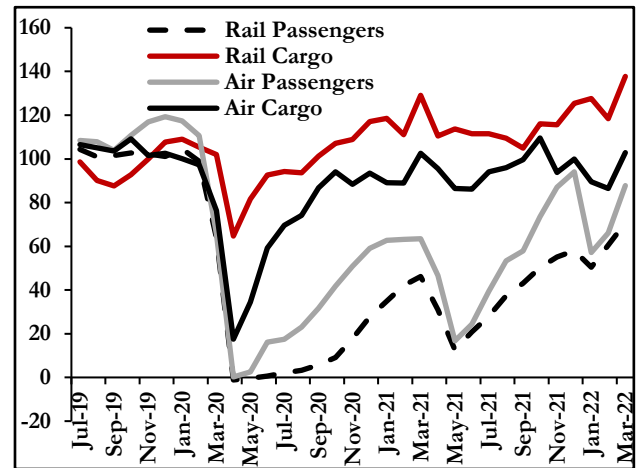
Source: SIAM, CEIC database.

Figure 9: Registration of Electric Vehicles



Source: Ministry of Road Transport and Highways.

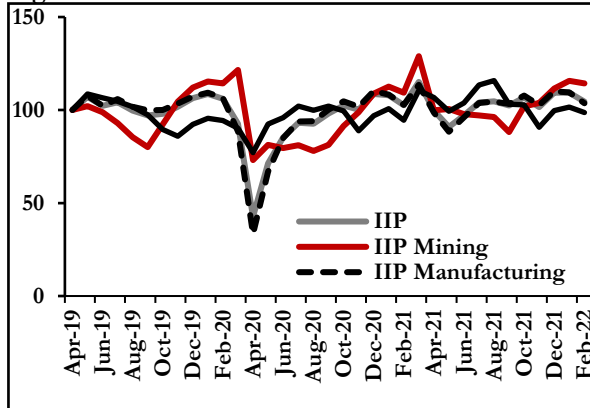
Figure 10: Air and Rail Traffic



Source: Airport Authority of India, Indian Railways.
Note: Data has been indexed at April 2019 = 100.

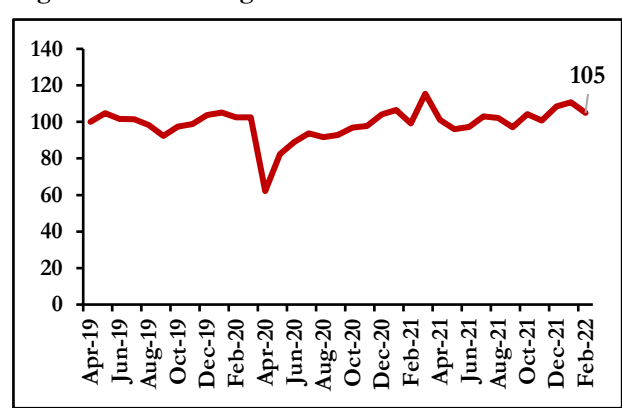
On a year-over-year (y-o-y) basis, the IIP registered an expansion by 1.7 per cent in February 2022 vis-à-vis a 1.5 per cent expansion in January 2022. However, month-over-month, the index showed a decline of 4.7 per cent (Figure 11). Industrial recovery, post-pandemic, continues to be nascent. The IIP for eight core industries has surpassed the pre-pandemic levels, exhibiting a y-o-y growth of 5.8 per cent (Figure 12). All the core industries, except crude oil and petroleum refinery products, registered positive growth rates in February 2022. The demand for electricity and petroleum also registered a pick-up in March 2022, signalling an expansion in industrial activity (Figure 13). Some digital payments systems, such as IMPS, AePS, and NETC registered a massive increase in transaction volumes in March 2022 (Figure 14).

Figure 11: Industrial Production



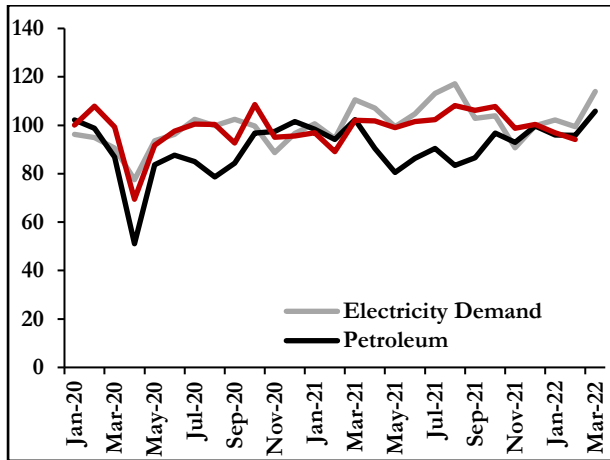
Source: MoSPI/Office of the Economic Adviser.
Note: Index April 2019-20 = 100.

