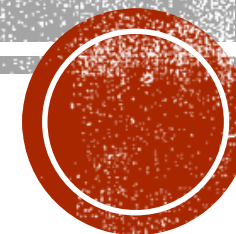


Monthly Review of the Economy

August 2023



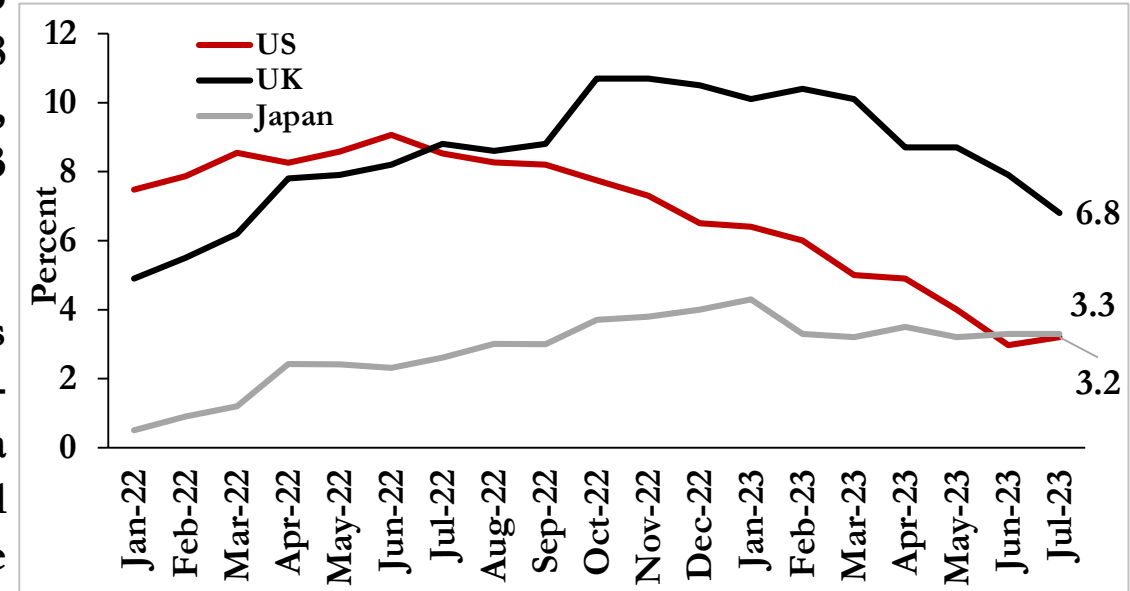
This report has been prepared by Aakansha Atal, Research Associate at NCAER. Comments are welcome at aatal@ncaer.org. Anupma Mehta has provided editorial guidance and Khushvinder Kaur has helped with formatting. The findings, interpretations, and conclusions expressed are those of the authors and do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

Monthly highlights

- Inflation increased slightly in the US and continued to remain above the target rate of 2 percent. Inflation in the UK decreased significantly after easing last month. Inflation in Japan remained unchanged, and was higher than the target rate.
- The Monetary Policy Committee (MPC) kept the policy rates unchanged at 6.5 per cent.
- RBI kept its projection for India's real GDP growth for FY23-24 unchanged at 6.5 percent from the previous forecast made on 8 June 2023, and revised its projection for CPI inflation upward from 5.1 per cent to 5.4 percent.
- According to the World Trade Statistical Review 2023, the growth in the volume of world merchandise trade declined to 2.7 percent in 2022 as compared to 9.4 percent in 2021. Services trade recovered in 2022, registering a 15 percent growth on a yearly basis.
- High-frequency indicators reveal that the domestic economy remained resilient. The Purchasing Manager's Index (PMI) for both manufacturing and services showed an expansionary momentum; GST collections remained buoyant; fiscal outcomes were prudent.
- Inflationary pressure increased in July 2023; food inflation increased significantly. India's foreign exchange reserves decreased sequentially; the rupee remained flat against the US dollar. The merchandise trade deficit widened, and the services trade surplus increased. Online hiring, as per the Naukri JobSpeak Index, decreased, and work demand under MNREGA; net new subscribers under EPFO increased on a year-over-year basis.
- Yields on 10-year government securities in India continued to remain flat sequentially; net foreign portfolio investments remained positive; equity markets for the world and emerging markets declined, but for India they remained flat.

- US inflation increased slightly from 3.0 percent in June 2023 to 3.2 percent in July 2023. UK inflation decreased sharply to 6.8 percent in July 2023 from 7.9 percent in June 2023. However, inflation in Japan remained unchanged at 3.3 percent in July 2023 (Figure 1).
- According to the [World Trade Statistical Review 2023](#), services trade recovered in 2022, registering a 15 percent growth on a year-over-year basis. Digitally delivered services (services provided via computer network) accounted for 54 percent of the total global services export in 2022. As [projected](#) by WTO in April 2023, the growth in the volume of world merchandise trade declined to 2.7 percent in 2022 as compared to 9.4 percent in 2021.
- The Chinese economy slipped into deflation, the [CPI declined](#) by 0.3 percent in July 2023, accompanied by a 4.4 percent drop in producer prices on a year-over-year basis. The People's Bank of China reduced the one-year loan prime rate by [10 basis points from 3.55 to 3.45 percent](#) but kept the five-year loan prime rate unchanged. Further, [China's exports](#) also declined in the month of July by 14.5 percent on a year-over-year basis.

Figure 1: Headline Inflation in Advanced Economies



Source: US Bureau of Labor Statistics; Office for National Statistics; Statistics Bureau, UK and The Bank of Japan (Figure 1).

Oil prices rise; equity markets for the world and emerging markets decline, equity market for India remains flat

Markets

- The price of Brent crude oil increased to USD 85.1 per barrel (average till 24 August 2023), as compared to USD 80.1 per barrel at end-July 2023 (Figure 2).
- The Morgan Stanley Capital International (MSCI) Index for the world and emerging markets decreased sequentially by approximately 3.4 and 5.1 percent, respectively, as of 24 August 2023. For India, it remained flat sequentially, as of 24 August 2023 (Figure 3).

Figure 2: Brent Crude Oil Price

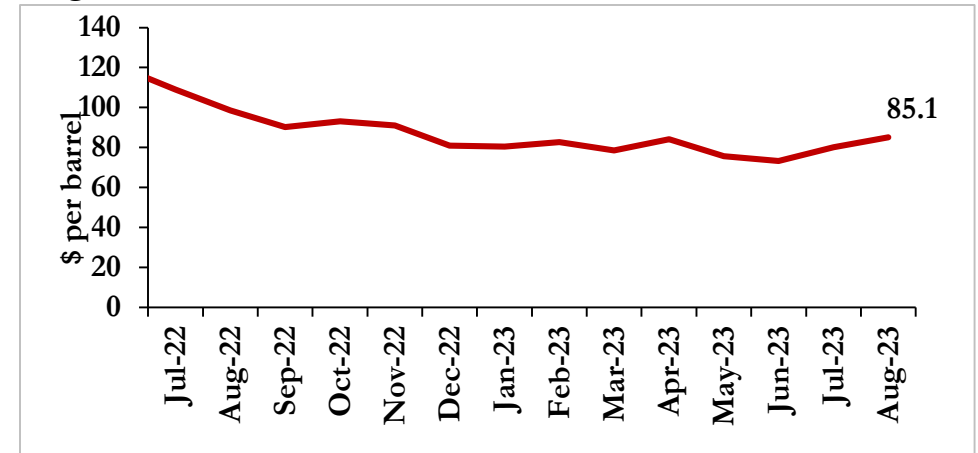
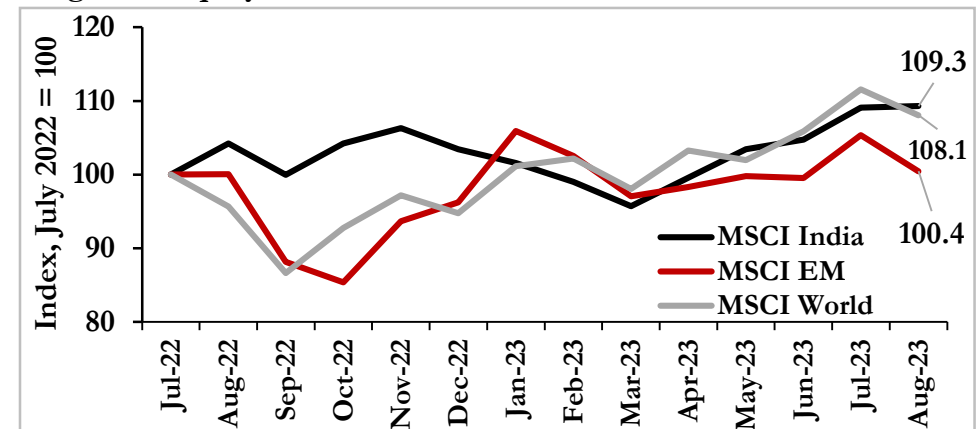


Figure 3: Equity Markets

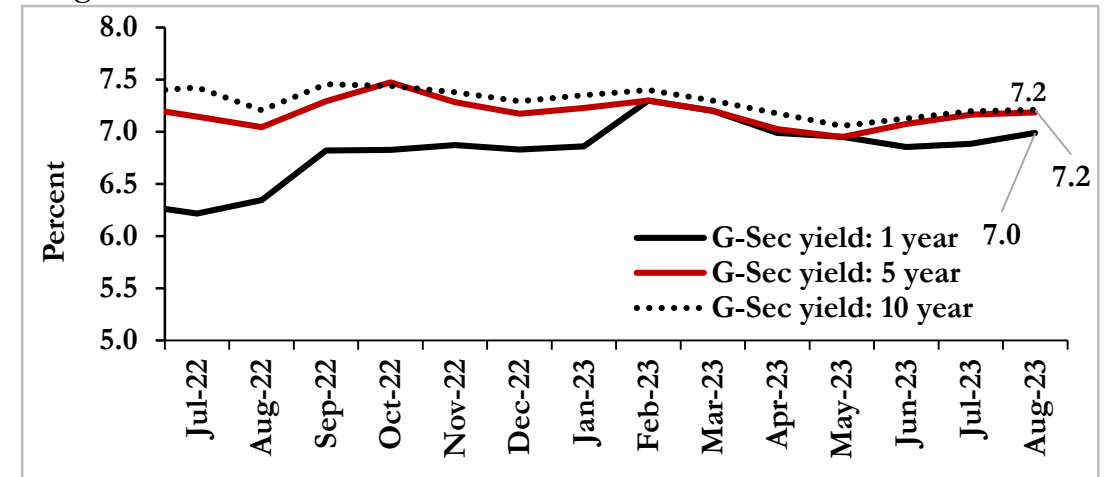


Source: World Bank Pink Sheet (Figure 2); Investing.com (Figure 3).

