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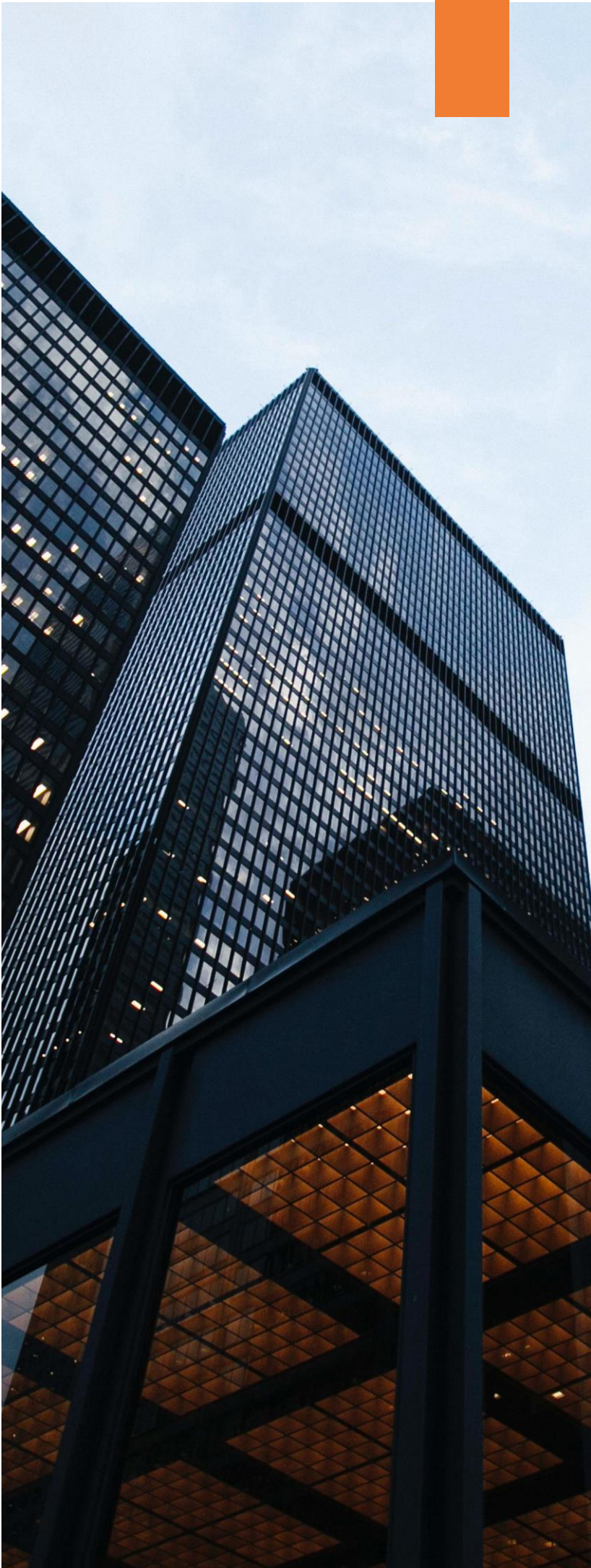


