Economic Division

Monthly Economic Review

March 2022

आर्थिक कार्य विभाग
DEPARTMENT OF
ECONOMIC AFFAIRS

सत्यमेव जयते

Abstract

The geo-political tension triggered by the conflict between Russia and Ukraine since 24th February, 2022 has not ceased. The economic fallout of the crisis is only gradually unfolding. It may be accentuating some of the trends already underway such as global food shortages. The dated Brent Crude oil price, which forms the bulk of Indian crude oil basket has hovered around USD 105-106 / bbl since 1st of April, after having risen above USD 135 in the first/second week of March from around USD 95 just before the crisis. In the spirit of Atmanirbhar Bharat, that places national economic and security interests above any other consideration, Government is exploring all viable options, including import diversification, to procure crude at an affordable price. Affordability is desired as even the present level of international crude price, should it persist for a long time, may come in the way of India achieving a real economic growth rate north of 8 per cent in FY23. Be that as it may, India's economy, having swiftly recovered in 2021-22, after the pandemic induced contraction, may prove resilient owing to government's thrust on capital expenditure and improved corporate sector's financial health.

International fertilizer prices have stabilized albeit at a higher than the pre-conflict level. Global dynamics may eventually lower their level.. For the present though, the economy is benefiting from continued growth momentum in the agriculture sector with the first advance estimates of production of horticulture crops for 2021-22 indicating an increase in area sown for both fruits and vegetables over 2020-21. In addition, constant increase in acreage under summer crops, crop diversification and increase in procurement during ongoing Kharif Market Season(KMS) 2021-22, will boost income levels in the rural economy.

Industry has also been showing robust growth, particularly in the second -half of 2021-22. The combined Index of Eight Core Industries registered a YoY growth of 5.8 per cent in February 2022, highest in the last four months following an increase in output of natural gas, coal, refinery products among others.PMI manufacturing has stayed in the expansionary zone continuously for nine months contributing much to the recovery in 2021-22. Credit to industry has also seen a boisterous growth with loan growth to large corporates finally turning positive towards end of 2021-22.

PMI Services has also stayed in the expansionary zone continuously for eight months on the back of E-toll collection, E-Way Bill, Railway freight and Air Cargo, among others, complementing the robust manufacturing sector. Resultantly, GST collections breached Rs.1.4 lakh crore in March, 2022 heralding the onset of post-recovery growth. Elevated PMI Services also reflect growth in contact-based services, as states progressively relax pandemic-induced restrictions in view of India's COVID-19 vaccination coverage expanding faster than the decline in cases of new infection. In its wake, private consumption may be beginning to perk up. UPI transaction values and volumes have more than doubled in 2021-22 with the volume of UPI transactions in March 2022 crossing 5 billion in a month for the first time.

Capital investment by the Central Government for the period of April 2021 to February 2022 has surpassed the levels in the corresponding periods of pandemic and pre-pandemic years. There are nascent signs that rising public capex may be crowding in private capex as well. In a major vote of confidence to the attractiveness of the Indian economy as a major foreign investment destination, gross FDI inflows into the economy have risen to US$ 69.7 billion during April-January, 2021-22. Investments funded through External Commercial Borrowings (ECBs) have continued to remain on an upswing as well, registering a 29.7 per cent growth during April- February, 2021-22 vis-à-vis the corresponding period of last year. Growing FDIs and other capital inflows have ensured a comfortable foreign exchange reserves position with an import cover of more than 12 months.

A broad-based economic recovery has also spurred the growth of employment opportunities as reflected in net EPF subscribers reached 15.3 lakh in January 2022, 37.4 per cent higher than in the corresponding period of the previous year. As work demanded under MGNREGS continues to decline, growth in employment opportunities in the rural sector is also evident. Surveys by ManpowerGroup and Naukri.com capture an optimistic hiring sentiment among employers. During 2020-21 and 2021-22, the DBT mechanism transferred more than ₹5.4 lakh crore annually, as compared to ₹3.8 lakh crore in 2019-20, reflecting Government's enhanced support to offset the economic impairment caused by the COVID-19 pandemic to the vulnerable sections of the population.

Driven by robust demand for Indian goods, India achieved an all-time high annual merchandise exports of USD 417.8 billion in 2021-22, in-part benefitting from a rebound in the world economy and resurgence of industrial demand in advanced economies. For the first time, India's monthly merchandise exports exceeded USD 40 billion, reaching USD 40.4 billion in March 2022. Merchandise imports on the other hand has also grown rapidly in 2021-22 due not only to India's ongoing economic recovery but also due to escalating energy prices caused earlier by a rebound in global economy and more recently by the Russian-Ukraine conflict.

Geopolitical conflicts and their consequent impact on food, fertiliser and crude oil prices cast a cloud on the growth outlook globally. India may feel its impact although the magnitude will, of course, depend on how long the dislocations in energy and food markets persist in the financial year and how resilient India's economy is to mitigate the impact. Transient shocks may not have a big effect on real growth and inflation.

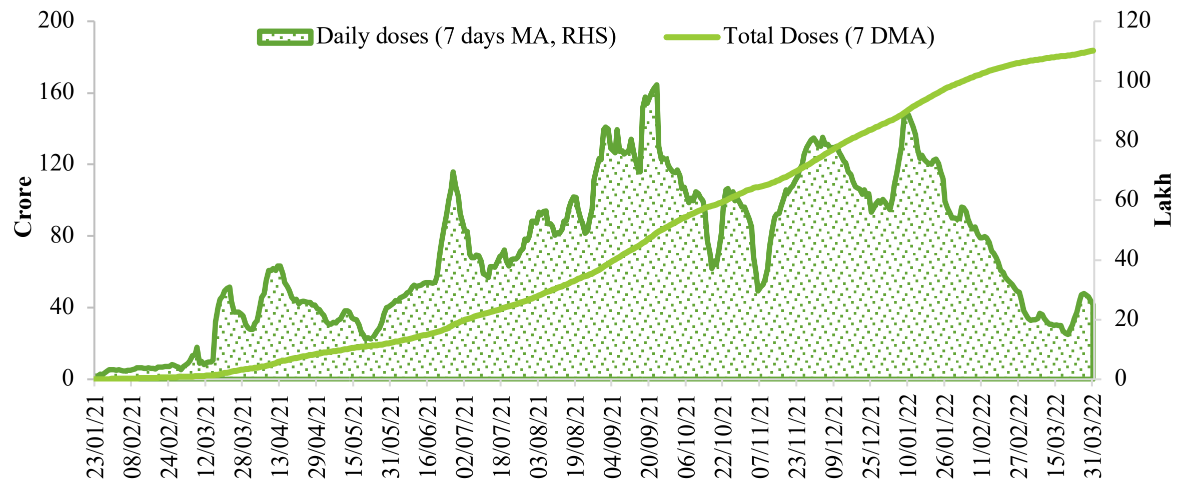
Offsetting these potential headwinds, GatiShakti and Production Linked Incentive Schemes will drive investment, which will combine with supply chains strengthened by structural reforms taken in the past few years to deliver high-post-recovery growth for the Indian economy. With growing evidence of improving labour force participation and declining unemployment rate and Government's unwavering commitment to provide continued support to economically poor (the PM Gharib Kalyan Yojana was extended for another six months, up to the end of September 2022), the growth path ahead will likely be a more inclusive one.

Economic Activity

1. India has been successfully running world's second largest vaccination programme administering, as on 31st March 2022, more than 184 crore doses of vaccine. Around 91 crore of adults have received at least one dose, of which 79 crore are now fully vaccinated. The coverage of adolescents aged between 15-18 years stands at 76 per cent. In numbers, 5.7 crore adolescents have received at least one dose of which 3.8 crore are fully vaccinated, equivalent to 51 per cent of their population.

2. From 16th March 2022, vaccination drive has been extended to cover the adolescent population in the age group of 12-14 years As of 31st March 2022, 1.7 crore doses have been administered to this age group. Additionally, India has also expanded its booster dose programme by removing a restriction related to comorbidities. About 2.3 crore precautionary doses have been administered to healthcare, front line workers and people aged above 60 years.

COVID-19: Vaccination Drive



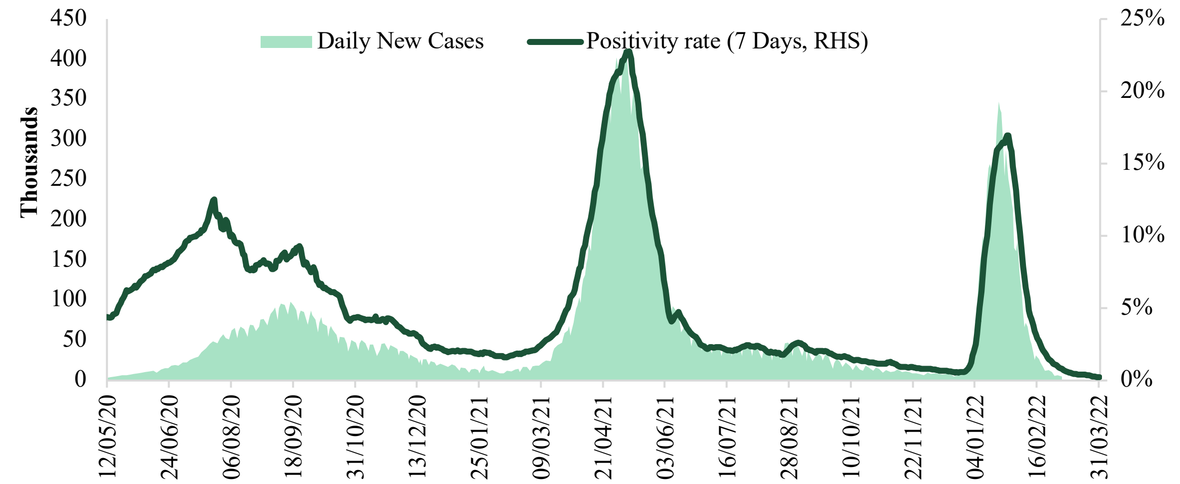
Source: Ministry of health and family welfare

3. Steady fall in new COVID-19 cases and the consequent withdrawal of restrictions across states continue to strengthen the economic activity. Daily cases further abated to less than 1400 in March, reaching about one-eighth of what it was in February. The daily recoveries continue to outnumber daily new cases pushing up the recovery rate to 98.7 per cent. As on 31st March, 2022 India had less than 26 thousand active cases – down from a peak of 22.0 lakh cases on 27th Jan 2022. Delhi and Maharashtra have now made masks optional to wear reflecting their belief that the pandemic is under control. The hope is that any new variant such as Omicron XE would not pose a serious threat to the economic recovery.

4. In view of the controlled pandemic situation, mobility continues to expand above pre-pandemic levels by 7.5 per cent in March compared to 3.3 per cent in February. Average daily E-toll count increased to 87.2 lakh in March 2022 registering a growth of 40 per cent on year on year (y-o-y) basis. While average E-toll collection expanded by 32.8 per cent on y-o-y basis

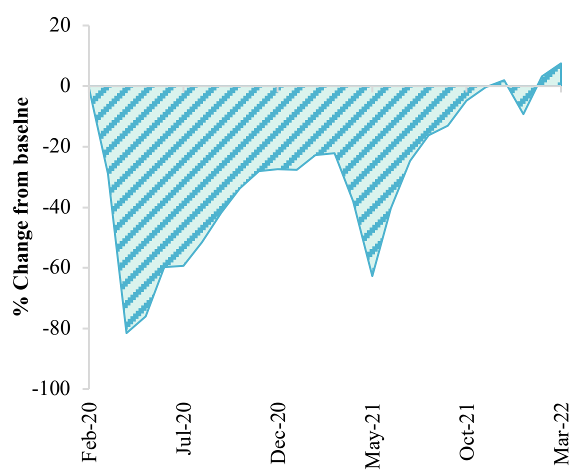
to ₹132.0 crore in March 2022. During 2021-22, average daily E-toll collection increased by 64 per cent while average daily E-toll count higher by 81 per cent compared to previous year.

COVID-19 Spread



Source: Ministry of health and family welfare

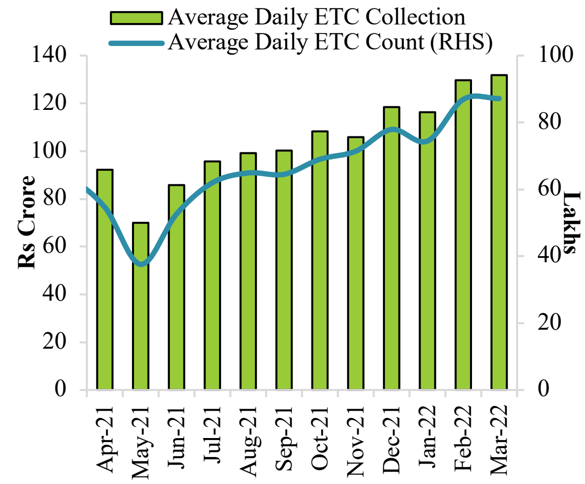
Google Retail Mobility



Source: Google

Note: Baseline value (Jan-Feb value of 2020)

Average Daily Electronic Toll Count and Collection

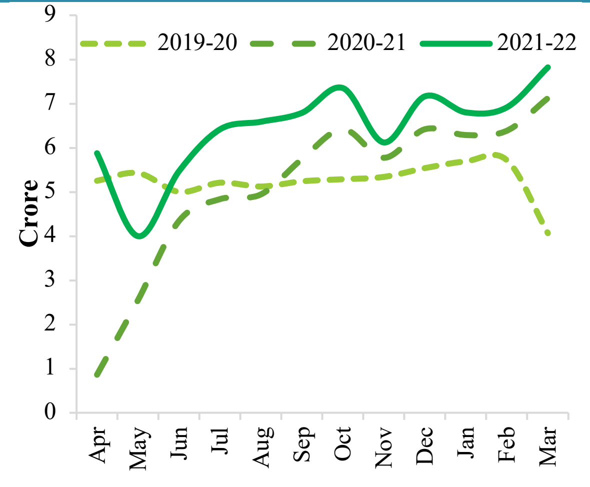


Source: IHCML

5. Strong GST collection during 2021-22 is a testimony to the strong macro-economic fundamentals of the Indian economy amidst recurring waves of the pandemic. GST collection reached all time during March 2022 (reflecting February transactions despite being the shorter month) crossing ₹1.40 lakh crore mark for the second time since implementation. The enhanced collection is also being enabled by administrative measures to enhance compliance and rate rationalization measures to correct inverted duty structure. GST collection stood at ₹1.42 lakh crore, registering a double-digit growth of 14.7 per cent compared to corresponding period last year and 45.6 per cent higher than the corresponding pre pandemic level. Volume of E-way bill generation grew by 25.3 per cent to 77.3 crore during 2021-22 compared to previous year indicative of uptick in spending. The value of e-way bill generation registering a double-digit

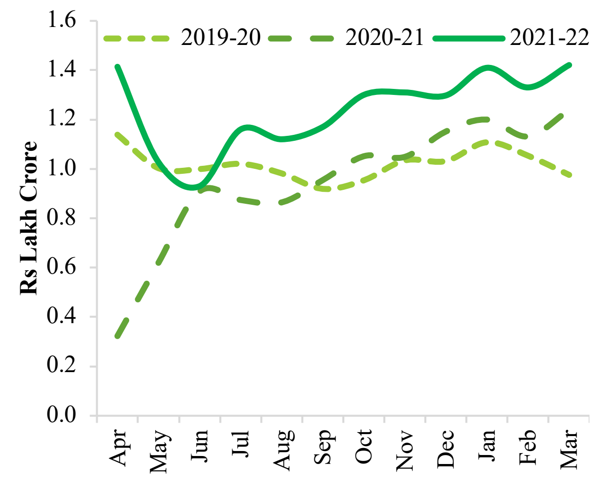
Y-o-Y growth of 35 per cent to ₹ 232.5 lakh crore during 2021-22, bespeaks of the improved value addition in the manufacturing and services sectors of the economy.

