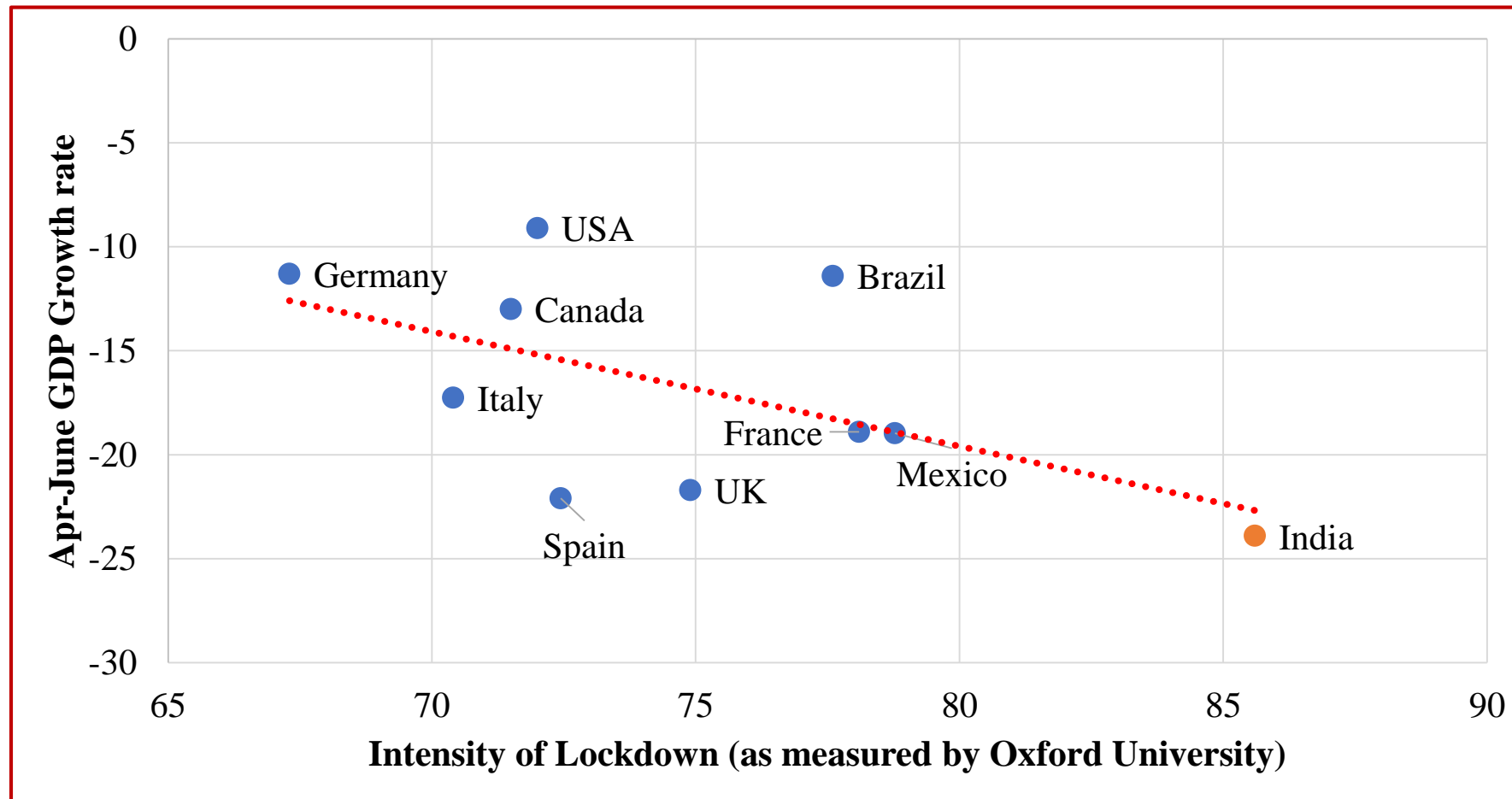


State of the Economy

Dr. K. V. Subramanian
Chief Economic Adviser
Government of India

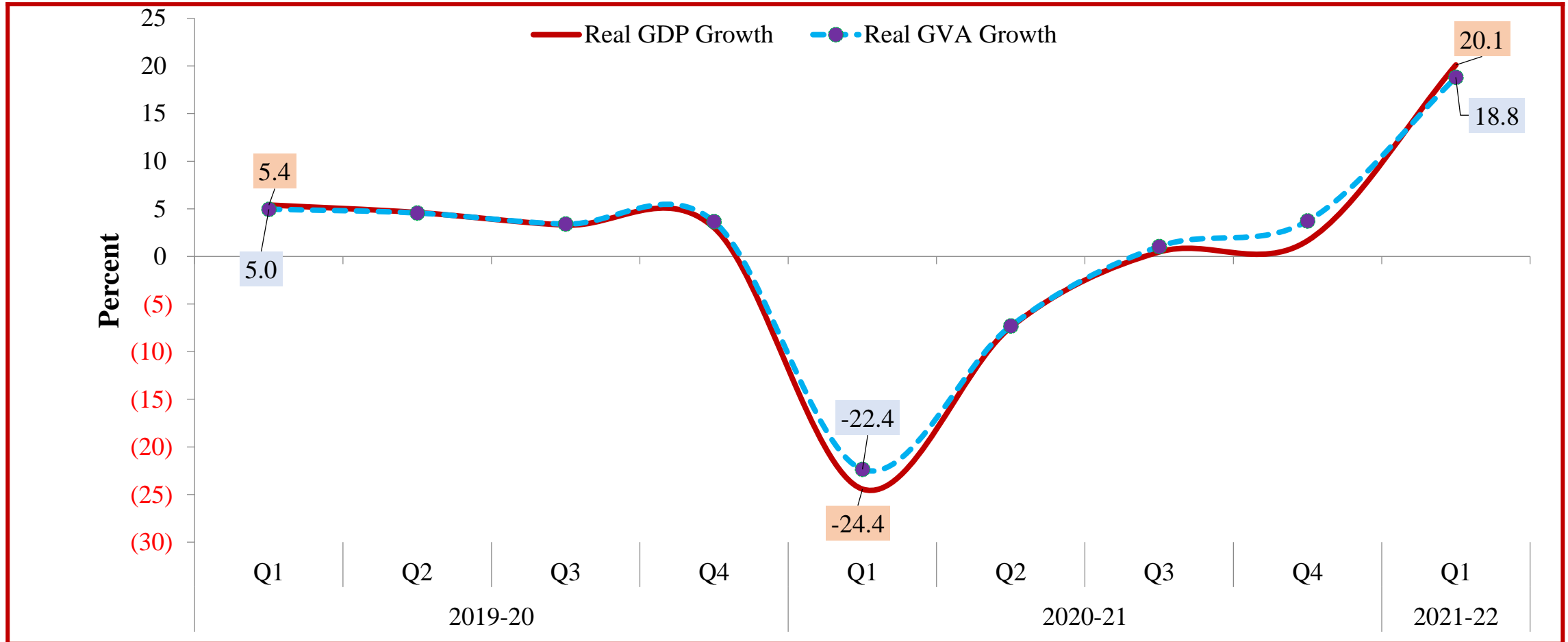
August 31, 2021

Rewind to 31-Aug last year: Asserted a V-shaped recovery



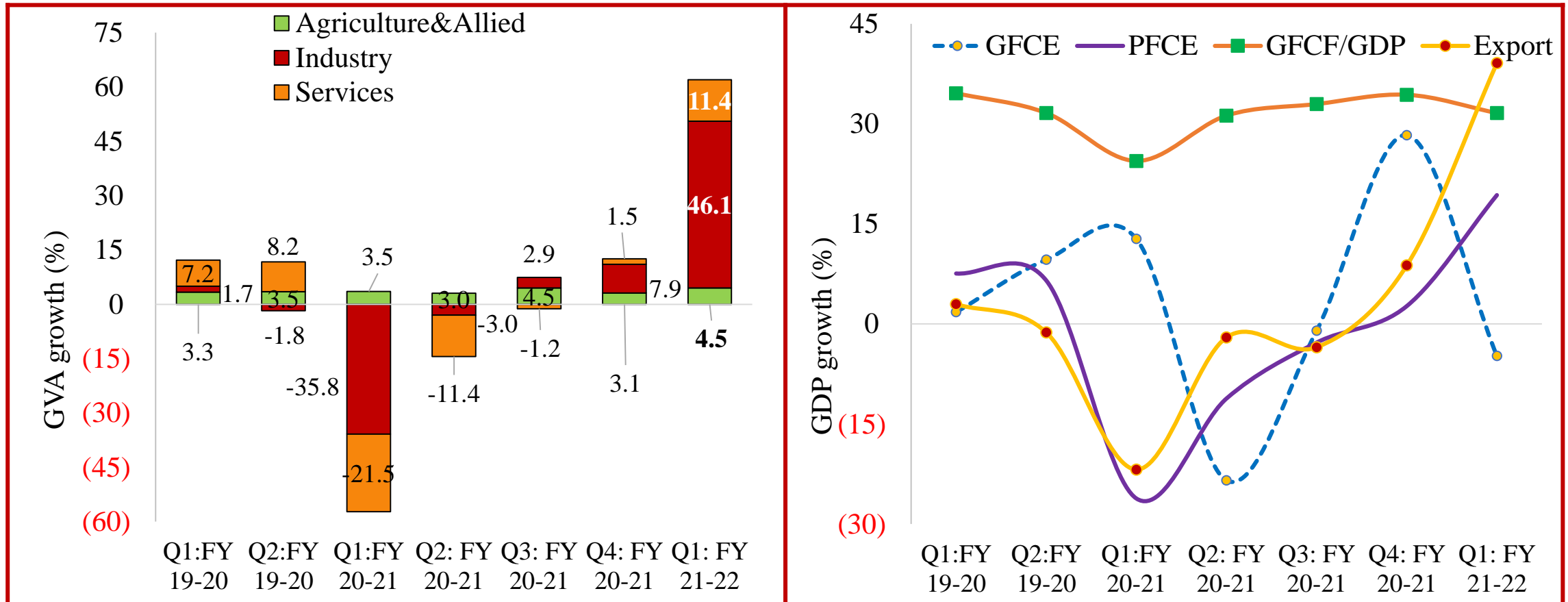
GDP data for Q1:2021-22 reaffirms Government's foresight of an imminent V-shaped recovery after the decline in Q1-2020-21

V-shaped recovery from -24.4% in Q1-FY21 to 20.1% now



Source: MoSPI

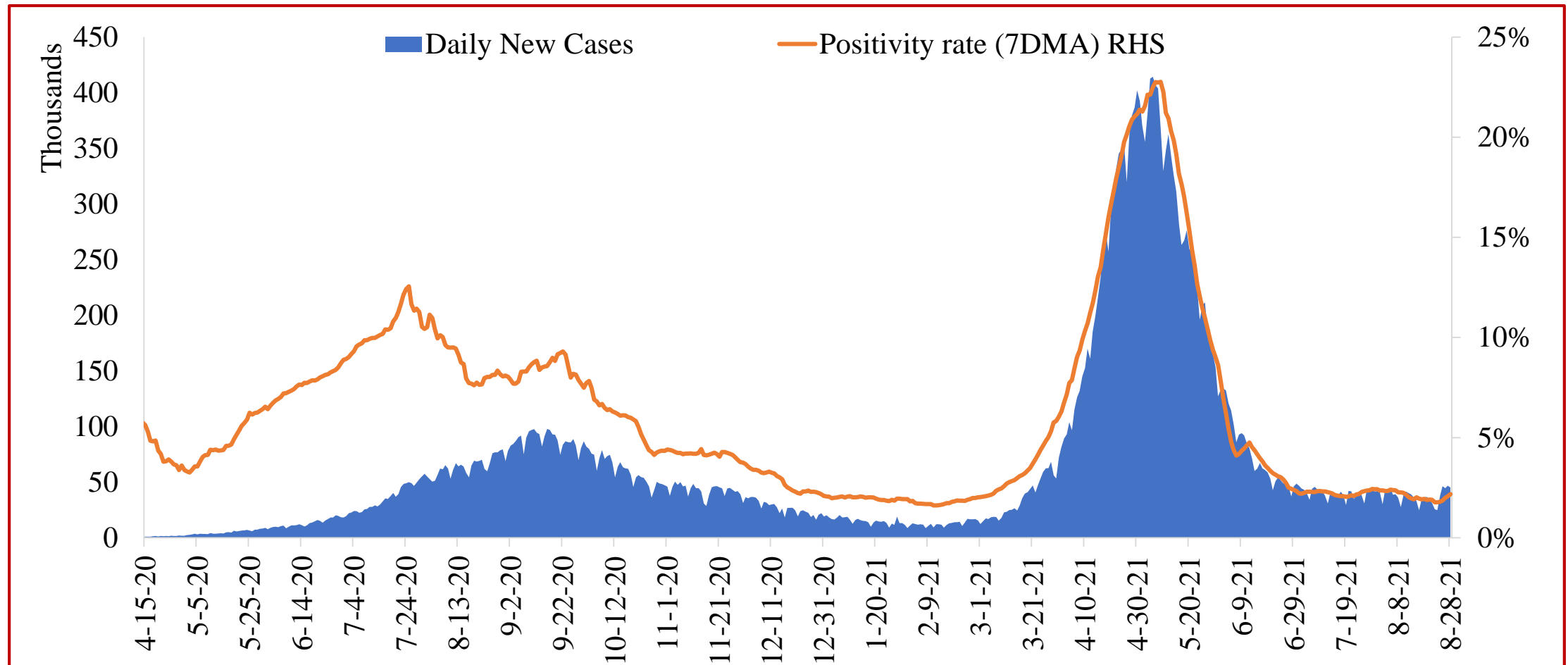
Industry witnessed sharp rebound, followed by Services... Agriculture has exhibited consistent performance



