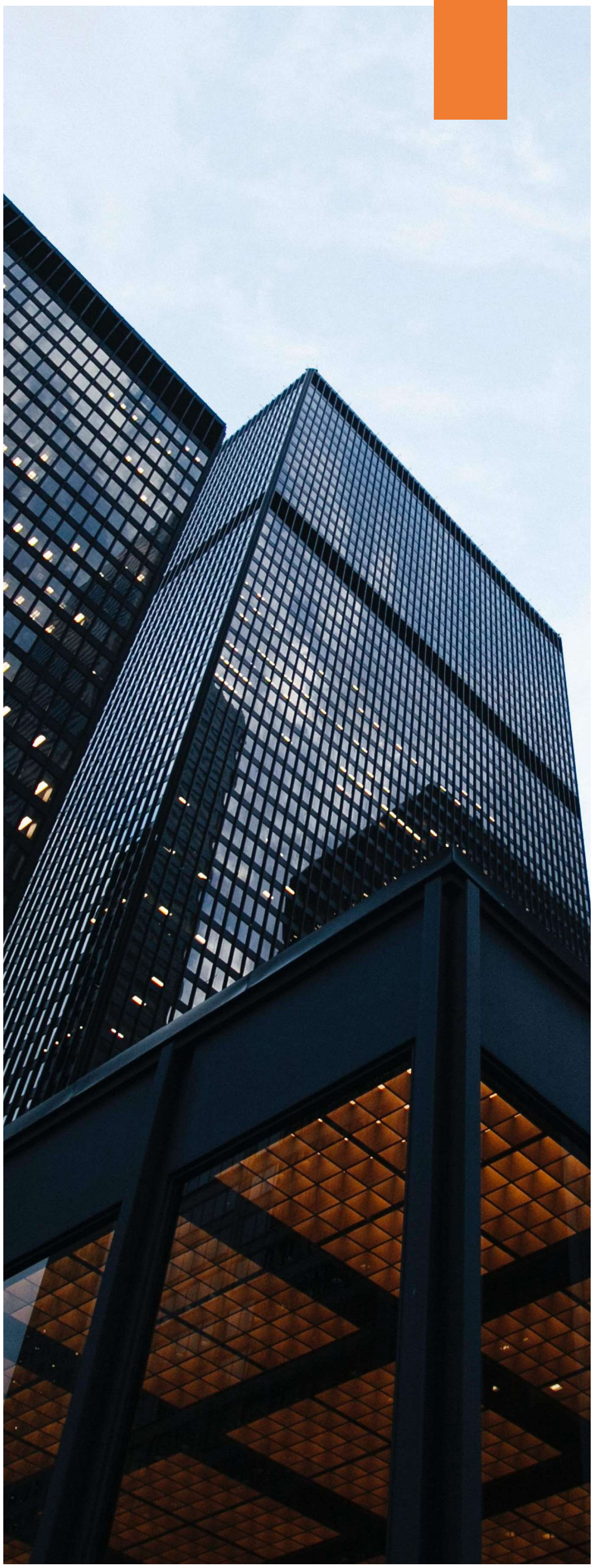


TruBoard Partners

TruQuest

MACRO WATCH

UPDATE ON DATA TRENDS

FEBRUARY 2022

Macro Heat Map

		Jan'22*	vs Month	vs Quarter	vs Year	vs Pre Covid
Real Economy	CPI (YoY%)	6.0				
	IIP (YoY%)	0.4				
	IIP Cap Goods (YoY%)	-4.6				
	IIP Core (YoY%)	3.8				
	Nifty Realty (Index)	480.3				
	PMI M (Index)	54.0				
	PMI S (Index)	51.5				
	Rating Ratio	0.2				
	Non Food Credit (YoY%)	7.1				
Consumption	2 Whlr Sales (YoY%)	-17.2				
	Grad Unemployment (YoY%)	17.2				
	Import Consumer Electronics (YoY%)	5.8				
	Personal Loan (YoY%)	14.3				
	Nifty Consumption (Index)	6,929.2				
Extnl	FPI (YoY%)	103.1				
	USDINR	74.4				
Cap Mkt	Nifty50 (Index)	17,339.9				
	Broad Money (YoY%)	8.4				
	AAA 3Y	5.9				
	AA 3Y	8.0				
	Call Money-Rev Repo (pp)	0.0				

