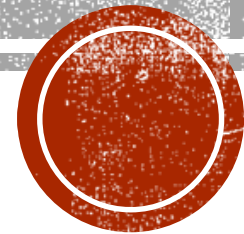


Monthly Review of the Economy

November 2022



This report has been prepared by Aakansha Atal and Sakshi Rathee, Research Associates. Comments are welcome at aahmed@ncaer.org. Khushvinder Kaur has helped with formatting and Anupma Mehta has provided editorial guidance. The findings, interpretations, and conclusions expressed are those of the authors and do not necessarily reflect the views of the Governing Body or Management of NCAER.

Monthly Highlights

- Markets widely expect a slower pace of tightening after the policy rate was increased by 75 basis point by the Federal Open Market Committee (FOMC) going forward as the US recorded lower than anticipated inflation rate in October 2022.

[Bloomberg.com news articles US Inflation to cool only slightly keeping big Federal Reserve interest rate hike low](#)

- The oil market is shrouded in uncertainty as it is expected that oil prices will become more volatile in the future with sanctions on Russia's energy industry, and at a time when Coronavirus outbreaks are adversely impacting demand in China. For now, the price for Brent crude oil, the global benchmark for the price of oil, moderated to USD 84 per barrel by 28 November 2022

[Oil Prices Face Fresh Volatility With New Russia Sanctions OPEC Decision - WSJ](#)

- The rupee has appreciated by 0.5 per cent in November 2022 against the US dollar as the latter retreated from its elevated levels. Meanwhile, portfolio inflows to India have turned positive and equity markets have gained buoyancy.

[Global Markets Monitor \(imfconnect.org\)](#)

- CRISIL and S&P Global Ratings have downgraded India's growth forecast to 7 per cent for FY22-23; while Goldman Sachs slashed India's GDP forecast for FY23-24 to 5.9 per cent.

[Business Standard.com article on economy policy CRISIL ICRA revises India's growth projections for FY22-23 Q2 GDP slashed India GDP: Goldman Sachs slashes India's GDP forecast for 2023 to 5.9% - The Economic Times \(indiatimes.com\)](#)

[S&P Global Ratings lowers India's FY23 GDP growth forecast to 7% | Business Standard News \(business-standard.com\)](#)

- The Centre has disbursed about Rs. 32,500 crore as 50-year interest-free capex loans to the state governments, as against the sanctioned amount of Rs. 65,000 crore.

[Financialexpress.com economy Rs. 32500 cr transferred to states as Capex Loan](#)



Global Updates

- US inflation decreased by a higher than expected level to 7.7 per cent in October 2022 from 8.2 per cent in September 2022, signifying the encouraging result that the strongest price gains in decades are slowing down and offering Federal Reserve officials the opportunity to ease off on their swift interest-rate increases (Figure 1).
- Widespread lockdowns were imposed across China as local authorities struggled to contain the country's largest COVID-19 outbreak, which is threatening to again create uncertainty in global supply chains and dim the prospects for world economic growth. [China Recovery Set Back by Record Covid Outbreak as Lockdowns Spread – WSJ](#)
- Most Federal Reserve officials were of the opinion that they should slow the pace of interest-rate increases after approving a 0.75-percentage-point rate rise at their meeting earlier this month to battle high inflation. [Fed Minutes Show Most Officials Favored Slowing Rate Rises Soon – WSJ](#)

Figure 1: Headline Inflation in USA

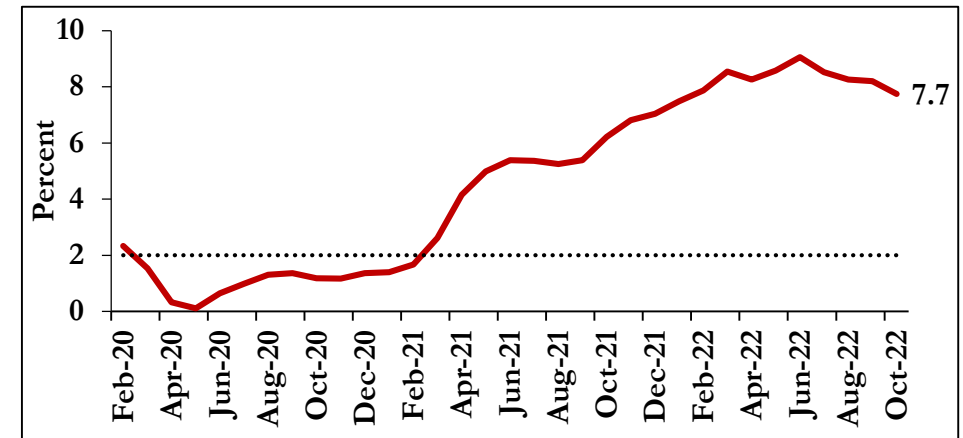
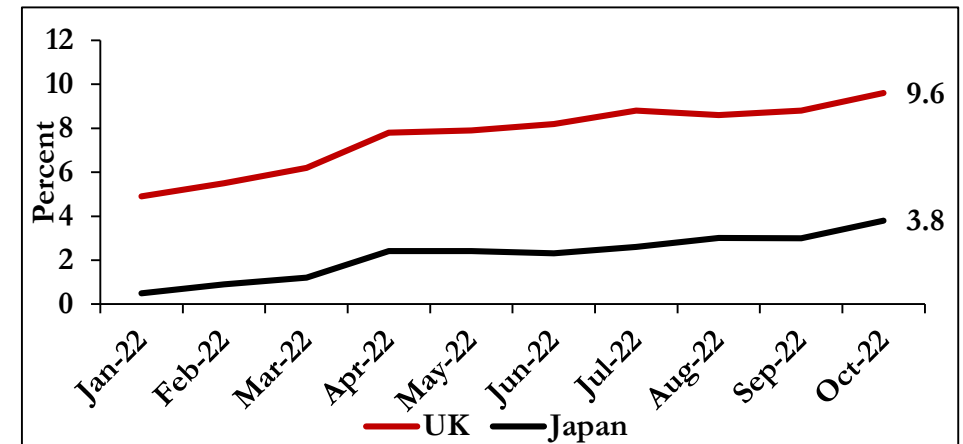


Figure 2: Headline Inflation in Advanced Economies



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

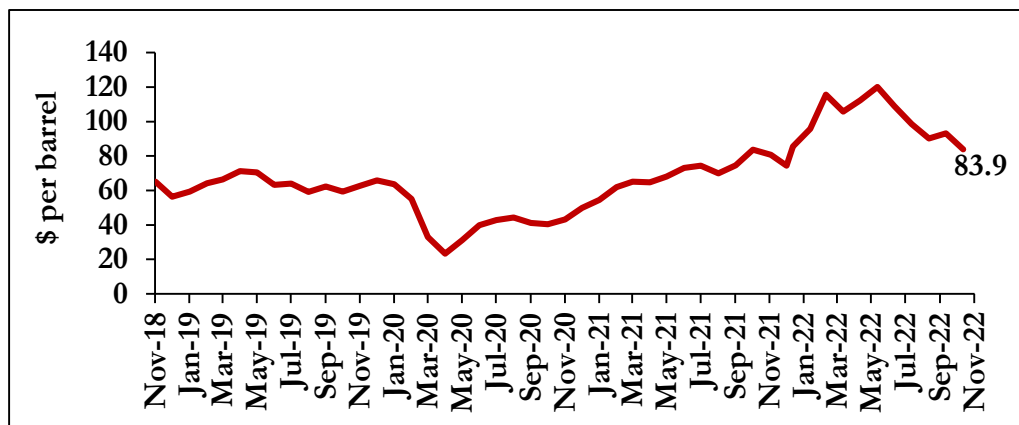


US raised the policy rates; Oil prices moderated

- On 2 November 2022, the policy rate in the US was raised by 75 basis points to 4 per cent. Markets now anticipate a moderate rate hike in December 2022, of 50 basis points instead of 75 basis points as inflation has turned out to be lower than expected (Table 1).
- The price for Brent crude oil, the global benchmark for the price of oil, slipped down to USD 84 per barrel by 28 November 2022 (Figure 3).

