

**Economic Divison**

**Monthly Economic  
Review**  
*April 2022*



सत्यमेव जयते

आर्थिक कार्य विभाग  
DEPARTMENT OF  
**ECONOMIC AFFAIRS**

## *Abstract*

*A 40 basis points hike in the repo rate by the RBI accompanied by an increase in the Cash Reserve Ratio requirement for banks and a 50 basis points increase in the benchmark interest rate by the US Federal Reserve were among the most visible measures in the beginning of May central banks have taken to rein in inflation. Markets, as the rising bond yields show, have already priced in the increase in policy rates including the ones expected later in the year, besides absorption of excess liquidity. Global growth watchers, as their slowing growth projections reflect, have also factored in monetary tightening the world over to calm down global inflation. That the cost of restraining inflation will be slowing the global growth is manifest in the April update of the World Economic Outlook (WEO) of the IMF that projects growth of global output to decline from 6.1 per cent in 2021 to 3.6 per cent in 2022 as well as 2023. The WEO, however, also projects inflation in 2022 at 5.7 per cent for the advanced economies and 8.7 per cent in emerging market economies, significantly above their historical average. If global inflation does not sufficiently decline despite aggressive monetary tightening sharply slowing growth, it points at the persistence of supply-demand imbalances that only coordinated actions of world leaders can resolve. Global economy, still in the process of reversing supply-side disruptions caused by the COVID-19 pandemic, would have been far more comfortably placed in the absence of the Russia-Ukraine conflict and the economic sanctions it has led to.*

*Among major countries, the WEO projects India to be the fastest growing economy at 8.2 per cent in 2022-23. Lending credence to this projection, the fiscal year 2022-23 has begun with a strong growth in economic activity in April as seen in the robust performance of e-way bill generation, ETC toll collection, electricity consumption, PMI manufacturing and PMI services. The GST collection for March transactions going up to ₹1.68 lakh crore, the highest monthly collection, further bodes well for high economic activity in 2022-23. Notwithstanding the presence of inflationary headwinds, the capex driven fiscal path of the Government, as laid down in budget 2022-23, will help the economy post a near 8 per cent growth in real GDP for the current year.*

*Seen over a longer time horizon, inflation in India's economy has not been as much a challenge as is sensed from month-to-month changes. CPI Inflation during FY 2021-22 averaged 5.5 per cent, 50 basis points below the upper limit of the RBI MPC's inflation band, and lower than 6.2 per cent for FY 2020-21. While inflation is expected to be elevated in 2022-23, mitigating*

*action taken by the Government and RBI may reduce its duration. Evidence on consumption patterns further suggests that inflation in India has a lesser impact on low-income strata than on high-income groups. Further, since aggregate demand is recovering only gradually, the risk of sustained high inflation is low.*

*The agriculture sector is yet again poised to make a sustainable contribution to growth with an increase in acreage of summer crops including record sowing of rice. With sufficient water levels in reservoirs and normal expected rainfall, summer crops promise yet again a good post-harvest output. Rural income and demand in the current year are also set to increase with the Rabi Marketing Season thus far seeing wheat procurement benefitting 9.5 lakh farmers in 2022-23. Rural incomes will be further boosted by agricultural exports as it registers an impressive YoY growth of 19.9 per cent in April, despite facing logistic challenges in the form of high freight rates and container shortages.*

*Growth in industrial output has also made a promising start in 2022-23 with PMI-Manufacturing expanding to 54.7 in April from 54 in March. This is on the back of Index of Industrial Production (IIP) expanding YoY by 1.7 per cent in February 2022, as compared to 1.3 per cent growth in the previous month when the third wave of the pandemic had peaked. Strong growth has also been observed in the intermediate and capital goods segments of the IIP, which bodes well for a robust investment effort in the current year. Additionally, growth in the services sector is gaining traction with a sharp jump in PMI services from 53.6 in March to 57.9 in April. With non-food bank credit growth touching a 31-month high of 10.3 per cent in April, 2022, most sectors of the economy are upscaling their activity levels. Despite the recent increase in the repo rate, cost of credit is reasonably low with weighted average lending rate (WALR) on fresh bank advances having significantly declined over the last two years.*

*Overseas demand for India's merchandise exports continued to provide impressive stimulus to investment and growth. April was the 14<sup>th</sup> consecutive month that saw merchandise exports growing in double digits. Service exports have also been robust in stimulating growth reaching an annual all-time high of USD 254 billion in 2021-22. Gross Foreign Direct Investments (FDI) nudged USD 77 billion in April–February FY 2021-22, against the full year inflow of USD 82 billion in 2020-21, strengthening yet another avenue to bolster investment in the country.*

*Investment activity in the current year is likely to be on the ascent going by the performance of PLI schemes of the government. For instance, in April 2022, the government approved the participation of 61 companies in the PLI scheme for textiles, with a proposed total investment of Rs. 19,077 crore, and an expected turnover of Rs. 1.84 lakh crore, leading to employment generation for about 2.4 lakh people. The upbeat investment environment coincides with increased capacity utilisation in the manufacturing sector as seen in the RBI's quarterly Order Books, Inventory and Capacity Utilisation Survey (OBICUS) for Q3 FY 2021-22. Government own commitment towards investing in infrastructure development is reflected in capital expenditure growing by 19.7 per cent during April-February FY 2021-22, as compared to the previous year.*

*India's forex reserves, as of 29<sup>th</sup> April 2022, stands at a comfortable USD 597.7 billion, providing an import cover of about 11 months for financing investment and consumption in the country. The reserves have been steadily declining under pressure from outflow of Foreign Portfolio Investments (FPI) responding to monetary tightening by central banks in advanced economies. The quantum of outflow in April was however much lower than in the preceding three months.*

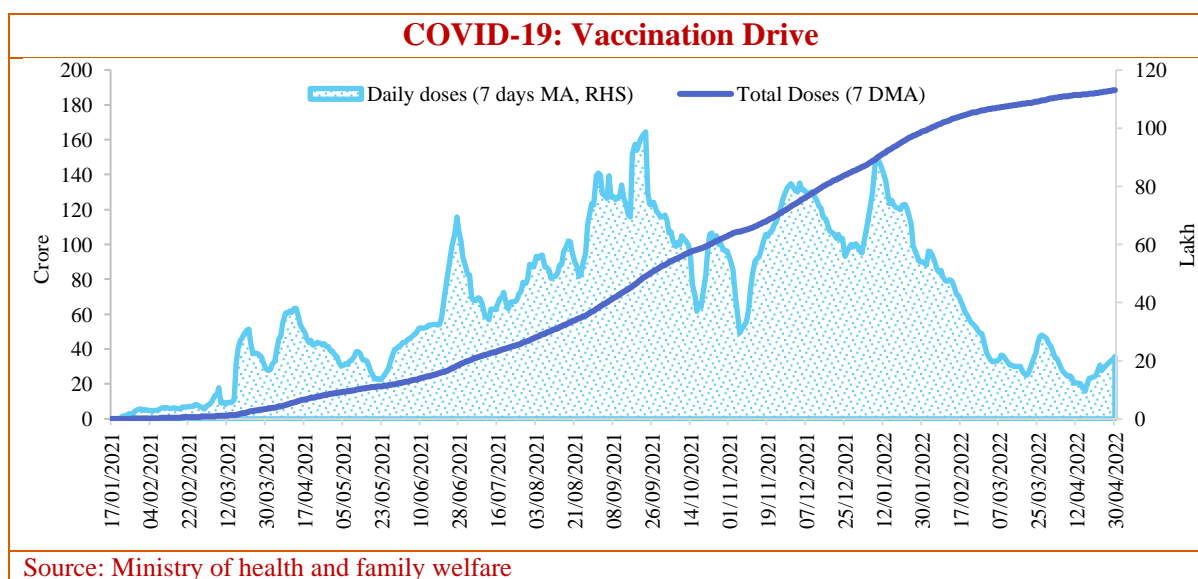
*Strong recovery in economic activity has further assisted growth of employment opportunities as reflected in increase in net addition to EPF subscribers reaching a record 1.1 crore in 2021-22 (April 2021 to February 2022), 44.3 per cent higher than the full year of 2020-21. Job opportunities continue to grow in the rural areas as well as noted in the decline in work demanded under MGNREGS in 2021-22 as compared to 2020-21. For those in need for further assistance at the subsistence level, the government's Direct Benefit Transfer (DBT) mechanism has transferred total benefits worth Rs.6.15 lakh crore in 2021-22, 11 per cent higher than in the previous year.*

*India has now fully vaccinated more than 85 crore of its people with inoculation continuing to be active work-in-progress. India has administered a total of over 1.9bn doses of the vaccine. The rapid vaccination coverage has instilled high confidence in the people as demonstrated by mobility returning to pre-COVID-19 levels after two years. Notwithstanding the turbulence associated with monetary tightening in advanced economies, the ongoing geopolitical conflict, lockdowns in parts of China and the supply-side disruptions that are likely in their wake, India is relatively better placed than most other nations to weather the storm and achieve steady*

growth during the current financial year. Rising food and energy prices are a global phenomenon and even several advanced nations have higher inflation rates than India. The Reserve Bank of India has signalled its determination to combat inflation and that too will sustain macroeconomic stability and growth.

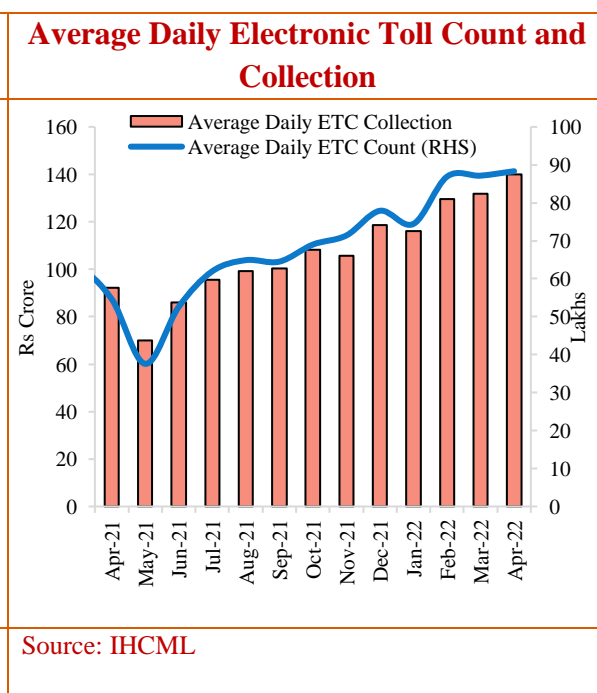
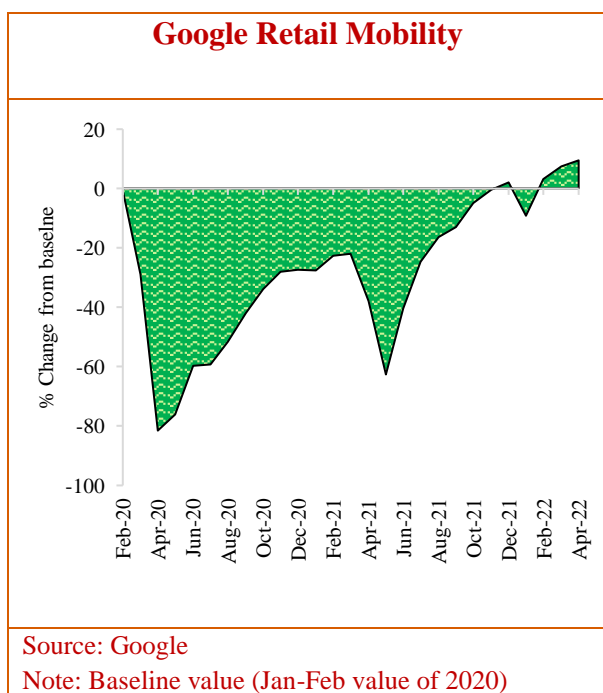
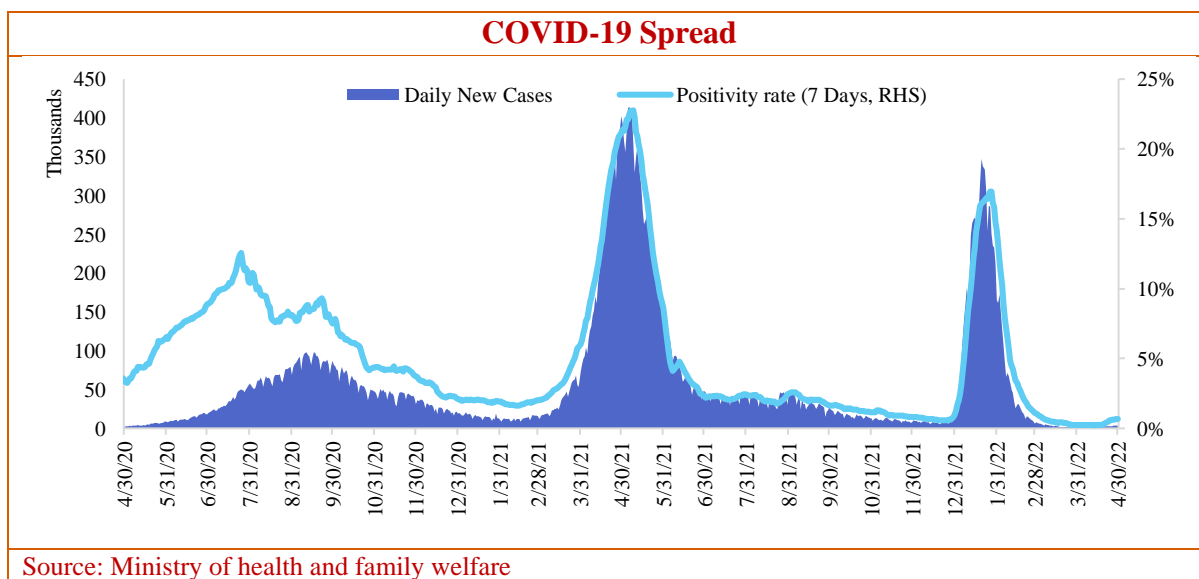
### **Economic Activity**

1. India continued to expand its vaccination programme throughout the country. As on 30<sup>th</sup> April, 2022 more than 189 crore doses have been administered with around 91 crore of adults having received at least one dose, of which 81 crore are now fully vaccinated. The coverage of adolescents aged between 15-18 years stands at 78 per cent. In numbers, 5.8 crore adolescents have received at least one dose of which 4.2 crore are fully vaccinated, equivalent to 55 per cent of their population. Younger adolescent population in the age group of 12-14 years has received 2.9 crore doses of which 74 lakhs stand fully vaccinated. About 2.8 crore precautionary doses have been administered to healthcare, front line workers, people aged above 60 years while 7.5 lakh precautionary doses have been administered to people aged between 15-59 years.



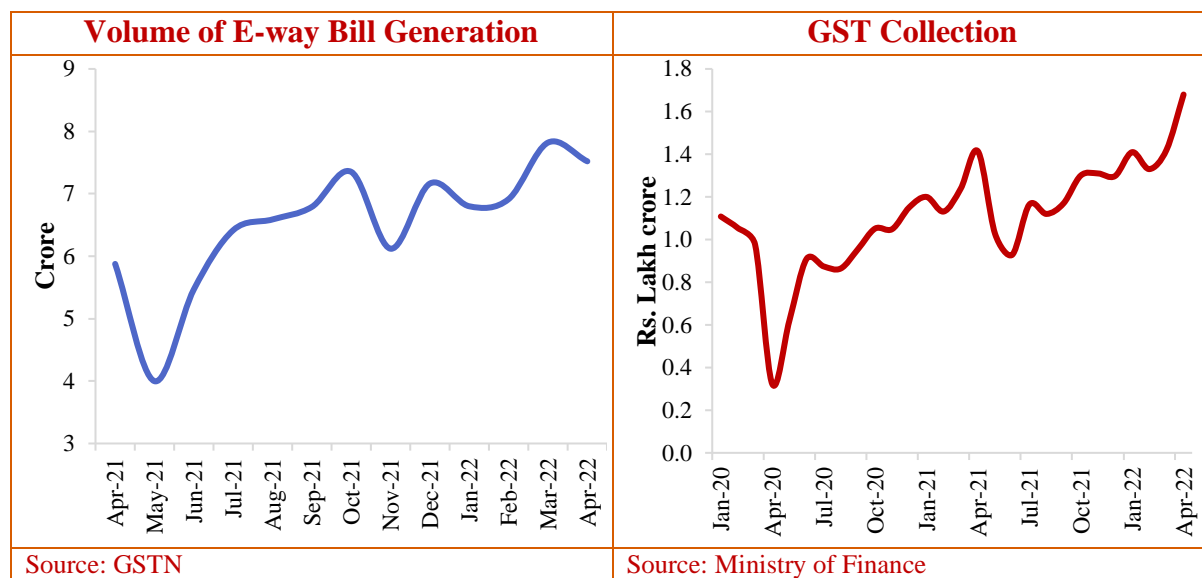
2. Seven days moving average of daily infection has begun to rise again since 18<sup>th</sup> April doubling to an average of 2134 cases by April end compared to the first 17 days of the month. positivity rate has marginally surged to 0.7 per cent by April end from 0.2 per cent at March end. Resultantly, active cases have risen to 31 thousand as on 30<sup>th</sup> April, 2022 compared to 27 thousand by 31<sup>st</sup> March, 2022. Rapid and extensive vaccination coverage aided in fewer fatality despite an uptick in cases during the second half of April 2022 which is 5.5 times lower than March 2022.

3. As India adapts to live and work with Covid-19, mobility continues to expand above pre-pandemic levels and was 9.2 per cent in April compared to 7.5 per cent in March. Average daily E-toll count increased to 88.3 lakh in April 2022 registering a growth of 62 per cent on year on year (y-o-y) basis as compared to 40.0 per cent in the previous month. Higher mobility levels are welcome as they enable stronger economic activity. The time is not ripe yet to lower our guard against the virus fully and a balance between activity and vigilance may be needed for a few more months.

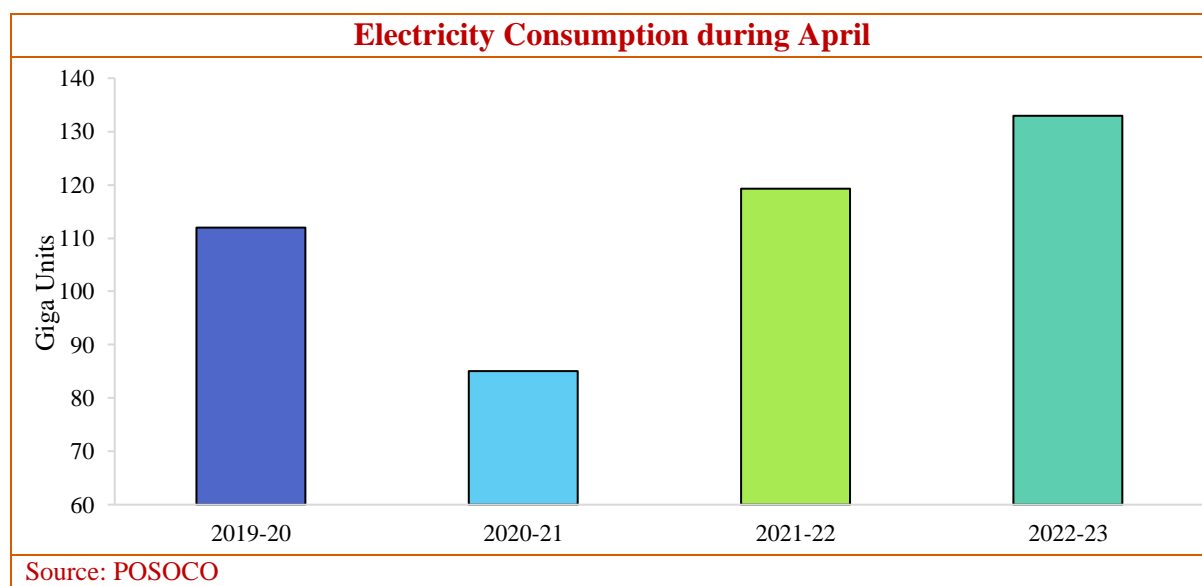


4. The strong growth momentum in economic activity is reflected in all time high GST revenues. The collection touched ₹1.68 lakh crore during April 2022 (reflecting March

transactions) registering a year-on-year growth of 18.8 per cent and 47.5 per cent higher than the corresponding pre-pandemic level. Volume of E-way bill generation during April 2022 expanded by 28.0 per cent on year-on-year basis compared to 9.8 percent in March 2022, signalling robust GST collection for the month of May 2022.

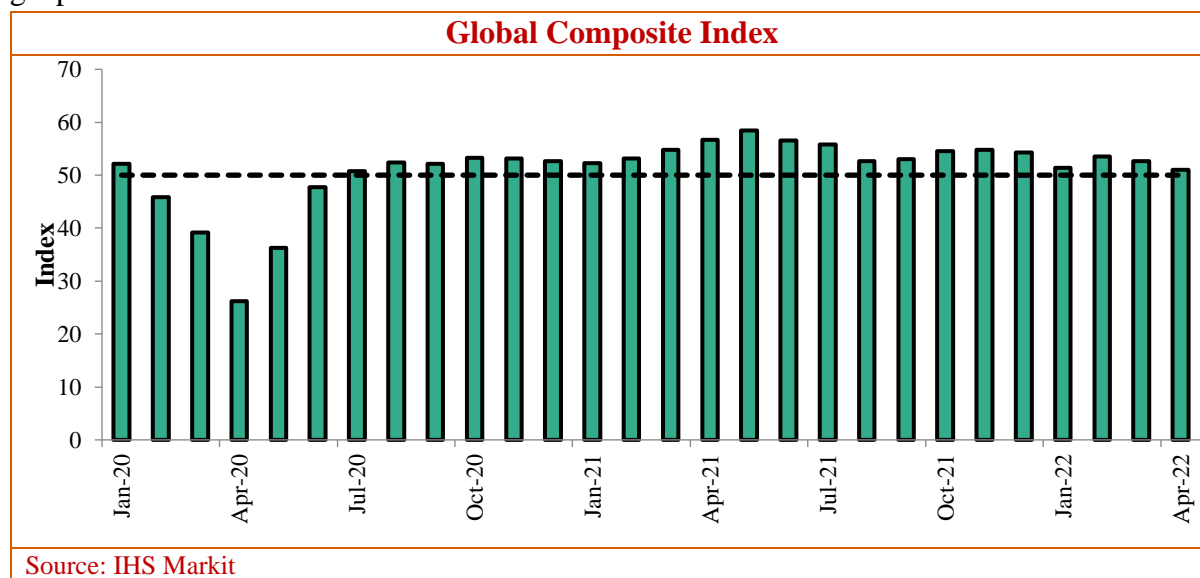


5. During April 2022, economic activity continued to strengthen further as power demand grew by 11.5 per cent on a year on year basis amid early onset of summer season and spurt in commercial and industrial activities. State level data reveals that demand is driven by industrial states such as Maharashtra, Gujarat, Uttar Pradesh, Tamil Nadu followed by agricultural states such as Madhya Pradesh, Rajasthan and Telangana.



