

Key Data Releases

Bank Credit

- According to an RBI data, bank credit growth accelerated to 14.2 per cent in the quarter ended June 2022 from 6 per cent in the same period of the previous year. In the quarter ended March 2022, bank credit had expanded by 10.8 per cent. This data is collected from all scheduled commercial banks (SCBs), which include regional rural banks (RRBs), small finance banks (SFBs) and payments banks (Pbs).
- Credit growth has been broad-based: all the population groups (i.e., rural, semi-urban, urban and metropolitan), all the bank groups (i.e., public/private sector banks, foreign banks, RRBs and SFBs) and all the regions of the country (i.e., central, eastern, north-eastern, northern, southern and western) recorded double-digit annual credit growth in June 2022.

Foreign Exchange Reserves

- India's foreign exchange reserves fell by approximately USD 6.7 billion to USD 564.1 billion during the week ended 19 August 2022.

Key Sectoral Insights

Information Technology

Deloitte: With the internet becoming ubiquitous by the day, the use of digital platforms to access government services is set to rise. According to 'Digital Smart: Advancing digital government for citizens in the Asia-Pacific', 86 per cent of Indian respondents expect most government services to be available online over the next five years. 86 per cent in India agree that the government needs to invest more in technology to better prepare for the future. The study found that the use of in-person government services halved across APAC nations in the last two years, and 77 per cent of citizens now primarily use a digital platform to access government services. Moreover, 67 per cent of respondents expected the quality of government services to be on par with those offered by the private sector, with 41 per cent struggling to access digital services on their own, due to a lack of basic digital skills and shortfall in digital infrastructure.

Microfinance

Sa-Dhan: The microfinance sector has recorded a growth of 111 per cent in disbursements to Rs 57,842 crore in the first quarter of the current financial year from Rs 27,328 crore during the same quarter last year, according to a report by Sa-Dhan. However, Q1 disbursements dipped around 35 per cent from Rs 89,603 crore during Q4 FY22 as lenders were fine-tuning their disbursement policy as per the new regulations, the association said in its quarterly report. Banks led the disbursement tally with Rs 15,111 crore loans disbursed during the quarter followed by NBFC microfinance institutions (Rs 6,678 crore), small finance banks (Rs 3,564 crore), NBFCs (Rs 1,518 crore), and not-for-profit MFIs (Rs 457 crore).

Retail

CBRE: As the pandemic ebbs, outing, experience and leisure are becoming critical factors needed to balance the retail equation, CBRE said in its report 'The Retail Perspective on Experience and its Impact on Real Estate'. The retail industry, in the new normal, is witnessing growing footfalls across retail and recreational spaces, and physical retail formats with experience, leisure and entertainment are pulling in-store shoppers, it said. The growth in offline retail is due to the pent-up demand, even as online shopping continued to perform strongly. Brands are resizing and calibrating physical store strategies to diversify portfolio and expand footprint. H1 2022 saw more than 500 per cent increase in project completions compared to a year ago, the report said, with experience being a critical factor driving how retail spaces were designed.

FinTech

BCG & Matrix Partners India: Indian fintech market has received \$29 billion in funding across 2,084 deals to date (January 2017-July 2022), gaining 14 per cent share of the global funding and No 2 spot on the deal volume, according to 'State of the Fintech Union 2022' report by the Boston Consulting Group (BCG). India's CAGR in the fintech sector grew by 20 per cent, which was higher than that of the US, the UK, and China which witnessed a growth of 16 per cent, 15 per cent, and 10 per cent, respectively. With 7,460 fintech companies, India is now third behind the US (22,290 fintech companies) and China (8,870). The India fintech ecosystem has 23 unicorns (out of 106 in total) and has reached a scale to establish a strong position in the global financial services market and be benchmarked for its speed of innovation, customer inclusion, and growth, the report noted.