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

Figure 3: Brent Crude Oil Price



Source: World Bank Pink Sheet.



Slowing global economic growth is increasingly evident (IMF)

- Global economic growth prospects are confronting a unique mix of headwinds, including from Russia's invasion of Ukraine, interest rate increases to contain inflation, and lingering pandemic effects such as China's lockdowns and disruptions in supply chains. [Slowing Global Economic Growth is Increasingly Evident, High-Frequency Data Show \(imf.org\)](https://www.imf.org)
- A higher number of G20 countries have moved from expansionary territory to the contraction zone. This has been witnessed for both advanced and emerging market economies, underscoring the global nature of the slowdown.

Red zone

Indicators of economic activity confirm the gloomy outlook. (purchasing manager indexes, 2022: blue signals expansion, red signals contraction)



Source: Caixin, CIPS, CommBank, HSBC, Jibun Bank, RBC, S&P Global, via Haver Analytics. Note: Readings are composite except for Canada, Indonesia, Korea, Mexico and Turkey, which are manufacturing alone. Argentina is excluded due to data limitations.

Macroeconomic monitor: Indian economy still robust, despite global headwinds

- India's manufacturing Purchasing Manager's Index (PMI) accelerated to 55.3 in October 2022 from 55.1 in September 2022, as manufacturers expect demand buoyancy, continued output expansion, and growth, which has been exhibiting resilience due to improvement in employment trends and purchases by factories (Figure 4).
- India's services Purchasing Manager's Index (PMI) also improved and continued to exhibit a strong expansionary momentum as job creation in the services sector surged because of high business expectations, a boost in hiring activities by providers, and robust domestic demand. These factors together led to a rise in the PMI composite to 55.5 from 55.1 during the preceding month.
- Goods and Service Tax (GST) collections rose to Rs. 1.52 lakh crore in October 2022, signifying a 16.6 per cent year-on-year increase on account of the combined effects of festival-related spending and better compliance. This was the second highest monthly collection since the implementation of the indirect tax regime in July 2017 (Figure 5).

Figure 4: PMI Indices

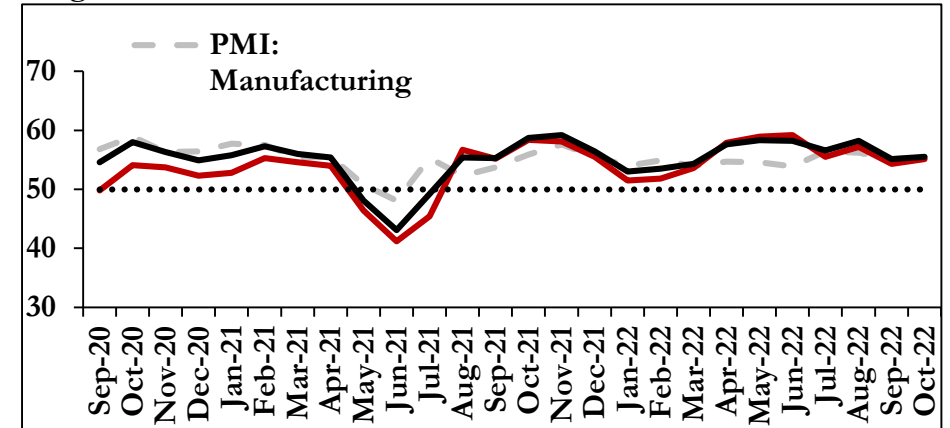
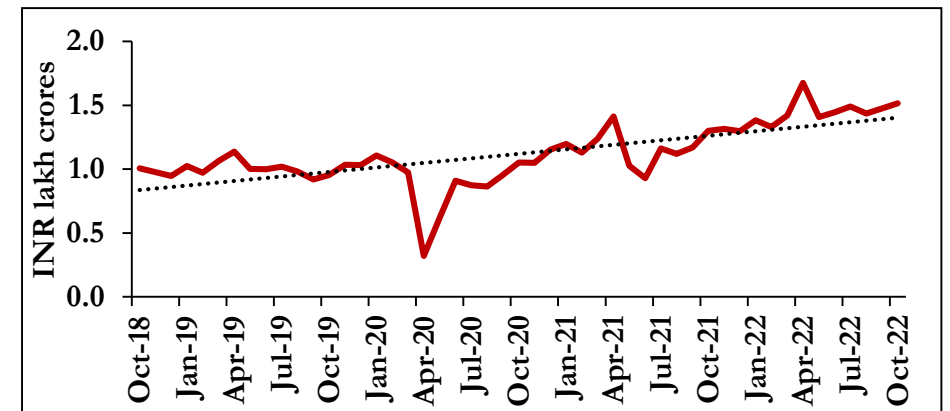


Figure 5: GST Revenue



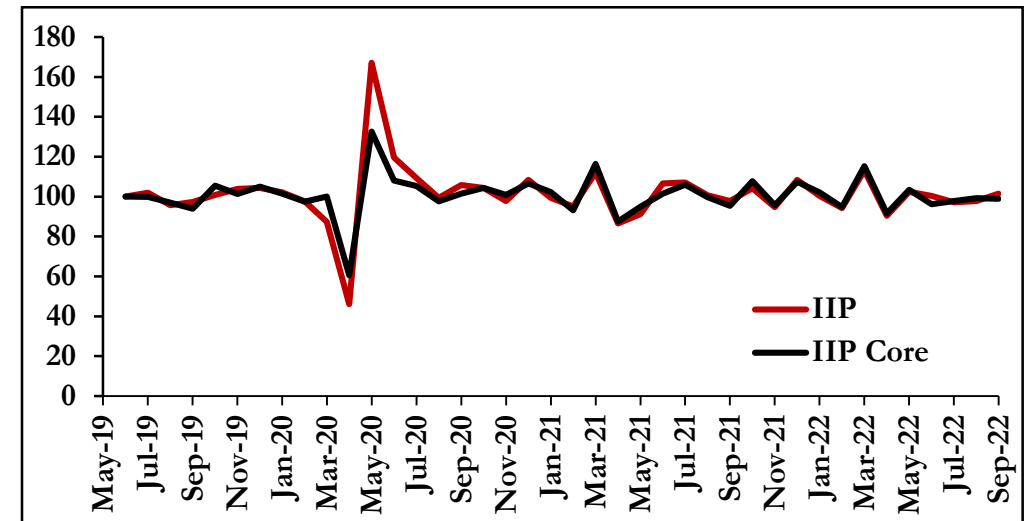
Source: IHS Markit (Figure 4) ; Goods and Services Tax Network, GSTN (Figure 5).