6. Global activity expanded at a slower pace during April 2022 as indicated by PMI composite index which stood at 51.0 compared to 52.7 in March 2022 due to slower growth in

output and new orders. New export order volumes continue to decline amid ongoing COVID disruptions, stretched global supply chains, rising inflationary pressures and elevated geopolitical tensions.



7. As per IMF’s World Economic Outlook April 2022, global growth is projected to slow down from an estimated 6.1 per cent in 2021 to 3.6 per cent in 2022 and 2023 amid ongoing geopolitical conflict, accompanying sanctions and resulting international spillovers via global commodity prices, trade and financial linkages, labour supply, which is expected to spread the effects more widely. For 2022, inflation is projected at 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies. India is estimated to be the fastest growing economy at 8.2 per cent in 2022 and 6.9 percent in 2023 as per IMF latest estimates.

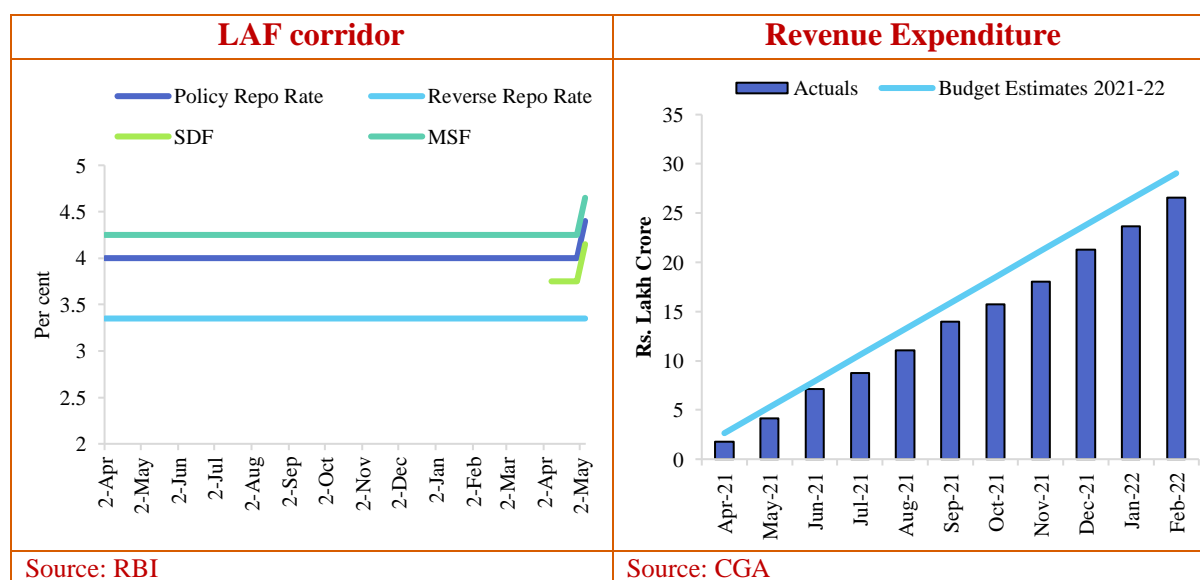
**Real GDP growth Projections**

Countries/Regions	2022	2023
Advanced Economies		
United States	3.7	2.3
Euro Area	2.8	2.3
Germany	2.1	2.7
France	2.9	1.4
Japan	2.4	2.3
UK	3.7	1.2
Emerging and Developing Economies		
China	4.4	5.1
India	8.2	6.9
Russia	-8.5	-2.3
Brazil	0.8	1.4
Mexico	2.0	2.5
South Africa	1.9	1.4

Source: IMF World Economic Outlook, April 2022



8. The Monetary Policy Committee (MPC) in its meeting held on 2-4 May, 2022 increased the policy repo rate under the liquidity adjustment facility (LAF) by 40 basis point to 4.4 per cent. Additionally, MPC in its previous meeting held on 8 April has introduced the standing deposit facility (SDF) rate, as the new floor rate of the LAF corridor at 3.75 per cent that was increased to 4.15 per cent in May meeting. This translates into an 80 basis point increase in effective policy rate compared to reverse repo rate (3.35 per cent) which was earlier used as floor rate. The increase in SDF rate will lead to withdrawal of excess liquidity from the system, without offering any collateral to banks. The MPC remains accommodative while focusing on withdrawal of accommodation to ensure that inflation remains within the target going forward. Monetary and credit conditions evolved in line with the monetary policy stance. Money supply (M3) grew at 9.4 per cent as on 8 April, 2022 compared to 11.7 per cent on the same day in the previous year reflecting declining liquidity conditions in 2021-22 as compared to the previous year.



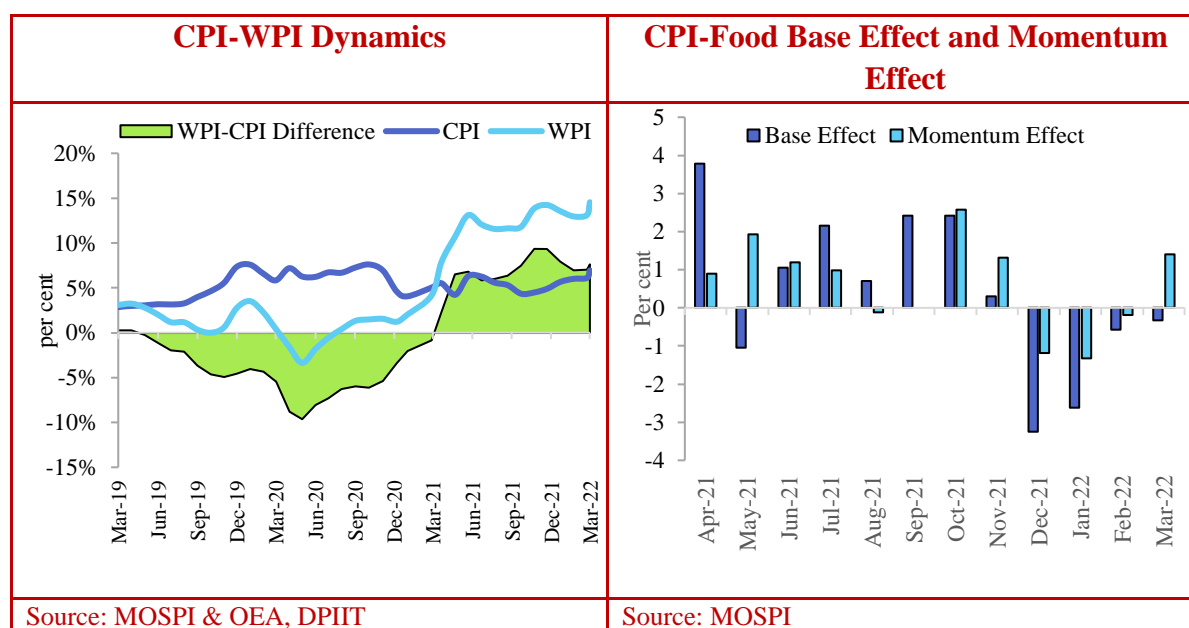
9. On the fiscal policy front, preliminary estimates of the revenue collections for FY22 stood at ₹27.1 lakh crore being almost ₹5 lakh crore more than the budget estimates (₹22.2 lakh crore). The revenue growth has been propelled by rapid economic recovery despite successive waves of COVID, supported by rapid vaccination drive. Additionally, various measures were undertaken by tax administration on direct as well indirect taxes to nudge higher compliance through use of technology and artificial intelligence. Tax-GDP ratio increased to a record high of 11.7 per cent in 2021-22 as compared to 10.3 per cent in 2020-21. The tax buoyancy stood at a high of 1.9.

10. The gross corporate taxes during 2021-22 stood at ₹8.6 lakh crore against ₹6.5 lakh crore last year, signalling the positive impact of the new simplified tax regime. On the indirect taxes, CGST revenues increased from ₹4.6 lakh crore last year to ₹5.9 lakh crore in 2021-22. The average monthly gross GST revenue in 2021-22 was ₹1.23 lakh crore as compared to

₹94,734 in 2020-21 and ₹1.01 lakh crore in 2019-20. Revenue expenditure during Apr-Feb 2022 saw a lower YoY growth of 10.2 per cent compared to 19.7 per cent in capital expenditure, indicating a pronounced shift towards much improved quality of total expenditure.

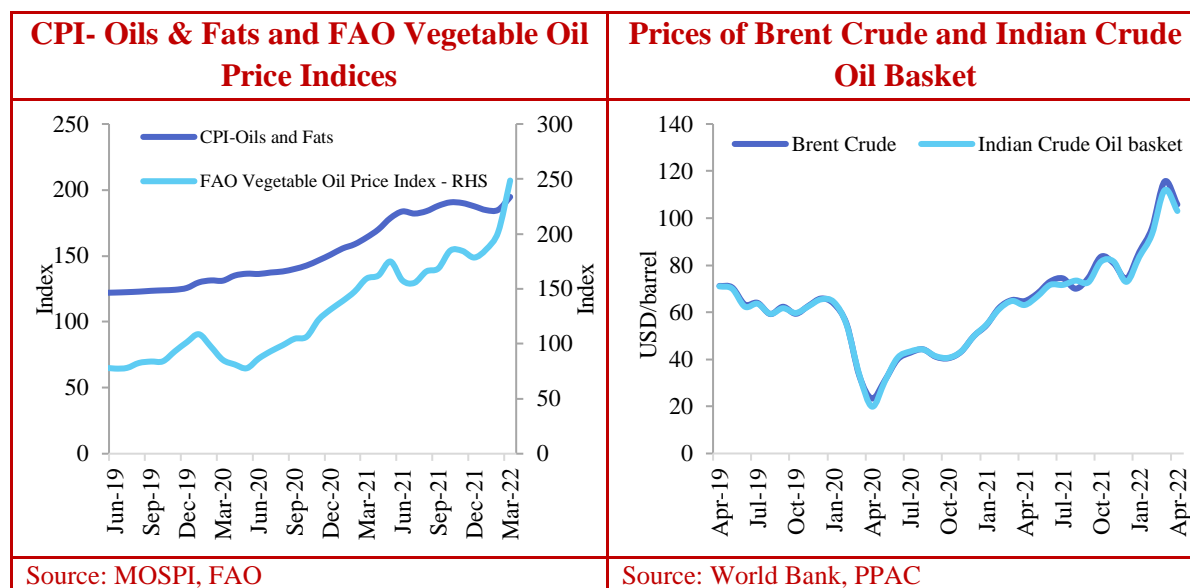
### Prices

11. Headline retail inflation measured by the Consumer Price Index – Combined (CPI-C) rose to 6.95 per cent in March 2022, as compared to 6.07 per cent in February 2022, on the back of rising global edible oil prices. However, retail inflation for FY 2021-22 as a whole averaged 5.5 per cent, about 50 basis points below the upper limit of the RBI MPC’s inflation band, and lower than 6.16 per cent for FY 2020-21. On the other hand, wholesale inflation, measured by the wholesale price index (WPI) increased from 13.1 per cent in February 2022 to 14.6 per cent in March 2022. WPI inflation for FY 2021-22 rose sharply to 13 per cent after having remained benign at 1.29 per cent in FY 2020-21.



12. The rise in CPI inflation was primarily on account of higher inflation in the ‘food and beverages’, and the ‘clothing and footwear’ subcategories, which witnessed inflation rates of 7.5 per cent and 9.4 per cent respectively. While retail food inflation or CPI – Food for March 2022 stood at 7.7 per cent as compared to 5.9 per cent in February 2022, food inflation for FY 2021-22 was 3.8 per cent, significantly lower than the figure of 7.7 per cent for FY 2020-21. The major drivers of food inflation in March 2022 were the subcategories of ‘meat and fish’, ‘oils and fats’, and ‘vegetables’ which witnessed inflation rates of 9.6 per cent, 18.79 per cent, and 11.64 per cent respectively. A part of the rise in food inflation is on account of an unfavourable base effect as well and food inflation is expected to moderate as the base effect fades away. Additionally, record food grains production, adequate buffer stock levels, and the government’s supply side interventions will keep food inflation under check on the assumption

of normal monsoon. Core inflation, a measure that excludes the effect of volatile components of food and fuel, remained sticky at 6.3 per cent.



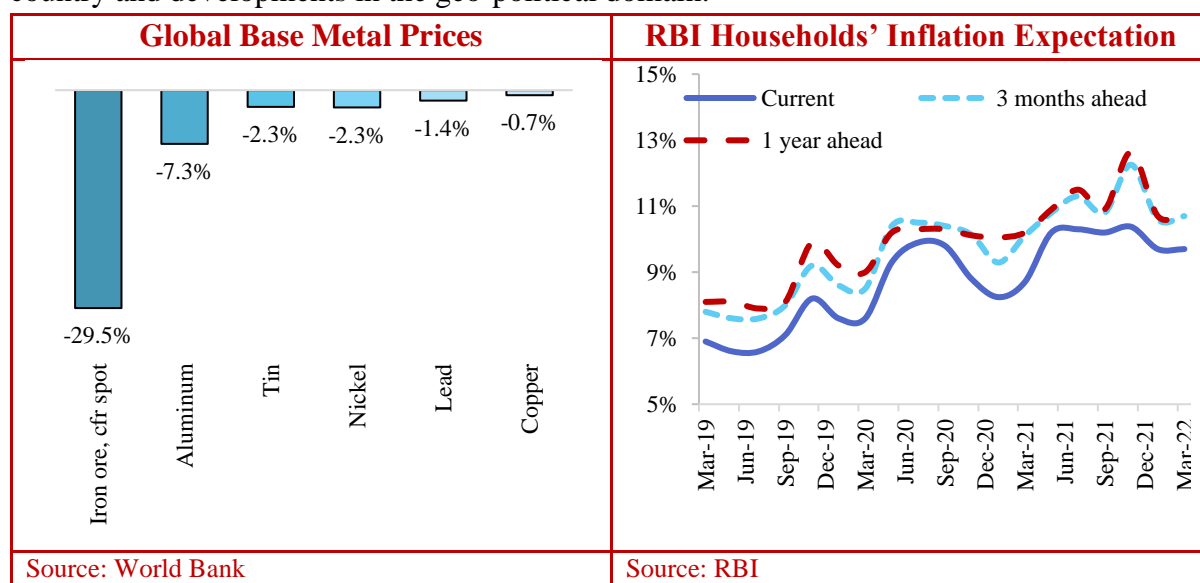
13. The inflation witnessed in the ‘oils and fats’ subgroup is primarily on account of imported inflation. The supply disruption of sunflower oil from the Black Sea region due to the Russia-Ukraine conflict has caused the prices of substitutes such as palm oil and soya oil to rise in the international markets. Further, soya oil prices were underpinned by a reduced export availability in producing countries with a drought-like situation affecting production of the crop. The consequent pressure on palm oil supplies has contributed to elevated price levels of the commodity in the international markets. The FAO Vegetable Oil Price index averaged a lifetime high of 248.6 points in March 2022, and was up 23.2 per cent sequentially from February 2022. Indonesia, a major producer of palm oil and India’s largest source of palm oil imports, has notified and implemented a ban on refined as well as crude palm oil exports from 28<sup>th</sup> April 2022 in a bid to control domestic prices of the commodity. While the ban may have a negative impact on prices in the near term, industry reports expect the impact to be transitory in nature since Indonesia consumes only a fraction of its palm oil produce and so is likely to roll back the export ban early.

14. The government has taken multiple steps in FY 2021-22 to reduce the adverse effect of these elevated prices. It had lowered the import duty on crude palm, sunflower, and soybean oil to 0 per cent from 2.5 per cent. Additionally, the government reduced the agricultural infrastructure cess to 7.5 per cent for crude palm oil and 5 per cent for crude soyabean and sunflower oil from 20 per cent. Further, it cut the import duty on refined palm oil, soyabean and sunflower oil to 17.5 per cent from 32.5 per cent. The Government has been implementing the National Food Security Mission- Oilseeds & Oil palm (NFSM-OS&OP) from 2018-19 onwards to increase the production and productivity of oilseeds in the country. Now the Government has launched a separate Mission for Oil Palm namely National Mission on Edible Oils (Oil Palm) - NMEO (OP) in 2021-22. As per the 2nd Advance Estimates of the Directorate

of Economics and Statistics, domestic production of oil seeds has grown significantly over the last 4 years from 31.52 million tonnes in 2018-19 to 37.52 million tonnes in 2021-22.

15. WPI inflation for FY 2021-22 stood at 13 per cent. Multiple factors including an unfavourable base effect for most of the year, elevated international commodity prices amidst a global economic recovery followed by geo-political developments have put pressure on domestic wholesale prices. The sharp rise in wholesale inflation in March 2022 was driven by inflationary pressures in the ‘primary non-food articles’, ‘crude petroleum and natural gas’, and ‘mineral oils’ subgroups which recorded YoY inflation rates of 25.41 per cent, 69.20 per cent, and 50.14 per cent respectively. Most of the commodities in these subgroups are either imported or have a significant proportion of imported inputs in their manufacturing process and therefore, their price levels have been affected by imported inflation. However, during April 2022, global base metal prices have eased down from their peak levels attained during 2021-22. Going forward, decline in global commodity prices is likely to curb the inflationary pressure.

16. The price of crude oil has stabilized after a steep rise post the beginning of the global economic recovery and, more recently, the Russia-Ukraine conflict. The price of European Brent Crude averaged USD 105.8 per barrel in April 2022 compared to USD 115.6 per barrel in March 2022. Consequently, the price of the Indian crude oil basket has also moderated to an average of USD 103.4 per barrel in April 2022, from USD 111.9 per barrel in March 2022, thereby leading to a stabilization in domestic oil prices. The outlook for international crude prices depends on factors such as Chinese economic recovery from the ongoing wave of Covid-19 infections that has led to strict lockdowns and suppression of economic activity in the country and developments in the geo-political domain.

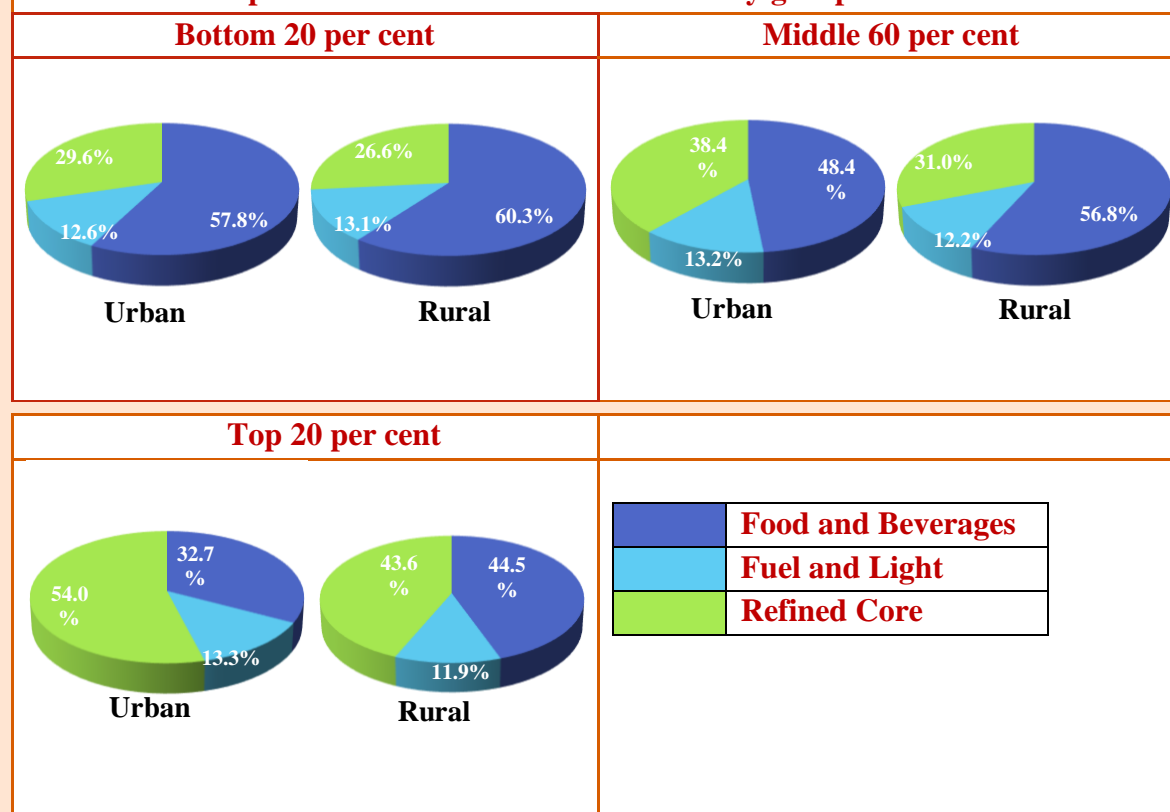


17. Looking ahead, inflation trajectory will be influenced by geo-political situation, international commodity prices and supply chain management. The RBI has projected CPI inflation at 5.7 per cent for FY 2022-23.

### Box 1: Assessment of headline inflation across different expenditure groups

CPI inflation affects consumers and households in a manner consistent with their expenditure patterns and shares. This box analyses the impact of CPI inflation on different income groups using the 68<sup>th</sup> round of National Sample Survey (NSS) on Household Consumer Expenditure, 2011-12. The survey presents consumption expenditure patterns across 12 distinct expenditure fractiles. In this analysis, the fractiles are aggregated broadly into three classes - the top 20 per cent, the middle 60 per cent, and the bottom 20 per cent. Their expenditure patterns are classified into three categories – ‘food and beverages’, ‘fuel and light (including transportation), and refined core items (excl. of food and fuel) to arrive at expenditures shares.

