



 **TruBoard Partners**

 **TruQuest**

MACRO WATCH

UPDATE ON DATA TRENDS

JUNE 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

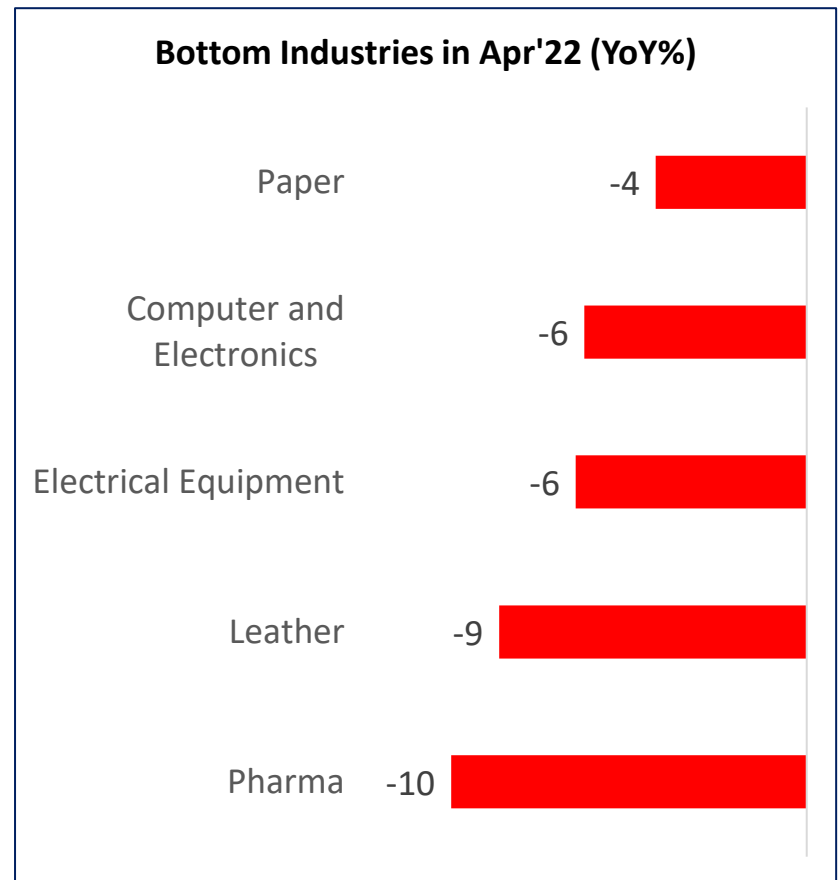
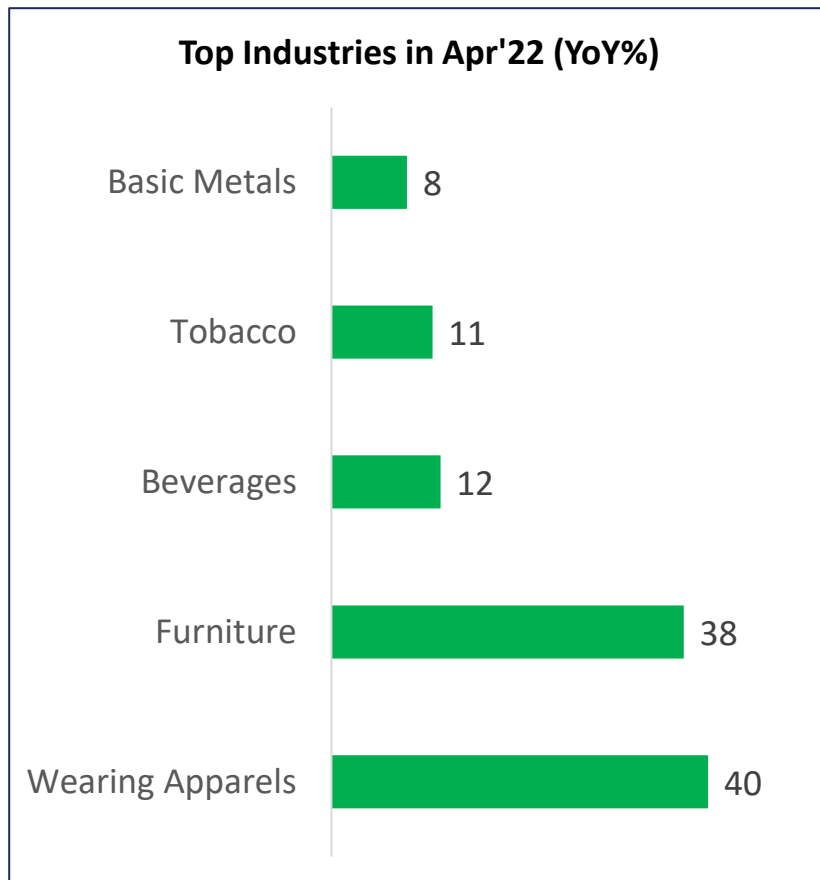
		May'21	vs Month	vs Quarter	vs Year	vs Pre Covid
Real Economy	CPI (YoY%)	7.0	Green	Red	Red	Red
	IIP (YoY%)	7.1	Green	Green	Red	Green
	IIP Cap Goods (YoY%)	14.7	Green	Green	Red	Green
	IIP Core (YoY%)	8.5	Green	Green	Red	Green
	Nifty Realty (Index)	411.7	Red	Red	Green	Green
	PMI M (Index)	54.6	Red	Red	Green	Green
	PMI S (Index)	58.9	Green	Green	Green	Green
	Rating Ratio	0.2	Green	Green	Green	Green
	Non Food Credit (YoY%)	8.7	Green	Red	Green	Green
Consumption	2 Whlr Sales (YoY%)	124.3	Green	Green	Green	Green
	Grad Unemployment (YoY%)	17.3	Red	Red	Red	Green
	Import Consumer Electronics (YoY%)	56.6	Green	Green	Red	Green
	Personal Loan (YoY%)	14.7	Green	Green	Green	Red
	Nifty Consumption (Index)	6,918.5	Red	Green	Green	Green
Extnl	USDINR	77.3	Red	Red	Red	Red
Cap Mkt	Nifty50 (Index)	16,584.6	Red	Red	Green	Green
	Broad Money (YoY%)	8.8	Red	Green	Red	Red
	AAA 3Y	7.1	Red	Red	Red	Red
	AA 3Y	9.7	Red	Red	Red	Red
	Call Money-Rev Repo (pp)	0.6	Red	Red	Red	Green

