

ECONOMY

State of the Indian Economy

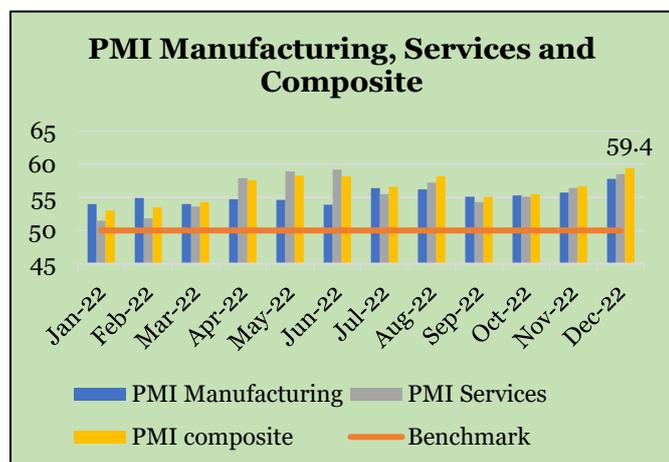
Agencies	Projection for GDP (%) for FY 2022-23
IMF	6.8
World Bank	6.9
Asia Development Bank	7.0
OECD	6.6
Crisil	7.0
UN	5.7

2023: Challenges and Prospects for Indian Economy

- A World Bank report also mentioned that India is better positioned to navigate global headwinds than other major emerging economies. The nation's economy has demonstrated resilience despite a challenging external environment.
- The report titled "Navigating the Storm" found that while the deteriorating external environment will weigh on India's growth prospects, the economy is relatively well positioned to weather global spillovers compared to most other emerging markets.

Indian PMI –Manufacturing rises to the highest level in 2 years

- India's manufacturing industry finished 2022 on a solid note as business conditions improved at the fastest rate in over two years, a business survey showed.
- The manufacturing purchasing managers' index, compiled by S&P Global, rose to 57.8 in December from November's 55.7. The December reading was better than a Reuters poll median forecast for 54.3. The December was also the highest since October 2020.



Source: CMIE

High Frequency data (M-o-M) (%) showcases growth in second quarter and post festive normalisation in 3rd Quarter

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Passenger Cars sale	8.5	-7.0	6.9	-1.3	-7.7	
Two wheeler sales	7.2	12.8	11.4	-9.1	-21.7	
Domestic tractor sales	-41.6	-4.6	115.8	8.7	-45.0	
GST E way Bill	1.5	3.5	7.5	-8.5	5.0	
Finished steel	4.5	3.5	0.5	7.0	-5.3	
Total GST Collection	3.0	-3.6	2.8	2.7	-3.9	2.5
MGNREGA person days generated	-43.3	-29.5	6.7	-9.1	25.0	

Source: CMIE

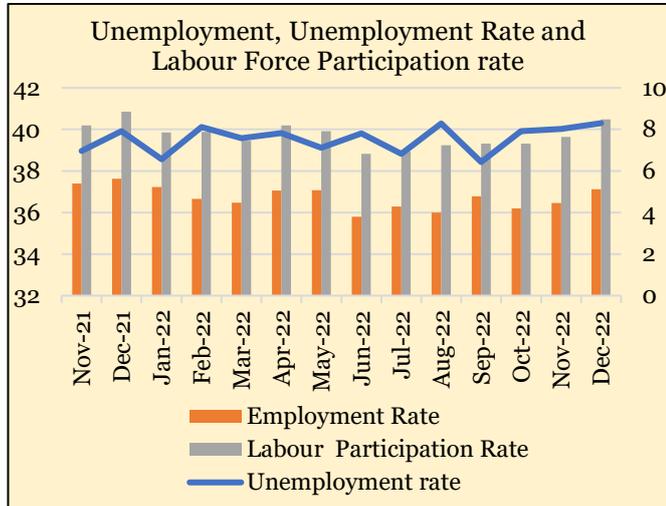
- Private consumption registered an impressive growth of 9.7% in Q2:2022-23. This was due to faster resumption of contact-intensive services, restoration of consumer confidence and high festival season spending after two consecutive years of muted growth. Similarly, passenger cars, two wheelers also picked up in July-September 2022 quarter.
- Rural demand reflected festive fatigue, with sales of tractors, two wheelers, motor cycles and three wheelers moderating in November 2022 from the previous month. Similarly, total passenger car sales also eased post festive season.

