



 **TruBoard Partners**

 **TruQuest**

MACRO WATCH

UPDATE ON DATA TRENDS

March 2022

SR. NO	CONTENT	PAGE
1	Macro Heat Map	2
2	Industrial Activity	3
3	Credit Rating Optimism	4
4	TruBoard Forecasts	5

Macro Heat Map

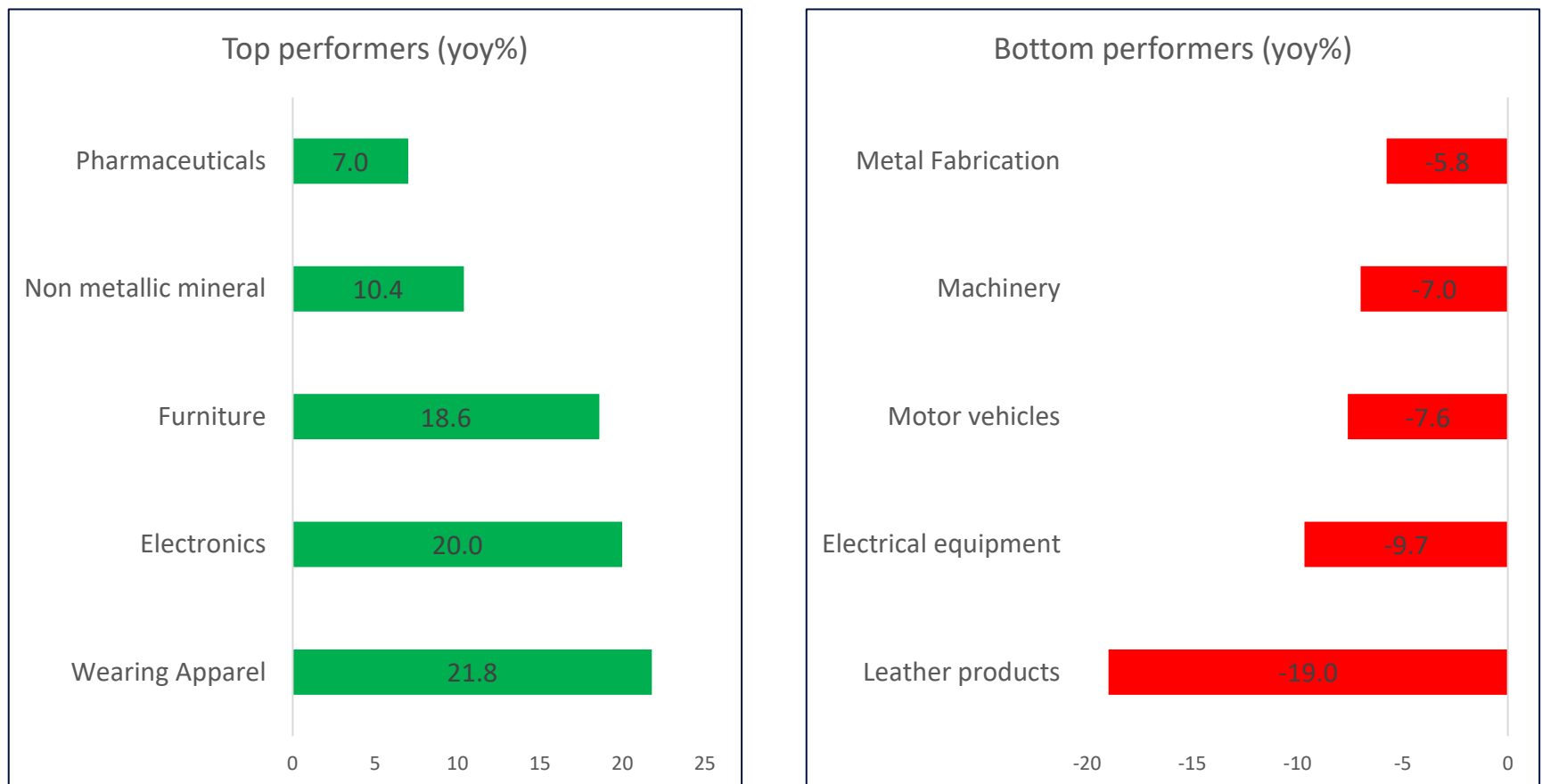
		Feb'22*	vs Month	vs Quarter	vs Year	vs Pre Covid
Real Economy	CPI (YoY%)	6.1	Red	Red	Red	Green
	IIP (YoY%)	0.4	Red	Red	Red	Red
	IIP Cap Goods (YoY%)	-4.6	Green	Green	Red	Green
	IIP Core (YoY%)	3.8	Green	Red	Red	Red
	Nifty Realty (Index)	436.4	Red	Red	Green	Green
	PMI M (Index)	54.9	Green	Red	Red	Green
	PMI S (Index)	51.8	Red	Red	Red	Red
	Rating Ratio	0.2	Red	Red	Red	Red
	Non Food Credit (YoY%)	7.1	Red	Red	Red	Red
Consumption	2 Whlr Sales (YoY%)	-21.1	Red	Green	Red	Red
	Grad Unemployment (YoY%)	19.3	Green	Green	Red	Green
	Import Consumer Electronics (YoY%)	5.8	Green	Red	Red	Red
	Personal Loan (YoY%)	14.3	Green	Green	Green	Red
	Nifty Consumption (Index)	6,780.6	Red	Red	Green	Green
Extrnl	USDINR	75.0	Green	Green	Green	Green
Cap Mkt	Nifty50 (Index)	16,793.9	Red	Red	Green	Green
	Broad Money (YoY%)	8.7	Green	Red	Red	Red
	AAA 3Y	5.8	Green	Red	Red	Green
	AA 3Y	8.0	Blue	Red	Red	Green
	Call Money-Rev Repo (pp)	0.0	Red	Red	Red	Blue