Volume of E-way Bill Generation



Source: GSTN

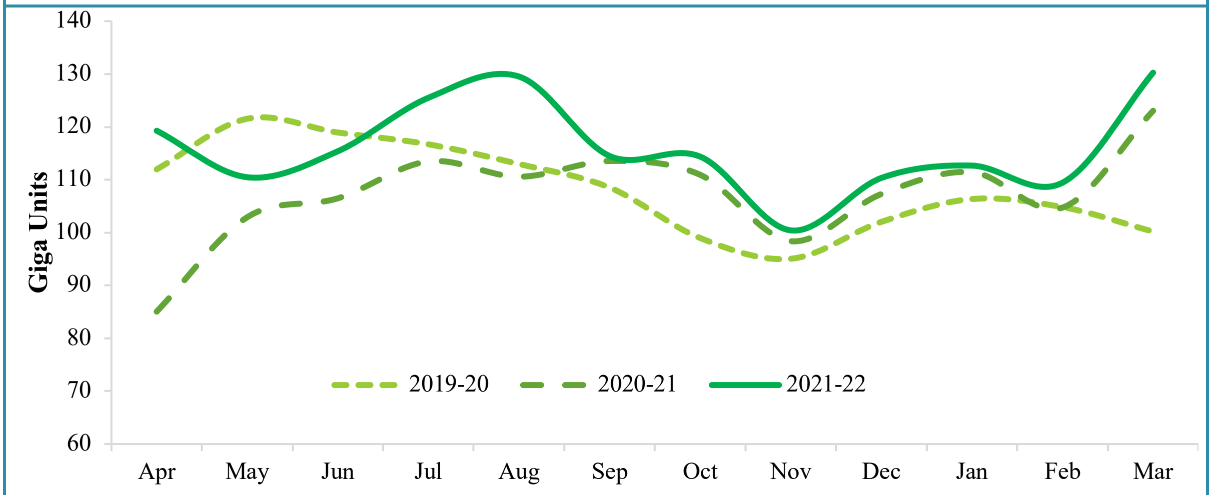
GST Collection



Source: Ministry of Finance

6. Improvement in demand prospects and the relatively low impact of the third pandemic wave on the economy boosted consumption of power by 8.1 per cent during 2021-22 compared to previous year and 7.2 per cent higher than 2019-20. In March 2022, power consumption increased by 19.0 per cent compared to February and 5.9 per cent over the corresponding month of the previous year.

Power Consumption



Source: POSOCO

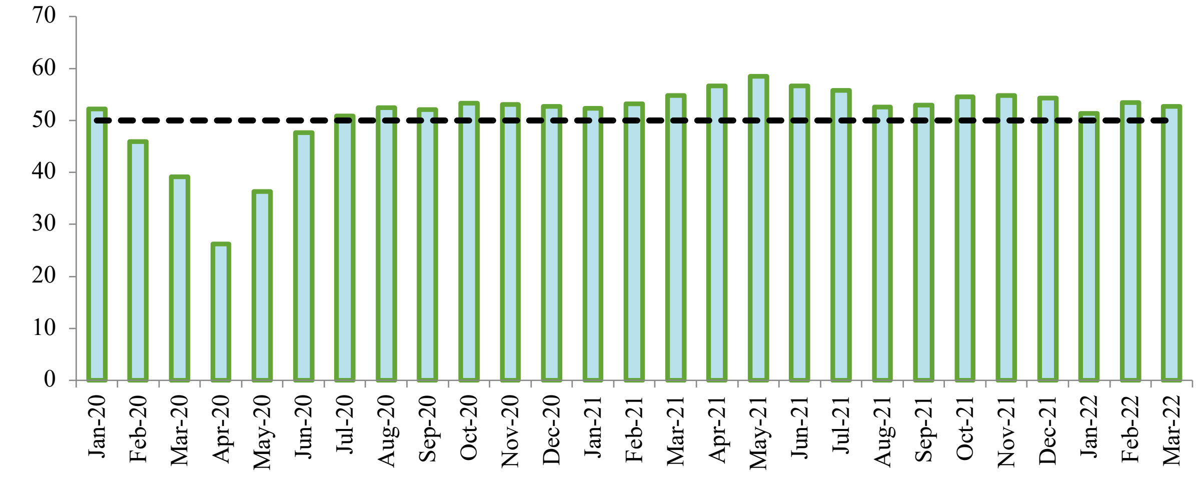
7. Outside India, COVID-19 virus continues to mutate and impact the world unevenly. A sharp spike in new cases has been observed in Western Pacific and European region during March 2022, after experiencing a downward trend since end of Jan 2022. China too has been grappling with a wave of infections particularly in Shanghai. As per WHO, the characteristics of the emerging variants of the virus is unclear and hence the evolution rate and risks associated

are quite high. Accordingly, the WHO has recommended that countries must maintain sufficient epidemiologic surveillance to inform evidence-based operational decision-making on crucial parameters, including vaccination strategies, vaccine composition, use of therapeutics and tailored and appropriate public health and social measures.

8. Global activity continued to remain in expansionary zone with Global PMI composite index stood at 52.7 in March. Growth in output, new orders, and employment signals improved demand conditions. However, new export order volumes declined amid ongoing COVID disruptions, stretched global supply chains, rising inflationary pressures and elevated geopolitical tensions.

9. Heightened commodity prices along with supply chain disruptions caused by geo-political tensions between Russia and Ukraine pose a challenge to global economic activity. Russia and Ukraine together account for about 30 per cent of global exports of wheat, 20 per cent for corn, mineral fertilisers and natural gas, and 11 per cent for oil. In addition, supply chains around the world are dependent on exports of metals from Russia and Ukraine. The ongoing conflict between Russia and Ukraine, if sustained, is expected to negatively impact the world output growth by 1 per cent even as it would aggravate the already elevated consumer inflation rate by 2.5 per cent, as per OECD’s interim Economic Outlook, March 2022. We should note too that the pandemic still casts a shadow over global economic prospects in 2022. The ongoing struggle to contain the infections in Shanghai in China is a case in point. It is compounding the persistent supply chain disruptions that began in 2020 and sustained by further pandemic waves in different parts of the world and geopolitical conflicts.

Global Composite Index



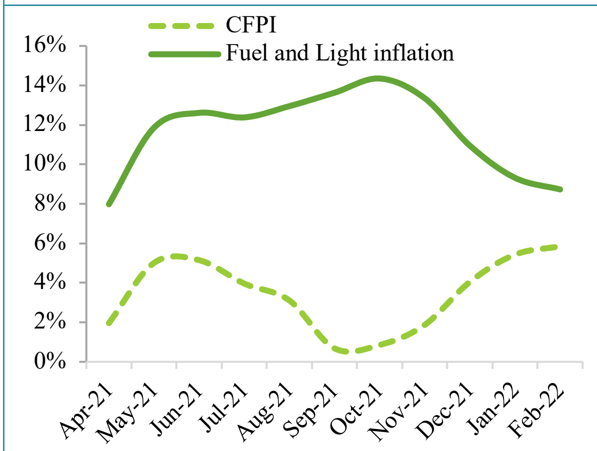
Source: IHS Markit

Prices

10. Headline retail inflation or Consumer Price Index – Combined (CPI-C) for April-February FY 2022 stood at 5.4 per cent, well below the tolerance limit of 6 per cent, as compared to 6.3 per cent in the corresponding period last year. A weaker food inflation more than offset the price surge in fuel and light categories of consumption basket to bring down the overall CPI. Food inflation softened to 3.4 per cent as compared to 8 per cent in the corresponding period of the last year while fuel and light inflation rose from 2.5 per cent to 11.6 per cent across the same periods. Core inflation (CPI excluding food and fuel), a more stable measure of inflation remained sticky during the period at 6.0 per cent compared to 5.5 per cent in the same period last year as demand pressures in the economy sustained in 2021-22.

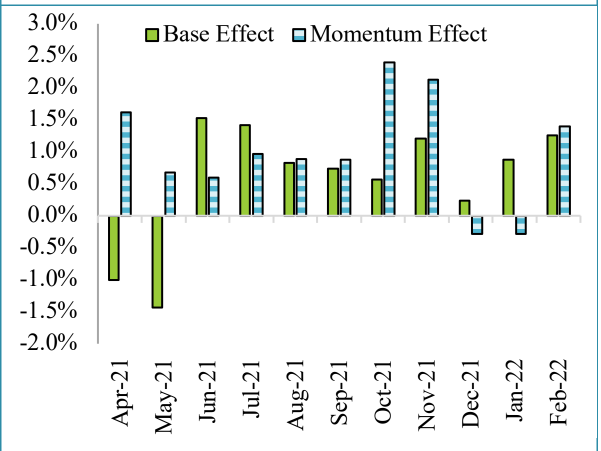
11. WPI inflation for the period April-February FY 2021 was benign at 0.7 per cent. However, it witnessed a sharp uptick in the corresponding period of 2021-22 to 12.7 per cent. A part of the rise in the WPI inflation is on account of the unfavourable base effect in the previous year. As the base effect wears off, WPI inflation is expected to moderate and changes will be limited to the sequential growth of the index.

CFPI and Fuel and Light Inflation



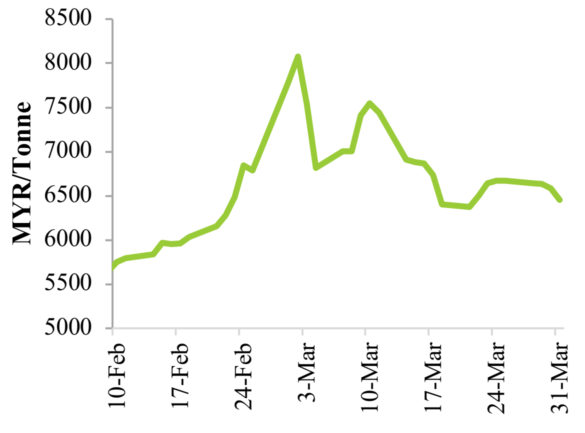
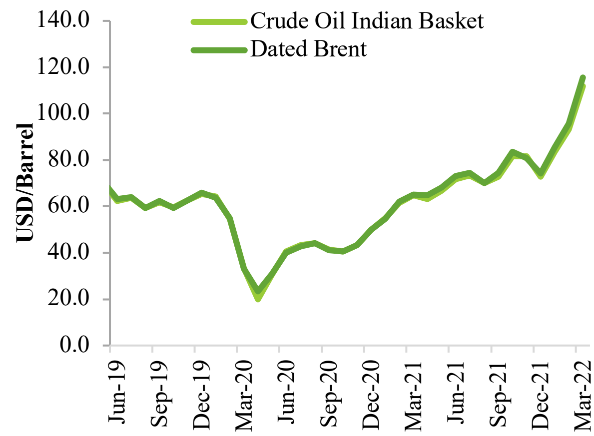
Source: MOSPI

WPI-Base and Momentum Effect



Source: OEA, DPIIT

12. Supply disruptions arising out of the Russia-Ukraine conflict have caused the international prices of multiple commodities to rise, with edible oils being amongst the most affected. The conflict in the Black Sea region has pushed up international prices of sunflower oil, causing the demand for substitutes such as palm oil and soybean oil to increase. Further, drought in South America, a major supplier of soybean oil, has affected the soybean crop, causing an increase in the prices of soybean oil, and, in turn, of palm oil. The supply of palm oil has however begun to improve gradually leading to an easing of international palm oil prices by 20.1 per cent between 2nd March and 31st March 2022. The government has also taken steps to cushion the effect of high edible oil prices by reducing import duties. It has also extended stock limits on edible oils and oil seeds till December 2022.

Palm Oil Prices	Crude Oil Prices – Indian Basket and Dated Brent
	
Source: Bloomberg	Source: PPAC, World Bank, Bloomberg

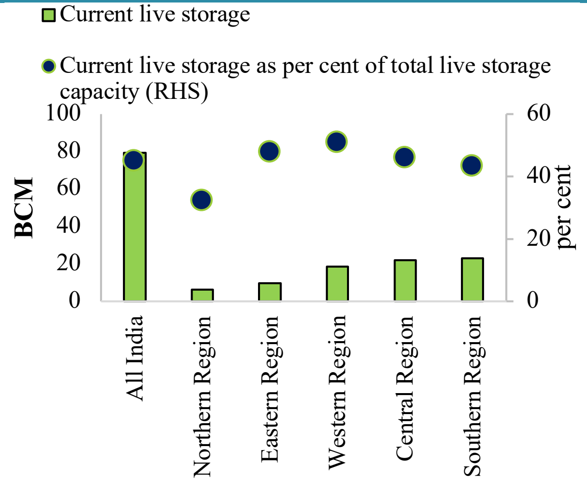
13. International crude oil prices continue to rise as well, with the price of the Indian crude oil basket reaching 111.86 in the month of March 2022, an increase of 73 per cent as compared to March 2021. The basket price crossed $100/bbl in March 2022 for the first time since September 2014. The movement in oil prices is expected to dominate inflationary trends in the coming months. The government has been taking steps to diversify import sources which includes buying cheaper crude oil from Russia and diversifying energy sources beyond traditional hydrocarbons to mitigate the adverse effects of the high prices. The government had earlier provided relief to consumers by implementing an excise duty cut on petrol and diesel in November 2021 of ₹5 and ₹10 respectively which was followed by reduction on VAT by various states. Further, with a view to restraining the rise in global crude oil prices, India agreed to release 5 million barrels of crude oil from its strategic petroleum reserves, in parallel and in consultation with other major global energy consumers including the USA, China, Japan and Korea. This has led to a softening of prices of international crude oil by 20.4 per cent between 8th March 2021 and 31st March 2021.

