ECONOMY
State of the Indian Economy

<table>
<thead>
<tr>
<th>Agencies</th>
<th>Projection for GDP (%) for FY 2022-23</th>
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<tbody>
<tr>
<td>IMF</td>
<td>8.2</td>
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<td>World Bank</td>
<td>8</td>
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<td>Asia Development Bank</td>
<td>7.5</td>
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<td>OECD</td>
<td>8.1</td>
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<td>Crisil</td>
<td>7.8</td>
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<td>UN</td>
<td>4.6</td>
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<td>FICCI Economic Outlook</td>
<td>7.4</td>
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Indian GDP forecast revised
- Due to the ongoing Russian-Ukraine war, many international agencies have revised the GDP forecast for India downwards.
- The projections factor in the impact of the Russian invasion of Ukraine, which will be largely felt indirectly through higher oil prices.

India’s industry output records low growth rate
- India’s factory output, which is measured in terms of IIP witnessed a growth of 1.7% year-on-year during the month of February.
- The growth in IIP data during February is on account of the mining and electricity sectors which rose 4.5% each. The mining sector rose 4.5% on-year in February. The electricity sector witnessed a growth of 4.5%.
- Growth in capital goods output, however, slowed to 1.1% on a year-on-year basis from 1.4% in January, while consumer durables and non-durables witnessed a contraction.
- The decline in capital goods output growth may be a matter of concern as an RBI survey (OBICUS), released on April 8, showed capacity utilisation in the manufacturing sector rose to a two-and-a-half-year high of 72.4% in the last quarter of 2021.

India’s PMI manufacturing slows down
- India’s manufacturing sector activities moderated in March with companies reporting softer expansions in new orders and production as inflation concerns dampened business confidence (Source: CMIE).
- This is weakest rate of growth in terms of production and sales since September 2021

High Frequency data (M-o-M) (%) paints mixed picture

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<thead>
<tr>
<th></th>
<th>Nov-22</th>
<th>Dec-21</th>
<th>Jan-22</th>
<th>Feb-22</th>
<th>Mar-22</th>
<th>Apr-22</th>
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<tbody>
<tr>
<td>Passenger Cars sale</td>
<td>-2.8</td>
<td>11.9</td>
<td>12.2</td>
<td>5.4</td>
<td>3.3</td>
<td></td>
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<tr>
<td>Two wheeler sales</td>
<td>-31.9</td>
<td>-4.2</td>
<td>12.2</td>
<td>-8.0</td>
<td>14.1</td>
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<tr>
<td>Domestic tractor sales</td>
<td>-44.8</td>
<td>-30.3</td>
<td>18.8</td>
<td>-1.5</td>
<td>40.3</td>
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<tr>
<td>GST E way Bill</td>
<td>-16.8</td>
<td>17.1</td>
<td>-3.9</td>
<td>0.4</td>
<td>13.0</td>
<td>-3.7</td>
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<tr>
<td>Finished steel</td>
<td>-5.4</td>
<td>10.0</td>
<td>8.7</td>
<td>-1.0</td>
<td>6.2</td>
<td></td>
</tr>
<tr>
<td>Total GST Collection</td>
<td>1.1</td>
<td>-1.3</td>
<td>6.6</td>
<td>-3.9</td>
<td>6.8</td>
<td>17.9</td>
</tr>
<tr>
<td>MGNREG A person days generated</td>
<td>3.1</td>
<td>30.2</td>
<td>-9.4</td>
<td>0.1</td>
<td>-9.1</td>
<td>-16.0</td>
</tr>
</tbody>
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Source: CMIE

Inflation Outlook
Inflation rockets to 17 months high
- The country’s retail inflation, which is measured by the Consumer Price Index (CPI), rose to 6.95% in the month of March. The retail inflation for the month of February was 6.07%.
This is the third consecutive month that the CPI data has breached the RBI upper margin of 6%.

The spike in the food basket was due to a sharp rise in prices of oils and fats which climbed 18.79% on year in March.

Apart from this, the vegetable prices saw a rise of 11.64% while meat and fish gained 9.63% and spices rose 8.50%. Non-alcoholic beverages spiked 5.62% last month, cereals and products climbed 4.93% and milk and products rose 4.71%.

Inflation expected to toughen

RBI in its Monetary Policy meeting (May 2 and May 4) resolution pointed towards heightened uncertainty surrounding the inflation trajectory, which is heavily contingent upon the evolving geopolitical situation.

RBI also asserted that global commodity price dynamics are driving the path of food inflation in India, including prices of inflation sensitive items that are impacted by global shortages due to output losses and export restrictions by key producing countries.

All these factors impart significant upside risks to the inflation trajectory set out in the April statement of the MPC.

Few economists believe that inflation may have been in the range of 7.4-7.5% in April.

Interest Rate Outlook

Federal Reserve bites the bullet

The Federal Reserve on 4th May 2022 raised its benchmark overnight interest rate by half a percentage point, the biggest jump in 22 years, and said it would begin trimming its bond holdings next month as a further step in the battle to lower inflation.

The U.S. Central Bank set its target federal funds rate to a range between 0.75% and 1% in a unanimous decision.

Interest rate futures markets in the USA has been assigning a significant probability to the Fed lifting rates by 75 basis points at its next meeting in June.

RBI undertakes steps to control inflation

The RBI has hiked the Cash Reserve Ratio (CRR) by 50 basis points raising it to 4.5% in a bid to tighten the liquidity.

The move is effective beginning fortnight of May 21. The withdrawal of liquidity through increased CRR could be to the tune of ₹87,000 crore.

RBI signals discomfort with sharp yield uptick

The RBI issued a new seven-year paper with yields at 7.1%, even as there was partial devolvement on the 10-year benchmark in auction, indicating discomfort with sharp rise in yields.

