

Monthly Review of the Economy

December 2022



This report has been prepared by Aakansha Atal, Research Associate at NCAER. Comments are welcome at aatal@ncaer.org. 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

- As the US inflation moderated further, the Federal Reserve raised the federal funds rate by 50 basis points to 4.50 per cent on 14th December 2022. In November 2022, inflation rate in the United States was 7.3 per cent, less than anticipated for the second consecutive month.
- Monetary Policy Committee (MPC) of the Reserve Bank of India raised the repo rate by 35 basis points to 6.25 per cent on 7th December 2022, and lowered FY22-23 real GDP growth forecast to 6.8 per cent.
- GDP growth for Q2 2022-23 was 6.3 percent, slightly below expectations. Among sectors, services expanded by 9.3 percent and manufacturing contracted by 4.3 percent.
- The balance of payments data for Q2 2022-23 showed a high current account deficit at USD 36.5 billion on account of a widening of merchandise trade deficit.
- High frequency indicators show that domestic economy has remained resilient despite a weakening in global demand and tightening of financial conditions. PMI for both manufacturing and services have retained the expansionary momentum, GST collections have been buoyant, demand across sectors has been sturdy, and bank credit expansion has been robust and broad-based. India's foreign exchange reserves have been increasing since September 2022. Inflation moderated in the recent month due to a decline in food prices, while still remaining at an elevated level. The unemployment rate as per the survey of Centre for Monitoring Indian Economy (CMIE) increased slightly in November 2022; while at the same time, work demand under MNREGA contracted on a yearly basis.

Global Updates and Data Releases

- US inflation increased to 7.3 per cent in November 2022 from 7.7 per cent in October 2022, less than anticipated, for a second consecutive month, leading to the smallest annual increase in over a year (Figure 1).
- European headline inflation was at 10 per cent year-on-year versus an expected rate of 10.4 per cent. [Inflation in Europe eases as Energy prices go down but are still in double digits | Business Standard News \(business-standard.com\)](https://www.business-standard.com)
- The Group of Seven (G7) nations and Australia agreed on a USD 60 per barrel price cap on Russian seaborne crude oil. [G7 Coalition Agrees \\$60 Per Barrel Price Cap For Russian Oil \(cnbctv18.com\)](https://www.cnbctv18.com)

Figure 1: Headline Inflation in USA

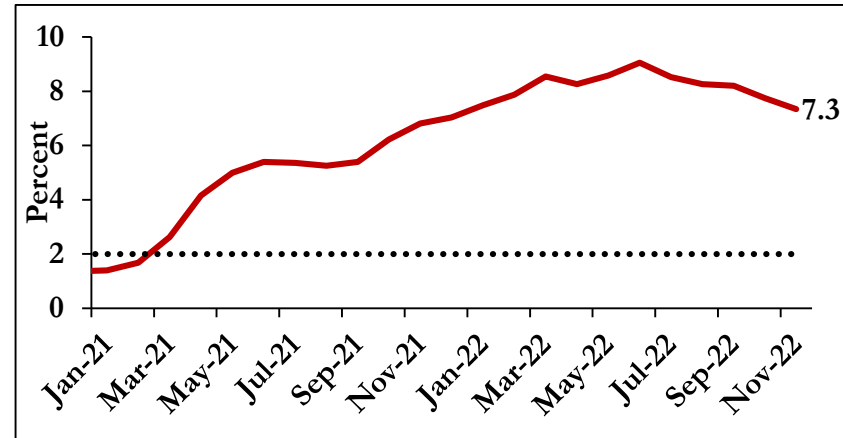
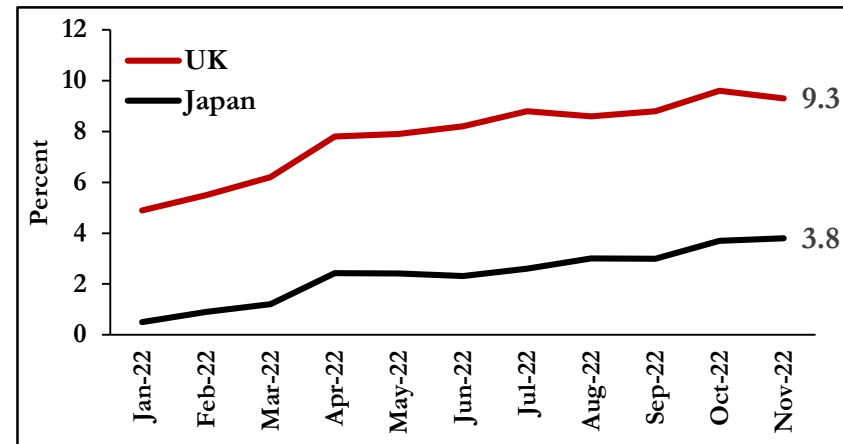


Figure 2: Headline Inflation in Advanced Economies



Source: US Bureau of Labor Statistics (Figure 1); Office for National Statistics; Statistics Bureau (Figure 2); Federal Reserve (Table 1)

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

Q2 2022-23 data release for India - all components surpassed pre-pandemic levels, even as the manufacturing sector contracted

- Quarterly GDP and GVA data for the second quarter of 2022-23 were released on 30th November, 2022.
- In comparison to the levels for components of GDP in Q2 2019-20, all components of the economy have surpassed the pre-pandemic levels in Q2 2022-23 (Figure 3 and Figure 4).
- In Q2 2022-23, real GDP growth was 6.3 percent (and Gross value added, GVA, growth was 5.6 percent). Services sector grew by 9.3 percent and industry contracted by -0.8 percent on a year-over-year basis. Manufacturing sector registered a contraction of 4.3 percent in Q2 2022-23 (Figure 5).

Figure 3: Levels compared to Q2 2019-20

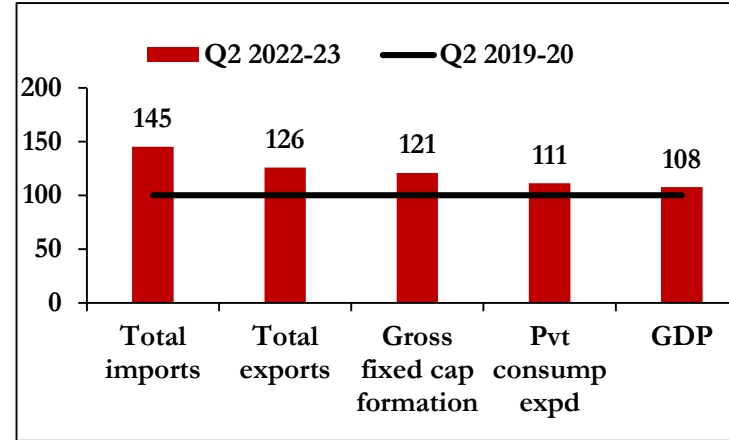


Figure 4: Levels compared to Q2 2019-20

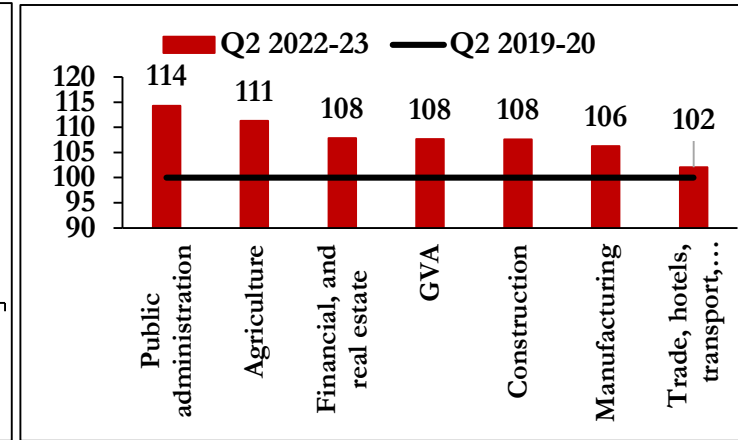
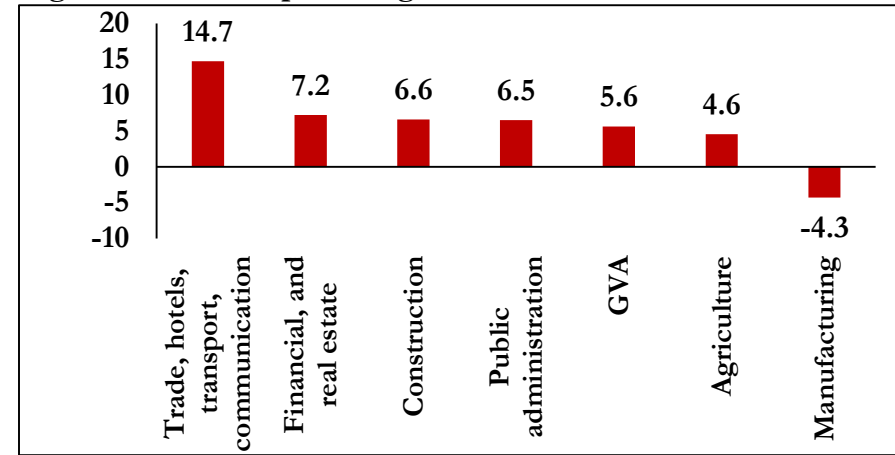


