

India Economics

Monthly Chartbook

September 2022

Economic Research Department

Aditi Gupta | Jahnvi

Dipanwita Mazumdar | Sonal Badhan

chief.economist@bankofbaroda.com



Domestic macros appear to be insulated

Last month, major market mover has been the Jackson Hole Symposium. Fed Chair hinted at faster pace of rate hike to control inflation. As a result, global yields edged up. Even DXY inched up. Domestic yields, on the other hand, inched down on account of decline in oil prices and reports of India's inclusion into the global bond index. It also got comfort from central bank official comments that inflation has passed its peak. On the growth front, domestic indicators remained broadly buoyant. PMI print, credit demand (especially personal loans), GST and toll collections showed pick up. Going forward, however, we expect some moderation might be on the card, as global growth slowdown might impinge on domestic macros sooner or later.

Growth impulses remain strong: India's manufacturing and services PMI for Aug'22 signal a continued momentum in activity supported by strong demand and easing price pressures. Other indicators such as credit growth, toll collections, GST collections and electronic imports show an improvement. Further, South-West monsoon has progressed well (5% above LPA as of 5 Sep 2022), and storage levels in reservoirs is adequate. However, with several parts of Eastern and Northern India receiving deficient rains, kharif sowing has been impacted and is 13.7% lower compared with last year. This has been led by lower sowing of rice (-22.9%) and pulses (-5.9%)

Health of centre's finances: Supported by a drop in overall spending in Jul'22 and buoyant revenue growth, centre recorded a surplus of Rs 11,040 crore (a first since Mar'20). With this, fiscal deficit (% of GDP, 12MMA) came down to 6.3% as of Jul'22 versus 6.6% as of Q1FY23. On the expenditure side, overall growth slowed to 12.2% in FYTD23 (till Jul'22) versus 15.4% in Q1. This was led by sharp slowdown in revenue spending (4.8% in Apr-Jul versus 8.8% in

Q1). Capex on the other hand remains strong (62.5% in Apr-Jul versus 57% in Q1). Centre's gross tax revenues rose by 24.9% in FYTD23 versus 22% growth in Q1, led by pick up in direct (42.7% versus 25.4%) tax collections. Indirect tax collections (10.9% versus 11.1%) were broadly stable. Centre's net revenues also rose sharply by 12.9%, compared with 5% in Q1FY23. We believe centre will meet its fiscal deficit target for this year.

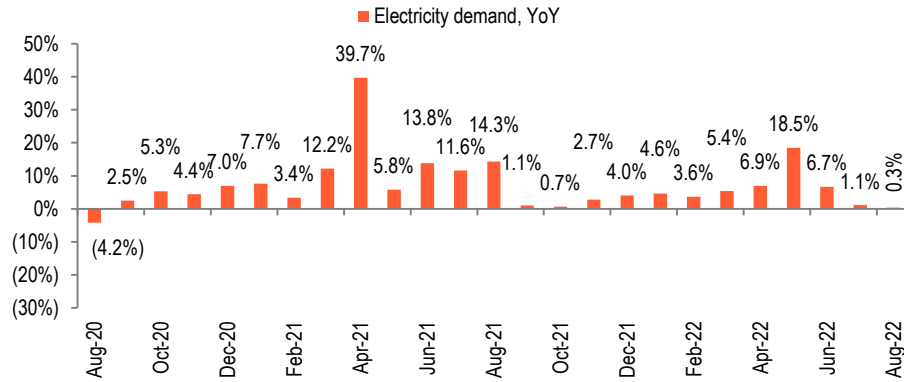
India's 10Y yield inched down: Post Jackson Hole Symposium, global yields rose sharply, with US 10Y yield rising as much as 54bps in Aug'22. This was driven by hawkish comments from Fed Chair signalling aggressive pace of rate hike. India's 10Y yield however, was an anomaly and fell by 13bps in Aug'22. This was supported by declining crude prices (averaged to US\$ 98/bbl in Aug'22 from US\$ 105/bbl in Jul'22). Apart from this, comments from central bank officials that inflation has peaked and is likely to get anchored in the coming months, also comforted yields. In Aug'22, we expect CPI to be ~6.7%.

INR to remain under pressure: INR came under renewed pressure after US Fed Chair's speech at the Jackson Hole Symposium. In fact, INR briefly breached the 80/\$ mark but saw a correction, supported by RBI's active intervention. However, with rising external headwinds in the form of a stronger dollar and weakening export momentum, outlook for INR remains dim. Apart from this, higher rates in the US may spur a fresh bout of FPI withdrawals from India which again also weigh on INR. On the positive side, oil prices may see some correction as higher rates tip the global economy into a slowdown if not recession. Overall, we may expect the rupee to trade in the Rs 79.75-80.0/\$ range in the near-term.

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

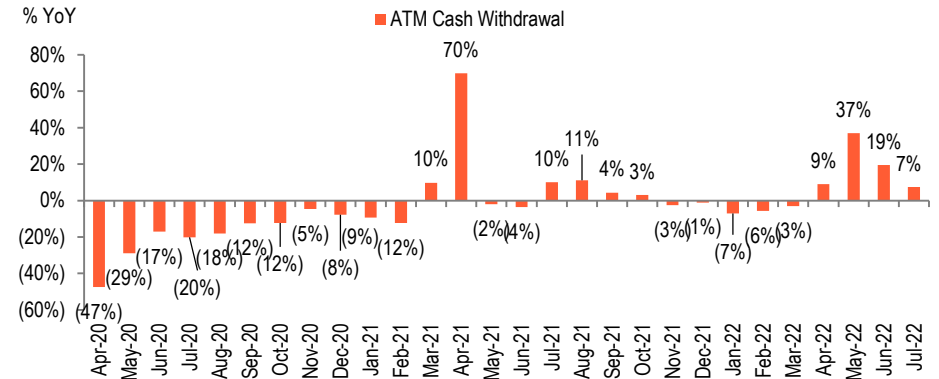
High frequency indicators

Fig 1 – Electricity demand moderates further in Aug'22



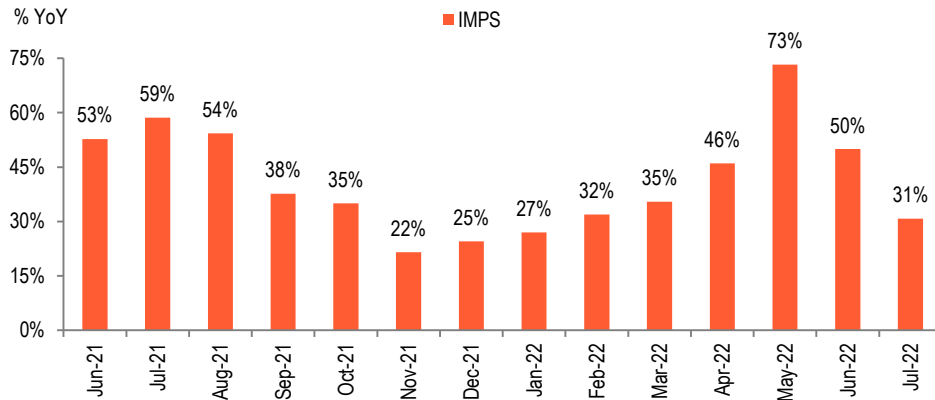
Source: Posoco. Note: Maximum Demand met during peak evening hours (MW)

Fig 2 – Cash withdrawal transactions dip



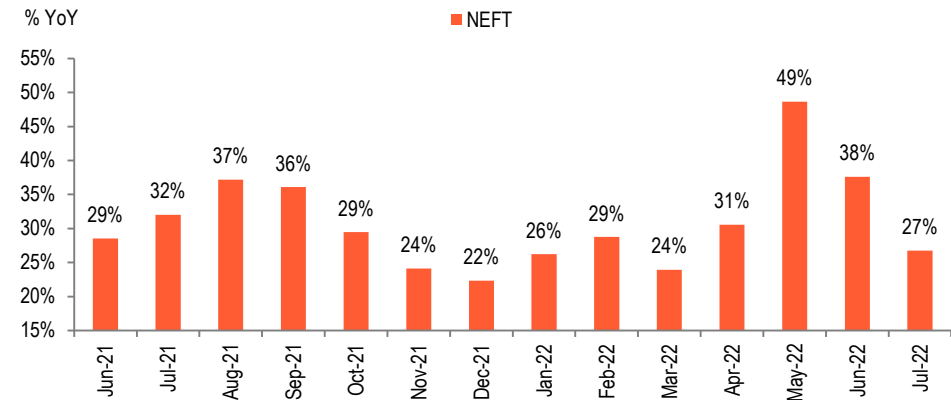
Source: NPCI. Note: NFS Cashwithdrawal amount does not include Card to Card Transfer

Fig 3 – Slower pace of growth in IMPS transactions



Source: NPCI

Fig 4 – Volume of NEFT transactions fall in Jul'22



Source: NPCI

Fig 5 – Fertilizer sales drop in Jun'22

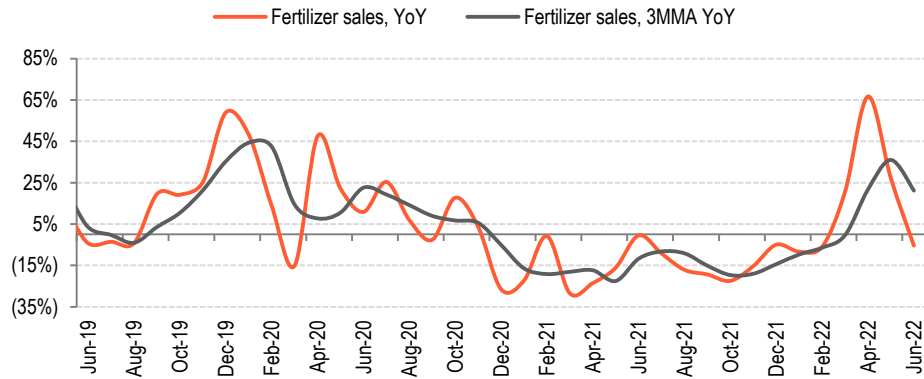
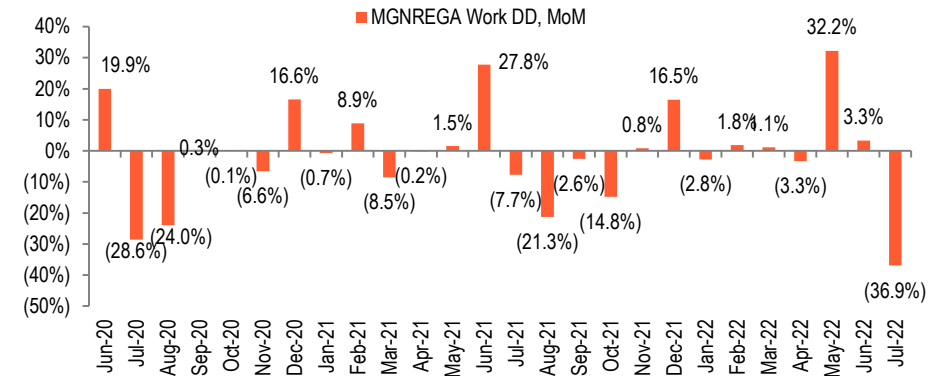


Fig 6 – MGNREGA work demand dips sharply



Source: MGNREGA

Final consumption expenditure

Fig 7 – Private consumption rebounds in Q1FY23

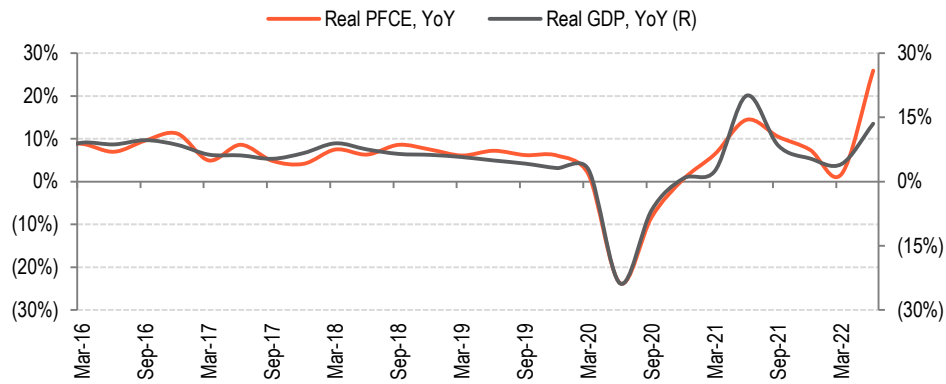


Fig 8 – Government consumption slipped

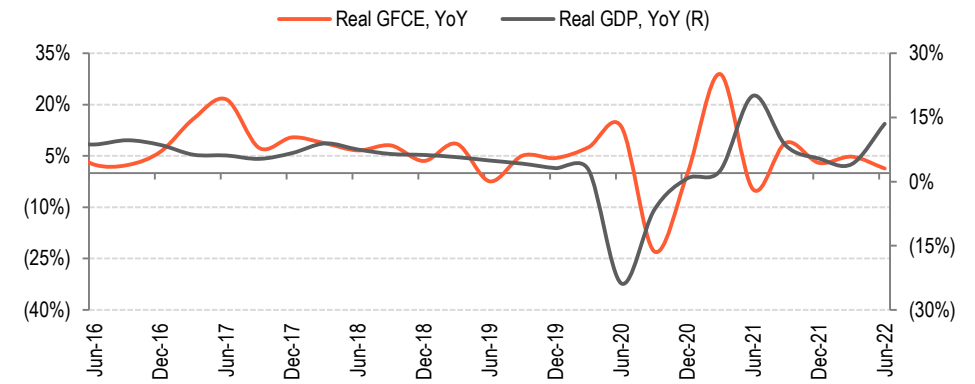


Fig 9 – General govt. revenue spending picks up

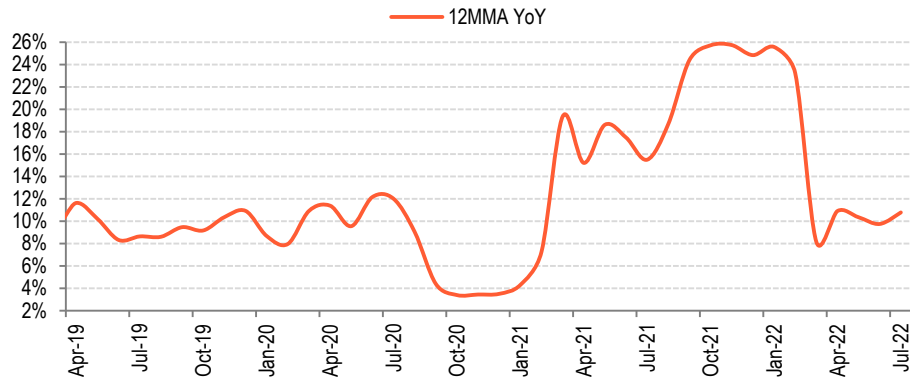
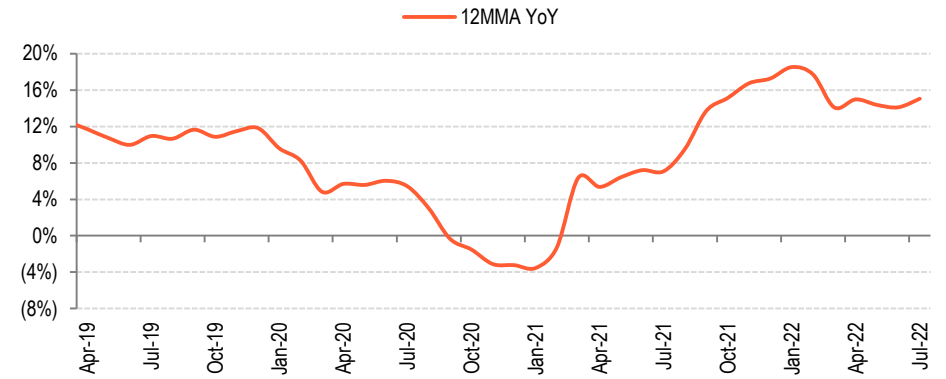


Fig 10 – State* govt. revenue spending also inching higher



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

Non-oil imports, electronic imports

Fig 11 – Non-oil-non-gold import growth stable

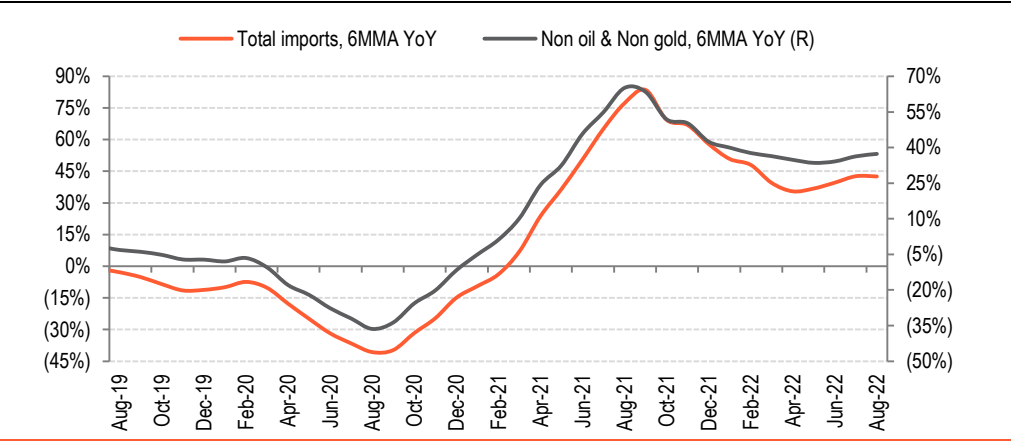


Fig 12 – Growth in electronic imports moderate further

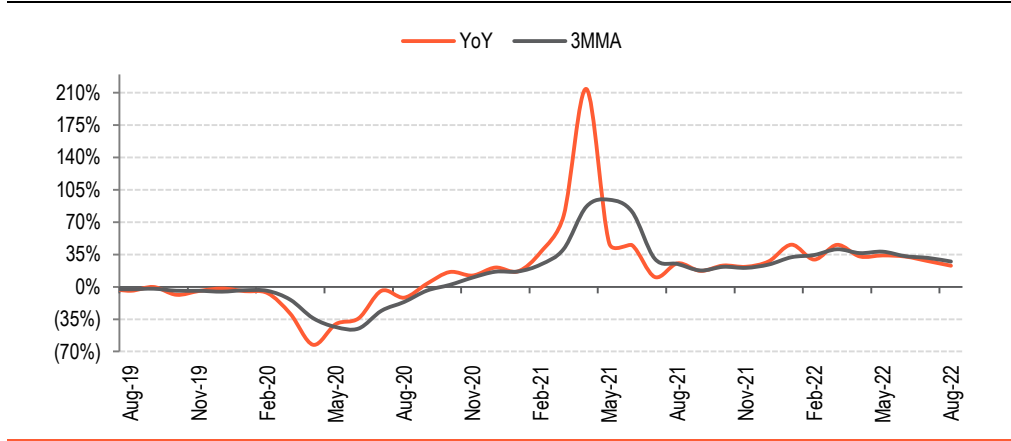
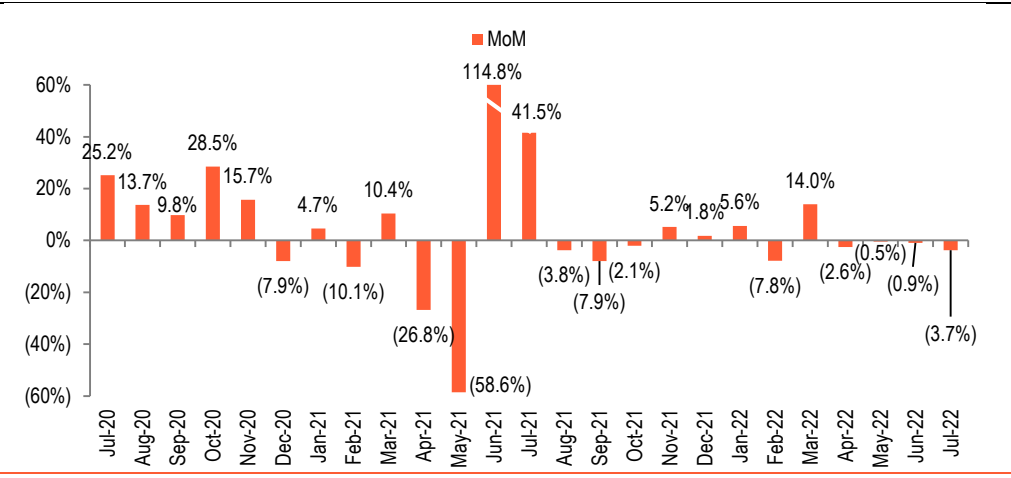
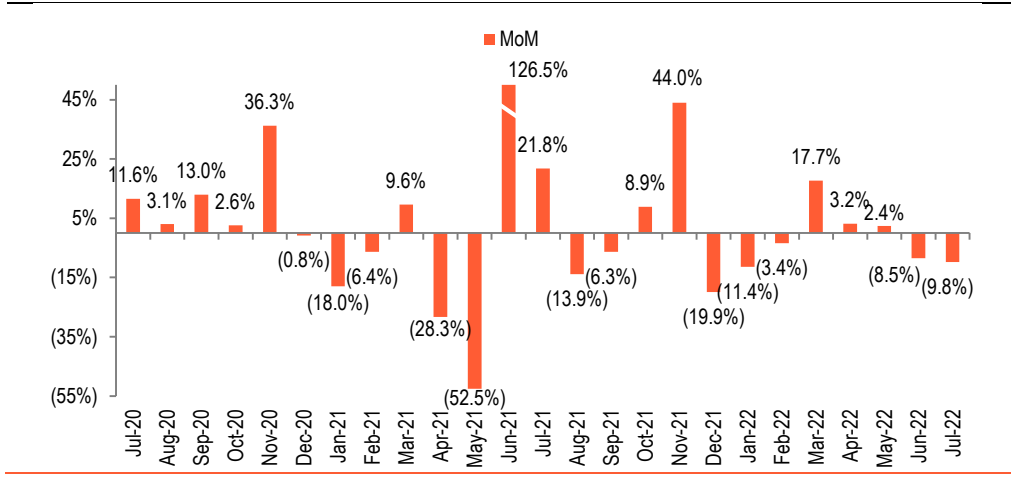


Fig 13 – Retail passenger vehicles sales contract further



Source: FADA

Fig 14 – Two-wheeler sales continue to decline



Credit deployment of personal loans

Fig 15 – Higher growth in credit card loan

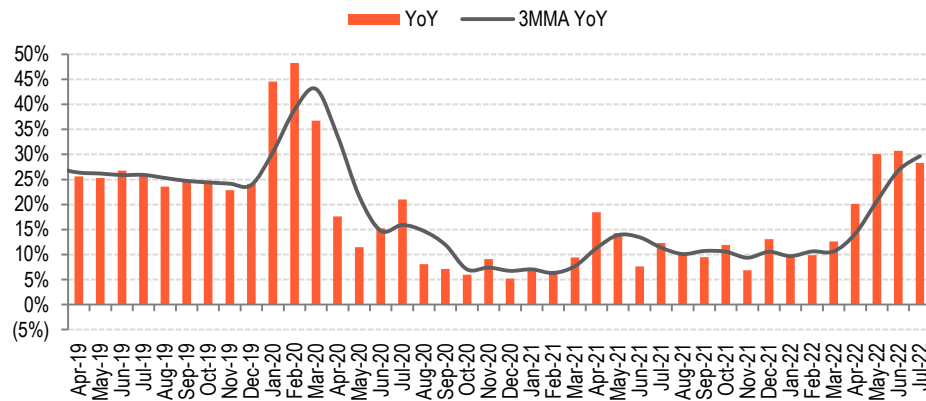


Fig 16 – Growth in personal loan too moves further up

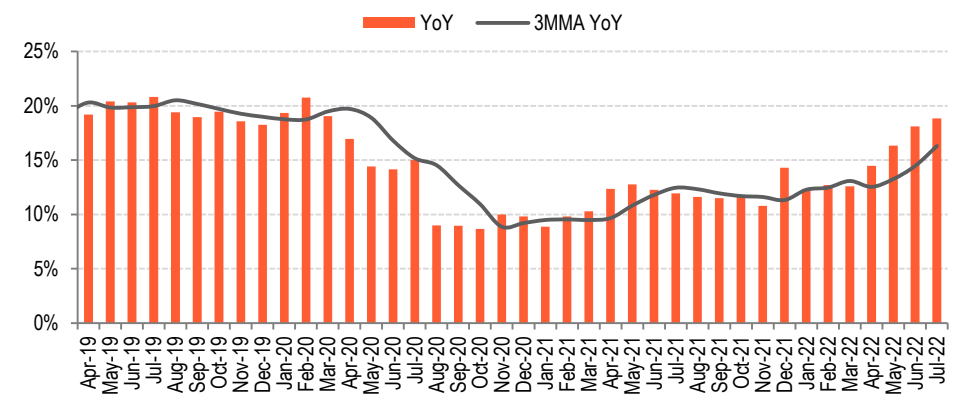


Fig 17 – Higher growth in vehicle loans continues

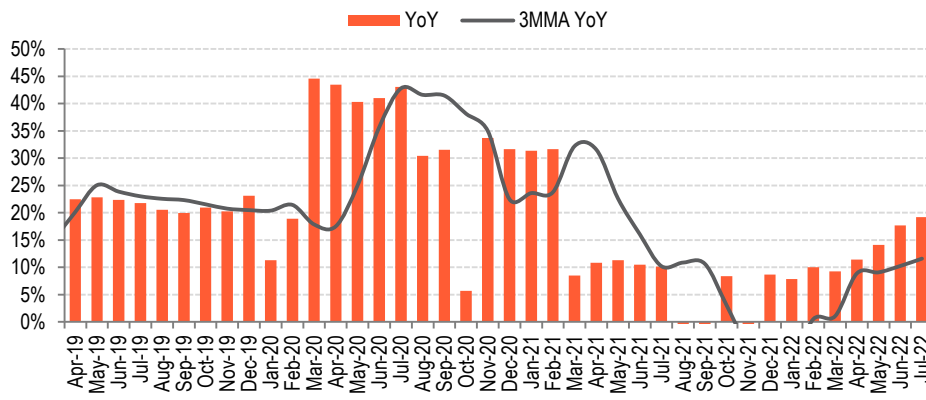


Fig 18 – Consumer confidence strengthens

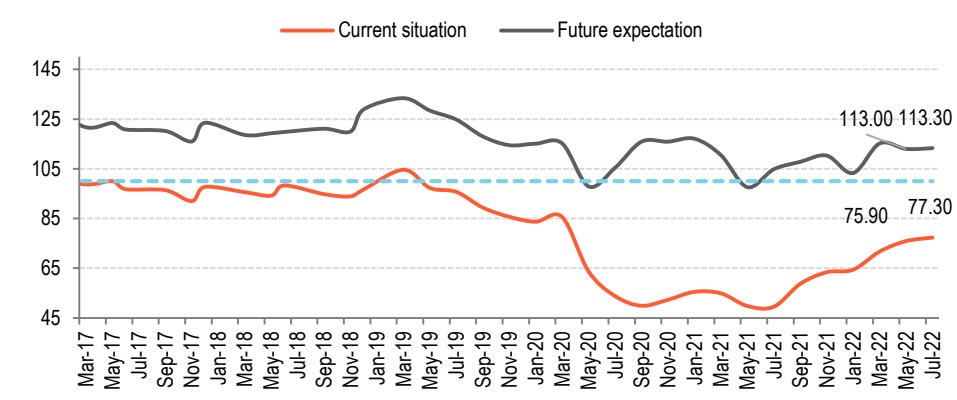


Fig 19 – RBI's essential spending continues to improve

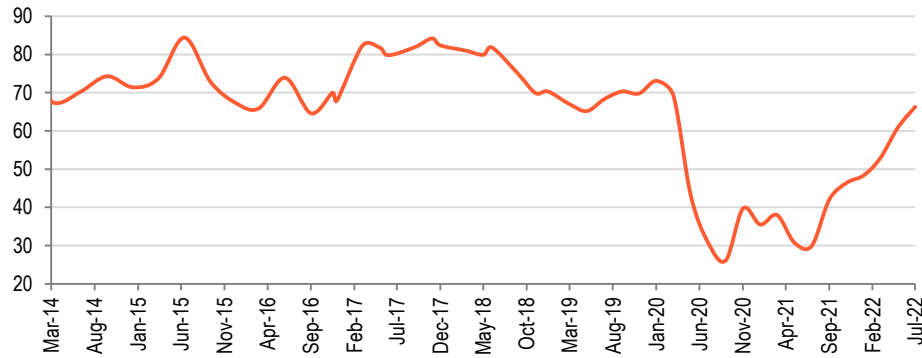
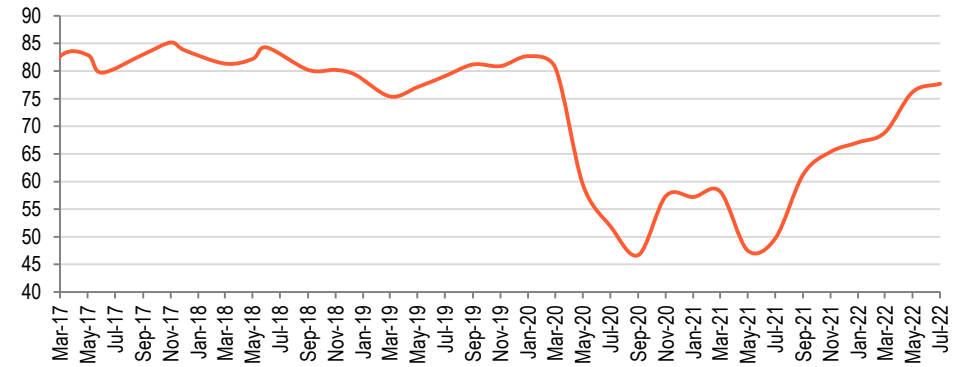


