

India Economics

Monthly Chartbook

February 2023

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Capex to spur growth

The Union Budget for FY24 focussed on fiscal consolidation and supporting growth through increased capex spending. Domestic growth momentum appears to be strong, albeit some softening is visible, especially in consumption. Export growth too has weakened led by a slowdown in global demand. In line with the trend seen across the globe, RBI too slowed down the pace of rate hike to 25bps. Growth is expected to slowdown to 6.4% in FY24, while inflation is expected to remain elevated at 5.3%. However, stance was retained at “withdrawal of accommodation” which rules out rate cuts in the near future and also gives RBI room to hike rates again, based on the evolving inflation situation.

Mixed reading: The announcements made in the Union Budget are expected to boost consumption. Pick-up in auto sales and improvement in digital payments are positive for the sector. However, easing of non-oil-non-gold imports and other high frequency indicators (electronic imports, fertilizer sales, lower demand for work-MGNREGA) need to be monitored carefully. On rural front, tractor sales has managed to register some improvement and two-wheeler sales have also rebounded. Rabi acreage continues to be higher than last year and bodes well for agri growth.

Centre sticks to fiscal consolidation: In the Union Budget FY24, government has committed to meet 6.4% fiscal deficit target for FY23, and bring it down to 5.9% in FY24. In order to meet FY23 targets, spending momentum has begun easing (FYTD basis) with headline expenditure growth at 11.8% as of Dec'22 (17.7% as of Nov'22). Within this, capex outgo has eased the most (25.1% versus 63.4%). Next year, capex is expected to jump by 37% to Rs 10 lakh crore while revenue expenditure will see only modest increase of 1.2%. On the

income side, centre's gross tax revenues continue to moderate (12.5% versus 15.5%), led by both direct (18% versus 23.9%) and indirect (7.1% versus 8.5%) tax collections. Direct tax collections in FY23 are expected to average 17.2% before slowing to 10.5% in FY24. Indirect tax collections this year will rise by 7.1% and 10.4% next year. Overall gross tax revenues this year will average around the current growth rate (12.3%) and moderate to 10.4% next year.

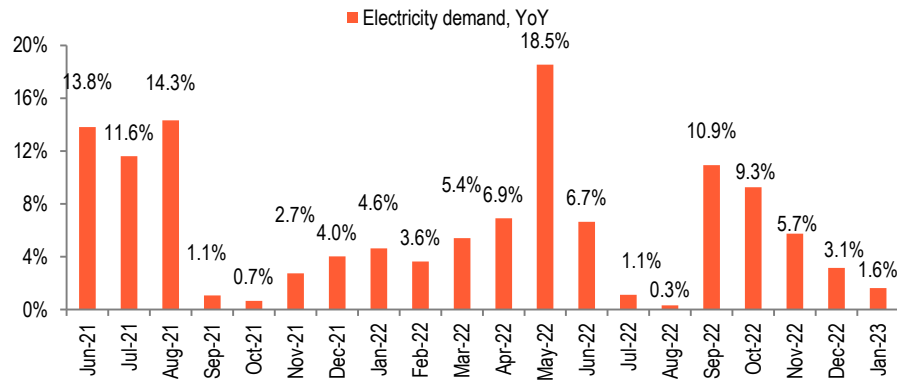
India's 10Y yield remained rangebound: India's 10Y yield remained broadly stable in Jan'23 as borrowing in Q3 has been lower than planned. Further, as no issuance of fresh securities happened in Q4, 10Y yield got additional comfort. Post Budget also the relief on yields continued, as gross borrowing has been pegged lower than expected at Rs 15.4 lakh crore. Further, RBI's in line hike of 25bps in the current policy would also keep yields broadly contained. We expect a prolonged pause this year and data dependency to be the key for any action from RBI. Further, RBI's measure in terms of permitting lending and borrowing of G-secs will increase liquidity in the G-sec market. On liquidity front, some pressure will be visible.

Pressure on INR: INR appreciated by 1% in Jan'23, despite FPI outflows. This can be explained by a weaker dollar and softer oil prices. However, post the stronger than expected US jobs report, the dollar rally resumed, putting pressure on INR as well as other currencies. FPI flows are likely to remain under pressure amidst a domestic stock market rout and possibility of higher rates in the US. Concerns also remain on the external front. However, RBI is likely to monitor and prevent any sharp fall in the INR. We expect INR in the range of 81-83/\$ in the near term.

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

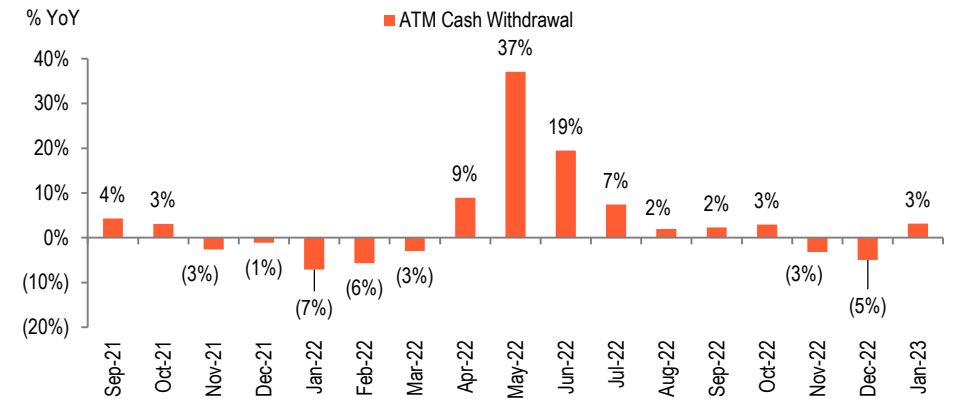
High frequency indicators

Fig 1 – Electricity demand continues to dip



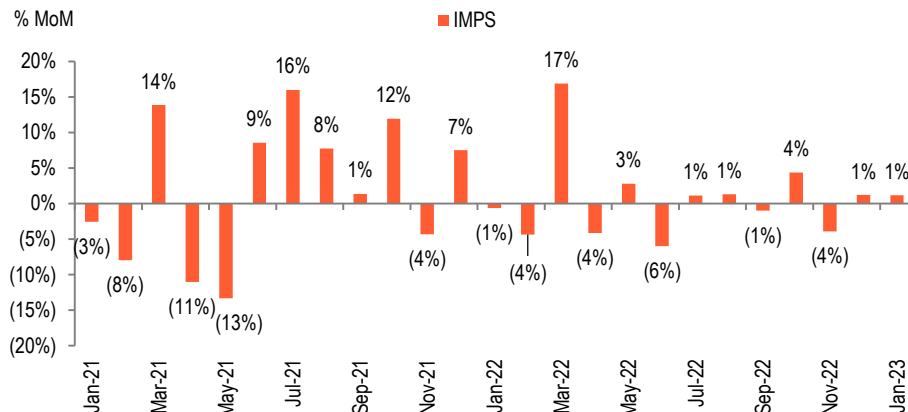
Source: Posoco. Note: Maximum Demand met during peak evening hours (MW)

Fig 2 – Cash withdrawal inches up in Jan'23



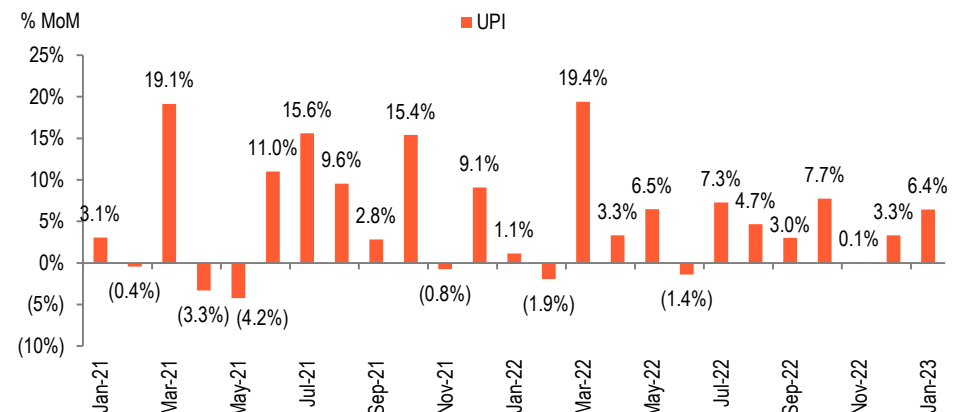
Source: NPCI. Note: NFS Cash withdrawal amount does not include Card to Card Transfer

Fig 3 – IMPS transactions remain steady



Source: NPCI

Fig 4 – Growth in UPI payments edge upwards



Source: NPCI

Fig 5 – Fertilizer sales growth moderates

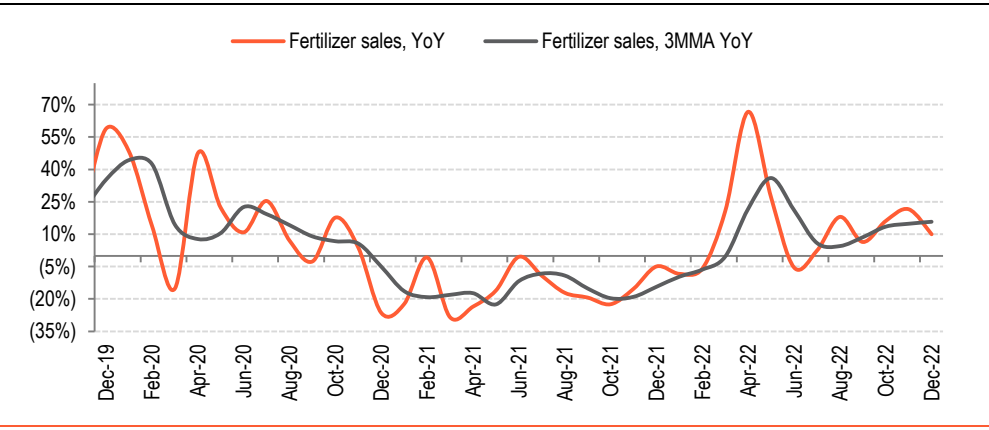
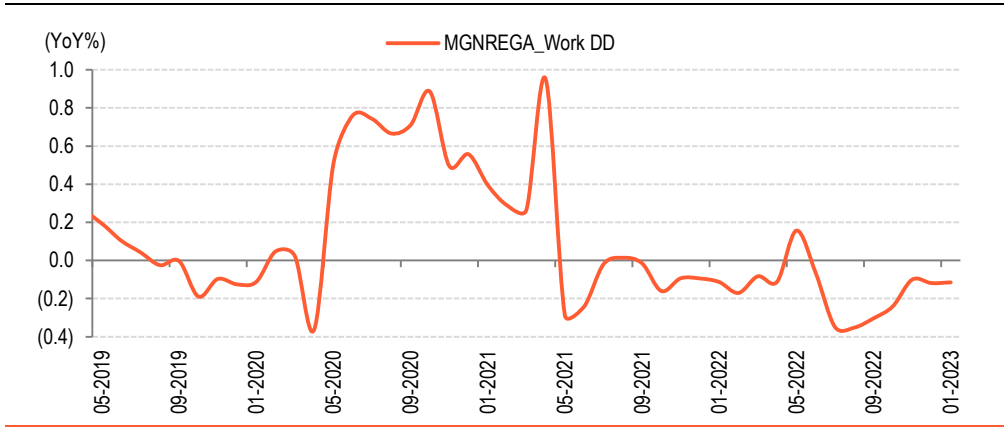


Fig 6 – Slower demand for work (MGNREGA-household)



Final consumption expenditure

Fig 7 – Base effect drags down private consumption in Q2FY23

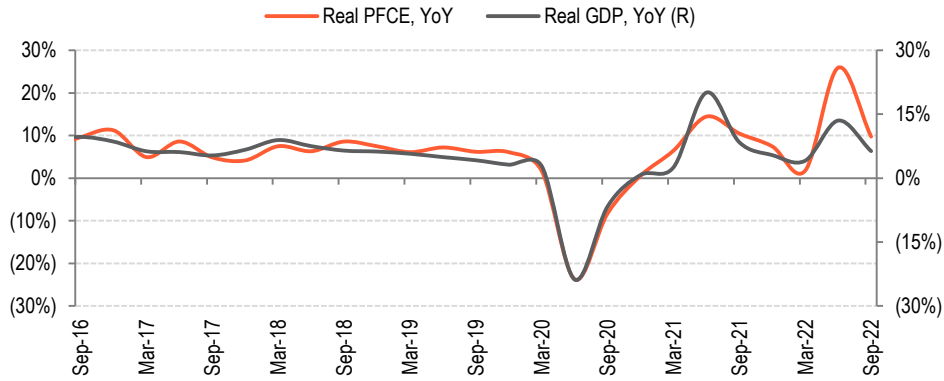


Fig 8 – Government consumption too edges downwards

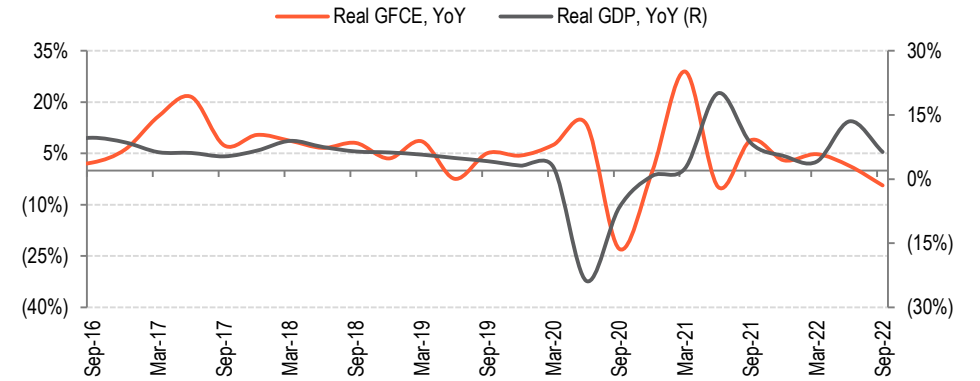


Fig 9 – General govt. revenue spending dips

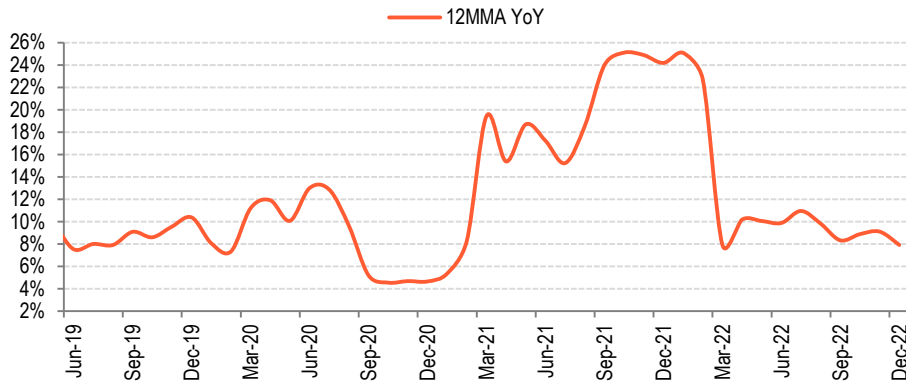
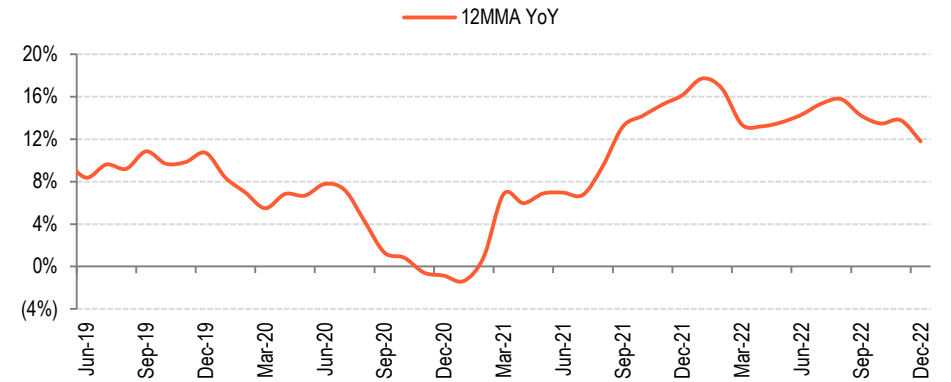


Fig 10 – ...State* govt. revenue spending too slowing down



Note: *All states excluding N.E states, Bihar, Goa, Gujarat, Himachal Pradesh, and J&K

Non-oil imports, electronic imports

Fig 11 – Non-oil-non-gold import growth slows down in Dec'22

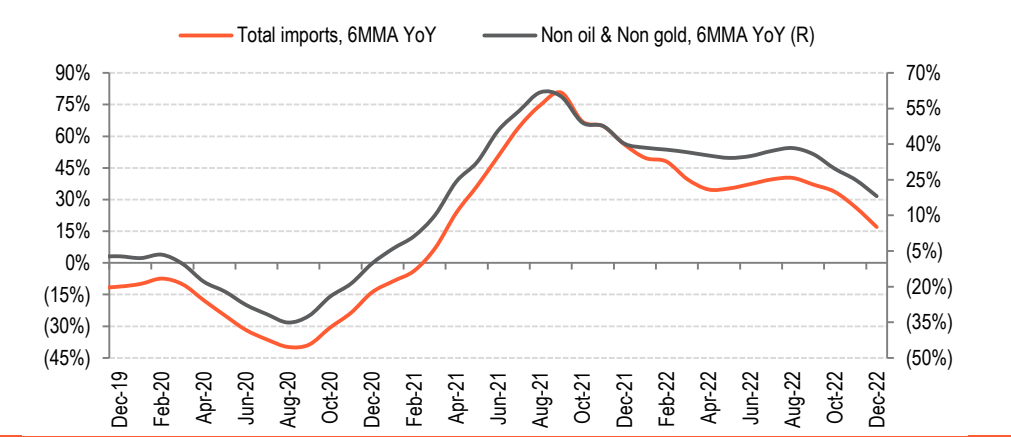


Fig 12 – Growth in electronic import eases

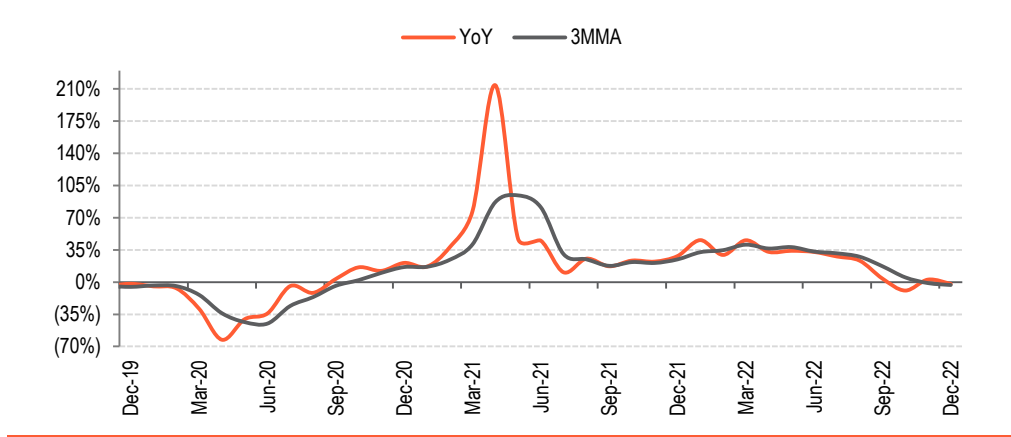
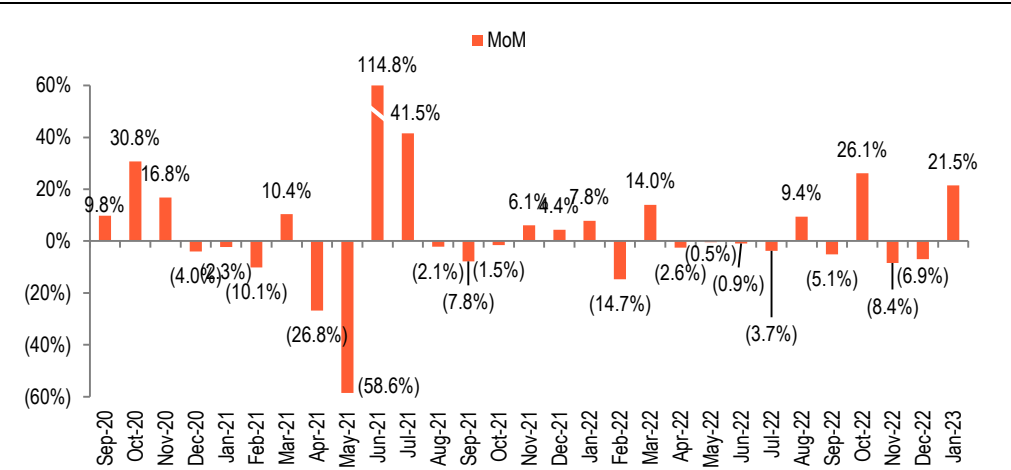
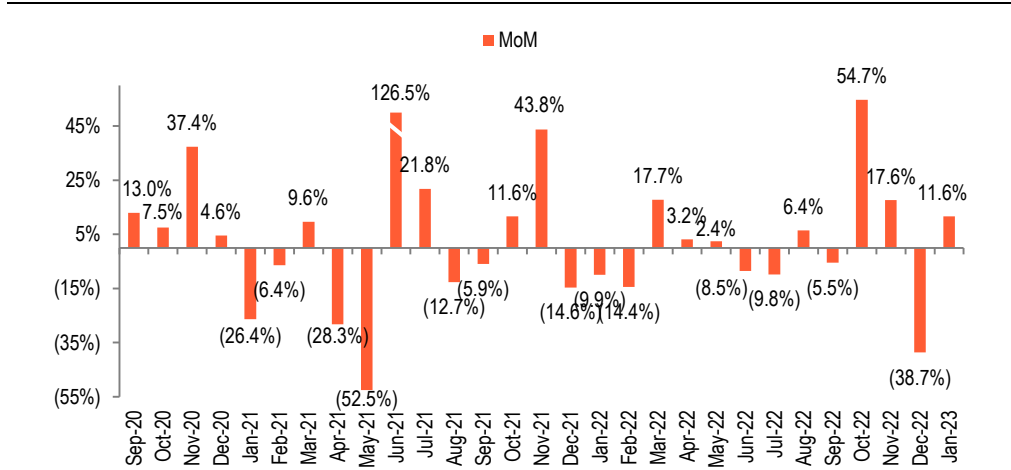


Fig 13 – Retail passenger vehicle sales looking up



Source: FADA

Fig 14 – Rebound in two-wheeler sales



Credit deployment of personal loans

Fig 15 – Growth in credit card loan inches up

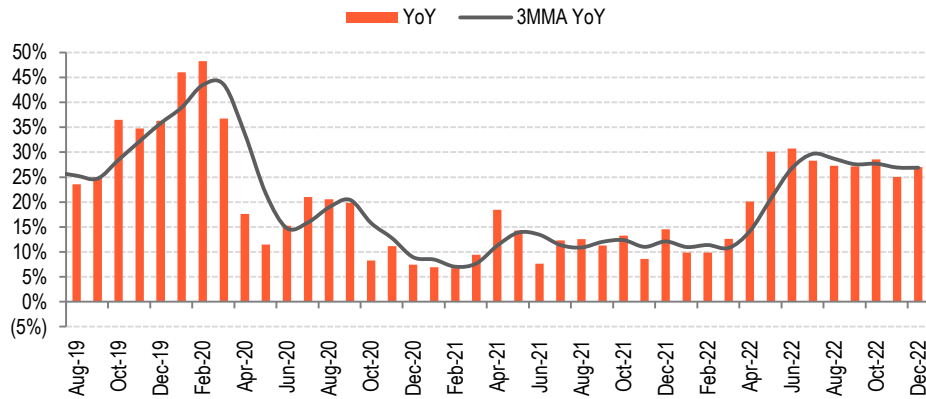


Fig 16 – Growth in personal loan remains steady

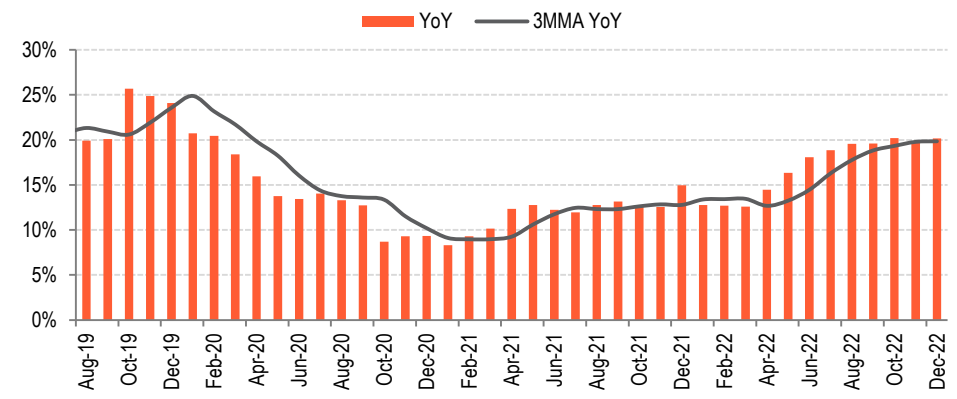


Fig 17 – Vehicle loans register higher growth

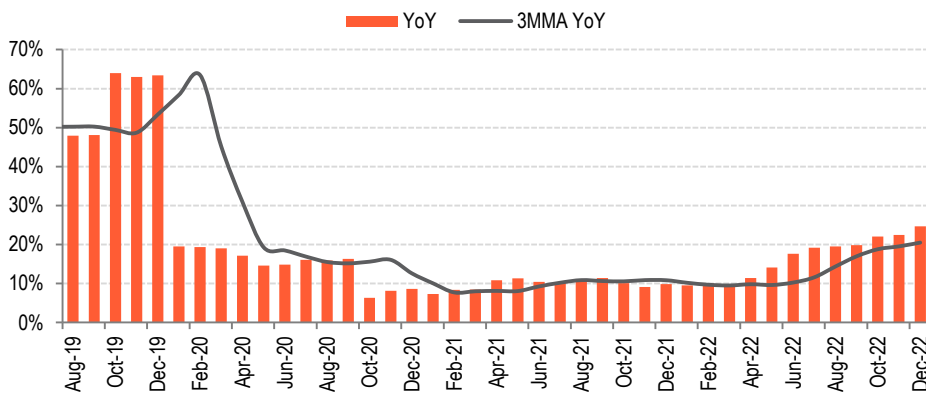


Fig 18 – Consumer's optimism gathers momentum

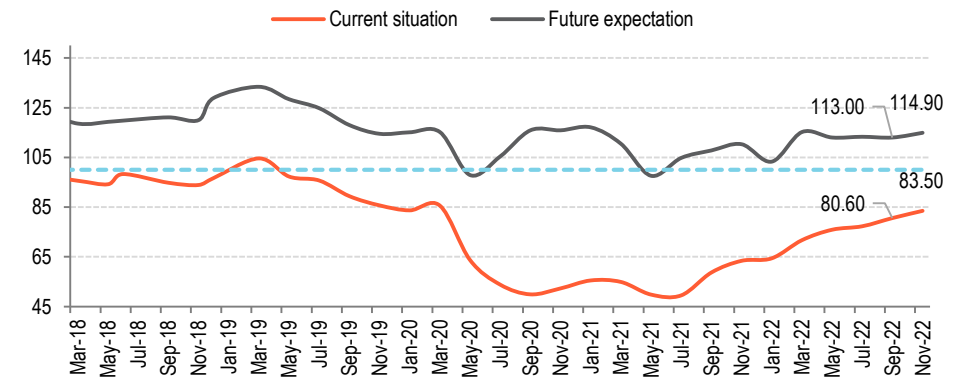


Fig 19 – RBI's essential spending signals a dip

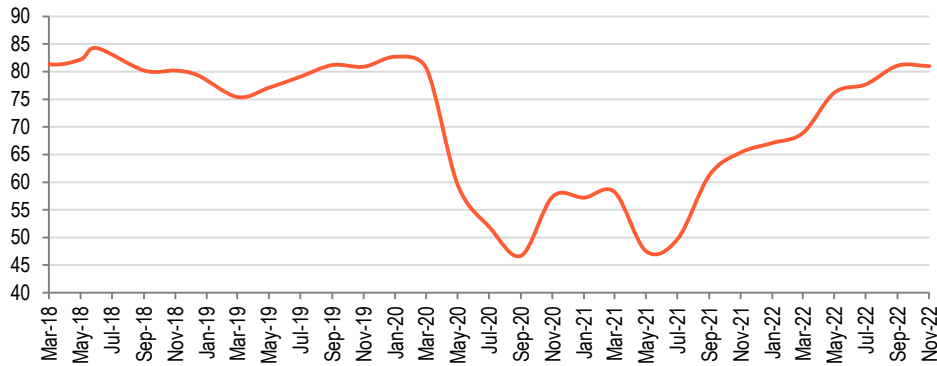
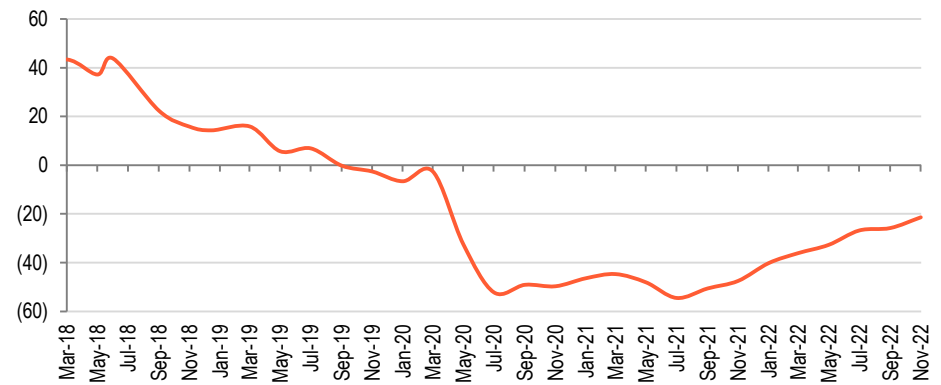


