



Ministry Of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
& STATES
DIVISION

MONTHLY ECONOMIC REPORT

NOVEMBER 2020





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STATE OF THE ECONOMY

Q3 of 2020 continues to exhibit signs of significant economic recovery aided by targeted policy making in the three tranches of Atmanirbhar Bharat and multiple sectors of the economy adapting to the new normal. Although the festival season brought about a rise in the number of COVID-19 cases, India was placed seventh in the global rank of active COVID-19 cases thereby moving five spots downward from her previous rank. Experts foresee continued developments in Q3 with cautious optimism, grounded in the need to continue following the safety protocols required in the fight against the pandemic.

Additional government expenditure including the extension of the Emergency Credit Line Guarantee Scheme (ECLGS) has been taken up for the purpose of liquidity infusion. In the April-October 2020 period, fiscal deficit was placed at US\$ 1.37tn and the GDP exhibited a growth of 23 percent through the quarter. Liquidity infusion through corporate bonds, increase in fixed investment, weakening of the dollar and signs of recovery in sectors including logistics have contributed towards the V-shaped recovery process.

With regard to sectoral growth, domestic aviation is recovering from its seven-month lull and port cargo traffic has nearly recovered to the levels exhibited in 2019. The increase in freight traffic and toll collections have contributed to the growth of the Power and Roadways sectors. The MGNREGS programme has facilitated

a rise in rural wages, anchored in the demand for labour during the rabi sowing season. The agriculture sector has also exhibited vibrant growth through the rabi season, subsequently enhancing the rice procurement and minimum support prices to strengthen the rural economy. The Oil and Natural Gas sector experienced a contraction in the production and export of petroleum products despite the potential for increased domestic demand. The Manufacturing PMI was maintained at 56.3 and the PMI Services index recovered from a seven month contraction spell. The disproportionate rise of inflation among developed and developing economies will continue to threaten supply in emerging markets.

The rise of FDI inflows to US\$ 40bn in the first half of 2020 and the FPI volume of US\$ 8.5bn this month further cement India's place as a favoured destination for foreign investments. Foreign exchange reserves have reached a record benchmark of US\$ 575bn despite the contraction in imports. Barring excise duty collection, negative growth has been registered in Gross Tax Revenue by 16.8 percent.

With regard to the COVID-19 situation as of November 30, 2020, the Ministry of Health and Family Welfare reported a national count of 9,431,691 confirmed cases. A total of 137,582 total deaths have been reported till date. It would appear that the festive season has contributed to a marginal spike in the number of cases.

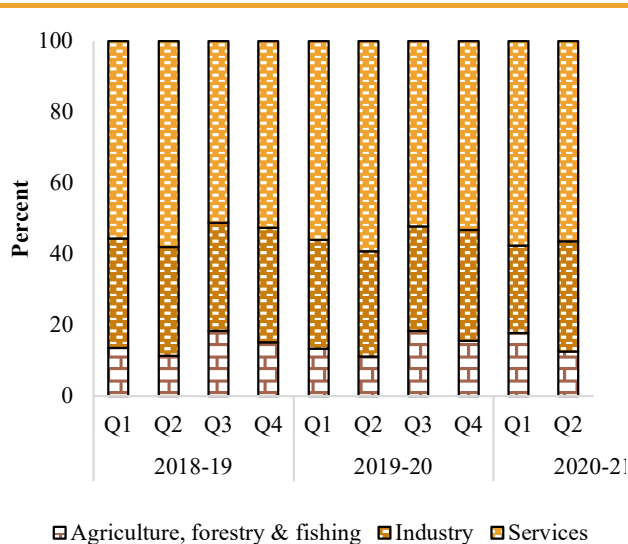
ECONOMIC INDICATORS EMBODYING THE REVIVAL OF THE ECONOMY

i. Agriculture Sector

The agriculture sector in India is one that has exhibited consistent growth across the Q1 and Q2 of 2020-21 in terms of Gross Value Add (GVA). The rabi season has been marked by a 43.3 percent increase in pulse output, a 90 percent full reservoir level (FRL) storage capacity and tractor sales to optimally support the harvesting of the crop. A target of 301mn tonnes has been finalized for the crop year 2020-21, as the 2019-20 crop year yielded a record crop volume of US\$ 296.65mn tonnes, 4% higher than the previous year.

