



Ministry of External Affairs  
Government Of India



ECONOMIC  
DIPLOMACY  
DIVISION

# MONTHLY ECONOMIC REPORT

FEBRUARY 2022



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# EXECUTIVE SUMMARY

The geopolitical tensions between Russia and Ukraine has triggered massive instability in the global economy. Within days, international prices of crude oil and other commodities shot up increasing the cost of India's import basket. However, its impact on India's activity level in March, if any, can be assessed only a month later, when high-frequency data becomes available.

Economic activity continues to recover with an upswing in mobility, resilient power demand, healthy toll collection, and E-way bill generations. Sustained momentum in goods and services tax (GST) revenue collection with year-on-year growth of 18% mobilizing INR

1.33 lakh crore in February 2022 also signifies growing business and trading turnover going beyond the festival season.

Real GDP estimates for Q3 of 2021-22, at year-on-year (YoY) growth of 5.4%, is reflective of a strong growth momentum, which has been aided by rapid vaccination coverage and accommodative monetary and fiscal policy support.

However, the budget with its Capex orientation and prudent assumptions along with strong macroeconomic fundamentals will support growth amidst global political turmoil and possible higher volatility in financial markets.

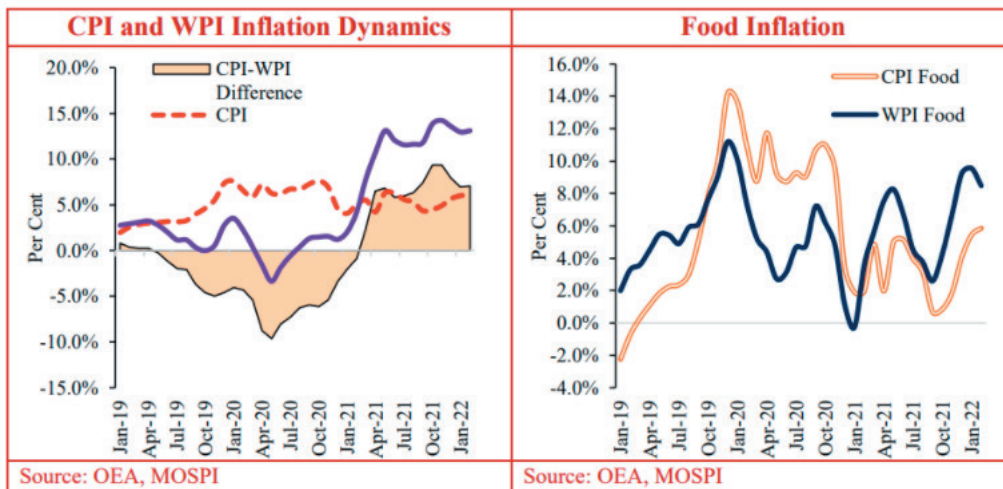


## COVID-19

- The third wave of the pandemic continues to wane swiftly in India with a seven-day moving average of daily cases falling to less than 12 thousand by February end from more than 2 lakh by January end.
- As of 28th February 2022, India had 1.35 lakh active cases – down from a peak of 22.0 lakh cases on 27th Jan 2022.

