

Executive Summary ¹

Given a progressive decline in the incidence of COVID infection in India, the Indian economy has continued to rebound. It grew by 8.4 per cent in the second quarter of the current fiscal year (July-September, 2021), surpassing most projections. Services contributed nearly 5.8 percentage points to GDP growth, agriculture contributed its usual half a percentage point, and industry contributed a relatively modest 1.6 percentage points. On the expenditure side, consumption made a substantial contribution of 4.7 per cent to GDP growth, while investment contributed 3.4 percentage points, and government expenditure about one percentage point. Exports continued to fare well in the quarterly national accounts data, growing at nearly 20 per cent, and have grown rapidly in the monthly data since then.

With these, the economy is back to the level last seen in July-September 2019. Even then, some pockets of slack still remain, especially in parts of the service sector, and particularly in trade and transport. These specific activities should fuel growth during the rest of the fiscal year.

Further, several high frequency indicators have exhibited continued momentum during the current quarter too. This is evident in survey-based indicators such as the Purchasing Managers' Index (PMI), in mobility indicators, in electronic payment and employment, and in the hard economic data such as those pertaining to tax collection and trade.

Apart from robust growth, inflation has remained range-bound, averaging at 5.9 percent a month during the past two years. Food inflation averaged higher at 7.2 percent and was more volatile, while core inflation was steadier at 5.3 per cent.

From a broader perspective, the global economic environment presents a mixed picture. Globally, inflation has continued to inch up and is now expected to start influencing monetary policy decisions in the US. If the US expedites tapering of the pace of purchase of government securities, followed by a more aggressive tightening of its monetary policy than was earlier anticipated, emerging markets, including India, are likely to witness repercussions on their financial markets, exchange rates, and bond yields.

Equity markets declined globally during the last month, and showed a correction in India too by about 4 per cent, a rate comparable to that observed in other emerging markets. A newly discovered Coronavirus variant, Omicron, has started disrupting international travel, and may impact sentiment and economic activity globally in the coming days. However, on a positive note, oil prices declined by nearly 15 per cent during the month, from a recent price of \$ 83 a barrel, which should augur well for recovery of the Indian economy and for its inflation outlook.

¹ This report has been prepared by Kavya Singh and Abhinav Tyagi, both Research Associates at NCAER, under the guidance of Dr Poonam Gupta. Comments are welcome at ksingh@ncaer.org and abhinav@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 authors and do not necessarily reflect the views of the Governing Body or Management of NCAER.

1. Policy Announcements and Developments

A. Strategic Oil Reserves

In coordination with other nations such as China, Japan, South Korea, the UK, and the US, India plans to release 5 million barrels of crude oil from its strategic oil reserves. The US has planned to release 50 million barrels of oil from America's strategic reserves in order to tame high oil prices and its impact on inflation.

B. Taxes on oil

In November, the Government cut excise duty on diesel and petrol by Rs 10 and Rs 5 per litre, respectively. After this cut, the excise duty constituted a little over 50 per cent of the retail price as opposed to 60 per cent earlier. Following these excise duty cuts by the Centre, many States have followed suit, which has resulted in some moderation in fuel prices.

C. RBI Retail Direct and Integrated Ombudsman Schemes

In its February 2021 monetary policy, the RBI launched an Investment Programme, the 'Retail Direct Scheme', which allows retail investors to buy and sell government bonds, both primary issuance of G-Sec and secondary securities, by opening a gilt securities account ('Retail Direct') with RBI. Retail investors can invest a minimum of Rs 10,000 and in multiples thereof in Central Government Securities, State Government Securities, and Treasury Bills and can bid in primary auctions as well as the central bank's trading platform for government securities.

D. Climate Pledge

At the COP26 climate meeting in Glasgow, UK, India pledged to achieve net-zero carbon emissions by 2070. By 2030, India would be meeting half of its energy requirements from renewable sources.

E. Bill for Repeal of Farm Laws

On November 28, 2021, the Lok Sabha passed the Farm Laws Repeal Bill, 2021, for repealing the three farm laws that had been enacted last year—Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020; the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; the Essential Commodities (Amendment) Act, 2020—and for amending the Essential Commodities Act, 1955.

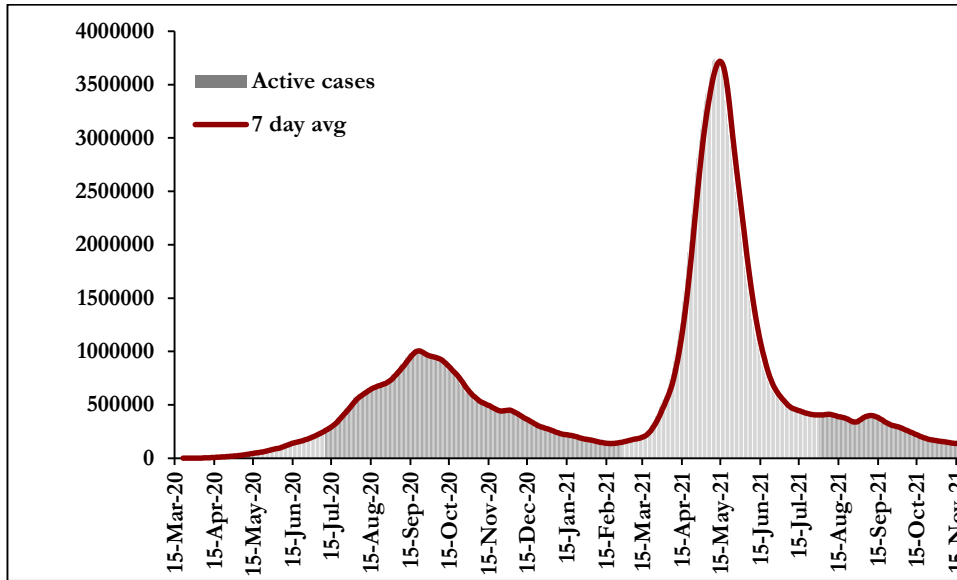
F. RBI Guidelines

RBI has released new guidelines for the ownership and corporate structure norms for private sector banks, accepting 21 out of 33 recommendations made by a central bank working group. These include an increase in the cap on promoters' holding from 15 per cent to 26 per cent. It has deferred the decision on allowing corporate houses to hold bank licences.

2. The COVID Tracker

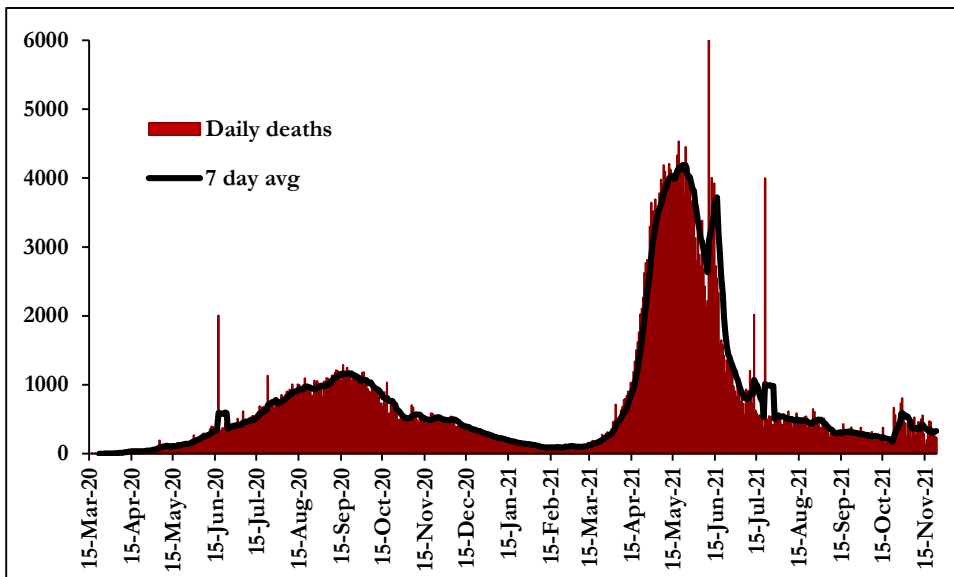
India's active COVID cases and deaths have been declining consistently, since the second wave peaked in May 2021 (Figures 1 and 2). Vaccinations of both the first and second doses have been increasing (Figure 3), with 81 per cent of the eligible population having been vaccinated with the first dose and 43 per cent of the population being fully vaccinated (Figure 4).

Figure 1: Active COVID Cases (25 March 2020 to 23 November 2021)



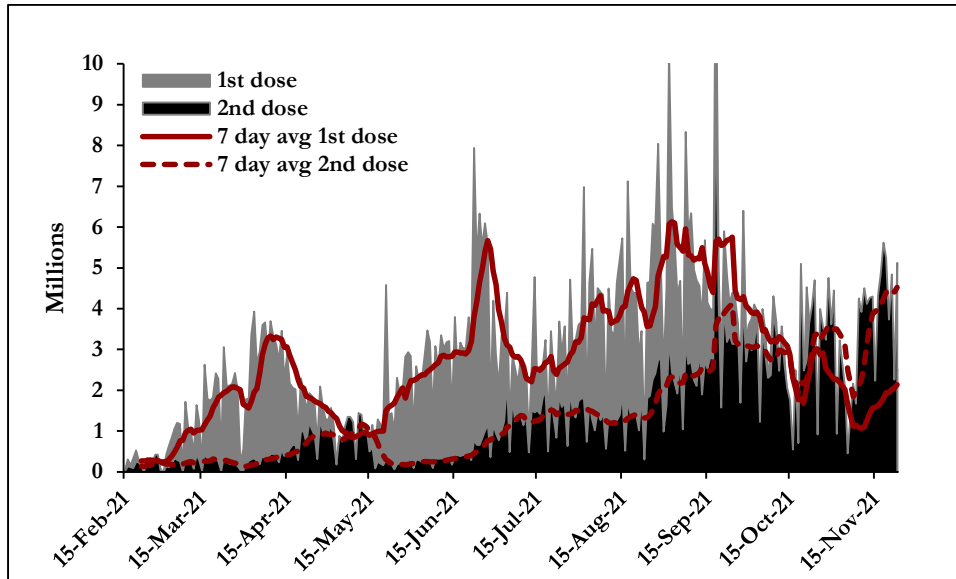
Source: Vaccination data, Ministry of Health and Family Welfare, population estimate for March 1, 2021—Report of the Technical Group on Population Projections (November 2019), National Commission on Population, Ministry of Health and Family Welfare (MoHFW).

