

Key Data Releases

Eight Core Index

- The index of eight core industries rose by 5.4 per cent on a year-on-year (y-o-y) basis in November 2022. The growth was higher than the 0.9 per cent growth registered in the preceding month. Five of the eight core industries reported a y-o-y rise in production in November 2022.
- Electricity generation rose by 12.1 per cent and output of coal, which is a key input for thermal power generation, increased by 12.3 per cent. Among other energy sources, output of crude oil fell by 1.1 per cent, natural gas by 0.7 per cent and that of refinery products by 9.3 per cent. Steel production grew by 10.8 per cent, but cement production surged by 28.6 per cent. Production of fertilizers increased by 6.4 per cent in November 2022.

Public Finance

- Central Government's gross fiscal deficit (GFD) touched 58.9 per cent of its annual budgeted target by November 2022. At the same time last year, the government had exhausted 46.2 per cent of its annual deficit target. In absolute terms, the deficit during April-November 2022 amounted to Rs.9.8 trillion, higher than the last year's Rs.7 trillion.
- Government expenditure increased year-on-year by 17.7 per cent to Rs.24.4 trillion during April-November 2022. Revenue expenditure rose by 10.8 per cent to Rs.20 trillion and capital expenditure rose by 63.4 per cent to Rs.4.5 trillion.
- On the revenue side, net tax collections rose by 7.9 per cent to Rs.12.2 trillion during April-November 2022. Non-tax revenue receipts declined by 11.1 per cent to nearly Rs.2 trillion, while non-debt capital receipts, which mainly comprise of disinvestment proceeds, doubled to Rs.414.8 billion from their year-ago level.

Balance of Payments: Q2 FY23

- India's current account deficit widened USD 36.4 billion in the quarter ended September 2022 from USD 18.2 billion in the preceding quarter ended June 2022 and USD 9.7 billion in the year-ago quarter.
- As proportion of GDP, current account deficit in the September 2022 quarter was 4.4 per cent as compared to 2.2 per cent in the June 2022 quarter and 1.3 per cent of GDP in the September 2021 quarter.
- Merchandise trade deficit peaked at USD 83.5 billion in the September 2022 quarter. It was at USD 63.0 billion in the June 2022 quarter and USD 44.5 in the September 2021 quarter. Net earnings from services, on the other hand, rose to USD 34.4 billion from USD 31.1 billion and USD 25.6 billion on a similar comparison. Net outflows amounting to USD 12 billion were seen on primary account, while secondary account saw net inflows of USD 24.8 billion.
- Net foreign direct investment (FDI) inflows in the September 2022 quarter amounted USD 6.4 billion, net inflows of foreign portfolio investments (FPI) of USD 6.5 billion and NRI deposits of USD 2.5 billion. External commercial borrowings (ECBs), on the other hand, recorded net outflows of USD 400 million. The quarter witnessed a large depletion of foreign exchange reserves of USD 30.4 billion.

Foreign Exchange Reserves

- India's foreign exchange reserves fell by USD 0.7 billion to USD 562.8 billion during the week ended 23 December 2022.

Key Sectoral Insights

Gems & Jewellery

CRISIL: With volume growing on pent-up demand and recovery in discretionary spending, revenue of organized gold jewellery retailers will rise to 23-25 per cent this fiscal, according to a CRISIL report. The revenue had jumped 36 per cent last fiscal on a low base of the pandemic-hit fiscal 2021. Next fiscal, the growth will moderate to 8-12 per cent, given the higher base of this fiscal and due to the slower growth in disposable incomes courtesy the economic outlook. Organized jewellery retail sales volume is likely to increase 16-18 per cent on-year to 670-700 tonne this fiscal, crossing the pre-pandemic level of ~600 tonne, supported largely by wedding and festival demand. Realization will also support the revenue growth with an expected on-year increase of 5-7 per cent.

Urban Infrastructure

JLL: The net absorption of office space in calendar year 2022 has surpassed the five-year pre-pandemic average (2015-2019) by 3.1 per cent and is second only to the 2019 absorption number for the past 10 years, according to JLL. India's net office market absorption across the top-7 cities in 2022 was at a three-year high of 38.25 million sq ft. The top 7 cities were Mumbai, Delhi NCR, Bengaluru, Hyderabad, Chennai, Kolkata and Pune. However, the report added that net absorption was down 19 per cent at 7.99 million sq ft on a quarter-on-quarter (QoQ) basis. During the fourth quarter of 2022, Delhi NCR led with a 23.7 share of net absorption, with Hyderabad and Chennai showing strong year-end momentum to power ahead of even Mumbai and Bengaluru.

Telecom

Counterpoint Research: India's 5G smartphone shipments will surpass that of 4G shipments, led by the mass adoption of the high-speed network and the increase in sale of handsets in the lower-price bands according to Counterpoint. Although the country's total smartphone shipments are likely to witness a yearly fall in 2022 as a result of component supply issues and macroeconomic factors, 5G will continue to push smartphone demand in 2023 as well.