Aggregate Supply

Agriculture

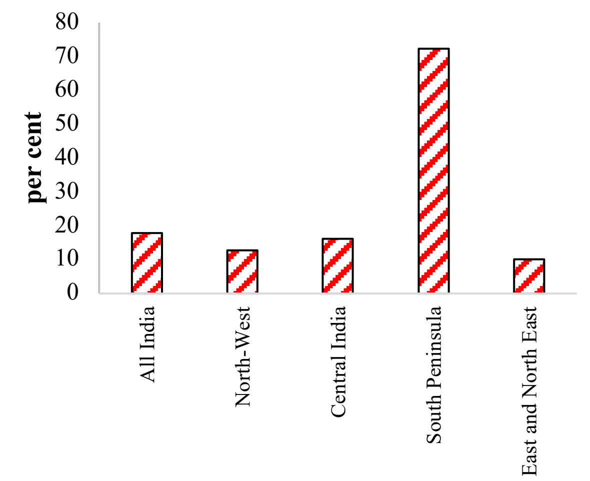
14. Growth of agriculture sector remained robust registering a real growth of 3.3 per cent in 2021-22. As on 1st April 2022, area coverage under summer crops registered a growth of 7.7 per cent over the corresponding period in 2021 and stood at 52.9 lakh hectare. Over the same period, area sown under coarse cereals witnessed a growth of 54.4 per cent followed by 43.7 per cent growth in pulses over the corresponding period in 2021. The increase in acreage was supported by sufficient reservoir levels, normal cumulative rainfall and favourable moisture conditions. Even though rainfall during March 2022 was 62 per cent less than long period average rainfall of 32.6 mm due to the absence of active western disturbances over North India and any major system over South India, however, given the normal southwest and northeast monsoons received in 2021, major reservoirs across the country collectively held more water as compared to the previous year, as well as the 10-year average.

Reservoir Level (as on 31st March 2022)



Source: CWC

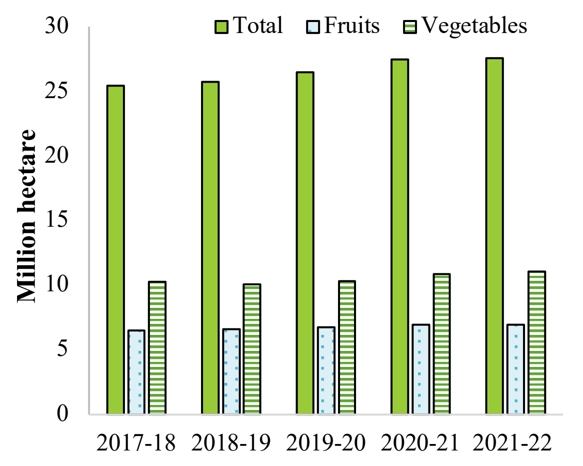
Actual rainfall as per cent of normal rainfall (Cumulative 01.03.22 to 23.03.2022)



Source: IMD

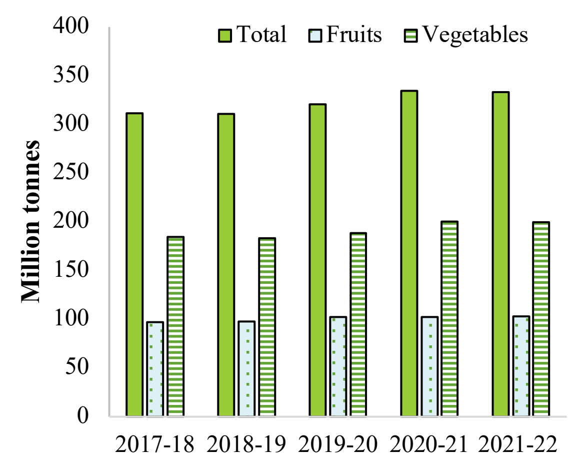
15. Further, as per first advance estimates of production of horticulture crops for 2021-22, with increase in area sown for both fruits and vegetables, total acreage under horticulture crops is estimated to reach 27.6 million hectare, 0.3 per cent higher than in 2020-21. Despite record acreage, slight moderation in production is witnessed on account of decline in production of vegetables, spices and flowers. The production of vegetables is estimated to be 199.9 million tonne in 2021-22, compared to 200.4 million tonne in 2020-21. The marginal dip in overall horticulture production can be attributed to over 4.6 per cent decrease in production of potato due to flooding in certain states. Decreased potato output has pulled down overall production of vegetables despite 16.8 per cent increase in the output of onion in 2021-22 over the previous year.

Area under Horticulture Crops



Source: Ministry of Agriculture and Farmers Welfare
Note: Data for 2021-22 is 1st AE

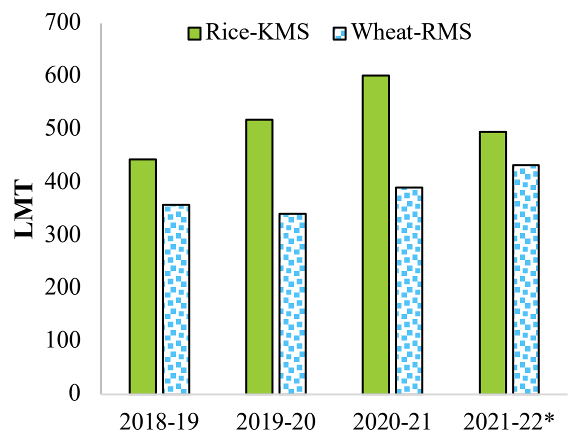
Production of Horticulture Crops



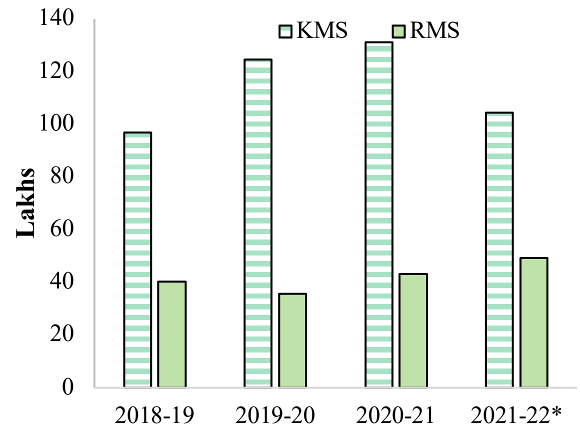
Source: Ministry of Agriculture and Farmers Welfare
Note: Data for 2021-22 is 1st AE

16. Under the ongoing Kharif Marketing Season (KMS) (October-September), cumulative procurement, as on 20.03.2022, was 494.9 LMT of rice, which stands at 82.2 per cent of the total KMS procurement in the last season. So far, under the ongoing KMS, approximately 1 crore farmers have already benefitted from the procurement operations.

Wheat and Paddy Procurement (up to 20th March 2022)



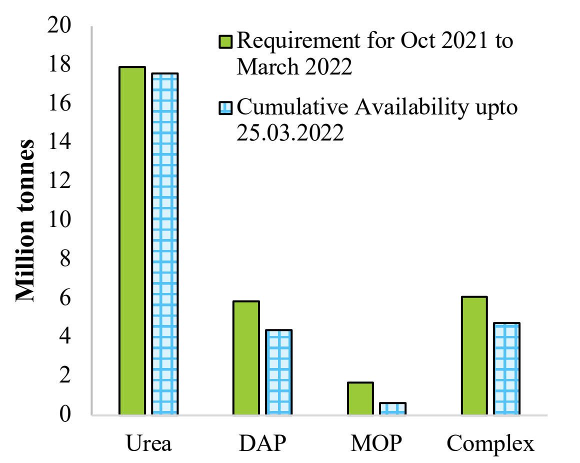
Number of Farmers Benefited (Paddy and Wheat) (up to 20th March 2022)



Source: FCI. Note:* KMS 2021-22 is under progress.

17. Fertilizer is a critical input to sowing and harvesting. As on 25th March 2022, the fertiliser availability is in a comfortable position, with cumulative availability up to 25th March 2022 in line with the requirement. However, the ongoing geopolitical tensions can have an adverse impact on fertiliser availability as India is highly dependent on Russia for fertiliser/raw material imports.

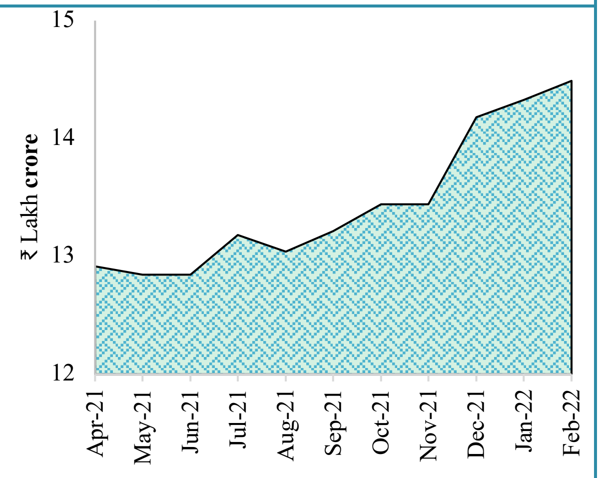
Major Fertilizers during Rabi Season



Source: DACFW

Note: Data as on 25.03.2022

Credit to Agriculture and Allied Activities



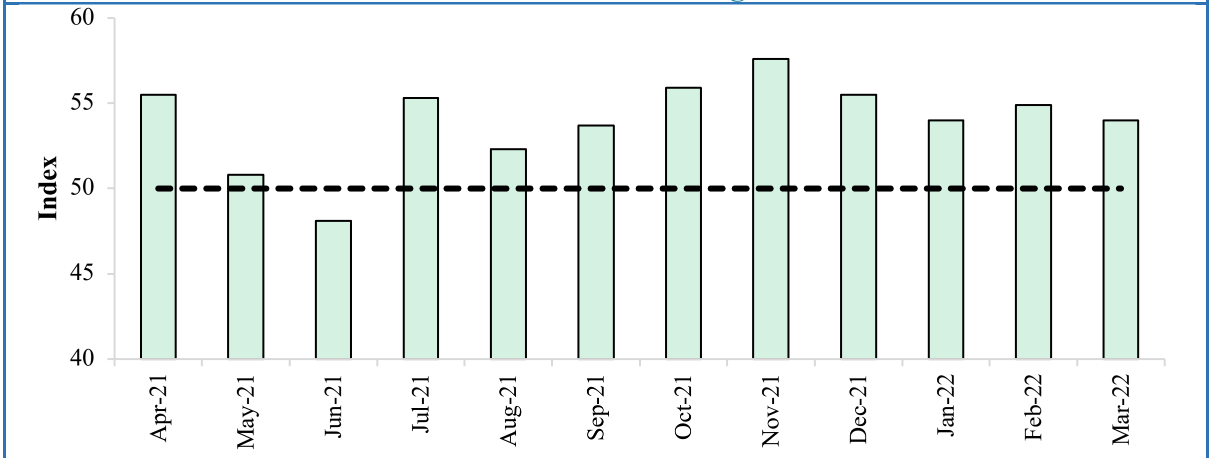
Source: RBI

18. As for seeds, there is sufficient availability of certified/quality seeds of all major Rabi crops for Rabi 2021-22. Against a total requirement of 310.86 lakh quintals of certified/quality seed, an all-India availability of 333.75 lakh quintals certified/quality seed is reported for Rabi 2021-22. Credit support to agriculture also witnessed an increase in February 2022, registering 10.4 per cent growth over the corresponding period last year and MoM increase of 1.1 per cent.

Industry

19. India's manufacturing activity as per PMI manufacturing continued to expand in March and stood at 54.0, with increase in new order and sales which in turn supported a further upturn in production volumes for ninth consecutive month, reflecting improved demand conditions.

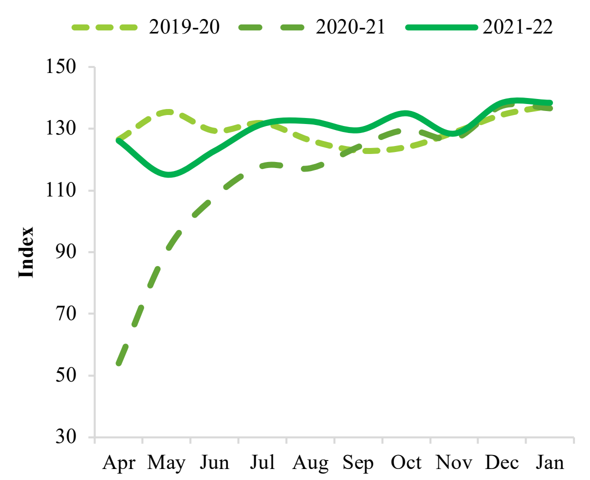
PMI Manufacturing



Source: IHS Markit

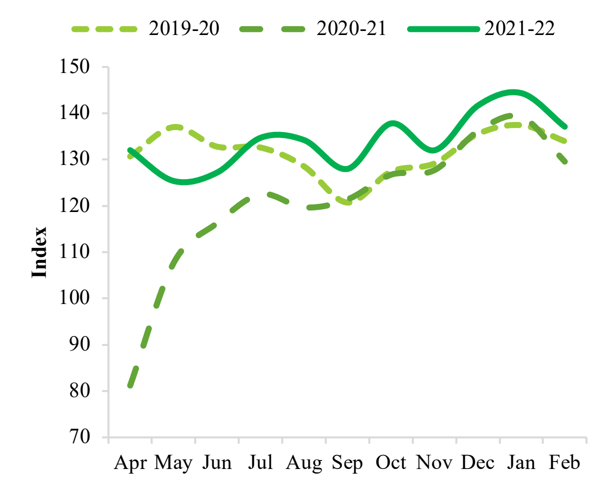
20. The Index of Industrial Production (IIP) recorded a growth of 1.3 per cent in January 2022, despite restrictions imposed to contain the spread of the omicron variant, which was at its peak during the month. The mining sector witnessed the highest growth at 2.8 per cent, followed by growth in manufacturing output and the electricity sector, at 1.1 per cent and 0.9 per cent, respectively. As per the use-based classification of the IIP, output in the intermediate goods and infrastructure or construction goods sector generated tailwinds for IIP growth with a sub-sector growth of 0.9 per cent and 5.4 per cent, respectively. The YoY growth of IIP for the period April-January 2021-22 stood at 13.7 per cent as compared to (-)12.0 per cent in April-January 2020-21. Industrial activity is expected to further recover in the coming months with Government's thrust on capital expenditure and with an increase in consumption activity.

