



सत्यमेव जयते

Economic Diplomacy Division  
Ministry of External Affairs

# MONTHLY ECONOMIC REPORT

APRIL 2023



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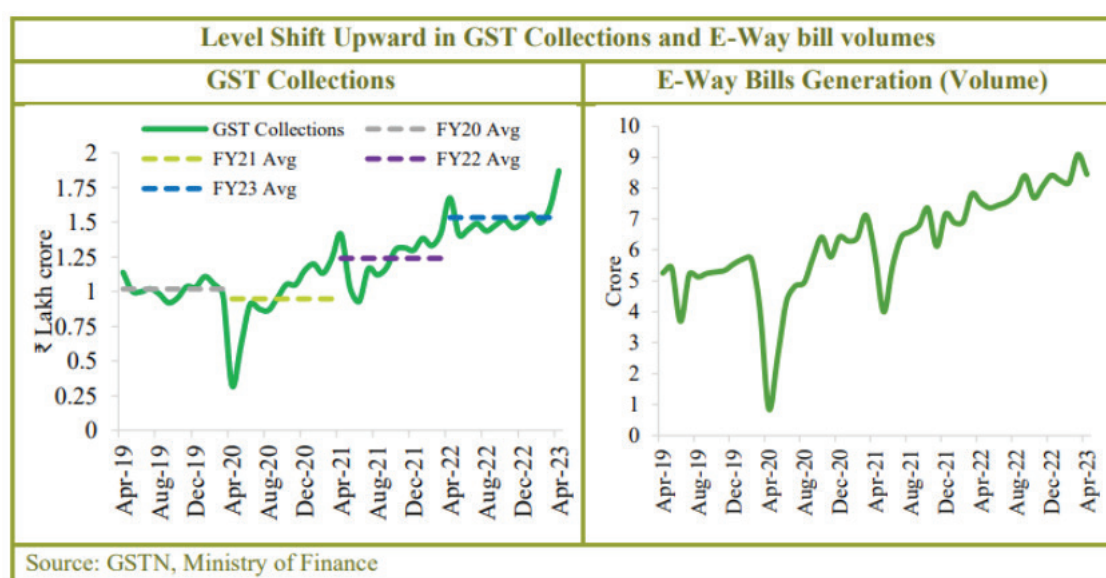


## Introduction

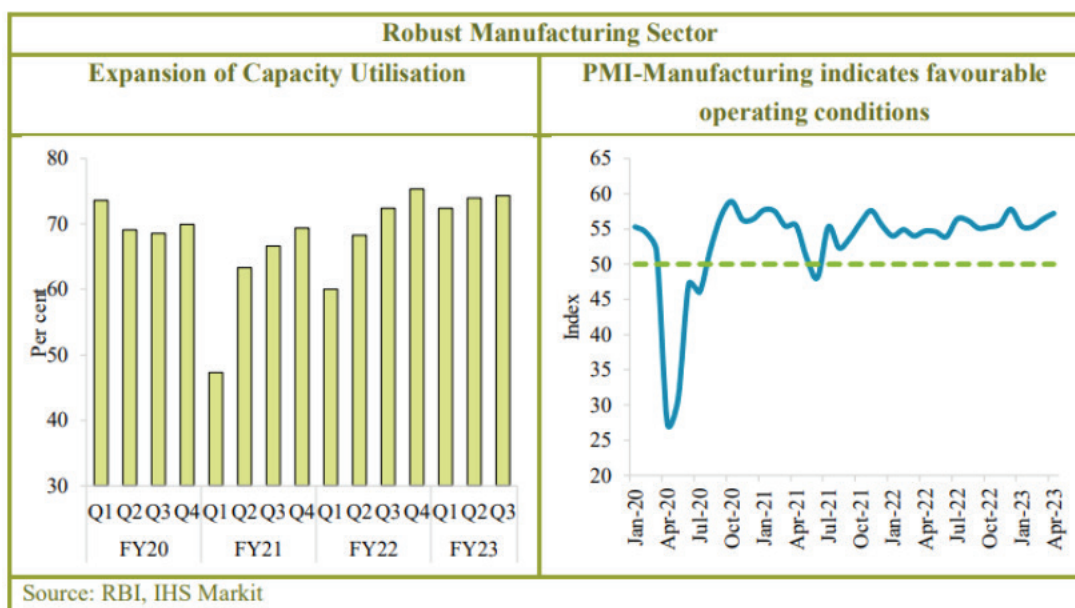
The Indian economy in FY24 began with strong activity seen in the last quarter of the previous fiscal year. In April, GST collections experienced a significant increase due to a broader tax base and increased economic activity. The Index of Industrial Production (IIP) and Eight Core Industries Index (ECI) showed consistent growth during the fourth quarter of FY23, contributing to a capacity utilization rate of around 75%, which was close to the rate two quarters earlier. Air passenger traffic, one of the last components of the services sector to recover, finally surpassed pre-pandemic levels in the last quarter of FY23. The first month of the new fiscal year has maintained the growth momentum from the previous quarter. In April 2023, the PMI-Manufacturing reached a four-month high, while the PMI-Services expanded at the fastest pace in 13 years during the same month. Within the services sector, rail freight and port cargo traffic recorded their strongest growth performances for April in many years.

