

India Economics

Monthly Chartbook

February 2022

Economic Research Department

chief.economist@bankofbaroda.com

Jahnavi | Dipanwita Mazumdar

Sonal Badhan | Aditi Gupta

@2022 Bank of Baroda. All rights reserved

Important disclosures are provided at the end of this report.



RBI to raise reverse repo rate

India's recovery has gained momentum with a steady moderation in Covid-19 cases recently. While there was some moderation in services and manufacturing PMI in Jan'22 due to Omicron induced restrictions, things have started looking up. Consumption demand is showing continued improvement. Economic Survey emphasised on the role of investment to support growth. This was followed by the Union Budget which focussed on investment while also sticking to the fiscal consolidation path. However, government's large borrowing programme of Rs 14.95tn remains a cause of concern, and is likely to push yields higher. All eyes are on the RBI policy meet scheduled this week. We expect RBI to hike reverse repo rate by 25bps.

Revival on cards: The spread of Omicron has gradually receded with cases slowly dipping down across the country. With this, the government has also started reopening the economy. Notably, digital payments and electronic imports have improved in Jan'22 giving early signals of revival in consumption demand. On a monthly basis, passenger vehicle sales has also shown some improvement. Further, slower pace of contraction in tractor sales and uptick in agriculture credit reflect strength in rural demand. Moreover, rabi sowing has grown at a robust pace with sown area up by 1.2% compared with last year. Budget announcements towards agriculture were fairly positive focusing on self dependency and use of digital channels to support agri value chains.

Investment centric budget: The FM presented the budget for FY23 on 1 Feb 2022, wherein government decided to stick to the path of fiscal consolidation, without compromising on the quality of expenditure. Government has set fiscal

deficit (% of GDP) target of 6.4% for FY23 compared to the upwardly revised estimate of 6.9% in FY22. The revision is mainly on account of higher spending (both revenue and capital), despite better than projected tax and non-tax revenue collections. Disinvestment receipts are expected to remain muted both this year and next year. Notably, next year, capex will see a huge jump with target set at Rs 7.5tn versus Rs 6tn in FY22. Also, market borrowing program has been pushed higher to Rs 14.95tn in FY23 versus Rs 10.47tn in FY22.

Yields inching up: India's 10Y yield shot up by 19bps in Feb'22. Government's borrowing plan of Rs 14.95tn in FY23, elevated energy prices, inflationary risks globally and central banks' adopting hawkish policy approach worldwide, have impacted yields. All eyes will be on the upcoming credit policy of RBI where we expect a 25bps hike in reverse repo rate. Even weighted average call rate is inching up towards the repo rate. Thus, pressure on yields is expected to continue and is likely to touch the 7% mark.

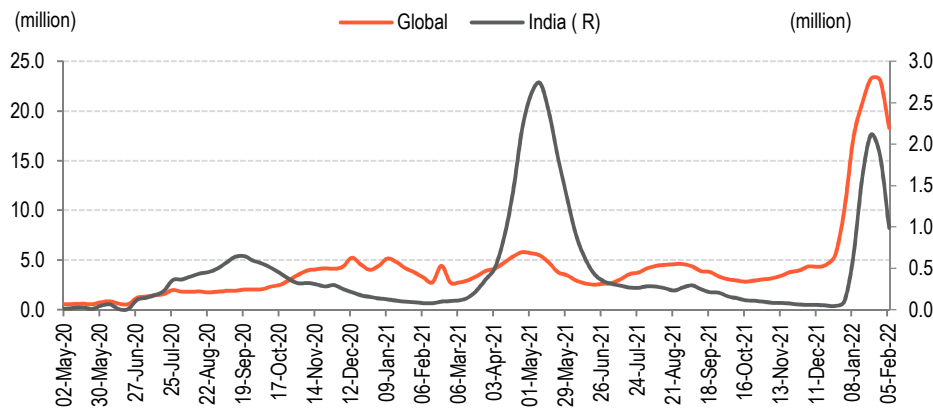
INR depreciates: INR depreciated by 0.4% in Jan'22, after appreciating by 1.1% in Dec'21. This was due to FII outflows (US\$ 4.2bn) and higher oil prices (up by 17.3% MoM). Fed's hawkish tilt also drove dollar higher. Trade deficit eased in Jan'22 as imports moderated more sharply than exports. We expect trade deficit to remain elevated on the back of higher oil prices and economic recovery. FPI inflows too may remain weak as global central banks begin hiking rates. However, depreciation pressure on INR is likely to remain muted. We expect INR to trade in the range of 74.5-75.5/\$ in the near term.

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

High frequency indicators

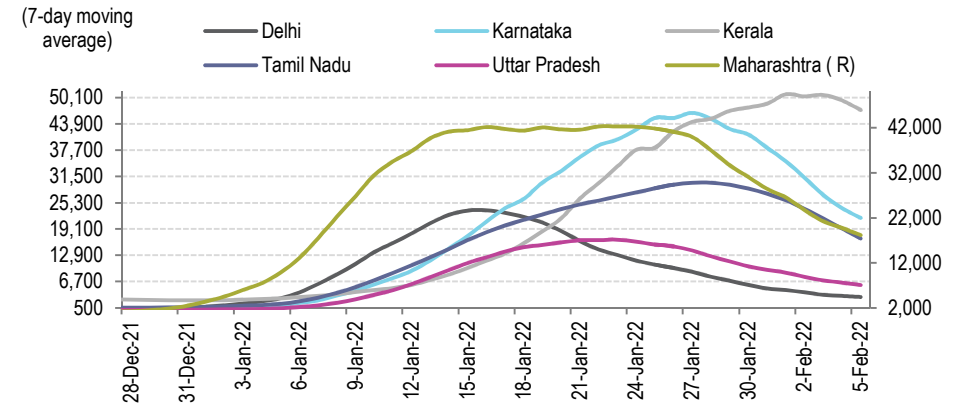
Mobility index and Covid cases

Fig 1 – Global Covid-19 cases edging lower



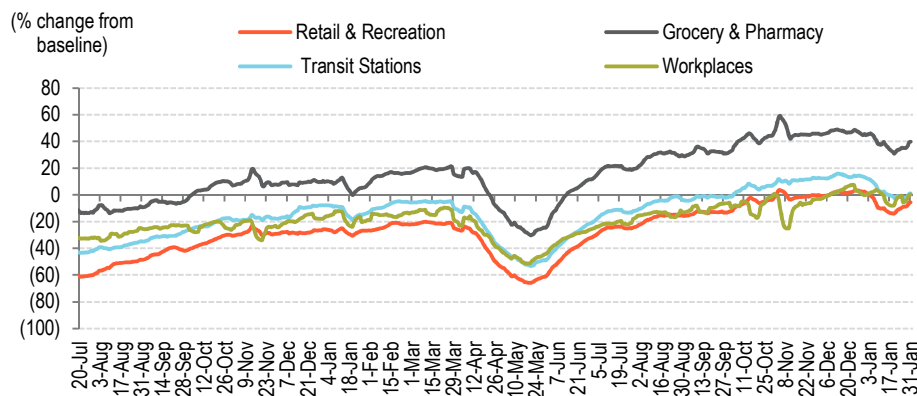
Source: Bloomberg

Fig 2 – Statewise cases ebbing lower



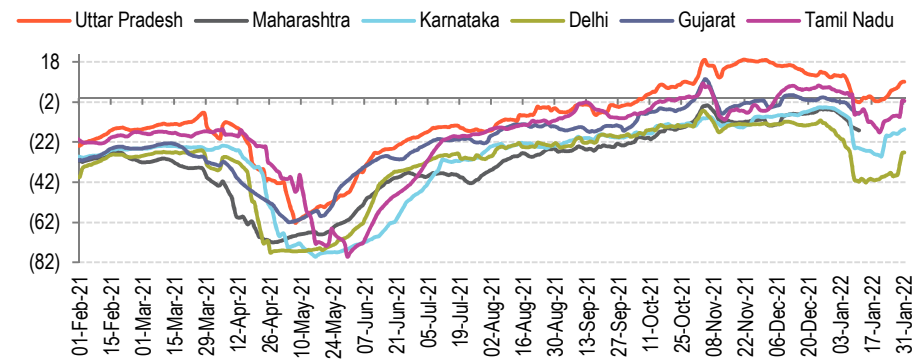
Note: Data taken as 7 days rolling average

Fig 3 – Google mobility inches back after dropping lower in beginning of Jan'22



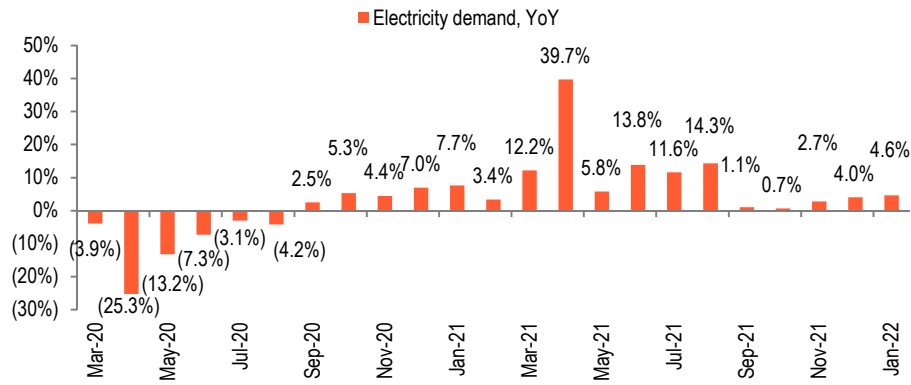
Highlights % change in visits to place from baseline reading (median value, for the corresponding day of the week, during the five week period 3 Jan – 6 Feb2020)

Fig 4 – ... Similar state for Retail and Recreation index



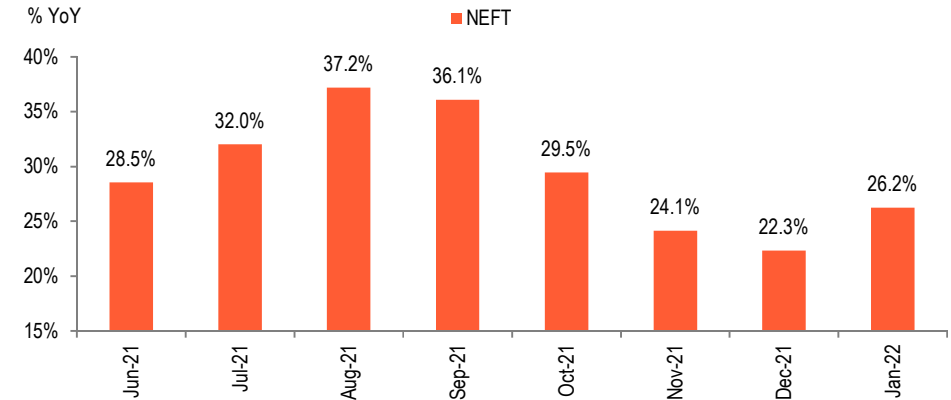
Note: Data taken as 7 days rolling average

Fig 5 – Improvement in electricity demand



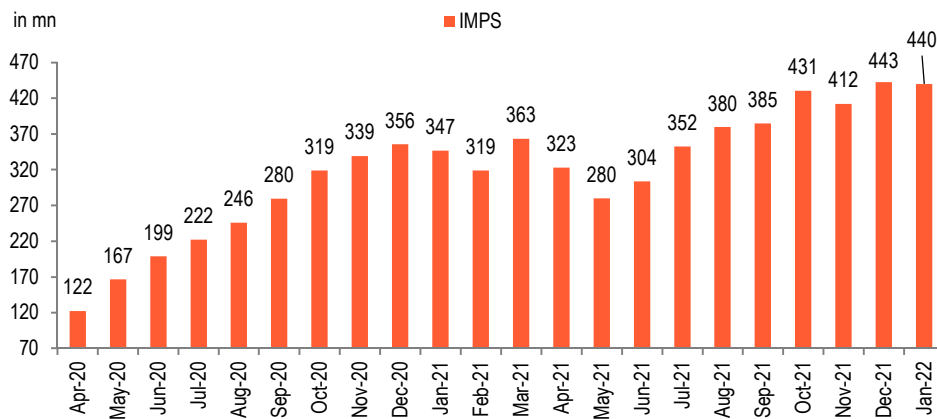
Source: Posoco. Note: Maximum Demand met during peak evening hours (MW)

Fig 6 – Higher Volume of NEFT transactions



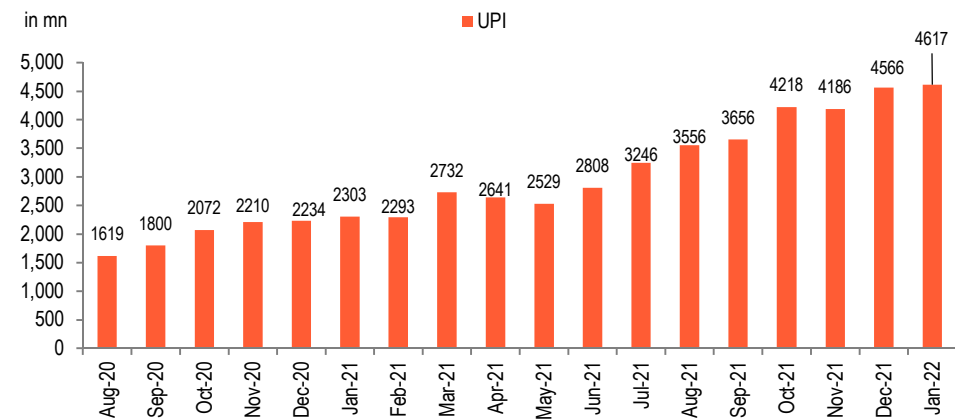
Source: NPCI. Note: NFS Cashwithdrawal amount does not include Card to Card Transfer

Fig 7 – IMPS payments continue to edge upwards



Source: NPCI

Fig 8 – Uptick in UPI payments



Source: NPCI

Fig 9 – Fertilizer sales rebounds in Nov'21

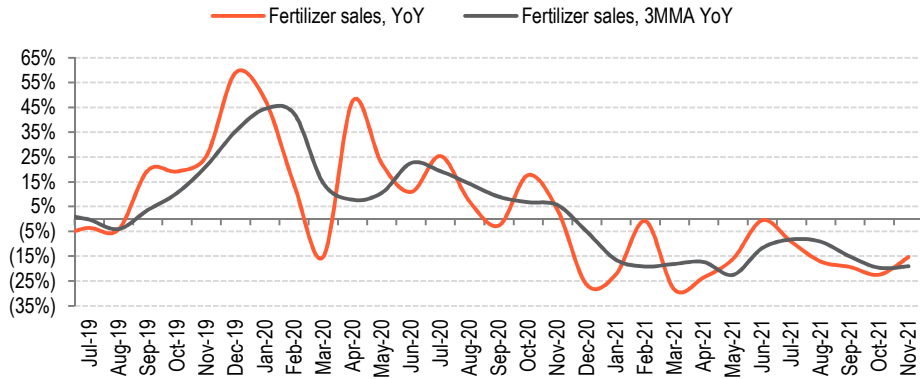
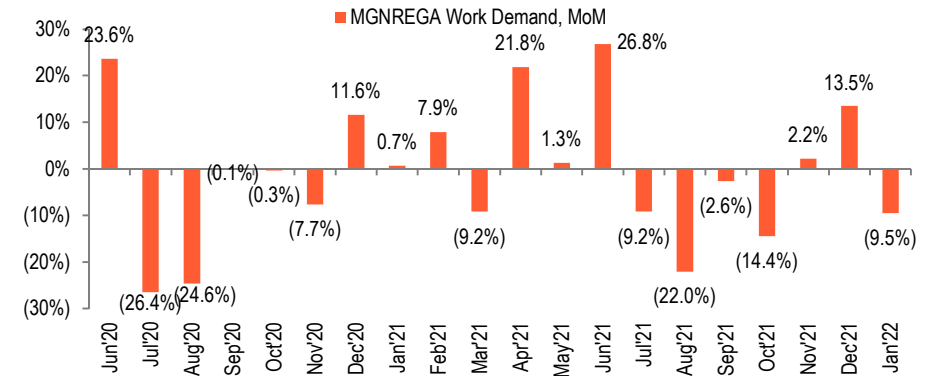


Fig 10 – MGNREGA work demand Slows



Source: MGNREGA

Final consumption expenditure

Fig 11 – Private consumption slows in Q2FY22

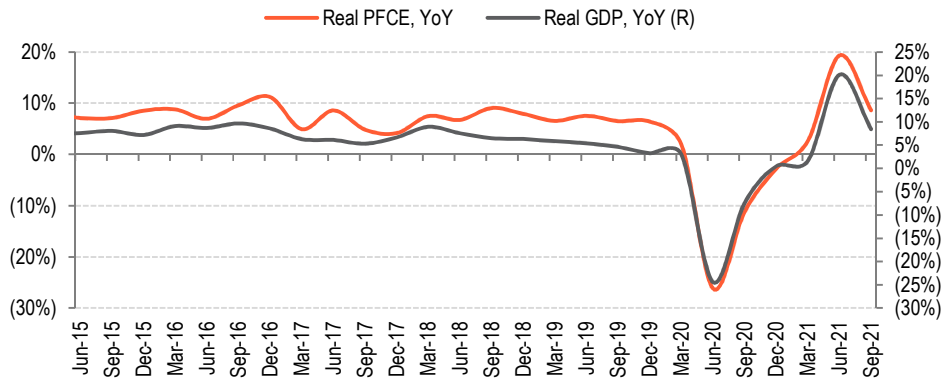


Fig 12 – Government consumption improves

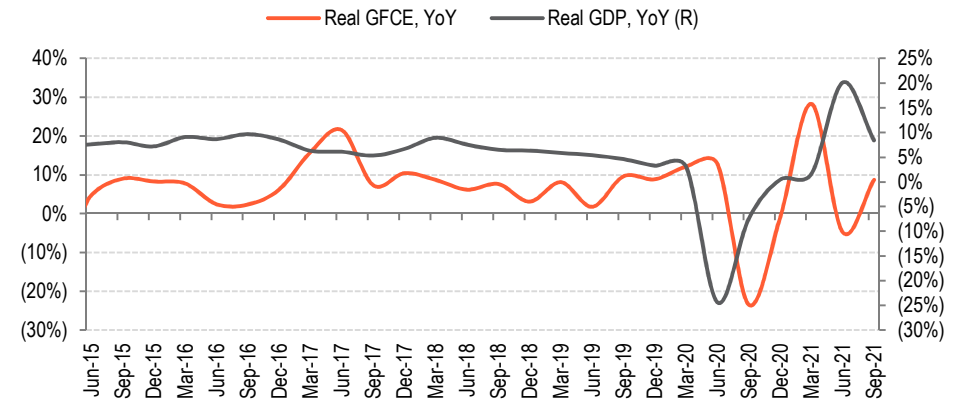


Fig 13 – General govt. revenue spending moderate

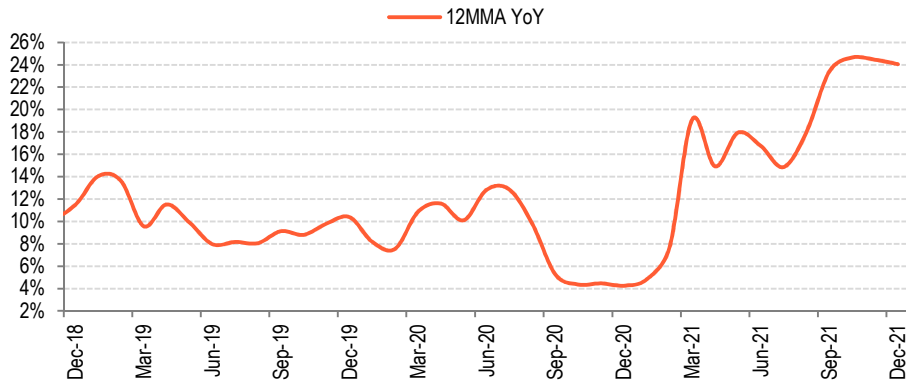
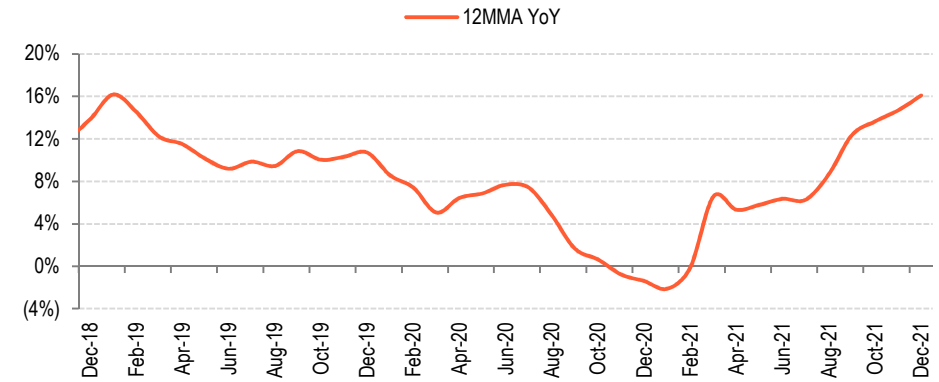


Fig 14 – State* govt. revenue spending improves



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

Non-oil imports, electronic imports

Fig 15 – Non-oil-non-gold moderate in Jan'22

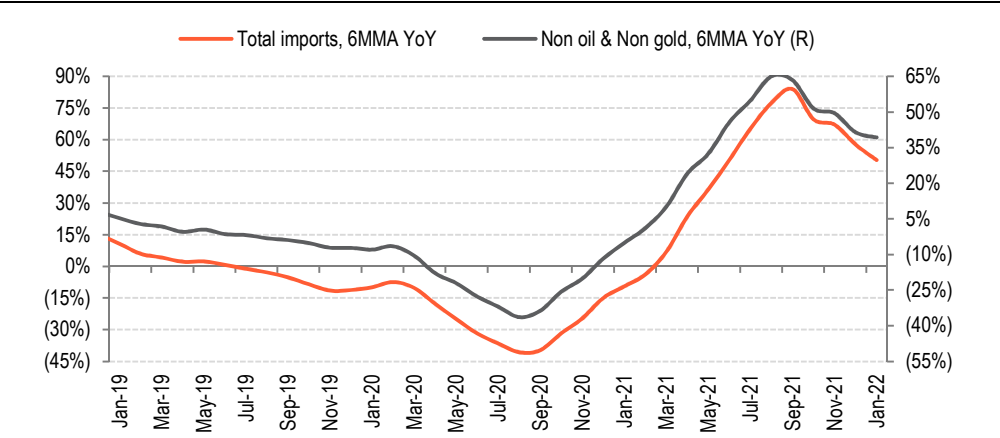


Fig 16 – Electronic imports jumps in Jan'22

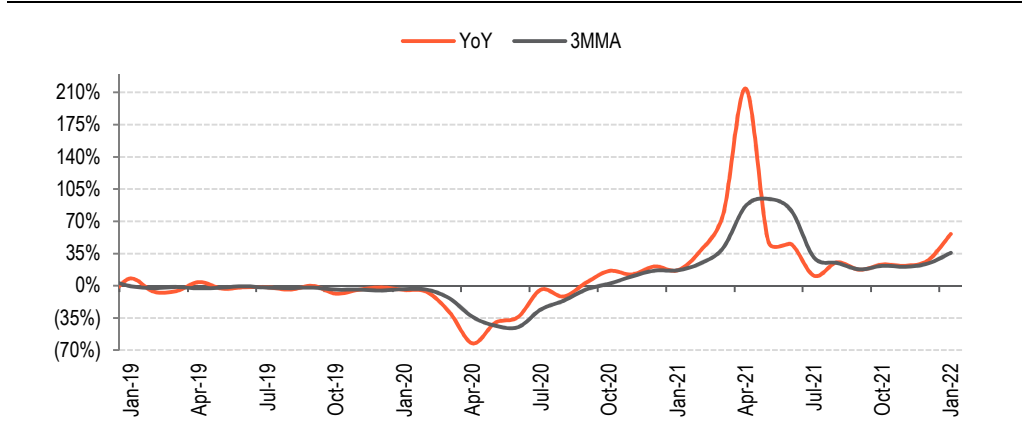


Fig 17 – Retail passenger vehicles sales improves

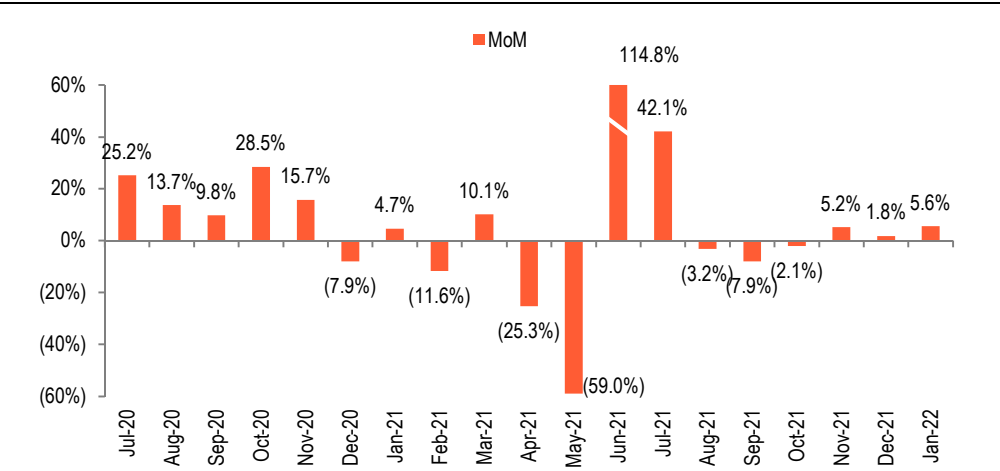
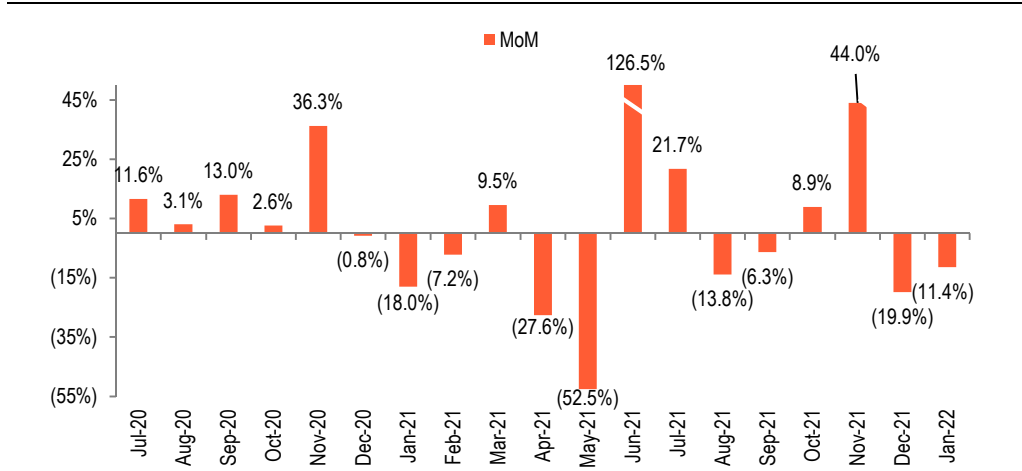


