

Economic
Division

Monthly Economic Review

November 2021



आर्थिक कार्य विभाग
DEPARTMENT OF
ECONOMIC AFFAIRS

Executive Summary

Real GDP in Q2 of FY 2021-22 has grown by 8.4 per cent YoY, recovering more than 100 per cent of the pre-pandemic output in the corresponding quarter of FY 2019-20. India is among the few countries that have recorded four consecutive quarters of growth amid Covid-19 (Q3, Q4 of FY21 and Q1, Q2 of FY22) reflecting the resilience of the Indian economy. The recovery was driven by a revival in services, full-recovery in manufacturing and sustained growth in agriculture sectors. The recovery suggests kick-starting of the investment cycle, supported by surging vaccination coverage and efficient economic management activating the macro and micro drivers of growth.

On the demand side, exports and investment constituted the macro drivers rising by 17 per cent and 1.5 per cent respectively over their pre-pandemic levels. Recovery in private consumption also jumped from 88 per cent in Q1 to 96 per cent in Q2 to become an emerging macro growth driver. On the supply side, while real GVA in agriculture continued to be higher than its pre-pandemic level, manufacturing and construction sectors also surpassed their pre-pandemic levels to emerge as key drivers of growth. Reassuringly, GVA in Trade, Hotel and Communication services sharply improved from pre-pandemic recovery rate of 70 per cent in Q1 to 90 per cent in Q2, to become another emerging growth driver of the economy as contact-based services overcame the fear of the pandemic.

India's economic recovery is expected to gain further strength in the remaining quarters of the financial year, as evident from 19 among 22 High Frequency Indicators (HFIs) in September, October and November of 2021 crossing their pre-pandemic levels in the corresponding months of 2019. Yet, Omicron, a new variant of COVID-19 may pose a fresh risk to the ongoing global recovery. However, preliminary evidence suggests that the Omicron variant is expected to be less severe and more so with increasing pace of vaccination in India.

In so far as domestic impulses to growth are concerned, India's recovery is aided by rapid vaccination covering with at least one dose more than 90 per cent of adult population. This has helped daily COVID-19 cases in India decline further in November, with month-end active caseload reaching its lowest since June 2020, concentrated in only few states of the country. Around 80 per cent of the active cases are in Kerala, Maharashtra, Tamil Nadu, West Bengal and Mizoram.

The agriculture sector has been the foundation on which economic contraction in India was minimized in FY 2020-21 and recovery sped up in FY 2021-22. While healthy progress in sowing and adequately filled reservoirs have ensured rich harvest and rising production of food grains, increase in MSPs for both kharif and rabi crops in 2021-22 and progress in rice procurement benefitting 49 lakh farmers so far, have also raised rural incomes. With record procurement in recent years, central pool stocks have burgeoned and currently stand at 2.7

times the buffer norms, enabling smooth distribution of foodgrains under the Pradhan Mantri Garib Kalyan Anna Yojana, benefitting more than 80 crore people.

Portending strengthened revival of industrial growth in coming months, index for Eight Core Industries accelerated in October to grow at 7.5 per cent over previous year level, driven by growth in both coal and cement and natural gas. Core index has now surpassed its corresponding 2019 pre-pandemic levels for the fourth straight month. Index of Industrial Production (IIP) also continued to recover in October 2021 led by recovery in infrastructure and intermediate goods over their corresponding pre-pandemic levels. Rapid expansion of PMI Manufacturing from 55.9 in October to 57.6 in November and PMI Services staying above 58 in November as well, not only mirrors GDP growth of Q2 but also highlight strengthening of domestic market and global demand. In sync with the economic recovery, November 2021's GST collections rose to their second-highest level of ₹1.31 lakh crore, crossing 1.3 lakh crore level for second straight month. With acceleration in adoption of digital payments and rising consumer sentiments, UPI transactions' value stood at a buoyant ₹ 7.68 lakh crore in November, 2021, almost double the corresponding month of 2020. Currency-in-circulation also declined in November to reflect an uptick in consumer sentiment. RBI's latest round of Consumer Confidence Survey of November 2021 echoes positive consumer sentiments with sustained improvement in current perception and future expectations of households since July 2021.

Headline CPI inflation remained stable at 4.5 per cent during October, with retail food inflation softening from 5.1 per cent in June 2021 to 0.8 per cent in October 2021. Measures such as open market sale, imposition of stock limits on pulses and edible oils and rationalisation of tariffs/import duty have aided stability in prices of essential commodities. On the producers' side, wholesale inflation climbed up to 12.5 per cent in October driven by fuel and manufacturing segments attributable to rising input cost inflation and global energy prices. Going forward, reduction in fuel excise duty by Central Government, with State Governments following suit, is expected to ease the inflationary pressures through second-round effects in coming months. The Monetary Policy Committee (MPC) of RBI, in its December, 2021 statement, has forecast CPI inflation in the current year and Q1 of FY 2022-23 to remain within the monetary policy goal.

Buoyancy in external sector continued well into November, with broad-based growth in merchandise exports, despite rising container shipping cost. Domestic institutional investors invested more than Rs. 30,000 crore in the capital market during November, despite the sell-off by foreign portfolio investors. Net FDI closed-in on US\$ 20 billion mark in the first six months of FY 22 as it did in FY 21. Foreign exchange reserves stood comfortably at US\$ 640.4 billion on November 19, 2021, enough to finance more than a year of imports.

Even as large corporates increasingly resorted to non-bank sources of funding, November saw growth in bank credit reaching 7 per cent YoY on the back of comfortable liquidity persisting in the financial system and declining borrowing costs reflective of full transmission of repo rate cuts. The MPC in its December, 2021 meeting continued to keep the repo and reverse repo rate unchanged to maintain low borrowing costs in the economy. The MPC has also continued with the accommodative stance to restrain borrowing costs rising in the near future. In addition, excise duty cuts with its softening impact on inflation has enabled the 10-year G-sec yield soften from 6.38 per cent at end-October to 6.33 per cent on November 26. Emulating the decline in G-sec yields, corporate bond yields softened as well.

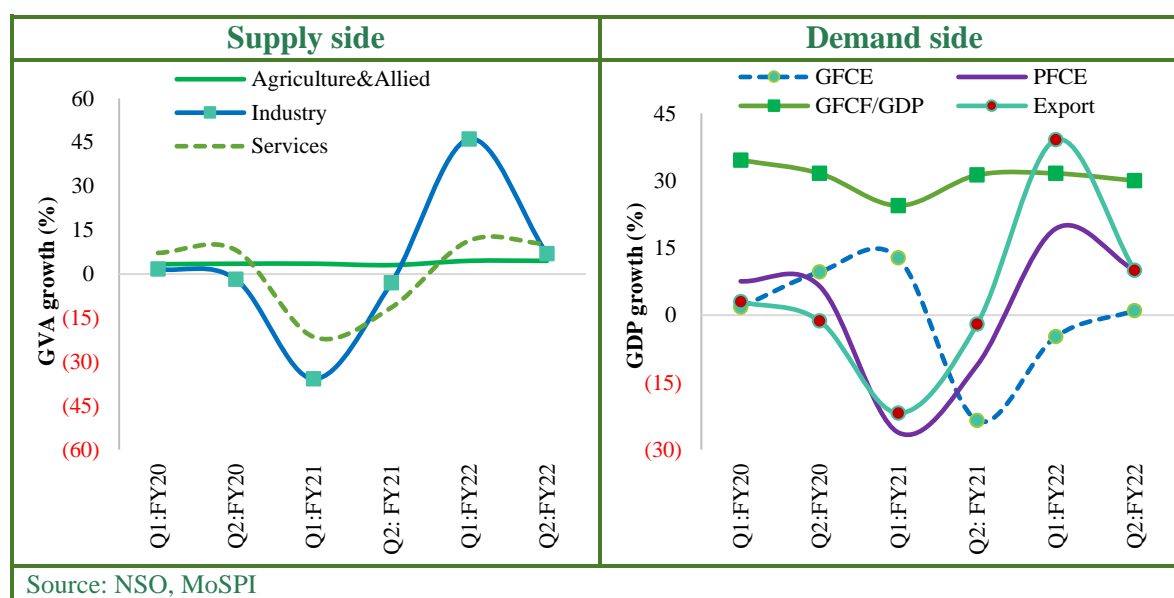
Central Government finances improved during April 2021 to October 2021 over the corresponding period of previous year, with both direct and indirect taxes showing a significant YoY growth. Sustained improvement in revenue collection bodes well for achieving the government's fiscal deficit target at 6.8 per cent of GDP for the current financial year. In the first seven months of FY 2021-22, Government stepped up public capital expenditure in infrastructure by 28.3 per cent over the corresponding period of last year with focus on Railways, Road Transport and Highways, and Housing and Urban Affairs. Revenue expenditure during this period saw a much lower YoY growth of 7.5 per cent, indicating a pronounced shift towards much improved quality of total expenditure.

Recognizing the urgency of strong climate action in this decade, India has demonstrated its strong intent towards careful alignment of climate action with inclusive and resilient economic recovery. Leading by example, India delivered on its Paris commitments and has now set out ambitious goals at Glasgow – “Panchamrit”, unprecedented for a developing country with relatively small per capita emissions. India has, therefore, committed to walk the extra mile while keeping enough policy room to navigate the nation's economic growth on to a higher growth path.

The COVID-19 pandemic has led to considerable human and economic costs setting countries back on their developmental goals. The year 2021 is thus a “catch-up” year for the global economy including India, trying to recover the pre-pandemic output level of 2019. India has not only caught up with its pre-pandemic output of Q2, but is also expected to do so for the full year. The MPC in its December statement has maintained the growth forecast of 9.5 per cent during FY 2021-22, implying a full recovery and a 1.6 per cent growth over pre-pandemic GDP level of FY 2019-20. India will be among only a few economies in the world to rebound strongly from COVID-19 induced economic contraction of 2020-21.

India achieves full recovery of pre-pandemic output level in Q2: FY 2021-22

1. Latest GDP estimates released by NSO showed that Indian economy grew at 8.4 per cent YoY in Q2 of FY 2021-22 after clocking 20.1 per cent YoY growth in the preceding quarter. India is among the few countries that have recorded four consecutive quarters of growth amid Covid-19 pandemic (Q3, Q4 of FY21 and Q1, Q2 of FY22). Q2 output at Rs.35.7 lakh crore achieved full recovery in real terms as compared to corresponding pre-pandemic output level in Q2 of FY 2019-20 at Rs.35.6 lakh crore. Growth in H1 (Q1+Q2) of 2021-22 accordingly works out to 13.7 per cent over H1 of 2020-21. With this, more than 95.6 per cent of the H1 output of 2019-20, the pre-pandemic year, stands recovered. Sequentially, the growth in Q2 output of 2021-22 over the preceding quarter (Q1 of 2021-22) stood at 10.4 per cent. Recovery was supported by rapid surge in vaccination coverage from 32 per cent of the adult population at end of Q1 to 75 per cent at end of Q2 of 2021-22 besides effective pandemic management and signalling impact of announced reforms.



2. On the demand side, exports led among the macro drivers rising by 17 per cent over its pre-pandemic level. Investment, which also recovered by growing 1.5 per cent over its pre-pandemic level, holds much promise to become a strong macro growth driver in view of the financial sector providing funds through multiple channels. Public capex has also contributed to increase in investment. In line with budget's steep increase of 34.5 percent in capex outlay, public capex in infrastructure was at Rs.2.5 lakh crore in the first seven months of FY 2021-22, as against Rs.2 lakh crore each in the corresponding period of FY 2020-21 and FY 2019-20. The recovery rate of private consumption, the most critical pillar of the economy also jumped from 88 per cent in Q1 to 96 per cent in Q2 to become an emerging macro growth driver. Private consumption has grown this fiscal even when spending avenues remained limited due to localised curbs. Also contributing to increase in the recovery rate in private consumption has been the recovery in the services sector.

Real growth in demand side of GDP and its components (percent)

Components	Growth over Q2 of 2020-21	Growth over Q1 of 2021-22	Recovery over Q2 of 2019-20
Total Consumption	8.6	4.8	94.1
Government Consumption	8.7	-14.2	83.2
Private Consumption	8.6	9.2	96.5
Gross Fixed Capital Formation	11.0	11.8	101.5
Change in Stock	2.7	7.8	106.2
Valuables	183.3	603.6	270.5
Exports	19.6	8.4	117.2
Imports	40.6	16.8	115.5
GDP	8.4	10.4	100.3

Source: National Statistical Office, MoSPI

3. On the supply side, Gross Value Added (GVA) growth picked up to 8.5 per cent YoY in Q2 attaining full recovery of corresponding pre-pandemic quarter (Q2:FY2019-20) led by service sector followed by industry and agriculture sector. In Q2, real GVA in agriculture continued to be higher than its pre-pandemic level providing much needed support to the economy when lockdowns had severely disrupted activity levels in urban areas. However, it was manufacturing, which grew 3.9 per cent over its pre-pandemic level and construction, which attained its pre-pandemic GVA level, that identified themselves as the micro drivers of growth. GVA in Trade, Hotel and Communication services sharply escalated from its pre-pandemic recovery rate of 70 per cent in Q1 to 90 per cent in Q2, to become another emerging micro growth driver of the economy as contact-based services overcame the fear of the pandemic.