Figure 12: IIP for Eight Core Industries Down Too



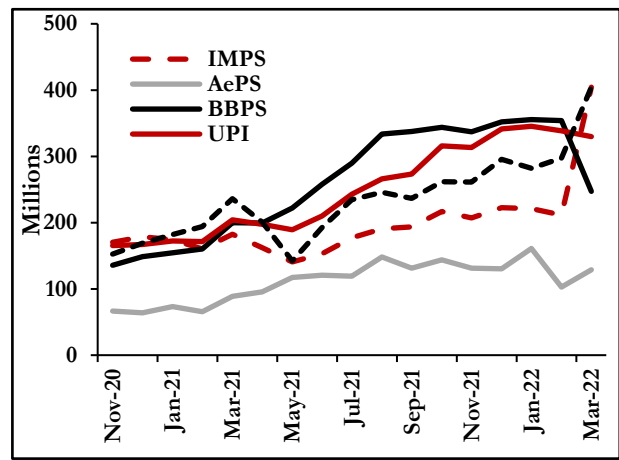
Source: Ministry of Commerce and Industry.

Figure 13: Electricity Demand Sees a Spike



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. Data for natural gas consumption for March 2022 is yet to be released.

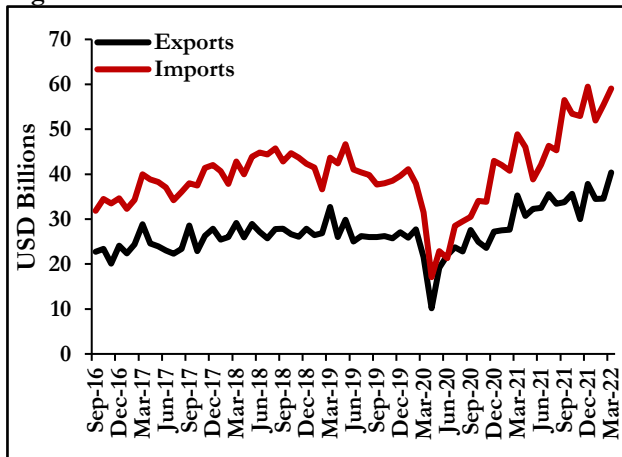
Figure 14: Digital Payments' Volume Increases Significantly



Source: RBI.
 Note: Daily data averaged to create monthly values, which are indexed at June 2020=100. Data on the volume of digital payments 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.

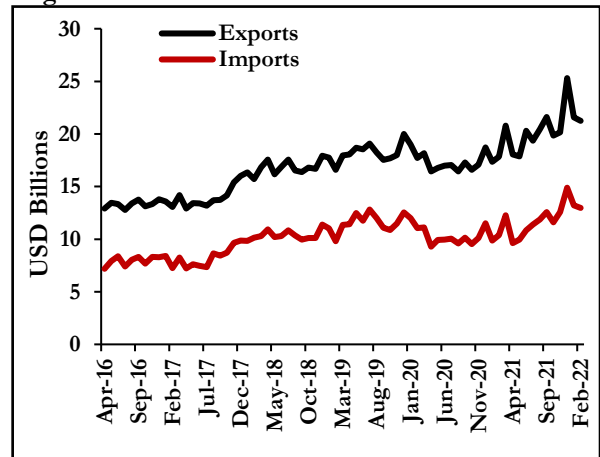
Merchandise exports increased by 14.4 per cent in March 2022 over March 2021 (Figure 15). Buoyed by petroleum products, electronic goods, and textiles, the annual merchandise exports for FY 21-22 stood at USD 417.81 billion, which is 43.18 per cent higher than the annual merchandise exports in FY 20-21. Merchandise imports increased by 20.79 per cent, from USD 48.90 billion in February 2022 to USD 59.07 billion in March 2022. The trade deficit in March 2022 was at USD 18.69 billion. After registering a sharp decline in January 2022 on account of the third wave of COVID-19, services exports and imports were yet to show signs of recovery as of February 2022 (Figure 16).

Figure 15: Merchandise Trade



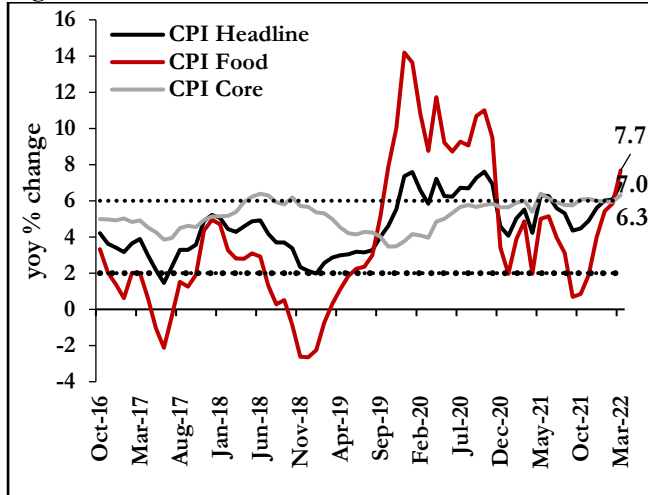
Source: Ministry of Commerce and Industry.