Fig 18 – Two-wheeler sales contracts at a slower pace



Source: FADA

Credit deployment of personal loans

Fig 19 – Growth in credit card outstanding move up further

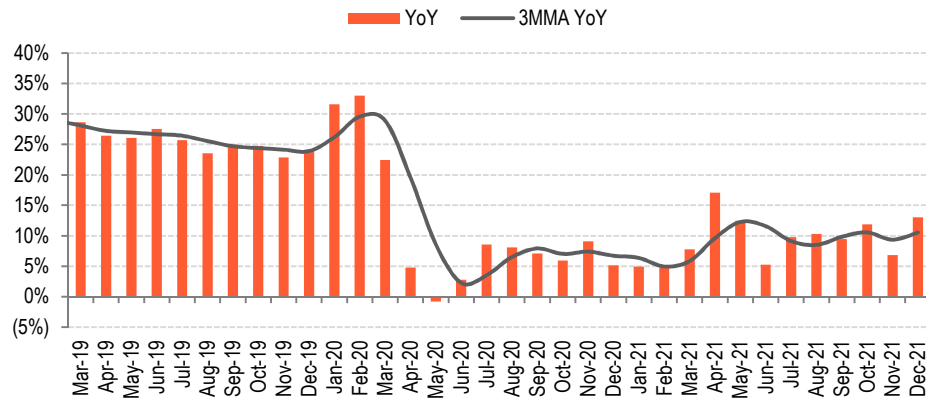


Fig 20 – Growth in personal loan scales up

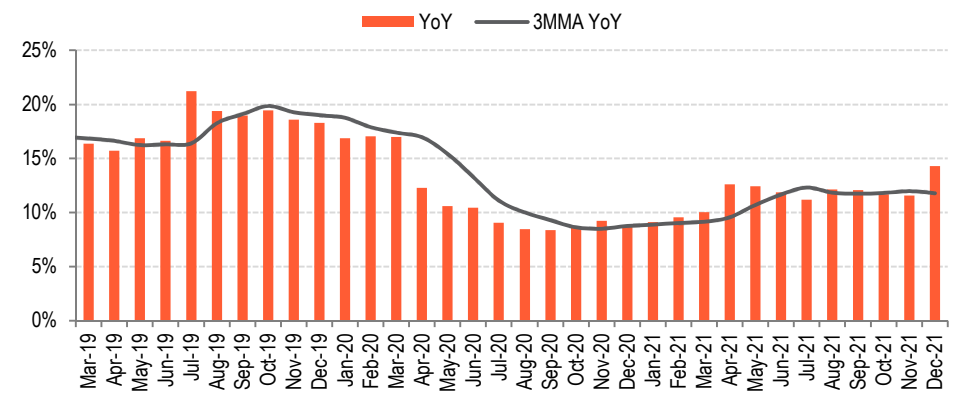


Fig 21 – Growth in vehicle loans improves

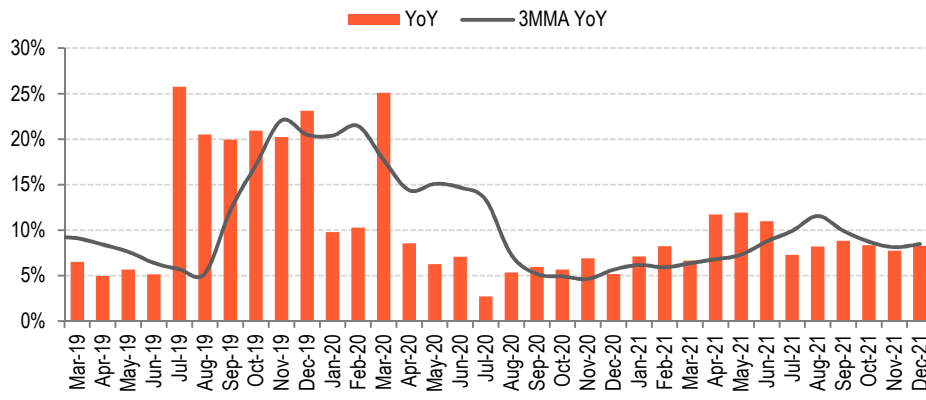


Fig 22 – Consumers turn optimistic

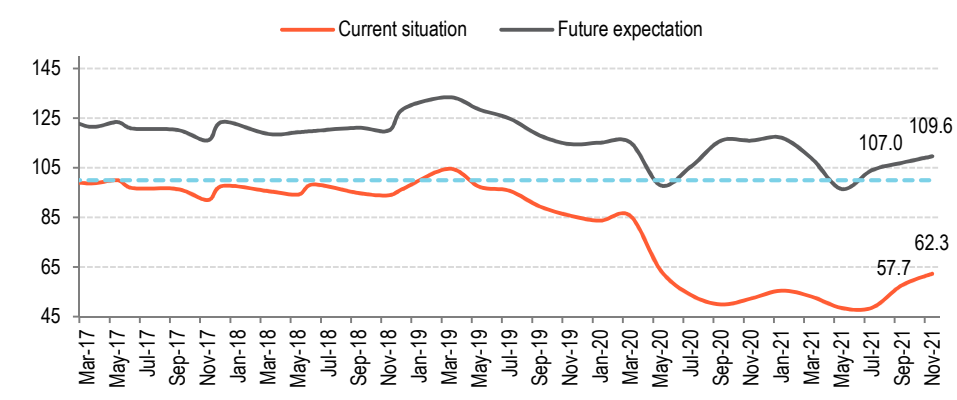


Fig 23 – Uptick in RBI’s essential spending

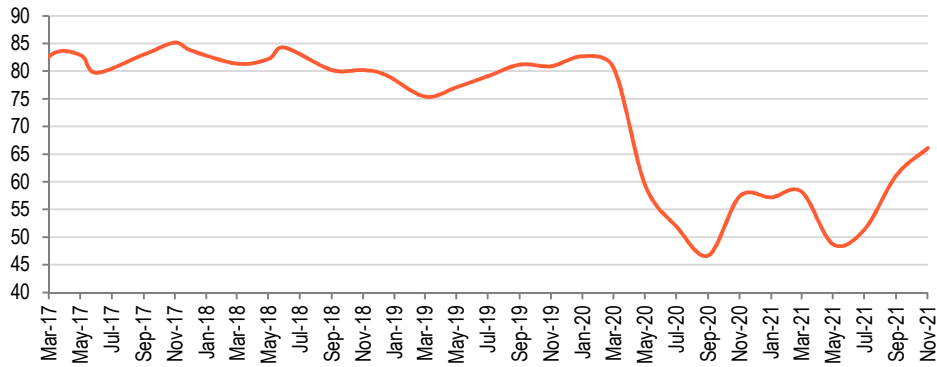
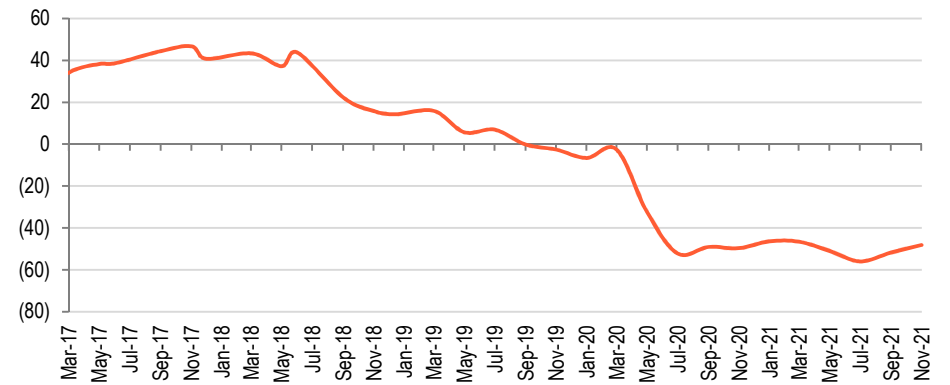


Fig 24 – ...non-essential spending too improves



Consumer durables & non-durables production

Fig 25 – Consumer durables output contracts further

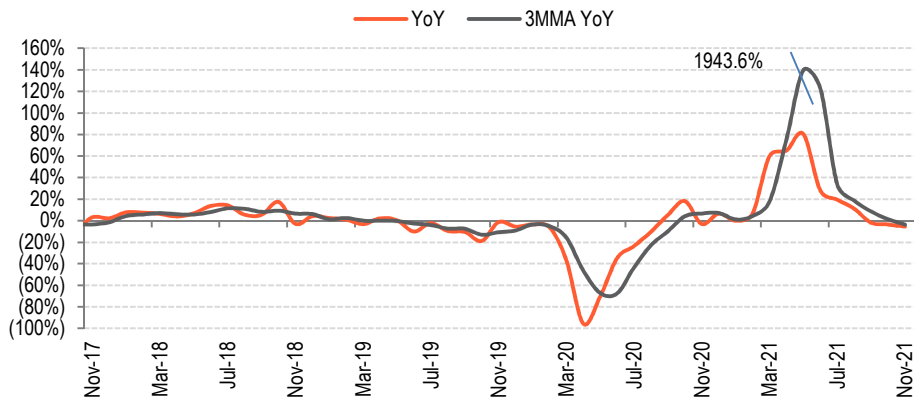
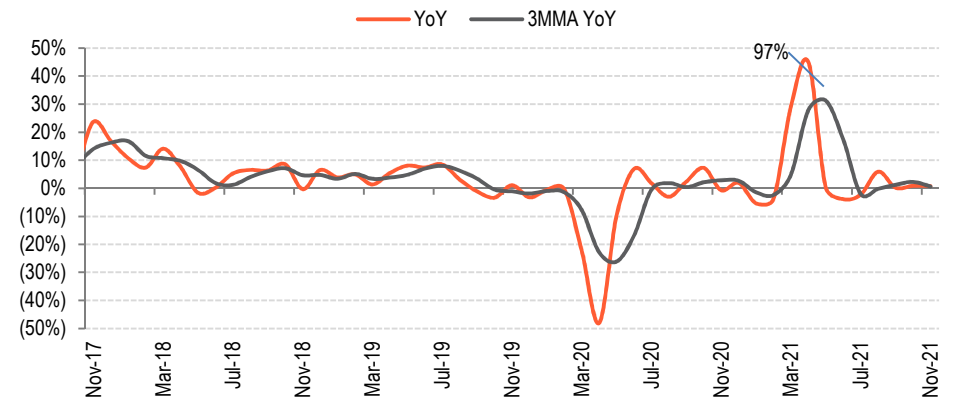


Fig 26 – FMCG output moderates



Agriculture

Fig 27 – Slower pace of agriculture growth in Q2FY22

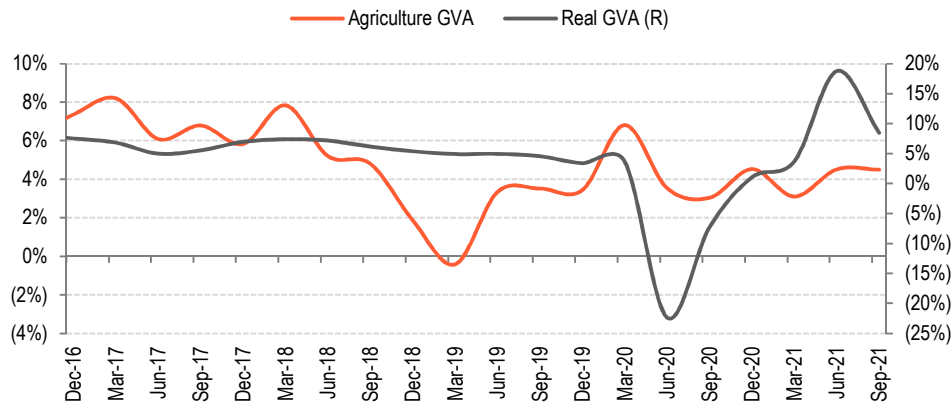
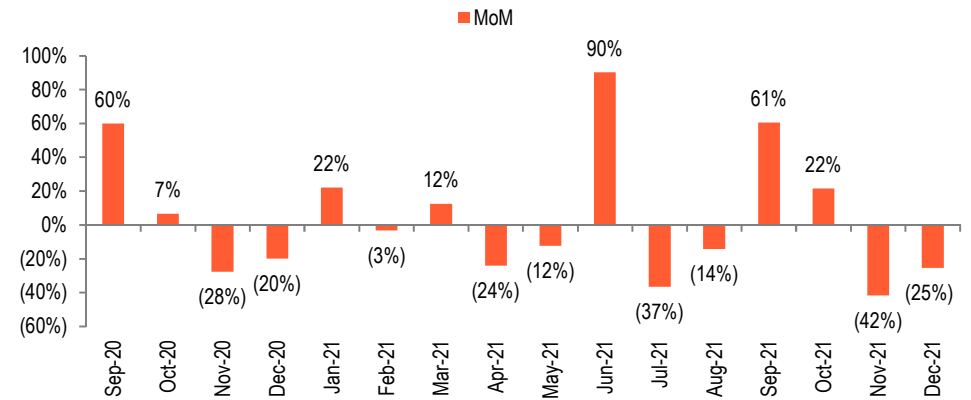


Fig 28 – Growth in tractor sales contracts at a lower pace



Note: Tractor sales including exports

Fig 29 – Agriculture credit inch up further

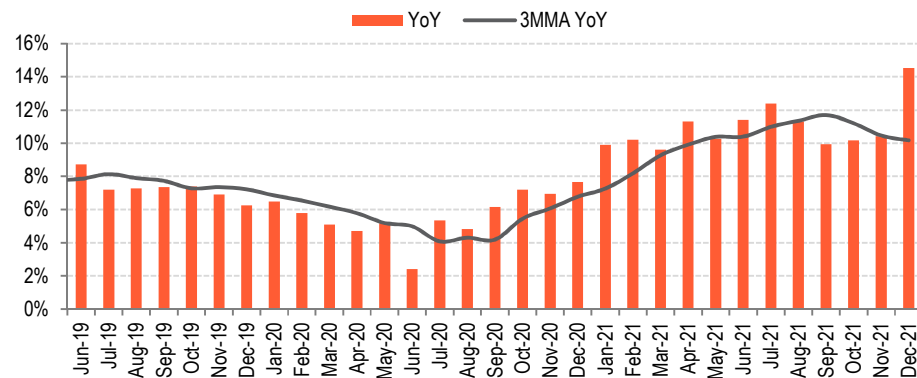
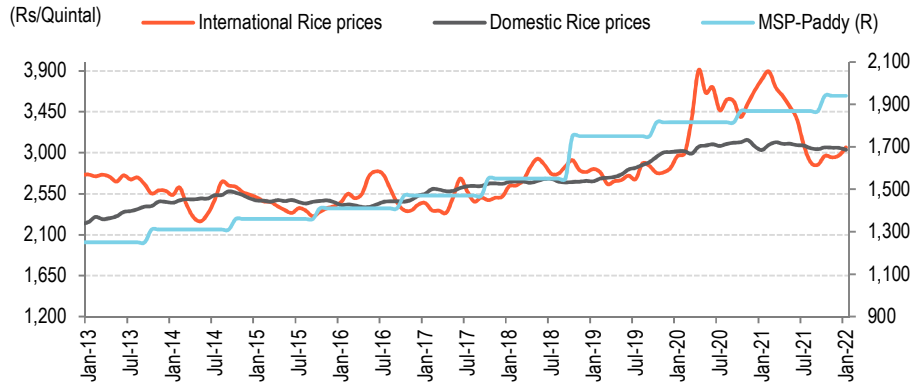


Fig 30 – Procurement of rice and wheat

Year	Wheat	Rice
2012-13	38.15	34.04
2013-14	25.09	31.85
2014-15	28.02	32.04
2015-16	28.09	34.22
2016-17	22.96	38.11
2017-18	30.83	38.19
2018-19	35.80	44.39
2019-20	34.13	51.83
2020-21	38.99	60.84
2021-22	43.34	32.2*

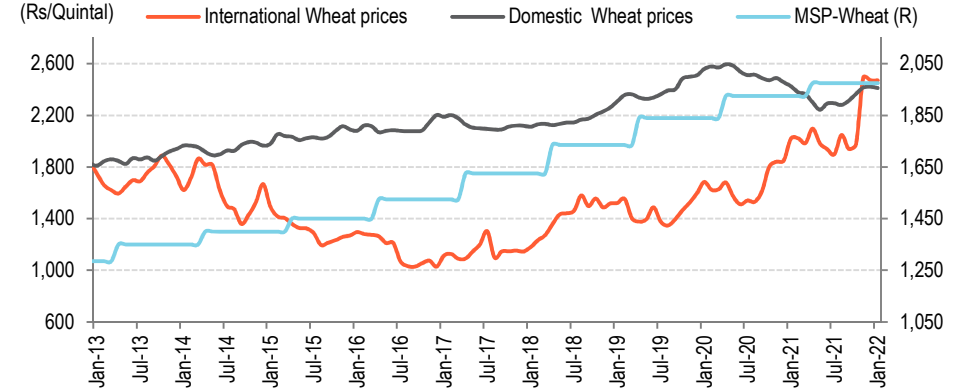
Source: Ministry of Consumer Affairs, Food and Public Distribution | *As on: 31 Dec 2021

Fig 31 – Domestic rice price moderate; International rice price edges upwards



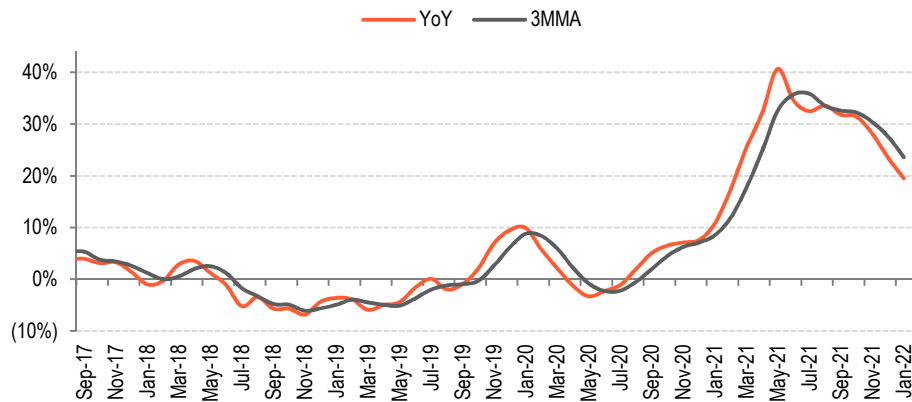
Source: World Bank

Fig 32 – International wheat price moderate; Domestic wheat price edges upwards



Source: World Bank

Fig 33 – Global food prices cool off



Source: FAO

Fig 34 – Wage growth (men) moderates

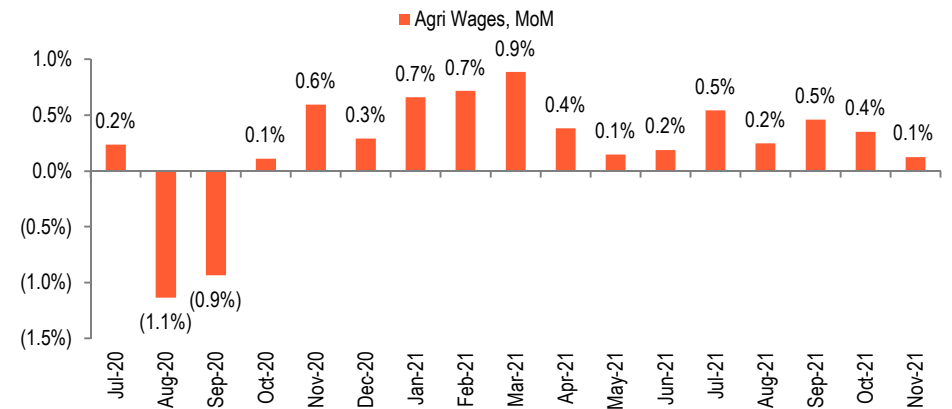


Fig 35 – Rabi sowing is higher compared with last year

Crop Type (mn ha)	Area sown in 2022-23	Area sown in 2021-22	Normal Area for whole Rabi season	Growth (YoY%)
Wheat	34.2	34.6	30.3	(1.0)
Rice	2.8	3.5	4.4	(19.3)
Coarse Cereals	5.0	5.2	5.6	(3.5)
Pulses	16.6	16.5	14.6	1.0
Oilseeds	10.2	8.3	7.7	22.7
Total	68.9	68.1	62.7	1.2

*Note: Till 28 Dec 2021

Inflation

Fig 36 – Retail inflation rose to its highest since Jul’21 to 5.6% in Dec’21 from 4.9% in Nov’21

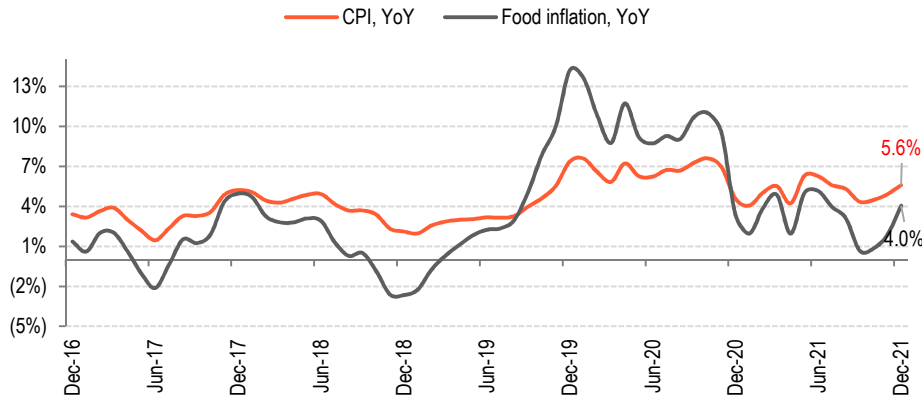


Fig 38 – Core inflation also remained sticky at 6.1%

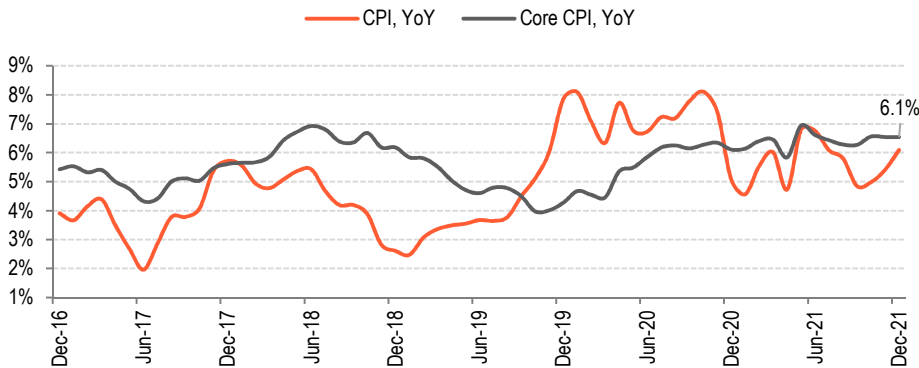


Fig 37 – ...Food inflation rose to 4% from 1.9% led by vegetables, cereals etc.

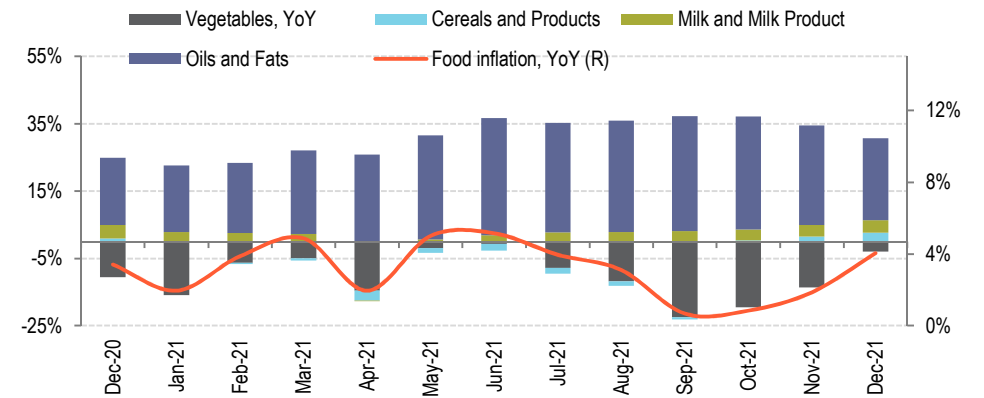
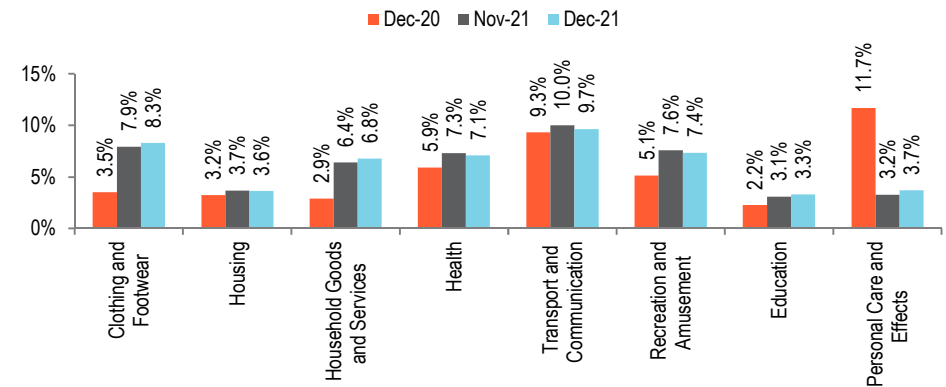
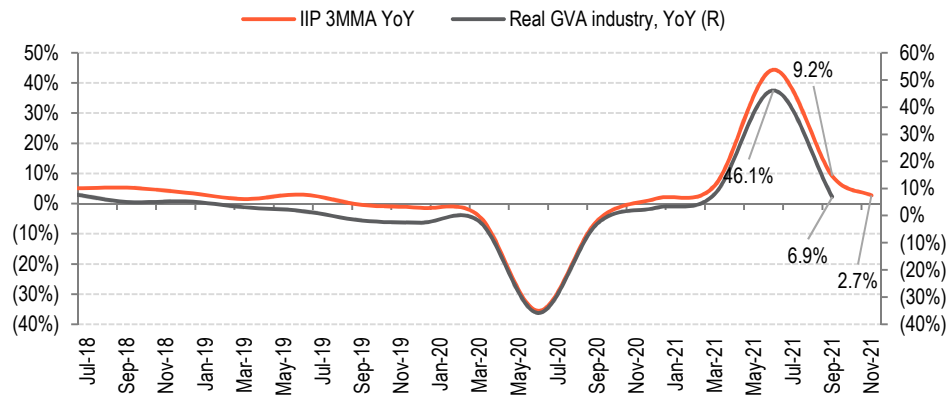


Fig 39 – Inflation in clothing, footwear, household goods and services and personal care items have inched up



Industry

Fig 40 – Industrial growth to be slower in Q3FY22



Note: Nov'21 data is average of Oct-Nov'21on YoY basis

Fig 41 – Broad based improvement on FYTD basis due to base effect

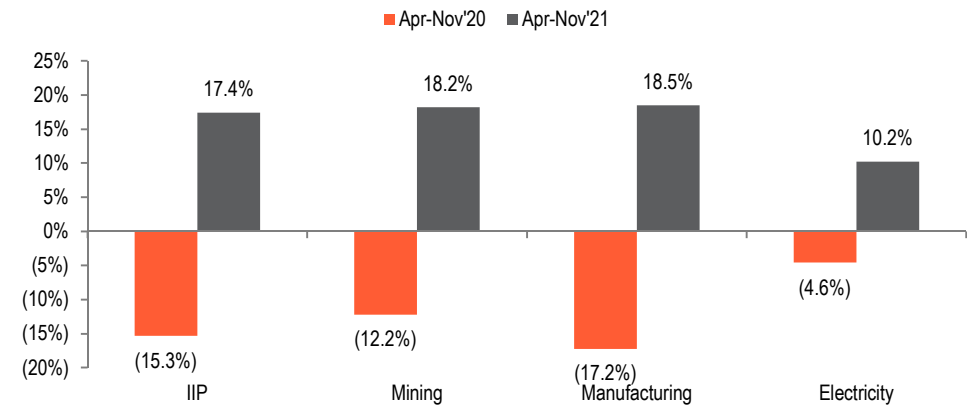
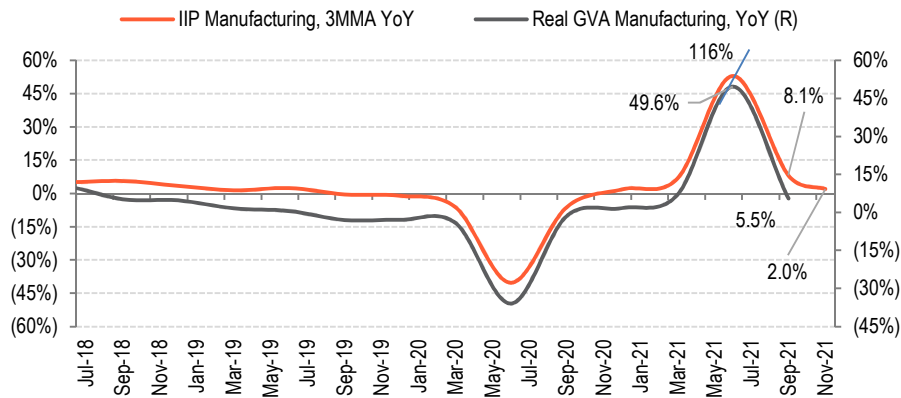


Fig 42 – IIP growth improves

Sectoral (%)	Weight	Nov-21	Nov-20	Apr-Nov'21	Apr-Nov'20
IIP	100.0	1.4	(1.6)	17.4	(15.3)
Mining	14.4	5.0	(5.4)	18.2	(12.2)
Manufacturing	77.6	0.9	(1.6)	18.5	(17.2)
Electricity	8.0	2.1	3.5	10.2	(4.6)
Use-Based					
Primary Goods	34.1	3.5	(1.8)	13.2	(11.3)
Capital Goods	8.2	(3.7)	(7.5)	29.0	(31.1)
Intermediate Goods	17.2	2.5	(1.8)	23.7	(16.8)
Infrastructure and Construction Goods	12.3	3.8	2.1	27.5	(17.2)
Consumer Durables Goods	12.8	(5.6)	(3.2)	24.0	(28.2)
Consumer Non-Durables Goods	15.3	3.5	(1.8)	6.4	(5.3)

Manufacturing

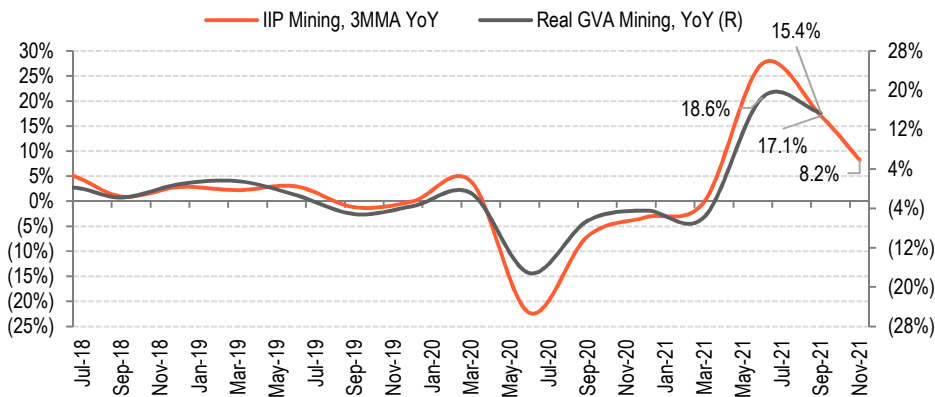
Fig 43 – Slower pace of growth expected in Q3FY22



