

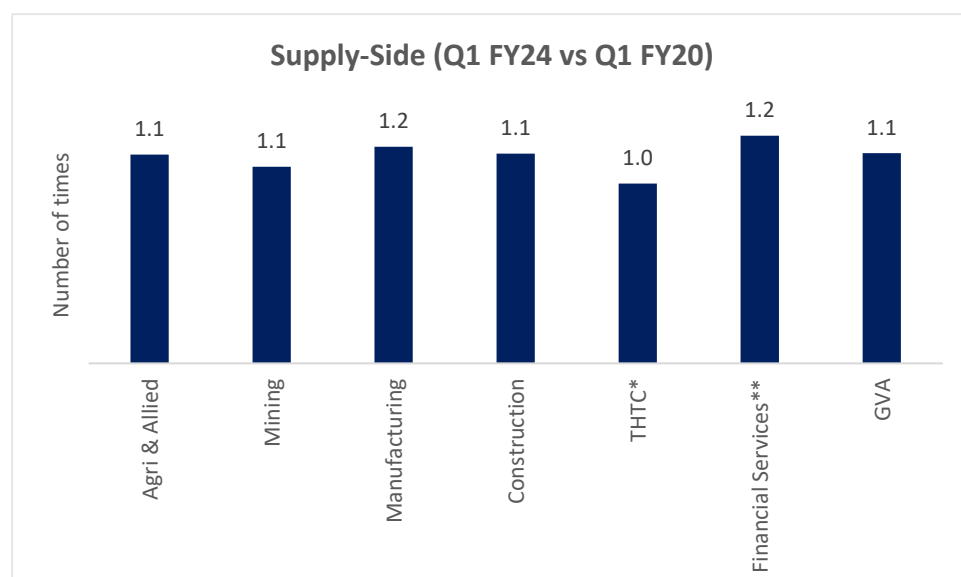
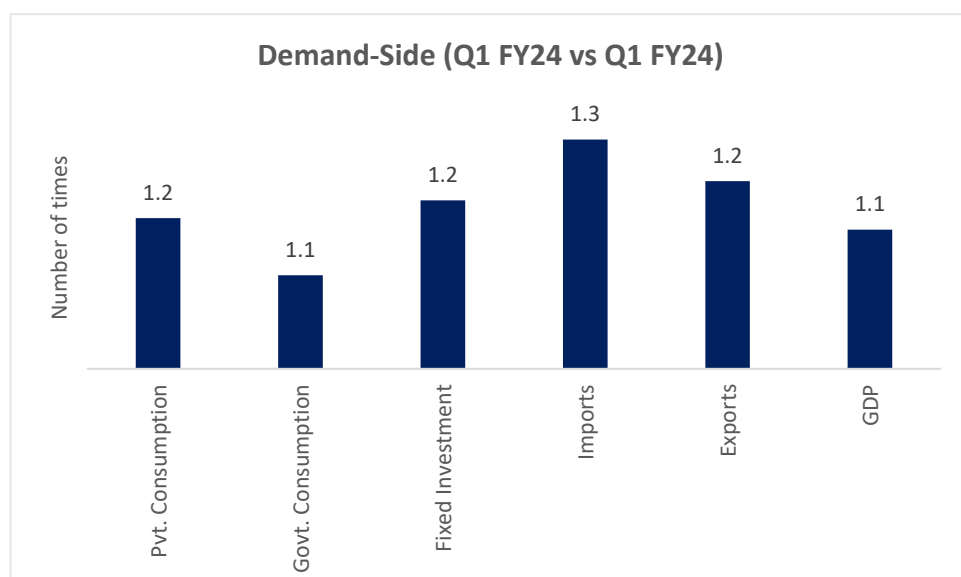
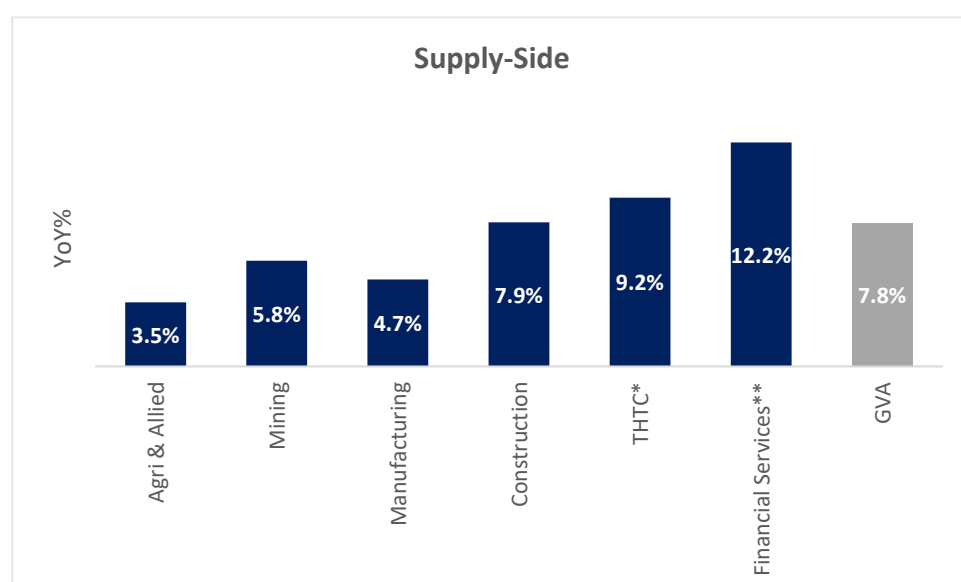
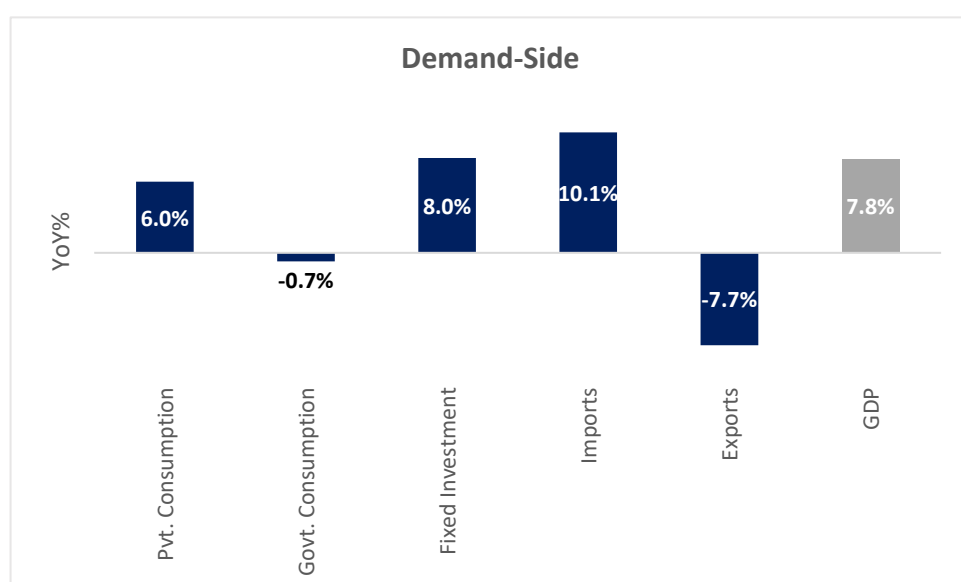
**MACRO WATCH**  
**UPDATE ON DATA TRENDS**