Figure 16: Services Trade



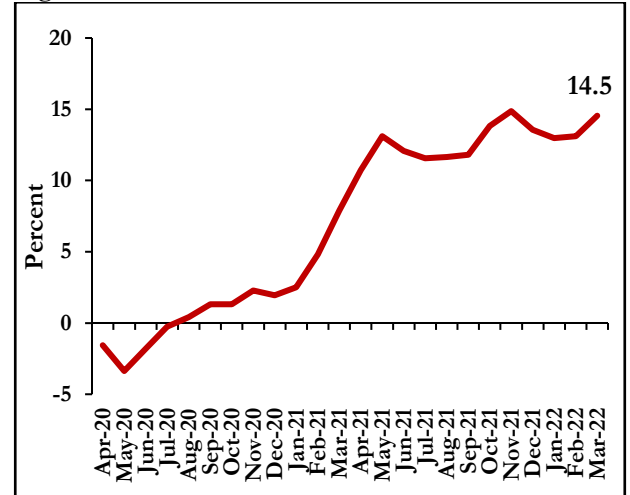
The Consumer Price Index (CPI) increased beyond expectations in March 2022 (Figure 17). Headline CPI touched a 17-month high of 7.0 per cent, being prominently led by a sharper-than-anticipated surge in some components of food and beverages. The CPI for food contributes nearly half of the headline CPI and has recorded a y-o-y growth of 7.7 per cent. Core inflation has also moved up to 6.3 per cent. The Wholesale Price Index (WPI) inflation level was at a staggering 14.5 per cent in March 2022, owing to high prices of crude oil, natural gas, basic metals, and mineral oils, resulting from a disruption in the global supply chain (Figure 18). The WPI was in double digits for the twelfth consecutive month.

Figure 17: CPI Inflation



Source: Central Statistics Office.

Figure 18: WPI Inflation



Source: Ministry of Commerce and Industry.

Heatmap for India's High-frequency Indicators²

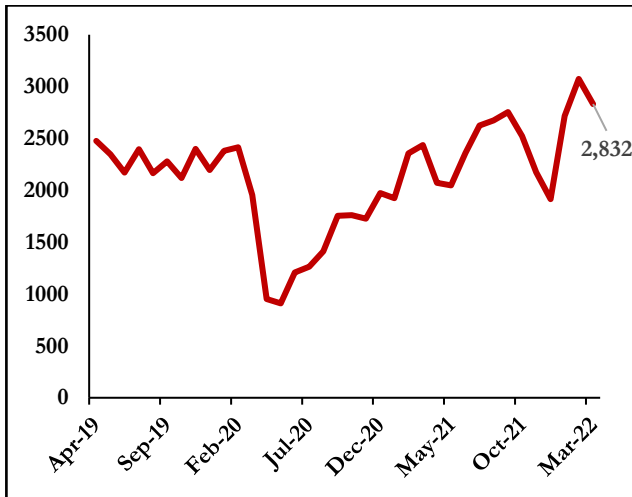
	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Jan-22	Feb-22	Mar-22	
Agriculture																			
Tractor sales	34.7	-16.2	4.8	-15.0	-14.9	0.0	4.0	-50.2	20.2	26.7	41.2	34.7	46.8	14.7	9.5	6.6	-4.0	139.0	
Foodgrains Stock	18.1	27.8	20.8	31.3	17.2	20.9	17.9	30.0	16.1	2.3	6.4	36.0	34.7	21.9	15.6	16.6	6.2	0.2	
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	169.1	167.9	162.5	165.6	160.8		
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	121.2	131.9	139.3	138.4	130.8		
PMI (manufacturing)					52.1	51.4	52.7	51.8	47.2	56.8	56.4	55.4	48.1	53.7	55.5	54.0	54.9	54.0	
PMI (services)					49.6	48.7	53.3	49.3	33.7	49.8	52.3	54.6	41.2	55.2	55.5	51.5	51.8	53.6	
Auto sales	26.3	5.4	-2.0	-11.6	-11.0	-19.5	-9.6	-42.1	-42.2	6.1	3.6	-1.3	-26.7	-10.2	-4.8	-12.0	-12.4	46.9	
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	-4.6	5.3	13.0	11.0	9.7	11.2	19.5	
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	4.4	0.1	7.9	12.0	17.0	6.8	35.1	
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	-3.0	4.6	8.0	6.3	4.3	25.6	
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	-8.4	-7.7	-7.7	-5.3	-6.9	-5.3	-6.4	
Services																			
Air passenger	15.9	15.6	10.8	-1.1	4.2	0.2	1.9	-37.8	-85.2	-69.5	-50.4	-39.9	-77.5	-44.4	-21.1	-51.2	-40.2	39.3	
Air Cargo	6.8	4.1	4.8	2.3	-7.7	-5.4	-4.2	-31.9	-40.5	-16.2	-8.9	-8.6	-13.4	-3.7	-2.6	-10.5	-11.1	34.6	
National highways constr.							3.5	-6.0	-15.4	-14.5	3.8	22.4	6.0	-17.3	-10.9	-15.7	-8.4	2.1	
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	1.3	-0.5	0.5	-0.6	-1.3		
NPCI 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	101.0	126.5	139.9	132.1	129.8	194.1	
Trade																			
Exports	18.0	-2.5	0.1	12.2	-7.8	-6.6	-2.7	-34.3	-12.2	6.0	0.4	7.7	29.8	30.0	44.8	33.5	24.6	96.5	
Exports (non oil)	11.8	-5.8	-1.3	12.5	-3.9	-4.5	-1.4	-34.8	-10.3	6.1	6.0	8.7	27.5	26.7	38.1	33.8	23.1	81.6	
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	2.6	49.8	51.1	26.2	46.3	93.0	
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	-49.1	44.8	-16.4	17.5	19.9		
Net FPI (USD mn)	-151.1	89.6	-305.3	1615.3	-181.3	-132.2	-65.8	-326.4	82.3	-116.7	2396.2	-66.6	-5.5	303.6	-1118.9	-2711.1	-499.2	-58.8	
Net FPI (INR mn)	-153.9	109.4	-322.6	1731.6	-183.0	-131.3	-65.0	-342.5	98.4	-118.2	2471.9	-65.1	-1.0	321.7	-1175.2	-3079.3	-524.4	-57.6	
Fiscal																			
GST: E-way bills					6.4	8.9	10.8	-26.0	-12.7	9.6	15.9	29.7	9.9	29.6	29.3	20.9	20.9	92.2	
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	11.8	12.2	16.3	13.6	15.3	14.7	
Non food credit – personal loans	17.9	15.1	17.0	20.0	20.3	18.9	18.3	18.1	8.8	8.4	8.9	30.7	21.1	21.5	24.3	21.3	23.1		