Note: Nov'21 data is average of Oct-Nov'21on YoY basis

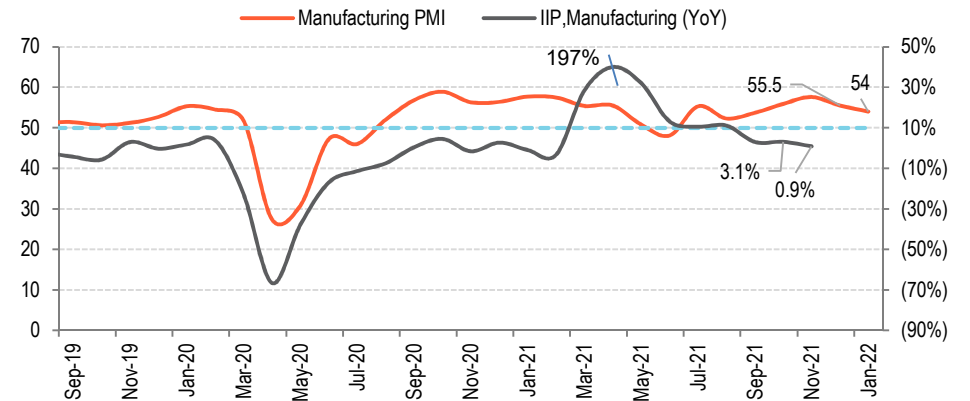
Mining & Electricity

Fig 45 – Mining activity likely to ease in Q3FY22



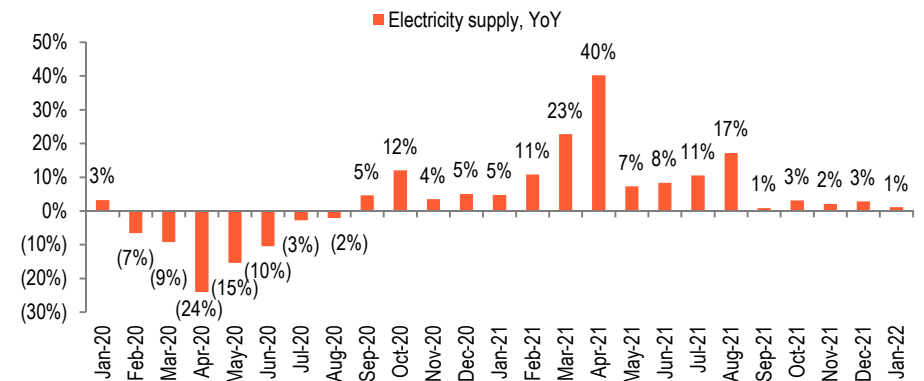
Note: Nov'21 data is average of Oct-Nov'21on YoY basis

Fig 44 – Manufacturing PMI moderates further in Jan'22



Source: Markit

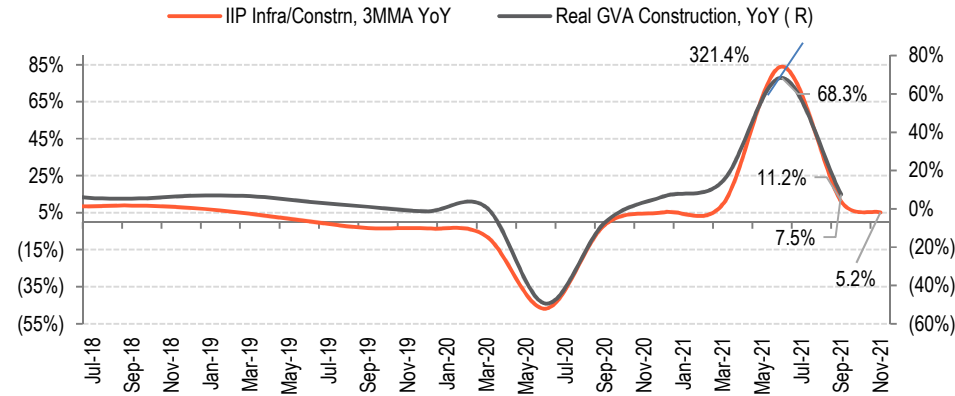
Fig 46 – Electricity output moderate



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

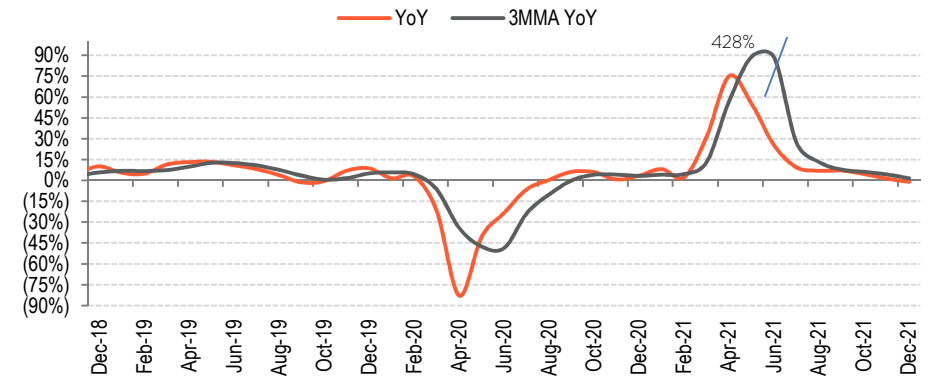
Infrastructure and Construction

Fig 47 – Further dip in construction sector expected



Note: Nov'21 data is average of Oct-Nov'21 on YoY basis

Fig 48 – Contraction in steel output



Infrastructure Index

Fig 49 – Improvement in infra index

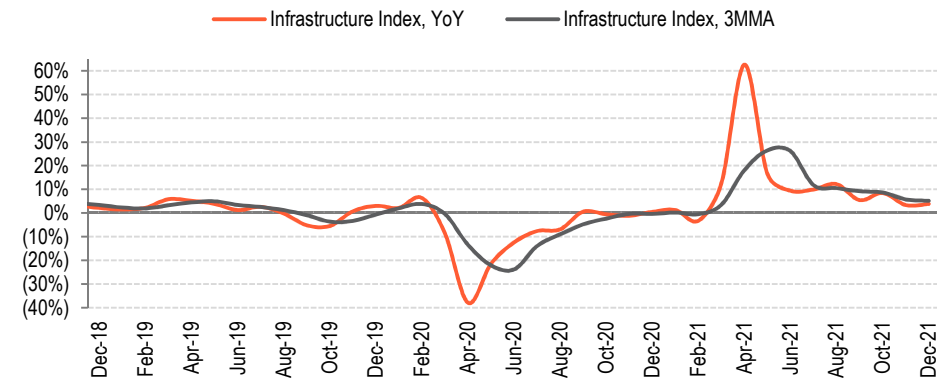
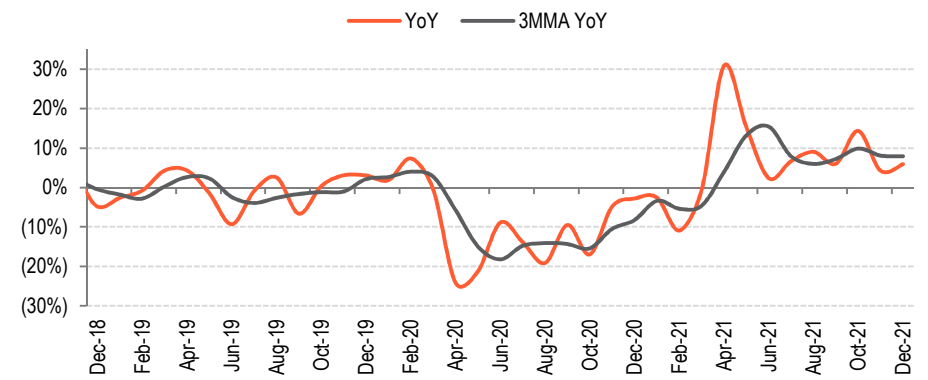


Fig 50 – Refinery output improves further



Auto production & Business expectation index

Fig 51 – Auto production contracts at a much slower pace

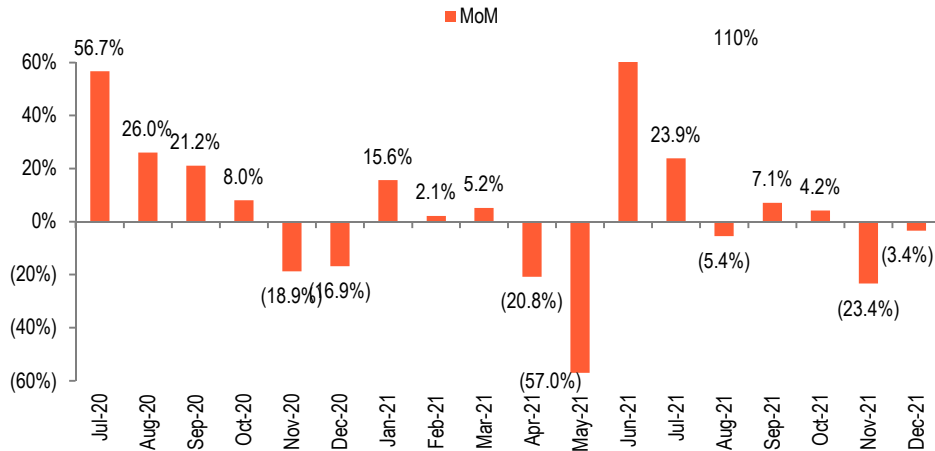


Fig 52 – Business sentiment strengthens

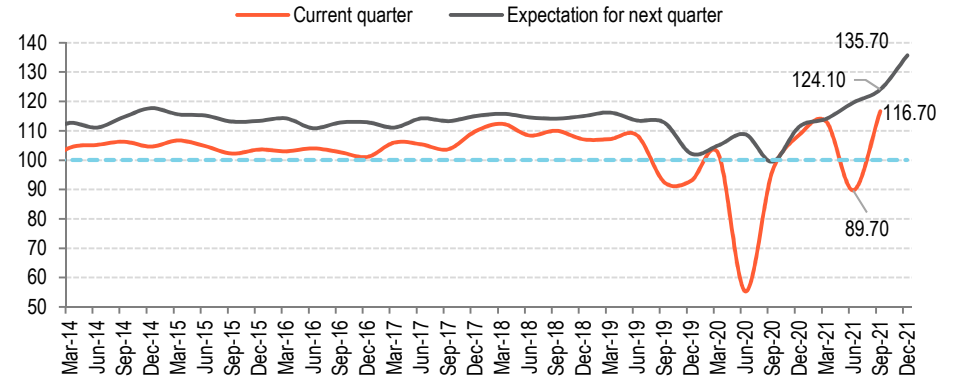
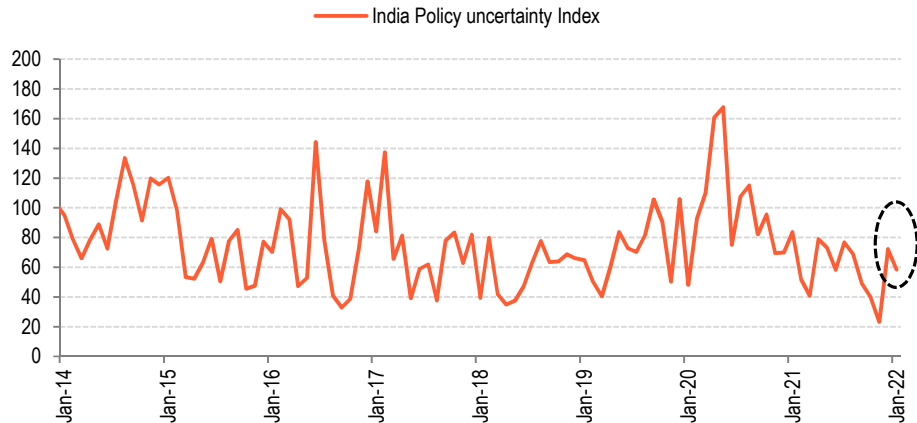


Fig 53 – Infrastructure index edges upwards

(%)	Weight	Dec-21	Nov-21	Dec-20	Apr-Dec'21	Apr-Dec'20
Infrastructure Index	100	3.8	3.4	0.4	12.6	(9.8)
Coal	10.3	5.2	8.2	2.2	10.6	(1.9)
Crude Oil	9.0	(1.8)	(2.2)	(3.6)	(2.6)	(5.7)
Natural Gas	6.9	19.5	23.7	(7.2)	22.4	(11.6)
Petroleum Refinery Products	28.0	5.9	4.3	(2.8)	10.0	(13.5)
Fertilizers	2.6	3.5	2.5	(2.9)	(0.1)	3.0
Steel	17.9	(1.0)	1.4	3.5	22.1	(15.6)
Cement	5.4	12.9	(3.6)	(7.2)	26.1	(17.9)
Electricity	19.9	2.5	2.1	5.1	9.4	(3.6)

Investment

Fig 1 – Policy uncertainty in India fell in Jan'22, ahead of the Union Budget



Source: policyuncertainty.com

Fig 3 – PLF of thermal plants inched up

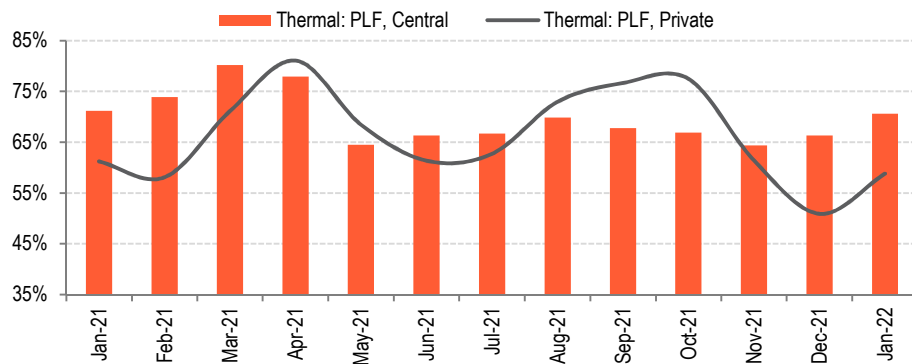
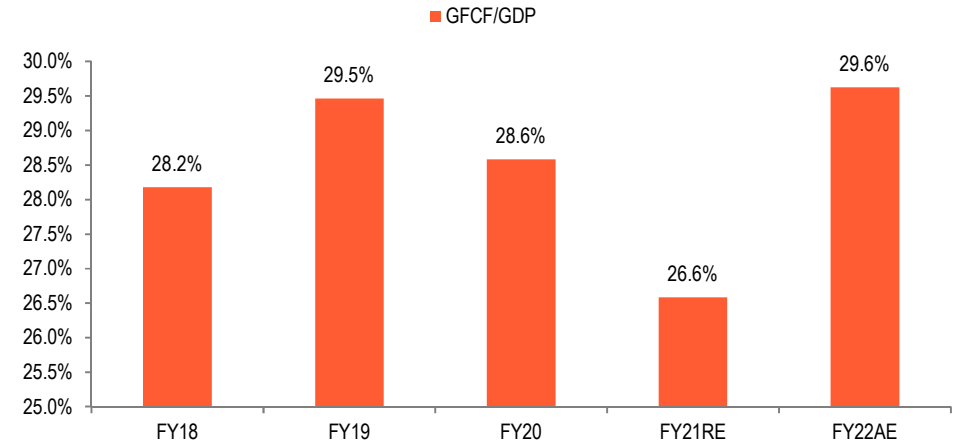


Fig 2 – Investment demand as percentage of GDP is expected to revive to 29.6% in FY22



Note: FY22 calculation is based on RE of FY21 and not as given in AE

Fig 4 – Capital goods production fell by 3.7% in Nov'21 from 10.29% decline seen in Oct'21

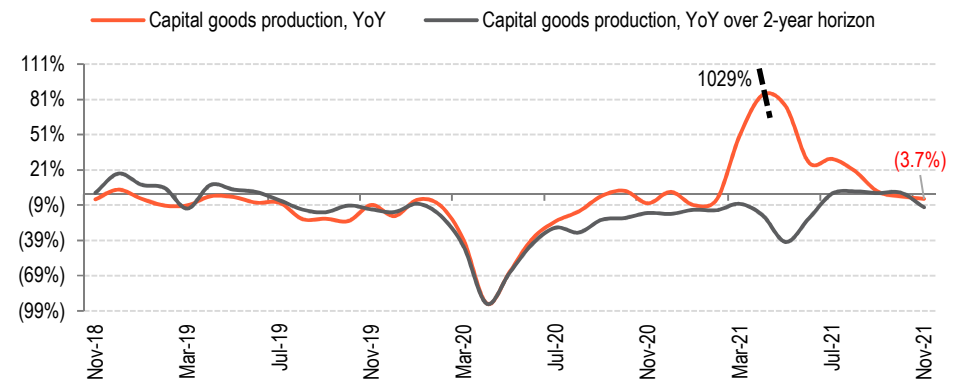


Fig 5 – Capital goods imports moderated to 9.5% from 11.5% in Nov'21

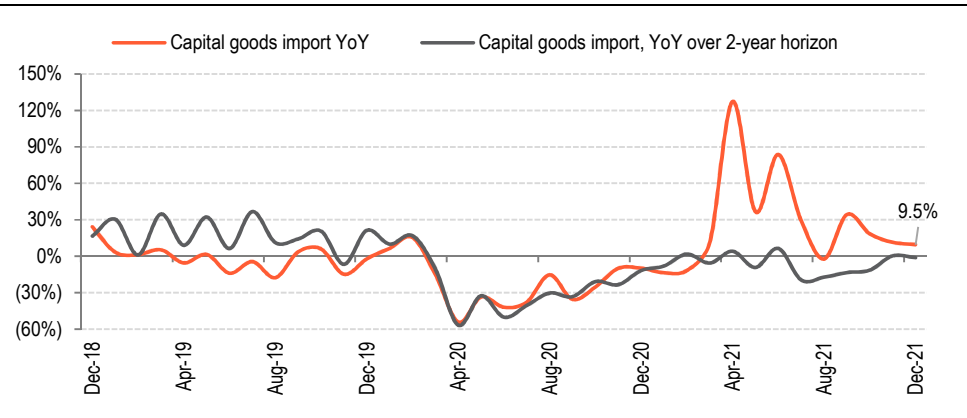


Fig 6 – Centre’s capex spending inched up to 30.5% in Dec'21 from 26% in Nov'21; in FY23, capex spending is likely to rise by 24.5% to Rs 7.5tn

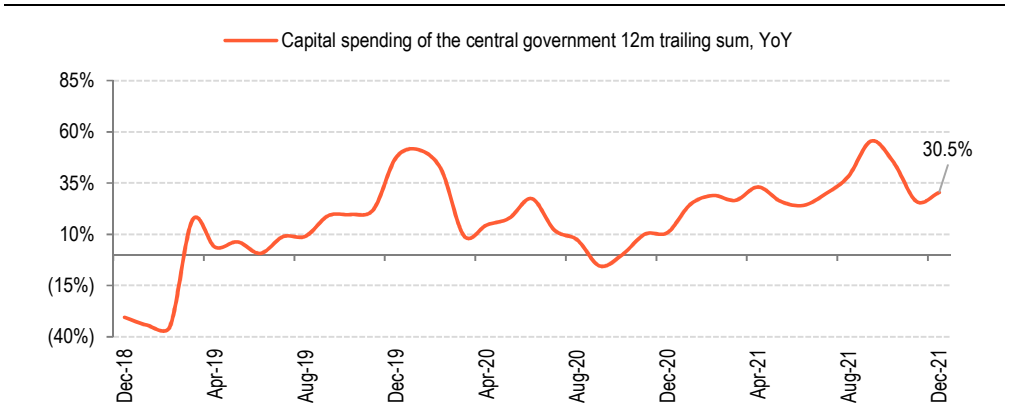


Fig 7 – Credit to micro and small industry rose by 20.5% in Dec'21 and by 15.6% in FYTD22, to medium industry by 86.5% in Dec'21 and by 64.8% in FYTD22

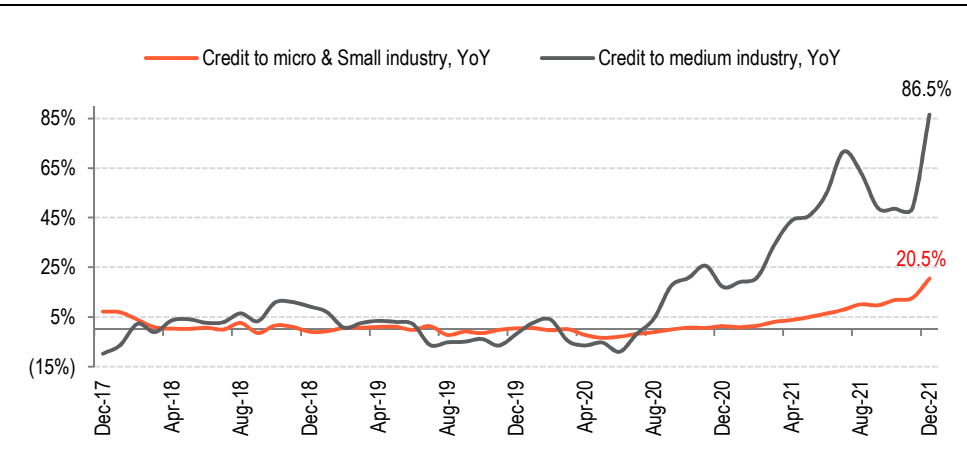
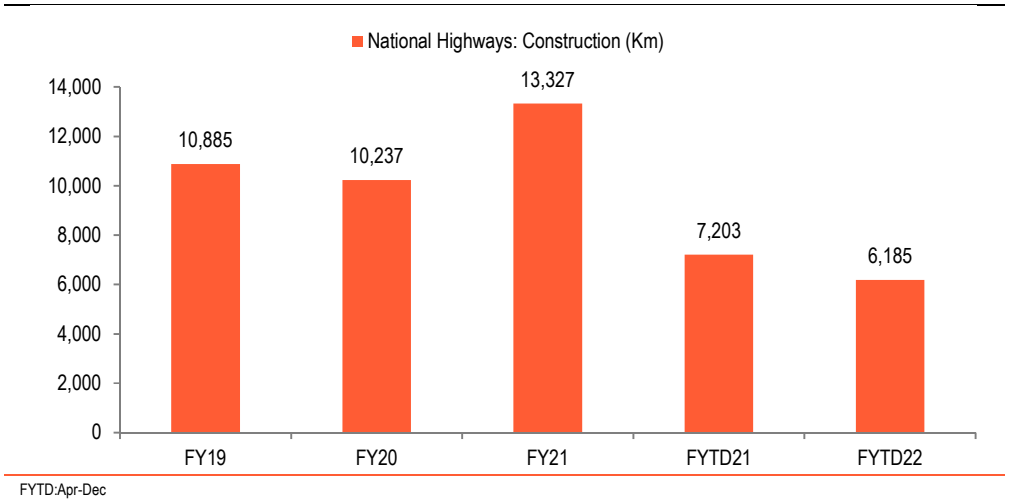


Fig 8 – National highway construction pace is slower compared to same period of previous year



Services sector

Fig 9 – GVA: Services activity eased in Q2FY22, showing signs of base effect

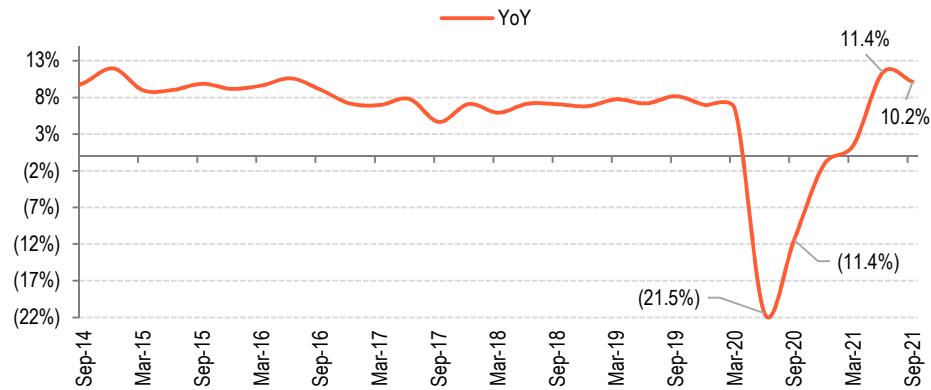
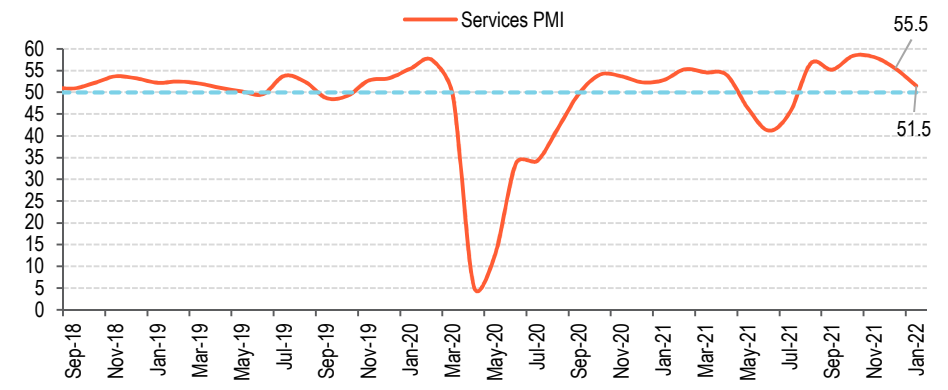


Fig 10 – Services PMI eased in Jan'22 due to localised restrictions



Source: Markit

Fig 11 – GVA: Trade & related services led the drag in Q2

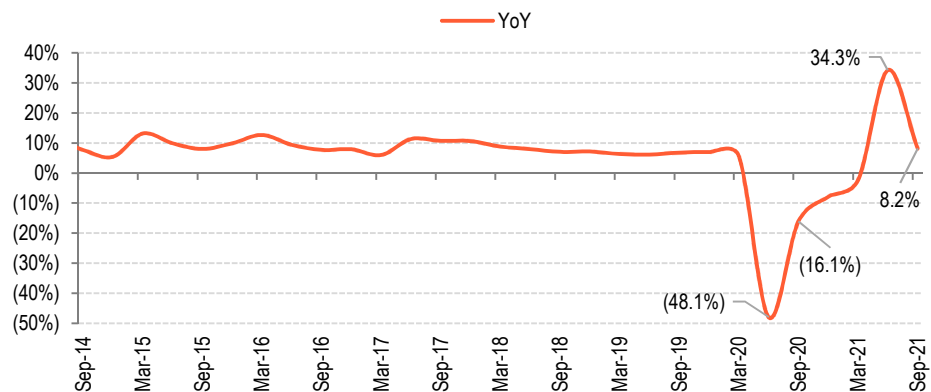
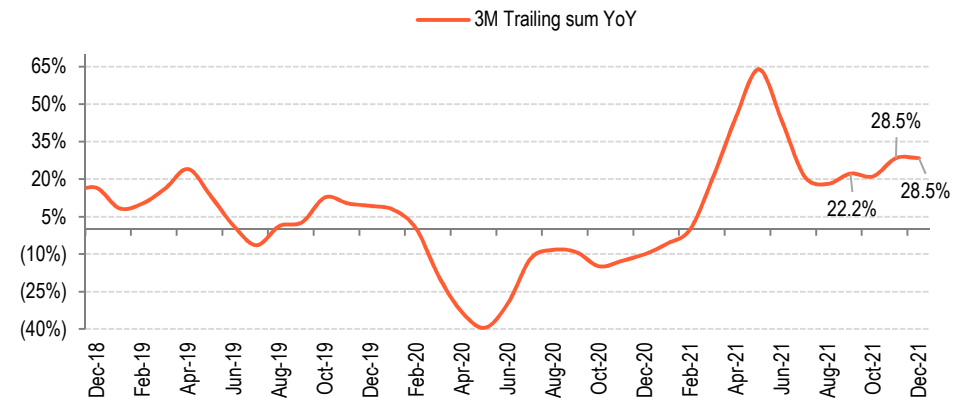