Real Growth of GVA and its components on the Supply side (Per cent)

Sectors	Growth over Q2 of 2020-21	Growth over Q1 of 2021-22	Recovery over Q2 of 2019-20
Agriculture & Allied Sectors	4.5	-16.2	107.7
Industry	6.9	5.9	103.7
Mining & quarrying	15.4	-14.0	107.9
Manufacturing	5.5	7.9	103.9
Electricity, gas, water supply & other utility services	8.9	5.2	111.4
Construction	7.5	8.7	99.7
Services	10.2	16.2	97.6
Trade, hotels, transport, communication & services related to broadcasting	8.2	24.9	90.8
Financial, real estate & professional services	7.8	7.0	98.0
Public administration, defence & Other Services	17.4	24.7	106.6
GVA at basic price	8.5	7.9	100.5

4. These estimates indicate that by end of the first half itself of the financial year, the country was ready with the macro and micro growth drivers to kick start its investment cycle and catalyse the economy to becoming the fastest growing one in the world.

5. Economic activity levels further rose in November on the strength of sustained step up in vaccination with nearly half the adult population having been administered both doses and 90 per cent having received at least one dose, by November end. High Frequency Indicators (HFIs) are being monitored to track the progress of economic recovery in India since the first COVID-19 case was reported in the country in January, 2020. From among 22 HFIs tracked by Government, 19 have crossed their corresponding pre-pandemic levels in October, 2021 as compared to October, 2019 suggesting a further acceleration in GDP growth in Q3 of FY 2021-22. Among the 19 HFIs, there are some indicators whose recovery is way beyond 100 per cent such as power consumption, E-Way bill volume, merchandise exports, coal production, rail freight traffic etc, which suggests that not only the recovery is complete, but also the economic growth is steadily gathering momentum over corresponding pre-pandemic levels of output.

Performance of Key High Frequency Indicators (HFIs) in Q3 FY 2021-22

No.	Indicator	Unit	Month	2019	2021	Recovery
1	UPI (Volume)	Crore	November	121.9	418.6	344
2	Google Mobility [@]	% change from baseline	November	-	47.9	148
3	Merch Imports	USD billion	November	38.5	53.1	138
4	Coal Production	Index	October	109.6	140.4	128
5	Rail Freight Traffic	'000 tonnes	October	93820	117000	125
6	Cement Production	Index	October	137	161.9	118
7	Merch Exports	USD billion	November	25.8	29.9	116
8	E-Way Bill Volume	Crore	November	5.3	6.12	115
9	PMI Manufacturing	Index	November	51.2	57.6	113
10	PMI Services	Index	November	52.7	58.1	110
11	Tractor Sales	Numbers	October	106889	115615	108
12	IIP	Index	October	127.7	133.7	108
13	8-Core Industries	Index	October	127.4	136.2	107
14	Fertilisers Sales	Numbers	November	66.2	70	106
15	Power Consumption	Mega Units	November	95053	100425	106
16	Port Cargo Traffic	'000 Tonnes	October	57	60	105
17	Fuel Consumption	'000 MT	October	17343.5	17873	103
18	Average ETC Collection [*]	Rs. Crore	November	70.1	71.4	102
19	Air Cargo Traffic	'000 Tonnes	October	300.7	301.8	100
20	Steel Consumption	'000 Tonnes	October	8831	8751	99
21	Domestic Auto sales	Lakhs	October	21	18	86
22	Air Passenger Traffic	Lakhs	October	295.8	196.4	66

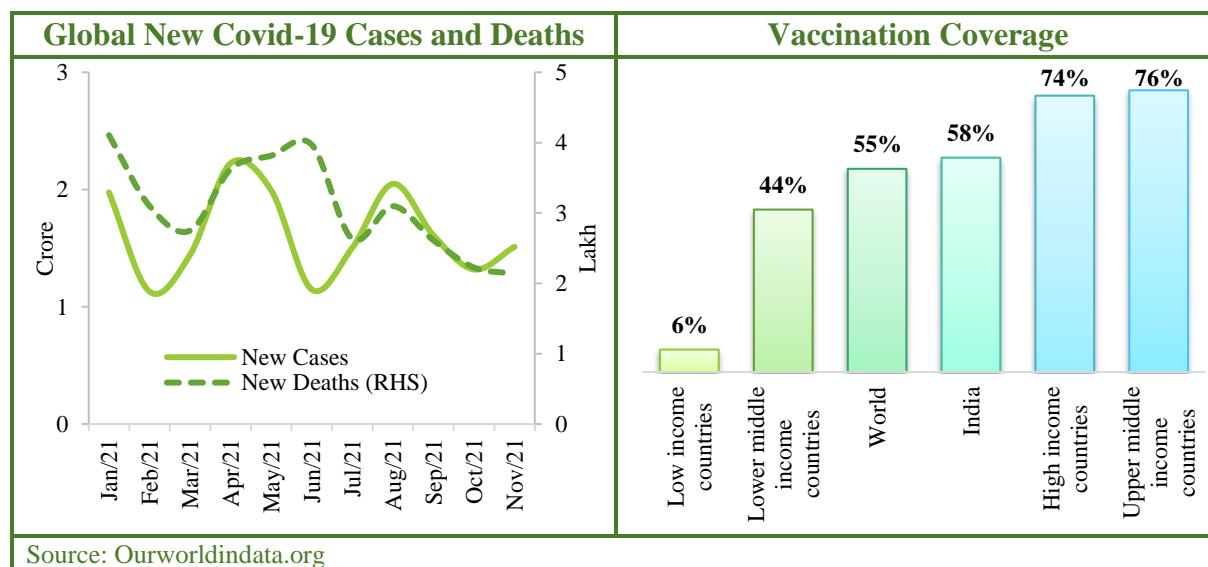
Note:

1. *Value of Average ETC collection corresponds to 2020 (not 2019).
2. @ Baseline value (Jan-Feb value of 2020)

6. India's economic recovery is expected to gain further strength in the remaining quarters of the financial year on the back of upbeat market sentiments, rapid vaccination coverage, strong external demand and continuous policy support by Government and RBI. However, the new Omicron variant of COVID-19 poses a challenge to the sustained recovery, and COVID-19 appropriate behaviour is warranted. That said, the economy is better prepared to work with COVID, with rapidly growing vaccination coverage and lessons learnt from second wave in containing the contagion.

Resurgence in new cases; vaccination continues to expand; new variant rekindles old concerns

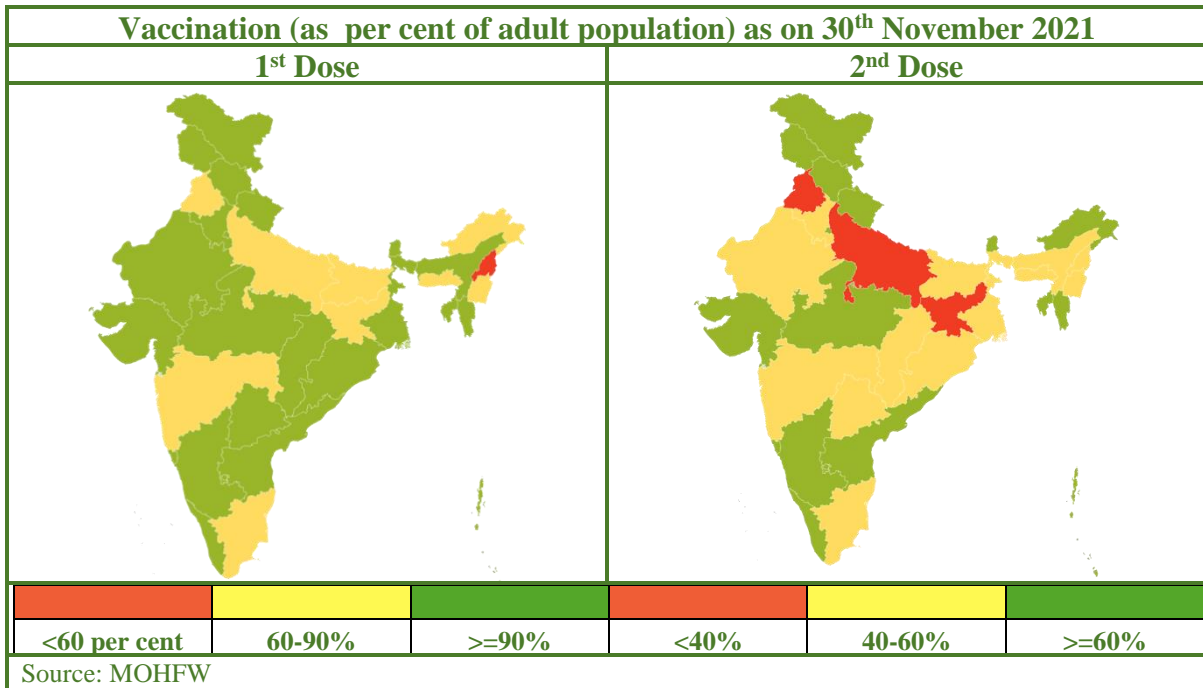
7. Global COVID-19 cases resurged in November to 1.5 crore compared to 1.3 crore in October fuelled by widespread surges in Central and Eastern Europe, the United Kingdom, and the Euro Area. However, global deaths continued to diminish in November to 2.1 lakh compared to 2.2 lakh in October. With rise in cases, some parts of Europe have imposed strict restrictions and others are considering introducing strict restrictions aimed at the unvaccinated. Global vaccination drive continued to pick up pace with more than 50 per cent of the population vaccinated with single dose by November. However, vaccination coverage continues to be uneven with low-income countries having vaccinated only 6 per cent of the people with one dose compared to 74 per cent in advanced countries. A wide variation of 32 per cent in vaccine coverage is also witnessed between lower and upper middle-income countries.



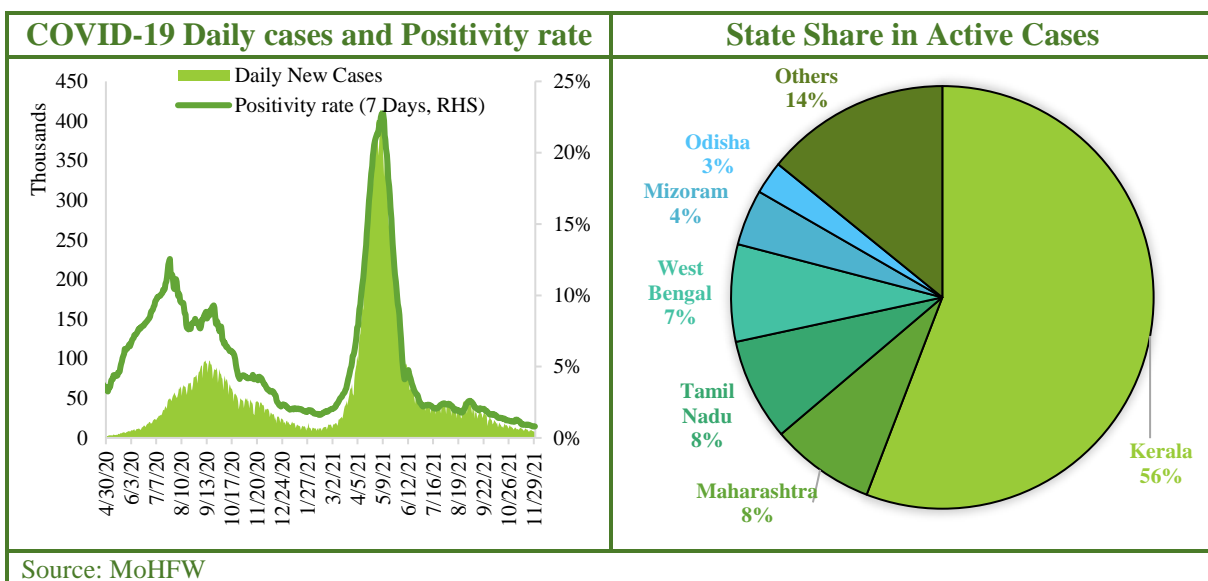
Daily cases continue to shrink with increase in pace of vaccination, India should continue to strongly hold the guard against the COVID-19

8. As on 30th November, more than 79 crore people have received at least one vaccine dose covering 91.2 per cent of the adult population. More than 45 crore people have been fully vaccinated inoculating 52.2 percent of the adult population. Average daily vaccination rate increased from 55.2 lakh in October to 59.9 lakh doses in November. 13 states and union territories have vaccinated the entire adult population with at least one dose. 9 states and UTs have vaccinated more than 75 per cent of their respective adult population with second dose.

Uttar Pradesh, Bihar and Punjab have vaccinated less than 40 per cent of adult population with second dose.



9. The 7-day moving average of daily cases continues to decline, falling from 13,652 at October end to 8,716 at November end. The recovery rate has strengthened to reach 98.3 per cent. As on 30th November, active cases continued to shrink and are now to a low of less than 1.2 lakh since June 2020. Weekly positivity rate also remained low at less than 1.0 per cent by month end. The number of active cases largely remains concentrated in Kerala accounting for 56 per cent of the total active cases. Overall, 80 per cent of the active cases are in Kerala, Maharashtra, Tamil Nadu, West Bengal and Mizoram. A similar pattern can be seen in the number of deaths in the month of November with Kerala accounting for 78 per cent of the total deaths in the country followed by Maharashtra, Tamil Nadu and West Bengal.



10. With Omicron emerging as a variant of concern in November, India cannot lower its guard and needs to continue taking all precautions including wearing of mask, taking both doses of vaccines (if not yet vaccinated), maintaining social distancing and good ventilation to the maximum extent possible. Lessons learnt during the second wave will help India to fight the new variant. Also, given the fast pace of vaccination in India and high exposure to delta variant as evidenced by high seropositivity, the severity of the disease is anticipated to be low. Nonetheless, going forward, following and adopting COVID-19 appropriate behaviour along with ramped up testing will be critical to shield the country from another wave and subsequent restrictions which may pose downward risk to India's revival story.

