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As the country emerges from the shades of the COVID-19 pandemic, the Indian economy is again gaining momentum, driven by fairly focused policy measures and financial interventions, and improving industrial output. As a consequence, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) has maintained its projection of 9.5 per cent GDP growth in FY22, with an upward revision in the forecasts for 2Q22, to 7.9 per cent from the earlier projection of 7.3 per cent. However, this growth obviously has to factor in the low base-effect, while indifferent recovery in some sectors, as well as subdued consumer sentiment have contributed to the absolute GDP not yet attaining pre-COVID-19 levels.

Data from the International Monetary Fund (IMF) suggests that India’s economic growth will outpace that of many developing countries in FY22 and FY23. It has also kept its GDP projections for India intact, estimating 9.5 per cent growth in FY22 and 8.5 per cent in FY23. Additionally, recent high frequency indicators suggest that the economy is tiding over the effects of the pandemic and transiting to a more robust growth path.

**Silver linings - the buoyant segments of the economy**

Domestic industrial production is gaining lost ground, with the Index of Industrial Production (IIP) witnessing a y-o-y growth of 11.9 per cent in August 2021— with manufacturing, mining and electricity output fueling significant growth. Robust implementation of the Production Linked Incentive (PLI) scheme, coupled with improving demand side conditions, are enhancing production levels as reflected in the improving manufacturing PMI numbers.

Rural demand, which is a key determinant of the health of the economy, looks set to become robust on the back of an adequate monsoon, as well as recent increases in kharif production.

From an inward investment perspective, foreign investors continue to exude confidence in the economy, which is evident in the y-o-y increase of 90.3 per cent in total FDI inflows into the country during 1Q22. Additionally, foreign exchange reserves hit an all-time high of USD638.6 billion in September 2021.

Other factors that have tended to foster an optimistic outlook are: sustained improvements in power consumption, improving rail freight activity, better GST collections, upticks in air freight/passenger traffic, and the significant increase in digital transactions. While certain segments of the automobile industry remain affected by the global shortage of semiconductor chips, the upcoming festive season is likely to provide a fillip to demand.

However, there are areas of concern…

The widening trade deficit is an area of concern, and while merchandise exports rose by a healthy 21 per cent to USD33.4 billion in September 2021 over the previous annual period, imports swelled to USD56.4 billion, up 85 per cent. Consequently, the trade deficit in September 2021 reached USD22.9 billion, primarily driven by supply constraints for energy and petroleum, as well as the surge in demand for gold and electronic products.

Private consumption and investment remain stressed, largely due to a contraction of household incomes and spending capacity, as well as consumer caution. Although, Private Final Consumption Expenditure (PFCE) grew by 19.3 per cent in 1Q22, it was 12 percent lower than 1Q21, reflecting lower consumer confidence.

Source(s): Monthly Economic Review, DEA, September 2021; Pullback Quarter, Crisil Research, October 2021; Solid data on a low base, Crisil Research, September 2021; India Economy in a Snapshot - Q3 2021, CEIC, September 2021; RBI cuts FY22 inflation forecast to 5.3%, Economic Times, 8 October 2021; Indian economy poised to attain double-digit growth in FY22: PHDCCI, The Economic Times, 11 October 2021; Monetary Policy report, RBI, October 2021
Foreword – (2/3)

Focused policies and fiscal measures

Another stimulus package of INR6.28 lakh crore was unveiled by the Government of India in June 2021 to boost economic growth and exports. While this initiative will certainly incentivise growth, economists believe that more stimulus measures may be necessary to shore up the economy. The PLI Scheme, targeting 13 sectors, is expected to accelerate investment, enhance production capacity and create global competitiveness for key sectors and industries in India.

In order to provide a causeway for growth, public sector investment has been raised by 34.5 per cent y-o-y for FY22, accounting for ~25 per cent of total investments. While exports are faring well, investments are still dependent on government’s capital spends, and spurring private investment is an area which may require further public-policy focus. In the financial sector, the Insolvency and Bankruptcy Code (IBC) has led to the recovery of INR2.4 lakh crore of stressed assets, while policies to liberalise Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) have elevated the confidence of foreign investors in the Indian economy.

On the infrastructure front, the National Infrastructure Pipeline (NIP) envisaging INR111 lakh crore of investment, as well as the INR6 lakh crore National Monetisation Pipeline (NMP) look set to unlock value in infrastructure assets, bringing spillover benefits across a broad swathe of the economy. The launch of the Gati Shakti project is expected to reduce process friction in the national supply chain, while also accelerating the pace of infrastructure creation.

Prospects and concerns

Focusing primarily on the objective of reviving and sustaining growth, the RBI continues its accommodative policy stance, maintaining the repo rate at 4 per cent. While CPI inflation for FY22 has been revised to 5.3 per cent, rising crude oil prices are expected to exert further inflationary pressures and also inject volatility into the country’s economic prospects. The rising prices of metals and energy, acute shortage of some key industrial components, and the traditionally high in-country logistics costs might act as dampeners to growth.

Another measure of concern is the unbalanced pace of growth across sectors. While a few segments and industries have recuperated well, certain sectors such as tourism, hospitality, etc. continue to remain becalmed.

Source(s): Policy rates unlikely to be hiked in a hurry, Business Line, 10 October, 2021; RBI cuts FY22 inflation forecast to 5.3%, Economic Times, 8 October, 2021; India on path of economic recovery, says DEEA Secretary Ajay Seth, The Economic Times, 4 October, 2021
The road ahead

Sustained growth in agriculture, revival of core industry sectors, and the resurgence of production, along with select high frequency indicators point towards a buoyancy in overall growth. The rapid permeation of vaccination along with policy interventions and incentives have contributed to a fairly optimistic outlook for the economy. However, the impact of the pandemic on the unorganised sector, as well as prospects for people at the bottom of the economic pyramid continue to be very significant concerns.

The RBI’s accommodative policy stance and improved business sentiments are likely to facilitate economic optimism, despite concerns around elevated commodity prices, domain-specific factors like the shortage of semiconductor chips, as well as potential global financial market volatility.

In sum, the Indian economy seems to have emerged from the pandemic-induced trough, and looks set for a period of more robust growth. However, there is a need for watchfulness, and constant adaptation and innovation in the matter of policy interventions, given the speed with which the global geopolitical and geo-economic environment is currently mutating. Special attention and ameliorative measures may also need to focus on the unorganised sector and distressed sections of the population for ensuring fairness and equitable growth.
Executive summary
## Executive summary (1/3)

<table>
<thead>
<tr>
<th>Parameters/indicators</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Value Added (GVA)</td>
<td>The GVA witnessed accelerated growth rate of 18.8 per cent in 1Q22, while it shrank by 6.2 per cent in FY21.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>The agriculture sector witnessed a growth of 4.5 per cent in GVA in 1Q22, vis à vis 1Q21, as compared to the 3.6 per cent y-o-y growth in FY21.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>Mining and quarrying, manufacturing, construction, and mining sectors registered growth during 1Q22, after witnessing a decline of 7.2 per cent, 8.6 per cent, and 8.5 per cent y-o-y, respectively, in FY21.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>In 1Q22, the GVA of trade and hotels increased by 34.3 per cent after witnessing a decline of 18.2 per cent y-o-y in FY21.</td>
<td>Link</td>
</tr>
<tr>
<td>Index of Industrial Production (IIP) and employment</td>
<td>IIP witnessed an overall y-o-y growth of 11.9 per cent in August 2021, while it contracted by 0.8 per cent in FY21. It had declined in April and May 2021, after reaching a high of 145.6 in March 2021.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>Unemployment rate reached 6.9 per cent in September 2021 after increasing to 8.3 per cent from 7.0 percent in August 2021.</td>
<td>Link</td>
</tr>
<tr>
<td>Inflation</td>
<td>WPI inflation reached a 11-year high of 13.1 per cent in May 2021 and stood at 11.4 per cent in August 2021. In addition, CPI inflation decreased from 6.3 per cent in June 2021 to 5.3 per cent in August 2021.</td>
<td>Link</td>
</tr>
<tr>
<td>Government’s revenue and expenditure</td>
<td>The fiscal deficit for the period from April to August 2021 stood at 31.3 per cent of the budget estimate, with total receipts of INR8.1 lakh crore and total expenditures of INR12.8 lakh crore. The government has targeted a fiscal deficit of 6.8 per cent of GDP for FY22.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>GST collections declined to reach INR1.17 lakh crores in September 2021, after reaching a 12-month high of INR1.4 lakh crores in April 2021.</td>
<td>Link</td>
</tr>
<tr>
<td>Trade, FDI and foreign exchange reserves</td>
<td>In 1Q22, India recorded FDI investment flow of USD22.53 billion, as compared to USD11.84 billion in 1Q21, with Karnataka featuring as the top recipient. Further, the foreign exchange reserves reached USD638.6 billion in September 2021 from USD633.6 billion in August, due to an increase in Special Drawing Rights (SDR) holdings.</td>
<td>Link</td>
</tr>
<tr>
<td>Consumer and Business confidence index</td>
<td>New company registrations stood at 16,570 in September 2021, witnessing a 24.7 per cent increase compared to previous month. Out of the total companies registered in September 2021, major share comprises of companies in Business Services, followed by Manufacturing.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>Consumer confidence rose in July 2021 after slumping to an all-time low in May 2021, while the Business Confidence Index maintained robust growth in 1Q22.</td>
<td>Link</td>
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</table>
### Executive Summary (2/3)