IIP Index



Source: MoSPI

8-Core Industries Index

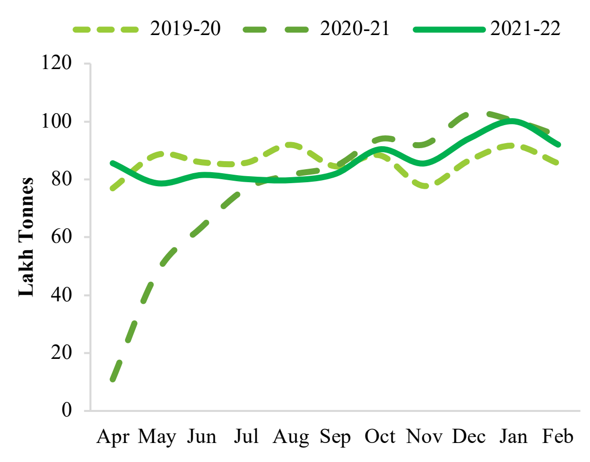


Source: DPIIT

21. Eight Core Industries comprise 40.3 per cent of the weight of items included in the IIP and accounted for much of its growth. The combined Index of Eight Core Industries stood at 137.1 in February 2022, registering a growth of 5.8 per cent over February 2021, the highest growth in last four months on account of better output of natural gas, coal, refinery products etc. Natural gas production reported the highest double-digit growth of 12.5 per cent in February 2022, followed by 8.8 per cent growth in refinery products and 6.6 per cent growth in coal. Natural gas has witnessed double-digit output growth since March 2021 while refinery production has posted a four-month high growth. The increase in natural gas production is driven by demand revival post easing of lockdown measures, expansion in pipeline network, new LNG terminals and commissioning of new fertiliser plants. The cumulative growth of Index of Eight Core Industries in the period April-February 2021-22 stood at 11.0 per cent as compared to the corresponding period of FY 2020-21.

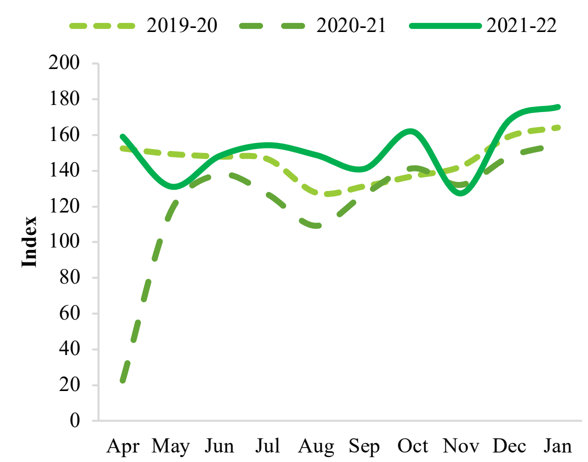
22. Strong demand from the infrastructure and automobile sectors contributed to the rise in cement production and steel consumption over their respective pre-pandemic levels. However, domestic finished steel consumption moderated by 4.2 per cent YoY in February, 2022 as finished steel exports in February, 2022 increased by 76.6 per cent YoY, the highest growth since September 2021, owing to rising demand from international markets.

Steel Consumption



Source: JPC, Ministry of Steel

Cement Production Index



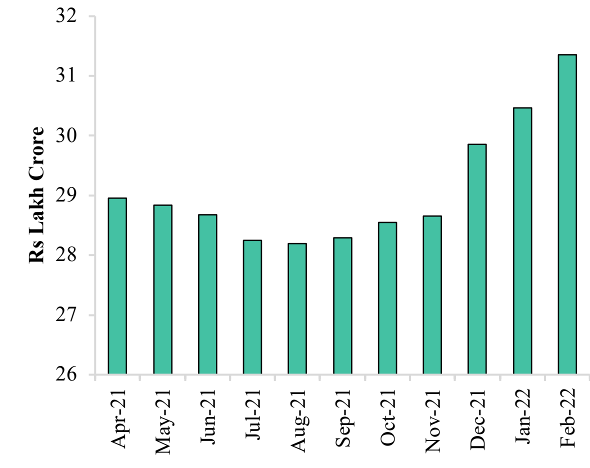
Source: DPIIT

23. According to the Knight Frank, housing sales across eight major cities rose 9 per cent, to reach the highest quarterly residential unit sales in four years at 78,627 units during January-March 2022 as a result of individual financial confidence along with strengthening of the economy. Additionally, low interest rates, best affordability levels, and wage growth, have generated a favourable environment for buyers. Strong momentum in real estate demand is expected to continue in the forthcoming months.

24. Credit to industry witnessed a growth of 6.5 per cent in February, 2022 as compared to 1.0 per cent in February, 2021, with MoM growth of 2.9 per cent. Credit to medium industries registered a high YoY growth of 71.4 per cent in February, 2022 followed by 19.9 per cent growth in credit to micro and small industries. Growth in credit to industries has been triggered by various government schemes and liquidity support from RBI. In terms of industry wise

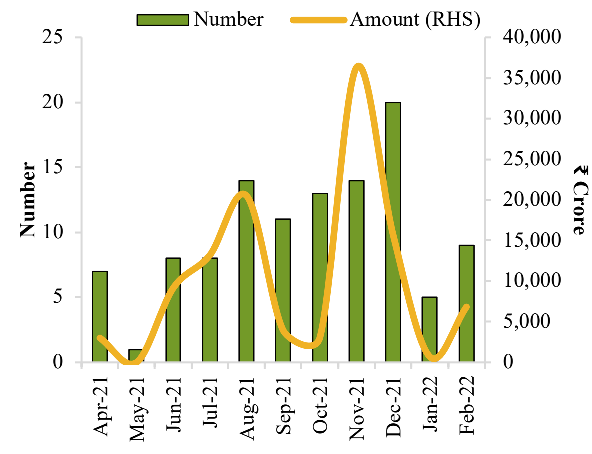
deployment, credit growth to ‘mining and quarrying’, ‘petroleum, coal products and nuclear fuels’, ‘rubber, plastic and their products’ and infrastructure witnessed double digit growth in February 2022 as compared to the corresponding month of the previous year.

Credit to Industries



Source:RBI

IPOs



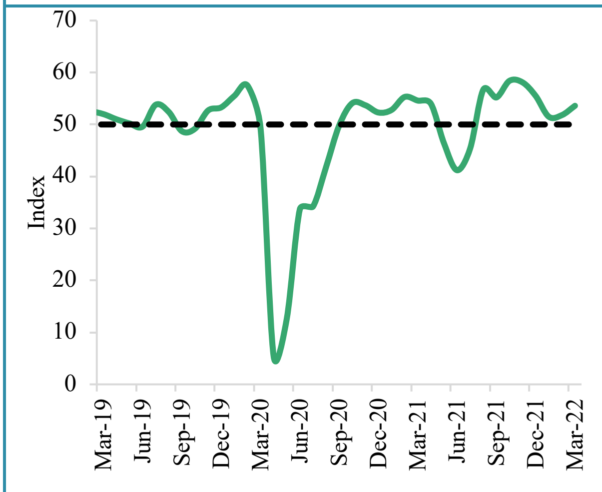
Source: SEBI

25. In February 2022, credit to large industries recorded a YoY growth of 0.5 per cent and a MoM growth of 2.4 per cent, as large corporates resorted to deleveraging and raising funds from banks instead of markets due to surge in yields on commercial paper. The primary market however continued to be accessed with 9 IPOs listed during the month of February 2022, mobiizing ₹6,831 crore, comprising ₹6,740 crore raised through two main board listing and ₹82 crore by seven SME/startup listings.

Services

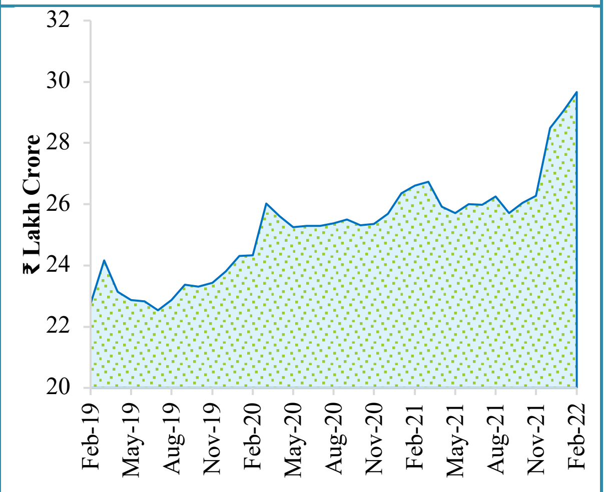
26. Services activity continued to strengthen in March, 2022 as PMI Services increased to 53.6 in March 2022 from 51.8 in February 2022. Firms recorded the fastest expansions in sales and activity in 2022 augmented by strong demand conditions and relaxation of COVID-19 induced restrictions.

PMI Services



Source: IHS Markit

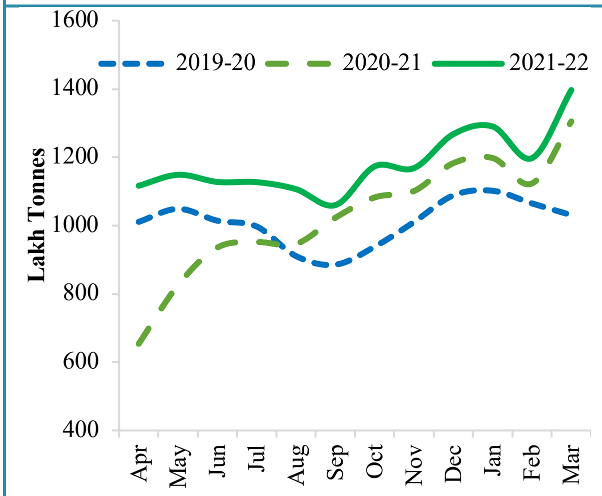
Credit to Services



Source: RBI

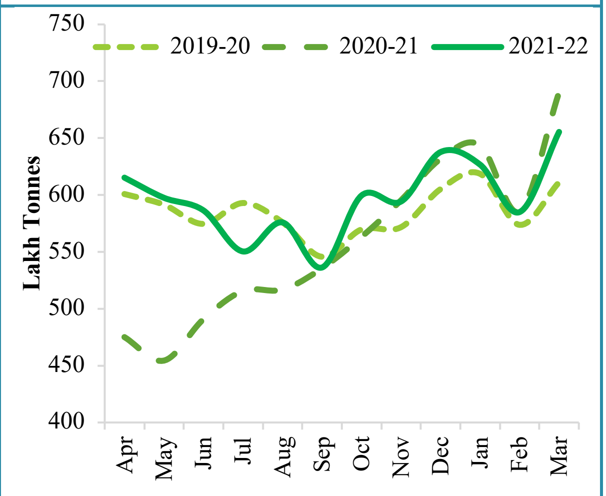
27. Credit support to the services sector accelerated in February, registering a growth of 5.6 per cent on YoY basis and 2.1 per cent on MoM basis over January 2022. Credit growth was driven by computer software and tourism, hotels and restaurants, signalling an uptick in service activity notwithstanding pandemic induced restrictions. At 14.7 per cent YoY growth in February, 2022, credit to Non-Bank Financial Companies (NBFCs) continued to witness a double-digit growth for the third consecutive month. Credit to NBFCs, which constitutes one-third of total services credit, is on-ward lent mostly as retail credit. Sustained growth of credit to NBFCs is thus also a manifestation of rising consumption demand in the economy.

Railway Freight Traffic



Source: Ministry of Railways

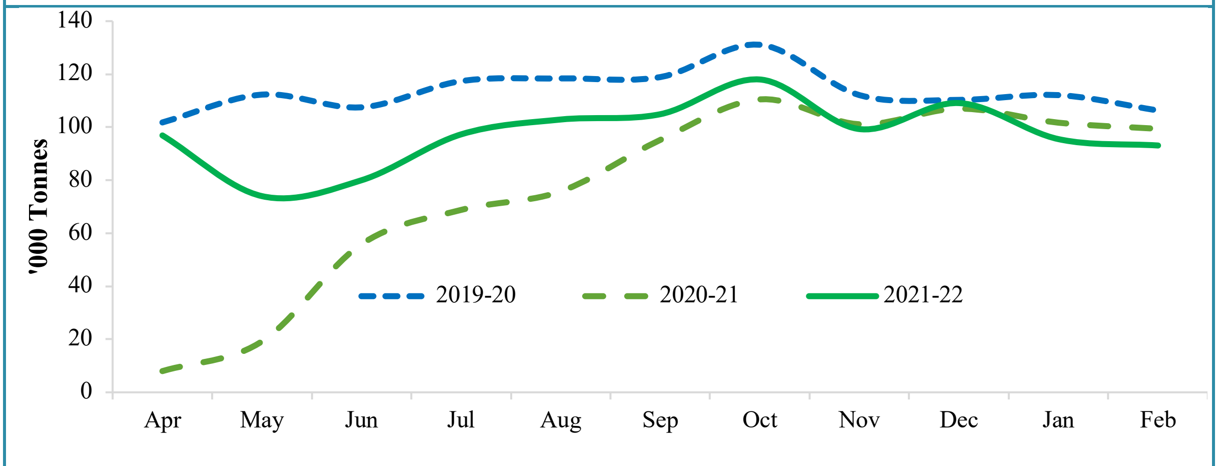
Port Traffic



Source: IPA

28. Indian railways recorded an all-time high freight loading during 2021-22 at 1418.1 million tonnes, growing by 15 per cent over 2020-21, driven primarily by incremental loading of coal and cement, which is indicative of uptick in economic activity across sectors. At the same time, acceleration in port traffic by 6.9 per cent to 7161 lakh tonnes during 2021-22 over the previous year demonstrates improved trade activity. Further, reduction in average turnaround time for container vessels to 26.6 hours in 2021from 43.4 hours in 2014 signals improved efficiency across major ports.

Domestic Air Cargo Traffic



Source: AAI

29. Air cargo traffic grew by 27.1 per cent during Apr-Feb 2021-22 compared to the corresponding period of the last year, supported by withdrawal in pandemic induced restrictions across states. However, it is yet to fully recover to pre-pandemic level. Cargo traffic during February witnessed the lingering impact of omicron induced restrictions being 3 per cent lower than January 2022 and 6.3 per cent lower than February 2021.

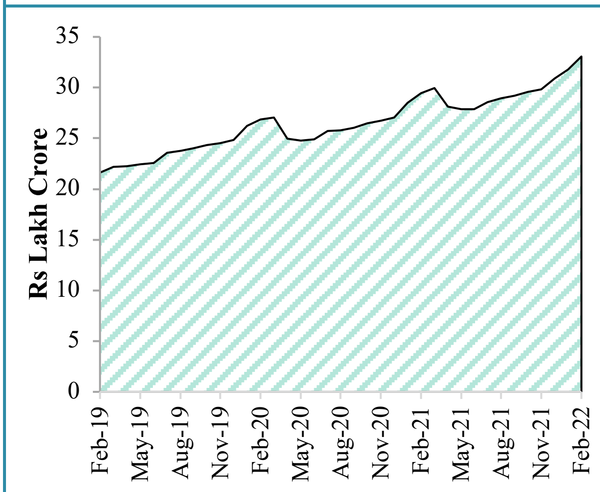
Aggregate Demand

Consumption

30. Indicators of consumption point to recovering demand. Personal loans continued to exhibit robust growth by increasing 12.3 per cent YoY in February 2022 as compared 12 per cent in the previous month. The growth of personal loans was driven by loans for vehicles and loans against shares/bonds. Vehicle loans, which account for 10 per cent of total personal loans, grew 10.3 per cent YoY in February. Loans against gold and jewellery grew by 26.2 per cent in February 2022, down from 32.9 per cent in in the previous month. This sub-category of personal loans reflects stress on individual incomes and cashflows, and therefore, a moderation in its growth rate signals a reduced strain on individual incomes. Loans for consumer durables increased by 55.9 per cent in February 2022 indicating strong consumer demand in this sub-category. Advances to individuals against shares/bonds have increased by 20.4 per cent in February 2022, same as the YoY growth in January, 2022, and is indicative of a continued willingness of individuals to utilize their assets to fund consumption expenditure.

