

# India Economics

## Monthly Chartbook

August 2021

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## Outlook improving, inflation remains a worry

India's economic outlook seems to be improving with rising vaccinations, falling Covid-19 cases and improvement in corporate profitability. Government's tax collections are increasing and so is capex. Indian corporates are looking fresh investments in cement, steel, renewables and PLI linked sectors. Export demand—goods and services—has never been better. However, inflation is a cause of concern with RBI revising its FY22 inflation forecast to 5.7% (5.1% earlier). RBI is likely to start policy normalisation in Q4FY22. An improving growth outlook and high forex reserves imply RBI has time to rein in surplus liquidity, reduce the wedge between repo and reverse repo rate and raise repo rate in FY23.

**Vaccination gaining pace; covid cases drop:** India's Covid-19 graph is looking better with sero surveys showing 67% of population with antibodies. Vaccination is ramping up with daily doses at 5mn. Incremental Covid-19 cases are falling and states are easing restrictions.

**Outlook improving:** Growth commentary from RBI was encouraging. While current consumer confidence is weak, 1-year ahead outlook has seen significant improvement. Exports are seeing a sustained upturn not seen in many years with non-oil exports up by 30% over a 2-year horizon. Government tax collections are buoyant led by corporate tax. Corporates have deleveraged and looking at investments in cement, steel, renewables, EVs and PLI linked sectors. Rural demand is likely to sustain with another good monsoon. Urban consumption will improve with a lag once economy is back to full potential.

**Centre's revenue growth solid so far:** Centre's gross tax collections rose to Rs 5.3tn (+97%) in Q1FY22, from Rs 2.7tn in FY21 and Rs 4tn in FY20. Both direct and indirect tax collections are buoyant at Rs 2.5tn and Rs 2.9tn versus

Rs 1.7tn to Rs 2.3tn, respectively in FYTD20. CGST collections are back to pre-pandemic levels (Rs 1.7tn). Centre's capex has also improved significantly from Rs 630bn in Q1FY20 to Rs 1.1tn in Q1FY22. In case of states, while tax receipts are yet to pick-up, capex is back at last year's level, supported by market borrowings (Rs 1.5tn in Q1FY22 versus Rs 815bn in Q1FY20).

**Inflation a cause of concern:** In Jul'21, India's new benchmark yield shot up by 15bps in contrast with other global yields which declined following Fed and ECB's dovish comments and rising Covid-19 cases globally. In Aug'21 as well, India's 10Y yield rose by 4bps following RBI's upward revision of inflation forecast by 60bps to 5.7% in FY22. Even in Q1FY23, the trajectory is at 5.1%, above MPC's 4% target. Five MPC members voted to continue accommodative stance for as long as necessary to revive and sustain growth. RBI also increased absorption under variable rate reverse repos (VRRR) to Rs 4tn in Sep'21. While lower commodity prices on the back of rising Covid-19 cases may give near-term relief, higher inflation implies RBI will start normalisation in Q4.

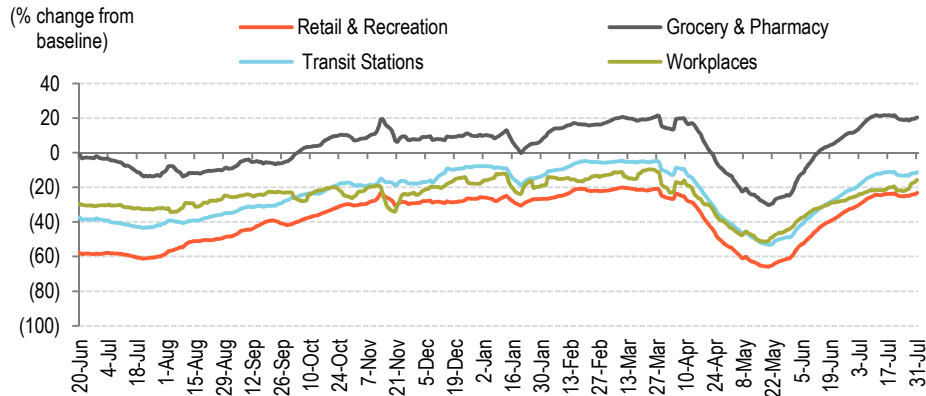
**INR to remain range-bound:** After depreciating sharply by 2.3% in Jun'21, INR stabilised and fell by only 0.1% in Jul'21. Despite higher oil prices and FII outflows (US\$ 1.8bn in Jul'21 compared with inflows of US\$ 0.9bn in Jun'21), a weaker dollar supported INR. While imports are likely to be higher on the back of rising oil prices and resumption in domestic economic activity, resilient exports (record-high in Jul'21) will likely keep trade deficit contained. Hence we expect CAD to remain contained at ~1% of GDP in FY22. This should support INR in 73-75/\$ in the near term. Higher oil prices and another Covid-19 wave are key risks to our view.

**Note: The source for all exhibits is 'CEIC and Bank of Baroda' unless otherwise specified**

## High Frequency Indicators

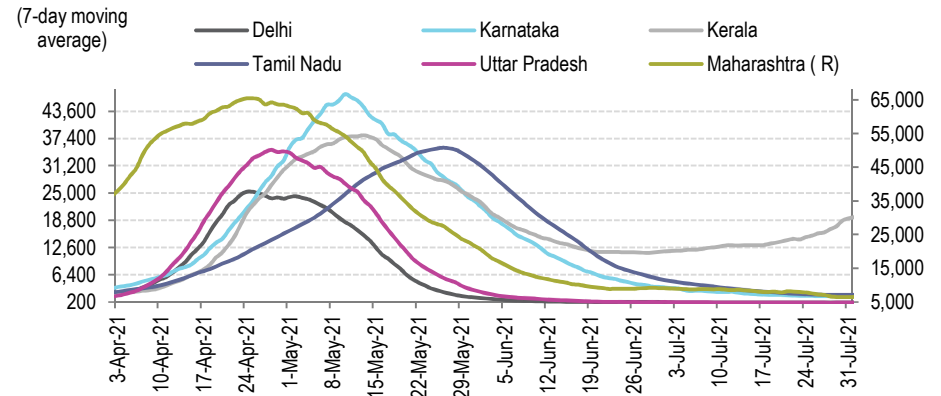
### Mobility index and Covid cases

**Fig 1 – Google mobility index remains steady**

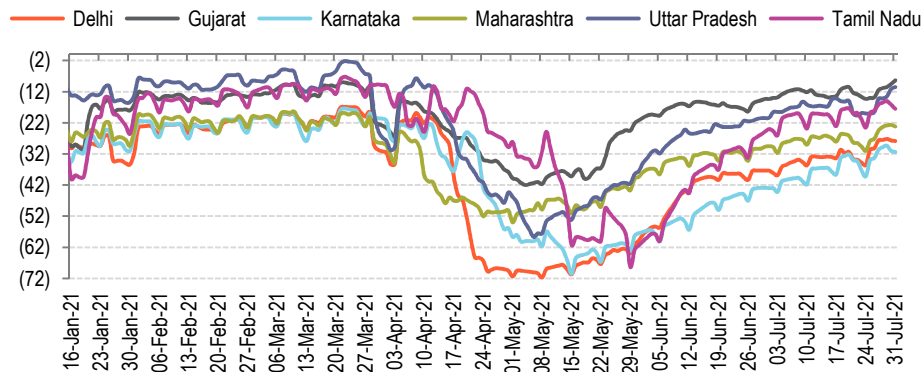


Note: Highlights % change in visits to the place from baseline reading (median value, for the corresponding day of the week, during the five week period 3 Jan – 6 Feb 2020). Note: Data taken as 7 days rolling average

**Fig 2 – Statewise cases dropping; Kerala remains an outlier**

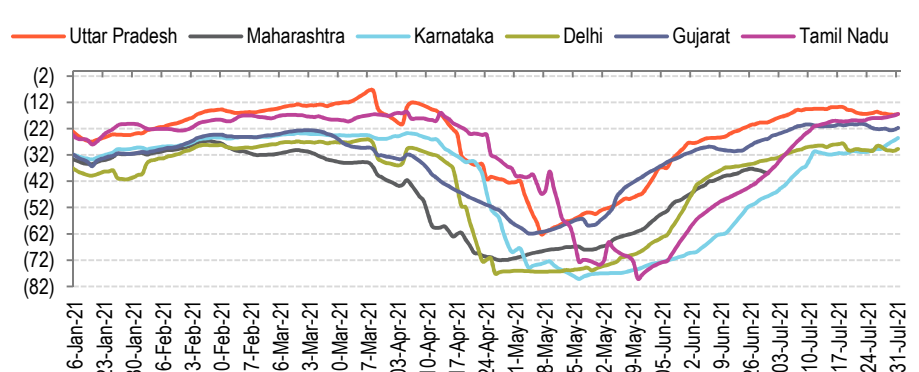


**Fig 3 – Workplace mobility stabilizes**



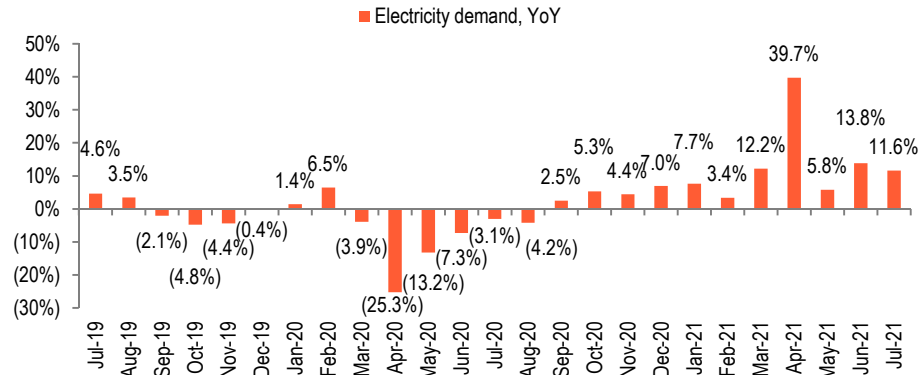
Note: Data taken as 7 days rolling average

**Fig 4 – Similar case for retail and recreation**



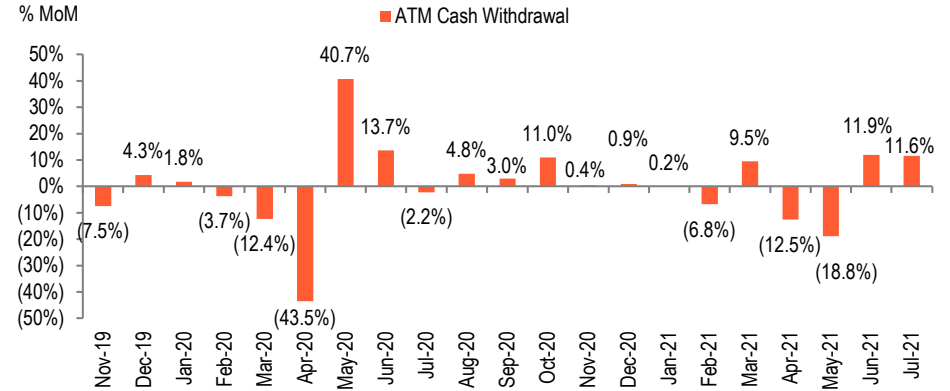
Note: Data taken as 7 days rolling average

**Fig 5 – Electricity demand slows in Jul’21**



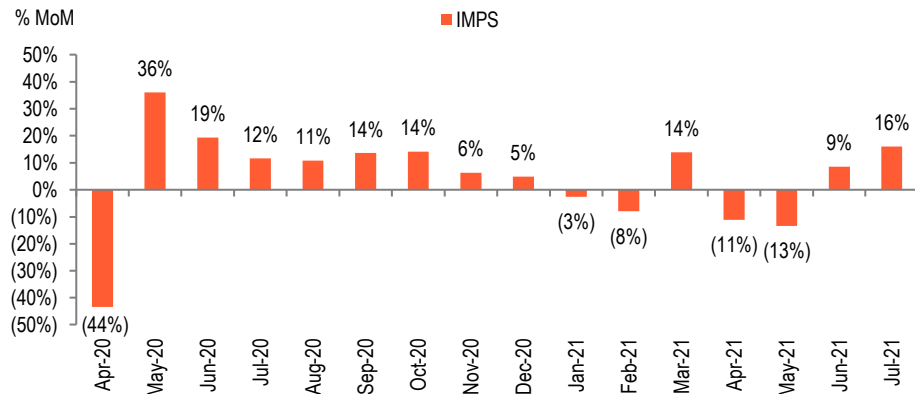
Source: Posoco. Note: Maximum Demand met during peak evening hours (MW)

**Fig 6 – Cash withdrawal moderated marginally**



Source: NPCI. Note: NFS Cashwithdrawal amount does not include Card to Card Transfer

**Fig 7 – IMPS payments register double digit growth**



Source: NPCI

**Fig 8 – UPI payments continues to gather pace**

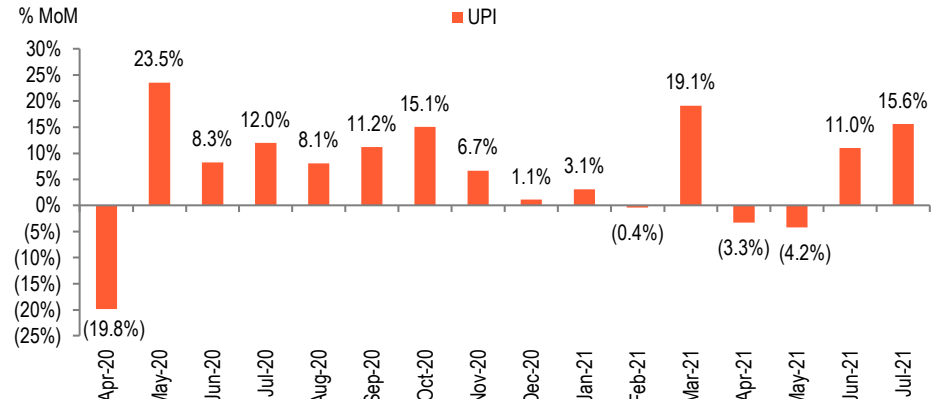


Fig 9 – Fertilizer sales improves in Jun'21

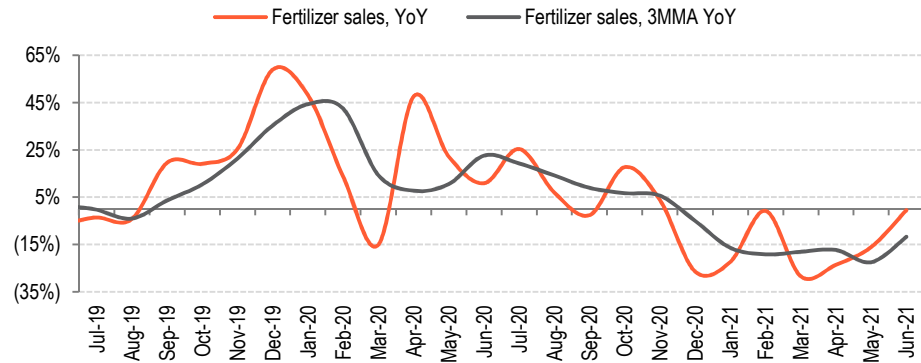
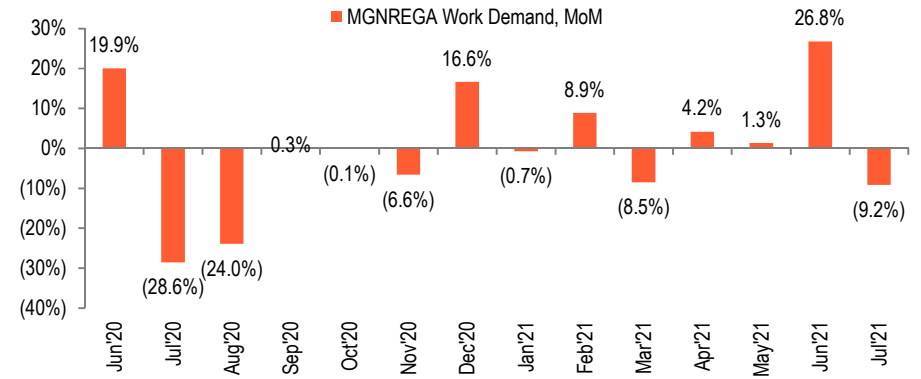


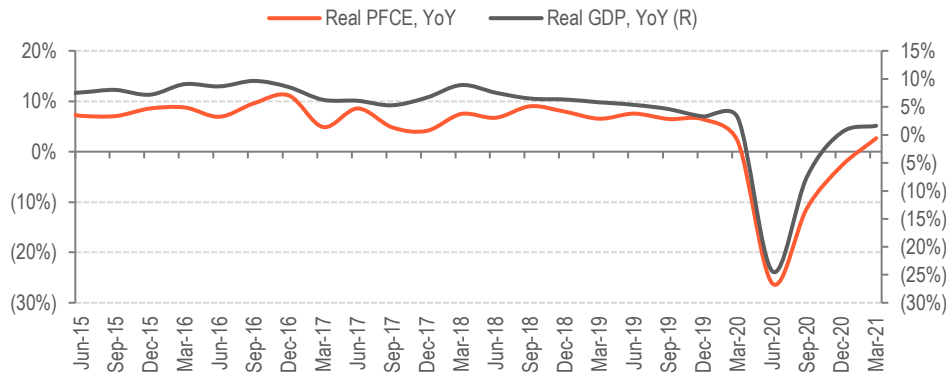
Fig 10 – MGNREGA work demand dips in Jul'21



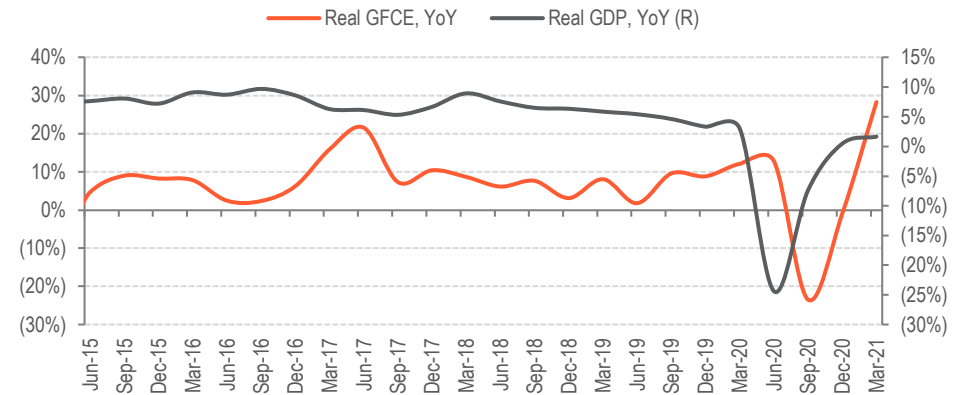
Source: MGNREGA

**Final consumption expenditure**

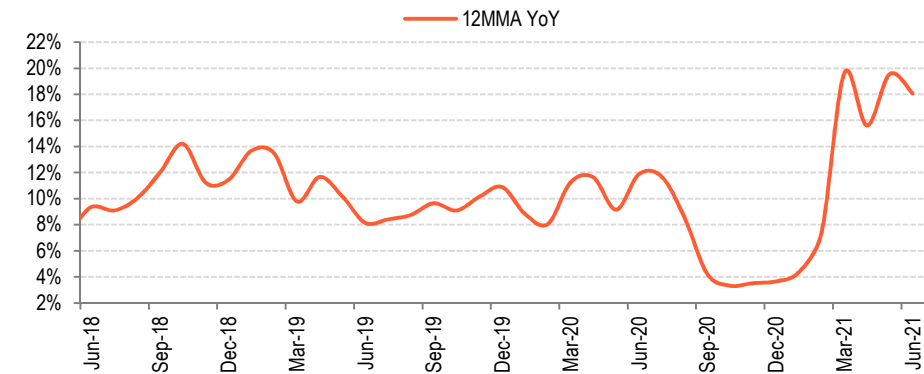
**Fig 11 – Private consumption improves in Q4**



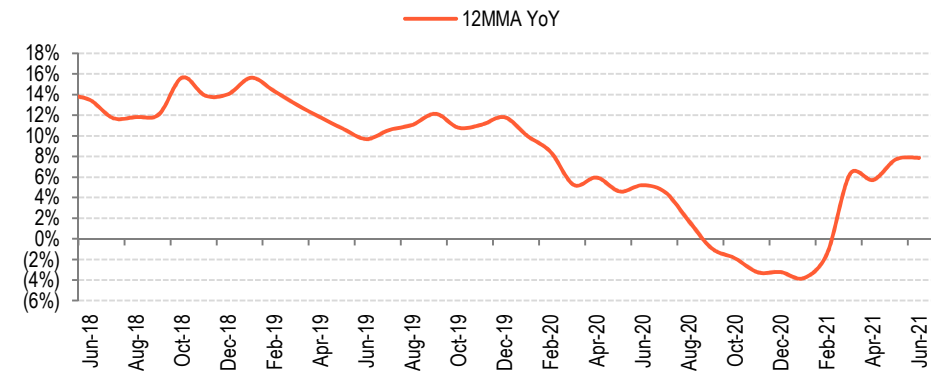
**Fig 12 – Government consumption accelerates in Q4FY21**



**Fig 13 – General govt. revenue spending dips**



**Fig 14 – State\* govt. revenue spending though remains steady**



Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K and W.Bengal

Non-oil imports, electronic imports

Fig 15 – Moderation in non-oil-non-gold imports

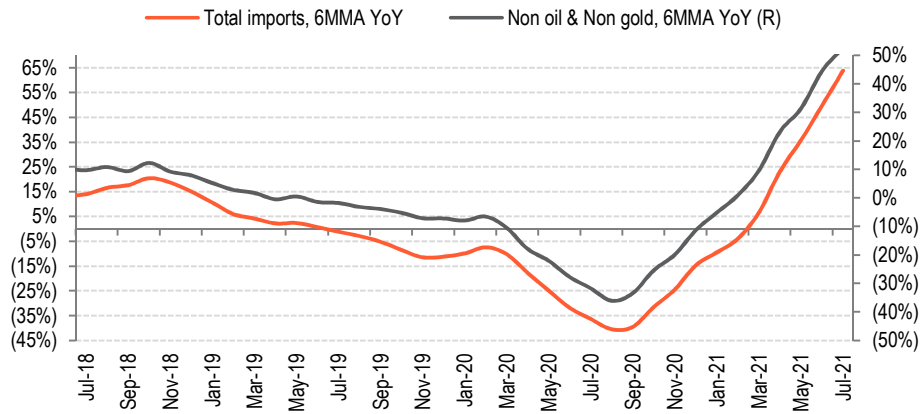


Fig 16 – Electronic imports slows further

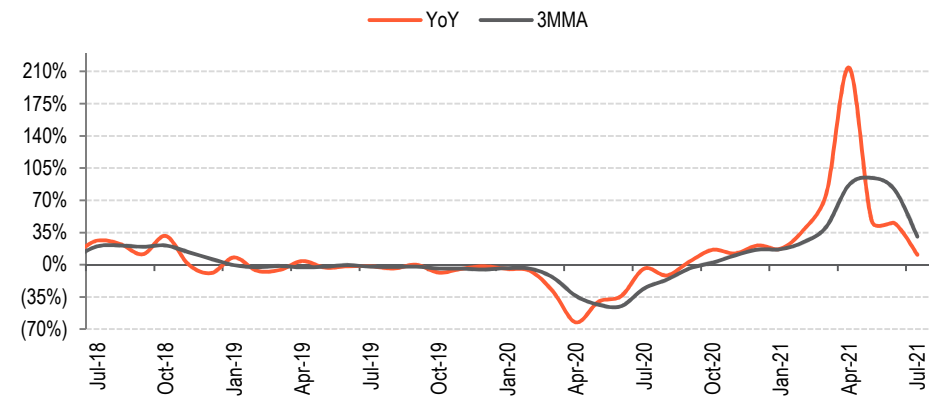
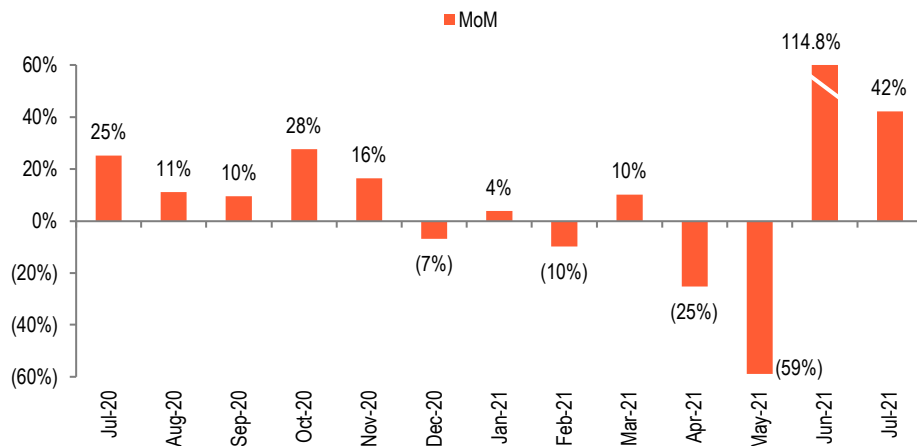
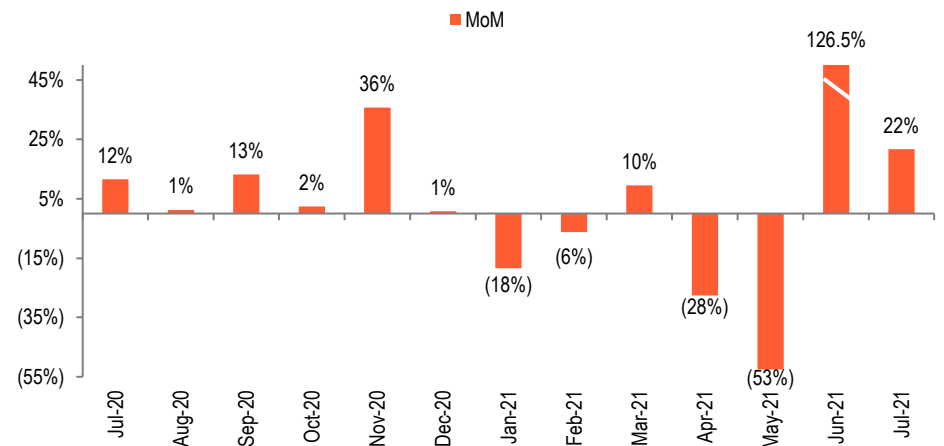


Fig 17 – Passenger car sales improve slows in Jul'21



Source: FADA

Fig 18 – Two-wheeler sales too dips



Credit deployment of personal loans

Fig 19 – Growth in credit card outstanding moderates further

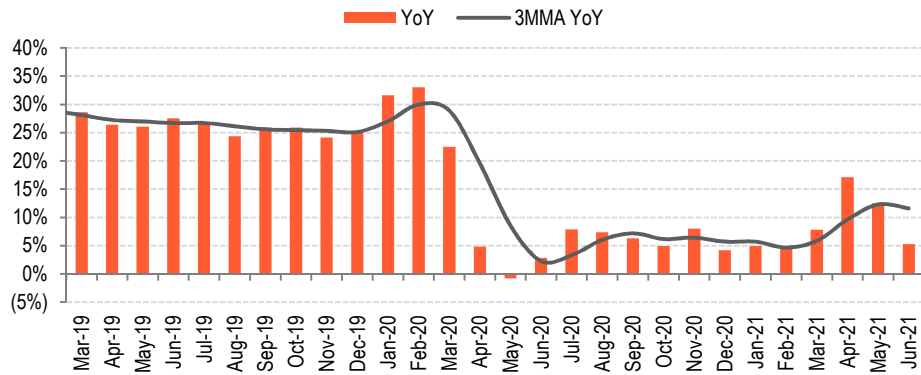


Fig 20 – Similar trend for personal loans

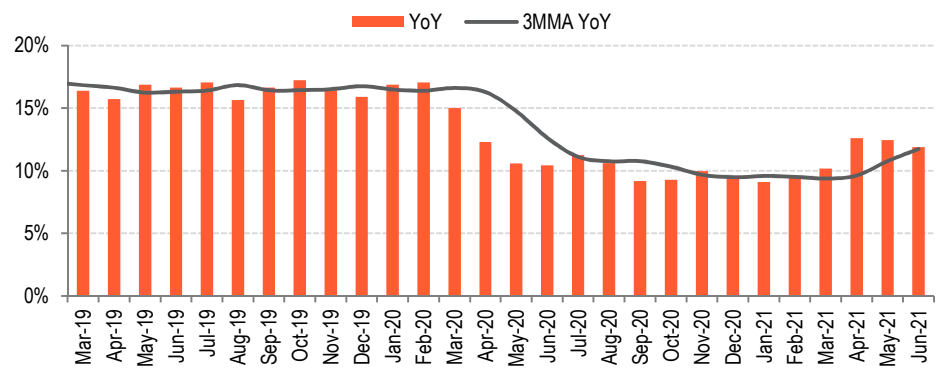


Fig 21 – Growth in vehicle loans dips in Jun'21

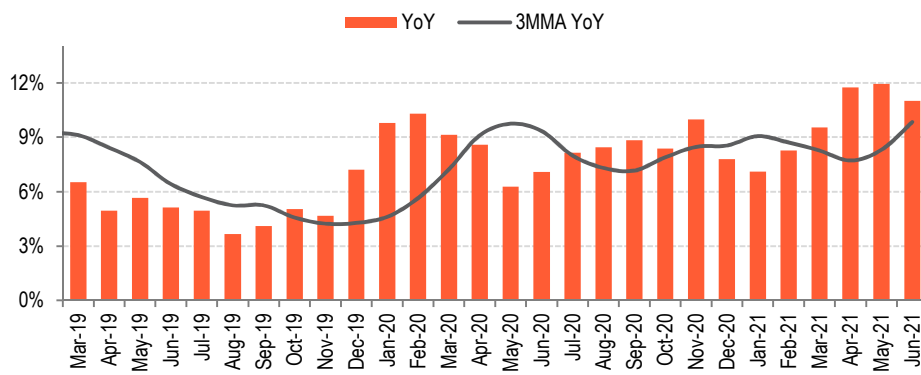


Fig 22 – Consumer confidence remains weak

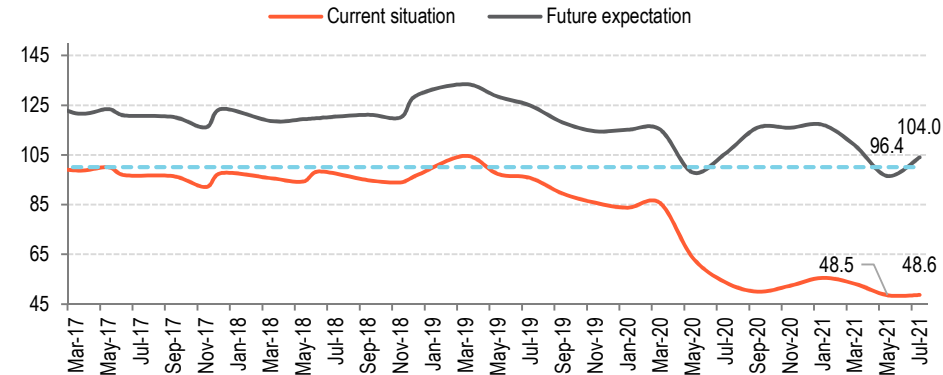




Fig 23 – RBI’s essential spending higher

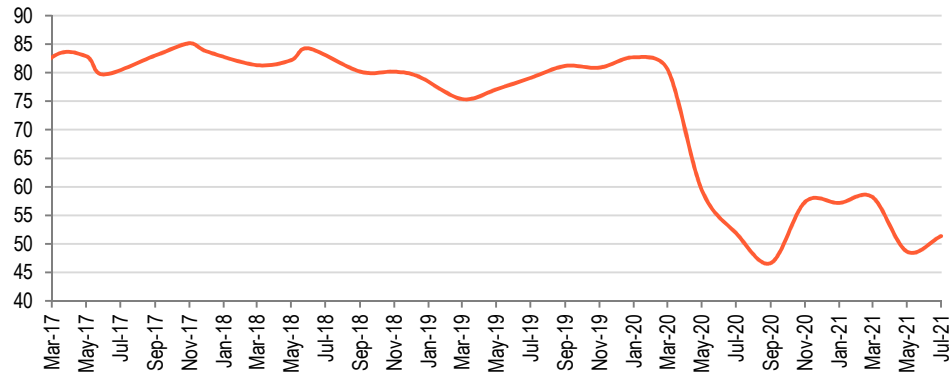
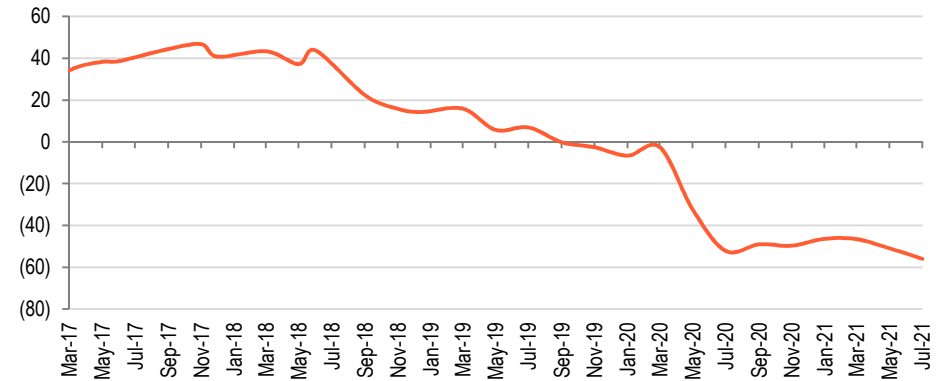


Fig 24 – ...non-essential spending continues to dip



Consumer durables & non-durables production

Fig 25 – Higher Consumer durables output led by low base

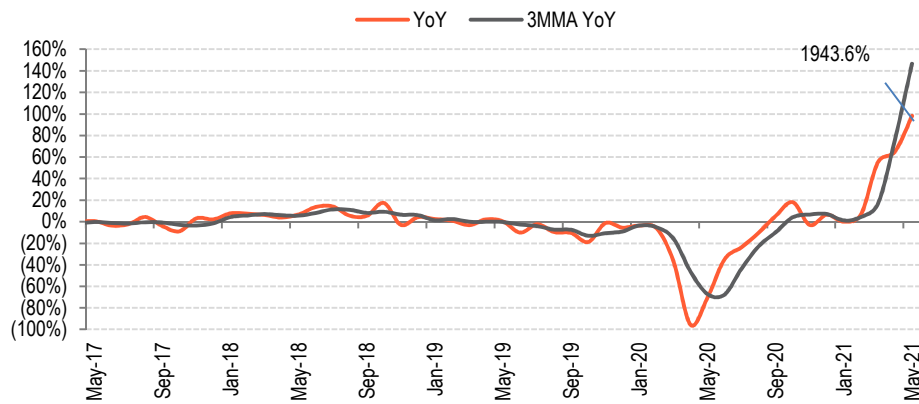
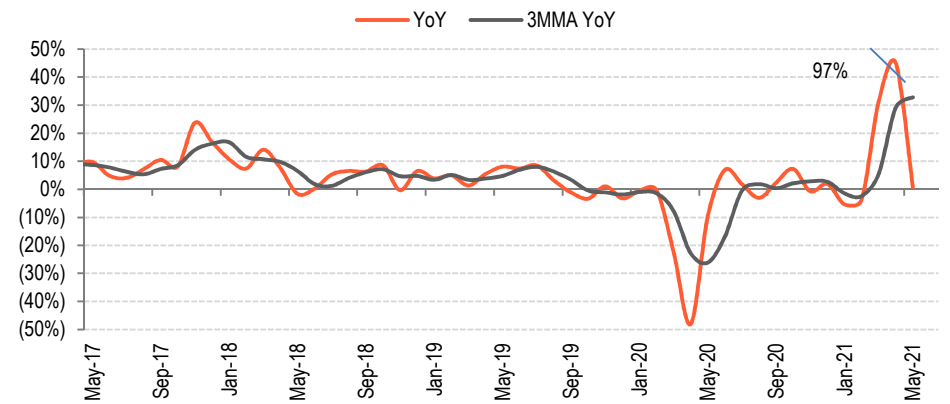