<table>
<thead>
<tr>
<th>Parameters/Indicators</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>The services Purchasing Managers Index (PMI) showed a decline in September 2021, recording 55.2, after reaching a three-month high (56.7) in August 2021. This expansion was driven by positivity around the COVID-19 vaccine access and receding of the pandemic.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>In September 2021, the New Business Premium of life insurers increased by 22 per cent y-o-y and 12 per cent m-o-m, to INR310 billion.</td>
<td>Link</td>
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<tr>
<td></td>
<td>The credit-to-deposit ratio declined to 70.5 per cent in June 2021, compared with 73.1 per cent in June 2020. Total volume of UPI transactions reached an all time high of 3.55 billion in August 2021 and retail payments on NPCI platform increased to reach 5.3 billion in July 2021.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>In addition, PE investments in India decreased 25.8 per cent m-o-m in September 2021, in terms of value.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>Air passengers rose more than 100 per cent y-o-y and 35.4 per cent m-o-m. In September 2021, amount collected through FASTag registered a y-o-y increase of 55 per cent, while also showing a sharp increase since May 2021.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>Net wireless subscriber additions witnessed an increase of 0.5 per cent m-o-m in July 2021, while the time spent by users on the OTT platforms declined by 6 per cent y-o-y (April 2020 – February 2021).</td>
<td>Link</td>
</tr>
<tr>
<td>Financial services</td>
<td>Demand for electricity in India has reached 130 billion units, a y-o-y increase of 16 per cent primarily due to stabilising of economic activities.</td>
<td>Link</td>
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<tr>
<td></td>
<td>Crude oil prices reached USD78.5 per barrel in September 2021, an increase of 7.5 per cent m-o-m.</td>
<td>Link</td>
</tr>
<tr>
<td>Transport</td>
<td>Manufacturing PMI reached a 11-month low in June 2021, while the IIP increased in June 2021. PMI recovered to 53.7 in September 2021. India is expected to witness growth in the exports in coming months on the backdrop of return to normalcy in advanced economies and increase in global prices.</td>
<td>Link</td>
</tr>
<tr>
<td>Telecom</td>
<td>The easing of local restrictions and pent-up demand improved three-wheeler and commercial vehicle registrations. Three-wheeler sales from April to September 2021 was 69 per cent higher than the same period in 2020.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>Two-wheeler and passenger vehicle registrations are expected to grow in upcoming festive season.</td>
<td>Link</td>
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<tr>
<td></td>
<td>Crude steel production witnessed a 1 per cent m-o-m growth in August 2021. In FY22, it is expected to reach 112–114 million tonnes, marking a growth of 8–9 per cent y-o-y.</td>
<td>Link</td>
</tr>
<tr>
<td></td>
<td>Production of cement increased 36.3 per cent in August 2021, compared to same period last year. During April–August 2022, the industry witnessed growth of 44.3 percent, owing to easing restrictions and revival in the industry.</td>
<td>Link</td>
</tr>
</tbody>
</table>
### Executive summary (3/3)

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<thead>
<tr>
<th>Parameters/Indicators</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aluminium and copper</td>
<td>Aluminium production remained robust in 1Q22 and witnessed a growth of 14.1 per cent as compared to 4Q21, while copper production increased by 57.1 per cent during the same period.</td>
<td>Link</td>
</tr>
<tr>
<td>Commodity prices</td>
<td>The prices of aluminium increased by 4.8 cent m-o-m in August 2021, driven by an increase in domestic demand from construction and manufacturing. The prices of copper declined by 0.8 per cent during the same period. Price of steel registered a m-o-m decline of 2.3 per cent in September 2021.</td>
<td>Link</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Tractor sales registered a y-o-y decline of 9.5 per cent in September 2021, owing to delayed harvesting in some parts of the country, and fertiliser sales decreased by 14.2 per cent m-o-m during August 2021. However, the sector is slowly gaining momentum with decline in COVID-19 cases.</td>
<td>Link</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>The IIP for mining surpassed the pre-COVID-19 levels in March 2021, while it declined to 103.8 in August 2021. In FY21, India's coal production witnessed a growth of 6.9 per cent in 1Q22 as compared to 4Q21.</td>
<td>Link</td>
</tr>
<tr>
<td>Capital and Construction IIP</td>
<td>Capital and Construction IIP witnessed a dip during the second wave of the pandemic. However, the production of construction goods increased by 11.1 per cent y-o-y and capital goods increased by 19.9 per cent in the same period, due to low base effect.</td>
<td>Link</td>
</tr>
<tr>
<td>Financial markets</td>
<td>In FY21, BSE Sensex surged by 68 per cent while NIFTY 50 surged by 70.1 per cent y-o-y. Record-breaking performance was seen in both in 2Q22.</td>
<td>Link</td>
</tr>
</tbody>
</table>

### Government initiatives and outlook

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<thead>
<tr>
<th>Parameter/indicator</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government regulations and initiatives</td>
<td>The government and the RBI announced initiatives aimed at enhancing liquidity, credit expansion and unveiling new reforms and acts.</td>
<td>Link</td>
</tr>
<tr>
<td>Outlook</td>
<td>Major financial institutions expect strong growth in the Indian economy in 2022, with the forecast varying between 8.3–11.1 per cent.</td>
<td>Link</td>
</tr>
</tbody>
</table>
Key indicators — A snapshot
Despite the impact of second wave of COVID-19, India’s GVA grew by 18.8 per cent in the first quarter of FY22 as compared to the previous year, owing to lower base.

India’s future growth trajectory will be determined by the pace of vaccination and by the recovery in private consumption. Government initiatives to promote economic growth, such as through spending on public infrastructure, is also expected to drive the economy’s recovery.

Note: '1Q21 refers to Apr 2020 to Jun 2020; per cent change is calculated in comparison to figures from previous quarters; Quarterly WPI and CPI are calculated as an average of the three months; WPI and CPI inflation targets are considered as 5 per cent and 4 per cent respectively, with an allowed variance of 2 per cent on either side; colour coding has been done basis that; For unemployment rate, different shades of red indicates level of unemployment rate i.e. dark red indicates higher unemployment and vice versa.

Source: “Can the Indian Economy Rebound by 2022?”, Outlook, 16 August 2021; accessed on 08 September 2021
Key indicators — Services (2/3)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>PMI*</td>
<td>Index</td>
<td>17.2</td>
<td>41.9</td>
<td>53.4</td>
<td>54.2</td>
<td>47.2</td>
<td>52.43</td>
</tr>
<tr>
<td>Imports</td>
<td>USD billion</td>
<td>-14.6</td>
<td>1.7</td>
<td>4.7</td>
<td>6.9</td>
<td>-0.8</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Exports</td>
<td></td>
<td>-8.4</td>
<td>0.8</td>
<td>3.4</td>
<td>5.1</td>
<td>-6.0</td>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>

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While the services sector remained in the expansion zone, the reintroduction of restrictions in April and May 2021 have negatively impacted the outlook for the sector, especially for discretionary services.

Further, the international demand for India’s services has been impacted by business closures and international travel bans.

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<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>UPI transactions</td>
<td>INR trillion</td>
<td>-8.4</td>
<td>45.4</td>
<td>30.0</td>
<td>14.1</td>
<td>12.6</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>PE investments</td>
<td>USD million</td>
<td>194.3</td>
<td>-19.6</td>
<td>-9.6</td>
<td>-16.6</td>
<td>15.8</td>
<td>108</td>
</tr>
<tr>
<td>Transport</td>
<td>Railway passengers booked</td>
<td>Million</td>
<td>-100.4</td>
<td>1,034.9</td>
<td>388.9</td>
<td>41.3</td>
<td>-47.8</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Air passengers booked</td>
<td>Million</td>
<td>-93.6</td>
<td>282.3</td>
<td>111.1</td>
<td>24.8</td>
<td>-53.6</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Air freight volume</td>
<td>'000 tonnes</td>
<td>-59.5</td>
<td>108.1</td>
<td>19.6</td>
<td>1.7</td>
<td>-4.4</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Rail freight volume</td>
<td>Million tonnes</td>
<td>-24.5</td>
<td>20.9</td>
<td>15.3</td>
<td>7.5</td>
<td>-6.3</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Fast tag collections</td>
<td>INR billion</td>
<td>-40.6</td>
<td>81.7</td>
<td>24.1</td>
<td>23.1</td>
<td>-7.0</td>
<td>21.2</td>
</tr>
<tr>
<td></td>
<td>E-way bills generated</td>
<td>Million</td>
<td>-49.9</td>
<td>100.0</td>
<td>19.9</td>
<td>6.2</td>
<td>-22.6</td>
<td>29</td>
</tr>
<tr>
<td>Telecom and entertainment</td>
<td>Time spent by users on OTT platform</td>
<td>Billion minutes</td>
<td>NA</td>
<td>5.3</td>
<td>5.3</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Note: 1Q21 refers to period from April 2020 to June 2020; Quarterly PMI calculations have been done by taking average of the values from the constituting months; PMI index above 50 has been considered positive and below 20 has been considered high negative.

Index is average of three months; Import-export are in q-o-q per cent change

Legend:
- Huge decline
- High growth

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## Key indicators – Industry (3/3)

### Energy

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Consumption of petroleum products</td>
<td>'000 tonnes</td>
<td>-22.8</td>
<td>11.2</td>
<td>19.3</td>
<td>-0.6</td>
<td>-10.4</td>
<td>0.71</td>
</tr>
<tr>
<td></td>
<td>Consumption of natural gas</td>
<td>Million cubic meter</td>
<td>-17.5</td>
<td>16.5</td>
<td>0.5</td>
<td>-2.0</td>
<td>0.4</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Electricity demand</td>
<td>Billion units</td>
<td>-5.0</td>
<td>15.1</td>
<td>-6.3</td>
<td>5.6</td>
<td>2.7</td>
<td>NA</td>
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</table>

### Automotive

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive</td>
<td>Two-wheeler registrations</td>
<td>Thousand</td>
<td>-72.2</td>
<td>194.1</td>
<td>39.0</td>
<td>-11.1</td>
<td>-36.1</td>
<td>37.1</td>
</tr>
<tr>
<td></td>
<td>Three-wheeler registrations</td>
<td>Thousand</td>
<td>-91.1</td>
<td>300.6</td>
<td>32.5</td>
<td>37.8</td>
<td>-59.0</td>
<td>129.4</td>
</tr>
<tr>
<td></td>
<td>Commercial vehicle registration</td>
<td>Thousand</td>
<td>-92.9</td>
<td>543.3</td>
<td>71.0</td>
<td>24.8</td>
<td>-42.6</td>
<td>56.9</td>
</tr>
<tr>
<td></td>
<td>Passenger vehicle registration</td>
<td>Thousand</td>
<td>-76.2</td>
<td>238.2</td>
<td>52.8</td>
<td>0.4</td>
<td>-41.3</td>
<td>56.3</td>
</tr>
</tbody>
</table>

### Steel

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>Crude steel production</td>
<td>Million tonnes</td>
<td>-35.7</td>
<td>54.2</td>
<td>7.4</td>
<td>1.8</td>
<td>-7.6</td>
<td>NA</td>
</tr>
</tbody>
</table>

### Cement

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cement</td>
<td>Cement production</td>
<td>Million tonnes</td>
<td>-39.2</td>
<td>30.5</td>
<td>15.1</td>
<td>14.6</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

### Agriculture

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Tractor sales</td>
<td>Thousand</td>
<td>10.4</td>
<td>47.4</td>
<td>9.9</td>
<td>-6.2</td>
<td>-4.3</td>
<td>-3.6</td>
</tr>
<tr>
<td></td>
<td>Fertiliser sales</td>
<td>Million tonnes</td>
<td>-11.4</td>
<td>33.3</td>
<td>-1.2</td>
<td>-29.6</td>
<td>-4.8</td>
<td>NA</td>
</tr>
</tbody>
</table>

### Mining and quarrying

<table>
<thead>
<tr>
<th>Sector</th>
<th>Indicator</th>
<th>Unit</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and quarrying</td>
<td>Value of mineral production</td>
<td>INR billion</td>
<td>-58.2</td>
<td>30.1</td>
<td>75.3</td>
<td>54.4</td>
<td>24.3</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td>Coal production</td>
<td>Million tonnes</td>
<td>-40.5</td>
<td>-5.2</td>
<td>38.6</td>
<td>29.2</td>
<td>-37.0</td>
<td>NA</td>
</tr>
</tbody>
</table>

Index is average of three months; Import-export are in q-o-q per cent change.