Fig 20 – ...non-essential spending too witnesses an upward momentum



Consumer durables & non-durables production

Fig 21 – Consumer durables output dipped in Jun'22

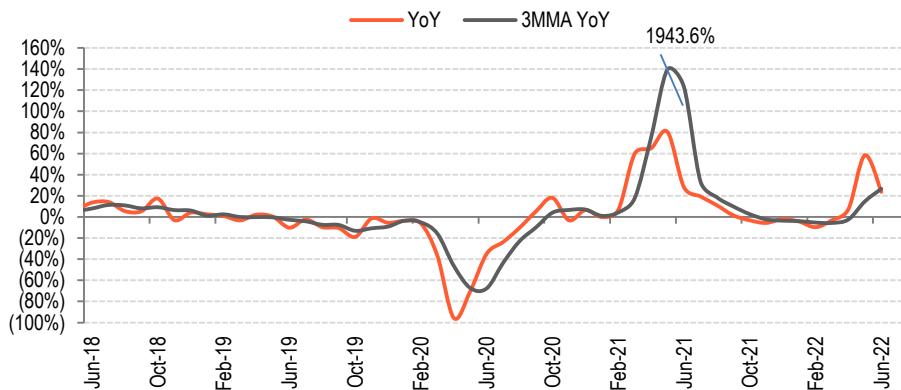
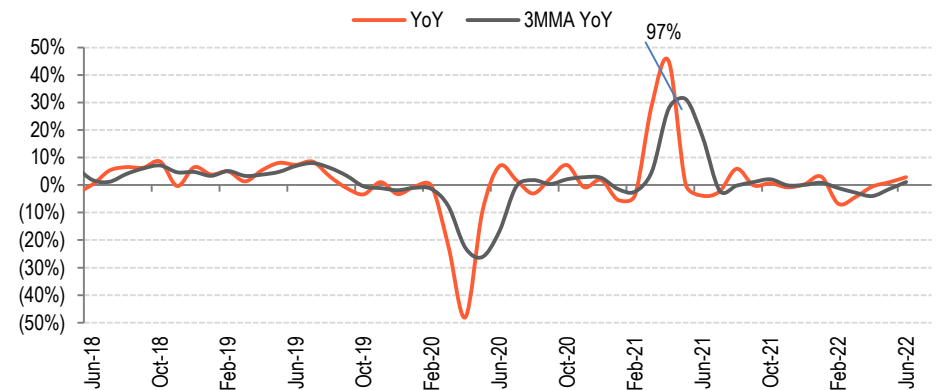


Fig 22 – FMCG output seen improving



Agriculture

Fig 23 – Agriculture growth steadied in Q1FY23

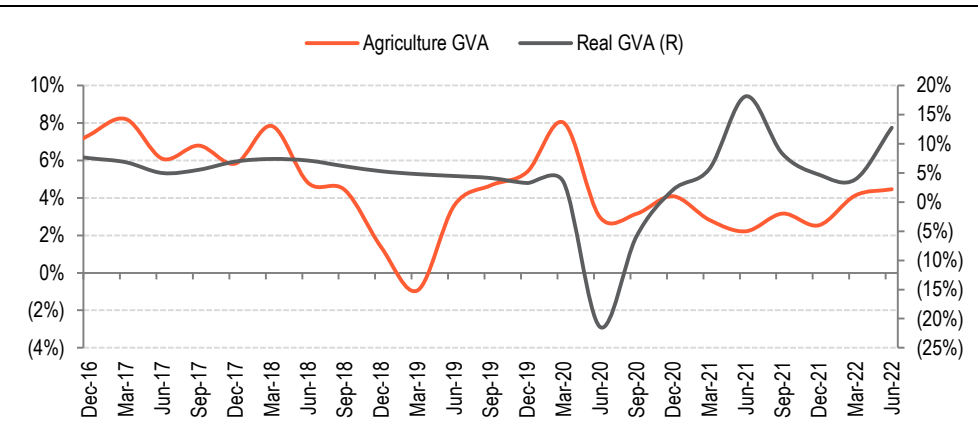
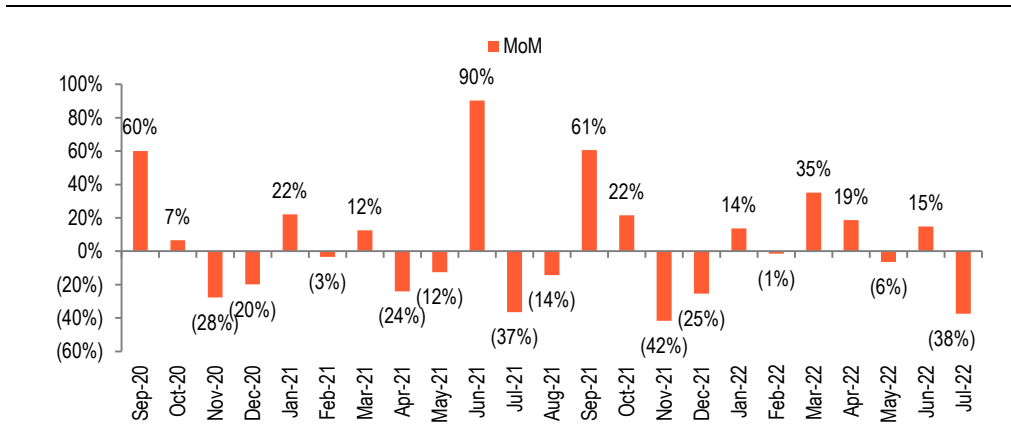


Fig 24 – Tractor sales dropped sharply in Jul'22



Note: Tractor sales including exports

Fig 25 – Agriculture credit rose further in Jul'22

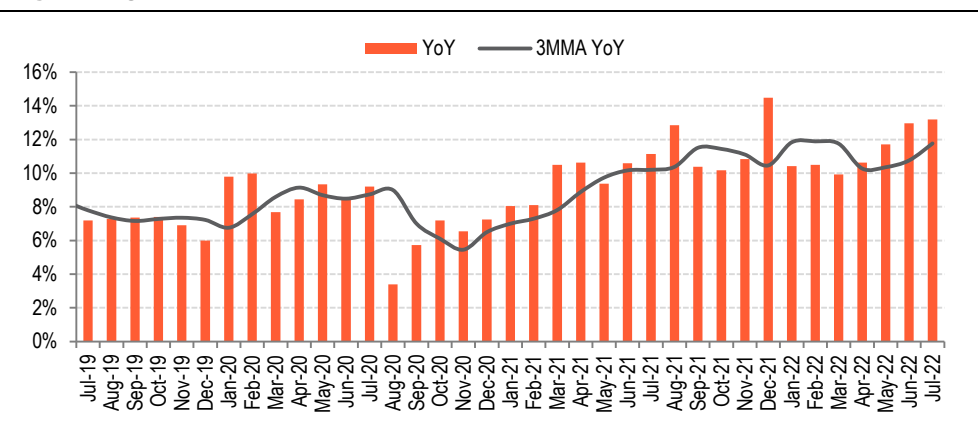
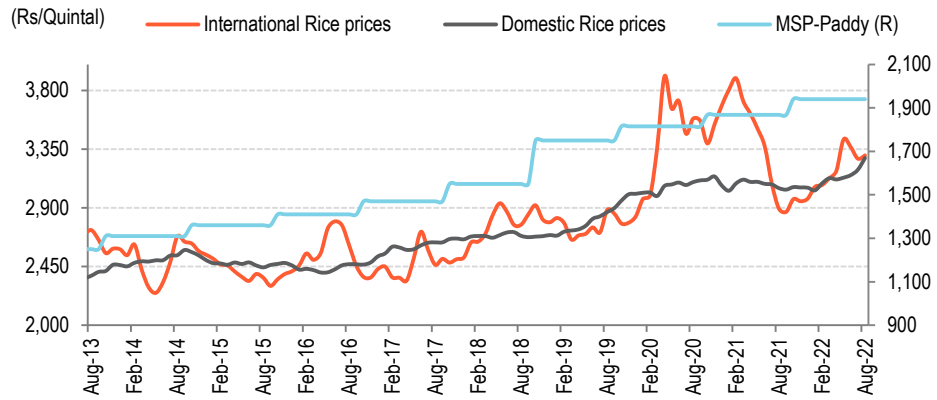


Fig 26 – Procurement of rice and wheat

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	59.2*
2022-23	18.8*	

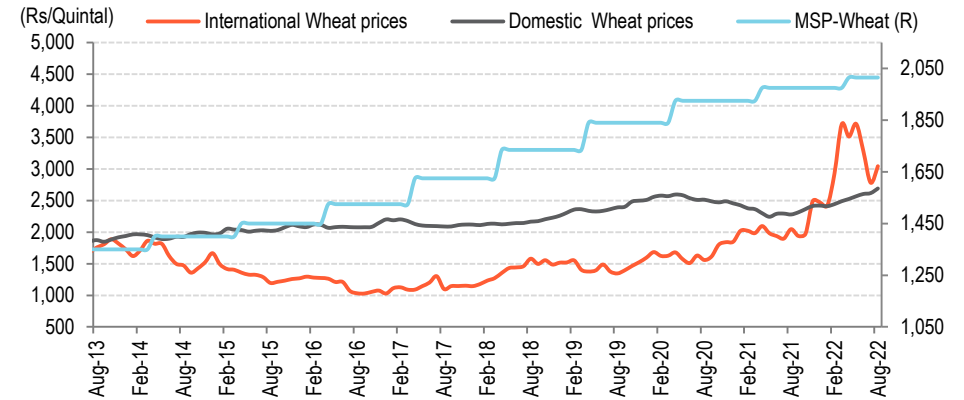
Source: Ministry of Consumer Affairs, Food and Public Distribution | *As on: 31 Aug 2022

Fig 27 – Domestic rice price at par with international prices in Jul'22



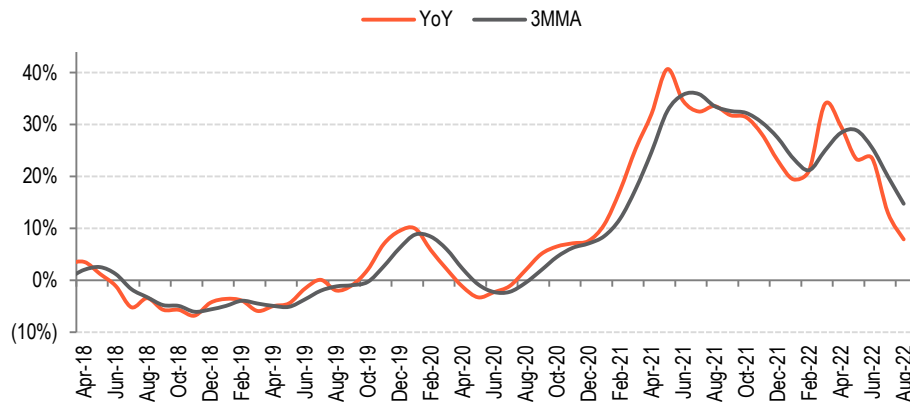
Source: World Bank

Fig 28 – Both domestic and international price of wheat inching up



Source: World Bank

Fig 29 – Global food prices continued to decline in Aug'22



Source: FAO

Fig 30 – Wage growth (men) inches up

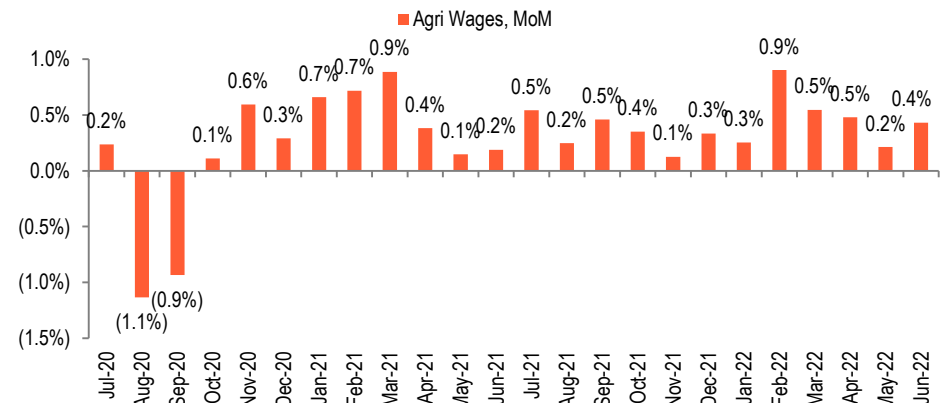


Fig 31 – Kharif sowing is lower compared with last year

Crop Type (mn ha)	Area sown in 2022-23	Area sown in 2021-22	Growth (YoY%)
Foodgrains	69.3	71.4	(3.0)
Cereals	56.3	57.9	(2.7)
Rice	38.4	40.7	(5.6)
Pulses*	13.0	13.5	(4.4)
Oilseeds*	18.4	19.0	(2.9)
Cotton*	12.6	11.8	6.8
Sugarcane	5.6	5.5	1.7
Jute and Mesta*	0.7	0.7	(0.1)
Total	106.93	108.3	(1.3)

Note: For the week ended 2 Sep 2022

Inflation

Fig 32 – Headline CPI edged down to its lowest since Feb'22 to 6.7% in Jul'22, on YoY basis, from 7% in Jun'22; still remaining above RBI's upper tolerance band

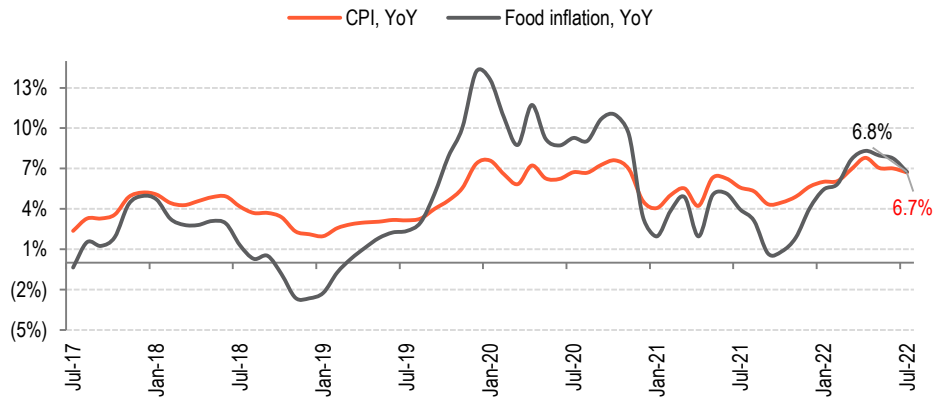


Fig 33 – ...Food inflation fell by 100bps led by vegetables, oils and fat and protein based items

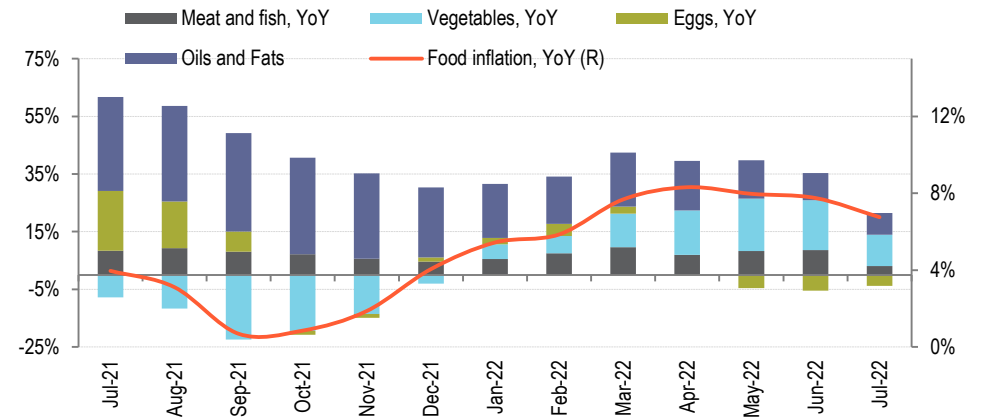


Fig 34 – However, major components of core inflation still hovering around or above RBI's upper tolerance level of 6%

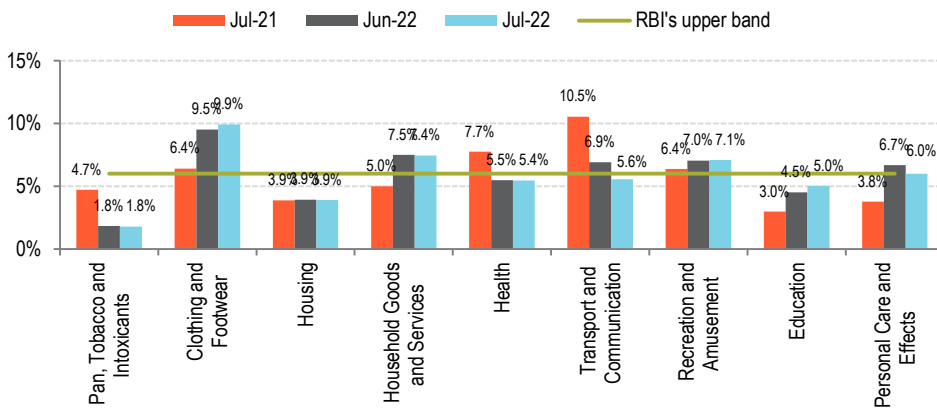
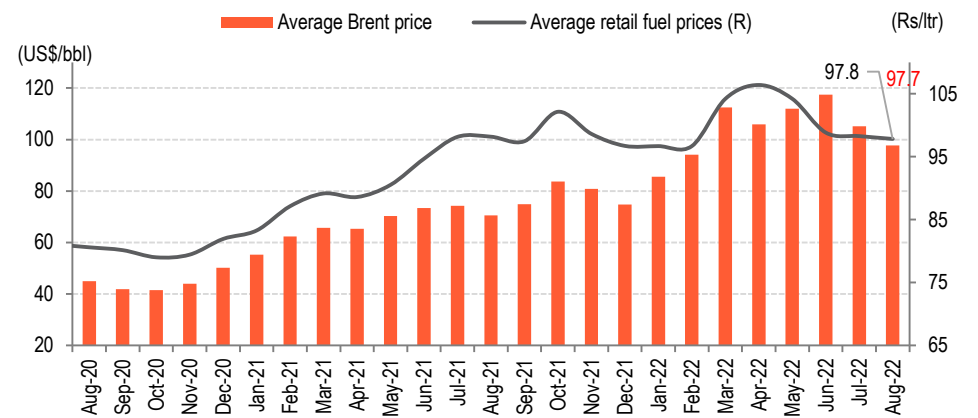


Fig 35 – Domestic retail prices was stable at Rs 98/ltr, however international crude prices fell to US\$ 98/bbl on an average in Aug'22 from US\$ 105/bbl in Jul'22



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

Industry

Fig 36 – IIP growth picks up in Q1FY23

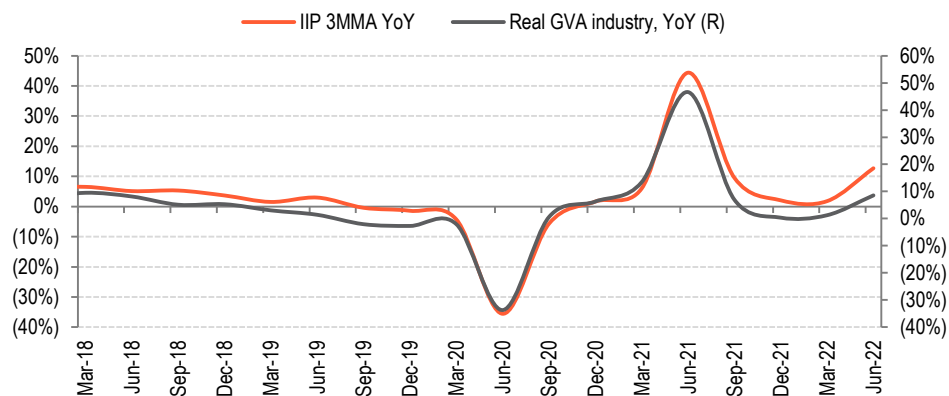


Fig 37 – Sectorwise growth lower due to base effect

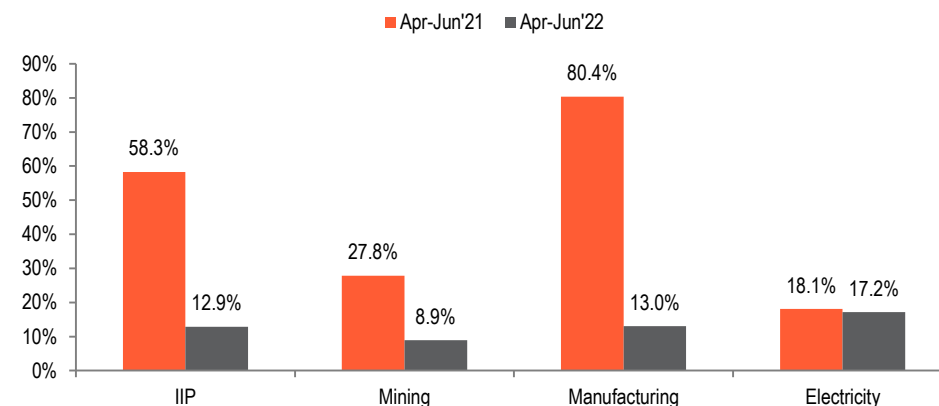


Fig 38 – IIP growth moderates to 12.3% in Jun'22 from 19.6% in May'22

Sectoral (%)	Weight	Jun-22	May-22	Jun-21	Apr-Jun'22	Apr-Jun'21
IIP	100.0	12.3	19.6	13.8	12.9	58.3
Mining	14.4	7.5	11.2	23.1	8.9	27.8
Manufacturing	77.6	12.5	20.6	13.2	13.0	80.4
Electricity	8.0	16.4	23.5	8.3	17.2	18.1
Use-Based		13.7	17.8	12.0	13.9	21.6
Primary Goods	34.1	26.1	54.4	27.3	31.3	77.4
Capital Goods	8.2	11.0	17.5	22.6	11.8	96.6
Intermediate Goods	17.2	8.0	18.1	20.0	10.1	225.3
Infrastructure and Construction Goods	12.3	23.8	58.4	28.0	29.8	57.8
Consumer Durables Goods	12.8	2.9	1.0	(3.9)	1.1	13.8
Consumer Non-Durables Goods	15.3	12.3	19.6	13.8	12.9	58.3

Manufacturing

Fig 39 – Manufacturing growth shows improvement in Q1FY23

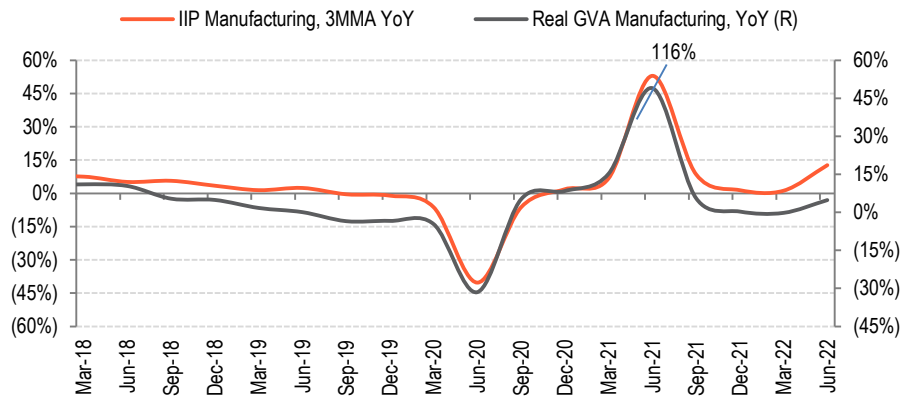
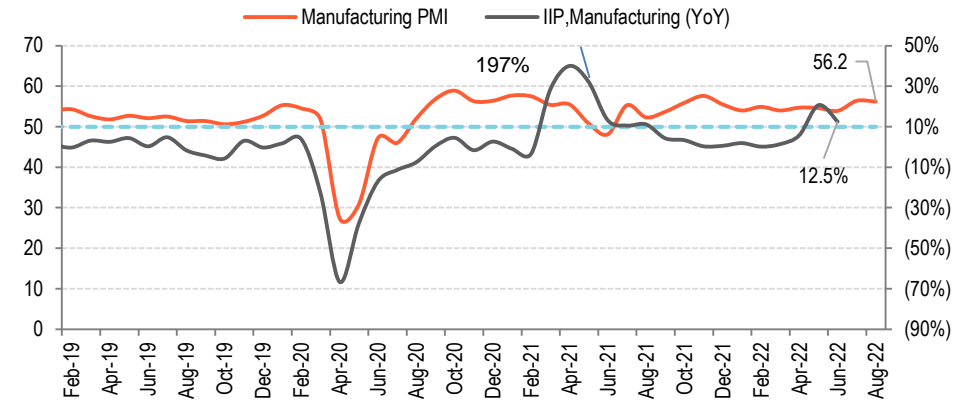


Fig 40 – Manufacturing PMI moderates a tad to 56.2 in Aug'22 from 56.4 in Jul'22



Source: Markit

Mining & Electricity

Fig 41 – Mining activity also picked up in Q1FY23

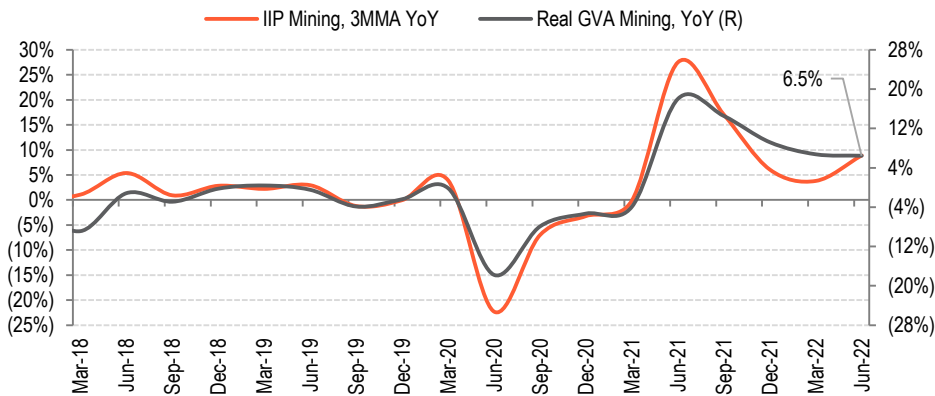
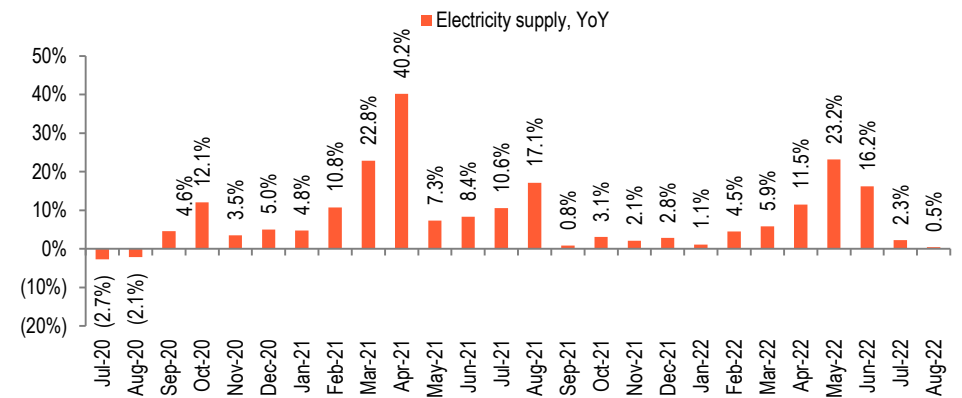