*Data available as on May'22

Indian economic growth in FY23 to face the brunt of heavy global inflation and tightening liquidity!

- India's external sector risks are fast converting into strong headwinds. At USD 23.3 bn in May'22, trade deficit was at record highs. This was due to a weak currency, higher commodity prices and bulging fuel costs. Additionally, export bans to strengthen India's food security is proving to be a negative externality in managing trade balance.
- A steep outflow of hot money (foreign portfolio investments) is further weakening India's external balances. A net outflow of ~USD 5bn from across India's capital markets in May'22 alone resulted in a highly volatile Indian Rupee. Expectations of higher interest rates in USA coupled with heavy risk aversion among foreign investors are prompting this flight to safe-haven, a trend which will stay as major economies dip into a recession.
- Increasing current account deficit (CAD) is taking a toll on RBI's foreign exchange reserves, depleting it from a high of USD 642 bn in Oct'21 to USD 601 bn by May'22. A rapid depletion in forex reserves is further weighing on the INR weakness, creating a vicious cycle (originating from imported inflation).
- Amidst these risks, RBI's decision to shift away from accommodative policy is aimed at nipping demand in the economy to control runaway inflation. This is designed to lead to a decline in retail consumption, a key driver of Indian growth (55% of GDP is composed of consumer spending). At the same time, government spending will be limited as revenue collections will be gnawed away by higher subsidies and cuts in fuel excises and private capex will remain weak hindered by high capital costs. All these can culminate in a low aggregate demand scenario in FY23, pulling back India's GDP growth potential.
- We expect the FY23 GDP to grow by ~6.8%-7% as policy makers try to manage the aforesaid risks.

