

India Economics

Monthly Chartbook

August 2023

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Rate cut: A distant dream

Concerns of higher inflation led by spike in vegetables prices pushed RBI to revise its inflation projection upwards by 30bps to 5.4% in FY24. MPC unanimously voted to keep rates on hold and maintained the stance (withdrawal of accommodation). RBI emphasised on being vigilant and will be ready to undertake any policy response if the 'situation warrant'. Growth projection was retained at 6.5% for FY24. On liquidity front, an announcement was made on temporary incremental-CRR which will be reviewed again next month. Overall domestic demand remained buoyant even as some indicators registered some moderation. Sowing of rice has significantly improved, though pulses acreage remain a concern due to uneven rainfall. On the growth front, capex spending has registered improvement and is expected to pick up further in the near term. All eyes will now turn towards the upcoming CPI and industrial production data.

Demand a mixed basket: Indicators for Jul'23 reflected a mixed trend with non-oil-non gold imports and electronic imports registering a dip. Passenger vehicle sales too followed suit. On the other hand, pick up in power demand, digital payments and credit growth signalled robust demand. Services PMI jumped to 13-year high to 62.3 (58.5 in Jun) suggesting resilience of the services sector. On the rural front, two wheeler sales registered some improvement, sequentially. Demand for work under MGNREGA picked up. South West Monsoon is currently in surplus and has pushed overall kharif sowing higher (4th Aug). However, lower acreage in pulses is a concern and this might have some impact on inflation.

Health of centre's finances: Fiscal deficit ratio (% of GDP, 12MMA basis) of the central government is beginning to inch up (6.5% as of Jun'23, versus 6.2%

as of May'23), as spending growth gathers momentum. On FYTD basis (Apr-Jun'23), overall expenditure rose to 10.8% from 6.9% during Apr-May'23, supported by 59.1% jump in capex in Q1 (56.7% during Apr-May), and lower contraction in revenue spending (-0.1% in Q1 versus -4.3%). On the other hand, centre's net revenue growth softened to 3.6% in Q1 (15.7% till May'23), despite gross tax revenue growth strengthening (3.3% versus -1.6%). Within this, contraction in direct tax collections slowed (-1% versus -4%), and indirect tax collections inched up (7.8% versus 0.5%). We expect spending to pick up pace in the coming months, ahead of multiple state elections.

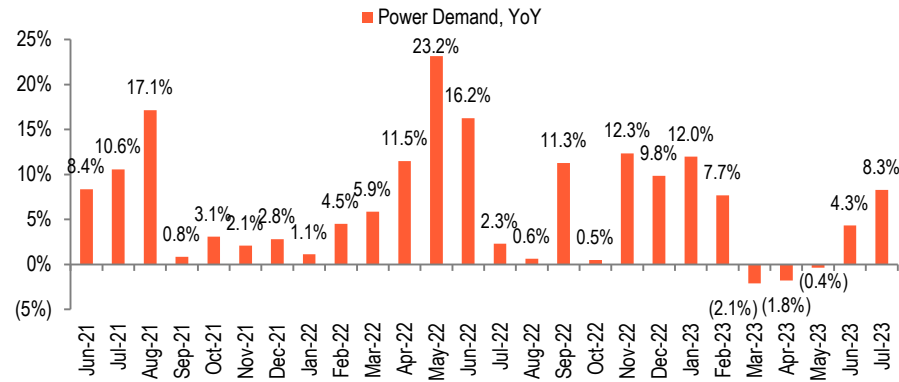
India's 10Y yield priced in hawkish pause: India's 10Y yield fell a tad by 1bps in Aug'23 after inching up by 6bps in Jul'23. It is broadly trading stable post hawkish pause by RBI. However, some reaction might be forthcoming on the back of RBI's surprise move of an incremental CRR on 10% of incremental NDTL between 19 May and 28 Jul 2023. Apart from this, the upcoming inflation data holds the key, with significant upside risks from weather vagaries impacting supply side dynamics. For the current month, we hold our view of India's 10Y yield trading in the range of 7.15-7.25%.

INR depreciates: After remaining rangebound for a major part of the year, INR has come under pressure once again. INR depreciated by 0.3% in Jul'23 and further by 0.7% in Aug'23. A global risk-off sentiment due to US rating downgrade and concerns over global economic outlook is weighing on INR. As a result, FPI inflows which were witnessing momentum, have shown signs of slowing down. Even oil prices are inching up. We expect INR to trade in the range of 82-83/\$ in the near-term.

Note: The source for all exhibits is 'CEIC and Bank of Baroda' unless otherwise specified

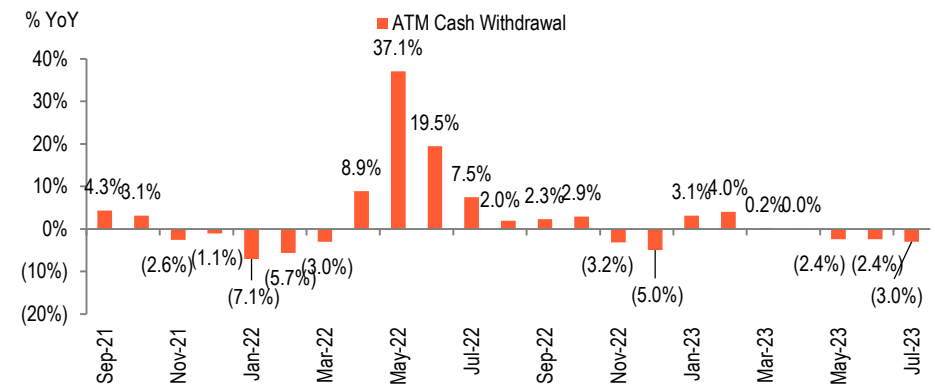
High frequency indicators

Fig 1 – Power demand improves further in Jul'23



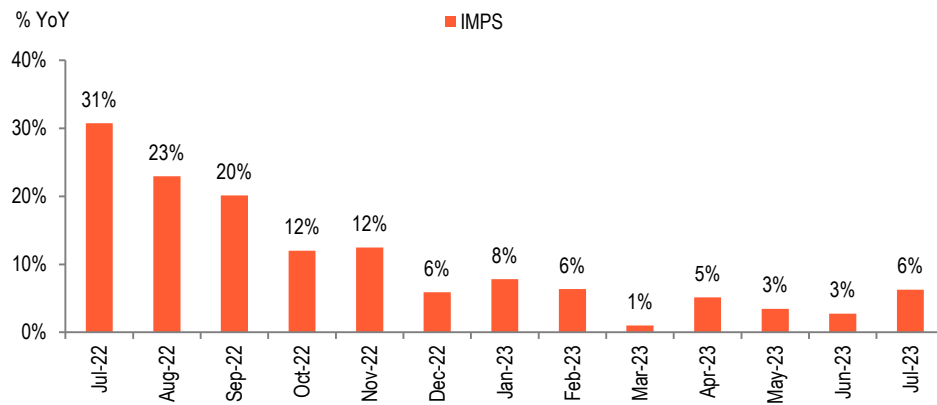
Note: Energy Met (MU)

Fig 2 – Cash withdrawal growth continues to contract



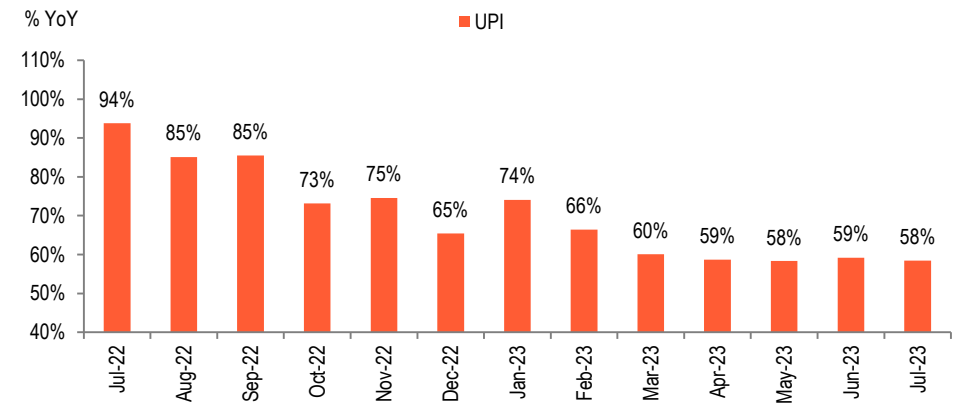
Source: NPCI. Note: NFS Cash withdrawal amount does not include Card to Card Transfer

Fig 3 – Growth in IMPS transactions doubles



Source: RBI

Fig 4 – Steady growth in UPI payments



Source: RBI

Fig 5 – Fertilizer sales growth improves marginally

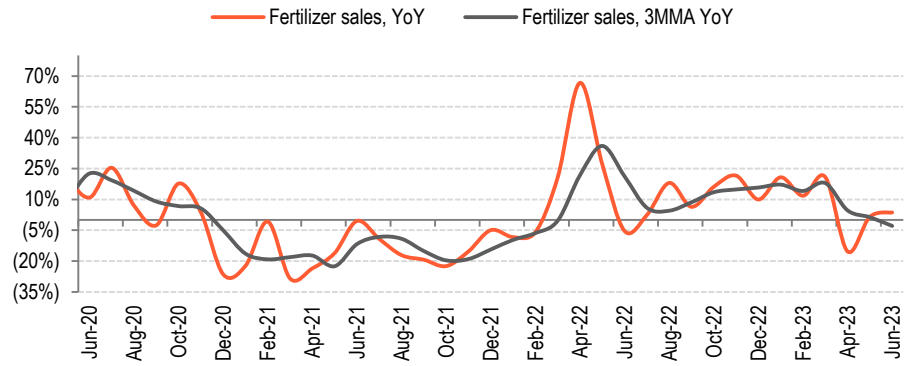
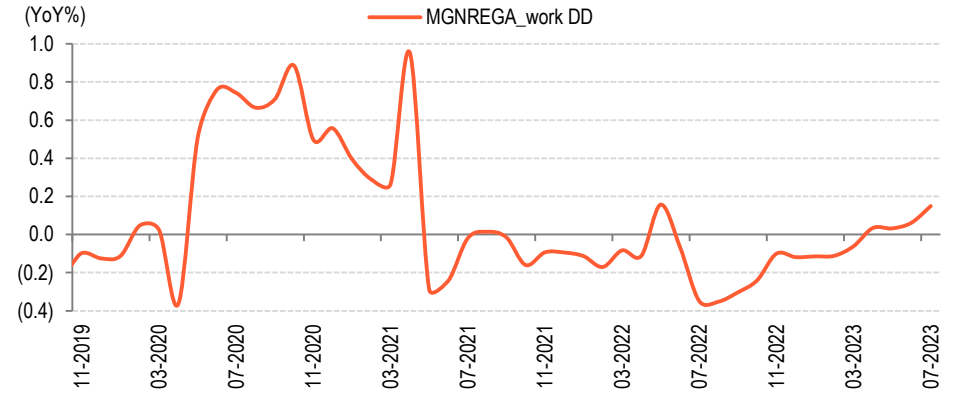


Fig 6 – Demand for work (MGNREGA-household) inches up



Final consumption expenditure

Fig 7 – Marginal improvement pushed private consumption higher in Q4FY23

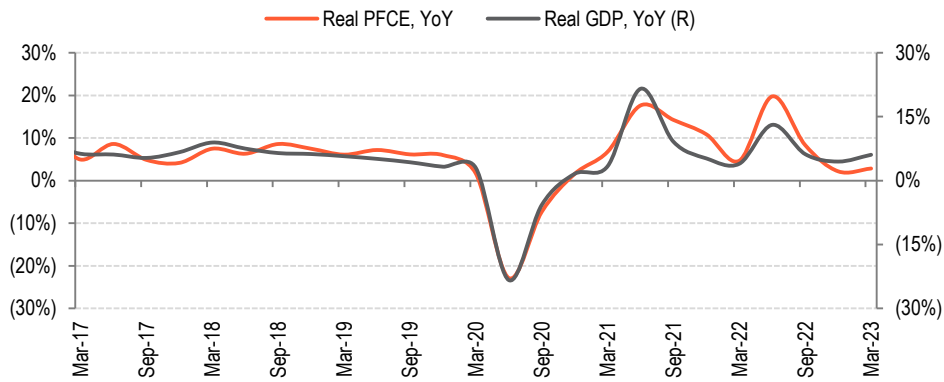


Fig 8 – Government consumption too edges upwards

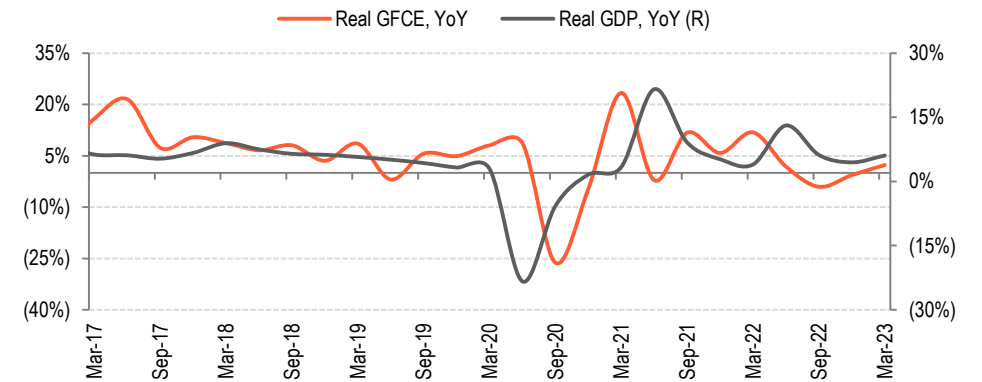


Fig 9 – General govt. revenue spending inch up

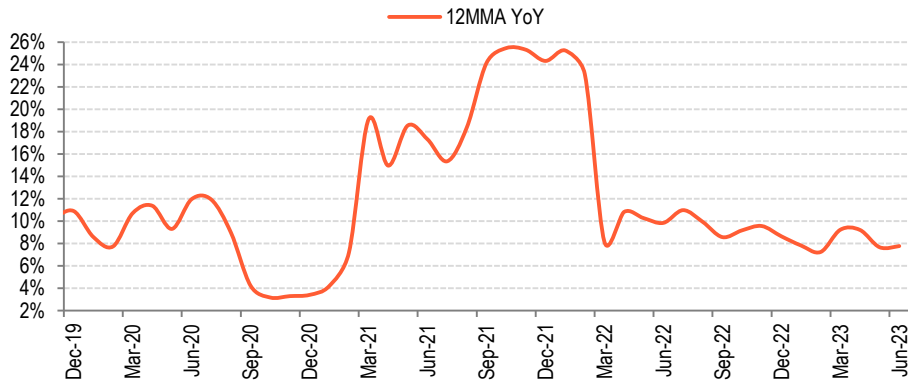
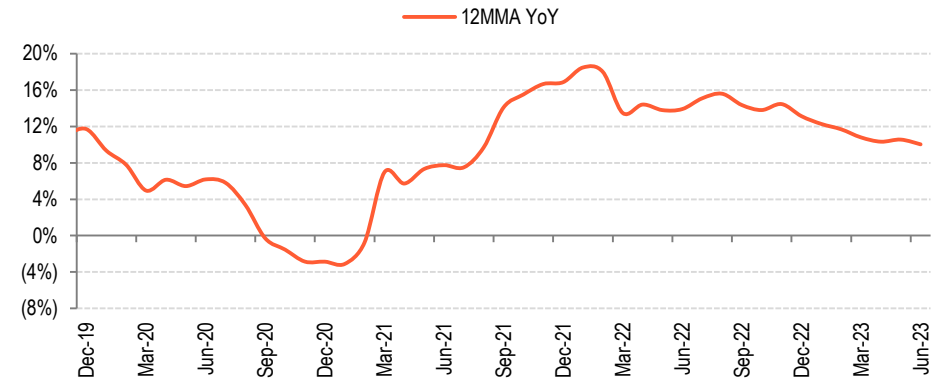


Fig 10 – State* govt. revenue spending moderates marginally



Note: *All states excluding N.E states, Goa, J&K and Karnataka

Non-oil imports, electronic imports

Fig 11 – Growth in Non-oil-non-gold imports declines sharply

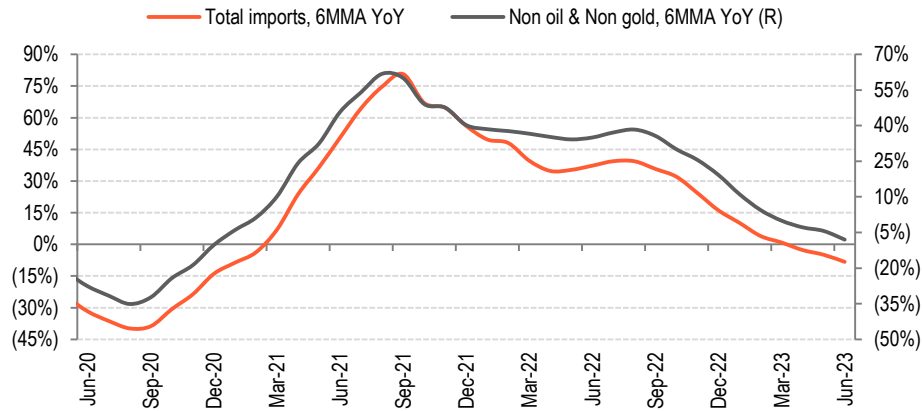


Fig 12 – Growth in electronic import moderates

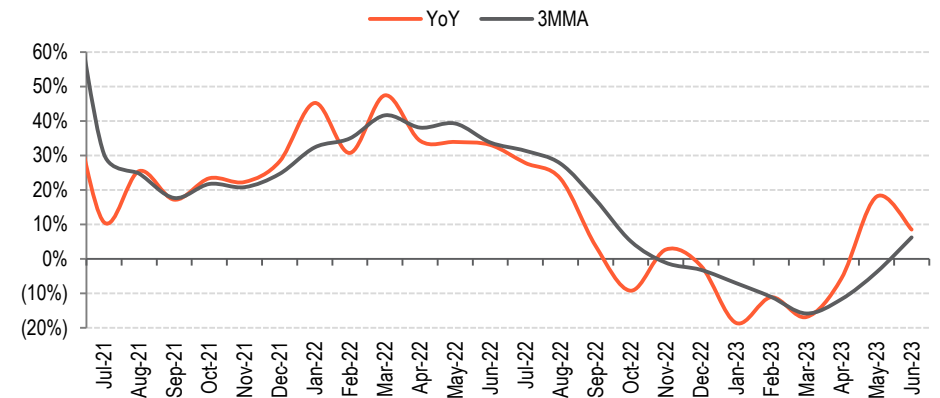
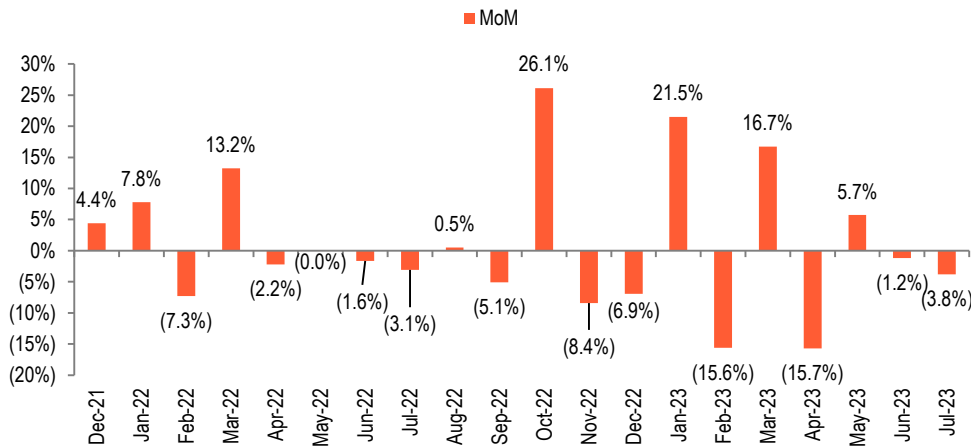
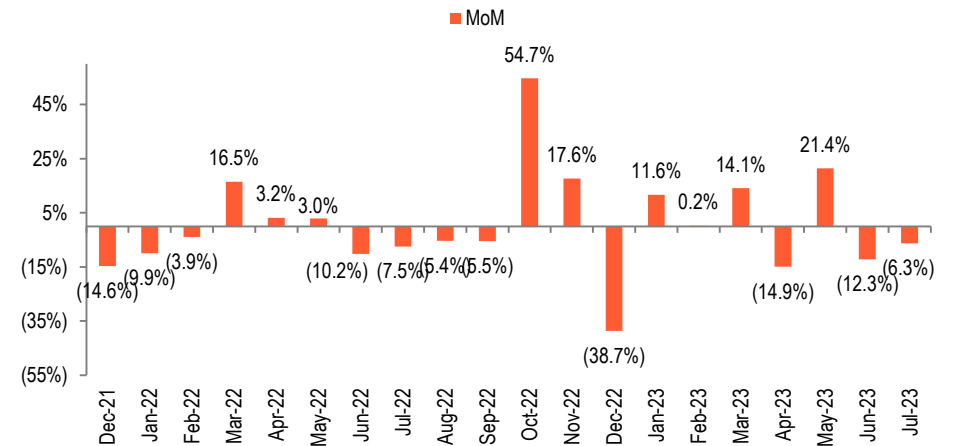


