



ECONOMY

State of the Indian Economy

India's industrial production growth declined to a three-month low: The data released by the National Statistical Office (NSO) showed that India's industrial production (IIP) growth declined to a 3-month low of 3.7% in June 2023 mainly due to poor showing by the manufacturing sector. The factory output growth measured in terms of the IIP stood at 12.6% in June 2022 on account of a lower base effect. The manufacturing sector's output increased by 3.1% in June 2023, while the mining output rose to 7.6%. Power output grew 4.2% in June 2023 compared to 16.4% a year ago. During the first quarter of FY 2024, the IIP growth turned out to be 4.5%, down from 12.9% in the corresponding period a year ago.

India's services PMI falls to 60.1 in August from 62.3 in July: India's services activity continued to expand in August, but at a slower pace than in July. The services purchasing managers' index (PMI) fell to 60.1 in August from 62.3 recorded in July, according to data released by S&P Global. It remains above the key level of 50 that separates expansion in activity from a contraction. The services PMI has been above 50 for 25 consecutive months. Earlier, S&P Global data showed the manufacturing PMI rose to a three-month high of 58.6 in August from 57.7 in July. Therefore, the composite PMI, a combination of the manufacturing and services indices, fell to 60.9 from 61.9 in July.

Core sector output recorded a growth of 8 %: Core sector output, as measured by the Index of Eight Core Industries (ICI), expanded year-on-year by 8% in July 2023. This was the second consecutive month wherein core sector output recorded a growth of 8% or more. Steel output led the way in both the months. In July, steel output expanded by 13.5%. This development is expected to reflect in the IIP of July 2023. The core sector has recorded an average growth of 7% in its performance since December 2022 till July 2023. Steel has been one of the best performing industries within the core sector in this period. Growth in steel

output, as measured by the ICI, has averaged at 14.1% during this time. The increase in production is due to an increased demand. The average growth rate of consumption of finished steel was 8.2% during January-November 2022. The average growth rate for December 2022-July 2023 period was 12.6%.

Rice, sugar cane and coarse cereals acreage increased: Area coverage under rice as on 8 September 2023, stands at 403.41 lakh hectares compared to 392.81 lakh hectares in corresponding time of the last year. Sugar cane have increased its area coverage by a notable 7.66% and stands at 59.91 lakh hectares. Coarse cereals have also increased its acreage whereas other major crops like pulses, oil seeds, cotton have witnessed a decline compared to last year.

Area Coverage Under Kharif Crops (As On September 8, 2023 compared to one year ago)

Crops	Diff in Area coverage (in Lakh Hectare)	% of increase/decrease
Rice	10.60	2.70
Pulses	-11.26	-8.59
Coarse cereals	0.97	0.54
Oilseeds	-1.80	-0.93
Sugarcane	4.26	7.66
Jute and mesta	-0.40	-5.74
Cotton	-1.88	-1.48
Total	0.48	0.04

Source: National Food Security Mission

Persons employed by occupation group: Salaried jobs display a good recovery since its slump during the pandemic, Salaried employees were one of the most affected groups in the lockdowns of 2020-21, with over 12 million people losing employment. Since then, 10.8 million people have gained salaried employment. This impressive addition of salaried jobs has, to a large extent, helped recoup total employment in the country. Salaried employment accounts for roughly one fifth of India's workforce. In all years between 2016-17



and 2019-20, salaried jobs accounted for 21-22% of total employment in the country. Its share slipped to 19.2% in the year of 2020-21. In 2021-22 and 2022-23, the proportion of salaried employees in the workforce increased to 20.1% and 21%, respectively. This is reflective of a U-shaped trend in the shares of salaried jobs in India, since 2017-18.

