

Key Data Releases

Purchasing Managers Index- Manufacturing

■The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index rose from 53.9 in June to 56.4 in July, reflecting the strongest improvement in the health of the sector in eight months. Manufacturing units reported a growth in new business and output in July 2022. The growth was spread well across sectors, with investments goods doing particularly well.

Purchasing Managers Index- Services

■The seasonally adjusted S&P Global India Services PMI declined to 55.5 in July 2022 from 59.2 in June 2022. New business inflows increased in July 2022, but at the slowest pace in the last four months.

Monetary Policy Review – June 2022

■The Reserve Bank of India in its bi-monthly Monetary Policy review, increased the policy repo rate under the LAF by 50 basis points to 5.40 per cent. Standing deposit facility (SDF) rate stands adjusted to 5.15 per cent. Marginal Standing Facility (MSF) rate and the Bank Rate stand adjusted to 5.65 per cent

■Further, the Bank retained its real GDP growth projections from the June review for 2022-23 at 7.2 per cent, with Q1 at 16.2 per cent; Q2 at 6.2 per cent; Q3 at 4.1 per cent; and Q4 at 4.0 per cent.

■CPI Inflation forecast has also been kept unchanged at 6.7 per cent for FY23, while Q2 FY23 forecast has been lowered to 7.1 per cent, and Q3 forecast raised to 6.4 per cent.

Foreign Trade- Preliminary Data

■India's merchandise exports fell y-o-y by 0.8 per cent to USD 35.2 billion in July 2022, and by 12.2 per cent from the preceding month. POL exports fell y-o-y by 7.2 per cent to USD 5.4 billion, whereas non-POL exports rose by 0.5 per cent to USD 29.8 billion.

■At USD 66.3 billion in July 2022, India's merchandise imports remained almost unchanged from the preceding month. Compared year-on-year, these were higher by 43.6 per cent. POL imports rose y-o-y by 70.3 per cent to USD 21.1 billion and non-POL imports rose by 33.8 per cent to USD 45.1 billion in July 2022.

■Merchandise trade deficit scaled to a new high of USD 31 billion in July 2022.

■India's net earnings from trade in services rose year-on-year by 0.7 per cent to USD 9.5 billion in June 2022. Net services exports marked a 13.2 per cent increase over the preceding month. Receipts from service exports rose year-on-year by 24.6 per cent to USD 25.3 billion, and payments for service exports rose by 45.5 per cent to USD 15.8 billion in June 2022.

Foreign Exchange Reserves

■India's foreign exchange reserves increased from USD 571.6 billion to USD 573.9 billion during the week ended 29 July 2022.

Key Sectoral Insights

IT-BPM

TeamLease: India's information technology (IT) and business process management (BPM) workforce is on the trajectory to grow by seven per cent in 2022-23, as per the 'Digital Employment Outlook' report by TeamLease Digital. Overall headcount is expected to increase by 300,000 to touch 5.45 million from 5.1 million. The report further highlighted that the demand for digital skills will grow by 8.4 per cent by the end of the current fiscal. Contractual staffing headcount is estimated to grow by 21 per cent, fueled by investments and companies installing new technologies. At least 7 out of 10 IT companies in FY2023 will look for candidates with digital skills from emerging locations, or smaller cities. MarTech (marketing technology) and IoT (internet of things) are two new additions to the digital skill set this year, with demand for MarTech expected to increase by 5 per cent to 7 per cent and that of IoT by 4 per cent to 6 per cent for FY-2023.

FMCG

Nielsen: The fast moving consumer goods (FMCG) industry is expected to grow in the range of 8-10 per cent in terms of value in 2022 compared to 2021, according to growth forecast estimates released by research and insights firm NielsenIQ. This is due to expectations of a consumption-push in the second half of 2022 due to the festival season and normal monsoon, while continued headwinds such as inflationary pressures and other macroeconomic conditions persist. In January-June 2022, the sector saw a value growth of about 8.4 per cent due to price hikes caused by inflationary pressures.

Upsides

■Unified Payments Interface (UPI) clocked over 6 billion transactions in July: the highest ever by India's flagship digital payments platform since its inception in 2016. UPI reported 6.28 billion transactions amounting to Rs 10.62 trillion, according to data released by the National Payments Corporation of India (NPCI). Month-on-month, the volume of transactions was up 7.16 per cent and value increased 4.76 per cent. Year-on-year (YoY), the volume of transactions nearly doubled while value of transactions was up 75 per cent.

Downsides

■Of the 1,514 infrastructure projects, 384 reported cost overrun of over Rs.4.6 trillion till June 2022 and 713 projects reported time overrun according to MoSPI. Delay in land acquisition, forest or environment clearance, lack of infrastructure support and linkages, supply of equipment, fund constraints, geological surprises, change in scope, delay in tendering, shortage of labour, contractual issues, state-wise lockdown due to Covid-19, legal cases and law and order situation, were among the reasons.

