



Ministry of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
DIVISION

MONTHLY ECONOMIC REPORT

APRIL 2021



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STATE OF THE ECONOMY

The second wave of COVID-19 and the ongoing global vaccination programme have guided the pace of socio-economic development around the world. The 'Test, Track, Treat and Covid-appropriate behaviour' strategy continues to shape India's efforts to mitigate the effects of the pandemic and tackle the virus and its mutations. The Government of India has decided to open the COVID-19 vaccination programme to individuals in the 18-45 year age bracket so as to cultivate greater immunity to the virus.

In the month of April, due to the second wave of the pandemic, there has been a moderation in the economic recovery witnessed since the first wave of the pandemic. The agriculture sector continued its growth trajectory with record food grain production and tractor sales exhibited an increase of 172 percent. The Purchasing Managers Index, in April, increased to 55.5 buoyed by the consumer goods category followed by capital goods and intermediate goods. The Index of Industrial Production (IIP), on the other hand, declined to 3.6 percent year on year in February as against the January data of 3.9 percent. The eight-core sector index exhibited a year-on-year growth of 6.8 percent in March 2021. The fertilizer sector exhibited significant growth while the electricity sector continues to recover. The core sector has contracted by 7 percent in FY 2020-21 as against the 0.4 percent growth in FY 2019-20.

Power consumption increased 40% year-on-year in April 2021 owing to increased

industrial and commercial activity. E-way bills were registered at ₹17.36 trillion in April 2021 year-on-year as against ₹3.9 trillion in the preceding year.

Railway freight grew by more than 10 percent in comparison to April 2019. Automobile sales recovered by 71 percent in two and three-wheelers, and by 115 percent in passenger vehicles in March 2021. Port traffic was recorded at a five-month high in April 2020, buoyed by the resumption of economic activity.

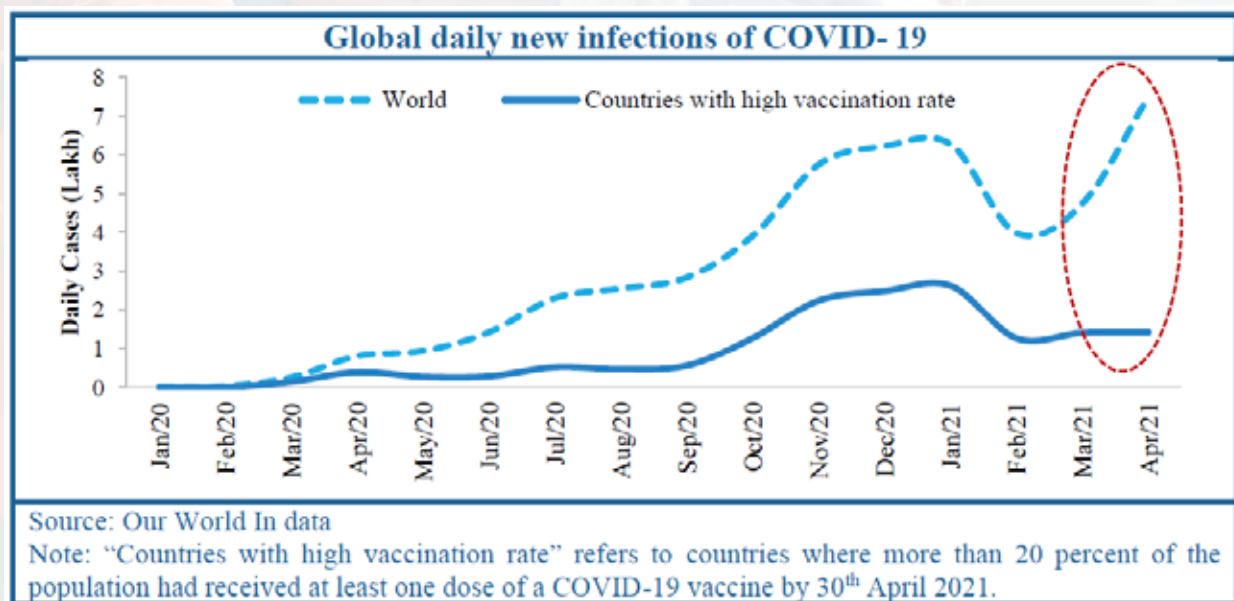
The digital payments ecosystem witnessed a doubling of UPI transactions since the previous year. On the inflation front, WPI inflation rose to 7.39 percent owing to base-effect as well as metal and oil prices. CPI inflation rose to 5.52 percent owing to high food inflation. Retail inflation is expected to soften owing to a relative reduction in fuel and food prices. Exports increased by 197 percent in comparison to 2020 and imports grew by 166 percent in the same period. The trade deficit of US\$15.24 billion in 2020-21, is the lowest since FY 2007-08 .

The second half of FY2020-21 saw an improvement in the Central Government's fiscal position with net tax collections being documented at 4.5 percent higher than the Revised Estimates. Net Indirect tax collections were 8.2 percent higher than the Revised Estimate. Credit growth was recorded at 5.3 percent on April 9, 2021.