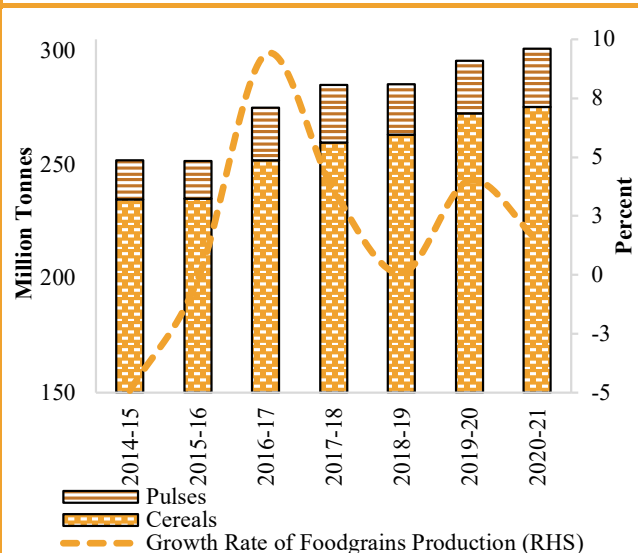
Rabi acreage as of November 27, 2020 increased by 4.02 percent to 348.24 lakh hectares as against the previous year. 208.81 lakh tonnes of rice have been procured as of November 27th as against the national target of 495.37 lakh tonnes for the 2020-21 period. This has signaled a substantial increase in the central pool stocks and the improved distribution of grain among the needy through the Pradhan Mantri Garib Kalyan Package.

Figure 13: Share of Agriculture in GVA in India



Data Source: MOSPI

Figure 14: Foodgrain Production in India



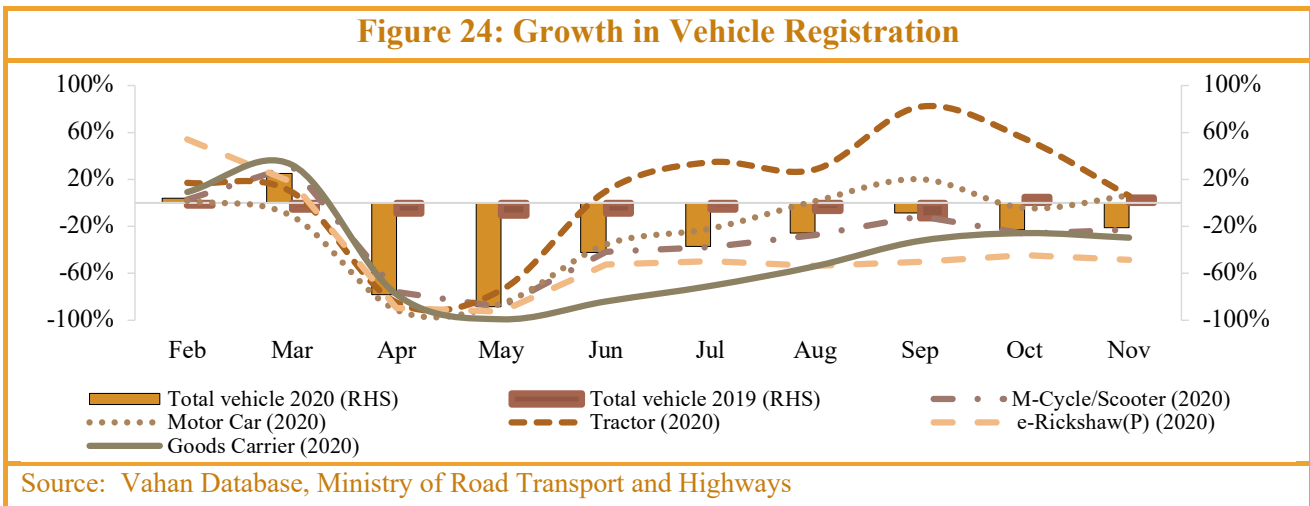
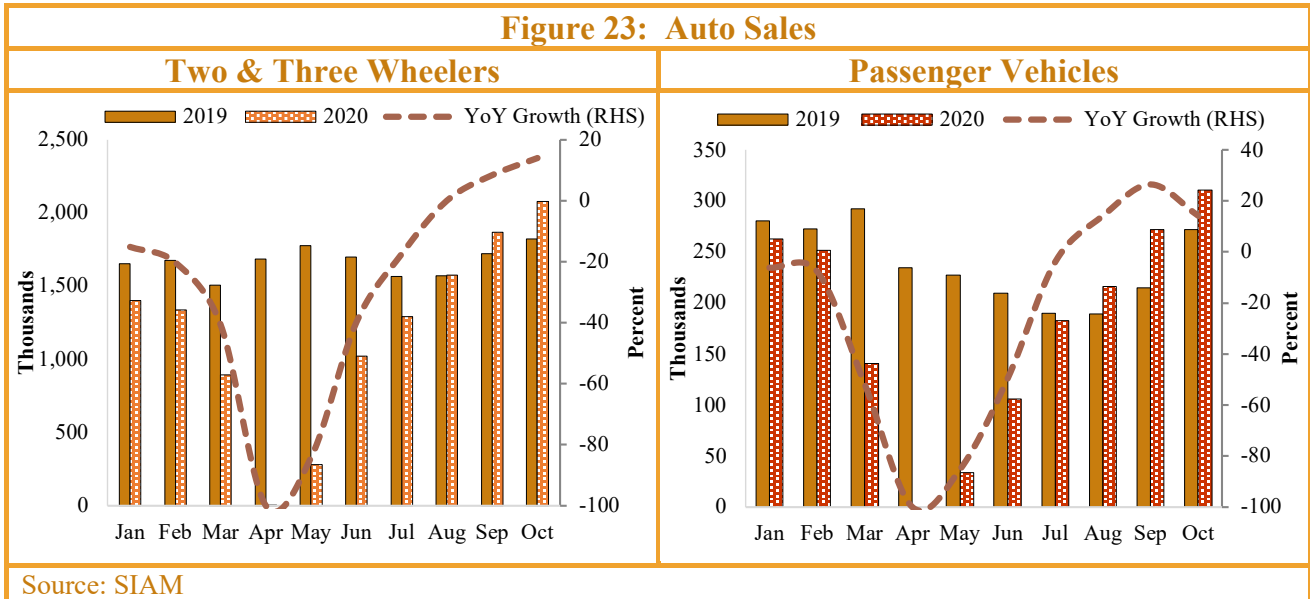
Data Source: Ministry of Agriculture.
Data for 2020-21 are targets and for 2019-20 are as per 4th Advance Estimates