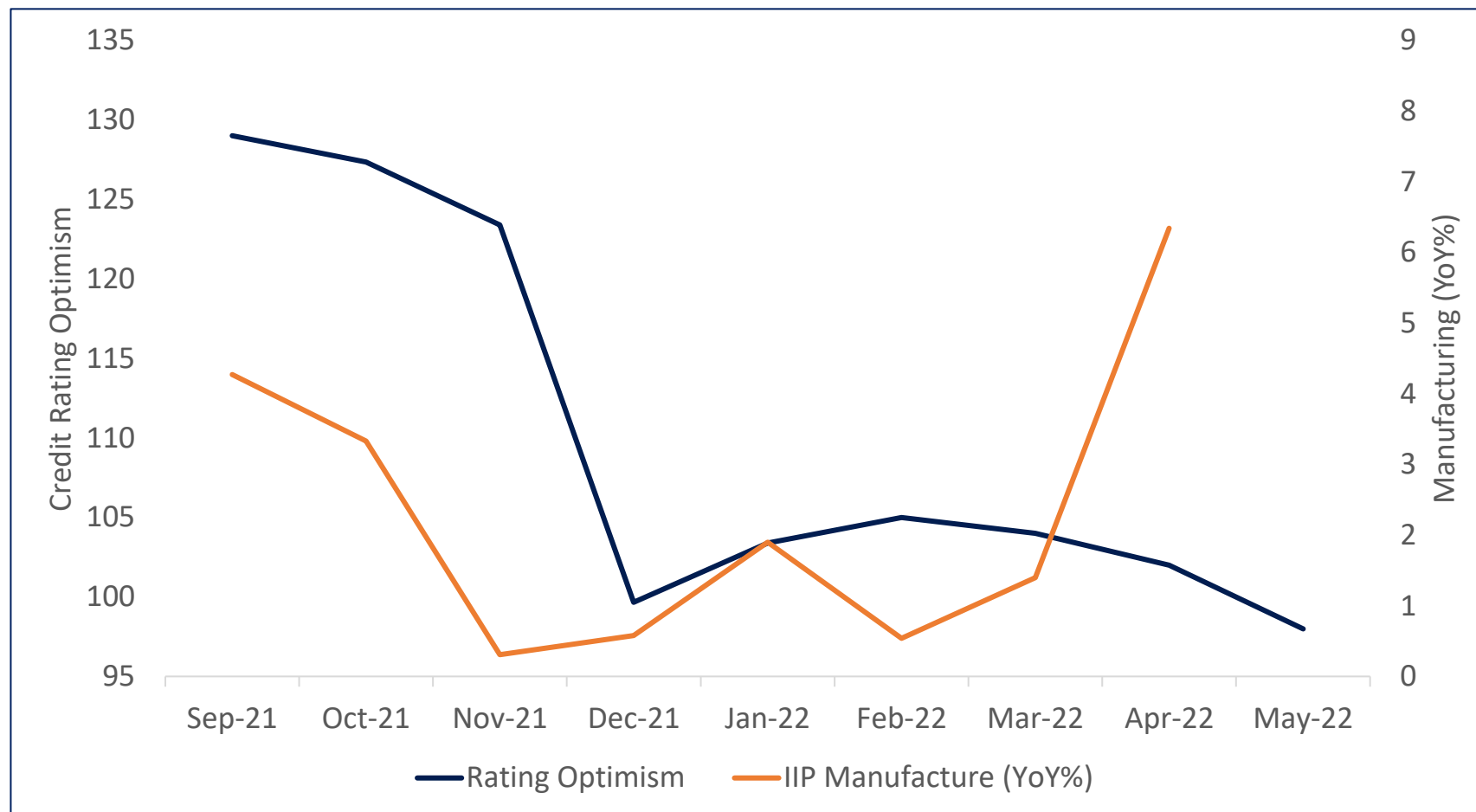
Industrial Activity



Final consumption goods like furniture, clothes and beverages witnessing a quicker recovery than intermediate goods.

- Higher interest rate environment and removal of excess liquidity may weaken the final goods producing industries as demand slows.
- At the same time intermediate goods producers could undergo more stress as global demand shrinks as well due to an expected recession in those markets.
- Depleting demand, high producer prices, expensive capital and wage inflation will keep margins under pressure in the rest of the year.

Credit Rating Optimism Index



The surprisingly sharp rebound in Manufacturing output in Apr'22 is good news. At 132.5, the absolute IIP Manufacturing level in Apr'22 was the highest since the inception of the Index (new series) in 2011.

- Prevailing weakness within MSMEs remain a major risk to manufacturing growth, as depicted by the Credit Rating Optimism Index.
- Since historically, there has been a strong correlation in the two Indices, it is likely that the sharp recovery in manufacturing in Apr'22 may not be sustained in near future. Factors like rising capital costs and decline in global and domestic demand for manufactured final and intermediate goods could lead to a renewed slowdown.

TruBoard Macro Forecasts

	Q2 FY23	Q3 FY23	FY23
Real GDP (%)	6.5	6.3	6.7
Retail Inflation (%)	6.6	6.1	6.2
Repo Rate (%)	5.5	5.75	6.0
10 Year Gsec (%)	7.6	7.6	7.5
USDINR	77.3	76.9	76.8

Consensus Forecasts (RBI Panel of Forecasters)

	Q2 FY23	Q3 FY23	FY23
Real GDP (%)	6.4	5.1	7.5
Retail Inflation (%)	5.9	5.4	5.5
Repo Rate (%)	4.25	4.5	4.5
USDINR	78.0	77.8	80.5

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



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