

India Economics

Monthly Chartbook

August 2022

Economic Research Department

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Important disclosures are provided at the end of this report.



RBI frontloads rate hike

In its latest policy, RBI hiked repo rate by 50bps taking the cumulative rate hike in repo rate to 140bps in the current cycle. Repo rate at 5.9% is now above the pre-pandemic level of 5.15%. Underlying strength in the economy prompted RBI to take a more stringent action on inflation. Growth and inflation projections were maintained at 7.2% and 6.7% respectively for FY23. Notably, RBI expects inflation above its upper target of 6% in the next two quarters as well, which suggests that more rate hikes may be forthcoming. We expect another 50bps hike in repo rate, implying that repo rate may end the year close to the 6% mark. Thus, 10Y yield is likely to remain elevated. INR is likely to find support from the rate-hike even as rising trade deficit remains a key concern.

Mixed trend in consumption demand: Economic activity continues at a robust pace as signalled by steady google mobility indices. Some green shoots can be seen emerging led by improvement in non-oil-non-gold imports. Consumers also remain optimistic about future (RBI future index: 77.3 from 75.9) as confidence levels strengthened with households expecting inflation to moderate. However, other consumption demand indicators such as PV sales, electricity demand registered a dip in Jul'22, suggesting a wind of caution. On the agricultural front, south-west monsoon is 6% above LPA (cumulative-5 Aug 2022). Kharif production continues to be lower compared with last year, with concerns emerging on rice sowing. However, higher storage levels augur well for rabi sowing.

Centre's Q1 finances strengthen: Supported by robust revenue growth (despite high base), centre's fiscal deficit (% of GDP, 12MMA) in Jun'22 came

in at 6.6%, down from 6.7% in May'22. In Q1FY23, centre's gross tax revenue was up by 22% and reached Rs 6.5 lakh crore, up from Rs 5.3 lakh crore last year. This was helped by direct tax collections (Rs 3.3 lakh crore versus Rs 2.5 lakh crore last year). Indirect taxes too maintained steady growth (Rs 3.2 lakh crore versus Rs 2.9 lakh crore). Centre's net revenues were also up by 5% in Q1FY23, over a high base of 260% in Q1FY22. Front-loading of expenditure growth continued (15.4% in Q1 versus 0.7% last year), albeit it witnessed some slowdown (22.6% in Apr-May'22). Both capex (57% in Q1 versus 70% in Apr-May) and revenue spending (8.8% versus 15.3% in Apr-May'22) showed signs of easing. Going forward, we expect central government to meet budgetary spending targets and we maintain our forecast for fiscal deficit at 6.6-6.7%.

RBI's hawkish policy impacted yields: Post RBI's repo rate hike of 50bps and hawkish statement reflecting the focus on price stability, India's 10Y yield rose by 14bps. We expect frontloading of another 50bps in the current cycle. Going forward, we expect India's 10Y yield to hover around 7.5% till Sep'22. Some pressure on short end yields may be visible due to tight financial conditions and withdrawal of liquidity. Hence, some flattening of yield curve in terms of falling spread between short end and long end papers may be visible.

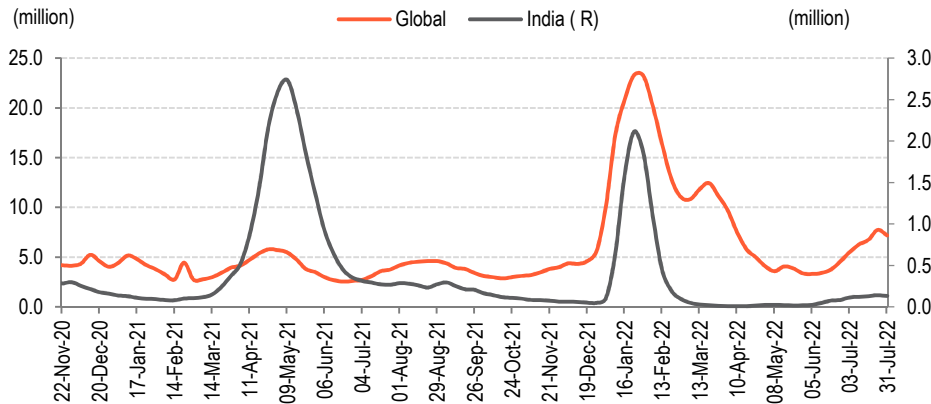
Higher trade deficit to weigh on INR: INR depreciated to a fresh record-low of 79.99/\$ in Jul'22, amidst a stronger dollar and FPI outflows. With a decline in DXY index and reversal in FPI outflows in the later part of the month, INR recouped some losses and closed Jul'22, lower by 0.4%. However, with trade deficit continuing to track at record-highs, INR may come under pressure. INR trajectory in the short-term will be dependent on Fed's rate path and FPI flows.

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

High frequency indicators

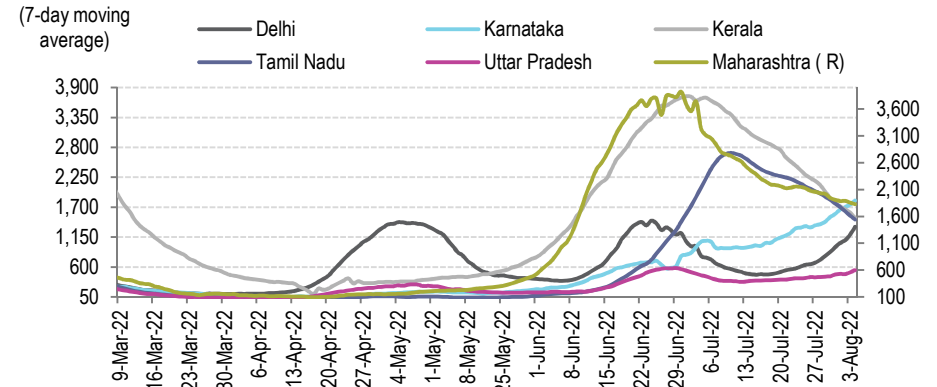
Mobility index and Covid cases

Fig 1 – Global Covid-19 cases dip..



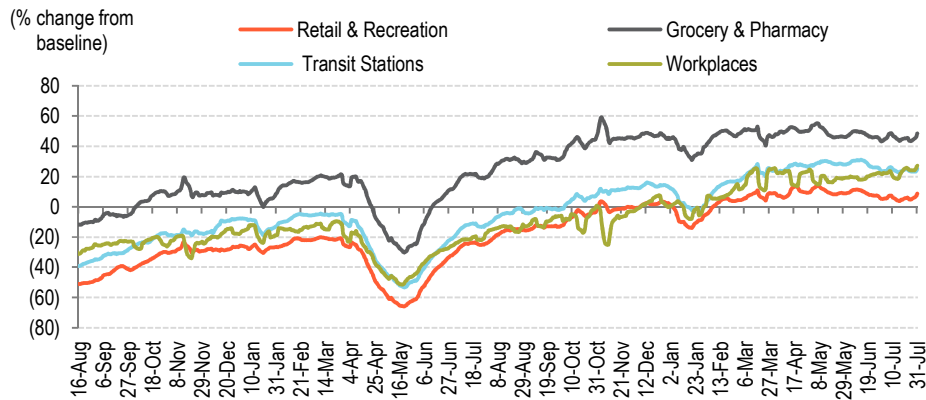
Source: Bloomberg

Fig 2 – ...Covid-19 cases across states also fall; excluding Delhi and Karnataka



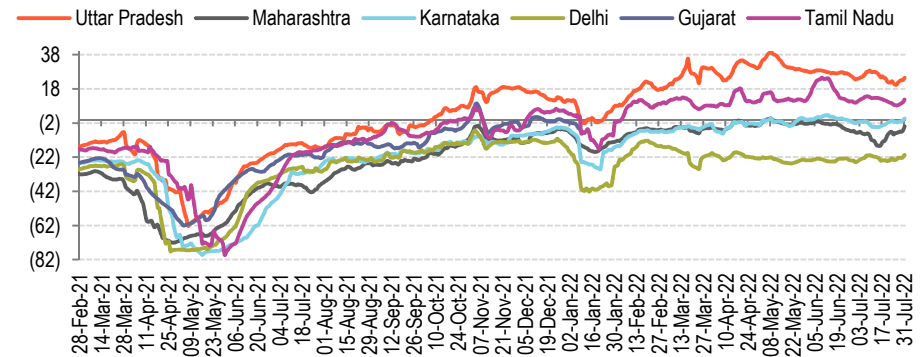
Note: Data taken as 7 days rolling average

Fig 3 – Google mobility indices remained steady



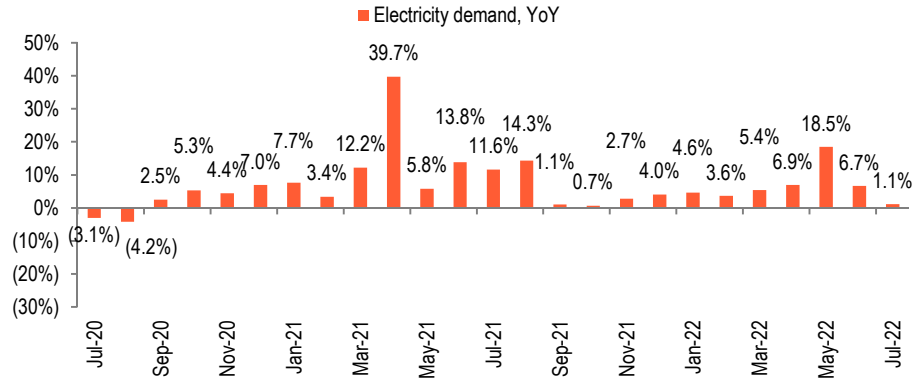
Highlights % change in visits to place from baseline reading (median value, for the corresponding day of the week, during the five week period 3 Jan – 6 Feb2020)

Fig 4 – Retail and recreation index inching up



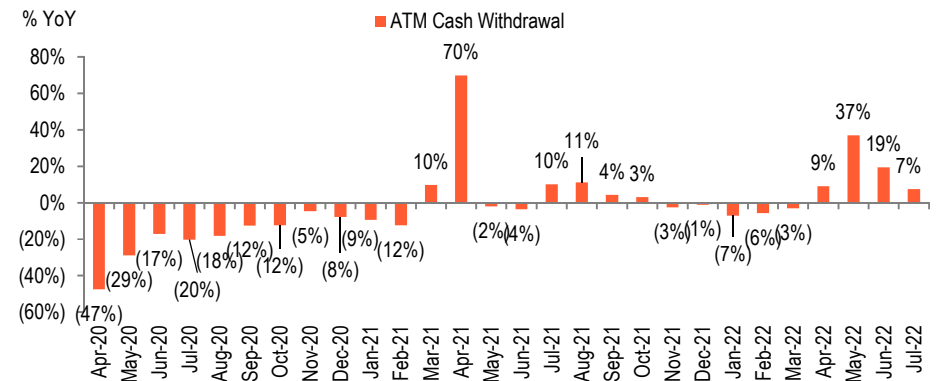
Note: Data taken as 7 days rolling average

Fig 5 – Electricity demand moderates further in Jul'22



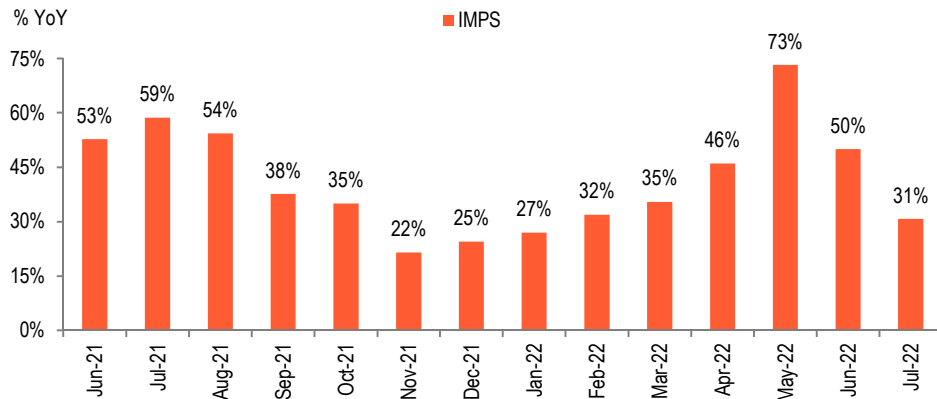
Source: Posoco. Note: Maximum Demand met during peak evening hours (MW)

Fig 6 – Cash withdrawal transactions dip



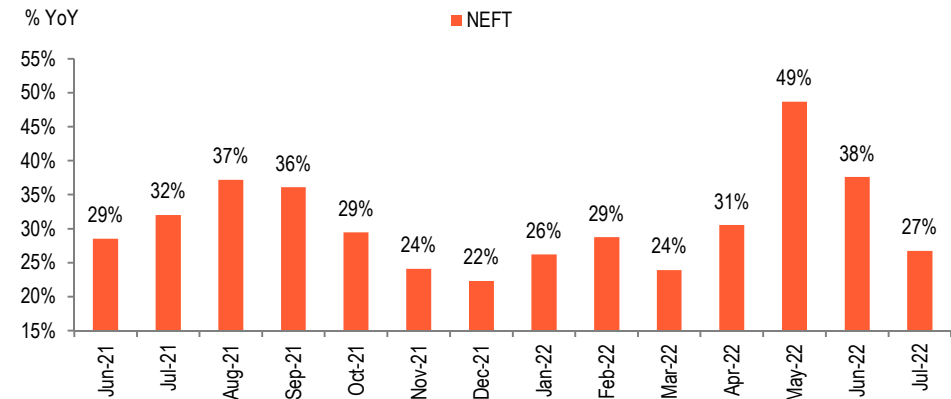
Source: NPCI. Note: NFS Cashwithdrawal amount does not include Card to Card Transfer

Fig 7 – Slower pace of growth in IMPS transactions



Source: NPCI

Fig 8 – Volume of NEFT transactions fall in Jul'22



Source: NPCI

Fig 9 – Fertilizer sales drop in Jun'22

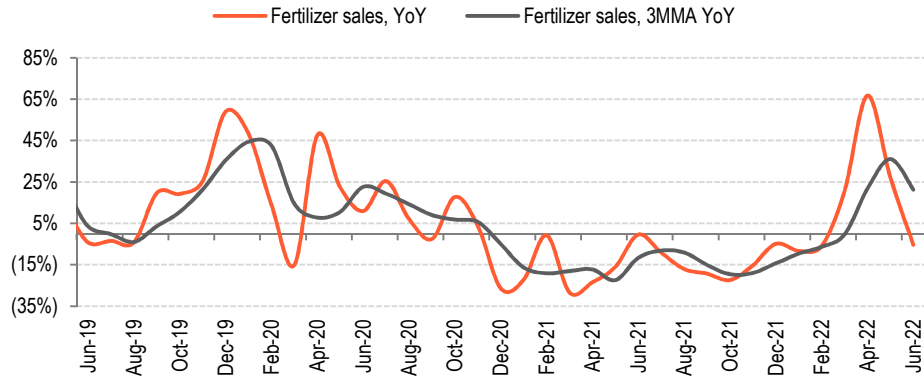
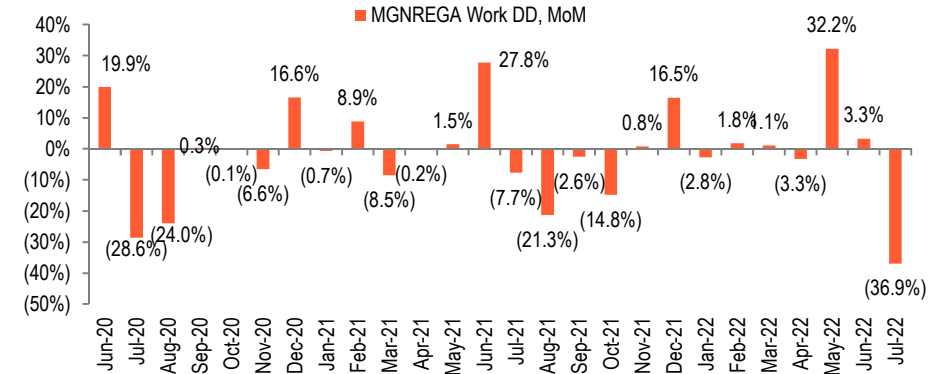


Fig 10 – MGNREGA work demand dips sharply



Source: MGNREGA

Final consumption expenditure

Fig 11 – Private consumption slips in Q4FY22

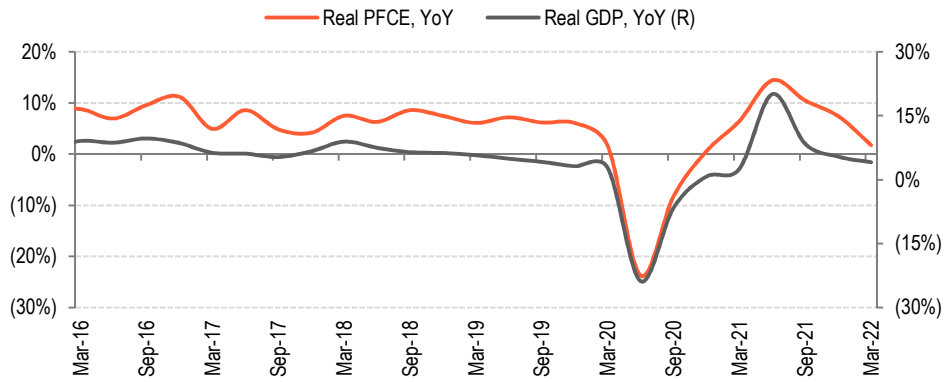


Fig 12 – Government consumption inches up

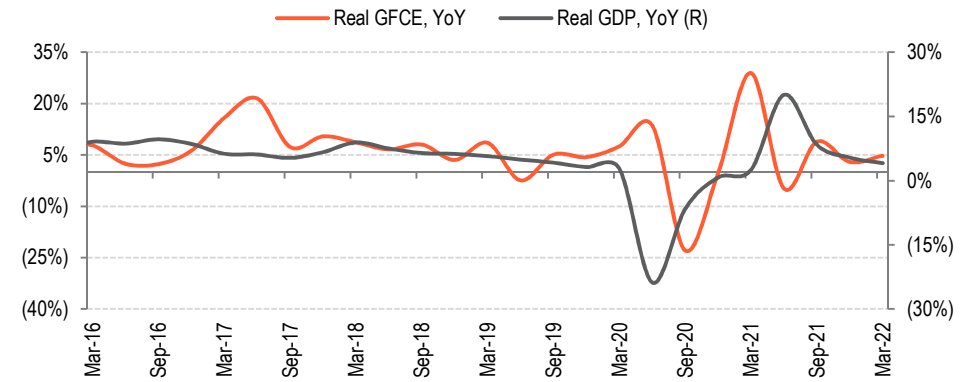


Fig 13 – General govt. revenue spending dips

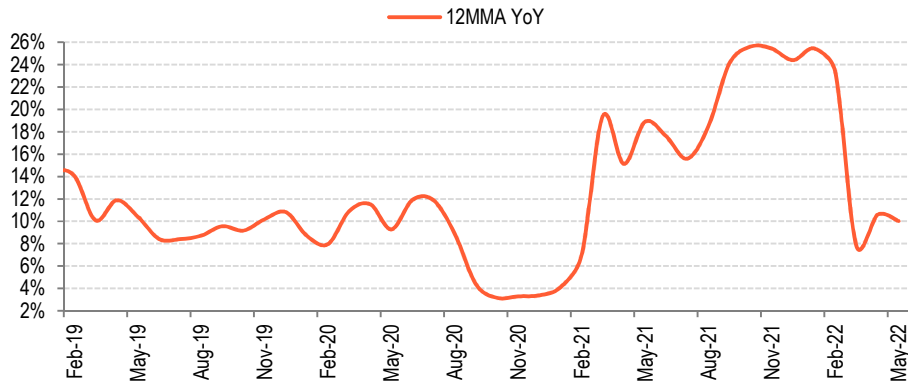
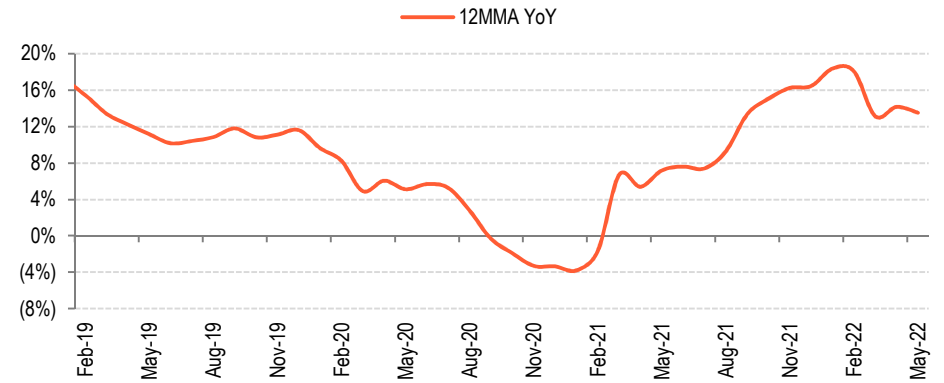


Fig 14 – State* govt. revenue spending also moderates



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

Non-oil imports, electronic imports

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

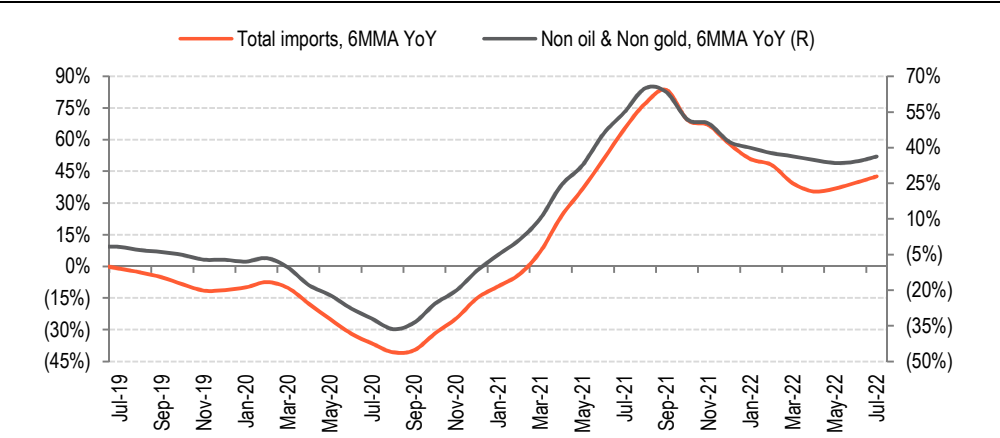


Fig 16 – Growth in electronic imports dips a tad bit

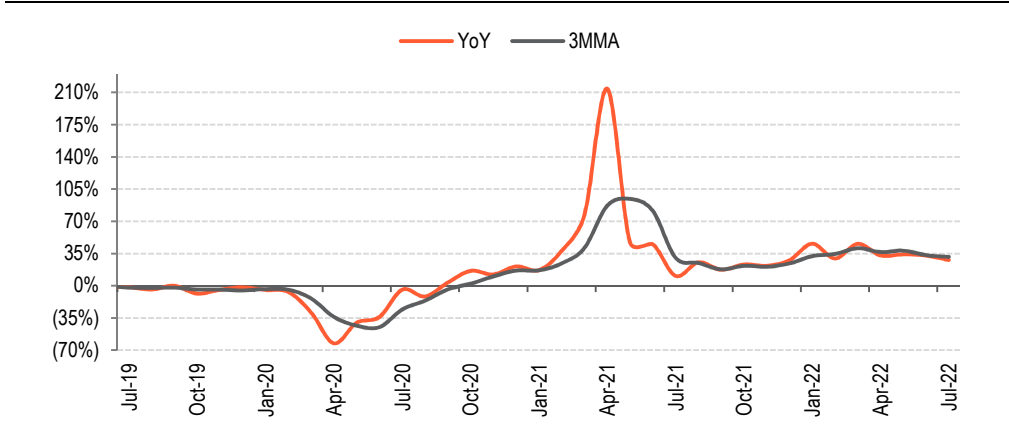


Fig 17 – Retail passenger vehicles sales contract further

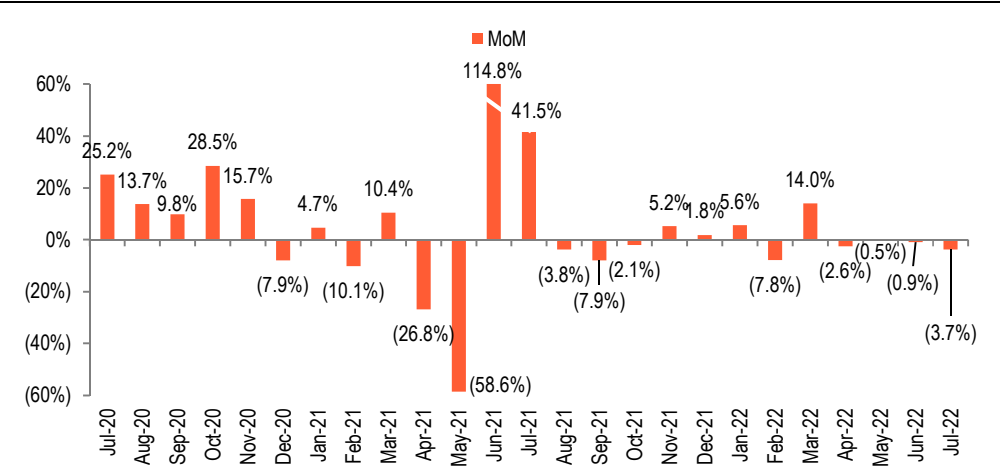
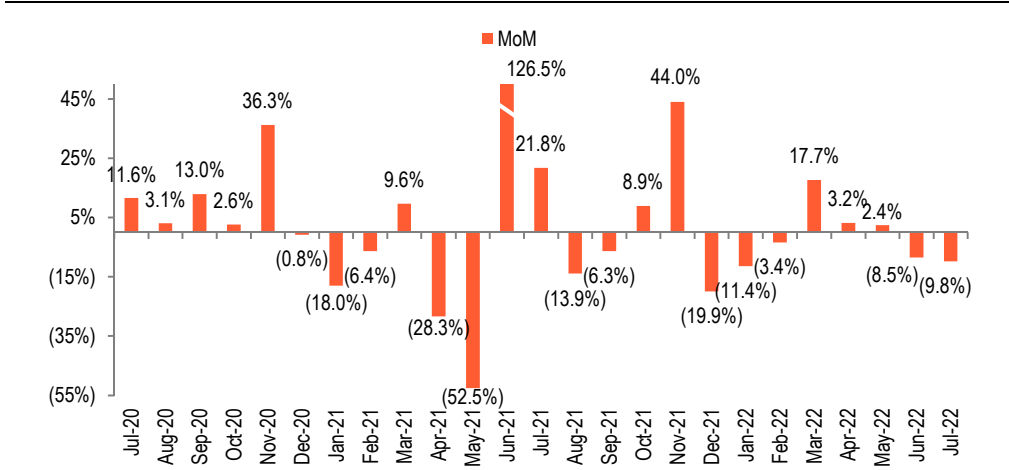


