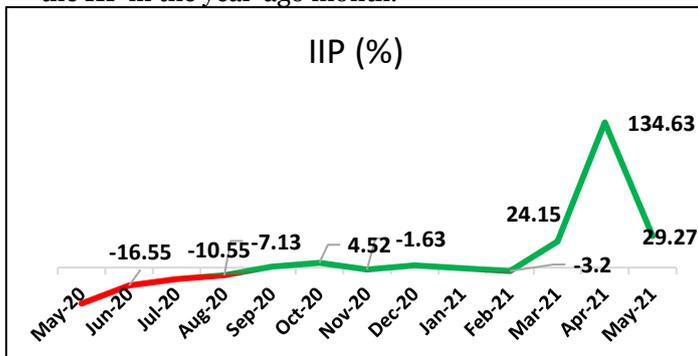




## ECONOMY

### State of the Economy

- The findings of the latest World Economic Forum (WEF) Ipsos market survey of around 22,000 people across 29 countries reveal that an average of three in four adults believe that it will take **at least two more years for their country's economy to recover** from the Covid-19 pandemic.
- The index of industrial production (IIP), **rose by 29.3 per cent** on a year-on-year basis in May 2021. This robust growth came after a 33.4 per cent contraction in the IIP in the year-ago month.



Source: CMIE

- **IHS Markit India Manufacturing (PMI) rose to 55.3** in July 2021, recovering from the 11-month low of 48.1 in June 2021.
- **IHS Service PMI remained in the contractionary mode** for the third consecutive month measuring 45.4 in July 2021 due to CoVID-19 pandemic, local restrictions and subdued demand condition.
- **High frequency demand data** suggest recovery in the economy with high acceleration in passenger car sales, two-wheeler sales, Domestic tractor sales in June-21 and GST e way bill registration and GST collections in July 2021.
- The latest growth in sales comes on the back of pent-up demand that built up during the last few months while the Covid pandemic's second wave was at its peak.

Change in High frequency demand data (%) (M-o-M)					
	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Passenger Car sales	1.2	-10.1	-70.58	192.22	NA
Two-wheeler sales	4.9	-33.5	-64.5	199.33	NA
Domestic tractor sales	12.5	-25.5	-12.3	98.5	NA
GST E way Bill	11.6	-17.5	-31.9	36.79	17.33
Finished steel Cons.	-1.7	-8.5	-8	4.1	0.66
Total GST Collection	9.5	14.1	-27.4	-9.6	25.36

Source: CMIE

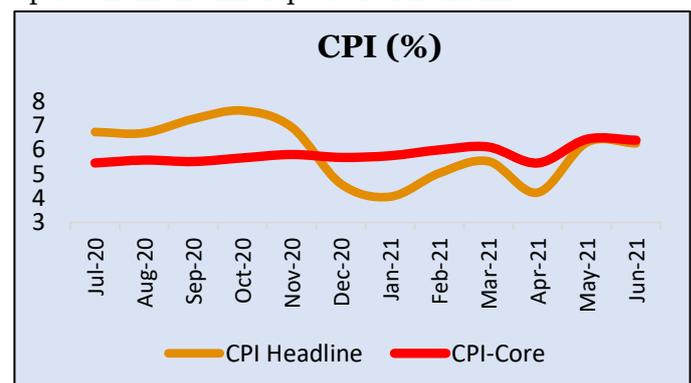


Source: CMIE

- **India's power consumption grew** nearly 12 percent in July 2021 to 125.51 billion units (BU) from 112.14 (BU) in July 2020 and 116.48 (BU) in July 2019, thus returning to pre-pandemic level mainly due to easing of lockdown curbs and delayed monsoon.