Fig 20 – ...non-essential spending registers an uptick



Consumer durables & non-durables production

Fig 21 – Consumer durables output inches up

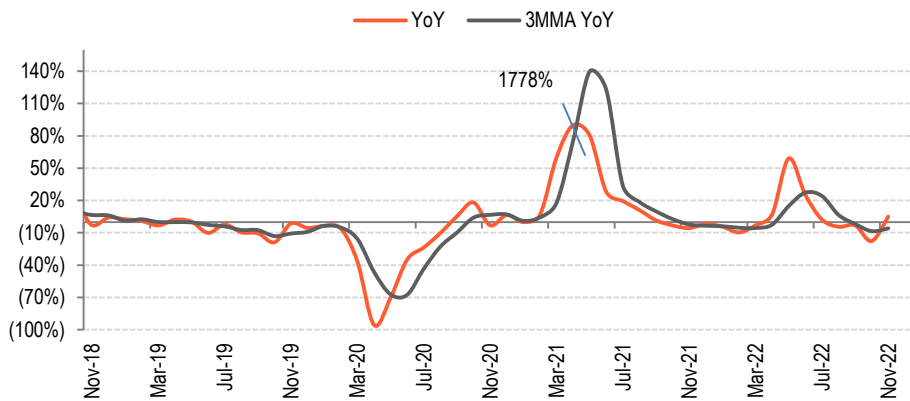
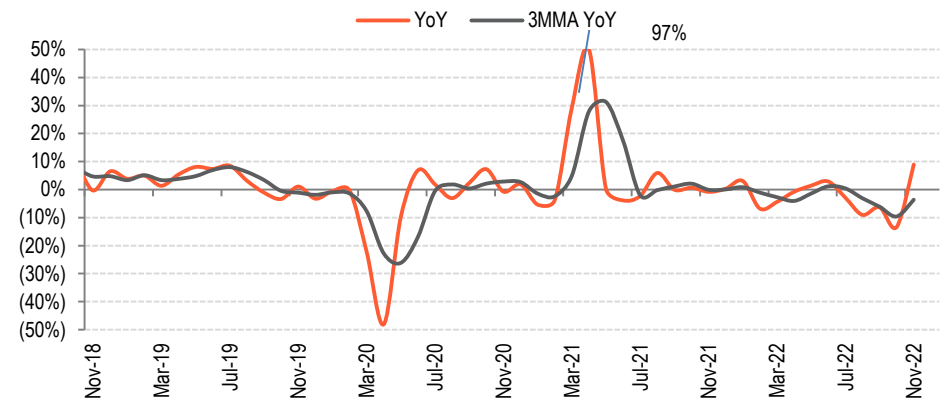


Fig 22 – FMCG output too edged upwards



Agriculture

Fig 23 – Robust growth in agriculture sector

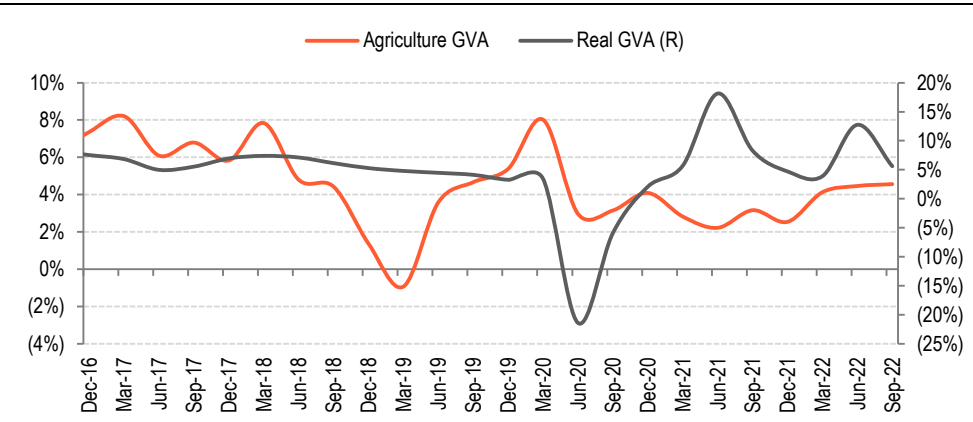
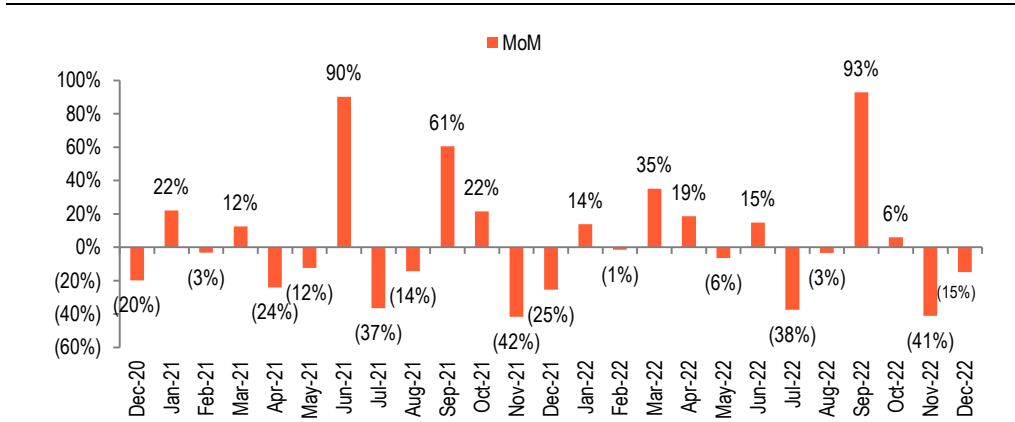


Fig 24 – Slower pace of contraction in tractor sales



Note: Tractor sales including exports

Fig 25 – Agriculture credit inches up

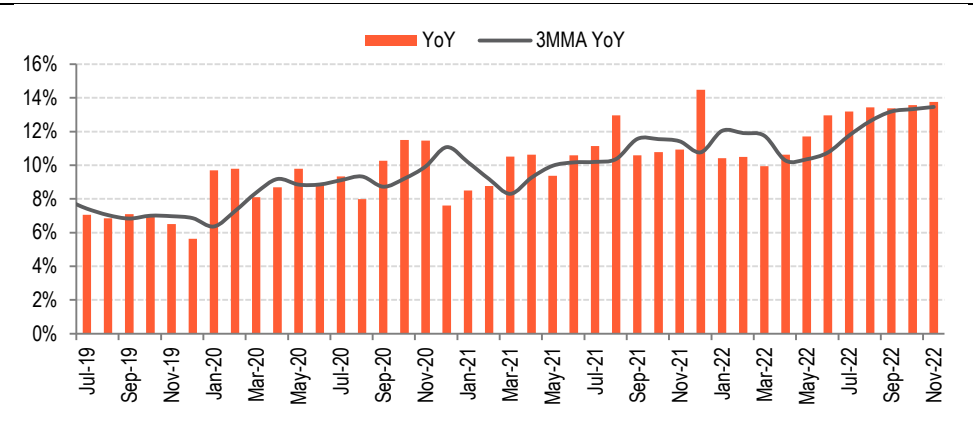


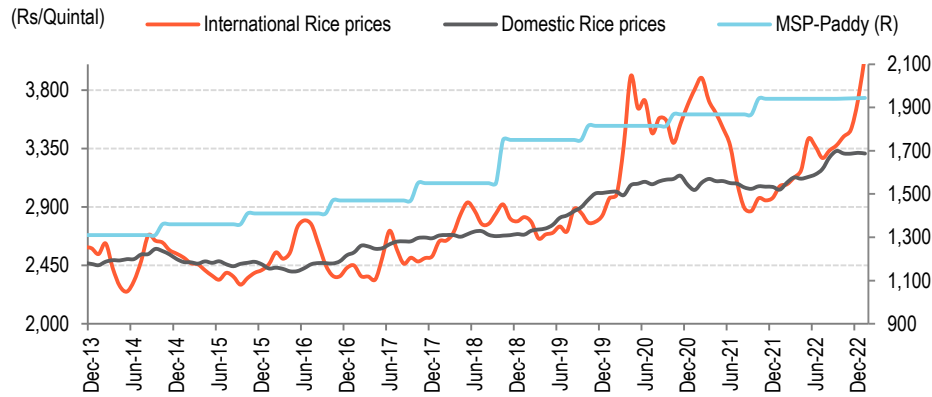
Fig 26 – Procurement of rice and wheat

Year	Wheat	Rice
2014-15	28.02	32.04
2015-16	28.09	34.22
2016-17	22.96	38.11
2017-18	30.83	38.19
2018-19	35.80	44.39
2019-20	34.13	51.83
2020-21	38.99	60.17
2021-22	43.34	58.17
2022-23	18.8	35.5*

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

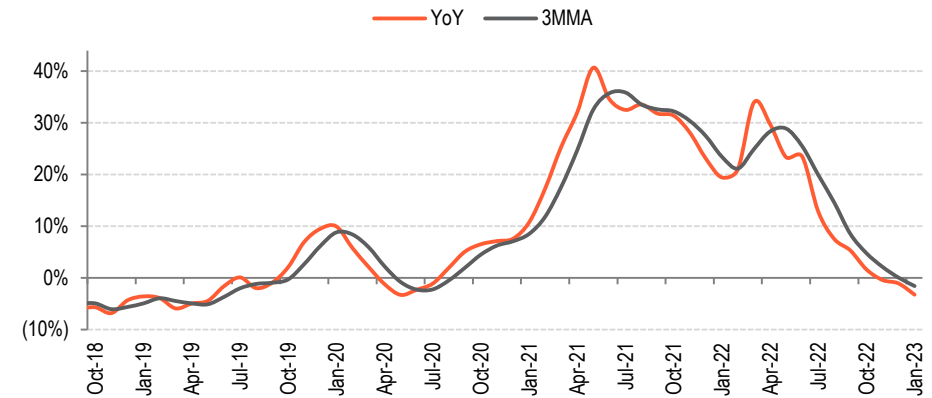
Fig 27 – Domestic international rice price moderates; international price inches up

Fig 28 – International wheat prices decline further; domestic prices edge up



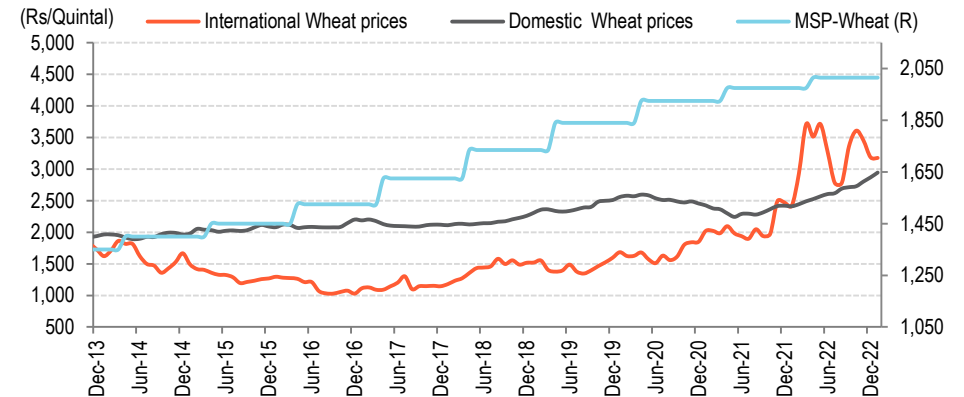
Source: World Bank

Fig 29 – Global food prices declined for the 10th month in a row



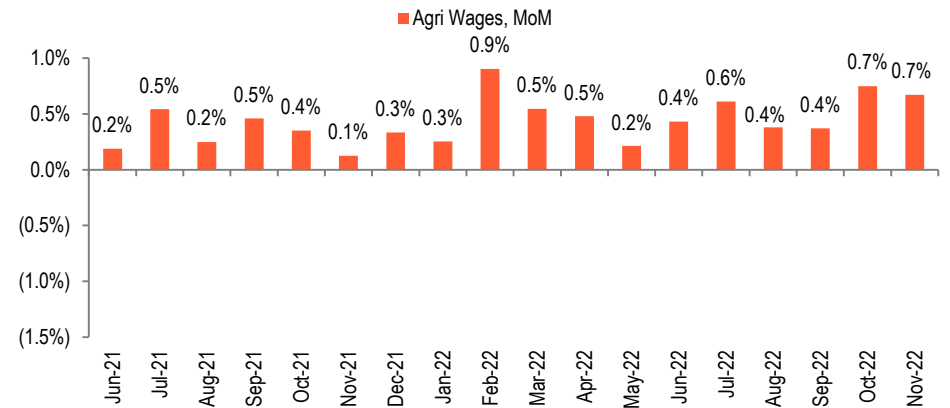
Source: FAO

Fig 31 – Rabi sowing is higher compared with last year



Source: World Bank

Fig 30 – Wage growth (men) remains steady



Crop Type (mn ha)	Area sown in 2022-23	Area sown in 2021-22	Growth (YoY%)
Wheat	34.3	34.2	0.4
Rice	4.6	3.5	32.0
Coarse Cereals	5.3	5.1	4.0
Pulses	16.8	16.7	0.3
Oilseeds	11.0	10.2	7.3
Total	72.07	69.80	3.3

*Note: Till 3 Feb 2023

Inflation

Fig 32 – Headline CPI moderated for the 3rd consecutive month to 5.7% in Dec'22 from 5.9% in Nov'22, remaining below RBI's upper tolerance band

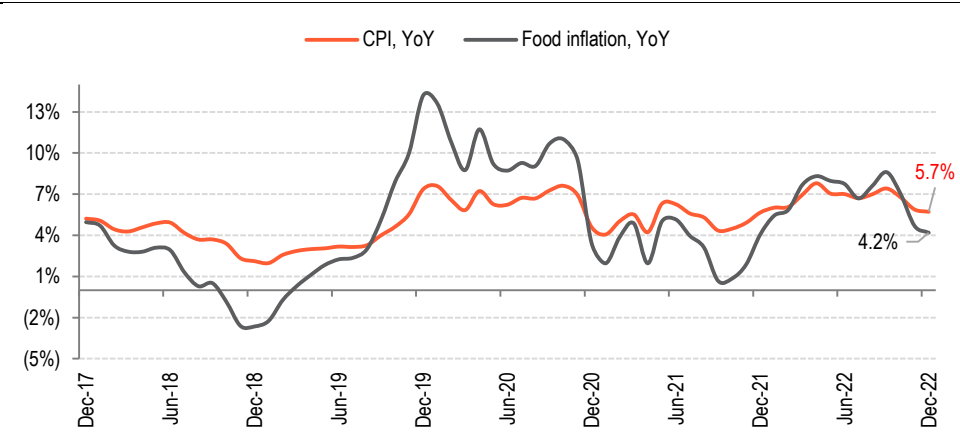


Fig 33 – ...Food inflation got comfort from vegetables and fruits component

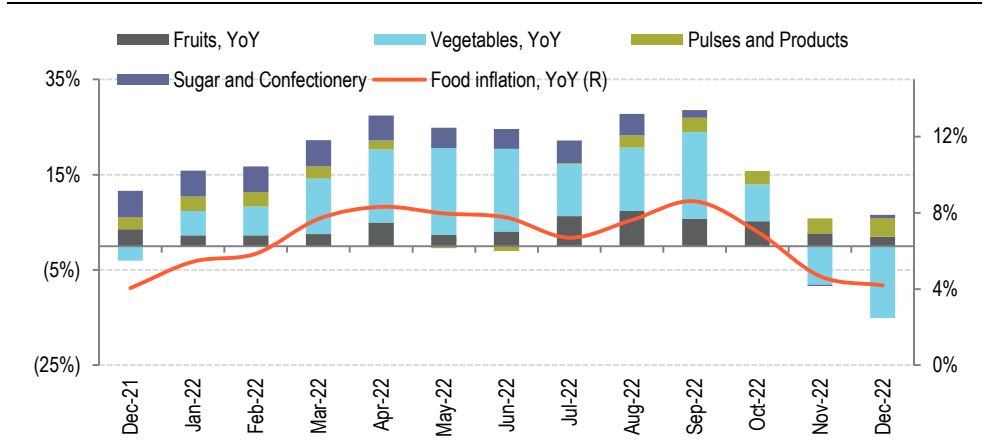


Fig 34 – Stickiness of core inflation persists

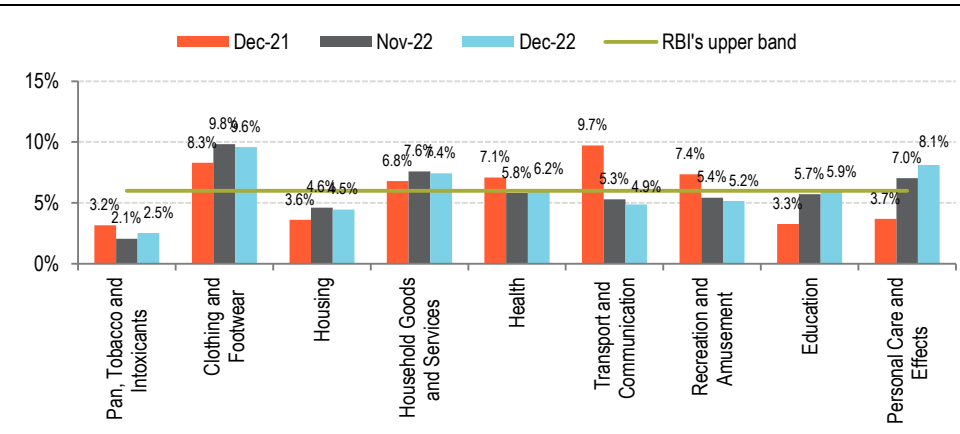
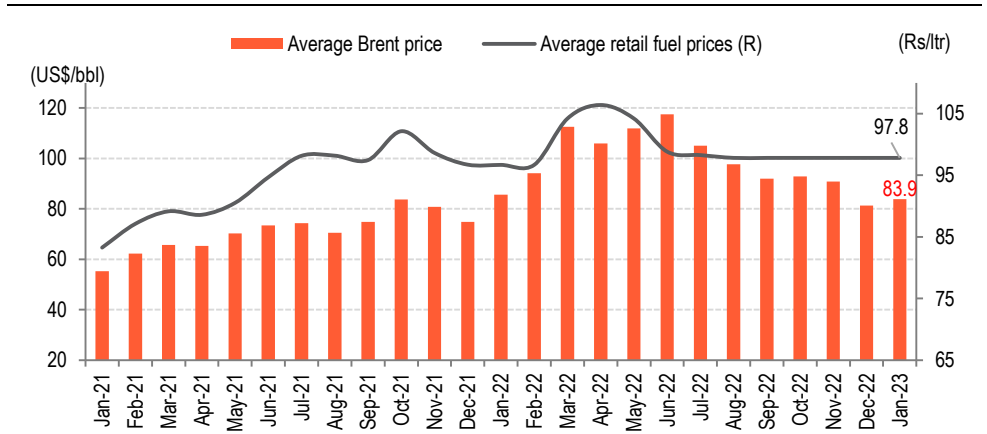


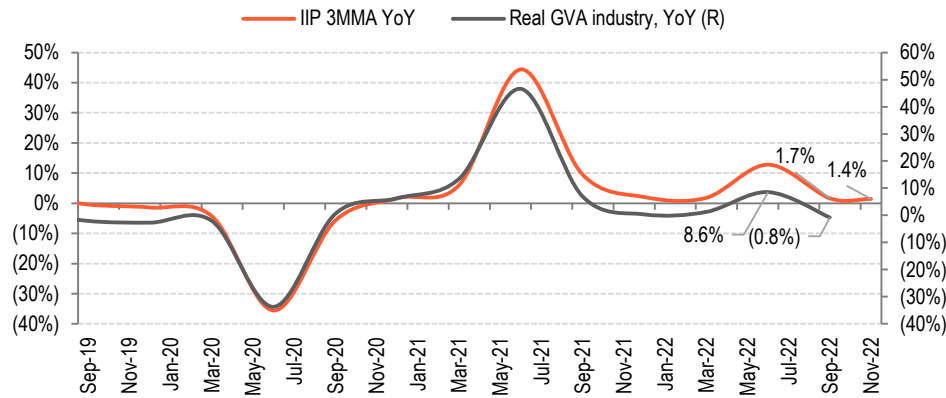
Fig 35 – Domestic retail prices was stable at Rs 98/lt, international crude prices on an average was marginally higher at US\$ 84/bbl from US\$ 81/bbl in Dec'22



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

Industry

Fig 36 – IIP growth moderates



Note: IIP for Nov'22 is average of Oct-Nov'22 on YoY basis

Fig 37 – Sectorwise growth lower, due to base effect

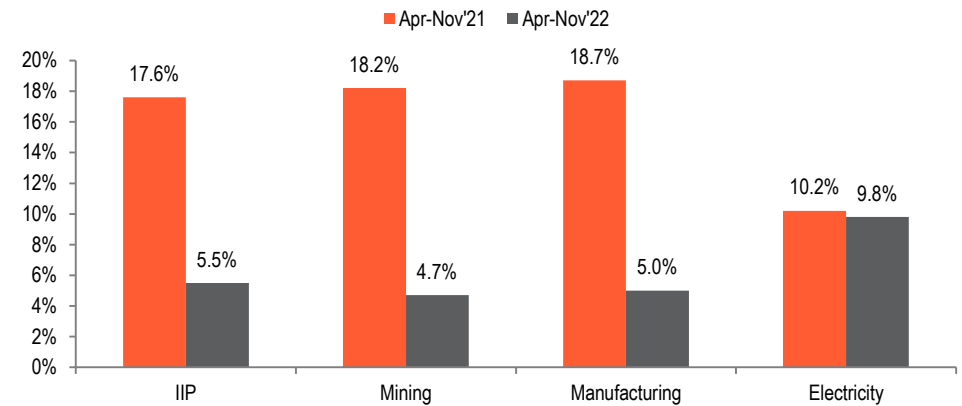


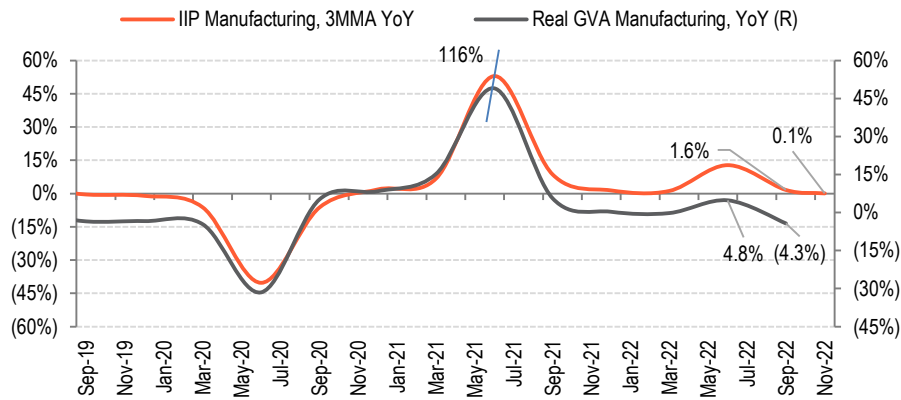
Fig 38 – IIP growth rebounds in Nov'22

Sectoral (%)	Weight	Nov-22	Oct-22	Nov-21	Apr-Nov'22	Apr-Nov'21
IIP	100.0	7.1	(4.2)	1.0	5.5	17.6
Mining	14.4	9.7	2.5	4.9	4.7	18.2
Manufacturing	77.6	6.1	(5.9)	0.3	5.0	18.7
Electricity	8.0	12.7	1.2	2.1	9.8	10.2
Use-Based						
Primary Goods	34.1	4.7	2.0	3.5	7.7	13.2
Capital Goods	8.2	20.7	(1.7)	(2.6)	14.9	29.3
Intermediate Goods	17.2	3.0	(2.6)	2.1	5.0	24.1
Infrastructure and Construction Goods	12.3	12.8	1.1	3.1	7.4	27.6
Consumer Durables Goods	12.8	5.1	(17.8)	(5.7)	5.7	24.6
Consumer Non-Durables Goods	15.3	8.9	(13.4)	(0.8)	(2.5)	6.1

Manufacturing

Fig 39 – Manufacturing growth slows

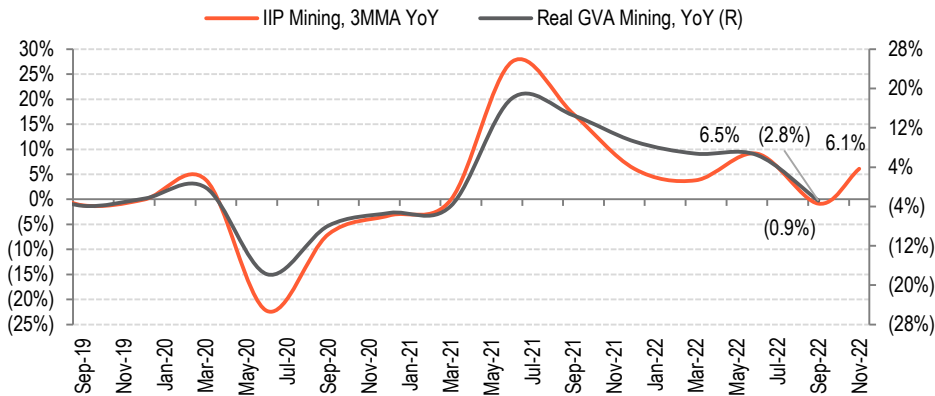
Fig 40 – Manufacturing PMI drops to 3-month low in Jan'23



Note: IIP for Nov'22 is average of Oct-Nov'22 on YoY basis

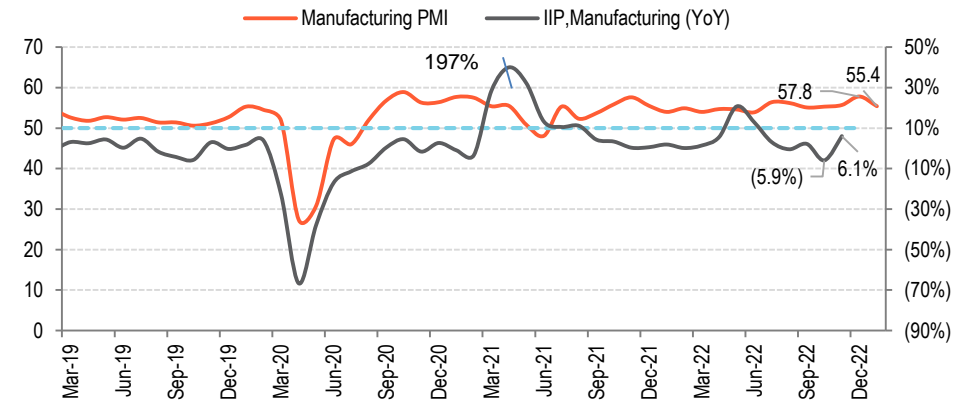
Mining & Electricity

Fig 41 – Mining activity to inch up in Q3



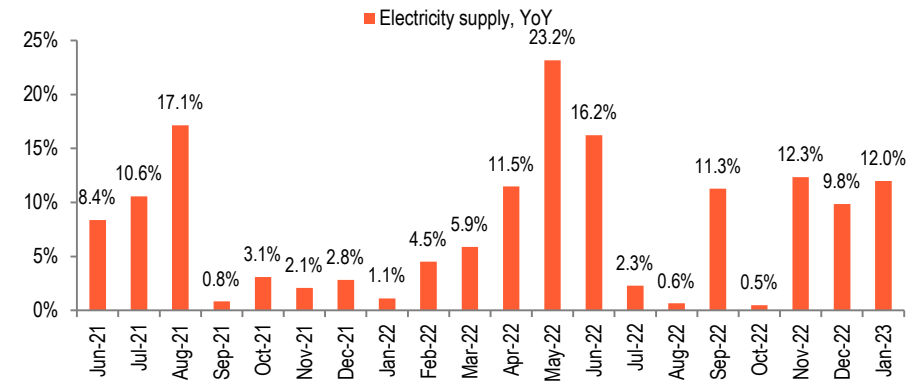
Note: IIP for Nov'22 is average of Oct-Nov'22 on YoY basis