Figure 5: GVA components growth rates Q2 2022-23



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

Macro-monitor: Indian economy remained resilient, despite global headwinds

- Purchasing Manager's Index (PMI) for manufacturing accelerated to 55.7 in November 2022 from 55.3 in October 2022. PMI for services also improved from 55.1 in October 2022 to 56.4 in November 2022 and continued to exhibit a strong expansionary momentum. They together led to an increase in the composite PMI to 55.5 from 55.1 during October 2022 (Figure 6). [Manufacturing PMI reaches 3-month high in Nov - IndBiz |](#)
- After growing at 3.1 per cent in September 2022, the Index of Industrial Production (IIP) contracted by 4.0 per cent in October 2022 due to a decline in manufacturing activity, largely in textiles, pharmaceuticals, paper goods, electrical equipment and transportation (Figure 7). [IIP contracts in October 2022 | Business Standard News \(business-standard.com\)](#)
- The combined Index of Eight Core Industries (IIP Core) increased slightly by 0.1 per cent in October 2022 vis-à-vis October 2021 (Figure 7).

Figure 6: PMI Indices

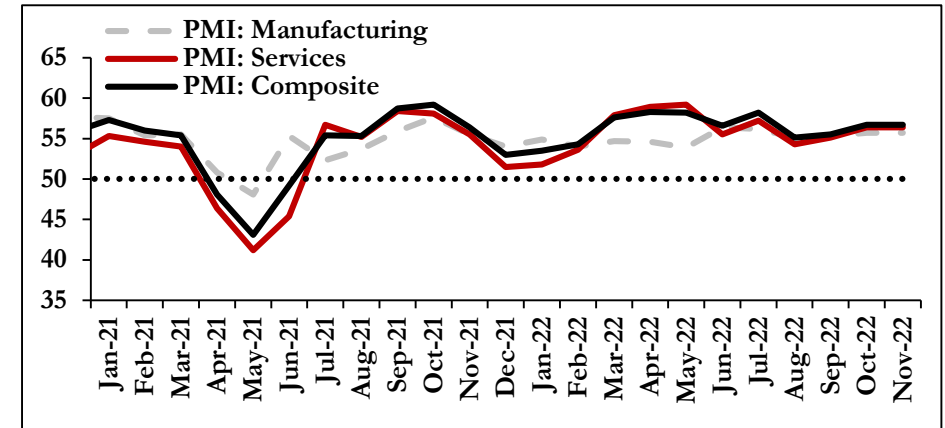
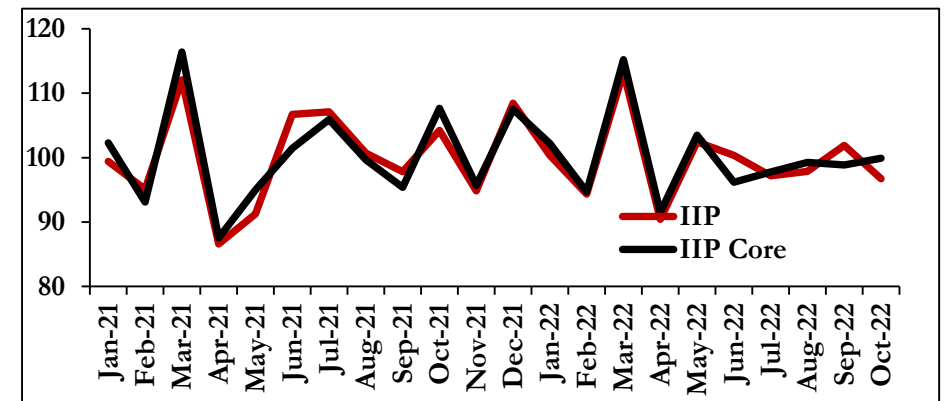


Figure 7: Index of Industrial Production (IIP) and IIP for Core Industries



Source: IHS Markit (Figure 6); Ministry of Statistics and Programme Implementation, Government of India (Figure 7).

Note: For Figure 7, series are indexed to June 2019 = 100.

GST revenue collection remained robust; E-way bills surged

- Goods and Service Tax (GST) collections came down to Rs. 1.45 lakh crore in November 2022 as compared to Rs. 1.52 lakh crore in October 2022. It recorded a 10.9 per cent year-on-year increase on account of the combined effects of festival-related spending and better compliance (Figure 8). [GST Collection November 2022 : \(clear-tax.in\)](https://www.clear-tax.in/gst-collection-november-2022)
- GST E-way bills collection went up by 32 per cent in November 2022 compared to November 2021. (Figure 9).
- The digital payments platform in India, Unified Payments Interface (UPI), processed 7.3 billion transactions amounting to Rs. 11.90 trillion in November 2022 recording a marginal dip in collections after the highest ever volume of transactions achieved in October 2022. [Economictimes.indiatimes.com Marginal dip in UPI transactions for November after spike during festive season](https://economictimes.indiatimes.com/Marginal-dip-in-UPI-transactions-for-November-after-spike-during-festive-season)

Figure 8: GST Revenue

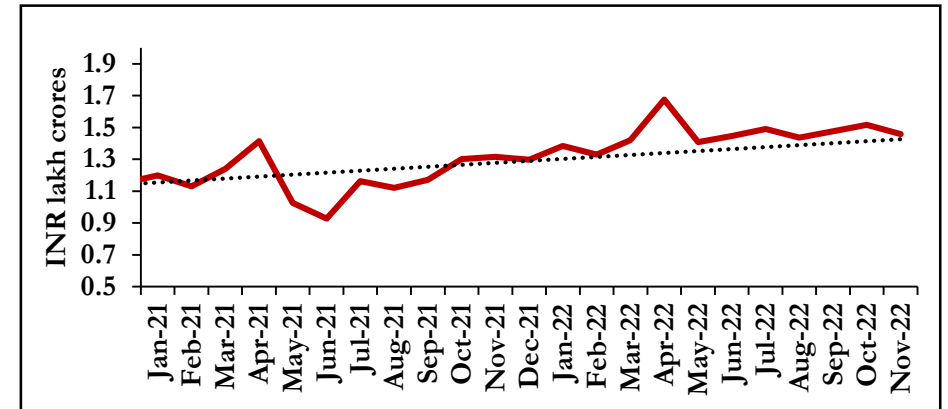
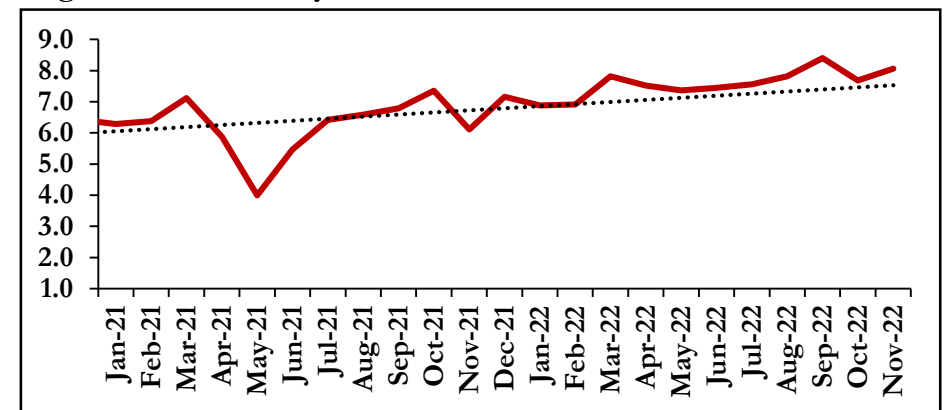


Figure 9: GST: E-Way Bills



Source: Goods and Services Tax Network, GSTN Figure 8 and Figure 9.