September 2023

## Domestic private consumption drives growth in Q1 FY24

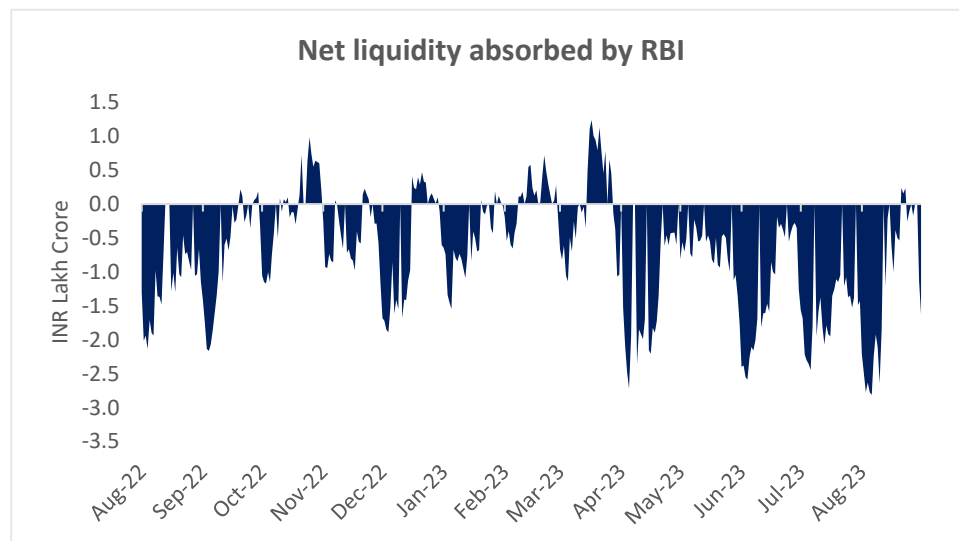
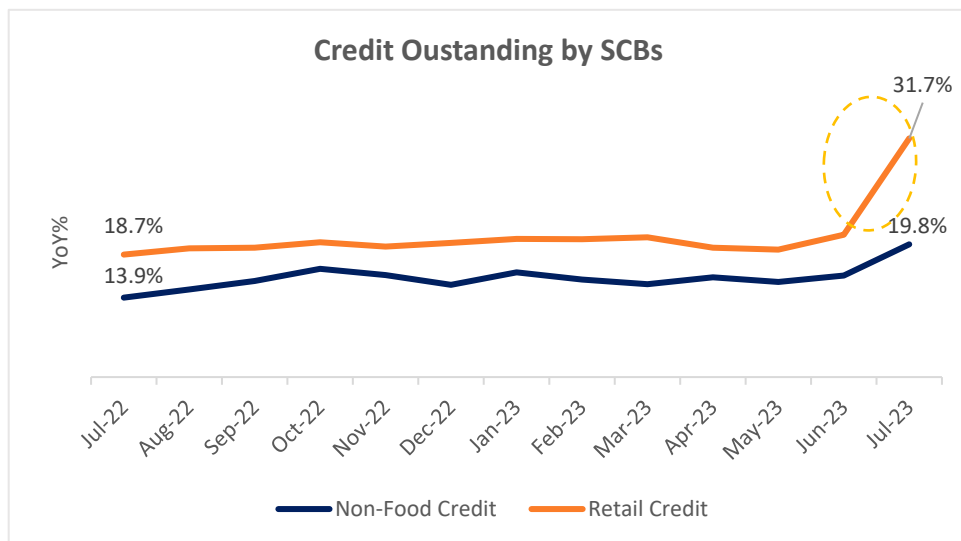
- Real GDP in Q1 FY24 witnessed a growth of 7.8% vs a growth of 6.1% the previous quarter. Supply-side GVA too, witnessed a growth of 7.8% vs 6.5% the previous quarter.
- Domestic private consumption drove growth in Q1 FY24, contributing 44% to GDP growth, compared to 26% in Q4 FY23. Domestic consumption grew 6% compared to 2.8% the previous quarter. This was supported by an uptick in high frequency indicators like passenger vehicle sales, automobile sales and retail credit. Risks to domestic consumption in the next quarter emanate from erratic monsoons taking a hit on agricultural output.
- Central and state government capex grew at 59% and 61% respectively in Q1 FY24. This led GFCF to grow at 8% during the quarter. With rising capacity utilization levels to 76.3% vs 74.3% the previous quarter, healthy balance sheets of corporates and banks, private sector capex too, is expected to pick up. For a sustained growth in investment activity, central government capex has to be supported by private sector.