Global Economy

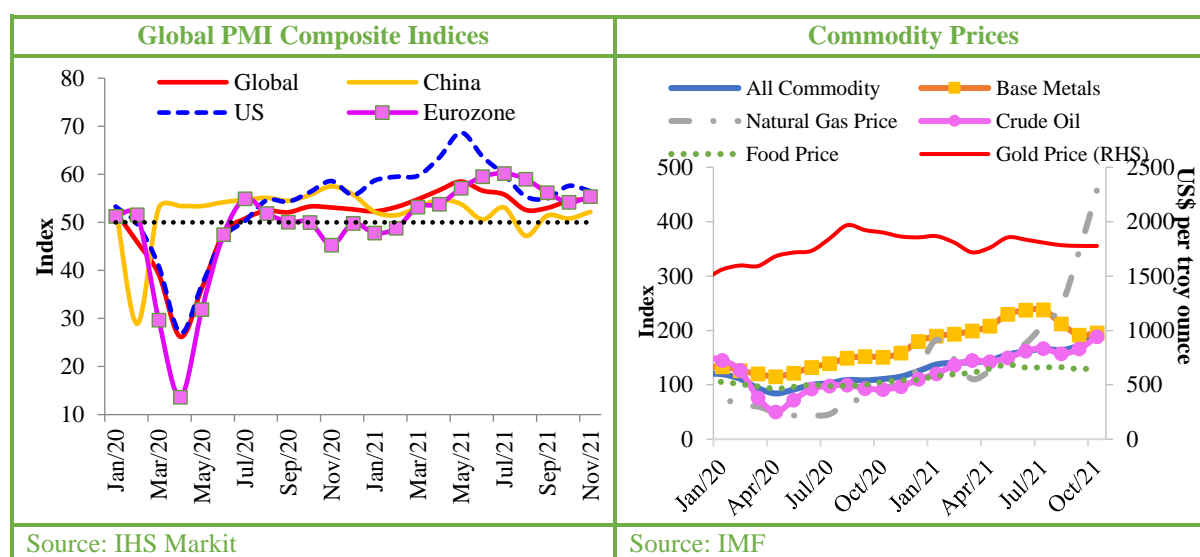
Global economic recovery continues, inflation remains sticky, advent of Omicron poses concern

11. Global Composite PMI, in the expansionary zone for 17 months now, inched up further to 54.8 in November from 54.5 last month, driven by improvements in business conditions and services sector. However, while output has been rising across much of global economy (predominantly Euro Area, Japan, India and Australia), prolonged vendor delivery times, supply constraints and price inflationary pressure continue to impede the momentum of recovery. US Composite PMI remained robust at 56.5 in November while declining from 57.6 last month, largely due to softening of service sector expansion. Labour shortages, material delays and input cost inflation continue to put global recovery at risk, further endangered by the Omicron variant. In the Eurozone area, Composite PMI rose to 55.8 in November from 54.2 last month, with services sector outperforming manufacturing, which continued to be hamstrung by supply delays. The rate of job creation however rose to the second-highest in 21 years with firms seeking to meet growing demand.

12. Global inflationary pressures continue to be intense. In October, US inflation rose at the fastest pace in three decades to reach 6.2 per cent along with Euro Area and China where it continued to rise to 4.1 and 1.5 per cent, respectively, fuelled by rising energy costs. IMF Commodity price index saw a 71 per cent growth in October compared to last year and 9.6 per cent compared to last month, driven by rise in prices of natural gas (rising 32.8 per cent over previous month and 391 per cent over last year) and coal (soaring 30 per cent sequentially and 288 per cent YoY). This rise may be partly attributable to weather-related supply shocks in exporting countries, and strong demand for power generation amid higher-than-average temperatures, industrial use, expectation of strong winters and vastly integrated global energy markets. Crude oil prices in October 2021 were 105.6 per cent higher than last year, pulled-up by demand recovery as travel restrictions eased, while supply disruptions persisted.

13. With the emergence of a new variant, a wave of selling on financial markets ensued, with concerns that a highly transmissible mutant could set back global recoveries. In addition, hawkish US monetary policy and slower growth in China further induced the sell off. Since the pandemic, many Emerging Markets and Developing Economies (EMDE) central banks have joined their advanced-economy counterparts in deploying asset purchase programs, along with other unconventional policies. The motivation for the use of these tools has been related more to easing financial stresses than to providing macro stimulus. Consequently, EMDE central

banks have managed to lower government yields and significantly reduce financial market stress, while avoiding noticeable capital outflow and depreciation of the currency.



14. Global trade continued to strengthen in recent months when compared to previous year. Container Throughput Index by ISL (covering 91 sea-ports accounting for 60 per cent of global container traffic) rose from 122.3 in September to 123.3 in October, driven by growing activity in Chinese ports, while activity in northern Euro area and Germany moderated. Average daily number of commercial flights declined by 4.7 per cent in November compared to previous month, while 34 per cent higher than in November 2020 but 19 per cent lower than in November 2019, similar to previous month.

15. According to UNCTAD’s Global Trade Update - November, the value of world imports and exports of goods hit \$5.6 trillion in the third quarter of 2021, setting a new quarterly record. Trade in goods and services is expected to reach \$28 trillion in 2021, an increase of 23 per cent over 2020 levels and 11 per cent compared with pre-COVID-19 levels in the corresponding periods. The strong recovery in demand is attributable to subsiding pandemic restrictions, economic stimulus packages, and increases in commodity prices. At the same time, risks to global trade growth include rise in inflation, longer port delays, higher shipping rates, regionalisation of trade flows, debt burden and extended shortages of semiconductors.

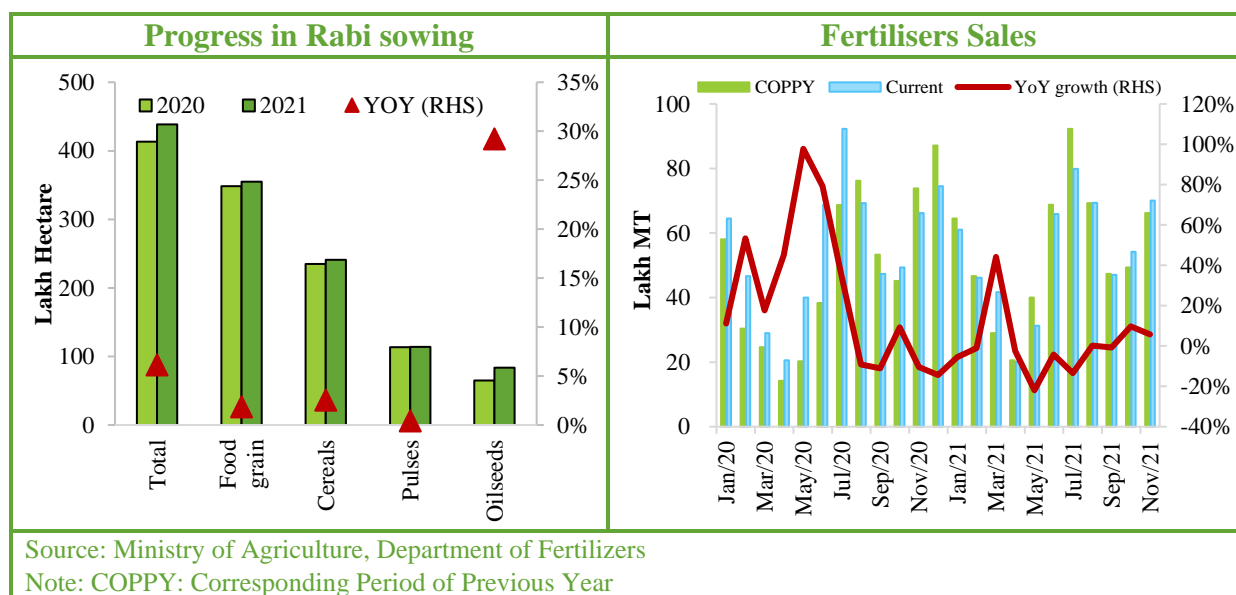
Domestic Economy

Bright agricultural prospects and strengthening rural demand

16. Following resilient YoY growth of 4.5 per cent in Q1 and Q2 of FY:2021-22, agriculture sector continued to remain in the green with healthy progress of rabi sowing. As on 3rd December 2021, overall rabi acreage stood at 438.5 lakh hectares, 6.1 per cent higher as compared to the previous year. Area under rabi oilseeds has increased by 29.2 percent compared to last year, boding well for domestic edible oil production. Providing comfortable capacity for irrigation, live storage in 133 reservoirs stood at 97 per cent of the live storage of corresponding period of last year and 115 per cent of storage of average of last ten years. Higher

year-on-year and month-on-month growth in fertiliser sales in November further indicate healthy rabi sowing.

17. Rising rural demand can be deduced from robust domestic tractor sales in October which rose 25 per cent over previous month, 0.4 per cent over October 2020, and 8 per cent over October 2019 level. So far in the financial year, tractor sales have been higher by 7 per cent vis-à-vis last year.



18. In a major policy move, the Government repealed three agricultural laws and opted for a renewed dialogue with stakeholders. Farm Laws Repeal Act 2021 was passed by both houses of Parliament and received Presidential assent on 1st December. As a further push to rural economy, Minimum Support Prices (MSPs) announced for various crops for both Kharif and Rabi season for crop year 2021-22 are higher in the range of 1.1 per cent to 8.6 per cent. Increase in MSPs for both Kharif and Rabi crops in 2021-22 and progress in rice procurement have already been supplementing rural incomes in the country. For 2021-22 Kharif season, total rice procurement target has been fixed at 500 lakh tonnes for the entire country out of which 195 lakh tonnes of rice has already been procured as on 30th November, benefiting 49.2 lakh farmers. With record procurement in recent years, central pool stocks have burgeoned, currently at 2.7 times the current buffer norms. Sumptuous stocks have enabled smooth distribution of foodgrains under the Pradhan Mantri Garib Kalyan Anna Yojana, operational since April 2020 and recently extended till March 2022, benefitting around 80 crore National Food Security Act beneficiaries as the economic recovery solidifies.

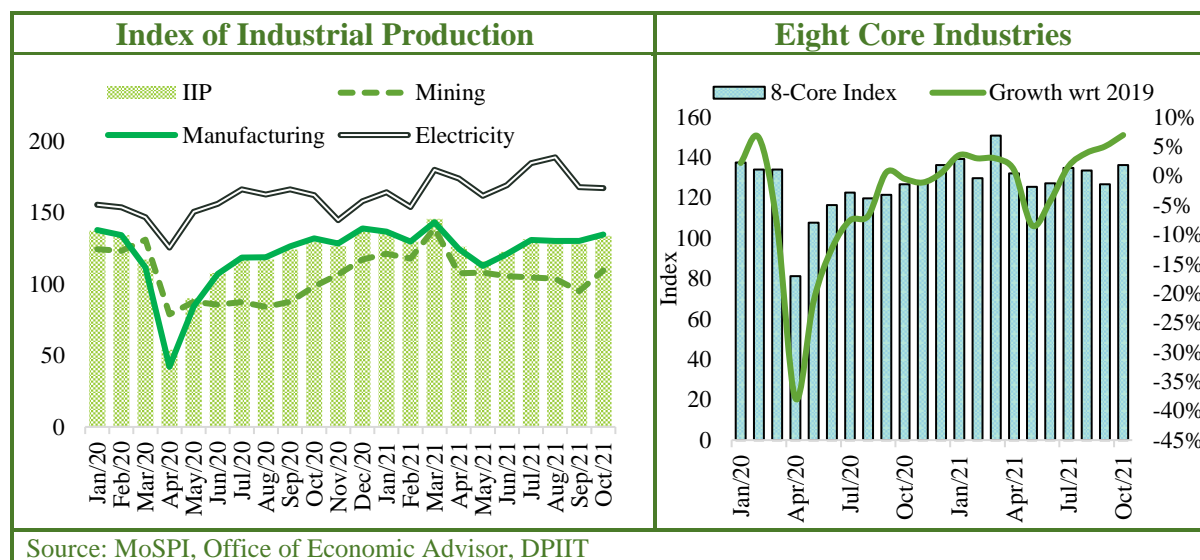
19. Agricultural marketing remains key to empowering farmers with remunerative prices for their produce, and to smoothen supply-demand mismatches. In an impressive display of India's agricultural diversity and Rail might, Kisan Rail service was launched in August 2020, in compliance with the announcement made in Union Budget 2020-21. It is a time-tabled and demand-based service to enable speedy movement of perishables including fruits, vegetables,

meat, poultry, fishery and dairy products from production or surplus regions to consumption or deficient regions. Till 19th November 2021, Indian Railways have operated 1,586 Kisan Rail trips, transporting 5.2 lakh tonnes of perishables across of Andhra Pradesh, Assam, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Punjab, Telangana, Tripura, Uttar Pradesh and West Bengal.

Manufacturing activity hits 10 month high, Services activity in expansionary zone

20. Index of Industrial Production (IIP) continued to recover in October 2021 to reach 108 per cent of pre-pandemic October 2019 levels, with 107 per cent recovery in manufacturing, 110 per cent in mining sector and 115 per cent in electricity sector. All use-based categories witnessed full recovery or more, with infrastructure and intermediate goods leading with 117 per cent recovery of October 2019 levels. IIP grew at 3.2 per cent YoY in October compared to 3.3 per cent YoY in September. Within the manufacturing sector, industries like textiles, food, base metals, non-metallic minerals and computer electronics exhibited strong recovery when compared to corresponding pre-pandemic October 2019 levels.

21. Eight-core industries output index for October 2021 underwent YoY acceleration. On YoY basis, the growth in eight-core industries was substantial at 7.5 per cent vis-à-vis October 2020, with 14 per cent growth in both coal and cement, and a 25 per cent rise in natural gas. Sequentially, too, the index of eight core industries grew by 3 percentage points over September 2021. Coal sector and resultant electricity sector recovered during October 2021 after disruptions due to monsoon during September 2021. Compared to pre-pandemic levels, the index stood at 107 per cent of its October 2019 value. Pick-up in eight core industries production suggests strengthened revival of industrial growth in the coming months.



