



Ministry of External Affairs  
Government Of India



ECONOMIC  
DIPLOMACY  
DIVISION

# MONTHLY ECONOMIC REPORT

MARCH 2022



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# EXECUTIVE SUMMARY

The ongoing geopolitical tensions between Russia and Ukraine are expected to continue making an impact on the world economy. The fluctuating prices of Brent Crude oil which fell from US\$ 135/bbl in March to USD 105-106 / bbl since April 1st are the foremost manifestation of this impact. Brent crude oil is a significant part of the Indian crude oil basket and the fluctuation in prices has allowed the Government to explore solutions including crude oil procurement at lower prices and import diversification. Policy interventions are expected to push the economy towards achieving a real economic growth rate of 8% by FY23.

The agricultural sector is resuming its current growth trajectory through the increase in horticulture produce as well as fruit and vegetable harvest during the 2021-22 and 2020-21 periods respectively. The rural economy is expected to be bolstered by the increase in procurement during the Kharif Market Season, increased acreage for summer crops as well as crop diversification.

The Index of Eight Core Industries exhibited a robust year-on-year growth of 5.8% in February, fueled by the increase in the output of refinery products, coal and natural gas among others. PMI Manufacturing continued to exhibit superior performance, contributing to economic recovery. PMI Services have been recorded at an eight-month high owing to the growth in air cargo, railway freight, e-toll collection and e-way bills. Industrial credit has also witnessed robust growth with large corporates turning positive towards the end of 2021-22. GST collections are also seen to have crossed Rs.1.4 lakh crore in March and UPI transactions having crossed 5 billion during the same period, signalling post-recovery growth.

Central Government Capital Investments from the April 2021-February 2022 period have far exceeded the investment amounts raised in the pre-pandemic and pandemic timelines. As

a testament to the attractiveness of India as an FDI destination, inflows for the April-January 2021-22 period were recorded at US\$ 69.7 billion. An all-time merchandise export high of US\$ 417.8 billion was documented during the 2021-22 period, benefiting from the increase in industrial demand among advanced economies. Monthly merchandise exports for March 2022 stood at US\$ 40.4 billion, and Merchandise imports during the period were also seen to have increased owing to the rise in energy prices.

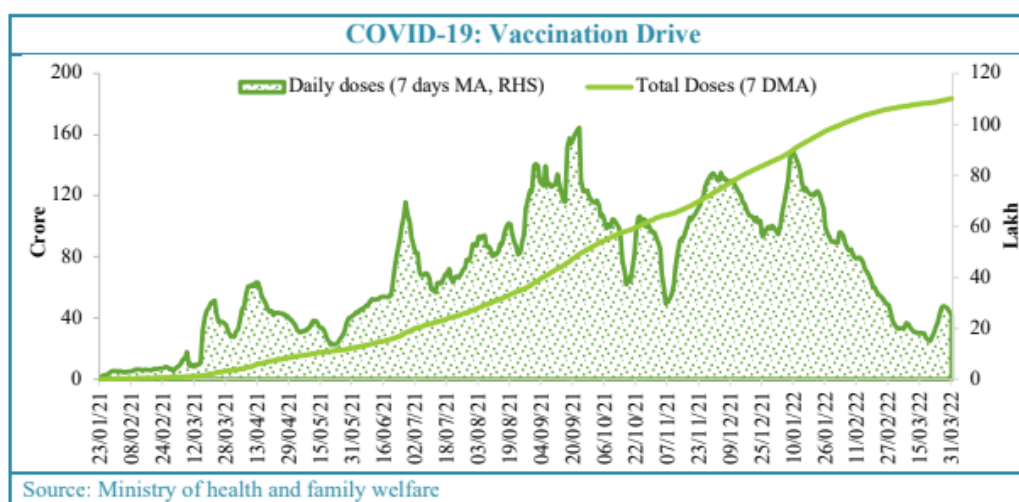
EPF subscriptions are seen to have growth by 37.4% year-on-year in January 2022, registering 15.3 lakh net subscribers. Opportunities in rural employment are seen to have increased despite a decline in MGNREGS adoption. Despite the impact of the ongoing Russia-Ukraine crisis, schemes such as the Production Linked Incentives, Gatishakti and PM Garib Kalyan Yojana are expected to support post-recovery growth. The improvement in unemployment rates and gradually increasing labour force participation are also to contribute to economic growth.

