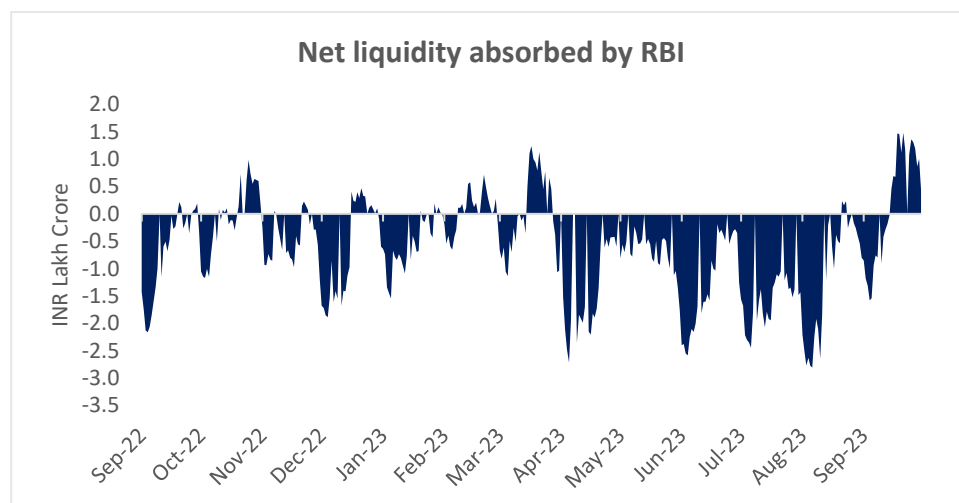
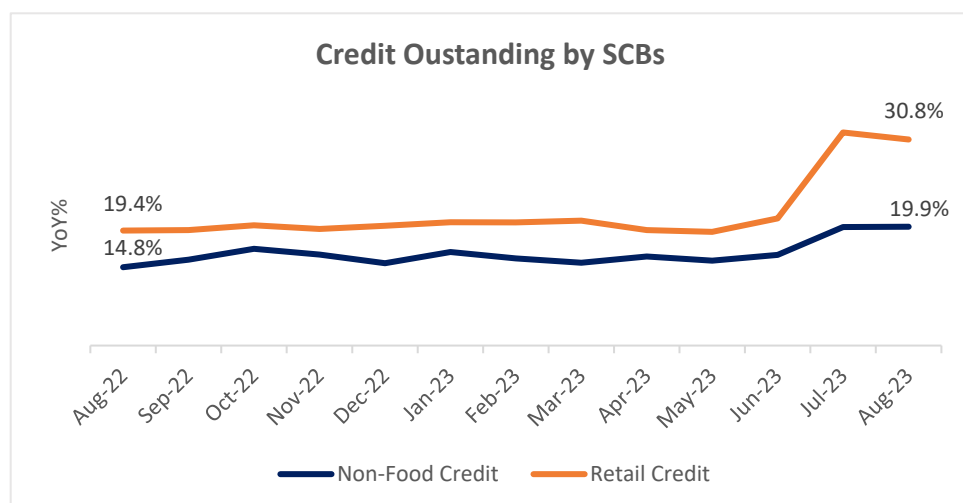


