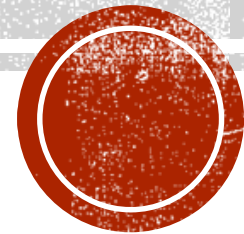


Monthly Review of the Economy

September 2022



This report has been prepared by Ayesha Ahmed and Aditya Gupta, Research Associate and Intern respectively. Comments are welcome at aahmed@ncaer.org. Khushvinder Kaur has helped with formatting. 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.

Monthly Highlights

- RBI MPC raises policy repo rate by another 50 bps with 5-1 majority, taking cumulative rate hike in this cycle to 140 bps. No significant forward guidance given as RBI says it will remain data dependent and liquidity is not too tight.
- The union cabinet approved a policy for long term leasing of railway land for the PM Gati Shakti Programme, which according to government will help set up 300 cargo terminals and generate 1.25 lakh additional jobs. [Union Cabinet approves policy on long-term leasing of Railways' land | Business Standard News \(business-standard.com\)](#)
- With rice sowing lagging by 5 percent year-on-year in mid-September, India imposes 20 percent export duty on rice, excluding the parboiled and basmati rice to ensure sufficient rice stock for Public Distribution System (PDS) and Pradhan Mantri Garib Kalyan Yojana (PMGKY). [India imposes 20% export duty on rice - The Economic Times \(indiatimes.com\)](#)
- CPI inflation in August 2022 increased to 7.0 percent (6.7 percent in July) led mainly by upsurge in food prices.
- India's April-June fiscal deficit at Rs 3.4 lakh crore, touches 20.5 percent of annual target against 21.3 percent a year ago, reflecting improvement in public finance. [India's April-June fiscal deficit at Rs 3.4 lakh crore, touches 20.5% of annual target | The Financial Express](#)
- [India ranks 132 out of 191 in Human Development Index - The Hindu BusinessLine](#)



Macro Monitor – Economic recovery mixed in September 2022

- India's services PMI improved to 57.2 in August 2022 from 55.5 in July 2022. PMI manufacturing moderated slightly but remained in the expansion zone. Services activity has now moved ahead of the manufacturing index, raising the composite PMI to 58.2 in Aug 2022, from 56.6 in July (Figure 1).
- Goods and Service Tax (GST) collections rose to Rs 1.43 lakh crore in August 2022, sequentially lower than the previous month but 28.2 percent higher vis-à-vis August 2021 (Figure 2).
- Index of Industrial Production (IIP) contracted sequentially in July 2022, after seven straight months of expansion. The index is currently 6 percent above pre-pandemic levels (of January 2020), versus being 14 percent higher last month (Figure 3).
- India's core sector growth dipped to 4.5 percent in July 2022, down from 9.9 percent in July 2021 (Figure 4).