Automobile sales remained buoyant on a year-over-year basis

- In November 2022, production for tractors increased by 16.5 per cent over the previous year, while the sales for tractors increased by 4.4 per cent month-on-month. (Figure 10).
- Automobile sales for two-wheelers increased by 17.7 per cent over the preceding year, but witnessed decline on a month-on-month basis in November 2022. (Figure 11).
- Retail automobile sales recorded a hike of 26 percent in November 2022 vis-à-vis November 2021 supported by robust registrations across various segments such as passenger vehicles, commercial vehicles, and two wheelers. [Highest ever automobile sales recorded in November 2022: FADA - Times of India \(indiatimes.com\)](#)

Figure 10: Farm Tractor Production and Sales

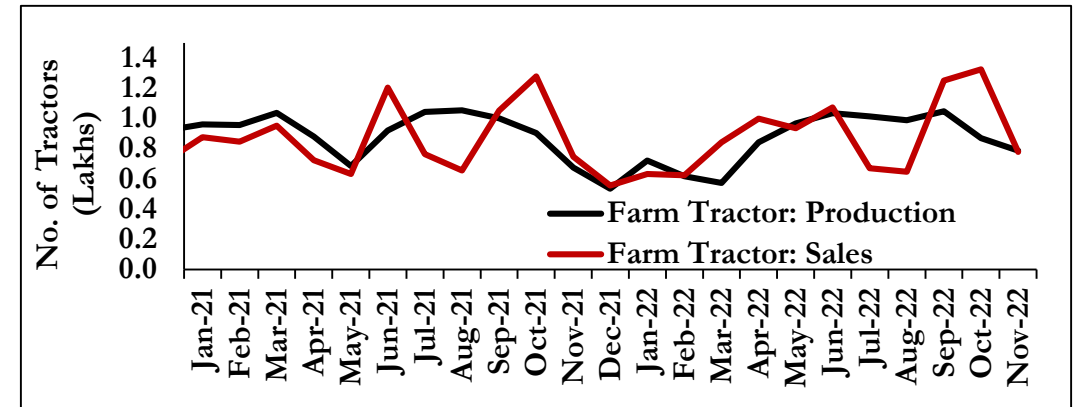
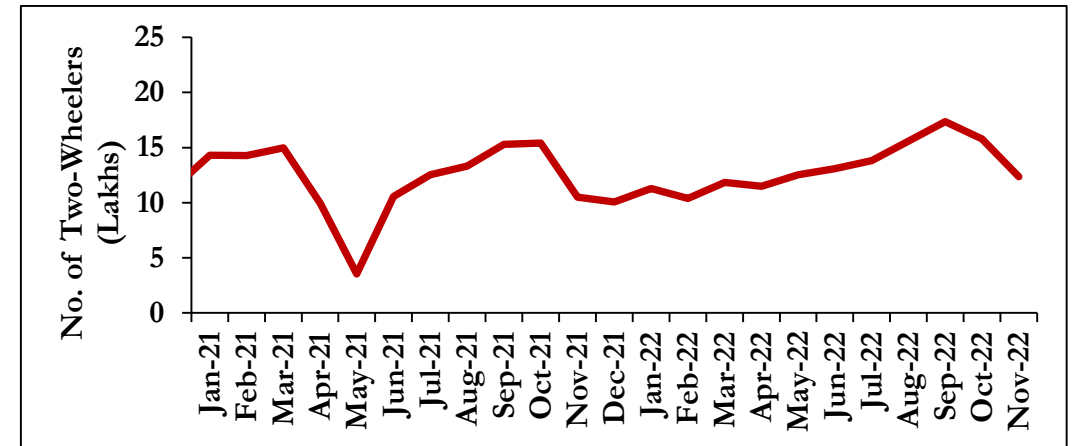


Figure 11: Automobile Sales: Two-Wheelers

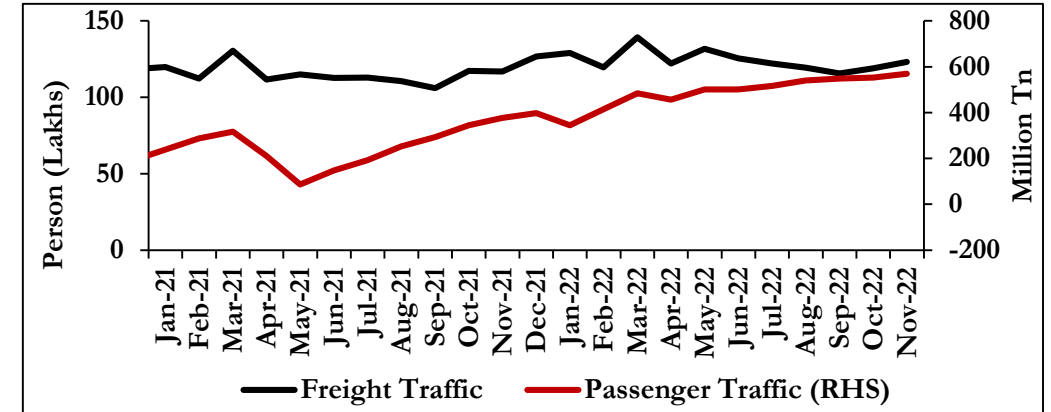


Source: Tractor and Mechanization Association (Figure 10), Society of Indian Automobile Manufacturers (Figure 11).

Railway and air traffic exhibit continued momentum

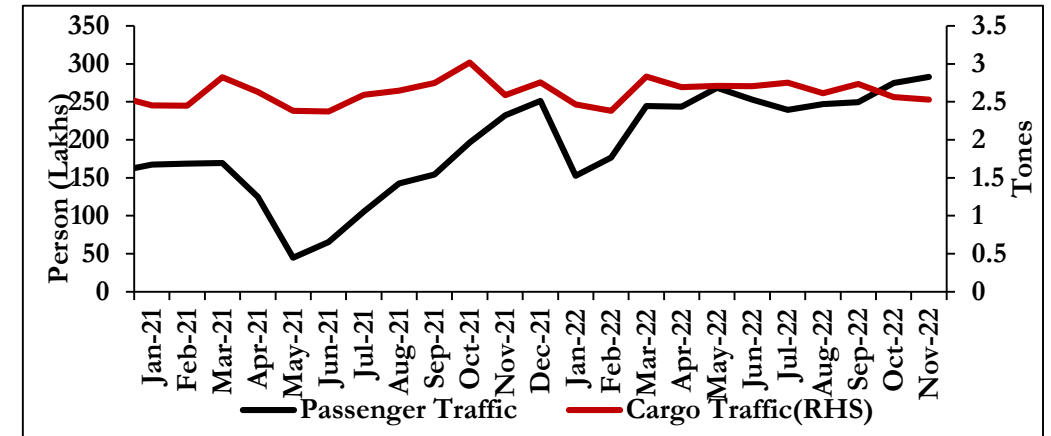
- Rail passenger traffic marked a year-on-year growth of 51.1 per cent in November 2022. An originating freight loading of 123.1 million tonnes was recorded in November 2022 compared to 116.8 million tonnes in November 2021, representing a year-on-year increase of 5.4 per cent (Figure 12).
- Air passenger traffic recorded a year-on-year growth of 21.8 per cent in November 2022. Air cargo traffic registered a slight decline of 2.3 per cent in November 2022 compared to the same month of the previous year (Figure 13).

Figure 12: Rail Freight and Passenger Traffic



Source: Indian Railways.

Figure 13: Air Passenger Traffic and Cargo Traffic



Source: Airports Authority of India

Trade deficit elevated; merchandise export growth subdued

- After declining continuously since June 2022, India's merchandise exports increased marginally to USD 31.9 billion in November 2022 from USD 31.4 billion in October 2022 and recorded a growth rate of 0.6 per cent in November 2022 vis-à-vis the same month in the preceding year. Merchandise imports also expanded by 5.4 per cent and merchandise trade deficit stood at USD 23.9 billion in November 2022 (Figure 14).
- Services exports grew by 26.9 percent in November 2022, to touch USD 26.2 billion (provisional) as compared to a corresponding figure of USD 20.7 billion recorded during the same month a year ago. The import of services was up by 6.4 per cent. (Figure 15).