TruQuest

**MACRO WATCH**

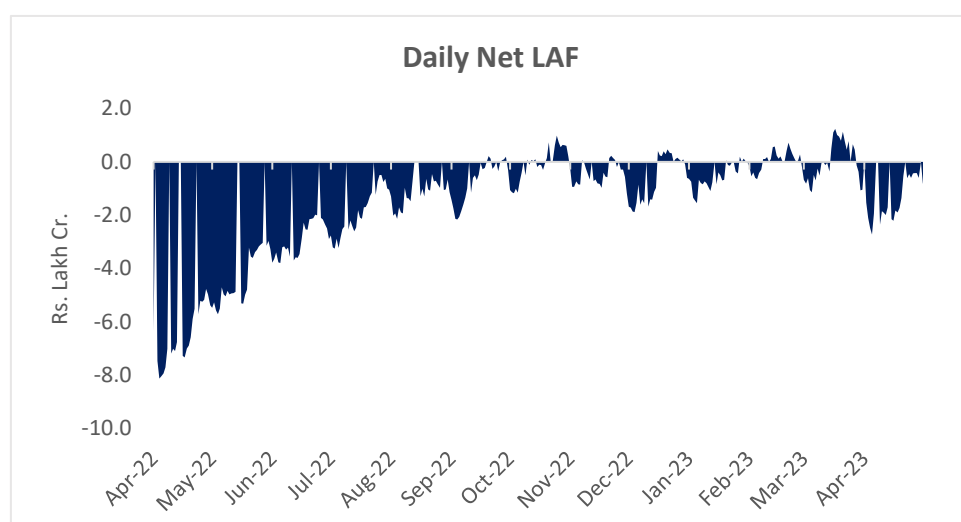
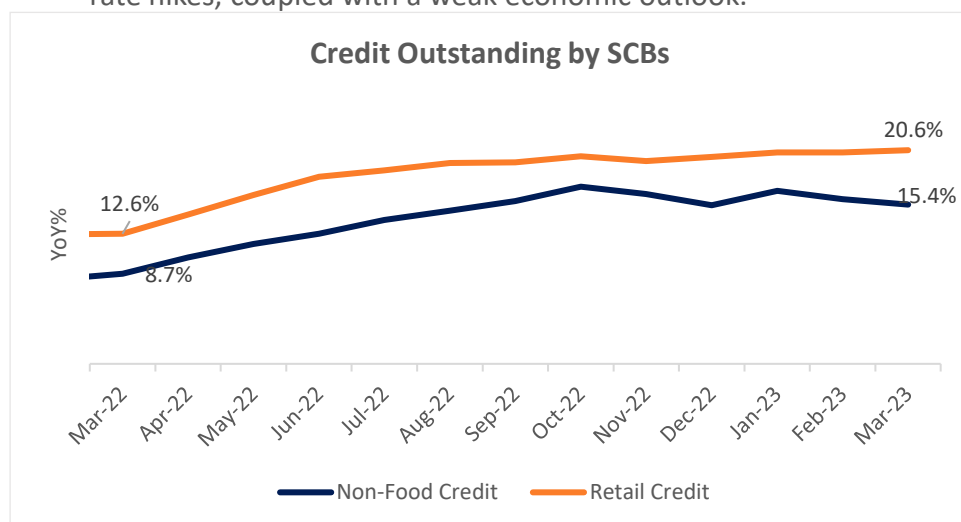
**UPDATE ON DATA TRENDS**

May 2023



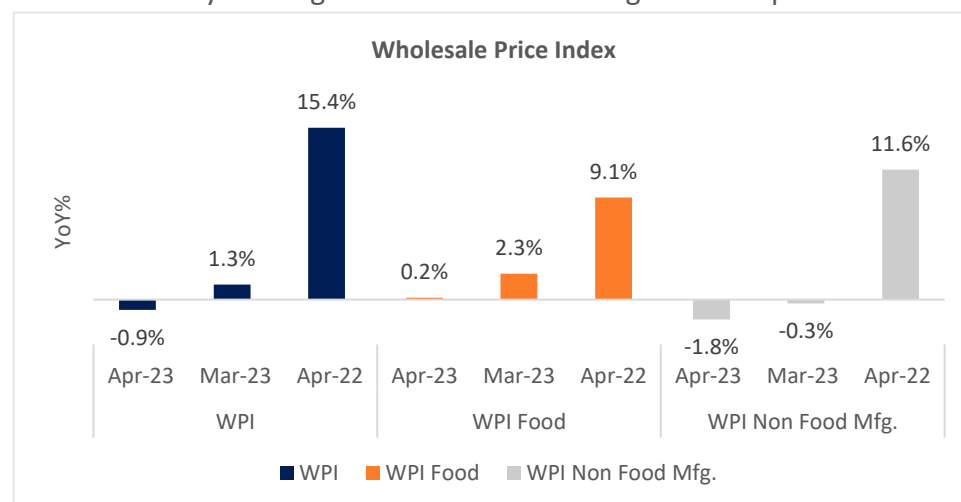
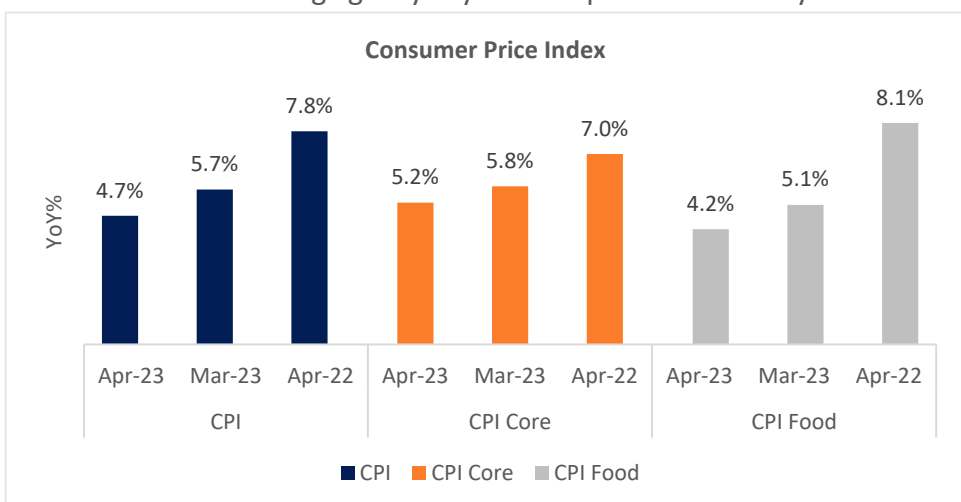
## Banking

