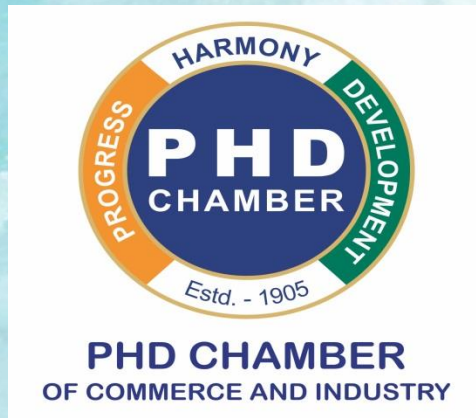




Economic Affairs Committee Newsletter

(Monthly Update on India's socio-economic development)



PHD RESEARCH BUREAU
PHD CHAMBER OF COMMERCE AND INDUSTRY

Economic Affairs Committee Newsletter

(August 2022)

Introduction

Economic activity is holding up better despite the ongoing geopolitical tensions; rise in interest rates across the globe and the elevated price of crude oil and few other commodities. The services sector recovery is continuing and manufacturing strength is steady. Strong GST monthly collections confirm the momentum in the economic activity. Recent moderation in the international prices of food items, industrial metals and even crude oil are encouraging developments for India's inflation control.

Reserve Bank of India, during its Monetary Policy Committee Meeting announcement on 5th August 2022 has decided to increase the repo rate by 50 bps at 5.40% and remain focused on withdrawal of accommodative stance so that inflation remains within the target while supporting growth. The increase in policy repo rate by RBI is in line with the PHD Chamber's expectations as many economies are increasing the policy interest rates, however, it will have a significant impact on the costs of doing business, which are already high.

RBI has retained the CPI projection at 6.7% for FY2023, with inflation remaining near upper tolerance of 6% for Q2 and Q3 of this financial year. However, it is encouraging to note that on the back of India's strong and resilient fundamentals, the economy is expected to be amongst the fastest growing economies in the world, as per the projections of IMF in its recent forecast in July 2022. RBI has retained the GDP growth projections at 7.2% for FY2023, with Indian economy expected to speedily emerge out of shadows of pandemic and geo-political effects.

Another reassuring message by RBI has been the greater resilience shown by India against the external shocks with significant improvement in the external debt to GDP ratio, net international investment position to GDP ratio, debt servicing ratio and sufficient foreign exchange reserves. This will boost the confidence of businesses and investors on the Indian economy.

Currently, Indian Economy is moving at a swift pace as indicated by performance of key economic and business indicators. GST collections, which is one of the supply side indicator of business activity, has marked the second highest gross collections of Rs. 1,48,995 crore in July 2022. The economy is well supported by the continuation of calibrated approach and policy measures by the RBI and Government to maintain a balance between economic growth and inflation. Going ahead, the pace of economic activity is expected to remain strong on the back of various structural reforms undertaken by the Government during the last 2 years.

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1. Indian Economy So Far

1. RBI increases the Repo Rate by 50bps to 5.4% and sets out developmental and regulatory policy measures

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (August 5, 2022) decided to:

- Increase the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.40% with immediate effect.
- Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.1% and the marginal standing facility (MSF) rate and the Bank Rate to 5.65%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- These decisions are in consonance with the objective of achieving the medium term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth.

Global Economy

Since the MPC's meeting in June 2022, the global economic and financial environment has deteriorated with the combined impact of monetary policy tightening across the world and the persisting war in Europe heightening risks of recession. Grippled by risk aversion, global financial markets have experienced surges of volatility and large sell-offs. The US dollar index soared to a two-decade high in July. Both advanced economies (AEs) and emerging market economies (EMEs) witnessed weakening of their currencies against the US dollar. EMEs are experiencing capital outflows and reserve losses which are exacerbating risks to their growth and financial stability.

Domestic Economy

Domestic economic activity remains resilient. As on August 4, 2022, the southwest monsoon rainfall was 6 per cent above the long period average (LPA). Kharif sowing is picking up. High frequency indicators of activity in the industrial and services sectors are holding up. Urban demand is strengthening while rural demand is gradually catching up. Merchandise exports recorded a growth of 24.5% during April-June 2022, with some moderation in July. Non-oil non-gold imports were robust, indicating strengthening domestic demand.

CPI inflation eased to 7.0% (year-on-year, y-o-y) during May-June 2022 from 7.8% in April, although it persists above the upper tolerance band. Food inflation has registered some moderation, especially with the softening of edible oil prices, and deepening deflation in pulses and eggs. Fuel inflation moved back to double digits in June primarily due to the rise in LPG and kerosene prices. While core inflation (i.e. CPI excluding food and fuel) moderated in May-June due to the full direct impact of the cut in excise duties on petrol and diesel pump prices, effected on May 22, 2022, it remains at elevated levels.

Outlook

Spillovers from geopolitical shocks are imparting considerable uncertainty to the inflation trajectory. More recently, food and metal prices have come off their peaks. International crude oil prices have eased in recent weeks but remain elevated and volatile on supply concerns even as the global demand outlook is weakening. The appreciation of the US dollar can feed into imported inflation pressures. Rising kharif sowing augurs well for the domestic food price outlook. The shortfall in paddy sowing, however, needs to be watched closely, although stocks of rice are well above the buffer norms.

Firms polled in the Reserve Bank's enterprise surveys expect input cost pressures to soften across sectors in H2. Cost pressures are, however, expected to get increasingly transmitted to output prices across manufacturing and services sectors. Taking into account these factors and on the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of US\$ 105 per barrel, the inflation projection is retained at 6.7% in 2022-23, with Q2 at 7.1%; Q3 at 6.4%; and Q4 at 5.8%, and risks evenly balanced. CPI inflation for Q1:2023-24 is projected at 5.0%.

On the outlook for growth, rural consumption is expected to benefit from the brightening agricultural prospects. The demand for contact-intensive services and the improvement in business and consumer sentiment should bolster discretionary spending and urban consumption. Investment activity is expected to get support from the government's capex push, improving bank credit and rising capacity utilisation.

Firms polled in the Reserve Bank's industrial outlook survey expect sequential expansion in production volumes and new orders in Q2:2022-23, which is likely to sustain through Q4. On the other hand, elevated risks emanating from protracted geopolitical tensions, the upsurge in global financial market volatility and tightening global financial conditions continue to weigh heavily on the outlook. Taking all these factors into consideration, the real GDP growth projection for 2022-23 is retained at 7.2%, with Q1 at 16.2%; Q2 at 6.2%; Q3 at 4.1%; and Q4 at 4.0%, and risks broadly balanced. Real GDP growth for Q1:2023-24 is projected at 6.7%.

2. IMF estimates India's GDP growth rate at 7.4% in FY2023 and projects growth at 6.1% in FY2024

According to IMF's World Economic Outlook update: a tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide—especially in the United States and major European economies—triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine.

The baseline forecast is for growth to slow from 6.1% last year to 3.2% in 2022, 0.4 percentage point lower than in the April 2022 World Economic Outlook. Global inflation has been revised up due to food and energy prices as well as lingering supply-demand imbalances, and is anticipated to reach 6.6% in advanced economies and 9.5% in emerging market and developing economies this year—upward revisions of 0.9 and 0.8 percentage point, respectively. In 2023, disinflationary monetary policy is expected to bite, with global output growing by just 2.9%.

The risks to the outlook are overwhelmingly tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia; inflation could be harder to bring down than

anticipated either if labor markets are tighter than expected or inflation expectations unanchor; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation. A plausible alternative scenario in which risks materialize, inflation rises further, and global growth declines to about 2.6% and 2.0% in 2022 and 2023, respectively, would put growth in the bottom 10% of outcomes since 1970.

With increasing prices continuing to squeeze living standards worldwide, taming inflation should be the first priority for policymakers. Tighter monetary policy will inevitably have real economic costs, but delay will only exacerbate them. Targeted fiscal support can help cushion the impact on the most vulnerable, but with government budgets stretched by the pandemic and the need for a disinflationary overall macroeconomic policy stance, such policies will need to be offset by increased taxes or lower government spending.

Outlook for India

The outlook for India has been revised down by 0.8 percentage point, to 7.4% for FY2023 and 6.1% in FY2024. For India, the revision reflects mainly less favorable external conditions and more rapid policy tightening.

3. Federal Open Market Committee decided to raise the target range for the federal funds rate to 2.25 to 2.5%

According to the Federal Open Market Committee (FOMC), Russia's war against Ukraine is causing tremendous human and economic hardship. The war and related events are creating additional upward pressure on inflation and are weighing on global economic activity. The Committee is highly attentive to inflation risks.