Banking

Bank of Baroda: High interest rates does not impact the demand for housing as individual home buyers are aware that it may move up and down during the tenure of their loan, according to a research report 'Housing loan scenario in India' by Bank of Baroda. The borrowing rates are on the rise since May this year after the Reserve Bank of India (RBI) effected first hike in the benchmark lending rate. The report said the housing segment has shown resilience post pandemic. The strong momentum in housing loans by both Public Sector Banks (PSBs) and other financial institutions also points to the same. The government and RBI measure to support this sector, along with lower prices and interest rates helped cushion the impact of the Covid-19 pandemic on this sector.

Upsides

- Indian auto components industry clocked its highest-ever turnover of Rs 4.2 trillion in 2021-22, registering a growth of 23 per cent on the back of strong performance in exports and aftermarket, industry body ACMA said. Auto parts' imports rose 33 per cent in 2021-22, while exports grew 43 per cent in the same period. The auto component industry in India exported components worth Rs 1.41 trillion in 2021-22, it said, adding that auto parts worth Rs 1.36 trillion were imported in 2021-22.
- In a sign that the economy is well on its road to recovery, new company registrations were at record high in the first six months of this calendar year. Services sector accounted for the most new registrations, followed by manufacturing. According to the Ministry of Corporate Affairs, a total of 90,051 companies were registered across the country between January and June 2022 — clocking a 15 per cent increase compared to the year-ago period (78,533 registrations).
- India's e-commerce companies are adding delivery personnel at a rapid pace, fearing a labour shortage might cause them to lose out in one of the biggest annual shopping seasons that begins in earnest next month. The moves come amid a tightening job market - India's unemployment rate fell below 7% in July for the first time since January - and persistently high inflation, complicating the outlook for the industry which has long battled chronically high employee turnover.
- The government's platform for public procurement Government eMarketplace (GeM) has crossed a whopping 50-lakh seller mark amid the growing number of registrations on the MSME registration portal Udyam which is integrated with the marketplace. The milestone was achieved around five months after GeM crossed 40 lakh sellers. 50.05 lakh sellers and service providers were registered on GeM, of which 8 lakh were micro and small enterprises with a 55.01 per cent share in the portal's total order value.
- Demand for smart luxury homes with hi-tech surveillance and artificial intelligence (AI)-based features, including automatic temperature, light, and voice control features almost doubled in the first half (H1) of 2022 over the previous year. According to Anarock, 184,000 units were sold in the top seven Indian cities – the Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Hyderabad, Bengaluru, Pune, Chennai, and Kolkata – in H1 of 2022. Of this, 14 per cent (25,680 units) were luxury homes. In comparison, in the comparative period in 2019, 261,000 units were sold, of which only 7 per cent (17,740 units) were luxury homes.
- More than 74 per cent of unorganised workers have registered on the e-Shram portal since its launch on 26 August 2021. As per the Ministry of Labour & Employment, there are a total of 380 million unorganised workers currently. More than half of the registered workers at 147.3 million are engaged in agriculture, with domestic and household workers at a distant second at 27.7 million, accounting for 9.8 per cent of total registrations.