- On the supply-side, agriculture sector grew at a slower pace at 3.5% vs 5.5% the previous quarter. Given the erratic and uneven distribution of south-west monsoon so far, agriculture sector growth could further moderate in the coming quarters. Services sector witnessed a double-digit growth of 10.3% vs 6.9% the previous quarter. Within services, financial sector witnessed the sharpest growth at 12.2%, followed by trade, hotels and transport sub-sectors.
- IMF revised its growth outlook for India upwards by 0.2% in its Jul'23 World Economic Outlook report, projecting the Indian economy to grow by 6.1% in FY24. The RBI too, maintains an optimistic outlook, projecting growth at 6.5%, with Q2 FY24 at 6.5%, Q3 FY24 at 6% and Q4 FY24 at 5.7%. Key risks for India's growth outlook stem from weak global demand and geopolitical tensions.

### Trends in Real GDP – Q1 FY24



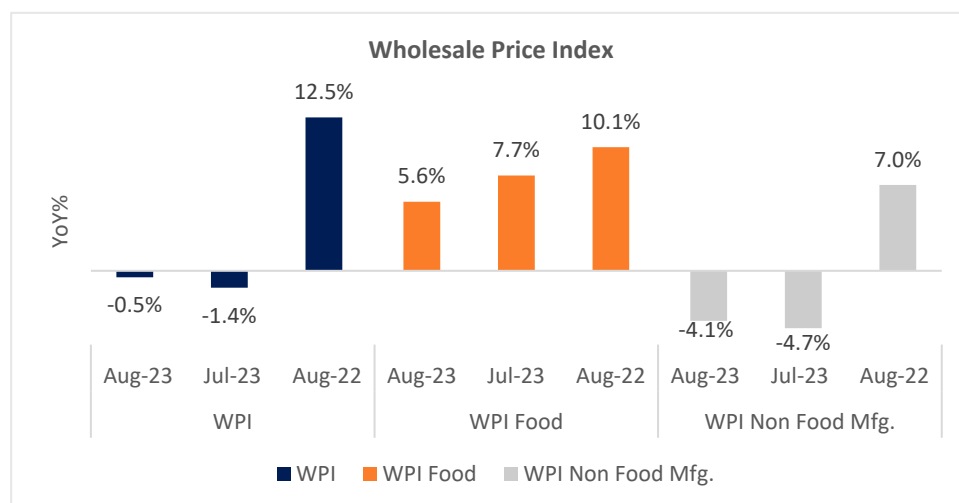
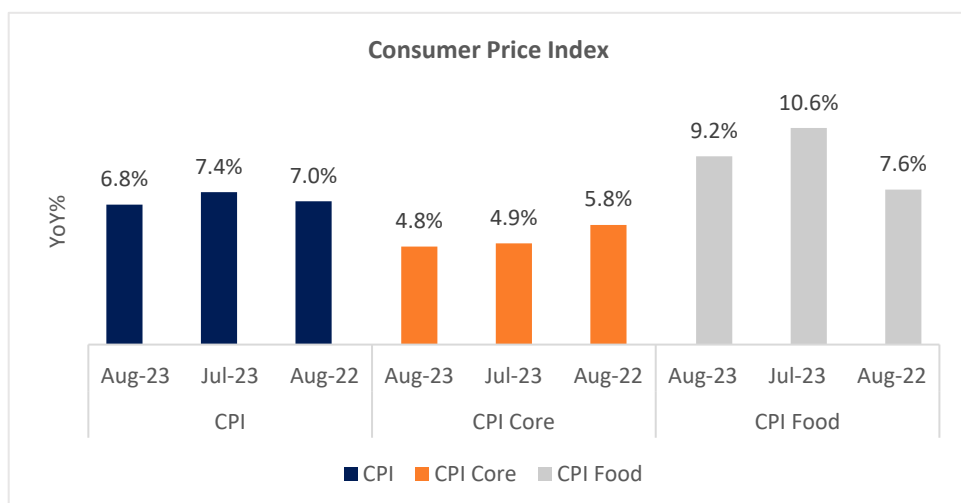
## Banking