The global PMI composite was recorded at 52.7% in March owing to an increase in employment, demand and the volume of orders. A parallel trend of declining export orders was also observed.



## COVID-19

- As of March 31, 2022, more than 184 crore doses of vaccines have been administered to the population with close to 91 crore of the adult population having received at least one of the vaccination.
- Vaccine coverage of adolescents in 15-18 age group has been recorded at 76%, of which upto 51% of the population has been vaccinated.
- Daily cases are seen to have fallen to less than 1400 in March and the recovery rate has been pushed to 98.7%.
- There is hope that the Omicron XE variant will not slow down economic recovery. India documented less than 26,000 active cases as of March 31, 2022.

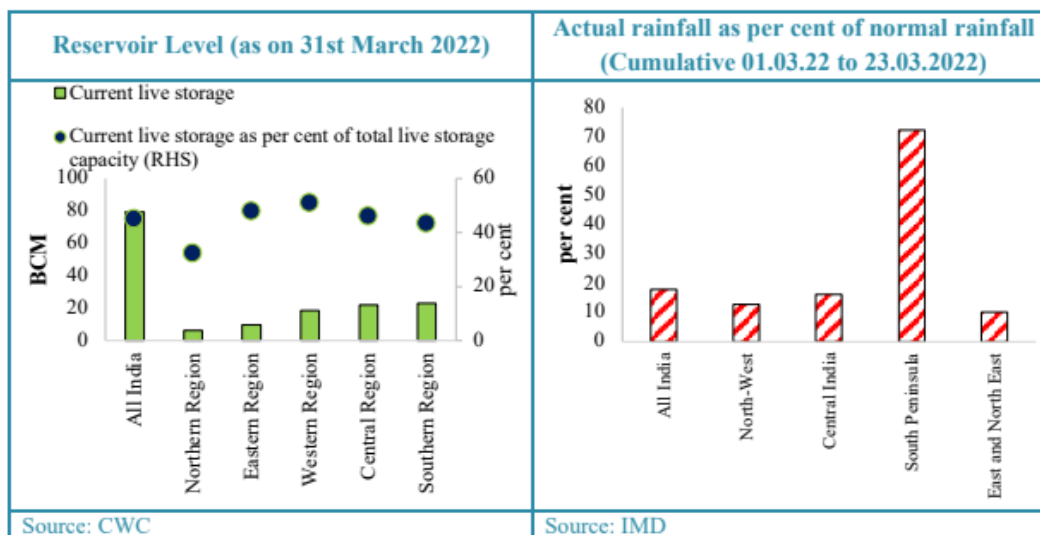


## Economic Activity

- Mobility has exhibited a 7.5% increase in March as against 3.3% in February. E-toll collection is seen to have increased by 32.8% year-on-year with the average daily e-toll count having grown by 40% year-on-year during March.
- GST collection is seen to have reached an all-time high Rs 1.42 lakh crore during the month, registering double digit growth and a 45.6% growth in comparison to pre-pandemic collections.
- The improved value addition in the manufacturing and services spaces have fueled an increase in the volume of e-way bill generation during 2021-22. The volumes have been documented at 77.3 crore, marking a 25.3% year-on-year increase.
- Power consumption grew by 8.1% during the 2021-22 period and exhibited a 7.2% increase in comparison to consumption patterns in 2019-20.

## Agricultural sector

- The agriculture sector exhibited a robust growth of 3.3% in 2021-22 and area coverage under summer crops increased by 7.7% year-on-year on April 1, 2022.
- Agricultural output remained unaffected by the 62% decrease in rainfall during March 2022 as against the average rainfall of 32.66 mm.
- The total acreage of horticultural crops is estimated to reach 27.6 million hectare as per the first advance estimates of production for 2021-22.
- Rabi crop availability was documented at 333.75 lakh quintals as against the requirement of 310.86 lakh quintals during the 2021-22 period. Credit support to the sector witnessed a 10.4% year-on-year increase as of February 2022.