Downsides

- Various textile units, from spinning mills to powerlooms to units manufacturing made-ups, in South India, particularly Tamil Nadu, are resorting to production cuts by shutting their units at least once or twice a day in view of cotton prices zooming to ₹1 lakh a candy (of 356 kg).
- After wheat, rice prices are firming up on reports of supply concerns with the all India average retail price of the grain ruling higher by 6.31 per cent at Rs 37.7 per kg compared to the year-ago period, according to an official data. Paddy sowing continues to lag as area under the key kharif crop was lower by 8.25 per cent at 343.70 lakh hectare till last week of the ongoing kharif season, according to the agriculture ministry. Area sown to pulses and oilseeds also remained slightly lower, while the overall area covered under all kharif crops showed a lag of 25.52 lakh hectare at 1012.99 lakh hectare till August 18 of the 2022-23 kharif season.
- Daily groceries and essentials consumers bought in the quarter ended June fell 0.6% in India, led by a steep fall in the urban markets even as demand in villages recovered. The performance also signaled consistent price hikes forcing people to cut back on household spending. A 2.8% expansion in rural areas during the quarter was offset by a slump in the cities where demand fell 4.1%, according to global consumer research firm Kantar Worldpanel.
- India's tea exports to the traditional markets of Europe and Japan have declined following an increase in tea prices and appreciation of the Indian currency. The impending fear of recession amid increasing inflationary pressure is also making buyers in Europe cautious about buying tea at higher prices.
- Sales volumes of fertilizers fell by 14.3 per cent in July 2022. A total of 6.1 million tonnes of fertilisers was sold during the reporting month compared to 7.2 million tonnes sold in July 2021. A total of 21.8 million tonnes of fertilisers was sold during April-July 2022, five per cent lower compared to a year ago. During April-July 2021, 22.9 million tonnes of fertilisers was sold.
- Crude oil production in July 2022 stood at 2.45 million tonnes. This was 3.8 per cent lower than the production during the same month a year ago. It was also 5.6 per cent lower than the target of 2.59 million tonnes set for July 2022. The oil production during the first four months of the current fiscal that began on April 1 was only marginally lower at 9.91 million tonnes as opposed to 9.96 million tonnes during April-July 2021.
- Gem and jewellery export declined by seven per cent in July 2022 to USD 3.1 billion as compared to USD 3.4 billion in July 2021 on the back of global economic recessionary trend, as per the Gem and Jewellery Export Promotion Council (GJEPC).

Key Policy Announcements/ Notifications

Disclosure requirement for Asset Management Companies (AMCs)

<https://www.sebi.gov.in/legal/circulars/aug-2022/disclosure-requirement-for-asset-management-companies-amcs-62345.html>

Enhanced Disclosures by CRAs and Norms on Rating Withdrawal

<https://www.sebi.gov.in/legal/circulars/aug-2022/enhanced-disclosures-by-cras-and-norms-on-rating-withdrawal-62361.html>

Entities can make overseas investment beyond prescribed limit in strategic sectors

<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1853679>

Constitution of Telecom Startups-MSMEs Mission and a Facilitation Cell for focused engagement with Startups or MSMEs in Digital Communication Technologies - DCTs

<https://dot.gov.in/circulars/constitution-telecom-startups-msmes-mission-and-facilitation-cell-focused-engagement>

MCA21 Version -3- Ministry of Corporate Affairs

<https://pib.gov.in/PressReleasePage.aspx?PRID=1854102>

Tripartite MoU signed for swift development of modern Multi Modal Logistics Park (MMLP) under Bharatmala Pariyojna

<https://pib.gov.in/PressReleaselframePage.aspx?PRID=1854111>

Reports

Monthly Economic Review- July 2022, Ministry of Finance, August 2022

According to the report, rural demand in India, which was buffeted by the Covid-19 pandemic and then by high global inflation, is set to recover as prices come down and the southwest monsoon proves supportive to the sowing season. Further, the absence of any further shock, the downward movement of global commodity prices, along with the Reserve Bank of India's monetary measures, and the government's fiscal policies are expected to cap inflationary pressure in the coming months. The services sector, especially touch services like hospitality, leisure, and tourism, which were impacted the most by the Covid-19 pandemic, can emerge as a key growth driver, buoyed by the release of pent-up demand, easing of mobility restrictions, and near-universal coverage in Covid vaccination.

<https://dea.gov.in/sites/default/files/Monthly%20Economic%20Report%20July%202022.pdf>

Forthcoming Data Releases

Index of Eight Core Industries, Ministry of Commerce & Industry, August 31, 2022*

GDP, MoSPI, August 31, 2022

CPI (IW), Labour Bureau, August 31, 2022*

Forex Reserves, Reserve Bank of India, September 2, 2022

*Expected

Sources:

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

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

Anshuman Khanna – anshuman.khanna@ficci.com / Sakshi Arora – sakshi.arora@ficci.com