

Monthly Review of the Economy

March 2023



This report has been prepared by Aakansha Atal, Research Associate at NCAER. Comments are welcome at aatal@ncaer.org. Anupma Mehta has provided editorial guidance and Khushvinder Kaur has helped with formatting. 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.

Monthly Highlights

- Inflation remains persistent in advanced economies. In US it slightly moderated to 6.0 per cent and in UK it increased to 10.4 per cent in February 2023, from 6.4 per cent and 10.1 per cent respectively in January 2023. The Federal Reserve raised the policy rate by 0.25 percentage points on 22 March 2023 with a target range between 4.75-5 per cent.
- As per the Second Advanced Estimates (SAEs) released by the National Statistics Office (NSO), India's real Gross Domestic Product (GDP) and real Gross Value Added (GVA) are projected to grow at 7.0 per cent and 6.6 per cent, respectively, in FY2022-23.
- According to quarterly estimates for the Third Quarter (Q3) of FY2022-23, real GDP and GVA grew at 4.4 per cent and 4.6 per cent, respectively. The services sector grew by 9.4 per cent, the agriculture sector grew by 3.7 per cent, and industry grew by 2.4 per cent.
- High-frequency indicators reveal that the domestic economy has remained resilient. The Purchasing Manager's Index (PMI) for both manufacturing and services showed an expansionary momentum; GST collections remained buoyant; the demand for tractors and two-wheelers has been strong, and growth in bank credit remained robust. Inflationary pressure remained elevated in February 2023 on account of cereals, milk and milk products, prepared meals and snacks, and spices. India's foreign exchange reserves increased sequentially, and the rupee strengthened against the dollar. The merchandise trade deficit narrowed and services trade surplus increased in February 2023. The unemployment rate, as per the all-India CMIE, increased sequentially; however, the urban CMIE unemployment rate registered a decline.
- Yields on 10-year government securities in India remained flat; foreign portfolio investments too remained flat; and Indian equity markets declined in February 2023.

Global Updates and Data Releases

- The Federal Open Market Committee increased the federal funds rate by a modest 0.25 percentage points in February 2023, targeting a range of 4.75-5.0 percentage points. [Fed rate hike decision March 2023: \(cnbc.com\)](#)
- Inflation in the US moderated to 6.0 per cent and in Japan to 3.3 per cent in February 2023, from 6.4 per cent and 4.3 per cent, respectively, in January 2023. UK's inflation increased to 10.4 per cent in February 2023 from 10.1 per cent in January 2023 (Figure 1).
- China has set an economic growth target of around 5 per cent for the year 2023, lower than last year's target of 5.5 per cent. Compared to China's GDP growth rate of 4.4 per cent, the IMF projected that India's GDP will expand by 6.1 per cent for 2023 (Figure 2). [A resilient India, but growth pangs for China - The Hindu](#)
- The amount of corporate debt in distress has increased to \$624 billion globally followed by the collapse of three regional banks in US (Silicon Valley Bank, Silvergate Corporation, and Signature Bank) and Switzerland's Credit Suisse, which was later taken over by the Swiss investment bank, UBS Group AG. These subsequent events have jolted the stock market, especially the banking stocks across the globe. [Source - Bloomberg](#)

Figure 1: Headline Inflation in Advanced Economies

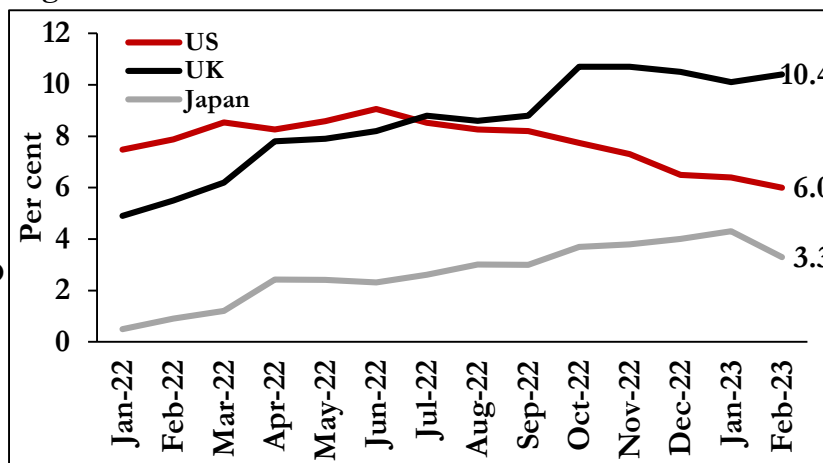
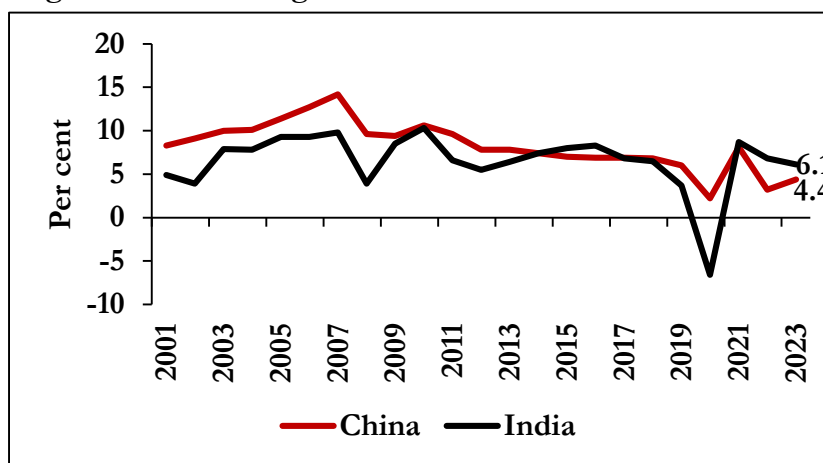


Figure 2: Real GDP growth rate



Source: US Bureau of Labor Statistics; Office for National Statistics; Statistics Bureau (Figure 1); Federal Reserve (Table 1), International Monetary Fund (Figure 2).

Table 1: US Policy Rates 2022	
1 st January	0.25
1 st February	0.25
16 th March	0.50
1 st April	0.50
4 th May	1.00
15 th June	1.75
27 th July	2.5
1 st August	2.5
21 st September	3.25
2 nd November	4.00
14 th December	4.50
1 st February	4.75
22 nd March	5.00

Second Advanced Estimates of India's GDP for FY2022-23 showed that all GDP components have well surpassed the pre-pandemic levels

- As per the Second Advanced Estimates (SAEs), India's real GDP is estimated to grow by 7.0 per cent in FY2022-23 (Figure 3).
- In comparison to the levels for components of GDP in FY2019-20, all components are anticipated to surpass their pre-pandemic levels in FY2022-23 (Figure 4).
- India's real GVA is expected to grow at 6.6 per cent in FY2022-23. Agriculture is estimated to grow at 3.3 per cent while the estimated growth in manufacturing is put at 0.6 per cent. Services in trade, hotels, transport, communication and services related to broadcasting is expected to record a double-digit growth of 14.2 per cent (Figure 5).

