NEWSLETTER

APAS MONTHLY

December 2022 EDITION – VOLUME 12

ASHVIN PAREKH

THIS MONTH

We invite our readers and patrons to visit our wealth of knowledge e by tuning into our APAS podcasts –

"Demystifying Reforms" and "BFSI insights"

We help demystify the latest reforms and bring market insights of the BFSI sector in India.

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EDITORIAL

In this issue, Mr. Piyush Garg, Executive Vice President & CIO - ICICI Securities Ltd has presented his thoughts on '**The shape of Indian economy in the context of Capital markets and investors**'. We thank Mr. Garg for his contribution to the APAS Monthly.

This month, the APAS column covers '**What does Indian economy hold for BFSI in 2023**'.

The economic indicators showed mixed performance. Manufacturing PMI increased to 55.7 in November 2022 from 55.3 in October 2022. Services PMI was up to 56.4 in November 2022 from October's six-month low of 55.1. Infrastructure output in India which accounts for nearly 40% of industrial output, increased 5.4% year-on-year in November of 2022, rebounding from an upwardly revised 0.9% rise in October. Index of Industrial Production (IIP) or factory output edged down to -4.0 % in October 2022. India's retail price inflation (CPI) eased to 5.88 % year-on-year in November 2022, compared with 6.77% in October. India Wholesale Price Index (WPI) number is 5.85% for the month of November 2022 (over November 2021) against 8.39% recorded in October 2022.

The Reserve Bank of India (RBI) announced 'Statement on Developmental and Regulatory Policies' and 'Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) December 5-7, 2022'.

Insurance Regulatory Development Authority of India (IRDAI) announced Life Insurers New Business Figures.

SEBI publishes Consultation Paper on strengthening the Investor Grievance Redressal Mechanism in the Indian Securities Market by harnessing Online Dispute Resolution mechanisms and the minutes of the SEBI board meeting held on the 20th December 2022.

Our newsletter is focused on tracking the performance of the economy and the regulations and laws governing the Banking and Financial Services companies. We hope that this APAS Monthly is insightful.

We welcome your inputs and thoughts and encourage you to share them with us.

Ashvin parekh

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On the cover

GUEST COLUMN

The shape of Indian economy in the context of Capital markets and investors

Piyush Garg
Executive Vice President & CIO
ICICI Securities Ltd.

APAS COLUMN

What does the global and Indian economy hold for BFSI in 2023?

ECONOMY

Index of Industrial Production – October
Inflation update – November
PMI update – November
Core Sector – November

BANKING

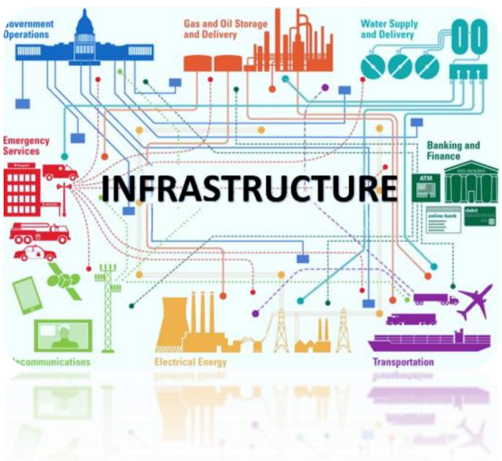
[Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) December 5-7, 2022]()

[Statement on Developmental and Regulatory Policies]()

INSURANCE

[Life Insurers New Business Figures]()

INFRASTRUCTURE & OTHER GOVT. INITIATIVES



[Union Minister For Road Transport and Highways inaugurates and lays foundation stone of 8 National Highway projects worth Rs 1800 crore at Igatpuri, Nashik, Maharashtra]()

[Union Minister For Road Transport and Highways approves upgradation and rehabilitation work of NH-25 in Barmer, Rajasthan worth Rs.235.15 crore]()

[Union Minister For Road Transport and Highways approves Four-laning of NH-753L passing through Jalgaon in Maharashtra and Burhanpur in Madhya Pradesh under Bharatmala project worth Rs 784.35 crore]()

[452 Railway projects of total length 49,323 Km, costing approx. Rs 7.33 lakh crore are in different stages of planning/sanction/execution]()

CAPITAL MARKETS

[SEBI publishes Consultation Paper on strengthening the Investor Grievance Redressal Mechanism in the Indian Securities Market by harnessing Online Dispute Resolution mechanisms]

[SEBI Board Meeting]

CAPITAL MARKETS SNAPSHOT

CNX Nifty, BSE Sensex, India VIX, $/₹, GIND 10Y

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2016*	2017*	Latest	2016*	% of GDP, 2016*	% of GDP, 2016*	(10YGov), Latest
Brazil	-2.9Q3	-3.4	0.9	7.0 Nov	8.3	-1.1	-6.4	11.8
Russia	-0.4Q3	-0.5	1.2	5.8 Nov	7.0	2.4	-3.7	8.60
India	**7.3 Q3**	**7.2**	**7.5**	**3.6 Nov**	**4.9**	**-0.9**	**-3.8**	**6.51**
China	6.7 Q3	6.7	6.4	2.3 Nov	2.0	2.5	-3.8	3.10^
S Africa	0.7 Q3	0.4	1.3	6.6 Nov	6.3	-4.0	-3.4	9.00
USA	1.6 Q3	1.6	2.2	1.7 Nov	1.3	-2.6	-3.2	2.56
Canada	1.3 Q3	1.2	1.9	1.5 Oct	1.5	-3.5	-2.5	1.78
Mexico	2.0 Q3	2.1	1.9	3.3 Nov	2.8	-2.8	-3.0	7.31
Euro Area	1.7 Q3	1.6	1.3	0.6 Nov	0.2	3.2	-1.8	0.25
Germany	1.7 Q3	1.8	1.4	0.8 Nov	0.4	8.8	1.0	0.25
Britain	2.3 Q3	2.0	1.1	1.2 Nov	0.6	-5.7	-3.7	1.55
Australia	1.8 Q3	2.9	2.8	1.3 Q3	1.3	-3.5	-2.1	2.86
Indonesia	5.0 Q3	5.0	5.2	3.6 Nov	3.5	-2.1	-2.6	7.93
Malaysia	4.3 Q3	4.3	4.6	1.4 Oct	1.9	1.8	-3.4	4.31
Singapore	1.1 Q3	1.3	2.0	-0.1 Oct	-0.6	21.5	21.5	2.49
S Korea	2.6 Q3	2.7	2.5	1.5 Nov	0.9	7.2	-1.3	2.17

ECONOMIC DATA SNAPSHOT

Global GDP, CPI, Current account balance, budget balance, Interest rates

The shape of Indian economy in the context of Capital markets and investors

Piyush Garg
Executive Vice President & CIO
ICICI Securities Ltd.

The global economy has witnessed 2022 as a year marked by uncertainties & shocks. The Russia-Ukraine conflict has resulted in soaring energy prices, causing significant economic challenges in Europe. A crash in crypto assets and a surge in the US$ have caused challenges to Central Banks in conducting monetary policy in countries which run CAD, such as our nation. A significant correction in equities and debt markets (US long-term bond is down more than 30%). As inflation surged to 40-year highs across the developed world, global central banks embarked on a "War on Inflation" with a significant rise in nominal interest rates.