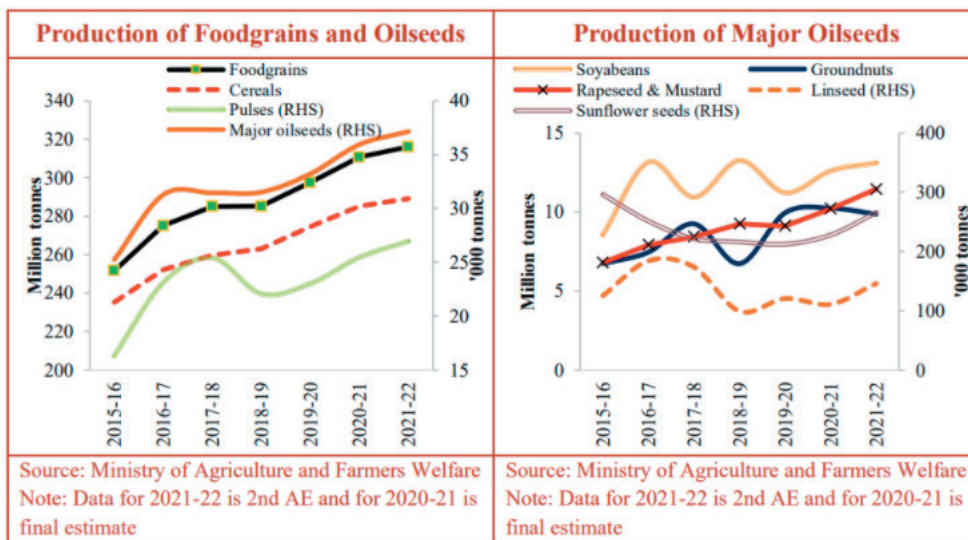
## Economic Activity

- Consumer Price Index – Combined (CPI-C) inflation or retail inflation for February 2022 rose to 6.1% from 6% in January 2022
- Wholesale inflation, based on the Wholesale Price Index (WPI), after remaining at 0.7% during the April-February period of 2020-21, saw a sharp uptick in the corresponding period of 2021-22 to 12.7%. WPI inflation stood at 13.1% in February 2022, as compared to 13.0% in January 2022
- In February 2022, the increase in retail inflation was primarily driven by an increase in inflation of food and beverages, housing, and clothing and footwear subgroups. Food inflation increased from 5.4% in January 2022 to 5.9% in February 2022 mainly driven by unfavourable base effect, partly offset by sequential month on month (MoM) inflation declining by 0.2%



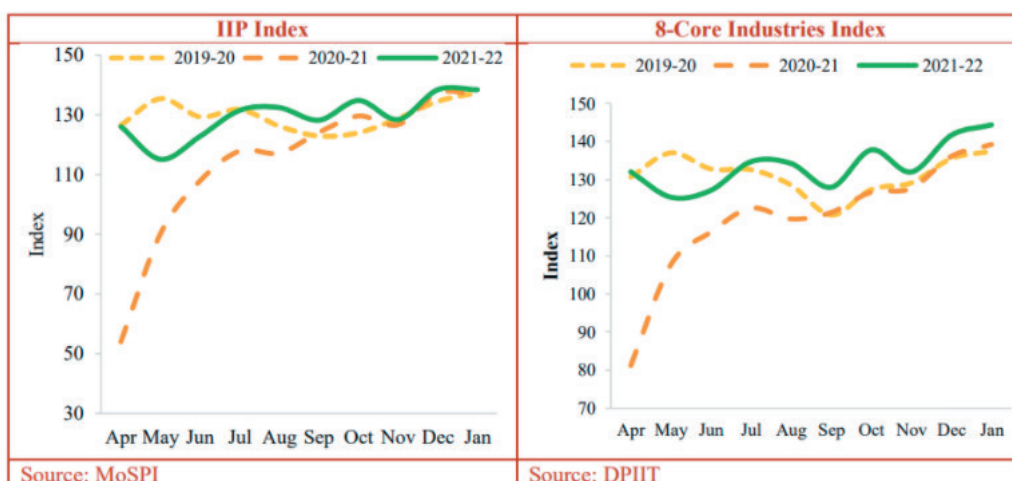
## Agriculture Sector

- Sustained growth momentum in the agriculture sector prevails, with real GDP growing at 2.6% YoY in Q3 2021-22. As of 4th February 2022, the total area sown during rabi season stood at 700.8 lakh hectares, registering a YoY growth of 1.5%.
- Production of major crops like rice, wheat, gram, maize is estimated at record levels. Even oilseeds production is estimated to increase 3.3% over last year, among which rapeseed and mustard are set to reach a record high and witness a YoY increase of 12.2%