— Key manufacturing sectors witnessed a negative growth in the first quarter of FY22, as compared to previous quarter, owing to the second wave of COVID-19 impact. However, the future looks promising for the sector.

— Exports witnessed an increase of 66.9 per cent from April to August 2021, owing to recovery in the global economy.

Note: 1Q21 refers to period from April 2020 to June 2020; Quarterly PMI calculations have been done by taking average of the values from the constituting months; PMI index above 50 has been considered positive and below 20 has been considered high negative.

Legend:
- Huge decline
- High growth

Back to exec summary
Economic performance
Economic overview (1/2)

The GVA grew by 18.8 per cent in 1Q22, on the back of lower base and growth in construction and manufacturing sectors. The agriculture sector also witnessed growth in 1Q22.

GVA (Y-o-Y percentage change), major sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>FY20</th>
<th>FY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall GVA</td>
<td>4.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Agriculture, Forestry &amp; Fishing</td>
<td>4.3</td>
<td>8.3</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>-6.2</td>
<td>-4.6</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-8.5</td>
<td>-7.3</td>
</tr>
<tr>
<td>Electricity, Gas, Water Supply &amp; other Utility Services</td>
<td>-8.6</td>
<td>-18.2</td>
</tr>
<tr>
<td>Construction</td>
<td>1.0</td>
<td>-1.5</td>
</tr>
<tr>
<td>Trade, Hotels, Transport, Communication, etc.</td>
<td>6.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Financial, Real Estate &amp; Professional services</td>
<td>-2.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Public Administration, Defence &amp; other services</td>
<td>-2.4</td>
<td>3.1</td>
</tr>
</tbody>
</table>

GVA quarterly growth (Y-o-Y percentage change)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q20</th>
<th>2Q20</th>
<th>3Q20</th>
<th>4Q20</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>5.0</td>
<td>4.6</td>
<td>3.4</td>
<td>3.7</td>
<td>1.0</td>
<td>3.7</td>
<td>18.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Agricultural GVA quarterly growth (Y-o-Y percentage change)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q20</th>
<th>2Q20</th>
<th>3Q20</th>
<th>4Q20</th>
<th>1Q21</th>
<th>2Q21</th>
<th>3Q21</th>
<th>4Q21</th>
<th>1Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>3.3</td>
<td>3.5</td>
<td>3.4</td>
<td>6.8</td>
<td>3.5</td>
<td>3</td>
<td>4.5</td>
<td>3.1</td>
<td>4.5</td>
</tr>
</tbody>
</table>

Note: FY21 represents time period of April 2020 to Mar 2021; 1Q21 represents period of April 2020 to June 2020 and 4Q21 represents period of January 2021 to March 2021; Values for GVA correspond to Quarterly Estimates of GVA at Basic Prices for 2020-21 (at 2011-12 Prices)

Key highlights

— India’s GVA, shrunk by 6.2 per cent in FY21 owing to negative growth witnessed in six out of eight key sectors.

— The economic growth picked up in 1Q22, with GVA recording a y-o-y growth of 18.8 per cent, driven mainly by the construction and manufacturing sectors, as well as a lower base in 1Q21.
  - However, on a sequential basis the GVA at current prices contracted by 9.8 per cent in 1Q22 as compared to 4Q21, to reach INR46.2 lakh crore.

— The Agriculture sector also witnessed a growth revival in 1Q22, showcasing one of the most optimistic values since the onset of COVID-19. The relaxation of COVID-19 related restrictions is expected to aid further in the growth of this sector.
  - In FY21, agriculture GVA witnessed 3.6 per cent y-o-y growth.

— RBI and IMF have estimated a GDP growth of 9.5 percent in FY22.
Manufacturing and construction bounced back in 1Q22, aided by a low base effect, localised lockdowns, and limited restrictions on construction activities. Within services, trade, hotels, transport, and communications witnessed growth after contracting in the last four quarters.

The growth recorded is mainly resulting from a low base effect. Manufacturing gross value added in 1Q22 was INR5.4 lakh crore, which was still 4.8 per cent below pre-COVID-19 values, when calculated against 1Q20.

Similarly, construction recorded a growth of 68.3 per cent in 1Q22, attributed to localised lockdowns across states and limited restrictions on construction activity, which enabled most businesses to function partially.

The growth in the services sector was lower despite the low base effect.

Although the trade, hotels, transport and communications sector witnessed a 34.3 per cent growth in 1Q22 (INR4.6 lakh crore), it is way below the pre-COVID-19 level of INR6.6 lakh crore in 1Q20.
The IIP has started to stabilise on the back of normalcy and is reaching pre-COVID-19 levels. The unemployment rate eased to 6.9 per cent in September 2021, reaching a six-month low from the level in April 2021.

**Key highlights**

- IIP witnessed a y-o-y growth of 11.9 per cent in August 2021, owing to the low base effect resulting from the economic effect of COVID-19 restrictions in 2020.
  - On a m-o-m basis, IIP declined slightly by -0.2 per cent.

- Demand for work under the rural employment guarantee scheme has been falling since July 2021, after rising for four consecutive months, due to pick up in industrial as well as farm activities (as sowing season is underway).
  - The demand for work has also declined by 9 per cent during the first six months of FY22, in comparison to the same period in FY21.

- Unemployment rate decreased to 6.9 per cent in September 2021, with joblessness in urban areas (8.6 per cent) exceeding rural areas (6.1 per cent).
Wholesale Price Index (WPI) reached below the 11.4 per cent mark in August 2021 after reaching all-time high of 13.1 (in May 2021), while Consumer Price Index (CPI) reached four-month low of 5.3 per cent in August 2021, owing to reduction in vegetable and food prices.

Note: P is Provisional
Source(s): WPI Press Release Archive, DFNT; CPI Press Release, MoSPI; “India’s wholesale price index (WPI) inflation eases to 11.16% in July 2021”, IIFL Securities Ltd., 16 August 2021; “Inflation moderates slightly to 6.26% in June, better than estimates” The Economic times, 12 July 2021, “Retail inflation moderates to 5.59 per cent in July due to fall in prices of vegetables and food items”, MCE Zone, 12 August 2021, all accessed on 03 September 2021.
In FY22, India’s budget estimated fiscal deficit target at 6.8 per cent of the GDP, lower than 9.3 per cent that was recorded in FY21. GST collections in September 2021 increased by 4.5 per cent m-o-m, driven by an increase in sales volumes.

Key highlights

— In FY21, India recorded a fiscal deficit of 9.3 per cent of the GDP. The Government of India has targeted a fiscal deficit of 6.8 per cent of the GDP for FY22.

— Revenue shortfalls are however likely to drive a breach in the FY22 fiscal deficit target.

— The fiscal deficit for the period from April to August 2021 stood at 31.3 per cent of the budget estimate, with total receipts of INR8.1 lakh crore and total expenditures of INR12.8 lakh crore.

— GST collections reached INR1.17 lakh crore in September 2021, from INR0.93 lakh crore in June 2021. This could be attributed to:

- High sales volume witnessed due to ease of lockdown after the second wave of COVID-19.

- Revenues from GST in September 2021 registered a y-o-y growth of 23 per cent and the revenues from domestic transaction (including import of services) was 20 per cent higher in August 2021, as compared to August 2020.
India witnessed a 90.3 per cent increase in total FDI inflow during April to June of FY22, compared to the same period during FY21. Further, the country’s foreign exchange reserves reached an all time high of USD638.6 billion in September 2021.

**Key highlights**

- In FY21, India recorded a trade deficit of USD98.6 billion, lowest in five years and 50 per cent lower compared with FY19.
- To drive trade relations further, India may focus on establishing bilateral trade agreements especially with traditional markets such as US and Europe, where share of Indian export has increased.
- FDI equity inflows stood at USD17.5 billion in 1Q22, increasing by 168 per cent y-o-y. Further, total FDI inflows reached USD22.5 billion in the quarter, compared to USD11.8 billion in the year ago period.
- The growth in FDI flows for the quarter was led by positive policy reforms and ease of doing business.
- India’s foreign exchange reserves reached an all time high of USD638.6 billion in September 2021, due to an increase in Special Drawing Rights (SDR) holdings.
The Consumer Confidence Index rose in July 2021 from May 2021, as COVID-19 related restrictions were lifted post the second wave. The Business Expectations Index witnessed growth in 2Q22, owing to optimism around the financial situation, production volume and job orders.

Key highlights:

- The Current Situation Index (CSI) improved slightly to 48.6 points in July 2021, while the Future Expectation Index rose to 104, after a low in May 2021.
- The rise in the Consumer Confidence Index was the result of COVID-19-related restrictions being removed gradually, which helped in the resumption of businesses and improved ease of mobility.
- The Business Assessment Index (BAI) contracted in 1Q22, reaching 89.7 from 113.1 in 4Q21, owing to second wave.
- The Business Expectations Index (BEI) has reached 124.1 points in 2Q22, led by improving production volumes, job landscape, and the overall financial situation of manufacturers.
- In September 2021, 16,570 companies were registered in India, with Maharashtra reporting the highest number of registrations at 2,900, followed by UP and Delhi.

From a sectoral perspective, business services (~25 per cent) emerged at the top, followed by manufacturing, community and personal & social services (CP&S).
Sectoral analysis
While agriculture has not been severely impacted by the pandemic, growth is expected to be further augmented by stable input costs, adequate rains and better availability of labour.

— Tractor sales registered a y-o-y decline of 9.5 per cent in September 2021, owing to delayed harvesting in some parts of the country.