ii. Demand in the Automobile Sector

Given the festive season, the sale of two and two wheelers has witnessed a year-on-year increase in comparison to October last year. Car registrations have also witnessed a marginal year-on-year increase. Autocar reports a 9 percent increase in the sale of units in comparison

to the sales recorded in November 2019. A 22% decrease in bike registrations during the month signalled a decrease in retail demand despite the 15 percent year on year growth. The month of November has witnessed a slowing down of the contraction prevalent in the sector during the preceding months.



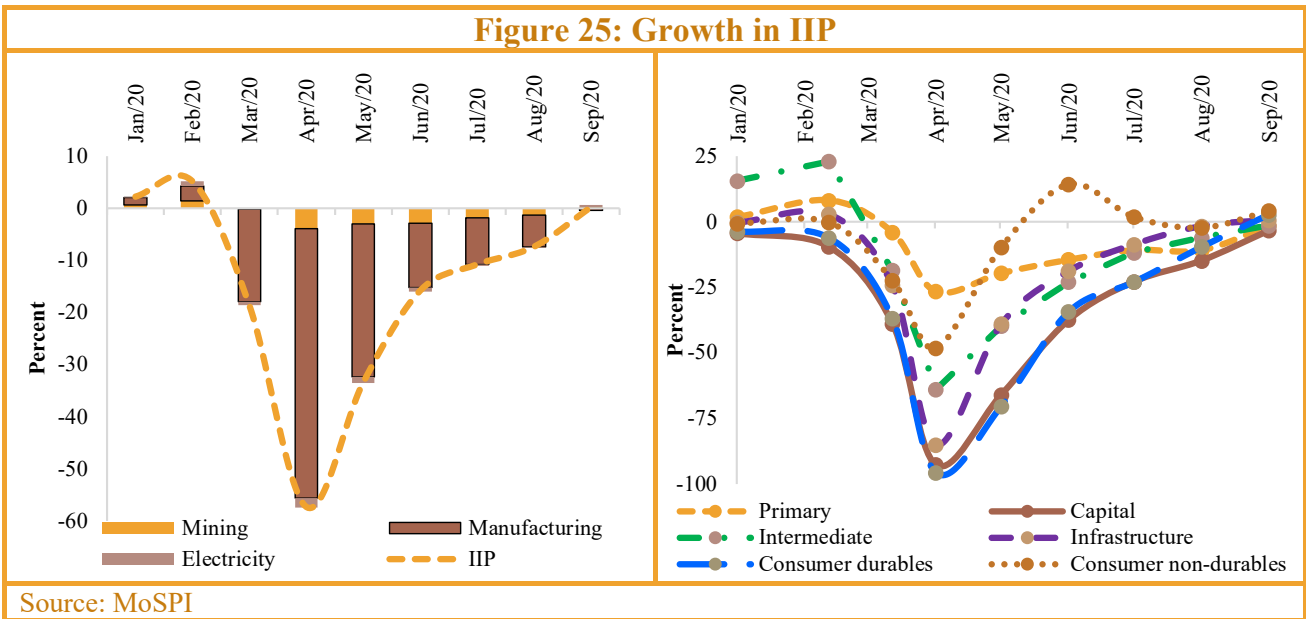


iii. Growth in Industrial Production

A growth in manufacturing has fueled a rise in Gross Value Added (GVA) growth in the agriculture and electricity sectors, with the former registering a 3.4 point growth in Q2. The electricity sector has also exhibited a similar trajectory of growth in Q2. Industrial GVA has exhibited recovery through a slowdown in contraction as evidenced by the (-)2.1 percent y-o-y

growth from (-)39.3 percent in Q1. The construction sector registered a growth of (-)8.6 percent in Q2 fueled by the demand for steel and cement. The hospitality and construction sub-set of the services sector has also registered recovery of (-)15.6 percent in Q2. Sectoral deployment of credit to industries contracted by 1.7 percent in October in comparison to the 3.4 percent growth in the previous year.