Infrastructure and construction



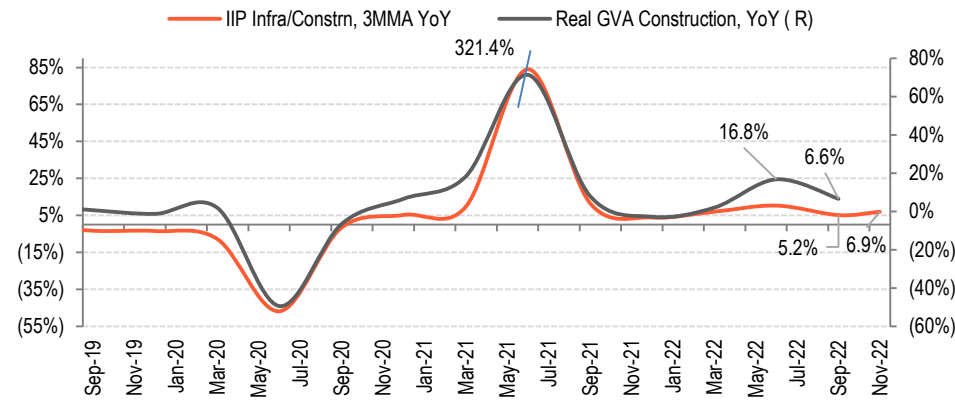
Source: Markit

Fig 42 – Growth rebounds for electricity supply



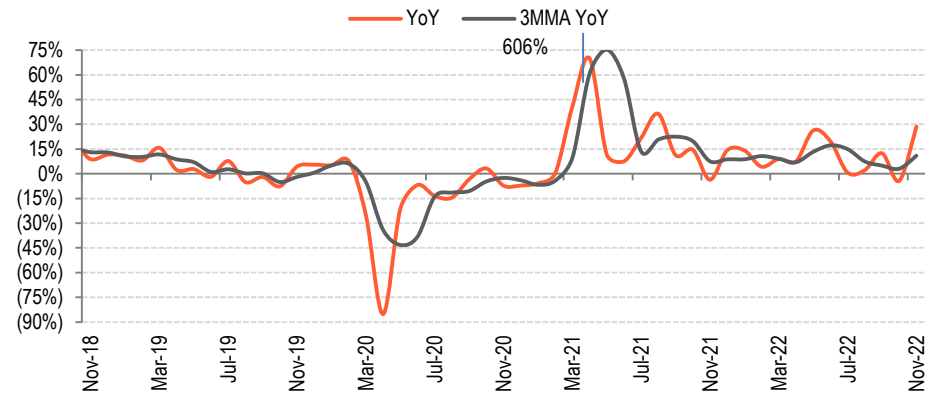
Source: Posoco. Note: Average Energy Met (MU)

Fig 43 – Construction sector to improve in Q3FY23



Note: IIP for Nov'22 is average of Oct-Nov'22 on YoY basis

Fig 44 – Cement production rises in Nov'22



Infrastructure index

Fig 45 – Growth in infrastructure index improves

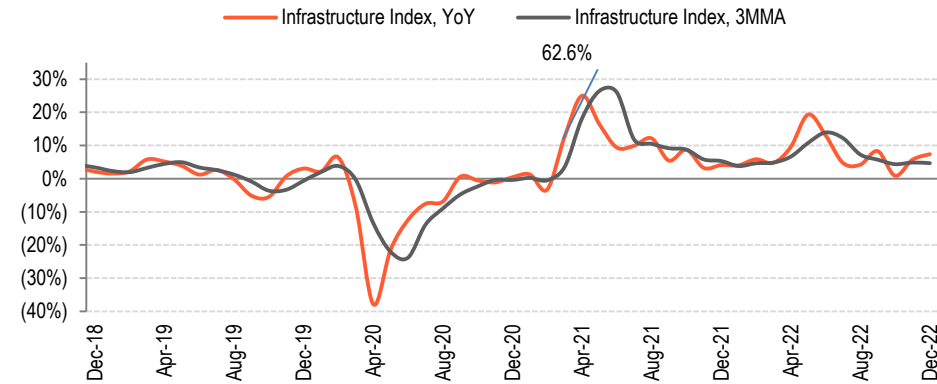
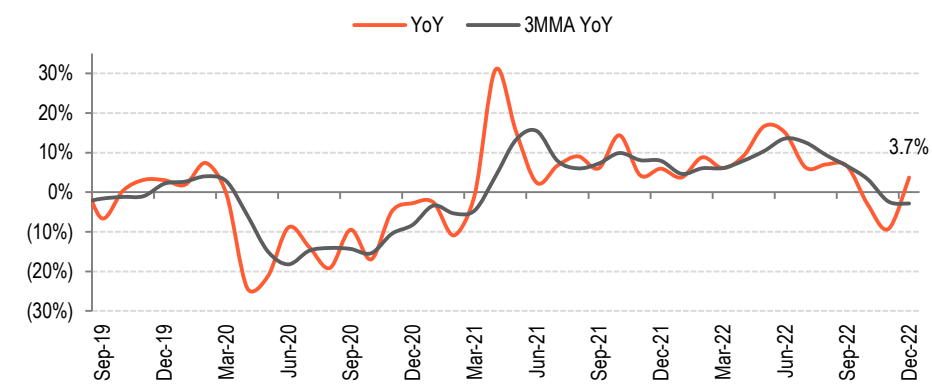


Fig 46 – Output of refinery products registered an improvement



Auto production & business expectation index

Fig 47 – Auto production slips in Dec'22

Fig 48 – Business sentiment moderates; Remained optimistic

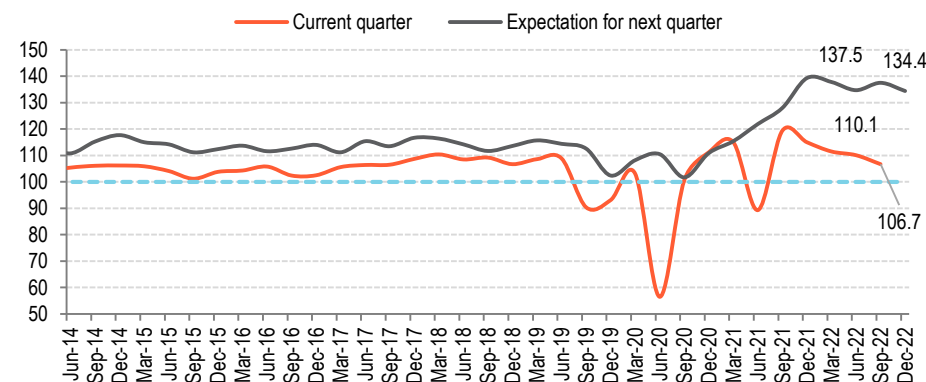
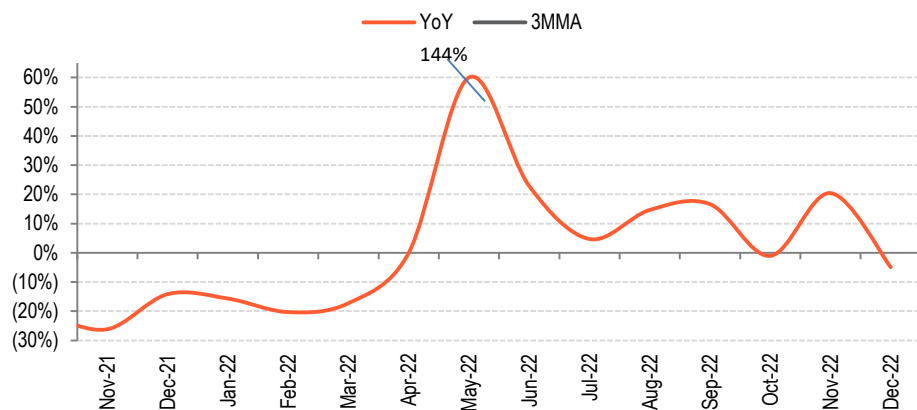


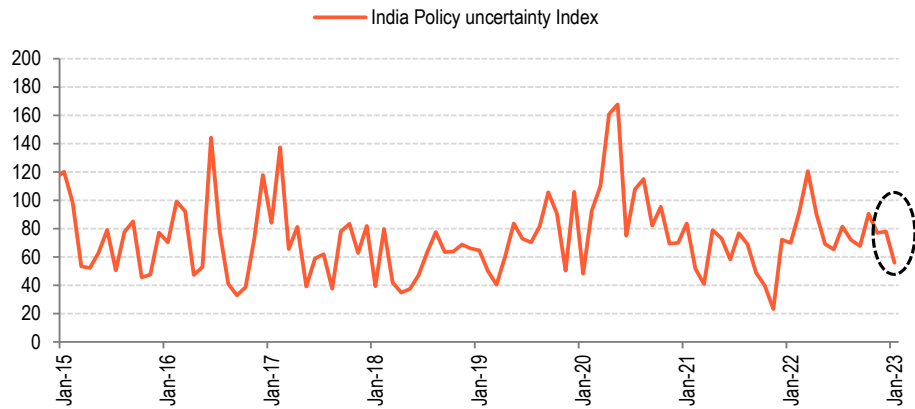
Fig 49 – Core sector output rises further

(%)	Weight	Dec-22	Nov-22	Dec-21	Apr-Nov'22	Apr-Nov'21
Infrastructure Index	100	7.4	5.7	4.1	8.0	12.6
Coal	10.3	11.5	12.2	5.2	16.4	10.6
Crude Oil	9.0	(1.2)	(1.1)	(1.8)	(1.3)	(2.6)
Natural Gas	6.9	2.6	(0.7)	19.5	0.9	22.4
Petroleum Refinery Products	28.0	3.7	(9.3)	5.9	5.5	10.0
Fertilizers	2.6	7.3	6.4	3.5	9.6	(0.1)
Steel	17.9	9.2	11.7	(0.6)	7.7	22.2
Cement	5.4	9.1	29.0	14.2	10.6	26.3
Electricity	19.9	10.0	12.7	2.9	9.8	9.4

Investment

Fig 50 – Policy uncertainty index in India fell in Jan'23 ahead of the Union Budget

Fig 51 – Capacity Utilisation improved to 74.5 in Q2FY23 from 72.4 in Q1



Source: policyuncertainty.com

Fig 52 – Capital goods production rose by 20.7% in Nov'22 from 1.7% decline in Oct'22

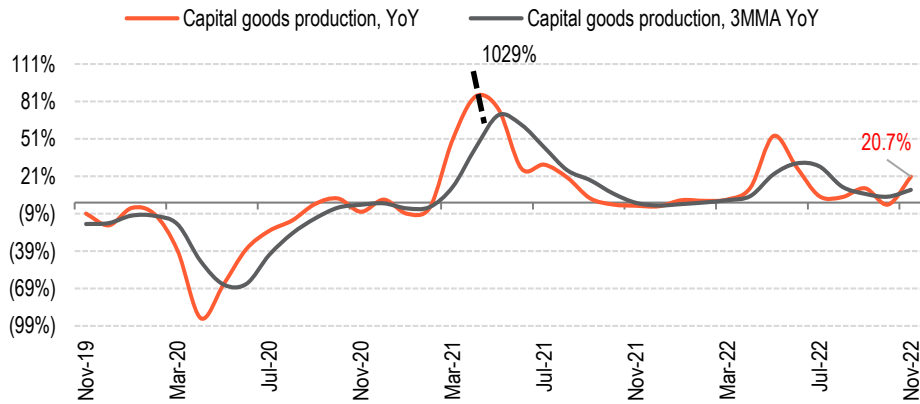
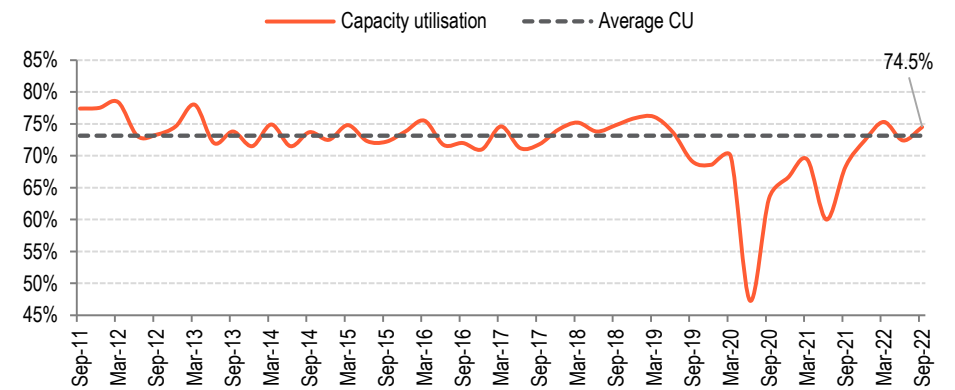


Fig 54 – Centre's capex spending noted growth of 36% in Dec'22 from 67.3% in Nov'22, in FY24, capex spending is likely to rise by 37.4% to Rs 10tn



Source: policyuncertainty.com

Fig 53 – Capital goods imports rose by 13.8% in Dec'22, showing slight moderation from 16.2% increase seen in Nov'22, despite favourable base

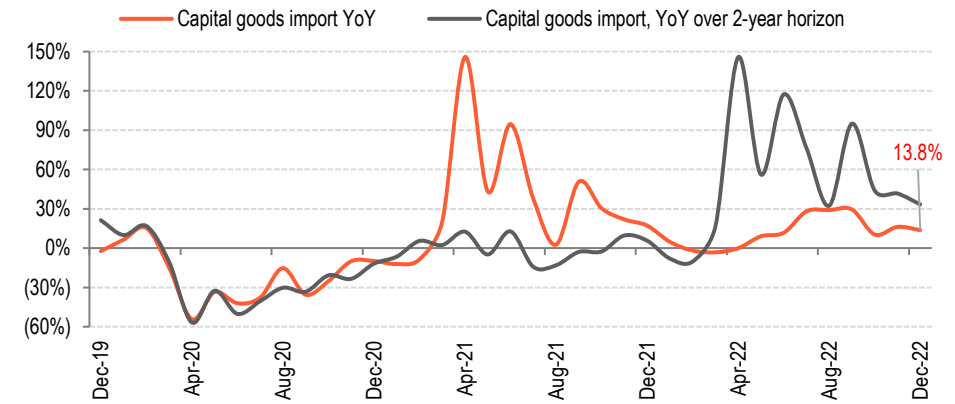


Fig 55 – Credit to micro and small industry moderated to 13.7% in Dec'22 from 19.6% in Nov'22, for medium industry it edged down to 15.4% from 29.7%

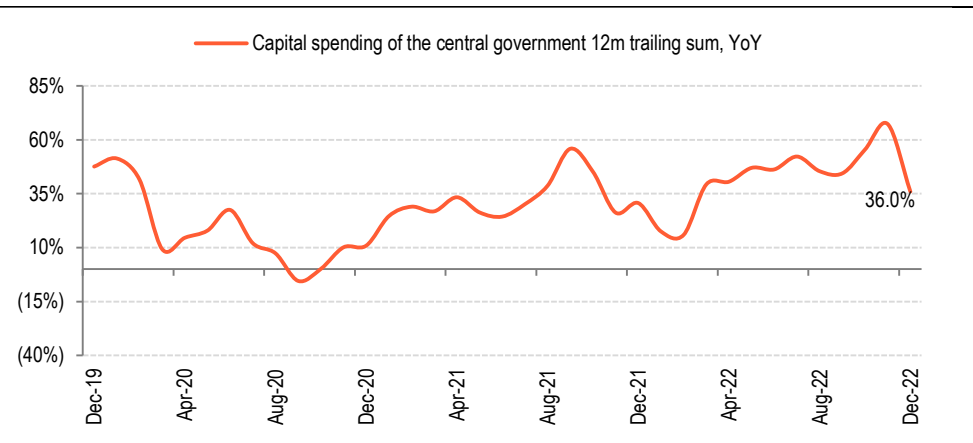


Fig 56 – Credit to housing sector was stable at 16.1% in Nov'22

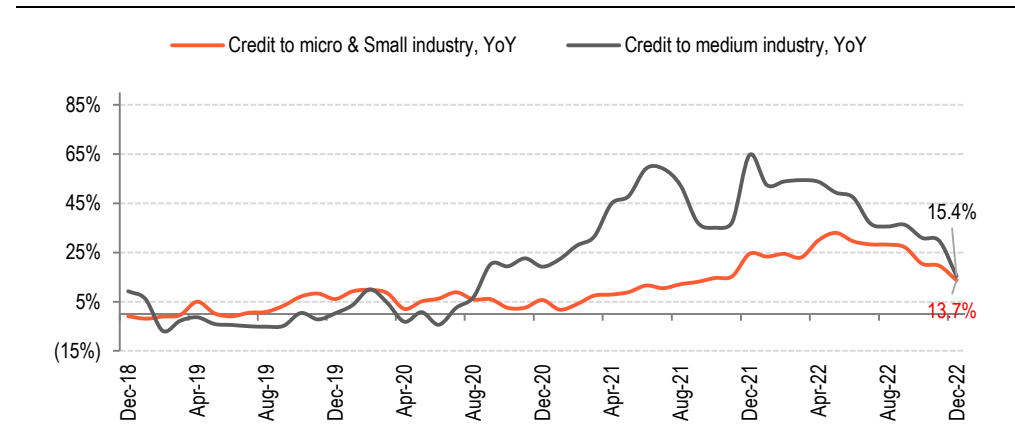
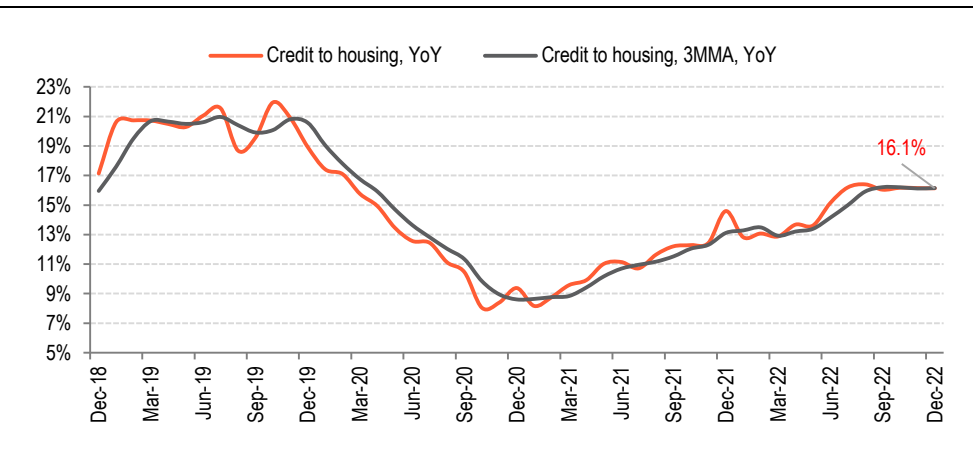
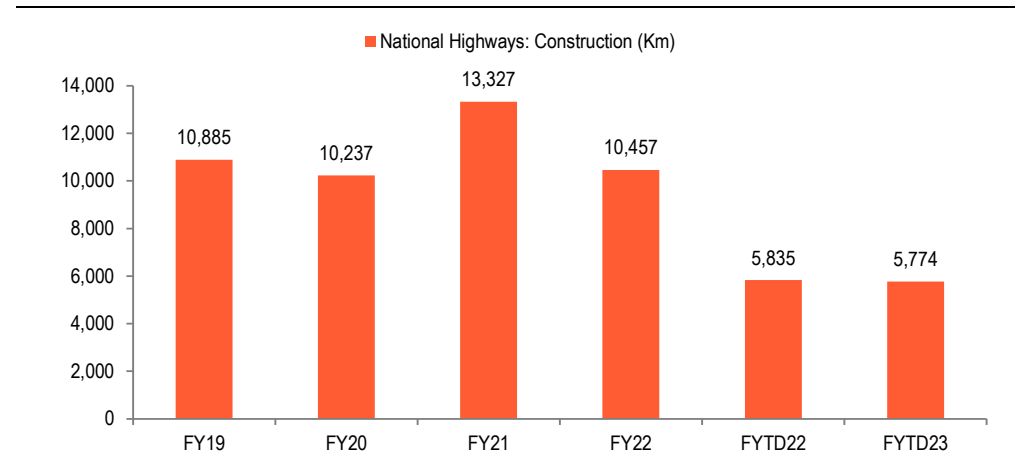


Fig 57 – Pace of National highway construction



Note: FYTD: Apr-Dec

Services sector

Fig 58 – GVA: Services activity eased in Q2FY23, largely due to high base; compared to pre-pandemic (FY20), activity rose by 7.4% in Q2 versus 3% in Q1

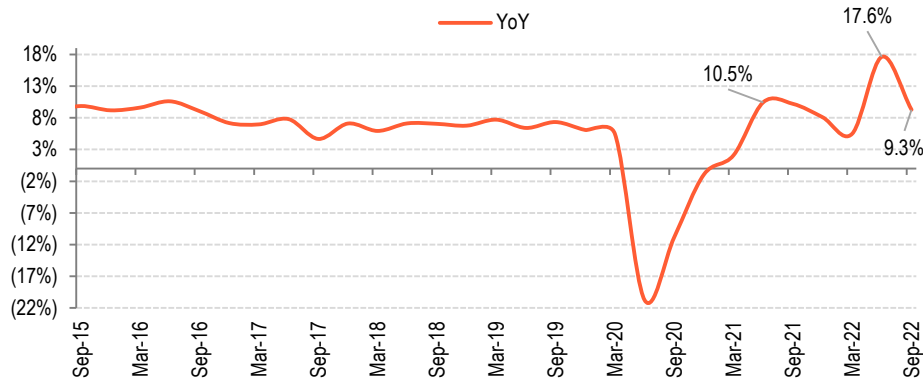
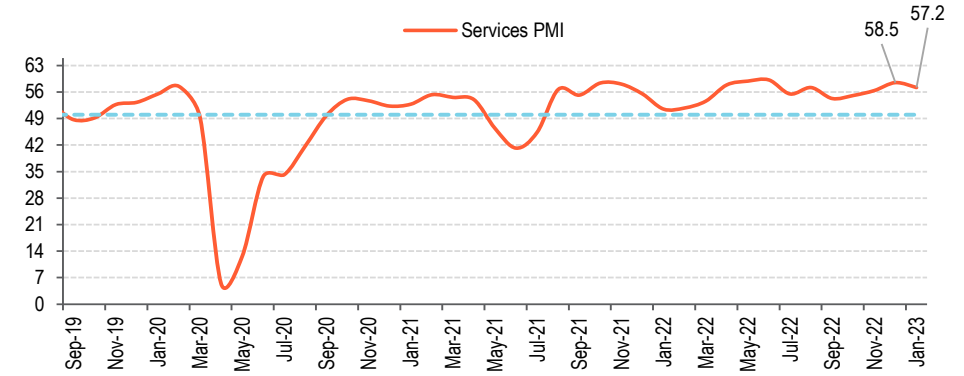


Fig 59 – Services PMI eased in Jan'23, but remains higher than Q3FY23 avg of 56.7



Source: Markit

Fig 60 – GVA: Trade & related services activity too moderated in Q2

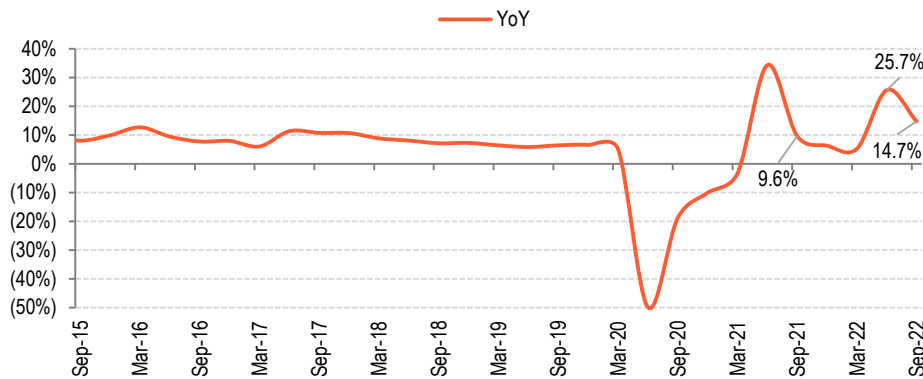
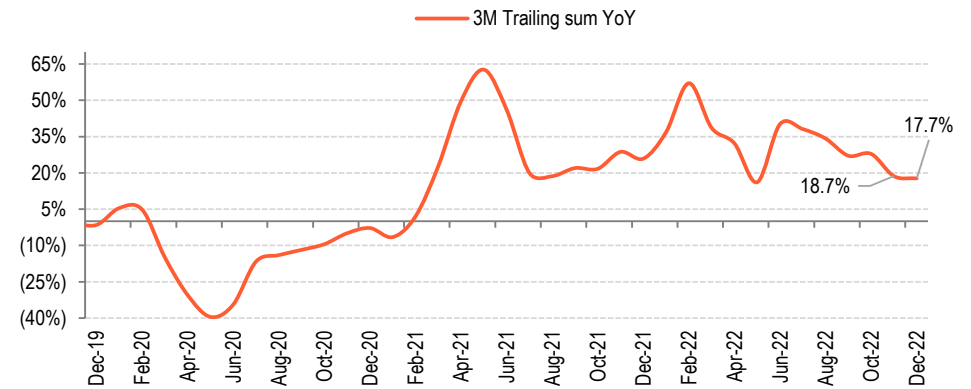


Fig 61 – States tax revenue growth slipped further in Dec'22; Q3 average (18%) was lower than 27% in Q2**



Note: **All states excluding N.E states, Bihar, Goa, Gujarat, Himachal Pradesh, and J&K

Trade

Fig 62 – Vehicle registration growth moderated in Jan'23

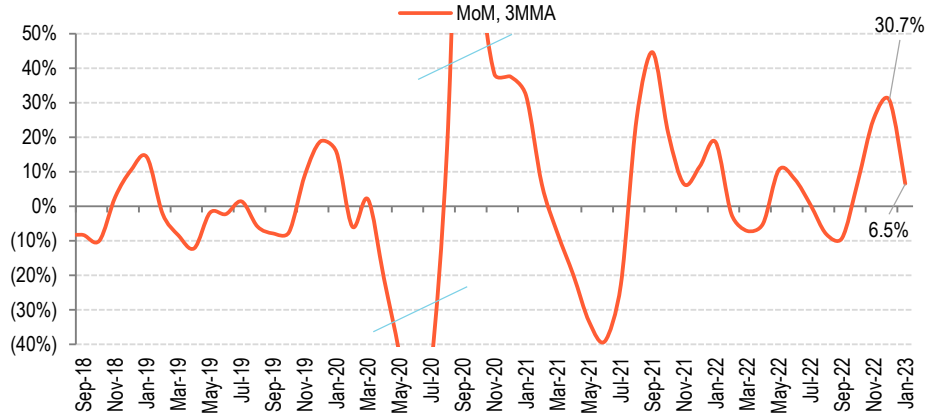


Fig 63 – Diesel consumption was broadly flat in Jan'23; winter conditions negatively impacted MoM sales in Jan

