



Indian Economy Insights

KPMG in India

July 2022

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Preface – (1/2)

The dawning of the year 2022 brought in a sense of fresh optimism and opportunity, even while India as well as the world continue to navigate turbulence; such as the economic consequences of the hopefully-abating COVID-19 pandemic, rising geopolitical situations dislocating global supply chains and unsettling energy markets, inflation and global currency instability. However, India currently looks set to be on a path of recovery from pandemic-induced downturns, with the government's estimate of GDP being 8.7 per cent for FY22. The International Monetary Fund (IMF) has slightly lowered its growth forecast for FY23 to 8.2 per cent.

Recent developments in Europe and its attendant effects on global energy markets, the COVID-19 induced supply logjams in China, the consequences of inflation, and the increasingly visible effects of climate change like the heat dome over North India, all reveal the need for governments and firms to stay watchful and agile, and to respond in real-time to increasingly accelerating change and evolution in the physical, social, and economic environment.

The government in its recent Budget and other policy actions has been focusing on reviving the economy by incentivising domestic manufacturing and value-addition, as also by investing resources in the creation and modernisation of public infrastructure.

Budget 2022: The foundation for economic growth for the next 25 years

The Union Budget for FY23 stands out with its commitments towards bolstering infrastructure creation with an enhanced capex commitment of 35.4 per cent over the previous year and focusing on policy initiatives for enhancing public private partnerships (PPP) in the infrastructure space. The budget has put forth a vision of 'Amrit Kaal', and its dominant themes are all-inclusive growth and welfare, technology-enabled development, climate action, energy transition, and fostering private investments. With an outlay of INR20,000 crore, the budget has intensely focused on infrastructure creation and replenishment, while also attempting to bring new efficiencies particularly through the instrumentality of the PM Gati Shakti programme, encompassing seven engines: roads, railways, airports, ports, mass transport, waterways, and logistics infrastructure. The budget has also attempted to correct the declining trend of private investment in infrastructure by proposing a more robust PPP environment. It is expected that these measures taken together will foster greater economic vigour, ramp-up the pace of job creation, and catalyse consumer demand, while also crowding-in greater private and foreign investment.

The indicators and levers of growth

The currents of economic revival are discernible in the growth data of key indicators, such as total GST collections, quantum of digital transactions, coal production, electricity demand, petroleum products consumption, rail and air passenger and freight traffic, and FASTag collections. Automobile registrations across most categories also recorded an upward trend, despite challenges around semiconductor availability. The agriculture sector is also displaying an upturn as increasing crop diversification and monsoon predictions for this year tend to converge around normalcy.

The Index of Eight Core Industries (ICI) showed a year on year (y-o-y) growth of 8.4 per cent in April 2022. Furthermore, several sectors are reaping the benefits of the government's push towards the Production Linked Incentive (PLI) Scheme, promoting local manufacturing and developing global competitiveness. The government has estimated a fiscal deficit of 6.7 per cent of the GDP for FY22, lower than 9.2 per cent recorded in FY21, while the fiscal deficit for FY23 has been estimated at 6.4 per cent.

The services Purchasing Managers Index (PMI) also rose in February and March 2022, after reaching a six-month low in January 2022, supported by relaxations in COVID-19 restrictions and a rise in domestic demand.



Source(s): "Budget 2022-2023, Ministry of Finance", GoI, 01 February 2022; "INDEX OF EIGHT CORE INDUSTRIES FOR APRIL, 2022 UP BY 8.4 PERCENT OVER LAST YEAR", PIB, 31 May 2022; "World Economic Outlook (April update)", IMF, April 2022; "State of the economy", RBI, 17 January 2022; "Provisional Estimates of Annual National Income, 2021-22 and Quarterly Estimates of Gross Domestic Product for the Fourth Quarter (JAN-MAR), 2021-22", PIB, 31 May 2022; "Monetary Policy Report – April 2022", RBI, 08 April 2022; "FISCAL DEFICIT ESTIMATED AT 6.4% OF GDP IN 2022-23", Ministry of Finance, PIB, 01 February 2022; "INDIA'S MERCHANDISE TRADE: Preliminary Data March 2022", Ministry of Commerce & Industry, PIB, 04 April 2022; "Consumer Price Index Numbers On Base 2012=100 For Rural Urban And Combined For The Month Of March 2022", MoSPI, 12 April 2022; "FISCAL DEFICIT ESTIMATED AT 6.4% OF GDP IN 2022-23", Ministry of Finance, PIB, 01 February 2022; IHS Markit India Services PMI, IHS Markit; "Union government accounts at a glance, provisional accounts for 2021-2022", Controller General of Accounts, Ministry of Finance; all accessed on 20 June 2022

Preface — (2/2)

Concerns & challenges

While vaccination permeation and abating proliferation trends indicate that the adverse consequences of the pandemic are well behind us; the ripple effects of the Russia-Ukraine situation and rising geopolitical unrest between China and the West; continue to have significant economic and financial consequences that need to be addressed with dexterity and speed. It is a matter of some concern that global supply chains are getting impacted, and the currency and stock markets are exhibiting significant volatility; while commodity and energy prices have seen recent sharp rises. The severity of this year's summer has also led to unprecedented spikes in demand for energy leading to a larger dependence on coal, which might have implications on the pace of India's ambitious energy transition commitments. These factors have impacted the economy particularly in terms of rising inflation, with the Consumer Price Index (CPI) rising to a high of nearly 7.8 per cent in April 2022 and staying over the Reserve Bank's threshold for the fourth straight month.

India's trade deficit rose by 87.5 per cent in FY22 compared with FY21 — an increment in imports acting as the primary factor — despite a record rise in exports. For instance, merchandise exports exceeded the USD40 billion mark for the first time and recorded USD40.4 billion in March 2022, rising by a healthy 14.5 per cent y-o-y. However, imports soared to USD59.1 billion, marking an increase of 20.1 per cent during the same period, leading to a trade deficit of almost USD18.7 billion. This was primarily driven by higher imports of petroleum products, electronic goods, and gold.

The road ahead

The challenges presented by the Russia-Ukraine situation have intensified the inflationary pressure among advanced as well as emerging economies, impelling them to revise their inflation projections. Given India's reliance on import for crude oil, natural gas and other commodities, it could face a further spike in inflation and current account deficit as a consequence of these unanticipated developments.


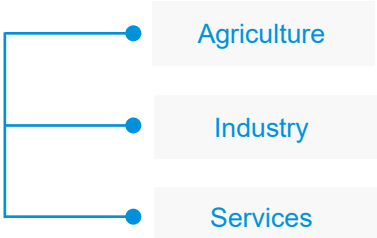





Various central banks globally have embarked on a path of normalisation and monetary policy tightening, with ensuing capital outflows from India and currency depreciation. The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) has recently assessed that the inflation outlook poses sufficient risk of unsettling inflation expectations, and in an unexpected off-cycle move, has hiked the policy repo rate to 4.9 per cent in June 2022 from 4.4 per cent. In addition, the RBI also has hiked the cash reserve ratio (CRR) to 4.5 per cent, which was last seen at this level in September 2012.

In sum, the national economy, in common with other countries, is traversing a period where rapid change is the only constant. During such times, policy approaches and financial instruments need to be constantly reinvented and refreshed, while firms need to be agile, flexible and watchful for ensuring desirable outcomes in the economy, as well as in business.







Periods of economic turbulence also create new opportunities, and it is the expectation that recent policy measures will significantly contribute to improving India's position as a key node in the global supply chain, while reinvigorating the economic pulse of the country.



Source(s): "Enhanced capital spending in the Budget will have 3-4 times multiplier effect on the economy: Union Minister Piyush Goyal", Ministry of Commerce & Industry, PIB, 05 February 2022; "Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) April 6-8, 2022", RBI, 08 April 2022; CPI Press Release, MoSPI; "INDIA'S MERCHANDISE TRADE: Preliminary Data March 2022", Ministry of Commerce & Industry, PIB, 04 April 2022, "Maintenance of Cash Reserve Ratio (CRR)", RBI, 4 May 2022; "Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) June 6-8, 2022", RBI, 08 June 2022; all accessed on 21 June 2022

Parameters/indicators	Description	Source
Gross Value Added (GVA)  <div>  <ul style="list-style-type: none"> Agriculture Industry Services </div>	<ul style="list-style-type: none"> — The GVA witnessed a growth rate of 3.9 per cent in Q4 FY22 and is estimated to have grown by 8.1 per cent in FY22. — The agriculture sector growth in Q4 FY22 was 4.1 per cent higher as compared to the previous year — Mining and quarrying and electricity sectors registered y-o-y growth of 6.7 per cent and 4.5 per cent, respectively, during Q4 FY22; however, manufacturing declined by 0.2 per cent — In Q4 FY22, the GVA of trade, hotels, transport and communication increased by 5.3 per cent. Financial, real estate and professional services increased by 4.3 per cent, while public administration and defence services grew by 7.7 per cent. 	Link
Index of Industrial Production (IIP) and employment 	<ul style="list-style-type: none"> — IIP witnessed an overall y-o-y growth of 1.7 per cent in February 2022, while it contracted by 4.7 per cent m-o-m, reaching 132.1. — Unemployment rate reached 7.6 per cent in March 2022 from 8.1 per cent in February 2022. 	Link
Inflation 	<ul style="list-style-type: none"> — Wholesale Price Index (WPI) inflation reached a high of 15.1 per cent in April 2022 from 14.6 per cent in March 2022. In addition, Consumer Price Index (CPI) inflation increased from 7.0 per cent in March 2022 to 7.8 per cent in April 2022. 	Link
Government's revenue and expenditure 	<ul style="list-style-type: none"> — The fiscal deficit for FY22 has been estimated at 6.7 per cent of GDP, with total receipts of INR22.1 lakh crore and total expenditures of INR37.9 lakh crore in March 2022. The government has targeted a fiscal deficit of 6.4 per cent of GDP for FY23. — GST collections reached a new record level of INR1.42 lakh crore in March 2022. 	Link
Trade, FDI and foreign exchange reserves 	<ul style="list-style-type: none"> — In Q3 FY22, India recorded FDI equity inflows of USD12 billion, decreasing 11.5 per cent from the previous quarter. Further, the foreign exchange reserves reached USD600.4 billion in the second half of April 2022, after witnessing an all time high of USD642.0 billion in October 2021. 	Link
Consumer and business confidence index 	<ul style="list-style-type: none"> — New company registrations stood at 14,608 in February 2022, witnessing a 20 per cent rise compared with the previous month. Out of the total companies registered in February 2022, the major share comprised of companies in business services. — Consumer confidence rose in March 2022 after decreasing slightly in January 2022, while the business confidence index decreased slightly in Q4 FY22. 	Link

Executive summary (3/3)

Parameters/indicators		Description	Source
Aluminium and copper		— Aluminium production increased in Q3 FY22 and witnessed a growth of 1.1 per cent compared with Q2 FY22, while copper production increased by 5.1 per cent during the same period.	Link
Commodity prices		— The prices of aluminium increased by 56.8 per cent y-o-y in February 2022. The prices of copper reached a nine-month high in February 2022, while steel prices also attained a five-month high in March 2022.	Link
Agriculture		— Domestic tractor sales registered a 6 per cent decline in FY22. Fertiliser sales increased by 20.8 per cent y-o-y during March 2022.	Link
Mining and quarrying		— The IIP for mining stood at 123.2 in February 2022. India's coal production showed a consistent increase in H2 FY22, only reducing marginally in February 2022.	Link
Capital and Construction IIP		— The IIP for construction and capital goods have both shown a recovery post the decline that was observed during the second COVID-19 wave.	Link
Financial markets		— The Indian capital market indices exhibited a positive reaction to the budget announcements in February 2022. However, the ongoing geopolitical situation between Russia and Ukraine have shown its effect on the indices.	Link

Government initiatives and outlook

Parameter/indicator		Description	Source
Government regulations and initiatives		— The government and the RBI announced initiatives aimed at enhancing liquidity, credit expansion and unveiling new reforms and acts.	Link
Outlook		— Major financial institutions have forecasted India's economic growth in FY23 in the range of 6.9 per cent to 9.8 per cent.	Link

Key indicators — A snapshot



Key indicators – Economic overview (1/3)

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Macroeconomic indicator	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Gross Value Added (GVA)	2.1	5.7	18.1	8.3	4.7	3.9
Agricultural	4.1	2.8	2.2	3.2	2.5	4.1
Mining and quarrying	-5.3	-3.9	18.0	14.5	9.2	6.7
Manufacturing	8.4	15.2	49.0	5.6	0.3	-0.2
Construction	6.6	18.3	71.3	8.1	-2.8	2.0
Electricity, gas, water supply and utility services	1.5	3.2	13.8	8.5	3.7	4.5
Trade, hotels, transport and communication	-10.1	-3.4	34.3	9.6	6.3	5.3
Financial, real estate and professional services	10.3	8.8	2.3	6.1	4.2	4.3
Public administration, defense and other services	-2.9	1.7	6.2	19.4	16.7	7.7

Numbers are y-o-y per cent change



- India's GVA increased by 3.9 per cent during the fourth quarter of FY22 compared with the previous year, as a result of improving economic activity
- India's future growth trajectory will be determined by recovery in private consumption, cooling down of inflation and positive changes in the global geopolitical outlook. Government initiatives such as spending on public infrastructure via various initiatives is likely to boost economic growth.

*Note: Q2 FY21 refers to Jul 2020 to Sep 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

Macroeconomic indicator	Unit	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Employment under MGNREGS	Million	-12.7	7.6	14.5	-5.6	-18.2	7.1
Total GST collections	INR lakh crore	21.3	9.5	-5.3	2.4	13.6	6.1
Foreign exchange reserves	USD million	7.1	-0.3	5.3	4.7	-0.8	-2.5
Total receipts	INR lakh crore	35.1	1.9	-3.0	0.5	19.3	-31.8
Total expenditure	INR lakh crore	20.7	53.6	-33.3	-1.5	10.1	42.7
Foreign direct investment equity inflows	INR '000 crore	-9.4	-62.5	117.5	-22.3	-10.3	NA

Numbers are q-o-q per cent change

Macroeconomic indicator	Unit	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Unemployment rate*	Per cent	7.5	6.6	9.7	7.4	7.5	7.4
WPI inflation per cent (all commodities)*	Per cent	1.6	4.9	12.0	11.3	14.3	13.9
CPI inflation per cent (Combined)*	Per cent	6.4	4.9	5.6	5.1	5.0	6.4

Numbers are average of three months

Legend: ■ Huge decline ■ High growth

Key indicators – Services (2/3)

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Sector	Indicator	Unit	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Services	PMI*	Index	53.4	54.2	47.2	52.4	57.3	52.3
	Imports	USD billion	4.7	6.9	-5.9	11.2	12.3	NA
	Exports		3.4	5.1	3.3	3.3	10.9	NA

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



- While the services sector remained in the expansion zone, concerns regarding another wave of COVID-19 had a negative impact on the outlook of the sector
- Further, the international demand for India's services has witnessed a revival with the opening of the economy and a rapid vaccination drive.

Sector	Indicator	Unit	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Financial services	UPI transactions	INR lakh crore	30.0	14.1	12.5	24.0	24.6	10.7
	PE investments	USD million	-9.6	-16.6	15.8	107.7	-1.5	-26.1
Transport	Railway passengers booked	Million	388.9	126.2	-47.8	68.8	50.6	NA
	Air passengers booked	Million	111.1	24.8	-53.6	71.7	69.0	-15.6
	Air freight volume	'000 tonnes	19.6	1.7	-4.4	8.1	4.7	-8.1
	Rail freight volume	Million tonnes	15.3	7.5	-6.4	-3.0	9.6	NA
	Fast tag collections	INR crore	24.1	22.9	-7.0	21.2	12.7	10.9
	E-way bills generated	Million	19.9	6.2	-22.5	29.2	4.1	4.8
Telecom and entertainment	Number of total active subscribers with pay DTH operators	Million	0.4	-2.0	0.4	-1.4	NA	NA

Numbers are q-o-q per cent change

Huge decline High growth
Legend: ■ ← → ■

*Note: Q2 FY21 refers to Jul 2020 to Sep 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

Key indicators – Industry (3/3)

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Sector	Indicator	Unit	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Manufacturing	PMI	Index	57.2	56.9	51.5	53.8	56.3	54.3
	Imports	USD billion	21.2	19.7	-3.6	16.2	13.5	NA
	Exports		2.1	18.1	6.2	8.2	3.9	NA

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



- Manufacturing PMI reached a 10-month high in November 2021, after which it contracted slightly
- In FY22, India's merchandise exports reached and all-time high of USD418 billion from USD292 billion in FY21.

Sector	Indicator	Unit	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22
Energy	Consumption of petroleum products	'000 tonnes	19.3	-0.4	-12.6	1.3	11.1	2.8
	Consumption of natural gas	Million cubic meter	0.5	-2.9	4.9	4.7	-3.1	NA
	Electricity demand	Billion units	-6.3	5.6	2.7	7.5	-11.7	8.1
Automotive	Two-wheeler registrations	Thousand	39.0	-11.1	-36.1	37.1	18.4	-11.7
	Three-wheeler registrations	Thousand	32.5	37.8	-59.4	129.4	30.0	3.1
	Commercial vehicle registration	Thousand	71.0	24.8	-42.6	56.9	5.3	21.1
	Passenger vehicle registration	Thousand	52.8	0.4	-41.3	56.3	-2.5	5.2
Steel	Crude steel production	Million tonnes	7.4	1.8	-7.6	8.6	2.7	6.0
Cement	Cement production index	Index	140.4	166.0	146.1	148.1	152.5	NA
Agriculture	Tractor sales	Thousand	9.9	-6.2	-4.3	-3.6	4.5	-18.8
	Fertiliser sales	Million tonnes	-1.2	-29.5	-4.8	28.0	0.0	-18.5
Mining and quarrying	Value of mineral production	INR '00 crore	75.3	54.5	24.4	3.9	-11.4	NA
	Coal production	Million tonnes	38.6	29.2	-37.0	0.5	28.7	26.1

Index is average of three months; Numbers are q-o-q per cent change

Huge decline High growth
Legend: ■ ← → ■

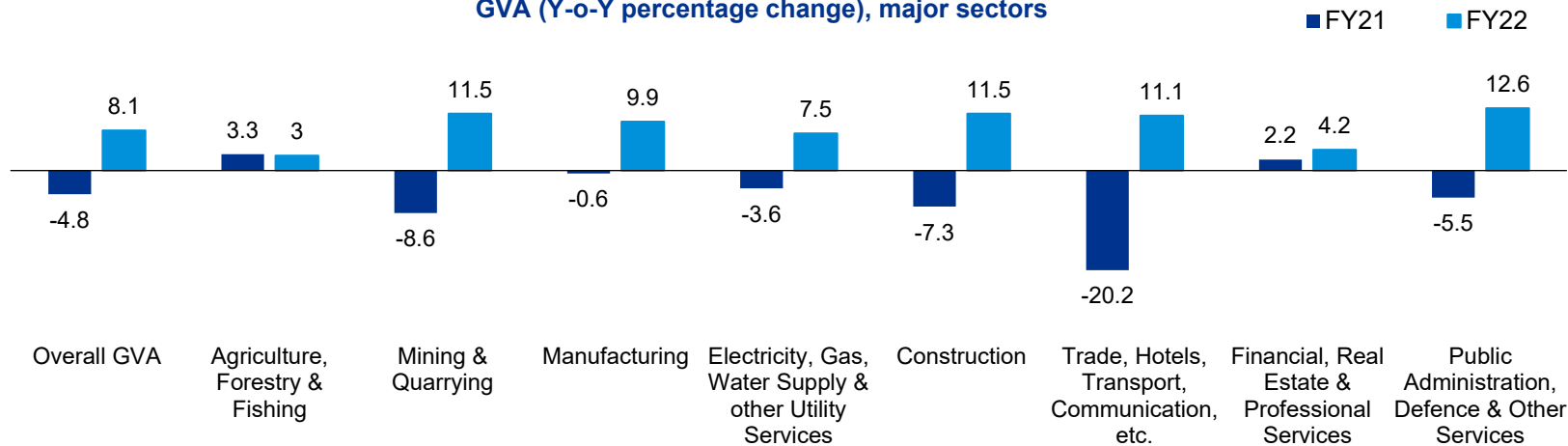
Note: Q2 FY21 refers to Jul 2020 to Sep 2020; "India's Q3 manufacturing outlook perks up, high production costs worrying: FICCI survey", The Federal, 30 January 2022; Quarterly PMI calculations have been done by taking average of the values from the constituting months; PMI index above 50 has been considered positive and below 20 has been considered high negative

Economic performance

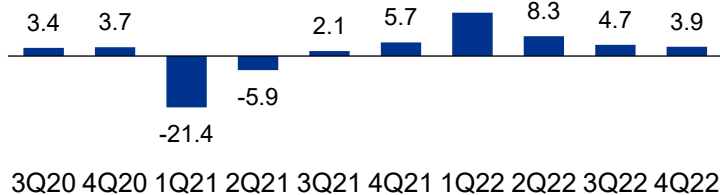


The GVA grew by 3.9 per cent in Q4 FY22, with mining and quarrying, and public administration, defence and other service sectors leading the growth

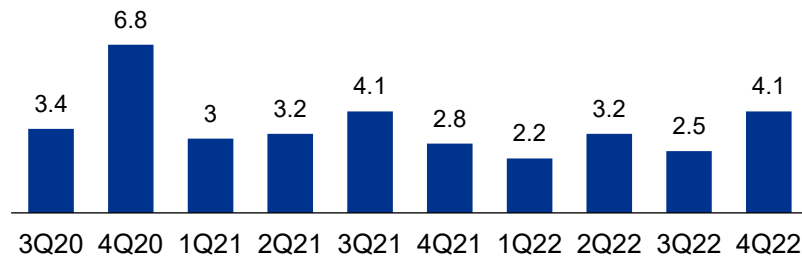
GVA (Y-o-Y percentage change), major sectors



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



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



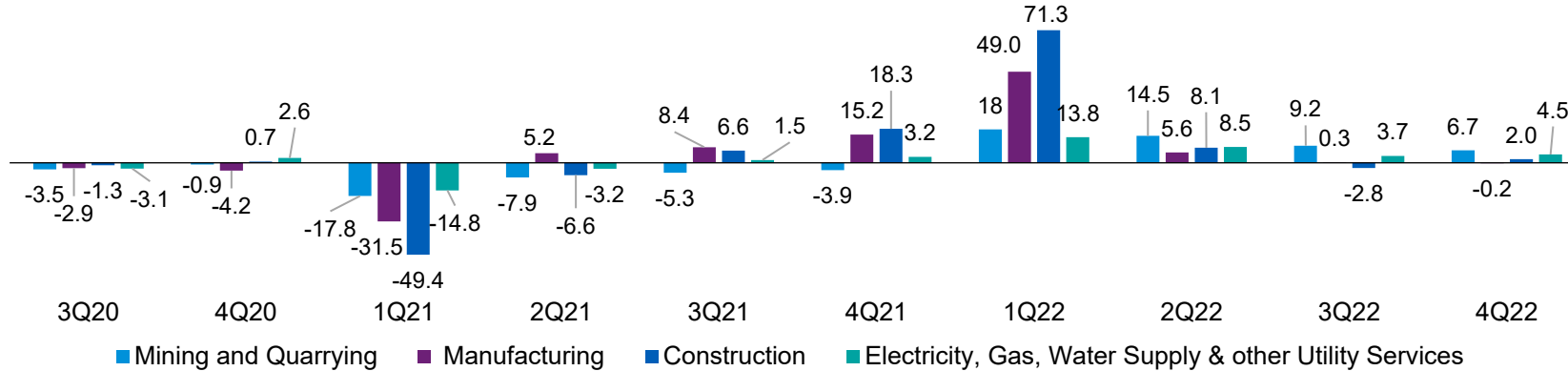
Key highlights

- India's GVA is estimated to have grown by 8.1 per cent in FY22 after shrinking by 4.8 per cent in FY21, owing to growth witnessed in all eight sectors
- The growth continued in Q4 FY22, with GVA registering a y-o-y increase of 3.9 per cent, driven mainly by mining and services sectors
- The agriculture sector growth in Q4 FY22 was 4.1 per cent higher as compared to the previous year
- In FY22, the agriculture GVA witnessed 3.0 per cent y-o-y growth. The agriculture sector has received a digital push in the form of announcements such as kisan drones in union budget 2022
- The Russia-Ukraine situation has also created a shortage of agricultural commodities such as wheat in the global market, for which the two countries are a major source.