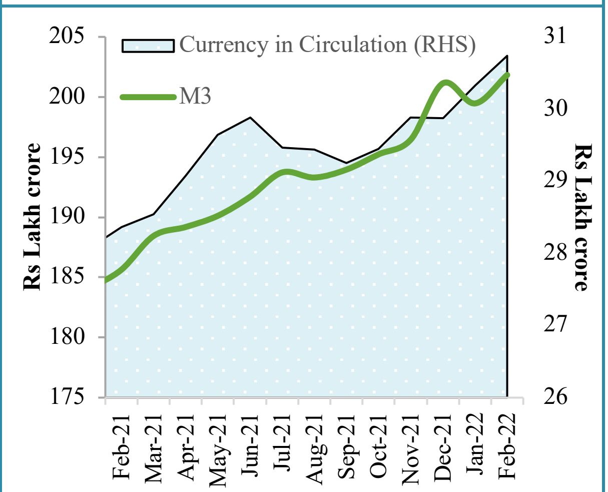
31. Currency in circulation (CiC) increased by 8.4 per cent in February 2022 as compared to a YoY growth of 8.0 per cent in January 2022. Broad money supply (M3) increased by 8.7 per cent in this month vis-à-vis 8.4 per cent in the previous month. The share of CiC in M3 increased in January 2022 and remained about the same in February.

Personal Loans



Source: RBI

Currency in Circulation and M3

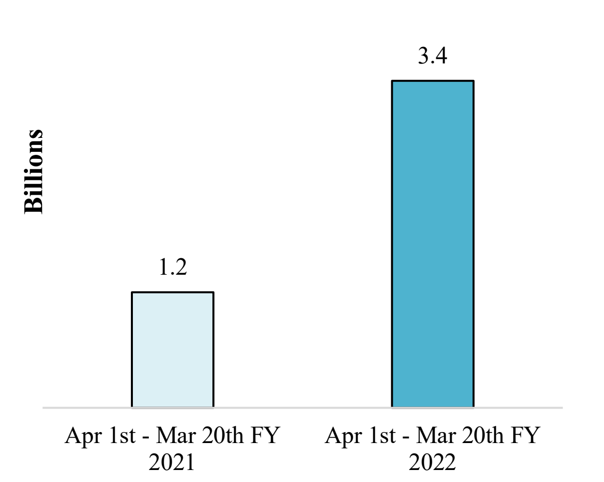


Source: RBI

32. Domestic air passenger in the month of February 2022 was lower by 1 per cent YoY as compared to a 16 per cent decline YoY in January 2022. However, passenger traffic witnessed a sequential MoM uptick of 19.7 per cent in March, amidst reduced fears of the Omicron variant of Covid-19. The domestic air passenger traffic for the period April-February FY 2022 was 62

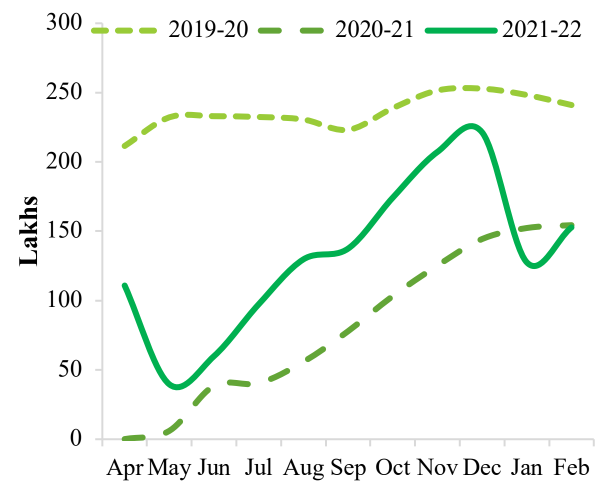
per cent higher compared to the corresponding period of FY 2021. As the economy continues its robust recovery and the summer months approach, domestic air passenger traffic is expected to increase and cross its pre-pandemic levels. Additionally, the resumption of scheduled international flight operations from 27th March 2022 is expected to boost domestic air traffic as well.

Rail Passenger Traffic



Source: Indian Railways

Domestic Air passenger Traffic

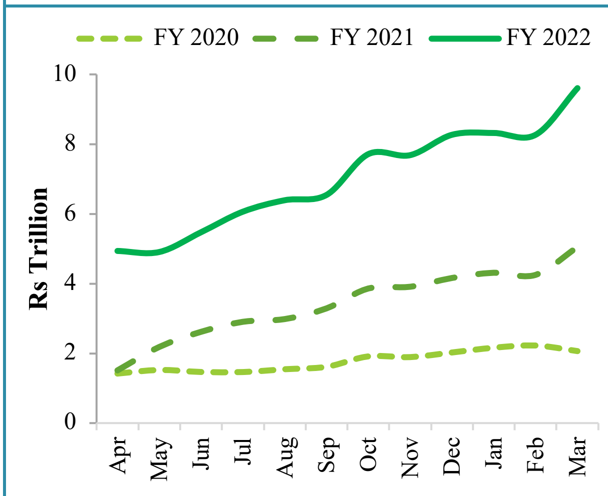


Source: AAI

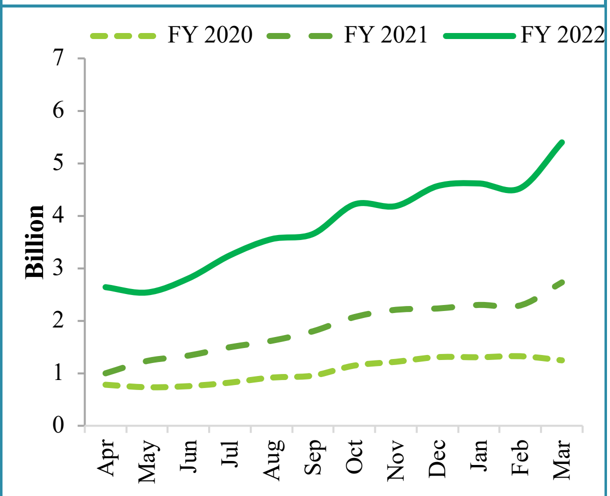
33. Rail passenger traffic witnessed an impressive growth of 183.02 per cent in the period 1st April – 20 March FY 2022 as compared to the corresponding period of FY 2021. The increase can be attributed to the reduction of Covid-19 related travel restrictions combined with pervasive vaccination coverage.

34. Both UPI transaction values and volumes display a strong increasing trend, signalling a willingness to spend more. The value of the transactions processed on the platform in FY 2022 was ₹84.2 trillion, an increase of 105.1 per cent over FY 2021. Reflecting the same trend, the volume of UPI transactions processed in FY 2022 also grew by 105.8 per cent to 46 billion, a growth of 105.8 per cent over FY 2021. The volume of UPI transactions in March 2022 crossed 5 billion in a month for the first time since the inception of the payments system.

UPI Transaction Values



UPI Transaction Volumes



Source: MoSPI

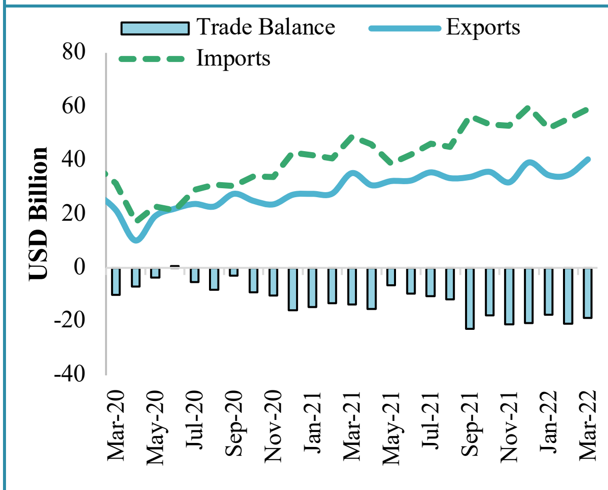
Trade

35. India achieved an all-time high annual merchandise exports of USD 417.8 billion in 2021-22, an increase of 43.2 per cent over 2020-21 and 33.3 per cent over 2019-20, in-part benefitting from a rebound in the world economy and resurgence of industrial demand in advanced economies. For the first time, India's monthly merchandise exports exceeded USD 40 billion, reaching USD 40.4 billion in March 2022, registering an YoY increase of 14.5 per cent.

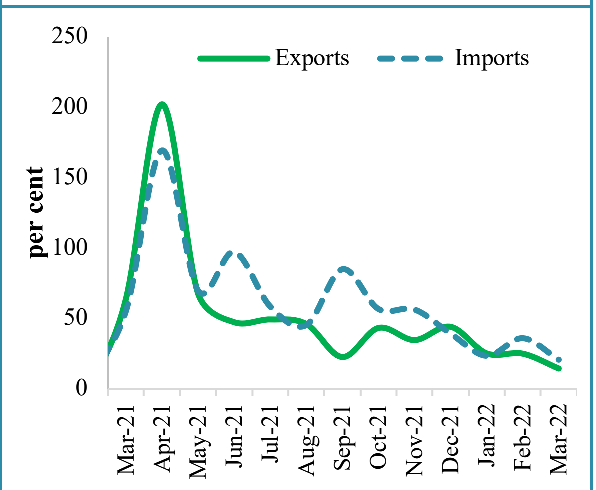
36. Merchandise import in 2021-22 also rose steeply to USD 610.22 billion, an increase of 54.7 per cent over 2020-21 and 28.6 per cent over 2019-20, in-part stimulated by India's quick economic recovery and rebound in global economy that caused the energy prices to escalate and persistently so as production cuts of crude were also affected by OPEC around the middle of the year followed by Russian-Ukraine conflict towards the year end. Not surprisingly, merchandise imports stood at USD 59.1 billion in March constituting 10 per cent of the annual import bill.

37. India's annual merchandise trade has breached the crucial USD 1 trillion mark for the first time in 2021-22, as both exports and imports have scaled fresh peaks. It has surpassed the earlier record of USD 844 billion, achieved in FY 2018-19, by a wide margin. However, quicker growth in imports than exports has considerably widened the deficit on the trade account. The total merchandise trade deficit stood at USD 192.4 billion in 2021-22.

Merchandise Exports, Imports and Trade Balance



YoY Growth in Merchandise Exports and Imports



Source: Department of Commerce

38. Despite the uncertain outlook in 2022 arising from geopolitical factors, disruptions in logistic networks, rising shipping costs, and greater regionalization of trade flows among others, exports still managed to cross the USD 400 billion milestone assisted by responsive government policies which, inter alia, include Production Linked Incentive Scheme, extension

of Foreign Trade Policy, Trade Infrastructure for Export Scheme (TIES), Market Access Initiatives (MAI) Scheme, and 'Transport and Marketing Assistance for Specified Agriculture Products' involving bearing the cost for the international component of freight in order to mitigate the freight disadvantage for the export of agriculture products.

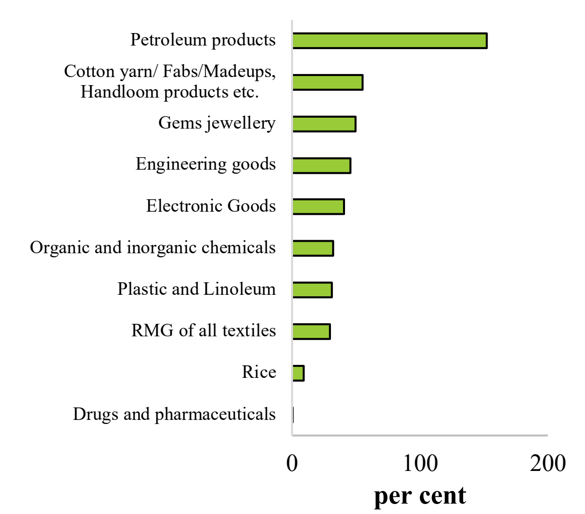
39. The export momentum is expected to continue in 2022-23 with marginal downside risks emanating from Russia -Ukraine conflict and related global spill-over effects. On the other hand, there is an upside potential for sectors like agriculture. Agriculture exports have shown impressive growth and will only improve given that India has had a bumper crop in 2021-22, to fill the global gap caused by curtailed production in the warring countries, which account for a significantly large share in global wheat production. Further, government is also working towards rolling out District Export Hub Initiative to augment the export infrastructure including logistics at the district level to facilitate exports.

40. However, the import surge in March with approximately 20 per cent MoM increase in crude prices, does not portend well for the economy in the year ahead. To ensure security of crude supplies and to mitigate the risk of dependence on crude oil from single region, India has been focusing on diversifying its petroleum basket across various geographical locations viz. Middle East, Africa, North America, South America etc.

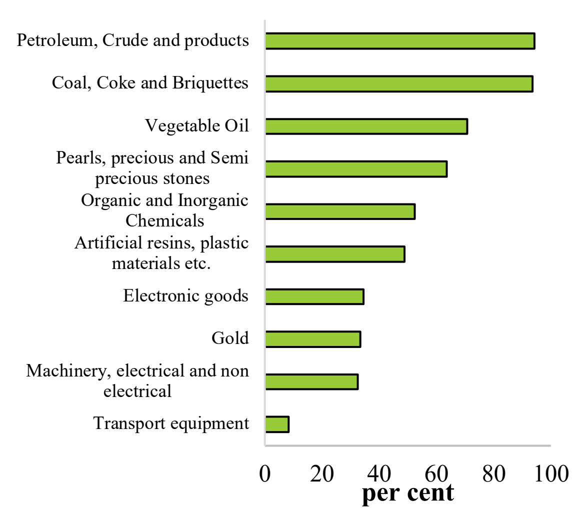
41. Rising crude prices have also translated into higher MoM growth of POL exports rising 58.7 per cent in March, 2022, as against 10.3 per cent in non-POL exports. In 2021-22, POL exports witnessed an increase of 152 per cent YoY as against 32.6 per cent increase in non-POL exports over 2020-21.

42. In respect of both exports and imports, all 10 major commodity groups registered positive growth in 2021-22 over 2020-21.