Employment and unemployment rise in December

- The unemployment rate increased in December 2022 to 8.3% from 8% in November. Weekly data of the unemployment rate during December had suggested a rising trend.
- The unemployment rate had been in excess of 8% in each of the four weeks that ended in December with an average of close to 8.8%. The final estimate of 8.3% is therefore a pleasant surprise compared to expectations of a sharper increase.
- India's labour participation rate (LPR) rose to 40.5% in December 2022 from 39.6% in November, which itself was an improvement over October's 39%. In two months, the LPR has gained a substantial 150 basis points. This translates into an expansion of the labour force by 17.6 million, of which 10.6 million were added in December.



- The happy outcome of this surge is that employment increased though unemployment also inched ahead.

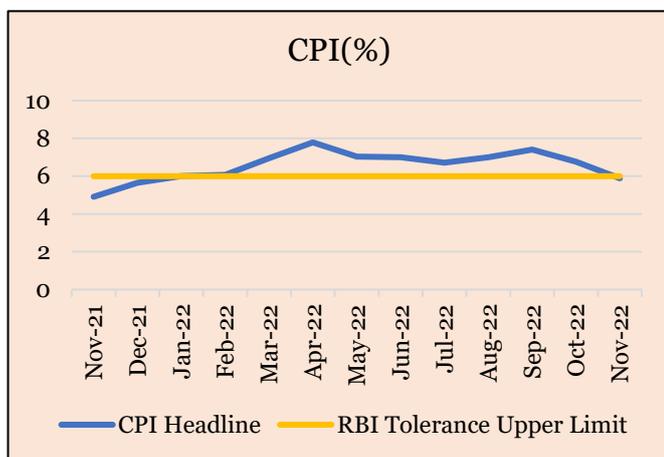


Source: CMIE

Inflation Outlook

Inflation falls to 11 month low

- Consumer price inflation dropped to 5.9% in November 2022 from 6.8% in October 2022. This came as a pleasant surprise to the RBI and also to economists.



Source: MOSPI

- The RBI was expecting inflation to be 6.6% in the December 2022 quarter and to ease to 5.9% in the March 2023 quarter. A poll of economists conducted by Reuters had predicted the November 2022 inflation reading at 6.4%.
- Headline inflation is now within the RBI's tolerance band of 2-6%. The fall in headline inflation in November 2022 was mainly led by the food & beverages group.
- Inflation in the group dropped to 5.1% in November 2022 from 7.1% in October 2022. In fact, food & beverages were the only sub-group

of the Consumer Price Index (CPI) that reported a sequential fall in prices in November 2022. This fall too was concentrated in the prices of fruits and vegetables.

Interest Rate Outlook

Federal Reserve goes for lower rate hike

- The Fed raised its key short-term interest rate by 50 bps (Basis points) on 14th December 2022, lower than its 75 bps earlier hikes as it draws up an end game in its aggressive campaign to tame soaring inflation.
- The Fed now expects the rate to end 2023 at a range of 5% to 5.25%, higher than the 4.5% to 4.75% it projected in September, according to policymakers' median forecast. It estimates it will cut the rate to 4.1% by the end of 2024 to support an economy likely to be weakened by the rate increases, above the 3.9% it predicted in September.
- The Euro area and UK also raised their key rates in December by 50 bps each vis-à-vis 75 bps in their previous policies as central banks on both sides of the Atlantic saw the beginning of moderating inflation.

Bond Yield Movement

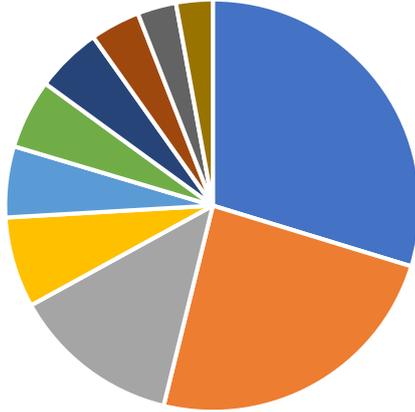
- The year 2022 has been nothing but eventful for bond markets. The year was marked by the rise in inflation followed by an increase in repo rate by the Reserve Bank of India (RBI) to tame inflation. The direct result of the rise in key rates was a fall in bond prices and an increase in bond yield.
- In the Indian scenario we know that the repo rate which stood at 4% in the April 2022 meeting now stands at 6.25 %, an increase of 225 basis points the effect of which can be seen in 10-year benchmark Gsec bonds too. The 10-year benchmark was hovering around 6.65% in January 2022 and now in December 2022 is hovering around 7.30% meaning a price decline of around 4%.
- Going forward, as per the last RBI meeting, it seems that the focus is slowly again coming back to growth instead of inflation thanks to the lowering of inflation due to the efforts of the central bank.
- And, if things move in the expected direction, then it can be very well be said that the year 2023 will be the opposite of 2022 and we may see easing of Government bond yields.