#### Share of Expenditure across different commodity group- Urban and Rural

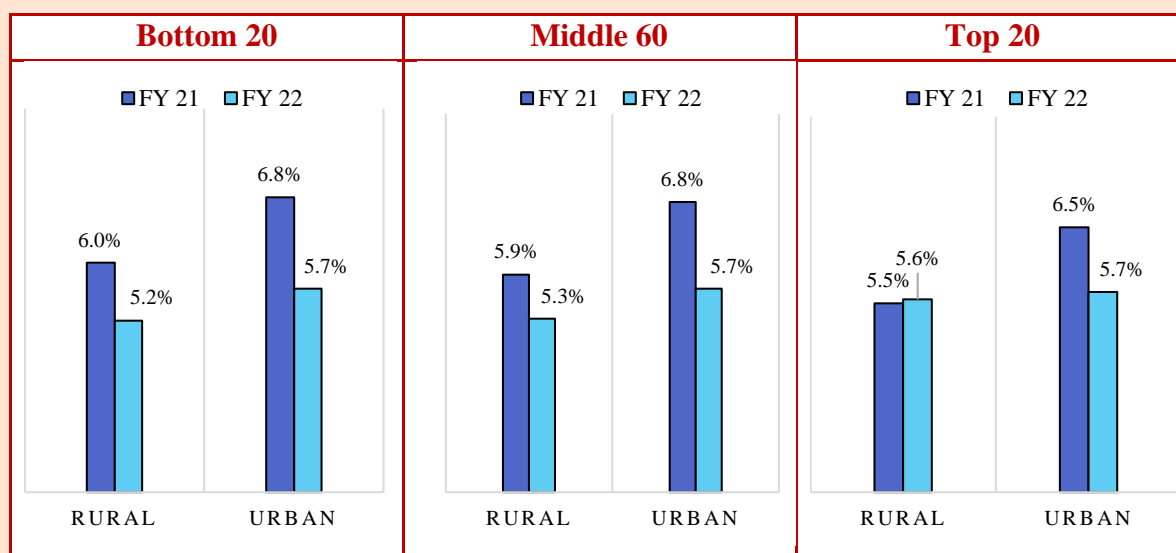


Source: Calculation based on NSS Consumer Expenditure Survey 2011-12, MoSPI

The classification reveals that the bottom and middle group in both rural and urban areas have the greatest share of expenditure on ‘food and beverages’ followed by commodities that are defined as ‘refined core items’. This expenditure mix holds true for the top 20 per cent as well in rural areas. In contrast, the top 20 per cent spend a major proportion of their income on refined core items in urban areas.

The expenditure shares are mapped with the relevant inflation numbers for all months in FY 2021-22 to arrive at the effective headline inflation across the three expenditure classes in both urban and rural areas. Headline CPI inflation decreased from 6.2 per cent in FY 21 to 5.5 per cent in FY22, with urban areas experiencing a larger reduction of 90 basis points (bps) compared to 50 bps decline in rural areas. Resultant, the effective inflation across groups has softened during FY22 as compared to previous year barring rural top 20 per cent.

In urban areas, the significant reduction is observed in the bottom group (-120 bps) followed by middle group (-110 bps) and top group (90 bps). The point to be noted here is that the reduction in the bottom and middle group is larger than the fall in average urban inflation. Similar trend is witnessed in rural areas with the major benefit of reduction observed by the bottom group (80 bps) followed by the middle group (60 bps). Therefore, it can be inferred from the above analysis that lower inflation has reinforced the favorable redistribution of the income from top to bottom and middle-income group.



Source: Calculation based on NSS Consumer Expenditure Survey 2011-12, MoSPI

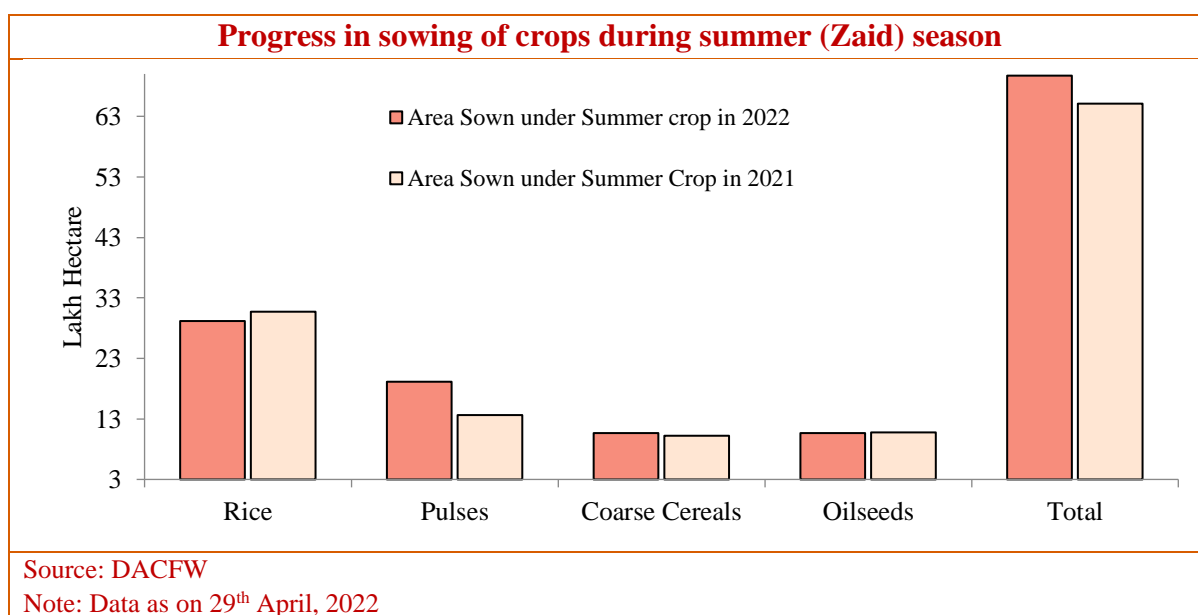
Relatively low food inflation (below 6 per cent) has cushioned the bottom and middle groups in rural as well as urban areas as compared to the top group due to the former's predominant share of expenditure on food and beverages. Additionally, government has been monitoring the price situation of major essential commodities on a regular basis and conducting needful interventions to stabilize the prices, such as maintenance of a 23 lakh MT buffer stock of pulses for 2021-22 for release through open market sale, imposition of stock limits on pulses, and edible oils to prevent hoarding, rationalization of tariffs/import duties in the case 22 pulses and edible oils which has helped keep food inflation in check.

## Aggregate Supply

### Agriculture

18. Area sown under summer crop (zaid) has shown robust growth. As on 29th April 2022, total area sown under zaid stood at 69.8 lakh hectare and 65.1 lakh hectare in 2021, registering a YoY growth of 7.2 per cent. The increase in area sown under summer crops is in part attributed to various initiatives of the Government for summer crops such as Targeting Rice Fallow Areas (TRFA) program in 15 States to promote production of pulses and oilseeds, intercropping in Oil Palm and sugarcane, cultivation of summer vegetables under Mission for Integrated Development of Horticulture and Rashtriya Krishi Vikas Yojana schemes.

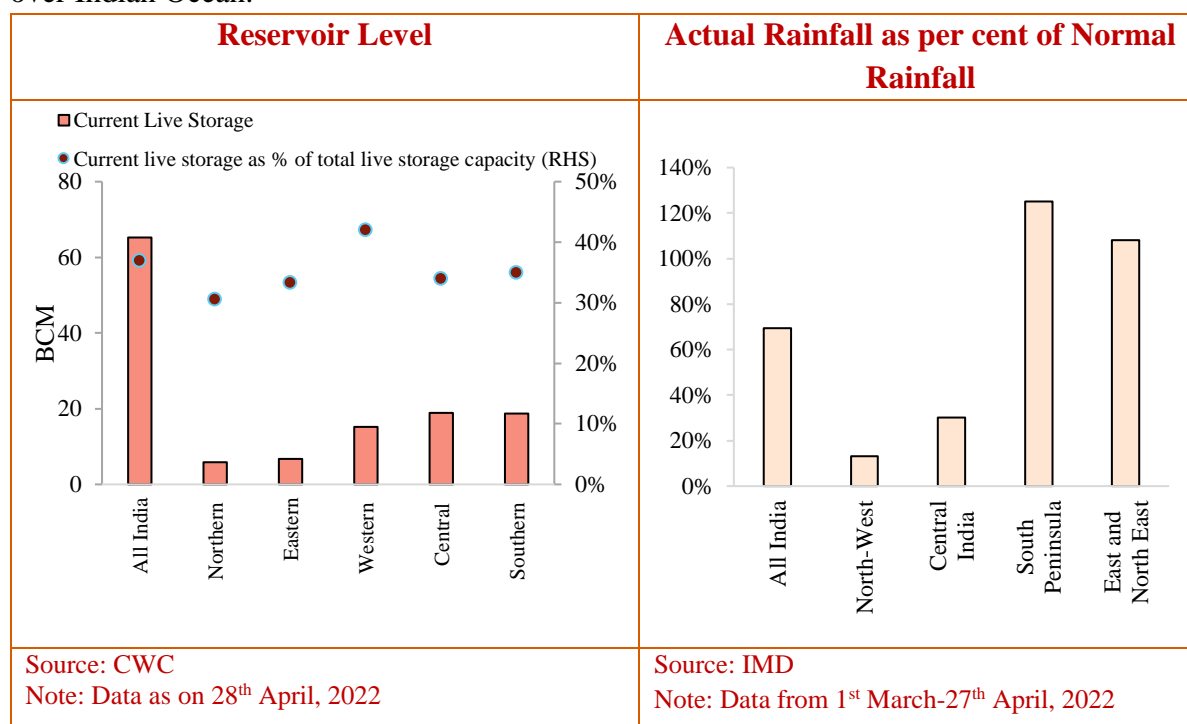
19. Out of the total area sown, rice accounted for 41.7 per cent of the total acreage, followed by pulses (27.5 per cent), coarse cereals (15.3 per cent) and oilseeds (15.2 per cent). Notably, areas sown under pulses witnessed an YoY increase of 40.3 per cent over the corresponding period last year. The increase in pulses production driven by favourable government interventions may help reduce India's pulses import dependence to meet domestic demand.



20. The increase in acreage along with sufficient reservoir levels, normal rainfall and moisture conditions bodes well for Zaid crops harvests. As on 28<sup>th</sup> April 2022, total live storage available in 140 major reservoirs stood at 65.315 BCM. Major reservoirs across the country collectively held more water as compared to the corresponding period previous year, as well as the 10-year average.

21. Even though rainfall during March-April 2022 period was 31 per cent less than normal rainfall at 64.8 mm, monsoon rainfall, as per IMD, during 2022, is likely to be 'normal' at 99 per cent of long period average (LPA) with an error margin of +/-5 per cent due to prevalence

of La Nina conditions over equatorial Pacific region and Indian Ocean Dipole (IOD) conditions over Indian Ocean.



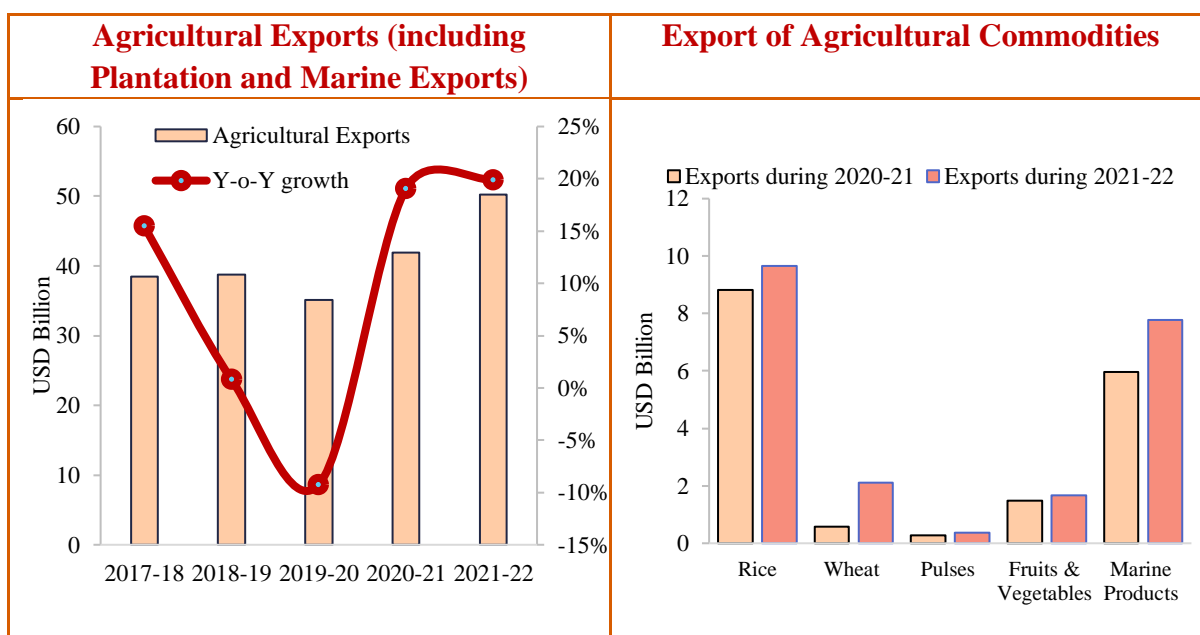
22. Under the ongoing Kharif Marketing Season (KMS), which runs from October-September, as on 28<sup>th</sup> April 2022, cumulative procurement of 760.03 Lakh MT of paddy has already taken place, which stands at 84.9 per cent of the total KMS procurement in 2020-21. So far under the ongoing KMS, approximately 1.09 crore farmers have already benefited from the procurement operations. Procurement of Wheat under Rabi Marketing season (RMS), which runs from April-March, has also started for FY 2022-23 and reached 156.9 Lakh MT, benefitting approximately 9.5 lakh farmers. Availability of sufficient stock of Rice and Wheat would help the Government in achieving its target of distribution of subsidized food grains under Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) which has been extended up to September, 2022. In addition, having more than adequate buffer stocks, gives India the opportunity to enhance exports of agricultural commodities.

23. As per provisional data, exports of Agricultural products (including Marine and Plantation products) have grown from USD 41.9 billion during April-March, 2021 to USD 50.2 billion in the corresponding period of FY 22 registering YoY growth of 19.9 per cent. In the same period, rice achieved YoY growth of 9.0 per cent, sugar at 64.9 per cent and other cereals at 53.6 per cent. Exports of Marine products have also grown from USD 6.0 billion to USD 7.7 billion registering YoY growth of 30.3 per cent. Both Russia and Ukraine being major exporters of wheat, the geopolitical conflict has created a void in the global wheat market. To seize the opportunity, the Government of India has been actively promoting wheat exports. As a result, wheat exports registered unprecedented YoY growth of 273 per cent in 2021-22. However, WTO rules, which restricts a country from exporting food grains from Government



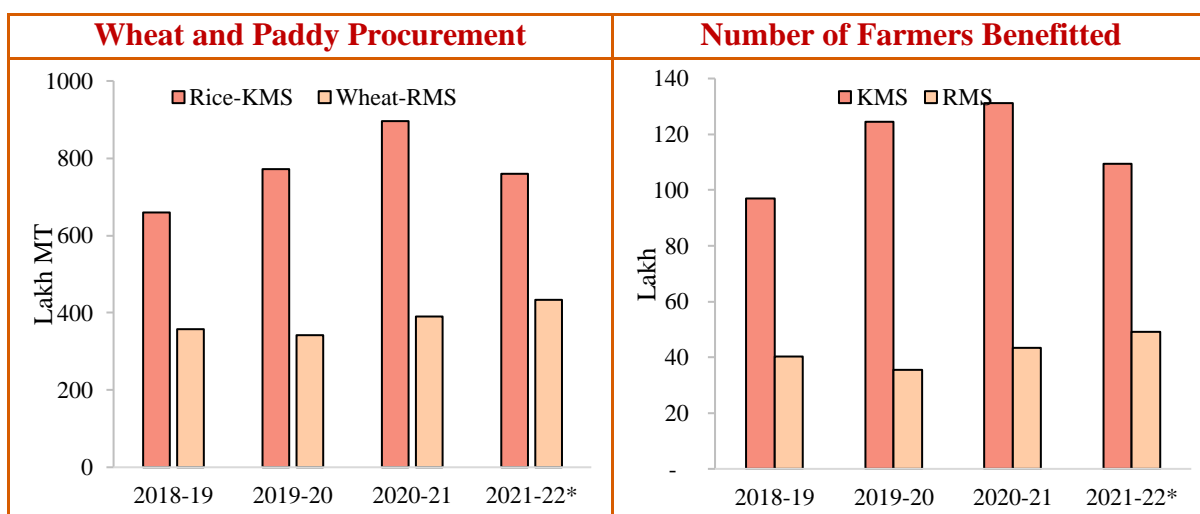
stocks if they have been procured from farmers at fixed prices, Minimum Support Price (MSP) in India's case, may hinder export of wheat from India. This holds important lessons for the international trade regime given serious looming food shortages but also for Indian farmers.

24. Increase in agricultural exports could be attributed to various Government initiatives such as introduction of Agriculture Export Policy; launch of Central Sector Scheme for providing Transport and Marketing Assistance; setting of Famer Connect Portal to provide a platform to Farmer Producer Organizations (FPOs) and cooperatives to interact with exporters; organization of Buyer-Seller Meets (BSM) to provide export market linkages etc.



Source: DGCI&S

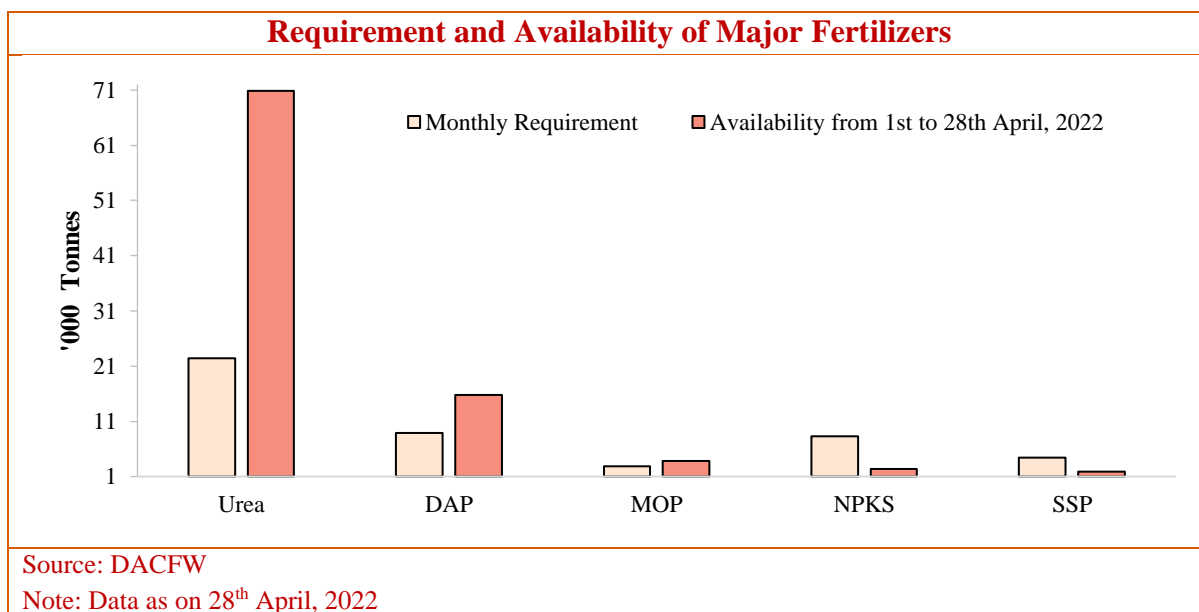
Note: Data for FY 2021-22 is based on Trade alert for March 2022 and subject to changes



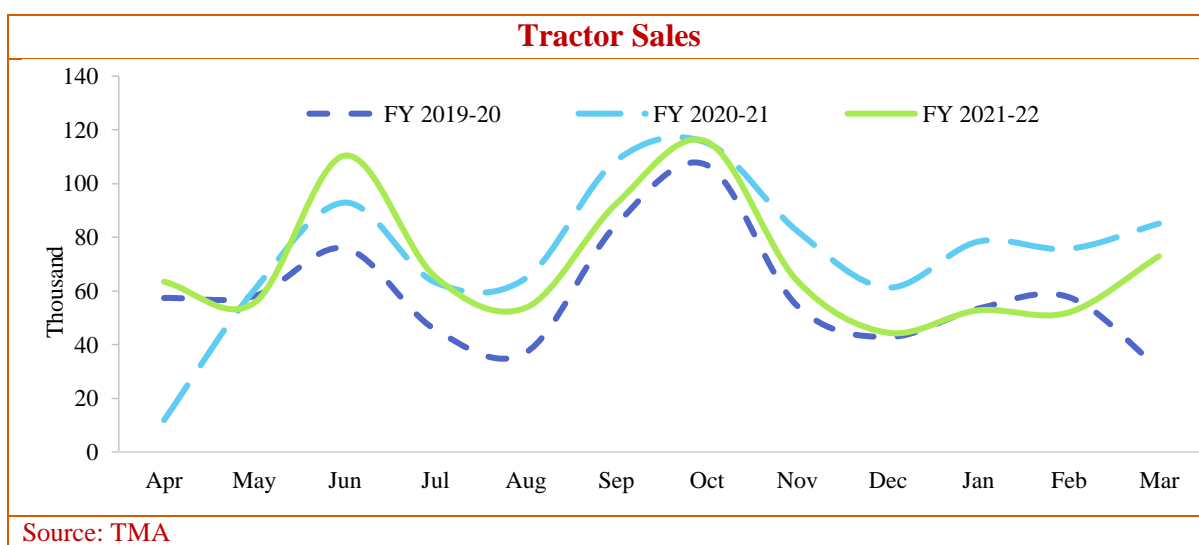
Source: FCI

Note: KMS 2021-22 is under progress. Data reported up to 28.04.2022

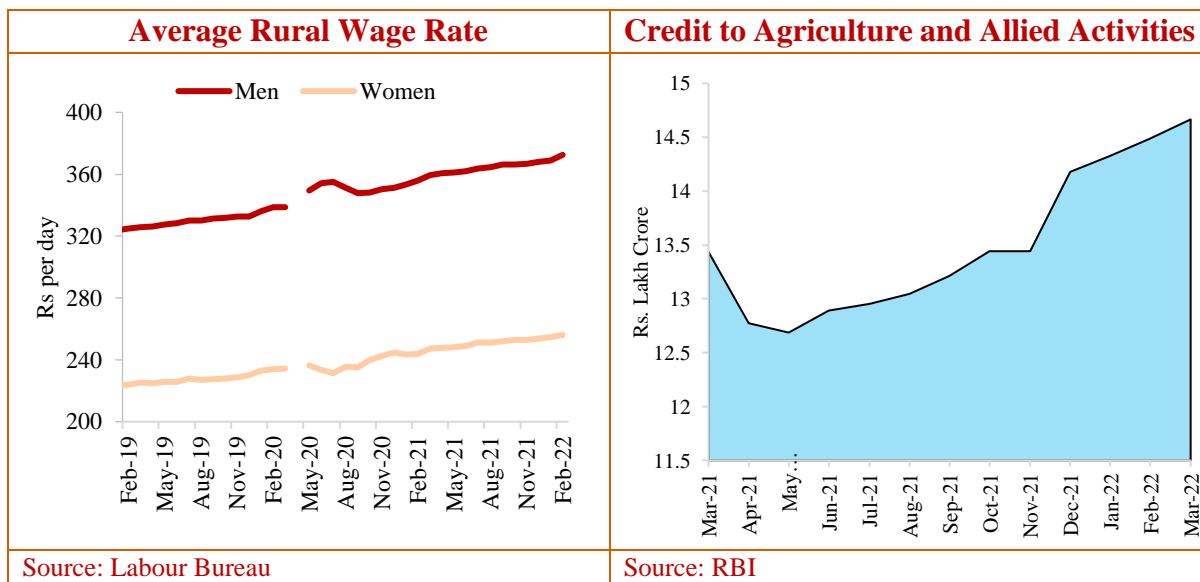
25. Fertilizer is a critical input to sowing and harvesting. During March, 2022 total fertilizer sales stood at 41.39 Lakh MT, 1.21 per cent lower than corresponding figure for March, 2021. However, fertilizer availability is in a comfortable position with stock of major fertilizers exceeding requirement during April, 2022. Further, Implementation of Nutrient Based Subsidy (NBS) rates for Phosphatic and Potassic (P&K) fertilizers for Kharif season, which runs from October-September, would result in an increase in subsidy on P&K fertilizers enabling their availability to farmers at affordable prices.