² The heatmap for high-frequency indicators tracks the y-o-y 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 the colour shade for a particular month 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.

4. Labour Statistics

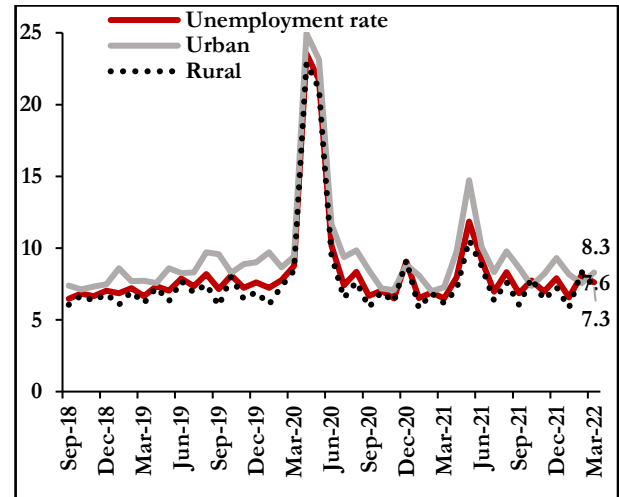
As per the Naukri JobSpeak Index report released in April 2022, online hiring witnessed a decline in momentum in March 2022 (Figure 19). This was led by a shortfall in online hiring in sectors such as IT, banking, financial services, and insurance. The unemployment rate, as reported by the Centre for Monitoring Indian Economy (CMIE), shows a fall in unemployment rate from 8.1 percent in February 2022 in to 7.6 percent in March 2022 (Figure 20). However, the labour force participation rate worsened, falling from 39.9 per cent in February 2022 to 39.5 per cent in March 2022. Formal job creation has been uneven, as the addition of new subscribers to the Employee’s Provident Fund Organisation (EPFO) and National Pension Scheme (NPS) has been low (Figures 21A and 21B).

Figure 19: Naukri Job Speak Index Shows Contraction



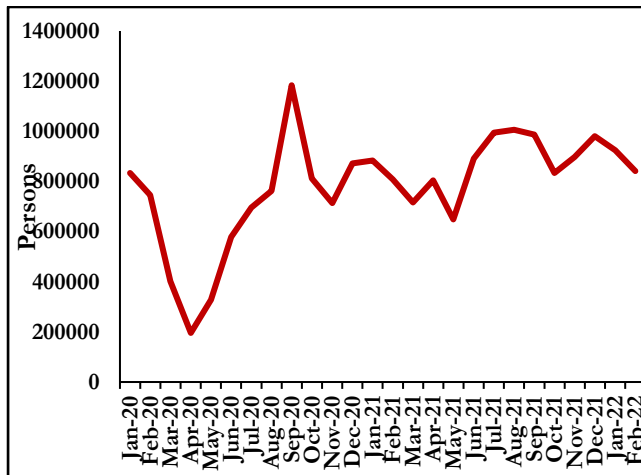
Source: CEIC/Naukri Job Speak Report (April 2022).
 Note: July 2008 has been taken as the base with an Index value of 1,000.

Figure 20: Unemployment Rate Falls in March 2022

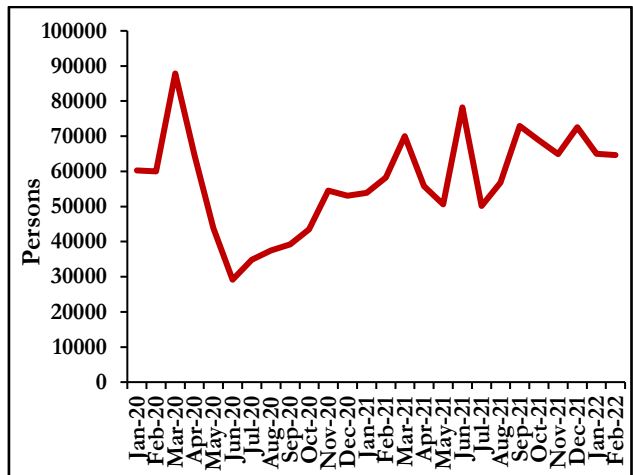


Source: Centre for Monitoring Indian Economy.

Figures 21A and 21B: Uneven Formal Job Creation Mirrored in the Decline in New Subscribers in Pension Schemes



Source: Employees’ Provident Fund Organisation (EPFO).
 Note: The EPFO manages and regulates pension funds in India.