Fig 13 – Retail passenger vehicle sales declines further



Source: FADA

Fig 14 – Growth in two-wheeler sales falls at a slower pace



Credit deployment of personal loans

Fig 15 – Growth in credit card loan jumps up

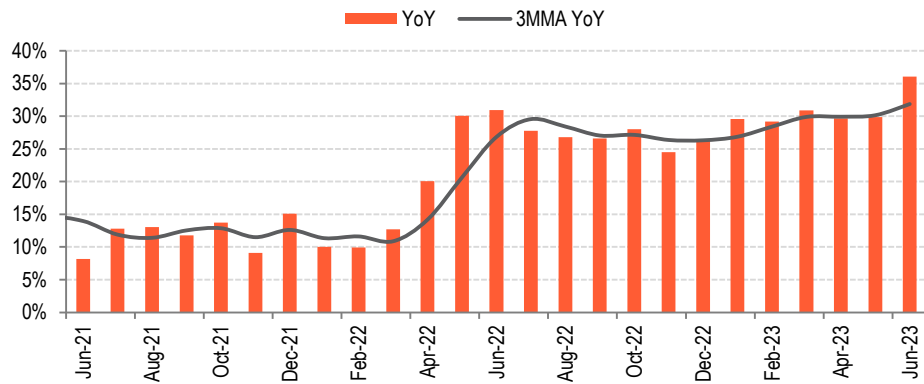


Fig 16 – Growth in personal loan inches up

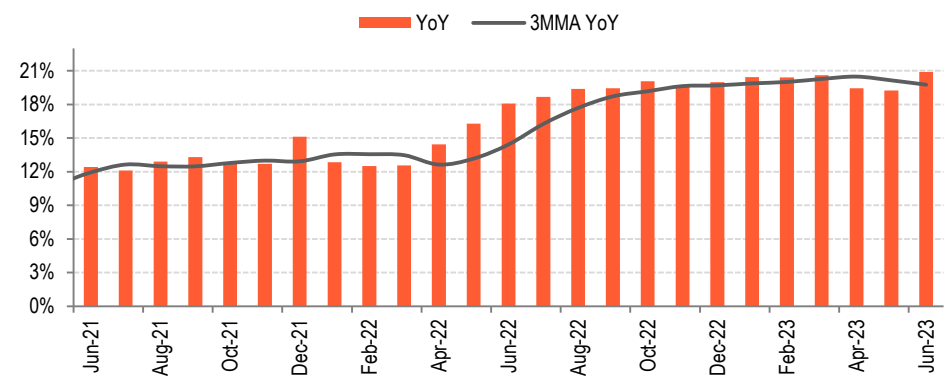


Fig 17 – Vehicle loan growth moves up

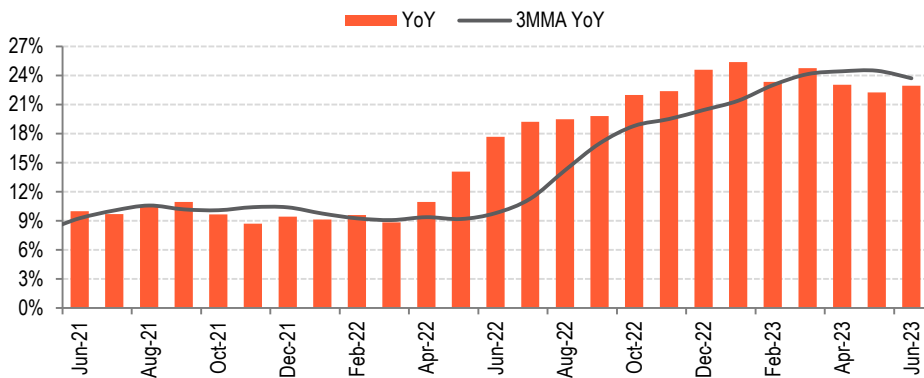


Fig 18 – Consumer's remained optimistic

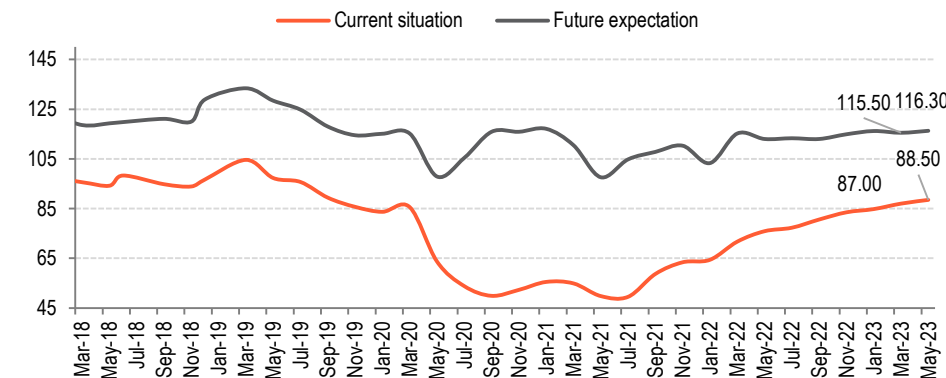


Fig 19 – RBI’s essential spending signals some moderation

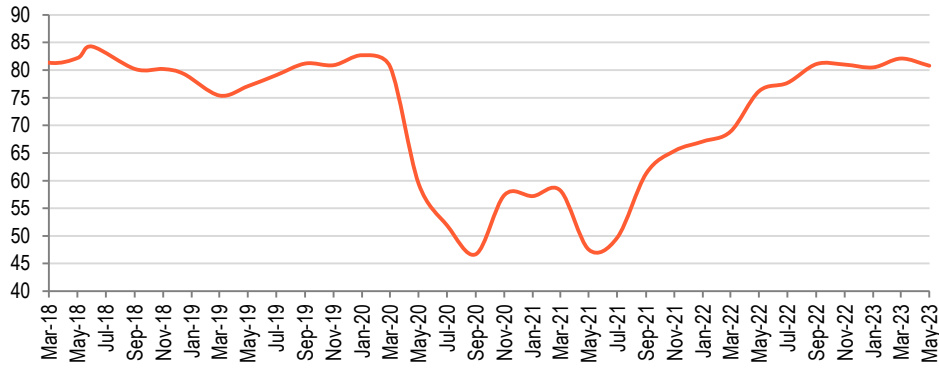
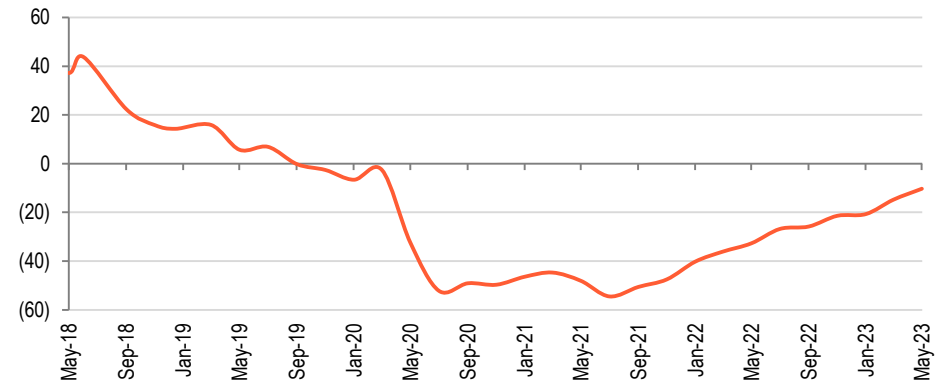


Fig 20 – ...non-essential spending however continues to scale new heights



Consumer durables & non-durables production

Fig 21 – Consumer durables growth improves

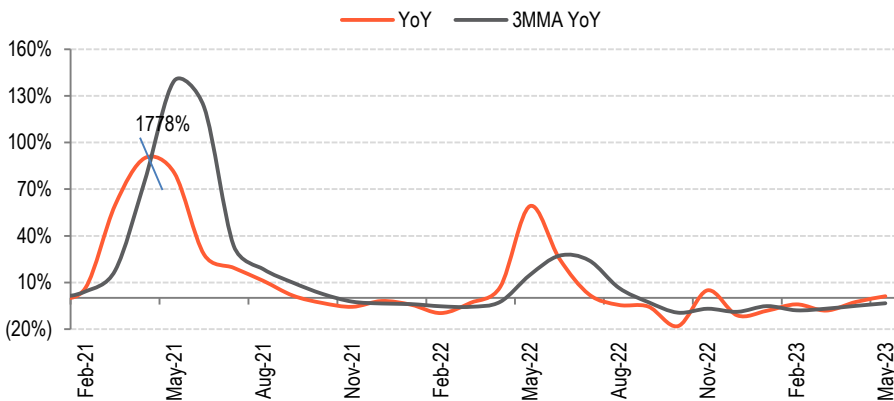
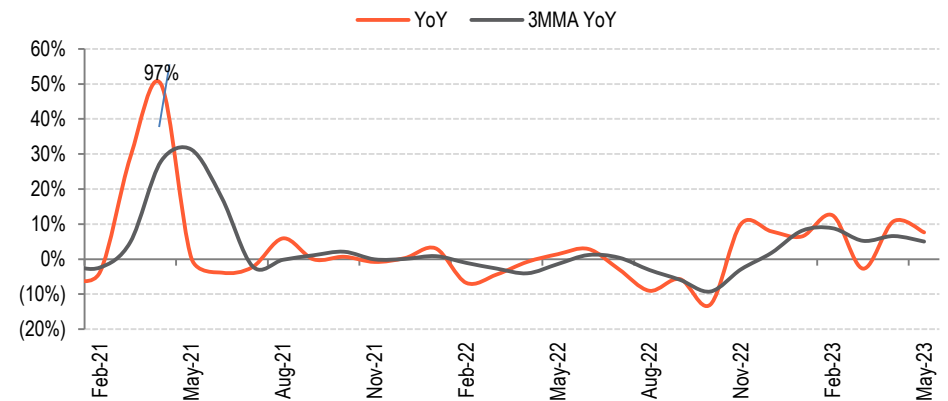


Fig 22 – FMCG output eases in May'23



Agriculture

Fig 23 – Foodgrain stocks turn out to be lower than last year

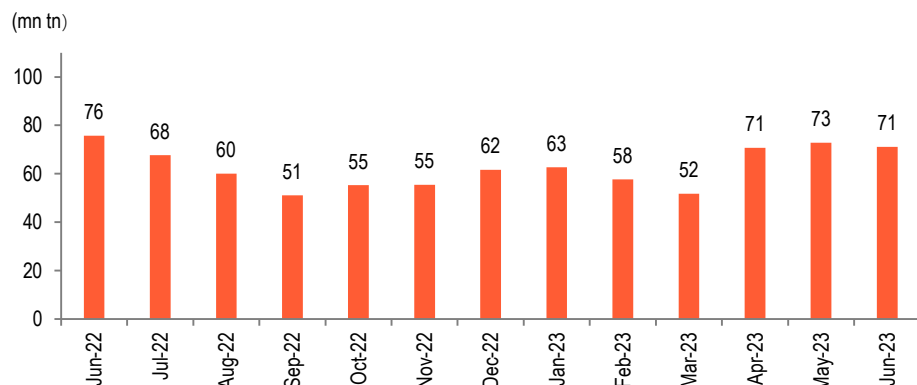
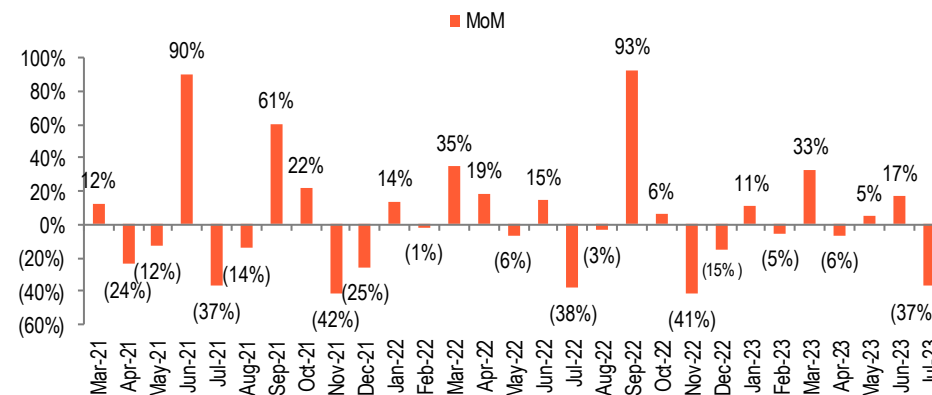


Fig 24 – Growth in tractor sales contracts sequentially



Note: Tractor sales including exports

Fig 25 – Growth in agriculture credit accelerates

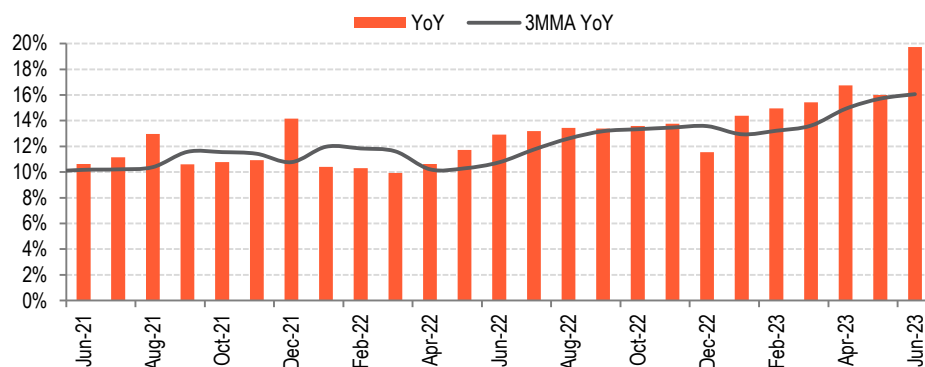
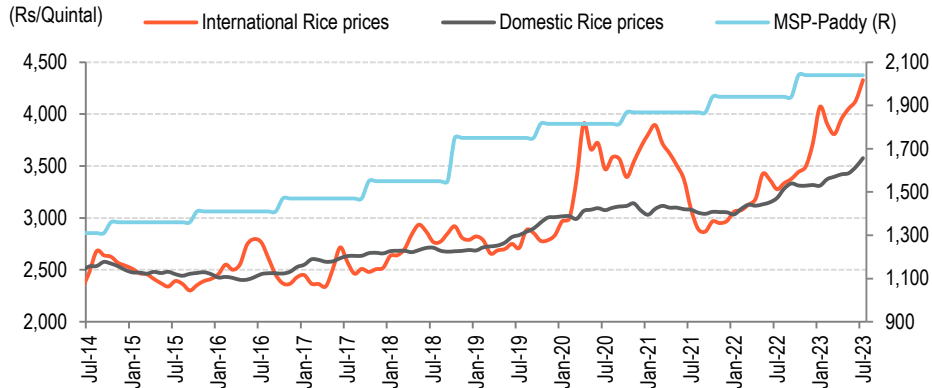


Fig 26 – Procurement of rice and wheat

Year	Wheat	Rice
2015-16	28.09	34.22
2016-17	22.96	38.11
2017-18	30.83	38.19
2018-19	35.80	44.39
2019-20	34.13	51.83
2020-21	38.99	60.17
2021-22	43.34	57.59
2022-23	18.8	56.6*
2023-24	26.2	

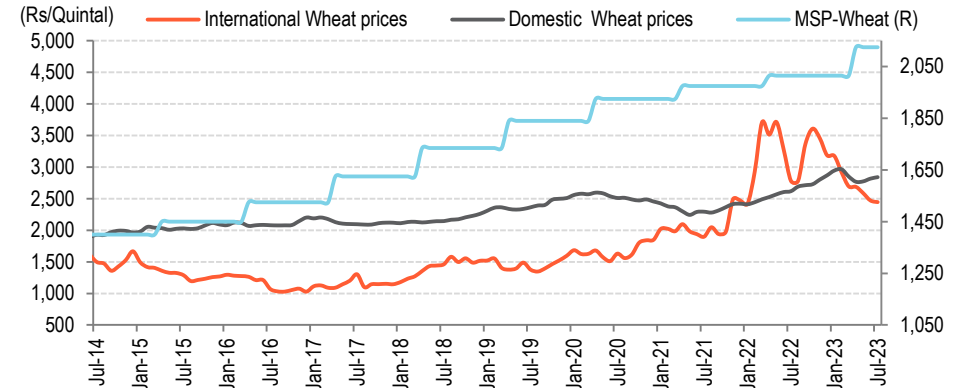
Source: Ministry of Consumer Affairs, Food and Public Distribution | *As on: 30 Jun 2023

Fig 27 – Both domestic and international rice price edges upwards



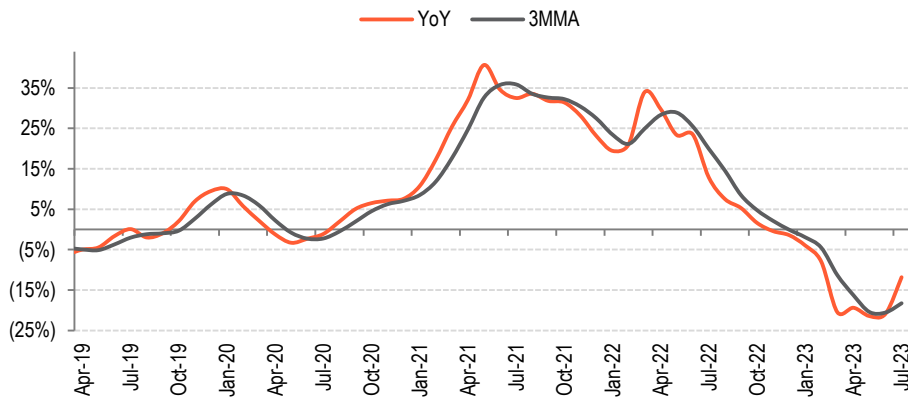
Source: World Bank

Fig 28 – International wheat prices slip: Domestic prices inch up



Source: World Bank

Fig 29 – Global food prices scale up



Source: FAO

Fig 30 – Wage growth (men) remains steady

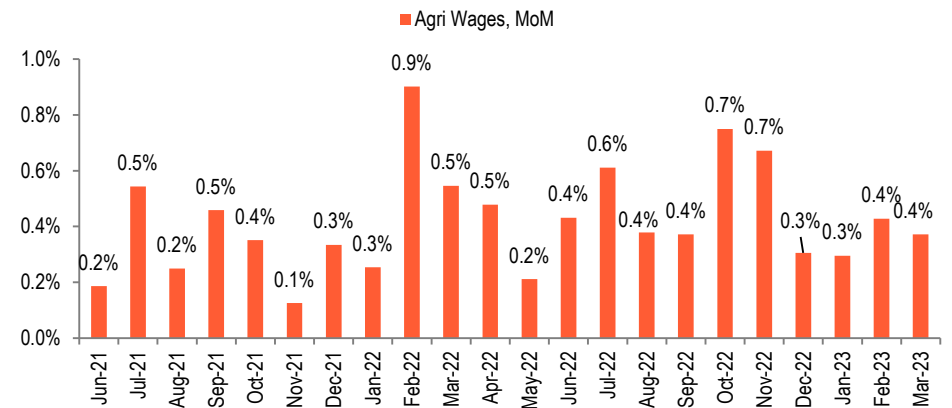


Fig 31 – Kharif sowing is a tad higher compared with last year

Crop Type (mn ha)	Area sown in 2023-24	Area sown in 2022-23	Growth (YoY%)
Foodgrains	55.4	55.4	0
Cereals	44.7	43.6	2.5
Rice	28.3	27.4	3.4
Pulses	10.7	11.8	(9.3)
Oilseeds	18.0	17.5	2.5
Cotton	11.9	12.1	(1.4)
Sugarcane	5.6	5.5	2.5
Jute and Mesta	0.7	0.7	(5.6)
Total	91.5	91.2	0.4

Note: For the week ended 4 Aug 2023

Inflation

Fig 32 – Headline CPI inched up to 4.8% in Jun'23 from 4.3% in May'23, driven by food inflation (152bps increase)

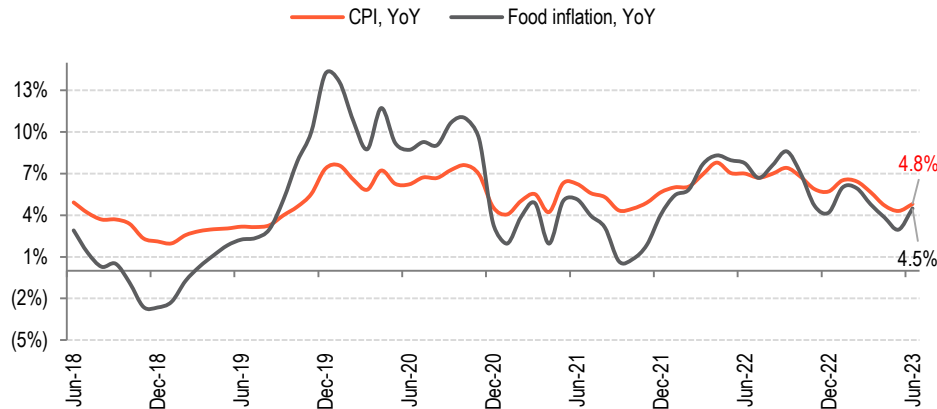


Fig 33 – ...Rise in food inflation was attributable to vegetables, fruits, pulses etc.