**MACRO WATCH**  
**UPDATE ON DATA TRENDS**

October 2023

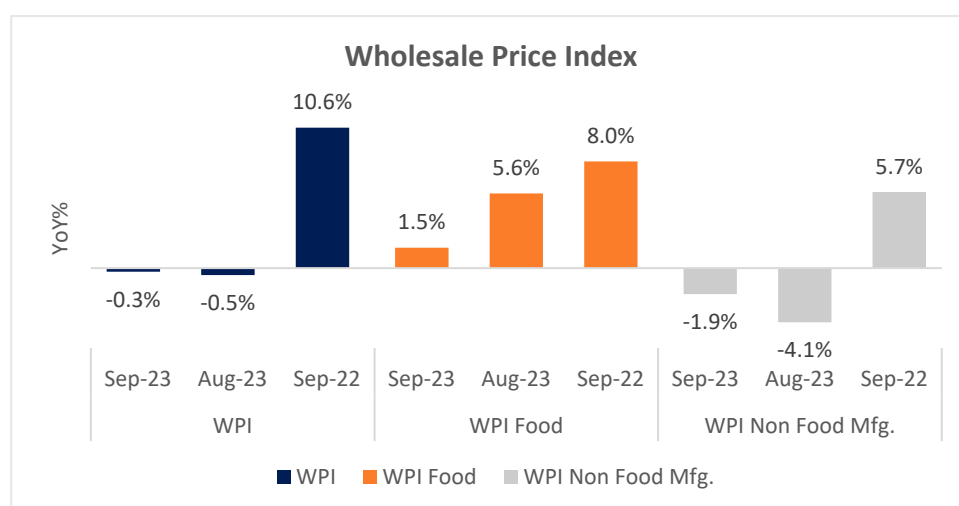
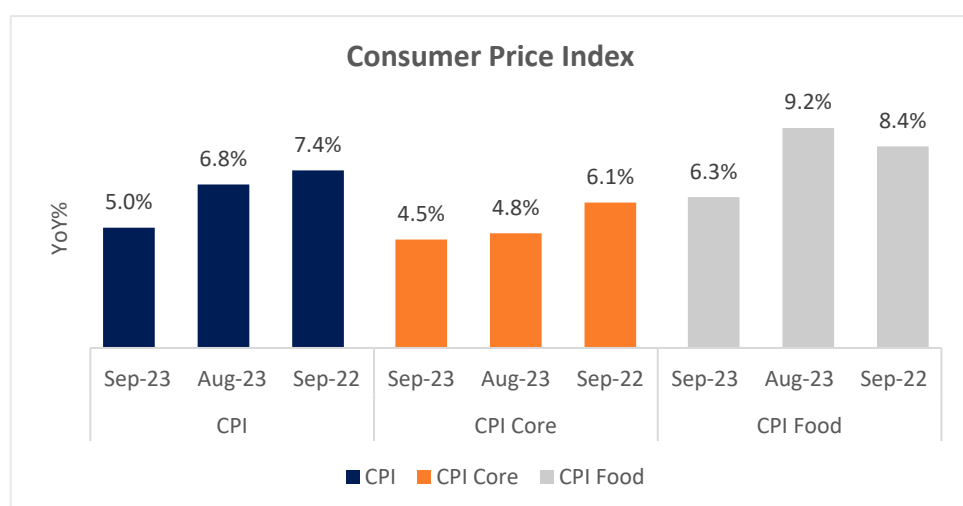
## Banking

- The RBI in its monetary policy meeting dated 6 Oct kept the repo rate and stance of the committee unchanged at 6.5% and “withdrawal of accommodation” respectively. RBI Governor Shaktikanta Das also expressed considering open market operation (OMO) sales of bonds, to manage excess liquidity arising out of the rollback of I-CRR funds and an expected increase in currency demand during the ongoing festive season.
- Average daily liquidity moved from a surplus of INR 1.1 lakh crore in Aug’23 to a deficit of INR 17,184 crore in Sep’23. As liquidity moved from surplus to deficit, weighted average call money rate too, inched slightly higher from 6.51% in Aug’23 to 6.52% in Sep’23. To finance growing credit demand, banks increased their MSF borrowings to an average of ~INR 95,000 crore in Sep’23, from ~INR 31,000 crore in Aug’23. MSF borrowings in the first half of Oct’23 stood at ~INR 73,000 crore.
- Outstanding non-food credit increased 19.9% on-year in Aug’23 vs 19.8% in Jul’23, led by growth in retail and services sector loans at 30.8% and 24.7% respectively. Excluding the impact of the HDFC and HDFC Bank merger, retail loans growth decelerated to 18.3% in Aug’23 due to a moderation in credit to housing. As per the latest Bank Lending Survey by the RBI, however, bankers expect retail loan demand to show sustained growth in Q3 FY24, with some moderation in Q4 FY24 and Q1 FY25.