- Average daily liquidity moved from deficit in Mar'23 to surplus in Apr'23. However, most of this liquidity is in the hands of a few large banks, forcing most lenders to rely on money market borrowings to meet reserve needs. As a result, weighted average overnight call money rates, have remained above the repo rate at 6.72% since the beginning of May'23.
- Non-food credit stood at ~INR 137 lakh crore in FY23. Mar'23 registered a double-digit at 15.4% on-year, led by retail credit at 20.6% and services credit at 19.8%. Within retail loans, advances against fixed deposits witnessed the highest growth at 46% (YoY), followed by consumer durables at 35% (YoY).
- SCB credit growth grew by 15% in FY23. While credit growth is expected to remain healthy in FY24, some risks stem from transmission of past rate hikes, coupled with a weak economic outlook.



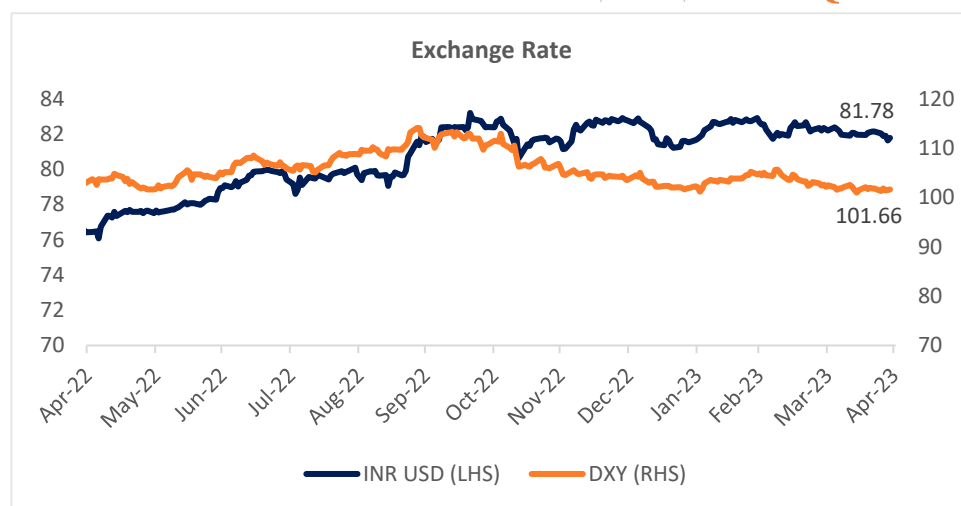
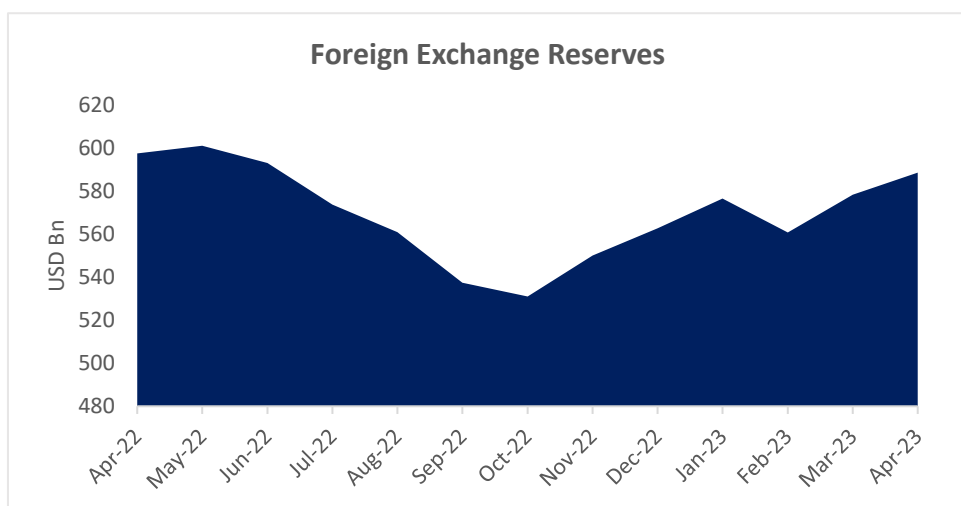
## Inflation