Figure 3: Real GDP and components growth rate for FY2022-23 SAEs

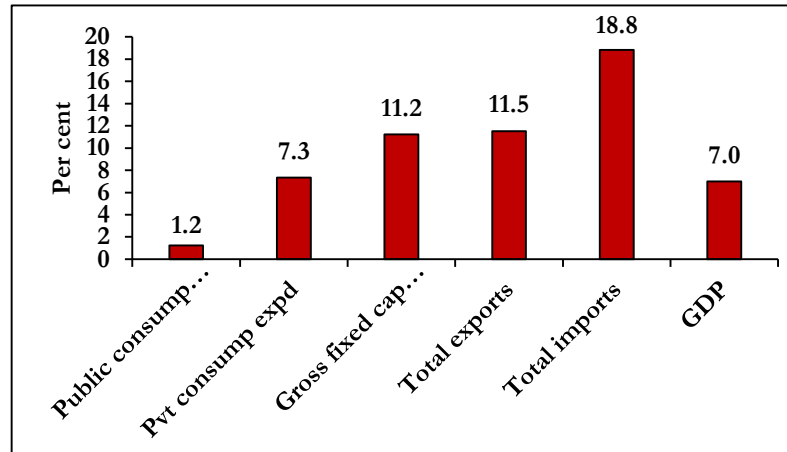


Figure 4: GDP level comparison for SAEs

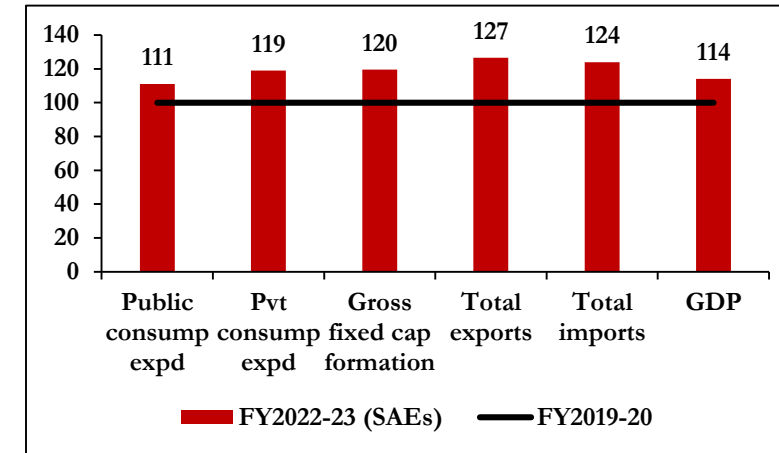
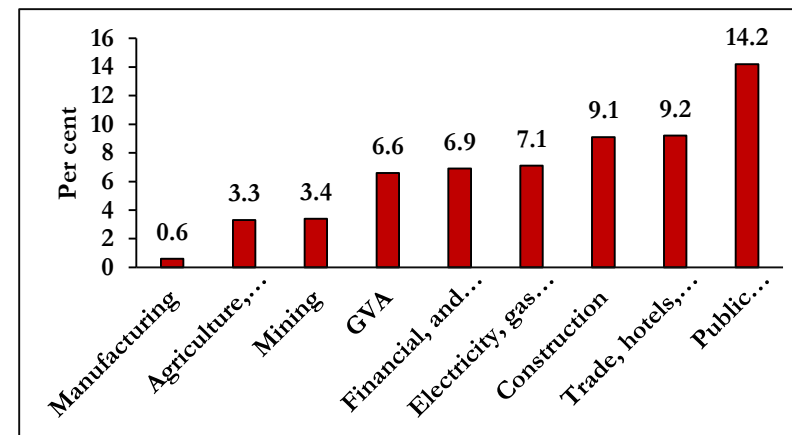


Figure 5: GVA and components growth rate for FY2022-23 SAEs



Source :Ministry of Statistics and Programme Implementation (Figures 3, 4 and 5)

Note: For Figure 4, for the level comparison between FY22-23 and FY 2019-20, the aggregates level for GDP and its components for FY2019-20 are indexed at 100.

As per the Third Quarter (Q3) 2022-23 estimates of GDP data released for India – Services sector recorded high growth

- As per the quarterly data release, India's real GDP (at constant prices) in Q3 FY2022-23 grew at 4.4 per cent (Figure 6).
- In comparison to the levels for components of GDP in Q3 FY2019-20, all components of the economy have surpassed the pre-pandemic levels in Q3 FY2022-23 (Figure 7).
- In Q3 FY2022-23, GVA growth was 4.6 per cent. The services sector grew by 9.4 per cent and the manufacturing sector registered a contraction of 1.1 per cent on a year-over-year basis (Figure 8).

Figure 6: Real GDP and components growth rate

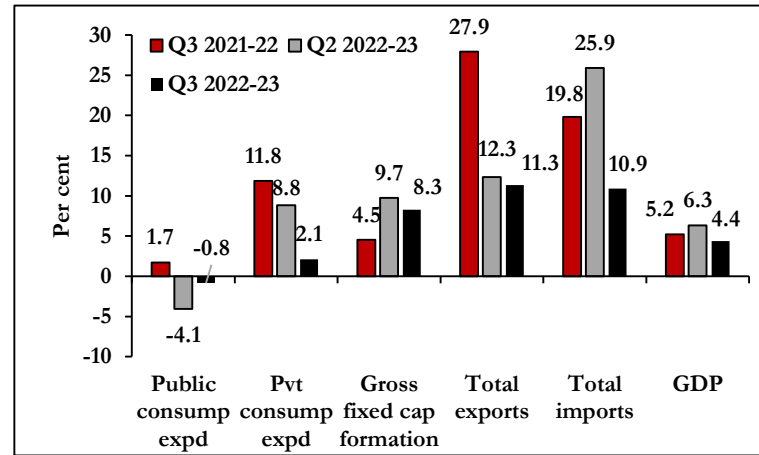


Figure 7: GDP level comparison

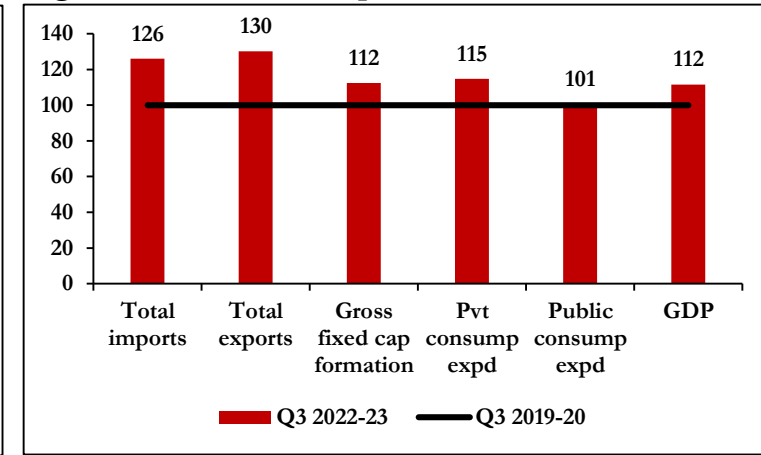
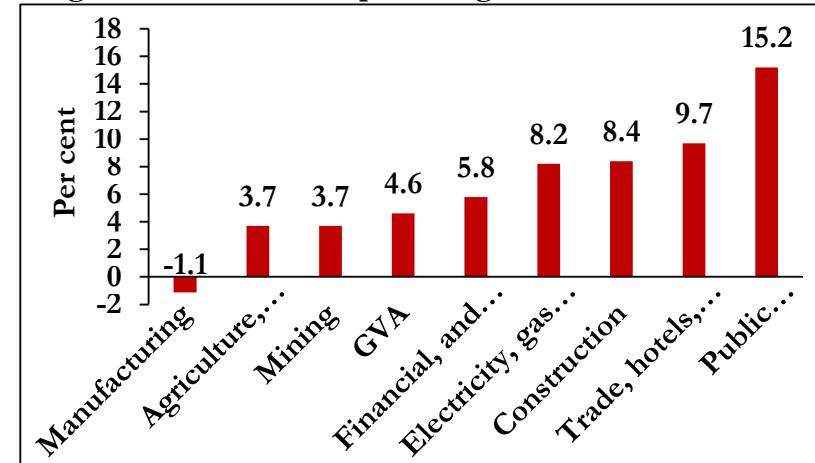


Figure 8: GVA and components growth rate



Source : Ministry of Statistics and Programme Implementation (Figures 6, 7 and 8)

Note: In Figure 7, for the level comparison between Q3 2022-23 and Q3 2019-20, the aggregates level for GDP and its components for Q3 2019-20 are indexed at 100. Growth rates were computed individually for all key sectors, viz. Agriculture, Services, and Industry.

The Indian economy remained resilient; PMI reflected an expansionary momentum; IIP also registered growth

- The Purchasing Manager's Index (PMI) for manufacturing activity continued to reflect an expansionary momentum with a value of 55.3 in February 2023, changing slightly from the value of 55.4 in January 2023. The PMI for services expanded to a level of 59.4 in February 2023 as opposed to 57.2 in January 2023 (Figure 9). [India's manufacturing PMI down to of 55.3 in February | The Indian Express](#)
- The Index of Industrial Production (IIP) rose by 5.2 per cent in January 2023, on a year-over-year basis (Figure 10). The value of IIP stands at 146.5 in January 2023 as opposed to 139.3 in January 2022.
- The combined Index of Eight Core Industries (IIP Core) increased by 7.8 per cent in January 2023 on a year-over-year basis (Figure 10). The value of IIP (eight core) stands at 156.0 in January 2023 as opposed to 144.8 in January 2022.

Figure 9: PMI Indices

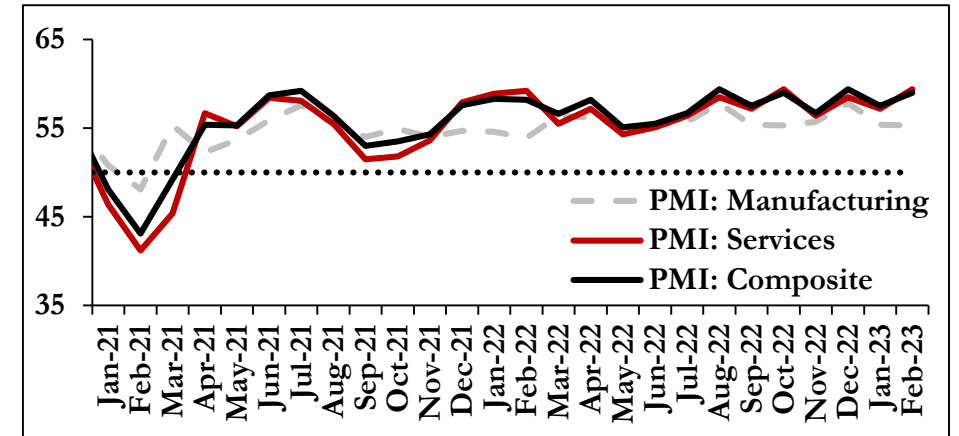
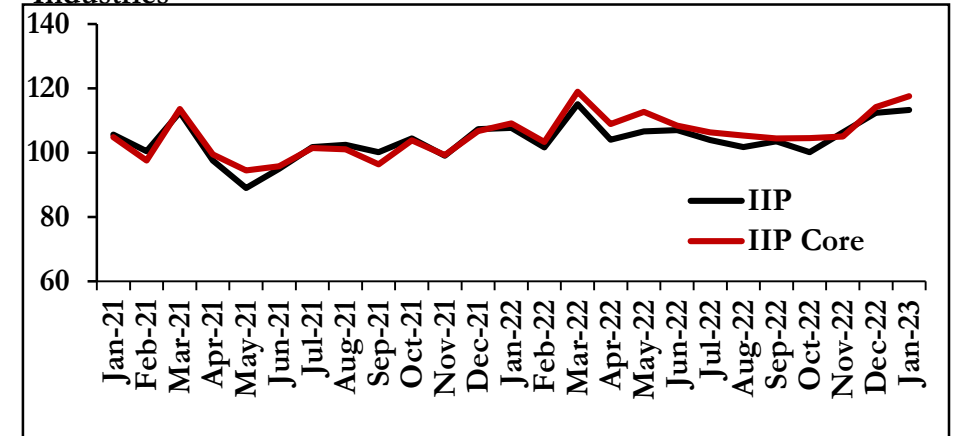


Figure 10: Index of Industrial Production (IIP) and IIP for Core Industries



Source: IHS Markit (Figure 9); Ministry of Statistics and Programme Implementation, Government of India (Figure 10).