Note: For the month of July 2023, data for Figure 2 is taken from the World Bank Pink Sheet and for the month August 2023, it is taken as average till 24 August 2023 from [NASDAQ](https://www.nasdaq.com). Figure 3 is indexed from July 2022, July 22=100, data for Figure 3 is reported until 24 August 2023. Average of daily values was taken to create the monthly value for August 2023.

- The yields for the 1-year, 5-year, and 10-year benchmark government securities remained flat at 7.0 percent, 7.2 percent, and 7.2 percent, respectively, as of 24 August 2023 (Figure 4).

Figure 4: Yields on Domestic Government Securities



Source: Clearing Corporation of India Ltd (Figure 4).

Note: In Figure 4, for the month of August, data is reported until 24 August 2023. Average of daily values is taken to create the monthly value for August 2023.

Indian economy maintains its steady pace; PMI continues to exhibit an expansionary momentum; IIP shows an increase in year-over-year growth

Real Sector

- The Purchasing Manager's Index (PMI) for manufacturing activity continued to reflect an expansionary momentum, registering a value of 57.7 in July 2023, broadly in line with the previous month's value of 57.8. The PMI for services registered an increase in value to 62.3 July 2023 from 58.5 in June 2023. The value of the composite PMI increased to 61.9 from 59.4 in June 2023 (Figure 5).
- The Index of Industrial Production (IIP) registered a growth of 3.7 percent (Quick Estimates) in June 2023 on a year-over-year basis; however, the growth rate decelerated sequentially (Figure 6). [IIP June'23 Press Release.doc \(mospi.gov.in\)](#)
- The growth in the combined Index of Eight Core Industries (IIP Core) increased to 8.2 percent (Provisional) in June 2023 as compared to a growth of 5.0 percent (Provisional) in May 2023, on a year-over-year basis (Figure 6). [IIP core June' 23 Press Release \(Office of Economic Advisor, DPIIT, Govt. Of India\)](#)

Figure 5: PMI Indices

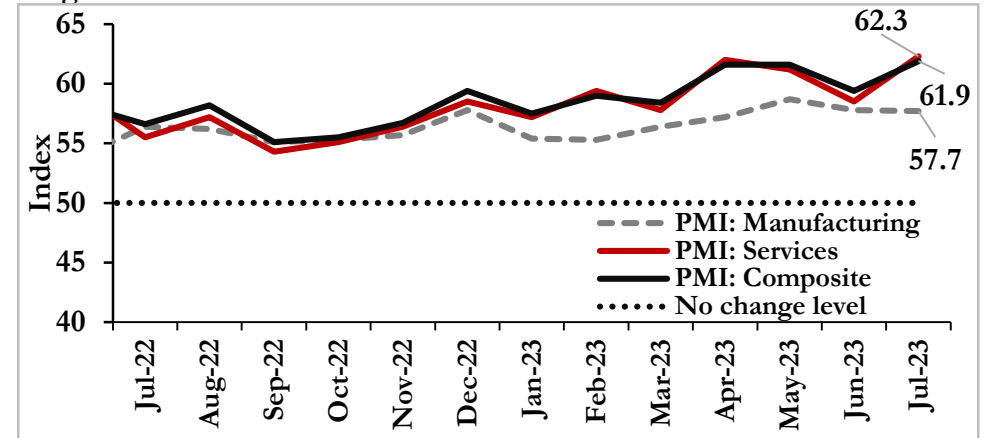
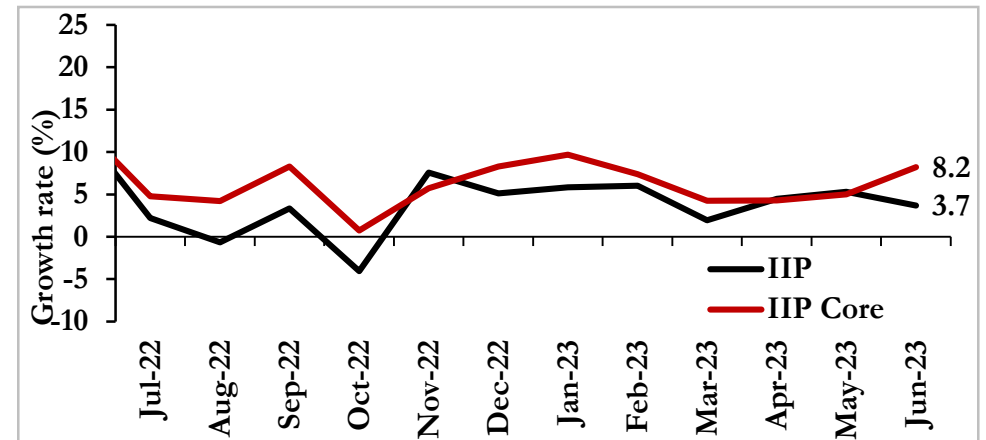


Figure 6: Index of Industrial Production (IIP) and IIP for Core Industries



Source: IHS Markit (Figure 5); Ministry of Statistics and Programme Implementation, Government of India (Figure 6).

Note: PMI is a number from 0 to 100. A PMI reading under 50 represents a contraction, a reading at 50 indicates no change and a reading above 50 is an expansion. The further away from 50 is the reading, the greater is the level of change.

Farm tractor sales and production continue to remain above the pre-pandemic levels; sales of electric vehicles remain robust

Real Sector

- In July 2023, both the production and sales of tractors continued to remain above the pre-COVID levels. However, the production and sales of tractors registered a decline by 12.1 and 0.01 percent, respectively, on a year-over-year basis (Figure 7).
- The sales of two-wheelers registered a decline by 7.2 percent on a year-over-year basis, and remained below the pre-COVID levels in July 2023 (Figure 8).
- According to the Society of Indian Automobile Manufacturers (SIAM), the total passenger vehicles sales registered a growth of 2.6 percent on a year-over-year basis. The sales of three-wheelers and passenger carriers performed well, registering growth of 78.9 and 97.6 percent, respectively. [Auto wholesales in July 2023 grow by 2.6%; 2-wheelers fall by 7.2%: SIAM, ET Auto \(indiatimes.com\)](#)
- According to the Vahan Dashboard, Government of India, the overall Electric Vehicle (EV) sales in July 2023 registered a 14 percent growth sequentially. The EV sales registered a growth of 45 percent in July 2023 on a year-over-year basis. [Monthly EV Update - July 2023 - JMK Research & Analytics](#)

Figure 7: Farm Tractor Production and Sales

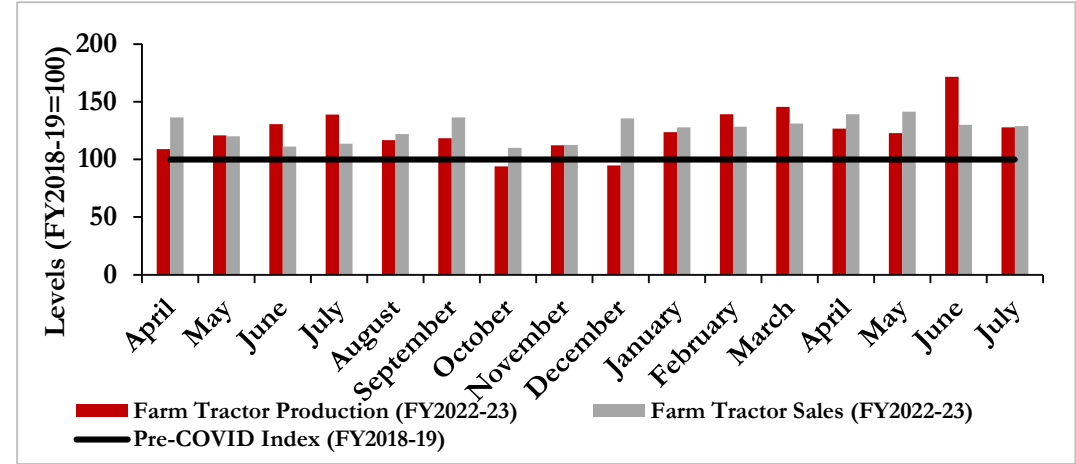
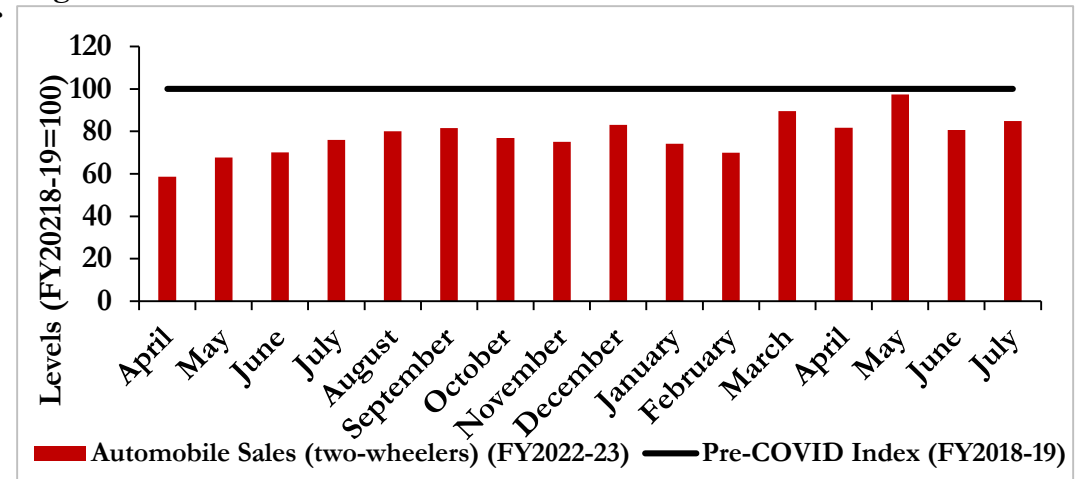


Figure 8: Automobile and Two-wheeler Sales



Source: Tractor and Mechanization Association (Figure 7); CEIC estimates and Society of Indian Automobile Manufacturers (Figure 8).