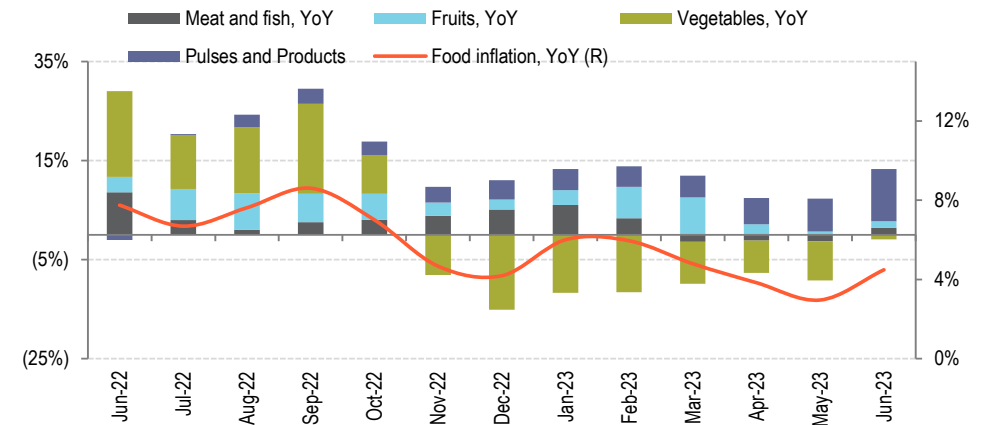


Fig 34 – Core inflation and its sub-components showed some softening

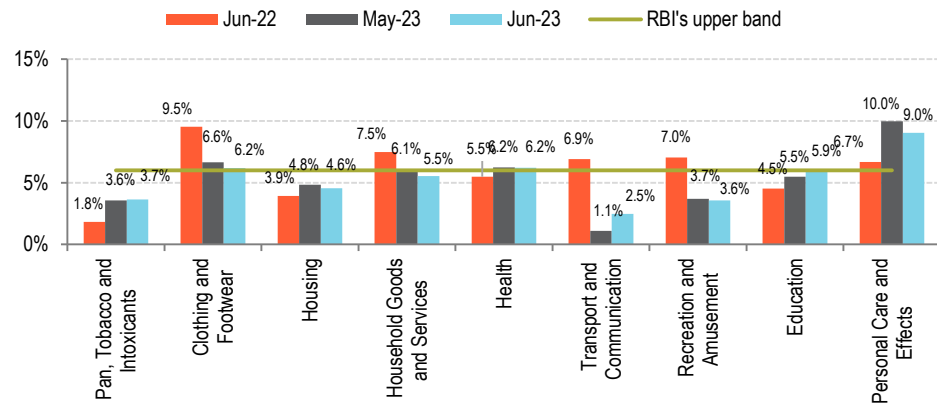
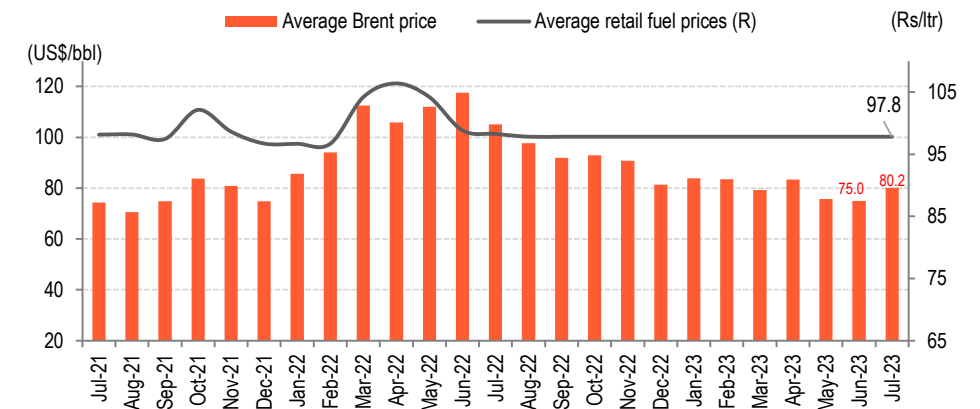


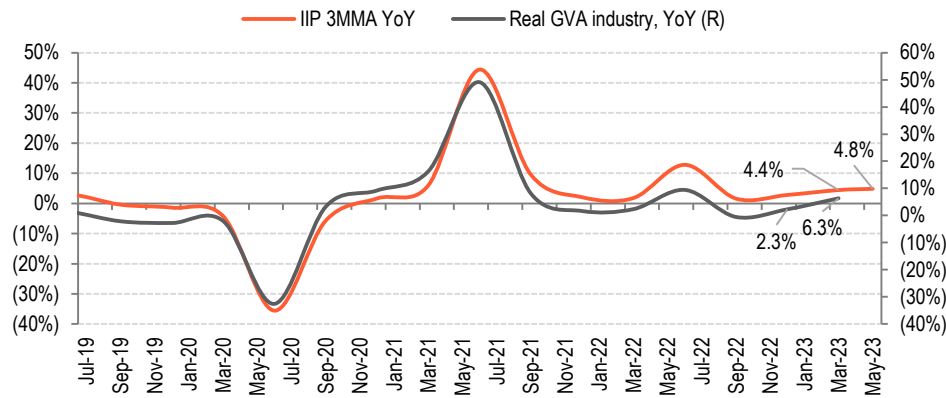
Fig 35 – Domestic retail prices was stable at Rs 98/lt, however international crude prices edged up to US\$ 80/bbl in Jul'23 from US\$ 75/bbl in Jun'23



Note: Average retail price of petrol and diesel for Delhi, Kolkata, Mumbai and Chennai have been taken

Industry

Fig 36 – IIP growth improves



Note: May'23 data is average for Apr-May'23 on YoY basis

Fig 37 – Sectorwise growth lower in FYTD'24

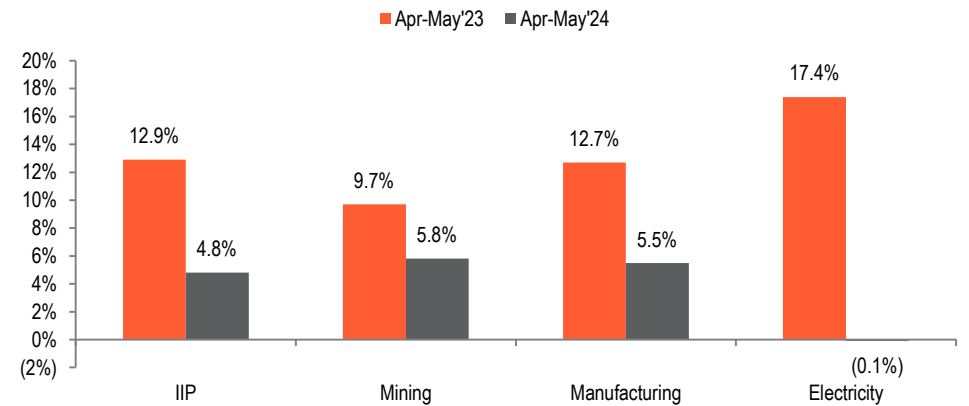
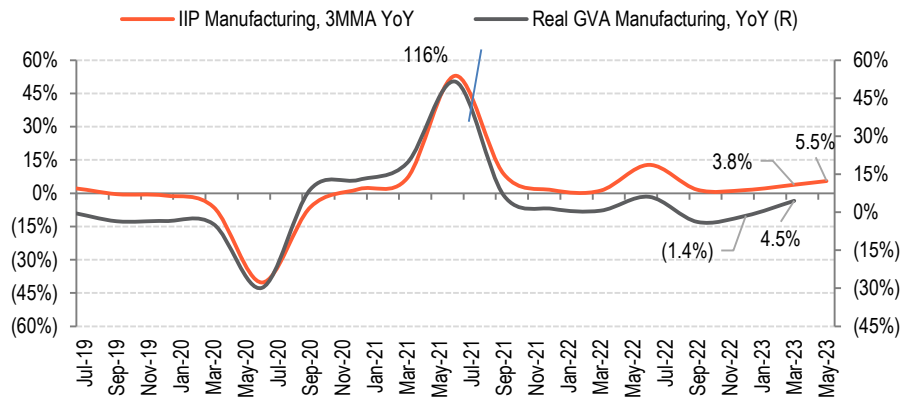


Fig 38 – IIP growth picks up

Sectoral (%)	Weight	May-23	Apr-23	May-22	Apr-May'23	Apr-May'22
IIP	100.0	5.2	4.5	19.7	4.8	12.9
Mining	14.4	6.4	5.1	11.2	5.8	9.7
Manufacturing	77.6	5.7	5.2	20.7	5.5	12.7
Electricity	8.0	0.9	(1.1)	23.5	(0.1)	17.4
Use-Based						
Primary Goods	34.1	3.5	1.9	17.8	2.7	14.0
Capital Goods	8.2	8.2	4.6	53.3	6.5	30.1
Intermediate Goods	17.2	1.6	0.4	17.5	1.0	12.1
Infrastructure and Construction Goods	12.3	14.0	15.0	18.4	14.5	10.7
Consumer Durables Goods	12.8	1.1	(2.5)	59.1	(0.6)	28.3
Consumer Non-Durables Goods	15.3	7.6	10.8	1.4	9.3	0.3

Manufacturing

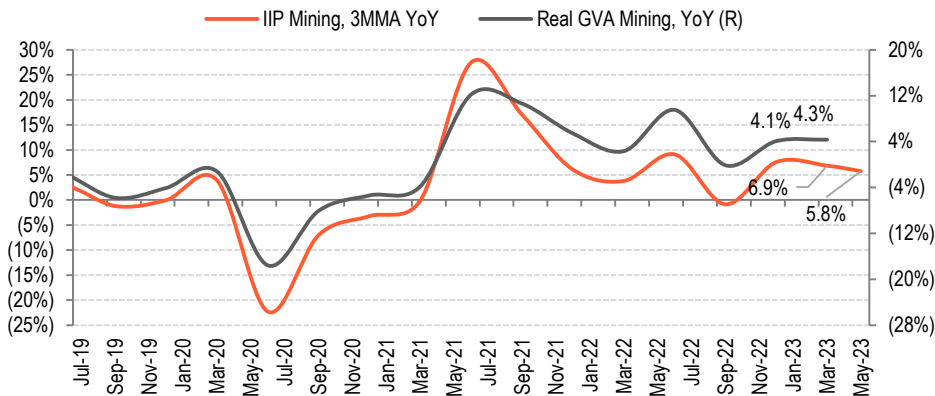
Fig 39 – Manufacturing growth edge upwards



Note: May'23 data is average for Apr-May'23 on YoY basis

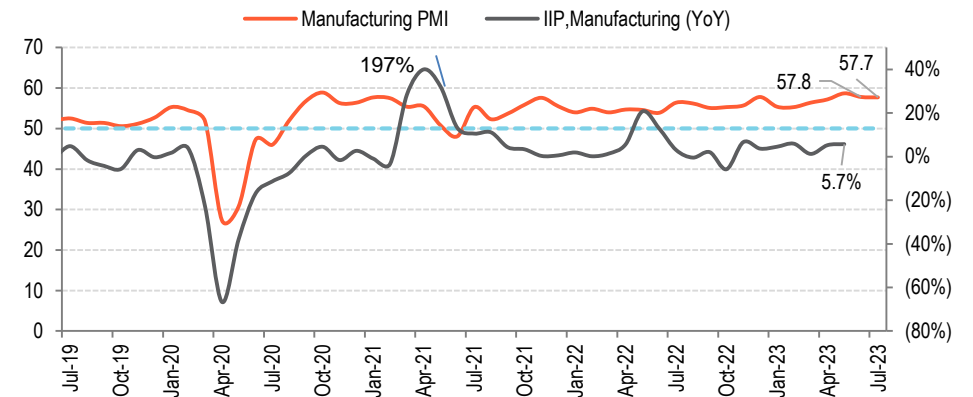
Mining & Electricity

Fig 41 – Mining activity moderates



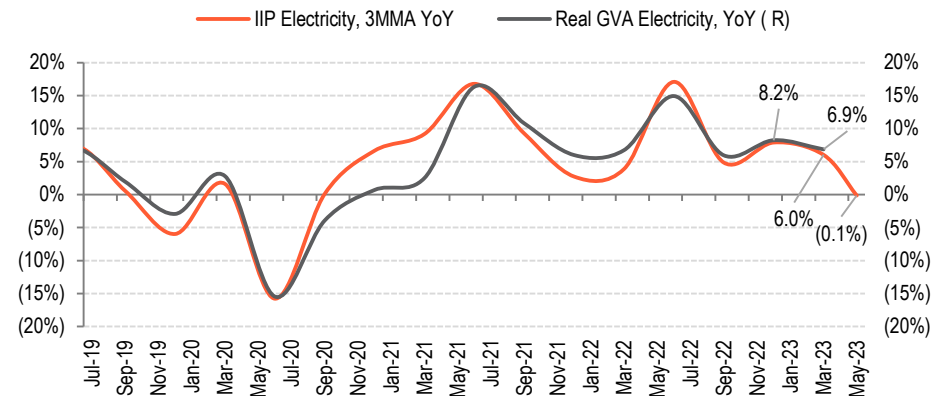
Note: May'23 data is average for Apr-May'23 on YoY basis

Fig 40 – Manufacturing PMI steady in Jul'23



Source: Markit

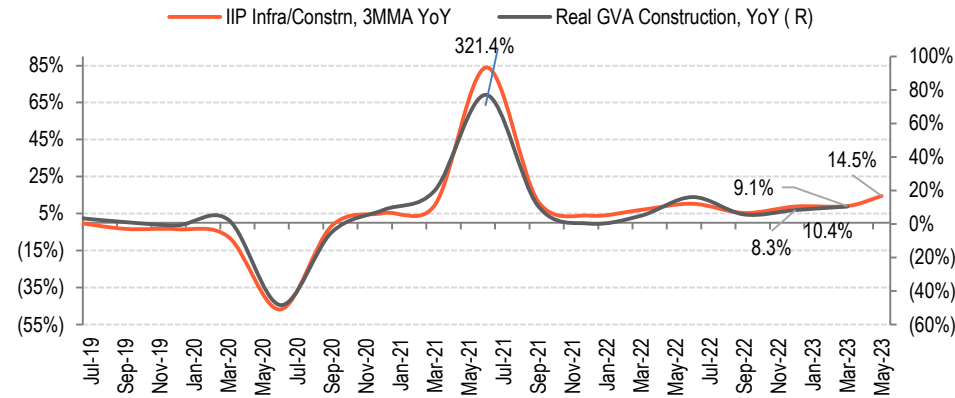
Fig 42 – Growth in Q1 expected to be lower



Note: May'23 data is average for Apr-May'23 on YoY basis

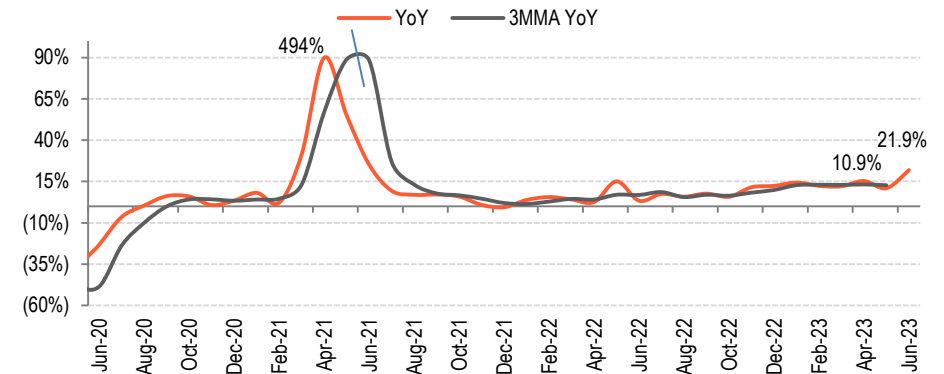
Infrastructure and construction

Fig 43 – Construction sector output expected to be higher in Q1FY24



Note: May'23 data is average for Apr-May'23 on YoY basis

Fig 44 – Steel production rises to 24-month high in Jun'23



Infrastructure index

Fig 45 – Growth in infrastructure index jumps to 5-month high

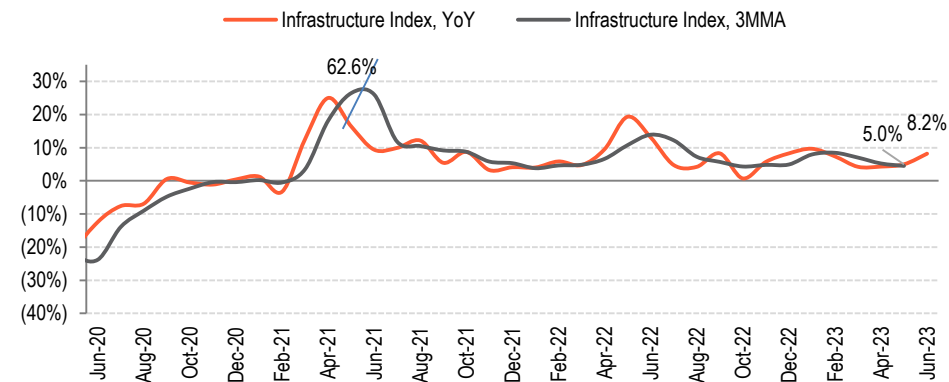
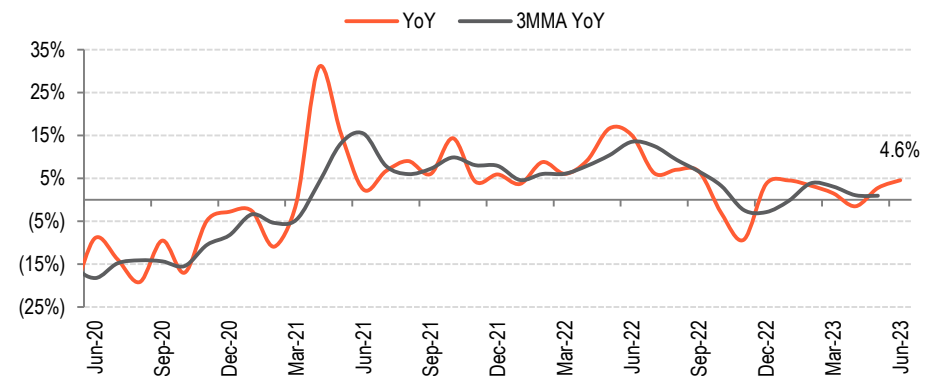


Fig 46 – Refinery Output too edges upwards



Auto production & business expectation index

Fig 47 – Auto production dips in Jul'23

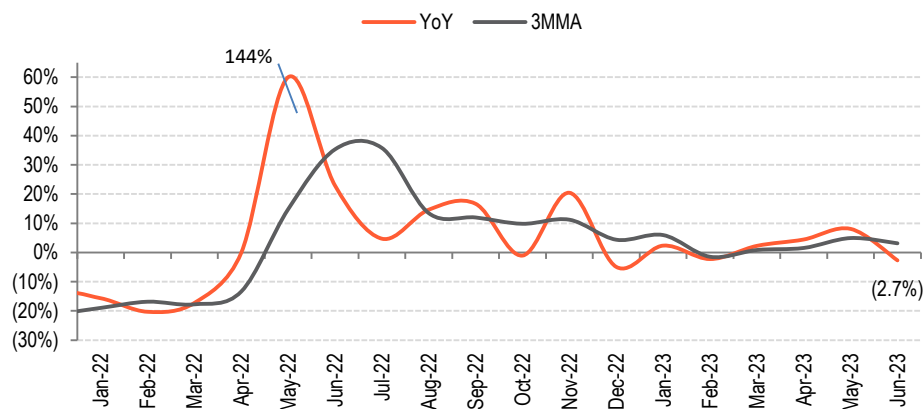


Fig 48 – Business sentiment moderates

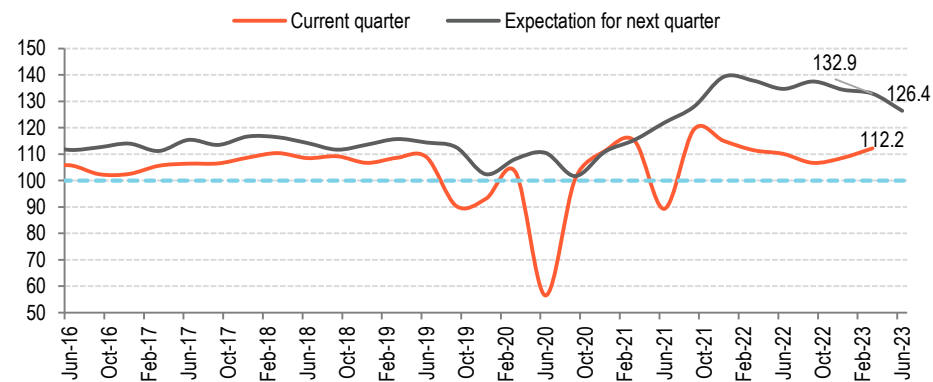
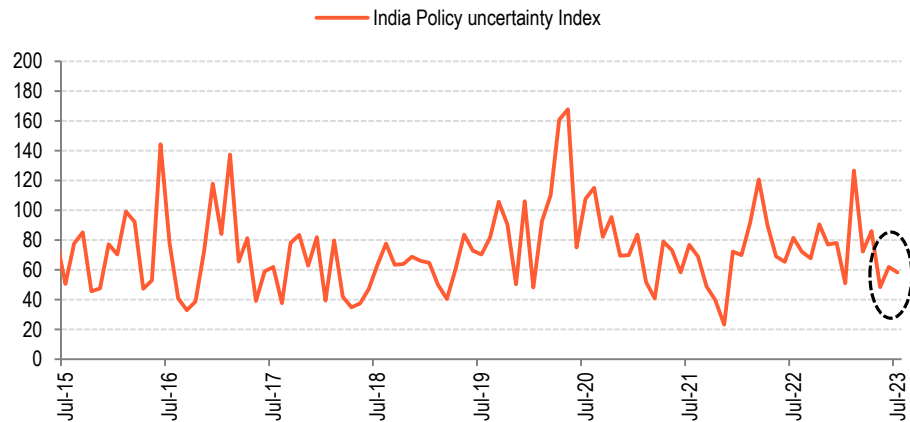


Fig 49 – Improvement in Infrastructure index

(%)	Weight	Jun-23	May-23	Jun-22	Apr-Jun'24	Apr-Jun'23
Infrastructure Index	100	8.2	5.0	13.1	5.8	13.9
Coal	10.3	9.8	7.2	32.1	8.7	31.9
Crude Oil	9.0	(0.6)	(1.9)	(1.7)	(2.0)	0.6
Natural Gas	6.9	3.6	(0.3)	1.2	0.1	4.8
Petroleum Refinery Products	28.0	4.6	2.8	15.1	1.9	13.5
Fertilizers	2.6	3.4	9.7	8.2	11.3	13.3
Steel	17.9	21.9	10.9	3.3	15.9	6.9
Cement	5.4	9.4	15.3	19.7	12.2	17.2
Electricity	19.9	3.3	0.8	16.5	1.0	17.1