Note: For Figure 10, series are indexed to June 2019 =100.

Collections of GST revenue and E-Way bills remained buoyant

- Goods and Service Tax (GST) collections increased to Rs. 1.5 lakh crore in February 2023 as compared to Rs. 1.3 lakh crore in February 2022, registering a year-over-year growth of 12.0 per cent (Figure 11). [GST collections rise 12% to Rs 1.49 lakh crore in February: Finance Ministry | Business News, The Indian Express](#)
- The collection of GST E-way bills remained consistent with the total reaching Rs. 8.2 lakh crore, marking a growth of 18.4 per cent year-over-year in February 2023. However, sequentially E-way bill collections registered a moderating trend since January 2023, reaching a value of 8.18 crore in February 2023, as opposed to 8.24 crore in January 2023, preceded by a value of 8.41 crore in December 2022 (Figure 12).
- Gross tax revenue collection increased by 13.5 per cent year-over-year in January 2023 (Figure 13).

Figure 11: GST Revenue

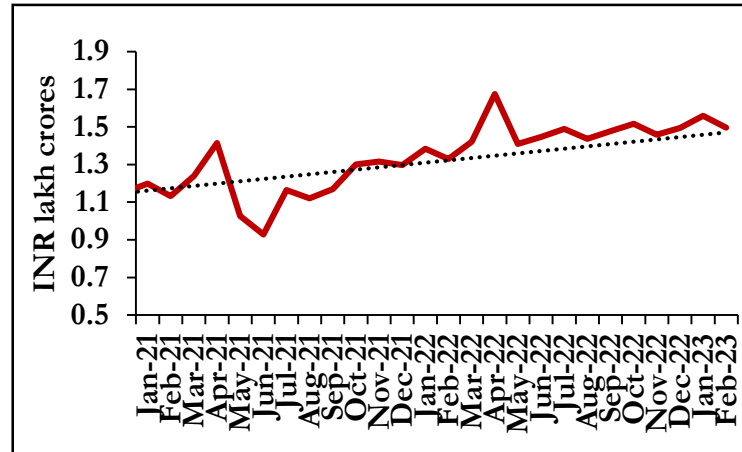


Figure 12: GST E-Way Bills

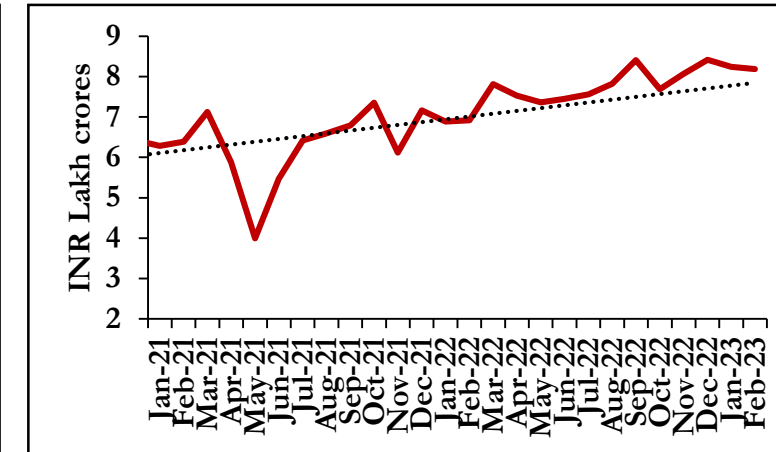
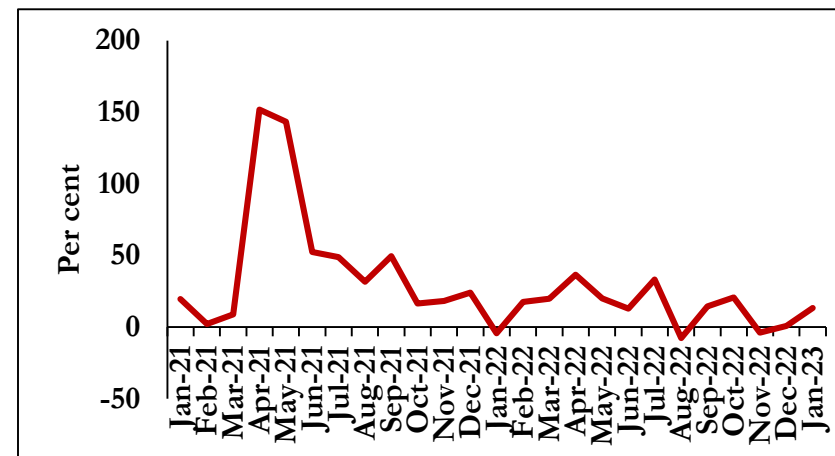


Figure 13: Gross Tax Revenue Growth



Source: Goods and Services Tax Network, GSTN (Figures 11, 12); Controller General of Accounts (Figure 13).

Farm tractor and automobile sales continued to grow on a yearly basis

- In February 2023, the production of tractors increased by 34.2 per cent year-over-year to 0.8 lakhs from 0.6 lakhs, while the sales of tractors increased by 11.8 per cent year-over-year to 0.7 lakhs from 0.6 lakhs (Figure 14).
- The sales of two-wheelers increased by 8.8 per cent year-over-year, and recorded a sales value of 11.3 lakhs in February 2023 as opposed to 10.4 lakhs in February 2022 (Figure 15).
- In February 2023, India's retail automobile sales increased by 16.0 per cent on a year-over-year basis. [Retail vehicle sales up 16% in February 2023, festivals seen driving March 2023: FADA - The Hindu](#)

Figure 14: Farm Tractor Production and Sales

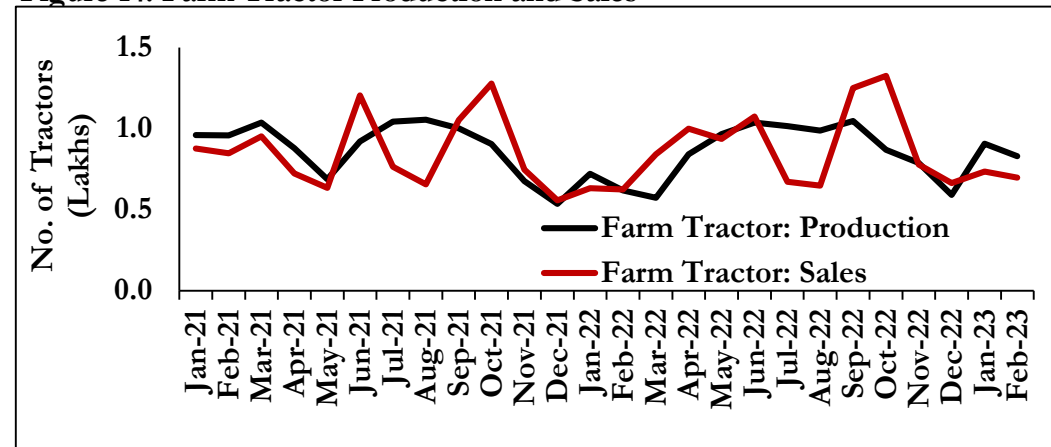
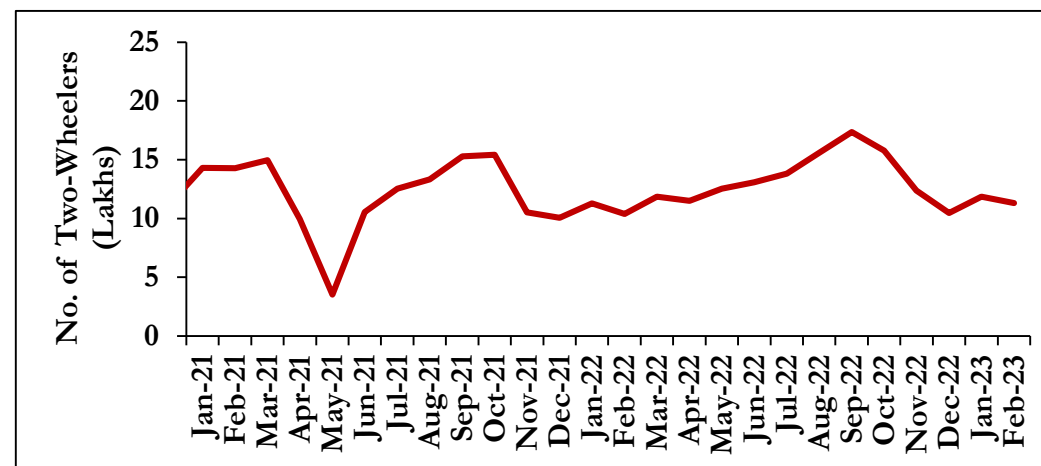


