



ਪੰਜਾਬ ਨੈਸ਼ਨਲ ਬੈਂਕ
punjab national bank



NOVEMBER 2022

ਨਵੰਬਰ 2022

PNB

EC  LENS

MONTHLY BULLETIN

ਪੀਐਨਬੀ ਈਕੋਲੇਂਸ ਮਾਸਿਕ ਬੁਲੇਟਿਨ



STRATEGIC MANAGEMENT AND ECONOMIC ADVISORY DIVISION

ਕਾਰਜਨੀਤੀ ਪ੍ਰਬੰਧਨ ਏਵੰ ਆਰਥਿਕ ਪਰਾਮਰਸ਼ ਪ੍ਰਭਾਗ



Published by:

Punjab National Bank

Strategic Management & Economic Advisory Division (SMEAD)

Corporate Office, Plot No. 4, Sector 10,

Dwarka, New Delhi-110075

निम्न द्वारा प्रकाशित:

पंजाब नेशनल बैंक

कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग

कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,

द्वारका, नई दिल्ली-110075

Disclaimer: The opinion/information expressed/compiled in this bulletin is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/figures represented in the bulletin and shall not be held liable for the same in any manner whatsoever.

घोषणा: इस बुलेटिन में व्यक्त/संकलित विचार/सूचना, बैंक की रिसर्च (अनुसंधान) टीम की है, और यह बैंक या उसके प्रबंधन या उसकी किसी सहायक कंपनी के विचार को नहीं दर्शाती है। उक्त विषय को इस प्रकार की सूचना प्रकाशित करने वाले मूल स्रोत/प्राधिकारियों को उचित पावती के साथ पुनः प्रस्तुत किया जा सकता है। बुलेटिन में दर्शाए गए तथ्यों/आंकड़ों के लिए बैंक कोई जिम्मेदारी नहीं लेता है और बैंक इसके लिए किसी भी तरह से उत्तरदायी नहीं होगा।

For any feedback or valuable suggestions: Reach us at eicsmead@pnb.co.in



CONTENTS

<u>SL. No.</u>	<u>Subject</u>	<u>Page Nos.</u>
1	FROM THE DESK OF CHIEF ECONOMIST Growth drivers of Indian economy	4
2	INDIA: A STORY OF RESILIENCE (EXTRACTS FROM THE ADDRESS BY RBI GOVERNOR AT ANNUAL FIBAC 2022 CONFERENCE)	6
3	RIDING THE DIGITAL SUPER CYCLE: HOW DIGITAL FINANCE CAN HELP INDIA LEAPFROG	10
4	INFRASTRUCTURE FINANCING	11
5	DAILY ECONOMIC INDICATORS	13
6	MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS	14
a	Consumer Price Index (CPI)	14
b	Wholesale Price Index (WPI)	15
c	Index of Industrial Production (IIP) & Core Sectors	16
d	Purchasing Managers' Index (PMI)	17
e	Goods & Services Tax (GST)	17
f	Foreign Trade	18
g	Sectoral Credit	19
h	Bank Deposit & Credit	19
i	Fiscal Deficit	19
7	QUARTERLY ECONOMIC INDICATORS	20
a	Gross Domestic Product (GDP) & Gross Value Added (GVA)	20
b	Current Account Deficit	21
c	Housing Price Index	21
8	MONEY SUPPLY	22
9	GLOBAL INTEREST RATES	22
10	INDUSTRY OUTLOOK – India's Renewable Energy Sector	23
11	EXTRACTS FROM NEWS ON BANKING AND FINANCIAL EVENTS	24
12	DATA SOURCES & QUOTE OF THE MONTH	27

Growth drivers of Indian economy

In the era of fragmented global machinery, the growth engines of Indian economy are moving and churning making India one of the fastest growing economy.

Global Scenario

The global economy continues to face steep challenges, shaped by the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China.

The IMF has cut its global growth projections for 2023 and dubbed the world's economic outlook "gloomy and more uncertain." **The IMF now expects the world economy to grow 3.2% this year, before slowing further to a 2.7% GDP rate in 2023.**

The US economy grew at a better-than-expected 2.6 per cent annual rate from July through September, snapping two straight quarters of economic contraction and overcoming punishingly high inflation and interest rates. **So far in 2022, FED has announced 375 basis point rate hikes, and is expected to hike another 50 bps in December meet.** Fed will continue to be hawkish and hike rates but the pace might be slower as it now will take into consideration the impact of hikes on the economy.

Europe is facing a toxic mix of high inflation and low growth. This winter, more than half of the countries in the euro area will experience technical recessions, with at least two consecutive quarters of shrinking output. Eurozone CPI was at record high levels of 10.6% in October 2022.

In China, the frequent lockdowns under its zero COVID policy and weakening property sector have taken a toll on the economy, especially in the second quarter of 2022. Given the size of China's economy and its importance for global supply chains, this will weigh heavily on global trade and activity. China is estimated to clock annual economic growth at as low as 3% for FY23. That would be less than half of last year's 8.1% and the second lowest in decades.

For many emerging markets, the strength of the dollar is causing acute challenges, tightening financial conditions, and increasing the cost of imported goods. The dollar is now at its highest level since the early 2000s. It is significantly adding to domestic price pressures and cost of living in these countries. Many low income and developing economies remain in debt distress.

The faltering growth in major economies, especially China (world's largest oil consumer) has reduced the global demand for crude oil. Other issues, such as rising interest rates, are also putting a strain on demand. But the supply constraints simultaneously persists. **We expect crude oil to be in the range of \$92 – 98 per barrel by the end of current financial year.**

Domestic Developments

India is expected to be the fastest growing economy in the world with GDP growth at 6.8 per cent for FY23 and 6.1 per cent growth for FY24, according to IMF.

Let's look at the growth drivers of GDP:-

Government spending—the first growth driver—is already at an elevated level, thanks to the pandemic. The good news is the share of capital expenses is going up even as the government is reducing revenue expenses. Multiplier effects of this spending will aid in growth in income, assets, and employment for years to come. Strong tax revenues may support further capital spending in the future. So far in FY23, the Centre's capital expenditure has risen by 46.8% achieving 34% of the total budgeted target. **Fiscal Deficit as % of GDP projected at 6.5% in FY23.**

Credit growth in the industry and services sector has also risen remarkably, suggesting that prospects for capex investments—the second growth driver—by companies are brighter. The seasonally adjusted capacity utilisation (manufacturing sector) rose from 73% in Q4 FY22 to 74.3% in Q1 FY23, its highest level in three years. Rising capacity utilisation level, production and import of capital goods signal encouraging prospects for investments. Sustained demand growth may be the most-awaited cue for a sustained push for investment.

Exports—the third growth driver—are slowing down and are likely to moderate along with the probable global economic slowdown. With several developed economies expected to fall into recession over this year, the dip in exports could accelerate in coming months. The IMF projects growth in global trade volume to slow sharply from 10.1% in 2021 to 4.3% in 2022 and 2.5% in 2023.

The banking sector that further supports the growth engines is also riding a wave of optimism. Banks are ready to play a key role in India's mission of \$5 trillion economy evident from the robust performance in Q2'FY23. The result of the cleansing exercise under Asset Quality Review (AQR) on April 2015 to unearth hidden non-performing assets (NPAs) is showing its result now as the NPA in the banking sector is lowest in past 4 years. Banks registered record levels of profits due to expansion of net interest margins.

Credit growth continues to remain strong. We expect credit demand to remain high but think the financial system will scramble for resources to fund credit growth. Banks will have to further hike the deposit rates and will also have to turn to capital markets to raise funds to aid the credit growth.

Outlook

Cognizant of the global economic uncertainties and a possible slowdown, we remain **cautiously optimistic about growth, which may range between 6.8% - 7.1% during FY 2022–23 and between 5.7% - 6.1% the following year.**

Rupee has fallen by around 8% on a year-to-date basis, while the Dollar index has appreciated by around 12% till date. INR's depreciation against the US dollar is more due to the appreciation of the latter owing to the flight to safety among global investors amid global uncertainties. It is appreciating against the euro, pound, and yen, suggesting that the macroeconomic fundamentals of the Indian economy remain strong. **USD/INR projected to be at 81-83 by end of FY23.**

RBI is expected to be less hawkish as the CPI print has moderated significantly to 6.7% in October'2022. Still, RBI is **expected to raise repo rates by 25-35 bps** in its upcoming Monetary Policy Review.

Deepak Singh
(Deputy General Manager)



INDIA: A STORY OF RESILIENCE

(EXTRACTS FROM THE ADDRESS BY RBI GOVERNOR

AT ANNUAL FIBAC 2022 CONFERENCE)

- At this time when the global economy is going through a process of churning, triple shocks of COVID-19, war in Ukraine and the current financial market turmoil have created a toxic mix of factors and circumstances which every country has to grapple with.
- This confluence of factors and circumstances is reverberating speedily across countries and jurisdictions. With monetary policy actions and stances undergoing a regime shift in the advanced economies (AEs), financial conditions have tightened sharply across markets and have accentuated financial stability risks. Emerging market and developing economies (EMDEs), in particular, remain highly vulnerable to these global spillovers.
- Capital outflows have led to reserve losses, sharp currency depreciations and spiralling imported inflation pressures. Several countries face acute debt distress, while many others are confronted with elevated food and energy prices.
- In this unsettling global environment, the Indian economy has been growing steadily, drawing strength from its macroeconomic fundamentals and buffers.
- According to the IMF, India is slated to be one of the fastest growing major economies of the world in the current year as well as in the next year.
- India's recovery and growth have been more broad-based. India's policies such as fiscal, monetary and regulatory were prudent, targeted and time-bound. India has been careful to ensure that demand remained in balance while supply conditions improved. As per the high frequency indicators (HFIs) for the recent months, private consumption – especially urban demand – has remained healthy.
- The contact-intensive services have continued to make smart rebound. External demand, however, remains a weak spot in the face of accentuating global economic slowdown. Domestic Inflation remains elevated, however, RBI is constantly keeping an eye over the scenario.
- Continued effort is to put in place strong institutional frameworks to ensure a sturdy and resilient financial system that would be ready for the challenges in the future. The major elements of this approach and our future path in five specific areas are highlighted below.

I. Monetary Policy Framework and Price Stability

- The flexibility in the monetary policy framework has been utilized to calibrate our actions to counter the adverse effects of COVID-19 and other international factors like the war in Ukraine.
- Refined inflation forecasting methodology by incorporating new techniques and are delving deep into the granularity of inflation projections. Also augmented baseline quarterly projection model (QPM) with satellite models.
- India is also exploring techniques spanning new and diverse fields such as data science (DS), machine learning (ML) and night-time luminosity.
- Liquidity management constitutes an important aspect of the operating framework of monetary policy. In April 2022, significant changes were instituted in the operating procedure of monetary policy through the introduction of the standing deposit facility (SDF) as the floor of the LAF corridor.