Investment

Fig 50 – Policy uncertainty in India edged down in Jul’23



Note: RE*: 2nd Revised Estimate, **1st Revised Estimate, PE: Provisional Estimate

Fig 52 – Capital goods production rose to 8.2% in May’23 from 4.6% in Apr’23

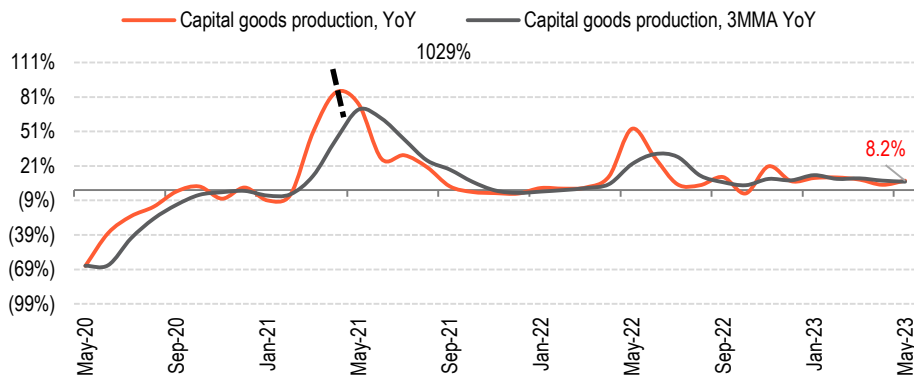
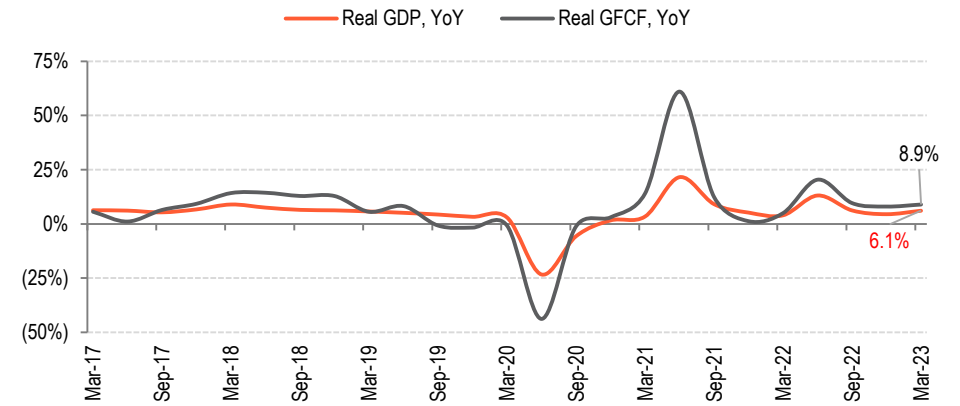


Fig 51 – GFCF growth picked up to 8.9% in Q4FY23 compared to 8% in Q3, GDP growth picked up to 6.1% from 4.5% in Q3



Source: policyuncertainty.com

Fig 53 – Capital goods imports fell by 1.7% in Jun’23 (against an elevated base) from 10.7% increase seen in May’23

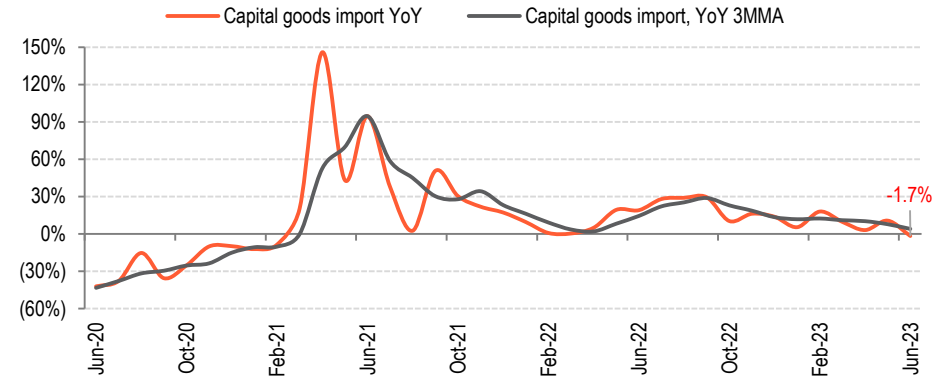


Fig 54 – Centre’s capex spending noted growth of 28.1% in Jun’23 from 25.3% in May’23, capex spending is likely to rise by 37.4% to Rs 10tn in FY24

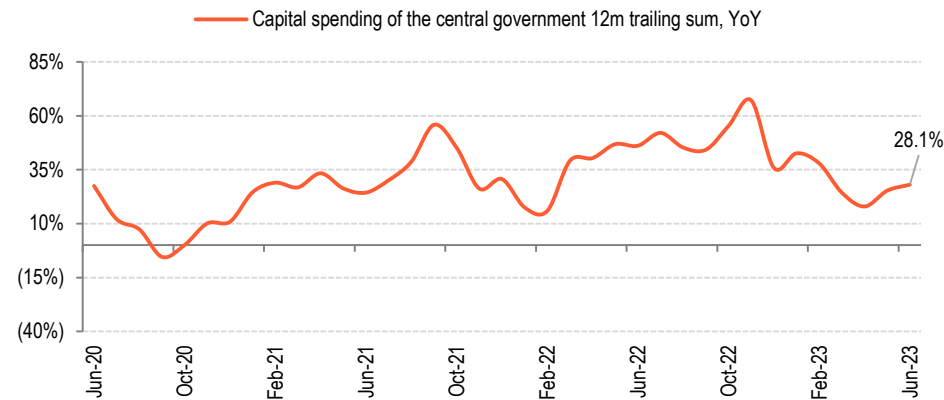


Fig 55 – Credit to micro and small industry picked up by 13% in Jun’23 from 9.5% in May’23, for medium industry it rose by 13.2% from 10.9%

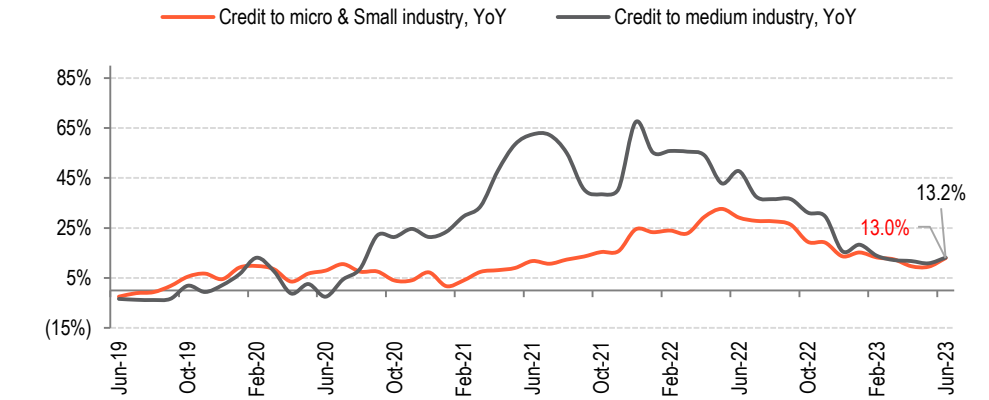


Fig 56 – Credit to housing sector inched up to 15% in Jun’23 from 14.6% in May’23

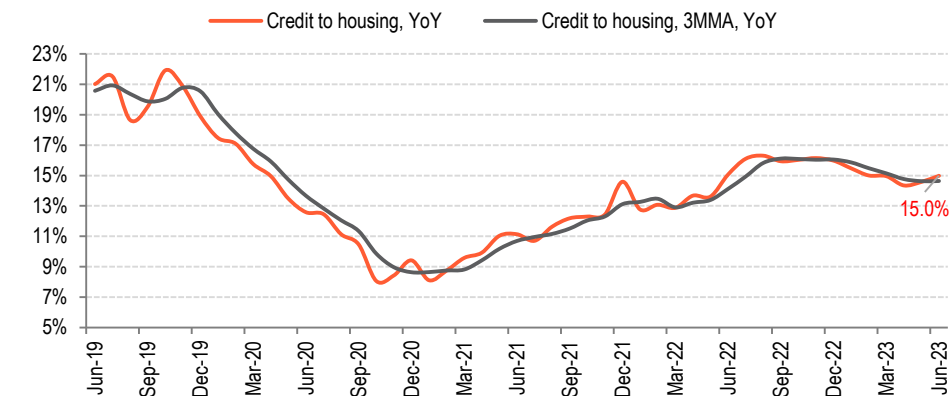
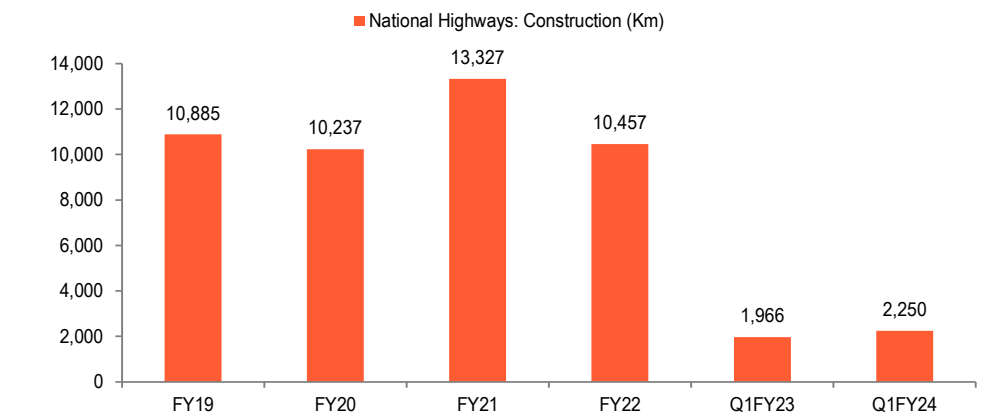


Fig 57 – Highway construction is gaining pace



Services sector

Fig 58 – GVA: Services activity picked up pace in Q4FY23; compared to pre-pandemic (FY20), activity rose by 36% in Q4 versus 34% in Q3

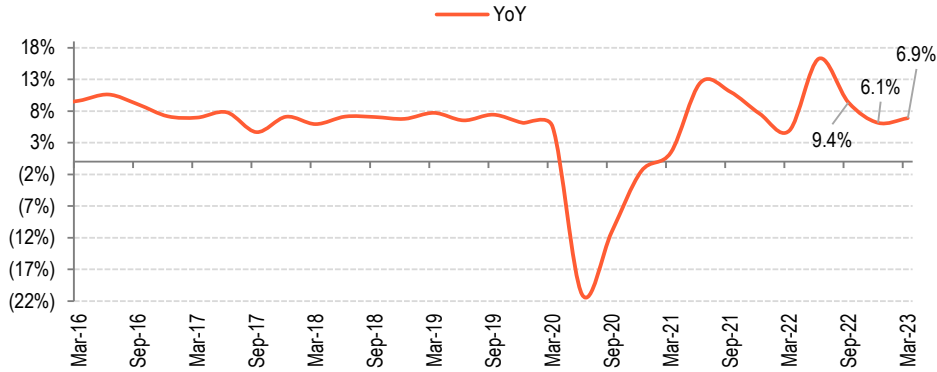
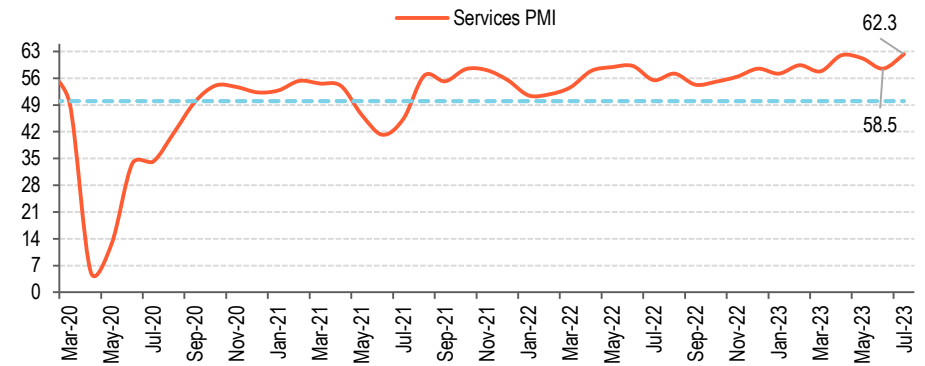


Fig 59 – Services PMI rebounded in Jul'23



Source: Markit

Fig 60 – GVA: Trade & related services activity too moderated in Q4, as also indicated by trend in states' tax revenue growth

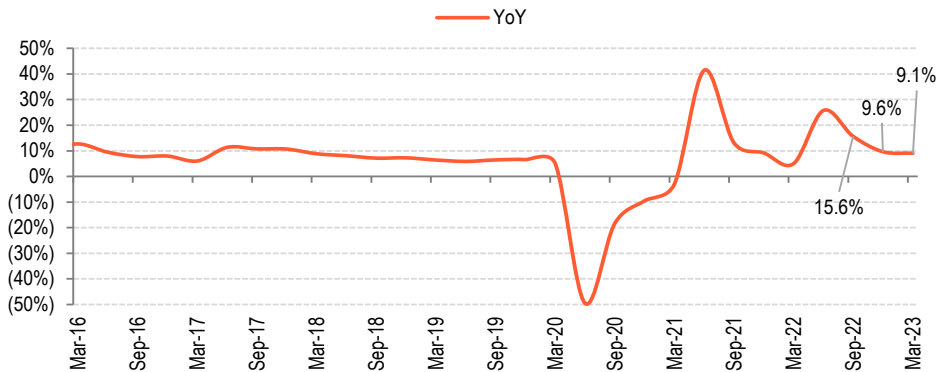
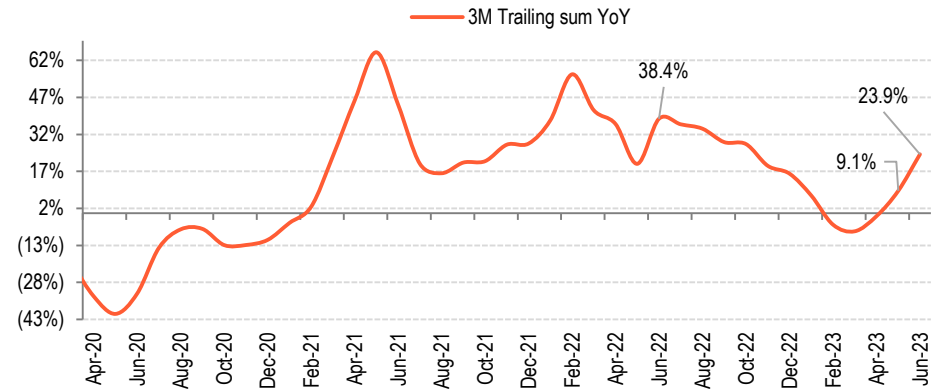


Fig 61 – States' tax revenue growth improved in Q1FY24, but was lower than last year



Note: *All states excluding N.E states, A.P., Goa, J&K and Karnataka

Trade

Fig 62 – Vehicle registration growth rose in Jul’23

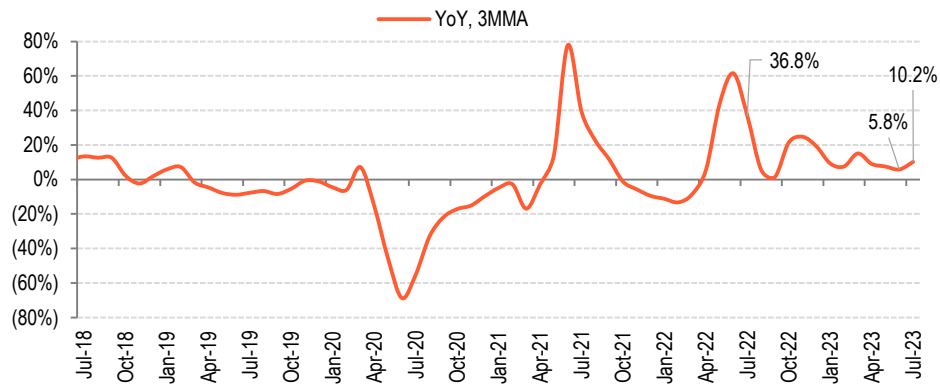


Fig 63 – Diesel consumption softened in Jul’23, as monsoon fury impacted demand

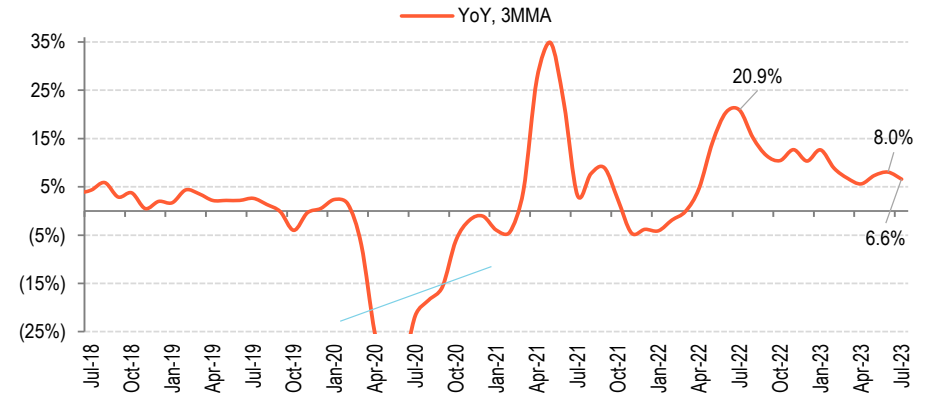


Fig 64 – Railway freight traffic movement improved in Jul’23, as domestic trade resumes

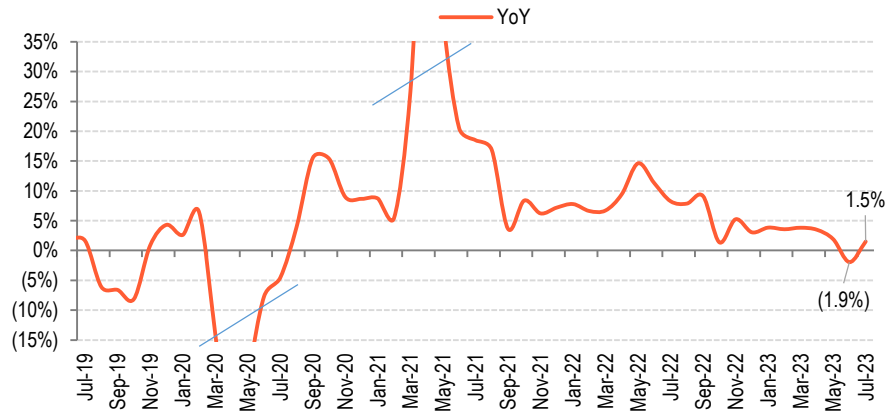


Fig 65 – Port cargo traffic movement also picked up in Jul’23

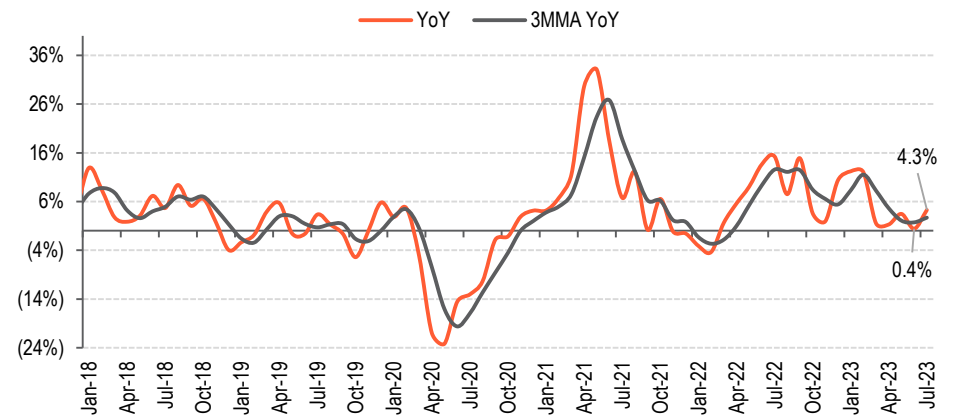


Fig 66 – Toll collections continues to decline in Jul'23 as well

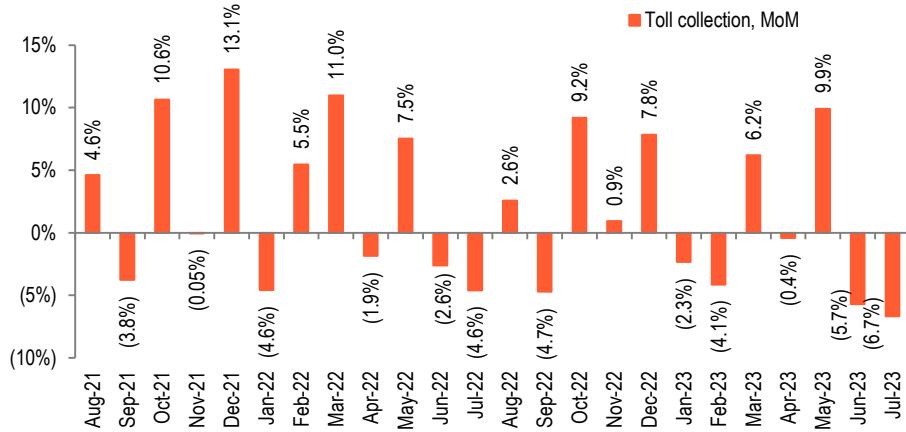
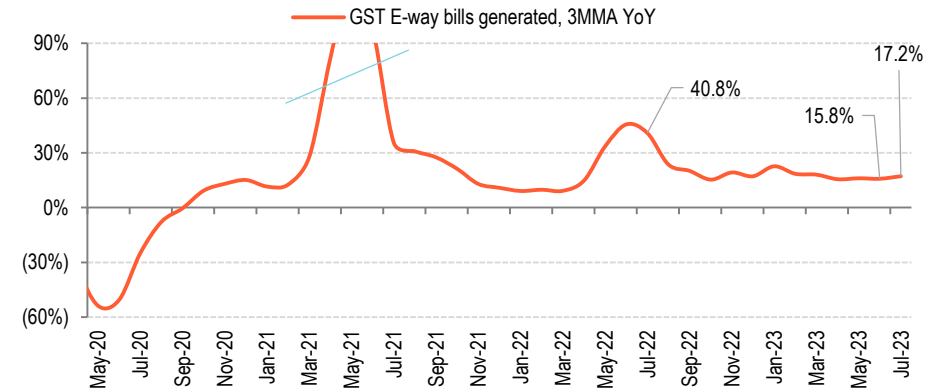


