ECONOMY

State of the Indian Economy

Indian Q1 GDP grows at fastest pace in a year, albeit slower than many forecasts

- As per the estimates released by the National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), the real gross domestic product (GDP) at Constant (2011-12) Prices in Q1 2022-23 is estimated to have attained a level of ₹36.85 lakh crore, as against ₹32.46 lakh crore in Q1 2021-22, registering a growth of 13.5%, as compared to 20.1 percent during Q1 2021-22.

- GVA is estimated to have grown at 12.7% (year-on-year). The growth rate in the sub-components of GVA has been shown in Fig.1.

- GDP at Current Prices in Q1 2022-23 is estimated at ₹64.95 lakh crore, as against ₹51.27 lakh crore in Q1 2021-22, registering a growth of 26.7% as compared to 32.4% in Q1 2021-22.

IIP growth eases to 2.4% in July

- As per the data on Index of Industrial Production (IIP) on 12.09.2022, India’s industrial output growth eased to 2.4% in July (YoY basis), lower than 12.3% observed in June, possibly due to normalization of favourable base effect and global uncertainty impacting exports.

- Although IIP still exceeded the pre-pandemic level (same month in 2019) by 2.1% in July, it dropped 2.7% on a month-on-month basis.

- In terms of use-based classification, in July-2022, capital goods output rose 5.8% (YoY), consumer durables grew 2.4%, while the primary goods segment expanded 2.5%.

India’s Current Account Deficit may rise to 3.5% in FY23: Nomura

- While moderating commodity prices and the uneven pace of growth recovery may affect import growth in coming months, analysts at Nomura believe that slowing global growth is likely to weigh further on India’s exports, and lead to elevated trade deficits.

- The research firm raised its FY23 current account deficit forecast for India to 3.5% of GDP from 3.3% projected earlier. This is more than double of 1.2% recorded in the previous fiscal.

Inflation Outlook

CPI-Inflation in India at 7% in August (provisional) and 6.8% in July (Final)

- India’s retail inflation rose marginally to 7% in August (year-on-year basis), led by inflation in food basket. Inflation for July has been revised to 6.8%. The inflation continued to be higher than upper tolerance limit of 6% pursued by the RBI’s Monetary Policy Committee for the eighth consecutive month.

- Inflation for major indices is given below:

<table>
<thead>
<tr>
<th>All-India Inflation Rates (in %) for August 2022 (Y-o-Y)</th>
<th>Rural</th>
<th>Urban</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPI (General)</td>
<td>7.15</td>
<td>6.72</td>
<td>7.00</td>
</tr>
<tr>
<td>CFPI</td>
<td>7.60</td>
<td>7.55</td>
<td>7.62</td>
</tr>
</tbody>
</table>

CFPI: Consumer Food Price Index

- As shown in Fig.2 below, in terms of sub-components, inflation in ‘fuel & light’ sector was nearly 10.78%, while inflation in ‘clothing & footwear’ was nearly 9.91%.
Wholesale Price Inflation eases to a 5-month low of 13.9% in July

- Wholesale price inflation in India moderated to a five-month low in July, due to reasons such as easing food and commodity prices, crude petroleum and natural gas, and primary non-food articles but continued to be in double digits for the 16th month in a row.

Retail Inflation for industrial workers at 6.16% in June

- As per the data released by the Ministry of Labour and Employment, the inflation (year-on-year) for industrial workers for June-2022 stood at 6.16%, compared to 6.97% for the previous month (May 2022) and 5.57% during the corresponding month (June 2021) a year before. Food inflation stood at 6.73% in June against 7.92% in the previous month and 5.61% in June 2021.

RBI projects inflation at 6.7% in 2022-23

Based on the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of US$ 105 per barrel, RBI projected inflation in India at 6.7% in 2022-23, with Q2 at 7.1%; Q3 at 6.4%; and Q4 at 5.8%.

Interest Rate Outlook

Expectations rise for a large interest rate hike by central banks of major economies

- Amidst the rising inflation in many major economies and recent deliberations at the Jackson Hole Economic Policy Symposium 2022, it is being believed by many experts that the central banks of major economies may opt for a large interest rate hike during their next meeting.
- For instance, European Central Bank (ECB) board member Dr. Isabel Schnabel, French Central Bank chief Dr. Francois Villeroy de Galhau and other experts argued for forceful or significant policy action at its meeting scheduled in the next month. Experts suggest that a rate hike of 50-75 basis points is a possibility.
- Similarly, the Federal Reserve is expected to introduce a large interest rate hike.

