



Ministry of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
DIVISION

MONTHLY ECONOMIC REPORT

NOVEMBER 2021



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EXECUTIVE SUMMARY

India's economic recovery is expected to gain further strength in the remaining quarters of the financial year, as evident from 19 among 22 High-Frequency Indicators (HFIs) in September, October, and November of 2021 crossing their pre-pandemic levels. However, the Omicron variant may pose a fresh risk to the ongoing global recovery. India's recovery is aided by rapid vaccination covering at least one dose more than 90 % of the adult population, which has aided in the decline of the daily COVID-19 cases in November.

While healthy progress in sowing and adequately filled reservoirs have ensured rich harvest and increased production of food grains, rising MSPs for both Kharif and rabi crops in 2021-22 and progress in rice procurement that benefited 49 lakh farmers so far, have also increased rural incomes.

In addition, the index for Eight Core Industries accelerated in October and is growing at 7.5%

over 2020's index, driven by growth in both coal and cement, and natural gas. The core index has exceeded its corresponding 2019 pre-pandemic levels for the fourth straight month. Index of Industrial Production (IIP) also continued to recover in October 2021 led by a recovery in infrastructure and intermediate goods over their corresponding pre-pandemic levels. The rapid expansion of PMI Manufacturing from 55.9 in October to 57.6 in November, and PMI Services staying above 58 in November mirrors the GDP growth of Q2 and highlights the strengthening of the domestic market and global demand.

As India continues to keep Omicron at bay with its rapid vaccination program, India has not only caught up with its pre-pandemic output of Q2 but is also expected to do so for the complete fiscal. It is expected that India will be among only a few economies to rebound strongly from COVID-19 induced economic contraction of 2020-21.



COVID-19

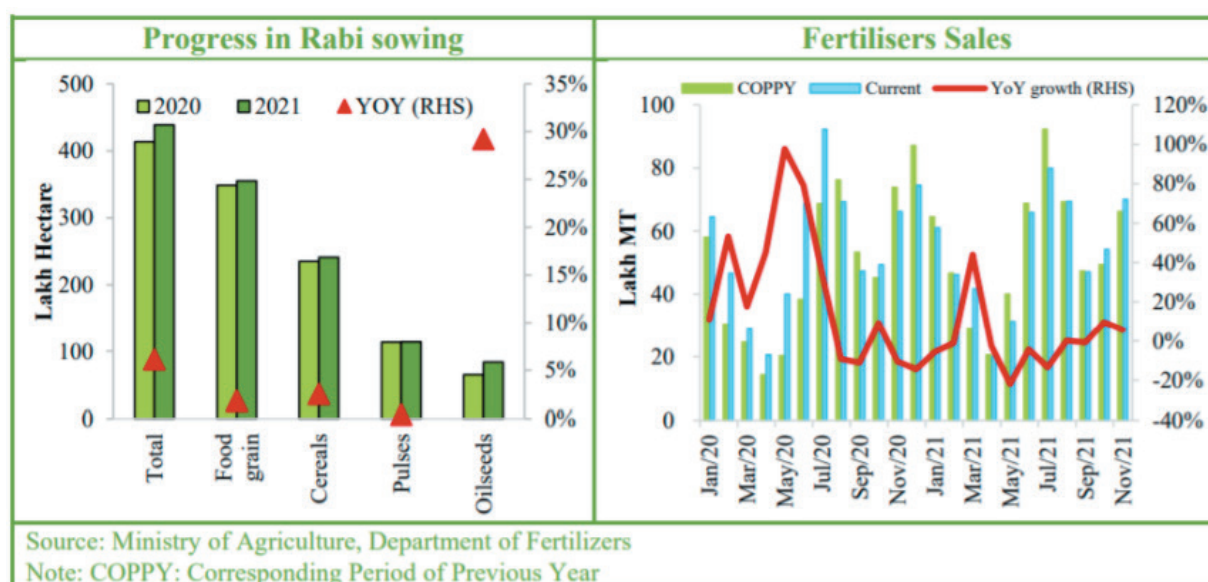
- As of 30th November 2021, more than 79 crore people received at least one vaccine dose covering 91.2% of the adult population.
- More than 45 crore people have been fully vaccinated inoculating 52.2% of the adult population. The average daily vaccination rate rose from 55.2 lakh in October to 59.9 lakh doses in November.
- Over 75% of the adult population has been fully vaccinated in 9 states and union territories (UTs) and 13 states and UTs have vaccinated the entire adult population with at least one dose.

