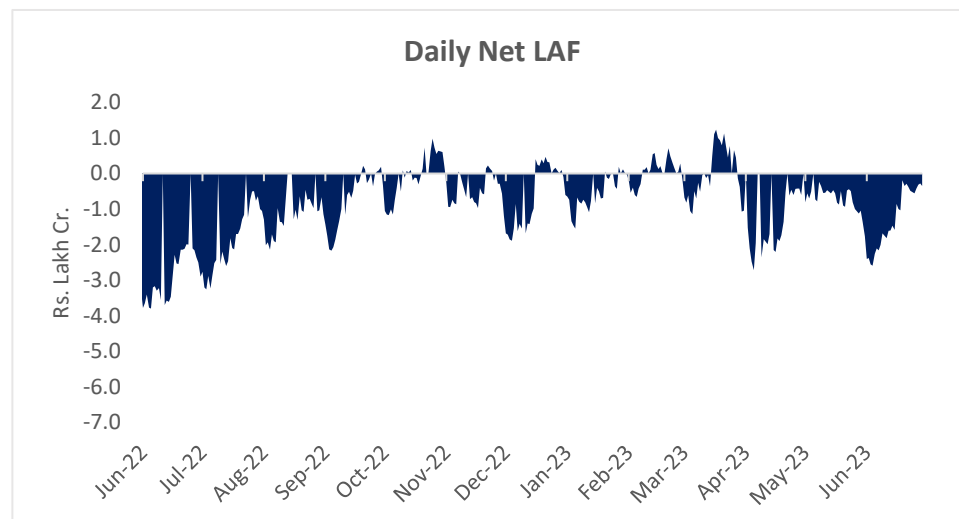
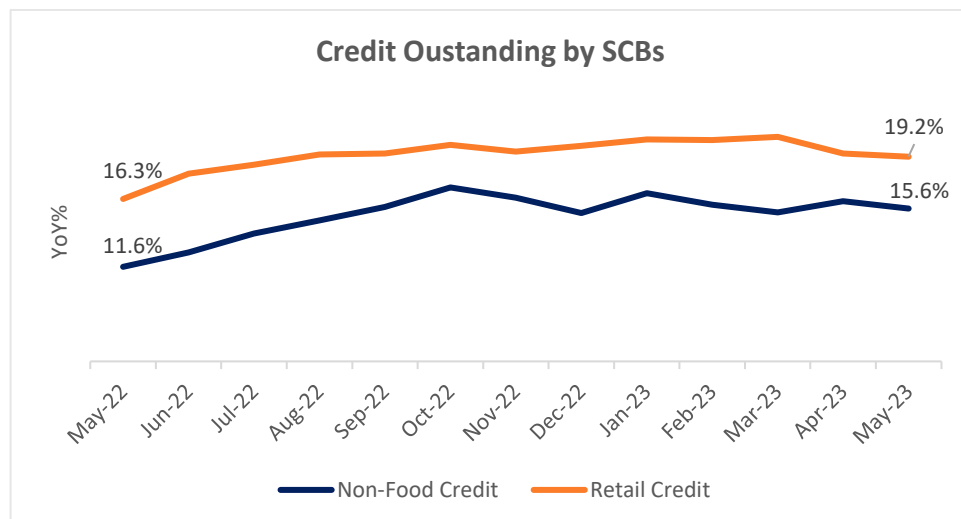


