



Ministry of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
DIVISION

MONTHLY ECONOMIC REPORT

APRIL 2022

CONTENTS

Executive Summary_____	4
• COVID-19_____	5
• Economic Activity_____	5
• Employment_____	6
• Industry_____	6
• Industrial Credit_____	7
• Services_____	8
• CPI and WPI Indices_____	8
• UPI Transactions_____	9
• Exports and Imports_____	10
• Capital Investment_____	10
• Liquidity Absorption by the Reserve Bank of India_____	10
• FDI inflows_____	11
Conclusion_____	12



EXECUTIVE SUMMARY

Growth in industrial output has made a promising start in 2022-23 with Purchasing Managers' Index (PMI) Manufacturing expanding to 54.7 in April from 54 in March. This is on the back of the Index of Industrial Production (IIP) expanding year-on-year (YoY) by 1.7% in February 2022, as compared to 1.3% growth in the previous month when the third wave of the pandemic had peaked.

The agriculture sector is yet again poised to make a sustainable contribution to growth with an increase in acreage of summer crops including record sowing of rice. With sufficient water levels in reservoirs and normal expected rainfall, summer crops promise yet again a good postharvest output. Rural income and demand in the current year are also set to increase with the Rabi Marketing Season thus far, seeing wheat procurement benefitting 9.5 lakh farmers in 2022-23. Rural incomes will be further boosted by agricultural exports as it registers an impressive YoY growth of 19.9% in April, despite facing logistic challenges in the form of high freight rates and container shortages

Overseas demand for India's merchandise exports continued to provide impressive stimulus to investment and growth. April was the 14th consecutive month that saw merchandise exports growing in double digits. Service exports have also been robust in

stimulating growth reaching an annual all-time high of US\$ 254 billion in 2021-22. Gross Foreign Direct Investments (FDI) nudged US\$ 77 billion in April-February FY 2021-22, against the full year inflow of US\$ 82 billion in 2020-21, strengthening yet another avenue to bolster investment in the country.

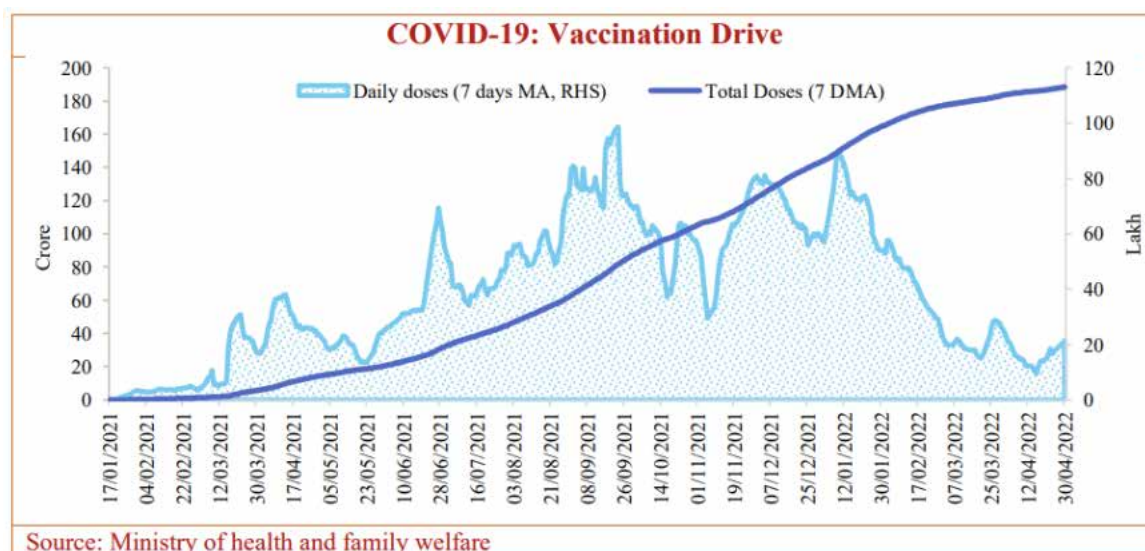
India's forex reserves, as of 29th April 2022, stand at a comfortable US\$ 597.7 billion, providing an import cover of about 11 months for financing investment and consumption in the country. The reserves have been steadily declining under pressure from the outflow of Foreign Portfolio Investments (FPI) responding to monetary tightening by central banks in advanced economies

Rising food and energy prices are a global phenomenon and even several advanced nations have higher inflation rates than India. The Reserve Bank of India has signalled its determination to combat inflation and that too will sustain macroeconomic stability and growth.