Looking ahead into 2023, the global economy is expected to significantly slowdown down, with global growth expected to fall below pre-COVID levels of 2%. The US, Europe and the UK are expected to stall at around 0% while China and India is expected to grow around 3% and 5.5% respectively. Though large part of the interest rate hike is behind us, Global central banks are expected to continue with their tightening monetary policy, which is expected to come to an end by 1QCY23 with terminal rate of around 5.25% for the US and around 6.5% for India. Japan, the only one of two major global economies (the other being China) that was easing their monetary policy, has pivoted towards a minor tightening due to inflation readings at 40-year highs. Japan has increase the band of their 10Yr JGB intervention from 0%-0.25% to 0.25%-0.5% and is expected to increase by another 25bps to 0.5%-0.75%. China, which is grappling with a Covid-19 wave probably due to lower efficacy of their vaccines compared to other prevalent ones and a shift from its zero covid policy, is expected to fully operational and open up by 2QCY23. This will result in increase in demand for commodities like OIL, Copper, nickel, zinc and other metals. This will benefit commodities producer countries but will put pressure on CAD for commodities importers like India. Some of this pressure could be offset with supply chain corrections and increase in global trade but overall it is likely to exert upward pressure on global inflation.

The Indian economy is expected to slow down from ~6.8% in the current fiscal year to ~5.5% in the next fiscal year, which is still a shining star in global environment where growth is a scarce commodity. This slowdown is likely to be caused by a combination of factors, including weaker global growth leading to a slowdown in exports, deglobalisation, ongoing conflict in Ukraine, and elevated commodities prices. Most high frequency indicators (e-way bill generation, tax collections, car sales) are also pointing towards continued momentum in the Indian Economy going forward. The PLA Scheme, along with China+1 factor, is another factor which will boost the manufacturing sector, which is expected to reach 20% of GDP (from 15% currently) in the next 5 years. On the fiscal front, we expect both Central & State governments to maintain higher expenditure and fiscal deficit as we enter an election year, which will aid the economy further.

A high Current account deficit (CAD) is one challenge facing the Indian Economy, which is expected to remain at around 2.5%-3% next year as well. This is due to the weaker global growth putting pressure on exports and elevated crude oil prices. India is trying to address this issue by signing bilateral trade agreements with other countries in an effort to boost its exports. While these agreements are expected to have a positive impact on the Indian economy in the long term, it is likely to take 2-4 years before their full effects are realized. Government is also trying to increase proportion of renewable energy in its energy consumption mix to decrease its reliance on crude oil. While the balance of payments will significantly improve in 2023, a high CAD, falling yield differential between USD & INR, and an uncertain external environment may continue to put pressure on the USD/INR.

On inflation front, the worst may be behind us, but inflation is still expected to remain sticky, with headline inflation at higher end of the RBI target range of 2%-6% and core inflation ranging between 5.5% and 6%. This is likely to be driven by sustained elevated energy prices, particularly for crude oil, natural gas and commodities. The RBI may continue to face the 'impossible trinity' into first half of 2023 due to all these factors. We expect another 25bps repo rate hike in Feb, followed by a long pause thereafter. Any further rate hikes, if any, may depend on the incoming data and policy actions by Federal Reserve in the US.

Despite the uncertain global environment, we remain optimistic about the Indian economy for 2023. Key events to watched out for include the terminal Fed fund rate, the movement of the US $, escalation/de-escalation of Russia-Ukraine conflict, the Covid situation in China, and the headline global inflation numbers.

APAS Column

What does the global and Indian economy hold for BFSI in 2023?

Amid global uncertainties and waning impact of the pandemic, it was apparently not a smooth run for the economy in 2022. However, the Indian economy is managing to navigate through various challenges and proving its robustness and strong fundamentals once again. The geo-political tensions, high global inflation, steep interest rate hikes in US, and global growth slowdown had their cascading effect on the Indian economy. RBI was on the balancing act - fuelling growth post pandemic and combatting inflation at the same time.

CPI remained above 6% (over the higher threshold tolerance of RBI) for ten consecutive months in 2022 before easing out slightly in November. This was mainly due to food inflation owing to the supply chain issues impacting the food, fuel, as well as transport and communication. RBI had to increase the repo rate four times in a row in 2022 to tame the inflation. The current GDP consensus forecast is 6 per cent for the financial year 2023-24 (FY24).

The Indian rupee was hovering between 79-80 between July and September 2022, protected by RBI. Later in the year, it hit an all-time low against the U.S. dollar, weakening past the 82 rupees to a dollar mark. Oil has been in a comfortable zone for India as it remains below $100. India benefitted from importing crude oil from Russia at below $60 price cap imposed by G7 nations.

Overall, 2022 ended with fears of recession and stagflation across the globe. However, the domestic economic indicators such as IIP and PMI have shown improvement towards the end of the year sustaining all global headwinds. Index for Industrial Production (IIP), a composite indicator that indicates the short-term changes in the volume of production for a basket of industrial products during a given period in comparison to a base period. Standard & Poor's Manufacturing Purchasing Managers' Index (PMI) is a weighted average of indices constituting new orders, output, employment, suppliers' delivery times, and stocks of purchases. It indicates the overall health of the economy and its key economic drivers as exports, capacity utilisation, employment and inventories, among other things. With continuous rate hikes by RBI, inflation has also come down below the 6% threshold and is expected to be under control with increased production, easing of supply side constraints and relatively cheaper crude oil prices. The domestic growth may counter-balance the global slow down challenge and India may see growth above the consensus of 6 percent for FY24.

While these are the broad macro-economic factors at play, they have a strong impact on the Banking and Financial services sector directly and indirectly. The health of the banking sector in 2022 has been encouraging. The asset quality of banks has improved, and the gross NPAs and net NPAs of the banks have improved from the pre-pandemic levels. Also, banks have shored up their capital and are well placed to support credit growth. The hike in deposit rates is expected to encourage deposit mobilization adding to the capital available for credit growth. The commercial bank's credit growth also has picked up in 2022. With production picking up and retail demand remaining resilient, even with a moderation of interest rates margins, we can expect banks to do well in 2023.

Despite rising construction costs and a record hike in the repo rate (in 2022), real estate has seen an upswing in 2022, after a couple of years of stagnation. The stock of unsold inventory has come down and reasonable growth in the asset prices have been seen across various micro markets. Increase in home loan interest rates almost had negligible impact on home sales. This especially is good news for the banks and NBFCs focussed on housing finance. NBFCs have been facing challenges since the default of IL&FS, followed by challenging years of pandemic. However, with sufficient capital buffers, adequate liquidity in the system and sizeable on-balance sheet provisioning, we can expect NBFCs to have a stable year ahead.

APAS
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2023 is likely to be transformative year for insurance with the government and regulators implementing the proposed changes that are expected to bring in more players, foreign capital, innovation and efficiencies in the system. While the macroeconomic factors will have their impact on the life insurance industry in the short run, the increasing awareness, lessons from the pandemic, increased savings and positive changes to the factors linked to insurance such as the credit growth will foster life insurance growth. Health insurance, in particular, has gained momentum post pandemic and is expected to continue with great support from the impending legal and regulatory changes for the sector. The auto sales in 2022 could not meet the demand due to the supply chain disruptions. Auto sales has been high continuously for the last 6 months of 2022 with improvement in chip availability, and despite increasing interest rates, auto sales are expected to sustain the momentum. This is good news for the motor insurers. Further, the insurance industry is going to see more innovative products and new players especially in the digital space.