MACRO WATCH
UPDATE ON DATA TRENDS

July 2023

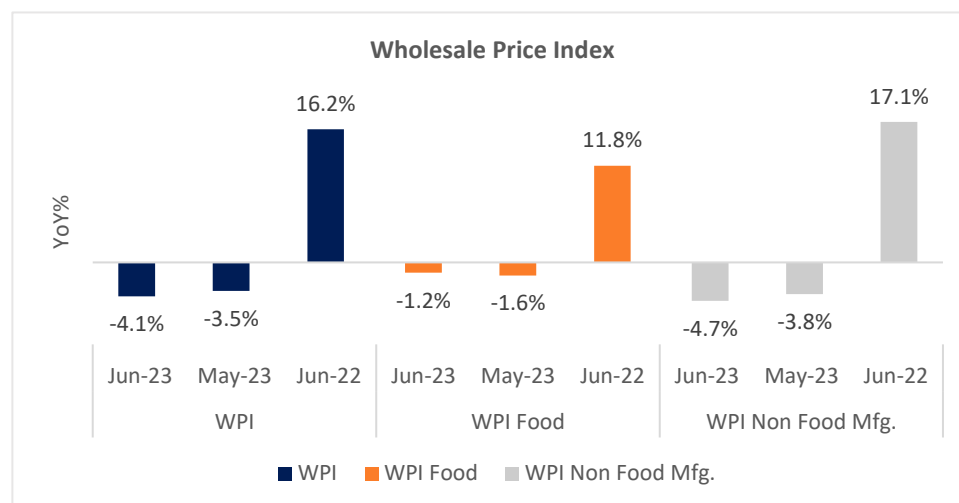
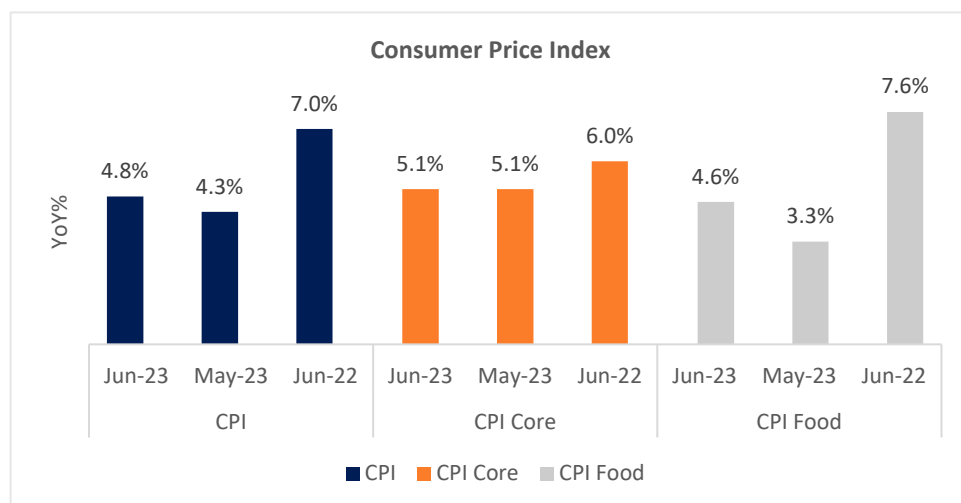
Banking

- Excess liquidity in the banking system rose from an average of INR 72,594 crore in May'23 to INR 1.3 lakh crore in Jun'23. This was supported by an increase in deposits on account of return of INR 2000 denominated banknotes. According to an RBI press release dated Jul' 3rd, 76% of the INR 2000 denominated banknotes in circulation have been returned, of which 87% were deposited into the banks.
- While surplus in average daily liquidity stood at INR 2 lakh crore in the first half of Jun'23, it declined to INR 55,443 crore in the second half. The impact of this could be seen in average call money rate inching higher to 6.52% in the second half of Jun'23 from 6.41% in the first half.
- SCB non-food credit growth moderated to 15.6% in May'23 vs 16.1% in Apr'23 on account of tepid growth across agriculture, industrial, services and retail loans category. Within retail loans, consumer durables witnessed the sharpest fall in credit growth to 14.2% vs 30.8% in Apr'23.



