

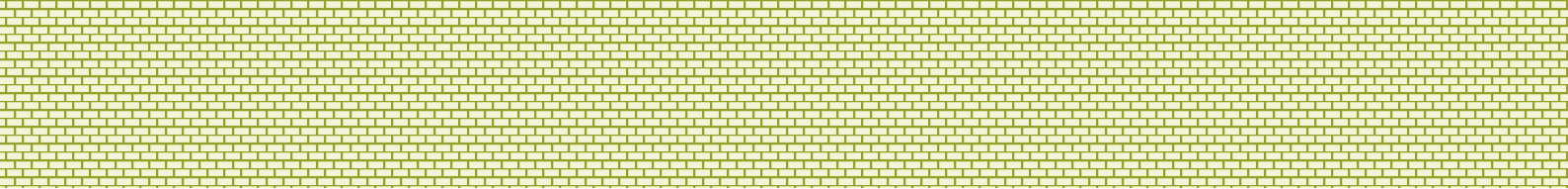
# Monthly Economic Review

*April 2023*



सत्यमेव जयते

आर्थिक कार्य विभाग  
DEPARTMENT OF  
ECONOMIC AFFAIRS



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## Abstract

*FY24 for the Indian economy opened on the back of strong activity witnessed in the last quarter of the previous fiscal. GST collections in April, which marked the commercial activity of the last month, underwent a level shift pushed up by the widening of the tax base and heightened economic activity. Index of Industrial Production (IIP) and Eight Core Industries Index (ECI) averaged steady growth in Q4 of FY23, adding to the capacity utilisation hovering close to 75 per cent two quarters earlier. Air passenger traffic in the last quarter of FY23 finally moved beyond pre-pandemic levels, among the last of the services sector components to do so. The first month of the new fiscal has sustained the growth momentum of the previous quarter. PMI-Manufacturing was at a four-month high in April 2023, while PMI-Services, in the same month, expanded at the fastest pace in 13 years. Within the services sector, rail freight and port cargo traffic posted their best growth performances for April in many years.*

*Buoyed by sustainable growth in activity, increasing capacity utilisation to investment-triggering 75 per cent, the corporates have started investing in new capacity. The production of capital goods and construction/infrastructure goods, as estimated in the IIP, grew steadily in Q4 of FY23, along with imports of capital goods. During the same quarter, the CMIE reports the completion of projects worth ₹60,000 crore and the announcement of new projects valued at ₹10.9 lakh crore, the highest ever recorded since the inception of its database.*

*Like the manufacturing and services sector, the prospects for the agriculture sector also appear to be bright. The forecast of a normal monsoon, surplus water reservoir levels, adequate availability of seeds and fertilisers, and robust tractor sales augurs well for a healthy kharif sowing season starting in June 2023. Despite unseasonal rains, smooth public procurement of wheat augurs well for food security. Rural demand is also gaining momentum, as evident in sturdy sales of fast-moving consumer goods (FMCG) companies during Q4 of FY23 and sustained double-digit growth of two-three-wheelers sales in April. Going forward, healthy prospects for the kharif season, higher minimum support prices (MSP) for crops, and increased budgetary spending by the government are likely to enhance farmers' income and boost the rural economy.*

*Inflationary pressures across countries are waning. The World Bank's Commodity Outlook, April 2023, sees prices of international commodities, barring precious metals, easing in the current year following weakened prospects for global demand and improving supply chains. The price level, however, remains above pre-pandemic levels and may continue to do so if the oil supply gets even more restricted than expected, geo-political tension intensifies, and weather conditions become unfavourable. Thus far, the softening of international prices has led to an easing of domestic inflationary pressures in India. WPI inflation, after remaining in*

double digits for 18 months, has now declined to a 33-month low of -0.9 per cent in April 2023. CPI inflation has also gradually declined from a peak of 7.8 per cent in April 2022 to an 18-month low of 4.7 per cent in April 2023. Sticky core inflation has moderated significantly to almost a three-year low in April, signalling a pass-through of lower input costs by producers. The central bank must be pleased. Going forward, the expected bumper harvest of food grains in FY23 and brightened prospects for the kharif season in FY24 are expected to keep food inflation low in the upcoming months.

Declining commodity prices have eased import costs narrowing the deficit in India's trade account. Contributing further to improving the trade balance has been the country's exports, in respect of which India's performance has stood out exceedingly in FY22 and, promisingly, in FY23. Several measures taken after the Covid-19 outbreak have helped India's exports garner a larger global market share which should help it grow at a reasonable rate despite the slowing of global demand. The Production Linked Incentive (PLI) scheme, for example, has driven a substantial increase in exports of electronic goods, particularly smartphones, whose global producers are well on their way to making India a manufacturing hub. Despite facing stiff competition from other countries in the region, textile and readymade garments exports from India are also shaping up to increase their global presence with the support of the PLI incentive. Re-configuration of geo-political alignment has further helped India diversify its exports of refined crude oil and petroleum products to cater to newer markets.

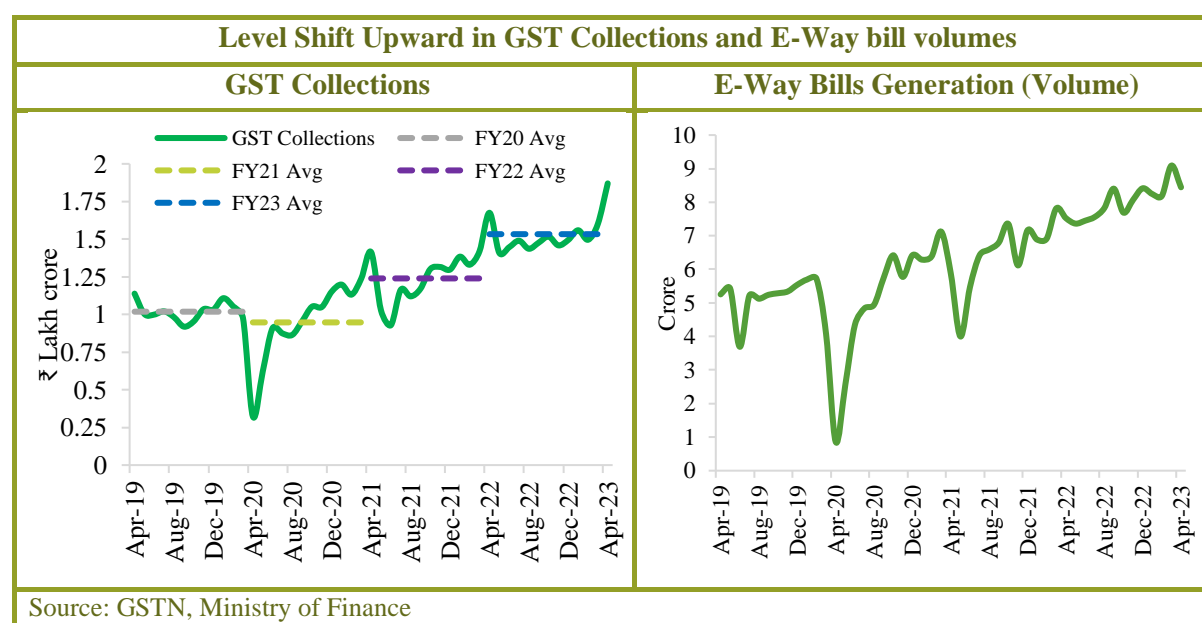
Services exports, too, rose sharply during the recovery from the pandemic, with the sharpest growth witnessed in business services exports between FY20 and FY23. The sharp increase is linked to India's sudden proliferation of Global Capability Centres (GCC). Through GCC, global businesses outsourced their back-office operations to India after wage costs in their parent countries spiked up after the inflation spurt. Increased demand for digitisation and preference for online delivery of services since the outbreak of the pandemic also encouraged the export of business services. With a growing focus on switching to hybrid business models, digital delivery of healthcare, educational and recreational services will likely be the future drivers of India's services exports.

There are downside risks to growth and upside risks to inflation, partly channelled through the external sector and partly originating from weather uncertainties. Yet a strong point going India's way is the strength of its domestic demand. Consumption has shown steady and broad-based growth, while investment in capacity creation and real estate is finding traction. April is too early to forecast the economic outcomes for the entire year. A good beginning, though, is a harbinger of positive outcomes.

