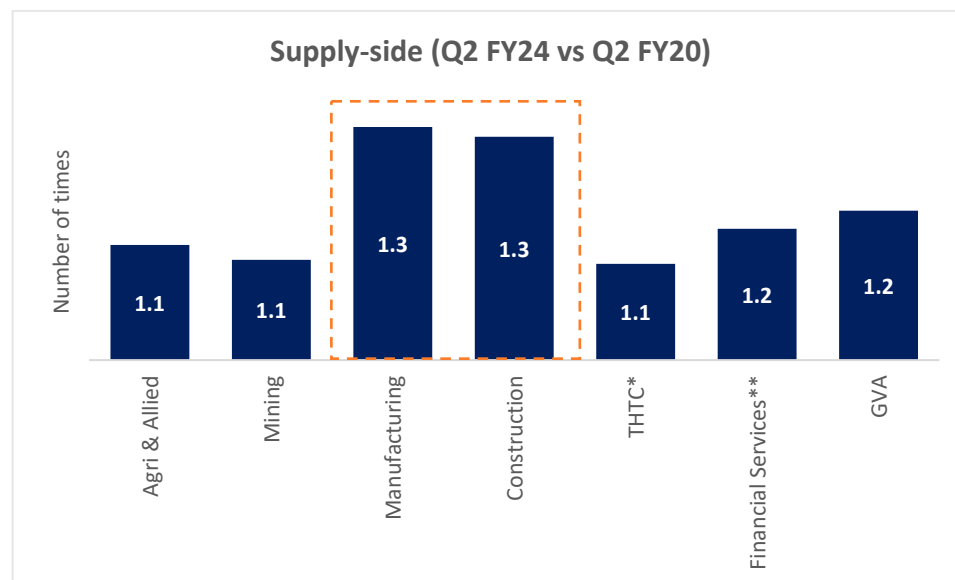
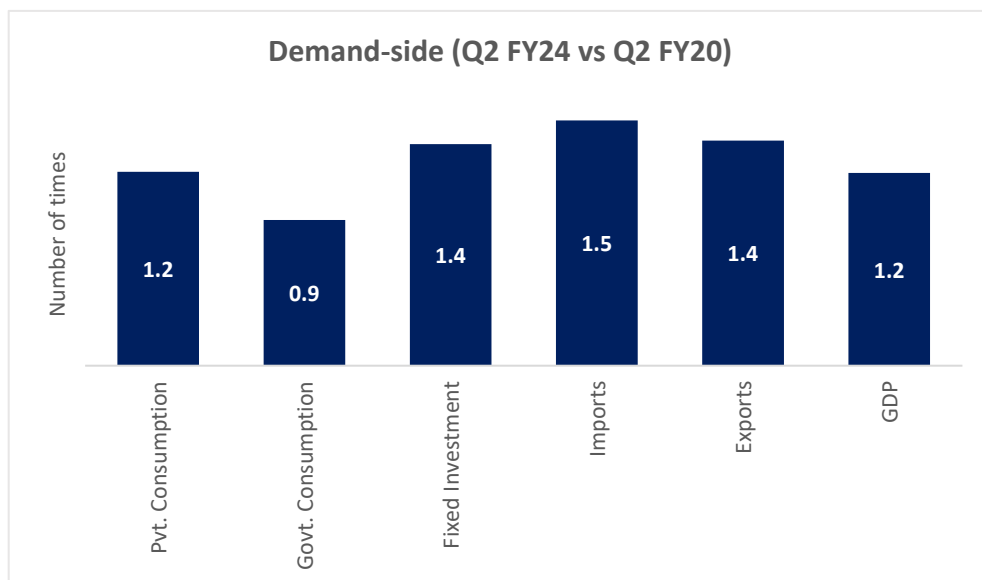
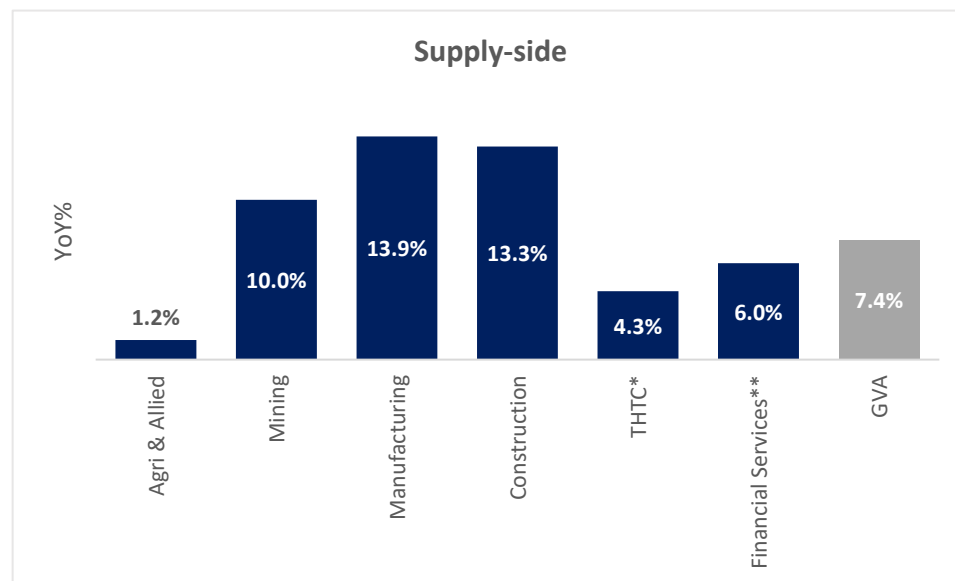
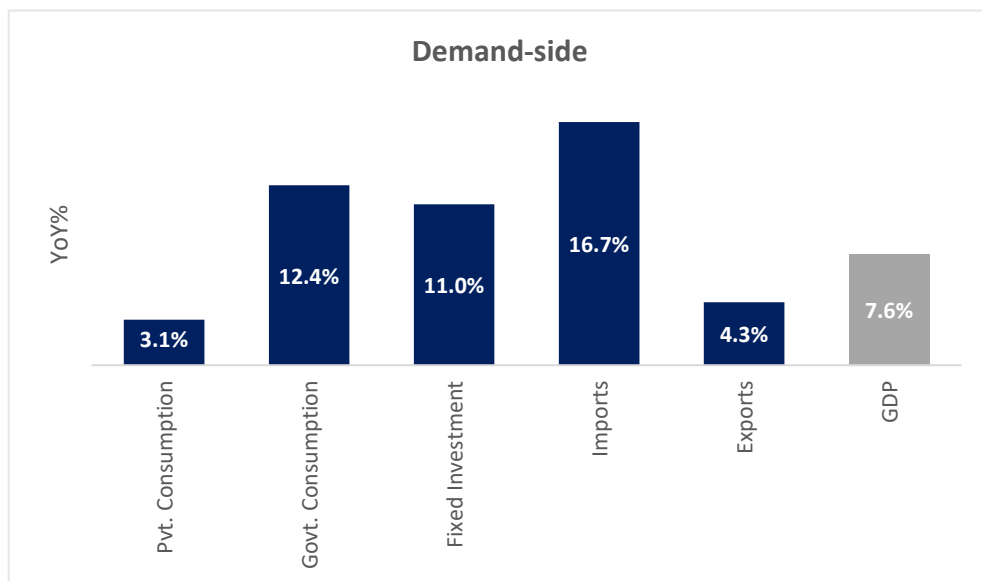


