State of the Indian Economy

Indian economy remains resilient despite global headwinds

- The provisional estimates released by National Statistical Office (NSO) show real GDP growth in Q1 of 2022-23 going past nearly 4% of the pre-pandemic real GDP level of Q1 of 2019-20.
- This was despite the geopolitical conflict that has considerably slowed the growth of the world economy and advanced economies opting to sacrifice growth in pursuit of reining in high inflation.
- In the next three quarters of the current year, India’s real GDP needs to grow by 5.4% on average every quarter to achieve the growth rate of 7.2% in 2022-23 as projected by the RBI.

Rise in consumer sentiments and private consumption

Private consumption stood at 57.5% of the nominal GDP in FY 2021-22, indicating that it is becoming a macro growth driver. The rise in private consumption and consumer sentiments has enabled the investment rate to sharply increase from 28.2% of GDP in Q1 of 2021-22 to 29.2% in Q1 of 2022-23, supported by growth in the production and imports of capital goods.

Further, strengthening of the balance sheets of the corporate sector and public sector banks and crowding-in of private investment by public sector Capex have played no small part either.

The high investment rate, which matches some of the peaks of earlier years, continues to be supported by the Capex of the central government, which cumulatively reached ₹2.3 lakh crore until August 2022, 35% higher than the level in the corresponding period of last year. The government’s spending on capital expenditure is likely to be sustained, with robust growth in revenues expected to continue in the months ahead.

RBI’s Consumer Confidence Survey (CCS)

- Consumer confidence has been on recovery path since July 2021 after the impact of the COVID-19 pandemic waned; though the current situation index (CSI) remained in negative terrain, it improved in the latest survey round on the back of better sentiments on general economic situation and spending.
- Households expressed pessimism on their current income but a majority of them expect higher income over the next one year.
- The expectations on employment conditions have moderated since March 2022 survey round but they remained in positive terrain.
- Consumer confidence for the next one year, as measured by the future expectations index (FEI), remained steady and the expectation at the aggregate level remains close to its level in the previous survey round.
- Most households reported higher current spending, which was mainly driven by essential spending; nearly three-fourths of the respondents expect further rise in overall spending over the next one year and another 20% expect it to remain around the prevailing levels.
Manufacturing growth slows down

- India’s factory growth dipped to a three-month low in September due to a moderation in demand and output, despite easing inflationary pressures and strong business confidence, a private survey showed.
- The output of eight core infrastructure sectors grew just 3.3% in August, the slowest pace in nine months and compared with 4.5% in the previous month, partly because the base effect turned unfavourable. They had grown 12.2% in August last year. The slowdown will weigh on the index of industrial production given that these core sectors account for 40.3% of the index of industrial production.
- The Manufacturing Purchasing Managers’ Index, compiled by S&P Global, fell to 55.1 in September from 56.2 in August, below the 55.8 predicted by economists in a Reuters poll. The pace of growth was still solid, however, and was above the 50-mark separating growth from contraction for a 15th straight month.
- As per Industrial Outlook Survey of RBI for manufacturing Sector, manufacturers assessed continued pressures from rising cost for raw materials, salary outgo and the cost of finance during the quarter; they, however, perceived some moderation in the pace of increase in raw material cost.

Inflation Outlook

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

- Retail price inflation in India rose to 7% in August 2022 from 6.7% in July 2022, reversing its three-month falling trajectory. While an upward movement in inflation was anticipated, the magnitude of rise was a shade higher than the consensus expectations.
- The rise in headline inflation was primarily driven by food prices and therefore was felt more in rural India. Foods & beverages account for 54.2% of the consumption basket of rural India. Rural inflation increased to 7.2% in August 2022 from 6.8% in July 2022, while urban inflation increased a tad slower, to 6.7% from 6.5% during the same period.

RBI hikes policy repo rate

- The Reserve Bank of India (RBI) hiked policy repo rate by 50 basis points (bps) to 5.9% recently. The standing deposit facility (SDF) now stands at 5.65% and the marginal standing facility (MSF) is at 6.15%. This is the fourth instance of a hike in repo rate by the RBI.
- In all, the RBI has hiked rates by 190 basis points since the beginning of the current fiscal year. Policy repo rate went up from 4% at end-March to 5.9% after the latest hike. It is now at a more than 3-year high. RBI has also decided to continue with withdrawal of accommodation.

RBI’s CPI projections remain unchanged

- RBI has kept its projection for consumer price inflation in 2022-23 unchanged at 6.7%. The apex bank expects the second quarter inflation to come in at 7.1%.
- It expects inflation to ease to 6.5% in the third quarter, which is still way above the upper limit of its tolerance band of 2-6%. The RBI has projected inflation to fall to 5.8% in the fourth quarter and further down to 5% in the first quarter of 2023-24.

Inflation expected to remain elevated

- Households’ median inflation perception increased to 10.2% in September 2022 from 9.3% in July 2022, as per the RBI Inflation Expectations Survey of Households (IESH).
- Inflation expectations for three months ahead rose by 50 basis points to 10.8% and that for one year ahead also increased by the same magnitude to 11% in September 2022 as compared to July 2022. Households believed that future inflation would be higher than the prevailing inflation levels.

Interest Rate Outlook

Narrowing bond yields signal liquidity squeeze in the markets:

- Financial markets are witnessing the liquidity tightening and a slowdown in the economy, as shown by a sharp rise in yields on short-term bonds, resulting in the spread between those and the rates on long-term bonds narrowing.