## Domestic Economic Activity

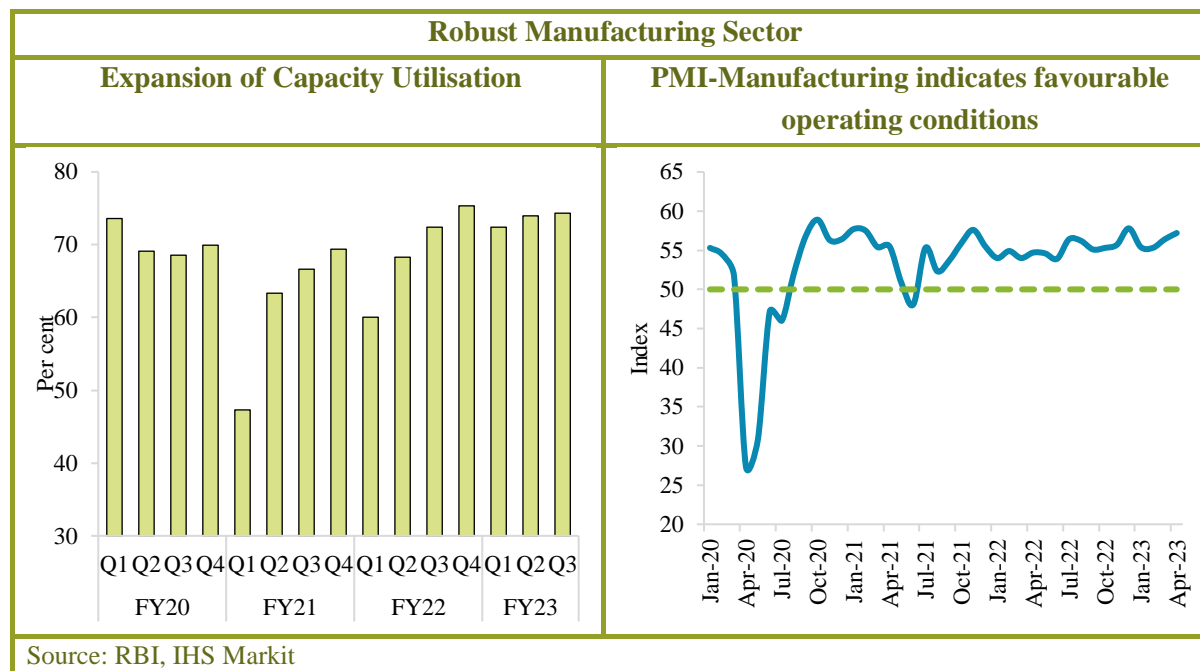
*FY24 for the Indian economy opens with strong April activity amid seasonal moderation following a vigorous last quarter of FY 23*

1. Economic activity remained buoyant in FY23, and the momentum continued in FY24 amid some seasonal moderation. GST collection jumped to a record high of ₹1.87 lakh crore in April 2023. The average GST collections have also displayed a level shift upwards over the years on the back of heightened economic activity and a widening tax base. Seasonal moderation has, however, set in with e-way bill volume generation, a forerunner of GST collections, softening from March to 8.4 crore in April 2023. Yet on a year-on-year basis, e-way bill volume in April has shown growth, suggesting a sustained increase in value addition in most of the sectors of the economy.

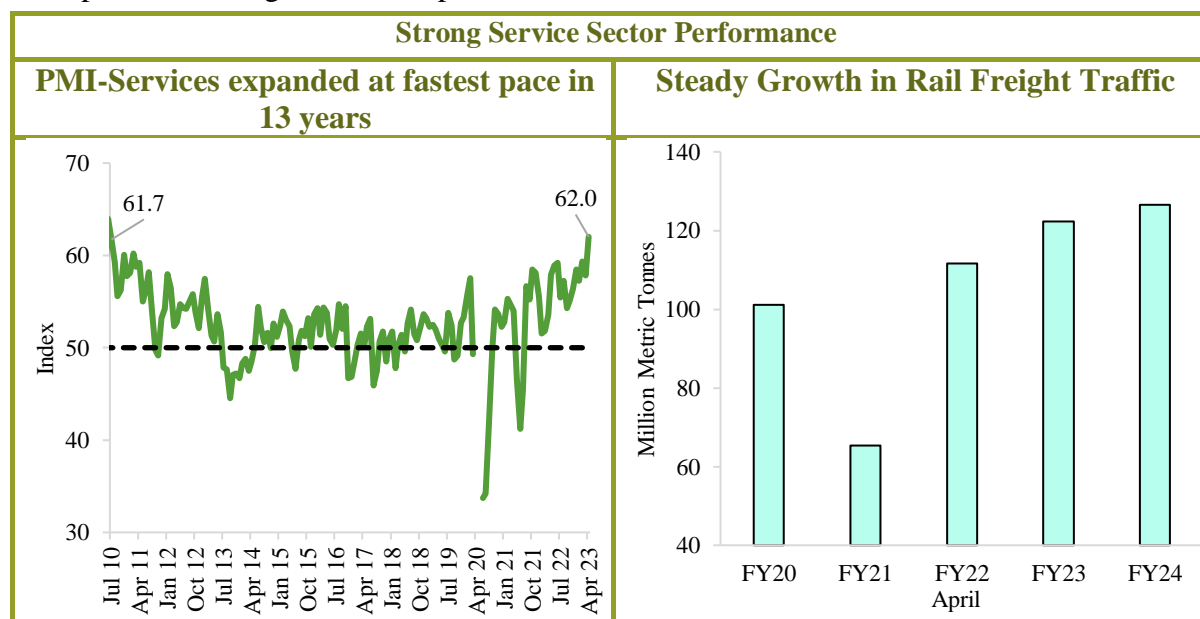


2. PMI manufacturing is yet another indicator that reaffirms a strong April opening of economic activity in FY24. After remaining well in the expansionary zone throughout Q4 of FY23, it registered a four-month high of 57.2 in April 2023. Data from the latest report suggests that robust new business growth and an associated increase in production requirements led to manufacturers adding to their input inventories as well increasing employment. A similar strong April opening is expected in respect of the Index of Industrial Production (IIP) and Eight Core Industries Index (ECI) as well, which have also shown a robust Y-o-Y growth of 4.8 per cent and 6.5 per cent, respectively, in the last quarter of FY23. Accompanying the growth in manufacturing output is the rise in capacity utilization towards the 75 per cent benchmark, which is also a precursor of an increase in the investment rate in the economy. As per RBI's survey, capacity utilisation moved up from 74 per cent in Q2 FY23 to 74.3 per cent in Q3 FY23. A more recent FICCI Manufacturing Survey shows nine out of twelve sectors operating at above 70 per cent capacity in Q4 of FY23. The outlook for Q1 FY24 in the sector, as assessed

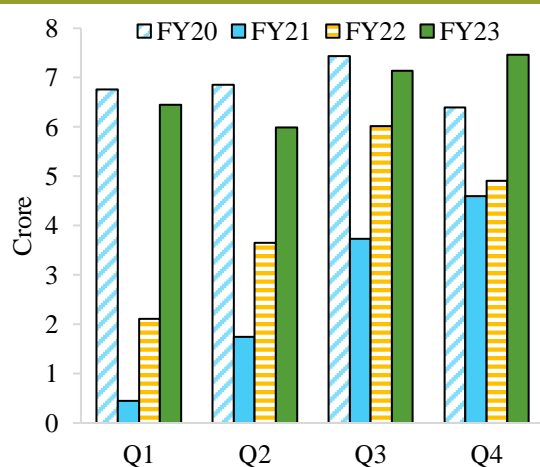
by the RBI's Business Expectations Index (BEI), moderated from the previous quarter on account of seasonal factors but notably remains above its historical average. Manufacturers continue to remain optimistic about production, order books, employment, capacity utilisation and overall business situation in the next two-quarters of FY24 as well.



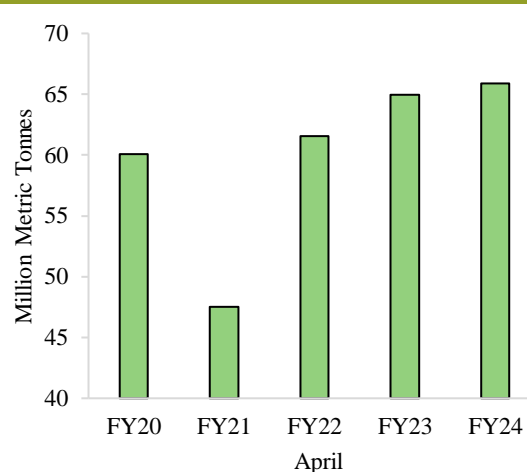
3. Mirroring the performance of the manufacturing sector, PMI-Services, after a robust performance in Q4 FY23, expanded at the fastest pace in 13 years in April 2023 to 62, on the back of strong demand, particularly in the finance and insurance sub-sector sectors. New export orders grew for the third successive month in April, indicating improved international demand as well for India's service offerings. Receipts from services exports surged in Q4 of FY23 by an impressive YoY growth of 23 per cent.