Falling Crude Prices may help control inflation, reduce the incentive for a large interest rate hike in India

- Although like other major economies of the world, India’s Inflation rate has been higher than acceptable limits in recent months. However, recent weeks have shown signs of improvement, before inflation data showed a marginal increase during August. In July, WPI and CPI had moderated, and inflation expectations of households had also been checked.
- Considering this, the rate of hikes pursued by RBI’s MPC is expected to be lower than many of the other major economies of the world.

Bond Yield Movement

- Amidst the continued global uncertainty, inflationary pressures, expectations of rate hike by the central banks, etc., yield on India 10-year bond continued to be high, and remained in the range 7.11% to 7.37%. In the near future, the yields are expected to remain elevated.
DEAR ECOTHINK
Issue 60/ Sep 2022

Dashboard of Spices: Recent Trends

India is the world's largest spice producer. It is also the largest consumer and exporter of spices. The production of different spices has been growing rapidly over the last few years. Production in 2020-21 stood at 10.7 million tonnes growing at an 8% CAGR since 2014-15. During 2020-21, the export of spices reached an all-time high both in terms of value (₹3,097,331.96 lakh) and volume (1,758,985 tonnes) by registering a growth of 17% in US$ value terms and 30% in volume terms.

India exported spices and spice products to 180 destinations worldwide in 2020-21. The top destinations among them were China, USA, Bangladesh, Thailand, the UAE, Sri Lanka, Malaysia, the UK, Indonesia, and Germany. These nine destinations comprised more than 70% of the total export earnings in 2020-21.
The State of Food Security and Nutrition in the World 2022: This edition of Report Think presents the highlights of the recent report published by Food and Agriculture Organization, United Nations.

**Major Findings:**

- **Deviation from the Goal:** The world is moving further away from its goal of ending hunger, food insecurity, and malnutrition in all its forms by 2030 as set by SDG 2.
- **People affected:** The number of people globally affected by hunger went up to 828 million in 2021, an increase of about 46 million since 2020. World hunger levels have gone up by 150 million since the outbreak of the COVID-19 pandemic.
- **Future projections:** Nearly 670 million people, or 8% of the world population, will still be facing hunger in 2030—even if a global economic recovery is considered—are adding to the worrying situation.
- **Food insecurity:** Around 2.3 billion people worldwide (29.3%) were moderately or severely food insecure in 2021.
- **Food Inflation:** It has been on an unprecedented rise worldwide, triggered by two years of the COVID-19 pandemic-induced disruption and now the Russia-Ukraine war.
- **Another reason for disruptions:** The disruption comes as supply chains are already being adversely affected by increasingly frequent extreme climate events, especially in low-income countries, and has potentially sobering implications for global food security and nutrition.
- **The gender gap in food insecurity is rising:** It has continued to rise in 2021—31.9% of women in the world were moderately or severely food insecure, compared with 27.6% of men.
- **Healthy Diet:** Almost 3.1 billion people could not afford a healthy diet in 2020, up from 112 million in 2019, showing the effects of inflation on consumer food prices.
- **Malnutrition:** An estimated 45 million children under the age of five were suffering from wasting, the deadliest form of malnutrition which increases children’s risk of death by up to 12 times. Furthermore, 149 million children under the age of five had stunted growth and development due to a chronic lack of essential nutrients in their diets while 39 million were overweight.
- **The report suggested repurposing food and agricultural support to target nutritious foods where per capita consumption does not yet match the recommended levels for healthy diets as one of the ways to support economic recovery.**

**Findings related to India:**

- **Undernourishment:** The number of people undernourished in India declined to 224.3 million in 2019–21 from 247.8 million in 2004-06 (Table 1).
- In India, people who were unable to afford a healthy diet touched 973.3 million in 2020 or nearly 70.5%, up from 948.6 million in 2019 (69.4%).

**Table 1: Progress towards SDGs and global nutrition targets of India (%)**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2004-06</th>
<th>2019-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevalence of undernourishment in the total population</td>
<td>21.6</td>
<td>16.3</td>
</tr>
<tr>
<td>Prevalence of wasting in children (under 5 years of age)</td>
<td>-</td>
<td>17.3</td>
</tr>
<tr>
<td>Prevalence of stunting in children (under 5 years of age)</td>
<td>41.7</td>
<td>30.9</td>
</tr>
<tr>
<td>Prevalence of overweight in children (under 5 years of age)</td>
<td>2.4</td>
<td>1.9</td>
</tr>
<tr>
<td>Prevalence of obesity in the adult population (18 years and older)</td>
<td>3.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Prevalence of anemia in women aged 15 to 49 years</td>
<td>53.2</td>
<td>53.0</td>
</tr>
<tr>
<td>Prevalence of exclusive breastfeeding among infants 0–5 months of age</td>
<td>46.4</td>
<td>58</td>
</tr>
</tbody>
</table>