The Federal Open Market Committee seeks to achieve maximum employment and inflation at the rate of 2% over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 2.25% to 2.5% and anticipates that ongoing increases in the target range will be appropriate. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in the Plans for Reducing the Size of the Federal Reserve's Balance Sheet that were issued in May. The Committee is strongly committed to returning inflation to its 2% objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

4. Second Advance Estimates (2021-22) of Area and Production of Horticultural Crops

The Department of Agriculture and Farmers Welfare released the Second Advance Estimates of Area and Production of various Horticultural Crops for 2021-22 compiled on the basis of information received from States/ UTs and other Governmental source agencies.

Second Advance Estimates (2021-22) of Area and Production of Horticultural Crops

S. No.	Horticulture Crops	2020-21		2021-22	
		Area (in thousand hectares)	Production (in thousand Tonnes)	Area (in thousand hectares)	Production (in thousand Tonnes)
1	Fruits	6930	102481	7019	107102
2	Vegetables	10859	200445	11280	204613
3	Aromatics and Medicinal	653	825	583	561
4	Honey	-	125	--	133
5	Plantation crops	4255	16629	4167	15377
7	Spices	4457	11117	4414	10907
8	Total	27476	334603	27738	341629

Source: PHD Research Bureau, compiled from Agricultural Statistics Division Directorate of Economics & Statistics Department

As per 2nd Advance Estimates for 2021-22,

- Total Horticulture production in 2021-22 is estimated to be 341.63 Million Tonne, an increase of about 7.03 Million Tonne (increase of 2.10%) over 2020-21 (Final).
- Increase in production of Fruits, Vegetables and Honey while decrease in production of Spices, Flowers, Aromatics & Medicinal Plants and Plantation Crops over previous year, is envisaged.
- The Fruits production is estimated to be 107.10 Million Tonne compared to 102.48 Million Tonne in 2020-21.
- The production of Vegetables is estimated to be 204.61 Million Tonne, compared to 200.45 Million Tonne in 2020-21.
- Onion production is estimated to be 31.70 Million Tonne against 26.64 Million Tonne in 2020-21.
- Potato production is expected to be 53.58 Million Tonne, compared to 56.17 Million Tonne in 2020-21.
- Tomato production is expected to be 20.34 Million Tonne, compared to 21.18 Million Tonne in 2020-21.

5. NITI Aayog's India Innovation Index 2021

Karnataka, Manipur and Chandigarh have topped in their respective categories in the third edition of NITI Aayog's India Innovation Index.

Prepared by NITI Aayog and the Institute for Competitiveness, the India Innovation Index is a

comprehensive tool for the evaluation and development of the country's innovation ecosystem. It ranks the states and the union territories on their innovation performance to build healthy competition amongst them.

The third edition highlights the scope of innovation analysis in the country by drawing on the framework of the Global Innovation Index. The number of indicators has increased from 36 (in the India Innovation Index 2020) to 66 (in the India Innovation Index 2021). The indicators are now distributed across 16 sub-pillars, which, in turn, form seven key pillars.

While Karnataka has topped again in the 'Major States' category, Manipur is leading the 'North East and Hill States' category and Chandigarh is the top performer in the 'Union Territories and City States' category.

'Innovation is the key to sustainable and inclusive growth. It can help us solve the biggest challenges of our times: bringing millions out of poverty, generating livelihood opportunities, and paving the way for an Aatmanirbhar Bharat,' said Dr Saraswat.

India Innovation Index 2021: Overall Rankings

Major States		
States	III 2021	Rank
Karnataka	18.01	1
Telangana	17.66	2
Haryana	16.35	3
Maharashtra	16.06	4
Tamil Nadu	15.69	5
Punjab	15.35	6
Uttar Pradesh	14.22	7
Kerala	13.67	8
Andhra Pradesh	13.32	9
Jharkhand	13.10	10
West bengal	12.98	11
Rajasthan	12.88	12
Madhya Pradesh	12.74	13

Gujarat	12.41	14
Bihar	11.58	15
Odisha	11.42	16
Chhattisgarh	10.97	17
Northeastern and Hill States		
Manipur	19.37	1
Uttarakhand	17.67	2
Meghalaya	16.00	3
Arunachal Pradesh	15.46	4
Himachal Pradesh	14.62	5
Sikkim	13.85	6
Mizoram	13.41	7
Tripura	11.43	8
Assam	11.29	9
Nagaland	11.00	10
UT and City States		
Chandigarh	27.88	1
Delhi	27.00	2
Andaman and Nicobar Islands	17.29	3
Puducherry	15.88	4
Goa	14.93	5
Jammu and Kashmir	12.83	6
Dadra and Nagar Haveli and Daman and Diu	12.09	7
Lakshadweep	7.86	8

Ladakh	5.91	9
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Source: PHD Research bureau, PHD Chamber of Commerce and Industry, compiled from various sources

The contours of the India Innovation Index 2021 remain the same as last year. Similar to the previous edition, the five 'Enabler' pillars measure inputs and the two 'Performance' pillars measure output. All the indicators in the Enabler pillars cover features crucial for promoting innovation within a state/union territory. Indicators in the Performance pillars represent a nation's output in knowledge creation and competitiveness.

The India Innovation Index 2021 is a testament to the Government of India's continued commitment to transforming the country into an innovation-driven economy. The India Innovation Index also contributes to the Government's effort to monitor select global indices through the Global Indices to drive Reform and Growth (GIRG) mechanism, for which the NITI Aayog is the nodal organization.

6. June 2022 IIP growth stands at 12.3%

Growth in industry output, as measured in terms of IIP, for the month of June 2022 stands at 12.3% as compared to 19.6% in May 2022. The growth in the three sectors mining, manufacturing and electricity in June 2022 stands at around 7.5%, 12.5%, 16.4%, respectively over June 2021. Primary goods growth stands at around 13.7%, capital goods at 26.1%, intermediate goods at 11%, infrastructure/construction goods at 8%, consumer durables at 23.8% and consumer non-durables growth at 2.9% during June 2022 as compared to the same month previous year.

Recent growth pattern in IIP		(% growth)			
	Weight in IIP	April-June 2021-22	April-June 2022-23	May-2022	June-2022
Mining	14.3	27.5	9	11.2	7.5
Manufacturing	77.6	52.9	12.7	20.6	12.5
Electricity	7.9	16.8	17.1	23.5	16.4
Primary goods	34.0	20.8	13.9	17.8	13.7
Capital goods	8.2	109	29.5	54.4	26.1
Intermediate goods	17.2	69.8	11.7	17.5	11
Infrastructure/construction goods	12.3	84	9.8	18.1	8
Consumer durables	12.8	123.1	26.6	58.4	23.8
Consumer non-durables	15.3	17.4	1.2	1.0	2.9
Overall IIP	100	44.4	12.7	19.6	12.3

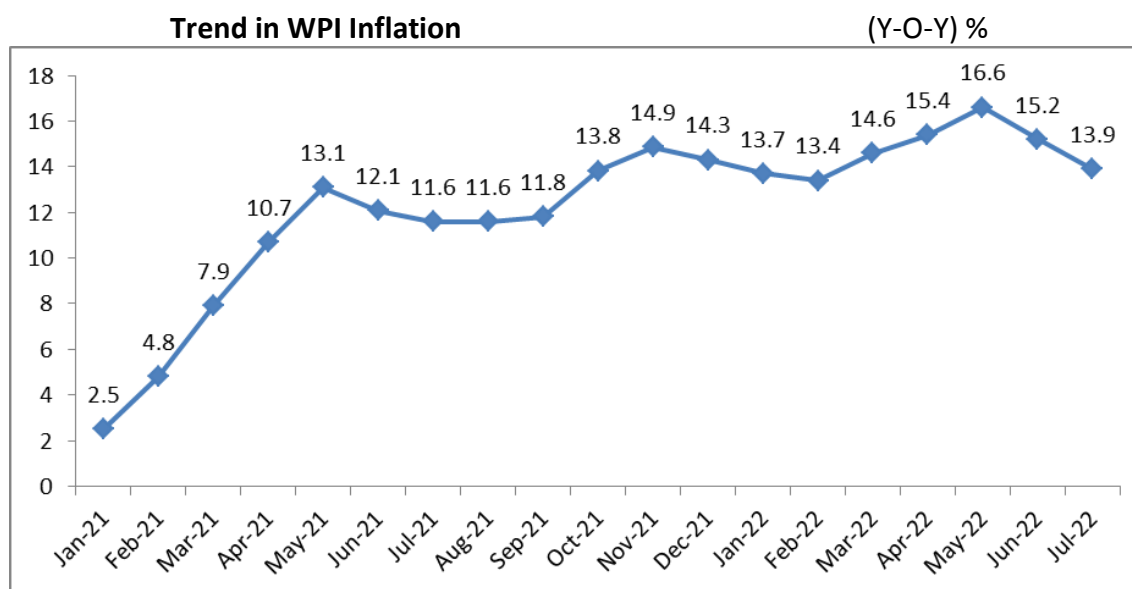
Source: PHD Research Bureau, PHD Chamber, compiled from CSO

7. Fiscal Deficit stands at 21.2% of actuals to BEs in June 2022

The gross fiscal deficit of the Central Government stands at 21.2% of the actuals to budget estimates (BEs) in June 2022 as compared to 18.2% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit and revenue deficit stands at 17.1% and 20.7% respectively, of the actuals to revised estimates in June 2022 as compared to 12.9% and 14.9% respectively, of the actuals to revised estimates in the corresponding period of the previous year.