**Domestic Air Passenger Traffic surpasses pre-pandemic level in Q4**



**Record port cargo traffic in April across years**



Source: IHS Markit, Indian Railways, AAI, Indian Ports Association

4. Transport services has often been monitored to assess the impact of the pandemic. With the pandemic now behind us the growth of transport services was also impressive in Q4 of FY23. Air passenger traffic moved past the pre-pandemic levels in Q4 FY23, in line with India's burgeoning air passenger traffic market. Similarly, rail freight traffic and port cargo traffic in Q4 of FY23 remained well above pre-pandemic levels, indicating an upward level shift in these services. On the back of a strong performance in Q4 of FY23, rail freight traffic and port cargo traffic in April 2023 were the highest ever across years for the month of April. The outlook for the services sectors also remains bright, as indicated in the RBI's Services and Infrastructure Outlook Survey. The survey respondents were upbeat about the overall business situation and the turnover during Q1 FY24. They expect favourable employment conditions for both full-time and part-time employees. The survey expects that demand for services is likely to grow sequentially till the third quarter of FY24.

5. Buoyed by expectations of growing demand, the private sector has also continued to invest in building additional capacity. The capital goods and infrastructure/construction goods sub-indices of IIP have increased at healthy rates of 9.7 per cent and 7.8 per cent, respectively, in Q4 FY23 on a YoY basis, pointing towards sustained investment activity. Similarly, capital goods imports rose by 12 per cent YoY over this period.

6. As per the CMIE CapEx database, proposals to set up new investment projects by the private sector soared to ₹10.9 lakh crore in Q4 FY23, the highest recorded since the inception of the database. The power sector continued to be a major contributor to new investment proposals and added ₹1.8 lakh crore worth of new projects in the quarter ending March 2023. Within the power sector, renewable energy investment proposals accounted for ₹1.5 lakh crore or 75 per cent of total new proposals. While new investment proposals are on the rise, projects worth ₹0.6 lakh crore were completed in the quarter ending March 2023, reflecting the steady

pace of capacity expansion. A broad categorization of new investment proposals is given in the table below.

New Investment Proposals (In ₹ lakh crore)				
Sector	Jun-22	Sep-22	Dec-22	Mar-23
Manufacturing	2.10	2.37	6.47	1.48
Electricity	2.19	0.89	0.28	1.87
Services (other than financial)	0.17	0.19	0.42	7.46
Construction & real estate	0.02	0.07	0.00	0.03
Source: CMIE CapEx database				

7. Following the regulatory directive of the government and RBI to payment systems providers (PSPs) to store their data in domestically located servers, the private sector has responded. The table above includes 15 projects worth ₹0.6 lakh crore announced in the March ending quarter of FY23 for the setting up of data centres. The outlay is significantly higher than in the past.

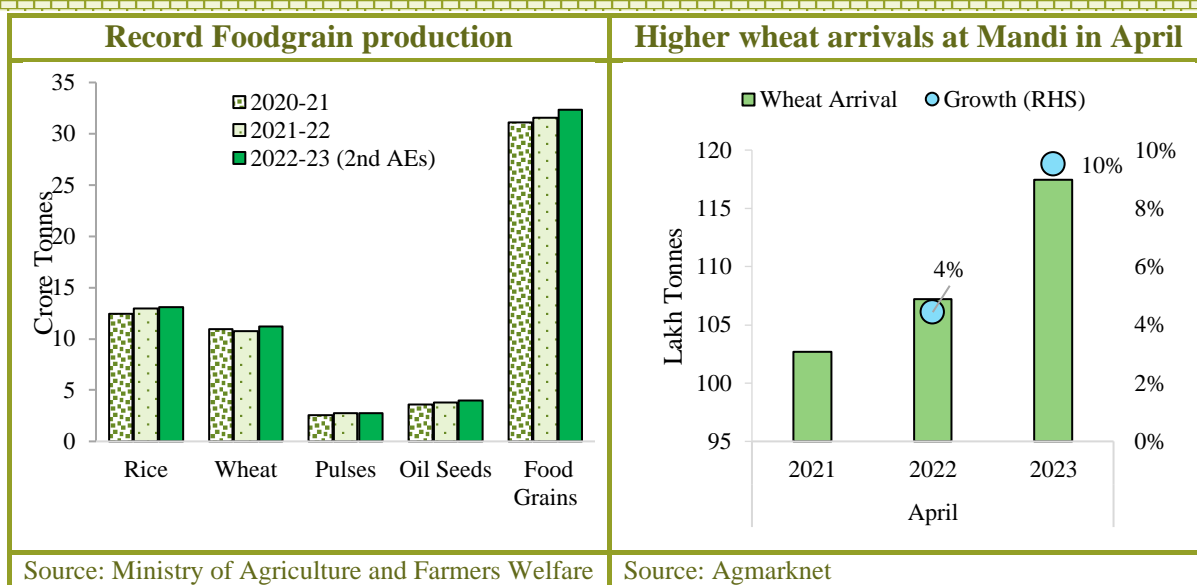
8. A strong economic activity, including investment activity despite higher interest rates, underscores the strength of demand in the Indian economy. As inflation further recedes, demand will become stronger and lay the foundation of a virtuous capex upcycle.

## Agriculture sector

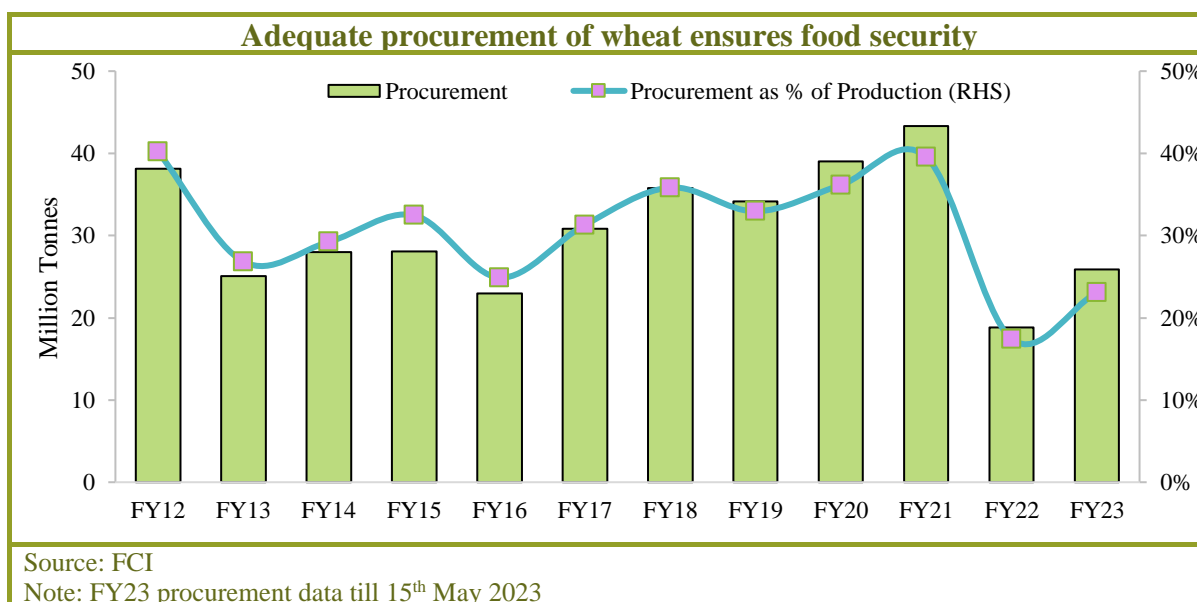
### *Bright Kharif Prospects with adequate availability of inputs*

9. The agriculture sector is set to harvest bumper crops as per the 2nd Advance Estimates for the agriculture year 2022-23. Food grains production is estimated at 32.4 crore tonnes, 2.5 per cent higher than the previous year's estimate and achieving record production levels for the seventh consecutive year. The growth in food grains is broad-based across all the principal crops covering the rabi and kharif seasons. Besides food grain, production of oilseeds and sugarcane production is also estimated to reach record production levels.

