

Key Data Releases

Consumer Price Index

▪Retail price inflation, measured by the Consumer Price Index (CPI), fell to 6.7 per cent in July 2022 from 7.0 per cent in June 2022. This is the lowest inflation recorded in the last five months. Inflation in urban India fell to 6.5 per cent from 6.9 per cent in June 2022, while that in rural India rose to 6.8 per cent from 7.1 per cent.

▪Inflation in the food & beverages group fell to 6.7 per cent in July 2022 from 7.6 per cent in June 2022. Inflation in the fuel & light group rose to 11.8 per cent from 10.1 per cent in June 2022 and that in the clothing & footwear group increased to 9.9 per cent from 9.5 per cent. Inflation in miscellaneous items fell to 5.9 per cent from 6.3 per cent.

Foreign Exchange Reserves

▪India's foreign exchange reserves fell by USD 897 million to nearly USD 573 billion during the week ended 5 August 2022.

Index of Industrial Production

▪Industrial output, measured by the index of industrial production (IIP), rose by 12.3 per cent on a year-on-year basis in June 2022. Output of mined products grew by 7.5 per cent, while electricity generation increased by 16.4 per cent. The manufacturing sector reported a 12.5 per cent growth in production in June 2022. The growth was broad-based, with 21 of the 23 sub-groups of the manufacturing sector reporting a rise in production. Only two sub-groups reported a fall.

▪Among the use-based classification of IIP, output of primary goods rose by 13.7 per cent and that of intermediate goods rose by 11 per cent. Production of capital goods grew by 26.1 per cent and that of infrastructure/construction goods grew by 8 per cent. Among consumer goods, production of durables rose by 23.8 per cent and that of non-durables rose by 2.9 per cent.

▪Cumulative IIP during April-June 2022 rose by 12.7 per cent, as compared to a 44.4 per cent growth recorded during the same period a year ago.

Key Sectoral Insights

Green Finance

Climate Policy Initiative - India: India's first-ever effort to track green investment flows are falling short of the country's current need for its ambitious climate targets. Climate Policy Initiative in its report 'Landscape of Green Finance in India', has claimed that the tracked green finance in 2019-2020 was Rs 309,000 crore (nearly USD 44 billion) per annum, which is less than a fourth of India's needs. The report estimates that for India to achieve its Nationally Determined Contributions (NDCs) under the Paris agreement, the country requires approximately Rs 162.5 lakh crore (USD 2.5 trillion) from 2015 to 2030 or roughly Rs 11 lakh crore (USD 170 billion) per year.

Real Estate

CareEdge: After posting muted growth in the financial year 2020-21, the affordable housing finance space grew 20% on-year in the fiscal year ending March 2022. Experts believe that the segment will continue to expand and post a growth rate of around 18% in the current fiscal year. Affordable Housing Finance Companies were relatively slow in passing on the benefit of lower interest rates to their customers, during the previous fiscal year, which helped improve profitability of the companies.

Fintech

EY- Chiratae Ventures: Indian fintech will grow tenfold to have \$1 trillion in assets under management (AUM) and \$200 billion in revenue by 2030. The digital lending market, with a \$515 billion book size by 2030, will shape much of this growth, according to the report '\$1 Tn India FinTech Opportunity' by Chiratae Ventures in collaboration with Ernst and Young (EY). India had 21 fintech unicorns (a company valued at \$1 billion or more) as of March 2022. A collaborative ecosystem is driving fintech growth, which is supported by government initiatives like Digital India, Smart City, and Unified Payments Interface (UPI). Fintech-facilitated lending will grow by \$476 billion to reach \$514.6 billion in book size by 2030.

Mobile Segment

International Data Corporation: In the first half of 2022, India's smartphone market fell by one per cent, as shipments of Xiaomi, the top selling brand, fell by 28 per cent due to weak consumer demand in the June 2022 quarter. 71 million smartphones were shipped from January 2022 to June 2022, according to the International Data Corporation (IDC)'s Worldwide Quarterly Mobile Phone Tracker. The biggest decline was in the below-USD 100 segment, which lost its market share by five per cent. According to the study, the second quarter (April-June) of the year, which usually has higher seasonal demand than the first quarter, saw a five per cent decline sequentially.

Tourism

Nangia Andersen LLP & FICCI: Outbound trips from India will surpass USD 42 billion by 2024, according to a report titled 'Outbound Travel and Tourism - An Opportunity Untapped' by Nangia Andersen LLP in association with FICCI. According to the report, to facilitate ease of doing business and promote the interests of Indian firms dealing in outbound travel the government could look at steps like increasing direct connections to popular and upcoming destinations, allowing foreign cruise vessels to operate on Indian waters, besides taking concerted and coordinated efforts on multiple fronts to propel the outbound tourism market.