The global economy, still in the process of reversing supply-side disruptions caused by the pandemic, would have been far more comfortably placed in the absence of the Russia-Ukraine conflict and the economic sanctions it has led to.

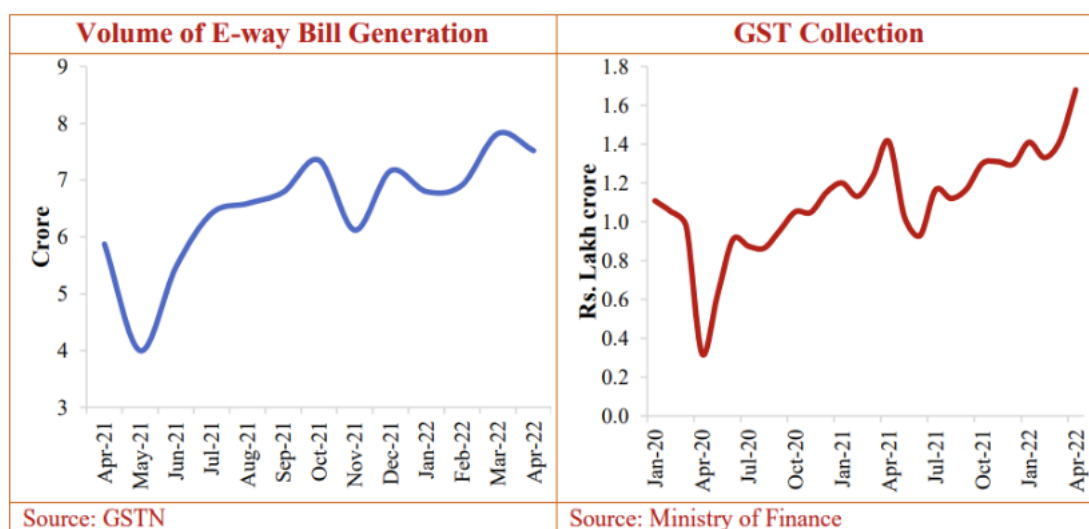


COVID-19



- As of 30 April 2022 more than 189 crore doses have been administered with around 91 crore adults having received at least one dose, of which 81 crore are now fully vaccinated.
- About 2.8 crore precautionary doses have been administered to healthcare, front-line workers, and people aged above 60 years while 7.5 lakh precautionary doses have been administered to people aged between 15-59 years.

Economic Activity



- Mobility continues to expand above pre-pandemic levels and was 9.2% in April compared to 7.5% in March. The average daily E-toll count increased to 88.3 lakh in April 2022 registering a growth of 62% on YoY (y-o-y) basis as compared to 40.0% in the previous month.
- The strong growth momentum in economic activity is reflected in all-time high GST revenues. The collection touched INR 1.68 lakh crore in April 2022 registering a YoY growth of 18.8% and 47.5% higher than the corresponding pre-pandemic level.

- The volume of E-way bill generation during April 2022 expanded by 28.0% on a YoY basis compared to 9.8% in March 2022, signalling robust GST collection for May 2022
- During April 2022, economic activity continued to strengthen further as power demand grew by 11.5% on a YoY basis amid the early onset of the summer season and a spurt in commercial and industrial activities