8. WPI inflation stands at 13.9% in July 2022

The annual rate of Wholesale Price Index (WPI) inflation stands at 13.9% (Provisional) for the month of July 2022 as compared to 15.2% (Provisional) for the month of June 2022 and 16.6% in May 2022. The WPI inflation stood at 11.6% in July 2021. The high rate of y-o-y inflation in July 2022 is primarily due to rise in prices of mineral oils, food articles, crude petroleum & natural gas, basic metals, electricity, chemicals & chemical products, food products etc. as compared to the corresponding month of the previous year.



Source: PHD Research Bureau, PHDCCI, compiled from the office of the Economic Advisor, Government of India (Note: Figures are rounded off)

WPI inflation in Select Commodities (Base year: 2011-12)

S. No.	Commodity	WPI Inflation Y-o-Y % growth			
		May-22	Jun-22	Jul-22	Change in July 2022 as Compared to Previous Month
1	All Commodities	16.6	15.2	13.9	↓
2	Primary Articles	18.8	19.2	15.0	↓
3	Food Articles	11.8	14.4	10.8	↓
4	Cereals	8.1	8.0	9.8	↑
5	Vegetables	57.6	56.8	18.3	↓

6	Non-food Articles	24.1	18.8	12.8	↓
7	Crude Petroleum & Natural gas	79.5	77.3	65.8	↓
8	Fuel & Power	49	40.4	43.8	↑
9	Petrol	71.1	57.8	55.3	↓
10	Manufactured Products	10.3	9.2	8.2	↓

Source: PHD Research Bureau, PHDCCI, compiled from the Office of the Economic Advisor, Government of India (Note: Figures are rounded off)

9. CPI inflation falls to 6.71% in July 2022

According to The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), the CPI inflation falls to 6.71% (prov.) in July 2022 as compared to the 7.01% (final) in June 2022. The CPI inflation for rural and urban for the month of July 2022 is 6.8% and 6.5% respectively.

All India Inflation rates (on point to point basis i.e. current month over same month of last year, i.e. July 2022 over July 2021), based on General Indices and CFPIs are given as follows:

All India Inflation Rates (%) based on CPI (General) and CFPI

Indices	July 2022 (Prov.)			June 2022 (Final)		
	Rural	Urban	Combined	Rural	Urban	Combined
CPI (General)	6.8	6.49	6.71	7.09	6.86	7.01
CFPI	6.8	6.69	6.75	7.61	8.04	7.75

Source: PHD Research Bureau, PHDCCI, compiled from MOSPI

The Price data are collected from selected 1114 urban Markets and 1181 villages covering all States/UTs through personal visits by field staff of Field Operations Division of NSO, MoSPI on a weekly roster. During the month of July 2022, NSO collected prices from 99.7% villages and 97.6% urban Markets while the Market-wise prices reported therein were 89.5% for rural and 92.3% for urban.

All India Consumer Price Indices and year-on-year Inflation rates (%) for July 2022 (Provisional) (Base 2012=100)

Category	All India Consumer Price Indices and year-on-year Inflation rates (%) for July, 2022 (Provisional)					
	Rural		Urban		Combined	
	July, 2022 Index (Prov.)	Inflation Rate (%)	July, 2022 Index (Prov.)	Inflation Rate (%)	July, 2022 Index (Prov.)	Inflation Rate (%)

Food and Beverages	172.5	6.7	179.4	6.9	175	6.7
Pan, tobacco and intoxicants	193.2	1.9	198.6	1.6	194.6	1.8
Clothing and Footwear	181.8	9.9	170.6	9.7	177.4	9.9
Housing	-	-	167.8	3.9	167.8	3.9
Fuel and Light	179.6	10.5	179.6	13.9	179.6	11.8
Miscellaneous	171.8	5.5	164.7	6.3	168.4	5.9
General Index (All Groups)	174.3	6.8	172.3	6.5	173.4	6.7

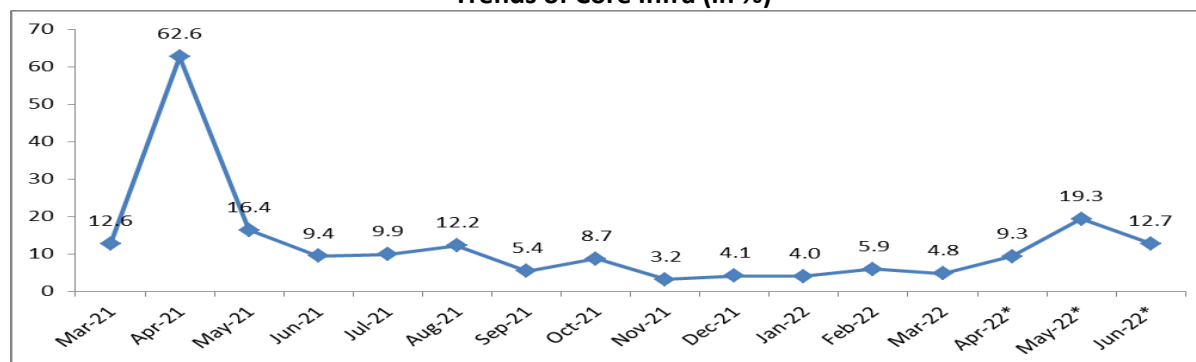
Source: PHD Research Bureau, PHDCCI, compiled from MOSPI Note: CPI (Rural) for Housing is not compiled

10. June 2022 Core infra growth stands at 12.7%

The combined Index of Eight Core Industries stood at 143.4 in June 2022, which increased by 12.7% (provisional) as compared to the Index of June 2021. The core infrastructure growth stands at 19.3% in May 2022. The cumulative growth rate of Index of Eight Core Industries (ICI) during April-June 2022-23 was 13.7% (provisional) as compared to the 26% in corresponding period of last Financial Year.

The y-o-y growth rate of Coal stands at 31.1%, crude oil at (-)1.7%, Natural Gas at 1.2%, Refinery Products at 15.1%, Fertilizers at 8.2%, Steel at 3.3%, Cement at 19.4% and Electricity at 15.5% in June 2022 as compared to May 2022 y-o-y figures of Coal at 33.6%, crude oil at 4.6%, Natural Gas at 7%, Refinery Products at 16.7%, Fertilizers at 22.9%, Steel at 14.6%, Cement at 26.2% and Electricity at 23.5%.

Trends of Core Infra (in %)



Source: PHD Research Bureau, PHDCCI, compiled from Ministry of Commerce and Industry. Note: * Provisional

11. Merchandise Exports growth in 1st quarter over 25%

EXPORTS- Petroleum products, Electronic Goods, Textiles, Cereals, Leather products, Rice, Minerals, oil seeds, coffee and Gems & Jewellery record high exports growth during June. Merchandise exports in June 2022 were USD 40.13 Billion, as compared to USD 32.49 Billion in June 2021, exhibiting a positive growth of 23.52 per cent.

IMPORTS- Merchandise imports in June 2022 were USD 66.31 Billion, which is an increase of 57.55 per cent over imports of USD 42.09 Billion in June 2021.

India's Merchandise Trade Statistics at a Glance

Merchandise	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Exports (USD billion)	35	33	34	36	30	38	35	35	42	40	39	40
Export Growth (%)	49	46	23	43	27	39	25	25	20	31	21	24
Imports (USD billion)	46	47	57	55	53	59	52	55	61	60	63	66
Import Growth (%)	63	52	85	63	57	39	24	36	24	31	63	58
Trade Balance (USD billion)	-11	-14	-23	-19	-23	-22	-17	-20	-19	-20	-24	-26

Source: PHD Research Bureau; PHDCCI Compiled from Ministry of Commerce and Industry, Government of India

12. Service exports registered a growth 22.04% in June 2022

EXPORTS- The estimated value of services export for June 2022* is USD 24.77 Billion, exhibiting a positive growth of 22.04 per cent vis-a-vis June 2021 (USD 20.30 Billion).

IMPORTS- The estimated value of services import for June 2022* is USD 16.11 Billion exhibiting a positive growth of 48.62 per cent vis-à-vis June 2021 (USD 10.84 Billion).