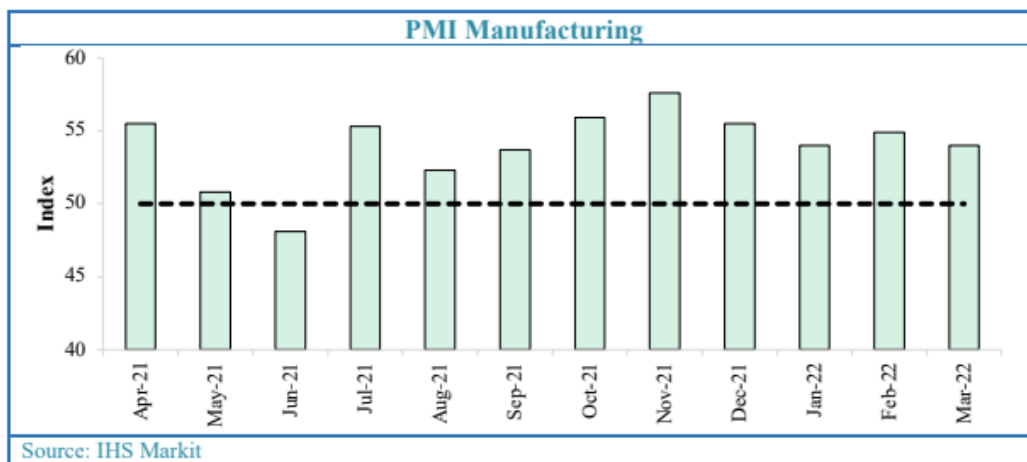


## Employment and MGNREGS

- As of March 2022, only 2.9 crore individuals demanded employment under the MGNREGS scheme, registering a 13.1% year-on-year decline.
- However, opportunities for rural employment have witnessed an uptick.
- Rural livelihoods are seen to have improved as evidenced by the moderation in the demand for work under the MGNREGS scheme.

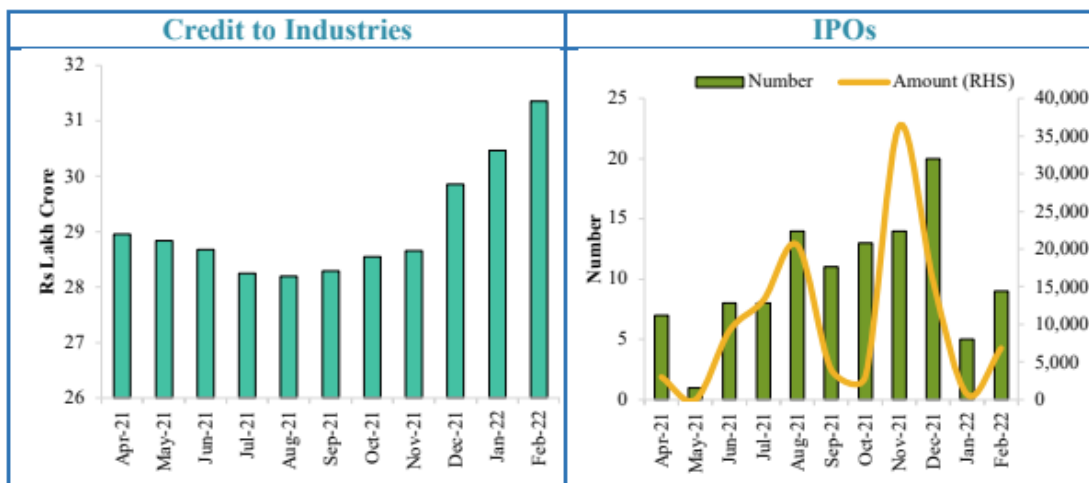
## Industry

- The PMI Manufacturing index for February was documented at 54.0 and is expected to expand further in March owing to the increase in orders, demand and production volumes for the ninth consecutive month.
- The Index of Industrial Production (IIP) was documented at 1.3% in January 2022 with the mining sector exhibiting the highest growth (2.8%), followed by the manufacturing sector (1.1%) and electricity sector (2.8%).
- The combined Index of Eight Core Industries was documented at 137.1 in February 2022, registering a 5.8% year-on-year growth.
- The cumulative growth in the Index of Eight Core Industries for the April 2021- February 2022 was at 11.0% year on year.