*Data available as on Feb'22

Negative externalities from the Ukraine war will impact price levels and global demand which in turn will delay India's economic healing process by another 4-6 months.

- Global economy witnessed a synchronous recovery in Feb'22 as Omicron infections subsided and lockdown intensities eased. India was no exception as depicted by the rising greens in the chart above.
- However, the Ukrainian conflict threatens global economic stability driven by collapsing supply chains, rising commodities and agricultural prices and capital flight. We anticipate a weaker heatmap (more reds) in the coming months.
- In the first 15 days of Mar'22, Indian capital markets witnessed a net outflow of ~USD 6 bn of foreign investments, compared to an outflow of USD 3.8 and USD 5 bn respectively in Jan'22 and Feb'22, thereby weakening USDINR. Recent reports suggest Reserve Bank of India's interventions amounting to ~USD 10 bn to reduce USDINR's volatility.
- Western sanctions on Russian energy exports and the fear of wheat and edible oil shortages is driving inflation globally, including in India. This will have a negative impact on global and local aggregate demand thus adding to the woes of Indian producers and exporters in the short to medium term.
- Lower export and local demand, coupled with higher raw material prices, wage inflation and higher interest costs can be a threat on the asset quality of lenders, over and above the existing risks.

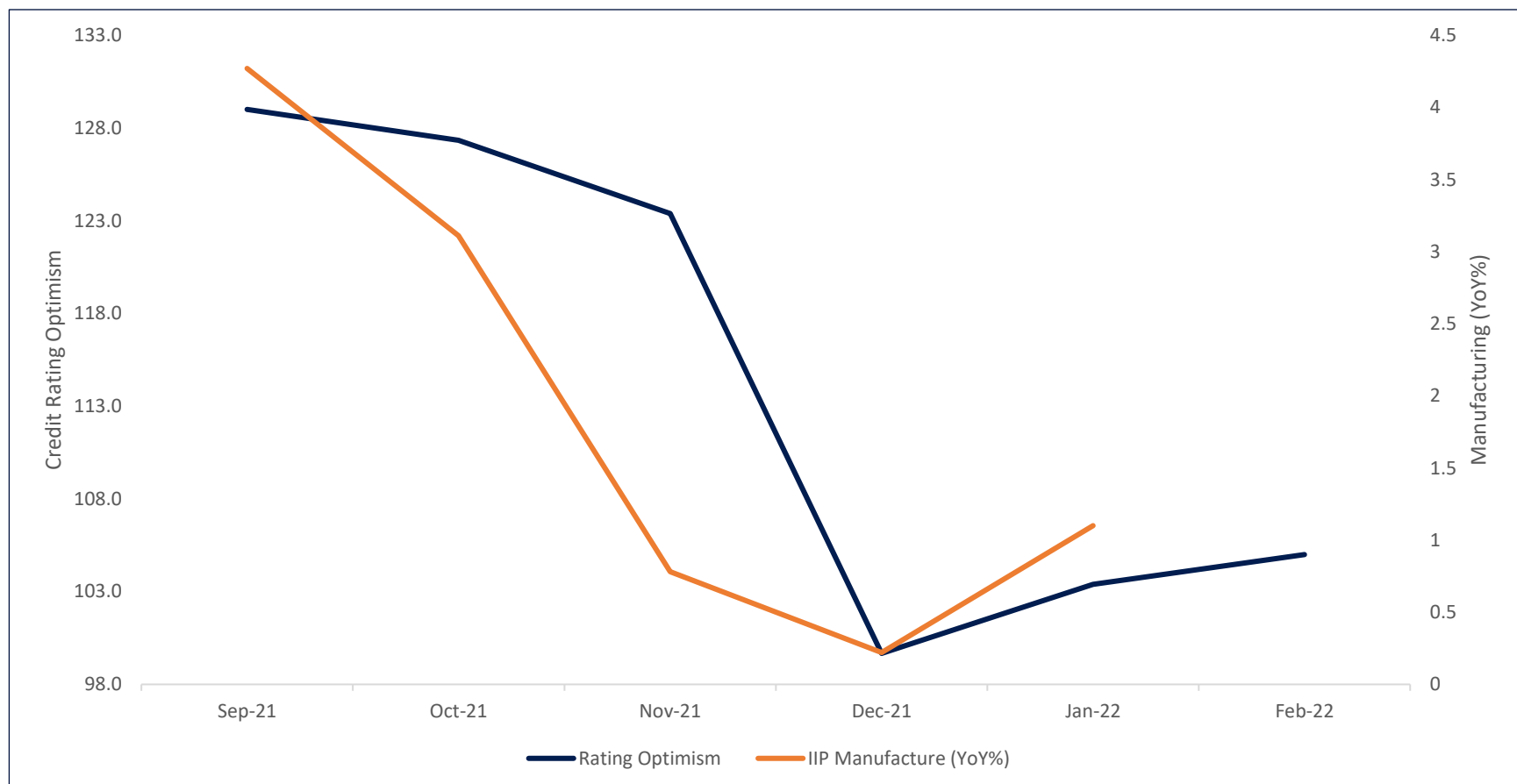
Industrial Activity



Some of the biggest challenges for Indian manufacturers are high input costs, low domestic demand, high export competition, brimming inventories and high cost of capital. Unfortunately, the Ukraine war can potentially further intensify these headwinds, making it tougher for an uprise of 'Make in India' in the short to medium term.

- India's Industrial production grew by a meagre 1.3% in Jan'22 (compared to a year back). One of its components, capital goods, shrunk by 1.4% , suggesting lingering weaknesses in private capex.
- Despite public policy-based efforts to ensure smooth availability of working capital to a large section of MSMEs, capital expenditure by India Inc remains on the back burner due to skepticism around future demand. High cost of capital is another pull back. The Ukraine war further blurred the visibility on demand revival in near future.
