



 **TruBoard Partners**

 **TruQuest**

## **MACRO WATCH**

**UPDATE ON DATA TRENDS**

April 2022

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## Macro Heat Map

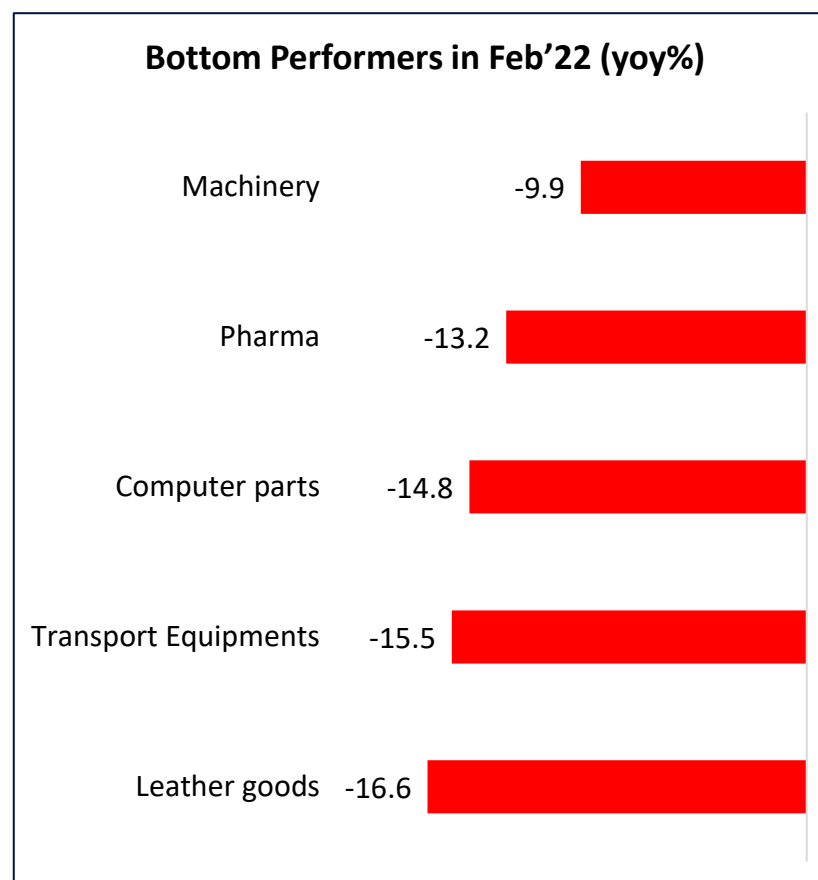
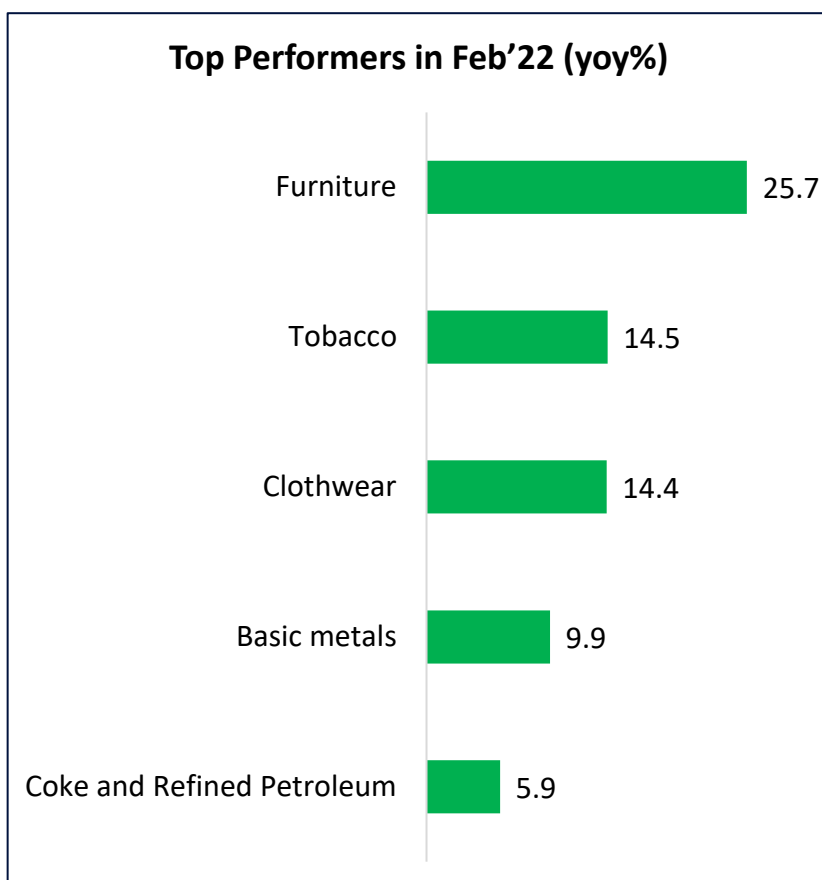
		Mar'21	vs Month	vs Quarter	vs Year	vs Pre Covid
Real Economy	CPI (YoY%)	6.1				
	IIP (YoY%)	1.5				
	IIP Cap Goods (YoY%)	1.4				
	IIP Core (YoY%)	4.0				
	Nifty Realty (Index)	436.4				
	PMI M (Index)	54.9				
	PMI S (Index)	51.8				
	Rating Ratio	0.2				
Consumption	Non Food Credit (YoY%)	7.3				
	2 Whlr Sales (YoY%)	-21.1				
	Grad Unemployment (YoY%)	19.3				
	Import Consumer Electronics (YoY%)	31.6				
	Personal Loan (YoY%)	11.6				
	Nifty Consumption (Index)	6,780.6				
External	USDINR	75.0				
Cap Mkt	Nifty50 (Index)	16,793.9				
	Broad Money (YoY%)	8.7				
	AAA 3Y	5.8				
	AA 3Y	8.0				
	Call Money-Rev Repo (pp)	-0.1				