Fig 26 – However FMCG output drops



Agriculture

Fig 27 – Agri growth dips in Q4FY21

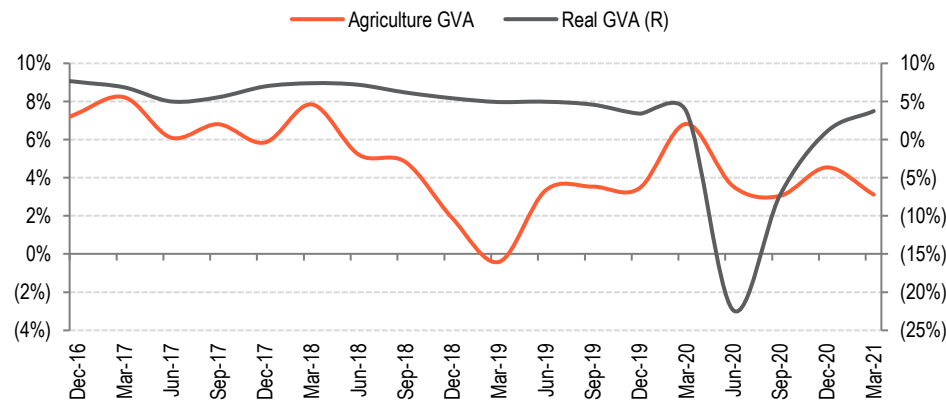
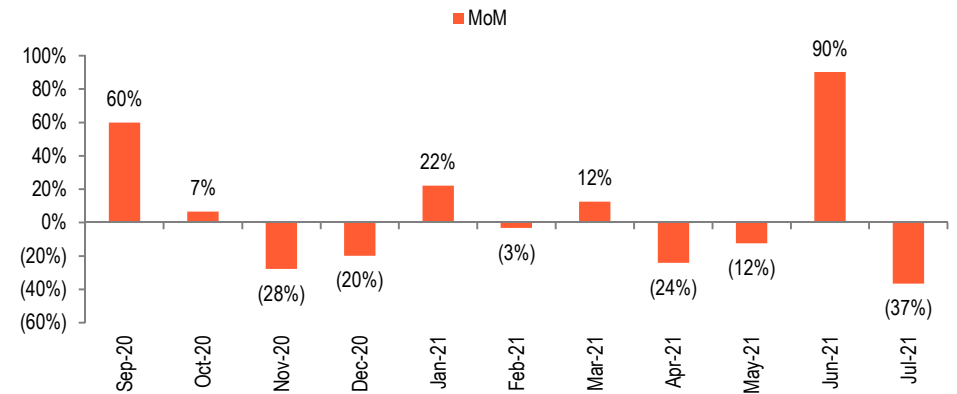


Fig 28 – Tractor sales slows



Note: tractor Sales including exports

Fig 29 – Agriculture credit improves in Jun'21

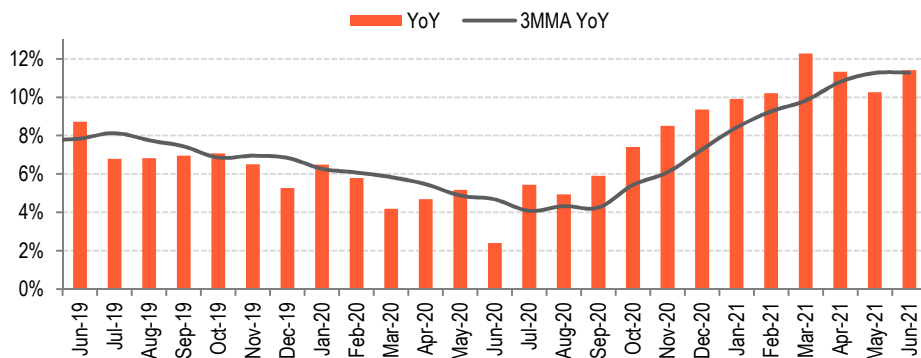
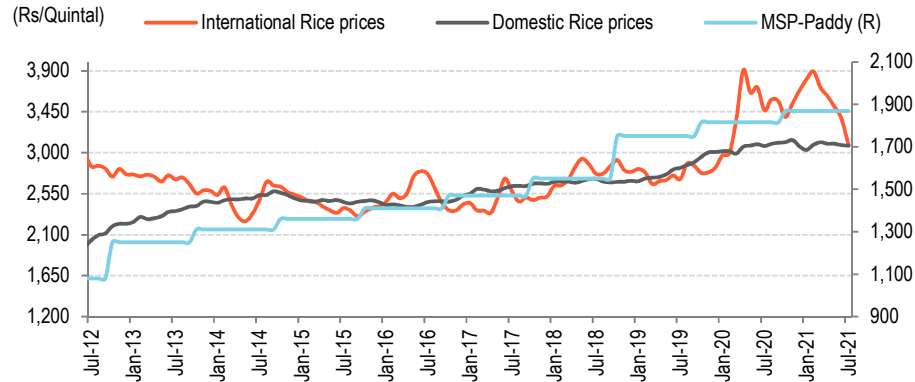


Fig 30 – Procurement of rice and wheat

| Year    | Wheat | Rice   |
|---------|-------|--------|
| 2012-13 | 38.15 | 34.04  |
| 2013-14 | 25.09 | 31.85  |
| 2014-15 | 28.02 | 32.04  |
| 2015-16 | 28.09 | 34.22  |
| 2016-17 | 22.96 | 38.11  |
| 2017-18 | 30.83 | 38.19  |
| 2018-19 | 35.80 | 44.39  |
| 2019-20 | 34.13 | 51.99  |
| 2020-21 | 38.99 | 57.63* |
| 2021-22 | 43.30 | -      |

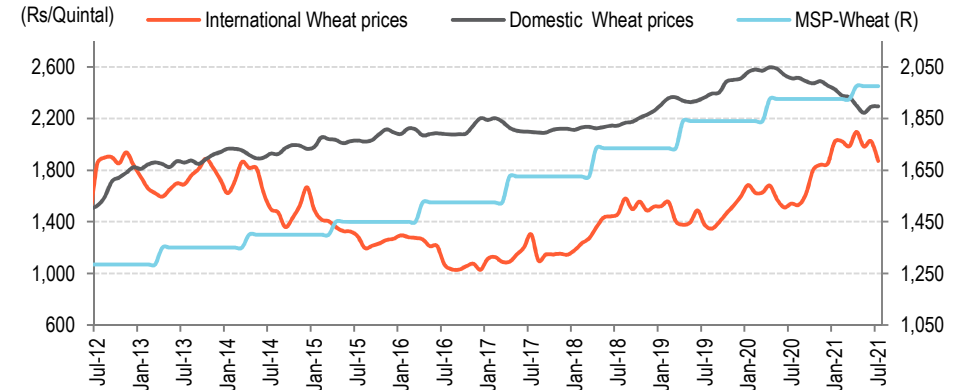
Source: Ministry of Consumer Affairs, Food and Public Distribution | \*As on: 31 Jul 2021

**Fig 31 – Both International and domestic rice price moderates**



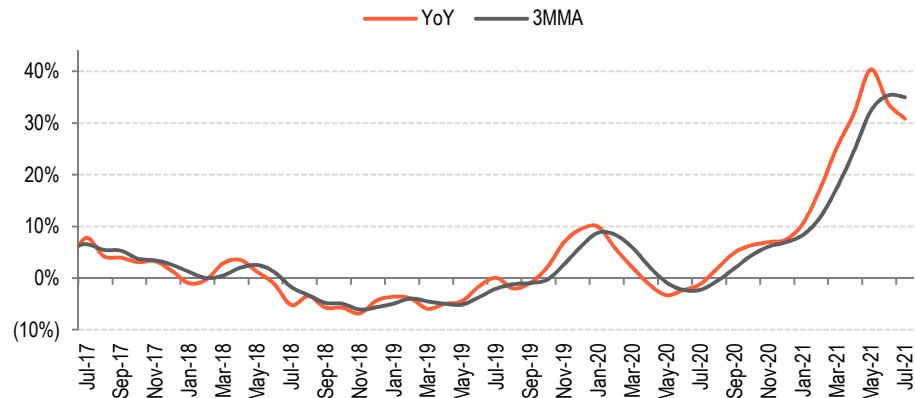
Source: World Bank

**Fig 32 – Higher domestic price of wheat; international price eases**



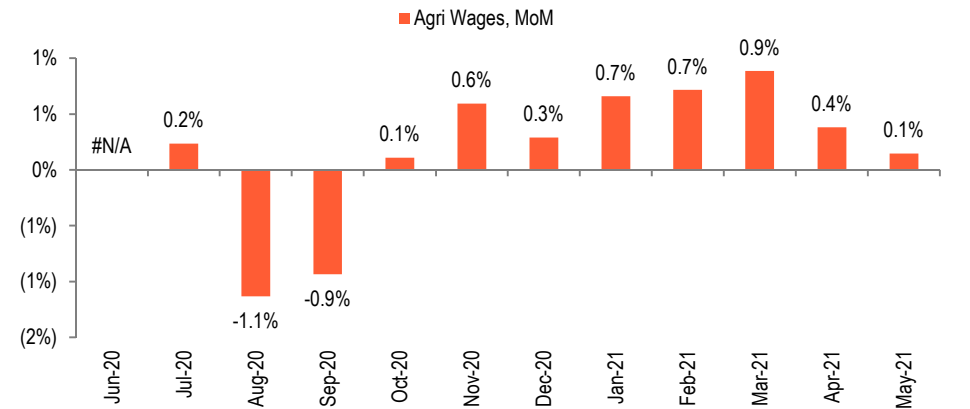
Source: World Bank

**Fig 33 – Global food prices cools-off further**



Source: FAO

**Fig 34 – Wage growth (men) continues to drop**



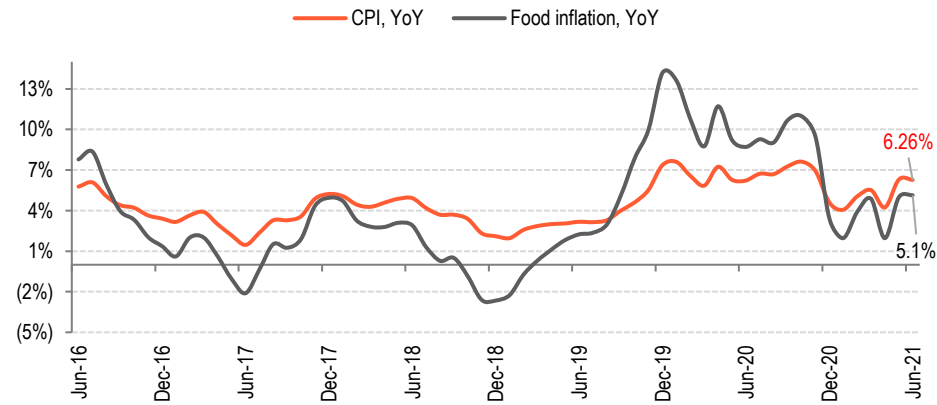
**Fig 35 – Kharif sowing is lower compared with last year**

| Crop Type (mn ha) | Area sown in 2021-22 | Area sown in 2020-21 | Normal Area for whole Kharif season | Growth (YoY%) |
|-------------------|----------------------|----------------------|-------------------------------------|---------------|
| Foodgrains        | 58.3                 | 59.3                 | 71.5                                | (1.6)         |
| Cereals           | 46.3                 | 47.5                 | 57.9                                | (2.5)         |
| Rice              | 31.0                 | 31.9                 | 39.6                                | (2.7)         |
| Pulses            | 12.0                 | 11.7                 | 13.5                                | 1.9           |
| Oilseeds          | 17.4                 | 18.0                 | 18.0                                | (3.5)         |
| Cotton            | 11.6                 | 12.4                 | 12.4                                | (6)           |
| Sugarcane         | 5.4                  | 5.4                  | 4.8                                 | 1.5           |
| Jute and Mesta    | 0.7                  | 0.7                  | 0.7                                 | 1.0           |
| <b>Total</b>      | <b>93.39</b>         | <b>95.65</b>         | <b>107.3</b>                        | <b>(2.4)</b>  |

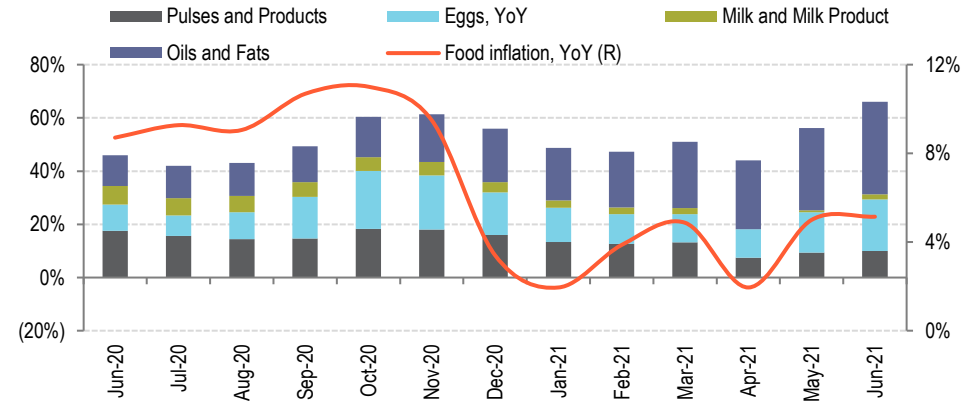
\*Note: Till 6 Aug 2021

## Inflation

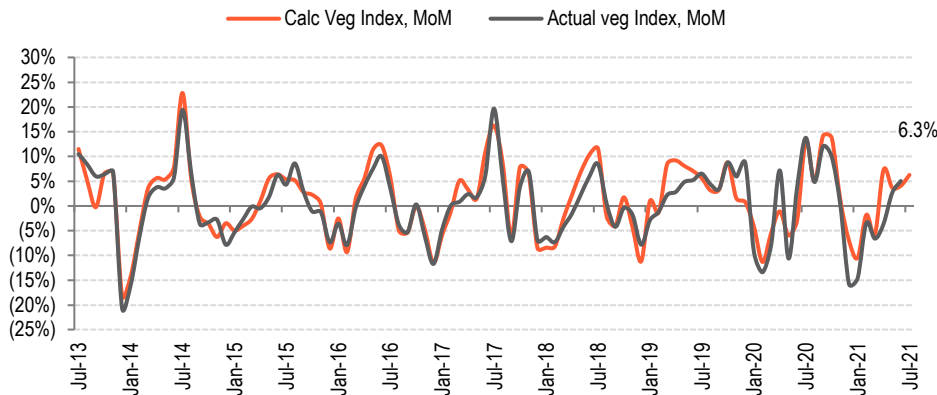
**Fig 36 – Retail inflation edged down marginally to 6.26% in Jun'21 from 6.3% in May'21**



**Fig 37 – ...Food inflation rose slightly to 5.1% from 5.0% in May'21, led by eggs, oils and fats and pulses**

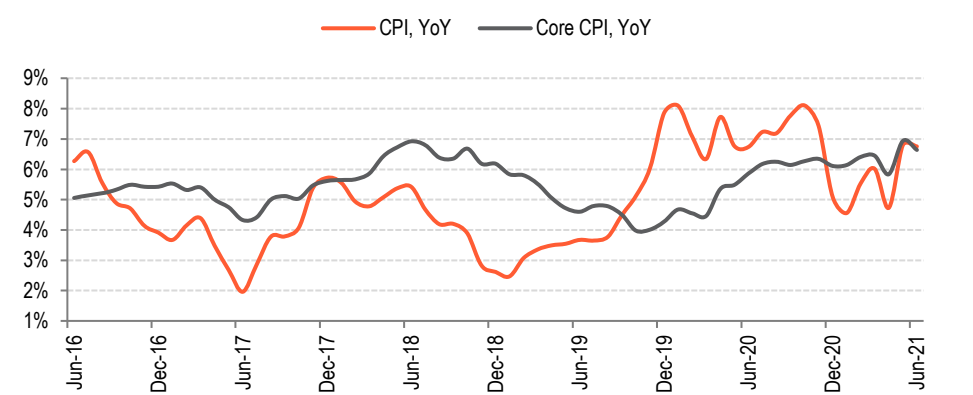


**Fig 38 – Vegetable prices also rose at a faster pace of 6.3% (MoM increase) in Jul'21**

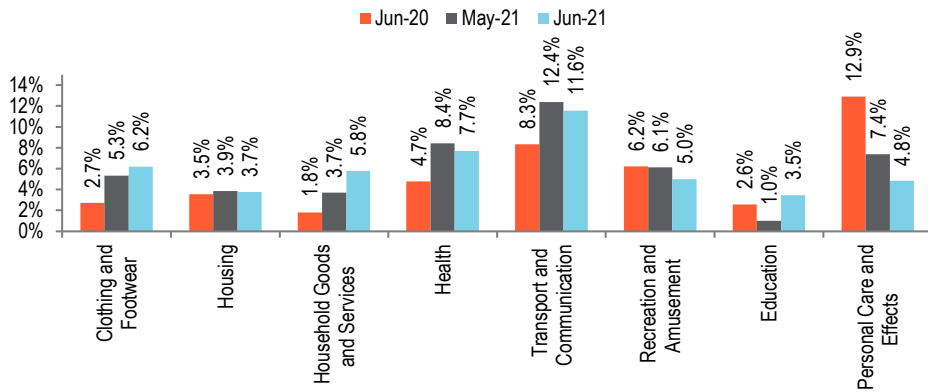


Note: \*vegetable index computed using average retail price of major items

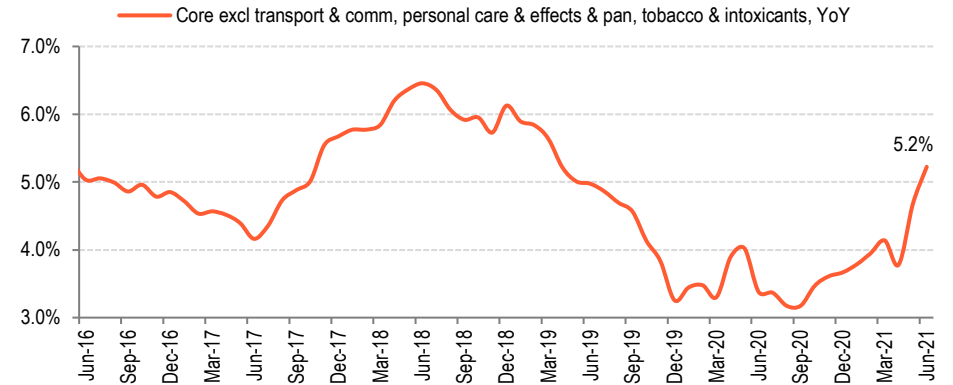
**Fig 39 – CPI excl. food and fuel moderated to 6.1% from 6.4% in May'21**



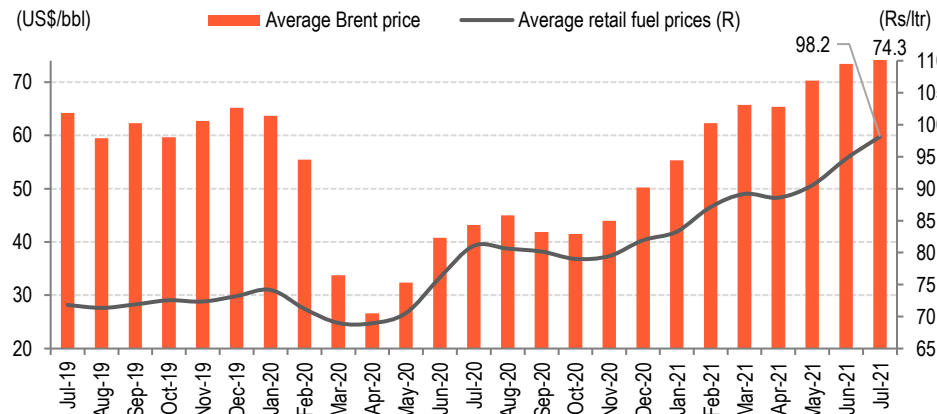
**Fig 40 – ...Led by housing, health, transport and communication and personal care and effects**



**Fig 41 – However, core excl. major volatile items inched up to 5.2% from 4.7% in May'21**

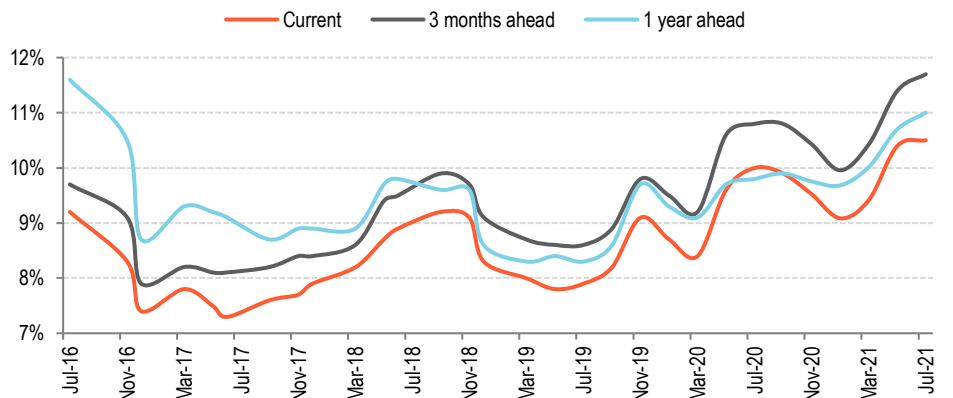


**Fig 42 – Retail fuel prices are also skyrocketing at Rs 98.2 from Rs 94.7/ltr in Jun'21, crude price also rose to US\$ 74/bbl from US\$ 73/bbl**



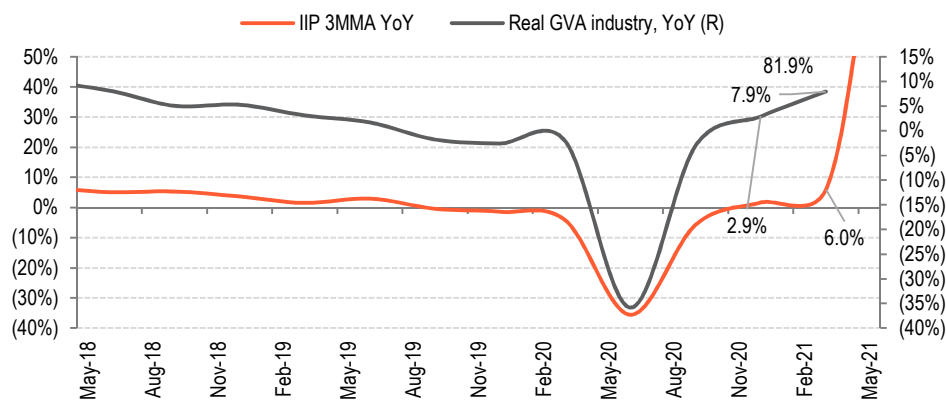
Note: \*Average retail price of Delhi, Kolkata, Mumbai and Chennai

**Fig 43 – Inflation expectation not anchored to the MPC's 4% target**



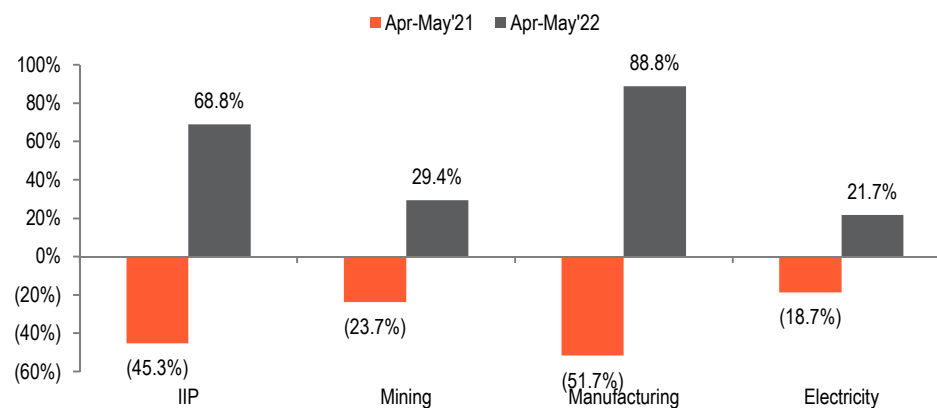
## Industry

**Fig 44 – Industrial growth expected to improve in Q1 on the back of low base**



Note: Apr-May'21 data is average on YoY basis

**Fig 45 – Broad based improvement in FYTD'22**

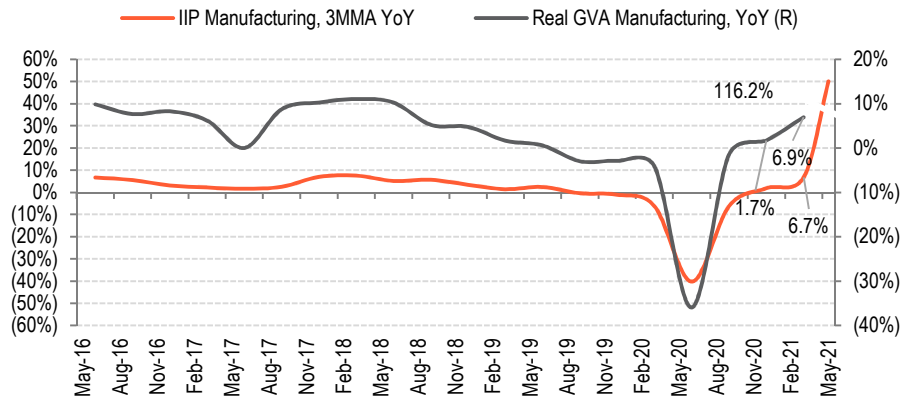


**Fig 46 – IIP growth shows in May'21**

| Sectoral (%)                          | Weight | May-21 | May-20 | Apr-May'22 | Apr-May'21 |
|---------------------------------------|--------|--------|--------|------------|------------|
| IIP                                   | 100.0  | 29.3   | (33.4) | 68.8       | (45)       |
| Mining                                | 14.4   | 23.3   | (20.4) | 29.4       | (23.7)     |
| Manufacturing                         | 77.6   | 34.5   | (37.8) | 88.8       | (51.7)     |
| Electricity                           | 8.0    | 7.5    | (14.9) | 21.7       | (18.7)     |
| <b>Use-Based</b>                      |        |        |        |            |            |
| Primary Goods                         | 34.1   | 15.8   | (19.6) | 25.6       | (23.0)     |
| Capital Goods                         | 8.2    | 85.3   | (65.9) | 243.4      | (78.8)     |
| Intermediate Goods                    | 17.2   | 55.2   | (39.7) | 109.7      | (51.1)     |
| Infrastructure and Construction Goods | 12.3   | 46.8   | (39.0) | 149.3      | (61.1)     |
| Consumer Durables Goods               | 12.8   | 98.2   | (70.3) | 315        | (82.7)     |
| Consumer Non-Durables Goods           | 15.3   | 0.8    | (9.7)  | 33.8       | (28.2)     |

## Manufacturing

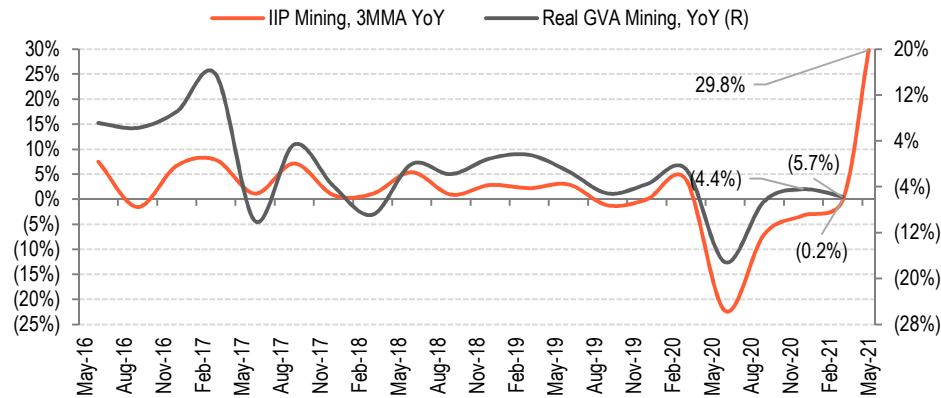
**Fig 47 – Manufacturing activity expected to improve due to base effect**



Note: Apr-May'21 data is average on YoY basis

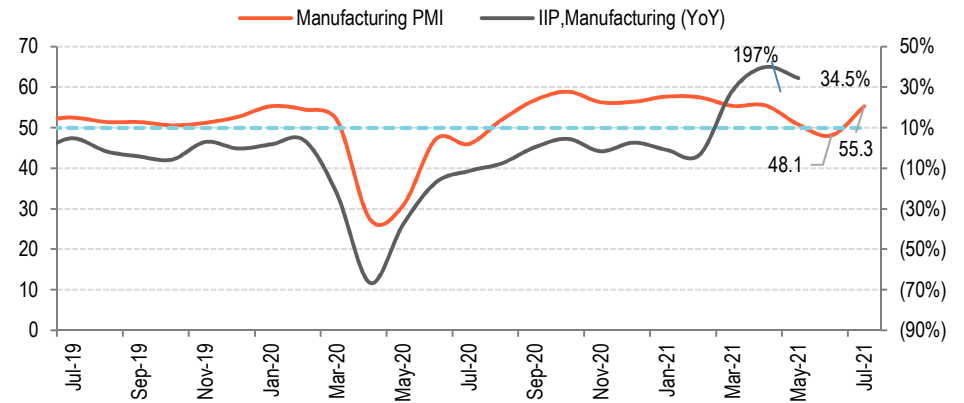
## Mining & Electricity

**Fig 49 – Mining activity higher led by lower base**



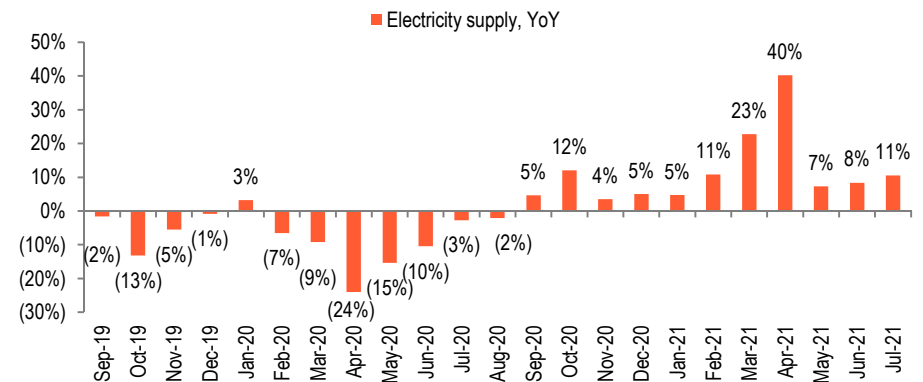
Note: Apr-May'21 data is average on YoY basis

**Fig 48 – Manufacturing PMI drops rebounds in Jul'21**



Source: Markit

**Fig 50 – Electricity output registers double digit growth**

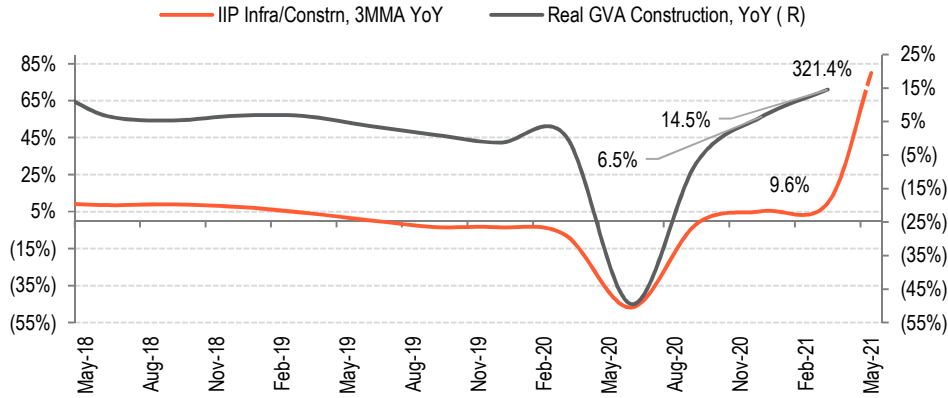


Source: Posoco. Note: Average Energy Met (MU)



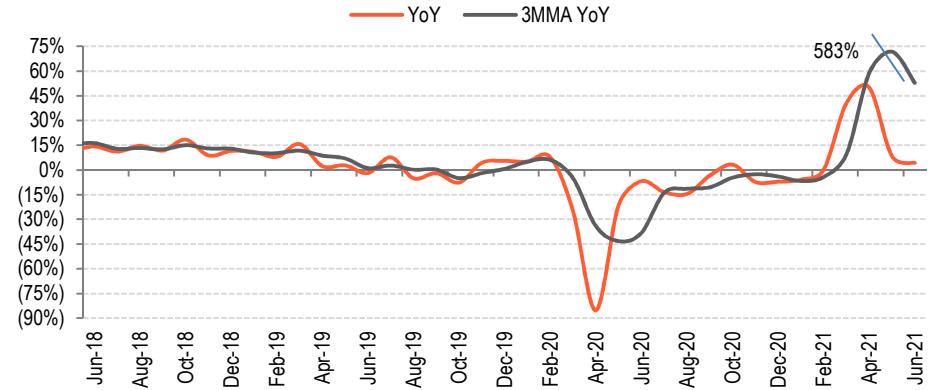
### Infrastructure and Construction

**Fig 51 – Growth in construction to be higher compared with last year**



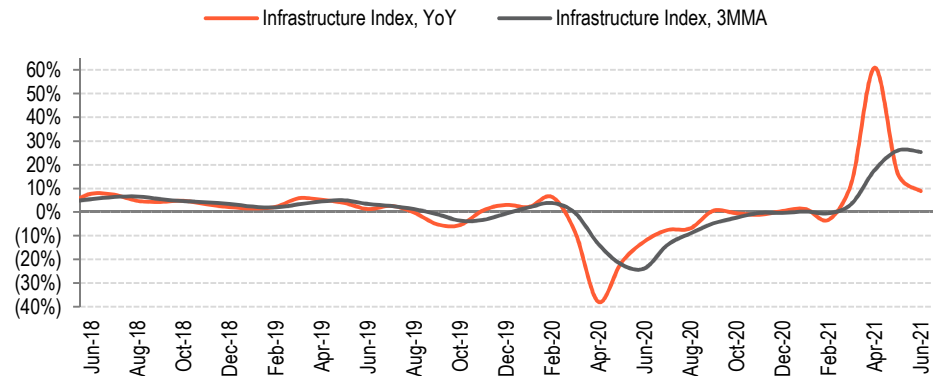
Note: Apr-May'21 data is average on YoY basis

**Fig 52 – Cement output moderates in Jun'21**

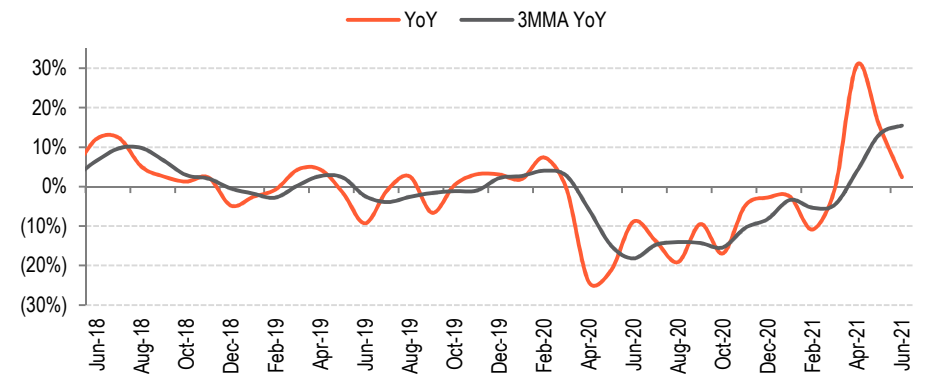


### Infrastructure Index

**Fig 53 – Infra index slows**

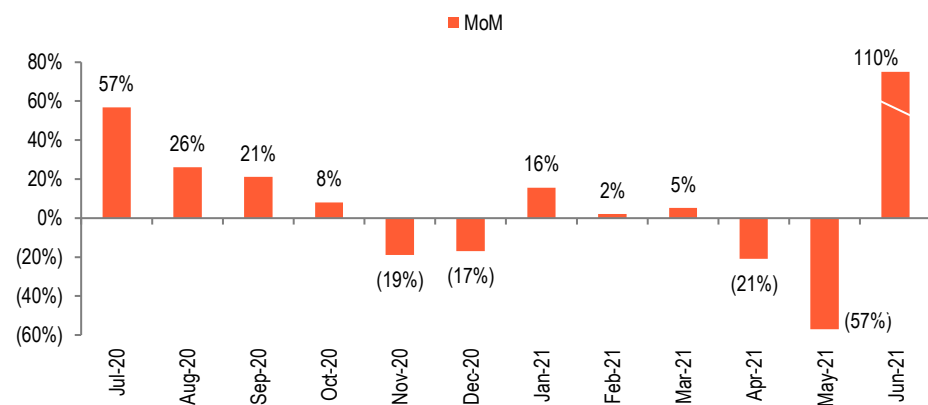


**Fig 54 – Output of Refinery product eases**

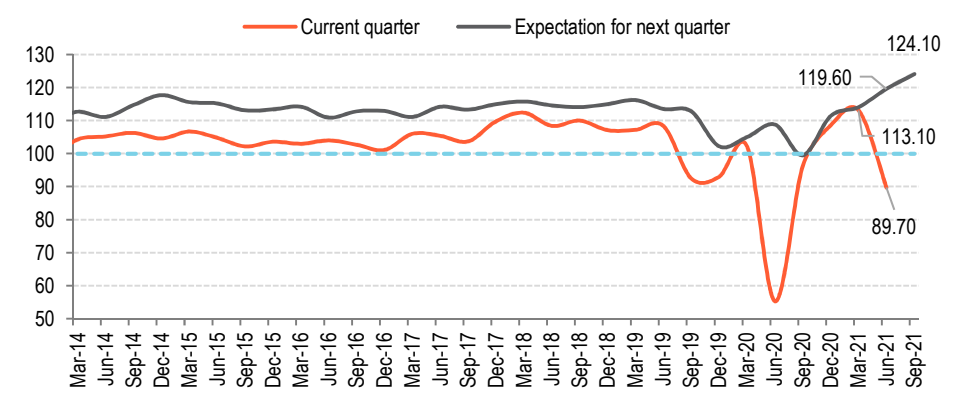


## Auto production & Business expectation index

**Fig 55 – Auto production improves in Jun’21**



**Fig 56 – Business sentiment turns weaker**

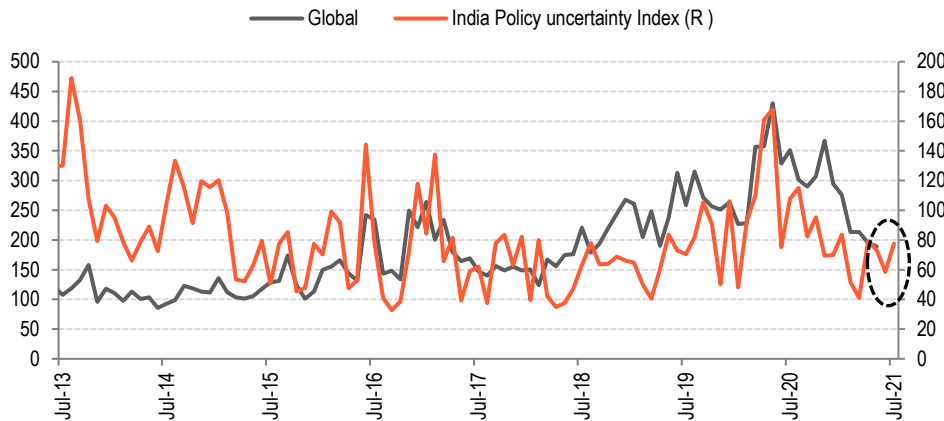


**Fig 57 – Infrastructure index moderates further**

| (%)                         | Weight | Jun-21 | May-21 | Jun-20 | Apr-Jun’22 | Apr-Jun’21 |
|-----------------------------|--------|--------|--------|--------|------------|------------|
| Infrastructure Index        | 100    | 8.9    | 16.3   | (12.4) | 25.3       | (23.8)     |
| Coal                        | 10.3   | 7.4    | 7.0    | (15.5) | 8.0        | (15)       |
| Crude Oil                   | 9.0    | (1.8)  | (6.3)  | (6)    | (3.4)      | (6.5)      |
| Natural Gas                 | 6.9    | 20.6   | 20.1   | (12)   | 21.8       | (16.2)     |
| Petroleum Refinery Products | 28.0   | 2.4    | 15.3   | (8.9)  | 15.4       | (18.2)     |
| Fertilizers                 | 2.6    | 2.0    | (9.6)  | 4.2    | (1.7)      | 2.8        |
| Steel                       | 17.9   | 25     | 55.3   | (23.2) | 86         | (48.6)     |
| Cement                      | 5.4    | 4.3    | 8.3    | (6.8)  | 52.9       | (38.3)     |
| Electricity                 | 19.9   | 7.2    | 7.5    | (10)   | 16.4       | (15.8)     |