## Inflation

- After breaching the RBI’s upper tolerance limit in Jul’23 and Aug’23 by 140 bps and 80 bps respectively, headline CPI inched lower to 5% in Sep’23, on account of a sharp correction in food prices. Core inflation too, eased to a 42-month low at 4.5% in Sep’23.
- The pace of deflation in wholesale prices moderated to 0.3% on-year from 0.5% in Aug’23, driven by a sharp fall in food prices. Volatile commodity prices and higher oil prices are expected to discontinue the deflationary trend in WPI in the next few months.
- The overall inflation outlook is clouded by uncertainties from the fall in kharif sowing for key crops like pulses and rice (-11.2% and -2.6% compared to previous year), volatile fruits and vegetable prices and volatile crude prices. As reflected in RBI’s bi-monthly survey released in Oct’23 on inflation expectations, households expect inflation to decline by 90 bps in the next three months.

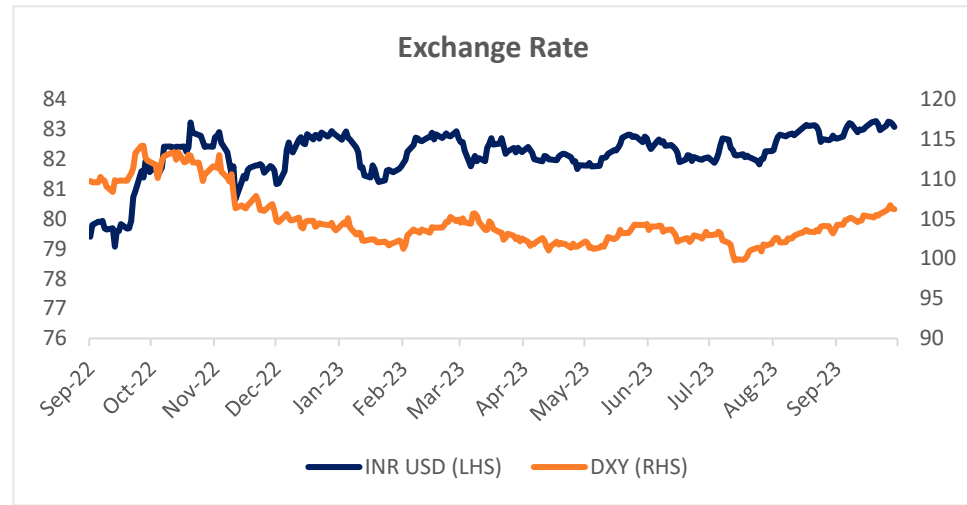
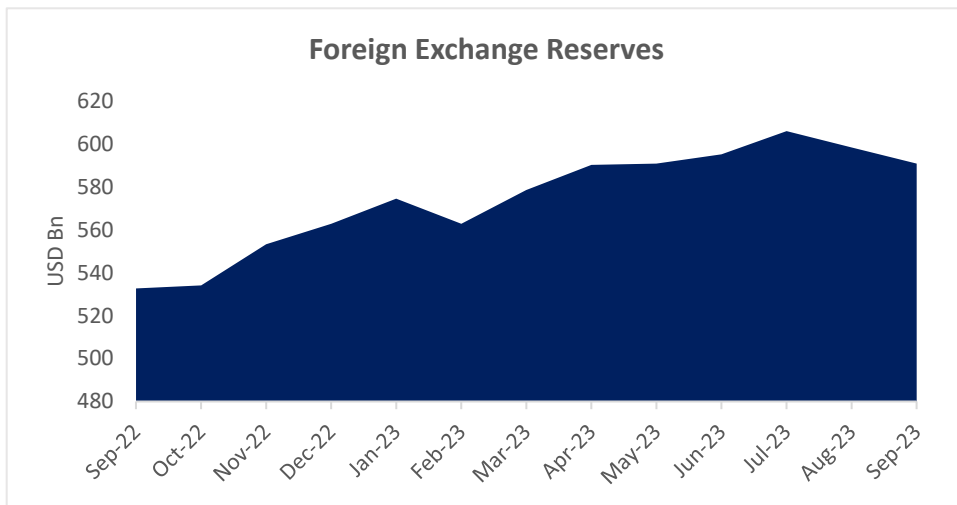