10. Public procurement of wheat (Rabi) during the year 2023-24 is progressing smoothly. The progress has been propelled by the relaxation provided by the government on the quality specifications of procured wheat. The relaxation declares fit for procurement of such wheat that has lost its lustre owing to untimely rains. This has reduced the hardship of farmers who otherwise resorted to distress sales at low prices in the open market. Higher wheat arrivals at Mandi in April, compared to the previous two years, signal no major impact of the recent unfavourable weather conditions on the produce.



11. Against a procurement target of 341.5 Lakh Metric Tons (LMT) of wheat for the central pool during Rabi Marketing season<sup>1</sup> 2023-24, 259 LMT has been procured as of 15<sup>th</sup> May 2023. The achievement of the rice procurement target is more advanced. About 512.9 LMT of rice, which is 99.0 per cent of the target for the central pool, has been procured under the Kharif Marketing Season<sup>2</sup> 2022-23. Ongoing procurement operations have benefitted about 1.3 crore farmers. As of May 2023, total foodgrain stocks with FCI at present are 3.4 times the buffer norm requirement for the April-June period. This has addressed the food security requirements of the country in the first quarter of the current year.



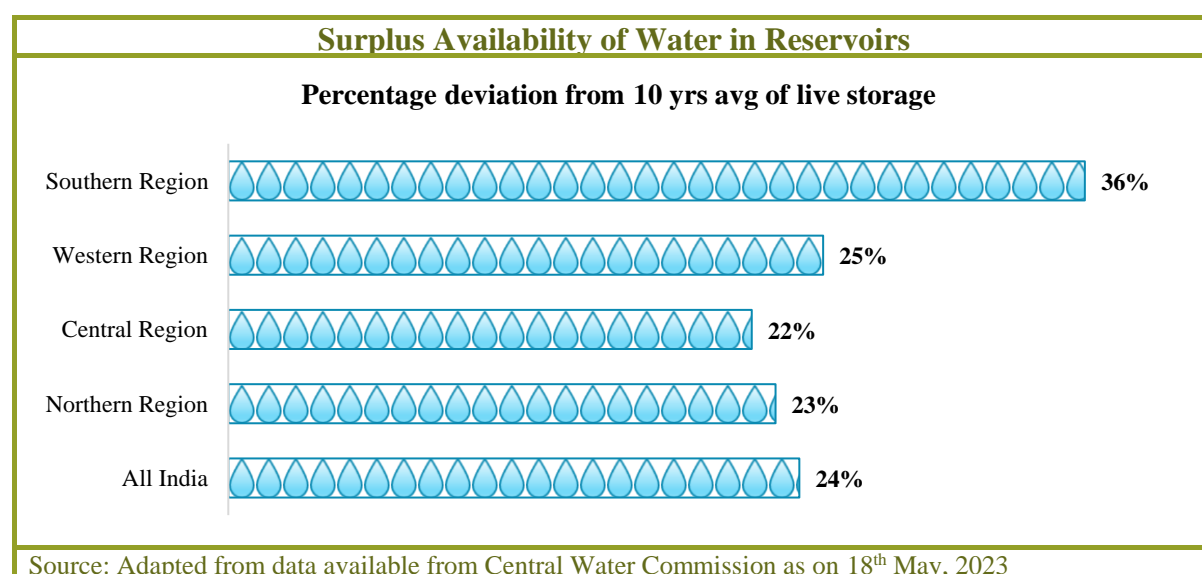
12. Prospects for the new Kharif crops season beginning in June 2023 are bolstered by the India Meteorological Department's (IMD's) prediction of a normal southwest monsoon in June-

<sup>1</sup> Rabi Marketing Season runs from April to March.

<sup>2</sup> Kharif Marketing season runs from October to September

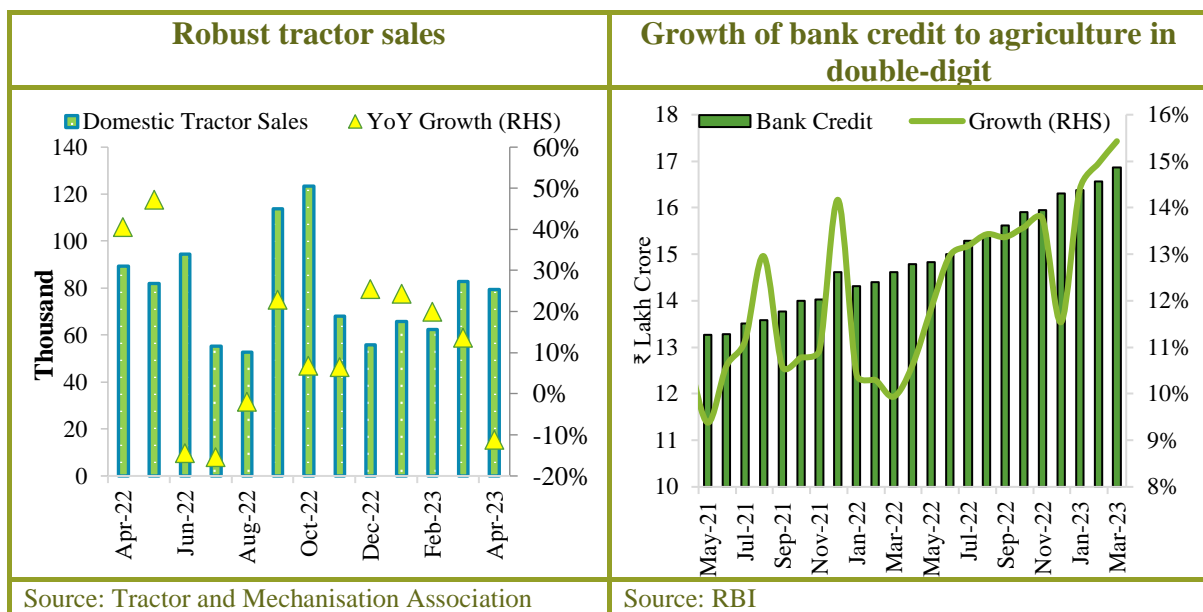
September at 96 per cent of the long period average (LPA). With the prediction of a ‘normal’ monsoon, the government has set a record target to raise food grain production by 2.6 per cent to 332 million tonnes during the 2023-24 crop year, starting July. According to IMD, El Niño conditions are likely to develop in the second half of the season (August-September). However, the favourable impact of positive Indian Ocean Dipole (IOD)<sup>3</sup> and lower snow cover over the northern hemisphere may end up offsetting the adverse impact of El Niño.

13. Despite uncertainty about rainfall, the growth of crops is not likely to suffer as water adequacy for irrigation during the course of the year may not be a challenge. As of 18th May 2023, the storage availability in 146 reservoirs was 99.6 per cent of the corresponding period of last year and 124 per cent of the average storage of the last ten years. The availability of water in reservoirs is spread across the Central, Northern, Southern and Western Region, which contributes to a balanced growth in agricultural productivity across the country.