Figure 1: PMI Indices

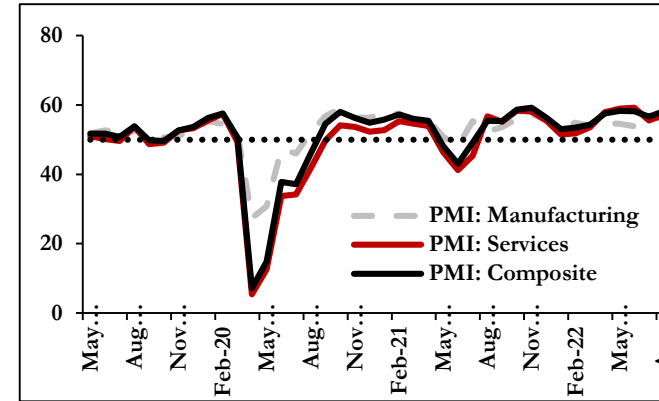


Figure 2: GST Revenue

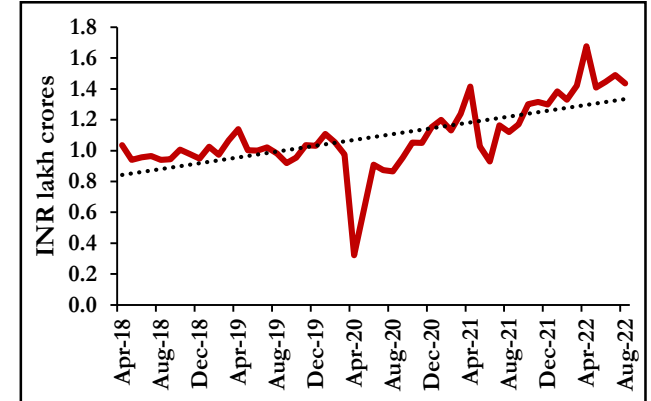


Figure 3: Index of Industrial Production

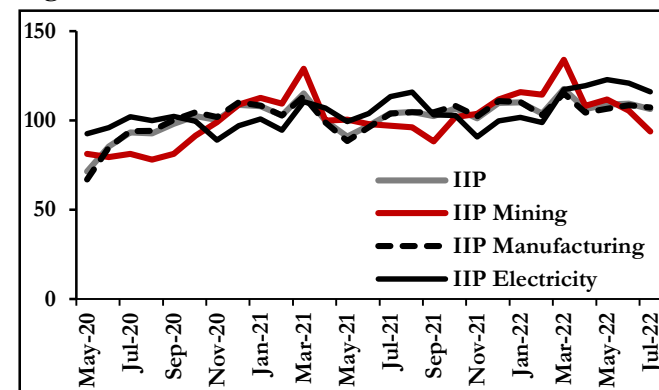
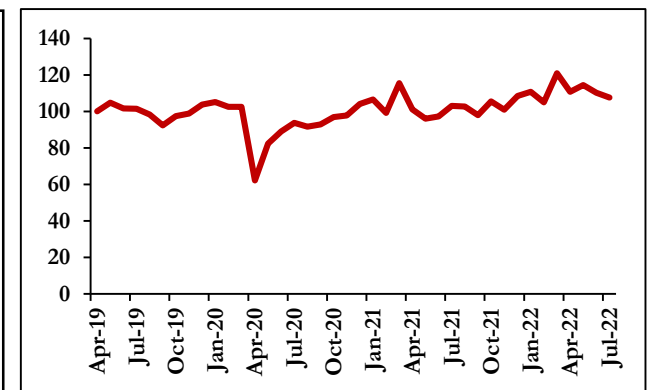


Figure 4: Index for Core Industries



Source: IHS Markit; GSTN, Ministry of Finance; MoSPI; Ministry of Commerce and Industry.
 Note: Figures 3 & 4 are indexed to April 2019 = 100. All growth rates are on y-o-y basis unless mentioned otherwise.



Paddy affected in rain deficit states; demand showing recovery

- Despite cumulative rainfall surplus of 6 percent above normal (till end-September, 2022), spatial and temporal distribution remains a drag. Six of the 36 meteorological sub-divisions have received cumulative rainfall that is deficient. These include West as well as East Uttar Pradesh, Bihar, Jharkhand and West Bengal, besides the North-eastern region (Figures 5 & 6).
- Fuel demand gained momentum in the month of August 2022 after falling in the preceding month. Petroleum consumption grew at 16.3 percent year-on-year reflecting recovery in urban demand (Figure 8).
- The Unified Payment Interface (UPI) saw 6.57 billion transactions in volume, amounting to Rs 10.72 trillion in value, up 4.62 percent sequentially in terms of volume. [UPI processes over 6.5 billion transactions in August worth Rs 10.72 trn | Business Standard News \(business-standard.com\)](#)

Figure 5: Daily rainfall (mm)

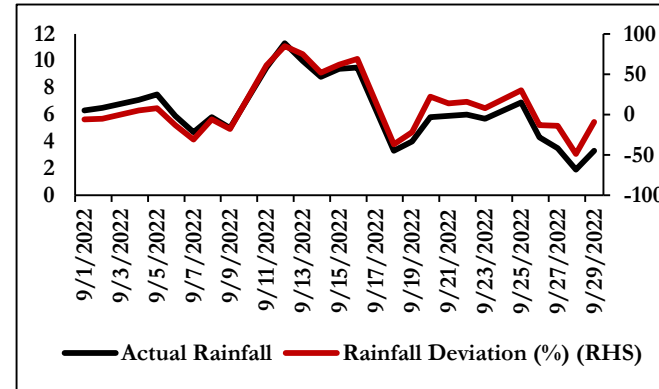


Figure 6: Cumulative rainfall (mm)

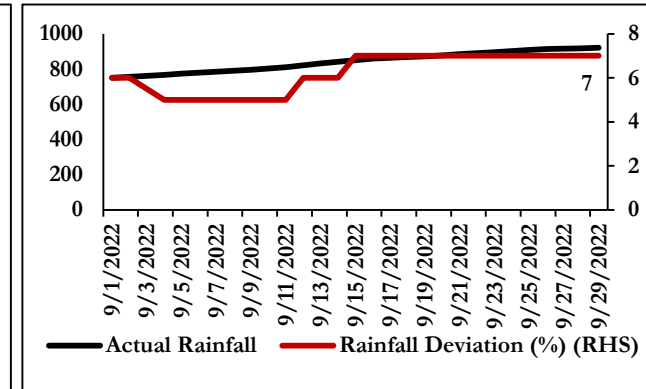


Figure 7: Rail Freight (Million Tn) and Passenger (Mn)