## Industrial Credit

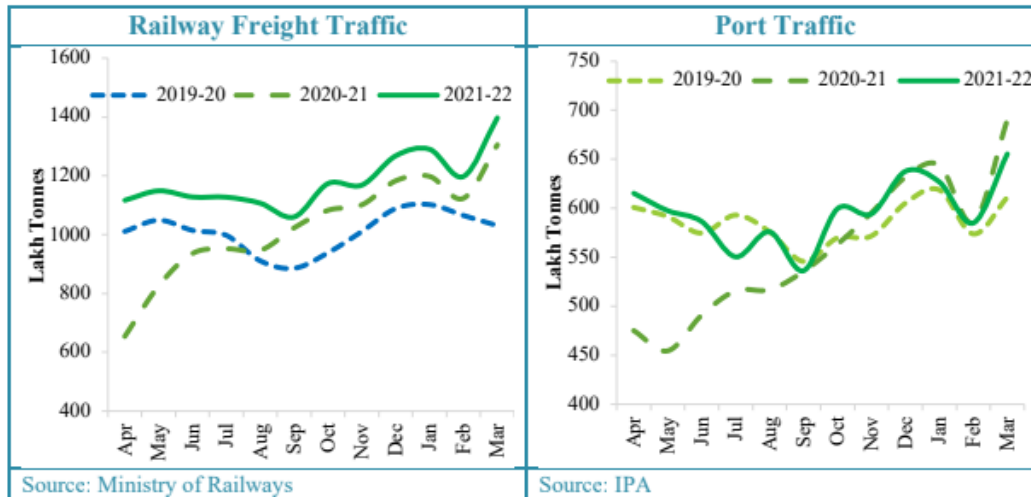
- The disbursement of credit to the industrial sector is seen to have grown by 6.5% in February 2022 as against 1.0% in February 2021.
- A combination of liquidity support from the RBI as well as government schemes have contributed to the increase in credit disbursement to medium industries (71.4%) and micro and small industries (19.9%) during February.
- The period also saw a 0.5% year-on-year increase in the disbursement of credit towards large industries.





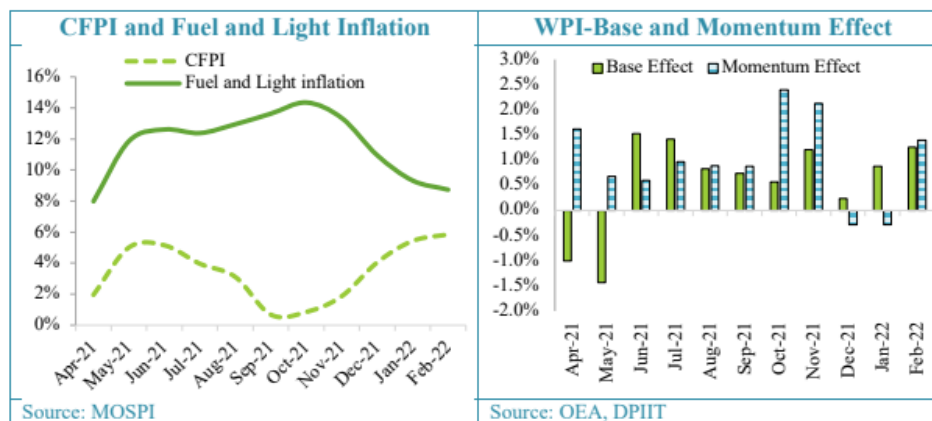
## Railway Freight and Air Cargo traffic

- The volume of freight loading through the Indian Railways was recorded at 1418.1 million tonnes during 2021-22, marking a 15% year-on-year increase.
- Air cargo is seen to have grown by 27.1% year-on-year during April 2021-February 2022 in the event of pandemic restrictions on economic activity being lifted. However, the sector is yet to recover to its pre-pandemic growth levels.