THE COVID SCENARIO IN INDIA

The second wave of COVID-19 saw the highest average daily cases at 750,000 in April 2021. The cumulative case fatality in the country was recorded at 1.1 percent. Vaccination programmes led to 66 billion doses being administered to senior

citizens (66 million doses), 59 million doses being administered to individuals in the 45-60 age bandwidth, and close to 0.9 million individuals in the 18-44 age bandwidth were vaccinated in 12 States and Union Territories.



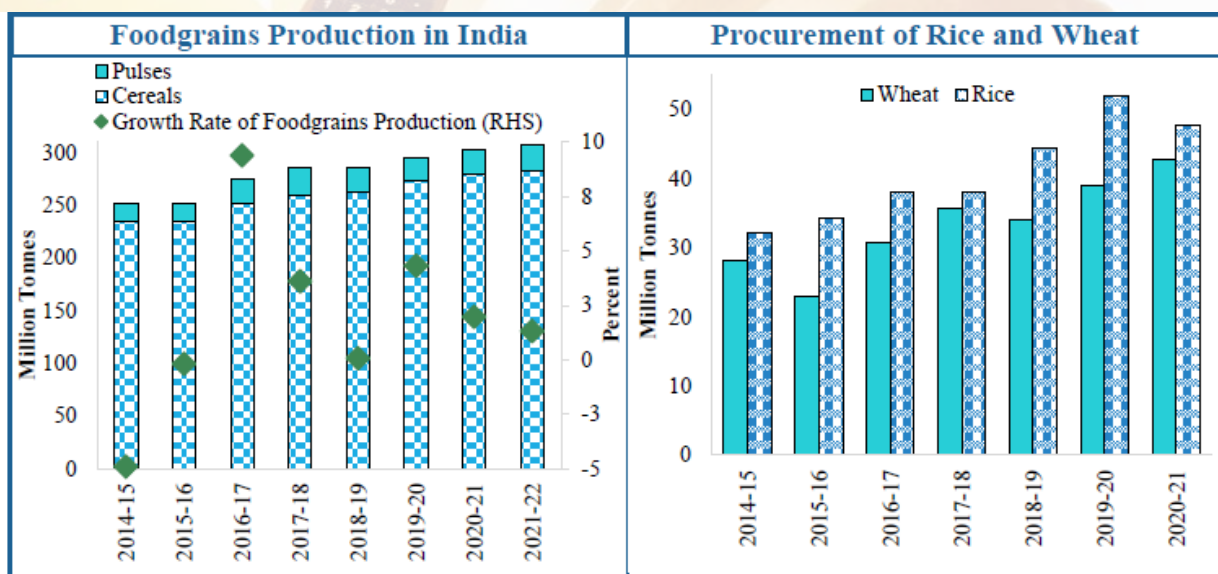
ECONOMIC INDICATORS



i. Growth in the Agricultural Sector

The agricultural sector has been characterized by an increase in the public procurement of wheat and rice. Encouraged by the forecast of the third consecutive normal monsoon this year, the government has set a record target of 307.31 million tonnes

in foodgrain production for the 2021-22 crop year. The government has also set a target of 42.74 million tonnes in wheat procurement for the central pool in 2021. The Food Corporation of India currently has adequate stock of more than 77 million tonnes of food grains which is 3.6 times more than the mandatory stock requirement for April.



Source: Department of Agriculture and Farmers Welfare, FCI.

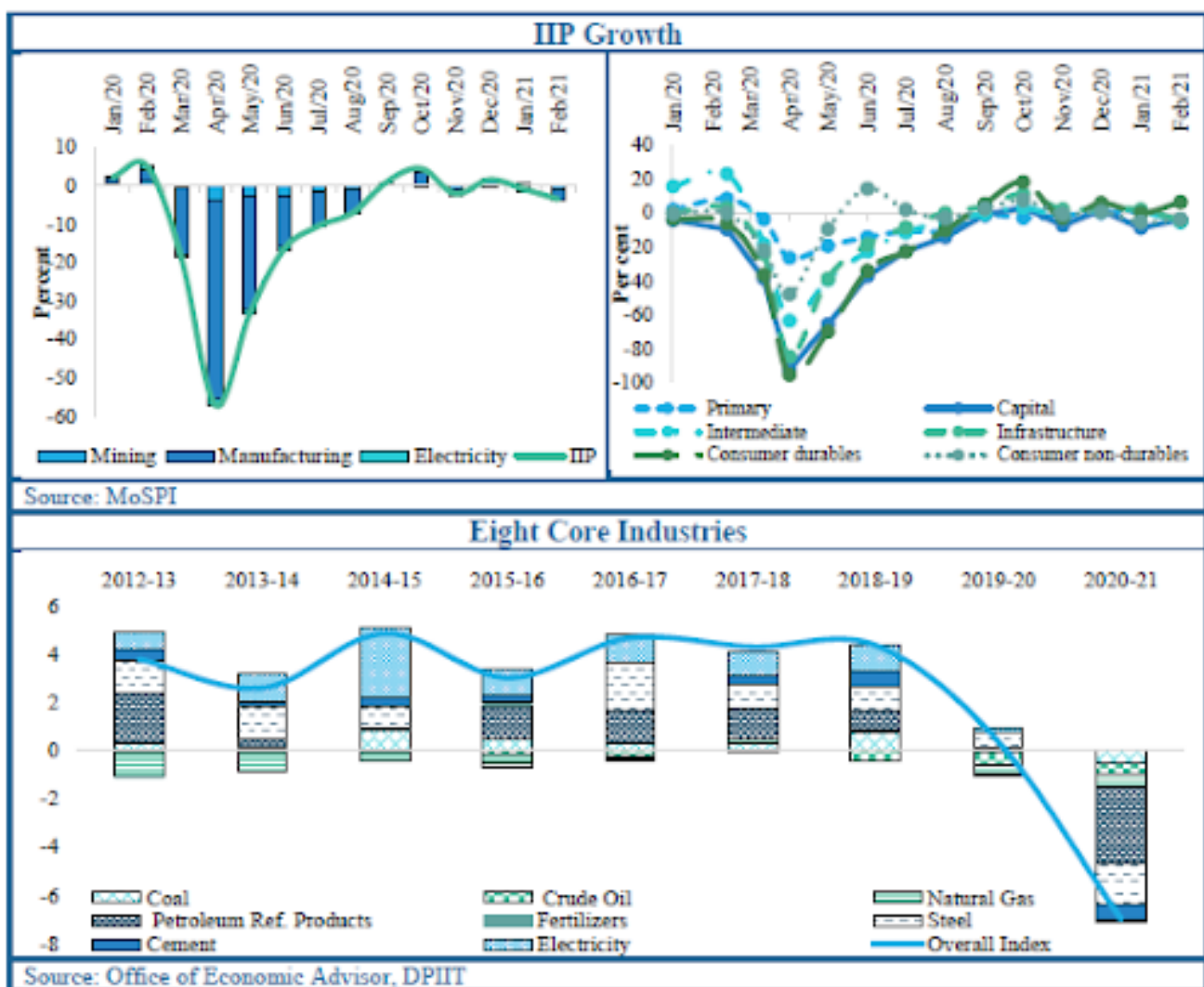
Note: The procurement of wheat for 2020-21 is the targeted estimate.