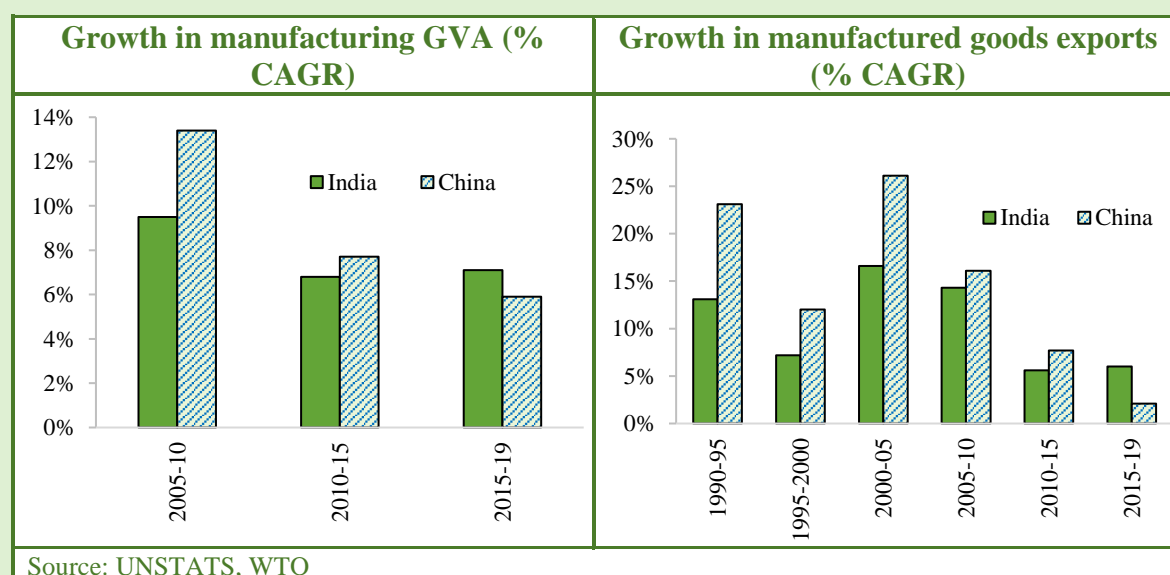
Source: MoSPI, Office of Economic Advisor, DPIIT

22. Manufacturing activity grew at fastest pace in 10 months in November reflecting strong pick-up in demand. PMI Manufacturing rose to 57.6 in November from 55.9 in October, with quick accumulation of stocks by producers amid strengthening demand. While domestic market conditions were the main contributor to sales growth, cost inflationary pressures remained with raw material shortages and high shipping charges. Further, expansion in

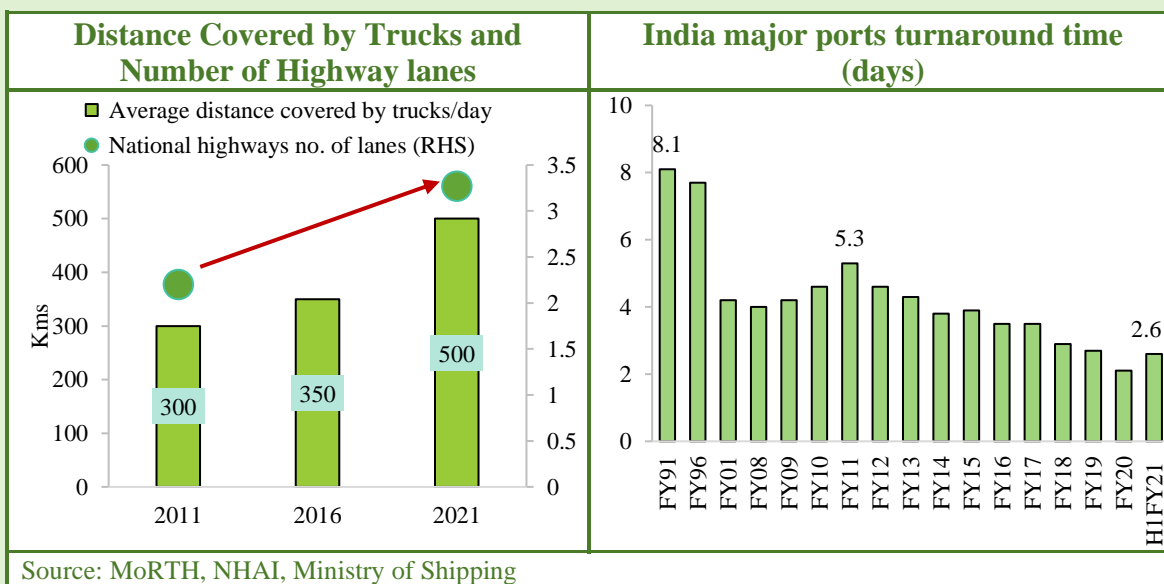
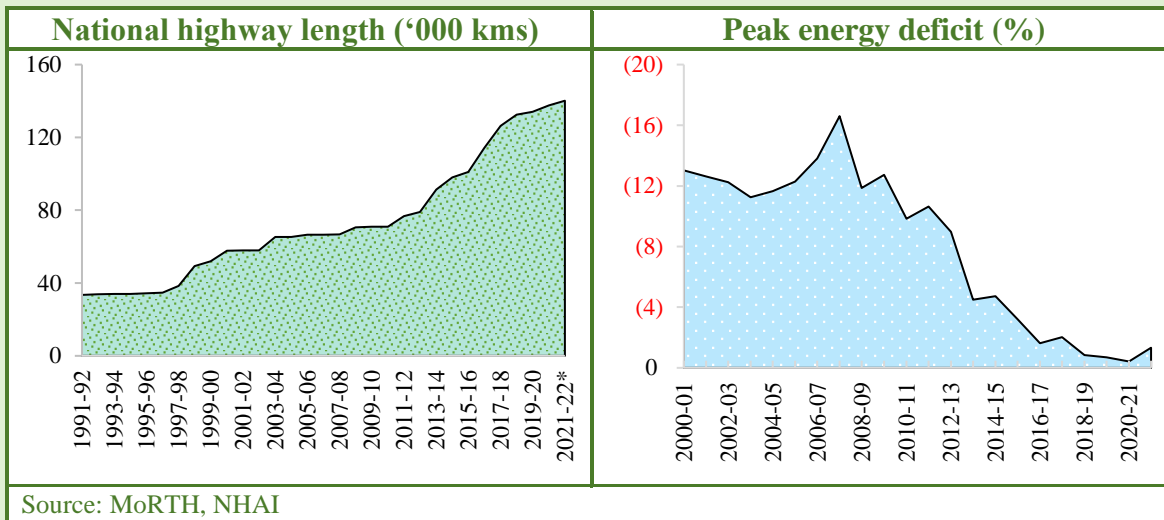
manufacturing activity is expected in the forthcoming months with upbeat business confidence and execution of pipeline projects.

Acceleration in India's Manufacturing Growth: A Deep-rooted Phenomenon

India's manufacturing sector growth was accelerating in the five years preceding pandemic, even outperforming China, while rest of the world slowed. Such growth did not happen either in 2005-10 or 2010-15. This success story has stemmed from reduction in input costs generated by policy focus on manufacturing, which makes the phenomenon more durable. After experiencing temporary setback induced by the pandemic, latest Q2 GDP estimates released by NSO reveals robust recovery of manufacturing sector in Q2 of FY 2021-22, growing by 3.9 per cent over its corresponding pre-pandemic level 2019-20. Fuelled by a series of supply-side structural reforms and massive public investment in infrastructure, such as the Atmanirbhar Bharat Mission and National Infrastructure Pipeline, reinvigorated manufacturing growth has been set in motion.

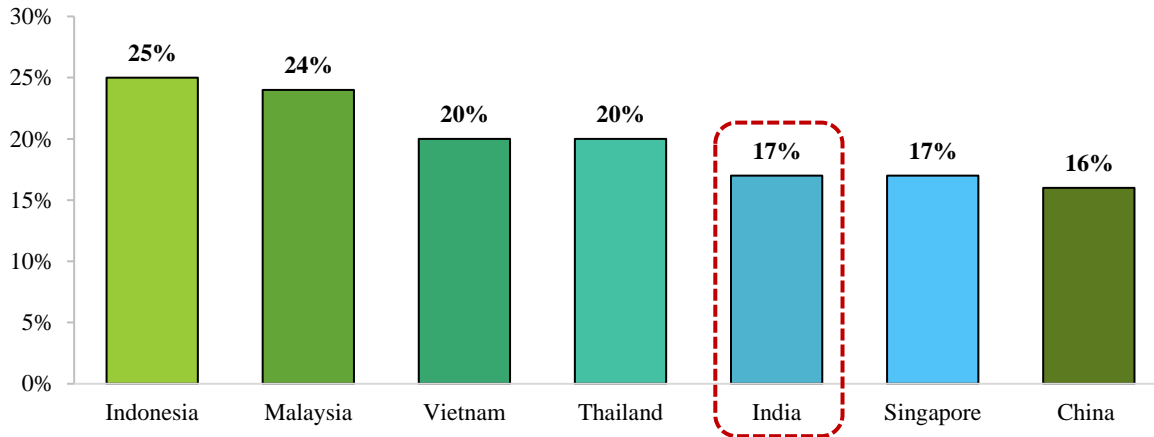


Government has been taken several steps and initiated reform measures to bolster the manufacturing sector. As logistics costs and power costs matter the most for globally competitive manufacturing firms, infrastructure push in roads and railways is intended to reduce the logistics costs that matter the most for manufacturing firms. Similarly, infrastructure investment and reforms in the power sector are critical to reduce the power costs for manufacturing firms. These reforms are aiding to widen the web of national highways, generate a reliable energy supply, and increase logistics efficiency, as demonstrated in charts below.



Besides the infrastructure push, India has been placing special emphasis on enabling greater ease of doing business. Major structural reforms including, inter-alia, Insolvency and Bankruptcy Code, simpler tax regime, consolidation of labour codes, liberalization of sectors, decriminalisation of Companies Act defaults, provide a thrust to the productivity of manufacturing firms. Moreover, the concessional tax rates for manufacturing companies to set up factories in India till 2023 gives competitive edge to “Make in India”.

Tax Rate for Manufacturing Companies: India vs Other Markets

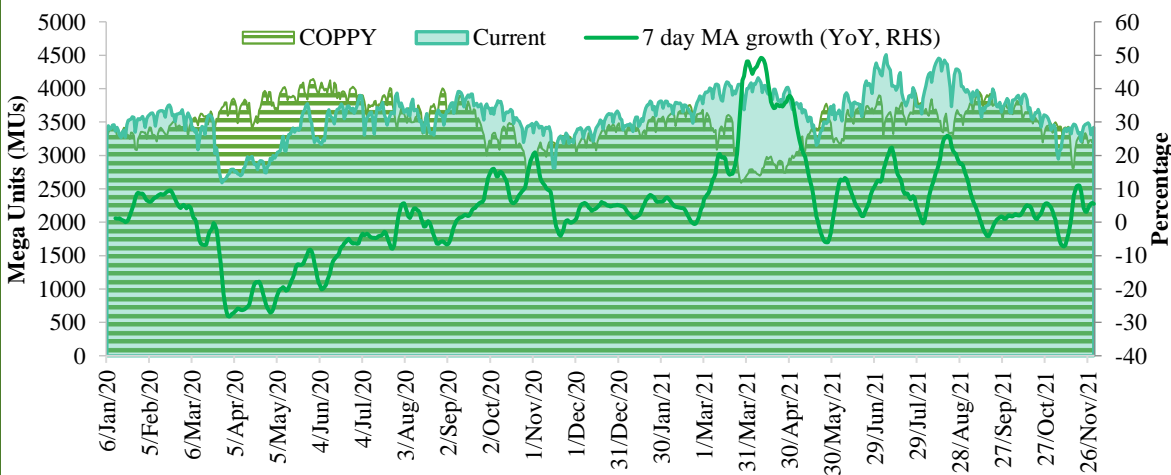


Source: World Bank

Hence, the manufacturing sector’s catching-up with global competitors is back on track, deep-rooted in reforms-and-Capex-induced reduction in “cost of doing business”, and rise in productivity. Time is thus ripe for a spurt in private investment, as pandemic-related uncertainties further subside.

23. Power consumption continued to exhibit resilience in November to grow at 2.1 per cent compared to last year, and 5.7 per cent over corresponding 2019 level despite coal supply disruptions at electricity generation plants (heavy rains in mining areas caused supply disruptions) and international coal price rise. The coal stocks at thermal power plants in the country have improved to 18.9 million tonne in November as compared to 14.0 million tonne in October and 11.4 million tonne in September, ample to run these plants for an average of 9.5 days.

