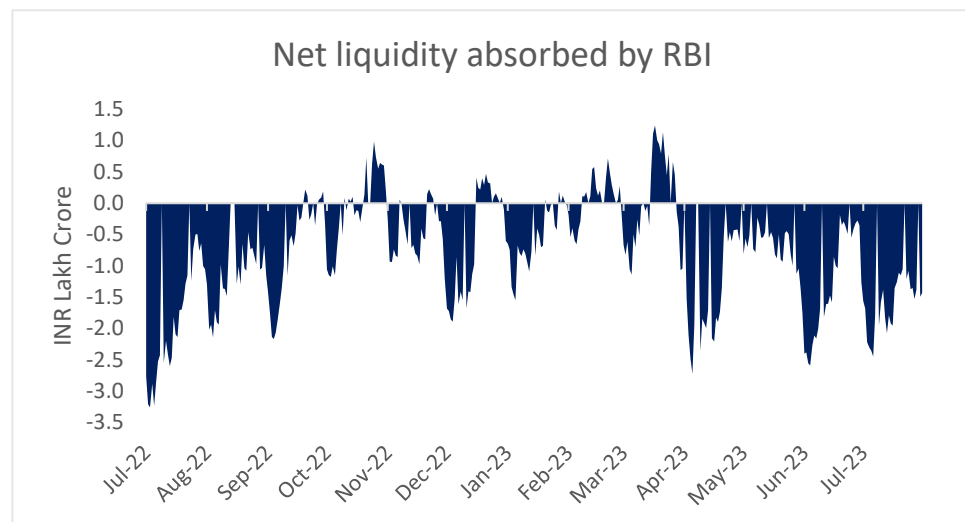
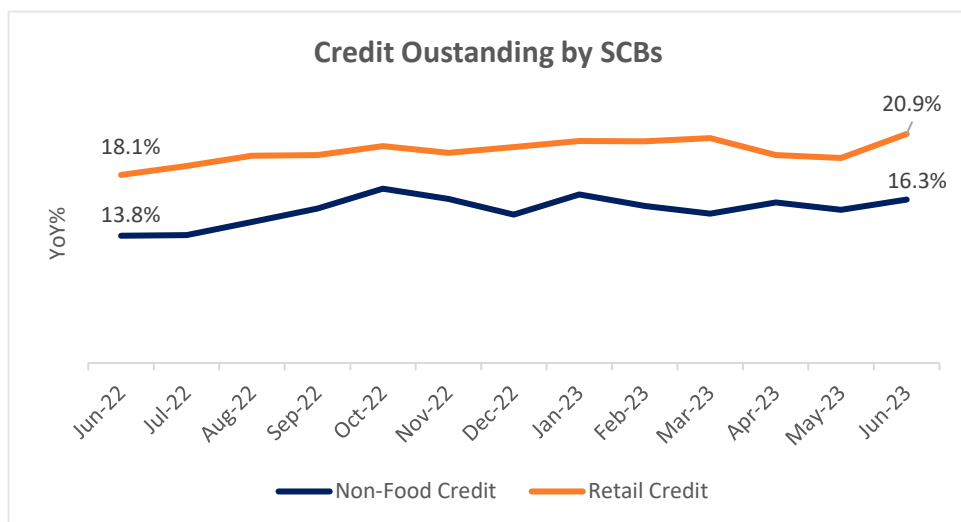