26. Acreage has also not been impacted by tractor sales in 2021-22 being 6.4 per cent lower over the corresponding period last year signalling sufficient supply of tractors. As for seeds, there is sufficient availability of certified/quality seeds of all major Kharif crops for Kharif 2022-23. Against a total requirement of 160.5 lakh quintals of certified / quality seed, an all-India availability of 178 lakh quintals certified / quality seed is reported for Kharif 2022-23.

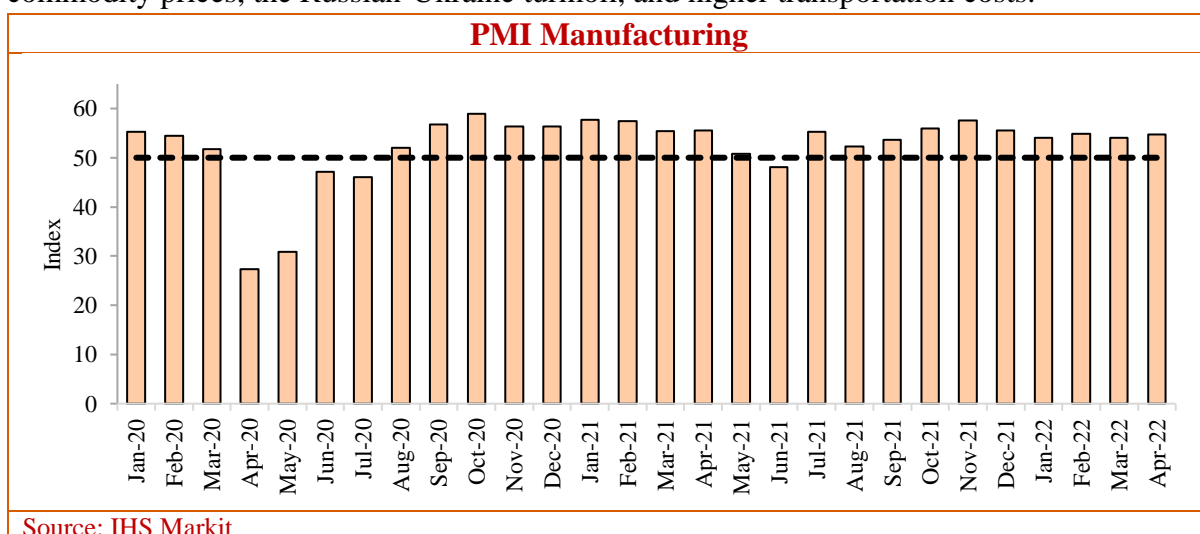


27. Further, in February 2022, average rural wages increased YoY by 4.6 per cent for men and 5.1 per cent for women, reflecting sustained demand for rural labourers engaged in agricultural and non-agricultural activities. Credit support to agriculture also witnessed an increase in March 2022, registering 9.9 per cent growth over the corresponding period last year with a (month on month) growth of 1.2 per cent.

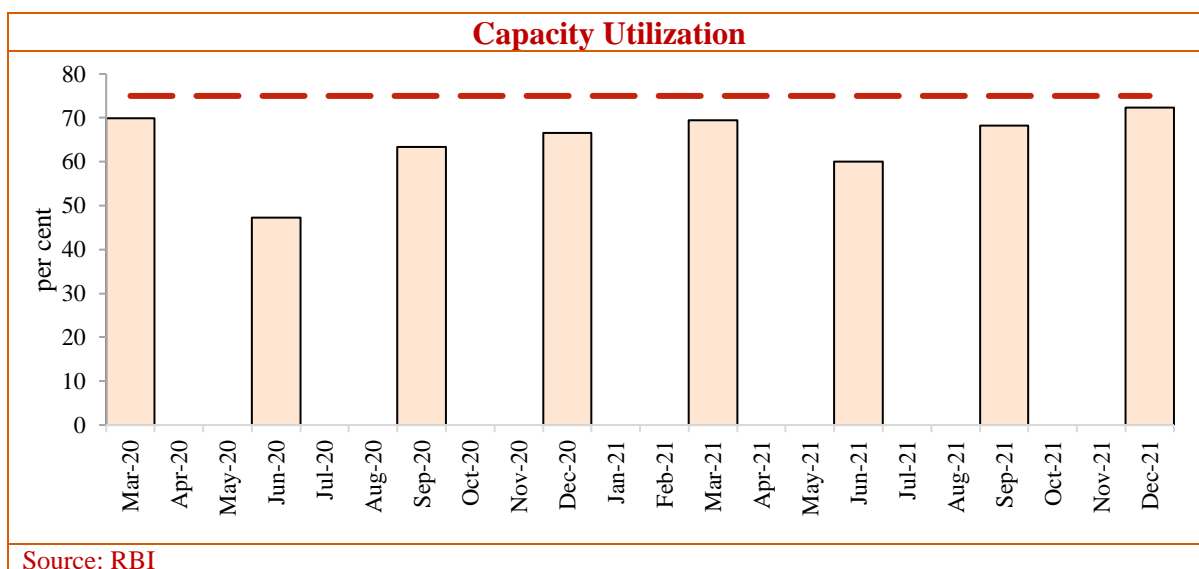


### Industry

28. India manufacturing PMI, an important indicator of prevailing direction of economic trends in manufacturing, experienced a robust start to FY 2022-23. It expanded to 54.7 from 54 a month earlier, with an upscale in production and factory orders across the sector. Strong growth momentum was observed in the intermediate and capital goods segment as well. This was further supported by an upturn in international sales, reflecting improved demand conditions and business confidence, despite escalating inflationary pressures in respect of commodity prices, the Russian-Ukraine turmoil, and higher transportation costs.



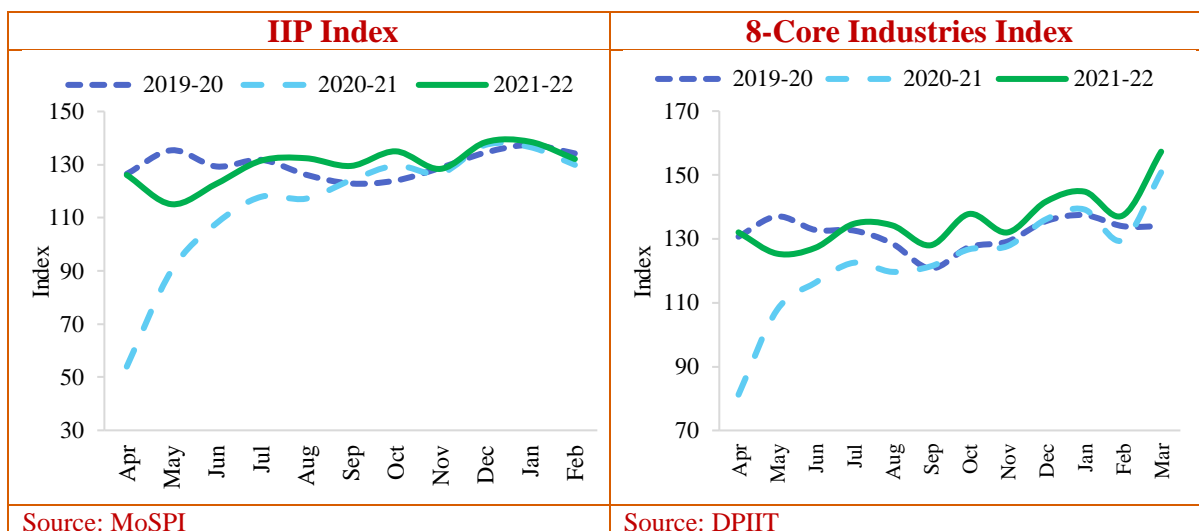
29. This builds on RBI's Industrial Outlook Survey for Q4: 2021-22, and Order Books, Inventories and Capacity Utilization Survey (OBICUS) for Q3: 2021-22, which reflects improving demand conditions in terms of production, order books, employment and capacity utilization, with the ebbing of pandemic-related uncertainties. Capacity utilization in the manufacturing sector at the aggregate level rose to 72.4 per cent in Q3: 2021-22, from 68.3 per cent in the previous quarter, as manufacturing activities gathered pace. New orders received by manufacturing companies, finished goods inventory to sales ratio and raw material inventory to sales ratio, have all risen as compared to their respective pre-pandemic levels. Moreover, sentiments on capacity utilization and availability of finance also improved. Though price pressure continues to persist, profit margin and business sentiments of manufacturers remain in the positive territory.



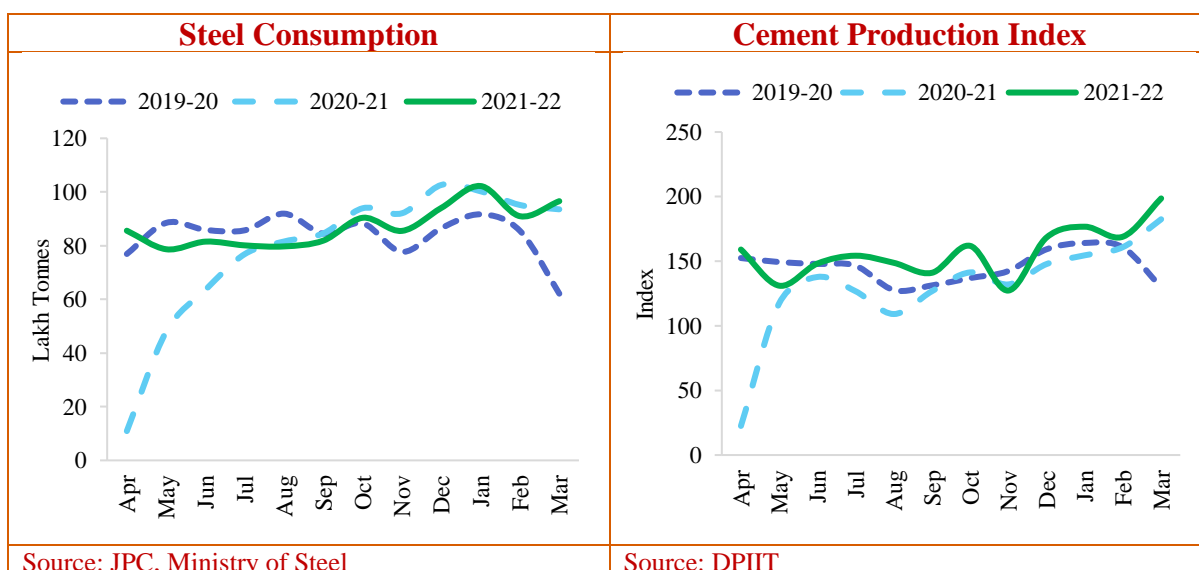
30. The Index of Industrial Production (IIP) grew YoY by 1.7 per cent in February 2022 up from 1.3 per cent in the previous month, as mining activity and electricity generation rose after the waning of the third wave of the COVID-19 pandemic. While mining and electricity, among all sectors, grew the highest at 4.5 per cent in March manufacturing growth stood at 0.8 per cent. As per the use-based classification of the IIP, output in the infrastructure/construction, primary and intermediate goods sector generated tailwinds for the IIP growth with a growth of 9.4 per cent, 4.6 per cent, and 4.3 per cent, respectively. The cumulative growth of IIP for the period April-February 2021-22 stood at 12.5 per cent as compared to (-)11.1 per cent in April-February 2020-21. Government's thrust on capital expenditure and increase in consumption activity augurs well for industrial activity in the coming months.

31. 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 157.3 in March 2022, registering a YoY growth of 4.3 per cent, reflecting the second highest growth over five months, driven by higher output of steel, cement and natural gas, among

others. Fertilizers reported the highest double-digit growth of 15.3 per cent in March 2022, followed by 8.8 per cent growth in cement production and 7.6 per cent growth in natural gas production. The cumulative growth of Index of Eight Core Industries in 2021-22 stood at 10.4 per cent as compared to 2020-21.

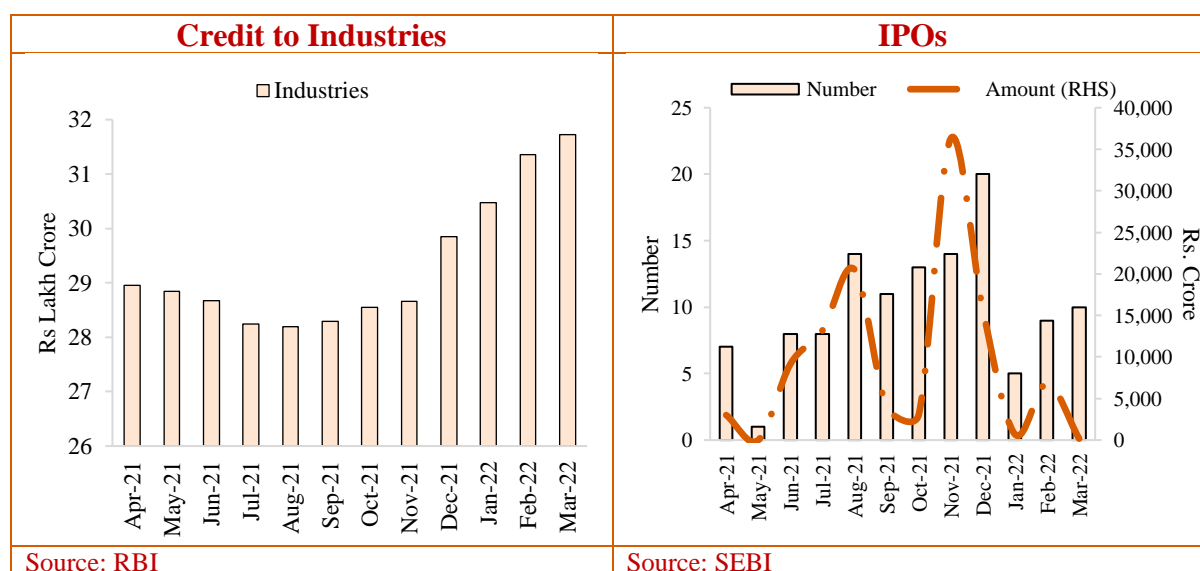


32. Strong demand from the infrastructure and automobile sectors have induced growth in cement production and steel consumption over their respective pre-pandemic levels. Domestic finished steel consumption increased by 3.3 per cent YoY in March 2022 and overall, 11.5 per cent in FY 2021-22. Finished steel exports during FY 2021-22 stood at a record high of 13.5 million tonnes, exceeding levels achieved during any of the earlier years. The rise in steel demand follows elevated levels of economic activity that is now showing impressive resilience to adapt to lockdowns, whenever imposed to control recurring waves of the pandemic. Cement production also grew by 8.8 per cent YoY in February 2022 as a result of pick-up in infrastructure activities particularly in the residential real estate sector including affordable housing.



33. Keeping pace with the economic recovery, credit to industry witnessed a brisk growth of 7.1 per cent in March, 2022 compared to a contraction of 0.4 per cent in March, 2021, with MoM growth of 1.2 per cent. Credit to medium industries registered a high double-digit YoY growth of 71.4 per cent in March, 2022 as compared to 34.5 per cent in March 2021, followed by 21.5 per cent growth in credit to micro and small industries as compared to 3.9 per cent in March 2021. Growth in credit to industries has been triggered by various government budgetary support and liquidity support measures from RBI.

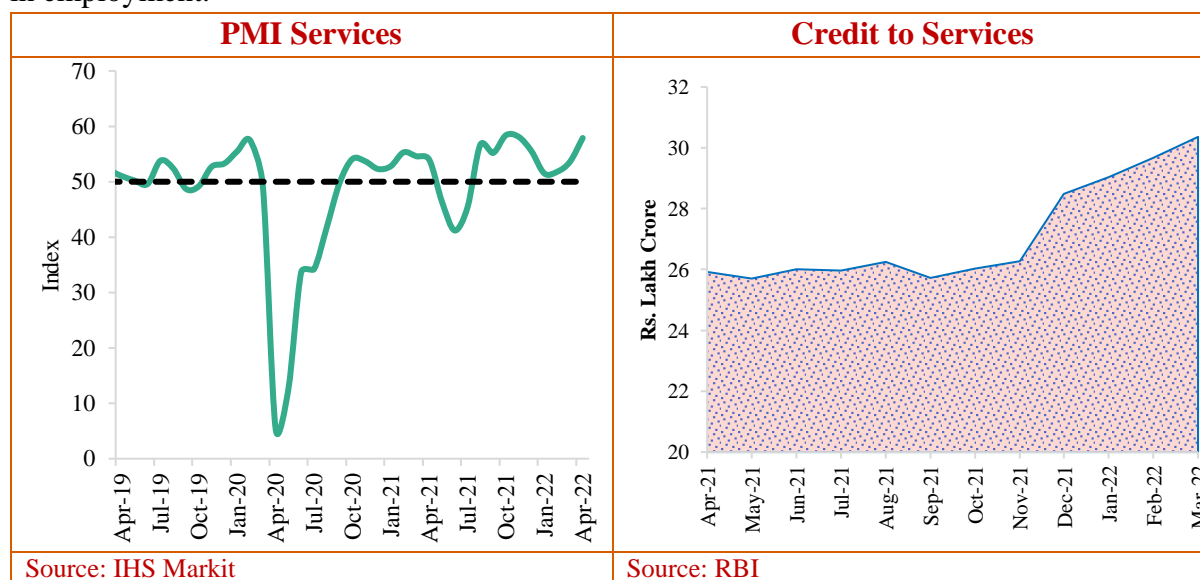
34. In terms of industry wise deployment, credit growth to ‘mining and quarrying’, food processing, textiles, ‘petroleum, coal products and nuclear fuels’, and ‘rubber, plastic and their products’ witnessed double digit growth in March 2022 as compared to the corresponding period of the previous year. Credit to the infrastructure sector also witnessed a good push with growth amounting to 9.3 per cent in FY 2021-22, compared to just 1.6 per cent in the previous year.



35. Credit to large industries recorded a YoY growth of 0.9 per cent and a month-on-month growth of 0.7 per cent in March 2022. Growth in credit to industries increased robustly from (-) 0.4 per cent in FY 2020-21 to 7.1 per cent in FY 2021-22, 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 10 IPOs listed during the month of March 2022, mobilizing ₹175 crore comprising wholly of SME/start-up listings. External commercial borrowings (ECBs) by the private sector saw a decline of 3.5 per cent (YoY growth) in February 2022 in comparison to the corresponding month of the previous year.

## Services

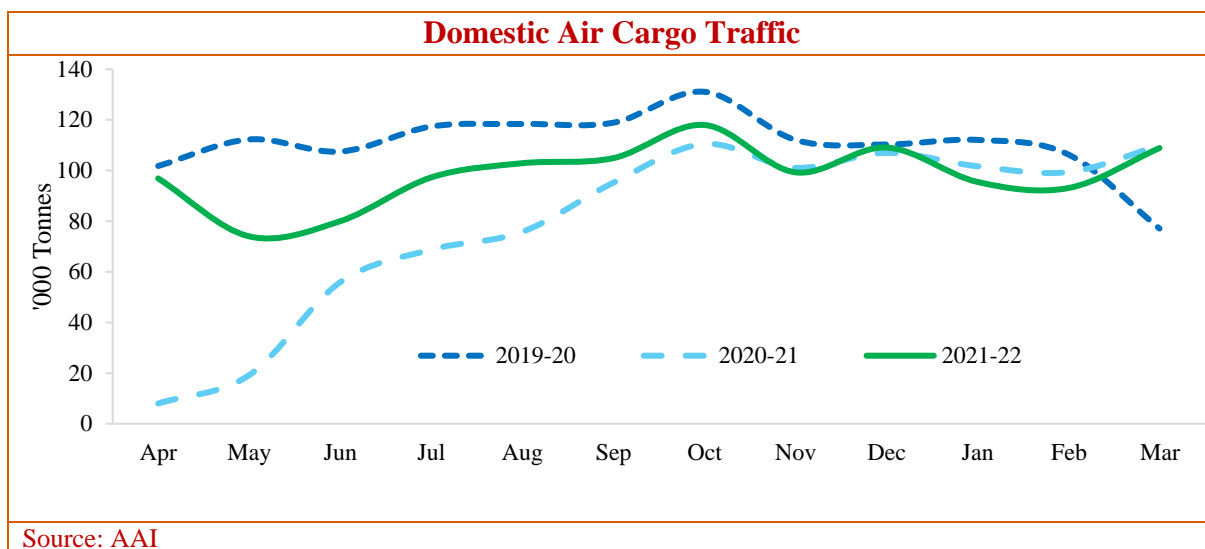
36. Services activity, indicated by PMI services, continued to gain momentum in April, 2022 to 57.9 from 53.6 in March 2022, increasing at the fastest pace since November 2021. The improvement can be attributed to expansion in new orders, strong demand conditions and relaxation of COVID-19 induced restrictions which has further supported a renewed increase in employment.