Power Consumption

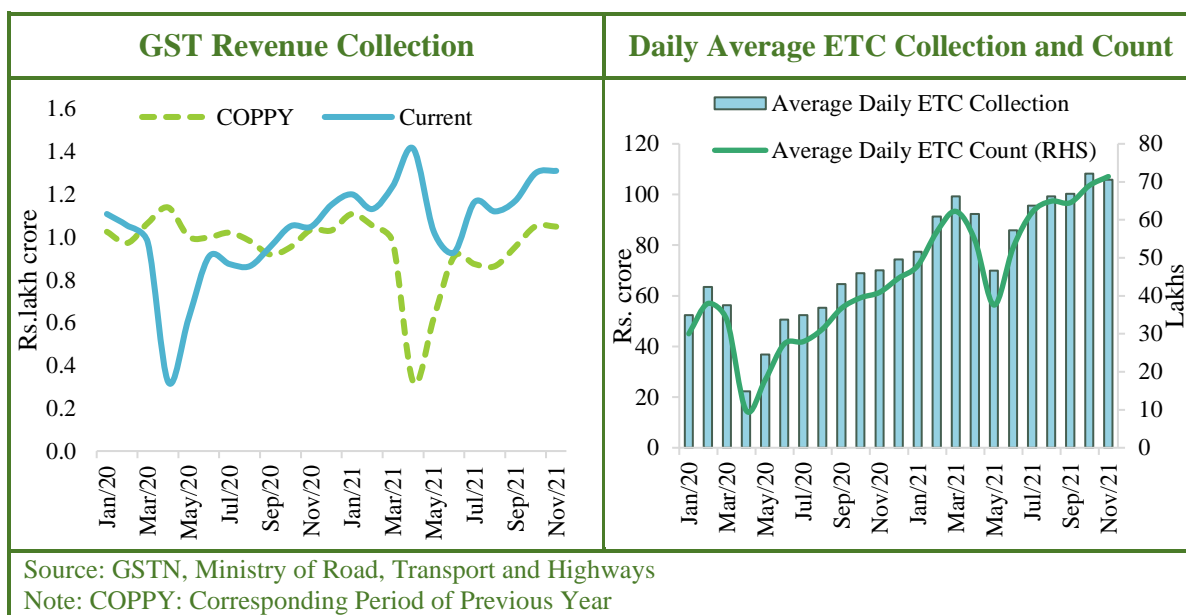


Source: POSOCO; COPPY: Corresponding Period of Previous Year

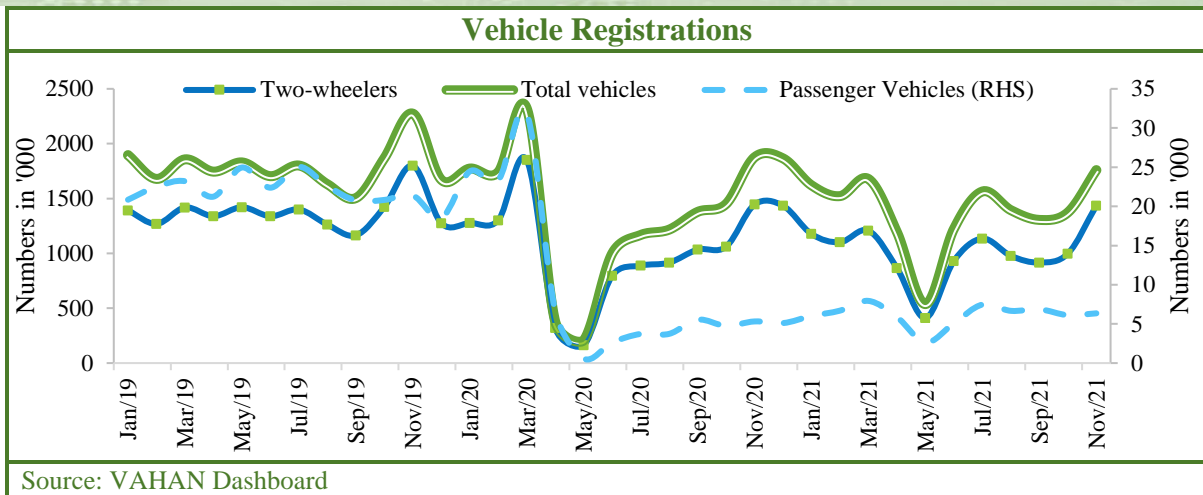
24. Total e-way bills generated stood at 6.12 crore in November 2021, marking 6 per cent YoY growth vis-à-vis November 2020 and 14.6 per cent growth vis-à-vis the pre-pandemic month of November 2019. However, E-way bills count declined compared to 7.35 crore in

October owing to celebrations-induced movement delays during Diwali week, after the pre-Diwali upturn in October. In terms of value, e-way bills generated reached ₹18.8 lakh crore in November 2021, 28 per cent higher than November 2020 level, and 37 per cent higher than that in November 2019. The collections were, however, lower than the 21.2 lakh crore in last month.

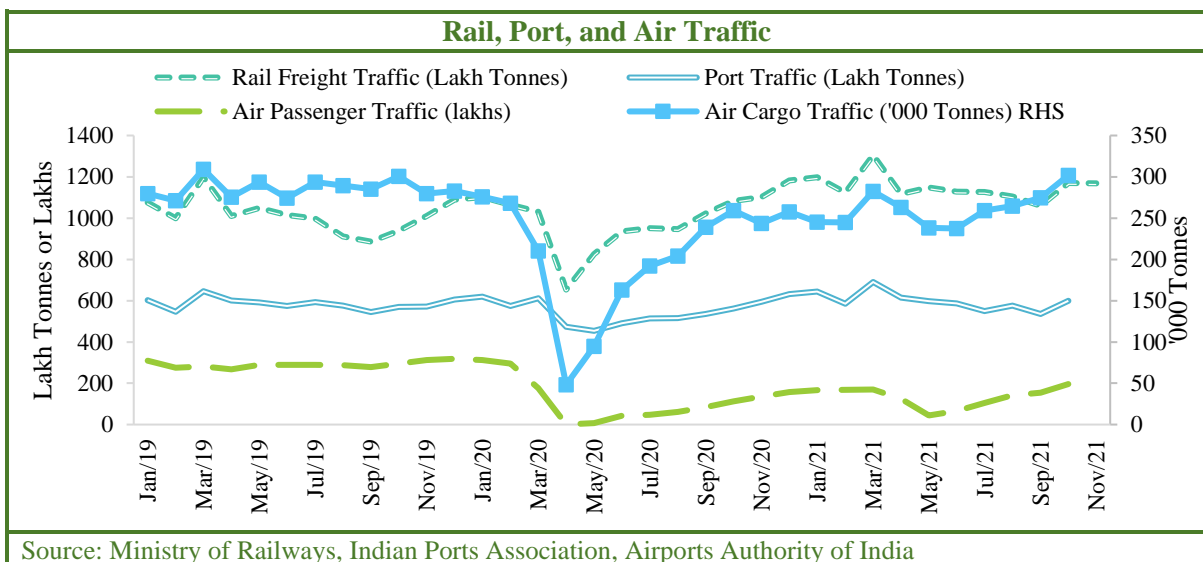
25. Resonating with E-Way bill data, average daily value of highway electronic toll collection (ETC) in October 2021 moderated slightly in November 2021, while remaining at 1.5 times of last year levels. However, highway toll collections are expected to rebound in December, with fast-paced resumption of commercial activity.



26. In sync with economic recovery, November 2021’s GST collections (representing transactions done in October) rose to their second-highest level of ₹1.31 lakh crore, crossing 1.3 lakh crore for second straight month, with boosted festive demand. GST collection was 25 per cent higher than November 2020 and 27 per cent higher than corresponding level in 2019-20. The rising trend of high GST revenues is also enabled by measures to improve compliance, such as use of IT tools to detect tax evasion, and enhancement of system capacity, coupled with consistent improvements in tax filing with use of “nudge” and passing of input tax credit for non-filers.



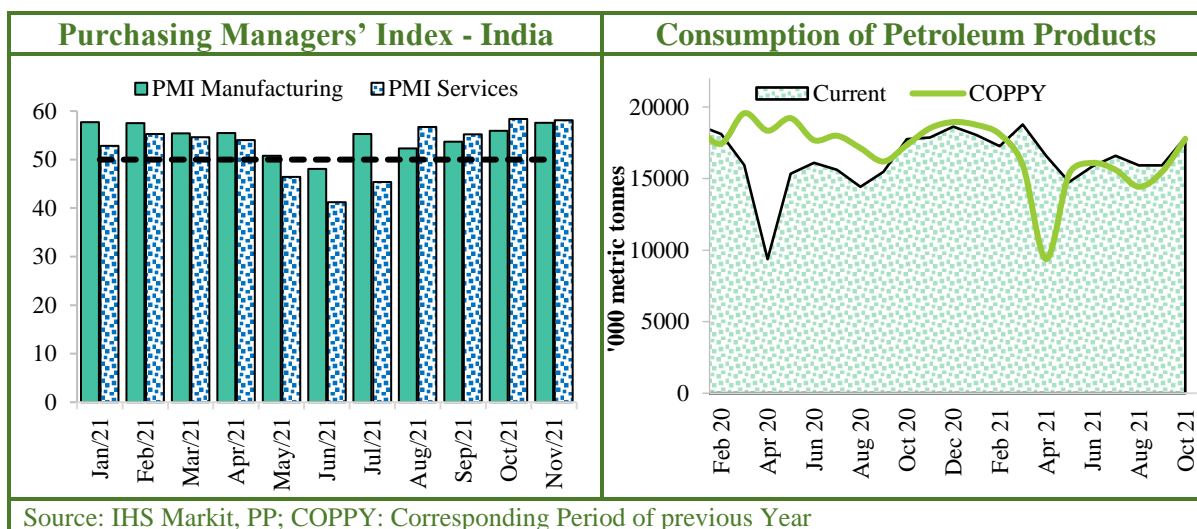
27. Indian Railways has maintained its high momentum in freight activity. Rail freight loading stood at 116.8 million tonnes in November 2021, which is 15.6 per cent higher than November 2019 level, and 6.1 per cent higher than November 2020 level.



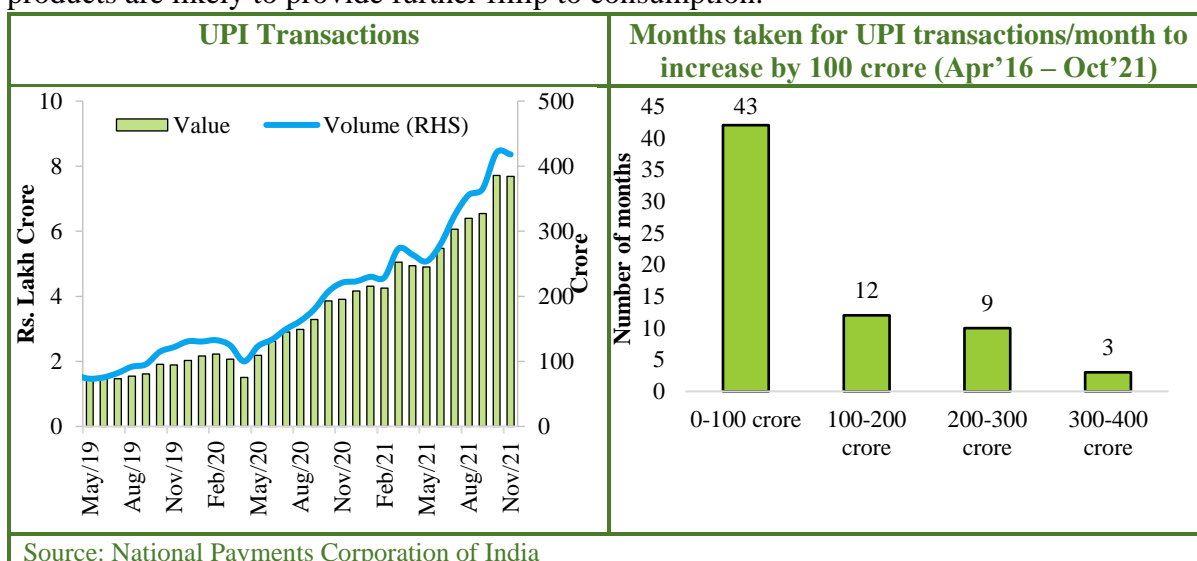
28. Uptick in air freight and traffic activity continued into October with air cargo traffic growing by 17 per cent over last year. Air passenger traffic in October saw a healthy growth (27.4 per cent higher than last month and 45 per cent higher than last year) with gradual easing of COVID-19 travel restrictions and increased travel demand, while still 37 per cent lower than corresponding 2019 level. At the same time, recovery in traffic at major ports steepened in October, surpassing the corresponding 2019 levels after 4 months, growing by 17 per cent over last year and 5.2 per cent over 2019 level, in spite of shipping hurdles and container shortages globally.

29. PMI Services continued to stay comfortably in expansionary zone for the fourth straight month representing a sustained revival in services mirroring Q2 FY 2021-22 GVA figures. At 58.1 in November, it was fractionally lower than 58.4 in October, while substantially higher than corresponding level in the previous year (53.7) and 2019 level (52.7). However, input cost

pressures are yet to subside while pressure on capacities is yet to build up. Robust services activity levels were driven by improved demand conditions and rapid coverage of vaccination, with more than 90 per cent of adult population covered by at least one dose. This was also mirrored in hotel occupancy rates clocking their highest level in October since the outbreak of the pandemic, according to a private advisory agency. That said, the advent of the Omicron variant poses risk to the services sector revival, nonetheless shielded to a large extent with vaccination, innovative business models, and better preparedness. Powered by robust expansion in manufacturing and services, the Composite PMI Output Index, at 59.2 in November, saw the fastest upturn since January 2012.



30. Reflective of an industrial rebound, domestic consumption of petroleum products in October 2021 surpassed corresponding 2019 level by 3 per cent, growing by 12.3 per cent over previous month, while staying close to 2020 level. Price of Crude oil (Indian basket) plateaued at 81.51 USD/bbl in November 2021 from 81.54 USD/bbl in previous month, remaining significantly higher than 43.3 USD/bbl in October 2020. While international crude prices declined in November due to news of Omicron variant, domestic tax cuts on petroleum products are likely to provide further fillip to consumption.



31. Maintaining its robust momentum in November, UPI transactions' value stood at a buoyant ₹ 7.68 lakh crore, declining marginally from an all-time-high of ₹ 7.71 lakh crore in October 2021 (led by festive season spending). This trend was mirrored by UPI transaction volume and IMPS transactions in both value and volume.