- Excess liquidity in the banking system fell from an average of INR 1.6 lakh crore in Jul'23 to INR 1.2 lakh crore in Aug'23 on account of incremental cash reserve ratio (I-CRR), tax payments and RBI's selling of dollars in the market. The I-CRR has taken out INR 1.1 lakh crore of liquidity since 12 Aug'23. Liquidity conditions are expected to remain tight till the end of Sep'23. The I-CRR would be discontinued in three tranches to avoid a sudden shock to system liquidity with 25% of the I-CRR being discontinued on 9 Sep, 25% on 23 Sep and 50% on Oct 7, 2023.
- The impact of I-CRR requirement can be seen in weighted average call money rates rising from 6.4% in Jul'23 to 6.5% in Aug'23.
- Credit offtake increased by 19.8% in Jul'23 vs 16.3% in Jun'23 on account of the HDFC and HDFC bank merger. Excluding the merger's impact, credit offtake grew at 14.8% as per RBI data. Credit growth was primarily driven by retail loans, which rose 31.7% in Jul'23 vs 20.9% in Jun'23 and witnessed a growth of 51.5% in Jul'23 on a month-on-month basis.



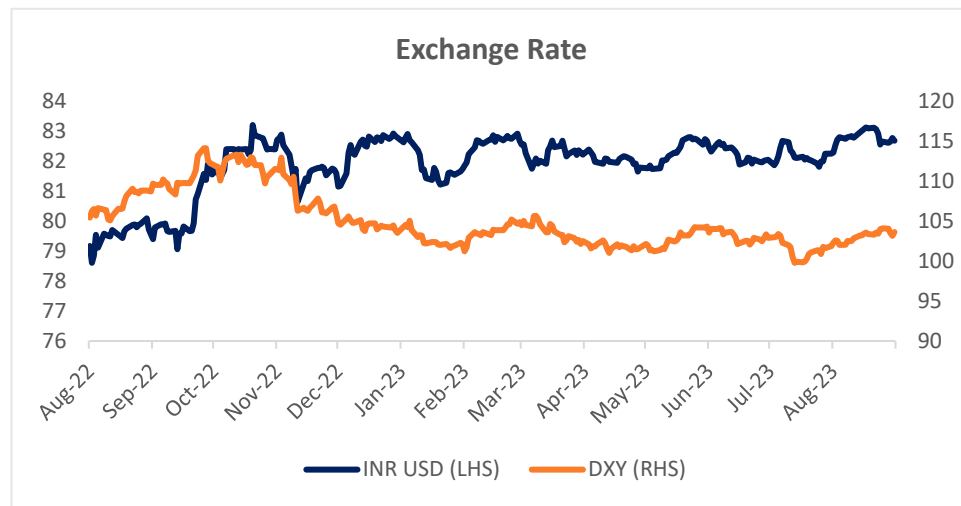
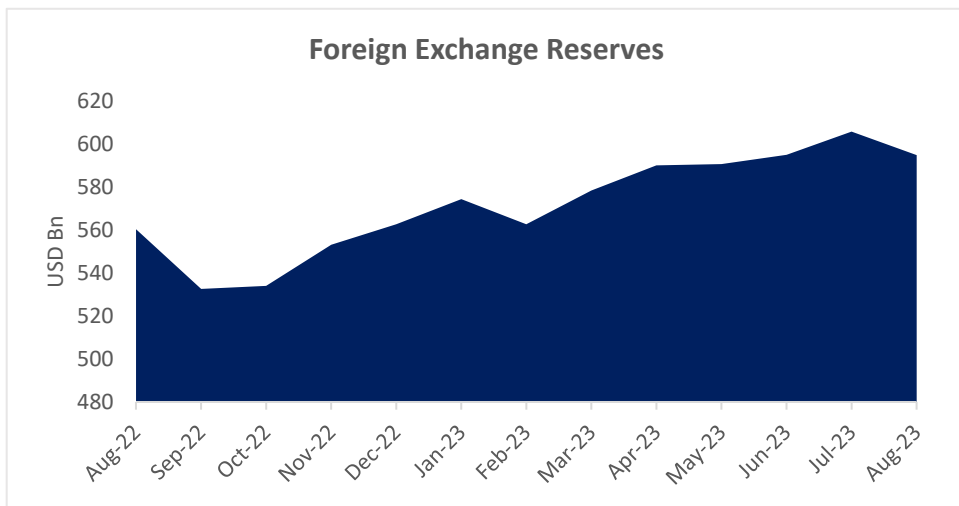
## Inflation