IIP and IIP core remain resilient

- After contracting in August 2022, the Index of Industrial Production (IIP) grew at 3.1 per cent in September 2022 due to growth in the automobile sector and non-electrical machinery with support from metals and non-metallic minerals, and the momentum in infrastructure (Figure 6).
- The IIP experienced growth of 4.6 per cent, 1.8 per cent, and 11.6 per cent in the mining, manufacturing, and electrical sectors respectively. The slower growth in manufacturing output is being attributed to the global slowdown and high inflation.
- The combined Index of Eight Core Industries (IIP Core) increased by 7.9 per cent in September 2022 as compared to September 2021. Good growth was observed for all the core industries except crude oil and natural gas (Figure 6).

Figure 6: Index of Industrial Production (IIP) and IIP for Core Industries



Source: Ministry of Statistics and Programme Implementation, Government of India.

Note: Series are indexed to June 2019 = 100.



Rural demand remains resilient; air traffic is rebounding though it is still remains below the pre-pandemic level

- In October 2022, tractor sales increased by 5.9 per cent on a month-on-month basis and by 11 per cent over the previous year, while the output of tractors decreased by 17 per cent (Figure 7). The ongoing strong demand for tractors is anticipated to continue in the upcoming months and is being attributed to the government's recent announcement of higher Minimum Support Price (MSP) for important Rabi crops.
- Air passenger traffic increased modestly by 1.1 per cent on a month-on-month basis in October 2022 and by 61 per cent on a year-on-year basis. Air freight went up by 4.6 per cent on a month-on-month basis but recorded a year-on-year decrease of 9.4 per cent in loadings (Figure 8).

Figure 7: Farm Tractor Production and Sales

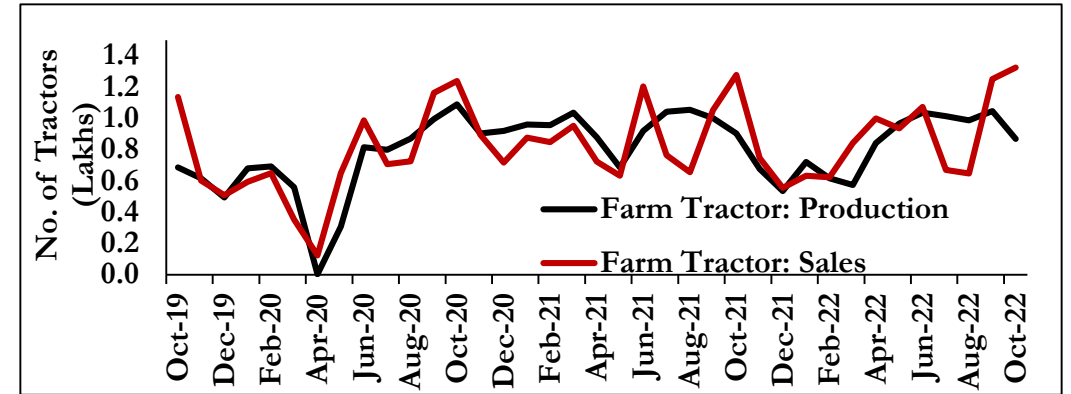
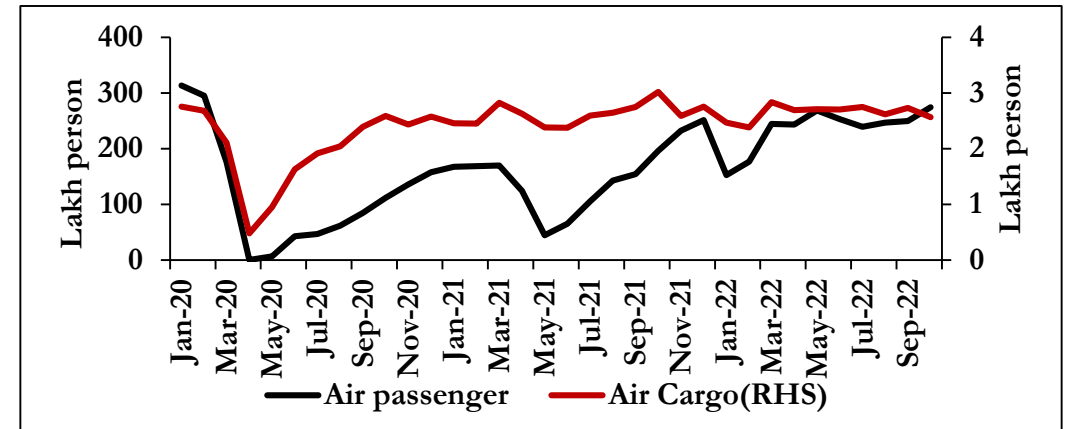


Figure 8: Air Traffic



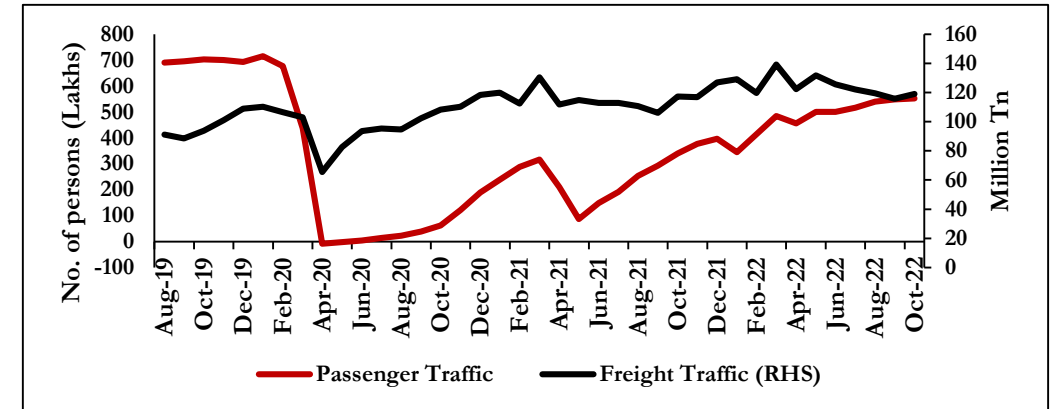
Source: Airport authority of India (Figure 7); Tractor and Mechanization Association (Figure 8).