Investment

Fig 58 – Policy uncertainty in India heightened as the Index again rose in Jul’21



Source: policyuncertainty.com

Fig 60 – PLF of govt. thermal plants was fairly stable, while for private plants it inched up marginally

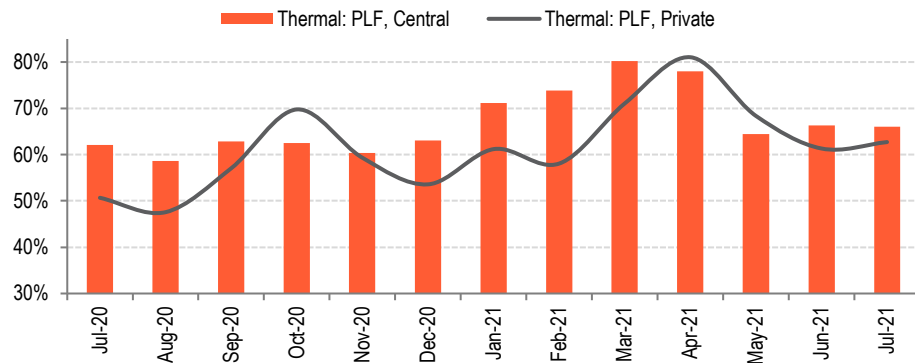


Fig 59 – Capacity utilisation picking up from 66.6% in Dec’20 to 69.4% in Mar’21

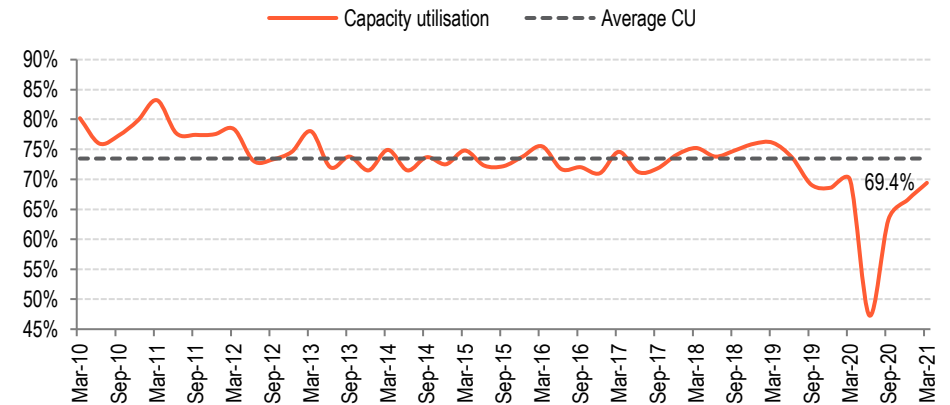
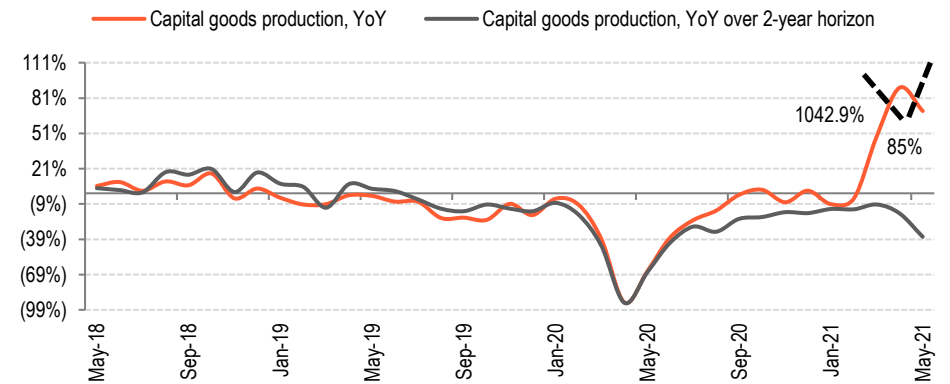
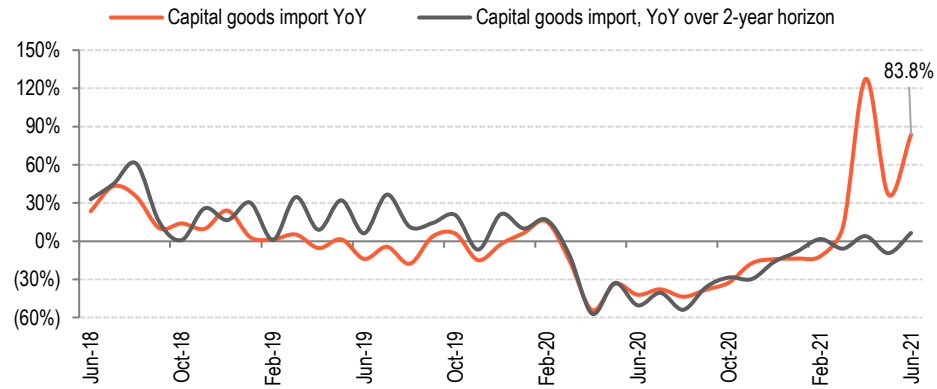


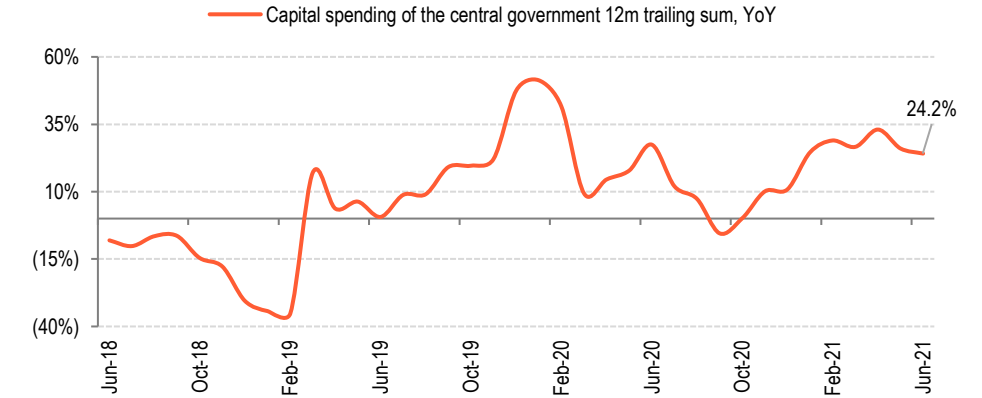
Fig 61 – Capital goods production edged down to 85% in May’21 from 1043% in Apr’21 due to base effect, however, over a 2-year horizon it fell by 37%



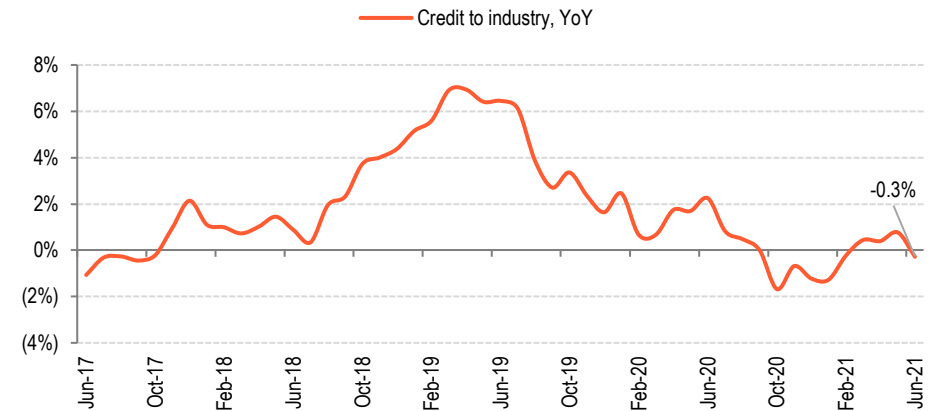
**Fig 62 – Capital goods imports surged by 84% in Jun'21 from 37% in May'21, on a 2-year horizon it rose by 6.5%**



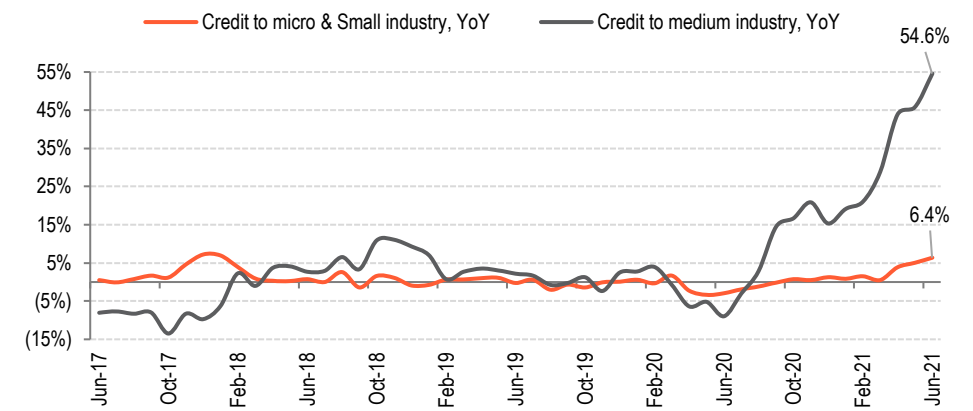
**Fig 63 – Centre's capex spending moderated slightly to 24.2% from 26.1% in May'21**



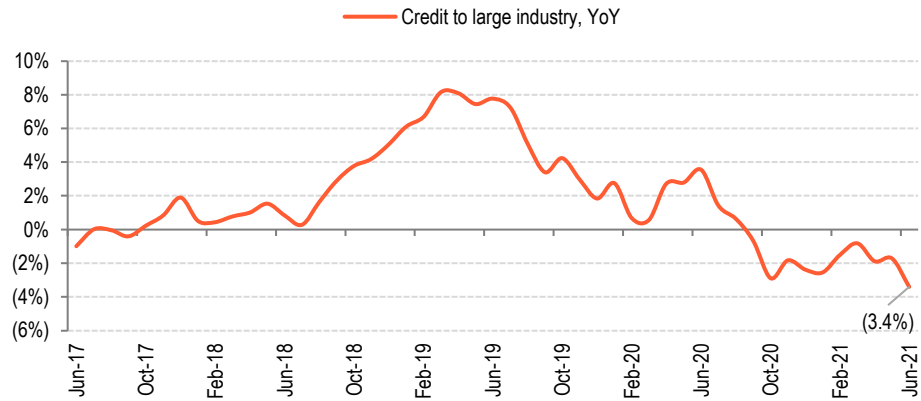
**Fig 64 – Industry credit fell by 0.3% in Jun'21 from 0.8% increase in May'21**



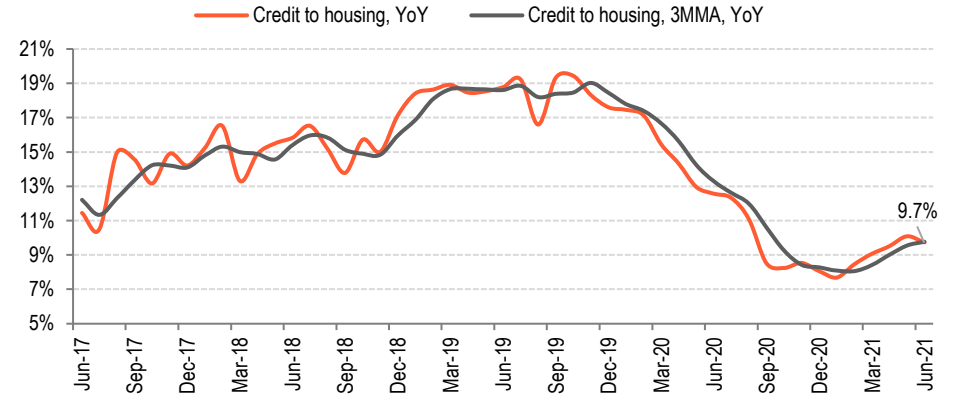
**Fig 65 – Credit to micro & small industry rose to 6.4% from 5% in May'21, for medium industry it rose to 54.6% from 45.8% supported by ECLGS scheme**



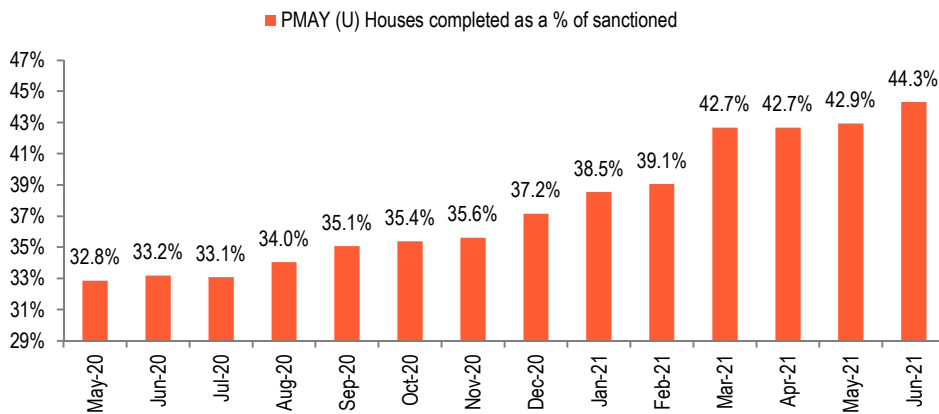
**Fig 66 – Credit to large industry fell by 3.4% from 1.7% decline in May'21**



**Fig 67 – Housing credit moderated to 9.7% from 10.1% in May'21**

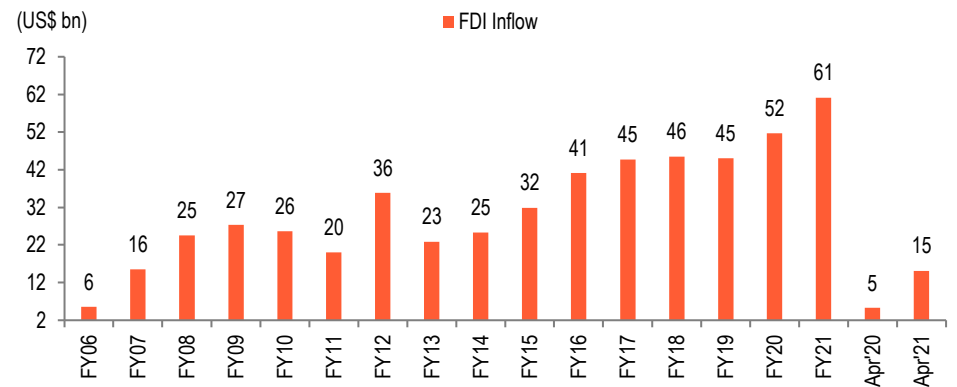


**Fig 68 – Affordable housing demand also improved significantly**



Source: MOHUA

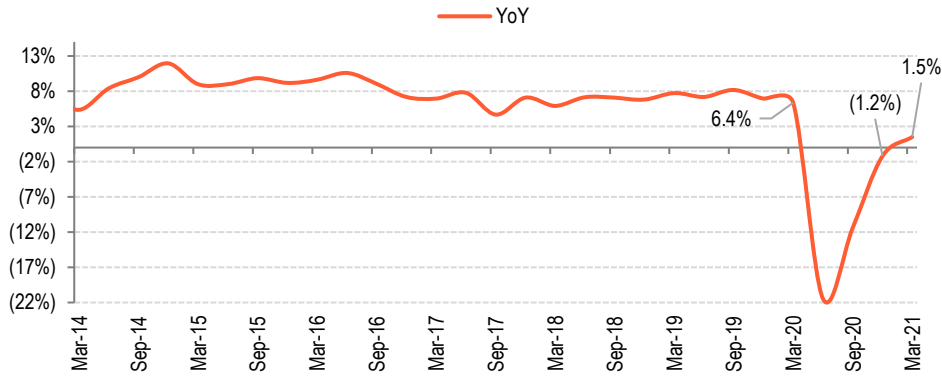
**Fig 69 – FDI inflows in FYTD22 were at US\$ 15bn versus US\$ 5bn in the same period of previous year**



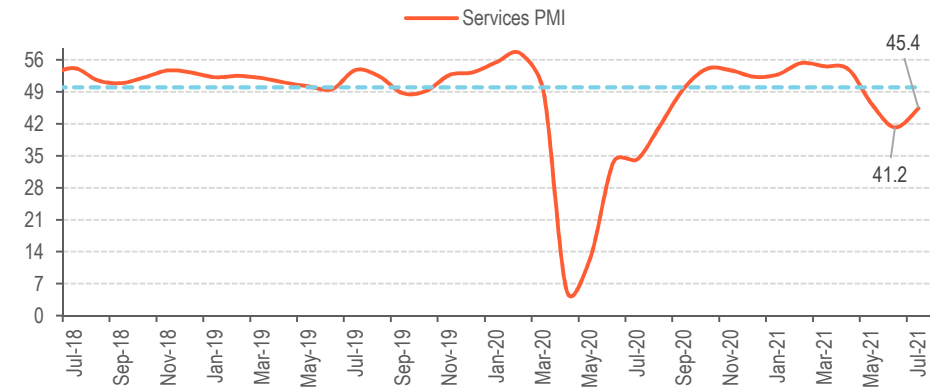
Source: RBI, FYTD:Apr-May

**Services sector**

**Fig 70 – GVA: Services activity recovered further in Q4FY21**

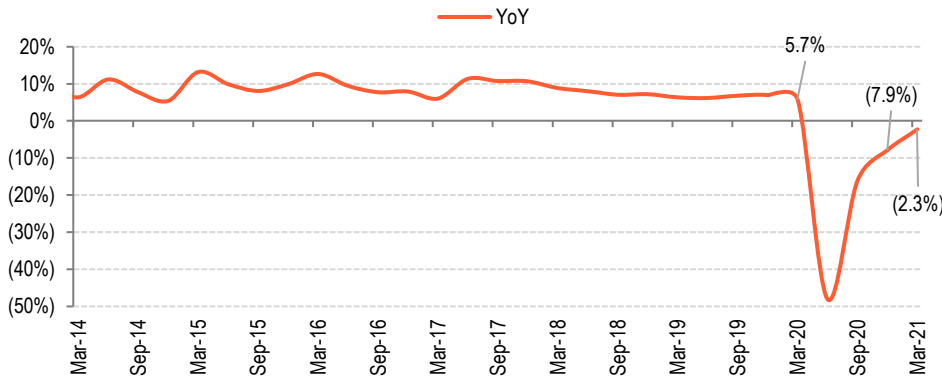


**Fig 71 – Pace of contraction of services activity (PMI) eases in Jul'21**

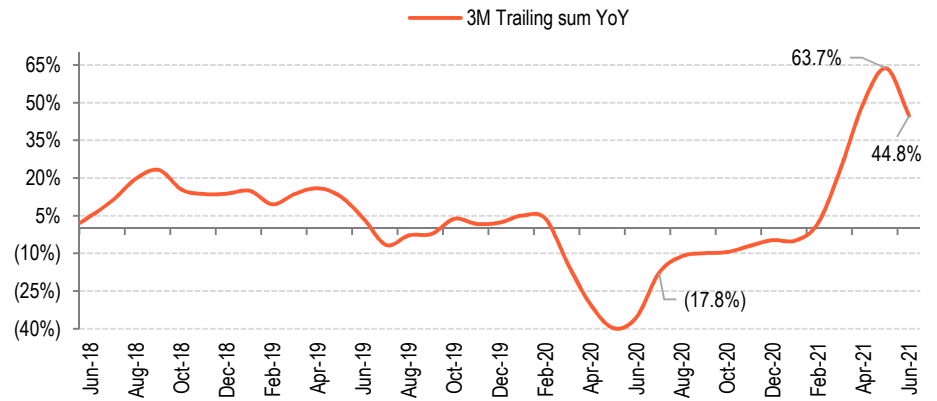


Source: Markit

**Fig 72 – GVA: Trade & related services remains in contraction...**



**Fig 73 – States\*\* tax revenue growth cooled down in Q1FY22**



Note: \*\*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

Trade

Fig 74 – Vehicle registration growth regains momentum in Jul'21

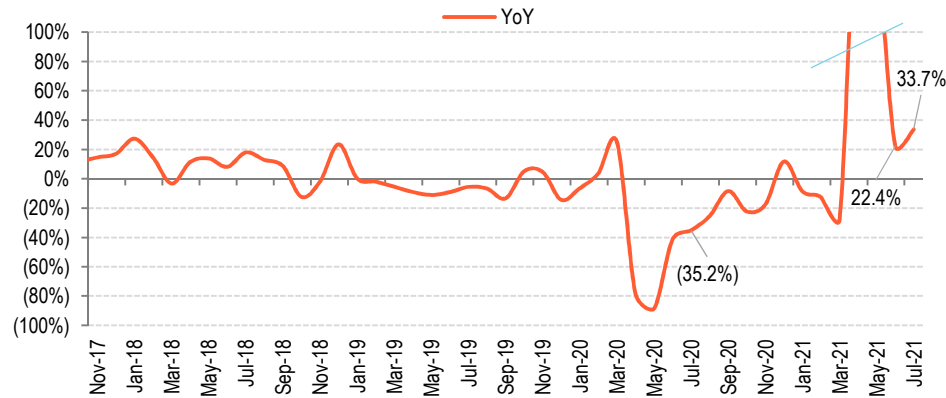
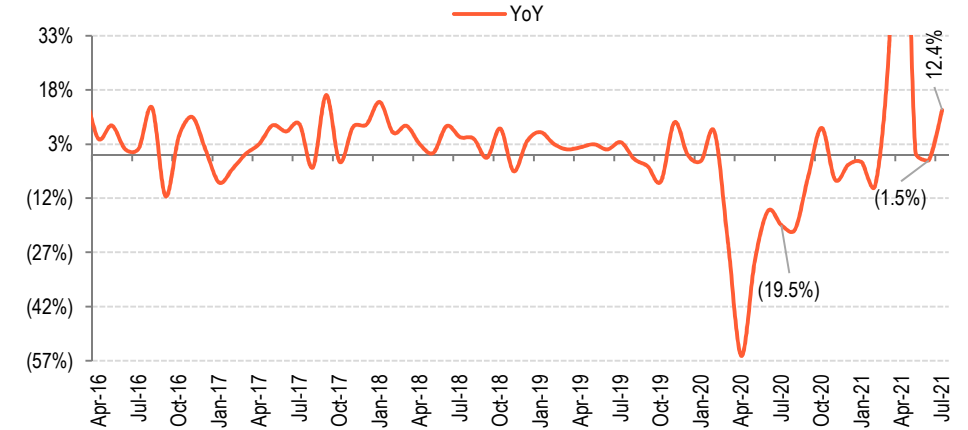


Fig 75 – Diesel consumption rebounds sharply



Source: PPAC

Fig 76 – Port cargo volumes eased in Q1FY22 over a 2-year horizon

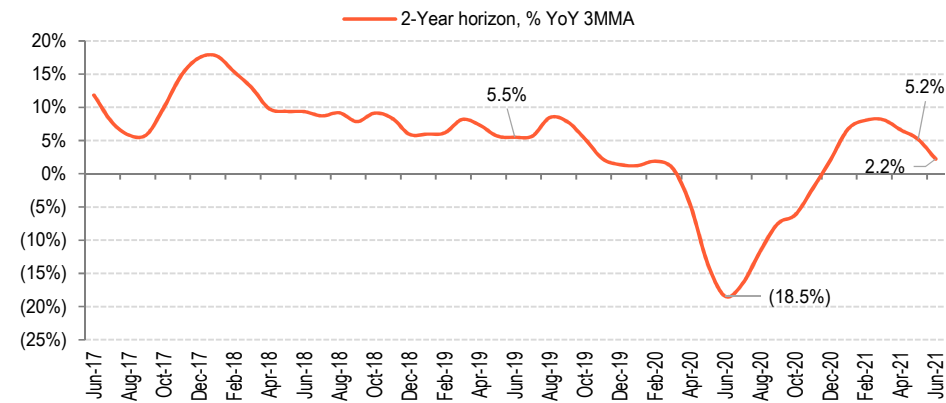
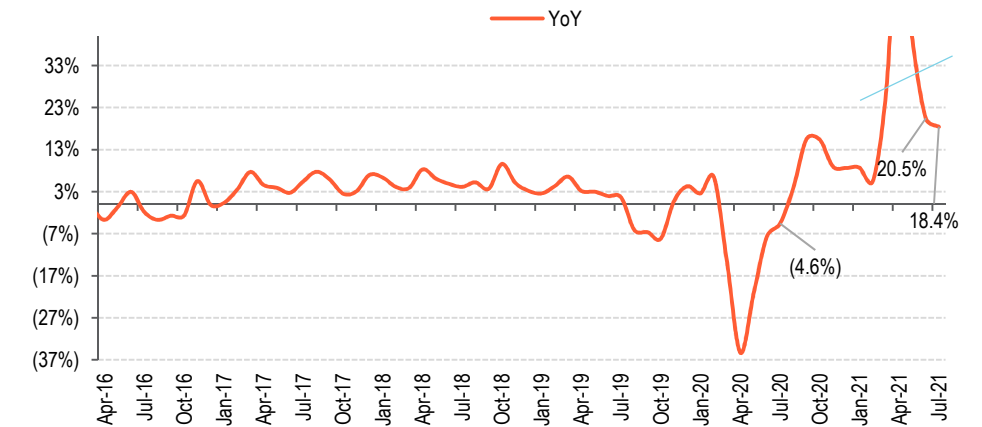
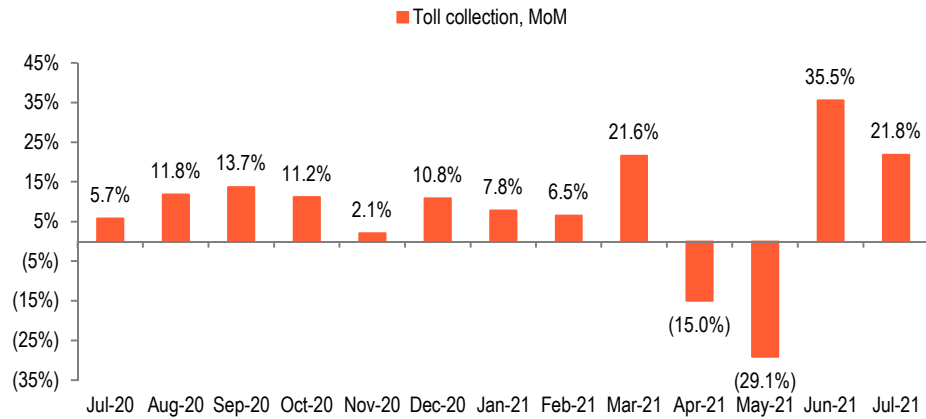


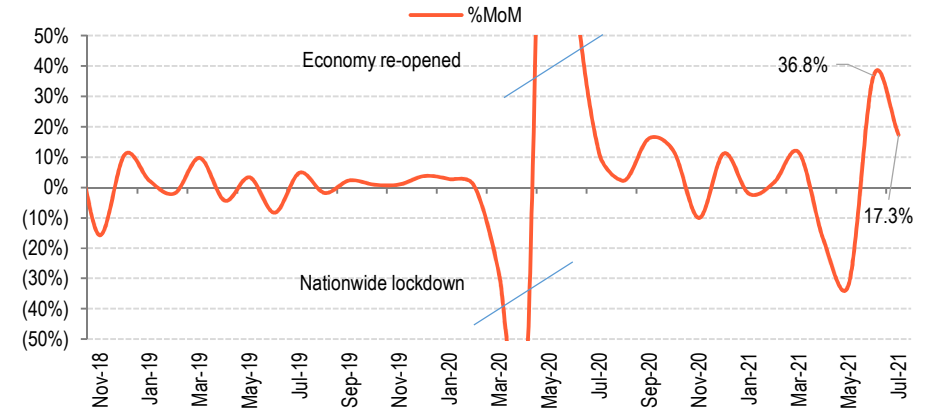
Fig 77 – Railway freight traffic growth slipped in Jul'21, but is better than Jul'20



**Fig 78 – Toll collection growth eases in Jul’21**

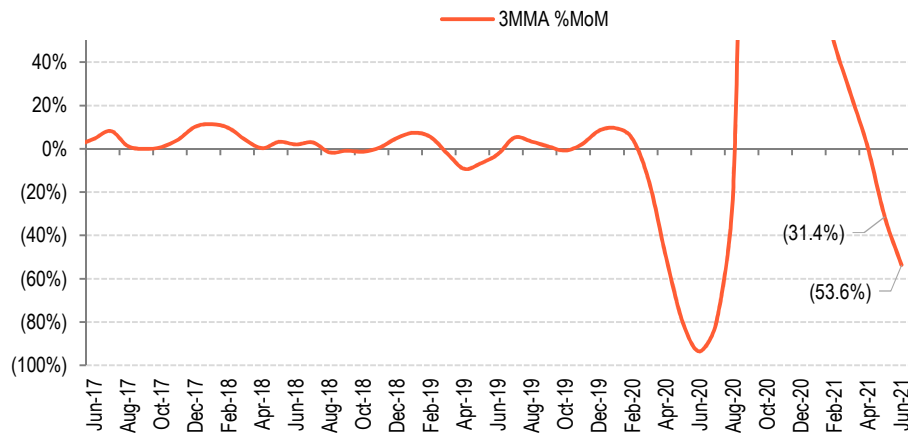


**Fig 79 – E-way bills generation also begins normalising**

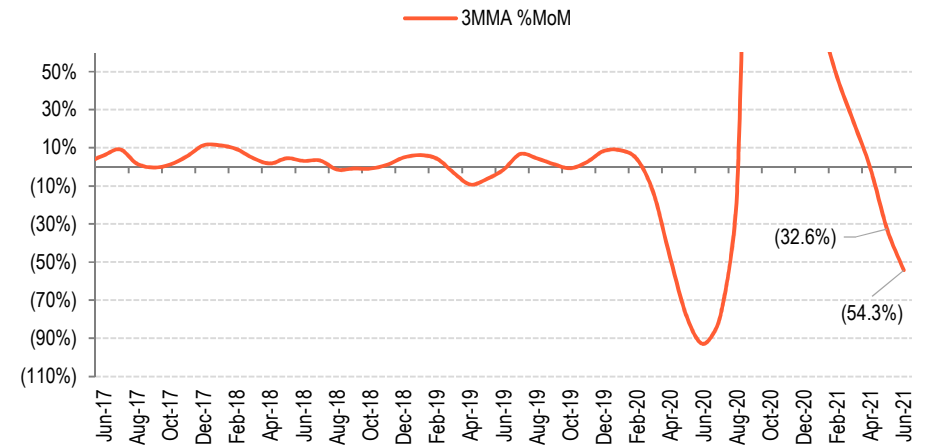


**Hotels and Communications**

**Fig 80 – Airline passenger traffic growth remained weak in Jun’21...**

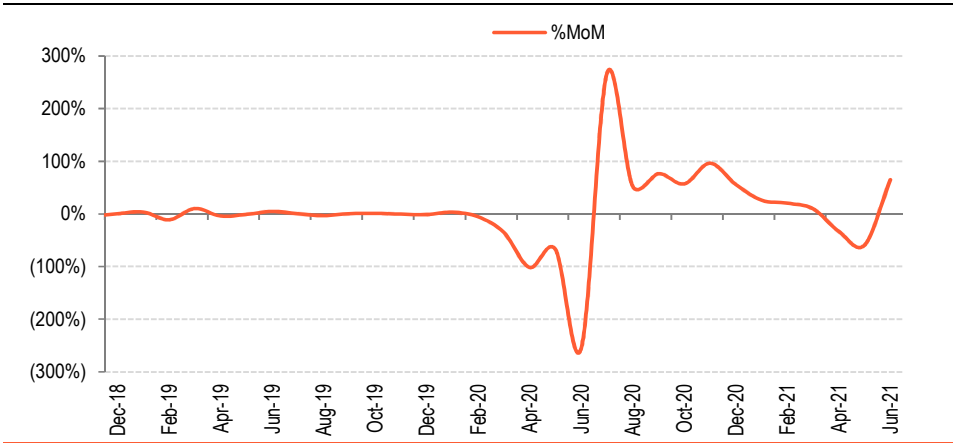


**Fig 81 – ...led by domestic passenger growth**

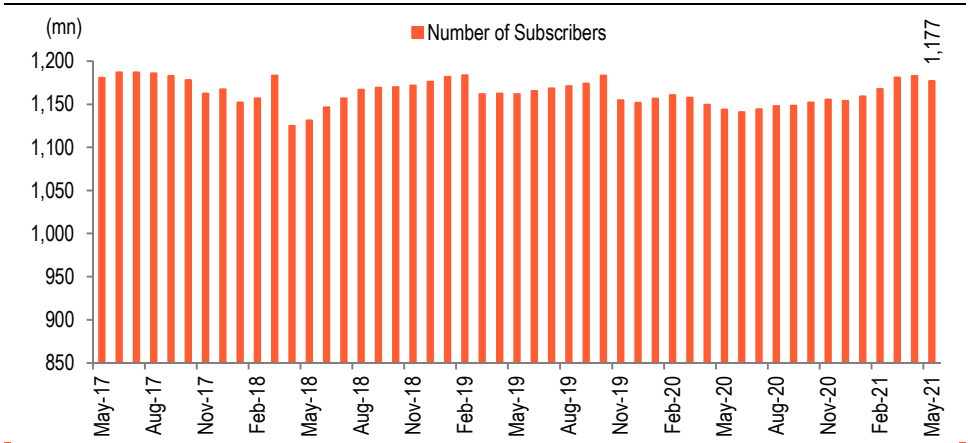




**Fig 82 – Railway passenger traffic picked up in Jun'21 as states re-opened**

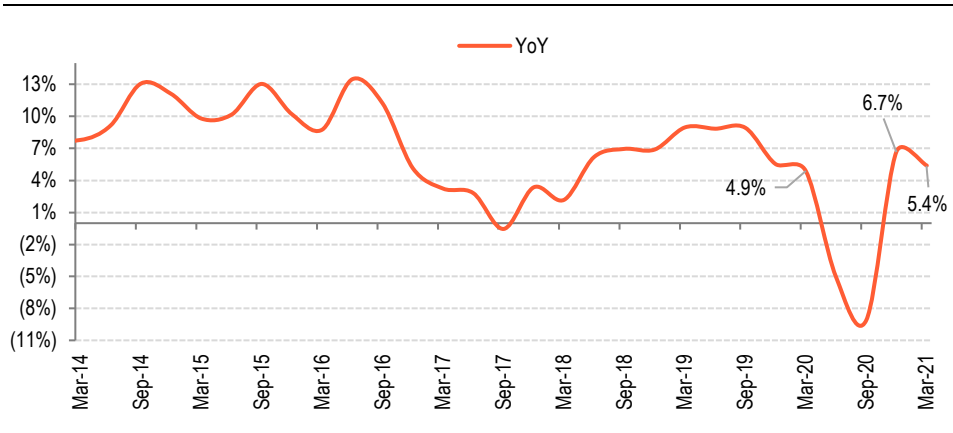


**Fig 83 – Telecom sector lost 6.3mn wireless subscribers in May'21 versus 2.2mn added in Apr'21**

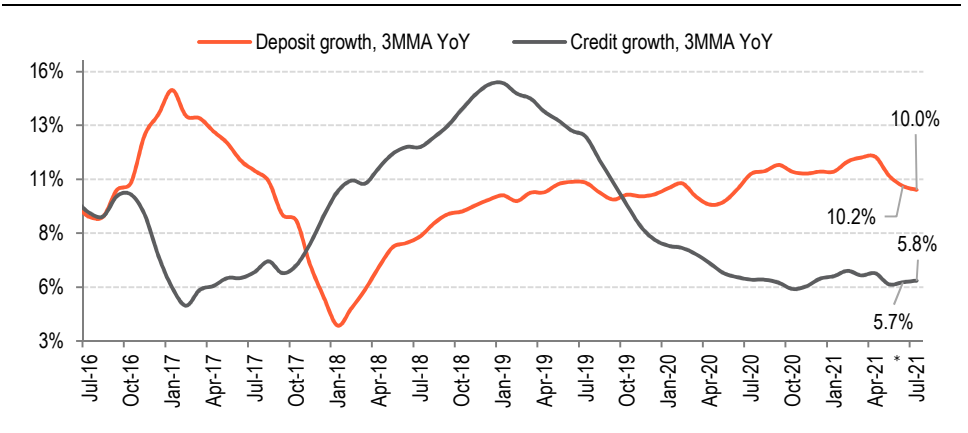


**Finance and Real estate**

**Fig 84 – Growth in GVA: Finance, real estate & prof. services eased in Q4FY21, though still remained higher than last year**