Fig 12 – States** tax revenue growth in Q3 were higher than Q2



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

Trade

Fig 13 – Vehicle registrations suffer again in Jan'22

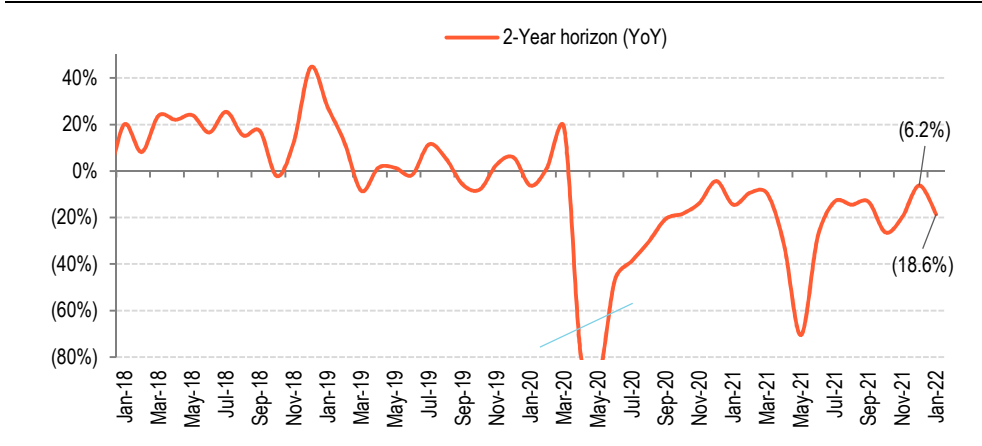


Fig 14 – Diesel consumption dipped in Jan'22

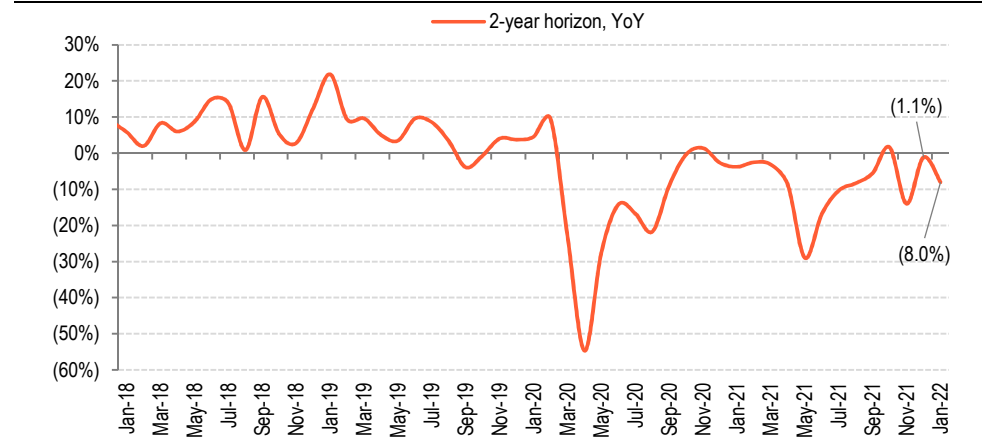


Fig 15 – Port cargo volume growth moderated in Jan'22

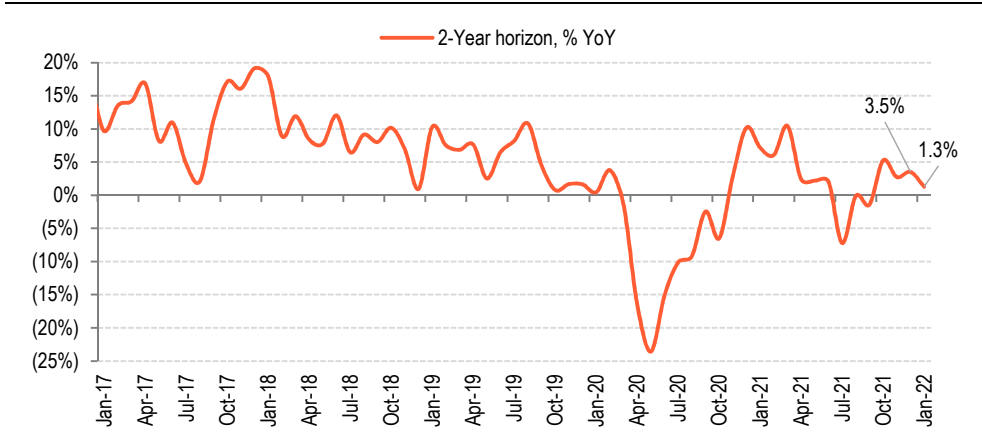


Fig 16 – Railway freight traffic growth weekend in Jan'22

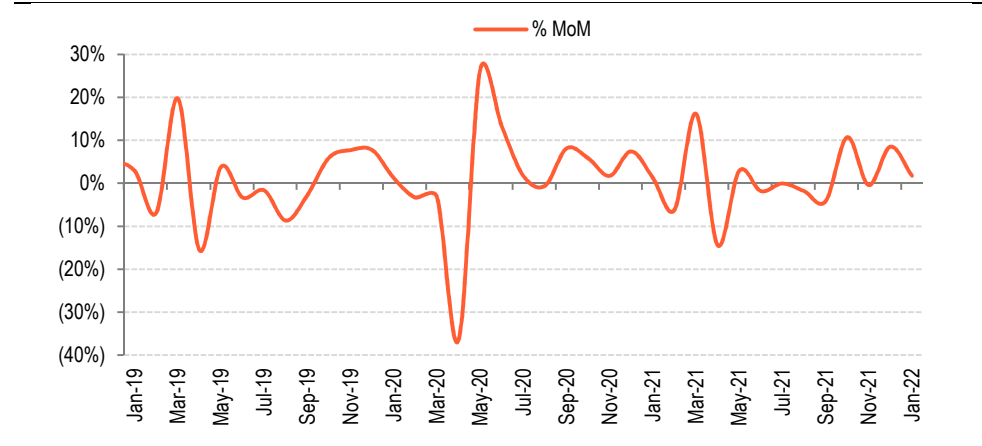


Fig 17 – Toll collections dropped as state restrictions came into effect

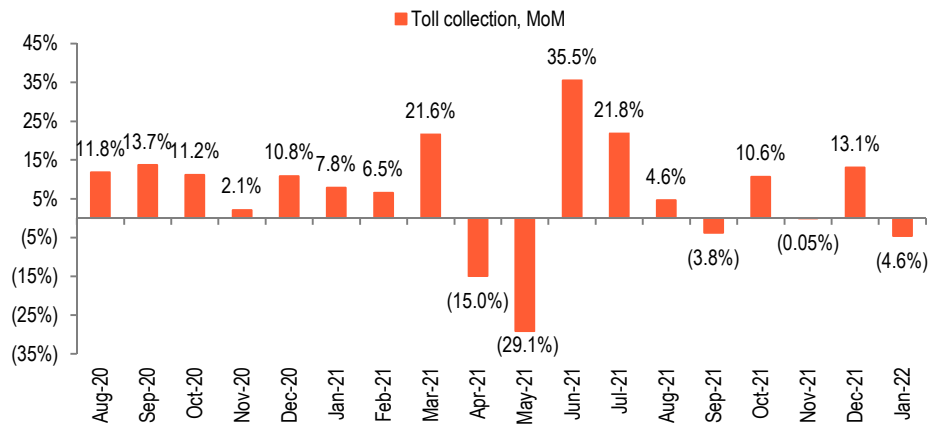
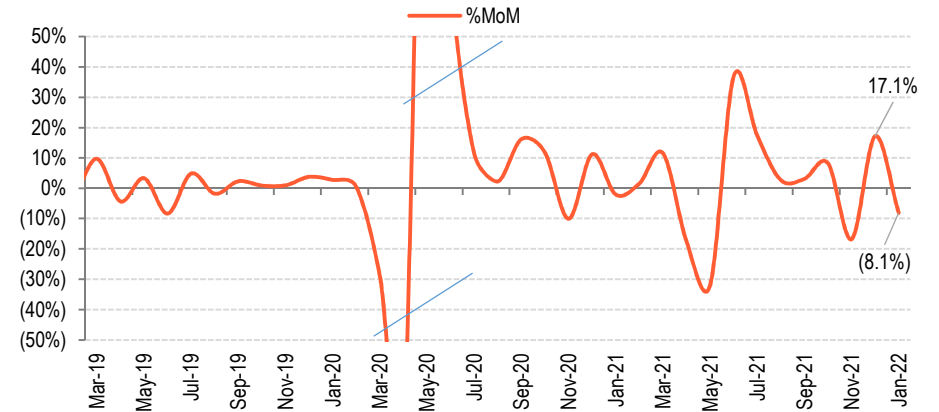


Fig 18 – E-way bill generation growth also also dropped



Hotels and communications

Fig 19 – Airline passenger traffic growth faltered in Jan'22

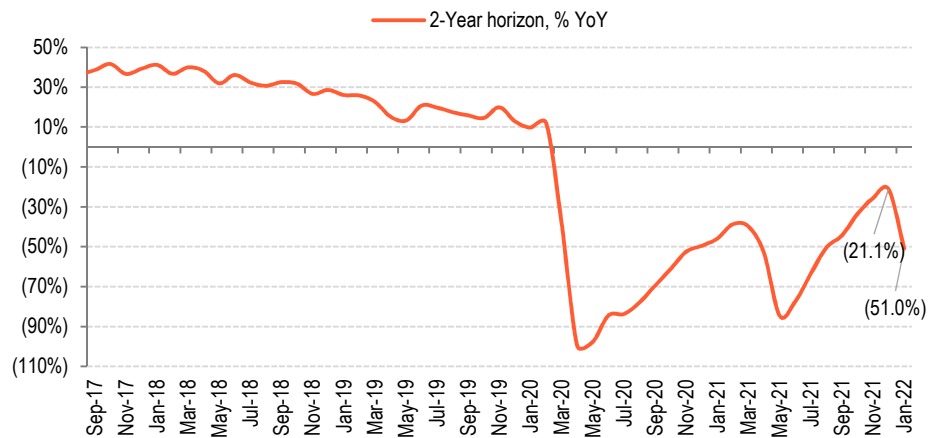


Fig 20 – ...led by sharp drop in domestic passenger growth

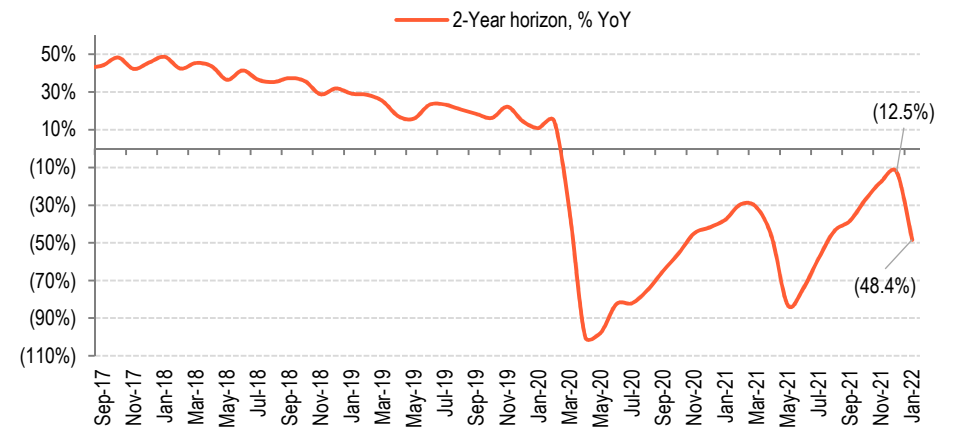


Fig 21 – Railway passenger traffic was on track to recovery until Dec'21

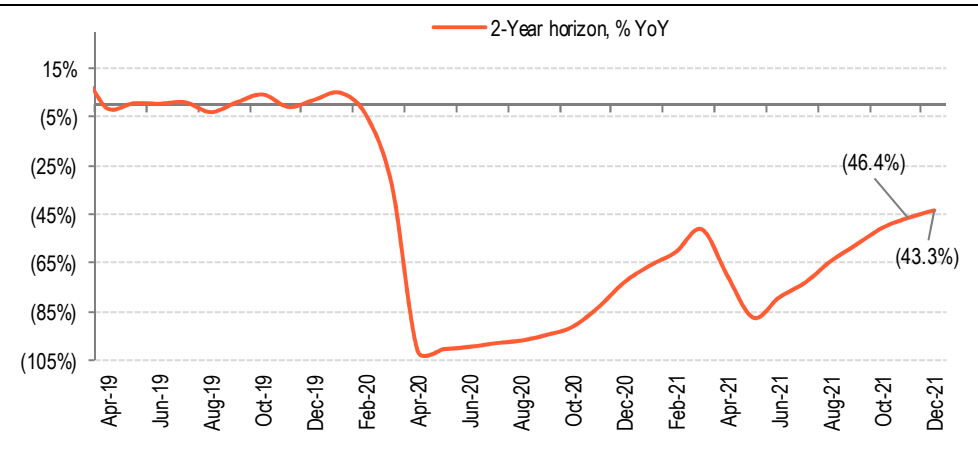
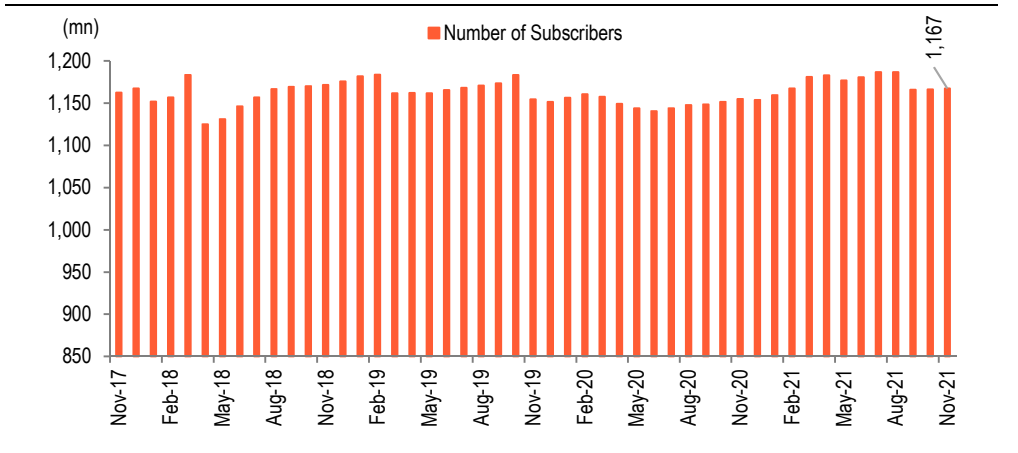


Fig 22 – Telecom sector added 1.2mn wireless subscribers in Nov'21 following 0.3mn subscribers added in Oct'21



Finance and real estate

Fig 23 – Growth in GVA: Finance, real estate & prof. services rebounded in Q2FY22

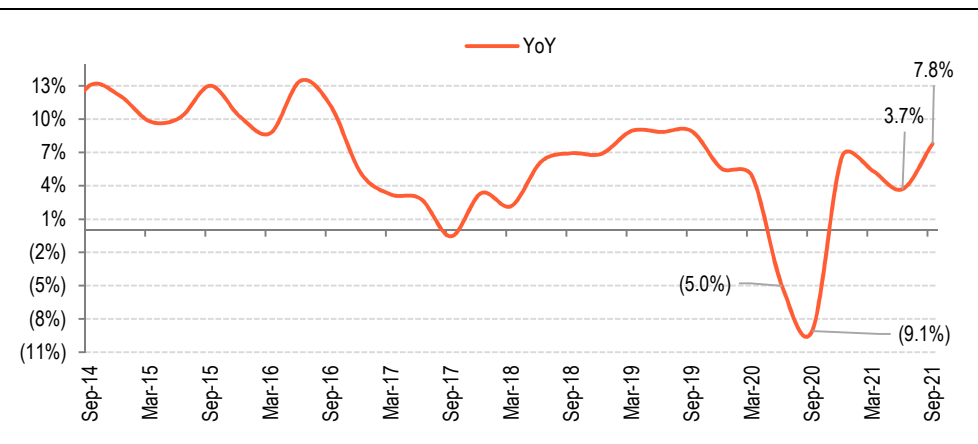
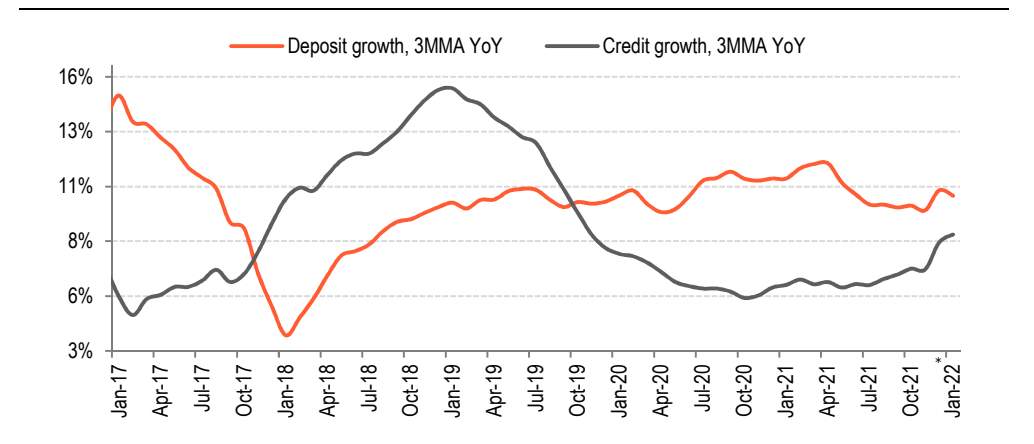


Fig 24 – Both credit and deposit growth seen slowing



*Data as of 14 Jan 2022

Fig 25 – Credit to both services and industry picks up pace

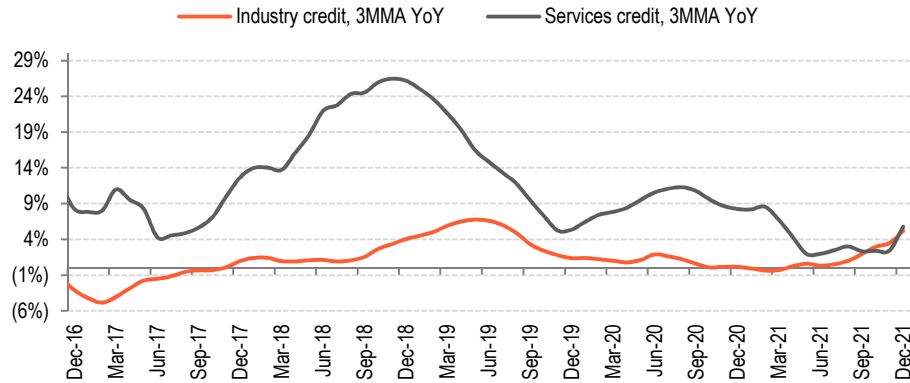


Fig 26 – Credit to NBFCs continue to lead the trend

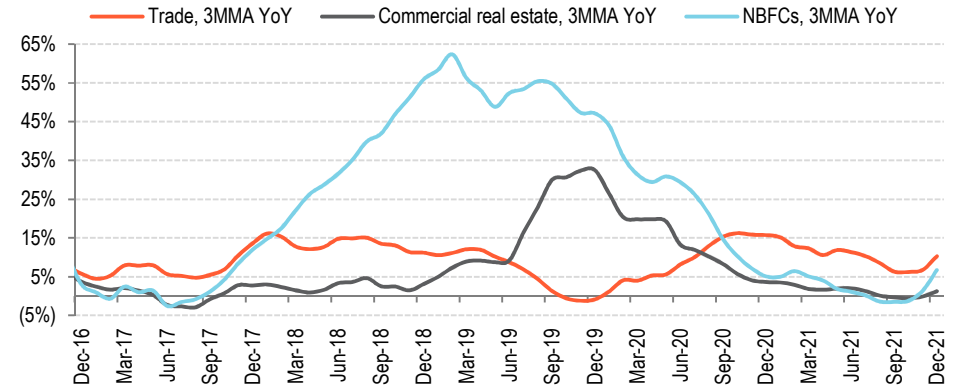
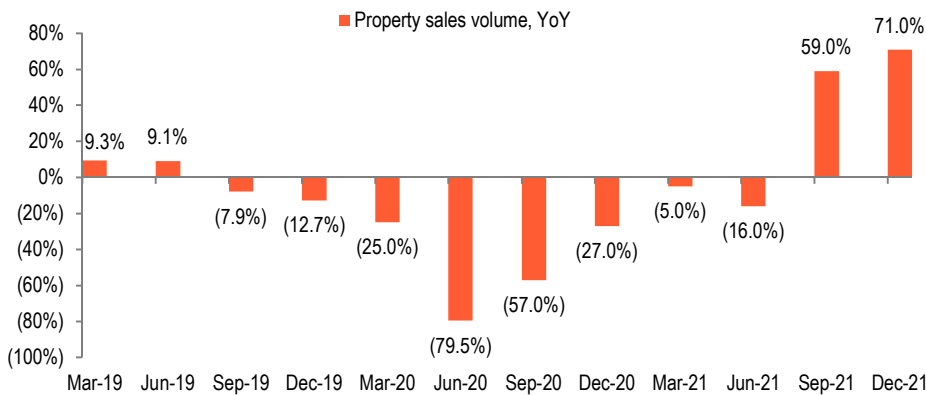
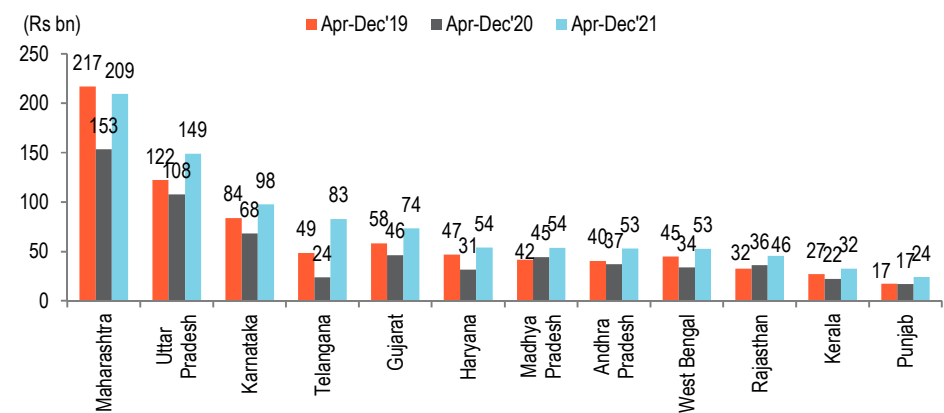


Fig 27 – Property sales volumes maintained momentum in Q3FY22 as well



Source: Proptiger

Fig 28 – Barring Maharashtra, stamp duty collections of other states remain above pre-pandemic levels in FYTD22 so far



Labour market

Fig 29 – Naukri job index showed weaker growth in Dec'21

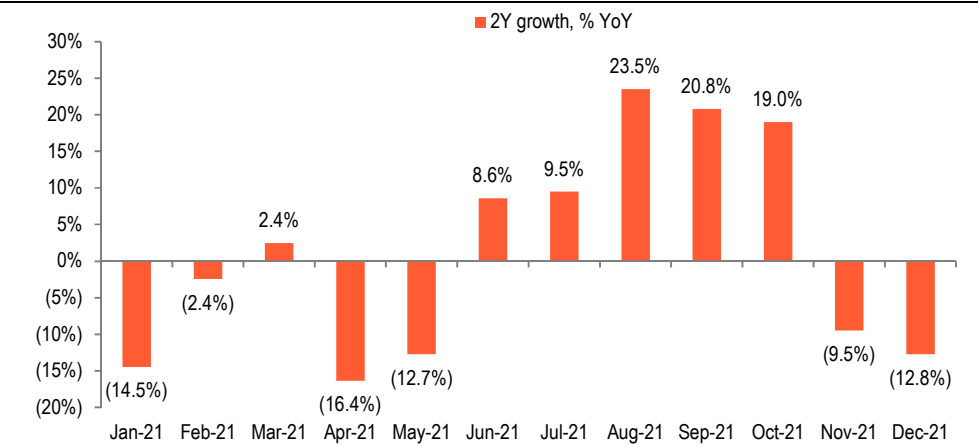
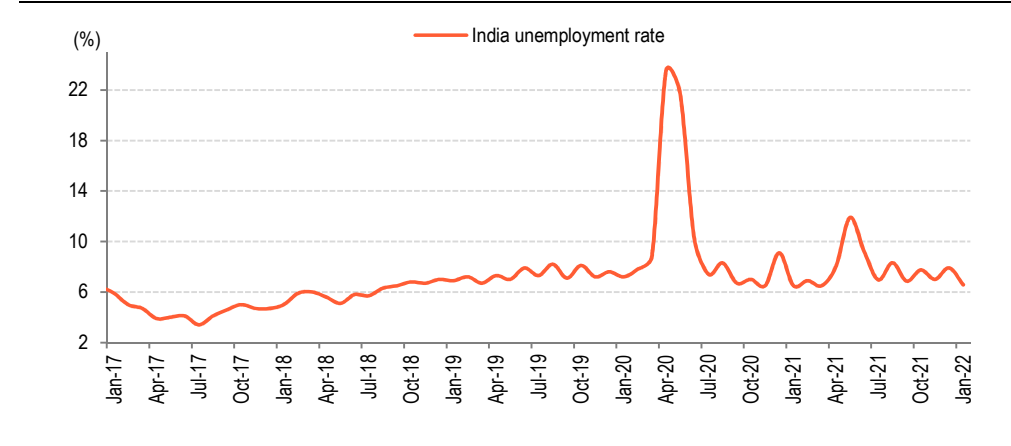


Fig 30 – However, unemployment rate has inched down now in Jan'22



Public administration

Fig 31 – Public administration & defence services contributed positively in Q2FY22

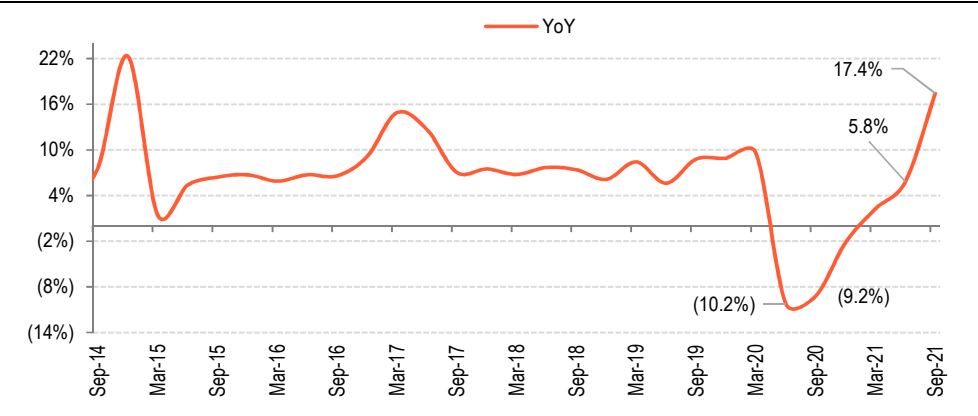


Fig 32 – General govt. spending moderated in Q3 versus Q2

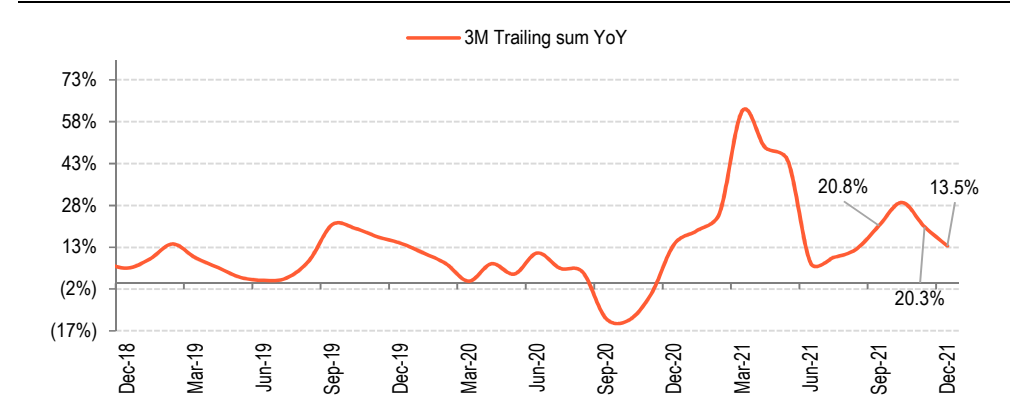


Fig 33 – ...led by both Central government spending

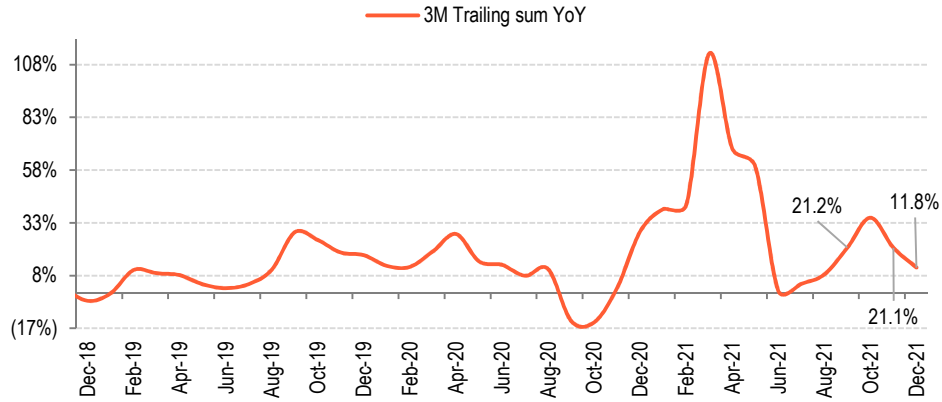
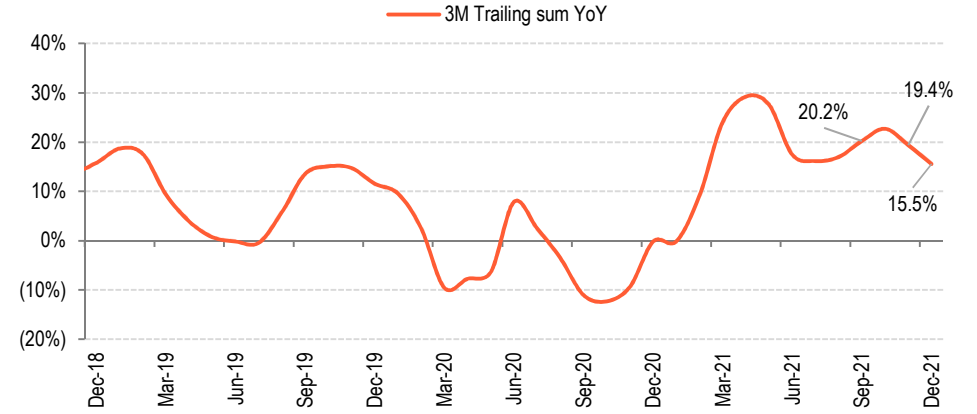


Fig 34 – ...and State* Govt. spending (mainly capex)

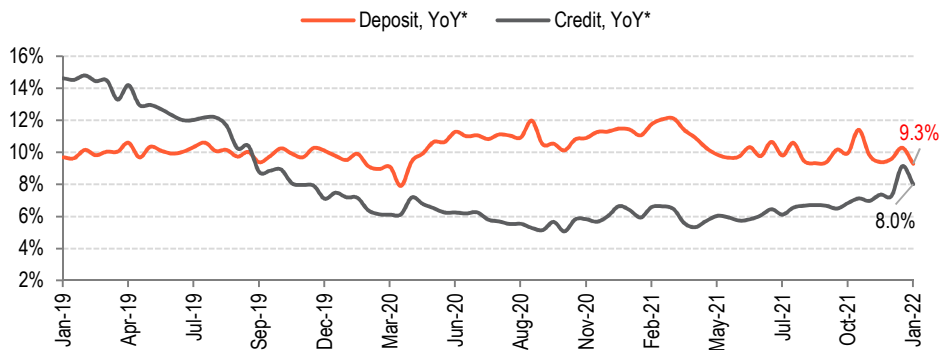


Note: *All states excluding N.E states, Goa, J&K, and Tamil Nadu

Financial sector

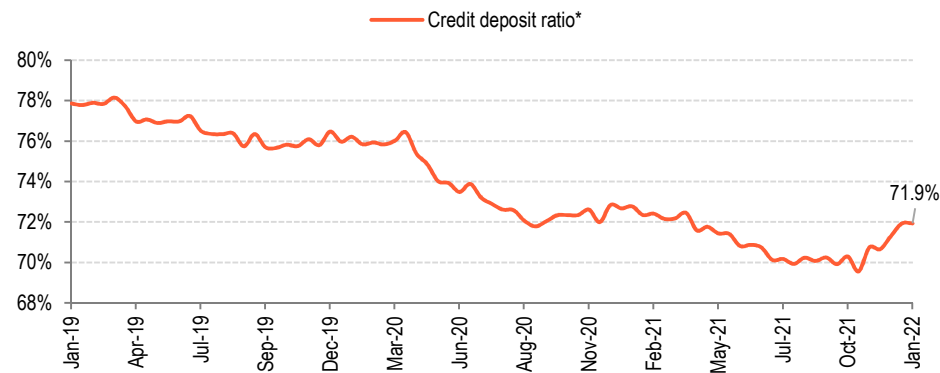
Money and banking

Fig 35 – Credit demand was at 8% in Jan'22 and at 5% on FYTD22 basis, deposit growth was at 9.3% in Jan'22 and at 5.8% in FYTD22