Figure 15: Automobile Sales: Two-wheelers

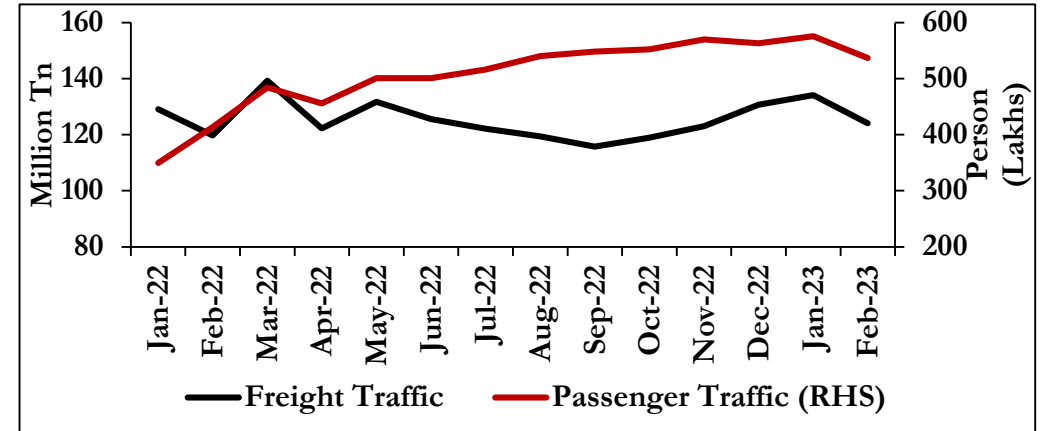


Source: Tractor and Mechanization Association (Figure 14); Society of Indian Automobile Manufacturers (Figure 15).

Railway traffic showed continued momentum; air passenger traffic increased

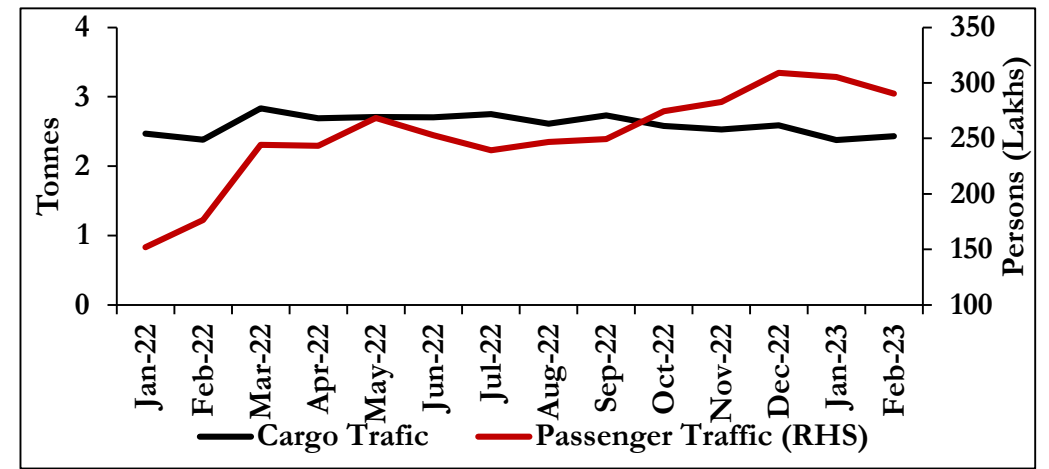
- Rail passenger traffic increased by 29.8 per cent in February 2023 year-over-year and recorded a value of 536.7 lakh persons as compared to a corresponding value of 413.6 lakh persons in February 2022. An originating freight loading of 124.0 million tonnes was recorded in February 2023 as compared to 119.8 million tonnes in February 2022, recording a year-over-year growth of 3.6 per cent (Figure 16).
- Air passenger traffic increased by 64.4 per cent in February 2023 year-over-year, and recorded a value of 290.3 lakh persons as opposed to a value of 176.6 lakh persons in February 2022, whereas air cargo traffic registered a year-over-year growth of 2.1 per cent in February 2023, recording a value of 2.43 tonnes as compared to a corresponding value of 2.38 tonnes in February 2022 (Figure 17).

Figure 16: Rail Freight and Passenger Traffic



Source: Indian Railways.

Figure 17: Air Passenger Traffic and Cargo Traffic



Source: Airports Authority of India.

Merchandise trade deficit narrowed; services trade surplus increased

- India's merchandise exports decreased to USD 33.9 billion in February 2023 from USD 37.2 billion in February 2022, registering a year-over-year decline of 8.8 per cent. Merchandise imports also decreased in February 2023, and stood at USD 51.3 billion, recording a year-over-year decline of 8.2 per cent. Merchandise trade deficit narrowed to USD 17.4 billion in February 2023 from USD 18.8 billion in February 2022 (Figure 18).
- Services exports increased in February 2023, to touch USD 29.2 billion as compared to USD 21.3 billion in February 2022, recording a year-over-year increase of 36.8 per cent. The import of services stood at USD 14.5 billion in February 2023, recording an increase of 12.2 per cent on a year-over-year basis. The services trade surplus increased, registering a value of USD 14.6 billion in February 2023 as opposed to USD 8.3 billion in February 2022 (Figure 19).

Figure 18: Merchandise Trade

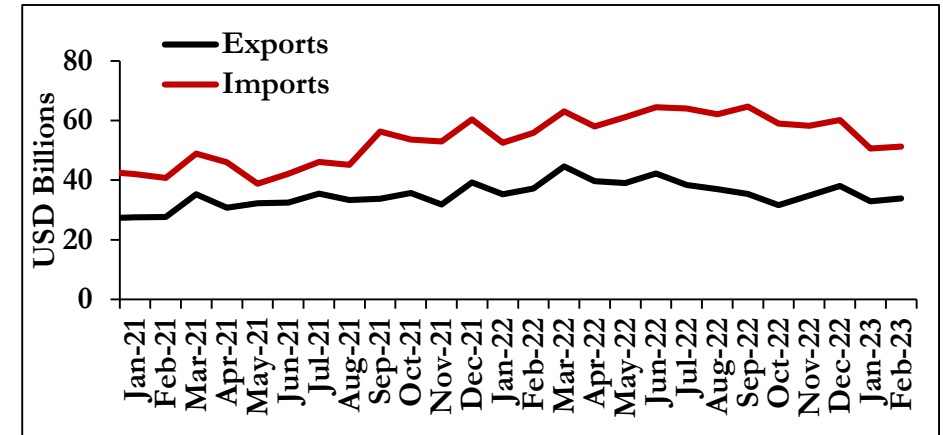
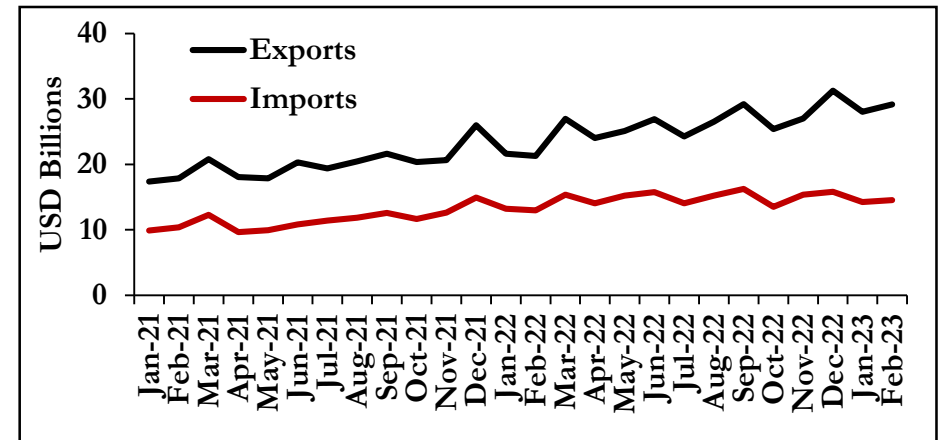


Figure 19: Services Trade



Source: Ministry of Commerce and Industry, Government of India (Figures 18 and 19).