Railway traffic continued to grow; bank credit also grew

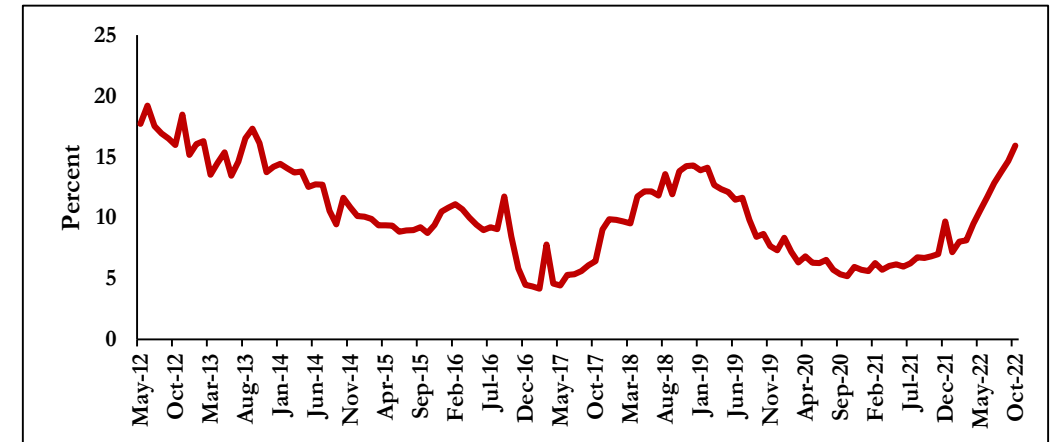
- Rail passenger traffic marked a year-on-year growth of 60.3 per cent in October 2022. An originating freight loading of 118.94 million tonnes was achieved in October 2022 as compared to a corresponding figure of 117.34 million tonnes in October 2021, representing a year-on-year increase of 1.4 per cent (Figure 9).
- In October 2022, bank credit to the commercial sector surged to a year-on-year figure of 15.9 per cent as compared to 14.7 per cent recorded in September 2022, as corporates resorted to borrowing from banks for funding their working capital and capital expenditures (Figure 10).
- The flagship digital payments platform in India, Unified Payments Interface (UPI), processed 7.3 billion transactions amounting to Rs. 12.11 trillion in October 2022. This is the highest ever volume of transactions achieved since the inception of this platform in 2016 [business.paytm.com upi-transactions in oct 2022](https://business.paytm.com/upi-transactions-in-oct-2022)

Figure 9: Rail Freight (Million Tonnes) and Passenger Traffic (Million)



Source: Indian Railways.

Figure 10: Bank Credit to Commercial Sector



Source: RBI.



Trade deficit widens; merchandise exports continue to decline

- India's merchandise trade deficit widened to USD 26.9 billion in October 2022, as against USD 17.9 billion in October 2021. India's merchandise exports fell to USD 29.8 billion in October 2022 from USD 35.45 billion in September 2022.
- Merchandise imports declined to USD 56.7 billion in October 2022 from USD 61.2 billion September 2022. Imports in October 2021 stood at USD 53.6 billion, marking a year-on-year expansion of 5.7 per cent (Figure 11).
- Services exports grew by 18.7 percent in September, to touch USD 25.7 billion as compared to a corresponding figure of USD 21.6 billion recorded during the same month a year ago. The import of services was, however, up by 20 per cent, at USD 15.1 billion in September 2022, as compared to USD 12.6 billion in September 2021 (Figure 12).

Figure 11: Merchandise Trade

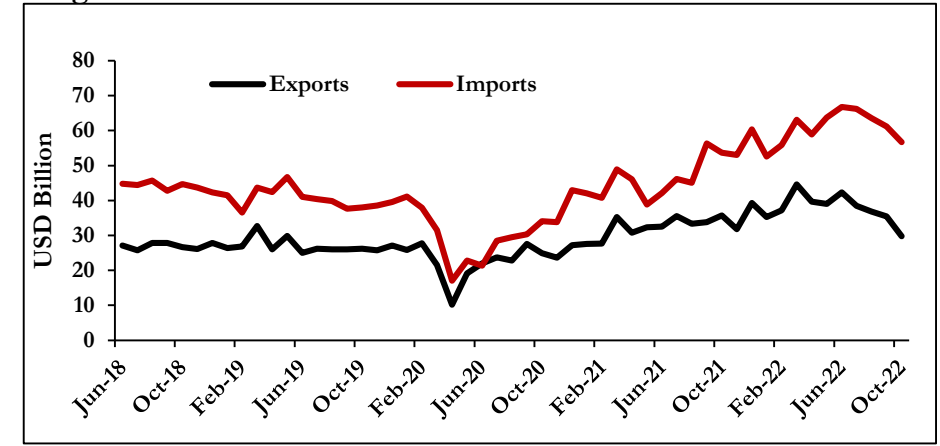
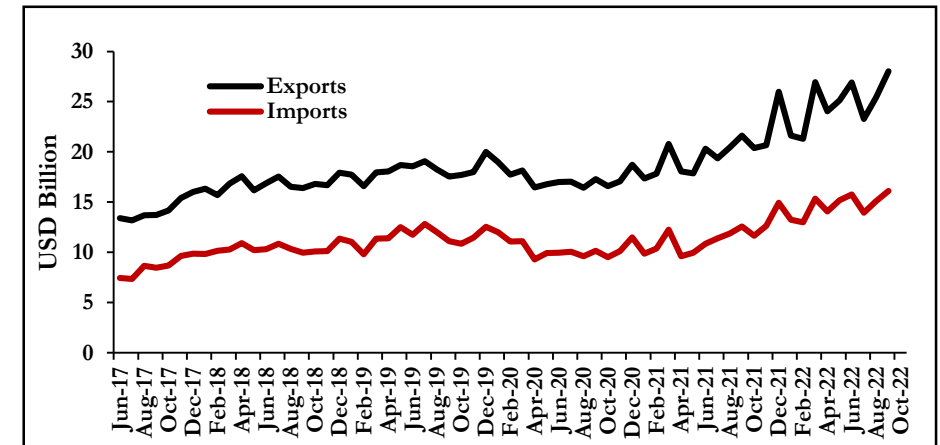


Figure 12: Services Trade



Source: Ministry of Commerce and Industry, Government of India (Figure 11 and 12).



Inflation moderates, even as the headline inflation remains above the 6 per cent upper range of the inflation target

- The Consumer Price Index (CPI) for October 2022 fell to 6.77 per cent, from 7.41 per cent in September 2022, largely due to a decline in food price inflation, even as it remained above the 6 per cent outer tolerance band of the Reserve Bank of India (RBI).
- The inflation in the food basket showed a month-on-month fall during October 2022 to 7.01 per cent, after having spiked to a 22-month high of 8.60 per cent in September 2022 (Figure 15).
- The Wholesale Price-based Inflation dropped to a 19-month low of 8.39 per cent in October 2022. The WPI has dropped below the double-digit mark for the first time since March 2021, led by a sharp moderation of food, fuel, and manufactured goods inflation (Figure 16).