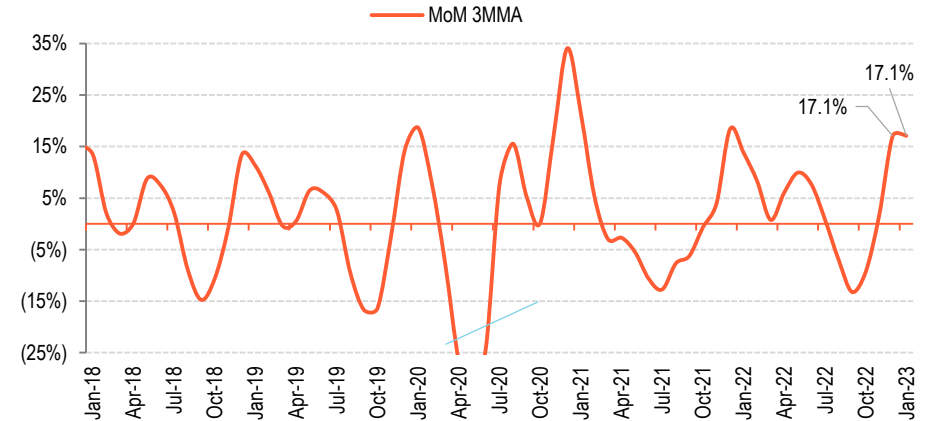


Fig 64 – Railway freight traffic movement picked up pace in Jan'23

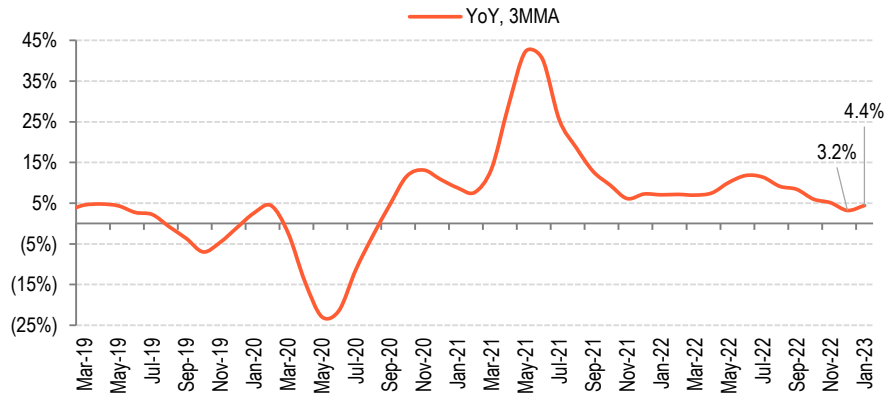


Fig 65 – Port cargo traffic continues to maintain upward momentum in Jan'23 too

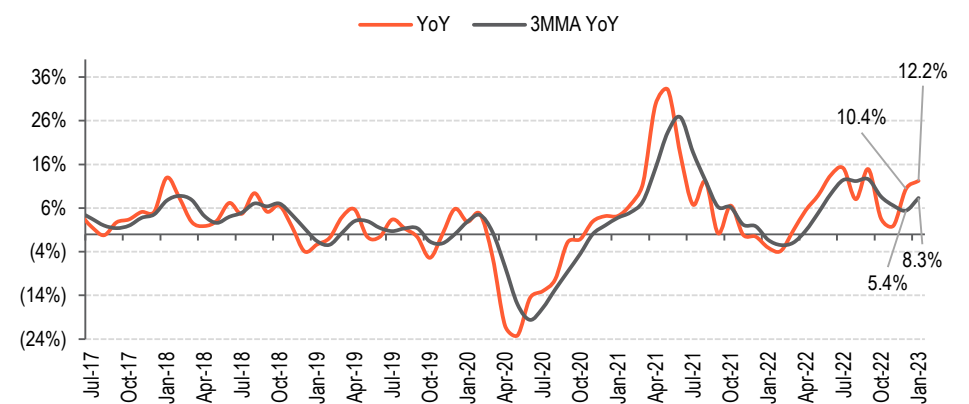
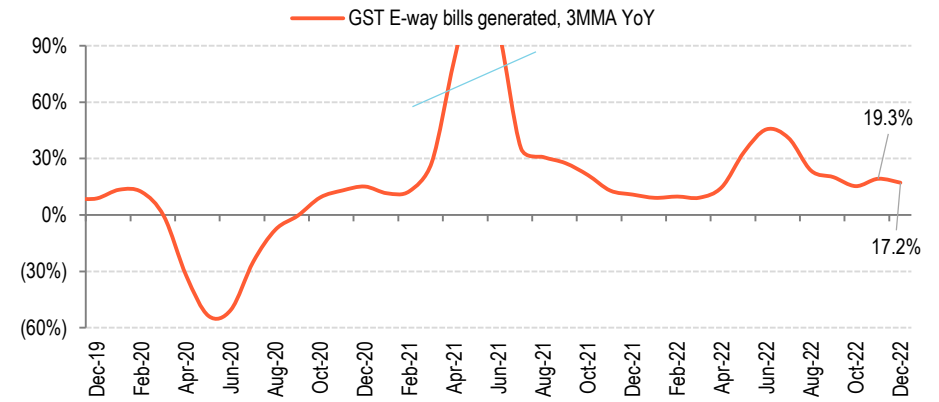
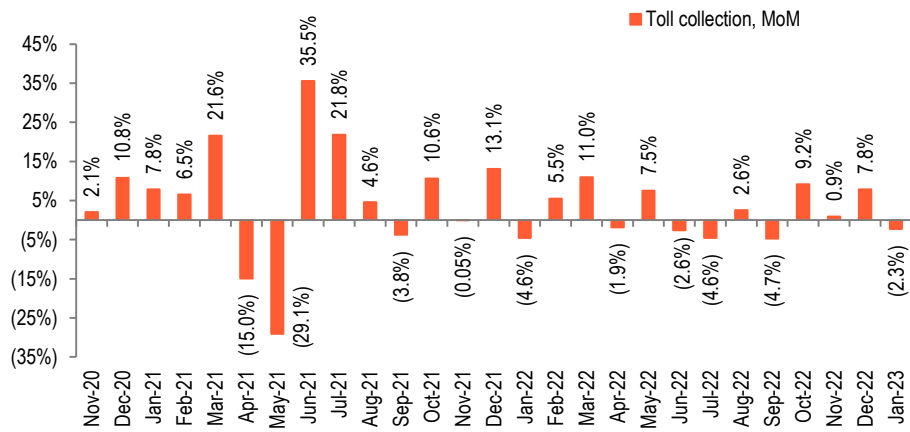


Fig 66 – Toll collections dipped in Jan'23

Fig 67 – E-way bill generation slowed in Dec'22



Hotels and communications

Fig 68 – Airline passenger traffic growth still lower than pre-pandemic (2019) levels

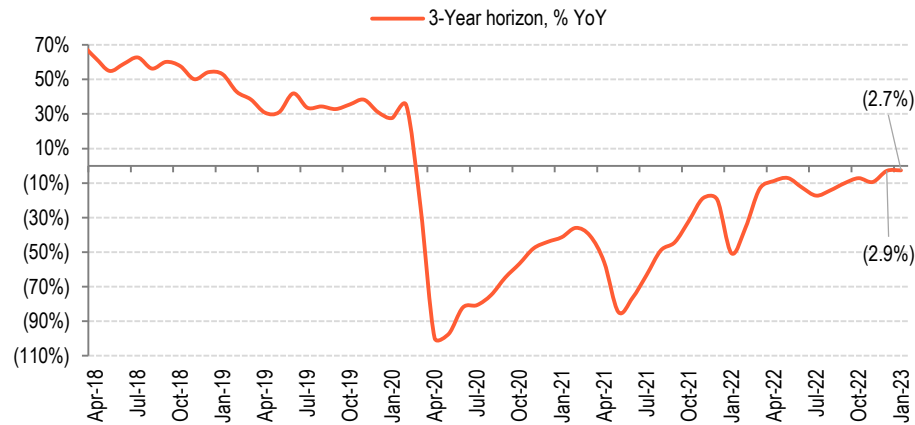


Fig 70 – Railway passenger traffic saw a dip in Dec'22

Fig 69 – Domestic passenger growth continues to inch above pre-pandemic levels

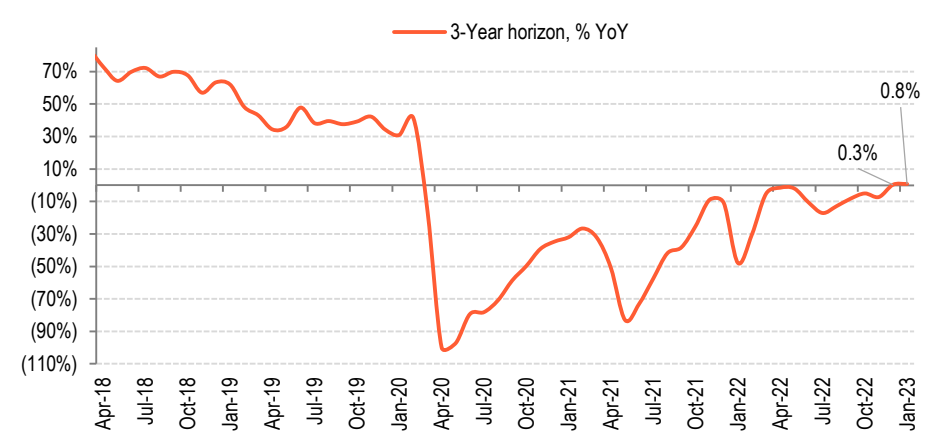
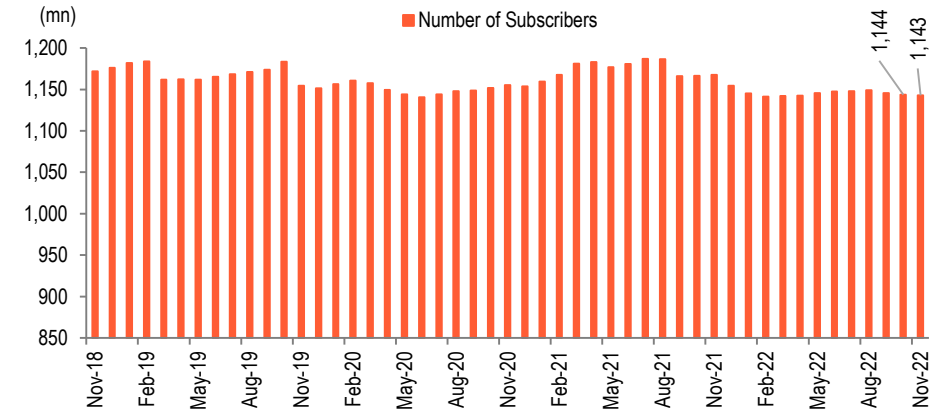
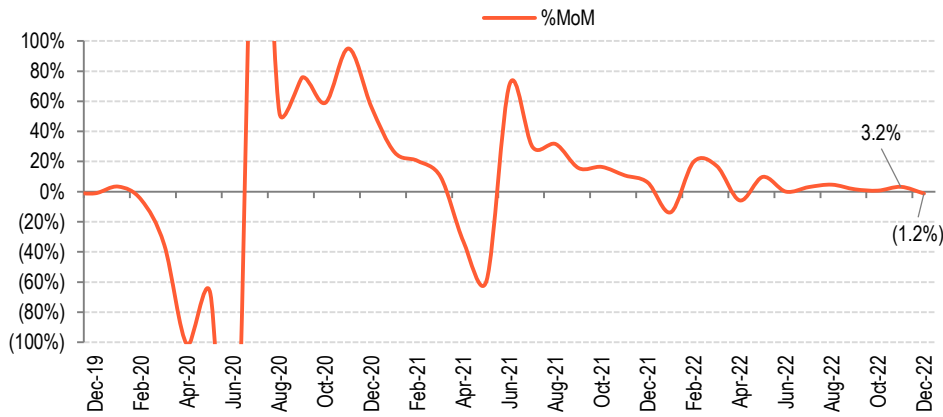


Fig 71 – Number of telecom subscribers fell for the 3rd consecutive month in Nov'22, decline by 0.5mn following 1.9mn decline in Oct'22



Finance and real estate

Fig 72 – Growth in GVA: Finance, real estate & prof. eased in Q2FY23

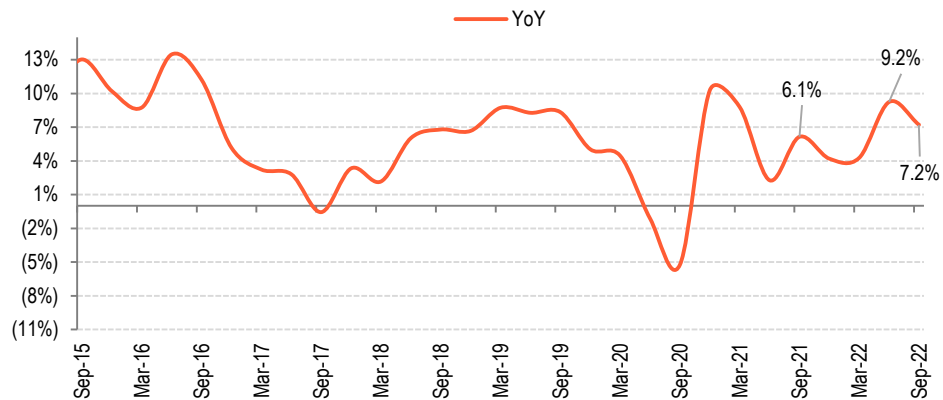
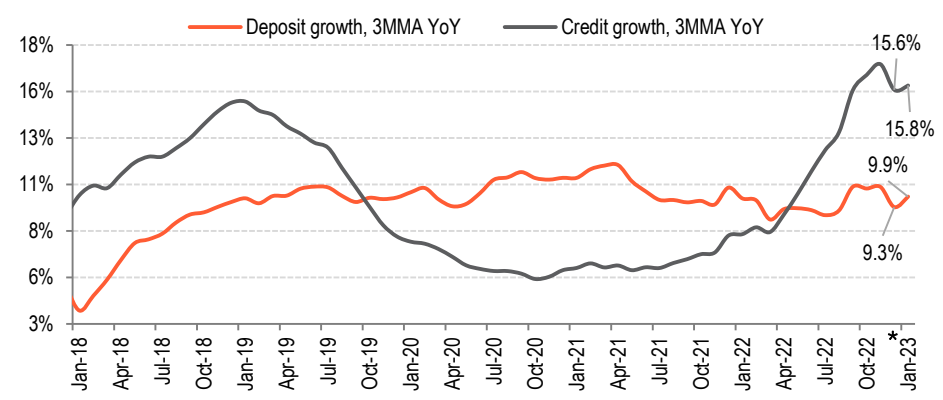


Fig 74 – Credit to both industries and services moderated in Dec'22

Fig 73 – Both credit and deposit growth seen recovering in Jan'23



*as of fortnight ending 13 Jan 2023

Fig 75 – Credit to NBFCs maintaining momentum; to trade and real estate it eased

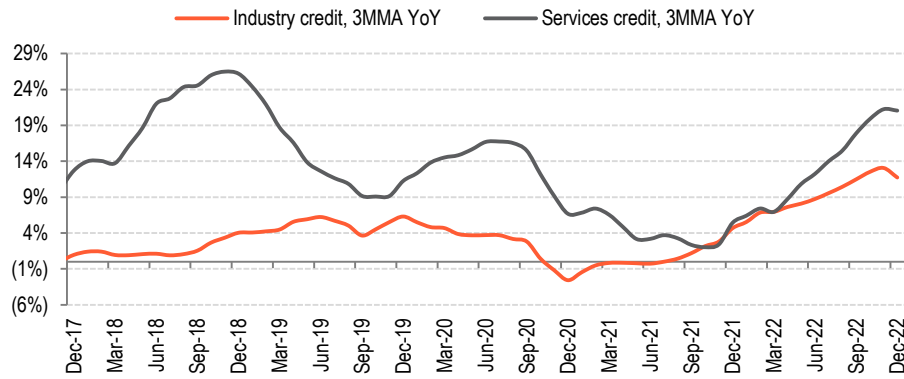
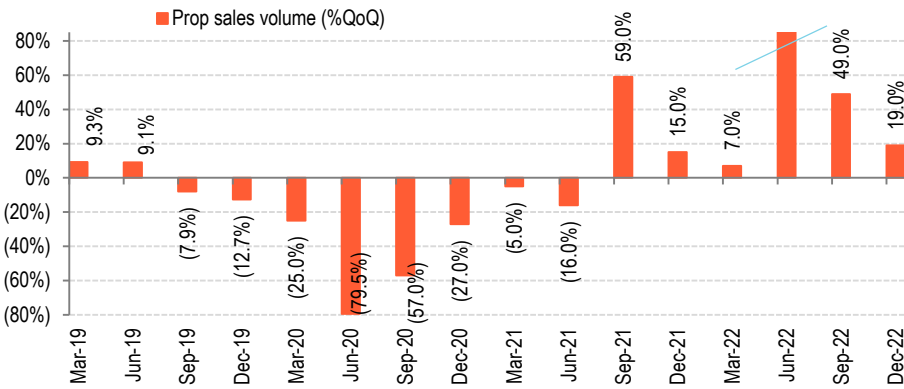


Fig 76 – Property sales volumes moderated in Q3FY23; sales in CY22 were 50% higher than CY21



Source: Proptiger

Labour market

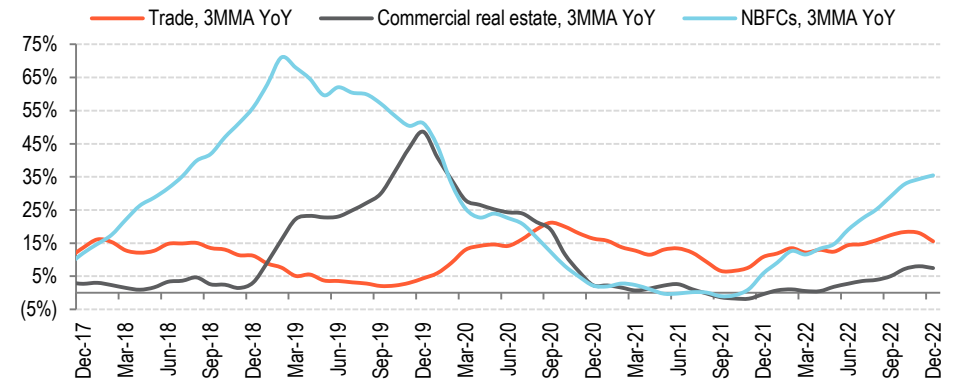


Fig 77 – Stamp duty collections of all states in FYTD23 continues to surpass pre-pandemic levels (FYTD20)

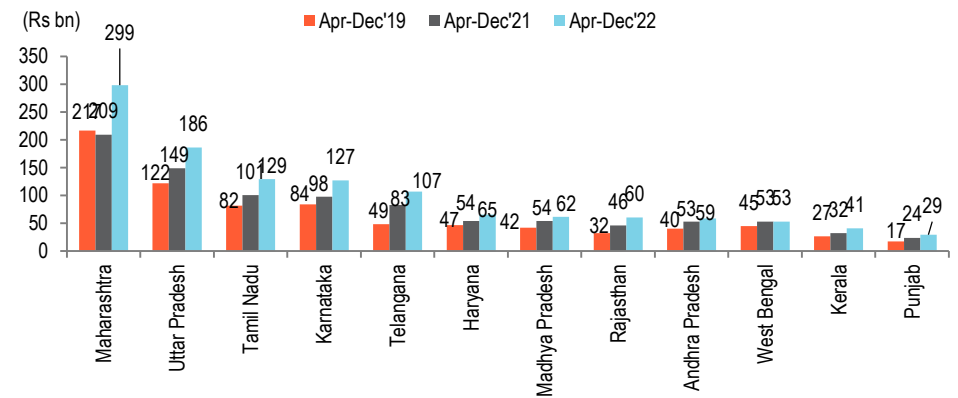


Fig 78 – Naukri job index on path to recovery; and compared with Jan’20 the index remain 16% higher

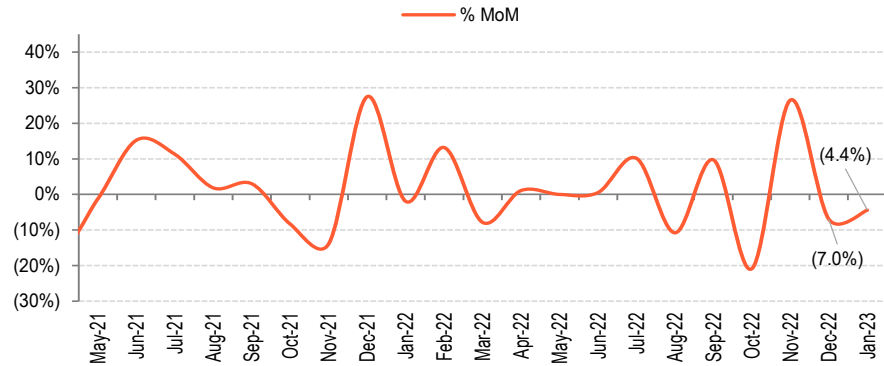


Fig 79 – Overall unemployment rate improved in Jan’23



Public administration

Fig 80 – Public administration & defence services too dragged services growth down in Q2

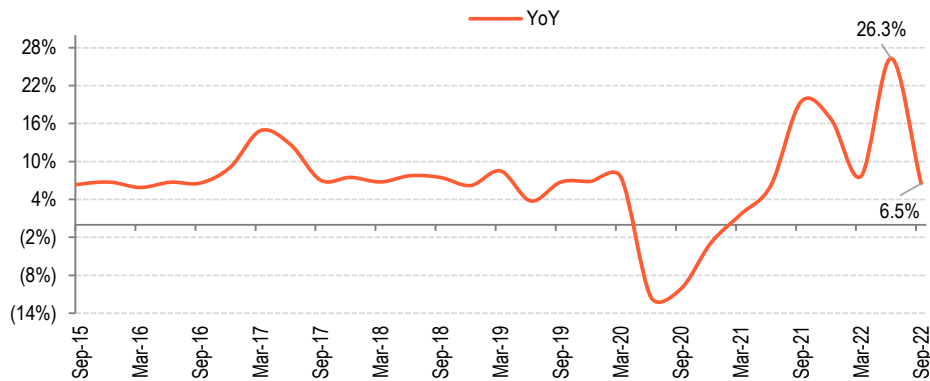


Fig 81 – General govt. spending cooled down in Dec’22

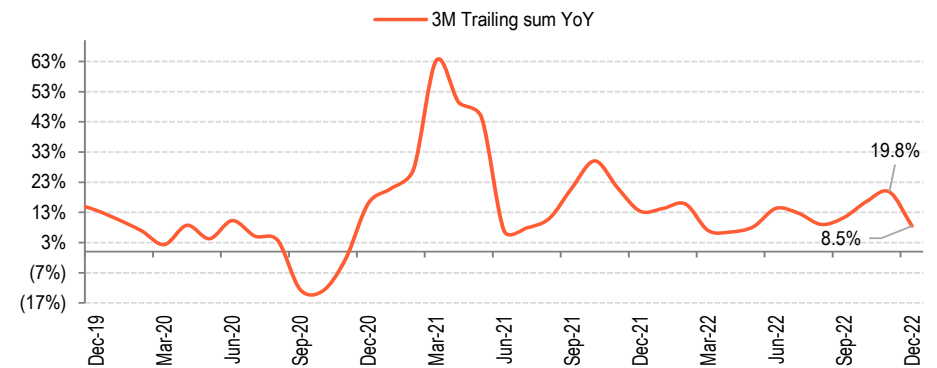
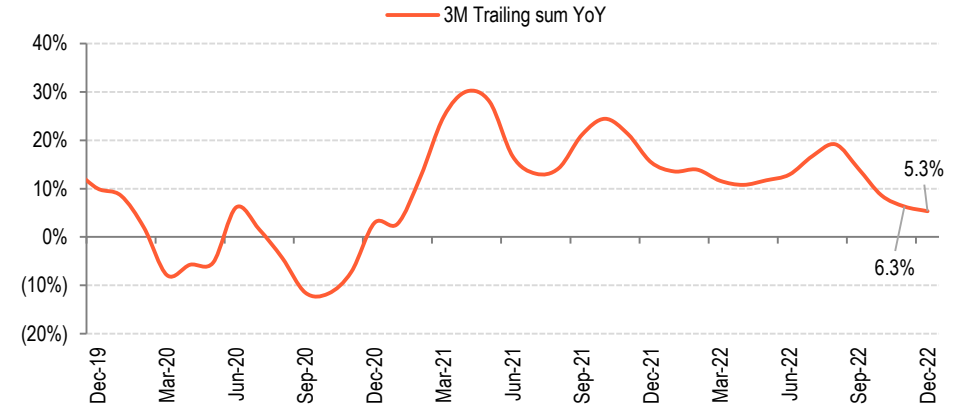
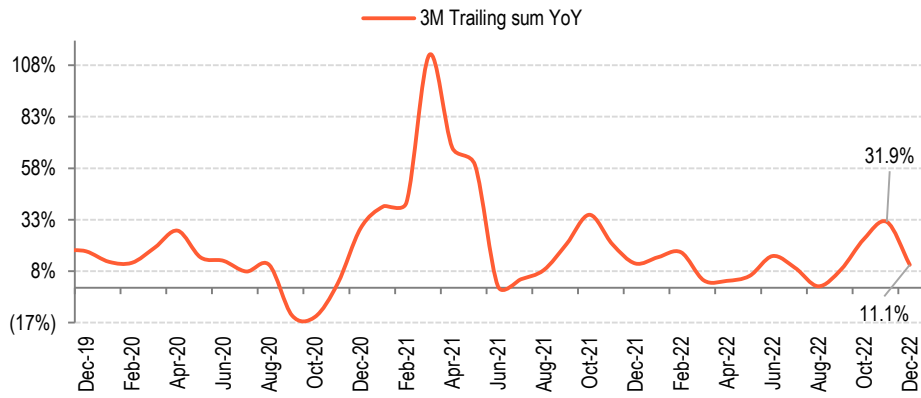


Fig 82 – ...mirroring trend in Central government spending

Fig 83 – State* Govt. spending slowed less sharply

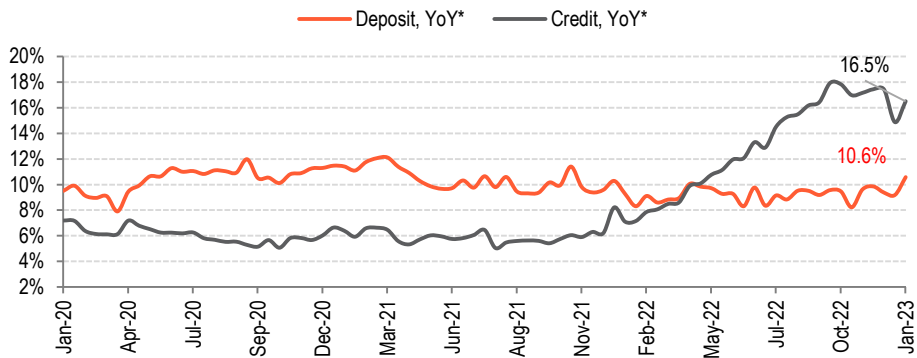


Note: *All states excluding N.E states, Bihar, Goa, Gujarat, Himachal Pradesh, and J&K

Financial sector

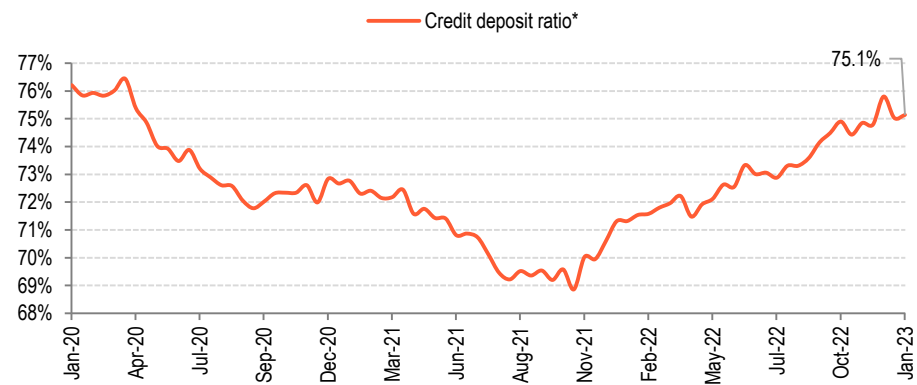
Money and banking

Fig 84 – Credit demand rose to 16.5% in Jan'23 from 14.9% in Dec'22, deposit growth rose to 10.6% in Jan'23 against 9.2% in Dec'22



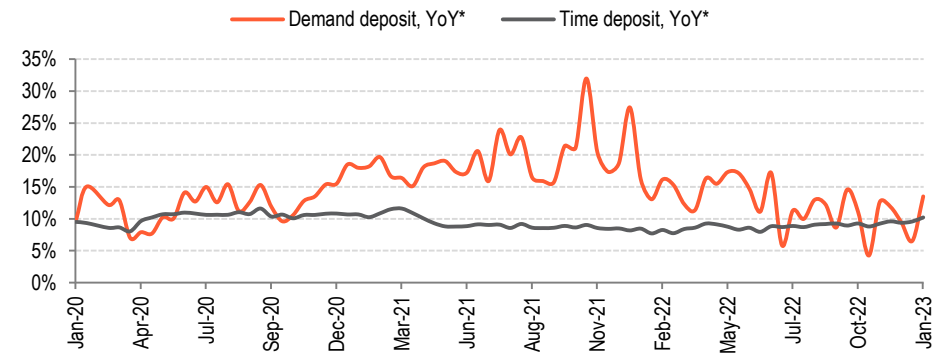
Note: *Jan'23 implies fortnight as of 13 Jan 2023

Fig 86 – CD ratio rose to 75.1%



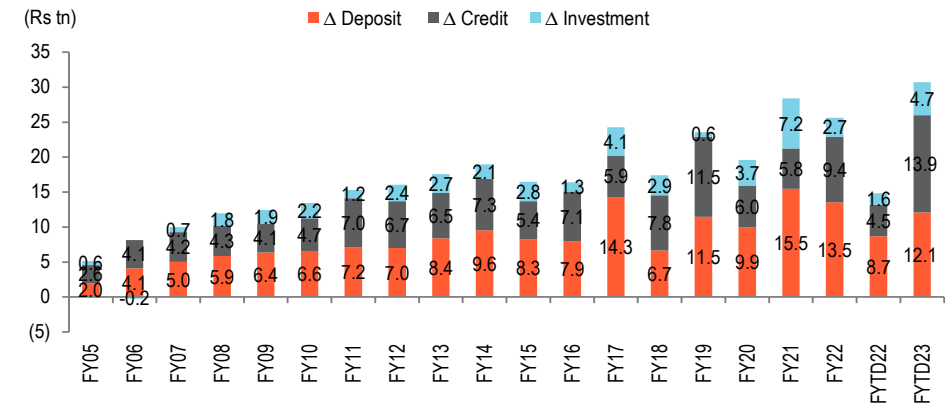
Note: *Jan'23 implies fortnight as of 13 Jan 2023