- CPI inflation for Apr'23 came in at an 18-month low of 4.7%. Food inflation softened to 3.8%. Over one-thirds of the food price index was in deflationary zone in Apr'23. However, certain food items - cereals and spices, with a weightage of ~12% are still experiencing double-digit inflation. Core inflation (excluding food and fuel) too, moderated to 5.2% in Apr'23 (lowest in last 35 months) vs 5.8% in Mar'23.
- WPI (a proxy for input cost), stood at a 33-month low of -0.92% in Apr'23 on account of a de-growth of 2.4% in manufactured products and softening inflation in primary articles (food) and fuel and power to 1.6% and 0.93% respectively.
- With CPI inflation falling within the RBI's tolerance band (4%-6%) and the tone of last Fed policy, the RBI is likely to keep rates on hold in its Jun'23 policy. Falling WPI should offer further comfort to CPI levels in the coming few months. Headwinds to inflation, stem from weather disturbances. Weather forecasting agency Skymet has predicted a delay in monsoon for FY24 which may not augur well for Kharif sowing and food prices.



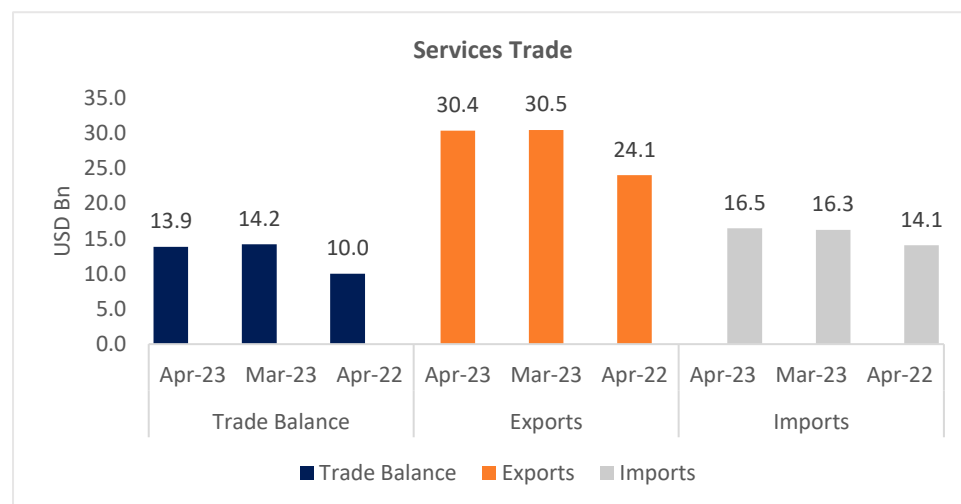
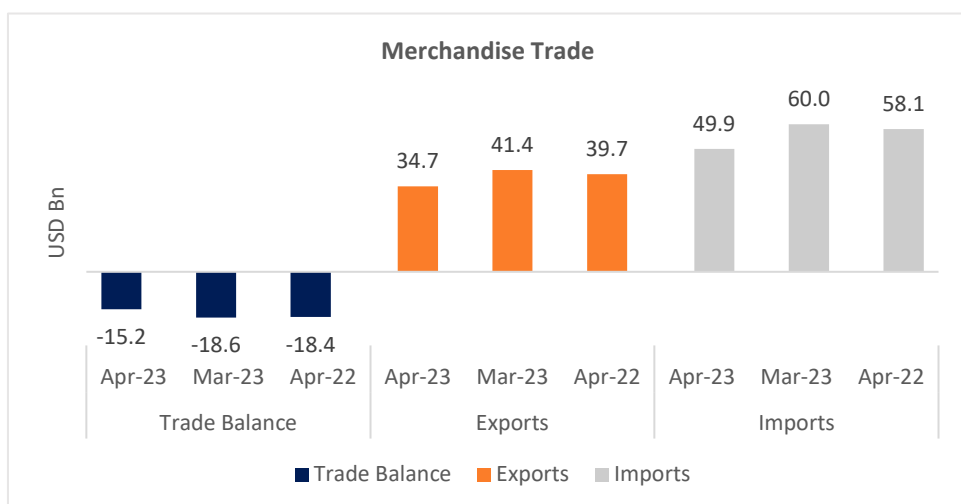
## Foreign Exchange

