



Ministry of External Affairs  
Government Of India



ECONOMIC  
DIPLOMACY  
DIVISION

# MONTHLY ECONOMIC REPORT

AUGUST 2022



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# EXECUTIVE SUMMARY

Since independence, India has grown its per capita GDP 8 times in real terms. In this period, the nation has become a modern economy, with the share of industry and services increasing from one-half to three-quarters of Gross Value Added (GVA). A globally integrated India now exports a fifth of its output compared to one-sixteenth at the time of independence. The per capita GDP of India in the next 25 years may grow as much as it did during the last 75 years, with more equitable income distribution, higher employment levels and globally comparable provision of social amenities.

The composite PMI for India rose to 58.2 in August 2022, signalling a quicker pace of expansion. However, in contrast, the Global composite PMI has entered the contractionary phase declining to 49.3 in August 2022, with a slowdown mainly evident in advanced economies.

During Q1 of 2022, India was the 5th largest recipient of foreign direct investment. India's exports grew at the second highest rate this quarter despite the ongoing global slowdown. India's forex reserves were the 3rd largest compared to other economies, adequate to cover nine months of imports, which is higher than most other economies. Ample foreign

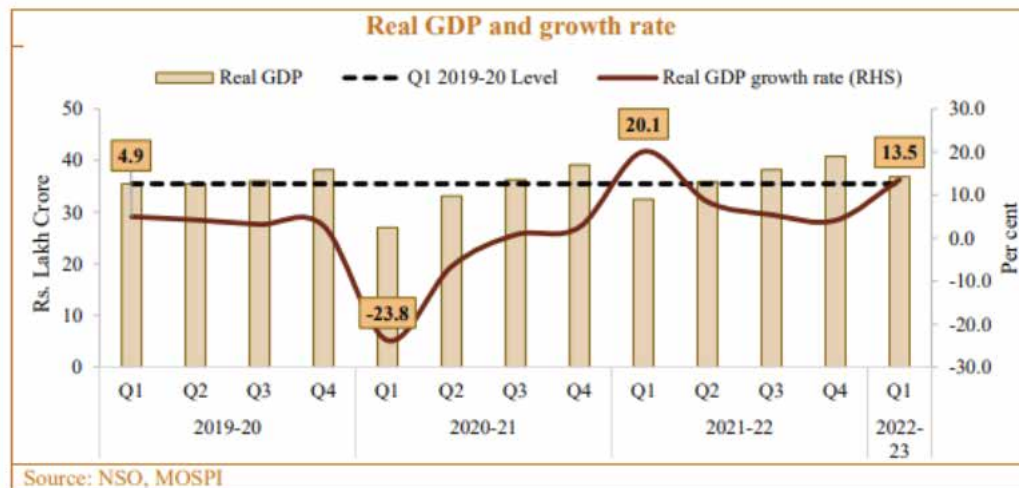
exchange reserves, sustained foreign direct investment, and strong export earnings have provided a reasonable buffer against the monetary policy normalisation in advanced economies and the widening of the current account deficit arising from the geopolitical conflict.

Crude prices have dropped 19.1% by August from their recent peak in June 2022. Supply chains are getting restored with a decline in port congestion. The impact is already reflected in the CPI-C and WPI inflation decline since April 2022. CPI-C inflation stood at 7% in August 2022 compared to 7.8% in April 2022. Similarly, WPI Inflation has dropped from 15.4% in April to 12.4% in August. Overall, inflationary pressures in India appear to be on a decline with a pre-emptive set of administrative measures by the government, agile monetary policy and the easing of international commodity prices and supply-chain bottlenecks.

The current financial year thus can lay a strong foundation for sustained economic growth, improved resilience, and enhanced competitiveness of 'Make in India' during the Amrit Kaal.