Source: MoSPI

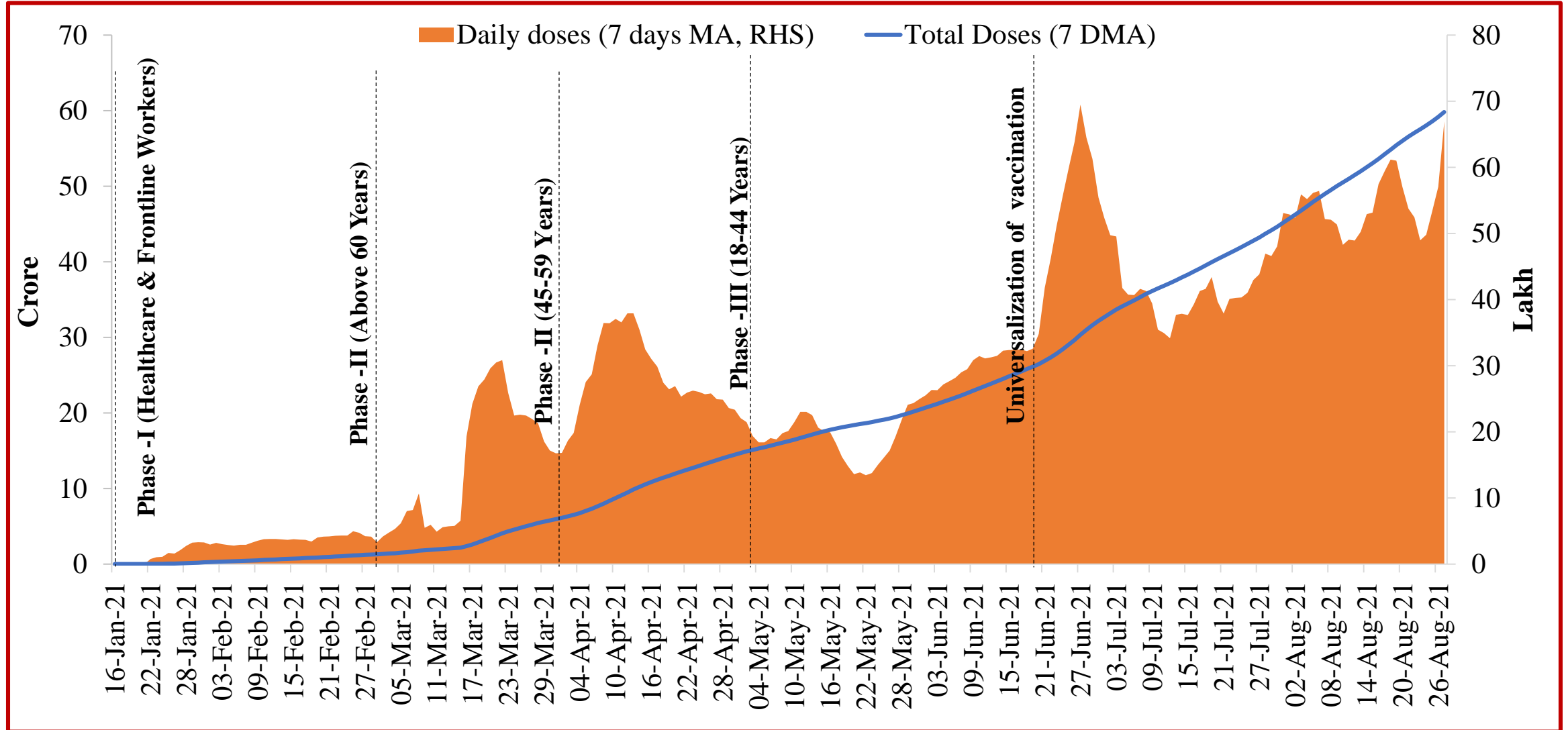
Note: GFCE: Govt Final Consumption Expenditure, PFCE: Private Final Consumption Expenditure, GFCF: Gross fixed capital formation

II Wave: Daily new cases continue to decline since mid May and has plateaued around 25,000-40,000



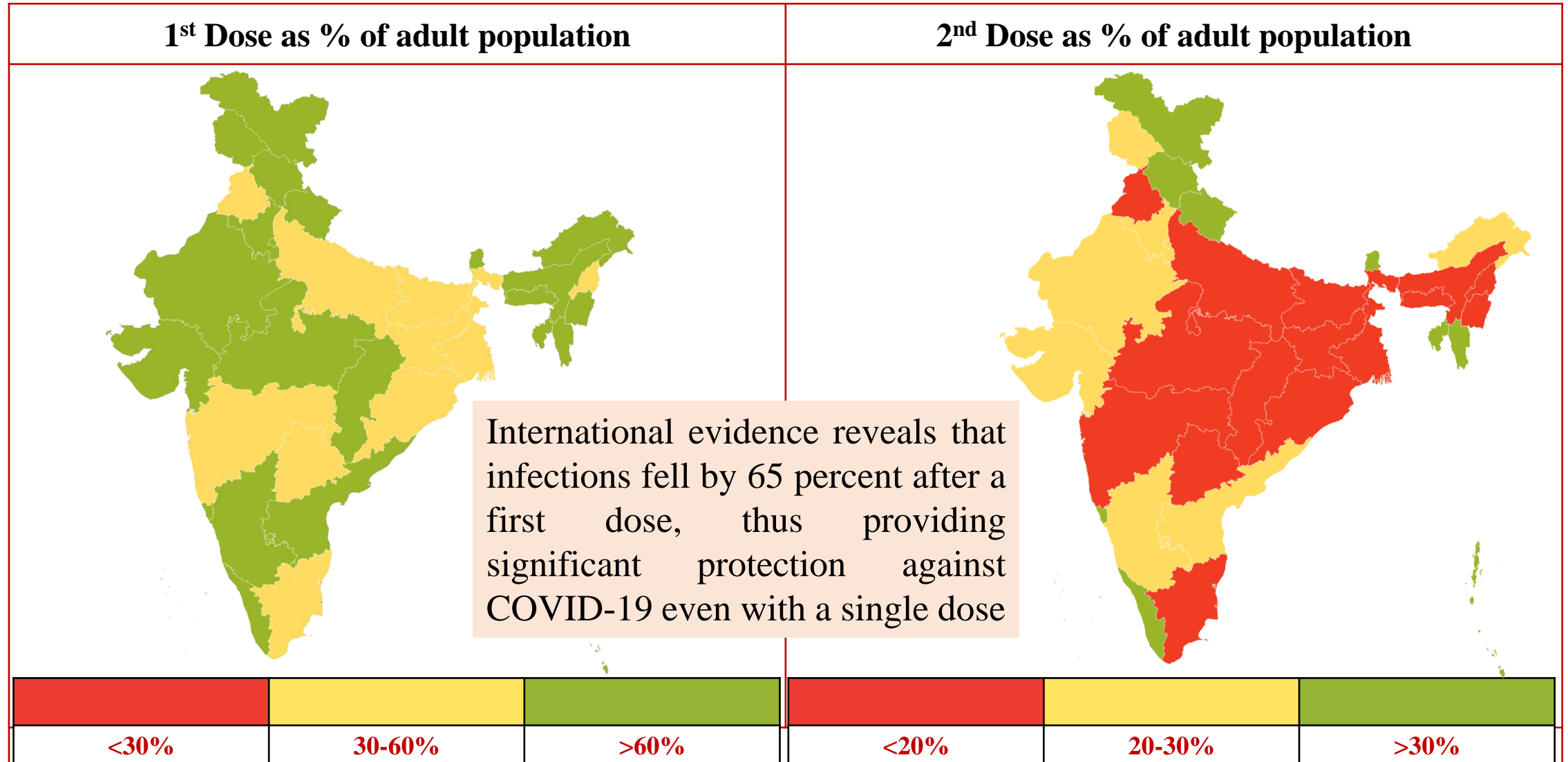
Source: <https://www.covid19india.org/>

Daily vaccination crosses 1 crore mark in August ...over 64 crore doses administered so far.... over 200 crore doses expected in supply till Dec-21



Source: Ministry of Health and Family Welfare

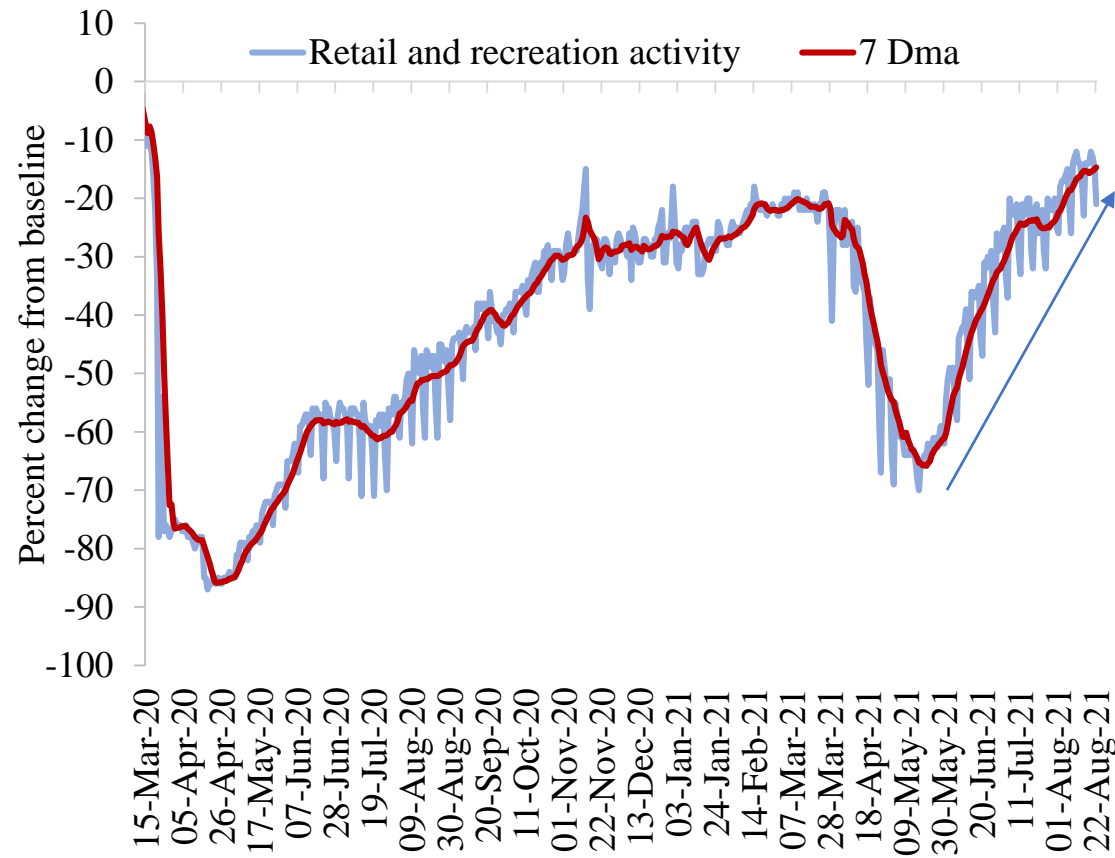
More than half of the adult population covered with first dose of vaccine