- Projections of Currency in Circulation (CiC) also constitutes a key element of our liquidity management operations. Since currency in circulation drains out liquidity from the banking system, projections of its future levels are typically used as an input to fine-tune the volume of central banks' market operations
- A significant technological innovation in the RBI's liquidity management operations has been the introduction of the automated sweep-in and sweep-out (ASISO) facility. Consequently, the banks are now able to set the amount that they wish to keep as balances in their current accounts with the Reserve Bank at the end of the day. Depending upon this pre-set amount, marginal standing facility (MSF) and standing deposit facility (SDF) bids, as warranted, are auto generated at the end of the day.
- RBI is currently working towards a phased implementation of the Digital Rupee (₹). On 1st November, 2022, pilot project has been started on wholesale CBDC with the proposal to commence the pilot project for retail CBDCs shortly.

II. Strengthening the Regulatory Framework of Banks, NBFCs, UCBs, Payment Systems and ARCs

- The global shocks and turmoil over the last three years did not distract us from our overarching goal of strengthening the resilience of the financial system and reinforcing financial stability. RBI introduced fresh guidelines in several areas including the issuance of guidelines on governance in commercial banks in April 2021; a steady-state prudential framework for resolution of stressed assets in June 2019; securitisation of standard assets in July 2021; Scale Based Regulatory (SBR) framework for NBFCs in Oct 2021; revised regulatory framework for Urban Cooperative Banks in July 2022; guidelines on Digital lending in September 2022; revised guidelines for ARCs in October 2022; and issuance of discussion paper on Climate Risk and Sustainable Finance in July 2022.
- The RBI has been ahead of the curve in creating an institutional architecture for new financial products and services. Peer to peer (P2P) lending, account aggregator (AA) framework, Unified Payments Interface (UPI), Trade Receivables Discounting System (TReDS) and allowing NBFCs to offer credit services over digital only platforms are instances of regulation helping the industry to grow in a systematic manner.
- Customer centric initiatives, such as Online Dispute Resolution (ODR), Integrated Ombudsman Scheme, Retail Direct Scheme for G-Sec investors, contactless and offline payments, Payments Infrastructure Development Fund (PIDF) framework, card tokenization and e-mandates for recurring transactions have also been introduced in the recent period. RBI has also instituted a Regulatory Sandbox as well as an Inter-Regulatory and Inter-Operable Regulatory Sandbox for testing hybrid products.

III. Deepening Supervisory Framework

- Supervision of banks, NBFCs and other financial entities in the RBI's regulatory domain is a very critical segment of the RBI's functioning. A great deal of work has been done in the recent years to deepen and sharpen our supervision. The thrust is now focused more on identification of root causes of vulnerabilities in financial institutions and taking suitable measures for mitigation.
- Analytical capabilities are being enhanced by leveraging advanced technologies such as artificial intelligence and machine learning (AI/ML). The data capabilities are also being upgraded.

- The RBI remains vigilant about unsustainable growth, if any, in financial entities including risks emanating from technological developments. The recent guidelines on digital lending underscore the importance of facilitating responsible financial innovation. Additionally, the challenges relating to cyber risk and climate related financial risks are getting appropriate policy focus.
- India's banking system is well positioned to support economic growth with bank credit growing in double digits after a long hiatus. The RBI remains focused on fortifying the financial system against sudden shocks and ensuring macroeconomic and financial stability.

IV. Developing Financial Markets

- India has been undertaking calibrated reforms to develop vibrant and resilient financial markets. These reforms, among other things, seek to remove market segmentation, facilitate access including access for non-residents, widen the participation base, promote innovation, and ensure customer protection. A few examples would be worth highlighting. Simplified principle-based regulatory frameworks for governance, risk management, customer suitability and appropriateness in interest and forex derivative markets were issued during 2019-2021.
- Banks were permitted to access the offshore forex derivative markets in 2020 and offshore foreign currency settled rupee derivatives market in February 2022. These measures will deepen the forex and interest rate derivative markets in the country, remove the segmentation between onshore and offshore markets, and improve the efficiency of price discovery.
- Measures have also been taken to put in place state-of-the-art market infrastructure. Regulations for electronic trading platforms and financial benchmark administrators seek to ensure that governance and operating frameworks meet global standards. Retail participation is sought to be enhanced through operational convenience and transparency with the Retail Direct Scheme for government securities and the FX-Retail platform for foreign currency.

V. Payment Systems in India: Interoperability; Cross-border Linkages and Innovation

- The RBI's focus is on promoting interoperability, cross border linkages and innovation. Our initiatives have ensured the availability of 'anytime and anywhere' payment systems for the common man at reasonable rates. Interoperability across instruments has resulted in optimum and efficient use of available infrastructure, reduced cost and increased convenience.
- One of the best examples of interoperability is the unified payments interface (UPI) system. To enable extension of UPI to feature phone users, the innovative UPI123Pay was introduced. UPI has been recognized as the fastest growing retail payment system in the world and many countries have expressed interest in a UPI-like platform.
- Interlinking UPI with similar fast payment systems in other jurisdictions would help establish cross-border inter-linkages and facilitate cross-border payments. Together with the National Payments Corporation of India (NPCI), the RBI's initiatives in Bhutan, Nepal, Singapore, the UAE and several other countries demonstrate the huge potential of the UPI in the years to come.
- 24x7x365 availability of the real time gross settlement (RTGS) and fast payment systems (UPI and Immediate Payments Service (IMPS)) have placed India in the forefront among countries. The Bharat Bill Payment System (BBPS) has been enabled to facilitate cross border inbound bill payments from overseas jurisdictions.
- The RBI has established the Reserve Bank Innovation Hub (RBIH), for idea generation and development, which is currently undertaking several important projects like improvements in KYC process and digitisation of rural finance.

Current Liquidity Situation

- In the month of October, the interaction of global and domestic developments has somewhat tightened the liquidity conditions which is attributed to several factors. During the month, currency demand was high on account of the festival season. This constitutes a leakage of liquidity from the banking system.
- The RBI's forex market operations, along with GST and other tax related outflows, also drained liquidity. Banks partially ameliorated the liquidity stress by drawing down their excess CRR balances and non-SLR investments. Certain banks also took recourse to MSF.
- The liquidity strain is likely to be transitory on account of several factors.
 - Leakage due to currency demand will slow down after the festival season; and as currency returns to the banking system, the system liquidity will improve.
 - Government expenditure is likely to pick up after the monsoon season.
 - The pace of forex outflows has moderated, which augurs well for system liquidity. Net FPI investments, which turned negative in September, have resumed in October.
 - Deposit growth of banks has picked up and is working towards bridging the funding gap associated with double digit credit offtake.
 - Banks have adequate cushion of SLR to meet any potential liquidity requirement.
 - The Reserve Bank remains agile and watchful, continuously monitoring the liquidity situation.

Exchange Rate of the Indian Rupee

- On a financial year basis, i.e., from April 1 to October 31, 2022, the INR has depreciated by 8.0 per cent. Over the same period, the US dollar has appreciated by 13.0 per cent. This holds true even on a calendar year basis, i.e., from January 1 to October 31, 2022, the INR has depreciated by 9.8 per cent whereas the US dollar has appreciated by 15.8 per cent.
- On a financial year basis, almost all major currencies - barring a few have depreciated against the US dollar by more than the INR.
- In fact, the INR appreciated against all other major currencies barring of course the US dollar. The size of the INR's appreciation was the highest vis-à-vis the Japanese yen (12.4 per cent), the Chinese yuan (5.9 per cent), the Pound sterling (4.6 per cent) and the Euro (2.5 per cent)
- Fundamental factors that drive the exchange rate have also moved distinctly in favour of India since 2013. In 2013, inflation in advanced economies (AEs) was at 1.4 per cent, as against 10.1 per cent in India.
- The inflation differential of India vis-à-vis AEs is now negative, a rare development with several AEs experiencing double digit inflation. India's growth differential with the global economy has improved from 3 per cent in 2013 to 3.8 per cent in 2022.

The corporate sector balance sheets are strong; the banking system is well capitalized; credit growth is in double digits; and the growth momentum is steadily improving. Despite humungous challenges, the Indian economy has progressed relatively well. Banks and businesses are required to remain focused on reinforcing their resilience while continuing to grow and meet market demand. They should continuously assess the risk build-up, if any, sharpen governance and strive to maintain healthy levels of capital and other buffers.

(Full Version Published in RBI Website, dated Nov 02, 2022)

RIDING THE DIGITAL SUPER CYCLE:

HOW DIGITAL FINANCE CAN HELP INDIA LEAPFROG

The Village Pipri (Awagan) is located in one of the remotest corner of the country. During the pandemic when several restrictions were imposed in the economy, a woman residing in Delhi needed money to pay for her medical expenses, the same was transferred by her father from Pipri through digital financial app within few seconds. This is one example of how digitalization is shaping the financial service industry and providing benefit to the masses.

How do we then define Digital finance? It is basically financial services delivered over digital infrastructure—including mobile and internet—with low use of cash and traditional bank branches. Mobile phones, computers, or cards used over point-of-sale (POS) devices connect individuals and businesses to a digitized national payments infrastructure, enabling seamless transactions across all parties. The presence of mobile phones even in remote areas has made it possible to bring more and more people under the formal banking channels. Financial inclusion so far has not been financially viable for banks. However, with digital innovation the cost of providing financial services has lowered dramatically thus benefiting the masses. Besides normal banking various other services such as credit, insurance, savings, and financial education can be delivered via technological innovations. Digital payments could improve finances of the Government by reducing opportunities for corruption, targeting subsidies more precisely, and improving tax collection.

Three building blocks are essential to ensure widespread adoption of digital finance: robust digital infrastructure, dynamic and sustainable financial-services markets, and products that people prefer to use under informal alternatives.

India has taken various initiatives that has changed the Indian landscape from vibrant local markets transacting in bank notes to smartphones where people can accept payments, settle invoices, and transfer funds anywhere in the country with just a few screen taps. The journey dates back to 2010 with the launch of a biometric digital ID system dubbed Aadhaar which was followed by an ambitious financial development policy (Pradhan Mantri Jan Dhan Yojana) aimed at providing bank account to all households in India. Insurance cover through Atal Pension Yojana (APY), Pradhan Mantri Mudra Yojana (PMMY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Sukanya Samriddhi Yojana are also being provided through these accounts. Retail payment system, known as the Unified Payments Interface (UPI) was launched so that banks could exchange messages and payment orders with non-bank firms. The Aggregators has been launched that intermediate the flow of financial data between individuals and financial firms.