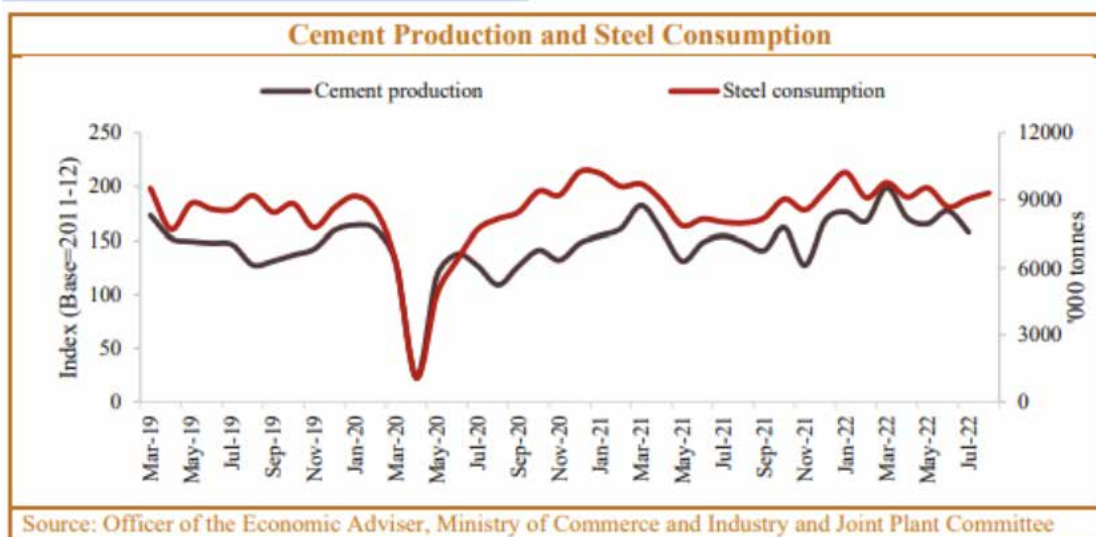


## Economy



- The provisional estimates released by National Statistical Office (NSO) show real GDP in Q1 of 2022-23 going past nearly 4% of the pre-pandemic real GDP level of Q1 of 2019-20.
- Q1 of 2022-23 launches the re-growth phase as India moves up to become the 5th largest economy in the world (based on quarterly GDP results in the current dollars for the period ending December 2021) surpassing that of the UK.
- In the next three quarters of the current year, India's real GDP needs to grow by (only) 5.4% on average every quarter to achieve the growth rate of 7.2% in 2022-23 as projected by the RBI.

## Cement Production and Steel Consumption



- The GVA of the construction sector grew 16.8% YoY in Q1, to go past the corresponding output level of the pre-pandemic year, supported by a 9.8% growth of construction goods.
- A robust increase in cement production and steel consumption will likely sustain construction activity in the year ahead.

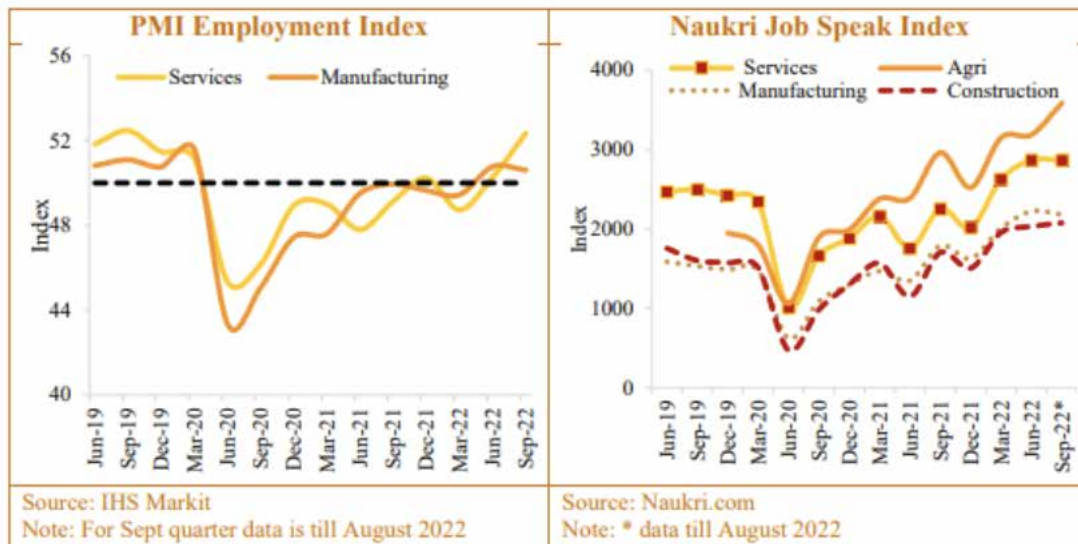
## Consumption

The rise in private consumption and consumer sentiments has enabled the investment rate to sharply increase from 28.2% of GDP in Q1 of 2021-22 to 29.2% in Q1 of 2022-23, supported by growth in the production and imports of capital goods.

## Tax Revenues

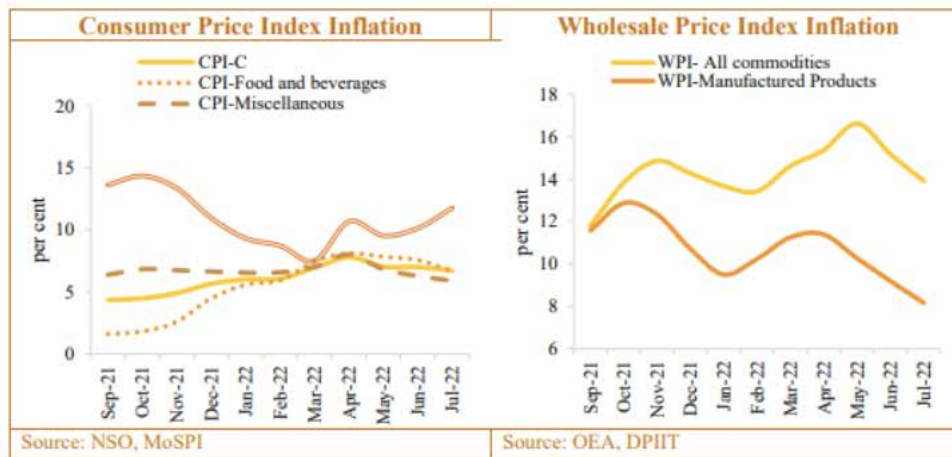
- Until July 2022 in the current year, net tax revenues have been 25.9% higher than in the corresponding period of the previous year, in part supported by the greater effectiveness of tax administration.
- GST collections were 28% higher on a YoY basis in August 2022, crossing the `1.4 lakh crore benchmark for the sixth successive month.