Persons employed by occupation group (in million)

Year	TE	BP	SE	ST&WL	F
2016-17	412.7	53.7	87.5	174.8	95.8
2017-18	411.4	63.1	88.5	158.1	101.1
2018-19	406.1	70.6	88.3	140.5	106
2019-20	408.9	77.9	86.7	130.5	113.6
2020-21	387.2	75.9	74.4	116.3	120.5
2021-22	401.9	75.1	80.8	124.4	121.4
2022-23	405.8	81.3	85.2	127	112.2

Source: CMIE (TE: Total Employment, BE: Business Persons, SE: Salaried Employees, ST&WL: Small traders & wage labourers, F: Farmers)

Inflation Outlook

India's retail inflation surges to 7.44%:

Vegetable price spike pushes July retail inflation upto 7.44%. India's retail inflation rate surged to a 15-month high of 7.44% in July 2023, primarily driven by a rise in prices of vegetables, cereals, pulses, spices and milk and products, data released by the National Statistical Office (NSO). The inflation rate had last breached the 7% mark in September 2022 and the previous high was recorded at 7.79% in April 2022. This is the third instance of retail inflation rate crossing the upper limit of the 4+/- 2% band of RBI in this calendar year and seventh instance since July 2022. Retail inflation is expected to stay elevated in August month too, likely to hit around 7.60% (CMIE).

As against retail inflation, the wholesale price index remained in deflationary territory for the fourth consecutive month in July due to easing mineral oils, basic metals, chemical and textiles prices, even though food and vegetable prices surged. The WPI

contracted 1.36% on a year-on-year basis in the month of July as against June's WPI reading of -4.12%, the lowest since September 2015.

CPI and WPI (Y-oY % growth)

Month	CPI	WPI
Jul-22	6.71	14.07
Aug-22	7	12.48
Sep-22	7.41	10.55
Oct-22	6.77	8.67
Nov-22	5.88	6.12
Dec-22	5.72	5.02
Jan-23	6.52	4.8
Feb-23	6.44	3.85
Mar-23	5.66	1.41
Apr-23	4.7	-0.79
May-23	4.31	-3.61
Jun-23	4.87	-4.12
Jul-23	7.44	-1.36

Interest Rate Outlook

Bond Yield Movement:

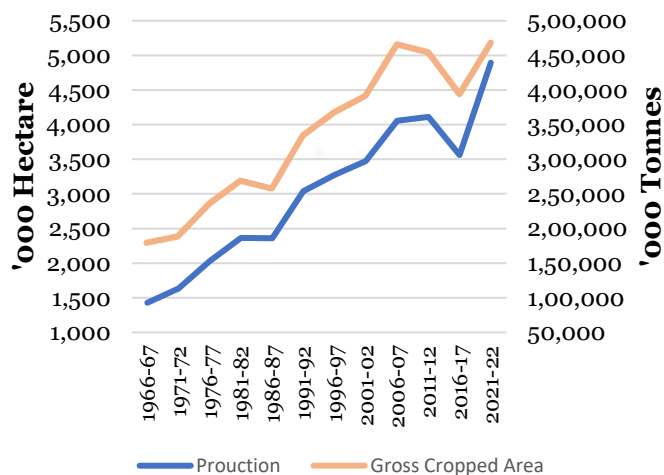
Yields on government securities (g-secs) increased across the maturity spectrum. Weighted average yields on 1-year g-secs increased by five bps to 7.06%. Both 3-year and 5-year g-secs saw yields increase by 15 bps to 7.17% each. Yields on 7-year g-secs increased nine basis points to 7.20%. Yields on 10-year g-secs also increased by 9 bps to 7.19%. While yields have increased over the month, they seem to be converging.

Risk premium on 1-year securities stood at 48 bps, compared to 42 bps points in the previous month. Risk premium on 10-year debt securities, however, dropped quite significantly in August. The same stood at 40 bps, compared to 55 bps in July. Similar to long term government securities, yields on short term government securities, i.e., treasury bills (t-bills) also increased across maturities. Yields on t-bills of 1-month and 12-month residual maturity rose by 9 bps each to 6.68% and 6.95%, respectively.