## Domestic Economic Activity

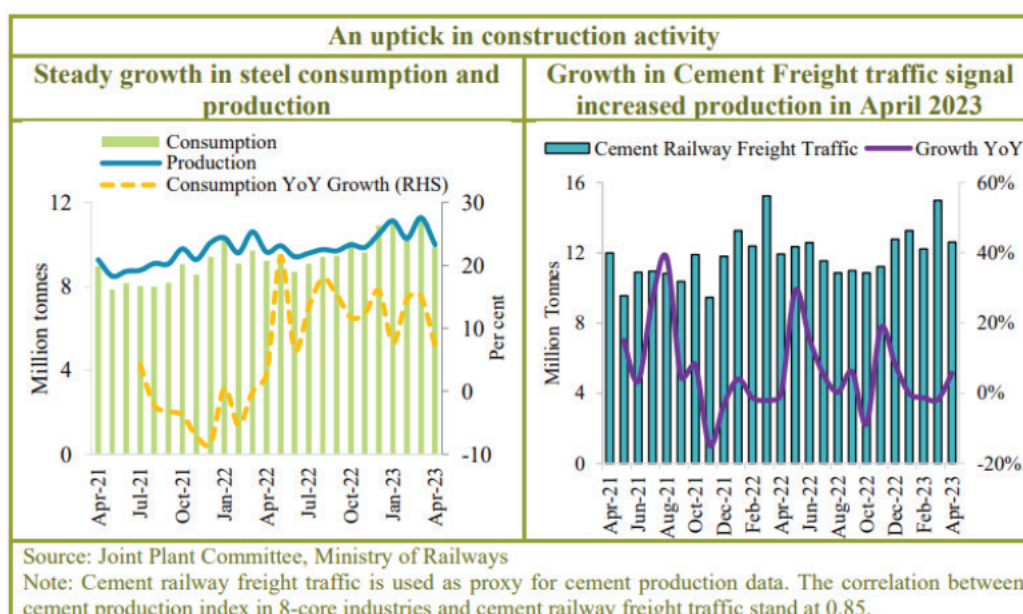
- In April 2023, GST collection reached a record high of INR 1.87 lakh crore.
- However, there has been a seasonal moderation with e-way bill volume generation, an indicator of GST collections, decreasing from March to 8.4 crores in April 2023.