- The rupee appreciated by 0.7% against the U.S. dollar in Apr'23. Broad fundamental reasons (softening global commodity prices, reducing current account deficit (CAD) and healthy foreign portfolio investments) have contributed to the recent appreciation of the rupee and these are likely to sustain.
- Net FPI inflows in Indian capital markets in Apr'23 stood at USD 1.7 Bn compared to USD 0.7 Bn in the previous month. The dollar index eased slightly in Apr'23 to 101.8 vs 103.8 in Mar'23.
- While the rupee has an appreciating bias basis fundamentals, the RBI is likely to build up on its forex reserves and prevent any strong appreciation of the currency.



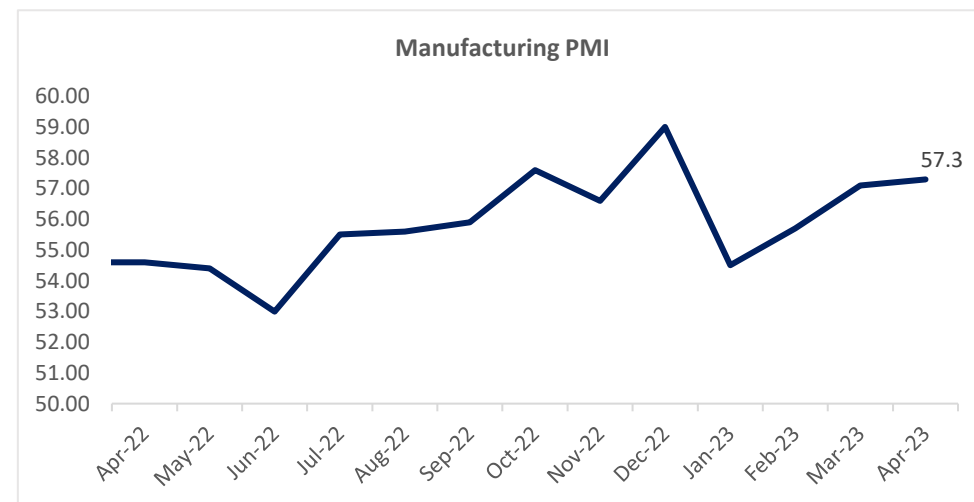
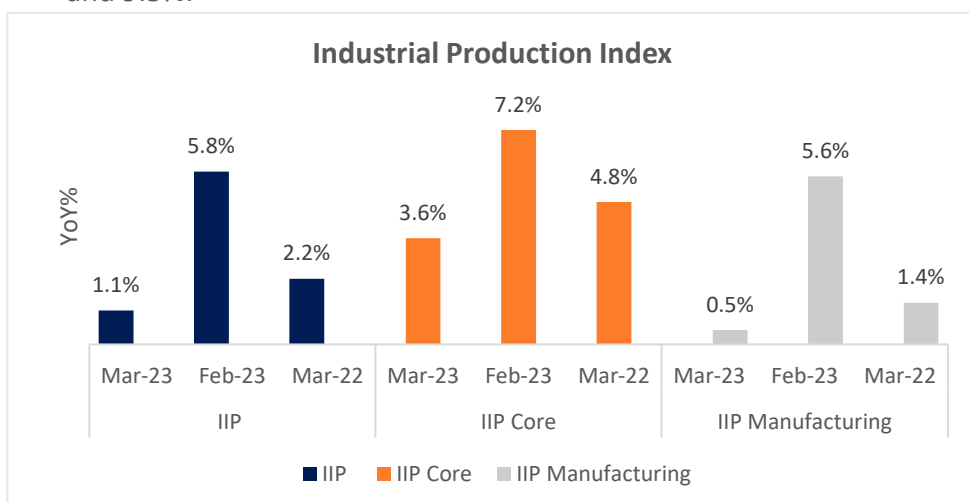
## Foreign Trade

- India's merchandise trade deficit narrowed to USD 15 Bn in Apr'23 from USD 19 Bn in Mar'23 led by a USD 10 Bn fall in imports. Services trade balance moderated to USD 13.9 Bn in Apr'23 on account of a marginal decline in exports. Petroleum, agriculture and capital-intensive products were among the highest exported commodities in Mar'23.
- Core (non-oil and non-gold) imports witnessed a de-growth of 12.5% on-year in Apr'23. Core imports growth has been in contractionary zone since the start of 2023, suggesting a slowdown in domestic demand.
- Given the weak economic outlook of India's key export markets, export growth is likely to remain muted in the fiscal. A relatively weak rupee will lend support to exports.