Fig 67 – Growth in E-way bills steadily rising



Hotels and communications

Fig 68 – Airline passenger traffic growth picking up, even as it comes off high base

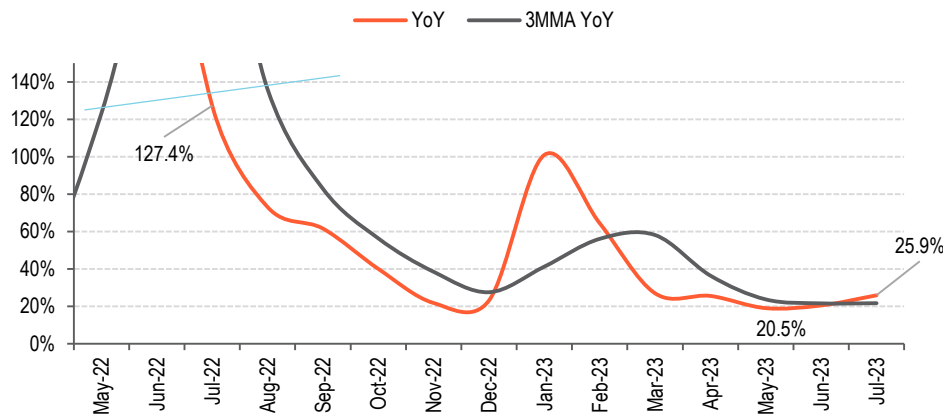


Fig 69 – Domestic passenger growth also improving

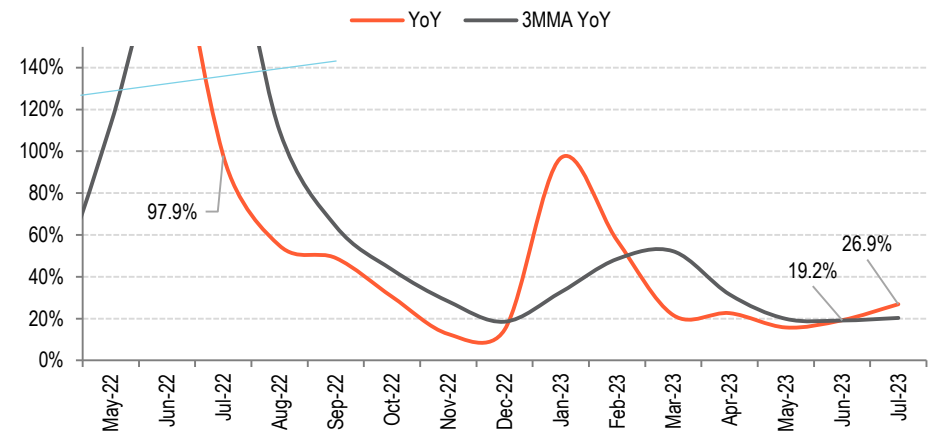


Fig 70 – Railway passenger traffic growth rebounded in Jul’23

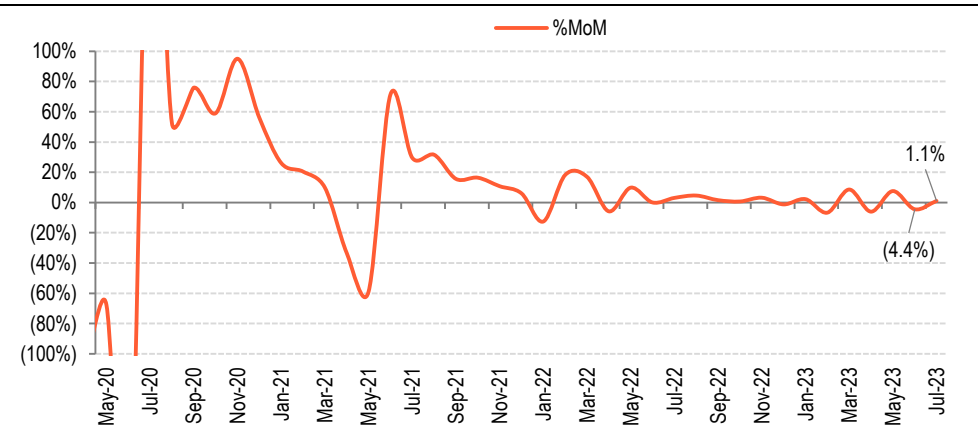
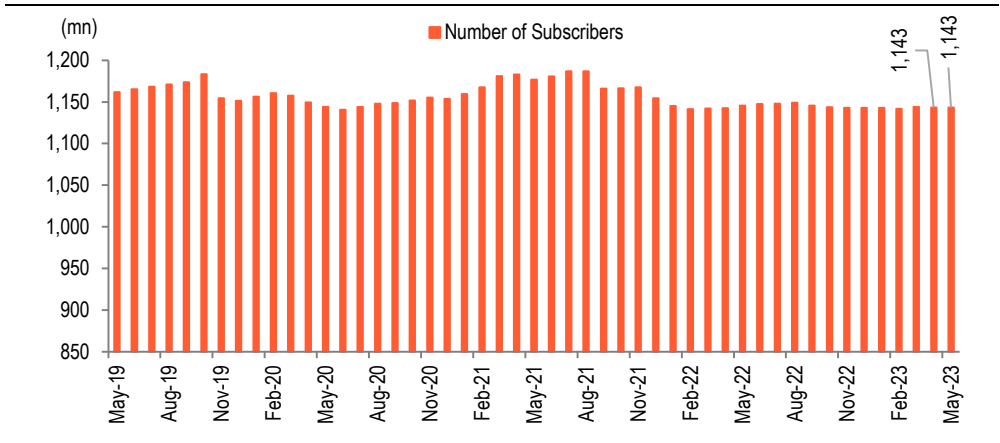


Fig 71 – Number of telecom subscribers rose by 0.1mn in May’23; FYTD24 avg (-0.4mn) still lower than last year (+1.7mn)



Finance and real estate

Fig 72 – Growth in GVA: Finance, real estate & prof. jumped notably in Q4FY23

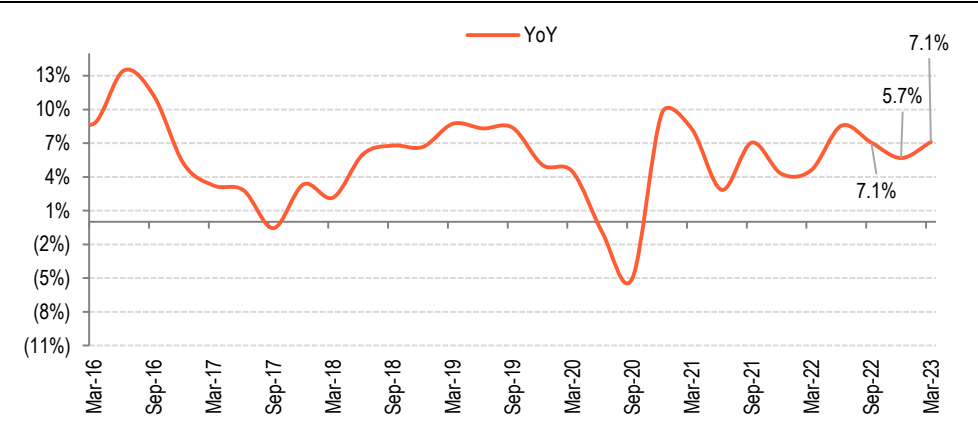
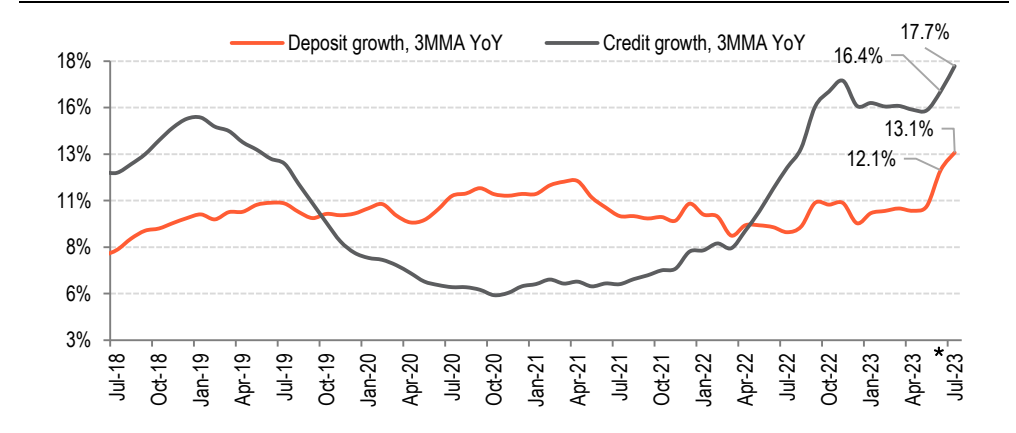


Fig 73 – Both credit and deposit growth gathering momentum



*as of fortnight ending 28 July 2023

Fig 74 – Credit to services sector picks more sharply, compared with credit to industries

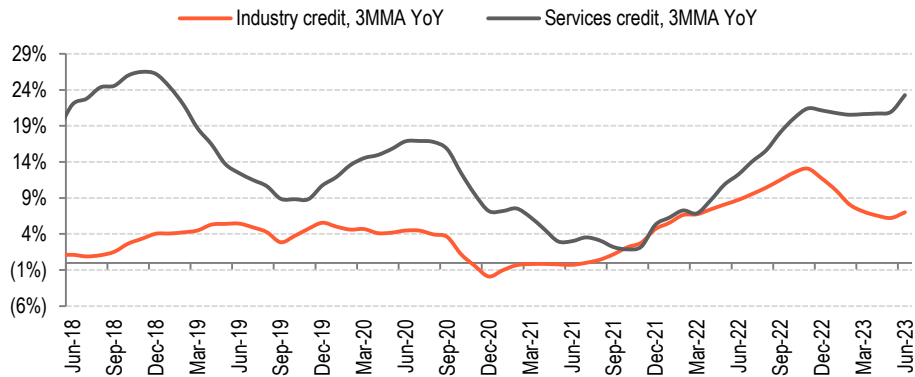


Fig 75 – Within services, credit to NBFCs takes the lead, credit to trade and commercial real estate broadly steady

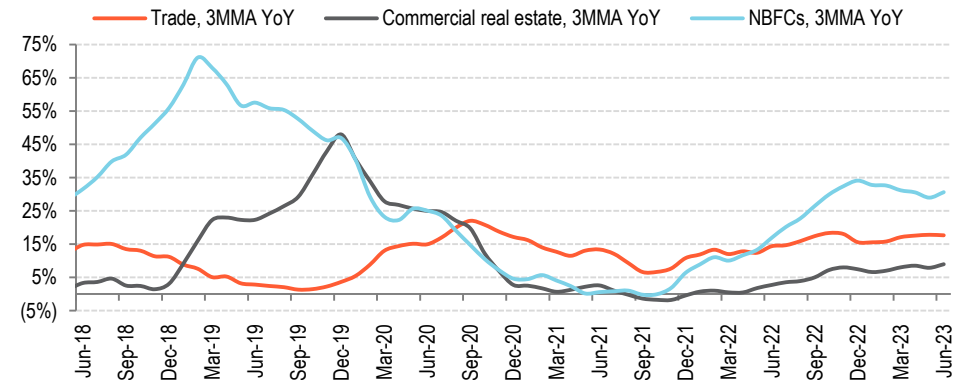
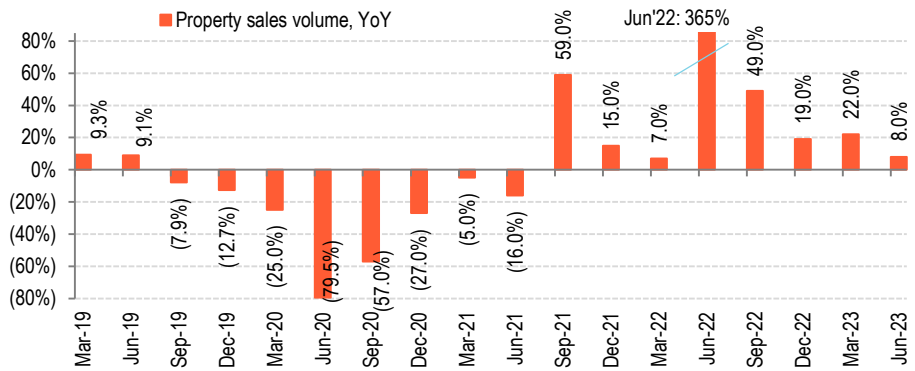
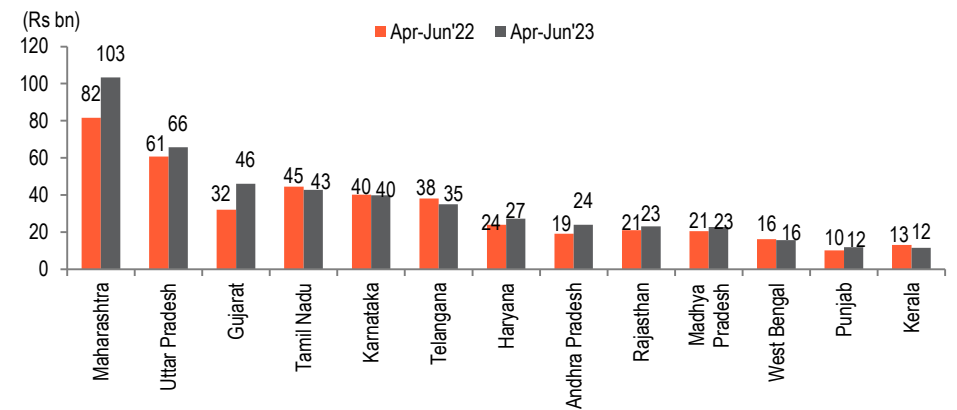


Fig 76 – Property sales volumes in Q1FY24 slowed, on QoQ basis also declined by (-) 7%



Source: Proptiger

Fig 77 – Stamp duty collections of Maharashtra, UP and Gujarat start Q1 with a bang



Labour market

Fig 78 – Naukri job index fell further on sequential basis

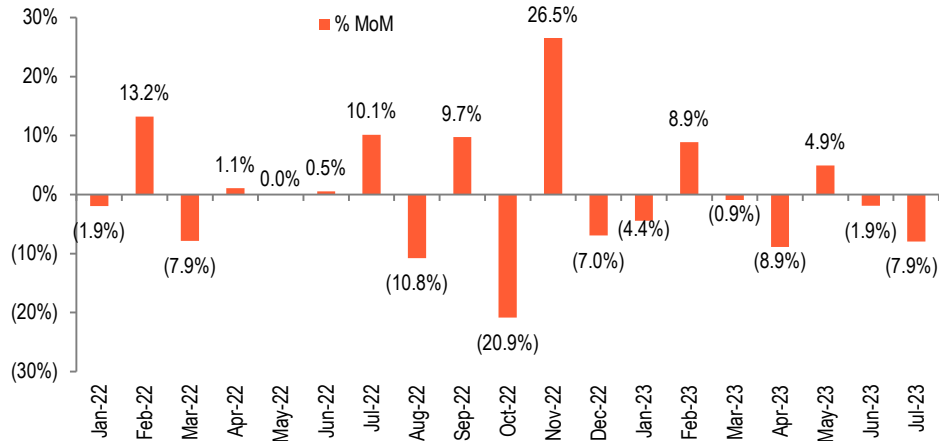
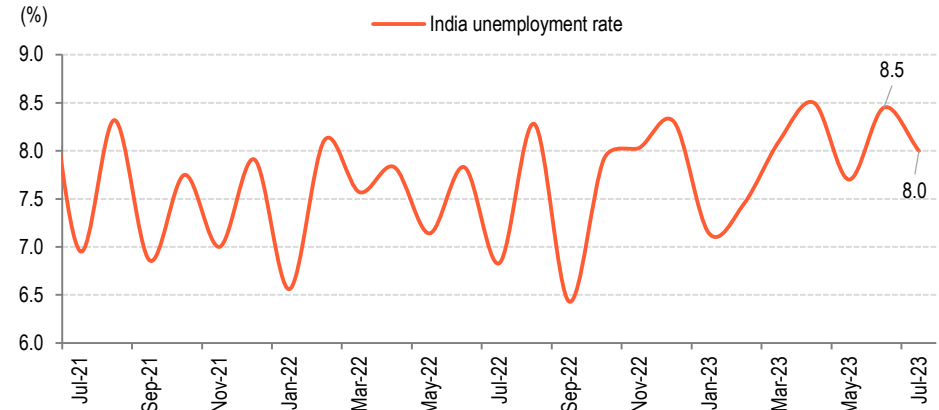


Fig 79 – Overall unemployment rate eased in Jul'23



Public administration

Fig 80 – Public administration & defence services helped boost GDP growth in Q4FY23

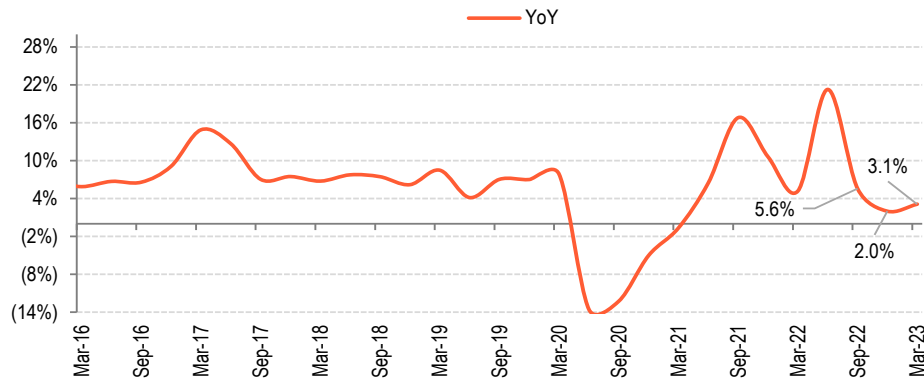


Fig 81 – General govt. spending begins to inch up again

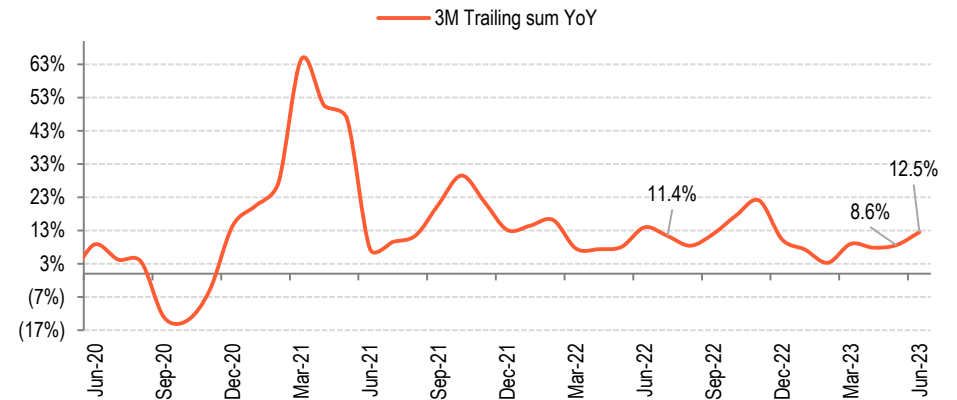


Fig 82 – ...mirroring the trend in Central government spending and...

