



Monthly Economic Review, February 2022

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With covid-19 waning in the background, different economic indicators, as reported by the Monthly Economic Review report of February 2022, show economic recovery at full pace. The month also saw various geopolitical tensions, prominent amongst which was the Russian invasion of Ukraine. The international market responded to the crisis with substantial crude oil price fluctuation. Though the effect of the crises on the Indian economy has not been at the predicted level, the future developments around the war will be of palpable interest, and economists are on close watch for the repercussions emanating from the crises.

Key Highlights:

- The real GDP in Q3 of 2021-22 has reached 106.2 per cent of the pre-pandemic Q3 output of 2019-20. The growth clearly shows the pace of the Indian economy in achieving resilient growth and recovery and reiterates the country's strong macroeconomic fundamentals.
- The agriculture sector witnessed 2.6 per cent growth in terms of Gross Value Added (GVA) measured in a Year-over-Year period. The industrial sector's GVA grew at 0.2 per cent, while the service sector clocked a GVA growth rate of 8.2 per cent.
- The growth rates were a reflection of the rampant vaccination programme and sector-specific incentives measures adopted.
- The period also saw growth in consumption, investment, exports and imports of 6.5%, 2%, 21% and 32.6% respectively. The above-mentioned data gives weight to the virtuous cycle of growth in the economy
- The covid pandemic seems to be receding from the country. The weekly positivity rate for February was 1.1 % compared to 14.1% in January. The fatality rate is also at a low level of 3800 per crore population.
- India is spearheading the largest vaccination program in the world, with more than 178 crore doses of vaccine being administered. Around 74% of the population has been vaccinated, with at least one dose.
- The GST collection, for the fifth consecutive month, crossed the 1.33 lakh crore mark, registering a growth of over 18% compared to the previous year and 26% growth compared to pre-pandemic years. However, the reports also cite warning of market disruptions owing to the Russia-Ukraine war and fluctuations in the prices in the energy market.
- The Consumer Price index (CPI) rose to 6.1 % in February from 6% in January. The wholesale Price Index (WPI) stood at 13.1 % compared to 13% in January.
- The major reason for WPI inflation was the market volatility of prices of crude oil, natural gas and petroleum products. The volatility increased further due to the ongoing war
- There was an increase in retail inflation, with subgroups such as foods, construction, and clothing fueling the rise. Food inflation for the month stood at 5.9 per cent. Cereal, meat, eggs, and spice were some of the food items contributing to increased inflation rates.
- The Indian government, in order to tackle the adversities of market volatility, is planning to diversify its energy sources. It plans to stress more on emerging fuels such as ethanol and compressed biogas.
- The food grain production for the month was around 316.1 million tons. Higher acreage of rabi crops plus higher output from Kharif crops was the main reason behind this record level. This will be a boost to the rural economy.
- There was a sustained demand for employment, both in the agricultural sector as well as in the non-agricultural sector. The average rural wage increased 4.4 % for men and 4.6% for women.

- The manufacturing sector showed signs of resumption, after decelerating for the past four months. Increase in demand with respect to consumption, employment and orders were cited as reason for the increase in growth.
- The Index of Industrial production (IIP) stood at 13.7% for Jan-April 2022 period, compared to 12% in the same period for 2021. Cement Industry record the highest growth rate while petroleum industry reported the lowest growth.
- The waning pandemic proved beneficial for the services sector. The sector also witnessed increase in credit growth rate.
- Consumption component of aggregate demand, witnessed growth. The growth was evident in many fronts such as increase in personal loans and growth of consumer durable goods
- The report also found that the currency in circulation increased to 8 % compared to 7.6% in December 2021. The increase of currency was also reflective of the increasing liquidity of money in market.
- Merchandise export increased 46% compared to the previous year and accounted for USD 374.8 billion. However, it is also to be noted that merchandise imports also increased by 36 percentage points. The month of February also witnessed widening trade deficit owing to escalating geo-political tension
- There also exist a positive environment for investment in various sectors. Capital Goods Index of IIP, an indicator of investment, witnessed an YoY growth of 20.8 percent compared to last year.
- India received foreign direct investment worth, USD 60.3 billion between December to April, 2021. Manufacturing, communication services, retail & wholesale trade and education, research and development attracted the most of investment.

As far as employment is concerned, several indicators show increase in formal sector jobs. The net EPF subscriber' reached 14.6 lakh in December 2021, 63.3 % more than previous year.

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