## Foreign Exchange

- USD INR depreciated 0.5% in Sep’23, inching higher from 82.8 to 83.1. Owing to the possibility of another rate hike by U.S. Fed in 2023 and stronger than expected economic data (Real GDP growth at 2.4% in Q2 2023 vs 1.7% in Q1 2023), the dollar index strengthened 1.9%, from 103.1 to 105.3.
- Foreign portfolio investments witnessed outflows of USD 1.7 Bn in Sep’23 compared to net inflows of USD 2.2 Bn in Aug’23.
- Even as the FOMC in its last meeting agreed to keep rates steady at 5.5% (upper range), a 12-7 majority indicated in new projections that one more rate hike is possible in 2023 to ensure U.S. inflation returns to the 2% target. Another rate hike could further strengthen the U.S. dollar.

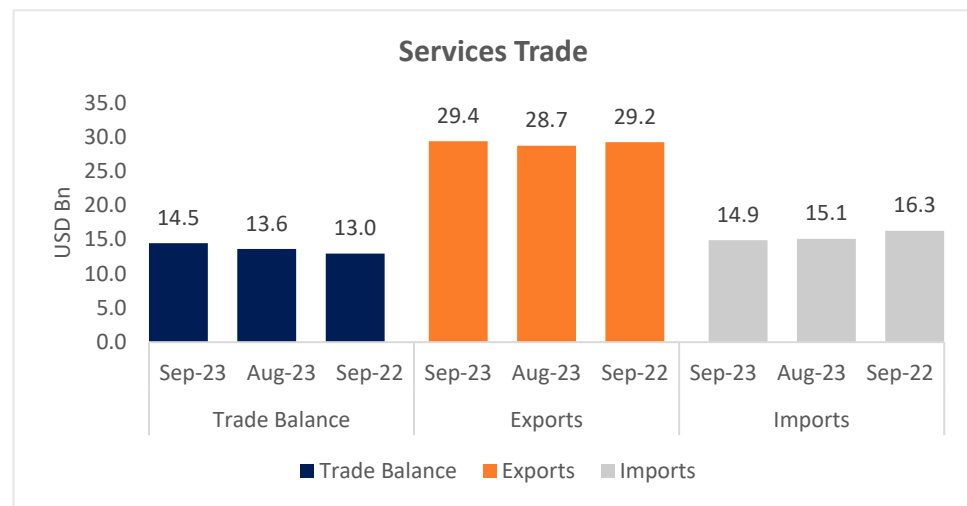
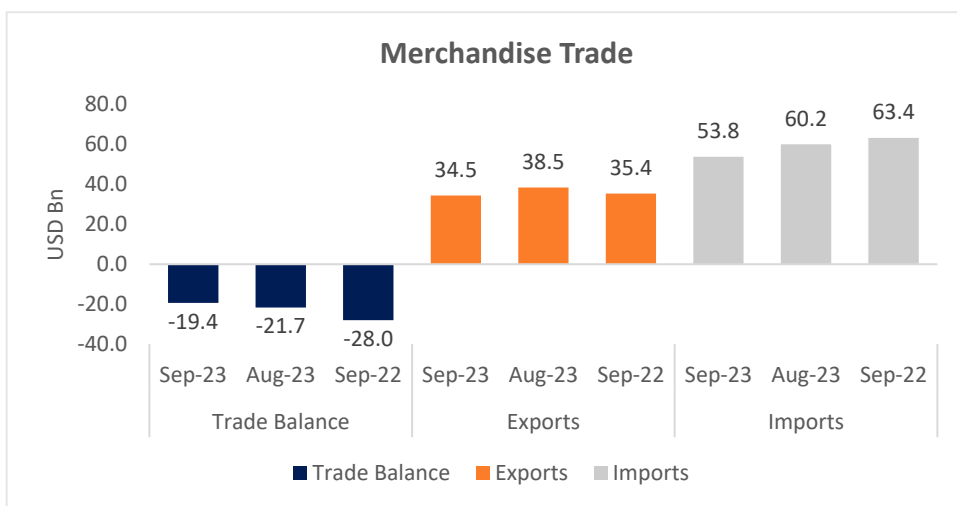
SCB : Scheduled Commercial Banks. Source: TruBoard Research, CMIE, RBI