## Industry & Services

- India's manufacturing activity as per purchasing manager's index (PMI) manufacturing recovered in February 2022 and stood at 54.9 after decelerating to a four-month low of 54 in the previous month, as new orders and production expanded at a stronger pace in conjunction with an increase in buying activity.
- Index of industrial production (IIP) recorded a growth of 1.3% in January 2022, with a 2.8% recovery in the mining sector, 1.1% in the manufacturing output, and 0.9% in the electricity sector. The YoY growth of IIP for the period April-January 2021-22 stood at 13.7% as compared to (-)12.0% in April-January 2020-21. Industrial activity is expected to recover in the forthcoming months with Government's thrust on capital expenditure.
- Eight Core Industries (ECI) comprise 40.3% of the weight of items included in the IIP and accounted for much of the growth. The combined Index of ECI stood at 144.4 in January 2022, registering a growth of 3.7% over January 2021 and 5.1% over the pre-pandemic level (January 2020).
- Services activity was strengthened in February 2022 with the decline of new infections and the easing of mobility restrictions. This is reflected in PMI Services, which marginally improved to 51.8 in February 2022 from 51.5 in January 2022. Strengthening of services is attributed to expansion in new orders, better demand conditions, and enhanced business confidence

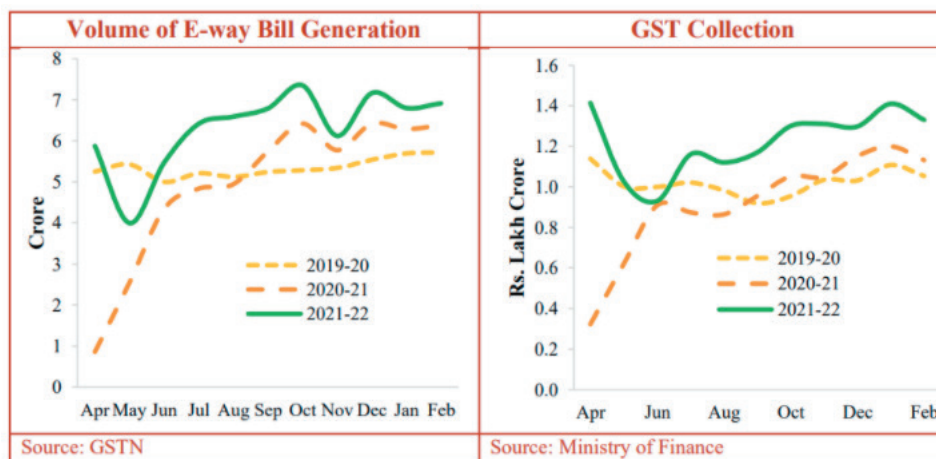


## Power

Energy demand continues to remain resilient. During February, power consumption further grew by 8.1% compared to the first 28 days of the preceding month and 4.5% over the corresponding month of the previous year

## GST Collection

Robust GST collection during February 2022 (reflecting January transactions) crossed INR 1.30 lakh crore mark for the fifth time since implementation. It was INR 1.33 lakh crore, registering a double-digit growth of 18% compared to the corresponding period last year and 26% higher than the corresponding pre-pandemic level.