Note: For the calculation of the Pre-COVID Index in Figures 7 and 8, the levels for each month for FY2018-19 have been indexed to 100.

Railway and air passenger traffic show growth on yearly basis; railway freight and air passenger traffic continue to remain above pre-pandemic levels

Real Sector

- Rail passenger traffic increased by 10.3 percent in July 2023 on a year-over-year basis, but remained below the pre-COVID levels. The originating freight loading value increased by 1.5 percent on a year-over-year basis and continued to remain above the pre-COVID levels in July 2023 (Figure 9).
- Air passenger traffic increased by 25.8 percent in July 2023 on a year-over-year basis, surpassing the pre-COVID levels. Air cargo traffic registered a year-over-year decline of 1.2 percent in July 2023, and remained below the pre-COVID levels (Figure 10).

Figure 9: Rail Freight and Passenger Traffic

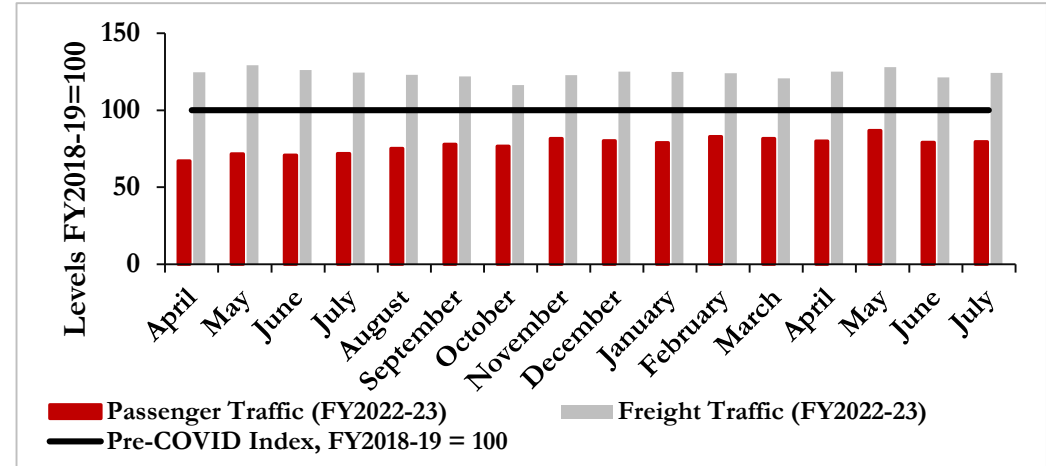
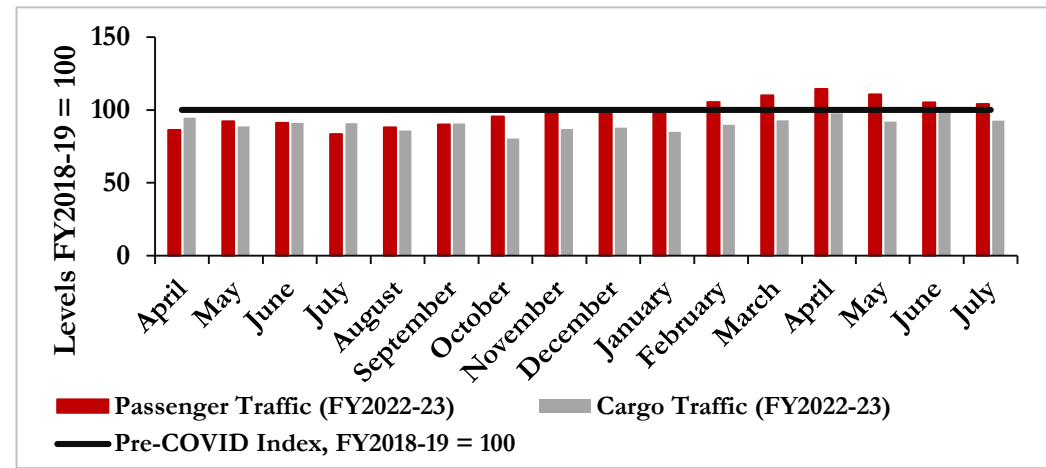


Figure 10: Air Passenger Traffic and Cargo Traffic



Source: Indian Railways (Figure 9), Airports Authority of India (Figure 10).

Note: For the calculation of the pre-COVID Index in Figures 9 and 10, the levels for each month for FY2018-19 have been indexed to 100.

India experiences deficient rainfall that may pose risk to yields of summer crops

Real Sector

- Data on rainfall from the India Meteorological Department (IMD) showed a daily rainfall of 7.4 mm, as of 24 August 2023 (Figure 11). The cumulative rainfall from August 1 to August 24 was 605.1 mm (Figure 12).
- According to the India Meteorological Department (IMD), the pan-India rainfall was 605.1 mm (cumulative total till 24 August 2023), indicating an overall deficient rainfall. Extremely low moisture in the soil can inhibit the yield of Kharif crops like rice, soybeans, cotton, corn and peanuts. [India headed for driest August in over 100 years, summer crops at risk - The Economic Times \(indiatimes.com\)](#)
- According to the Standardized Precipitation Index (SPI) developed by World Meteorological Organization, 47 percent of India is experiencing a mild dry condition. States in southern India, some districts of Maharashtra and Gujarat, and some segments of East India are experiencing moderate to extreme aridity conditions. [31% of India facing moderate to extreme dryness, next 2 weeks crucial: IMD data | India News - Times of India \(indiatimes.com\)](#)

Figure 11: Daily Rainfall (mm) in August 2023

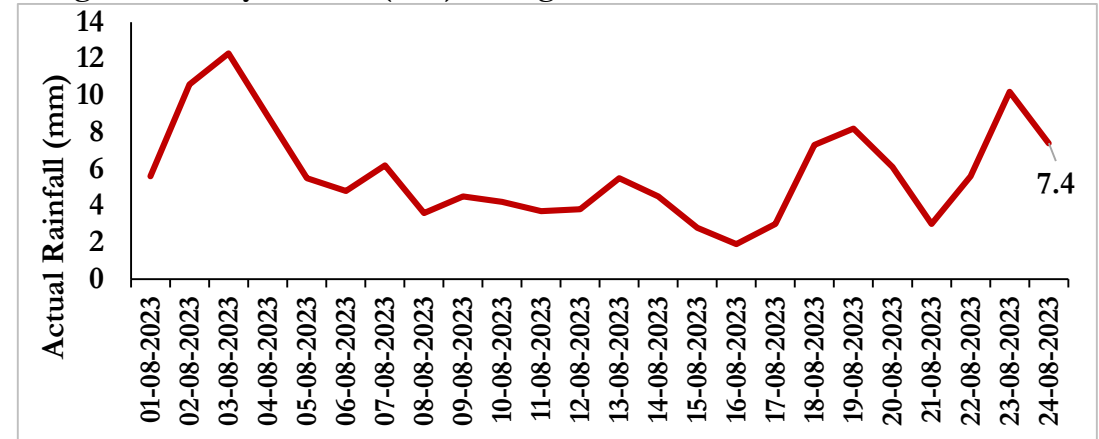
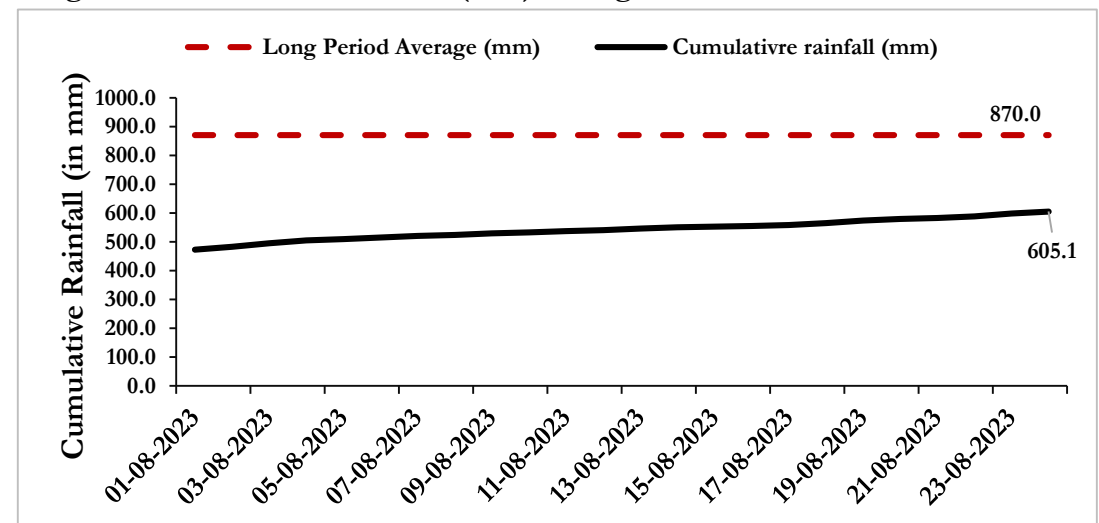


Figure 12: Cumulative Rainfall (mm) in August 2023



Source: CEIC estimates (Figures 11 and 12).;

Note: Long Period Average of the South west monsoon in India is 87cm (i.e. 870 mm)

UPI transactions record 10 billion transactions; growth in NETC and IMPS remains robust

Real Sector

- The Unified Payments Interface (UPI), India's leading digital payment system, recorded 10.0 billion transactions in July 2023. UPI registered a year over-year growth of 58.4 per cent in July 2023 (Figures 13 and 14).
- Digital payments systems such as the National Electronic Toll Collection (NETC) and Immediate Payment Service (IMPS) recorded 295.0 and 489.7 million transactions, respectively, in July 2023, and both the payment systems registered year-over-year growth of 11.3 per cent and 6.3 per cent, respectively (Figures 13 and 14).