ii. The MGNREGS scheme

The MGNREGS scheme has provided 3.89 billion person-days worth of employment to 112 million individuals in 2020-21 with higher demand being registered in June and July. Rural employment witnessed a 50 percent increase from 3.7 percent in FY2019-20 to 21.2 percent in April 2021. The 'Garib Kalyan Rojgar Abhiyaan' (GKRA) programme was launched in 116 districts in Madhya Pradesh, Uttar Pradesh, Rajasthan, Odisha, Bihar and Jharkhand to help absorb migrant labourers into the rural workforce. A budget amount of ₹500 billion has been allocated towards the programme.

iii. Industrial Production

After growing at 1.6 percent in December 2020, the Industrial Production recorded a contraction of 0.9 percent in January and 3.6 percent in February 2021, as compared to the corresponding months in 2020. A negative growth trend was witnessed in input sectors including primary goods, capital goods, intermediate goods, and infrastructure goods. The IIP deterioration in February 2021 also resulted from a year-on-year contraction in manufacturing and mining.



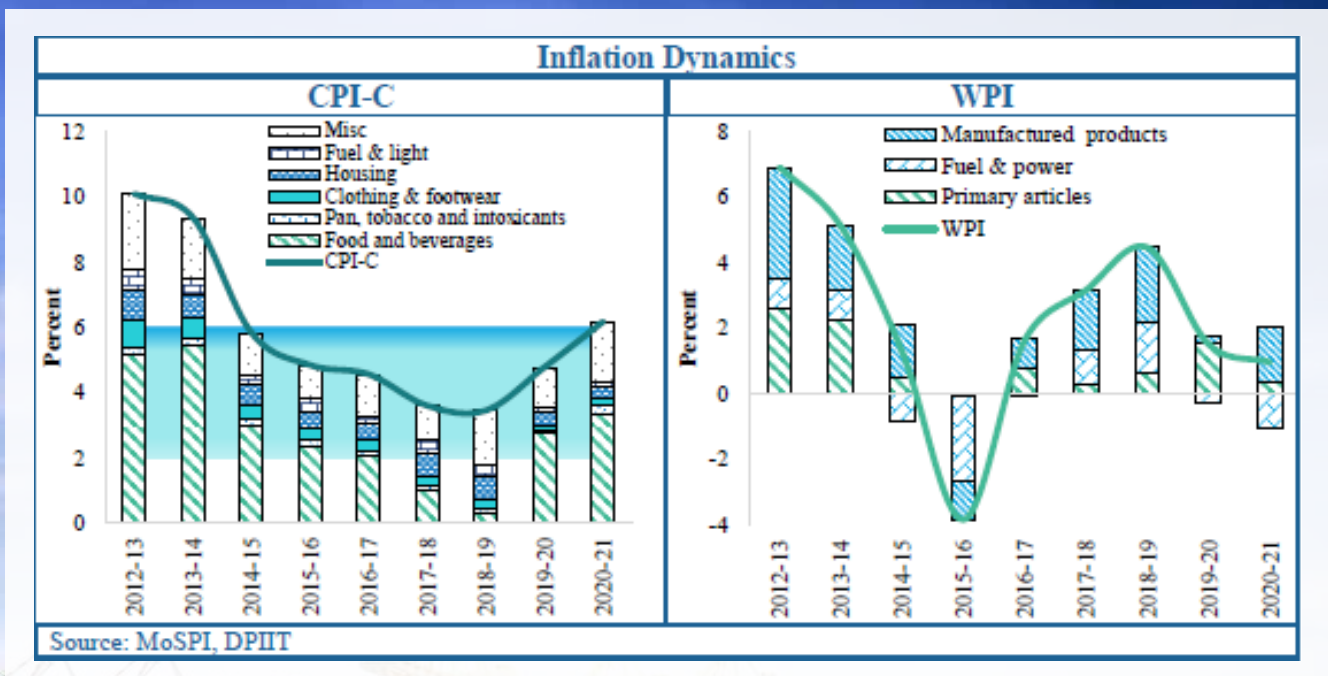
The Eight Core sector output increased to 6.8 percent in March 2021 but exhibited a contraction of 7 percent in FY2020-21. The fertilizer sector is the only sector to have exhibited growth whereas negative impact has been witnessed in sectors including cement, steel, electricity production, and refinery products.