32. The boom in India's digital payments system in recent years has been driven by the trinity of near universal account penetration, increasing smartphones penetration and low-cost payments rails. With acceleration in its adoption since its launch in 2016, UPI has become a household name with its share in total digital transactions (by value) increasing from 4 per cent in FY 2017-18 to 40 per cent in FY 2020-21. UPI's rapid growth bespeaks India's ability to build a world-class payments infrastructure from scratch, having created a national open standard adopted by more than 200 Indian banks, also enabling various private players to provide UPI services. As the next step, RBI is working to globalize UPI, in close collaboration with the Government and NPCI.

India's housing cycle uptick augurs well for corporate investment

33. The Indian economy has shown its strength and resilience to recover from the pandemic induced challenges of the past 18 months with key high frequency indicators pointing to a robust economic revival. According to a recent analysis in October 2021 by a brokerage firm Jefferies, India is poised to see the kind of growth enjoyed between 2003 and 2010 with six key enablers in action. According to the report, one key enabler is the recent turnaround in the Indian housing cycle in 2021 after prolonged slowdown, spurred by uptick in trading volumes and pricing, best-in-2-decade affordability and huge pent-up demand. The pace of transactions in both primary and secondary markets has risen with improvements being seen across the pricing segments. This uptick augurs well for corporate investments to pick up pace and complement the capex push on infrastructure by Government. Independent surveys also confirm improved consumer sentiment in July-September quarter of 2021 compared to previous quarter. The recent buoyancy in the real estate market can also be attributed to low bank interest rates, stamp duty cuts in some states, and demand for larger/spacious homes to accommodate work from home culture. Housing sales trading volume across eight major cities of the nation grew by a considerable 92 per cent YoY to 64,010 units in July-September 2021. New residential unit launches increased by 90 per cent YoY to 58,967 units in July-September 2021 on the back of Government's initiatives to make housing affordable for all. With return to brick-and-mortar offices and hybrid working models, commercial real-estate sector is expected to gain further momentum. This would feed into backward linkages of cement and steel industry, which are already doing better than corresponding 2019 and 2020 levels.

Preliminary observations from National Family Health Survey (NFHS)-5 suggest improvement in access to basic necessities

34. The month of November further brought in data on poverty estimates introduced by NITI Aayog as National Multidimensional Poverty Index (MPI). The index, which identifies 25.01 per cent of the population as multidimensionally poor, is based on National Family Health Survey (NFHS-4) conducted in 2015-16 by International Institute of Population

Sciences (IIPS) under Ministry of Health and Family Welfare (MHFW), Government of India. The household microdata collected at the unit-level for the NFHS serves as the basis of the computation of National MPI. IIPS and MHFW, next conducted NFHS 5 in 2019-20. The MPI, based on NFHS 5, is under preparation. However, NITI Aayog's preliminary observations on the summary factsheets available from NFHS 5 suggests that as compared to 2015-16, there has been improvement in access to clean cooking fuel, sanitation, and electricity in 2019-20, which translates to reduction in deprivation. State reports released for 22 States and UTs also suggest reduction in deprivation in school attendance, drinking water, bank accounts and housing. Focussed programmatic interventions and flagship schemes of the Government have contributed to the decline in deprivation since 2015-16.

35. The recovery process after the first wave had also started reducing the urban unemployment rate as estimated by PLFS. Data just available shows that the urban unemployment rate, which was 9.1 per cent in January-March quarter of 2020, just before first wave, and had risen to 20.8 per cent in the April-June quarter of 2020, declined to 9.3 in January-March quarter of 2021, a quarter partially impacted by the second wave. Subsequent recovery from the second wave and growth are expected to further bring down the unemployment rate. Expectedly, latest EPFO data shows continued increase in the subscriber bases, particularly from lower age groups that suggests new employment creation in the economy. Contributing to new employment generation is the ECLGS, which as on 24th September has extended relief to over 1.15 crore Micro, Small and Medium Enterprises (MSMEs) and businesses. Loans sanctioned have crossed Rs. 2.86 lakh crore under the Scheme and out of total guarantees issued, about 95 per cent of are for loans sanctioned to Micro, Small and Medium Enterprises.

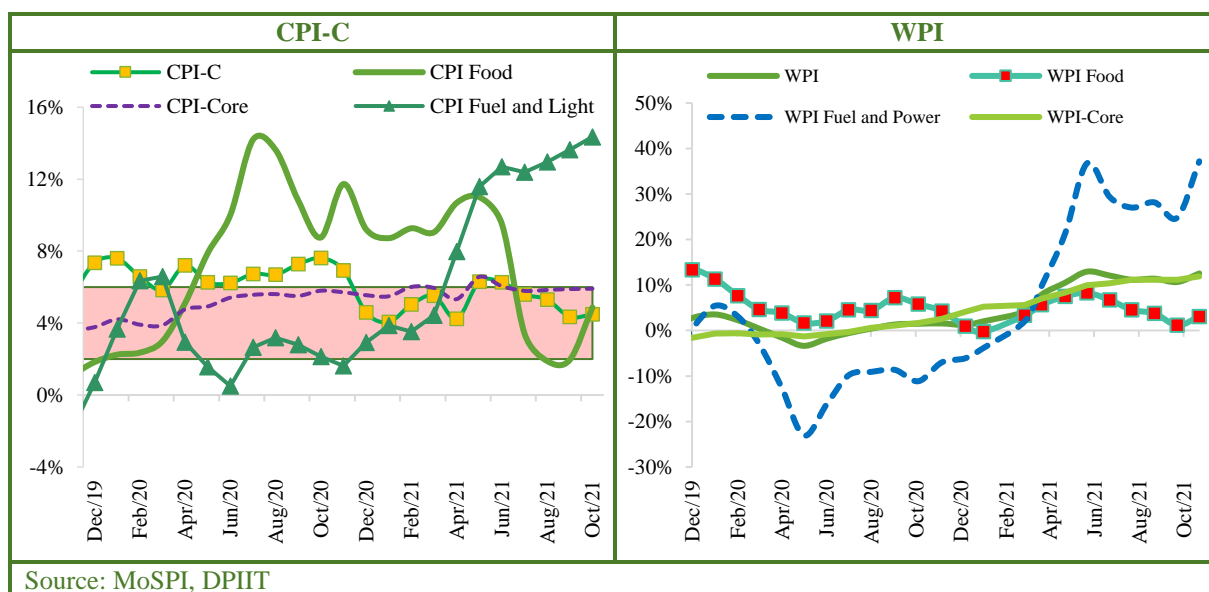
Inflation well ensconced within monetary policy goal for four months in a row

36. Headline inflation (CPI) remained stable at 4.5 per cent in October 2021 compared to 4.4 per cent in the previous month. Elevated retail prices in fuel, edible oil, services component and a pick-up in prices of vegetables contributed to the slight increase. However, inflation continued to remain well ensconced within the policy target band, for four months in a row, reflecting careful macroeconomic management. Core CPI rose to 6.1 per cent from 5.9 per cent in the previous month and has remained sticky throughout the first seven months of FY22. Inflation has risen in the urban segments while it has eased to a 10-month low in the rural areas. RBI in its latest Monetary Policy Statement, has forecast CPI inflation to remain within monetary policy goal in the current year and Q1 of FY 2022-23.

37. Retail food inflation (CFPI) that affects the common man most is currently benign and has declined from 5.1 per cent in June 2021 to 0.7 per cent in September 2021 and has hovered at 0.8 per cent in October 2021. Prices of most essential commodities including cereals, pulses, onions, potatoes are stable. Edible oils recorded high inflation on account of increase in prices of imported edible oils particularly palm oil. Government has been monitoring price situation of major essential commodities on a regular basis and doing needful interventions. Some of these include keeping a buffer stock of 23 lakh metric tonne (LMT) of pulses for 2021-22 for release through open market sale to stabilize prices, imposition of stock limits on pulses and edible oils to prevent hoarding by the stakeholders, rationalisation of tariffs/import duty in case

of pulses and edible oils, MoUs for import of pulses and National Mission on Edible Oils with a financial outlay of Rs.11040 crore to encourage domestic production and availability of palm oil.

38. Wholesale inflation climbed up to 12.5 per cent in October, compared to 10.7 per cent in the previous month. This may be attributed primarily to rise in prices of mineral oils, basic metals, food products, crude petroleum & natural gas, chemicals and chemical products etc. in the month compared to corresponding month of the previous year. The elevated prices in manufacturing component may be ascribed to rising input inflation and calibrated increase in prices by manufacturers. Soaring global energy prices and increase in domestic mobility with ebbing of COVID-19 wave have contributed to elevated prices in this component.

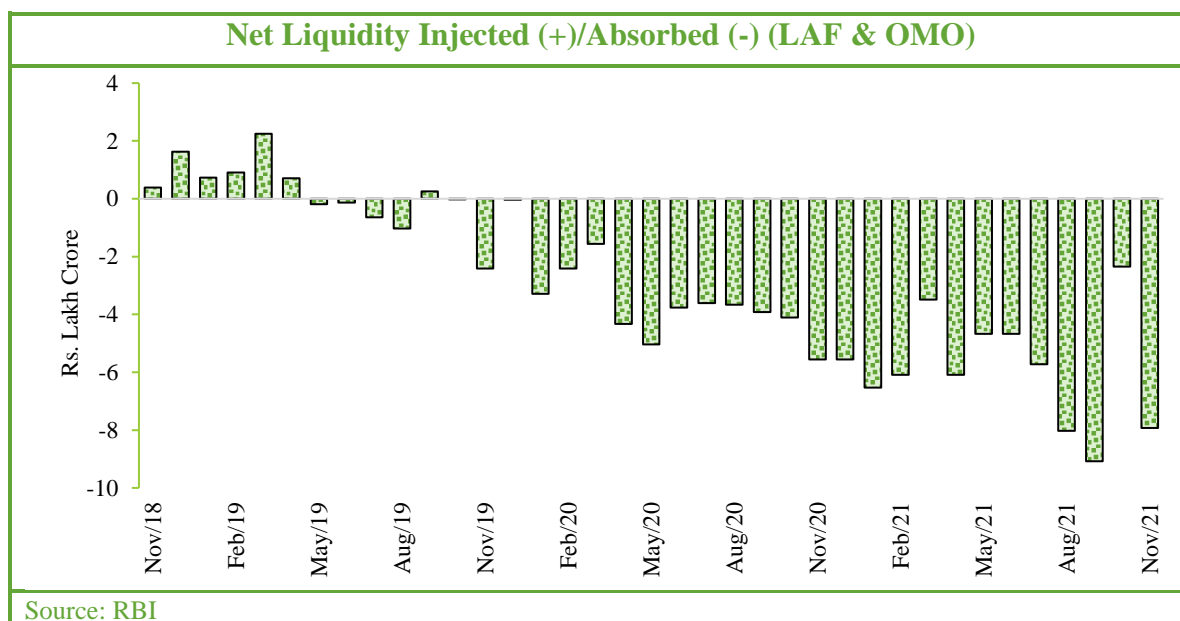


39. Government has taken necessary steps to mitigate the impact of high global crude oil prices on the consumers. Retail prices of petrol and diesel have sobered down with Central Government reducing Central Excise Duty on Petrol & Diesel by Rs. 5 and Rs. 10 respectively with effect from 4th November and around 27 State governments responding with reduction in Value Added Tax (VAT) on petrol and diesel. These interventions augur well for checking inflation through second- round effects of easing input costs. Further, with a view to restraining the rise in global crude oil prices, India has 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.

Easy financial conditions, lower increase in currency in circulation, softening bond yields

40. RBI in its latest Monetary Policy Resolution has kept repo and reverse repo rates unchanged to ensure realisation of complete pass-through of accommodative monetary policy, in presence of adequate liquidity to support the envisaged growth rate. Liquidity in the financial system continues to remain in large surplus amidst easy financial conditions, as daily net absorption under the Liquidity Adjustment Facility (LAF) reverse repo corridor framework, gradually tempering from ₹7.75 lakh crore in October to ₹7.93 lakh crore in November. System

liquidity has been predominantly managed through variable rate reverse repo (VRRR) auctions, while the amount absorbed under fixed rate reverse repo declined. This ensures that sufficient credit is available to all productive sectors of the economy. RBI in its latest resolution has further committed to rebalance liquidity conditions in a nondisruptive manner. It has proposed to enhance the 14-day VRRR auction amounts on a fortnightly basis in the following manner: ₹6.5 lakh crore on December 17; and further to ₹7.5 lakh crore on December 31.