Fig 85 – ...Both demand and time deposits inched up



Note: *Jan'23 implies fortnight as of 13 Jan 2023

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



Note: FYTD:Apr-Jan

Fig 88 – Credit to govt rose to 11% in Nov'22 from 8.9% in Oct'22, credit to commercial sector was at 15.6% against 16.3% in Oct'22

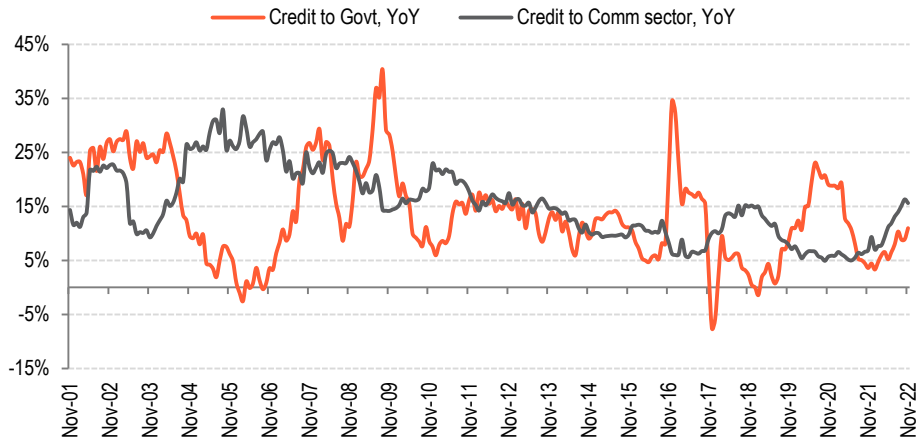


Fig 89 – Spread between call rate and repo

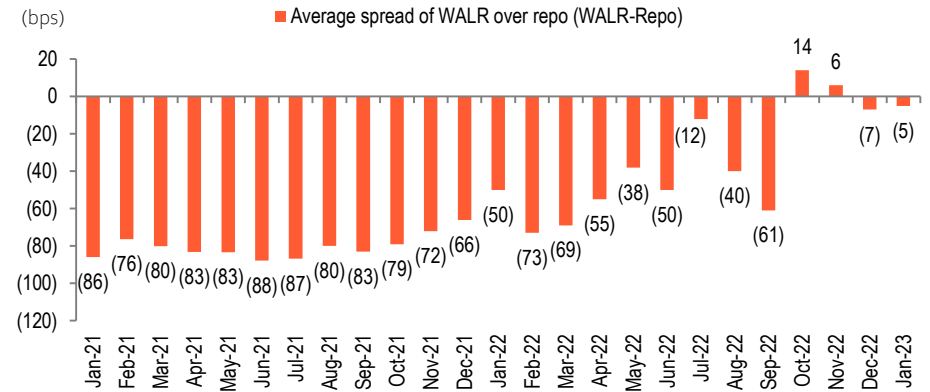


Fig 90 – WALR moderated to 8.22% in Dec'22 from 8.26% in Nov'22, WADTDR inched up to 5.76% from 5.62%

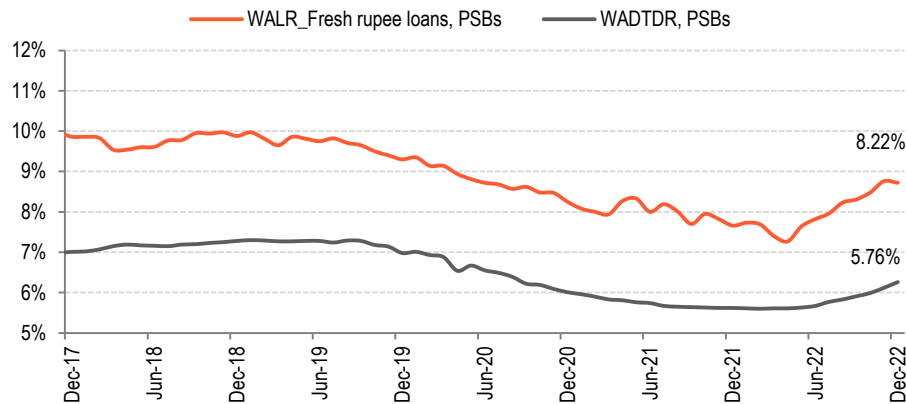
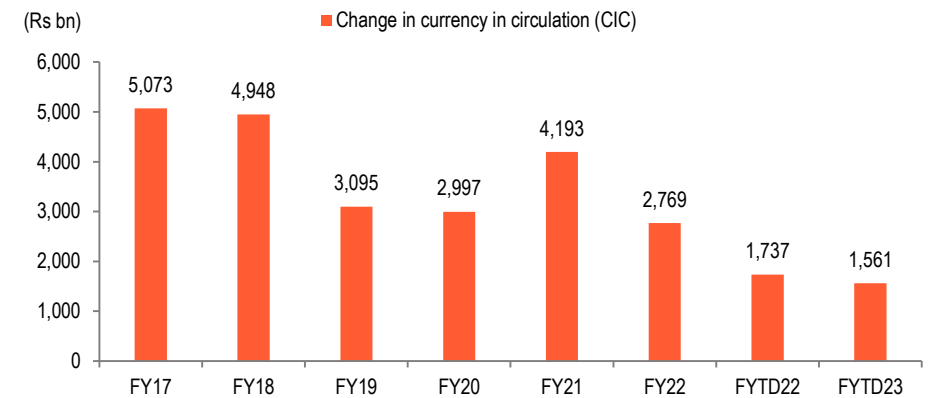
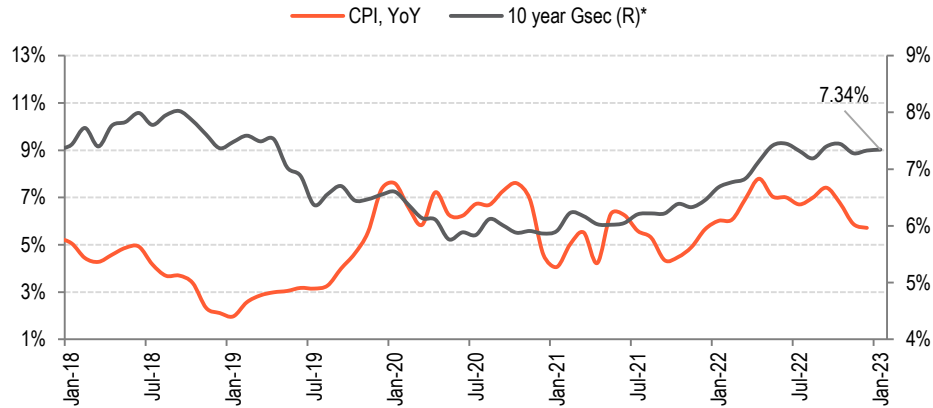


Fig 91 – CIC accretion in FYTD23 is at Rs 1.6tn against Rs 1.7tn seen in the same period of last year



Note: FYTD:Apr-Jan

Fig 92 – 10Y GSec yield was stable at 7.34% in Dec'22 and currently trading at the same level, inflation moderated to 5.7% in Dec'22 from 5.9% in Nov'22



Note: *As on last trading day of the month

Fig 94 – Corporate debt issuance rose to Rs 1.4tn in Dec'22 from Rs 766bn in Nov'22

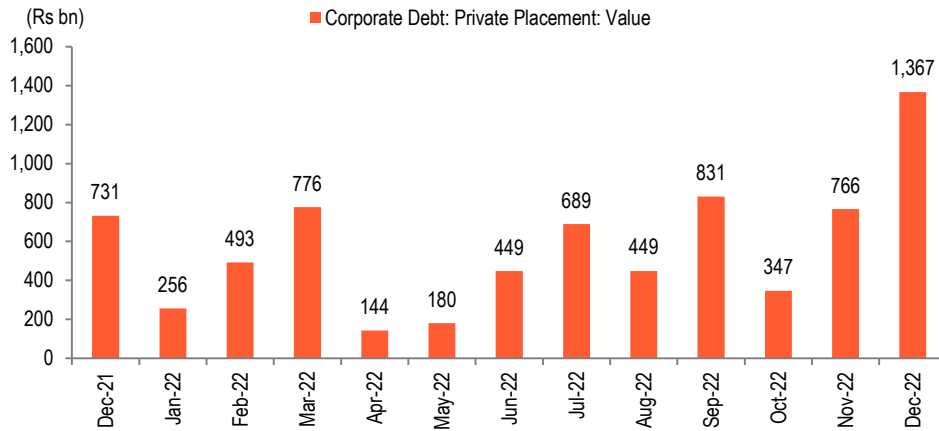
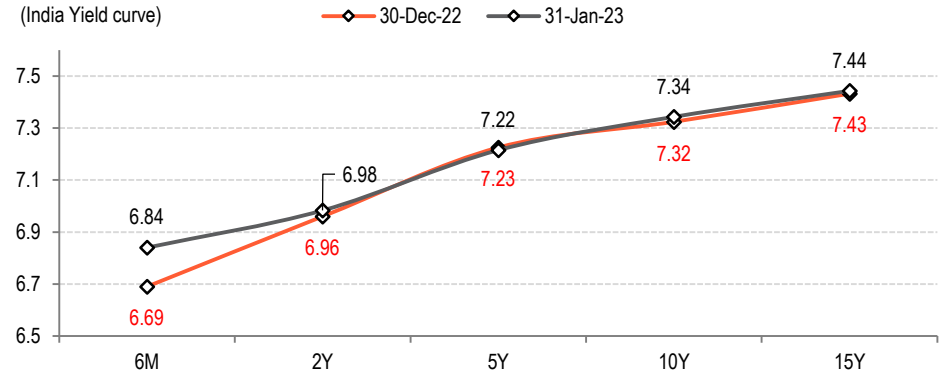
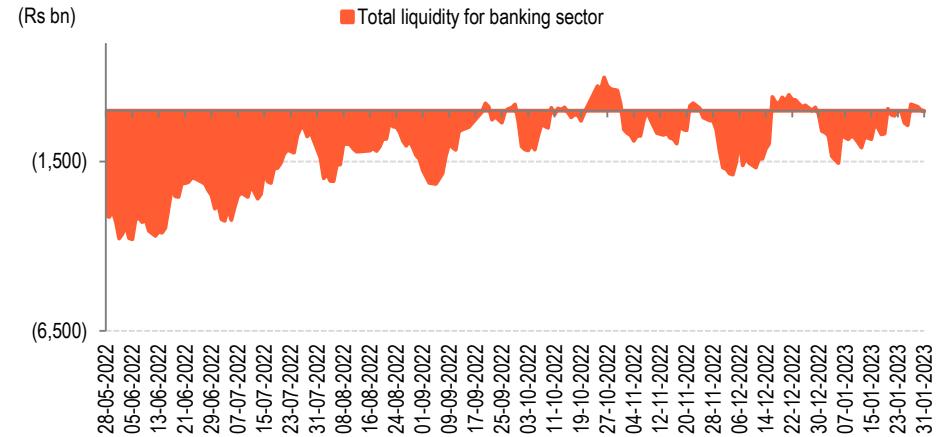


Fig 93 – Gap between short end and long end yield have fallen due to rising yield of short end paper



Source: Bloomberg

Fig 95 – Average system liquidity surplus moderated to Rs 559bn from Rs 631bn in Dec'22 and currently higher at Rs 0.3tn surplus



Source: RBI

Fig 96 – 3Y AAA NBFC spread rose to 67bps as on 31 Jan 2023 from 57bps as on 30 Dec 2022

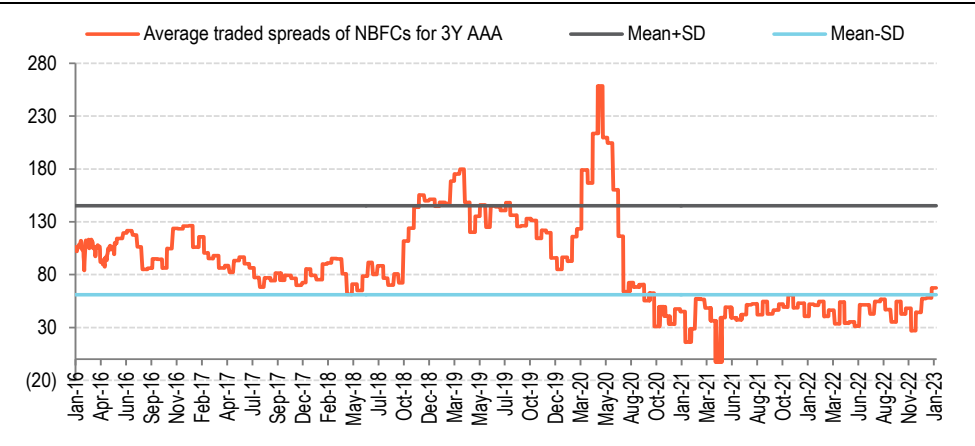


Fig 97 – For 10Y AAA NBFC it was at 37bps compared to 32bps as on 30 Dec 2022

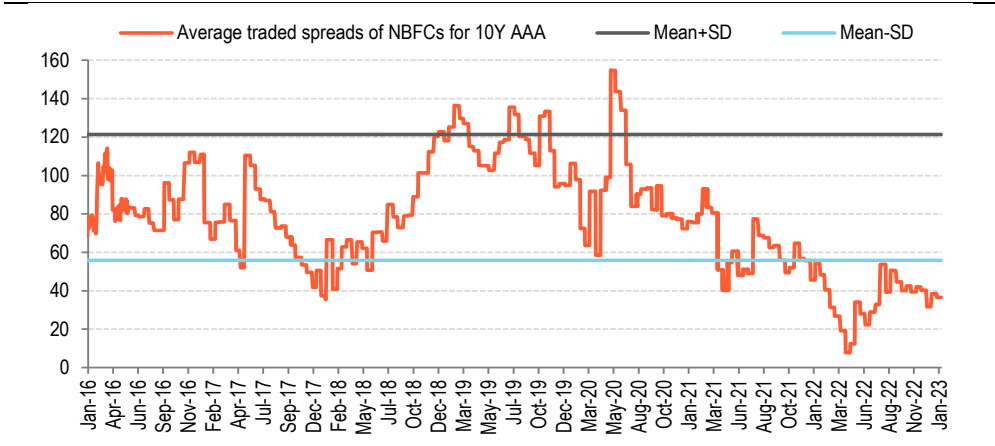


Fig 98 – 3Y AAA corp spread rose to 54bps from 42bps

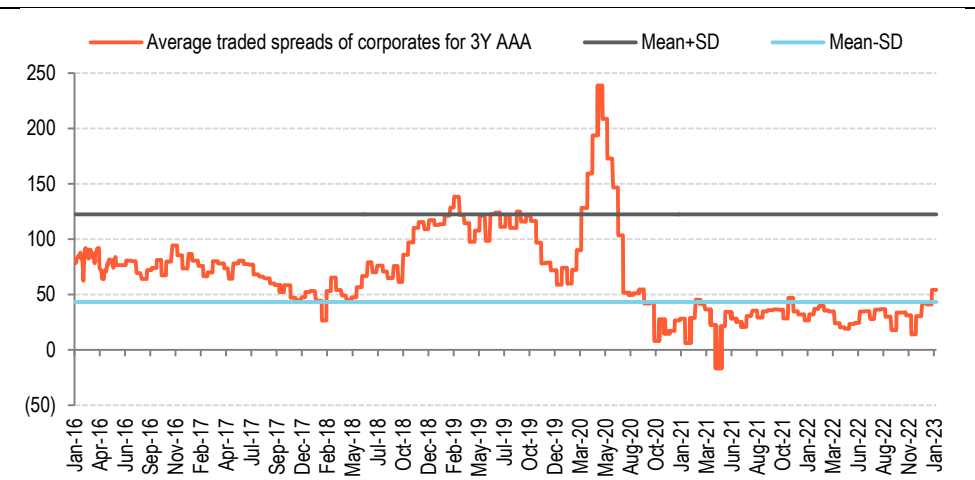


Fig 99 – For 10Y AAA corp spread it inched down slightly to 29bps from 30bps

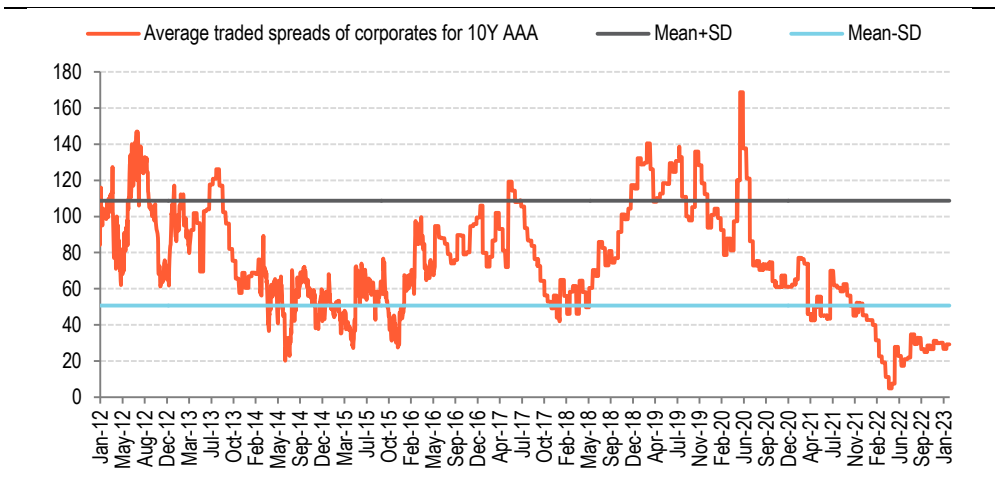


Fig 100 – INR 3Y swap moderated to 6.27 as on 31 Jan 2023 from 6.41 as on 30 Dec 2022

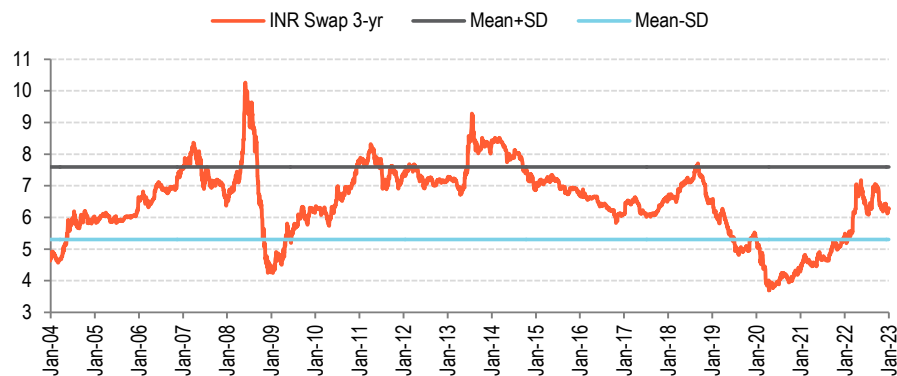
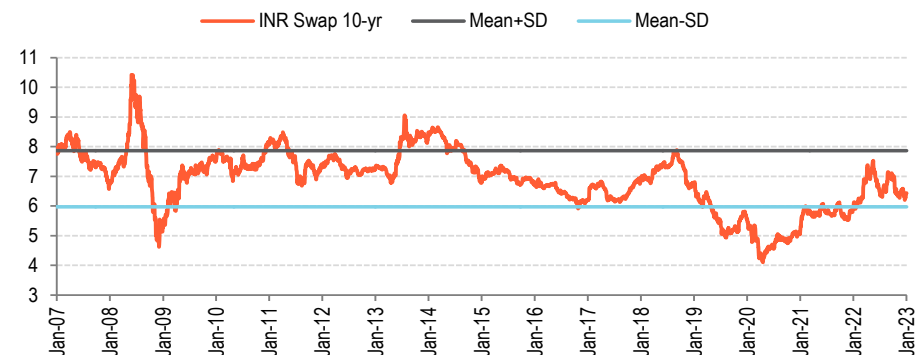


Fig 101 – For 10Y, it edged down to 6.43 from 6.55 seen on 30 Dec 2022



Interest rates on small savings schemes

Fig 102 – Interest rates on small savings scheme increased in Q4 as well

Instrument (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Savings deposit	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
1 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.6
2 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	6.8
3 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.8	6.9
5 year time deposit	7.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	7.0
5 year recurring deposit	7.2	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
5 year senior citizen savings scheme	8.6	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.6	8.0
5 year monthly income scheme	7.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.7	7.1
5 year national savings certificate	7.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	7.0
Public provident fund scheme	7.9	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Kisan vikas patra	7.6	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.0	7.2
Sukanya samridhi account scheme	8.4	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6

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

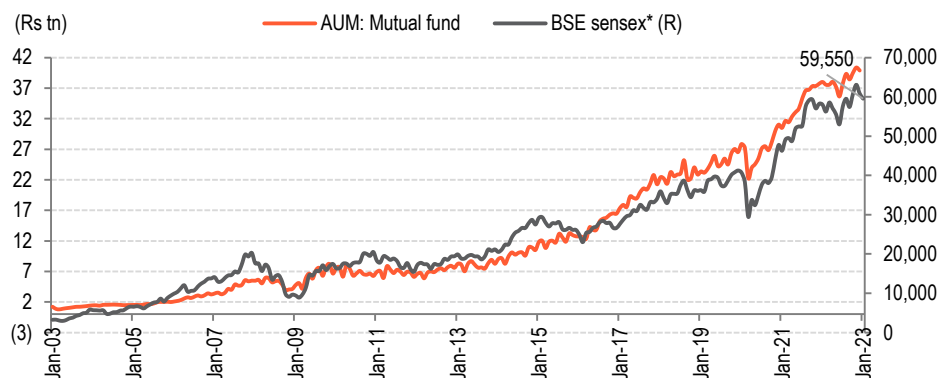
Fig 103 – MCLR rate of banks increased

1Y MCLR (%)	Nov'21	Dec'21	Jan'22	Feb'22	Mar'22	Apr'22	May'22	Jun'22	Jul'22	Aug'22	Sep'22	Oct'22	Nov'22	Dec'22	Jan'23
Public Sector Banks															
Bank of Baroda	7.30	7.30	7.30	7.30	7.30	7.35	7.40	7.50	7.65	7.70	7.80	7.95	8.05	8.30	8.50
Bank of India	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.35	7.50	7.60	7.70	7.80	7.95	8.15	8.30
Canara Bank	7.25	7.25	7.25	7.25	7.25	7.25	7.35	7.40	7.50	7.65	7.75	7.90	8.10	8.15	8.35
Indian Bank	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.40	7.55	7.65	7.75	7.85	8.10	8.20	8.30
Punjab National Bank	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.40	7.55	7.65	7.70	7.75	8.05	8.10	8.30
State Bank of India	7.00	7.00	7.00	7.00	7.00	7.10	7.20	7.40	7.50	7.70	7.70	7.95	8.05	8.30	8.40
Union Bank of India	7.25	7.25	7.25	7.25	7.25	7.25	7.35	7.45	7.55	7.70	7.75	7.90	8.20	8.25	8.40
Private Sector Banks															
Axis Bank Ltd.	7.35	7.35	7.35	7.35	7.35	7.40	7.75	7.95	8.00	8.05	8.10	8.35	8.45	8.75	8.80
HDFC Bank Ltd.	7.20	7.20	7.20	7.20	7.25	7.25	7.50	7.85	8.05	8.10	8.20	8.20	8.55	8.60	8.85
ICICI Bank Ltd.	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.55	7.75	7.90	8.00	8.10	8.30	8.40	8.65
Indusind Bank	8.45	8.45	8.45	8.45	8.50	8.55	8.75	9.00	9.10	9.30	9.40	9.55	9.80	9.95	9.95
Kotak Mahindra Bank	7.20	7.20	7.25	7.30	7.35	7.40	7.65	7.85	8.05	8.10	8.20	8.45	8.55	8.65	8.95

Source: RBI

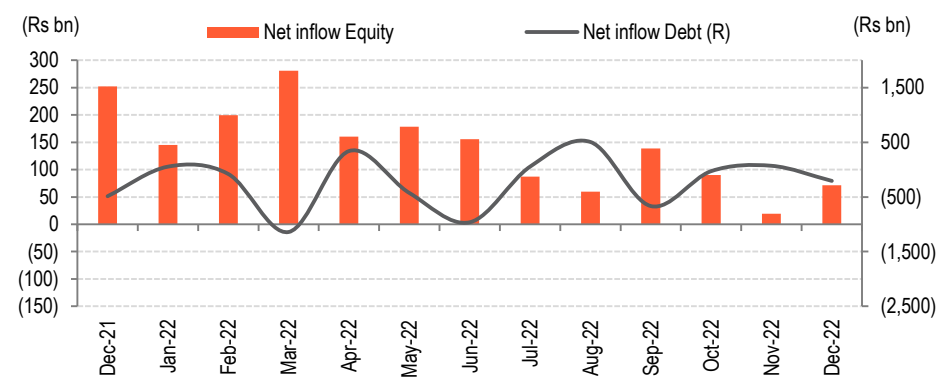
Mutual fund (MF) indicators

Fig 104 – Sensex fell by 2.1% to 59,550 in Jan'23, AUM of MFs moderated to Rs 39.9tn in Dec'22 from Rs 40.4tn in Nov'22



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

Fig 105 – MF equity inflows rose to Rs 72bn in Dec'22 from Rs 19bn in Nov'22; however, debt outflow rose to Rs 206bn from Rs 70bn inflow



Insurance sector indicators

Fig 106 – Sale of life insurance policies fell by 8.9% in Jan'23 from 7.6% decline seen in Dec'22, despite a favourable base

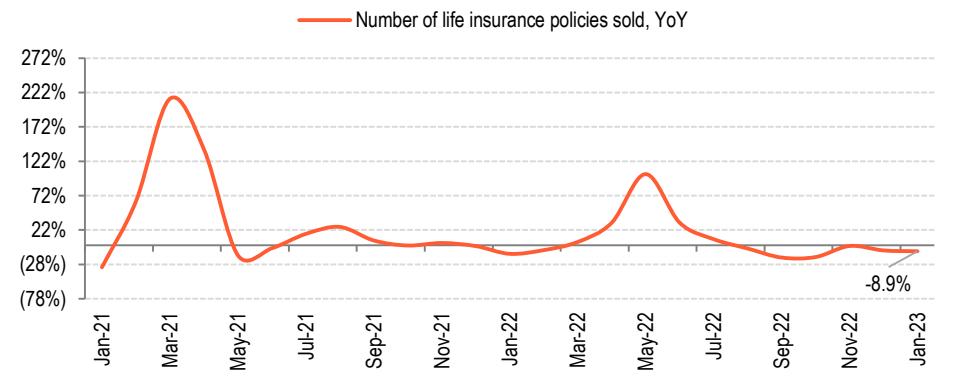
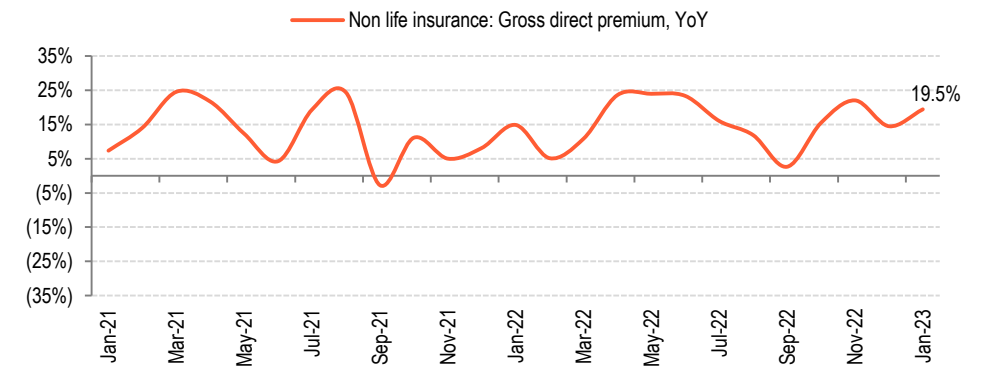


Fig 107 – Gross direct premium for non-life insurance on the other hand, rose by 19.5% in Jan'23 from 14.5% in Dec'22