Indian equities were the second-best performers globally, after Brazil, in 2022. The markets ended on a positive note and optimism in 2022. Domestic benchmarks Nifty 50 and Sensex gained 4.3% and 4.4%, respectively in 2022. Credit Suisse expects the DII flow from insurance (US$ 12bn/year), the Employees' Provident Fund Organization (EPFO) (US$ 7-8bn/year) and Systematic Investment Plans (SIPs) (US$ 18-20bn/year) to sustain, even as non-SIP retail flows continue moderating due to higher rates and improvement in real estate.

Covid years also prompted the BFSI industry to embrace digital solutions in a big way to bring operational efficiencies and transformation. Indian $50 billion fintech is booming and digital payments, the biggest fintech segment is expected to continue with its growth journey in 2023. Fintech start-ups started facing funding challenges in 2022 and this may spill over to 2023 with the global slowdown. Fintech lending space was prone to malpractices and frauds and has drawn the attention of the regulators. Fintech industry is staring at tougher regulatory scrutiny, tighter liquidity and thereby higher cost of capital amid the global slowdown. This could lead to fintech's rethinking their business models or even some consolidation in the industry. However, there is no dearth of demand and opportunities for the fintech's to thrive. Not just thrive but to grow multi-fold.

In a scenario where the global economy is staring at recession, the Indian economy is poised to grow in 2023 and the performance of BFSI sector looks promising.

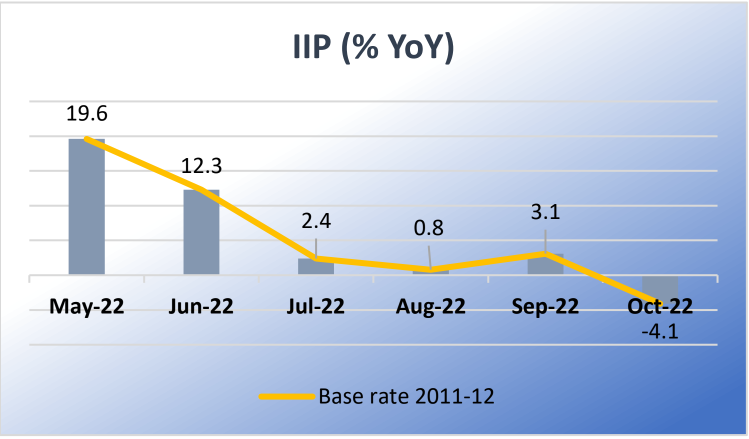
-APAS

ECONOMY

IIP (Index of Industrial Production) – October

Index of Industrial Production (IIP) or factory output recorded a growth of -4.0% in October 2022, as against 3.1 % in September 2022 and 3.2% in October 2021.

For the month of October 2022, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 129.6 showing a downward movement compared to October 2021.



The manufacturing sector, which constitutes close to 77 % of the index, decreased by 5.6% in October, to 128.7.

Mining sector grew by 2.5%, to 112.5. Electricity generation fell by 1.2%, to 169.3.

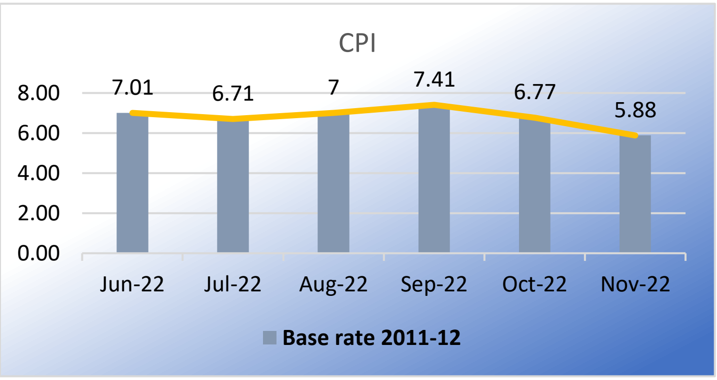
As per Use-based classification, the indices stand at 131.1 for Primary Goods, 87.7 for Capital Goods, 143.1 for Intermediate Goods and 155.1 for Infrastructure/ Construction Goods for the month of October 2022. Further, the indices for Consumer durables and Consumer non-durables stand at 109.7 and 136.9 respectively for the month of September 2022.

Further, the indices for consumer durables and consumer non-durables were at 125.1 and 129.6, respectively.

CPI (Consumer Price Index) – November

India's annual retail price inflation eased to 5.88% in November of 2022, the lowest reading since December last year, well below market forecasts of 6.4% and compared with 6.77% in October.

Cost increased at a softer rate for food (4.67% vs 7.01%), pushed down by an 8% fall in prices for vegetables; and for clothing and footwear (9.83% vs 10.1%). Meanwhile, the housing inflation was little-changed (4.57% vs 4.58%). On the other hand, prices rose faster for fuel and light (10.62% vs 9.93%), pan, tobacco, and intoxicants (2.02% vs 1.87%), and miscellaneous (6.07% vs 5.9%).

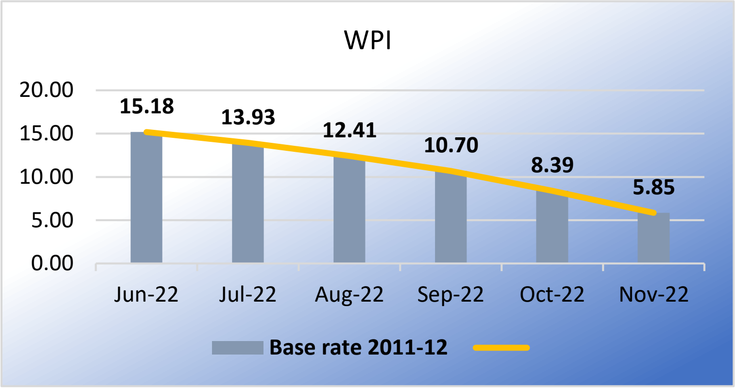


The inflation fell below the upper end of the central bank target of 2-6% for the first time this year but the RBI sees it at 6.7% for the 2022/23 financial year.

WPI (Wholesale Price Index) – November

India Wholesale Price Index (WPI) number is 5.85% (Provisional) for the month of November 2022 (over November, 2021) against 8.39% recorded in October, 2022.

Decline in rate of inflation in November 2022 is primarily contributed by fall in prices of food articles, basic metals, textiles, chemicals & chemical products and paper & paper products as compared to the corresponding month of the previous year.



The month over month change in WPI index for the month of November 2022 stood at (-)0.26% as compared to October 2022.

Prices of Crude Petroleum & Natural Gas (0.29%) and Non-food Articles (0.18%) increased in November 2022 as compared to October 2022. Crude Petroleum & Natural Gas (0.29%) and Non-food Articles (0.18%) increased in November 2022 as compared to October 2022.

The index for fuel and power increased by 2.84% to 159.6 (provisional) in November 2022 from 155.2 (provisional) for the month of October 2022.

