**State of the Economy**

As per the latest data released by IHS Markit, India Purchasing Managers Index (PMI) which tracks the prevailing direction of economic trends in the manufacturing and service sectors, rose to 54.3 points in March from 53.5 points in February as Indian manufacturers raised their buying activity. The improvement in demand was the result of sharp drop in Covid-19 cases in the third wave.

**India's Growth Forecast for FY23 @8.5% by Fitch**

Rating agency Fitch slashed India’s growth forecast for the next fiscal to 8.5% from 10.3%, citing sharply high energy prices on account of the Russia-Ukraine war (post-COVID-19 pandemic recovery is being hit by a potentially huge global supply shock that will reduce growth and push up inflation). (Source: BS, Mint).

As per the UN Conference on Trade and Development (UNCTAD) report India’s projected economic growth for 2022 has been downgraded by over 2% to 4.6% (earlier forecast for FY 22 was 6.7%), a decrease attributed to the ongoing war in Ukraine (Source: ET).

**Fall in Unemployment Rate**

As per the Periodic Labour Force Survey (PLFS) data released on 22 March 2022, the unemployment rate has further fallen to 9.8% in July-Sep 2021 from 12.6% in April-June 2021 (Source: MOSPI, PLFS-Quarterly Bulletin-July-Sept 2021).

<table>
<thead>
<tr>
<th>NSS Survey Period</th>
<th>Male (%)</th>
<th>Female (%)</th>
<th>Person (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July-Sep 2020</td>
<td>9.2</td>
<td>13.2</td>
<td>10.3</td>
</tr>
<tr>
<td>Oct-Dec 2020</td>
<td>10.3</td>
<td>13.2</td>
<td>11.7</td>
</tr>
<tr>
<td>Jan-Mar 2021</td>
<td>9.3</td>
<td>13.2</td>
<td>11.1</td>
</tr>
<tr>
<td>Apr-June 2021</td>
<td>2.6</td>
<td>13.2</td>
<td>9.3</td>
</tr>
<tr>
<td>July-Sep 2021</td>
<td>9.8</td>
<td>13.2</td>
<td>10.3</td>
</tr>
</tbody>
</table>

There has been an improvement in the propensity of households to buy consumer durables compared to a year ago. A change in the propensity to buy consumer durables is perhaps, the most important indicator of an economy changing direction (9.1 % households in Feb 2022 compared to 7.4% households in Jan 2022). Database suggest that while households are willing to purchase non-essentials, they are less enthusiastic on the economic and business prospects in the short or medium term.
Exports Zoom to $418 Billion

India’s merchandise exports touched 417.81 billion in FY 2021-22. Import was 610.22 billion (an increase of 54.71% over $ 394.44 billion in FY 2020-21) driven by a spike in oil prices and massive purchases of coal and gold, leading to a trade deficit of about $192.41 billion ($18.69 billion in March itself). (Source: Ministry of Commerce, GoI, WTO, FE).

Export of commodities under the Agricultural and Processed Food Products Export Development Authority (APEDA) have crossed $21.45 billion during FY22 ($20.39 billion in FY 21) due to sharp spike in shipments of rice, wheat, fresh & processed fruits and vegetables, live-stock products.

Inflation Outlook

CPI Inflation Rises to 6.07%

Due to higher food prices, inflation as measured by the Consumer Price Index (CPI), stood at 6.07% in February 2022 (from 6.01% in January 2022). Food inflation stood at 5.85% in February 2022 (5.43% in January). Russia’s invasion of Ukraine has affected the crude oil prices (prices surcharged about 35% in March 2022) and is expected to push inflation in the coming months. (Source: Mint, ET)

The rise in rural inflation was more than in urban and across all income segments. As per CRISIL Research Report, the average inflation for all the rural income segments was 6.4% (based on NSSO data, average expenditure on 03 broad income groups- bottom 20%, middle 60%, and upper 20% of population were estimated and mapped with inflation trends). Rural population bore more burden because of higher inflation in food and core.

Recently, data revealed by the government showed Wholesale Price Index (WPI) rose to 13.11% as on February 2022 (12.96% in Jan 2022 and 13.56% in Dec 2021) primarily due to rise in prices of mineral oils, basic metals, chemicals and chemical products, crude petroleum & natural gas, food articles and non-food articles. A higher WPI inflation reading may be seen as a precursor to higher consumer prices.

Interest Rate Outlook

Crude prices have been on a rollercoaster ride (both Brent and U.S. crude futures benchmarks settled below $100 per barrel for the first time since late February), boosted by the supply crunch from traders avoiding Russian barrels and dwindling oil stockpiles. But prices have been pressured by worries about demand with COVID-19 cases surging in China, while stumbling nuclear talks with Iran have been a wild card on the market.

India, the world’s third-biggest oil importer and consumer, ships in more than 80% of its crude needs and relies heavily on the Middle East. India’s crude imports rose in February to 4.86 million barrels per day (bpd) (highest since December 2020), as refiners cranked up runs to meet increasing demand on better refining margins. Iraq supplies 23% of India’s oil, followed by Saudi Arabia at 18% and the United Arab Emirates at 11%. It is expected that India’s oil imports from the United States will rise by 11% this year, as the severely energy-deficient country looks to secure supplies from producers around the world, including heavily sanctioned Russia (Source: Reuters).