MACRO WATCH
UPDATE ON DATA TRENDS

August 2023

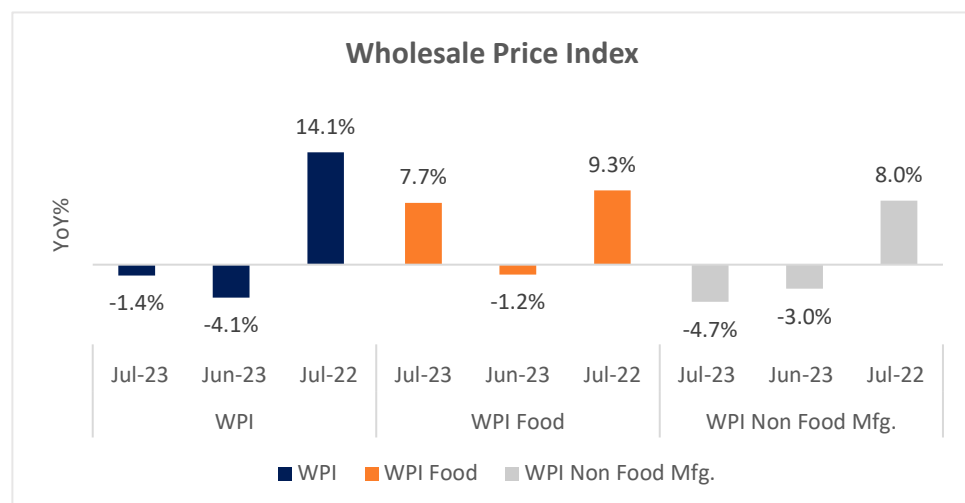
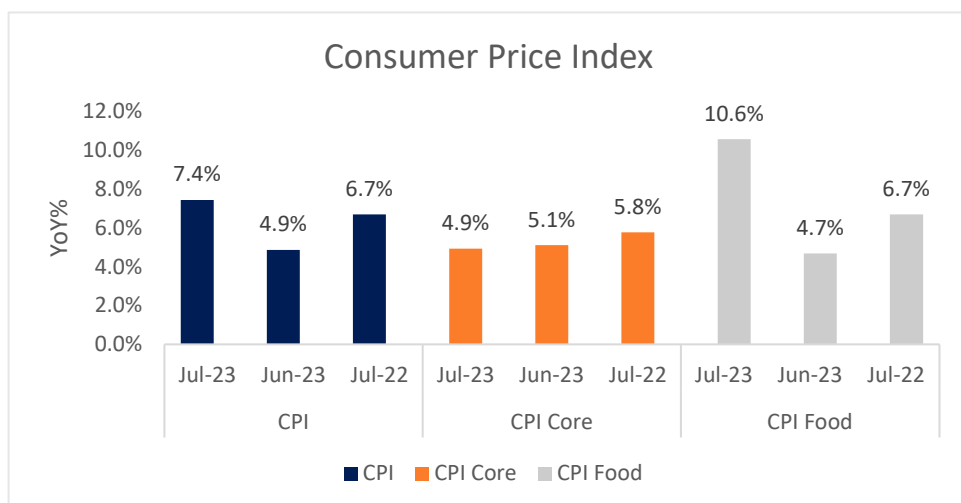
Banking

- Excess liquidity in the banking system rose further from an average of INR 1.3 lakh crore in Jun'23 to INR 1.6 lakh crore in Jul'23. The impact of excess liquidity since the return of INR 2000-denominated notes in May'23 has been observed in weighted average lending rate on fresh rupee loans inching lower to 9.2% in Jun'23 compared to 9.3% in May'23. Weighted average call money rates too, inched lower to 6.4% in Jul'23 compared to 6.5% in Jun'23.
- Recent measures announced by the monetary policy committee for SCBs to maintain an incremental cash reserve ratio of 10% on the increase in their net demand and time liabilities between May 19 and Jul 28, 2023, with effect from Aug 12, 2023 is expected to absorb excess liquidity of INR 1 lakh crore within the banking system.
- Services sector witnessed the sharpest credit growth at 26.7% in Jun'23 vs 21.4% in May'23, followed by retail loans at 20.9% vs 19.2% the previous month.