Figure 14: Merchandise Trade

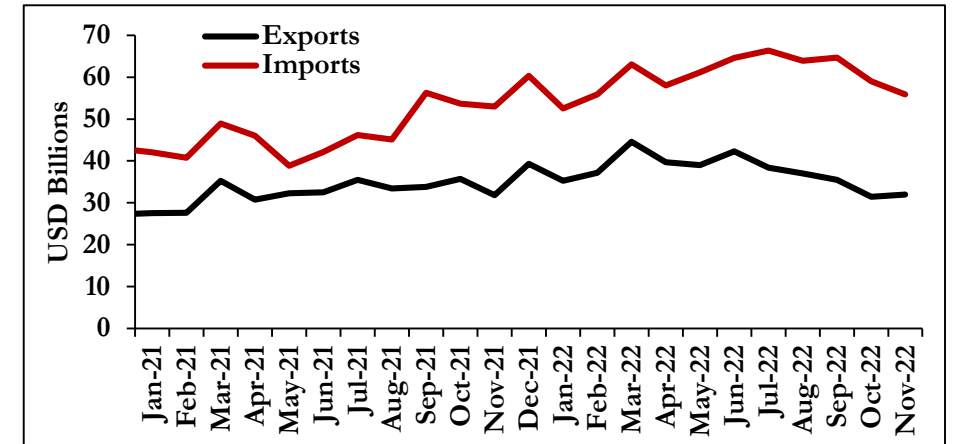
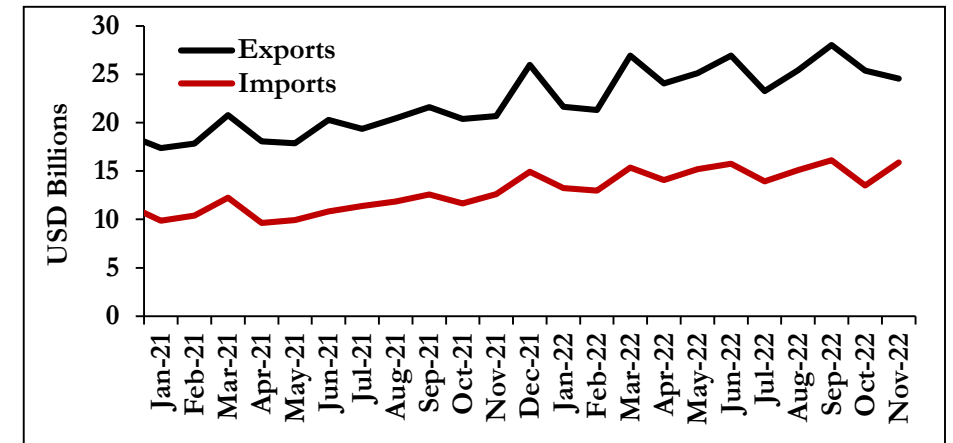


Figure 15: Services Trade



Source: Ministry of Commerce and Industry, Government of India (Figure 14 and 15).

Q2 BOP data release - current account deficit widened; remittances grew at a healthy pace

- As per the data released by RBI, the current account balance recorded a deficit of USD 36.5 billion (4.4 per cent of GDP) in Q2 2022-23 up from USD 18.2 billion (2.2 per cent of GDP) in Q1 2022-23. (Figure 16)
- Underlying this, was the widening of the merchandise trade deficit which was recorded at USD 83.5 billion in Q2 2022-23 compared to USD 63.0 billion in Q1 2022-23.
- Private transfer receipts (remittances) increased to USD 27.4 billion (3.3 per cent of GDP) in Q2 2022-23 expanding by 29.7 percent vis-à-vis Q2 2021-22. (Figure 17)
- In the capital account, net FDI inflows decreased to USD 6.4 billion in Q2 2022-23 from USD 8.7 billion in Q2 2021-22.

[Reserve Bank of India - Press Releases \(rbi.org.in\)](https://rbi.org.in)

Figure 16: Current Account Balance, percent of GDP

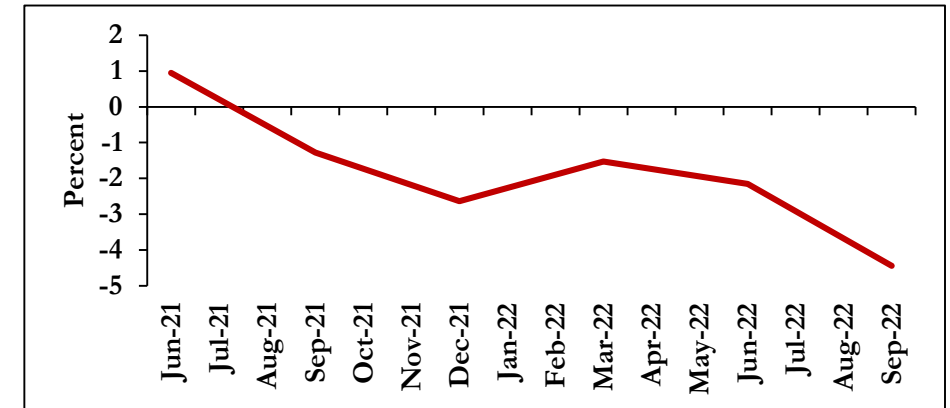
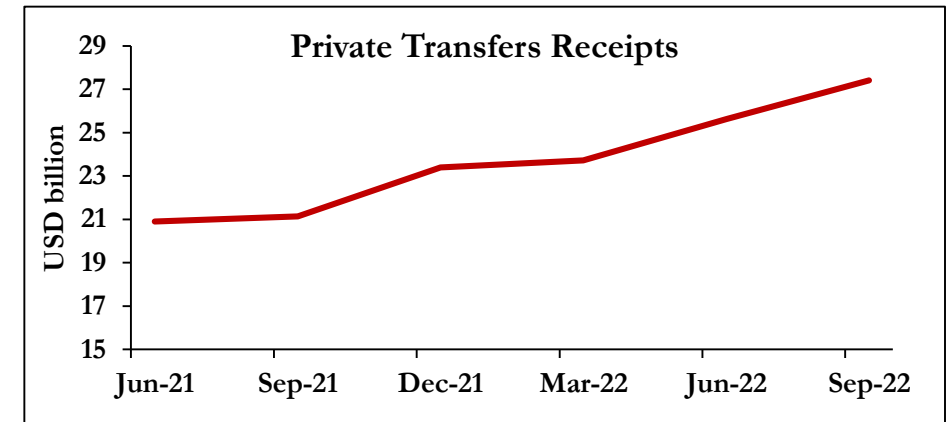


Figure 17: Remittances



Source: Reserve Bank of India (Figure 16 and Figure 17).



Headline inflation moderated and food inflation eased

- The headline Consumer Price Index (CPI) inflation for November 2022 decelerated to 5.9 per cent, from 6.8 per cent in October 2022, largely due to a decline in food price inflation. (Figure 18)
- The inflation in the food basket moderated during November 2022 to 4.7 per cent, after having spiked to a high of 8.6 per cent in October 2022. (Figure 18)
- The Wholesale Price-based inflation (WPI) dropped to a 21-month low of 5.8 per cent in November 2022. The WPI dropped on account of an overall easing of pricing pressure in food, gasoline and manufactured goods. (Figure 19)

Figure 18: Consumer Price Inflation Rates

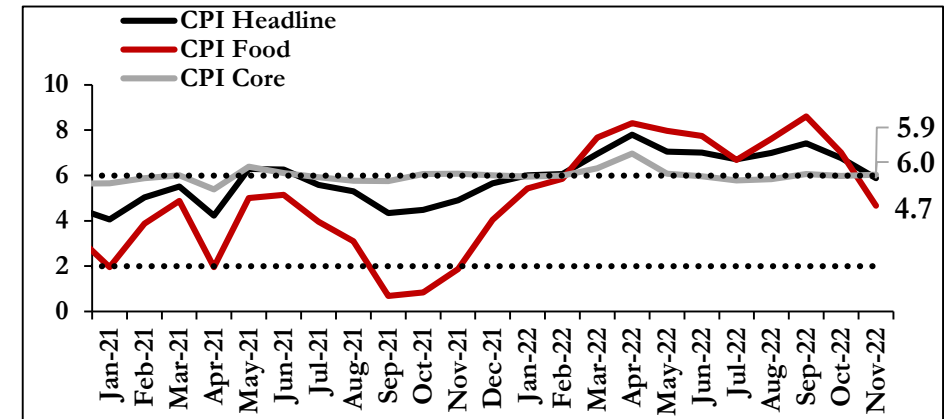
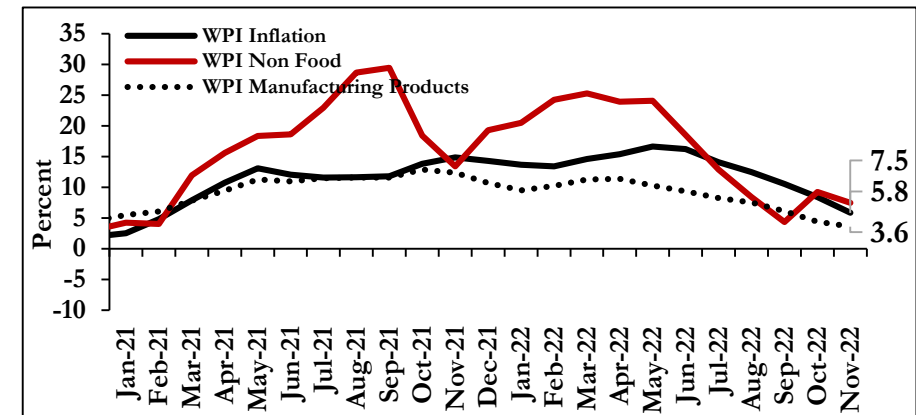


Figure 19: Wholesale Price Index Inflation Rate



Source: Central Statistics Office (Figure 18); Ministry of Commerce and Industry (Figure 19).