Figure 13: Unified Payments Interface (UPI), Immediate Payment Service (IMPS) and National Electronic Toll Collection (NETC)

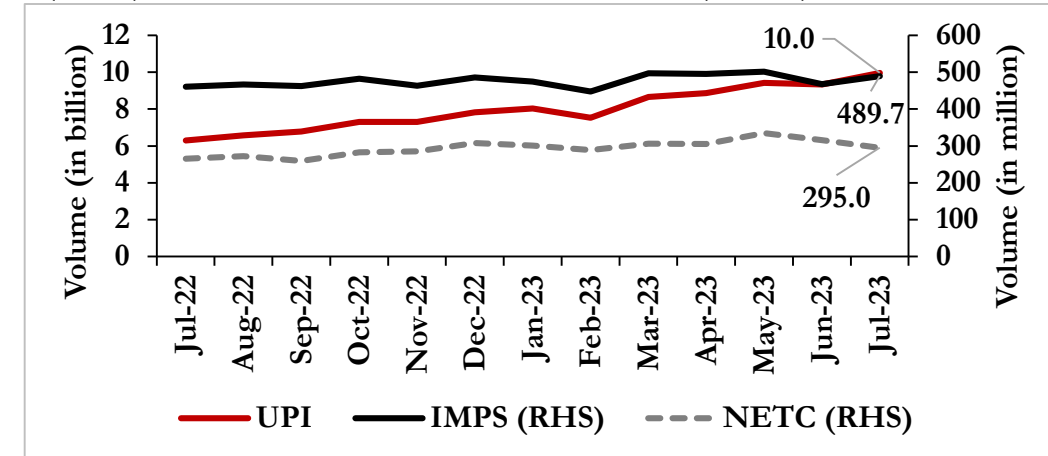
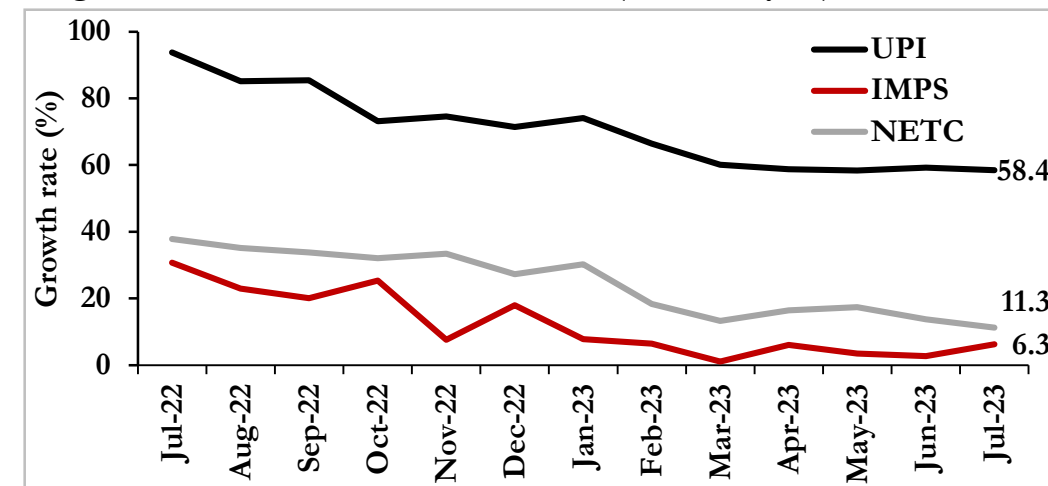


Figure 14: UPI, IMPS and NETC Growth (Year-over-year)



Source: National Payments Corporation of India (NPCI) (Figures 13 and 14).

Fiscal outcomes for the Centre remain prudent

Fiscal Developments

- As of June 2023, the fiscal deficit was restrained, reaching 25.3 per cent of the Budget Estimate (BE) for FY23-24 (Figure 15).
- Revenue inflows were buoyant and covered 22.4 per cent of the budget projection, as of June 2023 for FY23-24 (Figure 16).
- Total expenditure reached 23.3 per cent of the overall Budget Estimate (BE) for FY23-24, as of June 2023 (Figure 17).

Figure 15: Fiscal Deficit

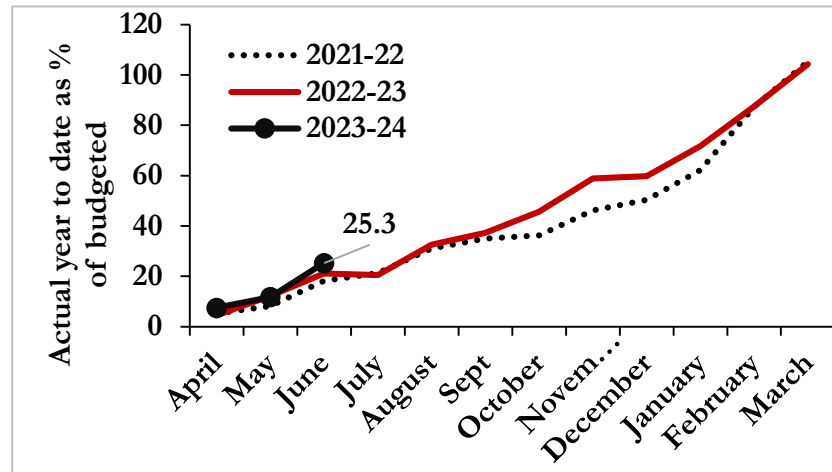


Figure 16: Revenue Receipts

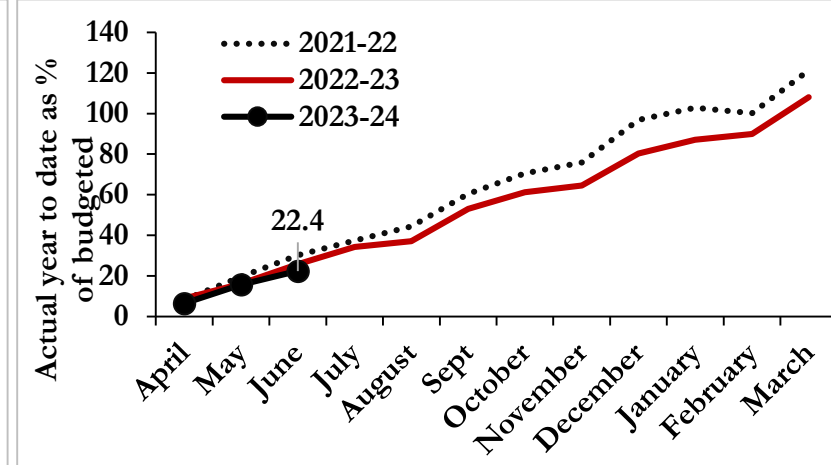
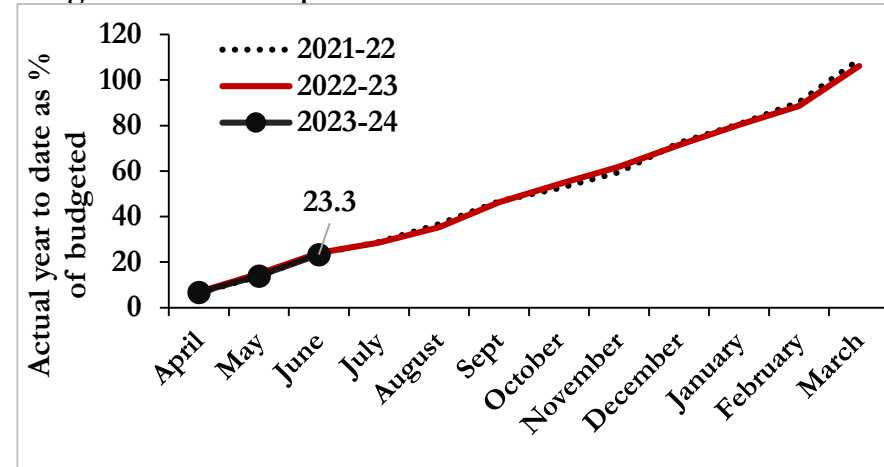


Figure 17: Total Expenditure



Source : Controller General of Accounts (Figures 15, 16 and 17).

GST revenue collections and E-way bills generation remain buoyant on a yearly basis

Fiscal Developments

- Goods and Services Tax (GST) collections reached a value of Rs. 1.7 lakh crore in July 2023, registering a year-over-year growth of 10.8 percent (Figure 18).
- The collection of GST E-way bills reached 8.8 crore in July 2023, marking a year-over-year growth of 16.4 percent (Figure 19).