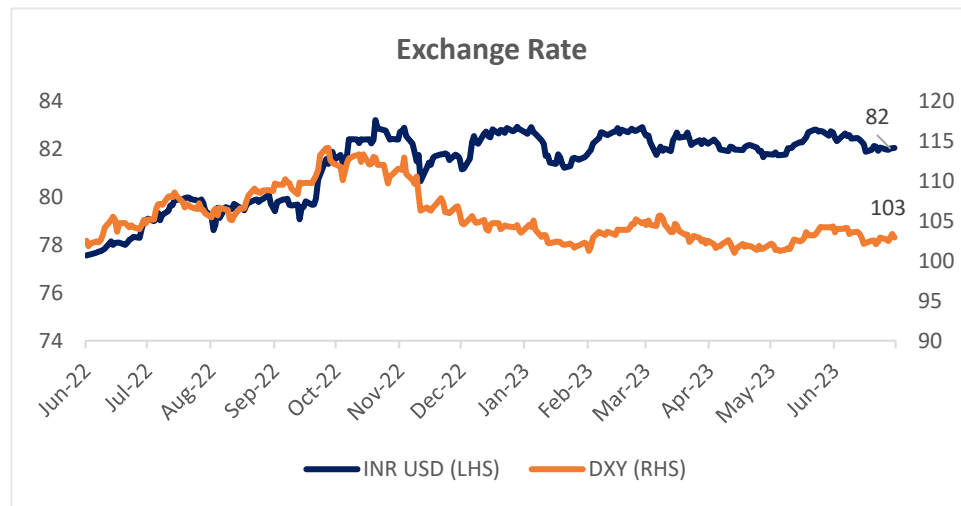
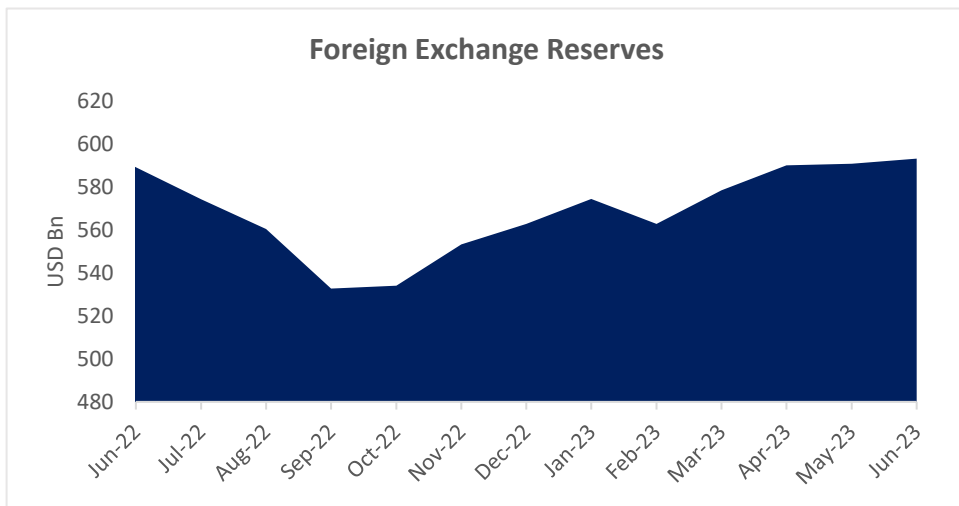
Inflation

- CPI inflation rose to 4.8% in Jun'23 vs 4.3% in May'23 on account of an uptick in food and beverages inflation (4.6% vs 3.3% the previous month). Within food and beverages, spices, cereals and pulses experienced double-digit inflation at 19.2%, 12.7% and 10.5%.
- Deflation in WPI continued for the third consecutive month on account of a deflation in manufactured and food products at -2.7% and -1.2% respectively. The pace of deflation has however, eased across both categories. Fuel and power-led WPI witnessed a de-growth of -12.6% vs -9.2% the previous month.
- A pain point in the overall inflation outlook is rising food inflation, which hinges on monsoon. Currently, northwest India is witnessing excess rainfall whereas Eastern and Southern parts continue to receive deficient rainfall. Overall Kharif sowing is down 1.6% on-year, led by decline in sowing area of rice, pulses and cotton.



