

# Fortnightly Macro Tracker

India Economy | Update

March 11, 2024

## Some moderation in activity seen

### Key Points

- Most economic indicators were down from the previous fortnight, except for bank credit, which held up. While lower number of working days in the second fortnight of Feb'24 may partially be responsible for the moderation, we remain watchful.
- FPI flows into Indian equities picked up after declining in the past two quarters even as India VIX continued to edge up.
- Amid rural sluggishness, UP has been an outlier with the state recording growth in Tractor sales even as Western and Southern states have witnessed sharp declines. The outlook for Rabi crop seems good.
- Apparel retailers are crimping on discounts and are instead focussing on premiumisation and margins amid weak sales.

**Economic indicators see moderation:** Motor Vehicle registrations saw a marginal improvement from the previous fortnight, but remained below the 6-month average run-rate. Electricity generation, domestic air traffic and toll collections moderated from the previous fortnight and remained below the 6-month average run-rate. Payment indicators, including UPI payments and use of credit cards at PoS & for E-commerce moderated from the previous fortnight and slipped below the 6-month average run-rate. India VIX remained elevated and stood above the 6-month average run-rate. FPIs bought US\$1.1bn in Indian equities in the second fortnight of Feb'24 while DIIs bought US\$1.2bn in Indian equities. FPI flows into debt moderated and stood at US\$0.7bn.

**Tractor sales declined in West and South India; UP an outlier:** Maharashtra saw a 33% YoY drop in Tractor sales for 9MFY24 while they declined by 21% YoY in Karnataka and 36% YoY in Telangana. This was the sharpest decline ever in these states. A 4% YoY decline in Madhya Pradesh, the second largest Tractor market after UP in volume terms, also pulled down the average. However, the overall numbers were shored up by the 6% YoY jump in UP Tractor sales. The discontinuation of incentives by some state governments has also affected demand apart from a weak crop cycle. Till March'23, farmers in Maharashtra were getting Rs0.125mn as subsidy for buying tractor, which took care of the down payments, according to dealers. Similarly, in Telangana, the end of the Dalit Bandhu scheme which had provided a grant of Rs1mn to those eligible affected demand (*The Economic Times*).

**Apparel retailers trim discounts to focus on margins:** Leading Fashion & Apparel retailers are reducing discounts even as demand continues to be subdued to focus on margins. Inventory is also much lower than earlier on account of cautious procurement in the last 2-3 quarters. "We recognized that in this market situation, it would be a sharper strategy to stay tight on discounts, manage for profitability, which is what we have done. So, we were able to make the most of the footfalls, which came into the stores, which was linked with the premiumization strategy," said Ashish Dikshit of Aditya Birla Retail. Arvind Fashions, which sells brands like Arrow, Calvin Klein and Tommy Hilfiger, too has rationalized discounting across its stores (*The Economic Times*).

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### Key Macro Forecasts

Particulars	FY23	FY24F	FY25F
GDP (% YoY)	7.2	7.5	6.2
GVA (% YoY)	7.0	6.9	6.1
Agriculture (% YoY)	4.0	1.7	3.5
Industry ex. construction (% YoY)	2.4	8.9	5.5
Services inc. construction (% YoY)	9.5	7.5	6.9
CPI (average)	6.6	5.4	4.8
WPI (average)	10.0	-0.8	2.5
Interest rates-Repo (Fiscal year end)	6.50	6.50	6.0
Fiscal deficit (% of GDP)	6.4	6.1	5.5
Current account balance (% of GDP)	-2.0	-1.3	-1.3
INR/USD (Average)	80.3	83.0	84.6
10 year yields ( average)	7.35	7.20	7.0
Crude oil price (US\$ /bbl average)	95.0	80.0	75.0

Source : CSO, CEIC, Nirmal Bang Institutional Equities

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## Exhibit 1: Economic activity sees some moderation

	30-Sep-23	15-Oct-23	31-Oct-23	15-Nov-23	30-Nov-23	15-Dec-23	31-Dec-23	15-Jan-24	31-Jan-24	15-Feb-24	29-Feb-24
Vehicle registrations (mn.units)	0.9	0.7	1.1	1.9	1.5	1.0	0.8	1.0	1.4	0.9	1.0
Bank credit growth (%YoY)	15.3	14.7	15.2	15.9	16.2	16.4	15.8	15.6	16.0	16.1	16.3
Electricity generation (mega units)	63368.6	65870	68000	58739.9	56312.8	53689.3	62011.9	60012.8	67465.7	61452.3	56836.4
Domestic air traffic (person mn)	6.2	6.2	6.4	5.9	6.8	6.2	6.7	6.4	6.8	6.6	6.2
Rail Passenger traffic (person mn)	31.5	32.9	30.6	29.9	26.9	-	-	-	-	-	-
Rail freight traffic (metric tonnes)	62.4	62.0	69.2	64.5	61.5	-	-	-	-	-	-
Toll collection (Unit mn)	148.3	151.7	168.0	152.3	168.5	163.3	184.7	157.8	173.6	167.2	156.2
UPI payments (INR bn)	7309.8	8821.4	8,336.3	9516.7	7,880.7	9425.6	8,803.9	9505.9	8,905.0	10132.8	8145.9
Credit Card - PoS (INR bn)	184.0	213.0	231.3	251.0	196.5	212.0	222.3	219.7	220.0	216.3	192.4
Credit Card -E-commerce (INR bn)	336.2	568.0	450.5	454.7	387.0	460.6	409.0	465.6	463.2	474.6	351.0
FPI - equity (US\$bn)	-1.8	-0.8	-1.9	0.1	2.2	5.2	1.8	0.4	-3.5	-0.7	1.1
FPI - debt (US\$bn)	0.1	0.5	0.3	1.2	0.5	1.4	1.0	1.2	1.4	1.7	0.7
DII flow (US\$bn)	1.2	1.4	2.0	1.1	0.6	0.4	1.2	-0.2	3.5	1.9	1.2
India VIX (average)	11.3	11.1	11.1	11.2	12.0	12.8	14.4	13.5	14.7	15.4	15.7

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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