Figure 18: GST Revenue

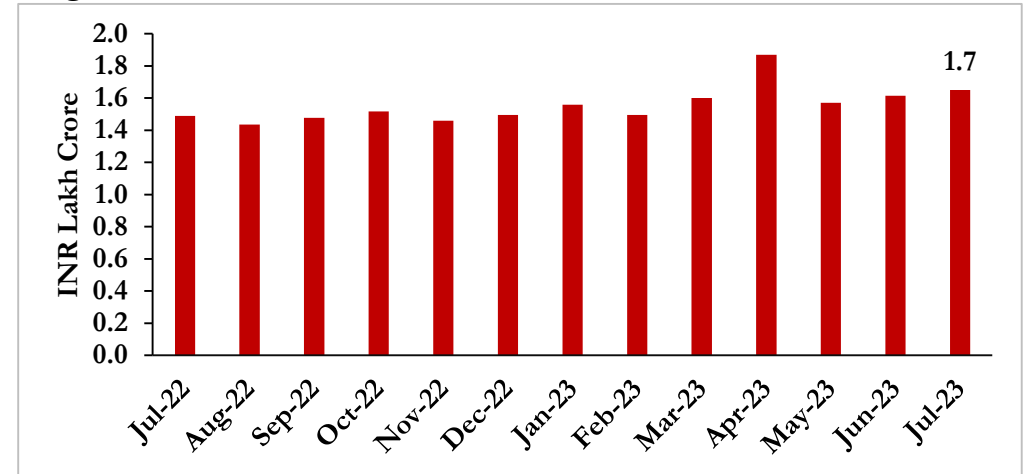
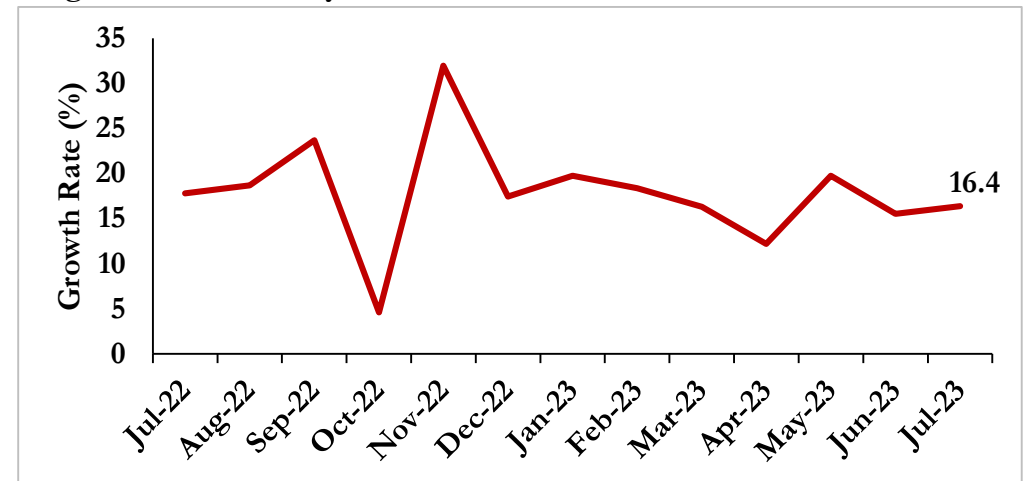


Figure 19: GST E-Way Bills



Source: Ministry of Finance (Figure 18); Goods and Services Tax Network Figure 19).

MPC keeps policy rates and forecast for real GDP growth unchanged; CPI inflation projection is revised upward

Inflation and Monetary Policy

- In its meeting on 10 August 2023, the Monetary Policy Committee (MPC) decided to keep the policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 6.50 percent, for the third consecutive month. Accordingly, the Standing Deposit Facility (SDF) remained unchanged at 6.25 percent and the Marginal Standing Facility (MSF) rate and the Bank Rate at 6.75 percent, respectively (Figure 20).
- The projection for India's real GDP growth for FY23-24 remained unchanged at 6.5 percent from the previous forecast made on 8 June 2023 (Figure 21).
- CPI inflation is projected at 5.4 percent for FY23-24, which is higher than the previous projection of 5.1 percent, made earlier on 8 June 2023. [Reserve Bank of India - Press Releases \(August 2023\)](#)

Figure 20: RBI Rates

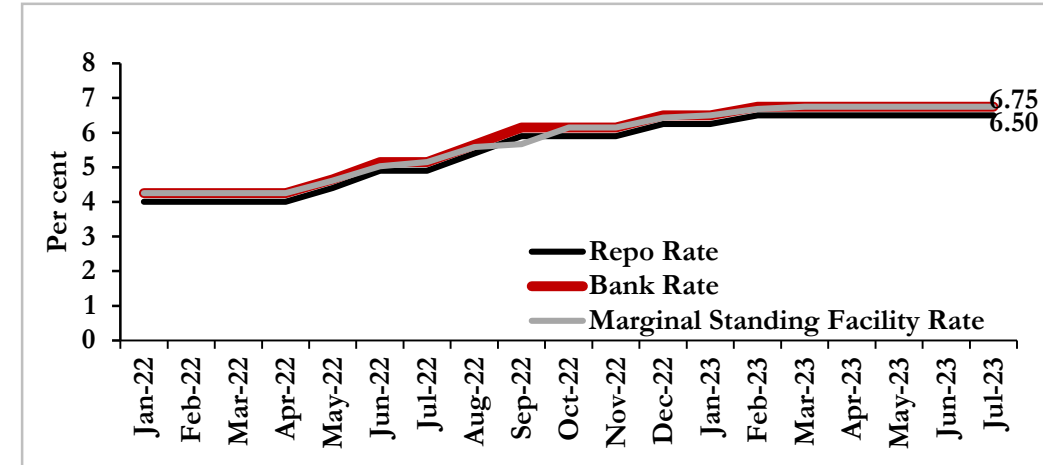
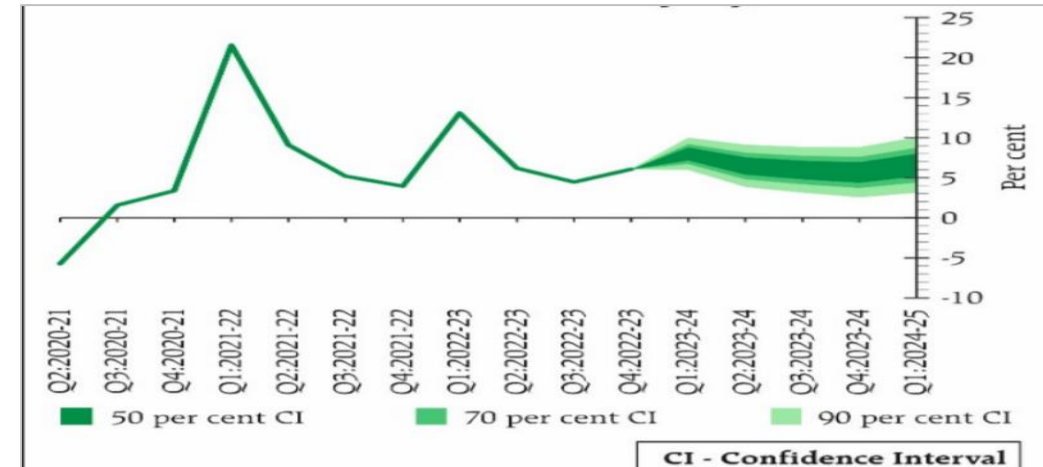


Figure 21: RBI's Projection of Real GDP Growth



Source: Reserve Bank of India (Figures 20 and 21).

Headline and food inflation increases sharply; WPI deflation narrows

Inflation and Monetary Policy

- The Consumer Price Index (CPI) headline inflation for July 2023 increased sequentially to 7.4 percent from 4.9 percent in June 2023. However, core inflation decreased to 4.9 percent in July 2023 from 5.1 percent in June 2023 (Figure 22).
- The Consumer Food Price Index (CFPI) inflation increased sharply to 11.5 percent in July 2023 from 4.5 percent in June 2023 (Figure 22).
- The Wholesale Price Index (WPI) inflation increased to (-) 1.4 percent in July 2023 from (-) 4.1 percent in June 2023 (Figure 23).

Figure 22: Consumer Price Indices Inflation Rates

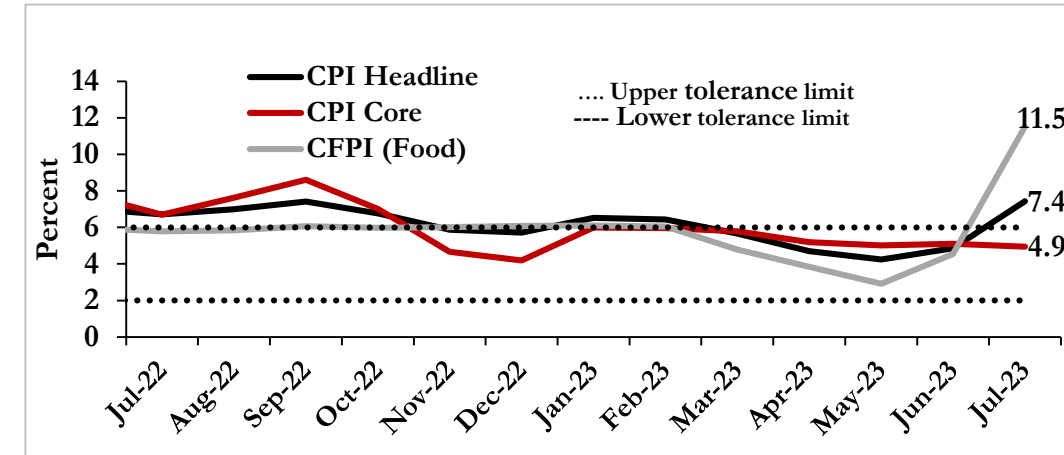
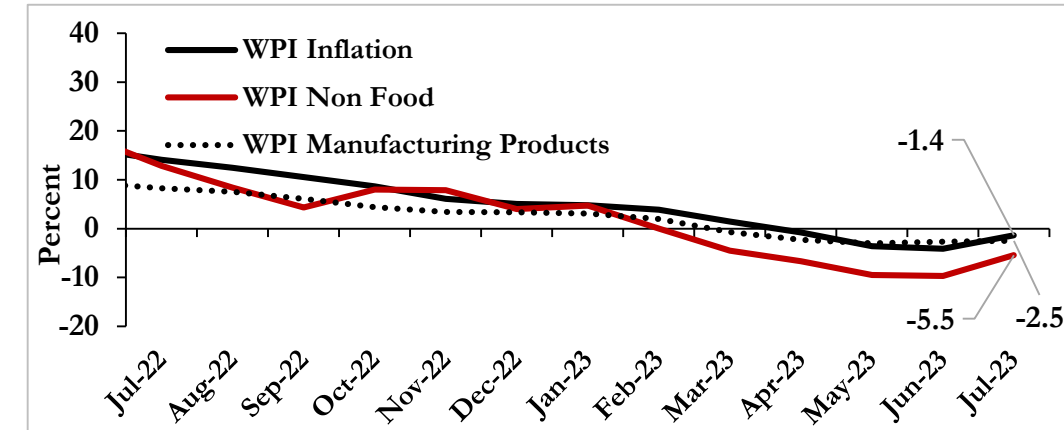


Figure 23: Wholesale Price Index Inflation Rate



Source: Ministry of Statistics and Programme Implementation (Figure 22), Ministry of Commerce and Industry (Figure 23).

Note: In Figure 22, CFPI includes ten sub-groups- Cereals and Products, Meat and Fish, Eggs, Milk and Products, Oils and Fats, Fruits, Vegetables, Pulses and Products, Sugar and Confectionary, Spices.