## Industrial Activity

- Growth in Index of Industrial Production slowed to 1.1% in Mar'23 compared to 5.8% in Feb'23. This was on account of a slowdown in manufacturing activity to 0.48%, compared to 5.6% the month before. IIP growth throughout FY23 stood at 5.4% vs 7.4%\* in FY22.
- Slowing domestic demand explains the de-growth in consumer durables to 8.4% on-year in Mar'23 compared to a de-growth of 4.1% in Feb'23. The same pattern is reflected in falling core imports. Continued thrust on capex and construction activity led to a growth in infrastructure and construction goods output and capital goods output (5.4% and 8.1% YoY respectively).
- Wearing apparel, computer electronics and furniture products witnessed the sharpest de-growth within manufacturing activity at 30.6%, 28% and 9.5%.



Source: TruBoard Research, CMIE, \*Apr'21 YoY excluded for calculating IIP for FY22.



## Growth Indicators

|             | % YoY                            | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 |
|-------------|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Consumption | Currency in Circulation          | 10.4%  | 8.8%   | 8.0%   | 8.1%   | 8.1%   | 8.3%   | 9.3%   | 7.7%   | 8.2%   | 8.6%   | 8.1%   | 7.9%   | 7.7%   |
|             | Registered Motor Vehicles        | 37.7%  | 208.5% | 21.5%  | -9.0%  | 7.3%   | 7.1%   | 47.9%  | 18.8%  | -6.6%  | 13.9%  | 16.3%  | 14.2%  | -4.7%  |
|             | Petrol Consumption               | 17.2%  | 51.5%  | 23.2%  | 6.8%   | 11.6%  | 8.8%   | 8.9%   | 8.2%   | 6.0%   | 14.3%  | 8.9%   | 6.8%   | 2.8%   |
|             | Rail Passenger Traffic           | 116.1% | 478.1% | 237.6% | 168.6% | 113.6% | 87.6%  | 62.2%  | 51.1%  | 40.7%  | 64.5%  | 29.8%  | 20.5%  | 20.2%  |
|             | Air Passenger Traffic            | 86.8%  | 463.0% | 247.2% | 98.2%  | 54.6%  | 50.1%  | 29.8%  | 11.5%  | 14.2%  | 95.6%  | 56.8%  | 21.4%  | --     |
|             | GST Revenue                      | 18.5%  | 37.2%  | 55.8%  | 28.0%  | 28.2%  | 26.2%  | 16.6%  | 10.9%  | 15.2%  | 12.7%  | 12.4%  | 12.7%  | 11.6%  |
|             | Personal Loans                   | 14.4%  | 16.3%  | 18.1%  | 18.7%  | 19.4%  | 19.4%  | 20.1%  | 19.6%  | 20.0%  | 20.4%  | 20.4%  | 20.6%  | --     |
|             | IIP: Consumer Durables Goods     | 7.2%   | 59.1%  | 25.2%  | 2.3%   | -4.4%  | -5.5%  | -18.1% | 5.0%   | -11.2% | -8.2%  | -4.1%  | -8.4%  | --     |