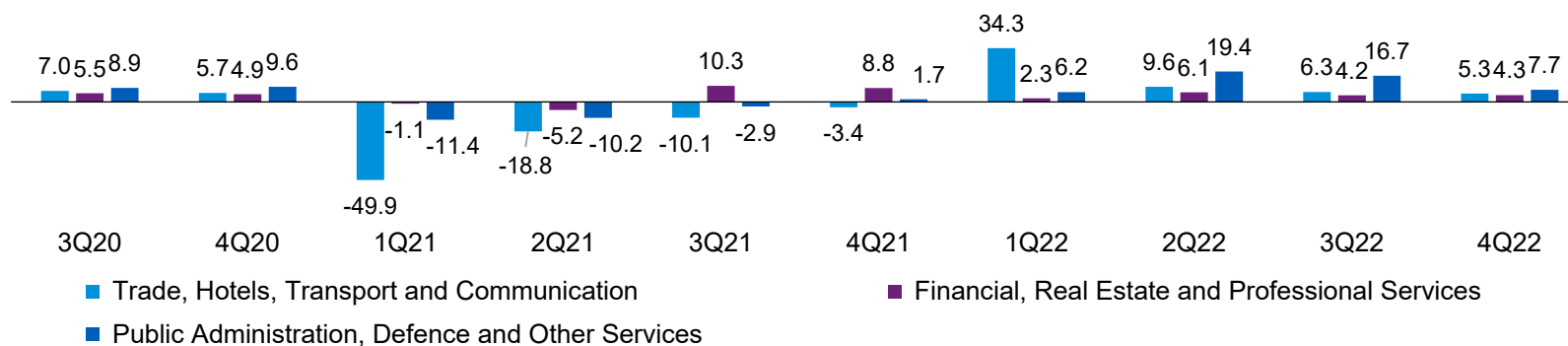
Note: FY22 represents time period of April 2021 to Mar 2022; Q1 FY22 represents period of April 2021 to June 2021 and Q4 FY21 represents period of January 2021 to March 2021; Values for GVA correspond to Quarterly Estimates of GVA at Basic Prices for 2021-22 (at 2011-12 Prices); Other Services in Public Administration, Defence & Other Services includes Education, Health, Recreation, and other Personal Services
Source(s): Provisional Estimates of Annual National Income 2021-22 And Quarterly Estimates Of Gross Domestic Product For The Fourth Quarter (Jan-Mar), 2021-22, Ministry of Statistics & Programme Implementation, 31 May 2022; "Provisional estimates of Annual National Income, 2020-21 and Quarterly estimates (Q4) of Gross Domestic Product, 2020-21", PIB, Ministry of Statistics & Programme Implementation, 31 May 2021; "Provisional Estimates of Annual National Income, 2020-21 and Fourth Quarter (Q4) of 2020-21", Ministry of Statistics & Programme Implementation; "Union Budget 2022: Tech push for agri sector", India News, 2 February 2022; "Farm sector projected to grow at 2.6% in Q3FY22, down from 4.1% a year ago", Business Standard, 01 March 2022; "Russia-Ukraine war impact: India's grain exporters are gearing up to fill the huge gaps in global stocks, especially wheat", The Economic Times, 26 March 2022; all accessed on 20 June 2022

Growth in industry GVA was led by mining, electricity and utility services, while manufacturing declined slightly by 0.2 per cent in Q4 FY22

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



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



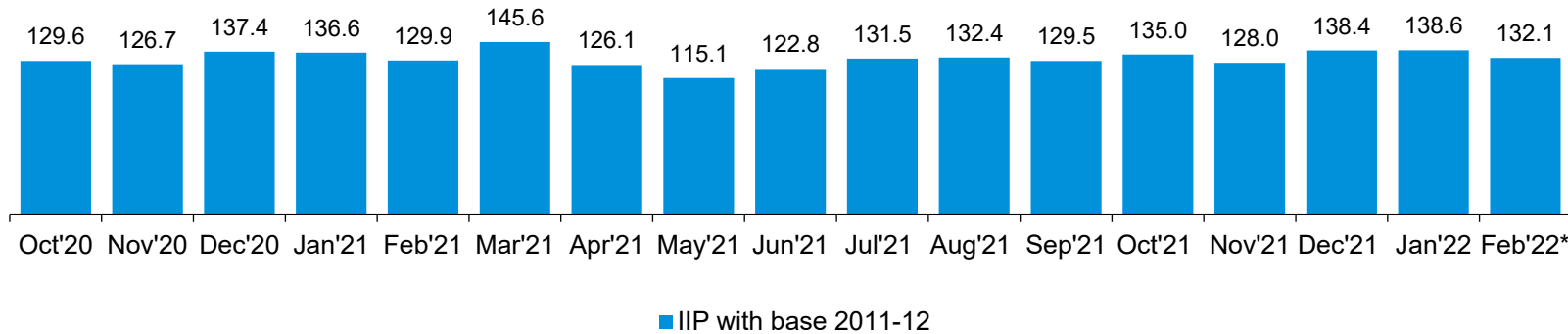
Key highlights

- In Q4 FY22, some of the key sub-sectors of the industry and services showcased a slower growth compared with Q3 2022, with manufacturing demonstrating a decline of 0.2 per cent. A marginal recovery was however, seen in the construction sector
- The highest growth in GVA in Q4 FY22 was recorded by the public administration, defence, and other services sector
- Factors such as the ongoing Russia-Ukraine geopolitical situation and associated supply chain constraints, in addition to the effect of COVID, which mainly affected economic activities in Q4 FY22, can further affect the growth outlook of different sectors.

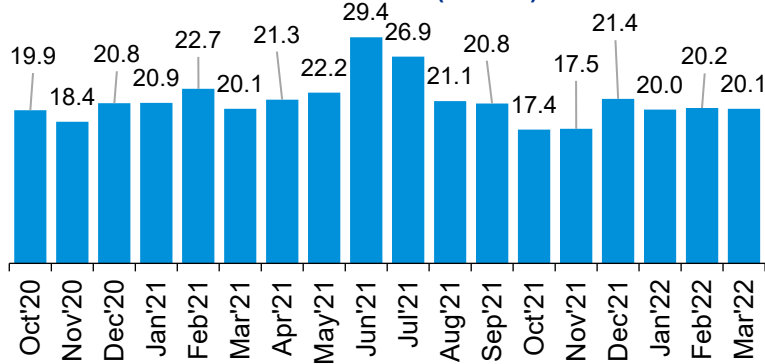
Note: FY22 represents time period of April 2021 to Mar 2022; Q1 FY22 represents period of April 2021 to June 2021 and Q4 FY21 represents period of January 2021 to March 2021; Values for GVA correspond to Quarterly Estimates of GVA at Basic Prices for 2021-22 (at 2011-12 Prices)
 Source(s): Provisional Estimates Of Annual National Income 2021-22 And Quarterly Estimates Of Gross Domestic Product For The Fourth Quarter (Jan-Mar), 2021-22, Ministry of Statistics & Programme Implementation, 31 May 2022; "Second Advance Estimates of National Income, 2021-22 and Quarterly Estimates of Gross Domestic Product for the Third Quarter (Oct-Dec), 2021-22," PIB, Ministry of Statistics & Programme Implementation, 28 February 2022; "Provisional estimates of Annual National Income, 2020-21 and Quarterly estimates (Q4) of Gross Domestic Product, 2020-21", PIB, Ministry of Statistics & Programme Implementation, 31 May 2021; "GDP growth rate revised down to 8.9%, construction sector contracts", The Indian Express 01 March 2022; "Economic growth slows to 5.4% in Dec qtr; manufacturing, construction hit", Business Standard, 01 March 2022; all accessed on 20 June 2022

The IIP witnessed a m-o-m decline in February 2022 after an increase in December 2021 and January 2022. The unemployment rate eased to 7.6 per cent in March 2022 after increasing to a six-month high in February 2022

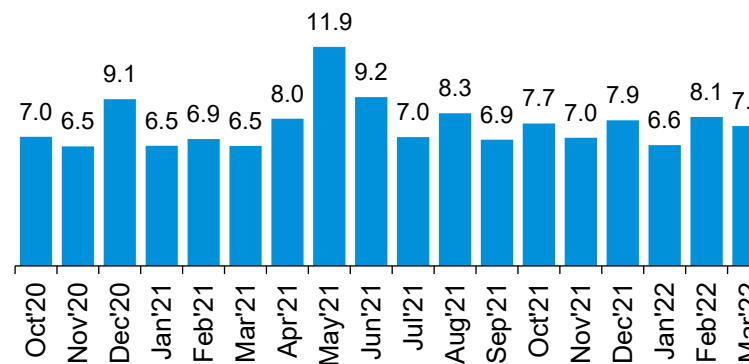
Index of Industrial Production (IIP)



Employment provided to households under MGNREGS (million)



Unemployment rate (per cent)



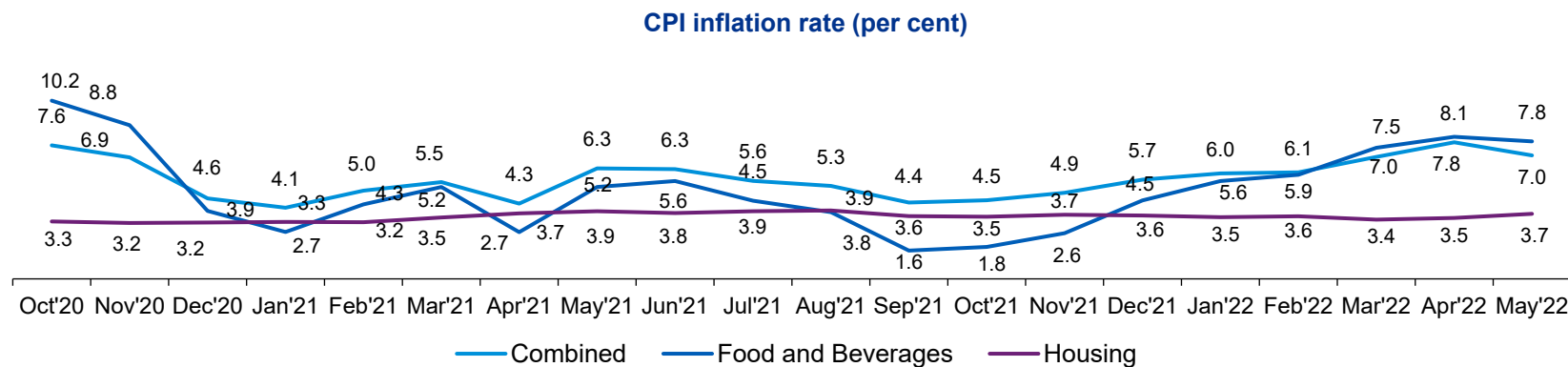
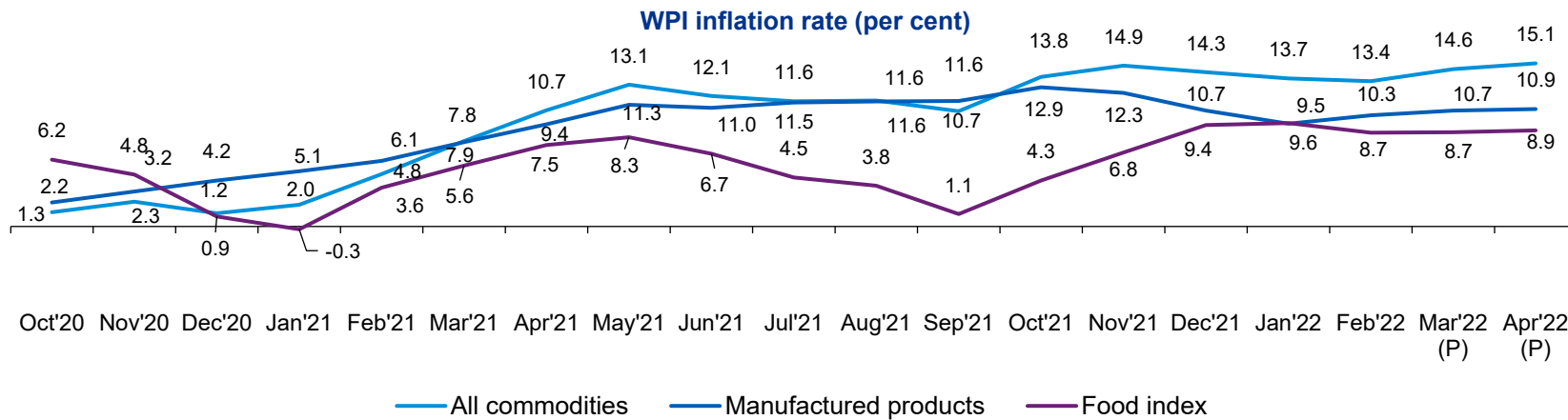
Key highlights

- IIP witnessed a 1.7 per cent increase y-o-y in February 2022
- On a m-o-m basis, IIP decreased by 4.7 per cent in February 2022, after rising for the past three months
- The scheme for rural employment guarantee witnessed a rise in the demand for work in November and December 2021 after falling for four consecutive months prior to that. However, it saw a slight decline in January 2022 and has remained relatively stable thereafter in February and March
- Unemployment rate fell to 6.6 per cent in January 2022, the lowest so far in FY22. The values rose sharply to a six-month high of 8.1 per cent in February 2022, driven by an increase in rural unemployment (8.4 per cent). Urban unemployment rates had however, decreased to 7.6 per cent in February 2022. The overall values fell again to 7.6 per cent in March 2022.

Note: P is Provisional; For Employment provided to household under MGNREGS Jan'22 figure is as of 24 January 2022. * Figures for Feb'22 are quick estimates

Source(s): "QUICK ESTIMATES OF INDEX OF INDUSTRIAL PRODUCTION AND USE-BASED INDEX FOR THE MONTH OF FEBRUARY, 2022", Ministry of Statistics & Programme Implementation, 12 April 2022; "Employment Provided Pattern During Financial Year : 2021-2022", Ministry of Rural Development; IIP Press release, Ministry of Statistics & Programme Implementation; Unemployment Rate in India, CMIE, 2 September 2021; "IIP growth remains subdued for third month in a row at 1.6% in November", The Free Press Journal, 12 January 2022; "Employment under MGNREGA in September falls to lowest since Covid outbreak", Economic Times, 14 October 2021; "Rural distress: Demand for MGNREGA work sees spike again", Down To Earth, 7 January 2021; "Budget 2022: India Lowers MGNREGA Allocation To Rs 73,000 Crore In FY23", Bloomberg Quint, 01 February 2022; all accessed on 21 April 2022

WPI inflation soared in April 2022, driven by a price rise for various commodities, while CPI inflation reached a high of 7.8 per cent in April 2022 after breaching the RBI threshold in January 2022



Key highlights

- WPI inflation spiked in April 2022 to reach approximately 15.1 per cent
 - The rise in the prices of commodities such as crude petroleum and natural gas, basic metals and mineral oils, food and non-food commodities and chemicals and chemical products, as compared to April 2021, is the key reason for this spike in inflation
- CPI stood at a high of approximately 7.8 per cent in April 2022, after breaching the RBI's threshold upper margin of 6.0 per cent in January 2022. It however, fell marginally to 7.0 per cent in May 2022
 - Rural inflation stood at approximately 7.0 per cent as compared to an urban inflation of 7.1 in May 2022.

Note: P is Provisional

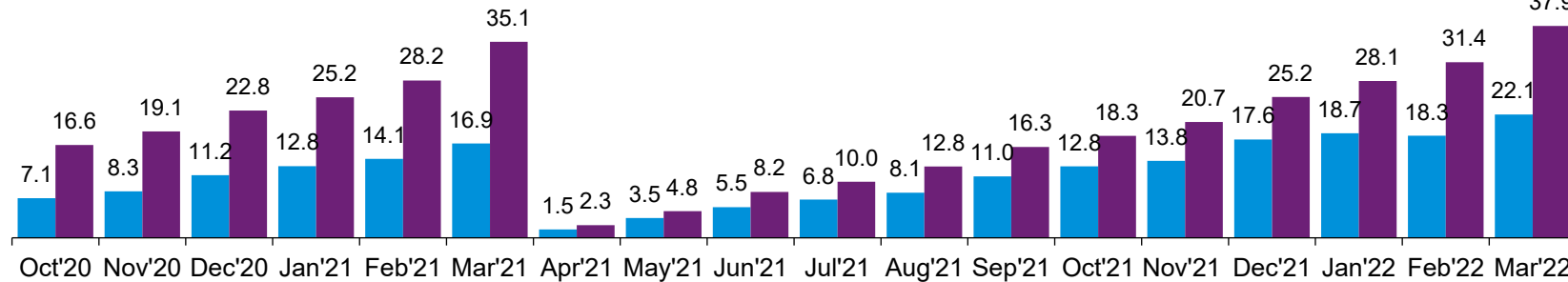
Source(s): "Latest WPI Press Release", DPIIT, 14 January 2022, WPI Press Release Archive, DPIIT; CPI Press Release, MoSPI; "India's March WPI inflation accelerates to record 14.55%", The Economic Times, 18 April 2022; "CPI inflation rockets to 17-month high of 6.95% in March from 6.07% in February", Money Control, 12 April 2022; all accessed on 26 April 2022

Government's revenue and expenditure

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In FY22, India's fiscal deficit is estimated to be 6.7 per cent of the GDP, lower than the 9.2 per cent that was recorded in FY21. GST collections achieved a new record of INR1.42 lakh crore in March 2022, driven by a recovery of the economy and anti-evasion initiatives against fake billers

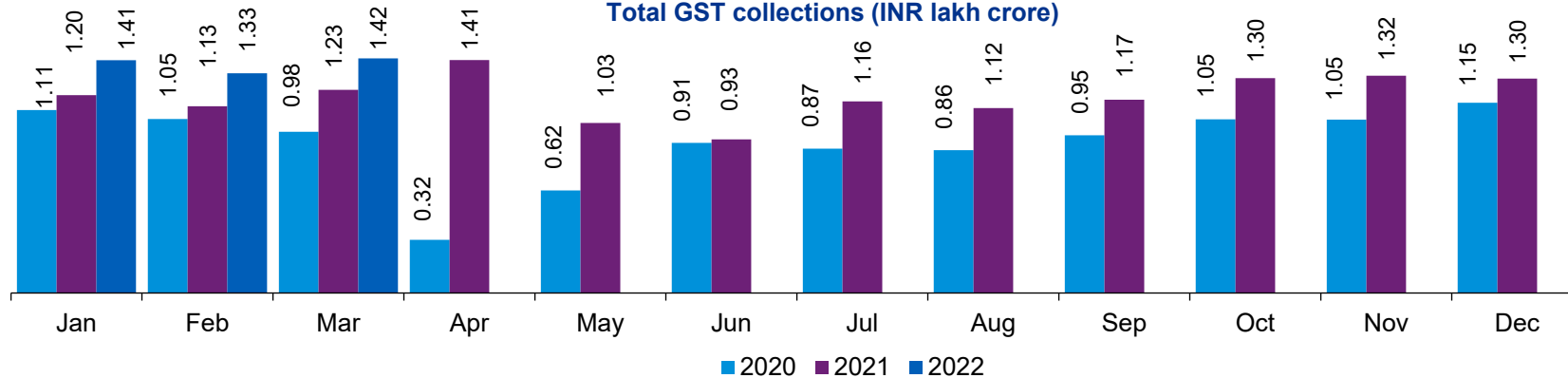
Central government's total receipts and expenditure (INR lakh crore)



■ Total receipts ■ Total expenditure

Revenue and expenditure numbers are cumulative

Total GST collections (INR lakh crore)



Key highlights

- For FY22, the Government of India has estimated a fiscal deficit of 6.7 per cent as part of the provisional accounts of the union government for 2021-2022, against the previously projected value of 6.9 per cent
 - This was led by a better tax realisation
 - In FY23, the fiscal deficit is estimated to be 6.4 per cent of GDP
- GST collections reached an all-time high of INR1.42 lakh crore in March 2022, after showcasing a slight m-o-m decline in February 2022
 - This was driven by economic recovery and anti-evasion measures that were executed, particularly against fake billers
 - The Goods and Services Tax Council had also implemented various steps for rate rationalisation for correcting the inverted duty structure. This also helped improve revenues
- Revenues from GST in March 2022 were 15 per cent and 46 per cent higher than the values in March 2021 and March 2020, respectively.

Note: Total Receipts and expenditure are provisional figures.