Global Overview

- Global PMI composite expanded to 54.5 in October driven by stronger growth in the service Global Composite PMI reached 54.8 in November from 54.5 last month, driven by improvements in business conditions and the services sector
- Global inflationary pressures continue to be intense. IMF Commodity price index saw an increase of 9.6% compared to last month, driven by rising prices of natural gas (rising 32.8% over the previous month) and coal (growth of 32.8% over the previous month)
- Crude oil prices in October 2021 were 105.6% higher than 2020, due to the easing of travel restrictions and the continuation of supply disruptions.

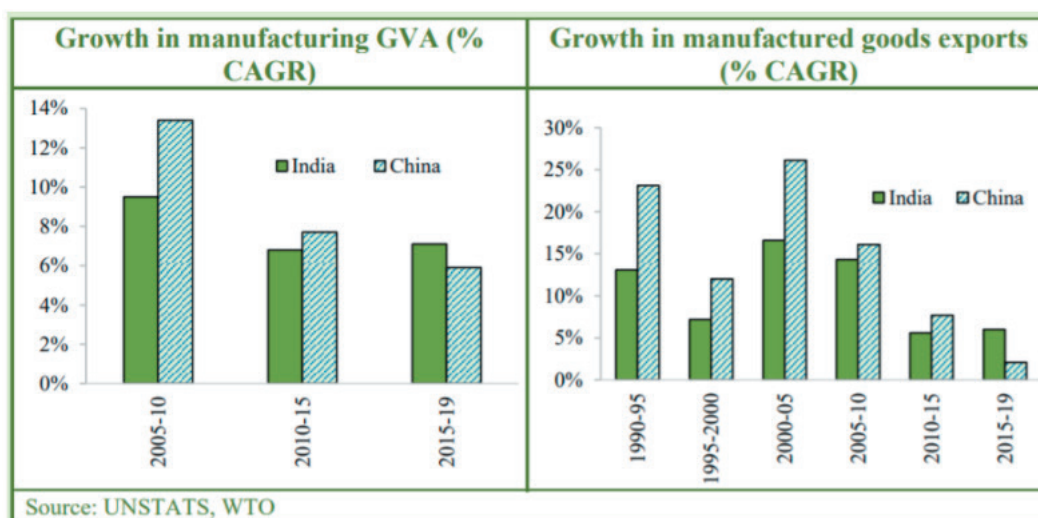
Agriculture Sector

- As of 3rd December 2021, overall rabi acreage stood at 438.5 lakh hectares, 6.1% higher than the previous year.
- Farm Laws Repeal Act 2021 was passed by both houses of Parliament and received Presidential acceptance on 1st December. In addition, Minimum Support Prices (MSPs) announced for various crops for both Kharif and Rabi season for 2021-22 are the range of 1.1% to 8.6%



Industry & Services

- At the fastest pace in 10 months, manufacturing activity in November indicated a boost in demand. PMI Manufacturing rose to 57.6 in November from 55.9 in October, aided by a rapid accumulation of stocks by producers and growing demand.
- A rise in sales was witnessed because of the market conditions, while cost inflationary pressures remained due to raw material shortages and high shipping charges
- Index of Industrial Production (IIP) continued to recover in October 2021 to reach 108% of pre-pandemic October 2019 levels, with 107% recovery in manufacturing, 110% in the mining sector, and 115% in the electricity sector.
- Growth in eight-core industries was substantial at 7.5% p as compared to October 2020, with 14% growth in both coal and cement, and a 25% increase in natural gas.
- India's manufacturing sector saw unprecedented growth, stemming from reduced input costs generated by a policy focus on manufacturing and structural reforms and massive public investment in infrastructure, such as the Atmanirbhar Bharat Mission and National Infrastructure Pipeline. Despite a temporary setback because of the pandemic, the latest Q2 GDP estimates reveal a durable robust recovery of the manufacturing sector in Q2 of FY 2021-22, growing by 3.9% over its corresponding pre-pandemic level 2019-20.