- After rising to a 15-month high at 7.4% in Jul'23 due to rising vegetable prices, CPI-led inflation fell to 6.8% in Aug'23 on account of food inflation falling to 9.2% from 10.6% the previous month. Majority of the overall CPI inflation is still driven by vegetable prices. CPI excluding vegetable prices stood at 5.5% in Aug'23.
- Wholesale inflation is recording a negative print since the beginning of the fiscal year and came in at -0.5% in Aug'23 vs -1.4% in Jul'23. Higher global commodity prices (brent crude oil at USD 95/bbl as on 18 Sep'23) could impart upward pressure on wholesale inflation in the next few months.
- Due to the transitory nature of the current headline inflation, the RBI is unlikely to hike interest rates. However, a key monitorable remains the progress of south-west monsoon which, although recovered in Sep'23 after Aug'23 being the driest in 123 years but remain largely skewed.



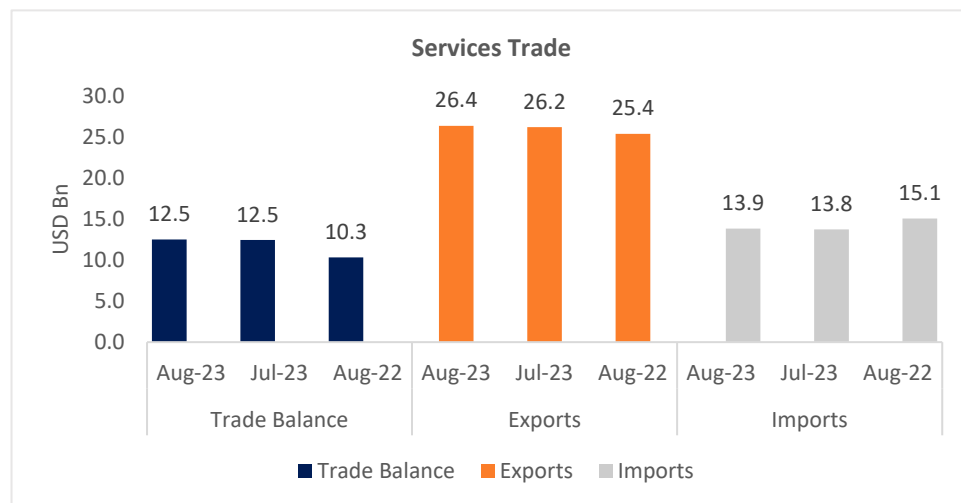
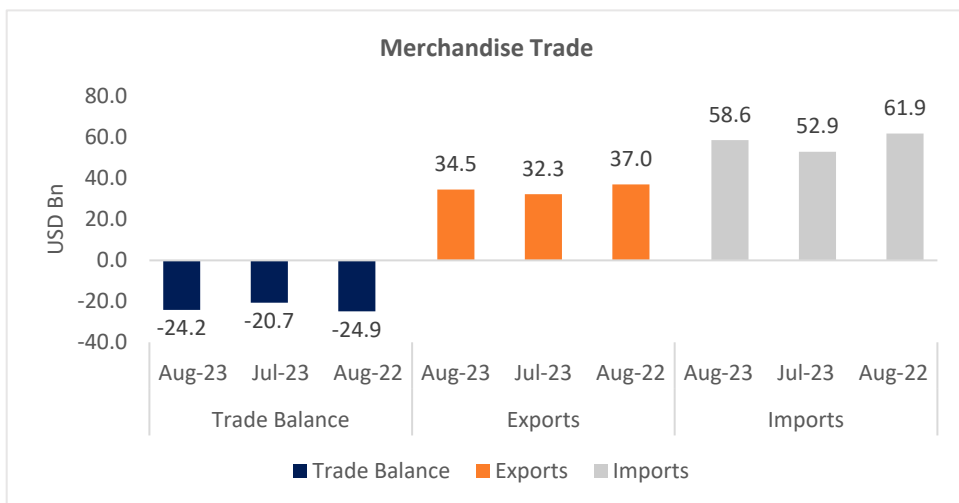
## Foreign Exchange