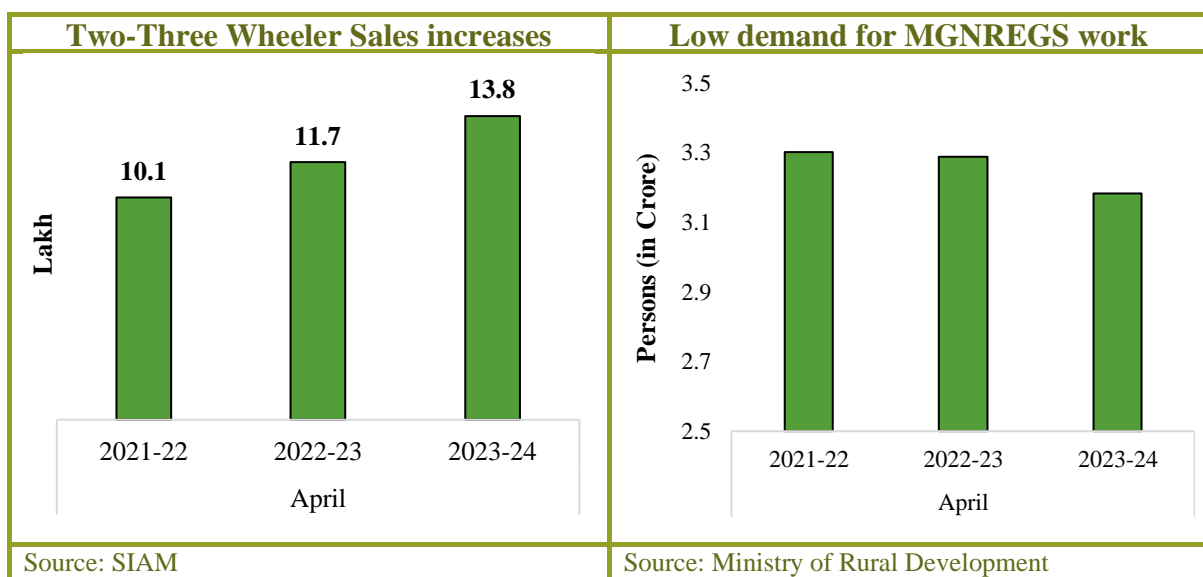


14. Fertiliser is a critical input to sowing and harvesting and is comfortably available. The closing stock of fertilisers as on 8th May 2023 is about three times the average expected requirement in May 2023. Quality seed availability at 179.1 lakh quintals is also more than the requirement of 165.7 lakh quintals in the country for Kharif 2023. With adequate fertiliser and seed availability, the double-digit growth of tractor sales in March 2023 portends a healthy sowing season. Though moderation in tractor sales was witnessed in April 2023 can be attributed to unseasonal rain and high demand generating festivals coming in March this year compared to April of last year. Credit support to agriculture also increased in March 2023, registering 15.4 per cent growth over the corresponding period last year and a sequential increase of 1.9 per cent.

<sup>3</sup> The Indian Ocean Dipole (IOD) is defined by the difference in sea surface temperature between two areas (or poles, hence a dipole) – a western pole in the Arabian Sea (western Indian Ocean) and an eastern pole in the eastern Indian Ocean south of Indonesia.

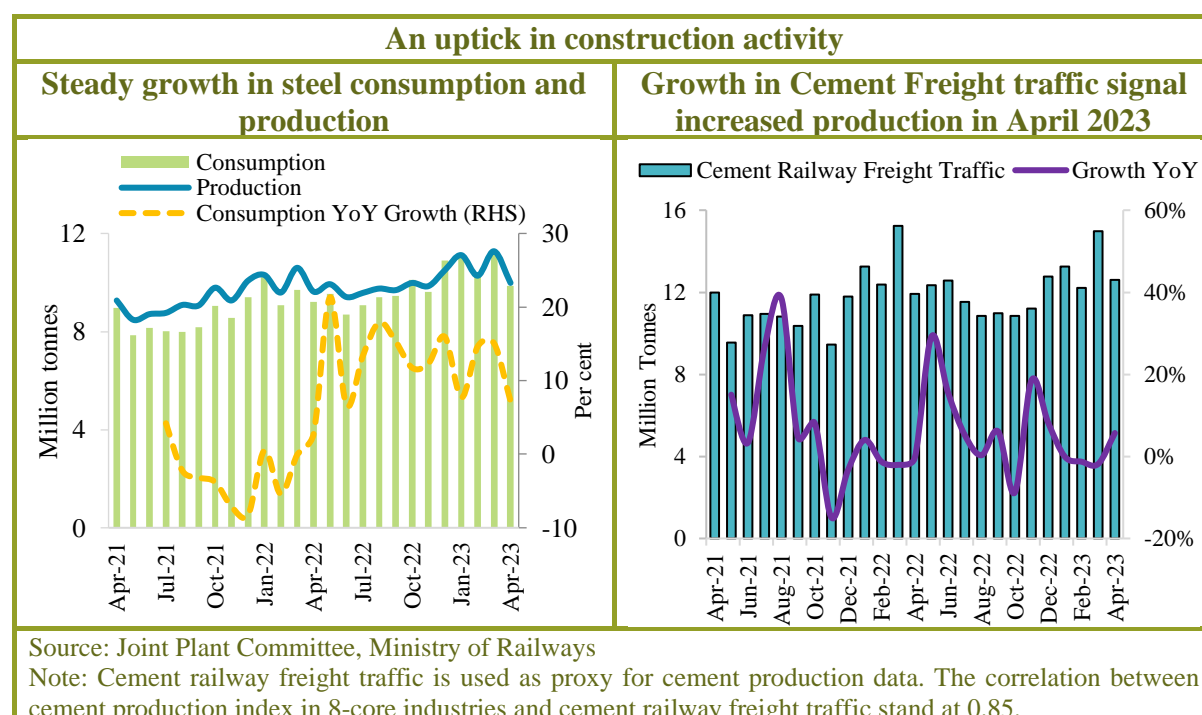


15. Healthy prospects for the kharif season, higher Minimum Support Prices (MSP) for crops and increased budgetary spending by the government will likely enhance the farmers' income and boost the rural economy. Current indicators of demand for the rural economy are gaining momentum. For instance, sales of two and three-wheelers experienced healthy growth in April 2023 and overall FY23. Further, as per Bizom, a retail intelligence platform, sales of fast-moving consumer goods (FMCG) in rural areas increased rapidly in the fourth quarter of FY23, driven by softening of inflationary pressures and improvement in wage growth. Going ahead, rural demand is expected to strengthen further in the first quarter of FY24 as procurement of a good rabi crop harvest increases rural incomes.



16. Rural income and, thus, rural demand are also expected to increase from a likely uptick in construction activity, which will increase remittances from urban centres to families of

migrant workers based in rural areas. Improvement in labour market conditions and likely uptick in construction activity has led to a decline in demand for work under MGNREGS in April 2023 on a year-on-year basis. Further, to lessen the impact of inflation on rural labourers, the government has increased the daily wages under MGNREGS on average by 6 per cent, effective from 1st April 2023. This will likely boost rural demand further among those who choose to stay back and avail of the MGNREGS.



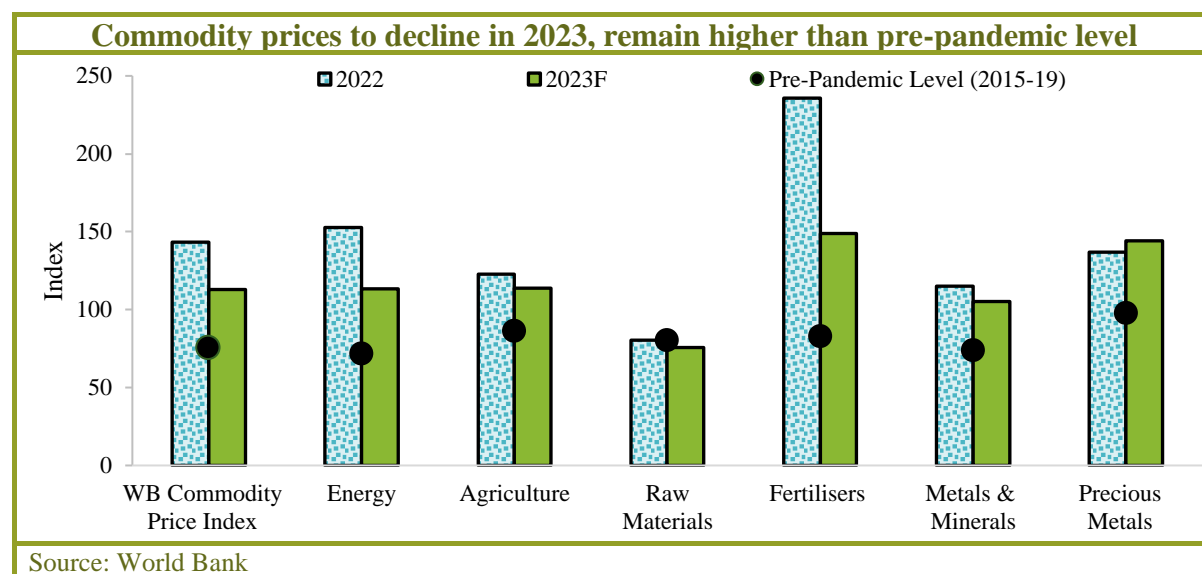
## Inflation

*Commodity prices are to be lower in 2023, and food inflation is to ease in the upcoming months*

17. As per the “World Bank Commodity Outlook, April 2023”, international commodity prices started to decline from the end of the third quarter of 2022 and are estimated to decline further in 2023 compared to 2022 levels. The food price index is also expected to decline in 2023, driven by the reduction in “oil and meals” and “grains” prices on account of good harvest in major producing countries. Agriculture inputs such as fertiliser prices are also predicted to be lower by 37 per cent in 2023 due to a decline in input cost and further easing of supply restriction. Other commodities like base metals and energy prices have also been projected to decline in the wake of weakening demand conditions globally.