- PMI manufacturing indicates strong economic activity in April FY24, reaching a four-month high of 57.2 after consistently being in the expansionary zone in Q4 FY23.
- Robust new business growth and increased production requirements led manufacturers to build up input inventories and hire more employees.
- The IIP and ECI is expected to show strong April openings, with a YoY growth of 4.8% and 6.5% respectively in the last quarter of FY23.
- Capacity utilization in manufacturing is approaching the 75% benchmark, signalling an increase in investment rates in the economy. According to the RBI survey, capacity utilization rose from 74% in Q2 FY23 to 74.3% in Q3 FY23.
- The FICCI Manufacturing Survey indicates that nine out of twelve sectors operating at above 70% capacity in Q4 FY23.



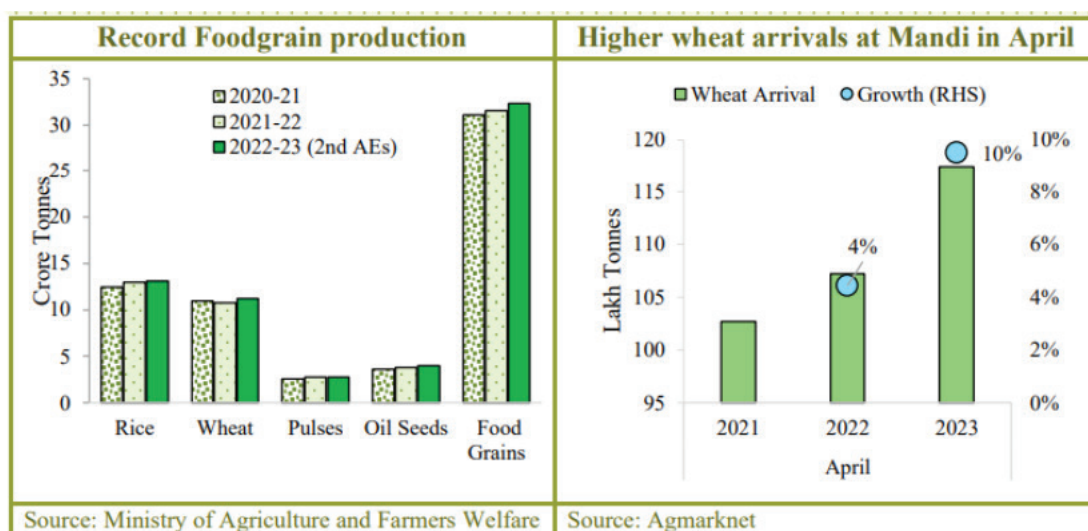
- PMI-Services expanded at the fastest pace in 13 years, reaching 62 in April 2023, driven by strong demand, especially in the finance and insurance sub-sectors.
- New export orders also increased for the third consecutive month in April, suggesting improved international demand for India's services.
- Receipts from services exports experienced a significant YoY growth of 23% in Q4 FY23.
- The capital goods and infrastructure/construction goods sub-indices of IIP showed healthy YoY growth rates of 9.7% and 7.8% respectively in Q4 FY23, indicating sustained investment activity.
- Capital goods imports also increased by 12% YoY during this period.



- According to the CMIE CapEx database, new investment project proposals by the private sector reached a record high of INR 10.9 lakh crore in Q4 FY23.
- The power sector contributed significantly to new investment proposals, with INR 1.8 lakh crore worth of projects added in the quarter ending March 2023.
- Within the power sector, renewable energy investment proposals accounted for INR 1.5 lakh crore or 75% of the total new proposals.
- While new investment proposals are increasing, projects worth INR 0.6 lakh crore were completed in the quarter ending March 2023, indicating a steady pace of capacity expansion.