Figure 2: India – Daily Deaths from COVID-19



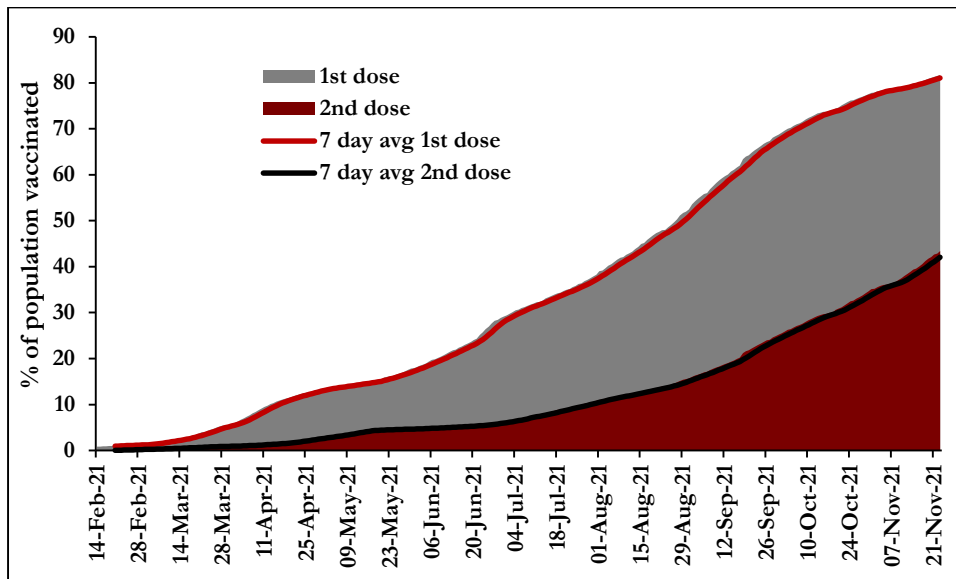
Source: Vaccination data, Ministry of Health and Family Welfare, population estimate for 2021—Report of the Technical Group on Population Projections (July 2020), National Commission on Population, Ministry of Health and Family Welfare (MoHFW).

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).

Figure 4: Percentage of Eligible Indian Population Partially and Fully Vaccinated



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).

3. The Real Sector

Both quarterly national accounts data and high-frequency indicators point towards a healthy rebound in the economy.

GDP grew by 8.4 per cent in the second quarter of the current fiscal year (July-September, 2021) surpassing most projections. The growth in agriculture and allied sectors remained robust throughout the

pandemic. It grew at 4.5 per cent during the period July-September 2021.² The industrial sector grew at 4.5 per cent, supported by growth in construction (7.5 per cent), manufacturing (5.5 per cent), the mining and quarrying sector (15.4 per cent), and electricity, gas, water and utility services (8.9 per cent). The services sector recorded a growth of 10.2 per cent, led by the hotels and trade and transport sectors (8.2 per cent), public administration (17.4 per cent), and finance, real estate and professional service (7.8 per cent) (Figures 5 and 7).

At the end of 2021-22:Q2, most of the sectors surpassed growth figures of the pre-pandemic levels including agriculture, mining, electricity, and public administration, while manufacturing, construction and financial, real estate, and professional services recovered almost to the pre-pandemic level of September 2019. Trade and transport, however, still remain below the pre-pandemic level. (Figure 7).

On the demand side, exports, imports, investment, private consumption, and domestic demand all grew rapidly during the period July-September 2021. The key drivers of economic growth like exports and investment have crossed the pre-pandemic levels, while other indicators like private consumption are almost back to the pre-pandemic levels (Figures 6 and 8).

Figure 5: Contributions to GVA Growth (Supply Side)

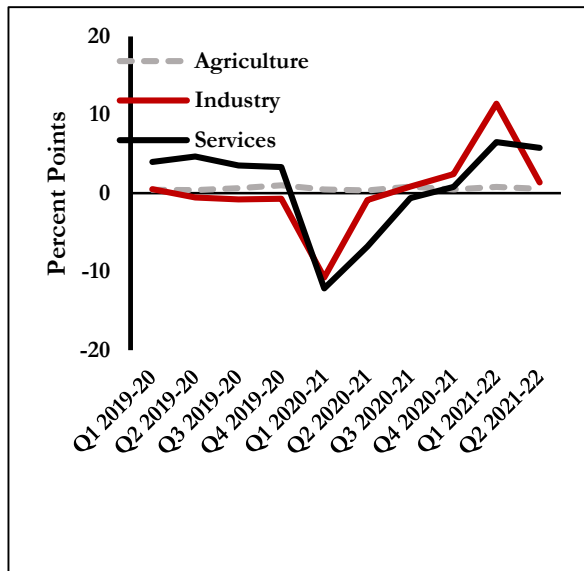
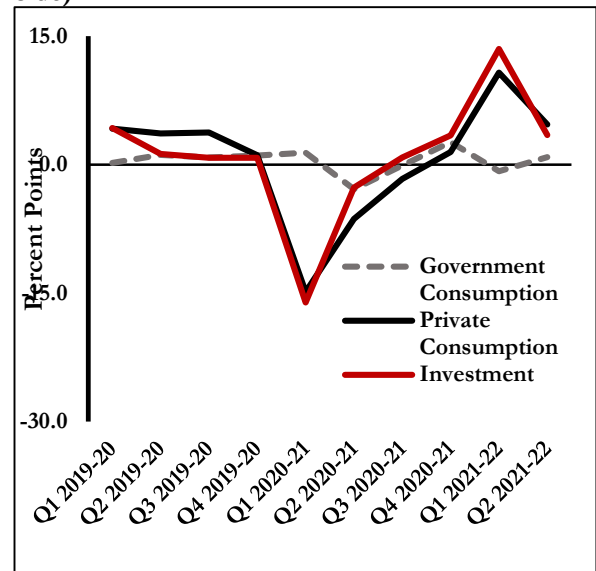


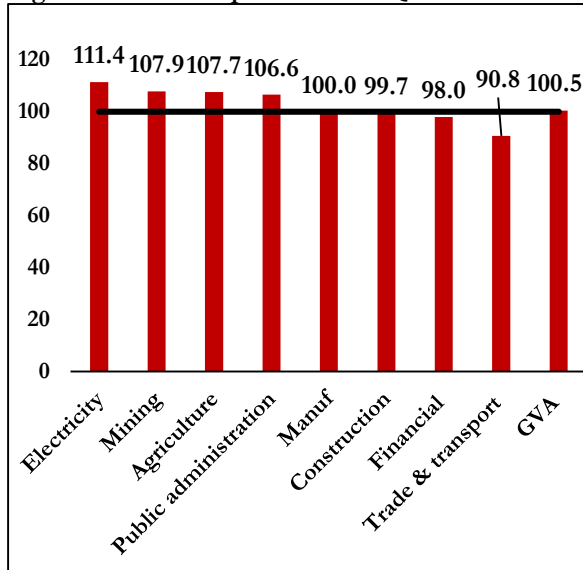
Figure 6: Contributions to GDP Growth (Demand Side)



Source: Ministry of Statistics and Programme Implementation (MoSPI).

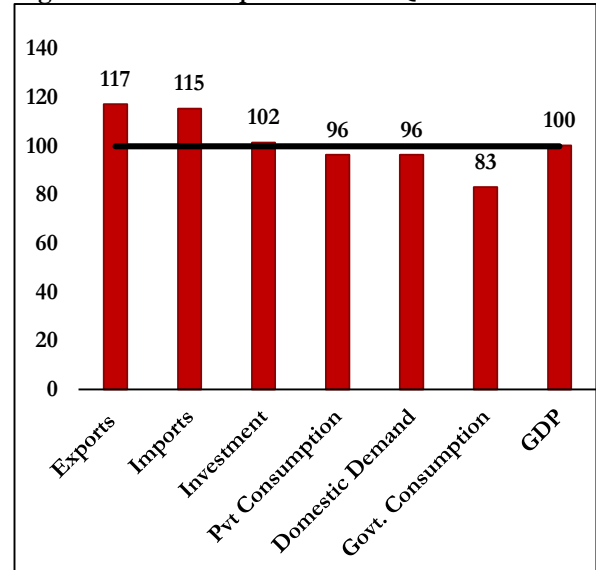
² All percentage changes reported here are year-on-year unless specified otherwise.