**Data available as on Jan'22*

India's strict lockdown to restrain Omicron slowed the economic healing process

- India's lockdown intensity, as measured by University of Oxford, was 84 by end of Jan'22, compared to 56 in US, 42 in UK, 62 in Brazil and 42 in South Africa.

- Indian economic recovery remained subdued in Jan'22. Strict lockdowns, despite localized, had a severe impact on day-to-day economic activity culminating into weakening macro indicators.

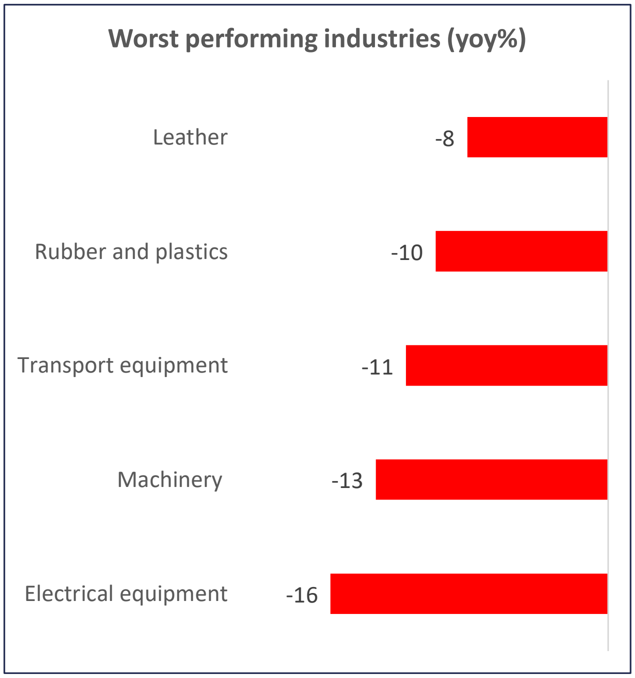
- Industrial units, especially MSMEs, are running with significantly low levels of capacity utilization, employment levels and productivity as measured by Index of Industrial Production (IIP). Heavy wholesale and retail price inflation and interest expenses coupled with low sales are squeezing margins for manufacturers.

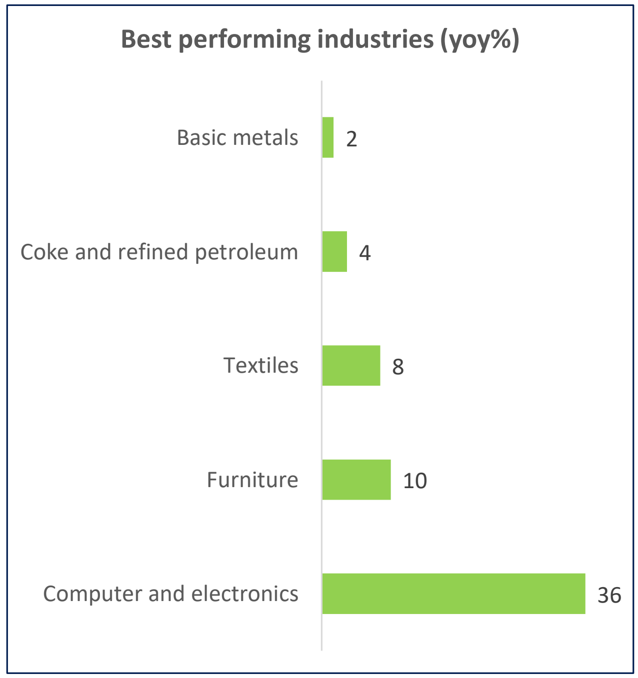
- While exporting industries remain a beacon of hope, rising global competition, high raw material prices and expensive capital could become severe impediments unless supported with judicious fiscal policy interventions.