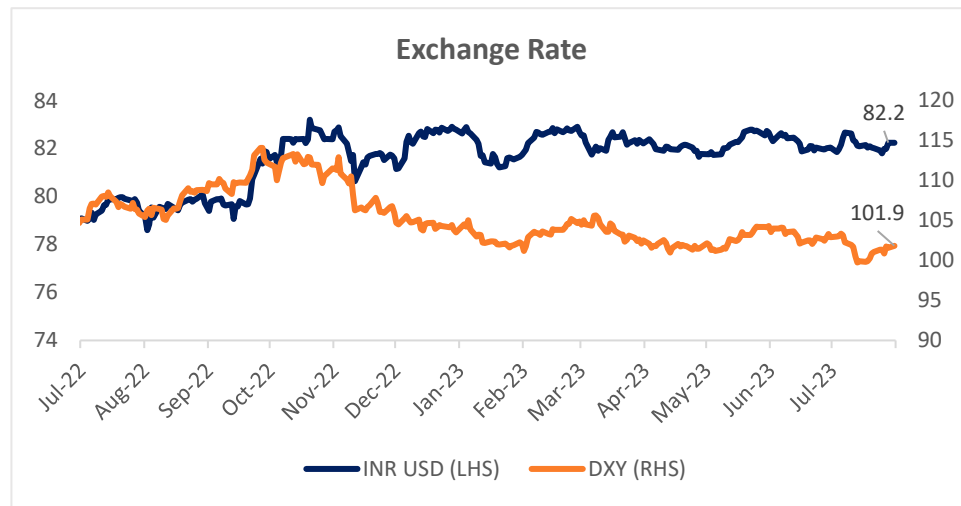
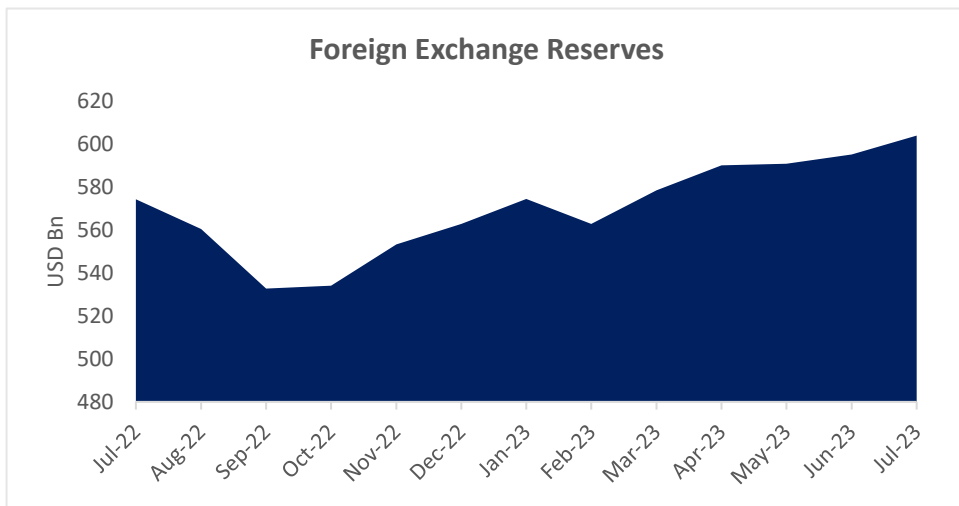
Inflation

- CPI inflation came in at a 15-month high of 7.4% in Jul'23 vs 4.9% in Jun'23. This sharp uptick can be attributed to food and beverages inflation which shot up to 10.6% in Jul'23 vs 4.7% in Jun'23 and contributed ~65% to headline inflation.
- The pace of deflation in WPI moderated to 1.4% in Jul'23 vs 4.1% in Jun'23, on account of an uptick in food prices to 7.7% in Jul'23 vs -1.2% in Jun'23. Manufactured products and fuel & power however, witnessed deflation at 2.5% and 12.8% vs 2.7% and 12.6% respectively, the previous month.
- Food inflation will continue to remain elevated for the next 2-3 months. Easing core inflation and the seasonal uptick in food prices is unlikely to nudge the RBI towards a rate hike direction.