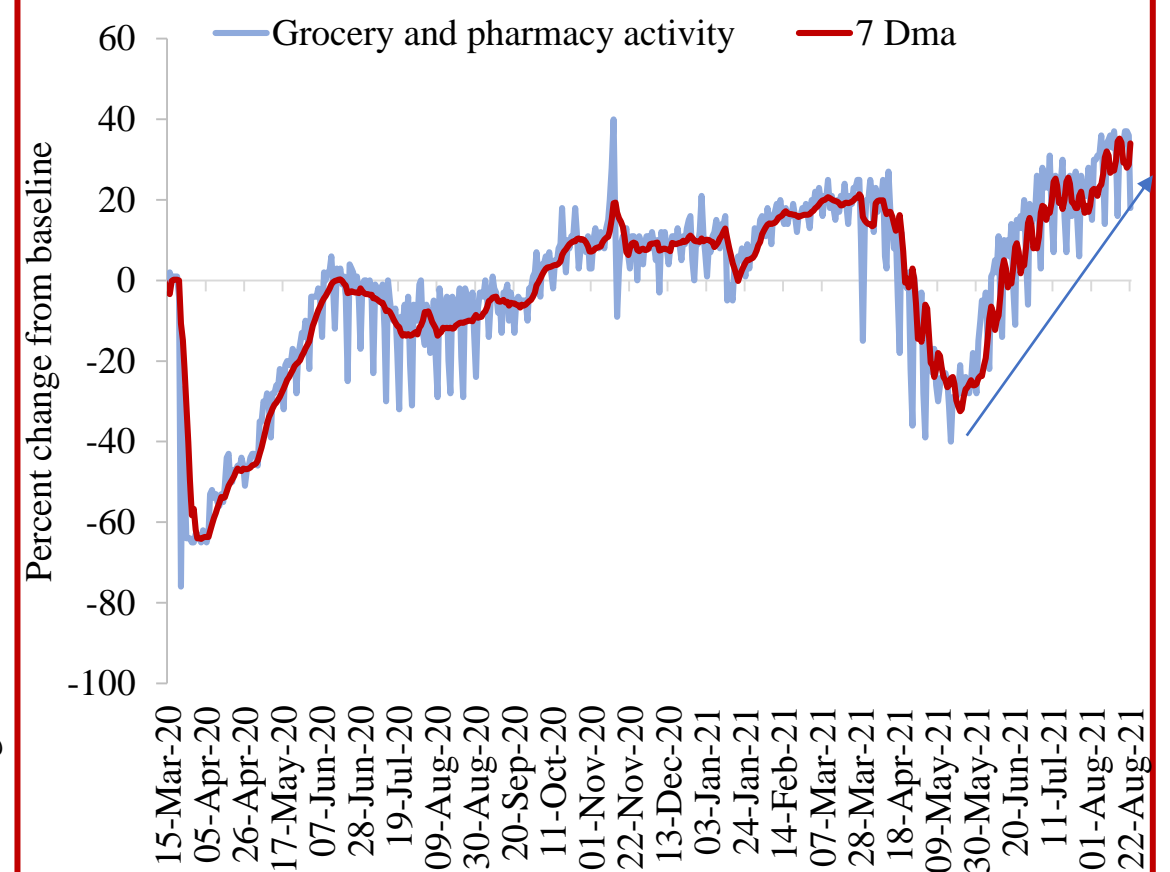
Source: Ministry of Health and Family Welfare

V- Shaped recovery in mobility indicators as restriction ease out across States

Retail activity continues to recover

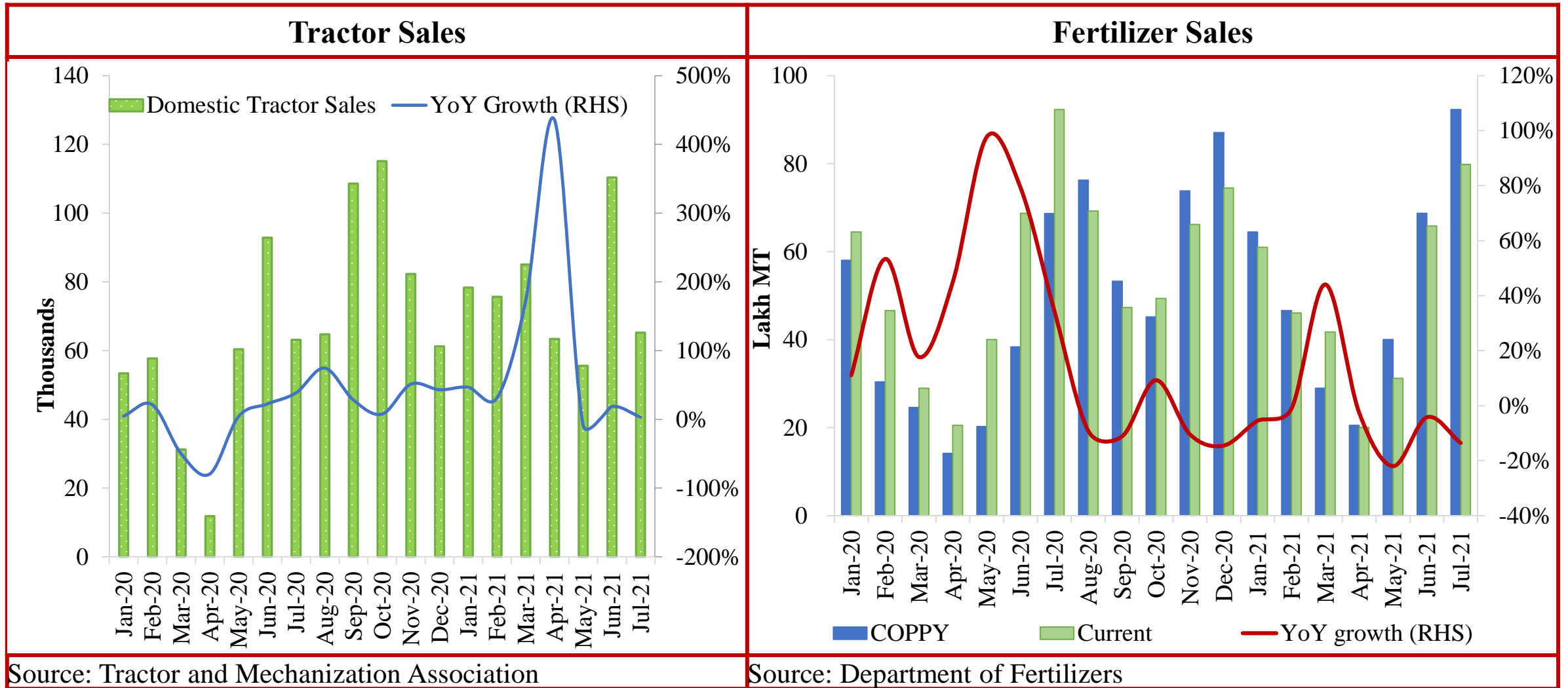


Grocery activity crosses pre-pandemic level

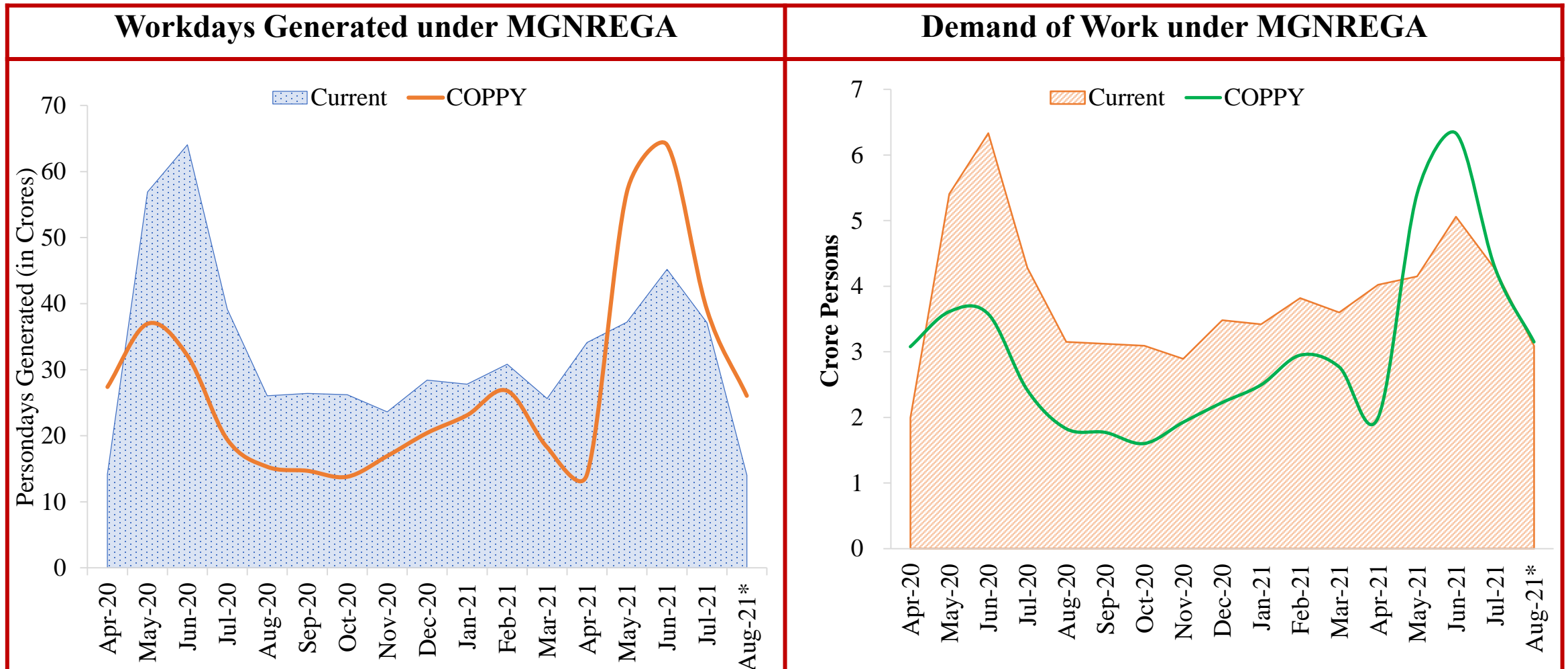


Source: Google Mobility

Rural demand has been resilient

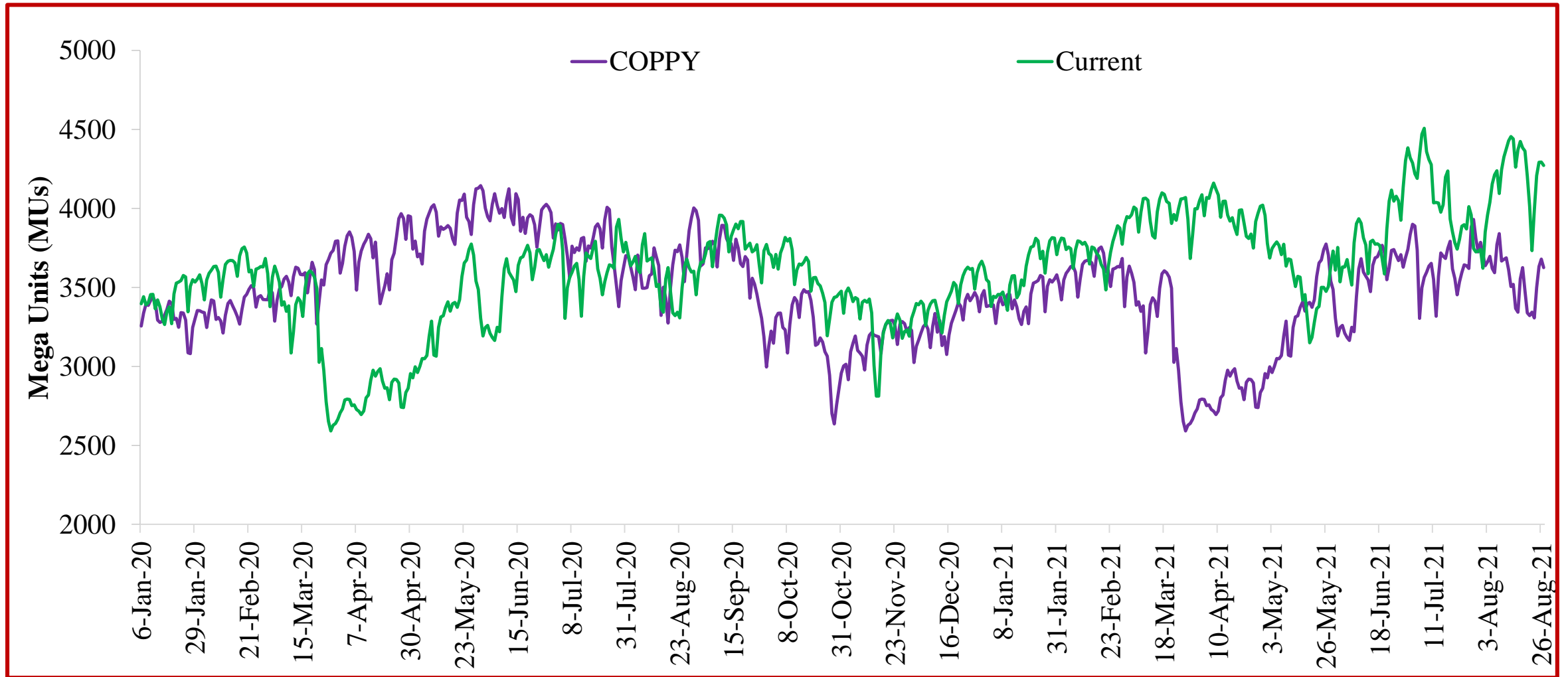


MNREGA work has declined sharply in August



Source: NREGA Website; COPPY: Corresponding Period of Previous Year; Data till 28th August 2021

Swift recovery in power consumption, demand grew at ~18% and ~17% compared to 2020 and 2019 level respectively