Growth in Exports of Top 10 Major Commodity Groups (2021-22 over 2020-21)



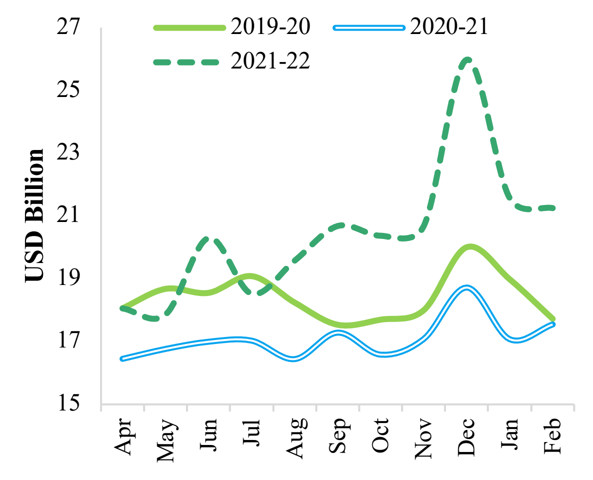
Growth in Imports of Top 10 Major Commodity Groups (2021-22 over 2020-21)



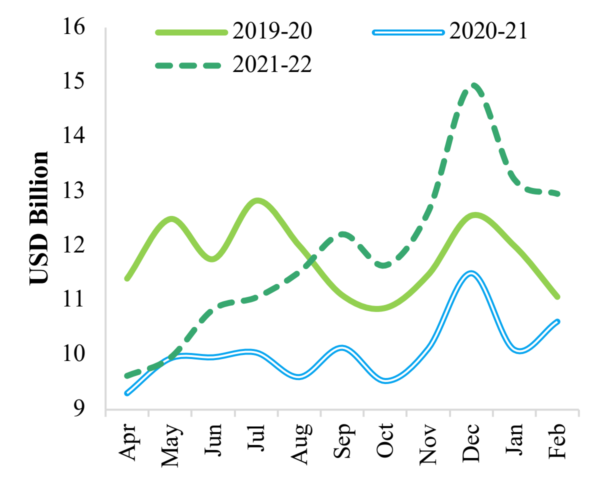
Source: Department of Commerce

43. Trade growth in Services continue to remain resilient. In February 2022, the services exports and imports are estimated to be 19.1 per cent and 24.8 per cent respectively higher as compared to corresponding month last year. So far in the first 11 months of 2021-22, services exports stand at USD 223.1 billion, 18.7 per cent higher over the corresponding period last year while services imports are higher by 17.7 per cent over the same period. Net services receipts increased in April-February 2021-22 compared to the corresponding period last year.

Services Exports



Services Imports

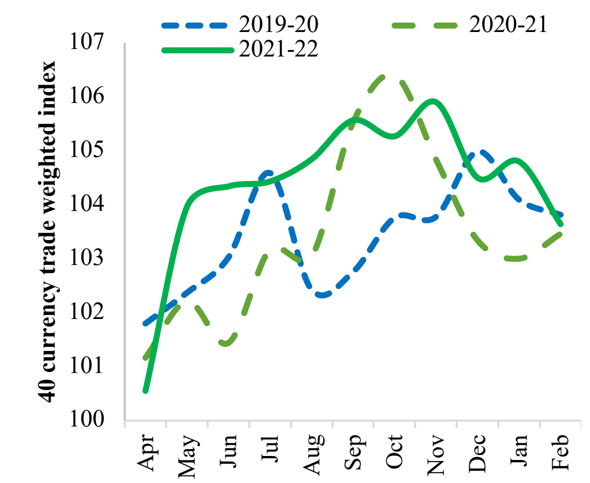


Source: RBI

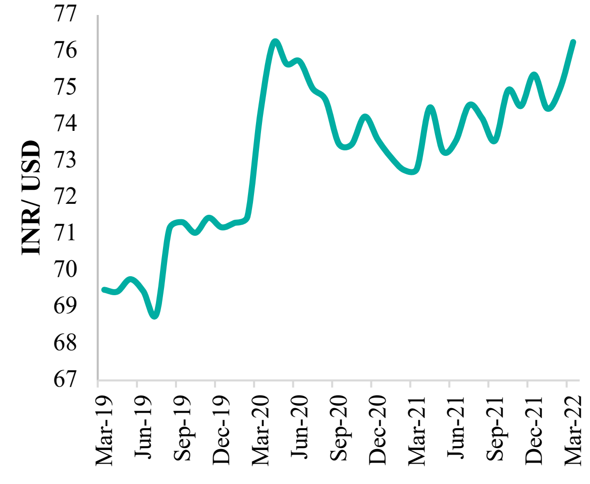
44. After touching a five-month low in January 2022, merchandise trade deficit widened in February 2022 and further increased in March 2022 owning to elevated crude oil prices amid escalating geopolitical tensions and recovery in domestic demand post omicron wave of COVID-19 pandemic. Widening trade deficit and an increase in net outgo of investment income led to widening of current account deficit.

45. Current account deficit (CAD) increased to USD 23.0 billion (2.7 per cent of GDP) in Q3:2021-22 from USD 9.9 billion (1.3 per cent of GDP) in Q2:2021-22 and USD 2.2 billion (0.3 per cent of GDP) a year ago (i.e., Q3:2020-21). India recorded a CAD of 1.2 per cent of GDP in April-December 2021 as against a surplus of 1.7 per cent in April-December 2020. The period of surplus caused the nominal exchange rate to appreciate while the period of deficit caused its depreciation. Yet the Real Effective Exchange Rate appreciated to more than offset any price competitiveness that a depreciation of nominal exchange rate may have imparted to India's exports. Despite the loss of price competitiveness in the last quarter of 2021-22, India's export continued to surge, driven by high global demand.

REER	Exchange Rate



Source: RBI

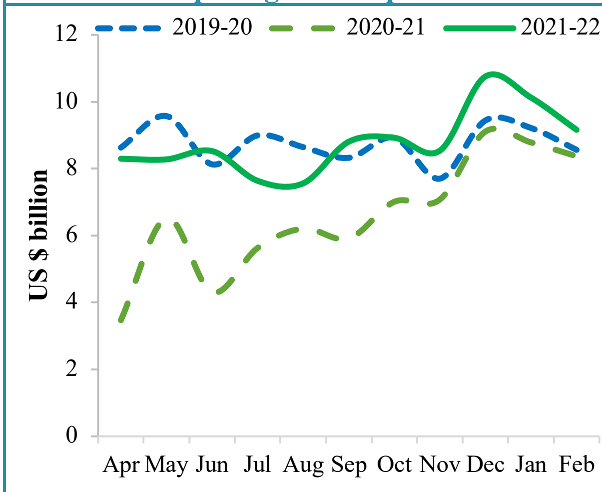


Source: FBIL

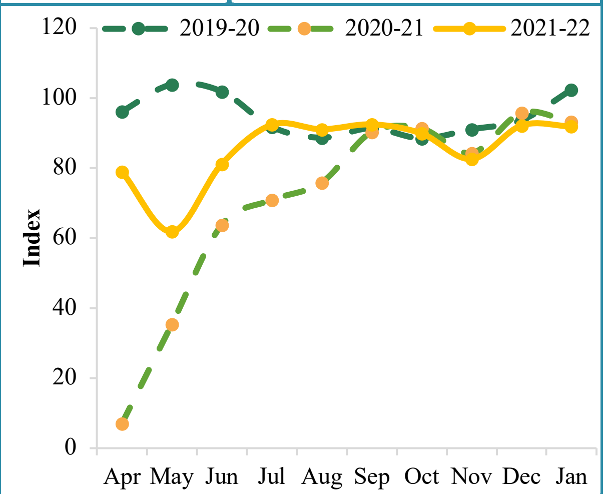
Investment

46. With evidence of broad-based recovery as conveyed by the release of 2nd Advanced Estimates of GDP for 2021-22 – whereby all constituents of aggregate demand are poised to surpass their pre-pandemic levels – an upbeat investment scenario in the economy has taken root. Capital goods index of IIP, an indicator of private investment, witnessed an YoY growth of 20.8 per cent in April- January 2021-22 as compared to the corresponding period last year. Capital goods imports in February 2022 stayed well above the levels seen in February 2020 and 2021, reflecting elevated investment activity in the economy.

Capital goods imports	IIP Capital Goods Index



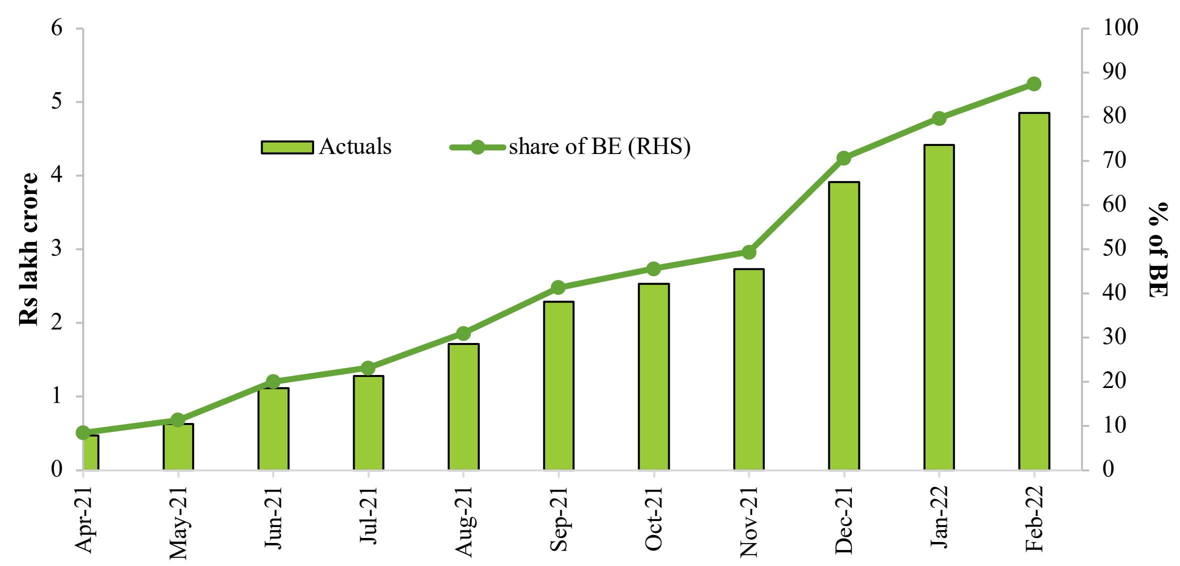
Source: Ministry of Commerce, DGCI&S



Source: MOSPI

47. Government's thrust on enhancing the long-run productive capacity of the economy is clearly visible. Capital expenditure increased by about 20 per cent YoY during April 2021-February 2022 and stood at ₹4.9 lakh crore, compared to ₹4.1 lakh crore in the corresponding period last year.

Cumulative capital expenditure



Source: CGA

48. Various government interventions to give a boost to investment has stared reaping results. As on 15 March 2022, the Production Linked Incentive (PLI) Scheme for Automobile and Auto Component Industry in India has been successful in attracting proposed investment of ₹74,850 crore against the target estimate of investment ₹42,500 crore over a period of five years. The PLI Scheme for Automobile and Auto component industry was notified on 23 September 2021 and proposes financial incentives to boost domestic manufacturing of Advanced Automotive Technology (AAT) products and attract investments in the automotive manufacturing value chain. This scheme will facilitate the Automobile Industry to move up the value chain into higher value-added products. An overwhelming response to this scheme resonates strongly with the clarion call for AtmaNirbharBharat, while also launching the economy on a trajectory towards cleaner, sustainable, advanced and more efficient Electric Vehicles (EV) based system.

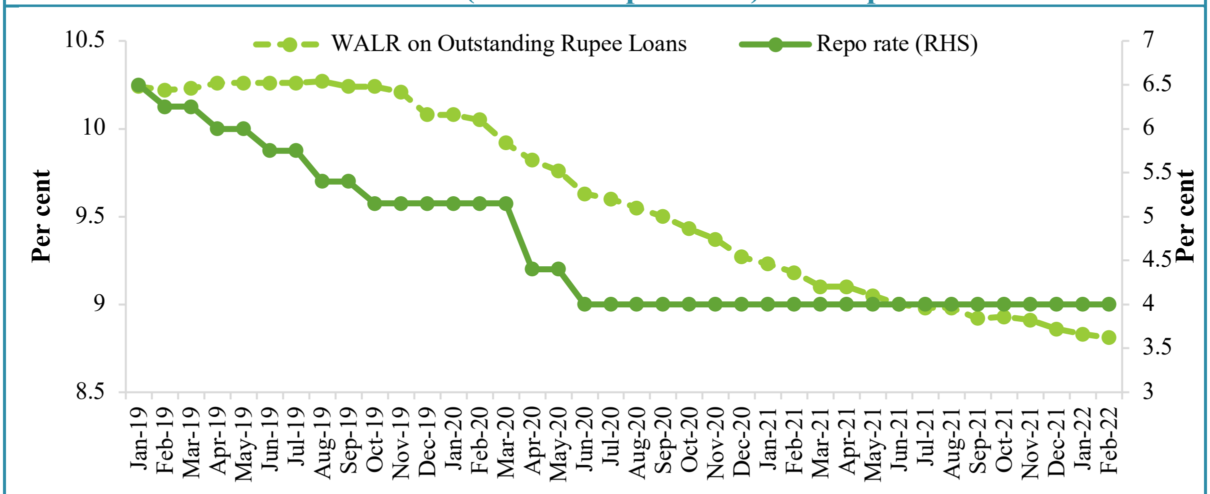
49. To further take the vision of AtmaNirbharBharat, on 22 March 2022, Cabinet Committee on Economic Affairs approved the extension of applicability of New Investment Policy (NIP)-2012 for the three units of Hindustan Urvarak & Rasayan Limited (HURL) viz. Gorakhpur, Sindri and Barauni. While on one hand these plants will fulfil the vision to make India 'Atmanirbhar' (self-reliant) in urea production and facilitate fresh investment in the urea sector besides ensuring food security to the nation, on the other the provisions of the NIP will foster a culture of efficiency and higher productivity at these plants.

50. It is further reported that the Government's vision of crowding-in private investment is coming to fruition. As assessed by the Centre for Monitoring Indian Economy Pvt Ltd, announcements for industrial and infrastructural capacity expansion projects worth ₹5.1 lakh crore were made in quarter ending March 2022, representing a quarter-on-quarter growth of 54.5 per cent and year-on-year growth of 104 per cent.

51. Further, the start-up *jan andolan* has also taken root in the economy showing signs of coming-of-age in terms of the number of unicorns (start-ups that reach the valuation of $1 billion) created in the economy's vibrant technology ecosystem. Further, the pace is expected to pick up later in the year, as a study by PwC suggests that more than 100 unicorns will be added this year, compared to 44 firms added to the unicorns' list in 2021 and 37 in the previous decade.