## CPI and WPI Indices

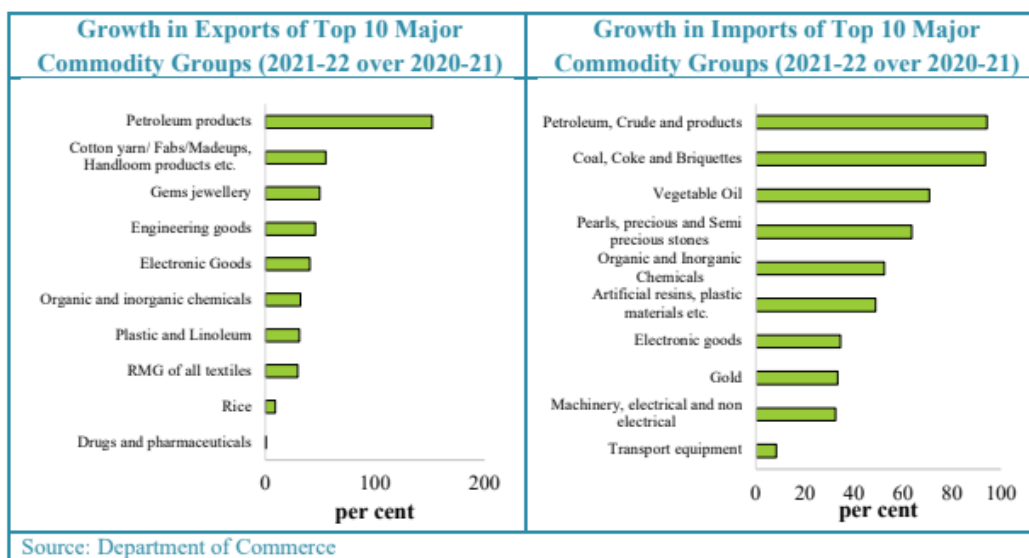
- The Consumer Price Index – Combined (CPI-C) was documented at 5.4% in the April-February FY2022 period as against 6.5% in the corresponding period last year.
- Food inflation is seen to have moderated to 3.4% in comparison to 8% in the previous year, bringing down overall CPI. WPI inflation for April-February FY2021 was documented at 0.7%. However, it is seen to have grown to 12.7% in the corresponding 2021-22 period.
- The WPI index is expected to moderate owing to the decline in unfavourable base effect from the previous years.





## Exports and Imports

- Annual merchandise exports were documented at USD 417.8 billion in 2021-22, marking a 43.2% year on year increase.
- Merchandise imports were documented at US\$ 610.22 billion, marking a 54.7% year on year increase. The Russia-Ukraine conflict and its impact on crude oil production, escalation in energy prices and the rebound in global economy are seen to have contributed to this development.
- Annual merchandise trade is seen to have crossed the US\$ 1 trillion mark for the first time in 2021-22.
- Services exports are seen to have registered a 19.1% year-on-year growth and imports by 24.8%. Net services receipts are seen to have increased in the April-February 2021-22 period in comparison to the previous year.