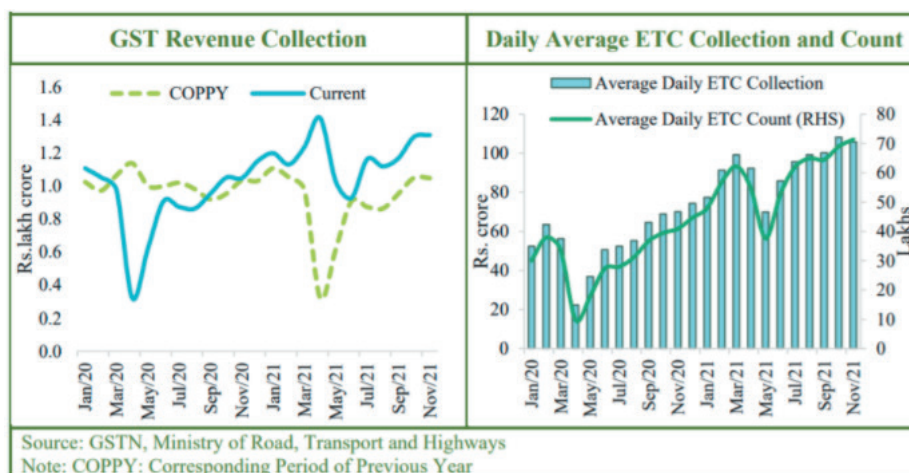


Power

- Power consumption in October 2021 picked up to grow at 3.1% YoY compared to 0.8% in September. This indicates resilience in the power sector braving coal supply disruptions at electricity generation plants (where supply disruptions have been caused by heavy rains in mining areas) and international coal price rise
- October also marked a month of growth in E-way bills with resurgent economic activity amplified by the festive season. Total e-way bills generated stood at 7.35 crore in October 2021, marking 14.5% YoY growth vis-à-vis October 2020 and 39% growth vis-à-vis the pre-pandemic month of October 2019.
- In terms of value, e-way bills generated reached ₹21.2 lakh crore in October 2021, 9.4% higher than the previous month, 26.3% higher than October 2020 level, and 49% higher than that in October 2019.

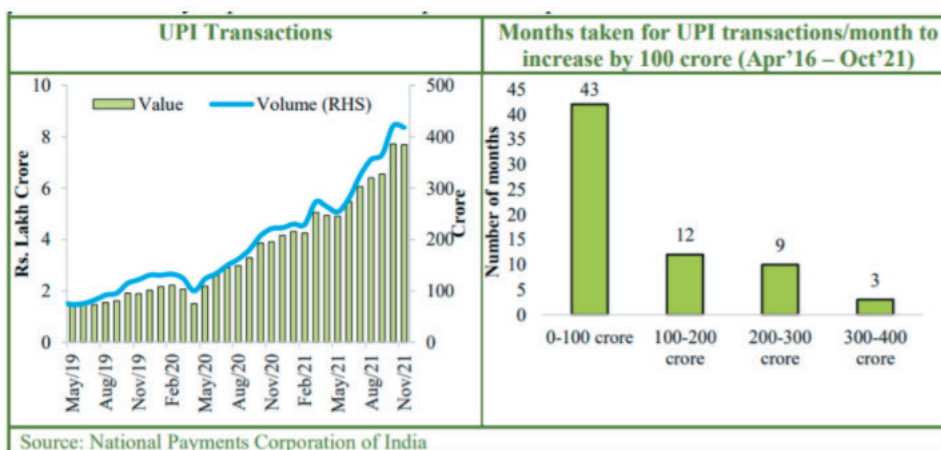
GST Collection

November 2021's GST collections rose to their second-highest level of INR 1.31 lakh crore, boosted by festive demand. GST collection was 25% higher than in November 2020 and 27% higher than the corresponding level in 2019-20.