Bank Lending Survey : Quarterly survey conducted by the RBI collecting responses on loan demand and terms and conditions from major 30 scheduled commercial banks, which together account for over 90% of credit by SCBs in India



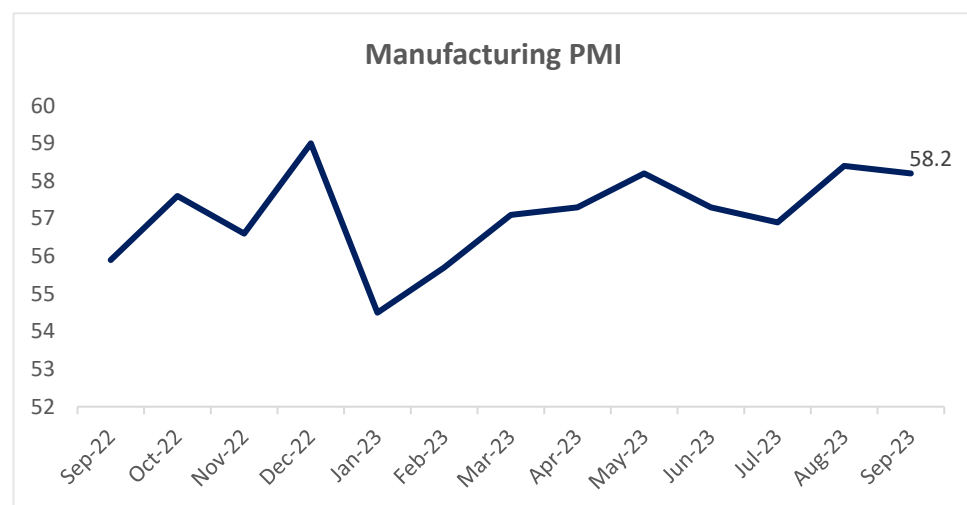
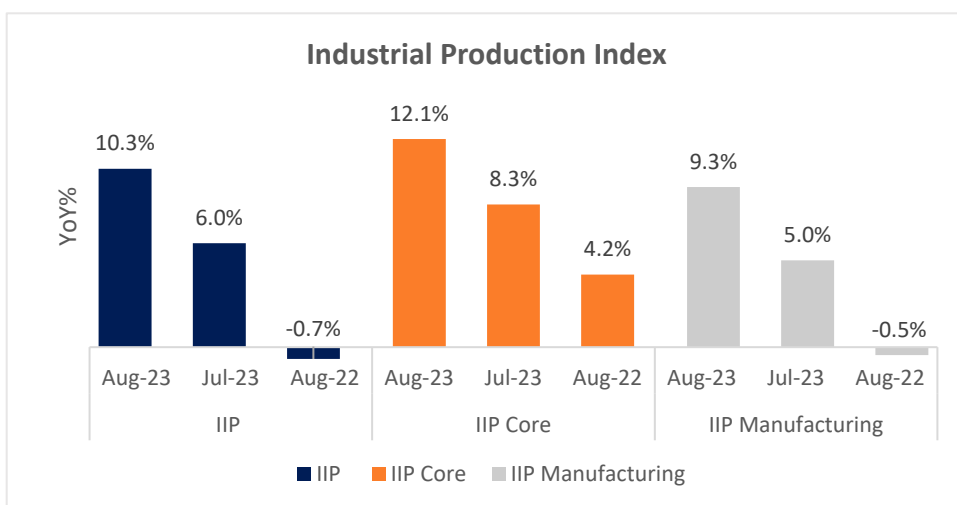
## Foreign Trade