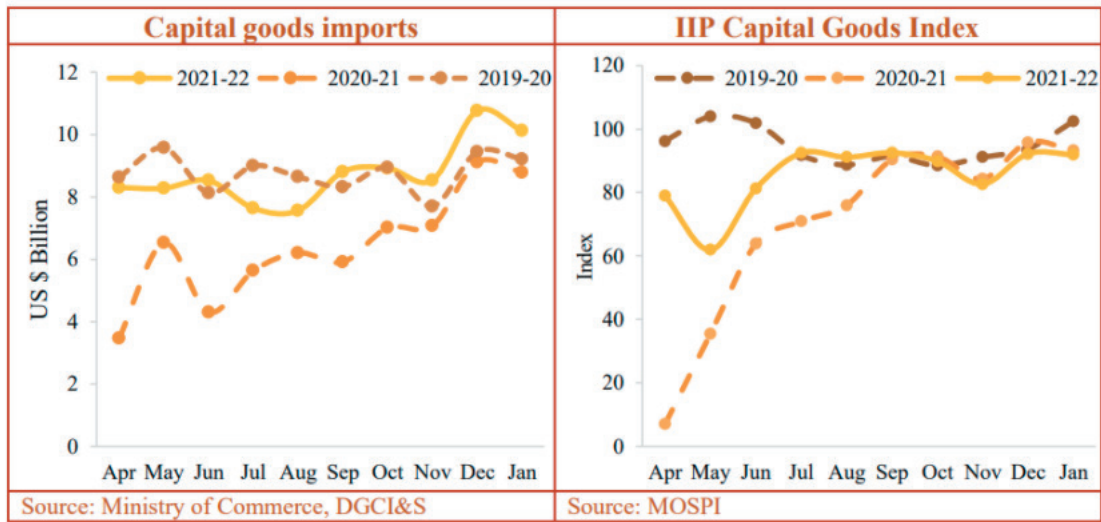


## Consumption

- Consumption and imports witnessed strong growth momentum in Q3: FY 2021-22 posting an increase of 12.5% and 4.9% respectively over Q2: FY 2021-22. When compared to Q3: FY 2019-20 levels, all the components have crossed the corresponding pre-pandemic levels.
- Recovery in private consumption at 107.6% and imports at 125.8% compared to the pre-pandemic levels signal a faster revival of demand and growth.

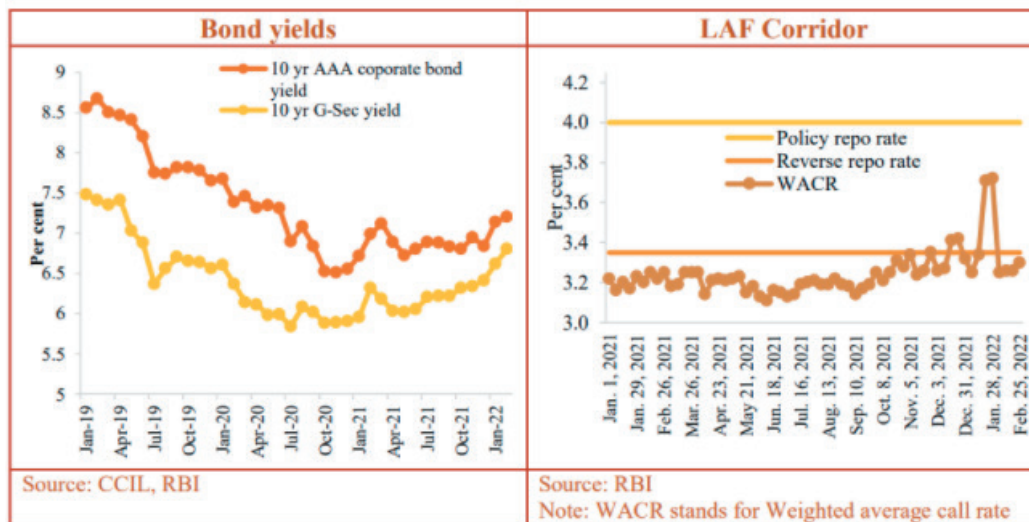
## Investments

- The capital goods index of IIP, an indicator of private investment, witnessed a YoY growth of 20.8% in April- January 2021-22 as compared to the corresponding period last year. Capital goods imports, despite moderating in January 2022 on a MoM basis, stayed well above the levels seen in January 2020 and 2021, implying upbeat investment activity in the economy.
- Capital expenditure increased by 22.0% YoY during April 2021-January 2022 and stood at INR 4.4 lakh crore in April-January 2021-22 compared to INR 3.6 lakh crore in the corresponding period last year.