UPI & Fintech

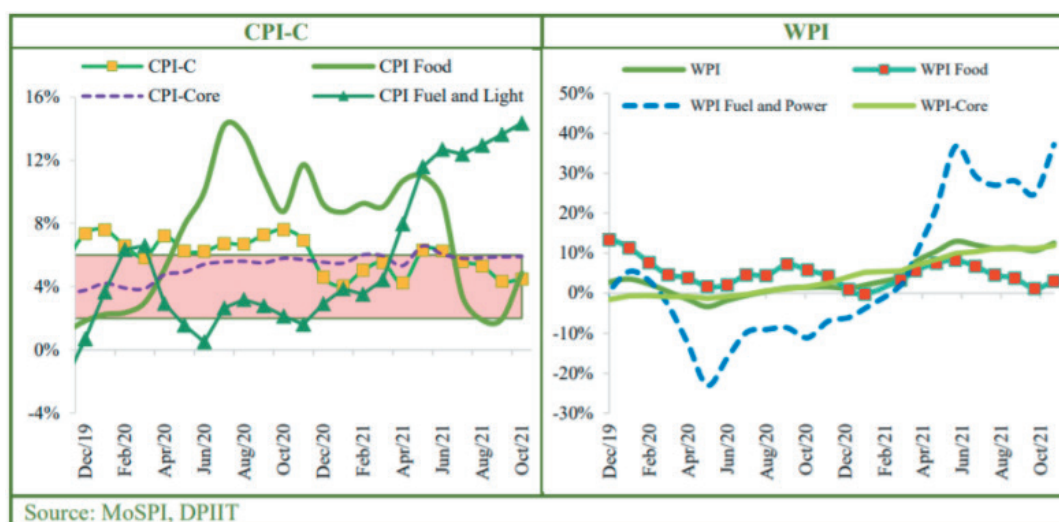
UPI transactions' value stood at INR 7.68 lakh crore, declining marginally from an all-time-high of INR 7.71 lakh crore in October 2021 (led by festive season spending). This trend was mirrored by UPI transaction volume and IMPS transactions in both value and volume. The Reserve Bank of India (RBI), in close collaboration with the Government and National Payments Corporation of India (NPCI), is also working to globalize UPI,



RBI Lending

- Headline inflation (CPI) remained stable at 4.5% in October 2021 compared to 4.4% in September. RBI, in its latest Monetary Policy Statement, has forecast CPI inflation to remain within monetary policy goal in the current year and Q1 of FY 2022-23
- Retail food inflation (CFPI) has declined from 5.1% in June 2021 to 0.8% in October 2021
- Wholesale inflation (WPI) climbed up to 12.5% in October, compared to 10.7% the previous month. This may be attributed to the rise in prices of mineral oils, basic metals, food products, crude petroleum & natural gas, chemicals, and chemical products, etc. in the month compared to the corresponding month of the previous year

- India has agreed to release 5 million barrels of crude oil from its strategic petroleum reserves, in parallel and consultation with other major global energy consumers including the USA, China, Japan, and Korea.
- Liquidity continues to remain in large surplus amidst easy financial conditions, as daily net absorption under the Liquidity Adjustment Facility (LAF), reverse repo corridor framework reduced gradually from INR 7.75 lakh crore in October to INR 7.93 lakh crore in November. The weighted average call rate (WACR), the tri-party repo rate, and the market repo rate hovered around the reverse repo rate.