- The dollar index strengthened by 1.3% in Aug'23 compared to a decline of -1.1% in Jul'23. In September, the INR has depreciated 0.7% against the dollar on account of FPI outflows, rising oil prices and expectations from the US Fed Policy.
- Net FPI inflows moderated to USD 2.2 Bn in Aug'23 vs USD 5.8 Bn in Jul'23.
- While the RBI has put a pause on policy repo rate, developed countries' central banks are still not off the rate hiking cycle. The European Central Bank on 14 Aug'23 delivered a 25 bps rate hike, taking its deposit rate to 4%. Monetary policy meeting by the U.S. FOMC on 20 Sep'23 remains a key monitorable. A hawkish stance by the Fed could lend further strength to the DXY.



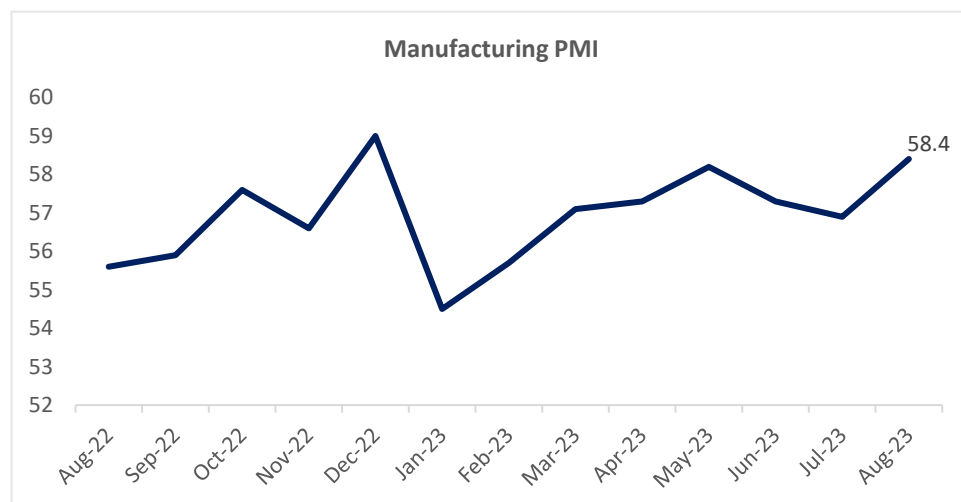
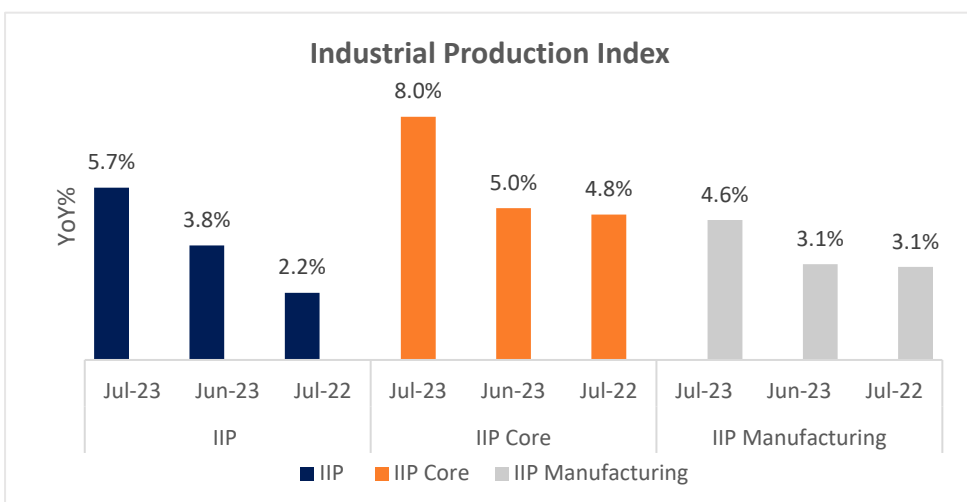
## Foreign Trade

- Merchandise trade deficit expanded to USD 24.2 Bn in Aug'23 vs USD 20.7 Bn in Jul'23 on account of export growth declining 6.9% vs a decline in import growth at 5.2%. Oil exports declined 30.7%, while non-oil and non-gold imports, indicating domestic demand, witnessed a growth of 1.2% vs a decline of 7.5% in Jul'23.
- Growth in services trade moderated to 21.2% in Aug'23 vs 33.6% the previous month. India is the fifth largest exporter of digitally delivered services and seventh largest exporter of commercial services with a share of 5.9% and 4.4% respectively, in world exports as of 2022.
- According to a World Trade Organization report released in Apr'23, world merchandise trade volume is expected to slow to 1.7% in 2023 from 2.7% in 2022, the outlook being weighed down by the ongoing war in Ukraine, stubbornly high inflation and financial uncertainty.