Figure 25: Growth in IIP

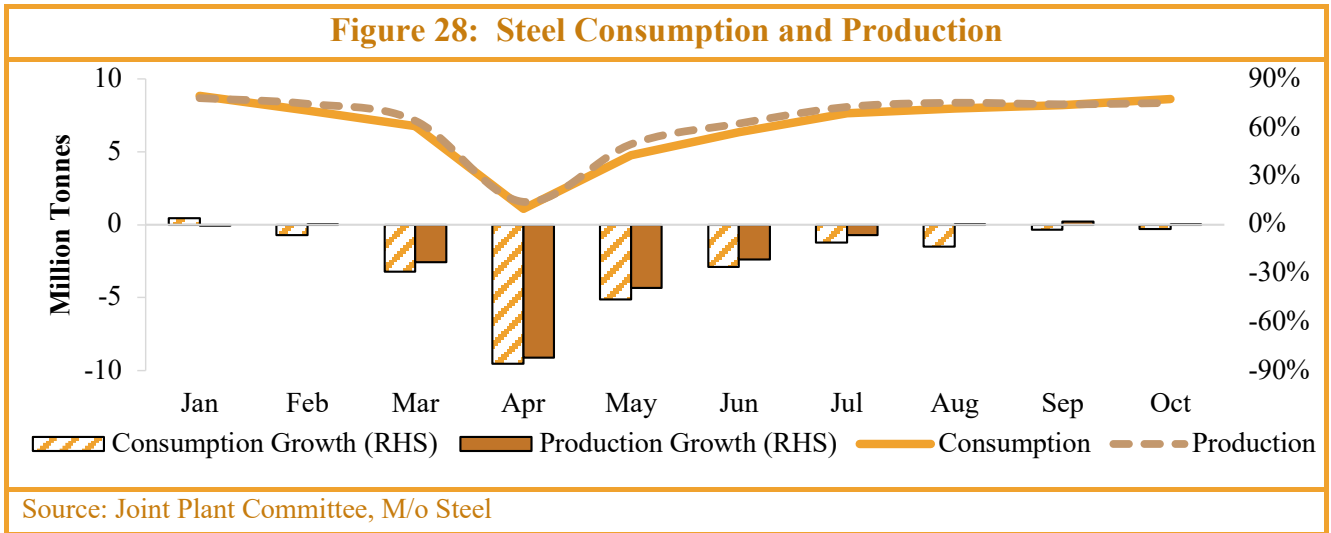




iv. Growth of the Steel Sector

With the gradual revival of construction activity and demand for allied products, the steel sector has exhibited limited contraction and exhibited production

based growth of 0.4 per cent in October. The sectoral contraction has progressed from 13.4 percent in August to 2.6 percent in October.





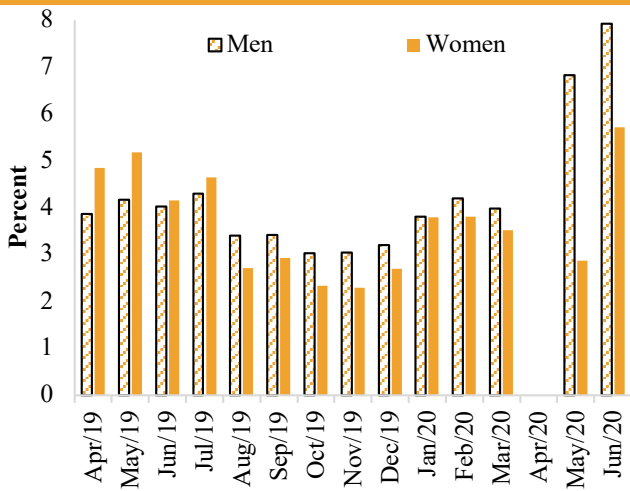
v. The role of MGNREGS

As the pandemic witnessed waves of reverse migration among the labourer population, the Pradhan

Mantri Garib Kalyan Rozgar Yojana has allocated a package of Rs 10,000 crore to boost rural employment and help

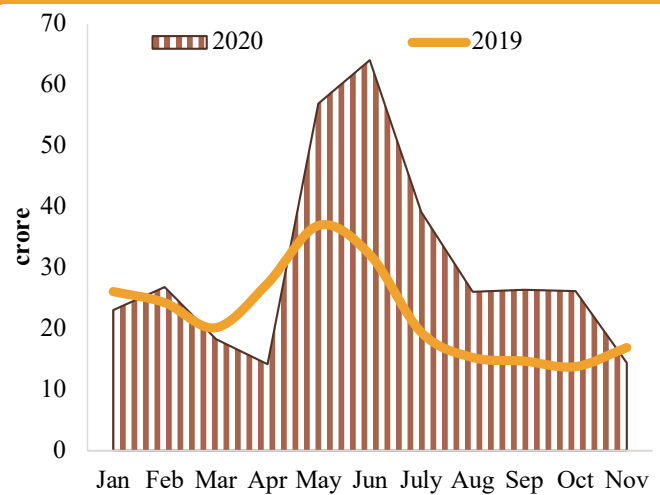
increase income levels. The effectiveness of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has been manifested in the 51.3 percent increase in person days in comparison to the previous year.