Headline inflation decreased and food inflation remained unchanged

- The Consumer Price Index (CPI) headline inflation for February 2023 decreased sequentially to 6.4 per cent, from 6.5 per cent in January 2023. Core inflation remained consistent at 6.1 per cent in both February 2023 and January 2023 (Figure 20).
- Food inflation also remained unchanged at 6.0 per cent in February 2023 from the corresponding figure in January 2023 (Figure 20). In FY22-23, food inflation contributed 3.2 percentage points to CPI inflation (Figure 21).
- The Wholesale Price-based Inflation (WPI) eased to a 25-month low of 3.9 per cent in February 2023 on a year-over-year basis (Figure 22). [Wholesale inflation eases to 3.85% in February - Hindustan Times](#)

Figure 20: Consumer Price Indices Inflation Rates

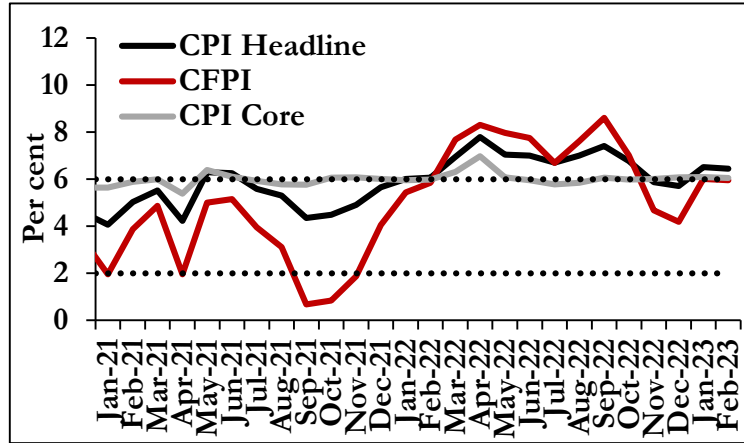


Figure 21: Contribution to Inflation

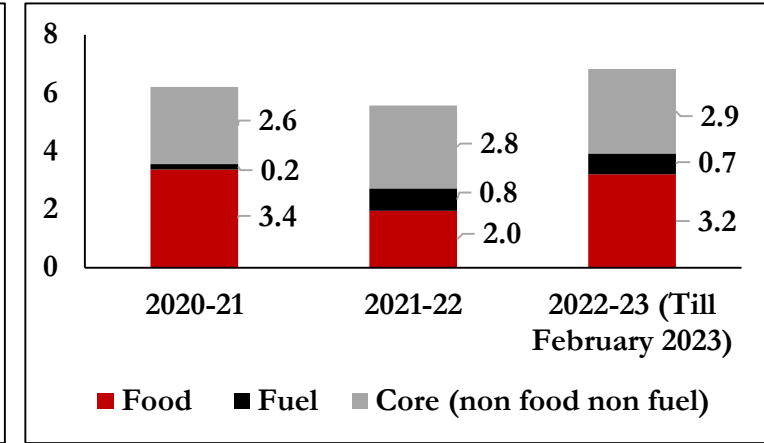
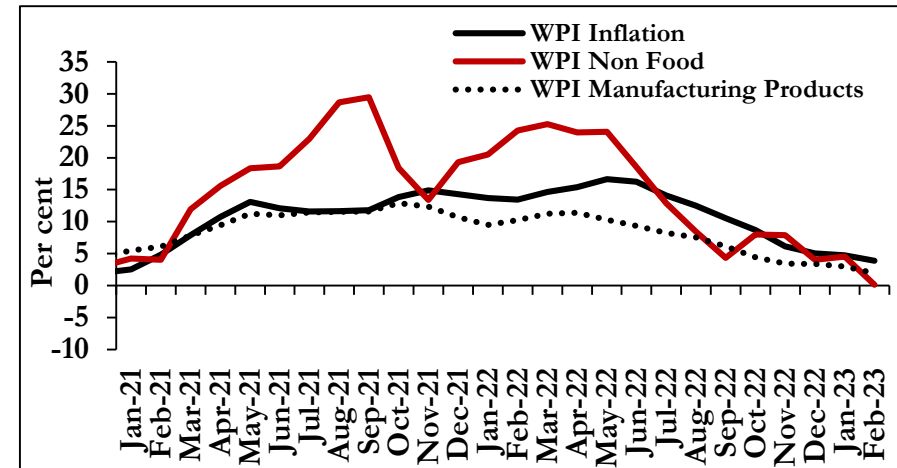


Figure 22: Wholesale Price Index Inflation Rate



Source: Ministry of Statistics and Programme Implementation (Figure 20, 21 and 22).

Growth in bank credit remained robust

- Bank credit to the commercial sector expanded by 14.9 per cent year-over-year in February 2023 (Figure 23).
- In February 2023, expansion in credit remained robust overall in all the three sectors of the economy, registering year-over-year growth of 14.4 per cent in the agriculture sector, 8.7 per cent in industry, and 21.5 per cent in services (Figure 24).

Figure 23: Bank Credit to Commercial Sector (Growth)

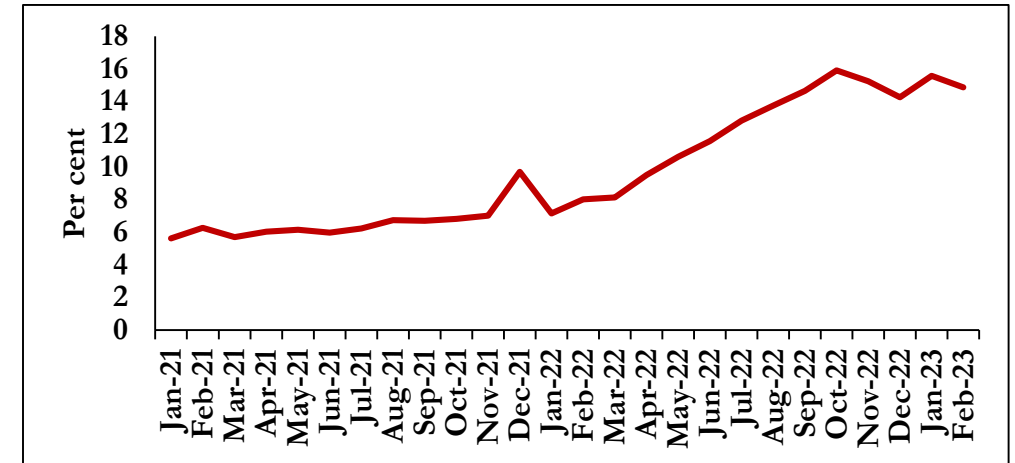
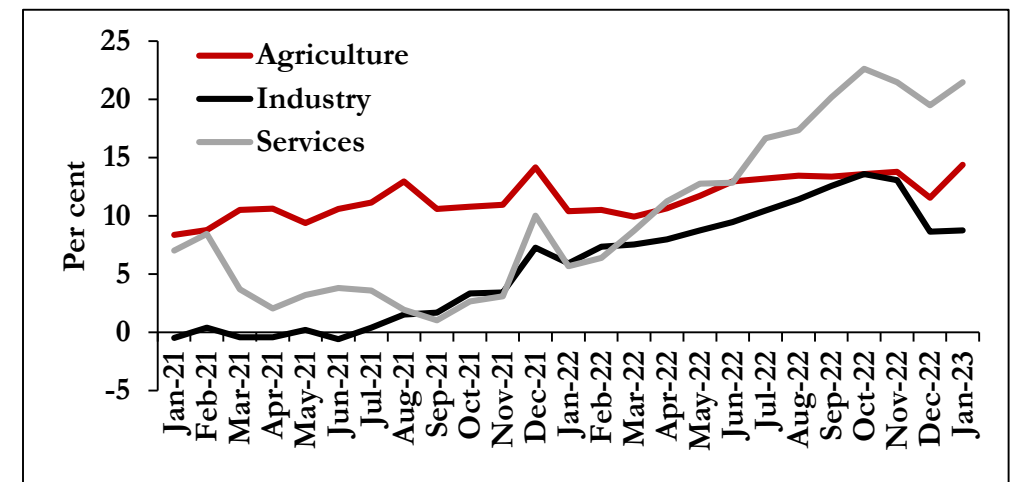


Figure 24: Sectoral Deployment of Credit by Scheduled Commercial Banks (Growth)



Source: Reserve Bank of India (Figures 23 and 24).

Uptick in rural CMIE unemployment rate; rise in online hiring as per Naukri JobSpeak Index

- CMIE data reflects that the all-India unemployment rate increased to 7.5 per cent in February 2023 from 7.1 per cent in January 2023. The urban unemployment rate declined to 7.9 per cent in February 2023 vis-à-vis 8.6 per cent in January 2023. The rural unemployment rate, however, rose to 7.2 per cent in February 2023 as compared to 6.5 per cent in January 2023 (Figure 25).

- Online recruitment activity in India, as reported in the Naukri JobSpeak Index, increased sequentially by 8.9 per cent in February 2023 as compared to January 2023, witnessing a hiring uptick in the IT sector, Real Estate and Hospitality (Figure 26).