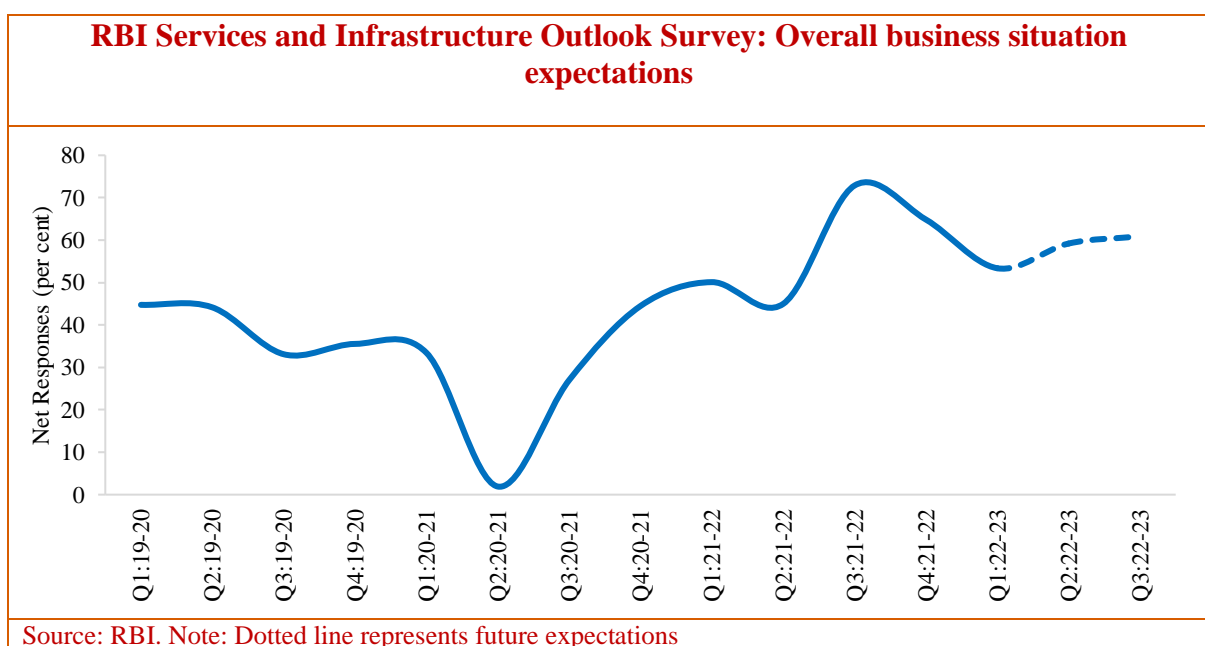
37. Credit support to the services sector continued to expand in March, registering a growth of 8.9 per cent on YoY basis and 2.3 per cent on MoM basis over February 2022. Credit growth was driven mainly due to offtake in trade and transport operators. Credit to Non-Bank Financial Companies (NBFCs) improved significantly during 2021-22 witnessing a double-digit growth for the fourth consecutive month at 10.4 per cent YoY growth in March, 2022 compared to -0.2 per cent in March 2021. Credit to NBFCs, which constitutes one-third of total services credit, is on-lent mostly as retail credit. Sustained growth of credit to NBFCs is thus also a manifestation of rising consumption demand in the economy.

38. Indian railways (IR) registered the best ever performance in the year 2021-22 in freight loading and has carried forward the momentum of the previous year in the month of April 2022. Railway freight traffic during April 2022 grew by 9.4 per cent compared to corresponding period last year, registering the best ever monthly figures for 20 straight months. This growth has been fuelled by incremental loading of 5.8 MT in Coal, followed by 3.3 MT in Food grains and 1.3 MT of Fertilizers. Backed by the healthy procurement by FCI and bullish demand for export of Wheat, there has been a growth of 95 per cent in loading of Food grains in April. Further, there has been a 53 per cent increase in the loading of Fertilizers. Nonetheless, recent difficulties in the transportation of coal call for expeditious augmentation of carrying capacity by the Railways. Air cargo traffic grew by 23.9 per cent during 2021-22 compared to previous year, supported by withdrawal in pandemic induced restrictions across states. However, it is

yet to fully recover to pre-pandemic level. Cargo traffic during March witnessed a double-digit growth of 17.0 per cent compared to February 2022.



39. RBI’s quarterly services and infrastructure outlook survey (SIOS) captures qualitative assessment and expectations of Indian companies in the services and infrastructure sectors on a set of business parameters relating to demand conditions, price situation and other business conditions. The recent survey conducted during Q4:2021-22 was published on 8th April 2022. The survey reveals that service sector enterprises are more positive during Q1: 2022-23 on the prevailing overall business situation as well as their turnover and employment conditions compared to corresponding quarter previous year. Going forward, firms exhibited high optimism about their likely demand conditions in terms of overall business situation, turnover and employment conditions in successive quarters of 2022-23.



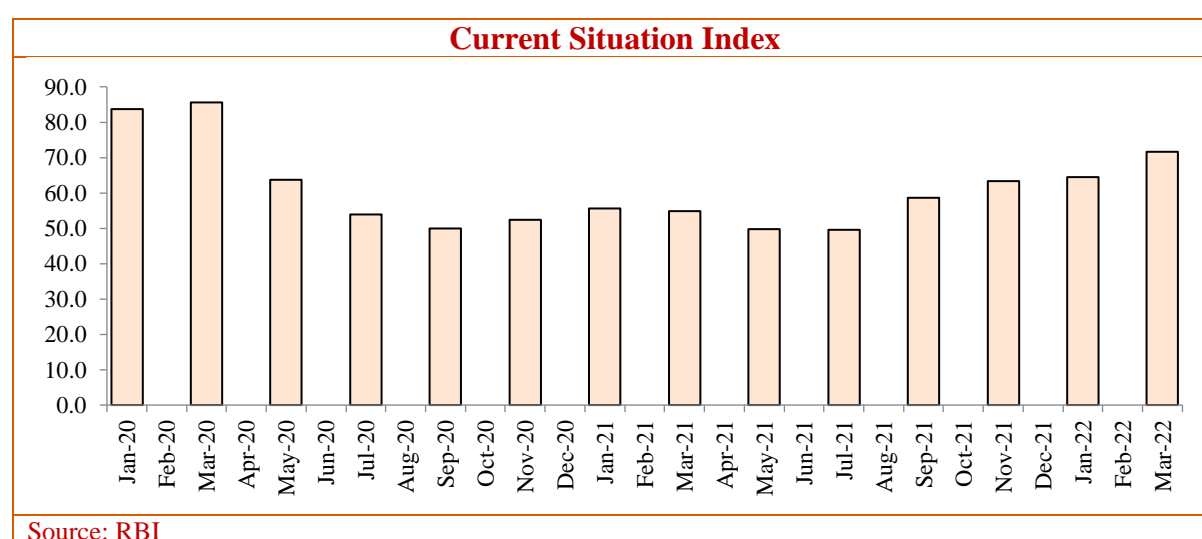


## Aggregate Demand

### Consumption

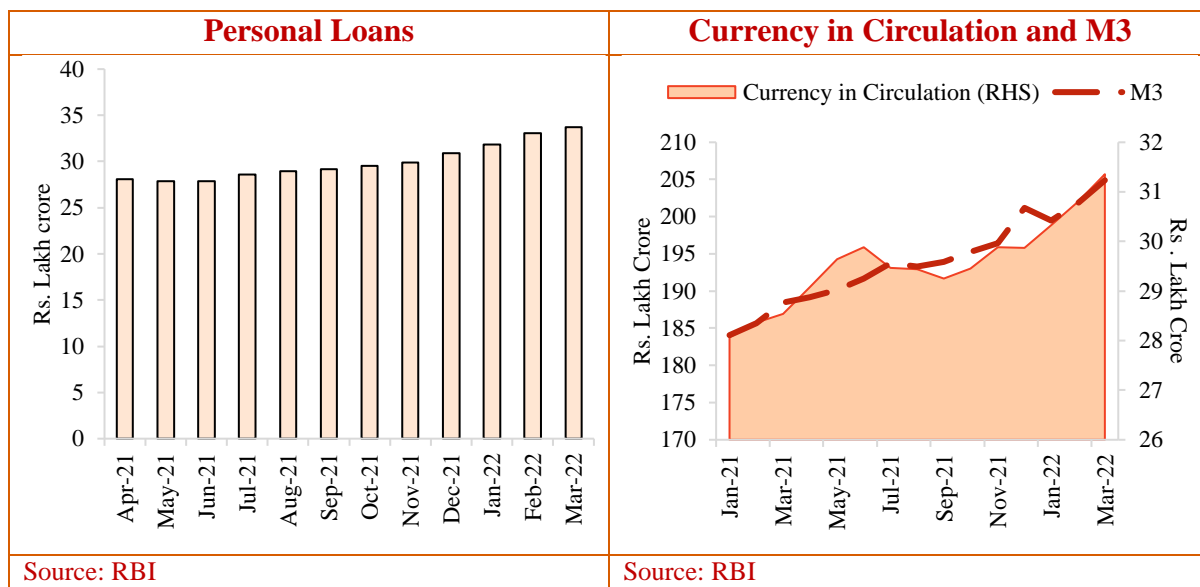
40. Indicators of consumption point to resilience in demand as the economy continues on a growth trajectory. Personal loans of banks continued to exhibit strong growth for two consecutive months by increasing 12.4 per cent YoY in March 2022 as compared to 12.3 per cent in the previous month and 10.7 per cent in March of the previous year. In FY 2021-22, personal loans augmented by 12.4 per cent in comparison to 10.7 per cent in FY 2020-21. The growth of personal loans was driven by loans for consumer durables and loans against gold jewellery. Loans against gold and jewellery grew by 21.1 per cent in March 2022, down from 26.8 per cent in the previous month. This sub-category of personal loans reflects stress on individual incomes and cash flows, and therefore, a moderation in its growth rate signals a reduced strain on individual incomes. Loans for consumer durables increased by 60 per cent in March 2022 indicating strong consumer demand in this sub-category. Advances to individuals against shares/bonds have increased by 15.4 per cent in March 2022, as compared to a contraction of 13.2 per cent in the corresponding period of the previous year, and is indicative of a continued willingness of individuals to utilize their assets to fund consumption expenditure.

41. According to RBI's consumer confidence survey for March 2022, consumer confidence, measured by the current situation index (CSI) continued to recover on the back of improved consumer sentiments on overall economic situation, employment, household income and spending, despite geopolitical challenges and inflationary pressures. CSI improved to 71.7 in March, from 64.4 in the previous bi-monthly survey. Households expectation about current and future spending remained in the positive domain and was further strengthened by an increase in essential and discretionary spending.

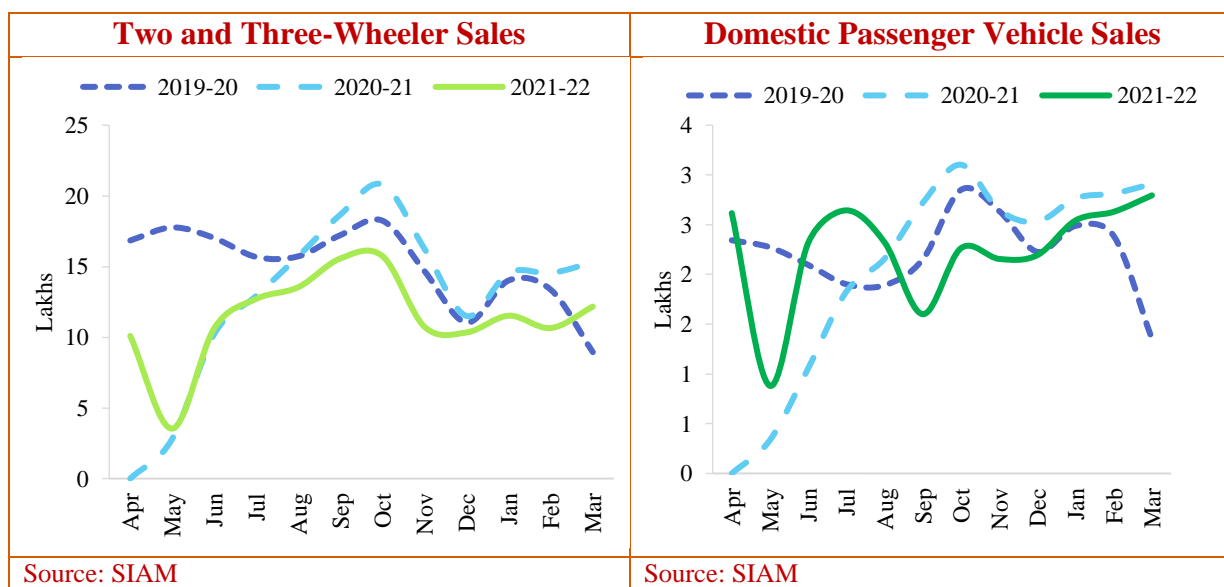


42. Currency in circulation (CiC) increased by 9.9 per cent in March 2022 as compared to a YoY growth of 8.6 per cent in February 2022. Broad money supply (M3) increased by 9.7

per cent as on April 8, 2022 vis-à-vis 8.7 per cent towards the end of the previous month. The share of CiC in M3 increased in March 2022, reflecting continued caution amidst global uncertainty in the context of the Russia-Ukraine conflict. However, CiC in M3 declined in FY 2021-22 by 9.88 per cent as compared to FY 2020-21, indicating abatement in precautionary demand for money.

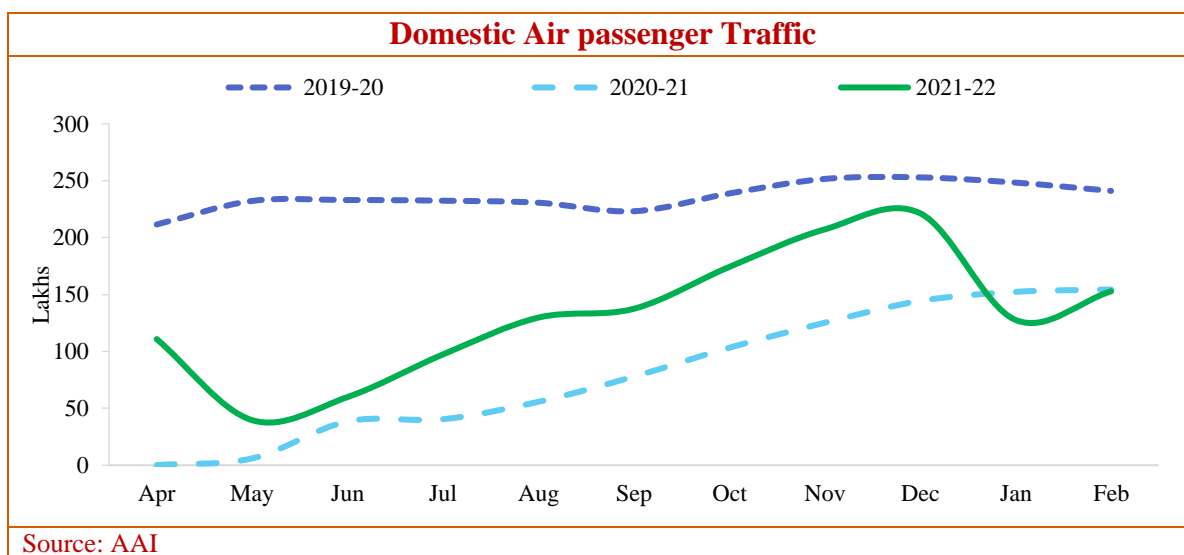


43. Momentum continues to build in the domestic passenger vehicle sales segment with month-on-month growth for March 2022 at 6.3 per cent. Passenger vehicle sales during April – March FY 2021-22 grew by 8.4 per cent on YoY basis and stood 1.4 per cent higher compared to pre-pandemic year 2019-20. In March 2022, two and three-wheeler sales also increased by 14.2 per cent (MoM).

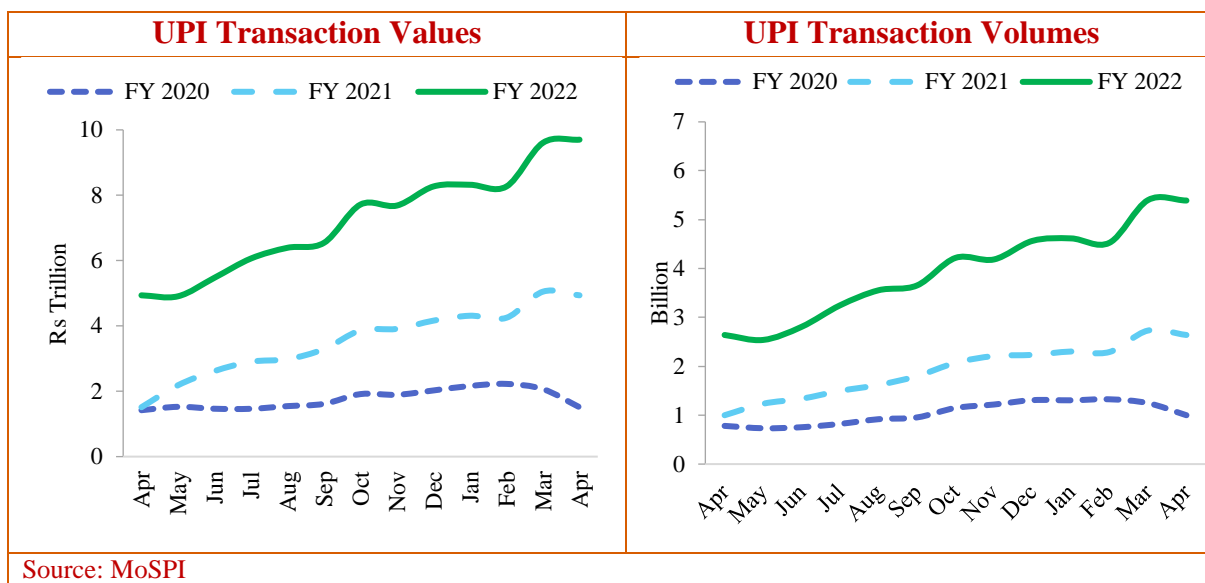


44. Fuel consumption, another indicator of consumption, rose to a three-year high in March 2022 and stood at 194.1 lakh metric tonnes due to increase in demand for petrol and diesel as Covid-19-related curbs eased, but may face some headwinds due to rapidly increasing crude oil prices amid geo-political tensions. Fuel consumption grew by 4.5 per cent during FY 2021-22 to 202.7 million tonnes but is yet to reach the pre-pandemic level of 214.1 million tonnes. As per recent estimates provided by the Ministry of Petroleum and Natural Gas, robust growth in economic activity will continue to improve oil demand conditions during FY 2022-23 to 214.5 million tonnes, surpassing the pre-pandemic levels.

45. Domestic air passenger grew impressively by 37.7 per cent y-o-y in March 2022 compared to a (-) 1 per cent in February 2022. Additionally, passenger traffic witnessed a sequential MoM uptick of 38.3 per cent in March, amidst abatement of the third wave of Covid-19, pent-up demand, resumption of scheduled international flight operations and robust recovery in economic activity. The domestic air passenger traffic for the period April-March FY 2021-22 was 58.7 per cent higher as compared to the corresponding period of FY 2020-21 but 39.2 per cent still lower than the pre-pandemic demand of 2019-20. As the economy continues its accelerated recovery, domestic air passenger traffic is expected to increase and cross its pre-pandemic levels. In the first 20 days of April 2022, the number of passengers booked has more than doubled over April 2021 to 151 million. The increase can be attributed to the reduction of Covid-19 related travel restrictions combined with pervasive vaccination coverage.

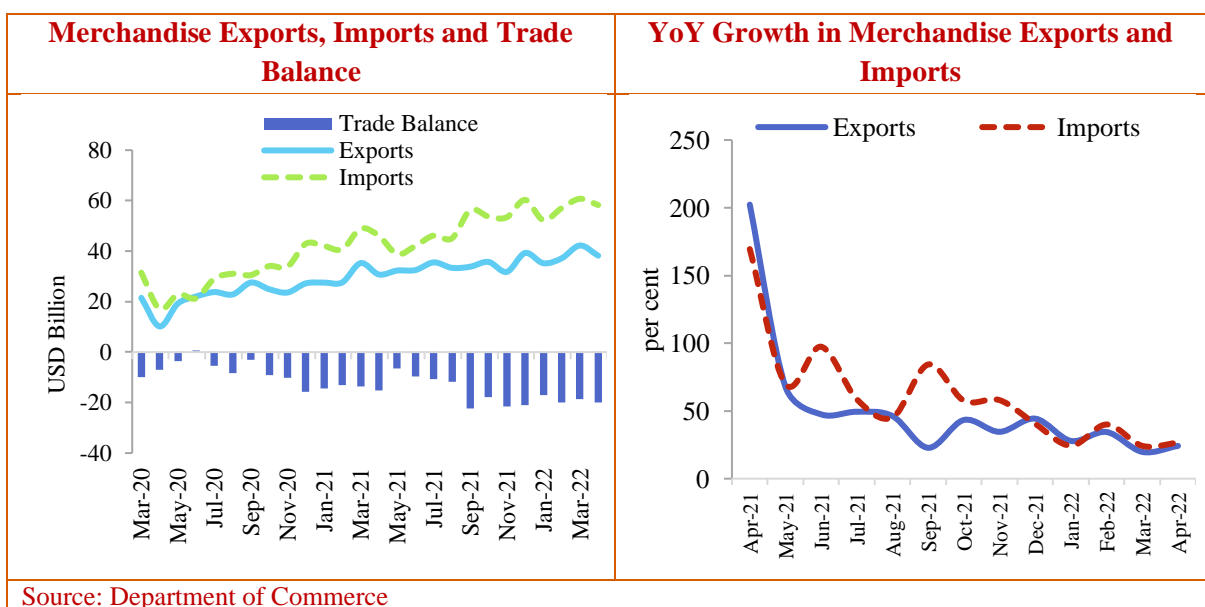


46. Both UPI transaction values and volumes displayed a strong increasing trend, signalling a willingness to spend more. The value of the transactions processed on the platform in April 2022 was Rs. 9.7 trillion, an increase of 96.5 per cent over the corresponding period of FY 2021. Reflecting the same trend, the volume of UPI transactions processed in April 2022 also grew and stood at 5.4 billion, an increase of 104.5 per cent over the corresponding period of FY 2021. The volume of UPI transactions crossed 5 billion in two consecutive months for the first time since the inception of the payments system.



### Trade

47. After achieving an all-time high monthly merchandise exports of USD 42.2 billion in March 2022, merchandise exports continued to stay high at USD 38.2 billion in April 2022, registering a YoY increase of 24.2 per cent. Merchandise imports however, also rose in April 2022 to stand at USD 58.3 billion, recording an increase of 26.6 per cent over April 2021, partly on account of increased international commodity prices.