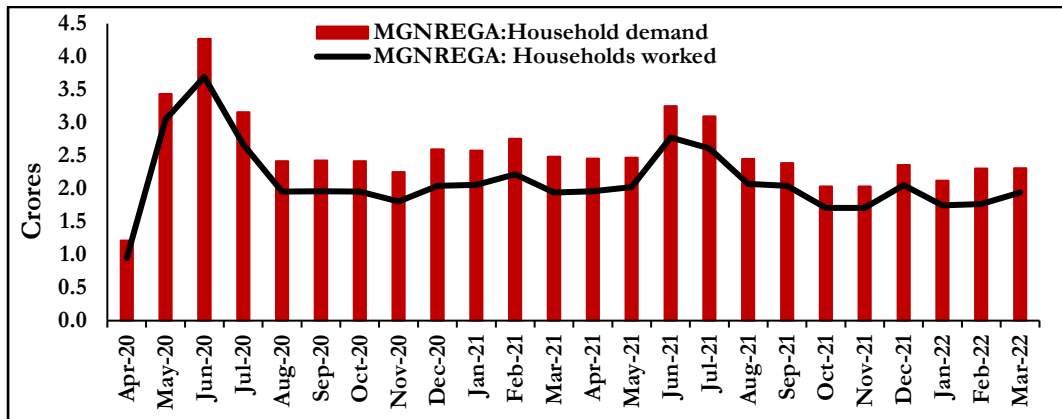


Source: NPS, Pension Fund Regulatory and Development Authority (PFRDA).

The Informal/Rural Sector

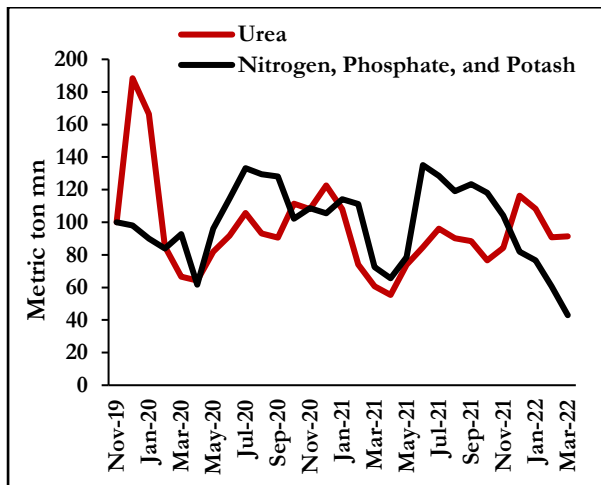
Although the demand for work by households under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) remained unchanged between February 2022 and March 2022, the total number of households employed increased by 10 lakhs in March 2022 vis-à-vis February 2022, as a result of an uptick in non-farm activity (Figure 22). The sales of urea and other fertilisers remained unchanged, signalling no significant increase in sowing activity in March 2022 (Figure 23). An increase in the total deposits in Jan Dhan accounts signals a decrease in consumer spending in March 2022 vis-à-vis February 2022. Deposits in Jan Dhan accounts increased significantly after March 2020, when the first wave of COVID-19 had hit the country, and these deposits have remained elevated since (Figures 24).

Figure 22: MGNREGA: Demand for Work Remained Unchanged in March 2022, More Households Employed



Source: Ministry of Rural Development.

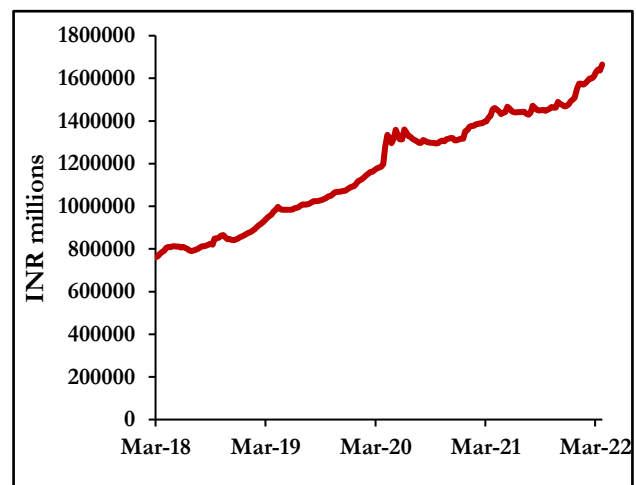
Figure 23: Urea Sales Remained Unchanged in March 2022



Source: Department of Fertilisers.

Note: November 2018-19 indexed = 100.

Figure 24: Jan Dhan Deposits

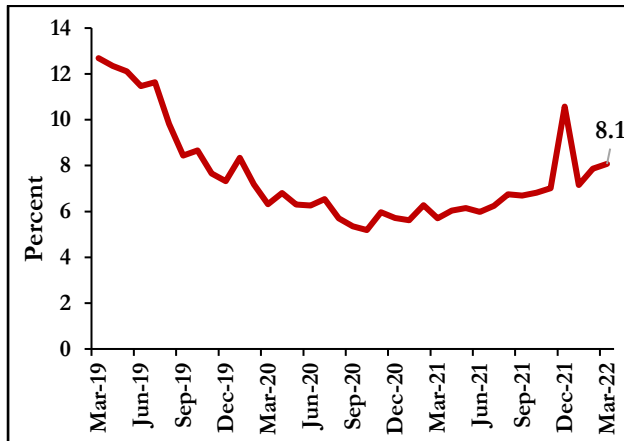


Source: Ministry of Finance.