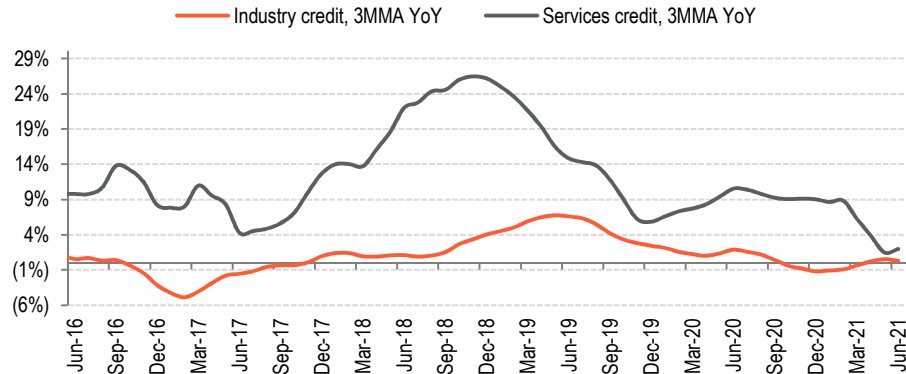


**Fig 85 – Deposit growth slowing while credit growth shows marginal improvement**

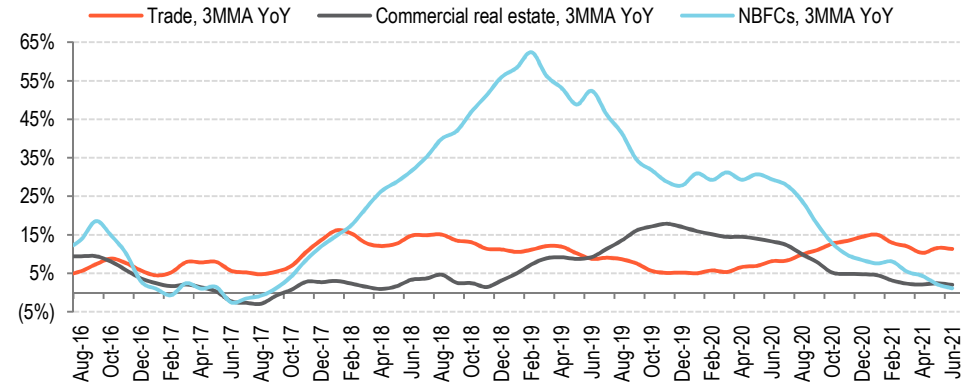


Note: \*Jul'21 implies fortnight as of 16 Jul 2021

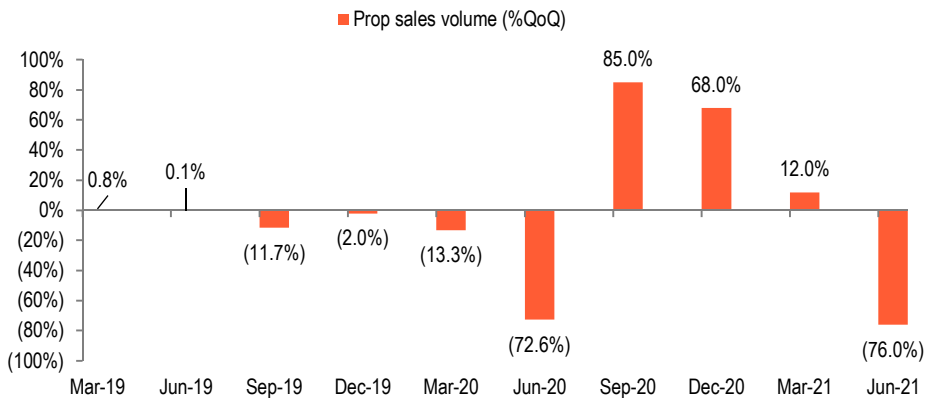
**Fig 86 – Credit to services sector seen recovering, credit to industry still muted**



**Fig 87 – Credit to NBFCs continued to decline in May'21**

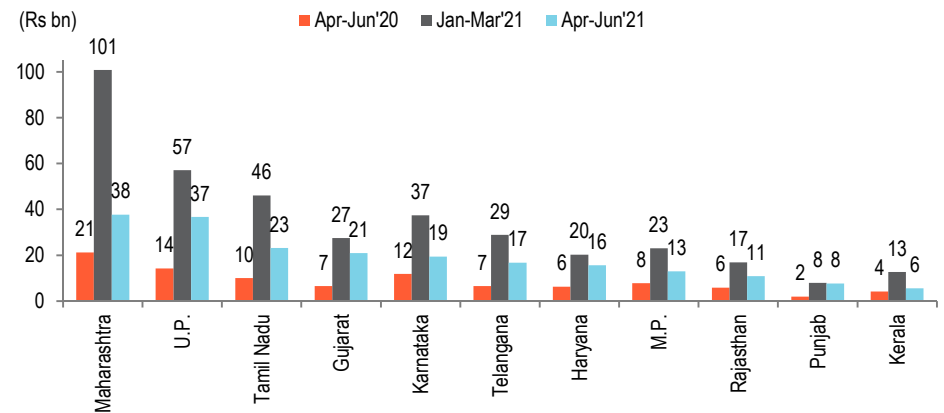


**Fig 88 – Property sale volumes dipped again in Q1FY22, similar to last year**



Source: Proptiger

**Fig 89 – ...also impacting stamp duty collection of states**



Labour market

Fig 90 – Naukri job index shows hiring activity cooled off slightly in Jul'21

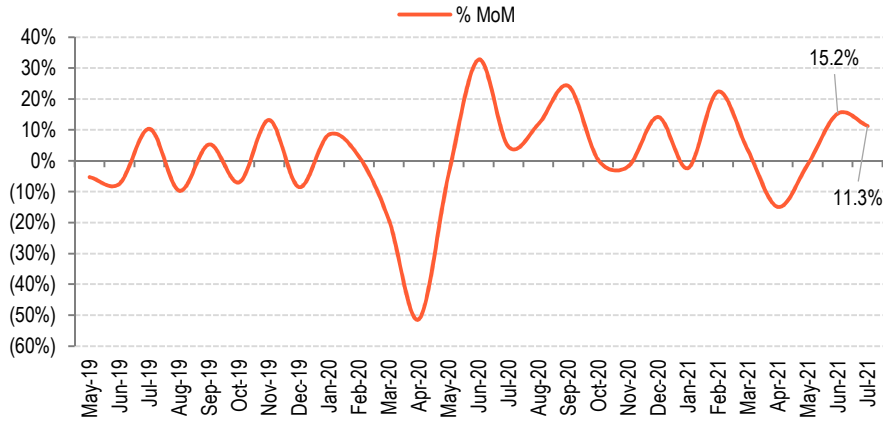


Fig 91 – Unemployment rate dips further in Jul'21



Public administration

Fig 92 – Public administration & defence services contributed positively in Q4FY21

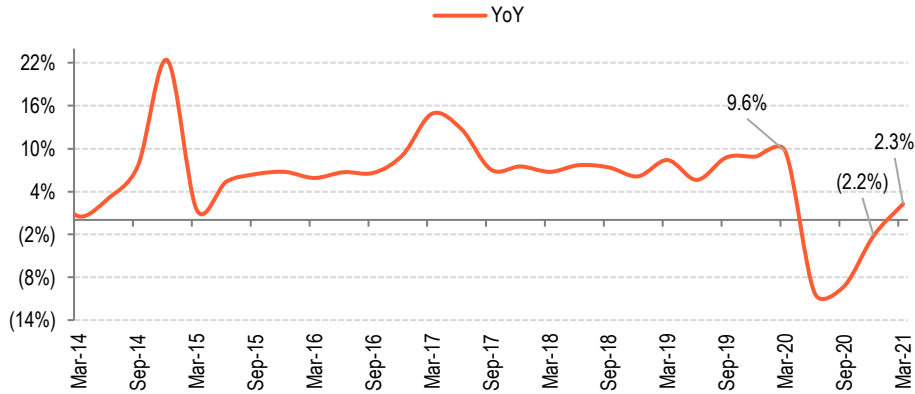


Fig 93 – General govt. spending dropped sharply in Jun'21

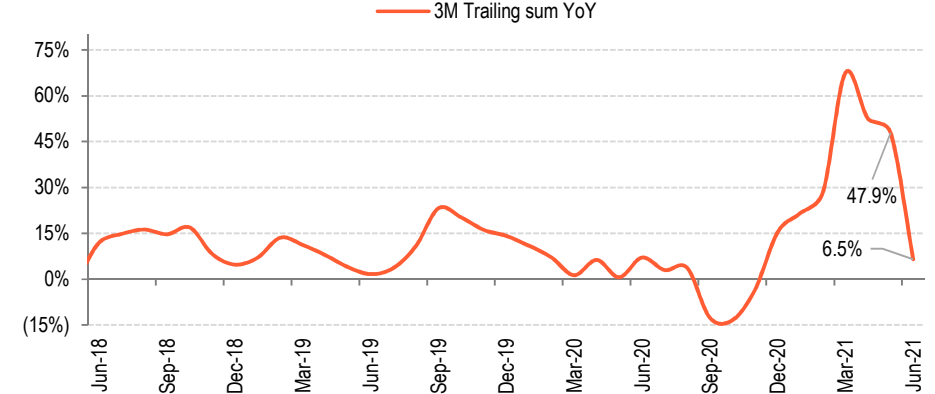


Fig 94 – ...mainly owing to dip in Central government spending

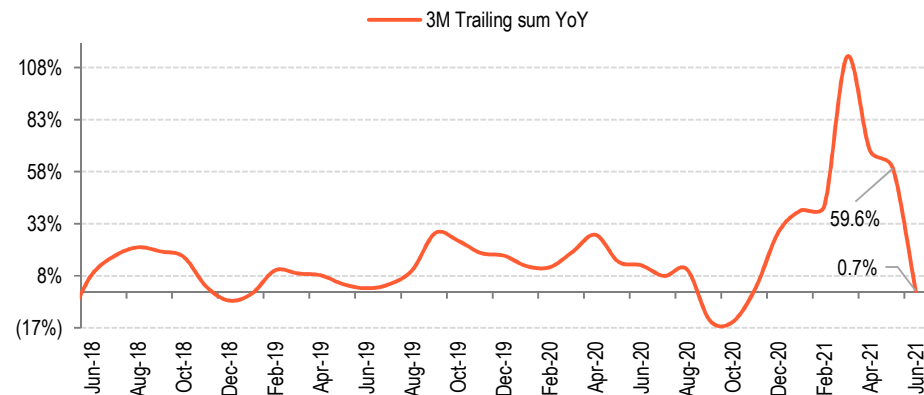
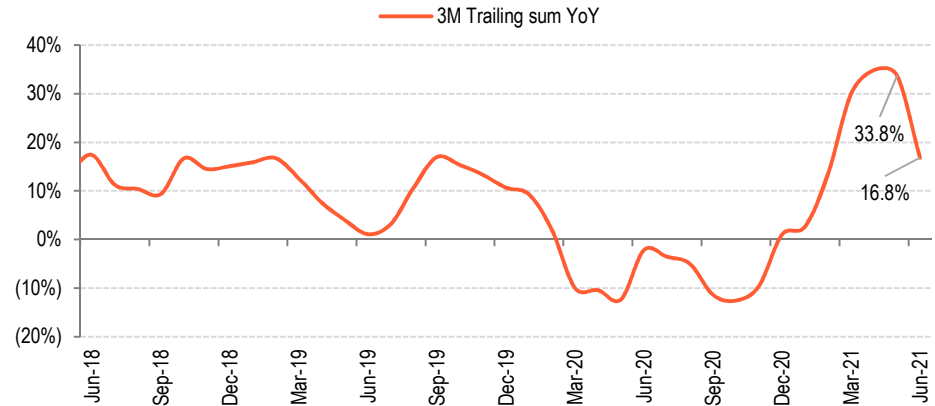


Fig 95 – State\* Govt. spending also eased

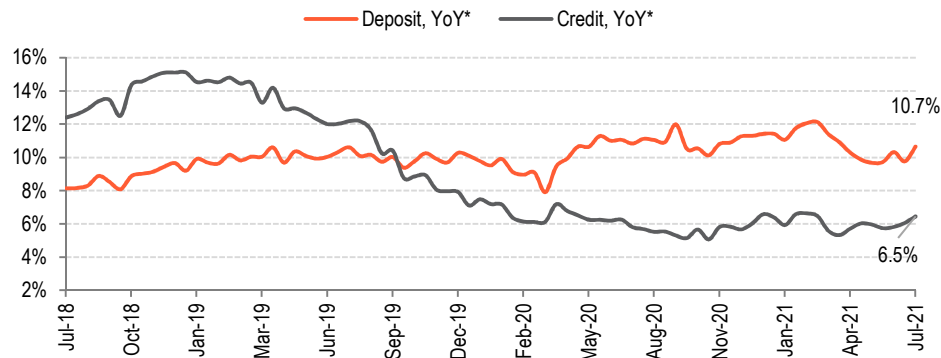


Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

Financial sector

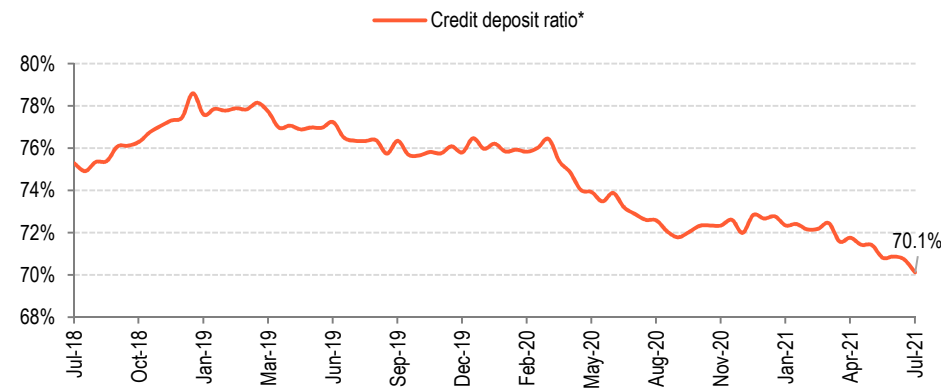
Money and banking

**Fig 96 – Credit demand picked up to 6.5% in Jul’21 from 5.8% in Jun’21, deposit growth rose to 10.7% from 10.3% ...**



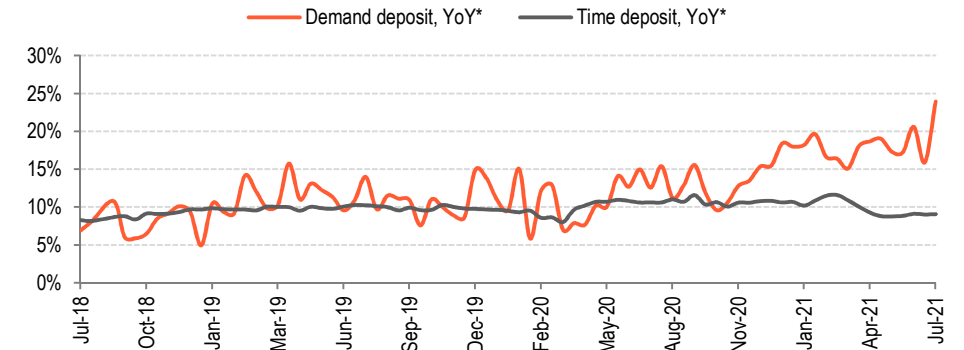
Note: \*Jun-21 implies fortnight as of 18 Jun 2021

**Fig 98 – CD ratio was at 70.1%**



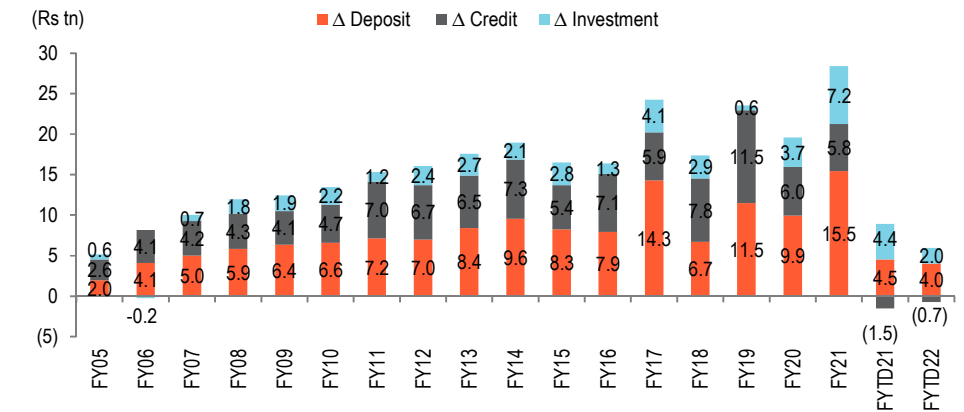
Note: \*Jun-21 implies fortnight as of 18 Jun 2021

**Fig 97 – ...Time deposits inched was stable at 9.1%, while demand deposits picked up to 23.9% from 20.6%**



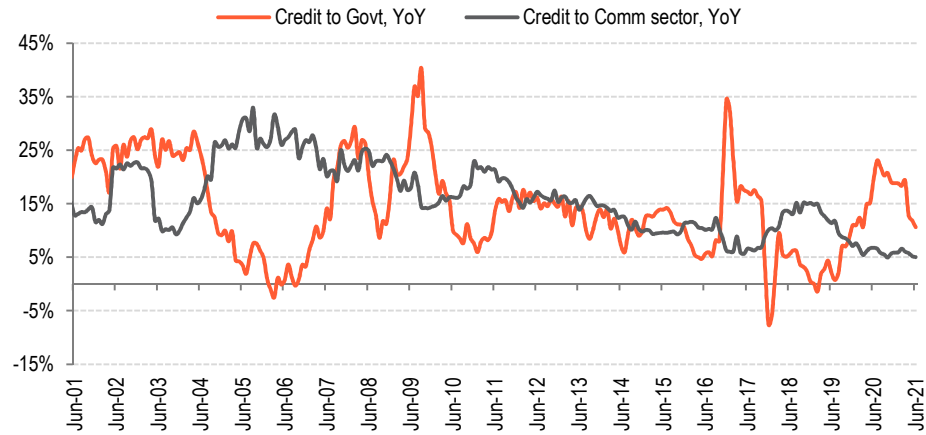
Note: \*Jun-21 implies fortnight as of 18 Jun 2021

**Fig 99 – Pace of accretion of credit, investment and deposit**

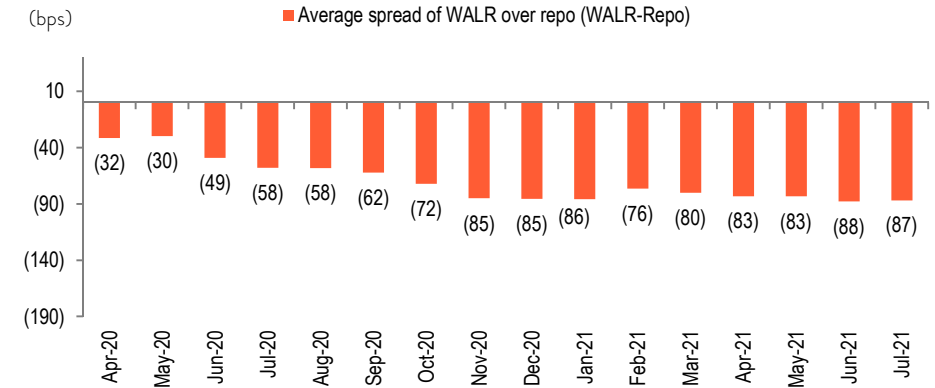


FYTD: Till 18 Jun 2021

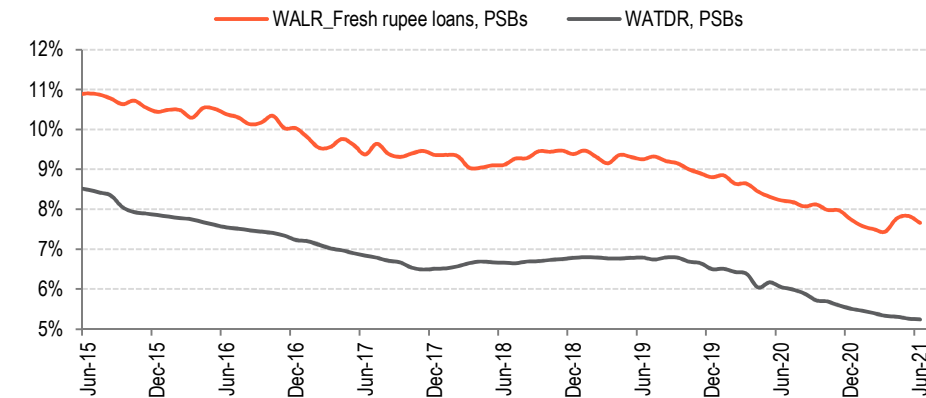
**Fig 100 – Credit to govt. inched down to 10.6% in Jun’21 from 11.9% in May’21, credit to commercial sector also moderated to 5% from 5.2%**



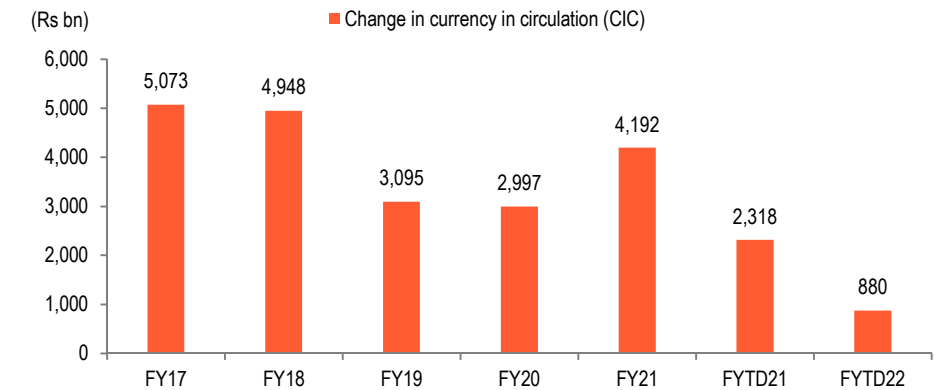
**Fig 101 – Spread between WALR and repo**



**Fig 102 – WATDR inched down to 5.24% in Jun’21 from 5.26% in May’21, WALR fell to 7.66% from 7.83%**

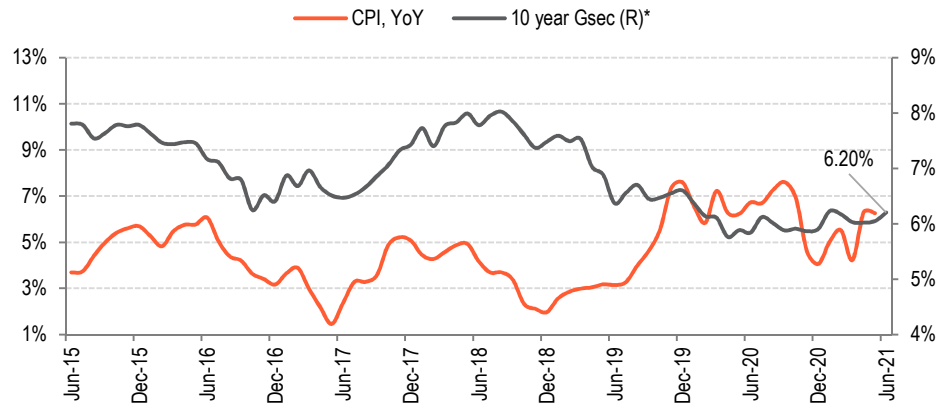


**Fig 103 – CIC accretion is happening at a much slower pace of Rs 880bn in FYTD22 against Rs 2.3tn in the same period of previous year**



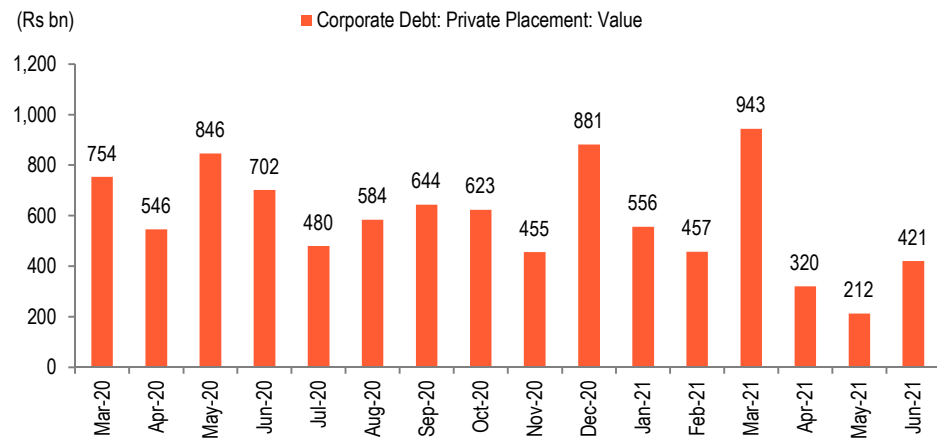
FYTD: Apr-Jul

**Fig 104 – 10Y GSec yield rose to 6.2% in Jul'21 from 6.05% in Jun'21 and currently at 6.22%, inflation edged down to 6.26% from 6.3% in May'21**

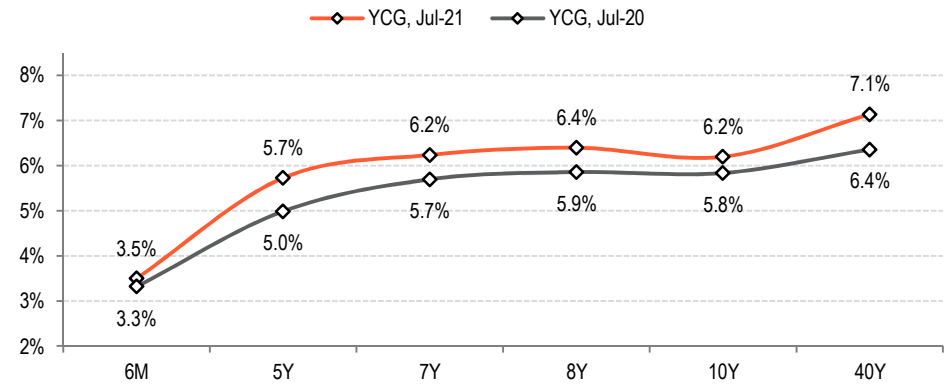


Note: \*As on last trading day of the month, 6.10GS2031 benchmark security is taken

**Fig 106 – Corporate debt issuance rose to Rs 421bn in Jun'21 from Rs 212bn in May'21**

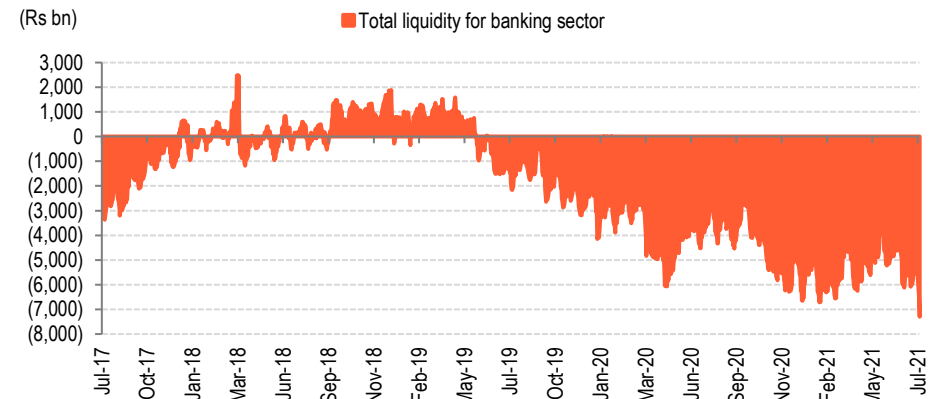


**Fig 105 – Yield curve graph (YCG) shows steepening bias**



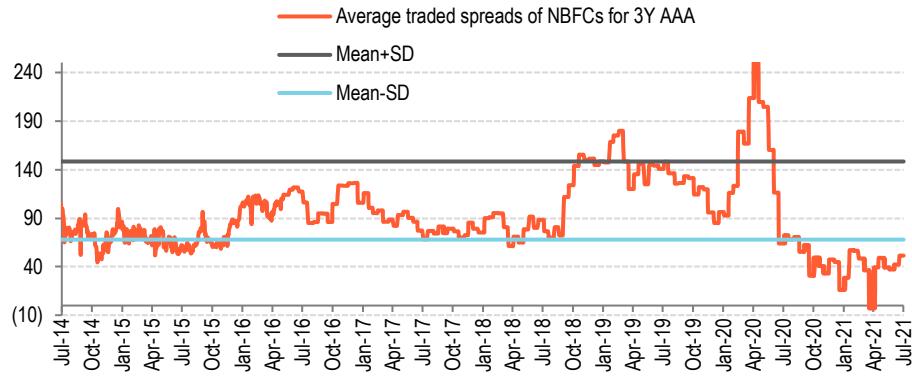
Source: Bloomberg

**Fig 107 – Average system liquidity surplus was higher at Rs 5.8tn in Jul'21 from Rs 4.8tn in Jun'21 and currently at Rs 7.3tn**

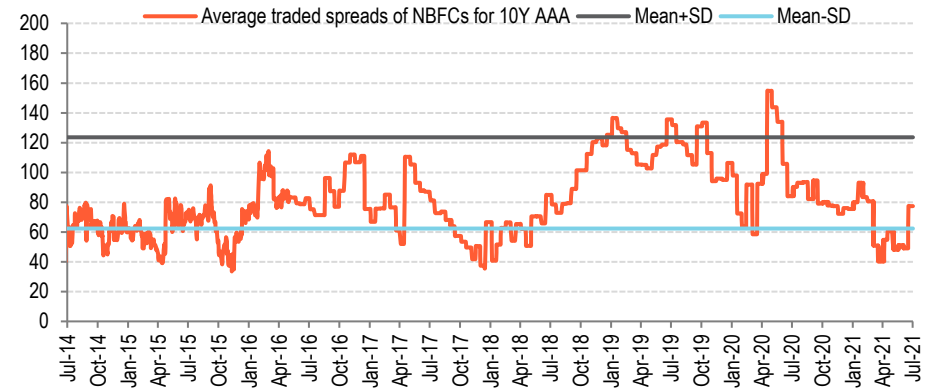


Source: RBI

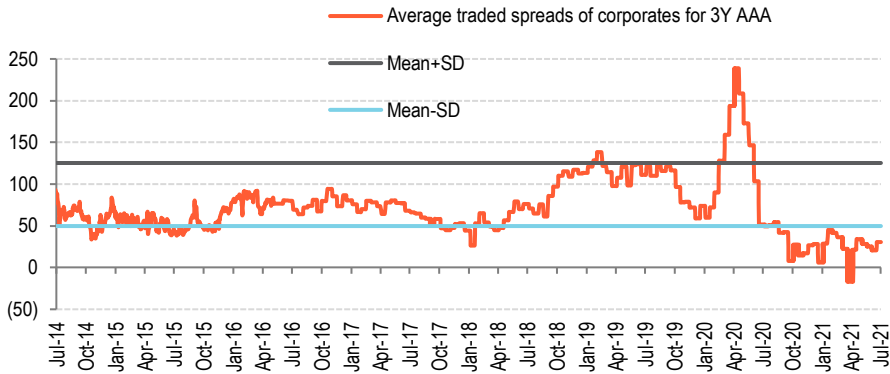
**Fig 108 – 3Y AAA NBFC spread rose to 51bps as on 29 Jul 2021 from 42 bps as on 30 Jun 2021**



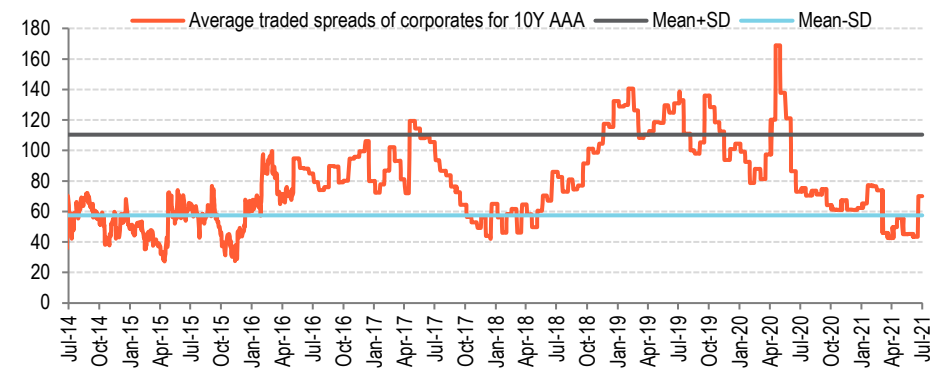
**Fig 109 – 10Y AAA NBFC spread rose to 77bps as on 29 Jul 2021 from 49bps as on 30 Jun 2021**