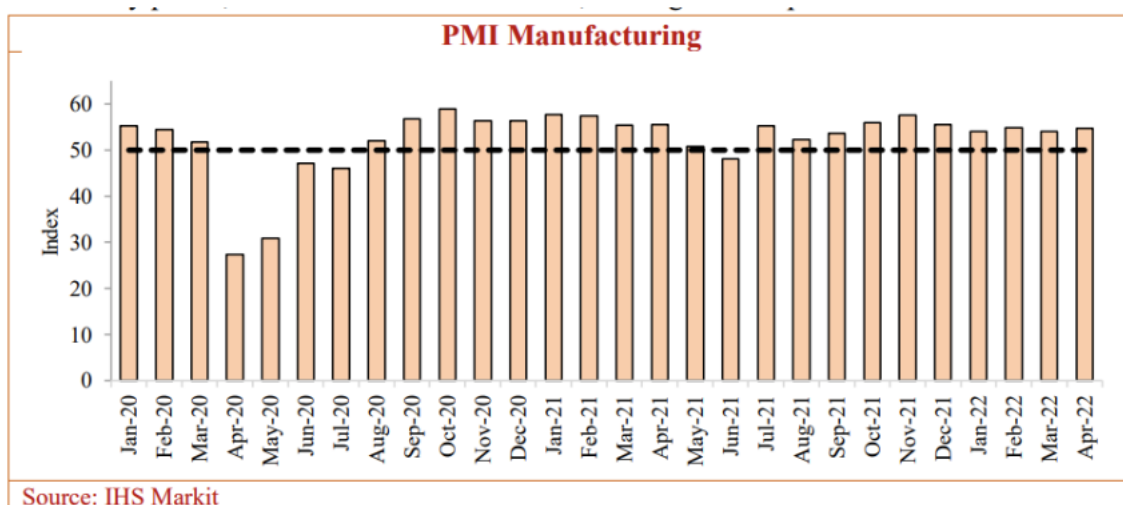
Employment

Social security net to low-paid workers in medium and large establishments in the formal sector significantly expanded in 2021-22 as a cumulative net addition to EPF subscribers reached a record 1.1 crore in 2021-22 (April 2021 to February 2022), 44.3% higher than the full year of 2020-21.

Further, the share of female enrolment is 21.9% of the total net subscriber addition during February 2022.

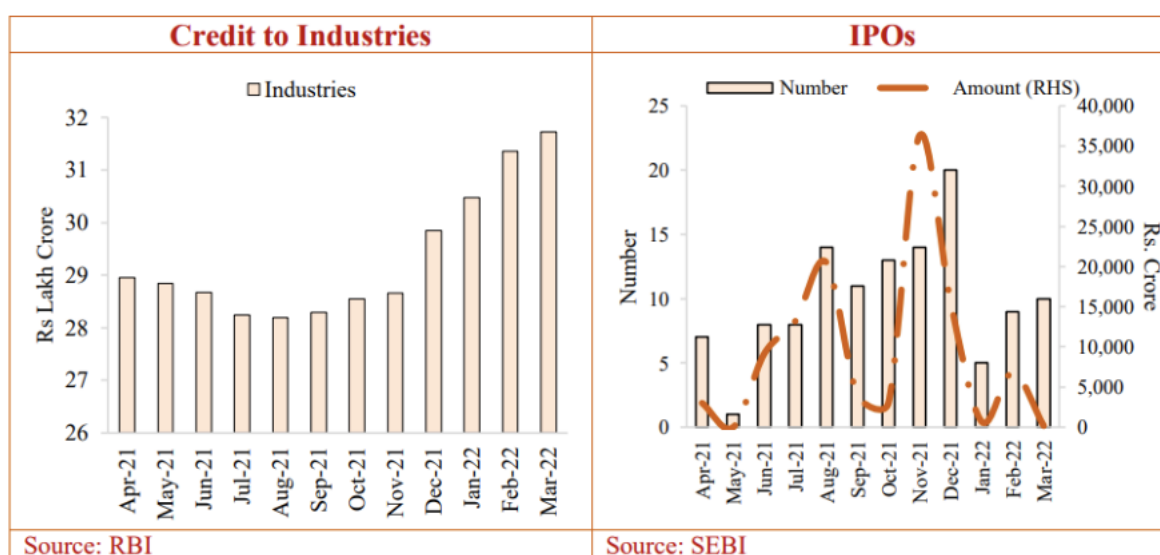
Employment in firms with 10 or more workers operating in nine selected sectors increased to 314 lakhs during October-December 2021 from 310 lakh during July-September 2021, as per the third round of the Quarterly Employment Survey (QES).

Industry



- India's manufacturing PMI expanded to 54.7 from 54 a month earlier, with an upscale in production and factory orders across the sector.
- The Index of Industrial Production (IIP) grew YoY by 1.7% in February 2022 up from 1.3% in the previous month, as mining activity and electricity generation rose after the waning of the third wave of the COVID-19 pandemic.
- Eight Core Industries comprise 40.3% of the weight of items included in the IIP and accounted for much of its growth. The combined Index of Eight Core Industries stood at 157.3 in March 2022, registering a YoY growth of 4.3%, reflecting the second highest growth over five months.
- The cumulative growth of the Index of Eight Core Industries in 2021-22 stood at 10.4% as compared to 2020-21.