## Industrial Activity

- Overall industrial output grew 5.7% in Jul'23 compared to 3.8% the previous quarter, with core sector output growing 8% in Jul'23, compared to 5% the month before.
- Within the manufacturing sector, basic metals, pharmaceuticals and automobiles witnessed the highest growth in Jul'23 at 12.8%, 11.9% and 8.9% respectively. However, 15 out of the 23 manufacturing indices were below their pre-pandemic levels (Q1 FY19) in Q1 FY24.
- Increasing focus of the government on infrastructure sector and PLI schemes to boost domestic manufacturing capacity bodes well for the industrial output in FY24. However, sluggish exports could have an adverse impact on manufacturing activity.



Source: TruBoard Research, CMIE

## Growth Indicators

		% YoY	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Consumption	Currency in Circulation		8.1%	8.3%	9.3%	7.7%	8.2%	8.6%	8.1%	7.8%	7.7%	7.8%	4.1%	4.4%	4.0%
	Registered Motor Vehicles		7.5%	7.5%	48.5%	19.0%	-6.3%	14.2%	16.6%	14.8%	-3.2%	11.0%	10.1%	10.4%	8.6%
	Petrol Consumption		11.6%	8.8%	8.9%	8.2%	6.0%	14.3%	8.9%	6.8%	2.9%	11.0%	6.2%	6.2%	2.9%
	Rail Passenger Traffic		113.6%	87.6%	62.2%	51.1%	40.7%	64.5%	29.8%	20.5%	20.2%	17.7%	12.5%	10.3%	9.4%
	Air Passenger Traffic		54.6%	50.1%	29.8%	11.5%	14.2%	95.6%	56.8%	21.4%	22.2%	15.2%	18.8%	24.7%	22.8%
	GST Revenue		28.2%	26.2%	16.6%	10.9%	15.2%	12.7%	12.4%	12.7%	11.6%	11.5%	11.7%	10.8%	10.8%
	Personal Loans		19.4%	19.4%	20.1%	19.6%	20.0%	20.4%	20.4%	20.6%	19.4%	19.2%	20.9%	31.7%	--
	IIP: Consumer Durables Goods		-4.4%	-5.5%	-18.1%	5.0%	-11.2%	-8.2%	-4.1%	-8.0%	-2.3%	1.2%	-6.7%	-2.7%	--
	IIP: Consumer Non Durables Goods		-9.0%	-5.7%	-13.0%	10.0%	7.9%	6.5%	12.5%	-1.9%	11.4%	8.4%	0.3%	7.4%	--
Investment	Rail Freight Traffic		7.9%	9.1%	1.4%	5.2%	3.1%	3.8%	3.6%	3.8%	3.5%	1.9%	-1.9%	1.5%	6.4%
	Industrial Credit		11.4%	12.6%	13.6%	13.1%	8.6%	8.7%	7.0%	5.7%	7.0%	6.0%	8.1%	5.8%	--
	IIP: Capital Goods		4.3%	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	10.0%	4.4%	8.1%	2.0%	4.6%	--
	IIP: Intermediate Goods		1.3%	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.8%	1.7%	3.0%	4.6%	1.9%	--
	Diesel Consumption		13.2%	13.4%	5.6%	19.3%	6.6%	12.8%	7.6%	1.2%	8.6%	12.7%	3.0%	3.9%	5.2%
	Finished Steel Consumption		11.2%	11.5%	11.7%	11.9%	11.9%	11.7%	12.6%	13.3%	8.0%	7.9%	10.4%	12.2%	--
	IIP: Capital Goods		4.3%	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	10.0%	4.4%	8.1%	2.0%	4.6%	--
	IIP: Intermediate Goods		1.3%	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.8%	1.7%	3.0%	4.6%	1.9%	--
	Capital Goods Imports		39.1%	57.0%	34.0%	31.2%	39.2%	18.8%	26.6%	8.2%	6.8%	2.3%	0.4%	7.0%	--
Government	Centre's Core Revex		-6.5%	19.5%	48.8%	18.0%	-12.3%	12.6%	4.3%	2.5%	14.9%	-22.3%	5.8%	161.5%	--
	State's Core Revex		17.1%	15.7%	7.6%	18.0%	-1.2%	9.7%	14.0%	7.2%	55.2%	48.4%	21.8%	-1.8%	--
	Centre's Capex		0.5%	57.5%	176.5%	87.1%	-63.7%	59.8%	-53.2%	36.6%	-0.6%	217.4%	62.8%	14.9%	--
	State's Capex		30.5%	-20.3%	-11.7%	38.9%	-3.5%	26.9%	39.7%	18.9%	51.6%	78.2%	65.5%	17.6%	--
Net Exports	Exports Goods and Services		16.0%	14.4%	1.6%	18.0%	6.3%	12.2%	10.2%	1.2%	-5.1%	-3.3%	-10.1%	-5.1%	-2.5%
	Imports Goods and Services		35.1%	15.4%	9.4%	10.2%	2.3%	1.0%	-1.9%	-2.7%	-11.6%	-5.0%	-14.7%	-14.2%	-5.8%