The accounts opened under PMJDY have been used to transfer targeted subsidies to the needy. With the outbreak of the COVID-19 pandemic and the imposition of lockdown and social distancing norms, DBT emerged as a boon in providing succour and relief to millions of citizens whose livelihood was impacted.

While the progress has been remarkable, large-scale percolation across classes, digital literacy skills and removal of economic barriers is still required by people to take advantage of digital financial features.

INFRASTRUCTURE FINANCING

Infrastructure sector is a key driver for the Indian economy and developing India's infrastructure will play a vital role in achieving USD 5 trillion economy. Infrastructure sector includes power, bridges, dams, roads, and urban infrastructure development etc.

The spending on infrastructure continues to be the important focus of the government. Augmenting the National Infrastructure Pipeline with PM Gati Shakti Master Plan, the scope of infrastructure spending has been widened considerably. The allocation of Rs100trn, the PM Gati Shakti master plan aims at coordinating the planning of all infrastructure connectivity projects announced under the National Infrastructure Pipeline. It aims at minimizing delays between the government and stakeholders by focusing on ending interministerial silos.

The Gati Shakti program has identified more than 190 high-impact projects and of this road projects emerged as a top priority. Gati Shakti aims at a faster, digitized project approval process. The program aims at pulling forward the economy in unison driven by engines like:

- **Energy:** India's energy demand has been growing at a 4% CAGR over the past decade, with anticipation of a 4.7% CAGR this decade. India's per-capita energy consumption has doubled in the last 20 years.
- **Road:** India's National Highway (NH) road length is estimated more than 140,000 km as of Mar- 2022, where 23% were four-lane roads or above, 49% are two-lane roads, and the rest are roads with less than two lanes. Gati Shakti aims at a faster, digitized project approval process. There is also a plan to create a Unified Logistics Interface Platform so that different modes of transports can seamlessly interact with one another.
- **Railways:** Indian Railways (IR) is the fourth-largest railway network in the world by size, with 121,407 km of total track over a 67,368 km route. National Rail Plan (NRP) 2030 provided a detailed asset-level plan for the development of the railway sector.
- **Ports:** India has 12 major and 200+ minor ports along its 7,500 km coastline, as well as a vast network of navigable waterways. The total capacity of major ports is 1,598 MMTPA (Mar-22). The government's Sagarmala program have more than 1500 projects worth more than Rs6.5 trillion identified for implementation.
- **Airports:** India is the third-largest domestic civil aviation market in the world and has strong growth potential. Under NIP, airport capex is pegged at Rs90 bn to scale up passenger handling capacity. For this, a number of projects for construction of new terminals, runways, taxiways, and parking facilities are being undertaken.

- **Social Infrastructure:** The Social infrastructure sector in India includes health and education infrastructure. Expenditure of approximately USD 28 bn and USD 20 bn for education and healthcare is planned respectively over 2020-25. The pipeline Social Infrastructure initiative is around 30 lakh Cr + which is expected to be funded by 25% to 30% by Banks and NBFCs.

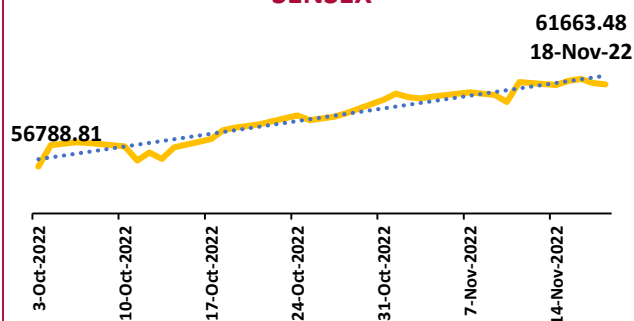
Opportunities for the banking Sector

- ✓ Infrastructure projects are dominated by debt financing & are long term in nature which creates an opportunity for Banks to lend.
- ✓ As per RBI Latest data (Sep'22), The share of Infrastructure to total gross bank credit financing is around 8.3%. The total infrastructure bank credit is Rs 1214880 lakh Crore as on September 23,2022 which consist Power (51%), Roads (22%), Telecommunications (11%), Railways (1%), Airports (0.71%), Ports (0.71%) and Other Infrastructure (13%).
- ✓ The infrastructure bank credit achieved the growth of 11% on YoY basis from Sep'21 to Sep'22 with major growth in sectors such as telecommunications (16%), roads (13%), airports (13%) and Power (8%).
- ✓ The stressed assets in Infrastructure have also decreased YoY from 10.50% (Mar'21) to 7.70% (Mar'22).
- ✓ Bank Credit plays a crucial part in capital Formation. Bank credit growth is a key indicator of economic growth and a credit-GDP ratio of 100% is the ideal, which indicates robust demand for credit without the fear of a bubble in the making. Our economy needs to surpass 100% level of Credit- GDP ratio from current level of 97% to kick-start the economy. A lower number shows the need for more formal credit.