## Surplus Liquidity

- Credit disbursement in the economy has been picking up, aided by policy rate cuts of 115 bps by scheduled commercial banks (SCBs). Resultantly, the weighted average lending rate (WALR) on fresh rupee loans has been reduced by 140 basis points between February 2020 and January 2022.
- However, since Q3 of 2021-22, there has been perceived liquidity tightening due to variable rate reverse repo auctions as well with bond market participants pricing in more aggressive tightening by systemic central banks than previously anticipated



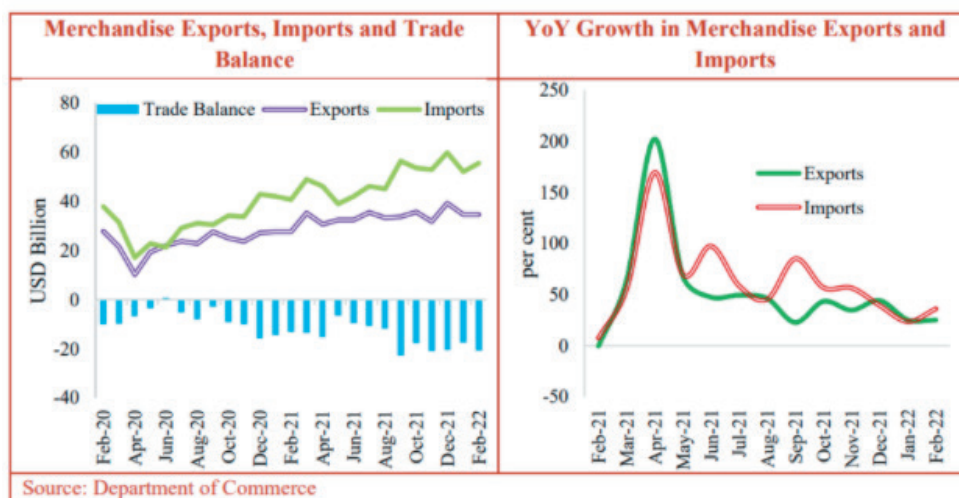


## Bank Credit

- Bank credit to the services sector continued to witness a strong momentum, registering a growth of 7.3% on a YoY basis and 2.0% on a MoM basis in January 2022. Further, the marked improvement in credit to Non-Bank Financial Companies (accounting for one-third of Services credit) continues to persist in January as well, with double-digit YoY growth (10.7%) for a second consecutive month. Other service sectors such as transport operators and tourism, hotels, and restaurants also showed significant improvement in credit growth.

## Merchandise Exports

- In February 2022, the performance of merchandise exports continued to remain resilient growing YoY at 25.1% as compared to 25.3% in the previous month. In the 11 months of the current year so far, merchandise exports have been USD 374.8 billion, 46.1% higher than in the corresponding period of the previous year, in part benefitting from a rebound in the world economy.
- Merchandise imports on the other hand grew by 36.1% YoY in February, as compared to 23.5% in the previous month, as crude oil prices rose amid escalating geopolitical tensions while domestic demand recovered further post the Omicron wave of COVID-19.
- Though merchandise exports witnessed double-digit YoY growth in February 2022, the growth was slightly lower compared to the previous months, mainly on account of unfavorable base effect and small momentum effect.



# Conclusion

The second advance estimates of GDP released on 28th February 2022 signals the full recovery of India's economy with real GDP of FY 2021-22 estimated to go past the output of pre-pandemic levels. Further, real GDP estimates for Q3 of 2021-22 indicate strong growth momentum, aided by rapid vaccination coverage along with accommodative monetary and fiscal policy support.

As Omicron induced restrictions are eased with the decline in new cases, economic activity shows signs of resurgence. The government's efforts to enhance capital expenditure will further boost the growth and employment through multiplier effect. Resultantly, Moody's Investors Service has upgraded the India's GDP growth estimate to 8.4 percent for 2022-23, while Fitch Ratings has projected the growth at 10.3% for 2022-23.



## For more information:

Ministry of Finance, Department of Economic Affairs  
[MONTHLY ECONOMIC REPORT FEBRUARY 2022](#)