## Macro Stability Indicators

		Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
Jobs	Unemployment rate (%)	8.3%	6.4%	7.9%	8.0%	8.3%	7.1%	7.5%	8.1%	8.5%	7.6%	8.5%	7.9%	8.1%
	LFPR (%)	39.2%	39.3%	39.3%	39.6%	40.5%	39.8%	39.9%	39.8%	40.7%	39.6%	39.9%	39.3%	41.2%
	Urban Job creation (%YoY)	5.8%	12.7%	-2.7%	42.9%	4.3%	1.7%	-2.2%	5.2%	-5.2%	-0.5%	-2.9%	-18.8%	-5.7%
External sector	Merchandise trade deficit (USD Bn)	-24.9	-28.0	-26.3	-22.1	-23.1	-16.4	-16.2	-18.1	-15.5	-22.0	-18.8	-20.7	-24.2
	FPI flows (USD Bn)	7.1	-0.4	-0.4	4.1	1.1	-3.2	-0.5	0.7	1.7	5.9	6.8	5.8	2.2
	FX Reserves (USD Bn)	560.4	532.7	534.0	553.2	562.7	574.4	562.7	578.4	590.1	590.7	595.1	605.8	594.9
	Import cover (No. of months)	8.8	8.5	8.7	9.3	9.6	10.1	10.1	10.5	10.8	10.6	11.1	11.1	10.8
Exchange Rate	INR-USD (Avg.)	79.7	81.6	82.4	81.6	82.8	81.7	82.7	82.2	81.8	82.7	82.0	82.2	82.7
	INR-USD (% MoM)	0.4%	2.3%	1.0%	-1.0%	1.5%	-1.3%	1.2%	-0.6%	-0.5%	1.1%	-0.8%	0.3%	0.5%
	REER (% MoM)	0.3%	0.9%	-1.0%	-0.6%	-2.9%	-0.4%	-0.4%	0.6%	-1.7%	1.4%	2.5%	3.0%	--
Monetary Indicators	Money Supply (% YoY)	8.9%	8.6%	9.1%	8.9%	8.7%	9.8%	9.5%	9.0%	9.5%	10.1%	13.4%	11.3%	11.5%
	Currency in circulation (% YoY)	8.1%	8.3%	9.3%	7.7%	8.2%	8.6%	8.2%	7.8%	7.7%	7.8%	4.1%	4.4%	4.0%
	Non-food credit growth (% YoY)	14.8%	15.7%	17.1%	16.4%	15.3%	16.7%	15.9%	15.4%	16.1%	15.6%	16.3%	1982.1%	--
	Credit-deposit ratio (%)	73.7%	74.6%	74.9%	75.5%	75.5%	75.7%	75.8%	76.2%	75.5%	75.6%	75.5%	77.5%	77.9%
	Incremental Credit-deposit ratio (%)	107.3%	68.5%	122.3%	122.3%	111.6%	115.3%	111.6%	113.0%	97.5%	98.7%	92.9%	107.8%	--
Markets	Nifty 50 (% MoM)	3.5%	-3.7%	5.4%	4.1%	-3.5%	-2.4%	-2.0%	0.3%	4.1%	2.6%	3.5%	2.9%	-2.5%
	BSE500 (% MoM)	4.6%	-3.3%	4.0%	3.3%	-3.2%	-3.4%	-2.9%	0.3%	4.5%	3.5%	4.1%	3.8%	-0.8%
	S&P BSE SENSEX P/E Ratio (Avg.)	22.9	22.8	22.4	23.3	23.6	23.3	22.8	22.2	22.6	23.5	23.3	24.9	23.9
Prices	CPI inflation (% YoY)	7.0%	7.4%	6.8%	5.9%	5.7%	6.5%	6.4%	5.7%	4.7%	4.3%	4.9%	7.4%	6.8%
	CPI core inflation (% YoY)	5.8%	6.1%	6.0%	6.0%	6.1%	6.1%	6.1%	5.8%	5.2%	5.1%	5.1%	4.9%	4.8%
	CPI food inflation (% YoY)	7.6%	8.6%	7.0%	4.7%	4.2%	6.0%	6.0%	4.8%	3.8%	3.0%	4.5%	11.5%	9.9%
	WPI inflation (% YoY)	12.5%	10.6%	8.7%	6.1%	5.0%	4.8%	3.9%	1.4%	-0.8%	-3.6%	-4.2%	-1.4%	-0.5%
	Brent Crude Oil (USD/bbl)	100.4	89.7	93.3	91.4	81.0	82.5	82.6	78.4	84.7	75.6	74.8	80.1	86.1
	Gold (USD/ounce)	1765.7	1683.0	1664.4	1726.4	1796.7	1898.6	1854.5	1912.7	2000.4	1990.2	1942.9	1948.9	1920.0

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

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