Fig 18 – Two-wheeler sales continue to decline



Source: FADA

Credit deployment of personal loans

Fig 19 – Higher growth in credit card loan

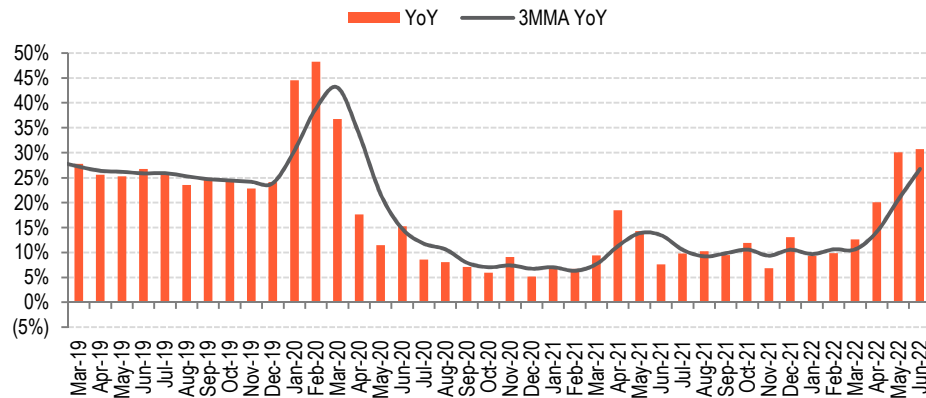


Fig 20 – Growth in personal loan too moves upwards

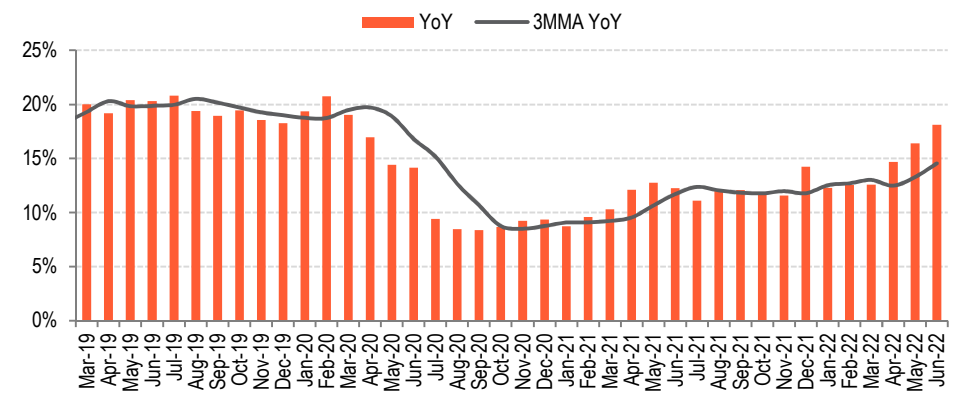


Fig 21 – Higher growth in vehicle loans

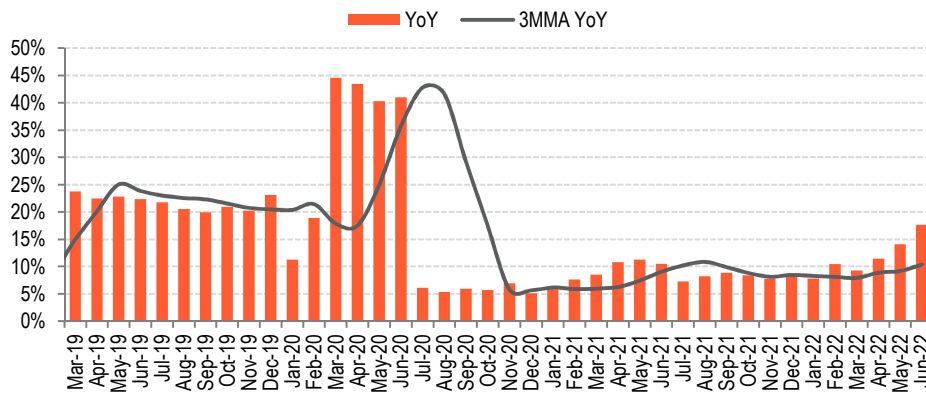


Fig 22 – Consumer confidence strengthens

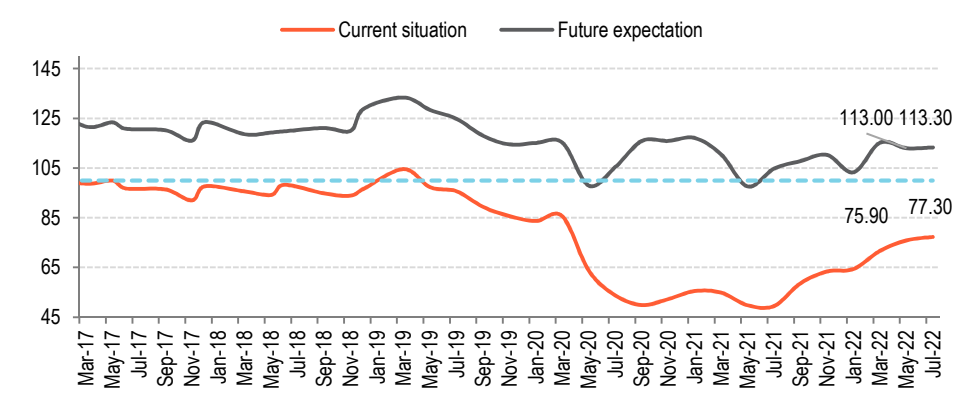


Fig 23 – RBI's essential spending continues to improve

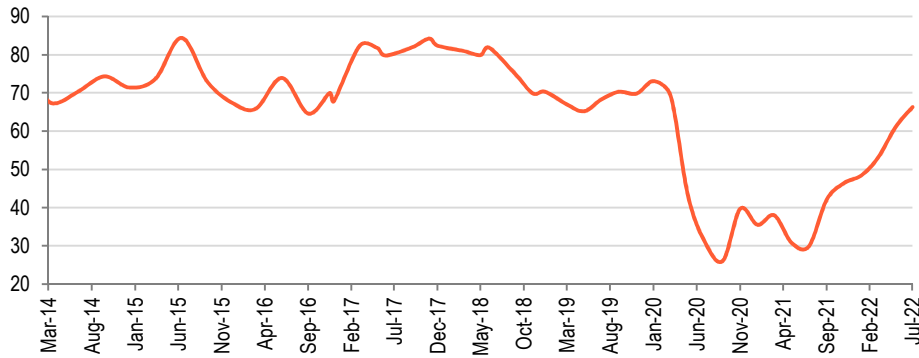
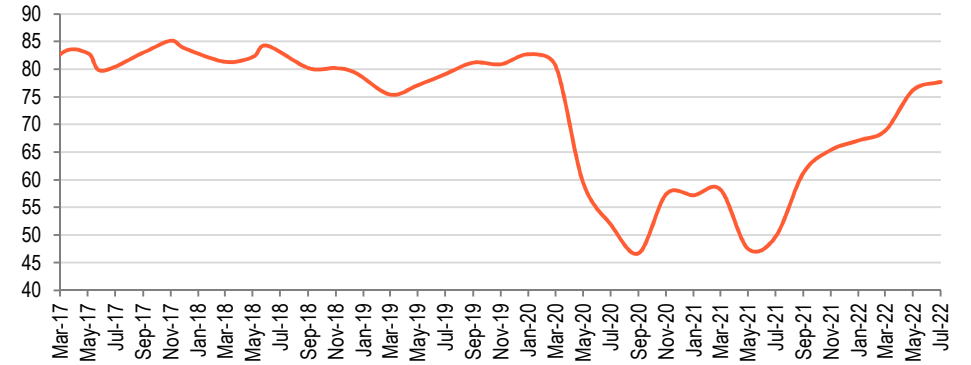


Fig 24 – ...non-essential spending too witnesses an upward momentum



Consumer durables & non-durables production

Fig 25 – Higher consumer durables output owing to base effect

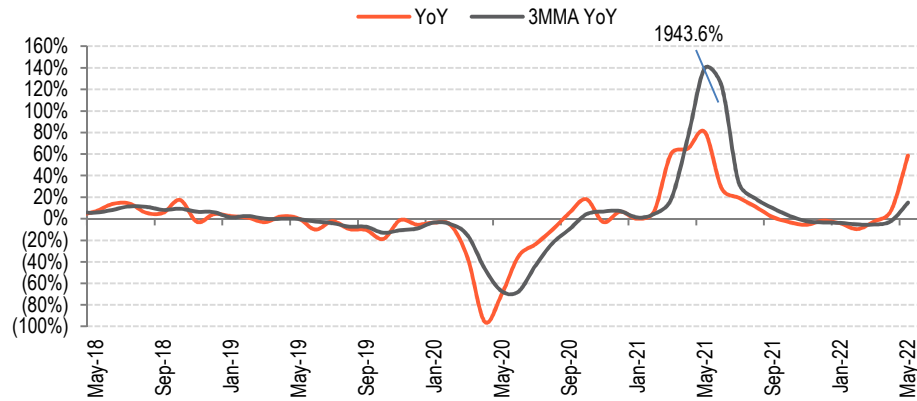
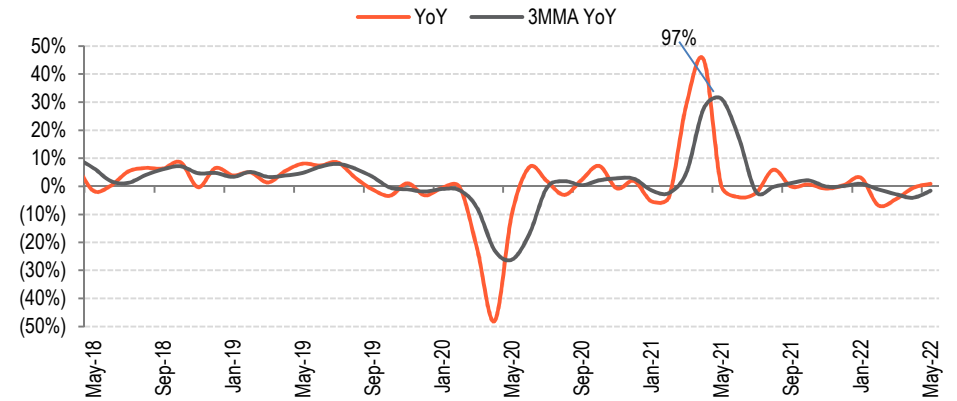


Fig 26 – FMCG output too following suit



Agriculture

Fig 27 – Agriculture remains pandemic proof

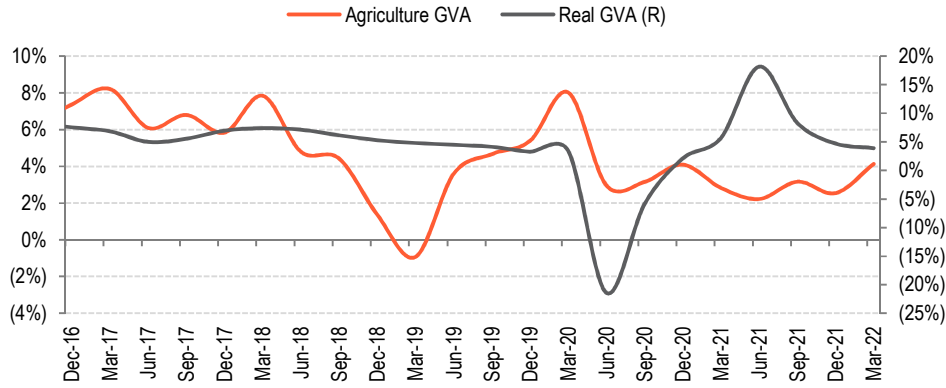
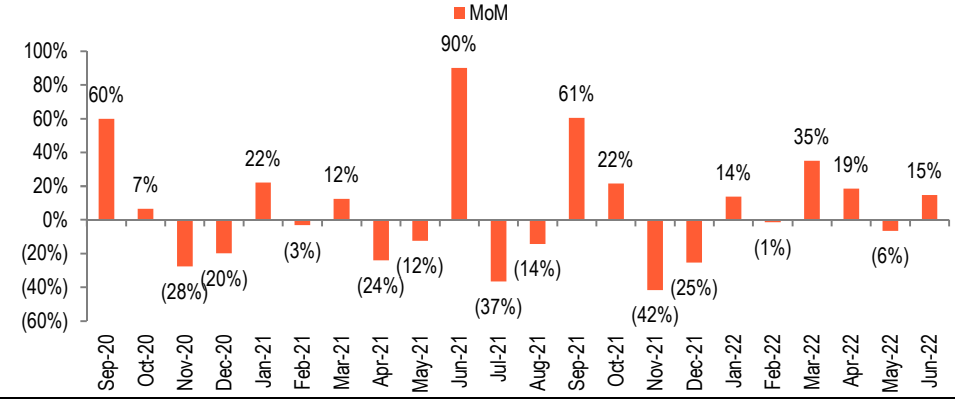


Fig 28 – Tractor sales rebound in Jun'22



Note: Tractor sales including exports

Fig 29 – Agriculture credit rises in Jun'22

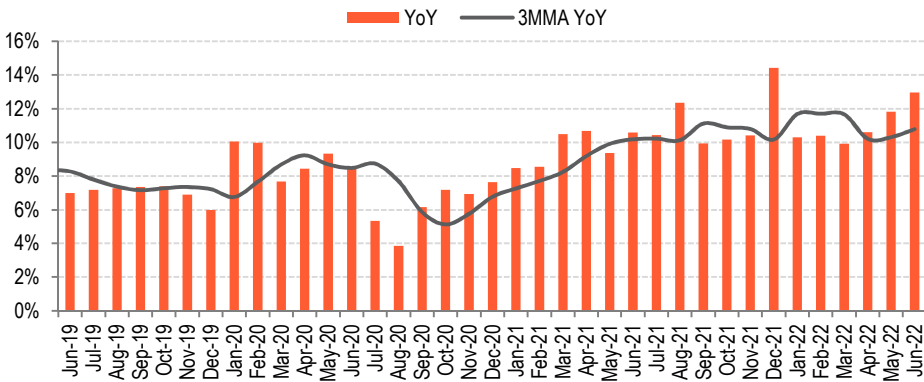
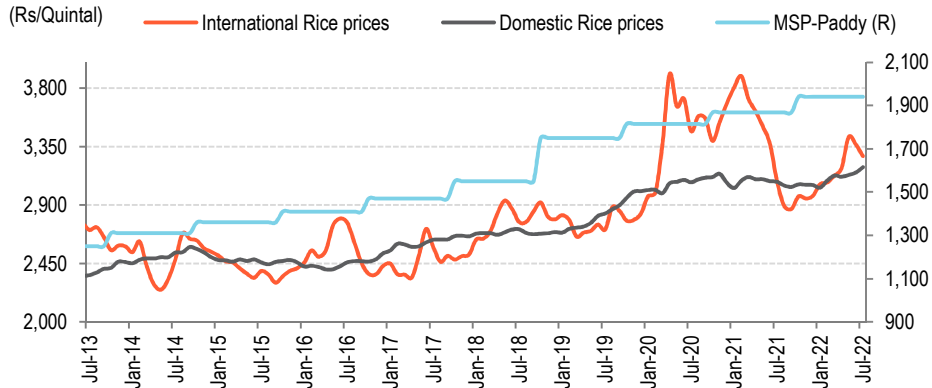


Fig 30 – Procurement of rice and wheat

Year	Wheat	Rice
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	51.83
2020-21	38.99	60.19
2021-22	43.34	57.9*
2022-23	18.8*	

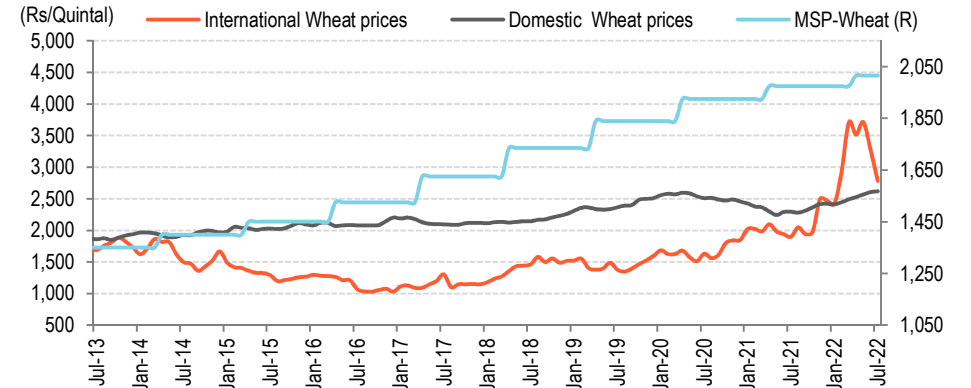
Source: Ministry of Consumer Affairs, Food and Public Distribution | *As on: 30 Jun 2022

Fig 31 – Domestic rice price higher in Jul'22; lower international prices



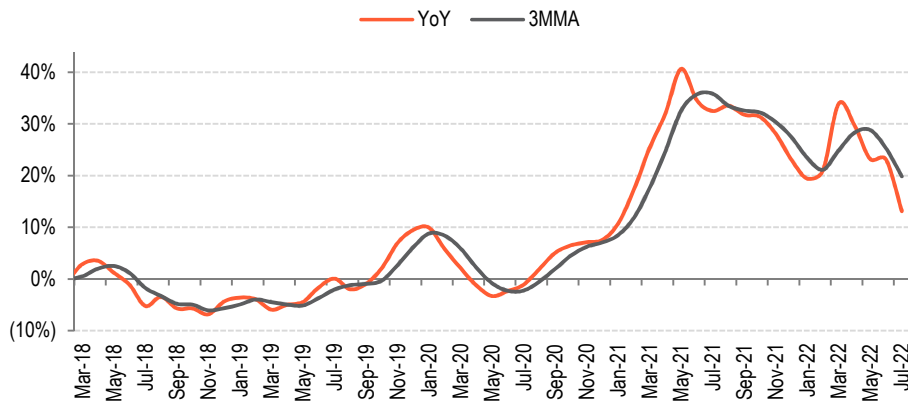
Source: World Bank

Fig 32 – Both domestic and international price of wheat dip



Source: World Bank

Fig 33 – Global food prices fall in Jul'22



Source: FAO

Fig 34 – Wage growth (men) inches up

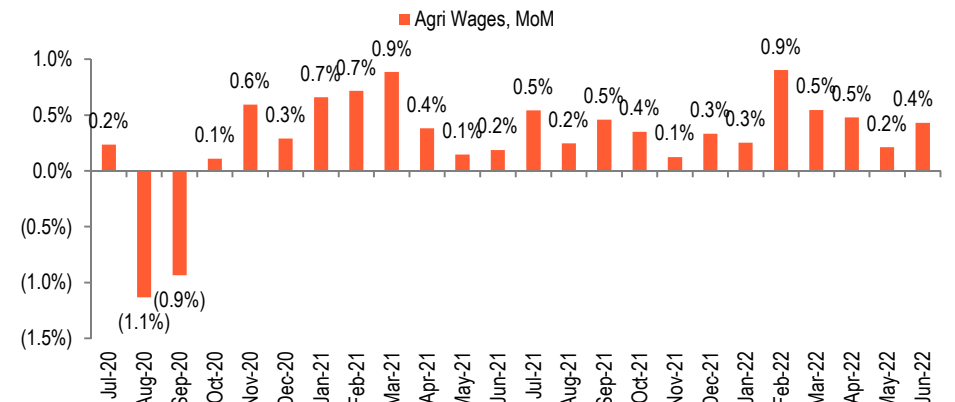


Fig 35 – Kharif sowing is lower compared with last year

Crop Type (mn ha)	Area sown in 2022-23	Area sown in 2021-22	Growth (YoY%)
Foodgrains	48.0	50.6	(5.1)
Cereals	37.4	40.2	(7.1)
Rice	23.2	26.7	(13.3)
Pulses*	11.6	11.9	(2.5)
Oilseeds*	17.5	17.4	0.6
Cotton*	11.8	11.2	5.3
Sugarcane	5.5	5.4	0.2
Jute and Mesta*	0.7	0.7	(1.0)
Total	82.34	84.17	(2.2)

Note: *For the week ended 5 Aug 2022, others as of 29 Jul 2022

Inflation

Fig 36 – Headline CPI on a YoY basis was at 7% in Jun'22, as seen in May'22

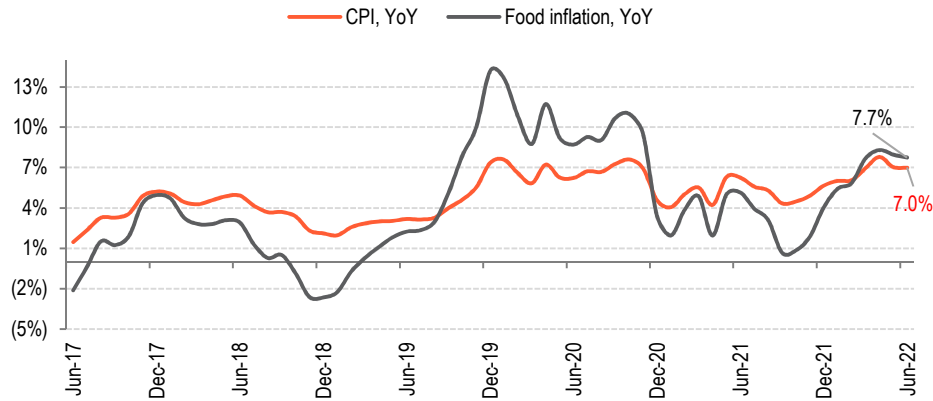


Fig 37 – ...Food inflation showed moderation led by vegetables, oils and fat and pulses

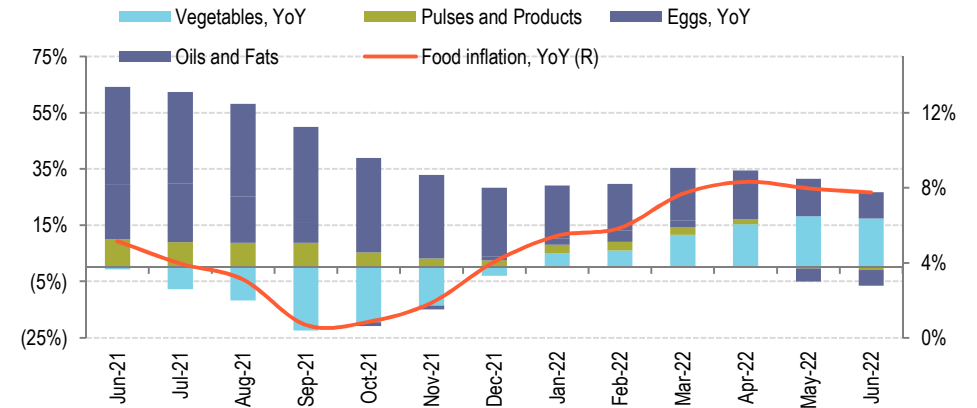


Fig 38 – Major components of core inflation remained above RBI's upper tolerance level of 6%

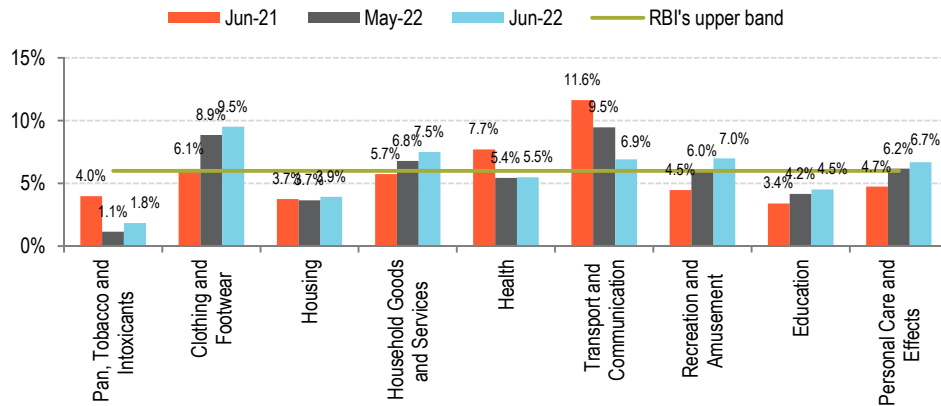
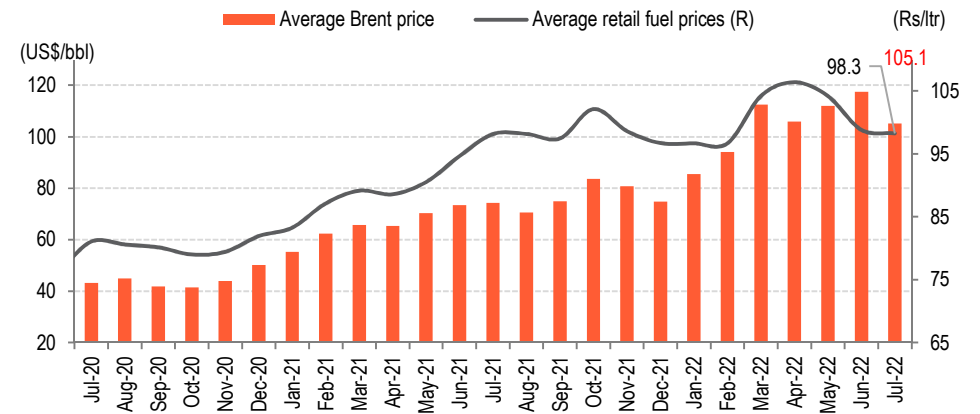


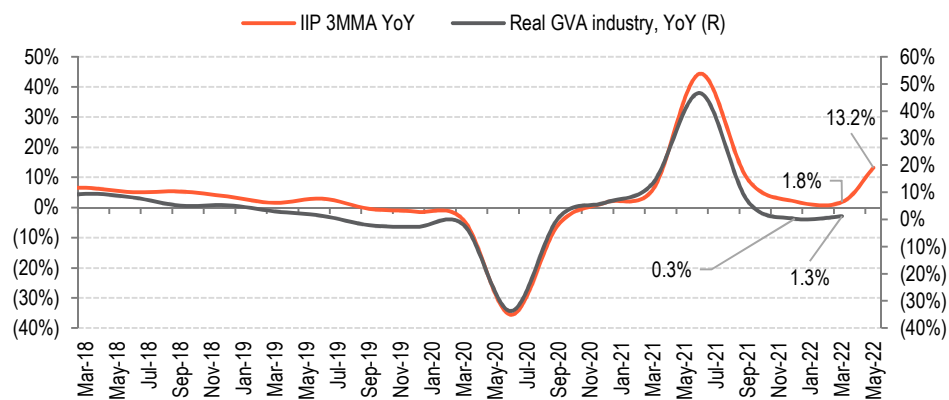
Fig 39 – Domestic retail prices were broadly stable at Rs 98/ltr, however international crude prices fell sharply



Note: Average retail price of petrol and diesel for Delhi, Kolkata, Mumbai and Chennai have been taken

Industry

Fig 40 – Industrial growth improves in Apr'22 led by base effect

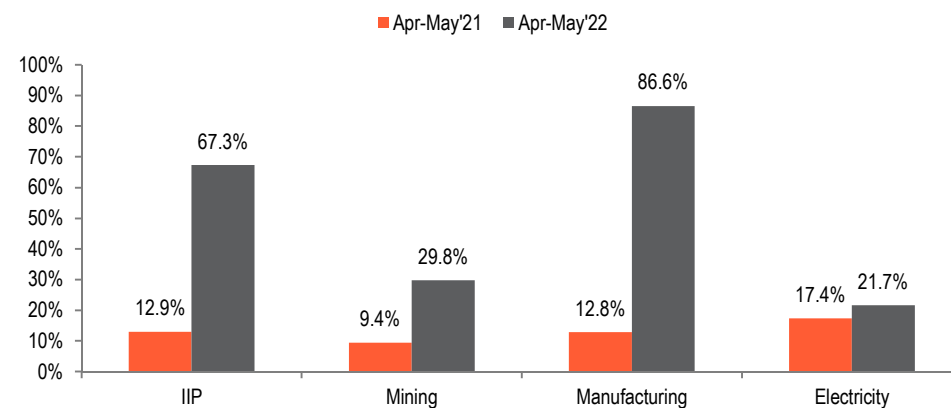


Note: Apr'22 data is on YoY basis

Fig 42 – IIP growth rises to 19.6% in May'22

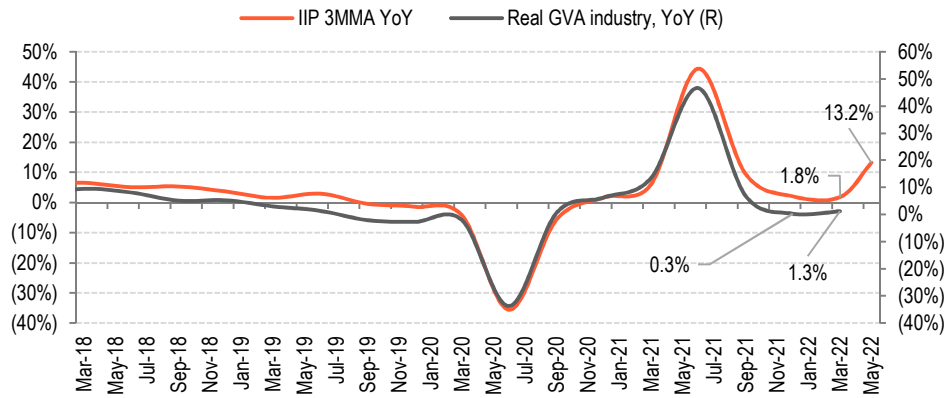
Sectoral (%)	Weight	May-22	Apr-22	May-21	Apr-May'22	Apr-May'21
IIP	100.0	19.6	6.7	27.6	12.9	67.3
Mining	14.4	10.9	8.0	23.6	9.4	29.8
Manufacturing	77.6	20.6	5.8	32.1	12.8	86.6
Electricity	8.0	23.5	11.8	7.5	17.4	21.7
Use-Based						
Primary Goods	34.1	17.7	10.1	15.8	13.8	25.7
Capital Goods	8.2	54.0	13.3	74.9	31.1	232.5
Intermediate Goods	17.2	17.9	7.0	54.2	12.2	109.3
Infrastructure and Construction Goods	12.3	18.2	4.0	46.5	10.7	151.5
Consumer Durables Goods	12.8	58.5	7.4	80.4	28.2	287.2
Consumer Non-Durables Goods	15.3	0.9	(0.6)	0.2	0.1	32.5