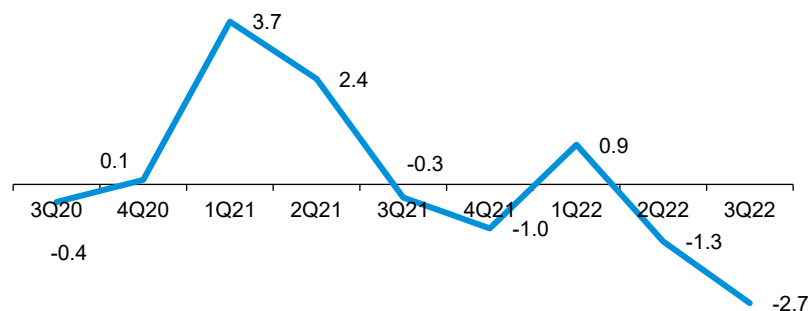
Source(s): Accounting Information, Monthly accounts, "Union government accounts at a glance", Controller general of accounts; "GST revenue collection", GST council, PIB; Budget at a Glance, Ministry of Finance, February 2022; "FISCAL DEFICIT ESTIMATED AT 6.4% OF GDP IN 2022-23", Ministry of Finance, PIB, 01 February 2022; "Fiscal deficit improves to 6.7% in FY22 on higher tax mop up", The Hindu, 31 May 2022; all accessed on 20 June 2022

Trade, FDI and foreign exchange reserves

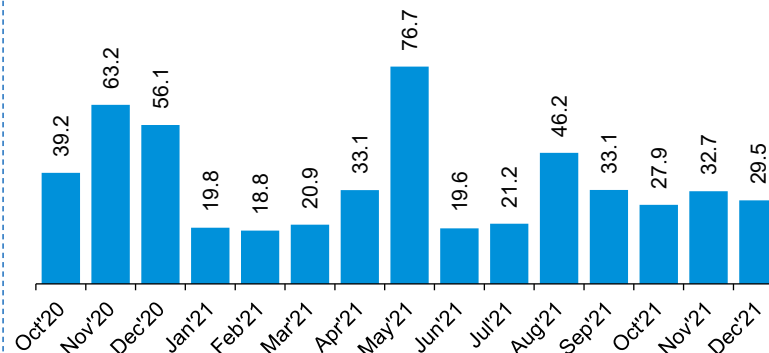
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At the end of FY22, India's monthly merchandise exports breached the USD40 billion mark for the first time. Further, India's foreign exchange reserves fell to a 11-month low in the second half of April 2022

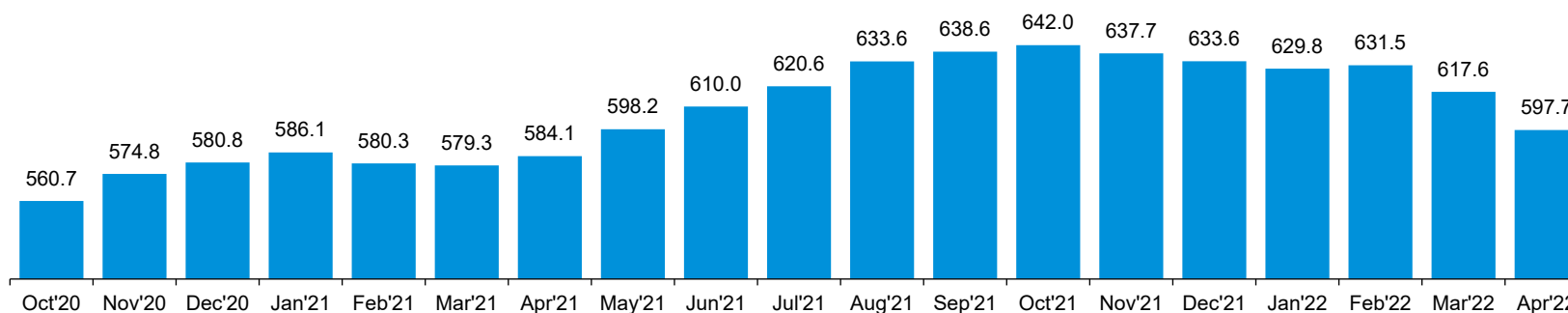
Current account deficit (as per cent of GDP)



Foreign Direct Investments equity inflows (INR '000 crore)



Foreign exchange reserves (USD billion)



Key highlights

- In FY22, India recorded a trade deficit of USD192.4 billion, approximately 87.5 per cent higher compared to FY21. India's merchandise exports reached an all-time high of USD417.8 billion in FY22. However, imports also increased to USD610.2 billion
- In March 2022, the country's monthly merchandise exports reached approximately USD40.4 billion, breaching the USD40 billion mark for the first time
- FDI equity inflows stood at USD12 billion in Q3 FY22, falling by 11.5 per cent from the previous quarter. Further, total FDI inflows reached USD17.9 billion in Q3 FY22
- The key sectors that attracted FDI inflows included services, computer hardware and software, and telecommunications sectors. Maharashtra, Karnataka, and Gujarat attracted proportionately higher equity inflows among the states
- India's foreign exchange reserves fell below USD600 billion in April 2022 amid capital outflows and strengthening dollar.

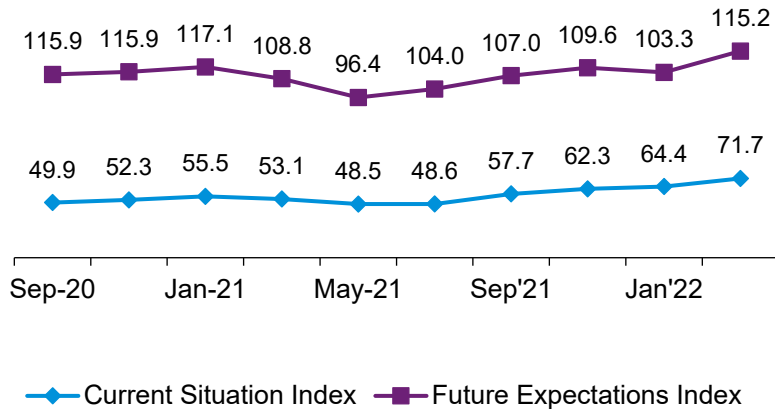
Note: *Foreign exchange reserves for Apr'22 are up to 29 April 2022; Total FDI inflows include (Equity inflows + 'Re-invested earnings' + 'Other capital'). Source(s): "Developments in India's Balance of Payments during the Second Quarter (July-September) of 2020-21, RBI; "Quarterly Fact Sheet", DPIIT; "Weekly statistical supplement", Foreign exchange reserves, RBI; FDI Statistics, DIP; "INDIA'S MERCHANDISE TRADE: Preliminary Data March 2022", Ministry of Commerce & Industry, PIB, 04 April 2022; "Wiped out in 2 months what was built in a year; forex reserves plunge to \$600 bn", ET Now, 01 May 2022; "India's foreign exchange reserves increase \$1.9 bn to \$642 bn: RBI", Business Standard, 05 November 2021; all accessed on 02 May 2022

Consumer and business confidence index

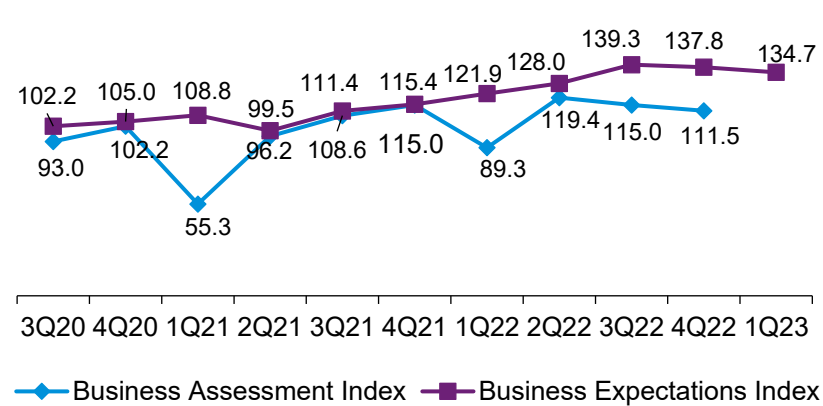
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The consumer confidence index rose through March 2022, owing to improvement in the economic situation, employment and household income. New company registrations also showcased a rise in February 2022 after falling continuously for four months

Consumer Confidence Index³



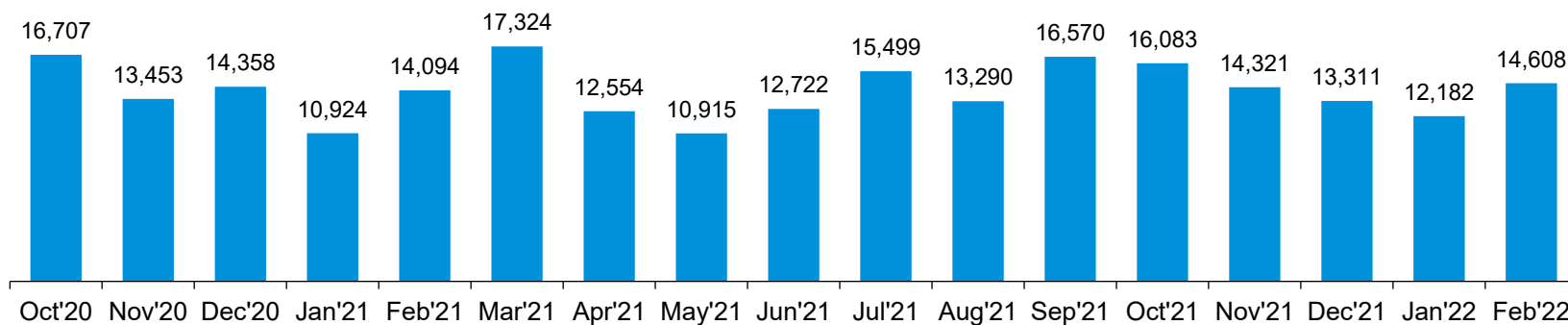
Business Confidence Index⁴



Key highlights

- The current situation index (CSI) improved to 71.7 points in March 2022 and the future expectation index rose to 115.2
- Future expectations index witnessed a dip in January 2022, primarily due to rise in Omicron cases
- Business sentiment was fairly positive in Q4 2022. However, compared to the previous quarter, it decreased slightly, as can be observed from the business assessment index
- The business expectations index reached 134.7 in Q1 FY23, with positive expectations of improving production volumes, new orders, better job landscape, capacity utilisation and the overall financial situation
- New company registrations showed a m-o-m rise of 20 per cent in February 2022 after a four-month fall. Maharashtra reported the highest number of company registrations at 2,791, followed by Uttar Pradesh and Delhi in February 2022. Majority of the companies registered in February 2022 were from business services (26 per cent).

New company registrations

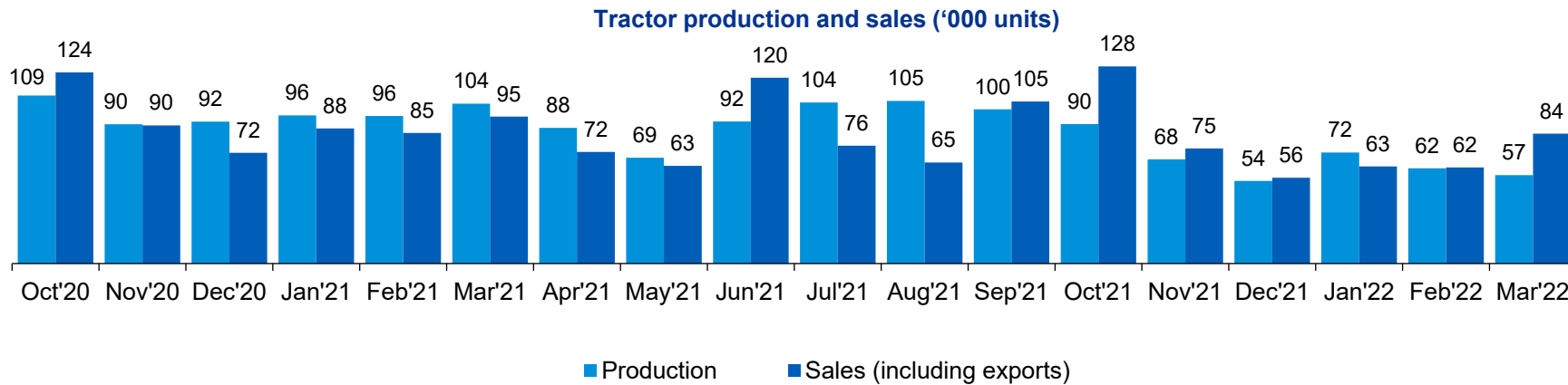


Note: Both CCI and BCI surveys are conducted based on two parameters – 1. Current Situation: How does a respondent feel about different topics considering the present economic conditions; 2. Future Expectations: How does a respondent feel about different topics considering his expectations about the future economic conditions (generally after 6 months or 1 year); 3) The latest survey was conducted with 5,310 households in 13 cities on general economic situation, employment scenario, overall price situation, and own income/spending; 4) The latest survey was conducted with 1,414 companies
Sources: BI-monthly publications, Consumer Confidence Survey, RBI, Quarterly Publications, Industrial Outlook Survey of Manufacturing Sector, RBI website; Industrial Outlook Survey of the Manufacturing Sector for Q2:2021-22, RBI, August 2021; "Monthly Information Bulletin On Corporate Sector", Ministry of Corporate Affairs, 21 January 2022; all accessed on 28 April 2022

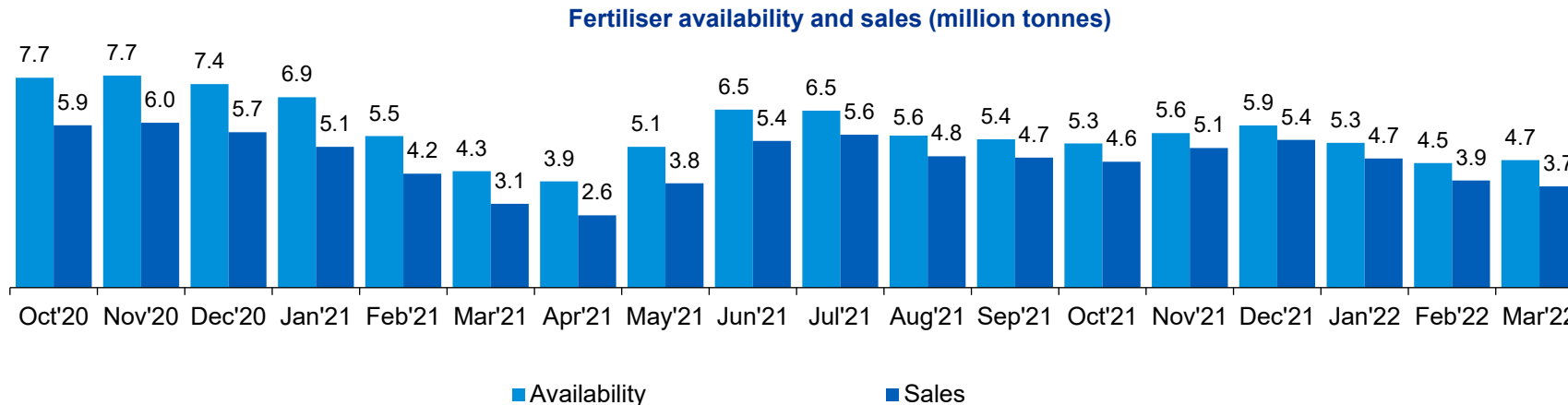
Sectoral analysis



While agriculture has not been severely impacted by the pandemic, growth was further empowered by agritech innovations and various government measures under the aegis of the Aatmanirbhar Bharat Abhiyan



- In FY22, domestic tractor sales declined by 6 per cent compared to FY21, however, the industry's export numbers rose by over 45 per cent during the same period
- Demand for tractors is expected to improve in FY23 owing to higher rabi output, favourable crop prices (for farmers), increase in Union Budget allocations and positive forecasts for a normal monsoon.

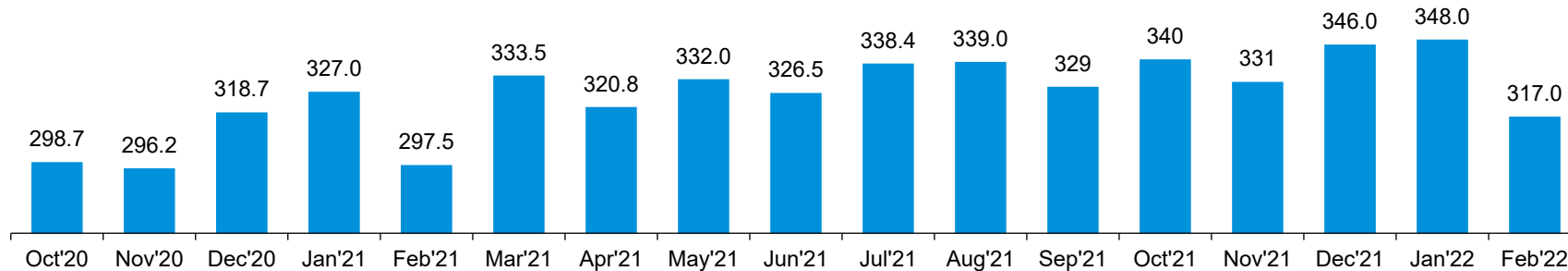


- The global prices of fertilisers have gone up by ~200 per cent due to export restrictions on fertilisers by China and Russia and increase in price of natural gas and coal
- The hike in prices has led to an increase in the subsidy by the government
 - In FY23, fertiliser subsidy expense of India is expected to be around INR2 trillion as compared to INR1.6 trillion in FY22.

Source(s): "Industry Statistics, Monthly Reports, Tractor Compiled", TMA India; "Monthly Bulletin" Department of Fertilizers; "Budget 2022: Decoding Resilience of Indian Agriculture", Investing India, 31 January 2021; "Annual tractor production crosses 1m, exports surpass 1 lakh for the 1st time in 2021", Hindu Business Line 9 January 2022; "Fertilizer stocks dip further, minister asks farmers not to hoard", Indian Express, 2 November 2021; "Fertilizer subsidy touches Rs 85,300 cr in Apr-Dec FY22: Survey", Economic Times; 31 January 2022; "Subsidy Backlog Clearance to be a Game Changer for Fertilizer Cos in FY22 Amid Rising Input Prices", Ind-Ra; "Fertilizer 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; "Domestic tractor sales report a 6% decline in FY22 even as exports zoom", The Hindu Business line, 08 April 2022; "Fertiliser subsidy spend to touch 2 Trillion in FY23, Financial Express, 20 April 2022; all accessed on 22 April 2022

Aluminium production fell sharply in February 2022 after reaching an over 12-month high in January 2022. Copper production stabilised in Q3 FY22 after a surge in Q2 FY22 from the dip observed in Q1 FY22

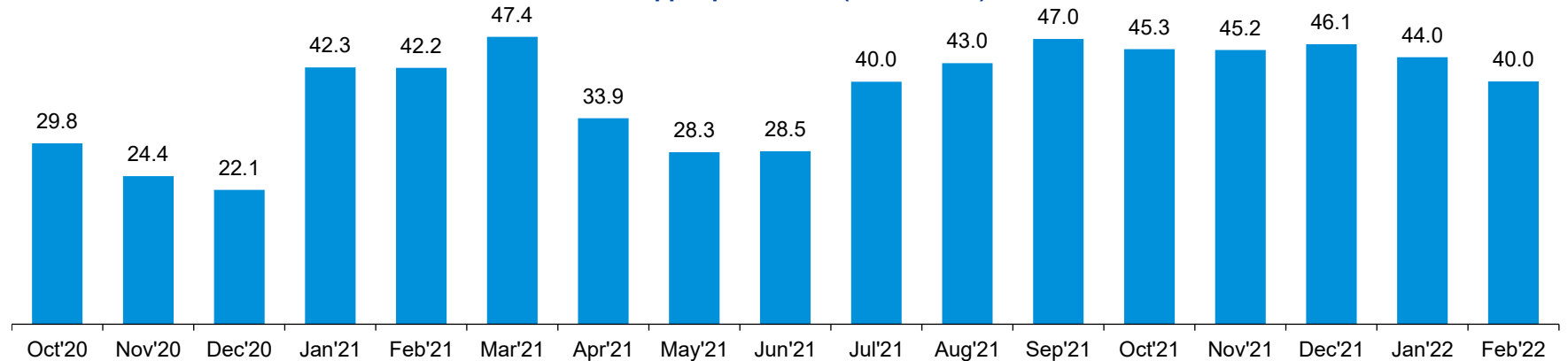
Aluminium production ('000 tonnes)



- Aluminium production during Q3 FY22 increased by more than 11 per cent, compared with the same period last year. Aluminium production has showcased a steady increase in Q1, Q2, and Q3 of FY22
- Bottlenecks in the supply of aluminium from China, one of the largest aluminium producer globally, are driving the rally in its prices globally
- Supply-side issues such as coal shortage and rising input costs remain a concern for aluminium producers in India.

- By the end of Q2 FY22, copper production had recovered from a fall seen in Q1 FY22. Production is observed to have been relatively stable in Q3 FY22
- In April 2022, a key copper producer in India announced plans to invest INR5,500 crore to increase its capacity to 20.2 million tonne per annum by year 2028-29, aiming to reduce the country's import dependency for the commodity.

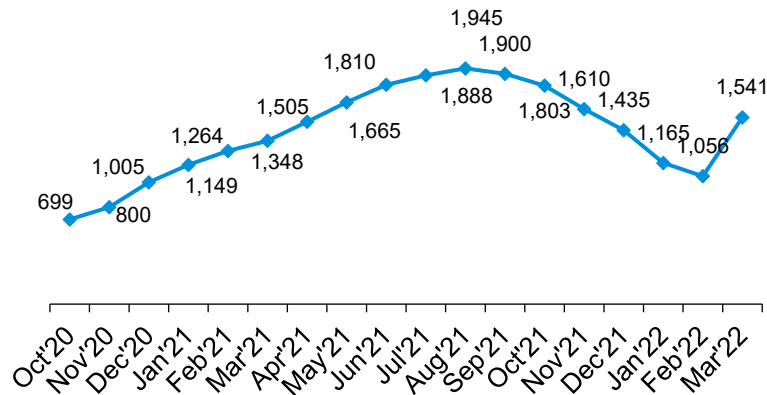
Copper production ('000 tonnes)



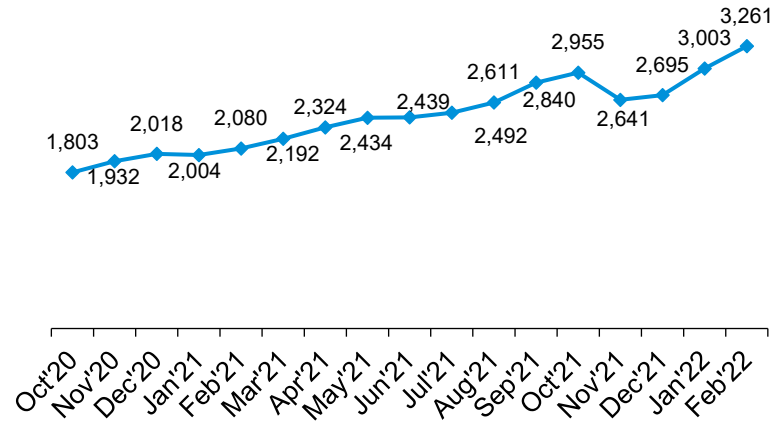
Source(s): Monthly Summary on Non-Ferrous Minerals and Metals, Ministry of Mines October 2020 – February 2022; "Metals & Mining Industry in India, IBEF; Aluminium makers to forge decade-high profitability of ~30%", CRISIL, 24 August 2021, Refined Copper Industry – February 2021 update, Care Ratings, 18 February 2021; Hindalco Industries Limited Q1FY22 Earnings Presentation, 06 August 2021; "India's copper import rises 26% in Q1; momentum expected to continue further: Report", The Hindu, 19 September 2021; "With aluminium prices near 1-year high, India's smelters reap benefits", Mint, 30 August 2021; "Aluminium producers demand least 25-30 coal rakes per day to ensure viable industry operations, New Indian Express, 2 February 2022; all accessed on 22 April 2022

The prices of aluminium in February 2022 were 56.8 per cent higher vis-à-vis the same month during 2021. Copper prices have reached a nine-month high in February 2022, on account of factors such as supply restrictions from China and increase in input prices

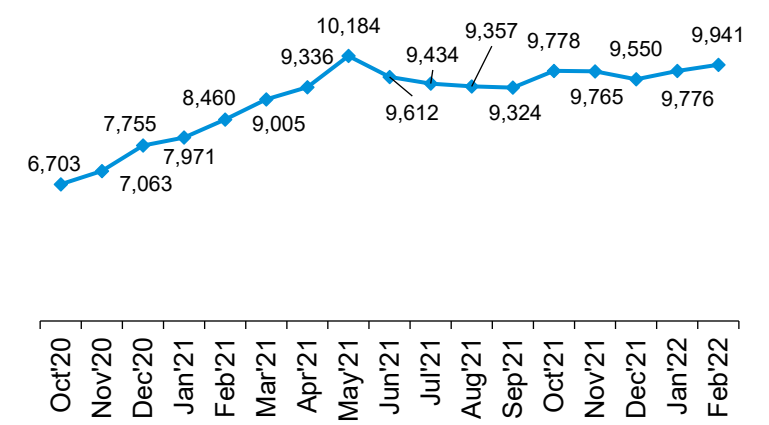
Hot rolled coil steel price (USD per tonne)



Aluminium price (USD per tonne)



Copper price (USD per tonne)



- Steel prices, which were showing a downward trend, attained a five-month high in March 2022 to reach USD1,541 per tonne owing to high prices for raw materials such as coking coal and iron ore
- Trade and supply disruptions caused by current international geopolitical tensions, especially in European markets, are key reasons driving price volatility for steel.

