

Key Data Releases

Core Index

- The index of eight core industries rose by 3.3 per cent y-o-y in August 2022, compared to 4.5 percent growth registered in the month of July 2022 and 12.1 percent in August 2021. This was the lowest growth in the index registered since November 2021.
- Coal and fertilizer sectors grew at 7.7 per cent and 11.9 percent, respectively.
- Among other energy sources, output of crude oil fell by 3.4 per cent and that of natural gas by 1.0 per cent. Refinery products industry reported a 7.0 per cent rise in production in August 2022.
- Steel production grew by 2.2 per cent and cement production grew by 1.8 per cent. Electricity generation rose by 0.9 per cent in August 2022.

Consumer Price Index –Industrial Workers

- Consumer price inflation for industrial workers, measured by the CPI-IW, rose to 5.9 per cent in August 2022 from 5.8 per cent in July 2022. Inflation rose across all sub-groups except fuel & light.
- Food inflation increased to 6.5 per cent from six per cent in July 2022. Inflation in clothing & footwear and miscellaneous item prices rose by 65 basis points and 24 basis points to six per cent and to 4.4 per cent, respectively.
- The fuel & light group, on the other hand, saw inflation fall to 15.9 per cent in August 2022 from 17.2 per cent in July 2022.

Public Finance

- India's fiscal deficit stood at Rs.5.4 trillion in the April-August period, accounting for 32.6 percent of the budget target.
- Total receipts rose to about Rs.8.48 trillion from Rs. 8.09 trillion, year-on-year. Revenue receipts were registered at Rs. 8.17 trillion, with net tax revenue amounting to Rs. 7.0 trillion and non-tax revenue amounting to Rs. 1.17 trillion in the April-August period.
- The total expenditure stood at Rs.13.9 trillion up from Rs. 12.77 trillion, year-on-year, while the capital expenditure rose to Rs. 2.52 trillion as compared to Rs. 1.72 trillion, from last year. The revenue expenditure rose to Rs. 11.38 trillion from Rs. 11.05 trillion a year ago.

Foreign Exchange Reserves

- India's foreign exchange reserves fell by approximately USD 8.1 billion to USD 537.5 billion during the week ended 23 September 2022.

Balance of Payment

- India's current account deficit widened to 2.8 per cent of GDP at USD 23.9 billion in the first quarter of the current financial year, mainly on account of a higher trade deficit, up from USD 13.4 billion (1.5 per cent of GDP) in January-March period of the last fiscal.

Key Sectoral Insights

Infrastructure

JLL India: Data centre companies will double their business by 2024 and increasing need for their services will help real estate, according to a JLL India report. Data centre capacity was at 637 megawatt (MW) in the first half of 2022: a 16 per cent rise compared to 551 MW in 2021, said a report by JLL. Mumbai, Bangalore and Chennai comprise 75 per cent of India's data centre market. The rest is in Delhi-NCR, Pune, Hyderabad, and Kolkata. Mumbai is expected to lead storage addition, followed by Bangalore, Chennai, and Delhi-NCR. Data centre investments are expected to cross \$20 billion by 2025.

IT/IoT

IBM: While 85% of respondents in India have adopted a hybrid cloud approach that can help drive digital transformation, the majority of them are struggling with the complexity to make all their cloud environments work together, according to IBM. As organizations face skills gaps, security challenges, and compliance obstacles, only 30% of Indian respondents manage their hybrid cloud environments holistically – which can create blind spots and put data at risk. The IBM Transformation Index: State of Cloud points to a strong correlation between hybrid cloud adoption and progress in digital transformation. 76% of those surveyed think it's difficult to realize the full potential of a digital transformation without having a solid hybrid cloud strategy in place. At the same time, only 39% of Indian respondents said that they have proven the benefits of cloud and are now focused on using it more fully.

Telecom

Ericsson ConsumerLab: With over 100 million smartphone users ready to upgrade to the 5G network by 2023, India's readiness to adopt the upcoming network is twice that of other markets across the globe like the UK and the US, according to the "Promise of 5G report". Intention to upgrade to 5G in urban India is two times higher than their counterparts in markets like the UK and US where 5G has already been launched. Over the past two years, India has witnessed a three times increase in smartphone users who own a 5G handset. Fifty-nine per cent of all smartphone users in the country intend to upgrade to 5G in the next 12 months. Out of these 59 per cent, 36 per cent plan to churn to the best provider of the 5G network when it is available, according to the report.