Fig 42 – Electricity supply moderates further



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

Infrastructure and construction

Fig 43 – Construction sector output expands in Q1FY23

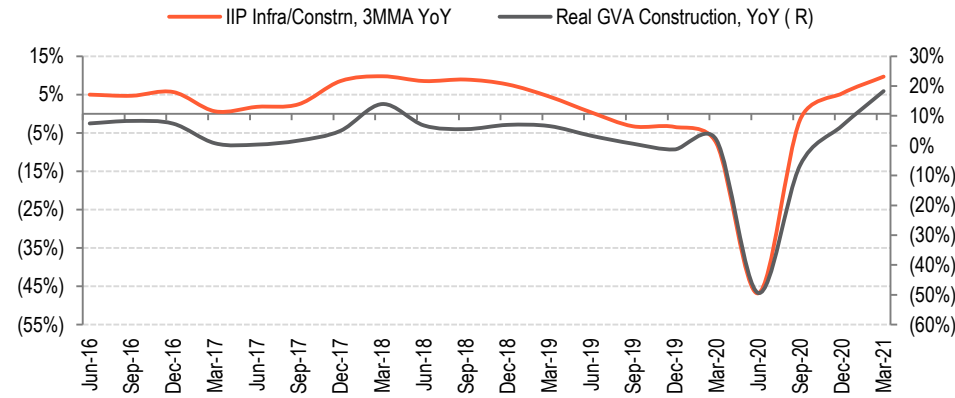
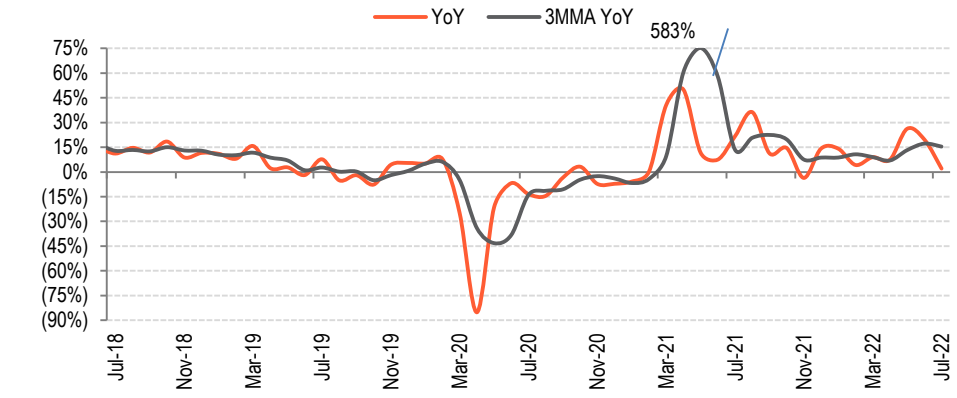


Fig 44 – Cement production moderates further in Jul'22



Infrastructure index

Fig 45 – Growth in infrastructure index eases off in Jul'22

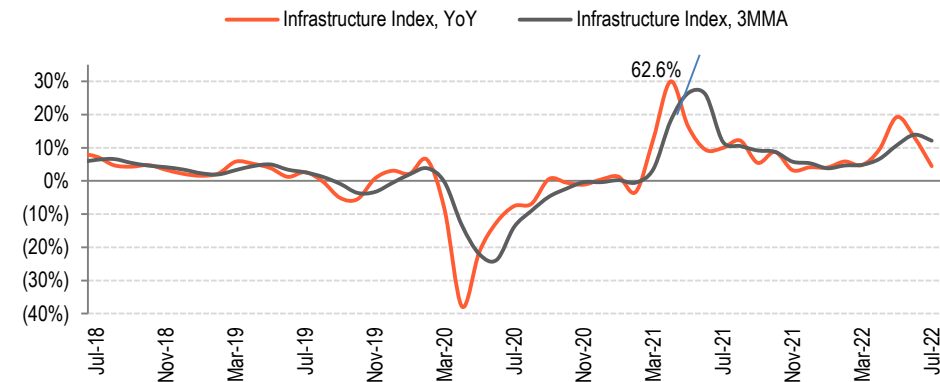
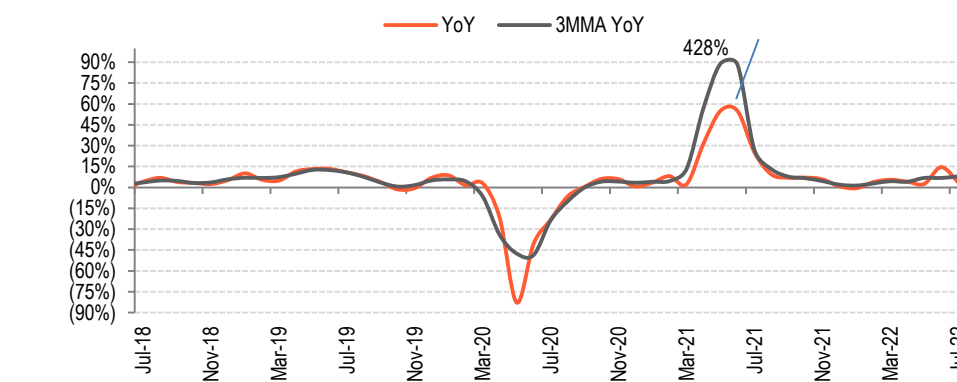


Fig 46 – Steel production moderates



Auto production & business expectation index

Fig 47 – Auto production steady in Jul'22

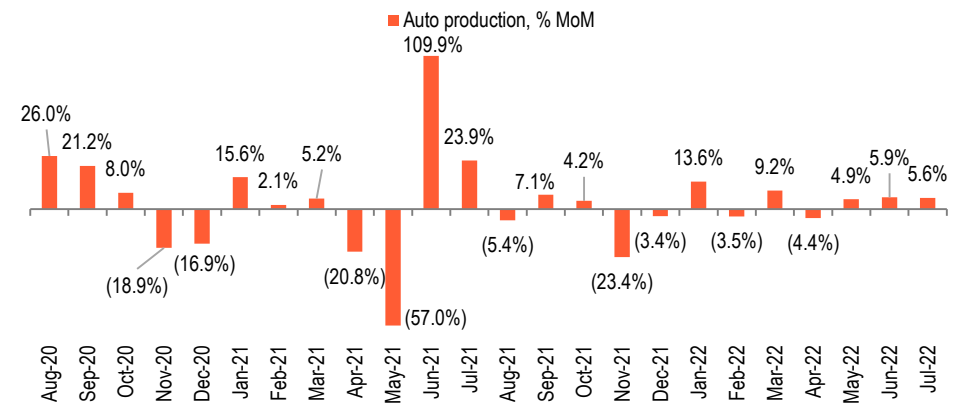


Fig 48 – Business sentiment moderates further

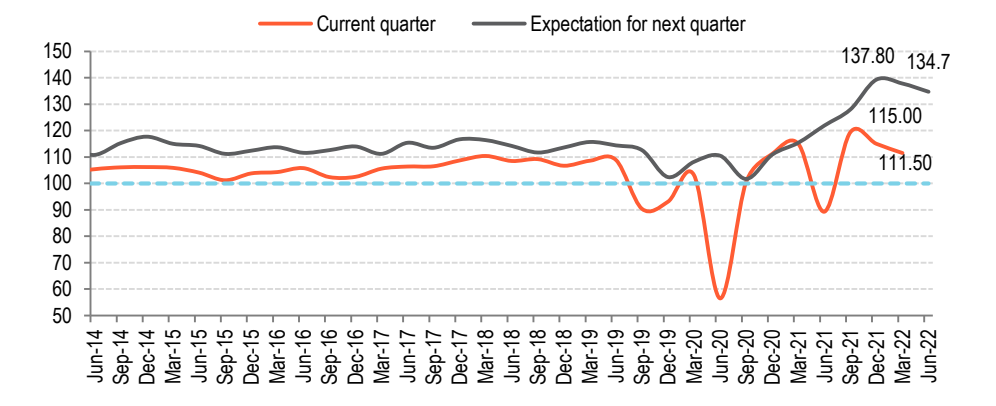
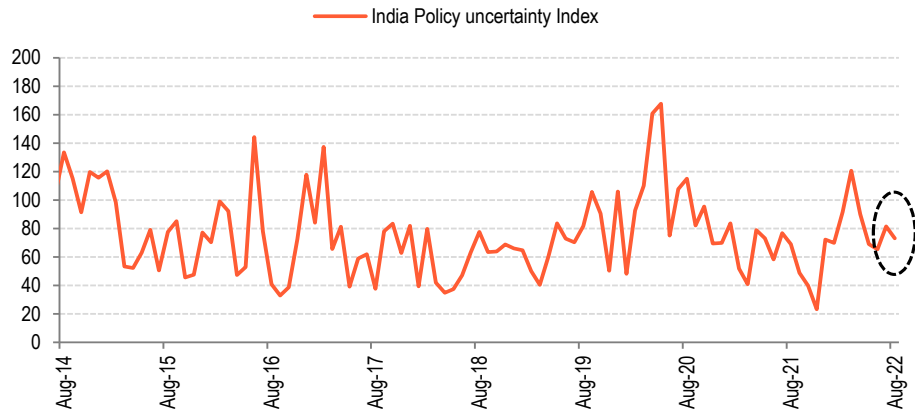


Fig 49 – Core sector output moderates

(%)	Weight	Jul-22	Jun-22	Jul-21	Apr-Jul'22	Apr-Jul'21
Infrastructure Index	100	4.5	13.2	9.9	11.6	24.6
Coal	10.3	11.4	32.1	18.8	26.8	10.7
Crude Oil	9.0	(3.8)	(1.7)	(3.2)	(0.5)	(3.3)
Natural Gas	6.9	(0.3)	1.2	19.0	3.6	21.2
Petroleum Refinery Products	28.0	6.2	15.1	6.7	11.8	13.8
Fertilizers	2.6	6.2	8.2	0.6	11.5	(0.8)
Steel	17.9	5.7	3.6	9.4	6.6	146.1
Cement	5.4	2.1	19.7	21.7	13.9	161.9
Electricity	19.9	2.2	16.5	11.0	13.5	16.3

Investment

Fig 50 – Policy uncertainty index in India fell in Aug’22 compared to Jul’22



Source: policyuncertainty.com

Fig 52 – Capital goods production moderated to 26.1% in Jun’22 from 54.4% in May’22

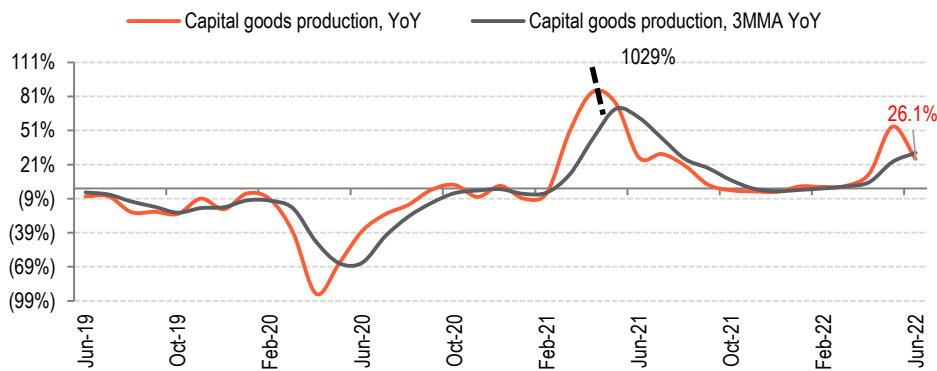
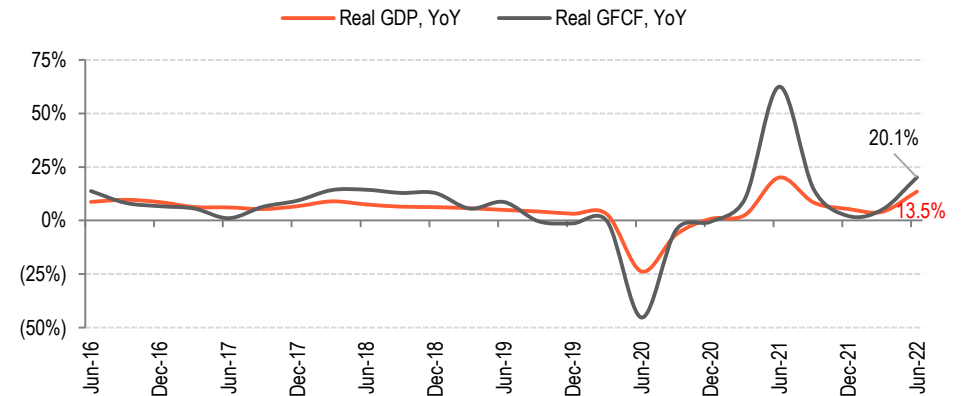


Fig 51 – Real GFCF growth has picked up to 20.1% in Q1FY23 from 5.1% in Q4FY22 and 10.1% in Q1FY22, GDP growth picked up to 13.5% in Q1FY23



Source: policyuncertainty.com

Fig 53 – Capital goods imports rose by 28% in Jul’22 from 11.7% in Jun’22, supported by favourable base

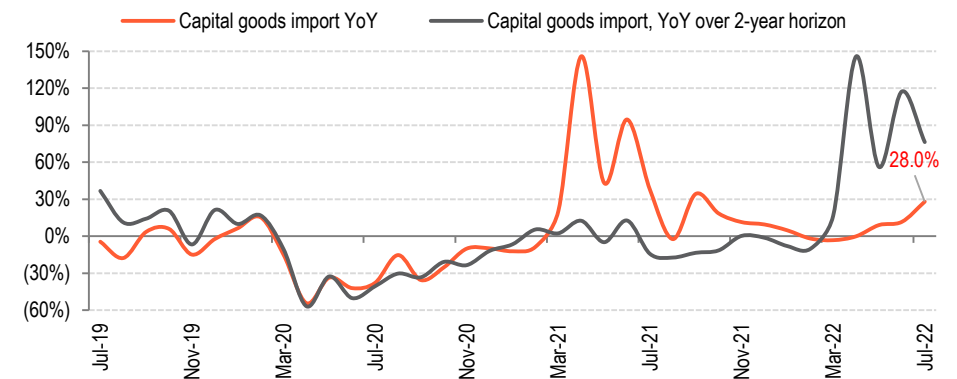


Fig 54 – Centre’s capex spending noted growth of 52.2% in Jul’22 from 46.2% in Jun’22, in FY23, capex spending is likely to rise by 24.5% to Rs 7.5tn

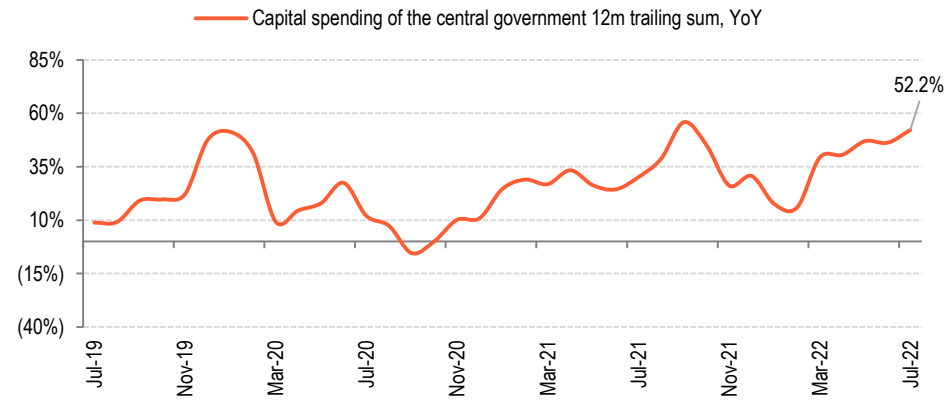


Fig 55 – Credit to micro and small industry was at 28.3% in Jul’22 from 29.6% in Jun’22, for medium industry it was at 36.8% from 47.6% in Jun’22

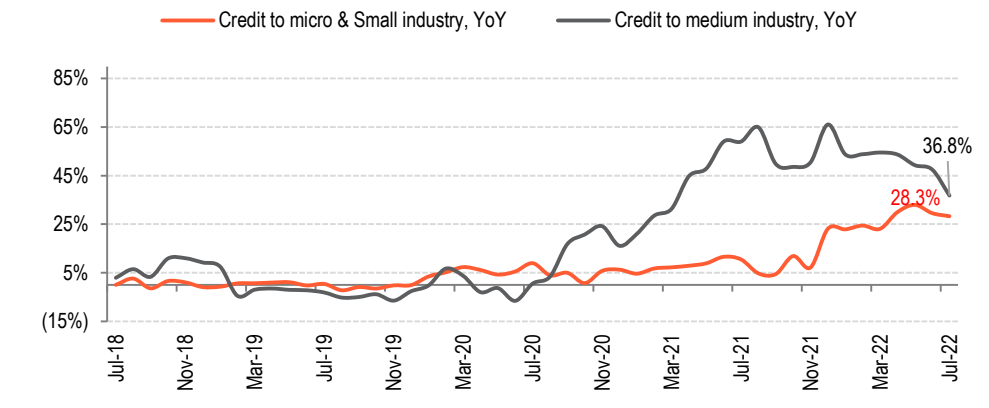


Fig 56 – Credit to housing sector rose to 16.2% in Jul’22 from 15.1% in Jun’22

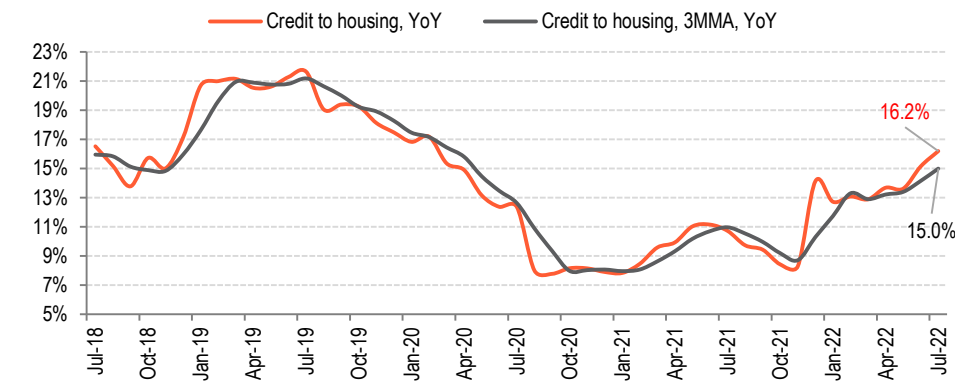
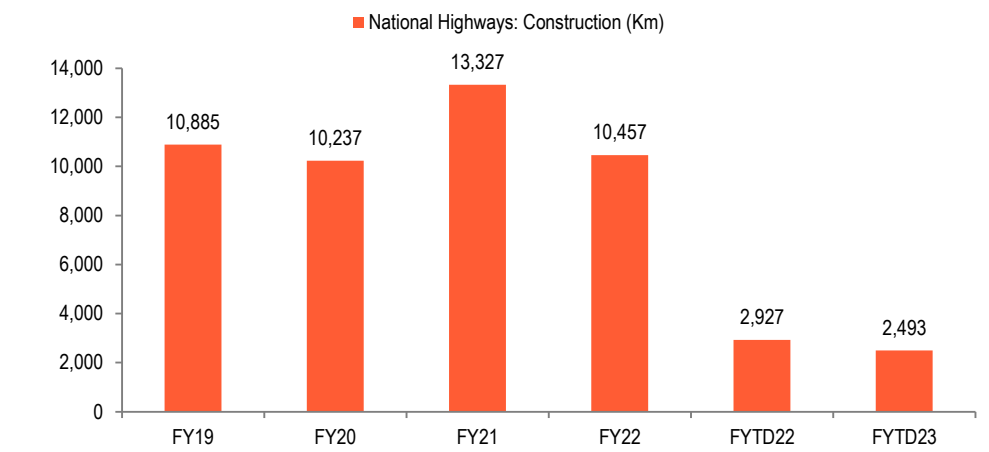


Fig 57 – Pace of National highway construction



Note: FYTD: Apr-Jul

Services sector

Fig 58 – GVA: Services activity rebounds in Q1FY23, largely due to low base

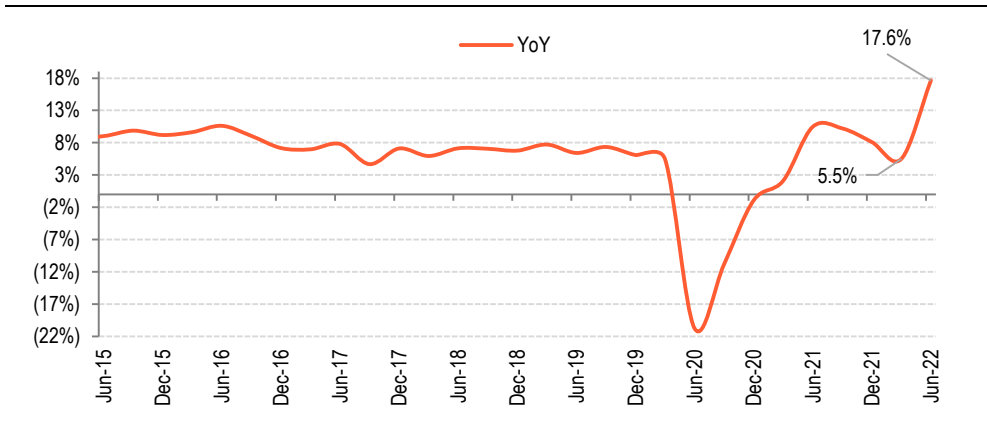
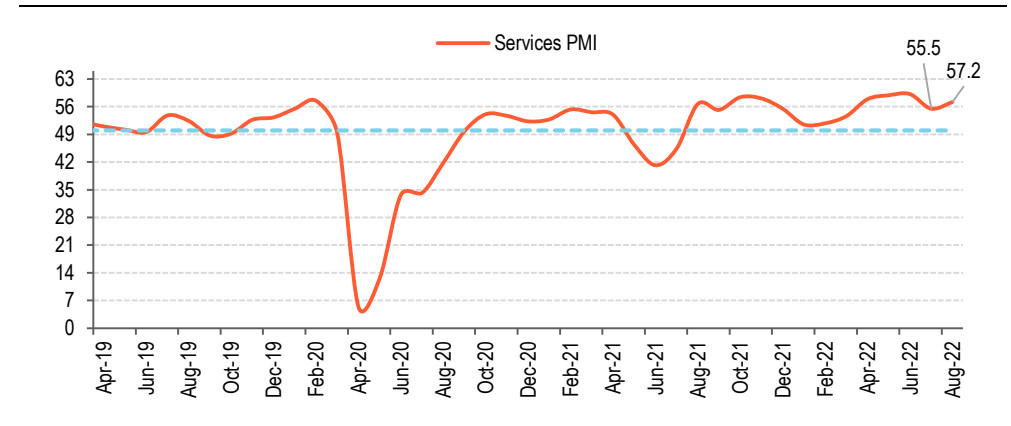


Fig 59 – Services PMI rebounds in Aug'22; future activity index at its highest since May'18



Source: Markit

Fig 60 – GVA: Trade & related services picked up pace in Q1

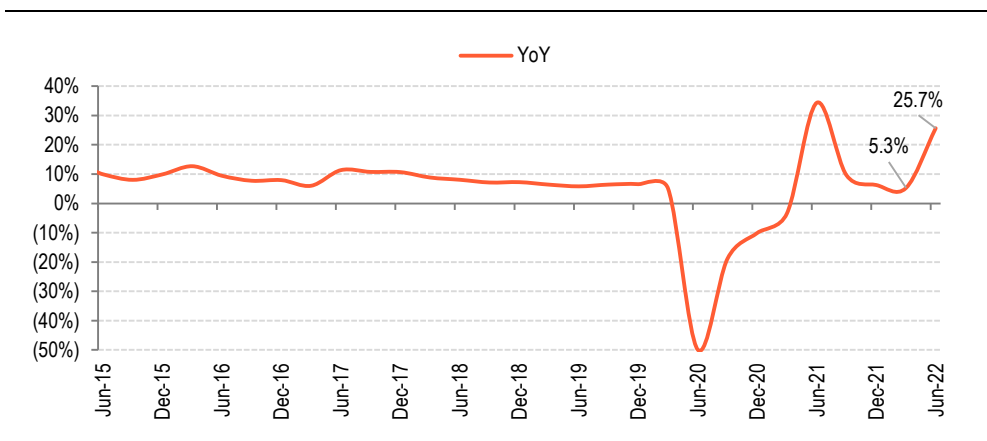
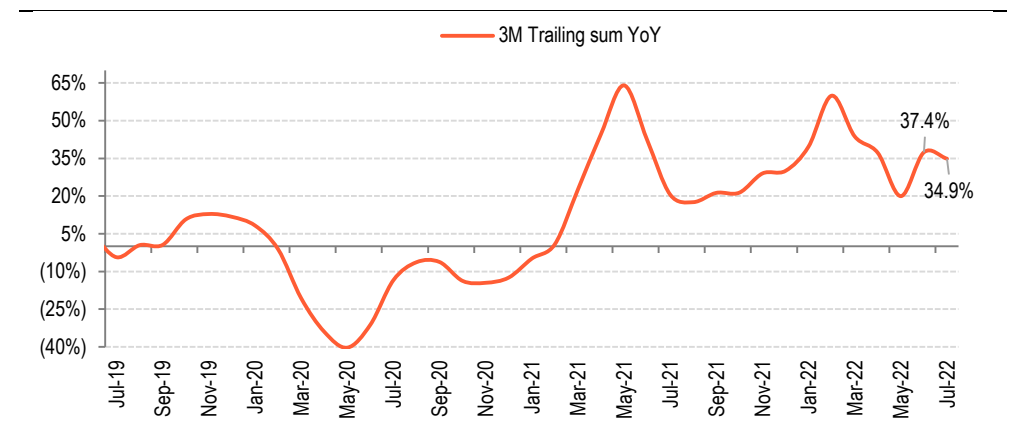


Fig 61 – States** tax revenue growth eased in Jul'22



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

Trade

Fig 62 – Vehicle registrations drop further in Aug'22

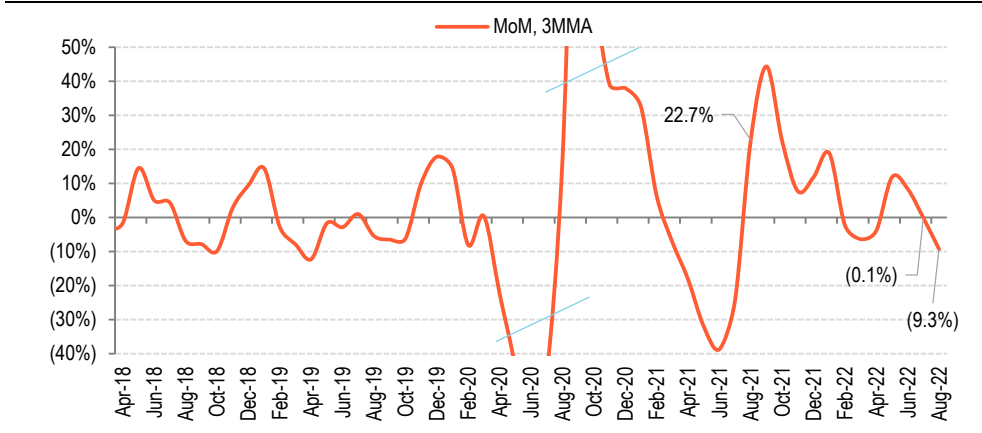


Fig 63 – Monsoon season continues to impact diesel consumption

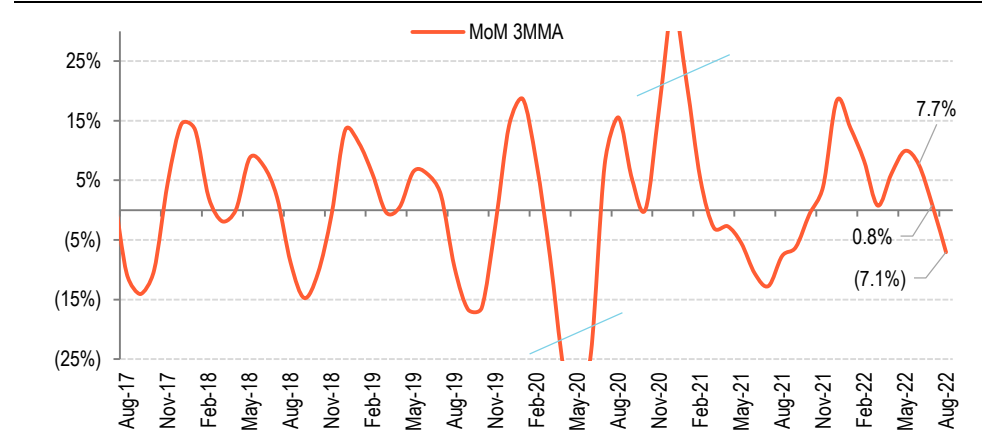


Fig 64 – Railway freight traffic movement remains weak, usual during this time of the year