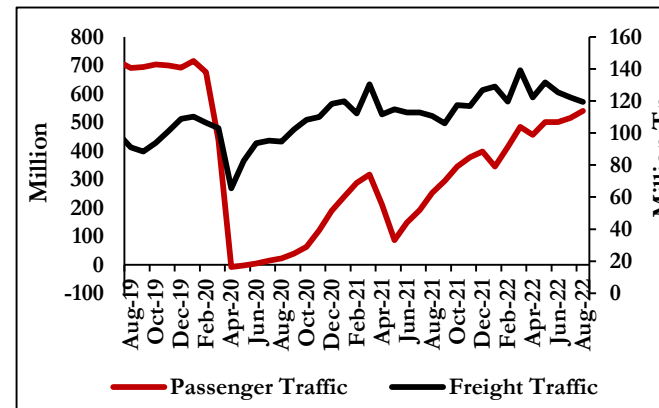
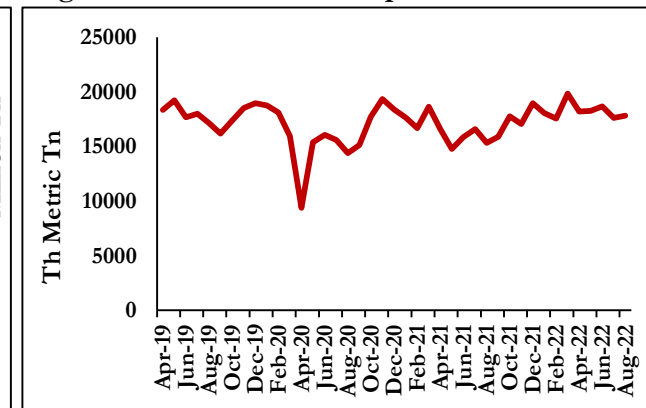


Figure 8: Petroleum consumption



Source: Indian Meteorological Department; Indian Railways; Petroleum Planning and Analysis Cell



Trade deficit shrinks a tad; CAD in Q1:2022-23 at 2.8% of GDP

- India's trade deficit shrunk to USD 28.7 billion in August 2022, down from USD 30 billion in July 2022 but remained wide. Exports weakened in the month of August 2022 growing at a rate of 1.6 percent year on year as compared to exports in July 2022 which grew at 2.1 percent. Year-on-year imports growth rate also fell in the month of August 2022 as compared to the previous month July 2022 (Figure 9).
- Services exports went up by 20.2 percent to USD 23.6 billion in July 2022 vis-à-vis July 2021. However, a month ago services exports were higher at USD 25.29 billion. Services imports for the month of July increased by 22.3 percent to USD 13.92 billion (Figure 10).
- Foreign Direct Investment (FDI) equity inflows for the 1st quarter of FY 2022-23 contracted by 6 percent to USD 16.58 billion from USD 17.56 billion in the year ago period. Singapore was the largest source of FDI followed by Mauritius and UAE. [FDI equity inflows shrink 6% in Apr-Jun - The Economic Times \(indiatimes.com\)](https://economictimes.indiatimes.com/markets/foreign-direct-investment/india-foreign-direct-investment-equity-inflows-shrink-6-in-apr-jun/articleshow/9545447.cms)
- India's current account deficit (CAD) to GDP ratio widened to 2.8% in Q1:2022-23 from 1.5% in Q4:2021-22 and a surplus of 0.9 percent in Q1:2021-23.