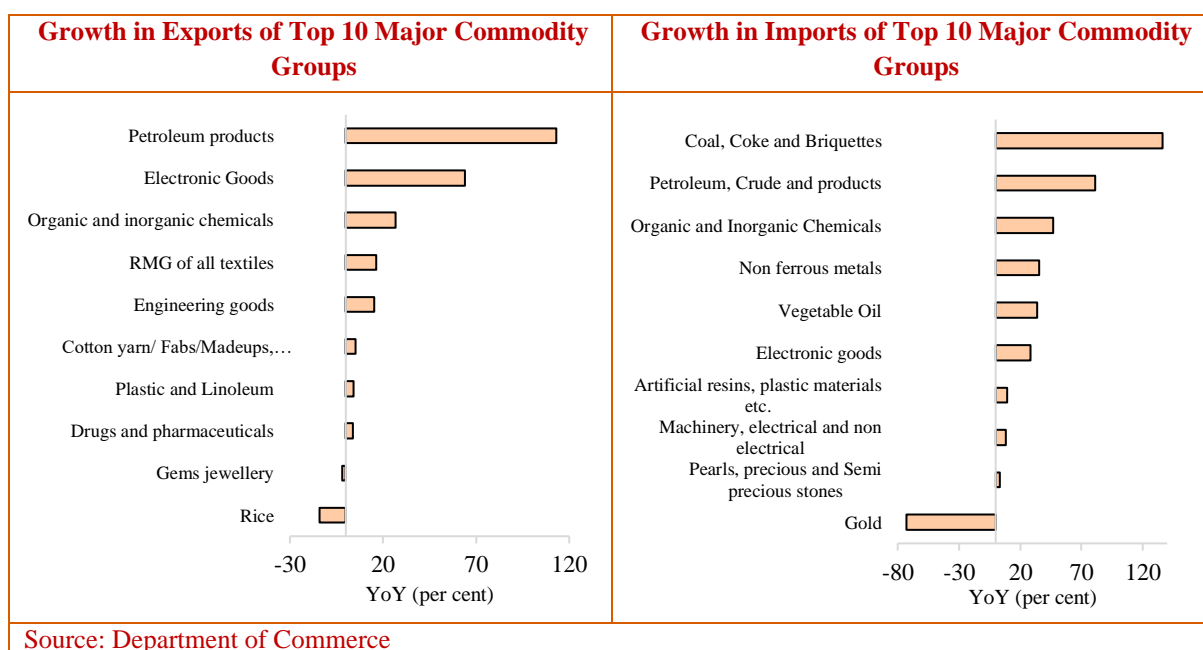
48. The growth in overall exports witnessed in April 2022 is contributed by positive growth rate in POL as well as non-POL exports. POL exports, constituting about 20.2 per cent of total exports in April 2022, witnessed a remarkable YoY growth of 113.2 per cent – partly driven by the price of crude oil (POL exports are mainly re-exports of crude oil imports after adding

value. As such the value of POL exports increases whenever price of crude oil imports rises - Thus increase in crude oil price to around 102.8 USD/bbl in April 2022 as against 63.3 USD/bbl in April 2021, mostly explains high growth of POL exports). Non-POL on the other hand grew by 12.3 per cent in April 2022 vis-a-vis 203.6 per cent in April 2021 (high base effect on account of contraction of exports in April 2020, due to the onset of the pandemic and global lockdowns). The exports are expected to witness further uptick, with India pushing for new FTAs and trade agreements with major economies and regional blocs to boost exports.

49. Merchandise imports grew by 26.6 per cent to USD 58.3 billion in April 2022, as against USD 46.0 billion in April 2021 and by 240.9 per cent (high base effect) over US\$ 17.1 billion in April 2020. POL imports that constitute about 33.5 per cent of total merchandise imports registered a growth of 81.2 per cent to USD 19.5 billion in April 2022 vis-à-vis USD 10.7 billion in April 2021 and USD 4.6 billion in April 2020. This growth in POL imports may be seen in the light of movements in global crude oil.

50. Gold imports declined sharply by 72.3 per cent in April 2022 as compared to April 2021 accounting for about 2.9 per cent of total imports. Value of non-oil, non-GJ (gold, silver & precious metals) imports was USD 34.43 billion in April 2022 with a positive growth of 29.68 per cent over non-oil and non-GJ imports of USD 26.55 billion in April 2021 indicating the revival of domestic activity.

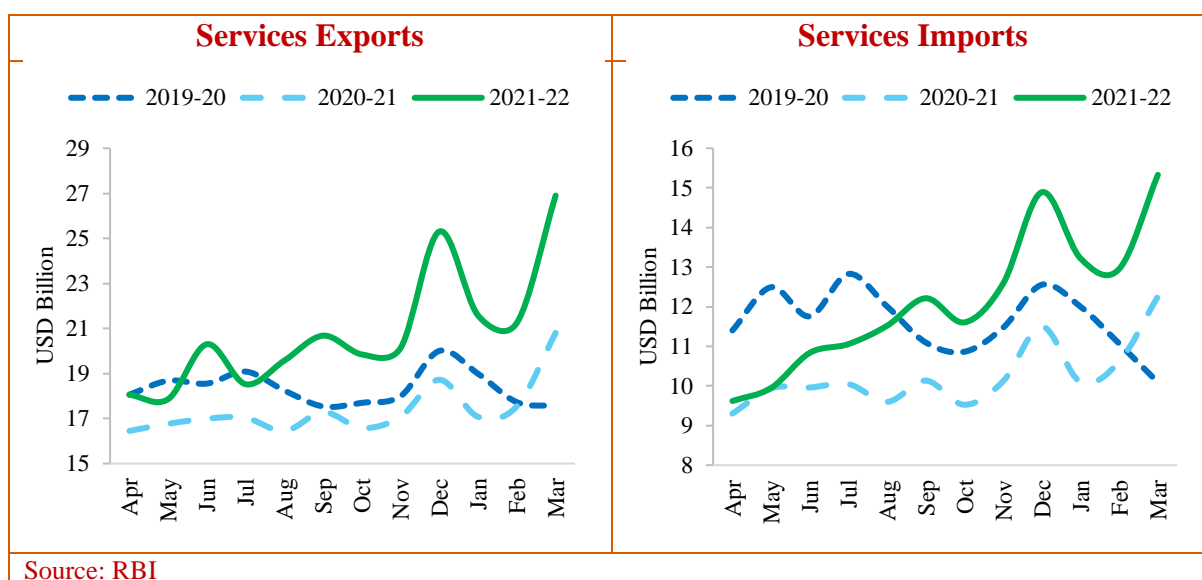
51. In respect of both exports and imports, most of the major commodities groups registered positive YoY growth in April 2022.



52. Further, in order to enhance resilience against external shocks, the Government of India has been focusing on the strategy of enhancing diversification. Diversification of trading partners is touted as a strategy that can help hedge against negative turbulence. In the case of

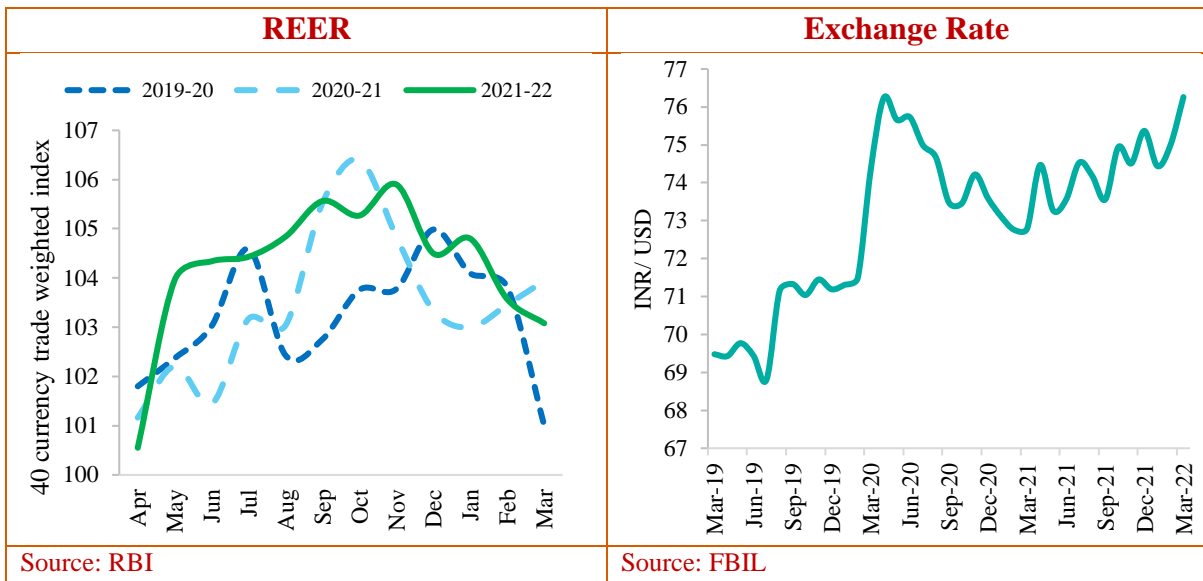
imports, India has been focusing on diversifying its crude basket by procuring crude from countries located at various geographical locations viz. Middle East, Africa, North America, South America etc. Even in the case of exports, the government's strategy seems to have reaped results. As per a SBI report, the concentration of top 10 countries in India's export basket has reduced over the years and India's exports have moved more towards South-South trade.

53. Trade growth in services continues to remain resilient. In March 2022, services exports and imports are estimated to be 29.3 per cent and 25.0 per cent respectively higher compared to corresponding month last year. In 2021-22, services exports stood at USD 250 billion, 19.8 per cent higher over 2020-21 while services imports were higher by 18.4 per cent over the same period. Net services receipts increased in 2021-22 compared to 2020-21. Further, India is targeting USD 350 billion worth of services exports in 2022-23, a growth of over 40 per cent over 2021-22 as key sectors including travel, hospitality, and entertainment set to post swift recovery post pandemic.



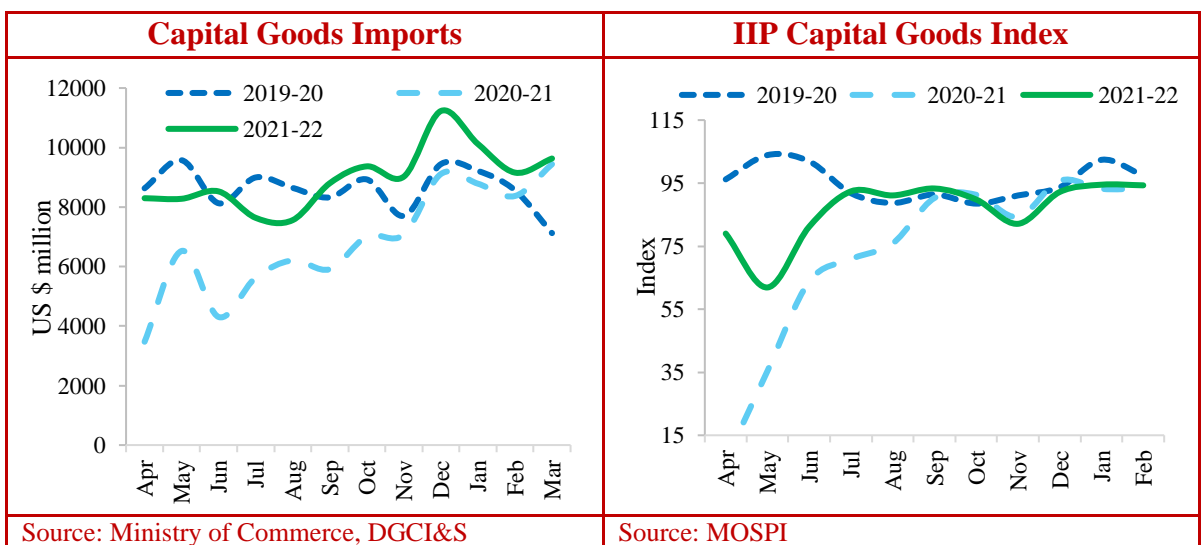
54. India's merchandise trade balance is estimated to be in deficit at USD (-) 20.1 billion in April, 2022 compared to USD (-)15.3 billion in April 2021 and USD (-)18.5 billion in March 2022. Widening trade deficit and an increase in net outgo of investment income led to the widening of the current account deficit. 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.

55. Widening of CAD led to depreciation of Nominal exchange rate, yet the Real Effective Exchange Rate continued to appreciate to more than offset any price competitiveness that a depreciation of nominal exchange rate may have imparted to India's exports. However, monthly export figures show that, despite the loss of price competitiveness, India's export continued to surge, driven by high global demand.

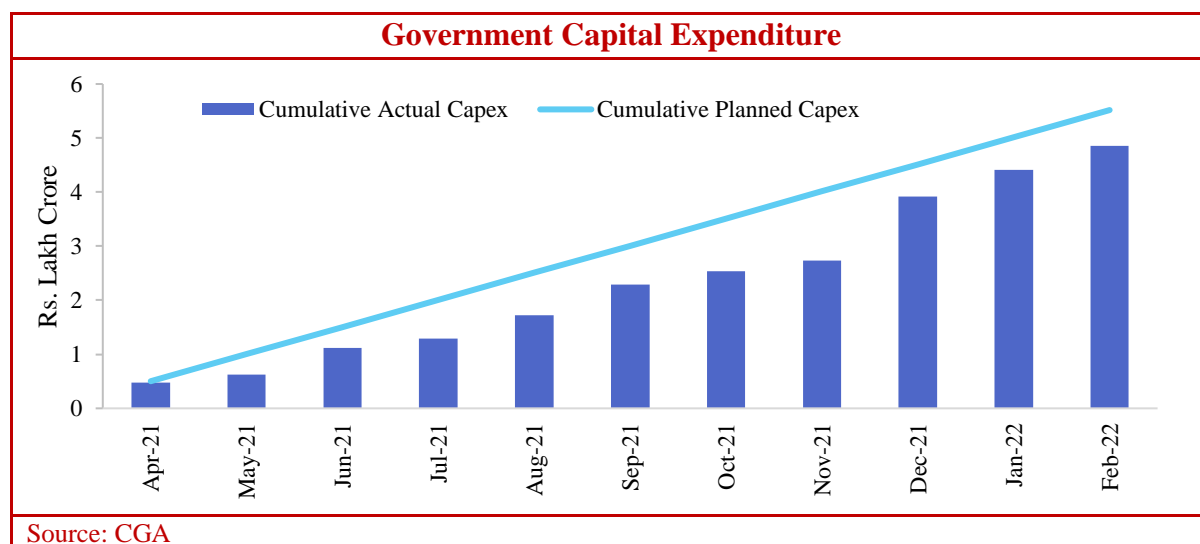


### Investment

56. Despite the headwinds emerging from global geopolitical developments and inflationary pressures, a strong and complete recovery of the consumption and robust growth in exports have induced a healthy investment environment in the economy. The IIP Capital Goods index, an indicator of private investment, grew by 18.8 per cent YoY in April-February FY2022 over the corresponding period last year. Capital goods imports in March 2022 continued to be buoyant and rose by 2 per cent YoY, and were greater than the levels seen in the corresponding months of FY 2020 and FY 2019. Cumulative capital goods imports for FY 2022 were 31.5 per cent higher than those in FY 2021, indicating a continued build-up of productive capacity in the economy.



57. The thrust on government capital expenditure to create productive capacity in the economy and crowd-in private capital expenditure continued in February 2022. Government capital expenditure for the period April-February FY 2021-22 stood at Rs. 4.9 lakh crore, and was higher than capital expenditure in the corresponding period of the previous year by 19.7 per cent. Cumulative actual government capital expenditure for this period was about 80.6 per cent of the revised estimates for FY 2021-22.



58. The upbeat investment environment coincides with increased capacity utilisation in the manufacturing sector as seen in the RBI's quarterly Order Books, Inventory and Capacity Utilisation Survey (OBICUS) for Q3 FY 2021-22. The report states that the aggregate capacity utilisation in the manufacturing sector picked up significantly from 68.3 per cent in Q2 FY 2021-22 to 72.4 per cent in Q3 FY 2021-22. Manufacturing companies received a larger number of orders during this quarter as compared to the last quarter as well as the corresponding quarter of the previous year.

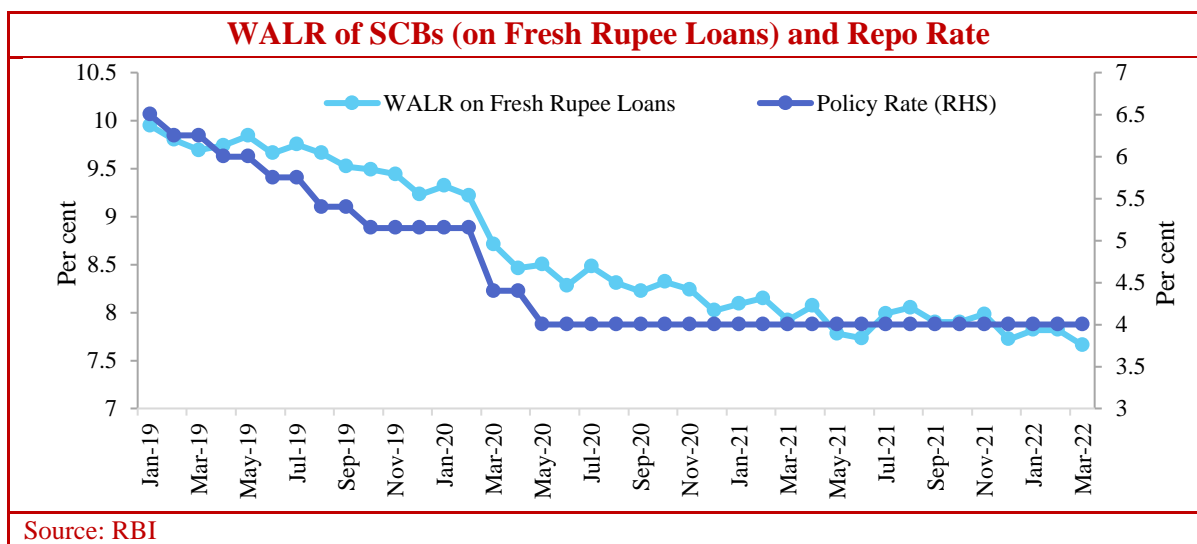
59. The government continued to leverage the optimistic demand environment in the economy to further augment productive capacity through the PLI schemes. For instance, in April 2022, the government approved the participation of 61 companies in the PLI scheme for textiles, with a proposed total investment of Rs. 19,077 crore, and an expected turnover of Rs. 1.84 lakh crore, leading to employment generation for about 2.4 lakh people. The scheme was notified earlier with government incentive outlay of Rs. 10,683 crore over a period of five years in a bid to enhance India's manufacturing capabilities and exports, particularly in the domain of man-made fibres.

60. On the digital front, the Ministry of Commerce in collaboration with the Quality Council of India (QCI) and industry experts have launched a pilot of the Open Network for Digital Commerce (ONDC) in five cities in April 2022 and these are expected to begin wide scale operations soon. ONDC is expected to democratize e-commerce by providing an open



and interoperable digital commerce network which will allow all the buyers and sellers on the network to transact with each other irrespective of the platform they use, thereby creating a level playing field for small retailers. ONDC will further bolster the digital infrastructure of the economy and provide micro and small businesses easier access to e-commerce. Since the platform is interoperable, businesses will have a significantly larger potential customer base. Additionally, ONDC aims to standardize the onboarding process for businesses, which will improve the ease of doing business. The platform has received fund infusions from government arms such as QCI, Protean, NABARD, SIDBI, SBI, and from private players such as Kotak Mahindra Bank, Axis Bank and HDFC. As with many of India's initiatives in the provision of public digital goods in recent years, this could prove to be a role model for the rest of the world.

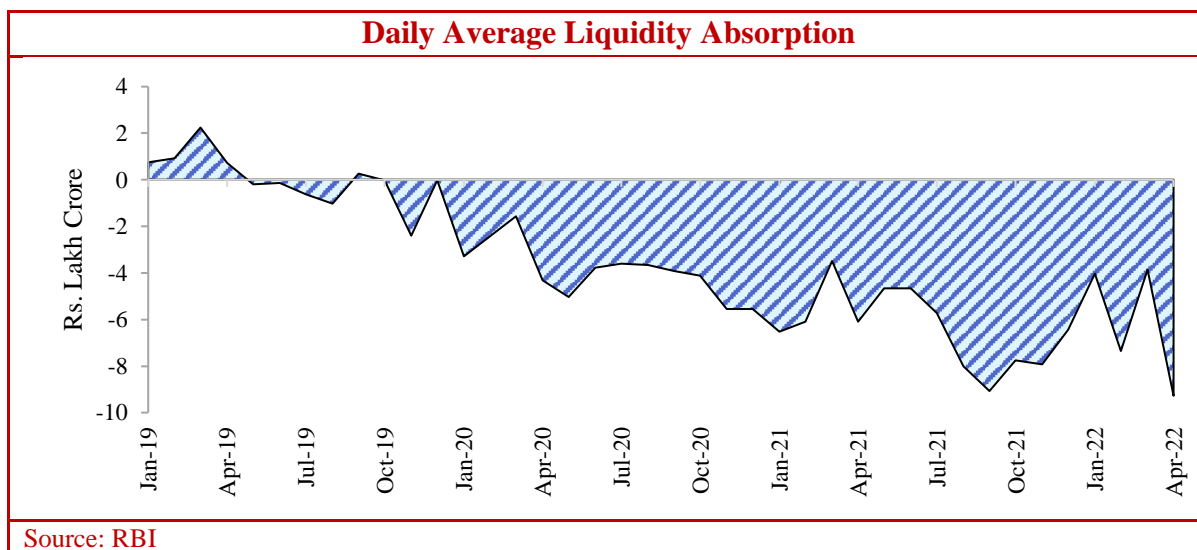
61. The positive investment climate in the economy has also been enabled by the robust credit disbursement that has been aided by a significant pass through of policy rate cuts by Scheduled Commercial Banks (SCBs). The Weighted Average Lending Rates (WALRs) of SCBs on both outstanding rupee loans and fresh rupee loan have trended lower in March 2022. The WALR on outstanding rupee loans in March 2022 was lower than the figure for March 2020 by 118 basis points while the WALR on fresh rupee loans in March 2022 was lower than the figure for March 2020 by 105 basis points, thereby easing the repayment burden in the economy. Further, gross bank credit and non-food credit grew by 9.6 per cent and 9.7 per cent YoY respectively in March 2022 as compared to 6.8 per cent and 6.7 per cent in March 2020 respectively, indicating an uptick in credit disbursement.