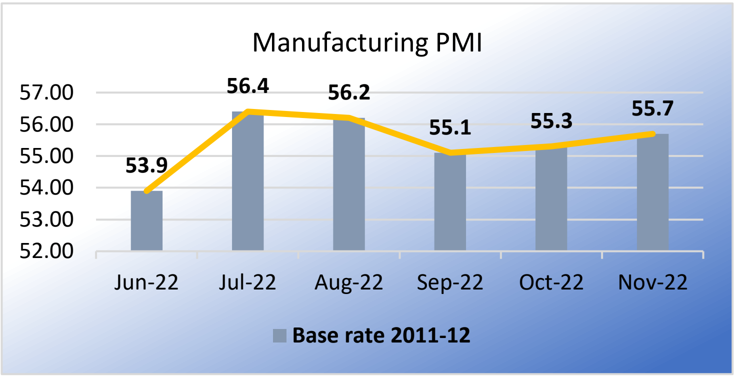
Prices of Mineral Oils (3.61%) and Electricity (2.42%) increased in November 2022 as compared to October, 2022.

The index for manufactured products declined by 0.28% to 141.5 (provisional) in November 2022 from 141.9 (provisional) for the month of October 2022.

Manufacturing PMI – November

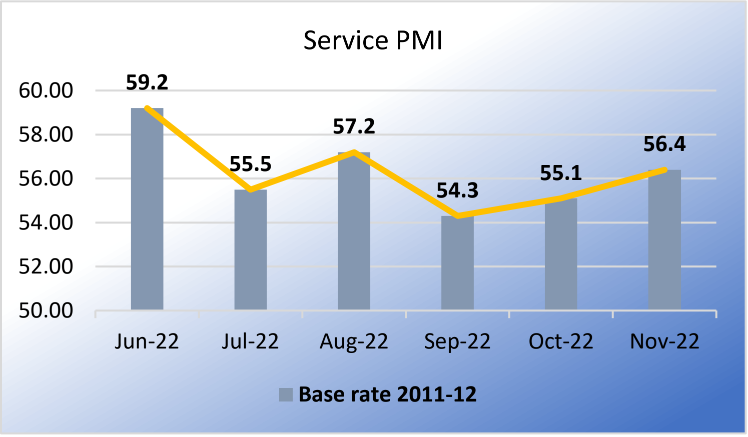
The S&P Global India Manufacturing PMI increased to a three-month high of 55.7 in November 2022 from 55.3 in the prior month, exceeding market estimates of 55.0 and staying above its long-run average of 53.7.

Demand resilience boosted growth, with firms noting the quickest rise in new orders and output for three months. Also, buying levels grew at an accelerated rate as companies sought to benefit from relatively mild price pressures.



Employment rose for the ninth month in a row, while outstanding business went up further despite the rate of accumulation easing. Meantime, vendor performance improved, as suppliers were able to deliver input in a timely manner. On inflation, input prices rose the least in 28 months, well below their long-run figures; while the rate of charge inflation eased to a nine-month low, with the vast majority of panelists keeping their fees unchanged. Finally, sentiment hit its highest in near 8 years, buoyed by optimism that demand would remain strong.

Services PMI – November

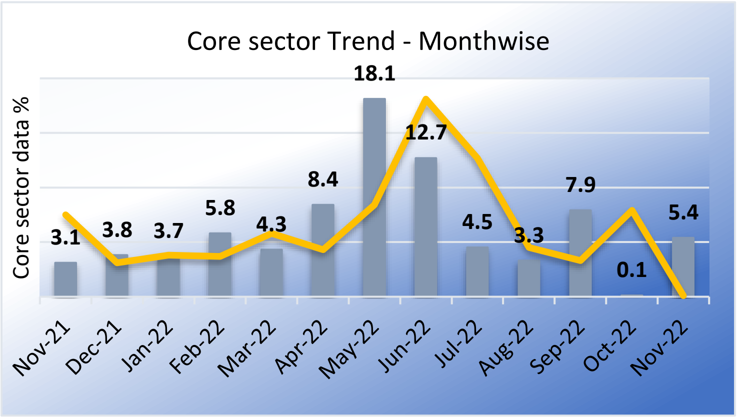


The S&P Global India Services PMI was up to 56.4 in November 2022 from 55.1 in October, exceeding market forecasts of 55.4. The reading pointed to the strongest expansion in the services sector since August, supported by a sharp expansion in output and further job creation. New orders grew, with export orders rising for the first time since the onset of COVID-19 in early-2020.

Meanwhile, employment rose at a solid pace that was among the fastest in over three years, with backlog of work rising at a slower pace.

Regarding inflation, input cost inflation accelerated to the second-fastest since July, while output cost inflation rose the strongest since July 2017, as companies transferred part of their additional cost burdens on to consumers. Finally, business confidence improved.

Core Sector Data – November



The combined Index of Eight Core Industries increased by 5.4 per cent (provisional) in November 2022 as compared to the Index of November 2021. The production of Cement, Coal, Electricity, Steel and Fertilizers increased in November 2022 over the corresponding month of last year. ICI measures combined and individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP). Details of annual and monthly indices and growth rates are provided at Annex I & II respectively.

Final growth rate of Index of Eight Core Industries for August 2022 is revised to 4.2% from its provisional level 3.3%. The cumulative growth rate of ICI during April-November 2022 was 8.0% (provisional) as compared to the corresponding period of last year.

The summary of the Index of Eight Core Industries is given below:

Coal - Coal production (weight: 10.33 per cent) increased by 12.3 per cent in November 2022 over November, 2021. Its cumulative index increased by 17.2 per cent during April to November 2022 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 per cent) declined by 1.1 per cent in November 2022 over November, 2021. Its cumulative index declined by 1.4 per cent during April to November 2022 over the corresponding period of previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) declined by 0.7 per cent in November 2022 over November 2021. Its cumulative index increased by 0.7 per cent during April to November 2022 over the corresponding period of previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 per cent) declined by 9.3 per cent in November 2022 over November, 2021. Its cumulative index increased by 5.7 per cent during April to November 2022 over the corresponding period of previous year.

Fertilizers - Fertilizers production (weight: 2.63 per cent) increased by 6.4 per cent in November 2022 over November 2021. Its cumulative index increased by 10.0 per cent during April to November 2022 over the corresponding period of previous year.

Steel - Steel production (weight: 17.92 per cent) increased by 10.8 per cent in November 2022 over November 2021. Its cumulative index increased by 7.1 per cent during April to November 2022 over the corresponding period of previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 28.6 per cent in November 2022 over November, 2021. Its cumulative index increased by 10.8 per cent during April to November 2022 over the corresponding period of previous year.

Electricity - Electricity generation (weight: 19.85 per cent) increased by 12.1 per cent in November 2022 over November 2021. Its cumulative index increased by 9.7 per cent during April to November 2022 over the corresponding period of previous year.

BANKING

Monetary Policy Statement, 2022-23 Resolution of the Monetary Policy Committee (MPC) December 5-7, 2022

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (December 7, 2022) decided to:

- Increase the policy repo rate under the liquidity adjustment facility (LAF) by 35 basis points to 6.25 per cent with immediate effect.

  Consequently, the standing deposit facility (SDF) rate stands adjusted to 6.00 per cent and the marginal standing facility (MSF) rate and the Bank Rate to 6.50 per cent.

- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

The main considerations underlying the decision are set out in the statement below.