Figure 9: Merchandise Trade

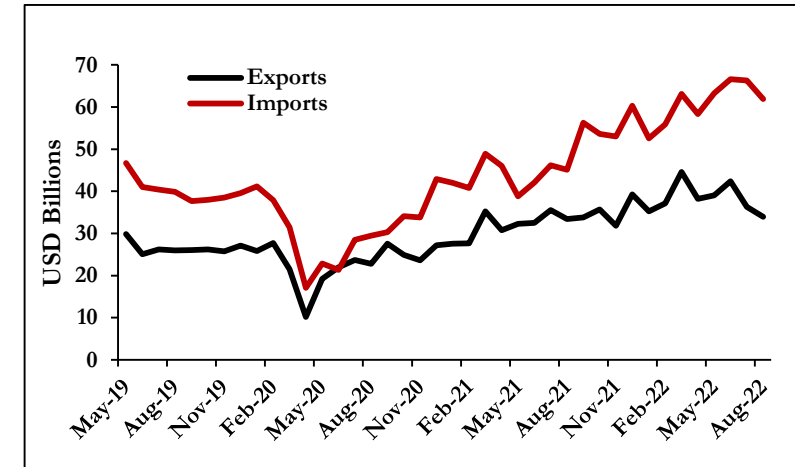
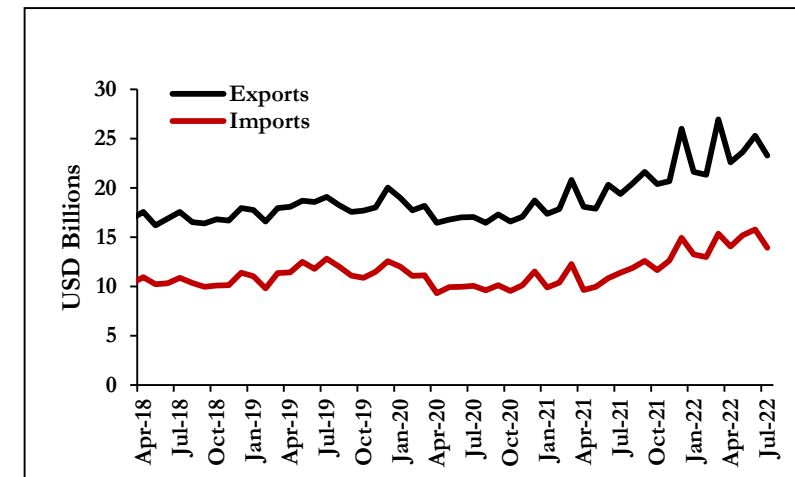


Figure 10: Services Trade



Source: Ministry of Commerce and Industry.



Inflation inches higher due to rise in food inflation

- CPI headline inflation touched the 7 percent mark again in August 2022, led by a sharp rise in select food items especially cereals. Core inflation remained elevated at 6.2 percent in August 2022 vis-à-vis August 2021. Food inflation grew at 7.6 percent in August 2022 from 6.7 percent in July 2022 due to uneven progression of monsoon in the country (Figure 11).
- Wholesale price inflation continued to moderate, in line with falling global commodity prices, slowing to 12.4 percent year-over-year in August 2022 from 13.9 percent in July 2022 (Figure 12).
- US and European importers of merchandise like bags, apparel and jewellery are asking their Indian suppliers to ship cheaper products, as the purchasing power of inflation-battered consumers in those markets has declined. [High inflation impact: US, European buyers look for cheaper goods - The Economic Times \(indiatimes.com\)](#)

Figure 11: Consumer Price Indices inflation rates

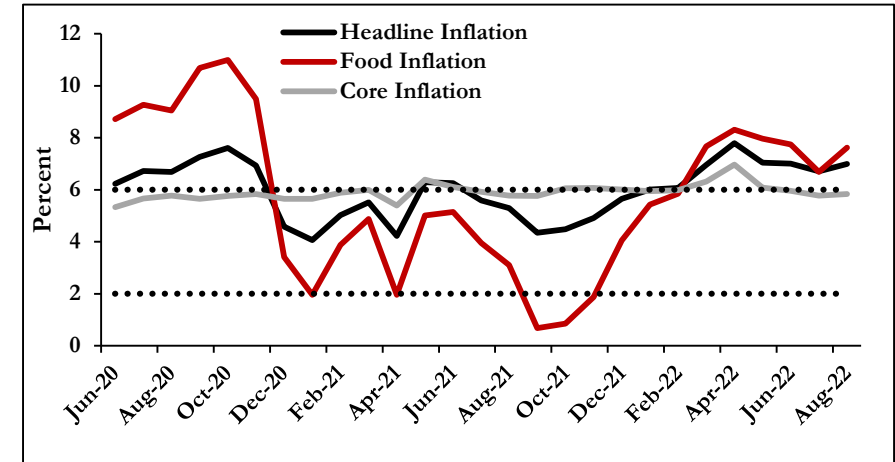
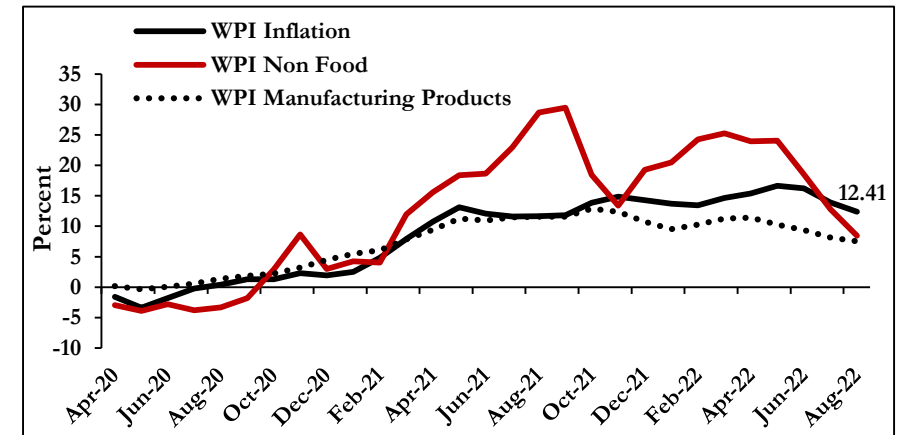