52. Credit disbursement in the economy has been picking up, aided by complete pass through of policy rate cuts by Scheduled Commercial Banks (SCBs). As a result, weighted average lending rate (WALR) on fresh rupee loans has been reduced by 140 basis points between February 2020 and February 2022, while WALR on outstanding rupee loans continues to trend downwards, easing the repayment burden for the economy. Accordingly, the year on year growth of gross bank credit for the month of February rose from 7.3 per cent in 2020 to 7.9 per cent in 2022, while that of non-food credit rose from 7.3 per cent to 8 per cent in the same time period.

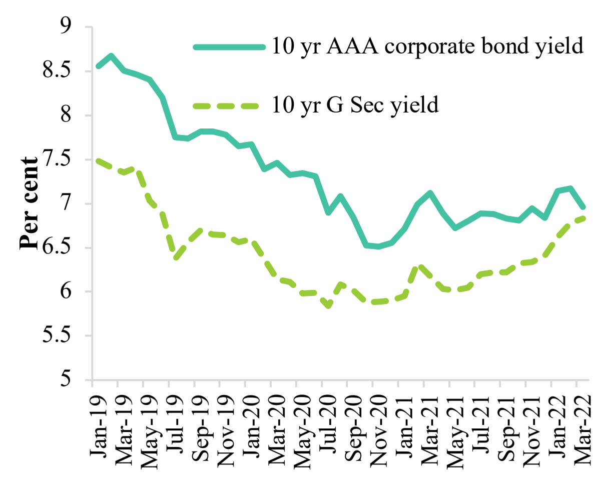
WALR of SCBs (on fresh rupee loans) and Repo Rate



Source: RBI

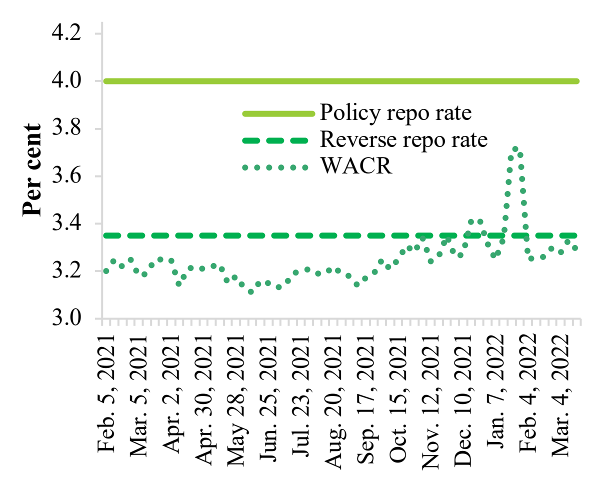
53. Daily average liquidity absorption by RBI rose from ₹1.6 lakh crore for the period March 7-13 to ₹1.8 lakh crore for the period March 14-20, signalling improvement in liquidity position in the economy. This is also reflected in the call money rate trending well outside the LAF corridor, staying clear of the lower bound. Salubrious liquidity conditions depressed overnight money market rates, with the effect also spreading to the 10 year AAA corporate bonds market – where yields fell by 21 basis points from 7.17 per cent in February 2022 to 6.96 per cent in March 2022. 10-year G Sec yields, however, hardened by 5 basis points in the same period – possibly on account of geopolitical climate creating market perception of a tightening fiscal space of the government.

Bond yields



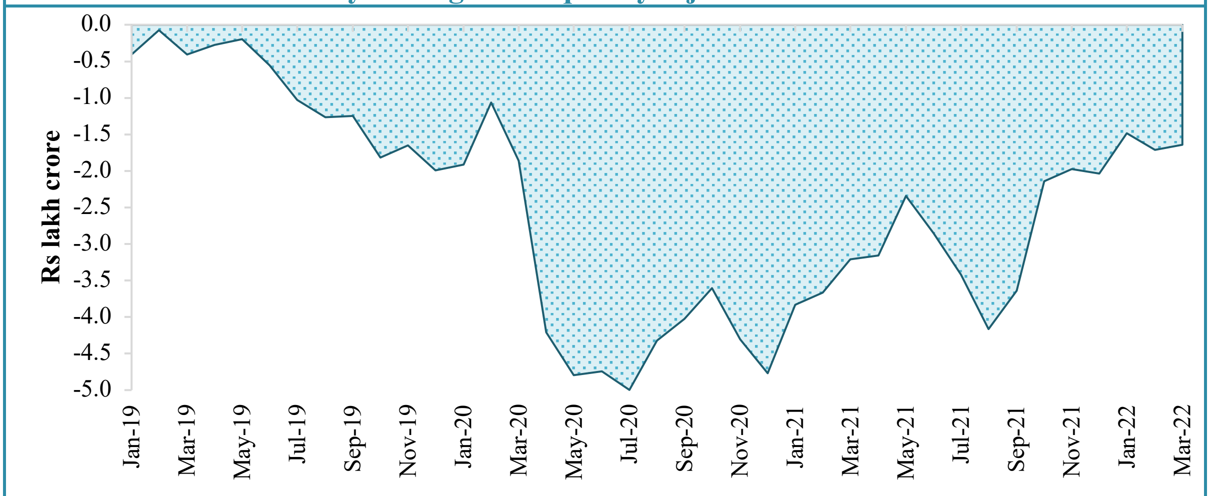
Source: CCIL, RBI

LAF Corridor



Source: RBI
Note: WACR stands for Weighted average call rate

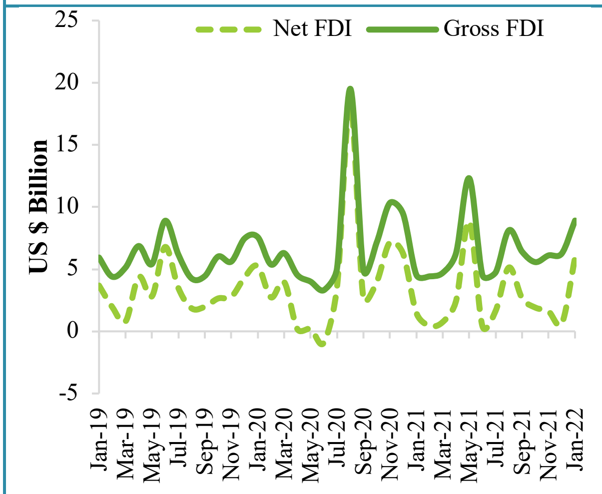
Daily average net liquidity injected / absorbed



Source: RBI (Data till 27 March 2022)

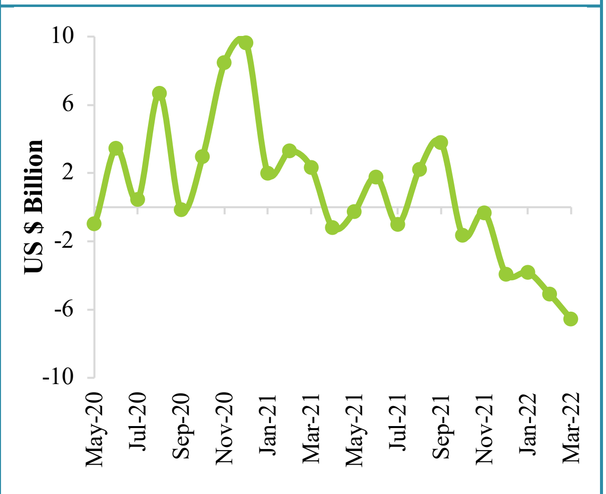
54. India received gross foreign direct investment (FDI) of USD 69.7 billion during April 2021 to January 2022, providing critical funding to investment activity in the country. The equity inflow component of FDI for this period has been pegged at USD 50.8 billion. In a major vote of confidence to the attractiveness of the Indian economy as a major foreign investment destination, gross FDI inflows into the economy recorded an impressive 33.6 per cent rise in January 2022 vis-à-vis the figure recorded in December 2021. Seen against the backdrop of globally prevalent scepticism about growth prospects and fears of monetary tightening by major central banks, India continues to attract long-term foreign investment inflows.

FDI



Source: DPIIT

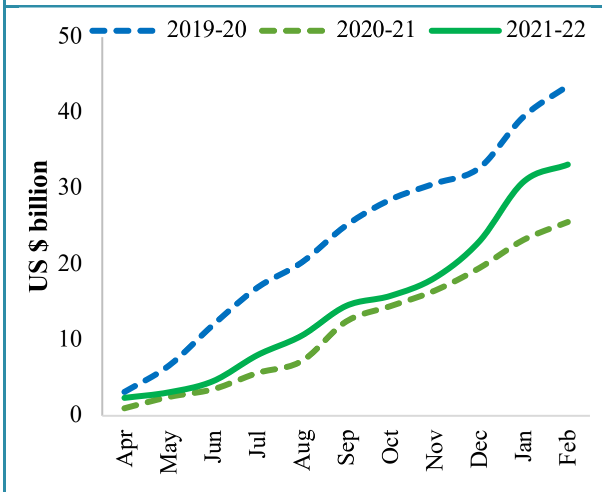
Net FPI Inflows



Source: CDSL

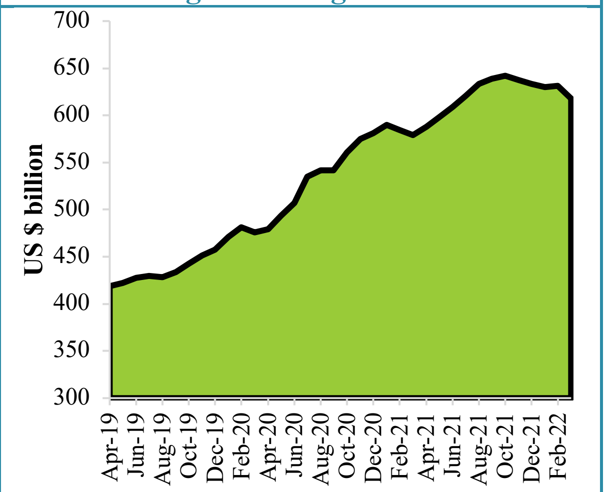
55. Investments funded through External Commercial Borrowings (ECBs) have continued to remain on an upswing, with registration value marking a 29.7 per cent rise during April 2021-Febrary 2022 vis-à-vis that recorded during corresponding period of the last year. Accessed mostly by large corporates, ECBs provide an alternative source to credit funding by domestic banks. Notwithstanding global developments, India's forex reserves also stood at record high and large enough to finance more than 12 months of import.

Cumulative ECBs



Source: RBI

Foreign Exchange Reserves



Source: RBI

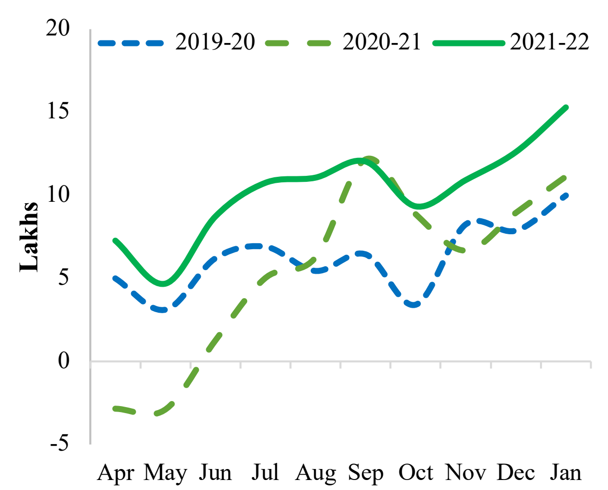
Employment

56. The latest payroll data of Employees' Provident Fund Organisation (EPFO) – which covers the low paid workers in medium and large establishments of formal sector – continues to show an improvement with the net EPF subscribers reaching 15.3 lakh in January 2022, which translates into growth of 37.4 per cent from January 2021, and a growth of 21.3 per cent from December, 2021. This has been the highest net addition ever since April 2019.

Consequently, cumulative net addition in EPF subscribers reached 1.03 crore thus far in FY2021-22 (April 2021 to January 2022), higher than cumulative net addition of 77.1 lakh recorded for whole of FY2020-21. Further, the payroll data reflects a declining trend in the number of members exiting since July, 2021. State-wise comparison of payroll figures highlights that the establishments covered in Maharashtra, Haryana, Gujarat, Tamil Nadu and Karnataka are in lead having added approximately 9.3 lakh subscribers during the January, 2022, which is around 61 per cent of total net payroll addition. Clearly, the pace of formalisation of jobs as captured in the EPFO database has accelerated in the ongoing fiscal.

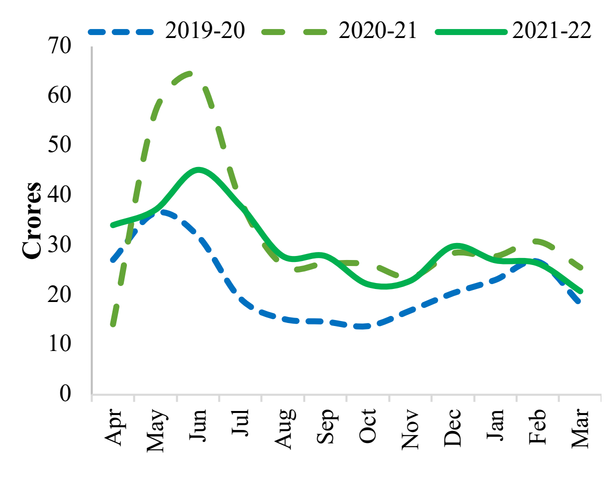
57. Age-wise comparison of payroll data shows that age-groups of 18-25 years have contributed around 45.1 per cent of total net subscriber additions in January 2022, which indicates that many first-time job seekers are joining the organised sector workforce in large numbers. The process of job formalisation has been imparted a decisive fillip through Aatmanirbhar Bharat Rojgar Yojana (ABRY). ABRY Scheme is being implemented with effect from 1st October, 2020 to incentivize creation of new employment and restoration of loss of employment during COVID-19 pandemic. As an incentive, government more than matches the contribution of employers to the employee provident fund. As on 12 March 2022, nearly 52 lakh beneficiaries across 1.3 lakh establishments have received financial benefits worth ₹4055.9 crore under ABRY.