MPC raised policy rates by 35 basis points and lowered its forecasts on growth and inflation

- The Monetary Policy Committee (MPC) on December 7, 2022 raised the policy repo rate by 35 basis points to 6.25 per cent (Figure 20).
- As per the MPC's outlook on growth, the economy faces accentuated global headwinds, and tightening financial conditions. However, on the brighter side, agricultural outlook and consumer confidence have improved. Growth projection for FY22-23 is at 6.8 per cent. (Figure 21)
- The inflation projection for FY22-23 is put at 6.7 per cent.

[Reserve Bank of India - Press Releases \(rbi.org.in\)](https://www.rbi.org.in)

Figure 20: RBI Rates

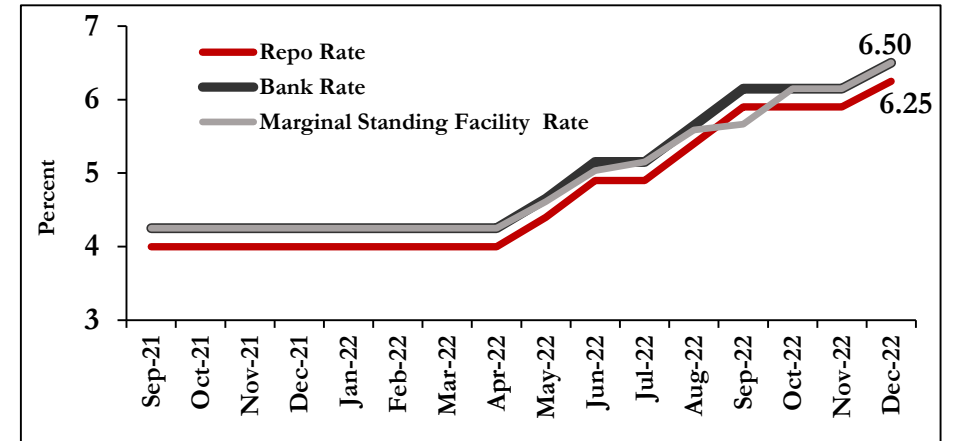
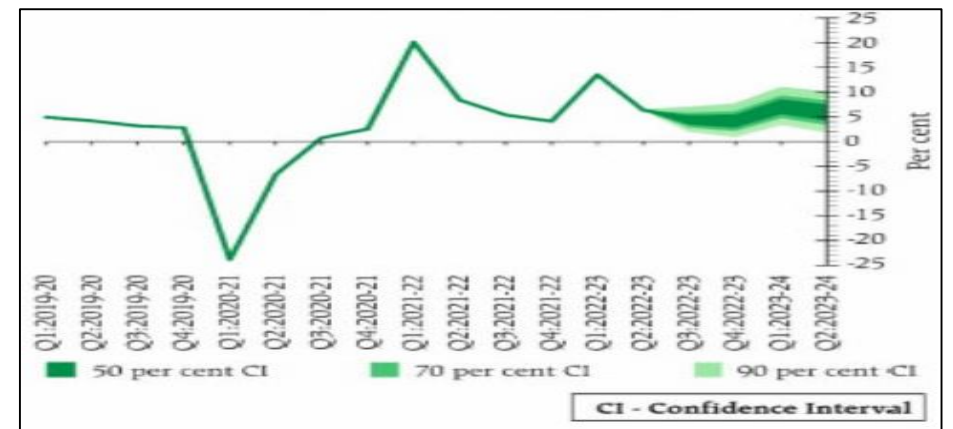


Figure 21: RBI's Projection of Real GDP Growth



Source: Reserve Bank of India (Figure 20 and Figure 21)

Robust and broad-based credit growth despite rate hikes

- Bank credit growth has registered a robust rebound since January 2022.
- Bank credit to the commercial sector expanded by 15.2 per cent in November 2022 compared to the 7.0 per cent year-over-year growth recorded in November 2021. (Figure 22)
- The expansion in credit has not only been robust, but also broad-based. Since January 2022, credit growth has been positive and large in all three sectors: agriculture, industry, and services. (Figure 23)
- There are expectations of growth momentum to remain strong, however, tight liquidity conditions and rising interest rates could moderate growth. There will be strong credit growth in banking sector next year, says ICRA- The New Indian Express

Figure 22: Bank Credit to Commercial Sector (Growth)

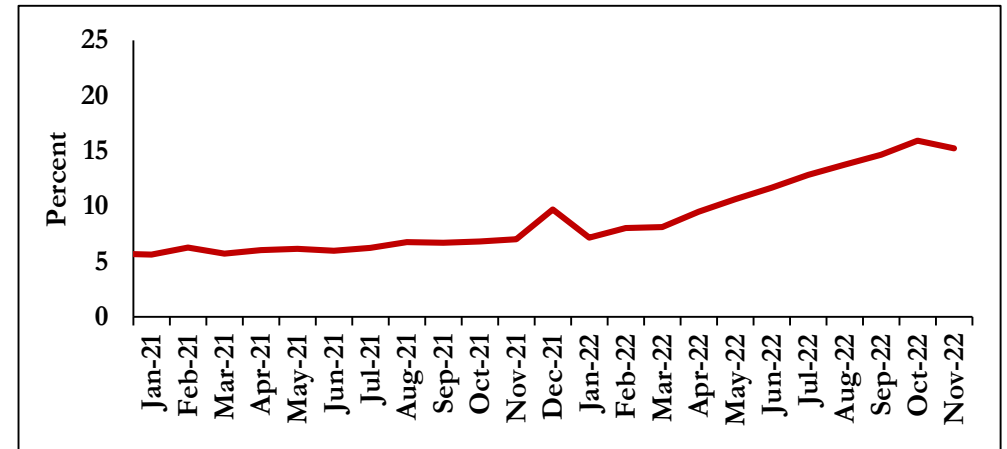
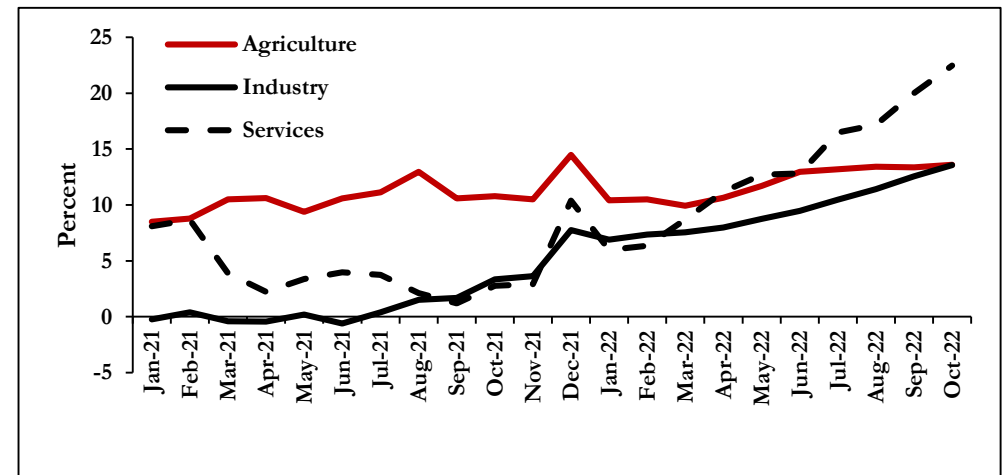


Figure 23: Sectoral deployment of credit by Scheduled Commercial Banks (Growth)



Source: Reserve Bank of India (Figure 22 and Figure 23)

Marginal increase in unemployment rate (CMIE); online hiring modest

- As per the Centre for Monitoring Indian Economy (CMIE), the all-India unemployment rate increased marginally to 8.0 per cent in November 2022 from 7.8 per cent in the previous month, driven by a spike in the urban unemployment rate which was at 9.0 per cent in November 2022 vis-à-vis 7.2 per cent in October 2022. The rural unemployment rate fell to 7.5 per cent in November as compared to 8.0 per cent in October 2022. (Figure 24).
- There has been a slight uptick in online hiring activity in India in November 2022 as indicated by the Naukri JobSpeak Index, after continuously declining since September 2022. (Figure 25).