**Fig 110 – 3Y AAA corp spread rose to 30bps as on 29 Jul 2021 from 21bps as on 30 Jun 2021**

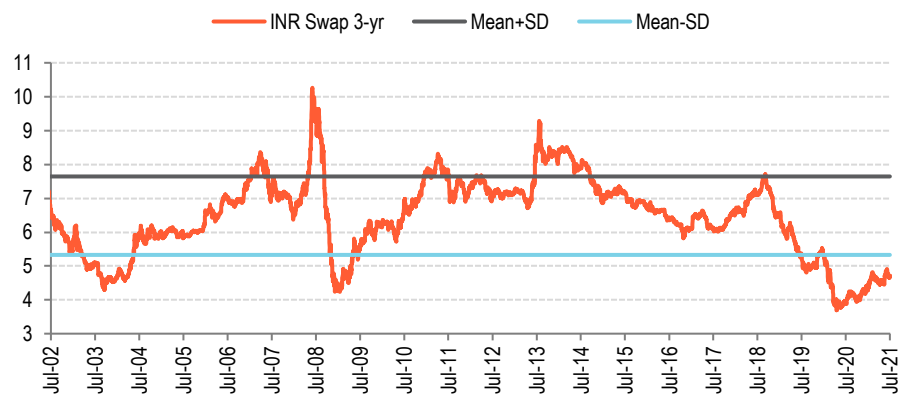


**Fig 111 – 10Y AAA corp spread rose to 70bps as on 29 Jul 2021 from 43bps as on 30 Jun 2021**

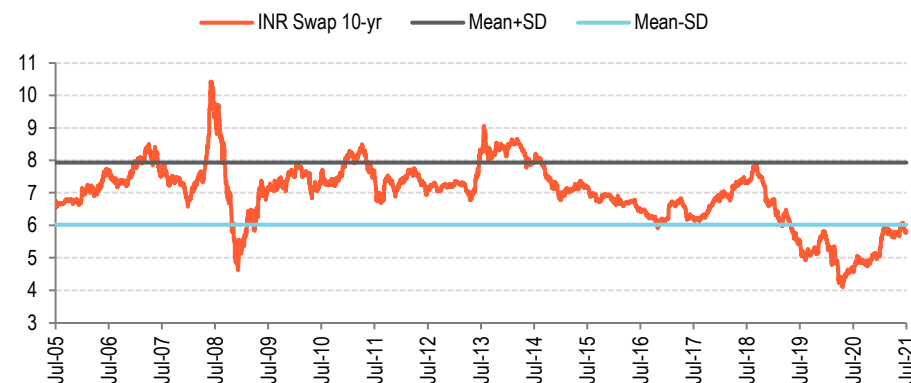




**Fig 112 – INR 3Y swap moderated to 4.7 as on 30 Jul 2021 from 4.81 as on 30 Jun 2021**



**Fig 113 – For 10Y, it edged down to 5.81 as on 30 Jul 2021 from 5.97 as on 30 Jun 2021**



### Interest rates on small savings schemes

**Fig 114 – Interest rates on small savings scheme to remain unchanged in Q2FY22**

| Instrument (%)                       | Q1FY20 | Q2FY20 | Q3FY20 | Q4FY20 | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Savings deposit                      | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    | 4.0    |
| 1 year time deposit                  | 7.0    | 6.9    | 6.9    | 6.9    | 5.5    | 5.5    | 5.5    | 5.5    | 5.5    | 5.5    |
| 2 year time deposit                  | 7.0    | 6.9    | 6.9    | 6.9    | 5.5    | 5.5    | 5.5    | 5.5    | 5.5    | 5.5    |
| 3 year time deposit                  | 7.0    | 6.9    | 6.9    | 6.9    | 5.5    | 5.5    | 5.5    | 5.5    | 5.5    | 5.5    |
| 5 year time deposit                  | 7.8    | 7.7    | 7.7    | 7.7    | 6.7    | 6.7    | 6.7    | 6.7    | 6.7    | 6.7    |
| 5 year recurring deposit             | 7.3    | 7.2    | 7.2    | 7.2    | 5.8    | 5.8    | 5.8    | 5.8    | 5.8    | 5.8    |
| 5 year senior citizen savings scheme | 8.7    | 8.6    | 8.6    | 8.6    | 7.4    | 7.4    | 7.4    | 7.4    | 7.4    | 7.4    |
| 5 year monthly income scheme         | 7.7    | 7.6    | 7.6    | 7.6    | 6.6    | 6.6    | 6.6    | 6.6    | 6.6    | 6.6    |
| 5 year national savings certificate  | 8      | 7.9    | 7.9    | 7.9    | 6.8    | 6.8    | 6.8    | 6.8    | 6.8    | 6.8    |
| Public provident fund scheme         | 8      | 7.9    | 7.9    | 7.9    | 7.1    | 7.1    | 7.1    | 7.1    | 7.1    | 7.1    |
| Kisan vikas patra                    | 7.7    | 7.6    | 7.6    | 7.6    | 6.9    | 6.9    | 6.9    | 6.9    | 6.9    | 6.9    |
| Sukanya samridhhi account scheme     | 8.5    | 8.4    | 8.4    | 8.4    | 7.6    | 7.6    | 7.6    | 7.6    | 7.6    | 7.6    |

Source: Department of Economic Affairs, Ministry of Finance, Government of India, \*10Y benchmark yield 5.85GS2030

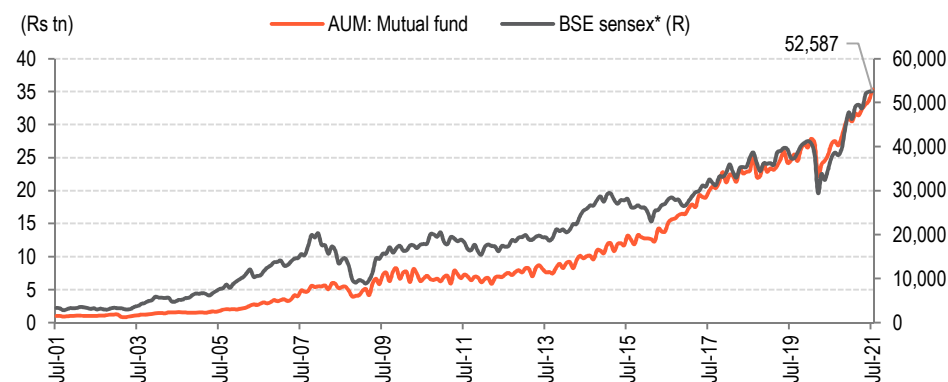
**Fig 115 – Interest rates charged by leading banks**

| 1Y MCLR (%)                 | May'20 | Jun'20 | Jul'20 | Aug'20 | Sep'20 | Oct'20 | Nov'20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun'21 | Jul'21 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Public Sector Banks</b>  |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Bank of Baroda              | 7.80   | 7.65   | 7.60   | 7.60   | 7.55   | 7.50   | 7.45   | 7.40   | 7.40   | 7.40   | 7.40   | 7.40   | 7.40   | 7.35   | 7.35   |
| Bank of India               | 7.95   | 7.70   | 7.60   | 7.45   | 7.40   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.30   |
| Canara Bank                 | 7.85   | 7.65   | 7.55   | 7.45   | 7.40   | 7.40   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   |
| Indian Bank                 | 7.80   | 7.50   | 7.40   | 7.35   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   |
| Punjab National Bank        | 7.75   | 7.60   | 7.60   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.35   | 7.30   | 7.30   |
| State Bank of India         | 7.25   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   | 7.00   |
| Union Bank of India         | 7.70   | 7.60   | 7.40   | 7.25   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   |
| <b>Private Sector Banks</b> |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Axis Bank Ltd.              | 7.80   | 7.75   | 7.65   | 7.55   | 7.50   | 7.45   | 7.45   | 7.45   | 7.40   | 7.40   | 7.40   | 7.40   | 7.35   | 7.35   | 7.35   |
| HDFC Bank Ltd.              | 7.95   | 7.65   | 7.45   | 7.35   | 7.30   | 7.30   | 7.25   | 7.25   | 7.25   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   | 7.20   |
| ICICI Bank Ltd.             | 7.75   | 7.70   | 7.55   | 7.45   | 7.40   | 7.35   | 7.35   | 7.35   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.30   | 7.25   |
| Indusind Bank               | 9.25   | 9.15   | 9.05   | 8.95   | 8.85   | 8.75   | 8.70   | 8.65   | 8.65   | 8.60   | 8.60   | 8.60   | 8.60   | 8.60   | 8.55   |
| Kotak Mahindra Bank         | 7.90   | 7.75   | 7.60   | 7.50   | 7.50   | 7.45   | 7.35   | 7.35   | 7.35   | 7.30   | 7.25   | 7.25   | 7.25   | 7.25   | 7.25   |

Source: RBI

### Mutual fund (MF) indicators

**Fig 116 – Sensex rose by 0.2% to 52,587 in Jul'21, AUM of MFs was at Rs 35tn in Jul'21**



Source: \*Sensex as on last trading day of the month.

**Fig 117 – MF equity inflow rose to Rs 214bn in Jul'21 from Rs 54bn in Jun'21; debt inflow also rose to Rs 639bn from Rs 76 outflow in Jun'21**

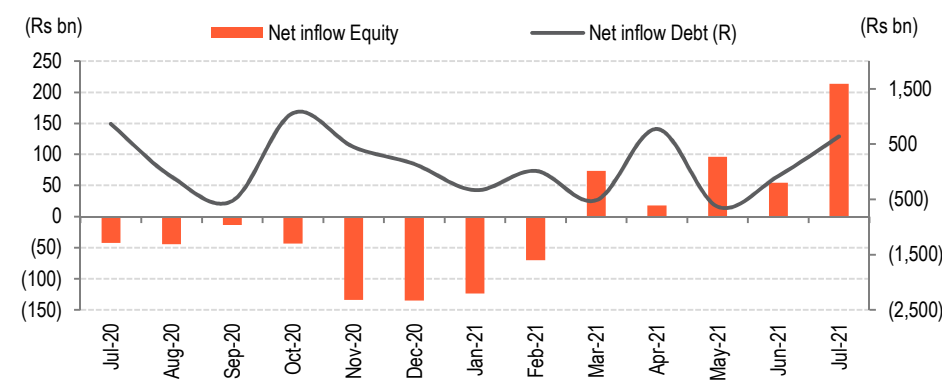
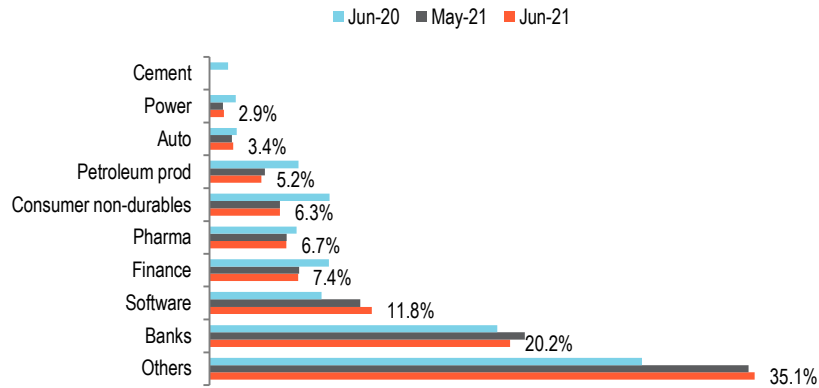


Fig 118 – Pattern of MF deployment of equity funds



Insurance sector indicators

Fig 120 – Sale of life insurance policies picked up to 16% from 4% decline in Jun'21

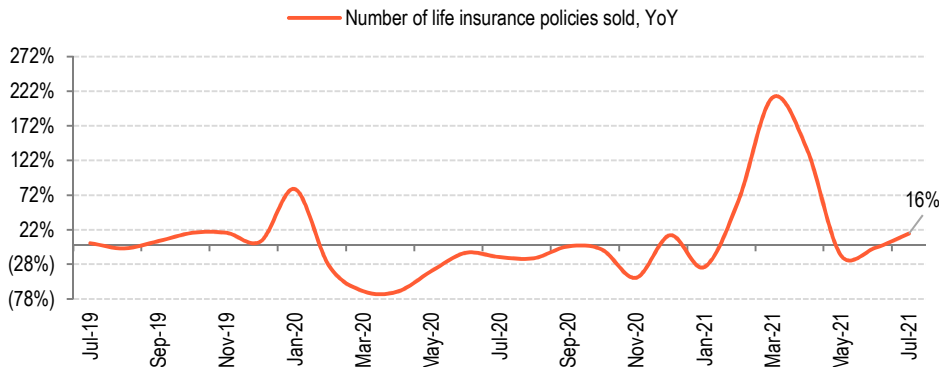


Fig 119 – MF deployment of debt funds

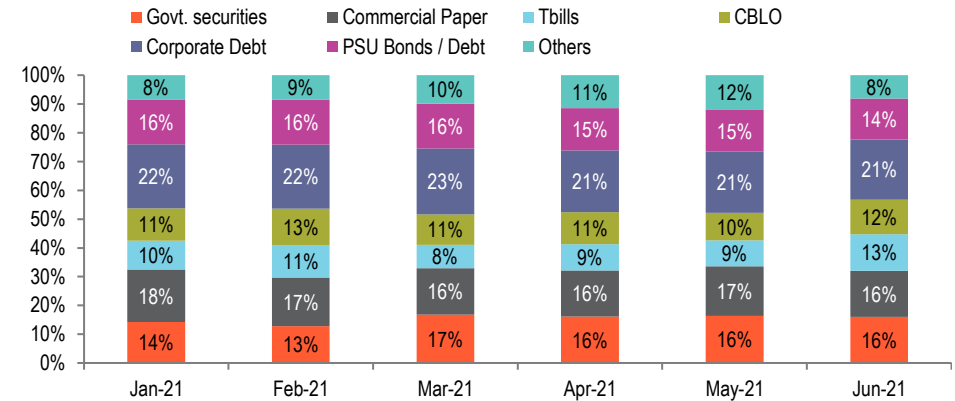
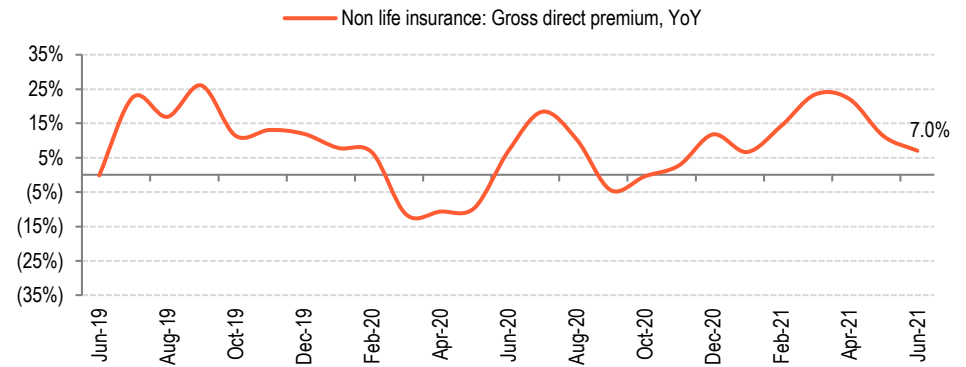


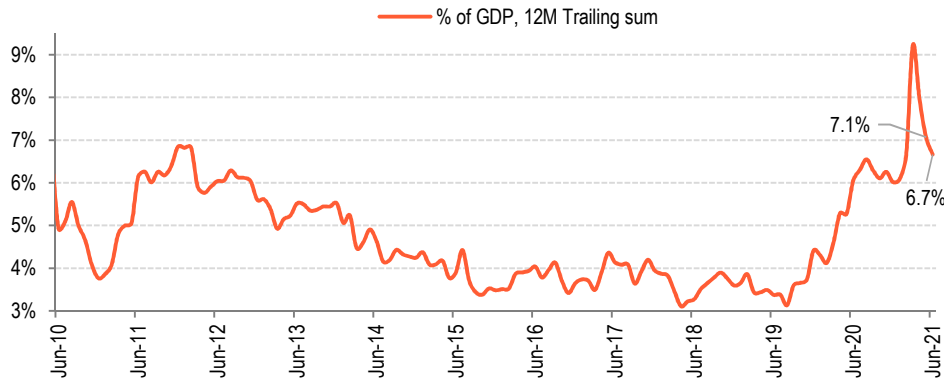
Fig 121 – Gross direct premium for non life insurance moderated to 7% from 11.4% in May'21



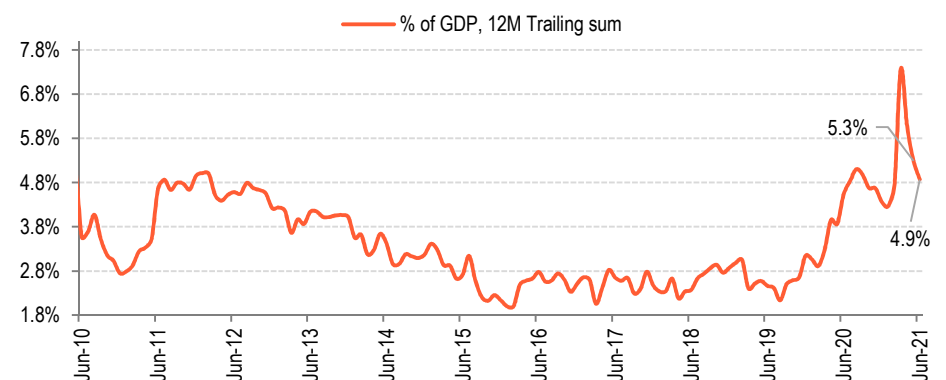
## Public finance

### Central government finances

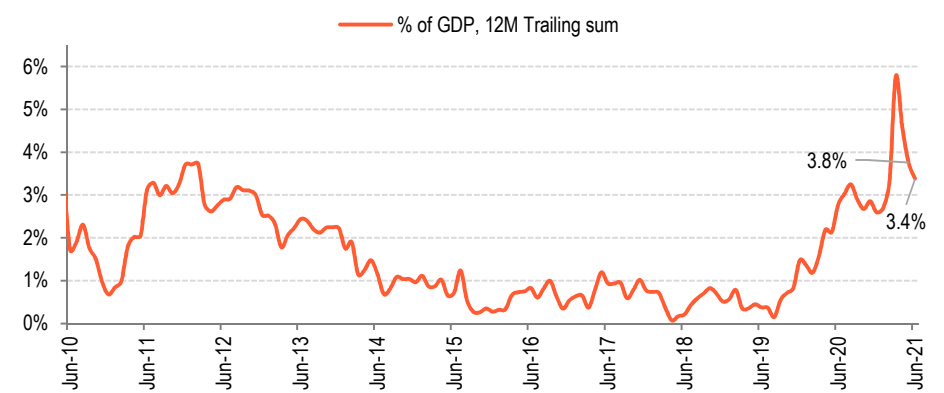
**Fig 122 – Fiscal deficit down to 6.7% in Jun'21**



**Fig 123 – Revenue deficit also eased**



**Fig 124 – Primary deficit at 3.4% in May'21**



**Fig 125 – Government spending slowed in Jun'21 (12MMA)...**

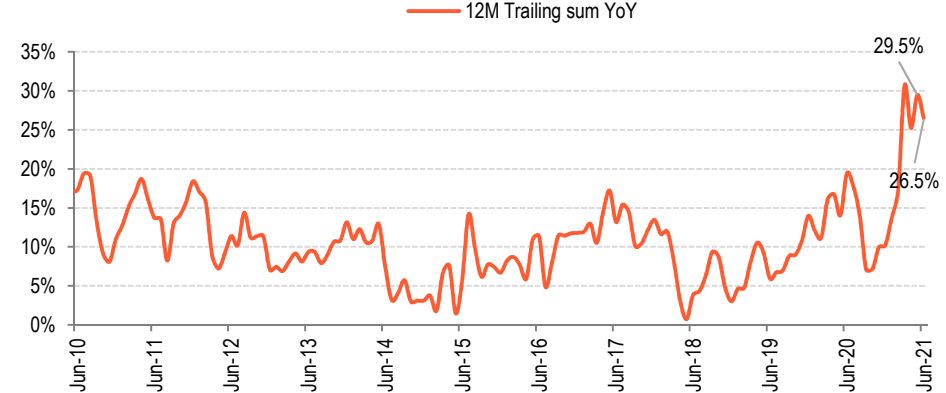


Fig 126 – ...led by revenue spending

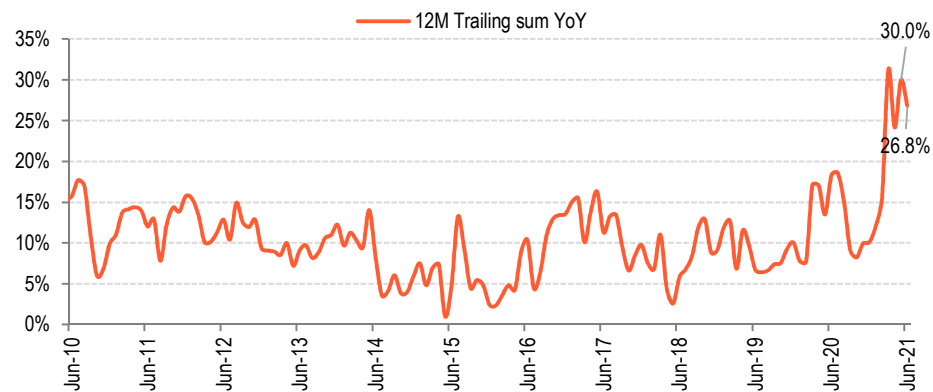


Fig 127 – Capex also eased in Jun'21

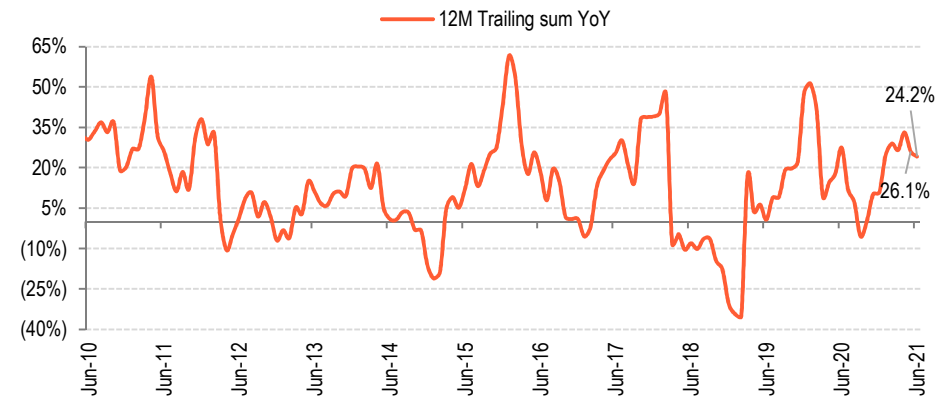
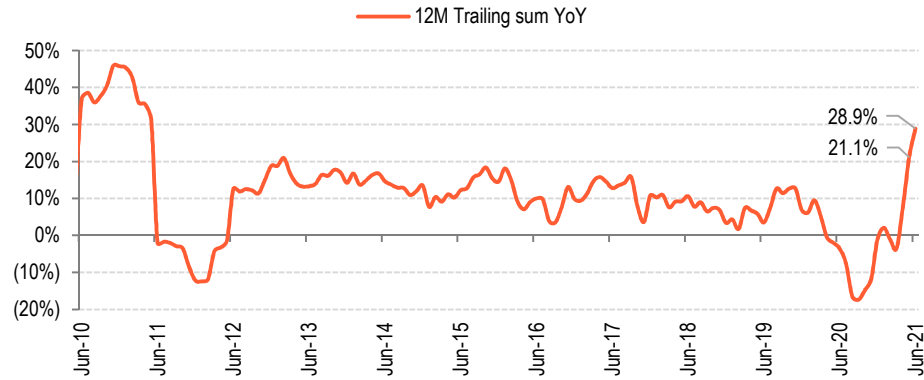


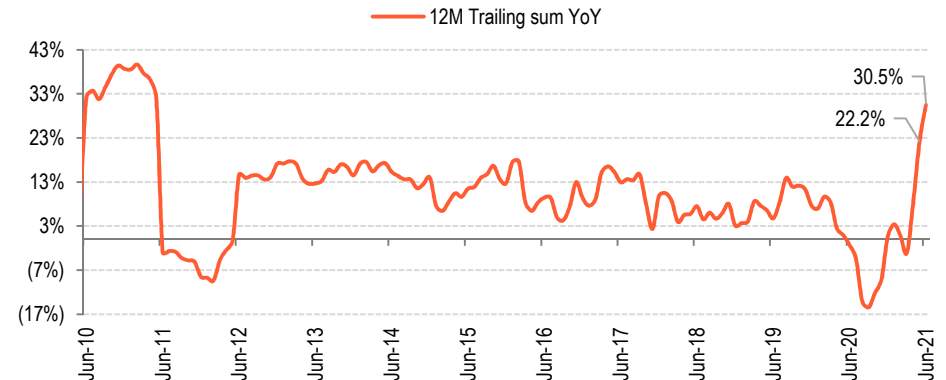
Fig 128 – Ministries of rural development, defence and petroleum drive overall spending lower in Jun'21

| Ministry   | Apr-Jun'19 (Rs bn) | Apr-Jun'20 (Rs bn) | % change | Apr-Jun'21 (Rs bn) | % change |
|--|--------------------|--------------------|----------|--------------------|----------|
| Ministry of Finance  | 2,154              | 2,925              | 35.8     | 2,926              | 0.0      |
| Ministry of Defence  | 1,331              | 1,238              | (7.0)    | 1,085              | (12.3)   |
| Ministry of Consumer Affairs, Food and Public Distribution | 948                | 537                | (43.3)   | 878                | 63.5     |
| Ministry of Rural Development                              | 343                | 876                | 155.2    | 432                | (50.7)   |
| Ministry of Home Affairs                                   | 326                | 356                | 9.2      | 428                | 20.3     |
| Ministry of Human Resource Development                     | 207                | 153                | (26.3)   | 209                | 36.9     |
| Ministry of Road Transport and Highways                    | 6                  | 192                | 3325.9   | 499                | 159.9    |
| Ministry of Chemicals and Fertilisers                      | 293                | 256                | (12.4)   | 169                | (34.1)   |
| Ministry of Petroleum and Natural Gas                      | 307                | 155                | (49.7)   | 24                 | (84.3)   |
| Ministry of Agriculture                                    | 214                | 371                | 73.7     | 315                | (15.2)   |
| Ministry of Health and Family Welfare                      | 167                | 215                | 28.7     | 187                | (13.1)   |

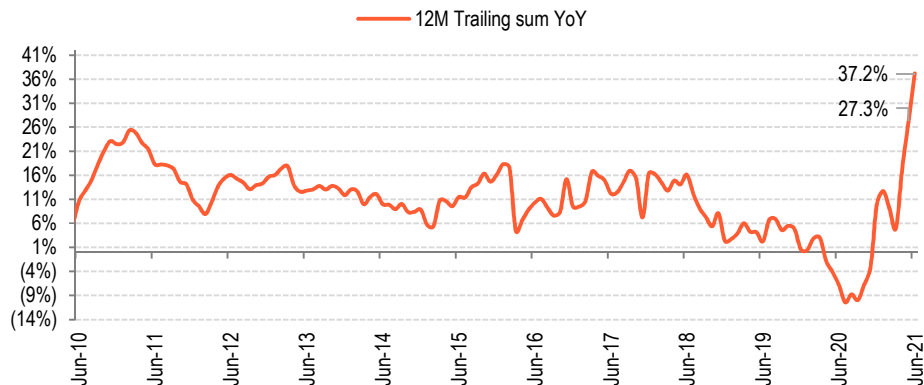
**Fig 129 – Receipt growth gained further momentum in Jun'21...**



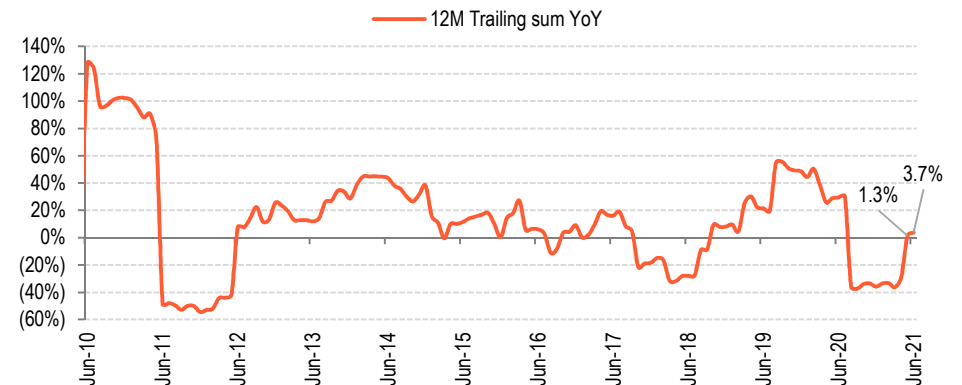
**Fig 130 – ...as revenue receipts rose**



**Fig 131 – Tax receipts lead the trend**



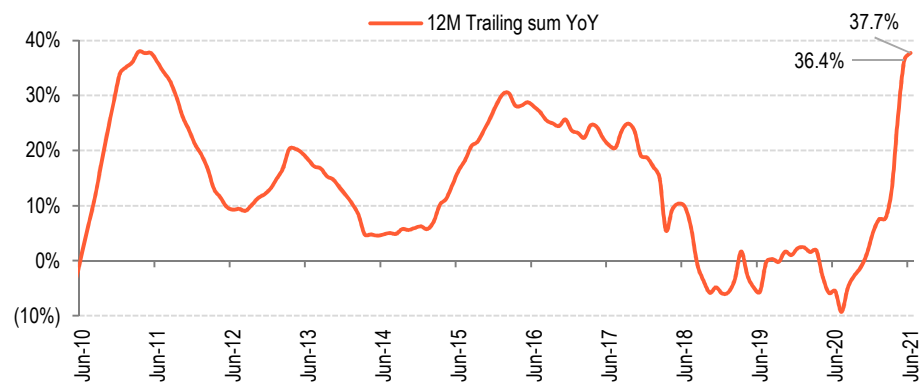
**Fig 132 – Non-tax revenues improved only marginally**



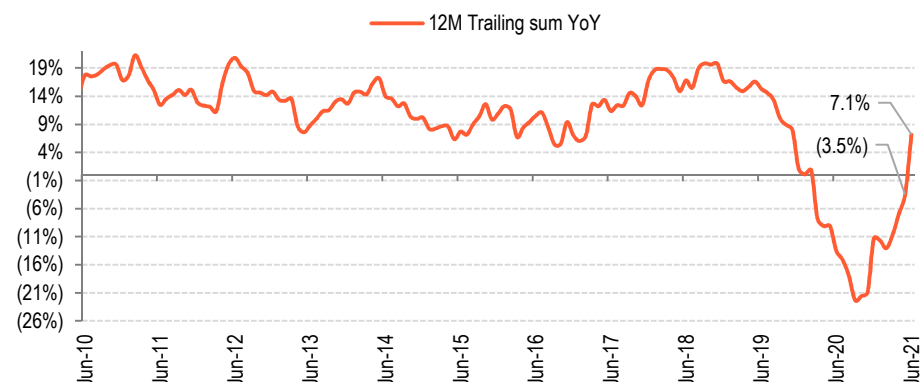
**Fig 133 – Centre’s revenue situation in Jun’21 on solid ground; capex growth easing, revenue expenditure declines**

|                        | Apr-Jun'19 (Rs bn) | Apr-Jun'20 (Rs bn) | % change | Apr-Jun'21 (Rs bn) | % change | FY22BE/FY21PA % change |
|------------------------|--------------------|--------------------|----------|--------------------|----------|------------------------|
| Gross Tax revenue      | 4,004              | 2,697              | (32.6)   | 5,316              | 97.1     | 9.5                    |
| Direct taxes           | 1,676              | 1,163              | (30.6)   | 2,464              | 111.8    | 19.6                   |
| Corp Tax               | 706                | 542                | (23.3)   | 1,237              | 128.2    | 19.6                   |
| Income Tax             | 969                | 621                | (35.9)   | 1,227              | 97.5     | 19.6                   |
| Indirect taxes         | 2,329              | 1,534              | (34.1)   | 2,852              | 86.0     | 2.6                    |
| Non-tax revenue        | 335                | 152                | (54.6)   | 1,273              | 738.4    | 16.8                   |
| Centre's revenue (net) | 2,849              | 1,500              | (47.3)   | 5,400              | 260.0    | 9.6                    |
| Total expenditure      | 7,217              | 8,159              | 13.1     | 8,216              | 0.7      | (0.8)                  |
| Capital exp            | 630                | 883                | 40.1     | 1,115              | 26.3     | 30.5                   |
| Revenue exp            | 6,587              | 7,277              | 10.5     | 7,101              | (2.4)    | (5.1)                  |
| Fiscal deficit         | 4,321              | 6,624              | -        | 2,742              | -        | -                      |

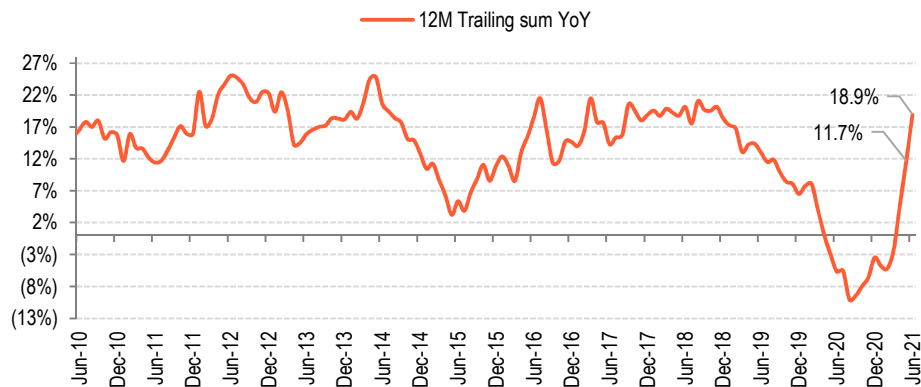
**Fig 134 – Gross indirect tax collections maintain momentum**



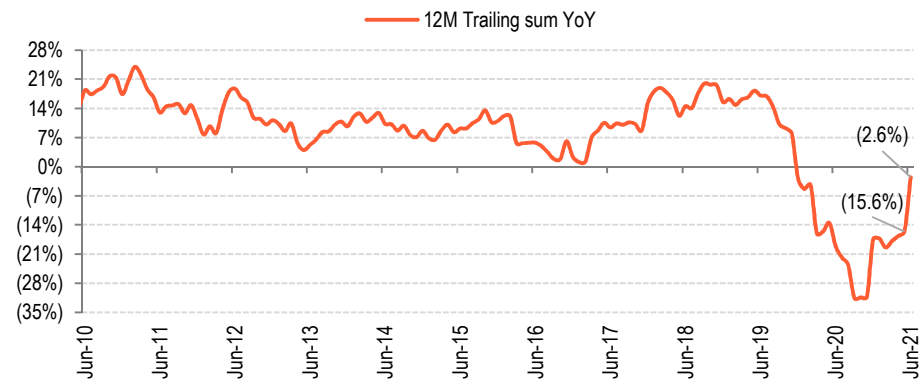
**Fig 135 – Gross direct tax collections have rebounded sharply**



**Fig 136 – ...as income tax collections improved further in Jun'21**



**Fig 137 – Contraction in corporate tax collections eased sharply**



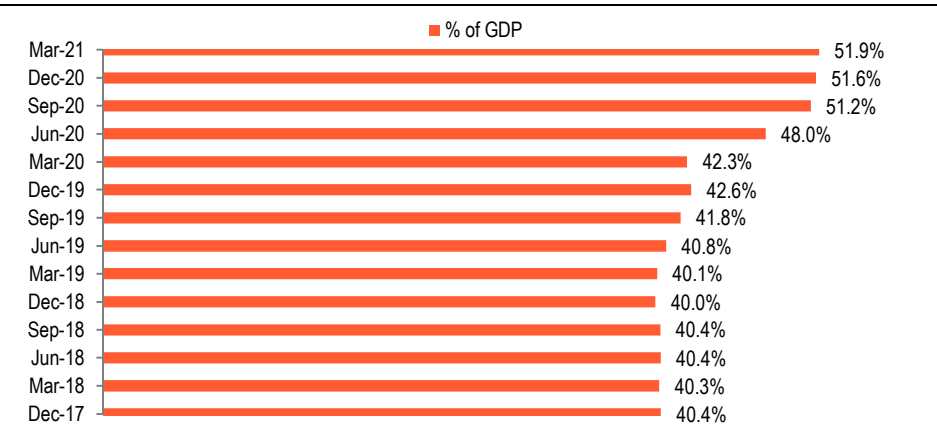
**Fig 138 – GST collections pick up pace in Jun'21**

| (Rs bn)          | Jun-20     | Jul-20     | Aug-20     | Sep-20       | Oct-20       | Nov-20       | Dec-20       | Jan-21       | Feb-21       | Mar-21       | Apr-21       | May-21     | Jun-21       | Monthly run rate (FY22) | FYTD22       | FY22 (BE) |
|------------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|-------------------------|--------------|-----------|
| CGST             | 302        | 379        | 324        | 372          | 429          | 398          | 430          | 447          | 666          | 568          | 555          | 283        | 337          | 391                     | 1,174        | 5,300     |
| UT GST           | 1.5        | 2.2        | 1.9        | 2.4          | 1.4          | 1.3          | 1.4          | 3.2          | 4.1          | 3.2          | 1.6          | 1.6        | 1.7          | 2                       | 5            | -         |
| IGST             | 97         | (60)       | 52         | (3)          | 2            | 76           | 124          | 68           | (373)        | (104)        | 48           | 153        | 64           | 88                      | 265          | -         |
| SGST*            | 400        | 475        | 509        | 612          | 539          | 596          | 560          | 531          | 848          | 862          | 331          | 402        | 696          | 476                     | 1,429        | -         |
| Cess             | 75         | 68         | 69         | 68           | 78           | 80           | 82           | 83           | 93           | 84           | 92           | 89         | 66           | 82                      | 246          | 1,000     |
| <b>Total GST</b> | <b>874</b> | <b>864</b> | <b>955</b> | <b>1,052</b> | <b>1,050</b> | <b>1,152</b> | <b>1,198</b> | <b>1,131</b> | <b>1,239</b> | <b>1,414</b> | <b>1,027</b> | <b>928</b> | <b>1,164</b> | <b>1040</b>             | <b>3,120</b> | <b>-</b>  |

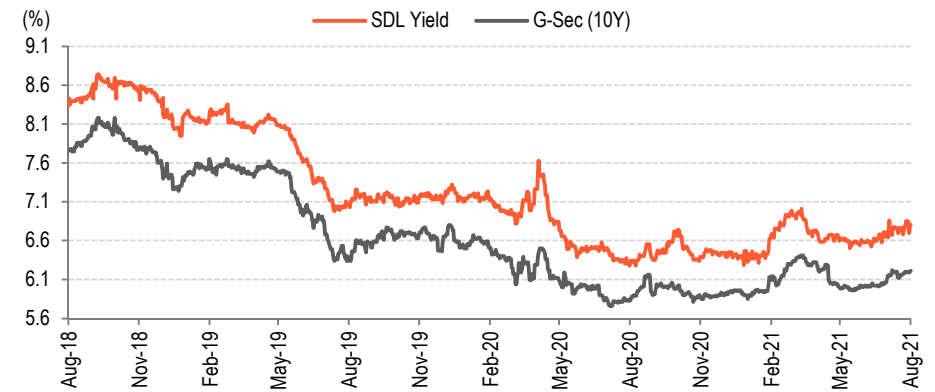
Source: PIB | \*Computed from PIB and CGA data