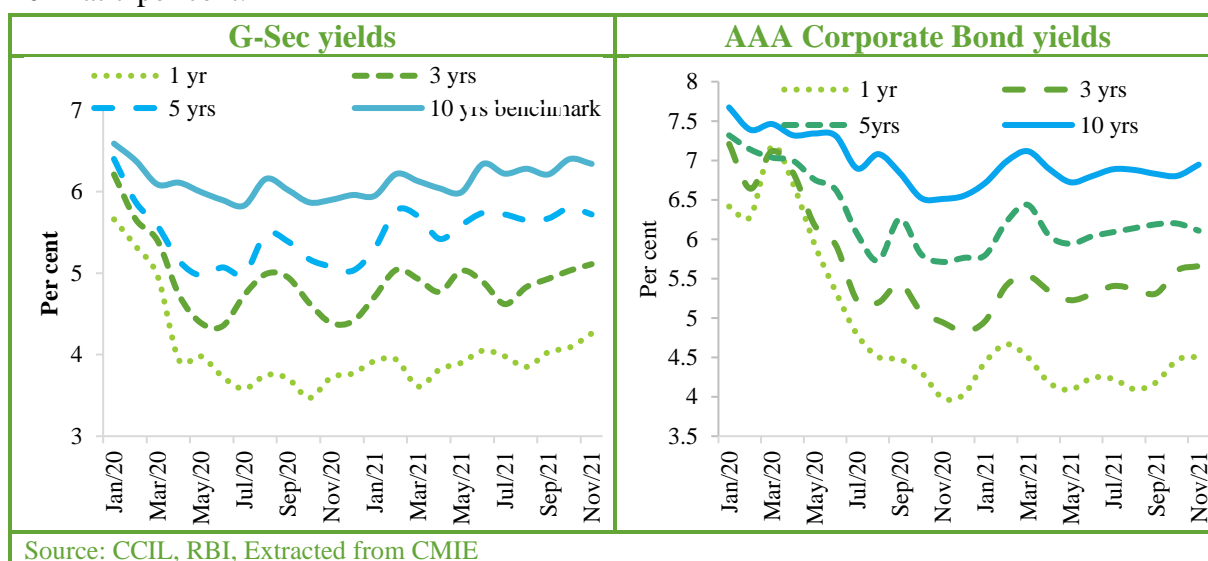


41. Rates in the overnight segment – the weighted average call rate (WACR), the tri-party repo rate and the market repo rate – hovered around the reverse repo rate with sporadic instances of hardening. In the outer term money market segment, 3-month T-bill rate, certificates of deposit (CDs) and commercial paper - NBFCs (CP-NBFCs) rates hardened in sync with the weighted average reverse repo rate, with their spreads over the reverse repo rate ruling at 17 bps, 27 bps and 81 bps, respectively, during the latter part of October and first half of November.

42. Reserve money (RM) growth on a YoY basis dwindled to 13.6 per cent as on November 19, 2021 (16.2 per cent a year ago) compared to 14.1 per cent in the previous fortnight, excluding the first-round impact of the cash reserve ratio (CRR) refurbishment. Currency in circulation (CiC), the primary component of RM, showed moderate YoY growth at 7.9 per cent as on November 19, 2021 compared to 22.2 percent a year ago and 8.5 per cent on October 29, 2021. In FY 2021-22 up to November 12, the CiC has risen by only 4.9 per cent compared with 13.5 per cent and 6.2 per cent in the corresponding periods of FY2020-21 and FY2019-20, respectively. There has been a lower increase in CiC as more people are now using digital modes of payments. During April 2-Nov 2021 so far, incremental currency in circulation stood at just Rs 1.3 lakh crore compared to Rs 3.2 lakh crore during the same period last year. Despite record purchases of Rs 1.25 lakh crore during Diwali 2021, the CiC has not increased.

43. Money supply (M3) increased by 11 per cent (YoY growth) as on November 5, 2021 compared to 9.7 per cent in the previous fortnight. This growth is accredited to robust deposit mobilisation by banks. Aggregate time deposits of banks, the largest component of money supply, stayed firm with YoY growth at 9.1 per cent compared to 10.5 per cent a year ago.

44. Bond yields trended lower in November, 2021 in tandem with softening of the US treasury yields, after remaining stiffened in October. Positive domestic developments like excise duty cuts with its softening impact on inflation too dissipated in the bond market. The 10-year G-sec yield closed at 6.33 per cent on November 26, softening from a peak of 6.38 per cent at end-October. Emulating the momentum in G-sec yields, corporate bond yields too softened in November 26, 2021 to 6.82 per cent after showing a hardening bias in October 29, 2021 at 7 per cent.



Bank credit picks up in November, even as large corporates increasingly resort to non-bank sources and deleveraging

45. Bank credit stood at Rs. 111.6 lakh crore (7 per cent YoY growth) as on November 19, 2021 compared to Rs. 110.5 lakh crore as on October 22, 2021 (6.8 per cent YoY growth) and Rs. 104.3 lakh crore as on November 20, 2020 (5.8 per cent YoY growth) – signifying strengthening credit disbursement in the economy. As per RBI, credit disbursement from October 8 to November 5, 2021 covering Navratri, Dussehra and Diwali amounted to Rs 150,278 crore, significantly higher than the corresponding period of festivities in 2020, when it amounted to Rs 81,361 crore. The 84 per cent growth in credit disbursement is reflective of the rising consumer sentiment in the ongoing fiscal. Banks have responded to the uptick in consumer demand as their incremental credit-deposit ratio rose from 15.9 to 22.9 in the fortnight covering the last week of October and the first week of November.

46. Credit disbursed to agriculture and industry continued to improve in October compared to corresponding month of previous year and pre-pandemic year. However, personal loans exhibited buoyant credit growth. Non-rising credit growth to large corporates is resulting from

these borrowers taking greater recourse to non-bank financing including money markets, bond markets, stock markets and private equity allocations. A further fillip to this diversification of funding source for large corporates is imparted by SEBI's new initiative to introduce market-making mechanism for corporate bond market, which is not only expected to enhance liquidity but also boost market efficiency and functioning.

Sectoral Bank credit (Rs lakh crore)			
Sector	Oct 2019	Oct 2020	Oct 2021
Agriculture/Allied activities	11.4	12.2	13.4
Medium industry	1.0	1.2	1.8
Micro and Small industries	3.6	3.6	4.0
Personal loans	24.4	26.5	29.6
Vehicle loans	2.4	2.5	2.7
Services	23.3	25.3	26.0
Large Industries	23.0	22.6	22.7

47. Corporate Bond issues stood at Rs 280731.03 crore in July-September 2021, higher than Rs 142774 crore in April-June 2021 and Rs 206364.1 crore in the same quarter last year. Money raised via IPOs reached a record high in this financial year with Rs 106761 crore being raised via 56 issues up to 30th November (Table 1).

Amount raised under Public Issues (IPOs, FPOs & OFS (SE))

Year	No of issues	Amount raised
2017-18	81	98984
2018-19	42	36405
2019-20	39	37677
2020-21	69	74707
2021-22 (as on 30/11/2021)	56	1,06,761

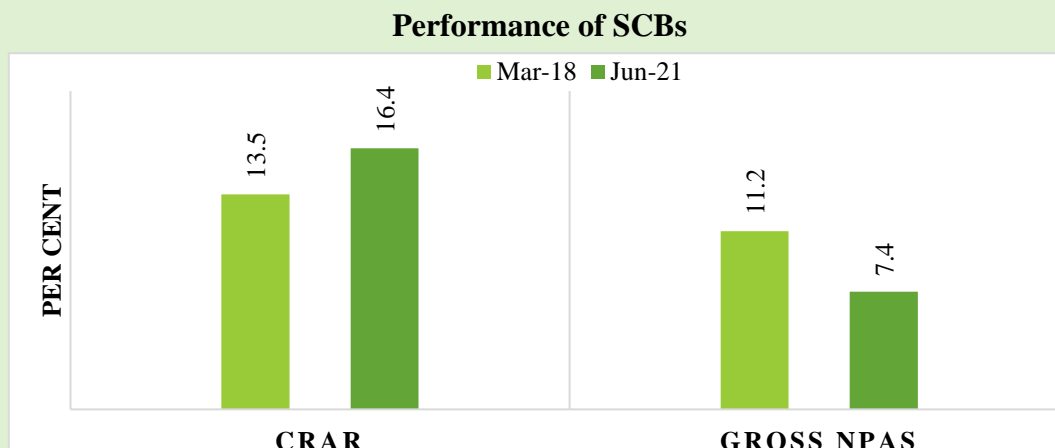
Source: Prime database

Banking sector strengthened by Financial Sector Reforms

Heading into the pandemic, the financial system of the country was in a much improved position, owing mainly to various regulatory and supervisory initiatives. RBI placed a framework for resolution of stressed assets in addition to implementing multiple measures to strengthen credit discipline and to reduce credit concentration. For the five years between 2015-16 and 2019-20, the Government had infused a total of ₹3.08 lakh crore in public sector banks (PSBs). As a result of the efforts by both the Reserve Bank and the Government, the overhang of stressed assets in the banking system had declined and capital position had improved.

One of the indicators of soundness is the level of non-performing assets (NPA) in the banking system. The asset quality of Scheduled Commercial Banks (SCB) improved from March 2018 to June 2021, with GNPA ratio declining to 7.4 per cent in June 2021 from 8 per cent

a year ago and 11.2 per cent in March 2018. Likewise, net non-performing assets (NNPA) declined to 2.4 per cent in June 2021 from 5.9 per cent in March 2018. Fall in GNPA's, is primarily due to decline in bad loans of PSBs by 8.4 per cent.



Source: RBI

Note: CRAR implies Capital to risk-weighted assets ratio

During 2020-21, banks strengthened their capital position by raising equity through various modes, such as preferential allotment, qualified institutional placement (QIP), public issue, and capital infusion by the Government of India as well as through retention of profits. Furthermore, the capital funds raised by PSBs in FY 2020-21 reached Rs. 58,697 crores, highest amount mobilized in a financial year. As a result, the capital to risk-weighted assets ratio (CRAR) of SCBs stood at an all-time high level to 16.4 per per cent in June 2021, with PSBs improving their ratios to 14.3 per cent.

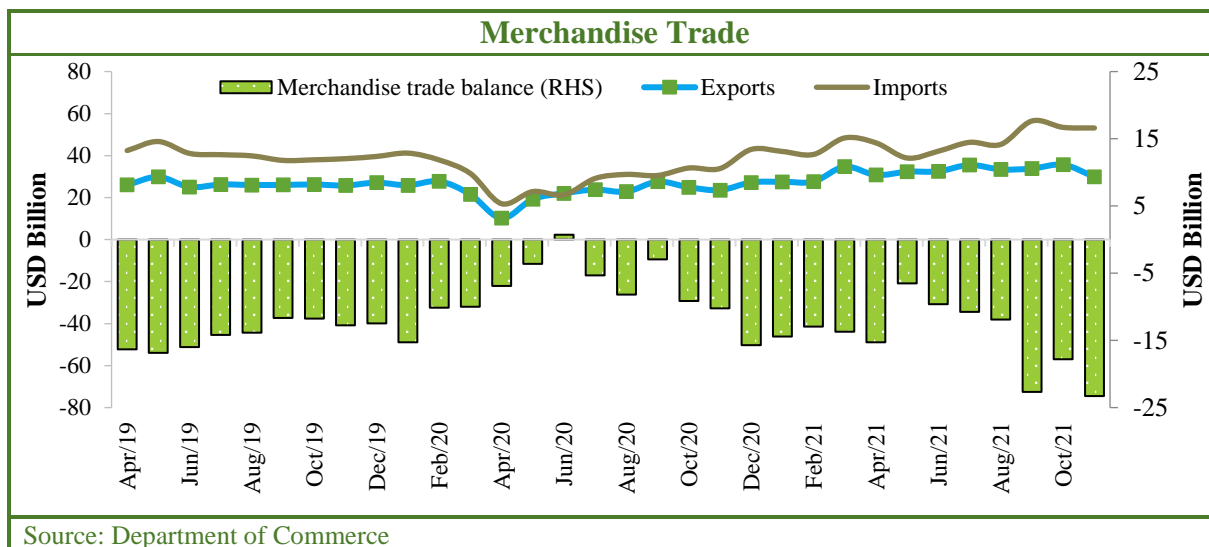
This improvement is attributed to RBI and the Government for providing austere legal and regulatory frameworks to banks for handling of stressed assets such as the Insolvency and Bankruptcy Code, 2016 (IBC), National Asset Reconstruction Company Ltd (NARCL) and asset reconstruction companies (ARCs) among others. Meanwhile, the provisioning coverage ratio (PCR) - the proportion of provisions (without write-offs) held for NPAs to GNPA - increased for PSBs from 66.2 in March 2020 to 68.9 per cent in March 2021, primarily due to a relatively higher decline in GNPA. The profitability of PSBs stood at Rs. 14,012 crore in June 2021 increasing by 140 per cent over June 2020 and 255 percent over June 2019, aided by better margins, healthy treasury gains and lower operating expenses.

Unprecedented policy support has contained the impairment of balance sheets of banks in India despite the dent in economic activity brought on by waves of the pandemic. Banks' performance and balance sheet quality have turned out to be better than anticipated at the beginning of the pandemic in terms of deposit growth, decline in gross non-performing assets (GNPAs), capital adequacy and improved profitability.

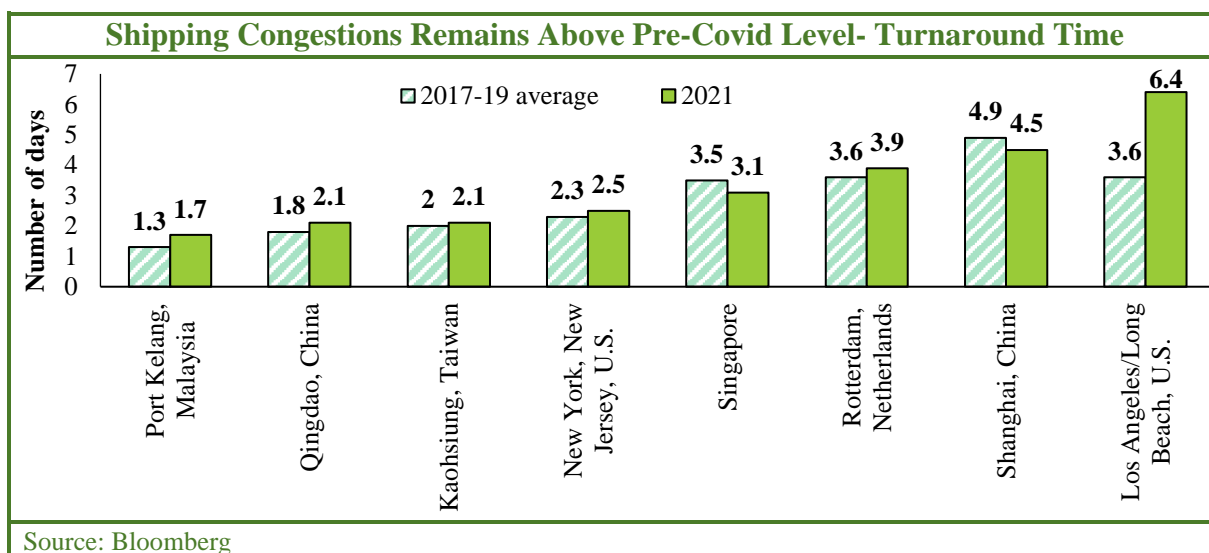
Exports robust despite higher trade costs as world economy sees strong growth

48. Merchandise exports continued strong in November 2021 with 26.5 per cent YoY basis, driven by key sectors like engineering, petroleum, chemicals and marine products. India's merchandise exports in April-November 2021 was \$262.46 billion, an increase of 50.71 per

cent over April-November 2020 and an increase of 24.29 per cent over corresponding pre-pandemic levels. This robust growth happened despite container shipping cost rising to 5 times higher than last year, shipping congestions above pre-pandemic level and appreciating pressure on rupee.