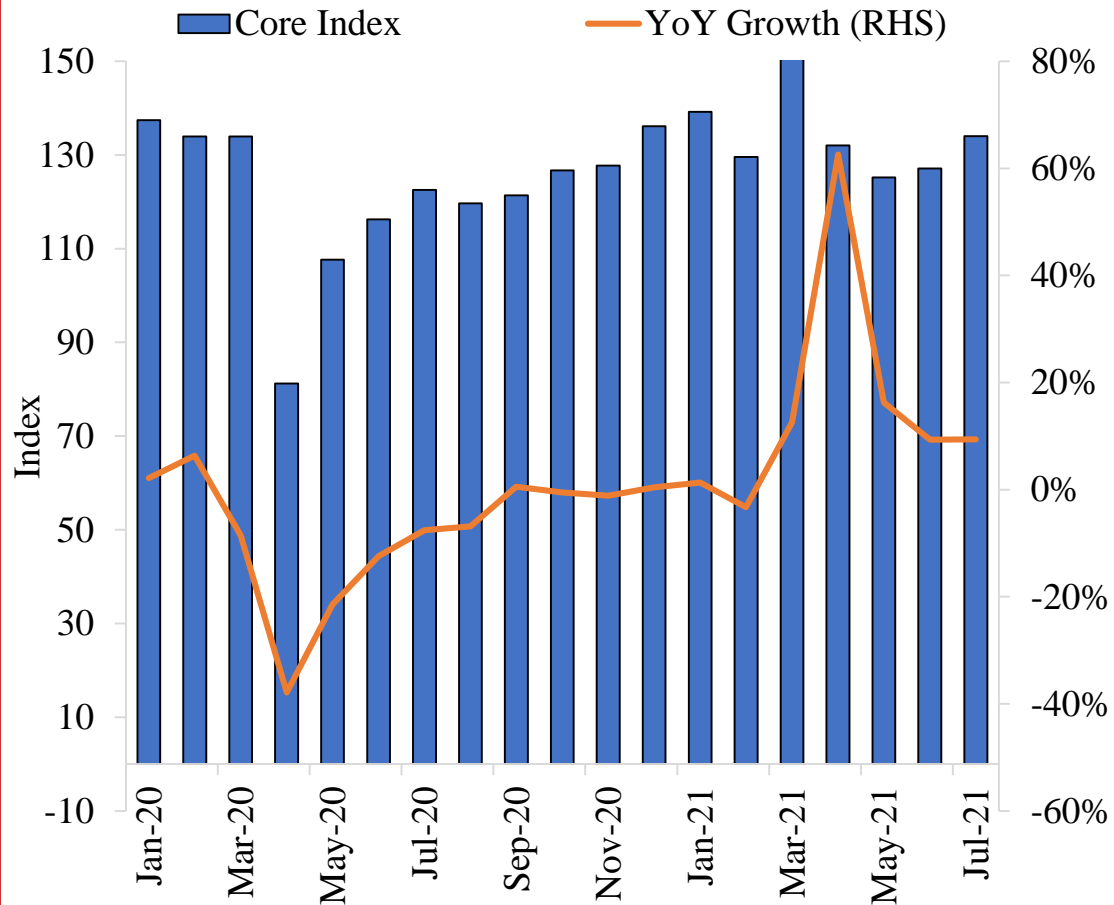


Source: POSOCO

Note: COPPY: Corresponding Period of Previous Year

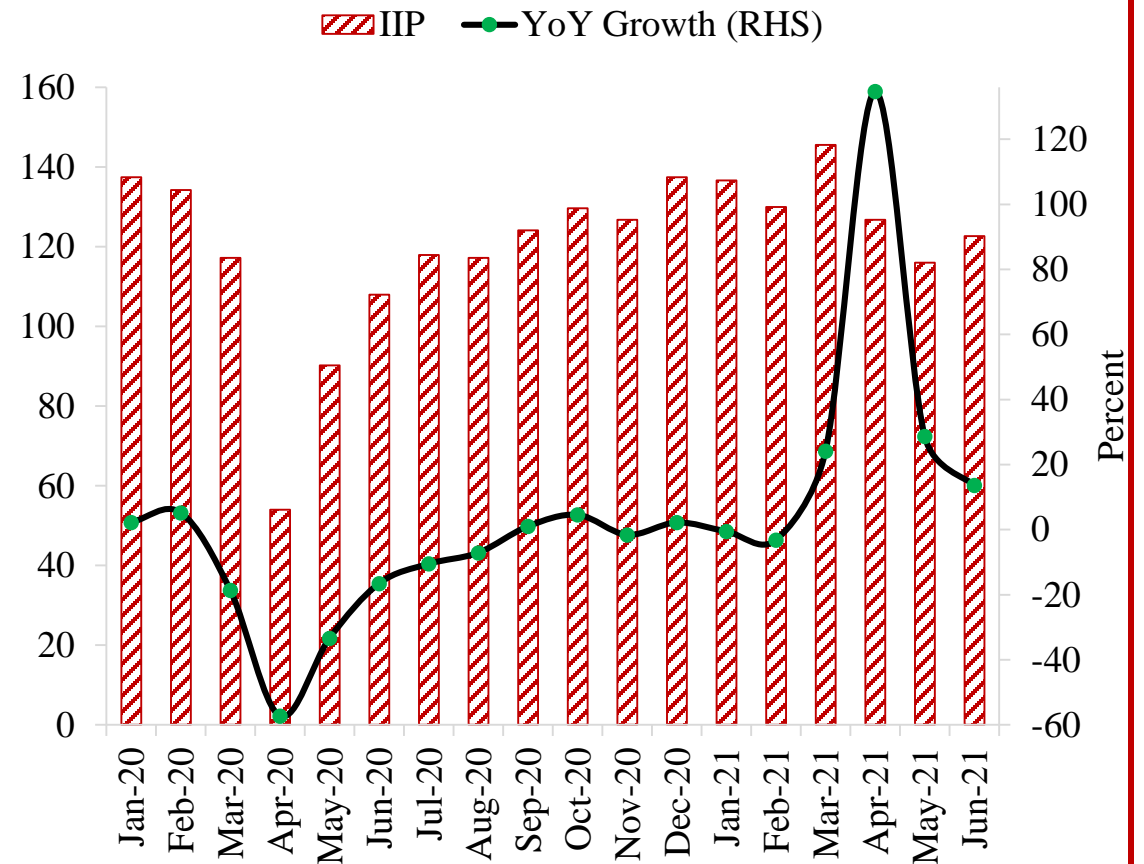
Sequential improvement in industrial production