5. Macro-financial Developments

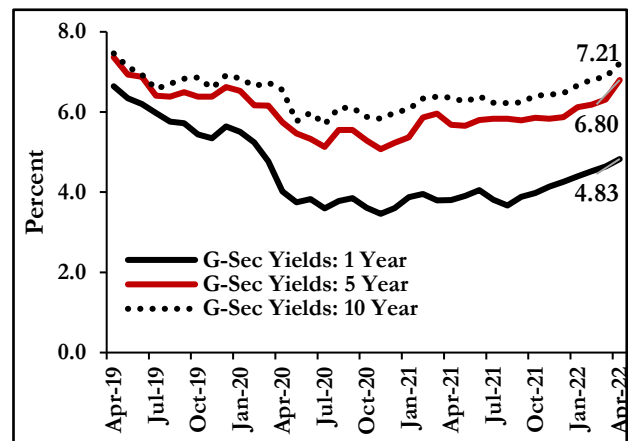
Overall, financial markets have remained cautious. In March 2022, bank credit increased by 8.1 per cent vis-à-vis March 2021, which was only marginally higher than 7.9 per cent in February 2022 (Figure 25). Yields on 10-year government bonds increased by more than 30 basis points since the beginning of February 2022 (Figure 26). Similarly, yields on other dated government securities, including yields on State Development Loans (SDLs), have also bounced to higher levels due to rising inflation (Figure 27). Domestic equity markets gained ground in March 2022 but have been falling back since April 2022 (Figure 28).

Figure 25: Bank Credit to the Commercial Sector



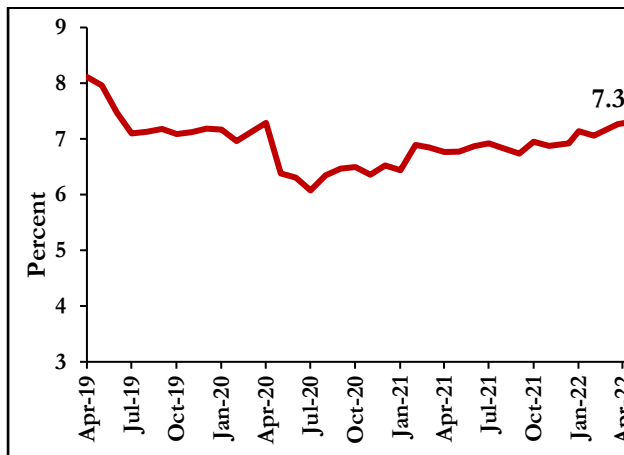
Source: RBI.

Figure 26: G-sec Yields



Source: Clearing Corporation of India Limited

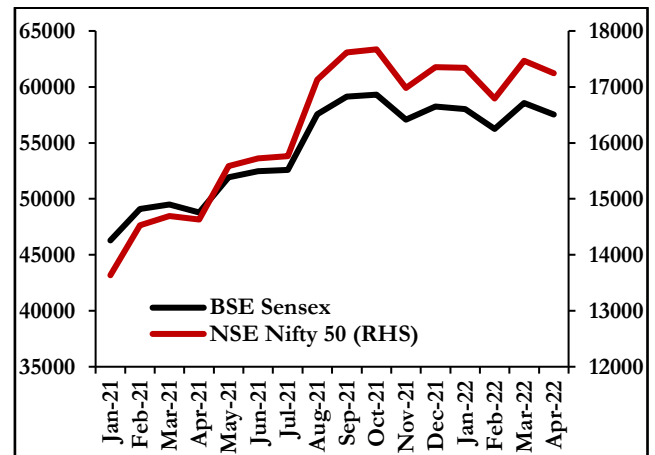
Figure 27: SDL Weighted Average Yields



Source: RBI. Data is available till 22 April 2022.

Note: The weighted average yields include average yields for all the States which raised the SDL in that month.

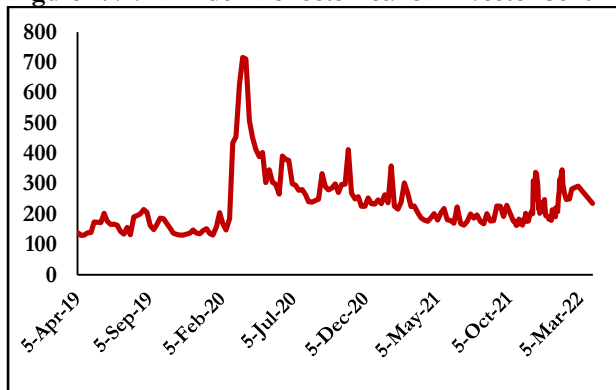
Figure 28: Indian Equity Markets



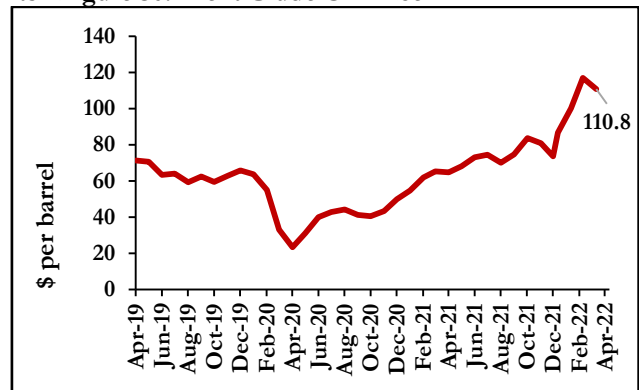
Source: BSE Ltd, NSE Ltd. Data is till 22 April 2022.

