

**भारतीय रिज़र्व बैंक**
RESERVE BANK OF INDIAवेबसाइट : www.rbi.org.in/hindiWebsite : www.rbi.org.inई-मेल/email : helpdoc@rbi.org.in

संचार विभाग, केंद्रीय कार्यालय, एस.बी.एस.मार्ग, फोर्ट, मुंबई-400001

Department of Communication, Central Office, S.B.S.Marg, Fort, Mumbai-400001

फोन/Phone: 022- 22660502

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RBI Bulletin - December 2021

The Reserve Bank of India today released the [December 2021](#) issue of its monthly Bulletin. The Bulletin includes [Governor's Statement](#); [Monetary Policy Statement, 2021-22 Resolution of the Monetary Policy Committee \(MPC\) December 6-8, 2021](#); [Statement on Developmental and Regulatory Policies](#); two speeches; four articles; and current statistics.

The four articles are: [I. State of the Economy](#); [II. Government Finances 2021-22: A Half-Yearly Review](#); [III. What Ails India's Apparel Exports?](#); and [IV. Coal Supply-Demand Situation and Implications](#);

I. State of the Economy

The global economy remains hostage to heightened uncertainty, with Omicron sparking fresh containment measures. The Indian economy bounced back strongly in Q2:2021-22, with GDP surpassing its pre-pandemic levels, and inflation broadly aligning with the target. A host of incoming high frequency indicators are looking upbeat and consumer confidence is gradually returning. Aggregate demand conditions point to sustained recovery, *albeit*, with some signs of sequential moderation. On the supply front, farm sector situation remains strong with impressive progress of *Rabi* sowing, while the manufacturing and services record strong improvement on strengthening demand conditions and surge in new business.

II. Government Finances 2021-22: A Half-Yearly Review

The article, fourth in the series, presents a mid-year review of government finances – Centre, State and Combined, at a quarterly frequency.

Highlights

- Government finances have shown remarkable resilience to the second wave of the pandemic. Tax collections have surpassed expectations, with all the major tax heads of Centre registering a robust growth in H1:2021-22. States' tax collections have also exhibited a strong growth and reached the pre-pandemic levels in H1:2021-22.
- Despite the additional spending burden, government expenditure has broadly remained aligned with the budget estimates with a marked improvement in the quality of expenditure.

- Going forward, while tax revenues are expected to remain buoyant, the general government fiscal deficit, which remained subdued in H1:2021-22, allows space for a pick-up in expenditure in the second half of the current fiscal year to support and sustain the recovery in growth.

III. What Ails India's Apparel Exports?

India has traditionally enjoyed a comparative advantage in the textile sector, including apparels, and they constitute a major chunk of India's export basket. However, over the last few years, near stagnation in India's textile exports, particularly in apparel exports, has been witnessed. This article analyses the role of tariff regimes of the destination country in directing the exports of apparels from major suppliers including India.

Highlights

- India's apparel exports to EU, which is the largest market for apparel exports, have stagnated in the last decade while other countries like Bangladesh, Vietnam and Cambodia have witnessed robust growth.
- Preferential tariff treatments in form of EBA (Everything But Arms) have been a major contributory factor for rapid growth of apparel exports from Bangladesh and Cambodia, especially after relaxation of input sourcing norms in 2011.
- Robust growth of apparel exports by Vietnam to EU despite facing similar tariff structure reflects some underlying issues being faced by the apparel exporters in India.

IV. Coal Supply-Demand Situation and Implications

This article analyses the recent demand-supply mismatches experienced by the coal sector in India owing to global and domestic factors. Coal being an important input for thermal power and some other important industries, its timely and adequate supply is imperative. With the government's efforts, coal shortage has eased in recent weeks.

Highlights

- The demand-supply balance of coal especially in the case of thermal power sector has worsened in the last few months, owing to both disruption in domestic supply and lower imports.
- Water logging in coal bearing areas due to heavy rains in the month of September and early October hindered dispatches from coal mines; lower coal imports due to surge in international coal prices also contributed to the demand supply mismatch.
- The government has ramped up coal supply to build sufficient stocks at thermal power plants and the situation has eased considerably in recent weeks.

- With the upturn in energy demand, global coal demand also surged in 2021 as it constitutes a substantial part of total world energy consumption.
- In the medium to long term, increased transition to green sources of energy will reduce India's dependence on coal and help meet India's commitment made at COP26 in Glasgow.

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(Yogesh Dayal)
Chief General Manager