Upsides

- The country's unemployment rate in July fell to 6.80 per cent from 7.80 percent, the lowest level in the last six months, amid rising agriculture activities during monsoon, according to CMIE data. Rural unemployment declined to 6.14 per cent from 8.03 per cent in June, while urban unemployment jumped to 8.21 per cent in July from 7.80 per cent in June as the number of jobs fell both in industry as well as services.
- The government reduced windfall tax on diesel and aviation turbine fuel (ATF). Tax on diesel export has been cut to Rs.5 per litre from Rs.11 per litre.
- GST collection in July soared 28 per cent on-year to Rs 1.49 lakh crore, becoming the second highest revenue collection since the introduction of the GST regime. During the month, revenues from import of goods were up 48 per cent, and the revenues from domestic transactions (including import of services) were up 22 per cent from revenues from these sources during the same month last year.
- After nine consecutive months of relentless selling, foreign investors have turned net buyers and invested nearly Rs 5,000 crore in Indian equities in July on softening dollar index and good corporate earnings. This is in sharp contrast to a net withdrawal of Rs 50,145 crore from the stock market seen in June. According to data with depositories, FPIs infused a net amount of Rs 4,989 crore in Indian equities in July. FPIs turned net buyers for the first time in July after nine straight months of massive net outflows.
- Road and Railway shared a huge chunk to push the government's capital expenditure growth by over 57 per cent during the first three months of the current fiscal. The government has budgeted around ₹7.50-lakh crore of capital expenditure during the current fiscal, out of which it spent over ₹1.75-lakh crore in the first three months. Among key infrastructure sectors, capital expenditure was over ₹80,000 crore in the road sector, showing a growth of 72 per cent. Similarly, during this period, capital expenditure on railways surged by over 80 per cent to over ₹46,000 crore.
- EV sales accelerated and reached the highest-ever monthly figure after a bounce back in June. Total registered electric vehicle volumes reported a 7 per cent increase as compared to volumes of June 2022, driven by electric two-wheeler and three-wheeler segments. As compared to July 2021, EV registrations grew 196 per cent. Total electric vehicle registrations (all segments included) in July 2022 stood at 77,474 units against 72,528 units in June 2022 and 26,191 units in July 2021.
- India's exports of agricultural and processed food products rose up by 31.4 per cent to USD 7.4 billion during April-June 2022 as compared to USD 5.7 billion in the corresponding period of 2021-22. For 2022-23, the overall export target for the agricultural and processed food products basket has been set at USD 23.6 billion - 31.4 per cent of the total target has been achieved in the first three months of the current fiscal.

Downsides

- Export of finished steel from India to its key markets that include Europe, and West Asia, saw a fall 17-48 per cent fall in April – June period (Q1FY23), due to factors such as high export duty (imposed in May), competitive price from China and global consumption slowdown. Steel export in Q1FY23 was down by 39 per cent y-o-y. Two of the key European markets – Belgium and Italy, saw a 27 and 47 per cent fall in steel exports for Q1FY23, to approximately 3,98,000 tonnes and 2,62,000 tonnes respectively. Steel exports in these countries in the year-ago-period was 5,47,000 tonnes and 4,97,000 tonnes.
- Petrol and diesel sales dropped five per cent and 13 per cent in July 2022 compared to June 2022. They were lower ostensibly on account of arrival of monsoon which slowed construction and mining activity. Besides, floods in some places obstructed mobility. Petrol and Diesel sales were higher by 12 per cent and 18 per cent than in July 2021 respectively. They were also 16 per cent and 5 per cent higher than in the pre-pandemic July 2019.
- Domestic tractor volumes remained muted in July owing to factors like a high base and lower than expected rainfall in several states, including UP and Bihar, leading to relatively less sowing in the Kharif season. Mahindra & Mahindra saw a decline of 15.85% y-o-y in its tractor dispatches in the domestic market to 21,684 units, while those of Escorts Kubota dropped 22.31% y-o-y to 4,704 units.
- Paddy sowing for the kharif season 2022 is recorded to be lower at 3.54 million hectares (mh) as compared to the last year due to a combination of factors which include tricky monsoon and farmers shifting to alternative crops. As per the Ministry of Agriculture and Farmers Welfare, sowing of paddy as of 29 July 2022 has been completed on 23.15 million hectares as against 26.7 million hectares a year ago.
- Vehicle registrations in July dipped 8 per cent year-on-year as heavy rains in parts of the country dissuaded new purchases, according to Federation of Automobile Dealers Associations (FADA). Compared to July 2019, the overall fall this time was a sharp 20 per cent. Total registrations (in all segments of vehicles) in July dropped to 14, 36,927 units compared to 15, 59,106 units in the corresponding month last year. Overall volumes in July were dragged down by two-wheelers, which fell 11 per cent year-on-year to 10,09,574 units due to poor demand in rural India.
- India's fast-moving consumer goods (FMCG) market fell 8% in value while sales of electronic goods such as air-conditioners and refrigerators were flat in July from June, indicating higher prices continue to weigh on demand.

Key Policy Announcements/ Notifications

External Commercial Borrowings (ECB) Policy – Liberalisation Measures

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12366&Mode=0>

Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) August 3-5, 2022

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=54148

E-invoicing to be mandatory for businesses with turnover exceeding ₹10 Cr from October 1, 2022

<https://taxinformation.cbic.gov.in/view-pdf/1009474/ENG/Notifications>

Reports

External Sector Report: Pandemic, War, and Global Imbalances, IMF, August 2022

According to the report, global current account balances continued to widen in 2021 to 3.5 percent of world GDP and are expected to widen again this year. Global excess balances narrowed to 0.9 percent of world GDP in 2021 compared with 1.2 percent of world GDP in 2020. The medium-term outlook for global current account balances is a gradual narrowing as the impact of the pandemic fades away, commodity prices normalize, and fiscal consolidation in current account deficit economies progresses. However, this outlook is highly uncertain and subject to several risks. For India, IMF has recommended that in order to maintain external sector balance at a comfortable level over the medium term, India should gradually withdraw its fiscal and monetary policy stimulus, develop export infrastructure, and negotiate free-trade agreements with key trading partners to provide a sustainable boost to exports.

<https://www.imf.org/en/Publications/ESR/Issues/2022/08/04/2022-external-sector-report>

Forthcoming Data Releases

Consumer Price Index, MoSPI, August 12, 2022

Index of Industrial Production, MoSPI August 12, 2022

Foreign Trade, Ministry of Commerce & Industry, August 12, 2022*

Forex Reserves, Reserve Bank of India, August 12, 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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