Figure 15: Consumer Price Indices Inflation Rates

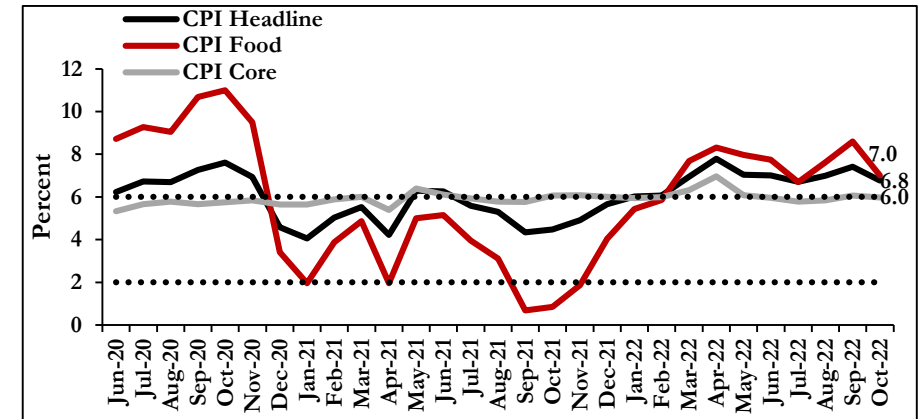
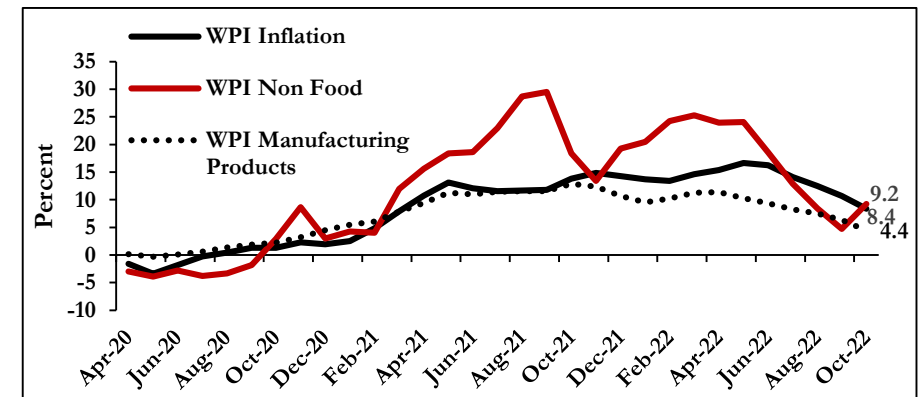


Figure 16: Wholesale Price Index Inflation Rate



Source: Central Statistics Office (Figure 15); Ministry of Commerce and Industry (Figure 16).



Unemployment increased (CMIE); IT hiring softened

- As per the household survey of the Centre for Monitoring Indian Economy (CMIE), the all-India unemployment rate increased to 7.8 per cent in October 2022 from 6.4 per cent in the previous month, driven by a spike in the rural unemployment rate. The unemployment rate has remained broadly unchanged in November 2022, marked by a rise in the rate for urban areas and a fall in the rate for rural areas (Figure 17).
- Hiring activity in India seems to have weakened as indicated by the online indices of employment. The slowdown is primarily owing to the decline in IT hiring (Figure 18).

Figure 17: Unemployment Rate

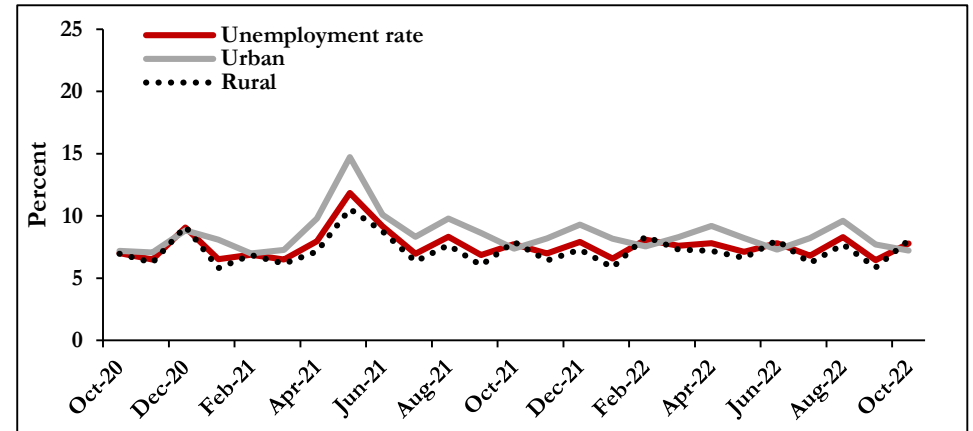
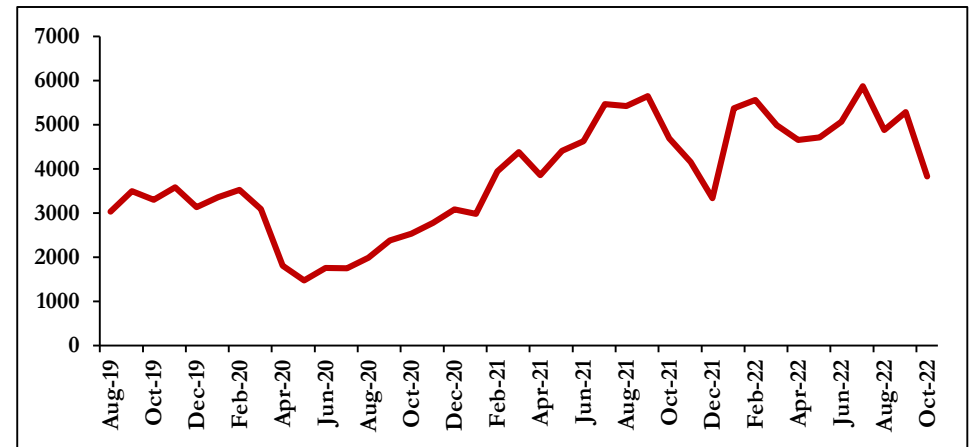


Figure 18: Naukri JobSpeak Index: IT-Software and Software Services



Source : Centre for Monitoring Indian Economy (Figure 17); Info Edge (India) Limited (Figure 18).



Work demand has fallen under MGNREGA

- The Employees' Provident Fund Organisation (EPFO) added 16.8 lakh new subscribers on a net basis in September 2022, signifying a year-on-year increase of 9.1 per cent. This suggests that first-time job seekers are joining the organized sector workforce in large numbers (Figure 19).
- In the rural sector, the demand for work under the Mahatma Gandhi National Rural Employment Act (MGNREGA) declined in October by 7.5 per cent due to the commencement of Rabi sowing operations (Figure 20). [Economictimes.indiatimes.com news about India's work demand under NREGS dips in October 2022](https://economictimes.indiatimes.com/news/about-India/s-work-demand-under-NREGS-dips-in-October-2022)