— However, the sale of tractors in the domestic market is likely to grow only by 3–5 per cent in FY22 due to intense spread of COVID-19 in the rural areas and high base of FY21.

— Further, sustained increase in prices of steel and other commodities could lead to contraction in operating margins of tractor manufacturers.

The fertiliser industry observed a y-o-y decrease in sales during April–August 2021, due to an erratic monsoon, which has motivated farmers to reduce their crop acreages.

— Panic buying was a key cause for high fertiliser sales in April–July 2020.

— India Ratings and Research (Ind-Ra) has revised its rating outlook for the fertiliser sector to positive for FY22 from stable.

Net crop area sown by type of crop (million hectares)

Source(s): “Industry Statistics, Monthly Reports, Tractor Compiled”, TMA India; “Amidst covid -19 Wave, Tractor Sale In India Takes A Hit”, Krishi Outlook; “Subsidy Backlog Clearance to be a Game Changer for Fertilizer Cos in FY22 Amid Rising Input Prices”, Ind-Ra; Tractor sales might grow by just 3-5% in FY22 as covid -19 impacts rural India, 18 May 2021, The Mint; “Fertiliser sales down on erratic monsoon rains”, The Indian Express, 02 August 2021, Tractor sales to rebound in the coming months after the fall in August, Business Standard, 7 September 2021; all accessed on 13 September 2021.
Construction, power, and automotive sectors are expected to drive the demand for aluminium in FY22. While copper production was impacted during the second wave of COVID-19, there has been a revival in recent months.

Aluminium production ('000 tonnes)

- The production grew by 43.8 per cent in the first five months of FY22, vis-à-vis previous year.
- In Q22, the domestic copper demand grew y-o-y by 30 per cent to 118KT from 91KT in Q21, with 37 per cent of the demand being met through imports in Q22.
- However, the demand numbers reduced by around 27 per cent from that of Q421 due to the impact of lockdowns in India.

Copper production in 2020–21 ('000 tonnes)

- Aluminium production during April to August 2021 increased 14 per cent, compared to the same period last year.
- In FY22, domestic demand is expected to grow by 10–12 per cent, driven by demand from automotive, construction, and power sectors.
- Cost competitiveness has also resulted in Indian aluminium exports exceeding 50 per cent of annual production over the last three fiscals.

Source(s): Monthly Summary on Non-Ferrous Minerals and Metals, Ministry of Mines, February 2020-August 2021; "Aluminium makers to forge decade-high profitability of ~30%", CRISIL, 24 August 2021, Refined Copper Industry – February 2021 update, Care Ratings, 18 February 2021; Hindalco Industries Limited Q1FY22 Earnings Presentation, 06 August 2021; accessed on 07 September 2021
The prices of steel and aluminium continue their rise, owing to increased domestic demand following the resumption of construction and manufacturing activities. Copper prices have however, declined since June 2021, on account of Chinese intervention in the market.

— With a gradual economic recovery, the demand for steel has increased, leading to a surge in prices. This can also be attributed to the inflated input price of iron ore.
  — India’s domestic steel consumption is expected to cross 100 million tonnes during FY22, up from 93.49 million tonnes in FY21.
  — Further, domestic steel prices are lower compared with international prices, providing steel companies opportunities to scale up exports.

— Aluminium prices have been increasing continuously since April 2020 and peaked at USD2,611 per tonne in August 2021. The shortage and increase in coal prices is also likely to lead a rise in production costs for the industry.
  — Demand for aluminium remains high and growing supply disruptions are observed from China, which are driving up the prices. New emission rules, floods in July, and power shortages are driving the supply shortage from China.

— The decline in copper prices, which started in June 2021, continued to August 2021, reaching USD9,357 per tonne.
  — The decline in prices can be attributed to China’s release of copper from its national reserves to increase market supply, enabling commodity prices to return to a normal range.
  — China has also issued stern warnings to its domestic market in order to remove excessive speculation, which also caused the price decline.

Note: 1) Aluminium and Copper are of LME Prices (monthly average) and Steel Prices are (CME monthly average)
Source(s): Monthly Summary on Non-Ferrous Minerals and Metals, Ministry of Mines, February 2020-Aug 2021; Non-ferrous Metal Price Updates, Care Ratings, 13 May 2021; Why copper prices are going through the roof, CNBC TV 18, 11 June 2021; HRC Steel Prices – Chicago Mercantile Exchange; accessed on 22 June 2021; Back on Growth Path, Business Today, 13 June 2021; "US Midwest Domestic Hot Rolled Coil Steel Futures Historical Data", investing.com; "Copper MMI: Copper prices consolidate", MetalMiner, 12 July 2021; “With aluminium prices near 1-year high, India’s smelters reap benefits”, mint, 30 August 2021; “India’s steel output expected to jump 18% to 120 MT in FY22: MoS Steel”, Business Standard, 05 September 2021; “Coal shortage: How power crunch may affect non-power industries”, India Today, 13 October 2021; accessed on 07 September 2021

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While two-wheeler sales continued to drop in September 2021, sales of three-wheelers and commercial vehicle remained consistent. Semiconductor shortages is expected to further impact the market, leading to stagnant sales.

**Passenger Vehicles**
- Two-wheeler registrations increased 27 per cent during April to September 2021 period, compared to same period last year.
- Special schemes for revival of demand is expected to boost sales in festive season.
- Three-wheeler registrations during April to September 2021 was 69 per cent higher than the same period in 2020.
- With offices and educational institutions re-opening, electrification of these vehicles may gather momentum.
- Passenger vehicle registrations increased 70 per cent in April to September 2021 period, compared to same period last year.
- The PV segment outlook remains challenged due to semiconductor crisis and demand-supply mismatch—with non-availability of fast-moving variants.

**Commercial vehicle registrasions ('000 units)**
- Commercial vehicle registrations increased substantially by 127 per cent in April to September 2021 period, compared to same period last year.
- Medium Commercial Vehicle (MCV) witnessed growth above the pre-COVID-19 month of September 2019.
- Commercial vehicle registrations increased 127 per cent in April to September 2021 period, compared to same period last year.
- Medium Commercial Vehicle (MCV) witnessed growth above the pre-COVID-19 month of September 2019.

**Three-wheeler registrations ('000 units)**
- Three-wheeler registrations during April to September 2021 was 69 per cent higher than the same period in 2020.
- With offices and educational institutions re-opening, electrification of these vehicles may gather momentum.

**Note:** 1) Society of Indian Automobile manufacturers

Production of cement and steel witnessed a significant growth in FY22 (YTD), as compared to last year due to low base effect and recovery in the economic activities. Both the sectors are expected to grow at a rate of 4–9 per cent in FY22.

— Production of cement increased 36.3 per cent in August 2021, compared to same period last year.
— Additionally, during April–August 2022, the industry witnessed growth of 44.3 percent, owing to easing restrictions and revival in the industry.
— As per a leading rating agency, cement production is expected to grow between 4–7 per cent in FY22.

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On 22 July 2021, the GOI approved INR6,322 crore PLI scheme for the steel sector aiming to boost production of specialty steel, promote capacity expansion and create job opportunities.

— In FY22, crude steel production is expected to reach 112–114 million tonnes, witnessing a growth of 8–9 per cent y-o-y, owing to exports demand.
— Exports are expected to remain robust in FY22, owing to increased global demand for steel and attractive export realisations.
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The withdrawal of China from the global export market unveils opportunities for India in geographies such as Europe and the US.

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On 24 April 2021, China announced the removal of export rebates on 126 steel products, including hot-rolled coils, and the reduction of import duty on crude steel, pig iron and scrap-to-zero with effect from May 1.

The IIP figures for construction and capital goods witnessed a decline in the first two months of FY22. However, subsequently, both the indices have witnessed growth due to easing of restrictions.

**Construction/Infrastructure Goods IIP**

- February 2021: 141.2
- March 2021: 118.4
- April 2021: 88.4
- May 2021: 114.9
- June 2021: 128.6
- July 2021: 130.7
- August 2021: 132.7
- September 2021: 144.1
- October 2021: 137.3
- November 2021: 151.0
- December 2021: 150.1
- January 2022: 139.9
- February 2022: 158.9
- March 2022: 144.0
- April 2022: 129.5
- May 2022: 137.7
- June 2022: 143.6
- July 2022 (Estimated): 145.2

**Capital Goods IIP**

- February 2021: 97.3
- March 2021: 76.4
- April 2021: 7.0
- May 2021: 35.4
- June 2021: 63.8
- July 2021: 70.9
- August 2021: 75.9
- September 2021: 90.3
- October 2021: 91.3
- November 2021: 84.3
- December 2021: 95.8
- January 2022: 93.2
- February 2022: 93.3
- March 2022: 109.2
- April 2022: 79.0
- May 2022: 61.9
- June 2022: 80.8
- July 2022 (Estimated): 92.5
- August 2022 (Estimated): 91.0

**Key highlights**

- Construction and capital goods indices have shown positive movement during June and July 2021, post witnessing a downfall in the start of FY22, owing to the second wave of COVID-19.
- Comparing the figures of August 2021 with the corresponding figures of last year, the production of construction/infrastructure goods increased by 11.1 per cent and capital goods increased by 19.9 per cent, due to low base effect.
- The budget for FY22 has announced a capital expenditure of INR5.54 lakh crore, aiming at growth via infrastructure creation, which will positively impact these indices.

*Note(s): E stands for estimated value
Source(s): IIP Data, MOSPI, accessed on 20 October 2021; Index of Industrial Production (Base: 2011-12=100), RBI Bulletin published on RBI website, “Budget 2021: Capital Expenditure Hiked 34.5% To Rs 5.54 Lakh Crore In FY22”, Bloomberg Quint, 01 February 2021; as accessed on 07 September 2021*
India’s production and consumption of petroleum products and electricity demand is recording an upward trajectory in the initial months of FY22. This trend is likely to continue for the rest of FY22 as well

— India’s consumption of petroleum products (POL) grew by 2.8 per cent y-o-y in September 2021 and consumption of natural gas increased 7.2 per cent in August 2021.

— Crude oil prices are increasing continuously since March 2021, due to improved demand following economic recovery across geographies, brought about by optimism from vaccine rollouts.

— Demand for electricity in India has reached 130 billion units, a y-o-y increase of 16 per cent primarily due to stabilising of economic activities.

— Electricity demand in India is expected to increase by approximately 6 per cent in FY22, as compared to a decline of 1.2 per cent in FY21.