Figure 12: Wholesale Price Index inflation rate



Source: Central Statistics Office; Ministry of Commerce and Industry



Unemployment rate rises despite uptick in online hiring; decline in NREGA demand

- Data from Centre for Monitoring Indian Economy (CMIE) showed an increase in rural and total unemployment rate from last month, largely due to erratic rainfall impacting sowing activities which contributed to unemployment in rural India. Urban employment rate rose from 8.2 percent in July to 9.6 percent in August 2022 (Figure 13). India's unemployment rate shot up to 8.3 percent in August 2022 compared to August 2021, which is the highest in the last 12 months (Figure 13).
- Hiring activity in India remained stable with 6 percent year-on-year growth in August 2022 as indicated by Naukri JobSpeak Index which stood at 2828. The growth in hiring was driven by the insurance sector which grew by more than 87 percent in August 2022 vis-à-vis August 2021 (Figure 14).
- Demand for work under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) fell sharply in August 2022 and inched closer to pre-Covid levels. [MGNREGS demand drops closer to pre-Covid levels - The Economic Times \(indiatimes.com\)](#)
- [EPFO adds 1.8 mn subscribers in July, posts 24% YoY rise, shows data | Business Standard News \(business-standard.com\)](#)

Figure 13: Unemployment rate

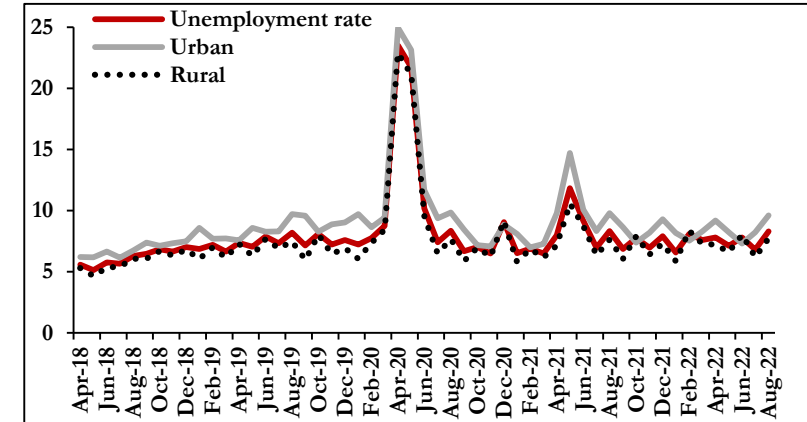
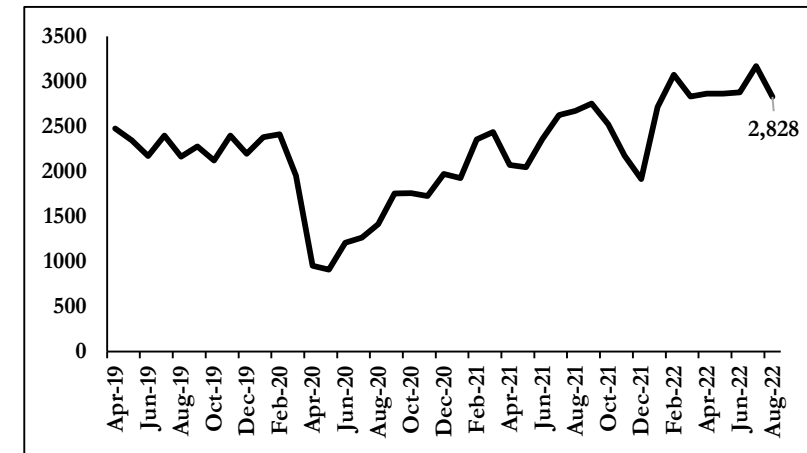