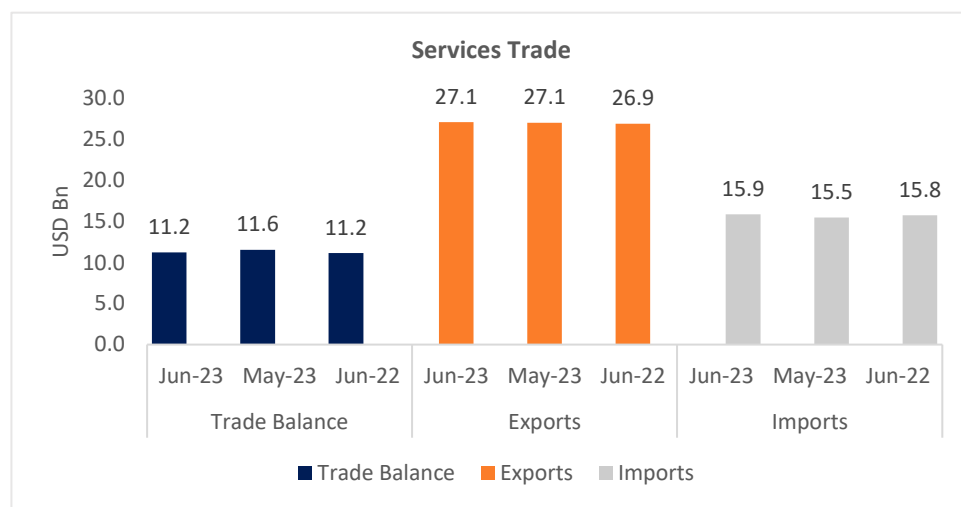
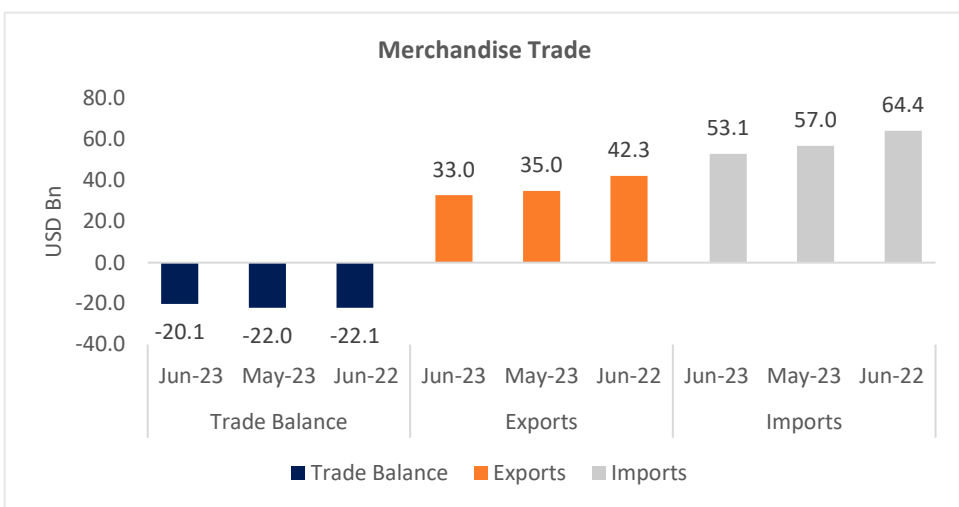
Foreign Exchange

- The rupee appreciated by 1% over the course of Jun'23. While the U.S. CPI eased from 4% in May'23 to 3% in Jun'23, the CME Fed Watch tool suggests a 97% possibility of a rate hike by the U.S. Fed in its upcoming Jul'23 meeting. This could help the dollar index nudge higher, putting pressure on the rupee.
- Net FPI inflows in Indian capital markets in Jun'23 stood at USD 6.8 Bn compared to USD 5.9 Bn in the previous month. FX reserves stood at USD 593 Bn in end-Jun'23, rising USD 2.5 Bn compared the previous month.
- Narrowing of the current account deficit to 0.2% of the GDP in Q4 FY23 vs 2% in Q3 FY23 and rising FPI inflows are expected to lend further support to the rupee. Policy rate stance by major central banks is however, a key monitorable.



