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DAILY NEWS DIGEST BY BFSI BOARD

February 01, 2023

HIGHLIGHTS OF ECONOMIC SURVEY 2022-23: The Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman tabled the Economic Survey 2022-23 in Parliament today, which projects a baseline GDP growth of 6.5 per cent in real terms in FY24. The projection is broadly comparable to the estimates provided by multilateral agencies such as the World Bank, the IMF, and the ADB and by RBI, domestically. The Survey says, in real terms, the economy is expected to grow at 7 per cent for the year ending March 2023. This follows an 8.7 per cent growth in the previous financial year. The other highlights of the survey are;

- India to witness GDP growth of 6.0 per cent to 6.8 % in 2023-24, depending on the trajectory of economic and political developments globally.
- Credit growth to the micro, small, and medium enterprises (MSME) sector has been remarkably high, over 30.5 %, on average during Jan-Nov 2022.
- Capital expenditure of the central government, which increased by 63.4 % in the first eight months of FY23, was another growth driver of the Indian economy in the current year.
- RBI projects headline inflation at 6.8 per cent in FY23, which is outside its target range.
- Return of migrant workers to construction activities helped housing market witnessing a significant decline in inventory overhang to 33 months in Q3 of FY23 from 42 months last year.
- Private consumption as a percentage of GDP stood at 58.4 per cent in Q2 of FY23, the highest among the second quarters of all the years since 2013-14, supported by a rebound in contact-intensive services such as trade, hotel and transport.
- Survey points to the lower forecast for growth in global trade by the world trade organisation, from 3.5 per cent in 2022 to 1.0 per cent in 2023.
- The Survey also points to another recovery and adds that the “release of pent-up demand” was reflected in the housing market too as demand for housing loans picked up. Consequently, housing inventories have declined, prices are firming up, and construction of new dwellings is picking up pace and this has stimulated innumerable backward and forward linkages that the construction sector is known to carry.
- Outlook 2023-24: Dwelling on the Outlook for 2023-24, the Survey says, India’s recovery from the pandemic was relatively quick, and growth in the upcoming year will be supported by solid domestic demand and a pickup in capital investment. Budgeted capital expenditure rose 2.7 times in the last seven years, from FY16 to FY23, re-invigorating the Capex cycle. Structural reforms such as the introduction of the Goods and Services Tax and the Insolvency and Bankruptcy Code enhanced the efficiency and transparency of the economy and ensured financial discipline and better compliance, the Survey added. Global growth is forecasted to slow from 3.2 per cent in 2022 to 2.7 per cent in 2023 as per IMF’s World Economic Outlook, October 2022. A slower growth in economic output coupled with increased uncertainty will dampen trade growth. This is seen in the lower forecast for growth

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in global trade by the World Trade Organisation, from 3.5 per cent in 2022 to 1.0 per cent in 2023.

- India's Inclusive Growth: The Survey emphasises that growth is inclusive when it creates jobs. Both official and unofficial sources confirm that employment levels have risen in the current financial year, as the Periodic Labour Force Survey (PLFS) shows that the urban unemployment rate for people aged 15 years and above declined from 9.8 per cent in the quarter ending September 2021 to 7.2 per cent one year later (quarter ending September 2022). This is accompanied by an improvement in the labour force participation rate (LFPR) as well, confirming the emergence of the economy out of the pandemic-induced slowdown early in FY23.

(Press Information Bureau)

GOVT COLLECTS RS 1.56 LAKH CRORE AS GST IN JANUARY, SECOND HIGHEST MOP-UP EVER: Govt. of India collected Rs 1.56 lakh crore as Goods and Services Tax (GST) in January, the finance ministry said on January 31. At Rs 1.56 lakh crore, the GST collections for January are second only to the record Rs 1.68 lakh crore collected in April 2022. It is up 10.6 percent from the first month of 2022 and 4.3 percent higher from December 2022.

(Moneycontrol)

CORE SECTOR GROWTH FOR DECEMBER AT 7.4%, HIGHER THAN NOVEMBER: India's eight core industrial sectors grew by 7.4 % in December 2022, as against a growth of 3.8 % recorded in the year-ago period, as per the provisional data released by the Ministry of Commerce & Industry on January 31. The core sector growth is also higher as compared to the previous month, November 2022, when it stood at 5.4 %.

(Moneycontrol)

APRIL-DECEMBER 2022 FISCAL DEFICIT RISES TO RS 9.93 LAKH CRORE, 59.8% OF FY23 TARGET: The government's fiscal deficit widened to Rs 9.93 lakh crore in the April-December period, accounting for 59.8 percent of the full-year target for 2022-23, data released on January 31 by the Controller General of Accounts showed. The fiscal deficit in the first nine months of the last financial year was 50.4 percent of last year's target. The total revenue receipts for the April-December period stood at Rs 22.83 lakh crore, which is 79.9 percent of the budget estimate for FY23. In the comparable year-ago period, total receipts had hit 89.1 percent of the budget estimate.

