

Fortnightly Macro Tracker

India Economy | Update

June 25, 2023

Economy in steady state

Key Points

- Economic indicators remain in a steady state, but some softening has been seen in vehicle registrations, rail freight traffic and toll collections - all of which have fallen below the 6-month average run-rate
- Kharif sowing is down marginally by 4.5% YoY due to the late arrival of monsoon, but companies continue to see gradual rural recovery
- Formal sector employment has seen some improvement and healthy prospects are seen for 2QFY24 despite moderation over the past two quarters
- In financial markets, DIIs remained on the side lines while FPIs bought Indian equities worth US\$1.5bn in the first fortnight of June'23, down from US\$2.5bn in the previous fortnight

Economic indicators in steady state: Overall economic indicators remain in a steady state. Bank credit growth remained steady at 15.4% YoY. Air passenger traffic, use of credit cards at point of sale and electricity generation moderated from the previous fortnight, but remained above the 6-month average run-rate. Rail passenger traffic, UPI transactions and use of credit cards for E-commerce transactions improved from the previous fortnight and remained above the average run-rate. Gross direct tax collections grew by 12.7% YoY as of 17th June while advance tax collections were up by 13.7% YoY. Bank deposits rose by ~3.26 trillion to ~187.02 trillion in the fortnight ended June 2, 2023 as money returned to the banking system following the RBI's decision to withdraw Rs2,000 notes from circulation.

Kharif sowing is down by 4.5% YoY but rural recovery is on track: As of June 23, Kharif sowing was down by only 4.5% YoY while area under pulses was up by ~3% YoY, led by Moong. Rice sowing declined by 34.5% YoY while Soyabean sowing was down by 36% YoY. Demand for motorcycles and scooters - which has remained weak in the last few years due to rising acquisition costs and the adverse economic impact of Covid-19 - has started picking up, propelled by a turnaround in consumer sentiments in the rural markets, reported *The Economic Times*. "We saw good momentum this marriage season and feel that the upcoming festive period will be better," said Ranjivjit Singh, chief growth officer of Hero MotoCorp. "There is no immediate impact of El Nino on rural demand," said Mohit Malhotra, chief executive of Dabur India. "Rural demand, for us, has already started showing a recovery, and with inflation softening, we expect rural recovery to gain momentum in the coming quarters."

Formal labour markets see improvement: Labour markets recovered sharply and fresh formal job creation hit a 4-month high in April'23, according to data released by the Employee Provident Fund Organisation (EPFO). The number of new monthly subscribers under EPF increased by 11.8% MoM. 49% employers covered in the latest Manpower Group Employment Outlook survey said they would hire more people in the September'23 quarter while 13% said they expected a fall in hiring intent or had no plans to backfill. About 34% planned to keep workforce levels steady and 4% were unsure of hiring intentions.

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Key Macro Forecasts

Particulars	FY22	FY23E	FY24F
GDP (% YoY)	9.1	7.2	6.0
GVA (% YoY)	8.8	6.9	5.9
Agriculture (% YoY)	3.5	4.0	4.0
Industry ex. construction (% YoY)	10.5	2.4	5.4
Services inc. construction (% YoY)	9.6	9.5	6.6
CPI (average)	5.5	6.7	5.0
WPI (average)	13.0	9.6	1.0
Interest rates-Repo (Fiscal year end)	4.00	6.50	6.00
Fiscal deficit (% of GDP)	6.7%	6.4%	6.2%
Current account balance (% of GDP)	-1.2%	-2.0%	-1.5%
INR/USD (Average)	74.4	80.6	83.0
10 year yields (average)	6.5	7.4	7.0
Crude oil price (US\$ /bbl average)	78.1	95.3	75.0

Source : CSO, CEIC, Nirmal Bang Institutional Equities

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Exhibit 1: Economy in steady state

	15-Jan-23	30-Jan-23	15-Feb-23	28-Feb-23	15-Mar-23	30-Mar-23	15-Apr-23	30-Apr-23	15-May-23	30-May-23	15-Jun-23
Vehicle registrations (mn.units)	0.8	0.8	1.4	0.9	0.8	1.1	0.7	0.9	0.9	1.4	0.8
Bank credit growth (%YoY)	14.9	16.5	16.3	16.1	15.5	15.7	15.0	15.9	15.5	15.4	15.4
Electricity generation (mega units)	58079	60703	58420	52769	59430	60427	60596	63062	59096.2	67518	64242
Domestic air traffic (person mn)	6.0	6.5	6.2	5.2	6.4	6.6	6.4	6.5	6.4	6.8	6.4
Rail Passenger traffic (person mn)	22.0	32.2	32.9	27.4	32.2	34.1	28.5	28.9	30.5	22.3	30.2
Rail freight traffic (metric tonnes)	64.8	70.8	67.1	58.6	66.7	75.8	66.0	66.4	65.5	70.2	63.0
Toll collection (Unit mn)	141.8	159.1	152.1	136.3	146.8	199.3	151.2	153.8	161.0	174.0	147.2
UPI payments (INR bn)	6640.1	6350.5	7050.4	5,308.1	7235.6	6,813.9	7530.0	6,625.1	7670.1	7230.0	7903.6
Credit Card - PoS (INR bn)	180.0	194.0	185.6	152.9	187.6	250.4	193.1	199.2	206.0	202.4	195.2
Credit Card -E-commerce (INR bn)	343.3	363.0	366.6	274.9	378.1	472.7	341.3	342.4	388.3	364.4	393.1
FPI - equity (US\$bn)	-1.9	-1.8	0.1	-0.6	1.9	-0.1	0.9	1.0	2.5	2.5	1.5
FPI - debt (US\$bn)	0.0	0.6	0.1	0.0	-0.3	0.0	0.0	-0.2	-0.1	0.6	0.1
DII flow (US\$bn)	1.6	2.5	0.9	1.4	1.5	2.2	-0.3	0.6	-0.5	0.1	0.1
India VIX (average)	15.0	15.1	14.1	13.9	13.8	14.9	12.2	11.7	12.5	13.3	11.2

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

Source: Nirmal Bang Institutional Equities Research, Reserve Bank of India, Government of India, CEIC, Bloomberg.

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