Bond Yield Movement

Consequent of high retail inflation rate (6.95%) in March 2022 prompting expectations of rate hike and high retail inflation in USA, Indian 10 year bond yield breached 7% and touched 7.21 in mid-April.

It is expected to remain elevated in the month of May due to expectation of inflation touching 7.5% in India and a rate hike of 50-75 basis point in USA in the month of June 2022. Government 10 year bond is expected to hit 8.5% in the month of September 2022.
Indonesia banned the export of palm oil on April 28, 2022 in order to maintain the low price of cooking oil in the domestic market. This step of Indonesia could remove about 2 million tonnes of palm oil supply from the global market every month, which accounts for about 50 percent of the global monthly trade volumes, leading to an increase in substitution demand for other oils and thus a widespread rise in edible oil prices. At least 70% of India’s edible oil demand is met through imports and palm oil makes more than 50% of total edible oil imports. Over the past year, the price of palm oil at all India level has increased by over 20% and the increase has been higher than other edible oils, particularly Groundnut, Mustard and Sunflower Oils.

Report THINK
India State of Forest Report (ISFR) 2021
This edition of Report Think focuses on the captioned report released in January 2022 by the Forest Survey of India, an organisation under the Ministry of Environment, Forests, and Climate Change (MoEFCC). The ISFR-2021 provides data on forest cover, tree cover, mangrove cover, growing stock, carbon stock in India’s forests, forest fire monitoring, forest cover in tiger reserve areas, above ground biomass estimates using Synthetic Aperture Radar (SAR) data, and climate change hotspots in Indian forests.

Major Findings:

1. Total Forest and Tree Cover nearing to 1/4th of the total geographical area of the country: The Total Forest and Tree cover is 80.9 million hectares which is 24.62% of the geographical area of the country. The current assessment shows an increase of 0.28% in total forest and tree cover, compared to ISFR 2019. The top five states which saw highest increase in forest cover are Andhra Pradesh (647 sq. km), Telangana (632 sq. km), Odisha (537 sq. km), Karnataka (155 sq. km), and Jharkhand (110 sq. km). In terms of area of forest cover Madhya Pradesh has the largest forest cover in the country followed by Arunachal Pradesh, Odisha and Maharashtra. In terms of forest cover as percentage of total geographical area, the top five States are Mizoram (84.53%), Arunachal Pradesh (79.33%), Meghalaya (76.00%), Manipur (74.34%) and Nagaland (73.90%).

2. The total mangrove cover in the country increased: The Mangrove cover in the country saw an increase of 17 sq. km which is 0.34% increase compared to ISFR 2019. The total mangrove cover in 2021 stands at 4,992 sq. km. Odisha (8 sq. km) followed by Maharashtra (4 sq. km) and Karnataka (3 sq. km) are the top three states that showed highest increase in mangrove cover.

3. Growing stock showed steady increasing trend: The total growing stock has risen by 6.92% in 2021 and is estimated at 6167.5 million cubic meters. The growing stock inside forests has risen by 4.60% while in trees outside forest (TOF), it has risen by 13.09%.

4. Carbon Stock saw an increase by 79.4 million tonnes: The carbon stock in the country saw an increase of 79.4 million tonnes compared to 2019 reaching an estimate of 7204 million tonnes in 2021. State wise, Arunachal Pradesh tops followed by Madhya Pradesh, Chhattisgarh and Maharashtra in terms of carbon stock. Soil organic carbon is the largest pool of forest carbon in the country followed by Above Ground Biomass (AGB), Below Ground Biomass (BGB), Litter, and dead wood.

5. Forest Fire: As per ISFR 2021, total fire prone forest area falling under moderate and above categories is 35.47% of the total forest cover. The north eastern states have high forest cover and high share of forest cover under extremely fire prone and very highly fire prone categories. States like Mizoram, Tripura, Meghalaya, and Manipur in the North-Eastern Part of India exhibit the highest forest fire probability in terms of its frequency of event occurrence. Parts of Western Maharashtra, the Southern part of Chhattisgarh, the Central part of Odisha, and some parts of Andhra Pradesh, Telangana, and Karnataka are showing patches of extreme and very high fire-prone zones.

6. Bamboo Resources: India has about 125 indigenous and 11 exotic species of bamboo in an area of 15 million hectares (ISFR 2021). The area under bamboo has seen a decrease by 1.06 million ha from 2019 assessment. Madhya Pradesh (1.84 million ha) followed by Arunachal Pradesh (1.57 million ha) have maximum bamboo bearing area in the country. Maximum occurrence of pure bamboo was observed in Madhya Pradesh followed by Maharashtra and Chhattisgarh.

7. Mapping of Climate Change Hotspots in Indian Forest: A climate hotspot refers to an area, which is prone to adverse climate change. Forest survey of India, in harmony with its mandate of assessing and monitoring forests, has undertaken a collaborative study with BITS Pilani, to map climate hotspots in the forest areas of the country. After analysing all the scenarios in the studied periods i.e. 2030, 2050 and 2085; it has been observed that Ladakh, Jammu and Kashmir, Himachal Pradesh and Uttarakhand are projected to witness highest temperature increase while Andaman & Nicobar Islands, West Bengal, Goa, Tamil Nadu and Andhra Pradesh are projected to witness the least temperature rise over the periods. The north-eastern states and upper Malabar coast of India are projected to experience highest increase in rainfall; whereas, part of north-eastern states like Arunachal Pradesh, Sikkim; north-western parts of the country namely Ladakh, Jammu & Kashmir and Himachal Pradesh are projected to experience least increase and sometimes even decline in rainfall.

For chapter wise report- https://fsi.nic.in/forest-report-2021-details