



Ministry of External Affairs
Government Of India



ECONOMIC
DIPLOMACY
DIVISION

MONTHLY ECONOMIC REPORT

OCTOBER 2022



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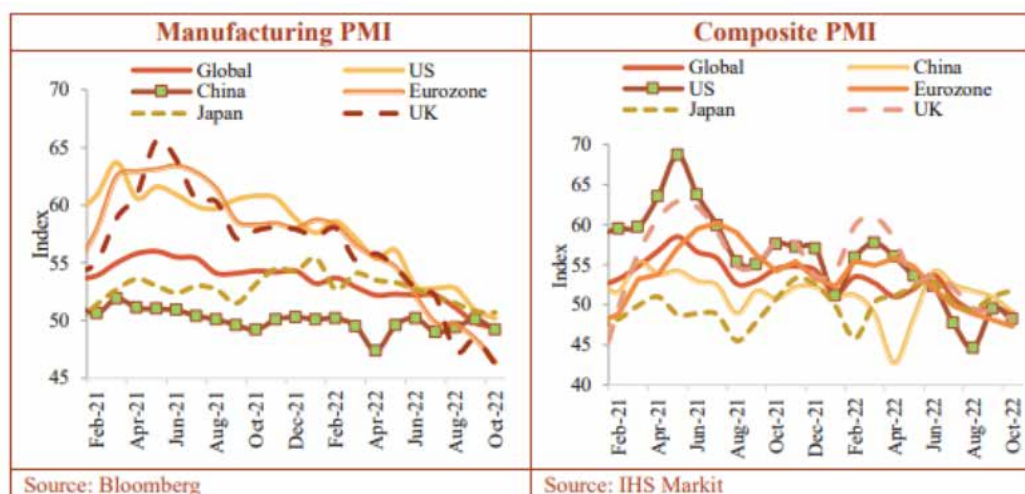


Introduction

The global composite PMI output index shrank for the second consecutive month in September, led by weakness in advanced economies (particularly in the euro area), as elevated uncertainty and high energy prices dented confidence. These unfavourable developments have led the IMF to downgrade its outlook on the global economy, revising downward its projections of 2023 growth rates for most economies. India's response and containment measures, followed by near universalisation of vaccination, have been considered a public health care marvel in subduing the pandemic. However, even before the successful Covid management, other success stories were slowly unfolding, including those of Infant Mortality Rate and Maternal Mortality Rate, which declined between 2019 and 2020. This could be attributed to strategic investments taken under National Health Mission (NHM). The recovery in economic activities across sectors has improved the overall employment situation in the country. The PLFS shows the urban unemployment rate declining for the fourth consecutive quarter ending June 2022. Net payroll additions in EPFO have witnessed double-digit growth in September 2022, reflecting improved formalisation of the economy.

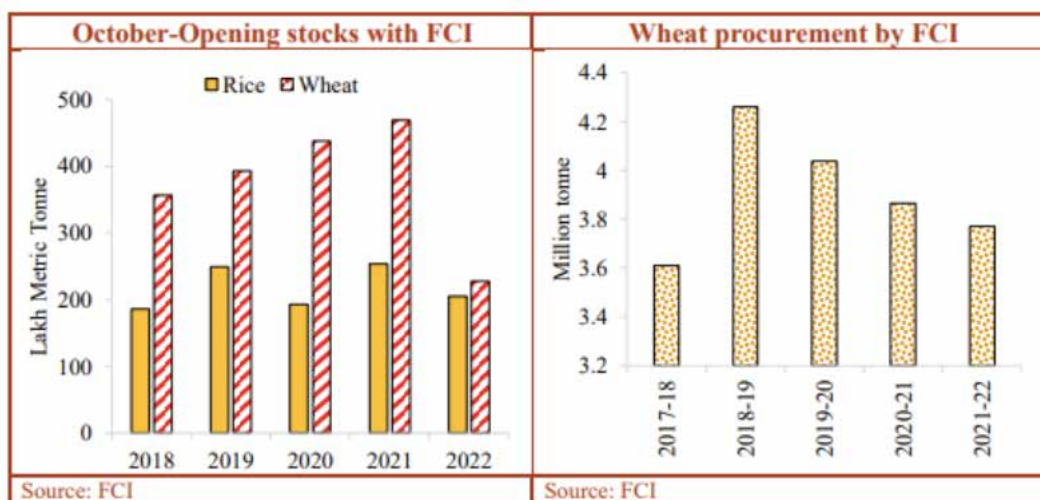
The spillovers of the global slowdown may dampen India's exports businesses outlook; however, resilient domestic demand, a re-invigorated investment cycle along with strengthened financial system and structural reforms will provide impetus to economic growth going forward.