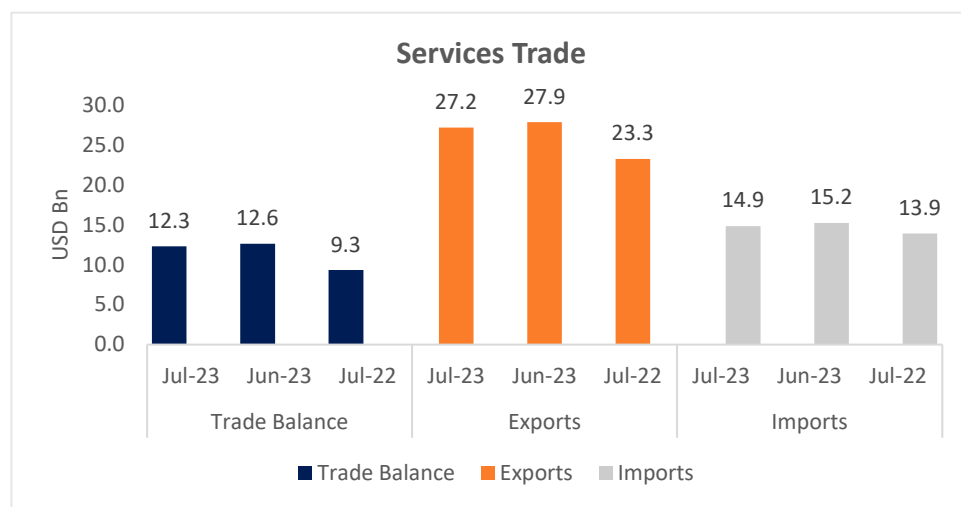
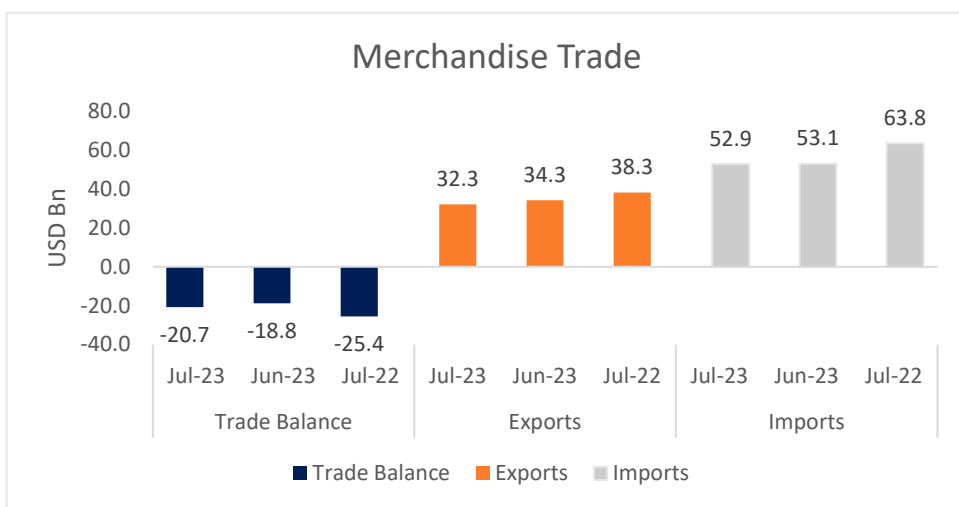
Foreign Exchange

- The rupee depreciated by 0.5% over the course of Jul'23. Net FPI inflows in Indian capital markets moderated to USD 5.8 Bn in Jul'23 vs USD 6.8 Bn the previous month.
- FX reserves stood at a 15-month high of USD 604 Bn in Jul'23 compared to USD 595 Bn in Jun'23.
- Recent comments by FOMC members indicate that the committee might be divided on the future course of monetary policy. While committee member Michelle Bowman recently highlighted inflation being "too high" and the need for subsequent rate hikes to bring inflation down, Raphael Bostic and Austan Goolsbee signalled their preference for a pause, owing to the nonfarm payrolls report (2.2% growth in nonfarm payrolls in Jul'23 vs 2.5% in Jun'23) indicating some softness in the labor market. A hawkish stance by the Fed in its upcoming Sep'23 meeting is likely to exert upward pressure on the rupee.