Figure 19: EPFO Net New Subscribers

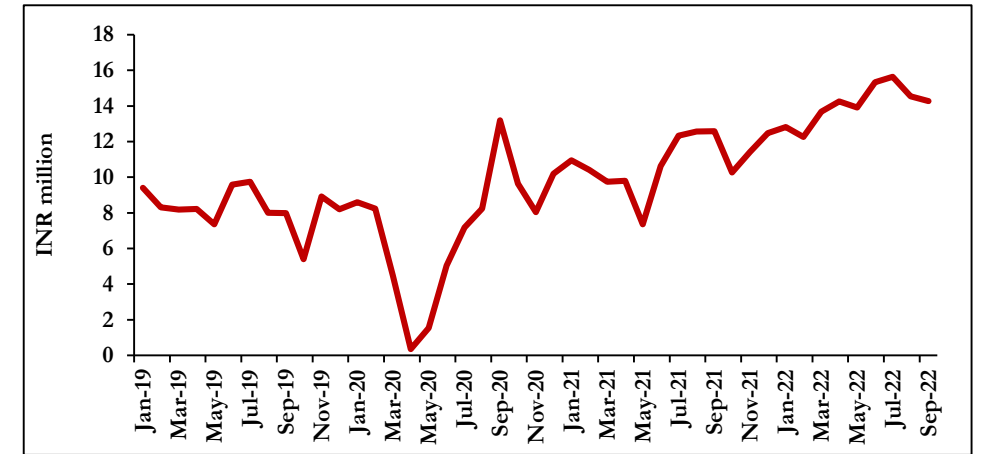
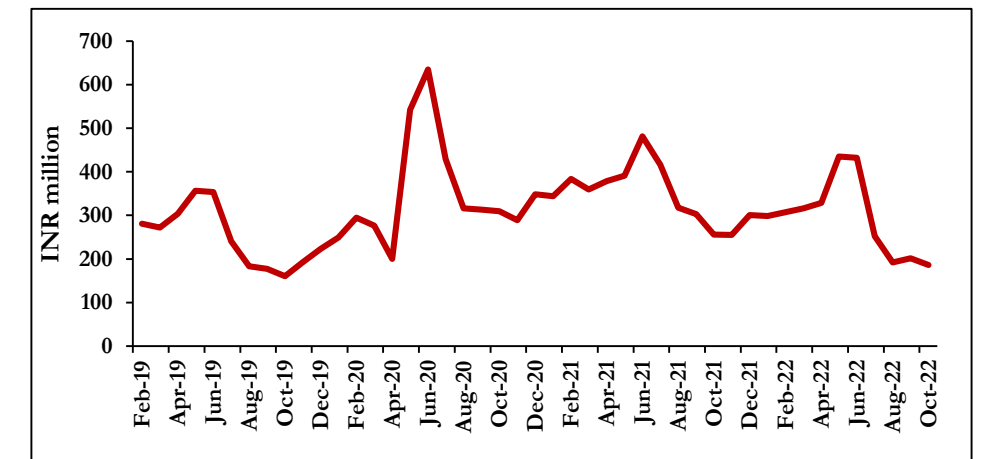


Figure 20: Work Demand under MGNREGA



Source : Employee's Provident Fund Organization (Figure 19); Ministry of Rural Development (Figure 20).



Fiscal outcomes are prudent during the current fiscal year

- As of September 2022, the fiscal deficit is restrained, and has covered 37.3 per cent of the Budget forecast for the FY22-23 (Figure 21).
- Revenue inflows were strong and covered 53.1 per cent of the budget projection in September 2022 for the FY22-23, due to buoyant income tax, customs duty and GST (Goods and Services Tax) collections (Figure 22). **Tax collection to exceed budget estimate by nearly Rs 4 lakh crore** Revenue Secretary **Tarun Bajaj**
- Total expenditure has reached 46.2 per cent of the overall budget estimate for FY22-23 in September 2022 (Figure 23).

Figure 21: Fiscal Deficit

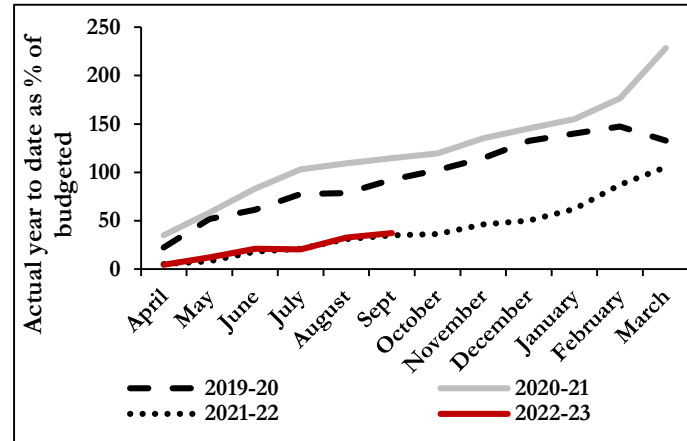


Figure 22: Revenue Receipts

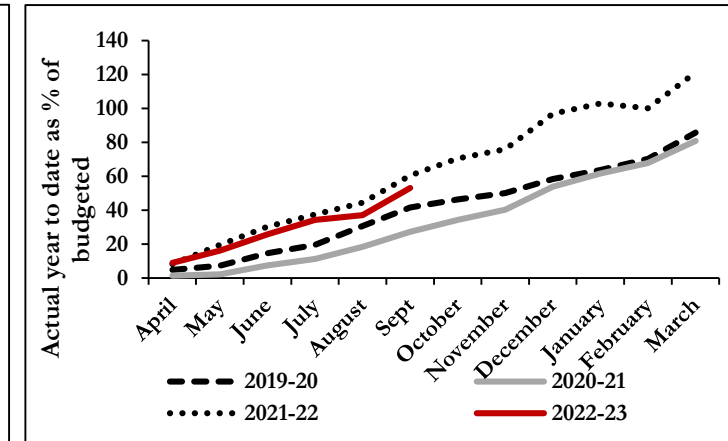
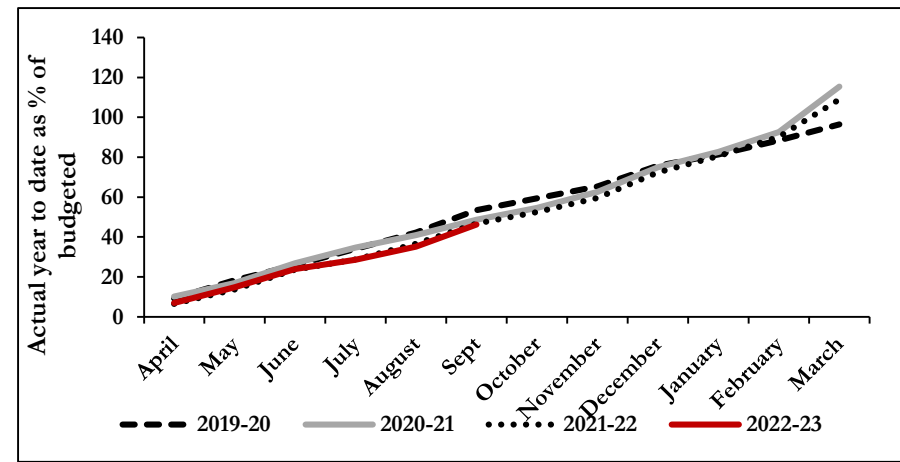


Figure 23: Total Expenditure



Source : Controller General of Accounts (Figure 21, 22 and 23)



The rupee strengthened against the dollar ; forex reserves increased

- The rupee appreciated by 0.5 per cent in November 2022 as compared to a 2.1 per cent depreciation in October 2022, due to a boost in investors' sentiments with regard to foreign fund inflows. The value of the rupee stood at 81.8 per dollar as of 28 November 2022 (Figure 24).
- India's foreign exchange reserves increased by USD 14.4 billion to reach USD 547 billion during the week ending November 18, signifying the steepest accretion since August 2021. Softening crude and commodity prices and a less hawkish Fed have given a boost to the rupee sentiment, helping in the resumption of portfolio inflows (Figure 25).