|             | IIP: Consumer Non Durables Goods | -0.8%  | 1.4%   | 2.9%   | -2.9%  | -9.0%  | -5.7%  | -13.0% | 10.0%  | 7.9%   | 6.3%   | 12.1%  | -3.1%  | --     |
| Investment  | Rail Freight Traffic             | 9.4%   | 14.6%  | 11.3%  | 8.3%   | 7.9%   | 9.1%   | 1.4%   | 5.2%   | 3.1%   | 3.8%   | 3.6%   | 3.8%   | 3.5%   |
|             | Industrial Credit                | 8.0%   | 8.8%   | 9.5%   | 10.5%  | 11.4%  | 12.6%  | 13.6%  | 13.1%  | 8.6%   | 8.7%   | 7.0%   | 5.7%   | --     |
|             | IIP: Capital Goods               | 12.0%  | 53.3%  | 28.6%  | 5.1%   | 4.3%   | 11.4%  | -2.9%  | 20.7%  | 7.8%   | 10.7%  | 10.5%  | 8.1%   | --     |
|             | IIP: Intermediate Goods          | 7.1%   | 17.5%  | 10.5%  | 3.7%   | 1.3%   | 1.7%   | -2.3%  | 3.5%   | 1.5%   | 0.5%   | 0.7%   | 1.0%   | --     |
|             | Diesel Consumption               | 7.8%   | 31.7%  | 23.9%  | 8.1%   | 13.2%  | 13.4%  | 5.6%   | 19.3%  | 6.6%   | 12.8%  | 7.5%   | 1.2%   | 8.6%   |
|             | Finished Steel Consumption       | 2.8%   | 9.8%   | 9.5%   | 10.6%  | 11.2%  | 11.5%  | 11.7%  | 11.9%  | 11.9%  | 11.7%  | 12.6%  | 13.3%  | 7.2%   |
|             | IIP: Capital Goods               | 12.0%  | 53.3%  | 28.6%  | 5.1%   | 4.3%   | 11.4%  | -2.9%  | 20.7%  | 7.8%   | 10.7%  | 10.5%  | 8.1%   | --     |
|             | IIP: Intermediate Goods          | 7.1%   | 17.5%  | 10.5%  | 3.7%   | 1.3%   | 1.7%   | -2.3%  | 3.5%   | 1.5%   | 0.5%   | 0.7%   | 1.0%   | --     |
|             | Capital Goods Imports            | 3.0%   | 29.1%  | 22.9%  | 33.2%  | 39.1%  | 57.0%  | 34.0%  | 31.2%  | 39.2%  | 18.8%  | 26.6%  | 8.2%   | --     |
| Government  | Centre's Core Revex              | 3.2%   | 23.9%  | -14.3% | -27.7% | -6.5%  | 19.5%  | 48.8%  | 18.0%  | -12.3% | 12.6%  | 4.3%   | --     | --     |
|             | State's Core Revex               | 14.1%  | 7.8%   | 20.6%  | 17.3%  | 17.1%  | 15.7%  | 7.6%   | 18.0%  | -1.2%  | 9.7%   | 14.0%  | 119.3% | --     |
| Net Exports | Exports Goods and Services       | 30.6%  | 27.9%  | 31.1%  | 12.3%  | 16.0%  | 14.4%  | 1.6%   | 18.0%  | 6.3%   | 12.2%  | 10.2%  | 0.5%   | 2.0%   |
|             | Imports Goods and Services       | 29.6%  | 56.5%  | 51.4%  | 35.0%  | 35.1%  | 15.4%  | 9.4%   | 10.2%  | 2.3%   | 1.0%   | -1.9%  | -2.7%  | -7.9%  |