Figure 7: GVA Components as of Q2 2021-22



Source: MoSPI.
Note: Index- Q2 2019-20= 100

Figure 8: GDP Components as of Q2 2021-22

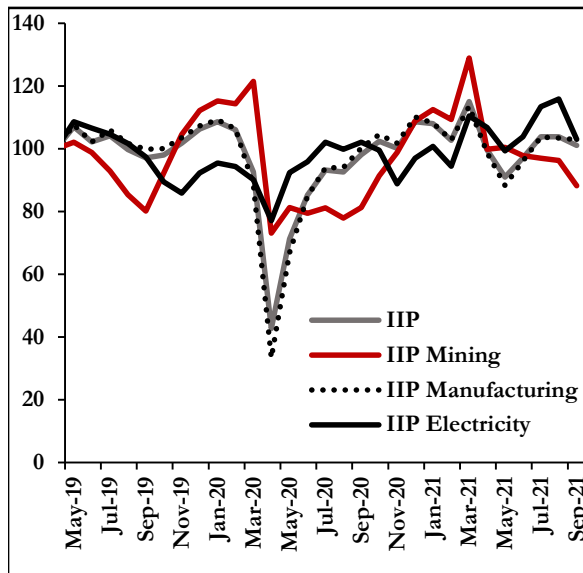


High-frequency Indicators

We analyse a subset of the economy’s high frequency indicator, in order to discern the economic trends y on a real time basis. The indicators point to continuing recovery in the economy, with most variables surpassing pre-COVID levels.

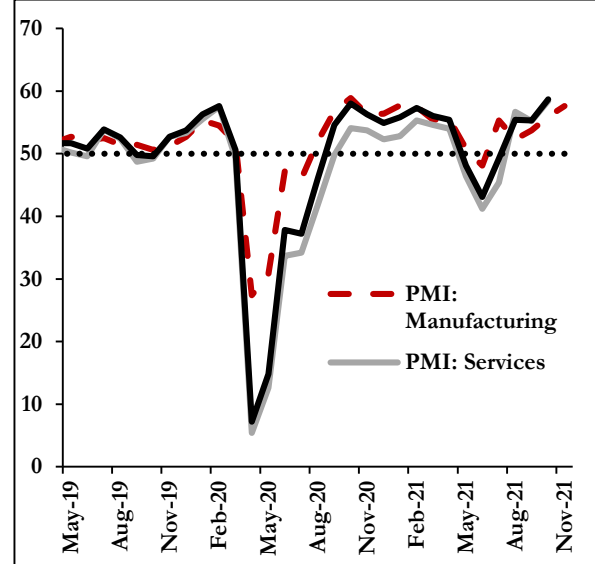
The Index of Industrial Production (IIP) and its sub-components have been improving in recent months, but had witnessed a decline from August to September, the decline in IIP Electricity being the sharpest. The Purchasing Managers’ Index (PMI) shows promise, with PMI manufacturing increasing from 53.7 in September to 55.9 in October 2021. PMI services also registered an increase from 55.2 in September to 58.4 in October, remaining well above the long run average.

Figure 9: Index of Industrial Production



Source: MoSPI, IHS Markit.
Note: IIP indexed at April 2019-100. A PMI level greater than 50 indicates expansion in the respective sector(s).

Figure 10: Purchasing Managers’ Index



GST collections as represented by E-way bills, have increased to 7.4 crore in October 2021, over 6.8 crore in September making it the highest since the beginning of this financial year. The number pertaining to E-way bills was 16 per cent higher in October 2021 over October 2020 (Figure 11 A). GST collections reached ₹1.3 lakh crore in October, up 30 per cent year-on-year and 8 per cent month-on-month (Figure 11 B).

Figure 11 A: No. of E-Way Bills

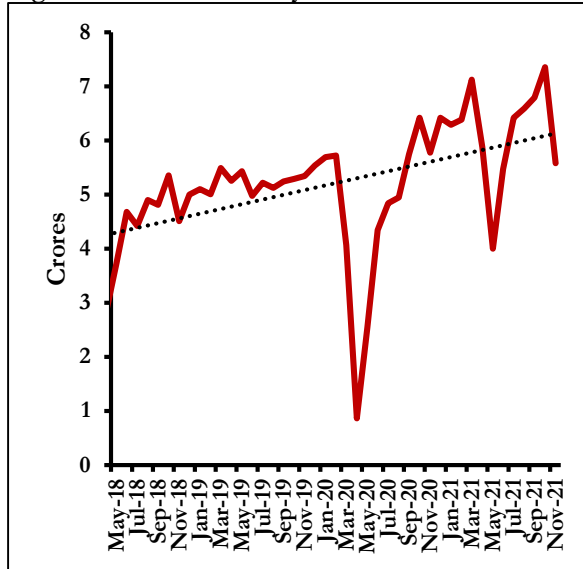
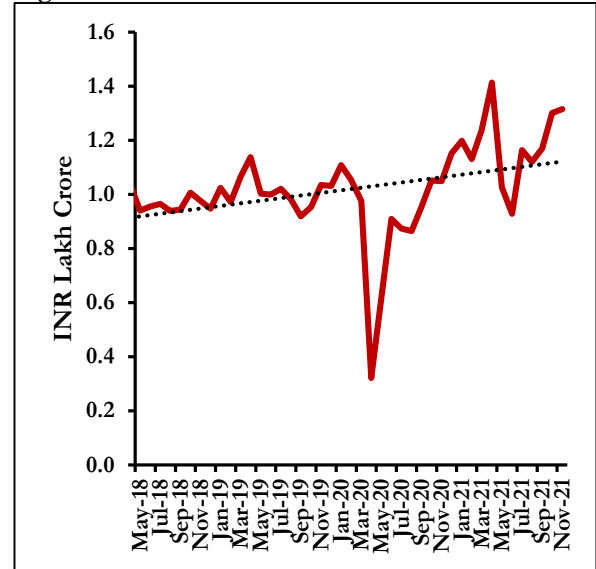


Figure 11 B: GST Revenue



Source: GSTN, Ministry of Finance.

Rural demand continues to recover, with the sales and production of tractors depicting an upward trajectory. Automobile sales have also been rising and have shown a rise in monthly sales, however, a steady recovery is yet to be seen.

Figure 11 C: Tractor Production and Sales

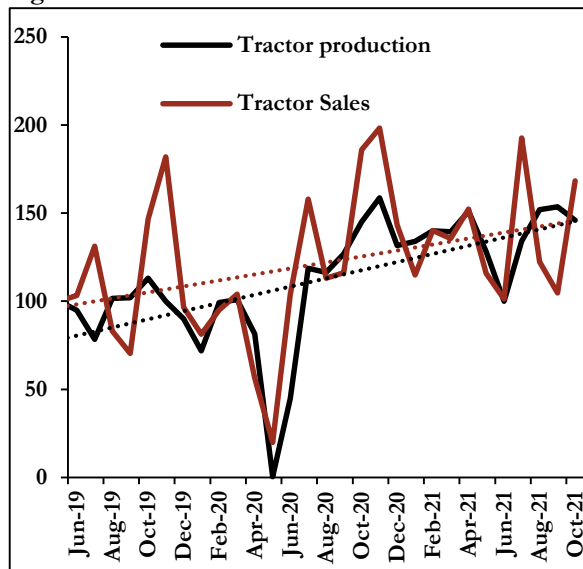
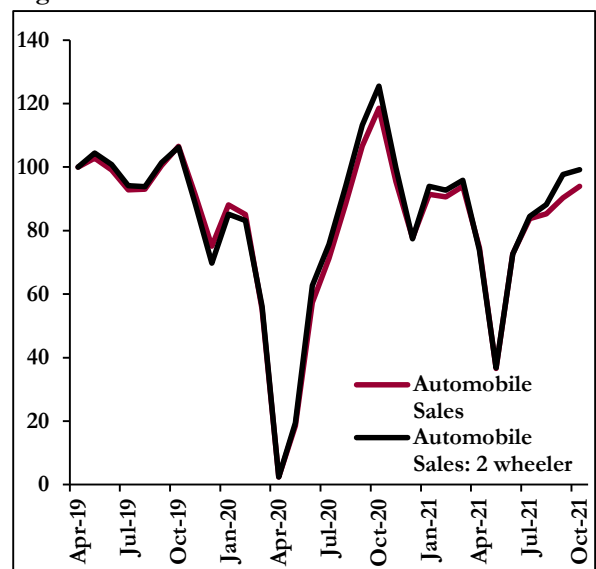


Figure 11 D: Automobile Sales

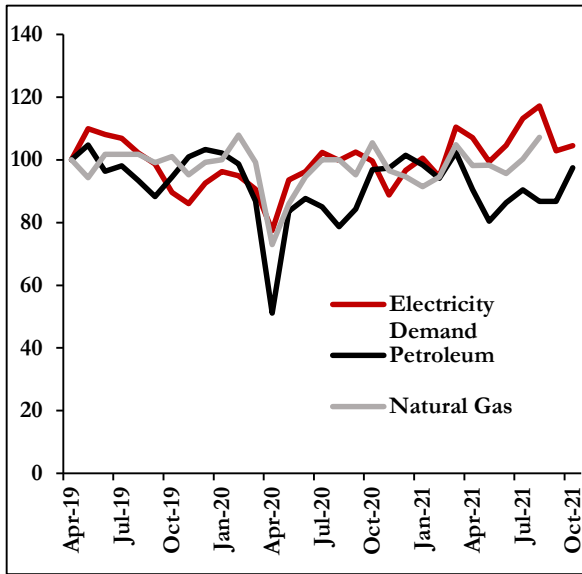


Source: CEIC database.

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

Air and rail cargo traffic have been picking up since the pandemic. The numbers of air and rail passengers have also seen an increasing post-pandemic trend, which, however, still remains much below the pre-pandemic levels. Google mobility indicators too point to continued normalisation of activity. Digital payments have been increasing consistently, both due to an increasing trend in the use of these modes of payments as well as due to the normalisation of activity.