Fig 41 – Broad based improvement



Manufacturing

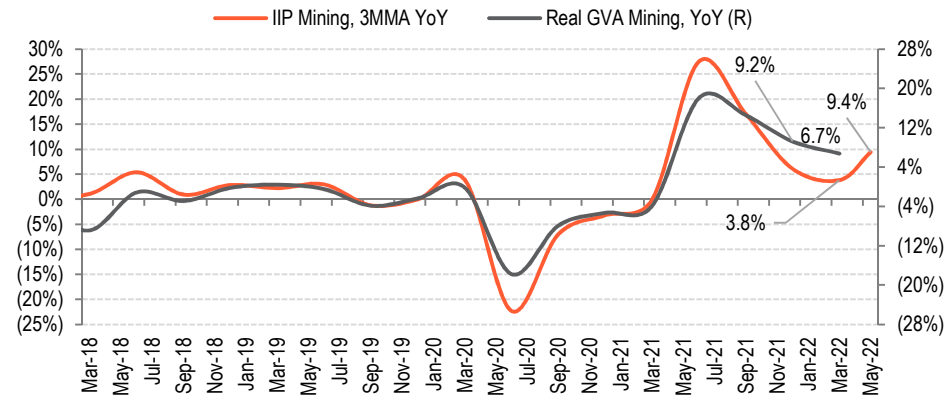
Fig 43 – Manufacturing growth too improves due to base effect



Note: May'22 data is average of Apr-May'22 on YoY basis

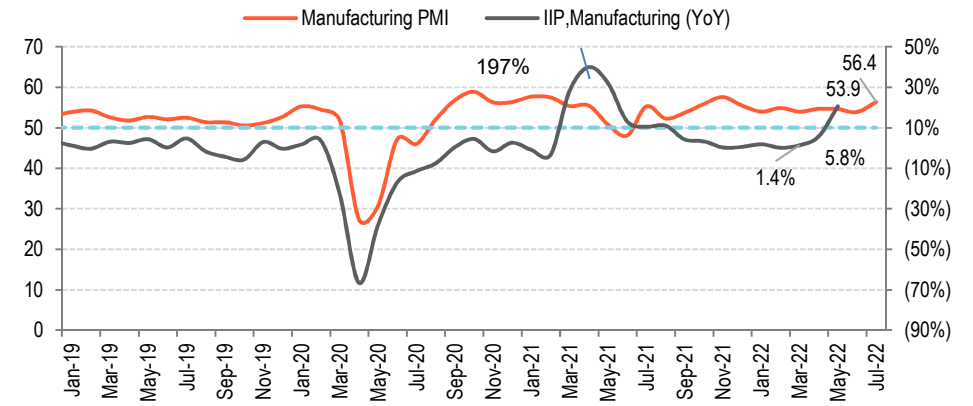
Mining & Electricity

Fig 45 – Mining activity expected to be higher in Q1FY23



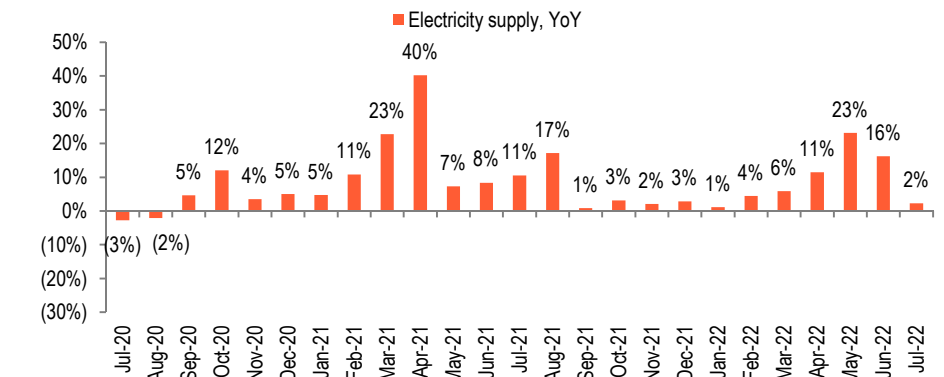
Note: May'22 data is average of Apr-May'22 on YoY basis

Fig 44 – Manufacturing PMI rises to 8-month high in Jul'22



Source: Markit

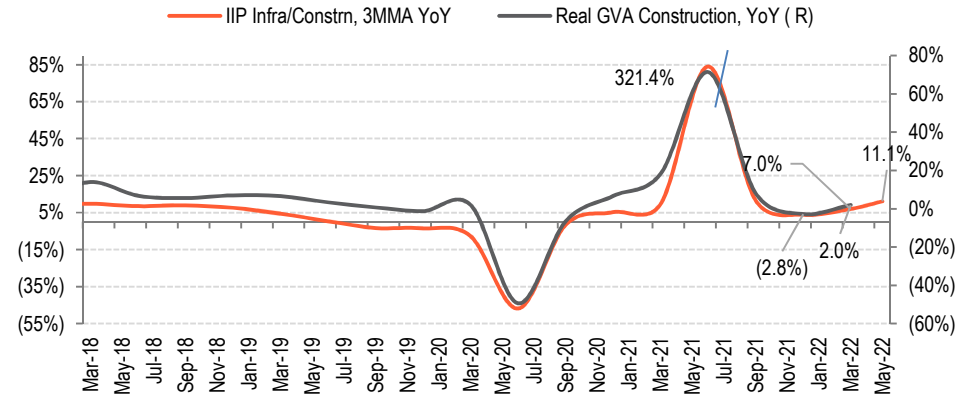
Fig 46 – Electricity supply moderates back to single digit



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

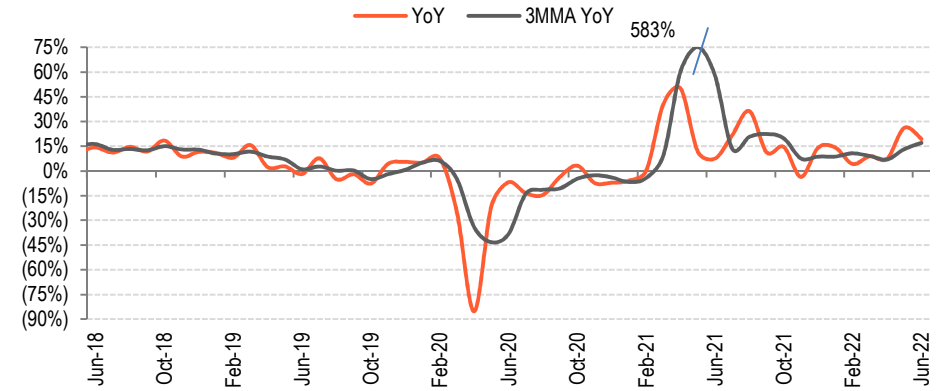
Infrastructure and Construction

Fig 47 – Higher growth expected in construction sector in Q1FY23



Note: May'22 data is average of Apr-May'22 on YoY basis

Fig 48 – Moderation in cement output in Jun'22



Infrastructure Index

Fig 49 – Growth in Infra index eases off

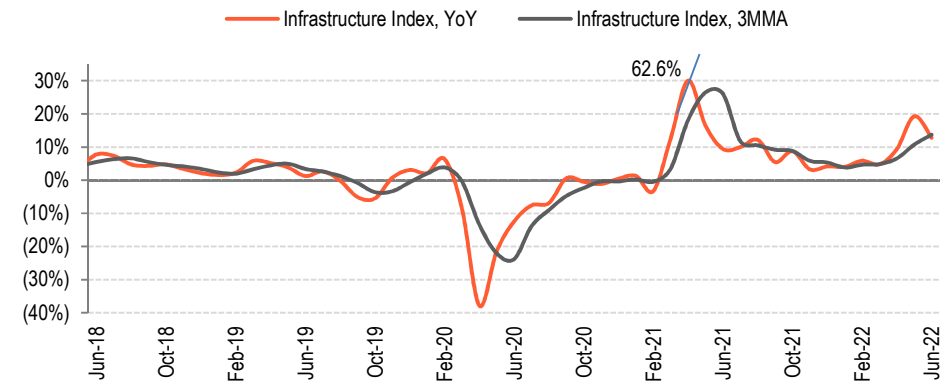
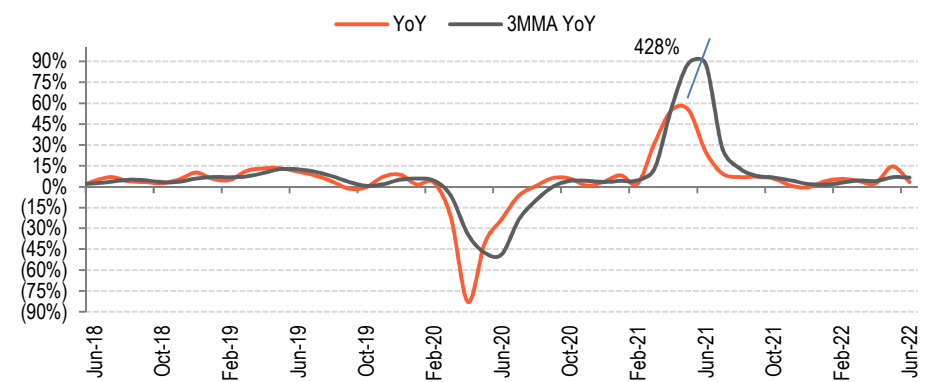


Fig 50 – Steel production drops lower



Auto production & Business expectation index

Fig 51 – Auto production continues to inch upwards

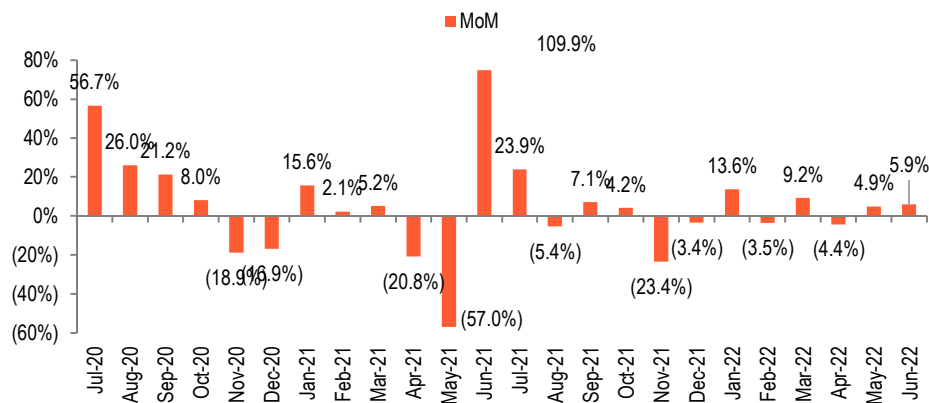


Fig 52 – Business sentiment moderates further

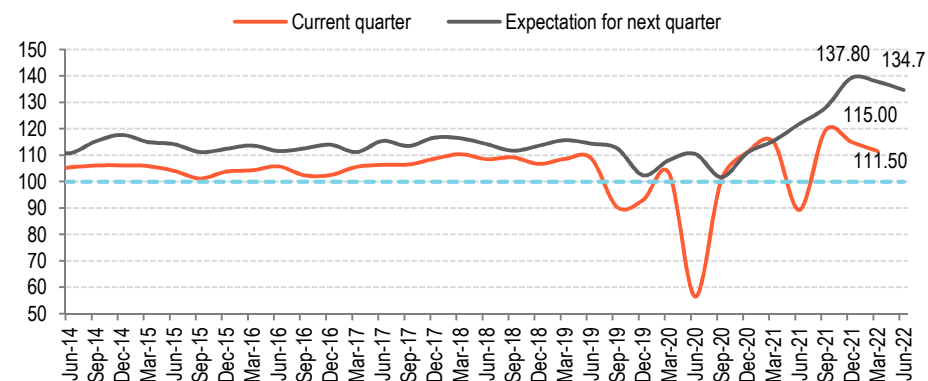
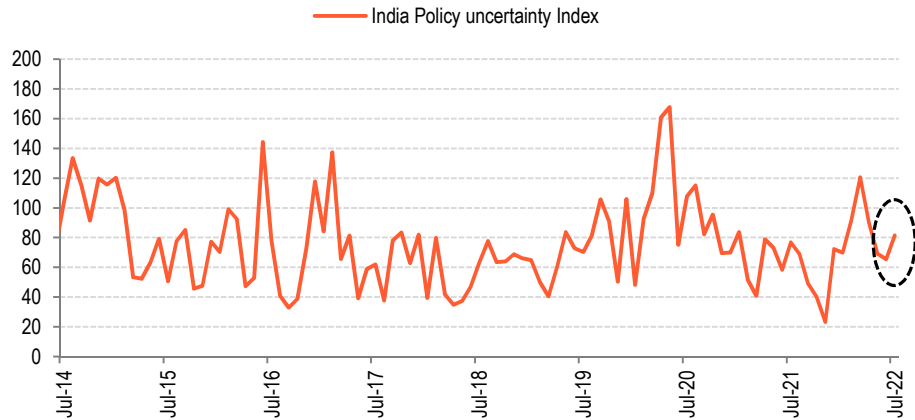


Fig 53 – Infrastructure index registers moderation in growth

(%)	Weight	Jun-22	May-22	Jun-21	Apr-Jun'22	Apr-Jun'21
Infrastructure Index	100	12.7	19.3	9.4	13.7	26.0
Coal	10.3	31.1	33.6	7.4	31.2	7.9
Crude Oil	9.0	(1.7)	4.6	(1.8)	0.6	(3.4)
Natural Gas	6.9	1.2	7.0	20.6	4.8	21.8
Petroleum Refinery Products	28.0	15.1	16.7	2.4	13.5	15.4
Fertilizers	2.6	8.2	22.9	2.0	13.2	(1.7)
Steel	17.9	3.3	14.6	25.2	6.6	88.4
Cement	5.4	19.4	26.2	7.5	17.1	57.8
Electricity	19.9	15.5	23.5	8.2	16.8	16.8

Investment

Fig 54 – Policy uncertainty in India rose in Jul'22 compared to Jun'22, with heightened risks over spillover of global growth slowdown to domestic economy



Source: policyuncertainty.com

Fig 56 – Capital goods production rose by 54% from 13.3% in Apr'22

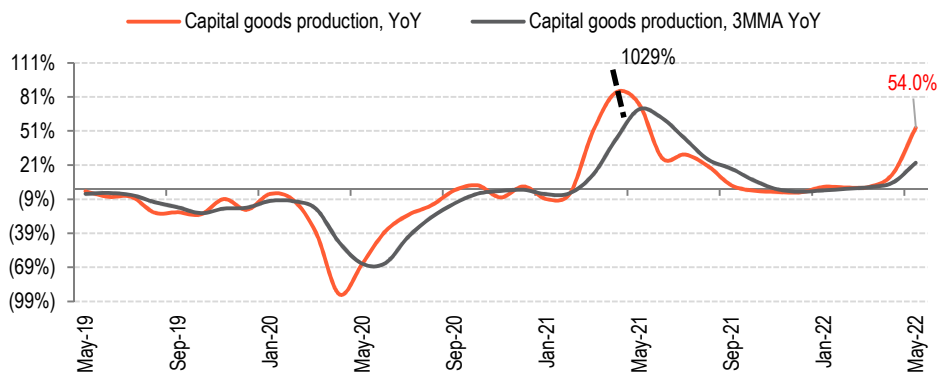
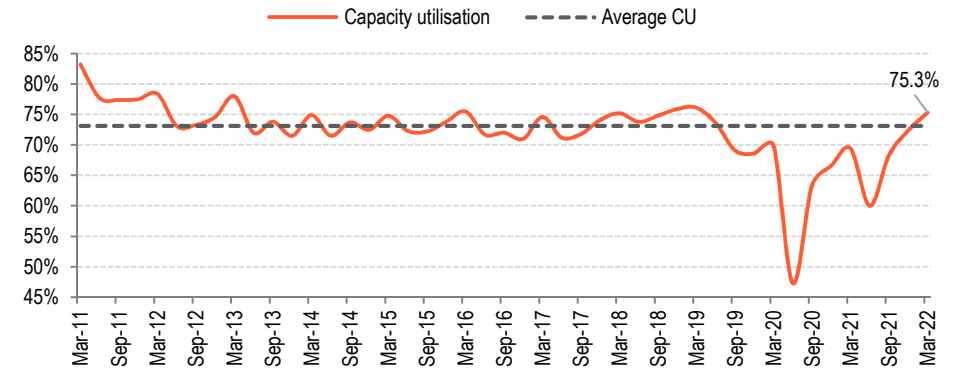


Fig 55 – Capacity utilisation improved in Q4FY22



Source: policyuncertainty.com

Fig 57 – Capital goods imports rose by 11.7% from 9% in May'22

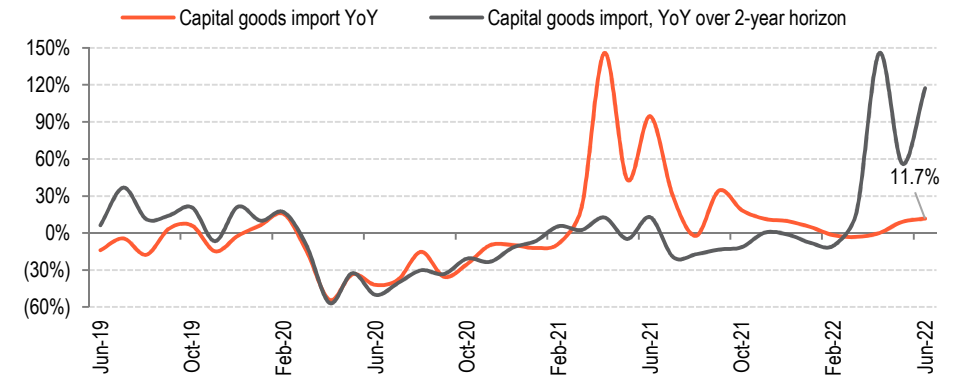


Fig 58 – Centre’s capex spending noted growth of 46.2% in Jun’22 against 47% in May’22, in FY23, capex spending is likely to rise by 24.5% to Rs 7.5tn

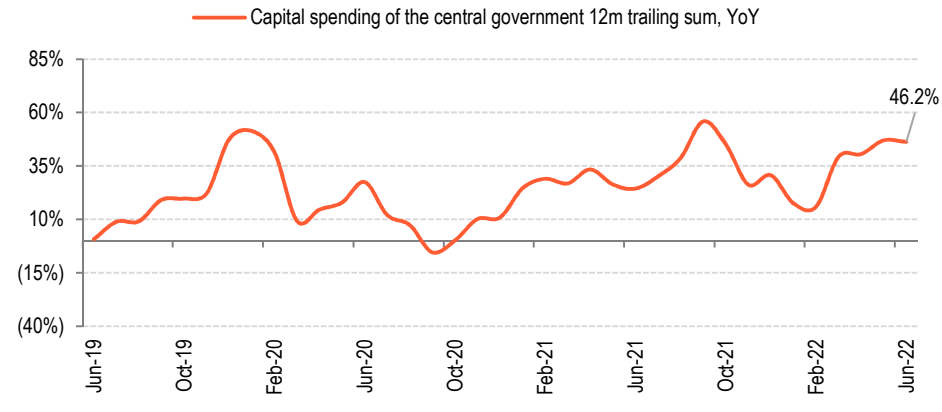


Fig 59 – Credit to micro and small industry was at 29.6% from 33% in May’22, for medium industry it was at 47.6% from 49.3%

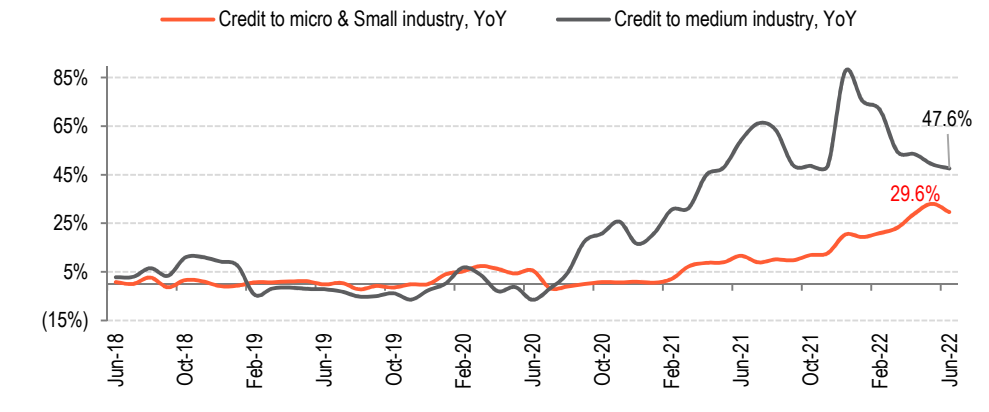


Fig 60 – Credit to housing sector rose to 15.1% from 13.7% in May’22

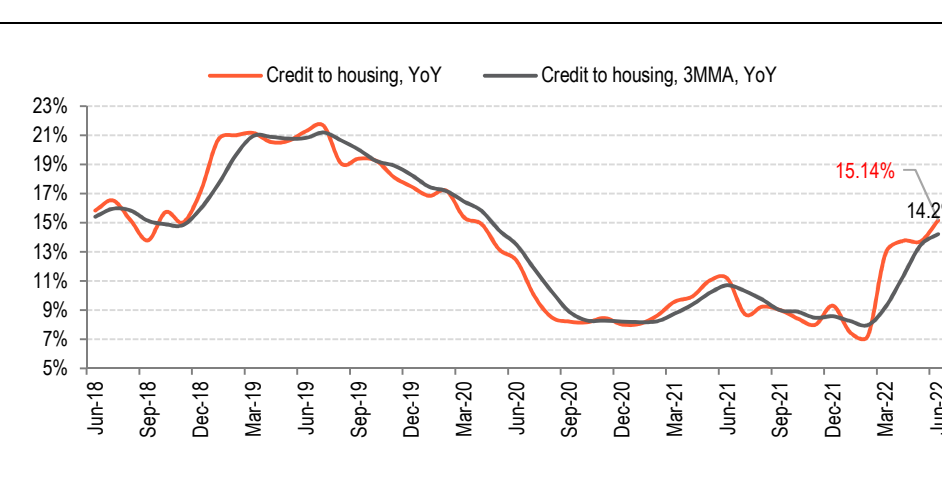
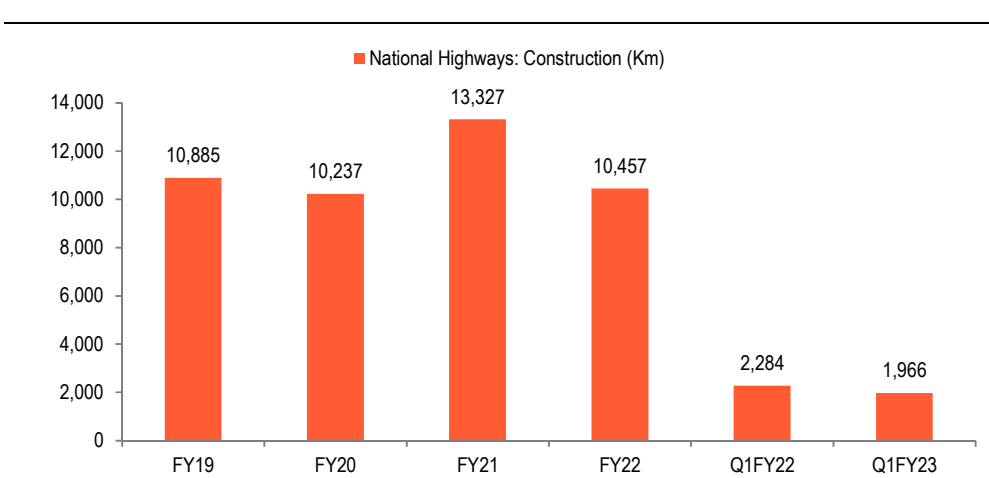


Fig 61 – Pace of National highway construction



Services sector

Fig 62 – GVA: Services activity eased further in Q4FY22

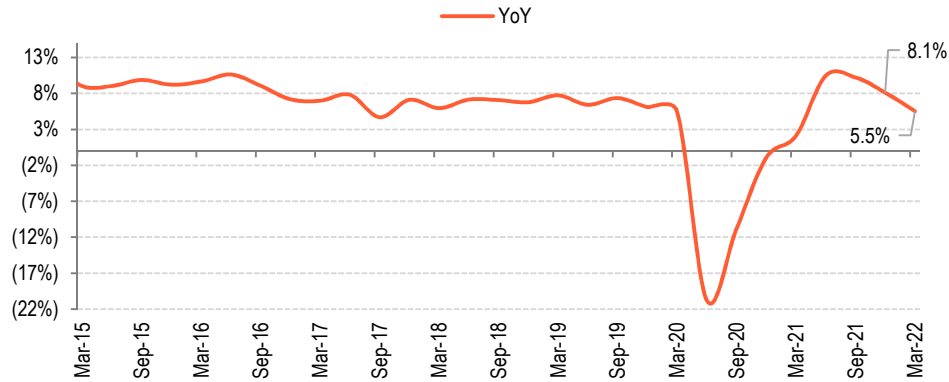
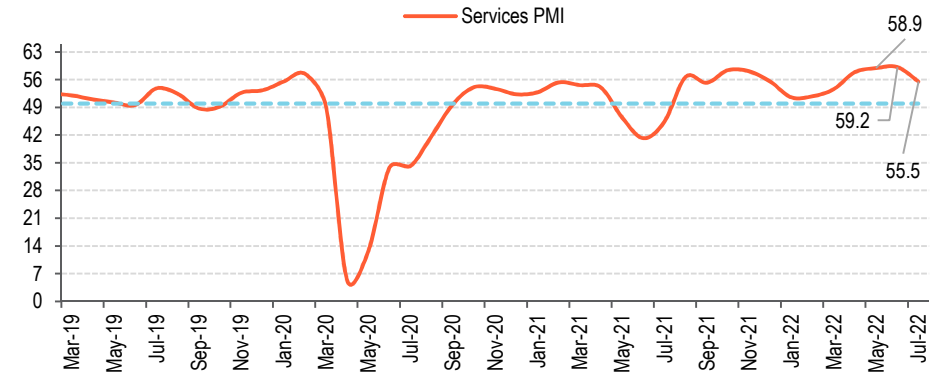


Fig 63 – Services PMI slipped in Jun'22, but remains in expansion



Source: Markit

Fig 64 – GVA: Trade & related services seen stabilizing further in Q4

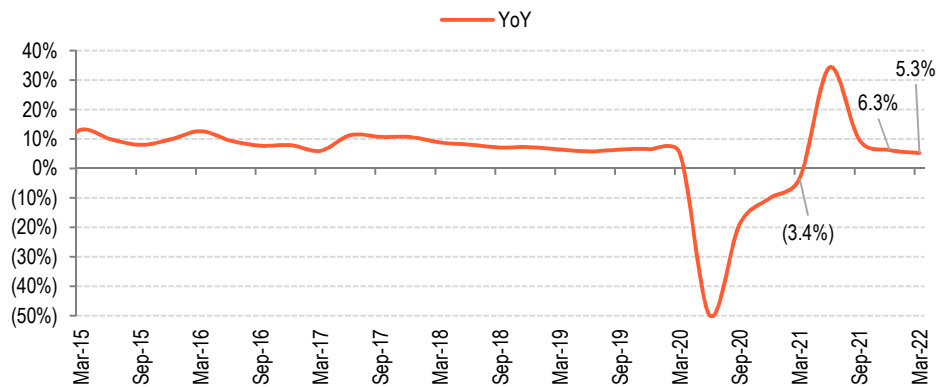
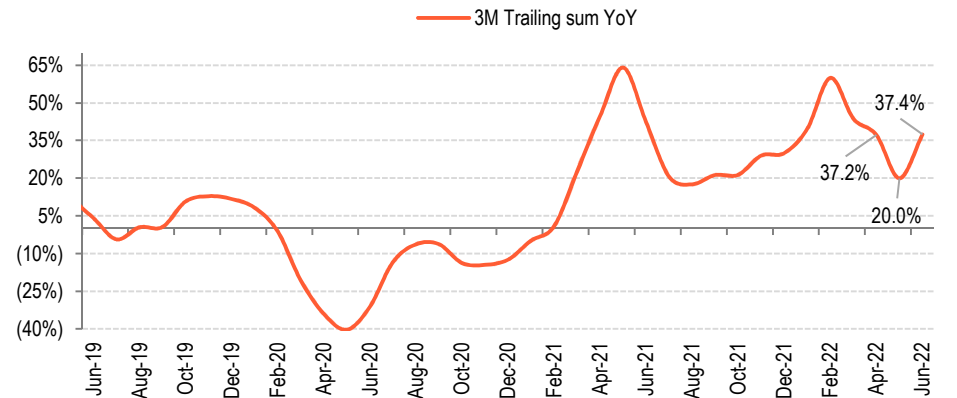