Upsides

▪With increase in digital access and growing awareness about mutual funds, asset management companies (AMCs) have added close to 70 lakh investor accounts in the first five months of the current fiscal, bringing the total to 13.65 crore. This came following an addition of 3.17 crore investor accounts in 2021-22 and 81 lakh accounts (or folios in mutual fund parlance) in 2020-21. The sharp increase in mutual fund (MF) folio count implies that a lot of new investors are coming into the capital markets and are embracing mutual funds as their preferred vehicle for investing.

▪India, for the first time, made it to the top 40 countries at the Global Innovation Index (GII), led by improvement in information and communication technologies (ICT) services exports, venture capital recipients' value, and finance for startups. India's six-notch jump to the 40th spot in the 132-nation GI in 2022 from 46th rank in 2021 made it to the top most innovative lower middle-income economy in the world, overtaking Vietnam, the World Intellectual Property Organization (WIPO) said.

▪India's non-petroleum exports to the United Arab Emirates (UAE) grew 14 per cent year on year to \$5.92 billion during June-August, from \$5.17 billion a year ago. The India-UAE Comprehensive Economic Partnership Agreement (CEPA), which kicked in on May 1, is already creating a 'significant positive impact' on the trade between the two nations. The jump was primarily led by gems and jewellery, electrical equipment, among other items.

▪Indian Railways has achieved 100% electrification on four of its zones namely — East Coast, South Eastern, Eastern and Central Eastern Railway. This development is in line with the Indian Railways' aim of becoming the largest Green Railways in the world and further moving towards becoming a "net zero carbon emitter" before 2030. This will also enable seamless passenger and freight movement.

▪Housing sales have risen 49 per cent year-on-year to 83,220 units in the July-September period across eight major cities on pent up demand, despite rise in interest rates and property prices, according to PropTiger.com. Sales stood at 55,910 units in the same quarter last year. The sales have surpassed the pre-pandemic levels of 2019's Q3 (July - September).

▪Cargo traffic at India's major ports grew by 8.6 per cent y-o-y in August 2022. Major ports handled 62.5 million tonnes of cargo during the month as compared to 57.6 million tonnes in August 2021. Cargo traffic unloaded rose by 12.6 per cent and cargo traffic loaded increased by 1.3 per cent during the month. Transshipment cargo traffic grew by 7.1 per cent. Cargo traffic of coal went up by 48 per cent and other goods by 26.9 per cent.

▪The government collected Rs.1.48 trillion goods and services tax (GST) in September 2022. This was higher than the Rs.1.44 trillion collections made in August 2022. Compared year-on-year, GST collections were higher by Rs.306.8 billion or 26.2 per cent in September 2022.

Downsides

▪According to the Ministry of Statistics and Programme Implementation, out of 1,526 projects, 393 reported cost overruns and as many as 647 projects were delayed. The expenditure incurred on these projects till August 2022 was Rs 13,60,645.94 crore, or 52.49 percent of the anticipated cost of the projects. Out of the 647 delayed projects, 132 have overall delays in the range of 1-12 months, 118 have been delayed for 13-24 months, 273 projects for 25-60 months and 124 projects have been delayed for 61 months and above.

▪India's engineering goods exports to China nosedived over 70 percent in August 2022 to US\$ 173.7 million as compared to US\$ 619.5 million in the same month last year. As per Engineering Export Promotion Council (EPEC) analysis, engineering exports to the European Union (EU) fell 27.3 percent year on year to US\$ 1.47 billion. With the demand from China, the EU, and other key markets slowing down substantially, overall engineering exports in August 2022 dropped by 12.64 percent to US\$ 8.4 billion as compared to US\$ 9.6 billion in August 2021, said the industry body.

▪Warehousing space demand from large ecommerce firms such as Amazon, Flipkart, Bigbasket and FirstCry have come down significantly this calendar due to an expected slowdown in consumer demand and a large base, recent studies show. Ecommerce companies contributed to a mere 4% of total warehousing leasing in the first half of 2022, down from 23% in the first half of last year, data from property consultancy firm Colliers shows. Another report by real estate data analytics company CRE Matrix said the top five ecommerce companies alone have seen an 83% drop in leasing in the first eight months of 2022 through August compared to 2021 when the segment saw 107% growth in space take up.

▪The savings of Indian households fell to the lowest level in last five years in the year ending March 31, 2022. As inflation eroded purchasing power, people dug into their savings to spend after the pandemic. Compared with 15.9 per cent in FY21, the gross financial savings of households stood at 10.8 per cent in FY22. In the three previous fiscal years, it was 12 per cent.