### Inflation Outlook

- Consumer Price Index (CPI), eased marginally to **6.26 per cent** in the month of **June**. Inflation in urban India rose to 6.4 per cent from 5.9 per cent in May 2021, while that in rural India fell to 6.2 per cent from 6.5 per cent.
- On wholesale front the inflation eased marginally to 12.07 per cent in June as crude oil and food items witnessed some softening in prices. However, it remained in double digit for the third consecutive month, mainly due to a low base of last year.
- **Sowing of summer crops improved significantly** at the end of July 2021, following widespread rainfall in many parts of the country. Monsoon rainfall has been normal or above normal in 81 per cent of the country as on 30 July 2021, thus softening the risk of expected rising food inflation.
- The Reserve Bank of India (RBI) **revised** its retail price **inflation** projection for 2021-22 upwards to **5.7 per cent from 5.1 per cent earlier**.
- It expects inflation of 5.9 per cent in the September 2021 quarter and further down to 5.3 per cent in the December 2021 quarter, before surging again to 5.8 per cent in the final quarter of 2021-22.



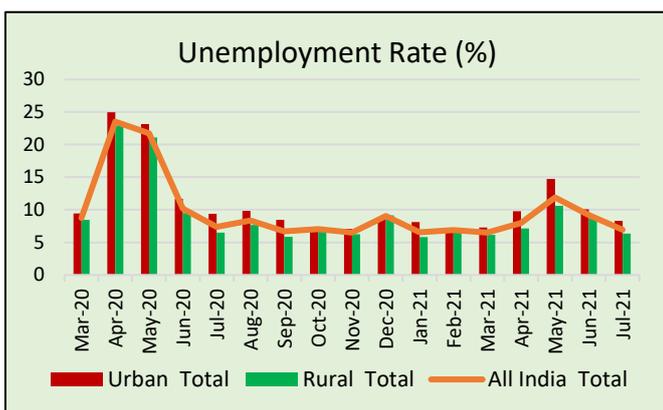
Source: MoSPI, GoI [www.mospi.nic.in](http://www.mospi.nic.in)



- International crude oil prices showed a decreasing trend in the month of July, majorly on account of OPEC+ decision of increasing oil supply, increase in US crude stockpiles and world's two biggest oil consumers grappling with rapidly spreading outbreaks of the Delta variant.

### Economic Outlook

- The Reserve Bank of **India (RBI) retained its real GDP growth forecast** for 2021-22 at 9.5 per cent in its third monetary policy review on 6<sup>th</sup> August. It expects GDP to grow Y-o-Y by 21.4% in the Q1 of 2021-22, by 7.3% in Q2, by 6.3% in Q3 and by 6.1 % in the last quarter of 2021-22. It has projected the real GDP growth for the first quarter of 2022-23 at 17.2%.
- The RBI expects agricultural production and rural demand to remain resilient this year, but urban demand to revive with a lag when pace of vaccination accelerates and the release of pent-up demand acquires a durable character.
- India's **unemployment rate fell to a four-month low of 6.95%** in July 2021, staging a near complete recovery in the labour market, which were hit by the second wave of the pandemic. In April 2021 the countries jobless claim was 7.97%, it spiked to 11.9% in May 2021 before landing to 9.17% in June 2021, according to CMIE.
- July data suggest a near complete recovery. The labour participation rate, unemployment rate and employment rate have all bounced back close to their March 2021 levels.



Source: CMIE

### Interest Rate Outlook

- The Reserve Bank of India on 9<sup>th</sup> July, announced the cut-off yield for the new benchmark 10-year bond at 6.10% per annum, higher than that of the current benchmark, signalling slight tolerance for a higher yield. This came surprising as RBI for months were trying to keep the yields close to 6% for reducing the borrowing cost for the government.