Eight Core Industries



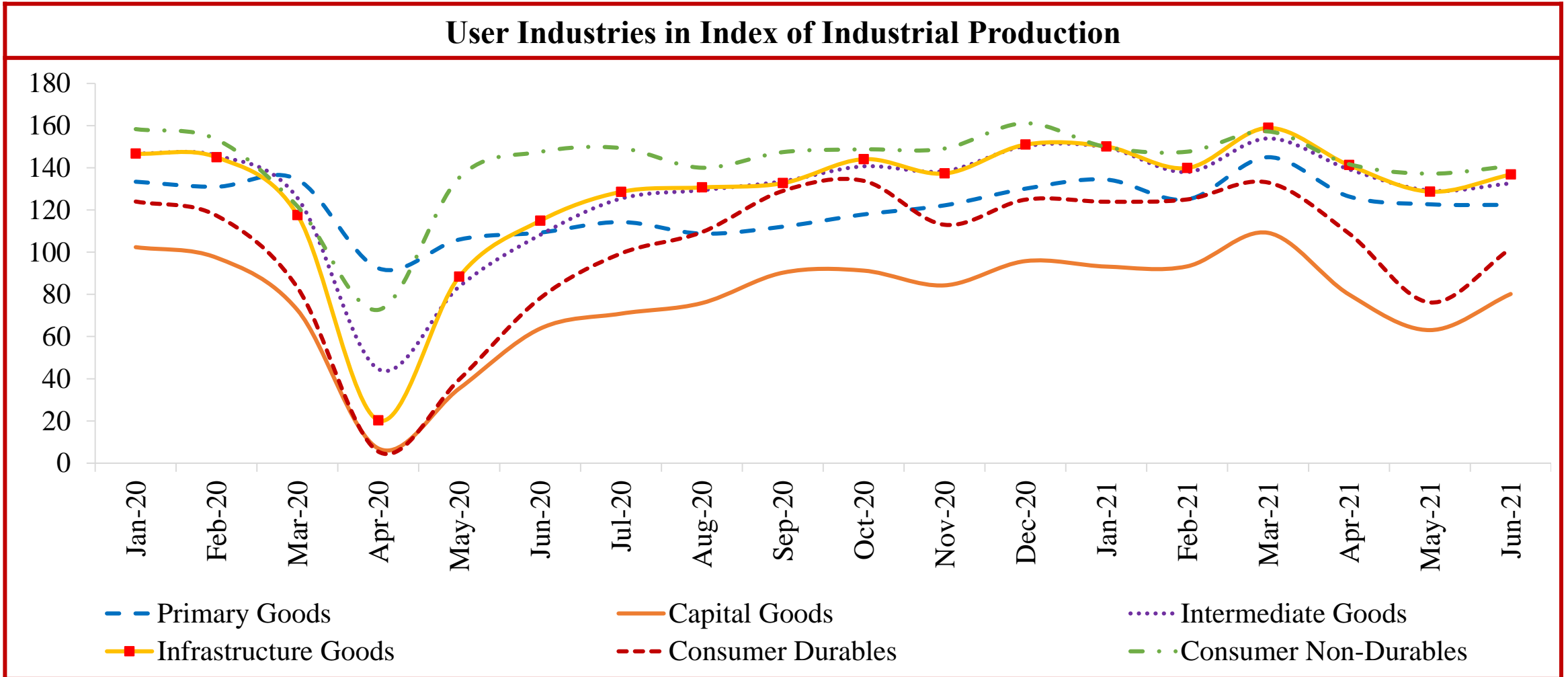
Source: DPIIT

Index of Industrial Production



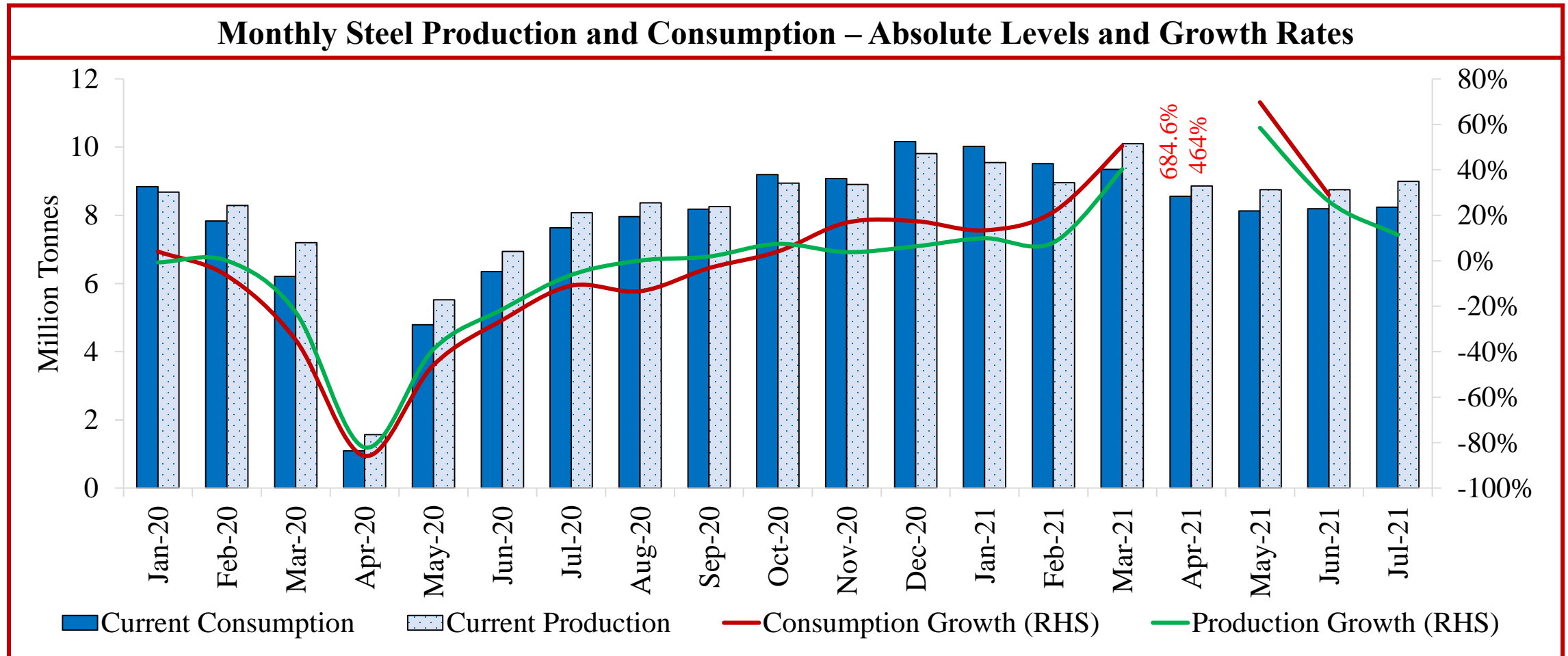
Source: MoSPI

Swift Recovery in User Industries in June



Source: MoSPI

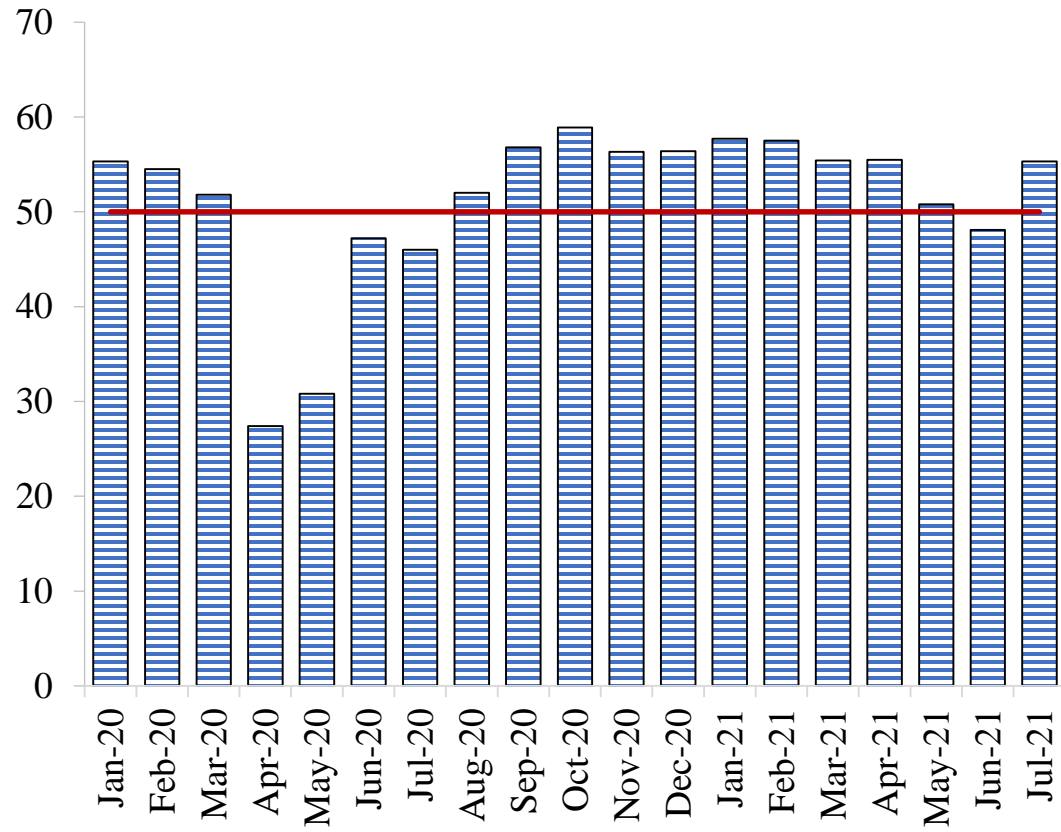
Improvement in steel production and consumption to pre-pandemic levels: Revival of construction activity



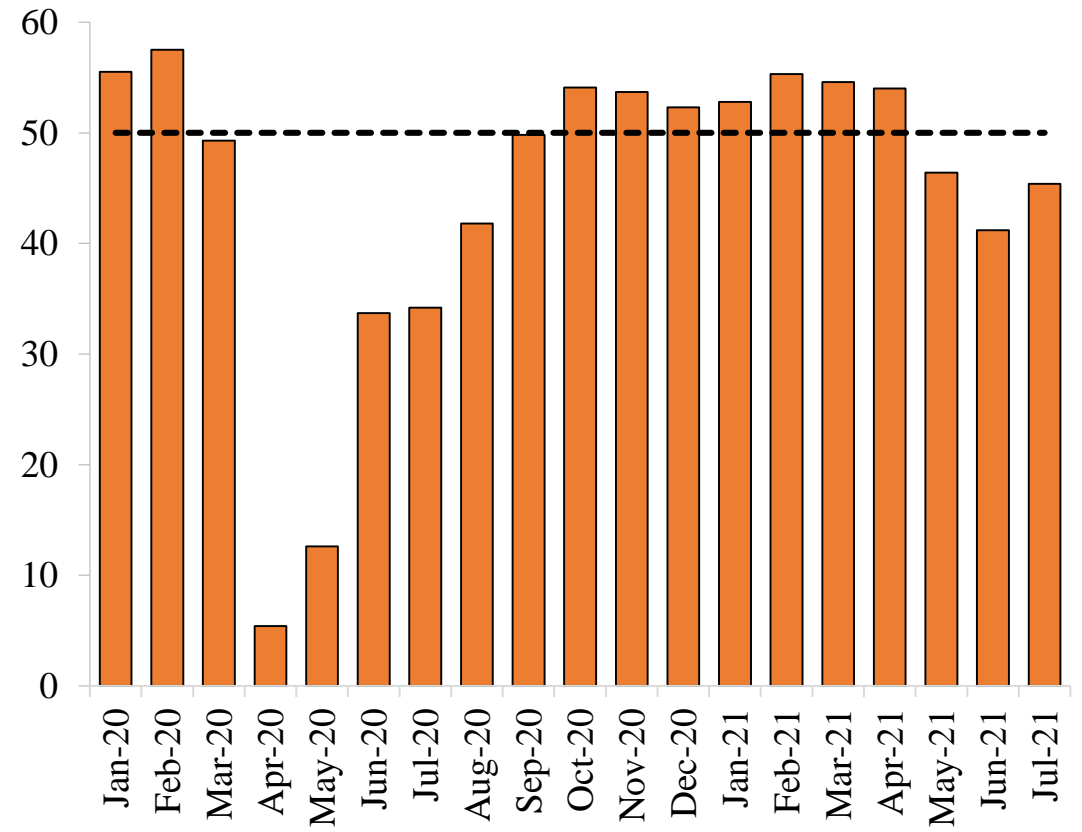
Source: Joint Plant Committee, M/o Steel

PMI Indices rebound in July amid improved demand and easing of local restrictions

India's PMI Manufacturing



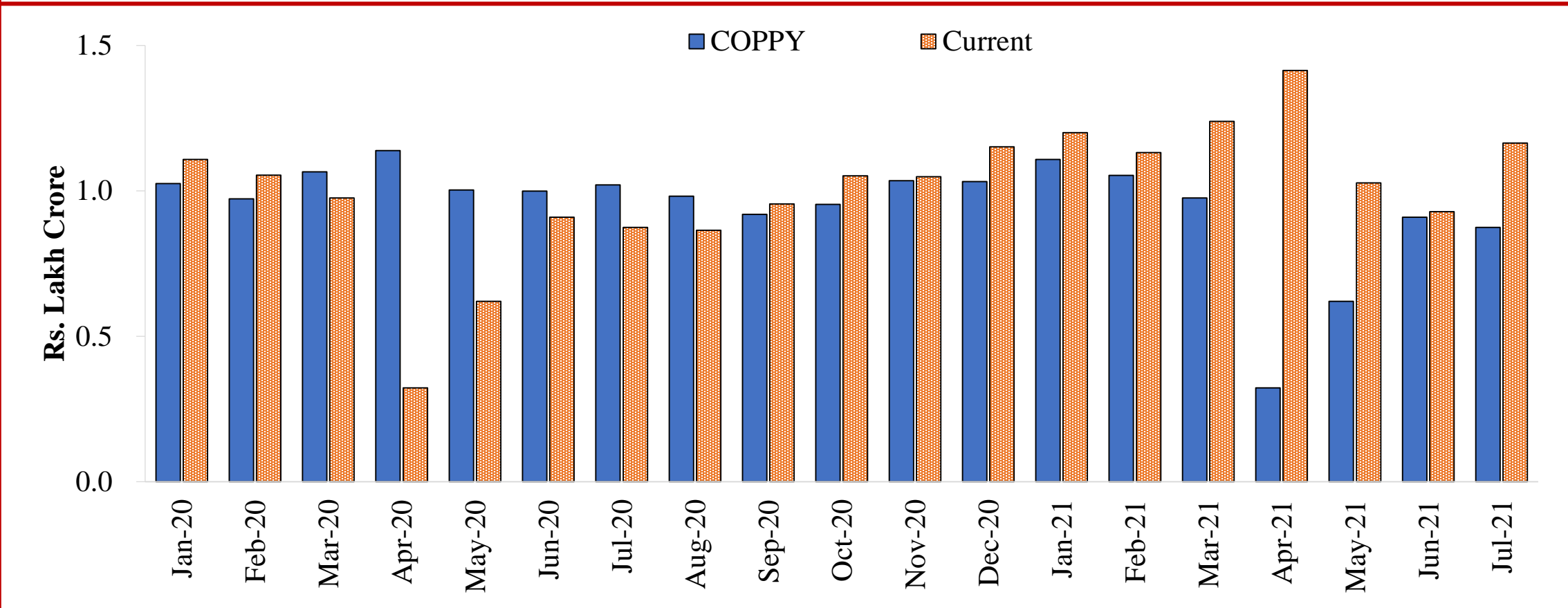
India's PMI Services



Source: IHS Markit

Swift recovery in GST collections... >1 lakh cr in July

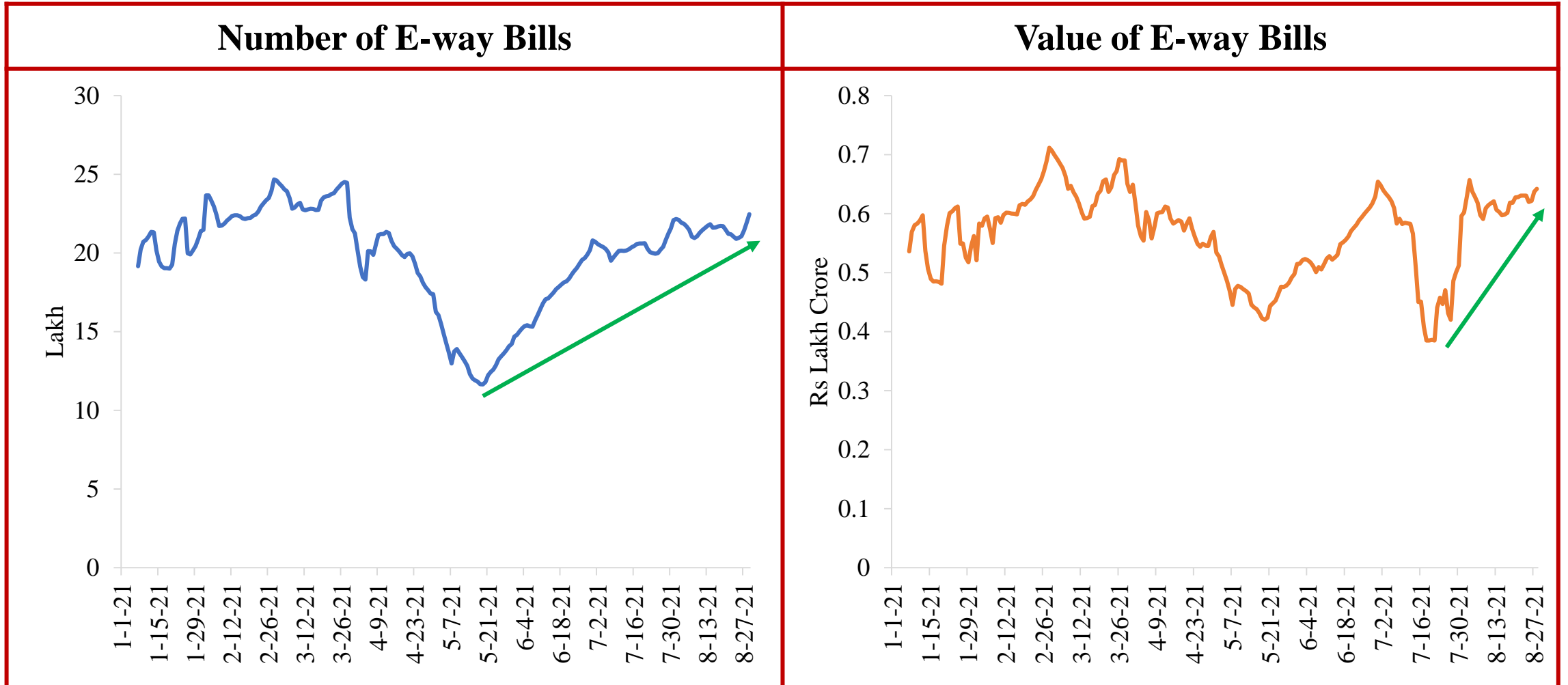
GST Collections



Source: Ministry of Finance.