Global Outlook



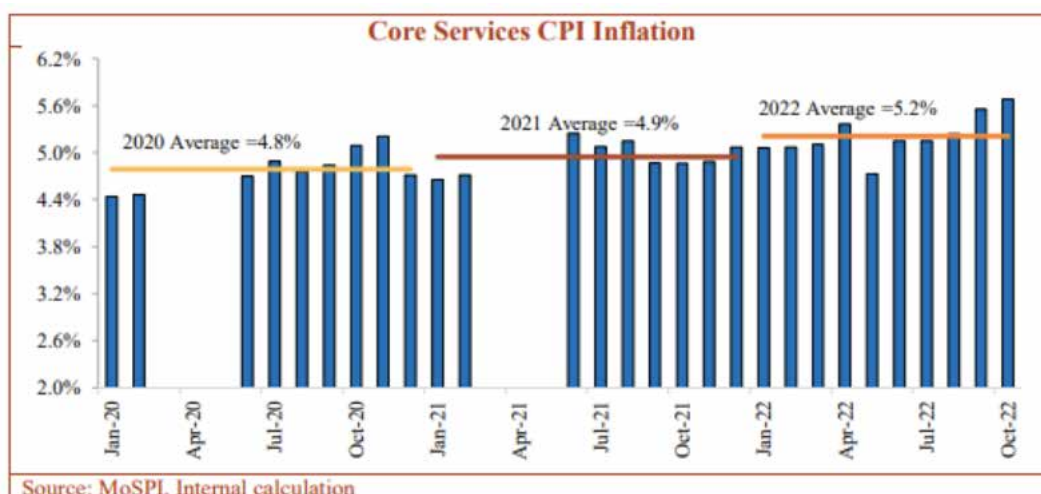
- The global manufacturing PMI has now dipped in the contractionary zone of below 50 for the months of September and October 2022, while the global composite PMI, a measure of overall economic activity, has remained in the contractionary zone since August 2022.
- In October 2022, manufacturing activity in the UK, China, and the Eurozone as indicated by the manufacturing PMI contracted while overall economic activity in the US, UK, China, and Eurozone as indicated by the composite PMI also contracted.
- The confluence of high inflation, increasing borrowing costs and geopolitical tensions and the resulting supply chain constriction and China's persistence with zero covid strategies continue to dampen the global economic outlook and add to uncertainty in the near term.
- While the Federal Reserve has telegraphed a hawkish stance in its fight against inflation in the October 2022 Federal Open Markets Committee (FOMC) meeting, it has hinted at smaller increments to the federal funds rate in the future

Food Security

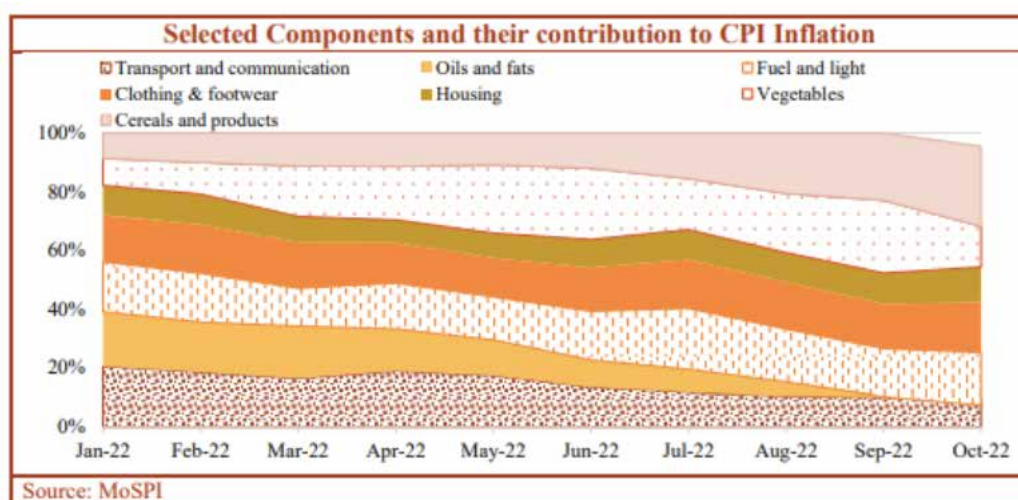


- Government has also been promoting the use of digital technology, and drone usage and working on a Digital Agri Mission to improve farmers' decision-making ability and enhance their capability to better manage risks and variability.
- India's food security is stable with food security programmes being well provided for to meet the needs of the poor, supplemented by export restrictions.
- Affordability in the free market has also been increasing with prices of various items like edible oils, and eggs in the CPI food basket declining.
- Increase in tractor sales in September and October also point towards improved sentiments and an expected increase in crop area sown