**Consumption of petroleum products (million tonnes)**

<table>
<thead>
<tr>
<th>Month</th>
<th>18</th>
<th>16</th>
<th>15</th>
<th>16</th>
<th>14</th>
<th>15</th>
<th>18</th>
<th>19</th>
<th>17</th>
<th>19</th>
<th>17</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>16</th>
<th>16</th>
</tr>
</thead>
</table>

**Consumption of natural gas products (million standard cubic metre)**

<table>
<thead>
<tr>
<th>Month</th>
<th>5,757</th>
<th>5,297</th>
<th>4,585</th>
<th>5,347</th>
<th>5,628</th>
<th>5,628</th>
<th>5,050</th>
<th>5,050</th>
<th>5,340</th>
<th>5,083</th>
<th>5,156</th>
<th>4,885</th>
<th>5,045</th>
<th>5,238</th>
<th>5,104</th>
<th>5,723</th>
</tr>
</thead>
</table>

**Demand for electricity (billion units)**

<table>
<thead>
<tr>
<th>Month</th>
<th>105</th>
<th>100</th>
<th>103</th>
<th>108</th>
<th>114</th>
<th>111</th>
<th>115</th>
<th>112</th>
<th>100</th>
<th>107</th>
<th>111</th>
<th>105</th>
<th>121</th>
<th>118</th>
<th>111</th>
<th>116</th>
<th>126</th>
<th>130</th>
</tr>
</thead>
</table>

**Crude oil — Brent Prices (USD per barrel)**

| Month | 50.5 | 25.3 | 41.2 | 45.3 | 37.5 | 51.8 | 66.1 | 67.3 | 69.3 | 75.1 | 76.3 | 78.5 | 22.7 | 35.6 | 43.3 | 41.0 | 47.6 | 55.9 | 63.5 | 69.3 | 73.0 |
|-------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|

Note: 1 Does not include hydropower energy. GW= Gigawatts

Source(s): Consumption of petroleum products/natural gas”, PPAC; “Monthly report”, POSOCO; PPAC’s Snapshot of India’s Oil & Gas data July 2021, PPAC; “Rise in consumption of petrol and diesel in FY22 can absorb cut in cesses by Rs4.5/litre, without revenue loss to GoI relative to FY21: ICRA”, IIFL Securities, 25 June 2021; “India's Electricity Demand to Rise; Sluggish Capacity Additions”, Fitch Ratings, 16 July 2021; all accessed on 06 September 2021
In September 2021, the new business premium of the life insurance industry increased 22 per cent y-o-y, due to strong performance of private insurers. However, the general insurance industry witnessed a drop of 4 per cent y-o-y, in their premium income.

Key highlights

— In September 2021, the New Business Premium (NBP) of life insurers increased by 22 per cent y-o-y and 12 per cent m-o-m, to INR310 billion.

— This increment was a result of strong performance by private insurers company. The NBP of private insurers registered a y-o-y increase of 42 per cent.

— As compared to the pre-pandemic period (September 2019), the NBP witnessed an increase of 54 per cent.

— Non-life insurers’ premium income declined 2.8 per cent y-o-y in September 2021, to INR219 billion.

— In September 2021, the standalone health insurers registered a growth of 32 per cent y-o-y in their premium income. However, specialised PSU Insurers witnessed a drop of 45 per cent.

Note: Data on Life Insurance Premium is the total first year premium of all Life Insurers; Data on Non-Life Insurance Premium is the ‘gross direct premium underwritten; Source(s): “Monthly Business Figures, Life/Non-Life Insurers”, IRDAI; “State wise number of reporting offices, aggregate deposit and bank credit of SCBs, Quarterly statistics on deposits and credit of SCBs”, RBI; Indian General Insurance Industry Report, ICRA; “Life insurers report 11% YoY decline in new business premiums in July”, Business Standard, 09 August 2021; “Non-Life insurers’ premium up 19.46% at Rs 20,000 crore in July”, Business Standard, 12 August 2021; all accessed on 03 September 2021.
In July 2021, UPI transactions crossed 3 billion transactions for the first time since its inception in 2016 and remained consistent until September 2021 owing to a surge in adoption of digital payments. Further, credit deposit ratio declined by 2.6 percentage points year-on-year, in June 2021.

— During April to September 2021, the volume of UPI transactions increased by 115 per cent from the same period of the previous year, while the value of transactions grew by 127 per cent during the same period.

— Surge in the UPI transactions is due to the rapid adoption of digital payments and recovery of businesses after the restrictions being lifted by the government.

Notes: 1) SCBs - Scheduled Commercial Banks 2) PSB: Public sector banks

Source(s): Retail Payments Statistics on NPCI Platforms, Statistics; NPCI; UPI volume, value contract for first time in 10 months even as YoY growth nearly doubles, Financial Express, 14 June 2021; UPI sets new record in July, The Hindu, 1 August 2021; UPI blows past 3 Bn transactions in July, Entracker, 2 Aug 2021; “State-wise number of reporting offices, aggregate deposit and bank credit of SCBs, Quarterly statistics on deposits and credit of SCBs; ” RBI releases ‘Quarterly Statistics on Deposits and Credit of SCBs: June 2021’, Reserve Bank of India, 31 August 2021; accessed on 07 September 2021

— In June 2021, bank credit grew by 6 per cent year-on-year while deposits grew by 10 per cent.

— The y-o-y growth in credit by private sector banks, at 10.1 per cent, was much higher than that for public sector banks, which stood at 3.1 per cent. The deposit accretion in private sector banks also grew faster compared to public sector banks.

— The all-India credit-deposit (C-D) ratio fell to 70.5 per cent in June 2021, compared with 73.1 per cent in the previous year.
Private Equity (PE) investments increased by 37 per cent y-o-y in the first nine months of 2021, driven by the software, financial services, and healthcare sectors.

Key highlights

— PE investments in India (by value) decreased by 25.8 per cent in September 2021, compared with those in August 2021.

— However, PE firms invested USD36.56 billion across 1,320 deals in the first nine months of 2021, an increase of 37 per cent compared with the prior-year period.

– Majority of the investments were attracted by firms in the internet and software sectors, owing to increasing digital adoption and growth opportunities across these sectors during the pandemic.

– Financial services and healthcare were the other popular sectors attracting investors interest.

Source(s): VCC Edge, accessed on 8 September 2021; PE investments into India double to $11.82 b in first half of 2021: Refinitiv, "The Hindu BusinessLine, 10 July 2021; as accessed on 08 September 2021

PE investments include PE, VC, Pre-IPO, Public equity and Angel/Seed funding

Back to exec summary
Record-breaking gains are seen in the Sensex in 2Q22, driven by gains in the global markets. Hopes of an economic recovery and reduction in COVID-19 cases are also driving these gains.

S&P BSE sectoral indices changes (%)

- The Sensex crossed an all-time high of 60,000 on 8 October 2021, driven by gains in global markets and growth of Auto and power stocks.
- Positive sentiments towards an economic recovery amid falling COVID-19 cases and strong earnings in 1Q22 supported the gains in the Sensex.
- The IT index was among the largest gainers in the BSE sectoral indices for August 2021.

Key highlights

Note: Change in Index value measured with respect to index value on 1-02-2020; S&P BSE Sectoral Indices are up to 06-08-2021; 1) Reported as of 28 August 2021.
Sources: “Monthly Reports, India Index Dashboard”, BSE; S&P Dow Jones Indices; “Sensex, Nifty post weekly gain on strong Q1 earnings, hopes of economic recovery”, 28 August 2021, Business Today; “Sensex crosses 58,000 mark, just three days after crossing 57K”, International Business Times, 03 September 2021; “Sensex crosses 58,000, Nifty 17,300: Should investors dabble in this market?”, The Free Press Journal, 06 September 2021; all accessed on 08 September 2021.
In the beginning of September 2021, the NIFTY set a new all-time high, and continued gains throughout the month

Note: Change in Index value measured with respect to index value on 1-02-2020; NIFTY Sectoral Indices value taken up to 06/08/2021; NIFTY Sectoral Indices indicate closing value of index.

Sources: “Sectoral Indices, Historical Index data”, NSE; “Nifty set to hit 17600 in September, Bank Nifty remains positive; RIL, SBI, Titan look strong on charts”, Financial Express, 06 September 2021; “Another Week, Another Life-Time High!”, SAMCO, 03 September 2021; all accessed on 08 September 2021
In September 2021, Manufacturing PMI stood at 53.7, after reaching a three-month high in July 2021. Merchandise exports grew by 57 per cent in the first six months of FY22, as compared to same period of last year.

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**Key highlights**

- Manufacturing activity in India rose to 53.7 in September 2021 after contracting in August 2021 post reaching a three-month high in July 2021.
  - This was a result of surge in international demand and new orders. Simultaneously, new export orders and input prices scaled up as well.

- India’s merchandise exports hit a 12-month high of USD35.2 billion in July 2021, 34 per cent higher than the pre-COVID-19 levels of July 2019.
  - The rise may be attributed to improvement in external demand due to recovery in key global markets and opening up of the economies.

- Merchandise exports from April-September 2021 also recorded an increase of over 56.9 per cent from the same period in 2020, while imports grew by 84.9 per cent during the same period.
Coal production in India has increased in the first five months of FY22, compared to the same period last year owing to increase in demand from power utilities.

— The demand for power rose across India from July 2021, as various states eased COVID-19 restrictions. This has led to a coal shortage across power utilities.

— Consequently, coal production in India rose during July and August 2021. Coal supplies from April to August 2021 were 11.6 per cent higher than 2020 levels.

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<thead>
<tr>
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<tbody>
<tr>
<td>123.4</td>
<td>131.0</td>
<td>78.8</td>
<td>87.6</td>
<td>85.7</td>
<td>87.5</td>
<td>84.0</td>
<td>87.6</td>
<td>98.5</td>
<td>106.6</td>
<td>117.3</td>
<td>121.3</td>
<td>117.9</td>
<td>107.6</td>
<td>106.3</td>
<td>105.5</td>
<td>104.6</td>
<td>103.8</td>
<td></td>
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</tr>
</tbody>
</table>

Value of mineral production (INR billion)

Coal production (million tonnes)
The Purchasing Managers’ Index (PMI) of the services industry rose to the highest level (56.7) in August 2021 (since February 2020), however it declined to 55.2 in September 2021. Services trade has also improved driven by vaccine optimism and the receding pandemic.

Key highlights

— In September 2021 after reaching to an 18-month high in August 2021, the Purchasing Managers’ Index (PMI) stood at 55.2* in the month.

— The rate of expansion in September 2021 was the second-fastest since February 2020 and was driven by increase in new business inflows, improved access to COVID-19 vaccines and receding of the pandemic.