Yields remain flat

- The six member Monetary Policy Committee (MPC) of the Reserve Bank of India increased the policy repo rate by 50 basis points to 5.9% on September 30, 2022. The hike in the benchmark interest rate was very much on expected lines as inflation continued to stay above 6%, the upper level of the tolerance band of the RBI, for the past eight months.
- The benchmark 10 year G-sec yield remained flat in September 2022 at 7.26%. Yields rose up during the later part of the month on account of tightening of interest rates by central banks and strengthening of the dollar to unprecedented highs in the global market.
- The weighted average yield on G-sec with 1 year maturity and with 3 year residual maturity surged by 25 basis points and 27 basis points to end the month at 6.42% and 7.13%, respectively. Similarly, the yield on G-sec with 7 year and 10 year residual maturity rose by five and one basis points to end the month at 7.19% and 7.26%, respectively.
Thinking about the future of food safety: A foresight report- This edition of Report Think presents the highlights of the recent report published by Food and Agriculture Organization, United Nations. As transformation of the way we produce, distribute and consume food is underway, there is need for effective and proactive food safety management that keeps pace with the changing global context, to ensure food safety-based vigilance throughout the agrifood systems. Therefore, the application of foresight in food safety has never been more pertinent. Foresight provides a mechanism to proactively identify and navigate these challenges as well as emerging opportunities. This publication explores a selection of the most relevant drivers and trends identified through the FAO food safety foresight programme. 

Major drivers and trends relevant to agrifood systems and food safety:

Climate change: Increasing temperatures, changing precipitation patterns, greater frequency of extreme events, and others – is disrupting our production capabilities to produce enough nutritious food to feed the rising global population. An increased preparedness to address the impact of climate change on food safety will not only benefit food security, but also will help foster resilience in agrifood systems. It is important to ensure that food supply chains and regulatory systems are better prepared to adapt to the growing climate change impacts on food safety. Widespread early warning systems and robust monitoring and surveillance measures are important elements for preventing and controlling foodborne outbreaks.

Shifting Consumer Behaviour: Today, consumer behaviour is shifting in response to a multitude of factors, such as climate change, a focus on improving health especially amid the ongoing pandemic, concerns about the impact of food production on environmental sustainability, rising incomes, amongst many others. Shifting consumer preferences and consumption patterns can trigger changes in dietary risks, not just from a nutritional point of view, but also from potential contaminants and additives. Since food safety risk assessments quantify risks based on hazards and the amount of exposure, such evaluation processes will need to keep up with changes in consumption patterns to stay relevant and protect consumers.

New food sources and food production systems: These are increasingly being explored with the goal of achieving improved environmental sustainability and/or nutritional benefits. The word ‘new’ here applies to recently discovered techniques and materials as well as to food that has been historically consumed in specific regions of the world.

The challenge of rapid urbanization:

Growing urbanization is driving profound changes in agrifood systems with urban agriculture undergoing rapid development. However, there is inadequate research on potential human health risks arising from consuming food specifically produced within urban spaces. Improved availability of fit-for-purpose land/ space and water, access to markets, greater capital and operating funds, opportunities for technical training to improve the knowledge base of urban producers and their agricultural skills, and development of appropriate regulatory frameworks and strategies are some of the areas that also determine the success of urban agriculture. Greater attention also needs to be paid to infrastructure for hygienic intra- and interurban processing, storage and transportation, as well as integration of urban food production into urban planning to ensure land allotments are at a safe distance away from main roads and other contamination sources to facilitate safe food production in urban areas.

Technological innovations: Technological innovations are transforming the agrifood sector, including the field of food safety. Digitalization, scientific innovations, and technical advancements can facilitate international trade that is faster, more cost-effective, with greater market access and inclusivity, increased food safety along food chains, and reduced vulnerabilities to fraud. Promotion of standardization and best practices, access to reliable and curated reference databases, communication of lessons learned, and transparency in data sharing across stakeholders will be needed to implement and apply emerging technologies and innovations. Rapid advances in technology often outpace the development of appropriate regulations needed to provide oversight.

Conclusion: The global community increasingly agrees that food systems thinking and the importance of health demand a holistic approach to addressing emerging challenges to the agrifood systems, rather than through siloed responses. In addition, the changing global contexts of the agrifood systems are highlighting the importance of acknowledging the growing interconnectedness, complexity and multidimensionality of food safety. Foresight provides an avenue to explore emerging opportunities and challenges in their totality, including all variables influencing them, thereby allowing food safety authorities to develop a multi-sectoral view of the changing dynamics within and for food safety.

Trends of Area and Production of Fruits in India

**Mango**
- Production (million tonnes)
- Area (million ha)

**Banana**
- Production (million tonnes)
- Area (million ha)

**Oranges**
- Production (million tonnes)
- Area (million ha)

**Apple**
- Production 000 tonnes
- Area 000 hectares

**Guava**
- Production 000 tonnes
- Area 000 hectares

**Promogranate**
- Production 000 tonnes
- Area 000 hectares
• India ranks second in fruits and vegetable production in the world, after China.
• According to the National Horticulture database (second Advance Estimates) published by National Horticulture Board, during 2021-22, the fruits production is estimated to be **107.10 Million Tonne (MT)** in 2021-22 compared to 102.48 Million Tonne in 2020-21. The area under cultivation of fruits is estimated to be 7.02 million hectares.
• Amongst the key fruits, banana production is estimated to witness a growth of 6% to 35.13 MT in 2021-22 compared to 2020-21, while the mango output is estimated at 21.01 MT in 2021-22, which is marginal increase from the previous year.
• As reported by Food and Agriculture Organization (FAO) of the United Nations, India is the second largest producer of Fruits. India ranks first in the production of banana (26.29%), papaya (43.26%) and mango (45.14%).
• The vast production base offers India tremendous opportunities for export. In 2021-22, India exported fresh fruits worth ₹5,593 crore. Grapes, pomegranates, mangoes, bananas, and oranges account for a large portion of the fruits exported.