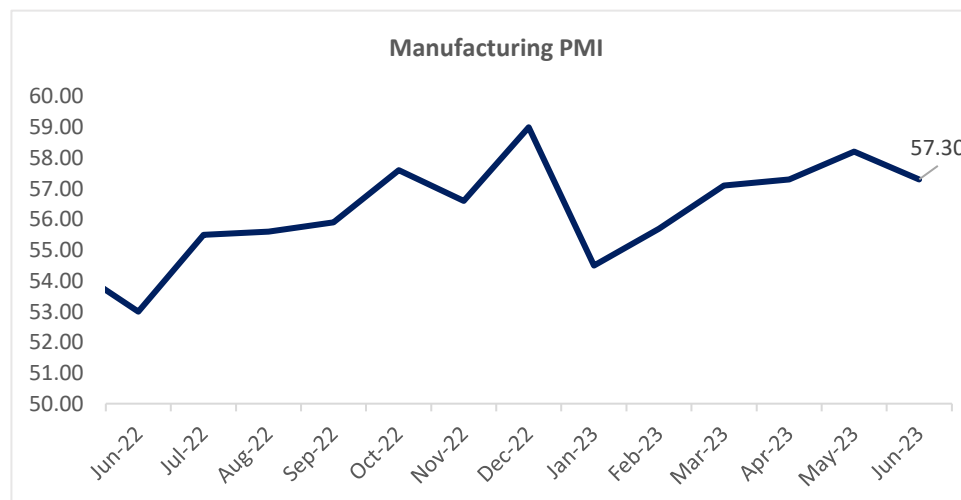
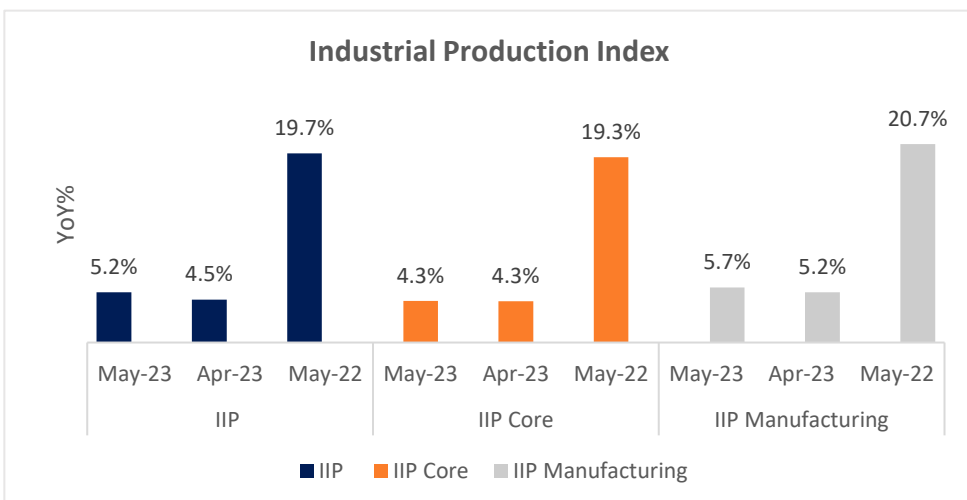
Foreign Trade

- Merchandise trade deficit edged lower to USD 20.1 Bn in Jun'23 vs USD 22 Bn in May'23 on account of a sharp fall in merchandise imports. Oil and non-oil & non-gold imports contracted 33.8% and 14.5% on year, respectively.
- Services trade balance has remained stable, albeit a marginal drop to USD 11.2 Bn in Jun'23 from USD 11.6 Bn in May'23. According to Balance of Payments data, telecom, computer and information sector accounted for 48% of the net exports of services in Q4FY23.
- Easing of global commodity prices (energy and base metal prices) should help ease merchandise trade deficit further.



Industrial Activity

- Overall industrial production grew further in May'23 to 5.2% from 4.5% in Apr'23. Manufacturing and mining, with a combined share of 92% in IIP grew 5.7% and 6.4% (vs 5.2% and 5.1% respectively, in Apr'23).
- Within the manufacturing sector, pharmaceutical, automobiles and machinery products witnessed the highest growth at 20.9%, 13.4% and 10% respectively while wearing apparel, furniture and wooden products witnessed the sharpest decline at 20.9%, 20.5% and 12.7% respectively.
- Growth in consumer durables recovered from five months of de-growth to 1.1% in May'23.