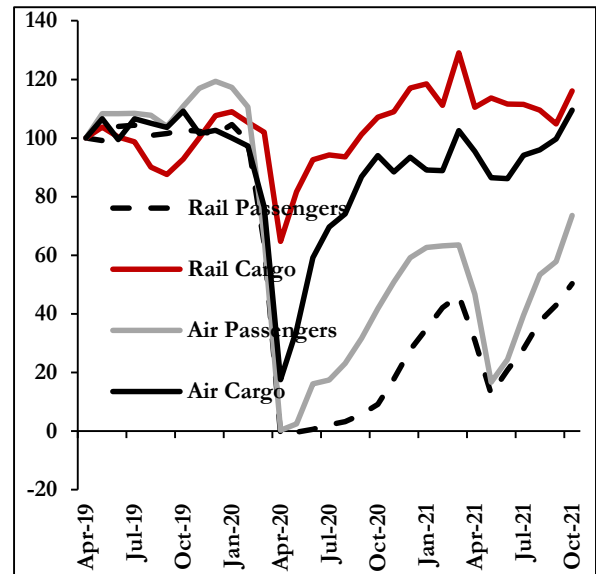
Figure 11 E: Energy Consumption and Electricity Demand



Source: CEIC database.

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

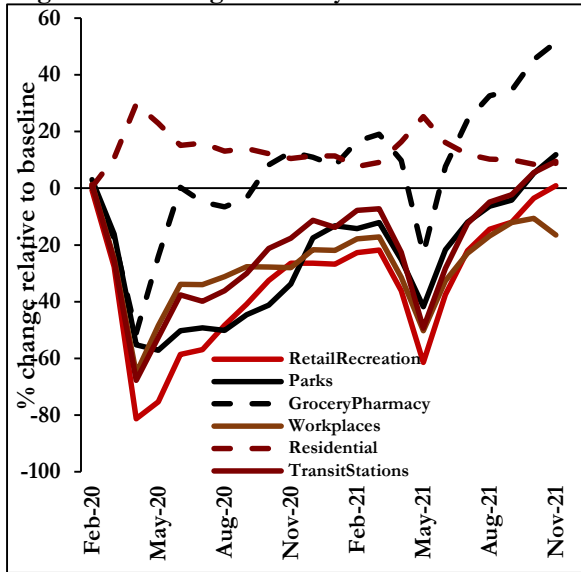
Figure 11 F: Freight and Passenger Traffic



Source: CEIC database

Note: Rail passengers measured in unit million, rail cargo in tonnes million, air passengers in persons, air cargo in tonnes. Indexed at April 2019=100.

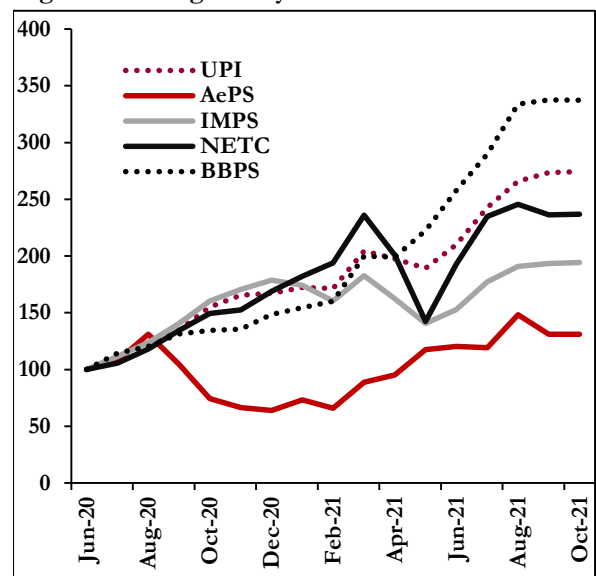
Figure 11 G: Google Mobility



Source: Haver Analytics.

Note: The baseline is the median value for the corresponding day of the week, during the five-week period of January 3-February 6, 2020. Monthly percentage change has been calculated by averaging the daily percentage change. November data is till November 19, 2021

Figure 11 H: Digital Payments



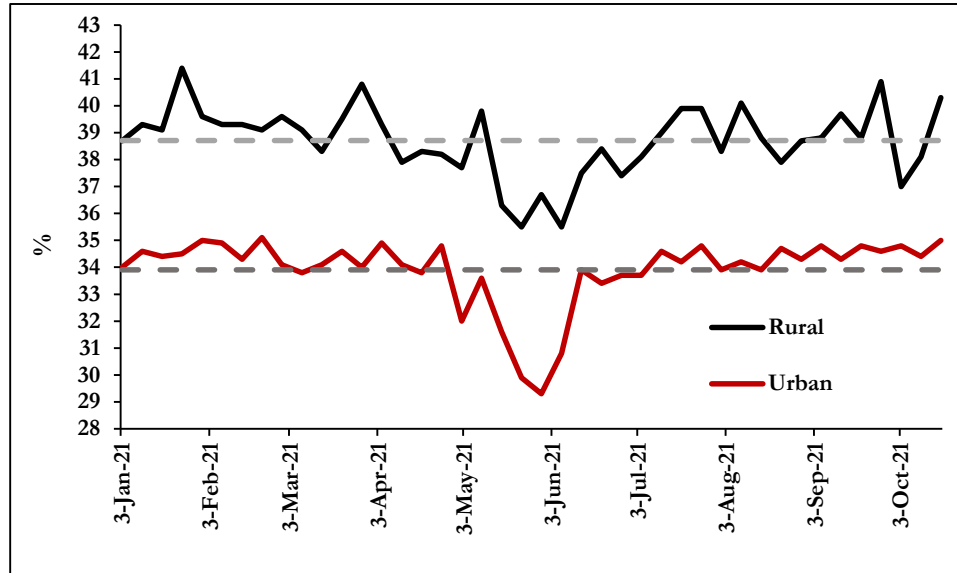
Source: CEIC.

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

Labour statistics

As per the CMIE data, urban employment seems to be witnessing a steady increase, after dipping to its lowest level this year during the second wave of pandemic in May 2021. Rural employment, which was hovering at around the average since July 2021, has increased to 40.3 per cent on October 17, over 37 per cent as on October 3.

Figure 12: Employment rate

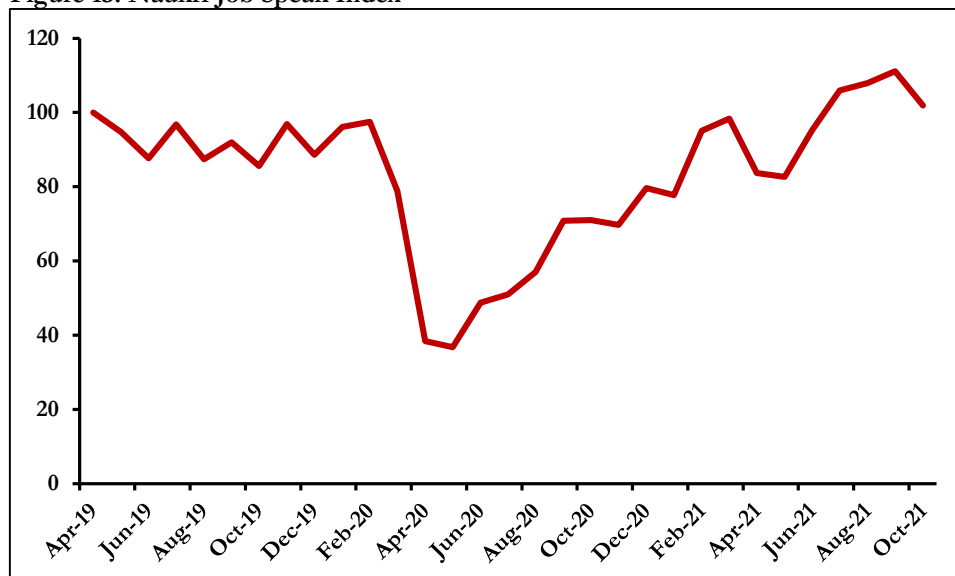


Source: CMIE. Last data point is 17th October 2021

Note: Index- June 2019 = 100. Averages are average of weekly rates between 3rd Jan 2021 and 17th October 2021.

The Naukri Job Speak Index (Figure 13) shows signs of growth in India’s job market with the index being 43 per cent higher in October 2021 than that in October 2020. The IT sector has led the increase with a growth rate of 85 per cent in October 2021 as compared to last year (Figure 14A). The telecom sector follows with a growth rate of 84 per cent, while retail, hospitality/travel, education and banking sectors have seen rapid growth in hiring activity but slack remains.