— India’s services exports witnessed an increase of 7.7 per cent in August 2021, as compared to previous month.

— However, the exports has witnessed a growth of 12.4 per cent in the first five months of FY22, compared to same period of previous year, owing to lower base and ease of travel restrictions.

— Services imports grew by 8.4 per cent in the first five months of FY22, vis-à-vis FY21.

*Note: A PMI number greater than 50 indicates expansion in business activity. A number less than 50 shows contraction; Data on India’s International Trade in Services are provisional.

Source(s): IHS Markit India Services PMI, IHS Markit; Monthly data on India’s International Trade in Services, RBI; “India Services PMI”, Trading Economics; “INDIA’S FOREIGN TRADE: JULY2021”, Ministry of Commerce & Industry, PIB, 13 August 2021; accessed on 08 September 2021.
Net wireless subscriber additions witnessed reduced growth rate amongst urban subscribers in July 2021. The OTT industry is expected to experience continuous traction, owing to the launch of fresh content and improved smartphone penetration.

### Net wireless subscriber additions (million)

<table>
<thead>
<tr>
<th>Month</th>
<th>Urban subscribers</th>
<th>Rural subscribers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb'20</td>
<td>5.4</td>
<td>-1.3</td>
</tr>
<tr>
<td>Mar'20</td>
<td>1.9</td>
<td>-4.8</td>
</tr>
<tr>
<td>Apr'20</td>
<td>0.8</td>
<td>-9.1</td>
</tr>
<tr>
<td>May'20</td>
<td>3.6</td>
<td>-9.2</td>
</tr>
<tr>
<td>Jun'20</td>
<td>-1.1</td>
<td>-2.1</td>
</tr>
<tr>
<td>Jul'20</td>
<td>1.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Aug'20</td>
<td>4.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Sep'20</td>
<td>1.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Oct'20</td>
<td>3.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Nov'20</td>
<td>2.3</td>
<td>-0.7</td>
</tr>
<tr>
<td>Dec'20</td>
<td>-0.7</td>
<td>5.3</td>
</tr>
<tr>
<td>Jan'21</td>
<td>6.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Feb'21</td>
<td>7.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Mar'21</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Apr'21</td>
<td>1.7</td>
<td>0.4</td>
</tr>
<tr>
<td>May'21</td>
<td>-4.1</td>
<td>4.8</td>
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<tr>
<td>Jun'21</td>
<td>-9.2</td>
<td>3.8</td>
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<tr>
<td>Jul'21</td>
<td>2.2</td>
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</tbody>
</table>

- The total number of wireless subscribers increased by 0.5 per cent from June to July 2021, reaching more than 1.18 billion as on 30th July 2021.
- Wireless subscriptions had recorded an increase of 0.59 per cent in urban areas, while witnessed an increment of 0.41 per cent in the rural areas, during June to July 2021.

### Time spent by users on OTT platforms (billion minutes)

<table>
<thead>
<tr>
<th>Month</th>
<th>Apr'20</th>
<th>May'20</th>
<th>Jun'20</th>
<th>Jul'20</th>
<th>Aug'20</th>
<th>Sep'20</th>
<th>Oct'20</th>
<th>Nov'20</th>
<th>Dec'20</th>
<th>Jan'21</th>
<th>Feb'21</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>211</td>
<td>194</td>
<td>201</td>
<td>208</td>
<td>228</td>
<td>239</td>
<td>218</td>
<td>214</td>
<td>210</td>
<td>188</td>
<td></td>
</tr>
</tbody>
</table>

- OTT subscriptions were up by 8 per cent in February 2021, compared to April 2020, led by higher discounts and bundling plans.
- Users’ time on OTT is mostly driven by daily soaps followed by movies and original content.
- Slight drop in time spent observed in February 2021 is led by drop in engagement as users started moving out with normalcy.

Source(s): "Telecom Subscription Data as on 30 June 2021", TRAI; accessed on 06 September 2021; "How 2020 Changed OTT Video Consumption", Newsletter, Redseer; "What Is Driving Consumption On Netflix And Other OTT Platforms?", Redseer, March 2021; all accessed on 9 September 2021.
The second wave of COVID-19 negatively impacted the passenger segments of railways and airlines. However, these were partially offset by robust freight volumes. Passenger occupancy for railways has gained momentum, increasing more than 100 per cent with rise in ticket bookings.

— The second COVID-19 wave had affected revenues from passenger bookings for the Indian Railways.
— However, in August 2021, passenger occupancy has witnessed a substantial increase, driven by ease in restrictions.

— Air traffic rose more than 100 per cent y-o-y and 35.4 per cent m-o-m. A high rate of economic activity and an active vaccination drive are driving the domestic air passenger traffic.
— Domestic air freight volumes increased 35.6 per cent y-o-y, with demand for transport by air gaining momentum.

In September 2021, FASTag collections reached INR30.1 billion, owing to the rise in manufacturing output from factories and easing of lockdowns by the state governments.

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In September 2021, amount collected through FASTag registered a y-o-y increase of 55 per cent, while also showing a sharp increase since May 2021.

This could be attributed to the increase in manufacturing output from factories and easing of the COVID-19 lockdown guidelines by state governments.

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Source(s): NETC FASTag Product Statistics, NPCI; GST System Statistics, E-Way Bill Statistics, GSTN; Traffic back on highways! Rs 103 crore toll collected through FASTags by July 1, Financial Express, 5 July 2021; FASTag toll collections rise to almost pre-COVID-19 second wave levels in July, comes in at Rs 2,976 crore, Money Control, 3 August 2021; all accessed on 6 August 2021.
Government initiatives
RBI has unveiled various reforms and measures to boost the overall financial position of the country and enhance liquidity within the system

<table>
<thead>
<tr>
<th>Policy area</th>
<th>Description</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures by the central bank (RBI) as per latest MPC report</td>
<td>The key monetary policy indicators remain unchanged with the repo rate at 4 per cent; reverse repo rate at 3.35 per cent; and marginal standing facility and bank rate at 4.25 per cent.</td>
<td>Liquidity in banking sector will increase through these rates.</td>
</tr>
<tr>
<td></td>
<td>Regulatory Sandbox – To provide an additional boost to the fintech eco-system, a fourth cohort on ‘Prevention and Mitigation of financial frauds’ is being announced.</td>
<td>Expected to ensure continuous innovation in the fintech ecosystem, facilitating smooth collaboration between FinTech companies and incumbents.</td>
</tr>
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<td>The expansion of the Resolution Framework 2.0 will allow greater coverage of borrowers by increasing the aggregate exposure threshold from INR25 crore to INR50 crore for MSMEs, non-MSME small businesses and loans to individuals for business purposes.</td>
<td>Pandemic-related stress on banks will be mitigated and it will act as a measure to enable capital conservation.</td>
</tr>
<tr>
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<td>Banks would be allowed to utilise 100 per cent of floating provisions/countercyclical provisioning buffer held by them as on 31 December 2020, for making specific provisions for Non-Performing Assets (NPAs) up to 31 March 2022.</td>
<td>This will enable state governments to better manage their fiscal situation in terms of cash-flows and market borrowings.</td>
</tr>
<tr>
<td></td>
<td>The maximum number of days of overdraft in a quarter has been increased from 36 to 50 days and the number of consecutive days of OD from 14 to 21 days, up to 30 September 2021.</td>
<td>Increasing the number of days of overdrafts is helping state governments to better manage the fiscal situation in terms of cash flows and market borrowings.</td>
</tr>
<tr>
<td></td>
<td>On Tap Special Long-Term Repo Operations (SLTRO) for Small Finance Banks (SFBs) extended till December 31, 2021.</td>
<td>SLTRO would provide support to small business units, micro and small industries.</td>
</tr>
<tr>
<td></td>
<td>Non-bank payment system operators such as prepaid payment instrument (PPI) issuers, white label ATM operators, card networks and trade receivables discounting system, are allowed to take direct membership in Central Payment Systems such as RTGS or NEFT.</td>
<td>It is likely to reduce settlement risk in the financial system and expand the reach of digital financial services to all user segments.</td>
</tr>
<tr>
<td></td>
<td>Introduction of Retail Digital Payment Solutions in offline mode, to test technologies that enable digital payments even in remote places with low or no internet connectivity.</td>
<td>It is likely to further expand the reach of digital payments, opening opportunities for individuals and businesses.</td>
</tr>
</tbody>
</table>

Source: Press Releases – Governor’s Statement : October 08, 2021, RBI website, April-June 2021; MPC Report, October 2021
The RBI and the Government of India announced reforms and measures for various sectors such as Agriculture, Healthcare, Tourism, etc. in the last few months, to drive economic growth

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<th>Implication</th>
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<tbody>
<tr>
<td>Healthcare and Contact intensive sectors:</td>
<td>In May 2021, RBI provided INR50,000 crore (healthcare) and INR15,000 crore (contact intensive sectors including restaurants, tourism and aviation) liquidity window.</td>
<td>This is likely to boost the provision of immediate liquidity to healthcare providers and provide relief to the contact intensive sectors.</td>
</tr>
<tr>
<td>Agriculture:</td>
<td>The government aims to empower farmers under the Sub-Mission on Agricultural Mechanisation (SMAM) scheme by releasing funds for various activities of Farm Mechanisation to different states.</td>
<td>This is likely to help maximise the productivity of the available cultivable area and enhance the reach of farm mechanisation to small and marginal farmers and difficult-to-reach areas.</td>
</tr>
<tr>
<td>COVID-19 affected sectors:</td>
<td>The government has unveiled an INR1.1 lakh crore loan guarantee scheme for COVID-19 affected sectors including healthcare and tourism.</td>
<td>Allocating INR50,000 crore to healthcare will help scale medical infrastructure in underserved areas, while also providing guarantee cover for expansion and new projects related to health and medical infrastructure.</td>
</tr>
</tbody>
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## Government regulations and initiatives (3/5)

The government has undertaken different measures to boost financial inclusiveness and provide credit and liquidity support to small businesses amid the second wave.