Trade in Services at a Glance

Services	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Exports (Receipts) (USD billion)	19	18	20	21	20	20	27	22	22	28	23	25
Imports (Payments) (USD billion)	11	11	12	13	12	13	16	14	13	16	14	16
Trade Balance (USD billion)	8	7	8	8	8	7	11	8	9	12	9	9

Source: PHD Research Bureau; PHDCCI Compiled from Ministry of Commerce and Industry, Government of India

13. Gross Bank Credit growth stands at 13.2% in June 2022

Gross bank credit growth (year-on-year) stands at 13.2% in June 2022 as compared to 4.8% in June 2021. Gross bank credit y-o-y growth stood at 12.1% in May 2022.

Highlights:

- Credit to agriculture and allied activities grew by 13.0 per cent in June 2022 as compared with 10.6 per cent a year ago.
- Credit to industry continued to expand, registering 9.5 per cent growth in June 2022 against a contraction of 0.6 per cent in June 2021. Size-wise, credit to medium industries grew by 47.6 per cent in June 2022 as compared with 59.0 per cent last year. Credit growth to micro and small industries accelerated to 29.6 per cent in June 2022 from 11.6 per cent a year ago, while credit to large industries recorded a growth of 3.3 per cent against a contraction of 4.8 per cent during the same period.
- Within industry, credit growth to 'all engineering', 'basic metal & metal products', 'chemicals & chemical products', 'food processing', 'infrastructure', 'leather & leather products', 'mining and quarrying', 'petroleum, coal products & nuclear fuels', 'rubber, plastic & their products', 'vehicles, vehicle parts & transport equipment' and 'wood & wood products' accelerated in June 2022 as compared with the corresponding month of the previous year. However, credit growth to 'beverage & tobacco', 'cement & cement products', 'construction', 'gems & jewellery', 'glass & glassware', 'paper & paper products' and 'textiles' decelerated/contracted.
- Credit growth to services sector improved to 12.8 per cent in June 2022 as compared with 4.0 per cent a year ago, mainly due to improved offtake to 'NBFCs', 'professional services', 'transport operators' and 'trade'.
- Personal loans segment maintained its uptrend and grew by 18.1 per cent in June 2022 vis-a-vis 12.2 per cent in June 2021, primarily driven by 'housing' and 'vehicle loans' segments.

14. India's current account deficit (CAD) decreased to US\$ 13.4 billion (1.5% of GDP) in Q4 2021-22

Key Features of India's BoP in Q4:2021-22

- India's current account deficit (CAD) decreased to US\$ 13.4 billion (1.5 per cent of GDP) in Q4:2021-22 from US\$ 22.2 billion (2.6 per cent of GDP) in Q3:2021-22.
- The sequential decline in CAD in Q4:2021-22 was mainly on account of a moderation in trade deficit and lower net outgo of primary income.
- Net services receipts increased, both sequentially and on a year-on-year (y-o-y) basis, on the back of a rise in net earnings from computer and business services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, increased to US\$ 23.7 billion, up by 13.4 per cent from their level a year ago.

- Net outgo from the primary income account, largely reflecting net income payments on foreign investment, decreased sequentially as well as on a y-o-y basis.
- In the financial account, net foreign direct investment (FDI) at US\$ 13.8 billion was higher than US\$ 2.7 billion in Q4:2020-21.
- Net foreign portfolio investment (FPI) recorded an outflow of US\$ 15.2 billion – mainly from the equity market.
- Net external commercial borrowings (ECBs) to India were lower at US\$ 3.3 billion in Q4:2021-22 as compared with US\$ 6.1 billion a year ago.
- There was a drawdown of US\$ 16.0 billion in the foreign exchange reserves (on a BoP basis) as against an accretion of US\$ 3.4 billion in Q4:2020-21

BoP during 2021-22

- The current account balance recorded a deficit of 1.2 per cent of GDP in 2021-22 as against a surplus of 0.9 per cent in 2020-21 as the trade deficit widened to US\$ 189.5 billion from US\$ 102.2 billion a year ago.
- Net invisible receipts were higher in 2021-22 due to increase in net exports of services and net private transfer receipts, even though net income outgo was higher than a year ago.
- Net FDI inflows at US\$ 38.6 billion in 2021-22 were lower than US\$ 44.0 billion in 2020-21.
- Net FPI recorded an outflow of US\$ 16.8 billion in 2021-22 as against an inflow of US\$ 36.1 billion a year ago.
- Net ECBs to India recorded an inflow of US\$ 7.4 billion in 2021-22 as compared with US\$ 0.2 billion in 2020-21.
- In 2021-22, there was an accretion of US\$ 47.5 billion to foreign exchange reserves (on a BoP basis)

15. India's External Debt as at the end of March 2022

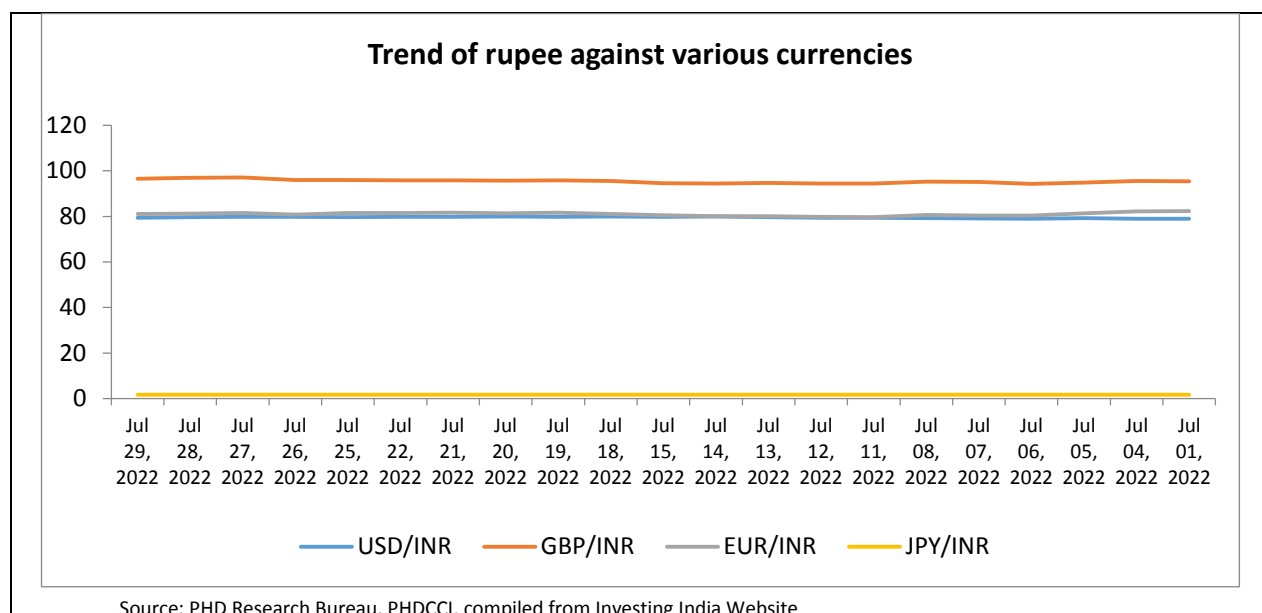
At end-March 2022, India's external debt was placed at US\$ 620.7 billion, recording an increase of US\$ 47.1 billion over its level at end-March 2021. The external debt to GDP ratio declined to 19.9 per cent at end-March 2022 from 21.2 per cent at end-March 2021. Valuation gains due to the appreciation of the US dollar vis-à-vis Indian rupee and major currencies such as yen, SDR2, and euro were placed at US\$ 11.7 billion. Excluding the valuation effect, external debt would have increased by US\$ 58.8 billion instead of US\$ 47.1 billion at end-March 2022 over end March 2021.

Major highlights pertaining to India's external debt at end-March 2022 are presented below:

- At end-March 2022, long-term debt (with original maturity of above one year) was placed at US\$ 499.1 billion, recording an increase of US\$ 26.5 billion over its level at end-March 2021.
- The share of short-term debt (with original maturity of up to one year) in total external debt increased to 19.6 per cent at end-March 2022 from 17.6 per cent at end-March 2021. Similarly, the ratio of short-term debt (original maturity) to foreign exchange reserves increased to 20.0 per cent at end-March 2022 (17.5 per cent at end-March 2021).
- Short-term debt on residual maturity basis (i.e., debt obligations that include long-term debt by original maturity falling due over the next twelve months and short-term debt by original maturity) constituted 43.1 per cent of total external debt at end-March 2022 (44.1 per cent at end-March 2021) and stood at 44.1 per cent of foreign exchange reserves (43.8 per cent at end-March 2021).
- US dollar denominated debt remained the largest component of India's external debt, with a share of 53.2 per cent at end-March 2022, followed by debt denominated in the Indian rupee (31.2 per cent), SDR (6.6 per cent), yen (5.4 per cent), and the euro (2.9 per cent).
- Outstanding debt of both government and non-government sectors increased during 2021-22.
- The share of outstanding debt of non-financial corporations in total external debt was the highest at 40.3 per cent, followed by deposit-taking corporations (except the central bank) (25.6 per cent), general government (21.1 per cent) and other financial corporations (8.6 per cent).
- Loans remained the largest component of external debt, with a share of 33.0 per cent, followed by currency and deposits (22.7 per cent), trade credit and advances (19.0 per cent) and debt securities (17.1 per cent).
- Debt service (i.e., principal repayments and interest payments) declined to 5.2 per cent of current receipts at end-March 2022 as compared with 8.2 per cent at end-March 2021, reflecting lower repayments and higher current receipts.