## Agriculture sector

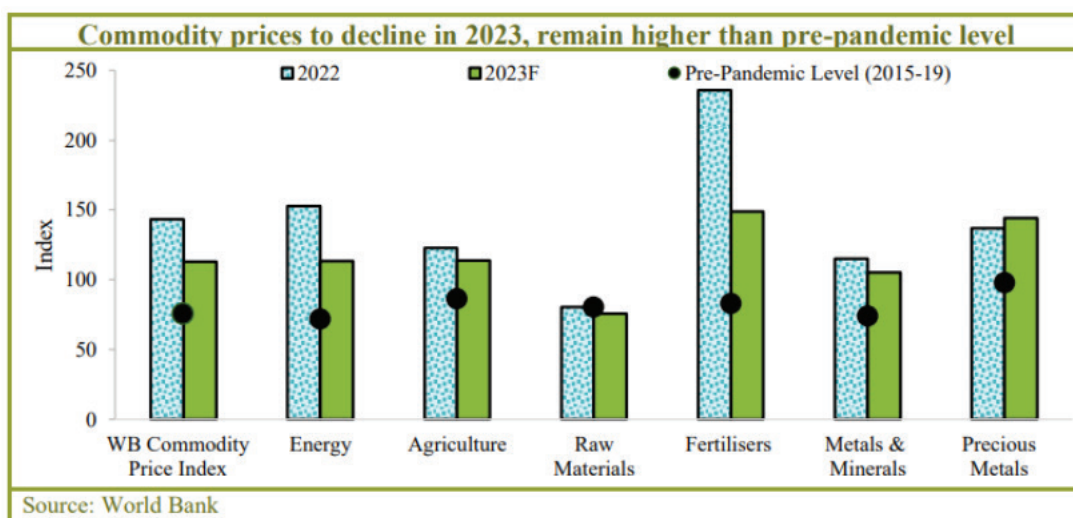
- Food grains production is expected to reach 32.4 crore tonnes, marking a 2.5% increase compared to the previous year and achieving record production levels for the seventh consecutive year.
- The growth in food grains is widespread, covering all major crops during both the rabi and kharif seasons.
- Out of the procurement target of 341.5 Lakh Metric Tons (LMT) of wheat for the central pool during the Rabi Marketing season 2023-24, 259 LMT has been procured as of May 15, 2023.
- The procurement of rice has made more progress compared to the target and have provided benefits to approximately 1.3 crore farmers.
- As of May 2023, the total foodgrain stocks with FCI (Food Corporation of India) are 3.4 times the buffer norm requirement for the April-June period.



## Inflation

- According to the World Bank Commodity Outlook in April 2023, international commodity prices have started declining since the end of Q3 2022, and further decreases are expected in 2023 compared to 2022 levels.
- The food price index is also predicted to decrease in 2023, primarily due to lower prices of “oil and meals” and “grains” resulting from successful harvests in major producing countries.

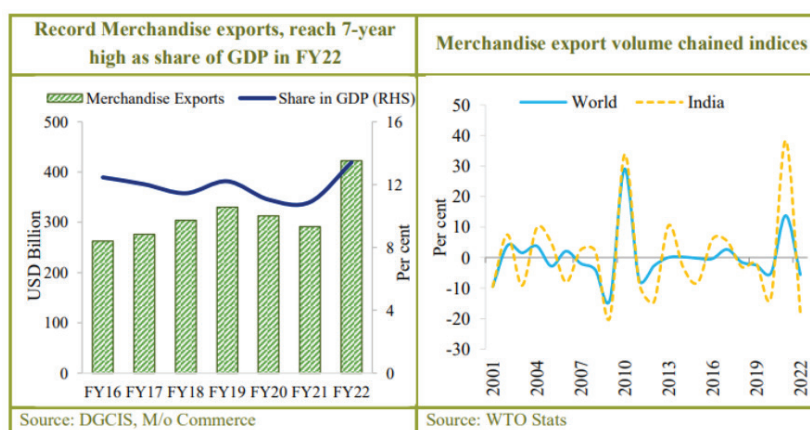
- Fertilizer prices are anticipated to be 37% lower in 2023, attributed to reduced input costs and improved supply availability.
- Base metals and energy prices are also projected to decline due to weakened global demand conditions.