Source: TruBoard Research, CMIE

Growth Indicators

	% YoY	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Consumption	Currency in Circulation	8.0%	8.1%	8.1%	8.3%	9.3%	7.7%	8.2%	8.6%	8.1%	7.8%	7.7%	7.8%	4.1%
	Registered Motor Vehicles	21.5%	-8.8%	7.6%	7.5%	47.8%	19.0%	-6.6%	14.0%	16.7%	14.7%	-3.4%	10.5%	9.6%
	Petrol Consumption	23.2%	6.8%	11.6%	8.8%	8.9%	8.2%	6.0%	14.3%	8.9%	6.8%	2.8%	11.0%	6.2%
	Rail Passenger Traffic	237.6%	168.6%	113.6%	87.6%	62.2%	51.1%	40.7%	64.5%	29.8%	20.5%	20.2%	17.7%	12.5%
	Air Passenger Traffic	247.2%	98.2%	54.6%	50.1%	29.8%	11.5%	14.2%	95.6%	56.8%	21.4%	22.2%	15.2%	18.8%
	GST Revenue	55.8%	28.0%	28.2%	26.2%	16.6%	10.9%	15.2%	12.7%	12.4%	12.7%	11.6%	11.5%	11.7%
	Personal Loans	18.1%	18.7%	19.4%	19.4%	20.1%	19.6%	20.0%	20.4%	20.4%	20.6%	19.4%	19.2%	--
	IIP: Consumer Durables Goods	25.2%	2.3%	-4.4%	-5.5%	-18.1%	5.0%	-11.2%	-8.2%	-4.1%	-8.1%	-2.5%	1.1%	--
	IIP: Consumer Non Durables Goods	2.9%	-2.9%	-9.0%	-5.7%	-13.0%	10.0%	7.9%	6.5%	12.5%	-2.7%	10.8%	7.6%	--
Investment	Rail Freight Traffic	11.3%	8.3%	7.9%	9.1%	1.4%	5.2%	3.1%	3.8%	3.6%	3.8%	3.5%	1.9%	-1.9%
	Industrial Credit	9.5%	10.5%	11.4%	12.6%	13.6%	13.1%	8.6%	8.7%	7.0%	5.7%	7.0%	6.0%	--
	IIP: Capital Goods	28.6%	5.1%	4.3%	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	9.1%	4.6%	8.2%	--
	IIP: Intermediate Goods	10.5%	3.7%	1.3%	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.7%	0.4%	1.6%	--
	Diesel Consumption	23.9%	8.1%	13.2%	13.4%	5.6%	19.3%	6.6%	12.8%	7.5%	1.2%	8.6%	12.8%	3.1%
	Finished Steel Consumption	10.1%	10.6%	11.2%	11.5%	11.7%	11.9%	11.9%	11.7%	12.6%	13.3%	8.0%	7.9%	10.2%
	IIP: Capital Goods	28.6%	5.1%	4.3%	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	9.1%	4.6%	8.2%	--
	IIP: Intermediate Goods	10.5%	3.7%	1.3%	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.7%	0.4%	1.6%	--
	Capital Goods Imports	22.9%	33.2%	39.1%	57.0%	34.0%	31.2%	39.2%	18.8%	26.6%	8.2%	6.8%	2.3%	--
Government	Centre's Core Revex	-14.3%	-27.7%	-6.5%	19.5%	48.8%	18.0%	-12.3%	12.6%	4.3%	2.5%	14.9%	-22.3%	--
	State's Core Revex	20.6%	17.3%	17.1%	15.7%	7.6%	18.0%	-1.2%	9.7%	14.0%	7.2%	4.9%	16.5%	--
Net Exports	Exports Goods and Services	31.1%	12.3%	16.0%	14.4%	1.6%	18.0%	6.3%	12.2%	10.2%	1.2%	-5.0%	-3.2%	-13.2%
	Imports Goods and Services	51.4%	35.0%	35.1%	15.4%	9.4%	10.2%	2.3%	1.0%	-1.9%	-2.7%	-11.6%	-5.0%	-13.9%