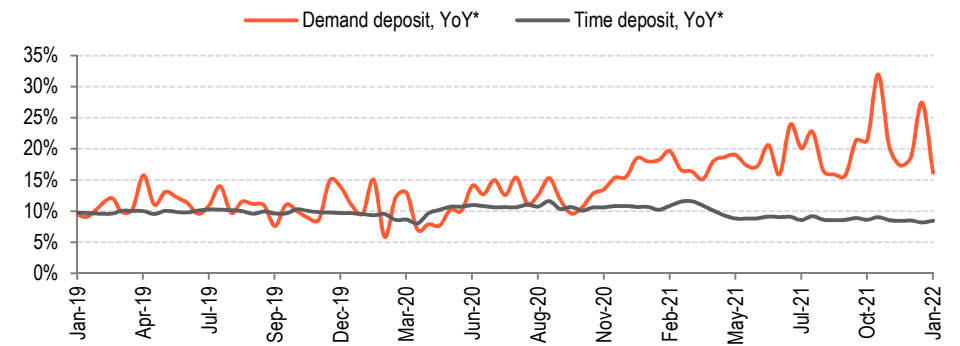
Note: *Dec-21 implies fortnight as of 14 Jan 2022

Fig 37 – CD ratio was at 71.9%



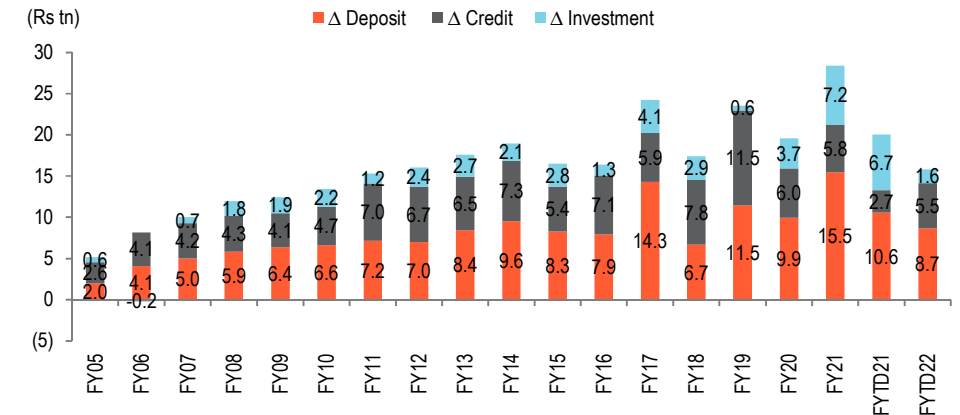
Note: *Dec-21 implies fortnight as of 14 Jan 2022

Fig 36 – ...Demand deposits inched down while time deposits remained stable



Note: *Dec-21 implies fortnight as of 14 Jan 2022

Fig 38 – Pace of accretion of credit, investment and deposit



Note: *Dec-21 implies fortnight as of 14 Jan 2022

Fig 39 – Credit to govt moderated to 3.6% from 4.5% in Oct'21, credit to commercial sector rose to 6.9% from 6.6%

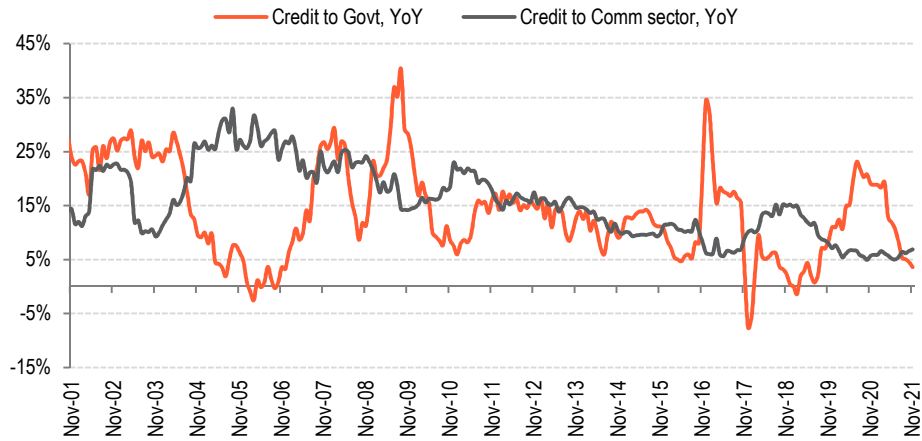


Fig 41 – WALR moderated to 7.2% from 7.3% in Nov'21, WATDR inched up to 5.2% from 5.1%

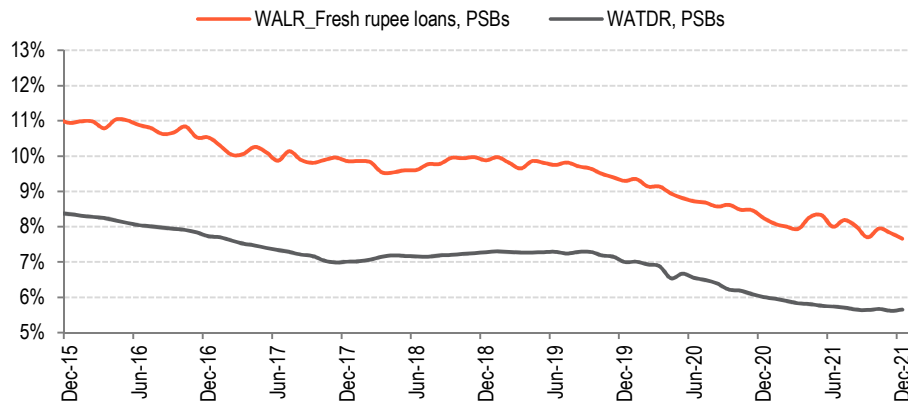


Fig 40 – Spread between call rate and repo

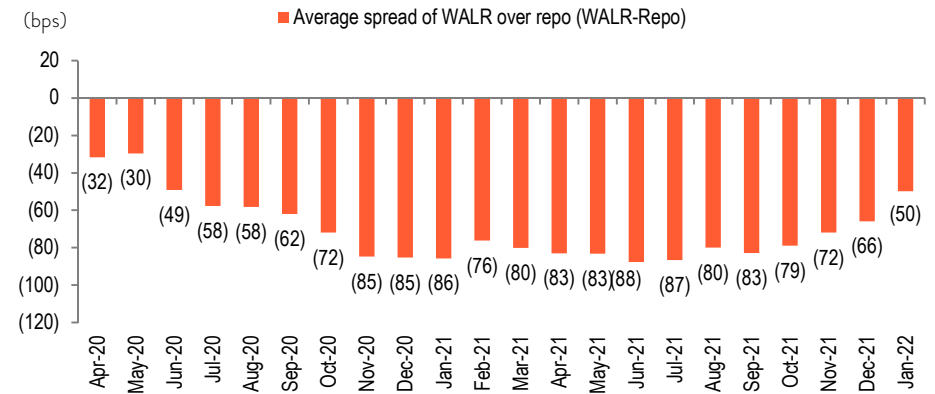
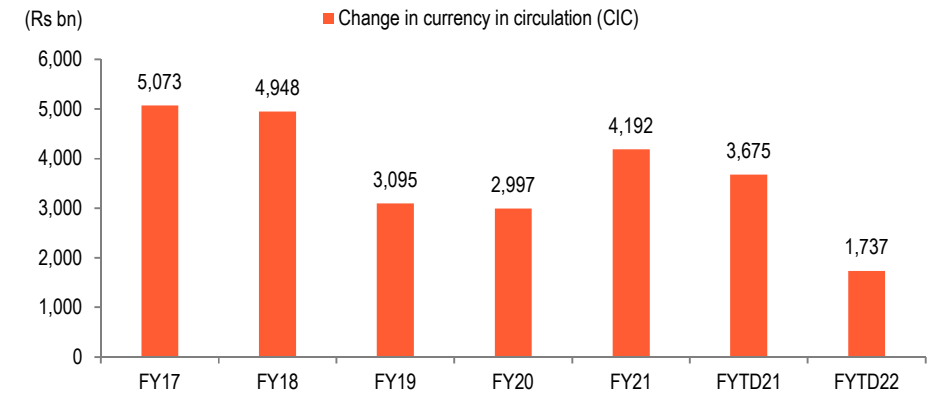
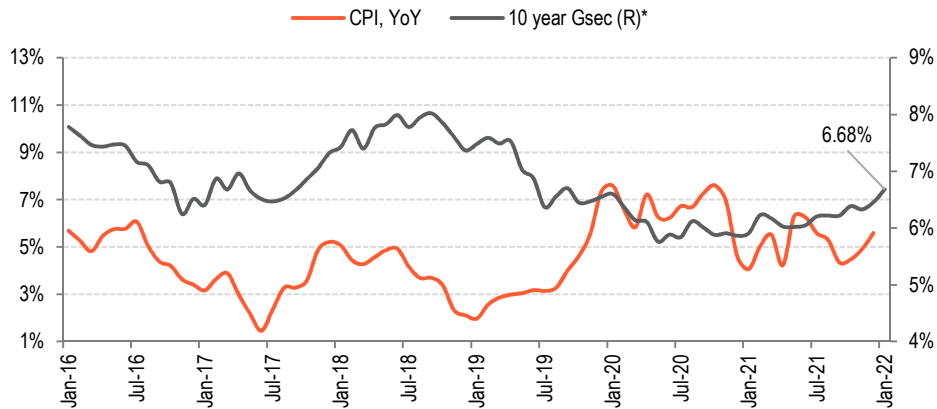


Fig 42 – CIC accretion at a much slower pace of Rs 1.7tn in FYTD22 against Rs 3.7tn in the same period of previous year



FYTD: Apr-Dec

Fig 43 – 10Y GSec yield inched up to 6.68% in Jan'22 from 6.45% in Dec'21 and currently higher at 6.87%, inflation edged up to 5.6% from 4.9% in Nov'21



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

Fig 45 – Corporate debt issuance rose to Rs 731bn in Dec'21 from Rs 477bn in Nov'21

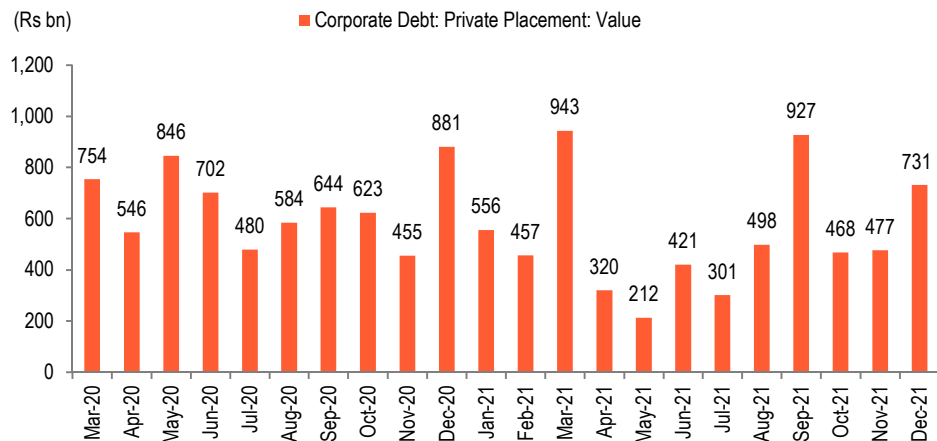
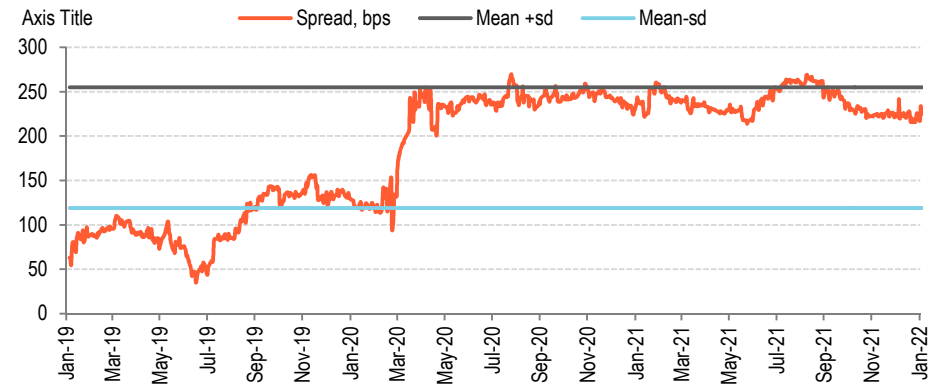
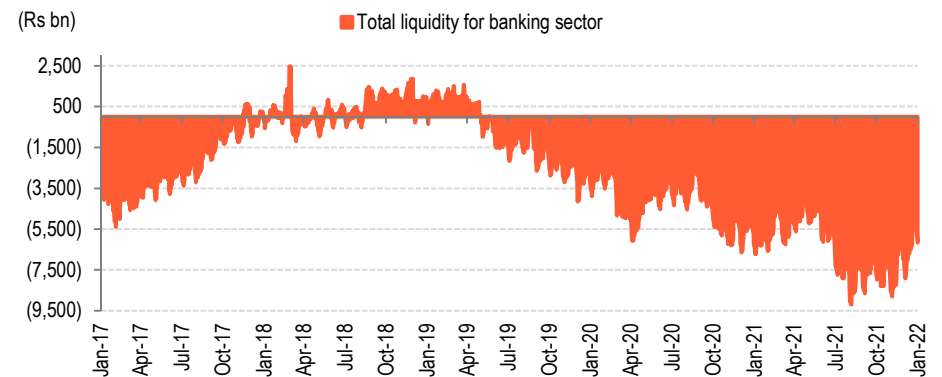


Fig 44 – Spread between 10Y Gsec and 1Y Tbill is nearing its mean reversion level-upper bound



Source: Bloomberg

Fig 46 – Average system liquidity surplus is at Rs 6.4tn in Jan'22 against Rs 7.4tn in Dec'21 and currently at Rs 6.5tn



Source: RBI

Fig 47 – 3Y AAA NBFC spread was at 53bps as on 31 Jan 2022

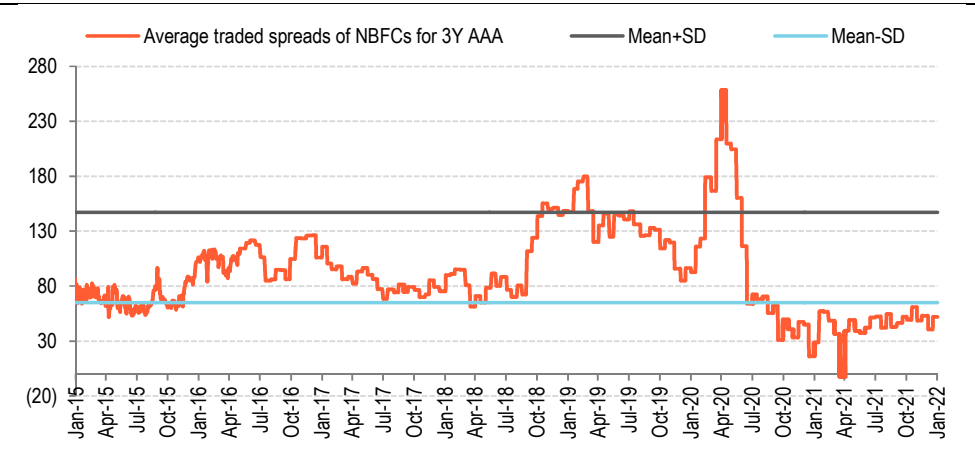


Fig 48 – 10Y AAA NBFC spread was at 54bps as on 31 Jan 2022

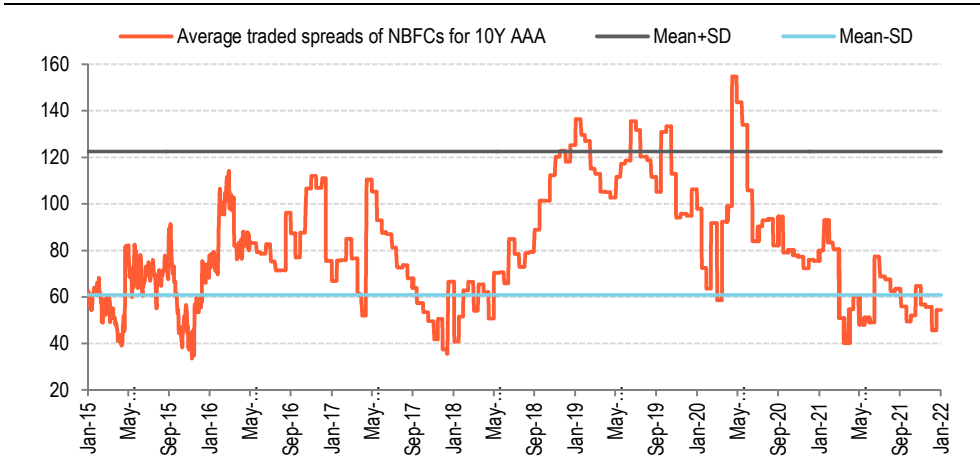


Fig 49 – 3Y AAA corp was at 32bps as on 31 Jan 2022

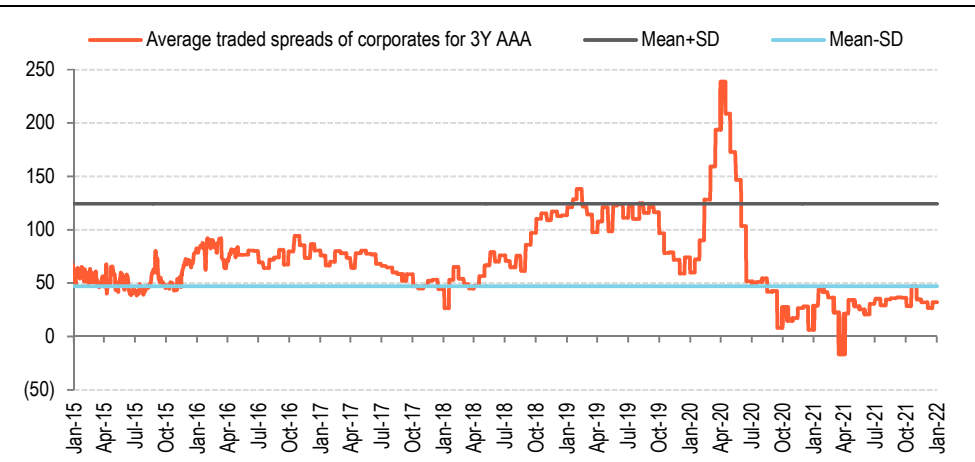


Fig 50 – 10Y AAA corp spread was at 43bps as on 31 Jan 2022

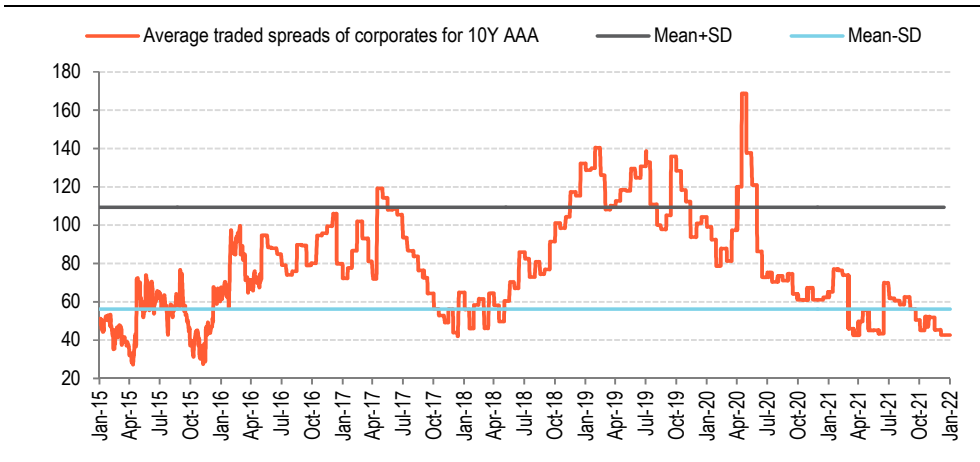


Fig 51 – INR 3Y swap rose to 5.37 as on 31 Jan 2022 from 5.14 as on 31 Dec 2021

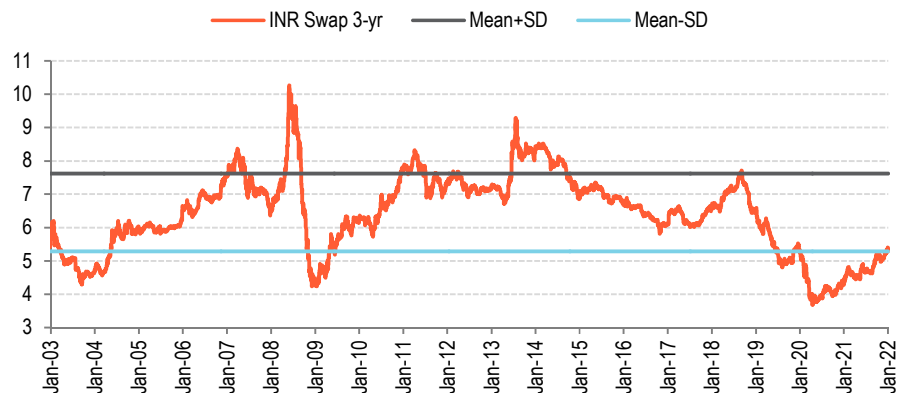
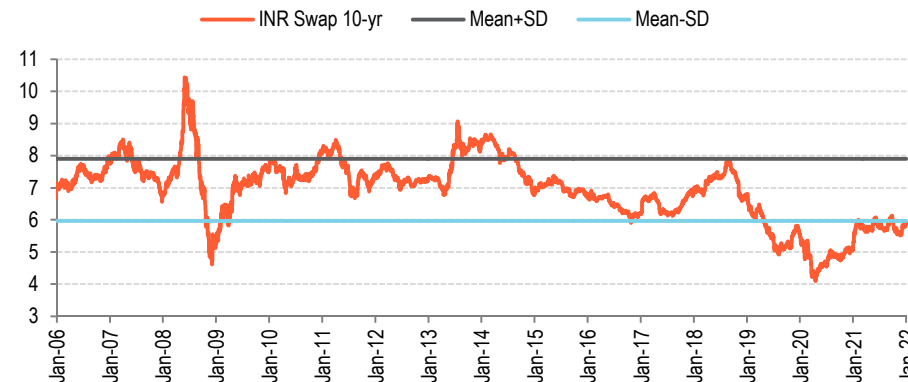


Fig 52 – For 10Y, it rose to 5.89 from 5.57



Interest rates on small savings schemes

Fig 53 – Interest rates on small savings scheme to remain unchanged in Q4FY22 as well

Instrument (%)	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
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	6.9	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
2 year time deposit	6.9	6.9	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
3 year time deposit	6.9	6.9	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
5 year time deposit	7.7	7.7	7.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
5 year recurring deposit	7.2	7.2	7.2	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
5 year senior citizen savings scheme	8.6	8.6	8.6	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4
5 year monthly income scheme	7.6	7.6	7.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6
5 year national savings certificate	7.9	7.9	7.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Public provident fund scheme	7.9	7.9	7.9	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Kisan vikas patra	7.6	7.6	7.6	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Sukanya samridhi account scheme	8.4	8.4	8.4	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

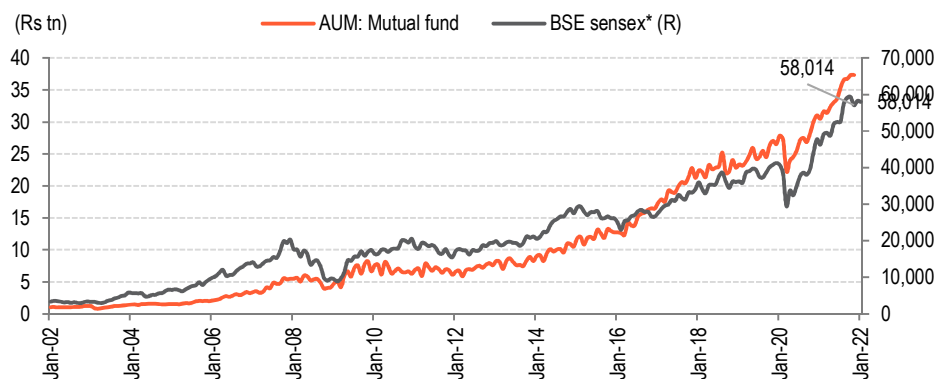
Fig 54 – Interest rates charged by leading banks

1Y MCLR (%)	Nov'20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun'21	Jul'21	Aug'21	Sep'21	Oct'21	Nov'21	Dec'21	Jan'22
Public Sector Banks															
Bank of Baroda	7.45	7.40	7.40	7.40	7.40	7.40	7.40	7.35	7.35	7.35	7.35	7.30	7.30	7.30	7.30
Bank of India	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.30	7.25	7.25	7.25	7.25	7.25	7.25
Canara Bank	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.25	7.25	7.25	7.25
Indian Bank	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.35	7.35	7.35	7.30	7.30	7.30
Punjab National Bank	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.30	7.30	7.30	7.30	7.25	7.25	7.25	7.25
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	7.00	7.00	7.00	7.00
Union Bank of India	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.25	7.25	7.25	7.25
Private Sector Banks															
Axis Bank Ltd.	7.45	7.45	7.40	7.40	7.40	7.40	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35	7.35
HDFC Bank Ltd.	7.25	7.25	7.25	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20	7.20
ICICI Bank Ltd.	7.35	7.35	7.30	7.30	7.30	7.30	7.30	7.30	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Indusind Bank	8.70	8.65	8.65	8.60	8.60	8.60	8.60	8.60	8.55	8.45	8.45	8.45	8.45	8.45	8.45
Kotak Mahindra Bank	7.35	7.35	7.35	7.30	7.25	7.25	7.25	7.25	7.25	7.25	7.20	7.20	7.20	7.20	7.25

Source: RBI

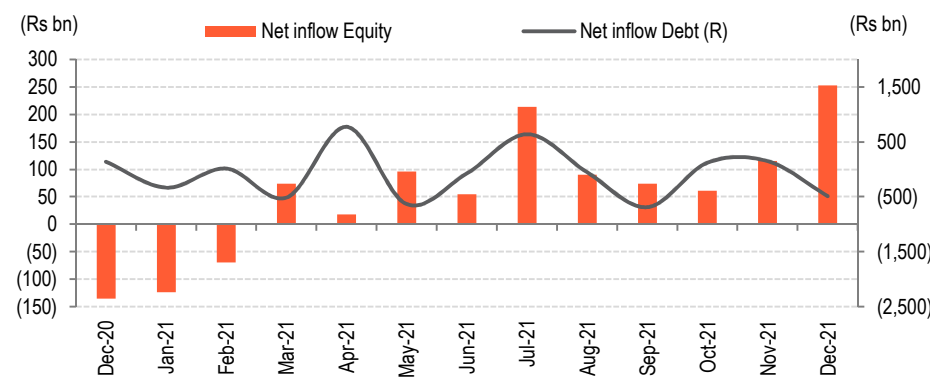
Mutual fund (MF) indicators

Fig 55 – Sensex fell by 0.4% to 58,014 in Jan'22, AUM of MFs rose to Rs 37.7tn in Dec'21



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

Fig 56 – MF equity inflows rose to Rs 253bn from Rs 116bn in Nov'21; debt outflow was at Rs 487bn against inflow of Rs 149bn



Insurance sector indicators

Fig 57 – Sale of life insurance policies declined by 1.3% in Dec’21 from 3.2% increase seen in Nov’21, led by unfavourable base

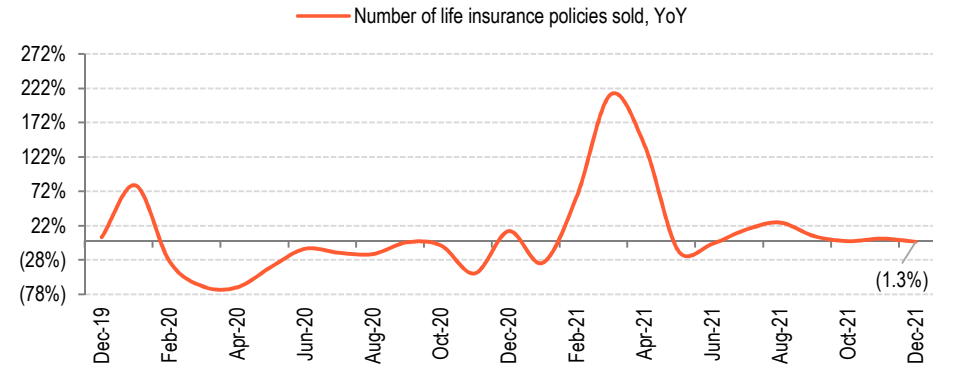
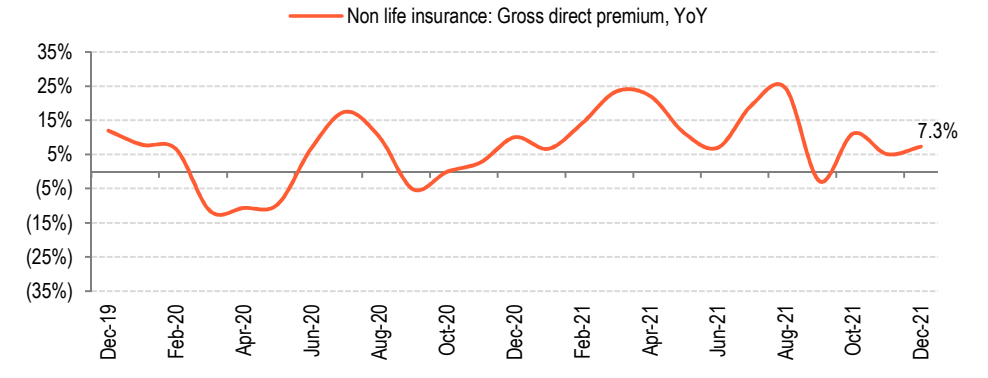


Fig 58 – Gross direct premium for non-life insurance rose to 7.3% from 5.1% in Nov’21



Public finance

Central government finances

Fig 59 – Fiscal deficit narrowed down in Dec’21

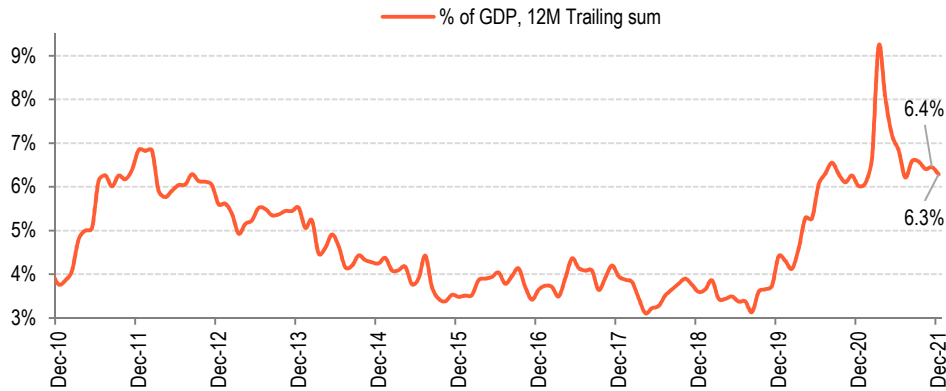


Fig 60 – Revenue deficit too moderated

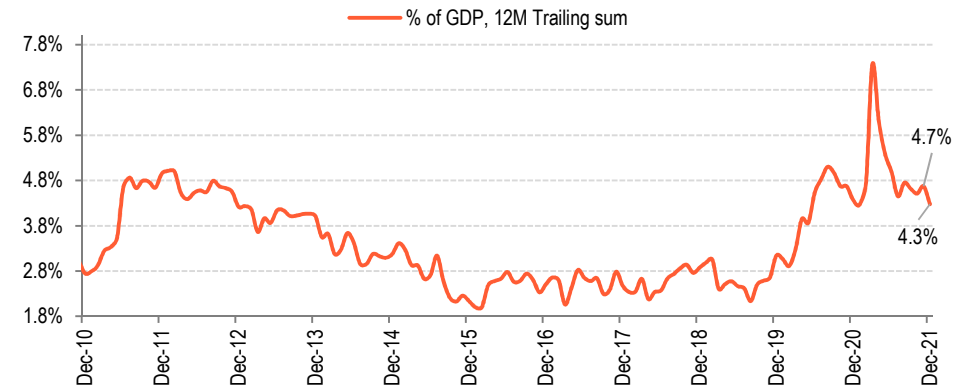


Fig 61 – Primary deficit down at 2.9%

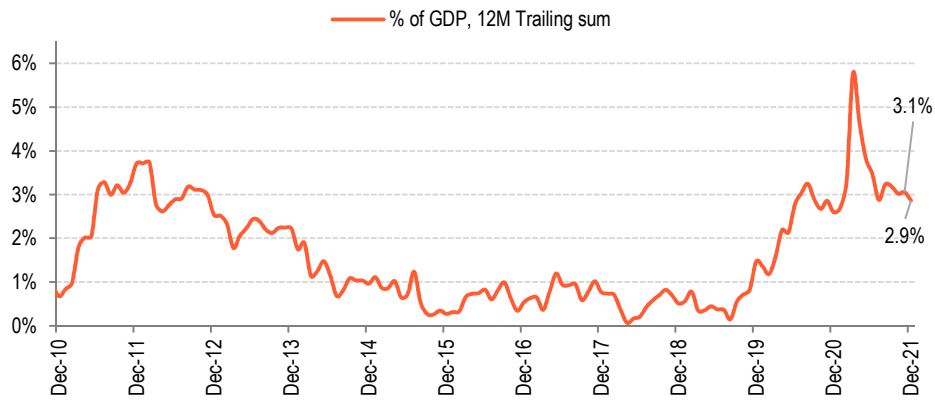


Fig 62 – Government spending eased further in Dec’21 (12MMA)...