Note: COPPY: Corresponding Period of Previous Year

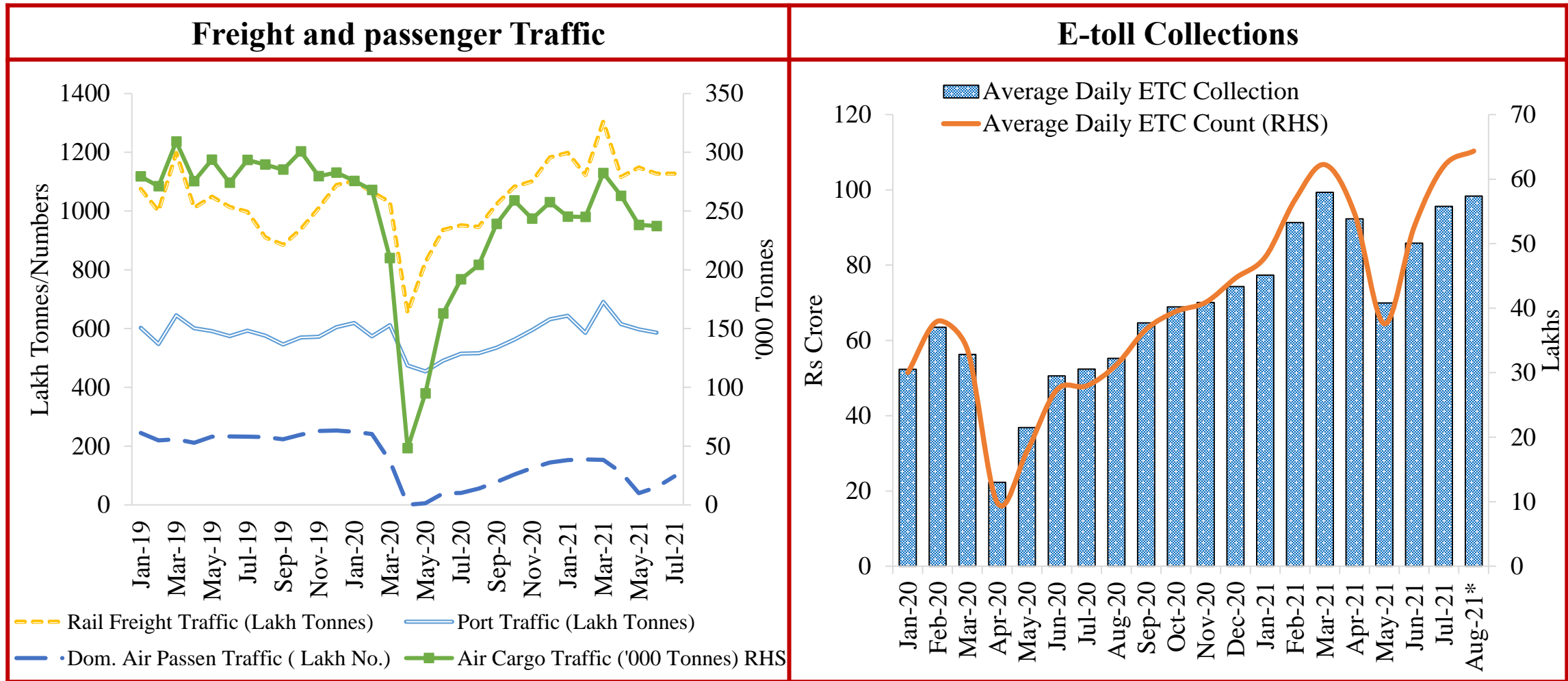
E-way bills maintain momentum in August



Source: GSTN

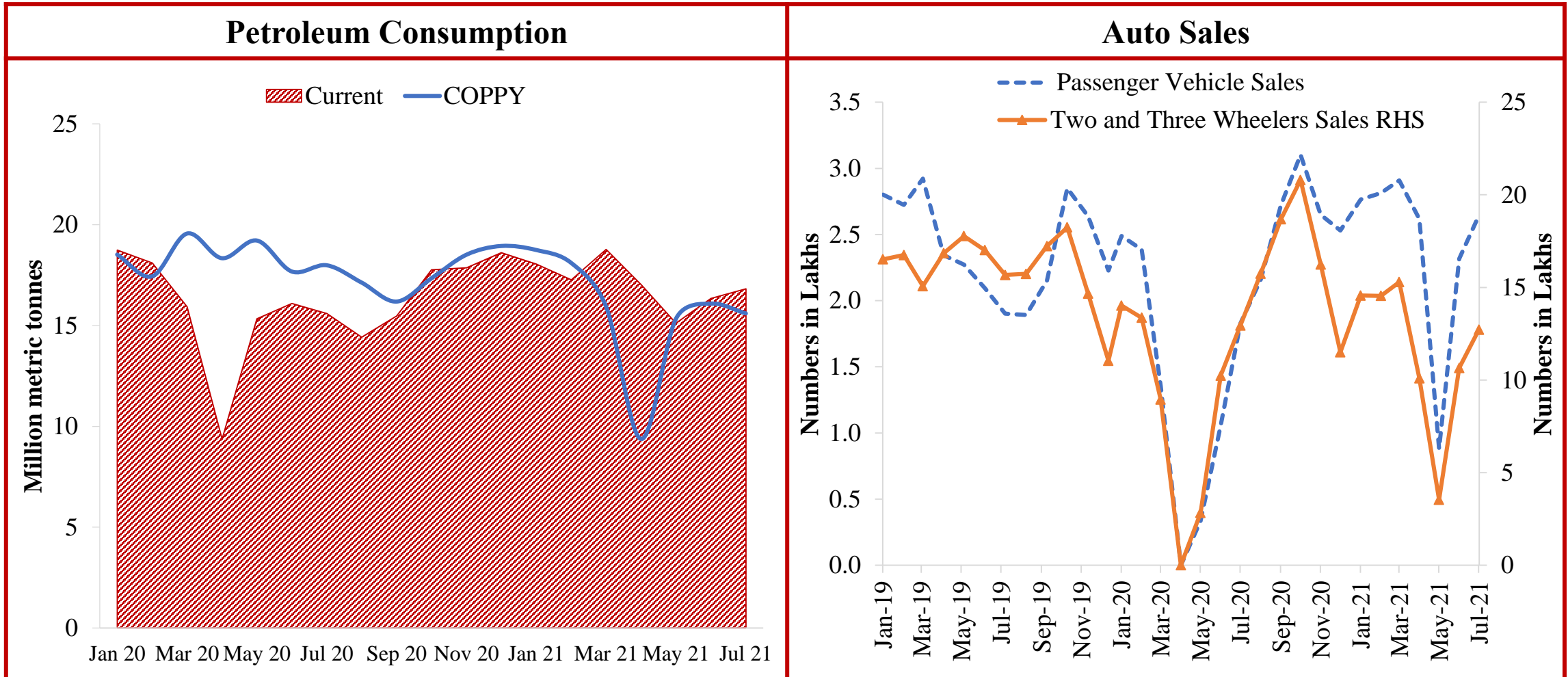
Note: The values are 7-day Moving average

Freight traffic & daily e-toll collection attains pre-pandemic levels... signaling boost in industrial activity



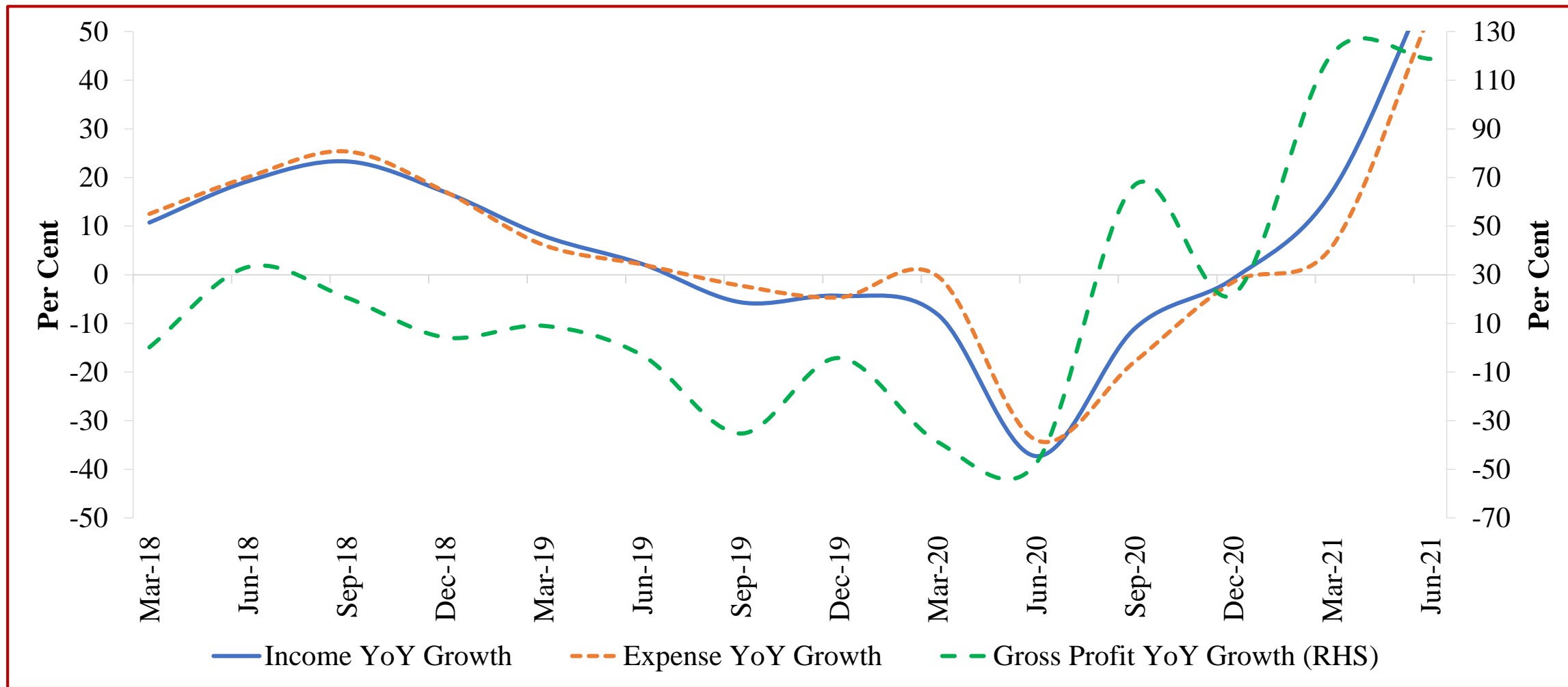
Source: Ministry of Railways, IPA, AAI, Ministry of Road Transport and Highways. *Data till 25th August 2021

Steady recovery in petroleum consumption and auto sales – reaching pre-pandemic levels



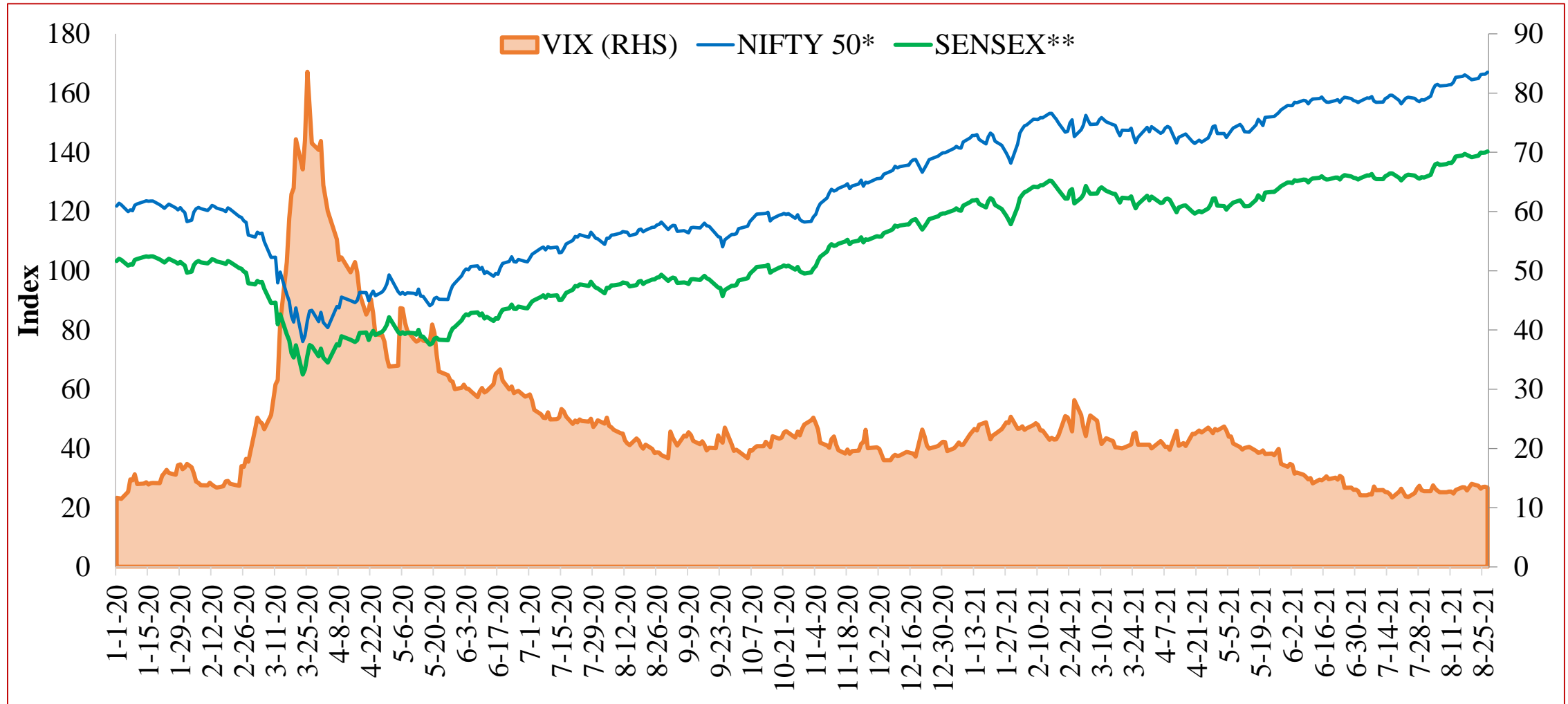
Source: SIAM, PPAC

Corporate performance: Highest growth in Gross sales in 5 years... Highest Net Profit growth in 31 years... Expense growth signals spill-over downstream to small firms