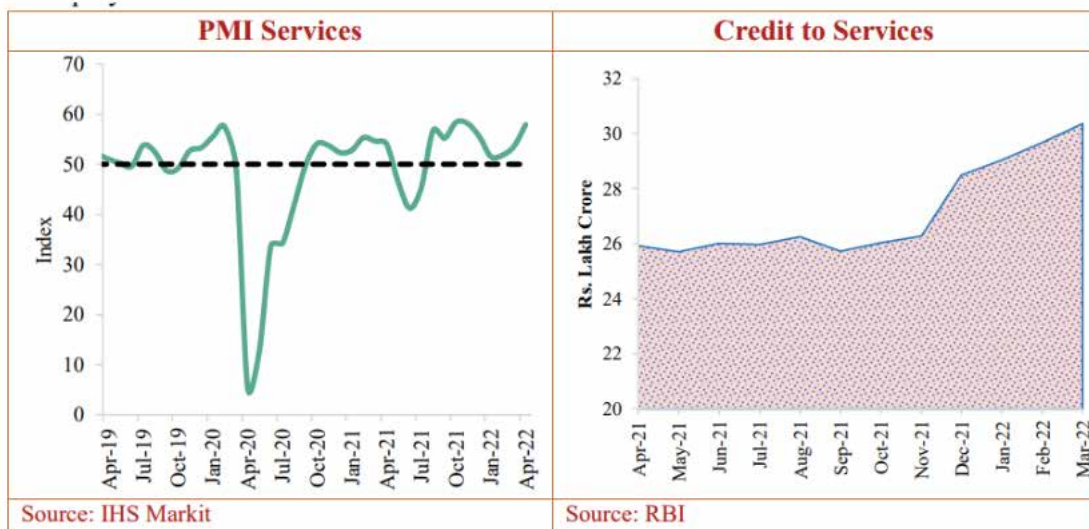
Industrial Credit



- Credit to large industries recorded a YoY growth of 0.9% and a month-on-month growth of 0.7% in March 2022.
- Growth in credit to industries increased robustly from (-) 0.4% in FY 2020-21 to 7.1% in FY 2021-22, as large corporates resorted to deleveraging and raising funds from banks instead of markets due to a surge in yields on commercial paper.
- External commercial borrowings (ECBs) by the private sector saw a decline of 3.5% (YoY growth) in February 2022 in comparison to the corresponding month of the previous year.