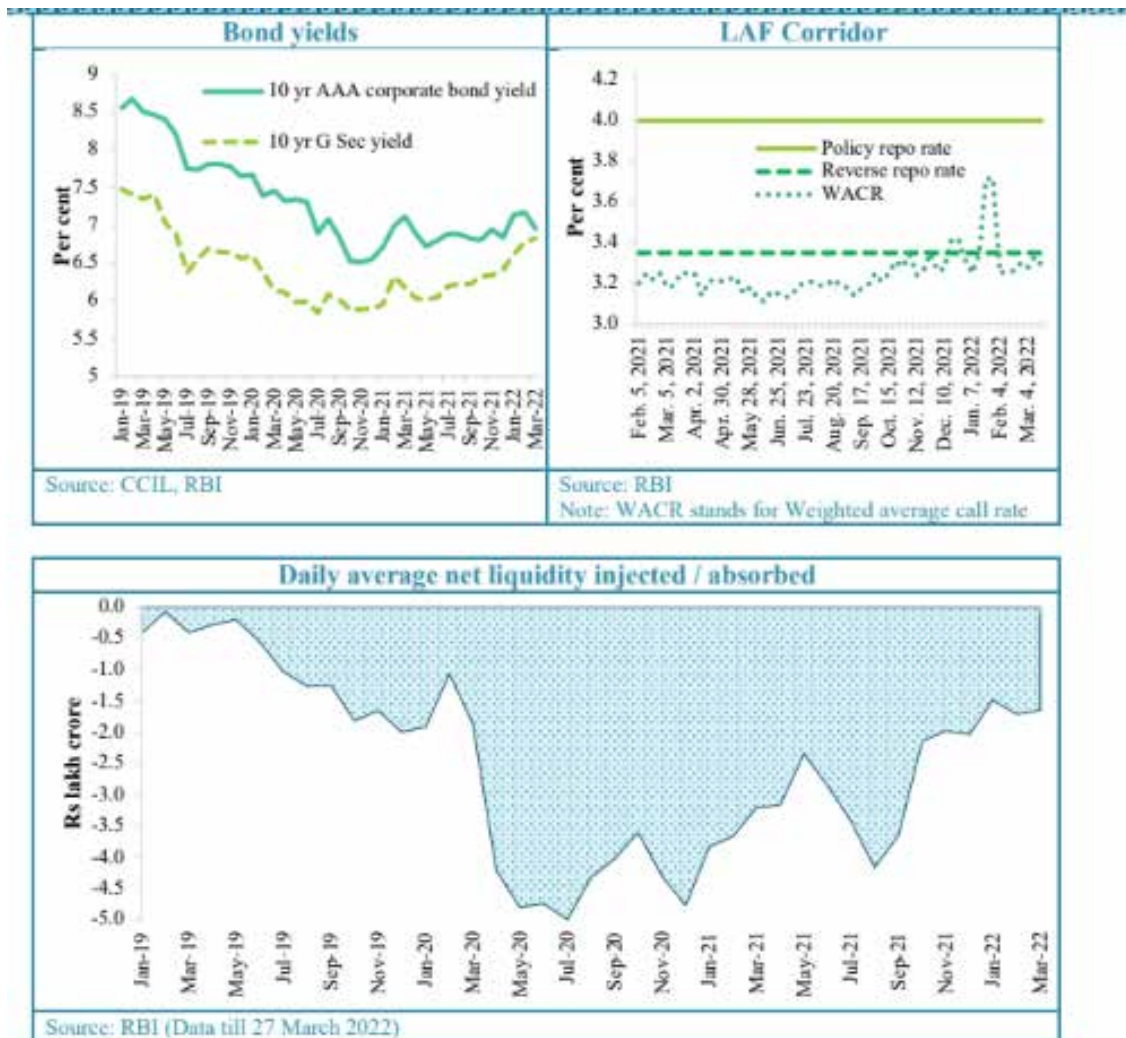


## Capital Investment

- Capital expenditure during the April 2021-February 2022 period was recorded at INR 4.9 lakh crore, marking a 20% year-on year increase.
- Schemes including the Production Linked Incentives are expected to further bolster investments across multiple sectors of the economy.
- The automobile sector in particular can effectively include higher value-added products in the overall value chain and create an advanced Electric Vehicles (EV) based system.
- The Centre for Monitoring Indian Economy documents that Government has already announced industrial and infrastructural capacity expansion projects worth INR 5.1 lakh by March 2022.

## Liquidity Absorption by the Reserve Bank of India

- The March 14-20 period saw the daily average liquidity absorption by the Reserve Bank of India increase to US\$ 23.639 billion (Rs 1.8 lakh crore) from US\$ 20.012 billion (Rs 1.6 lakh crore) in the March 7-13 period.
- The positive development is complemented by the call money rating trending beyond the Liquidity adjustment facility (LAF) corridor.



## FDI inflows

- Between April 2021 and January 2022, India received gross Foreign Direct Investments of US\$ 69.7 billion with equities for the period being documented at US\$ 50.8 billion. This marks a 33.6% increase in gross FDI inflows in January 2022 as against the volume recorded in December 2021.
- India continues to remain an attractive FDI destination despite the prevailing trends of monetary tightening and skepticism about growth prospects at a global level.
- Investments through External Commercial Borrowings (ECBs) have witnessed a 29.7% increase during the April 2021-February 2022 period as against the corresponding period in the previous year.
- The nation's foreign exchange reserves have also been documented at a record high with the potential to finance 12 months of import.

# Conclusion

According to the second advanced estimates, several contact sensitive sectors are yet to cross the levels of pre-pandemic growth. The Production Linked Incentives (PLI) schemes are expected to enhance the export potential of multiple sectors of the economy and increase self sufficiency in manufacturing. Initiatives such as Gatishakti are expected to bolster capital investments in infrastructure and bridge existing gaps in the system. Structural reforms initiated by the government are expected to serve as guardrails against external shocks to economic activities. The persistence of high prices as a result of the Russia-Ukraine conflict has the potential to impact economic activity. Although the aforementioned instability can pose supply chain disruptions and upside risks to information, positive domestic trends including the increase in GST collections and capital expenditure could moderate the impact.



## For more information:

Ministry of Finance, Department of Economic Affairs  
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