18. Hence, prices of all commodities, barring precious metals, are likely to moderate in the current year, though remaining well above pre-pandemic levels. Going forward, several factors, such as weaker than expected oil supply, higher than anticipated demand from China, intensification of geo-political tension and unfavourable weather conditions, may pose an

upside risk to these forecasts. Prices of commodities sensitive to El Niño effects, such as coffee, rice, palm oil, and natural rubber, need to be continuously monitored.



19. The softening of international prices has led to the easing of domestic inflationary pressures. WPI inflation has been moderating since June 2022, and after remaining in double digits for 18 months, it has now declined to a 33-month low of -0.9 per cent in April 2023. The inflation in manufactured products, particularly “base metals”, and “food products”, and “fuel and power”, are the major contributor to the deflation in April 2023.

20. On the other hand, CPI inflation, which remained sticky, has gradually declined from a peak of 7.8 per cent in April 2022 to an 18-month low of 4.7 per cent in April 2023. The decline in CPI inflation was driven by a further reduction in food and core inflation. The table analyses commodity-wise CPI inflation dynamics over the past three months. It reveals that the decline in inflation has been more broad-based in March and April 2023. “Cereals and products” and “Spices” continues to witness double-digit inflation, though it has been moderating. Among major heads, “food & beverages”, “fuel and light”, “housing”, and “miscellaneous” inflation has fallen below the upper bound of the inflation target of RBI, while “Clothing & footwear” inflation continues to remain above 6 per cent level.

	Inflation lower than previous month or remains negative
	Inflation higher than previous month
	Remains at same level compared to previous month

### CPI: Commodity-wise inflation dynamics

	Commodities	February 2023	March 2023	April 2023
1.1	Cereals and products	16.7	15.3	13.7
1.2	Meat and fish	3.3	-1.4	-1.2
1.3	Egg	4.3	4.4	3.1
1.4	Milk and products	9.6	9.3	8.9
1.5	Oils and fats	-0.5	-7.9	-12.3
1.6	Fruits	6.4	7.6	2.1
1.7	Vegetables	-11.5	-8.5	-6.5
1.8	Pulses and products	4.1	4.3	5.3
1.9	Sugar and confectionery	1.3	1.0	1.9
1.10	Spices	20.2	18.2	17.4
1.11	Non-alcoholic beverages	4.4	4.2	4.1
1.12	Prepared meals, snacks, sweets etc.	8.0	7.6	7.0
1	<b>Food &amp; beverages</b>	6.3	5.1	4.2
2	<b>Pan, tobacco &amp; intoxicants</b>	3.2	3.0	3.5
3.1	Clothing	8.7	8.2	7.4
3.2	Footwear	9.8	8.6	7.6
3	<b>Clothing &amp; footwear</b>	8.8	8.2	7.5
4	<b>Housing</b>	4.8	5.0	4.9
5	<b>Fuel and light</b>	9.9	8.9	5.5
6.1	Household goods and services	7.4	7.0	6.5
6.2	Health	6.5	6.6	6.3
6.3	Transport and communication	4.5	4.0	1.2
6.4	Recreation and amusement	4.9	4.3	3.8
6.5	Education	5.6	5.4	5.7
6.6	Personal care and effects	9.4	8.3	9.0
6	<b>Miscellaneous</b>	6.1	5.8	4.9

Source: MoSPI

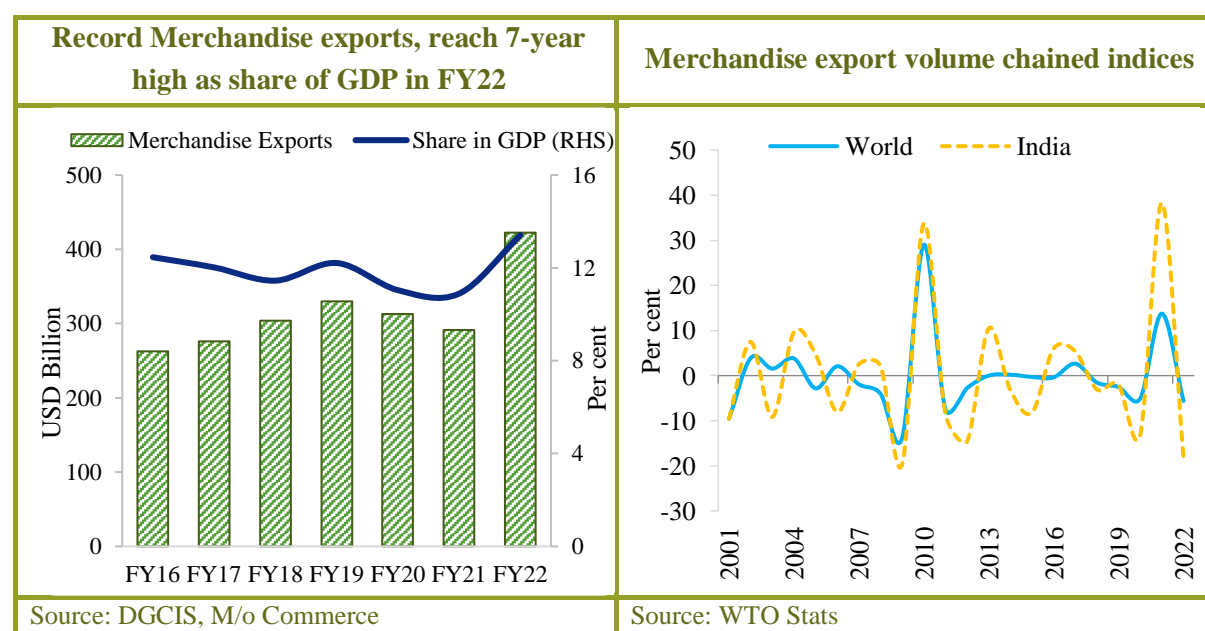
21. Supply concerns related to specific commodities have been taken care of by proactive measures taken by the government, like the prohibition of exports, rationalisation of duties, imposition of stock limits and maintenance of buffer stocks in order to stabilise the price and control inflation. For instance, with an estimate of a decline in tur and urad production in 2022-23, the government has taken several measures, such as the continuation of its free import duty policy until March 2024 and monitoring the stock of tur and urad held by entities such as importers, millers, stockists, and traders to curb hoarding. A buffer stock of pulses has been maintained for price stabilisation. Calibrated release of pulses from the buffer stock will moderate the prices in the market. Open market selling of wheat during February and March 2023 has led to moderation in wheat prices. Also, as milk prices soared due to skin diseases in livestock, the government vaccinated more than 95 per cent of the livestock in March 2023, achieving herd immunity levels against Foot and Mouth Disease (FMD) in cattle and buffaloes. This will result in increased domestic production and curb prices of these products. Going

ahead, the bumper harvest of foodgrain in 2022-23 and brightened prospects for the kharif season are expected to keep food inflation low in the upcoming months.

## External Sector

### *Exports to Drive the next wave of Growth*

22. 2021-22 was a remarkable year for India in terms of merchandise export performance. It registered the highest-ever value in absolute terms and a seven-year high share in GDP. The export performance was particularly noteworthy as it came after years of muted growth. India's merchandise exports increased by 22 per cent in 2021 over the pre-pandemic year of 2019, as compared to 17.5 per cent in the world's merchandise exports. Consequently, as per WTO's latest World Trade Report, India's position among the world's leading exporters in merchandise trade improved from the 21<sup>st</sup> in 2020<sup>4</sup> to the 18<sup>th</sup> in 2021<sup>5</sup>.