**MACRO WATCH**  
**UPDATE ON DATA TRENDS**

December 2023

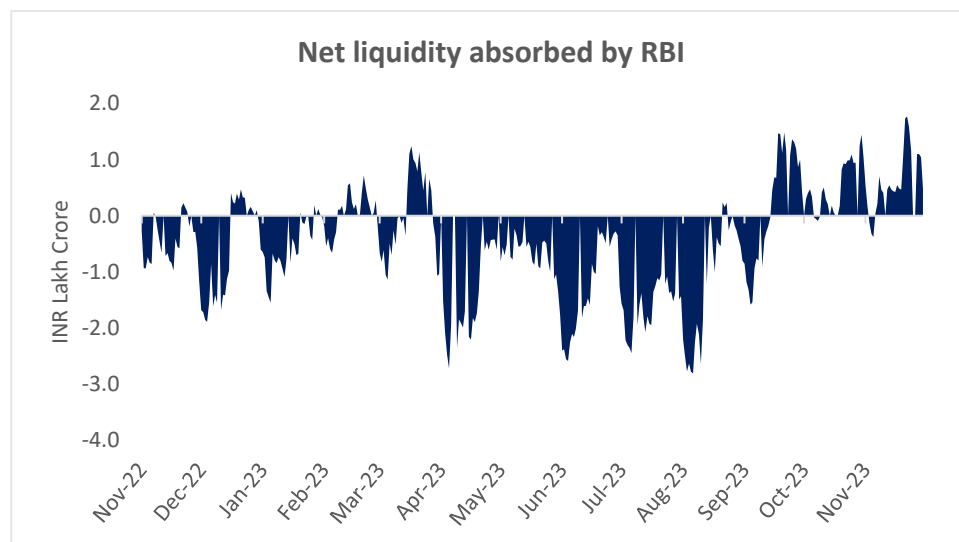
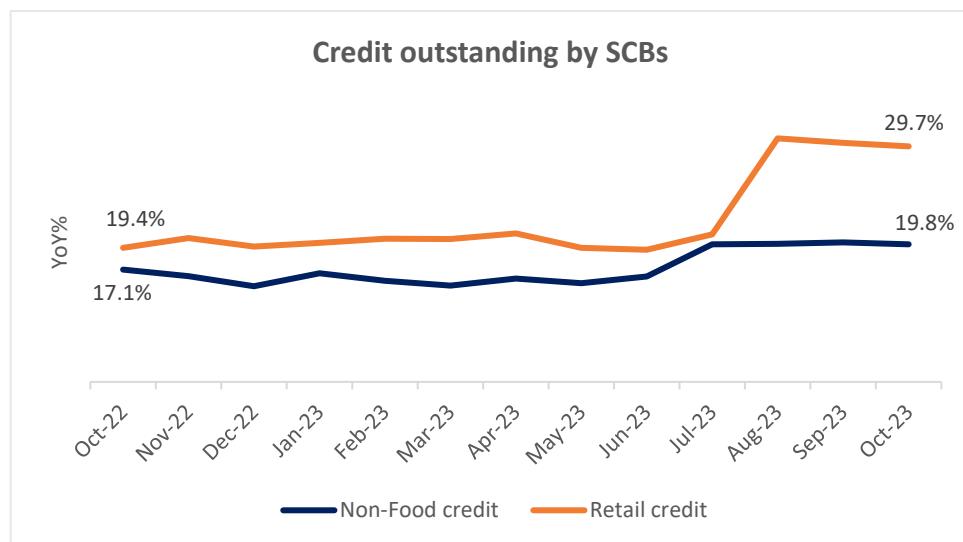
## Q2 FY24 GDP defies lowered expectations