Source: CMIE

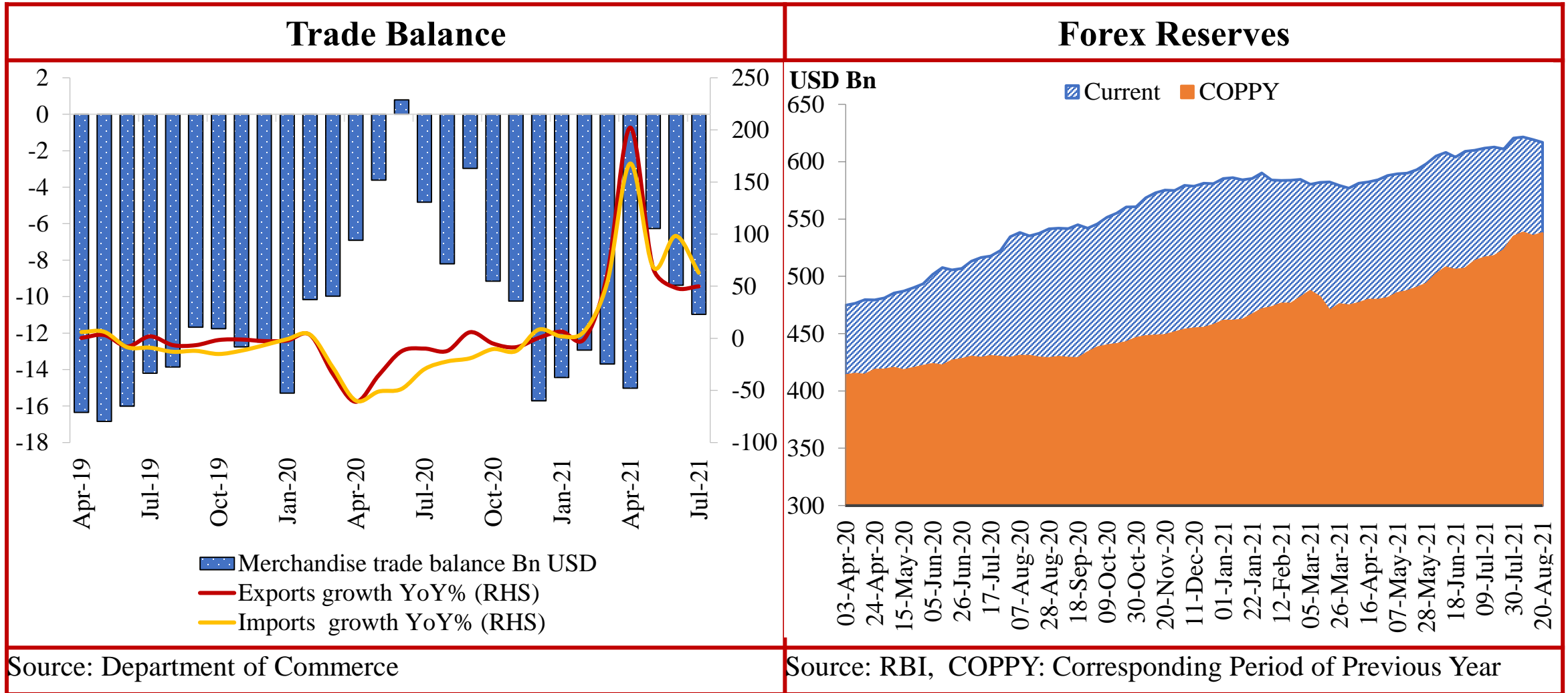
Equity markets continue to rally along with low uncertainty (VIX)



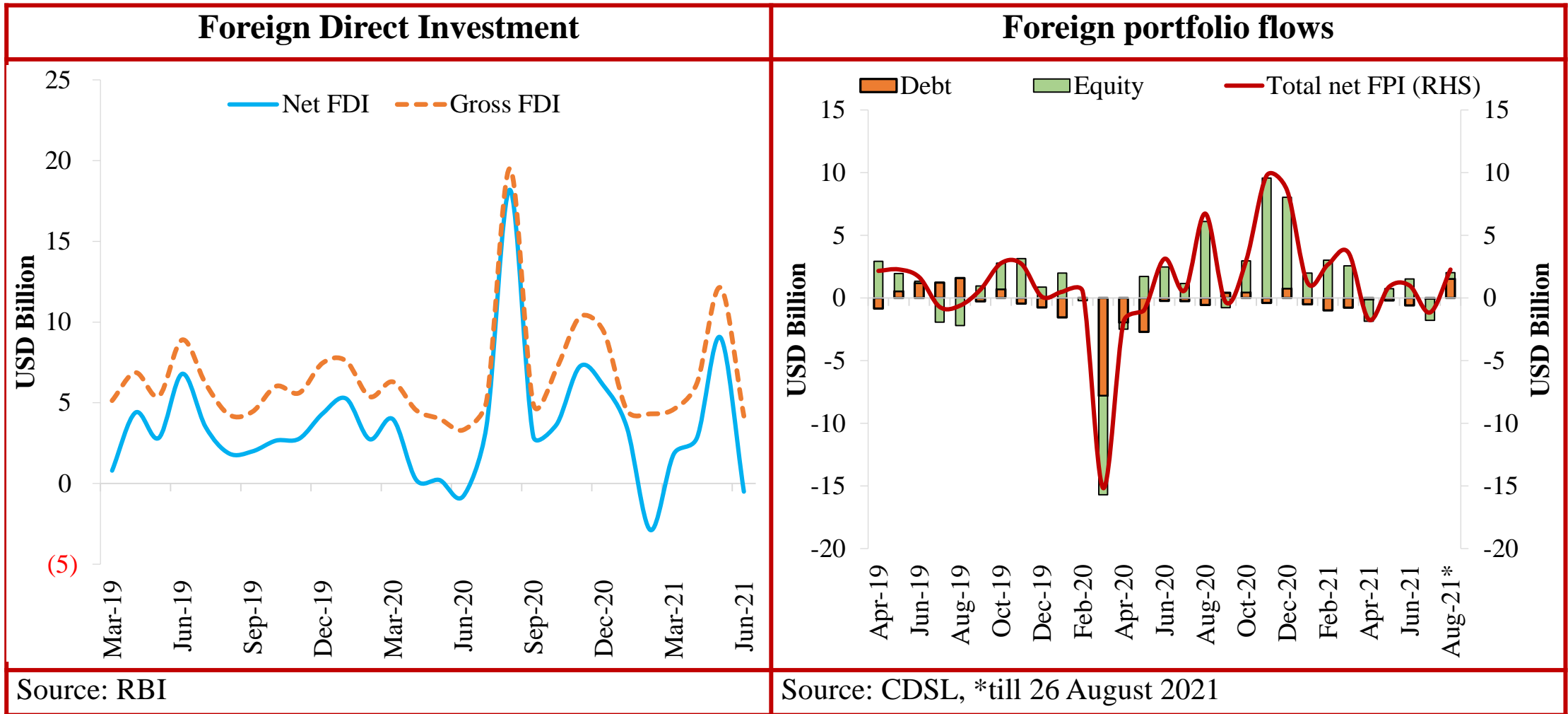
Source: BSE, NSE

* NIFTY 50 scaled down by 100, SENSEX scaled down by 400

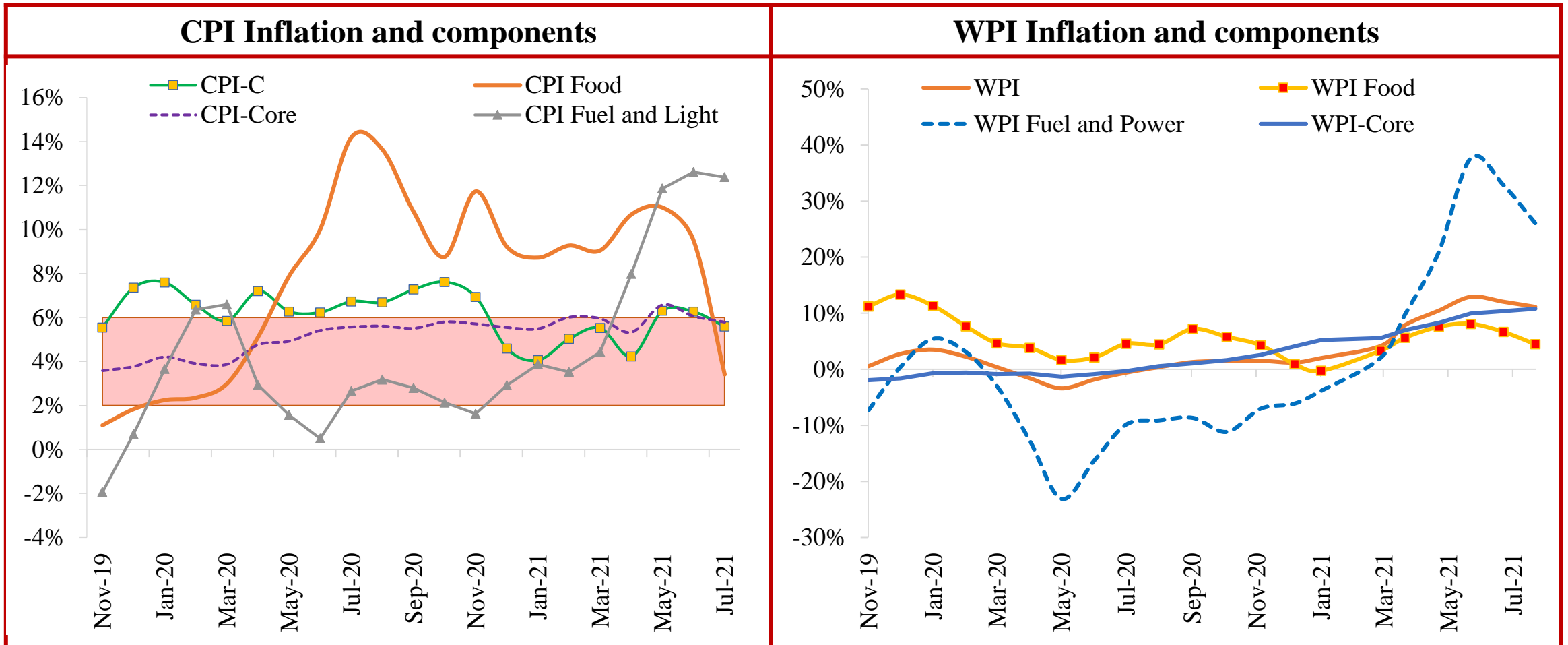
External Sector providing a stable cushion



Robust FDI and FPI inflows during Q1:2021-22

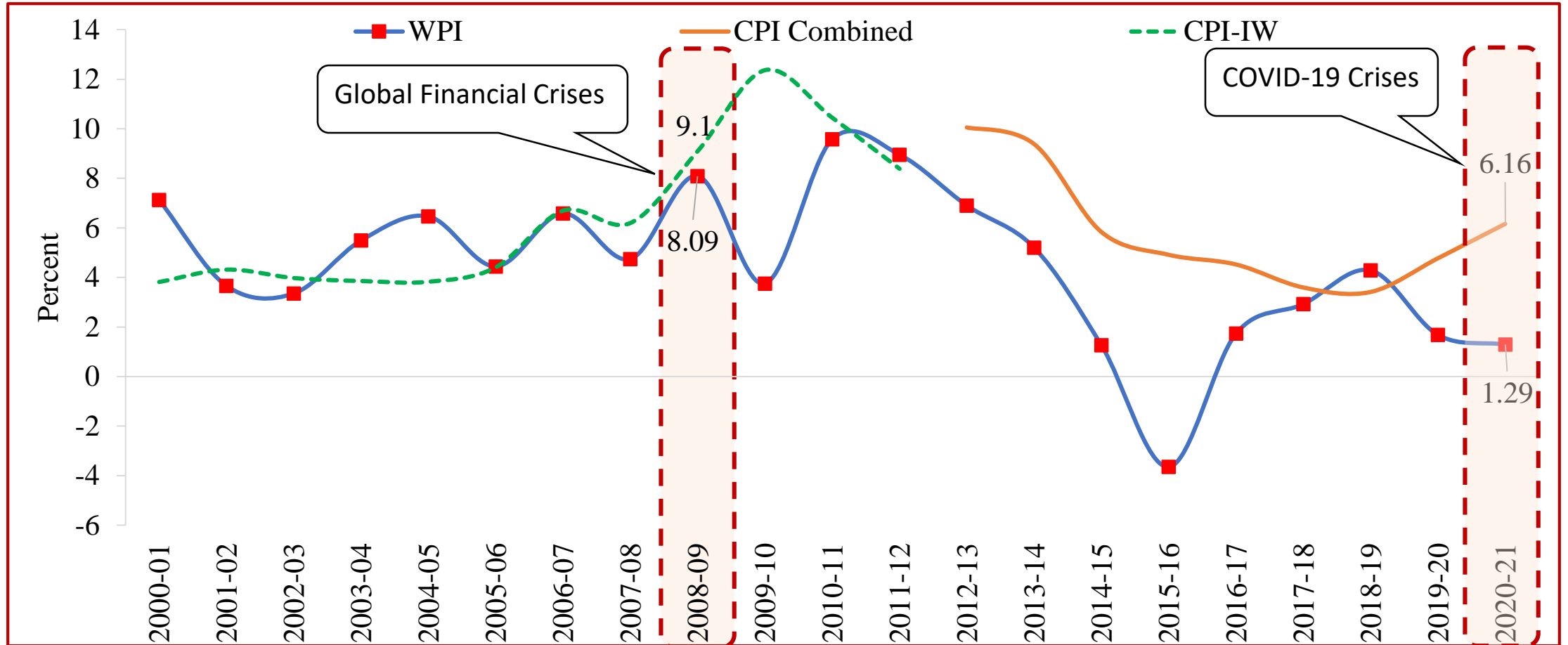


As predicted, CPI Inflation softens to a three-month low in July'21 with ease in supply chain disruptions