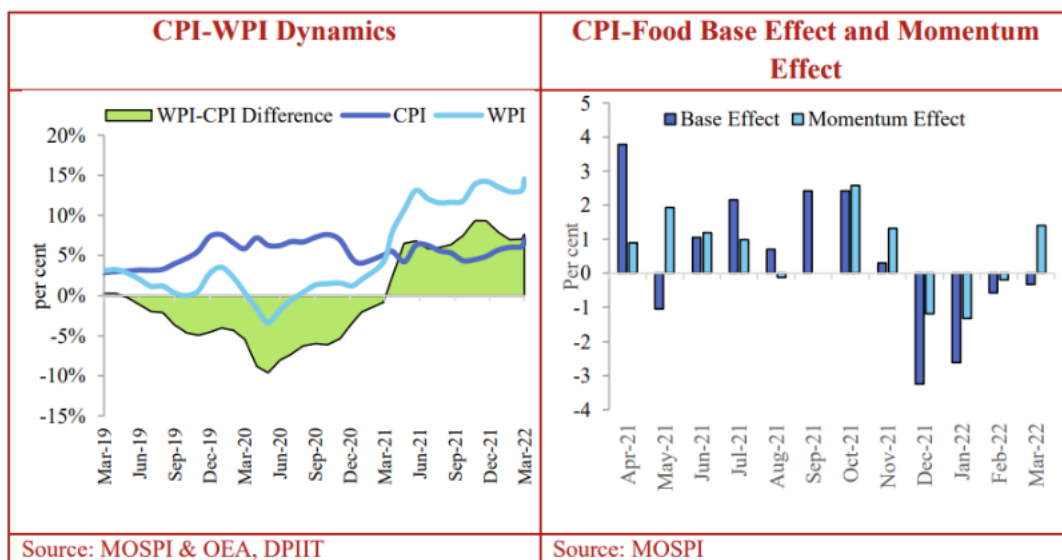


Services



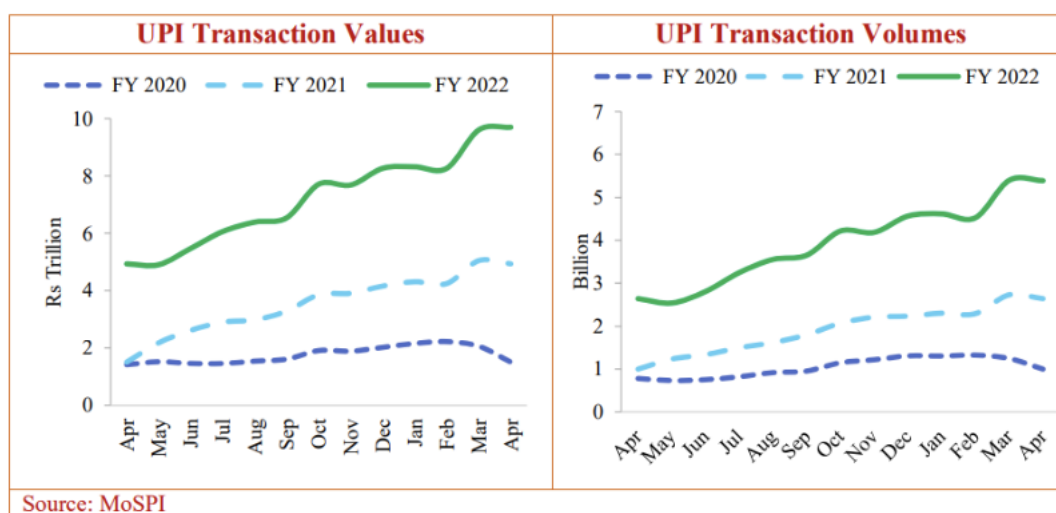
- Services activity, indicated by PMI services, continued to gain momentum in April 2022 to 57.9 from 53.6 in March 2022, increasing at the fastest pace since November 2021.
- Credit support to the services sector continued to expand in March, registering a growth of 8.9% on a YoY basis and 2.3% on a month-on-month (MoM) basis over February 2022.
- The sustained growth of credit to NBFCs is thus also a manifestation of rising consumption demand in the economy.

CPI and WPI Indices



- Headline retail inflation measured by the Consumer Price Index – Combined (CPI-C) rose to 6.95% in March 2022, as compared to 6.07% in February 2022, on the back of rising global edible oil prices.
- WPI inflation for FY 2021-22 rose sharply to 13% after having remained benign at 1.29% in FY 2020-21.
- While retail food inflation or CPI – Food for March 2022 stood at 7.7% as compared to 5.9% in February 2022, food inflation for FY 2021-22 was 3.8%, significantly lower than the figure of 7.7% for FY 2020-21.