- Merchandise trade deficit inched lower to USD 19.4 Bn in Sep'23 from USD 21.7 Bn in Aug'23, led by a fall in merchandise imports. Merchandise exports contracted 2.6% on-year to USD 34.5 Bn while merchandise imports contracted 15% to USD 53.8 Bn.
- Growth in services exports fell to 0.5% to USD 29.4 Bn in Sep'23, its lowest growth in the last 31 months.
- Global economic activity is expected to slow down only marginally. The IMF in its latest World Economic Outlook report expects world and advanced economies' output growth to fall by 0.1% on-year in the next year. Revival in global economic activity bodes well for exports. The World Trade Organization expects global merchandise trade to grow by 3.3% on-year in the next year from 0.8% in 2023.



## Industrial Activity

- Overall industrial output growth witnessed a 14-month high of 10.3% in Aug'23 (vs 6% in Jul'23) on account of a favorable base effect. IIP electricity witnessed double-digit growth at 15.3% in Sep'23 vs 8% in Aug'23. This can be partly attributed to higher power demand due to rising temperatures and uneven rains.
- Within the manufacturing sector, metal products, electrical equipment and pharmaceutical products witnessed the highest growth at 22.3%, 17.8% and 16.8% while furniture, wearing apparel and computer electronics saw decelerating output at 23.8%, 17% and 8.7%.
- Owing to a strong domestic demand due to the ongoing festive season, industrial output is expected to deliver sustained growth. Strong central and state government capital expenditure, currently at 37.4% and 30.6% of the budgeted expenditure for FY24, too is expected to support domestic industrial activity. Healthy capacity utilization levels for the last three quarters can lead to a pick-up in private sector capex, which is expected to further boost industrial output.