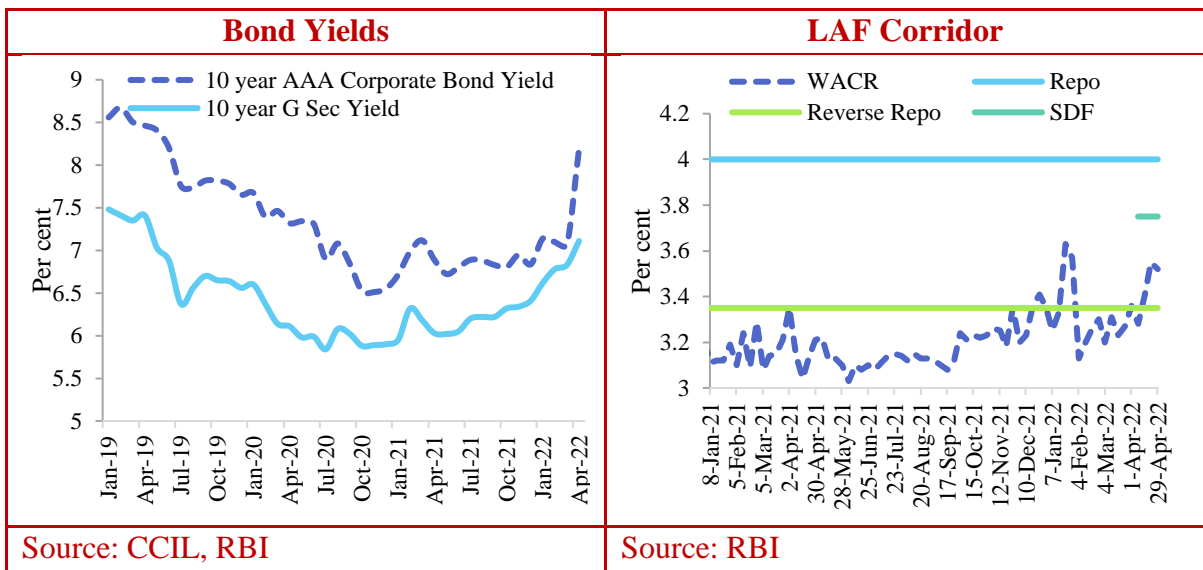
62. Global geopolitical tensions and accelerating global commodity prices in March 2022 have also brought to the fore the RBI's primary mandate of price stability in the economy. In a bid to drain excess liquidity from the economy, the Monetary Policy Committee (MPC) in its meeting in April 2022 had introduced the Standing Deposit Facility (SDF) as the new floor of the LAF corridor. The SDF was set at 3.75 per cent, 40 basis points higher than the reverse repo rate, and does not require the RBI to pledge collateral as banks park their money with the central bank, thereby making it an effective tool for liquidity management. Further, in line with

its announced stance of withdrawal of accommodation in April 2022, the RBI On May 5th 2022 strengthened its price stability actions by increasing the repo rate by 40 basis points to 4.40 per cent. It also hiked the SDF, the MSF, the bank rate, and the CRR to 4.15 per cent, 4.65 per cent, 4.65 per cent, and 4.5 per cent respectively. The RBI stated that the immediate effect of these hikes would result in the removal of excess liquidity to the tune of Rs. 87000 crore from the system.

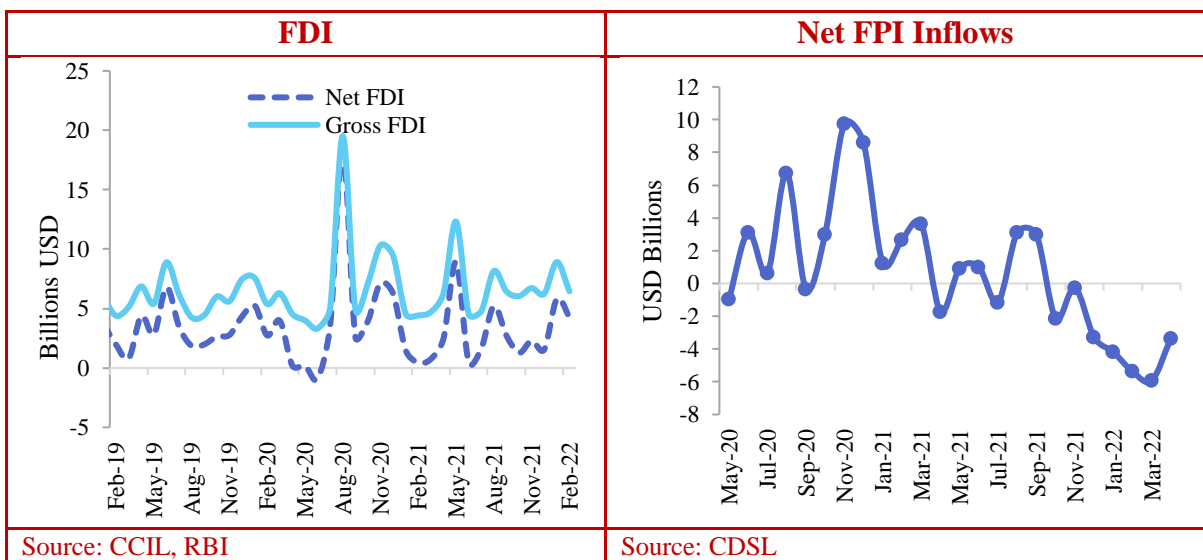
63. In response to the policy decisions undertaken on April 8th 2022, the net liquidity absorption (outstanding including today’s operations) increased from Rs. 3.9 lakh crore in March 2022 to Rs. 9.3 lakh crore in April 2022 indicating a tightening of the systemic liquidity as weighted average call rate (WACR) outsider-entered the LAF corridor. However, WACR is yet to enter the narrower LAF resulting from the introduction of the SDF on April 8th 2022, which is higher than the reverse repo rate.

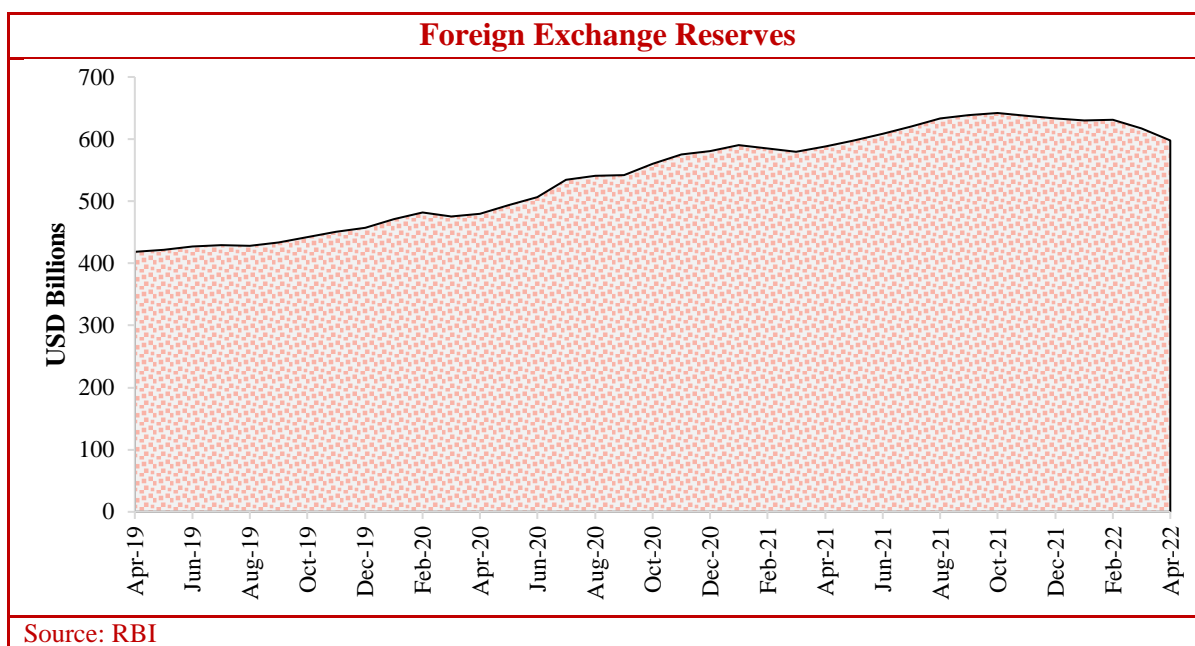


64. The anticipation of a rate hike by the US Federal Reserve and central banks of other developed countries to counter domestic inflation along with a perception of reduced fiscal space amidst uncertainty caused by geopolitical tensions has caused the yields on both government securities and corporate bonds to rise in April 2022. The 10-year G-Sec yields increased by 28 basis points to 7.11 per cent in April 2022. However, the spread between the US 10 year treasury yields and the Indian 10 year G-sec yields has narrowed to 421 basis point in April 2022 as compared to 494 bps in February 2022 indicating strengthening of macro-economic fundamentals of India. Additionally, corporate bond yields also shot up in April 2022 as global inflation continues to be imported into net commodities dependent nations.



65. Notwithstanding the headwinds caused by global uncertainties, India continued to be a favourable destination for Foreign Direct Investments (FDI). Gross FDI for the period April – February FY 2021-22 stood at USD 76.9 billion of which the equity component was USD 55.1 billion. Net FDI for the same period was USD 36 billion. However, in anticipation of monetary tightening by central banks in developed countries, the outflow of Foreign Portfolio Investments has been increasing although the quantum of outflow in April was much lower than that in the preceding three months. Given the rising levels of profitability and strengthening balance sheets of the corporate sector, FPI inflows are expected to return to positive territory. Amidst a volatile global financial environment, India’s forex reserves as of 29th April 2022 stood at a comfortable USD 597.7 billion, thereby providing an import cover of about 11 months.





### **Employment**

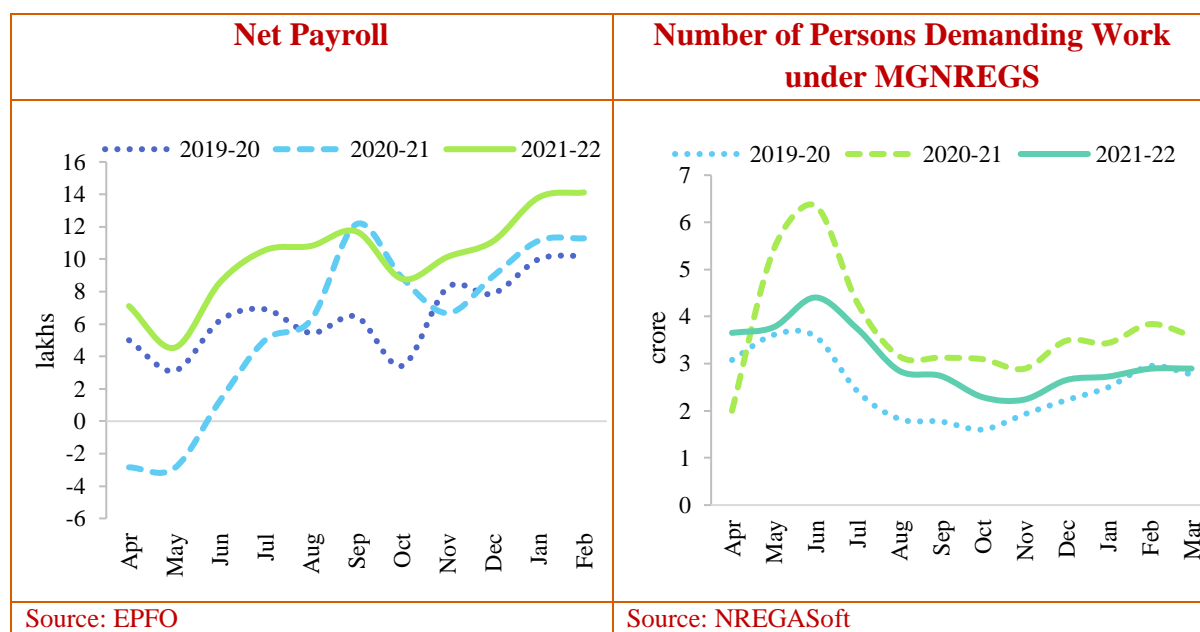
66. Social security net to low-paid workers in medium and large establishments in the formal sector significantly expanded in 2021-22 as cumulative net addition to EPF subscribers reached a record 1.1 crore in 2021-22 (April 2021 to February 2022), 44.3 per cent higher than the full year of 2020-21. Age-wise analysis of payroll data indicates that the age-group of 18-25 years constituted around 45 per cent of total net enrolments during February 2022. The increase in net payroll of the 18-25 years age group indicates that many first-time job seekers are joining the organised sector workforce in large numbers. Gender-wise comparison of the data indicates that net female payroll addition was approximately 3.1 lakh during February 2022, registering a month on month increase of 7.8 per cent. Further, share of female enrolment is 21.9 per cent of the total net subscriber addition during the month of February 2022. The MoM increase in female net payroll addition is mostly driven by lower female exits and higher new joining during the month. Also, net female subscribers have consistently increased since October, 2021 indicating increasing participation of women in the workforce.

67. Further, state-wise comparison highlights that the establishments in states of Maharashtra, Karnataka, Tamil Nadu, Gujarat, Haryana and Delhi are at the forefront in adding organised sector jobs. These states have together added approximately 9.5 lakh net subscribers during February, which is around 67.5 per cent of the total net payroll addition across all age groups. Industry-wise data indicates that majorly two categories, i.e., 'Expert Services' and 'Trading-Commercial establishments' constituted 47.3 per cent of the total subscriber addition during February 2022, which is reflective of a pick-up in service sector employment.

68. To further incentivize creation of new employment opportunities during COVID-19 recovery phase, Government had launched Aatmanirbhar Bharat Rojgar Yojana (ABRY),

which provided financial assistance to employer of establishments registered with EPFO to recruit unemployed persons including giving re-employment to those who lost jobs during the pandemic. As on 30<sup>th</sup> April 2022, a total of 59 lakh people got new formal jobs or were re-employed in the formal sector, under ABRY.

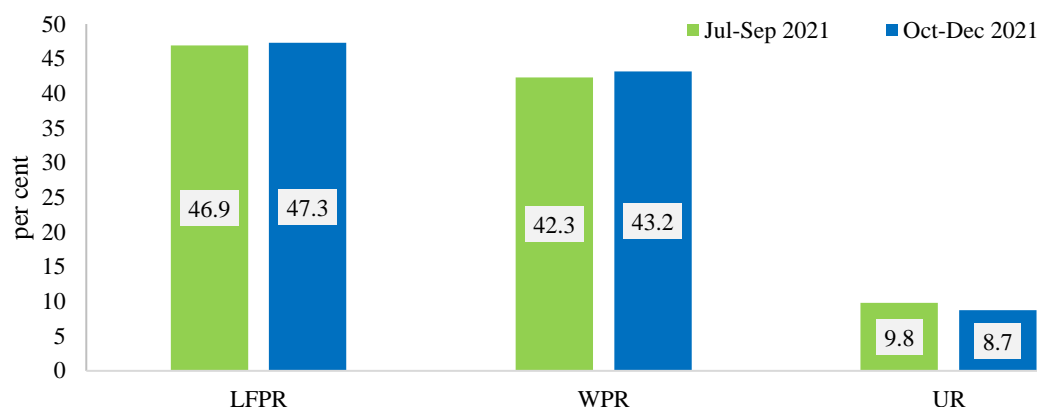
69. As a result of earlier steps taken by the government, employment indicators have bounced back remarkably in 2021. Employment in firms with 10 or more workers operating in nine selected sectors increased to 314 lakhs during October-December 2021 from 310 lakh during July-September 2021, as per the third round of Quarterly Employment Survey (QES).



70. Job opportunities continue to grow in the rural areas as well. Demand for work under MGNREGS, an indicator of distress demand in the rural sector declined in 2021-22. Total persons demanding work under MGNREGS in 2021-22 stood at 40.1 crore, which is 10.3 percent lower than 44.7 crore in 2020-21. This indicates an improvement in the livelihood situation in the rural sector for those depending on work under MGNREGS. In March 2022, 2.9 crore persons demanded work under MGNREGS, which is 19 percent lower than in the corresponding figure in March 2021. In January-March 2022, persons seeking work under MGNREGS have now almost declined to the pre-pandemic levels.

71. As per the Periodic Labour Force Survey (PLFS) report for the quarter October-December 2021 released on 06 May 2022, all key labour market indicators for the urban areas have staged an improvement since the July-September 2021 quarter. For persons aged 15 years and above, the labour force participation rate (LFPR) has risen from 46.9 per cent in July-September 2021 to 47.3 per cent in October-December 2021, while worker participation rate (WPR) rose during the same period from 42.3 per cent to 43.2 per cent. The unemployment rate (UR) decreased from 9.8 per cent to 8.7 per cent between the two quarters.

### Labour Force Indicators



Source: PLFS Quarterly Report for October-December 2021

Note: LFPR stands for labour force participation rate, WPR stands for worker participation rate, UR stands for unemployment rate

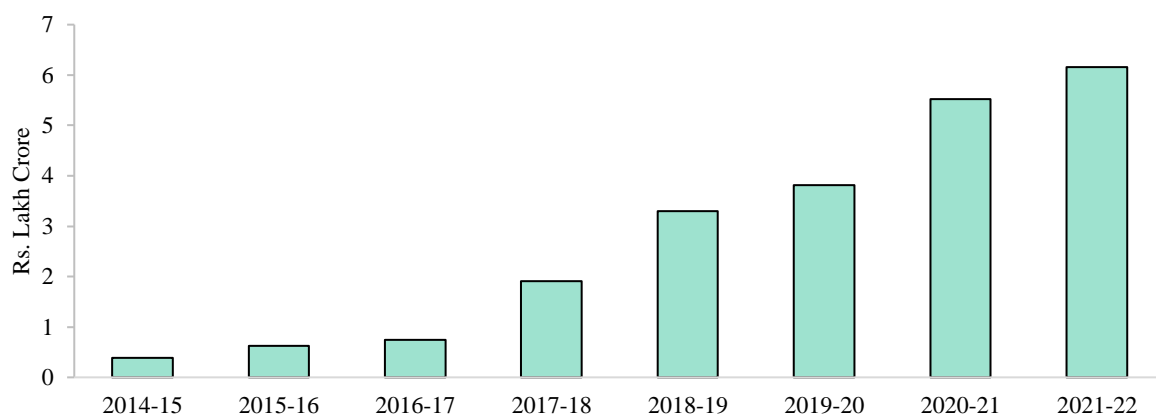
72. The hiring sentiment in the economy stays elevated. As per Monster Employment Index (MEI) hiring activity saw a six per cent YoY growth in March 2022. Hiring in March was driven by banking, financial services and insurance which rose by 37 per cent followed by telecom/ISP (17 per cent) and production and manufacturing (16 per cent). In addition, jobs also rebounded for hospitality & travel personnel by 11 per cent, the sector that was most severely impacted by COVID-19 pandemic.

### *Income Support*

73. The Union Government has launched various welfare schemes for overall development of all sections of the society, particularly, financially weak and marginalized ones. To revolutionize delivery of Government transfers (in the form of subsidy / benefit), Direct Benefit Transfer (DBT) was launched in 2013 as a major governance reform initiative with the objective of improving overall public service delivery in India. DBT framework leverages the use of digital technology for better targeting of beneficiaries, timely delivery of subsidy / benefits and removal of middlemen, thereby leading to greater transparency, accountability in the public delivery system and savings due to reduced leakages and reduced cost of delivery.

74. Since the adoption of DBT in FY 2013-14 till 31<sup>st</sup> March 2022, a sum of Rs. 22.53 lakh crore has been transferred through DBT mode, ensuring that these benefits were received by the intended individual. Total fund transferred / expenditure incurred through DBT mode has increased to Rs. 6.15 lakh crore during FY 2021-22 from 5.52 lakh crore during FY 2020-21, registering YoY growth of 11 per cent. DBT expenditure during FY 2021-22 comprises Rs. 2.58 lakh crore of electronic transfer to beneficiaries under cash-based schemes and Rs. 3.57 lakh crore of expenditure incurred in providing In-Kind benefits to Aadhaar-authenticated beneficiaries.

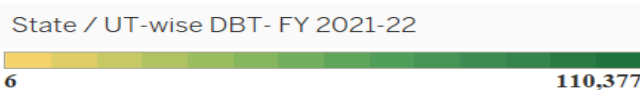
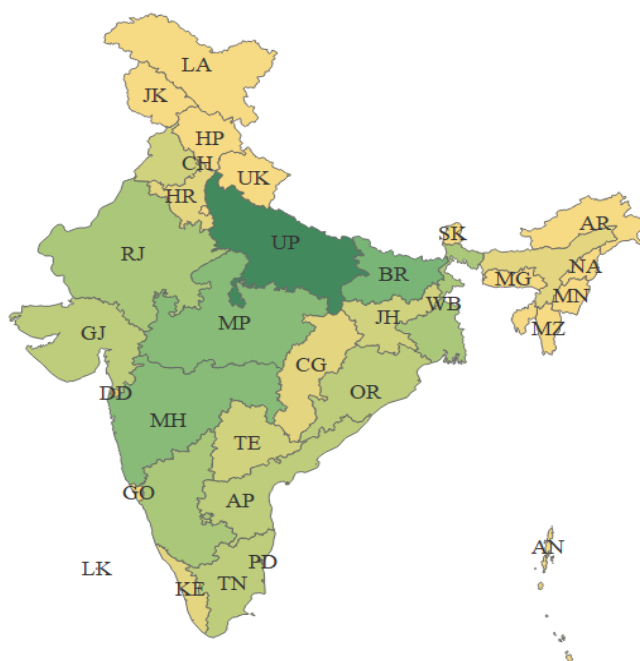
### Progress in Fund Transferred / Expenditure incurred through DBT



Source: DBT Bharat Portal ([www.dbtbharat.gov.in](http://www.dbtbharat.gov.in))

75. As a result of implementation of DBT, a total of 9.33 crore ghost/ fraudulent / duplicate beneficiaries have been removed / deleted from beneficiary databases till 31<sup>st</sup> March, 2021 leading to cumulative benefits / savings of more than Rs 2.23 lakh crore accruing to the Government. The cumulative gains in programmes such as PAHAL (LPG subsidy) and PDS (Food subsidy) are pegged at more than Rs. 72,909 crore and Rs. 1.02 crore respectively.