[Understanding Hiring Trends With Naukri JobSpeak Report- February 2023](#)

Figure 25: Unemployment Rate

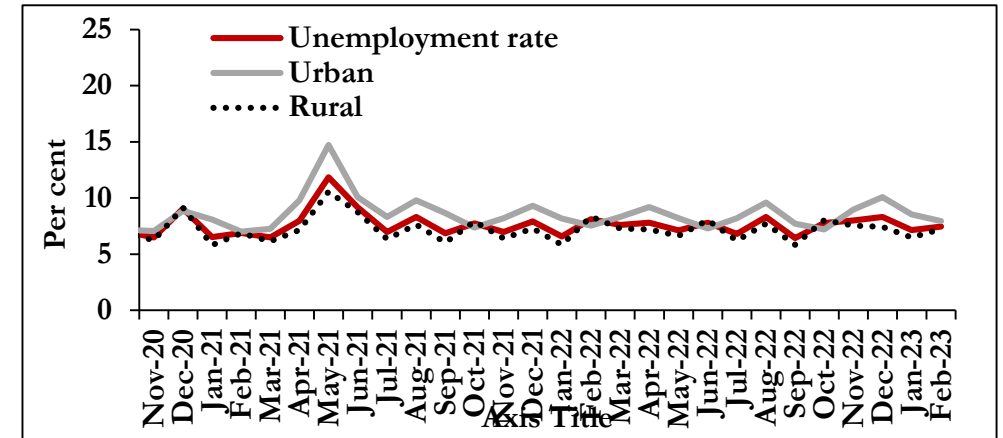
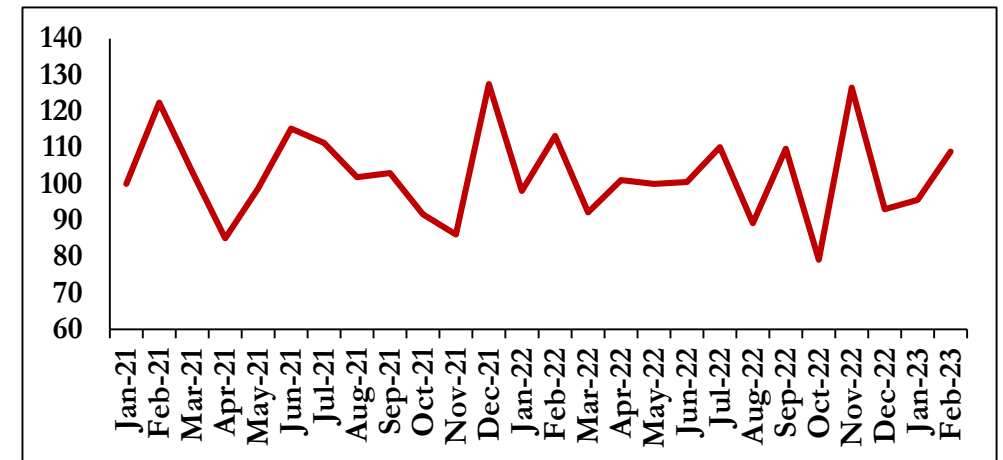


Figure 26: Naukri JobSpeak Index - Overall



Source : Centre for Monitoring Indian Economy (Figure 25); Info Edge (India) Limited (Figure 26).

Demand for jobs under MGNREGA declined; subscribers for EPFO remained consistent

- The number of net new subscribers in Employees' Provident Fund Organisation (EPFO) remained consistent at 12.6 lakh sequentially as compared to last month, and recorded a year-over-year decline of 1.4 per cent in January 2023 vis-à-vis January 2022 (Figure 27).
- In the rural sector, the demand for work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) decelerated by 14.6 per cent year-over-year, recording a value of 262.3 lakh persons in February 2023 as opposed to 307.2 lakh persons in February 2022 (Figure 28).

Figure 27: EPFO Net New Subscribers

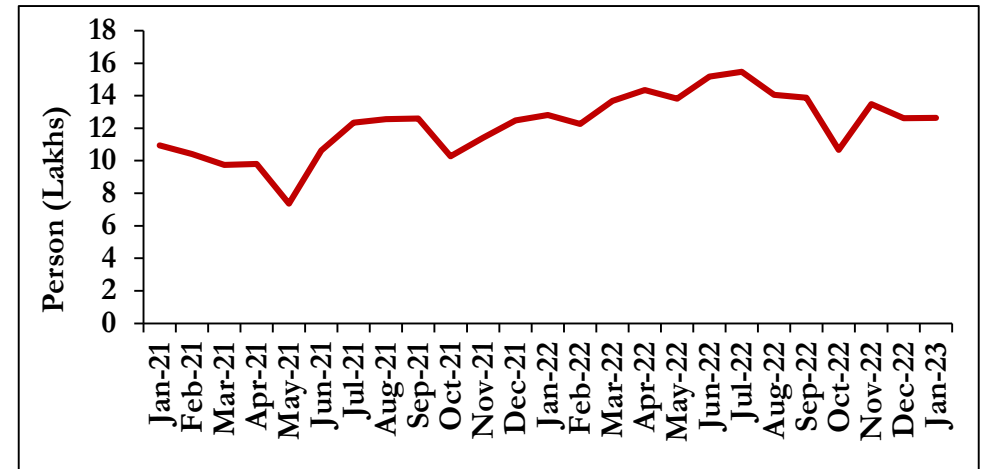
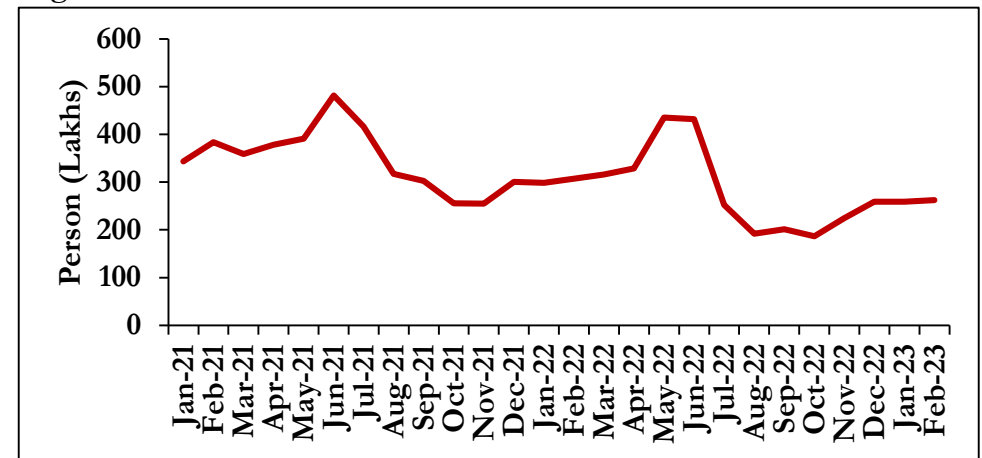


Figure 28: Work Demand under MGNREGA



Source : Employee's Provident Fund Organization (Figure 27); Ministry of Rural Development (Figure 28).

The fiscal outcomes for the current fiscal year remain prudent

- As of January 2023, the fiscal deficit was restrained, reaching 71.7 per cent of the Budget Estimate (BE) for FY22-23 (Figure 29).
- Revenue inflows were buoyant and covered 87.1 per cent of the budget projection in January 2023 for FY22-23 (Figure 30).
- Total expenditure reached 80.3 per cent of the overall Budget Estimate (BE) for FY22-23 in January 2023 (Figure 31).

Figure 29: Fiscal Deficit

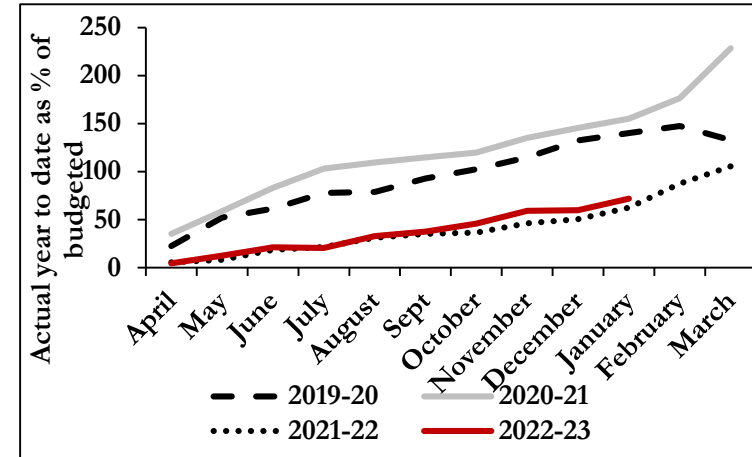


Figure 30: Revenue Receipts

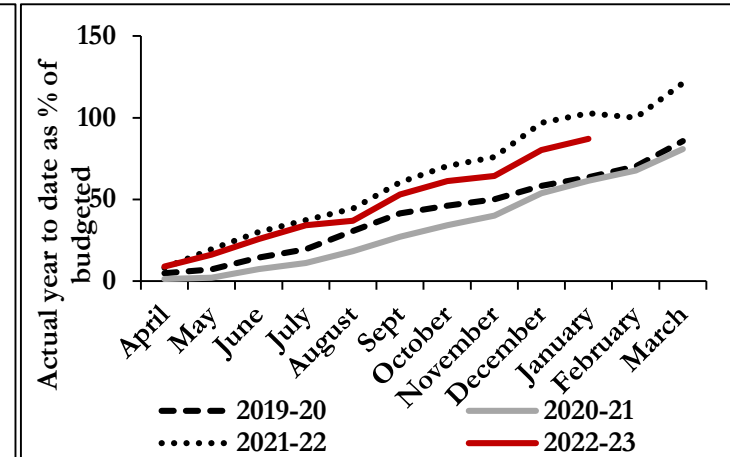
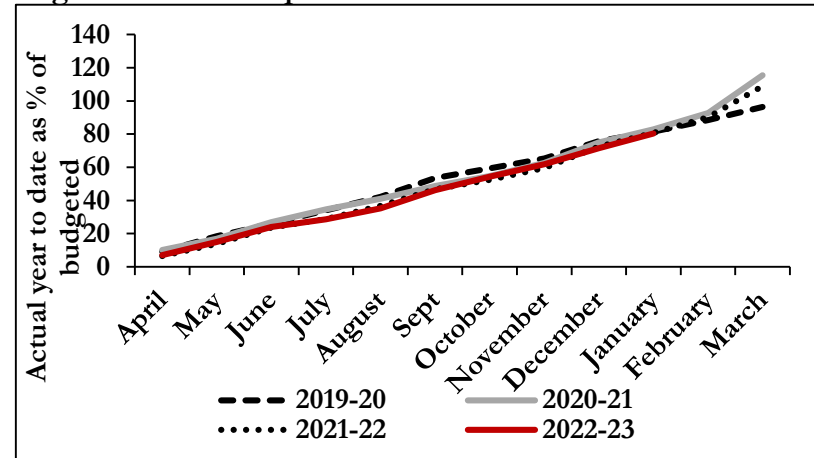


Figure 31: Total Expenditure



Source : Controller General of Accounts (Figures 29, 30 and 31).