The Volatility Index of the Chicago Board Options Exchange (CBOE) reflects increasingly bearish investor sentiments (Figure 29). Energy prices have been elevated since March 2022 with Brent crude oil hovering above the \$100 per barrel mark. As of 22 April 2022, Brent crude oil stood at \$110.8 per barrel in the international market (Figure 30). In the US, headline inflation jumped to 8.5 per cent in March 2022 vis-à-vis March 2021, signifying the sharpest jump in the last four decades. Elevated consumer price inflation could endure as long as companies struggle to keep up with consumers' demand for goods and services (Figure 31). The MSCI equity indices compare the performance of equity markets. Emerging markets have largely under-performed since February 2022, though Indian stock markets recovered in April 2022 (Figure 32). Digital assets have seen an arrest in volatility post March 2022; albeit sentiments here too remain cautious (Figure 33).

Figure 29: VIX Index Reflects Bearish Investor Sentiments **Figure 30: Brent Crude Oil Price**

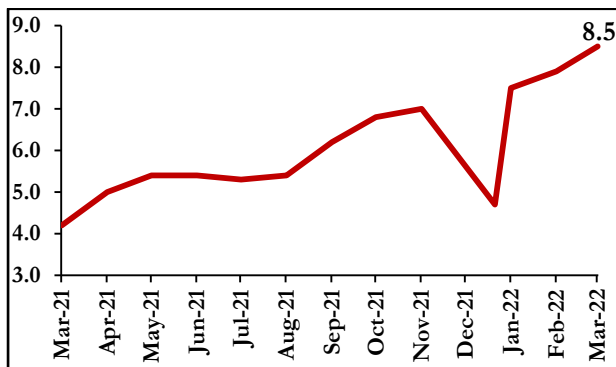


Source: The Wall Street Journal.
 Note: End of period, indexed at 5 January 2018=100. Data is till 22 April 2022.



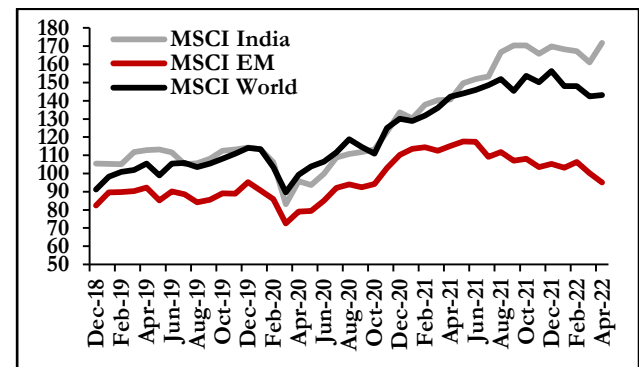
Source: GMM, IMF.
 Note: Data is till 22 April 2022.

Figure 31: Headline Inflation in US in March 2022



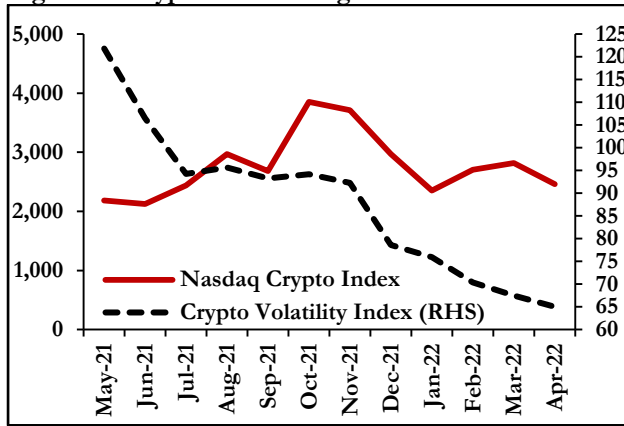
Source: US Bureau of Labour Statistics.

Figure 32: MSCI Index: EMs Under-perform



Source: Investing.com. March 2018 = 100.
 Note: Data is till 22 April 2022.

Figure 33: Crypto Indices: Digital Assets Stabilise

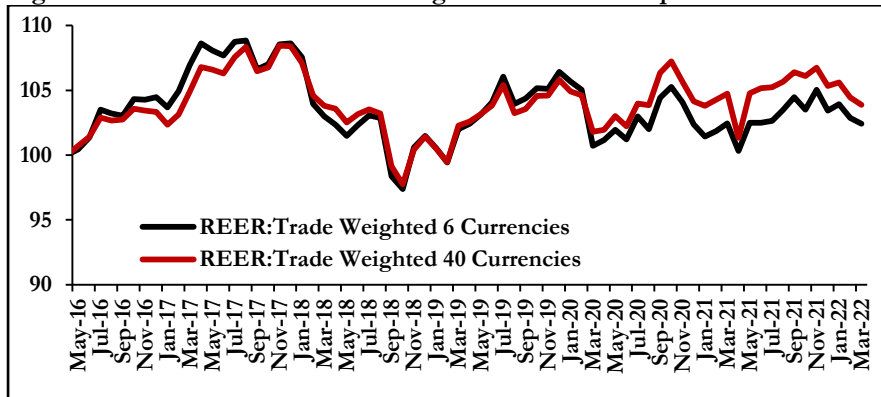


Source: Investing.com.