- India's real GDP grew 7.6% on-year in the second quarter of the fiscal year compared to 7.8% in the previous quarter. This was higher than the RBI's forecast at 6.5% at its monetary policy meeting on 6<sup>th</sup> Oct'23.
- On the demand-side, government final consumption expenditure (GFCE) rose sharply to 12.4% on-year vs -0.7% in the previous quarter. Growth in private consumption (PFCE) on the other hand, dropped to 3.1% on-year compared to 6% in Q1 FY24. The slowdown in private final consumption expenditure stems from a weak demand from rural areas. Two-wheeler sales have recorded average growth at -1.9% on-year in Q2 FY24 vs 11.9% in Q1 FY24 whereas tractor sales growth has averaged -6.6% on-year in Q2 FY24 vs Q1 FY24.
- Investment (gross fixed capital formation) contributed 49% to GDP in Q2 FY24 compared to 35% in Q1 FY24. Investment as a share of the GDP stood at 35.3% in Q2 FY24, higher than its 10-year average at 31.8%. Central government capex, the main driver of GFCF, grew 26.4% on-year in Q2 FY24 whereas states capital expenditure grew stronger at 46.2%. Central and state government capital expenditure is expected to remain the key contributor to the investment cycle this year.
- On the supply-side, agriculture sector output growth moderated to 1.2% on-year in Q2 FY24 vs 3.5% in Q1 FY24. Uncertain and skewed pattern of monsoons in FY24 affected sowing levels. Sowing for major kharif crops like pulses and rice have fallen behind their 2022 levels by 11.2% and 2.6%. Manufacturing sector, saw the highest growth at 13.9% on-year compared to 4.7% in the previous quarter. Construction sector activity too, witnessed remarkable growth at 13.3% vs 7.9% in the previous quarter, gaining from rising central and state government capex. Sustained growth in high frequency indicators suggests continued growth in construction sector output. IIP infrastructure and construction goods grew 11.7% on-year in Q2 FY24 vs 13.2% in Q1 FY24 while IIP capital goods grew 8.9% on-year in Q2 FY24 vs 5.1% in Q1 FY24.
- The RBI in its latest monetary policy meeting, has revised upwards its growth forecast for FY24 to 7% on-year from 6.5% earlier, with real GDP for Q3 FY24 expected to grow by 6.5% (vs 6% earlier) and Q4 FY24 by 6% (vs 5.7% earlier). Healthy twin balance sheets of banks and corporates, high capacity utilization, continuing business optimism and government's thrust on infrastructure spending should propel private sector capital expenditure. Uncertainty in global commodity prices and volatility in global financial markets pose likely risks to the growth outlook.



