

Key Data Releases

Consumer Price Index

- Retail price inflation, measured by the Consumer Price Index (CPI), remained almost unchanged at 7.01 per cent in June 2022 from 7.04 per cent in May 2022.
- Inflation in the food & beverages segment fell to 7.56 per cent in June 2022 from 7.84 per cent in May 2022. Inflation in the fuel & light group rose to 10.39 per cent from 9.54 per cent in May 2022 and that in the clothing & footwear group increased to 9.52 per cent from 8.85 per cent. Inflation in miscellaneous items fell to 6.28 per cent from 6.81 per cent.

Index of Industrial Production

- Industrial output rose by 19.6 per cent on a y-o-y basis in May 2022. Output of mined products grew by 10.9 per cent, while electricity generation increased by 23.5 per cent. The manufacturing sector reported a 20.6 per cent growth in production in May 2022. The growth was broad-based, with 22 of the 23 sub-groups of the manufacturing sector reporting rise in production.
- Among the use-based classification of IIP, output of primary goods rose by 17.7 per cent and that of intermediate goods rose by 17.9 per cent. Production of capital goods jumped by 54 per cent and that of infrastructure/construction goods grew by 18.2 per cent. Among consumer goods, production of durables rose by 58.5 per cent.

Wholesale price Index

- Wholesale price inflation fell to 15.2 per cent in June 2022 from 15.9 per cent in May 2022.
- Inflation in the manufactured products group dropped to 9.2 per cent in June 2022 from 10.1 per cent in May 2022. Inflation in primary article prices declined to 19.2 per cent from 19.7 per cent in May 2022, while that in fuel & power fell to 40.4 per cent from 40.6 per cent.

Foreign Trade

- India's merchandise exports rose y-o-y by 23.5 per cent to USD 40.1 billion in June 2022, as compared to a 47.5 per cent growth registered in the year-ago month. POL exports rose by 119 per cent to USD 8.6 billion, and non-POL exports rose by 10.3 per cent to USD 31.5 billion in June 2022.
- At USD 66.3 billion in June 2022, India's merchandise imports were 57.6 per cent higher than the year-ago level. POL imports rose by 99.5 per cent to USD 21.3 billion and non-POL imports rose by 43.3 per cent to USD 45 billion in June 2022.
- India's net earnings from trade in services fell y-o-y by 8.4 per cent to USD 8.7 billion in June 2022, as against a 34.5 per cent rise registered in the year-ago month. Receipts from service exports rose by 22 per cent to USD 24.8 billion, and payments for service exports rose by 48.6 per cent to USD 16.1 billion in June 2022.

Foreign Exchange Reserves

- India's foreign exchange reserves declined by USD 8.1 billion to USD 580.3 billion during the week ended 08 July 2022.

Key Sectoral Insights

Non-Banking Financial Companies

ICRA: Securitisation volumes originated by Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) have almost doubled to around Rs 33,000 crore in the first quarter of the current financial year, according to a report by ICRA. The volume of such transactions is expected to cross Rs 1.5 lakh crore in FY23. The growth in volumes reflects a 1.9 times increase when compared to Rs 17,200 crore of securitised assets in Q1 FY22 and a 4.4 times increase compared to Rs 7,500 crore in Q1 FY2021, the report said. Collection efficiencies have remained healthy over the past 5-6 months with the agency's rated pools showing 97-101 per cent collection in April 2022, a month when collection efforts are otherwise typically low.

Banking

Crisil: Changes in current account norms helped HDFC Bank, ICICI, Axis and others increase their market penetration in cash management space in the last two years. Aided by that tailwind, the market penetration of large private sector banks, including HDFC Bank, Axis Bank and ICICI Bank, for domestic cash management has dimmed from 35 per cent in 2020 to 40 per cent in 2022. In the international cash management space, the same tailwinds have helped large foreign banks like Cit, HSBC and Standard Chartered Bank increase market penetration from 58 per cent in 2020 to 65 per cent in 2022. Majority of Indian corporates are sanguine about near-term outlook for their businesses but remain "somewhat cautious" about uncertainties currently unfolding in the post-Covid marketplace.