Figure 19: Agricultural Nominal Wages



Source: Labour Bureau

Figure 20: Supply of work under MGNREGS



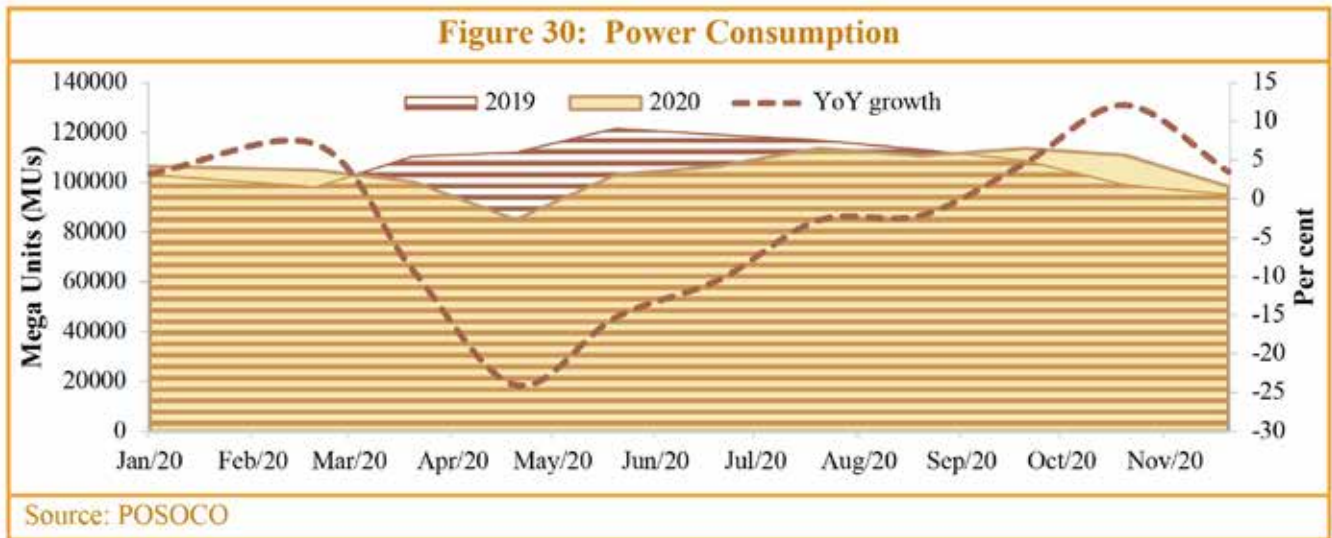
Source: M/o Rural Development



vi. Power Consumption and E-Way Bills

Power consumption exhibited a 3.5 percent growth in the month of November, which appears to be a moderation from the year-on-year growth figure

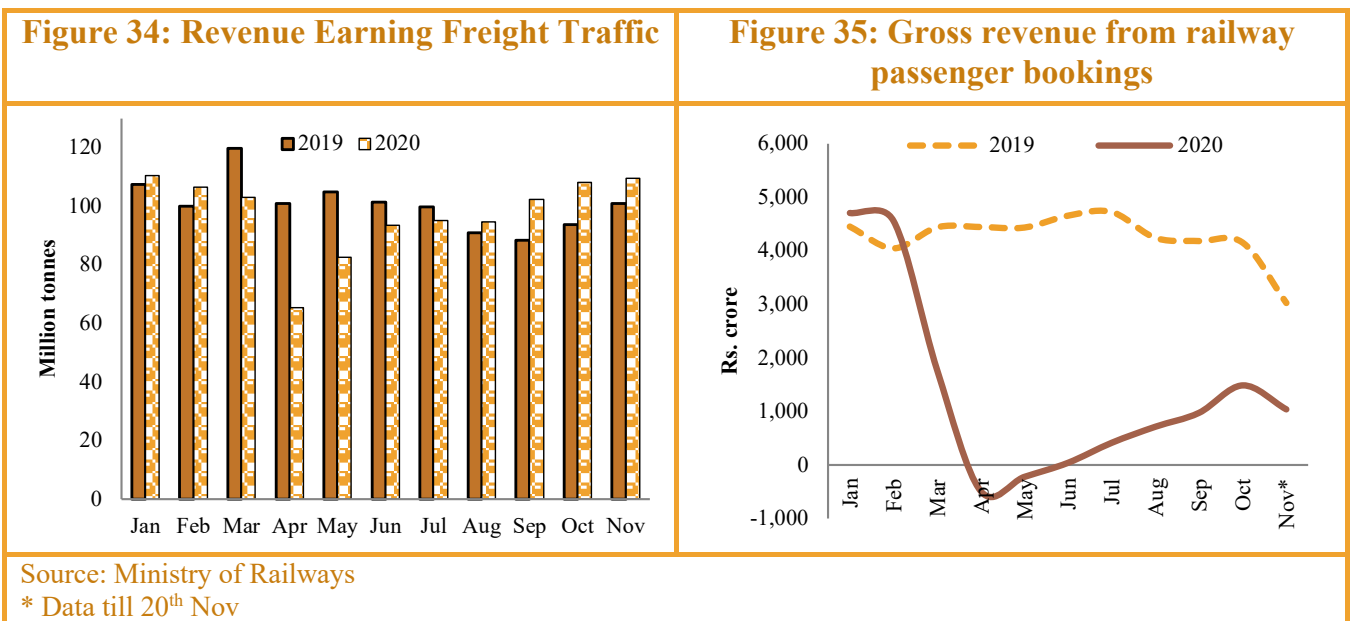
as of October. The sector, however, is progressing towards sustainable growth through revival in industrial activity.