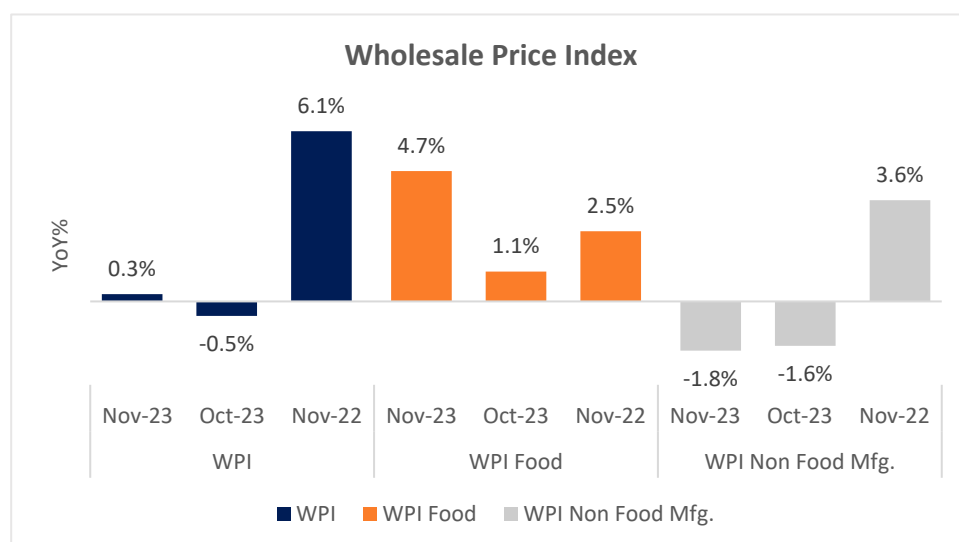
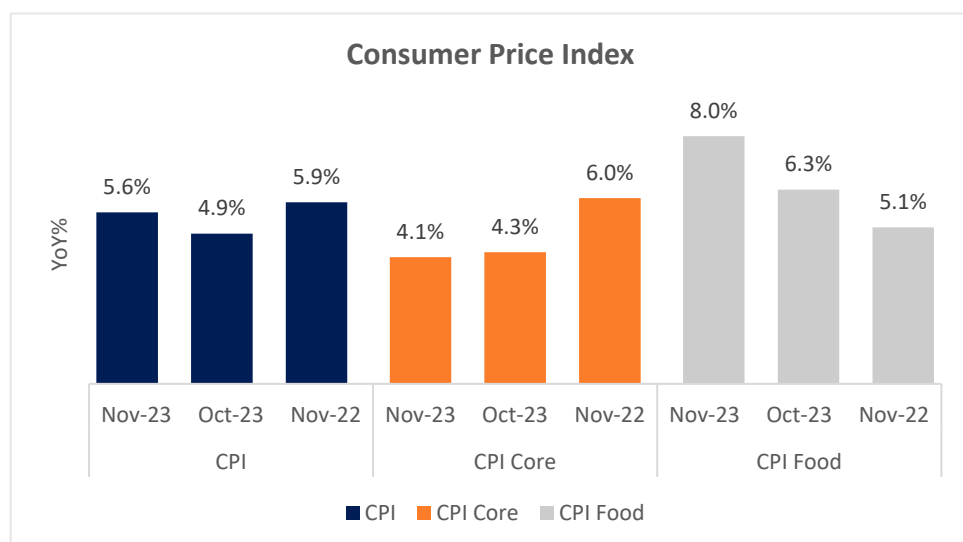
## Banking

- Average daily liquidity continued to be in deficit - rising from INR 50,240 crore in Oct'23 to INR 61,434 crore in Nov'23. Amidst liquidity constraints, Indian banks are increasingly relying on certificates of deposit (CDs) to meet short-term funding requirements. According to a recent report by Reuters, banks raised around INR 76,200 crore through sale of CDs in Nov'23, registering the highest amount in FY24 so far.
- Weighted average call money rate too, inched higher from 6.64% in Oct'23 to 6.67% in Nov'23. Tax outflows and quarter-end cash requirement is expected to prompt banks to borrow more funds.
- Outstanding non-food credit witnessed a growth of 19.8% on-year in Oct'23 vs 20% in Sep'23. Retail loans, comprising one-third of the total non-food credit, grew 29.7% in Oct'23 vs 30.4% in Sep'23. Credit growth in certain segments under unsecured retail loans have seen a moderation in the last three months. Consumer durables loans and credit card loans grew 9.9% and 29.3% on average respectively, from Aug'23 to Oct'23 compared to a growth of 14.3% and 32.4% from May'23 to Jul'23.



## Inflation

- Headline inflation inched higher to 5.6% on-year in Nov'23 vs 4.9% in Oct'23, driven by an uptick in prices of fruits, vegetables, sugar and pulses. Core inflation (excluding food and fuel) on the other hand, has been declining over the last nine months.
- Wholesale prices, which had been on a declining trajectory over the last seven months, grew 0.3% on-year in Nov'23. The uptick in wholesale inflation can be attributed to the fading off of the base effect.
- Inflation outlook in the near-term would be influenced by uncertain food prices. According to the RBI's latest households' inflation expectations survey, a larger share of households expect higher food prices in the next 3-12 months.