- We expect continued monetary policy support to ensure uninterrupted credit flow to MSMEs despite the growing risks on inflation. In addition, fiscal policy support to public capex needs to be frontloaded in FY23. Also, higher revenue expenditure is desirable to address the dual menace of virus and war on the common Indian masses.

Credit Rating Optimism Index



TruBoard Credit Rating Optimism Index's strong correlation with India's manufacturing activity makes it an effective now-caster.

- Manufacturing activity (IIP-Manufacture) is mimicking the trend charted by the TruBoard Index. The Index had predicted a better manufacturing data for Jan'22 compared to the previous month. The Index now predicts that manufacturing in Feb'22 data is expected to remain positive though with a slight moderation. Early estimates of the Index in Mar'22 suggests a slowdown in manufacturing activity as explained in the commentary above. Government data for Mar'22 manufacturing will be available in May'22.
- The strong correlation is guided by the fact that the TruBoard Index captures sentiment of rating agencies on MSMEs, which is the driving force behind Indian manufacturing.

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	7.0	7.2
USDINR	75.9	76.2	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-incident 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.

Website:

www.truboardpartners.com

Email Id:

research@truboardpartners.com

Author:

Debopam Chaudhuri, Head of Research and Ratings

[+91-9819239926](tel:+919819239926), dc@truboardpartners.com

Disclaimer:

The data and analysis covered in this report of TruQuest has been compiled by TruBoard VT Pvt Ltd (TruBoard) based upon information available to the public and sources believed to be reliable. Though utmost care has been taken to ensure its accuracy, no representation or warranty, express or implied is made that it is accurate or complete. TruBoard has reviewed the data, so far as it includes current or historical information which is believed to be reliable, although its accuracy and completeness cannot be guaranteed. Information in certain instances consists of compilations and/or estimates representing TruBoard's opinion based on statistical procedures, as TruBoard deems appropriate. Sources of information are not always under the control of TruBoard. TruBoard accepts no liability and will not be liable for any loss of damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary) from use of this data, howsoever arising, and including any loss, damage or expense arising from, but not limited to any defect, error, imperfection, fault, mistake or inaccuracy with this document, its content.