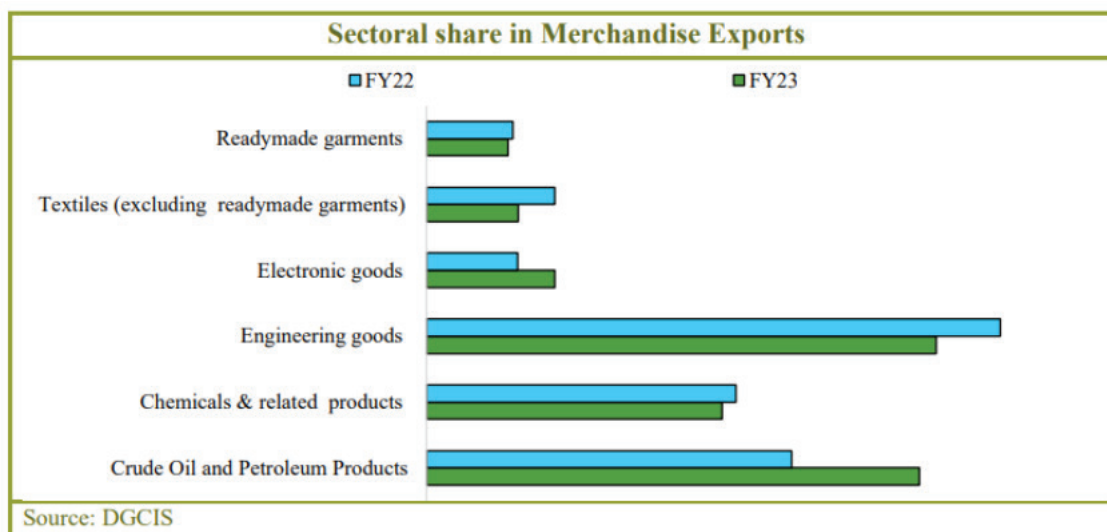
- WPI inflation has been decreasing since June 2022 and reached a 33-month low of -0.9% in April 2023 after being in double digits for 18 months. This is mainly attributed to the inflation decline in manufactured products, specifically base metals, food products, and fuel and power.
- On the other hand, CPI inflation, which remained persistent, gradually dropped from a peak of 7.8% in April 2022 to an 18-month low of 4.7% in April 2023. This decline is driven by reductions in food and core inflation.
- Inflation for food & beverages, fuel and light, housing, and miscellaneous has fallen below the upper bound of the RBI's inflation target, while Clothing & footwear inflation remains above the 6% level.

## External Sector

- India's merchandise exports grew by 22% in 2021 compared to the pre-pandemic year of 2019, outperforming the global growth rate of 17.5% in merchandise exports.
- According to the latest World Trade Report by the WTO, India's ranking among the world's leading exporters in merchandise trade improved from 21st in 2020 to 18th in 2021.