- These current phase of transition from the old benchmark (G-Sec 2030, Coupon rate 5.85%) to the new one (G-Sec 2031, Coupon rate 6.10%) has caused the former to turn illiquid and investors to exit it (yield touched 6.19% on 9<sup>th</sup> July)
- The first and the second tranche of GSAP 2.0 conducted by RBI on 8<sup>th</sup> and 22<sup>nd</sup> July 2021, included securities that were largely illiquid, thus, it failed to have any softening impact on the market yields.
- India's new 10-year benchmark G-Sec yield continued to increase following the partial devolvement of bonds by RBI on primary dealers in the recently conducted G-Sec auction on 23<sup>rd</sup> July 2021. Yields on government securities have been constantly rising due to heavy supply of papers.
- In the weekly bond auction held on 6<sup>th</sup> August 2021, RBI sold bonds worth Rs 3,750 cr and Rs 11,250 cr through sale of 4.26%-2023 and 6.76% 2061 bonds. On both bonds RBI accepted green shoe option. However, 10-year bond was rejected by the central bank as investors were looking for better yields.
- The Reserve Bank of India (RBI) has announced **two open market purchase** of government securities worth Rs.25,000 crore each, to be conducted on 12<sup>th</sup> and 26<sup>th</sup> August 2021 under the G-sec Acquisition Programme (G-SAP 2.0). These open market operations are intended to anchor the yields on few papers and to keep all segments of the yield curve liquid.
- To absorb surplus liquidity (around Rs.8 lakh crore), RBI plans to conduct four Variable Rate Reverse Repo (VRRR). First VRRR (13<sup>th</sup> August) will be for Rs. 2.5 lakh crore and from then onwards, amount will increase by Rs 50000 crore with each auction. Experts are of the opinion that this may be a start of reversal of easy monetary policy.

### Third Bi Monthly Monetary Policy Review

RBI released the resolution of its third bi monthly review on 6<sup>th</sup> August 2021. On the basis of an assessment of the evolving domestic and global macroeconomic and financial conditions, the Monetary Policy Committee (MPC) of RBI decided as under:

- Policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent
- Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.
- Accommodative stance to continue as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward

Source: RBI



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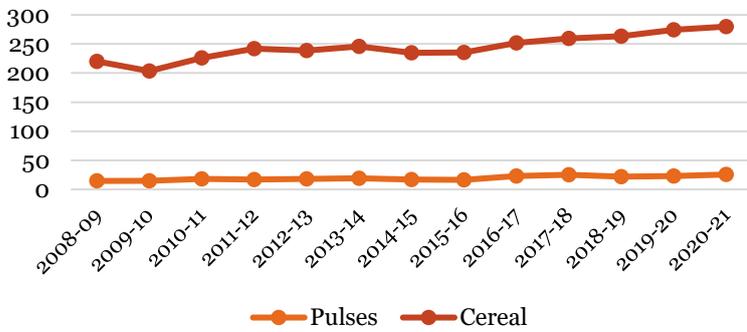


# DEAR ECO THINK

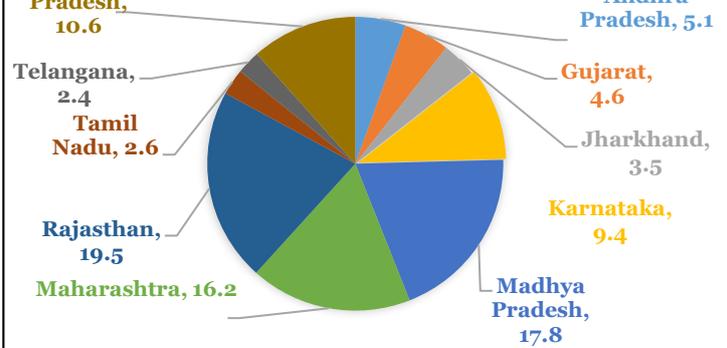
Issue 47/ July 2021

## Dashboard on pulses with focus on current trends

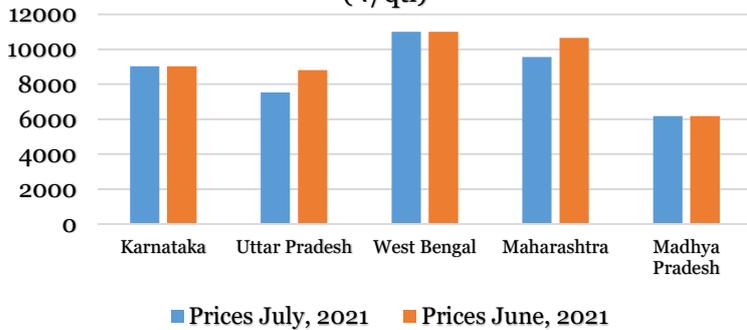
Production of foodgrain (million tonnes)