Automotive

SIAM: The total passenger vehicle (PV) sales in the first quarter of this year have shown robust growth of 41 per cent year-on-year to 9,10,431 units as compared with 6,46,272 units in the year ago period. For the first time in the last five years, PV sales have grown to 9.10 lakh units in the first quarter of this financial year. The industry sold 8.73 lakh units in the 2018-19 first quarter, according to the latest sales report by the Society of Automobile Manufacturers (SIAM). However, SIAM also added that there is a challenge in the entry level segments of categories, including the mini car segment, the 125cc scooter segment, and the 110 cc motorcycle (commuter segments) in the last five years.

Upsides

- The Gross Loan Portfolio (GLP) of microfinance industry grew by 10.2 per cent to nearly Rs 2.9 lakh crore at the end of March. The same stood at Rs 2.6 lakh crore in the year-ago period. Banks continue to dominate the microfinance market with portfolio share of 37.7 per cent. This is followed by NBFC-MFIs with a share of 33.3 per cent and Small Finance Banks (SFBs) at 17.1 per cent, as of March 2022.
- In June, domestic tractor sales stood at 94,477 units compared to 81,940 units in May, an increase of 15 per cent, according to the data provided by Tractor and Mechanization Association (TMA). Higher crop prices resulting in better cash flow in the hands of farmers are reported to have spurred an increase in demand for tractors.
- Sales have recovered to pre-pandemic levels at large retail chains in the January-June period owing to low infection rates, a pick-up in consumer mobility and withdrawal of all Covid curbs. Also, the pace of e-commerce channel growth has slowed compared with the previous two years. GfK data, which track actual sales, show key categories have registered 34-49% growth in the overall offline channel, while organized retailers are expanding at a faster pace of 65% for smartphones, 47% for TVs, and 55% for large appliances.
- Housing sales in Delhi-NCR jumped 2.5 fold annually during January-June on revival in demand and lower base effect, while prices rose 7 per cent. Sales of residential properties rose to 29,101 units in January-June this year from 11,474 units in the corresponding period of 2021. New launches of homes jumped multi-fold to 28,726 units from 2,943 units during the period under review. Housing prices appreciated 7 per cent annually to Rs 4,437 per square feet during January-June 2022. Unsold inventories of residential properties came down by 6 per cent to 95,811 units on improved sales performance.
- The staffing industry added 12.6 lakh informal workers in 2021-22, driven by demand in industries like fast-moving consumer goods, e-commerce and manufacturing, according to a report by Indian Staffing Federation (ISF). In 2020-21, the informal workforce or flexi staff demand grew at a modest 3.6 per cent.
- Sales of residential apartments with a price tag of over Rs 1.5 crore have increased over 270% from a year ago during the quarter ended June indicating the rising demand for homes with bigger layout, Apartments priced above Rs 1.5 crore had a share of 15% in the quarterly sales in the second quarter of the year with maximum contribution from two larger markets of Mumbai and Delhi-NCR.
- Gem and jewellery exports to the United Arab Emirates (UAE) have increased since the implementation of the Comprehensive Economic Partnership Agreement (CEPA). The UAE accounts for 80% of India's plain gold jewellery exports and 20% of studded jewellery exports. Total gem and jewellery exports to the UAE in the June quarter grew 10.09% to ₹9,802 crore, from ₹8,904 crore a year ago.
- Production of horticulture crops increased by an estimated 2.1 per cent y-o-y in 2021-22. Area under cultivation of horticulture crops increased by 0.6 per cent to 27.7 million hectares. As per the second advance estimates released by the Department of Economics & Statistics of Ministry of Agriculture, production of vegetables grew by 2.4 per cent. Production of fruits increased by a stronger 4.1 per cent in 2021-22.