Assessment

Global Economy

2. The global economic outlook is skewed to the downside. Global growth is set to lose momentum as monetary policy actions tighten financial conditions and as consumer confidence weakens with the rising cost of livelihood. Inflation remains elevated and persistent across countries as they grapple with food and energy price shocks and shortages. More recently, however, there are some signs of moderation in price pressures, which have raised expectations of an easing in the pace of monetary tightening. Alongside easing in sovereign bond yields, the US dollar has come off its highs. Capital flows to emerging market economies (EMEs) remain volatile and global spillovers pose risks to growth prospects.

Domestic Economy

3. On the domestic front, real gross domestic product (GDP) increased by 6.3 per cent year-on-year (y-o-y) in Q2:2022-23 after an increase of 13.5 per cent in Q1. On the supply side, gross value added (GVA) rose by 5.6 per cent in Q2.

4. In Q3, economic activity is exhibiting resilience. In the agricultural sector, a pick-up in rabi sowing (6.4 per cent higher than a year ago on December 2) is supported by the good progress of the north-east monsoon and above average reservoir levels. Activity in the industry and services sectors is in expansion mode, as reflected in purchasing managers' indices (PMIs) and other high frequency indicators.

5. Aggregate demand conditions have been supported by pent-up spending and discretionary expenditures during the festival season, although their evolution is somewhat uneven across sectors. Urban demand has remained buoyant, and rural demand is recovering. Investment activity is in modest expansion. Merchandise exports contracted in October after an expansion for 19 consecutive months. Growth in non-oil non-gold imports decelerated.

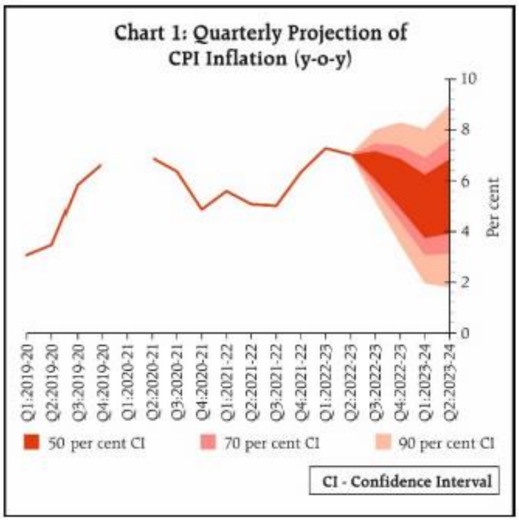
6. CPI inflation moderated to 6.8 per cent (y-o-y) in October 2022 from 7.4 per cent in September, with favourable base effects mitigating the impact of pick-up in price momentum in October. Food inflation softened, aided by easing inflation in vegetables and edible oils, despite sustained pressures from prices of cereals, milk and spices. Fuel inflation registered some easing in October, driven by softening of price inflation in LPG, kerosene (PDS) and firewood and chips. Core CPI (i.e., CPI excluding food and fuel) inflation persisted at elevated levels at 6 per cent, with price pressures across most of its constituent sub-groups.

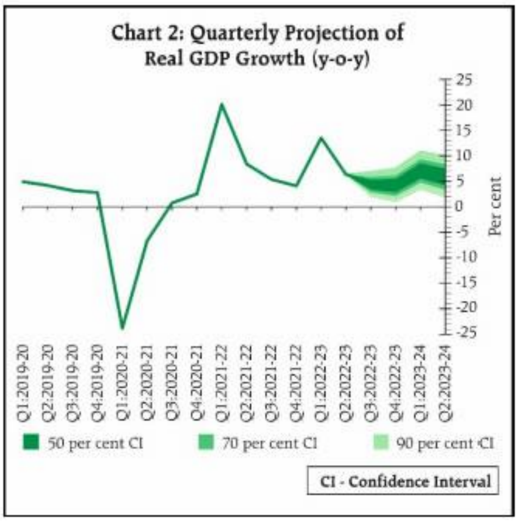
7. The overall liquidity remains in surplus, with average daily absorption under the liquidity adjustment facility (LAF) at ₹1.4 lakh crore during October-November as compared with ₹2.2 lakh crore in August-September. On a y-o-y basis, money supply (M3) expanded by 8.9 per cent as on November 18, 2022 while bank credit rose by 17.2 per cent. India's foreign exchange reserves were placed at US$ 561.2 billion as on December 2, 2022.

Outlook

8. The inflation trajectory going ahead would be shaped by both global and domestic factors. In case of food, while vegetable prices are likely to see seasonal winter correction, prices of cereals and spices may stay elevated in the near-term on supply concerns. High feed costs could also keep inflation elevated in respect of milk. Adverse climate events – both domestic and global – are increasingly becoming a significant source of upside risk to food prices. Global demand is weakening. Unabating geopolitical tensions continue to impart uncertainty to the food and energy prices outlook. The correction in industrial input prices and supply chain pressures, if sustained, could help ease pressures on output prices; but the pending pass-through of input costs could keep core inflation firm. Imported inflation risks from the US dollar movements need to be watched closely. Taking into account these factors and assuming an average crude oil price (Indian basket) of US$ 100 per barrel, inflation is projected at 6.7 per cent in 2022-23, with Q3 at 6.6 per cent and Q4 at 5.9 per cent, and risks evenly balanced. CPI inflation for Q1:2023-24 is projected at 5.0 per cent and for Q2 at 5.4 per cent, on the assumption of a normal monsoon (Chart 1).

9. On growth, the agricultural outlook has brightened, with the prospects of a good rabi harvest. The sustained rebound in contact-intensive sectors is supporting urban consumption. Robust and broad-based credit growth and government's thrust on capital spending and infrastructure should bolster investment activity. According to the RBI's survey, consumer confidence is improving. The economy, however, faces accentuated headwinds from protracted geopolitical tensions, tightening global financial conditions and slowing external demand. Taking all these factors into consideration, the real GDP growth for 2022-23 is projected at 6.8 per cent with Q3 at 4.4 per cent and Q4 at 4.2 per cent, with risks evenly balanced. Real GDP growth is projected at 7.1 per cent for Q1:2023-24 and at 5.9 per cent for Q2 (Chart 2).





10. Inflation has ruled at or above the upper tolerance band since January 2022 and core inflation is persisting around 6 per cent. Headline inflation is expected to remain above or close to the upper threshold in Q3 and Q4:2022-23. It is likely to moderate in H1:2023-24 but will still remain well above the target. Meanwhile, economic activity has held up well and is expected to be resilient, supported by domestic demand. Net exports would remain subdued due to the drag from evolving external demand conditions. Further, the impact of monetary policy measures undertaken needs to be watched. On balance, the MPC is of the view that, further calibrated monetary policy action is warranted to keep inflation expectations anchored, break the core inflation persistence and contain second round effects, so as to strengthen medium-term growth prospects. Accordingly, the MPC decided to increase the policy repo rate by 35 basis points to 6.25 per cent. The MPC also decided to remain focused on

withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

11. Dr. Shashanka Bhide, Dr. Ashima Goyal, Dr. Rajiv Ranjan, Dr. Michael Debabrata Patra and Shri Shaktikanta Das voted to increase the policy repo rate by 35 basis points. Prof. Jayanth R. Varma voted against the repo rate hike.

12. Dr. Shashanka Bhide, Dr. Rajiv Ranjan, Dr. Michael Debabrata Patra and Shri Shaktikanta Das voted to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth. Dr. Ashima Goyal and Prof. Jayanth R. Varma voted against this part of the resolution.