Dashboard on Agricultural Commodity: Sugarcane

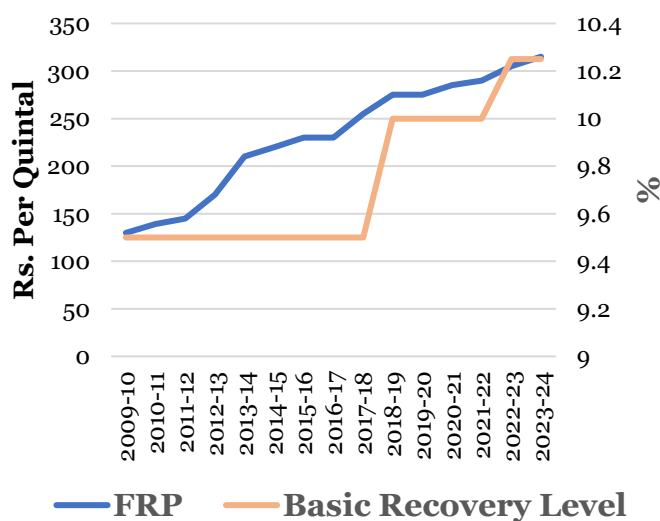
Area and Production Trends



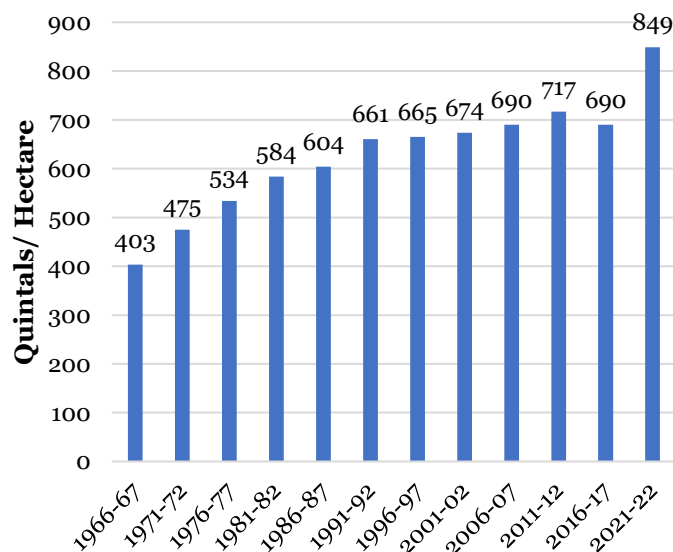
CAGR of Area, Production & Yield (%)

Year	Area	Production	Yield
1967-72	3.79	4.28	0.47
1972-77	3.21	4.13	0.90
1977-82	-1.19	1.21	2.43
1982-87	-2.58	-0.56	2.07
1987-92	4.29	7.17	2.76
1992-97	5.16	6.13	0.92
1997-02	2.98	1.48	-1.45
2002-07	3.31	6.29	2.88
2007-12	0.95	2.59	1.63
2012-17	-2.49	-2.25	0.25
2017-22	1.36	2.95	1.58

Trends in FRP (Fair Remunerative Price)



Yield



Price of Sugar Hikes to Highest Level in Six Years

India is the second largest producer and exporter of sugar after Brazil. Wholesale sugar prices touched highest level since 2017 with a price of ₹37,750/- a tonne registering 2.9% increase in last 14 days. This is due to concerns over a deficient monsoon in key producing states like Maharashtra which accounts for more than one-third of the country's sugar output. Impact of El-Nino and deteriorating weather outlook could further reduce the sugarcane production in medium term. Internationally, lower sugarcane production is compounded by a poor European beet crop production due to reduced acreage and summer drought. OPEC's decision to slash oil output by 1.16 million barrels per day has also led to diversion of sugarcane towards ethanol production reducing overall sugar supplies. In India, the government decided to provide historical high FRP i.e., Fair Remunerative Price of ₹305/quintal in marketing season of Oct 2023 – Sep 2024 to benefit sugarcane farmers and workers in sugar mills. However, despite marginal increase in sugarcane acreage than the previous year, All India Sugar Trade Association has trimmed sugar production estimates by 3% from Oct 2022 to Sep 2023. In the current scenario, India has limited sugar export to 6.1 million tonnes in 2023, against 11.1 million tonnes exported last year.