Dip in oil prices; the rupee appreciated against the dollar; forex reserves increased

- The price for Brent crude oil decreased to USD 78.3 as of 28 March 2023 as compared to USD 82.7 per barrel at end-February 2023 (Figure 32).
- The rupee appreciated by 0.5 per cent in March 2023. The value of the rupee stood at 82.2 per dollar as of 28 March 2023 (Figure 33).
- Foreign exchange reserves increased by USD 6 billion to USD 573 billion as on 17 March 2023, as compared to 567 billion at the end of February 2023 (Figure 34).

Figure 32: Brent Crude Oil Price

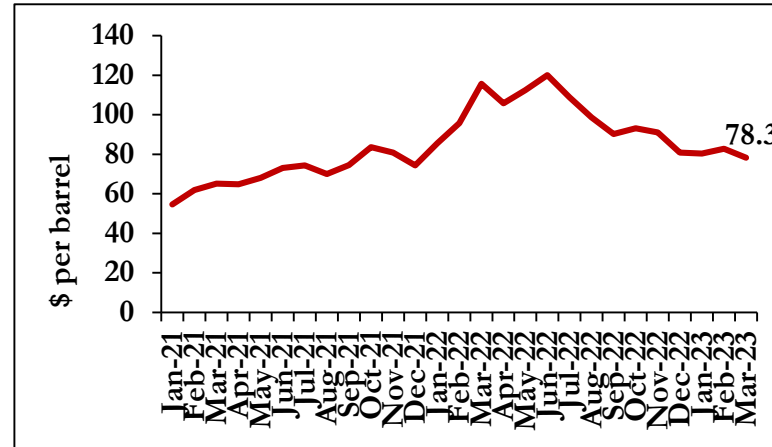


Figure 33: Exchange Rate

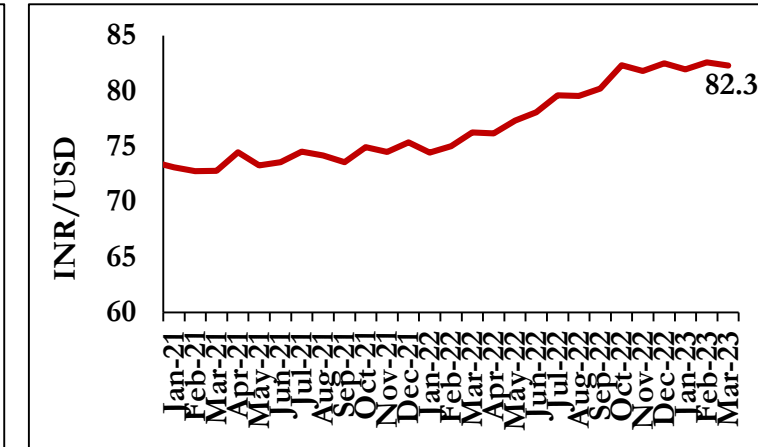
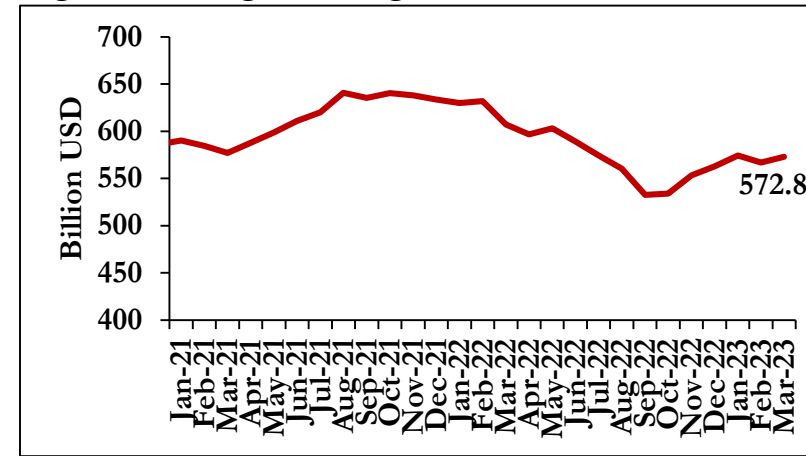


Figure 34: Foreign Exchange Reserves



Source: Global Markets Monitor, International Monetary Fund (Figure 32) and Reserve Bank of India (Figures 33 and 34).

Note: Data for Figure 32 and 33 is as of 28th March 2023, and for Figure 34 is as on 17th March 2023.

Equity markets declined; yields on government debt remained flat

- The Morgan Stanley Capital International (MSCI) Index for India decreased by 3.3 per cent, along with the MSCI Index for the world and emerging markets, which showed declines of 4.0 per cent and 5.4 per cent, respectively, as of 27 March 2023 (Figure 35).
- The yields for Indian government securities remained flat for 1-year, 5-year and 10-year benchmark government security during March 2023, which stood at 7.2 per cent, 7.2 per cent, and 7.3 per cent, respectively, as of 23 March 2023 (Figure 36).

Figure 35: Equity Markets

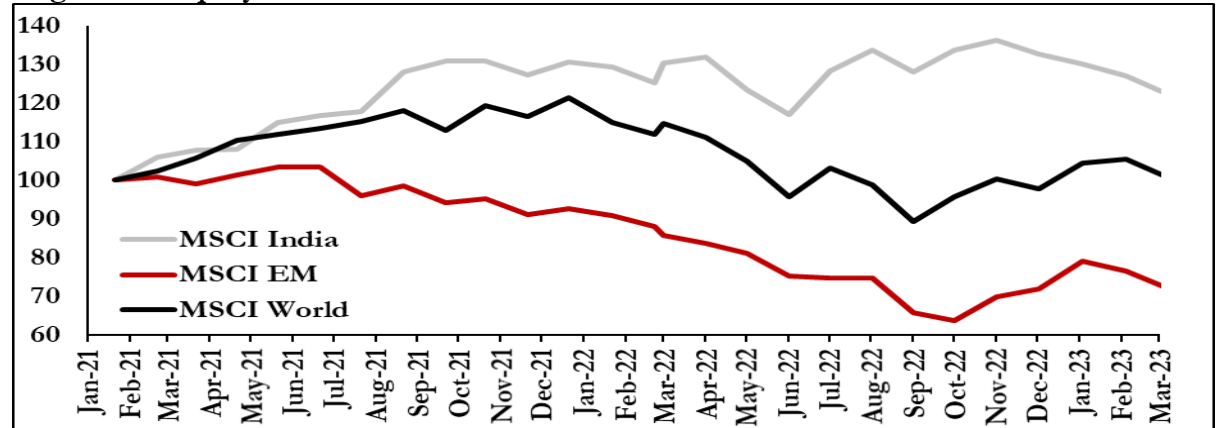
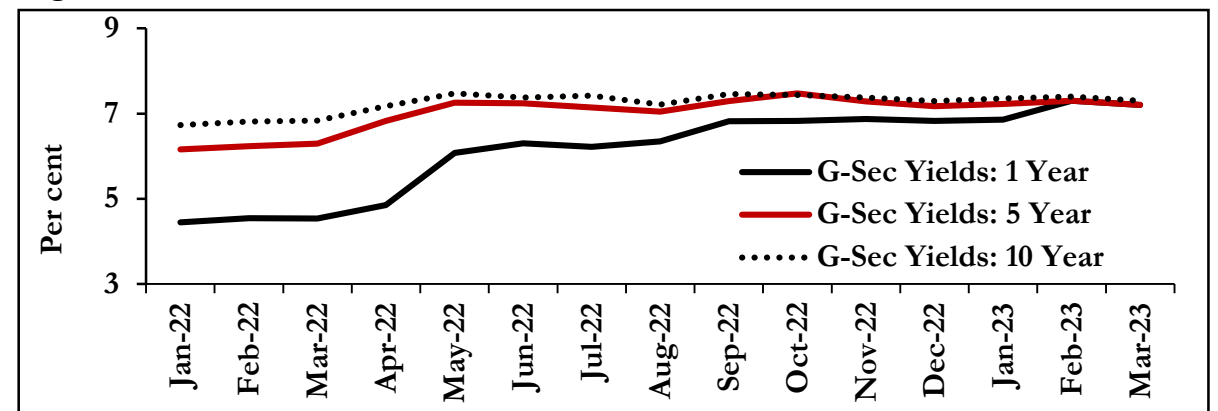


Figure 36: Yields on Domestic Government Securities



Source: Investing.com (Figure 35); Clearing Corporation of India Ltd (Figure 36).