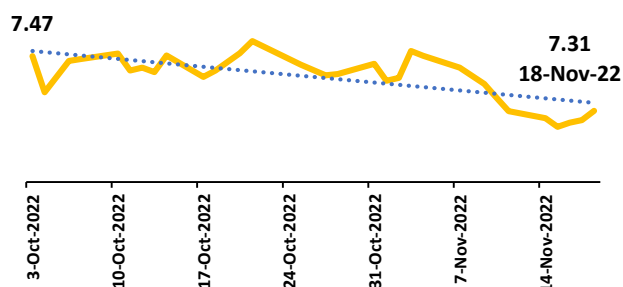


DAILY ECONOMIC INDICATORS

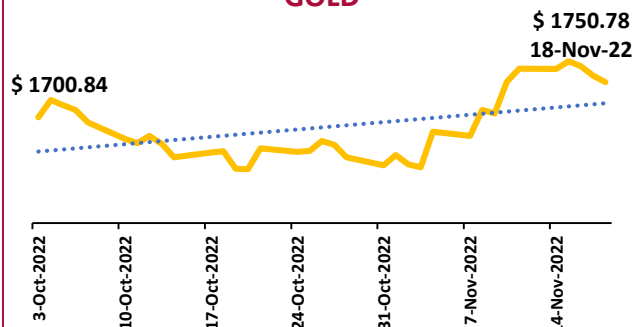
SENSEX



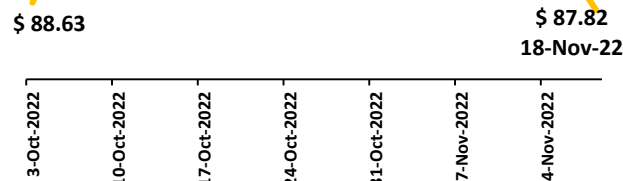
G SEC 10 Y



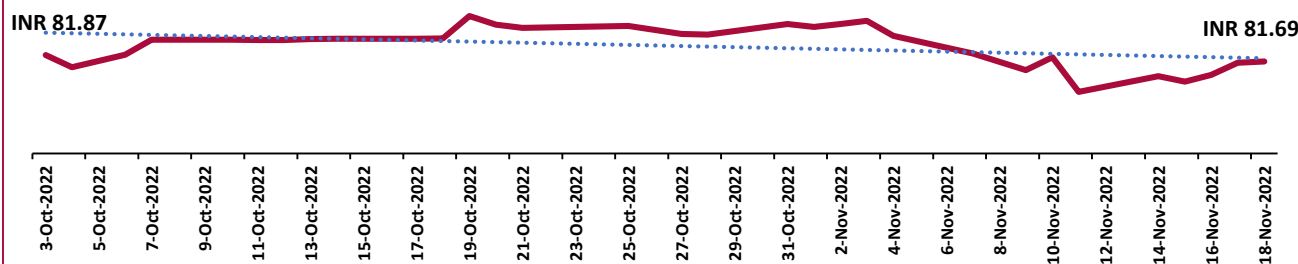
GOLD



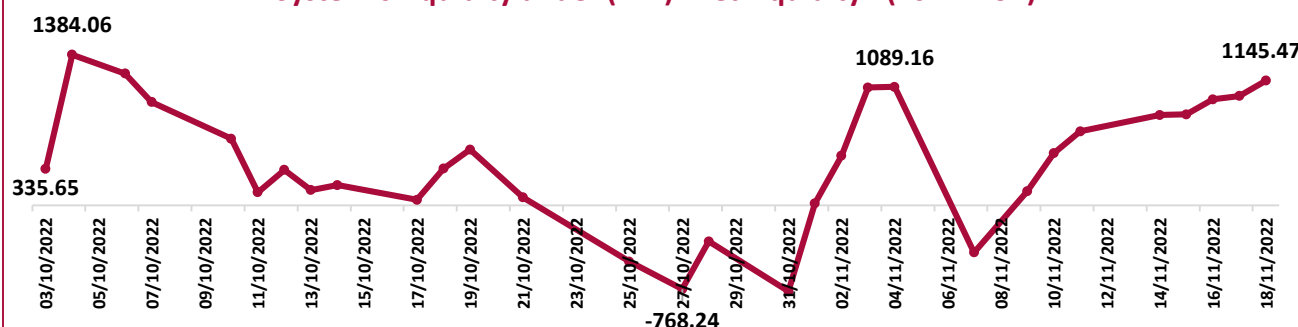
BRENT



USD/INR



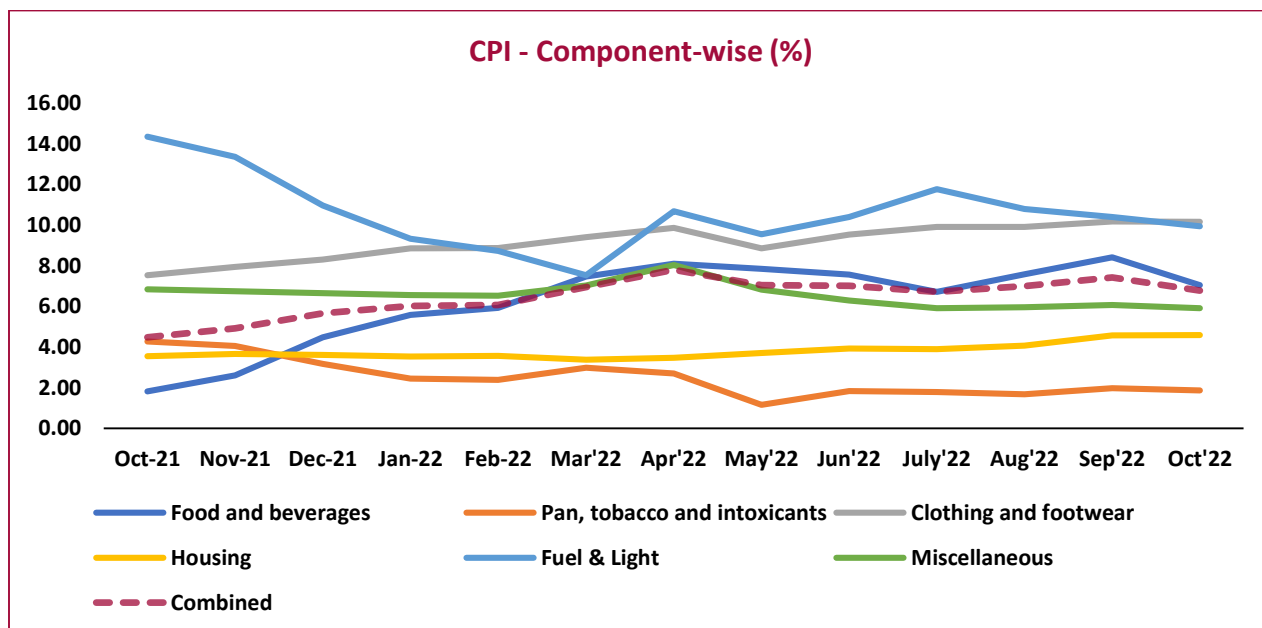
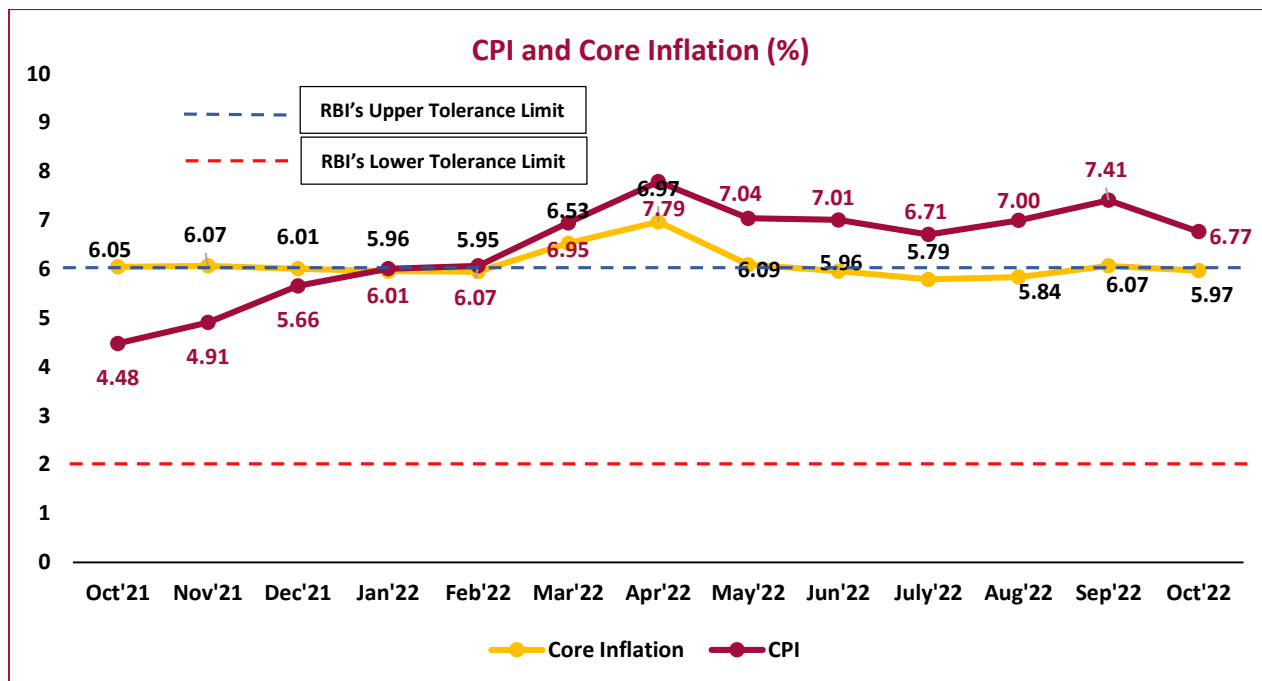
Systemic Liquidity under (LAF)- Net Liquidity - (Rs. Billion)



MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

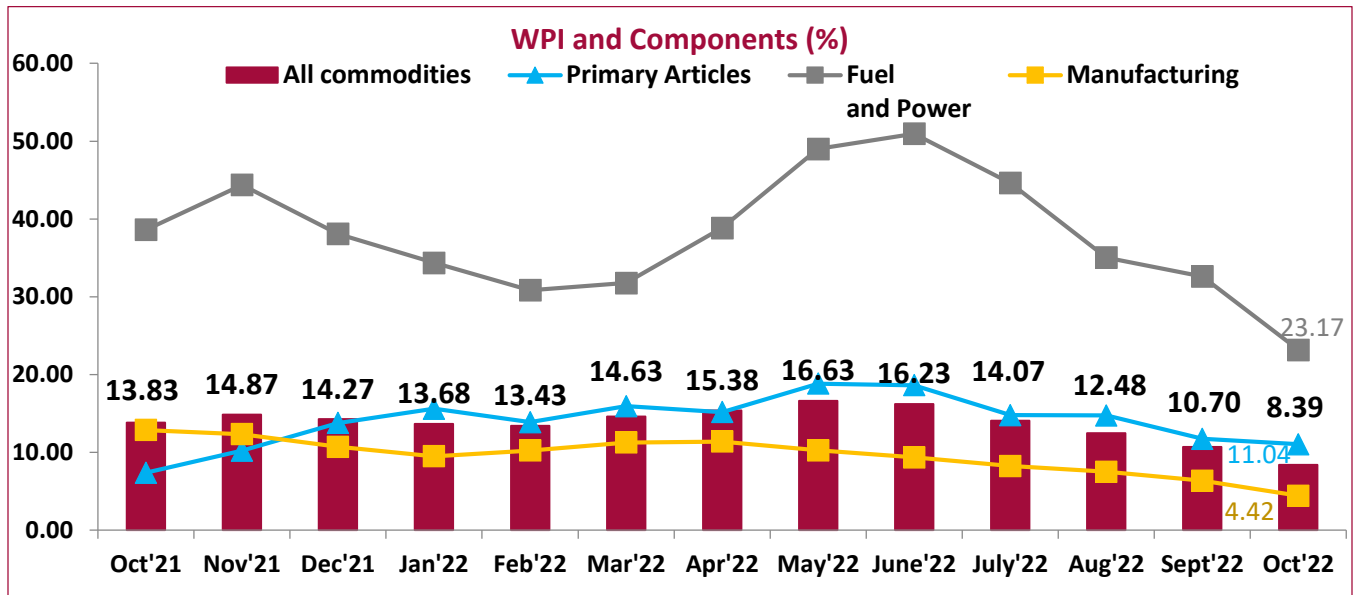
Retail Inflation lowers to 6.77%



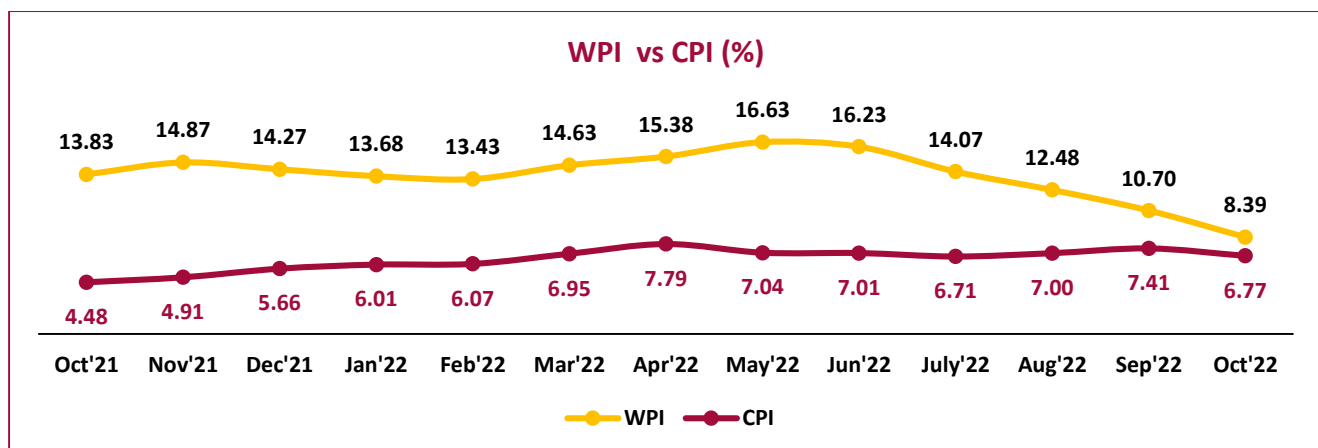
India's retail inflation slowed down to 6.77% in October'22 as compared to 7.41% in September due to lowering of food prices. However, the inflation continues to remain above the regulatory mandate.

WHOLESALE PRICE INDEX (WPI)

WPI shows single digit growth



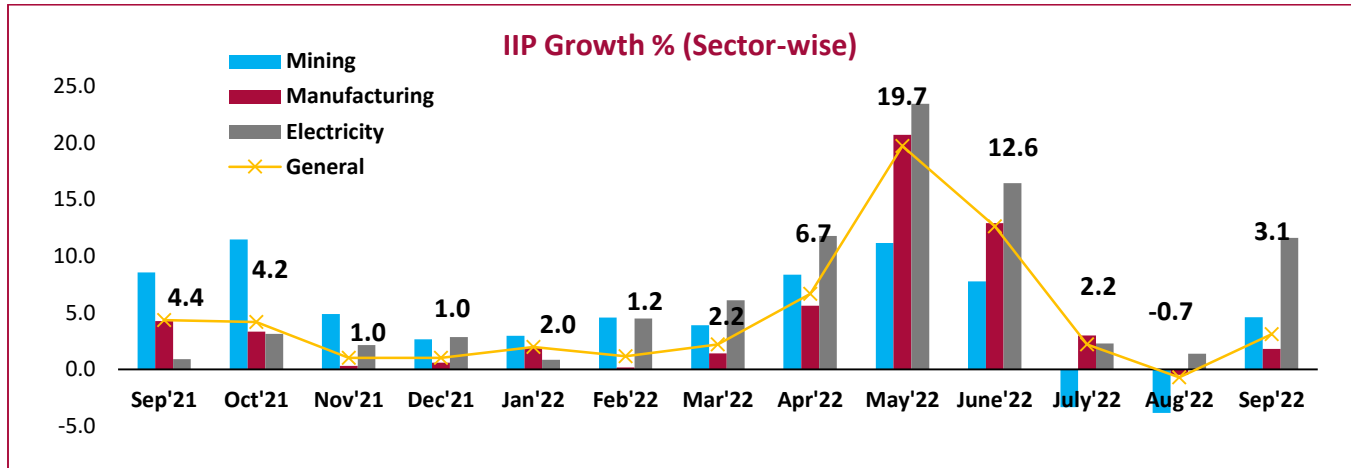
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Aug	5.93	14.74	28.15	35.03	11.56	7.51	-0.80	12.55	11.64	12.48
Sept	5.98	11.73	29.49	32.61	11.57	6.34	-2.55	11.03	11.80	10.70
Oct	7.38	11.04	38.61	23.17	12.87	4.42	0.06	8.33	13.83	8.39



The wholesale price-based inflation has been on declining trend and has come to single digit growth of 8.39% in October 2022. The fall has been aided by the drop in commodity prices. The WPI has come into single after remaining in double digits for 18 months consecutively.

INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

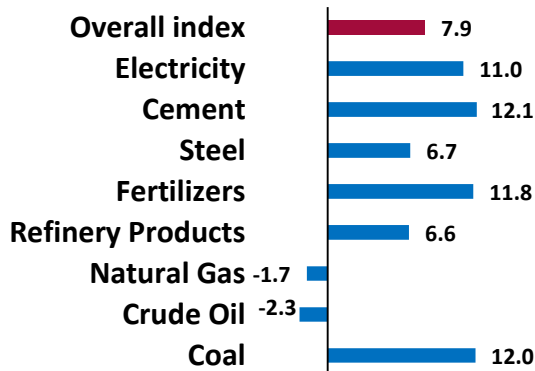
Index of Industrial Production back into positive zone



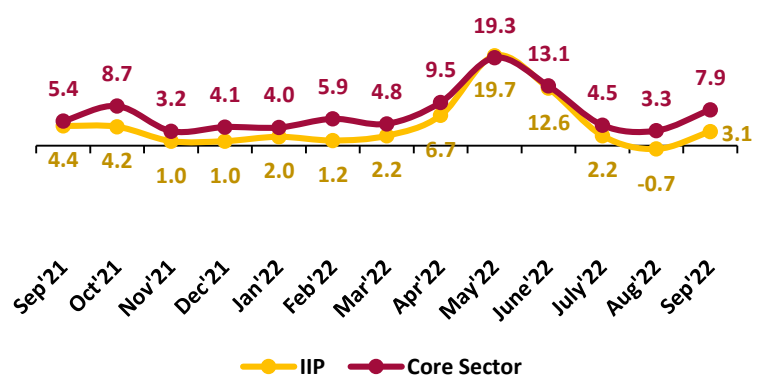
IIP growth % (Usage-wise)

Component	Weight	Sep'21	Sep'22	April-Sep'21	April-Sep'22
Primary Goods	34.05%	4.6	9.3	15.8	9.2
Capital Goods	8.22%	3.3	10.3	45.5	16.8
Intermediate Goods	17.22%	7.0	2.0	33.2	6.8
Infrastructure/ Construction Goods	12.34%	9.3	7.4	37.9	7.3
Consumer Durables	12.84%	1.6	-4.5	40.1	10.7
Consumer Non- Durables	15.33%	-0.1	-7.1	8.5	-2.8

Core Sectors Growth for Sep'22 (%)



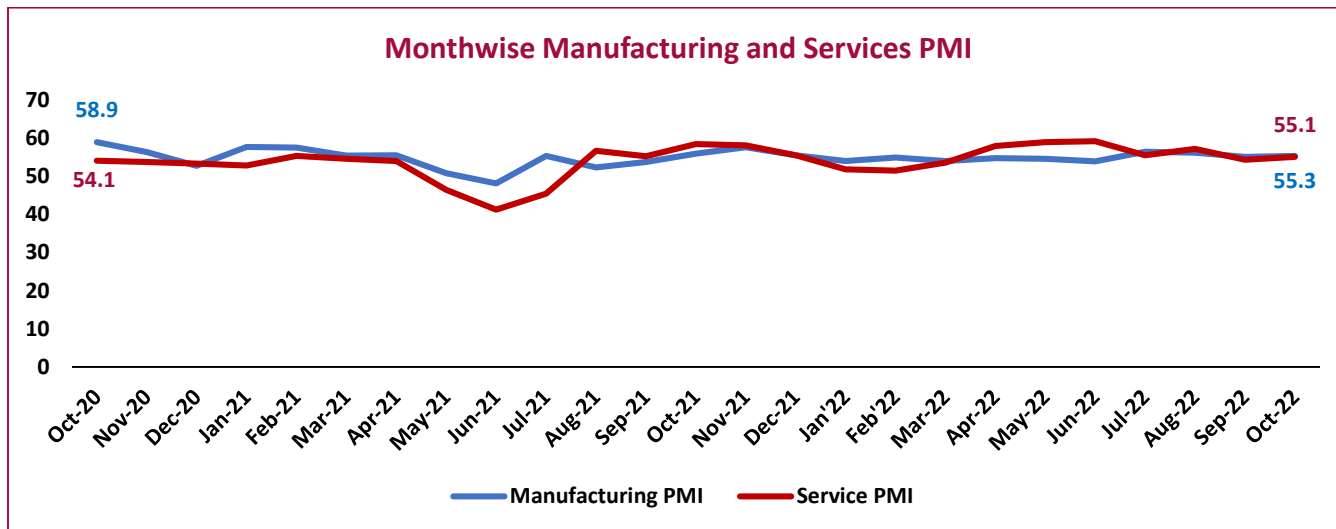
IIP Growth vs Core Sector Growth (%)



The Index of Industrial Production in Sep'22 has gone up to 3.1% after experiencing contraction in Aug'22. This growth reflects better output conditions as well as increased demand. The IIP numbers indicate towards the economy's resilience.

PURCHASING MANAGERS' INDEX (PMI)

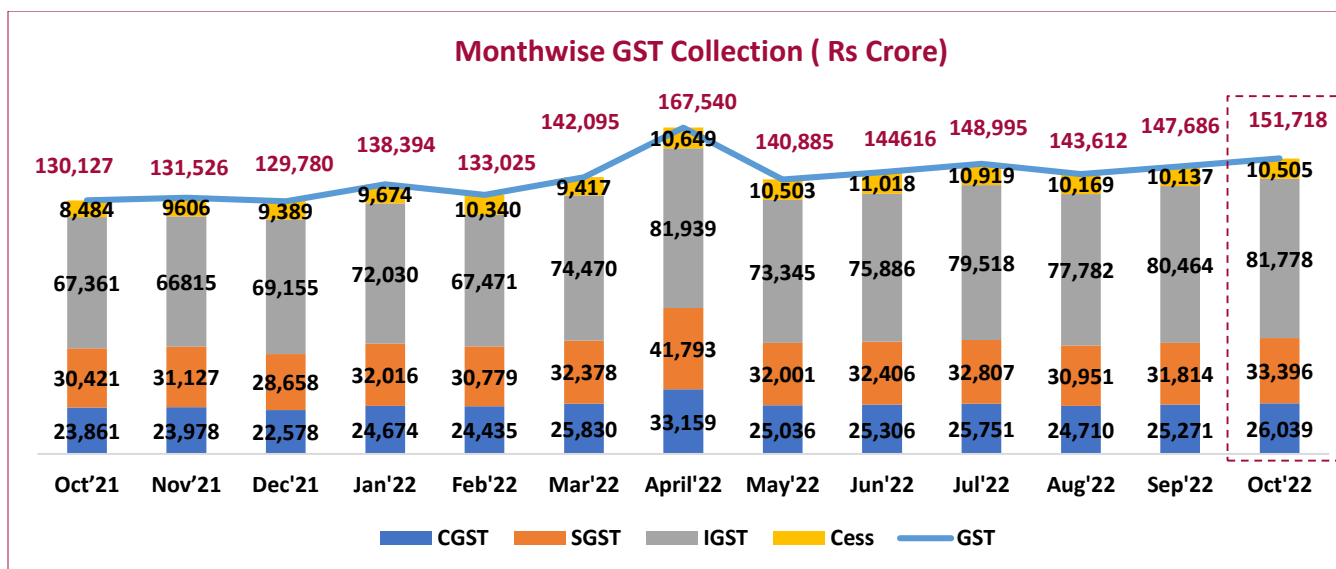
Both Manufacturing and Services PMI expands from previous month



Indian manufacturing industry again showed signs of resilience in October, with factory orders and production rising strongly. On the other hand, India's services sector expanded in October as new business continued to increase on higher demand.

GOODS AND SERVICES TAX (GST)

Monthly GST revenues more than Rs.1.4 Lakh Crore for eight months in a row

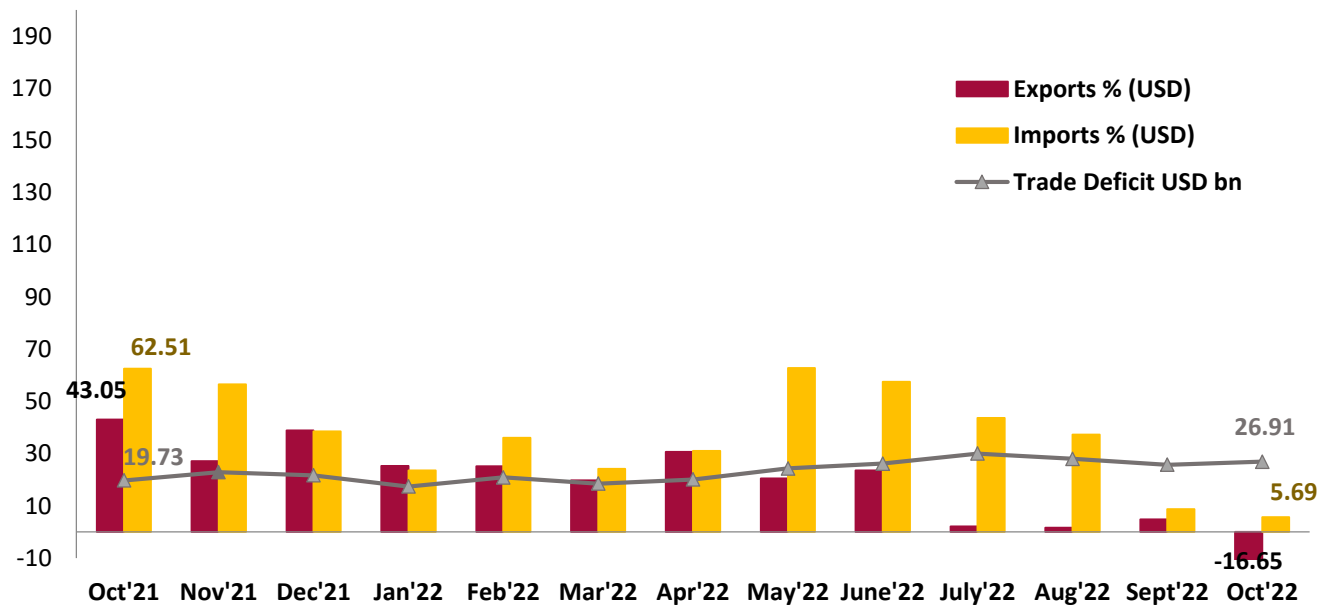


The gross GST revenue collected is Rs. 1,51,718 Crore in Oct'22 i.e. around 3% increase over GST revenues from the last month and 17% higher than the GST revenues in October 2021. This is the second highest collection ever.