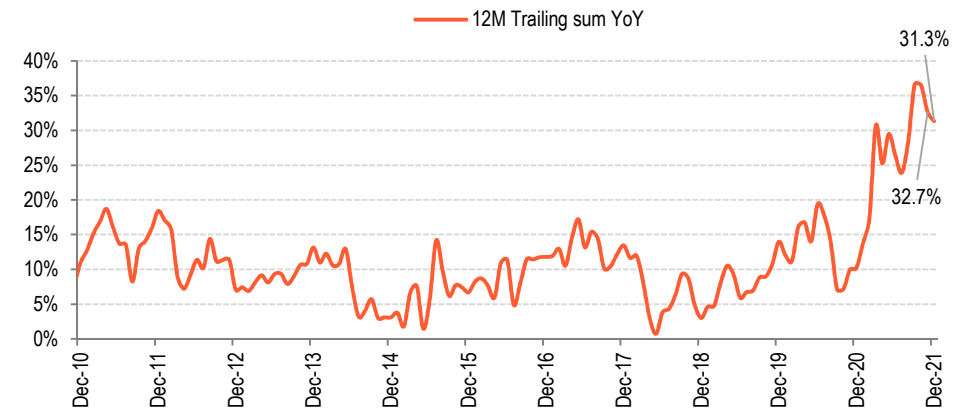


Fig 63 – ...led by revenue spending

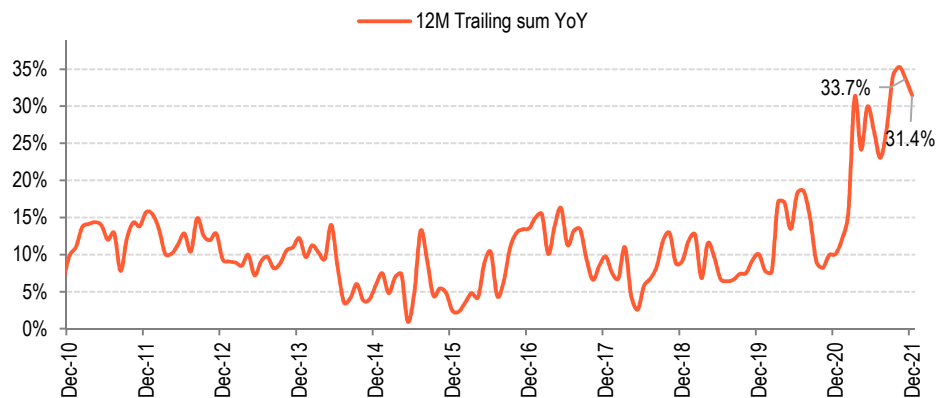


Fig 64 – Capex showing an uptick

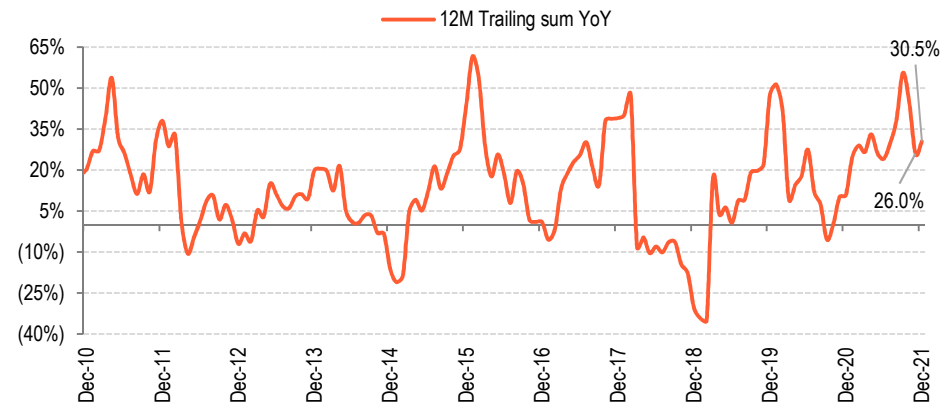


Fig 65 – Spending by ministries of rural development, petroleum and agriculture fell further in Dec'21 (FYTD basis)

Ministry	Apr-Dec'19 (Rs bn)	Apr-Dec'20 (Rs bn)	% change	Apr-Dec'21 (Rs bn)	% change
Ministry of Finance	7,184	8,630	20.1	9,127	5.8
Ministry of Defence	3,637	3,386	(6.9)	3,608	6.5
Ministry of Consumer Affairs, Food and Public Distribution	1,462	1,512	3.4	1,983	31.1
Ministry of Rural Development	935	1,573	68.3	1,141	(27.5)
Ministry of Home Affairs	991	1,065	7.5	1,222	14.7
Ministry of Human Resource Development	683	586	(14.3)	556	(5.0)
Ministry of Road Transport and Highways	718	724	0.9	950	31.3
Ministry of Chemicals and Fertilisers	778	740	(4.8)	849	14.7
Ministry of Petroleum and Natural Gas	407	317	(22.0)	44	(86.1)
Ministry of Agriculture	843	976	15.9	938	(4.0)
Ministry of Health and Family Welfare	507	591	16.7	587	(0.6)

Fig 66 – Receipt growth eased further in Dec’21...

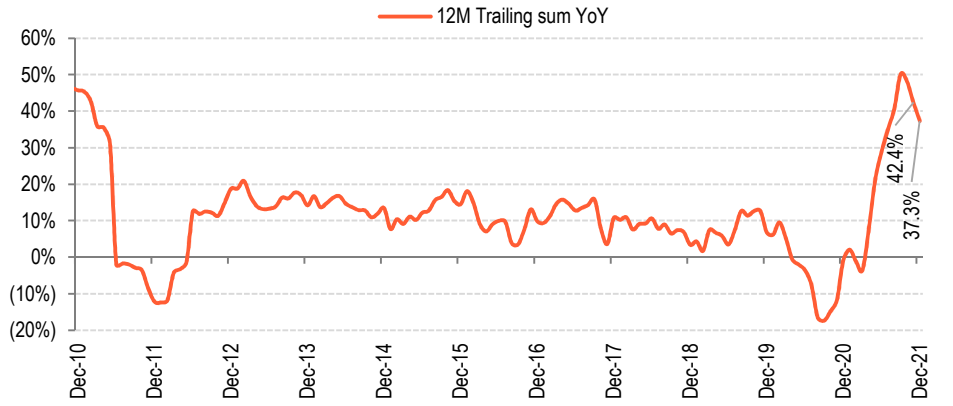


Fig 67 – ...dragged by revenue receipts

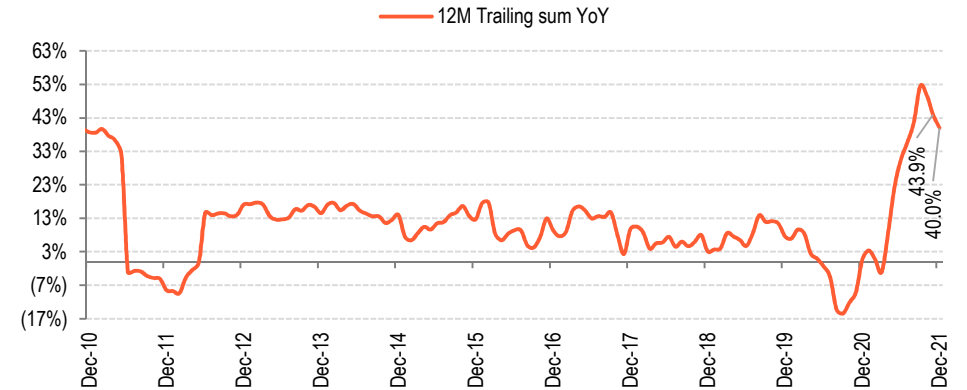


Fig 68 – Tax receipts slip further in Dec’21

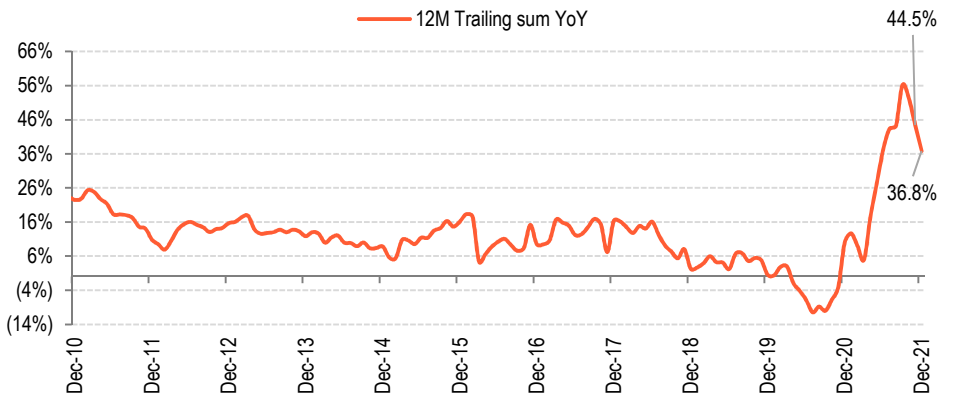


Fig 69 – Non-tax revenue growth maintains upward momentum

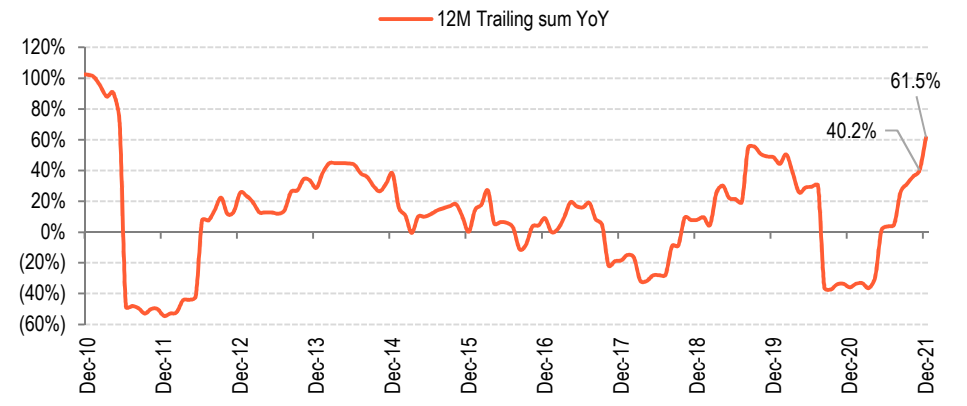


Fig 70 – Centre’s revenue situation remains robust over 2-year horizon (FYTD basis)

	Apr-Dec'19 (Rs bn)	Apr-Dec'20 (Rs bn)	% change	Apr-Dec'21 (Rs bn)	% change	2-Year change (% YoY)
Gross Tax revenue	13,830	13,381	(3.2)	19,290	44.2	39.5
Direct taxes	6,872	6,103	(11.2)	9,684	58.7	40.9
Corp Tax	3,695	3,125	(15.4)	5,203	66.5	40.8
Income Tax	3,177	2,978	(6.2)	4,481	50.5	41.1
Indirect taxes	6,959	7,278	4.6	9,606	32.0	38.0
Non-tax revenue	2,420	1,262	(47.8)	2,594	105.6	7.2
Centre's revenue (net)	11,469	10,886	(5.1)	17,332	59.2	51.1
Total expenditure	21,096	22,801	8.1	25,211	10.6	19.5
Capital exp	2,555	3,090	20.9	3,916	26.8	53.3
Revenue exp	18,541	19,712	6.3	21,294	8.0	14.8
Fiscal deficit	9,317	11,585	-	7,594	-	-

Fig 71 – Gross direct tax collections stabilised in Dec'21

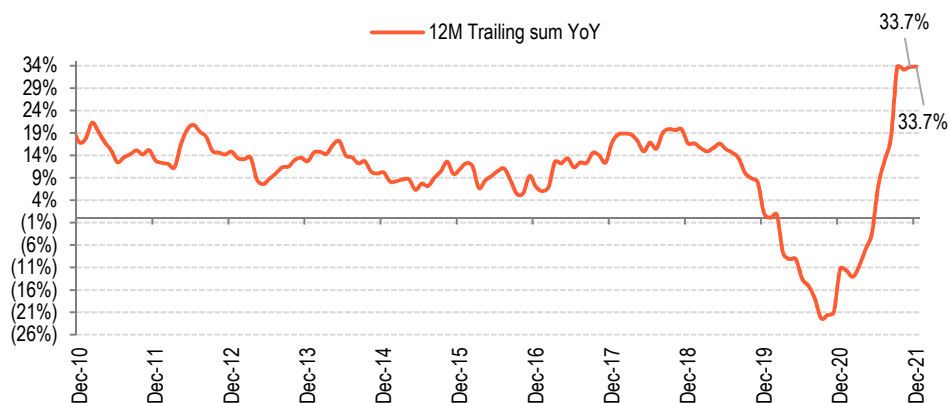


Fig 72 – Gross indirect tax collection seen slowing

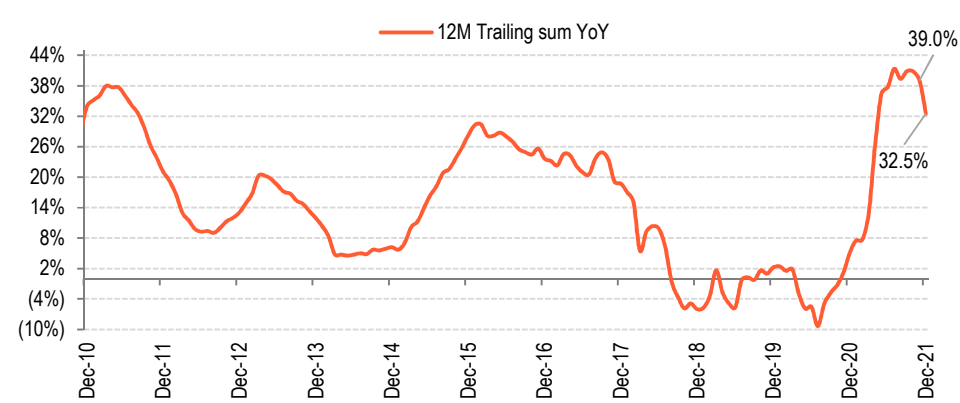


Fig 73 – Corporate tax collections drag on direct tax collections

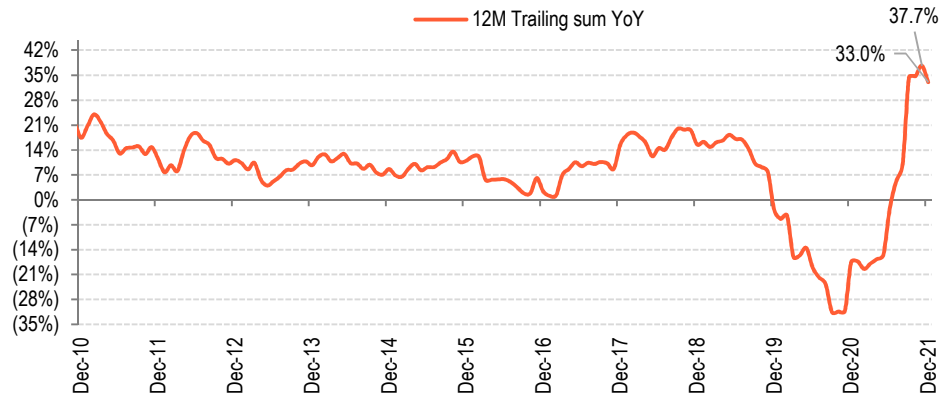


Fig 74 – Income tax collections picks up pace

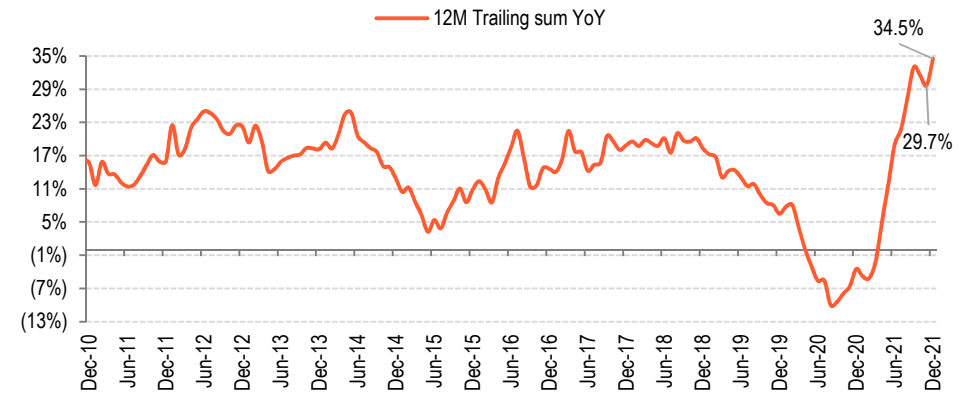


Fig 75 – GST collections for Dec'21 picked up pace; remain above Rs 1tn mark for 7 months in a row

(Rs bn)	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Monthly run rate (FY22)	FYTD22	FY22 (BE)
CGST	430	447	666	568	555	283	337	479	533	474	485	492	462	456	4,101	5,300
UT GST	1.4	3.2	4.1	3.2	1.6	1.6	1.7	2.5	2.9	2.2	1.4	1.2	2.5	2	18	-
IGST	124	68	(373)	(104)	48	153	64	(37)	(162)	(6)	90	72	146	41	368	-
SGST*	560	531	848	862	331	402	696	601	711	747	656	637	681	607	5,463	-
Cess	82	83	93	84	92	89	66	75	85	85	82	94	91	84	759	1,000
Total GST	1,198	1,131	1,239	1,414	1,027	928	1,164	1,120	1,170	1,301	1,315	1,298	1,384	1,190	10,708	-

Source: PIB | *Computed from PIB and CGA data

Fig 76 – Rising central government debt a key concern

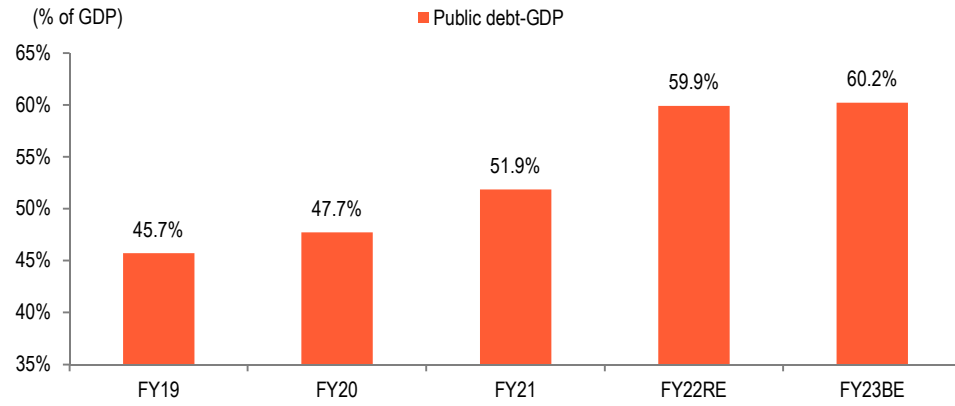
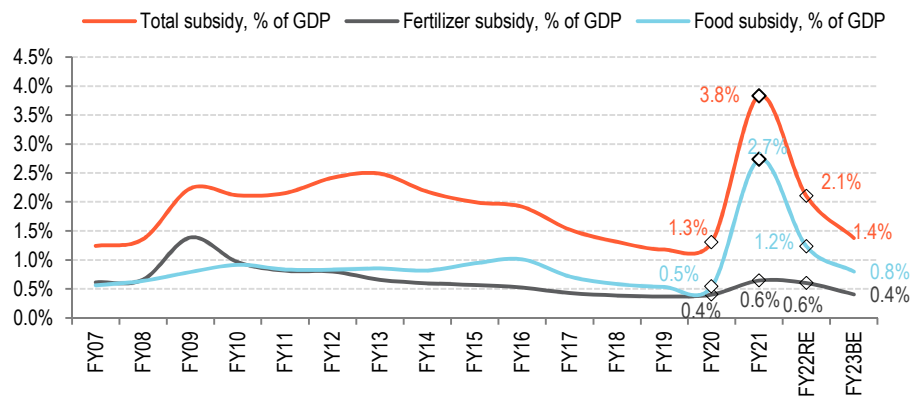
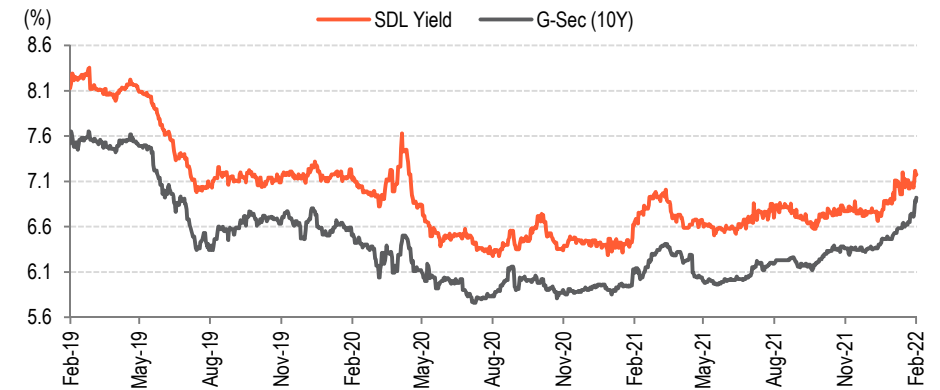


Fig 78 – Subsidy burden to ease as per FY22RE



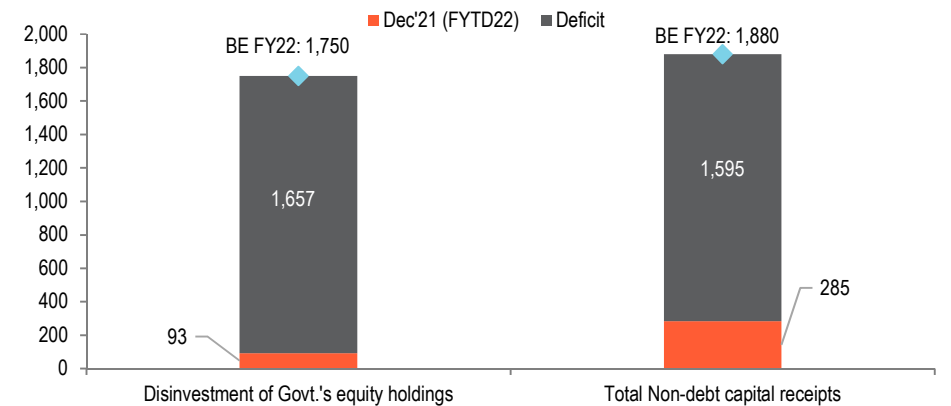
RE-Revised Estimates; BE-Budget Estimates

Fig 77 – Gap between avg. yield on SDL and 10Y G-sec jumped sharply in Jan'22



Source: CCIL

Fig 79 – Central gov. FY22 disinvestment status



Central government borrowing

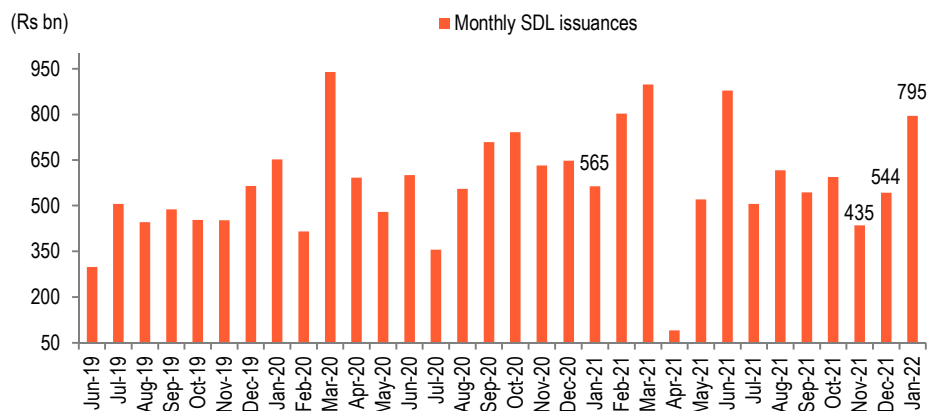
Fig 80 – Centre’s T-bill issuances at Rs 3.6tn in Q3

Total accepted amount (G-Sec), (Rs bn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY22 (planned)
Q1	2,613	2,797	2,888	3,089	3,364	5,328	5,375	4,680
Q2	2,667	2,584	3,186	3,299	3,024	5,417	3,215	2,210
Q3	2,645	2,747	2,632	3,070	2,889	3,745	3,630	2,600
Q4	2,104	1,684	2,486	1,812	2,511	2,714	1,479*	-
Total	10,029	9,811	11,192	11,271	11,788	17,204	-	-

Source: RBI *Till 02 Feb 2022

State government borrowing

Fig 82 – State government borrowings in Jan'22 much higher than last year



Source: RBI

Fig 81 – Centre’s gross borrowing in Q3 is at Rs 3.2tn

Total accepted amount (G-Sec), (Rs bn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY22 (planned)
Q1	1,740	1,500	1,680	1,320	2,040	3,140	3,064	3,800
Q2	1,630	1,910	1,890	1,440	2,210	4,220	3,649	3,440
Q3	1,640	1,610	1,640	1,270	1,930	2,910	3,190	2,160
Q4	840	800	670	1,680	920	3,191	900*	2,870
Total	5,850	5,820	5,880	5,710	7,100	13,461^	-	-