Fig 65 – States' tax revenue growth rebounded in Jun'22



Note: *All states excluding N.E states, A.P, Goa, J&K and Tamil Nadu

Trade

Fig 66 – Vehicle registrations dropped in Jul'22

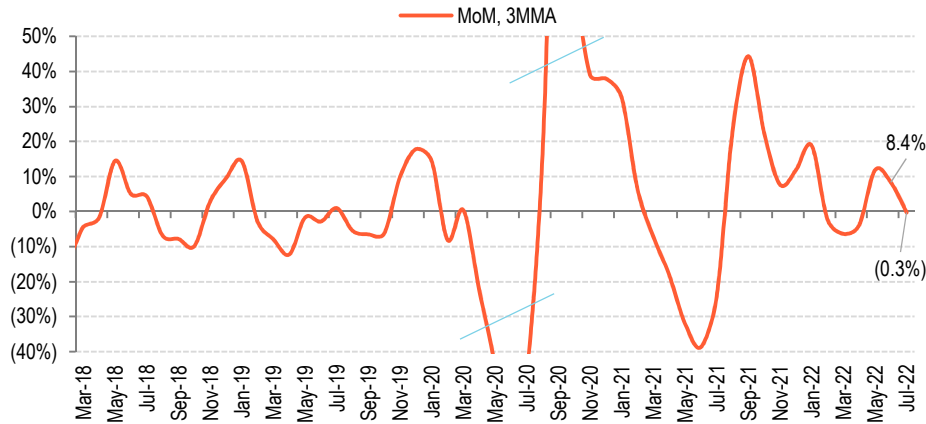


Fig 67 – High base and monsoon season impacted diesel consumption in Jul'22

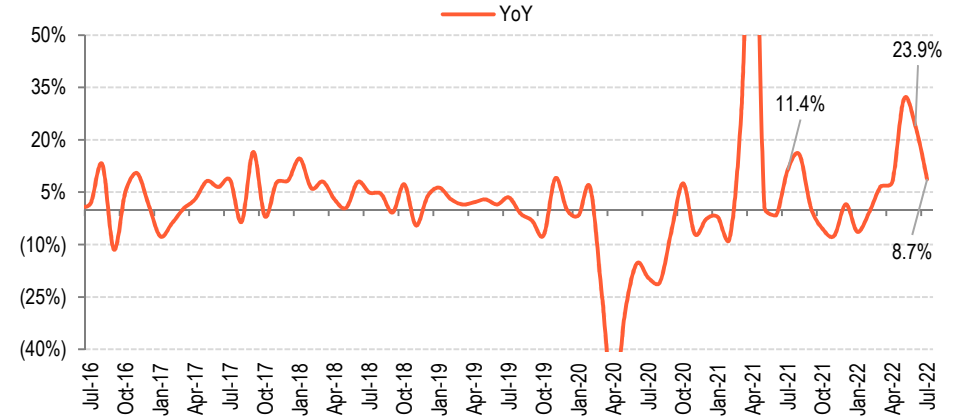


Fig 68 – Railway freight traffic also showing moderation

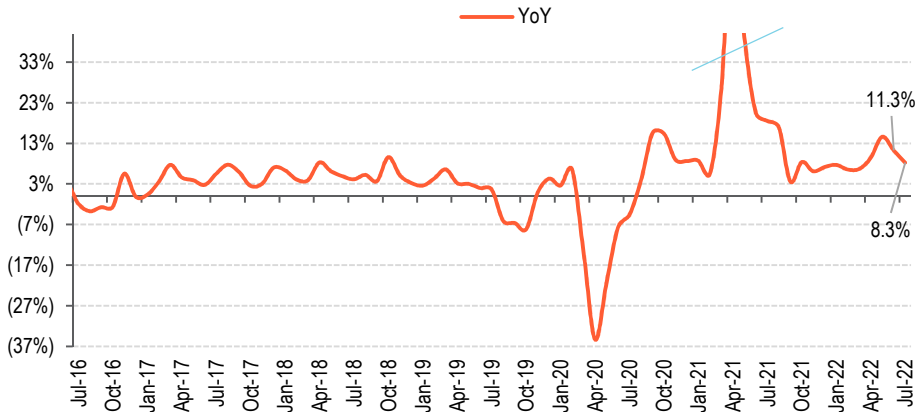


Fig 69 – However, port cargo traffic showing improvement

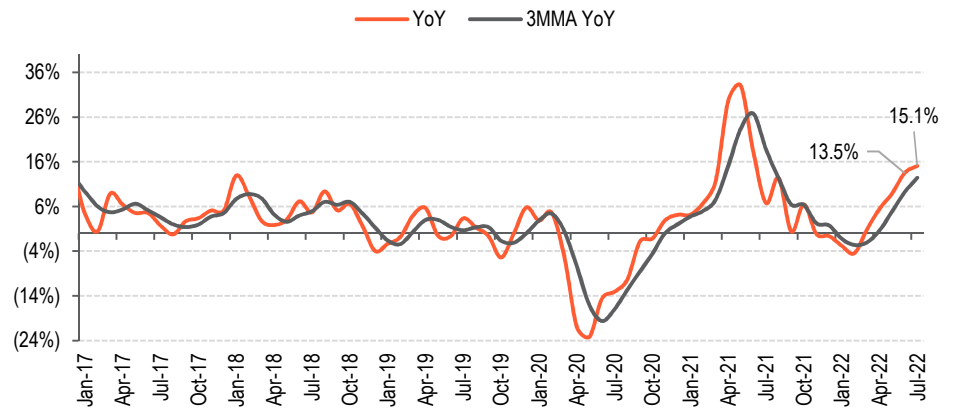


Fig 70 – Toll collections decline further in Jul'22

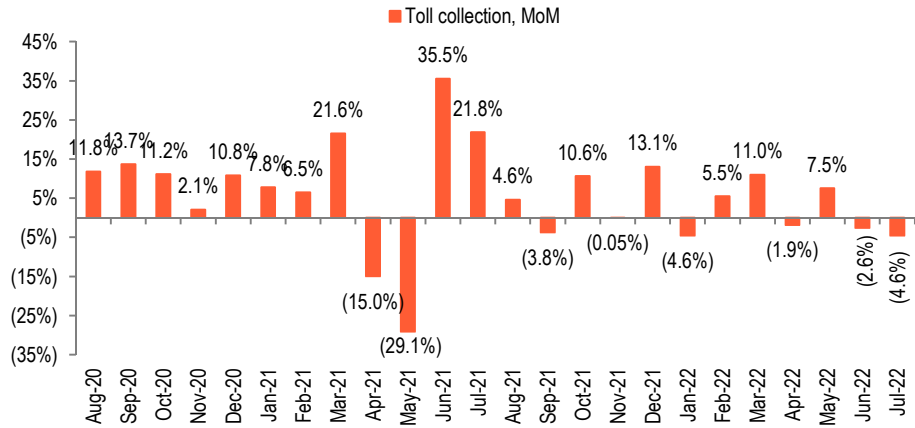
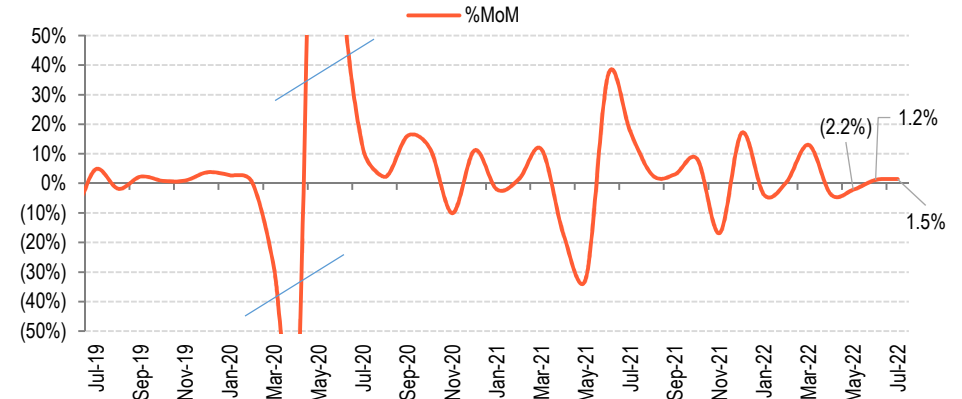


Fig 71 – E-way bill generation seen stabilizing



Hotels and communications

Fig 72 – Airline passenger traffic growth slowed in Jul'22

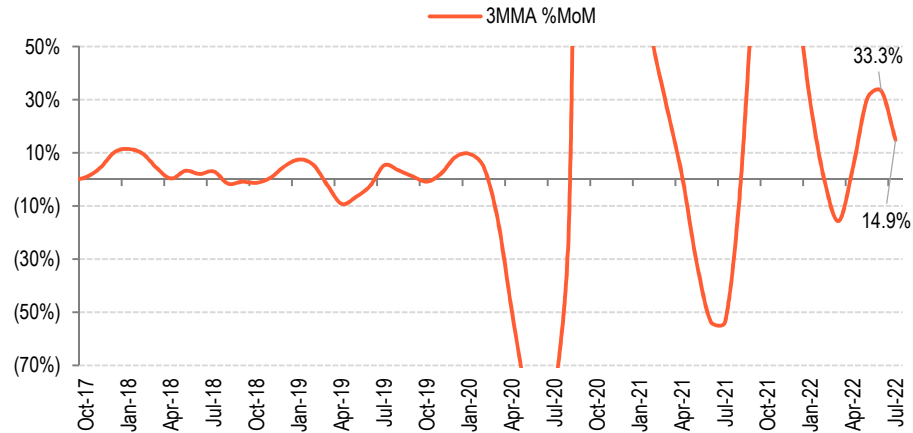


Fig 73 – ...led by slowdown in domestic passenger movement

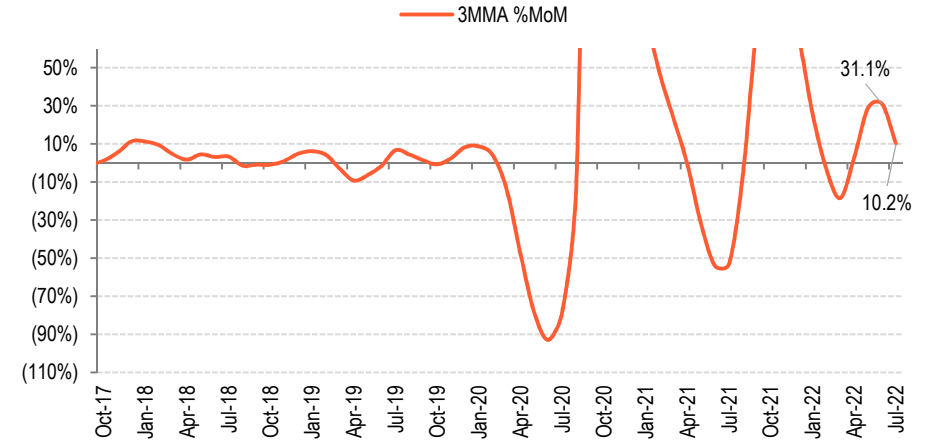


Fig 74 – Railway passenger traffic picks up in Jun'22

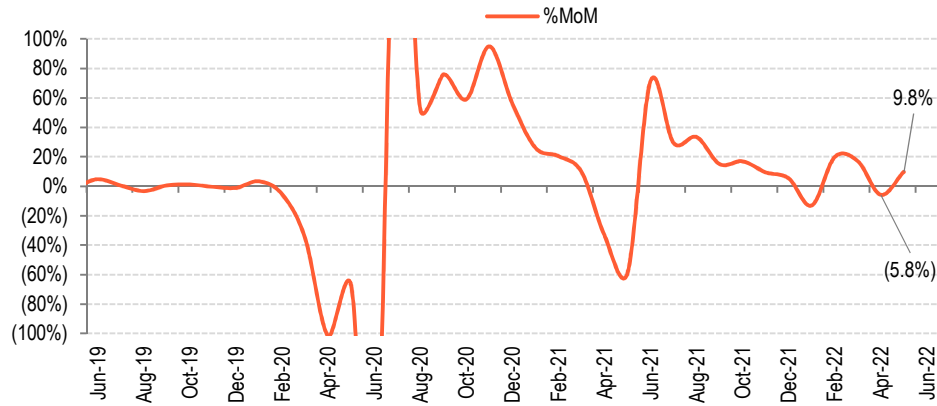
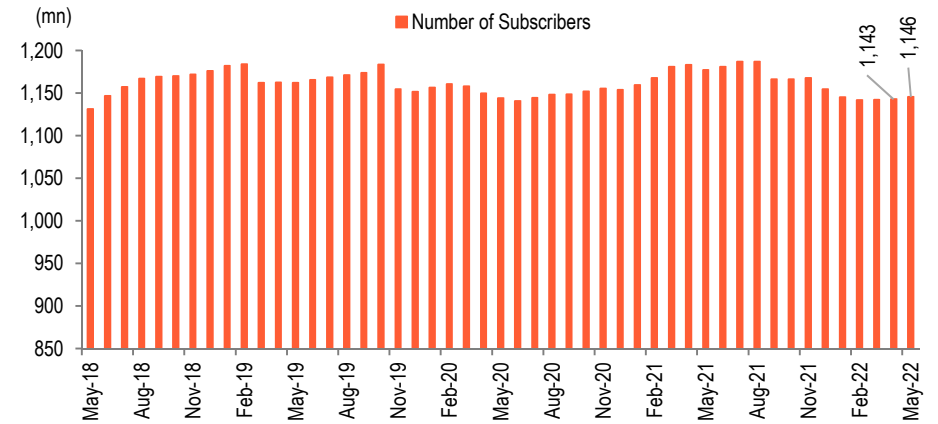


Fig 75 – Number of telecom subscribers rose by 2.8mn in Jul'22



Finance and real estate

Fig 76 – Growth in GVA: Finance, real estate & prof. was stable in Q4

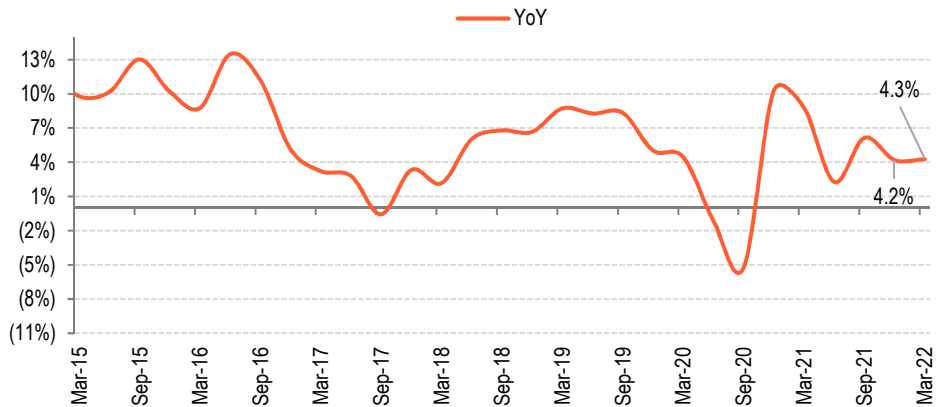
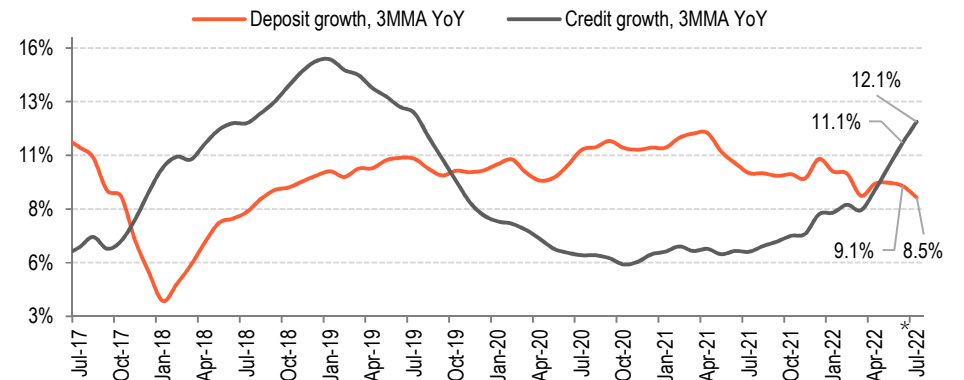


Fig 77 – Credit growth accelerates, while deposit growth moderates further



*as of fortnight ending 15 Jul 2022

Fig 78 – Credit to both services and industry remains healthy

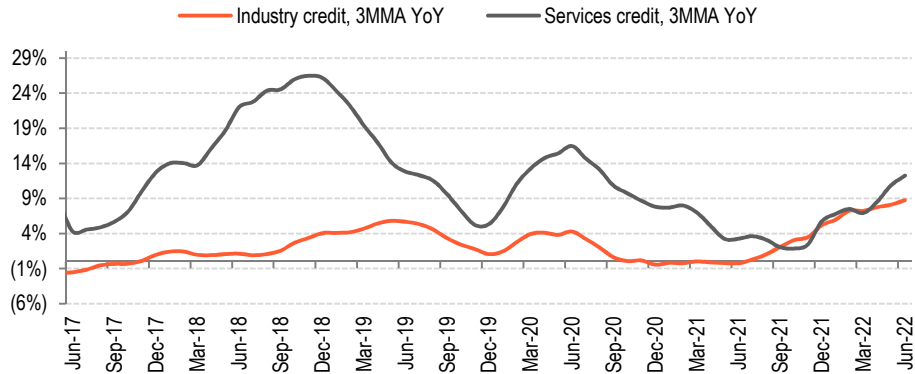


Fig 79 – Credit to Trade and commercial real estate lead the trend

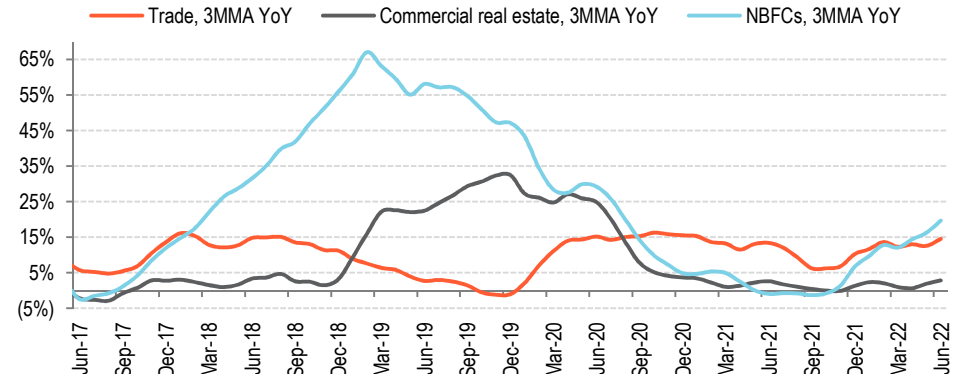
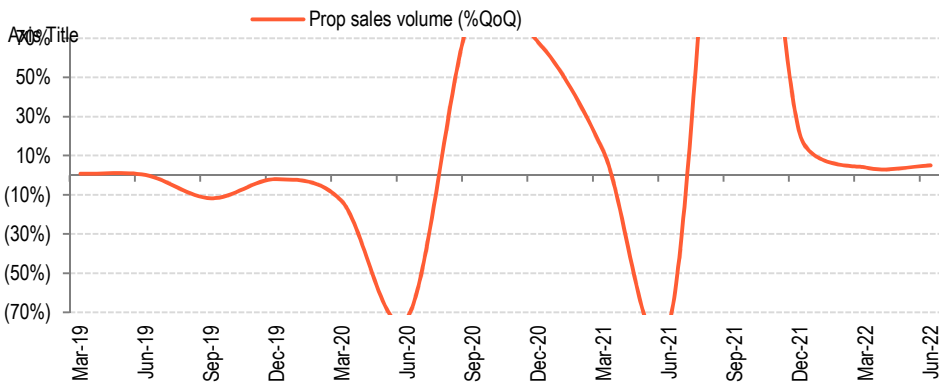
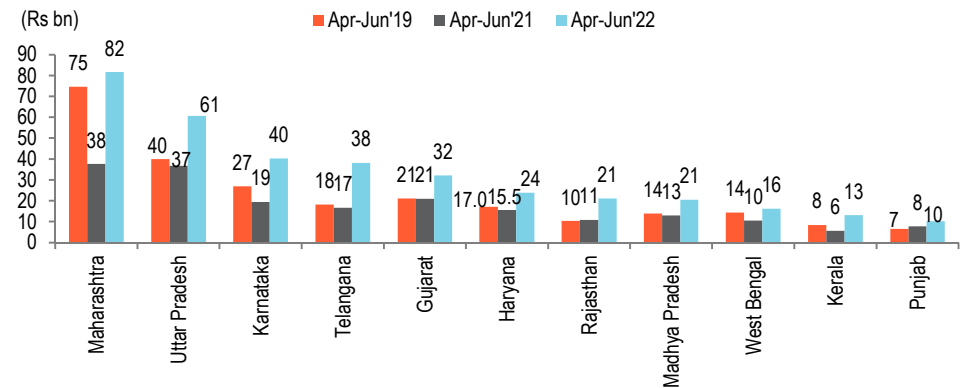


Fig 80 – Property sales volumes seen normalising



Source: Proptiger

Fig 81 – Stamp duty collections of all states showing improvement in Q1FY23, compared with Q1FY20



Labour market

Fig 82 – Naukri job index improved sharply in Jul'22

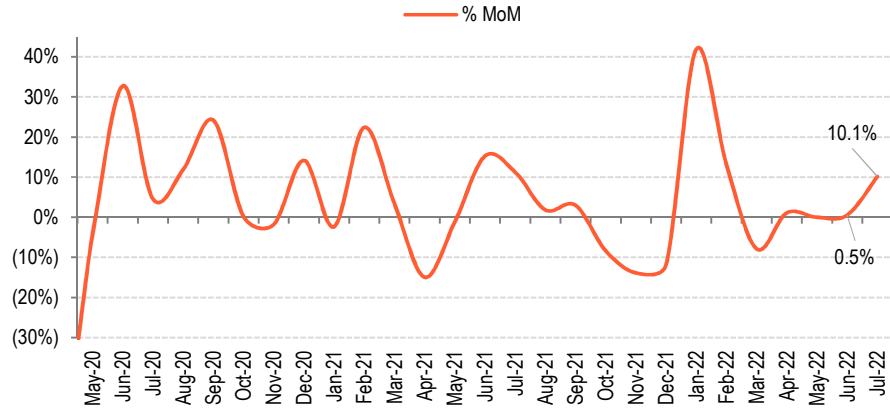


Fig 83 – Overall unemployment rate too cooled down in Jul'22



Public administration

Fig 84 – Public administration & defence services eased in the last quarter of FY22

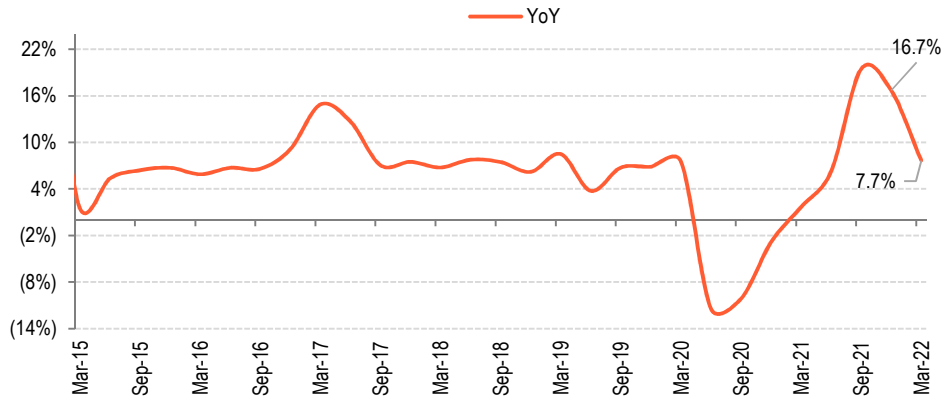


Fig 85 – General govt. spending in Q1FY23 was much better than last year...

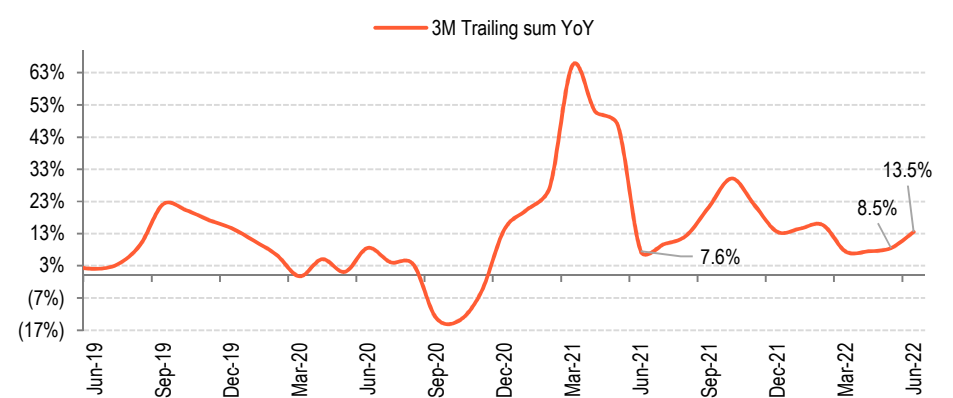


Fig 86 – ...led by Central government

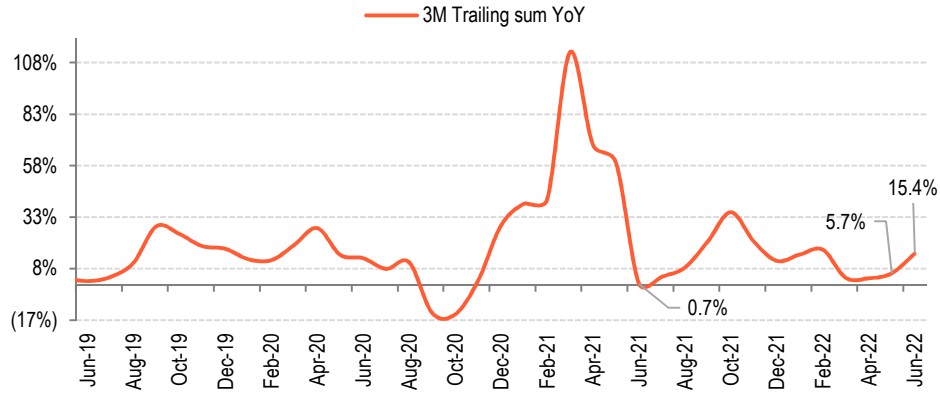
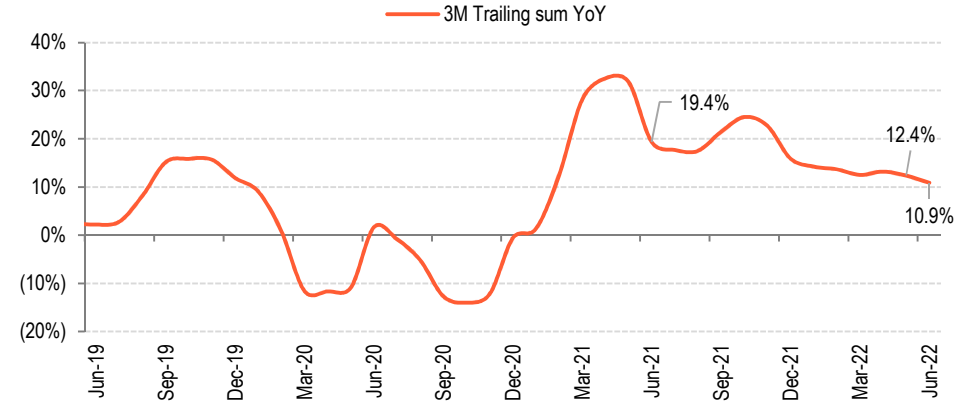


Fig 87 – State* Govt. spending seen slowing

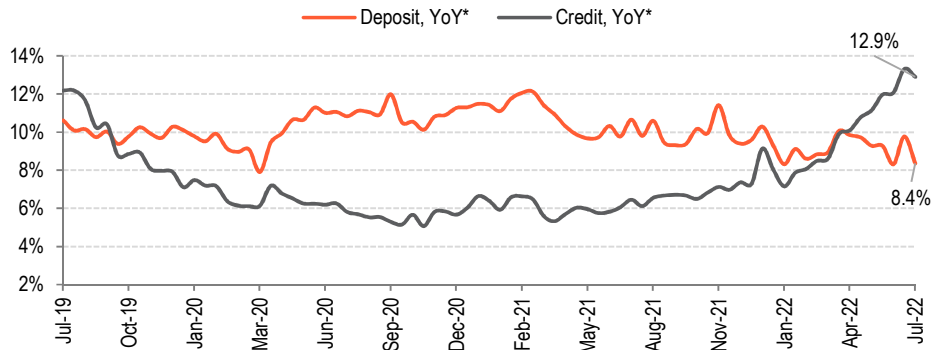


Note: *All states excluding N.E states, A.P, Goa, J&K and Tamil Nadu

Financial sector

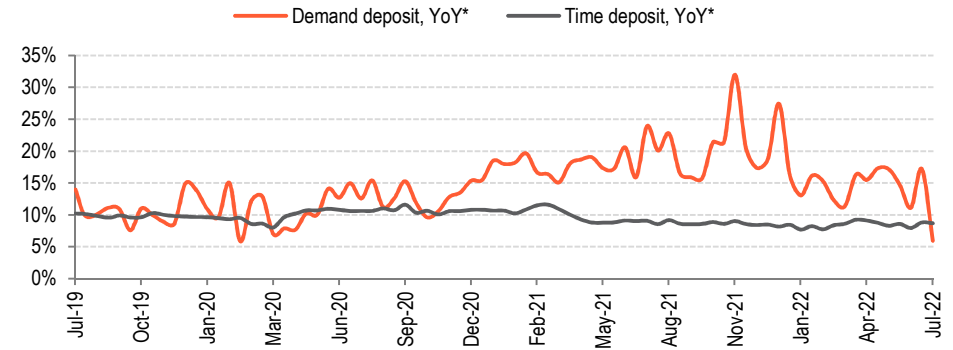
Money and banking

Fig 88 – Credit demand picked up to 12.9% in Jul'22 against 13.3% in the previous fortnight, deposit growth moderated to 8.4% from 9.8% in the previous fortnight