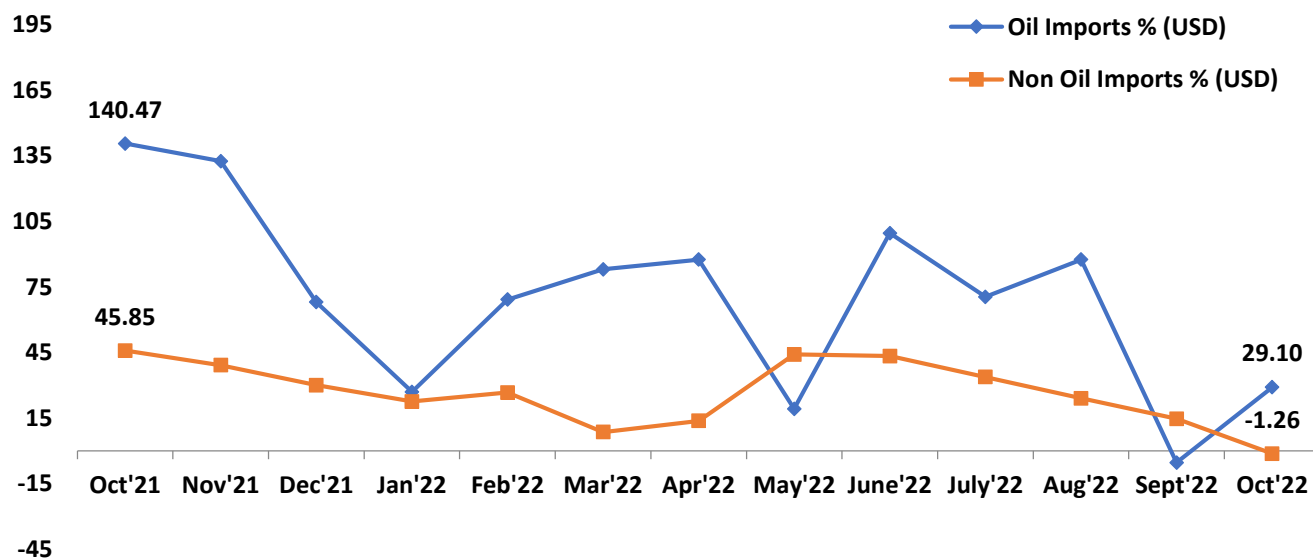
FOREIGN TRADE

Trade Deficit widened with decline in Export Growth

Export & Import YoY growth and Trade Deficit

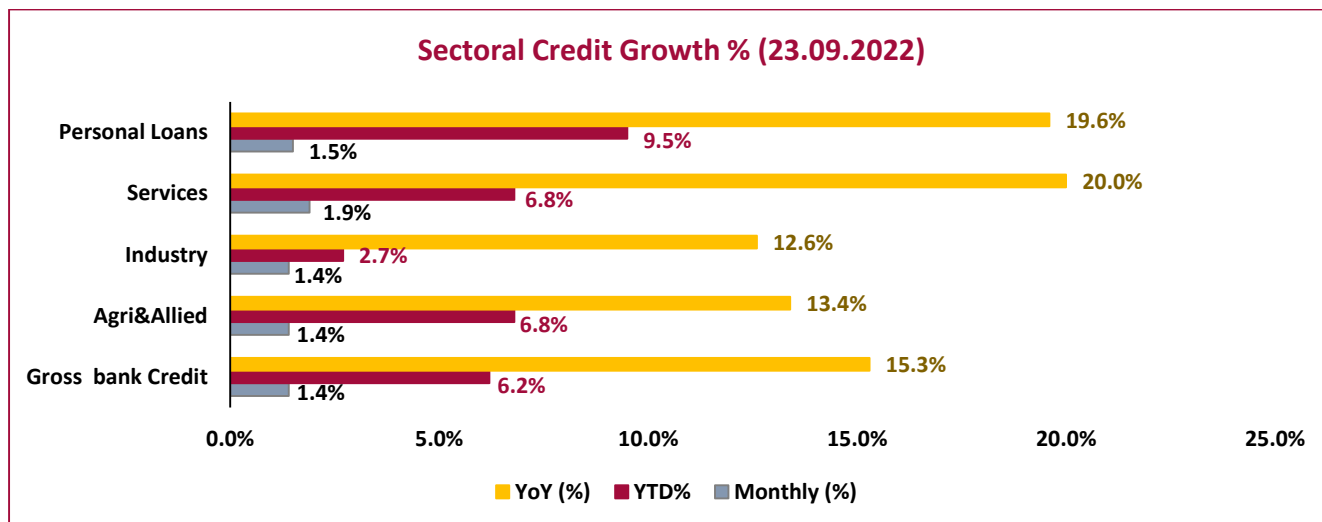


Import Growth % - Oil & Non Oil Imports



India's Trade Deficit widened to the level of \$26.91 billion up 50.25 per cent year-on-year in October 2022. Merchandise exports declined to \$29.78 billion, down 16.65 per cent year-on-year in October 2022 for the first time in nearly 20 months. Meanwhile Merchandise imports grew to \$56.69 billion, up by 5.69 per cent year-on-year in October 2022.

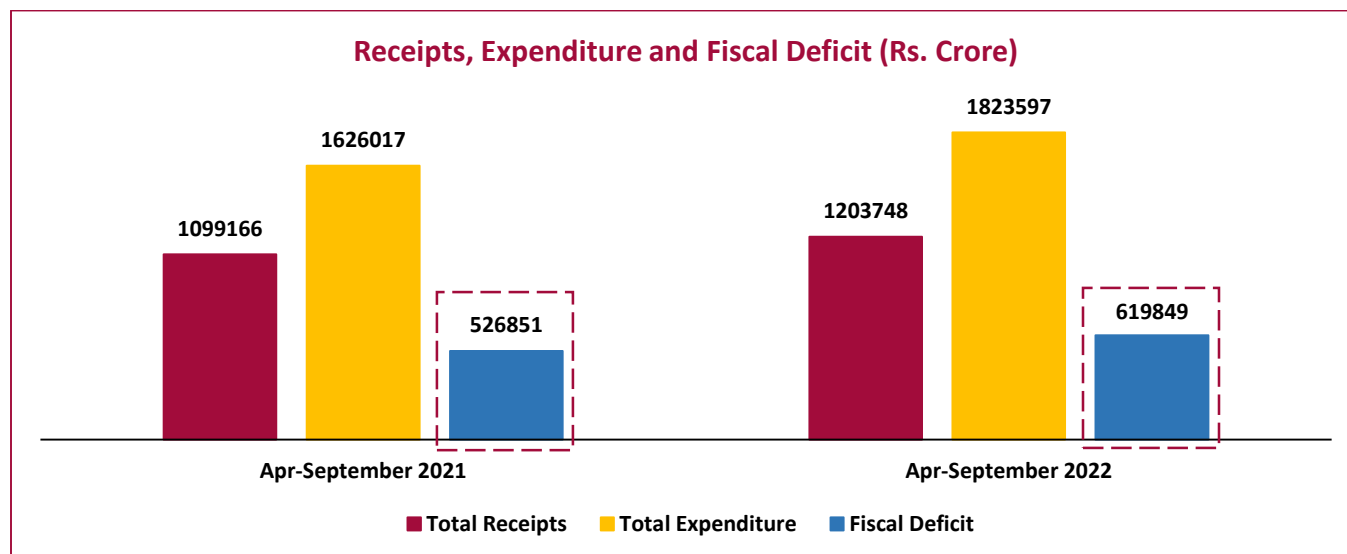
SECTORAL CREDIT



BANK DEPOSIT AND CREDIT

Parameter (Rs. Lakh Crore)	05.11.21	25.03.22	21.10.22	04.11.22	YoY (%)	YTD (%)	Fortnightly (%)
Deposits	160.47	164.65	172.01	173.70	8.2%	5.5%	1.0%
Advances	110.49	118.91	128.84	129.26	17.0%	8.7%	0.3%
Business	270.96	283.56	300.85	302.96	11.8%	6.8%	0.7%