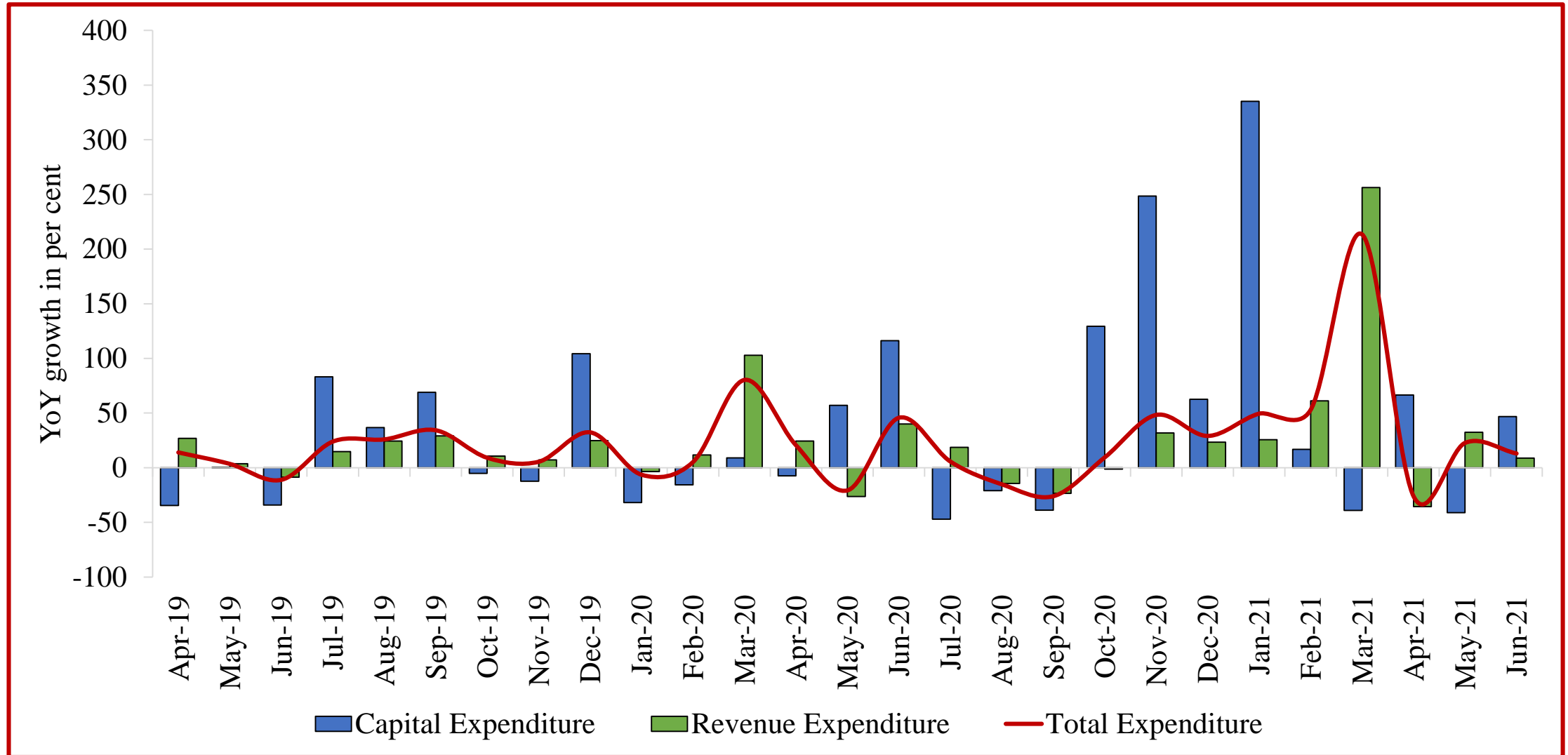
Source: MOSPI, DPIIT

Despite supply-side restrictions due to pandemic, inflation much lower than during GFC because of supply-side measures



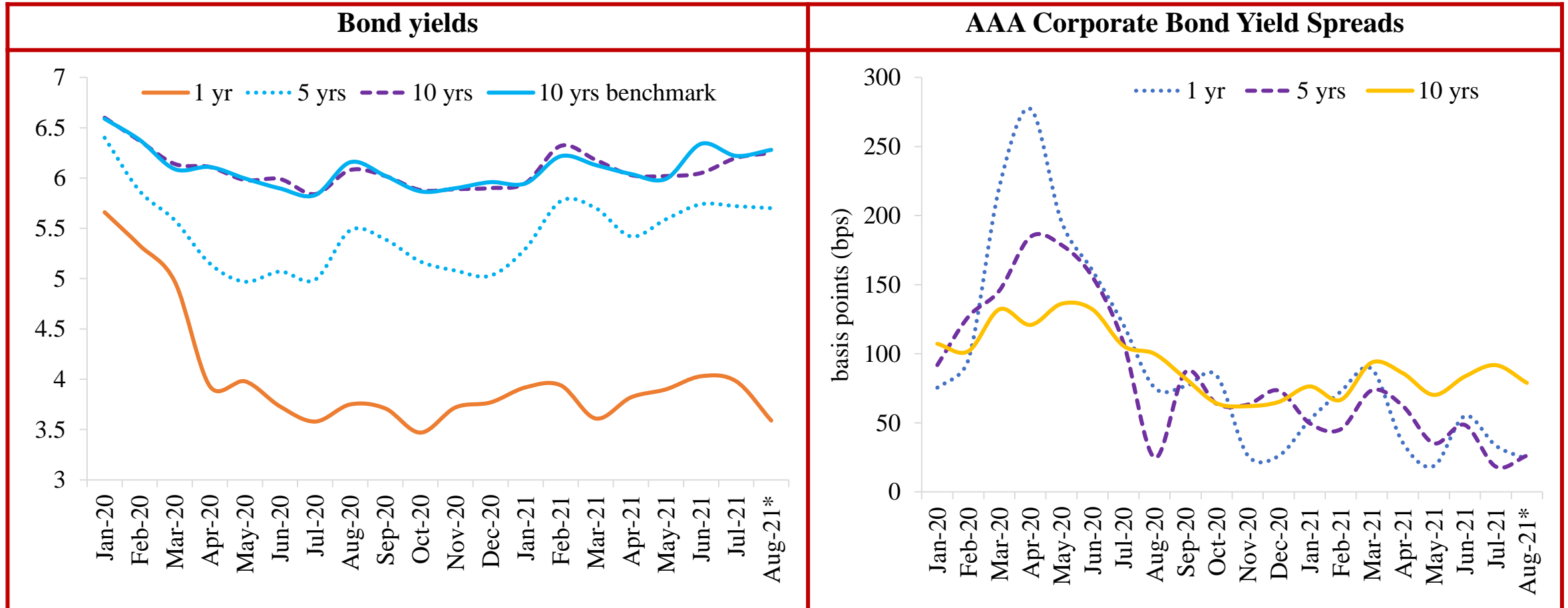
Source: MoSPI, Labour Bureau, DPIIT

Capital expenditure grew by 26.3 % (YoY) in Q1-FY22



Source: Controller General of Accounts (CGA)

Bond yields and AAA-Corporate bond Spreads have been stable... reflecting comfortable liquidity conditions

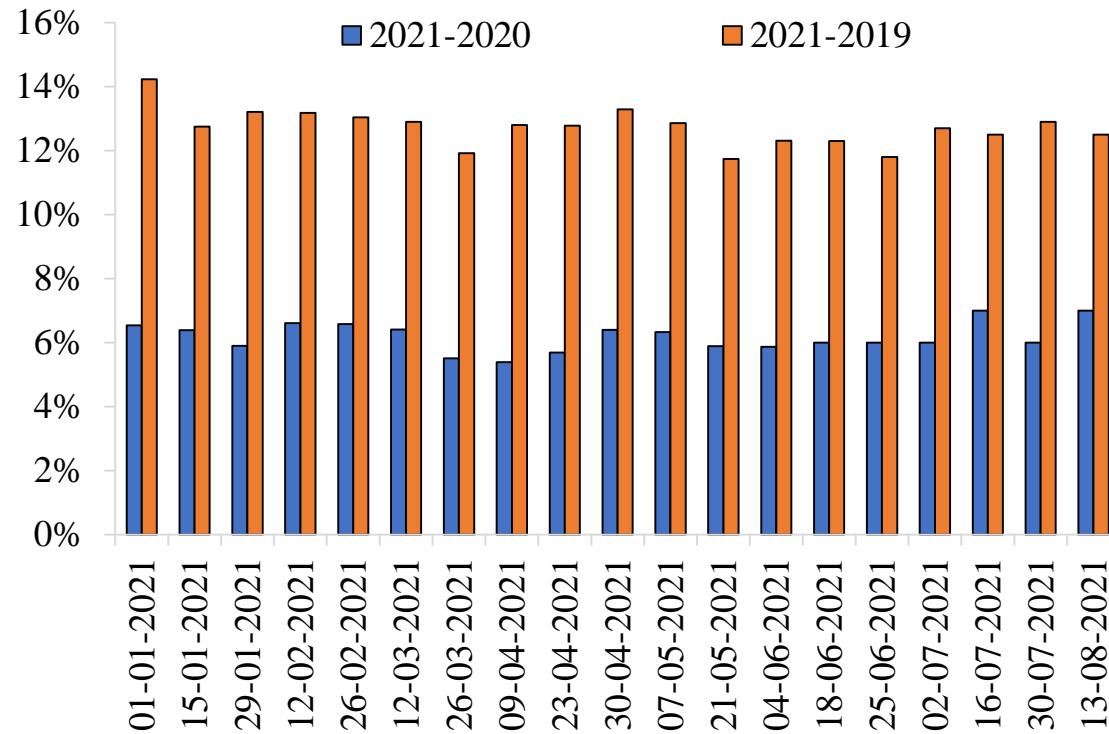


Source: FBIL, CCIL

Note: * Data as on 27th August

Non-food credit growth registered double digit growth in 2021 over 2019

Non Food Credit Growth



As on March end	Non -Food Credit Growth
2015	8.0%
2016	10.2%
2017	8.3%
2018	10.6%
2019	13.0%
2020	6.1%
2021*	11.9%

Source: RBI

Note: *Growth over 2019

Strength of the Banking Sector

- **Profitability:** Net profits of PSBs increased to Rs. 31816 crores
- **Asset Quality:**
 - Gross NPAs declined from 11.2% in Mar-2018 to **7.4%** in Mar-2021
 - Net NPA declined from 5.9% in Mar-2018 to **2.3%** in Mar-2021
 - PCR has risen from 62.7% in Mar-2018 to **84%** in Mar-2021
- **Capital Adequacy:** CRAR of SCBs at an all-time high level of 16.1% with CRAR of PSBs being 14.04%, as on 31.3.2021
- In FY 20-21, PSBs raised Capital funds of Rs. 58697 crores
 - Highest amount mobilised in a Financial Year

Macroeconomic fundamentals more resilient in once-in-a-century COVID-19 crisis than in GFC (2008)

Macroeconomic Indicators	2008-09 Global Financial Crisis	2020-21 COVID-19
CPI inflation	9.1	6.2
Fiscal Deficit as % of GDP	6.1	9.4
Current Account Balance as % of GDP	-2.3	0.9
Capex as % of GDP	1.6	2.2
External Debt as % of GDP	20.7	21.1
Forex Reserves (USD billion)	252	579
Govt Bond Yields 10-year	7.3	5.9
FDI (USD billion)	8.3	80.1
FPI (USD billion)	-9.9	36.2

Outlook

- ❑ GDP data for Q1:2021-22 reaffirms Government's prediction of an imminent V-shaped recovery made last year at this time
- ❑ Prediction based on the fundamentals of the economy being strong
 - ❖ As shown in the Economic Survey 2019-20, slowdown pre-pandemic was due to financial sector problems created from bad loans pre-2014
 - ❖ Problems originating in bad bank loans => risk-aversion in banking sector => excessive growth in NPFC sector to offset risk-aversion in banking sector => problems in the NBFC sector
- ❑ Banking sector has now developed cushion to withstand impending bad loans
- ❑ India's macro-economic fundamentals much stronger now than post Global Financial Crisis
- ❑ India poised for stronger growth from
 - ❖ Structural reforms enabling efficiency and productivity
 - ❖ Government's Capex push to enable private investment
 - ❖ Financial sector clean-up and reforms
 - ❖ Rapid inoculation that will help revive the contact-intensive service sectors



Thank You