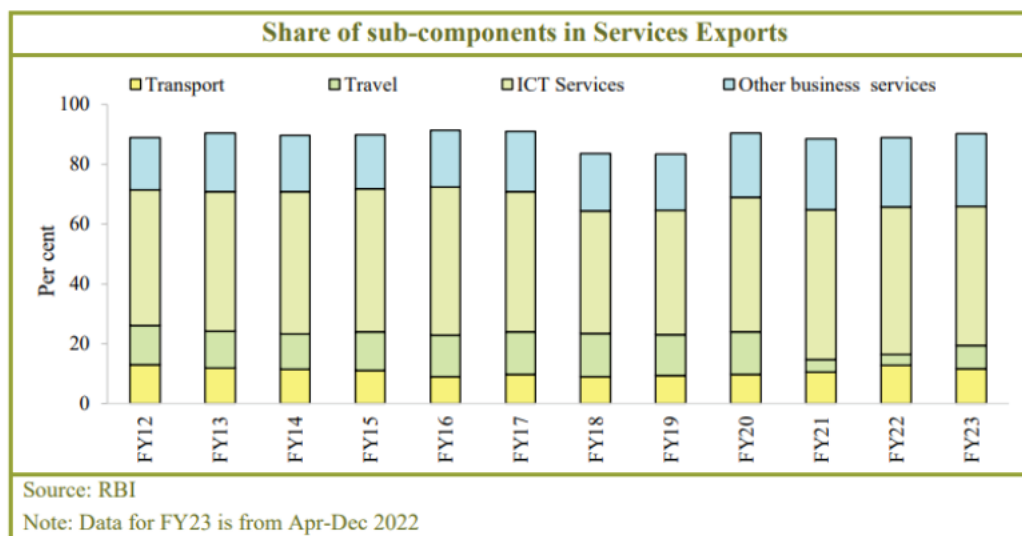


- India outperformed global exports with its volume growth three times higher than the world export volume growth, indicating a rapid recovery in domestic production.
- Despite strong growth in FY22, the pace of global merchandise export growth slowed down in FY23 due to ongoing geopolitical tensions and concerns about a recession, leading to reduced discretionary consumer spending in advanced nations.