FISCAL DEFICIT

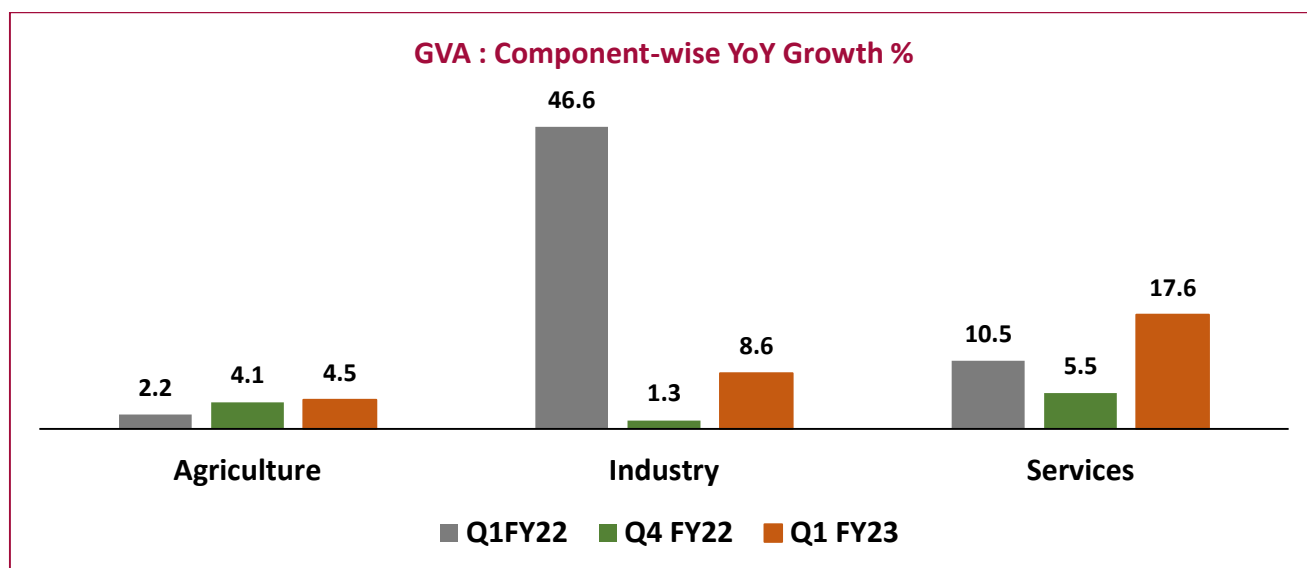
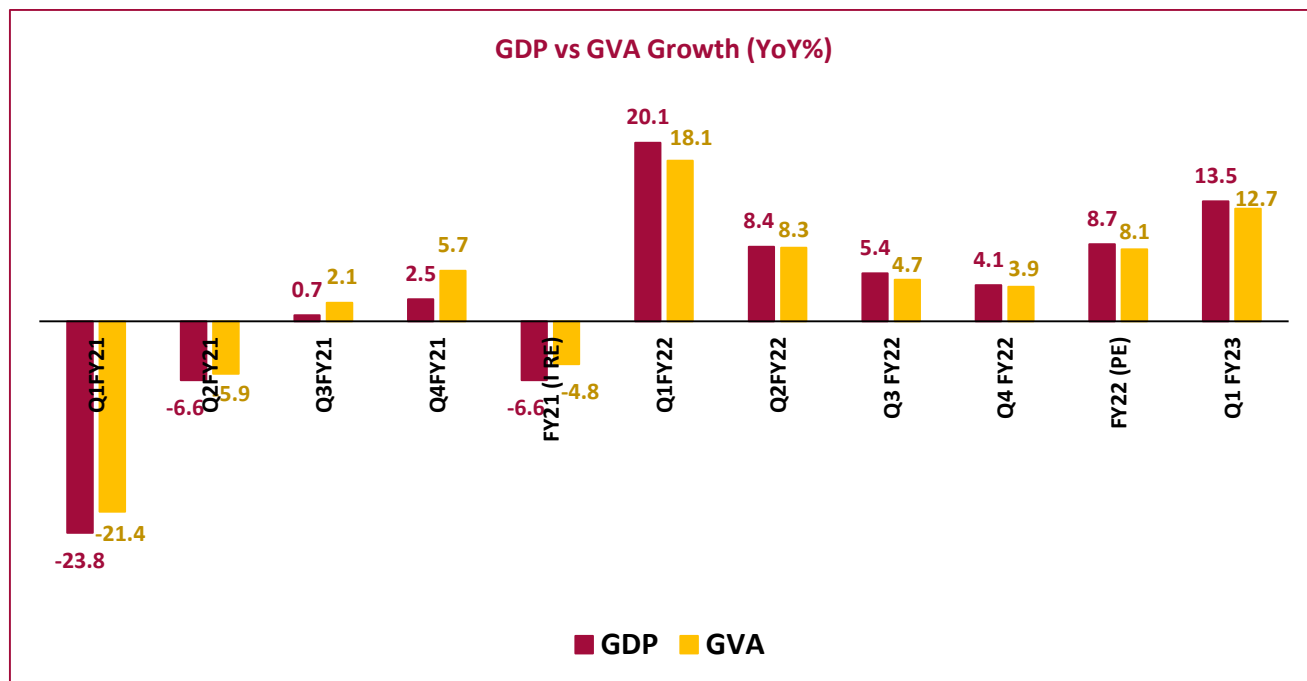


The fiscal deficit for the six months till September is 37.3% of annual estimates.

QUARTERLY ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT (GDP) & GROSS VALUE ADDED (GVA)

Indian economy grows in double digits in Q1 FY23



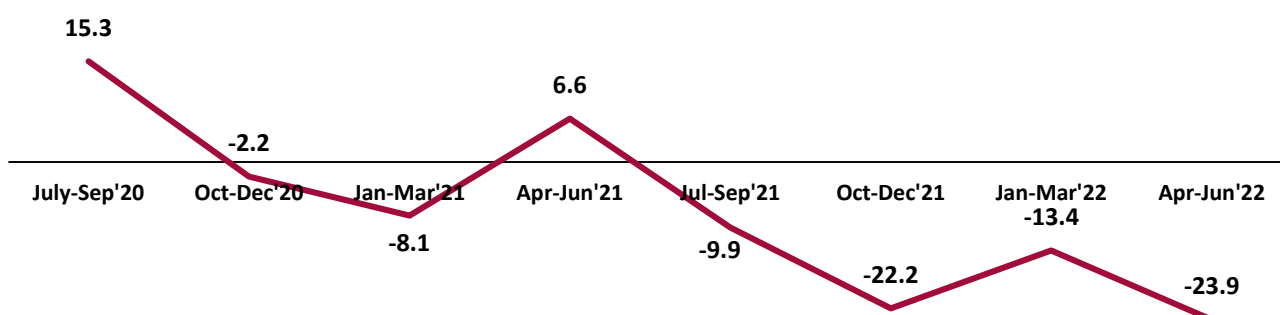
GDP for Q1 FY23 grew by 13.5 per cent as compared to a growth of 4.1 per cent in the previous quarter (Q4 FY22) and a growth of 20.1 per cent in Q1 FY22. Also, **Real Gross Value Added (GVA)** at basic prices (which captures what accrues to the producer/service provider before a product or service is sold) **in Q1 FY23 grew by 12.7 per cent** in comparison to a growth of 3.9 per cent in Q4 FY22 and a growth of 18.1 per cent in Q1 FY22.

India's GDP Outlook Of Various Agencies

Agency	FY23
RBI	7.0%
World Bank	6.5%
IMF	6.8%
ADB	7.0%
Economic Survey	8-8.5%

CURRENT ACCOUNT DEFICIT

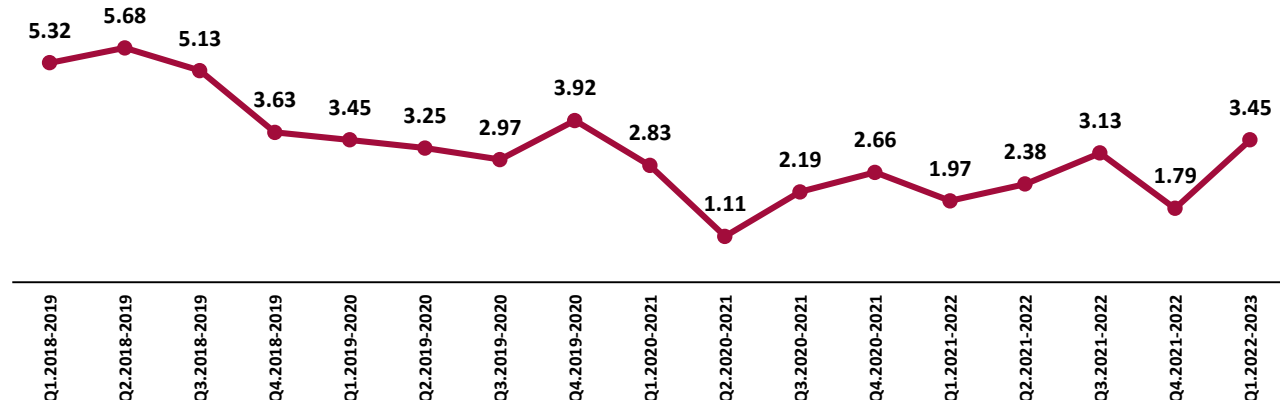
Quarterly Movement of Current Account Deficit (USD \$ Billion)



The CAD swelled to \$23.9 billion in the June quarter of FY23 against a deficit of \$13.4 billion in the preceding three months. It is 2.8% of GDP while the same recorded a surplus of \$6.6 billion, or 0.9% of GDP in Q1 of FY22.

HOUSING PRICE INDEX

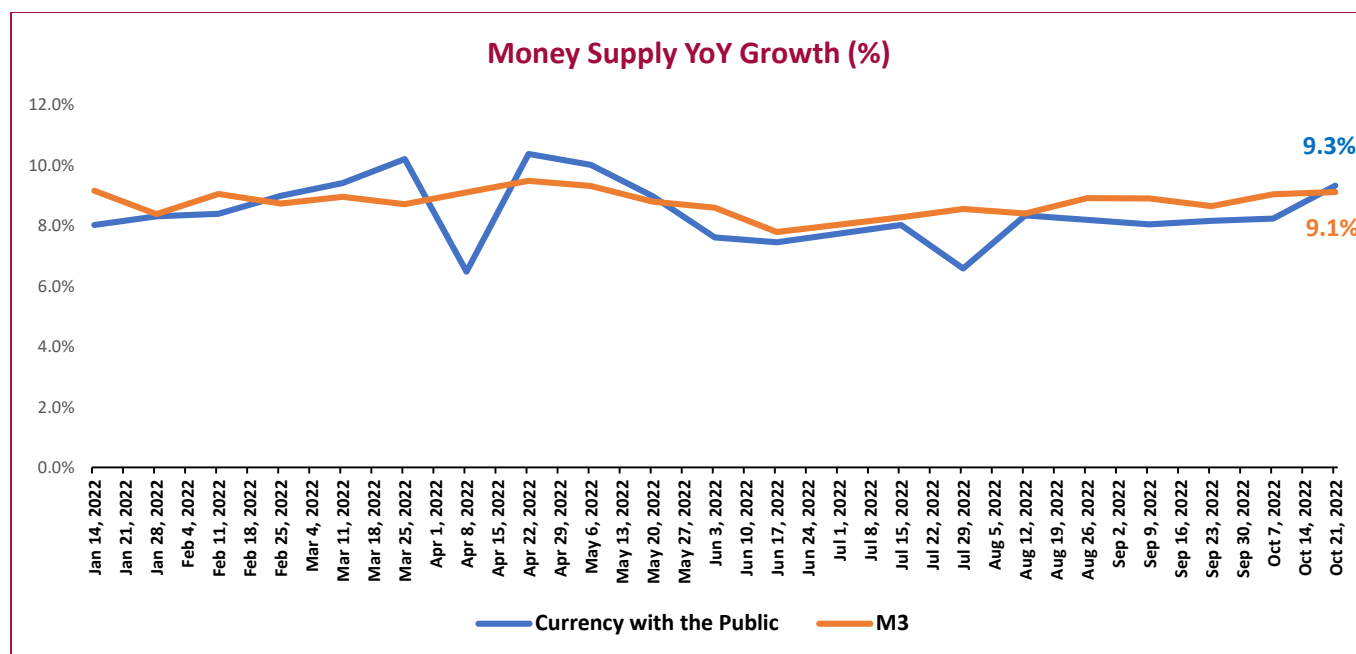
All India Growth Rate of Housing Price Index (%)



All-India HPI recorded 3.45 per cent annual growth (y-o-y) in Q1:2022-23 (provisional data) as compared with 1.79 per cent growth in the previous quarter and 1.97 per cent a year ago.