G-Sec 10 year Bond Yield Movement (%)

Source: CMIE, Economic Outlook, worldgovernmentbonds.com

RBI’s Monetary Policy Committee Meeting held on 6-8 April 2022 has come out with the following resolutions:

- Repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 4.0%.
- The marginal standing facility (MSF) rate and the Bank Rate remain unchanged at 4.25%.
- The standing deposit facility (SDF) rate will be at 3.75%.
- Medium term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth.
- Inflation is now projected at 5.7% in 2022-23.
- The real GDP growth for 2022-23 is now projected at 7.2%.
Dashboard on Agricultural Commodities: Pulses

Area under Pulses (‘000 hectares)

- Rajasthan: 902.4, 3%
- Madhya Pradesh: 5,062.20, 18%
- Maharashtra: 6,339.60, 23%
- Karnataka: 1,252.00, 5%
- Uttarakhand: 2,370.00, 8%
- Andhra Pradesh: 4,757.20, 17%
- Other States: 3,111.50, 11%
- Total Pulses: 15,092.40, 7%

Yield of Pulses in 2019-20 (Kg/Ha)

Area under Pulses (‘000 hectares)

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- Total Pulses: 15,092.40, 7%

Production of Pulses (‘000 tonnes)

- Arhar
- Gram
- Other grams
- Total Pulses

Wholesale Prices of Arhar (Rs./Quintal)

- FY 2021:
  - April: 8000
  - May: 8500
  - June: 9000
  - July: 9500
  - August: 10000
  - September: 10500

- FY 2022:
  - April: 7500
  - May: 8000
  - June: 8500
  - July: 9000
  - August: 9500
  - September: 10000

- % change

Wholesale Prices of Moong (Rs./Quintal)

- FY 2021:
  - April: 14000
  - May: 15000
  - June: 16000
  - July: 17000
  - August: 18000
  - September: 19000

- FY 2022:
  - April: 13000
  - May: 14000
  - June: 15000
  - July: 16000
  - August: 17000
  - September: 18000

- % change

National Food Security Mission (NFSM) on Oilseeds, Oil palm and Pulses

The NFSM - Pulses programme is implemented in 644 districts of 28 States and Union Territories (UTs) of Jammu & Kashmir and Ladakh. Under the programme, incentives are given to the farmers for cluster demonstrations, seed distribution & production of certified seeds of High Yielding Varieties (HYVs), farm machineries/tools, efficient water saving devices, plant protection chemicals, nutrient management, soil ameliorants and trainings to the farmers.

Source: [https://www.cmie.com/](https://www.cmie.com/), [https://agmarknet.gov.in/](https://agmarknet.gov.in/)
Findings:

1. **Extreme Poverty Near Eliminated**
   Using 'Modified mixed Recall method' (MMRP) to calculate consumption data on a recall basis of 7 days, the study found that extreme poverty has remained around 0.8% in both 2019 (0.76%) and 2020 (0.86%). Without considering food subsidies, poverty remains 2.5% as per MMRP.

2. **Food subsidies have had a rather important effect in reducing poverty and inequality.** As many as 89.1% of rural eligible households and 77.3% of urban households, with an all-India average of 84.6%, received food transfers during the pandemic through the public distribution system. As per the working paper, the pandemic support measures instituted by the government were critical in preventing any increase in the prevalence of extreme poverty and that food subsidies have reduced poverty on a consistent basis since the enactment.

3. **Such effective targeting of food seems to have been the most appropriate policy response to pandemic-induced poverty.** The study illustrates that consumption impact of targeted food subsidy is the same as that of a basic income program, and costs considerably less. Food rations were “instrumental” in ensuring that extreme poverty did not increase and “remained at that low level” in the pandemic year 2020. PPP is a metric that equalises the buying power of different currencies to make comparisons easy. The share of food in the average Indian consumption basket, according to the consumption expenditure survey of 2011-12, stands at 46%. However, for the poor, it’s upwards of 60%, according to the study.

4. **Pradhan Mantri Garib Kalyan Yojana played a key role:** Under PMGKAY, which was launched in March 2020, the central government provides 5 kilograms of foodgrains per month for free. The additional free grain is over and above the normal quota provided under the National Food Security Act (NFSA) at a highly subsidised rate of Rs 2-3 per kilogram. The scheme also included in Centre’s ‘One Nation One Ration card’ (ONORC) drive to allow all National Food Security Act (NFSA) migrant beneficiaries avail sufficient food grains from any fair price shop, anywhere in the country by using their existing ration card with biometric authentication.

5. **The pandemic shock was largely a ‘temporary income shock’:** By using temporary fiscal policy interventions i.e expanding food distribution, a large part of the shock was absorbed.

6. **Consumption inequality (with the incorporation of food transfers) has dropped to the lowest level** — equal to that observed in 1993-94. Real (inflation-adjusted) inequality, as measured by the Gini coefficient, which stands at 0.294, is now very close to its lowest level 0.284 observed in 1993-94, the study stated. The Gini coefficient ranges from 0 to 1, with 0 representing perfect equality and 1 representing perfect inequality.

**Recommendations:**

1. The paper argues that incorporation of the food subsidy data has helped it conclude that the 'official poverty line' must be moved from (Population living on <$1) PPP $1.9 to $3.2. In terms of rupees, moving from Rs. 865 per person per month to Rs 2250 per person per month. This essentially means setting the poverty line high and is significant because it raises the income threshold for determining those below poverty line, and such a move would allow more people to qualify for subsidies.

2. Terming the 'Uniform recall method' (URP) used to calculate consumption data on a recall basis of 30 days as 'outdated', the study counters the Pew research paper which claimed that 75 million Indians were pushed into poverty in 2020-21.

3. In-kind transfers in the form of food subsidy are effective means to provide a social safety net during normal times and acting as an insurance for the poor during adverse income shocks. The results of the study document the dramatic effect that food grain subsidies can have on poverty rates in normal years and especially during a major shock like the pandemic.