Food inflation contributes significantly to headline inflation

Inflation and Monetary Policy

- In July 2023, core inflation contributed 3.5 percent to headline inflation. Consumer Food Price Inflation (CFPI) contributed 2.9 percent to headline inflation, and beverages contributed 0.5 percent. Fuel also contributed 0.5 percent last month (Figure 24).
- The Consumer Price Index (CPI) inflation for vegetables increased to 37.3 percent in July 2023 from (-) 0.7 percent in June 2023 (Figure 25).
- CPI inflation for spices and cereals and products remained elevated at 21.6 and 13.0 percent, respectively, in July 2023 (Figure 25).

Figure 24: Contribution to CPI Headline- Food, Fuel and Core

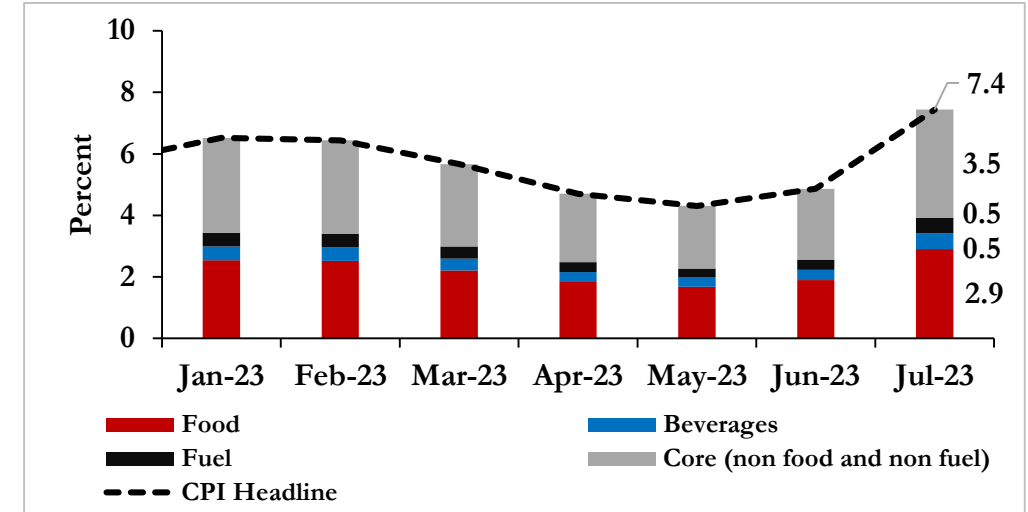
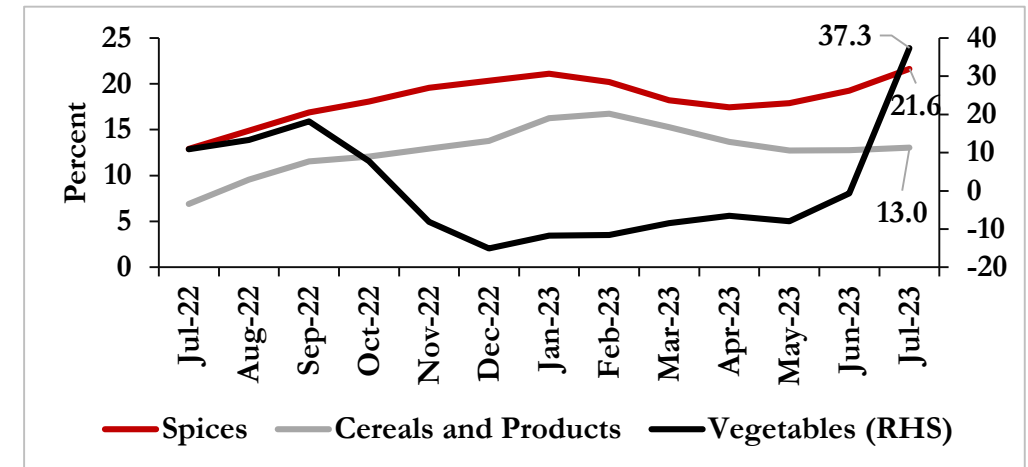


Figure 25: Consumer Price Indices Inflation Rates- Across Food Categories



Online hiring activities continue to decline as per the Naukri JobSpeak Index; the demand for jobs under MGNREGA shows an increase on a yearly basis

Employment

- Online recruitment activity in India, as reported by the Naukri JobSpeak Index, declined by 19.0 percent year-over-year. Despite the decrease in the overall index, sectors like Oil and Gas, Real Estate, and Travel and Hospitality, witnessed growth in hiring by 9.0, 5.0, and 2.0 percent, respectively. Hiring activity in sectors like IT and Telecom declined the most by 46.0 and 38.0 percent, respectively (Figure 26). [Understanding Hiring Trends With Naukri JobSpeak Report- July 2023](#)
- In the rural sector, the demand for work under the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) increased by 15.0 percent year-over-year, recording a value of 290.4 lakh persons in July 2023, as compared to 252.1 lakh persons in July 2022. However, it registered a sequential decline of 34.3 percent in July 2023 as compared to June 2023 (Figure 27).

Figure 26: Naukri JobSpeak Index

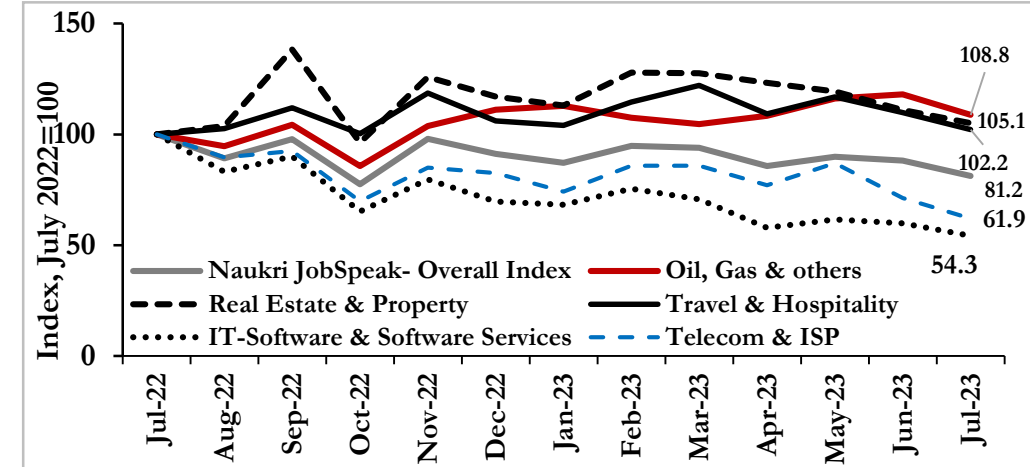
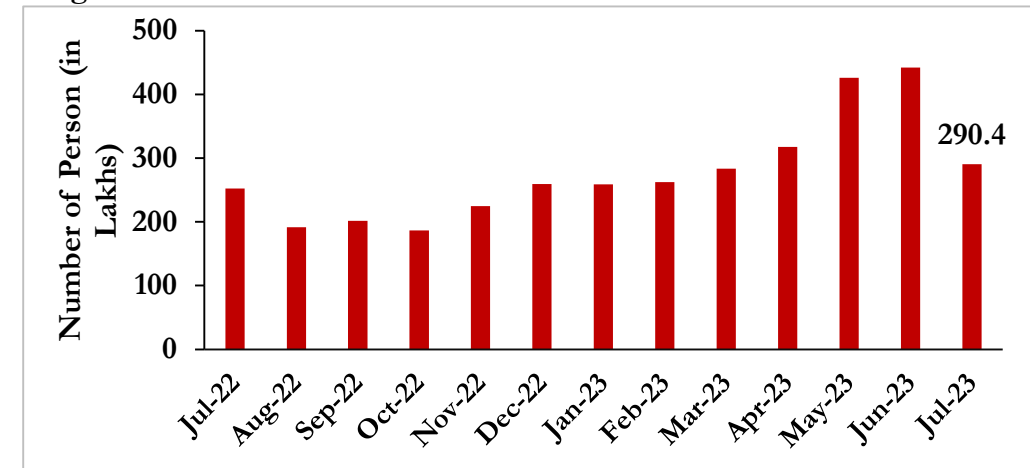


Figure 27: Work Demand under MGNREGA



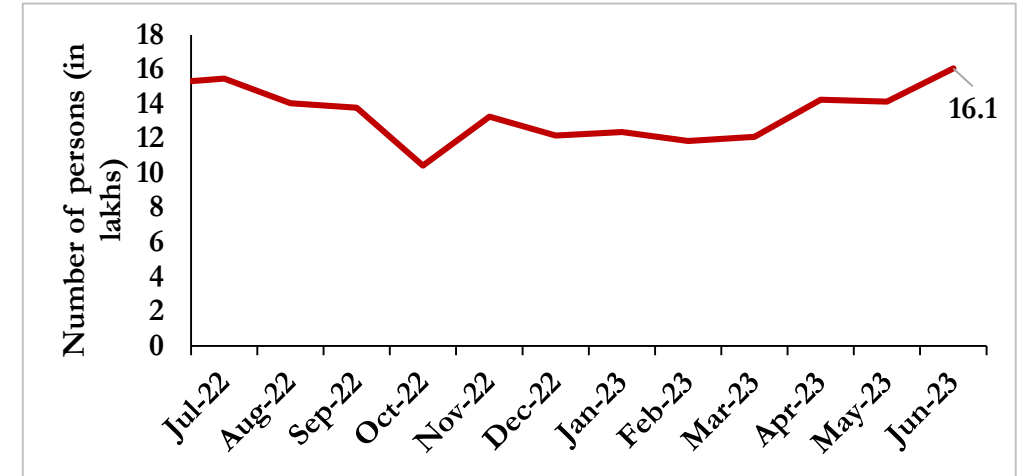
Source : Info Edge (India) Limited (Figure 26), Ministry of Rural Development (Figure 27).

Net new subscribers under EPFO increase year-over-year

Employment

- The number of net new subscribers in the Employees' Provident Fund Organisation (EPFO) stood at 16.1 lakhs in June 2023, recording a year-over-year increase of 5.9 percent (Figure 28).