Figure 14: Naukri JobSpeak Index



Source : Centre for Monitoring Indian Economy; Ministry of Rural Development; Naukri Job Speak Report (September 2022)



Oil prices below \$100/barrel; rupee depreciation continues

- Softening crude oil prices are seen as a big positive for the domestic market, considering India is a major importer of the commodity. Brent crude oil prices as of 30th September 2022 stood at USD 88.6 per barrel (Figure 15).
- As of 30th September 2022, Indian rupee was trading at near 81.55 per dollar (Figure 16) as Emerging Market currencies came under renewed pressure after FOMC raised is projected path of policy rates. Rupee depreciation has however, trailed dollar appreciation against major currencies and also many other EMs due to heavy interventions by RBI.
- Foreign exchange reserves have continued to fall since May 2022 due to RBI's intervention in the foreign exchange market to curb excessive volatility in rupee. As of 23rd September 2022, foreign reserves were at USD 537.5 billion (Figure 17).

Figure 15: Brent crude-oil Price

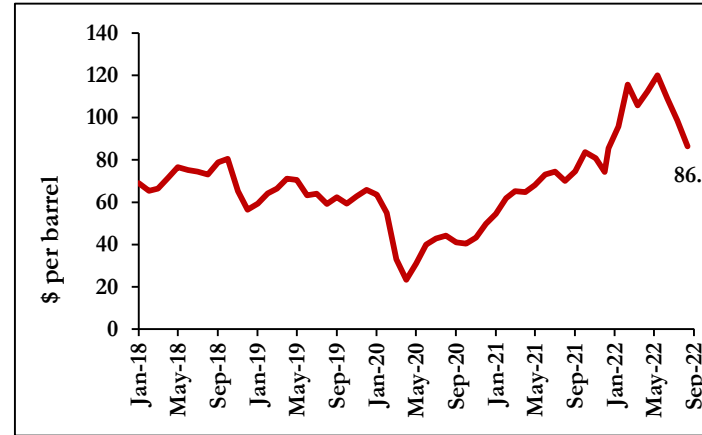


Figure 16: Exchange Rate

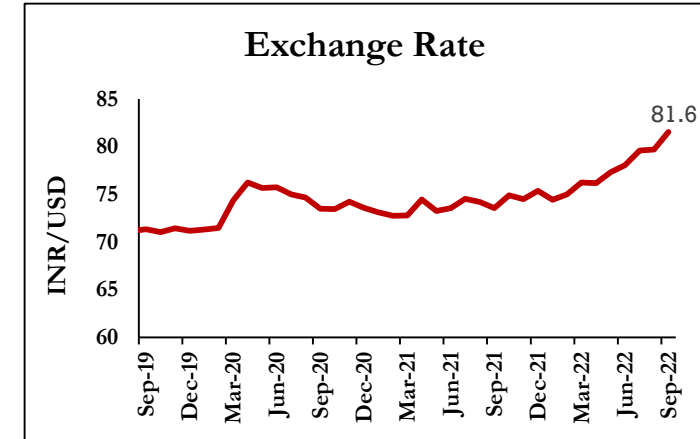
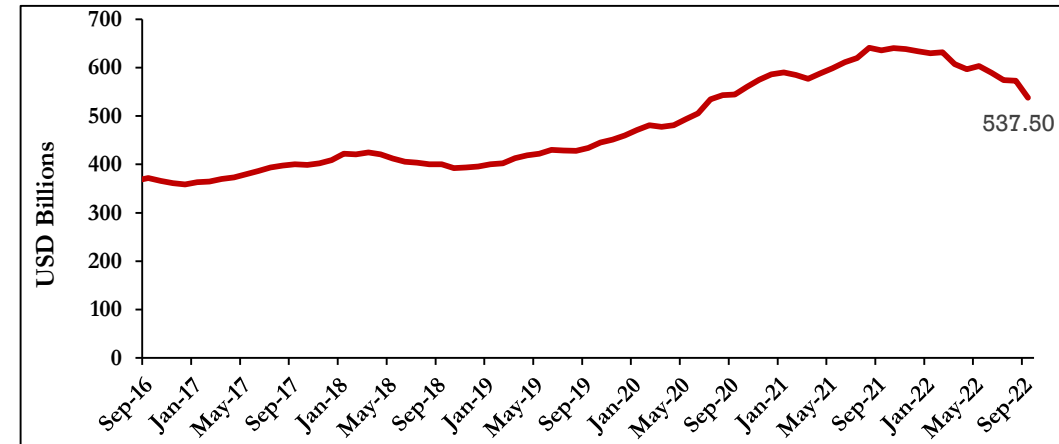


Figure 17: Foreign Exchange Reserves



Source: Global Markets Monitor, International Monetary Fund; Reserve Bank of India.