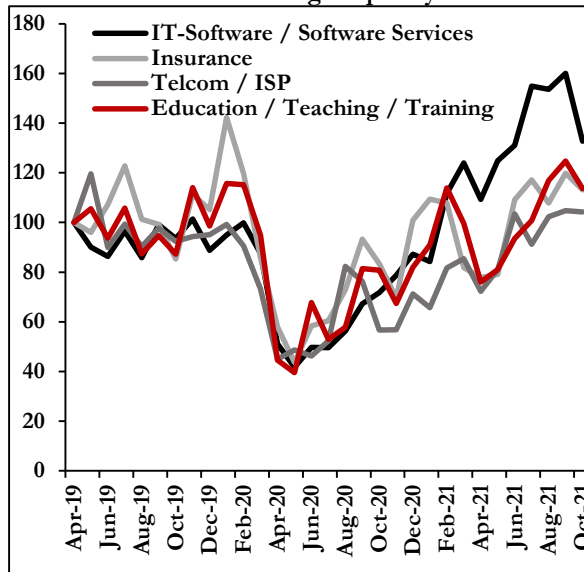
Figure 13: Naukri Job Speak Index



Source: CEIC/Naukri Job Speak Report (October, 2021). April 2019= 100

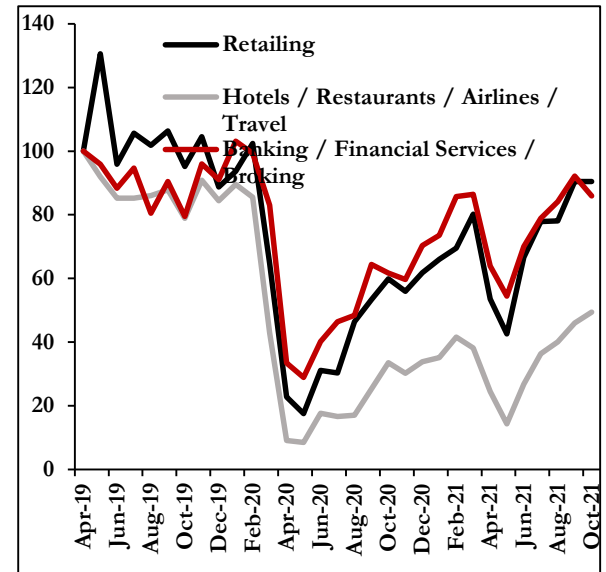
Figure 14: Naukri Job Speak Index

14 A. Sectors that have caught up fully



Source: CEIC/Naukri Job Speak Report (October, 2021)
 Note: Indexed at April 2019=100

14 B. Sectors that still have slack



Heatmap for India's High-frequency Indicators³

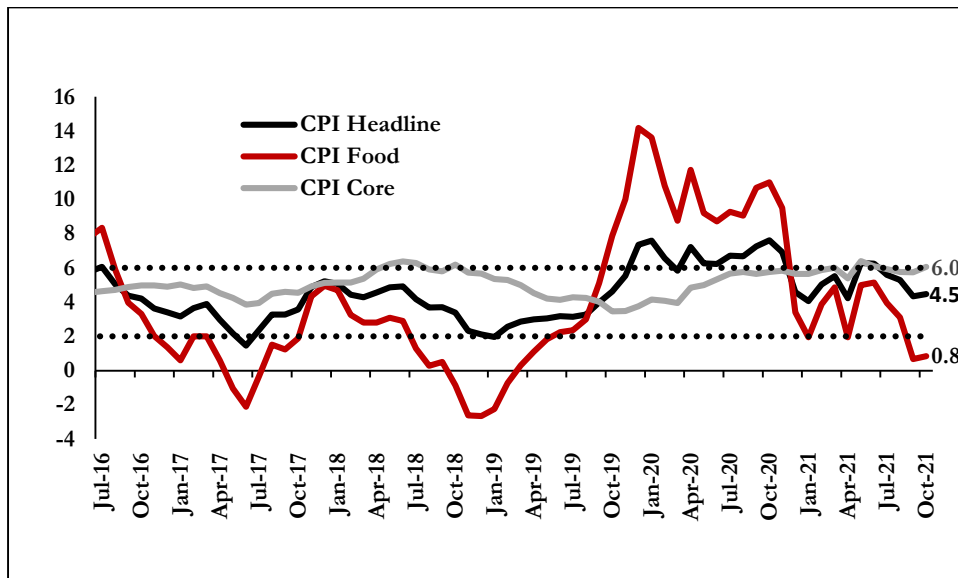
	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21		
Agriculture																														
Tractor sales	50.73	34.68	-16.20	4.79	-14.95	-14.94	-0.01	3.96	-50.18	-80.07	0.54	20.21	35.92	64.84	26.74	9.02	48.35	41.21	47.52	30.42	34.72	15.75	-1.86	46.76	47.00	48.72	14.71	12.47		
Foodgrains Stock	14.35	18.07	27.77	20.76	31.28	17.21	20.92	17.90	30.00	12.35	18.35	16.15	13.01	7.99	2.30	0.90	0.28	6.44	9.33	4.07	35.95	41.36	33.16	34.66	31.99	26.21	21.89	11.29		
Industry																														
IIP (electricity)	156.70	159.90	162.90	150.40	160.10	173.60	158.70	150.30	146.90	125.60	150.60	156.20	166.30	162.70	166.40	162.20	144.80	158.00	164.20	153.90	180.00	174.00	161.90	169.10	184.70	188.70	167.90			
IIP (manufacturing)	140.20	128.60	131.60	135.80	144.60	129.00	126.00	135.40	111.60	42.10	84.40	107.10	118.50	118.70	126.50	132.00	128.50	139.00	136.60	129.70	143.30	124.60	111.50	121.20	130.90	130.50	129.90			
PMI (manufacturing)				53.20	52.60	52.10	51.40	52.70	51.80	27.40	30.80	47.20	46.00	52.00	56.80	58.90	56.30	56.40	57.70	57.50	55.40	55.50	50.80	48.10	55.30	52.30	53.70	55.90		
PMI (services)				53.20	52.00	49.60	48.70	53.30	49.30	5.40	12.60	33.70	34.20	41.80	49.80	54.10	53.70	52.30	52.80	55.30	54.60	54.00	46.40	41.20	45.40	56.70	55.20	58.40		
Auto sales	18.45	26.28	5.38	-1.96	-11.64	-10.98	-19.51	-9.61	-42.07	-97.61	-81.99	-42.16	-23.18	-4.96	6.09	11.23	4.52	3.54	3.78	6.55	-1.35	-25.44	-64.46	-26.74	-9.76	-8.36	-10.16	-11.80		
Natural gas prod.	1.17	-2.83	-1.45	4.18	1.20	-1.56	-4.31	-8.93	-14.22	-18.62	-16.02	-11.85	-10.10	-9.53	-10.69	-8.41	-9.06	-7.11	-2.21	-1.43	-4.69	-0.17	0.03	5.34	6.47	8.85	13.02	14.23		
Crude steel prod.	8.47	10.32	5.67	3.19	5.64	4.58	-0.53	0.29	-19.40	-63.51	-33.86	-17.88	-8.35	2.66	1.48	6.47	5.73	8.85	10.06	-1.42	2.87	2.88	-4.41	0.07	2.98	11.22	8.83	8.57		
Electricity prod.	7.28	9.17	7.15	4.53	2.67	8.48	-1.20	0.35	-8.68	-22.60	-14.94	-10.94	-3.72	-2.07	4.40	11.58	3.12	4.49	4.38	-0.35	11.33	7.18	-9.34	-2.97	6.21	14.67	4.58	15.90		
Crude oil prod.	-1.58	-3.39	-4.19	-4.30	-6.16	-6.81	-5.41	-7.39	-5.50	-6.35	-7.06	-5.99	-4.89	-6.26	-6.04	-6.24	-4.91	-3.59	-4.59	-3.22	-8.46	-8.29	-12.93	-7.68	-7.95	-8.38	-7.68	-8.25		
Services																														
Air passenger	24.06	15.93	15.57	10.76	-1.11	4.21	0.23	1.89	-37.78	-99.77	-97.68	-85.17	-83.89	-78.58	-69.55	-62.24	-56.54	-50.44	-46.58	-42.85	-39.88	-53.33	-84.58	-77.49	-63.62	-50.46	-44.37	-33.59		
Air Cargo	3.89	6.82	4.07	4.82	2.28	-7.69	-5.42	-4.16	-31.92	-82.49	-67.68	-40.53	-34.67	-29.44	-16.23	-13.86	-12.92	-8.92	-11.00	-8.55	-8.64	-4.53	-18.90	-13.42	-11.70	-8.62	-3.74	0.38		
National highways constr.								3.54	-5.95	-73.48	-49.94	-15.41	-11.87	-9.14	-14.54	-3.32	4.18	11.92	15.19	26.78	22.43	7.70	-13.12	5.99	-2.92	-8.23	-17.27	-13.19		
Telecomm subscribers	0.97	-3.46	-1.27	0.60	-1.88	1.52	0.32	-2.12	-0.47	-1.21	-1.65	-2.20	-2.13	-2.01	-2.22	-2.74	-0.05	0.12	0.21	0.60	1.49	1.66	1.30	1.34	1.70	1.49				
NPCI retail payments - volume	45.41	58.61	36.37	59.90	71.66	67.90	60.62	53.50	23.64	14.68	18.78	28.20	21.63	33.16	37.97	36.39	47.03	43.75	39.30	37.23	117.85	100.07	87.34	100.96	108.53	131.77	126.52	133.62		
Trade																														
Exports	0.95	18.01	-2.45	0.09	12.20	-7.85	-6.65	-2.74	-34.33	-60.98	-35.70	-12.21	-9.54	-12.23	5.94	-4.99	-8.25	0.44	6.52	-0.39	7.74	18.08	8.17	29.82	35.34	28.48	29.91	35.91		
Exports (non oil)	1.28	11.82	-5.82	-1.35	12.50	-3.89	-4.47	-1.36	-34.82	-60.29	-29.88	-10.51	-3.38	-8.28	6.43	2.56	0.61	6.02	12.07	3.54	8.72	20.64	8.26	27.47	30.30	25.95	26.56	32.94		
Imports	7.15	20.92	12.79	0.76	2.08	-8.42	-11.97	-6.51	-27.97	-59.70	-51.04	-48.04	-29.56	-26.04	-19.04	-10.32	-12.23	8.44	2.14	7.50	11.92	8.60	-16.84	2.51	13.77	13.03	49.59	45.75		
Gross FDI	17.28	-4.94	74.08	-1.77	8.89	107.22	-26.22	25.45	22.67	-34.01	-26.05	-62.80	-17.77	358.53	11.03	18.87	84.26	26.49	-40.08	-17.71	-8.21	-9.28	124.51	-53.02	-21.39	98.26	46.38			
Net FPI (USD mn)	-95.22	-151.06	89.64	-305.32	1615.31	-181.28	-132.20	-65.77	-326.42	-181.48	-159.38	82.29	-204.02	-883.33	-116.73	31.56	161.57	2396.18	1267.70	158.98	-66.64	-149.26	-115.74	-5.53	128.75	-362.52	303.56	-173.32		
Net FPI (INR mn)	-95.27	-153.90	109.44	-322.62	1731.62	-183.01	-131.29	-64.99	-342.46	-188.83	-164.70	98.38	-209.93	949.51	-118.18	35.83	172.98	2471.92	1428.08	167.69	-65.08	-152.82	-117.22	-1.04	146.74	-381.97	321.66	-177.40		
Fiscal																														
GST: E-way bills					6.37	8.93	10.84	-25.95	-83.61	-53.03	-12.71	-7.29	-3.47	9.60	21.40	8.12	15.89	10.46	11.64	29.73	11.88	-26.34	9.94	22.99	28.64	29.64	39.03			
Monetary and Financial Markets																														
Non food credit	10.22	10.87	12.56	13.83	13.36	11.88	8.67	6.90	6.05	6.71	5.52	5.38	6.29	5.54	5.11	5.60	5.93	6.17	5.89	6.58	11.90	13.12	11.69	11.80	12.85	12.59	12.21	12.39		
Non food credit - personal loans	17.80	17.89	15.12	16.96	16.36	16.63	18.95	15.89	16.60	12.28	10.59	10.43	9.05	8.47	8.38	9.28	9.98	9.46	9.10	9.55	28.13	26.44	24.35	23.56	21.27	21.64	21.47			