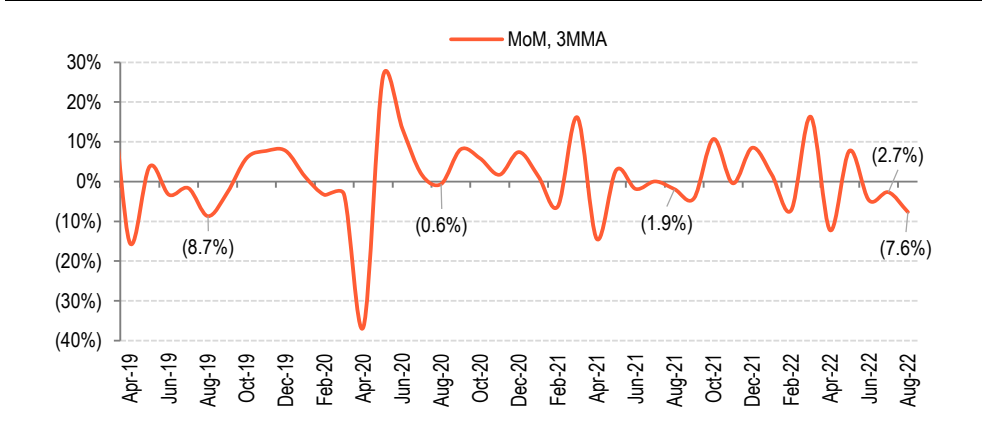


Fig 65 – Port cargo traffic also muted

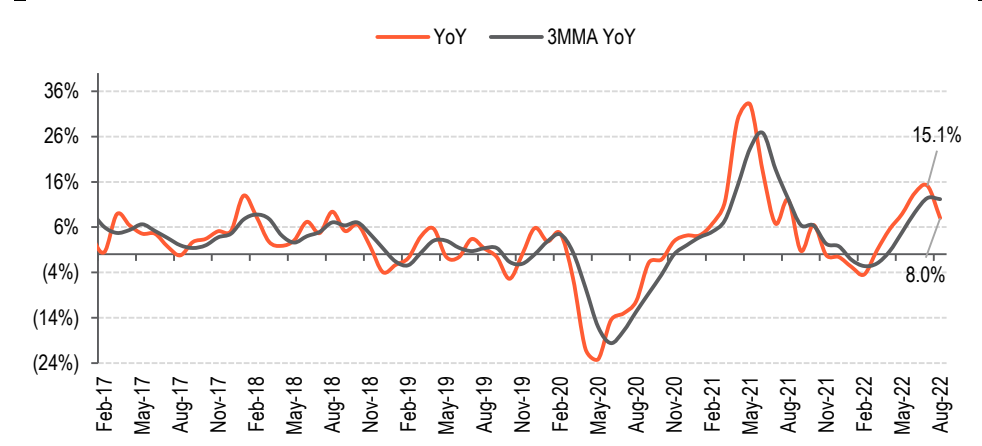


Fig 66 – Toll collections in Aug'22 seen reviving after two months

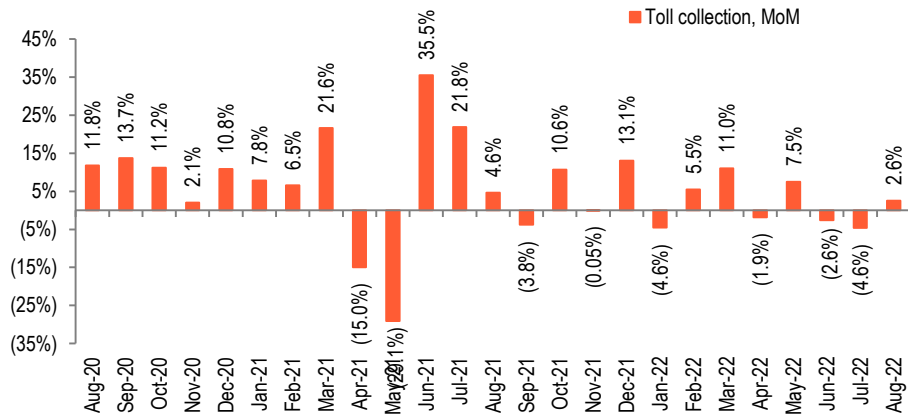
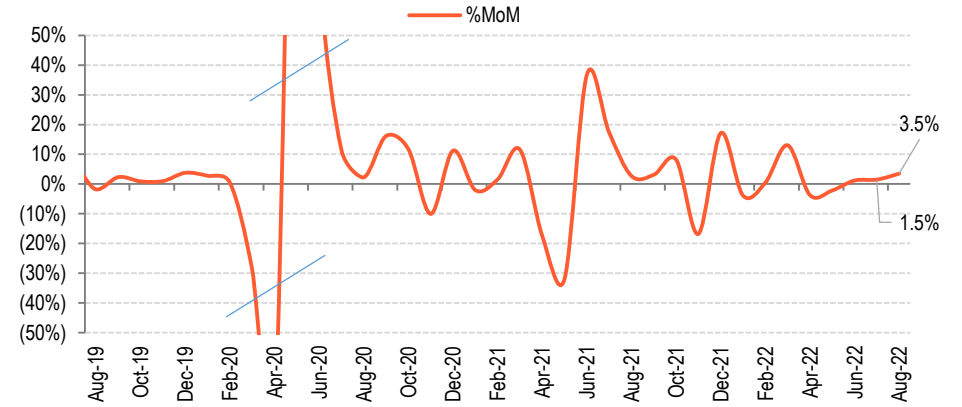


Fig 67 – E-way bill generation picks up pace



Hotels and communications

Fig 68 – Airline passenger traffic growth fell in Aug'22...

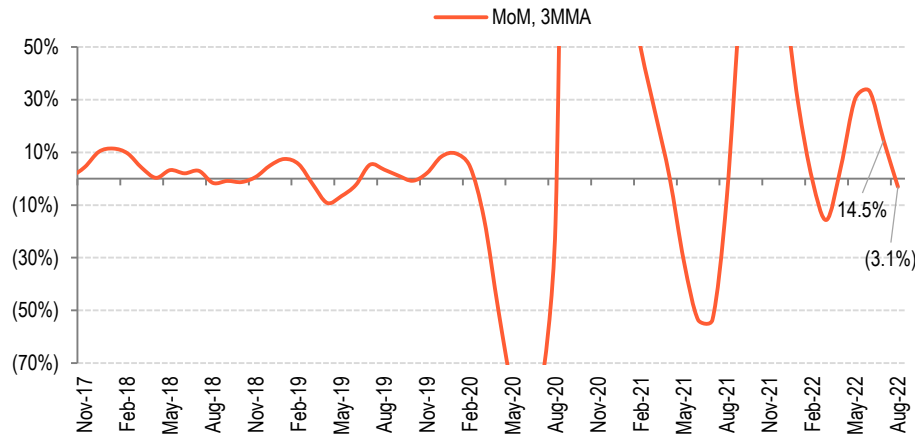


Fig 69 – ...led by slowdown in domestic passenger movement

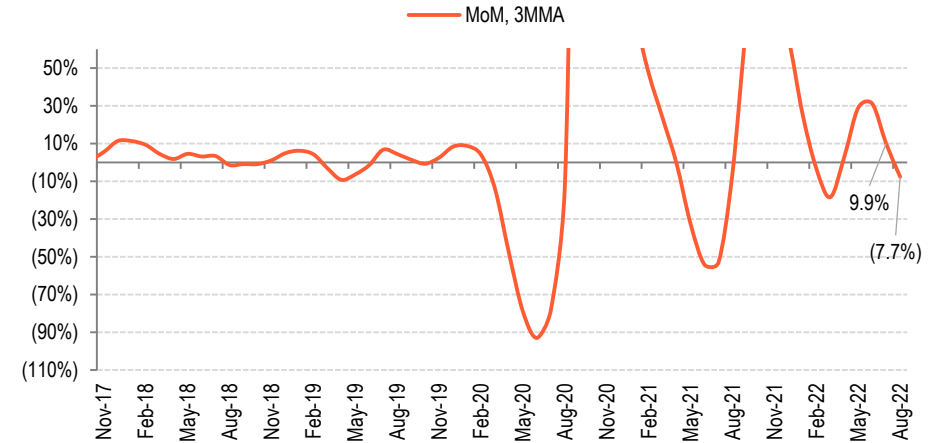


Fig 70 – Railway passenger traffic picked up pace in Jul'22

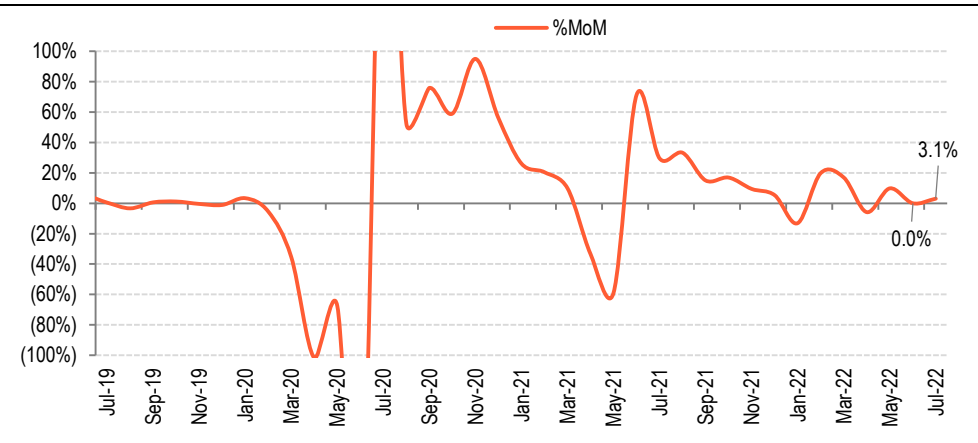
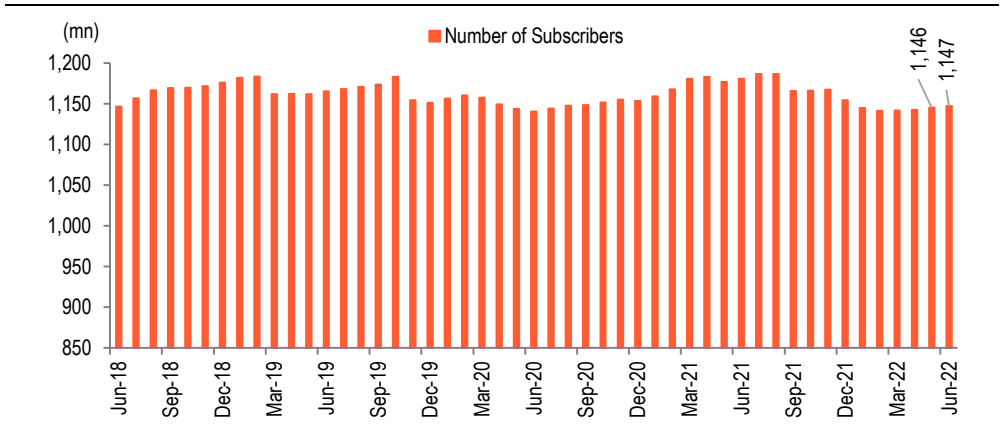


Fig 71 – Number of telecom subscribers rose by 5.3mn in Q1FY23 versus 3.6mn added in Q1FY20



Finance and real estate

Fig 72 – Growth in GVA: Finance, real estate & prof. jumped sharply in Q1FY23

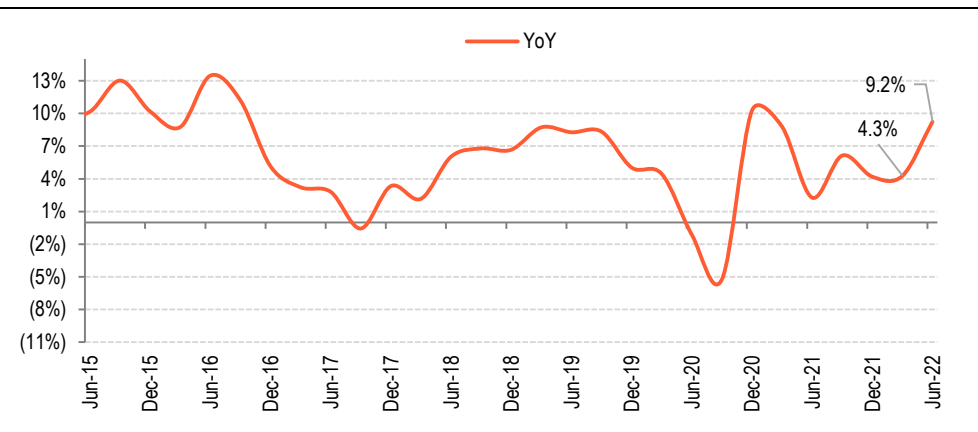
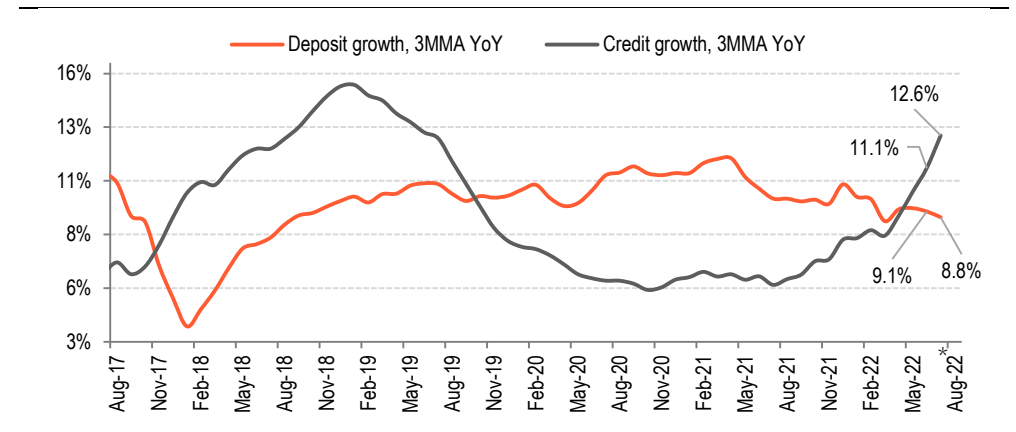


Fig 73 – Credit growth continues to accelerate, while deposit growth moderates further



*as of fortnight ending 15 Jul 2022

Fig 74 – Credit to both services and industry remains healthy

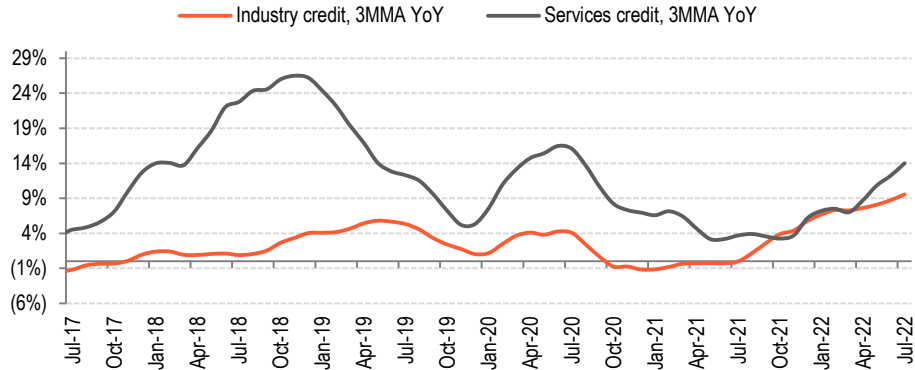


Fig 75 – Credit to Trade and commercial real estate lead the trend

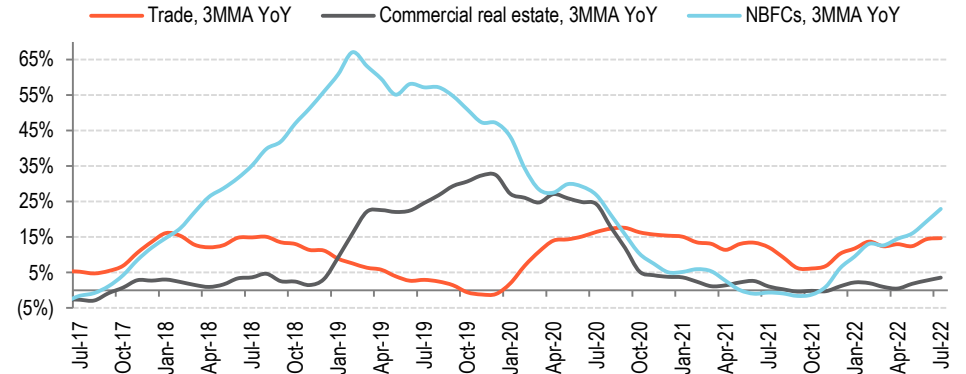
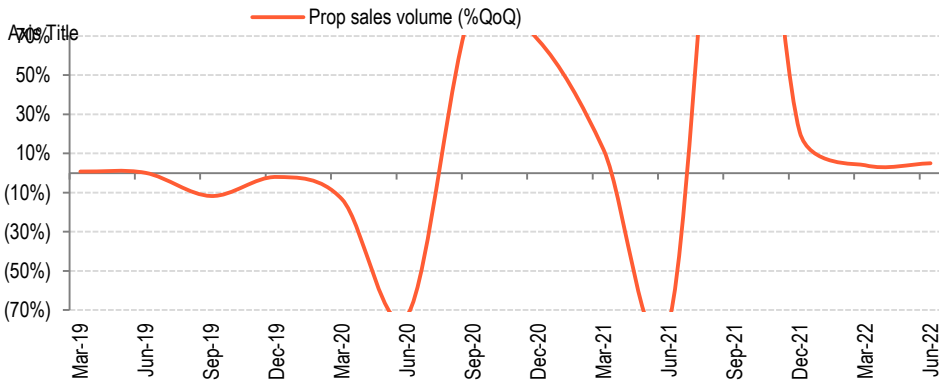
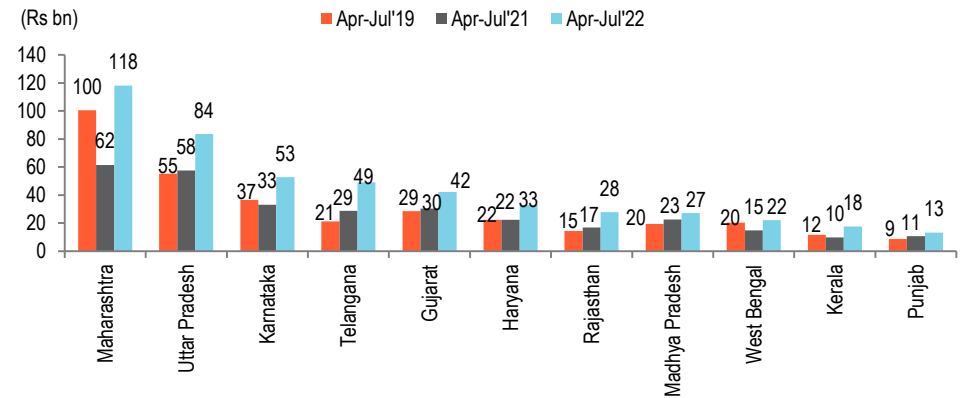


Fig 76 – Property sales volumes seen normalising



Source: Proptiger

Fig 77 – Stamp duty collections of all states in FYTD23 surpasses pre-pandemic levels (FYTD20)



Labour market

Fig 78 – Naukri job index dipped in Aug'22; although compared with Aug'19 the index remain 30.7% higher

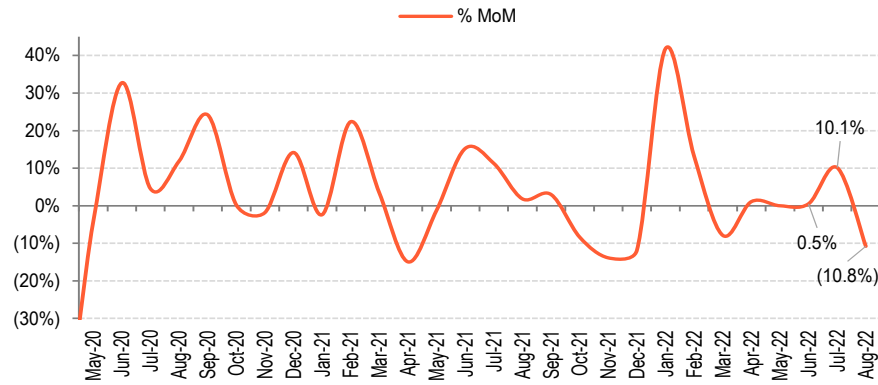
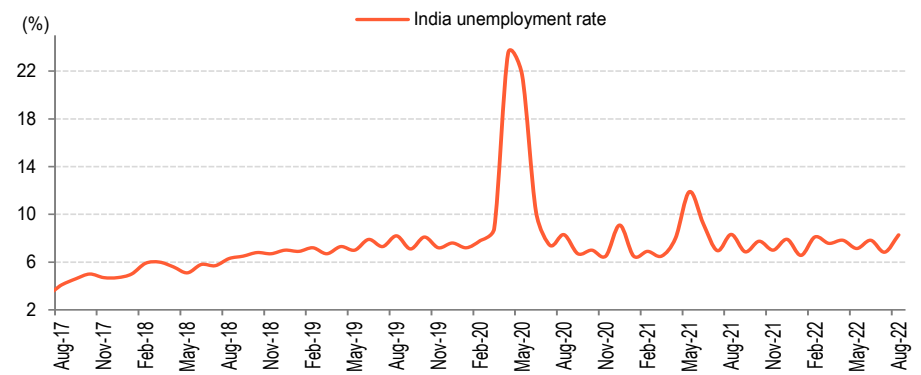


Fig 79 – Overall unemployment rate too inched up in Aug'22



Public administration

Fig 80 – Public administration & defence services supported services growth in Q1

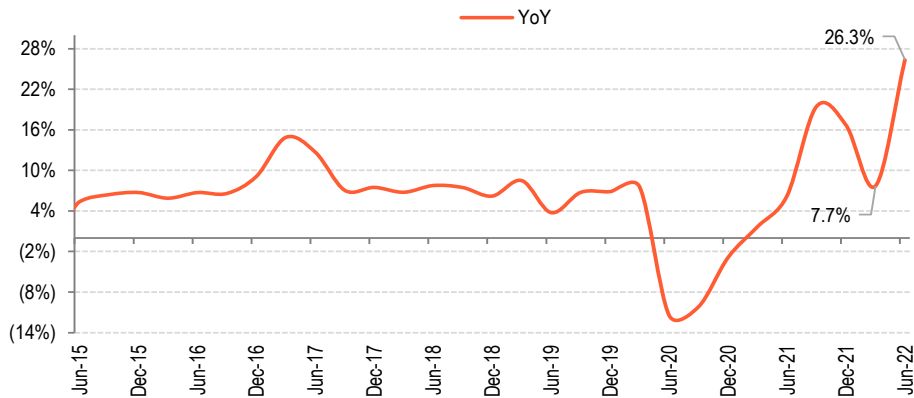


Fig 81 – General gov. spending slows in Jul'22, bur remains higher than last year...