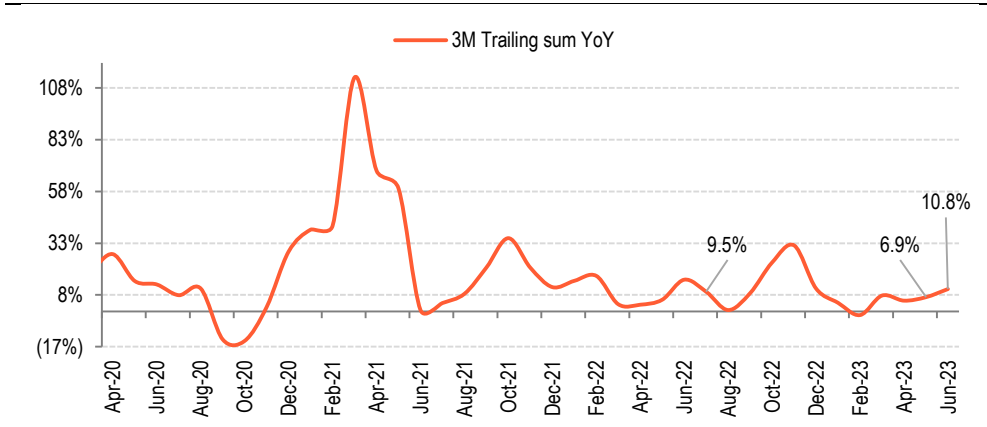
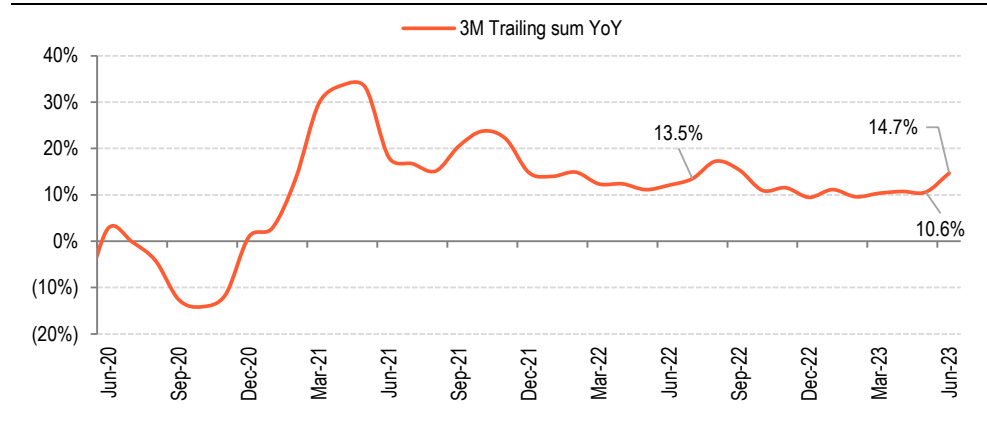


Fig 83 – ...State* Govt. spending

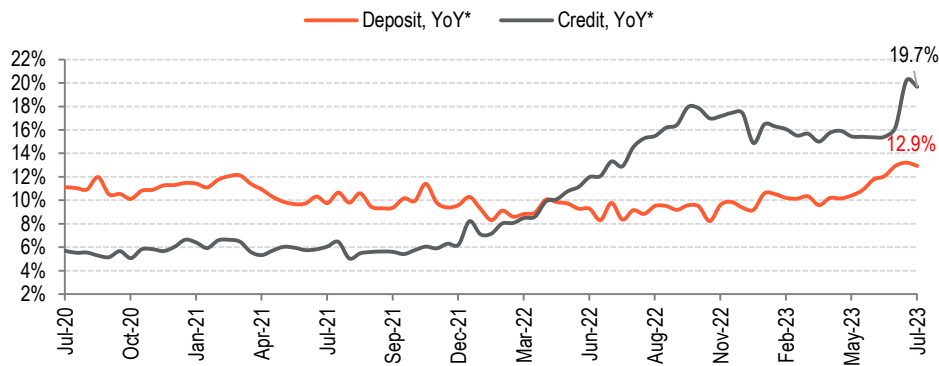


Note: *All states excluding N.E states, Goa, J&K and Karnataka

Financial sector

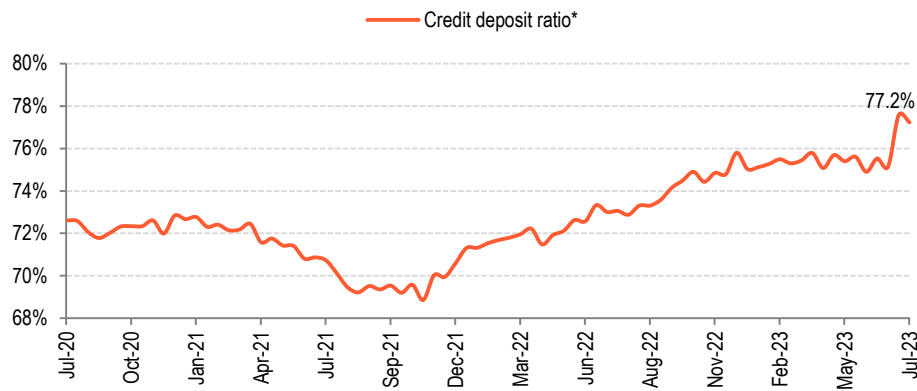
Money and banking

Fig 84 – Credit growth was at 19.7% in Jul'23 from 16.2% in Jun'23 (incl. merger), while deposit growth was stable at 12.9%



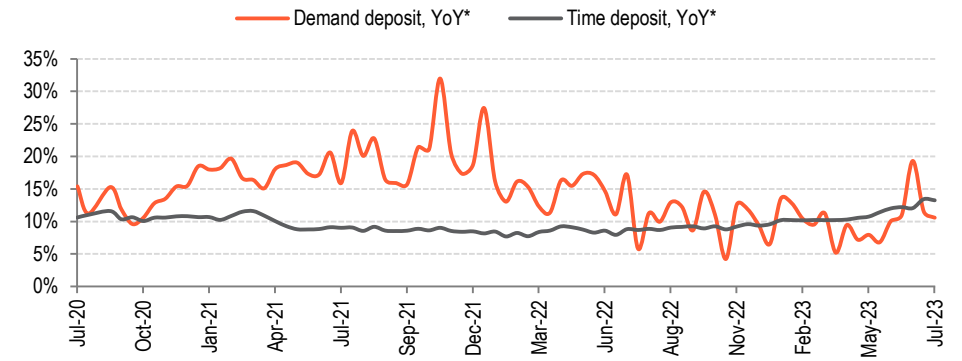
Note: *Jul 23 implies fortnight as of 28 Jul 2023

Fig 86 – CD ratio was at 77.2%



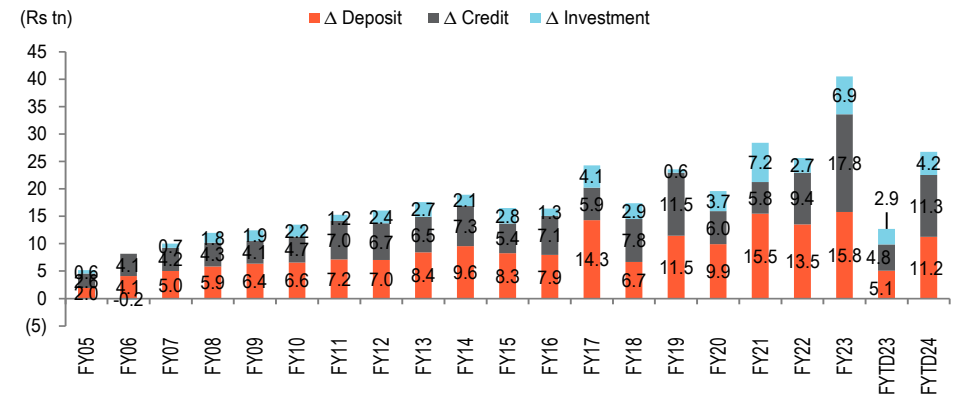
Note: *Jul 23 implies fortnight as of 28 Jul 2023

Fig 85 – ...Time deposits picked pace



Note: *Jul 23 implies fortnight as of 28 Jul 2023

Fig 87 – Deposit accretion picked up considerably



FYTD:Apr-Jul

Fig 88 – Credit to govt rose to 16.4% in May'23 from 14.1% in Apr'23, credit to commercial sector moderated slightly to 15.4% from 15.6%

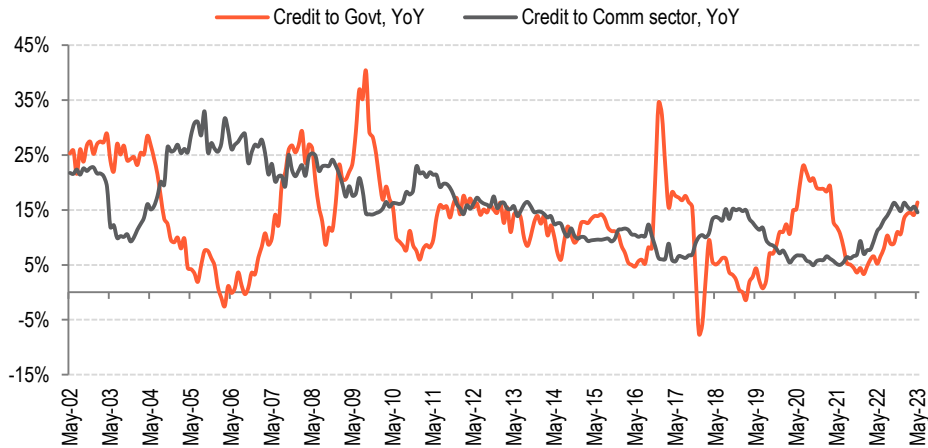


Fig 89 – Gap between WALR and repo

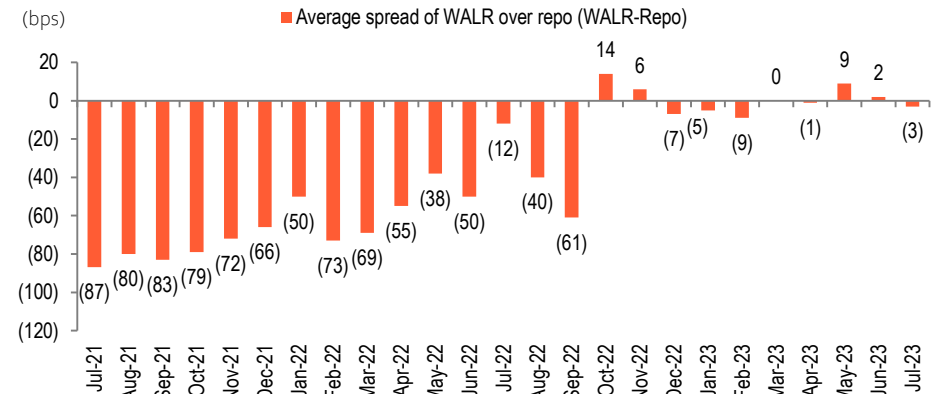


Fig 90 – WALR moderated to 8.50% in Jun'23 from 8.57% in May'23, WADTDR rose to 6.46% from 6.37%

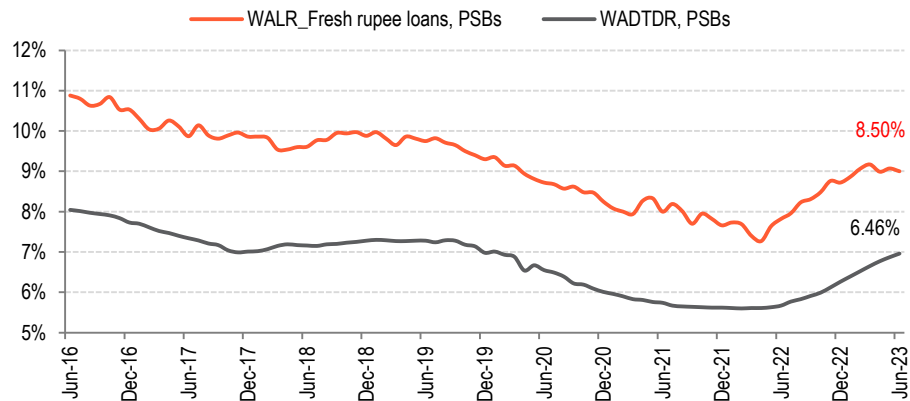
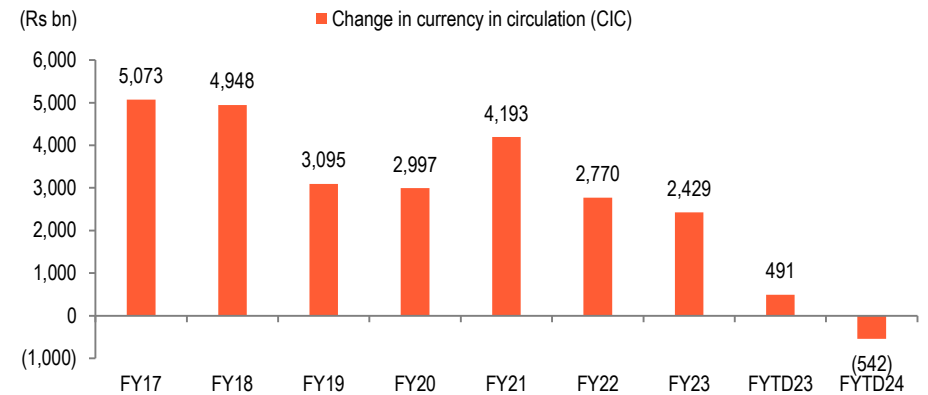
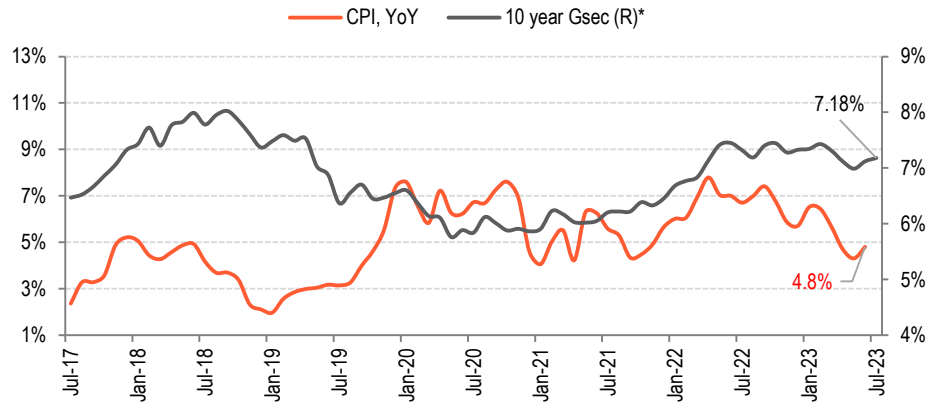


Fig 91 – CIC accretion in FYTD24 has fallen by 542bn on account of withdrawal of 2000 rupee notes



FYTD:Apr-Jul

Fig 92 – 10Y GSec yield rose to 7.18% in Jul'23 from 7.12% in Jun'23, inflation rose to 4.8% in Jun'23 from 4.3% in May'23



Note: *As on last trading day of the month

Fig 94 – Corporate debt issuance rose to Rs 961bn in Jun'23 from Rs 839bn in May'23

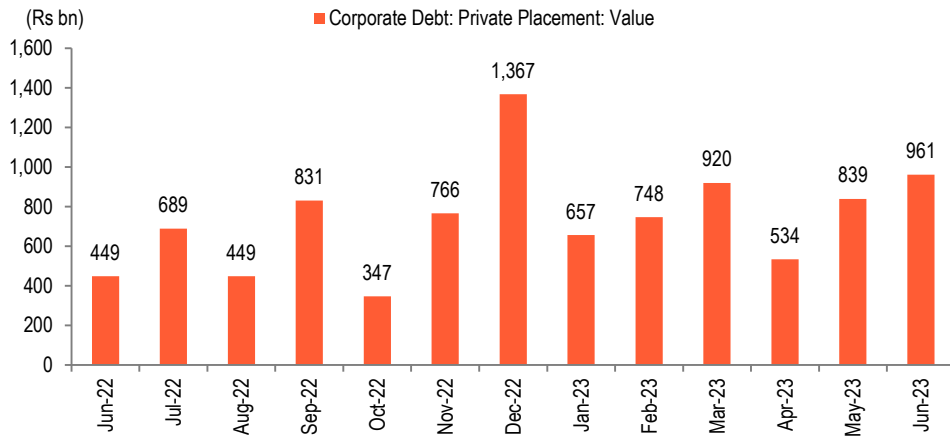
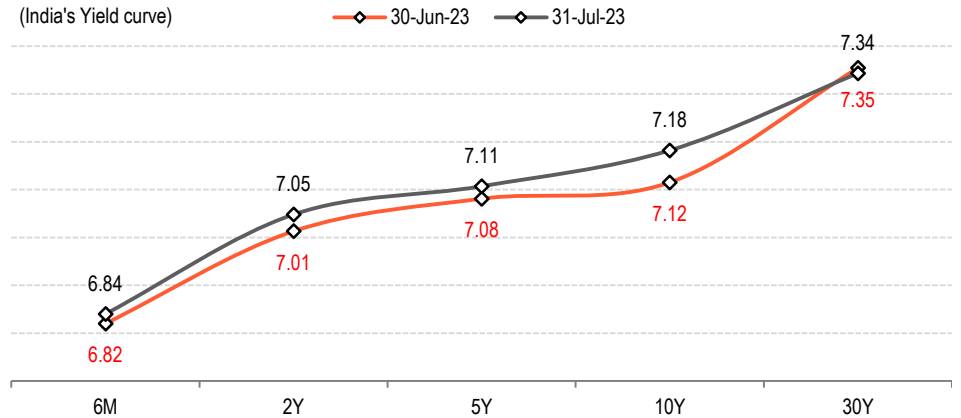
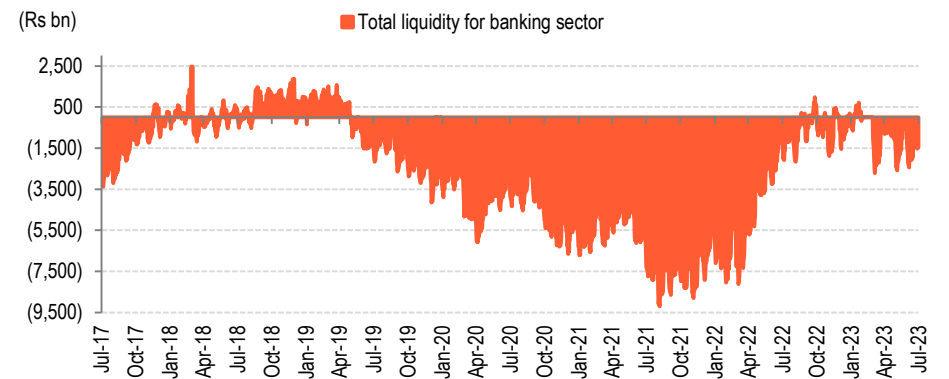


Fig 93 – India's yield curve has shifted upward



Source: Bloomberg

Fig 95 – Average system liquidity went into surplus of Rs 1.6 lakh crore in Jul'23 from Rs 1.3tn in Jun'23 and currently at Rs 2.1 lakh crore surplus



Source: RBI

Fig 96 – 3Y AAA NBFC spread inched down to 63bps as on 31 Jul 2023 from 73bps as on 30 Jun 2023

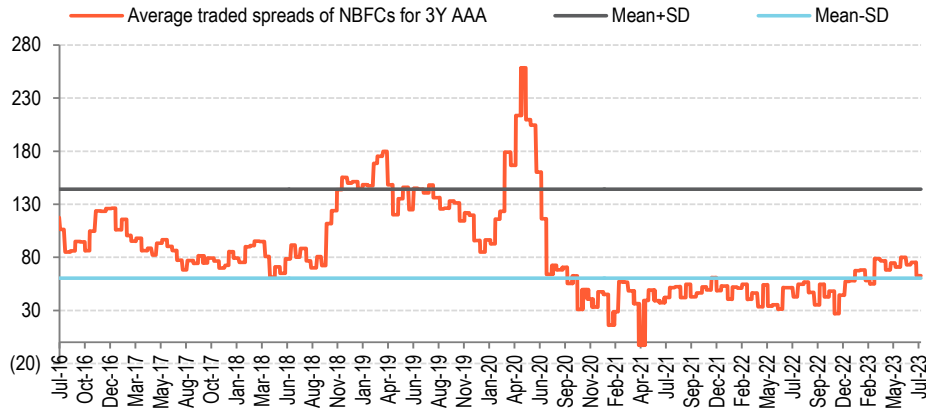


Fig 97 – For 10Y AAA NBFC it fell to 45bps from 60bps

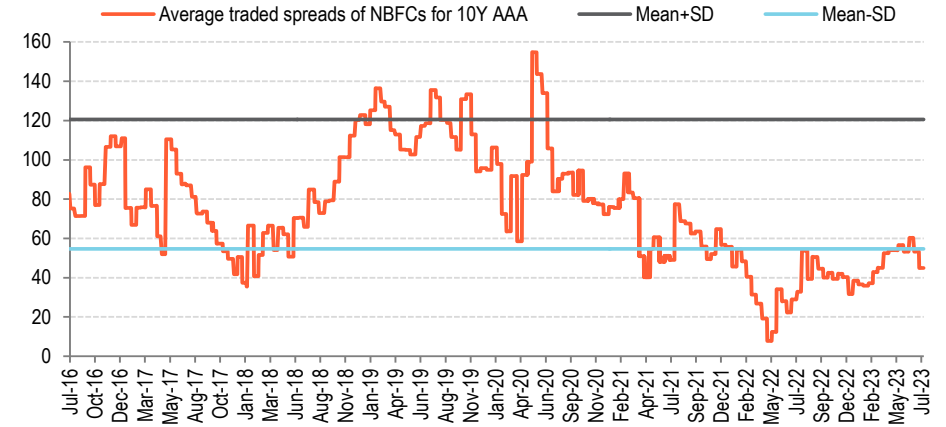


Fig 98 – 3Y AAA corp spread was slightly lower at 41bps as on 31 Jul 2023 compared to 49bps as on 30 Jun 2023