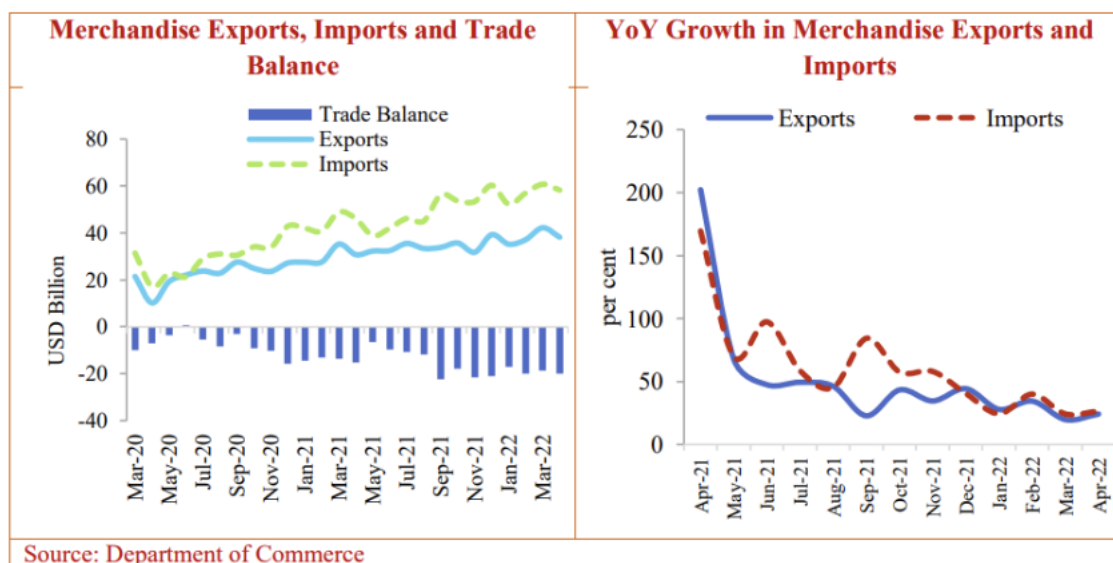
UPI Transactions



- The value of the transactions processed on the platform in April 2022 was Rs. 9.7 trillion, an increase of 96.5% over the corresponding period of FY 2021.
- The volume of UPI transactions processed in April 2022 also grew and stood at 5.4 billion, an increase of 104.5% over the corresponding period of FY 2021.
- The volume of UPI transactions crossed 5 billion in two consecutive months for the first time since the inception of the payments system.



Exports and Imports

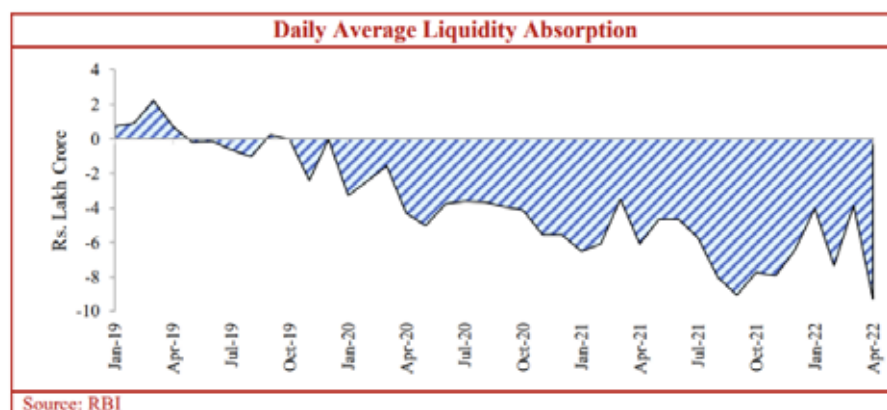


- Merchandise exports continued to stay high at US\$ 38.2 billion in April 2022, registering a YoY increase of 24.2%.
- Merchandise imports stand at US\$ 58.3 billion, recording an increase of 26.6% over April 2021, partly on account of increased international commodity prices.
- In 2021-22, services exports stood at US\$ 250 billion, 19.8% higher over 2020-21 while services imports were higher by 18.4% over the same period.

Capital Investment

- The IIP Capital Goods index, an indicator of private investment, grew by 18.8% YoY in April-February FY2022 over the corresponding period last year.
- Capital goods imports in March 2022 continued to be buoyant and rose by 2% YoY and were greater than the levels seen in the corresponding months of FY 2020 and FY 2019.
- Cumulative capital goods imports for FY 2022 were 31.5% higher than those in FY 2021, indicating a continued build-up of productive capacity in the economy.