**Fig 139 – Central govt. public debt rose sharply in FY21**

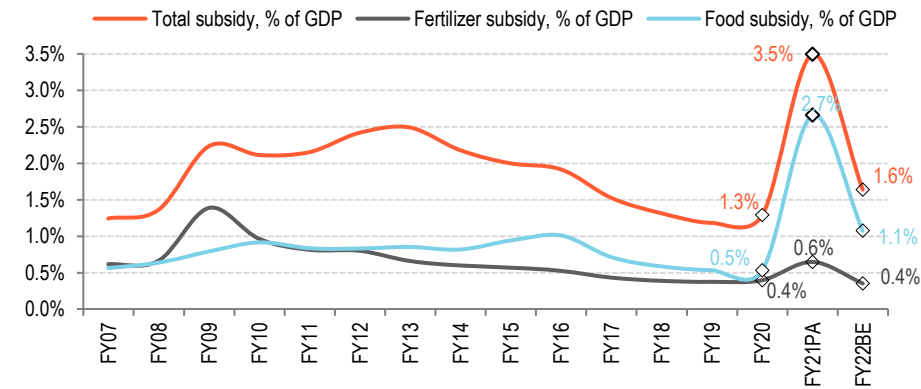


**Fig 140 – Gap between avg. yield on SDL and 10Y G-sec remained stable in Jul'21; but is marginally up in Aug'21 so far**



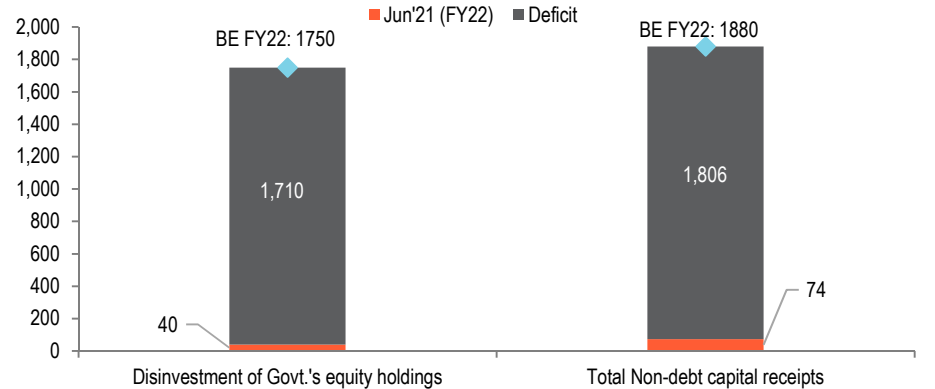
Source: CCIL

**Fig 141 – Subsidy burden increased significantly in FY21**



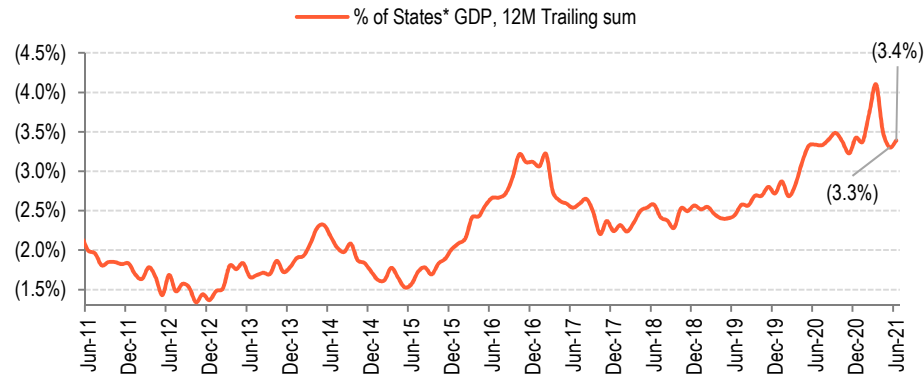
PA-Provisional Actual; BE-Budget Estimates

**Fig 142 – Central govt. FY22 disinvestment status**



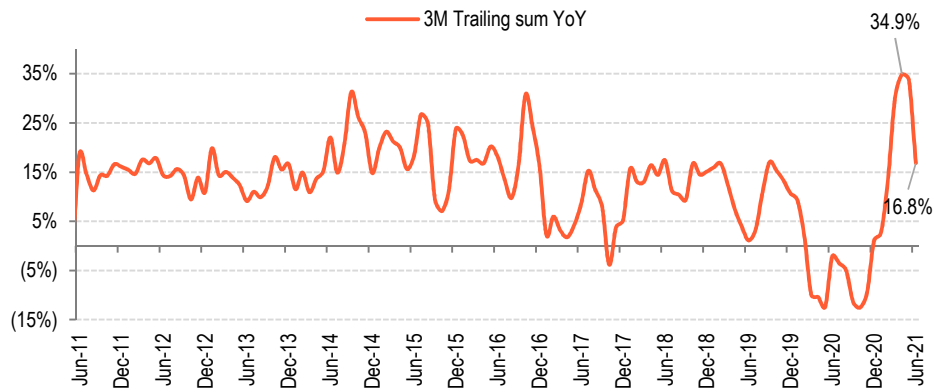
State government finances

Fig 143 – States\* fiscal deficit beginning to inch up in Jun'21



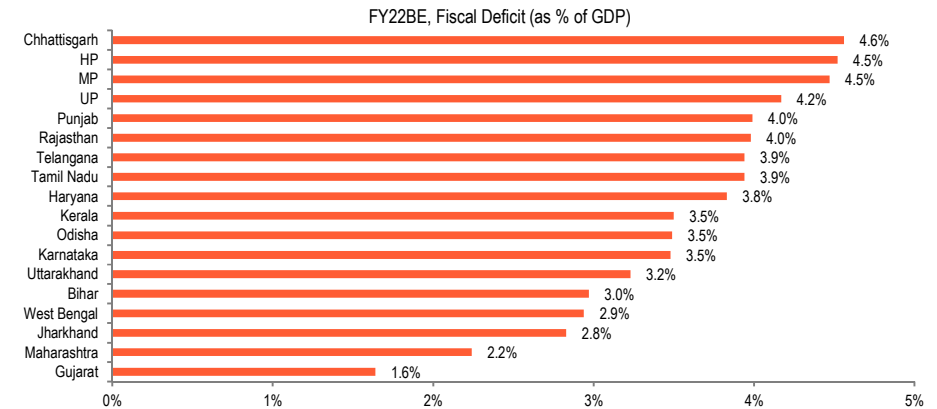
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

Fig 145 – Total expenditure of states\* dips in Jun'21, owing to base effect



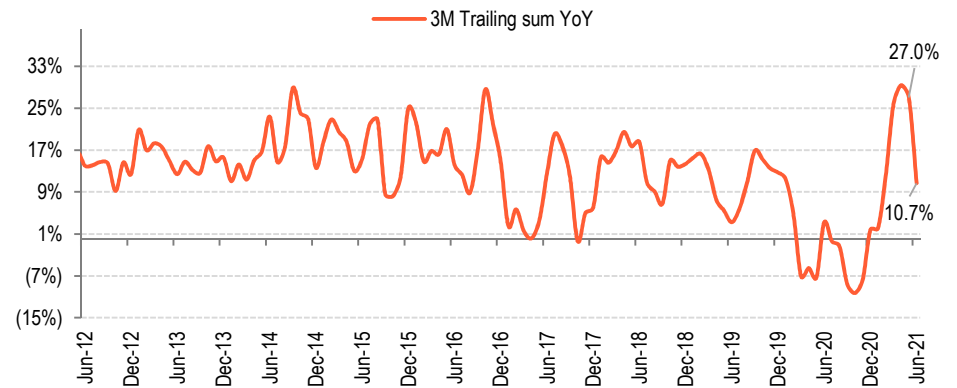
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

Fig 144 – Chhattisgarh, M.P., U.P, to remain higher deficit states in FY22 (BE)



Source: Budget documents

Fig 146 – ...as revenue spending by states\* fell



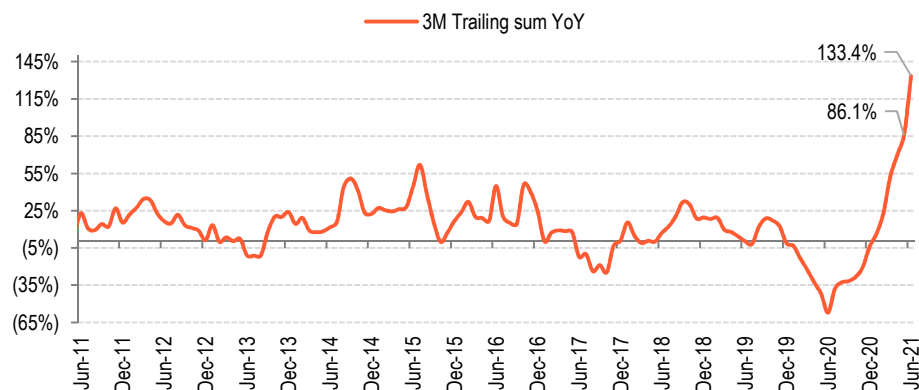
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

**Fig 147 – State\* govt. tax revenue receipts in Jun’21 slip below pre-pandemic (Jun’19) levels; spending still higher than Jun’19 led by revenue sending; capex steady**

|                                       | Apr-May’19 (Rs bn) | Apr-May’20 (Rs bn) | % change | Apr-May’21 (Rs bn) | % change |
|---------------------------------------|--------------------|--------------------|----------|--------------------|----------|
| Total Receipts                        | 4,817              | 4,631              | (3.9)    | 5,469              | 18.1     |
| Revenue Receipts                      | 4,289              | 3,338              | (22.2)   | 4,367              | 30.8     |
| Receipts: Tax Revenue                 | 3,317              | 2,139              | (35.5)   | 3,098              | 44.8     |
| Receipts: Non-Tax Revenue             | 304                | 248                | (18.5)   | 356                | 43.8     |
| Receipts: Grant in aid & contribution | 623                | 997                | 60.0     | 951                | (4.6)    |
| Capital Receipts                      | 528                | 1,292              | 144.9    | 1,103              | (14.7)   |
| Total Expenditure                     | 4,697              | 4,596              | (2.2)    | 5,369              | 16.8     |
| Revenue Expenditure                   | 4,231              | 4,365              | 3.2      | 4,830              | 10.7     |
| Capital Expenditure                   | 538                | 231                | (57.1)   | 539                | 133.4    |
| Revenue Surplus or Deficit            | 53                 | (1,118)            | -        | (508)              | -        |
| Fiscal Surplus or Deficit             | (605)              | (1,396)            | -        | (463)              | -        |

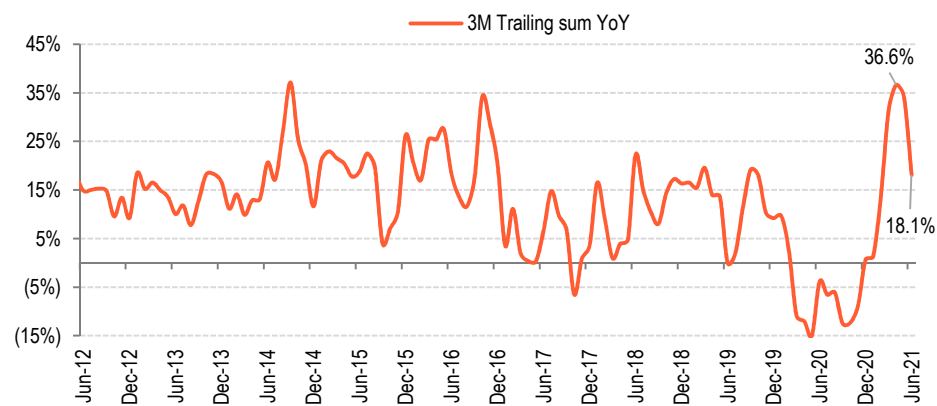
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

**Fig 148 – However, capex spending of states\* continues to pick up owing to base effect**



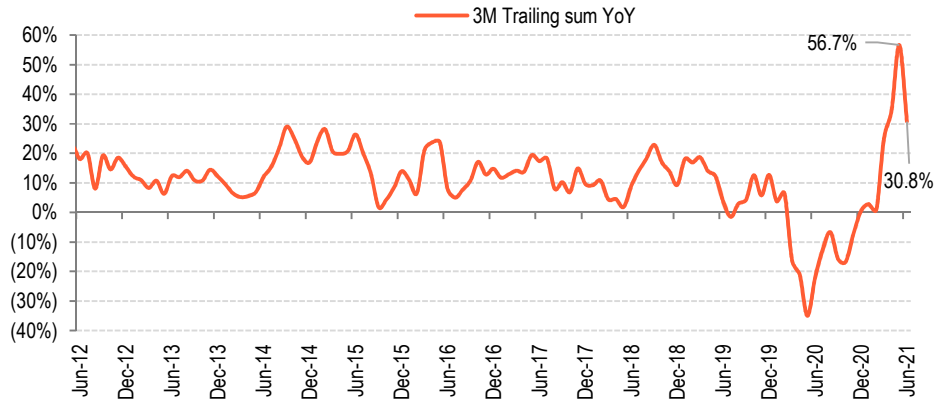
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

**Fig 149 – Total receipt of states\* slowed sharply in Jun’21**



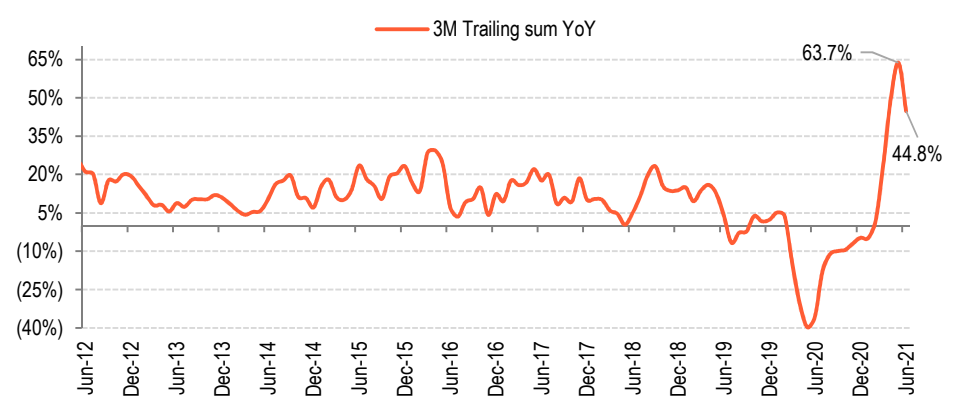
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

**Fig 150 – ...as revenue receipts of states\* dropped**



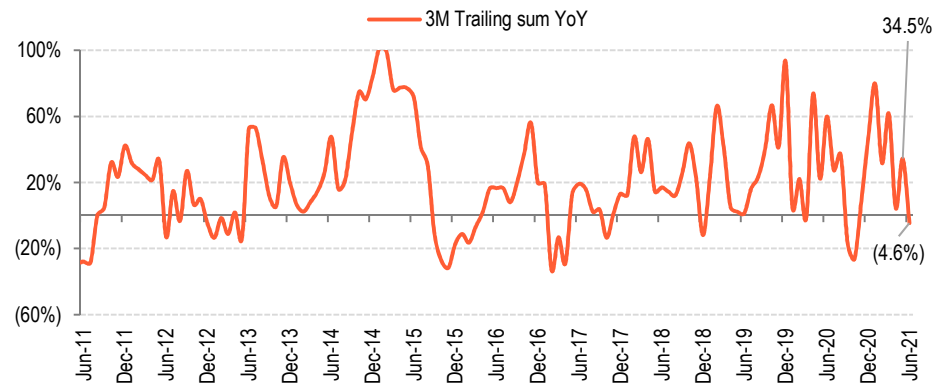
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

**Fig 151 – Tax revenue receipts of states\* led the decline**



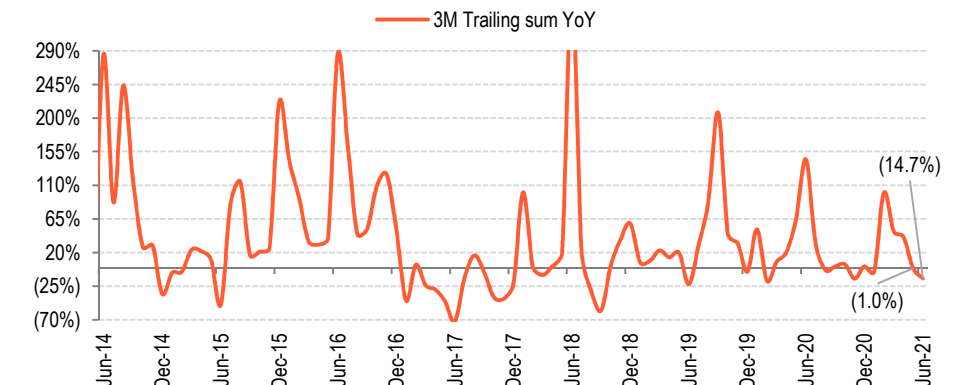
Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

**Fig 152 – Grant in aid from Centre to states\* also fell sharply**



Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

**Fig 153 – Capital receipts of states\* were also weak**



Note: \*All states excluding N.E states, A.P., Bihar, Goa, J&K, and W.Bengal

### Central government borrowing

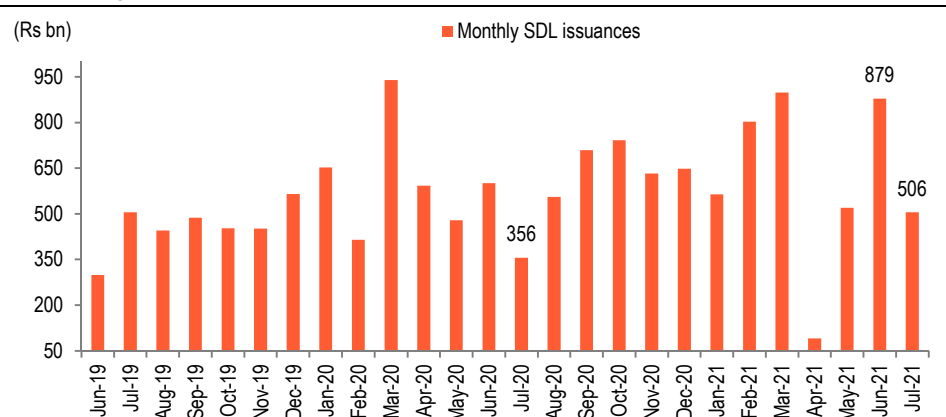
**Fig 154 – Centre’s T-bill issuances at Rs 1.2tn in Q2 till date**

| Total accepted amount (G-Sec), (Rs bn) | FY16          | FY17         | FY18          | FY19          | FY20          | FY21          | FY22  | FY22 (planned) |
|--|---------------|--------------|---------------|---------------|---------------|---------------|-------|----------------|
| Q1                                     | 2,613         | 2,797        | 2,888         | 3,089         | 3,364         | 5,328         | 5,375 | 4,680          |
| Q2                                     | 2,667         | 2,584        | 3,186         | 3,299         | 3,024         | 5,417         | 1231^ | 2,210          |
| Q3                                     | 2,645         | 2,747        | 2,632         | 3,070         | 2,889         | 3,745         | -     | -              |
| Q4                                     | 2,104         | 1,684        | 2,486         | 1,812         | 2,511         | 2,714         | -     | -              |
| <b>Total</b>                           | <b>10,029</b> | <b>9,811</b> | <b>11,192</b> | <b>11,271</b> | <b>11,788</b> | <b>17,204</b> | -     | -              |

Source: RBI^Till 4 Aug 2021

### State government borrowing

**Fig 156 – State government borrowings eased in Jul’21, but remained higher than last year**



Source: RBI

**Fig 155 – Centre’s gross borrowing in Q2 till date is at Rs 1.5tn**

| Total accepted amount (G-Sec), (Rs bn) | FY16         | FY17         | FY18         | FY19         | FY20         | FY21           | FY22   | FY22 (planned) |
|--|--------------|--------------|--------------|--------------|--------------|----------------|--------|----------------|
| Q1                                     | 1,740        | 1,500        | 1,680        | 1,320        | 2,040        | 3,140          | 3,064  | 3,800          |
| Q2                                     | 1,630        | 1,910        | 1,890        | 1,440        | 2,210        | 4,220          | 1,471^ | 3,440          |
| Q3                                     | 1,640        | 1,610        | 1,640        | 1,270        | 1,930        | 2,910          | -      | 2,408          |
| Q4                                     | 840          | 800          | 670          | 1,680        | 920          | 3,191          | -      | 2,408          |
| <b>Total</b>                           | <b>5,850</b> | <b>5,820</b> | <b>5,880</b> | <b>5,710</b> | <b>7,100</b> | <b>13,461^</b> | -      | <b>12,055</b>  |

Source: RBI^ Against budgeted Rs 12.8tn ^Till 6 Aug 2021

**Fig 157 – States borrowed less than planned in Q1; to raise more in Q2**

| Quarterly SDL issuances, (Rs bn) | FY16         | FY17         | FY18         | FY19         | FY20         | FY21         | FYTD22 (actual) | FY22 (planned) |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|----------------|
| Q1                               | 502          | 548          | 650          | 766          | 815          | 1,673        | 1,491           | 1,783          |
| Q2                               | 627          | 792          | 1,130        | 809          | 1,439        | 1,614        | 757*            | 1,696          |
| Q3                               | 858          | 1,214        | 1,054        | 1,277        | 1,470        | 2,023        | -               | -              |
| Q4                               | 959          | 1,322        | 1,348        | 1,809        | 2,006        | 2,448        | -               | -              |
| <b>Total</b>                     | <b>2,946</b> | <b>3,876</b> | <b>4,182</b> | <b>4,661</b> | <b>5,731</b> | <b>7,757</b> | -               | -              |

Source: RBI; \* as of 10 Aug 2021

External sector

Exports

Fig 158 – Global exports showing a steady increase

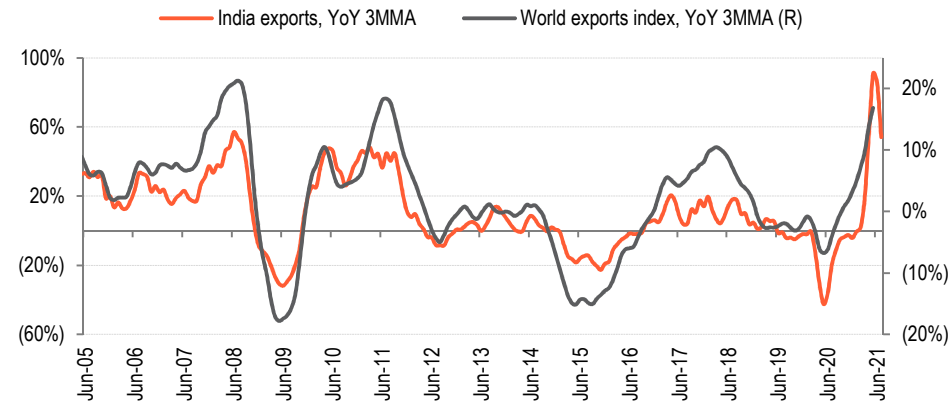
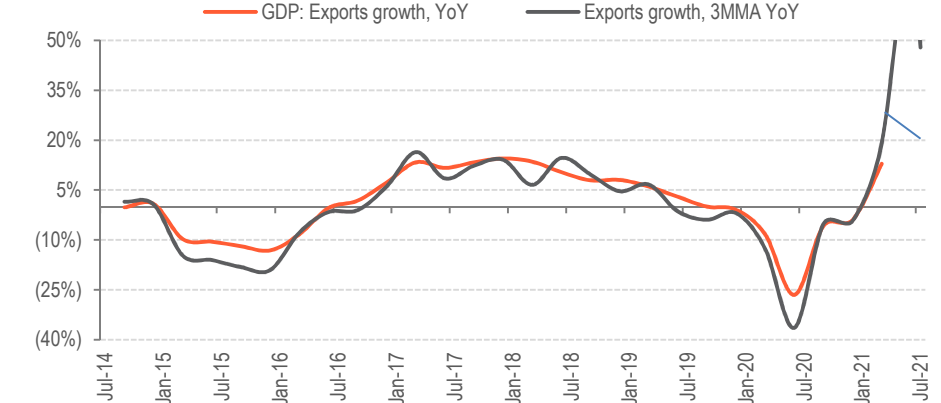


Fig 159 – India's exports surge to a record high of US\$ 35.2bn in Jul'21



Note: Figure for Jul'21 is YoY growth

Exports by major sectors

Fig 160 – Exports have risen by 34.1% over a 2-year horizon, led by non-oil exports

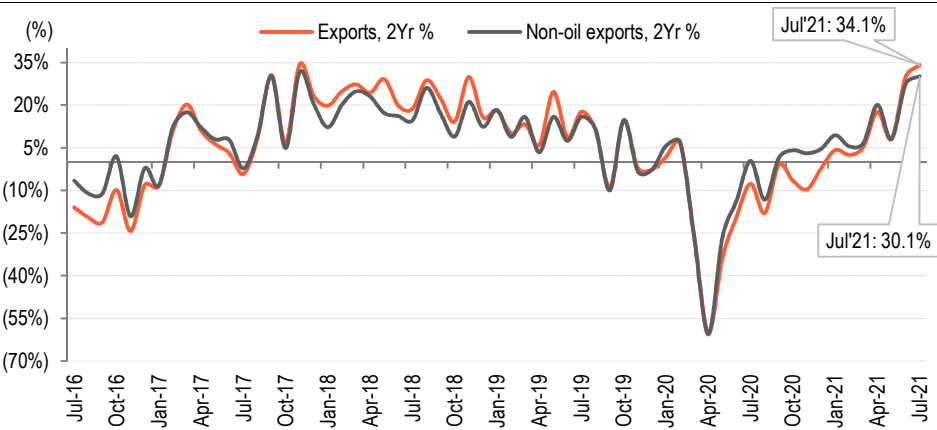
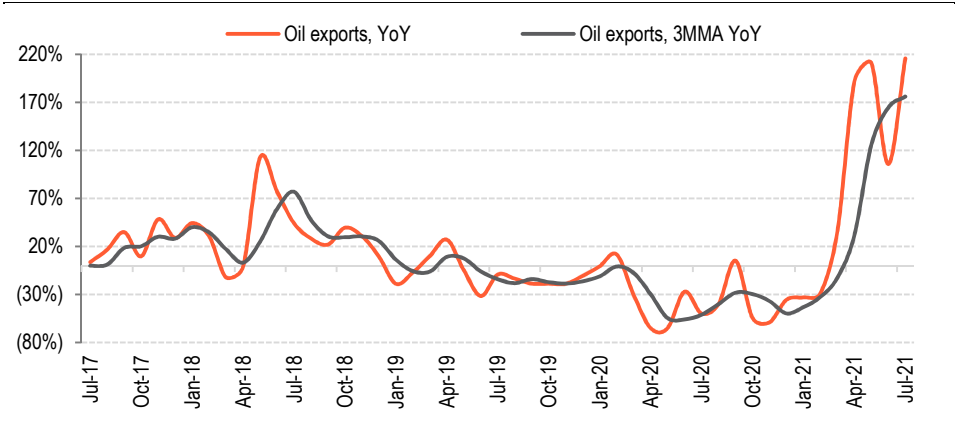
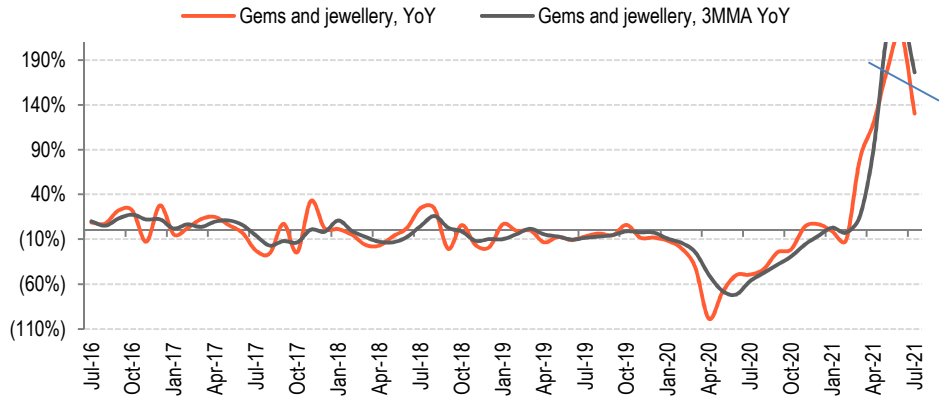


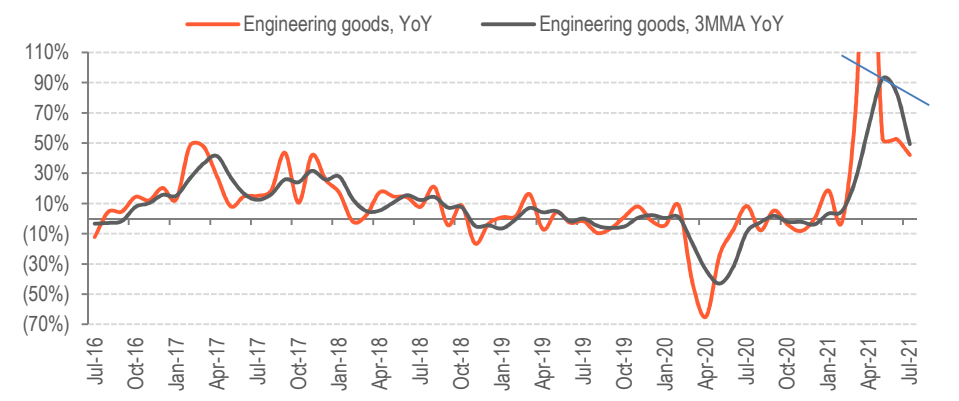
Fig 161 – On YoY basis, oil exports rose sharply in Jul'21



**Fig 162 – Export of gems and jewellery moderates in Jun’21 on a YoY basis**

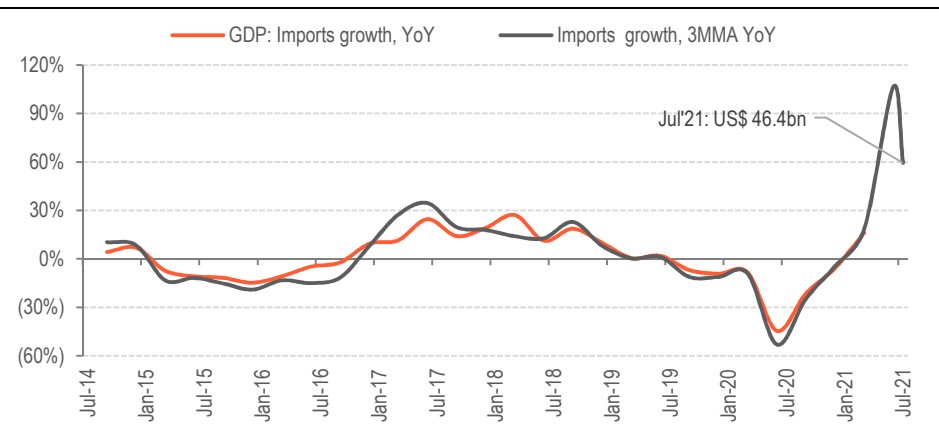


**Fig 163 – Similar trend in engineering exports**



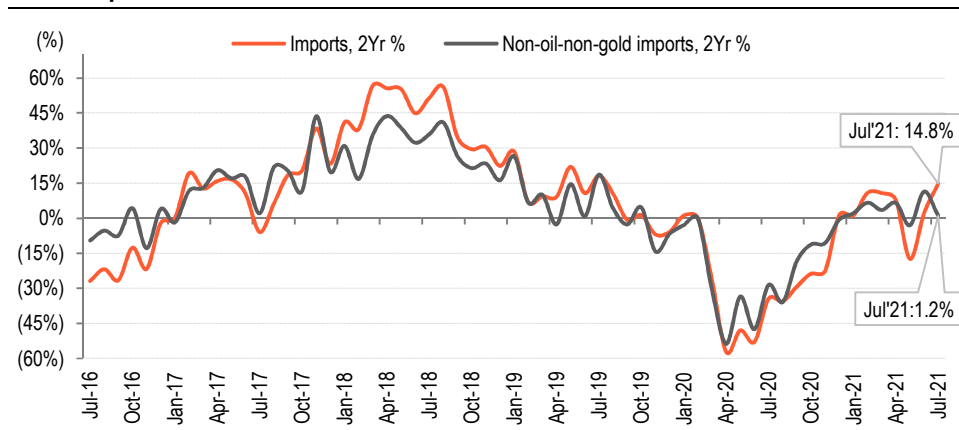
**Imports**

**Fig 164 – Imports rise to US\$ 46.4bn in Jul’21 from US\$ 41.2bn in Jun’21**

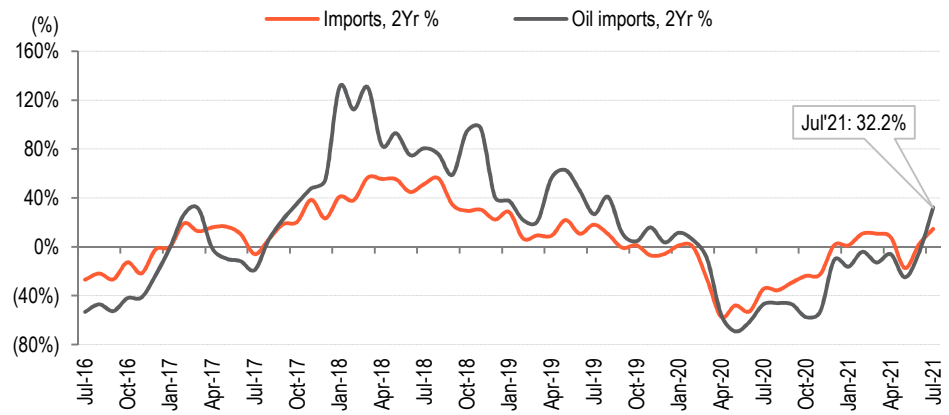


Note: Figure for Jul'21 is average YoY growth

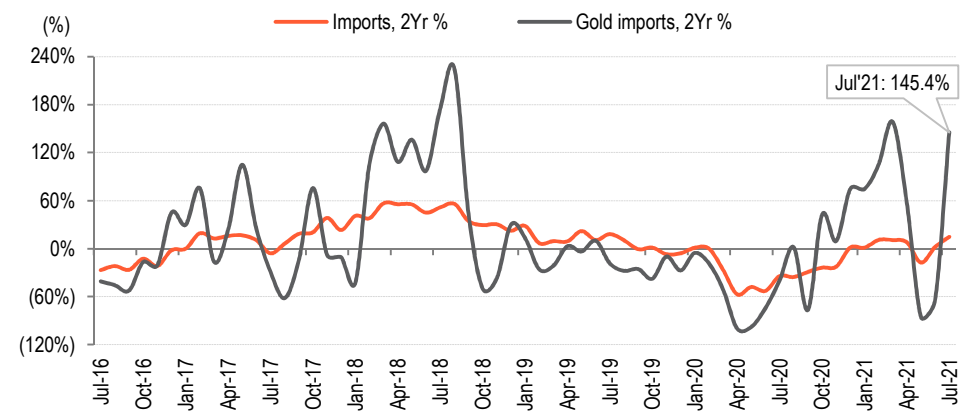
**Fig 165 – Over a 2-year horizon, imports have risen by 14.8%, non-oil-non-gold imports have remained muted at 1.2%**



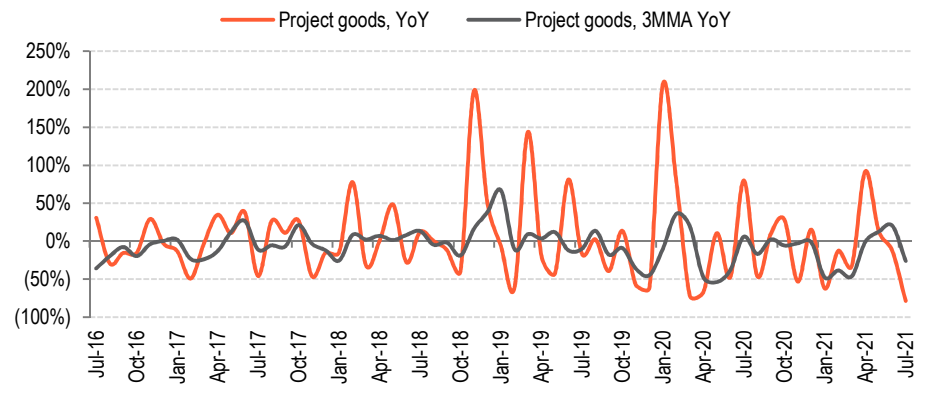
**Fig 166 – Oil imports have also risen over a 2-year horizon**



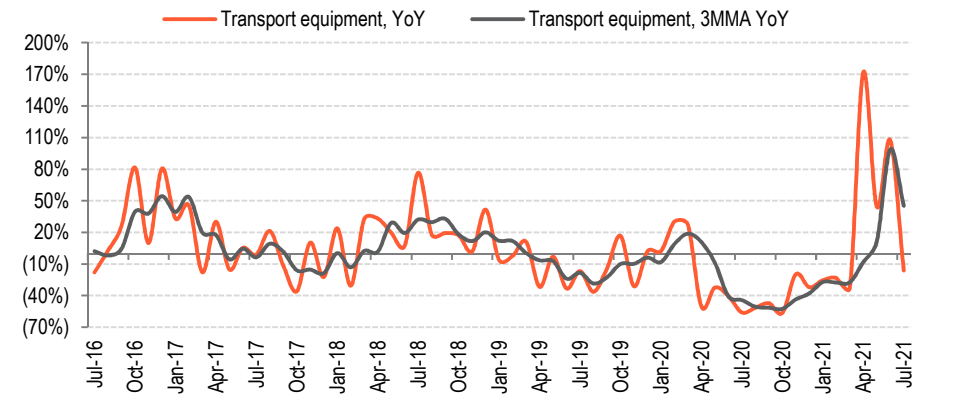
**Fig 167 – Gold imports have jumped sharply on a 2-year basis**



**Fig 168 – Imports of project goods falling on a YoY basis**



**Fig 169 – .. similar trend in imports of transport equipments**





## Exports and imports by major regions

**Fig 170 – Exports to all regions have picked up in FYTD22 (Apr-May'21)**

| Region (% YoY)               | Share in FY21 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 |
|------------------------------|---------------|--------|--------|--------|--------|--------|
| Americas                     | 7.4           | 3.5    | 53.1   | 148.8  | 101.8  | (6.1)  |
| Asia and Pacific (Ex. China) | 19.2          | 2.6    | 8.0    | 70.9   | 240.1  | 77.5   |
| China                        | 27.3          | 21.3   | 4.3    | 78.0   | 203.3  | 75.8   |
| Europe                       | 22.0          | (4.2)  | (20.0) | 32.8   | 172.9  | 77.4   |
| Middle East and Africa       | 23.7          | 9.4    | 3.6    | 53.5   | 263.0  | 92.7   |
| Other                        | 0.4           | (65.2) | (57.6) | (47.7) | 202.7  | (60.8) |

**Fig 171 – ..similar trend in imports**

| Region (% YoY)               | Share in FY21 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 |
|------------------------------|---------------|--------|--------|--------|--------|--------|
| Americas                     | 12.8          | (8.4)  | (12.7) | 35.2   | 99.1   | 50.9   |
| Asia and Pacific (Ex. China) | 25.0          | 16.4   | 7.6    | 54.4   | 151.7  | 53.4   |
| China                        | 13.8          | 11.0   | 42.3   | 137.6  | 114.9  | 52.9   |
| Europe                       | 15.0          | 33.1   | 21.7   | 128.9  | 340.5  | 24.3   |
| Middle East and Africa       | 30.8          | (17.2) | (4.6)  | 18.1   | 207.6  | 157.6  |
| Other                        | 2.6           | (28.3) | 0.9    | (18.3) | 39.5   | 114.3  |

Trade deficit

Fig 172 – Trade deficit expands to US\$ 11.2bn in Jul'21 from US\$ 9.4bn in Jun'21...