Note: Data for figures 15 and 16 in the panel is as of 30th September 2022. Data for figure 17 is available up till 23rd September 2022.



Financial markets remain volatile

- Globally, several central banks have hiked policy rates aggressively to curb inflationary pressures. As a result, financial markets have remained volatile. British pound traded at a historic low against USD and fund outflows from emerging markets accelerated in September 2022. [Normal \(imfconnect.org\)](https://www.imfconnect.org)
- BSE Sensex and NSE Nifty 50 remained resilient with a positive momentum in August 2022. However, it has shown some moderation in September 2022, especially in second fortnight (Figure 18).
- Investor sentiments have turned bearish in September 2022. After a net inflow in August 2022, net foreign portfolio investments in equity have again turned negative in September 2022.
- Yields on T-bills and government securities increased in the month of September compared to August 2022 reflecting a 'higher for longer' central bank policy rate perception. Bonds rallied momentarily on H2 auction calendar that has no surprise. (Figure 20).

Figure 18: Indian Equity Markets

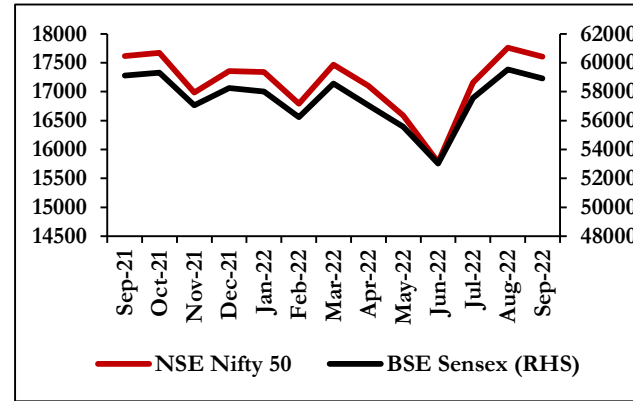


Figure 19: Foreign Portfolio Investment

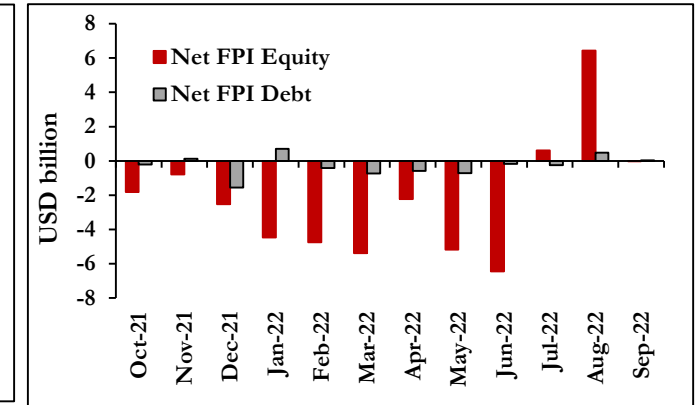
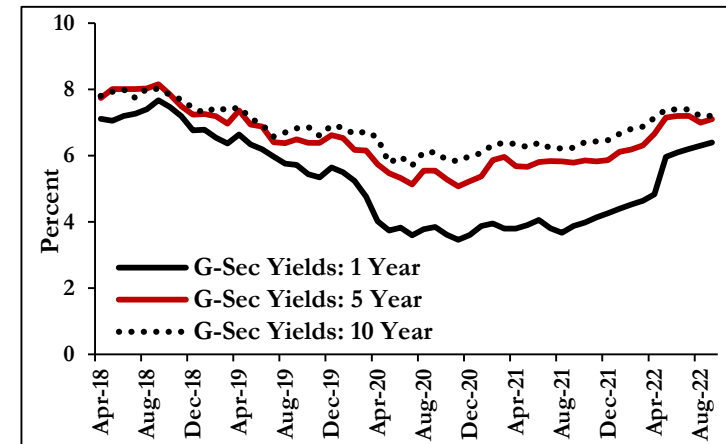


Figure 20: Yields on Domestic Government-securities



Source: BSE Ltd, NSE Ltd; Global Markets Monitor, IMF; National Securities Depository Limited; Clearing Corporation of India Ltd.
 Note: Data for figures in the panel is up till 29th September 2022.