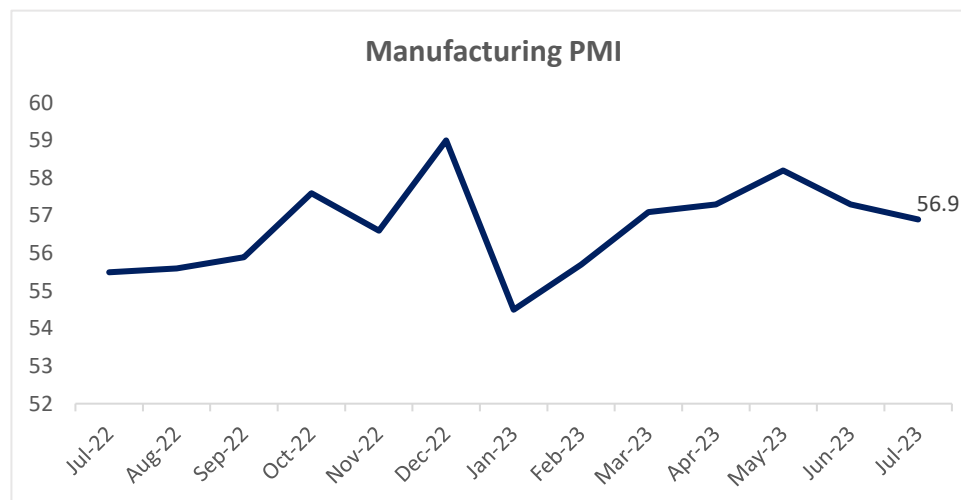
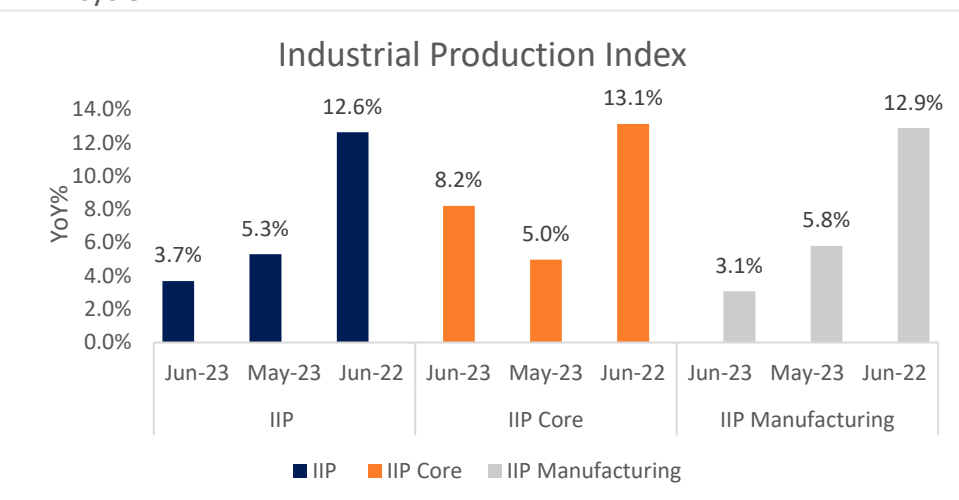
Foreign Trade

- Merchandise trade deficit expanded to USD 20.7 Bn in Jul'23 vs USD 18.8 Bn in Jun'23. Oil and non-oil exports contracted 43.8% and 8.32% vs 36% and 13%, respectively, the previous month. Non-oil and non-gold imports contracted 8% in Jul'23 vs 15% in Jun'23.
- Services exports witnessed growth of 16.8% in Jul'23 vs 3.5% in Jun'23.
- Petroleum crude, chemicals and machinery products were the top three commodities exported in Jun'23 at USD 6.8 Bn, USD 4.6 Bn and USD 3.3 Bn respectively.



Industrial Activity

- Overall industrial output grew 4.5% in Q1 FY24 compared to 4.6% the previous quarter, with core sector output growing 5.8% in Q1 FY24, compared to 7.1% the previous quarter.
- Within the manufacturing sector, basic metals, electrical equipment and automobiles witnessed the highest growth at 13.6%, 10.9% and 7.9% respectively while electronic products, wearing apparel and tobacco products witnessed the sharpest decline at 32%, 23.3% and 16.6% respectively.
- An uptick in manufacturing capacity utilization to 76.3% in Q4 FY23 from 74.3% in the previous quarter bodes well for the revival of private capex cycle.