- Aluminium prices have been increasing continuously since April 2020 and peaked at USD3,261 per tonne in February 2022 after witnessing a slight dip in November 2021
- Additionally, in 2022, the price for aluminium is expected to remain uncertain owing to active COVID-19 curbs in China, increased prices of energy and trade disruptions caused by the ongoing geopolitical crisis.

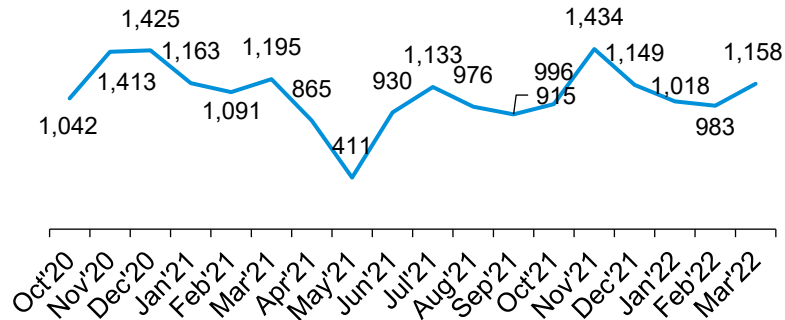
- The decline in copper prices, which started in June 2021, continued to September 2021. Prices had increased to reach a nine-month high in February 2022
- The volatility in prices can be attributed to strained market conditions arising from decreasing production in China as a result of power supply restrictions, gradual relaxation of monetary policies in the US and high demand from auto industry and other green technology applications.

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, October 2020-February 2022 2021; "US Midwest Domestic Hot-Rolled Coil Steel Futures Historical Data", Investing.com; "Aluminum Prices Spike Up 62% and Will Continue Rallying in 2022 – IndexBox", Global Newswire, 8 December 2021; "Capital price forecast: Will it surpass its all-time high?", Capital.com, 31 January 2022, on-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; "Steel makers hike prices on supply constraints", The Hindu Business Line, 29 March 2022 "US Midwest Domestic Hot-Rolled Coil Steel Futures Historical Data", Investing.com; "Expect good aluminium prices to continue for next 3-4 months, Economic times, 11 February 2022; "Copper prices likely to rule firm until June-end", The Hindu Business Line, 7 April 2022; "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; all accessed on 25 April 2022

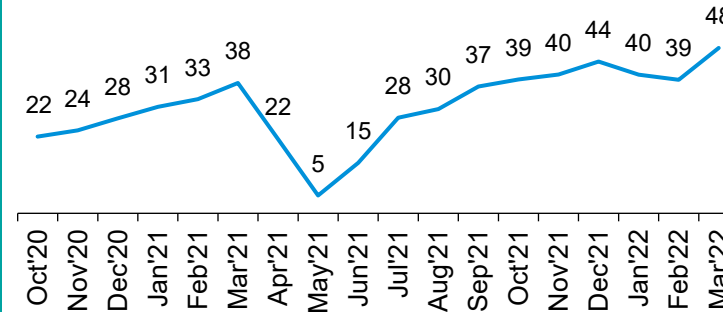
Automotive sales increased in March 2022, however, continued semiconductor shortage and fluctuation in input prices are expected to further impact the market, leading to stagnant sales of passenger vehicles

Two-wheeler registrations ('000 units)



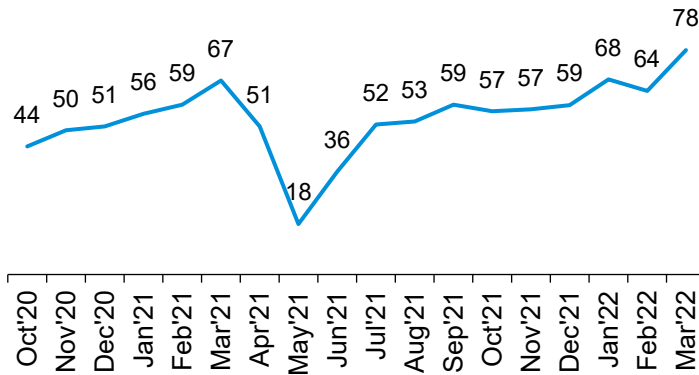
- Two-wheeler registrations decreased 11.7 per cent in Q4 FY22 compared with Q3 FY22, reaching 1,158 thousand units in March 2022
- Two-wheeler demand in 2022 is expected to increase, however, high fuel and input prices remain a major concern.

Three-wheeler registrations ('000 units)



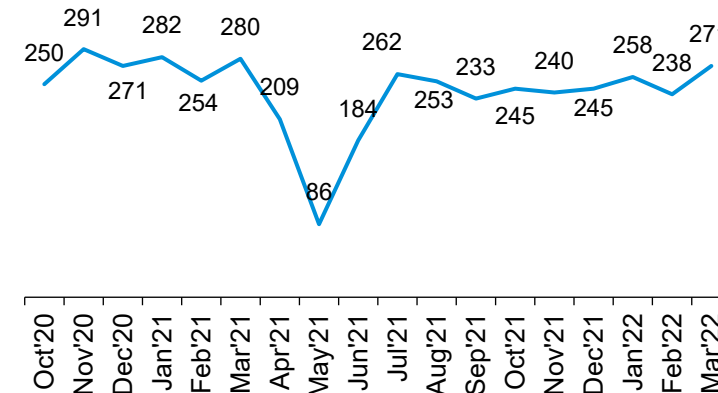
- Three-wheeler registrations during Q4 FY22 were 3.2 per cent higher compared with Q3 FY22
- Shift to electric three-wheelers and various subsidies such as the FAME II subsidy scheme has helped boost the sales.

Commercial vehicle registrations ('000 units)



- Commercial vehicle registrations increased by 21.3 per cent in Q4 FY22 compared with Q3 FY22
- Medium and heavy commercial vehicle segments witnessed growth owing to the government's push towards infrastructure improvement and increase in replacement demand.

Passenger vehicle registrations ('000 units)



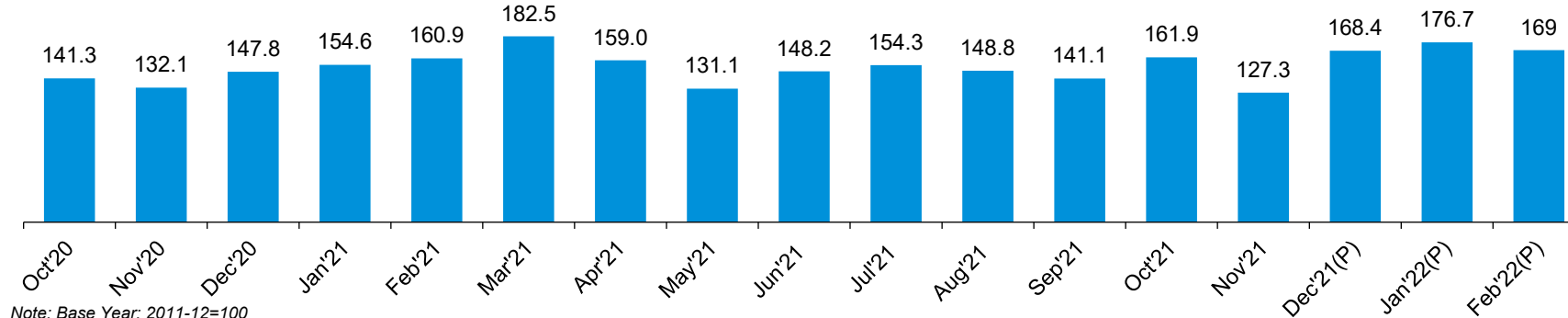
- Passenger vehicle registrations decreased by 5.1 per cent in Q4 FY22 compared with Q3 FY22
- The PV segment outlook remains challenged due to the continuing semiconductor shortage owing to the Russia-Ukraine situation and lockdown in China.

Note: 1) Society of Indian Automobile manufacturers

Source: "FADA monthly Journal", FADA; "How did the domestic CV industry perform in Q1 FY22?", Economic Times, 04 July 2021; "Commercial vehicle sales increased by 13 percent on a YoY basis with growth seen across the MCV and HCV segments while LCV sales dipped", Rush Lane, 25 December 2021 "Auto registrations jump 34 per cent as economy opens up post COVID lockdown", The New Indian Express, 09 August 2021; "Indian Two-wheeler industry likely to recover in coming months says ICRA, Hindustan Times, 2 Feb 2022; Atul Auto, Mahindra", Rush Lane, 21 June 2021; "Second wave of Covid-19 pandemic derails recovery of Indian auto industry: Report", Financial Express, 20 May 2021; "Passenger vehicles wholesales up 44.6% in July", The Hindu, 12 August 2021; "Nearly 45% of three-wheeler market is now driven by Evs:FADA", Live Mint, all accessed on 22 April 2022

Cement volume growth is expected to be stable at 5–7 per cent in 2022, while crude steel production is expected to rise, owing to the growing demand from infrastructure and auto sectors

Cement production index



— Production of cement is expected to grow on the back of various government initiatives, such as the PM Gati Shakti scheme

— As per a leading rating agency, cement production is expected to rise by 12 per cent to 332 MT in FY22 and 358 MT in FY23

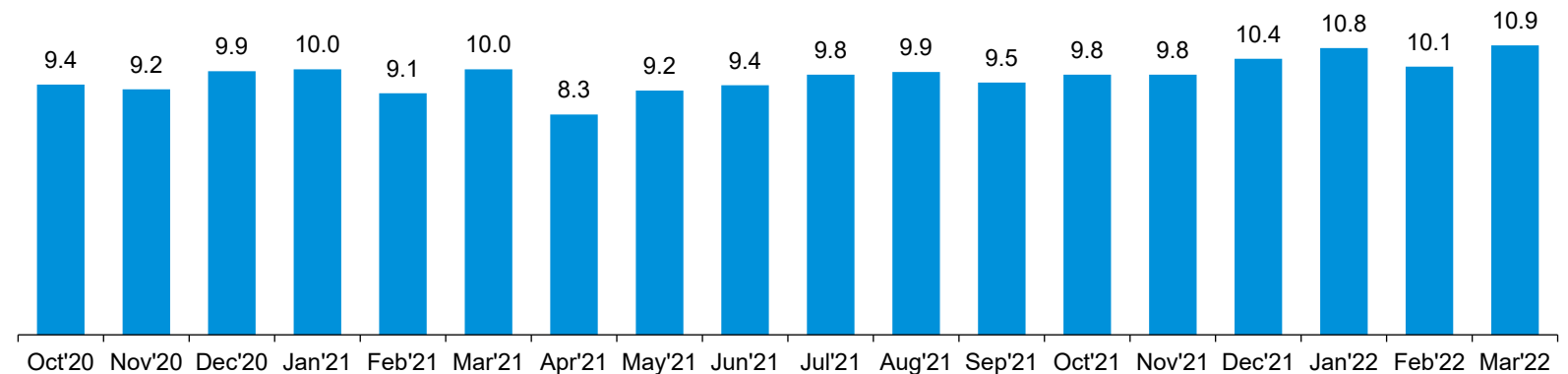
— In 2022, cement prices in India are expected to rise by 6–13 per cent owing to increase in input costs.

— In the Union Budget 2022, the government announced plans to stretch the exemption of custom duty on steel scrap by a year, to provide aid to small secondary steel producers. Presently, India is the third-largest steel producer globally

— In FY22, crude steel output reached 118 million tonnes, witnessing a growth of more than 15 per cent y-o-y, owing to increased demand

— Additionally, the demand for steel is expected to rise to 212–247 MT by 2030, driven by increase in construction and infrastructure projects.

Crude steel production (million tonnes)



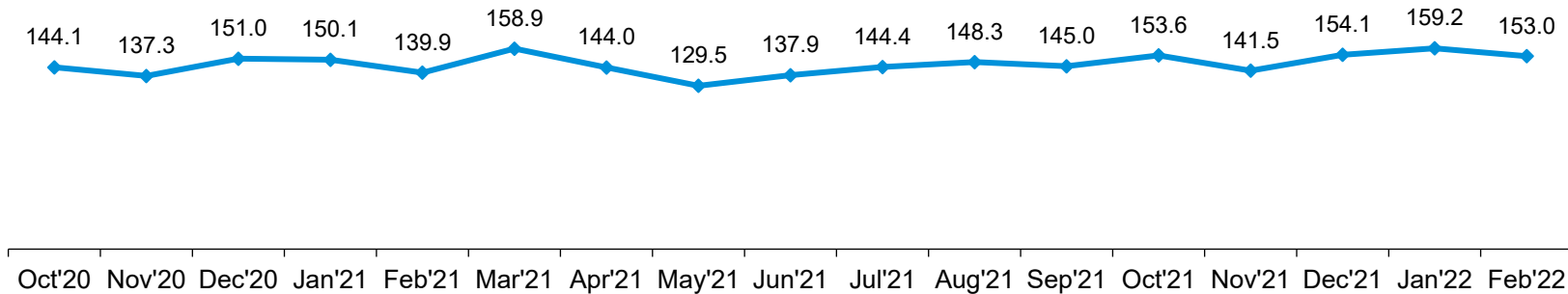
Note: 1) On April 28, China announced the removal of export rebates on 126 steel products, including hot-rolled coils, and the reduction of import duty on crude steel, pig iron and scrap-to-zero with effect from May 1
 Source(s): "Crude steel production", World steel association; "INDEX OF EIGHT CORE INDUSTRIES", DPIIT, 31 March 2022; "Steel production strong in Q3, companies remain upbeat on demand", Economic Times, 12 January 2022; "Budget 2022: Centre to extend customs duty exemption on steel scrap by 1 year", Zeebiz, 1 January 2022; "Budget 2022: Steel industry needs budgetary support, incentives to maintain growth trajectory in post Covid era", Financial Express, 27 January 2022; "Steelmakers to report better earnings and improve utilization in H2 of FY22: Analysts", The Economic Times' 14 June 2021; "PLI scheme for specialty steel a game changer, to boost domestic output: Govt.", Economic Times, 8 August 2021; Cement Industry: July Update, 19 July 2021, CARE Ratings; Department For Promotion of Industry and Internal Trade, 30 September 2021; "INDEX OF EIGHT CORE INDUSTRIES", EA Industry, 31 January 2021; "Cement prices in India face further rise", Cement, 21 April 2022; all accessed on 22 April 2022

Construction/infrastructure goods and capital goods

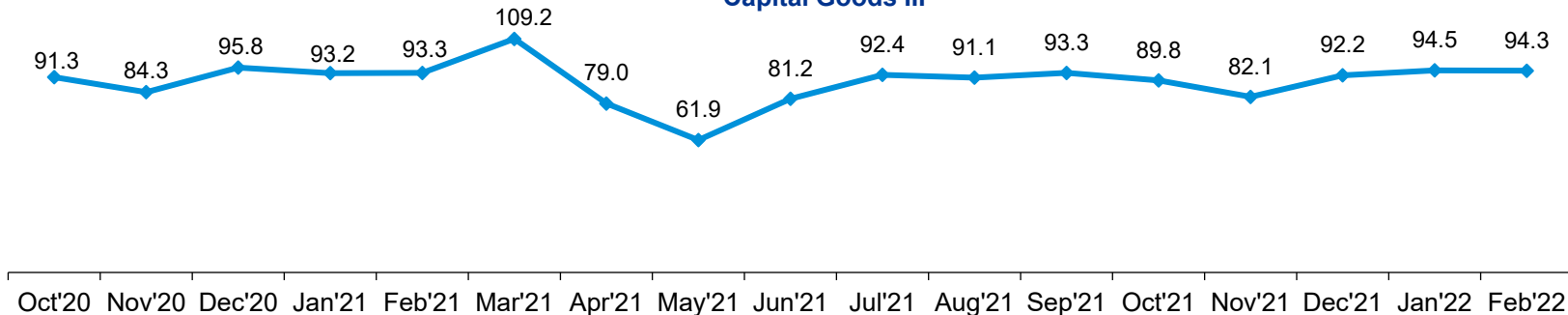
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The IIP figures for construction and capital goods witnessed a decline during the second wave of COVID-19. However, subsequently, both the indices had recovered and are expected to witness growth in the future, owing to government initiatives

Construction/Infrastructure Goods IIP



Capital Goods IIP



Key highlights

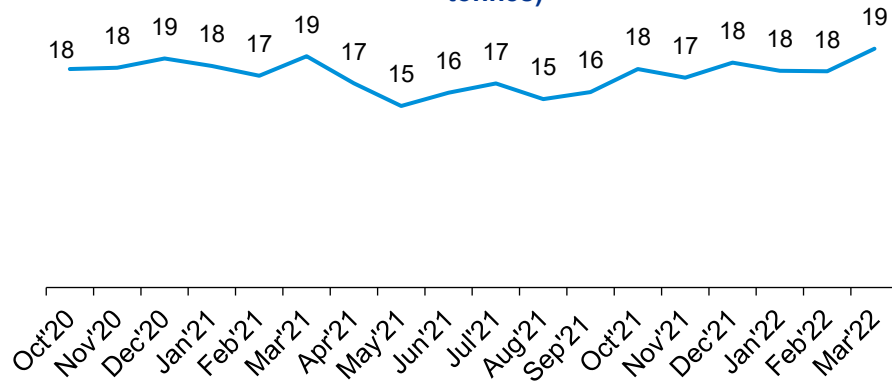
- Construction and capital goods indices have shown positive movement during June and August 2021, post witnessing a downfall in the start of FY22, because of the second wave of COVID-19. Additionally, the growth of the construction and capital goods indices witnessed a slight dip in November 2021 and February 2022
- Comparing the figures of February 2022 with the corresponding figures of last year, the production of construction/infrastructure goods increased by 13.1 per cent and capital goods increased by 1.0 per cent
- Additionally, the Union Budget for FY23 has announced a capital expenditure of INR7.5 lakh crore, a 35.4 per cent higher expenditure compared with the previous year. The government aims at economic growth via infrastructure creation. This will in turn have an impact on these indices.

Note(s): E stands for estimated value

Source(s): IIP Data, MOSPI; 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", "Union Budget: Centre likely to boost capex to accelerate economic growth", Hindustan Times, 831 January 2021; Bloomberg Quint, 01 February 2021; as accessed on accessed on 25 April 2022

India's consumption of petroleum products has recorded an upward trajectory, however, it declined slightly in January and February 2022

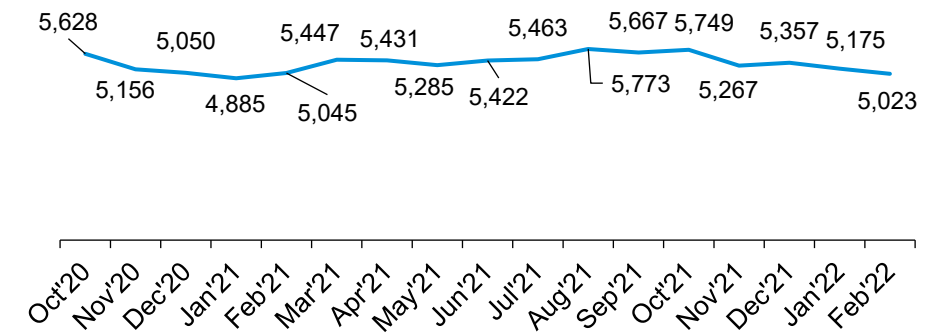
Consumption of petroleum products (million tonnes)



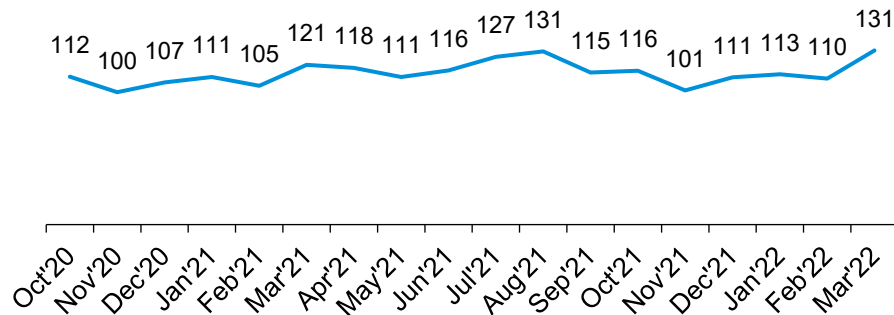
— India's consumption of petroleum products increased by 10.4 per cent m-o-m in March 2022. Natural gas consumption decreased 2.9 per cent m-o-m in February 2022

— Brent crude oil prices are at their highest level since October 2014. For instance in March 2022, the prices were USD107.9 per barrel. This is due to rising petroleum demand and supply shortages caused by the Russia-Ukraine geopolitical situation.

Consumption of natural gas products (million standard cubic metre)



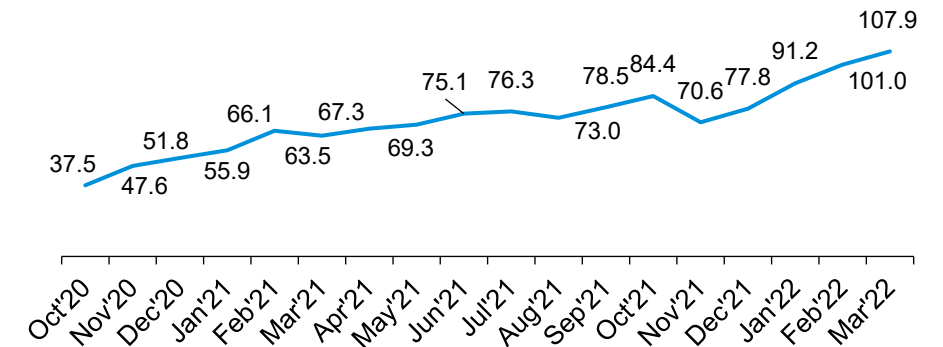
Demand for electricity (billion units)



— The total demand for electricity in India in FY22 reached 1,401.4 billion units, a y-o-y increase of 8.5 per cent

— This was primarily due to stabilisation of economic activities, lower base, early onset of summer, and a lower-than-normal monsoon, which resulted in higher electricity demand from the agriculture segment, particularly during July and August 2021.