Figure 28: EPFO Net New Subscribers



Source : Employee's Provident Fund Organization (Figure 28).

Merchandise trade deficit widens sequentially; services trade surplus increases sequentially

External Sector

- India's merchandise exports decreased to USD 32.3 billion in July 2023 from USD 33.0 billion in June 2023. Merchandise imports also decreased to USD 52.9 billion in July 2023 as compared to USD 53.1 billion in June 2023. The merchandise trade deficit stood at USD 20.7 billion in July 2023 as compared to USD 20.1 billion in June 2023 (Figure 29).
- In July 2023, services exports remained flat at USD 27.2 billion in line with the value of USD 27.1 billion in June 2023. The import of services stood at USD 14.9 billion in July 2023 as compared to USD 15.9 billion in June 2023. The services trade surplus increased to USD 12.3 billion in July 2023, as compared to USD 11.2 billion in June 2023. Services exports increased by 16.8 percent on a year-over-year basis (Figure 30).

Figure 29: Merchandise Trade

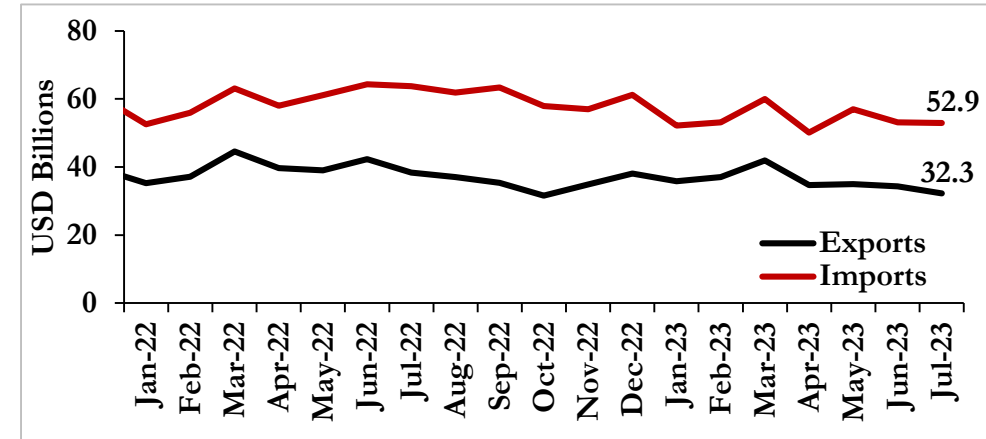
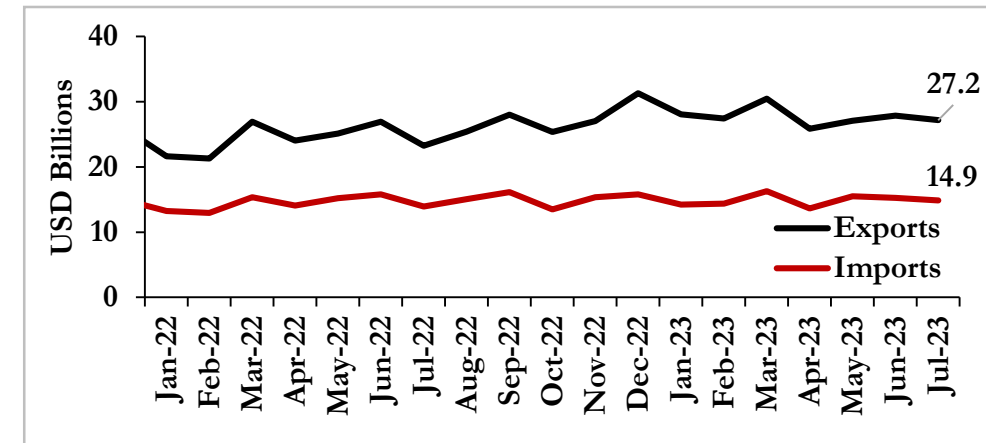


Figure 30: Services Trade



Source: Ministry of Commerce and Industry, Government of India (Figures 29 and 30).

Rupee continues to remain flat against the dollar; forex reserves show a dip sequentially

External Sector

- The rupee remained flat at Rs. 82.8 against the US dollar, as on 24 August 2023 (Figure 31).
- Foreign exchange reserves decreased by USD 1.7 billion, reaching USD 602.2 billion, as on 11 August 2023, as compared to 603.9 billion at the end of July 2023 (Figure 32).

Figure 31: Exchange Rate

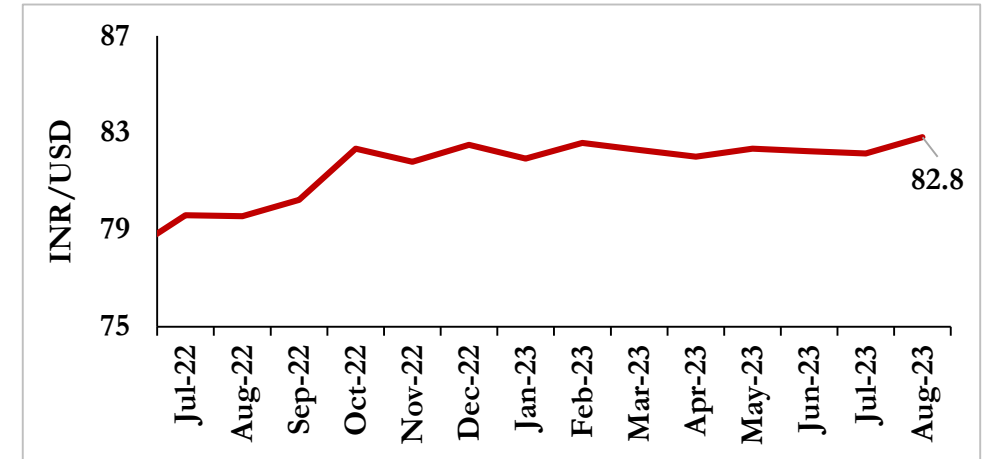
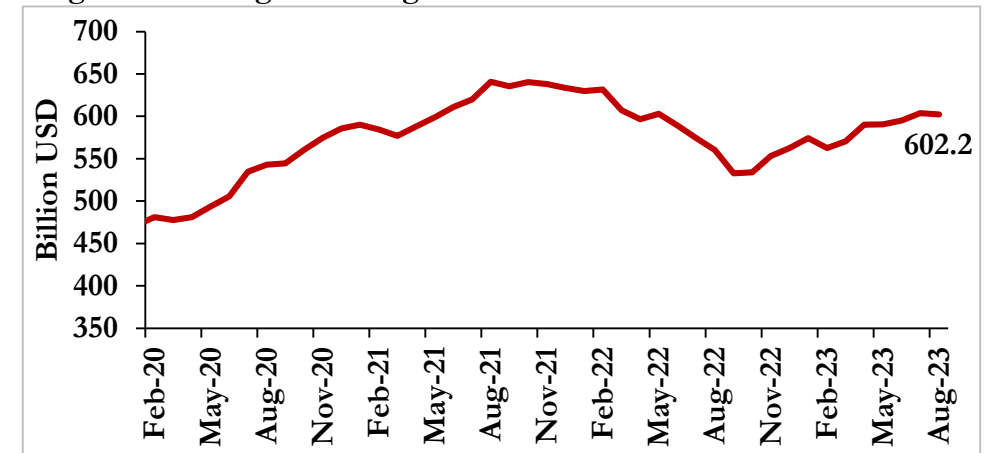


Figure 32: Foreign Exchange Reserves



Source: Reserve Bank of India (Figure 31), CEIC estimates (Figure 32).

Note: For the month of August 2023, data for Figure 31 is taken as on 24 August 2023; and data for Figure 32 is taken as on 11 August 2023.

Net inflows of foreign portfolio investments continue to remain positive

- Net foreign portfolio flows reached USD 1.7 billion in August 2023 (Figure 33). The Net Foreign Portfolio Investment (FPI) equity totalled to a positive of USD 1.0 billion (Figure 34), and Net FPI debt totalled to a positive of USD 0.7 billion (Figure 35), until 24 August 2023.

Figure 33: Net Foreign Portfolio Investment (FPI)