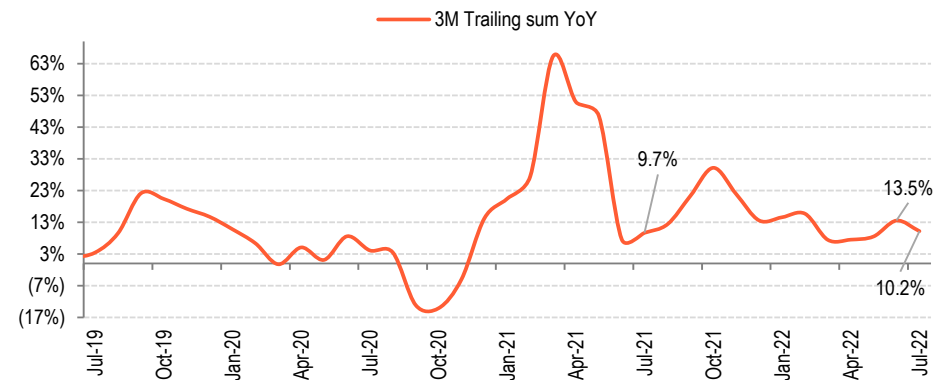


Fig 82 – ...led by Central government

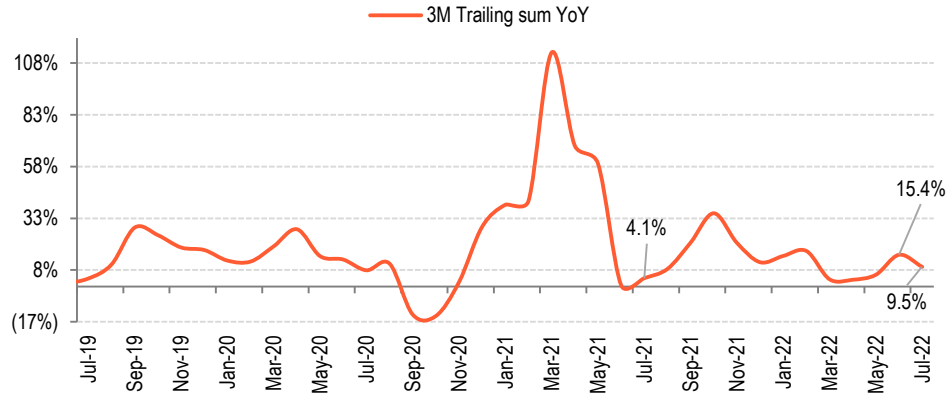
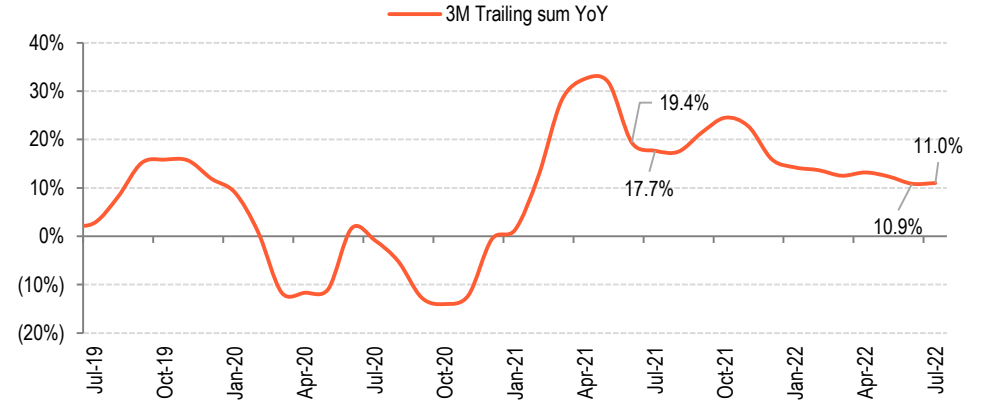


Fig 83 – State* Govt. spending was broadly stable, but weaker than last year

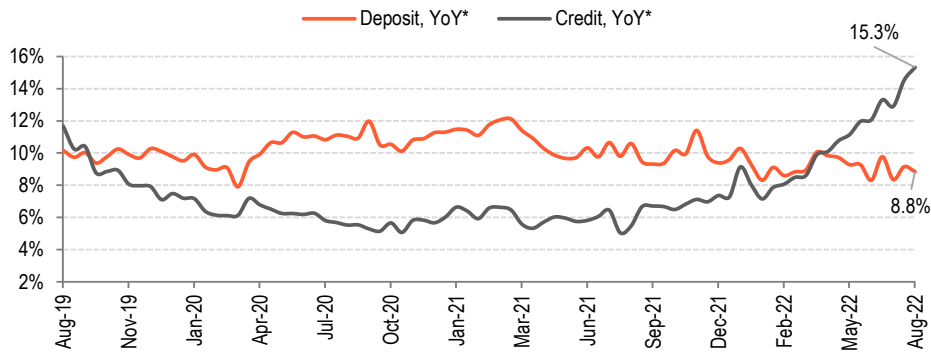


Note: *All states excluding N.E states, A.P, Goa, J&K and Tamil Nadu

Financial sector

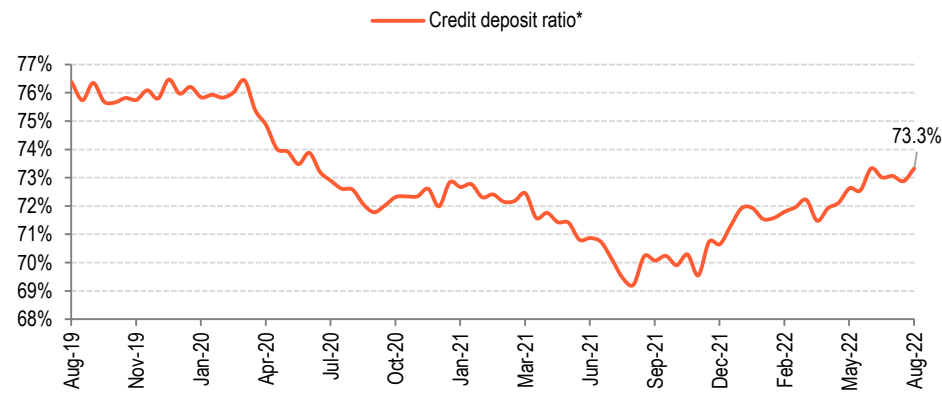
Money and banking

Fig 84 – Credit demand picked up to 15.3% in Aug'22 from 14.5% in Jul'22, deposit growth moderated to 8.8% from 9.2%



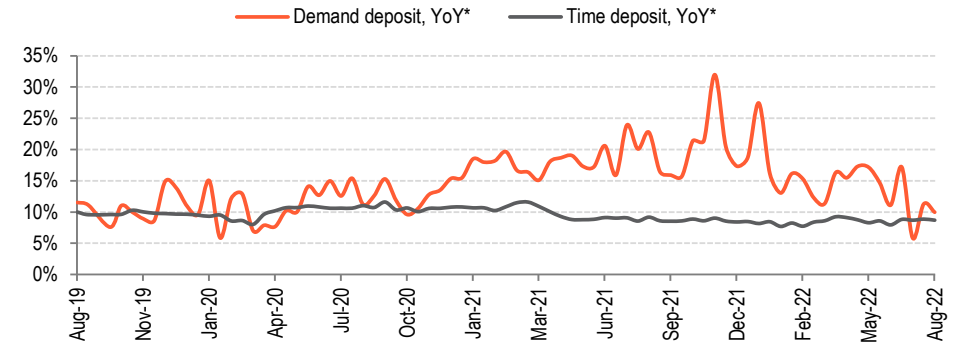
Note: *Jul'22 implies fortnight as of 15 Jul 2022

Fig 86 – CD ratio rose to 73.3%



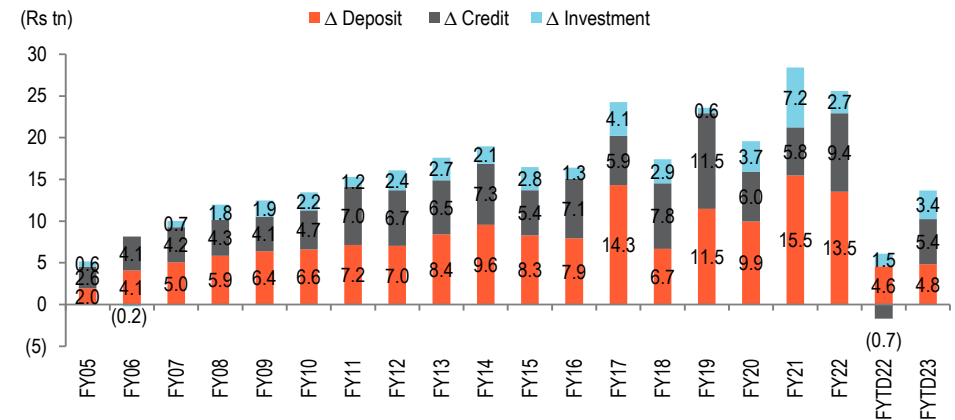
Note: *Jul'22 implies fortnight as of 15 Jul 2022

Fig 85 – ...Both demand and time deposits showed some moderation



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

Fig 87 – Pace of accretion of credit, investment and deposit



Note: FYTD:Apr-Aug

Fig 88 – Credit to govt rose to 8% in Jul’22 from 6.5% in Jun’22, credit to commercial sector rose to 13.2% from 12.0%

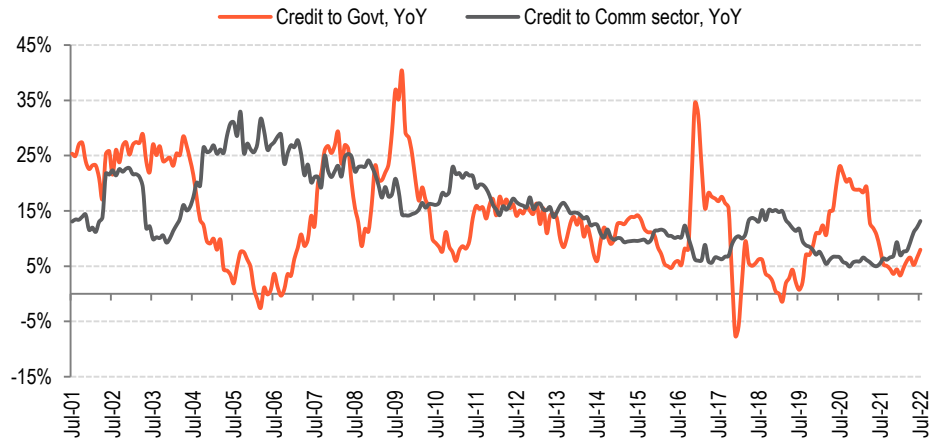


Fig 90 – WALR rose to 7.46% from 7.32% in Jun’22, WADTDR also inched up to 5.27% from 5.17%, in line with rising repo rate

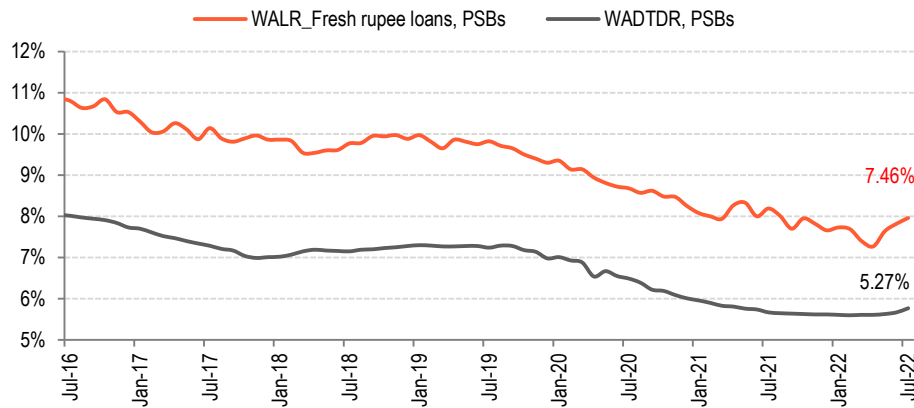


Fig 89 – Spread between call rate and repo

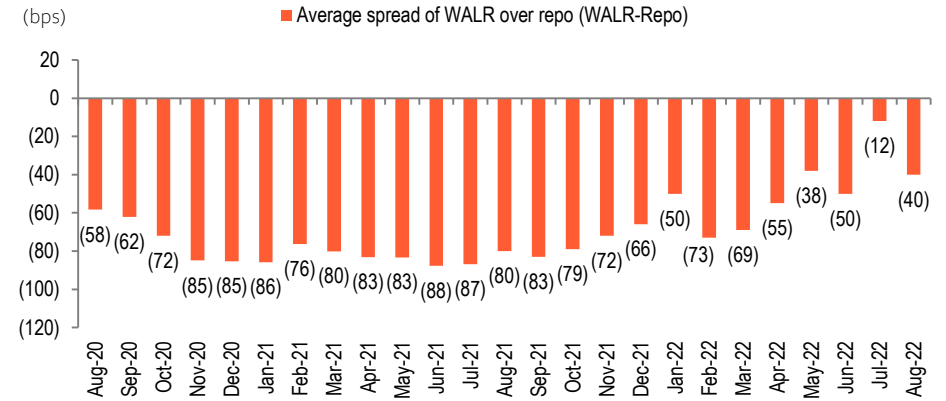
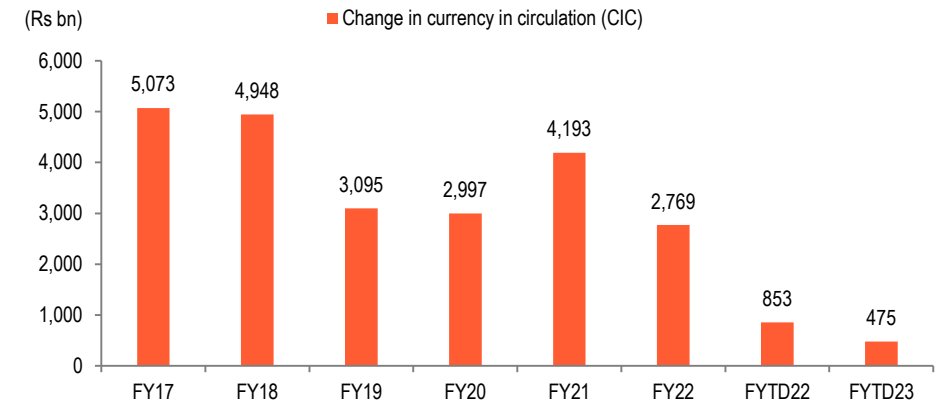
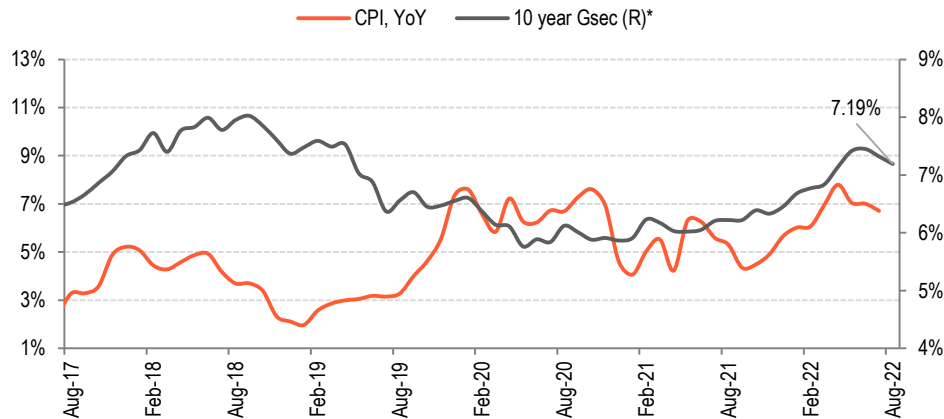


Fig 91 – CIC accretion in FYTD23 is happening at a far slower pace of Rs 475bn against Rs 853bn seen in the same period of last year



Note: FYTD:Apr-Aug

Fig 92 – 10Y GSec yield moderated to 7.19% in Aug'22 from 7.32% in Jul'22 and currently trading at 7.22%, inflation moderated to 6.7% in Jul'22



Note: *As on last trading day of the month

Fig 94 – Corporate debt issuance rose to Rs 689bn from Rs 449bn in Jun'22

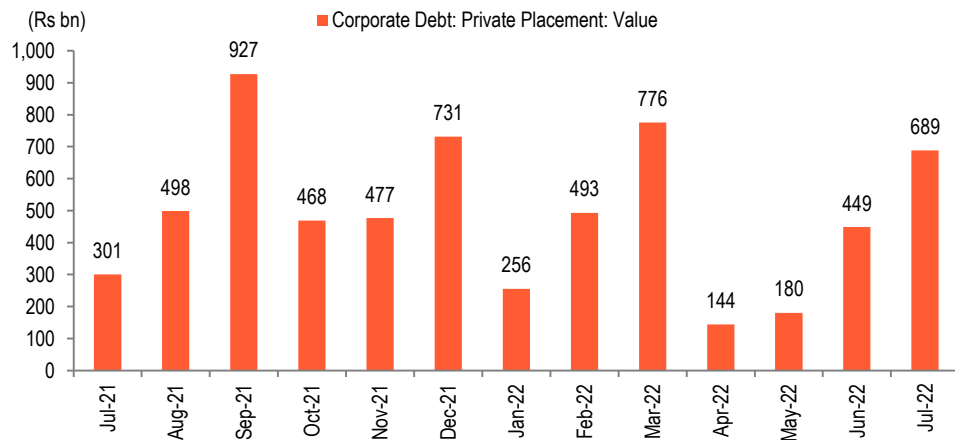
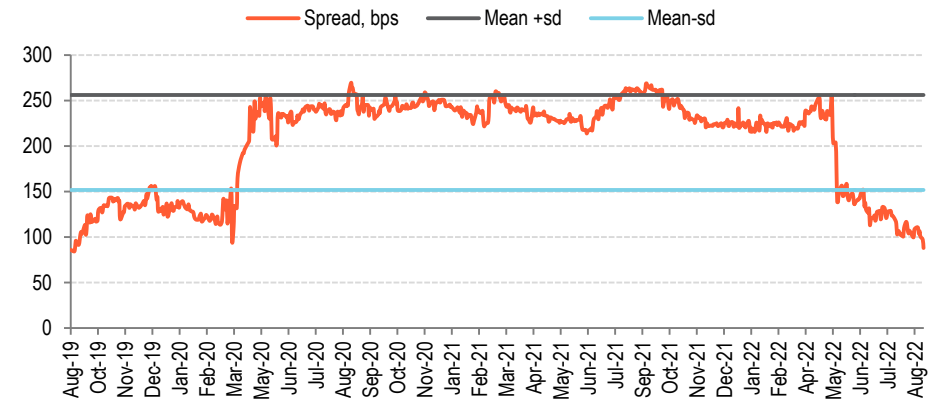
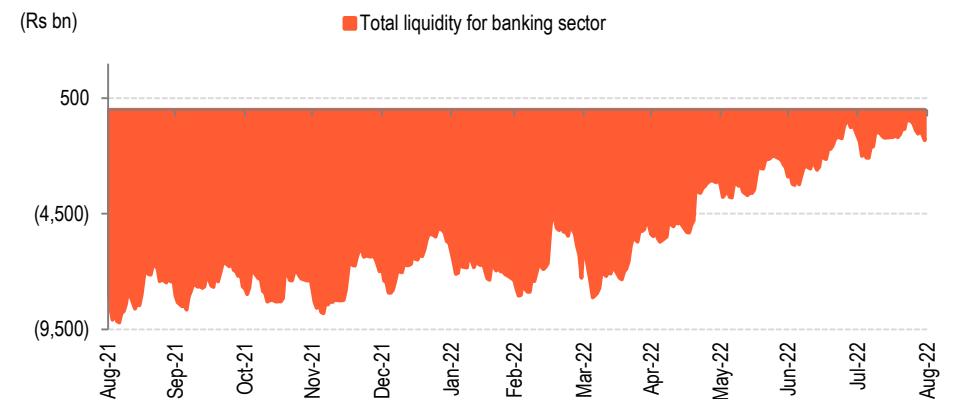


Fig 93 – Spread between 1Y TBill and 10Y Gsec is far below its lower mean reversion level



Source: Bloomberg

Fig 95 – Average system liquidity surplus has fallen to Rs 1.2tn in Aug'22 from Rs 2tn in Jul'22 and currently higher at Rs 2.1tn



Source: RBI

Fig 96 – 3Y AAA NBFC spread rose to 57bps as on 31 Aug 2022 from 43bps as on 29 Jul 2022

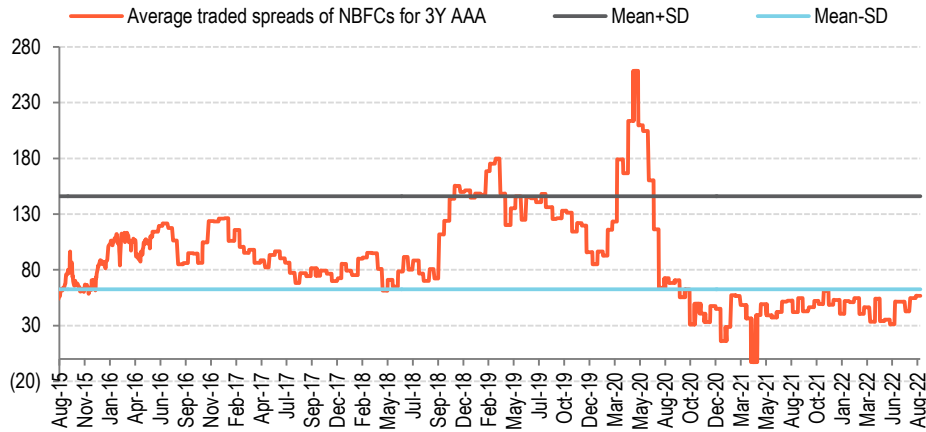


Fig 97 – However, 10Y AAA NBFC spread rose to 39bps as on 31 Aug 2022 from 32bps as on 29 Jul 2022

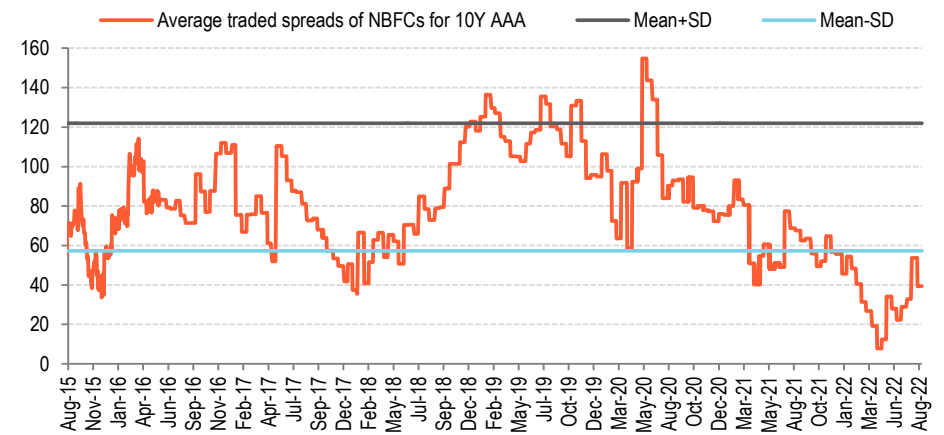


Fig 98 – 3Y AAA corp rose to 37bps as on 31 Aug 2022 from 28bps as on 29 Jul 2022

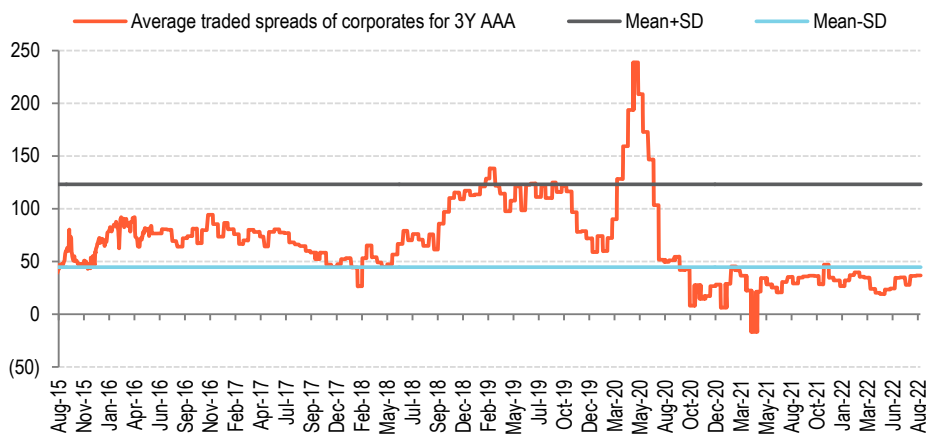


Fig 99 – However, 10Y AAA corp spread rose to 29bps from 22bps as on 29 Jul 2022

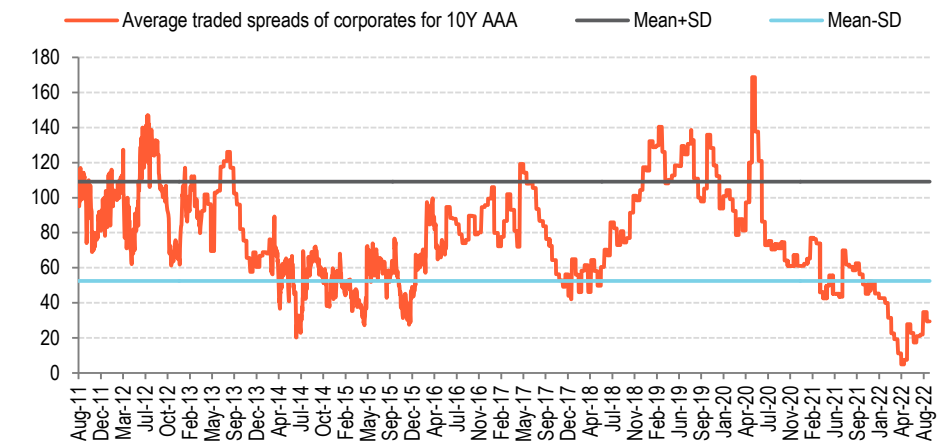


Fig 100 – INR 3Y swap was at 6.37 against 6.26 as on 29 Jul 2022

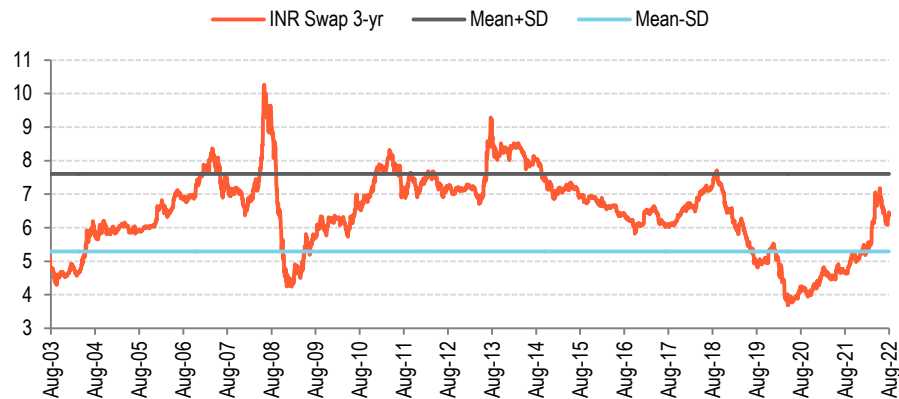
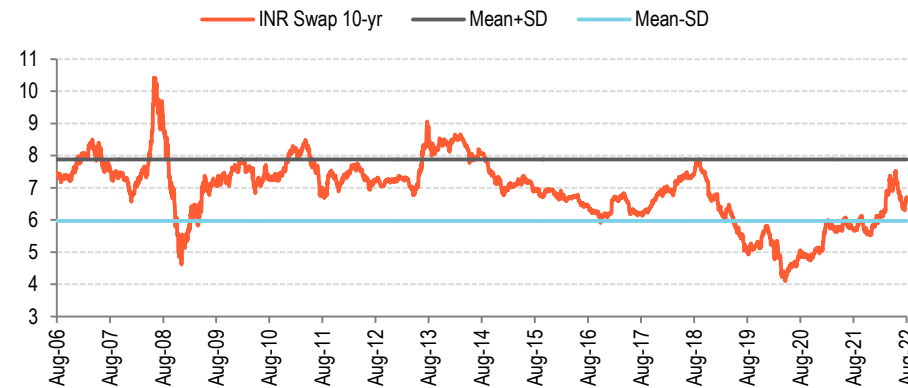


Fig 101 – For 10Y, it rose to 6.60 as on 30 Aug 2022 from 6.49 as on 29 Jul 2022



Interest rates on small savings schemes

Fig 102 – 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

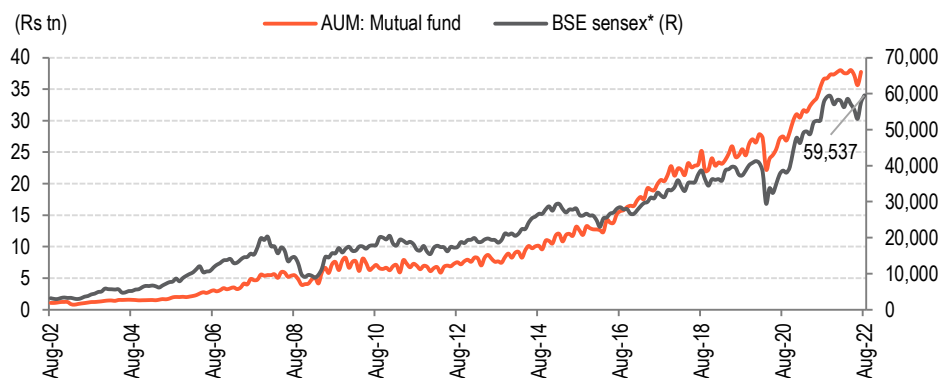
Fig 103 – MCLR rate of banks increased

1Y MCLR (%)	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	Aug'22
Public Sector Banks															
Bank of Baroda	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	7.70
Bank of India	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	7.60
Canara Bank	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	7.65
Indian Bank	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	7.65
Punjab National Bank	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	7.65
State Bank of India	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.10	7.20	7.40	7.50	7.70
Union Bank of India	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	7.70
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	7.40	7.75	7.95	8.00	8.05
HDFC Bank Ltd.	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	8.10
ICICI Bank Ltd.	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	7.90
Indusind Bank	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	9.30
Kotak Mahindra Bank	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	8.10

Source: RBI

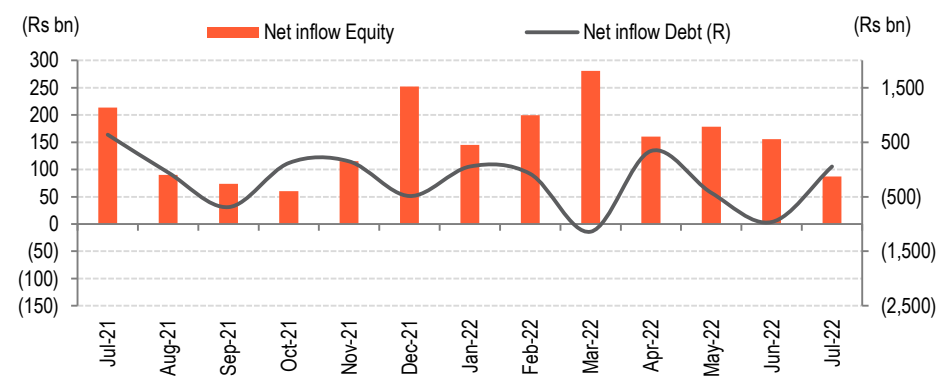
Mutual fund (MF) indicators

Fig 104 – Sensex rose by 3.4% to 59,537 in Aug'22, AUM of MFs rose to Rs 38tn in Jul'22 from Rs 36tn in Jun'22



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

Fig 105 – MF equity inflows moderated to Rs 87bn in Jul'22 from Rs 155bn in Jun'22; debt inflow stood at Rs 55bn against outflow of Rs 963bn seen in Jun'22



Insurance sector indicators

Fig 106 – Sale of life insurance policies edged down to 8.8% from 32.8% in Jun'22