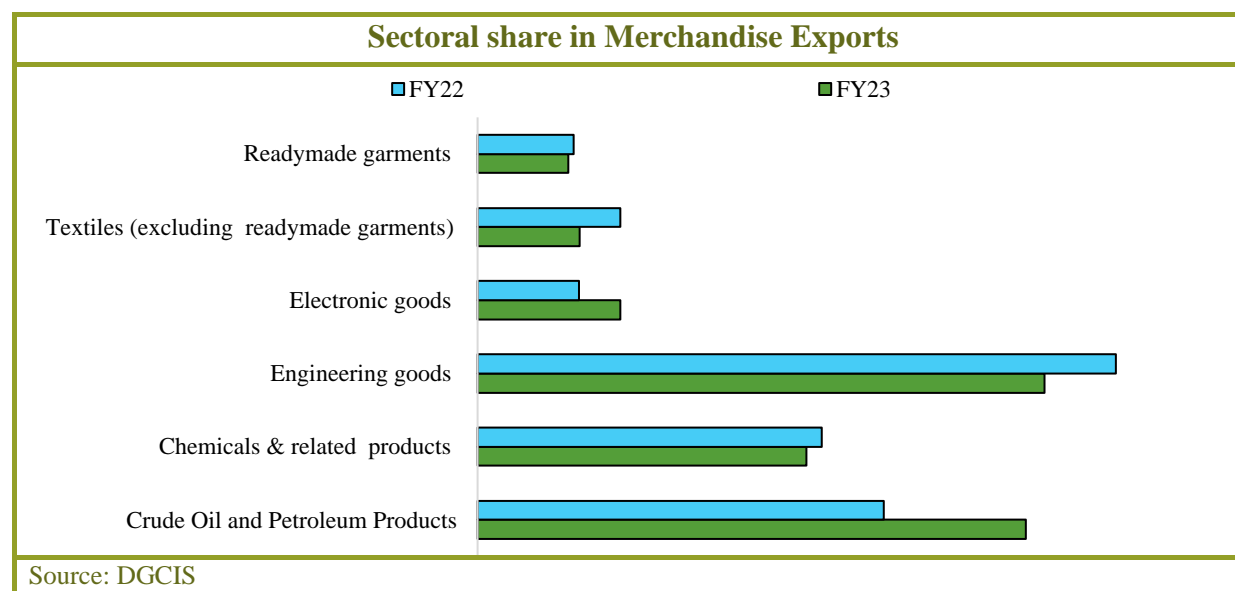


23. Both India's and the world's exports surged in 2021 following the easing of pandemic restrictions, the release of pent-up demand and the continued disruption of supply chain networks. As a result of continued frictions in supply chains exerting price pressures, growth in global exports in value terms was almost thrice the growth in volume terms. India did better than global exports as its volume growth was thrice that of the world export volume growth, reflecting a high pace of recovery in domestic production. However, after witnessing strong growth in FY22, the pace of growth in global merchandise exports moderated in FY23, as persisting geopolitical tensions and monetary tightening induced recessionary fears have led to

<sup>4</sup>[https://www.wto.org/english/res\\_e/statis\\_e/wts2021\\_e/wts2021\\_e.pdf](https://www.wto.org/english/res_e/statis_e/wts2021_e/wts2021_e.pdf)

<sup>5</sup>[https://www.wto.org/english/res\\_e/booksp\\_e/wtsr\\_2022\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/wtsr_2022_e.pdf)

a decline in discretionary consumer spending across advanced nations. Yet several measures post the Covid-19 outbreak have been preparing India's export to garner a larger global market share which should grow India's export at a reasonable rate despite the slowing of global demand and growth.



24. The increase in global market share is evident in respect of refined crude oil and petroleum products, whose share in India's export basket rose from 16 per cent in FY22 to 21.6 per cent in FY23. In part, this is attributable to market diversification of India's exports of crude products. Accompanied by an increased share, the export basket has also become more diversified and resilient, with economies with relatively small amounts of historical trade, such as Netherlands, Israel, Tongo, Brazil and South Africa being in the list of top 10 export destinations.

25. Driven by the strong push given by Production Linked Incentive (PLI) scheme, along with the launch of schemes like the Phased Manufacturing Programme for Mobile handsets and related sub-components manufacturing, among others, electronic exports have emerged as one of the sectors with the fastest growing exports registering YoY growth of 49.4 per cent in FY23. Smartphones contribute a substantial part of this export, as evident in the rapid spike in shipments of smartphones. As per the data from the India Cellular and Electronics Association (ICEA), the total export value of India's smartphone shipments during FY23 exceeded USD 10 billion, approximately twice that of the corresponding period last year<sup>6</sup>.

26. There has been impressive growth in engineering goods exports as well in recent years, mainly due to the implementation of the Zero Duty Export Promotion Capital Goods (EPCG) scheme. However, driven by a sharp fall in the iron and steel component of engineering goods,

<sup>6</sup><https://economictimes.indiatimes.com/industry/cons-products/electronics/india-surpasses-rs-85000-cr-worth-mobile-phone-exports-in-fy23/articleshow/99334570.cms?from=mdr>

owing to the economic slowdown in key markets, such as the EU and China, the overall share of engineering goods in the export basket declined in FY23. Initiatives to support and enhance the competitiveness of the domestic engineering goods manufacturing firms, such as the PLI scheme for Automobile & Auto Components and the National Programme on Advanced Chemistry Cell (ACC), FAME INDIA II, among others, are likely to promote exports of this sub-sector.

27. The share of textiles and readymade garments in overall merchandise exports has shown a declining trend owing to rising input costs, weakening demand in both domestic and foreign markets and stiffer competition from peer exporters such as Vietnam and Bangladesh. However, the PLI scheme for man-made fibres (MMF), technical textiles, and the Integrated Textile Parks scheme are expected to enable the textiles industry to achieve size and scale and enhance its export share in the coming years. Since FY23 and FY24 are gestation periods under the PLI scheme for textiles, the surge in textile exports is expected from FY25<sup>7</sup>. As of April 2023, the government has approved 64 applications with a proposed total investment of ₹19,798 crore and a projected turnover of ₹1.9 lakh crore under the PLI scheme for textiles.

28. The pandemic and the consequent lockdowns led to limited growth in contact-intensive services exports (transport and travel). After the pandemic outbreak, the share of services exports in GDP rose sharply during the recovery phase of FY22, with the sharpest growth witnessed in business services exports between FY20 and FY23. The sharp increase in business services exports is linked to the sudden proliferation of Global Capability Centres (GCC) in India, which can be traced to the twin global shocks. After the advent of the Covid-19 vaccines, economic activity started recovering in the advanced economies in 2021; however, the outbreak of the Russia-Ukraine conflict led to a sharp rise in inflation. Rising inflation exerted pressure on wages, which incentivised global conglomerates to search for low-cost options for setting up back-office corporate operations. The availability of low-cost, efficient and capable labour in India led to the setting-up of GCC in India to provide back-office corporate support to the conglomerates.

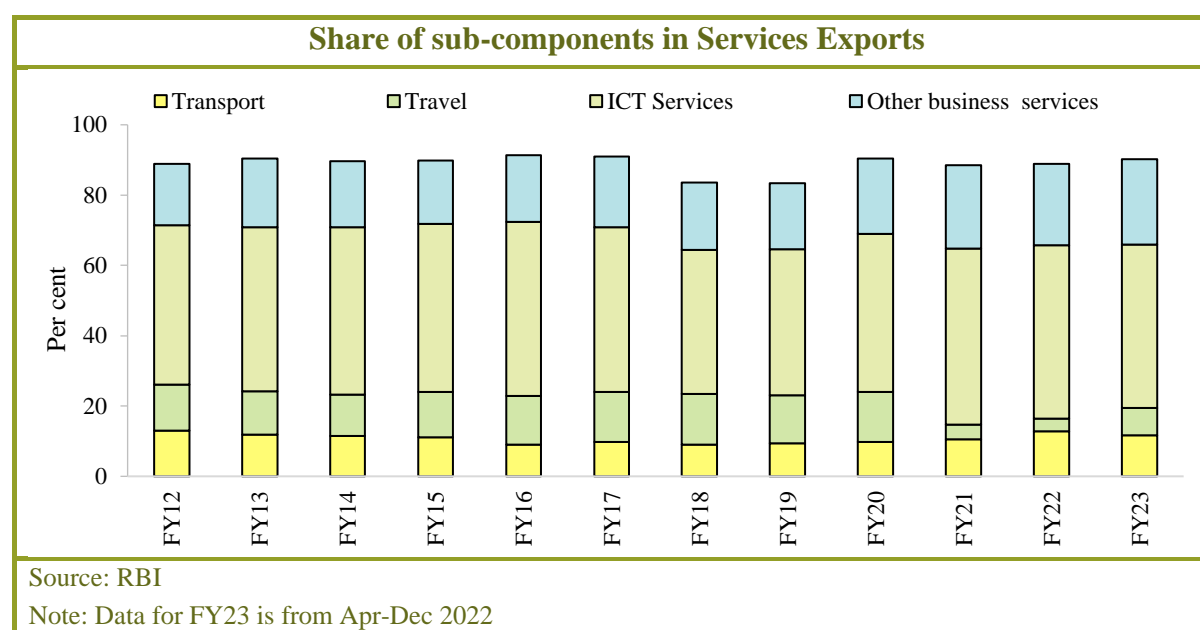
29. India has the largest number of GCC in the world (about 1500 GCCs<sup>8</sup>) and enjoys a competitive advantage, not only in terms of cost but high web-based capability and management skills. Through GCC and other business services, India also exports professional business services composed of Research and Development (R&D), Management Consulting and Public Relations, and Engineering services, among others. Increased demand for digitization and preference for online delivery of services post the outbreak of the pandemic also encouraged the export of business services.