MONEY SUPPLY

Growth Rate of Currency with the public has surpassed the growth rate of M3



GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	-0.10	Jan 29, 2016 (-20 bps)	Dec 20, 2022
European Central Bank (ECB)	Europe	2.00	Oct 27, 2022 (75 bps)	Dec 15, 2022
Federal Reserve	U.S.A	4.00	Nov 02 2022 (75 bps)	Dec 14, 2022
Bank of England	U.K	3.00	Nov 03, 2022 (75 bps)	Dec 15, 2022
Peoples Bank of China	China	3.65	Aug 22, 2022 (-5 bps)	-
Reserve Bank of India	India	5.90	Sep 30, 2022 (50bps)	Dec 07, 2022

INDUSTRY OUTLOOK

India's Renewable Energy Sector

Thanks to its population and enormous potential for growth and development, India's energy demand is expected to grow manifold in the years to come. The country is eyeing to achieve a major portion of this demand through low-carbon, renewable sources.

Towards this object Govt's major commitments are to: a) Reduce India's total projected carbon emission by 1 bn tonnes by 2030, b) Reduce the carbon intensity of the nation's economy by less than 45% by the end of the decade, c) Achieve net-zero carbon emissions by 2070 and d) Expand India's renewable energy installed capacity to 500 GW by 2030.

Not only in India, but there is also unprecedented response from governments around the world, including the Inflation Reduction Act in the United States, the Fit for 55 packages and REPowerEU in the European Union, Japan's Green Transformation (GX) programme, Korea's aim to increase the share of nuclear and renewables in its energy mix, and ambitious clean energy targets in China.

This shows increasing importance of renewable energy in the present scenario when the world is grappling with global warming, the impact of recent geo-political tensions affecting energy accessibility, disruption of trading relationships etc. By dint of the initiatives taken by Government of India, as of 31st August, 2022 India's Renewable energy sources have a combined installed capacity of 150+ GW. Renewable energy has a share of 26.53% of the total installed generation capacity in the country.

Some of the achievements made by the country in renewable energy sphere are:

- Solar capacity increased in the last 7.5 years from around 2.6 GW to more than 46 GW
- Solar power tariff reduced by more than 75% using plug and play model
- Highest ever wind capacity addition of 5.5 GW in 2016-2017. At present India has the 4th largest installed capacity of wind power in the world
- India was the second-largest market in Asia for new solar PV capacity and third globally (13 GW of additions in 2021). It ranked fourth for total installations (60.4 GW).

India is now at 4th global position for overall installed renewable energy capacity. India is a country with a tremendously dynamic and vibrant renewable energy market. The country is seeing activity taking place on many fronts, with lots of on-the-ground innovation and technology development occurring, and policy measures being taken on many levels.

Some of the new areas of opportunity in renewable energy sector which govt is exploring are Wind – Solar Hybrid, Off-shore Wind Energy, Floating PV Projects, and Green Hydrogen. Govt. has also extended the Production Linked Incentive (PLI) scheme in Solar PV manufacturing under Atmanirbhar Bharat 3.0.

With the increased support of the Government and improved economy, the sector has become attractive from an investor's perspective. The need of the hour is a well-planned, orderly, accelerated transition towards decarbonisation focusing on renewable energy given the economy's growth outlook. As India looks to meet its energy demand on its own, the Renewable Energy sector has a major role to play.

EXTRACTS FROM NEWS ON BANKING AND FINANCIAL EVENTS

1. RBI Governor Shaktikanta Das asks Indian banks to be vigilant about evolving macroeconomic situation, take steps to minimise risks (ET, 17.11.2022)

- Governor of the Reserve Bank of India Shaktikanta Das held meetings with chiefs of public and private sector banks and advised them to remain watchful of the macroeconomic situation. The Governor also discussed the impact of the rising interest rate scenario on bank borrowers and the wide gap between credit and deposit growth.
- The Governor also acknowledged the crucial role played by commercial banks in supporting economic growth throughout the turbulent times since the outbreak of pandemic and the ongoing turmoil in financial markets.
- Bankers attending the meeting raised issues about the potential impact of rising interest rate on marginal borrowers, especially from the micro-finance segment
- Banks and the Governor also discussed issues relating to the lag in deposits vis-à-vis credit growth, asset quality, investments in IT infrastructure, adoption of new-age

technology solutions and functioning of Digital Banking Units.

2. RBI puts onus on EU banks to resolve stalemate with ESMA (ET, 17.11.2022)

- Onus on European Union banks to resolve the stalemate caused by the European Securities & Markets Authority's (ESMA) decision to disqualify key Indian institutions which act as central counterparties (CCPs) in securities, money market, and forex transactions.
- This was conveyed at a meeting between senior officials of the MNC banks and RBI deputy governor T Rabi Sankar on November 11.
- As part of risk mitigating measures laid down in the wake of the 2008 financial meltdown, ESMA would carry out on-site inspection of all CCPs that European banks deal with anywhere in the world - a rule that RBI finds unacceptable as it boils down to a foreign regulator exercising supervisory power in CCPs which are outside its jurisdiction.

3. Post RBI nod, 9 vostro accounts opened to facilitate overseas trade in rupee (ET, 16.11.2022)

- The government said nine special vostro accounts have been opened with two Indian banks after permission from the Reserve Bank of India (RBI) to facilitate overseas trade in Indian rupee. Sberbank and VTB Bank-the largest and second-largest banks of Russia respectively-are the first foreign lenders to receive approval after the RBI announced the guidelines for overseas trade in the rupee in July.
- Another Russian bank Gazprom, which does not have its bank in India, has also opened this account with Kolkata-based UCO Bank.

4. Credit to industry up 12.6% YoY in September; touches 100-month high (BS, 02.11.2022)

- Credit to industries in September 2022 grew at the fastest pace it has grown in the last 100 months, aided primarily by a pick-up in working capital loans from corporates.
- According to the latest sectoral deployment data of the Reserve Bank of India, credit to industries, which accounts for 27.6 per cent of non-food credit, was up 12.6 per cent year on year to Rs 32.4 trillion. Month-on-

month, it rose 1.4 per cent the highest in seven months. On a year-to-date basis it was up 2.7 per cent.

5. Centre's fiscal deficit in H1 touches 37.3% of full-year target (BS, 01.11.2022)

- The Centre's fiscal deficit for the first half (H1) of the current fiscal year (April-September of FY23) came in at Rs 6.20 trillion, or 37.3 per cent of the full-year Budget Estimate (BE) of Rs 16.6 trillion, according to the data released by the Controller General of Accounts (CGA).
- This compares with a Budget balance of Rs 5.27 trillion, or 35 per cent of the full-year target for April-September of last year. The Centre is hopeful of keeping the fiscal deficit at 6.4 per cent of nominal GDP in FY'23.
- For H1, while capital expenditure outlay was strong compared to last year, net tax revenue showed a drop as a percentage of full-year target. Capex as a percentage of BE has still not reached pre-pandemic levels, when the Centre was spending more than 50 per cent of its capex in H1.

6. Pilot for digital rupee for wholesale segment to commence on November 1 (BS, 01.11.2022)

- The Reserve Bank of India (RBI) said it will commence the first pilot of the central bank digital currency (CBDC) – the digital rupee – for the wholesale segment from November 1. The use case for this pilot will be settlement of secondary market transactions in government securities.
- In a statement, RBI said, the use of the digital rupee is expected to make the inter-bank market more efficient, as settlement in central bank money will reduce transaction costs by preempting the need for settlement guarantee infrastructure or for collateral to mitigate settlement risk.
- As many as nine banks have been identified for participation in this pilot by the central bank. These nine banks include the likes of State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank, and HSBC.

7. Unemployment rate rose to 4-month high of 7.77% in October: CMIE data (FE, 01.11.2022)

- After the unemployment rate fell to a four year low in September, it rose to

a four month high of 7.77 per cent in October, according to latest data released by the Centre for Monitoring Indian Economy (CMIE).

- CMIE, which conducts its own employment survey, showed that the increase in the unemployment rate in October is on account of sharp increase in rural unemployment which rose from 5.84 per cent in September to 8.04 in October, whereas the urban unemployment rate fell slightly from 7.7 to 7.21 per cent.
- Among the 25 states for which data is available with the CMIE, six states registered the unemployment rate in double digits. Haryana registered the highest unemployment rate of 31.8 per cent followed by Rajasthan (30.7 per cent), Jammu & Kashmir (22.4 per cent), Jharkhand (16.5 per cent), Bihar (14.5 per cent) and Tripura (10.5 per cent).



DATA SOURCES

- Reserve Bank of India (RBI)
- Ministry of Statistics and Programme Implementation (MOSPI)
- Office of Economic Adviser
- Ministry of Commerce and Industry, Department Of Commerce
- S & P Global
- Press Information Bureau
- GST Council
- Websites of major Central Banks
- Controller General of Accounts (CGA)
- Petroleum Planning & Analysis Cell (PPAC)
- Investing.com
- News from Business Standard, Financial Express, Economic Times, The Mint
- Cogencis

“

QUOTE OF THE MONTH

"Do not say, 'It is morning,' and dismiss it with a name of yesterday. See it for the first time as a newborn child that has no name."

- Rabindranath Tagore

”

Festival BONANZ OFFER - 2022

This festive season, say hello
to auspicious beginnings









Attractive offers on PNB Car and Home loan
to make this season even more memorable



Scan here to apply online
or contact nearest branch
for any information

ZERO
Processing
fees and
Documentation
Charges

Low and attractive Rate of Interest

Follow us:       www.pnbindia.in | Toll Free: 1800-180-2222 or 1800-103-2222 | Give a missed call 1800 180 8888

पंजाब नैशनल बैंक
...भरोसे का प्रतीक !



punjab national bank
...the name you can BANK upon !

*Punjab National Bank
Strategic Management & Economic Advisory Division
Corporate Office, Plot No. 4, Sector 10,
Dwarka, New Delhi-110075*

*पंजाब नैशनल बैंक
कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग
कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,
द्वारका, नई दिल्ली-110075*