Source: TruBoard Research, CMIE

## Growth Indicators

		Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Consumption	% YoY													
	Currency in Circulation	8.3%	9.3%	7.7%	8.2%	8.5%	8.1%	7.8%	7.7%	7.8%	4.1%	4.4%	4.0%	3.8%
	Registered Motor Vehicles	7.5%	48.5%	19.0%	-6.4%	14.2%	16.6%	14.8%	-3.2%	11.0%	10.3%	10.6%	9.3%	20.3%
	Petrol Consumption	8.8%	8.9%	8.2%	6.0%	14.3%	8.9%	6.8%	2.9%	11.0%	6.2%	6.2%	2.9%	8.2%
	Rail Passenger Traffic	87.6%	62.2%	51.1%	40.7%	64.5%	29.8%	20.5%	20.2%	17.7%	12.5%	10.3%	9.4%	3.9%
	Air Passenger Traffic	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	26.2%	16.6%	10.9%	15.2%	12.7%	12.4%	12.7%	11.6%	11.5%	11.7%	10.8%	10.8%	10.2%
	Personal Loans	19.4%	20.1%	19.6%	20.0%	20.4%	20.4%	20.6%	19.4%	19.2%	20.9%	31.7%	30.8%	--
	IIP: Consumer Durables Goods	-5.5%	-18.1%	5.0%	-11.2%	-8.2%	-4.1%	-8.0%	-2.3%	1.5%	-6.7%	-2.6%	5.7%	--
IIP: Consumer Non Durables Goods	-5.7%	-13.0%	10.0%	7.9%	6.5%	12.5%	-1.9%	11.4%	8.9%	0.3%	7.9%	9.0%	--	
Investment	Rail Freight Traffic	9.2%	1.4%	5.2%	3.1%	3.8%	3.6%	3.8%	3.5%	1.9%	-1.9%	1.5%	6.4%	6.7%
	Industrial Credit	12.6%	13.6%	13.1%	8.6%	8.7%	7.0%	5.7%	7.0%	6.0%	8.1%	5.8%	6.7%	--
	IIP: Capital Goods	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	10.0%	4.4%	8.1%	2.0%	4.5%	12.6%	--
	IIP: Intermediate Goods	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.8%	1.7%	3.4%	4.6%	2.4%	6.5%	--
	Diesel Consumption	13.4%	5.6%	19.3%	6.6%	12.8%	7.6%	1.2%	8.6%	12.8%	3.0%	3.9%	5.2%	3.8%
	Finished Steel Consumption	11.5%	11.7%	11.9%	11.9%	11.7%	12.6%	13.3%	8.0%	7.9%	10.4%	12.2%	14.1%	--
	IIP: Capital Goods	11.4%	-2.9%	20.7%	7.8%	10.5%	11.0%	10.0%	4.4%	8.1%	2.0%	4.5%	12.6%	--
	IIP: Intermediate Goods	1.7%	-2.3%	3.5%	1.5%	1.4%	1.0%	1.8%	1.7%	3.4%	4.6%	2.4%	6.5%	--
Capital Goods Imports	57.0%	34.0%	31.2%	39.2%	34.6%	38.8%	30.6%	6.8%	2.3%	0.4%	7.0%	14.0%	--	
Government	Centre's Core Revex	19.5%	48.8%	18.0%	-12.3%	12.6%	4.3%	2.5%	14.9%	-22.3%	5.8%	161.5%	1.1%	--
	State's Core Revex	15.7%	7.6%	18.0%	-1.2%	9.7%	14.0%	7.2%	55.2%	48.4%	19.4%	1.2%	29.4%	--
	Centre's Capex	57.5%	176.5%	87.1%	-63.7%	59.8%	-53.2%	36.6%	-0.6%	217.4%	62.8%	14.9%	29.9%	--
	State's Capex	-20.3%	-11.7%	38.9%	-3.5%	26.9%	39.7%	18.9%	51.6%	78.6%	68.1%	12.1%	27.1%	--
Net Exports	Exports Goods and Services	16.6%	1.6%	18.0%	6.3%	12.2%	10.2%	1.2%	-5.2%	-3.4%	-10.2%	-3.0%	5.8%	-1.2%
	Imports Goods and Services	15.6%	9.4%	10.2%	2.3%	1.0%	-1.9%	-2.7%	-11.1%	-4.5%	-14.2%	-14.3%	-2.4%	-13.7%