Inflation

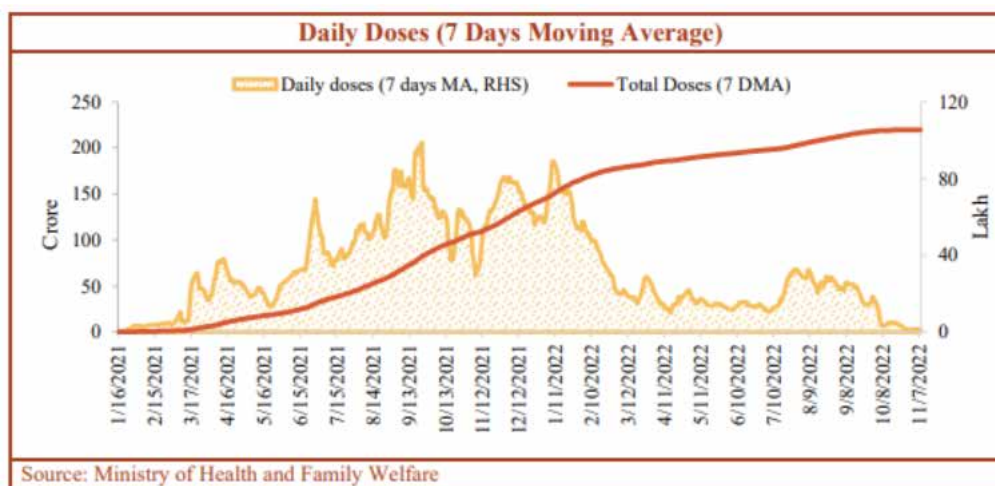


- The component-wise gap between CPI and WPI indicates that the fuel inflation gap is the major contributor to the wedge, while the core and food inflation gap had already closed in October 2022.
- The core inflation gap turned positive in October, as the core component in CPI also includes services which have started to pick up while the WPI only deals with manufacturing goods. The core inflation gap may continue to remain positive until the passthrough of input costs in manufacturing goods gets completed along with the rise in services inflation.
- During Jan-Oct 2022, CPI inflation was largely driven by food inflation (48.3% contribution) with major contributors being imported food items like oil and fats during the first five months of 2022.
- Since June 2022 however, domestic seasonal factors have increased the inflation of vegetables, cereals and their products, contributing to increasing food inflation. Fuel and light inflation has, on average, remained a moderate contributor at 9.7%.



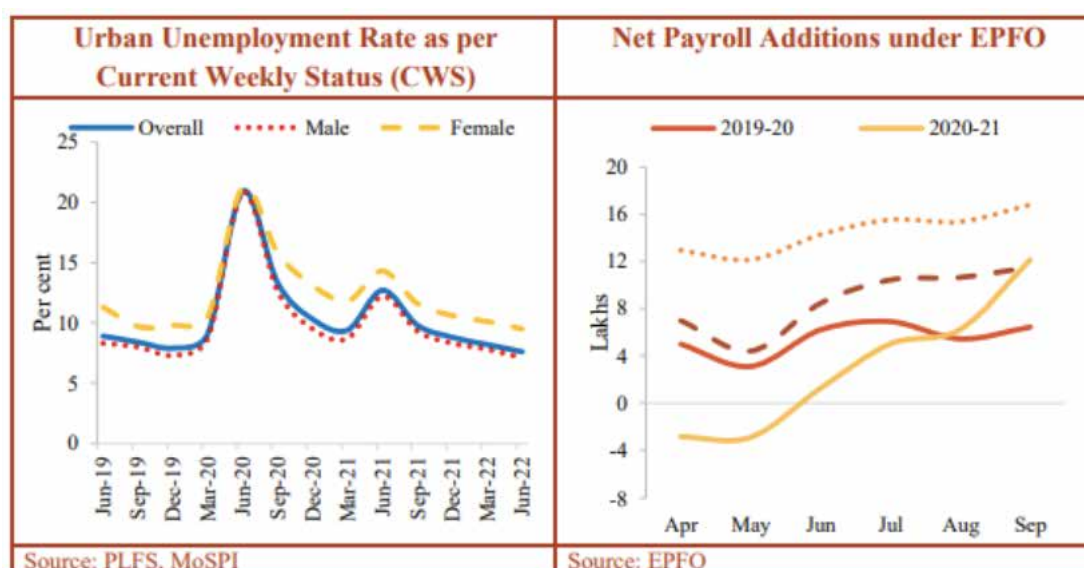
- On the other hand, the contribution to inflation by miscellaneous components, including transport and communication, health and others, decreased from 30% in January 2022 to 24% in October 2022.
- Wholesale inflation has been declining from around 16.6% in May 2022 to 8.4% in October 2022 with the easing in international commodity prices.
- Looking ahead, the decreasing trend in future prices of international commodities for upcoming months under energy, base metals (barring aluminium), fertilisers and agriculture products also suggest that broadly input cost pressures are likely to continue easing under the assumption of a stable global scenario.