Source: RBI^ Against budgeted Rs 12.8tn *Till 04 Feb 2022

Fig 83 – States’ market borrowings steadily up in Q4

Quarterly SDL issuances, (Rs bn)	FY16	FY17	FY18	FY19	FY20	FY21	FYTD22 (actual)	FY22 (planned)
Q1	502	548	650	766	815	1,673	1,491	1,783
Q2	627	792	1,130	809	1,439	1,614	1,667	1,696
Q3	858	1,214	1,054	1,277	1,470	2,023	1,653	2,019
Q4	959	1,322	1,348	1,809	2,006	2,448	1,077*	3,100
Total	2,946	3,876	4,182	4,661	5,731	7,757	5,888*	8,597

Source: RBI; *as of 8 Feb 2022

External sector

Exports

Fig 84 – Global exports stabilising

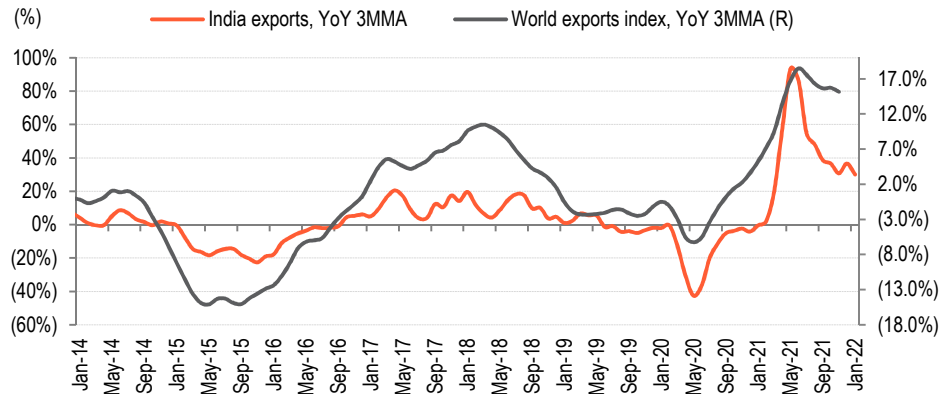
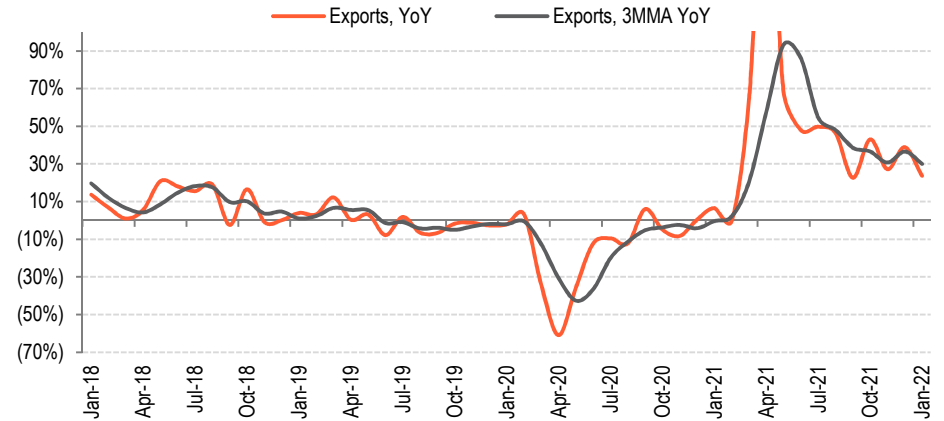


Fig 85 – India's exports decelerate in Jan'22



Exports by major sectors

Fig 86 – ...led by oil exports

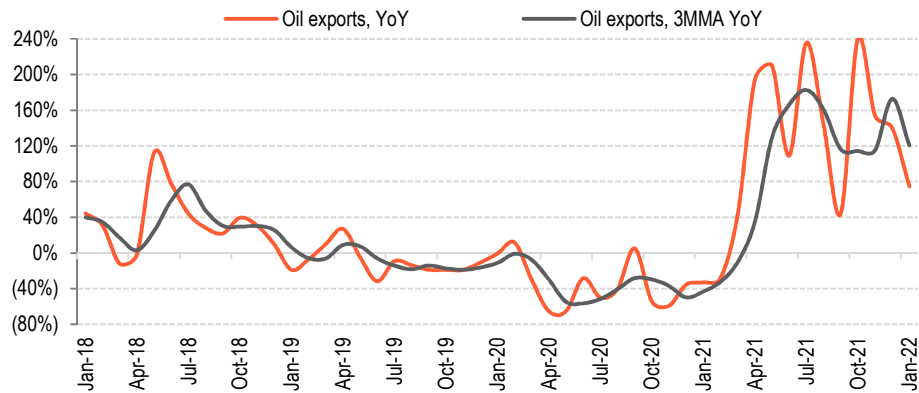


Fig 87 – Exports engineering goods also dip

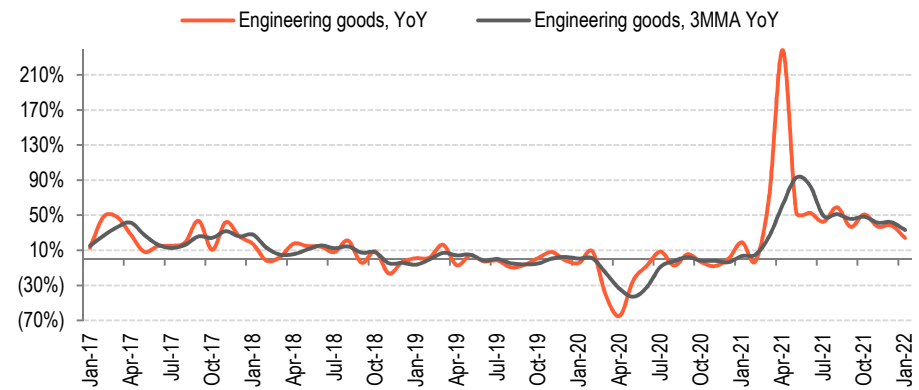


Fig 88 – ...similar trend in exports of gems and jewellery

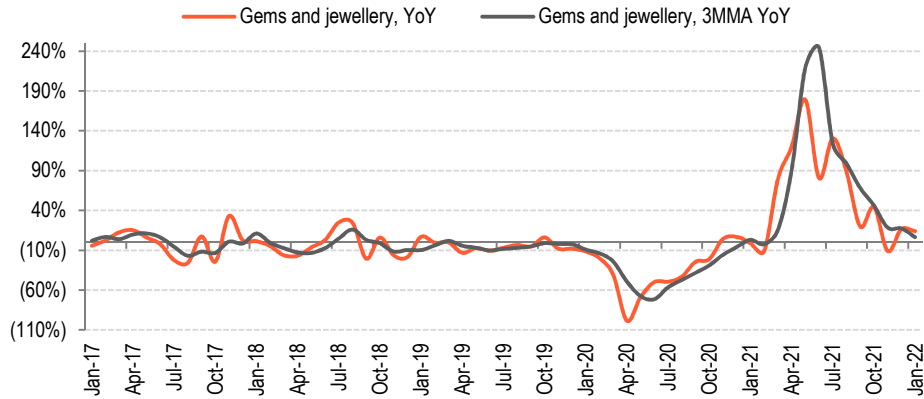
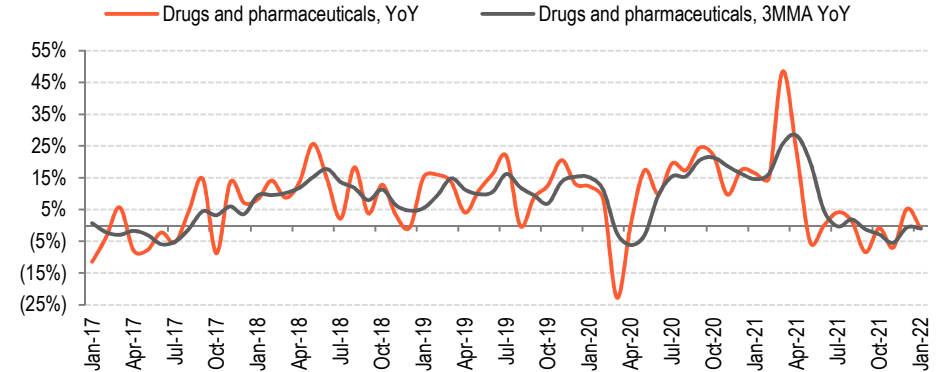


Fig 89 – Exports of drugs and pharma products decline in Jan'22



Imports

Fig 90 – Imports also moderate in Jan'22 from a record-high

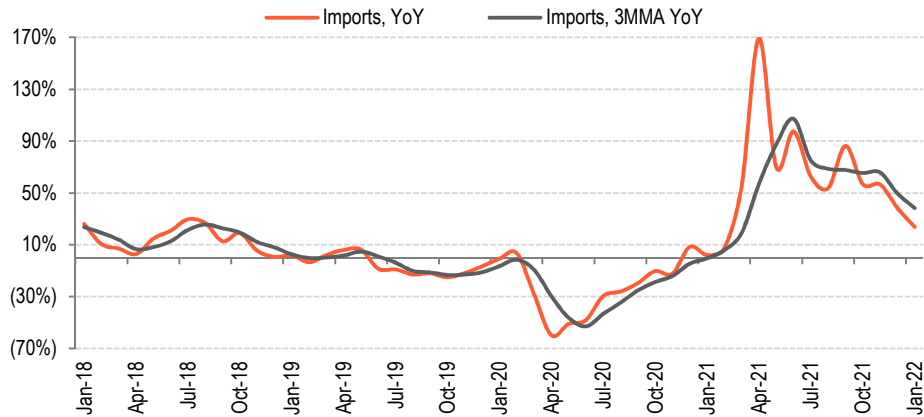


Fig 91 – ...led by a sharp dip in oil imports

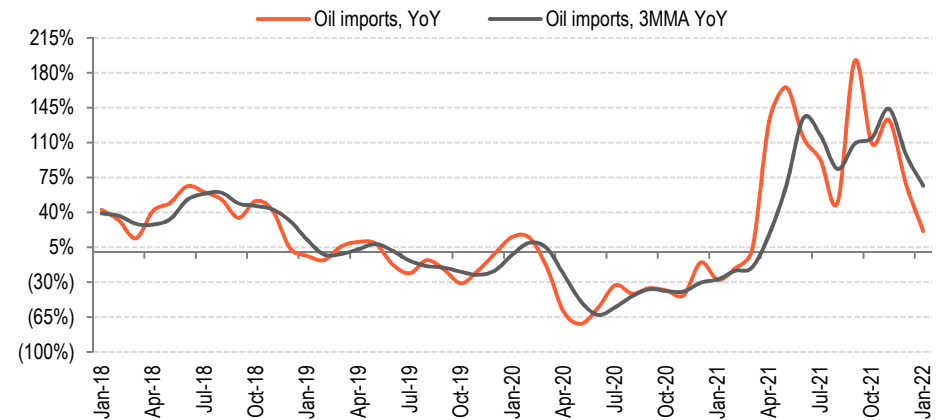


Fig 92 – Gold imports also edge down

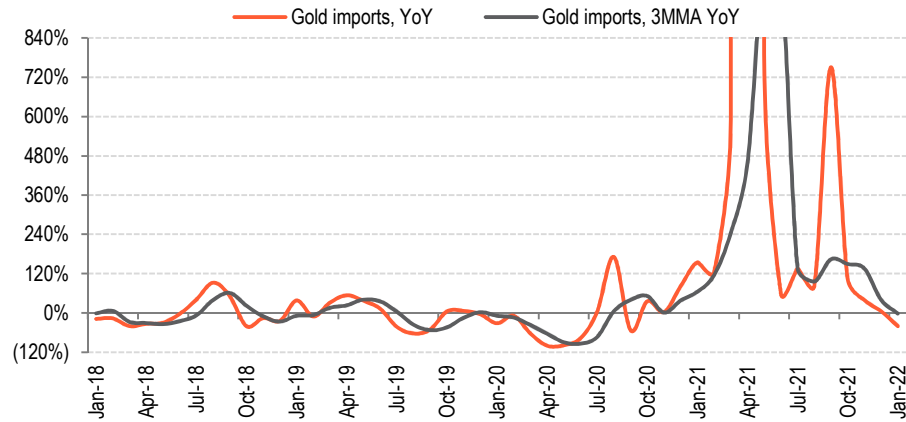


Fig 93 – Import of vegetable oils surges further

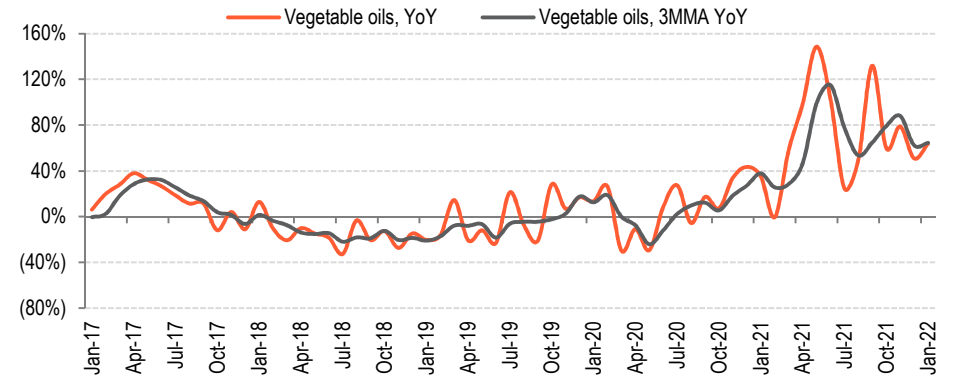


Fig 94 – Dip in imports of chemicals

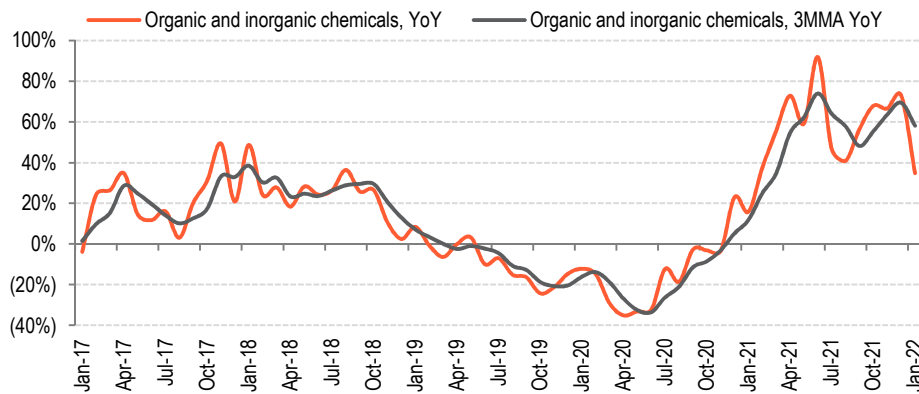
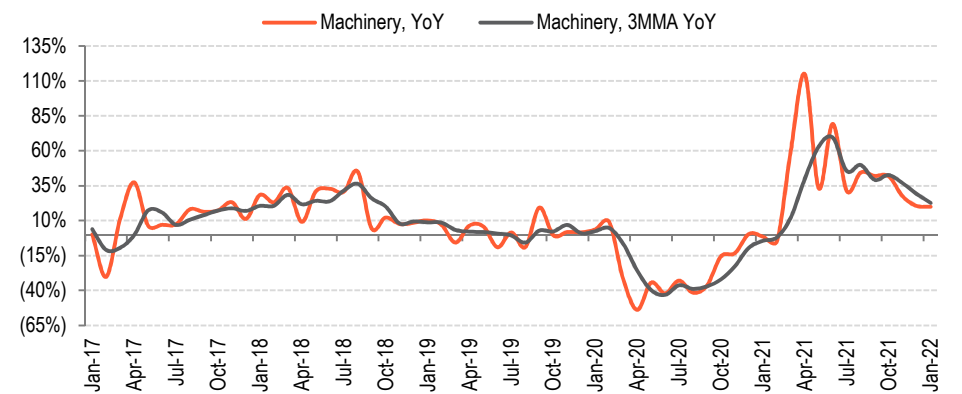


Fig 95 – Machinery imports also tracking lower



Exports and imports by major regions

Fig 96 – Barring China, exports to all regions have picked up in FYTD22 (Apr-Dec'21) due to favourable base

Region (% YoY)	Share in FY21	FYTD21	FYTD22	Oct-21	Nov-21	Dec-21
Americas	23.7	(9.9)	52.5	45.3	24.6	31.3
Asia and Pacific (Ex. China)	27.3	(10.5)	51.3	38.6	39.1	51.2
China	7.4	18.1	11.4	21.6	1.9	(14.3)
Europe	19.2	(19.0)	61.1	54.0	51.0	40.9
Middle East and Africa	22.0	(27.9)	55.2	43.2	35.7	45.3
Other	0.4	(65.6)	37.9	257.7	144.3	89.5

Fig 97 – Imports from all regions have picked up in FYTD22

Region (% YoY)	Share in FY21	FYTD21	FYTD22	Oct-21	Nov-21	Dec-21
Americas	12.8	(31.4)	67.3	80.8	48.9	52.1
Asia and Pacific (Ex. China)	25.0	(25.0)	56.5	45.4	55.7	38.7
China	13.8	(12.6)	49.1	40.9	51.8	31.4
Europe	15.0	(27.5)	58.1	49.2	19.6	(2.7)
Middle East and Africa	30.8	(36.3)	98.4	75.2	82.5	59.8
Other	2.6	(26.4)	52.1	48.8	76.5	44.9

Trade deficit

Fig 98 – Trade deficit narrows to US\$ 18bn in Jan'22 from US\$ 21.7bn in Dec

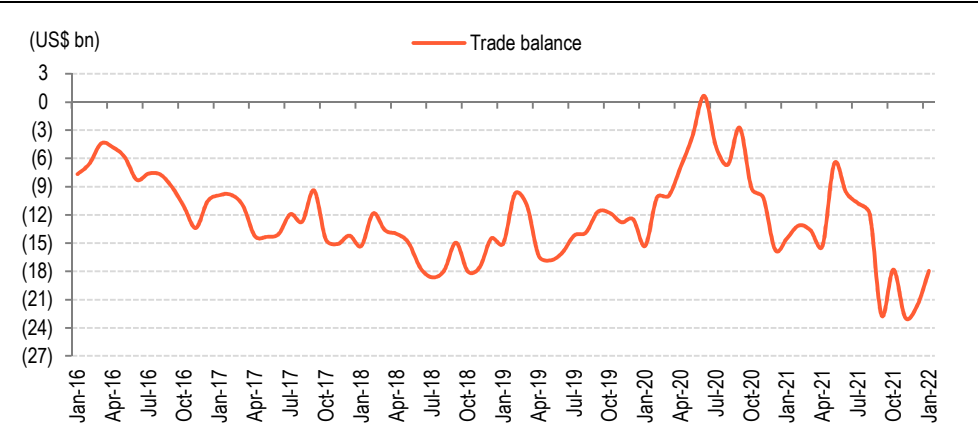
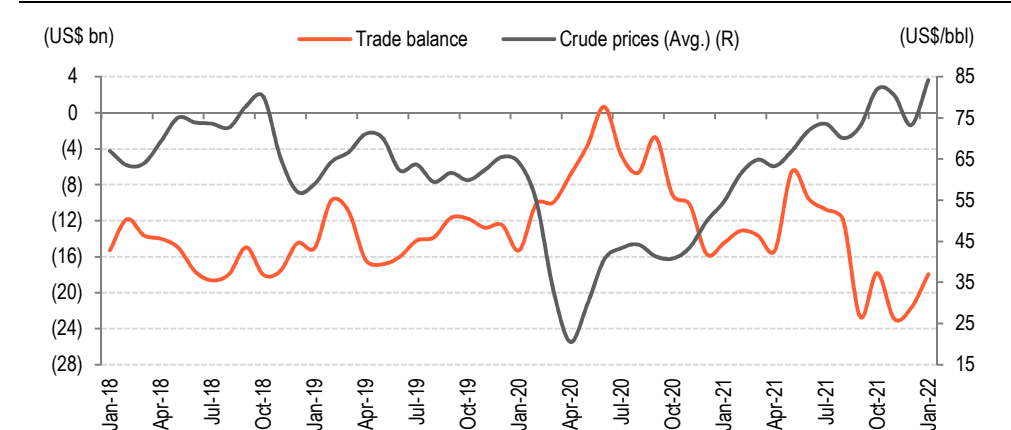
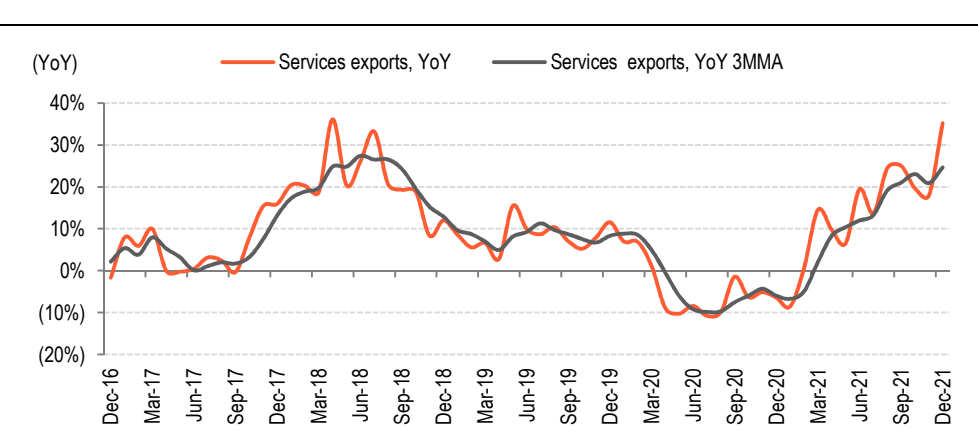


Fig 99 – ... even as oil prices inched up



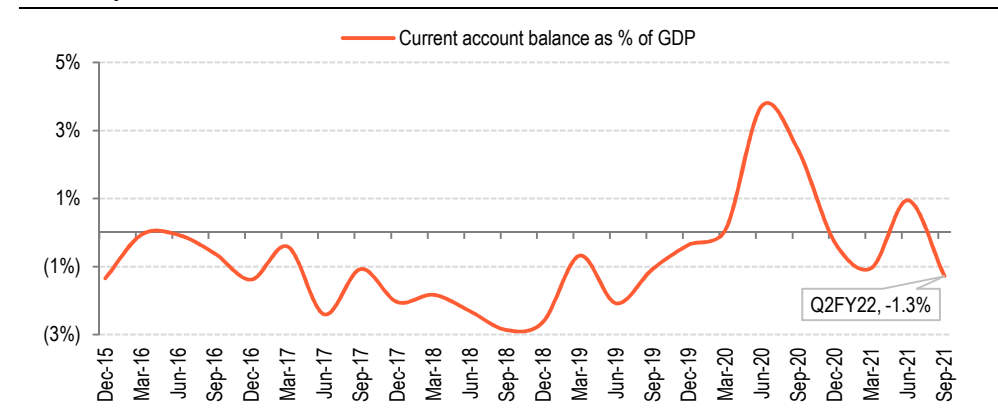
Trade in services

Fig 100 – Services exports pick up to 35.2% in Dec'21 versus 17.9% in Nov'21



BoP

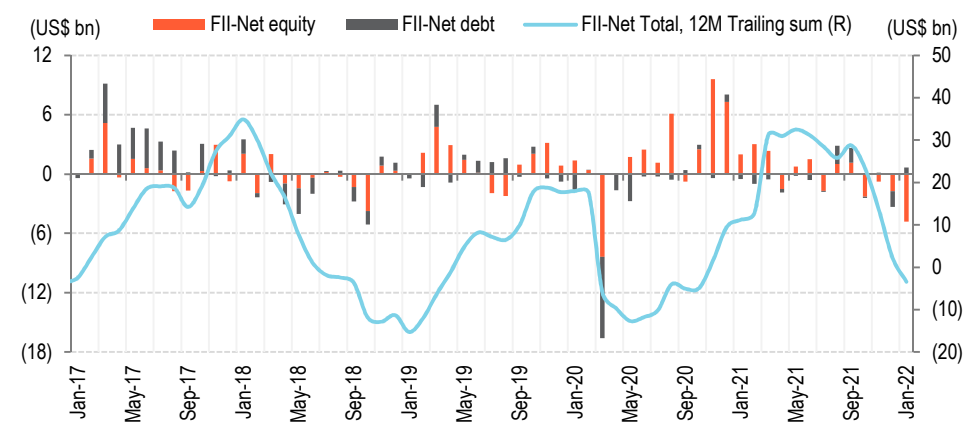
Fig 101 – India's current account returns to a deficit of 1.3% of GDP in Q2FY22 from a surplus of 0.9% of GDP in Q1FY22



Foreign inflows

FII inflows

Fig 102 – FII outflows intensify to US\$ 4.2bn in Jan'22 after outflows of US\$ 3.3bn in Dec'21



Source: Bloomberg

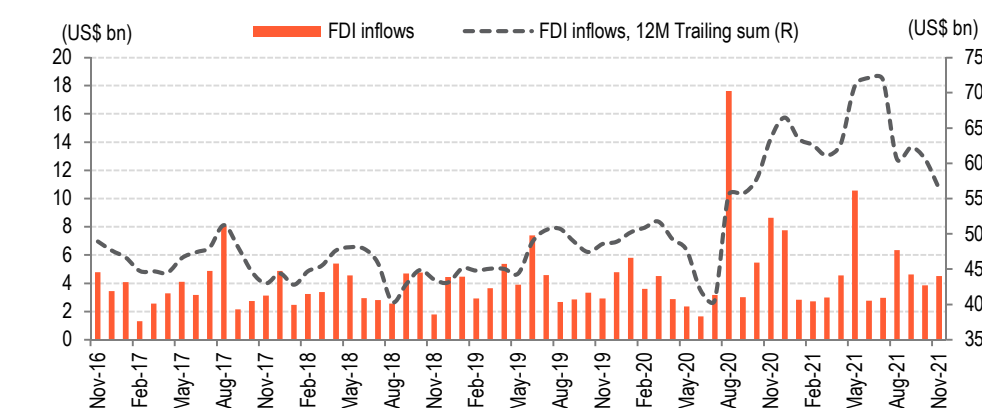
Fig 104 – FDI inflows in trading and computer, software rise in Q2FY22

Sector	% Share FY21	FYTD21	FYTD22	Mar'21	Jun'21	Sep'21
Computer software & hardware	43.8	17.6	7.1	1.8	3.1	4.1
Construction (infra.) activities	13.2	0.4	1.2	0.7	0.7	0.6
Services Sector	8.5	2.3	3.2	1.2	1.9	1.3
Trading	4.4	0.9	2.1	0.5	0.6	1.5
Automobile industry	2.7	0.4	4.9	0.5	4.7	0.3
Metallurgical industries	2.2	0.8	1.3	0.5	1.3	0.0
Telecommunications	0.4	0.0	0.0	0.4	0.0	0.0

Source: DIPP

FDI inflows

Fig 103 – FDI equity inflows at US\$ 4.5bn in Nov'21 compared with inflows of US\$ 3.8bn in Oct'21



Source: RBI, Bank of Baroda Research

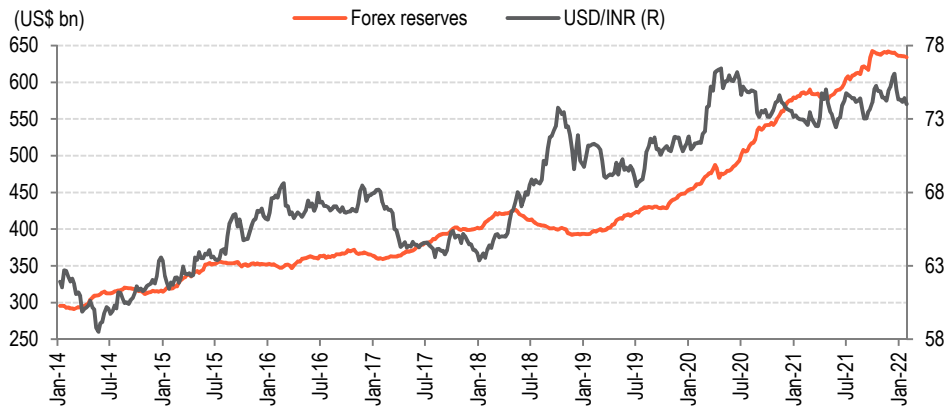
Fig 105 – FDI inflows from Singapore accelerate the most in Q2FY22

Country (US\$ bn)	% Share in FY21	FYTD21	FYTD22	Mar'21	Jun'21	Sep'21
Singapore	29.2	8.3	8.1	1.7	3.3	4.8
US	23.2	7.1	4.6	1.0	2.0	2.7
Mauritius	9.5	2.0	4.3	2.2	3.3	1.0
Netherlands	4.7	1.5	2.1	0.4	1.1	1.0
UK	3.4	1.4	1.1	0.2	0.3	0.8
Japan	3.3	0.7	0.8	0.9	0.5	0.3

Source: DIPP

Forex reserves and external debt

Fig 106 – India’s FX reserves at US\$ 629.8bn in Jan’22, US\$ 50.5bn accretion in FYTD22