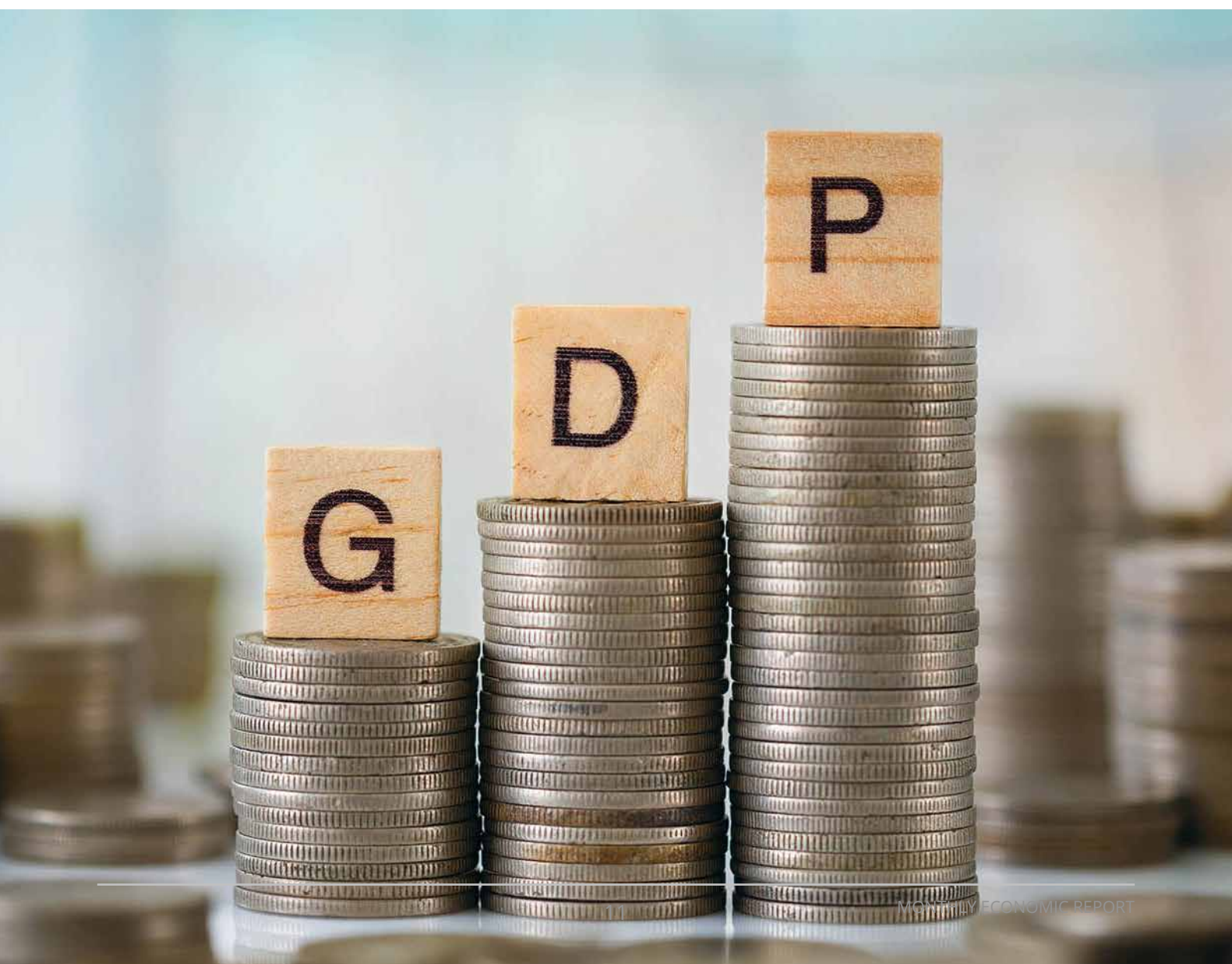
Liquidity Absorption by the Reserve Bank of India



- The Monetary Policy Committee (MPC) increased the policy repo rate under the liquidity adjustment facility (LAF) by 40 basis points to 4.4%.
- the net liquidity absorption (outstanding including today's operations) increased from Rs. 3.9 lakh crore in March 2022 to Rs. 9.3 lakh crore in April 2022 indicating a tightening of the systemic liquidity as weighted average call rate (WACR) outsider entered the LAF corridor.
- However, WACR is yet to enter the narrower LAF resulting from the introduction of the SDF, which is higher than the reverse repo rate.

FDI inflows

- Gross FDI for the period April – February FY 2021-22 stood at US\$ 76.9 billion of which the equity component was US\$ 55.1 billion. Net FDI for the same period was US\$ 36 billion.
- However, in anticipation of monetary tightening by central banks in developed countries, the outflow of Foreign Portfolio Investments has been increasing although the quantum of outflow in April was much lower than that in the preceding three months.



Conclusion

Despite the headwinds emerging from global geopolitical developments and inflationary pressures, a steady recovery in private consumption and robust exports have induced a healthy investment environment in the economy. The IMF World Economic Outlook April 2022 projects India to be the fastest growing economy at 8.2% in FY 2022 and 6.9% in FY 2023. Lending credence to these projections, the fiscal year 2022-23 has begun with strong growth momentum in economic activity as indicated by the robust performance of high-frequency indicators such as e-way bill generation, ETC toll collection, electricity consumption, and PMI manufacturing and services. Government measures to keep the prices of these commodities in check along with the recent hike in policy rates by the RBI are expected to temper inflationary pressures in the economy.



For more information:

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