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<sup>7</sup><https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1913958>

<sup>8</sup> <https://community.nasscom.in/communities/gcc/india-gcc-trends-quarterly-analysis-q4cy2022>

30. India's robust and thriving ICT sector has competently addressed the rising global digital demand, supported by Government initiatives such as Bharat Net and UPI, among others. Schemes such as Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Start-up India, Digital India and Skill India -have strengthened India's ICT offering through the building of India Stack. The commitment to enhance Ease of Doing Business, e-initiatives, and e-commerce in the recently announced Foreign Trade Policy (2023) is further expected to strengthen the growth of service sector exports.



31. Growth in the services sector can be increased through telecommunication, finance and other business services, which serve as an intermediate input in switching to hybrid business models, digital delivery of healthcare, educational and recreational services, and supply chain management. This is expected to result in an improvement in India's rank in services exporting nations (compared to its current rank at 8<sup>th</sup> position) and increase its market share beyond 4 per cent in world commercial services exports. Deepening and widening service exports also warrants investment in human capital, which would further reap the demographic dividend India is advantaged with over the next two decades.

## Outlook

32. There are downside risks to growth and upside risks to inflation, partly channelled through the external sector and partly originating from weather uncertainties. Yet a strong point going India's way is the strength of its domestic demand. Consumption has shown steady and broad-based growth, while investment in capacity creation and real estate is finding traction. April is too early to forecast the economic outcomes for the entire year. A good beginning, though, is a harbinger of positive outcomes.

**For feedback and queries, one may write to: [mer-dea@gov.in](mailto:mer-dea@gov.in)**

### Performance of High-Frequency indicators

Data Title	Unit	YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2021-22	2022-23	2023-24	2021-22	2022-23	2023-24
Agriculture								
Fertiliser Sales	Mn Tonnes	Apr-Mar	59.2	68.1	NA	-10.6	15.2	NA
Domestic Tractor Sales	Lakhs	April	6.3	8.9	7.9	436.2	40.7	-11.1
Rabi Sowing	Mn Hectare	3rd Feb	69.8	72.1	NA	1.1	3.3	NA
Kharif Production	Mn Tonnes	2nd AE	153.5	153.4	NA	3.8	-0.1	NA
Reservoir Level	Bn Cu. Metres	11-May	53.7	58.7	59.8	-16.9	9.3	1.9
Wheat Procurement (RMS)	LMT	15-May-23	433.4	187.9	259.0	11.2	-56.6	37.8
Rice Procurement (KMS)	LMT	15-May-23	575.9	499.8	512.9	-4.4	-13.2	2.6
Rainfall	Millimetres	June-Sept	874.6	925	870(F)	-8.7	5.8	NA
Industry								
8-Core Industries	Index	Apr-Feb	22.7	25.5	-	36.6	12.3	-
IIP	Index	Apr-Feb	26.6	29	-	10.2	9.2	-
Domestic Auto sales	Lakh	Apr-Feb	4.8	5.9	-	19.7	21.7	-
PMI Manufacturing	Index	Apr-Feb	31.4	34.9	-	11.5	11.1	-
Power consumption	Billion kWh	Apr-Feb	13.2	14.5	-	-6.3	10.4	-
Natural gas production	Bn Cu. Metres	Apr-Feb	8.7	9.2	-	-16.8	6.3	-
Cement production	Index	Apr-Feb	6.4	6.5	-	-23.8	1.6	-
Steel consumption	Mn Tonnes	Apr	1.4	1.7	1.9	330.4	20.9	11.6

Data Title		YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2019-20	2021-22	2022-23	2019-20	2021-22	2022-23
Inflation								
CPI-C	Index	Apr	157.8	170.1	178.1	4.2	7.8	4.7
WPI	Index	Apr	132	152.3	150.9	10.7	15.4	-0.9
CFPI	Index	Apr	156.4	169.4	175.9	2.0	8.3	3.8
CPI-Core	Index	Apr	157.9	169.1	177.7	5.3	7.1	5.1
Services								
Average Daily ETC Collection	₹ Crore	Apr	89.5	140.5	171.3	300.7	57.0	21.9
Domestic Air Passenger Traffic	Lakhs	Apr-Mar	1668.0	2703.4		58.5	62.1	
Port Cargo Traffic	Million tonnes	Apr	61.6	65.0	65.873	29.6	5.6	1.3
Rail Freight Traffic	Million tonnes	Apr	111.7	122.2	126.5	70.8	9.4	3.5
PMI Services	Index	Apr	54	57.9	62	900	7.2	7.1
Fuel consumption	Million tonnes	Apr	16.3	18.5	18.4	74.1	13.1	-0.2
UPI (Value)	₹ Lakh crore	Apr	4.9	9.8	14.1	226.6	100.6	43.1
UPI (Volume)	Crore	Apr	2.6	5.6	8.9	164.2	111.4	59.5
E-way Bill Volume	Crore	Apr	5.8	7.5	8.4	573.7	29.3	12.0
Fiscal Indicators								
Gross tax revenue (Central Govt)	₹ Lakh crore	Apr-Feb	22.7	25.5	-	36.6	12.3	-
Revenue Expenditure	₹ Lakh crore	Apr-Feb	26.6	29	-	10.2	9.2	-
Capital Expenditure	₹ Lakh crore	Apr-Feb	4.8	5.9	-	19.7	21.7	-
Total Expenditure	₹ Lakh crore	Apr-Feb	31.4	34.9	-	11.5	11.1	-
Fiscal Deficit	₹ Lakh crore	Apr-Feb	13.2	14.5	-	-6.3	10.4	-
Revenue Deficit	₹ Lakh crore	Apr-Feb	8.7	9.2	-	-16.8	6.3	-
Primary Deficit	₹ Lakh crore	Apr-Feb	6.4	6.5	-	-23.8	1.6	-
GST Collection	₹ Lakh crore	Apr	1.4	1.7	1.9	330.4	20.9	11.6

Data Title		YTD Period/As at the end of	Year to Date			Year to Date (YoY Growth)		
			2019-20	2021-22	2022-23	2019-20	2021-22	2022-23
External Sector								
Merchandise exports	USD Billion	Apr	30.7	39.7	34.7	202.3	29.3	-12.6
Non-oil exports	USD Billion	Apr	27.1	31.8	28.2	203.6	17.3	-11.3
Merchandise imports	USD Billion	Apr	46.0	58.1	49.9	169.5	26.3	-14.1
Non-oil non-gold imports	USD Billion	Apr	29.0	36.0	31.5	135.4	24.1	-12.5
Net FDI	USD Billion	Apr-Feb	35.5	28.3	-	-17.7	-20.3	-
Net FPI	USD Billion	Apr	-1.2	-3.0	1.6	-	-	-
Exchange Rate	INR/USD	Apr	74.5	76.1	82.0	-2.3	2.1	7.8
Foreign Exchange Reserves	USD Billion	5th May	589.5	596.0	596.0	21.5	1.1	0.0
Import Cover	Months	Apr	16.6	11.5	10.0	-	-	-
Monetary and Financial								
Total Bank Credit	₹ Lakh crore	Apr	108.6	119.6	138.6	5.7	10.1	15.9
Non-Food Credit	₹ Lakh crore	Apr	108	119.1	138.4	5.7	10.3	16.1
10-Year Bond Yields	Per cent	Mar	6.07	7.11	7.21	-0.08	1.04	0.1
Repo Rate	Per cent	12 <sup>th</sup> May	4	4.4	6.5	-0.4	0.4	2.1
Currency in Circulation	₹ Lakh crore	Apr	29.1	32.1	34.6	15.2	10.4	7.7
M0	₹ Lakh crore	Apr	35.5	40	44.2	17.5	12.8	10.5
Employment								
Net payroll additions under EPFO	Lakh	Apr-Feb	107.0	131.0	-	62.5	22.4	-
Number of person demanded employment under MGNREGA	Crore	Apr	3.8	3.3	3.2	89.1	-13.0	-3.4
Urban Unemployment Rate	Per cent	Dec	8.8	7.2	-	-1.5	-1.6	-
Subscriber Additions: National Pension Scheme (NPS)	Lakh	Apr-Jan	6.3	6.2	-	40	-2.4	-

Note: F stands for forecast