Note: Data for Figures 35 is reported until 27th March and average of daily values of the indices have been taken for the month of March 2023, and for Figure 36 in the panel has been taken as of 28th March 2023.

Net inflows of foreign portfolio investments remained flat

- Net foreign portfolio flows stood at USD 0.7 billion in March 2023. Net Foreign Portfolio Investment (FPI) equity totalled to a positive of USD 0.6 billion, and Net FPI debt totalled to a positive of 0.1 USD billion, up until 28 March 2023 (Figure 37).
- The cumulative net outflows of foreign portfolio investments since March 2022 stood at USD 12 billion, as of 28 March 2023 (Figure 38).

Figure 37: Foreign Portfolio Investment

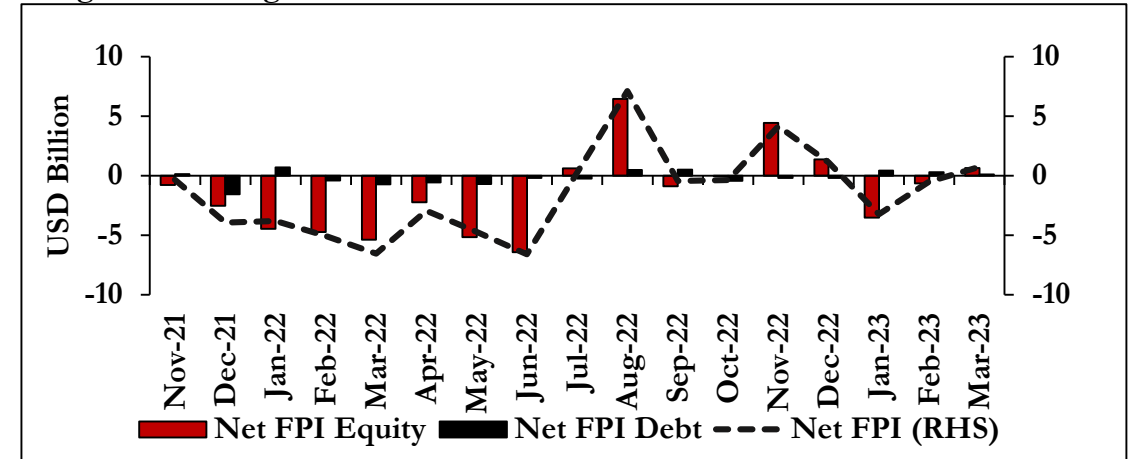
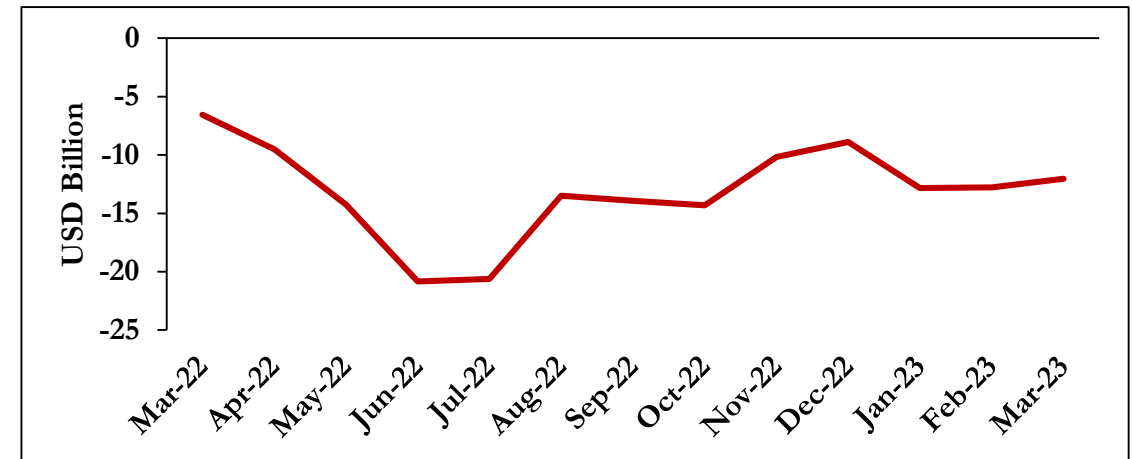


Figure 38: Cumulative Portfolio Flows



Source: National Securities Depository Limited (Figures 37 and 38).

Note: Data given in for Figures 37 and 38 is as of 28th March 2023.

Heatmap for high-frequency indicators

Indicators	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Freight Traffic	7.7	6.6	6.7	9.4	14.6	11.3	8.3	7.9	9.1	1.4	5.2	3.1	3.9	3.6
Cargo Traffic: Air	0.5	-2.8	0.3	2.3	13.8	13.9	6.1	-1.2	-0.5	-14.5	-2.3	-5.9	-3.7	2.1
Passenger Traffic: Air	-8.7	4.7	44.2	95.3	502.4	288.1	127.4	73.1	61.6	40.0	21.8	23.1	101.0	64.4
Automobile Sales (2-wheelers)	-21.1	-27.3	-20.9	15.4	255.3	24.0	10.2	17.0	13.5	2.3	17.7	3.9	5.0	8.8
Automobile Sales: All	-8.1	-6.5	-3.9	-3.8	185.1	19.1	11.1	21.1	92.0	28.6	28.1			
Tractor Sales	-27.8	-26.4	-11.6	38.1	47.7	-10.9	-12.2	-1.0	18.9	3.6	4.4	19.2	16.0	11.8
Fertilizer Sales: Urea	0.1	22.7	50.6	64.3	17.3	5.5	14.3	15.0	-3.3	16.5	26.3	2.4	15.1	
Crude Steel Production	5.7	7.8	6.2	8.0	17.7	5.9	2.8	0.4	1.8	2.6	5.7	-0.1	-2.0	-1.8
Natural Gas Production	11.7	12.5	7.6	6.4	7.0	1.2	-0.3	-0.9	-1.7	-4.2	-0.7	2.6	5.3	
Electricity Supply	1.9	4.6	6.5	12.8	24.2	16.4	3.7	2.0	12.9	1.0	13.1	8.9	11.9	8.0
IIP Manufacturing	1.90	0.15	1.40	5.62	20.72	12.87	3.05	-0.45	2.20	-5.65	6.1	2.6	3.7	
Gross Tax Revenue	-4.4	17.6	19.8	36.5	20.1	12.8	33.3	-7.7	14.5	20.8	-3.8	0.8	13.5	
GST	15.5	17.6	14.7	18.5	37.2	55.8	28.0	28.2	26.2	16.6	10.9	15.2	12.7	12.4
NPCI Retail Payments	66.6	67.4	66.9	83.6	104.2	81.6	70.6	60.9	64.0	55.7	55.4	53.0		
Merchandise Export	27.9	34.5	26.4	29.1	20.8	30.2	8.1	10.9	4.8	-12.1	0.6	-12.2	-6.6	-8.8
Services Export	24.5	19.4	29.6	33.2	40.7	32.6	20.2	24.3	29.7	24.6	26.9	20.4	49.1	36.8
Net FDI	309.4	953.6	304.2	125.5	-39.0	695.5	247.0	-94.0	-53.7	175.1	-210.8			
SCB bank Credit: Total Outstanding	8.2	8.0	8.6	11.1	12.1	13.1	14.5	14.3	15.2	16.8	16.0	13.9	15.2	
SCB bank Credit Non-food: Personal Loans	12.3	12.7	12.6	14.5	16.3	18.1	18.8	19.5	19.6	20.2	26.1	26.3	23.1	
SCB bank Credit Non-food: Agriculture	10.4	10.5	9.9	10.6	11.7	13.0	13.2	13.4	13.4	13.6	19.0	15.8	14.4	
SCB bank Credit Non-food: Industry	6.9	7.4	7.5	8.0	8.8	9.5	10.5	11.4	12.6	13.6	17.0	13.8	8.7	
SCB bank Credit Non-food: Services	6.0	6.3	8.7	11.2	12.7	12.8	16.5	17.2	20.0	22.5	29.2	26.2	21.5	
CPI	6.0	6.1	7.0	7.8	7.0	7.0	6.7	7.0	7.4	6.8	5.9	5.7	6.5	6.4
NIFTY Index	27.2	15.6	18.9	16.9	6.4	0.4	8.9	3.7	-3.0	1.9	10.5	4.3	1.9	3.0
Naukri JobSpeak Index	41.1	30.5	16.3	38.2	39.9	22.0	20.8	5.8	12.7	-2.7	42.9	50.9	1.7	-2.2
Indices														
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	
PMI Manufacturing	54	54.9	54	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3
PMI Services	51.5	51.8	53.6	57.9	58.9	59.2	55.5	57.2	54.3	55.1	56.4	58.5	57.2	59.4
Unemployment Rates	6.6	8.1	7.6	7.8	7.1	7.8	6.8	8.3	6.4	7.8	8.0	8.3	7.1	7.5

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