³ Note: The heatmap for high-frequency indicators tracks the year-on-year growth from March 2018 onwards for all the listed indicators, except indices like IIP and PMI, for which the actual values of these indices have been reported. Until March 2020, data has been reported for every third month, or the month ending the respective quarter, and for every month from April 2020 onwards. 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, where a particular month's colour shade represents the percentile rank of the value for the variable – red being the lowest, bright yellow representing the 50th percentile, and green being the highest. All data used for constructing the heatmap has been sourced from the CEIC database.

4. Inflation and Credit

CPI headline inflation increased marginally to 4.48 per cent in the month of October from 4.35 per cent in September. Food inflation has also increased slightly to 0.85 per cent in October from 0.68 per cent in September. Core inflation was sticky at around 6 per cent (Figure 15).

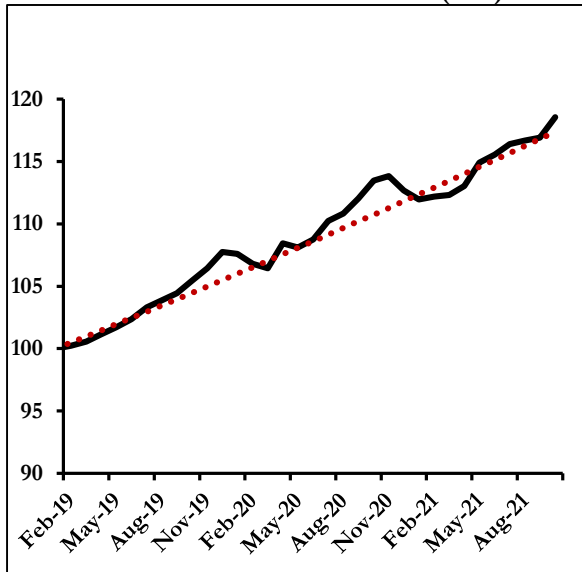
Figure 15: Inflation



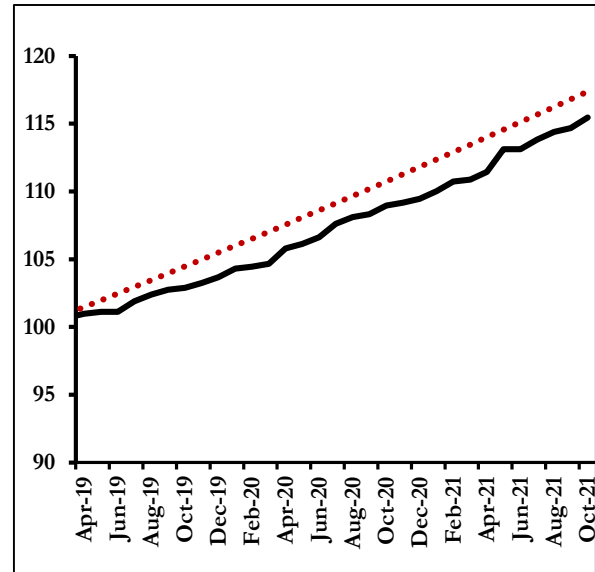
Source: CSO/MoSPI.

Figure 16: Price Indices and Inflation Rates (The dotted line indicates 6 per cent annual growth)

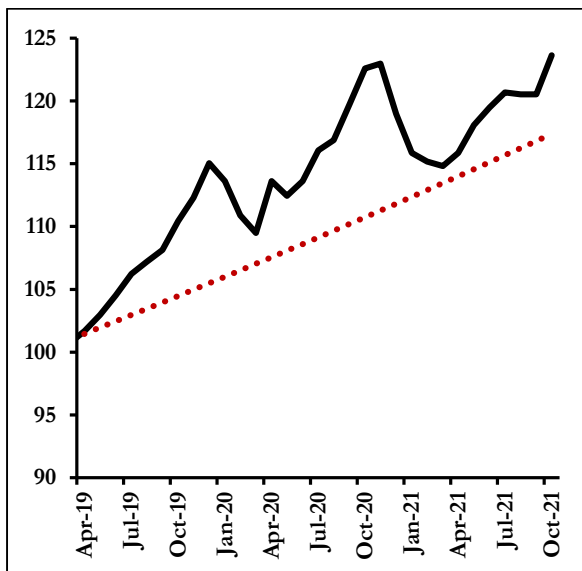
16 A. Headline Consumer Price Index (CPI)



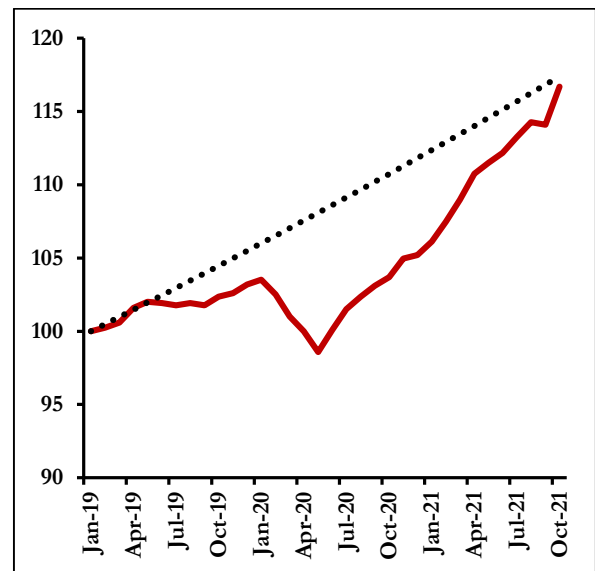
16 B. CPI Core



16 C. CPI Food



16 D. Wholesale Price Index (WPI)



Source: MoSPI/Ministry of Commerce and Industry.

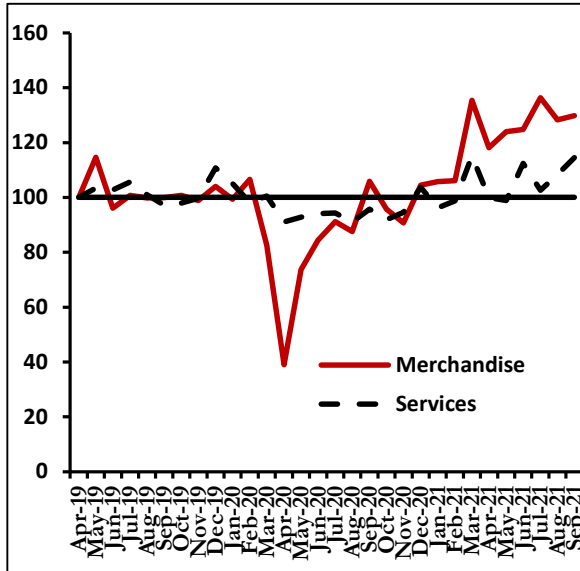
Note: The dotted line indicates 6 per cent annual growth. January 2019 = 100.

A. The External Sector

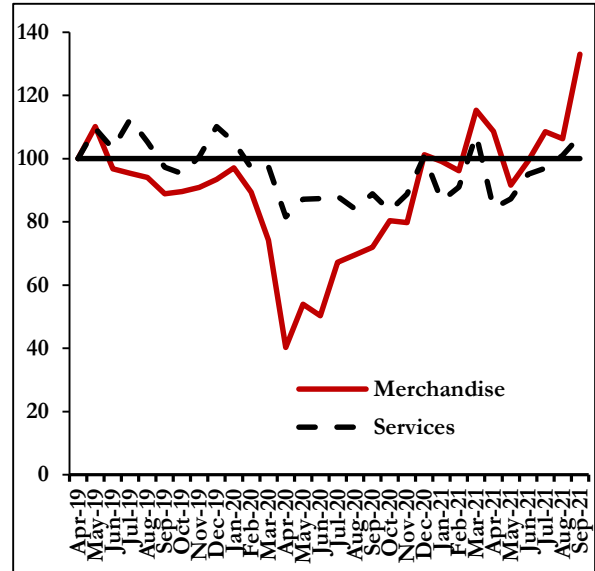
Both exports and imports have rebounded in recent months. The decline in merchandise trade was sharp during the pandemic but its recovery has been remarkable. In comparison, services exports and imports were relatively stable throughout the pandemic (Figures 17 A and 17 B).