\*Data available as on Mar'22

Inflationary trends weaken India's post COVID recovery. Prolonged elevated food, clothing and energy costs will adversely impact fiscal deficit and capital costs in FY23 .

- Indian economic activity is witnessing a nascent turnaround. Evidence from the grass roots like higher electricity demand from industrial regions and higher railway freight revenues point to that. Peak electricity demand in Mar'22 was 26% higher than Mar '20 (pre-covid). Electricity production is up 20% and rail freight revenue is higher by 34% in Mar'22 compared to Mar'20. However, freight revenue from transferring coal to thermal power plants increased by only 12% suggesting a stretch on coal supplies, which, among other factors, can potentially derail this rising momentum.
- Prevailing inflationary trend is the biggest risk to a wholesome economic recovery, globally.
- India is no exception. Rating agency, Fitch, slashed India's FY23 GDP growth expectation by 180 bps (from what was estimated prior to the Ukraine-Russia conflict). World Bank reduced it by 70 bps. Even Reserve Bank of India (RBI) reduced its growth forecast by 60 bps to 7.2% in FY23.
- It is necessary to control India's inflation through government interventions. Prolonged inflation will have severe political and economic consequences. Food inflation breached 6% for the first time in 16 months in Mar'22. Unless controlled, soon high food prices will dent political stability, especially with key states like Gujarat, Rajasthan and Himachal Pradesh bound for polls within the next 12 months . Similarly, if Indian price levels remain sticky while global prices start inching down, the export sector tailwinds prevailing now will quickly transform into headwinds leading to a gaping current account deficit for India.
- With sticky inflationary expectations India has already shifted to a higher interest rate regime. In-fact the benchmark rate, i.e.10 Year Government security rose by 80bps since Dec'21. RBI will eventually raise policy rates, at a much more aggressive pace than earlier expected, with 150-200 bps rise in Repo rate by Q2 FY24.