vii. Quantum of Rail Freight

As of November 20, 2020 railway bookings have been recorded at US\$ 14bn. The demand for railway services is set to increase with the scaling back of lockdowns, removal of restrictions in travel

from and to Punjab and transportation of food grains. A double digit growth in freight traffic has been recorded with commodities including domestic coal, pig iron, domestic containers, iron-ore, finished steel and pig iron being among those transported through railway carriers.



viii. Domestic Aviation and Cargo Traffic

The recovery of commodities export barring Oil and Natural Gas products has fueled the growth of cargo traffic. Cargo Traffic volumes, as of October 2020, have reached 98.7 percent of previous years' levels. Domestic

aviation has grown from 2.83 million passengers in August to 5.27 million passengers in October. With the festive season extending to December, aviation is expected to continue its growth trajectory.

Figure 34: Revenue Earning Freight Traffic

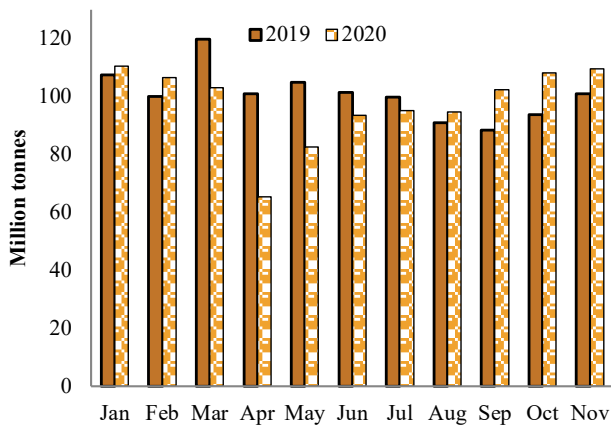
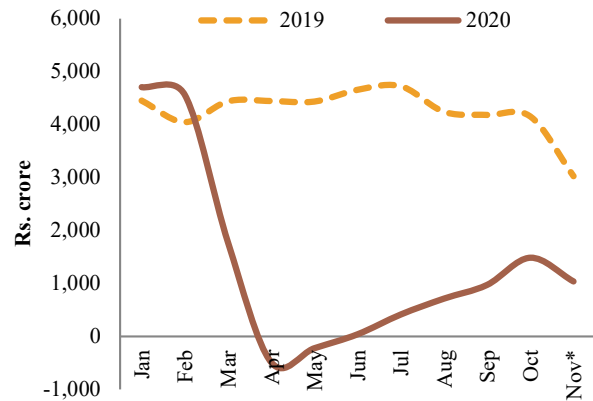


Figure 35: Gross revenue from railway passenger bookings



Source: Ministry of Railways

* Data till 20th Nov

ix. Digital Transactions and UPI

The increased adoption of UPI and digital payments has contributed significantly to the growth of the Banking and Finance sector in November. US\$ 5tn worth of transactions were facilitated through UPI Payments apps. The availability of

Aadhaar enabled payment system (AePS) and increased cash withdrawals have helped extend access to rural citizens and maintain the flow of cash in the economy. Operating profits of 23.2 percent were recorded among entities within the sector during Q2 of FY 2020-21.

Figure 40: Total Retail Financial Transactions via NPCI platform

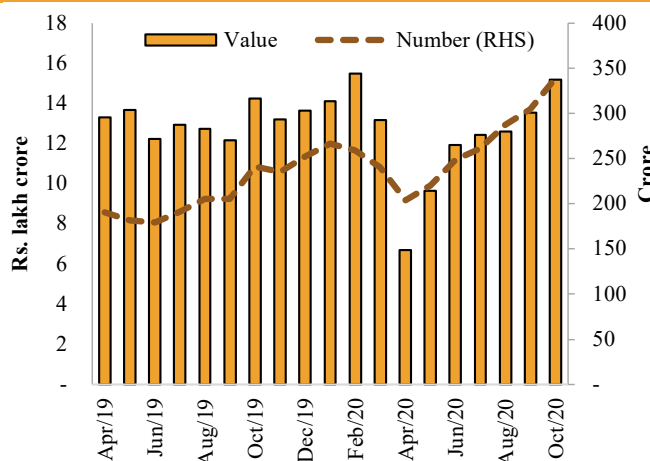
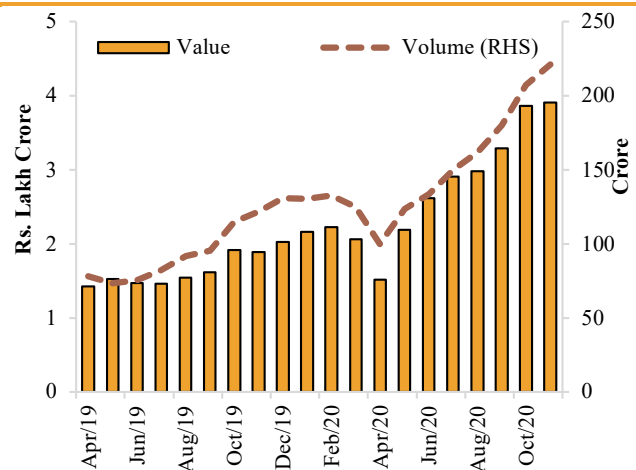