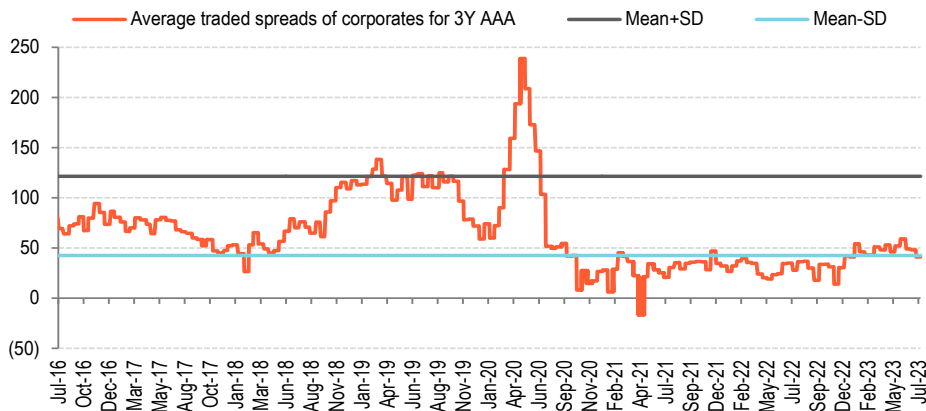


Fig 99 – For 10Y AAA corp spread, it inched down to 37bps from 44bps

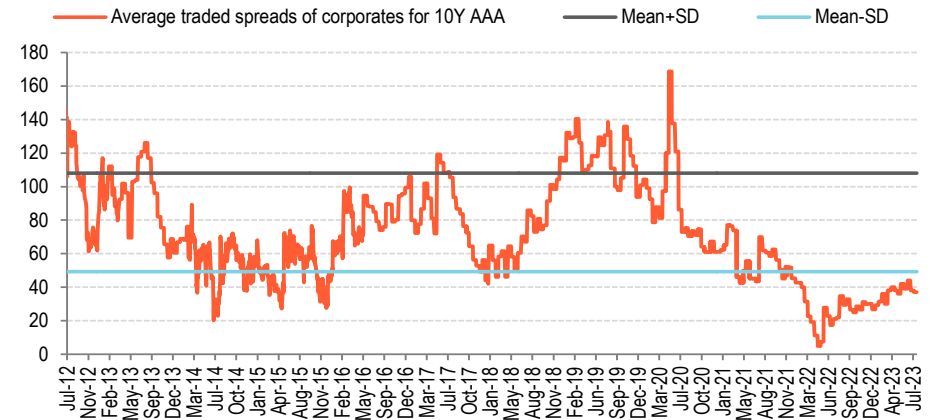


Fig 100 – INR 3Y swap rose to 6.55 as on 31 Jul 2023 from 6.37 as on 30 Jun 2023

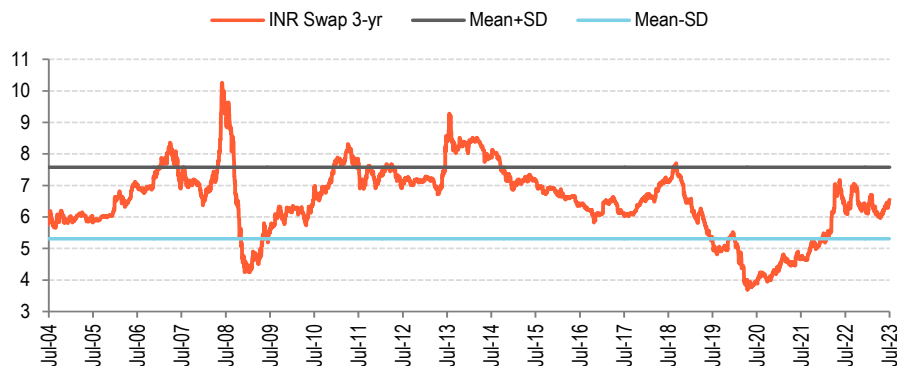
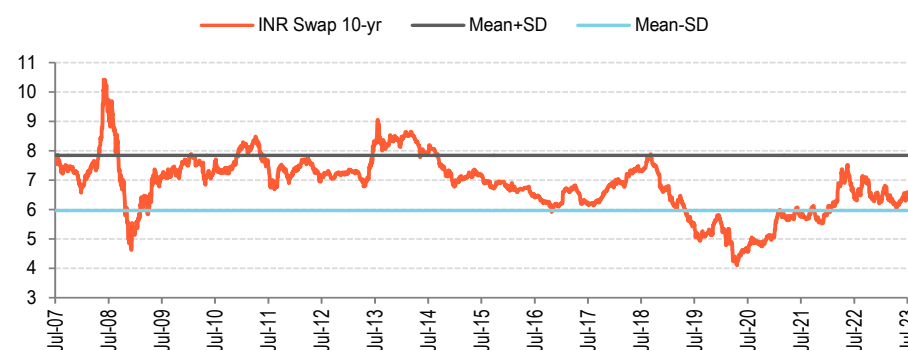


Fig 101 – For 10Y, it rose to 6.60 from 6.43



Interest rates on small savings schemes

Fig 102 – Interest rates on 1,2 year deposits and 5 year recurring deposits have been increased in Q2FY24

Instrument (%)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Savings deposit	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
1 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	6.6	6.8	6.9
2 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.7	6.8	6.9	7.0
3 year time deposit	6.9	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.8	6.9	7.0	7.0
5 year time deposit	7.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	7.0	7.5	7.5
5 year recurring deposit	7.2	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	6.2	6.5
5 year senior citizen savings scheme	8.6	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.4	7.6	8.0	8.2	8.2
5 year monthly income scheme	7.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.6	6.7	7.1	7.4	7.4
5 year national savings certificate	7.9	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	7.0	7.7	7.7
Public provident fund scheme	7.9	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Kisan vikas patra	7.6	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	7.0	7.2	7.5	7.5
Sukanya samridhhi account scheme	8.4	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	8.0	8.0

Source: Department of Economic Affairs, Ministry of Finance, Government of India

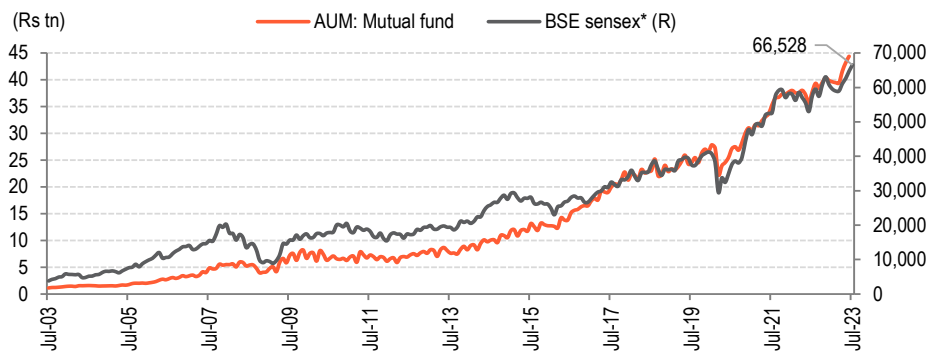
Fig 103 – MCLR rate of banks broadly unchanged except few banks

1Y MCLR (%)	May'22	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	Jul'23
Public Sector Banks															
Bank of Baroda	7.40	7.50	7.65	7.70	7.80	7.95	8.05	8.30	8.50	8.55	8.55	8.60	8.60	8.65	8.65
Bank of India	7.25	7.35	7.50	7.60	7.70	7.80	7.95	8.15	8.30	8.40	8.50	8.60	8.60	8.65	8.65
Canara Bank	7.35	7.40	7.50	7.65	7.75	7.90	8.10	8.15	8.35	8.50	8.60	8.65	8.65	8.65	8.65
Indian Bank	7.30	7.40	7.55	7.65	7.75	7.85	8.10	8.20	8.30	8.45	8.55	8.60	8.60	8.65	8.65
Punjab National Bank	7.25	7.40	7.55	7.65	7.70	7.75	8.05	8.10	8.30	8.40	8.50	8.50	8.50	8.60	8.60
State Bank of India	7.20	7.40	7.50	7.70	7.70	7.95	8.05	8.30	8.40	8.50	8.50	8.50	8.50	8.50	8.55
Union Bank of India	7.35	7.45	7.55	7.70	7.75	7.90	8.20	8.25	8.40	8.65	8.65	8.65	8.65	8.65	8.65
Private Sector Banks															
Axis Bank Ltd.	7.75	7.95	8.00	8.05	8.10	8.35	8.45	8.75	8.80	8.90	8.95	8.95	9.10	9.10	9.10
HDFC Bank Ltd.	7.50	7.85	8.05	8.10	8.20	8.20	8.55	8.60	8.85	8.90	8.95	8.95	9.05	9.05	9.05
ICICI Bank Ltd.	7.25	7.55	7.75	7.90	8.00	8.10	8.30	8.40	8.65	8.65	8.75	8.75	8.75	8.85	8.85
Indusind Bank	8.75	9.00	9.10	9.30	9.40	9.55	9.80	9.95	9.95	10.05	10.15	10.20	10.20	10.20	10.25
Kotak Mahindra Bank	7.65	7.85	8.05	8.10	8.20	8.45	8.55	8.65	8.95	9.00	9.05	9.10	9.20	9.20	9.25

Source: RBI, Note: Banks whose MCLR went up in Jul'23 have been marked red

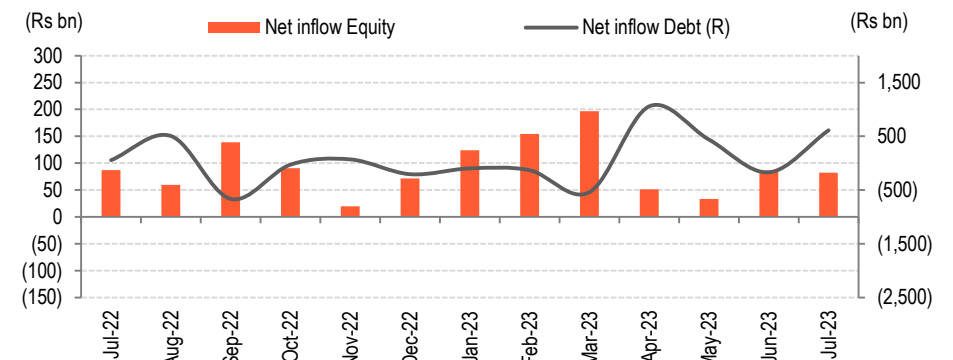
Mutual fund (MF) indicators

Fig 104 – Sensex rose by 2.8% to 66,528 in Jul'23, AUM of MFs rose to Rs 46tn in Jul'23 from Rs 44.4tn in Jun'23



Source: *Sensex as on last trading day of the month.

Fig 105 – MF equity inflows was stable at Rs 82bn in Jul'23 from Rs 87bn in Jun'23; debt inflow rose sharply to Rs 611bn from Rs 171bn outflow



Insurance sector indicators

Fig 106 – Sale of life insurance policies inched up slightly by 1.6% in Jul’23 from 8.9% decline in Jun’23, driven by favourable base

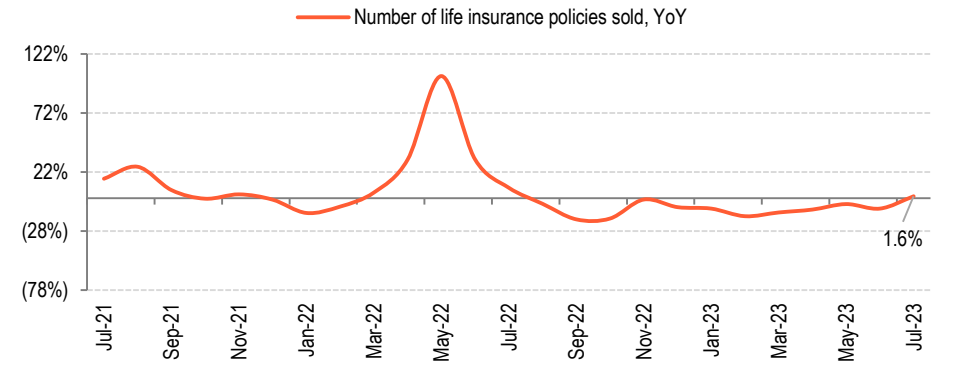
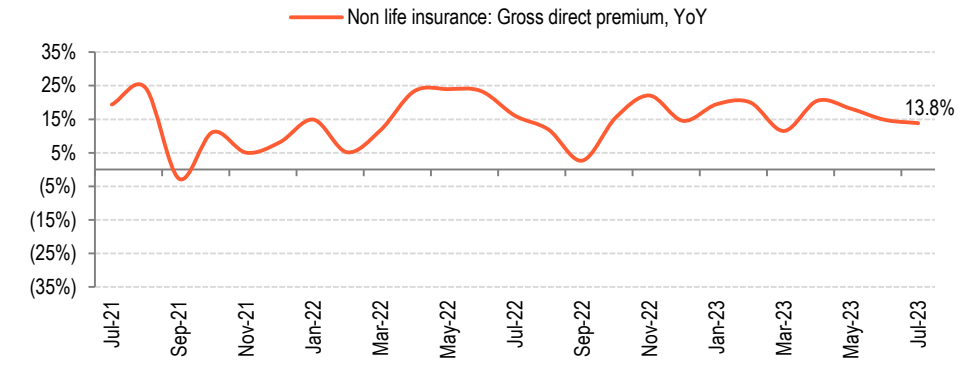


Fig 107 – Gross direct premium for non-life insurance maintained its double digit, increasing by 13.8% in Jul’23 from 14.8% in Jun’23



Public finance

Central government finances

Fig 108 – Fiscal deficit begins to inch up in Jun'23; although still lower than last year

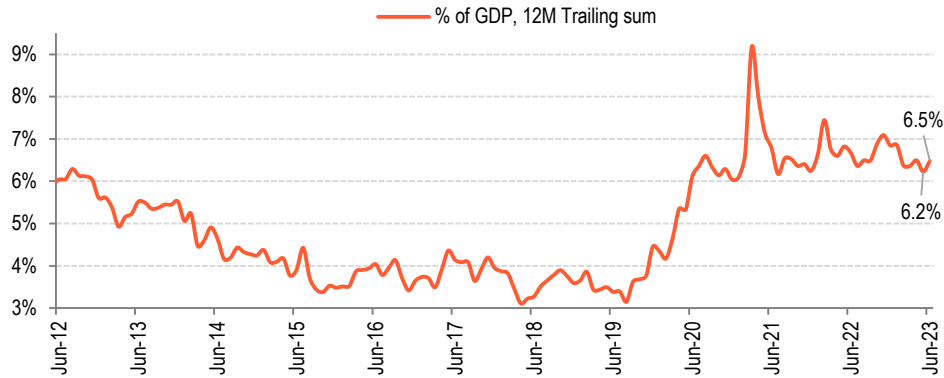


Fig 109 – Revenue deficit in Jun'23 also seen rising

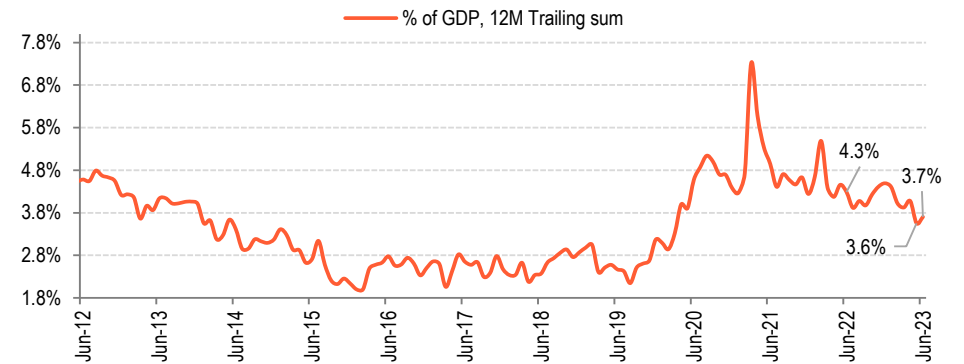


Fig 110 – Primary deficit at 3.1% as of Jun'23

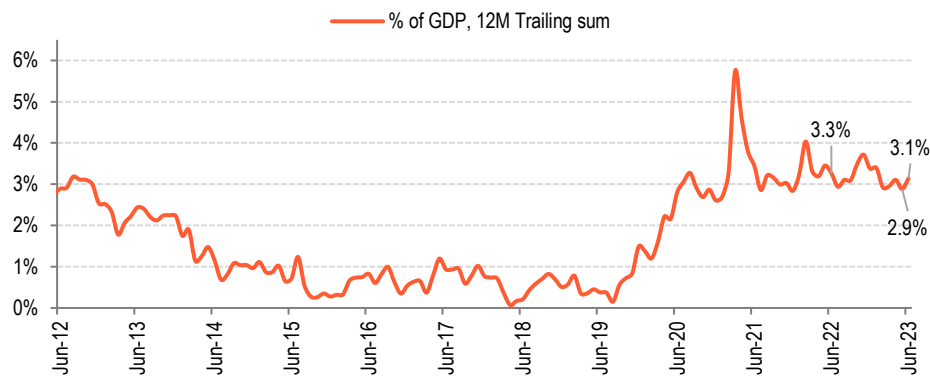


Fig 111 – Government spending picks up pace in Jun'23, though it is still lower than last year...

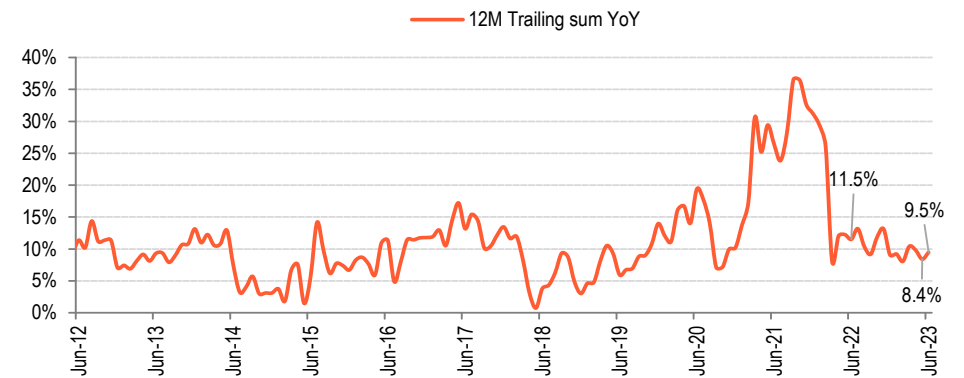


Fig 112 – ...supported by both, revenue expenditure

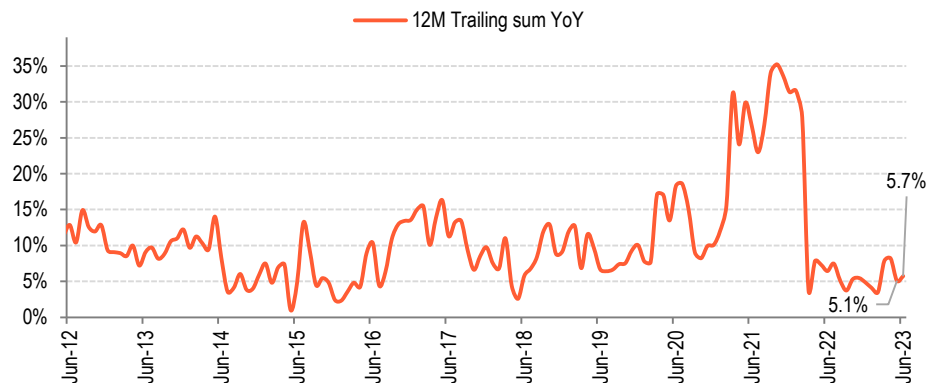


Fig 113 – ...and capital spending

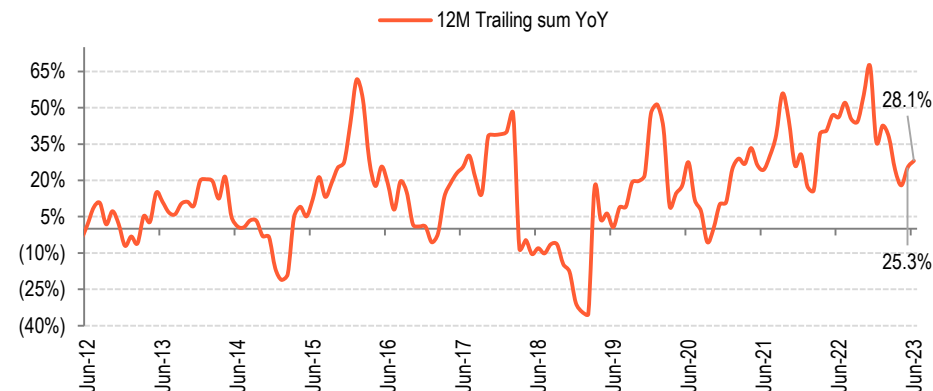


Fig 114 – Higher spending by ministries of defence, road & transport giving capex a push

Ministry	Apr-Jun'21	Apr-Jun'22	% change	Apr-Jun'23	% change
Ministry of Finance	2,926	3,798	29.8	3,476	(8.5)
Ministry of Defence	1,085	1,301	19.9	1,499	15.2
Ministry of Consumer Affairs, Food and Public Distribution	878	527	(39.9)	522	(0.9)
Ministry of Rural Development	432	343	(20.7)	391	14.0
Ministry of Home Affairs	428	502	17.3	524	4.5
Ministry of Human Resource Development	209	120	(42.5)	144	20.1
Ministry of Road Transport and Highways	499	864	73.0	1,055	22.2
Ministry of Chemicals and Fertilisers	169	254	50.6	452	77.7
Ministry of Petroleum and Natural Gas	24	0	(99.7)	6	-
Ministry of Agriculture	315	273	(13.2)	117	(57.1)
Ministry of Health and Family Welfare	187	148	(20.7)	167	12.6

Fig 115 – Receipt growth eased further in Jun'23

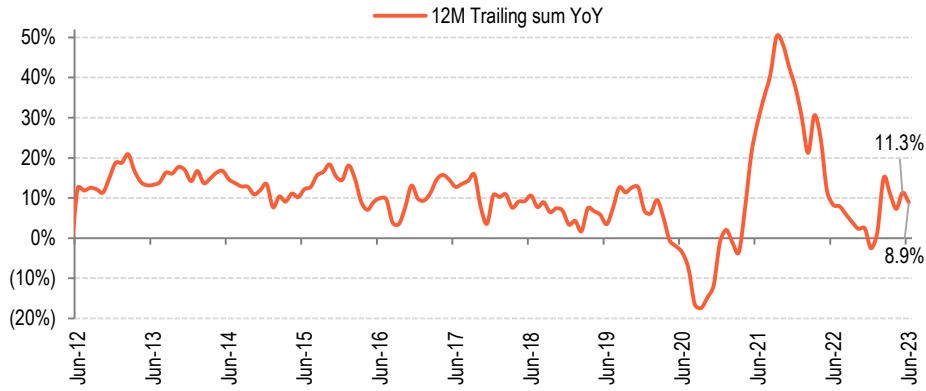


Fig 116 – Revenue receipts lead the trend...