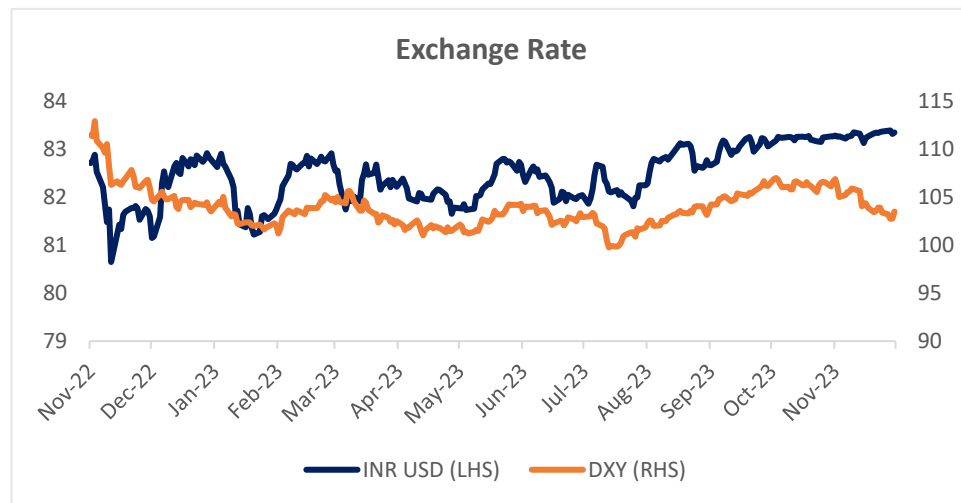
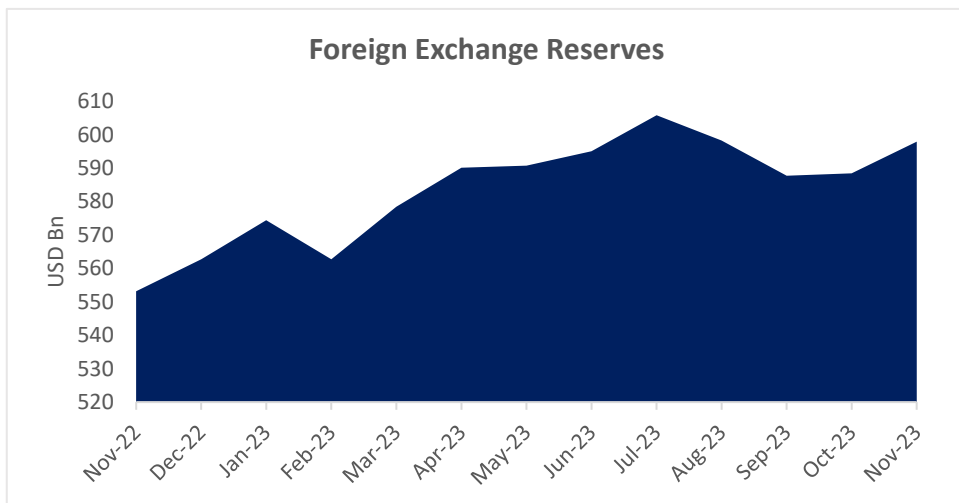


## Foreign Exchange

- INR/USD averaged 83.3 in Nov'23 vs 83.2 in Oct'23. INR has depreciated 1.2% so far this fiscal (Apr'23 to Nov'23). The dollar index has been easing over the last two months and declined by 3.2% in Nov'23 on account of stronger than expected growth in Q3 2023 GDP at 4.9% on-year compared to 2.4% the previous quarter.
- Net FPI inflows stood at USD 2.9 Bn in Nov'23 vs net outflows of USD 2.1 Bn in Oct'23.
- The recent monetary policy statement by the FOMC ended the calendar year with a dovish pause and signaled rate cuts in 2024. U.S Fed chairman Jerome Powell's comments suggested that the Fed is willing to cut rates before U.S. inflation drops to 2%. A cut in the U.S. Fed funds rate is expected to impart some support to the Indian rupee.