Figure 17: Exports and Imports of Merchandise and Services

17 A. Exports



17 B. Imports

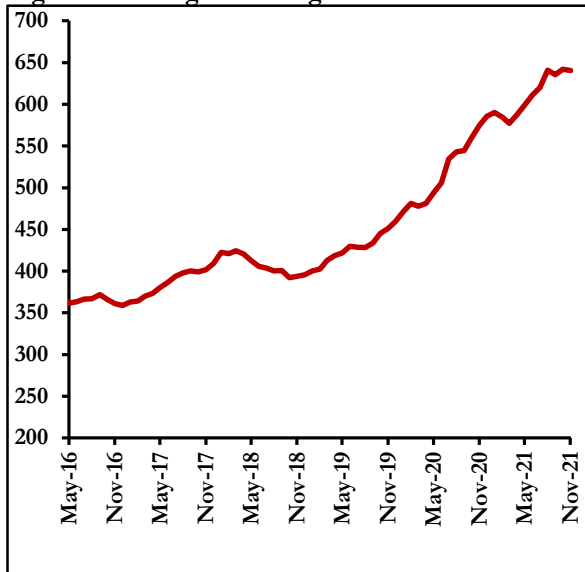


Source: Ministry of Commerce and Industry.

Note: Monthly values in USD billion indexed at April 2019=100.

India's foreign exchange reserves touched a record high of USD 640 billion in November 2021. The Indian Rupee (INR), after appreciating by nearly 4 per cent against the US Dollar (USD) between May 2020 and May 2021, has reversed its course, ending at 74.4 INR/USD as of 24 November 2021 (Figure 19).

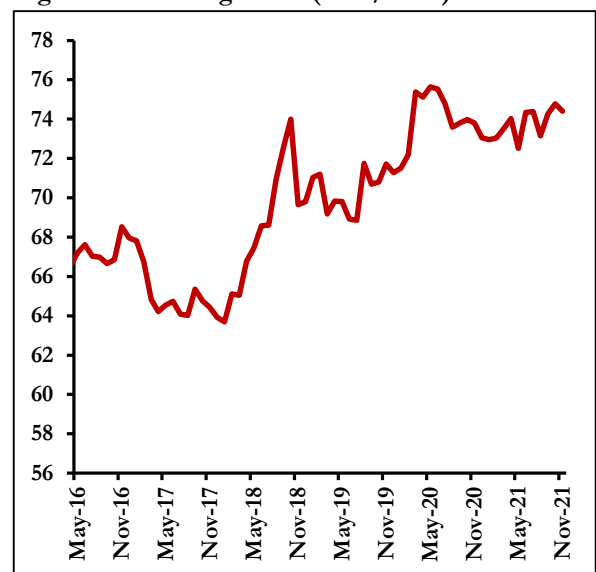
Figure 18: Foreign Exchange Reserves



Source: RBI.

Note: Reserves are available till November 19, 2021 and exchange rate values are till November 24, 2021.

Figure 19: Exchange Rate (INR/USD)



B. Fiscal Developments

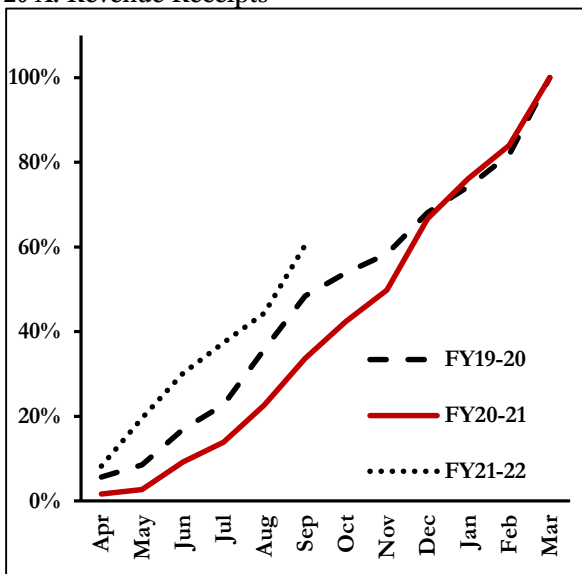
Central Government finances improved during the period April-September 2021 relative to the corresponding period of the previous year. During April-September 2021, the Centre's fiscal deficit stood at Rs 5.27 lakh crore, which is about 35 per cent of the Budget Estimate (BE), much lower than that in the previous years.

Revenue receipts during the period April-September 2021 stood at Rs 10.8 lakh crore, which is about 60 per cent of the Budget Estimate (BE) and almost 32 per cent higher than the pre-pandemic level (2019-20).

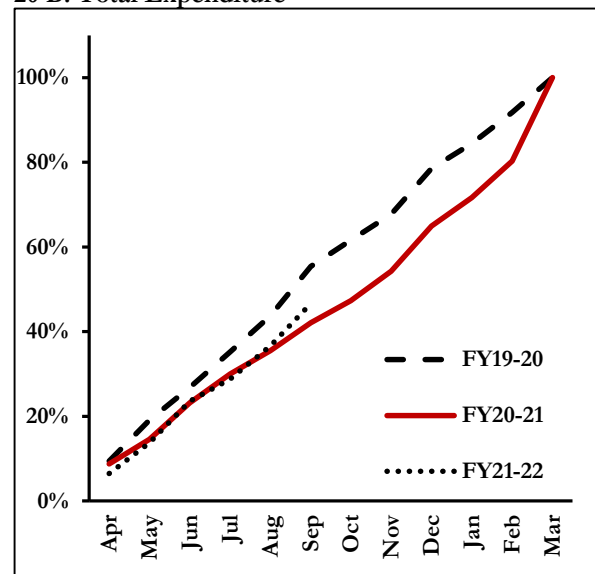
On the expenditure side, the total expenditure for the first six months stood at Rs 16.2 lakh crore, which is about 46 per cent of the BE and 9.2 per cent higher than pre-pandemic level. Revenue expenditure from April-September 2021 stood at Rs 13.9 lakh crore, which is about 47 per cent of the BE and 7.3 per cent higher than pre-pandemic level; capital expenditure till September stood at Rs 2.2 lakh crore, which is about 41 per cent of the BE and 22.2 per cent higher than pre-pandemic level.