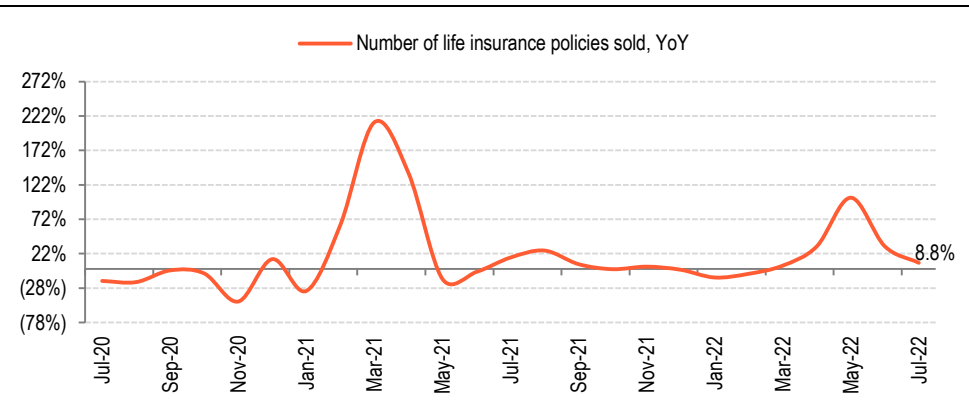
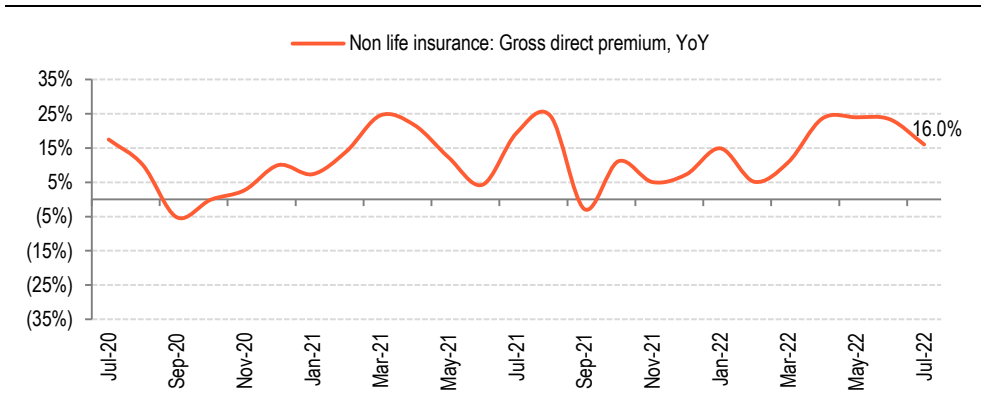


Fig 107 – Gross direct premium for non-life insurance moderated to 16% in Jul'22, on account of unfavourable base



Public finance

Central government finances

Fig 108 – Fiscal deficit moderates to 6.3% of GDP in Jul'22

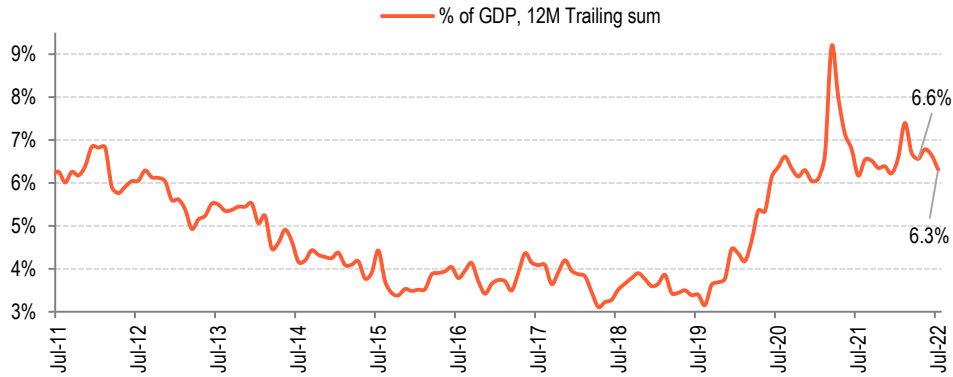


Fig 109 – Revenue deficit narrows further

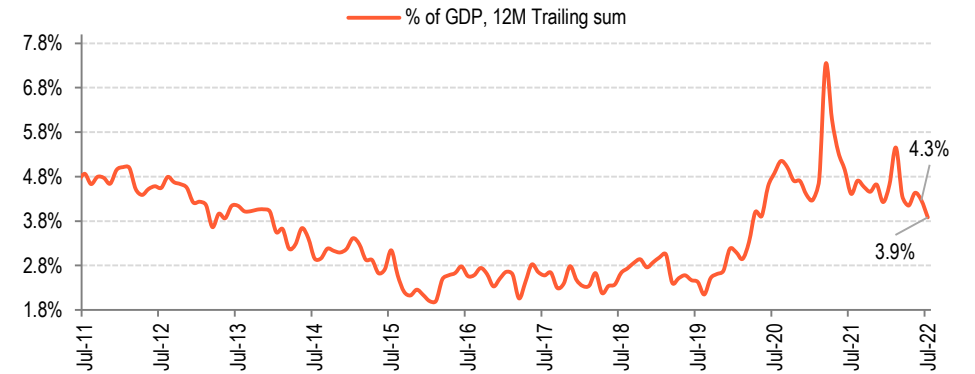


Fig 110 – ...similar trend was visible in primary deficit

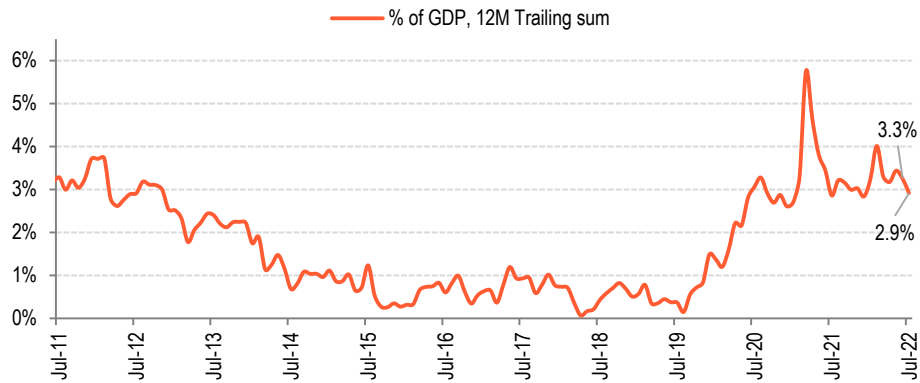


Fig 111 – Government picks up marginally in Jul'22 (12MMA)

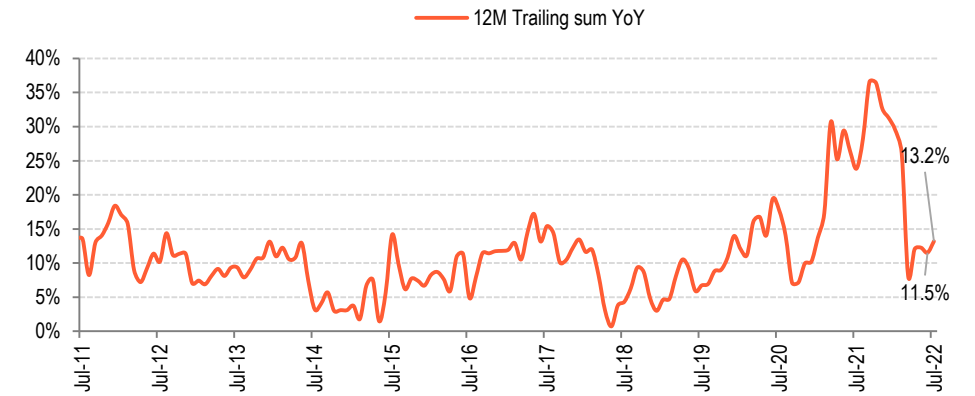


Fig 112 – ...led by capex growth

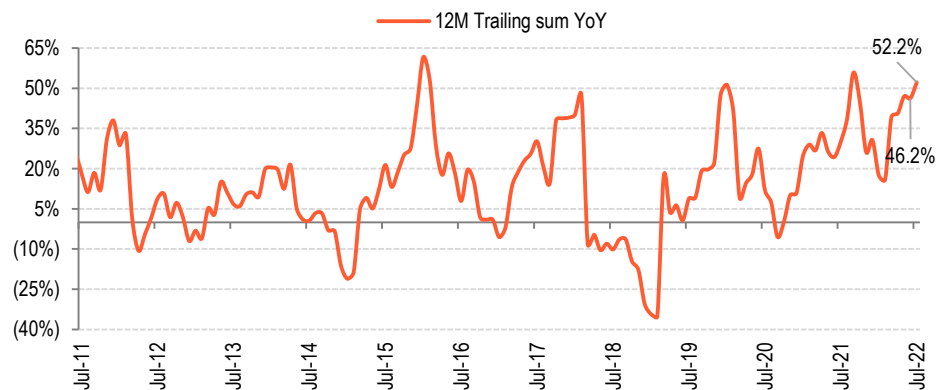


Fig 113 – Revenue spending too seen picking up

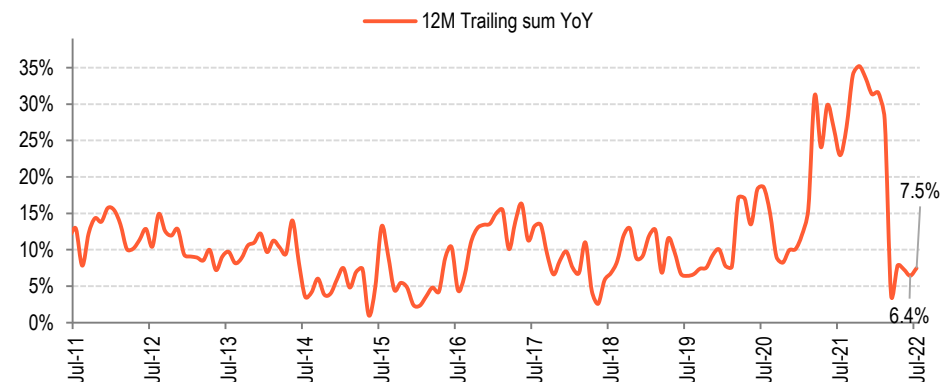


Fig 114 – In FYTD23, ministries of petroleum, consumer affairs, and health cut back spending the most, while it was accelerated by ministries of road transport, chemicals and defence

Ministry	Apr-Jul'20	Apr-Jul'21	% change	Apr-Jul'22	% change
Ministry of Finance	3,786	3,557	(6.0)	4,005	12.6
Ministry of Defence	1,593	1,472	(7.6)	1,785	21.2
Ministry of Consumer Affairs, Food and Public Distribution	700	991	41.6	744	(24.9)
Ministry of Rural Development	1,023	539	(47.3)	476	(11.8)
Ministry of Home Affairs	504	566	12.3	653	15.5
Ministry of Human Resource Development	202	237	17.2	158	(33.5)
Ministry of Road Transport and Highways	266	515	93.7	865	68.0
Ministry of Chemicals and Fertilisers	313	268	(14.2)	455	69.6
Ministry of Petroleum and Natural Gas	196	25	(87.0)	2	(93.9)
Ministry of Agriculture	505	340	(32.7)	299	(12.1)
Ministry of Health and Family Welfare	271	249	(7.8)	202	(19.2)

Fig 115 – Receipt growth seen stabilizing in Jul’22...

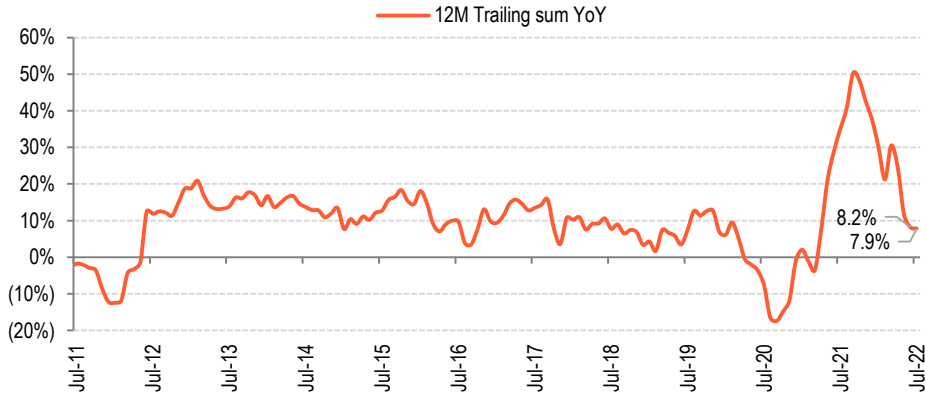


Fig 116 – ...supported by revenue receipts

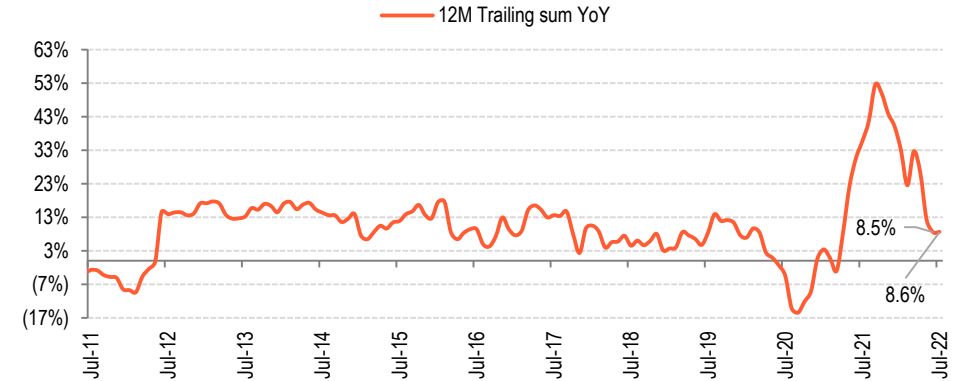


Fig 117 – Tax receipts see further moderation on 12MMA basis

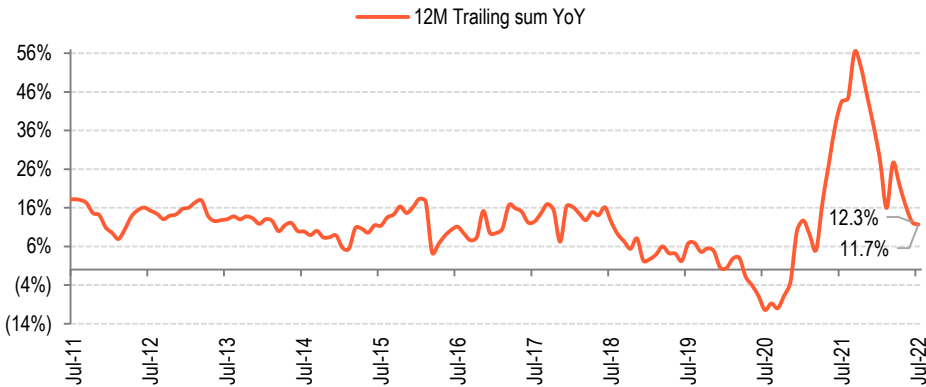


Fig 118 – Non-tax revenue growth showing signs of improvement

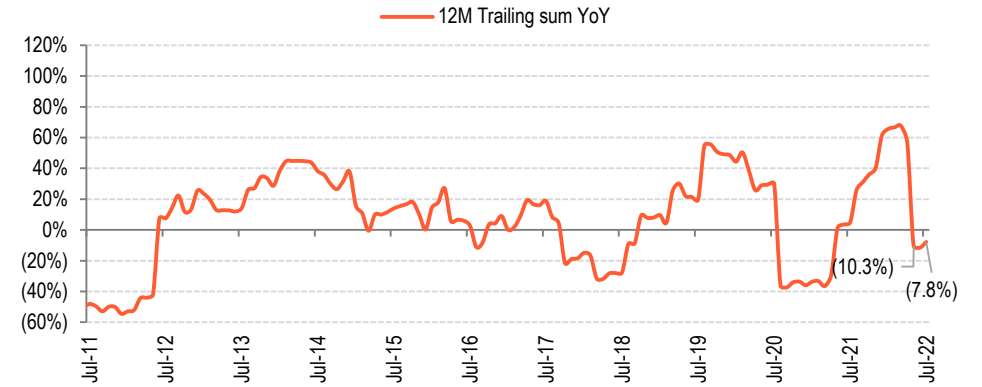


Fig 119 – Centre’s capex growth remains robust; revenue collections also on track

	Apr-Jul'20	Apr-Jul'21	% change	Apr-Jul'22	% change
Gross Tax revenue	3,800	6,959	83.1	8,695	24.9
Direct taxes	1,450	3,071	111.8	4,383	42.7
Corp Tax	537	1,459	171.5	1,965	34.7
Income Tax	912	1,612	76.7	2,418	50.0
Indirect taxes	2,350	3,888	65.4	4,312	10.9
Non-tax revenue	246	1,400	468.6	896	(36.0)
Centre's revenue (net)	2,274	6,691	194.3	7,558	12.9
Total expenditure	10,542	10,044	(4.7)	11,267	12.2
Capital exp	1,118	1,284	14.8	2,087	62.5
Revenue exp	9,424	8,760	(7.0)	9,181	4.8
Fiscal deficit	8,213	3,211	(60.9)	3,408	6.1

Fig 120 – Gross direct tax collections remained stable in Jul'22 (12MMA basis)

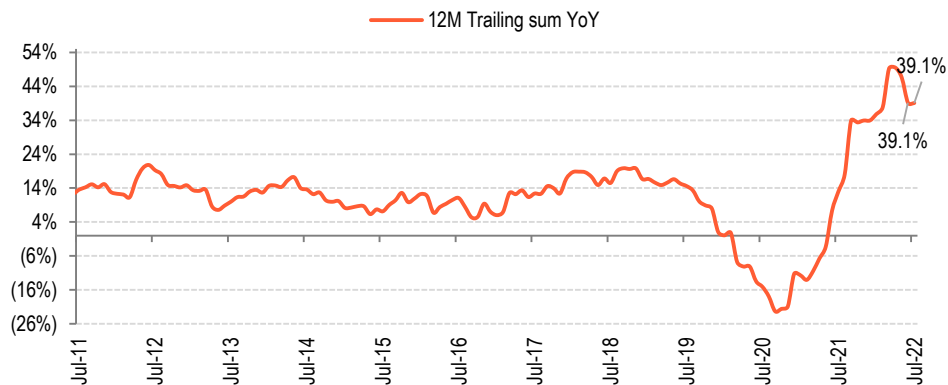


Fig 121 – Gross indirect tax collections eased

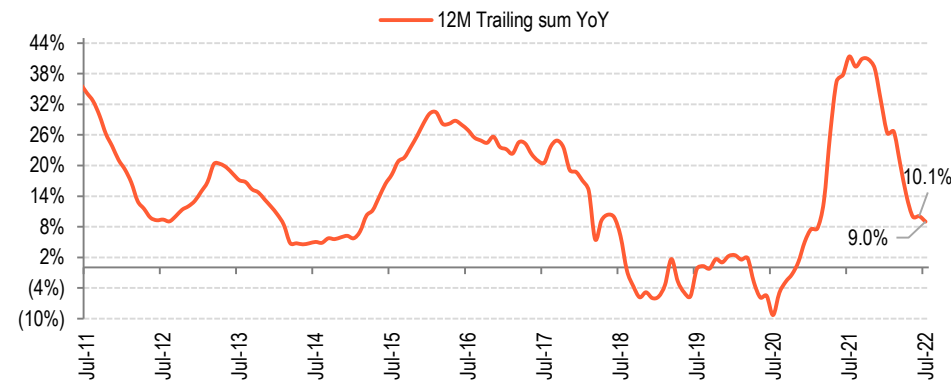


Fig 122 – Corporate tax collections register a dip

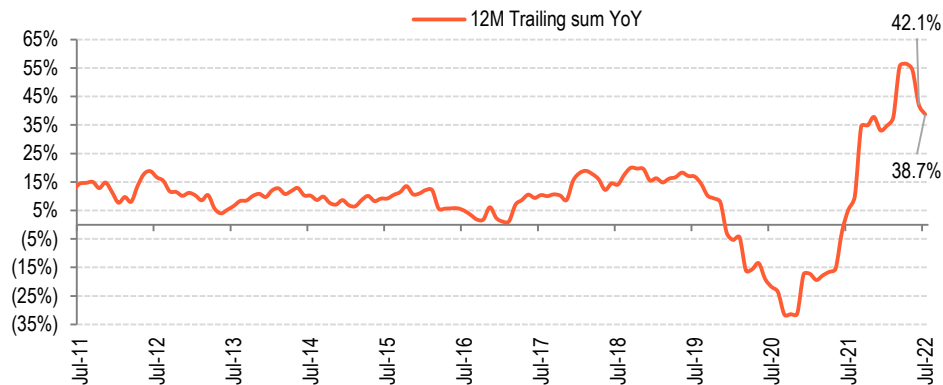


Fig 123 – Income tax collections continue inch up in Jul'22

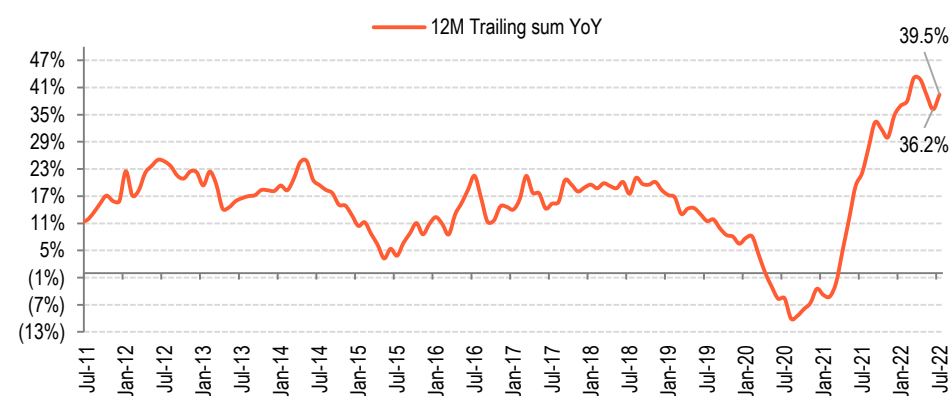


Fig 124 – GST collections remain over Rs 1.4 lakh crore mark for the 4th consecutive month

(Rs bn)	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	Monthly run rate (FY23)	FYTD23	FY23 (BE)
CGST	479	533	474	485	492	462	697	482	633	641	499	654	554	587	2,347	6,600
UT GST	2.5	2.9	2.2	1.4	1.2	2.5	4.3	1.6	12.3	1.6	2.4	2.6	1.6	2	8	-
IGST	(37)	(162)	(6)	90	72	146	(279)	79	(145)	113	47	(164)	69	16	66	-
SGST*	601	711	747	656	637	681	814	758	1,084	549	796	890	705	735	2,939	-
Cess	75	85	85	82	94	91	95	101	91	104	102	107	107	105	420	1,200
Total GST	1,120	1,170	1,301	1,315	1,298	1,384	1,330	1,421	1,675	1,409	1,446	1,490	1,436	1,445	5,781	-

Source: PIB | *Computed from PIB and CGA data

Fig 125 – Rising central government debt a key concern

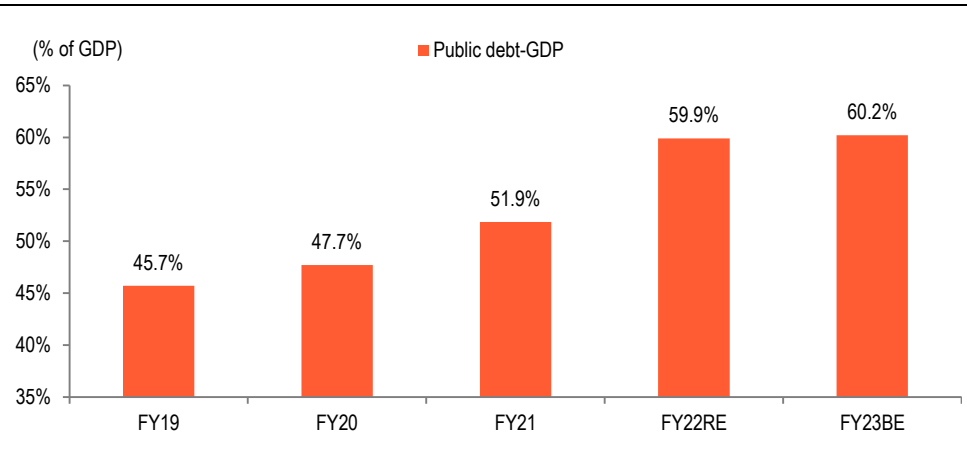
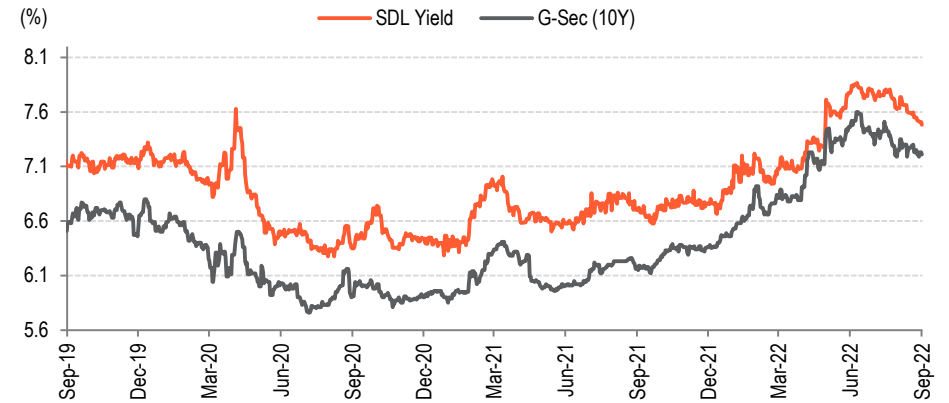
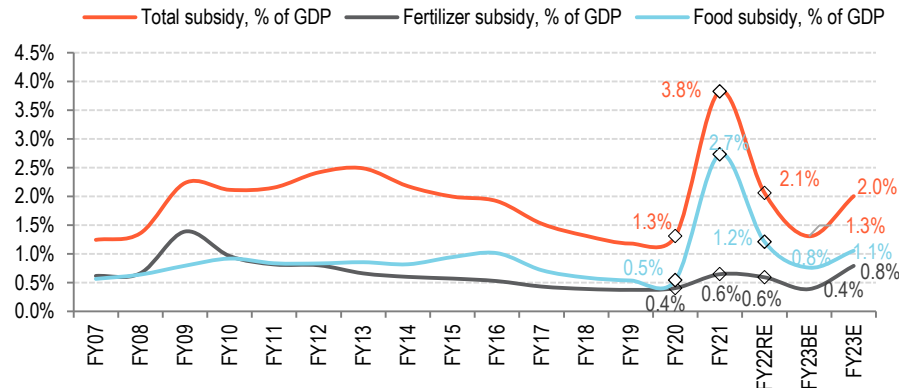


Fig 126 – Spread between 10Y G-sec and SDL yield narrowed in Aug'22, it has further reduced sharply in Sep'22 so far