Heatmap for high-frequency indicators

	Apr-19	Sep-19	Feb-20	Jul-20	Dec-20	May-21	Oct-21	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Agriculture													
Tractor sales (All)	-14.7	0.0	19.6	35.9	41.2	-2.4	3.2	-11.6	38.1	47.7	-10.9	-12.2	-1.0
Fertilizer Sales (Urea)	8.8	24.4	8.5	9.5	-34.9	-9.8	-31.1	50.4	64.8	17.3	5.5	14.4	15.0
Industry													
IIP (mining)	107.8	86.4	123.3	87.5	117.3	108.3	109.8	144.4	116.6	120.4	113.7	101.1	
IIP (electricity)	162.9	158.7	153.7	166.3	158.0	161.9	167.3	191.0	194.5	199.9	196.9	188.9	
IIP (manufacturing)	126.2	126.0	134.2	118.5	139.0	111.5	136.4	145.3	131.6	134.5	136.9	135.2	
PMI (manufacturing)		51.4	54.5	46.0	56.4	50.8	55.9	54.0	54.7	54.6	53.9	56.4	56.2
PMI (services)		48.7	57.5	34.2	52.3	46.4	58.4	53.6	57.9	58.9	59.2	55.5	57.2
Auto sales (domestic passenger vehicles)	-17.1	-26.5	-12.3	-3.9	13.6	-61.2	-16.7	106.7		648.4	161.1	60.8	30.2
Natural gas production	-0.3	-4.3	-8.8	-10.1	-7.1	0.0	14.2	19.5	30.8	26.7	21.0	18.0	
Crude steel production	4.3	-0.5	0.2	-8.4	9.6	-4.3	11.9	37.4	213.2	70.2	28.8	15.8	12.7
Electricity production	5.7	-1.2	11.7	-3.7	4.5	-9.3	15.3	29.8	56.2	32.4	26.8	14.4	19.3
Crude oil production	-6.7	-5.4	-6.4	-4.9	-3.6	-12.9	-8.3	-6.4	-3.0	-2.0	-3.5	-6.9	
Services													
Air passenger traffic – all airports	-5.4	0.2	7.2	-83.9	-50.4	-84.6	-33.6	44.2	95.3	502.4	288.1	127.4	
Cargo traffic	5.7	1.4	1.4	-18.0	-8.7	2.4	0.4	7.0	5.5	7.2	9.2	10.6	10.1
Foreign tourist arrival	4.0	4.4	-6.6	-98.5	-92.6	-96.8	-80.8	4.3	13833.7	11156.7	5985.4	4964.1	
NPCI retail payments - volume	67.7	60.6	54.8	21.6	43.7	87.3	133.6	194.1	220.2	222.0	184.7	192.5	
Trade													
Exports- non oil	-2.9	-4.5	2.2	-3.4	6.0	54.4	30.1	9.9	17.4	13.1	11.1	0.8	-1.8
Import – non oil non gold	-8.1	-14.5	-9.7	-24.5	9.7	41.7	40.2	35.4	34.4	31.7	38.3	42.9	40.6
NEER (trade weighted 40 currencies)	-1.1	2.8	1.6	-6.5	-4.6	-1.2	-1.8	-2.4	1.2	0.1	-0.4	-0.6	-1.0
Gross FDI	1.7	-26.2	22.4	-17.8	26.5	208.1	-15.3	51.9	32.9	-34.5	31.5	42.1	
Net FPI (USD million)	-202.3	-132.2	-25.1	-204.0	2396.2	-73.5	-155.7	-379.7	149.7	1735.2	-469.6	-124.1	218.3
Fiscal													
GST: E-way bills	87.6	8.9	14.3	-7.3	15.9	56.8	14.5	9.7	28.0	84.1	36.2	17.8	18.7
Monetary and Financial Markets													
Non food credit	13.1	8.7	6.9	6.3	6.2	11.7	13.0	14.7	16.9	18.4	19.6	20.9	22.5
Non food credit outstanding – personal loans	19.2	18.9	20.7	15.0	9.8	29.0	21.4	24.2	28.6	31.2	32.5	33.0	



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