13. The minutes of the MPC's meeting will be published on December 21, 2022.

14. The next meeting of the MPC is scheduled during February 6-8, 2023.

Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Regulation and Supervision; (ii) Payment and Settlement Systems; and (iii) Financial Markets.

I. Regulation and Supervision

1. SLR Holdings in Held to Maturity (HTM) category

The Reserve Bank had increased the limits under Held to Maturity (HTM) category from 19.5 per cent to 23 per cent of net demand and time liabilities (NDTL) in respect of statutory liquidity ratio (SLR) eligible securities acquired on or after September 1, 2020, up to March 31, 2023. This dispensation of enhancement in HTM limit was made available up to March 31, 2023. With a view to enable banks to better manage their investment portfolios, it has been decided to extend the dispensation of enhanced HTM limit of 23 per cent up to March 31, 2024 and allow banks to include securities acquired between September 1, 2020 and March 31, 2024 in the enhanced HTM limit. The HTM limits would be restored from 23 per cent to 19.5 per cent in a phased manner starting from the quarter ending June 30, 2024.

II. Payment and Settlement Systems

2. Enhancements to Unified Payments Interface (UPI) – Processing Mandates with Single-Block-and-Multiple-Debits

Unified Payments Interface (UPI) has emerged as a popular retail payments system for Person to Person (P2P) and Person to Merchant (P2M) transactions. UPI has features which enable processing of mandates for recurring transactions and single-block-and-single-debit functionality. Consequently, over 70 lakh autopay mandates are handled every month, and more than half of Initial Public Offer (IPO) applications are processed using the block feature of UPI. The capabilities in UPI can be enhanced to enable a customer to create a payment mandate against a merchant by blocking funds in his/her bank account for specific purposes which can be debited, whenever needed. This would be helpful for hotel bookings, purchase of securities in the secondary capital market as also purchase of government securities using the RBI's Retail Direct scheme, e-commerce transactions etc. This will build higher degree of trust in transactions as merchants will be assured of timely payments, while the funds remain in the customer's account till actual delivery of goods or services. So RBI, decided to introduce a single-block-and-multiple debits functionality in UPI, which will significantly enhance the ease of making payments in e-commerce space and towards investments in securities. Separate instructions to NPCI will be issued shortly.

3. Expanding the Scope of Bharat Bill Payment System (BBPS) to include all Payments and Collections

Bharat Bill Payment System (BBPS), an interoperable platform operated by NPCI Bharat BillPay Ltd. (NBBL), has been facilitating the bill payment needs of consumers and billers alike. Since its launch in 2017, the Reserve Bank has, from time to time, announced various improvements to this platform like including all categories of billers who raise recurring bills, facilitating in-bound cross-border bill payments, reducing the eligibility criteria for Operating Units (BBPOUs), etc. The volume and value of transactions handled on the platform has been increasing steadily. However, BBPS currently does not enable non-recurring payments or collection requirements of individuals even if they are recurring in nature. Consequently, some categories of payments / collections remain outside the ambit of the BBPS *viz.*, professional service fee payments, education fees, tax payments, rent collections, *etc*. It has, therefore, been decided to expand the scope of BBPS to include all categories of payments and collections, both recurring and non-recurring in nature. This will make the platform accessible to a wider set of individuals and businesses who can benefit from the transparent and uniform payments experience, faster access to funds and improved efficiency. Separate guidelines will be issued to NBBL in this regard.

III. Financial Markets

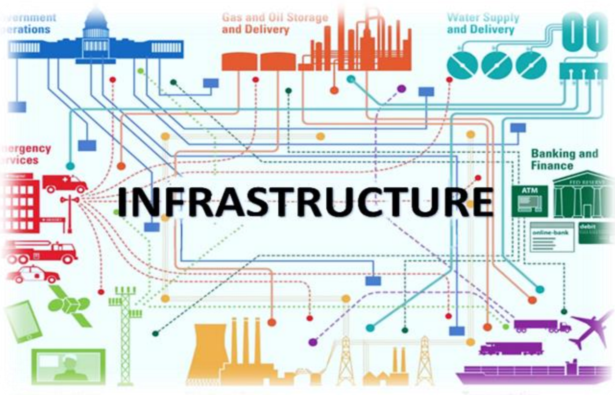
4. Hedging of Gold Price Risk in the International Financial Services Centre (IFSC)

Resident entities in India are currently not permitted to hedge their exposure to gold price risk in overseas markets. With a view to providing greater flexibility to these entities to hedge the price risk of their gold exposures efficiently, it has been decided to permit resident entities to hedge their gold price risk on recognised exchanges in the International Financial Services Centre (IFSC).

INSURANCE

Life Insurers New Business Figures

Insurer	Premium			No. of Policies / Schemes			No. of lives covered under Group Schemes		
	Up to 30th November, 2022	Growth in %	Market Share	Up to 30th November, 2022	Growth in %	Market Share	Up to 30th November, 2022	Growth in %	Market Share
Aditya Birla Sun Life	4626.28	*41.75*	*1.91*	137796	*7.79*	*0.88*	3507915	*189.39*	*2.32*
Aegas Federal Life	512.57	*15.08*	*0.21*	27526	*9.59*	*0.18*	18863	*10.70*	*0.01*
Aegon Life	2.89	*-79.56*	*0.00*	1422	*-77.82*	*0.01*	15117	*-68.90*	*0.01*
Aviva Life	164.73	*5.20*	*0.07*	14554	*21.14*	*0.09*	248186	*29.20*	*0.16*
Bajaj Allianz Life	6512.16	*37.52*	*2.69*	347261	*35.57*	*2.22*	17442230	*2.16*	*11.52*
Bharti Axa Life	561.91	*9.65*	*0.23*	59242	*-11.79*	*0.38*	268803	*-1.67*	*0.18*
Canara HSBC Life	1551.63	*-8.44*	*0.64*	101238	*8.10*	*0.65*	5428804	*44.29*	*3.59*
Edelweiss Tokio Life	250.54	*2.86*	*0.10*	30842	*-8.60*	*0.20*	145970	*-38.86*	*0.10*
Exide Life*	435.65	*NA*	*0.18*	61374	*NA*	*0.39*	144394	*NA*	*0.10*
Future Generali Life	399.51	*65.47*	*0.16*	23110	*15.16*	*0.15*	78040	*25.63*	*0.05*
HDFC Life	15695.62	*10.42*	*6.48*	529291	*-2.41*	*3.39*	38594890	*31.81*	*25.50*
ICICI Prudential Life	9832.11	*10.89*	*4.06*	351266	*-9.64*	*2.25*	27541915	*73.89*	*18.19*
India First Life	1718.28	*5.63*	*0.71*	187401	*24.51*	*1.20*	5268734	*47.50*	*3.48*
Kotak Mahindra Life	4013.03	*28.49*	*1.66*	171422	*5.35*	*1.10*	14204912	*18.11*	*9.38*
Max Life	4607.35	*7.84*	*1.90*	320676	*-6.25*	*2.05*	2408170	*8.02*	*1.59*
PNB Met Life	1790.91	*43.24*	*0.74*	168276	*15.69*	*1.08*	1755747	*5.43*	*1.16*
Pramerica Life	352.75	*106.53*	*0.15*	20472	*22.62*	*0.13*	943597	*59.86*	*0.62*
Reliance Nippon Life	643.15	*-2.19*	*0.27*	95105	*0.01*	*0.61*	109891	*-33.15*	*0.07*
Sahara Life	0.00	*NA*	*0.00*	0	*NA*	*0.00*	0	*NA*	*0.00*
SBI Life	17694.60	*11.65*	*7.30*	1278172	*19.57*	*8.17*	8988650	*40.75*	*5.94*
Shriram Life	643.31	*25.99*	*0.27*	175353	*19.55*	*1.12*	2989290	*27.74*	*1.97*
Star Union Dai-ichi Life	2010.55	*81.84*	*0.83*	116894	*57.69*	*0.75*	3560162	*8.61*	*2.35*
Tata AIA Life	4189.50	*58.48*	*1.73*	370935	*34.51*	*2.37*	700325	*10.91*	*0.46*
Private Total	78209.04	*18.17*	*32.27*	4589628	*11.25*	*29.35*	134364605	*32.31*	*88.76*
LIC of India	164143.27	*43.26*	*67.73*	11046113	*4.95*	*70.65*	17014206	*11.02*	*11.24*
Grand Total	242352.32	*34.07*	*100.00*	15635741	*6.72*	*100.00*	151378811	*29.52*	*100.00*