SCB : Scheduled Commercial Banks. Source: TruBoard Research, CMIE, RBI





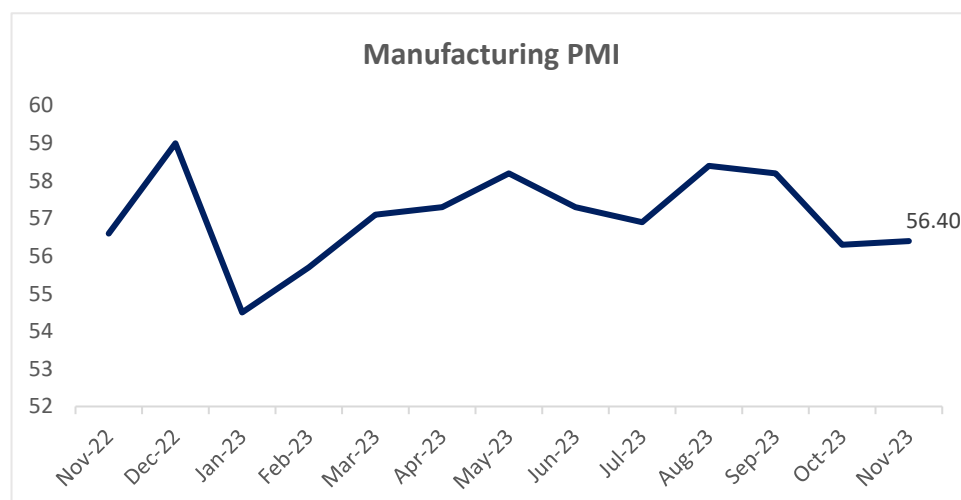
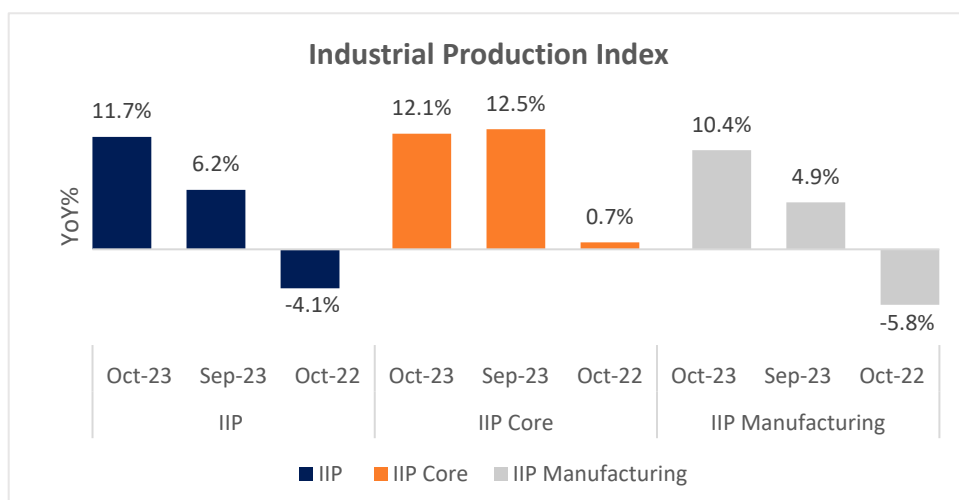
## Foreign Trade

- Merchandise trade deficit narrowed to USD 20.6 Bn in Nov'23 compared to USD 29.9 Bn in Oct'23. Merchandise exports dipped by 2.8% on-year to USD 33.9 Bn, led by a decline in oil and non-oil exports at -7.4% and -1.5% respectively.
- Non-oil and non-gold imports growth contracted by 1% on-year vs 5% the previous month. While services trade surplus expanded to USD 15.3 Bn from USD 14.6 Bn the previous month, services exports growth moderated to 6.5% on-year from 10.8% the previous month.
- While economic growth in the U.S. has been resilient so far (4.9% in Q3 2023 vs 2.4% in Q2 2023), it is expected to slow down in the next calendar year. The FOMC in its Dec'23 meeting, revised downwards, its growth outlook for 2024, expecting the U.S. economy to grow by 1.4% compared to 1.5% projected earlier. Growth in the Eurozone and China are already facing strong headwinds from high interest rates and tightening fiscal policy. Slowing world economic output can lead to a further drag-down of Indian exports in 2024.



## Industrial Activity

- Overall industrial output growth stood at 11.7% on-year in Oct'23 compared to 6.2% the previous month, on account of a favorable base effect.
- Growth in industrial activity was led by electricity (20.4% in Oct'23 vs 9.9% in Sep'23), followed by mining (13.1% in Oct'23 vs 11.5% in Sep'23) and manufacturing (10.4% in Oct'23 vs 4.9% in Sep'23).
- Industrial activity has recorded high growth so far on account of a strong infrastructure push by the central government. Output for core sectors grew in double-digits at 12.1% in Oct'23 vs 9.2% the previous month. Capacity utilization in manufacturing sector in the first half of 2023 averaged 74.7%, above its long-term average of 73.7%, indicating the revival of private sector capex in the next fiscal year.