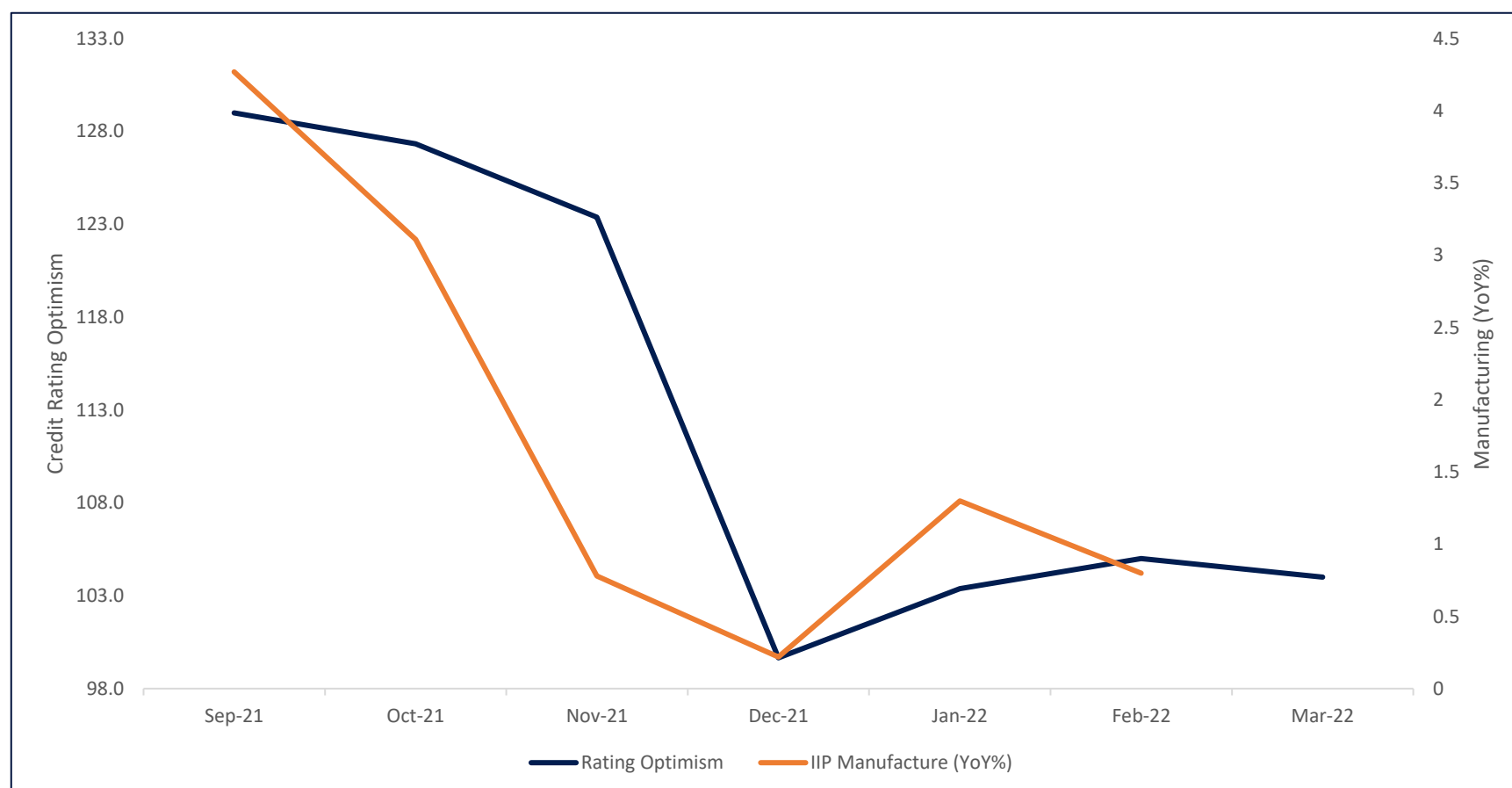
## Industrial Activity



The manufacturing sector is witnessing renewed challenges in the form of high prices at factory gate (producer price inflation). Limited room to pass costs in an economy faced with weak demand is leading to thinner margins and weaker balance sheets.

- Rising cost of capital is adding to the woes of the manufacturing sector with Small and Medium Enterprises (SMEs) once again finding it tough to raise working capital to sustain.
- Though capacity utilisation (CU) in the manufacturing sector recovered to 72.4% by Q3 FY22 from 68.3% Q2 FY22, we expect it to once again decline in Q1 FY23. Consequently, and significant revival in private capex will be delayed.
- Manufacturing companies could witness the following headwinds at varying intensities over the next 2-3 quarters:
  - Reduced global and domestic demand as consumption wanes amidst heavy inflation.
  - Liquidity tightens and capital costs rise further.
  - Energy costs including fossil fuels and electricity remain elevated
  - Likely rise in wage inflation of skilled employees.

## Credit Rating Optimism Index



TruBoard Credit Rating Optimism Index's strong correlation with India's manufacturing activity makes it an effective early warning signal for manufacturing sector.

- Manufacturing activity (IIP-Manufacture) is mimicking the trend charted by the TruBoard Index. The Index had predicted a better manufacturing data for Jan'22 followed by a tepid Feb'22. The Index now predicts that manufacturing in Mar'22 data is expected to remain weaker compared to Feb'22 levels.
- 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

	Q1 FY23	Q2 FY23	FY23
Real GDP (%)	8.0	6.5	6.7
Retail Inflation (%)	6.1	5.8	5.2
Repo Rate (%)	4.0	4.25	4.5
10 Year Gsec (%)	7.15	7.25	7.25
USDINR	76.5	75.5	75.5

## Consensus Forecasts (RBI Panel of Forecasters)

	Q4 FY22	Q1 FY23	Q3 FY23
Real GDP (%)	14.0	6.4	7.5
Retail Inflation (%)	5.8	5.9	5.6
Repo Rate (%)	4.0	4.25	4.5
USDINR	77.0	77.0	76.5

### 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.

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