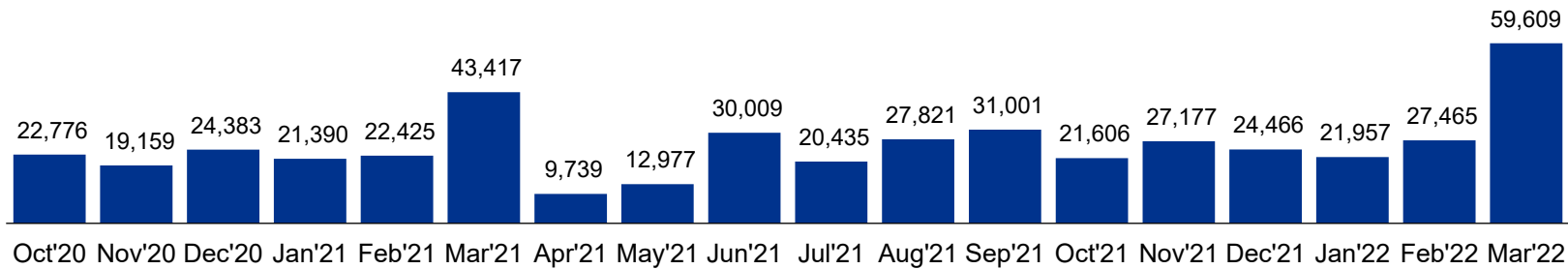
Crude oil — Brent Prices (USD per barrel)



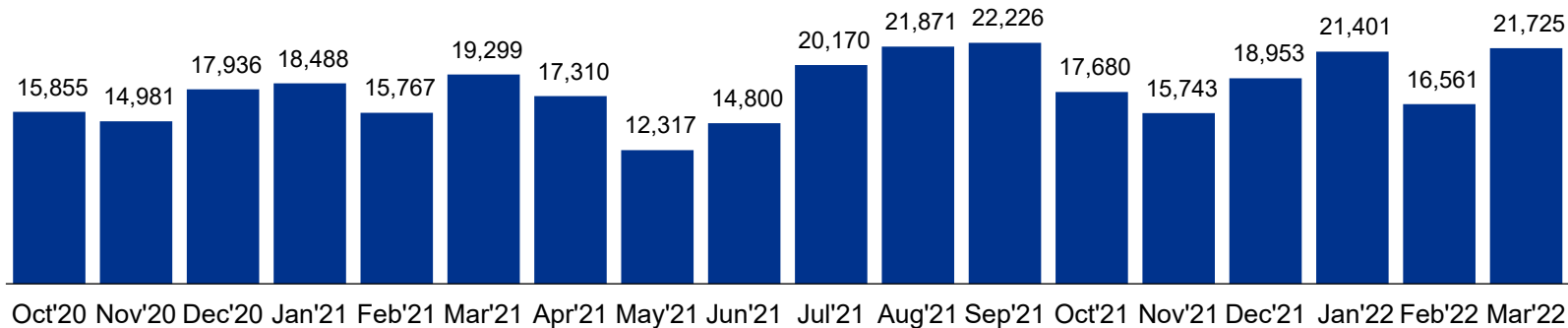
Note: 1 Does not include hydropower energy, GW= Gigawatts. Source(s): Consumption of petroleum products", PPAC; "Gas Consumption", PPAC; "Monthly report", POSOCO; "Brent Oil Futures Historical Data", Investing.com; PPAC's Snapshot of India's Oil & Gas data July 2021, PPAC; "India's electricity demand expected to grow 8-8.5% in FY22: Icmra", Livemint, 4 October 2021; "Rise in consumption of petrol and diesel in FY22 can absorb cut in cesses by Rs4.5/litre, without revenue loss to Gol relative to FY21: ICRA", IIFL Securities, 25 June 2021; "India's Electricity Demand to Rise; Sluggish Capacity Additions", Fitch Ratings, 16 July 2021; "Why crude oil prices are soaring once again", India Today, 22 January 2022; "Oil prices hit highest level since 2014 over supply concerns", Financial Times, 18 January 2022; "Huge jump in power demand in India amid early summer", NDTV, 3 April 2022; all accessed on 25 April 2022

In FY22, the new business premium (NBP) of the life insurance and non-life insurance industry registered an y-o-y increase of 12.9 per cent and 11 per cent respectively

Life insurance premium (INR crore)



Non-life insurance premium (INR crore)



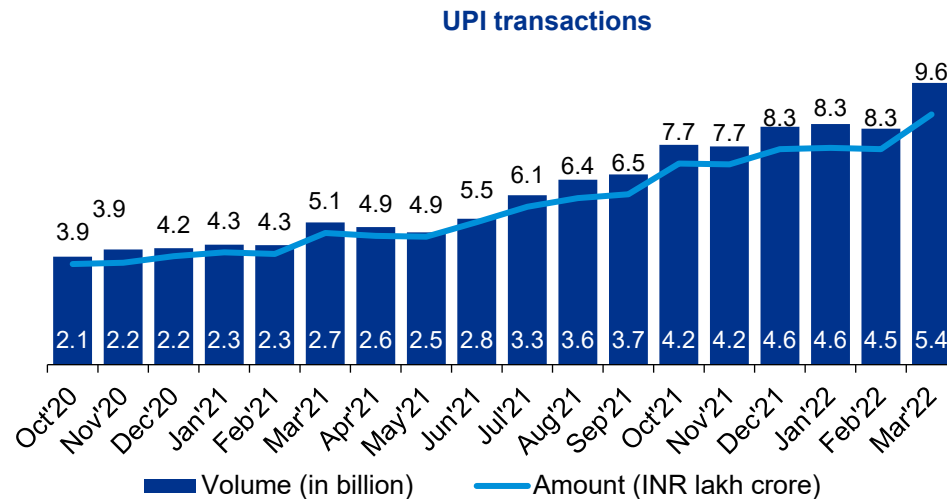
Key highlights

- In March 2022, the NBP of life insurers increased by 12.9 per cent y-o-y and increased by more than 117 per cent m-o-m, to reach INR59,609 crore
- This increase was a result of the low base in FY21 and a double-digit growth of more than 15 per cent for categories such as individual non-single premium and group single premium
- Non-life insurers' premium income increased by 11 per cent y-o-y in March 2022, to reach INR21,725 crore
- In March 2022, the standalone private health insurers registered a growth of 32.3 per cent y-o-y in their premium income. However, specialised PSU insurers witnessed a growth of 14.2 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;

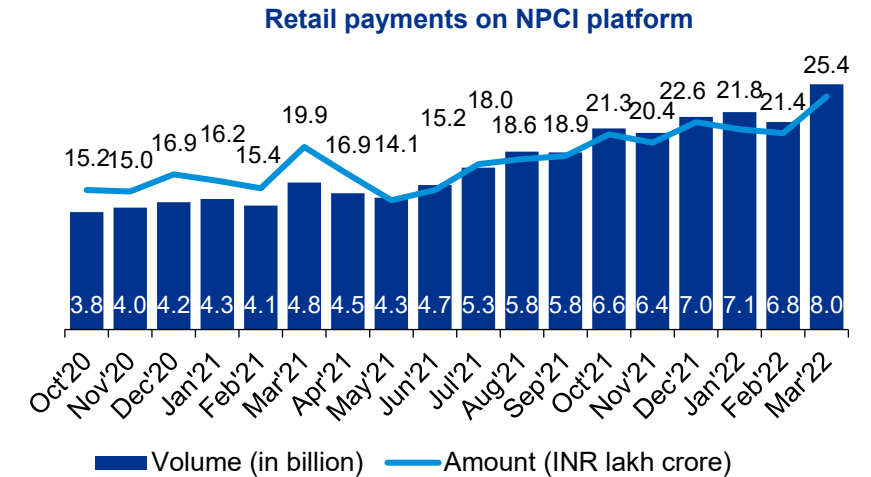
Source(s): "Monthly Business Figures, Life/ Non- Life Insurers", IRDAI; "New business premium of life insurance firms sees tepid growth", Business Standard, 8 February 2022; "State-wise number of reporting offices, aggregate deposit and bank credit of SCBs, Quarterly statistics on deposits and credit of SCBs", RBI; Indian General Insurance Industry Report, ICRA; "Non-life insurers' premium up 19.46% at Rs 20,000 crore in July", Business Standard, 12 August 2021, "Non-life insurers report 11% growth in premium at Rs.2.2 trillion in FY22", Business standard, 11 April 2022; "Life insurers new business premium income rises 13% in FY22", Financial Express, 19 April 2022; all accessed on 25 April 2022

In March 2022, the volume of UPI transactions crossed 5 billion for the first time since its inception in 2016, owing to a surge in adoption of digital payments



— In March 2022, the volume of UPI transactions increased by 100 per cent vis-à-vis March 2021, while the value of transactions grew by 88.2 per cent during the same period. The transactions have witnessed a surge from June 2021

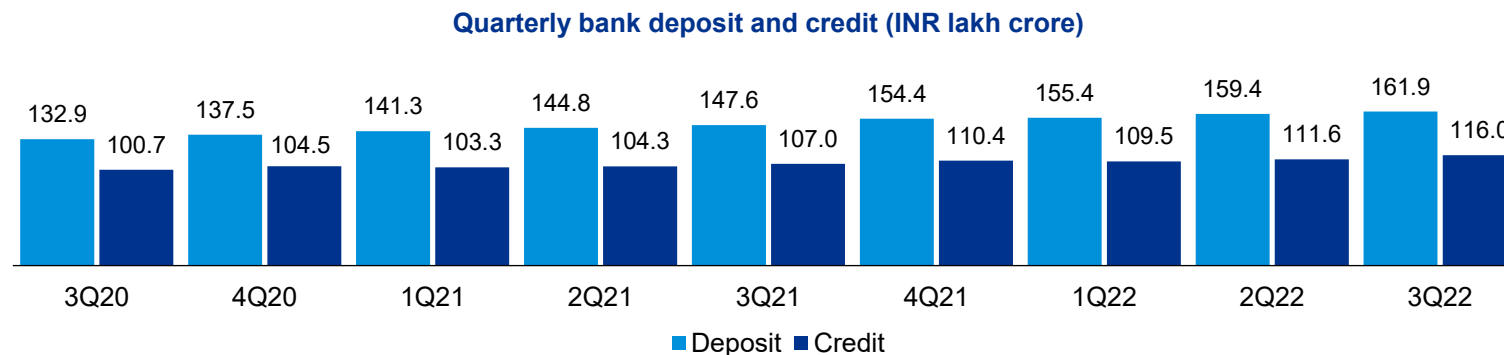
— The surge in UPI transactions is a result of rapid adoption of digital payments, induced by the pandemic.



— In December 2021, bank credit grew by 9.2 per cent y-o-y while deposits grew by 7.3 per cent

— Bank credit growth may be attributed to low base effect, economic expansion and increased government focus on improving domestic manufacturing and mortgage financing

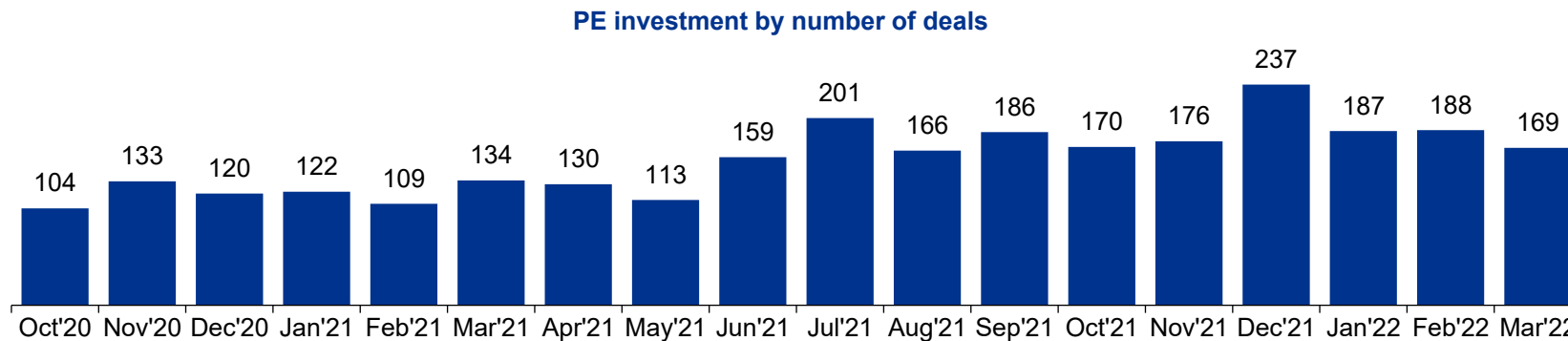
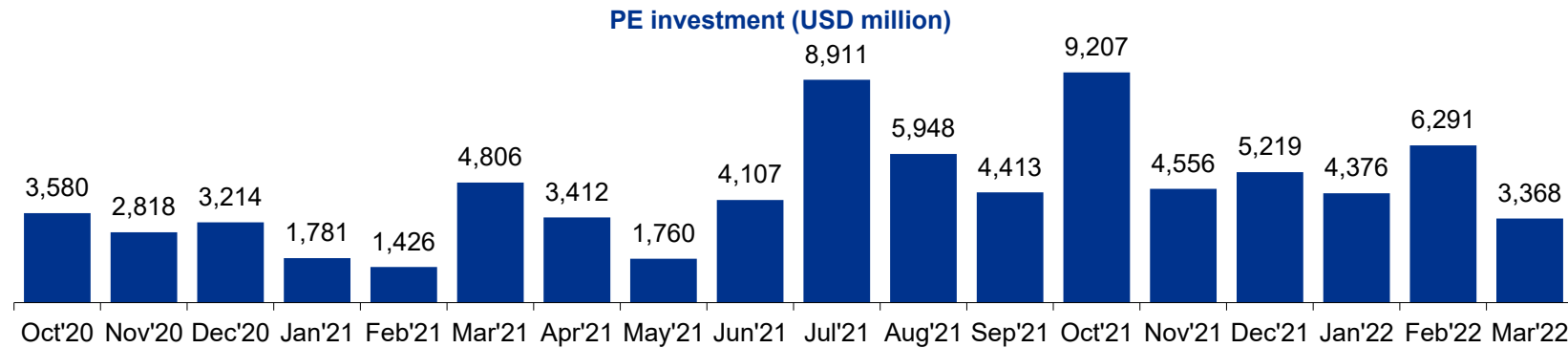
— The country's credit-deposit (C-D) ratio fell to 71.6 per cent in December 2021, compared with 70 per cent in September 2021.



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

Source(s): Retail Payments Statistics on NPCI Platforms, Statistics; NPCI; "Quarterly Statistics on Deposits and Credit of SCBs: December 2021", RBI, 25 February 2022; UPI volume, value contract for first time in 10 months even as YoY growth nearly doubles, Financial Express, 14 June 2021; "Digital payments through UPI kickstart 2022 on strong foot with transactions worth Rs 8.32 lakh crore in Jan", Financial Express, 3 February 2022; UPI sets new record in July, The Hindu, 1 August 2021; UPI blows past 3 Bn transactions in July, Entracker, 2 Aug 2021; "Credit growth up 9.2% in December 2021 on strong growth in last fortnight of quarter", Business Standard, 15 January 2022; "Quarterly Statistics on Deposits and Credit of SCBs: June 2021", Reserve Bank of India, 31 August 2021; "RBI releases 'Quarterly Statistics on Deposits and Credit of SCBs: September 2021", RBI, 26 November 2021; all accessed on 25 April 2022

PE investments increased by 75.1 per cent in Q4 FY22 vis-à-vis Q4 FY21, driven by the information technology, consumer services, healthcare, retail and software sectors



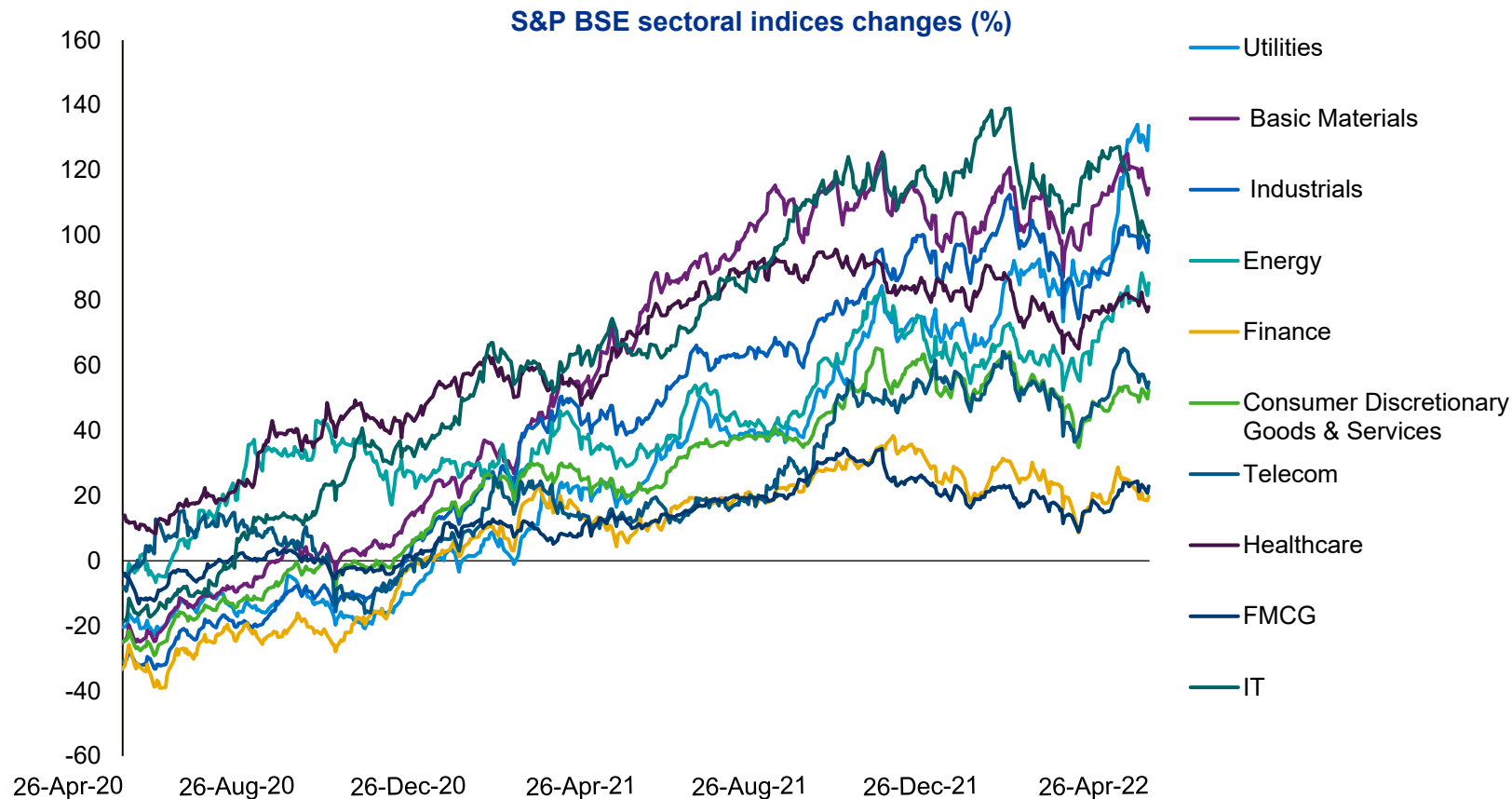
PE investments include PE, VC, Pre-IPO, Public equity and Angel/Seed funding

Key highlights

- PE investments in India (by value) decreased by 46.4 per cent in March 2022, compared with those in February 2022
- However, PE firms invested USD14 billion across 544 deals during Q4 FY22, an increase of 75.1 per cent in investments, compared with the same period in the previous year
 - Majority of the investments were attracted by firms in the information technology sector, owing to increasing digital adoption and growth opportunities across this sector during the pandemic
 - Consumer services, healthcare and retail were few other popular sectors attracting investors' interest in Q4 FY22.

Source(s): VCC Edge, accessed on 25 April 2022; PE investments into India double to \$11.82 b in first half of 2021: Refinitiv, The Hindu BusinessLine, 10 July 2021; "Pandemic accelerated India's digital adoption: Chandrasekaran", Mint, 12 January 2022; all accessed on 25 April 2022

The market is witnessing high volatility, owing to interest rate hikes by advanced economies and trade disruptions caused by the ongoing geopolitical tensions



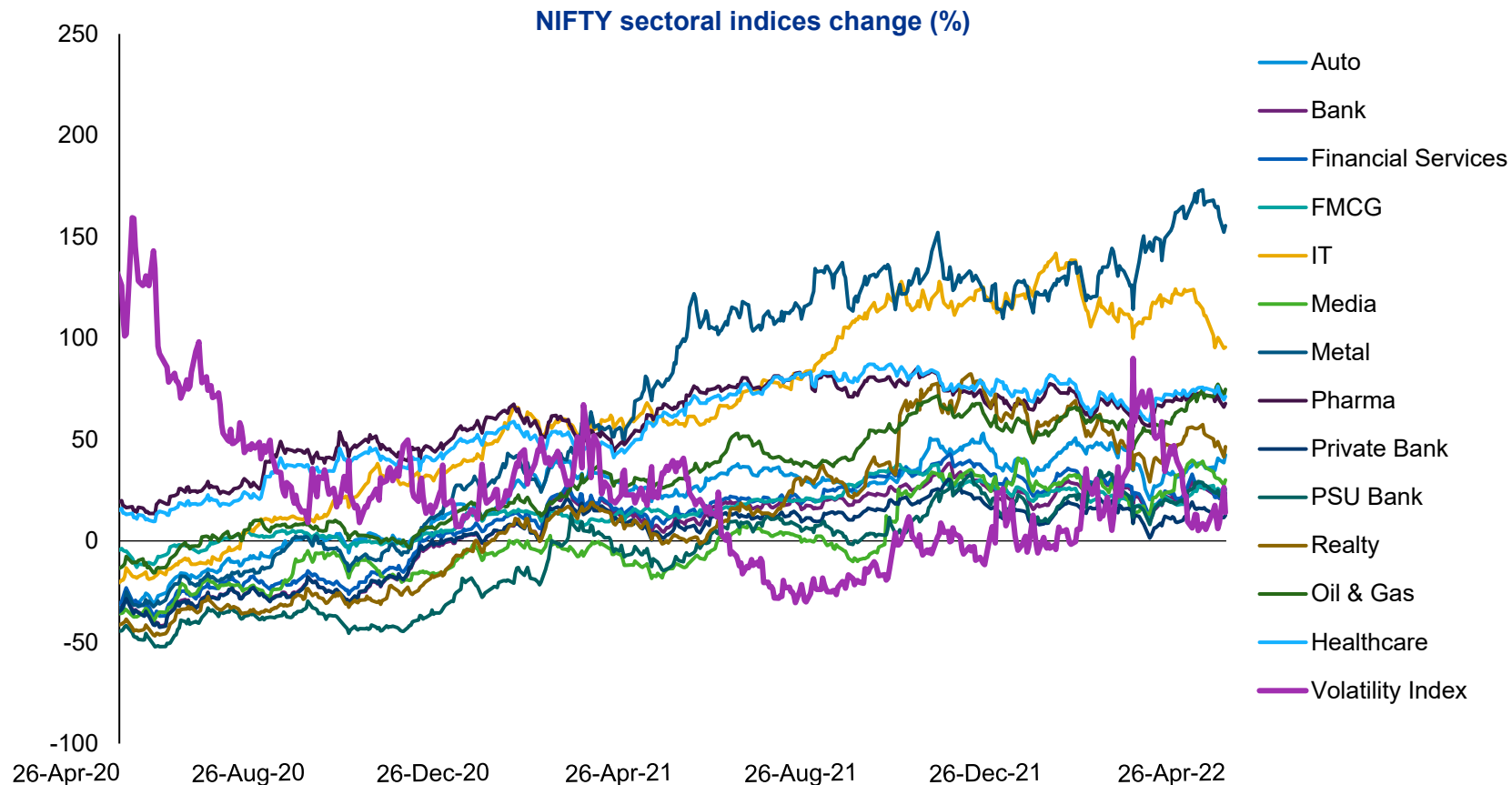
Key highlights

- As of 26 April 2022, the Sensex registered a rebound of 777 points post recording losses for the two previous days, with sectors such as realty, auto and power recording large gains
- Globally, stock markets are witnessing volatility owing to factors such as trade disruptions caused by geopolitical tensions, rising crude oil prices and interest rate hikes
- Additionally, after the Union Budget was presented in February 2022, the Sensex jumped by 848 points. Pharma, metals, IT, FMCG, and realty stocks witnessed gains.