Note: NCI comprises eight largest digital assets by market capitalisation. Data is till 22 April 2022.

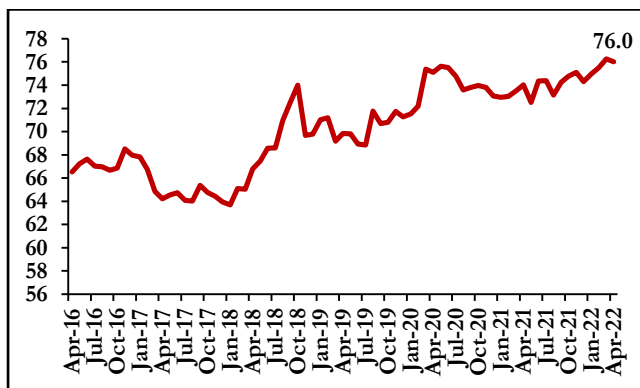
The Indian rupee has continued to weaken relative to other currencies, as indicated by the real effective exchange rate (Figure 34). Compared to February 2022, when the exchange rate was at Rs 75.49 per dollar, the exchange rate has depreciated by 0.7 per cent to 76 per dollar as of 22 April 2022 (Figure 35). Losses in foreign exchange reserves, estimated weekly, were over 300 million USD as of 15 April 2022 (Figure 36). Foreign institutional investments continue to remain volatile due to expectations of rate hikes amidst rising inflationary pressures. FDI decreased by more than \$2 billion in February 2022 (Figure 37A). Foreign equity and debt investors have also pulled back due to increasing concerns over geopolitical unrest, rising prices, rate hikes, and resurgence of COVID-19-related infections in China (Figure 37B).

Figure 34: The Real Effective Exchange Rate – Indian Rupee Continues to Depreciate



Source: RBI.

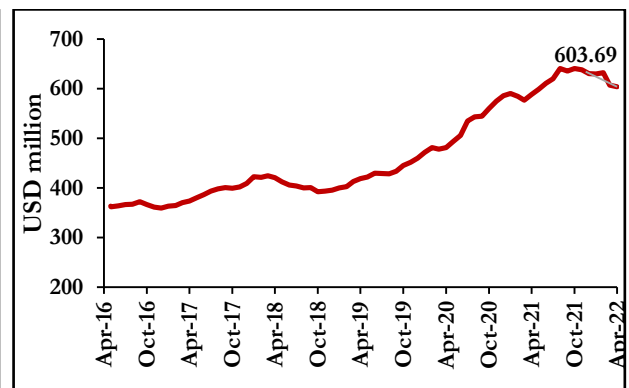
Figure 35: Indian Rupee against US Dollar Depreciates



Source: RBI.

Note: Data is till 22 April 2022.

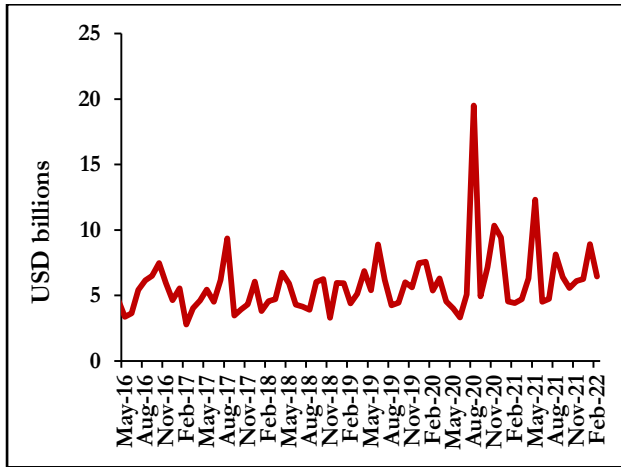
Figure 36: Foreign Exchange Reserve



Source: RBI.

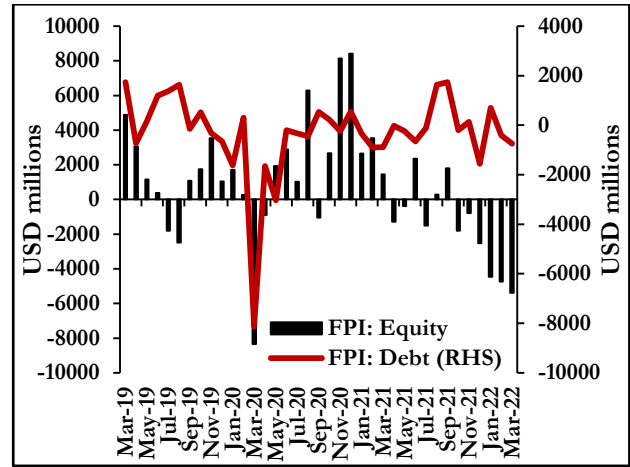
Note: Data is till 15 April 2022.

Figure 37A: FDI Inflows



Source: RBI.
Note: Data is available till February 2022.

Figure 37B: FPI Inflows



Source: National Securities Depository Limited.
Note: Data is till March 2022



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