Downsides

- Nomura has cut its 2023 forecast for economic growth in India, as measured by the gross domestic product (GDP), to 4.7 per cent from its earlier projection of 5.4 per cent amid recession fears and rising interest rates. Despite the government's recent fiscal steps to counter inflation, there are upside risks to inflation from the continued pass-through of higher input costs, services reopening pressures, pending electricity tariff revisions and elevated inflationary expectations. As a result, Nomura now expects headline inflation in India to average 6.9 per cent in 2022, and 5.9 per cent in 2023.
- Private equity investments into domestic companies fell 17 per cent to USD 6.72 billion on an annual basis in the June quarter. During the same period, the number of Private Equity (PE) deals also declined 15 per cent to 344 compared to the year-ago period. In the year-ago period, the deal value stood at USD 8.13 billion. The deal value declined by 25.1 per cent in the three months ended June compared to the 2022 March quarter when it stood at USD 8.97 billion.
- Impact of export duty by the Centre, a slowdown in demand and competitive pricing by Chinese offerings saw India's finished steel exports for June drop 53 per cent year-on-year to 0.64 million tonnes from 1.4 million tonnes in the year-ago period. On a month-on-month basis, exports fell 19-20 per cent. Steel exports were around 0.80 mt in May. For the first quarter of FY23 – April to June – finished steel exports are expected to see a near 40 per cent fall, year-on-year, from 3.6 mt to around 2.2 mt.
- The tea producing belt of north India, comprising the regions of Assam and North Bengal, has been battered by the severe rainfall, according to Tea Association of India (TAI). A spokesman of TAI said that the north India region produces 81 per cent of the country's total tea production. The crop declined 11 per cent in Assam in June 2022 at 76.87 million kg from 86.37 million kg in the same month of previous year. In Barak Valley, the crop decreased to 4.26 million kg in June 2022 as against 4.26 million kg in the previous year same month of 2021 at 5.08 million kg, showing a decline of 16.14 per cent.
- Global cereals production is likely to drop during the current season July 2022-June 2023 as wheat and coarse cereal outputs are expected to be lower by the Food and Agriculture Organisation (FAO) and the US Department of Agriculture (USDA). As per FAO, global cereal production is estimated to be 2,719.5 million tonnes as against 2,809.7 million tonnes during the year 2021-22. Similarly, as per the estimates by USDA, global cereal production is projected to drop to 2,763.6 million tonnes as against the preliminary estimates of 2,796.2 million tonnes in 2021-22.

Key Policy Announcements/ Notifications

RBI allows international trade settlement in Indian rupees

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12358&Mode=0>

Ease of filing insurance products for Agriculture and allied activities

https://www.irdai.gov.in/ADMINCMS/cms/firmGeneral_Layout.aspx?page=PageNo4756&flag=1

Centre extends RoSCTL (Rebate of State and Central Taxes and Levies) scheme till March 31, 2024 for export of apparel/garments and made-ups

<https://pib.gov.in/newsite/PrintRelease.aspx?relid=235187>

Reports

Global Gender Gap Report, World Economic Forum, July 2022

India was ranked at 135th place in terms of gender parity as per the annual Gender Gap Report 2022. Iceland retained its place as the world's most gender-equal country, followed by Finland, Norway, New Zealand and Sweden. 11 countries are ranked below India on the index of 146 nations, with Afghanistan, Pakistan, Congo, Iran and Chad being the worst-five. The WEF warned that the cost-of-living crisis is expected to hit women hardest globally with a widening gender gap in the labor force and it will take another 132 years to close the gender gap.

<https://www.weforum.org/reports/global-gender-gap-report-2022/>

World Population Prospects, United Nations, July 2022

India is projected to surpass China as the world's most populous country during 2023, according to the report. In 2022, India's population will only be slightly lower (at 1.412 billion) than China's (1.426 billion), and in 2050, the country is projected to have a population of 1.668 billion – way ahead of China's 1.317 billion.

<https://www.un.org/development/desa/pd/content/World-Population-Prospects-2022>

Monthly Economic Review-June 2022, Ministry of Finance

India's current account deficit is expected to deteriorate in the current fiscal on account of costlier imports and tepid merchandise exports, according to the Finance Ministry's monthly economic review. Global headwinds would continue to pose a downside risk to growth as crude oil and edibles, which have driven inflation in India, remain major imported components in the consumption basket.

https://dea.gov.in/sites/default/files/MER%20June%202022_Final.pdf

Youth in India, MOSPI, July 2022

Youth is the most energetic and productive section of a society. A country's ability and potential for growth is determined by the size and strength of its youth population. It is believed that developing countries with large youth population could see tremendous growth, provided they invest in young people's education, health and protect and guarantee their rights.

<https://www.mospi.gov.in/documents/213904/2007837//Youth%20in%20India%2020221656948055574.pdf/f93db380-dc68-e25c-e4bd-3042630a4aa7>

Forthcoming Data Releases

Consumer Price Index (AL/ RL), Ministry of Labour & Employment, July 20, 2022*

Forex Reserves, Reserve Bank of India, July 22, 2022

*Expected

Sources:

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

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

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