iv. Commodity Prices and Inflation

The increase in commodity prices in March 2021, owing to the supply disruptions in metals, including nickel and copper, as well as the provisions of the American infrastructure package is expected to have an impact on the rate of inflation. The period however saw a decline in the prices of crude oil and gold .

CPI inflation in FY2020-21 overshot the

2-6 percent band recommendation of the Monetary Policy Committee and was recorded at 6.2 percent. The increase in food inflation, specifically in fruit, 'meat and fish' 'pulses and products' and 'oil and fats' contributed to the increase in CPI inflation. Core CPI inflation increased from 5.9 percent in February to 6.0 percent in March, marking a 29 month high. The WPI inflation is seen to have reduced from 1.7 percent in FY2019-20 to 1.2 percent in FY2020-21. However, the increase in inflation in fuel & power, manufactured products and primary articles fueled the increase in monthly WPI inflation in 7.39 percent in March. Monthly inflation for non-food manufactured products that constitute the WPI core inflation contributed to a 7.01 percent increase in March from 5.56 percent in February.



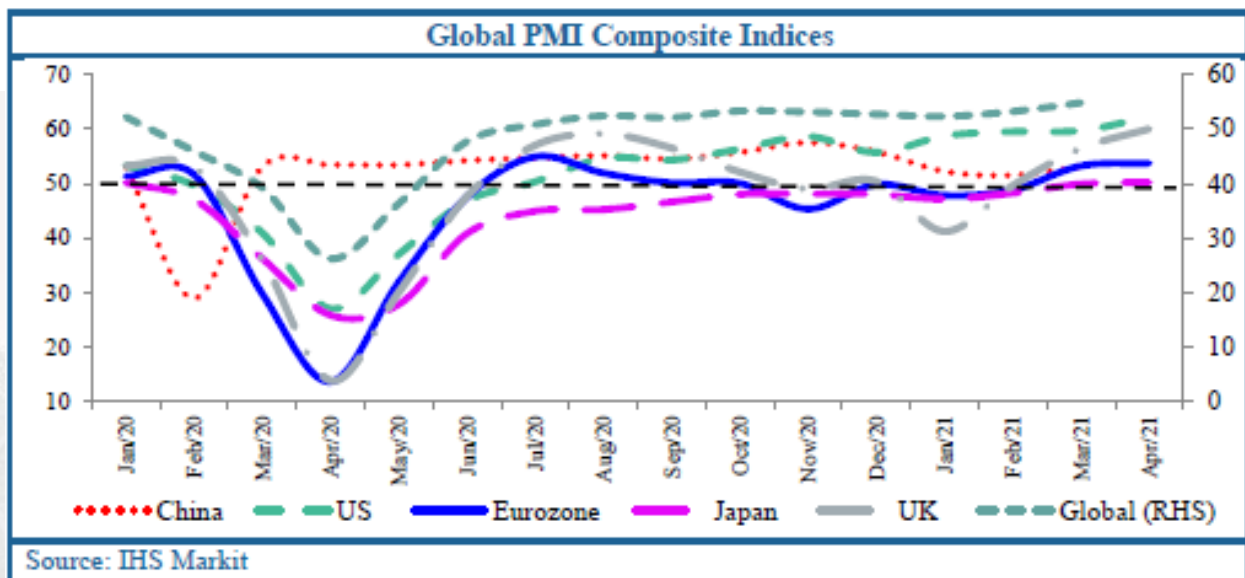
v. PMI Index

India's PMI Manufacturing Index was recorded at 55.5 in April, against 55.4 in March. With regard to the Indian scenario, consumer goods, capital goods, and intermediate goods were the sectors that contributed greatly to the growth of manufacturing. New export orders have registered an increase for the eighth consecutive month in April. PMI Services declined from 54.6 in March to 54.0 in April, but continued to remain resilient in the face of COVID-19 crisis, with strong output growth and expansion in new business.

vi. Port Traffic and Railway Freight Activity

The increase in industrial activity has had a positive impact on railway freight and

port traffic. The month of April saw the momentum in railway freight continue its double-digit growth trajectory. Railway freight loading in April increased by more than 10 percent year-on-year as compared to 2019-20, breaking previous loading records for the eighth consecutive month. Port traffic registered a 16.4 percent growth in March for the fifth consecutive month. Domestic petroleum products consumption in FY 2020-21 registered a 9.1 percent contraction in comparison to FY2019-20. Fuel Retailers reveal that restrictions in movement have minimized fuel consumption in April. Indian crude oil prices, on the other hand, have been registered at 63.1 USD/bbl in April as against the March estimate of 64.8 USD/bbl, owing to production cuts by OPEC and vaccine optimism.