16. Overview of Indian Rupee

In the month of July 2022, the average exchange rate of rupee against USD stands at 79.54. The average exchange rate of rupee against Japanese yen stands at 1.72. The exchange rate of rupee against Euro has remained at an average of 80.98 in the month of July 2022. While, the average exchange rate of rupee against pound sterling is at 95.43 during July 2022.



17. Monthly trend of rupee exchange rate (high and low) against currencies in July 2022

In the month of July 2022, the exchange rate of rupee against USD recorded highest at 79.99, while it registered lowest at 78.9. The exchange rate of rupee against Pound registered highest at 97.02 and lowest at 94.2. In case of Euro currency, exchange rate of rupee recorded highest at 82.3 and lowest at 79.7. The exchange rate of rupee against Japanese yen recorded highest at 1.74 and lowest at 1.68.

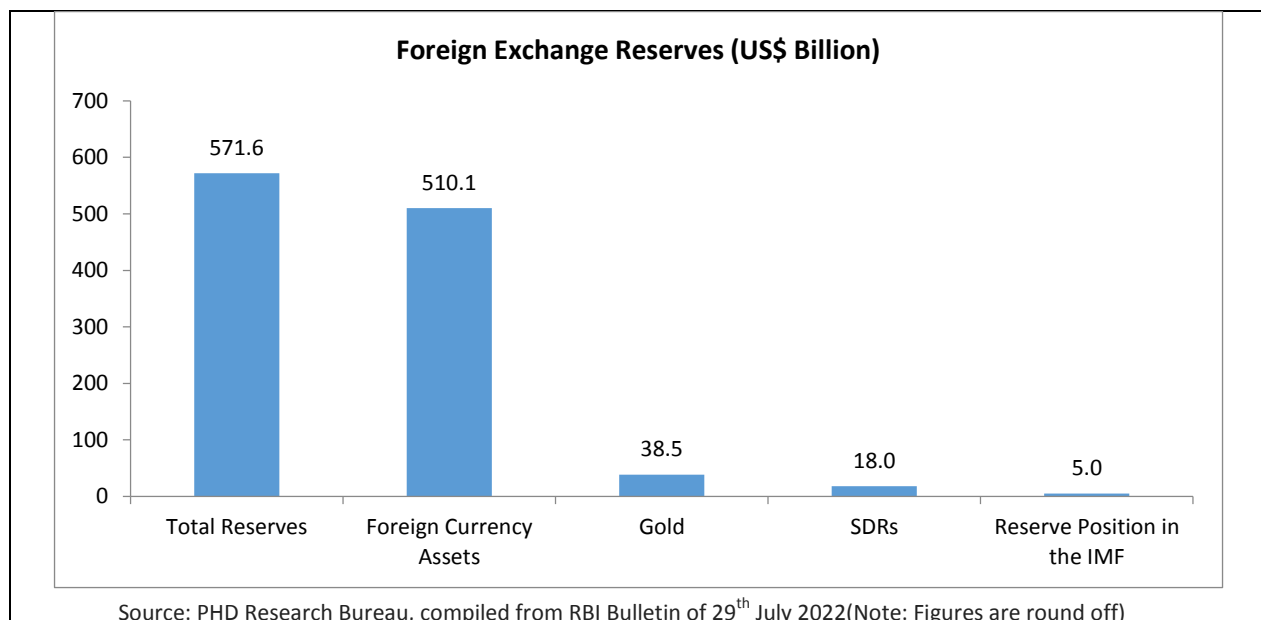
Monthly trend of rupee exchange rate

	Open	High	Low	Close
USD	78.92	79.99	78.9	79.33
Pound Sterling	95.45	97.02	94.2	96.52
Euro	82.3	82.3	79.72	81.06
Japanese Yen	1.71	1.74	1.68	1.67

Source: PHD Research Bureau, compiled from other sources.

18. Foreign exchange reserves

India's foreign exchange reserves stands at about USD 571 billion as on 29th July 2022 of which Foreign Currency Assets consists of USD 510.1 billion, Gold reserves at USD 38.5 billion, SDRs at USD 18 billion and reserve position in the IMF at USD 5 billion.



19. Gross GST Revenue collections for July 2022 stands at ₹1,48,995 crore

The gross GST revenue collected in the month of July 2022 is **₹1,48,995 crore** of which CGST is **₹ 25,751 crore**, SGST is **₹ 32,807 crore**, IGST is **₹ 79,518 crore** (including ₹ 41,420 crore collected on import of goods) and cess is **₹ 10,920 crore** (including ₹ 995 crore collected on import of goods). **This is second highest revenue since introduction of GST.**

The government has settled ₹ 32,365 crore to CGST and ₹ 26,774 crore to SGST from IGST. The total revenue of Centre and the States in the month of July 2022 after regular settlement is ₹ 58,116 crore for CGST and ₹ 59,581 crore for the SGST.

The revenues for the month of July 2022 are **28% higher** than the GST revenues in the same month last year of ₹ 1,16,393 crore. During the month, revenues from import of goods was 48% higher and the revenues from domestic transaction (including import of services) are 22% higher than the revenues from these sources during the same month last year.

For five months in a row now, the monthly GST revenues have been more than ₹ 1.4 lakh core, showing a steady increase every month. The growth in GST revenue till July 2022 over the same period last year is 35% and displays a very high buoyancy. This is a clear impact of various measures taken by the Council in the past to ensure better compliance. Better reporting coupled with economic recovery has been having positive impact on the GST revenues on a consistent basis. During the month of June 2022, 7.45 crore e-way bills were generated, which was marginally higher than 7.36 crore in May 2022.



PHD CHAMBER
OF COMMERCE AND INDUSTRY

Trade & Investment Facilitation Services



Trade and Investment Facilitation Services (TIFS)

Trade and Investment Facilitation Services (TIFS) is a vital component for international trade and investment community. It is envisioned to facilitate business firms across the globe for trade and investments in India while simultaneously meeting India's rapidly growing appetite for new markets to enhance trade and investments.

Considering the thirst of the Nation to place India at the forefront of Global Economic Architecture, PHD Chamber of Commerce and Industry launched a specialized desk on Trade and Investment Facilitation Services (TIFS) on 31st March 2017. TIFS is an information and advisory hub to provide requisite and detailed information to facilitate national and international business firms to invest in India; advising them on prospective business opportunities in India in general and in States and promising sectors in particular.

Three role dimensions

1. Information role:

Serving as a key link to all information centres on all national and regional/local regulations and clearances. This includes maintaining or having direct and easy access to such information. This also means constant updating of such information.

2. Catalyst role:

Providing facilitative advisory services to help overcome key obstacles and strengthen key positive enablers for enhanced trade and investments. This includes providing information or “leads” on opportunities that would benefit international business community to invest in India.

3. Networking role:

Effective networking with relevant Indian and overseas agencies and leveraging of such networks in the direction of risk mitigation and enhancing trade and investments.

Strategic Collaborators of TIFS

TIFS work in close coordination with Trade Consulars of different countries as well as international trade and business community and international chambers of commerce. Further, for facilitating and providing information on procedural requirements, TIFS also work in close coordination with the government both at the central and the state level as well as industry associations in India.



How TIFS work in assisting investors?

It is envisaged to be the first-point-one-stop reference for potential investors from around the world. Our team of domain and functional experts provides sector-and state-specific inputs, and hand- holding support to investors. We assist with location identification, expediting regulatory approvals, facilitating meetings with relevant government and corporate officials among others.

For instance, if an investor A from Germany wants to invest USD 100 million in a textile business in India.

- A team of trained staff will be associated with the task for maintaining a physical helpdesk and provide the investor with all the help required regarding the relevant approvals to set up a business and information related to investment areas across India.
- Facility to set up meetings of the investors with Government officials for specific investor queries, both at the state government and central government level.
- Regular updates on various economic developments in India in general and sector specific in particular.
- Updates on state level developments related to policy amendments, sectoral developments, taxation mechanism, infrastructural, etc.

Updates on Foreign Direct Investment sources, Foreign Trade Policy, etc.