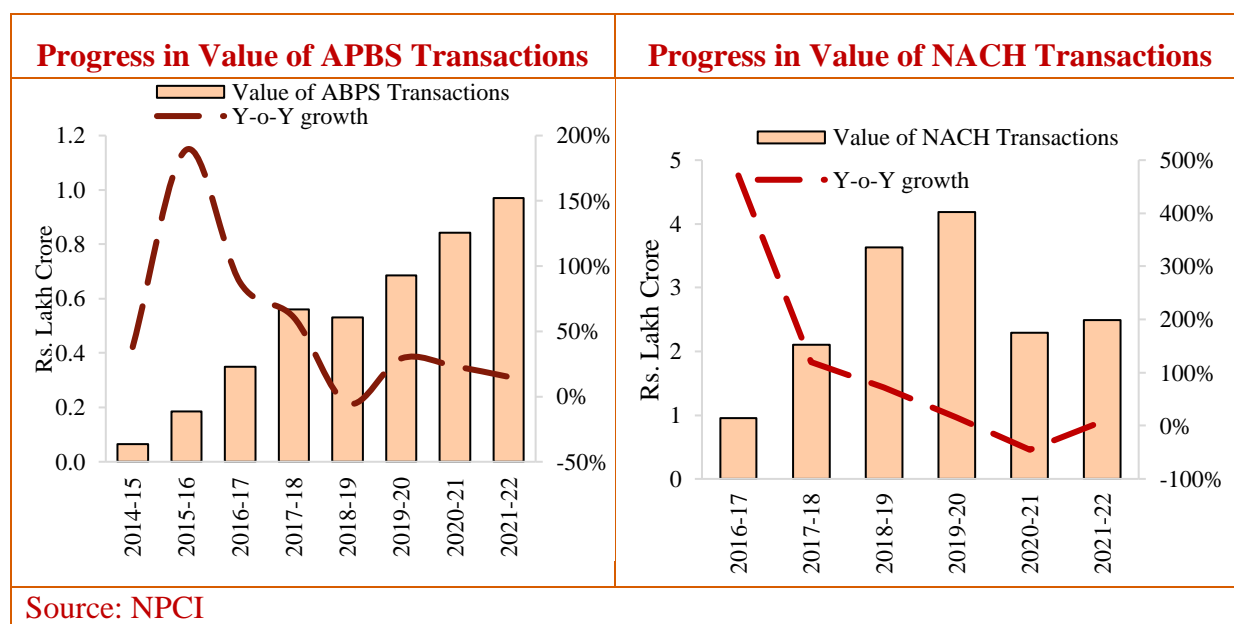
### State / UT-wise Fund Transferred / Expenditure Incurred under DBT during FY 2021-22



Source: DBT Bharat Portal ([www.dbtbharat.gov.in](http://www.dbtbharat.gov.in))

76. Aadhaar Payment Bridge System (APBS) of NPCI uses Aadhaar Number as a central key for electronically transferring Government subsidies and benefits directly in Aadhaar enabled Bank account (AEBA) of the intended beneficiaries. Value of APBS transactions under Direct Benefit Transfer system increased from Rs 84,349.5 crore during FY 2020-21 to Rs 97,066.1 crore during FY 2021-22 registering YoY growth of 15 per cent and month on month growth of 27.4 per cent from February 2022 (Rs 8,098.9 crore) to March 2022. (Rs 10,314.6 crore).

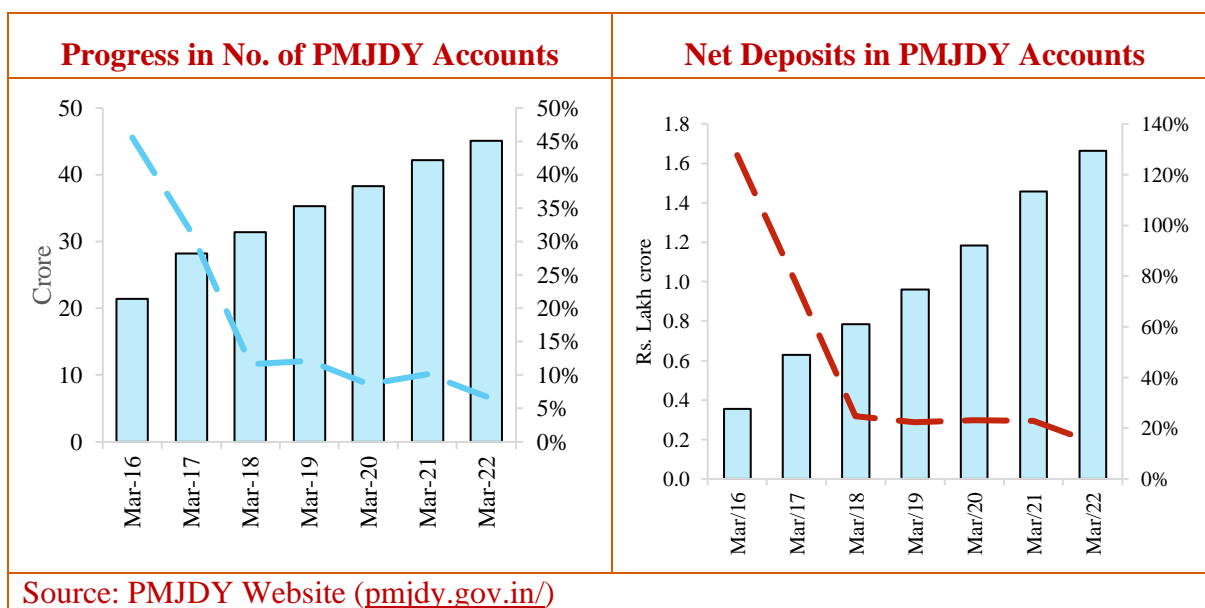
77. National Automated Clearing House (NACH) is a centralised system of NPCI, which consolidates multiple Electronic Clearing Service (ECS) systems running across the country and provides a uniform framework for harmonization of standard & practices. With the implementation of the NACH system, NPCI has provided a single set of rules (operating and business), open standards and best industry practices for high volume electronic transactions which are repetitive in nature such as subsidies, dividends, interest, salary, pension etc. Value of NACH transactions under Direct Benefit Transfer system increased from Rs 2,295 billion during FY 2020-21 to Rs 2,491 billion during FY 2021-22 registering YoY growth of 9 per cent and month on month growth of 24.4 per cent from February 2022 (Rs 13,785 crore) to March 2022. (Rs 17,145 crore).



78. With the objective of enhancing financial inclusion, Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in August, 2014 to provide universal banking services to every unbanked household. PMJDY has resulted in bringing the unbanked into the banking system and has expanded the financial architecture of India. Number of PMJDY accounts have increased from 42.2 crore in March, 2021 to 45.1 crore in March, 2022 registering YoY growth of 7 per cent. Net deposits in PMJDY accounts have increased from

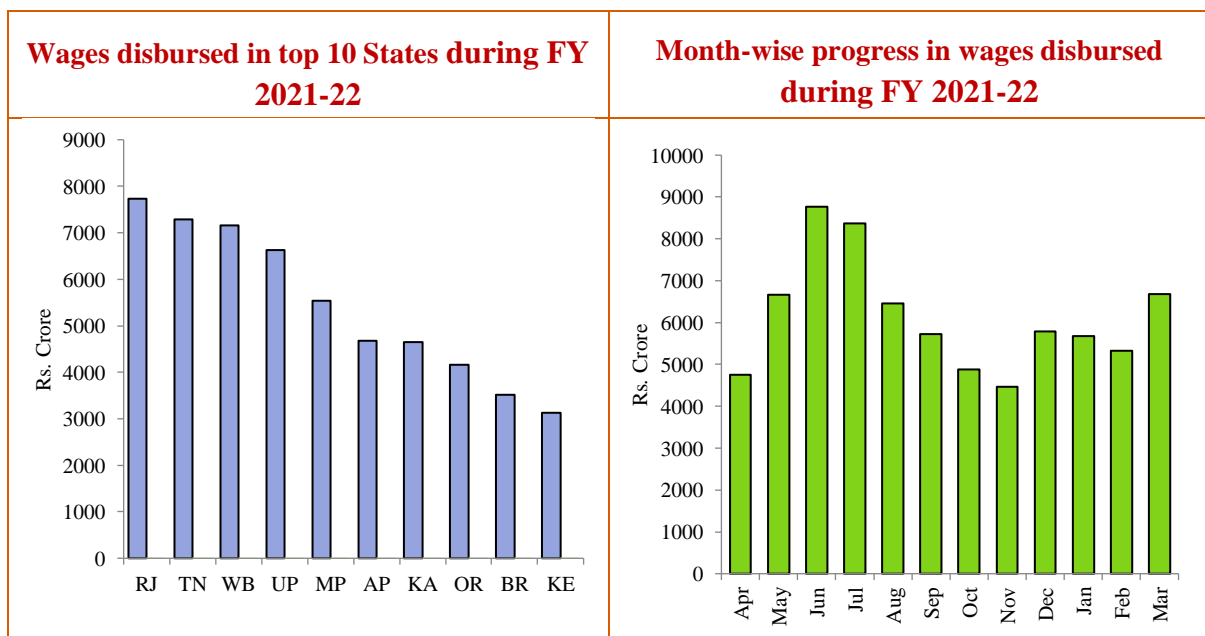


Rs. 1.5 lakh crore in March 2021 to Rs. 1.7 lakh crore in March 2022, registering YoY growth of 14 per cent.



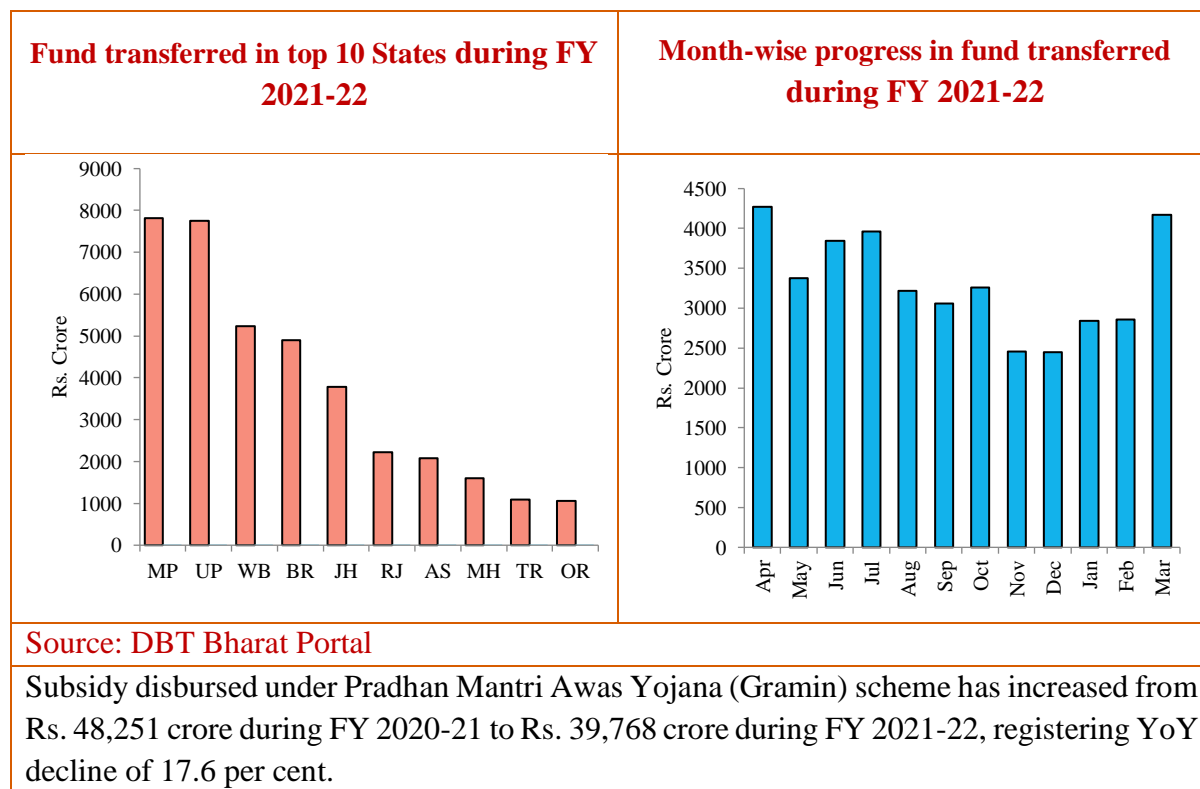
### Performance of major welfare schemes of the Government during FY 2021-22

#### Mahatma Gandhi NREGA

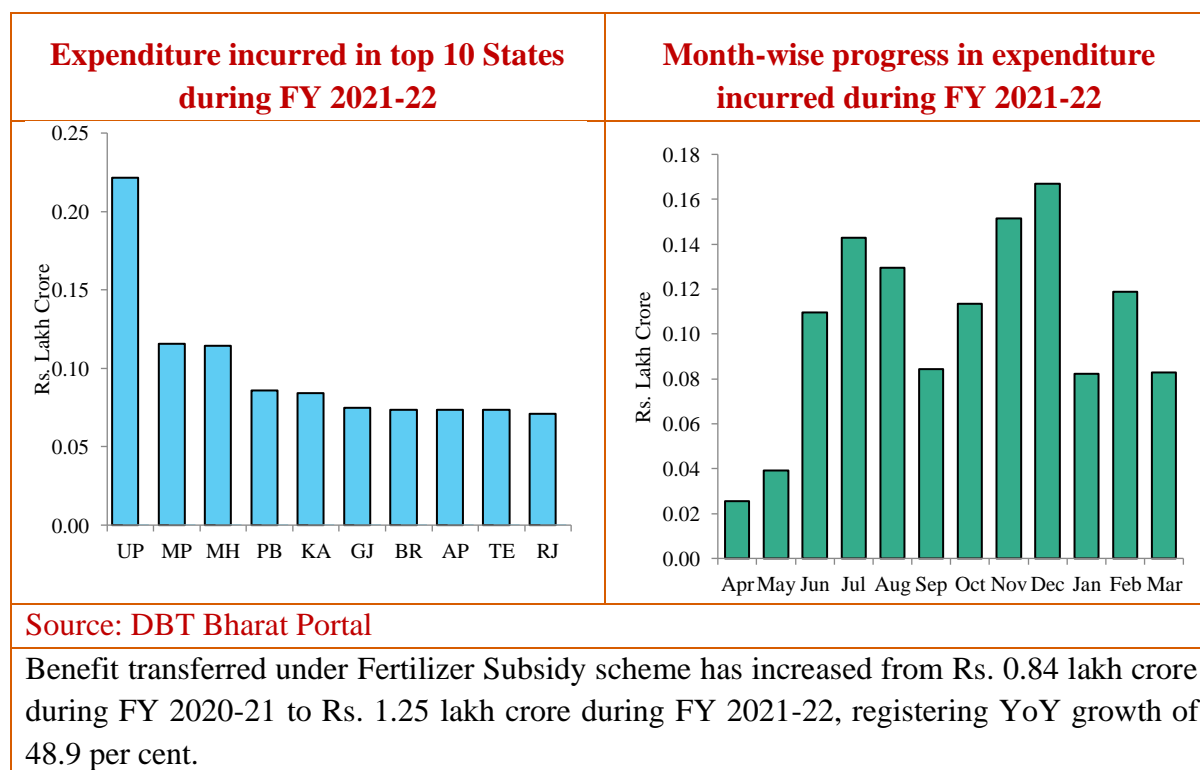


Amount of wage disbursed under Mahatma Gandhi NREGA scheme increased from Rs. 67,218 crore during FY 2020-21 to Rs. 73,551 crore during FY 2021-22, registering YoY growth of 9.4 per cent.

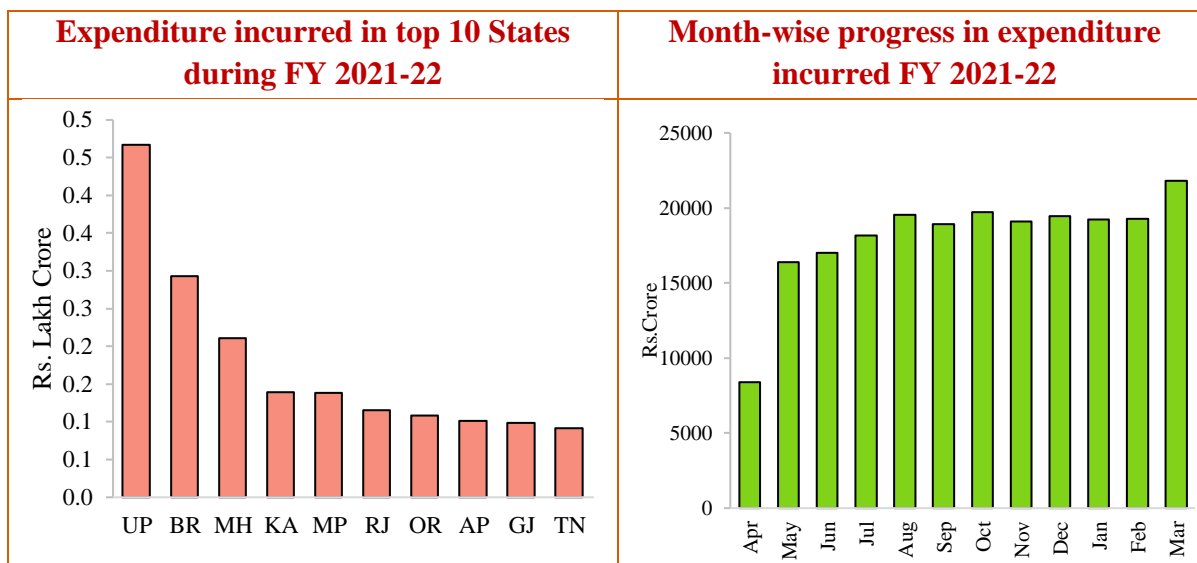
## Pradhan Mantri Awas Yojana (Gramin)



## Fertilizer Subsidy Scheme



## Public Distribution System (PDS)

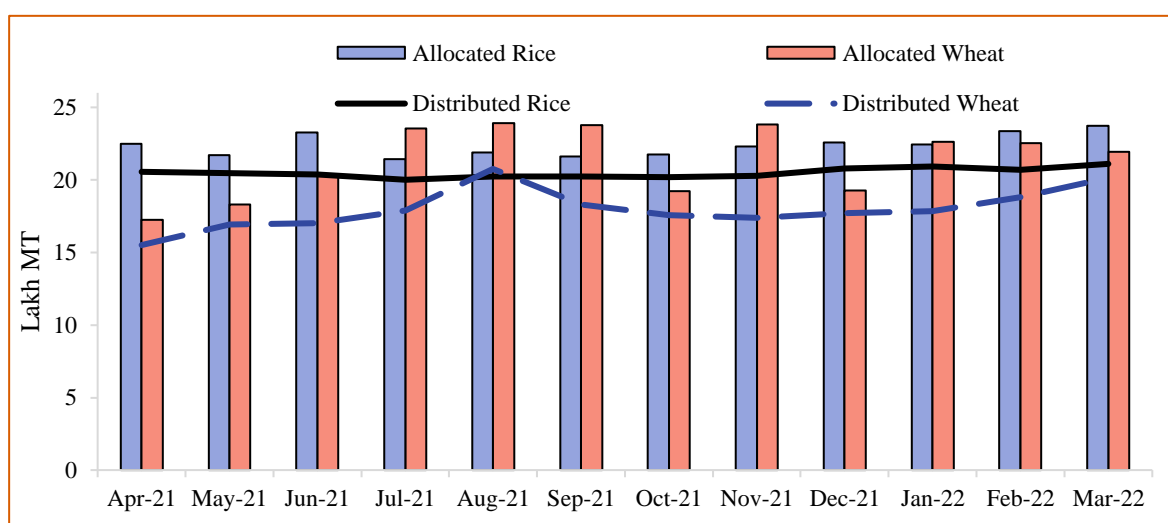


Source: DBT Bharat Portal

Under the PDS scheme, the amount of subsidy disbursed increased from Rs. 2.3 lakh crore during FY 2021-22 to Rs. 2.5 lakh crore during FY 2021-22, registering YoY growth of 7.79 per cent. During FY 2021-22, a total 5.42 crore MT of food grains was allocated to Fair Price Shops (FPS) under National Food Security Act (NFSA), out of which 4.73 crore MT (87.3 per cent) of food grains was successfully distributed.

Food grain wise distribution is presented in the table below: -

Commodity	Allocated	Distributed	% Distributed
Wheat (crore MT)	2.56	2.16	84.13
Rice (crore MT)	2.68	2.46	91.57



Source: PDS, DFPD

## *Outlook*

79. Despite the headwinds emerging from global geopolitical developments and inflationary pressures, gradual and steady recovery in private consumption and robust exports have induced a healthy investment environment in the economy. The upbeat investment environment coincides with increased capacity utilisation in the manufacturing sector as seen in the RBI's quarterly Order Books, Inventory and Capacity Utilisation Survey (OBICUS) for Q3 FY 2021-22.

80. The IMF World Economic Outlook April 2022 projects India to be the fastest growing economy at 8.2 per cent in FY 2022 and 6.9 percent in FY 2023. Lending credence to these projections, the fiscal year 2022-23 has begun with a strong growth momentum in economic activity as indicated by the robust performance of high frequency indicators such as e-way bill generation, ETC toll collection, electricity consumption and PMI manufacturing and services. Merchandise exports recorded a double-digit YoY growth for the fourteenth consecutive month ending in April. Non-oil non-gold imports also grew robustly on the back of improving domestic demand.

81. Through the channel of imports, elevated global crude and edible oil prices now have a significant impact on India's inflation outlook. Government measures to keep the prices of these commodities in check along with the recent hike in policy rates by the RBI are expected to temper inflationary pressures in the economy. However, inflation trajectory in the coming months will be influenced more by the geo-political situation, international commodity prices and supply chain management.

\*\*\*

### *For feedback contact:*

1. Mr. Rajiv Mishra, Economic Adviser ([r.mishra67@nic.in](mailto:r.mishra67@nic.in))
2. Ms. Shreya Bajaj, Deputy Director ([shreya.bajaj@gov.in](mailto:shreya.bajaj@gov.in))
3. Ms. Megha Arora, Deputy Director ([megha.arora1506@gov.in](mailto:megha.arora1506@gov.in))
4. Ms. Sonali Chowdhry, Consultant ([sonali.chowdhry@nic.in](mailto:sonali.chowdhry@nic.in))
5. Mr. Bharadwaja Sastry Adiraju, Young Professional  
([bharadwaj.adiraju@govcontractor.in](mailto:bharadwaj.adiraju@govcontractor.in))
6. Ms. Dipima Sengupta, Young Professional ([dipimasengupta144@yahoo.in](mailto:dipimasengupta144@yahoo.in))