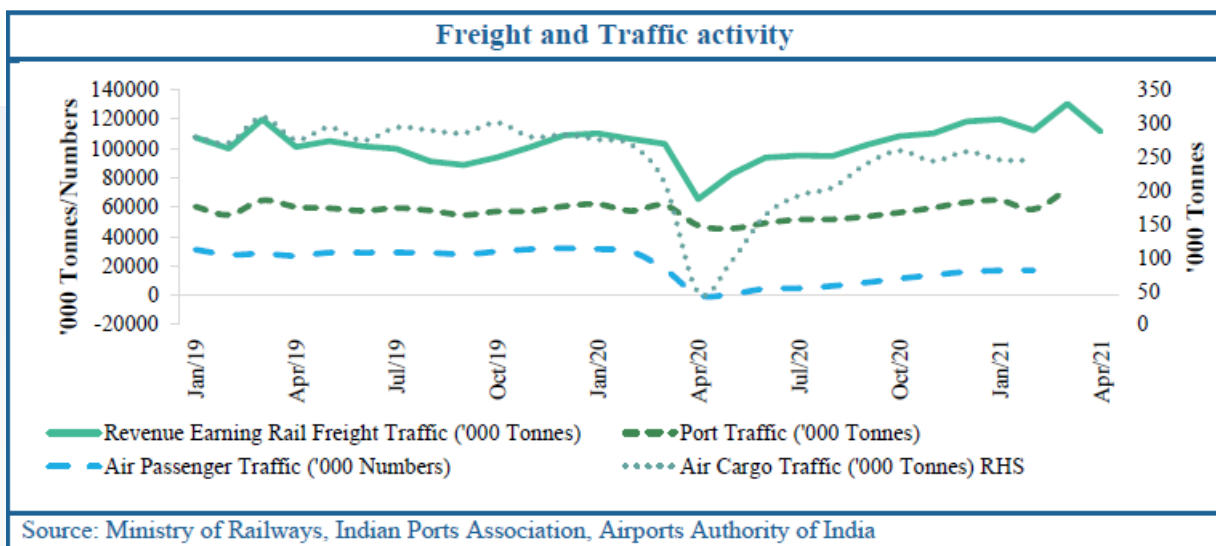
vii. Freight Rates and Air Cargo growth

The recovery in services trade is seen to have had a positive impact on the gradual growth of global trade in April. The incident of blockage at the Suez Canal tested the agility of trade in the semiconductor space. Freight rates were buoyed by the increase in containerized exports from Asia. Although air traffic rates were recorded at 25 percent below the pre-pandemic rates, a 6 percent month-on-month and 161 percent year-on-year increase was witnessed in April. The contraction of air cargo growth was lowered to 8.5 percent in February from 11.0 percent in January. AAI data registers domestic air passenger traffic at 16.87 million in February, a marginal improvement over January.

viii. Power Consumption and E-way bills

India's power consumption in the month of April 2021 registered a 40 percent growth over April 2020, and 6.5 percent over April 2019, indicative of a sustained economic recovery in manufacturing. The space has been on a trajectory of recovery since September 2020 with state-based differences in consumption patterns: Karnataka, Andhra Pradesh, Uttar Pradesh and Telangana have experienced an increase in power consumption whereas Maharashtra, Madhya Pradesh, and Gujarat have experienced a moderation in April.

The total number of intra-state and inter-state E-way bills for the month of April 2020 stood at 59 million in April 2021

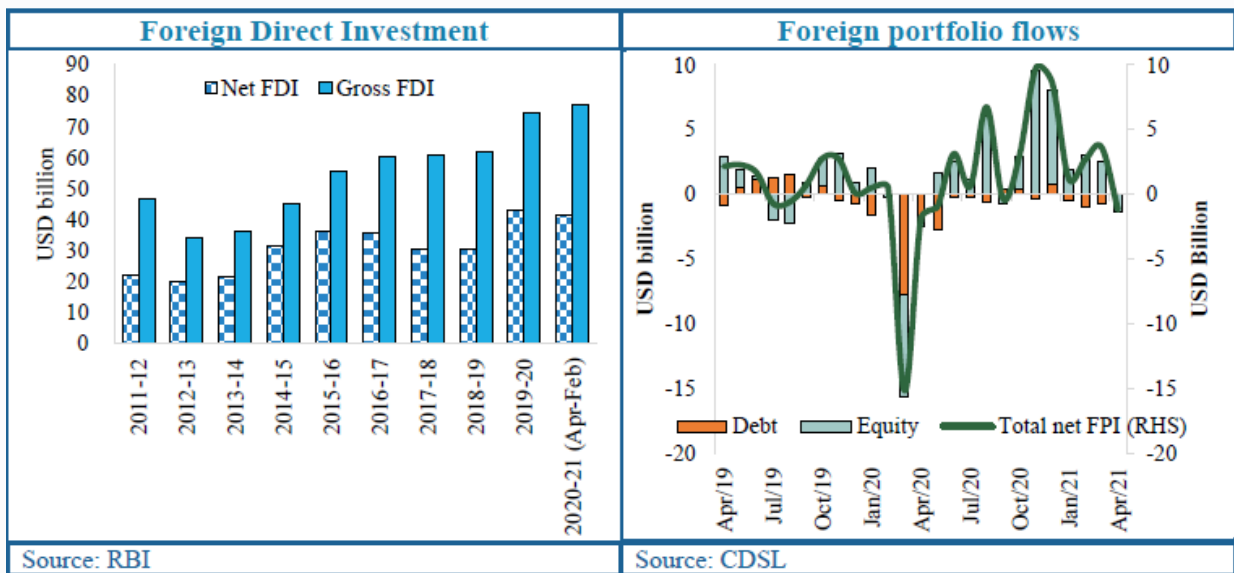


(₹17.36 trillion) as against 9 million in April 2020 (₹3.9 trillion) and 53 million in April 2019.