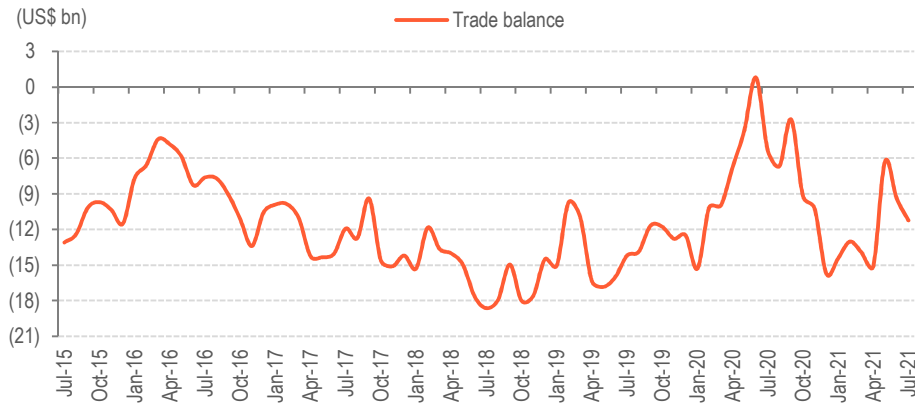
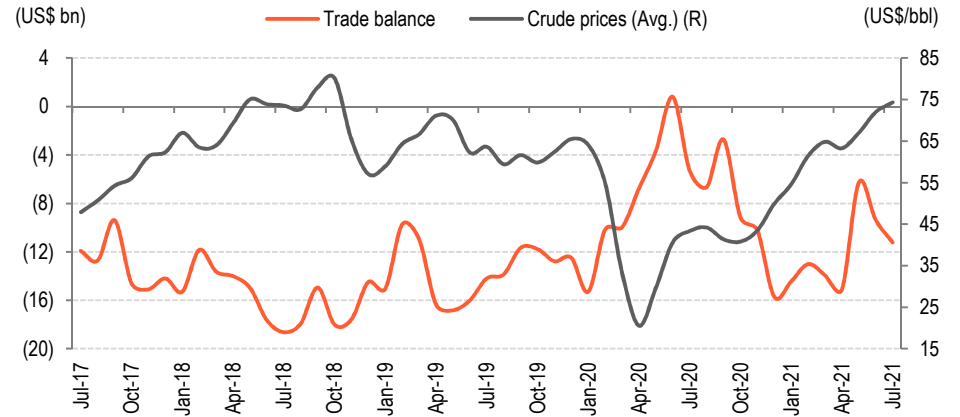
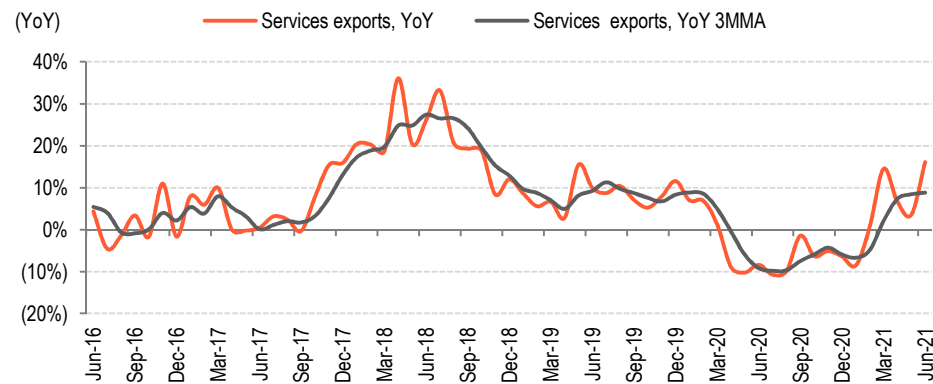


Fig 173 – ...led by higher oil prices



Trade in services

Fig 174 – Services exports rose by 8.8% in Q1FY22 versus 2.2% growth in Q4FY22



BoP

Fig 175 – Current account deficit expands to 1% of GDP in Q4FY21

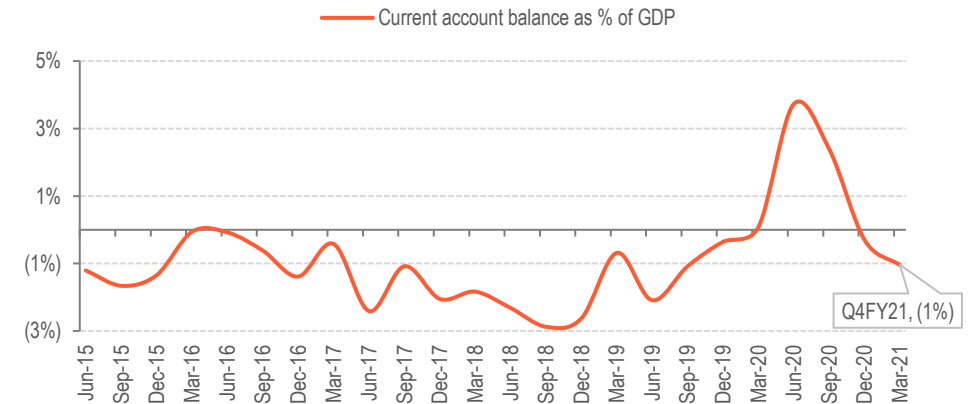


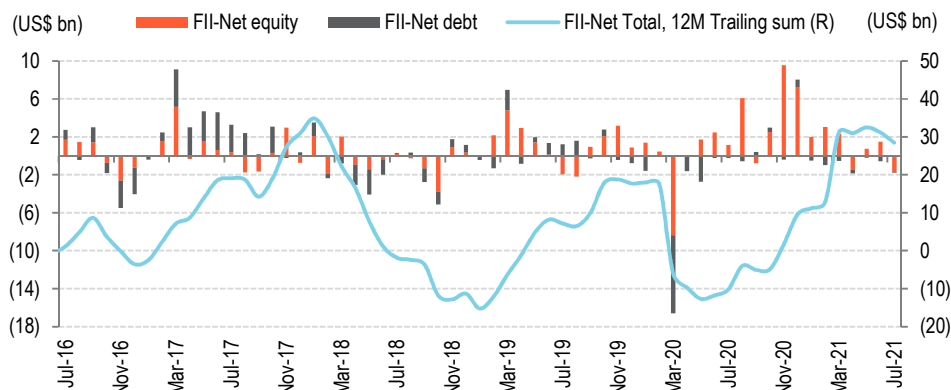
Fig 176 – Led by higher trade deficit

| (US\$ bn)                   | Q4FY20      | Q1FY21      | Q2FY21      | Q3FY21       | Q4FY21       |
|-----------------------------|-------------|-------------|-------------|--------------|--------------|
| <b>Current account</b>      | <b>0.6</b>  | <b>19.1</b> | <b>15.3</b> | <b>(2.2)</b> | <b>(8.2)</b> |
| <b>CAD/GDP (%)</b>          | <b>0.1</b>  | <b>3.7</b>  | <b>2.4</b>  | <b>(0.3)</b> | <b>(1.0)</b> |
| Trade balance               | (35.0)      | (11.0)      | (14.8)      | (34.6)       | (41.7)       |
| - Merchandise exports       | 76.5        | 52.2        | 75.6        | 77.2         | 91.3         |
| - Merchandise imports       | 111.6       | 63.2        | 90.4        | 111.8        | 133          |
| - Net Services              | 22          | 20.8        | 21.1        | 23.2         | 23.5         |
| --Software                  | 21.1        | 20.8        | 22          | 23.5         | 23.5         |
| Transfers                   | 18.4        | 17          | 18.4        | 19.3         | 18.8         |
| Other invisibles            | (4.8)       | (7.7)       | (9.4)       | (10.1)       | (8.7)        |
| <b>Capital account</b>      | <b>17.4</b> | <b>1.4</b>  | <b>15.9</b> | <b>34.1</b>  | <b>12.3</b>  |
| <b>% of GDP</b>             | <b>2.4</b>  | <b>0.3</b>  | <b>2.5</b>  | <b>4.6</b>   | <b>1.6</b>   |
| Foreign investments         | (1.8)       | 0.1         | 31.4        | 38.6         | 10.0         |
| - FDI                       | 12.0        | (0.5)       | 24.4        | 17.4         | 2.7          |
| - FII                       | (13.7)      | 0.6         | 7.0         | 21.2         | 7.3          |
| Banking capital             | (4.6)       | 2.2         | (11.3)      | (7.6)        | (4.4)        |
| Short-term credit           | (1.0)       | (0.2)       | (1.8)       | 0.2          | (2.3)        |
| ECBs                        | 10.3        | (1.2)       | (4.0)       | (1.1)        | 6.1          |
| External assistance         | 0.6         | 4.1         | 1.9         | 1.2          | 4.0          |
| Other capital account items | 13.8        | (3.7)       | (0.3)       | 2.8          | (1.0)        |
| E&O                         | 0.9         | (0.6)       | 0.4         | 0.6          | (0.7)        |
| <b>Overall balance</b>      | <b>18.8</b> | <b>19.9</b> | <b>31.6</b> | <b>32.5</b>  | <b>3.4</b>   |

## Foreign inflows

### FII inflows

**Fig 177 – FII inflows rise to US\$ 912mn in Jun'21 after inflows of US\$ 561mn in May'21**



Source: Bloomberg

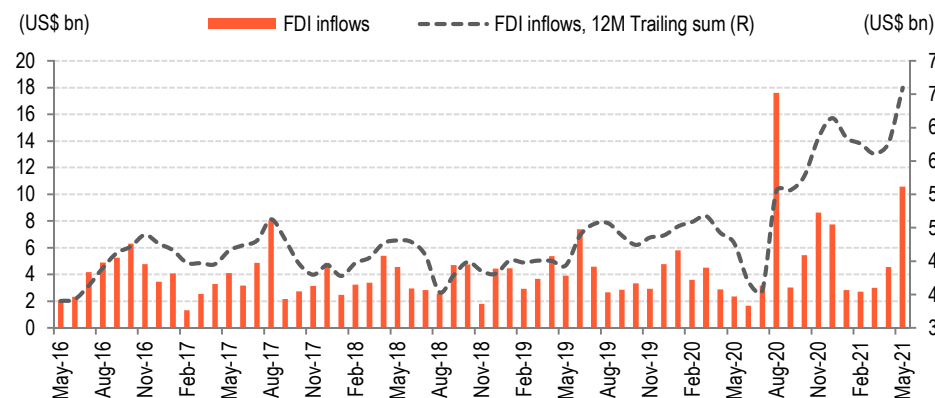
**Fig 179 – FDI inflows in computer, software remained buoyant in FY21**

| Sector (US\$ bn)               | % Share FY21 | FY17 | FY18 | FY19 | FY20 | FY21 |
|--------------------------------|--------------|------|------|------|------|------|
| Computer software and hardware | 25.8         | 3.7  | 6.2  | 6.4  | 7.7  | 26.1 |
| Services Sector                | 5.0          | 8.7  | 6.7  | 9.2  | 7.9  | 5.1  |
| Trading                        | 2.6          | 2.3  | 4.3  | 4.5  | 4.6  | 2.6  |
| Automobile industry            | 1.6          | 1.6  | 2.1  | 2.6  | 2.8  | 1.6  |
| Telecommunications             | 0.4          | 5.6  | 6.2  | 2.7  | 4.4  | 0.4  |

Source: DIPP

### FDI inflows

**Fig 178 – FDI inflows rise sharply to US\$ 10.6bn in May'21 versus US\$ 4.8bn in Apr'21**



Source: RBI, Bank of Baroda Research

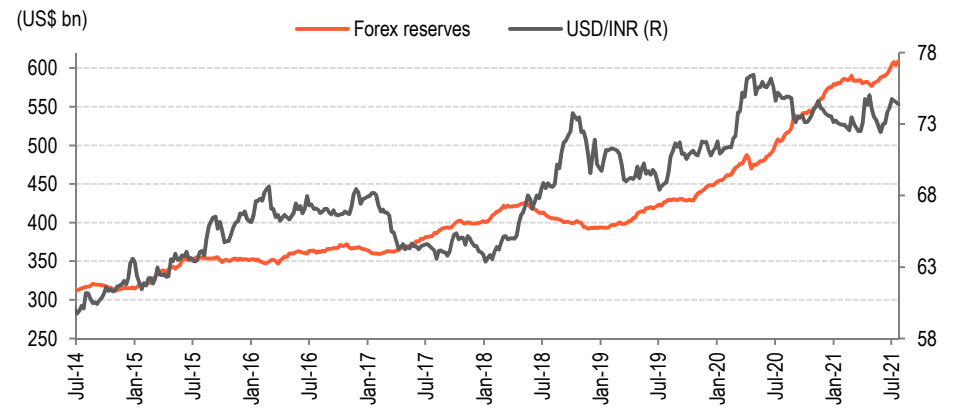
**Fig 180 – FDI inflows from Singapore accelerate the most in FY21**

| Country (US\$ bn) | % Share in FY21 | FY17 | FY18 | FY19 | FY20 | FY21 |
|-------------------|-----------------|------|------|------|------|------|
| Singapore         | 29.2            | 8.7  | 12.2 | 16.2 | 14.7 | 17.4 |
| Mauritius         | 9.5             | 15.7 | 15.9 | 8.1  | 8.2  | 5.6  |
| Netherlands       | 4.7             | 3.4  | 2.8  | 3.9  | 6.5  | 2.8  |
| UK                | 3.4             | 1.5  | 0.8  | 1.4  | 1.4  | 2.0  |
| Japan             | 3.3             | 4.7  | 1.6  | 3.0  | 3.2  | 1.9  |

Source: DIPP

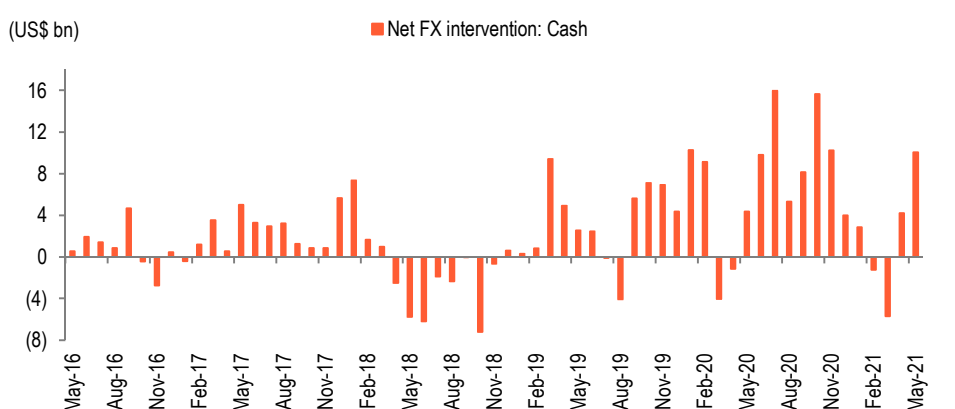
Forex reserves and external debt

**Fig 181 – India’s FX reserves at US\$ 611.1bn in Jul’21, US\$ 31.9bn accretion in FYTD22**

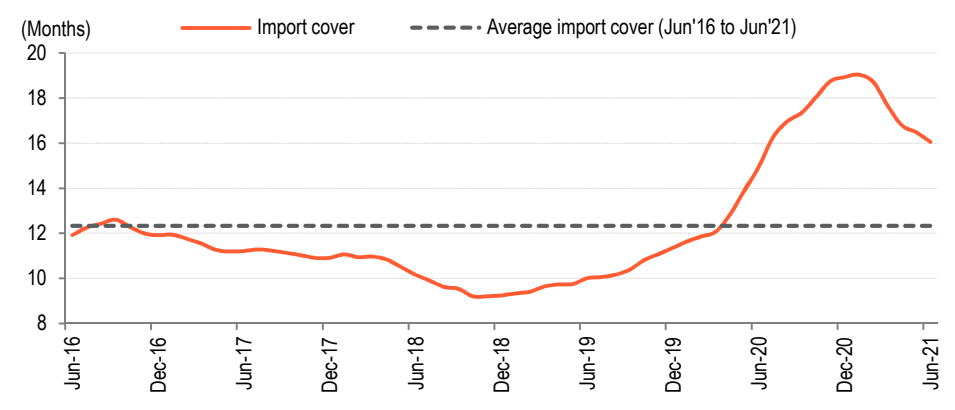


Source: Bloomberg | Weekly data as of 27 Jul 2021

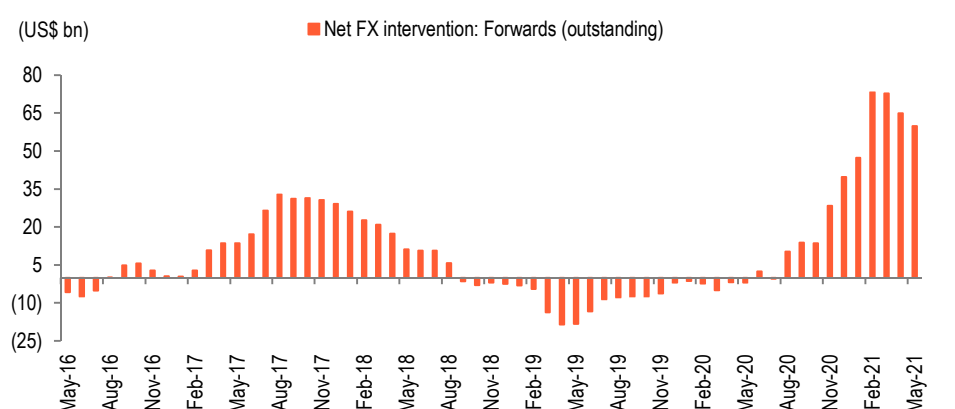
**Fig 183 – RBI purchased US\$ 10.1bn in the spot market in May’21 compared with US\$ 4.2bn in Apr’21**



**Fig 182 – Import cover dips in Jun’21 but remains above long-term average**



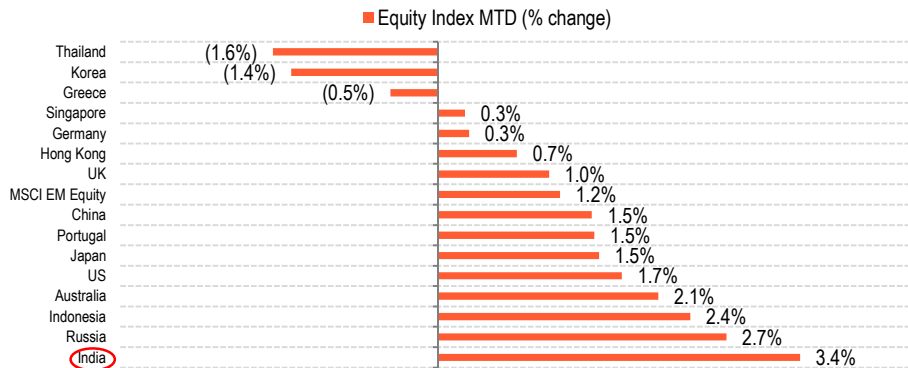
**Fig 184 – In forwards market, RBI sold US\$ 5.1bn in May’21, outstanding position at US\$ 59.9bn**



Markets

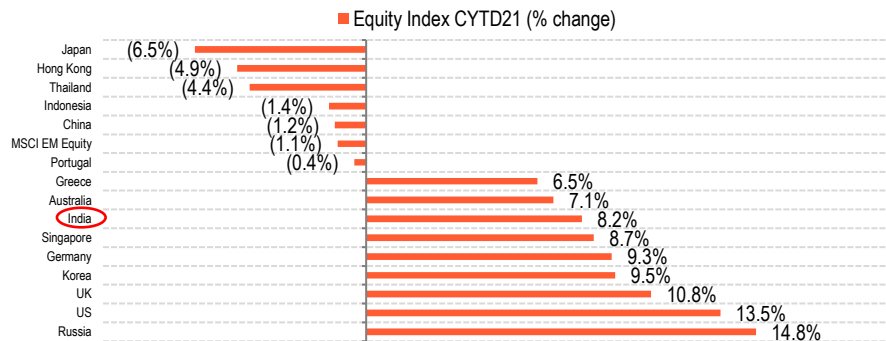
Equity

Fig 185 – In Aug'21, Sensex rose the most by 3.4%



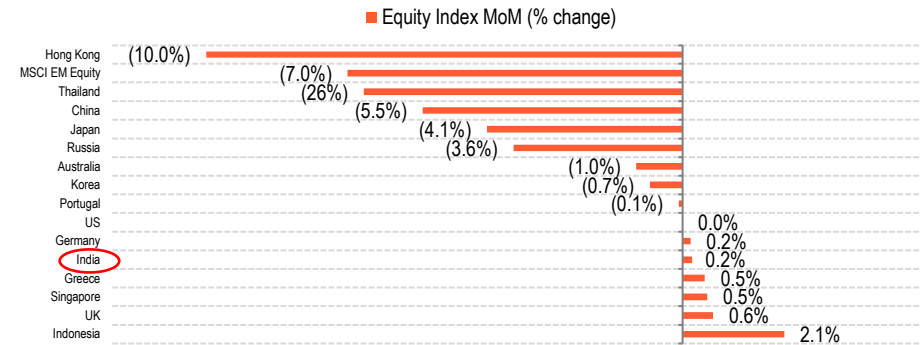
Source: Bloomberg | \* As on 9 Aug 2021, Indices are in US\$ terms

Fig 187 – In CYTD21, Sensex rose by 8.2%



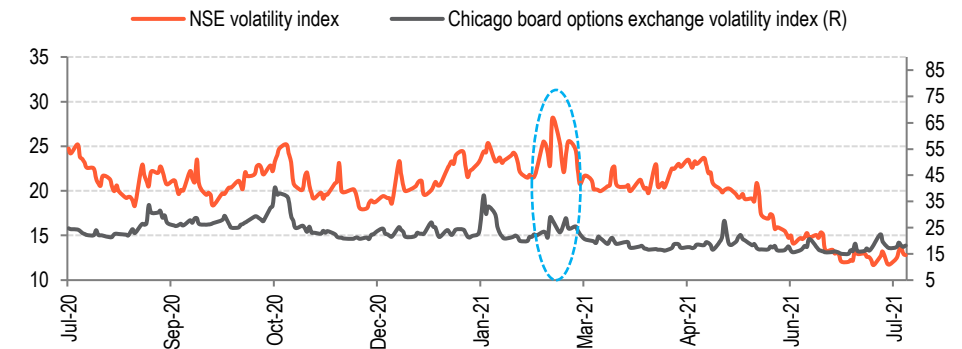
Source: Bloomberg | \* As on 30 Jul 2021, Indices are in US\$ terms

Fig 186 – In Jun'21, Sensex rose by 0.2%, while MSCI EM fell by 7%



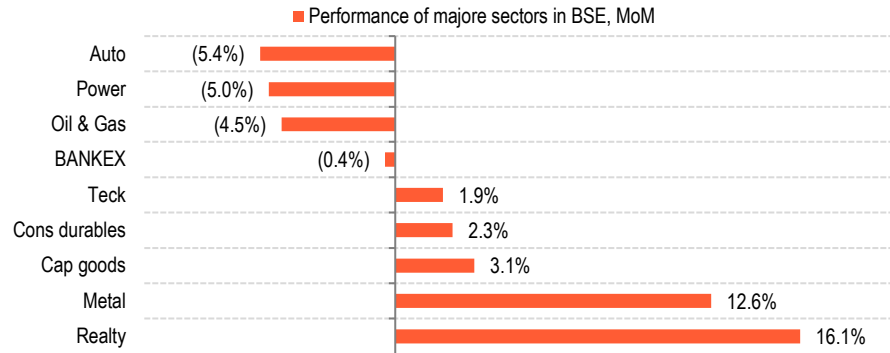
Source: Bloomberg | \* As on 30 Jul 2021, Indices are in US\$ terms

Fig 188 – VIX index fell to 12.8 from 13 in Jul'21



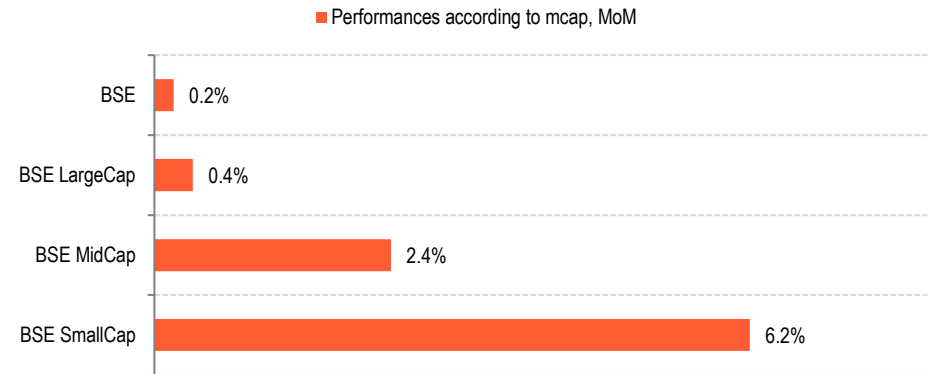
Source: Bloomberg

**Fig 189 – Metal and real estate stocks rose the most**



Source: Bloomberg | As on 30 Jul 2021

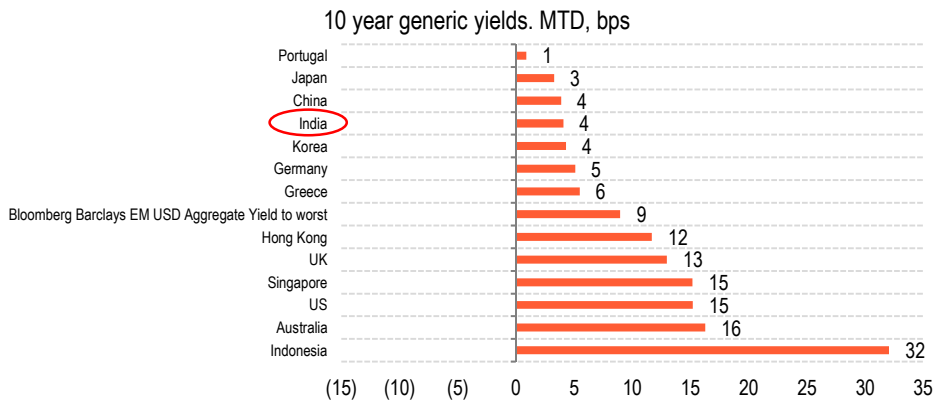
**Fig 190 – Small caps rose the most**



Source: Bloomberg | As on 30 Jul 2021

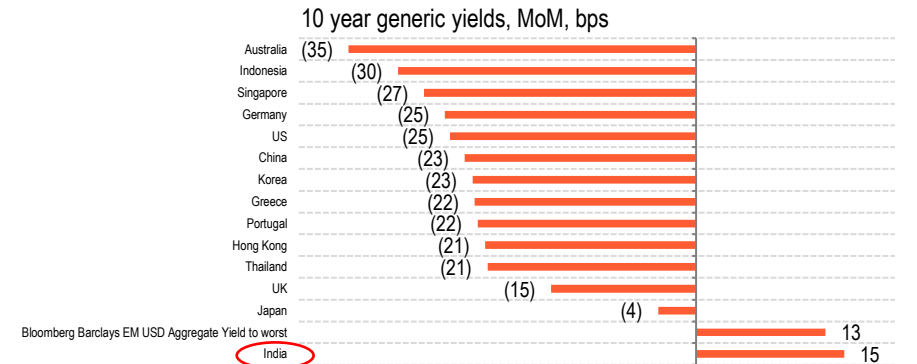
## 10-year bond yields

**Fig 191 – In Aug'21, India's 10Y yield rose by 4bps**



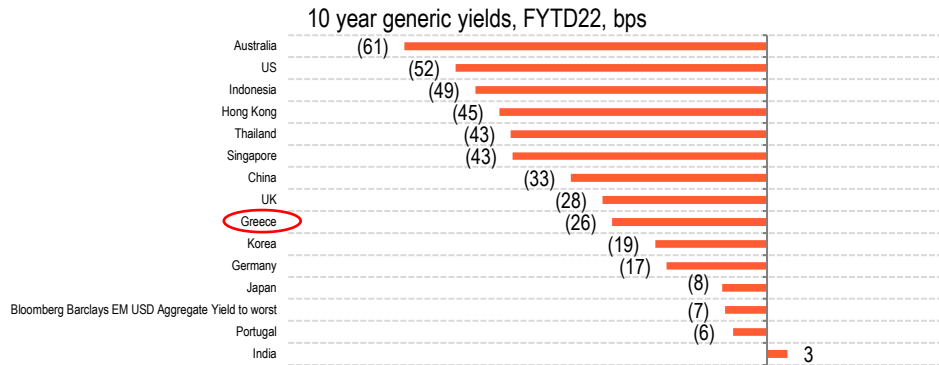
Source: Bloomberg | \* As on 9 Aug 2021, Note: For India 6.10GS2031 yield is taken

**Fig 192 – In Jul'21, India's 10y yield has risen by 15bps**



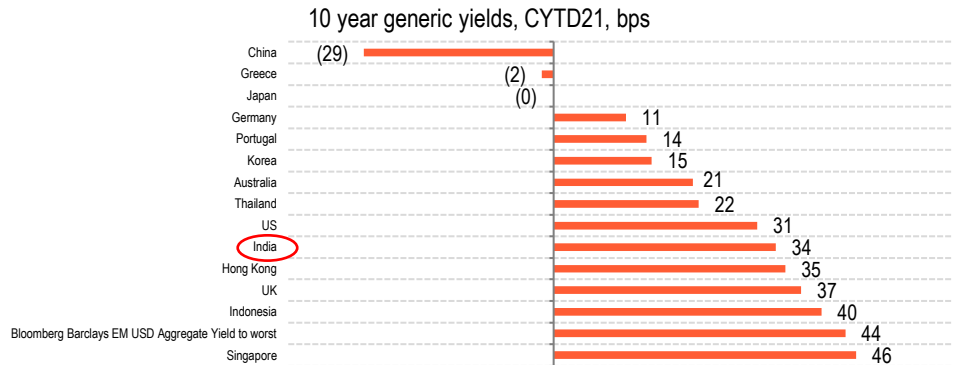
Source: Bloomberg | \* As on 30 Jul 2021, Note: For India 6.10GS2031 yield is taken

**Fig 193 – In FYTD22, India’s 10Y yield rose by 3bps, other global yields declined**



Source: Bloomberg | \* As on 30 Jul 2021, Note: For India 6.10GS2031 yield is taken

**Fig 194 – In CYTD21, India’s 10Y yield rose by 34bps**



Source: Bloomberg | \* As on 30 Jul 2021, Note: For India 6.10GS2031 yield is taken

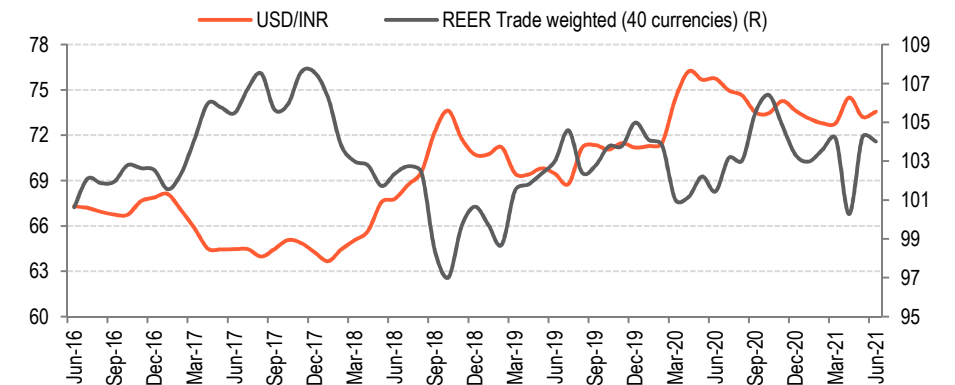
Currencies

**Fig 195 – INR depreciated by 0.1% in Jul’21**



Source: Bloomberg | \*As on 30 Jul 2021

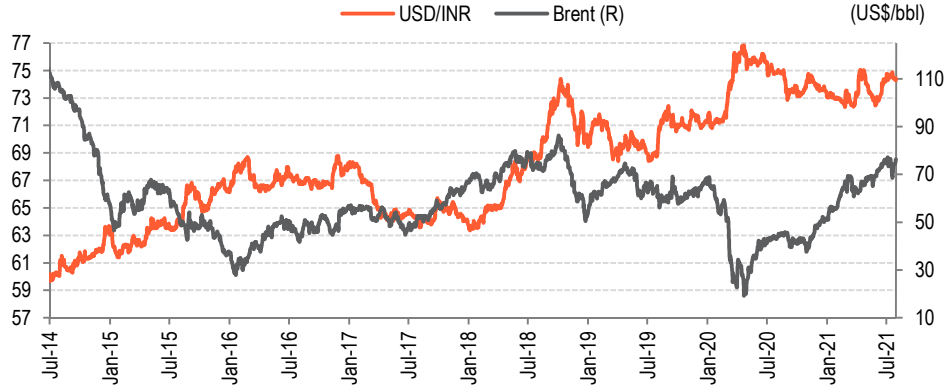
**Fig 196 – INR still overvalued by 4% (Jun’21)**