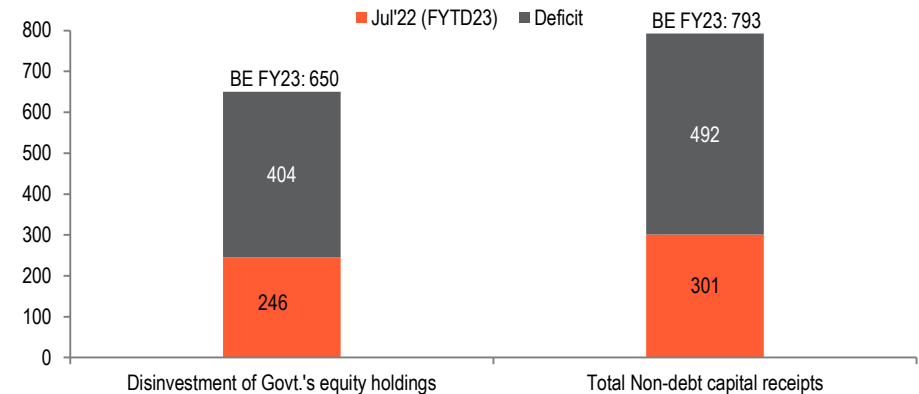
Source: CCIL

Fig 127 – Subsidy burden to inch up in FY23E



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

Fig 128 – Central govt. FY23 disinvestment status



Central government borrowing

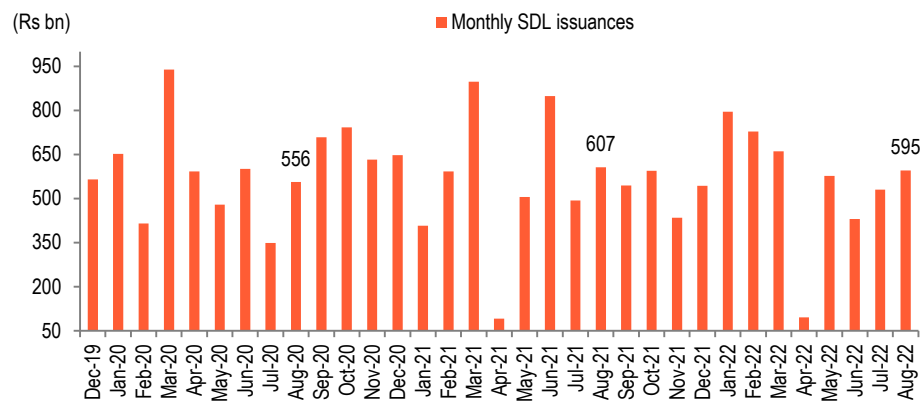
Fig 129 – Centre’s T-bill issuances in Q2FY23* has been at Rs 2.5tn

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	2,527	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 Aug 2022

State government borrowing

Fig 131 – State government borrowings gathers further pace in Jul’22



Source: RBI

Fig 130 – Centre’s gross borrowing in Q2FY23* is at Rs 3.1tn

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	3,083*	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 2 Sep 2022

Fig 132 – States’ Q2 market borrowings in FY23 at 53% 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	1,184*	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 6 Sep 2022

External sector

Exports

Fig 133 – India’s exports moderating in line with global exports

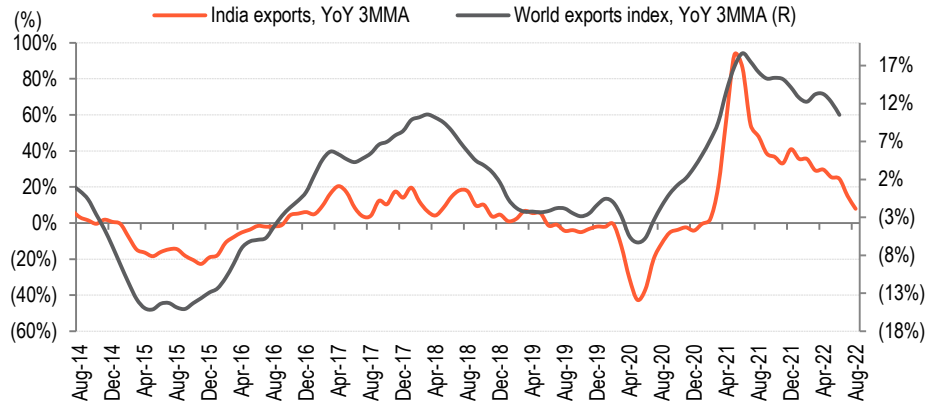
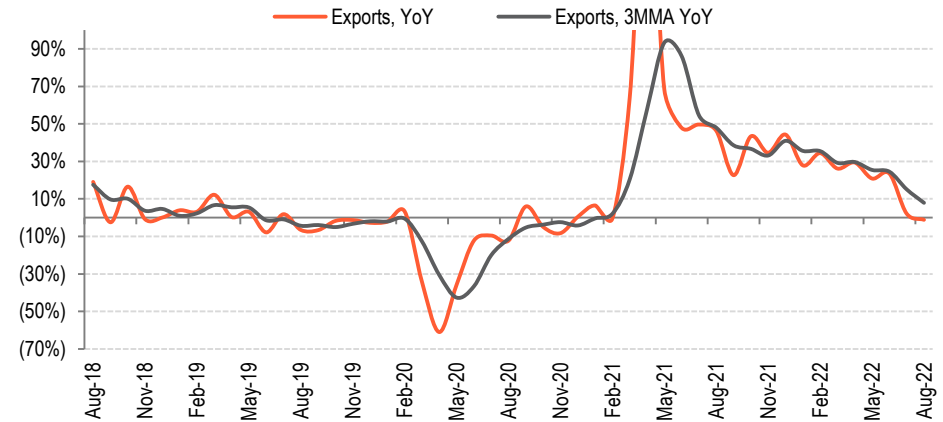


Fig 134 – India’s export growth declined by 1.1% in Aug’22-first decline in 18 months



Exports by major sectors

Fig 135 – Oil exports moderated further to 5.6% in Aug’22 compared with 9.1% in Jul’22

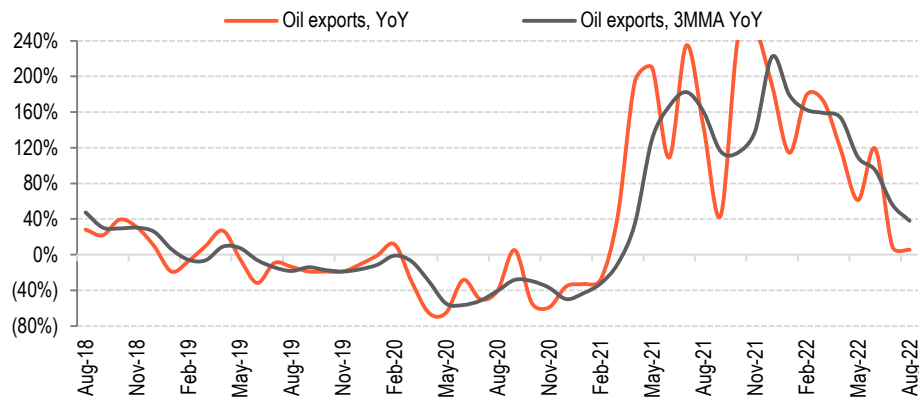


Fig 136 – Exports of engineering goods contracts sharply by 14.6% in Aug’22

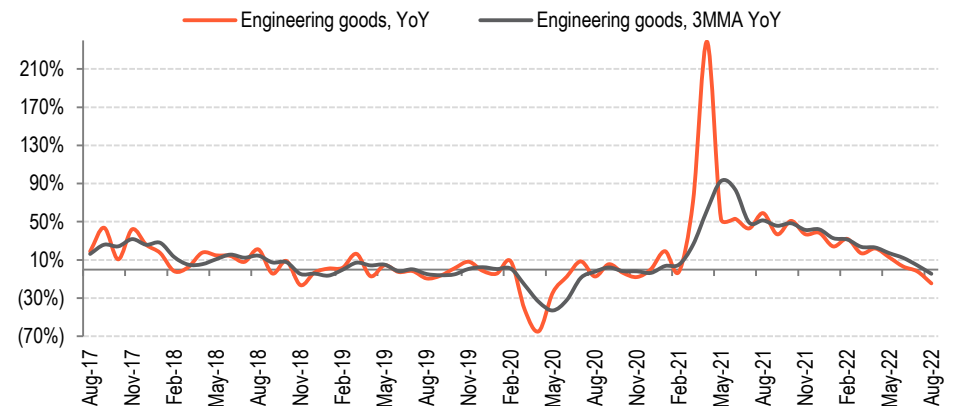


Fig 137 – Gems and jewellery exports also contract in Aug'22

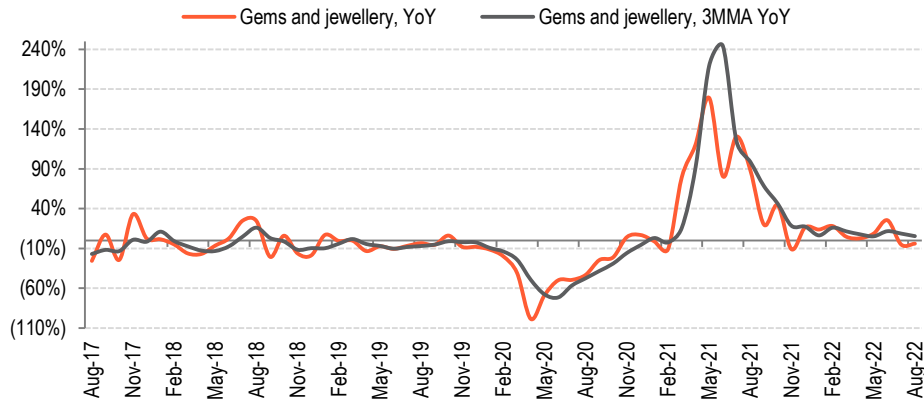
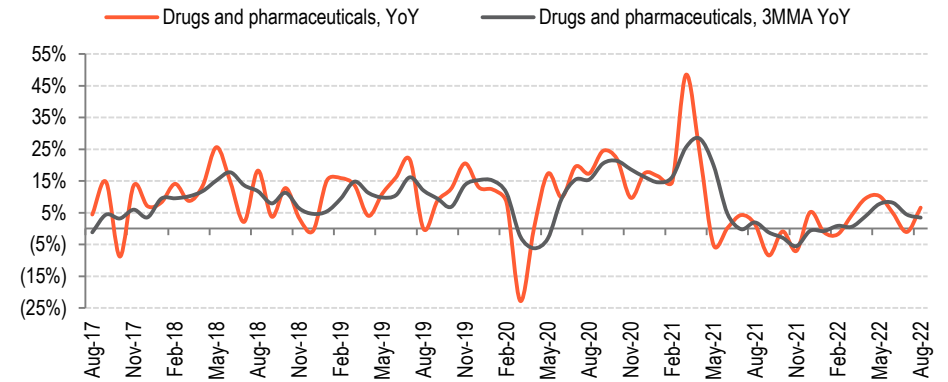


Fig 138 – However, exports of drugs and pharmaceuticals improve to 6.6% in Aug'22



Imports

Fig 139 – Imports growth moderated a tad; but remains elevated at 36.8% in Aug'22

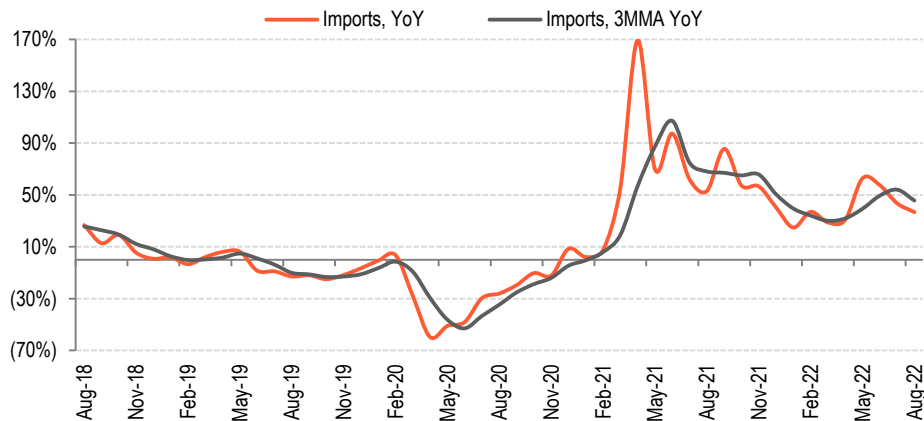


Fig 140 – Oil imports remain elevated

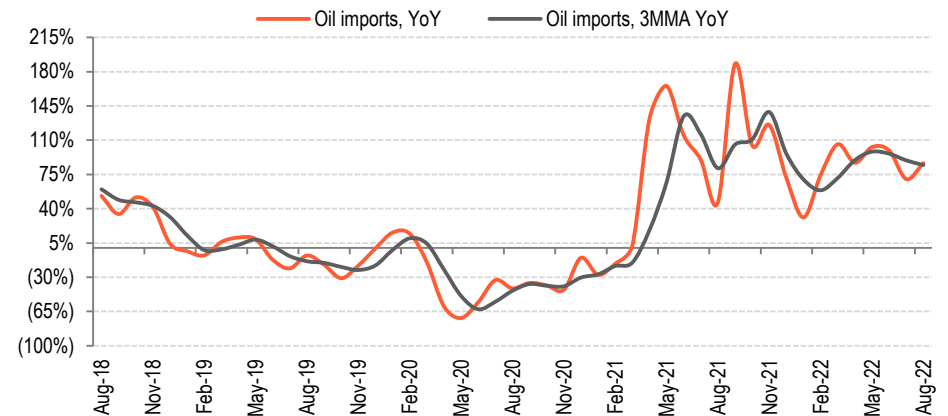


Fig 141 – Import of pearl and precious metals inches down

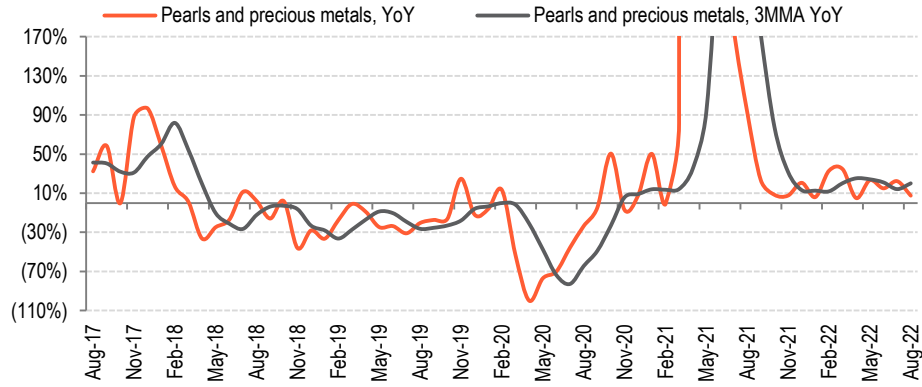


Fig 142 – Similar trend in coal imports

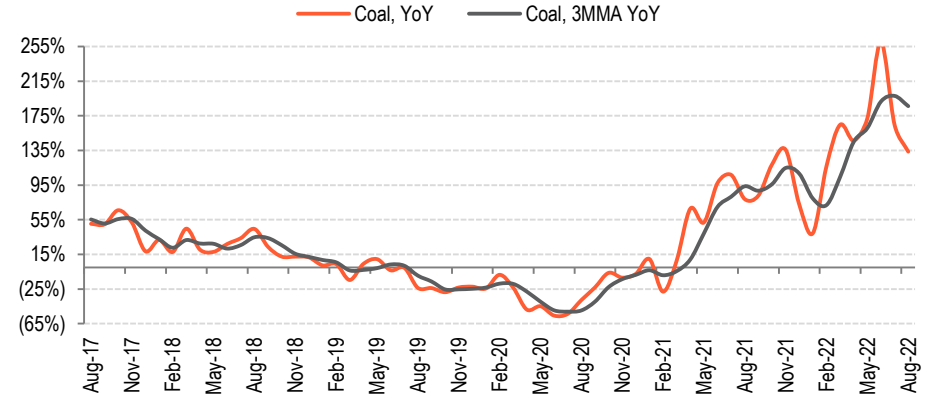


Fig 143 – Import of vegetable oils also lower

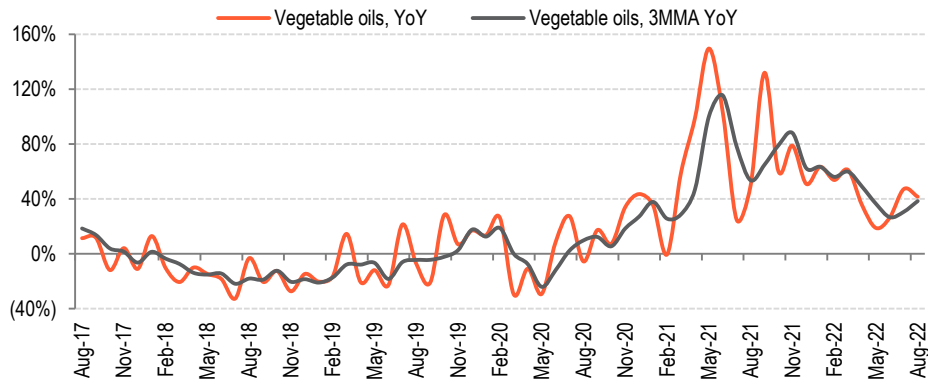
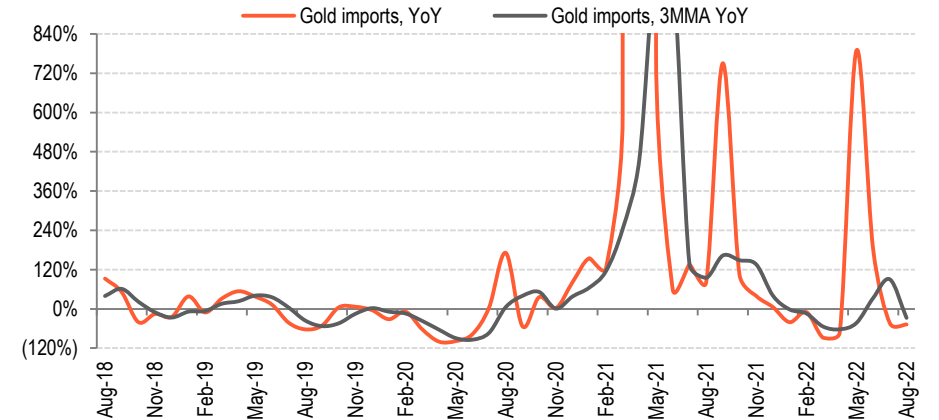


Fig 144 – .. However gold imports picked up



Exports and imports by major regions

Fig 145 – 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 146 – 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 147 – Trade deficit narrowed moderately in Aug'22; still remains elevated ta US\$ 28.7bn

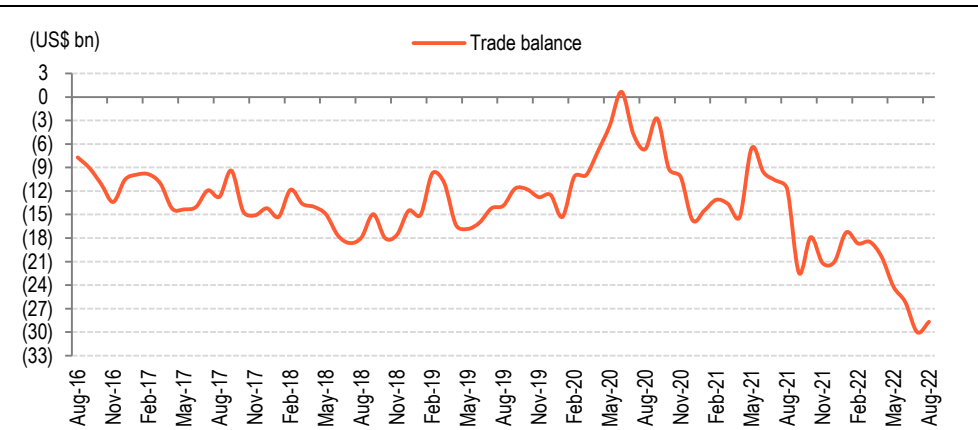
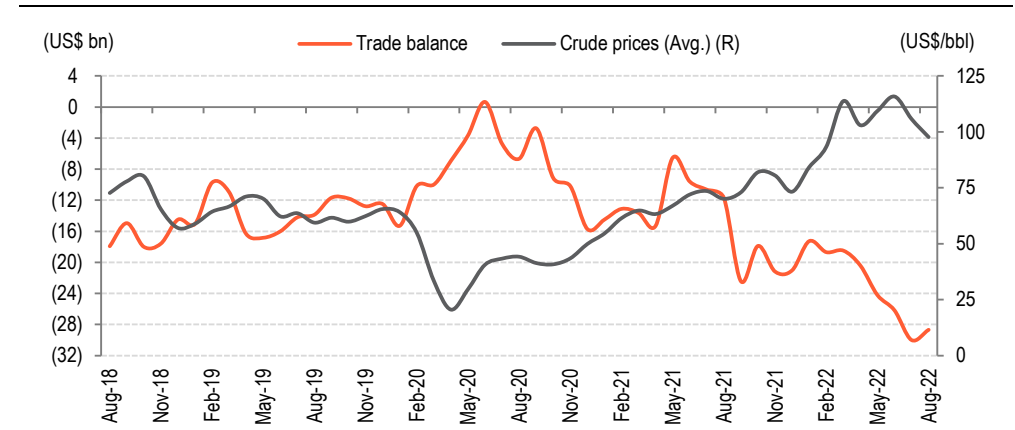
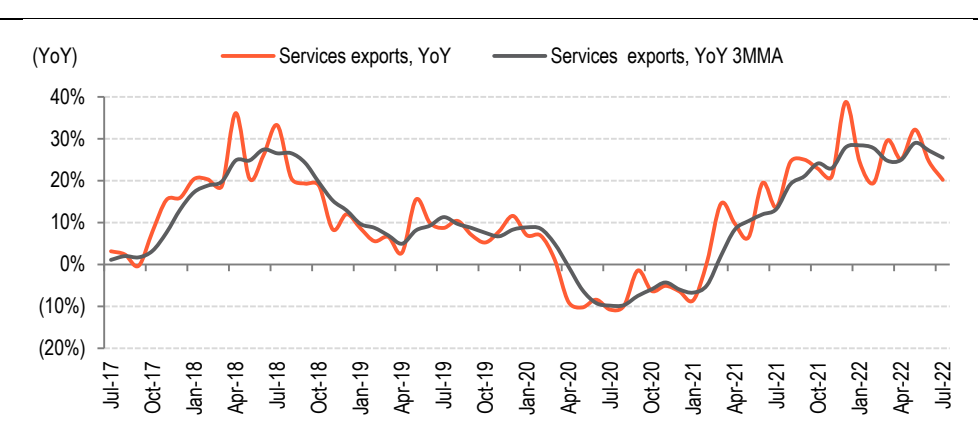


Fig 148 – Lower oil prices contributed to smaller trade deficit



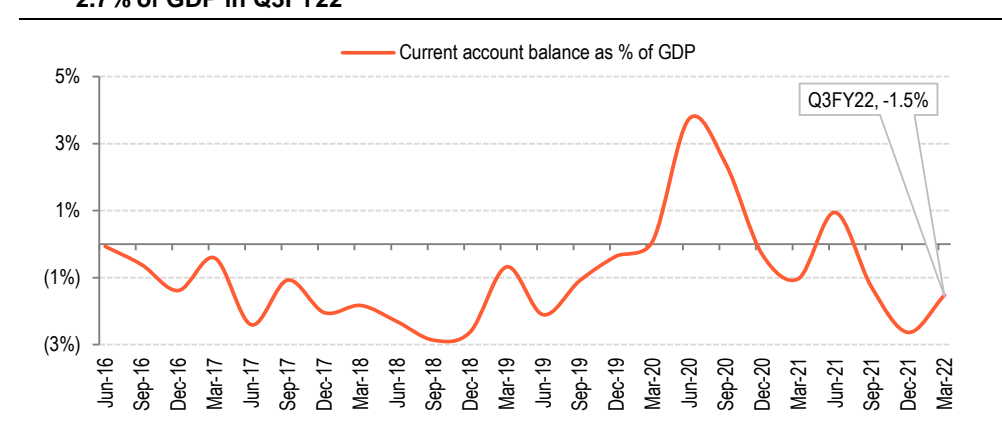
Trade in services

Fig 149 – Services exports rise by 20.2% in Jul'22 versus 24.6% in Jun'22



BoP

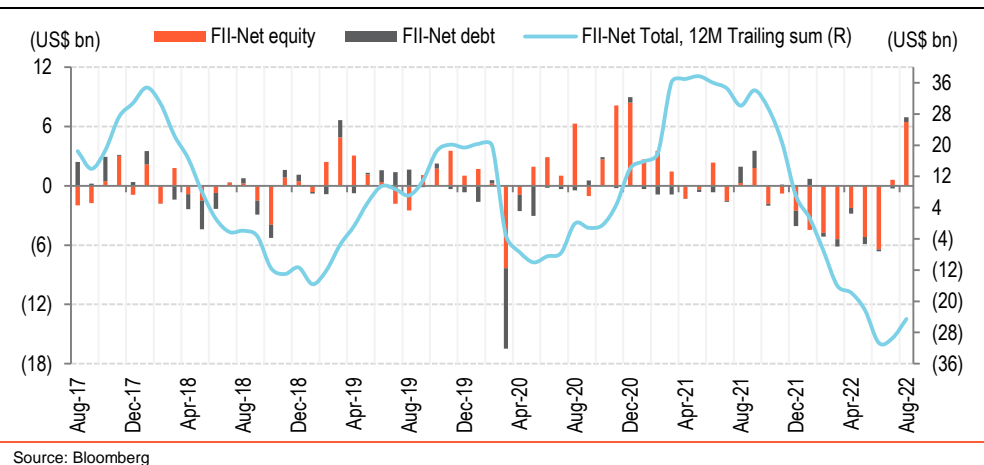
Fig 150 – India's current account deficit narrowed to 1.5% of GDP in Q4FY22 from 2.7% of GDP in Q3FY22



Foreign inflows

FII inflows

Fig 151 – FII inflows at a 20-month high at US\$ 7.1bn in Aug'22



FDI inflows

Fig 152 – FDI equity inflows at US\$ 4bn in Jun'22 compared with US\$ 6.2bn in May'22

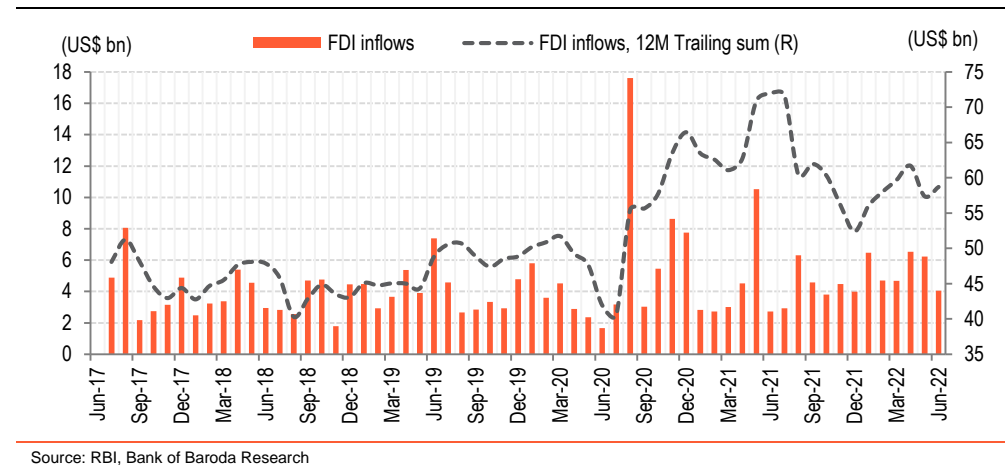


Fig 153 – FDI inflows in services and trading sector picked up in Q1FY23

Sector (US\$ bn)	% Share FY22	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Computer software and hardware	43.8	3.1	4.1	3.1	4.2	3.4
Construction (Infrastructure) activities	13.2	0.7	0.6	0.4	1.7	0.7
Services Sector	8.5	1.9	1.3	2.2	1.8	2.6
Trading	4.4	0.6	1.5	0.9	1.5	2.0
Automobile industry	2.7	4.7	0.3	1.0	1.0	0.7
Metallurgical industries	2.2	1.3	0.0	0.1	0.9	0.1
Telecommunications	0.7	0.3	0.1	0.2	0.1	0.6

Source: DIPP

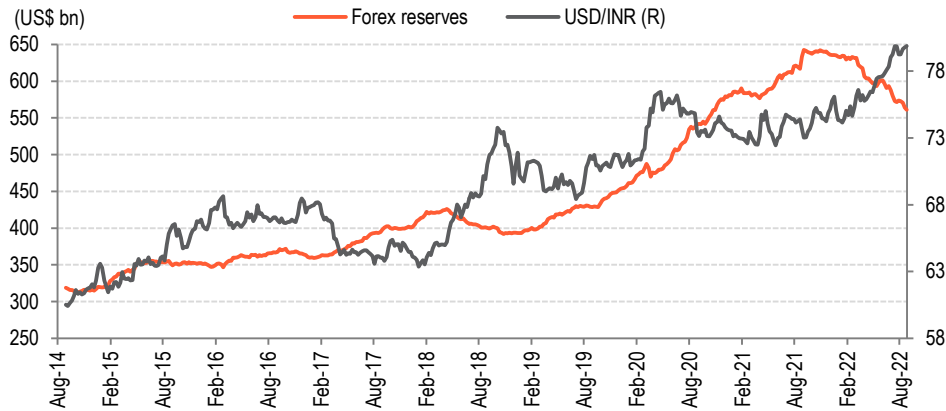
Fig 154 – Barring Mauritius, FDI inflows from other regions improved in Q1FY23