Figure 24: Unemployment Rate

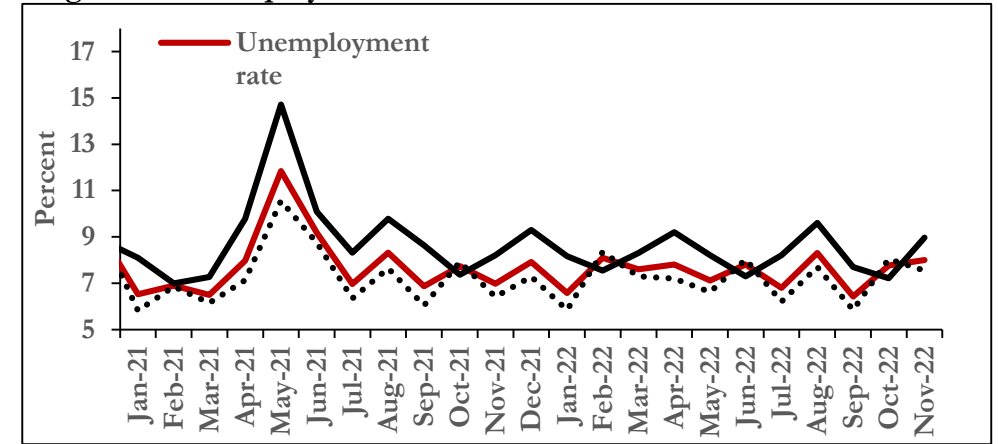
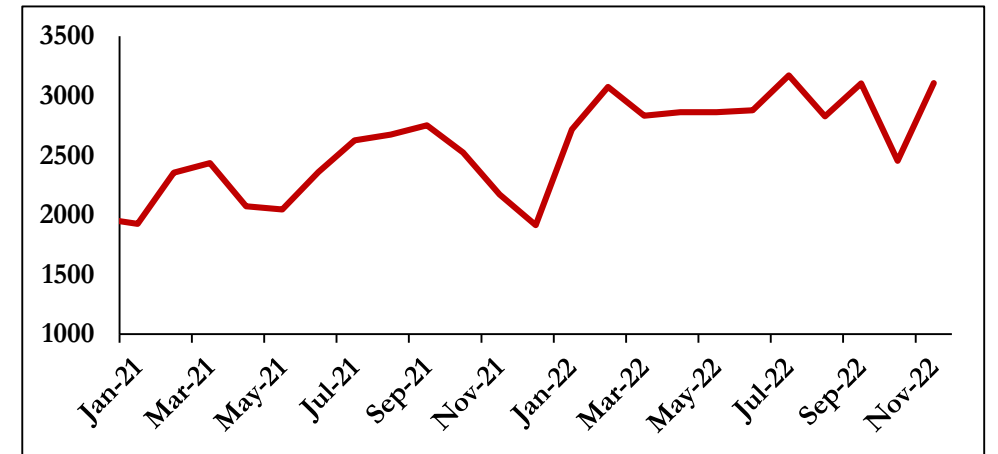


Figure 25: Naukri JobSpeak Index - Overall



Source : Centre for Monitoring Indian Economy (Figure 24); Info Edge (India) Limited (Figure 25).

EPFO recorded new subscribers; demand for work under MGNREGA declined

- The Employees' Provident Fund Organisation (EPFO) net new subscribers increased by 8.8 per cent on a yearly basis in October 2022, signaling increasing formalization in the economy (Figure 26).
- In the rural sector, the demand for work under the Mahatma Gandhi National Rural Employment Act (MGNREGA) declined by 11.9 per cent year-on-year in November 2022 relative to November 2021. However, sequentially, the demand for work increased by 20.5 per cent in November 2022 from October 2022. (Figure 27).
[MGNREGS work fails to keep up with demand - The Economic Times \(indiatimes.com\)](#)

Figure 26: EPFO Net New Subscribers

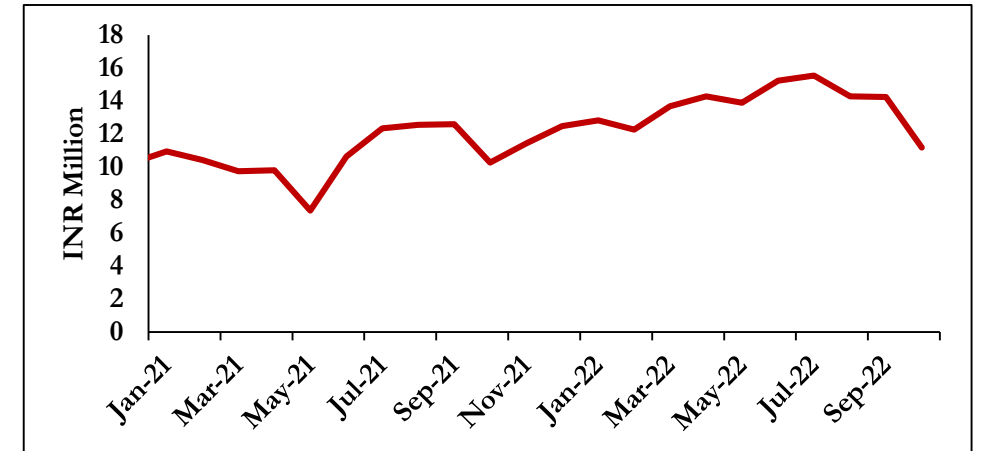
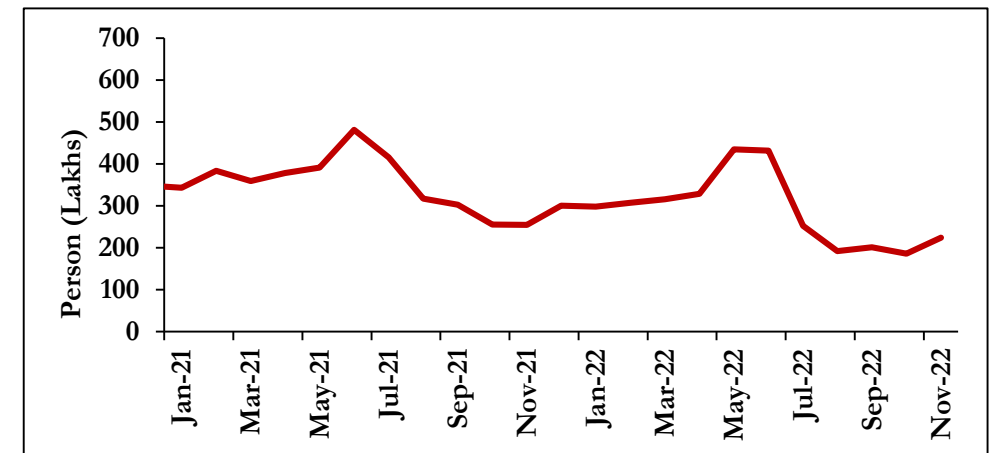


Figure 27: Work Demand under MGNREGA



Source : Employee's Provident Fund Organization (Figure 26); Ministry of Rural Development (Figure 27).

Fiscal outcomes remain on track as per the budget estimate

- As of October 2022, the fiscal deficit is restrained, and has reached 45.6 per cent of the Budget Estimate for FY22-23 (Figure 28).
- Revenue inflows were strong and covered 61.2 per cent of the budget projection in October 2022 for FY22-23, due to buoyant income tax, customs duty and GST collections (Figure 29).
- Total expenditure has reached 54.3 per cent of the overall budget estimate for FY22-23 in October 2022 (Figure 30).