## Macro Stability Indicators

|                     |                                      | Apr-22 | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 |
|---------------------|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Jobs                | Unemployment rate (%)                | 7.8%   | 7.1%   | 7.8%   | 6.8%   | 8.3%   | 6.4%   | 7.9%   | 8.0%   | 8.3%   | 7.1%   | 7.5%   | 7.8%   | 8.1%   |
|                     | LFPR (%)                             | 40.2%  | 39.9%  | 38.8%  | 38.9%  | 39.2%  | 39.3%  | 39.3%  | 39.6%  | 40.5%  | 39.8%  | 39.9%  | 39.8%  | 42.0%  |
|                     | Urban Job creation (%YoY)            | 38.2%  | 39.9%  | 22.0%  | 20.8%  | 5.8%   | 12.7%  | -2.7%  | 42.9%  | 4.3%   | 1.7%   | -2.2%  | 5.2%   | -5.2%  |
| External sector     | Merchandise trade deficit (USD Bn)   | -18.4  | -22.1  | -22.1  | -25.4  | -24.9  | -28.0  | -26.3  | -22.1  | -23.1  | -16.4  | -16.2  | -18.6  | -15.2  |
|                     | FPI flows (USD Bn)                   | -3.0   | -4.7   | -6.6   | 0.2    | 7.1    | -0.4   | -0.4   | 4.1    | 1.1    | -3.2   | -0.5   | 0.7    | 1.7    |
|                     | FX Reserves (USD Bn)                 | 597.7  | 601.4  | 593.3  | 573.9  | 561.0  | 532.7  | 531.1  | 550.1  | 562.9  | 576.8  | 560.9  | 578.4  | 588.8  |
|                     | Import cover (No. of months)         | 10.1   | 9.9    | 9.7    | 9.1    | 8.9    | 8.5    | 8.7    | 9.3    | 9.6    | 10.2   | 10.1   | 10.5   | 10.8   |
| Exchange Rate       | INR-USD (Avg.)                       | 76.4   | 77.7   | 78.9   | 79.4   | 79.7   | 81.6   | 82.4   | 81.6   | 82.8   | 81.7   | 82.7   | 82.2   | 81.8   |
|                     | INR-USD (MoM% change)                | 0.8%   | 1.6%   | 1.6%   | 0.6%   | 0.4%   | 2.3%   | 1.0%   | -1.0%  | 1.5%   | -1.3%  | 1.2%   | -0.6%  | -0.5%  |
|                     | REER (MoM% change)                   | 0.2%   | 1.3%   | -0.7%  | -0.4%  | 0.3%   | 0.9%   | -1.0%  | -0.6%  | -2.9%  | -0.4%  | -0.4%  | 0.4%   | --     |
| Monetary Indicators | Money Supply (% YoY)                 | 5.6%   | 6.1%   | 8.4%   | 10.0%  | 10.4%  | 9.9%   | 9.2%   | 10.2%  | 10.4%  | 9.8%   | 9.9%   | 10.8%  | 9.4%   |
|                     | Currency in circulation (% YoY)      | 10.4%  | 8.8%   | 8.0%   | 8.1%   | 8.1%   | 8.3%   | 9.3%   | 7.7%   | 8.2%   | 8.6%   | 8.2%   | 7.9%   | 7.7%   |
|                     | Non-food credit growth (% YoY)       | 7.1%   | 7.4%   | 9.6%   | 10.9%  | 11.0%  | 11.2%  | 10.2%  | 12.5%  | 13.0%  | 12.9%  | 12.5%  | 14.5%  | 12.6%  |
|                     | Credit-deposit ratio (%)             | 73.4%  | 73.3%  | 73.8%  | 74.9%  | 74.7%  | 75.2%  | 75.7%  | 75.1%  | 75.5%  | 75.7%  | 75.0%  | 75.7%  | 76.4%  |
|                     | Incremental Credit-Deposit Ratio (%) | 20.6%  | 111.3% | 204.3% | 94.3%  | 107.3% | 68.5%  | 122.3% | 122.3% | 111.6% | 115.3% | 111.6% | 113.0% | --     |
| Markets             | Nifty 50 (MoM% change)               | -2.1%  | -3.0%  | -4.8%  | 8.7%   | 3.5%   | -3.7%  | 5.4%   | 4.1%   | -3.5%  | -2.4%  | -2.0%  | 0.3%   | 4.1%   |
|                     | BSE500 (MoM% change)                 | -0.6%  | -4.5%  | -5.2%  | 9.5%   | 4.6%   | -3.3%  | 4.0%   | 3.3%   | -3.2%  | -3.4%  | -2.9%  | 0.3%   | 4.5%   |
|                     | S&P BSE SENSEX P/E Ratio: Avg.       | 25.4   | 22.5   | 21.8   | 22.0   | 22.9   | 22.8   | 22.4   | 23.3   | 23.6   | 23.3   | 22.8   | 22.2   | 22.6   |
| Prices              | CPI inflation (% YoY)                | 7.8%   | 7.0%   | 7.0%   | 6.7%   | 7.0%   | 7.4%   | 6.8%   | 5.9%   | 5.7%   | 6.5%   | 6.4%   | 5.7%   | 4.7%   |
|                     | CPI core inflation (% YoY)           | 7.0%   | 6.1%   | 6.0%   | 5.8%   | 5.8%   | 6.1%   | 6.0%   | 6.0%   | 6.1%   | 6.1%   | 6.1%   | 5.8%   | 5.2%   |
|                     | CPI food inflation (% YoY)           | 8.3%   | 8.0%   | 7.7%   | 6.7%   | 7.6%   | 8.6%   | 7.0%   | 4.7%   | 4.2%   | 6.0%   | 6.0%   | 4.8%   | 3.8%   |
|                     | WPI inflation (% YoY)                | 15.4%  | 16.6%  | 16.2%  | 14.1%  | 12.5%  | 10.6%  | 8.7%   | 6.1%   | 5.0%   | 4.8%   | 3.9%   | 1.3%   | -0.9%  |
|                     | Oil (USD/bbl)                        | 104.9  | 113.1  | 122.7  | 111.9  | 100.4  | 89.7   | 93.3   | 91.4   | 81.0   | 82.5   | 82.6   | 78.4   | 84.7   |
|                     | Gold (USD/ounce)                     | 1933.9 | 1848.3 | 1833.8 | 1736.4 | 1765.7 | 1683.0 | 1664.4 | 1726.4 | 1796.7 | 1898.6 | 1854.5 | 1912.7 | 2000.4 |



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- 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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