Figure 41: UPI Payment Transactions



Source: NPCI

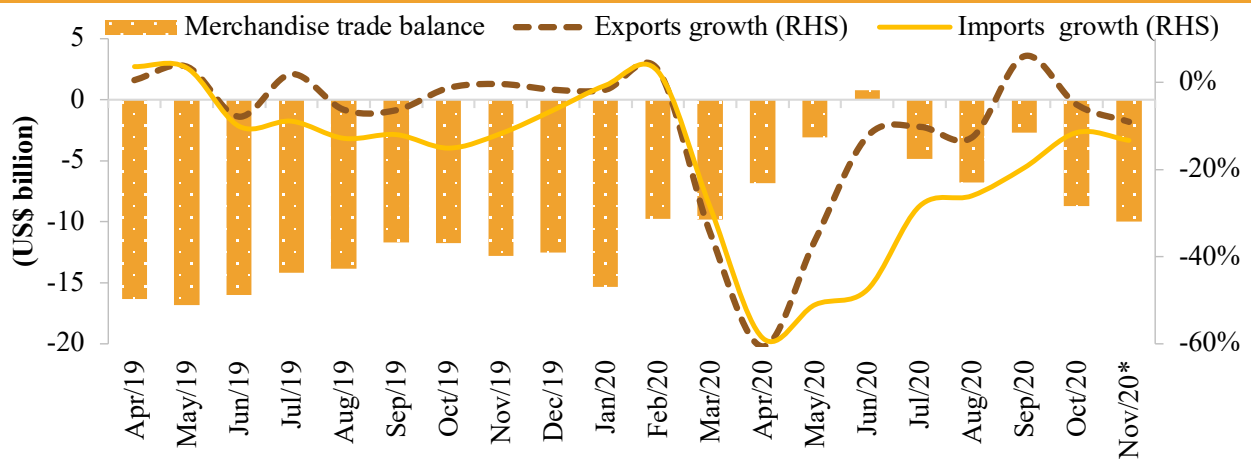


x. Export Status Quo

India's trade balance for the period of April-October is estimated at US\$ 16.5bn with imports contributing to US\$ 248.6bn and exports US\$ 265.1bn. CPI based inflation for October 2020 was registered at 1.61 percent. With regard to the quantum of exports, merchandise

exports were registered at US\$ 33.39 bn which in turn generated a trade deficit of US\$ 9.96bn owing to lesser volumes of petroleum product exports. Non-petroleum exports registered a negative year-on-year growth of 0.03% Exports have contributed a 3.4 percentage points to GDP growth in Q2 as against 5.5 percentage points in Q1.