Source: TruBoard Research, CMIE

Growth Indicators

	% YoY	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Consumption	Currency in Circulation	8.1%	8.1%	8.3%	9.3%	7.7%	8.2%	8.6%	8.1%	7.8%	7.7%	7.8%	4.1%	4.4%
	Registered Motor Vehicles	-8.8%	7.5%	7.5%	48.5%	19.0%	-6.3%	14.2%	16.6%	14.8%	-3.3%	10.9%	10.1%	10.1%
	Petrol Consumption	6.8%	11.6%	8.8%	8.9%	8.2%	6.0%	14.3%	8.9%	6.8%	2.9%	11.0%	6.2%	6.3%
	Rail Passenger Traffic	168.6%	113.6%	87.6%	62.2%	51.1%	40.7%	64.5%	29.8%	20.5%	20.2%	17.7%	12.5%	10.3%
	Air Passenger Traffic	98.2%	54.6%	50.1%	29.8%	11.5%	14.2%	95.6%	56.8%	21.4%	22.2%	15.2%	18.8%	24.7%
	GST Revenue	28.0%	28.2%	26.2%	16.6%	10.9%	15.2%	12.7%	12.4%	12.7%	11.6%	11.5%	11.7%	10.8%
	Personal Loans	18.7%	19.4%	19.4%	20.1%	19.6%	20.0%	20.4%	20.4%	20.6%	19.4%	19.2%	20.9%	--
	IIP: Consumer Durables Goods	2.3%	-4.4%	-5.5%	-18.1%	5.0%	-11.2%	-8.2%	-4.1%	-8.0%	-2.5%	1.2%	-6.9%	--
	IIP: Consumer Non Durables Goods	-2.9%	-9.0%	-5.7%	-13.0%	10.0%	7.9%	6.5%	12.5%	-1.9%	10.8%	8.4%	1.2%	--
Investment	Rail Freight Traffic	8.3%	7.9%	9.1%	1.4%	5.2%	3.1%	3.8%	3.6%	3.8%	3.5%	1.9%	-1.9%	1.5%
	Industrial Credit	10.5%	11.4%	12.6%	13.6%	13.1%	8.6%	8.7%	7.0%	5.7%	7.0%	6.0%	8.1%	--
	IIP: Capital Goods	5.1%	4.3%	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	10.0%	4.6%	8.1%	2.2%	--
	IIP: Intermediate Goods	3.7%	1.3%	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.8%	0.4%	3.0%	4.5%	--
	Diesel Consumption	8.1%	13.2%	13.4%	5.6%	19.3%	6.6%	12.8%	7.6%	1.2%	8.6%	12.7%	3.1%	3.9%
	Finished Steel Consumption	10.6%	11.2%	11.5%	11.7%	11.9%	11.9%	11.7%	12.6%	13.3%	8.0%	7.9%	10.4%	--
	IIP: Capital Goods	5.1%	4.3%	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	10.0%	4.6%	8.1%	2.2%	--
	IIP: Intermediate Goods	3.7%	1.3%	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.8%	0.4%	3.0%	4.5%	--
Capital Goods Imports	33.2%	39.1%	57.0%	34.0%	31.2%	39.2%	18.8%	26.6%	8.2%	6.8%	2.3%	0.5%	--	
Government	Centre's Core Revex	-27.7%	-6.5%	19.5%	48.8%	18.0%	-12.3%	12.6%	4.3%	2.5%	14.9%	-22.3%	5.8%	--
	State's Core Revex	17.3%	17.1%	15.7%	7.6%	18.0%	-1.2%	9.7%	14.0%	7.2%	57.5%	44.5%	16.6%	--
Net Exports	Exports Goods and Services	12.3%	16.0%	14.4%	1.6%	18.0%	6.3%	12.2%	10.2%	1.2%	-5.1%	-3.3%	-10.1%	-3.5%
	Imports Goods and Services	35.0%	35.1%	15.4%	9.4%	10.2%	2.3%	1.0%	-1.9%	-2.7%	-11.6%	-5.0%	-14.7%	-12.8%