- The building stresses within real economy are mirrored in the capital markets, especially the debt market. Surging yield spreads, decoupling with RBI's signaling, rising costs of borrowing and volatile equity markets are early warning signals of upcoming financial stress.

Source: TruBoard Research, CMIE, Oxford University Lockdown Stringency Index

Industrial Activity



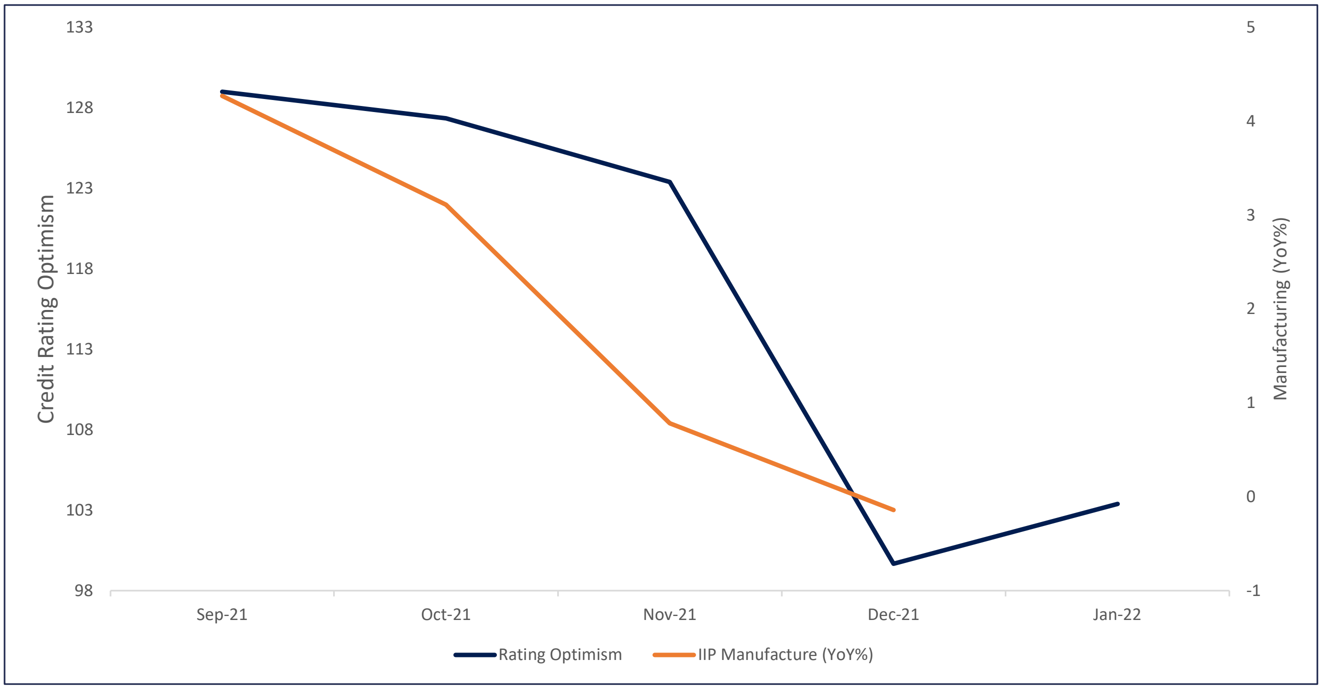


Ongoing lockdowns, surging input prices and energy costs are major impediments for manufacturing in Jan and Feb'22. We expect Mar'22 onwards to be better, assuming no new scares e.g., deltacron or military conflict in East Europe.