## Macro Stability Indicators

		Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Jobs	Unemployment rate (%)	6.4%	7.9%	8.0%	8.3%	7.1%	7.5%	8.1%	8.5%	7.6%	8.5%	7.9%	8.1%	7.1%
	LFPR (%)	39.3%	39.3%	39.6%	40.5%	39.8%	39.9%	39.8%	40.7%	39.6%	39.9%	39.3%	41.2%	40.9%
	Urban Job creation (%YoY)	12.7%	-2.7%	42.9%	4.3%	1.7%	-2.2%	5.2%	-5.2%	-0.5%	-2.9%	-18.8%	-5.7%	-8.6%
External sector	Merchandise trade deficit (USD Bn)	-28.0	-26.3	-22.1	-23.1	-16.4	-16.2	-18.1	-15.5	-22.0	-18.8	-18.5	-21.7	-19.4
	FPI flows (USD Bn)	-0.4	-0.4	4.1	1.1	-3.2	-0.5	0.7	1.7	5.9	6.8	5.8	2.2	-1.7
	FX Reserves (USD Bn)	532.7	534.0	553.2	562.7	574.4	562.7	578.4	590.1	590.7	595.1	605.8	598.2	590.7
	Import cover (No. of months)	8.5	8.7	9.3	9.6	10.1	10.1	10.5	10.8	10.6	11.1	11.1	10.8	10.6
Exchange Rate	INR-USD (Avg.)	81.6	82.4	81.6	82.8	81.7	82.7	82.2	81.8	82.7	82.0	82.2	82.7	83.1
	INR-USD (% MoM)	2.3%	1.0%	-1.0%	1.5%	-1.3%	1.2%	-0.6%	-0.5%	1.1%	-0.8%	0.3%	0.5%	0.5%
	REER (% MoM)	1.0%	-1.0%	-0.6%	-2.9%	-0.4%	-0.4%	0.6%	-1.7%	1.4%	2.5%	3.1%	-0.6%	--
Monetary Indicators	Money Supply (% YoY)	8.6%	9.1%	8.9%	8.7%	9.8%	9.5%	9.0%	9.5%	10.1%	13.4%	10.6%	10.8%	10.8%
	Currency in circulation (% YoY)	8.3%	9.3%	7.7%	8.2%	8.5%	8.2%	7.8%	7.7%	7.8%	4.1%	4.4%	4.0%	3.8%
	Non-food credit growth (% YoY)	15.7%	17.1%	16.4%	15.3%	16.7%	15.9%	15.4%	16.1%	15.6%	16.3%	19.8%	19.9%	--
	Credit-deposit ratio (%)	74.5%	74.9%	75.5%	75.5%	75.7%	75.8%	76.2%	75.5%	75.6%	75.5%	77.5%	77.8%	78.8%
	Incremental Credit-Deposit Ratio (%)	130.3%	122.3%	122.3%	111.6%	115.3%	111.6%	113.0%	97.5%	98.7%	92.9%	107.8%	109.3%	--
Markets	Nifty 50 (% MoM)	-3.7%	5.4%	4.1%	-3.5%	-2.4%	-2.0%	0.3%	4.1%	2.6%	3.5%	2.9%	-2.5%	2.0%
	BSE500 (% MoM)	-3.3%	4.0%	3.3%	-3.2%	-3.4%	-2.9%	0.3%	4.5%	3.5%	4.1%	3.8%	-0.8%	2.1%
	S&P BSE SENSEX P/E Ratio (Avg.)	22.8	22.4	23.3	23.6	23.3	22.8	22.2	22.6	23.5	23.3	24.9	23.9	24.3
Prices	CPI inflation (% YoY)	7.4%	6.8%	5.9%	5.7%	6.5%	6.4%	5.7%	4.7%	4.3%	4.9%	7.4%	6.8%	5.0%
	CPI core inflation (% YoY)	6.1%	6.0%	6.0%	6.1%	6.1%	6.1%	5.8%	5.2%	5.1%	5.1%	4.9%	4.8%	4.5%
	CPI food inflation (% YoY)	8.6%	7.0%	4.7%	4.2%	6.0%	6.0%	4.8%	3.8%	3.0%	4.5%	11.5%	9.9%	6.6%
	WPI inflation (% YoY)	10.6%	8.7%	6.1%	5.0%	4.8%	3.9%	1.4%	-0.8%	-3.6%	-4.2%	-1.2%	-0.5%	-0.3%
	Brent Crude Oil (USD/bbl)	89.7	93.3	91.4	81.0	82.5	82.6	78.4	84.7	75.6	74.8	80.1	86.1	93.7
	Gold (USD/ounce)	1683.0	1664.4	1726.4	1796.7	1898.6	1854.5	1912.7	2000.4	1990.2	1942.9	1948.9	1920.0	1917.0

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

# TruBoard Partners

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