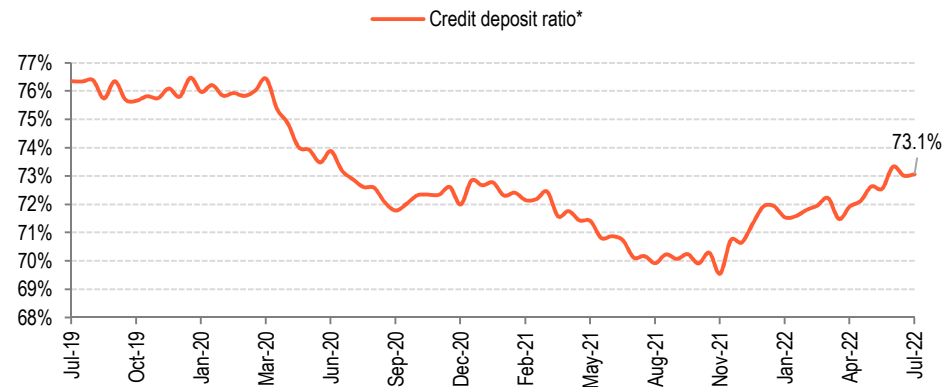
Note: *Jul'22 implies fortnight as of 15 Jul 2022

Fig 89 – ...Time deposits remained stable, demand deposits dropped



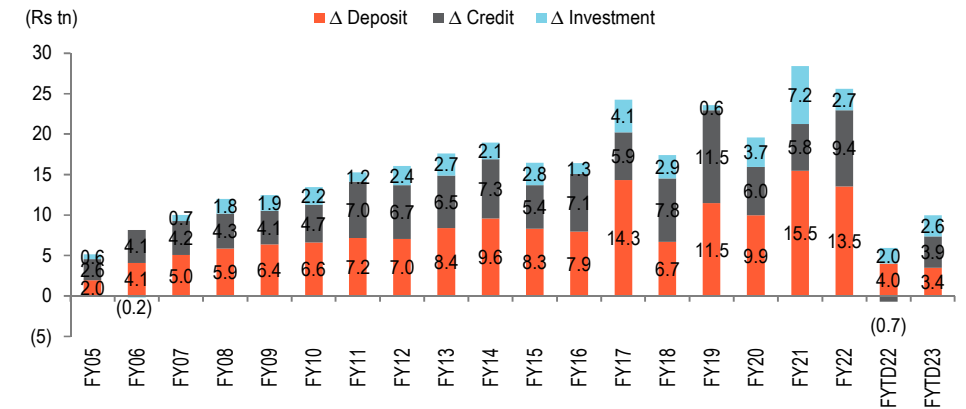
Note: *Jul'22 implies fortnight as of 15 Jul 2022

Fig 90 – CD ratio was at 73.1%



Note: *Jul'22 implies fortnight as of 15 Jul 2022

Fig 91 – Pace of accretion of credit, investment and deposit



Note: FYTD:Apr-Jul

Fig 92 – Credit to govt moderated to 5.2% from 6.5% in Apr'22, credit to commercial sector rose to 11.1% from 9.3%

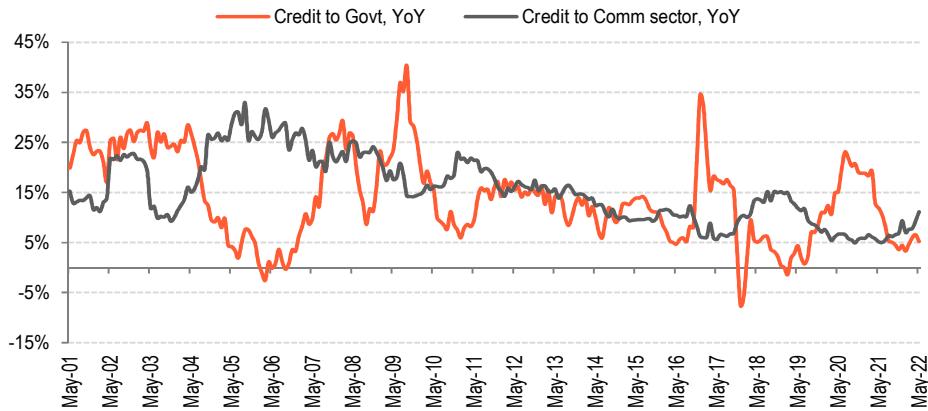


Fig 94 – WALR rose to 7.32% from 7.14% in May'22, WADTDR also inched up to 5.17% from 5.13%

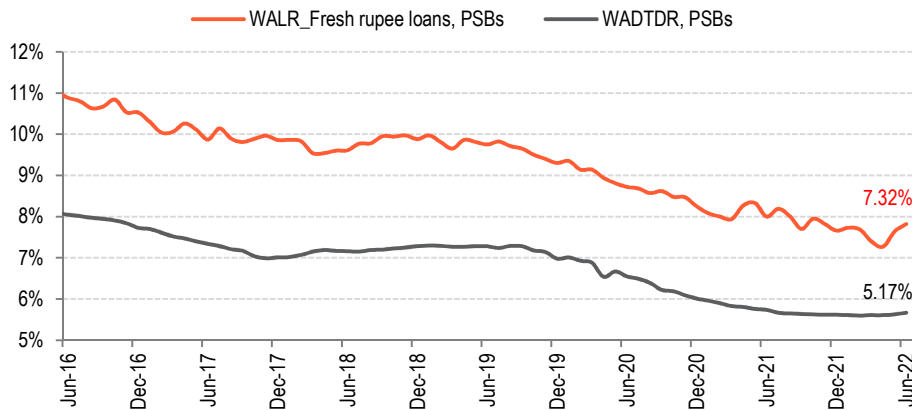


Fig 93 – Spread between call rate and repo

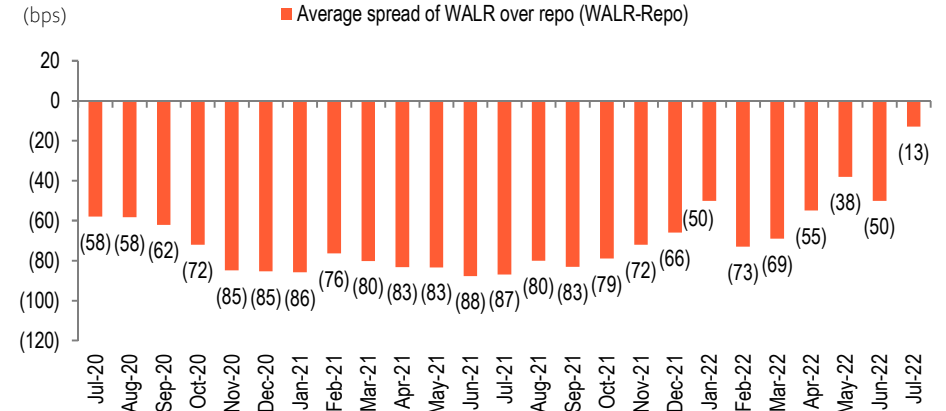
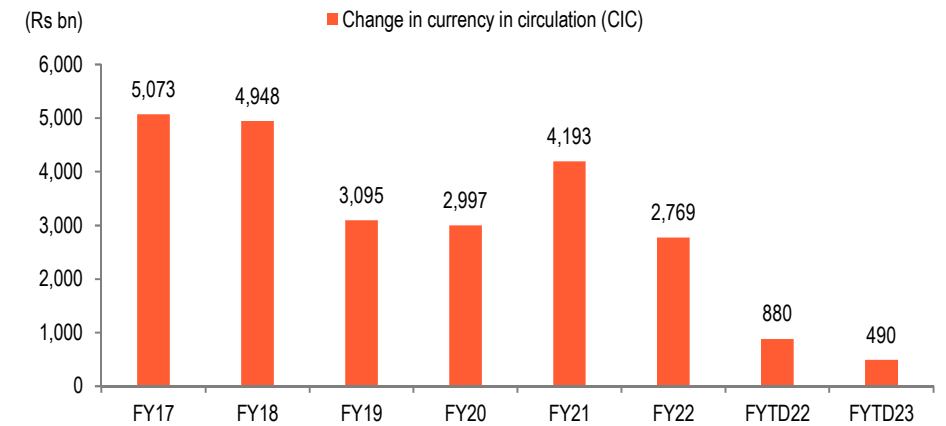
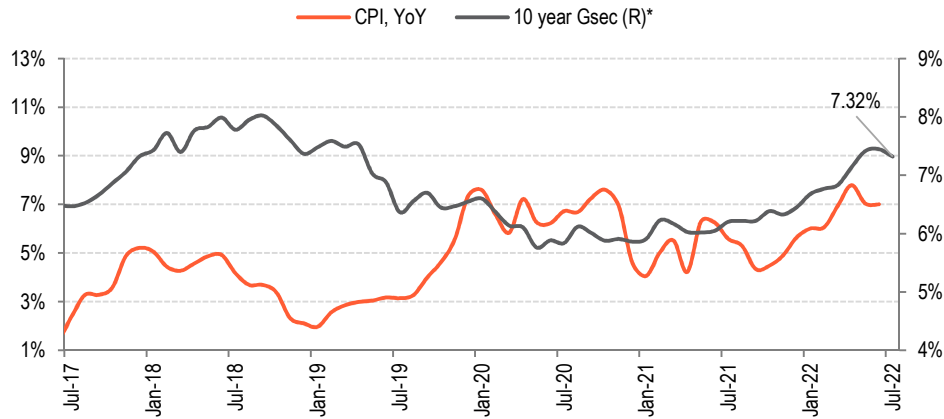


Fig 95 – CIC accretion in FYTD23 is happening at a far slower pace of Rs 490bn against Rs 880bn seen in the same period of last year



Note: FYTD:Apr-Jul

Fig 96 – 10Y GSec yield moderated to 7.32% in Jul'22 from 7.45% in Jun'22 and currently trading at 7.3%, inflation was at 7% in Jun'22 as well



Note: *As on last trading day of the month

Fig 98 – Corporate debt issuance rose to Rs 449bn from Rs 180bn in May'22

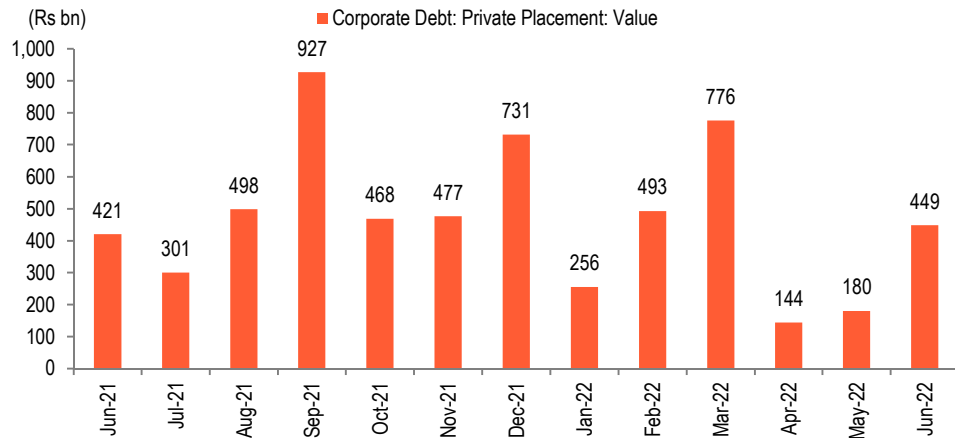
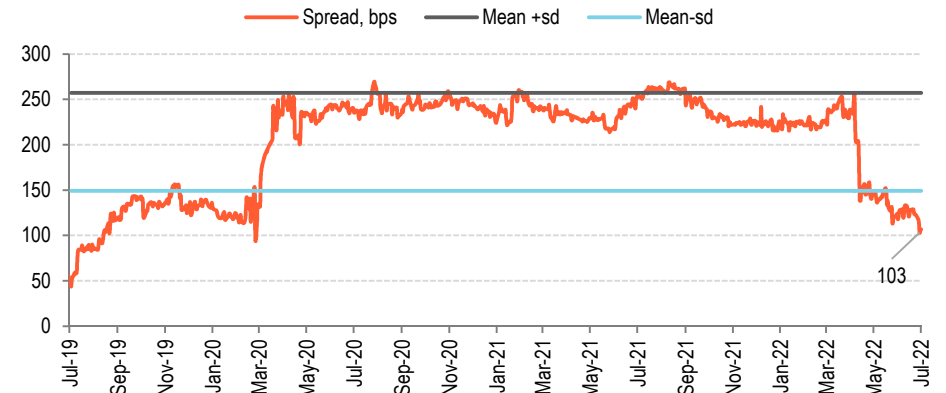
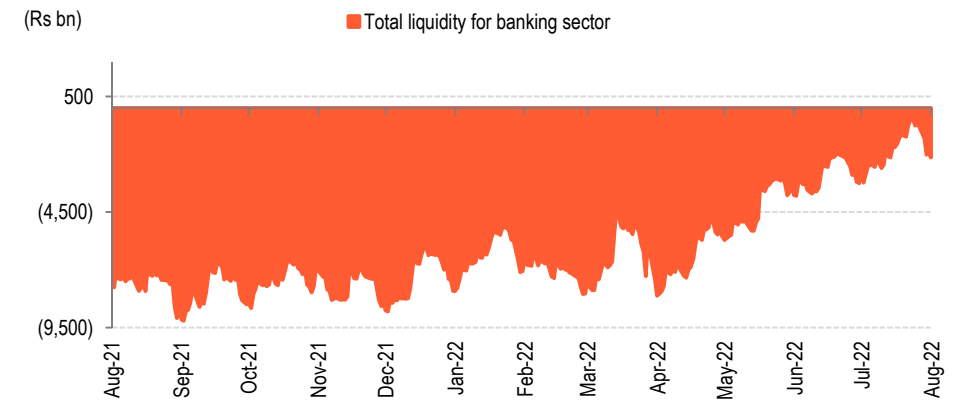


Fig 97 – Spread between 1Y TBill and 10Y Gsec has crossed its lower mean reversion level



Source: Bloomberg

Fig 99 – Average system liquidity surplus has fallen to Rs 2tn in Jul'22 from Rs 3tn in Jun'22 and in Aug'22 till date at Rs 1.8tn



Source: RBI

Fig 100 – 3Y AAA NBFC spread fell to 43bps as on 29 Jul 2022 from 51bps as on 29 Jun 2022

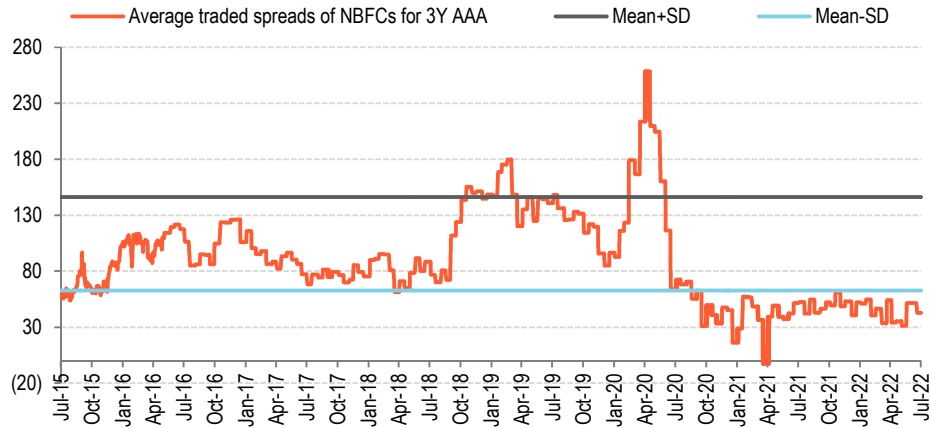


Fig 101 – However, 10Y AAA NBFC spread rose to 32bps as on 29 Jul 2022 against 22bps as on 29 Jun 2022

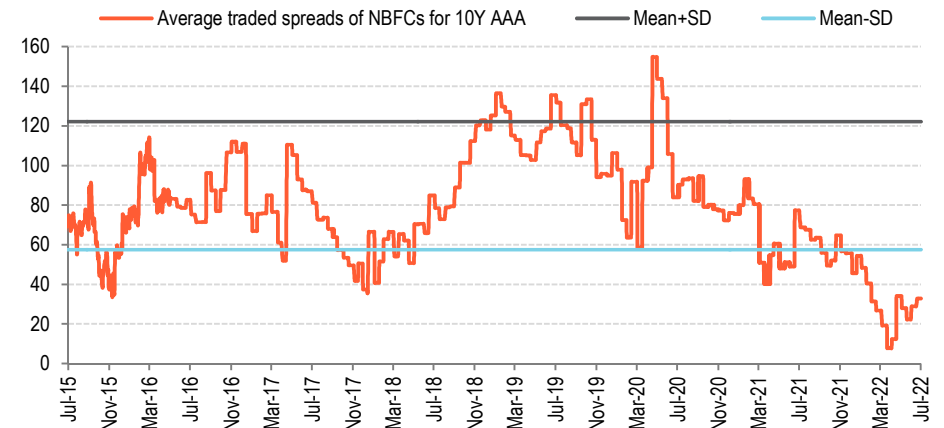


Fig 102 – 3Y AAA corp fell to 28bps as on 29 Jul 2022 against 34bps as on 29 Jun 2022

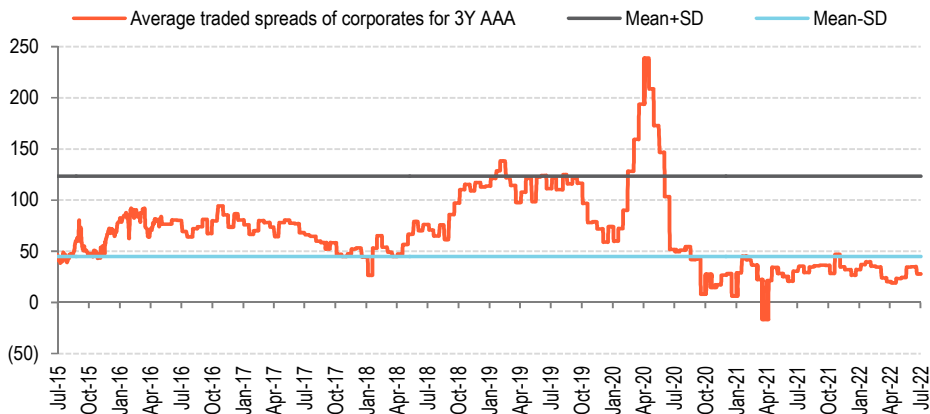


Fig 103 – However, 10Y AAA corp spread rose to 22bps as on 29 Jul 2022 against 17bps in the previous month

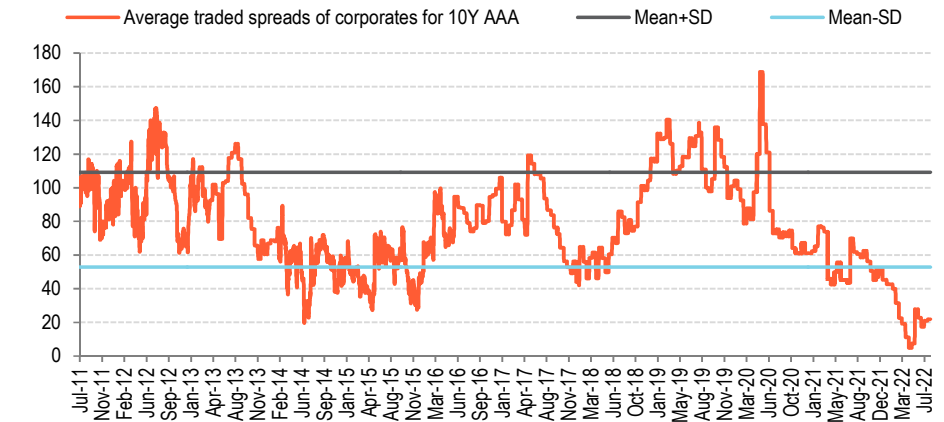


Fig 104 – INR 3Y swap fell to 6.26 from 6.76

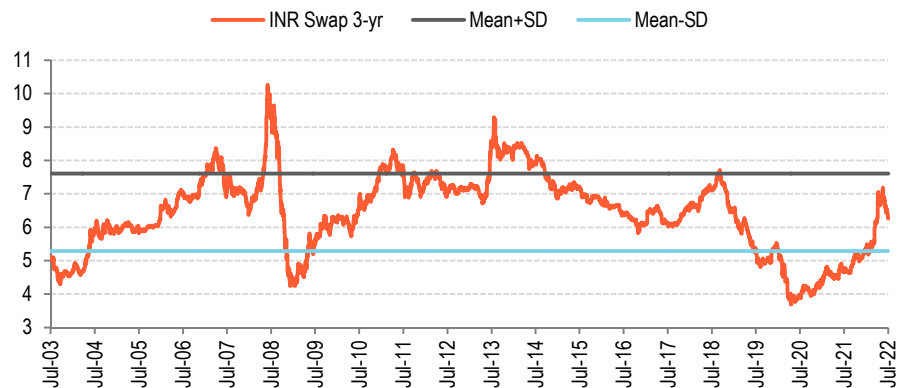
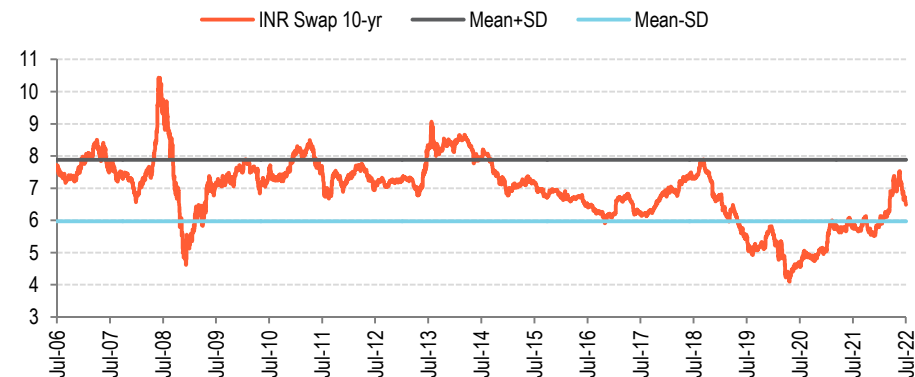


Fig 105 – For 10Y, it fell to 6.49 as on 29 Jul 2022 from 7.05 as on 29 Jun 2022



Interest rates on small savings schemes

Fig 106 – Interest rates on small savings scheme to remain unchanged in Q2FY23 as well

Instrument (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Savings deposit	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
1 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
2 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
3 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
5 year time deposit	7.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
5 year recurring deposit	7.2	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
5 year senior citizen savings scheme	8.6	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
5 year monthly income scheme	7.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
5 year national savings certificate	7.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Public provident fund scheme	7.9	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Kisan vikas patra	7.6	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Sukanya samridhi account scheme	8.4	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6

Source: Department of Economic Affairs, Ministry of Finance, Government of India

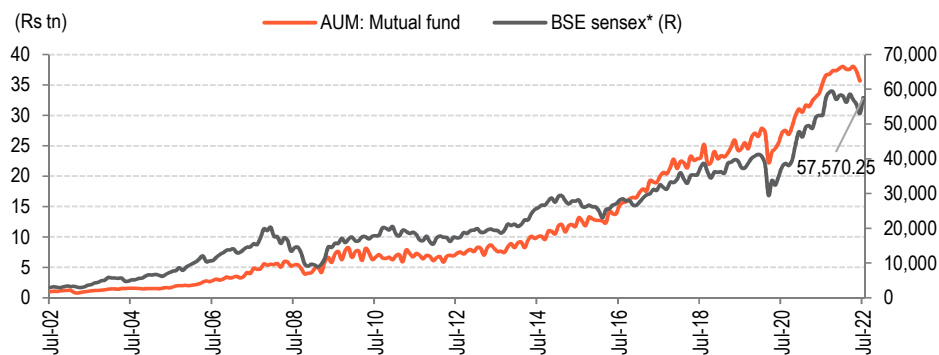
Fig 107 – MCLR rate of banks increased

1Y MCLR (%)	May'21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22
Public Sector Banks															
Bank of Baroda	7.40	7.35	7.35	7.35	7.35	7.30	7.30	7.30	7.30	7.30	7.30	7.35	7.40	7.50	7.65
Bank of India	7.35	7.35	7.30	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.35	7.50
Canara Bank	7.35	7.35	7.35	7.35	7.35	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.35	7.40	7.50
Indian Bank	7.30	7.30	7.30	7.35	7.35	7.35	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.40	7.55
Punjab National Bank	7.35	7.30	7.30	7.30	7.30	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.40	7.55
State Bank of India	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.10	7.20	7.40	7.50
Union Bank of India	7.20	7.20	7.20	7.20	7.20	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.35	7.45	7.55
Private Sector Banks															
Axis Bank Ltd.	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.40	7.75	7.95	8.00
HDFC Bank Ltd.	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.25	7.25	7.50	7.85	8.05
ICICI Bank Ltd.	7.30	7.30	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.55	7.75
Indusind Bank	8.60	8.60	8.55	8.45	8.45	8.45	8.45	8.45	8.45	8.45	8.50	8.55	8.75	9.00	9.10
Kotak Mahindra Bank	7.25	7.25	7.25	7.25	7.20	7.20	7.20	7.20	7.25	7.30	7.35	7.40	7.65	7.85	8.05

Source: RBI

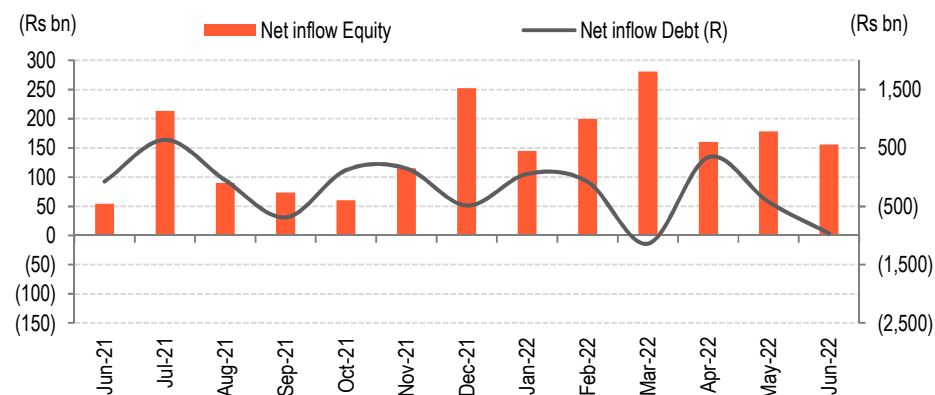
Mutual fund (MF) indicators

Fig 108 – Sensex rose by 8.6% to 57,570 in Jul'22, AUM of MFs was lower at Rs 36tn in Jun'22 from Rs 37tn in May'22



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

Fig 109 – MF equity inflows moderated to Rs 155bn from Rs 179bn in May'22; debt outflow rose to Rs 963bn from Rs 427bn outflow in May'22



Insurance sector indicators

Fig 110 – Sale of life insurance policies was at 32.8% in Jun'22 from 103.3% in May'22

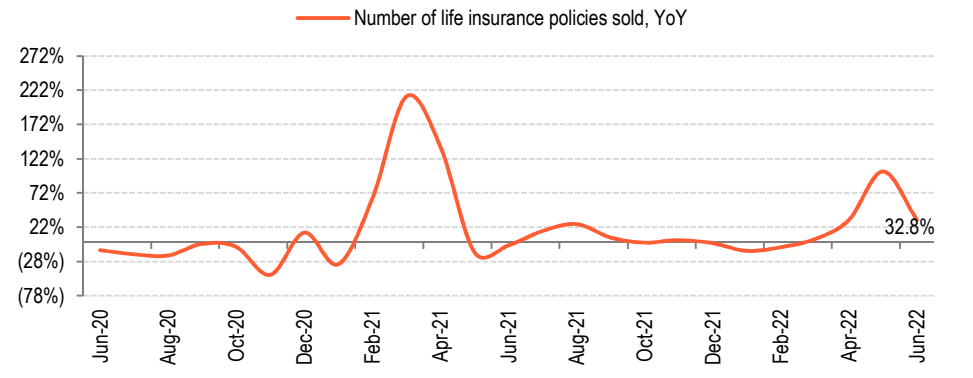
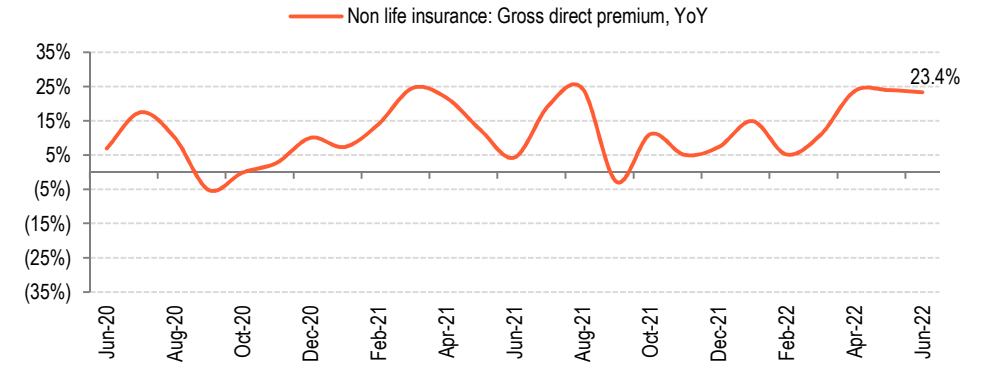