Macro Stability Indicators

		Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Jobs	Unemployment rate (%)	7.8%	6.8%	8.3%	6.4%	7.9%	8.0%	8.3%	7.1%	7.5%	8.1%	8.5%	7.7%	8.5%
	LFPR (%)	38.8%	38.9%	39.2%	39.3%	39.3%	39.6%	40.5%	39.8%	39.9%	39.8%	40.7%	39.6%	39.9%
	Urban Job creation (%YoY)	22.0%	20.8%	5.8%	12.7%	-2.7%	42.9%	4.3%	1.7%	-2.2%	5.2%	-5.2%	-0.5%	-2.9%
External sector	Merchandise trade deficit (USD Bn)	-22.1	-25.4	-24.9	-28.0	-26.3	-22.1	-23.1	-16.4	-16.2	-18.1	-15.4	-22.0	-20.1
	FPI flows (USD Bn)	-6.6	0.2	7.1	-0.4	-0.4	4.1	1.1	-3.2	-0.5	0.7	1.7	5.9	6.8
	FX Reserves (USD Bn)	589.2	574.3	560.4	532.7	534.0	553.2	562.7	574.4	562.7	578.4	590.1	590.7	593.2
	Import cover (No. of months)	9.6	9.1	8.8	8.5	8.7	9.3	9.6	10.1	10.1	10.5	10.8	10.6	11.1
Exchange Rate	INR-USD (Avg.)	78.9	79.4	79.7	81.6	82.4	81.6	82.8	81.7	82.7	82.2	81.8	82.7	82.0
	INR-USD (% MoM)	1.6%	0.6%	0.4%	2.3%	1.0%	-1.0%	1.5%	-1.3%	1.2%	-0.6%	-0.5%	1.1%	-0.8%
	REER (% MoM)	-0.7%	-0.4%	0.3%	0.9%	-1.0%	-0.6%	-2.9%	-0.4%	-0.4%	0.6%	-1.7%	1.2%	--
Monetary Indicators	Money Supply (% YoY)	7.8%	8.6%	8.9%	8.6%	9.1%	8.9%	8.7%	9.8%	9.5%	9.0%	9.5%	10.1%	13.4%
	Currency in circulation (% YoY)	8.0%	8.1%	8.1%	8.3%	9.3%	7.7%	8.2%	8.5%	8.1%	7.8%	7.7%	7.8%	4.1%
	Non-food credit growth (% YoY)	12.6%	13.9%	14.8%	15.7%	17.1%	16.4%	15.3%	16.7%	15.9%	15.4%	16.1%	15.6%	--
	Credit-deposit ratio (%)	73.8%	73.3%	73.7%	74.6%	74.9%	75.5%	75.5%	75.7%	75.8%	76.2%	75.5%	76.0%	--
	Incremental Credit-Deposit Ratio (%)	204.3%	94.3%	107.3%	68.5%	122.3%	122.3%	111.6%	115.3%	111.6%	113.0%	97.5%	104.8%	--
Markets	Nifty 50 (% MoM)	-4.8%	8.7%	3.5%	-3.7%	5.4%	4.1%	-3.5%	-2.4%	-2.0%	0.3%	4.1%	2.6%	3.5%
	BSE500 (% MoM)	-5.2%	9.5%	4.6%	-3.3%	4.0%	3.3%	-3.2%	-3.4%	-2.9%	0.3%	4.5%	3.5%	4.1%
	S&P BSE SENSEX P/E Ratio (Avg.)	21.8	22.0	22.9	22.8	22.4	23.3	23.6	23.3	22.8	22.2	22.6	23.5	23.3
Prices	CPI inflation (% YoY)	7.0%	6.7%	7.0%	7.4%	6.8%	5.9%	5.7%	6.5%	6.4%	5.7%	4.7%	4.3%	4.8%
	CPI core inflation (% YoY)	6.0%	5.8%	5.8%	6.1%	6.0%	6.0%	6.1%	6.1%	6.1%	5.8%	5.2%	5.1%	5.1%
	CPI food inflation (% YoY)	7.7%	6.7%	7.6%	8.6%	7.0%	4.7%	4.2%	6.0%	6.0%	4.8%	3.8%	3.0%	4.5%
	WPI inflation (% YoY)	16.2%	14.1%	12.5%	10.6%	8.7%	6.1%	5.0%	4.8%	3.9%	1.4%	-0.8%	-3.5%	-4.1%
	Brent Crude Oil (USD/bbl)	122.7	111.9	100.4	89.7	93.3	91.4	81.0	82.5	82.6	78.4	84.7	75.6	74.8
	Gold (USD/ounce)	1833.8	1736.4	1765.7	1683.0	1664.4	1726.4	1796.7	1898.6	1854.5	1912.7	2000.4	1990.2	1942.9

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