- Government estimates suggest manufacturing activity shrunk by 0.14% in Dec'21 (YoY). The sector has been slowing down once again since Aug'21.
- A slowdown in manufacturing has set off a vicious economic cycle owing to its contribution to GDP (20%) and employment (26%). Quick policy support is required to reinvigorate India's MSMEs (driving manufacturing and employment) to restore them to pre-2017 levels. (Indian economy has been on a steady slowdown since 2017)
- Government estimates further suggest persistent slowdown in production of machineries and heavy equipment (see chart), which is a fallout of reduced private capex. Lack of business expansion will not only take a toll on employment and growth but will also lead to a fresh round of nonperforming assets related problem within the fragile financial system. At a time when liquidity (global and domestic) is expected to dry, such risks can quickly turn into a contagion of bankruptcies and insolvencies.
- A sharp rise in global demand, especially in USA and UK (pent up demand) and a China+1 strategy adopted by global manufacturers presents an opportunity for Indian merchandise exporters. Swift policy support and short-term regulatory forbearances can help them capitalize this momentary window of opportunity.

Source: TruBoard Research, CMIE, Oxford University Lockdown Stringency Index

Credit Rating Optimism Index



Economic activity expected to regain strength by mid Feb’22

- The TruBoard Rating Optimism measures the rise or fall in optimism among major rating agencies, compared to a base period (Jun’17). Empirical analysis suggest rating outlook serves as an early warning signal for economic activity.

- There is a strong causality between the Index (lead) and industrial production (manufacturing) levels in India. The marginal uptick in the Rating Index in Jan’22, if sustained, can be an early sign of a possible recovery in manufacturing in Q4 FY22.

Source: TruBoard Research, CMIE, Oxford University Lockdown Stringency Index

TruBoard Macro Forecasts

	Q4 FY22	Q1 FY23	Q3 FY23
Real GDP (%)	5.0	7.0	6.5
Retail Inflation (%)	5.8	5.7	5.5
Repo Rate (%)	4.0	4.3	4.5
10 Year Gsec (%)	6.7	6.9	7.0
USDINR	75.3	76.0	75.6

Consensus Forecasts (RBI Panel of Forecasters)

	Q4 FY22	Q1 FY23	Q3 FY23
Real GDP (%)	5.2	14.9	5.5
Retail Inflation (%)	5.8	5.1	4.7
Repo Rate (%)	4.0	4.3	4.5
USDINR	75.0	76.5	76.0

Information Product Descriptions:

Heat Map: Graphical representation of indicator trends denoted by colour code. Green depicts current reading of an economic indicator is stronger than the previous period (month/quarter/year/2 years). Red signifies the opposite. The economic indicators have been carefully curated to reflect those trends with the highest co-incidental statistical significance on India’s overall economic activity.

Credit Rating Optimism Index: The index reflects the rise or fall in optimism among major credit rating agencies in India. Optimism is denoted by an Optimism score and is calculated as the ratio of Upgrades and Reaffirmations awarded to the total number of entities rated within a specified time period. The optimism score at any point of time is indexed to the score generated in the base period of June 2017 to arrive at the TruBoard Credit Rating Optimism Index. The Base period index level is fixed at 100. Hence any Index level higher than 100 suggests optimism levels in the corresponding period is higher than the base period and vice versa.

Optimism Score= (Upgrades+Reaffirmations)/(Upgrades+Reaffirmations+Downgrades)

TruQuest is a knowledge series launched by TruBoard Partners providing succinct updates and views on:

- Liquidity Outlook
- India's macro-economic view
- Trends within the Infrastructure, Real Estate and Renewable Energy sectors
- Impact analysis of new regulations and policies on lending and capital flow

TruBoard provides bespoke solutions for capital providers to better manage their investments and maximise returns. TruBoard brings in a combination of domain expertise and artificial intelligence to the mainstream of financial analysis, enabling speedy and effective decision making. TruBoard's core area of operations are Credit Monitoring, Real Asset Management, Retail Loan Servicing and Collection, and Dispute Resolution and Advisory.

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