Note: Change in Index value measured with respect to index value on 1-02-2020; S&P BSE Sectoral Indices are up to 10-02-2022; 1) Reported as of 11 February 2022

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; "Explained: Why stock markets crashed on Monday, and what you should do now", The Indian Express, 25 January 2022; "D-Street welcomes Budget: Sensex jumps 848 pts; Nifty ends near 17,600; Livemint, 1 February 2022; "Sensex rises 777pts, Nifty ends at 17,200; realty, power, auto shine, RIL up 3%", Live Mint, 26 April 2022; all accessed on 27 April 2022

In FY22, Indian stock markets registered a y-o-y growth of 19 per cent, with the Nifty Metal emerging as largest gainer owing to hike in commodity prices

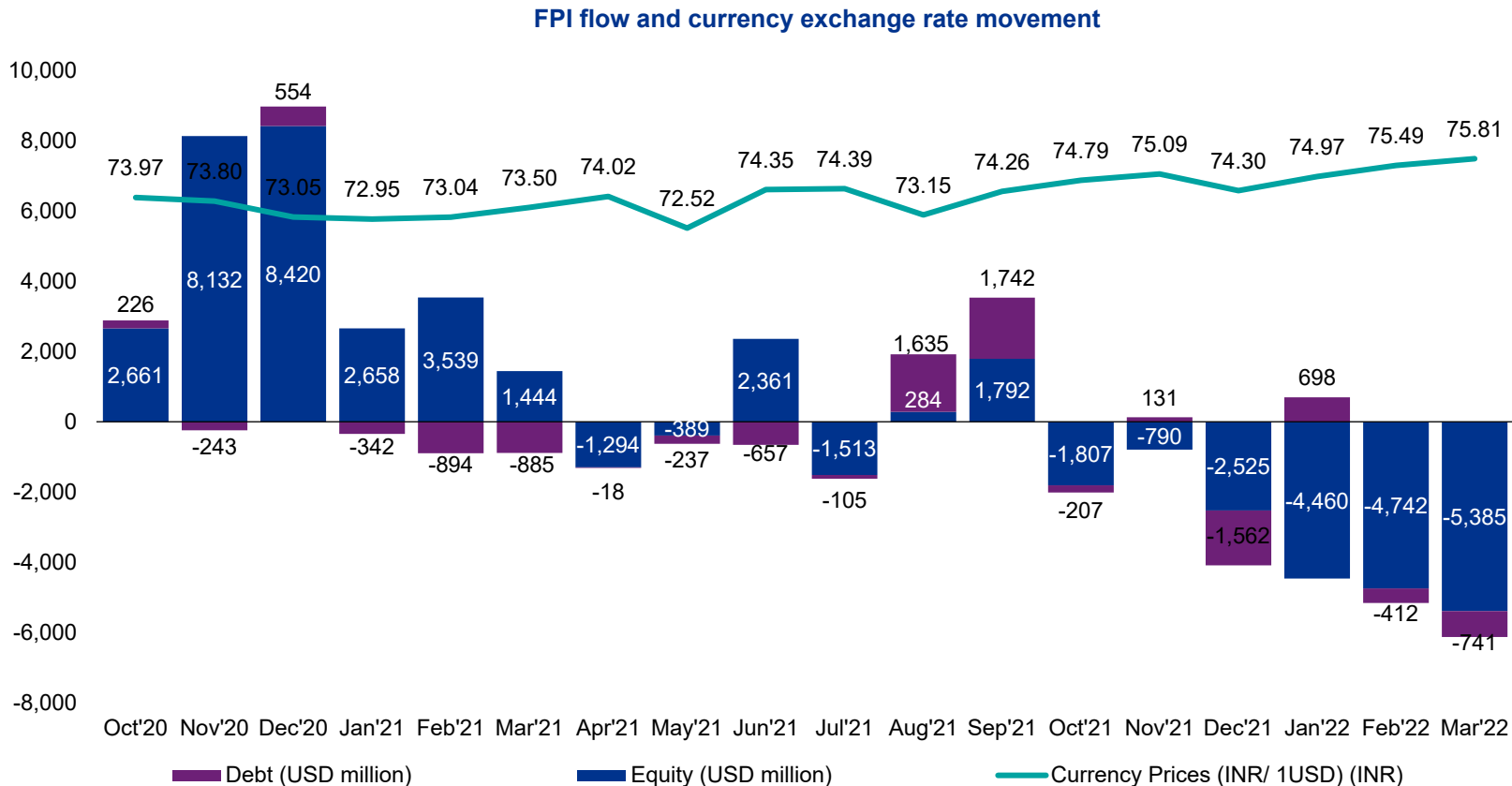


Key highlights

- In FY22, Indian stock markets witnessed a rise of 19 per cent in comparison with the previous year, and it performed better than many of its global peers such as in the US and the UK
- Nifty Metal emerged as the top gainer of the year by registering a rise of 62 per cent driven by high global commodity prices
- During February 2022, India's Volatility Index achieved a 12-month high owing to trade uncertainties caused by the ongoing geopolitical situation in Europe
- Announcements of the Union Budget 2022 had a positive impact on the NIFTY. The focus of the budget on sectors such as infrastructure, defence, and agriculture, and the measures announced to boost domestic manufacturing helped support the growth of the index in the beginning of February 2022.

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; "Nifty posts biggest one-day gain in a month. Analysts see good trading opportunity", Livemint, 2 December 2021; "Growth focussed Budget bolsters D-Street bulls; investors gain Rs 2.7 lakh cr", The Economic Times, 2 February 2022; D-Street welcomes Budget: Sensex jumps 848 pts; Nifty ends near 17,600; Livemint, 1 February 2022; "Bulls cheer Budget 2022; Sensex ends 848 pts higher, Nifty above 17,550", Business Standard, 01 February 2022; "Nifty emerges best performing index in FY22, Metals, Media best sectors", Economic Times, 31 March 2022; all accessed on 27 April 2022

In FY22, foreign portfolio investors (FPIs) dumped Indian equity to the tune of INR1.4 lakh crore compared to the equity inflow of INR2.7 lakh crore in the previous year



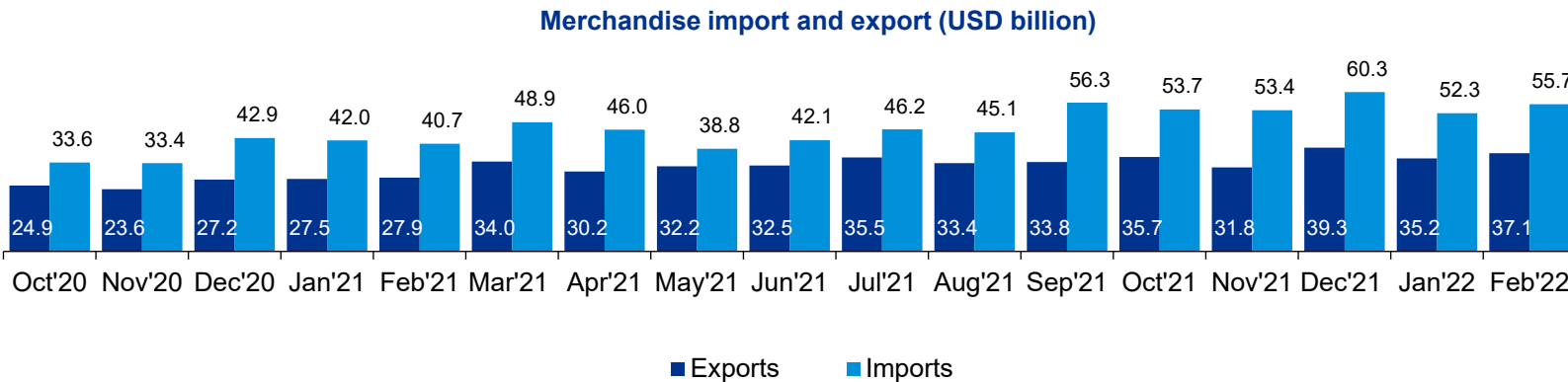
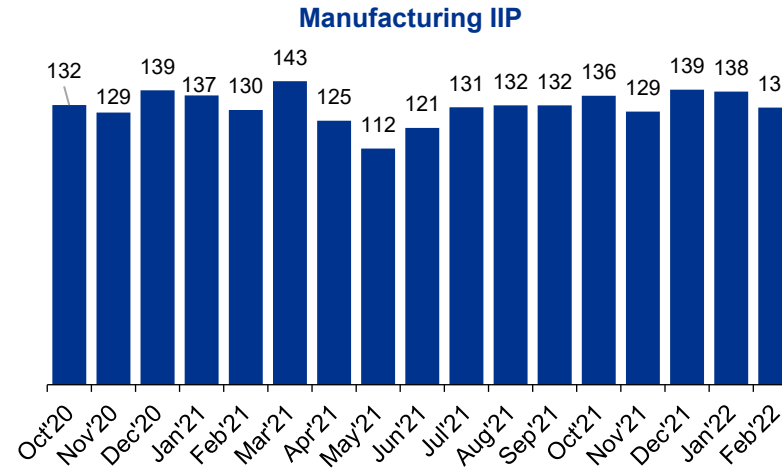
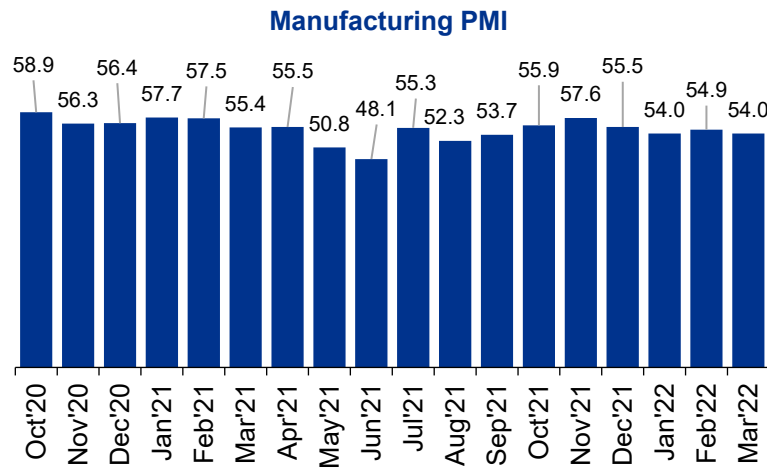
Key highlights

- In FY22, FPIs withdrew an equity investment of record INR1.4 lakh crore owing to factors such as weak INR, increasing interest rates in advance economies and rising prices of crude oil due to the ongoing geo-political situation
- In the first week of March 2022, the depositors dumped close to INR14,721 crore worth of equity investments and INR2,808 crore of debt investments owing to the onset of Russia-Ukraine geopolitical situation and surge in crude oil prices
- High valuations of Indian equity markets, supply chain disruptions being faced by the corporates and slower-than-expected pace of economic recovery are a few of the other concerns leading to FPI outflow from the country.

Note: Currency rates are taken as of last reported day of the month, for instance, figures for Mar'22 are as of 31 March 2022; FPI stands for foreign portfolio investment;

Sources: "Currency exchange rates", FBIL, extracted on 29 April 2022; "FPI net investment details (calendar year)", NSDL, accessed on 29 April 2022; "Rs.1.4 trillion outflow, equity markets sees worst sell-off by FPIs in FY22", Business Standard, 6 April 2022; "Russia-Ukraine crisis FPIs pull out Rs 17,537 crore from Indian markets in March", Outlook India, 6 March 2022; all accessed on 29 April 2022

In March 2022, manufacturing PMI fell to 54 after rising in the previous month. During April-February of FY22, merchandise exports from India reached USD377.4 billion



Key highlights

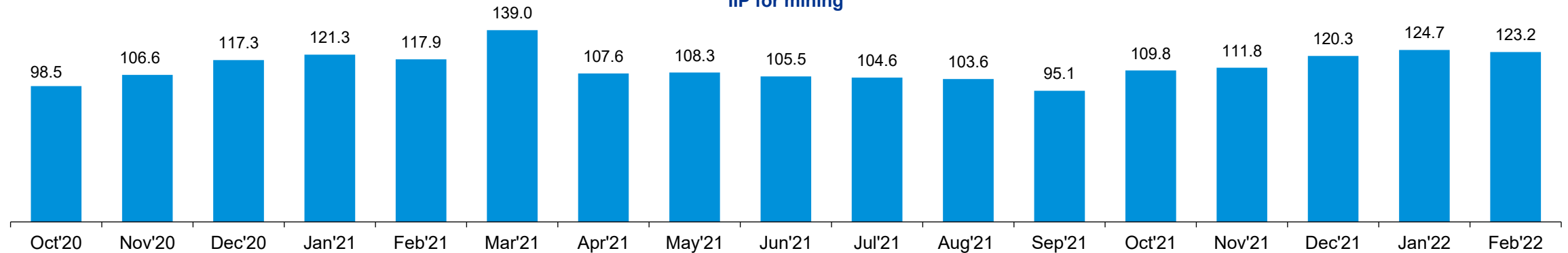
- Manufacturing PMI in India declined to 54.0 in March 2022
 - Increase in input prices remains a major concern for the manufacturing sector in India owing to supply side disruptions caused by the ongoing geopolitical tension in Europe
- In the period from April-February of FY22, India's merchandise exports reached USD377.4 billion from USD291.8 billion in FY21
 - The rise may be ascribed to increase in shipments of petroleum products, engineering goods, gems and jewelry and chemicals
 - In FY22, the US, Bangladesh, Singapore, the UAE, the Netherlands, Hong Kong, the UK, Germany and Belgium emerged as top export destinations for India.

*Note: In PMI parlance, a print above 50 means expansion while a score below 50 denotes contraction. The Manufacturing IIP for November 2021 are quick estimates

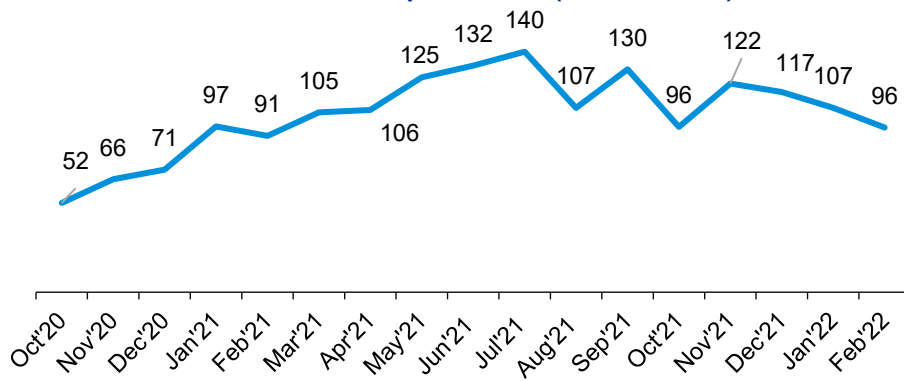
Source(s): "PMITM by IHS Markit", IHS Markit; "Trade Data & Statistics", Directorate General of Foreign Trade; IIP Press release, Ministry of Statistics & Programme Implementation; "India Manufacturing PMI", Trading Economics; Exports hit record high of \$35 bn in July; up 34% over pre-Covid level, Business Standard, 2 August 2021; At \$35 bn, July exports 34% higher than pre-COVID level, The Hindu, 2 August 2021; "INDIA'S MERCHANDISE TRADE: Preliminary Data December 2021", Ministry of Commerce and Industry, PIB, 03 January 2022; "India's Merchandise Exports Surge Around 48% In April-December 2021", Business Standards, 4 January 2022; "Exports, imports hit record highs in December", Economic Times, 15 January 2021; "India Manufacturing PMI", Trading Economics; "India's merchandise export records an all time high of \$418 billion in 2021-22", India Today, 4 April 2022; all accessed on 25 April 2022

In FY22, coal production in India increased by 8.5 per cent, reaching 777.2 million tonnes. Production by state-run companies stood at a 12-month high of 87 million tonnes in March 2022

IIP for mining

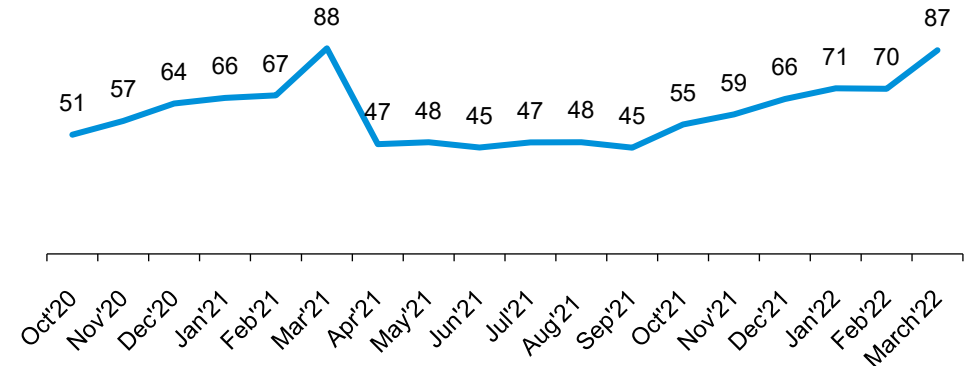


Value of mineral production (INR '00 crore)



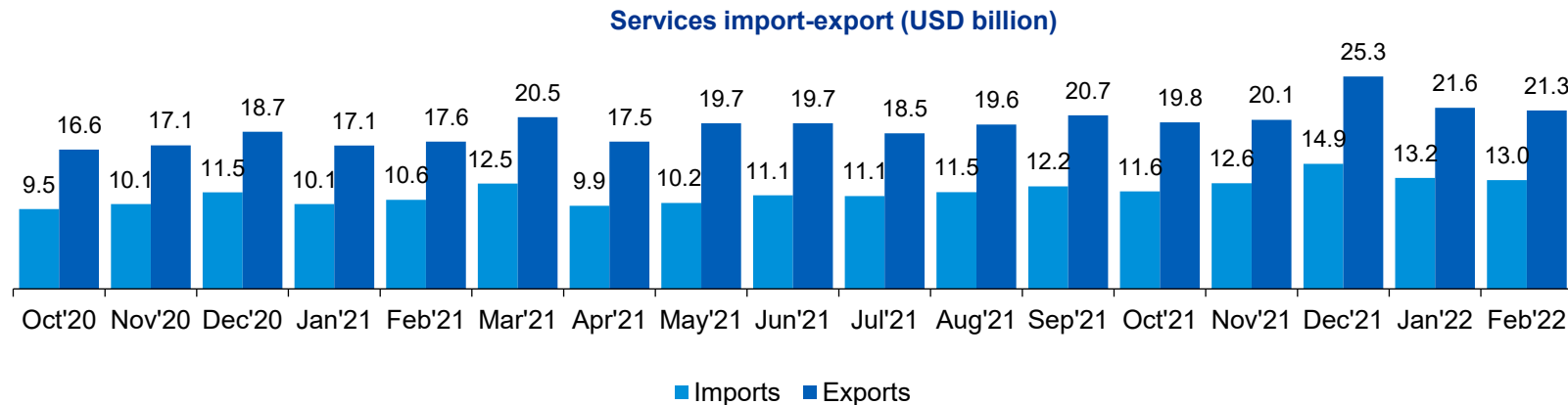
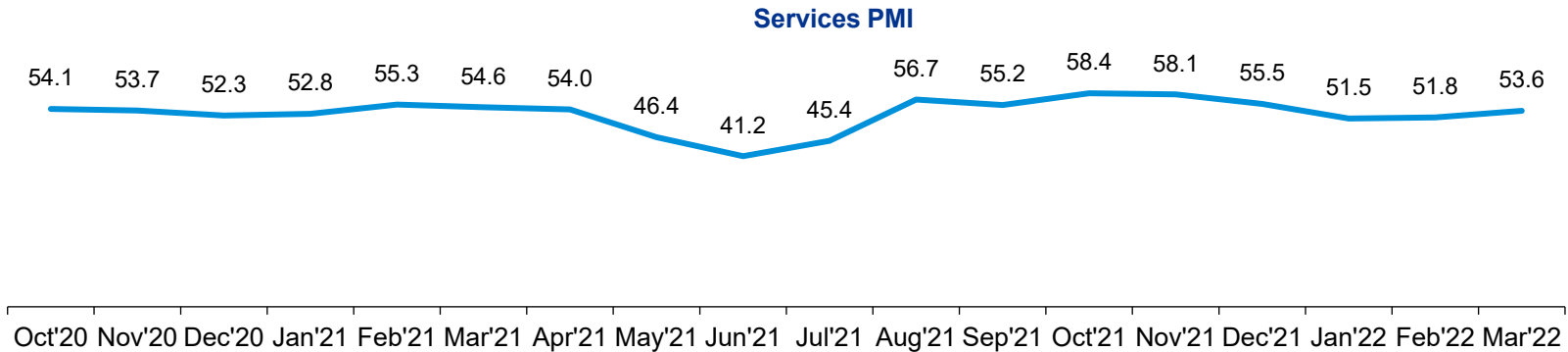
- During FY22, India's overall coal production (including captives) increased by 8.5 per cent to reach 777.2 million tonnes
- In FY22, coal production from two major state-run companies achieved a growth of 4.4 per cent and 28.5.1 per cent respectively, compared to FY21.