Upsides

- As of 30 December 2022, wheat has been sown on 32.5 million hectares (mh) as compared to 31.3 mh in the corresponding period last year. This translates into an increase by 3.5 per cent. The highest coverage has been reported in Uttar Pradesh, followed by Rajasthan, Maharashtra, Gujarat, Bihar, Madhya Pradesh, Chhattisgarh and West Bengal.
- Total electricity generation rose by 12.8 per cent to 121.9 billion kwh in November 2022 from 108.1 billion kwh generated in November 2021. Conventional electricity generation rose by 11.9 per cent y-o-y to 108.5 billion kwh. Renewable electricity generation increased by 20 per cent y-o-y to 13.4 billion kwh in November 2022.
- The Rs.106.8 billion production linked incentive (PLI) scheme for India's textiles sector attracted investments of Rs.15.3 billion as approval letters were issued to 56 applicants who met the eligibility criteria. The government launched the PLI Scheme to boost the production of man-made filament (MMF) apparel, MMF fabrics and products of technical textiles in the country to enable the industry to achieve size and scale and to become competitive.
- India's export of agriculture and allied commodities rose 11.97 per cent to USD 30.21 billion during April-October period of current fiscal year. The exports stood at USD 26.98 billion in the same period of 2021-22. Wheat, basmati rice, raw cotton, castor oil, coffee, and fresh fruits were major commodities exported from India. The overall export of agri and allied commodities rose 20 per cent to USD 50.24 billion in 2021-22, when compared with USD 41.86 billion in the previous year.
- Gross direct tax collections for 2022-23 (up to November 30) are up by 29.66 per cent at Rs 10,93,385 crore, which was over Rs 8,43,301 crore collected during the corresponding period of last year. The growth has been achieved due to the performance of economy, administration and implementation of the provisions of the direct tax laws.
- Housing sales have reached a new high in 2022 after breaking the record of its previous high in 2014, as per Anarock. In 2022, the housing sector recorded 364,900 units sold across seven major cities, breaching its previous high of 343,000 units in 2014. The housing sales grew by 54 per cent compared to sales made in 2021. Sales grew in spite of interest rate hikes because of strong demand for residential properties. The rise in property prices in the range of 4-7 per cent has also contributed to the sales growth.
- The credit offtake in India remained at elevated levels of 17.5 per cent year-on-year (YoY), reporting robust growth for the fortnight ended December 2, according to CARE Ratings. The growth is driven by a low base, non-banking finance companies (NBFC), retail credit, higher working capital demand driven by inflation and improvement in capacity utilisation ratio, and rising demand for fresh capex.

Downsides

- Consumer spending on credit cards fell for the first time since July, signalling an end to the festive season that had begun with Onam. Credit card spends fell more than 12% sequentially, with average spends coming around ₹14,280 for the month of November, compared with ₹16,343 in October, according to Reserve Bank of India (RBI) data.
- Economic headwinds, poor consumer demand, and market uncertainties led to a 8 per cent decline in 'Make in India' smartphone shipments (year-over-year) in the third quarter (Q3) this year to reach over 52 million units, according to Counterpoint Research. This is the first decline in any quarter this year.

Key Policy Announcements/ Notifications

India Australia Economic and Cooperation Trade Agreement comes into force

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1887259>

Ministry of Housing and Urban Affairs launches 2 key initiatives to take India's Urban Rejuvenation journey to next level

<https://www.pib.gov.in/PressReleaseDetailm.aspx?PRID=1887067>

Central Payments Fraud Information Registry – Migration of Reporting to DAKSH

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?id=12431&Mode=0>

Launch of Utkarsh 2.0 – Reserve Bank of India's Medium-term Strategy Framework

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54970

Reports

Report On Trend And Progress Of Banking In India 2021-22, Reserve Bank of India, December 2022

According to the report, the consolidated balance sheet of scheduled commercial banks (SCBs) registered double digit growth in 2021-22, led by credit growth, which accelerated to a ten-year high in H1:2022-23. The capital to risk weighted assets ratio (CRAR) of SCBs strengthened from 16.3 per cent at end-March 2021 to 16.8 per cent at end-March 2022, with all banks meeting the regulatory minimum capital requirement of 11.5 per cent and the common equity tier-1 (CET-1) ratio requirement of 8 per cent. The gross non-performing assets (GNPA) ratio of SCBs has declined to 5.8 per cent at end-March 2022, led by lower slippages as well as reduction in outstanding GNPA's.

<https://www.rbi.org.in/Scripts/AnnualPublications.aspx?head=Trend%20and%20Progress%20of%20Banking%20in%20India>

Financial Stability Report, Reserve Bank of India, December 2022

The Indian economy is confronting strong global headwinds. Yet, sound macroeconomic fundamentals and healthy financial and non-financial sector balance sheets are providing strength and resilience and engendering financial system stability. Buoyant demand for bank credit and early signs of a revival in investment cycle are benefiting from improved asset quality, return to profitability and strong capital and liquidity buffers of scheduled commercial banks (SCBs). The system-level capital to risk weighted assets ratio (CRAR) in September 2022, under baseline, medium and severe stress scenarios, is projected at 14.9 per cent, 14.0 per cent and 13.1 per cent, respectively.

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1230>

Forthcoming Data Releases

PMI-Manufacturing, S&P Global, January 02, 2023*

PMI-Services, S&P Global, January 05, 2023*

First Advanced Estimates of GDP, MoSPI, January 06, 2023*

Forex Reserves, Reserve Bank of India, January 06, 2023

*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