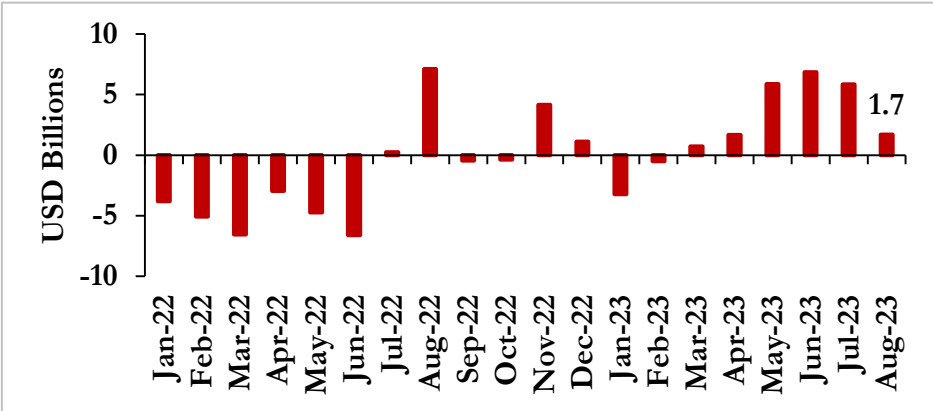


Figure 34: Net Foreign Portfolio Investment (FPI) Equity

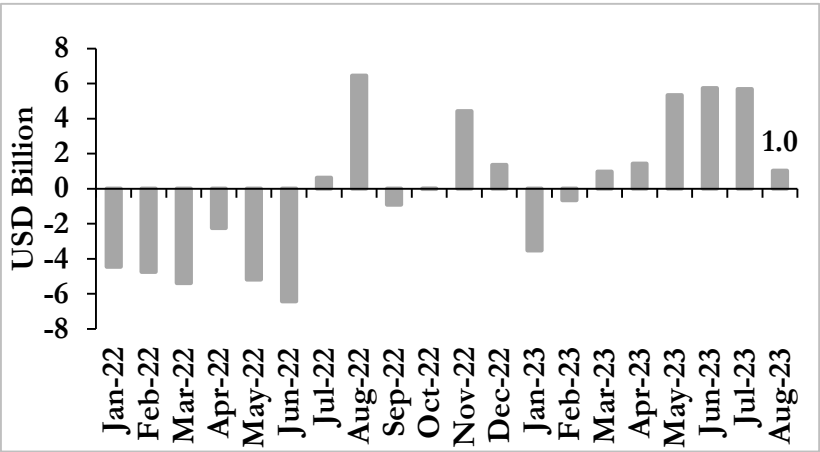
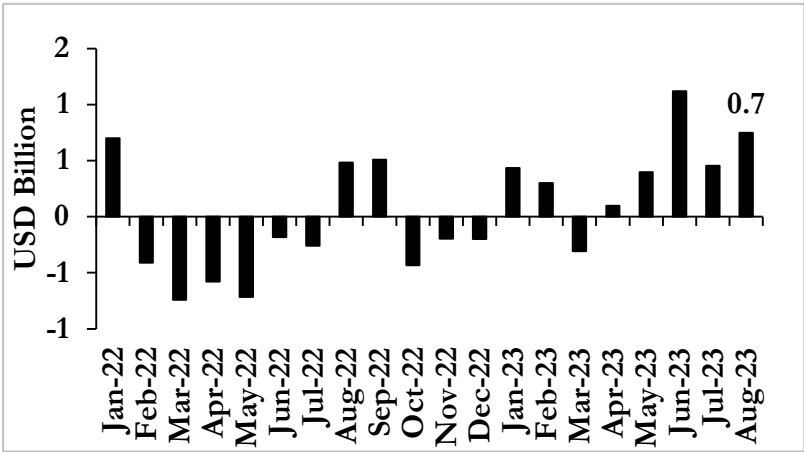


Figure 35: Net Foreign Portfolio Investment (FPI) Debt



Source: CEIC estimates (Figures 33, 34 and 35).

Note: For the month of August 2023, data for Figures 33, 34 and 35 is as of 24 August 2023, monthly value for August are created by summing up the daily values. The monthly value for Net FPI is calculated by taking the sum total of the daily data for Net FPI Equity, Net Debt, Net Debt VRR and Net Hybrid as of 24 July 2023.

Heatmap for high-frequency indicators



Source: NCAER Team's calculation, based on CEIC database.

Methodology Note: The y-o-y growth (%) has been calculated for all indicators for the period as indicated in the data appendix (except for PMI Manufacturing, PMI Services and Unemployment Rates).

Opinion Articles and Interview Series

[Mehta, A. \(2023\). “The Gender Implications of the Jan Dhan Yojana”, *news9live*, August 28.](#)

[Gupta, P. \(2023\). “The World Bank must reform”, *Business Standard*, August 22.](#)

[Majumder, P., S. Mathur, and S. Pohit \(2023\). “Smoky Affair. EU’s CBAM is unfair in principle”, *The Hindu BusinessLine*, August 4.](#)

[K.A. Siddiqui \(In conversation with the NCAER Head of Publications and Senior Editor, Anupma Mehta\). \(2023\). “Navigating the Challenges of Data Visualisation, Collection and Analysis for Pioneering Large-Scale Surveys”, *Dialogues and Discussions*, NCAER Interview Series, August, New Delhi, India: National Council of Applied Economic Research.](#)

Journal Article

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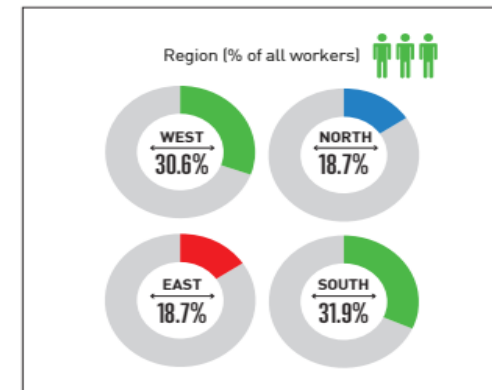
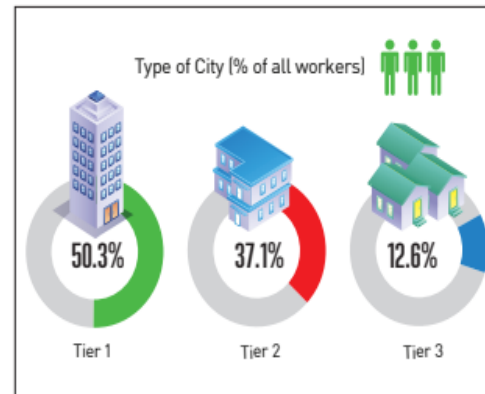
Detailed Report: [Link](#)

SOCIO-ECONOMIC IMPACT ASSESSMENT OF FOOD DELIVERY PLATFORM WORKERS

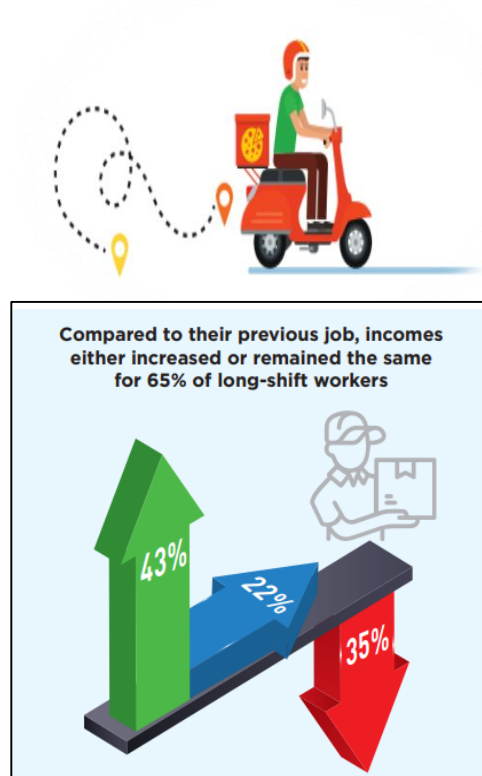
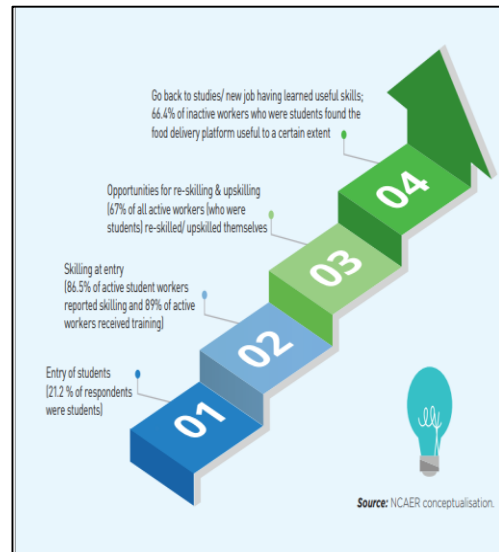
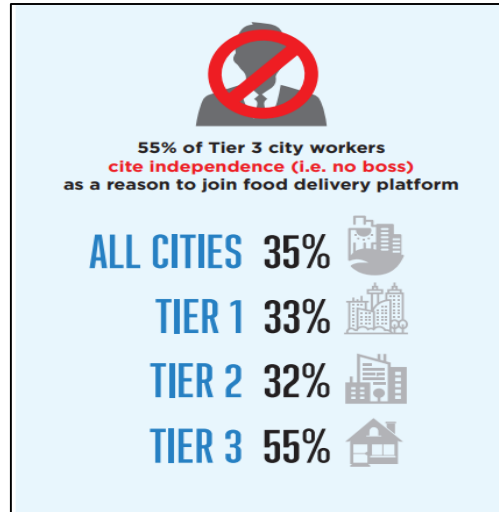


Report 20230801

- **Objective:** To assess the socio-economic impact of food delivery platform workers based on **3-E framework: Entry, Experience and Exit**
- **Methodology:**
 - ✓ Telephonic survey; April-May 2022
- **Sample:**
 - ✓ 924 food delivery platform workers from one particular food delivery platform spread across 28 cities with representation from all city types (Tier 1, 2 and 3 cities), regions (North, South, East and West), activity status of workers(active and inactive/ exited), tenure of workers in the platform (less than 1 year, 1-2 years and more than 2 years) and engagement type (full-time and part-time).



Source: NCAER's Food Delivery Platform Workers Survey 2022.



• Main Findings:

A. Labour Market

- ✓ Platform work moves the needle on formalisation.
- ✓ Easy entry and exit in platforms mean that relatively youthful workers use their time productively.

B. Incomes

- ✓ Mixed performance on incomes

C. Step-up Skilling

- ✓ Platforms help skilling and training delivery workers, helping them to prepare for their next job.

• Policy Recommendations

- ❖ Food delivery platforms need to facilitate access to Health Insurance and other Social Welfare Benefits.
- ❖ Platforms can tie up with the National Skills Development Corporation (NSDC) and provide skilling certificates to platform workers.

“...the Indian economy is going to be benefited unequivocally from the proposed investment by the Ratnagiri Refinery and Petrochemicals Limited. The economy will gain in terms of reducing the import dependence of critical refinery and petrochemical products to a significant extent, which also has its linkage effect.

Investments made both in the refining and petrochemical spaces will explicitly boost income and employment, both directly and indirectly. While thousands of people will be employed during the construction phase until the commissioning of the complex, the employment opportunities in the allied industries, especially in the diverse downstream segments, will have a positive and catalytic impact in terms of providing several new business opportunities that would have a growing impact on the economy.”

-Saurabh Bandyopadhyay (Senior Fellow), Devender Pratap (Senior Fellow),
Laxmi Joshi (Fellow), Ajaya K. Sahu (Associate Fellow)

[Detailed Paper: Bandyopadhyay, S., Biswas, P. K., Pratap, D., Joshi, L., & Sahu, A. K. (2022). Economic Impact Analysis of a Mega Project on Petroleum Refinery: A Case Study of the Proposed Ratnagiri Refinery in Maharashtra. *Margin: The Journal of Applied Economic Research*, 16(3–4), 254–277. <https://doi.org/10.1177/09738010221150552>]

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