Figure 28: Fiscal Deficit

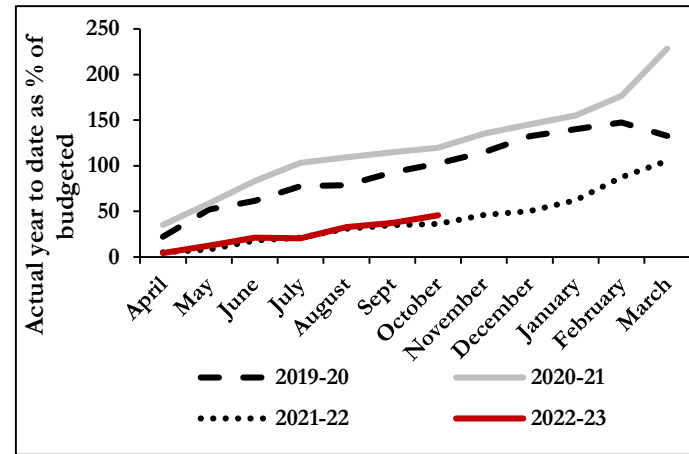


Figure 29: Revenue Receipts

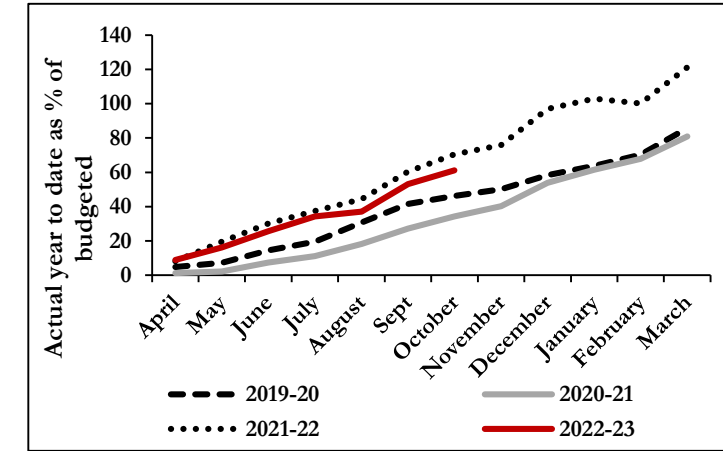
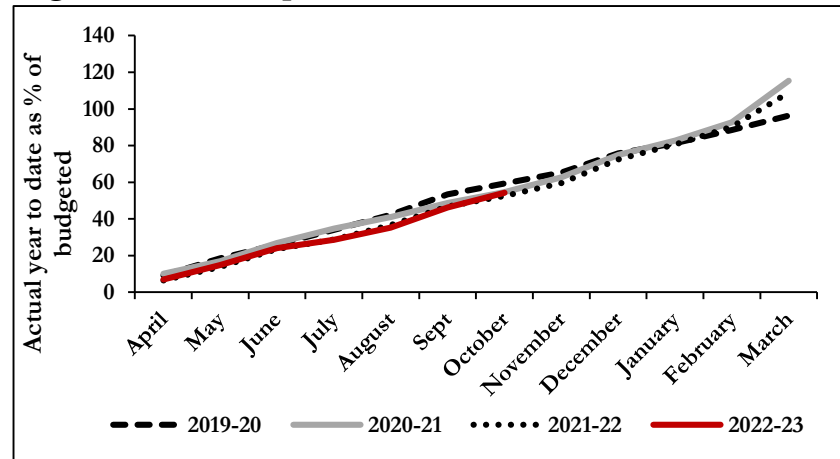


Figure 30: Total Expenditure



Source : Controller General of Accounts (Figure 28, 29 and 30)

The rupee depreciated mildly against the dollar; forex reserves increased

- The average price for Brent crude oil, the global benchmark for the price of oil, slipped to 80.9 USD as of 28th December 2022 compared to USD 91.1 per barrel at end November 2022. (Figure 31).
- The rupee depreciated by 0.7 per cent in December 2022 after appreciating by 0.6 in November 2022. The value of the rupee stood at 82.4 per dollar as of 28th December 2022. (Figure 32).
- Foreign exchange reserves increased by USD 5.52 billion to reach USD 550 billion as of 16th December 2022, compared to 544 billion at the end of November 2022. (Figure 33).

Figure 31: Brent Crude Oil Price

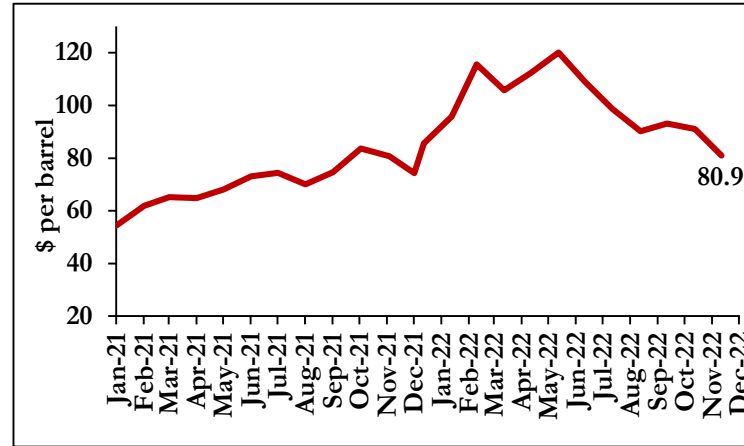


Figure 32: Exchange Rate

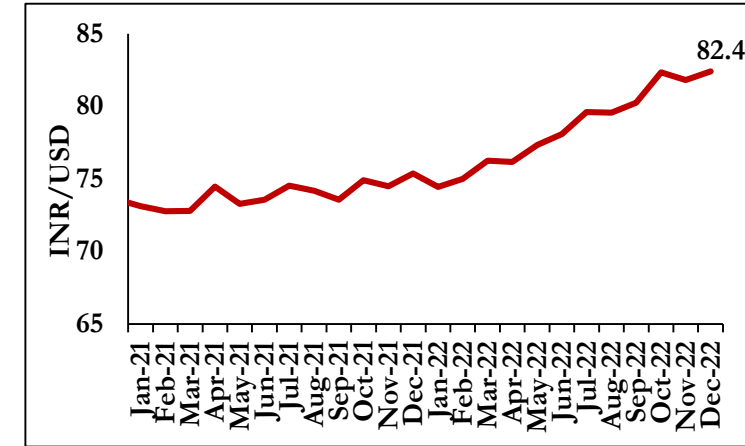
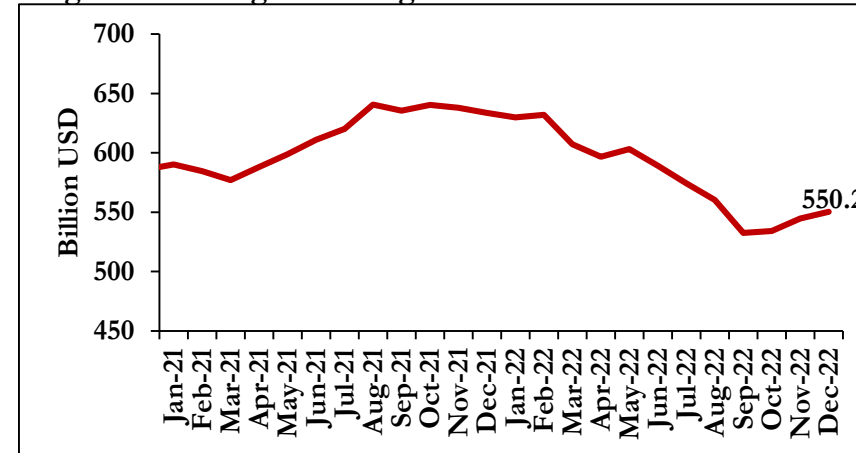


Figure 33: Foreign Exchange Reserves



Source: World Bank Pink Sheet Data (Figure 31) and Reserve Bank of India (Figure 32 and 33).

Note: Data for Figure 32 and 33 is available until 28th December 2022 and for Figure 31 until 16th December 2022.

Equity markets corrected; yields on government debt moderated

- The Morgan Stanley Capital International (MSCI) Index for India declined by 1.6 per cent and MSCI Index for World declined by 2.3 per cent in December 2022 after rebounding in November 2022. MSCI Index for Emerging markets grew but at a slower pace in December 2022 as compared to November 2022. (Figure 34).
- Global bond yields continued its hardening bias in December 2022 with continued monetary tightening by central banks. In India, yields on 1-year, 5-year and 10-year government securities declined by 10 basis points during December 2022 (Figure 35).