TIFS undertakes the following activities

- i. Through regular research and networking with Government bodies, Entrepreneurs, Industry associations, Embassies/Consulates, Investment delegations, etc., the TIFS gather information on possible trade and investment opportunities in various sectors of the Indian economy.
- ii. TIFS advises prospective traders and investors, national and international, in their process of filing applications and helping them meet other procedural and regulatory requirements. For this purpose, information on specific trade and investment guidelines at the state and central level is provided by TIFS.
- iii. TIFS provides information at a broad level to international investors about possible potential joint venture partners in India. If TIFS is aware of any Indian parties interested in formation of Joint Ventures (JVs) with some global partners, such information is made available to interested investors.
- iv. In case of requests made by individual investors to undertake specific research assignments, financial analysis or due diligence of any specific joint venture partner or Mergers & Acquisitions (M&A) targets, TIFS provides adequate resources to carry out such requests on an agreed cost.
- v. In a nutshell, TIFS increases understanding amongst national and international investors on the promising investment areas and requirements and regulations for making investments. Facilitates in dealing with the Government in application procedures amongst the national and international Investors. Reduce lead time in investment processes and procedural transactions.

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2. Key Banking Developments

Key Banking Developments

RBI puts in place the mechanism for International Trade Settlement in Indian Rupees (INR)

In order to promote growth of global trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR, the RBI has decided to put in place an additional arrangement for invoicing, payment, and settlement of exports / imports in INR.

1. Before putting in place this mechanism, AD banks shall require prior approval from the Foreign Exchange Department of Reserve Bank of India, Central Office at Mumbai.

2. The broad framework for cross border trade transactions in INR under Foreign Exchange Management Act, 1999 (FEMA) is as delineated below:

Invoicing: All exports and imports under this arrangement may be denominated and invoiced in Rupee (INR).

Exchange Rate: Exchange rate between the currencies of the two trading partner countries may be market determined.

Settlement: The settlement of trade transactions under this arrangement shall take place in INR in accordance with the procedure laid down in Para 3 of this circular.

3. In terms of Regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016, AD banks in India have been permitted to open Rupee Vostro Accounts. Accordingly, for settlement of trade transactions with any country, AD bank in India may open Special Rupee Vostro Accounts of correspondent bank/s of the partner trading country. In order to allow settlement of international trade transactions through this arrangement, it has been decided that:

Indian importers undertaking imports through this mechanism shall make payment in INR which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller /supplier.

Indian exporters, undertaking exports of goods and services through this mechanism, shall be paid the export proceeds in INR from the balances in the designated Special Vostro account of the correspondent bank of the partner country.

4. **Documentation:** The export / import undertaken and settled in this manner shall be subject to usual documentation and reporting requirements. Letter of Credit (LC) and other trade related documentation may be decided mutually between banks of the partner trading countries under the overall framework of Uniform Customs and Practice for Documentary Credits (UCPDC) and incoterms. Exchange of messages in safe, secure, and efficient way may be agreed mutually between the banks of partner countries.

5. **Advance against exports:** Indian exporters may receive advance payment against exports from overseas importers in Indian rupees through the above Rupee Payment Mechanism. Before allowing

any such receipt of advance payment against exports, Indian Banks shall ensure that available funds in these accounts are first used towards payment obligations arising out of already executed export orders / export payments in the pipeline. The said permission would be in accordance with the conditions mentioned in para-C.2 on Receipt of advance against exports under Master Direction on Export of Goods and Services 2016 (as amended from time to time). In order to ensure that the advance is released only as per the instructions of the overseas importer, the Indian bank maintaining the Special Vostro account of its correspondent bank shall, apart from usual due diligence measures, verify the claim of the exporter with the advice received from the correspondent bank before releasing the advance.

6. Setting-off of export receivables: 'Set-off' of export receivables against import payables in respect of the same overseas buyer and supplier with facility to make/receive payment of the balance of export receivables/import payables, if any, through the Rupee Payment Mechanism may be allowed, subject to the conditions mentioned in para C.26 on Set-off of export receivables against import payables under Master Direction on Export of Goods and Services 2016 (as amended from time to time).

7. Bank Guarantee: Issue of Bank Guarantee for trade transactions, undertaken through this arrangement, is permitted subject to adherence to provisions of FEMA Notification No. 8, as amended from time to time and the provisions of Master Direction on Guarantees & Co-acceptances.

8. Use of Surplus Balance: The Rupee surplus balance held may be used for permissible capital and current account transactions in accordance with mutual agreement. The balance in Special Vostro Accounts can be used for:

Payments for projects and investments.

Export/Import advance flow management

Investment in Government Treasury Bills, Government securities, etc. in terms of extant guidelines and prescribed limits, subject to FEMA and similar statutory provision.

9. Reporting Requirements: Reporting of cross- border transactions need to be done in terms of the extant guidelines under FEMA 1999.

10. Approval Process: The bank of a partner country may approach an AD bank in India for opening of Special INR VOSTRO account. The AD bank will seek approval from the Reserve Bank with details of the arrangement. AD bank maintaining the special Vostro Account shall ensure that the correspondent bank is not from a country or jurisdiction in the updated FATF Public Statement on High Risk & Non Co-operative Jurisdictions on which FATF has called for counter measures.

11. The above instructions shall come into force with immediate effect. AD banks may bring the contents of this Circular to the notice of their constituents and customers concerned.

12. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBI issues External Commercial Borrowings (ECB) Policy – Liberalisation Measures

Attention is invited to paragraph 2.2 of FED Master Direction No.5 on External Commercial Borrowings, Trade Credits and Structured Obligations, dated March 26, 2019 (as amended from time to time), in terms of which eligible ECB borrowers are allowed to raise ECB up to USD 750 million or equivalent per financial year under the automatic route, and paragraph 2.1.vi. *ibid*, wherein the all-in-cost ceiling for ECBs has been specified.

2. As announced in paragraph five of the press release on “Liberalisation of Forex Flows” dated July 06, 2022, it has been decided, in consultation with the Central Government, to:

i) increase the automatic route limit from USD 750 million or equivalent to USD 1.5 billion or equivalent.

ii) increase the all-in-cost ceiling for ECBs, by 100 bps. The enhanced all-in-cost ceiling shall be available only to eligible borrowers of investment grade rating from Indian Credit Rating Agencies (CRAs). Other eligible borrowers may raise ECB within the existing all-in-cost ceiling, as hitherto.

The above relaxations would be available for ECBs to be raised till December 31, 2022.

3. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.

4. The aforesaid Master Direction No. 5, is being updated to reflect these changes.

5. Necessary amendments to the relevant regulations have been made through the Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022, notified vide notification No. FEMA.3(R)(3)/2022-RB dated July 29, 2022.

6. The directions contained in this circular have been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

RBI issues Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector (Updated as on July 29, 2022)

The Reserve Bank of India has, from time to time, issued a number of instructions / guidelines to banks relating to lending to the Micro, Small and Medium Enterprises Sector.

The Master Direction on Lending to Micro, Small & Medium Enterprises (MSME) Sector (Updated as on July 29, 2022) incorporates the updated instructions / guidelines on the subject.

RBI reviews Regulation of Payment Aggregators – Timeline for submission of applications for authorisation

This is in reference to Reserve Bank of India (RBI) circulars DPSS.CO.PD.No.1810/02.14.008/2019-20

dated March 17, 2020 and CO.DPSS.POLC.No.S33/02-14-008/2020-2021 dated March 31, 2021 on “Guidelines on Regulation of Payment Aggregators and Payment Gateways”. In terms of these circulars, online non-bank Payment Aggregators (PAs) – existing as on March 17, 2020 – were required to apply to RBI by September 30, 2021 for seeking authorisation under the Payment and Settlement Systems Act, 2007 (PSS Act).

RBI has observed that applications received from some PAs had to be returned as they had not complied with eligibility criteria, including the minimum net worth criterion of ₹15 crore by March 31, 2021. This also implied that they have to discontinue their operations within a period of six months from the date of return of application. Though they have the option to apply afresh on meeting the prescribed criteria, ceasing operations may lead to disruption in payment systems. It is also possible that some PAs had not applied to RBI due to non-fulfilment of eligibility criteria.

Keeping in view the disruption caused by the COVID-19 pandemic, and to ensure smooth functioning of the payments ecosystem, RBI has since decided to allow another window to all such PAs (existing as on March 17, 2020) to apply to RBI. They can apply by September 30, 2022 and shall have a net worth of ₹15 crore as on March 31, 2022. They shall be permitted to continue their operations till they receive communication from RBI regarding the fate of their application. The timeline of March 31, 2023 for achieving the net worth of ₹25 crore shall, however, remain.

All other provisions of the circulars referred to above, shall continue to be applicable. This directive is issued under Section 10 (2) read with Section 18 of the PSS Act, 2007 (Act 51 of 2007).

RBI increases the Repo Rate by 50bps to 5.4% and sets out developmental and regulatory policy measures

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (August 5, 2022) decided to:

- Increase the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.40% with immediate effect.
- Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.1% and the marginal standing facility (MSF) rate and the Bank Rate to 5.65%.
- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.
- These decisions are in consonance with the objective of achieving the medium term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth.