Country (US\$ bn)	% Share in FY22	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Singapore	27.0	3.3	4.8	3.6	4.2	5.7
US	17.9	2.0	2.7	0.0	0.0	1.5
Mauritius	16.0	3.3	1.0	2.2	2.8	2.4
Netherlands	7.9	1.1	1.0	0.0	0.0	1.1
UK	2.8	0.3	0.8	0.0	0.0	0.3
Japan	2.5	0.5	0.3	0.0	0.0	0.9

Source: DIPP

Forex reserves and external debt

Fig 155 – India’s FX reserves fall to US\$ 561bn, down US\$ 56.6bn in FYTD23



Source: Bloomberg | Weekly data as of 26 Aug 2022

Fig 156 – India’s import cover falls further to 9.9 months

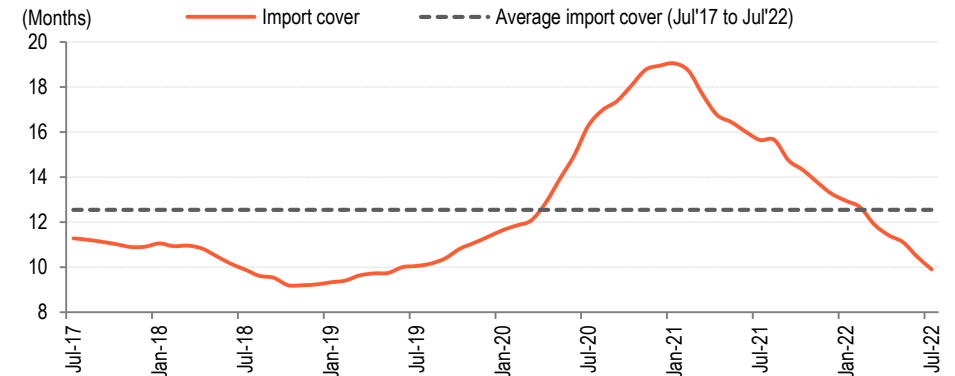


Fig 157 – RBI’s sold US\$ 3.7bn in the spot market in Jun’22

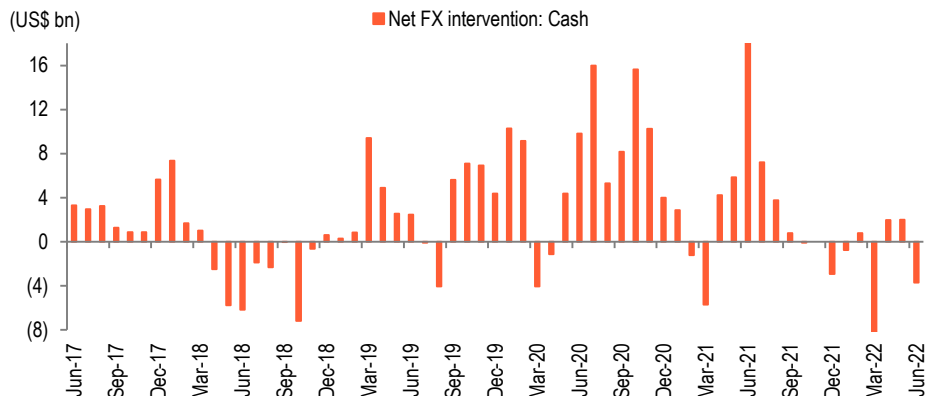
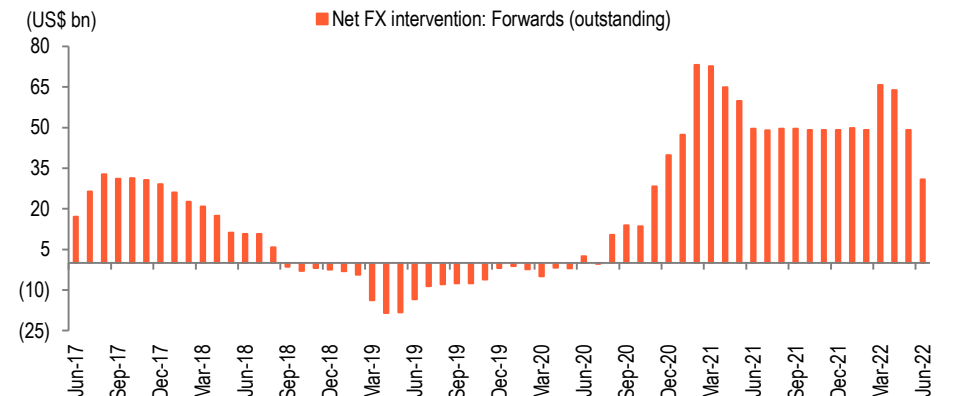


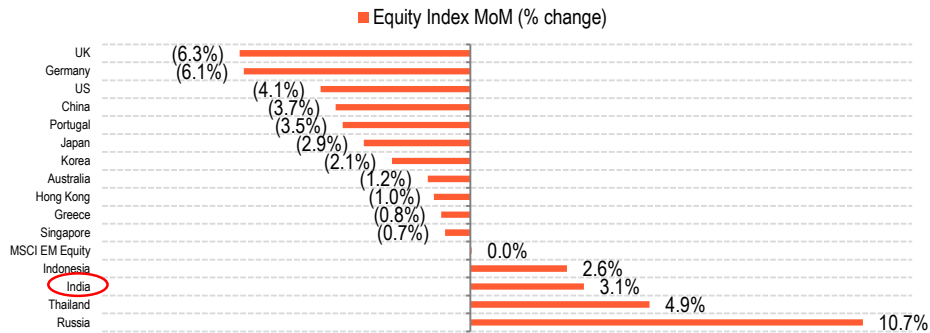
Fig 158 – RBI’s outstanding forwards position falls to US\$ 30.9bn as of end Jun’22



Markets

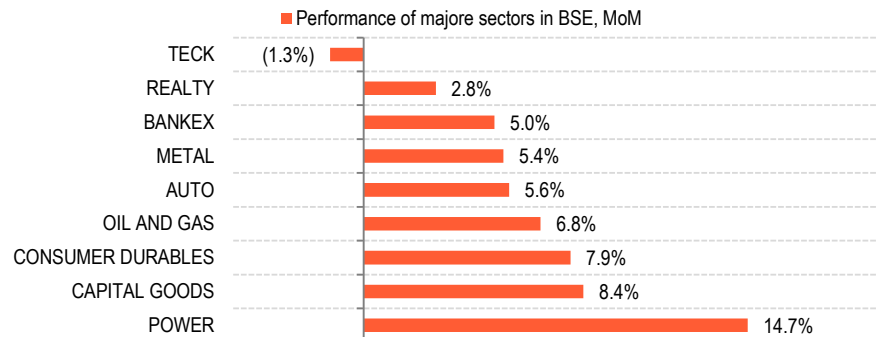
Equity

Fig 159 – In Aug'22, Sensex rose by 3.1%, MSCI EM closed flat



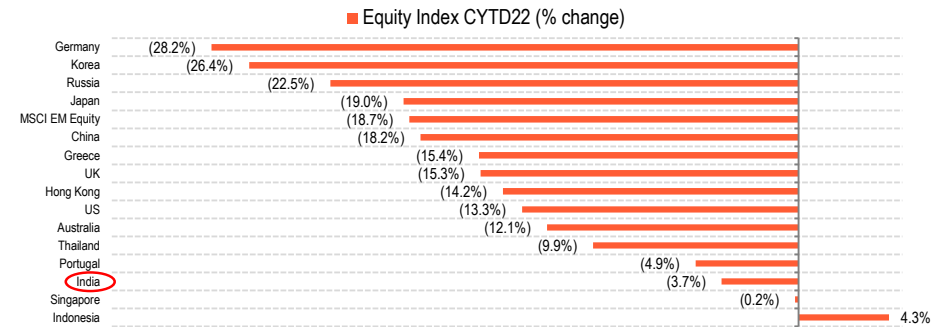
Source: Bloomberg | * As on 31 Aug 2022, Indices are in US\$ terms

Fig 161 – Power and capital goods stocks rose the most in Aug'22



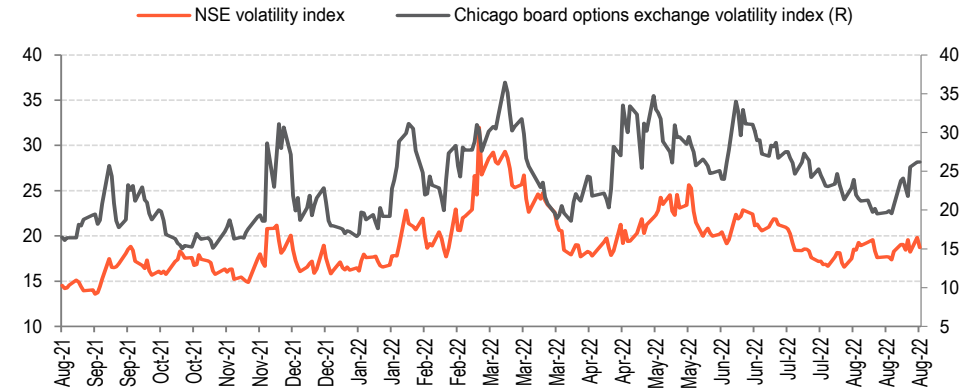
Source: Bloomberg | As on 31 Aug 2022

Fig 160 – However, in CYTD22, Sensex fell by 3.7%



Source: Bloomberg | * As on 31 Aug 2022, Indices are in US\$ terms

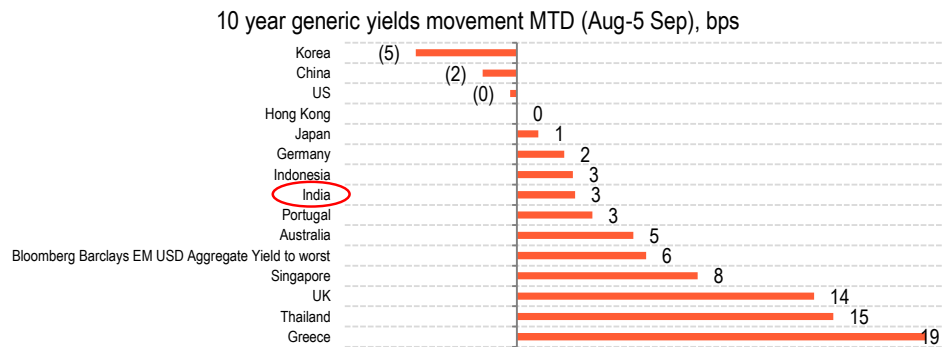
Fig 162 – VIX index rose to 18.7 in Aug'22 from 16.6 in Jul'22, amidst concerns of spillover impact of global growth slowdown



Source: Bloomberg

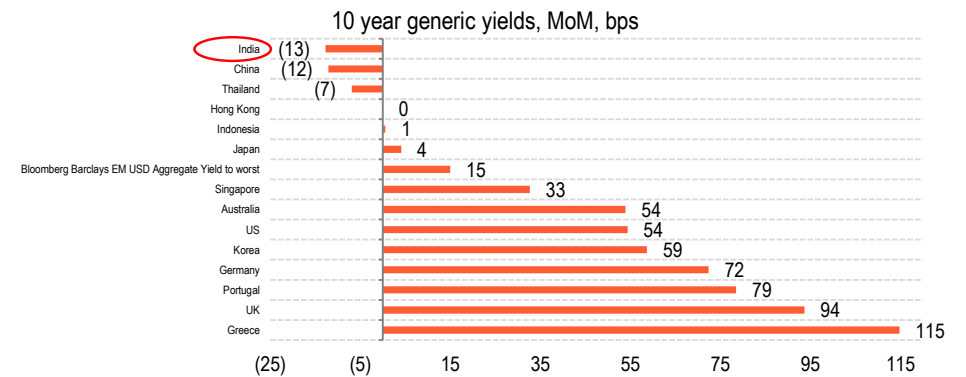
10-year bond yields

Fig 163 – On MTD basis, India’s 10Y yield rose by 3bps



Source: Bloomberg | As on 5 Sep 2022

Fig 164 – In Aug’22, India’s 10Y yield fell by 13bps



Source: Bloomberg | As on 31 Aug 2022

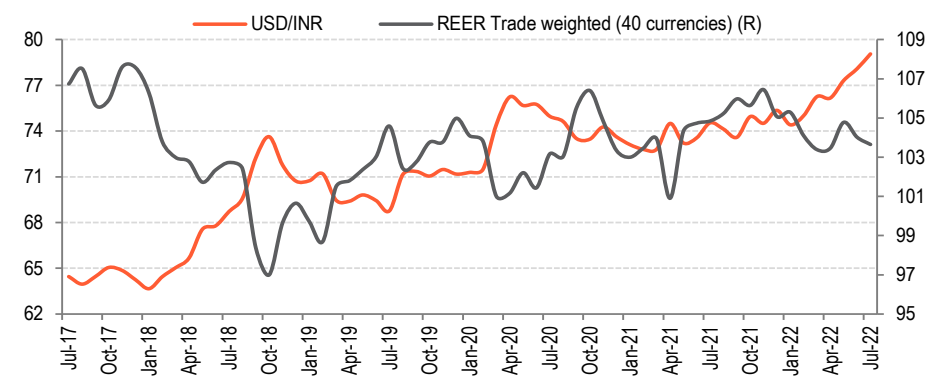
Currencies

Fig 165 – INR depreciated by 0.2% in Aug’22



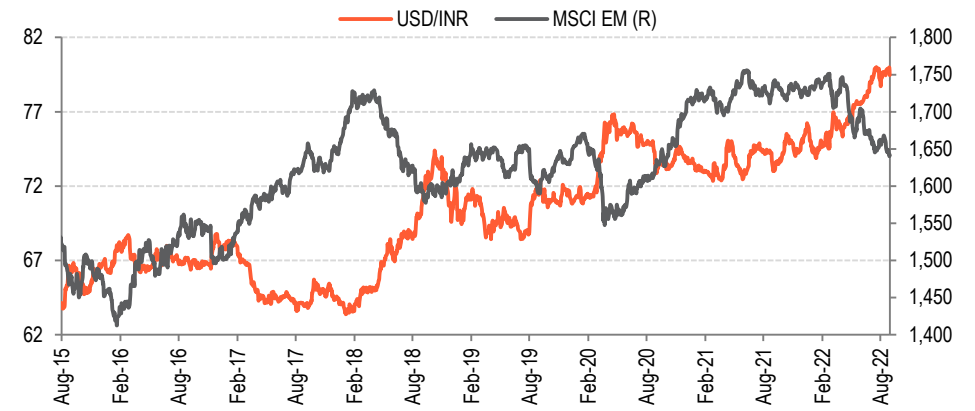
Source: Bloomberg | *As on 31 Aug 2022

Fig 166 – INR still overvalued by 2.7% (Jul’22)



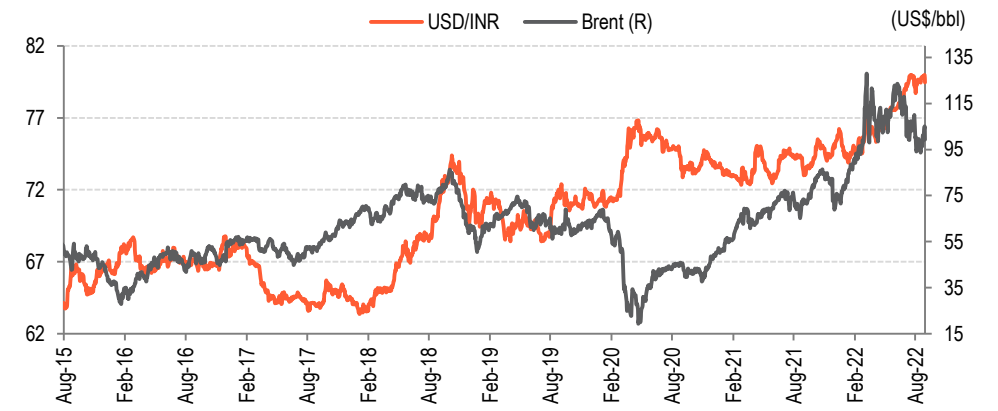
Source: Bloomberg

Fig 167 – Other EM currencies also depreciated



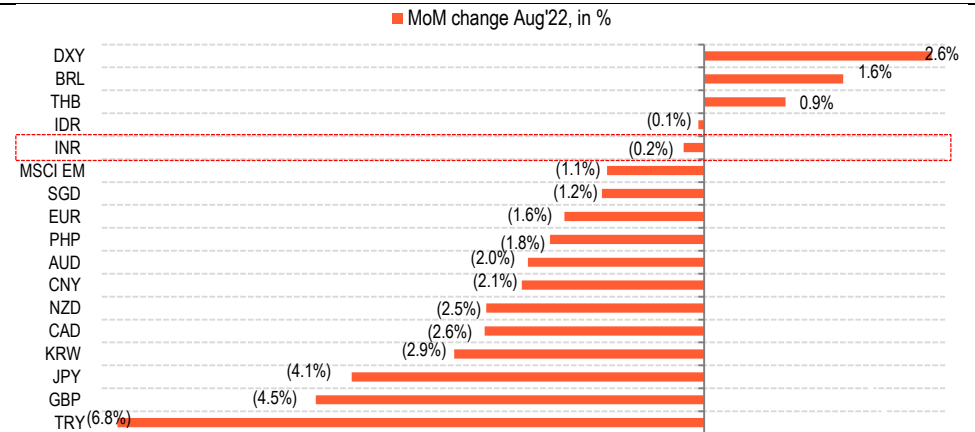
Source: Bloomberg | *As on 31 Aug 2022

Fig 168 – .. even as oil prices eased



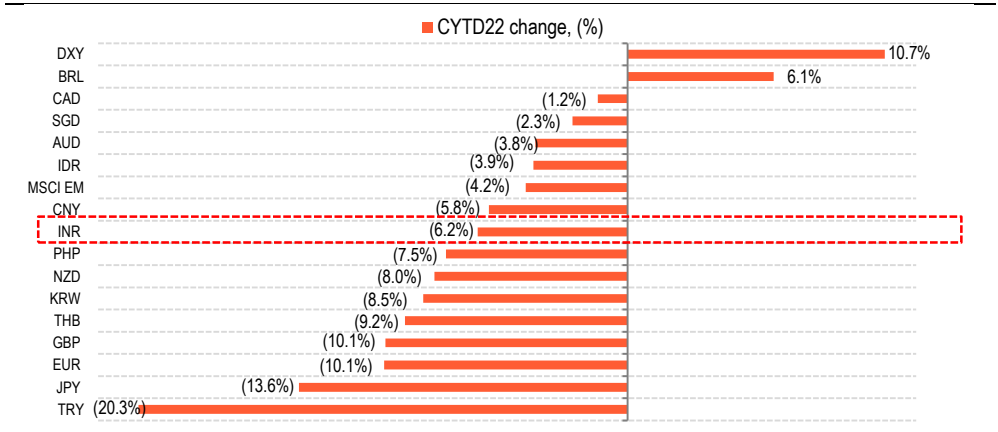
Source: Bloomberg | *As on 31 Aug 2022

Fig 169 – Global currencies declined in Aug'22 as DXY rose



Source: Bloomberg | *As on 30 Jun 2022

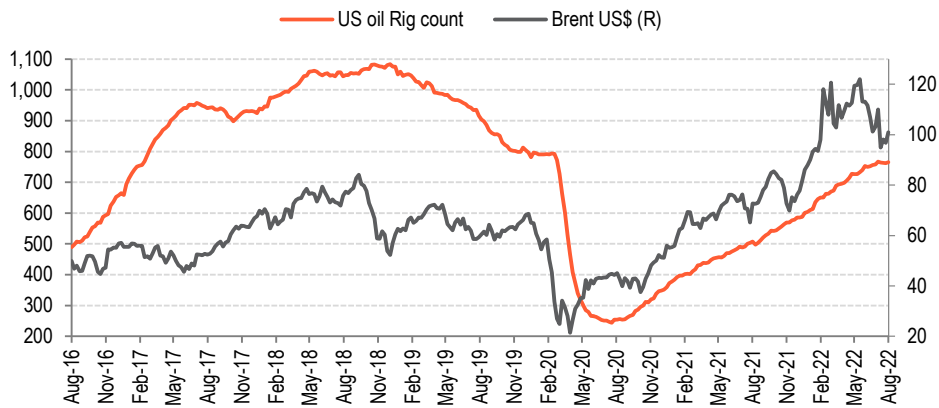
Fig 170 – In CYTD22, INR has depreciated by 6.2%



Source: Bloomberg | *As on 5 Aug 2022

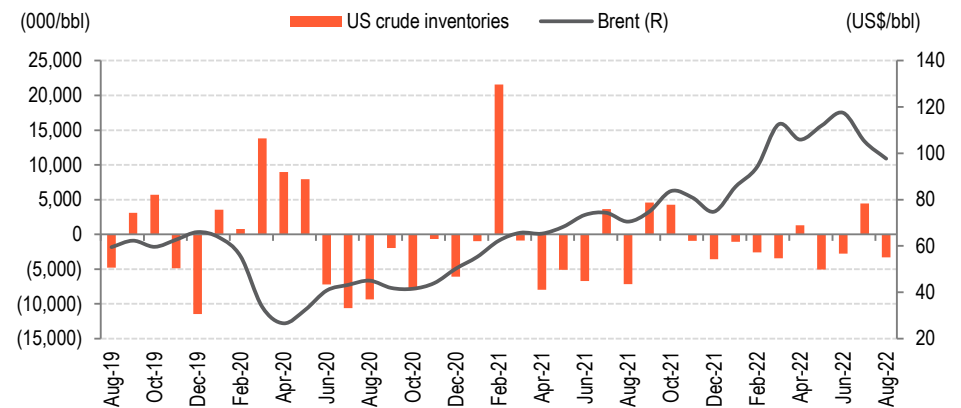
Commodities

Fig 171 – US rig count was stable in Aug'22



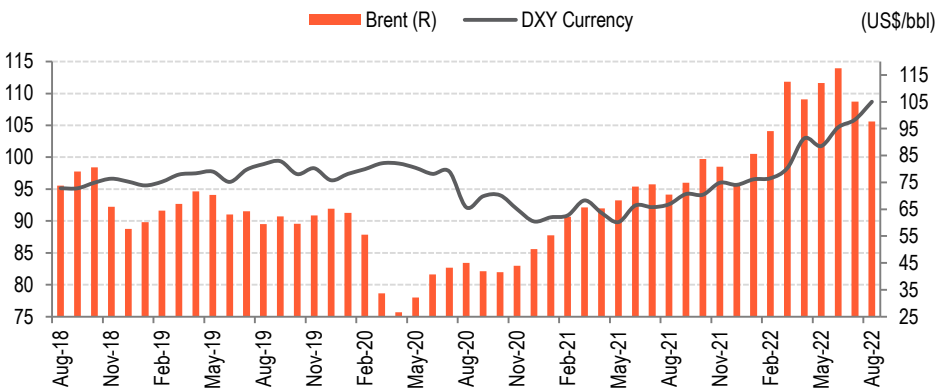
Source: Bloomberg

Fig 172 – US crude oil inventory fell in Aug'22



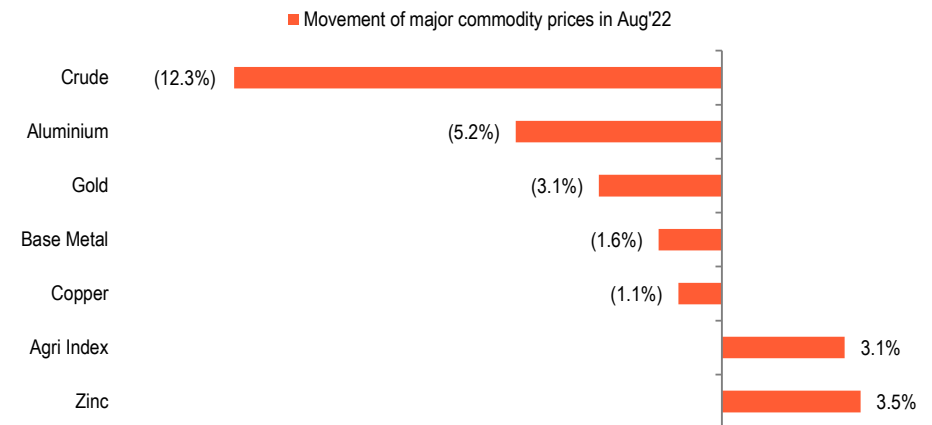
Source: Bloomberg

Fig 173 – Oil prices on an average fell to US\$ 98/bbl from US\$ 105/bbl in Jul'22, DXY rose to 108.7 from 105.9 amidst expectation of faster pace of rate hike by US Fed



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

Fig 174 – Crude prices fell the most amongst major commodities



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

Fig 175 – Performance of high frequency indicators

Indicators	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Agriculture													
Tractor sales	(9.8)	(9.5)	3.2	(16.7)	(22.5)	(27.8)	(26.4)	(11.6)	38.1	47.7	(10.9)	(12.2)	-
Two wheeler sales	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)	(22.0)	(2.6)	(14.4)	2.2	13.5	(2.8)	1.8	1.1	(3.3)	32.2	3.3	(36.9)	-
Manufacturing													
IIP: General index	13.0	4.4	4.2	1.0	1.0	2.0	1.2	2.2	6.7	19.6	12.3	-	-
IIP: Manufacturing	11.1	4.3	3.3	0.3	0.6	1.9	0.2	1.4	5.8	20.6	12.5	-	-
IIP: Capital goods	20.0	3.3	(1.6)	(2.6)	(3.0)	1.8	1.3	2.4	13.3	54.4	26.1	-	-
IIP: Infra & construction goods	13.5	9.3	6.6	3.1	2.0	5.9	8.6	6.7	4.0	18.1	8.0	-	-
IIP: Consumer goods	11.1	1.6	(3.2)	(5.7)	(1.9)	(4.4)	(9.7)	(3.1)	7.4	58.4	23.8	-	-
Steel	6.9	7.1	5.9	0.9	(0.6)	3.8	5.6	4.1	2.5	14.6	3.6	5.7	-
Cement	36.3	11.3	14.6	(3.6)	14.2	14.1	4.2	9.0	7.4	26.2	19.7	2.1	-
Electricity	16.0	0.9	3.2	2.1	2.9	0.9	4.5	6.1	11.8	23.5	16.5	2.2	-
PMI: Manufacturing	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4	56.2
Services													
Services PMI index	56.7	55.2	58.4	58.1	55.5	51.5	51.8	53.6	57.9	58.9	59.2	55.5	57.2
Automobile sales	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	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	14.6	(5.3)	(5.3)	(2.7)	(16.0)	(10.6)	(9.0)	(2.8)	37.3	207.6	26.3	(7.5)	5.5
Rail freight traffic	16.9	3.6	8.4	6.1	7.2	7.7	6.6	6.7	9.4	14.6	11.3	8.3	1.9
Port cargo volume	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	6.7	6.7	6.9	6.9	9.4	7.1	8.1	8.6	10.0	11.4	11.9	14.5	15.3
Deposit growth	9.5	9.4	10.0	8.9	12.1	8.3	8.6	8.9	10.0	8.8	8.5	8.4	8.8
CIC	9.8	9.0	8.5	7.7	7.8	8.0	8.6	9.7	10.1	8.6	8.0	8.1	8.1
Toll collection (in mn)	201.2	193.6	214.2	214.1	242.1	231.0	243.6	270.4	265.4	285.4	277.9	265.2	272.0
Diesel consumption	15.8	0.5	(5.5)	(7.6)	1.6	(6.4)	(0.8)	6.7	7.9	31.7	23.9	8.2	12.5
GST E-way bill (in mn)	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	46.3	22.7	43.4	34.6	44.3	27.9	34.4	26.2	29.4	20.9	23.5	2.1	(1.1)
Merchandise imports	53.0	85.6	57.3	56.7	40.4	24.9	37.0	28.8	30.8	62.9	57.5	43.6	36.8
Services exports	19.1	19.6	19.7	17.9	35.2	24.2	19.1	29.3	25.1	32.2	24.6	20.2	-
Services imports	20.0	20.5	21.8	24.4	29.5	33.8	24.8	25.0	46.1	52.7	45.5	22.3	-

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

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For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com