Figure 24: Exchange Rate

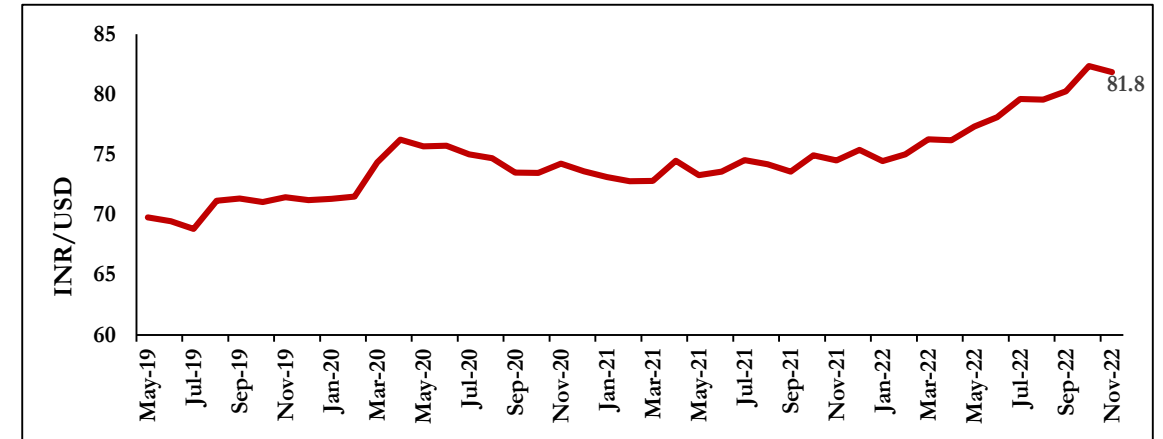
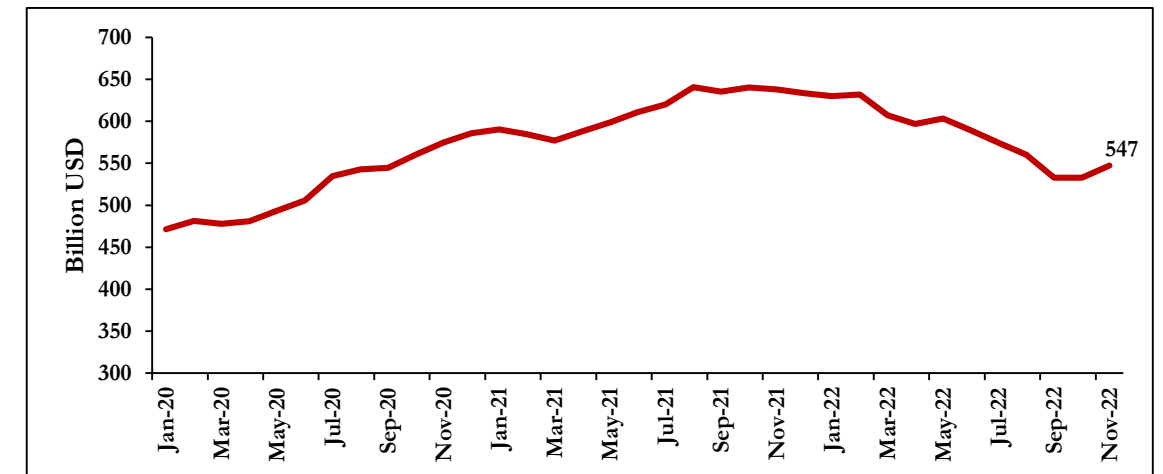


Figure 25: Foreign Exchange Reserves



Source: Reserve Bank of India (Figure 24 and 25).

Note: Data for Figure 24 is as of 28 November 2022. Data for Figure 25 is available until 18 November 2022.



Equity markets recovered; yields on government debt moderated

- The Morgan Stanley Capital International (MSCI) Index for India, Emerging Markets and World rebounded in November 2022, after losing in October 2022, with the global equity market volatility being lower, as investors expect moderate rate hikes by the Federal Reserve (Figure 26).
- Global bond yields continued its hardening bias in November with continued monetary tightening by central banks. In India, the 5-year and 10-year benchmark yield declined by 10 basis points during the month aided by softer inflation and expectations of no fiscal slippage during the year (Figure 27).

Figure 26: Indian Equity Markets

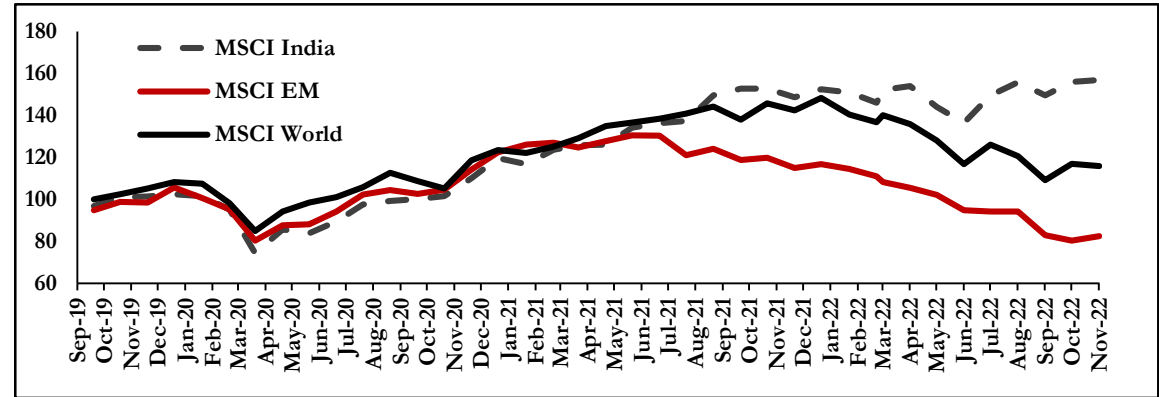
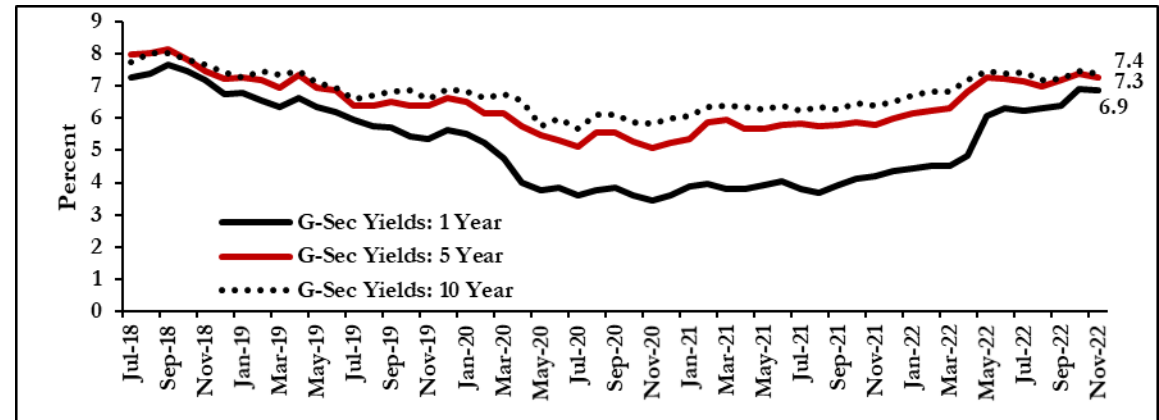


Figure 27: Yields on Domestic Government Securities



Source: Investing.com (Figure 26); Clearing Corporation of India Ltd (Figure 27).