## Employment



- Based on EPFO records, net payroll additions doubled in June 2022 quarter compared to the corresponding period last year with broad-based enhancement across the industry.
- The unemployment rate in urban areas as per “The Periodic Labour Force Survey” (PLFS) has shrunk for the fourth consecutive quarter ending at 7.6% in the June quarter of 2022
- The rate of job creation in the service sector picked up to its strongest in over 14 years, with improvement seen in each sub-sectors, including transport, information & communication, finance & insurance and real estate & business services.

## High-Frequency Indicators



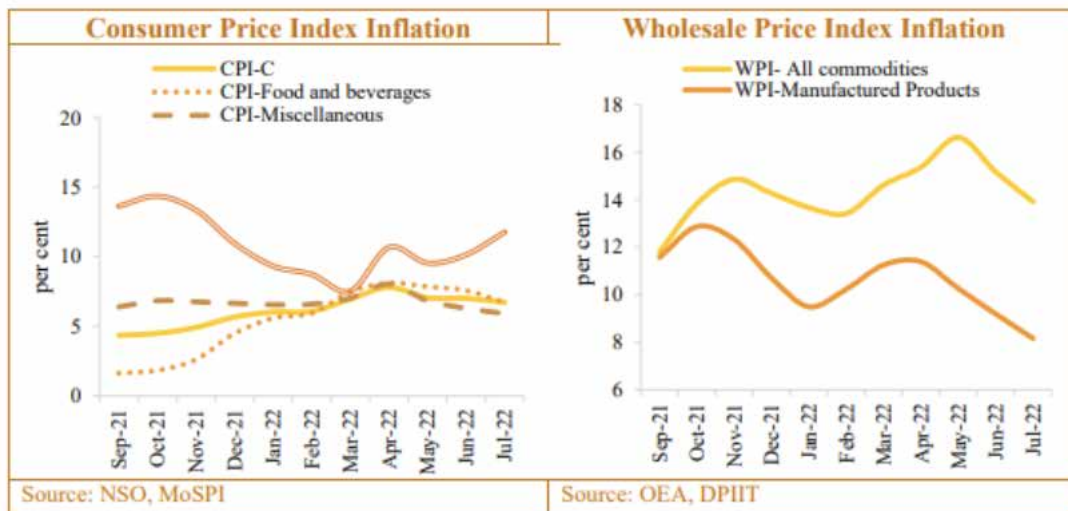
- E-way Bills in volume recorded a YoY growth of 7.52% in August 2022.
- PMI manufacturing remained in the expansionary zone at 56.2 in August 2022, the second highest since November 2021, supported by the growth of output and new orders and a fall in input cost inflation.
- PMI Services stood at 57.2 in August 2022, driven by more substantial gains in new business, ongoing improvements in demand, job creation and overtime work.

## External Sector

- India's strong forex reserves, which are 3rd largest compared to other economies, are boosted by capital inflows during the two pandemic years and are adequate to cover imports equivalent to 9 months as of July 2022, which is higher than most of the other economies.
- India's exports grew at the second highest rate in this quarter despite the ongoing global slowdown, indicative of strong demand for Indian goods.



## Inflation



- The increased price of imported commodities led to an uptick in headline inflation and widened the trade balance.
- After peaking in April 2022, CPI inflation moderated to 6.7% in July, witnessing a slight uptick in August 2022.
- The increase in inflation in August has been mainly driven by retail food inflation. Retail food inflation has declined from 8.3% in April 2022 to 6.7% in July and increased to 7.6% in August
- Miscellaneous inflation also declined from 8% in April 2022 to 6.0% in August 2022, driven by a substantial reduction in 'Transport and Communication' and Health sub-components.
- With the decline in global prices of various industrial metals like iron, copper, lead, zinc and tin, WPI-Manufactured products inflation has also moderated to 7.5% in August 2022 from double-digit inflation till May 2022



## Conclusion

When slowing growth and high inflation are afflicting most of the world's major economies, India's growth has been robust, and inflation is in control. Rapid vaccination coverage and well-calibrated short-term policy measures have skilfully navigated the economy through turbulent times, preparing a solid foundation to build a prosperous nation in the years ahead. Prudent fiscal management and credible monetary policy will remain essential for India to fulfil its growth aspirations. Both these pillars of public policy will enable benchmark borrowing costs for the government and the private sector to decline, facilitating public and private sector capital formation. Vigorous pursuit of asset monetisation at all levels of government will help lower debt stock and hence debt servicing costs. That would cause the risk premium to drop and the credit rating of India to improve.



### For more information:

Ministry of Finance, Department of Economic Affairs  
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