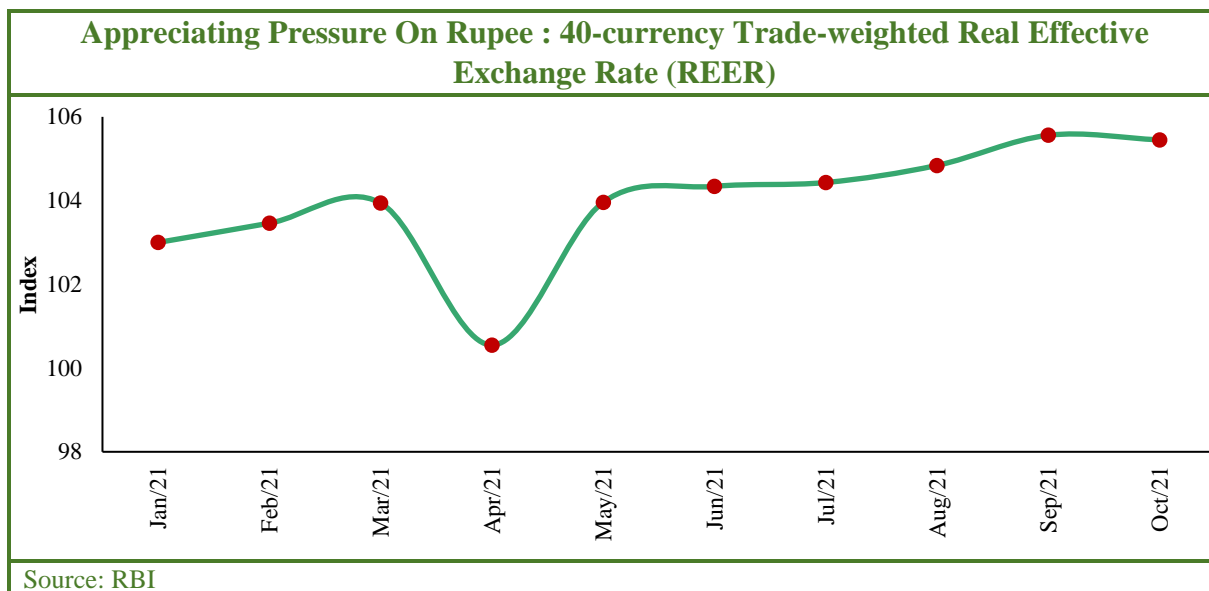


49. Sustained and strong increase in exports augurs well for boosting growth and employment. Sequential slowdown in exports to \$29.9 billion in November after staying at around \$33-35 billion over the past few months may possibly be explained by rise in COVID-19 cases in Europe and other economies as well as supply shortages impeding order deliveries.

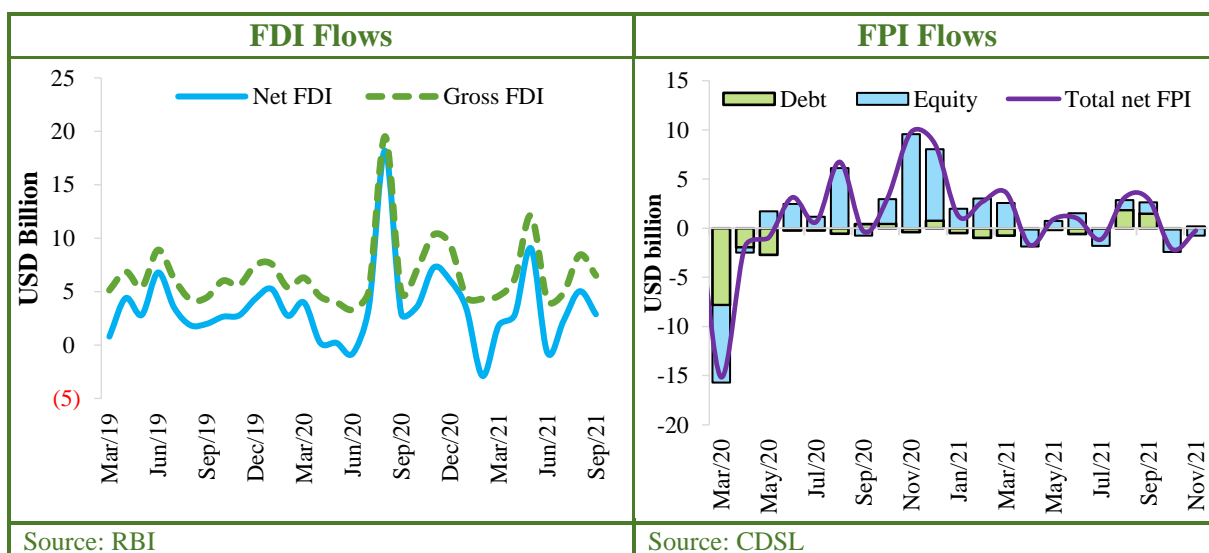


50. Reflecting strong domestic demand, merchandise imports increased by 57.2 per cent (YoY) to \$53.2 billion during November. Non-oil imports remained high at \$38.5 billion. Compared to November 2019, imports registered a growth of 39 per cent and non-oil imports were 40 per cent higher. Top imports (over November 2020) include coal, coke, and briquettes, petroleum crude and products, and vegetable oils. In eight months of FY2022, imports stood at \$382.9 billion, 76 per cent over corresponding FY2021 level and by 18 per cent over eight

months of pre-pandemic FY2020 level. Trade deficit widened in November to a new high of US\$ 23.3 billion due to relatively stronger growth in imports than exports along with elevated international commodity prices.



51. During October 2021, India’s services exports (Receipts) stood at US\$ 19.8 billion registering a positive YoY growth of 17.5 per cent. Services imports recorded a growth of 26.1 per cent YoY. The trade balance in Services (i.e. Net Services export) for October 2021 stood at US\$ 8.2 billion.



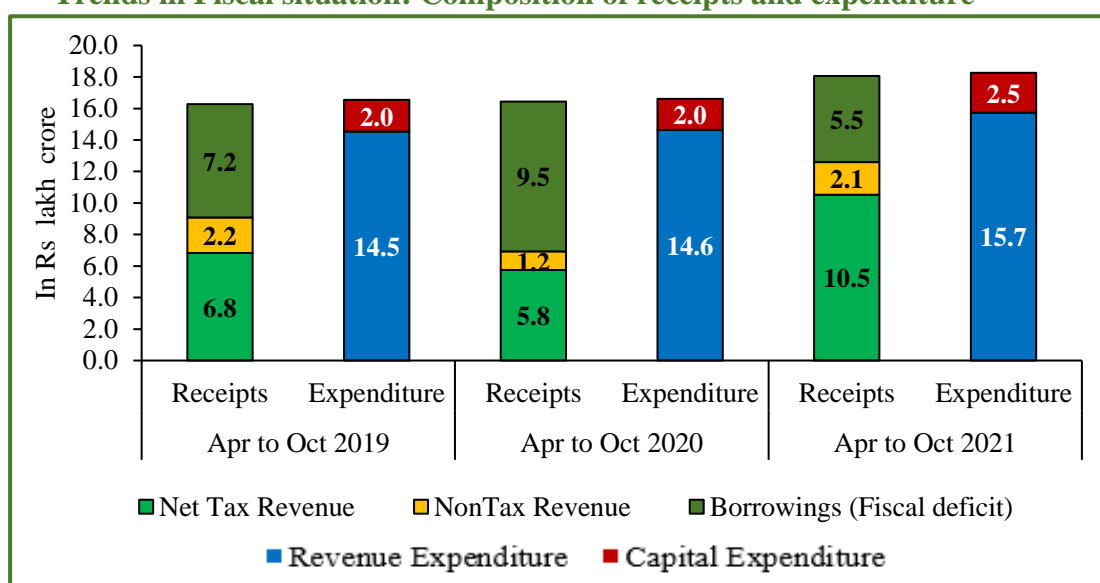
52. Net FDI inflows during April-September 2021 stood robust at US\$ 22.0 billion, compared to US\$ 23.9 million during the same period a year ago. During November, Foreign portfolio investors (FPIs) pulled out net of USD 255 million from the capital market majorly from the equity segment while pouring funds in the debt market. FPI flows remained volatile among emerging economies. Foreign exchange reserves stood comfortably at US\$ 640.4 billion on November 19, 2021, equivalent to 14 months of imports projected for 2021-22.

Government continues to fulfil expenditure commitments, buoyant revenues bode well for achieving fiscal deficit target

53. In the first seven months of FY 2021-22, Government stepped up public capital expenditure in infrastructure by 28.3 per cent over the corresponding period of the last year, in line with the Budget’s steep increase of 34.5 per cent in outlay. The capex spend at ₹2.5 lakh crore up to October 2021 is focused on Railways, Road transport and highways, and Housing and Urban Affairs. Revenue expenditure during this period saw a much lower YoY growth of 7.5 per cent, indicating a pronounced shift towards much improved quality of total expenditure. Total expenditure in the first seven months of FY 2021-22 stood at ₹18.27 lakh crore, spending 52.4 per cent of budgeted amount compared to 54.6 per cent during the same period last year.

54. Centre’s revenues remained buoyant with net tax revenue at ₹10.53 lakh crore during April to October 2021, an increase of more than 80 per cent over the same period last year. Direct taxes registered a YoY growth of 71 per cent and while the indirect taxes grew 44 percent during the first seven months of FY2021-22. Corporation tax grew by 91.6 per cent, in, Custom collection by 122.3 percent, and IGST collection to the Centre by 40 per cent. The Non tax revenue to the Centre also significantly increased by 78 per cent during this period over the last year and stood at ₹2.07 lakh crore.

Trends in Fiscal situation: Composition of receipts and expenditure



Source: CGA

55. During April to October 2021, the Centre’s fiscal deficit stood at ₹5.47 lakh crore, which is 36.3 per cent of BE. Sustained improvement in revenue collection bodes well for achieving the government’s fiscal deficit target at 6.8 per cent of GDP for the current financial year.

56. In order to help the States in pushing their capital expenditure, out of the net borrowing ceiling of 4 per cent of GSDP for the States in 2021-22, borrowings up to 0.50 percent of GSDP

were earmarked for incremental capital expenditure. Seven States have achieved the target set by the Central Government for the capital expenditure up to 2nd Quarter of 2021-22, which will enable them to borrow an additional amount of Rs.16,691 crore. Earlier, additional borrowing of Rs. 15,721 crore were enabled for 11 States for meeting the target for capital expenditure set for the 1st quarter of 2021-22.

57. Further, to strengthen the fiscal space of States, the Central Government has also released two instalments of tax devolution to the State Governments in November 2021 amounting to Rs. 95,082 crore, as against normal monthly devolution of Rs. 47,541 crore.

Outlook

58. The Covid-19 pandemic has led to considerable human and economic costs setting countries back on their developmental goals and creating serious impediments to the attainment of the SDGs. India is no exception. 2021 is a “catch-up” year for the global economy including India, trying to recover the output level of 2019. RBI in its latest forecast has projected 9.5 per cent growth for FY 2021-22, implying a full recovery and a 1.6 per cent growth over pre-pandemic FY 2019-20 GDP. Major multi-lateral and credit rating agencies expect India to grow between 8 per cent-10 per cent in FY 2021-22 and between 7 per cent-10 per cent in FY 2022-23. Further, India’s economy is expected to grow on the back of a series of second generation and more nuanced structural reforms in the pandemic years of 2020 and 2021. Reforms in India is expected to support an annual growth rate of 7 per cent plus until the end of this decade. India will be among the few economies to rebound so strongly from the contraction last year due to Covid-19.

59. At the same time however, India recognizes the urgency of strong climate action in this decade to ensure that the world is on track to stay within the temperature goal, as well as adapt to its impacts, and minimize loss and damage. India has delivered on its Paris commitments and has now set out ambitious goals or “Panchamrit” at Glasgow, as stated below.

- Take its non-fossil energy capacity to 500 GW by 2030.
- Meet 50 percent of its energy requirements from renewable energy by 2030.
- Reduce the total projected carbon emissions by one billion tonnes from now till 2030.
- By 2030, reduce the carbon intensity of its economy to less than 45 percent.
- By the year 2070, achieve the target of Net Zero.

60. India has once again proven that it leads by example and has demonstrated its strong intent towards climate change action by announcing an unprecedented target by a developing country whose per capita emissions are meagre when compared to developed countries. These Glasgow commitments therefore clearly indicate careful alignment of climate action with inclusive and resilient economic recovery, while being realistic about India’s resource position and its unavoidable growth and development imperatives. It is evident that India has committed to walk the extra mile with a room for manoeuvring the country’s future economic development on to a high growth path.

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