ix. Rate of Credit Growth

Bank credit growth was recorded at 5.3 percent for the fortnight ended April 9, 2021 with non-food credit growth at 5.4 per cent. Credit growth to agricultural and allied activities accelerated to 12.3 percent in March 2021 from 4.2 per cent in March 2020. Though overall credit growth to industry decelerated to 0.4 percent in March 2021 (from 0.7 per cent

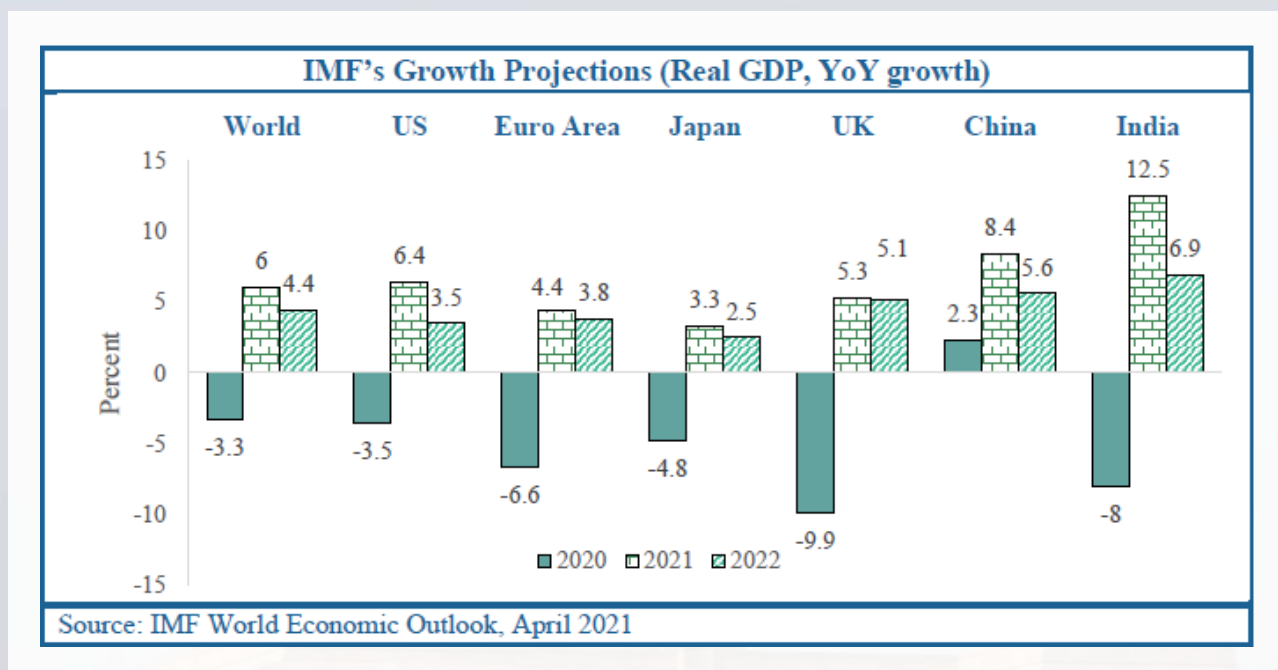
in March 2020), a 28.8 percent growth was registered in the medium industries space as against the 0.7 percent contraction in the previous year. Credit growth in the service sector declined to 1.4 percent in March 2021 as against the 7.4 percent registered in 2020. Credit growth in trade grew to 11.8 percent in March 2021, driven by accelerated growth in jewelry and vehicle loans space. Surplus liquidity in the system, coupled with low interest rate has enabled the raising of ₹7.72 trillion in FY 2020-21 through corporate bonds, 14.4 per cent higher than previous year.



x. Fiscal Situation of the Central Government

The fiscal position of the Central Government showed recovery in the second half of FY2020-21 with net revenue collections registered at ₹10.71 trillion (12.3 percent year-on-year growth), GST collections at ₹5.48 trillion (8 percent decline as against FY2019-20), and net direct tax collections at ₹9.45 trillion (104.5 percent of Revised Estimate) in FY2020-21. The national priority towards