Source: TruBoard Research, CMIE

## Growth Indicators

	% YoY	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Consumption	Currency in Circulation	7.7%	8.2%	8.6%	8.1%	7.8%	7.7%	7.8%	4.1%	4.4%	4.0%	4.3%	2.7%	4.3%
	Registered Motor Vehicles	18.8%	-6.4%	14.1%	16.5%	14.7%	-3.4%	10.9%	10.3%	10.6%	9.4%	20.8%	-7.1%	18.6%
	Petrol Consumption	8.2%	6.0%	14.3%	8.9%	6.9%	2.9%	11.0%	6.2%	6.2%	2.9%	8.2%	4.8%	9.4%
	Rail Passenger Traffic	51.1%	40.7%	64.5%	29.8%	20.5%	20.2%	17.7%	12.5%	10.3%	9.4%	3.9%	8.5%	--
	Air Passenger Traffic	11.5%	14.2%	95.8%	56.8%	21.4%	22.2%	15.2%	18.8%	24.7%	22.8%	18.4%	10.8%	--
	GST Revenue	10.9%	15.2%	12.7%	12.4%	12.7%	11.6%	11.5%	11.7%	10.8%	10.8%	10.2%	13.4%	15.1%
	Personal Loans	19.6%	20.0%	20.4%	20.4%	20.6%	19.4%	19.2%	20.9%	31.2%	30.8%	30.4%	29.7%	--
	IIP: Consumer Durables Goods	5.0%	-11.2%	-8.2%	-4.1%	-8.0%	-2.3%	1.5%	-6.8%	-3.6%	5.8%	1.1%	15.9%	--
	IIP: Consumer Non Durables Goods	10.0%	7.9%	6.5%	12.5%	-1.9%	11.4%	8.9%	0.5%	8.3%	9.6%	3.0%	8.6%	--
Investment	Rail Freight Traffic	5.2%	3.1%	3.8%	3.6%	3.8%	3.5%	1.9%	-1.9%	1.5%	6.4%	6.7%	8.5%	--
	Industrial Credit	13.1%	8.6%	8.7%	7.0%	5.7%	7.0%	6.0%	8.0%	5.7%	6.6%	7.1%	5.9%	--
	IIP: Capital Goods	20.7%	7.8%	10.5%	11.0%	10.0%	4.4%	8.1%	2.9%	5.1%	13.1%	8.4%	22.6%	--
	IIP: Intermediate Goods	3.5%	1.5%	1.4%	1.0%	1.8%	1.7%	3.4%	5.2%	3.2%	6.8%	6.1%	9.7%	--
	Diesel Consumption	19.3%	6.6%	12.8%	7.6%	1.2%	8.6%	12.8%	3.0%	3.8%	5.2%	3.8%	9.3%	-3.0%
	Finished Steel Consumption	12.5%	11.9%	11.7%	12.6%	13.3%	8.0%	7.9%	10.4%	12.2%	14.1%	14.9%	15.0%	14.8%
	IIP: Capital Goods	20.7%	7.8%	10.5%	11.0%	10.0%	4.4%	8.1%	2.9%	5.1%	13.1%	8.4%	22.6%	--
	IIP: Intermediate Goods	3.5%	1.5%	1.4%	1.0%	1.8%	1.7%	3.4%	5.2%	3.2%	6.8%	6.1%	9.7%	--
	Capital Goods Imports	31.2%	39.2%	34.6%	38.8%	30.6%	17.8%	15.6%	10.8%	7.0%	13.9%	-33.0%	-15.4%	--
Government	Centre's Core Revex	18.0%	-12.3%	12.6%	4.3%	2.5%	14.9%	-22.3%	5.8%	161.5%	1.1%	-12.7%	-24.5%	--
	State's Core Revex	18.0%	-1.2%	9.7%	14.0%	7.2%	55.2%	49.1%	19.8%	0.9%	23.9%	4.9%	8.3%	--
	Centre's Capex	87.1%	-63.7%	59.8%	-53.2%	36.6%	-0.6%	217.4%	62.8%	14.9%	29.9%	29.0%	-14.9%	--
	State's Capex	38.9%	-3.5%	26.9%	39.7%	18.9%	51.8%	79.1%	68.8%	12.5%	32.2%	99.7%	66.3%	--
Net Exports	Exports Goods and Services	17.8%	6.3%	12.3%	10.2%	1.3%	-5.2%	-3.4%	-10.2%	-3.0%	5.7%	-2.7%	8.2%	1.2%
	Imports Goods and Services	10.2%	2.3%	1.9%	-1.3%	-1.6%	-12.6%	-3.9%	-13.8%	-14.3%	-2.0%	-14.1%	7.7%	-6.2%