Dashboard on Maize

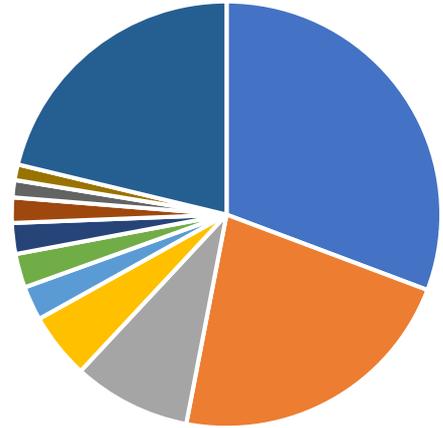
Top 10 Countries with Area under Maize Cultivation (Ha)

- China
- United States of America
- Brazil
- India
- Argentina
- Nigeria
- Mexico
- Ukraine
- United Republic of Tanzania
- Indonesia

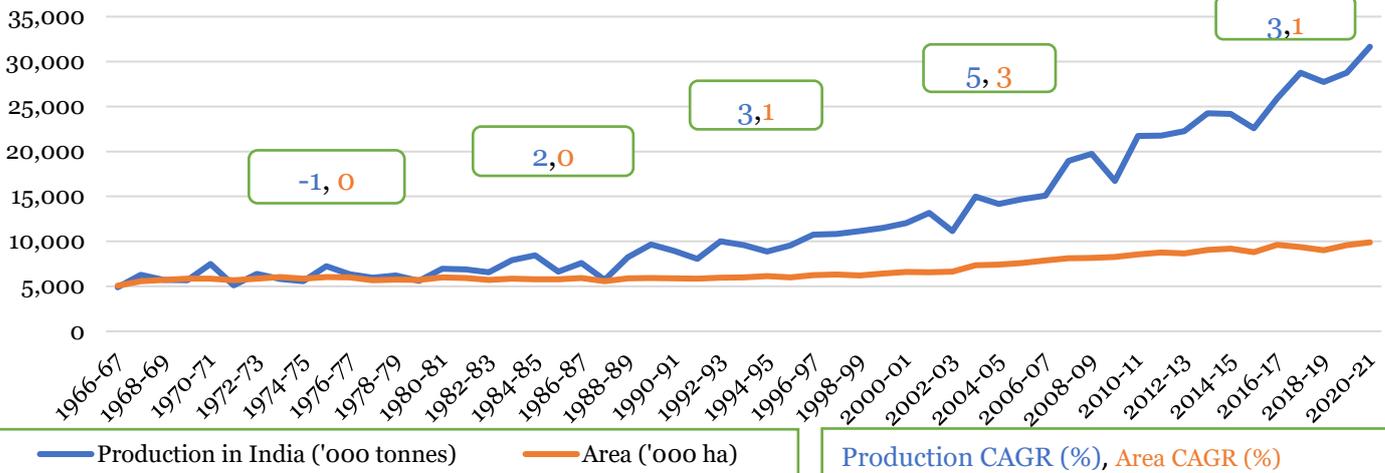


Top 10 Maize Producing Countries (tonnes)

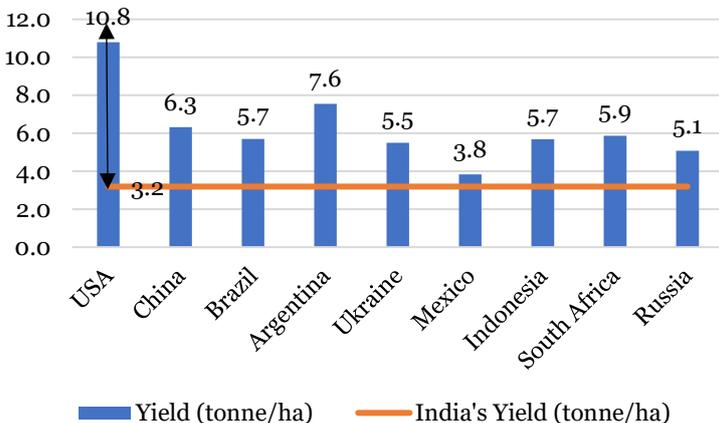
- United States of America
- China
- Brazil
- Argentina
- Ukraine
- India
- Mexico
- Indonesia
- South Africa
- Russia
- Others