Global Economy

Since the MPC's meeting in June 2022, the global economic and financial environment has deteriorated with the combined impact of monetary policy tightening across the world and the persisting war in Europe heightening risks of recession. Grippled by risk aversion, global financial

markets have experienced surges of volatility and large sell-offs. The US dollar index soared to a two-decade high in July. Both advanced economies (AEs) and emerging market economies (EMEs) witnessed weakening of their currencies against the US dollar. EMEs are experiencing capital outflows and reserve losses which are exacerbating risks to their growth and financial stability.

Domestic Economy

Domestic economic activity remains resilient. As on August 4, 2022, the southwest monsoon rainfall was 6 per cent above the long period average (LPA). Kharif sowing is picking up. High frequency indicators of activity in the industrial and services sectors are holding up. Urban demand is strengthening while rural demand is gradually catching up. Merchandise exports recorded a growth of 24.5% during April-June 2022, with some moderation in July. Non-oil non-gold imports were robust, indicating strengthening domestic demand.

CPI inflation eased to 7.0% (year-on-year, y-o-y) during May-June 2022 from 7.8% in April, although it persists above the upper tolerance band. Food inflation has registered some moderation, especially with the softening of edible oil prices, and deepening deflation in pulses and eggs. Fuel inflation moved back to double digits in June primarily due to the rise in LPG and kerosene prices. While core inflation (i.e. CPI excluding food and fuel) moderated in May-June due to the full direct impact of the cut in excise duties on petrol and diesel pump prices, effected on May 22, 2022, it remains at elevated levels.

Outlook

Spillovers from geopolitical shocks are imparting considerable uncertainty to the inflation trajectory. More recently, food and metal prices have come off their peaks. International crude oil prices have eased in recent weeks but remain elevated and volatile on supply concerns even as the global demand outlook is weakening. The appreciation of the US dollar can feed into imported inflation pressures. Rising kharif sowing augurs well for the domestic food price outlook. The shortfall in paddy sowing, however, needs to be watched closely, although stocks of rice are well above the buffer norms.

Firms polled in the Reserve Bank's enterprise surveys expect input cost pressures to soften across sectors in H2. Cost pressures are, however, expected to get increasingly transmitted to output prices across manufacturing and services sectors. Taking into account these factors and on the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of US\$ 105 per barrel, the inflation projection is retained at 6.7% in 2022-23, with Q2 at 7.1%; Q3 at 6.4%; and Q4 at 5.8%, and risks evenly balanced. CPI inflation for Q1:2023-24 is projected at 5.0%.

On the outlook for growth, rural consumption is expected to benefit from the brightening agricultural prospects. The demand for contact-intensive services and the improvement in business and consumer sentiment should bolster discretionary spending and urban consumption. Investment activity is expected to get support from the government's capex push, improving bank credit and rising capacity utilisation.

Firms polled in the Reserve Bank's industrial outlook survey expect sequential expansion in production volumes and new orders in Q2:2022-23, which is likely to sustain through Q4. On the other hand, elevated risks emanating from protracted geopolitical tensions, the upsurge in global financial market

volatility and tightening global financial conditions continue to weigh heavily on the outlook. Taking all these factors into consideration, the real GDP growth projection for 2022-23 is retained at 7.2%, with Q1 at 16.2%; Q2 at 6.2%; Q3 at 4.1%; and Q4 at 4.0%, and risks broadly balanced. Real GDP growth for Q1:2023-24 is projected at 6.7%.

RBI amends Gold Monetization Scheme (GMS), 2015

In exercise of the powers conferred on the Reserve Bank of India under Section 35A of the Banking Regulation Act, 1949, the RBI makes the following amendments in the Reserve Bank of India (Gold Monetization Scheme, 2015) Master Direction No.DBR.IBD.No.45/23.67.003/2015-16 dated October 22, 2015, with immediate effect.

The existing sub-para 2.2.2.(v) stands deleted (and hence the existing sub-paras 2.2.2.(vi) to 2.2.2.(viii) have accordingly been renumbered). The corresponding provisions have been suitably incorporated in sub-para 2.4.i.(a) and 2.4.i.(b).

RBI issues Master Directions – Priority Sector Lending (PSL) – Targets and Classification

The Priority Sector Lending (PSL) guidelines issued by Reserve Bank of India were last reviewed for Commercial Banks in April 2015 and for UCBs in May 2018 respectively. With an objective to harmonise various instructions issued to Commercial Banks, SFBs, RRBs, UCBs and LABs; align these guidelines with emerging national priorities and bring sharper focus on inclusive development, it was decided to comprehensively review the PSL guidelines.

The revised guidelines also aim to encourage and support environment friendly lending policies to help achieve Sustainable Development Goals (SDGs). This review also took into account the recommendations made by the 'Expert Committee on Micro, Small and Medium Enterprises (Chairman: Shri U.K. Sinha) and the 'Internal Working Group to Review Agriculture Credit' (Chairman: Shri M. K. Jain) apart from discussions with all stakeholders. Further, these Master Directions encompass the revised guidelines on PSL for all Commercial banks, RRBs, SFBs, UCBs and LABs and, accordingly, supersede the earlier Master Directions on PSL issued separately for Scheduled Commercial Banks, RRBs, SFBs and guidelines issued for UCBs, respectively.

RBI issues Master Circular on Credit Facilities to Minority Communities

The Reserve Bank of India has periodically issued guidelines/instructions/directives to banks with regard to providing credit facilities to Minority Communities. The Master Circular enclosed consolidates the circulars issued by Reserve Bank on the subject till date.

Conclusions

Economic activity has been witnessing steady growth supported by a performance of the key economic indicators, though high inflation on the back of geo-political developments is still a headwind.

At this juncture, there is a need to address the high commodity prices and shortages of raw materials are required to support the consumption and private investments in the country.

The focus should be on strengthening of the global value chains and shifting of the sources of the imports from higher price to low price countries. Import substitution for the technology intensive and labour-intensive products where India has a high imports category and comprises higher import shares.

Enhancing indigenous production possibilities is required where there is high demand for the commodities. Further, measures should be undertaken for preventing hoarding of the essential commodities to stop price accelerations.

RBI's decision to raise the repo rate is in response to the headwinds being faced by Indian economy including high inflation, uneasy financial markets, foreign portfolio outflows, majorly caused by distress in the global economic situation.

Any further increase in the repo rate will impact India's economic growth due to impact on demand scenario and consumer and business sentiments. It will further escalate the costs of doing business, which are already high vis-a-vis high raw material costs amid geo-political distress.

As the recovery process has been coincided with the geo-political developments; economy should be supported with continued reforms for the businesses, particularly for the MSMEs and agriculture sector.

There must be a focus on reducing the cost of doing business with ease of doing business and becoming robust at the factory level. Although, procedural requirements have been relatively reduced and the communication between Government departments has become transparent and hassle-free, however, the cost aspect still needs to be relaxed further.

India: Statistical snapshot

Indicators	FY18	FY19	FY20	FY21	FY22	FY23
GDP at FC - Constant prices (Rscr)	13010843	14077586	1,45,69,268 ¹	1,35,58,473 ³	14735515 ³	-
GDP at FC-Constant prices growth YOY (%)	6.7	6.8	4.0 ¹	(-)6.6 ³	8.7 ³	-
Agriculture growth	3.4	2.9	4.3 ¹	3.3	3.0	-
Industry growth	5.5	6.9	0.9 ²	-	-	-
Services growth	7.9	7.5	5.5 ²	-	-	-
Gross Fixed Capital Formation as % of GDP	-	32.0	32.5	30.5	32.5	-
Fiscal deficit as a % GDP	3.5	3.4	4.6	9.3	6.7	-
Merchandise exports (US\$Bn)	303.5	331	313.3	290.6		40.13 ⁸
Growth in exports (%)	10.0	9	(-)5	(-)7.3		24.0 ⁸
Imports (US\$Bn)	42.80	507	474.7	389.2		66.31 ⁸
Growth in imports (%)	7.15	9	(-)7.7	(-)18		58.0 ⁸
Trade deficit (US\$Bn)	13.69	176	161.4	98.6		26.0 ⁸
Net invisibles US\$Bn	-	-	-	-	-	-
Current account deficit as % of GDP	1.9	2.1	(-)0.9	0.9	-	
Net capital account US\$Bn	-	-	-	-	-	
Foreign exchange reserves US\$Bn	424.36	421	447	579.3	598	571.6
External debt - Short term US\$Bn	97.6	-	106.9	-	-	
External debt - Long term US\$Bn	415.8	-	451.7	-	-	
External debt - US\$Bn	513.4	-	558.5	-	-	
Money supply growth	9	10.9	-	-	-	
Bank credit growth	8.2	12	6.6	5	9.4	13.2 ⁸
WPI inflation	2.47	4.31	1.7	1.2	13.0	15.2 ⁸
CPI inflation	4.28	3.4	4.8	6.1	5.5	7.01 ⁸
Exchange rate Rs/US\$ annual average	65.04	68.37	69.86	74.2	74.4	79.55 ⁸

Source: PHD Research Bureau, PHD Chamber, compiled from various sources.