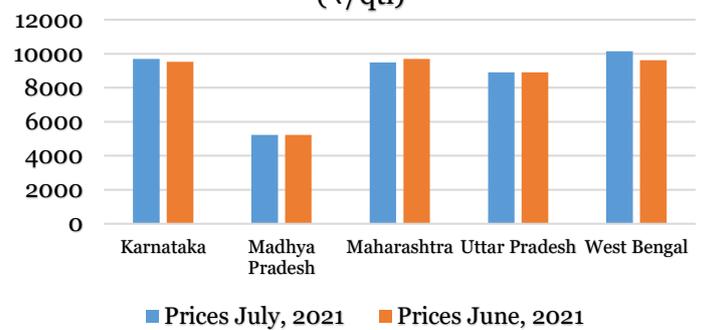
SHARE (%) OF STATES IN PRODUCTION OF PULSES (2019-20)



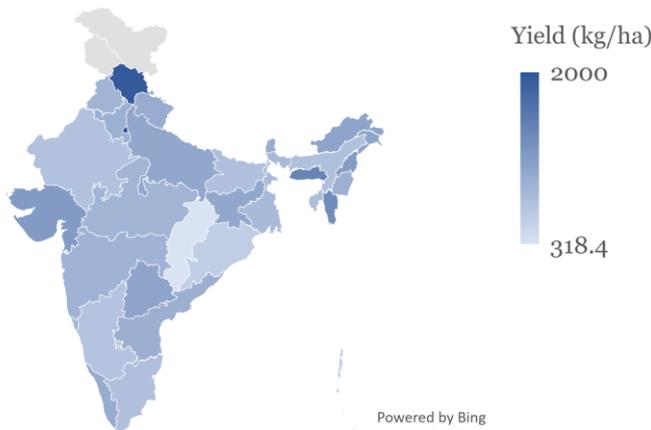
Wholesale price of Green Gram dal (moong Dal) (₹/qtl)



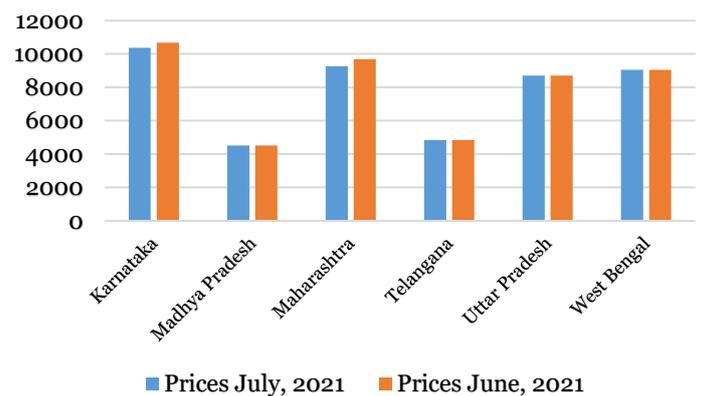
Wholesale price of Arhar dal (Tur Dal) (₹/qtl)



Pulses Yield (2019-20)



Wholesale price of Green Gram dal (moong Dal) (₹/qtl)



### National Food Security Mission-Pulses

Under NFSM-Pulses, incentives are given to the farmer for cluster demonstration, seeds 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 training to the farmers. Initiatives taken under NFSM (pulses) are as follow: -

- Support for breeder seed production of pulses.
- 150 Seed Hubs created at ICAR institutes, State Agriculture Universities (SAUs) and Krishi Vigyan Kendras (KVKs) for increasing certified seeds production of pulses.
- Distribution of seed mini kits of pulses free of cost to the farmers of the varieties notified within 10 years.