Note: Data for Figure 27 in the panel has been taken as the average, as of 25 November 2022.



Foreign portfolio investment turned positive

- Foreign portfolio investments have turned positive, reversing the net outflows of the previous months. The net inflows into equities amounted to USD 3.9 billion until 28 November 2022 (Figure 28).
- The net outflow of foreign portfolio investments peaked at USD 34 billion in June 2022, and has been moderating since then (Figure 29).

Figure 28: Foreign Portfolio Investment

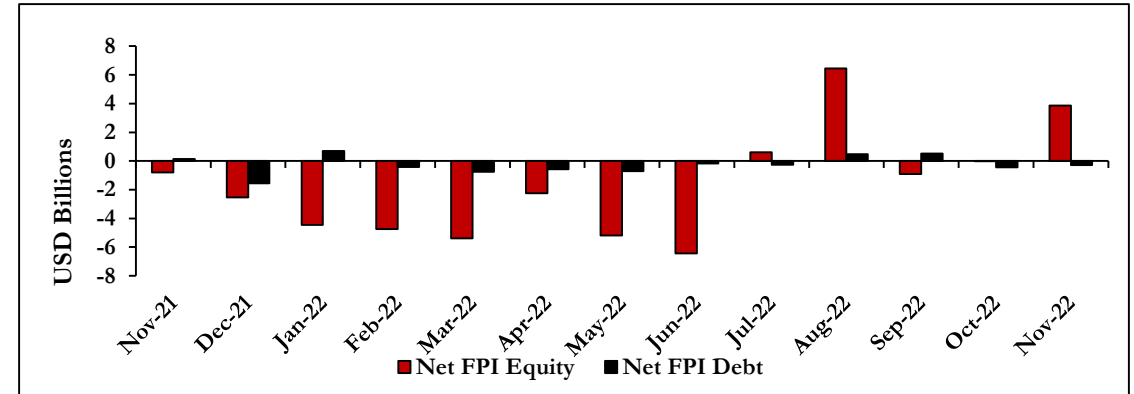
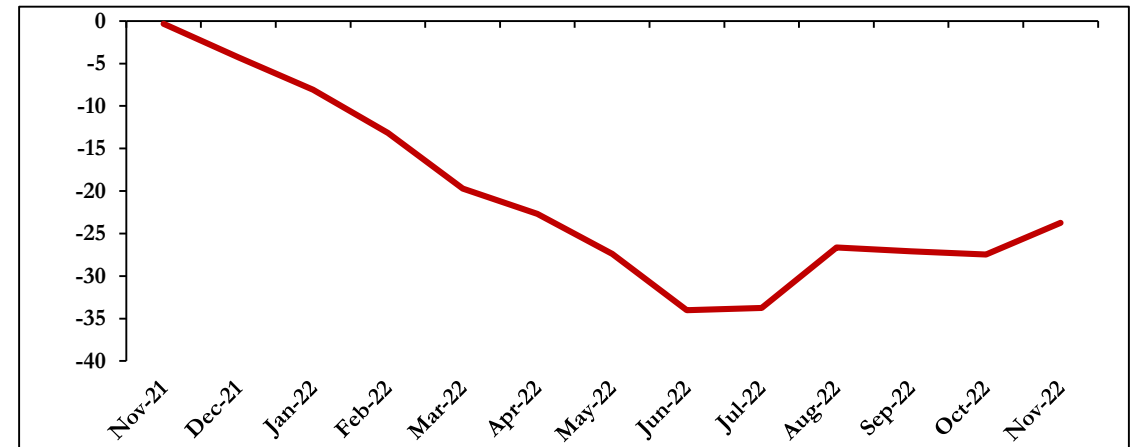


Figure 29: Cumulative Capital Outflow



Source: National Securities Depository Limited (Figure 28 and 29).

Note: Data given in for Figures 28 and 29 is until 28 November 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	Sep-22	Oct-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	18.9	3.6
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	-3.2	16.5
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	99.6	99.50	
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	191.3	187.40	
IIP (manufacturing)	126.2	126.0	134.2	118.5	139.0	111.5	136.4	145.3	131.6	134.6	136.9	134.9	131.0	134.30	
PMI (manufacturing)		0.0	54.5	46.0	56.4	50.8	55.9	54.0	54.7	54.6	53.9	56.4	56.2	55.1	55.3
PMI (services)		0.0	57.5	34.2	52.3	46.4	58.4	53.6	57.9	58.9	59.2	55.5	57.2	54.3	55.1
Auto sales (domestic passenger vehicles)	-17.1	-26.5	-12.3	-3.9	13.6	162.5	-27.1	-3.9	-3.8	185.1	19.1	11.1	21.1	92.0	28.6
Natural gas production	-0.3	-4.3	-8.8	-10.1	-7.1	19.1	24.7	7.5	6.6	6.4	1.3	-0.4	-1.0	-1.7	
Crude steel production	4.3	-0.5	0.2	-8.4	9.6	44.6	5.1	6.2	8.0	17.7	5.9	2.8	0.4	1.8	6.9
Electricity production	5.7	-1.2	11.7	-3.7	4.5	6.6	3.3	6.5	12.8	24.2	16.4	3.7	2.0	12.6	0.3
Crude oil production	-6.7	-5.4	-6.4	-4.9	-3.6	-6.3	-2.2	-3.4	-0.9	4.6	-1.7	-3.8	-3.3	-2.3	
Services															
Air passenger traffic – all airports	-5.4	0.2	7.2	-83.9	-50.4	564.3	75.9	44.2	95.3	502.4	288.1	127.4	73.1	61.6	39.8
Cargo traffic	5.7	1.4	1.4	-18.0	-8.7	31.3	14.6	7.0	5.5	7.2	9.2	10.6	10.1	10.8	-15.1
NPCI retail payments - volume	67.7	60.6	54.8	21.6	43.7	57.7	71.3	66.9	83.6	104.2	81.6	70.6	60.9	64.0	55.7
Trade															
Exports- non oil	-60.3	6.1	3.5	35.0	30.7	20.7	20.2	9.9	17.4	13.1	11.1	1.7	-1.2	-2.1	-17.6
Import – non oil non gold	54.8	61.4	47.3	41.0	31.6	23.3	26.6	8.6	14.6	51.7	44.6	33.7	24.1	14.6	-1.3
Imports	53.0	85.7	57.4	56.8	40.5	25.1	37.2	29.0	27.9	64.1	58.5	43.6	41.0	8.7	5.7
NEER (trade weighted 40 currencies)	-0.3	-0.9	-1.8	0.5	0.0	0.2	-1.1	-2.4	1.2	0.1	-0.4	-0.6	-1.0	-0.9	-1.1
Gross FDI	1.7	-26.2	22.4	-17.8	26.5	208.1	-15.3	51.9	32.9	-34.3	31.5	46.0	-43.6	-21.9	
Net FPI	-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	-111.6	-75.2
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	23.7	16.6
Monetary and Financial Markets															
Non food credit	6.7	6.8	6.9	7.1	9.4	9.4	9.1	8.7	11.3	12.6	13.7	15.1	14.8	15.7	
Non food credit outstanding – personal loans	12.8	13.2	12.0	11.8	14.3	12.3	12.7	12.6	14.5	16.3	18.1	18.8	19.5	19.6	



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