Figure 20: Fiscal Outcomes

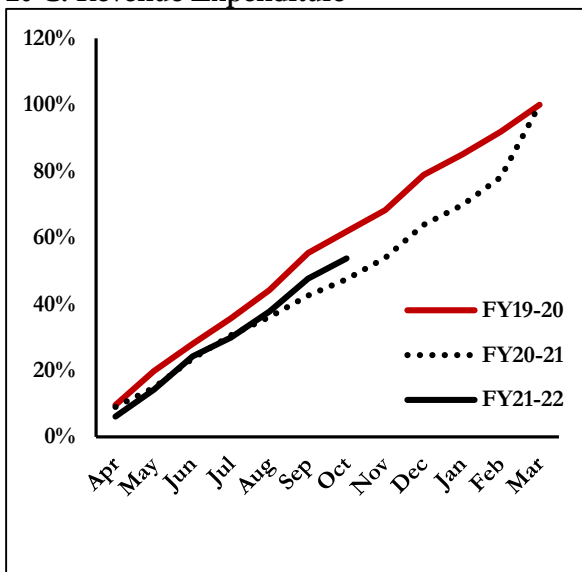
20 A. Revenue Receipts



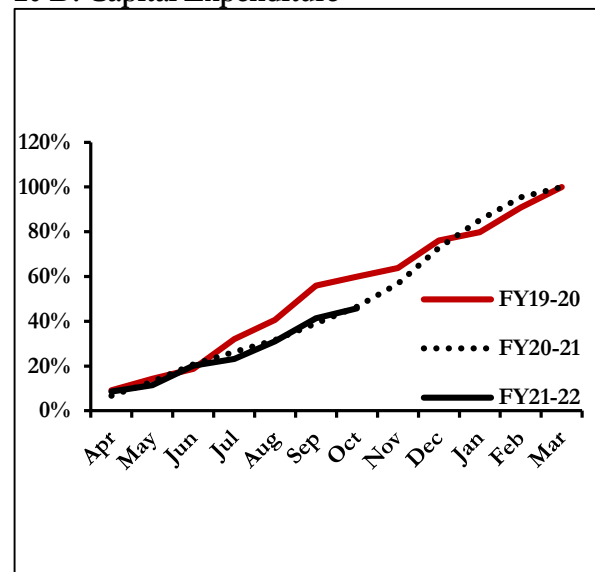
20 B. Total Expenditure



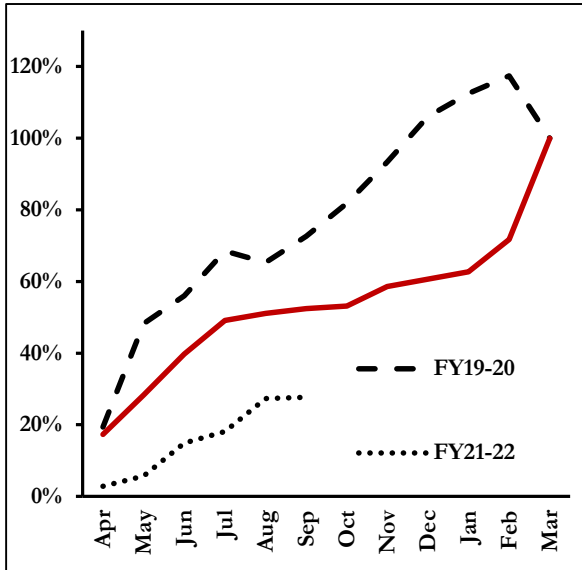
20 C. Revenue Expenditure



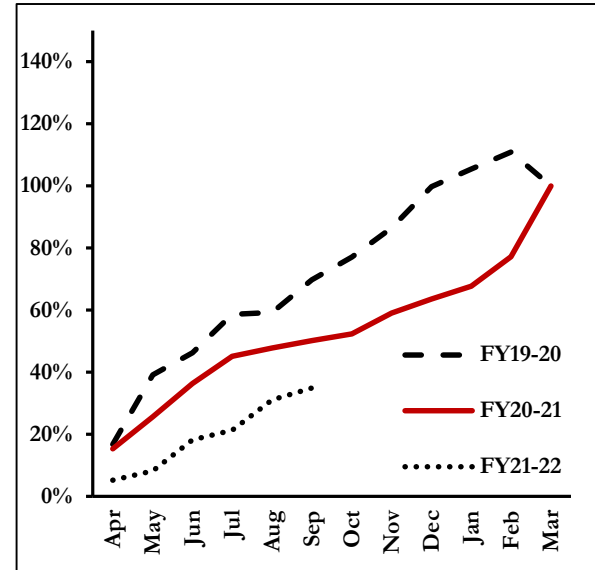
20 D. Capital Expenditure



20 E. Revenue Deficit



20 F. Fiscal Deficit

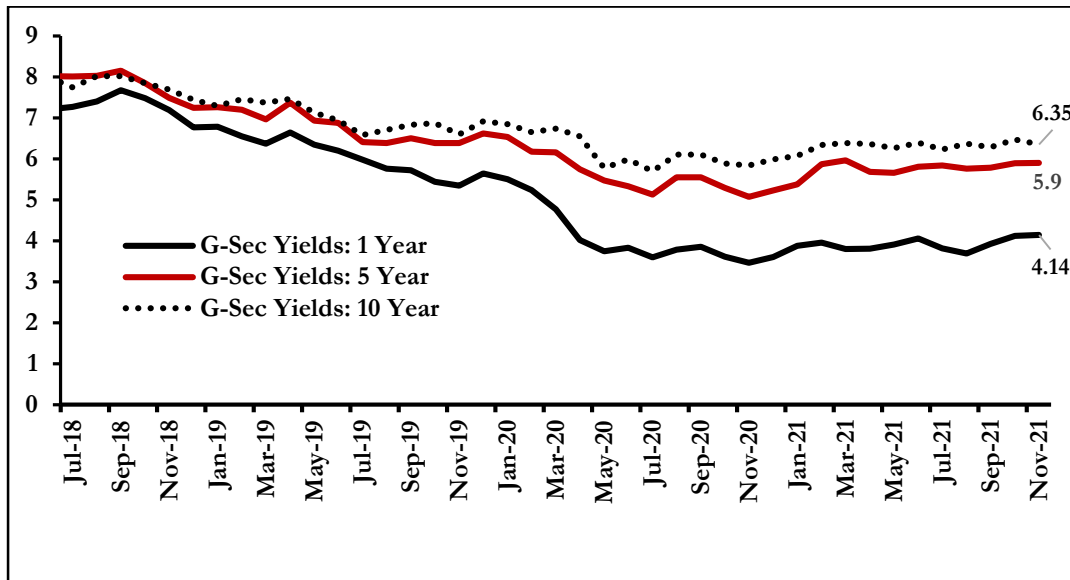


Sources: NSA, Union Budget, Haver Analytics, Authors' calculations.

Note: FY 2021-22 values have been calculated using Budget estimates as the basis. All other years use actual year-end values as the basis.

Government bond yields have declined by 150-300 basis points across tenors over the past three years, including a sharp decline during the early months of COVID. The yields for the 10-year, 5-year and 1-year bonds have stabilised in recent months at 6.4, 5.9, and 4.14 per cent, respectively (Figure 21).

Figure 21: G-Sec Yields

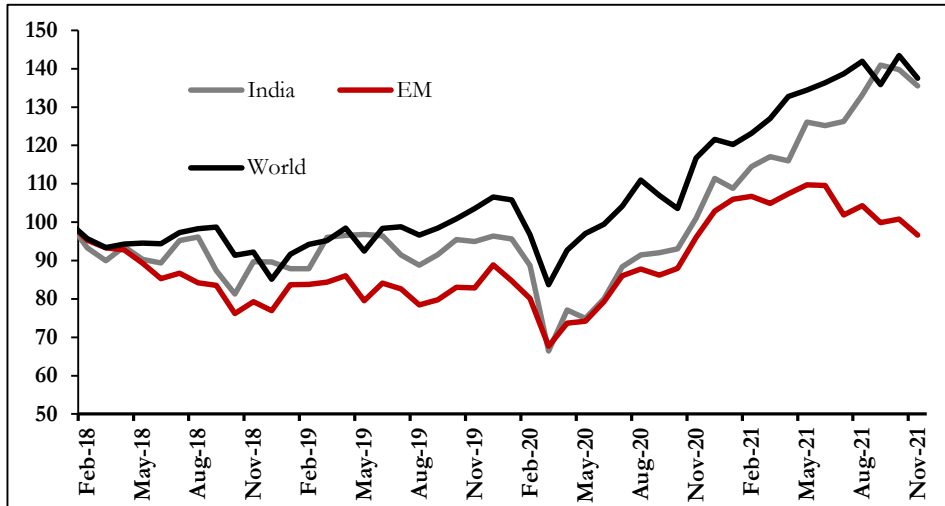


Source: RBI and Clearing Corporation of India Limited.

C. Macro-financial Developments

The BSE Sensex and Nifty 50 corrected in the month of November, as they decreased by nearly 4 per cent compared to the previous month. Equity markets declined globally during the last month. The extent of the correction in India was comparable to that observed in other emerging markets.

Figure 22: Global, Emerging Markets (EM) and India Equity Index



Source: National Stock Exchange of India Limited.

D. Global Overview

Oil prices reached a high of \$ 83 a barrel in October 2021 (Figure 23). They have dropped 13.4 per cent in November 2021 from last month, in light of the resurgence of COVID cases in Europe and expectations of a release of oil reserves from the US and other major Asian oil consumer countries. After dipping during the pandemic, global inflation has been rising. Rising inflation is associated with robust global demand, high energy prices, semi-conductor shortages and bottlenecks in global shipping. US inflation has risen to 6.2 per cent in November 2021 from 5.3 per cent in September 2021.

Figure 23: Brent Crude Oil and Energy Index

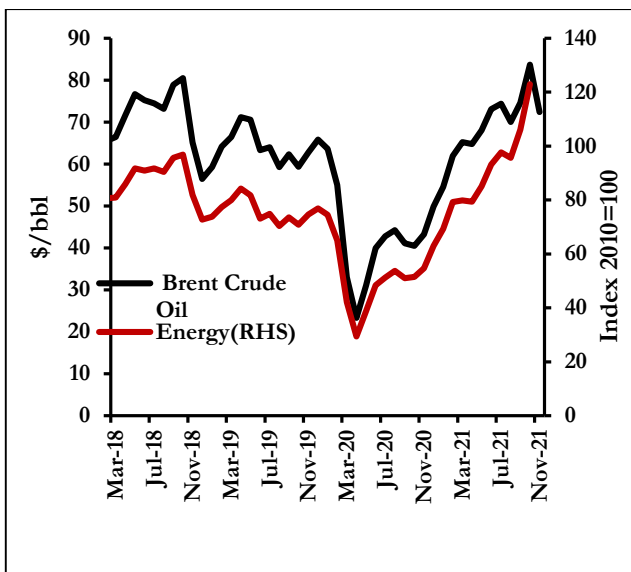
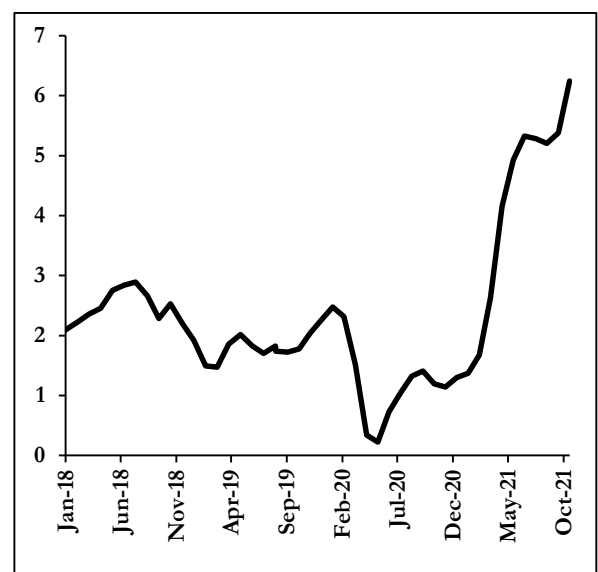


Figure 24: US Inflation



Source: World Bank commodity prices. GMM IMF, GEM database.
Note: Consumer Price Inflation, nominal, seasonally adjusted.



NATIONAL COUNCIL OF APPLIED ECONOMIC RESEARCH

NCAER India Centre 11 Indraprastha Estate, New Delhi 110 002, India.

Tel: +91-11-2345-2698, info@ncaer.org www.ncaer.org

NCAER | Quality . Relevance . Impact