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Union Minister For Road Transport and Highways inaugurates and lays foundation stone of 8 National Highway projects worth Rs 1800 crore at Igatpuri, Nashik, Maharashtra

Union Minister For Road Transport and Highways Shri Nitin Gadkari inaugurated and laid foundation stone of 8 National Highway projects of 226 km length worth Rs 1800 crore at Igatpuri, Nashik, Maharashtra today in the presence of Union Minister of State Dr. Bharti Pawar, Member of Parliament Dr. Subhash Bhamre, Mr. Hemant Godse, MLAs and officials.

With these highway projects transportation in the district will be accessible and safe, Fuel and time will be saved, as well as pollution will be less. These projects will make it easier for agricultural and handicraft business to reach the local markets, help in connectivity of the rural areas with the cities more accessible, as well as new industries and new employment opportunities will be created through them.

Shri Nitin Gadkari approves upgradation and rehabilitation work of NH-25 in Barmer, Rajasthan worth Rs.235.15 crore

Union Minister for Road Transport and Highways Shri Nitin Gadkari in a series of tweets informed that the upgradation and rehabilitation work of NH-25 Extension to 2-lane with paved shoulder of Ghagaria-Munabao section of District Barmer in Rajasthan has been approved under EPC mode at a cost of Rs.235.15 crore.

NH-25 (Ext.) provides link to Bharatmala road network running parallel to International Border connecting Munabao-Dhanana-Tanot (NH-70). It also connects Munabao to Barmer district headquarters where several military bases are located. He said this national highway is very important from strategic point of view to provide logistics to Munabao (International Border) which is currently single lane

Shri Nitin Gadkari approves Four-laning of NH-753L passing through Jalgaon in Maharashtra and Burhanpur in Madhya Pradesh under Bharatmala project worth Rs 784.35 crore

Union Minister for Road Transport and Highways Shri Nitin Gadkari in a series of tweets informed Four-laning of Shahpur bypass to Muktai Nagar section of NH-753L passing through Jalgaon in Maharashtra and Burhanpur district in Madhya Pradesh has been approved at HAM under Bharatmala project at a cost of Rs 784.35 crore.

The four-laning of the entire road from Boregaon Buzurg to Muktai Nagar, the traffic going from Indore to Chhatrapati Sambhaji Nagar (Aurangabad) will be diverted through this route.

452 Railway projects of total length 49,323 Km, costing approx. Rs 7.33 lakh crore are in different stages of planning/sanction/execution

Across Indian Railways, 452 Railway projects (183 New Line, 42 Gauge Conversion and 227 Doubling) of total length 49,323 Km, costing approx. Rs 7.33 lakh crore are in different stages of planning/sanction/execution, out of which 11,518 Km length have been commissioned and an expenditure of approx. 2.35 lakh crore has been incurred up to March 2022.

CAPITAL MARKETS

SEBI publishes Consultation Paper on strengthening the Investor Grievance Redressal Mechanism in the Indian Securities Market by harnessing Online Dispute Resolution mechanisms

As part of its endeavour to further enhance the protection of investors, SEBI proposes to strengthen the Investor Grievance Redressal Mechanism in the Indian Securities Market by harnessing Online Dispute Resolution mechanisms. SEBI has published a Consultation Paper on the same.

Presently, in case an investor has a grievance, she may lodge a complaint with the concerned intermediary, Market Infrastructure Institution (MII) or SCORES, for resolution. If the investor is not satisfied with the resolution, she may opt for MII administered mediation and/or arbitration for resolution of the complaint, for specific intermediaries.

In order to streamline and strengthen the mediation and arbitration process in the Indian Securities Market, the following proposals are being considered:

(1) Strengthening the existing MIIs administered mediation and arbitration mechanism, by making these processes more accessible and effective:

a. By suggesting that these processes are conducted online on an end-to-end basis using the capacity, technology, and other assistance of online dispute resolution institutions.

b. By modifying these processes for the benefit of the investor.

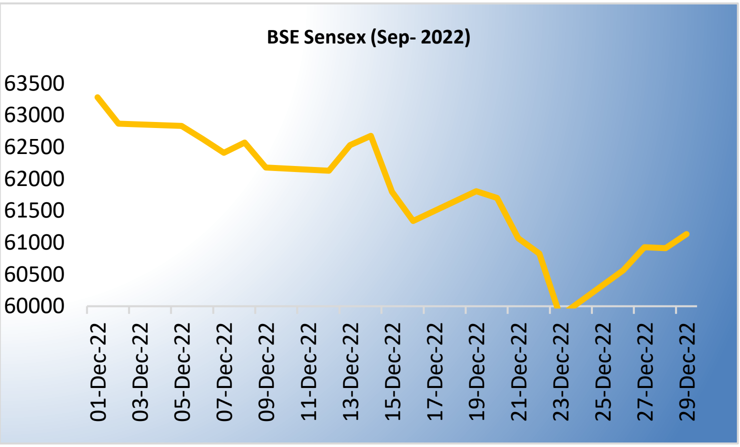
(2) Extending the MIIs administered mediation and arbitration mechanism as modified above for resolution of investor/client grievances in respect of all specified securities market intermediaries. This will make the grievance redressal process more simplified, streamlined and efficient for the investors.

A consultation paper elaborating the proposals (mentioned at points 1 and 2 above), has been uploaded on the SEBI website for seeking inputs from the public.

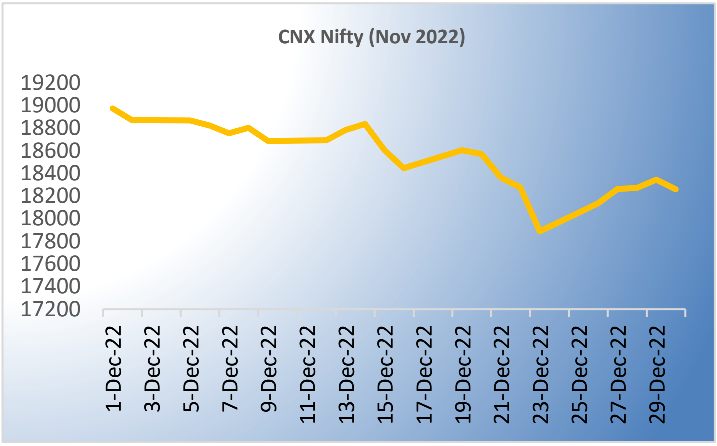
SEBI Board Meeting

The SEBI board meeting was held on 20th December 2022 in Mumbai the Minutes of the meeting are uploaded on the SEBI website.