Report THINK

OECD-FAO Agricultural Outlook 2023-2032: is a collaborative publication brought out by the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization (FAO) of the United Nations. It provides an annual assessment of prospects for the coming decade for the regional and global agricultural commodity markets.

The key takeaways from the report are as follows:

1. Input prices have significant bearing on agricultural commodity prices

The surge in agricultural input prices experienced over the last two years has raised concerns about global food security. A scenario analysis presented in the outlook report demonstrates that rising fertiliser costs can lead to higher food prices. It estimates that for each 1% increase in fertiliser prices, agricultural commodity prices would increase by 0.2%.

The increase would be more significant for crops that use fertilisers as direct inputs than for livestock products that use them indirectly, with the exception of poultry production which relies heavily on compound feed. Although this scenario focuses on the link between fertilisers and agricultural commodities, fluctuations in energy, seeds, labour and machinery prices would also affect food prices.

2. Global agricultural consumption expected to grow

Global food consumption in calories – the main use of agricultural commodities – is projected to increase by 1.3% per year over the next decade. This is a slower pace than the previous decade due to the foreseen slowdown in population and per capita income growth.

The second most important use of agricultural commodities is as feed for livestock and increasingly aquaculture. The Outlook highlights the rapid expansion and intensification that is expected in the production of livestock in low- and middle-income countries, resulting in a fast-growing demand for feed over the next decade. In contrast, in high-income countries and some upper middle-income countries, including China, lower growth in livestock production and improved feeding efficiency should result in slower growth in feed demand compared to the last decade.

3. Productivity improvement to spur production in agriculture

Global crop production growth will mainly be driven by increased productivity rather than increased land use. Therefore, investments in raising yields and improved farm management are essential. Assuming

continued progress in plant breeding and a transition to more intensive production systems, yield improvements are projected to account for 79% of global crop production growth, cropland expansion for 15%, and higher cropping intensity for 6% over the Outlook period. Similar to trends in crop production, a large share of the projected 1.3% annual growth in livestock and fish production will result from improvements in per animal productivity resulting from more efficient herd management and higher feed intensity. Poultry is projected to account for about half of the global growth in meat production due to sustained profitability and favourable meat-to-feed price ratios.

4. Climate change to significantly impact agriculture

The Outlook highlights the significance of global agricultural greenhouse gas (GHG) emissions, which are projected to increase by 7.6% in the next decade. At the global level, growth in GHG emissions will be lower than in the previous decade, and lower than the projected 12.8% growth in agricultural output, indicating a faster decline in the carbon intensity of agricultural production. Nevertheless, pioneering efforts need to be widely adopted to ensure that agriculture contributes effectively to climate change mitigation, as set out in the Paris Agreement, especially for livestock which is estimated to account for 80% of the increase in agricultural GHG emissions. At the same time, agricultural production systems face the challenge to adapt to a changing climate, including more frequent and intense extreme weather events. Mitigation and adaption solutions include large-scale and inclusive adoption of climate-smart and carbon neutral production processes and technologies.

5. Trade in agriculture commodities poised to grow

Trade in primary agricultural commodities and processed products is projected to grow in line with production over the next decade. The COVID-19 pandemic led to worldwide disruptions in commerce, but trade in the agricultural commodities has proven to be resilient. Russia's war against Ukraine has been impacting agricultural commodity trade, especially Ukrainian exports, and prices. The baseline projections underscore the critical importance of a well-functioning, transparent, and rules-based multilateral trading system. Export bans only aggravate the adverse effect of price uncertainties and increase prices. This results not only in a negative impact on global food security (and livelihoods) in the short term but undermines supply capacity over the long term.

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