Notes: ¹ 1st revised estimate; ² Provisional estimates; ³ MOSPI data for FY2022; ⁴ data as on 6th May 2022; ⁵ Data pertains to September 2021; ⁶ data pertains to 10th May 2022; ⁷ Data pertains to March 2022; ⁸ Data pertains to July 2022

PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and State Governments.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
Research Studies	Global Economic Developments	Economic Affairs Newsletter (EAC)	Trade and Investment Facilitation Services (TIFS)
State Profiles	India's Economic Developments	Global Economic Monitor (GEM)	
Impact Assessments	States' Economic Developments	Trade & Investment Facilitation Services (TIFS) Newsletter	
Thematic Research Reports	International Developments	State Development Monitor (SDM)	
Releases on Economic Developments	Financial Markets		
	Foreign exchange market		
	Developments in International Trade		

Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (April 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry- 2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhiba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth (February 2016)
41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)
43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)
46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)
48. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
49. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
50. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
51. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
52. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
53. Goods and Services (GST): So far (July 2017)

54. Reshaping India-Africa Trade: Dynamics and Export Potentiality of Indian Products in Africa (July 2017)
55. Industry Perspective on Bitcoins (July 2017)
56. Senior Housing: A sunrise sector in India (August 2017)
57. Current state of the economy (October 2017)
58. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
59. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
60. India-Israel Relations: Building Bridges of Dynamic Trade(October 2017)
61. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
62. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
63. Analysis of Trade Pattern between India and ASEAN(January 2018)
64. Union Budget 2018-19 – (February 2018)
65. Ease of Doing Work for Women: A survey of Delhi NCR (February 2018)
66. Restraining Wilful Defaults: Need of the hour for Indian Banking System (March 2018)
67. Impact of GST on Business, Industry and Exporters (April 2018)
68. India – Sri Lanka Bilateral Relations: Reinforcing trade and investment prospects (May 2018)
69. Growth Prospects of the Indian Economy: Road to US \$5 Trillion Economy(May 2018)
70. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects(May 2018)
71. India – UK Trade Relations and Societal Links: Way Forward (June 2018)
72. Rural Economy: Road to US \$5 Trillion Economy(September 2018)
73. Indian Economy on the Eve of Union Budget 2019-20 (Interim): Steady...strong...fastest moving economy (January 2019)
74. Interim Budget 2019-2020: A Dynamic, Inclusive & Pragmatic Budget (February 2019)
75. Women Entrepreneurship: Transforming from Domestic Households to Financial Independence (March 2019)
76. Prospects for Exports from India: Five Pronged Strategy to Achieve USD700 Billion Merchandise Exports by 2025 (March 2019)
77. India Towards Shared Prosperity: Economic Agenda for the Next five Years (March 2019)
78. Job Creation: A Pan India Survey of Households (March 2019)
79. India Inc. Speaks Live: Wish List for the Next Five Years (May 2019)
80. Suggestive Roadmap for Revitalizing Economic Growth (June 2019)
81. Indian Economy on the Eve of Union Budget 2019-20 (July 2019)
82. Union Budget 2019-20: Road to US\$ 5 trillion economy (July 2019)
83. Ease of Doing Business for MSMEs (September 2019)
84. Report Emerging contours in the defence and homeland security
85. Framework of University-Industry Linkages in Research DSIR
86. India's Trade and Investment opportunities with ASEAN Economies (November 2019)
87. Indian Economy on the Eve of Union Budget 2020-21 (February 2020)
88. Union Budget 2020-21: Aspirational, Caring and Developmental Budget (February 2020)
89. Macroeconomic Indicators and Pandemic COVID-19 Stimulus provided by Select Economies (April 2020)
90. Analysis on Relief Measures -Salaries wages by pandemic COVID-19 impacted countries (April 2020)
91. Report on impact of Pandemic COVID-19 by PHDCCI (April 2020)
92. Tax relief measures provided by Pandemic COVID-19 impacted Countries (April 2020)
93. Impact of Pandemic COVID-19 : PHD Chamber's detailed representation on short term and long term measures submitted to the Government (April 2020)
94. Mitigating the Impact of Pandemic COVID-19 on Trade & Industry: PHDCCI Representations to Government of India and State Governments (April 2020)
95. Compendium of various relief measures provided by the States to mitigate the impact of pandemic COVID-19 (April 2020)
96. Calibrated Approach to Exit from Lockdown (April 2020)
97. Compendium on Relief Measures provided by the Govt. under Direct & Indirect Taxes to mitigate the impact of pandemic COVID (April 2020)
98. Relief Measures provided by Ministry of Finance, Ministry of Commerce & others (April 2020)

100. Relief measures provided by various countries to mitigate the daunting impact of pandemic COVID-19 on economy, trade and industry
101. Analysis of COVID at International and Sub-national Level- Speed of Spread, Mortality and Recovery.
102. Supplement of Recent Notifications by the Central Government, State Governments and Tax Authorities to Mitigate the Impact of Pandemic COVID-19
103. PHDCCI COVID-19 Updates
104. PHDCCI Quick Survey on Post Lockdown Business Scenario May 29th 2020
105. Impact of GST on Economy and Businesses (Aug 2020)
106. India's Imports from China: Strategy for Domestic Capacity Building (Sept 2020)
107. PHDCCI Economic and Business Momentum (EBM) Index (October 2020)
108. The Future of Expanding India-USA Bilateral Relations: Strengthening bilateral ties through FTA (November 2020)
109. New Year Economics – Growth Story Continues (January 2021)
110. PHDCCI Economy GPS Index (January 2021)
111. PHD Chamber Analysis on the Union Budget 2021-22 (February 2021)
112. Analysis of State Budgets FY2021-2022 (April 2021)
113. Impact of Coronavirus 2.0 on Economy and Businesses (May 2021)
114. Achieving a higher export growth trajectory 75 potential products and 75 focused markets (September 2021)
115. PHD Chamber Analysis of Union Budget 2022-23 (February 2022)
116. Economy to resume normal growth curve in 2022-23 (April 2022)
117. Ease of Doing Business for MSMEs in India: Percolating EODB Reforms at Factory Level (May 2022)
118. PHDCCI Inflation Trends (June 2022)
- B: State profiles**
119. Rajasthan: The State Profile (April 2011)
120. Uttarakhand: The State Profile (June 2011)
121. Punjab: The State Profile (November 2011)
122. J&K: The State Profile (December 2011)
123. Uttar Pradesh: The State Profile (December 2011)
124. Bihar: The State Profile (June 2012)
125. Himachal Pradesh: The State Profile (June 2012)
126. Madhya Pradesh: The State Profile (August 2012)
127. Resurgent Bihar (April 2013)
128. Life ahead for Uttarakhand (August 2013)
129. Punjab: The State Profile (February 2014)
130. Haryana: Bolstering Industrialization (May 2015)
131. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
132. Suggestions for Progressive Uttar Pradesh (August 2015)
133. State profile of Telangana- The dynamic state of India (April 2016)
134. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
135. Smart Infrastructure Summit 2016-Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
136. Rising Jharkhand: An Emerging Investment Hub (February 2017)
137. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
138. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
139. Kashmir: The way forward (February 2018)
140. Analysis of State Budgets for 2018-19: Select Sates (March 2018)
141. Rising Uttar Pradesh One District One Product Summit (August 2018)
142. Rajasthan: Steady Strides into the Future-Emerging Growth Dynamics and the Way Forward (September 2018)
143. Rising Jharkhand: Economic Profile (January 2019)
144. Rising Jharkhand: Skill Development to Spur Socio-Economic Growth (January 2019)
145. Progressive Haryana: Economic Profile (February 2019)
146. Progressive Haryana: The Agricultural Hub of India (February 2019)
147. Progressive Haryana Steady Growth Strides into the Future (June 2020)
148. Progressive Haryana Steady Growth Strides into the Future (June 2020)
149. States' Policy Conclave 2021: Role of States (December 2021)



About PHDCCI

PHD Chamber of Commerce and Industry (PHDCCI) has been working as a catalyst for the promotion of Indian industry, trade and entrepreneurship for the past 116 years. It is a forward looking, proactive and dynamic PAN-India apex organization. As a partner in progress with industry and government, PHDCCI works at the grass roots level with strong national and international linkages for propelling progress, harmony and integrated development of the Indian economy.

PHDCCI, acting as the “Voice of Industry & Trade” with a large membership base of 1,50,000 direct and indirect members consisting of large, medium and small industries, has forged ahead leveraging its legacy with the industry knowledge across multiple sectors to take Indian Economy to the next level.

At the global level, we have been working with the Embassies and High Commissions in India and overseas to bring in the International Best Practices and Business Opportunities.



“Voice of Industry & Trade”



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