▪A survey of 300 small and medium businesses (SMBs) in the Asia Pacific, Middle East and Africa region (AMEA) region including India said 80 per cent of SMEs in India experienced extremely high levels of resignations over the past 12 months as the global Great Resignation phenomenon has impacted the region. Due to Covid, 80 per cent of SMEs in India agreed that consumer buying behavior has fundamentally changed and most of them predicted that e-commerce will be integral to their business growth over the next three years.

▪India's overall paddy sowing area in the current kharif season has been reported at 40.2 million hectares (mh) which is 4.7 per cent less than last year, as per the Ministry of Agriculture & Farmers' Welfare. Decline in paddy sowing can be attributed to deficient rainfall in the key rice-growing states of Uttar Pradesh, Bihar, Jharkhand and West Bengal. Recent rainfall over Karnataka, Telangana, Tamil Nadu and Odisha, however, has expanded paddy sowing.

Key Policy Announcements/ Notifications

Monetary Policy Statement

https://rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54465

Foreign Trade Policy extended for six months

<https://pib.gov.in/PressReleasePage.aspx?PRID=1862335>

Sebi permits FPIs to participate in exchange-traded commodity derivatives

https://www.sebi.gov.in/legal/circulars/sep-2022/participation-of-sebi-registered-foreign-portfolio-investors-fpis-in-exchange-traded-commodity-derivatives-in-india_63474.html

Reports

OECD Economic Outlook: Paying the Price of War, OECD, September 2022

According to the report, with the impacts of the COVID-19 pandemic still lingering, the war is dragging down growth and putting additional upward pressure on prices, above all for food and energy. Global GDP stagnated in the second quarter of 2022 and output declined in the G20 economies. High inflation is persisting for longer than expected. Global growth is expected to slow from 3% in 2022 to 2.2% in 2023, well below the rate anticipated prior to the war. Real global incomes in 2023 may be around USD 2.8 trillion lower than expected a year ago. Headline inflation is expected to fall from 8.2% in 2022 to 6.5% in 2023 in the G20 economies. For India, OECD has retained India's real GDP growth projection for 2022-23 at 6.9 per cent. GDP growth for 2023-24 is estimated at 5.7 per cent. OECD further stated that monetary policy tightening and weaker global demand are expected to help in taming the inflation by end of 2023.

https://www.oecd.org/economic-outlook/september-2022?utm_term=pac&utm_medium=social&utm_content=&utm_source=twitter

Quarterly Employment Survey, Ministry of Labour and Employment, September 2022

According to the report, an estimated total of 3.18 crore workers was engaged in 5.31 lakh establishments during the 4th round. Manufacturing sector accounted for the largest percentage (38.5%) of the total number of workers, followed by Education sector with 21.7%, IT/BPO sector with 12% and Health sector 10.6%. Only 1.4 % of the establishments reported at least 500 workers. Such large establishments were mostly in the IT/ BPO sector and in the Health sector. Female workers participation reported marginal increase from 31.6% in the third quarter to 31.8% in the 4th quarter (2021-22) report. However, female workers constituted about 52 % of the workforce in the Health sector, the corresponding percentages in Education, Financial Services and IT/ BPO sector stood at 44%, 41% and 36% respectively. <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1862597>

Basic Statistical Return on Credit by Scheduled Commercial Banks in India - March 2022, Reserve Bank of India, September 2022

Bank branches in urban, semi-urban, and rural areas maintained double-digit annual (y-o-y) growth in credit in March 2022, whereas credit growth for metropolitan branches increased significantly to 9.2 per cent from 1.4 per cent in the previous year. PSBs' share in total credit by SCBs stood at 54.8 per cent in March 2022 as compared with 65.8 per cent five years ago and 74.2 per cent ten years ago. On the other hand, the share of private sector banks nearly doubled to 36.9 per cent over the last ten years. Agriculture credit grew at 12.2 per cent (y-o-y) in March 2022; loans to industrial sector recorded 4.7 per cent growth in 2021-22 after witnessing a decline in the previous year. Over the last decade, the share of industrial loans in total credit has been gradually declining whereas, the share of personal loans has been increasing; both these sectors had nearly 27 per cent credit share each in March 2022.

https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=54452

Forthcoming Data Releases

PMI-Manufacturing, S&P Global, October 3, 2022*

PMI-Services, S&P Global, October 3, 2022*

Forex Reserves, Reserve Bank of India, October 7, 2022

*Expected

Sources:

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

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

Anshuman Khanna – anshuman.khanna@ficci.com / Sakshi Arora – sakshi.arora@ficci.com