Public finance

Central government finances

Fig 108 – Fiscal deficit falls below 7% mark in Dec'22

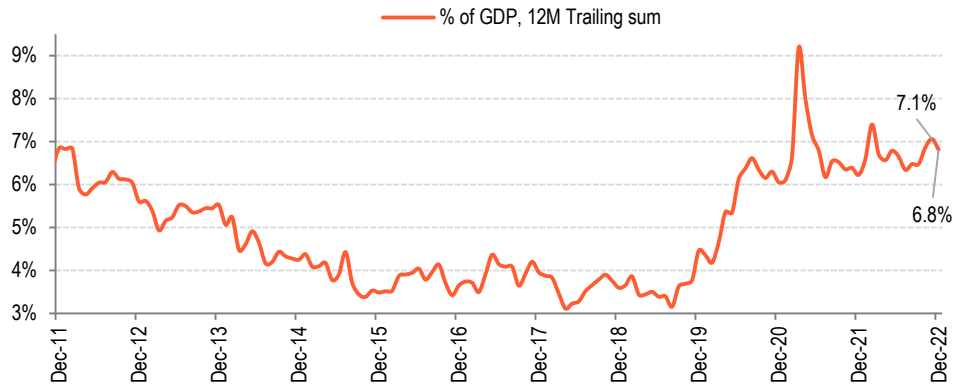


Fig 109 – Revenue deficit also eased a tad

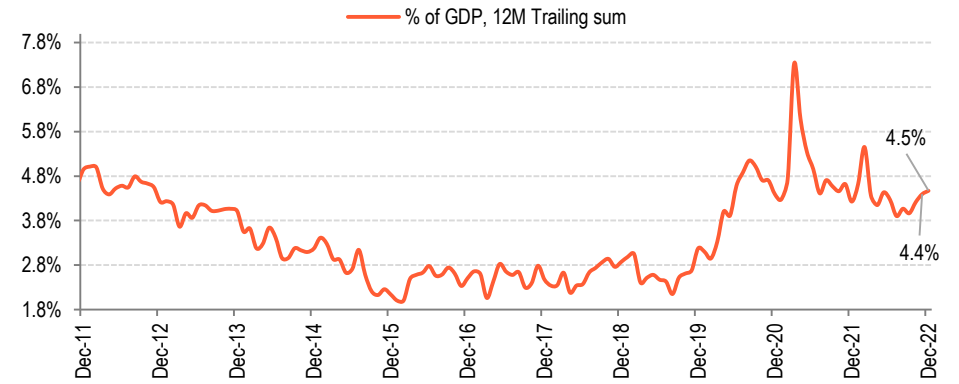


Fig 110 – ...similar trend was visible in primary deficit

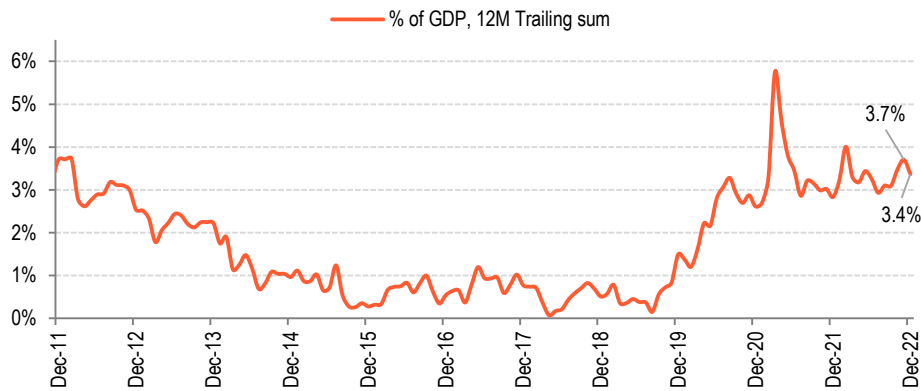


Fig 111 – Government spending moderated in Dec'22 (12MMA)

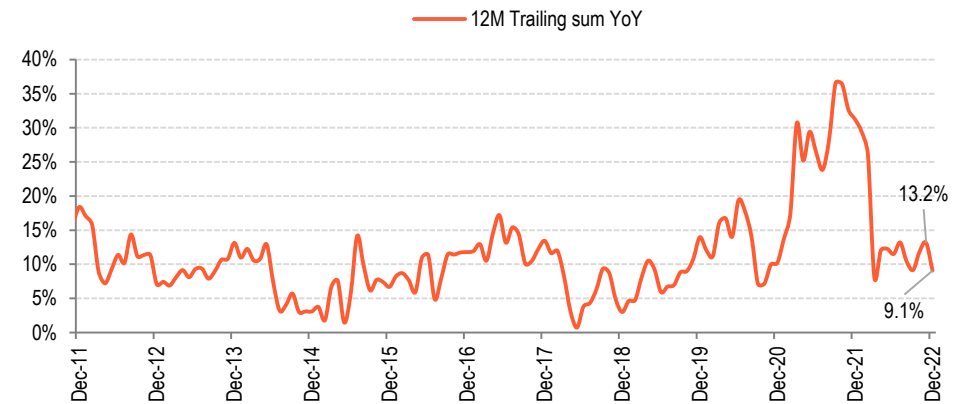


Fig 112 – ...dragged by cooling off seen in capex

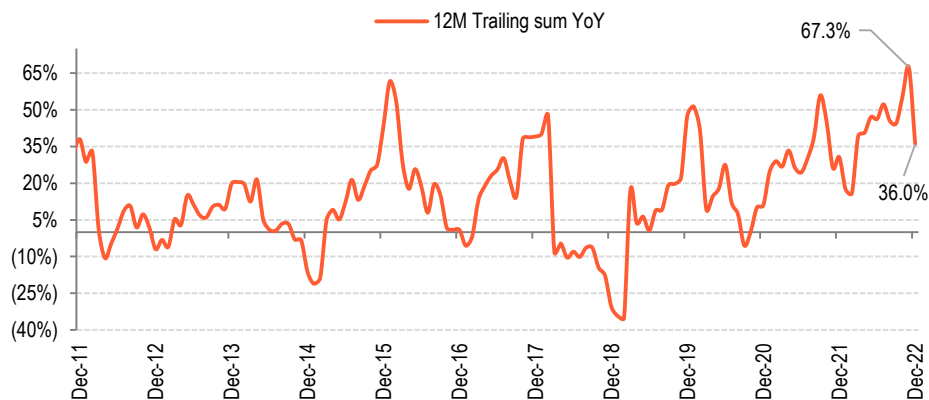


Fig 113 – ...revenue spending slowed less sharply

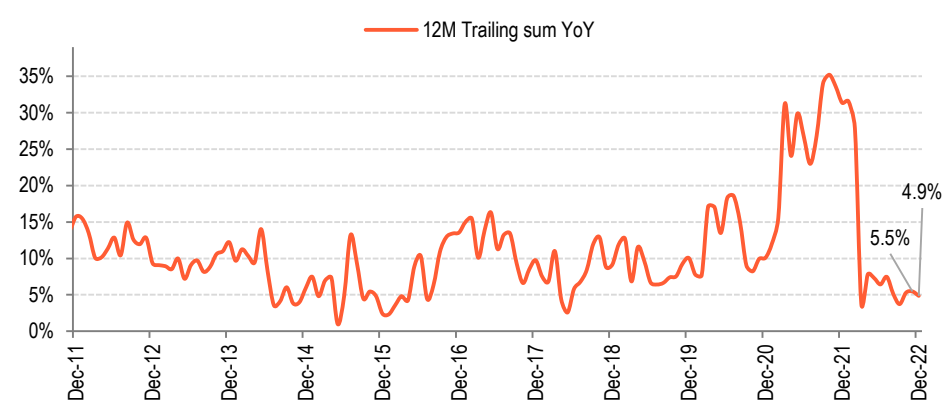


Fig 114 – In FYTD23, ministries of consumer affair, agriculture, rural development, HRD and petroleum & gas, are slowing down the expenditure growth

Ministry	Apr-Dec'20	Apr-Dec'21	% change	Apr-Dec'22	% change
Ministry of Finance	8,630	9,127	5.8	10,123	10.9
Ministry of Defence	3,386	3,608	6.5	3,802	5.4
Ministry of Consumer Affairs, Food and Public Distribution	1,512	1,983	31.1	1,685	(15.0)
Ministry of Rural Development	1,573	1,141	(27.5)	1,100	(3.6)
Ministry of Home Affairs	1,065	1,222	14.7	1,343	9.9
Ministry of Human Resource Development	586	556	(5.0)	637	14.6
Ministry of Road Transport and Highways	724	950	31.3	1,582	66.5
Ministry of Chemicals and Fertilisers	740	849	14.7	1,816	113.8
Ministry of Petroleum and Natural Gas	317	44	(86.1)	32	(26.5)
Ministry of Agriculture	976	938	(4.0)	695	(25.9)
Ministry of Health and Family Welfare	591	587	(0.6)	521	(11.3)

Fig 115 – Receipt growth fell in Dec'22

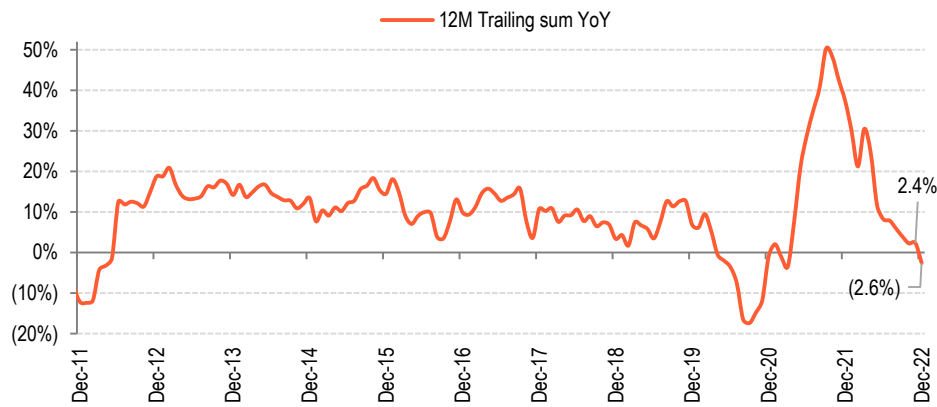


Fig 116 – Revenue receipts led the decline

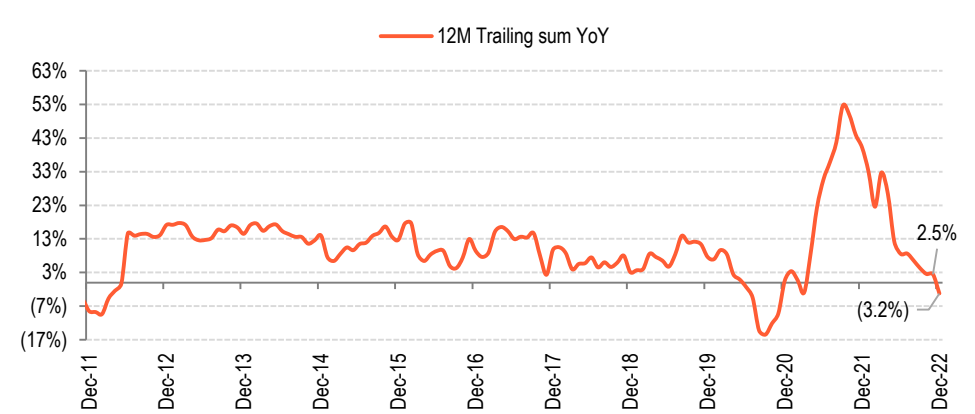


Fig 117 – Both tax receipts...

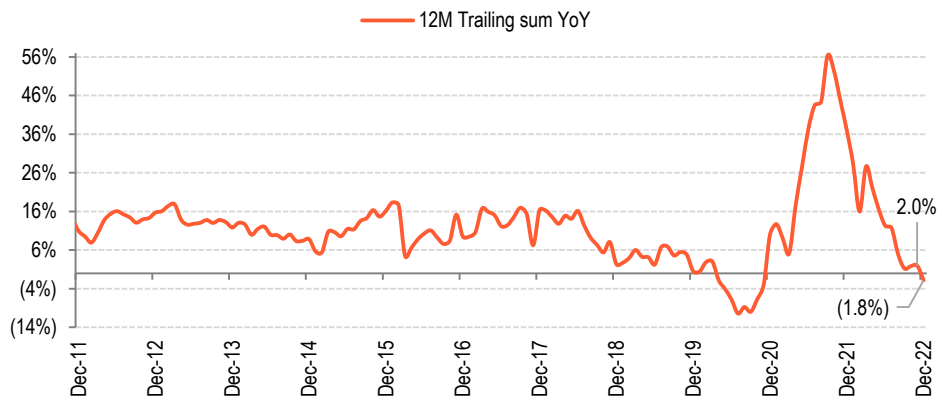


Fig 118 – ...and non-tax revenue growth took a hit in Dec'22

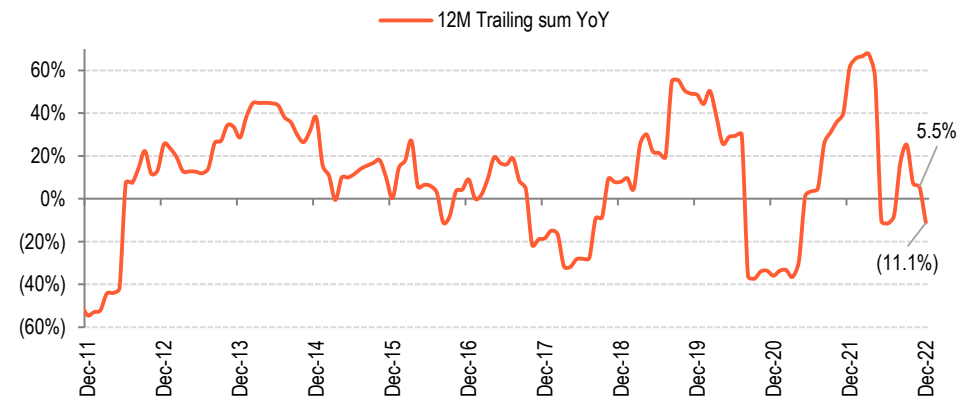


Fig 119 – Centre’s spending and revenue both seeing a slowdown

	Apr-Dec'20	Apr-Dec'21	% change	Apr-Dec'22	% change
Gross Tax revenue	13,381	19,290	44.2	21,707	12.5
Direct taxes	6,103	9,684	58.7	11,423	18.0
Corp Tax	3,125	5,203	66.5	6,082	16.9
Income Tax	2,978	4,481	50.5	5,341	19.2
Indirect taxes	7,278	9,606	32.0	10,284	7.1
Non-tax revenue	1,262	2,594	105.6	2,143	(17.4)
Centre's revenue (net)	10,886	17,332	59.2	17,700	2.1
Total expenditure	22,801	25,211	10.6	28,181	11.8
Capital exp	3,090	3,916	26.8	4,899	25.1
Revenue exp	19,712	21,294	8.0	23,281	9.3
Fiscal deficit	11,585	7,594	-	9,930	-

Fig 120 – Gross direct tax collections eased further in Dec'22

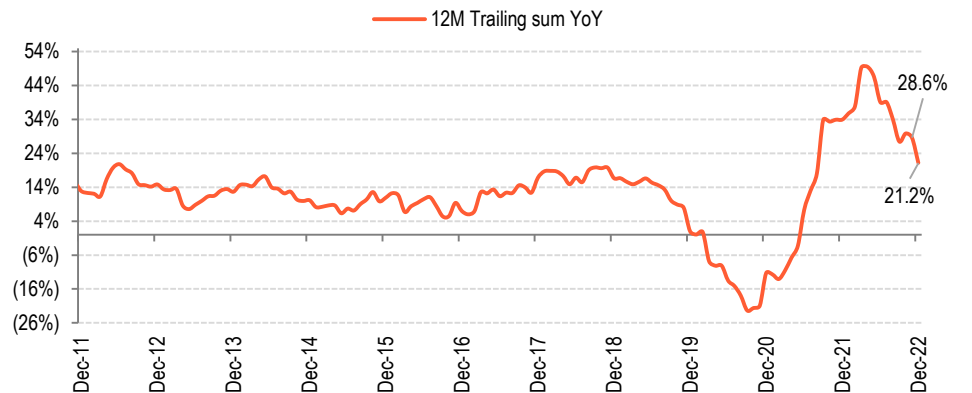


Fig 121 – Gross indirect tax collections broadly flat

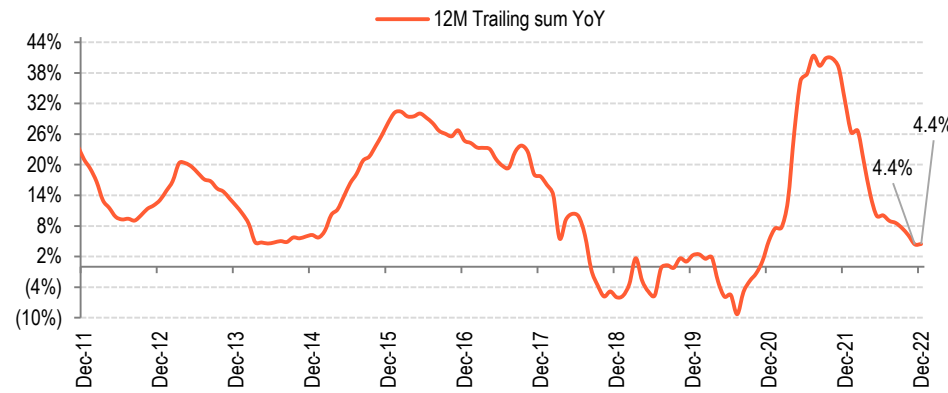


Fig 122 – Corporate tax collections seen slipping...

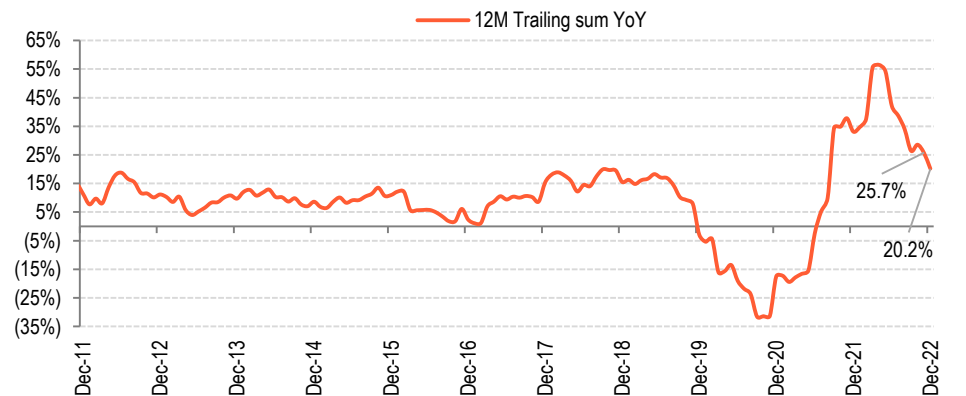


Fig 123 – ...while income tax collections are holding ground

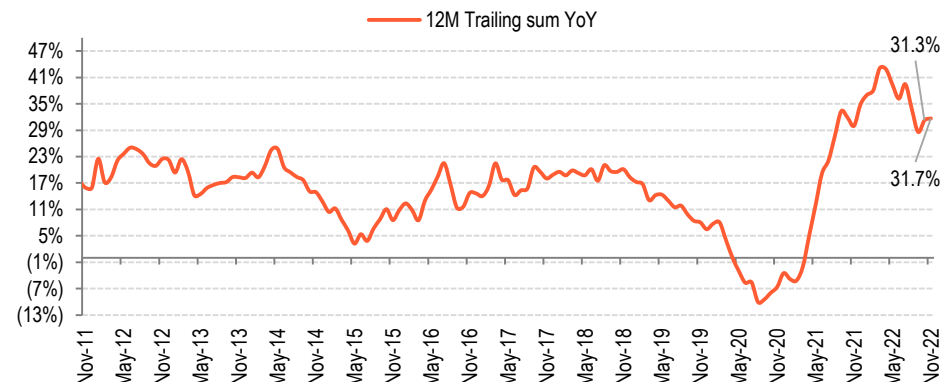


Fig 124 – GST collections for Dec'22 picked up pace again

(Rs bn)	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Monthly run rate (FY23)	FYTD23	FY23 (RE)
CGST	462	697	482	633	641	499	654	554	519	547	722	578	608	591	5,322	7,240
UT GST	2.5	4.3	1.6	12.3	1.6	2.4	2.6	1.6	1.5	4.1	6.0	5.2	2.3	3	27	-
IGST	146	(279)	79	(145)	113	47	(164)	69	89	100	(194)	(26)	(34)	0	1	-
SGST*	681	814	758	1,084	549	796	890	705	768	767	821	834	874	778	7,003	-
Cess	91	95	101	91	104	102	107	107	99	100	103	103	109	104	934	1,300
Total GST	1,384	1,330	1,421	1,675	1,409	1,446	1,490	1,436	1,477	1,517	1,459	1,495	1,559	1,476	13,288	-

Source: PIB | *Computed from PIB and CGA data

Fig 125 – Rising central government debt a key concern

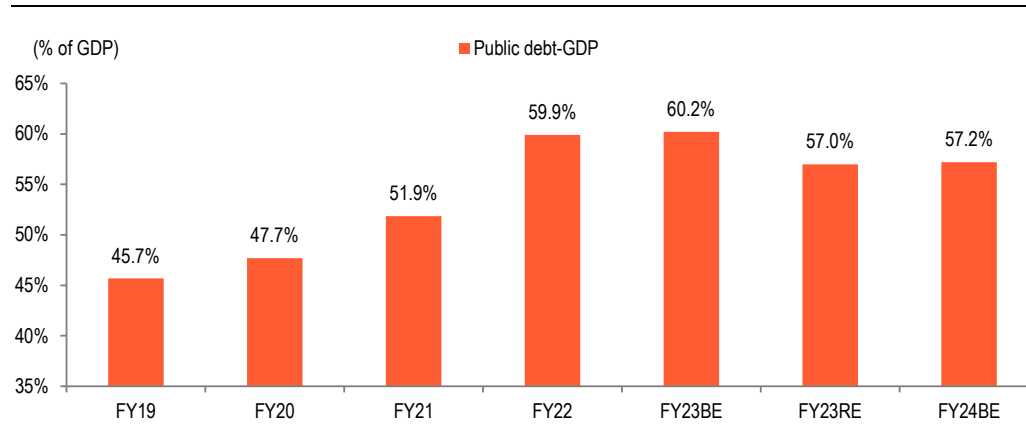
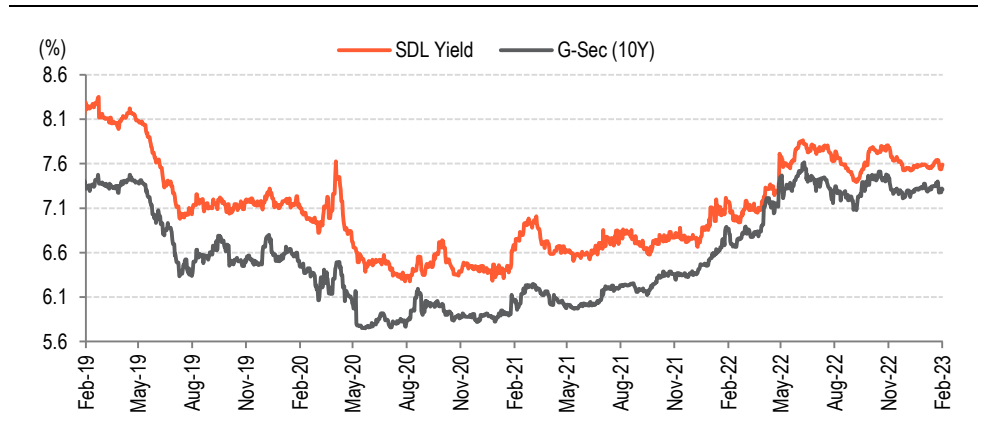
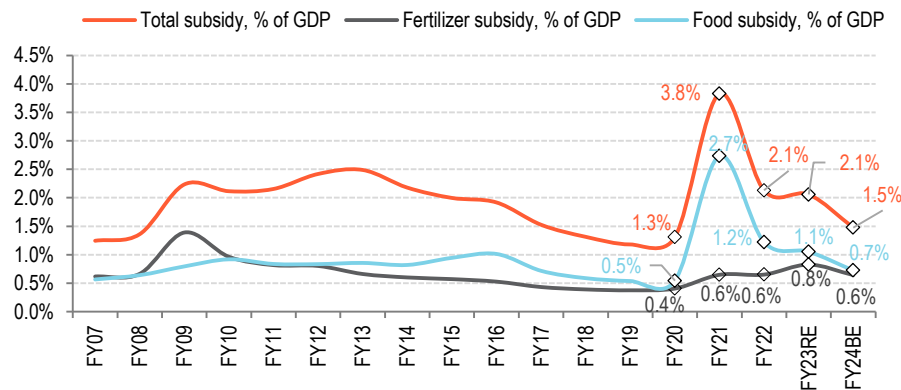


Fig 126 – Spread between 10Y G-sec and SDL yield fell in Jan'23, but is inching up in Feb'23 so far



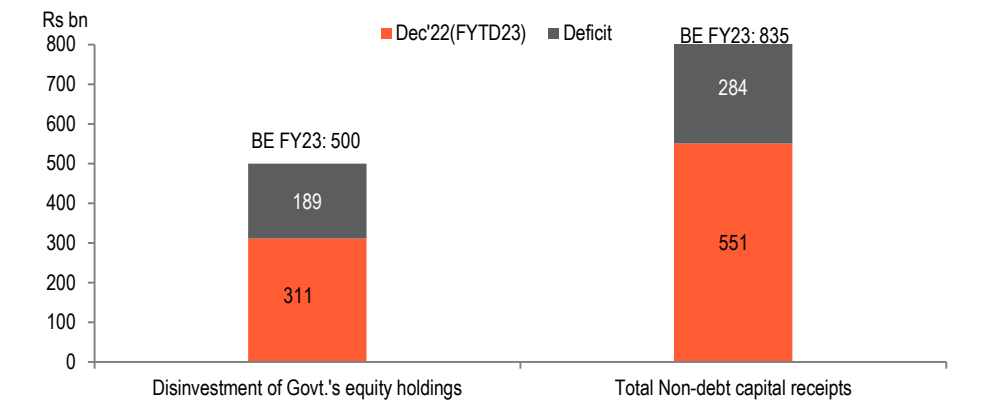
Source: CCIL

Fig 127 – Subsidy burden to come down in FY24(BE), following upward revision in FY23



RE-Revised Estimates; RE-Revised Estimates; BE-Budget Estimates

Fig 128 – Central govt. FY23 disinvestment status showing weakperformance so far



Central government borrowing

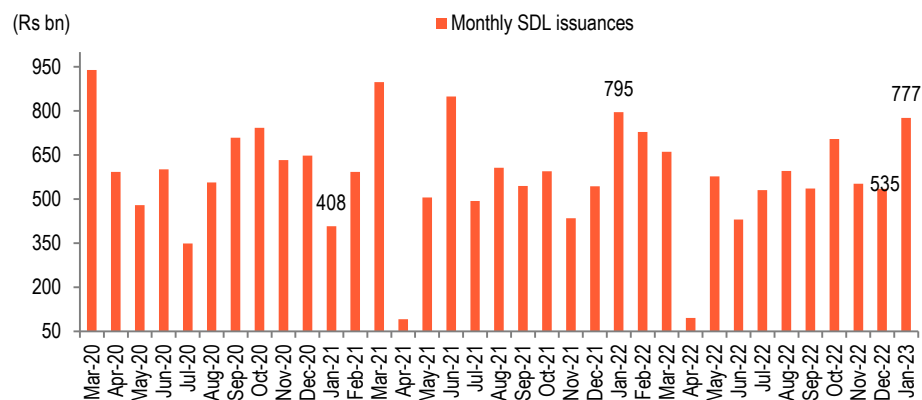
Fig 129 – Centre’s T-bill issuances in Q4FY23 has been at Rs 1.6tn*

Total accepted amount (G-Sec), (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY23 (planned)
Q1	2,797	2,888	3,089	3,364	5,328	5,375	5,247	4,320
Q2	2,584	3,186	3,299	3,024	5,417	3,215	3,704	2,730
Q3	2,747	2,632	3,070	2,889	3,745	3,630	3,589	2,860
Q4	1,684	2,486	1,812	2,511	2,714	4,766	1,638*	3,800
Total	9,811	11,192	11,271	11,788	17,204	16,986		13,710

Source: RBI, *Till 1 Feb 2023

State government borrowing

Fig 131 – State government borrowings gathered pace in Jan’23



Source: RBI

External sector

Fig 130 – Centre’s gross borrowing in FY24 has been pegged at Rs 15.4tn

Total accepted amount (G-Sec), (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY23 (planned)
Q1	1,500	1,680	1,320	2,040	3,140	3,064	3,570	3,900
Q2	1,910	1,890	1,440	2,210	4,220	3,649	4,390	4,550
Q3	1,610	1,640	1,270	1,930	2,910	3,190	3,510	2,320
Q4	800	670	1,680	920	3,191	1,370	1,240*	3,440
Total	5,820	5,880	5,710	7,100	13,461^	11,273	-	14,210

Source: RBI^ Against budgeted Rs 12.8tn, * Till 27 Jan 2023

Fig 132 – States’ market borrowings have reached 56% of the planned amount so far (FYTD basis)