## Macro Stability Indicators

		Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
Jobs	Unemployment rate (%)	8.0%	8.3%	7.1%	7.5%	8.1%	8.5%	7.6%	8.5%	7.9%	8.1%	7.1%	10.1%	9.2%
	LFPR (%)	39.6%	40.5%	39.8%	39.9%	39.8%	40.7%	39.6%	39.9%	39.3%	41.2%	40.9%	41.7%	41.1%
	Urban Job creation (%YoY)	42.9%	4.3%	1.7%	-2.2%	5.2%	-5.2%	-0.5%	-2.9%	-18.8%	-5.7%	-8.6%	1.2%	-23.3%
External sector	Merchandise trade deficit (USD Bn)	-22.1	-23.1	-17.0	-16.6	-19.0	-14.4	-22.5	-19.1	-18.4	-22.0	-19.4	-29.9	-20.6
	FPI flows (USD Bn)	4.1	1.1	-3.2	-0.5	0.7	1.7	5.9	6.8	5.8	2.2	-1.7	-2.1	2.9
	FX Reserves (USD Bn)	553.2	562.7	574.4	562.7	578.4	590.1	590.7	595.1	605.8	598.2	587.7	588.5	597.9
	Import cover (No. of months)	9.3	9.6	10.1	10.1	10.4	10.8	10.6	11.2	11.1	10.8	10.5	9.9	10.4
Exchange Rate	INR-USD (Avg.)	81.6	82.8	81.7	82.7	82.2	81.8	82.7	82.0	82.2	82.7	83.1	83.3	83.4
	INR-USD (% MoM)	-1.0%	1.5%	-1.3%	1.2%	-0.6%	-0.5%	1.1%	-0.8%	0.3%	0.5%	0.5%	0.3%	0.1%
	REER (% MoM)	-0.6%	-2.9%	-0.4%	-0.4%	0.6%	-1.7%	1.4%	2.5%	3.1%	-0.6%	-0.8%	1.0%	--
Monetary Indicators	Money Supply (% YoY)	8.9%	8.7%	9.8%	9.5%	9.0%	9.5%	10.1%	13.4%	10.6%	10.8%	11.5%	11.4%	11.2%
	Currency in circulation (% YoY)	7.7%	8.2%	8.6%	8.2%	7.8%	7.7%	7.8%	4.1%	4.4%	4.0%	4.3%	2.7%	4.2%
	Non-food credit growth (% YoY)	16.4%	15.3%	16.7%	15.9%	15.4%	16.1%	15.6%	16.3%	19.8%	19.9%	20.0%	19.8%	--
	Credit-deposit ratio (%)	75.4%	75.4%	75.7%	75.7%	76.2%	75.5%	75.6%	75.5%	77.5%	77.8%	78.8%	79.4%	79.8%
	Incremental Credit-Deposit Ratio (%)	122.3%	111.6%	115.3%	111.6%	113.0%	97.5%	98.7%	92.9%	107.8%	109.1%	115.8%	116.0%	--
Markets	Nifty 50 (% MoM)	4.1%	-3.5%	-2.4%	-2.0%	0.3%	4.1%	2.6%	3.5%	2.9%	-2.5%	2.0%	-2.8%	5.5%
	BSE500 (% MoM)	3.3%	-3.2%	-3.4%	-2.9%	0.3%	4.5%	3.5%	4.1%	3.8%	-0.8%	2.1%	-2.9%	6.9%
	S&P BSE SENSEX P/E Ratio (Avg.)	23.3	23.6	23.3	22.8	22.2	22.6	23.5	23.3	24.9	23.9	24.3	23.6	23.1
Prices	CPI inflation (% YoY)	5.9%	5.7%	6.5%	6.4%	5.7%	4.7%	4.3%	4.9%	7.4%	6.8%	5.0%	4.9%	5.6%
	CPI core inflation (% YoY)	6.0%	6.1%	6.1%	6.1%	5.8%	5.2%	5.1%	5.1%	4.9%	4.8%	4.5%	4.3%	4.1%
	CPI food inflation (% YoY)	4.7%	4.2%	6.0%	6.0%	4.8%	3.8%	3.0%	4.5%	11.5%	9.9%	6.6%	6.6%	8.7%
	WPI inflation (% YoY)	6.1%	5.0%	4.8%	3.9%	1.4%	-0.8%	-3.6%	-4.2%	-1.2%	-0.5%	-0.1%	-0.5%	0.3%
	Brent Crude Oil (USD/bbl)	91.4	81.0	82.5	82.6	78.4	84.7	75.6	74.8	80.1	86.1	93.7	90.6	82.9
	Gold (USD/ounce)	1726.4	1796.7	1898.6	1854.5	1912.7	2000.4	1990.2	1942.9	1948.9	1920.0	1917.0	1913.0	1985.3

Incremental C-D Ratio (Ratio as on date-Last day of the last fiscal)

# TruBoard Partners

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