Coal production (million tonnes)



Note(s): 1. Covers metallic-ferrous and industrial minerals, but excluding fuel minerals, minor minerals and atomic minerals, 2. Combined coal production of CIL and SCCL, P- Provisional 3 Coal Production by CIL and SCCL, accounting for 90 per cent of the total output; E stands for estimated value; P stands for provisional value
Source(s): "Monthly summary on minerals and metals", Ministry of Mines; "Monthly Summary for Cabinet, Ministry of Coal; "IIP for mining", MOSPI; "Coal India supply exceeds pre-COVID levels even as utilities face fuel shortage", The Economic Times, 03 September 2021; "Coal India ramps up supplies to address shortage at utilities", The Economic Times, 01 September 2021; "Why are India's power plants facing severe coal shortage?", SteelMint, 03 September 2021; "Why India needs to reduce its reliance on coal for power generation", Economic Times, 12 January 2022; "India's power demand expected to rise by 8-10% in FY22: HDFC Securities"Business Standard, 29 January 2022; "India's coal production stands at 74.8 million tonnes for December", The Hindu, 5 January 2022; "India's coal production rises to 777.23 metric ton in FY22, dispatches increase by 18% yoy", Live Mint, 1 April 2022; all accessed on 25 April 2022

The PMI for the services sector showcased stable growth in Q4 FY22, reaching a three-month high of 53.6 in March 2022. During April 2021–February 2022, services exports and imports have registered a growth of 22.5 per cent and 25.8 per cent as compared to same period in previous year



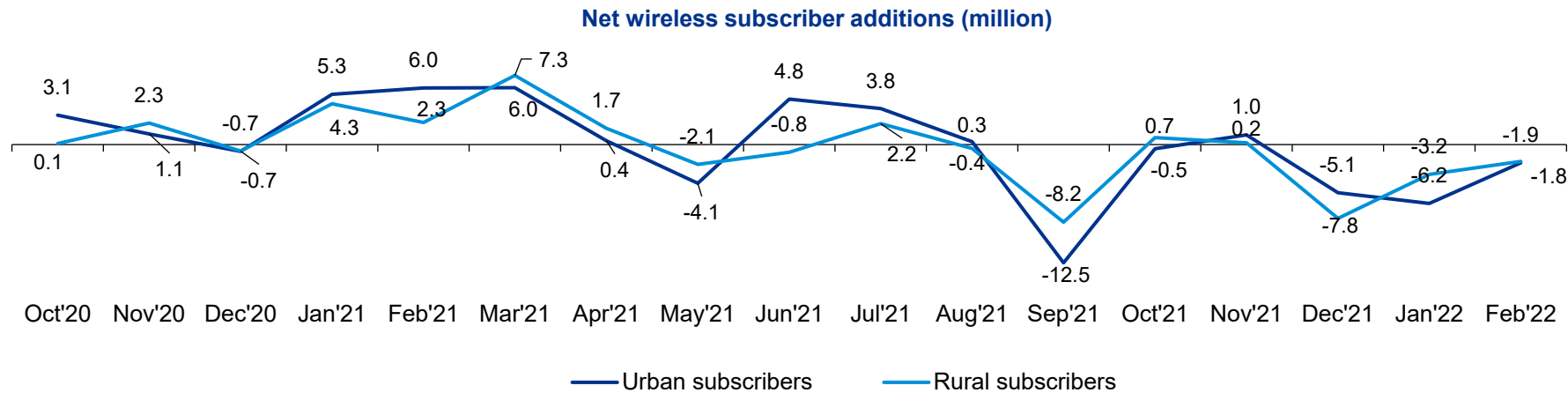
Key highlights

- In March 2022, the services PMI increased to a three-month high of 53.6
 - Ebbing of COVID-19 restrictions and increase in domestic demand is helping in the expansion of the services industry
- India's services exports witnessed an increase of 25.9 per cent in February 2022, as compared to the previous year
 - The service trade balance in February 2022 witnessed an increase of 14.7 per cent as compared to February 2021, reaching USD8.6 billion
- Services imports grew by 25.8 per cent to reach USD132.5 billion during April 2021–February 2022, vis-à-vis April 2020–February 2021.

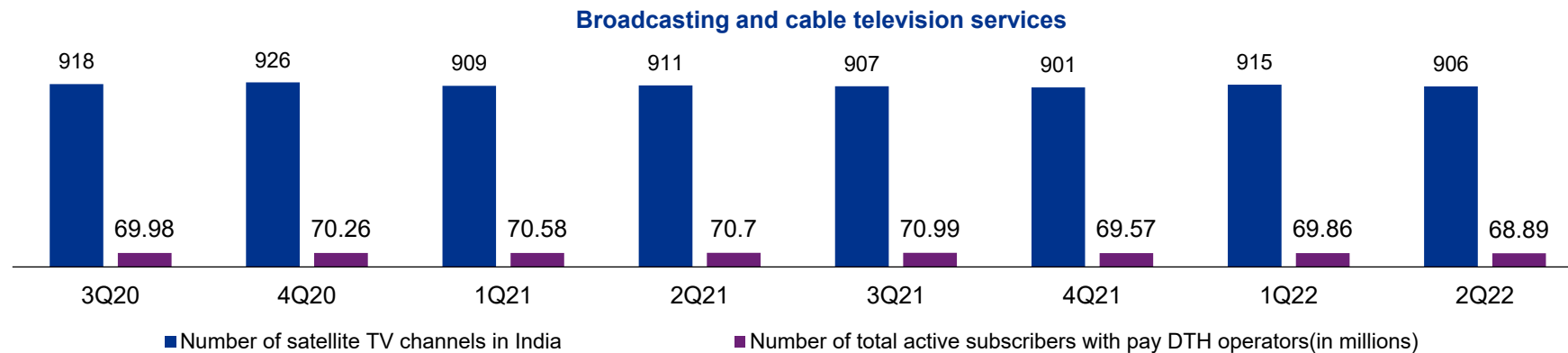
*Note: A PMI number greater than 50 indicates expansion in business activity. A number less than 50 shows contraction; Data on India's International Trade in Services are provisional

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: JULY 2021", Ministry of Commerce & Industry, PIB, 13 August 2021; "INDIA'S FOREIGN TRADE: December 2021", PIB, 14 January 2021; "India Services PMI", Trading Economics; "India's exports in February 2022 up by 25.4 percent to USD57 billion over the same month last year", PIB, 14 March 2022; accessed on 26 April 2022

Net wireless subscriber additions witnessed a huge fall in December 2021 and has declined, though at a decreasing rate, till February 2022. Number of satellite television channels and active subscriber base with pay DTH operators also witnessed a decline in Q2 FY22 vis-à-vis Q1 FY22



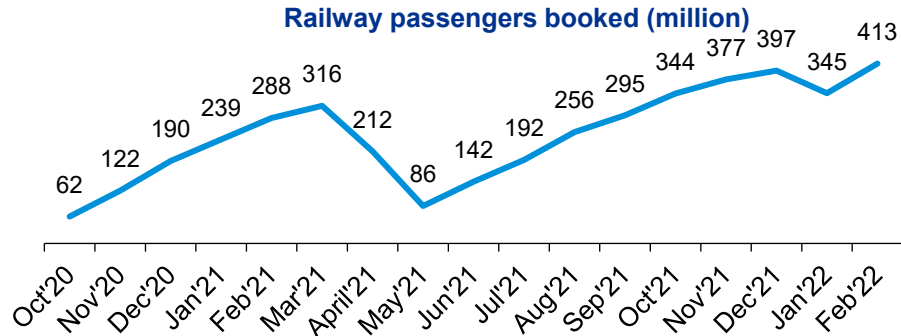
- The total number of wireless subscribers decreased by 0.32 per cent from January to February 2022, reaching close to 1.14 billion in February 2022
- Wireless subscriptions recorded a decrease of 0.31 per cent in urban areas and a decrease of 0.34 per cent in rural areas during January to February 2022.



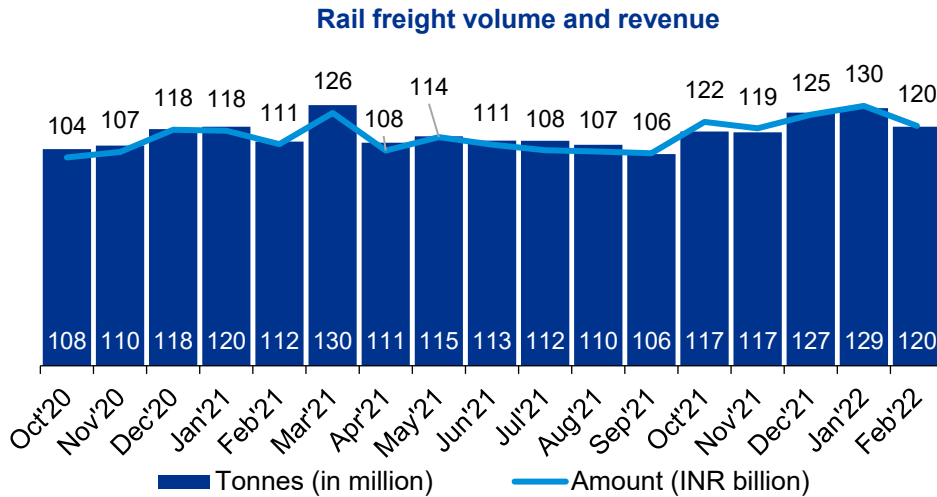
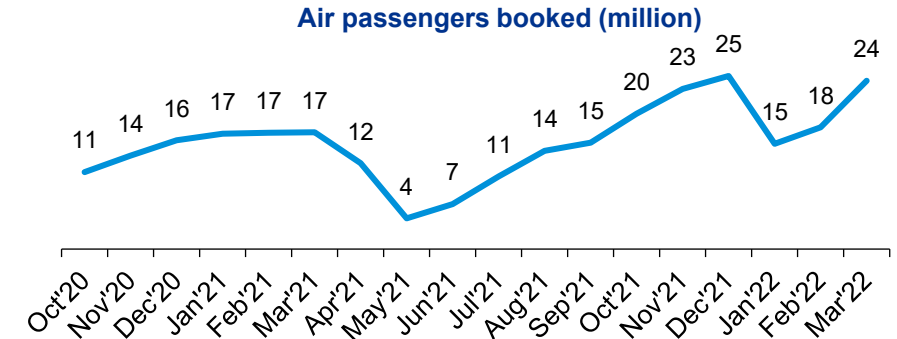
- Number of satellite television channels witnessed a decline of approximately 1 per cent in Q2 FY22 compared with Q1 FY22
- Additionally, the active subscriber base with pay DTH operators have witnessed a dip of 1.4 per cent in Q2 FY22 vis-à-vis Q1 FY22, reaching 68.9 million in September 2021.

Note: The data for Broadcasting and cable TV series is as on the last day of the last month of the quarter., for instance, Q1 FY22 is 30th June 2021, Q2 FY22 is 30th September 2021.
Source(s): "Telecom Subscription Data as on 28 February 2022", TRAI; "The Indian Telecom Services Performance Indicators", TRAI, 10 January 2022; all accessed on 26 April 2022

The passenger segments of railways and airlines are recovering driven by opening up of the economy, however, they are yet to achieve pre-pandemic levels of volume

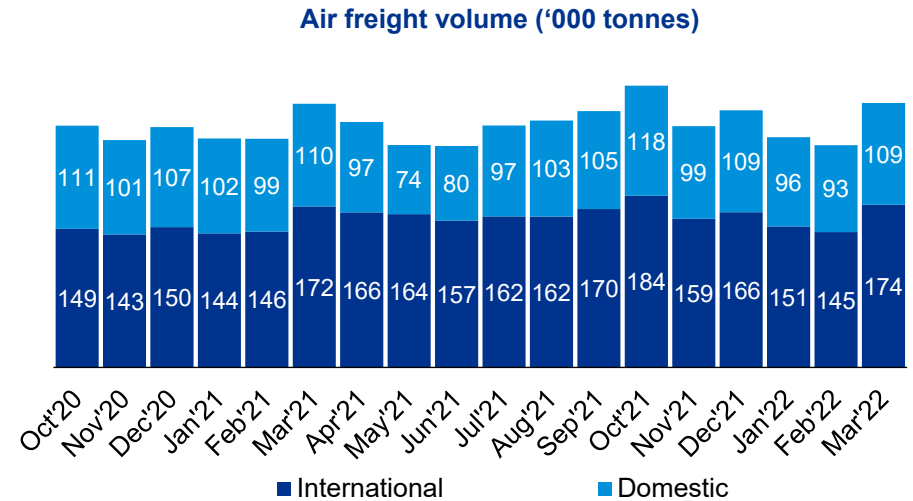


— The passenger booking for Indian Railways witnessed a significant rise, reaching an all time high (since onset of COVID-19) of 413 million in February 2022 marking a y-o-y increase of about 43 per cent.



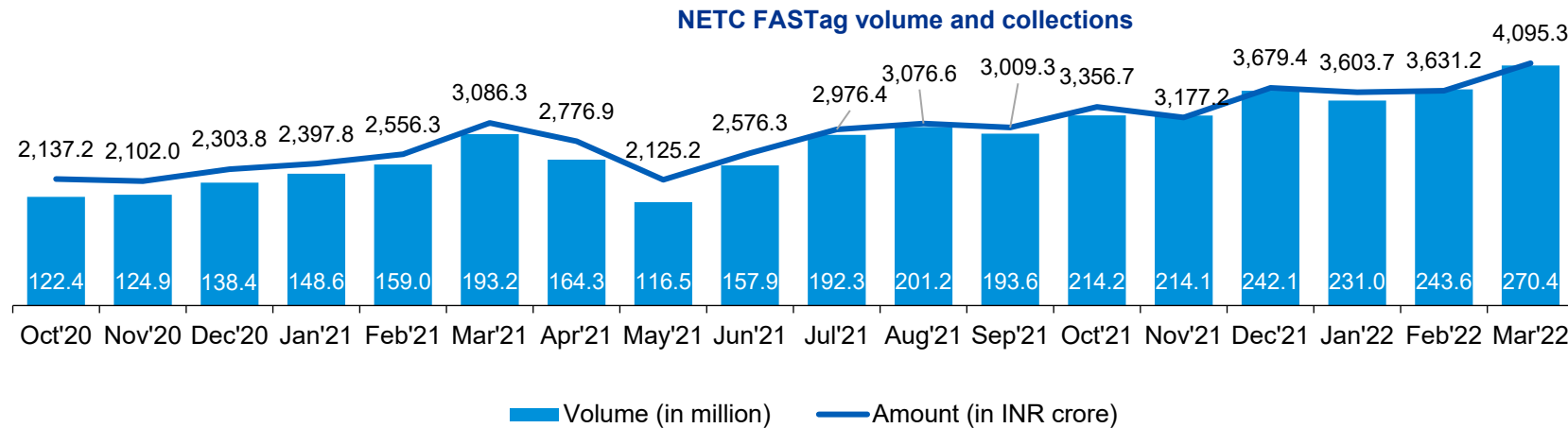
— In FY22, air passenger traffic in India registered a y-o-y growth of more than 63 per cent to reach 188.8 million. Additionally, domestic air freight volumes increased by 24 per cent in the same period

— This growth can be attributed to pent-up demand and relaxation of COVID-19 restrictions.

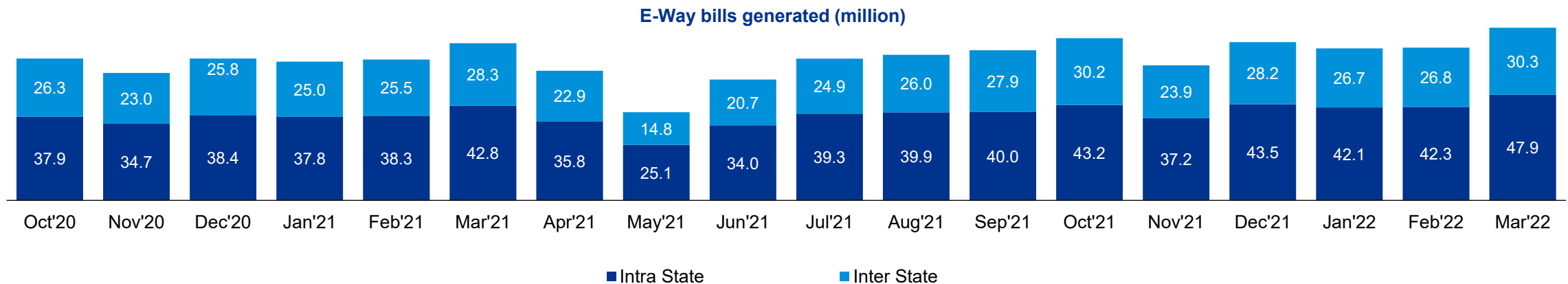


Source(s): "Monthly Evaluation Report up to Dec' 2021", Indian Railways; "Traffic News, Traffic News Summary", AAI; Indian Railways suffers loss worth Rs 38,017 crore in passenger earnings, Business Today, 24 March 2021; "India's July YoY domestic air passenger traffic rises: IATA", investment guru india.com, 02 September 2021; "Indian Railways' Passenger Occupancy Touches 80% After Drop in COVID-19 Cases", News18, 30 July 2021; "Railway revenue rises from passenger traffic, platform tickets", News India Express, 5 December 2021; "11.2 mn domestic air passengers in Dec; 6.6% higher than Nov: DGCA", Business Standard, 20 January 2022; "Indian railway passenger and freight traffic", Ceicdata, Pent-up demand, economic recovery boost domestic air passenger traffic", Economic Times, 21 April 2022; "2 years on, railways passenger bookings still far from pre-covid levels", Business Standard, 15 April 2022; all accessed on 26 April 2022

In March 2022, FASTag collections reached INR4,095.3 crore, an increase of 12.7 per cent m-o-m, owing to increase in mobility and increase in adoption of FASTags



- In March 2022, FASTag collections reached an all time high of INR4,095 crore owing to increase in toll prices, increased mobility and increased adoption of FASTags
- In FY22, the NHAI witnessed highest collection through the FASTag system since its inception in 2016. Additionally, the government is expecting the collection to increase to INR35,000 crore in FY23.



Source(s): NETC FASTag Product Statistics, NPCI; GST System Statistics, E- Way Bill Statistics, GSTN; "148% jump in FASTag revenue from April to January, says govt", Hindustan Times, 10 February 2022; "Highway toll collection up 16% month-on-month in December", Financial Express, 4 January 2022; 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; "FASTag collections top Rs 4,000 crore in March, FY22 mop-up Rs 38,000 crore", Business Standard, 8 April 2022; all accessed on 26 April 2022

Government initiatives



RBI has unveiled various reforms and measures to boost the overall financial position of the country and enhance liquidity within the system

Policy area	Description	Implication
Measures by the central bank (RBI) as per latest MPC report	<ul style="list-style-type: none"> — The RBI has decided to raise the Cash Reserve Ratio (CRR) of all banks from 4 per cent to 4.5 per cent of their Net Demand and Time Liabilities (NDTL), an increase of 50 basis points. The change would be effective from the fortnight starting from 21 May 2022. This move would lead to a withdrawal of INR87,000 crore in liquidity. — On 08 June 2022, it was decided by the MPC to raise the policy repo rate under the liquidity adjustment facility (LAF) with immediate effect to 4.9 per cent, an increase by 50 basis points. — To enhance the payments acceptance (PA) infrastructure across the country, the central body has proposed to introduce a new structure for utilising geo-tagging technology to identify the exact information on the location of all existing and new PA infrastructure. — A new Internal Ombudsman Scheme (IOS) has been introduced by RBI for NBFCs having a large customer base. — The banks are now allowed to infuse capital in their foreign subsidiaries and branches; hold profits in these centres; and repatriate/transfer profits with the approvals of their board if they meet the regulatory capital requirements, without prior information to the RBI. — The government is aiming to provide a UPI-based payment product targeting feature phone users. — The RBI has launched the Retail Direct Scheme in November 2021, where payment options such as UPI and internet banking can be leveraged by retail customers for participating in primary and secondary markets. It was also proposed to raise the transaction limit for UPI payments for Retail Direct Scheme and Initial Public Offerings from INR2 lakh to INR5 lakh. 	<ul style="list-style-type: none"> — These measures are expected to help contain inflation — This could help strengthen the Payment Infrastructure Development Fund (PIDF) framework of the Reserve Bank and improve the deployment of PA infrastructure — This could improve protection of the customers and bolster the internal grievance redress mechanism of NBFCs — This is expected to provide better operational flexibility to banks — It could help promote digitisation by enabling digital payment solutions based on UPI among feature phone users — It is expected to promote the participation of retail investors in areas such as investment in government securities and to further drive the use of UPI among these investors

Source: Press Releases – Governor's Statement : February 10, 2022, RBI website; MPC Report, February 2022 : RBI website; MPC Report, December 2021, "Retail Direct Scheme: RBI notifies market making plan to promote retail participation in G-Secs", Economic Times, 4 January 2022; "IMPS limit to be increased from Rs 2 lakh to Rs 5 lakh: RBI Governor", Business Standard, 8 October 2021; "Maintenance of Cash Reserve Ratio (CRR)", RBI, 4 May 2022; "Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) May 2 and 4, 2022", RBI, 4 May 2022; "Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) June 6-8, 2022", RBI, 08 June 2022; all accessed on 21 June 2022

RBI has unveiled various measures to bolster the economic situation of the country and promote digitization

Policy area	Description	Implication
Measures by the central bank (RBI) as per the latest MPC report	<ul style="list-style-type: none"> — The government has proposed to raise the investment limit under Voluntary Retention Route (VRR) to INR2.5 lakh crore from INR1.5 lakh crore from 1 April 2022. — Indian banks shall be permitted carry out transactions in the offshore Foreign Currency Settled Overnight Indexed Swap (FCS-OIS) market with market makers such as non-residents. — It is proposed to raise the cap on the amount for e-RUPI vouchers from central and state governments to INR1,00,000 per voucher from INR10,000 per voucher and permit the repeated use of these vouchers until the amount in them is fully redeemed. — It is proposed that the National Automated Clearing House (NACH) mandate limit be increased to INR3 crore for Trade Receivables Discounting System (TReDS)-related settlements from the present cap of INR1 crore. 	<ul style="list-style-type: none"> — This could enhance capital availability for the domestic debt market, which includes government securities. — This could lessen the segregation between the onshore and offshore markets, strengthen the interest rate derivatives market in India further, and facilitate improved price discovery. — The delivery of different government schemes to the respective beneficiaries could be more efficiently facilitated. — The increasing liquidity requirements of MSMEs can be financed with more ease.
Sector-specific policies and reform measures	<p>Healthcare and contact intensive sectors:</p> <ul style="list-style-type: none"> — The Government of India along with World Bank and the Government of Meghalaya signed a USD40 million health project in the state of Meghalaya in November 2021. — The government launched Ayushman Bharat Digital Mission in September 2021. Additionally, each individual will be provided a digital health ID under this mission. 	<ul style="list-style-type: none"> — The project is expected to facilitate better health services and bolster the state's capacity to handle future health emergencies more efficiently. — The mission could link the digital health solutions of hospitals across the country with each other.