Quarterly SDL issuances, (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FYTD23 (actual)	FY23 (planned)
Q1	548	650	766	815	1,673	1,446	1,102	1,904
Q2	792	1,130	809	1,439	1,614	1,644	1,661	2,116
Q3	1,214	1,054	1,277	1,470	2,023	1,653	1,879	2,531
Q4	1,322	1,348	1,809	2,006	1,898	2,184	979*	3,408
Total	3,876	4,182	4,661	5,731	7,206	6,927	5,622*	9,958

Source: RBI; *as of 7 Feb 2023

Exports

Fig 133 – Global exports moderating

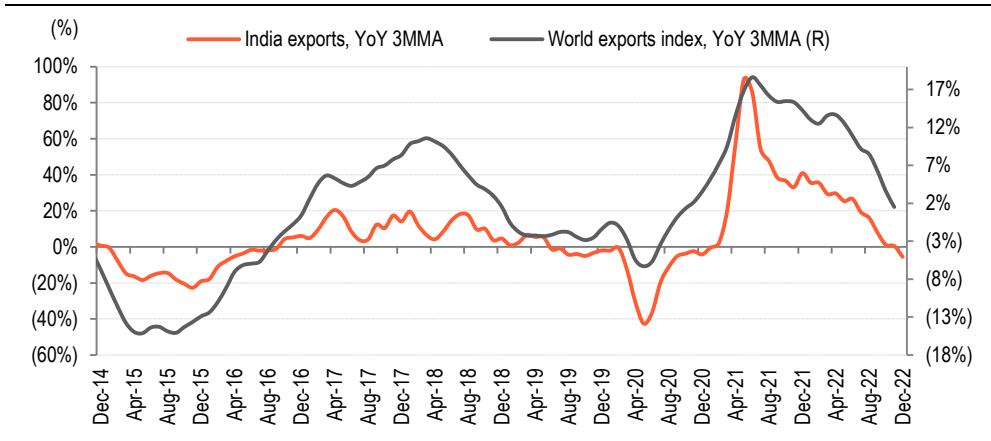
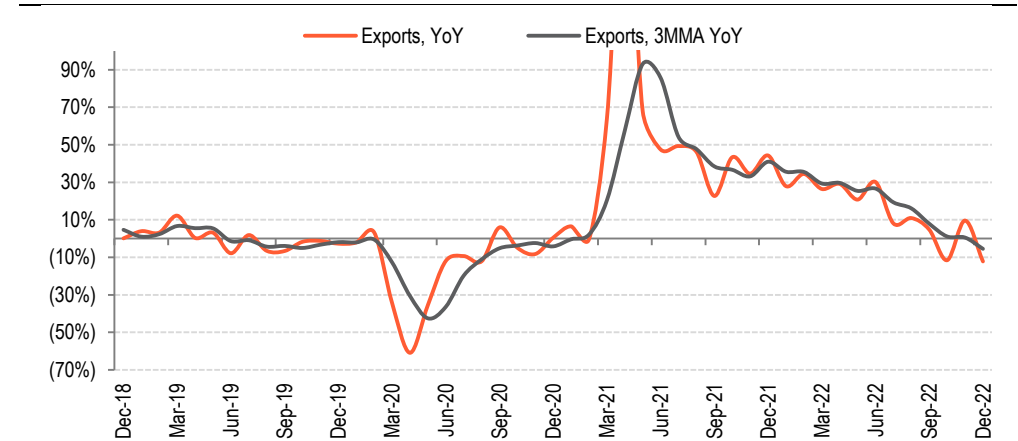


Fig 134 – India's exports decline by 12.2% in Dec'22 versus an increase of 9.6% in Nov'22



Exports by major sectors

Fig 135 – ... led by a sharp dip in oil exports

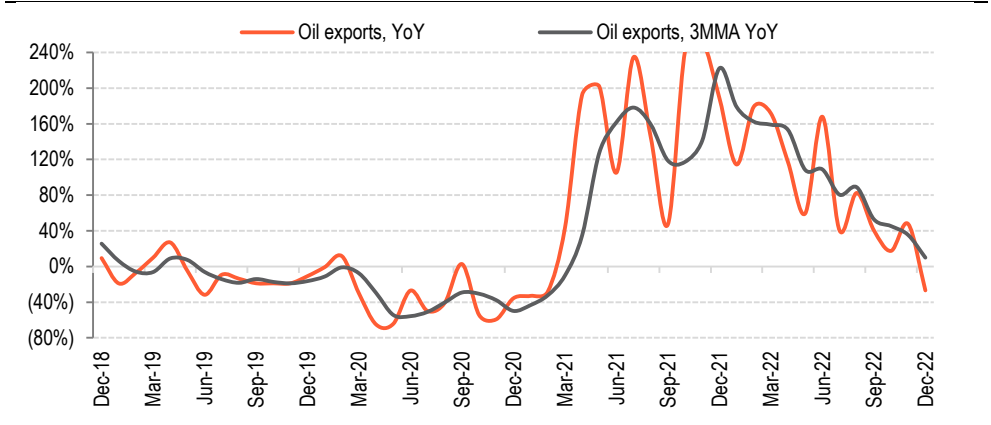


Fig 136 – Non-oil exports also contracted

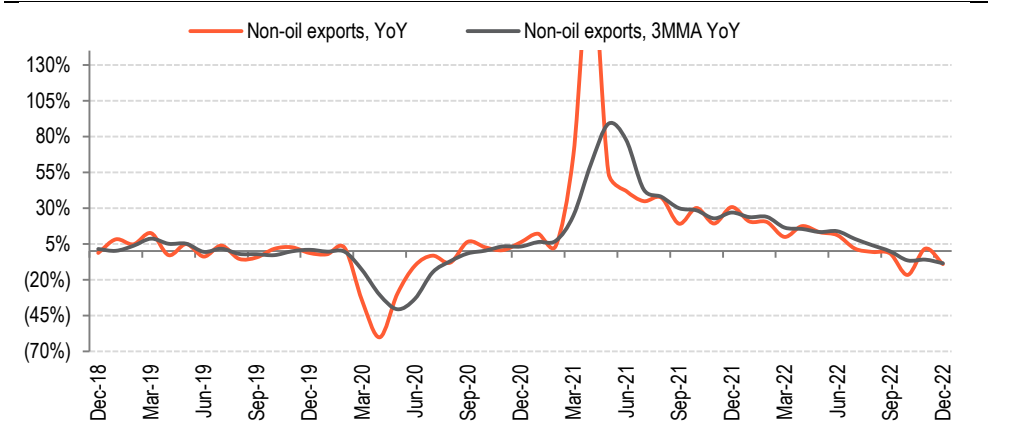
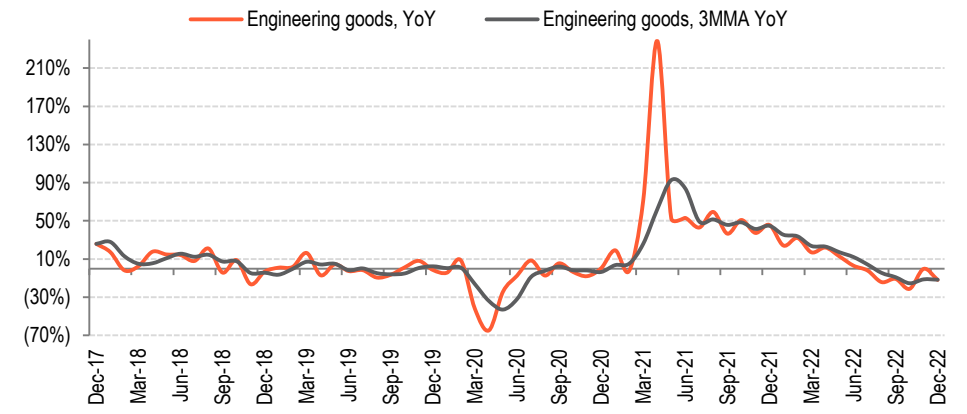
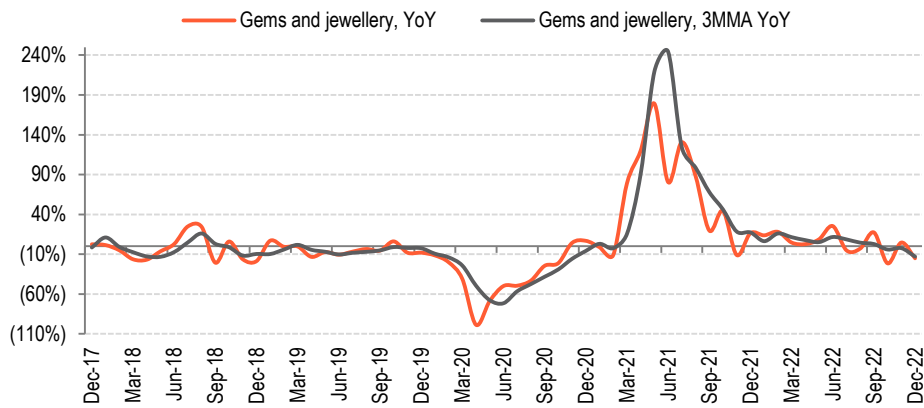


Fig 137 – Gems and jewellery exports contract by 15.2% in Dec'22 versus an increase of 4.6% in Nov'22

Fig 138 – Engineering goods also decline sharply by 11.9% in Dec'22



Imports

Fig 139 – Imports also decline by 3.5% in Dec'22 compared with an increase of 9.8% in Nov'22

Fig 140 – .. as gold imports plunge sharply

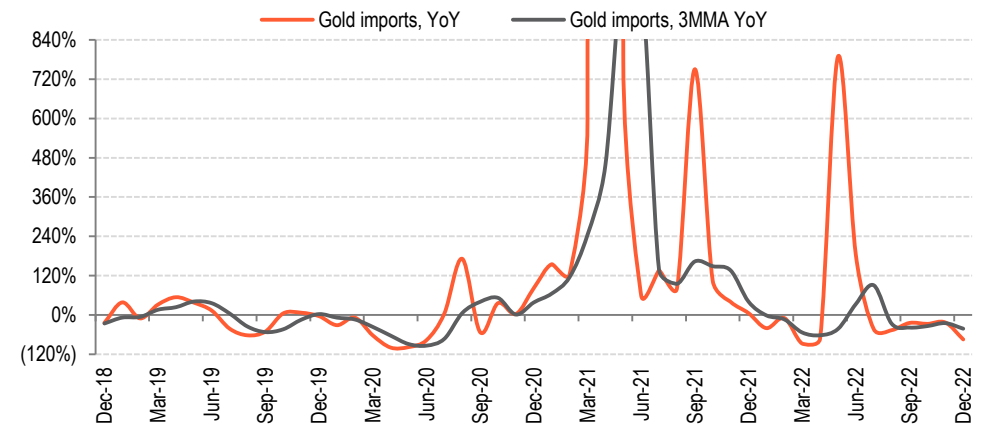
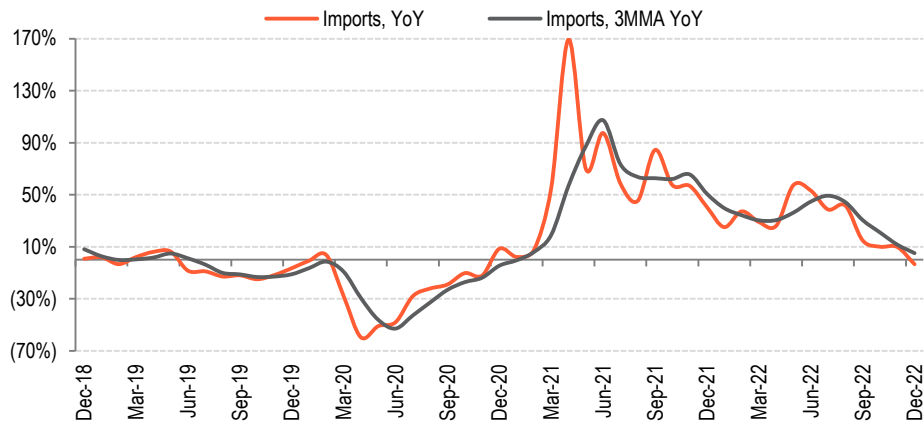


Fig 141 – Contraction in imports of project goods intensifies

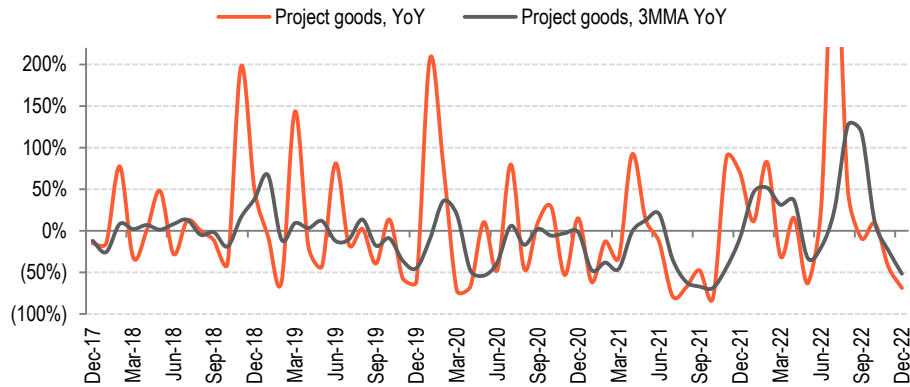


Fig 142 – Pearls and precious metals drop sharply in Dec'22

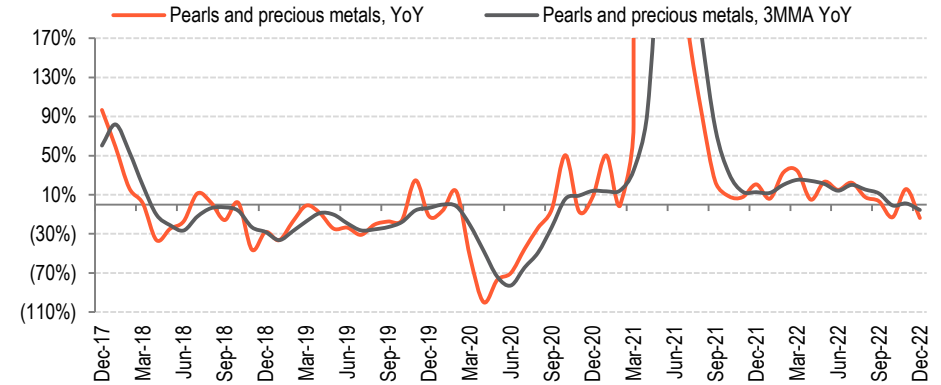


Fig 143 – Imports of organic and inorganic chemicals decline by

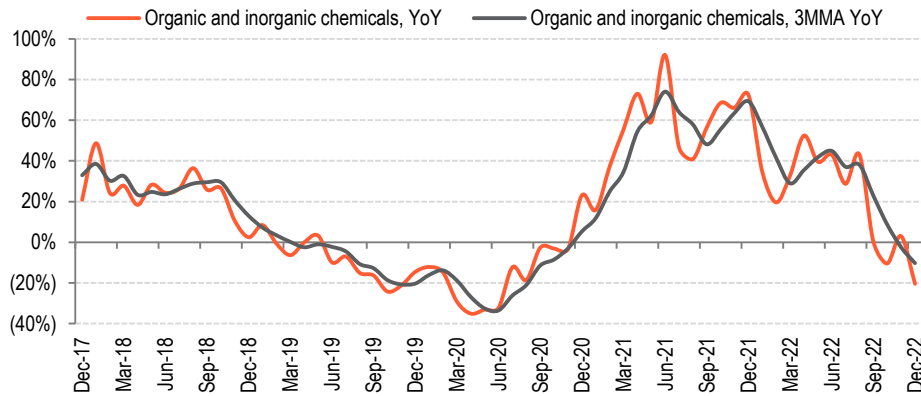
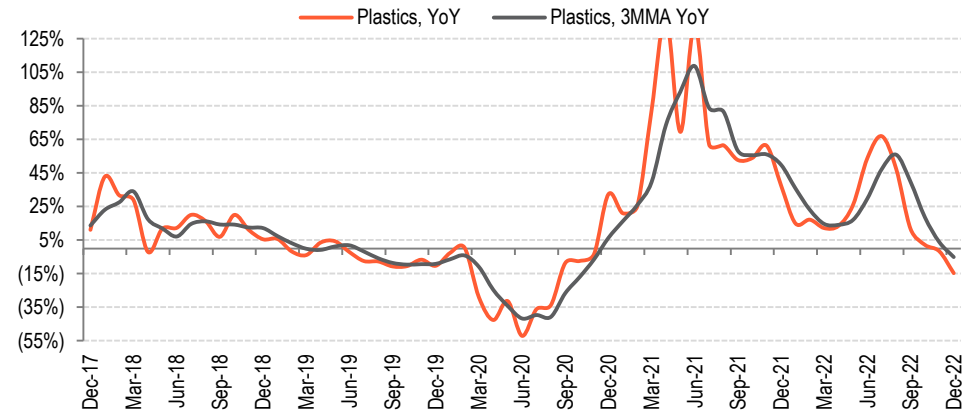


Fig 144 – Import of plastic and plastic products also dips



Exports and imports by major regions

Fig 145 – Exports to China have declined sharply in FYTD23

Region (% YoY)	Share in FY22	FYTD22	FYTD23	Oct-22	Nov-22	Dec-22
Americas	23.8	53.4	10.8	(15.7)	12.5	(5.0)
Asia and Pacific (Ex. China)	27.2	51.8	(3.7)	(21.4)	(16.5)	(28.8)
China	5.1	12.2	(35.6)	(44.2)	(31.3)	(25.3)
Europe	20.6	62.2	18.0	(2.3)	17.6	12.0
Middle East and Africa	22.8	55.5	29.8	2.5	36.0	21.0
Other	0.6	45.9	132.7	20.5	188.2	22.8

Fig 146 – Imports from all regions have moderated in FYTD23

Region (% YoY)	Share in FY22	FYTD22	FYTD23	Oct-22	Nov-22	Dec-22
Americas	11.8	67.3	18.3	2.1	14.5	(0.5)
Asia and Pacific (Ex. China)	24.2	56.5	28.4	3.5	5.9	9.7
China	15.4	49.5	11.9	(9.7)	(5.4)	(7.8)
Europe	13.9	61.7	1.6	(15.2)	2.9	(16.2)
Middle East and Africa	32.3	97.4	26.7	19.3	(0.9)	(13.7)
Other	2.3	46.9	278.1	397.1	395.3	231.1

Trade deficit

Fig 147 – Trade deficit at US\$ 23.8bn in Dec'22, US\$ 218.9bn in FYTD23

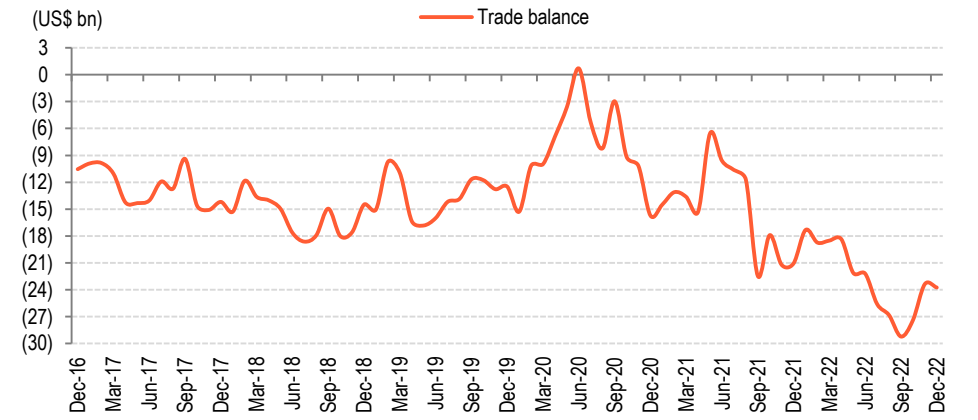
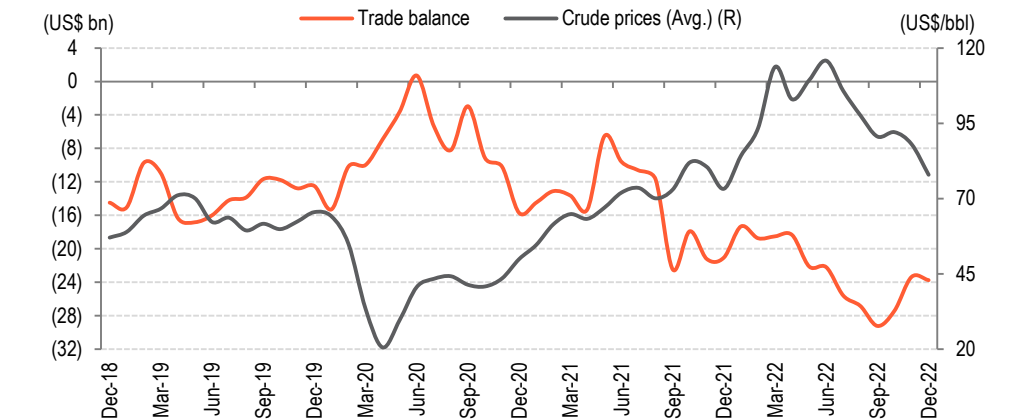
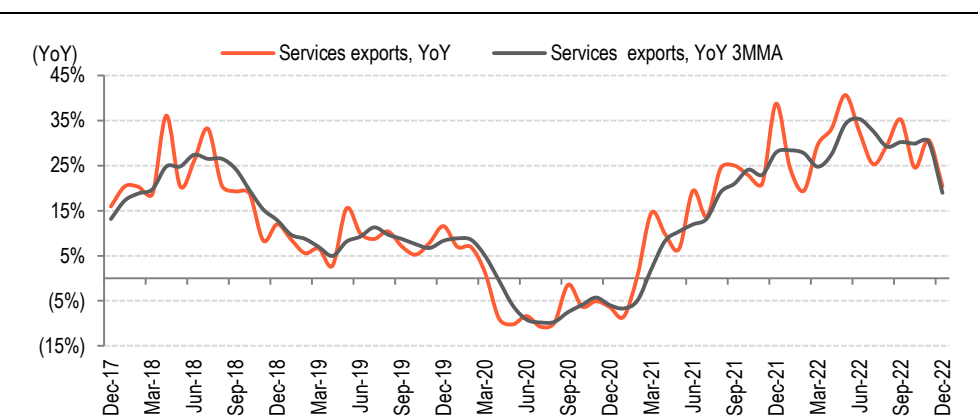


Fig 148 – Oil prices have softened



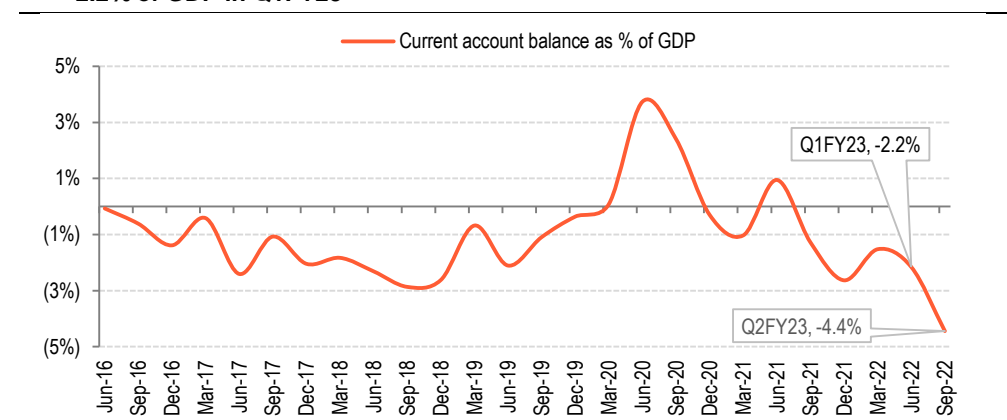
Trade in services

Fig 149 – Services exports ease to 20.4% in Dec'22 from 30.7% in Nov'22



BoP

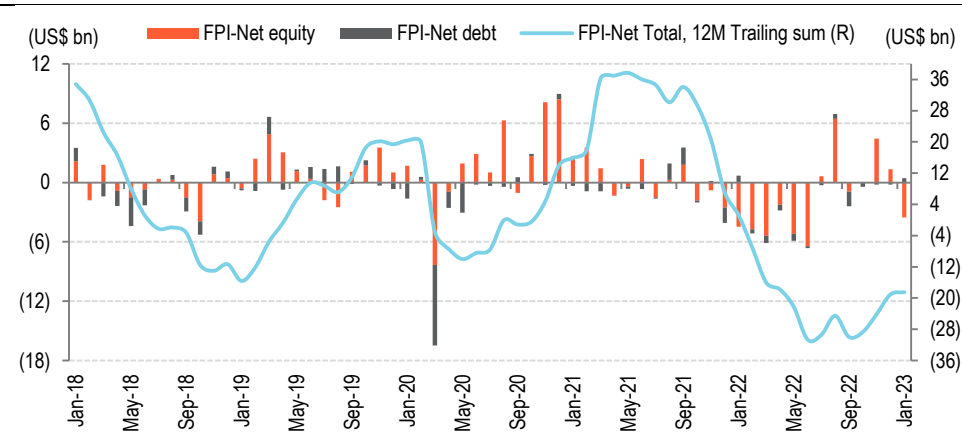
Fig 150 – India's current account deficit expanded to 4.4% of GDP in Q2FY23 from 2.2% of GDP in Q1FY23



Foreign inflows

FPI inflows

Fig 151 – FPI outflows resume in Jan'23 at US\$ 3.2bn



Source: Bloomberg

Fig 153 – FDI inflows moderated across industries in Q2FY23

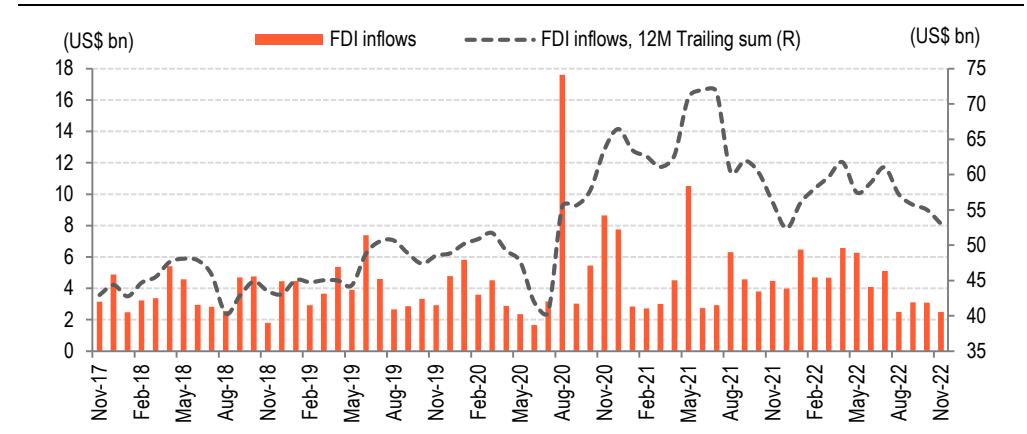
Sector	% Share FY22	FYTD22	FYTD23	Q4FY22	Q1FY23	Q2FY23
Computer software and hardware	43.8	7.1	6.3	4.2	3.4	2.9
Construction (Infrastructure) activities	13.2	1.2	1.0	1.7	0.7	0.3
Services Sector	8.5	3.2	4.2	1.8	2.6	1.6
Trading	4.4	2.1	3.3	1.5	2.0	1.2
Automobile industry	2.7	4.9	0.9	1.0	0.7	0.2
Drugs and Pharmaceuticals	2.5	0.6	0.7	0.2	0.5	0.2
Metallurgical industries	2.2	1.3	0.1	0.9	0.1	0.0

Source: DIPP

Forex reserves and external debt

FDI inflows

Fig 152 – FDI equity inflows ease to US\$ 2.5bn in Nov'22 from US\$ 3.1bn in Oct'22



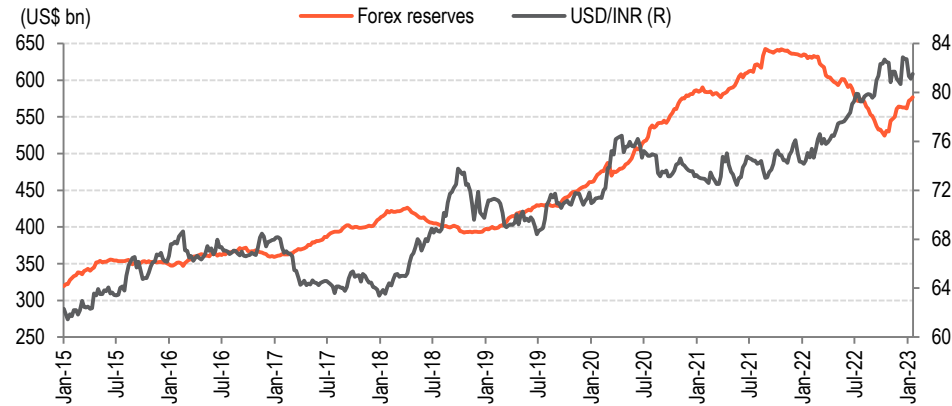
Source: RBI, Bank of Baroda Research

Fig 154 – Barring UK, FDI inflows from other regions slowed down in Q2FY23

Country (US\$ bn)	% Share FY22	FYTD22	FYTD23	Q4FY22	Q1FY23	Q2FY23
Singapore	27.0	8.1	10.0	4.2	5.7	4.3
US	17.9	4.6	2.6	3.0	1.5	1.1
Mauritius	16.0	4.3	3.3	2.8	2.4	0.9
Netherlands	7.9	2.1	1.8	2.0	1.1	0.7
UK	2.8	1.1	0.9	0.2	0.3	0.6
Japan	2.5	0.8	1.2	0.6	0.9	0.3

