

Fortnightly Macro Tracker

08 March, 2023

Economic activity slows marginally; watchful on rural recovery

Economic indicators slowed somewhat in the second fortnight of Feb'23, which may be partially attributed to lower number of working days. Urban unemployment eased marginally to 8% while rural unemployment moderated to 7.3% from 7.6% in the previous fortnight. Vehicle registrations slowed from the previous fortnight, but remained above the average run-rate. Retail sales of vehicles increased by 16% YoY in Feb'23, according to the Federation of Automobile Dealers Association (FADA). The association said this growth was driven by strong wedding season demand, softening in chip shortages and new launches by automakers ahead of the festive season. Power generation slowed from the previous fortnight, but was up by 9% YoY in Feb'23. Bank credit growth slowed at the margin to 16.1% YoY, but remained healthy. Air traffic growth moderated from the previous fortnight, but was above the average run-rate. Rail freight and rail passenger traffic moderated below the average run-rate as was the case with the use of credit cards at Point of Sales and E-commerce platforms. Toll collections and UPI payments moderated but remained above the average run-rate. Foreign Portfolio Investors (FPIs) sold Indian equities worth ~US\$0.6bn even as India VIX eased. Domestic Institutional Investors (DIIs) pumped in US\$1.4bn into equities. Anecdotal evidence suggests mixed trends in inflation although raw material prices have largely eased. There are also some signs of rural consumption recovering, but we remain watchful about weather trends.

Anecdotal evidence and commentary: Taking into account the sales of several consumer product firms, private consumption in India has picked up marginally in the first two months of 2023 compared to the same period in 2022. Outlook for the upcoming quarters is positive as commodity prices taper off and rural incomes to increase, according to the CEOs of various consumer companies. Demand for the Fast-Moving Consumer Goods (FMCGs) increased last month across India, as kirana stores stocked up their shelves in anticipation of a sizzling summer, according to data released by retail intelligence firm Bizom. Prices of a number of consumer goods (including packaged foods and dairy products), refrigerators, air conditioners (ACs) and personal care products are expected to rise by up to 10% with companies passing on some input price increases and the impact of INR depreciation. However, top company executives have stated that the proposed price increases of 3-10% over the next 1-2 months will still be one of the lowest in the last two years when inflation had shot up to record levels. As a result, they do not expect these price actions to have any significant impact on consumption when overall inflation is softening. According to them, companies have been mostly absorbing rising input prices and import-related expenses to support demand. The government's wheat procurement is likely to be at normal levels of ~30-40mn tonnes in 2023-24, according to FCI Chairman Mr Ashok K Meena. The Chairman also said that the rise in temperatures is unlikely to have any adverse impact on the wheat crop. The Solvent Extractors' Association of India has sought the Centre's immediate intervention as mustard prices have fallen below the Minimum Support Price (MSP). According to the Retailers Association of India (RAI), mall rents have increased by 15% YoY owing to the increase in demand for retail leasing. Banks are now focusing on unsecured retail loans in order to protect margins, which have been affected by rising deposit rates. The risk on unsecured retail loans is relatively low due to plenty of information available from credit bureaus, according to experts quoted in a media report. Average yield on unsecured loans is 13-14% compared to 9-10% for secured retail loans. Hiring in the information technology (IT) sector grew by 9% sequentially in Feb'23. The growth signals a comeback after a hiring slowdown in the past few months.

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	30-Aug-22	15-Sep-22	30-Sep-22	15-Oct-22	30-Oct-22	15-Nov-22	30-Nov-22	15-Dec-22	30-Dec-22	15-Jan-23	30-Jan-23	15-Feb-23	28-Feb-23
CMIE unemployment urban rate -30 day ma(%)	9.7	8.1	7.7	7.5	7.2	7.9	9.0	9.7	10.3	9.3	8.6	8.2	8.0
CMIE unemployment rural rate -30 day ma (%)	7.6	6.6	5.9	8.1	7.8	6.6	7.7	8.5	7.5	6.7	6.5	7.6	7.3
Vehicle registrations (mn.units)	1.0	0.7	0.6	0.8	1.0	1.2	1.4	0.8	0.7	0.8	0.8	1.4	0.9
Bank credit growth (%YoY)	15.3	15.5	16.2	17.9	17.9	17.0	17.2	17.5	17.4	14.9	16.5	16.3	16.1
Electricity generation (mega units)	64524	62449	57594	55376	54240	53852	54669	54300	61310	58079	60703	58420	52769.4
Domestic air traffic (person mn)	4.9	4.4	4.2	4.8	5.4	5.8	5.9	6.2	6.7	6.0	6.5	6.2	5.2
Rail Passenger traffic (person mn)	34.1	32.6	31.3	26.5	28.9	33.6	30.5	29.6	30.1	22.0	32.2	32.9	27.4
Rail freight traffic (metric tonnes)	62.2	59.1	58.1	53.6	63.2	61.0	63.1	63.3	69.3	64.8	70.8	67.1	58.6
Toll collection (Unit mn)	139.4	129.9	129.3	136.0	147.0	141.9	143.8	148.2	159.8	141.8	159.1	152.1	136.3
UPI payments (INR bn)	5353.9	5829.2	5335.2	6193.1	5922.8	6292.6	5613.3	6630.6	6189.1	6640.1	6350.5	7050.4	5,308.1
Credit Card - PoS (INR bn)	166.0	159.2	160.2	176.7	237.5	171.6	176.8	175.3	187.5	180.0	194.0	185.6	152.9
Credit Card -E-commerce (INR bn)	281.3	293.6	374.4	317.2	299.0	299.4	293.0	338.2	328.3	343.3	363.0	366.6	274.9
FPI - equity (US\$bn)	1.8	1.0	-2.6	-0.8	1.8	2.7	2.0	0.2	-0.4	-1.9	-1.8	0.1	-0.6
FPI - debt (US\$bn)	0.3	0.2	0.0	0.0	-0.3	0.0	0.1	-0.3	0.1	0.0	0.6	0.1	0.0
DII flow (US\$bn)	-0.3	-0.4	2.1	1.0	0.1	-0.8	0.0	1.1	1.8	1.6	2.5	0.9	1.4
India VIX (average)	18.5	18.7	20.4	19.8	17.0	15.5	14.1	13.5	15.0	15.0	15.1	14.1	13.9

Red- Negative, Amber-Watch, Blue-Neutral, Green-Positive;

Source: Nirmal Bang Institutional Equities Research, Google-mobility report, CMIE, Reserve Bank of India, Government of India, CEIC, Bloomberg.

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