Figure 56: Merchandise Trade



Source: Department of Commerce, Ministry of Commerce & Industry

*Data for November is Preliminary

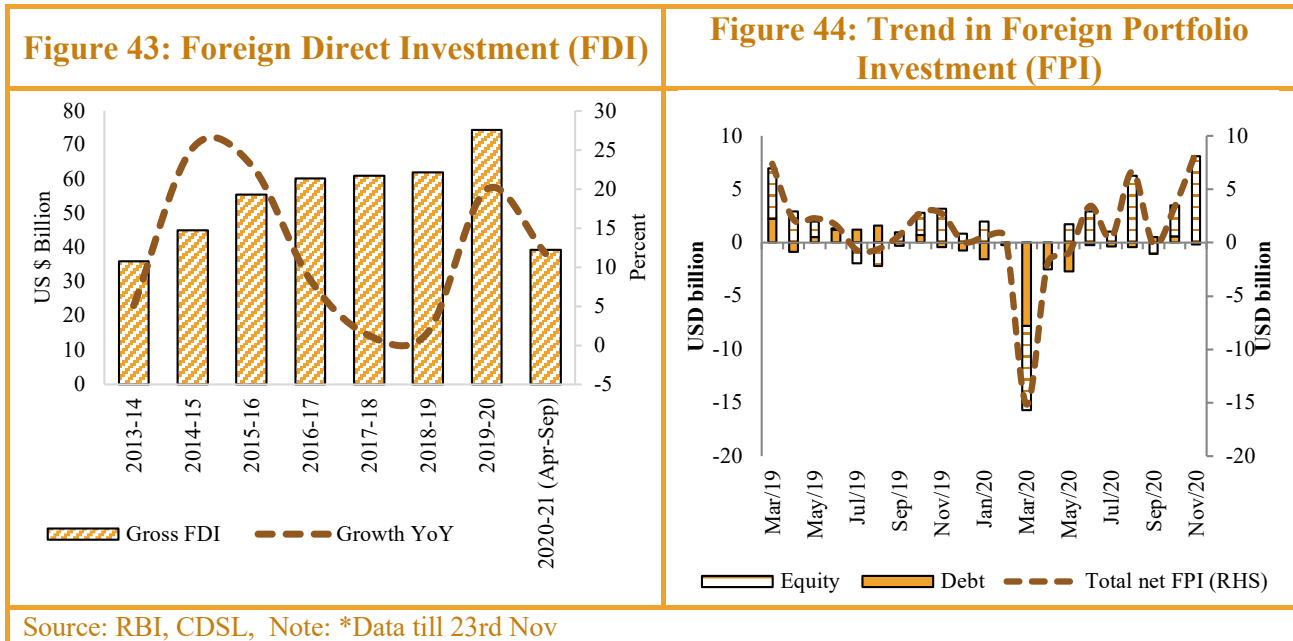




xi. FDI and FPI inflow

The month of November saw the sustenance of record-high FDI inflows of US\$ 39.93 billion brought about during the April-September 2020 period. This growth is 10.8 percent higher than the value recorded in H1 of 2019-2020. The Government of India is currently working

towards putting together a foreign trade infrastructure conducive to the furthering of amicable relations between India and the rest of the world. Through the development showcased during Q2 of 2020-21, India continues to remain a favoured investment destination for key global entities.





xii. Centre's support to State

As part of the support extended by the Central Government to State Governments, borrowing limits under the Atmanirbhar Bharat scheme have been extended to 5% GSDP from 3% during FY 2020-21. State Governments have raised US\$ 6.4tn until November 22, 2020 which is 50% higher than year-on-year

borrowings in 2019-20. Capital Expenditure from the Central Government's part decreased by 1.9 percent during the April-October period. Revenue expenditure, on the other hand, registered a growth of 0.4 percent. The Central Government's market borrowings were registered at US\$ 123bn as against the set target of US\$ 164bn for FY 2020-21.

Figure 58: Fiscal Deficit

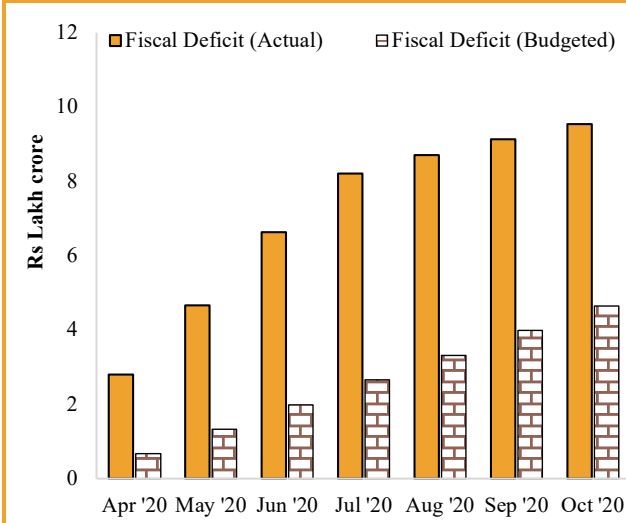
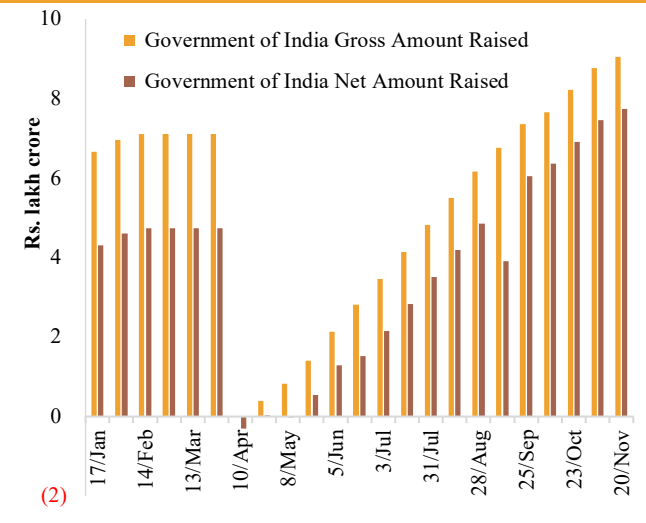


Figure 59: Central Government Borrowings



Source: CGA, RBI





CONCLUSION

The V-shaped recovery of the economy in Q2 of 2020 can be expected to continue into Q3, aided by stimulus packages for multiple stressed sectors. Multiple sectors of the economy are gradually emerging from contractions resulting from lockdown

restrictions. Green shoots are visible owing to rising demand from consumers and the investment ecosystem consisting of domestic and foreign stakeholders.



For more information: Ministry of Finance, Department of Economic Affairs
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