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<th>Description</th>
<th>Implication</th>
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| **Financial inclusiveness** | — The RBI has decided to permit Authorised Dealer Banks to place margins on behalf of their FPI clients for their transactions in government securities (including State Development Loans and Treasury Bills) within the credit risk management framework of banks.  
— It has permitted Regional Rural Banks (RRBs) to issue Certificates of Deposit to eligible investors.  
— Priority Sector Lending - Permitting Banks to On-lend through NBFCs has been extended till March 31, 2022.  
— RBI has increased the prevailing limit on outstanding balance in Prepaid Payment Instruments (PPIs) from INR 1 lakh to INR 2 lakhs and allowing cash withdrawals for full-KYC PPIs of non-bank PPI issuers.  
— It is enhancing the aggregate Ways and Means Advance (WMA) limit of states and UTs to INR 47,010 crore, a 46 per cent increase from the current limit of INR 32,225 crore, decided in February 2016. Also, the enhanced interim Ways and Means Advance limit of INR 51,560 crore shall continue due to the pandemic for a further period of six months up to 30 September 2021.  
— RBI provided special three-year long-term repo operations of INR 10,000 crore at repo rate for the Small Finance Bank for fresh lending of up to INR 10 lakhs per borrower till 31 October 2021.  
— Scheduled Commercial Banks (SCBs) are allowed to deduct credit disbursed to new MSME borrowers from their net demand and time liabilities (NDTL) for calculating the cash reserve ratio (CRR). This exemption facility is available till 31 December 2021.  
— Special refinance facilities of INR 50,000 crore for fresh lending during 2021–22 will be provided: INR 25,000 crore to NABARD; INR 10,000 crore to NHB; and INR 15,000 crore to SIDBI. | — This move is likely to ease operational concerns faced by Foreign Portfolio Investments (FPIs) and promote ease of doing business.  
— RRB is likely to gain greater flexibility in raising short-term funds.  
— Increase the credit flow to certain priority sectors responsible for driving growth, while also recognising the role played by NBFCs in providing credit to these sectors.  
— Migration of PPIs into full-KYC will bring uniformity across PPI issuers and complement the acceptance of infrastructure in Tier III to VI centres.  
— The increase in WMA limits is helping states to meet targeted expenditure commitments in the absence of revenue flows.  
— The long-term repo operations shall provide further support to already affected small business units, MSMEs and other unorganised sector entities.  
— Banks will start taking more initiatives to incentivise the credit flow to the MSME borrowers.  
— Extension of credit shall nurture the still nascent growth of these banks and provide them additional liquidity support. |

Notes: 1) Negotiable Warehouse Receipts 2) Warehousing Development and Regulatory Authority  
Source: Press Releases – Governor’s statement, RBI website, April-June 2021; RBI extends interim WMA limit of ₹51.560 cr to states 9 September, The Hindu, 7 April 2021; RBI to hike ways and means advances limit for states by 46%, 7 April 2021; The Mint; accessed on 30 June 2021.
### Government regulations and initiatives (4/5)

The government has launched PLI schemes for specialty steel and textiles sector to drive domestic manufacturing, along with NMP to boost infrastructure. In addition, the center has unveiled new bills to promote sectors such as Marine, Insurance, among others.

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<th>Policy area</th>
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| **Production-Linked Incentive (PLI)** | **PLI for textiles and specialty steel:**  
— In September 2021, the Indian government announced a five-year PLI scheme for the textiles sector, covering man-made fibre (MMF) apparel, MMF fabrics, and 10 segments/products of technical textiles. A budgetary allocation of INR10,683 crore was made for this scheme.  
— The Union Cabinet has also approved a five-year PLI scheme for specialty steel. Incentives of INR6,322 crore are to be provided for the manufacture of specialty steel products in India.  
— The Government of India has unveiled a four-year National Monetisation Pipeline (NMP) worth an estimated INR 6 lakh crore, spread over a four-year period, from FY22 to FY25  
— It aims to unlock value in public sector brownfield assets and utilise those funds for infrastructure across country.  
— Among the assets to be monetised, Roads, railways and power sector assets will account for over 66 per cent of the total estimated value of the assets to be monetised.  
**The Marine Aids to Navigation Bill, 2021:**  
— The bill lays out a fresh framework to establish and manage vessel traffic services, while also changing the use of the term marine aids to navigation.  
**The Finance Bill, 2021:**  
— It proposed over 80 amendments to the Income-tax Act and other related acts. Key features include increase in tax audit turnover, faceless appeals, setting up a dispute resolution committee and reduction in time-limit for re-opening of assessments.  
**The Insurance (Amendment) Bill, 2021:**  
— FDI in the insurance sector has been increased to 74 per cent from 49 per cent. | — The textiles PLI is aimed at enabling India regain its dominant position in the global textiles trade and help create employment opportunities.  
— The specialty steel PLI is likely to bring in fresh investments and lead to capacity additions for specialty steel.  
— The scheme would fund new capital expenditure without pressuring government finances.  
— This would likely shore up economic growth with the focus on infrastructure expansion, which will also generate employment across the country.  
— It shall encourage the usage of modern technologies in vehicle navigation and long-range identification and tracking systems.  
— These amendments shall generate timely revenue for the government and streamline existing provisions by addressing grievances of taxpayers.  
— The increment shall accelerate growth and spur competition in this sector by helping the local private insurers to grow and expand in India. |

The government has also unveiled new bills and laws to abolish retrospective tax, intensify employment opportunities and spearhead technological improvements across various domain, including airports, mining, among others

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| Major bills and acts | **The Airports Economic Regulatory Authority of India (Amendment) Bill, 2021:**  
  — It will change the definition of “major airport” to “any airport which has, or is designated to have, annual passengers in excess of three and a half million.” The government has also decided to club/pair the airports.  
  **The Taxation Laws (Amendment) Bill, 2021:**  
  — With an aim to end retrospective taxes levied on indirect transfer of Indian assets, the government has passed The Taxation Laws (Amendment) Bill, 2021.  
  **The Mines and Minerals (Development and Regulation) Amendment Bill, 2021:**  
  — The bill is focused on the removal of restriction on end-use of minerals, sale of minerals by captive mines, auction by the central government in certain cases, transfer of statutory clearances, allocation of mines with expired leases, rights of certain existing concession holders, extension of leases to government companies, conditions for lapse of mining lease and non-exclusive reconnaissance permit.  | **This initiative shall encourage the development of small airports. Moreover, a better offering can be made in the public-private partnership mode to the prospective bidders.**  
  **This will lead to withdrawal of all tax demands made on companies on indirect transfer of Indian assets before 28 May 2012. Abolishing retrospective tax would also support in country’s economic recovery by attracting investment.**  
  **The bill aims to abundantly utilise the potential and capacity of the mineral sector by intensifying employment opportunities and investment. It shall also increase the revenue to the states by allowing time bound operations of mines, increasing the pace of exploration and auction of mineral resources.**  |
| | **The National Bank for Financing Infrastructure and Development Bill, 2021:**  
  — It will establish the National Bank for Financing Infrastructure and Development (NBFID) as the principal development financial institution (DFIs) for infrastructure financing.  
  **The General Insurance Business (Nationalisation) Amendment Bill, 2021:**  
  — The bill seeks to amend General Insurance Business Act, 1972, which was enacted to nationalise all private companies in India that were involved in general insurance business.  | **This shall support the long-term non-recourse infrastructure financing in India and the development of bonds/derivatives related to this industry.**  
  **The bill seeks to offer better opportunities for private sector participation in the public sector insurance companies that are regulated under the Act.**  |
Outlook
Economic recovery has been hindered by the severe second wave.

Higher infrastructure spending, rural development, and a stronger-than-expected recovery in services and manufacturing is likely to support economic recovery.

The second wave of pandemic had weakened consumption and investment.

Barclays has projected India’s GDP growth at 7.7 per cent under the pessimistic scenario.

As per the OECD, India is projected to be the fastest-growing G20 economy in 2021. However, it will also be the one which is the farthest from its pre-crisis GDP trend.

Factors including increased demand for consumer durables, strong external markets and export of manufacturing goods and services will support India’s GDP growth.

Economic recovery directly depends on the government’s ability to contain the spread of virus and increase the rate of vaccination.

India’s general government fiscal deficit would increase to 11.8 per cent of the GDP in FY22 instead of 10.8 per cent projected earlier.

Moody’s noted that slower growth combined with larger fiscal deficit would drive the government’s debt burden to 90 per cent of the GDP in FY22.

Factors including increased demand for consumer durables, strong external markets and export of manufacturing goods and services will support India’s GDP growth.

Barclays has projected India’s GDP growth at 7.7 per cent under the pessimistic scenario.

— Economic recovery has been hindered by the severe second wave.
— Higher infrastructure spending, rural development, and a stronger-than-expected recovery in services and manufacturing is likely to support economic recovery.
— The second wave of pandemic had weakened consumption and investment.

Barclays has projected India’s GDP growth at 7.7 per cent under the pessimistic scenario.

As per the OECD, India is projected to be the fastest-growing G20 economy in 2021. However, it will also be the one which is the farthest from its pre-crisis GDP trend.

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Factors including increased demand for consumer durables, strong external markets and export of manufacturing goods and services will support India’s GDP growth.
The global economy is expected to grow at an average of 4.9 per cent in 2022, while India is expected to witness real GDP growth of 8.5 per cent in 2022.

India compared to peers — GDP growth

GDP growth forecast for 2022 and CAGR of GDP at current prices (2021–26)

- India, Vietnam and Malaysia feature amongst the economies anticipated to witness the highest growth rates during 2021–26.
- The emerging markets and developing economies are expected to grow by about 5.1 per cent in 2022 while the world average will be close to 4.9 per cent, as per October 2021 estimates by IMF.

F indicates forecast

Note: India follows a April–March reporting period (for both National Accounts and Government Finance); Singapore and Thailand follow a April–March and October–September reporting period respectively (only for Government Finance)
Sources: "Real GDP Growth", International Monetary Fund; "World Economic Outlook", International Monetary Fund; accessed on 20 October 2021

GDP CAGR, 2021-26
GDP growth, 2022F

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In 2020, India witnessed a 27 per cent y-o-y increase in FDI, spurred by acquisitions in ICT and construction sectors

As per a report by the United Nations:
– In 2020, FDI in India increased by 27 percent y-o-y reaching USD64 billion, spurred by acquisitions in ICT and construction sector.
– COVID-19 has further boosted the demand for digital infrastructure and services, leading to higher values of greenfield FDI projects focusing on the ICT industry.
– A prominent project in the ICT industry includes a USD2.8 billion investment by a major technology player in ICT infrastructure.