### Government Initiatives





## Economy

### Report THINK

#### STATE OF WORKING INDIA 2021: One year of Covid-19

This edition of Report Think covers the captioned report by Azim Premji University. This report documents the impact of one year of Covid-19 in India, on jobs, incomes, inequality, and poverty. When the pandemic hit, the economy was going through the most prolonged slowdown in the post-liberalisation period. The report states that pandemic has further increased informality and led to a severe decline in earnings for the majority of workers

#### Findings:

- 1. Employment and income had not recovered to pre-pandemic levels:**
  - a. About 100 million lost jobs during the nationwide April-May 2020 lockdown. Most were back at work by June 2020, but even by the end of 2020, about 15 million workers remained out of work. Incomes also remained depressed. For an average household of four members, the monthly per capita income in Oct 2020 (₹4,979) was still below its level in Jan 2020 (₹5,989).
  - b. The labour share of GDP fell by over 5 percentage points from 32.5% in the second quarter of 2019-20 to 27% in the second quarter of 2020-21. Of the decline in aggregate income, 90% was due to reduction in earnings, while 10% was due to loss of employment.
  - c. Job losses were higher for states with a higher average Covid case load. Maharashtra, Kerala, Tamil Nadu, Uttar Pradesh, and Delhi, contributed disproportionately to job losses i.e., their share in job losses was higher than their share in the pre-Covid workforce. Further, the study finds that a 10% decline in mobility was associated with a 7.5% decline in income.
- 2. Women and younger workers were disproportionately affected and many could not return to work even by the end of the year**
  - a. During the lockdown and in the months after, 61% of working men remained employed and 7% lost employment and did not return to work. For women, only 19% remained employed and 47% suffered a permanent job loss. It was reported that generally women lacked fallback options.
  - b. For working women, the burden of domestic work increased without any corresponding relief in hours spent in employment. According to the India Working Survey conducted in Karnataka and Rajasthan, the proportion of working women who spent more than 2 hours a day cooking went up from 20 per cent to almost 62 per cent in Karnataka and from 12 to 58 per cent in Rajasthan.

- 3. There was a large increase in informal employment. Agriculture and trade emerged as fallback sectors:** Nearly half of formal salaried workers moved into informal work, as either self-employed (30%), casual wage (10%) or informal salaried (9%) workers, between late 2019 and late 2020.
- 4. Poorer households were worse affected, and poverty and inequality has increased:** During the pandemic, households coped by decreasing food intake, by borrowing and selling assets. Circular migrants have borne the harshest impact of the Covid-19 shock. Factors such as class, caste, ethnic or linguistic identity, lack of stable residence and political voice render casual wage migrants precarious and hard to reach with social protection policies.
- 5. Government relief measures helped, but exclusions were also common:** The pandemic revealed that India's rural safety net is far more effective than its urban net. Both PDS and Jan Dhan accounts have a wider penetration in rural areas and MGNREGA only exists in the countryside. Over 10 million more households worked in MGNREGA in 2020-21 as compared to previous year.

#### Recommendation:

- Launching a pilot urban employment programme in the worst hit districts, possibly focused on women workers. In this, role of private contractors may be explored. The report estimates that a national programme covering half of all urban casual wage workers would cost around ₹54,000 crores.
- A comprehensive National Employment Policy is needed which will bring together supply and demands side dimensions of the labour market and speak coherently to existing trade and industrial policy regimes. Infrastructural goods and services, particularly at regional levels remain a key bottleneck. Public investment in the building and maintenance of such infrastructure is thus necessary.
- Expansion of MGNREGA entitlement to 150 days and revising programme wages upwards to state minimum wages. Further the report recommends automatically enrolling all MGNREGA, workers who do construction work, as registered workers under the Building and Other Construction Workers (BoCW) Act so that they can access social security benefits.
- A Covid hardship allowance to 2.5 million Anganwadi and ASHA workers of ₹30,000.

<https://cse.azimpremjiuniversity.edu.in/state-of-working-india/swi-2021/>