Upsides

- The supply of coal to electricity generating plants increased by 17.09 per cent to 58.45 million tonnes in July due to rise in power demand. The government in the last few months has taken various measures to ensure adequate availability of coal for power stations. The total coal dispatch to power utilities stood at 49.92 million tonnes (MT) in July last fiscal, according to provisional data of the coal ministry. The overall coal production also went up by 11.37 per cent to 60.42 MT in July as against 54.25 MT in the year-ago period.
- Bank credit rose 14.52 per cent to Rs 123.69 lakh crore and deposits increased 9.14 per cent to Rs 169.72 lakh crore in the fortnight ended July 29, according to RBI data.
- Credit disbursements to small businesses have doubled compared to the pre-pandemic levels but bankers seem to be cautious and are largely sticking to existing borrowers in extending the loans. Demand for credit from the Micro, Small and Medium Enterprises (MSMEs), measured by the number of commercial credit enquiries, was 1.6 times of the pre-pandemic levels in FY22. Total live MSME borrowers stand at 7 million as on March 2022 with a growth rate of 6 per cent over the previous year.
- With the addition 8.40 GW to the grid, the solar power segment in the country has achieved its highest ever half-early capacity addition in this calendar year. The new capacity addition in the solar power segment during January-June 2022 period stood at about 8.36 GW (includes utility-scale, rooftop and off-grid), based on data provided by the Union Ministry of New and Renewable Energy.
- Tier 2 and 3 markets are growing faster than the metros across categories such as packaged foods, beauty, personal care and quick service restaurant chains, according to media reports. Tier 2 and tier 3 cities that used to account for 28-35 per cent of the revenue till last year have increased to 45 per cent currently.
- India received 75.1 millimeters rainfall during the week ended 10 August 2022. This was 19.2 per cent higher than the long period average (LPA). Cumulative rainfall during 1 June-10 August 2022 amounted to 576.7 millimeters, 7.7 per cent higher than the LPA.
- Public sector banks have raked in more profits in the three months ended June on the back of a persistent decline in bad loans and the trend may have a positive bearing on their balance sheets in the coming quarters. In the June quarter, Bank of Maharashtra (BoM) and State Bank of India (SBI) were in the lowest quartile as far as Gross Non Performing Assets (NPAs) and net NPAs were concerned, according to an analysis published by the public sector lenders. Cumulatively, all the 12 public sector banks reported a profit of about Rs 15,306 crore in the three months ended June, registering an annual growth of 9.2 per cent.

Downsides

- Area sown under pulses in the ongoing kharif season fell by four per cent to 12.2 million hectares as on 12 August 2022, as compared to the same period a year ago. Among major pulses, area covered under arhar was down by 11.6 per cent, while urad and moong reported 4.6 per cent and 0.4 per cent decline in acreage, respectively. Oilseeds were sown on 18 million hectares as on 12 August 2022, 0.8 per cent lower than a year ago. The fall was entirely led by groundnut, area under which shrunk by 9.7 per cent. Area under all other oilseeds including soyabean, sunflower, sesamum, niger and castor increased.
- The pace of national highway construction slowed down to 20.43 km per day during April-July 2022 from 37 km per day in the fiscal year 2020-21 and 28.64 km per day in 2021-22. According to the Ministry of Road Transport and Highways (MoRTH), 2,493 km of national highways were constructed during April-July 2022 as compared to 2,927 km during the same period a year ago. The road projects awarded during April-July 2022, at 1,975 km, were also lower compared to the 2,434 km of stretch awarded during April-July 2021.
- The delay in fixing the average selling price of iron ore by the Indian Bureau of Mines has put steel companies in a spot as they have to pay higher royalty even as iron ore prices are on a downtrend. IBM announces average selling price of iron ore every month after taking into account the selling price of merchant miners. Captive miners including Tata Steel and JSW Steel have to pay royalty of 15 per cent on the average price to the governments.
- Investments by private equity and venture capital funds into Indian entities fell by 69 per cent to USD 3 billion during July. The investments in July are the lowest for any month in a year, and lower than the USD 4.9 billion recorded across 118 deals in the preceding month of June. July 2022 recorded 74 deals, as against 134 deals in the year-ago period.
- India's exports of plastics, stone, machinery and mechanical appliances worth \$7.9 billion to the EU will no longer be eligible for low or zero-duty concessions from January, 2023 as the bloc would withdraw these benefits under the Generalised Tariff Preference Scheme (GSP). Exports of almost 1,800 products of plastics, fur, stone, plaster, cement, asbestos, and machinery and mechanical appliances will cease to get the benefits and make Indian goods more expensive with exporters paying 6.5% duty for certain plastic products where the tariff is nil at present.
- Apparel and diamond exporters are facing a slowdown in demand from the US and China respectively. The lockdown in China has impacted exports of loose diamonds from India. On the other hand, demand for apparel from the US has fallen 20% due to rising inflationary pressure, said apparel exporters. China and the Far East account for about 30% of India's diamond exports, constituting the second largest market after the US.

Key Policy Announcements/ Notifications

Ministry of Heavy Industries launches Automated Online Data Transfer for capturing critical data related to Domestic Value Addition (DVA) from the PLI applicant's ERP system to PLI Auto Portal

<https://pib.gov.in/PressReleasePage.aspx?PRID=1850892>

Recommendations of the Working group on Digital Lending – Implementation

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54187

Government offers use of Indigenous 5G Test Bed free of cost to Indian Government recognized start-ups and MSMEs for the next six months upto Jan, 2023

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1849978>

Reports

Global Employment Trends for Youth 2022, ILO, August 2022

The report discusses the impact of the COVID-19 pandemic on young people and their labor market prospects during the recovery and beyond. Youth have been disproportionately affected by the pandemic and youth labor markets are now being buffeted by the lingering impacts of the pandemic, geopolitical risks and macroeconomic risks such as the impact of supply chain disruptions and rising inflation, particularly that of food and energy. According to the report, India experienced severe working-hour and employment losses in 2020 and 2021, and Indian youth employment deteriorated in 2021 compared to 2020. It finds that the pandemic has worsened the numerous labor market challenges facing those aged between 15 and 24 years. Youngsters in this age group experienced a much higher percentage loss in employment than adults since early 2020.

https://www.ilo.org/global/publications/books/WCMS_853321/lang--en/index.htm

Forthcoming Data Releases

Wholesale Price Index, Ministry of Commerce & Industry, August 16, 2022*

CPI (AL/RL), Labour Bureau, August 19, 2022*

Forex Reserves, Reserve Bank of India, August 19, 2022

*Expected

Sources:

Various Press Articles, CMIE, MOSPI, RBI, SEBI, PIB

For previous editions / other data products and fact sheets please write to

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