Health

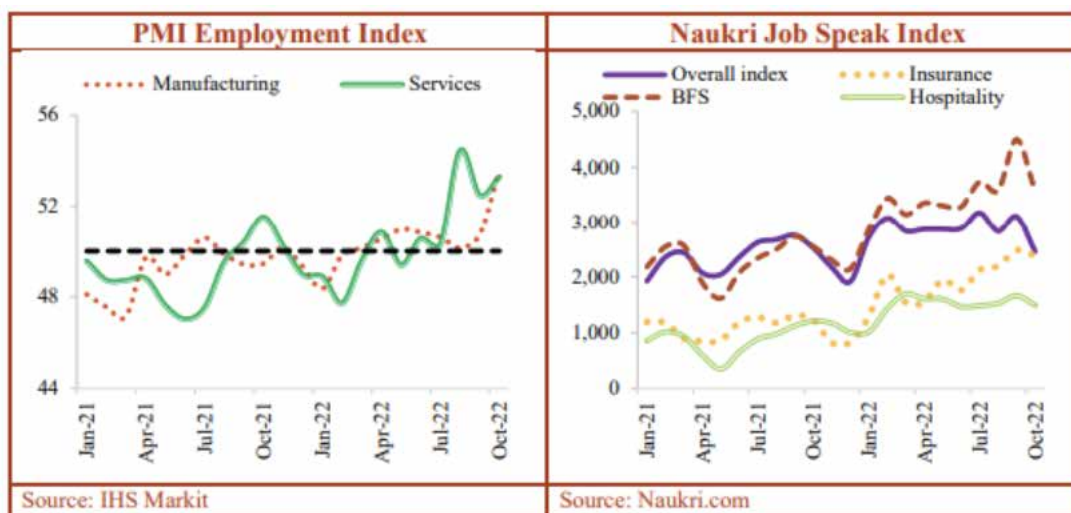


As on 31st October 2022, India's Covid-19 vaccination coverage has administered 219.6 crore doses. 92.2 crore beneficiaries aged 18 years and above have received at least one dose, and 86.5 crores have received both doses.

Employment



- The Periodic Labour Force Survey (PLFS) shows the urban unemployment rate for people aged 15 years and above declining from 12.6% in the quarter ending June 2021 to 7.6% one year later (quarter ending June 2022).
- High-Frequency Indicators (HFIs) also support an improvement in employment generation across sectors. Based on the EPFO records, net payroll additions in September 2022 registered year-on-year growth of 46% reflecting improved formalisation of the economy coming along with a pick-up in economic activity.
- Employment components of PMI Manufacturing and PMI Services continue to be in an expansionary zone, with October 2022 data highlighting the eighth month of successive increase in employment across the Indian manufacturing industry driven by sales growth and a rise in output.



- Employment in services companies also witnessed a rise in October 2022 to support greater output requirements owing to a further upturn in new businesses. The Naukri Job Speak Index released by Naukri.com shows hiring activity moderating in October 2022 compared to the previous month owing to festivities yet showing resilience with a growth of 13% compared to the festive window last year.
- Most key industries maintained hiring expansion during October 2022, which is likely to get stronger as the year-end approaches. Sectors such as Insurance, BFSI, Real estate, Travel and Hospitality, and Auto witnessed maximum hiring
- The Start-up India initiative, launched in January 2016 to empower start-ups to grow through innovation and design and catalyse the Indian start-up ecosystem, has also shown promising employment generation. Since the initiative's launch, the total number of start-ups recognised by the DPIIT as on 30th June 2022, stands at 72,993, employing 7.68 lakh individuals.



Outlook

A rapid deterioration in global growth prospects, high inflation, and worsening financial conditions have increased fears of an impending global recession. The global slowdown may dampen India's exports businesses outlook; however, resilient domestic demand, a re-invigorated investment cycle along with strengthened financial system and structural reforms will provide impetus to economic growth going forward. So far in the current year, India's food security concerns have been addressed and will continue to receive the utmost priority from the government. Easing international commodity prices and new Kharif arrival are also set to dampen inflationary pressures in the coming months. Hiring by firms is likely to witness an improvement in upcoming quarters driven by a rebound in new business hiring as firms continue to benefit from the lifting of the COVID-19 restrictions and optimism engendered by the vigorous sales volumes experienced during the festive season.



For more information:

Ministry of Finance, Department of Economic Affairs
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