FDI inflows1 (USD billion)

- China: 179.8 USD billion
- Singapore: 119.1 USD billion
- India: 64.4 USD billion
- Australia: 91.3 USD billion
- Indonesia: 28.1 USD billion
- Vietnam: 19.6 USD billion
- South Korea: 17.1 USD billion
- Taiwan: 12.4 USD billion
- Philippines: 8.5 USD billion
- Malaysia: 10.1 USD billion
- Thailand: 6.6 USD billion

F indicates forecast

Notes: (1) FDI data for Thailand, Taiwan, Australia, Vietnam and India in 2020 are estimates
Sources: “FDI inflow data”, EIU database; India receives $64 billion FDI in 2020, fifth largest recipient of inflows in world: UN, The Economic Times, 21 June 2021; India’s FDI inflows up 6.24% on year in April 2021: Government, The Economic Times, 23 June 2021; all accessed on 26 June 2021

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The outlook for Indian exports seems to be positive on the back of improved external demand and gradual opening of the global economy, while the imports are also expected to increase.

### Real export of goods and services 1, 2 (USD billion)

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
<th>2025F</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2,732.4</td>
<td>4,158.7</td>
</tr>
<tr>
<td>South Korea</td>
<td>606.7</td>
<td>827.5</td>
</tr>
<tr>
<td>Singapore</td>
<td>599.2</td>
<td>998.4</td>
</tr>
<tr>
<td>India</td>
<td>485.0</td>
<td>746.4</td>
</tr>
<tr>
<td>Taiwan</td>
<td>383.6</td>
<td>590.6</td>
</tr>
<tr>
<td>Australia</td>
<td>299.0</td>
<td>472.4</td>
</tr>
<tr>
<td>Vietnam</td>
<td>292.8</td>
<td>490.0</td>
</tr>
<tr>
<td>Thailand</td>
<td>258.4</td>
<td>433.7</td>
</tr>
<tr>
<td>Malaysia</td>
<td>207.4</td>
<td>315.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>178.2</td>
<td>294.9</td>
</tr>
<tr>
<td>Philippines</td>
<td>78.8</td>
<td>119.0</td>
</tr>
</tbody>
</table>

In FY21, India’s exports declined by 7.26 per cent compared with FY20.

Considering the disruption in the domestic supply chains and subdued demand due to the second wave, enhancing exports is a key lever to drive growth.

— Owing to the improvement in the global trading environment, the demand for consumer goods, and commodities is surging, posing opportunities for exporters.

— In FY21, China overtook the UAE to emerge as India’s second-largest export destination, primarily because China’s massive infrastructure drive prompted it to import iron ore and steel in large volumes from India.

### Real import of goods and services 2, 3 (USD billion)

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
<th>2025F</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2,362.7</td>
<td>3,643.6</td>
</tr>
<tr>
<td>South Korea</td>
<td>541.0</td>
<td>756.5</td>
</tr>
<tr>
<td>India</td>
<td>493.2</td>
<td>834.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>490.7</td>
<td>873.1</td>
</tr>
<tr>
<td>Taiwan</td>
<td>492.8</td>
<td>949.0</td>
</tr>
<tr>
<td>Vietnam</td>
<td>304.9</td>
<td>468.8</td>
</tr>
<tr>
<td>Australia</td>
<td>268.5</td>
<td>390.1</td>
</tr>
<tr>
<td>Thailand</td>
<td>249.1</td>
<td>378.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>185.6</td>
<td>289.0</td>
</tr>
<tr>
<td>Indonesia</td>
<td>159.9</td>
<td>284.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>97.6</td>
<td>167.4</td>
</tr>
</tbody>
</table>

India’s imports declined by 19.3 per cent y-o-y in FY21, compared with FY20, to reach USD389.2 billion.

— This was primarily due to decline in oil imports, which went down by 36.9 per cent in FY21, vis-à-vis FY20, owing to weak fuel demand following several restrictions imposed during the first wave of COVID-19.

F indicates forecast.

(Notes: (1) Exports are calculated as Exports of goods, free-on-board (fob) basis + Payments received for services rendered to overseas residents and companies (export of services); (2) Export-Import figures for Philippines (for goods), Vietnam and Taiwan in 2020 are estimates; (3) Imports are calculated as Imports of goods, free-on-board (fob) basis + Payments made for overseas services rendered to domestic residents and companies (import of services); 4) Calculations are different from the last release to avoid exchange rate fluctuations induced by converting Local Currency Units to USD.

Sources: “Import/Export figure”, Economic Intelligence Unit (EIU) database; Amit COVID-19 pandemic, exports could come as a saviour for India, Business Standard, 25 April 2021; India’s Foreign Trade, CARE Ratings, 16 April 2021; India’s exports surge 60% in March, fall by 7.2 per cent in FY21, 15 April 2021, The Economic Times; Trade Talk: China is now second-largest export destination, behind only US, Business Insider, 7 June 2021; all accessed on 13 September 2021.

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The government has announced flagship schemes in key infrastructure and defense sectors

**Augmenting submarine construction**
- On 4 June 2021, the Defense Acquisition Council approved the Indian Navy's INR50,000+ crores tender to construct six submarines as part of the Project 75 India. The key features of this project are:
  - It is expected to facilitate a quicker and more significant deployment of technology to create a tiered industrial ecosystem for submarine construction in India.
  - It could help reduce the dependence on imports while also ensure greater self-reliance and dependence for supplies from indigenous sources.
  - This action is taken to combat the increase of nuclear submarine arsenal by People's Liberation Army Navy, China, and protect the Indo-Pacific region from future domination by the adversary.

**Enhancing railway communication**
- On 9 June 2021, the Union Cabinet approved the allotment of 5 MHz spectrum in the 700 MHz frequency band to the Indian Railways for improving its communication and signalling systems. The project is targeted to be completed in five years at an estimated cost of INR25,000 crore.
  - Some key benefits of this approval includes:
    - It is likely to ensure seamless communication between pilots and guards.
    - It could prevent train accidents and reducing delays by enabling real-time interaction between the Loco Pilot, Station Master and the Control Centre.
    - It could also enable railways to undertake Internet of Things (IoT) based remote asset monitoring and monitor live video feed of CCTV cameras in the coaches to ensure efficient, safer and faster train operations.

**Joint venture for military aircraft manufacture**
- On 8 June 2021, the Cabinet Committee on Security cleared a plan to procure 56 transport aircraft for the Indian Air Force, in a USD2.5 billion – USD3 billion deal. The key highlights of the plan include:
  - 40 aircrafts to be manufactured in India within 10 years by a consortium comprising Indian and foreign players.
  - This is the first of its kind project, where military aircraft will be built in India by a private firm.
  - 16 aircrafts will be delivered in a flyaway condition from Spain.

Sources: "Mentoring Young Authors", MyGov website, as accessed on 18 June 2021; “Indian Navy set to issue Rs 50,000 crore submarine tender under ‘Project 75 India’”, India Today website, 3 June 2021; “Defense Ministry clears project to build six new conventional submarines”, LiveMint, 4 June 2021; "Railways to get 5 MHz spectrum in 700 MHz band, project to cost Rs 25k cr", Business Standard, 3 June 2021; "Cabinet allocates 5MHz spectrum for Indian railways to improve communication and signalling", LiveMint, 9 June 2021; "Mega $2.5-$3 billion deal for Indian Air Force to bring on board 56 most versatile & efficient tactical transport aircraft – C-295 MW", NewsOnAIR, 09 September 2021, as accessed on 09 September 2021
The government has announced flagship schemes in key infrastructure and defense sectors

Gati Shakti - National Master Plan

- On 13 October 2021, the government launched the Gati Shakti – National Master Plan, a digital platform bringing 16 Ministries including Railways and Roadways for integrated planning and implementation of infrastructure connectivity projects.
- With an aim to institutionalise holistic planning for stakeholders across major infrastructure projects, it will provide public and business community information on upcoming connectivity projects, other business hubs, industrial areas and surrounding environment.
  - This is likely to help investors to plan their businesses at suitable locations leading to enhanced synergies.
  - Generate multiple employment opportunities, cut down of logistics cost, improve supply chains.
  - Ensure Multi-modal connectivity to provide integrated and seamless connectivity for movement of people, goods and services.
Outlook and way forward

RBI projects real GDP growth of 9.5 per cent for FY22, estimating 7.9 per cent in Q2, 6.8 per cent in Q3 and 6.1 per cent in Q4 of 2022

Overall growth is gathering pace with revival observed in major industries. Rise in aggregate demand is resulting in higher GST collections, raising revenues. The core sector growth1, up 11.6 per cent in August 2021, is promising and presents a positive outlook.

Inflation is expected to drop further in 3Q22, with ample stock of food grain, keeping cereal prices range bound. Vegetable prices are likely to remain soft suggesting less volatility. However, pressure regarding elevated commodity prices, high input costs, and global financial market volatility pertains.

MPC’s decision to keep repo rate steady at 4 per cent maintains a balance between inflation and growth. However, RBI is expected to use reverse repo rate to absorb excess liquidity in the system, and might increase reverse repo rates in December 2021, followed by repo rates in February 2022.

Confidence in India is reflected in buoyant domestic equity markets with BSE Sensex and Nifty 50 scaling record highs. Foreign investors are also expected to continue investing in the economy. Government easing out its cash management guidelines is expected to result in a boost in spending.

The Centre’s capex outlay for nine core infrastructure ministries is expected to be up by 20 per cent in FY22. The top 12 states have announced capex growth of 38 per cent in FY22. With limited impact of the second wave on government spending, aggregate infrastructure capex is likely to rise by 16-18 per cent.

As per the government, PLI scheme covering 13 sectors with an outlay of INR1.97 lakh crore would lead to a minimum additional production of INR37.5 lakh crore over 5 years. It will not only boost production but lower the dependence on imports as well.

National Monetisation Pipeline (NMP) would unlock the potential of infrastructure assets across sectors. Top sectors would include roads, railways, power transmission, power generation and telecom. Boost in infrastructure investment is likely to attract long-term capital and diversify infrastructure financing.

Equitable access of vaccine, ensuring adequate supply and facilities is imperative. Rapid vaccination coverage is necessary for the economy to maintain its traction and to mitigate the impact of the third wave. As of 10 September 2021, ~95 crore doses have been administered in India.

1. The core sector comprises coal, crude oil, natural gas, refinery products, fertilisers, steel, cement, and electricity

Source(s): For now, monetary policy stayed the course on repo rate and policy stance. But it is fast reaching a watershed moment. Indian Express, 12 October 2021; Retail inflation eases up in Sep, but IMF pegs it higher for FY22, Mint, 13 October 2021; Policy rates unlikely to be hiked in a hurry, The Outreach, 10 October 2021; India poised for faster recovery in next three quarters: Finance Ministry, Mint, 13 October 2021