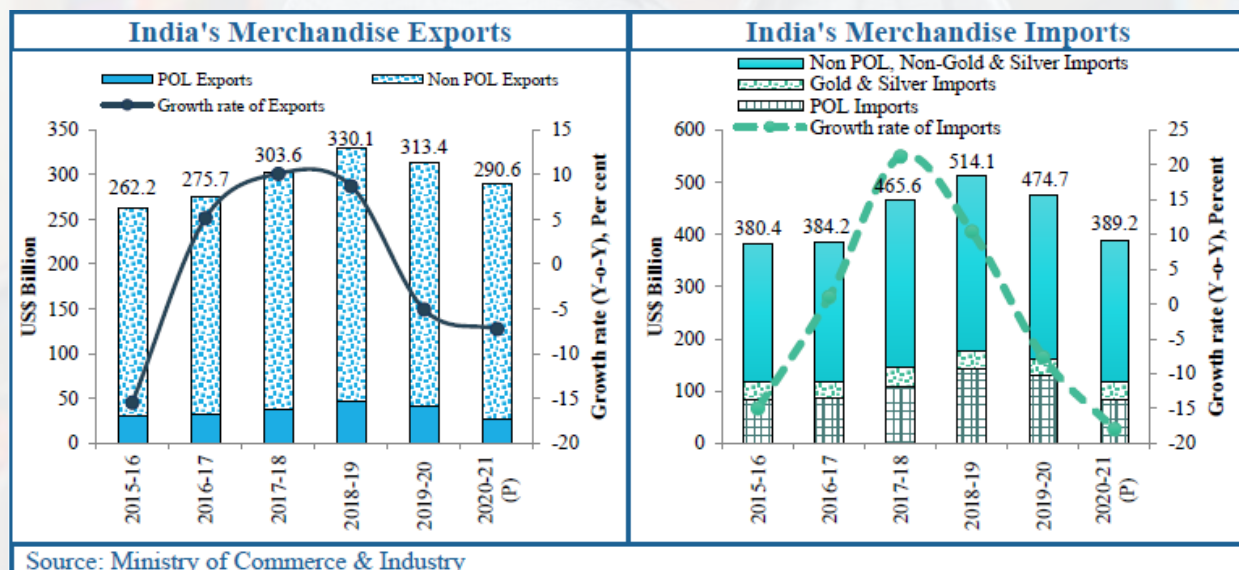
increasing capital expenditure is evidenced by the release of ₹118.30 billion towards state-level capex spending in FY2020-21. An additional 50-year loan of upto ₹150 billion has been allocated towards further capital spending. A fund of ₹50 billion has been allocated towards disinvestment of State Public Sector Enterprises (SPSEs). As per the Indicative Calendar of Market borrowings by State Governments / Union Territories, the total market borrowings for April-June 2021 are expected to be ₹1.78 trillion.



xi. Growth of Merchandise Trade

The merchandise trade deficit narrowed to US\$ 98.6 billion in FY 2020-21 as against US\$ 161.3 billion in FY2019-20. With total exports registered at US\$ 290.6 billion and imports at US\$ 389.2 billion, India's trade balance including services trade is currently estimated at US\$ 12.7 billion in FY 2020-21. Drugs and pharmaceuticals

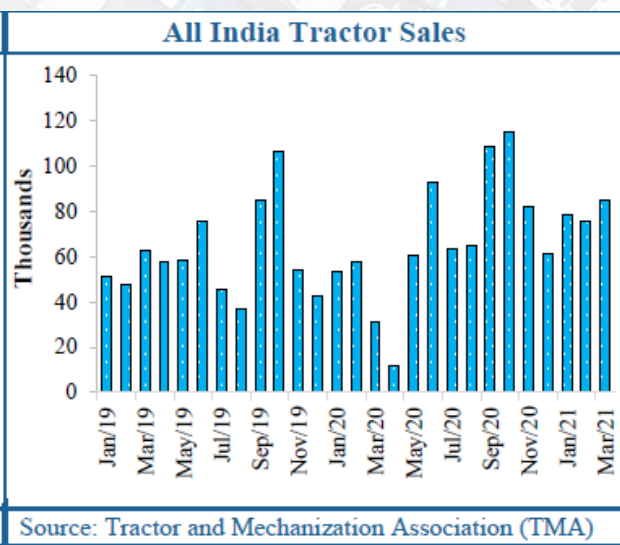
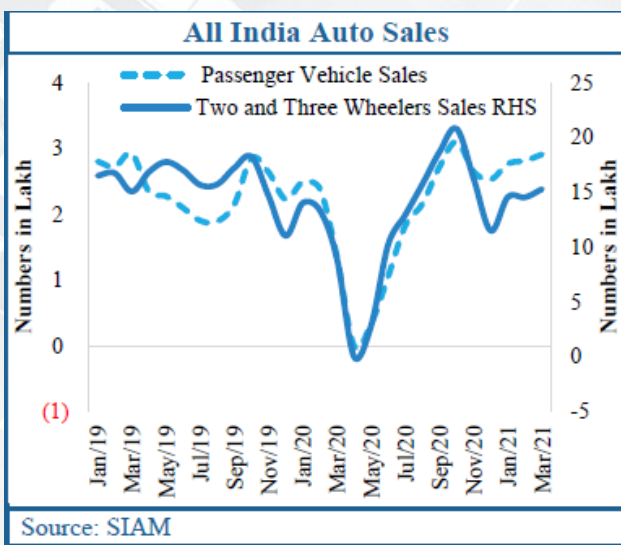
helped increase export growth in 2020-21 whereas gold has been the leading commodity of import. The fall in fuel prices including that of crude oil, petroleum, and allied products contributed to the moderation in the merchandise trade deficit. India's merchandise exports were valued at US\$ 30.2 billion, and imports at US\$ 45.5 billion in April 2021.



xii. Automobile sales

The preference for personal transport in the COVID scenario has increased the demand for vehicles, as evidenced by the 71 percent year-on-year growth in two and three-wheeler sales and 115 percent in the sales of passenger vehicles in March 2021.