Figure 34: Indian Equity Markets

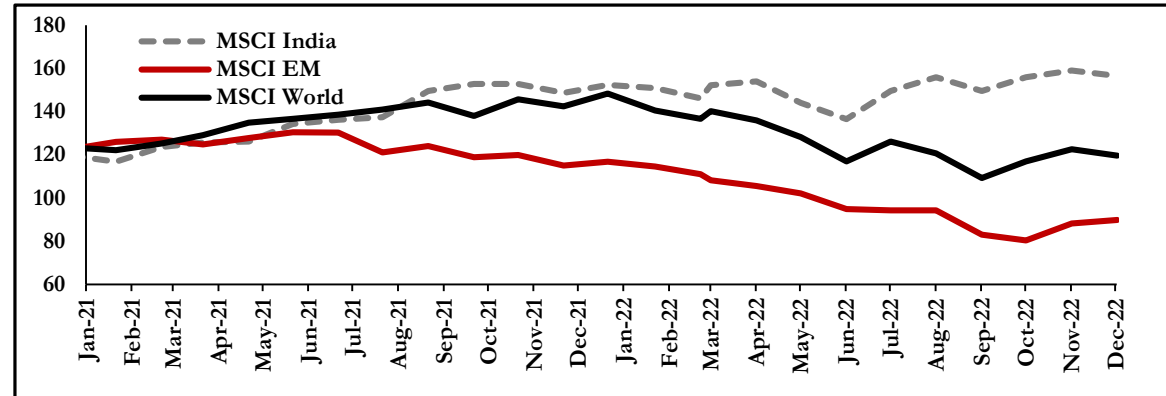
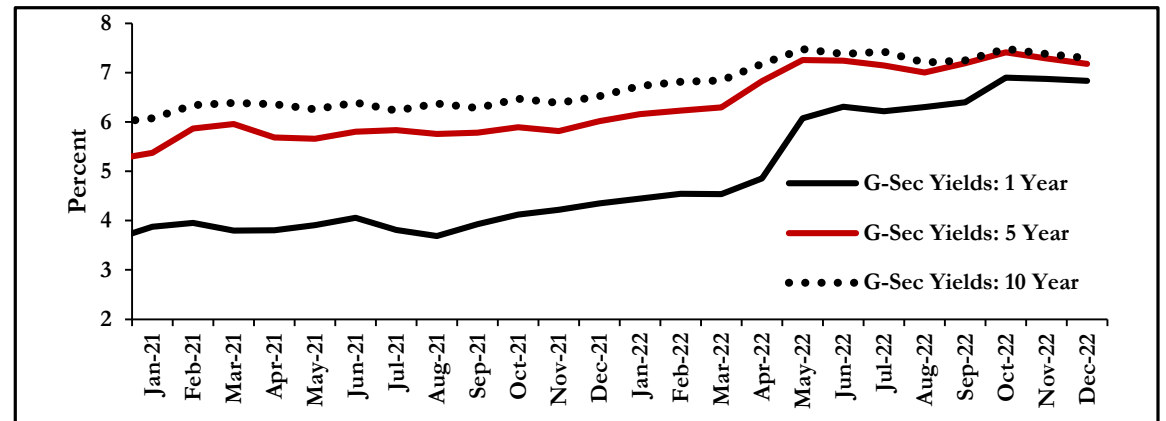


Figure 35: Yields on Domestic Government Securities



Source: Investing.com (Figure 34); Clearing Corporation of India Ltd (Figure 35).

Note: Data for Figure 34 and Figure 35 in the panel has been taken as the daily average up till 29th December 2022.

Net inflows of foreign portfolio investment remained positive

- Foreign portfolio inflows remained positive in December (equity inflows totaled USD 1.3 billion, and debt inflows were negative 0.3 billion). (Figure 36).
- The cumulative net outflow of foreign portfolio investments during the month peaked at USD 34 billion in June 2022, and has been moderating since then. (Figure 37).
- As per the 26th round of the Financial Stability Report of the RBI, a buoyant demand for credit is signaling towards a revival of investment cycle. Gross non-performing assets ratio has been steadily trending lower and reached a seven-year low of 5.0 percent in September 2022. [Reserve Bank of India - Press Releases \(rbi.org.in\)](https://www.rbi.org.in/PressReleases)

Figure 36: Foreign Portfolio Investment

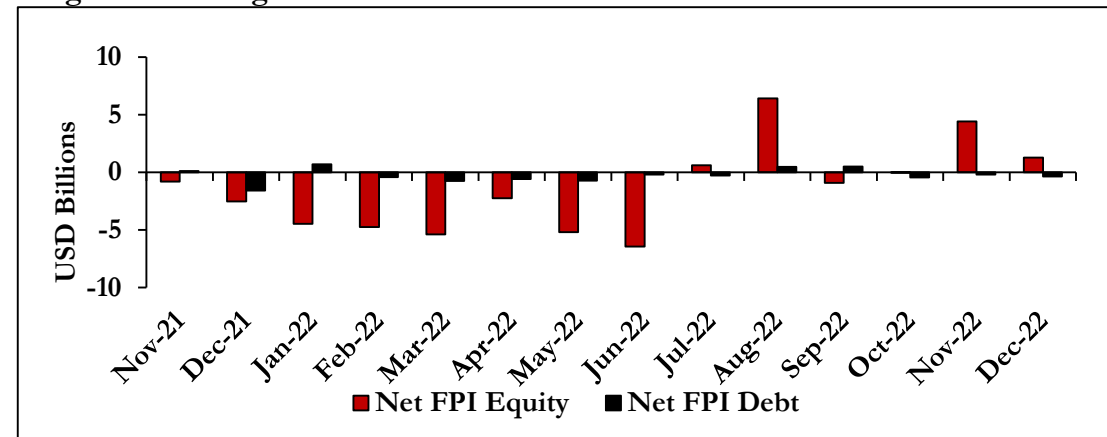
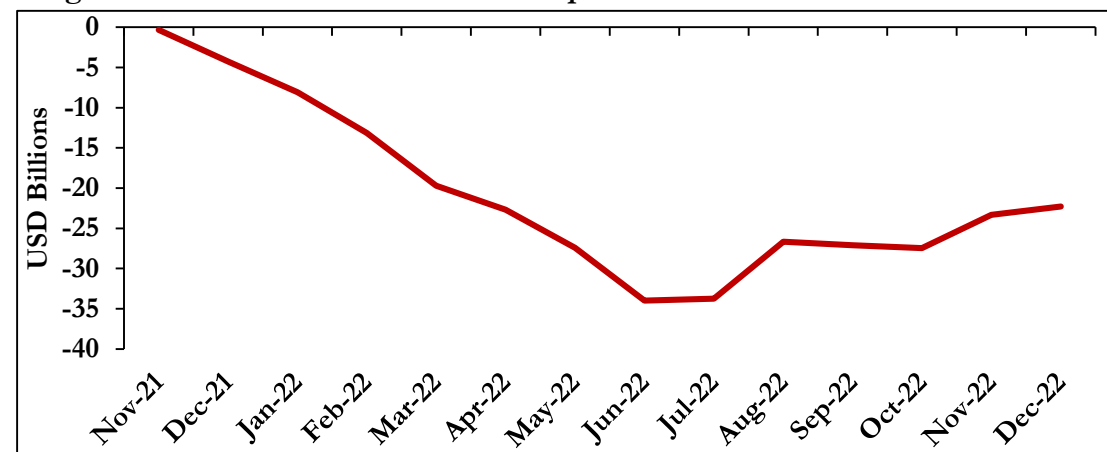


Figure 37: Cumulative Net Portfolio Capital Inflows



Source: National Securities Depository Limited (Figure 36 and 37).

Note: Data given in for Figures 36 and 37 is up till 29th December 2022.

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
	y-o-y(%)										
Freight Traffic	7.7	6.6	6.7	9.4	14.6	11.3	8.3	7.9	9.1	1.4	5.2
Passenger Traffic: Railway	-16.2	-1.0	37.7	87.8	474.7	247.9	97.9	54.9	49.0	30.4	
Cargo Traffic: Air	0.5	-2.8	0.3	2.3	13.8	13.9	6.1	-1.2	-0.5	-14.5	
Passenger Traffic: Air	-8.7	4.7	44.2	95.3	502.4	288.1	127.4	73.1	61.6	40.0	
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
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
Fertilizer Sales: Urea	0.1	22.7	50.6	64.3	17.3	5.5	14.3	15.0	-3.3	16.5	
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
Natural Gas Production	11.7	12.5	7.6	6.4	7.0	1.2	-0.3	-0.9	-1.7	-4.2	
Electricity Supply	1.9	4.6	6.5	12.8	24.2	16.4	3.7	2.0	12.9	1.0	13.1
IIP Manufacturing	1.90	0.15	1.40	5.62	20.72	12.87	3.05	-0.45	2.20	-5.65	
Gross Tax Revenue	-4.4	17.6	19.8	36.5	20.1	12.8	33.3	-7.7	14.5	20.8	
GST	15.5	17.6	14.7	18.5	37.2	55.8	28.0	28.2	26.2	16.6	10.9
NPCI Retail Payments	67.4	66.9	83.6	104.2	81.6	70.6	60.9	64.0	55.7	55.4	
Merchandise Export	27.9	34.5	26.4	29.1	20.8	30.2	8.1	10.9	4.8	-12.1	0.6
Services Export	24.5	19.4	29.6	33.2	40.7	32.6	20.2	24.3	29.7	24.6	26.9
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	
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	
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	
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	
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	
CPI	6.0	6.1	7.0	7.8	7.0	7.0	6.7	7.0	7.4	6.8	5.9
NIFTY Index	27.2	15.6	18.9	16.9	6.4	0.4	8.9	3.7	-3.0	1.9	10.5
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
	Absolute Values										
PMI Manufacturing	54	54.9	54	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7
PMI Services	51.5	51.8	53.6	57.9	58.9	59.2	55.5	57.2	54.3	55.1	56.4
Unemployment Rates	6.6	8.1	7.6	7.8	7.1	7.8	6.8	8.3	6.4	7.8	8.0

Lowest  Highest

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