Source: DIPP

Fig 155 – India’s FX reserves rise to US\$ 576.8bn in Jan’23, down US\$ 53bn in FYTD23



Source: Bloomberg | Weekly data as of 27 Jan 2023

Fig 156 – India’s import cover improves marginally in Dec’22 supported by increase in FX reserves

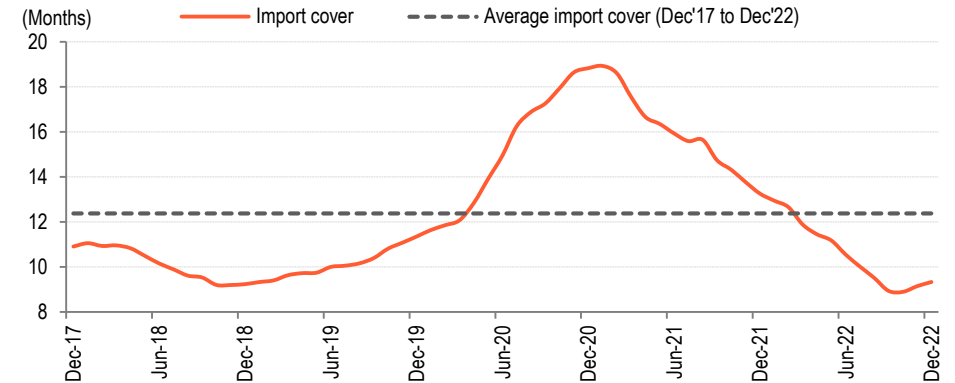


Fig 157 – RBI’s bought US\$ 4.4bn in the spot market in Nov’22

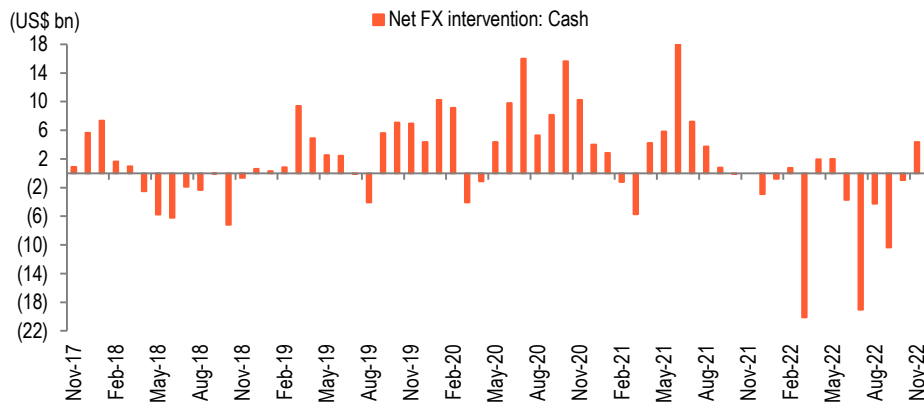
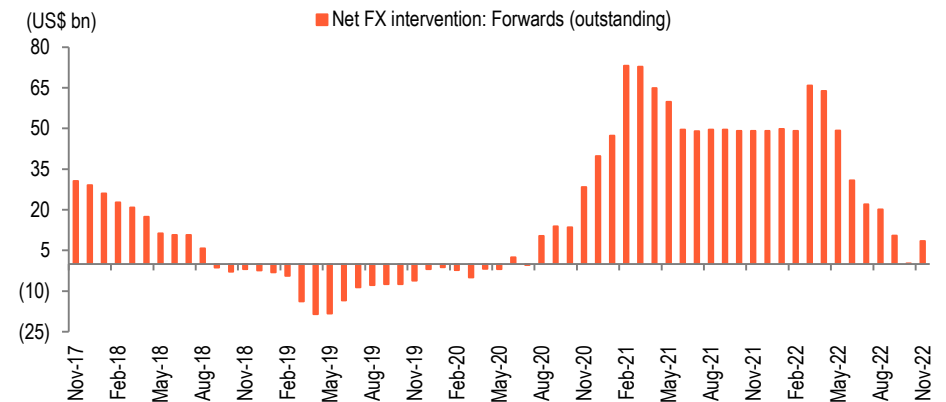


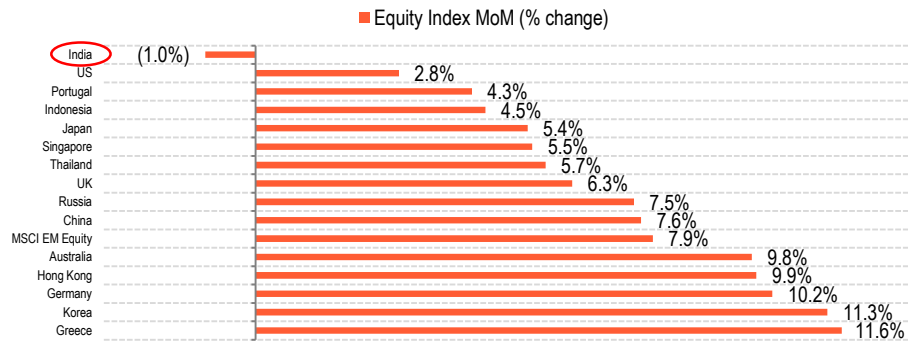
Fig 158 – RBI’s outstanding forwards position improves in Dec’22 to US\$ 8.5bn



Markets

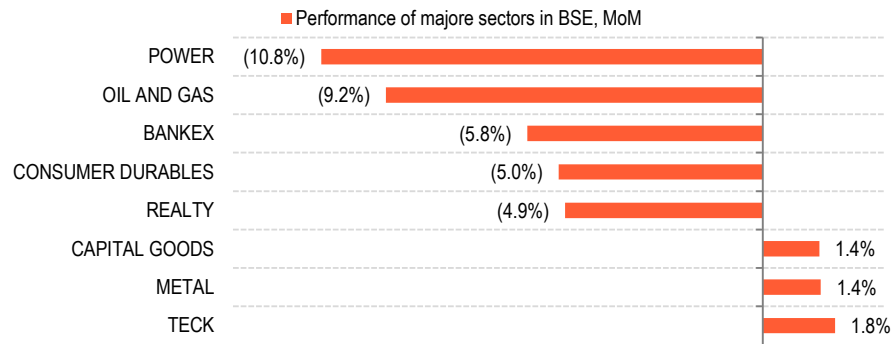
Equity

Fig 159 – In Jan'23, Sensex fell by 1%, underperforming MSCI EM which rose by 7.9%



Source: Bloomberg | * As on 31 Jan 2023, Indices are in US\$ terms

Fig 161 – Power and oil and gas stocks fell the most in Jan'23

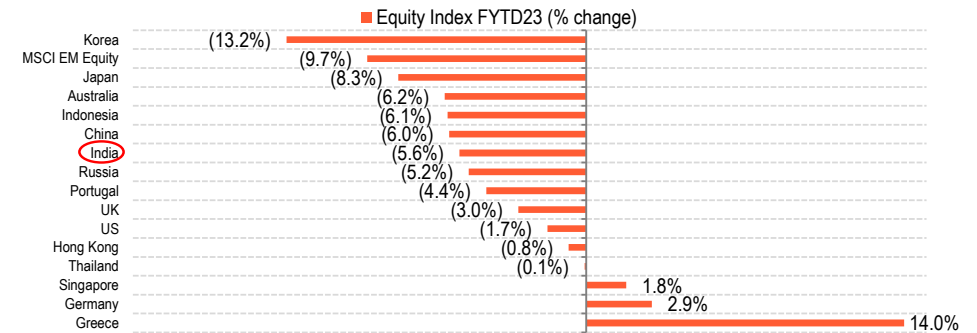


Source: Bloomberg | As on 31 Jan 2023

10-year bond yields

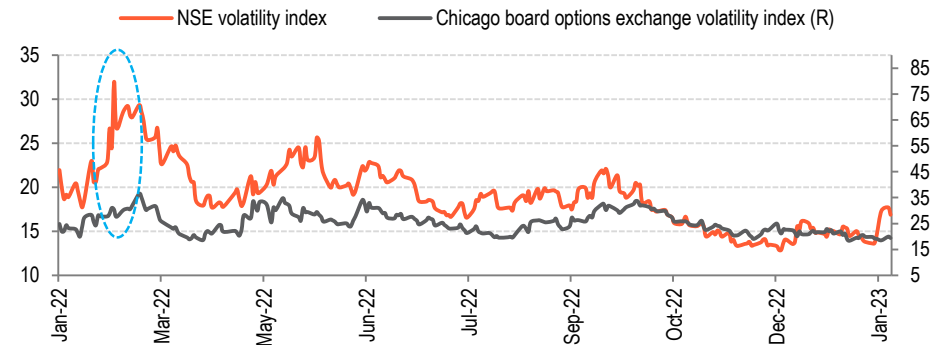
Fig 163 – On MTD basis, India's 10Y yield rose by only 3bps supported by lower than expected government borrowing plan in FY24

Fig 160 – In FYTD23 as well, Sensex fell by 5.6%



Source: Bloomberg | * As on 31 Jan 2023, Indices are in US\$ terms

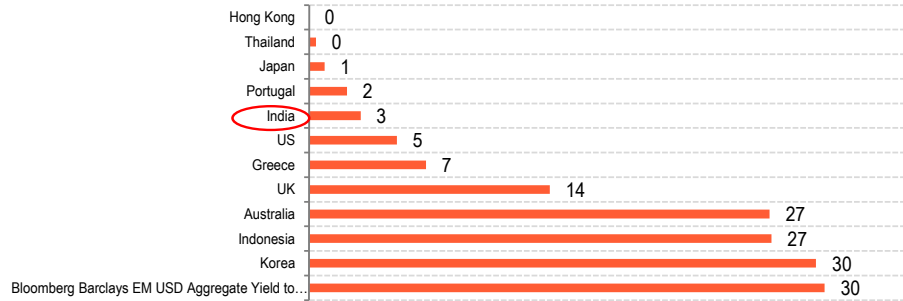
Fig 162 – VIX index rose to 16.88 in Jan'23 from 14.87 in Dec'22



Source: Bloomberg

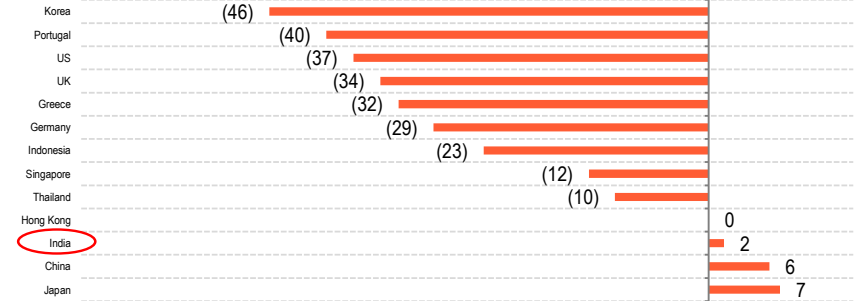
Fig 164 – In Jan'23, India's 10Y yield rose by only 2bps, while major global yields have fallen

10 year generic yields movement MTD (31 Jan-6 Feb), bps



Source: Bloomberg | As on 6 Feb 2023

10 year generic yields, MoM, bps



Source: Bloomberg | As on 31 Jan 2023

Currencies

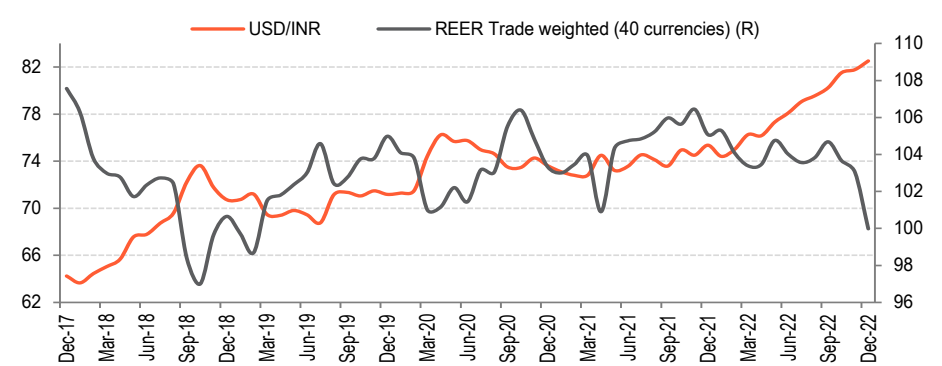
Fig 165 – INR appreciated by 1% in Jan'23



Source: Bloomberg | *As on 31 Jan 2023

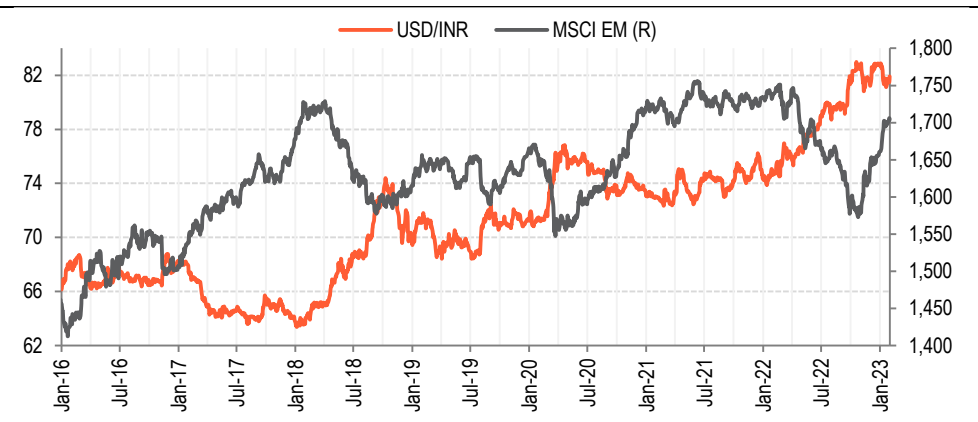
Fig 167 – Other EM currencies also gained..

Fig 166 – USD/INR and REER

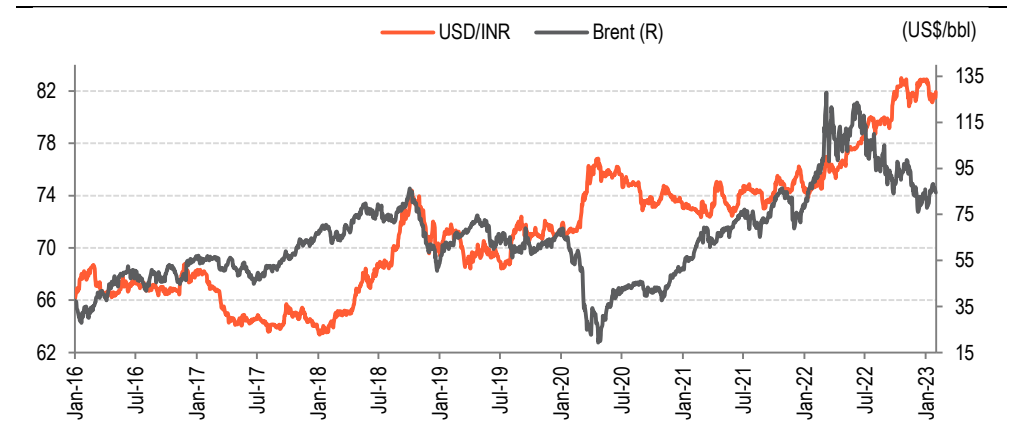


Source: Bloomberg

Fig 168 – .. as oil prices were lower on an average

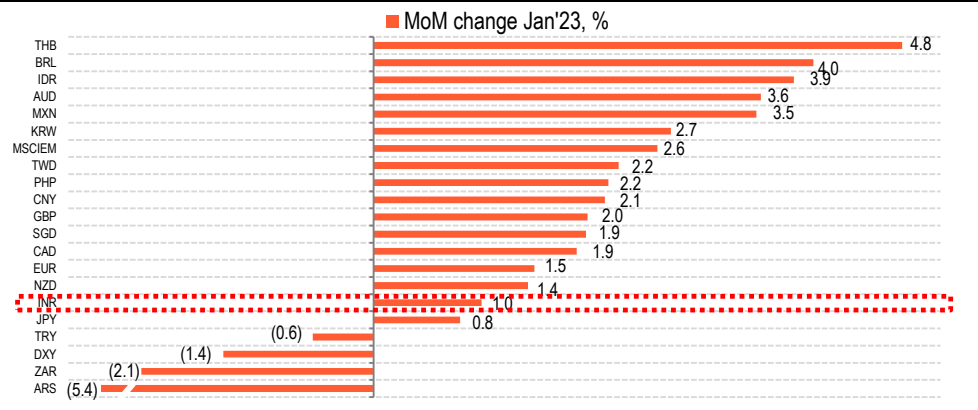


Source: Bloomberg | *As on 31 Jan 2023



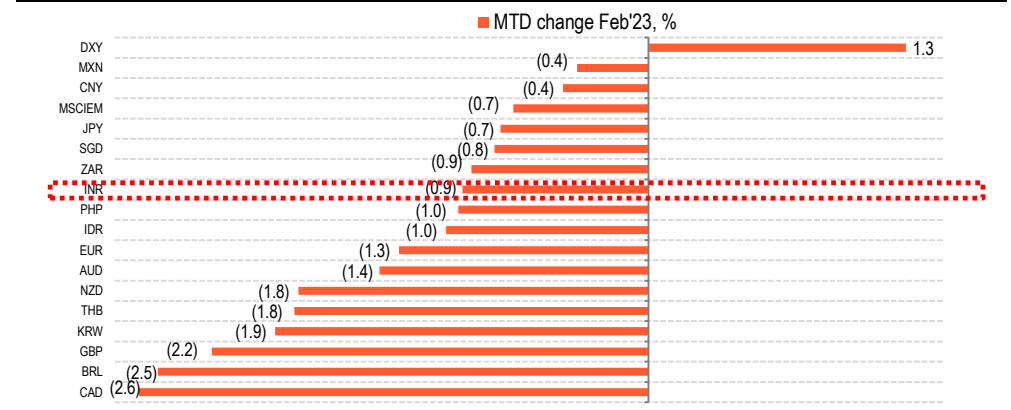
Source: Bloomberg | *As on 31 Jan 2023

Fig 169 – INR appreciated by 1% in Jan'23



Source: Bloomberg | *As on 31 Jan 2023

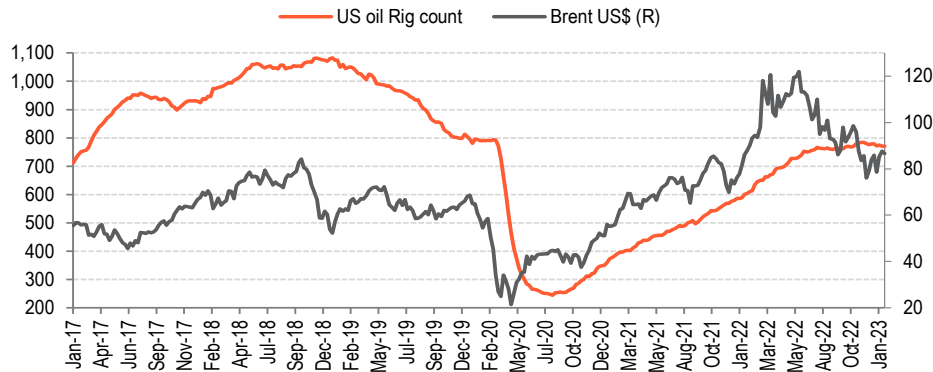
Fig 170 – However, INR has depreciated in Feb'23 amidst a resurgence in dollar



Source: Bloomberg | *As on 7 Feb 2023

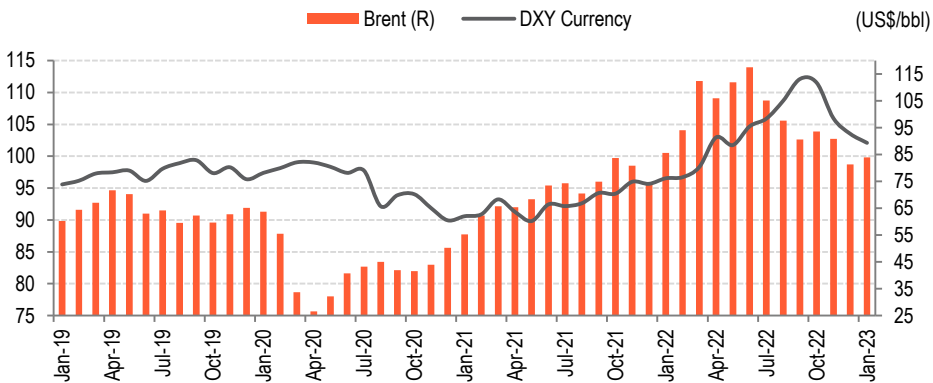
Commodities

Fig 171 – US rig count showed some moderation in Jan'23



Source: Bloomberg

Fig 173 – Oil prices (average) rose to US\$ 84/bbl in Jan'23 from US\$ 81/bbl in Dec'22, DXY fell to 102.10 from 103.52 on expectation of slower pace of rate hike by Fed

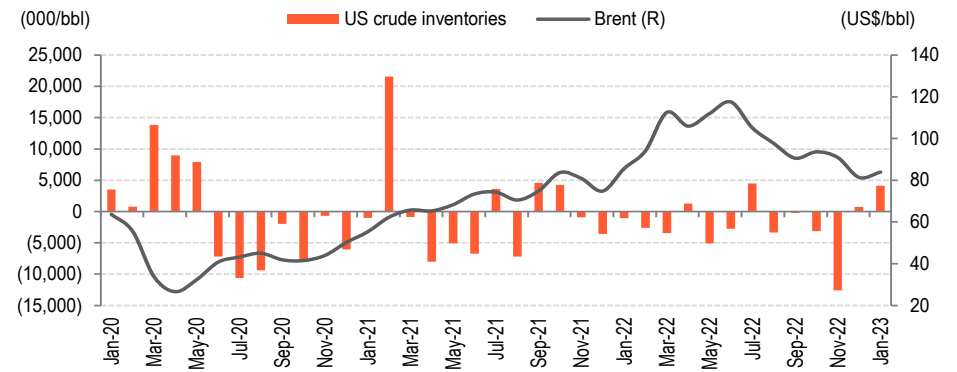


Source: Bloomberg | DXY Index as on last trading day of the month

Fig 175 – Performance of high frequency indicators

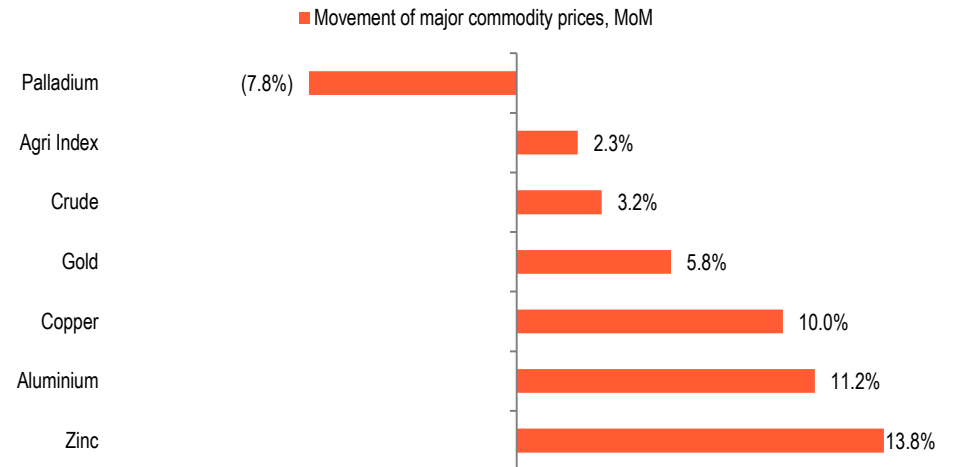
Indicators	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Agriculture													

Fig 172 – US crude oil inventory rose in Jan'23



Source: Bloomberg

Fig 174 – Commodity prices inching up on better demand outlook of China



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

Tractor sales	(27.8)	(26.4)	(11.6)	38.1	47.7	(10.9)	(12.2)	(1.0)	18.9	3.6	4.4	19.2	
Two wheeler sales	(13.4)	(10.7)	(4.0)	38.1	197.7	20.2	(10.9)	8.5	9.0	51.1	23.6	(11.2)	10.1
MNREGA work (HH, MoM)	(2.8)	1.9	1.1	(3.3)	32.2	3.3	(35.7)	(21.7)	4.7	(7.1)	19.4	14.2	(2.4)
Manufacturing													
IIP: General index	2.0	1.2	2.2	6.7	19.7	12.6	2.2	(0.7)	3.5	(4.2)	7.1	-	-
IIP: Manufacturing	1.9	0.2	1.4	5.6	20.7	12.9	3.0	(0.5)	2.2	(5.9)	6.1	-	-
IIP: Capital goods	1.8	1.3	2.4	12.0	53.3	28.6	5.7	4.3	11.4	(1.7)	20.7	-	-
IIP: Infra & construction goods	5.9	8.6	6.7	4.0	18.4	9.4	4.8	2.1	7.7	1.1	12.8	-	-
IIP: Consumer goods	(4.4)	(9.7)	(3.1)	7.2	59.1	25.2	2.3	(4.4)	(3.2)	(17.8)	5.1	-	-
Steel	3.8	5.6	4.1	2.5	15.1	3.3	7.5	5.2	5.7	6.5	11.7	9.2	-
Cement	14.1	4.2	9.0	7.4	26.2	19.7	0.7	1.8	12.4	(4.3)	29.0	9.1	-
Electricity	0.9	4.5	6.1	11.8	23.5	16.5	2.3	1.4	11.6	1.2	12.7	10.0	-
PMI: Manufacturing	54.0	54.9	54.0	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4
Services													
Services PMI index	51.5	51.8	53.6	57.9	58.9	59.2	55.5	57.2	54.3	55.1	56.4	58.5	57.2
Automobile sales	(10.7)	(9.2)	(2.9)	37.3	206.8	27.2	(7.8)	8.3	10.9	47.6	25.7	(5.4)	13.6
Passenger vehicle sales	(10.1)	(7.8)	(4.9)	26.6	204.3	40.2	(4.7)	6.5	9.7	40.6	21.3	8.1	21.9
Vehicle registration	(12.9)	(9.5)	(3.8)	37.6	208.5	21.6	(8.6)	7.5	7.1	48.1	18.7	(6.7)	13.5
Rail freight traffic	7.7	6.6	6.7	9.4	14.6	11.3	8.3	7.9	9.1	1.4	5.2	3.1	5.1
Port cargo volume	(3.1)	(3.9)	0.8	5.5	8.9	13.5	15.1	8.0	14.9	3.6	2.0	10.4	12.2
Credit growth	7.1	8.1	8.6	10.0	11.4	12.3	13.4	14.3	19.0	15.8	16.1	14.9	16.5
Deposit growth	8.3	8.6	8.9	10.0	8.8	8.6	9.2	9.5	12.5	8.9	9.8	9.2	10.6
CIC	8.0	8.6	9.7	10.1	8.6	8.0	8.1	8.1	8.2	9.0	7.9	8.2	8.5
Toll collection (in mn)	231.0	243.6	270.4	265.4	285.4	277.9	265.2	272.0	259.2	283.0	285.6	308.0	300.8
Diesel consumption	(6.4)	(0.9)	6.6	7.9	31.7	23.9	8.2	13.0	13.4	5.5	19.2	6.5	15.8
GST E-way bill (in mn)	68.8	69.1	78.2	75.2	73.6	74.5	75.6	78.2	84.0	76.9	80.7	84.1	-
External Trade													
Merchandise exports	27.9	34.5	26.4	29.1	20.8	30.2	8.1	10.9	4.8	(11.6)	9.6	(12.2)	-
Merchandise imports	25.1	37.2	29.0	26.1	57.4	53.2	38.7	41.7	14.9	10.0	9.8	(3.5)	-
Services exports	24.2	19.1	29.3	25.1	32.2	24.6	20.2	24.3	29.7	24.6	30.7	20.4	-
Services imports	33.8	24.8	25.0	46.1	52.7	45.5	22.3	27.1	28.1	15.9	21.7	5.7	-

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

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