(Moneycontrol)

RETAIL INFLATION FOR INDUSTRIAL WORKERS RISES MARGINALLY TO 5.5% IN DECEMBER: Retail inflation for industrial workers rose marginally to 5.5 % in

December 2022 from 5.41 % in November due to higher prices of certain food items. "Year-on-year inflation for the month stood at 5.50 % compared to 5.41 % for the previous month (November 2022) and 5.56 per cent during the corresponding month (December 2021) a year before," a labour bureau statement said.
(Economic Times)

RELIANCE ANNOUNCES TIE-UP WITH LANKA-BASED BISCUIT BRAND: Reliance Consumer Products (RCPL), the FMCG arm and a wholly-owned subsidiary of Reliance Retail Ventures has entered into a strategic partnership with Sri Lanka-based Maliban Biscuit Manufactories. Maliban is a biscuit manufacturer in Sri Lanka for the past 70 years with its range of products, including biscuits, crackers, cookies and wafers.
(Financial Express)

RBI PARTIALLY RELAXES RESTRICTIONS ON SBM BANK INDIA: RBI has decided to partially relax the restrictions on SBM Bank (India) until March 15, by allowing ATM and point-of-sale transactions on internationally active debit cards issued by the bank. Last week, the RBI ordered SBM Bank to stop all transactions under the liberalised remittance scheme (LRS) which allows Indian residents to send up to $250,000 abroad each financial year - until further notice, citing "material supervisory concerns" but without giving any further details. SBM Bank was engaging with the RBI to address "supervisory concerns", the lender said a few days later in an email to a customer that was reviewed by Reuters.
(Economic Times)

ADANI ENTERPRISES FPO: ISSUE FULLY SUBSCRIBED ON THE LAST DAY WITH NII PUSH: The Follow-on Public Offer (FPO) of Adani Enterprises was fully subscribed on January 31, 2023, the last day of subscription, according to data on BSE. The highest interest was seen from the Non-Institutional Investors (NIIS), who have subscribed to the issue 3.26 times their quota.
(Business Standard)

TELANGANA LOGGED HIGHEST INFLATION IN FY23, REVEALS ECONOMIC SURVEY: Telangana has the highest inflation rate in the country, revealed the Economic Survey 2022-23 tabled in the Parliament on Tuesday by Finance Minister Nirmala Sitharaman. According to the report, Telangana has an inflation rate of 8.7 % between April and December 2022 against the national average of 6.8 % for the same period. The report also shows that the inflation in rural Telangana was 9.2 per cent while it was 8.3 per cent in the urban areas. Telangana, West Bengal, Maharashtra, Madhya Pradesh, Haryana, and Andhra Pradesh saw especially high rates of inflation in 2022-23.
(Business Standard)

EXPECTING SLOWDOWN IN INDIAN ECONOMY TO 6.1% IN 2023 FROM 6.8% IN 2022: IMF: The International Monetary Fund (IMF) on Tuesday said it is expecting some slowdown in the Indian economy next fiscal year and projected the growth to 6.1 percent from 6.8 percent during the current fiscal ending March 31. The IMF on Tuesday released the January update of its World Economic Outlook, according to which the global growth is projected to fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023, then rise to 3.1 percent in 2024.
(Business Standard)

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FINANCIAL TERMINOLOGY/CONCEPTS

PENT UP DEMAND

- Pent-up demand is when an economy experiences consumer demand for goods and services that has been building up over time, typically due to a recession. After delaying the purchasing of goods and services due to uncertainty surrounding economic downturns, people typically are eager to spend money on consumer goods.
- Pent-up demand refers to a situation where demand for a service or product is unusually strong. Economists generally use the term to describe the general public's return to consumerism following a period of decreased spending. The idea is that consumers tend to hold off making purchases during a recession, building up a backlog of demand that is unleashed when signs of a recovery emerge.
- Pent-up demand is often seen immediately following a recession or depression. On an aggregate level, demand is believed to never tail off. Consumers just sometimes prefer to defer making purchases during a recession until they get their finances back in order again and feel more confident that better times are ahead. These characteristic delays in purchasing goods usually result in a backlog of demand being unleashed on the market when signs of a recovery emerge. Quite often, pent-up demand accelerates the economic recovery period immediately following an economic downturn, thanks to a sudden increase in consumer confidence and spending.
- Pent-up demand can be particularly rampant for durable goods. When economic times get tough, consumers tend to refrain from making expensive, big-ticket purchases such as vehicles, appliances, and other durable goods, instead opting to make what they have last longer—even if it requires extra maintenance and repairs.
- The Economic Survey 2022-23 also points to another recovery and adds that the “release of pent-up demand” was reflected in the housing market too as demand for housing loans picked up.

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RBI KEY RATES

Repo Rate: 6.25%
SDF: 6.00%
MSF & Bank Rate: 6.50%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 81.7387
INR / 1 GBP : 100.8983
INR / 1 EUR : 88.5982
INR /100 JPY : 62.7700

EQUITY MARKET

Sensex: 59549.90 (+49.49)
NIFTY: 17662.20 (+13.20)
Bnk NIFTY: 40655.05 (+267.65)

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