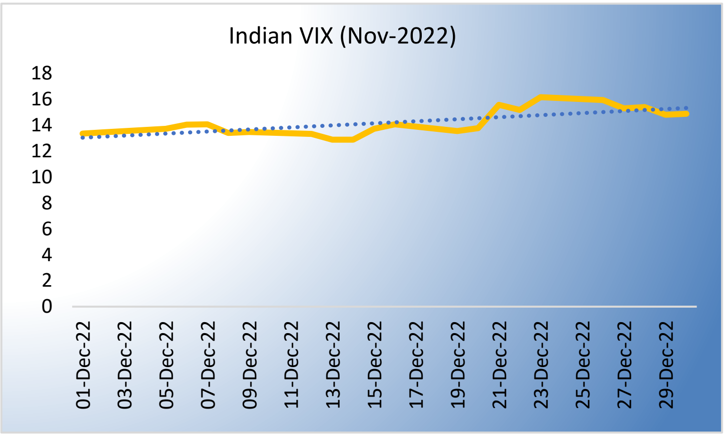
CAPITAL MARKETS SNAPSHOT



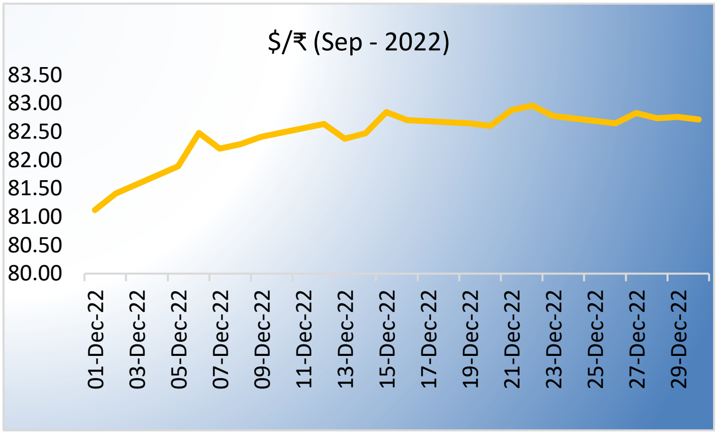
Source: Bombay Stock Exchange



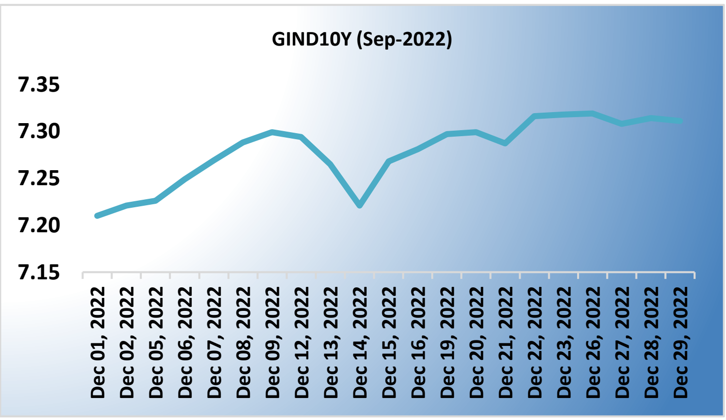
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

Indian equity market gave negative returns in December 2022 on a month-on-month basis, even though it advanced 3 percent in the last week of 2022 and snapped 3-week losing streak. In the previous month, the equity benchmarks lost 3.5 percent each, while in November, Sensex gained 3.87 percent and Nifty climbed 4.14 percent. Broader indices also ended the month on negative note with BSE Midcap, Small cap and Large cap indices fell 2.4 percent, 2 percent and 3.4 percent during the pe. Market started December on a strong note, amid hopes of smaller interest rate hikes by the US Federal Reserve going ahead. On December 1, the 30-pack Sensex and the broad-based Nifty scaled their lifetime highs of 63,583.07 and 18,887.60 respectively. However, by the end of the month, they dropped 4 percent each from their respective highs.

ECONOMIC DATA SNAPSHOT

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2022*	Latest	2022*	% of GDP, 2022*	% of GDP, 2022*	(10YGov), Latest
Brazil	3.6 Q3	2.8	5.9 Nov	9.3	-3.0	-4.7	13.3
Russia	- 3.7 Q3	-2.3	12.0 Nov	13.2	12.3	-1.1	10.3
India	**6.3 Q3**	**6.9**	**5.9 Nov**	**6.5**	**-2.7**	**-6.4**	**7.3**
China	3.9 Q3	3.1	1.6 Nov	2.0	2.4	-5.6	2.6
S Africa	4.1 Q3	1.9	7.7 Nov	6.9	-1.3	-5.5	10.0
USA	1.9 Q3	1.9	7.1 Nov	8.1	-3.5	-5.5	3.7
Canada	3.9 Q3	3.1	6.8 Nov	6.7	-0.2	-2.3	3.1
Mexico	4.3 Q3	2.8	7.8 Nov	7.9	-1.0	-2.5	8.9
Euro Area	2.3 Q3	3.1	10.1 Nov	8.4	1.3	-4.2	2.3
Germany	1.3 Q3	1.6	8.6 Dec	8.4	4.1	-4.1	2.3
Britain	1.9 Q3	4.4	10.7 Nov	8.0	-5.9	-6.6	3.8
Australia	5.9 Q3	3.7	7.3 Q3	6.4	2.0	-1.9	3.9
Indonesia	5.7 Q3	5.1	5.5 Dec	4.2	1.1	-3.9	7.0
Malaysia	14.2 Q3	7.5	4.0 Nov	3.4	1.5	-6.0	4.0
Singapore	2.2 Q4	3.5	6.7 Nov	6.1	18.7	-1.0	3.0
S Korea	3.1 Q3	2.6	5.0 Dec	5.1	1.2	-3.1	3.6

Sources: The Economist

***** The Economist poll or Economist Intelligence Unit estimate/forecast.**
^ 5-year yield

Quarter represents a three-month period of a financial year beginning 1st April

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ABOUT APAS

APAS is a management advisory firm specializing in banking, financial services, and the insurance space. APAS assists business leaders of some of the leading domestic and global organizations, acting as an extended arm to the management in coping with the ever changing internal and external dynamics. Leveraging deep business insights APAS develops business and operational strategy for its clients. APAS provides transaction advisory services (Buy, sell and merge), and also specializes in governance and board training. APAS facilitates investors and sellers with directional guidelines of pursuing transactions, by utilizing subject knowledge, vast experience and deep market outreach. APAS has capability to identify and analyze key transaction drivers, recognize possible partnerships, and initiate discussions with them for possible growth opportunity. We help major insurance companies, payment institutions, and other financial organizations to identify their growth potential, innovative opportunity and possible benefits of consolidation, and hence comprehend the possible merger or acquisition. Buying or selling a major asset or a business, undertaking a merger, or performing an IPO can be risky and complex especially in this globalization era. Hence, the need of a trusted advisor who can help clients preserve, create and enhance value in transactions.

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