Fig 111 – Gross direct premium for non-life insurance was stable at 23% in Jun'22



Public finance

Central government finances

Fig 112 – Fiscal deficit eases to 6.6% of GDP in Jun'22

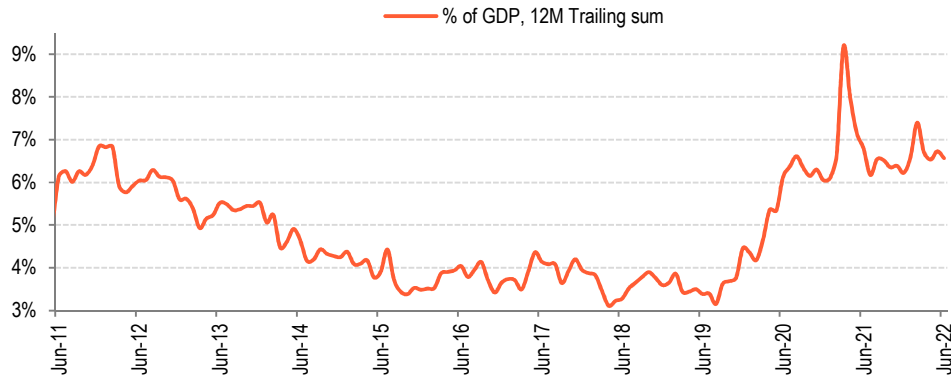


Fig 113 – Revenue deficit also inched down

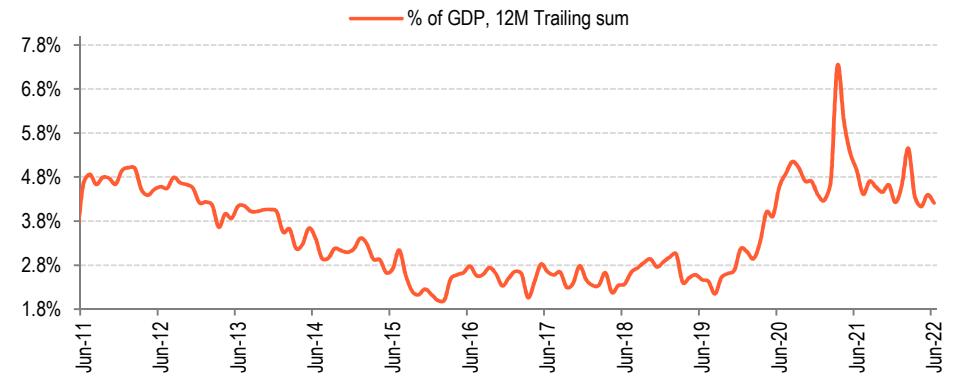


Fig 114 – ...similar trend was visible in primary deficit

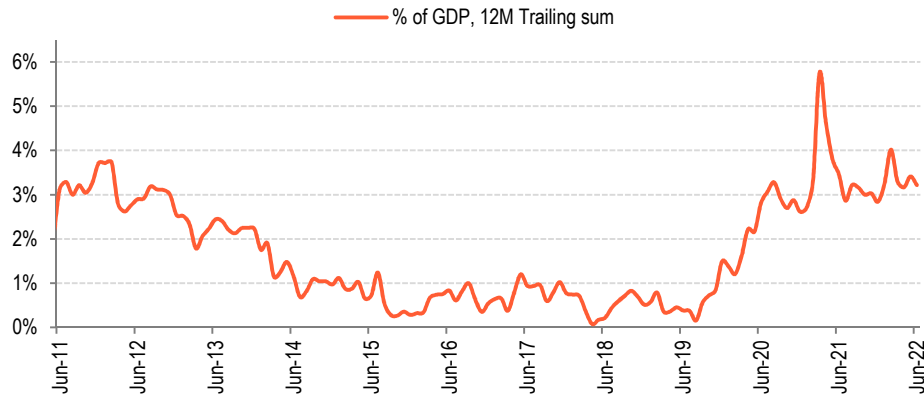


Fig 115 – Government spending slowed to 11.5% in Jun'22 (12MMA)

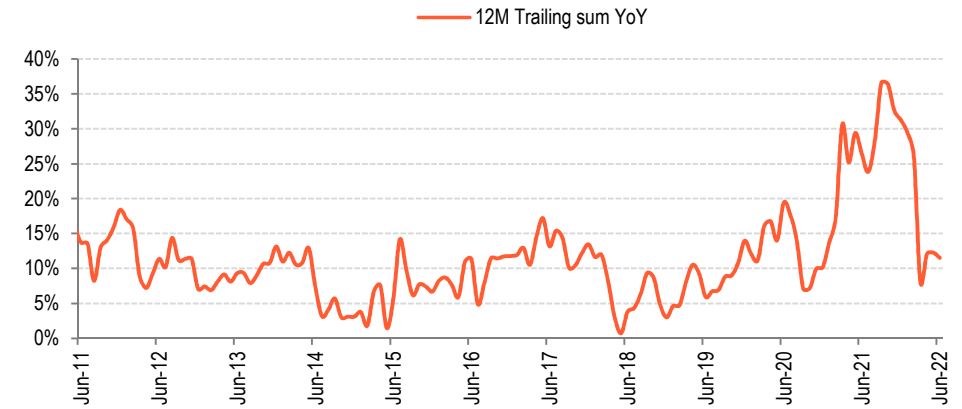


Fig 116 – ...led by revenue spending

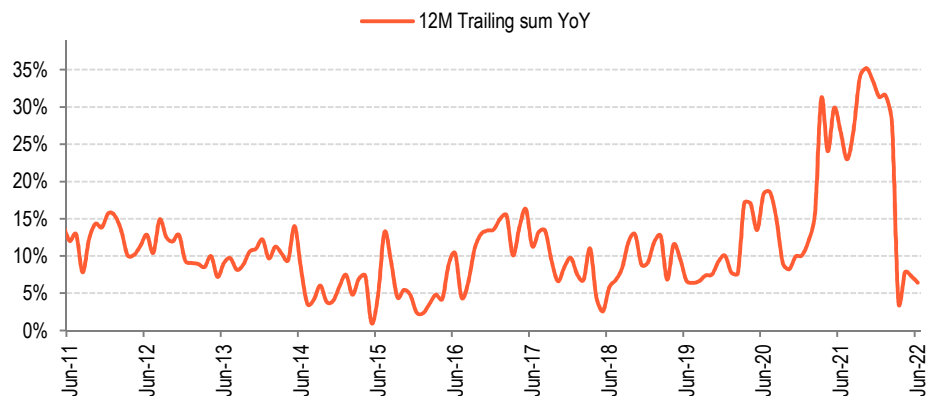


Fig 117 – Capex growth too moderated

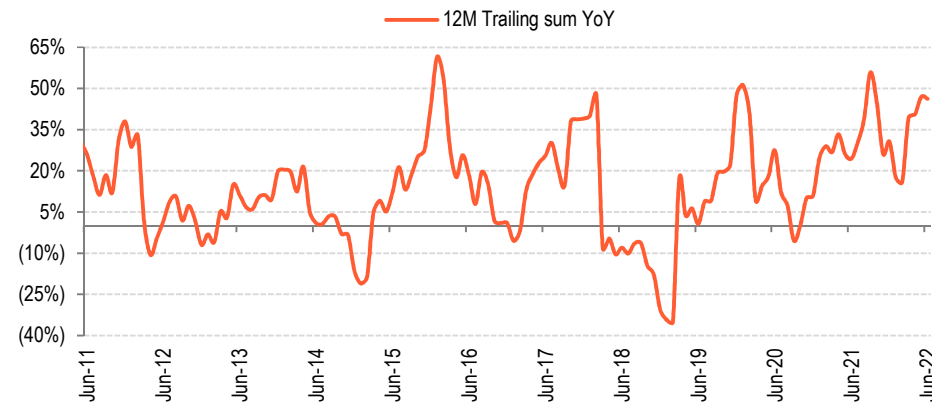


Fig 118 – In Q1FY23, ministries of petroleum, HRD, consumer affair cut back spending the most, while it was accelerated by ministries of road transport, chemicals and finance

Ministry	Apr-Jun'20	Apr-Jun'21	% change	Apr-Jun'22	% change
Ministry of Finance	2,925	2,926	0	3,798	29.8
Ministry of Defence	1,238	1,085	(12.3)	1,301	19.9
Ministry of Consumer Affairs, Food and Public Distribution	537	878	63.5	527	(39.9)
Ministry of Rural Development	876	432	(50.7)	343	(20.7)
Ministry of Home Affairs	356	428	20.3	502	17.3
Ministry of Human Resource Development	153	209	36.9	120	(42.5)
Ministry of Road Transport and Highways	192	499	159.9	864	73.0
Ministry of Chemicals and Fertilisers	256	169	(34.1)	254	50.6
Ministry of Petroleum and Natural Gas	155	24	(84.3)	0	(99.7)
Ministry of Agriculture	371	315	(15.2)	273	(13.2)
Ministry of Health and Family Welfare	215	187	(13.1)	148	(20.7)

Fig 119 – Receipt growth comes off a high base in Jun'22

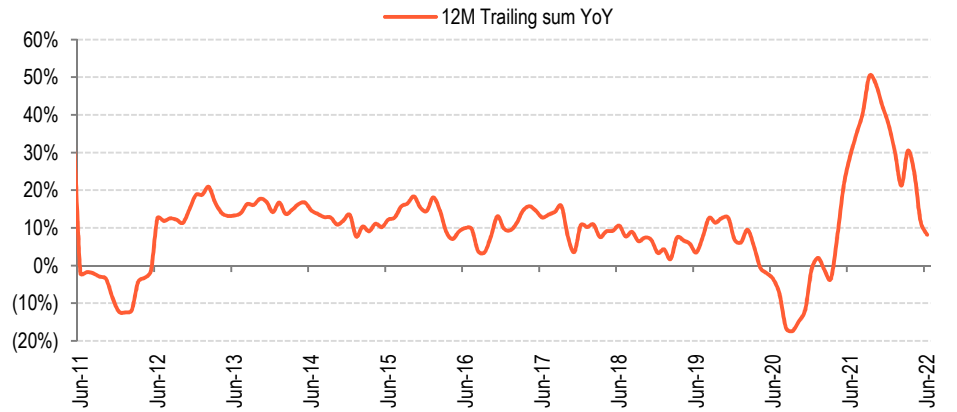


Fig 120 – ...dragged by revenue receipts

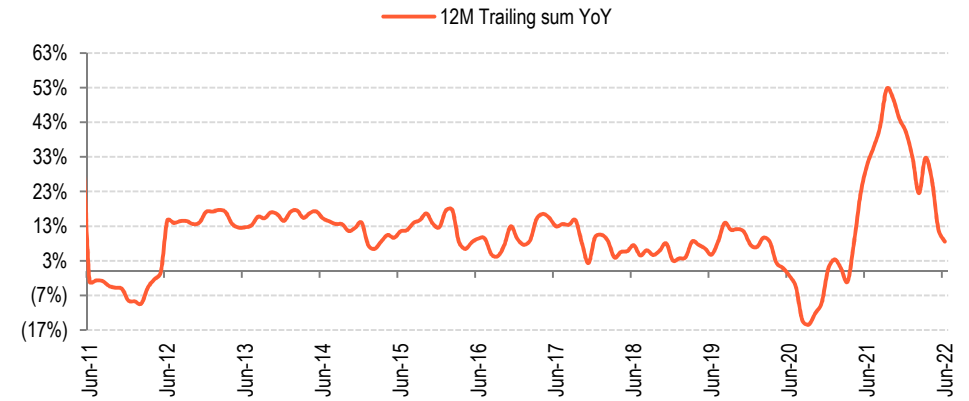


Fig 121 – Tax receipts see further moderation on 12MMA basis

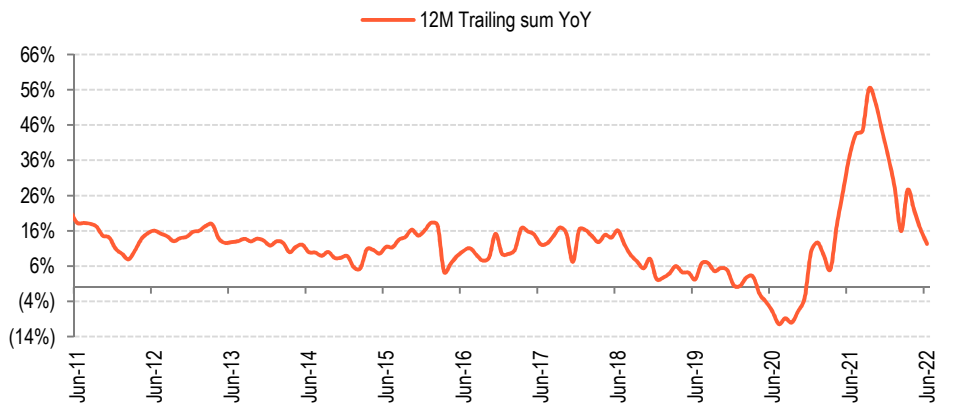


Fig 122 – Non-tax revenue growth was stable

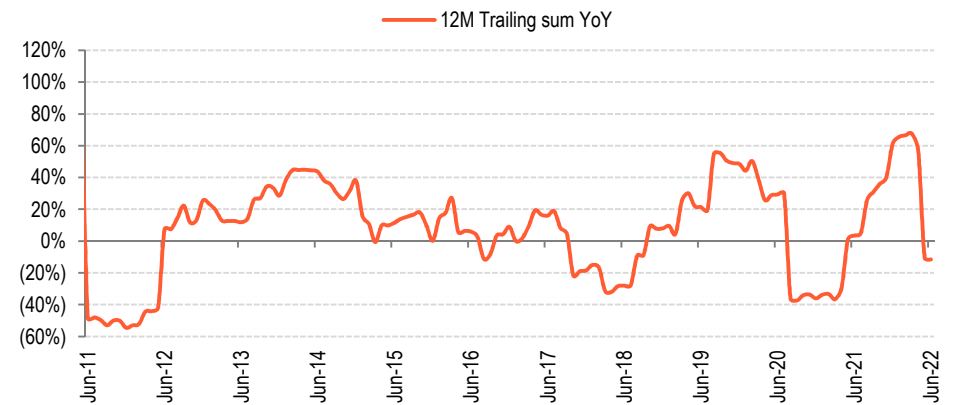


Fig 123 – Centre’s spending buoyant in Q1FY23; revenue collections also remained healthy

	Apr-Jun'20	Apr-Jun'21	% change	Apr-Jun'22	% change
Gross Tax revenue	2,697	5,316	97.1	6,505	22.4
Direct taxes	1,163	2,464	111.8	3,335	35.4
Corp Tax	542	1,237	128.2	1,608	30.0
Income Tax	621	1,227	97.5	1,727	40.7
Indirect taxes	1,534	2,852	86.0	3,170	11.1
Non-tax revenue	152	1,273	738.4	622	(51.2)
Centre's revenue (net)	1,500	5,400	260.0	5,681	5.2
Total expenditure	8,159	8,216	0.7	9,479	15.4
Capital exp	883	1,115	26.3	1,751	57.0
Revenue exp	7,277	7,101	(2.4)	7,728	8.8
Fiscal deficit	6,624	2,742	(58.6)	3,519	28.3

Fig 124 – Gross direct tax collections dropped in Jun'22 (12MMA basis)

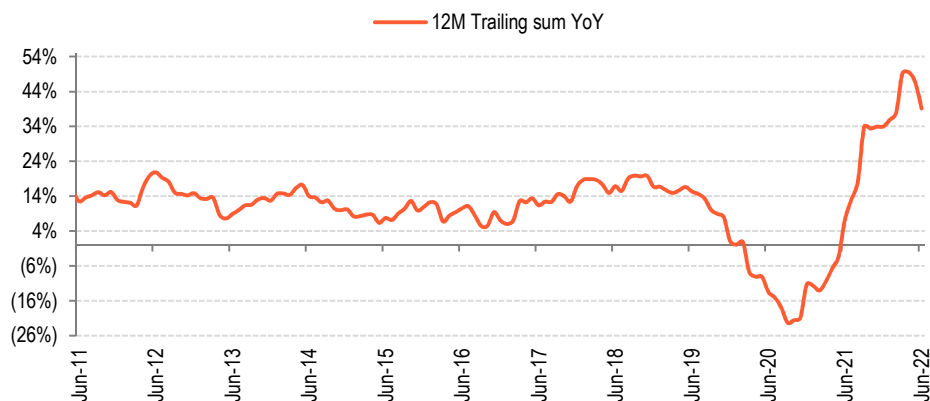


Fig 125 – Gross indirect tax collections register slight pick up

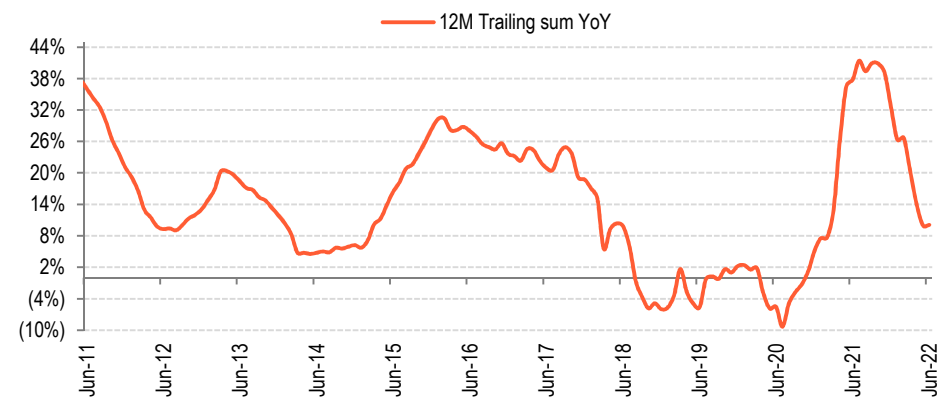


Fig 126 – Both, corporate tax collections...

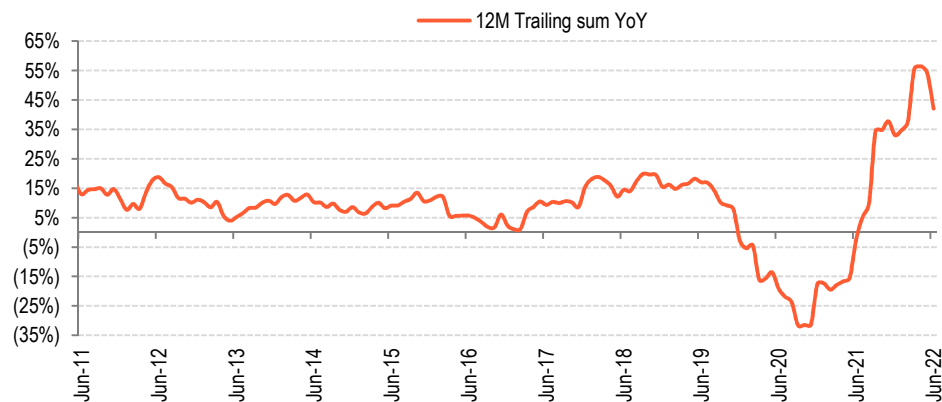


Fig 127 – ...and income tax collections eased further in Jun'22

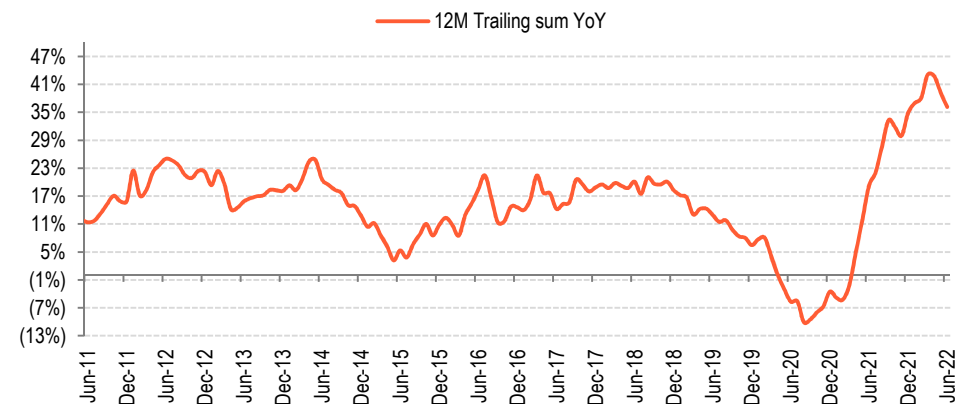


Fig 128 – GST collections for Jun'22 soar to highest in current financial year

(Rs bn)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Monthly run rate (FY23)	FYTD23	FY23 (BE)
CGST	337	479	533	474	485	492	462	697	482	633	641	499	654	598	1,794	6,600
UT GST	1.7	2.5	2.9	2.2	1.4	1.2	2.5	4.3	1.6	12.3	1.6	2.4	2.6	2	7	-
IGST	64	(37)	(162)	(6)	90	72	146	(279)	79	(145)	113	47	(164)	(1)	(3)	-
SGST*	696	601	711	747	656	637	681	814	758	1,084	549	796	890	745	2,234	-
Cess	66	75	85	85	82	94	91	95	101	91	104	102	107	105	314	1,200
Total GST	1,164	1,120	1,170	1,301	1,315	1,298	1,384	1,330	1,421	1,675	1,409	1,446	1,490	1,448	4,345	-

Source: PIB | *Computed from PIB and CGA data

Fig 129 – Rising central government debt a key concern

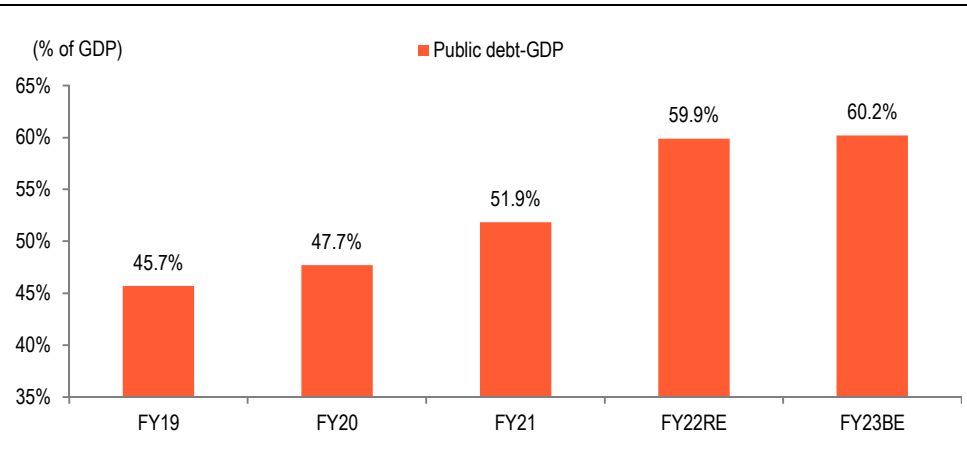
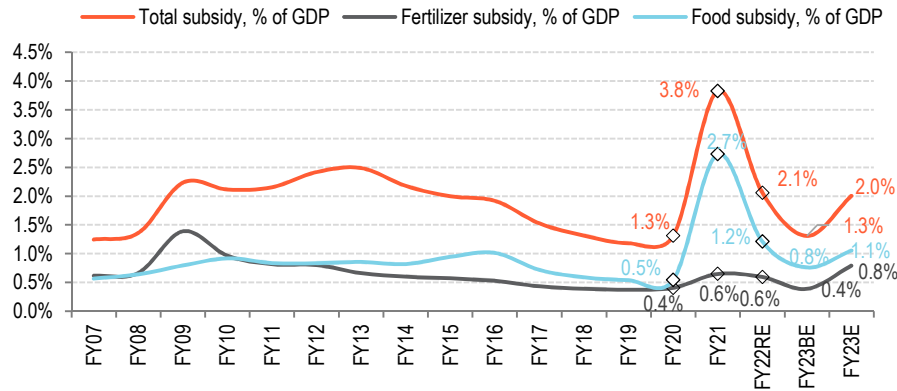
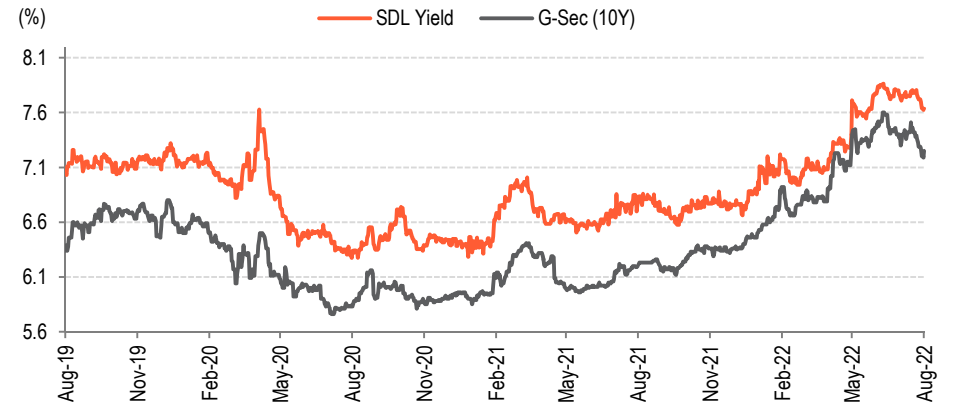


Fig 131 – Subsidy burden to inch up in FY23E



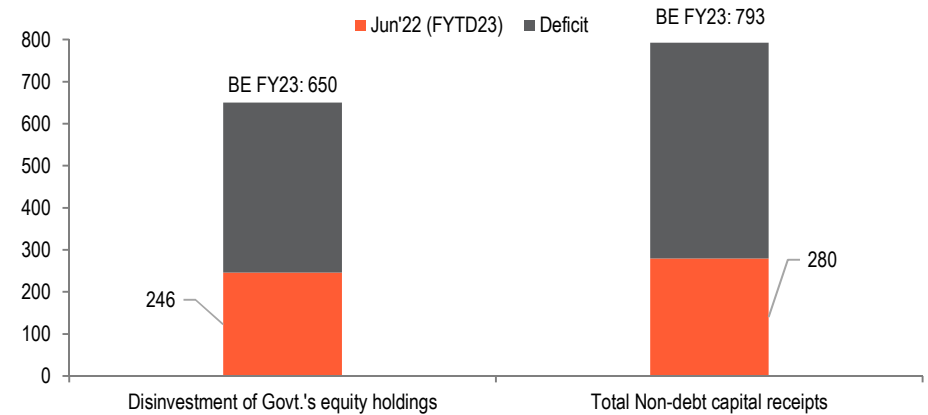
RE-Revised Estimates; BE-Budget Estimates; E-Bank of Baroda estimates

Fig 130 – Spread between 10Y G-sec and SDL yield widened in Jul'22, but has begun narrowing in Aug'22 so far



Source: CCIL

Fig 132 – Central govt. FY23 disinvestment status



Central government borrowing

Fig 133 – Centre’s T-bill issuances in Q1FY23 has been at Rs 5.2tn

Total accepted amount (G-Sec), (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY23 (planned)
Q1	2,797	2,888	3,089	3,364	5,328	5,375	5,247	4,320
Q2	2,584	3,186	3,299	3,024	5,417	3,215	1,442*	2,730
Q3	2,747	2,632	3,070	2,889	3,745	3,630		-
Q4	1,684	2,486	1,812	2,511	2,714	4,766		-
Total	9,811	11,192	11,271	11,788	17,204	16,986		-

Source: RBI *Till 03 Aug 2022

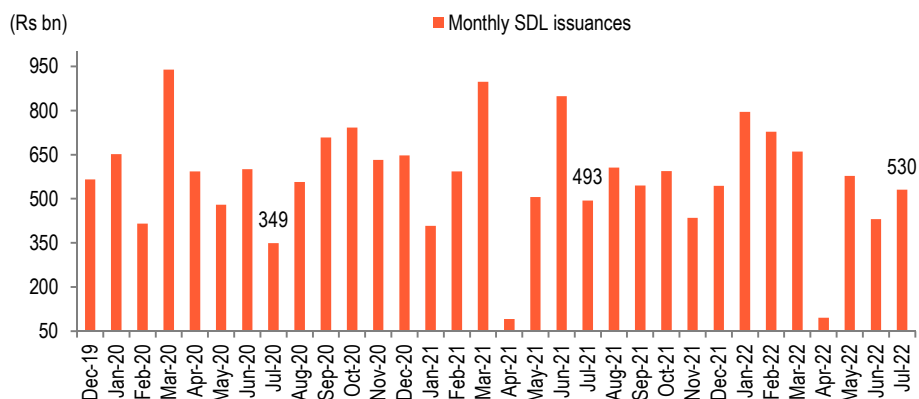
Fig 134 – Centre’s gross borrowing in Q1Y23 is at Rs 3.6tn