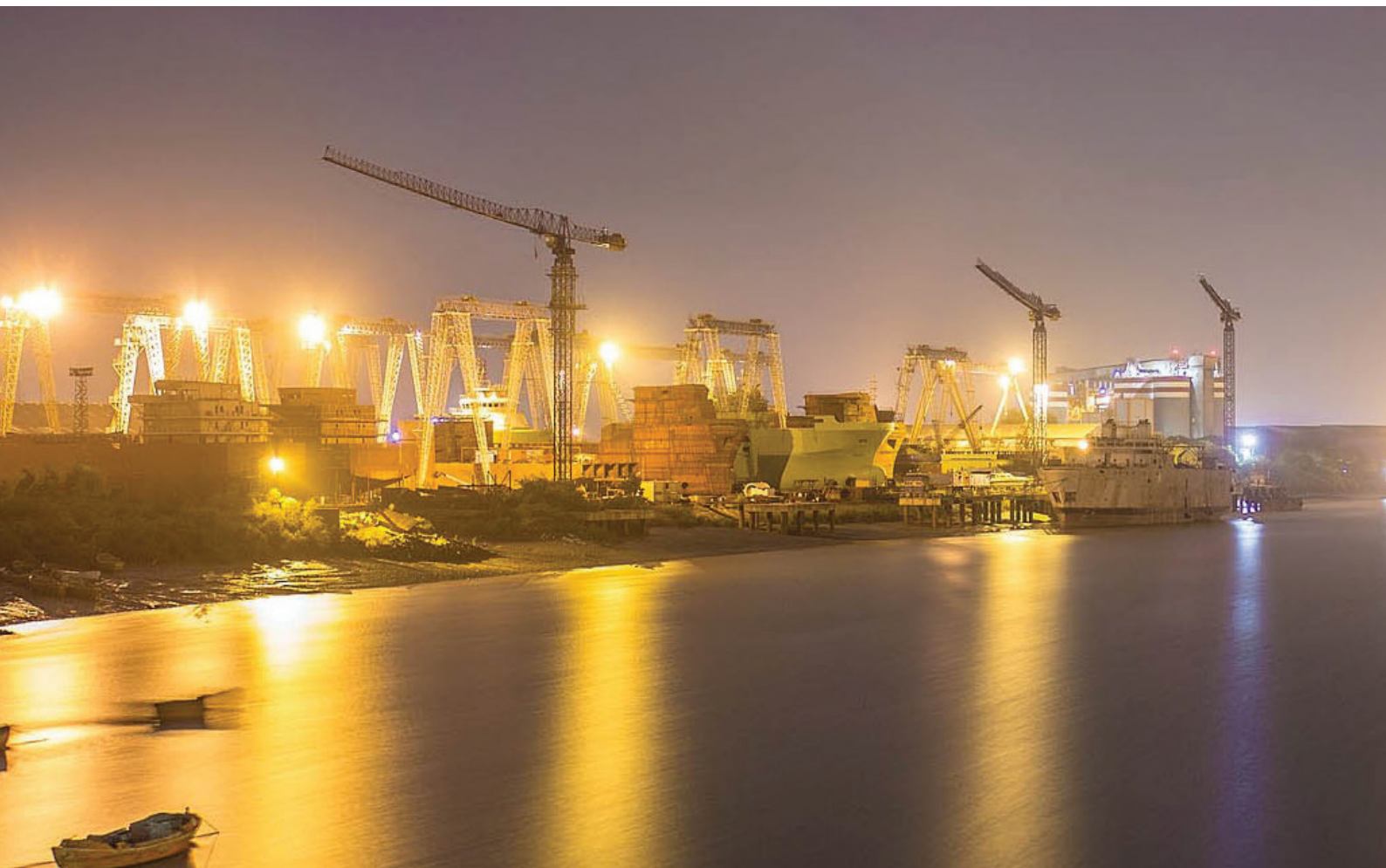


- The share of refined crude oil and petroleum products in India's export basket increased from 16% in FY22 to 21.6% in FY23, indicating growth in global market share.
- In FY23, electronic exports saw a YoY growth of 49.4%, with the total export value of India's smartphone shipments exceeding USD 10 billion.
- Engineering goods exports have shown impressive growth, supported by initiatives like the Zero Duty Export Promotion Capital Goods (EPCG) scheme. However, the overall share of engineering goods in the export basket declined in FY23 due to a decline in the iron and steel component, influenced by economic slowdowns in key markets like the EU and China.
- To promote exports in the engineering goods sub-sector, initiatives such as the PLI scheme for Automobile & Auto Components and the National Programme on Advanced Chemistry Cell (ACC), FAME INDIA II, are being implemented to enhance competitiveness and support domestic manufacturing firms.
- The share of textiles and readymade garments in overall merchandise exports has been declining due to rising input costs, weakening demand in domestic and foreign markets, and increased competition from countries like Vietnam and Bangladesh.
- The surge in textile exports is anticipated from FY25, as FY23 and FY24 are considered gestation periods under the PLI scheme.
- As of April 2023, the government has approved 64 applications with a proposed total investment of INR 19,798 crore and an estimated turnover of ₹1.9 lakh crore under the PLI scheme for textiles.





- The ICT sector in India has effectively addressed the increasing global digital demand, supported by government initiatives such as Bharat Net and UPI, among others.
- Initiatives like Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Start-up India, Digital India, and Skill India have strengthened India's ICT offerings through the development of India Stack.
- The recently announced Foreign Trade Policy (2023), which focuses on enhancing Ease of Doing Business, e-initiatives, and e-commerce, is expected to further support the growth of service sector exports.



## Outlook

With sustained growth, increased capacity utilization triggering 75% investment, corporates are now investing in new capacity. Capital goods and construction/infrastructure goods production, as estimated in the IIP, grew steadily in Q4 of FY23, along with imports of capital goods. Additionally, several measures implemented post-Covid-19 have boosted India's exports and expanded its global market share, enabling reasonable growth despite global demand slowdown. Notably, the Production Linked Incentive (PLI) scheme has significantly increased exports of electronic goods, particularly smartphones, positioning India as a manufacturing hub. Services exports have also experienced significant growth, particularly in business services, from FY20 to FY23. Furthermore, India benefits from strong domestic demand with consistent and widespread growth in consumption and traction in capacity creation and real estate investment. Although it is too early to make definitive predictions for the entire year, the promising start to the financial year indicates positive prospects in the future.



### For more information:

Ministry of Finance, Department of Economic Affairs

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