Macro Stability Indicators

		Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Jobs	Unemployment rate (%)	6.8%	8.3%	6.4%	7.9%	8.0%	8.3%	7.1%	7.5%	8.1%	8.5%	7.7%	8.5%	8.0%
	LFPR (%)	38.9%	39.2%	39.3%	39.3%	39.6%	40.5%	39.8%	39.9%	39.8%	40.7%	39.6%	39.9%	39.3%
	Urban Job creation (%YoY)	20.8%	5.8%	12.7%	-2.7%	42.9%	4.3%	1.7%	-2.2%	5.2%	-5.2%	-0.5%	-2.9%	-18.8%
External sector	Merchandise trade deficit (USD Bn)	-25.4	-24.9	-28.0	-26.3	-22.1	-23.1	-16.4	-16.2	-18.1	-15.5	-22.0	-18.8	-20.7
	FPI flows (USD Bn)	0.2	7.1	-0.4	-0.4	4.1	1.1	-3.2	-0.5	0.7	1.7	5.9	6.8	5.8
	FX Reserves (USD Bn)	574.3	560.4	532.7	534.0	553.2	562.7	574.4	562.7	578.4	590.1	590.7	595.1	603.9
	Import cover (No. of months)	9.1	8.8	8.5	8.7	9.3	9.6	10.1	10.1	10.5	10.8	10.6	11.1	11.1
Exchange Rate	INR-USD (Avg.)	79.4	79.7	81.6	82.4	81.6	82.8	81.7	82.7	82.2	81.8	82.7	82.0	82.2
	INR-USD (% MoM)	0.6%	0.4%	2.3%	1.0%	-1.0%	1.5%	-1.3%	1.2%	-0.6%	-0.5%	1.1%	-0.8%	0.3%
	REER (% MoM)	-0.4%	0.3%	0.9%	-1.0%	-0.6%	-2.9%	-0.4%	-0.4%	0.6%	-1.7%	1.4%	2.3%	--
Monetary Indicators	Money Supply (% YoY)	8.6%	8.9%	8.6%	9.1%	8.9%	8.7%	9.8%	9.5%	9.0%	9.5%	10.1%	13.4%	10.6%
	Currency in circulation (% YoY)	8.1%	8.1%	8.3%	9.3%	7.7%	8.2%	8.6%	8.2%	7.8%	7.7%	7.8%	4.1%	4.4%
	Non-food credit growth (% YoY)	13.9%	14.8%	15.7%	17.1%	16.4%	15.3%	16.7%	15.9%	15.4%	16.1%	15.6%	16.3%	--
	Credit-deposit ratio (%)	73.2%	73.7%	74.6%	74.9%	75.5%	75.5%	75.7%	75.8%	76.2%	75.5%	75.6%	75.5%	77.5%
	Incremental Credit-Deposit Ratio (%)	94.3%	107.3%	68.5%	122.3%	122.3%	111.6%	115.3%	111.6%	113.0%	97.5%	98.7%	93.0%	--
Markets	Nifty 50 (% MoM)	8.7%	3.5%	-3.7%	5.4%	4.1%	-3.5%	-2.4%	-2.0%	0.3%	4.1%	2.6%	3.5%	2.9%
	BSE500 (% MoM)	9.5%	4.6%	-3.3%	4.0%	3.3%	-3.2%	-3.4%	-2.9%	0.3%	4.5%	3.5%	4.1%	3.8%
	S&P BSE SENSEX P/E Ratio (Avg.)	22.0	22.9	22.8	22.4	23.3	23.6	23.3	22.8	22.2	22.6	23.5	23.3	24.9
Prices	CPI inflation (% YoY)	6.7%	7.0%	7.4%	6.8%	5.9%	5.7%	6.5%	6.4%	5.7%	4.7%	4.3%	4.9%	7.4%
	CPI core inflation (% YoY)	5.8%	5.8%	6.1%	6.0%	6.0%	6.1%	6.1%	6.1%	5.8%	5.2%	5.1%	5.1%	4.9%
	CPI food inflation (% YoY)	6.7%	7.6%	8.6%	7.0%	4.7%	4.2%	6.0%	6.0%	4.8%	3.8%	3.0%	4.5%	11.5%
	WPI inflation (% YoY)	14.1%	12.5%	10.6%	8.7%	6.1%	5.0%	4.8%	3.9%	1.4%	-0.8%	-3.6%	-4.1%	-1.4%
	Brent Crude Oil (USD/bbl)	111.9	100.4	89.7	93.3	91.4	81.0	82.5	82.6	78.4	84.7	75.6	74.8	80.1
	Gold (USD/ounce)	1736.4	1765.7	1683.0	1664.4	1726.4	1796.7	1898.6	1854.5	1912.7	2000.4	1990.2	1942.9	1948.9

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