Source: Bloomberg | Weekly data as of 28 Jan 2022

Fig 107 – India’s import cover above long-term average

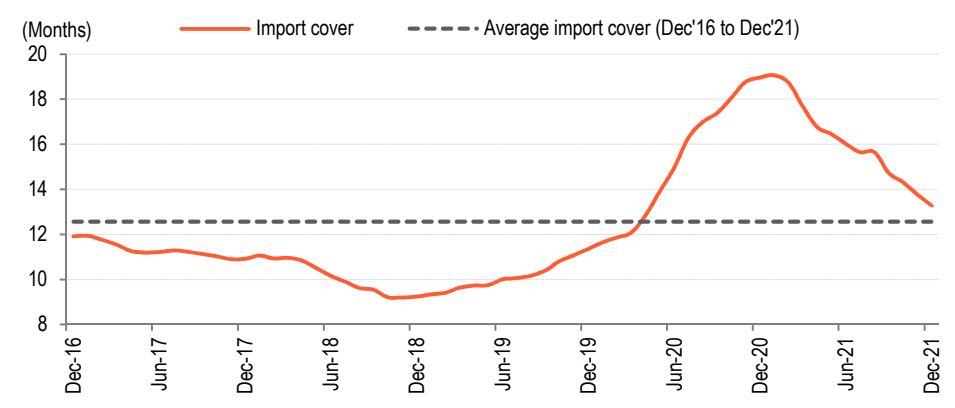


Fig 108 – RBI’s net intervention in spot market stable

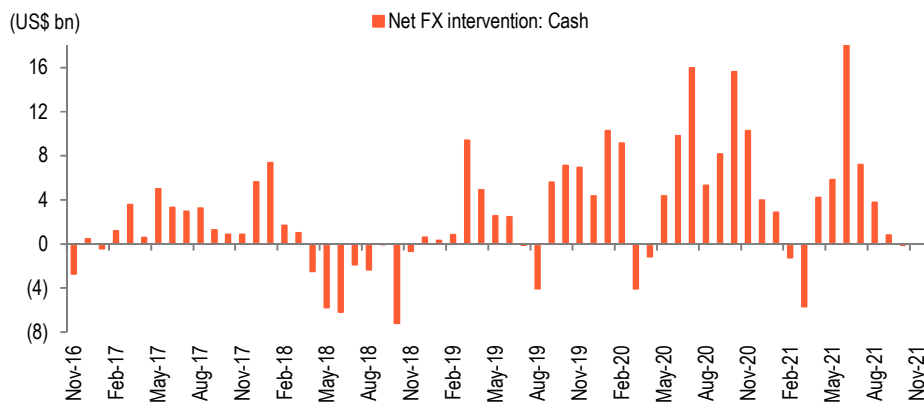
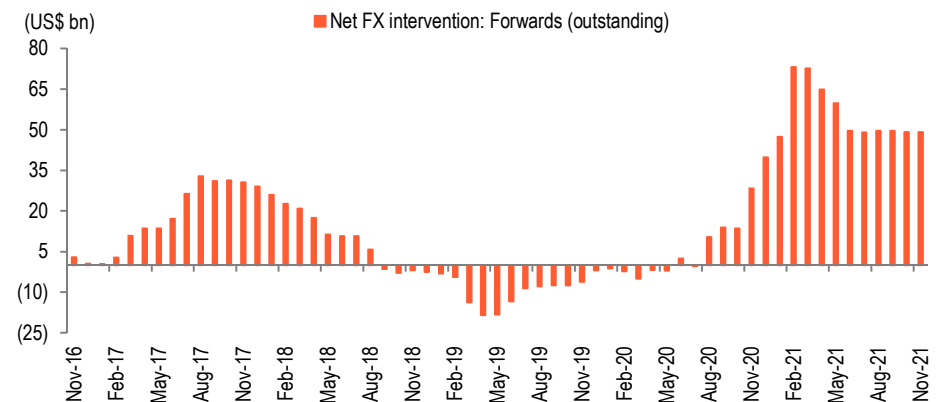


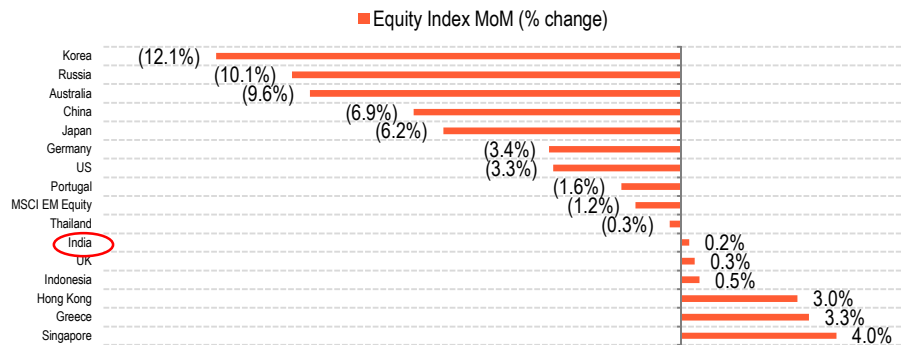
Fig 109 – RBI’s outstanding forwards position at US\$ 49.1bn as of end Oct’21



Markets

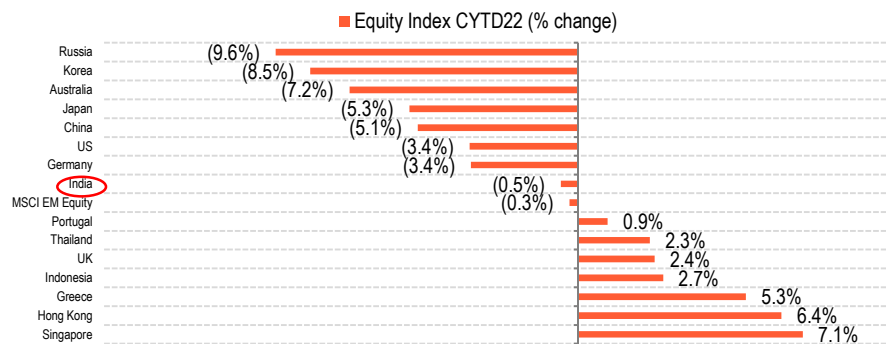
Equity

Fig 110 – In Jan'22, Sensex rose by 0.2%, outperforming MSCI EM (-1.2%)



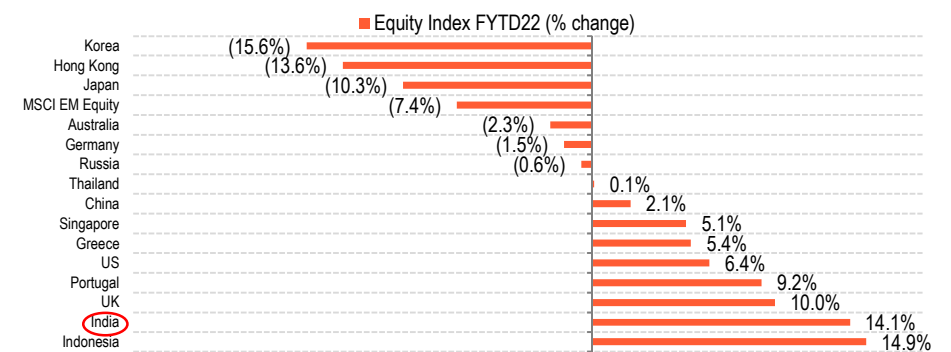
Source: Bloomberg | * As on 31 Jan 2022, Indices are in US\$ terms

Fig 112 – In CYTD22, Sensex fell by 0.5%



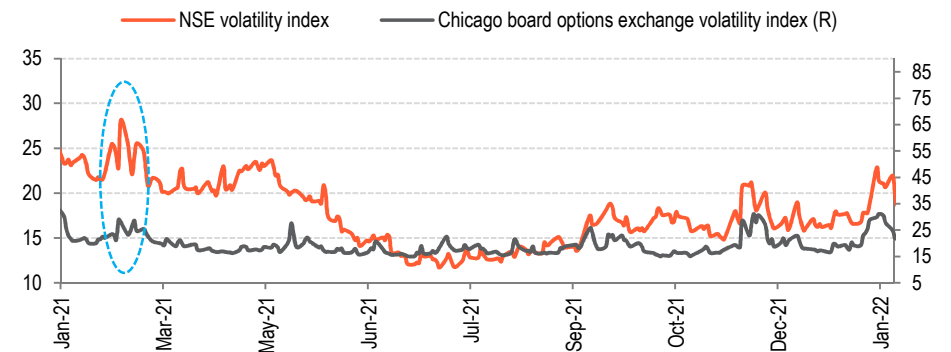
Source: Bloomberg | * As on 7 Feb 2022, Indices are in US\$ terms

Fig 111 – In FYTD22, Sensex rose by 14.1%



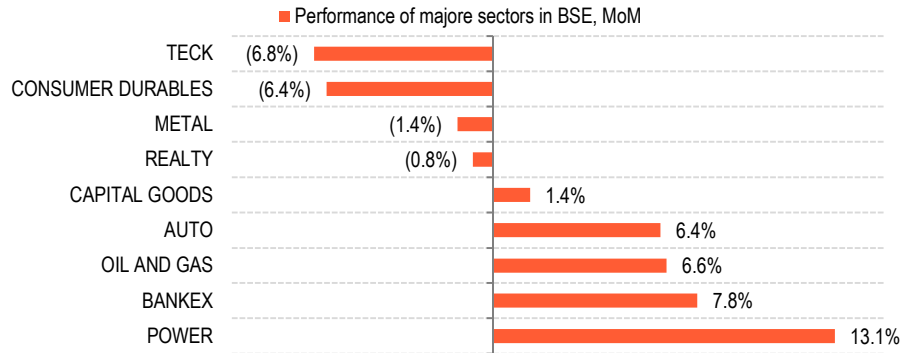
Source: Bloomberg | * As on 7 Feb 2022, Indices are in US\$ terms

Fig 113 – VIX index rose to 20.4 from 16.6 in Dec'21, ahead of Union Budget



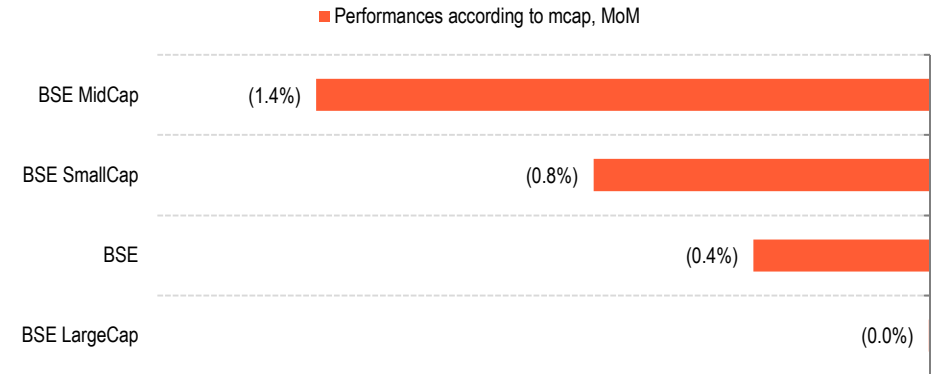
Source: Bloomberg

Fig 114 – Tech stocks fell the most, followed by consumer durables



Source: Bloomberg | As on 31 Dec 2021

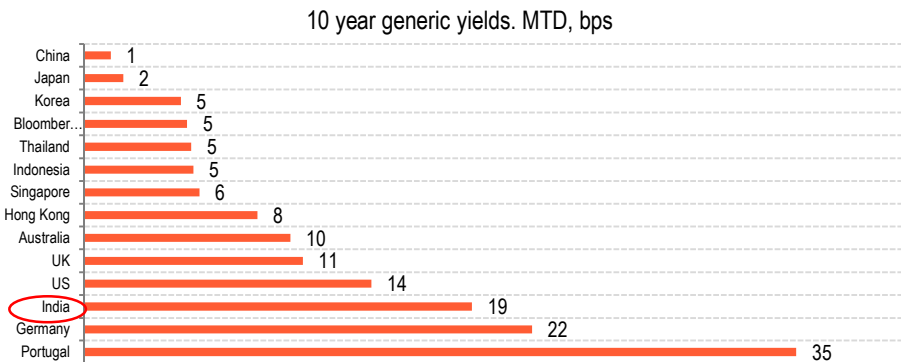
Fig 115 – Mid caps fell the most



Source: Bloomberg | As on 31 Dec 2021

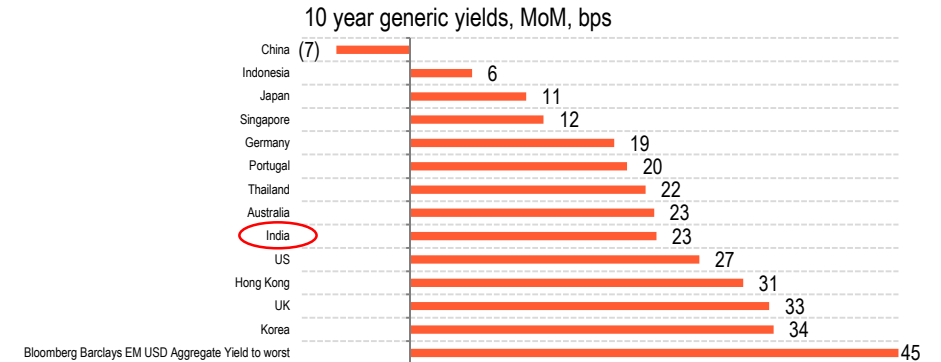
10-year bond yields,

Fig 116 – On MTD basis, India’s 10Y yield rose by 19bps



Source: Bloomberg | As on 7 Feb 2022

Fig 117 – In Jan’22, India’s 10Y yield rose by 23bps



Source: Bloomberg | As on 31 Jan 2022

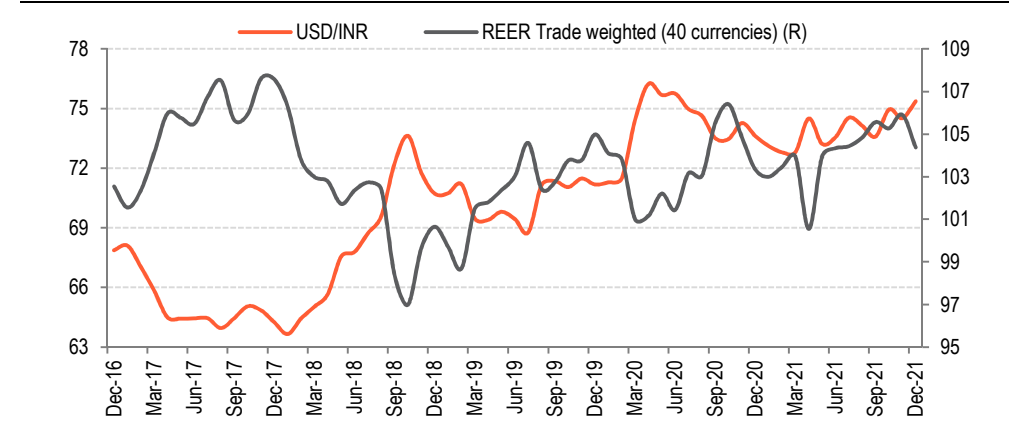
Currencies

Fig 118 – INR depreciated by 0.4% in Jan'22



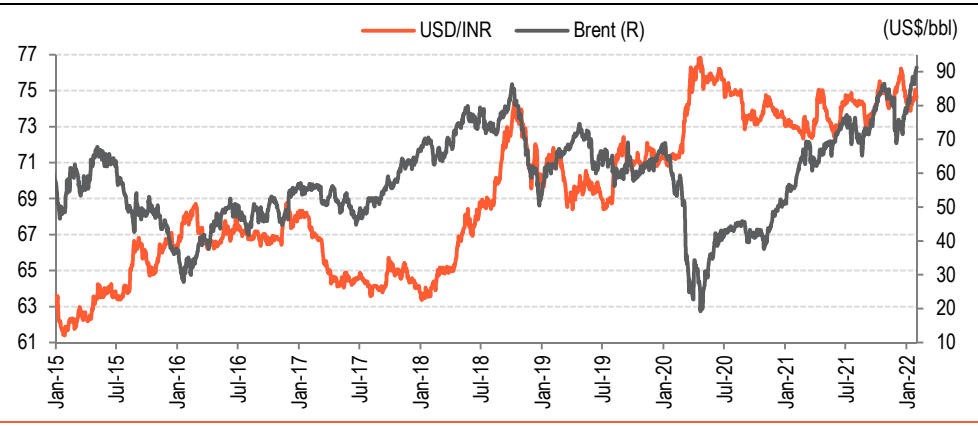
Source: Bloomberg | *As on 31 Jan 2022

Fig 119 – INR still overvalued by 4.4% (Dec'21)



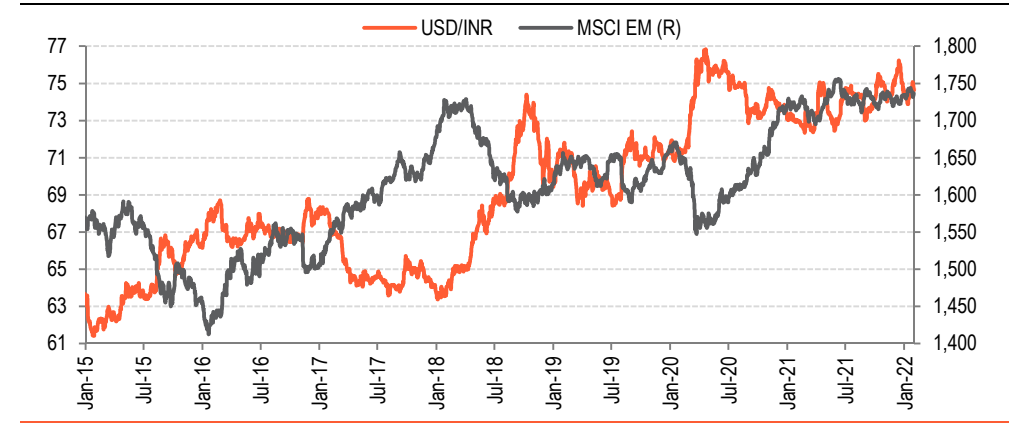
Source: Bloomberg

Fig 120 – INR depreciated as oil prices increased



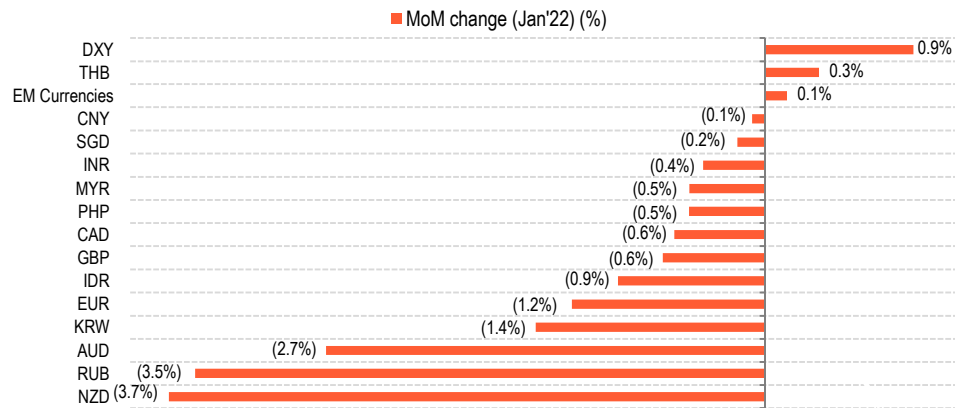
Source: Bloomberg | *As on 31 Jan 2022

Fig 121 – .. however EM currencies were higher



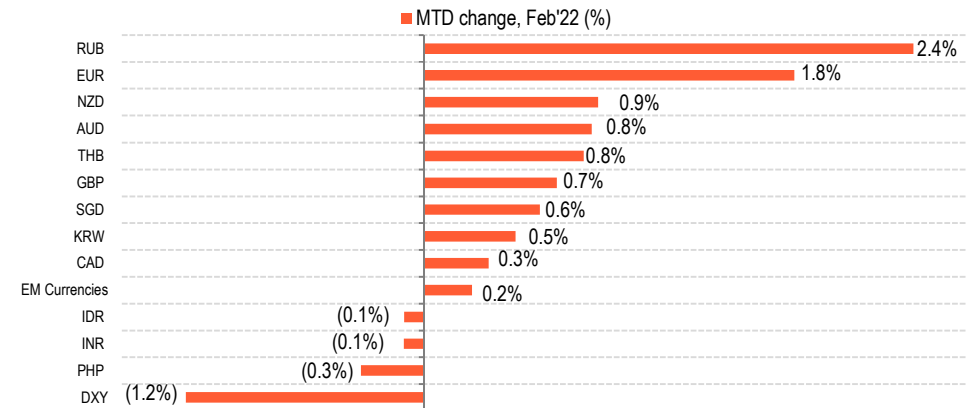
Source: Bloomberg | *As on 31 Jan 2022

Fig 122 – Most global currencies ended lower in Jan'22 as DXY rose



Source: Bloomberg | *As on 31 Jan 2022

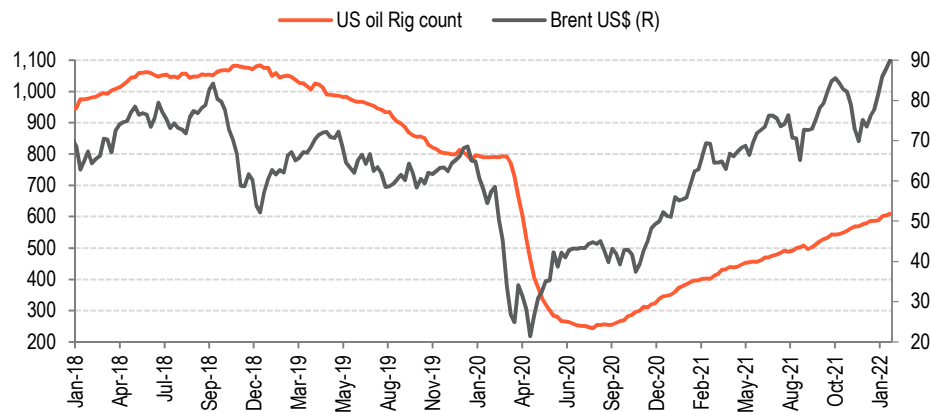
Fig 123 – In Feb'22, INR has depreciated by another 0.1%



Source: Bloomberg | *As on 7 Feb 2022

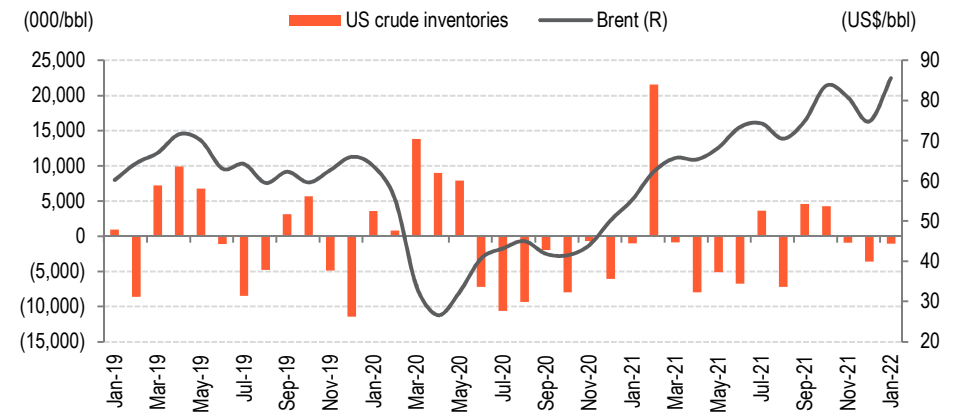
Commodities

Fig 124 – US rig count inched up



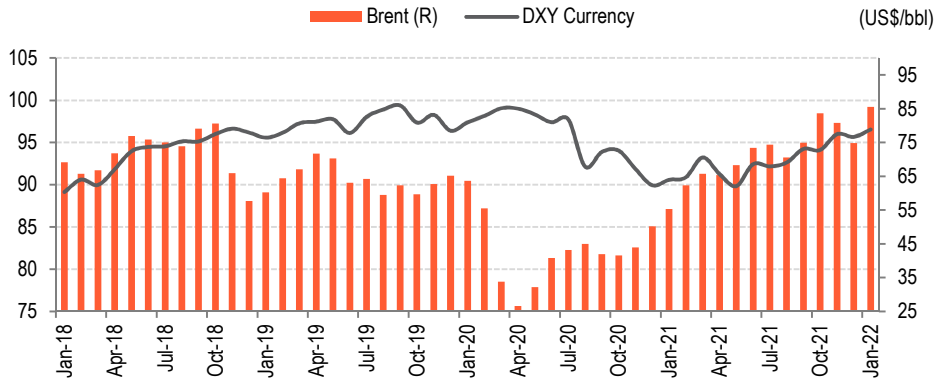
Source: Bloomberg

Fig 125 – US crude oil inventories fell at a softer pace in Jan'22 indicating revival in demand



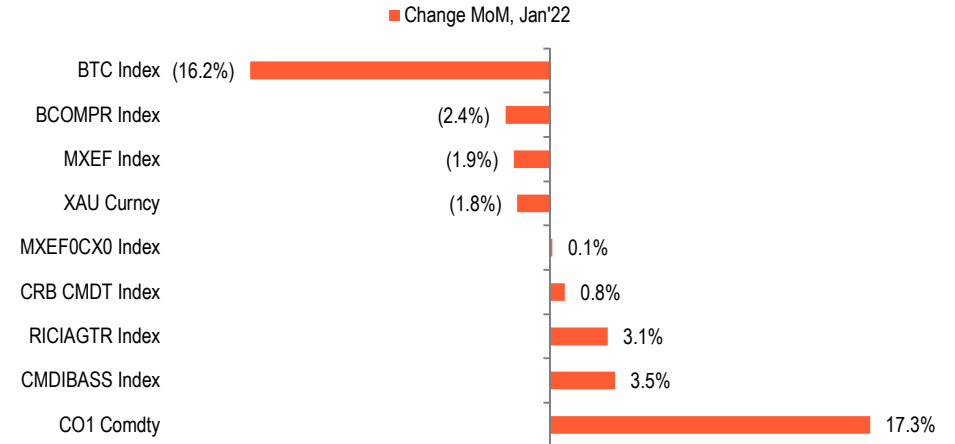
Source: Bloomberg

Fig 126 – Oil prices on an average rose to US\$ 85.6 against US\$ 74.8/bbl in Dec'21, DXY rose to 96.54 from 95.67



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

Fig 127 – Crude prices rose the most



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

Fig 128 – Performance of high frequency indicators

Indicators	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22
Agriculture													
Tractor sales	47.5	30.4	170.4	480.8	(2.4)	22.1	8.2	(9.8)	(9.5)	3.2	(16.7)	(22.5)	-
Two wheeler sales	(8.8)	(16.0)	(35.0)	-	158.3	16.9	27.6	6.7	(11.5)	(6.1)	(0.8)	-	-
MNREGA work (HH, MoM)	(0.7)	8.9	(8.5)	4.2	1.3	26.8	(9.2)	(22.0)	(2.6)	(14.4)	2.2	(1.4)	(1.4)
Manufacturing													
IIP: General index	(0.6)	(3.2)	24.2	134.6	27.6	13.8	11.5	12.0	3.3	4.0	1.4	-	-
IIP: Manufacturing	(0.9)	(3.4)	28.4	196	32.1	13.2	10.5	11.1	3.0	3.1	0.9	-	-
IIP: Capital goods	(9.0)	(4.2)	50.4	1042.9	74.9	27.3	30.3	20.0	2.4	(1.5)	(3.7)	-	-
IIP: Infra & construction goods	2.3	(3.5)	35.1	609.4	46.5	20.0	12.3	13.5	7.8	6.6	3.8	-	-
IIP: Consumer goods	(0.1)	6.6	59.9	1943.6	80.4	28.0	19.4	11.1	(1.9)	(3.6)	(5.6)	-	-
Steel	8.2	2.2	31.5	472.7	55.1	25.2	9.4	6.9	2.8	4.5	0.8	-	-
Cement	(5.8)	0.2	40.6	582.7	11.7	7.5	21.7	36.3	11.3	14.5	(3.2)	-	-
Electricity	5.5	0.2	22.5	38.5	7.5	8.2	11.0	16.0	0.9	3.2	1.5	-	-
PMI: Manufacturing	57.7	57.5	55.4	55.5	50.8	48.1	55.3	52.3	53.7	55.9	57.6	55.5	54.0
Services													
Services PMI index	52.8	55.3	54.6	54.0	46.4	41.2	45.4	56.7	55.2	58.4	58.1	55.5	51.5
Automobile sales	(9.7)	(13.4)	(28.6)	-	164.4	22.6	34.1	14.5	(5.3)	(5.3)	(2.7)	(16.1)	(10.7)
Passenger vehicle sales	(4.5)	10.6	28.4	-	178.8	43.5	62.9	38.7	16.3	(11.4)	(19.4)	(10.9)	(10.1)
Vehicle registration	(8.6)	(12.6)	(27.7)	215.5	158.6	22.5	34.0	14.6	(5.3)	(5.3)	(2.7)	(16.0)	(10.9)
Rail freight traffic	8.7	5.5	26.6	70.7	39.1	20.5	18.4	16.9	3.6	8.4	6.1	7.2	7.7
Port cargo volume	4.0	1.9	16.4	29.5	33.0	19.5	6.7	11.4	0.4	6.5	(0.2)	(0.6)	(2.8)
Credit growth	5.9	6.6	5.6	6.2	5.9	6.1	6.1	6.7	6.7	6.9	6.6	10.3	8.0
Deposit growth	11.1	12.1	11.4	11.2	9.5	9.8	9.8	9.5	9.4	10.0	8.8	12.1	9.3
CIC	21.4	20.3	17.2	15.0	13.2	12.0	10.3	9.8	9.0	8.5	7.7	7.8	8.0
Toll collection (in mn)	149.2	159	193.3	164.3	116.5	157.9	192.3	201.2	193.6	214.2	214.1	242.1	231.0
Diesel consumption	(2.2)	(8.3)	27.6	105.3	0.7	(1.6)	11.4	15.8	0.5	(5.5)	(7.6)	1.6	(6.0)
GST E-way bill (in mn)	62.9	63.8	71.2	58.8	40.0	54.7	64.2	65.9	67.9	73.5	61.2	71.6	65.8
External Trade													
Merchandise exports	6.5	(0.4)	64.1	202.6	68.3	47.9	49.7	46.4	22.6	43.0	27.2	38.9	23.7
Merchandise imports	2.1	7.5	55.4	169.5	69.9	97.4	62.6	53.7	86.4	56.9	56.6	38.6	23.7
Services exports	(8.5)	0.7	14.5	9.8	6.5	19.4	8.8	19.1	19.6	19.7	17.9	35.2	-
Services imports	(17.7)	(6.2)	10.4	3.4	0.1	8.8	10.1	20.0	20.5	21.8	24.4	29.5	-

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

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal

capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com