EPFO Net Payroll Additions



Source: EPFO

MGNREGS Person-days generated

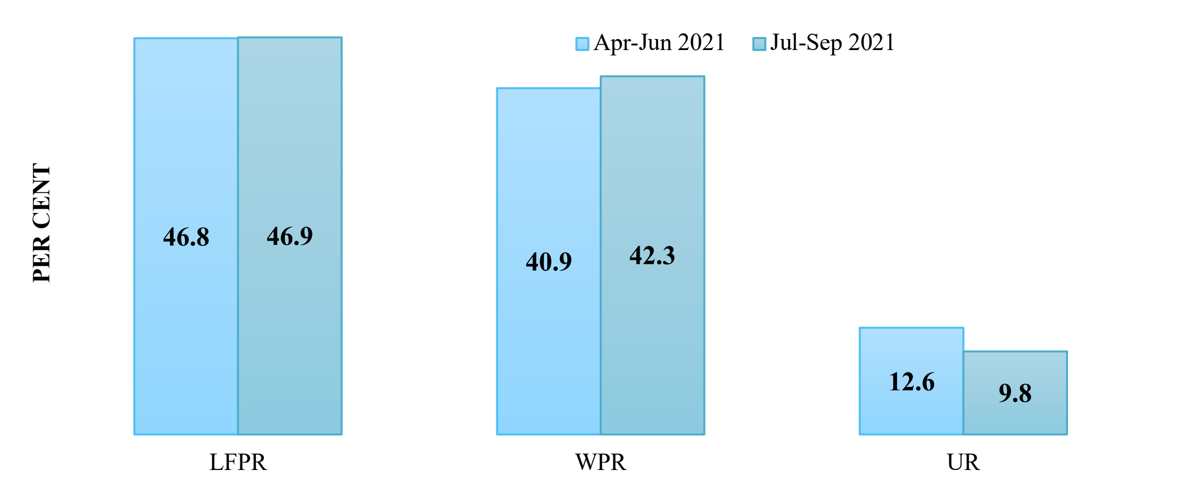


Source: NREGASoft

58. Job opportunities continue to grow in the rural areas as well, as demand for work under MGNREGS declined in the current year as compared to the FY 2020-21. In March 2022, 2.9 crore persons demanded work under MGNREGS, which is 13.1 per cent lower than in March 2021. The persondays generated under MGNREGS continues its downward trajectory till March 2022, while staying below the levels recorded in the corresponding month of 2020-21. The evidence of moderation in demand for work under MGNREGS indicates an improvement in livelihood situation in rural sector for those otherwise dependent on work under MGNREGS.

59. As per the Periodic Labour Force Survey (PLFS) report for the quarter July-September 2021 released on 22 March 2022, all labour market indicators for the urban labour market in India have staged an improvement since the April-June 2021 quarter, the period that bore the impact of COVID-19 For persons of 15 years age and above, the labour force participation rate (LFPR) has risen by 10 basis points from 46.8 per cent in April-June 2021 to 46.9 per cent in July-September 2021, while worker participation rate (WPR) rose during the same duration by 140 basis points from 40.9 per cent to 42.3 per cent. The unemployment rate (UR) has tumbled from 12.6 per cent to 9.8 per cent between the two quarters, with male UR declining by 2.9 per centage points and that for females declining by 2.7 per centage points.

Labour Force Indicators



Source: PLFS Quarterly Report for July-September 2021
Note: LFPR stands for labour force participation rate, WPR stands for worker participation rate, UR stands for unemployment rate

60. The hiring sentiment in the economy stays elevated. As per the Employment Outlook Survey of the ManpowerGroup (It provides innovative workforce solutions and connects over 6 lakh people to relevant work profiles on a daily basis), 55 per cent of the 3,090 employers surveyed indicated an expansion in their workforce in the coming quarter (April-June 2022). The net employment outlook – the difference between companies likely to hire and those expecting a shrinkage of the workforce or reduced hiring – stood at 38 per cent, higher than April-June 2021 quarter's reading of 28 per cent. According to Naukri's Hiring Outlook Survey 2022, hiring will be back to pre-pandemic levels in the first half of the current financial year with the bulk of the fresh hiring expected in information technology (59 per cent), business development (43 per cent) and marketing (36 per cent). The announcement of extension of period of incorporation of start-ups to be eligible for tax incentive for three consecutive years from 31 March 2022 to 31 March 2023 and allocation of ₹283.5 crore for the Startup India Seed Fund Scheme (SISFS) in the Budget 2022-23 has clearly propelled the employment sentiment. Further, analysis based on in-house data from Allsec Technologies, a comprehensive Business Process Services (BPS) provider that tracks the employment trends across various sectors, the job market witnessed an 18.4 per cent growth on a year-on-year

basis in payroll headcount, led most prominently by travel and hospitality sector (47.6 per cent) and energy sector (41.5 per cent).

Income Support

61. Various welfare schemes of the Union Government shows its commitment to inclusive development and empowerment of all sections of the society, in particular the economically weaker and deprived ones. Some of the notable welfare schemes being implemented across the country to ensure that the benefits of the welfare schemes reaches the targeted beneficiaries, the Union Government has been implementing the Direct Benefit Transfer (DBT) mechanism since 2013. This mechanism since inception, has transferred funds/benefits valued at ₹21.7 lakh crore, until 31st March, 2022. Presently, 313 schemes are being implemented under DBT of which 267 schemes involves cash transfers while 46 are in kind transfer. The major schemes included under DBT are Public Distribution Scheme (PDS), Fertiliser Subsidy Scheme, PM Awas Yojana, LPG-PAHAL and MGNREGS, among others.

Year wise Transfer of Funds and Beneficiaries

	Units	2021-22	2020-21	2019-20
Direct Benefit Transfer	₹ Lakh Crore	**5.4**	**5.5**	**3.8**
Cash	₹ Lakh Crore	2.2	3.0	2.4
In Kind	₹ Lakh Crore	3.1	2.5	1.4
No. of Beneficiaries	Crore	**153.3**	**179.9**	**144.7**
Cash	Crore	62.0	98.0	70.6
In Kind	Crore	91.3	81.9	74.1

Source: DBT Website (dbtbharat.gov.in)

62. During 2020-21, the DBT mechanism transferred ₹5.5 lakh crore, as compared to ₹3.8 lakh crore in 2019-20, reflecting Government's enhanced support to offset the economic impairment caused by the COVID-19 pandemic to the vulnerable sections of the population. To ease the liquidity constraints in 2020-21, cash transfers were increased by 23 per cent over the pre-pandemic year of 2019-20. And to directly address impoverishment, in-kind transfers rose in value, from ₹2.5 lakh crore in 2020-21 as compared to ₹1.4 lakh during 2019-20. During pandemic year 2020-21, around 180 beneficiaries were covered under the social safety net of various DBT schemes. As the economic activity picked up leading to creation of more employment opportunities, the number of beneficiaries declined by 27 crore during 2021-22. However, as the amount disbursed has only marginally fallen from ₹5.5 to ₹5.4 lakh crore, the per capita transfers to the beneficiaries has risen in 2021-22 reflecting a deeper reach of the government's welfare schemes.

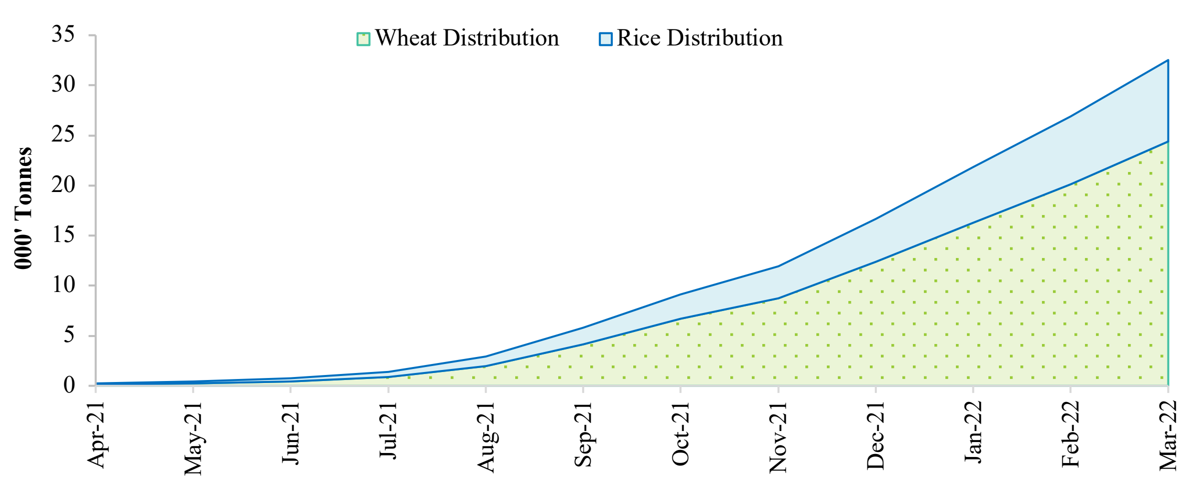
63. The biggest payout under DBT in both cash and in-kind is through the Public Distribution Scheme (PDS). Nation-wide portability of ration cards through "One Nation One Ration Card (ONORC)" scheme launched by the government under the National Food Security Act (NFSA), has provided flexibility to all NFSA beneficiaries including migrant beneficiaries to lift their food grains from any FPS (Fair Price Shop) of their choice using an Electronic Point

of Sale (e-PoS) device. During 2021-22, about 16.3 lakh portability transactions under NFSA were carried out, benefiting around 77 crore NFSA beneficiaries, mostly migrants, at the FPS near to their location of work/temporary stay.

64. The DBT mechanism has also been instrumental in facilitating The Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY), the largest food security program in the world, announced in phases since April 2020, which has acted as an economic safety net for the vulnerable section of the society during COVID-19 pandemic. It ensured food grains including wheat, rice and coarse grain of 5 kg per person per month free of cost to all the targeted beneficiaries This scheme has been extended by six more months until September 2022 in keeping with the concern and sensitivity towards poor and vulnerable sections of the population.

65. So far, until March end, 2022, the PMGKAY Scheme, in five phases, has spent approximately ₹2.6 lakh crore while about ₹80,000 crore is expected to be expended over the next six months, taking the total expenditure under PMGKAY to nearly ₹3.4 lakh crore. The government had allocated about 759 lakh tonnes of free food grains under PMGKAY till phase V (end of 2021-22). With another 244 lakh tonnes of free food grains under phase VI (until September, 2022), the aggregate allocation of free food grains under PMGKAY adds up to 1,003 lakh tonnes.

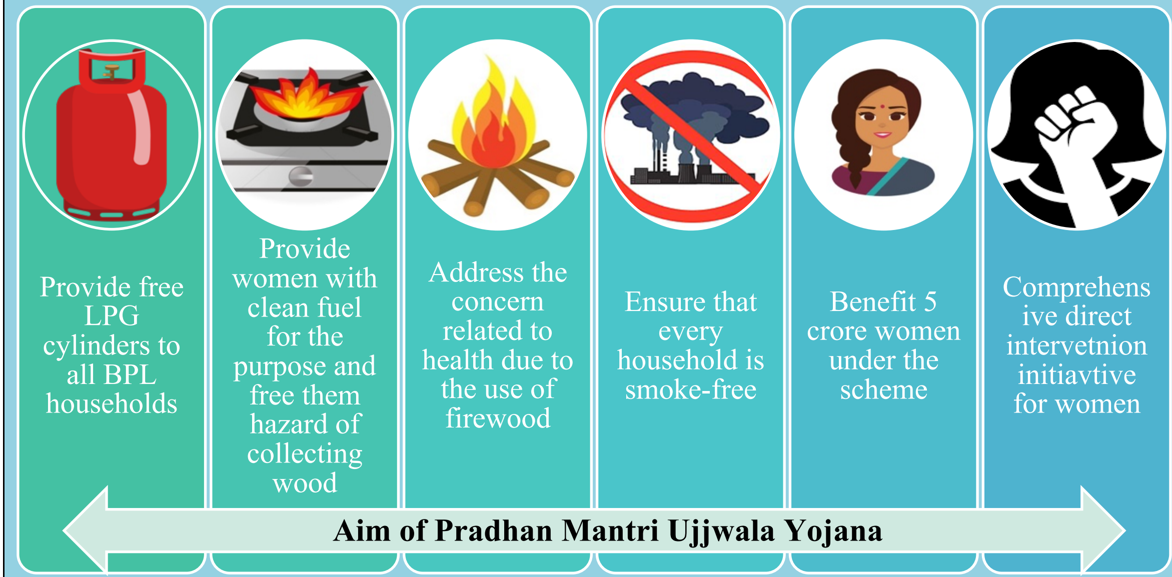
Wheat and Rice Distribution under 'One Nation One Ration Card'



Source: PDS, DFPD

Ujjwala: Delivering results, changing lives

In May 2016, Ministry of Petroleum and Natural Gas (MOPNG), introduced 'Pradhan Mantri Ujjwala Yojana' (PMUY) as a flagship scheme with an objective to make clean cooking fuel available to rural and deprived households which were otherwise using traditional cooking fuels such as firewood, coal, cow-dung cakes etc. Usage of traditional cooking fuels had detrimental impacts on the health of rural women as well as on environment.



The target under PMUY was to release 8 Crore LPG Connections to the deprived households by March 2020. However, the government achieved this lofty goal by early September 2019, six months in advance. In the Union Budget 2021-22, a further impetus for additional 1 crore LPG connections was imparted, with special emphasis on migrant families.

Two recent studies have confirmed the salutary impact of PMUY in achieving intended objectives. First, a survey of the Ministry of Health and Family Welfare (MoHFW) conducted in collaboration with researchers from IIT Kanpur in six states showed impressive reduction in prevalence of respiratory diseases and a 50 per cent improvement in general health conditions in villages with high coverage of PMUY connections in Rajasthan, Uttar Pradesh and Bihar. Second, a study by researchers from the World Resources Institute (WRI) India estimated that greater penetration and usage of LPG facilitated by PMUY helped prevent at least 1.5 lakh indoor air pollution-related premature deaths while avoiding at least 1.8 million tonnes of PM2.5 emissions in 2019 alone. The study's findings – the first-ever independent impact assessment of PMUY using the globally-accepted methodology of Global Burden of Disease (GBD) study – are conservative. Illustratively, the analysis has not considered the health or emission benefits of reduction in outdoor air pollution or benefits accruing in years since 2019.

Outlook

66. Endorsing the second advanced estimates, high frequency indicators reaffirm completion of economic recovery in 2021-22 although the contact sensitive sectors are yet to cross their pre-pandemic level. Government's commitment towards inclusive development is manifest in enhanced capital expenditure for 2022-23, powering the seven engines of

Gatishakti to reduce the infrastructure gap, and facilitate private investment in the country. The Production Linked Incentive (PLI) schemes in the 14 sectors will increase the competitiveness of the manufacturing sectors leveraging their untapped potential to achieve higher export growth and fulfil the vision of Atmanirbhar Bharat. Structural reforms undertaken over the past few years will strengthen the supply chains in the medium to long term guarding the economy against supply related disruptions, going forward. Improvement in labour market indicators such as labour force participation, reduction in unemployment rate and highest net addition in EPF subscribers since April 2019 shows revival in employment outlook. Increased food grain procurement during 2021-22 and higher wage rate under MGNREGA will continue to support the rural economy. Going forward, elevated prices of energy and other commodities and supply side disruptions due to Russia-Ukraine conflict pose a challenge to the growth trajectory. They also pose upside risks to inflation. The magnitude of the impact would depend on the persistence of high prices. Nevertheless, domestic economic momentum witnessed in government capital expenditure, rise in GST collections and import of capital goods offer comfort that the impact on the Indian economy may turn out to be tolerable.

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