Total accepted amount (G-Sec), (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY23 (planned)
Q1	1,500	1,680	1,320	2,040	3,140	3,064	3,570	3,900
Q2	1,910	1,890	1,440	2,210	4,220	3,649	1,933*	4,550
Q3	1,610	1,640	1,270	1,930	2,910	3,190		-
Q4	800	670	1,680	920	3,191	1,370		-
Total	5,820	5,880	5,710	7,100	13,461^	11,273		-

Source: RBI^ Against budgeted Rs 12.8tn *Till 5 Aug 2022

State government borrowing

Fig 135 – State government borrowings gathered pace in Jul’22



Source: RBI

Fig 136 – States’ Q2 market borrowings in FY23 already at 41% of the planned amount

Quarterly SDL issuances, (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FYTD23 (actual)	FY23 (planned)
Q1	548	650	766	815	1,673	1,446	1,102	1,904
Q2	792	1,130	809	1,439	1,614	1,644	877*	2,116
Q3	1,214	1,054	1,277	1,470	2,023	1,653		
Q4	1,322	1,348	1,809	2,006	1,898	2,184		
Total	3,876	4,182	4,661	5,731	7,206	6,927		

Source: RBI; *as of 8 Aug 2022

External sector

Exports

Fig 137 – India’s exports moderating in line with global exports

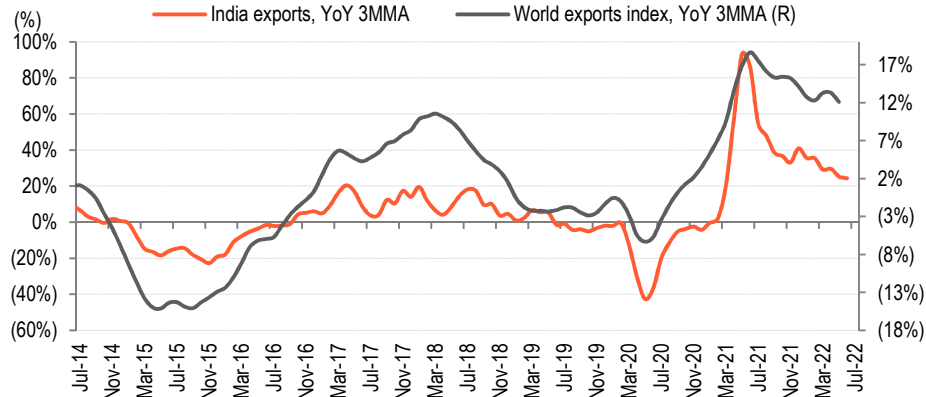
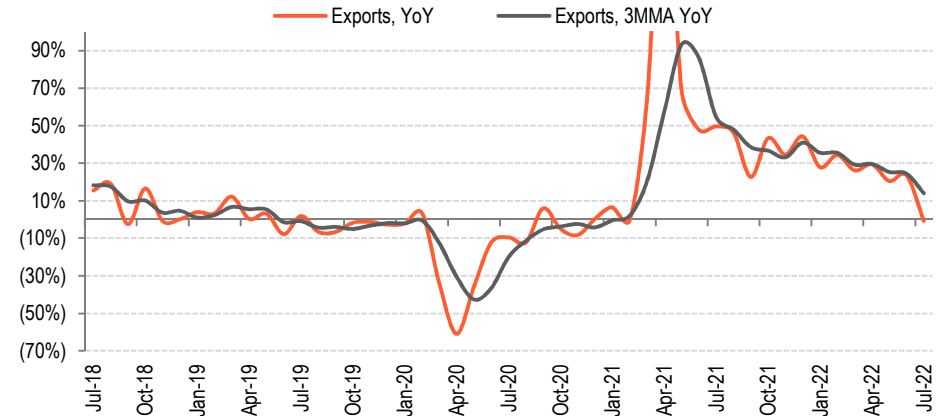


Fig 138 – India’s export growth declined by 0.8% in Jul’22-first decline in 18 months



Exports by major sectors

Fig 139 – Oil exports contracted sharply by 7.1% in Jul’22 as government imposed windfall tax on oil exports

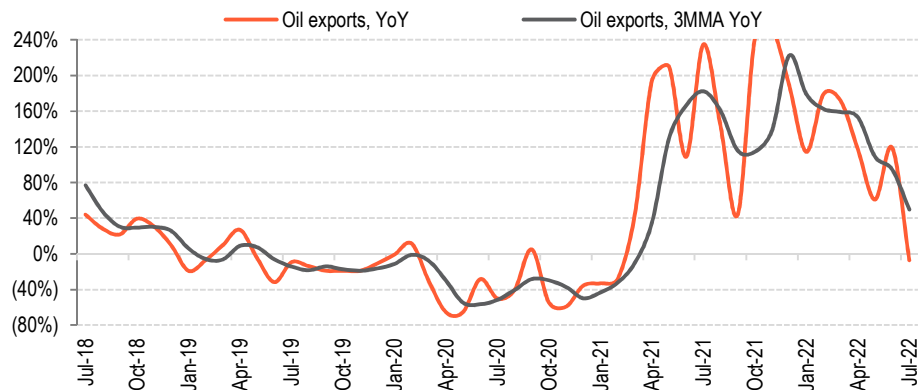


Fig 140 – Exports of engineering goods also contracted by 2.5% in Jul’22

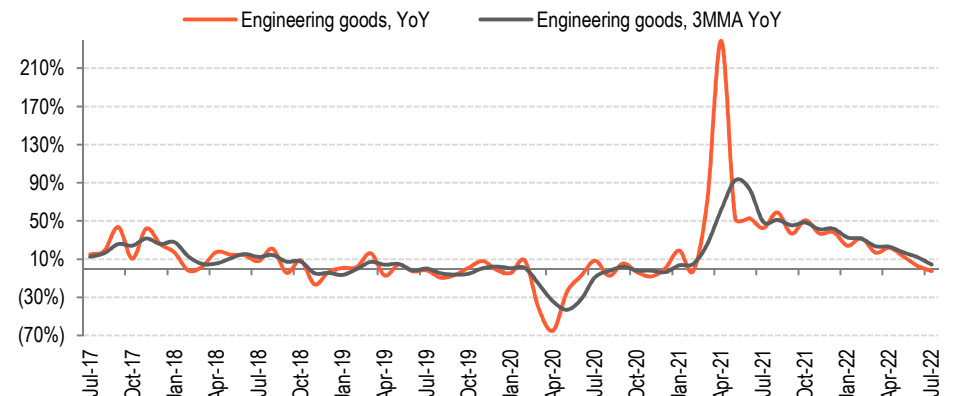


Fig 141 – Gems and jewellery exports contracted by 5.2% in Jul'22

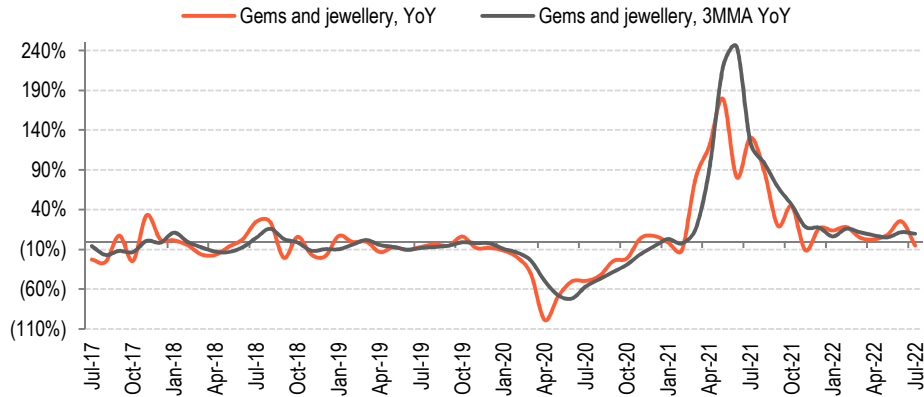
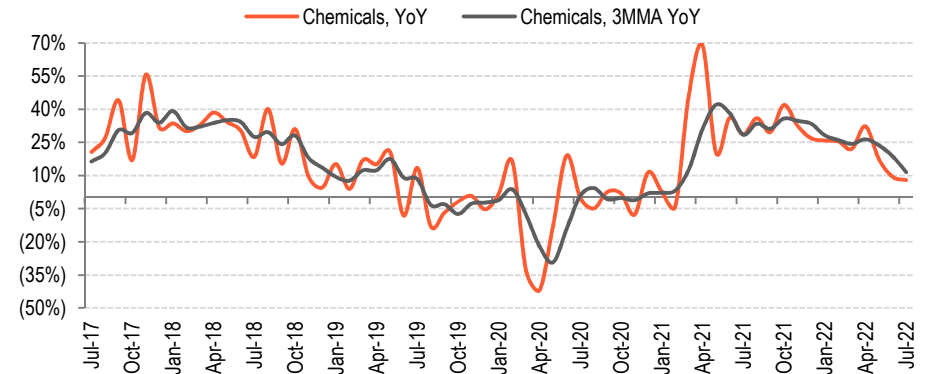


Fig 142 – However, exports of chemicals increased by 7.9% in Jul'22



Imports

Fig 143 – Imports remained sticky at US\$ 66.3bn, increasing by 43.6% in Jul'22

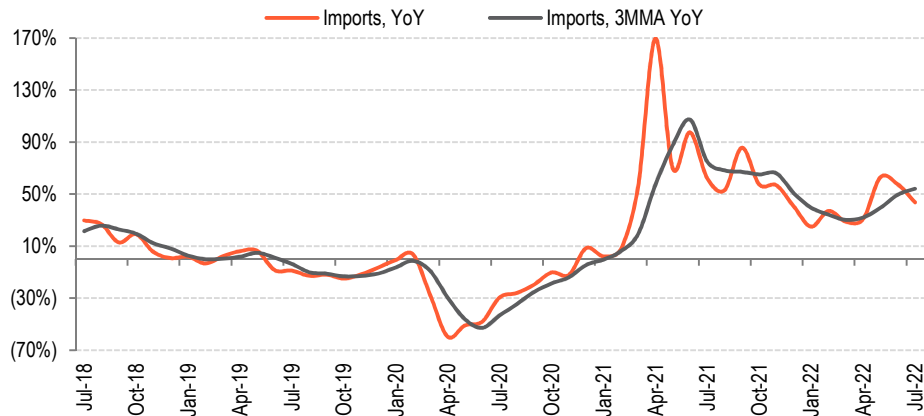


Fig 144 – Oil imports continue to remain elevated

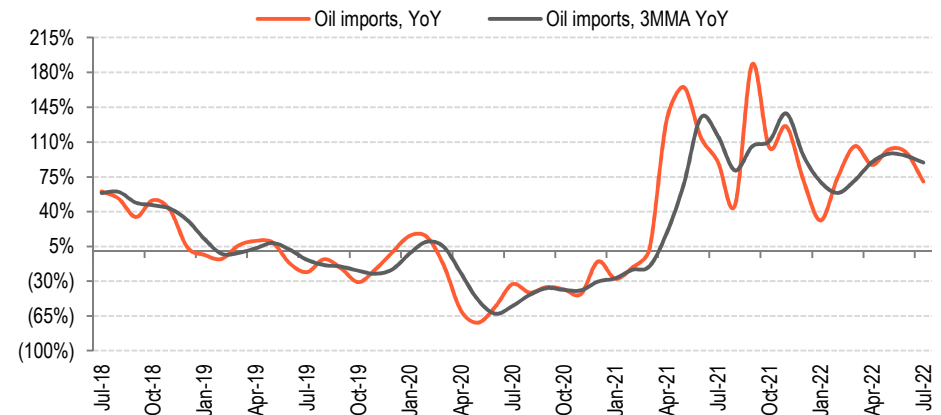


Fig 145 – Coal imports also continue to remain elevated

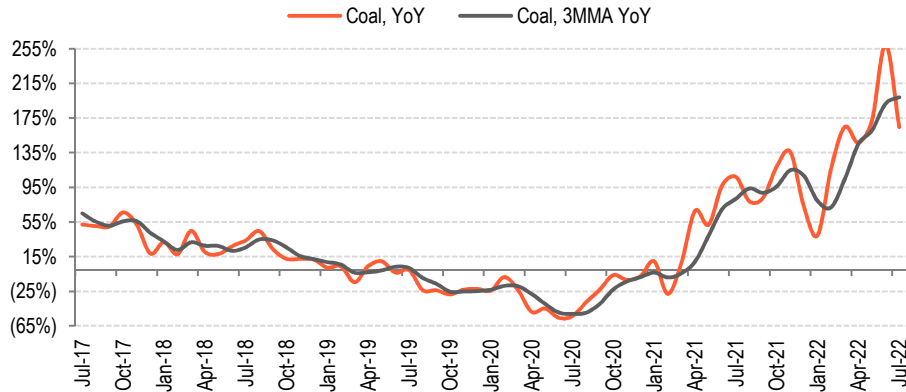


Fig 146 – Import of vegetable oils also shows an uptick on a YoY basis

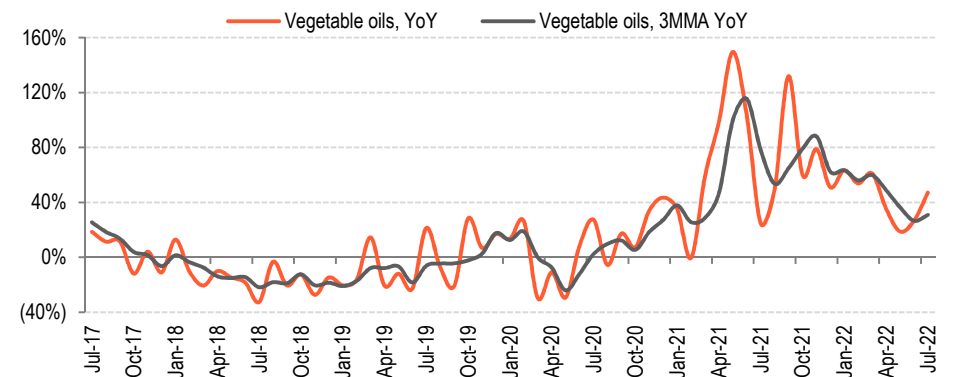


Fig 147 – Improvement in imports of machinery

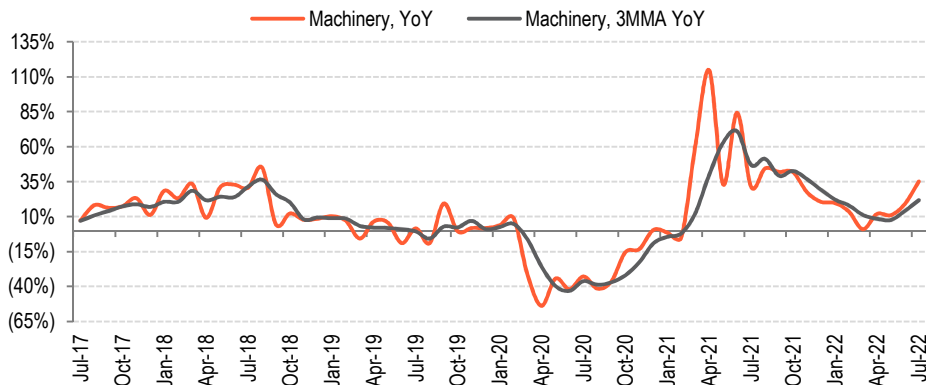
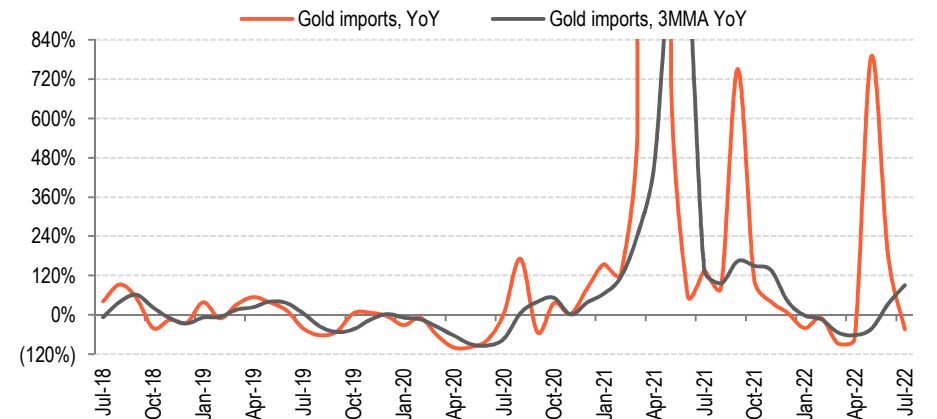


Fig 148 – .. However gold imports moderated in Jul'22 amidst a hike in import duty on gold



Exports and imports by major regions

Fig 149 – Exports to China have declined sharply in FYTD23

Region (% YoY)	Share in FY22	FYTD22	FYTD23	Apr-22	May-22	Jun-22
Americas	23.8	105.5	32.6	32.5	31.6	33.7
Asia and Pacific (Ex. China)	27.2	84.1	13.6	15.4	2.1	24.2
China	5.1	21.9	(31.1)	(36.4)	(25.2)	(31.4)
Europe	20.6	98.8	42.2	56.1	39.5	32.4
Middle East and Africa	22.8	95.6	42.7	46.0	32.7	49.4
Other	0.6	(15.1)	228.3	216.5	205.2	260.3

Fig 150 – Imports from all regions have moderated in FYTD23

Region (% YoY)	Share in FY22	FYTD22	FYTD23	Apr-22	May-22	Jun-22
Americas	11.8	80.9	37.8	34.7	47.2	32.6
Asia and Pacific (Ex. China)	24.2	91.4	50.2	32.1	54.1	66.8
China	15.4	87.3	17.4	20.7	5.4	26.4
Europe	13.9	119.7	13.9	(33.3)	72.0	31.0
Middle East and Africa	32.3	153.0	75.9	61.3	100.1	71.1
Other	2.3	62.6	236.1	192.6	179.9	331.5

Trade deficit

Fig 151 – Trade deficit widened to a fresh record-high of US\$ 31bn in Jul’22 from US\$ 26.2bn in Jun’22

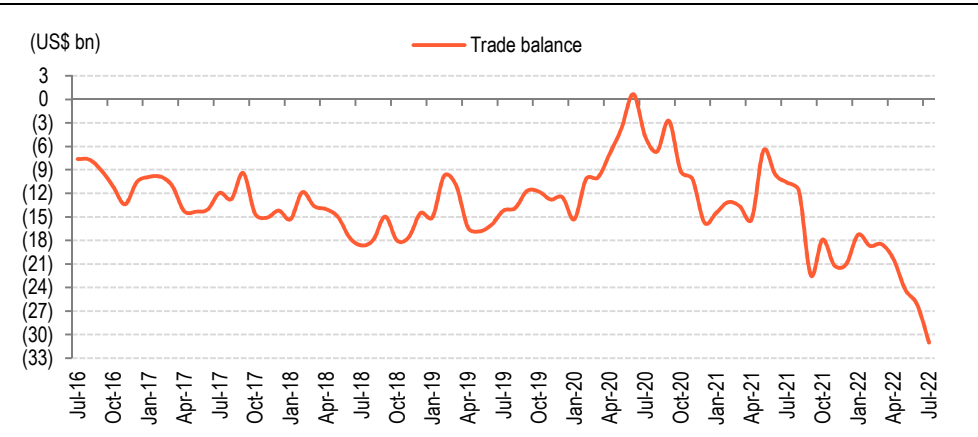
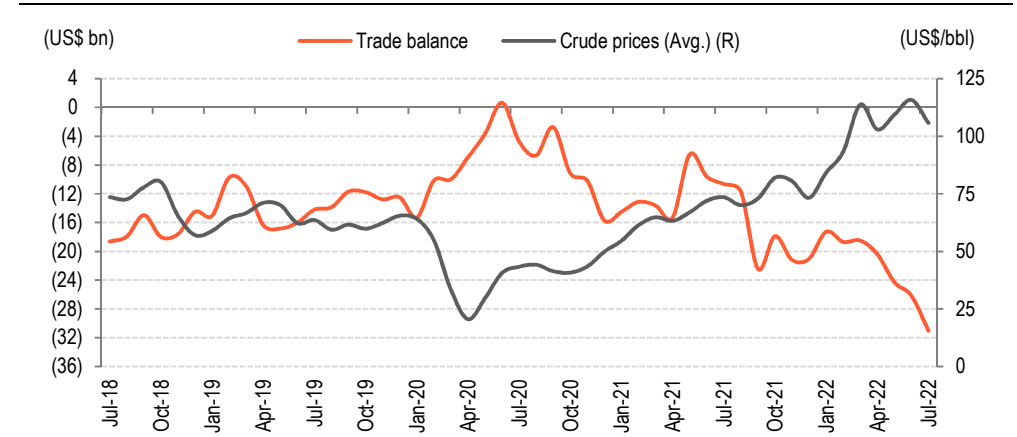
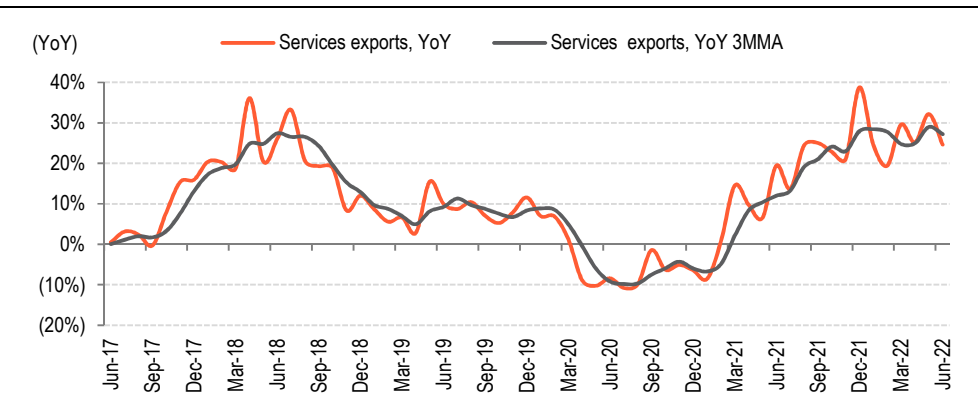


Fig 152 – .. as oil prices remain elevated



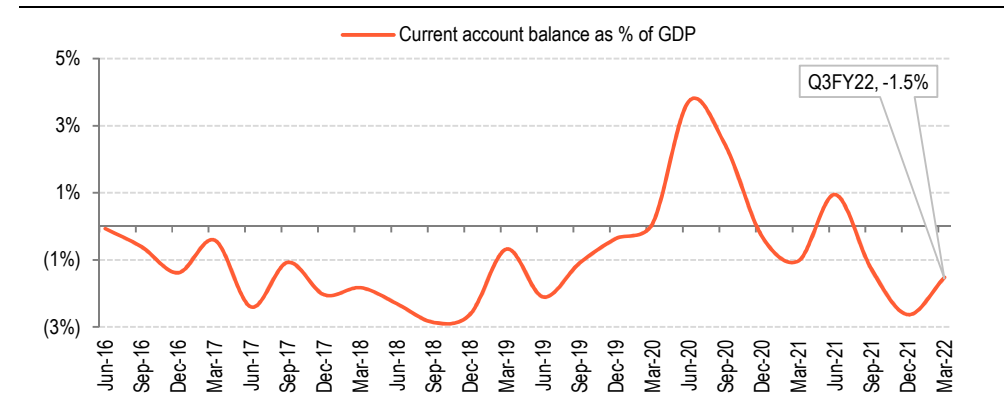
Trade in services

Fig 153 – Services exports rise by 27.3% in Q1FY23 versus 24.5% in Q4FY22



BoP

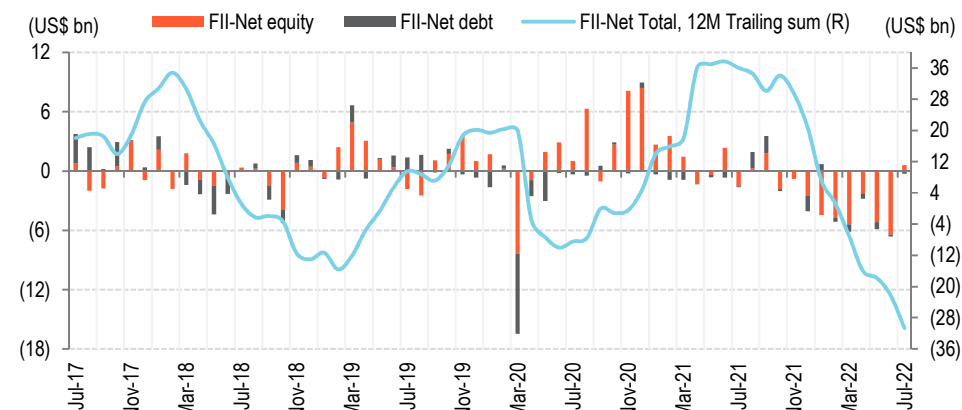
Fig 154 – India’s current account deficit narrowed to 1.5% of GDP in Q4FY22 from 2.7% of GDP in Q3FY22



Foreign inflows

FII inflows

Fig 155 – FII flows turn positive for the first time in 10-months



Source: Bloomberg

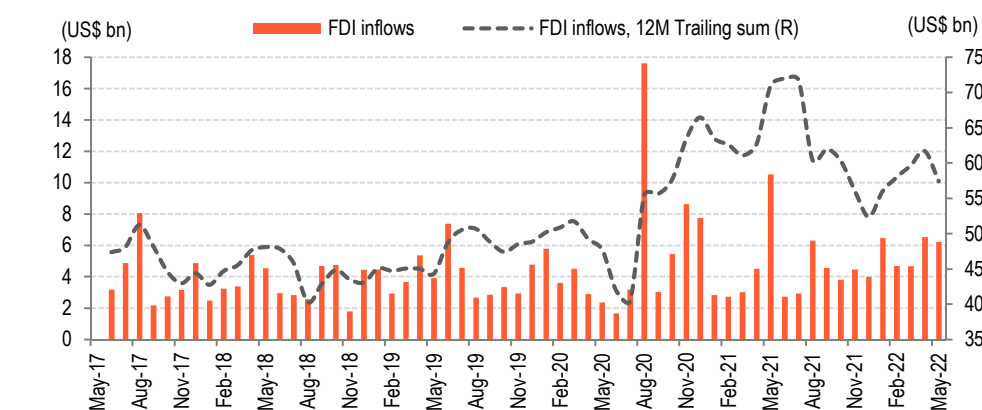
Fig 157 – FDI inflows in services and auto sector rise in FY22

Sector	% Share FY22	FY18	FY19	FY20	FY21	FY22
Computer software and hardware	43.8	6.2	6.4	7.7	26.1	14.5
Construction (Infrastructure) activities	13.2	2.7	2.3	2.0	7.9	3.2
Services Sector	8.5	6.7	9.2	7.9	5.1	7.1
Trading	4.4	4.3	4.5	4.6	2.6	4.5
Automobile industry	2.7	2.1	2.6	2.8	1.6	7.0
Metallurgical industries	2.2	0.4	0.6	2.1	1.3	2.3
Telecommunications	0.7	6.2	2.7	4.4	0.4	0.7

Source: DIPP

FDI inflows

Fig 156 – FDI equity inflows at US\$ 6.2bn in May'22 compared with US\$ 6.5bn in Apr'22



Source: RBI, Bank of Baroda Research

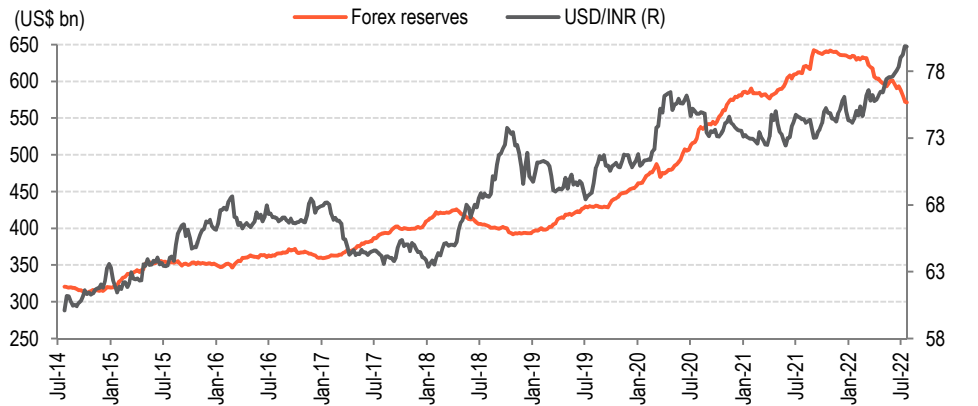
Fig 158 – FDI inflows from Mauritius accelerate the most in FY22