Source: Bloomberg

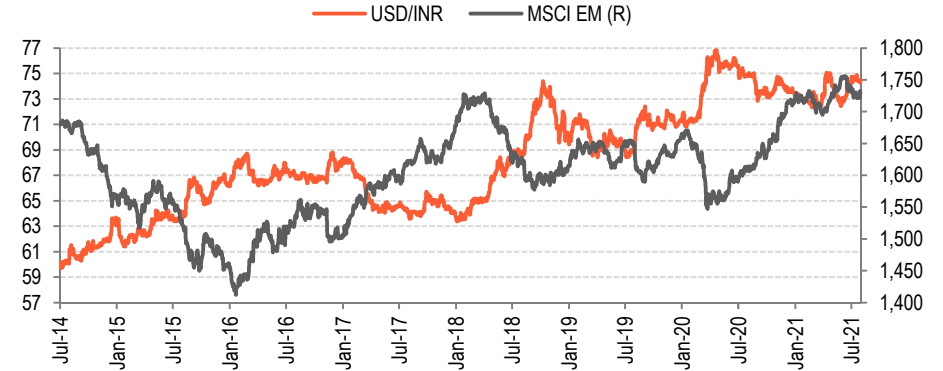


**Fig 197 – Higher oil prices weighing on INR**



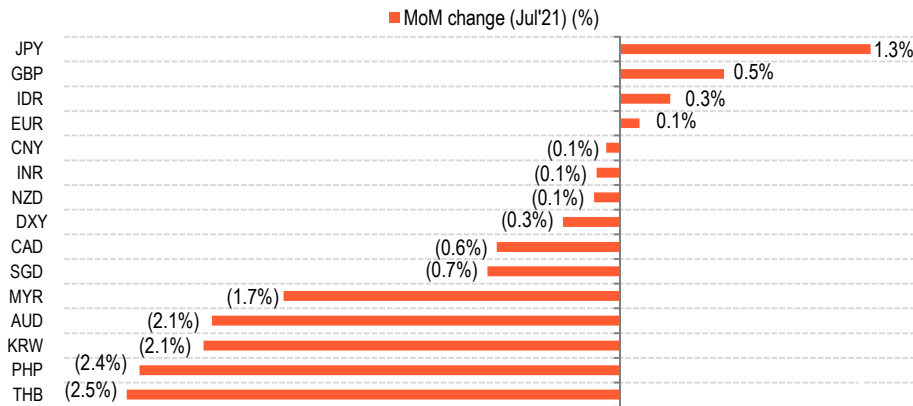
Source: Bloomberg | \*As on 30 Jul 2021

**Fig 198 – EM currencies also depreciated in Jul'21**



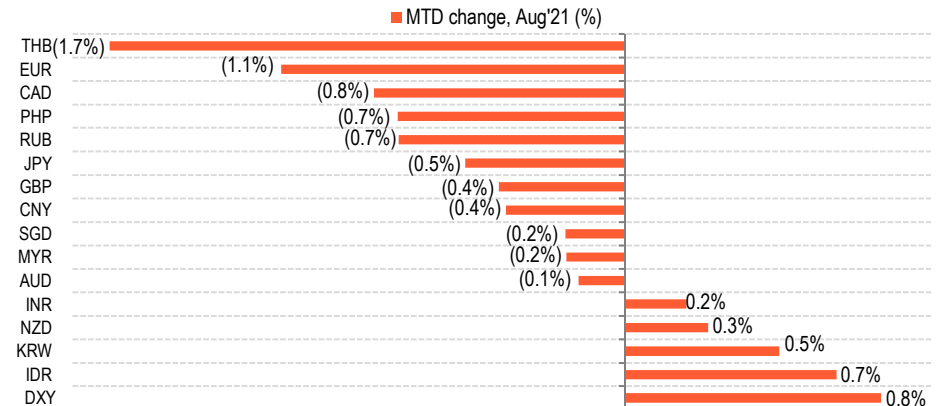
Source: Bloomberg | \*As on 30 Jul 2021

**Fig 199 – DXY index fell by 0.3% in Jul'21**



Source: Bloomberg | \*As on 30 Jul 2021

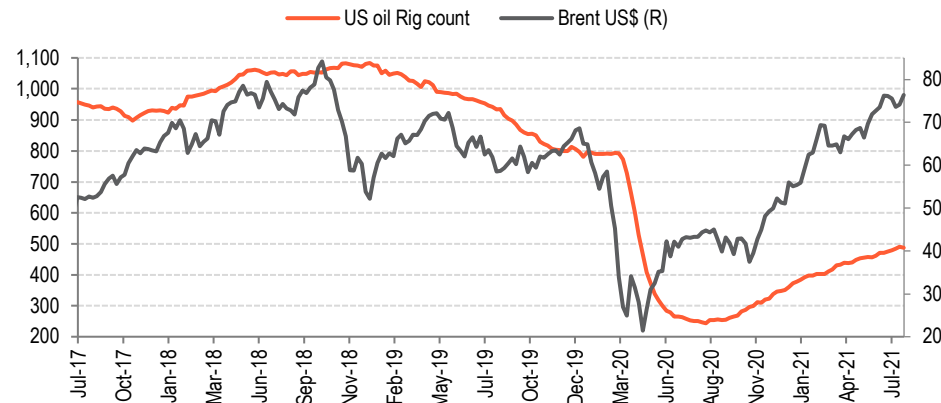
**Fig 200 – In Aug'21, INR has appreciated by 0.2% supported by lower oil prices**



Source: Bloomberg | \*As on 9 Aug 2021

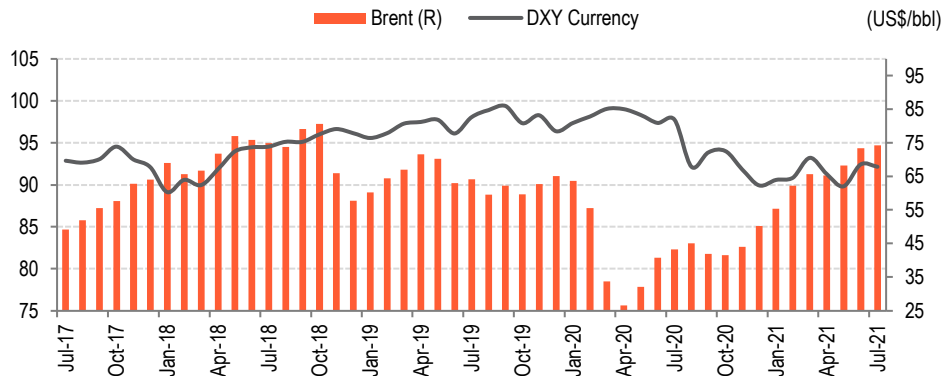
Commodities

**Fig 201 – US rig count inched up, so also oil prices**



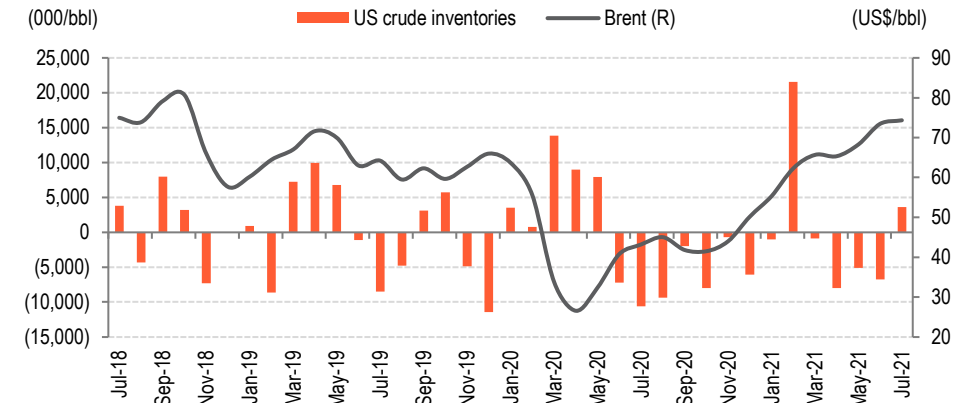
Source: Bloomberg

**Fig 203 – Oil prices on an average inched up to US\$ 74/bbl from US\$ 73/bbl in Jun'21, DXY inched a tad to 92.17 from 92.44**



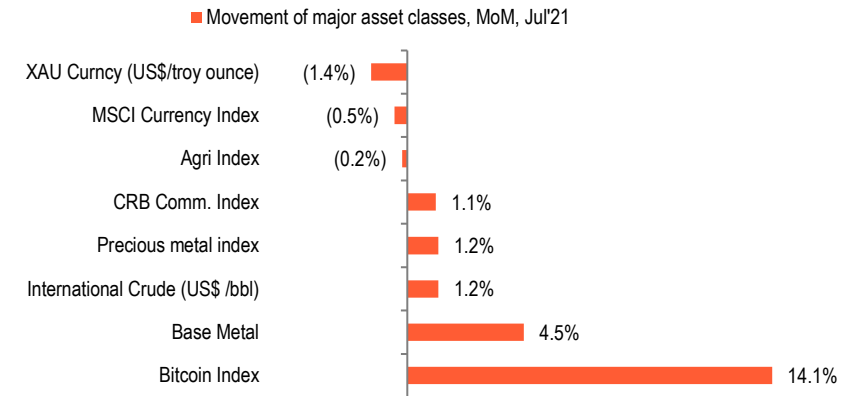
Source: Bloomberg | DXY Index as on last trading day of the month

**Fig 202 – US crude oil inventories picked up, showing muted demand**



Source: Bloomberg

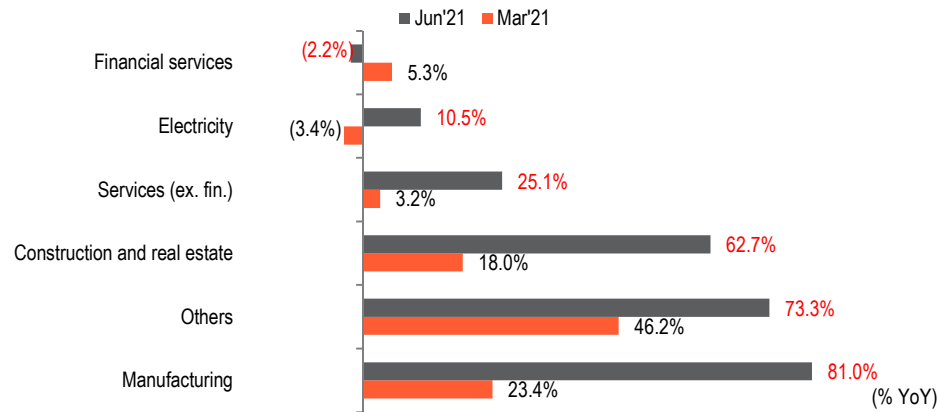
**Fig 204 – Gold declined the most, bitcoin rose the most**



Source: Bloomberg | Index as on last trading day of the month

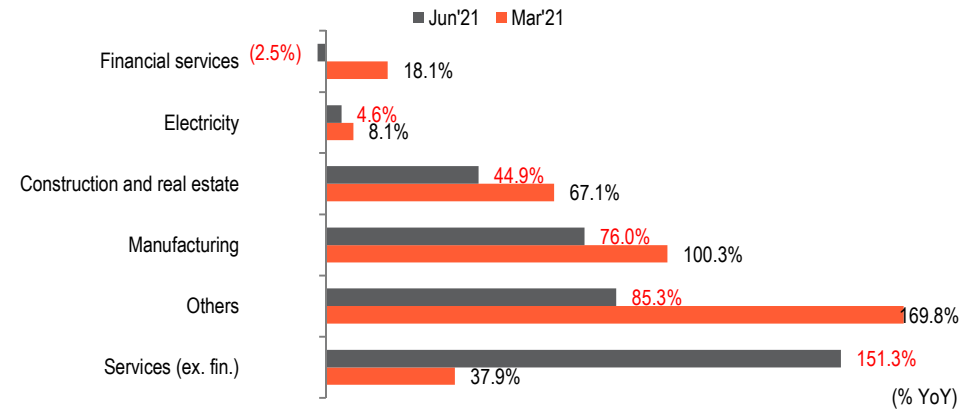
Corporate earnings

Fig 205 – Improvement in net sales for manufacturing firms



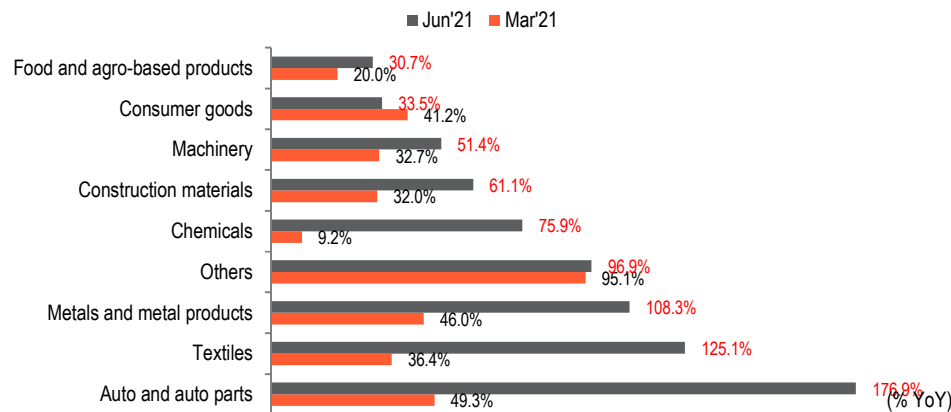
Note: Based on financial results of 315 firms in BSE 500

Fig 206 – PBDIT of services sector improves



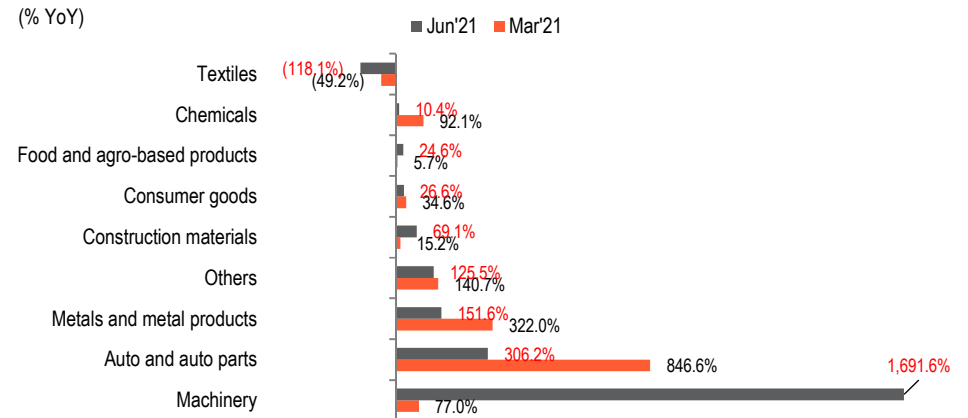
Note: Based on financial results of 315 firms in BSE 500

Fig 207 – Within manufacturing, net sales of Auto sector rises the most



Note: Based on financial results of 158 manufacturing firms in BSE 500

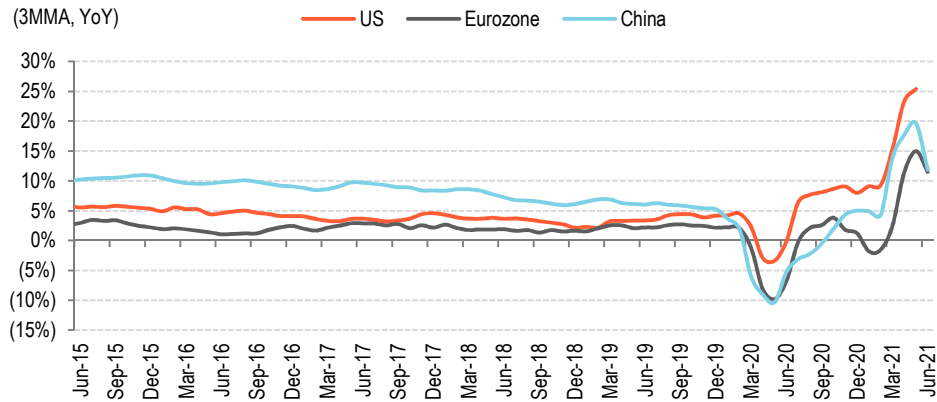
Fig 208 – .. PBDIT of machinery sector surges



Note: Based on financial results of 158 manufacturing firms in BSE 500

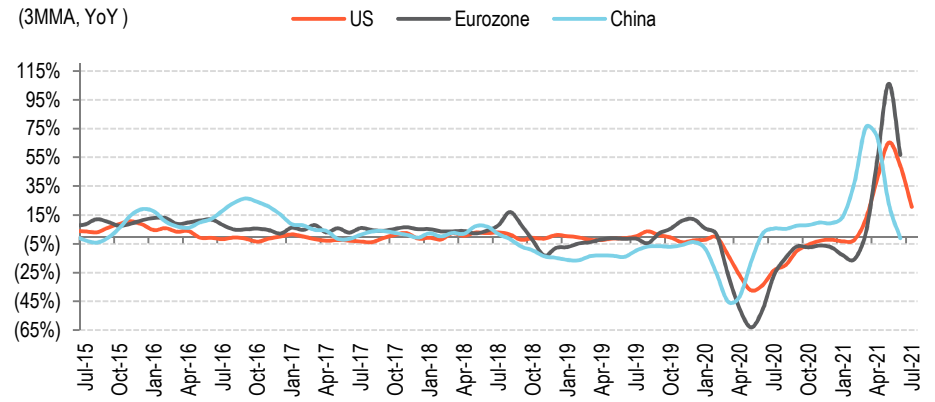
Global consumption

Fig 209 – Retail sales moderate



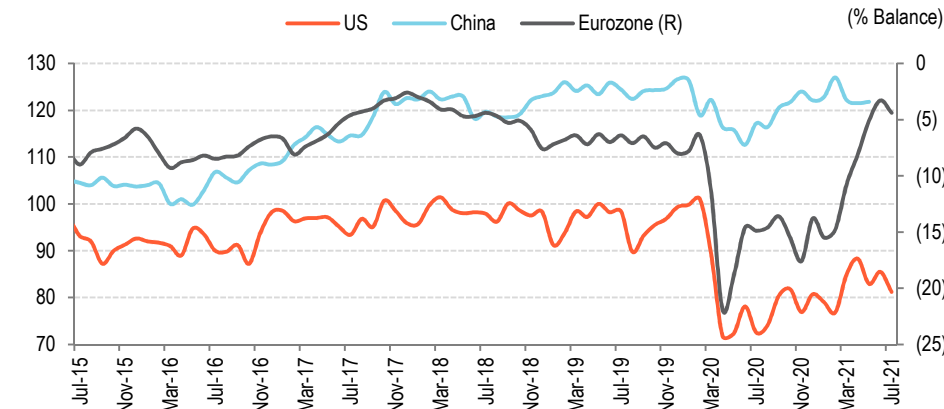
Note: Retail sales for US till May'21

Fig 210 – Auto sales dips in Jul'21



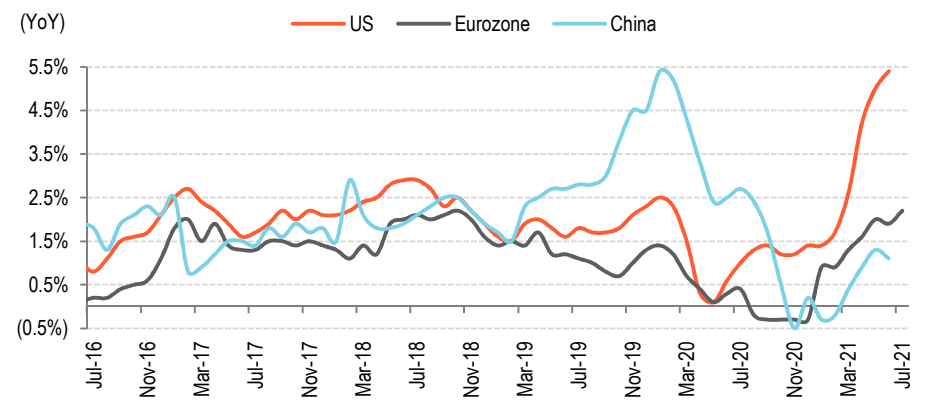
Note: Auto sales for Eurozone and China till May'21

Fig 211 – Consumer confidence falls in US and Eurozone



Note: Consumer confidence for eurozone is % diffusion index. Data for China is for Jun'21

Fig 212 – CPI continue to edge upwards in US and Eurozone; Cools-off in China



Note: Data for US and China till Jun'21

## Policy

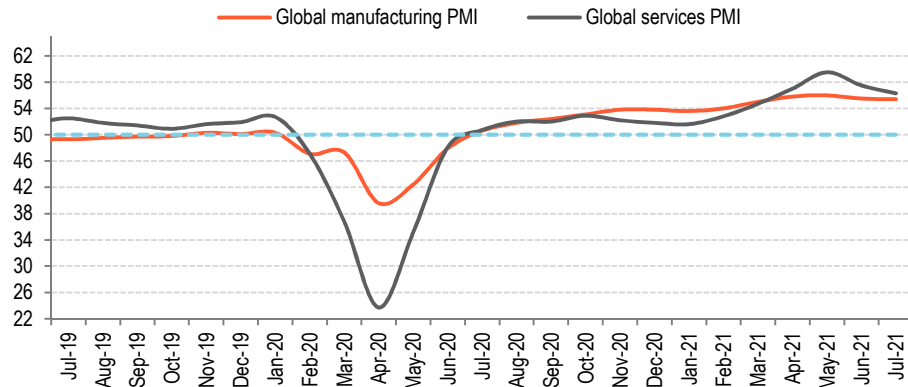
**Fig 213 – Some central banks are hawkish such as BoE, others such as US, ECB, BoJ are dovish**

| Country     | Current inflation rate (%) | Current policy rate (%) | CY20 (change in bps) | CYTD21 (change in bps) | Direction of policy rate in CYTD21 |
|-------------|----------------------------|-------------------------|----------------------|------------------------|------------------------------------|
| Brazil      | 8.35                       | 5.25                    | (250)                | 325                    | ↑                                  |
| Turkey      | 17.53                      | 19.0                    | 500                  | 200                    | ↑                                  |
| Russia      | 6.46                       | 5.5                     | (200)                | 125                    | ↑                                  |
| Germany     | 3.80                       | 0                       | 0                    | 0                      | -                                  |
| UK          | 2.50                       | 0.1                     | (65)                 | 0                      | -                                  |
| US          | 5.40                       | 0.3                     | (150)                | 0                      | -                                  |
| India       | 6.26                       | 4.0                     | (115)                | 0                      | -                                  |
| Japan       | 0.20                       | (0.1)                   | 0                    | 0                      | -                                  |
| China       | 1.10                       | 4.4                     | 0                    | 0                      | -                                  |
| Korea       | 2.40                       | 0.5                     | (75)                 | 0                      | -                                  |
| Australia   | 3.80                       | 0.1                     | (65)                 | 0                      | -                                  |
| Thailand    | 1.25                       | 0.5                     | (75)                 | 0                      | -                                  |
| Malaysia    | 3.40                       | 1.8                     | (125)                | 0                      | -                                  |
| Phillipines | 4.10                       | 2.0                     | (200)                | 0                      | -                                  |
| Indonesia   | 1.33                       | 3.5                     | (125)                | (25)                   | ↓                                  |
| Mexico      | 5.88                       | 4.0                     | (300)                | (25)                   | ↓                                  |

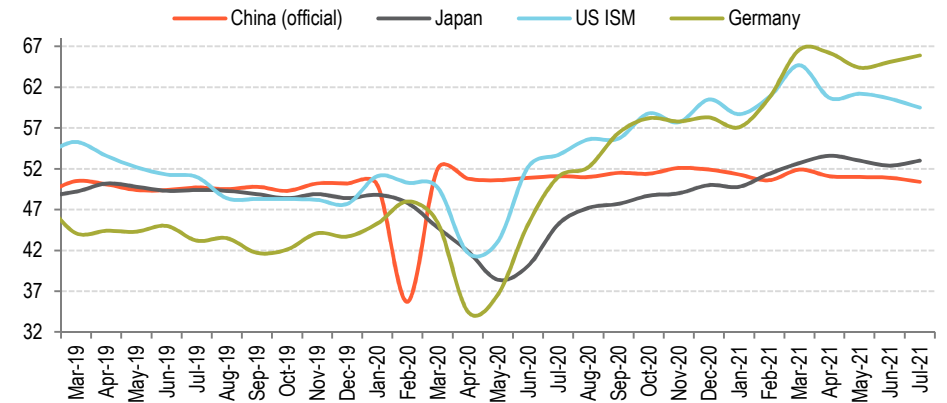
Source: Bloomberg

## Global investment and manufacturing

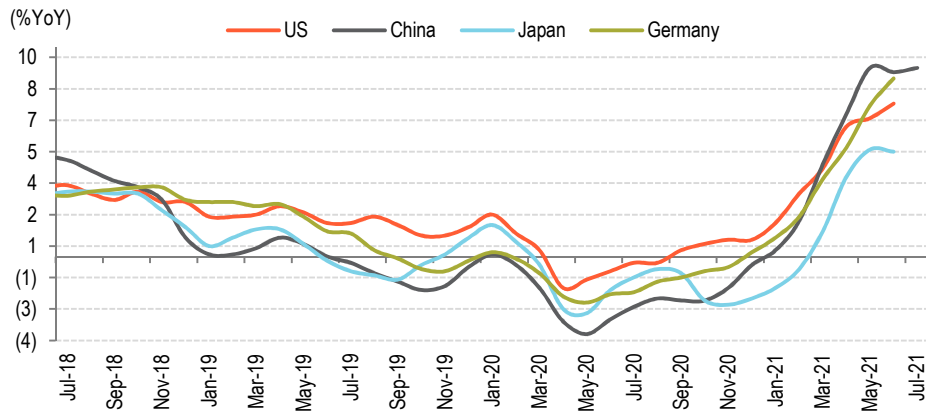
**Fig 214 – Global manufacturing and services PMI both seen easing in Jul'21**



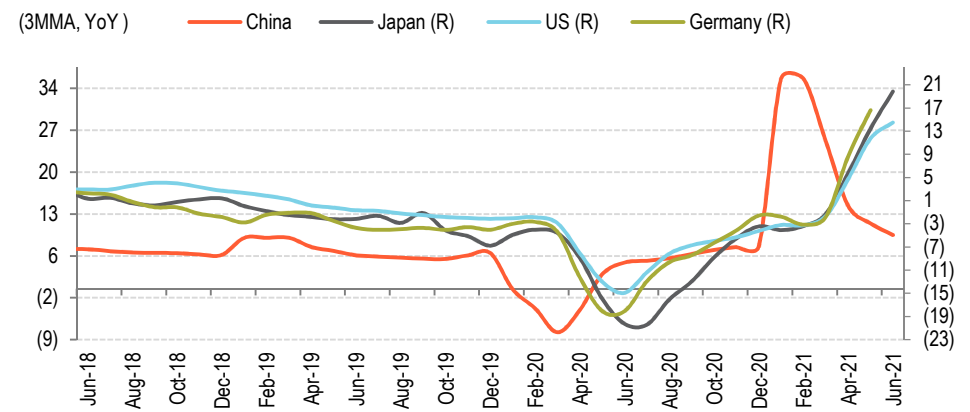
**Fig 215 – Barring Japan and Germany, manufacturing activity (PMI) slowed elsewhere in Jul'21**



**Fig 216 – Barring Japan, producer prices remain elevated elsewhere**

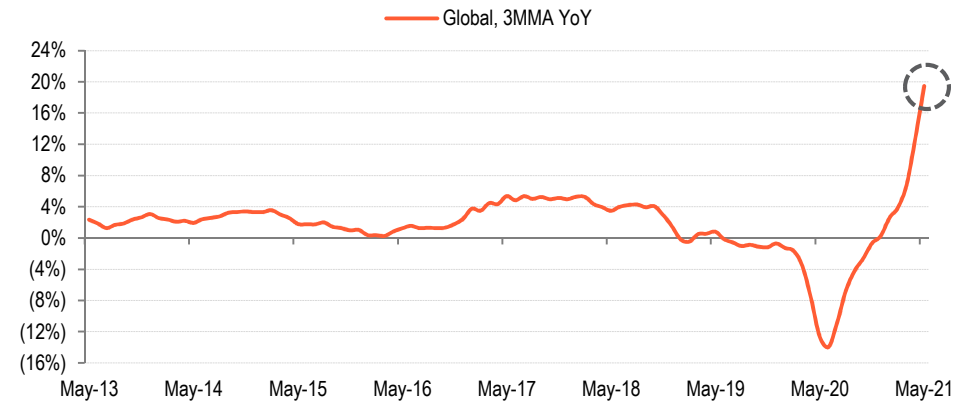


**Fig 217 – Industrial production remained buoyant in Jun'21; China slowing**



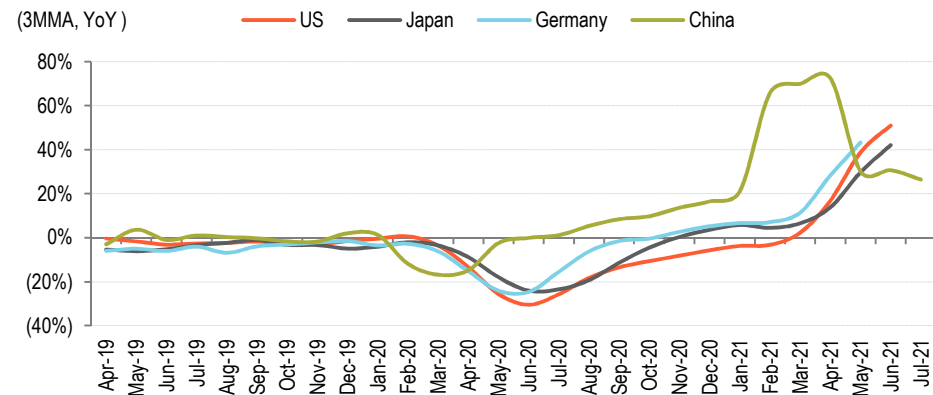
Global trade

Fig 218 – World trade volume improves further in May’21



Source: CPB, World Trade Monitor

Fig 220 – China’s exports tapering in Jul’21



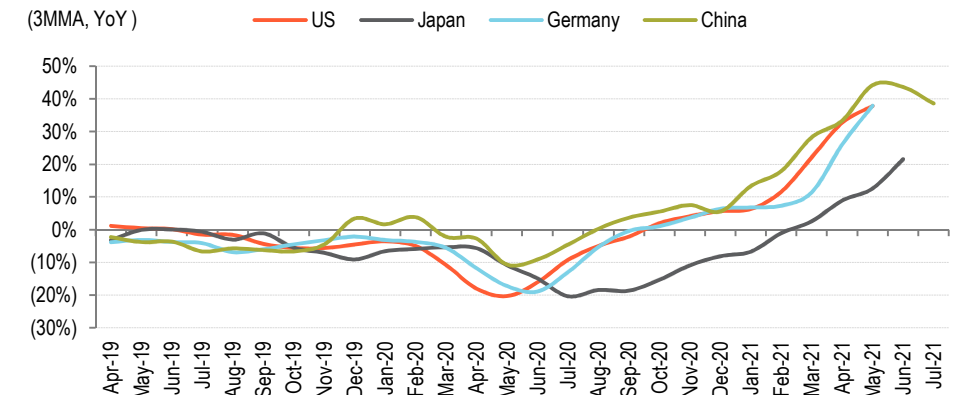
Source: Bloomberg

Fig 219 – Trade volumes improving across the board

| Country/Region (% YoY)    | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 |
|---------------------------|--------|--------|--------|--------|--------|--------|
| Africa and Middle East    | (5.7)  | (5.1)  | (4.5)  | (4.1)  | (3.8)  | 0.0    |
| China                     | 6.8    | 16.7   | 26.3   | 31.4   | 26.0   | 21.0   |
| Eastern Europe / CIS      | (4.3)  | (2.2)  | (0.4)  | 1.9    | 4.7    | 7.4    |
| Emerging Asia (ex. China) | (2.0)  | 1.2    | 4.7    | 8.9    | 18.7   | 28.5   |
| Euro Area                 | (2.1)  | (1.7)  | (2.3)  | 1.7    | 13.3   | 25.0   |
| Japan                     | (0.9)  | 1.5    | 3.8    | 4.4    | 6.9    | 10.0   |
| Latin America             | (1.4)  | 0.4    | 0.9    | 4.2    | 10.9   | 23.3   |
| US                        | 0.2    | 1.4    | 0.9    | 3.3    | 10.7   | 20.9   |

Source: CPB, World Trade Monitor

Fig 221 – Imports also muted



Source: Bloomberg

**Fig 222 – Performance of high frequency indicators**

| Indicators                      | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | Jul-21 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Agriculture</b>              |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Domestic Tractor Sales          | 35.9   | 64.8   | 26.7   | 9.0    | 48.3   | 41.2   | 47.5   | 30.4   | 170.4  | 480.8  | (2.4)  | 22.1   | 8.2    |
| Two Wheeler Sales               | (37.5) | (28.7) | (12.6) | (26.8) | (21.4) | 11.9   | (8.8)  | (16.0) | (35.0) | -      | 158.3  | 16.9   | 27.6   |
| MNREGA work (HH, MoM)           | (29)   | (24)   | 0.3    | (0.3)  | (6.6)  | 16.6   | (0.7)  | 8.9    | (8.5)  | 4.2    | 1.3    | 26.8   | (9.2)  |
| <b>Manufacturing</b>            |        |        |        |        |        |        |        |        |        |        |        |        |        |
| IIP: General index              | (10.5) | (7.1)  | 1.0    | 4.5    | (1.6)  | 2.2    | (0.6)  | (3.2)  | 24.1   | 134.6  | 29.3   | -      | -      |
| IIP: Manufacturing              | (11.4) | (7.6)  | 0.4    | 4.5    | (1.6)  | 2.7    | (0.9)  | (3.4)  | 28.3   | 197.9  | 34.5   | -      | -      |
| IIP: Capital goods              | (22.8) | (14.4) | (1.2)  | 3.2    | (7.5)  | 2.2    | (9.0)  | (3.8)  | 48.3   | 1042.9 | 85.3   | -      | -      |
| IIP: Infra & Construction goods | (8.2)  | 0      | 4.0    | 10.9   | 2.1    | 3.1    | 1.8    | (4.0)  | 34.9   | 596.1  | 46.8   | -      | -      |
| IIP: Consumer goods             | (23.7) | (10.2) | 5.3    | 18.1   | (3.2)  | 6.5    | (0.2)  | 6.6    | 55.0   | 1943.6 | 98.2   | -      | -      |
| Steel                           | (6.5)  | 0.5    | 6.2    | 5.9    | 0.7    | 3.5    | 8.2    | 2.2    | 31.5   | 472.7  | 55.3   | 25.0   | -      |
| Cement                          | (13.5) | (14.5) | (3.4)  | 3.2    | (7.3)  | (7.2)  | (5.8)  | 0.2    | 40.6   | 582.7  | 8.3    | 4.3    | -      |
| Electricity                     | (2.4)  | (1.8)  | 4.8    | 11.2   | 3.5    | 5.1    | 5.5    | 0.2    | 22.5   | 38.5   | 7.5    | 7.2    | -      |
| PMI: Manufacturing              | 46     | 52     | 56.8   | 58.9   | 56.3   | 56.4   | 57.7   | 57.5   | 55.4   | 55.5   | 50.8   | 48.1   | 55.3   |
| <b>Services</b>                 |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Services PMI index              | 34.2   | 41.8   | 49.8   | 54.1   | 53.7   | 52.3   | 52.8   | 55.3   | 54.6   | 54.0   | 46.4   | 41.2   | 45.4   |
| Automobile sales                | (36.3) | (26.8) | (10.2) | (24.0) | (19.3) | 11.0   | (9.7)  | (13.4) | (28.6) | -      | 164.4  | 22.6   | 34.1   |
| Passenger vehicle sales         | (25.2) | (7.1)  | 9.8    | (8.8)  | 4.2    | 24.0   | (4.5)  | 10.6   | 28.4   | -      | 178.8  | 43.5   | 62.9   |
| Vehicle Registration            | (35.2) | (25.4) | (8.4)  | (22.3) | (17.5) | 11.7   | (8.6)  | (12.6) | (27.7) | 215.6  | 158.5  | 22.4   | 33.7   |
| Rail freight traffic            | (4.6)  | 3.9    | 15.5   | 15.4   | 9.0    | 8.7    | 8.7    | 5.5    | 26.6   | 70.7   | 39.1   | 20.5   | 18.4   |
| Port Cargo volume               | (13.2) | (10.4) | (1.9)  | (1.2)  | 2.8    | 4.4    | 4.0    | 1.9    | 16.4   | 29.5   | 33.0   | 19.5   | -      |
| Credit growth                   | 6.4    | 5.5    | 5.1    | 5.6    | 5.9    | 6.3    | 5.9    | 6.6    | 5.6    | 6.2    | 5.1    | 5.9    | 6.5    |
| Deposit growth                  | 12.1   | 10.9   | 10.5   | 11.1   | 10.7   | 10.8   | 11.1   | 12.1   | 11.4   | 11.2   | 9.5    | 9.9    | 10.7   |
| CIC                             | 23     | 23.2   | 22.7   | 20.3   | 22.8   | 22.4   | 21.4   | 20.3   | 17.2   | 15.0   | 13.2   | 12.0   | 10.3   |
| Toll collection (in mn)         | 86.6   | 96.8   | 110.1  | 122.4  | 124.9  | 138.4  | 149.2  | 159    | 193.3  | 164.3  | 116.5  | 157.9  | 192.3  |
| Diesel consumption              | (19.4) | (20.7) | (5.9)  | 7.5    | (6.9)  | (2.7)  | (2.1)  | (8.4)  | 27.6   | 105.4  | 0.8    | (1.5)  | 12.4   |
| GST E-way bill (in mn)          | 48.4   | 49.4   | 57.4   | 64.2   | 57.7   | 64.2   | 62.9   | 63.8   | 71.2   | 58.8   | 40.0   | 54.7   | 64.2   |
| <b>External Trade</b>           |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Merchandise exports             | (9.3)  | (12.2) | 6.0    | (4.9)  | (8.4)  | 0.4    | 6.4    | (0.8)  | 60.3   | 195.7  | 68.1   | 48.3   | 47.9   |
| Merchandise imports             | (28.0) | (26.0) | (19.6) | (10.3) | (12.2) | 8.4    | 2.0    | 7.0    | 53.8   | 167.1  | 68.7   | 98.3   | 59.4   |
| Services exports                | (10.8) | (9.9)  | (1.4)  | (6.3)  | (5.1)  | (6.4)  | (10.1) | (1.0)  | 12.6   | 6.7    | 3.5    | 16.1   | -      |
| Services imports                | (21.7) | (20.1) | (8.7)  | (12.3) | (11.8) | (8.4)  | (15.9) | (4.1)  | 12.8   | 6.4    | 3.0    | 11.9   | -      |

Source: CEIC, MoRTH, Posoco, Markit, RBI, Bank of Baroda Research



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