Source: Press Releases – Governor's Statement : October 08, 2021, RBI website, April-June 2021; MPC Report, October 2021; Press Releases – Governor's Statement : February 10, 2021, RBI website,; MPC Report, February 2022 ; December 8, 2021, RBI website,; MPC Report, December 2021; all accessed on 14 February 2022

The RBI and the Government of India announced reforms and measures for various sectors such as agriculture, healthcare and tourism to drive economic growth

Policy area	Description	Implication
Sector specific policies and reform measures	<p>Agriculture:</p> <ul style="list-style-type: none"> — 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 — It also allocated INR2,250 crore (USD306.8 million) for development of the horticulture sector during 2021–22. — In September 2021, the Government of India announced the Digital Agriculture Mission 2021–2025. — The government launched the Dairy Sahakar scheme in Anand, Gujarat in October 2021. 	<ul style="list-style-type: none"> — 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. — It could also promote the holistic growth of the horticulture sector. — The mission focuses on aiding and accelerating projects based on new technologies, such as AI and block chain. — This scheme is launched to uplift and strengthen the dairy sector in the country.
Production-Linked Incentive (PLI)	<p>New sectors added</p> <ul style="list-style-type: none"> — 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. — 20 key players have been selected for the Champion OEM (original equipment manufacturer) Incentive Scheme under the automobile sector PLI scheme. — Additionally, the government has sanctioned INR76,000 crore under the scheme to encourage manufacturing of various semiconductor goods within India. 	<ul style="list-style-type: none"> — The specialty steel PLI is likely to bring in fresh investments and lead to capacity additions for specialty steel. — The scheme will likely minimise the country's reliance on imports and help manufacture a range of semiconductor goods in India.
National Monetisation Pipeline (NMP)	<ul style="list-style-type: none"> — The Government of India has unveiled a four-year National Monetisation Pipeline (NMP) worth ~INR6 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 more than 66 per cent of the total estimated value of the assets to be monetized. 	<ul style="list-style-type: none"> — The scheme is expected to fund new capital expenditure without pressuring government finances — This is expected to shore up economic growth with a focus on infrastructure expansion, which could also generate employment across the country.

Source: Press Releases – Governor's statement, RBI website, April-June 2021; "Boost to the tourism sector in India! Modi govt announces this scheme for tourist guides, travel agencies; details, The Financial Express, 28 June 2021; Government unveils package to tame Covid-19 impact, The Mint, 29 June 2021; "Farm Mechanization - A mandatory change; Empowering farmers through Sub-Mission on Agricultural Mechanization (SMAM)", 14 June 2021; "DIGITAL AGRICULTURE - THE FUTURE OF INDIAN AGRICULTURE", IBEF; "Union Minister Amit Shah launches the "Dairy Sahakar" scheme", Current Affair, 1 November 2021; all accessed on 14 February 2022

The government also unveiled new bills and laws addressing dam safety, surrogacy and pharmaceutical education and research

Policy area	Description	Implication
Major bills and acts	The Dam Safety Bill, 2021 — The bill will facilitate surveillance, inspection, operation and maintenance of the specified dam and provide an institutional mechanism to ensure safe operations.	— This could prevent dam failure-linked disasters and is expected to ensure its safe functioning.
	The Assisted Reproductive Technology (Regulations) Bill, 2021 — The bill seeks to provide establishment of the National Board, the state boards and the National Registry to regulate and supervise reproductive technology clinics and banks in the country.	— This could provide safe and ethical practice of assisted reproductive technology services and prevent its misuse.
	The Surrogacy (Regulation) Bill, 2021 — The bill provides rules and regulations for the surrogacy practice in the country.	— This aim of the bill is to protect the surrogate mother and the children born via surrogacy.
	The National Institute of Pharmaceutical Education and Research (Amendment) Bill, 2021 — The bill seeks to set up a central body, the Council, for institutes established or to be established under the National Institute of Pharmaceutical Education and Research Act.	— The aim of the bill is to integrate coordinated development of pharmaceutical education and research and maintain same standards across all the institutions.
	The High Court and Supreme Court Judges (Salaries and Conditions of Service) Amendment Bill, 2021 — The bill amends the pension provisions for retired judges and provides them with additional benefits.	— This provides an additional amount of pension for retired judges, from the first day of the month in which they complete a specified age as opposed to the first day of them entering that age.
	The Narcotic Drugs and Psychotropic Substances (Amendment) Bill, 2021 — The bill substitutes clause (viii) in place of clause (viii) in section 27A of the NDPS Act.	— This is expected to improve interpretation and implementation of the NDPS Act.

Source: "Bills List", Ministry of Parliamentary Affairs; "Airports Economic Regulatory Authority of India (Amendment) Bill, 2021 introduced in Lok Sabha", Tribune India, 24 March, 2021; "The Mines and Minerals (Development and Regulation) Amendment Bill, 2021", PRSIndia; Cabinet approves Amendments to the Finance Bill, 2021, The Times now news; Rajya Sabha returns bill to end all retrospective taxation, The Hindu, 9 August 2021; "Parliament passes bill to set up National Bank for Financing Infrastructure and Development", Economic Times, 25 March 2021 all accessed on 11 August 2021; "Winter Session, 2021 of Parliament adjourned sine die today", PIB, 22 December 2021; all accessed on 14 February 2022

The center has also unveiled new bills to promote sectors such as insurance. A bill to eliminate vote duplication was also passed

Policy area	Description	Implication
Major bills and acts	The Delhi Special Police Establishment (Amendment) Bill, 2021 — The bill aims to increase the tenure of Director of the Central Bureau of Investigation by up to one year.	— This bill was passed in view of public interest.
	The Central Vigilance Commission (Amendment) Bill, 2021 — The bill seeks to extend the tenure of Director of the Directorate of Enforcement by up to one year.	— This bill was passed in view of public interest.
	The Election Laws (Amendment) Bill, 2021 provides — The bill enables the linking of electoral roll data with the Aadhaar ecosystem.	— This may eliminate duplicity of votes and prevent multiple enrollments of the same person.

Source: "Bills List", Ministry of Parliamentary Affairs; "Airports Economic Regulatory Authority of India (Amendment) Bill, 2021 introduced in Lok Sabha", Tribune India, 24 March, 2021; "The Mines and Minerals (Development and Regulation) Amendment Bill, 2021", PRSIndia; Cabinet approves Amendments to the Finance Bill, 2021, The Times now news; Rajya Sabha returns bill to end all retrospective taxation, The Hindu, 9 August 2021; "Parliament passes bill to set up National Bank for Financing Infrastructure and Development", Economic Times, 25 March 2021 all accessed on 11 August 2021; all accessed on 14 February 2022

Outlook

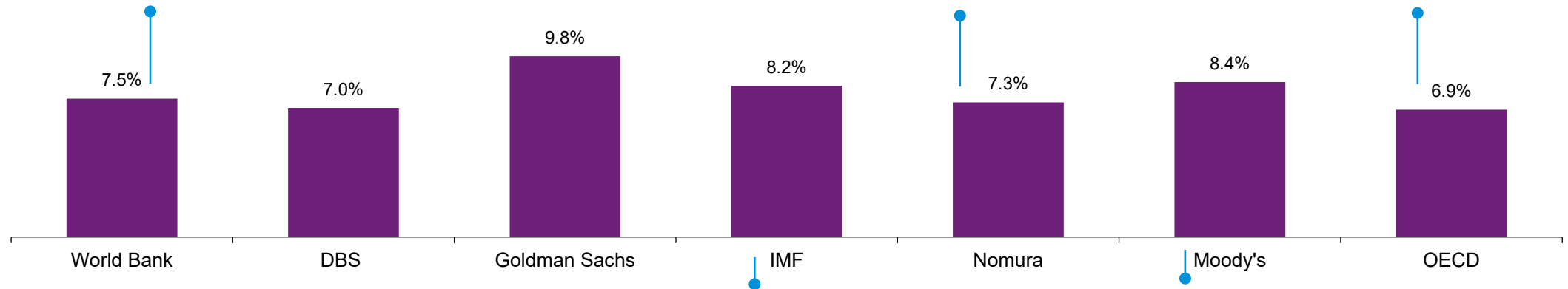


GDP growth forecasts for FY23

- The World Bank has revised India's economic growth forecast for FY23 on the back of economic slowdown. This has been majorly impacted by rising inflation, supply chain disruptions and geopolitical tensions.
- Unemployment rate has declined; however, workers are shifting to lower paying jobs.
- Growth to be supported by fixed investments by private sector and the government.

- Nomura projects FY23 GDP growth at 7.3 per cent owing to high inflation, tighter monetary policy and slowdown across global economies
- Near term growth to be supported by recovery in contact intensive sectors and government's focus on capex push

- OECD has revised India's GDP growth forecast to 6.9 per cent in FY23 as the country's economy faces challenges on account of high inflation and rising energy and food prices across the globe.



- IMF downgraded the GDP growth forecast for India for FY23 by 0.8 percentage points to 8.2 per cent
- This was as a result of factors such as weak domestic demand and inflationary pressure owing to the ongoing geopolitical crisis.

- High oil prices, inflation and supply distortions will remain a challenge for economic growth
- India has showcased economic recovery post the second wave of the pandemic. Monetary policy support and higher budgetary outlays could support the growth in FY23

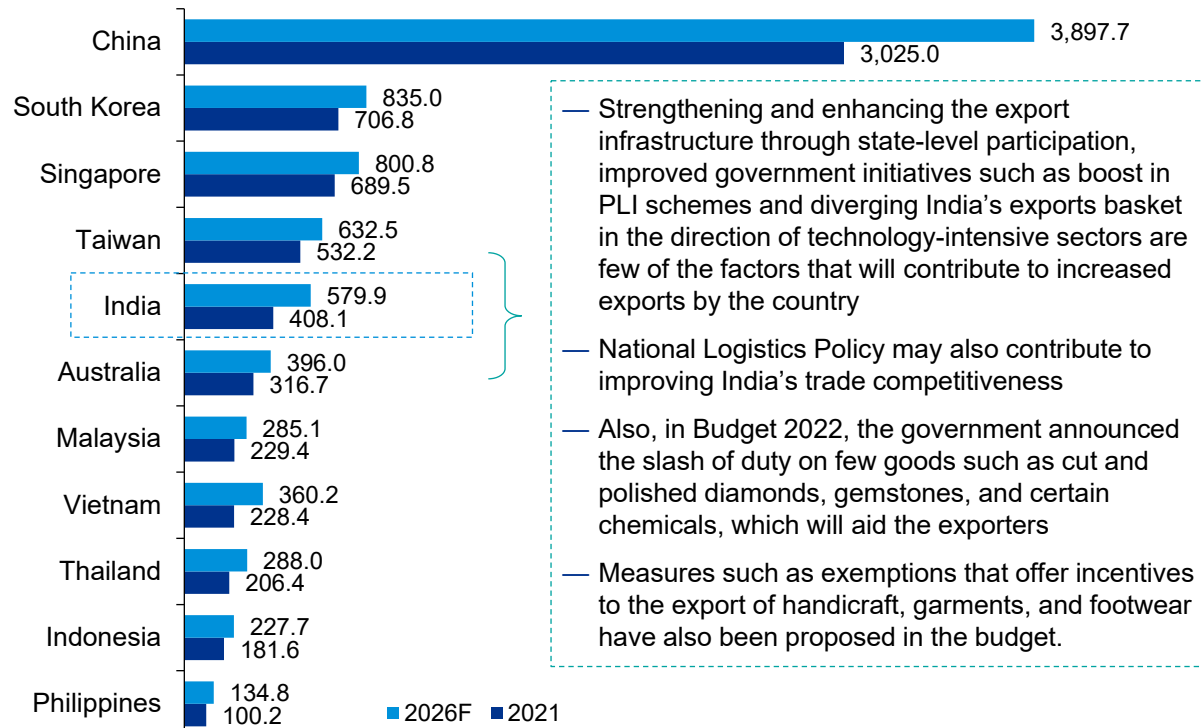
Sources: "World Bank slashes India's FY23 GDP forecast to 7.5%"; Times of India, 7 June 2022; "India to grow at 8.4% in FY23: Moody's", Mint, 22 February 2022; "World Economic Outlook (April update), IMF, April 2022; "OECD slashes India's GDP growth forecast to 6.9% in FY23, Fortune, 9 June 2022; "Goldman Sachs, others raise India's FY22 GDP growth forecast", Business Standard, 23 November 2021; "DBS revises India's FY2023 growth forecast by 100 bps to 7%", The Hindu BusinessLine, 2 December 2021; Nomura Trims India's FY23 GDP Growth Projection To 7.3%, Bloomberg, 8 June 2022; India GDP: Economists Pare FY23 Growth Forecast As Headwinds Rise, Bloomberg, 1 June 2022

India compared to peers — Trade of goods and services

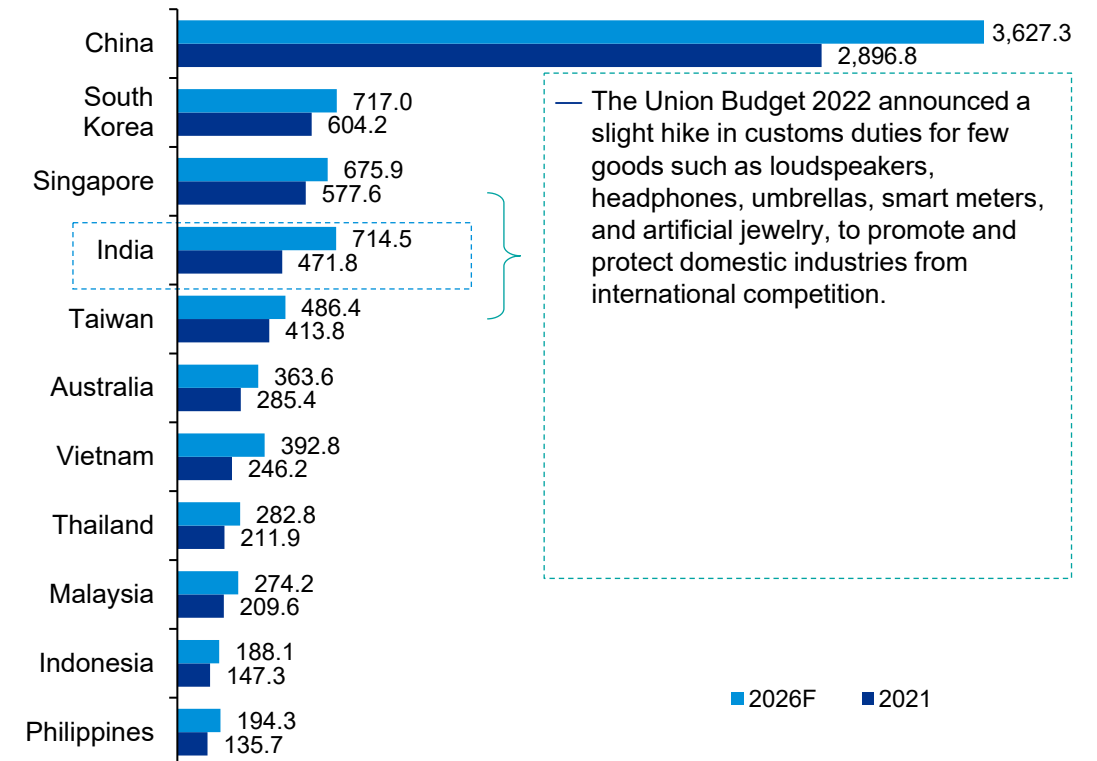
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The outlook for Indian exports seems to be positive on the back of improved external demand and gradual opening of the global economy, while the imports are also expected to increase

Real export of goods and services ^{1, 2} (USD billion)



Real import of goods and services ^{2, 3} (USD billion)



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 5.) Exchange rate for conversion is considered as on 31 December 2021

Sources: "Import/Export figure", Economic Intelligence Unit (EIU) database, as updated on 26 April 2022; "Amid 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; "How Budget 2022 can show the way to be atmanirbhar and reduce India's dependence on China", Economic Times, 28 January 2022; "The uneven nature of India's export growth", Business Line, 4 January 2022; "Union Budget gives booster dose to India's export sector", ANI News, 1 February 2022; "Explained: Import duty changes in Budget 2022, and its significance", The Indian Express, 3 February 2020; all accessed on 27 April 2022

The government has announced key infrastructure projects as part of the Union Budget 2022–23

Gati Shakti National Master Plan

- On 13 October 2021, the government launched the Gati Shakti National Master Plan, a digital platform bringing together 16 ministries including railways and roadways and working towards collective planning and implementation of infrastructure connectivity projects.
- With an aim to facilitate easy and all-round planning for stakeholders across key infrastructure projects, it will offer information to the public and the business community on forthcoming infrastructure projects on connectivity, other business hubs, industrial areas and the surrounding environment.
 - This is likely to help investors plan suitable locations for their businesses, thereby leading to improved synergies.
 - It will help generate new employment opportunities, reduce logistics costs, improve supply chains.
 - It will help ensure multi-modal connectivity to facilitate seamless and integrated connectivity for the transport of goods, people and services.

Prime Minister's Development Initiative for North-East (PMDevINE)

- In the Union Budget 2022–23, the government announced a new scheme, PMDevINE, to be executed through the North-Eastern Council. An **INR1,500 crore** allocation has initially been made for this scheme.
- Some key highlights of this scheme include:
 - It is expected to support and bolster the infrastructure through funding.
 - It will also fund social development projects depending on the requirements of the North-East.
 - It will help facilitate youth and women with livelihood activities.

Parvatmala: National Ropeways Development Programme

- In the Union Budget 2022–23, the government announced the National Ropeways Development Programme, which will be implemented through the **PPP mode**. Under this scheme, the execution of **8 ropeway projects covering 60 km** will be sanctioned in FY23.
 - This scheme will improve connectivity and make travel convenient for commuters in hilly areas as well as promote tourism
 - It will be an ecologically sustainable alternative compared to conventional roads
 - The ropeway will cover the urban areas as well where it is difficult to implement a conventional mass transit system.

Sources: PM launches Gati Shakti- National Master Plan for infrastructure development, Ministry of Ports, "BUDGET 2022-2023", India Budget 2021; 1 February 2022; "Union Budget 2022: Centre announces 8 ropeway projects in FY 2022-23 to boost tourism", English Jagran, 1 February 2022; all accessed on 16 February 2022

The government has announced a flagship scheme for the healthcare sector, focused on improving the healthcare infrastructure of the country

Pradhan Mantri Atmanirbhar Swasth Bharat Yojana (PMASBY)

- On 25 October 2021, the Prime Minister launched PMASBY in Varanasi, Uttar Pradesh, with a focus to improve and strengthen the healthcare infrastructure in the country. This is among the largest countrywide schemes in India. The main objective of the scheme is to fill in the major gaps and enhance the public health infrastructure in urban and rural areas, focusing on critical care facilities and primary care.
- Some key benefits of this scheme include:
 - It will facilitate support to 17,788 rural health and wellness centres across 10 states. Additionally, a total of 11,024 urban health and wellness centres are expected to be set up across all the states.
 - In districts having a population of over 5 lakh, critical care services will be provided via exclusive hospital blocks. Referral services will be utilized to cover the other districts.

Sources: "Prime Minister Atmanirbhar Swasth Bharat Yojana: Know all about the scheme", Hindustan Times, 25 October 2021; all accessed on 16 February 2022

The RBI predicts that the Indian economy will grow at a rate of 7.2 per cent in FY23, with an inflation target of 6.7 per cent



India's economic resilience was highlighted in the overall sharp rebound that was displayed by the economy in FY22 and factors such as good prospects of rabi output, opening up of contact-intensive sectors, increase in rural and urban demand and the government's impetus to infrastructure and industrial sectors. These are expected to drive the country's GDP growth to 7.2 per cent in FY23.



The RBI considers high commodity prices resulting from the current global geopolitical situation, global supply shortages and surge in input prices for industries as key factors fuelling the high inflationary pressure on India. It projects inflation for FY23 to be 6.7 per cent based on estimates of a normal monsoon in 2022 and averaging of crude oil prices (Indian basket) to about USD105 per barrel.



On 08 June 2022, the MPC decided to increase the repo rate under the LAF to 4.9 per cent with immediate effect, considering the present as well as evolving macroeconomic scenario. The MPC also agreed to maintain its focus towards withdrawing accommodation, in order to keep inflation within the target, while also promoting growth. Additionally, the RBI has also decided to increase the CRR to 4.5 per cent of NDTL starting from the fortnight of 21 May 2022, thereby leading to a withdrawal of INR87,000 crore in liquidity.



In CY21, FDI inflows into the country decreased by 15 per cent to reach USD74 billion. However, government measures such as allowing 100 per cent FDI on investments under the automatic route (except for strategic sectors), focusing on the development of infrastructure and promoting ease of doing business present an optimistic view for future investments in the country.



The capital expenditure planned by the central government as part of the Union Budget 2022-23 is expected to drive the sustained economic recovery of the country in the coming financial year. The budget outlay of capital expenditure for FY23 has been increased y-o-y by 35.4 per cent to INR7.5 lakh crore, amounting to 2.9 per cent of the GDP.



The slew of infrastructure projects announced in the Union Budget 2022, including expansion of highway network by 25,000 km, the development of four Multimodal Logistics Parks using the PPP mode, eight ropeway projects under the Parvatmala scheme, 400 new-generation Vande Bharat trains, and the development of 100 PM Gati Shakti Cargo Terminals for multimodal logistics will not only improve connectivity and aid the logistics sector, but also bolster growth in industries such as construction.



Fiscal consolidation initiatives, including tightening of monetary policy stance, undertaken by several major central banks across the world (especially in advance economies) have led to an increase in sovereign bond yields and capital outflows from emerging economies such as India. This is expected to create volatility in domestic stock indices and currency in the near term.



Widespread vaccination has helped keep the proportion of fatalities in the third wave of COVID-19 considerably below that of the previous wave. As of 28 April 2022, ~188 crore doses of COVID-19 vaccines have been administered in India.

Note: CY stands for calendar year.

Source(s): "FDI inflow", PIB, 23 March 2022; Vaccination number: MOHFW website; "Governor's Statement: February 10, 2022", RBI, 10 February 2022; Ministry of Finance press release, PIB, 31 January 2022; "Monetary Policy Statement, 2021-22", RBI, 10 February 2022; Union Budget 2022-23, Gol, Quarterly factsheet for FDI, DPIIT, December 2021; "Second Advance Estimates of National Income, 2021-22 and Quarterly Estimates of Gross Domestic Product for the Third Quarter (Oct-Dec), 2021-22", PIB, 28 February 2022; "Monetary policy statement 2022-23", RBI, 8 April 2022; "Maintenance of Cash Reserve Ratio (CRR)", RBI, 4 May 2022; "Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) June 6-8, 2022", RBI, 08 June 2022; all accessed on 21 June 2022



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