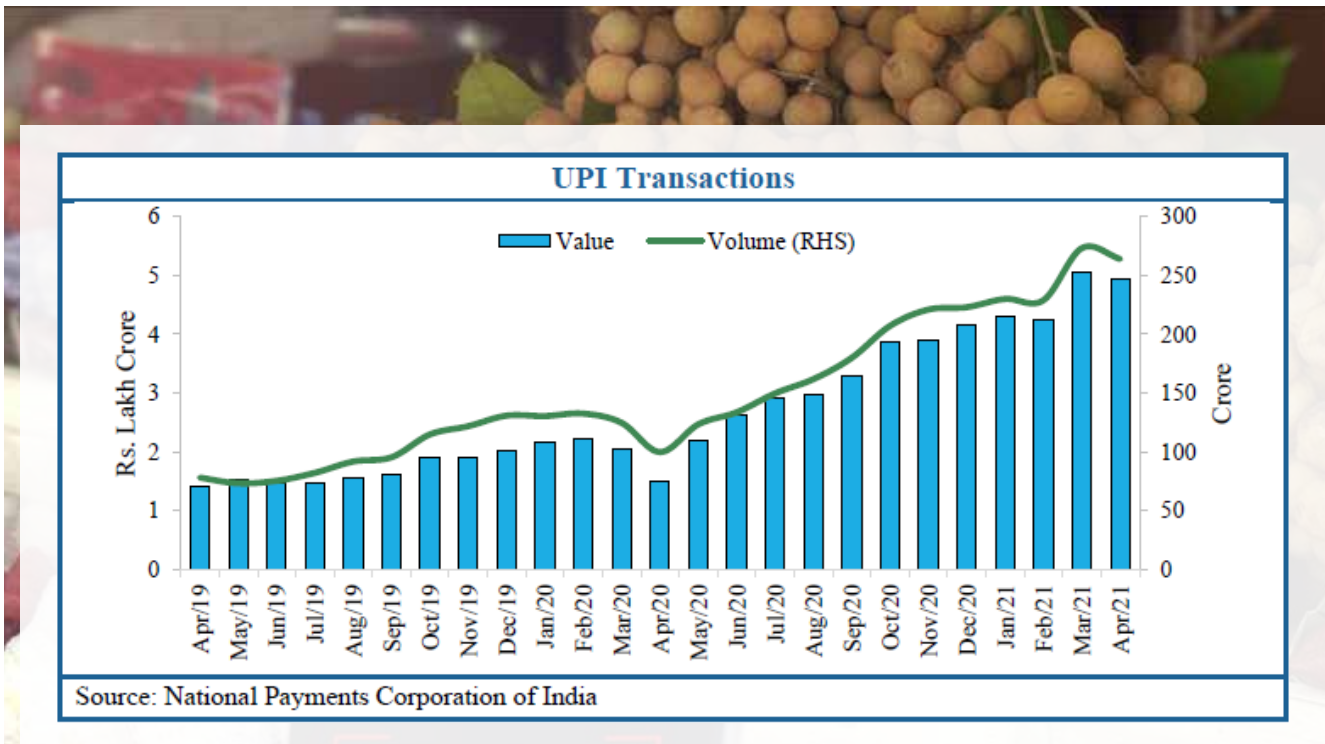
Commercial vehicle sales were registered at 5.68 lakh units in FY2020-21, 20.7 per cent lower than previous year levels. An increase in rural demand has been registered at 172.4 percent year-on-year in March 2021, fuelling the growth of tractor sales by 36.5 percent.



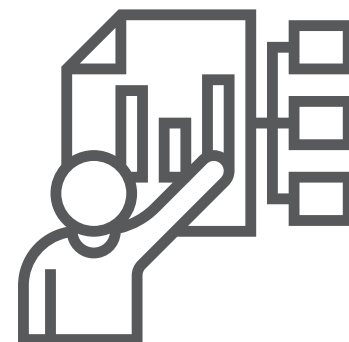
xiii. Digital payments

The digital payments landscape is experiencing a doubling of UPI transactions at ₹41.0 trillion in FY2020-21 as against ₹21.3 trillion in FY2019-20. The total value of UPI transactions was estimated at ₹4.93

trillion in April 2021, marking a three-time year-on-year increase. However, a 3.4 percent sequential decrease has been observed in UPI payment volumes in April as compared to March, with 2.2 percent decline in transaction value.



CONCLUSION



The Current Situation Index formulated through RBI surveys reveals that consumer sentiment towards the economy, prices, and income has declined since March. The Future Expectations Index however reveals that people are hopeful for the year to come with regard to employment, business situations, and turnover. The sentiment is further reflected in the

Services and Infrastructure Outlook Survey. The second wave of the COVID-19 pandemic has compelled several States to adopt lockdown measures in order to bring down the rates of infection. The State will continue to explore robust and appropriate response mechanisms through the 'Test, Track, Treat and Covid-appropriate behaviour' strategy.





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