Trends in Area Under Cultivation and Production of Maize in India



Yield of maize in top producing countries vis-a-vis India



Bihar: Setting an example through Corn revolution

Hybridization in maize crop in Bihar stands at 100%, highest across the country. The stretch from Purnia, Katihar and Bhagalpur to Madhepura, Saharsa, Khagaria and Samastipur – north of the Ganga and on either side of the Kosi – emerged as a corn belt where many farmers, big and small, harvested 50 quintals or more per acre. That was comparable to the 180-200 bushel yields in the US Midwest heartland of Illinois, Iowa and Indiana (one bushel equals 25.4 kg).

Source:- FAOstat and CMIE.



Report THINK

AgTech: A smarter route to sustainable agriculture

With the rising concern for food security amidst population growth and climate change, sustainable agriculture and practices have gained prominence amongst policymakers across the globe. AgTech startups which have evolved both in terms of number and products being offered, plays a crucial role in creating innovative solutions for achieving sustainable agriculture. The captioned report in this edition of Report Think aims to help policymakers, the private sector and stakeholders find a synergistic path towards implementing sustainable agricultural practices and defining challenging roles for AgTech start-ups in order to meet the SDGs and ensure a brighter and sustainable future.

Major Findings

1. Agriculture and Sustainability

- Climate change is a serious threat to agricultural ecosystem in the world. Agriculture alone contributes to 25% of GHGs emissions. As per the Sixth Assessment Report of the IPCC, heat stress and a rise in floods and droughts will adversely affect the availability of food and thus lead to food inflation. As a result, cases of malnourishment may see a sharp rise, especially in South and Southeast.
- While sustainable agriculture mainly focuses on cultivation and practices, it also includes all interrelated systems such as pre-production and post-production agri ecosystems expanding the scope of sustainability.
- As per the Food and Agriculture Organisation (FAO), sustainable agriculture revolves around five principles: increase productivity, employment and value addition in the food system; protect and enhance natural resources; improve livelihoods and foster inclusive economic growth; enhance the resilience of people, communities, and ecosystems; and adapt governance to new challenges.

2. AgTech as an agent of sustainability in agriculture

- Agri-based start-ups are bringing about a paradigm shift across different stages of the agriculture value chain such as inputs/supply, farming/production/harvesting/storage/distribution/marketing and retailing/processing.
- The customised solutions and products offered by agri-based technology start-ups are helping not only to transform the agricultural value chain by increasing agricultural production but also helping farmers to deal with various environmental

challenges seen over the period of time. Products and solutions of these start-ups are also working to address the area of social and economic equity.

Status of AgTech start-ups

- India has witnessed a marked increase in the number of start-ups. In 2022 alone, 12,341 start-ups have been recognised. Globally, tech start-ups will be the key driver for industrial growth in all the economies. They would also drive the agricultural ecosystem in developing economies by increasing food productivity through sustainable and innovative models.
- The surge in AgTech start-ups in India has been due to the penetration of mobile technology in rural areas, funding provided by multiple organisation and government agencies and policy implementation by Government of India.

Key recommendations and way forward

- **Agriculture sustainability framework-** Agricultural sustainability is still not a priority, and it is at a nascent stage. The creation of agriculture sustainability framework can help communicate the sustainability status and goals of the Indian agricultural sector to domestic and global communities and markets.
- **Adequate training and education-** India is seeing sporadic interventions through its growing start-up ecosystem. However, without training and education, the roll-out of these interventions would be a challenge. Collaboration between government and private institutions would not only help in creating more robust and innovative AgTech start-ups but also lead to a more concerted efforts towards environmental sustainability.
- **Innovation and collaboration:** India has immense potential to develop multiple and diversified solutions that help in meeting sustainability goals. The country has a large traditional knowledge base which is in the process of being identified, scaled up and commercialized. Innovation and cross-sector collaboration in terms of economic, technical and consultative support is required to foster start-ups and scale the existing knowledge resources.
- **Developing a transparency and traceability system:** A sustainable agriculture system requires transparency, which depends on the use of data at every stage of the supply chain. Post COVID-19, stakeholder awareness on sustainability and demand for accurate information of the product consumed have increased. Thus, a need to develop traceability system is important which also be in line with the core value of responsible business culture.

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