Country (US\$ bn)	% Share in FY22	FY18	FY19	FY20	FY21	FY22
Singapore	27.0	12.2	16.2	14.7	17.4	15.9
US	17.9	2.1	3.1	4.2	13.8	10.5
Mauritius	16.0	15.9	8.1	8.2	5.6	9.4
Netherlands	7.9	2.8	3.9	6.5	2.8	4.6
UK	2.8	0.8	1.4	1.4	2.0	1.6
Japan	2.5	1.6	3.0	3.2	1.9	1.5

Source: DIPP

Forex reserves and external debt

Fig 159 – India’s FX reserves fell to a 20-month low of US\$ 571.6bn, down US\$ 46.1bn in FYTD23



Source: Bloomberg | Weekly data as of 22 Jul 2022

Fig 160 – India’s import cover falls to 10.5 months

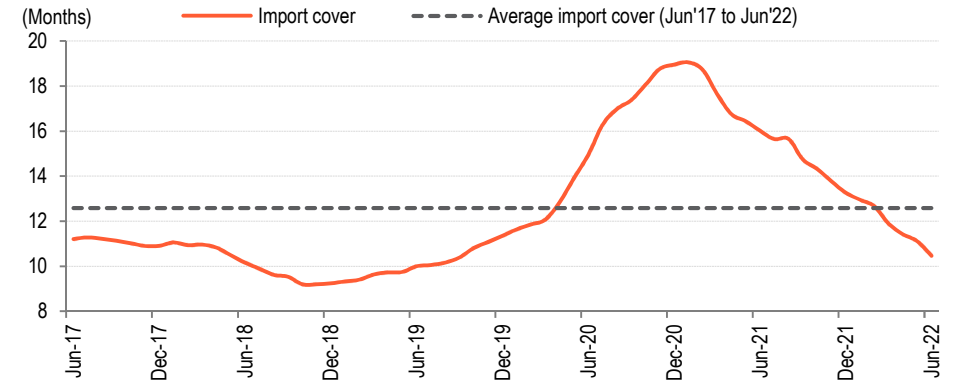


Fig 161 – RBI’s bought US\$ 2bn in the spot market in May’22

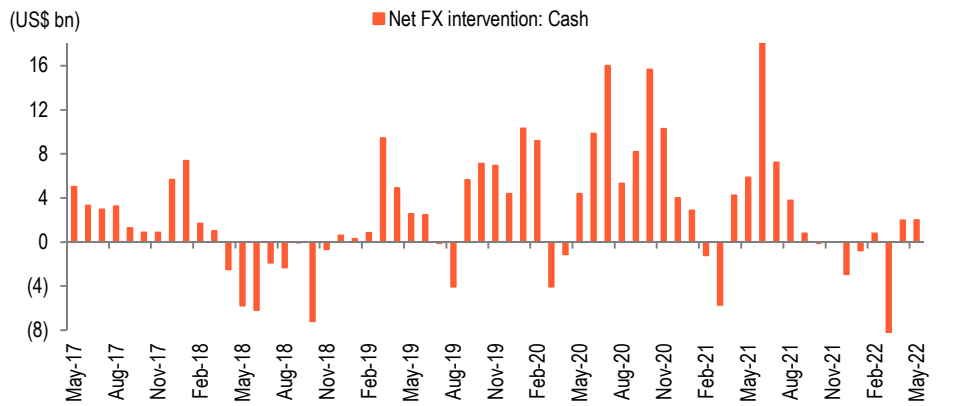
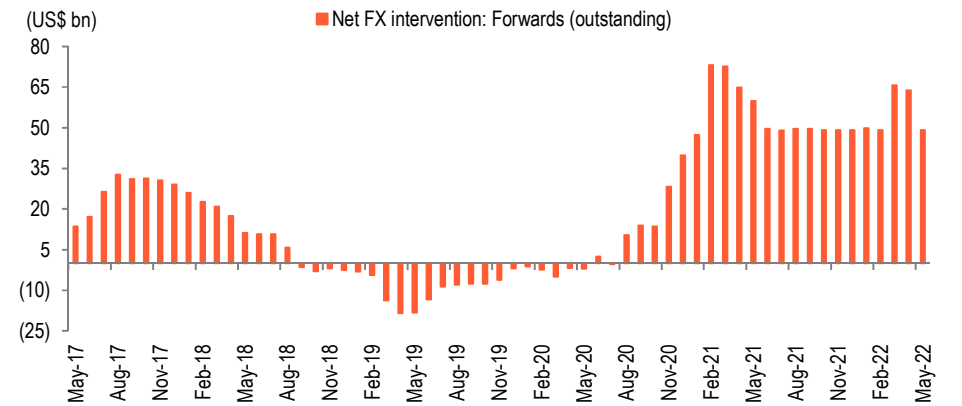


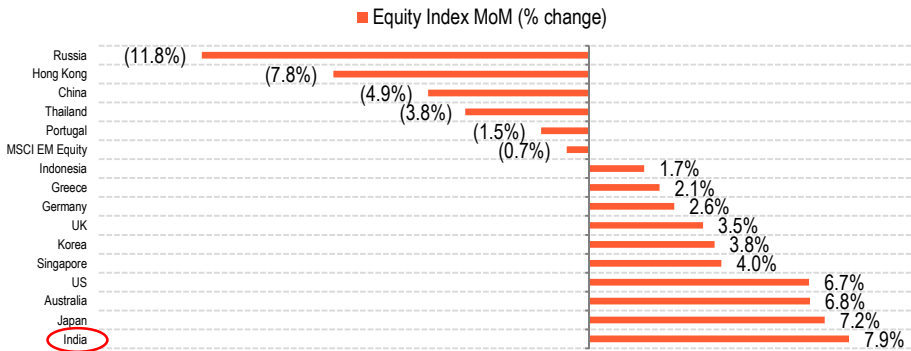
Fig 162 – RBI’s outstanding forwards position at US\$ 49.2bn as of end May’22



Markets

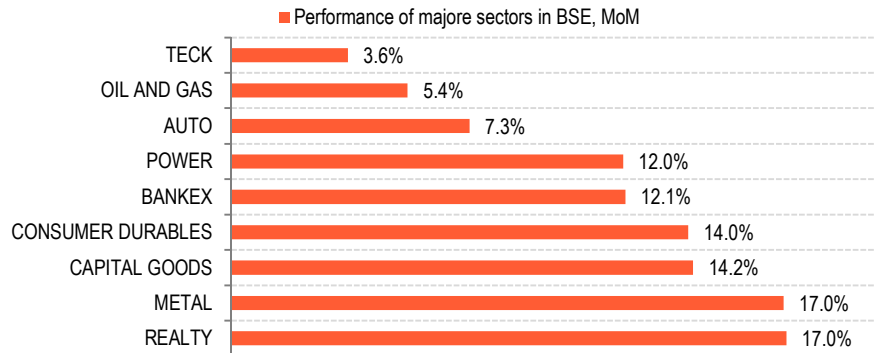
Equity

Fig 163 – In Jul'22, Sensex outperformed and rose by 7.9%, MSCI EM fell by 0.7%



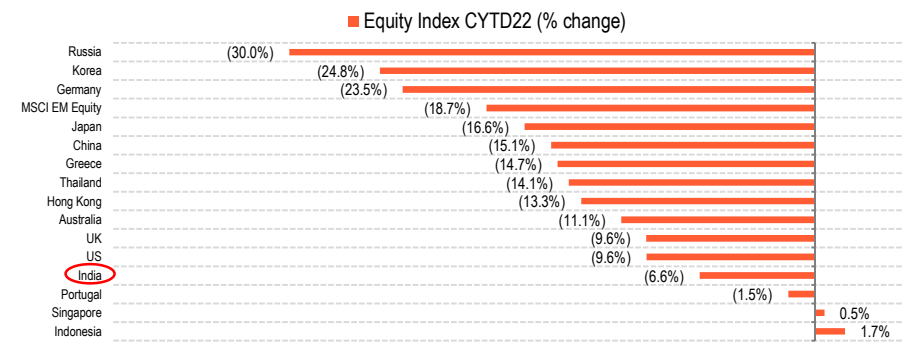
Source: Bloomberg | * As on 29 Jul 2022, Indices are in US\$ terms

Fig 165 – Real estate and metal stocks rose the most



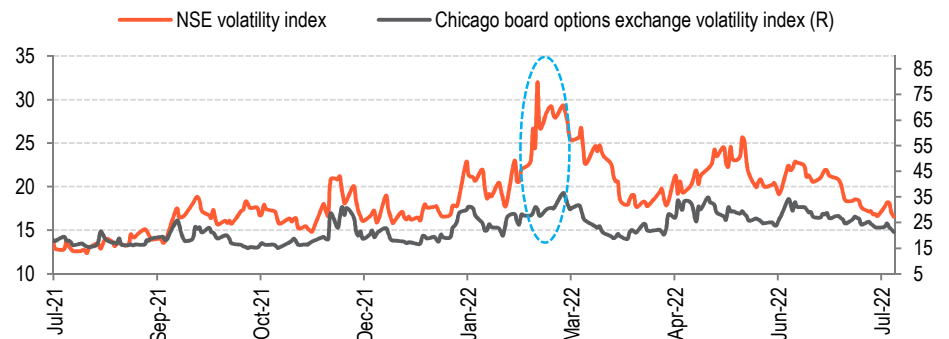
Source: Bloomberg | As on 29 Jul 2022

Fig 164 – However, in CYTD22, Sensex fell by 6.6%



Source: Bloomberg | * As on 29 Jul 2022, Indices are in US\$ terms

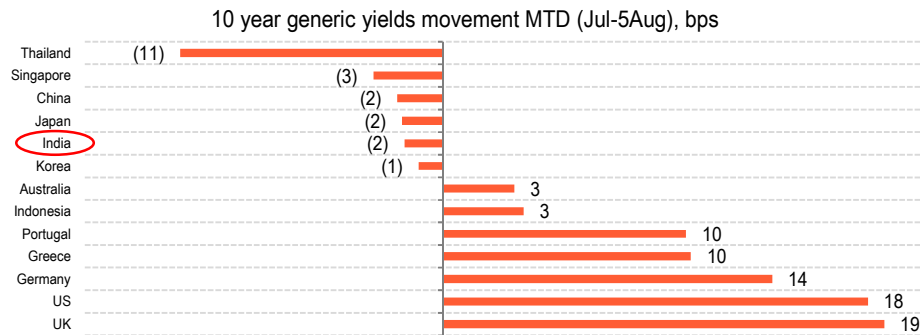
Fig 166 – VIX index fell to 16.55 in Jul'22 from 21.84 in Jun'22



Source: Bloomberg

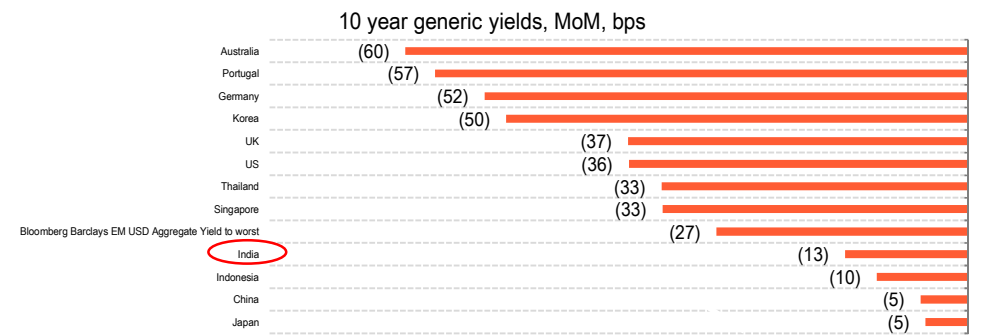
10-year bond yields

Fig 167 – On MTD basis, India’s 10Y yield fell by 2bps



Source: Bloomberg | As on 5 Aug 2022

Fig 168 – In Jul’22, India’s 10Y yield fell by 13bps



Source: Bloomberg | As on 29 Jul 2022

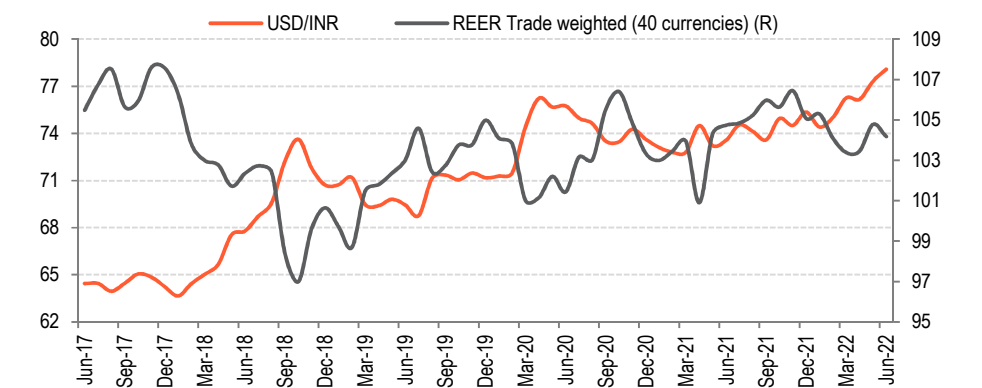
Currencies

Fig 169 – INR depreciated to a record low of 79.99/\$ in Jul’22



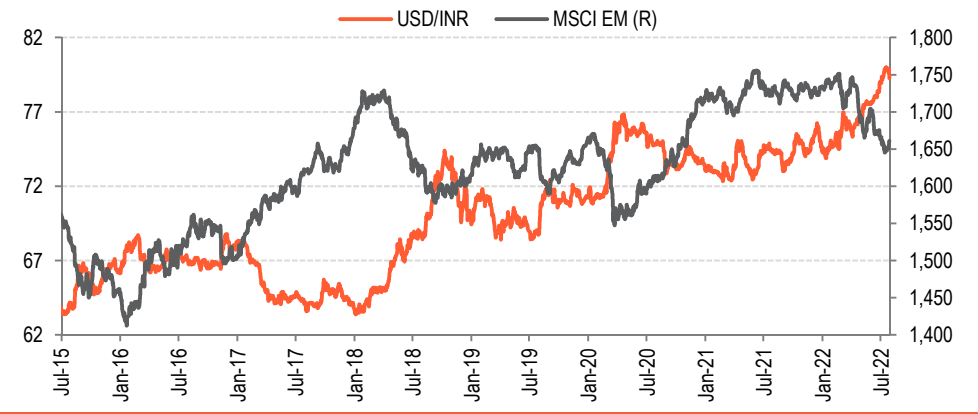
Source: Bloomberg | *As on 30 Jun 2022

Fig 170 – INR still overvalued by 4.2% (Jun’22)



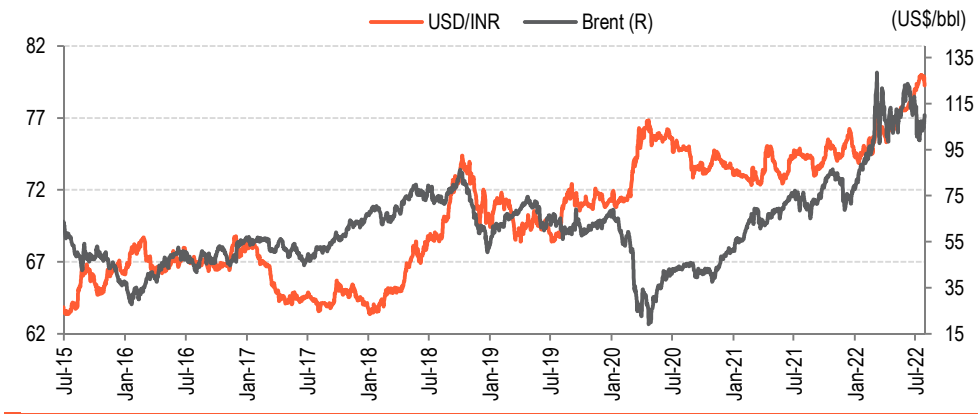
Source: Bloomberg

Fig 171 – Other EM currencies appreciated



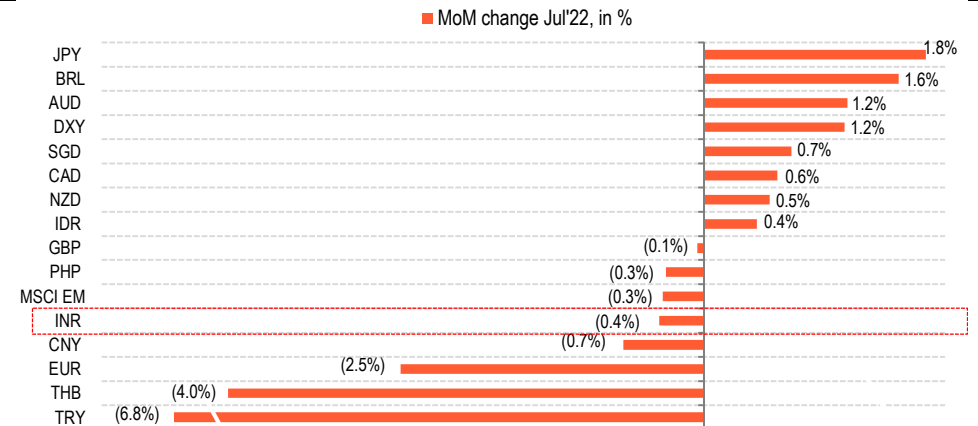
Source: Bloomberg | *As on 29 Jul 2022

Fig 172 – .. as oil prices eased



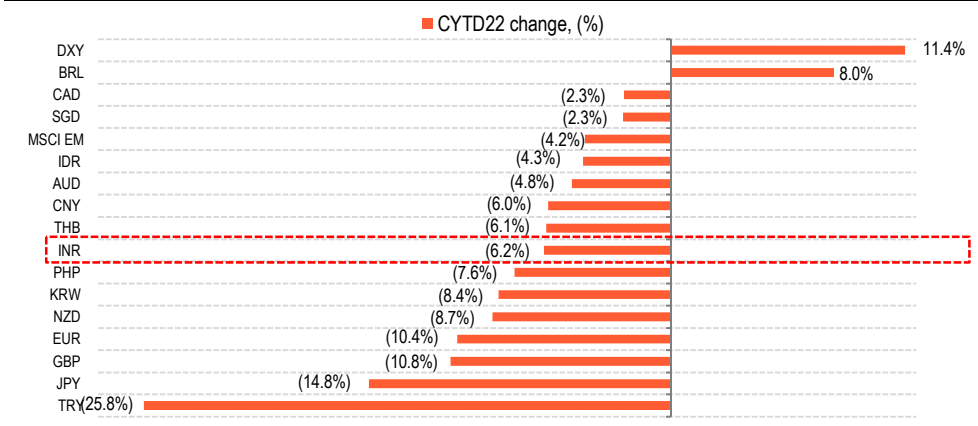
Source: Bloomberg | *As on 29 Jul 2022

Fig 173 – INR depreciated by 0.4% in Jul'22



Source: Bloomberg | *As on 30 Jun 2022

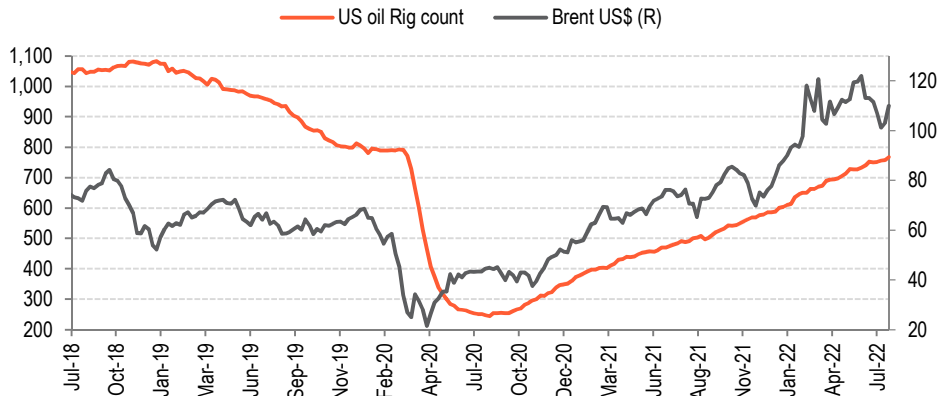
Fig 174 – In CYTD22, INR has depreciated by 6.2%



Source: Bloomberg | *As on 5 Aug 2022

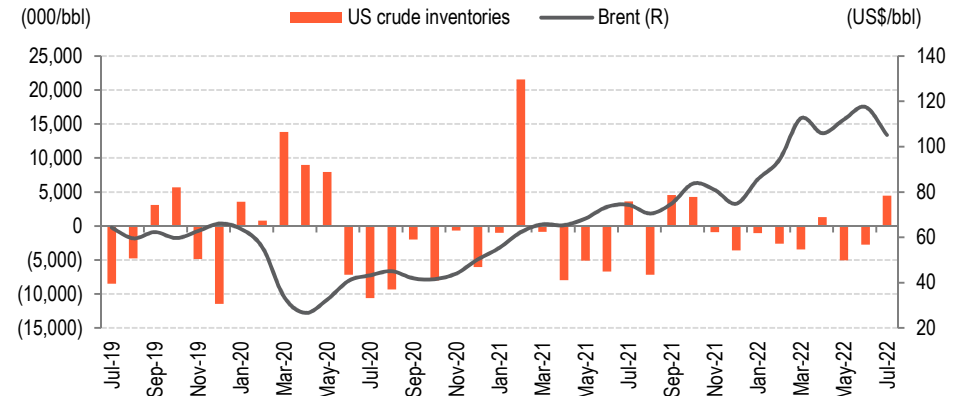
Commodities

Fig 175 – US rig count rose in Jul but fell in Aug'22



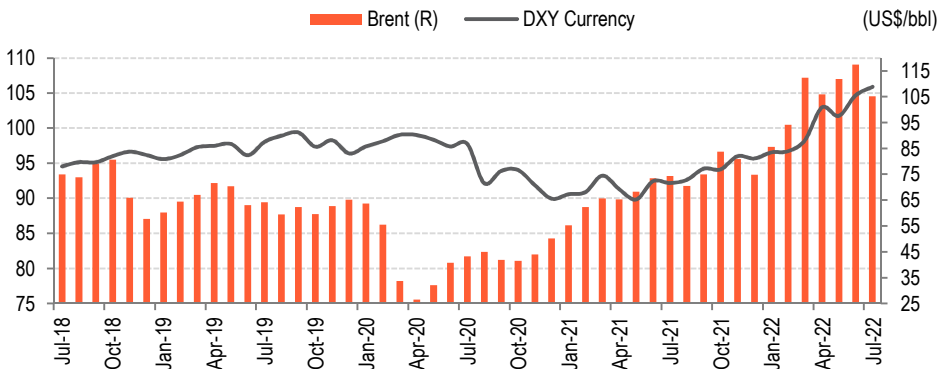
Source: Bloomberg

Fig 176 – US crude oil inventory rose in Jul'22



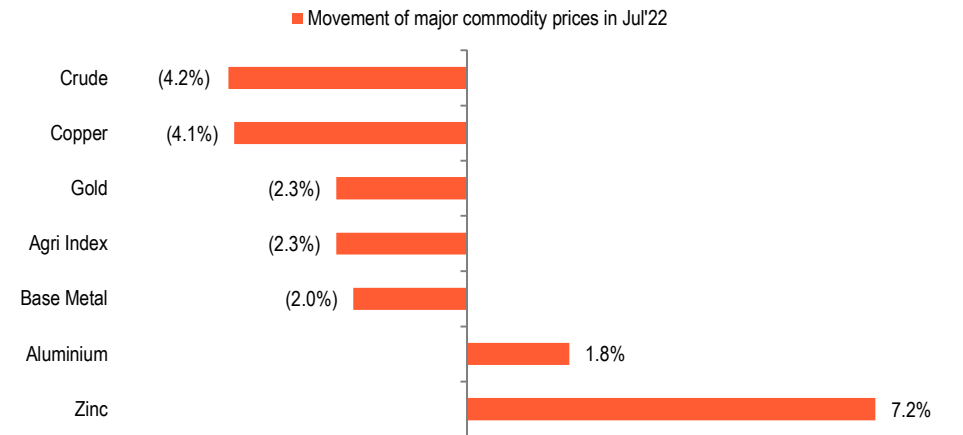
Source: Bloomberg

Fig 177 – Oil prices on an average fell to US\$ 105/bbl from US\$ 118/bbl in Jun'22, DXY rose to 105.90 from 104.69



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

Fig 178 – Except Zinc and Aluminium, prices seen falling for major items



Source: Bloomberg | As on last trading day of the month

Fig 179 – Performance of high frequency indicators

Indicators	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Agriculture													
Tractor sales	8.2	(9.8)	(9.5)	3.2	(16.7)	(22.5)	(27.8)	(26.4)	(11.6)	38.1	47.7	(10.9)	
Two wheeler sales	27.6	6.7	(11.5)	(6.1)	(0.8)	(19.9)	(13.4)	(10.7)	(4.0)	38.1	197.7	20.2	(10.9)
MNREGA work (HH, MoM)	(9.2)	(22.0)	(2.6)	(14.4)	2.2	13.5	(2.8)	1.8	1.1	(3.3)	32.2	3.3	(36.90)
Manufacturing													
IIP: General index	11.5	13.0	4.4	4.2	1.0	1.0	2.0	1.5	2.2	6.7	19.6	-	-
IIP: Manufacturing	10.5	11.1	4.3	3.3	0.3	0.6	1.9	0.5	1.4	5.8	20.6	-	-
IIP: Capital goods	30.3	20.0	3.3	(1.6)	(2.6)	(3.0)	1.8	1.3	2.0	13.3	54.0	-	-
IIP: Infra & construction goods	12.3	13.5	9.3	6.6	3.1	2.0	5.9	8.6	6.7	4.0	18.2	-	-
IIP: Consumer goods	19.4	11.1	1.6	(3.2)	(5.7)	(1.9)	(4.4)	(9.7)	(2.6)	7.4	58.5	-	-
Steel	9.4	6.9	7.1	5.9	0.9	(0.6)	3.8	5.6	4.1	2.2	14.6	3.3	-
Cement	21.7	36.3	11.3	14.6	(3.6)	14.2	14.1	4.2	9.0	7.4	26.2	19.4	-
Electricity	11.0	16.0	0.9	3.2	2.1	2.9	0.9	4.5	6.1	11.8	23.5	15.5	-
PMI: Manufacturing	55.3	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4
Services													
Services PMI index	45.4	56.7	55.2	58.4	58.1	55.5	51.5	51.8	53.6	57.9	58.9	59.2	55.5
Automobile sales	34.1	14.5	(5.3)	(5.3)	(2.7)	(16.1)	(10.7)	(9.2)	(2.9)	37.3	206.8	27.2	(7.8)
Passenger vehicle sales	62.9	38.7	16.3	(11.4)	(19.4)	(10.9)	(10.1)	(7.8)	(4.9)	26.6	204.3	40.2	(4.7)
Vehicle registration	34.0	14.6	(5.3)	(5.3)	(2.7)	(16.0)	(10.6)	(9.0)	(2.8)	37.3	207.6	26.3	(7.8)
Rail freight traffic	18.4	16.9	3.6	8.4	6.1	7.2	7.7	6.6	6.7	9.4	14.6	11.3	8.3
Port cargo volume	6.7	11.4	0.4	6.5	(0.2)	(0.6)	(2.8)	(4.5)	0.8	5.5	8.9	13.5	15.1
Credit growth	6.1	6.7	6.7	6.9	6.9	9.4	7.1	8.1	8.6	10.0	11.4	11.9	12.9
Deposit growth	9.8	9.5	9.4	10.0	8.9	12.1	8.3	8.6	8.9	10.0	8.8	8.5	8.4
CIC	10.3	9.8	9.0	8.5	7.7	7.8	8.0	8.6	9.7	10.1	8.6	8.0	8.1
Toll collection (in mn)	192.3	201.2	193.6	214.2	214.1	242.1	231.0	243.6	270.4	265.4	285.4	277.9	265.2
Diesel consumption	11.4	15.8	0.5	(5.5)	(7.6)	1.6	(6.4)	(0.8)	6.7	7.9	31.7	23.9	8.7
GST E-way bill (in mn)	64.2	65.9	67.9	73.5	61.2	71.6	68.8	69.1	78.2	75.2	73.6	74.5	75.6
External Trade													
Merchandise exports	49.6	46.3	22.7	43.4	34.6	44.3	27.9	34.4	26.2	29.4	20.6	23.5	(0.8)
Merchandise imports	62.1	52.9	85.6	57.3	56.7	40.4	24.9	37.0	28.8	30.7	62.8	57.5	43.6
Services exports	8.8	19.1	19.6	19.7	17.9	35.2	24.2	19.1	29.3	25.1	32.2	24.6	-
Services imports	10.1	20.0	20.5	21.8	24.4	29.5	33.8	24.8	25.0	46.1	52.7	45.5	-

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

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