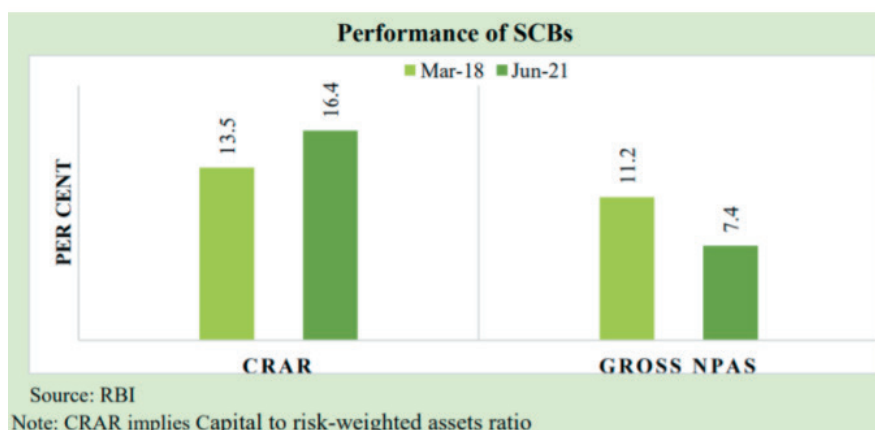
Surplus Liquidity

- The 3-month T-bill rate, certificates of deposit (CDs), and commercial paper - NBFCs (CP-NBFCs) rates moved in sync with the weighted average reverse repo rate, with their spreads over the reverse repo rate ruling at 17 bps, 27 bps, and 81 bps, respectively, during the latter part of October and the first half of November 2021.
- The Reserve money (RM) growth on a YoY basis reduced to 13.6% in November compared to 14.1% the previous fortnight, excluding the first-round impact of the cash reserve ratio (CRR) refurbishment.
- Money supply (M3) increased by 11% YoY in November compared to 9.7% the previous fortnight. This growth is accredited to robust deposit mobilization by banks. Aggregate time deposits of banks, the largest component of money supply, were steady with the YoY growth at 9.1% compared to 10.5% a year ago.

Bank Credit

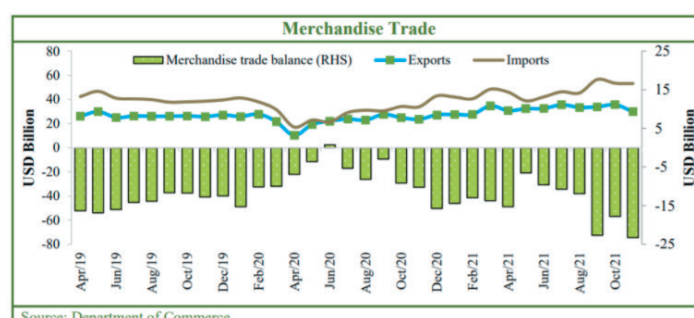
- Bank credit stood at INR 111.6 lakh crore as of November 2021 compared to INR 110.5 lakh crore as of October 2021 – signifying strengthening credit disbursal in the economy.
- Credit disbursement in November 2021 amounted to INR 150,278 crore, an 84 % growth from the corresponding period of festivities in 2020. This is reflective of the rising consumer sentiment in the ongoing fiscal. Personal loans also exhibited buoyant credit growth.
- Banks have responded to the uptick in consumer demand as their incremental credit-deposit ratio rose from 15.9 to 22.9 in the fortnight covering the last week of October and the first week of November.

- It must be noted that banks strengthened their capital position by raising equity through various modes, such as preferential allotment, qualified institutional placement (QIP), public issue, and capital infusion by the Government of India as well as through retention of profits during 2020-21.
- Furthermore, the capital funds raised by public sector banks (PSBs) in FY 2020-21 amounted to INR 58,697 crores, the highest amount mobilized in a financial year. As a result, the capital to risk-weighted assets ratio (CRAR) of SCBs stood at an all-time high level of 16.4% in June 2021, with PSBs improving their ratios to 14.3%.



Merchandise Exports

- Merchandise exports continued to be strong in November 2021 with an increase of 26.5% YoY, driven by key sectors like engineering, petroleum, chemicals, and marine products.
- India's merchandise exports in April-November 2021 was \$262.46 billion, an increase of 50.71% over April-November 2020 and an increase of 24.29% over corresponding pre-pandemic levels.
- The sequential slowdown in exports to \$29.9 billion in November may be explained by the rise in COVID-19 cases in Europe and other economies as well as supply shortages impeding order deliveries
- Merchandise imports increased by 57.2% YoY to \$53.2 billion during November. Non-oil imports remained high at \$38.5 billion. In the eight months of FY2022, imports stood at \$382.9 billion - an increase of 76% over the corresponding FY2021 level and by 18% over eight months of pre-pandemic FY2020 levels
- During October 2021, India's services exports (Receipts) stood at US\$ 19.8 billion registering a positive YoY growth of 17.5%. Services imports recorded a growth of 26.1% YoY. The trade balance in Services or the Net Services export for October 2021 stood at US\$ 8.2 billion.



Outlook

Although 2020-21 is being deemed as a “catch-up” year for global economies, the RBI has projected a 9.5% GDP growth for FY 2021-22, implying a full economic recovery, which can be attributed to India’s nuanced structural reforms. In addition, the Atmanirbhar Bharat Mission continues to play a critical role - both through the marking of business opportunities and expansion of spending channels. It can be concluded that leveraging on necessary macro and micro growth drivers, India is on course to be one of the few global economies to rebound strongly from pandemic-induced economic contraction.



For more information:

Ministry of Finance, Department of Economic Affairs
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