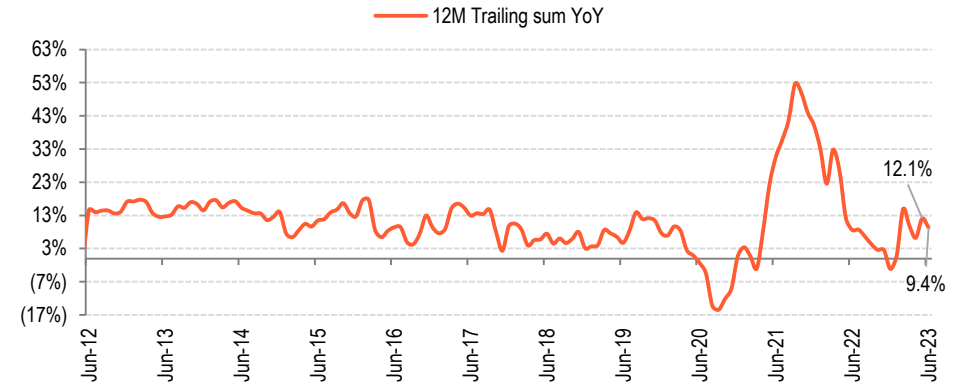


Fig 117 – ...As net tax receipts moderate

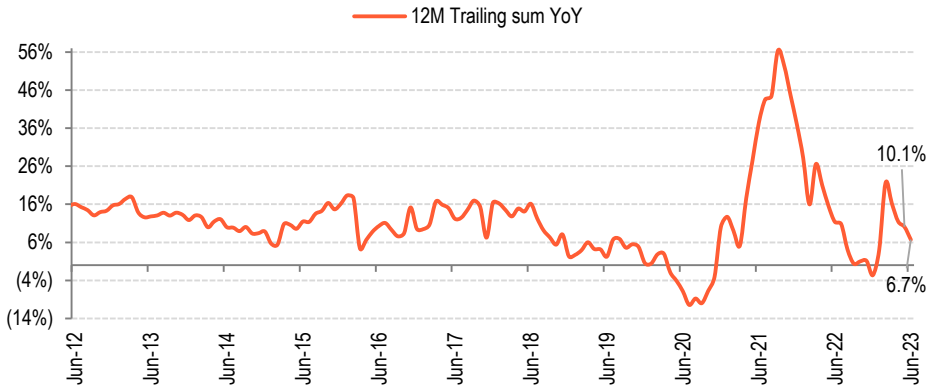


Fig 118 – However, non-tax collections continued to inch up

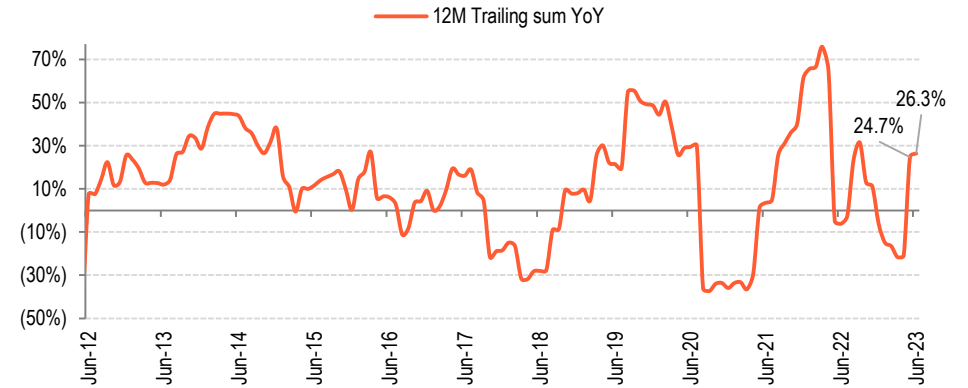


Fig 119 – Centre’s net revenue growth moderates, dragged by direct tax collections; capex improves, revenue spending remains weak

	Apr-Jun'21	Apr-Jun'22	% change	Apr-Jun'23	% change
Gross Tax revenue	5,316	6,505	22.4	6,719	3.3
Direct taxes	2,464	3,335	35.4	3,302	(1.0)
Corp Tax	1,237	1,608	30.0	1,385	(13.9)
Income Tax	1,227	1,727	40.7	1,917	11.0
Indirect taxes	2,852	3,170	11.1	3,416	7.8
Non-tax revenue	1,273	622	(51.2)	1,550	149.3
Centre's revenue (net)	5,400	5,681	5.2	5,886	3.6
Total expenditure	8,216	9,479	15.4	10,507	10.8
Capital exp	1,115	1,751	57.0	2,785	59.1
Revenue exp	7,101	7,728	8.8	7,722	(0.1)
Fiscal deficit	2,742	3,519	28.3	4,514	28.3

Fig 120 – Softening in gross direct tax growth dragging revenue receipts down

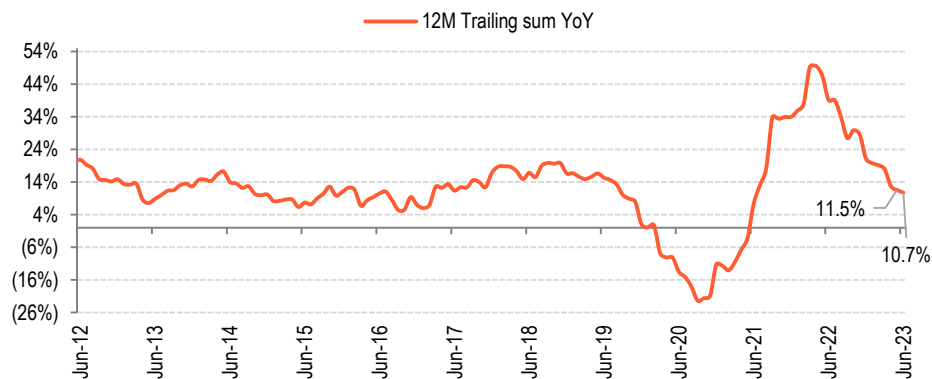


Fig 121 – Gross indirect tax collections on the other hand register improvement

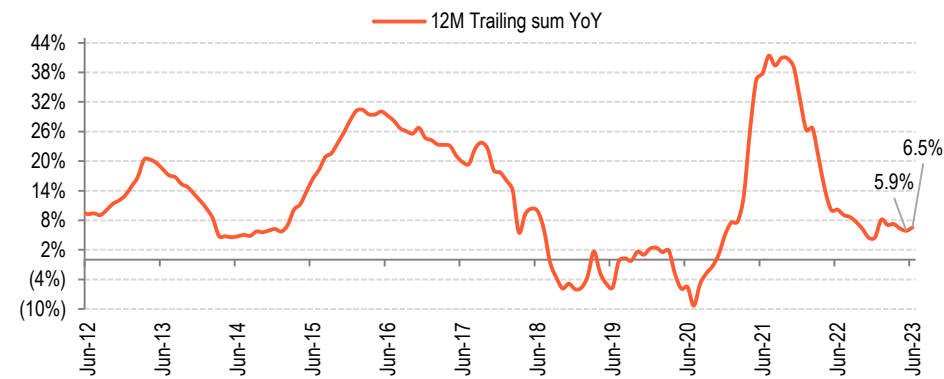


Fig 122 – Both corporate tax collections and...

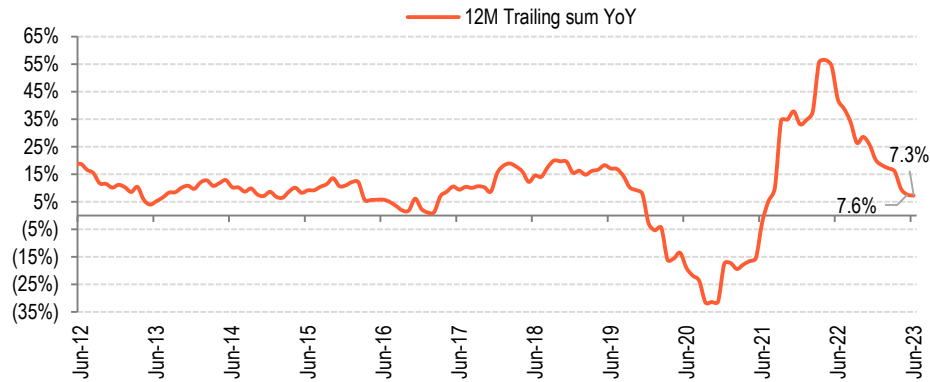


Fig 123 – ...income tax collection growth slipped in Jun'23

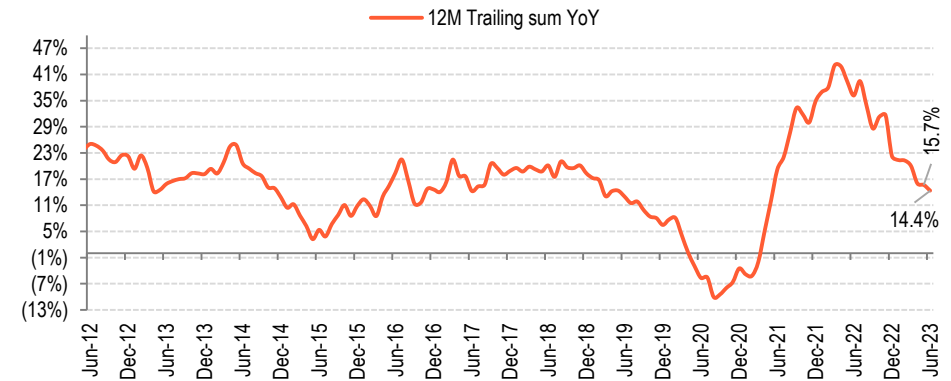


Fig 124 – GST collections for Jun'23 shows momentum picking up

(Rs bn)	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	Monthly run rate (FYTD24)	FYTD24	FY24 (BE)
CGST	654	554	519	547	722	578	608	652	601	611	809	607	648	688	2,064	8,116
UT GST	2.6	1.6	1.5	4.1	6.0	5.2	2.3	2.4	3.9	9.2	3.1	2.6	3.4	3	9	-
IGST	(164)	69	89	100	(194)	(26)	(34)	(17)	(23)	86	(93)	10	16	(22)	(67)	-
SGST*	890	705	768	767	821	834	874	754	901	1,062	733	884	865	827	2,482	-
Cess	107	107	99	100	103	103	109	104	118	102	119	112	118	116	349	1,450
Total GST	1,490	1,436	1,477	1,517	1,459	1,495	1,559	1,496	1,601	1,870	1,571	1,615	1,651	1,612	4,837	-

Source: PIB | *Computed from PIB and CGA data

Fig 125 – Rising central government debt a key concern

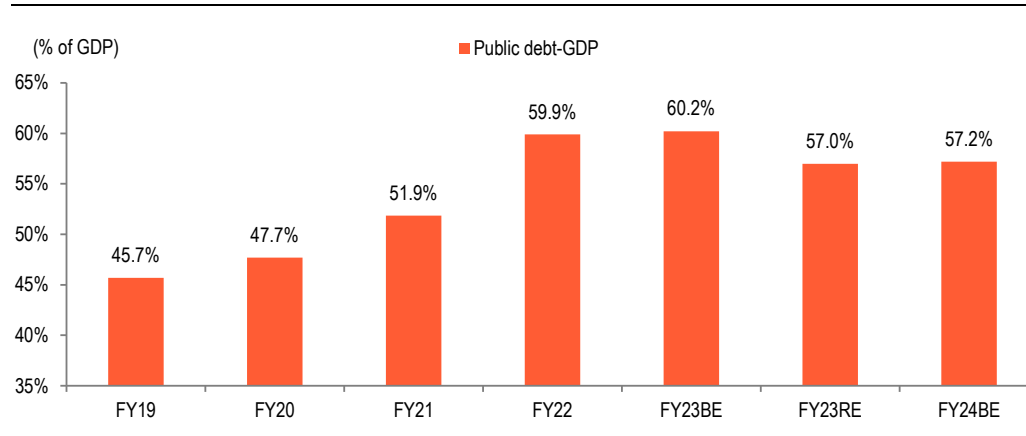
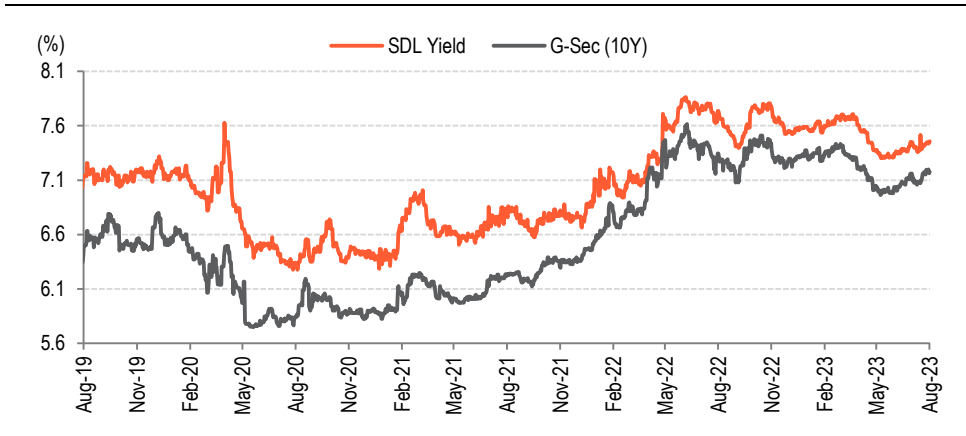
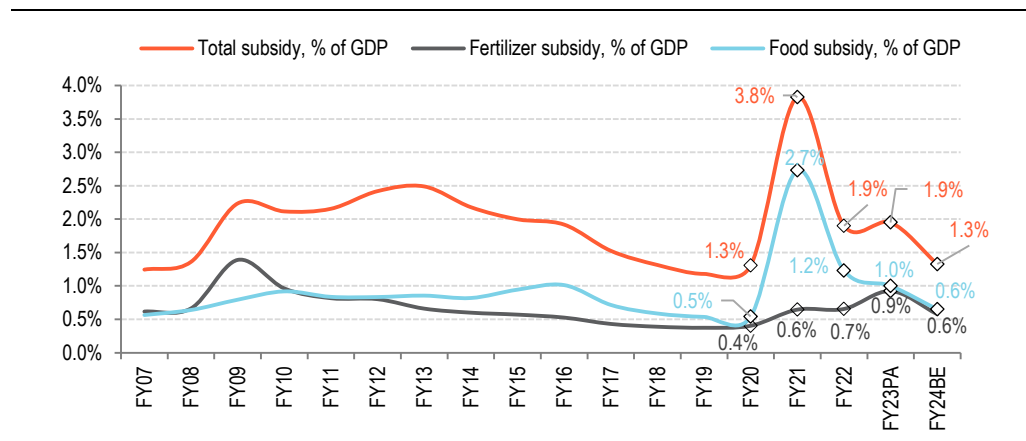


Fig 126 – Spread between 10Y G-sec and SDL yield narrowed in Jul'23, and is further down in Aug'23 so far



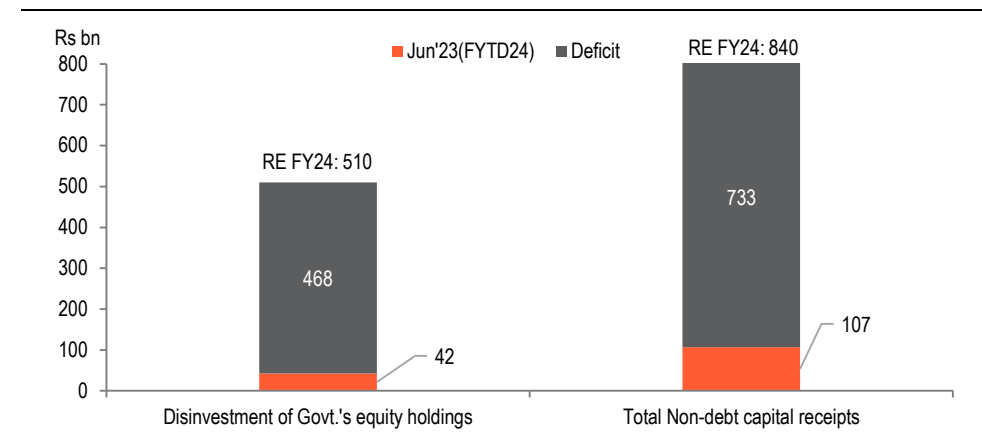
Source: CCIL

Fig 127 – Subsidy bill in FY23 was higher than revised estimates; FY24 to be lower



RE-Revised Estimates; PA-Provisional Actuals; BE-Budget Estimates

Fig 128 – Central govt. disinvestment status (FY24)



Central government borrowing

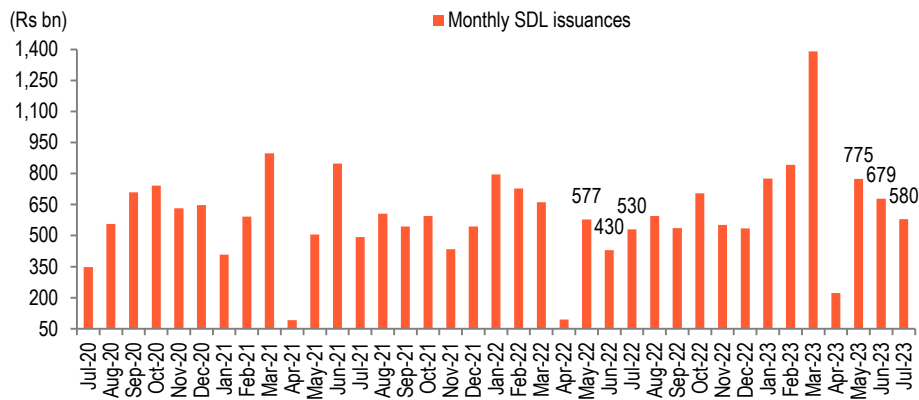
Fig 129 – Centre’s borrowing through T-bill in Q2FY24* has been at Rs 1.8tn

Total accepted amount (T-bills), (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY24 (planned)
Q1	2,797	2,888	3,089	3,364	5,328	5,375	5,247	4,963	4,160
Q2	2,584	3,186	3,299	3,024	5,417	3,215	3,704	1,772*	3,120
Q3	2,747	2,632	3,070	2,889	3,745	3,630	3,589	-	-
Q4	1,684	2,486	1,812	2,511	2,714	4,766	4,566	-	-
Total	9,811	11,192	11,271	11,788	17,204	16,986	17,105	-	-

Source: RBI, * Data till 9 Jul 2023

State government borrowing

Fig 131 – State government borrowings eased further in Jul’23



Source: RBI

Fig 130 – Centre’s gross borrowing in Q2FY24 till date is at Rs 1.8tn

Total accepted amount (G-Sec), (Rs bn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY24 (planned)
Q1	1,500	1,680	1,320	2,040	3,140	3,064	3,570	4,080	4,410
Q2	1,910	1,890	1,440	2,210	4,220	3,649	4,390	1,750**	4,470
Q3	1,610	1,640	1,270	1,930	2,910	3,190	3,510	-	-
Q4	800	670	1,680	920	3,191	1,370	2,740	-	-
Total	5,820	5,880	5,710	7,100	13,461*	11,273	14,210	-	-

Source: RBI* Against budgeted Rs 12.8tn,**Till 4th Aug 2023

Fig 132 – State borrowings are off to a slow start in Q2FY24; have met only 35% of the planned borrowing so far

Quarterly SDL issuances, (Rs bn)	FY18	FY19	FY20	FY21	FY22	FY23	FYTD24 (actual)	FY24 (planned)
Q1	650	766	815	1,673	1,446	1,102	1,677	2,000
Q2	1,130	809	1,439	1,614	1,644	1,661	828*	2,374
Q3	1,054	1,277	1,470	2,023	1,653	1,879	-	-
Q4	1,348	1,809	2,006	1,898	2,184	3,009	-	-
Total	4,182	4,661	5,731	7,206	6,927	7,652	2,505*	-

Source: RBI; *as of 8 Aug 2023

External sector

Exports

Fig 133 – Global exports moderating

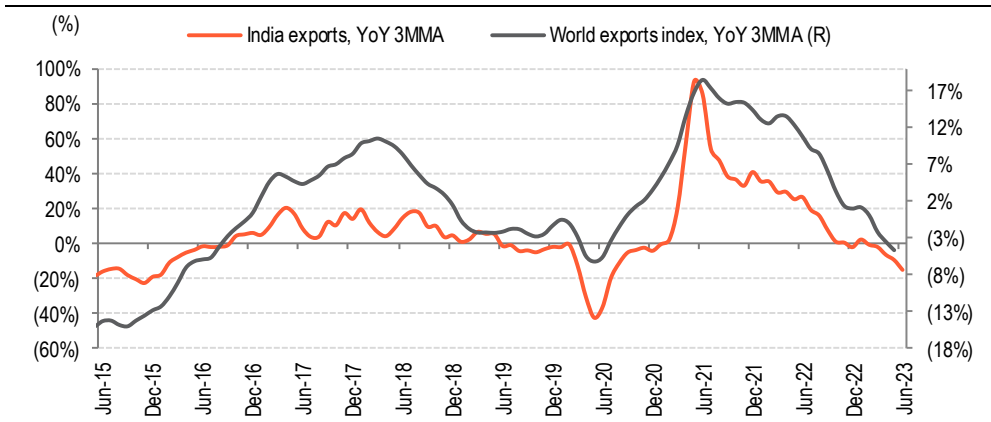
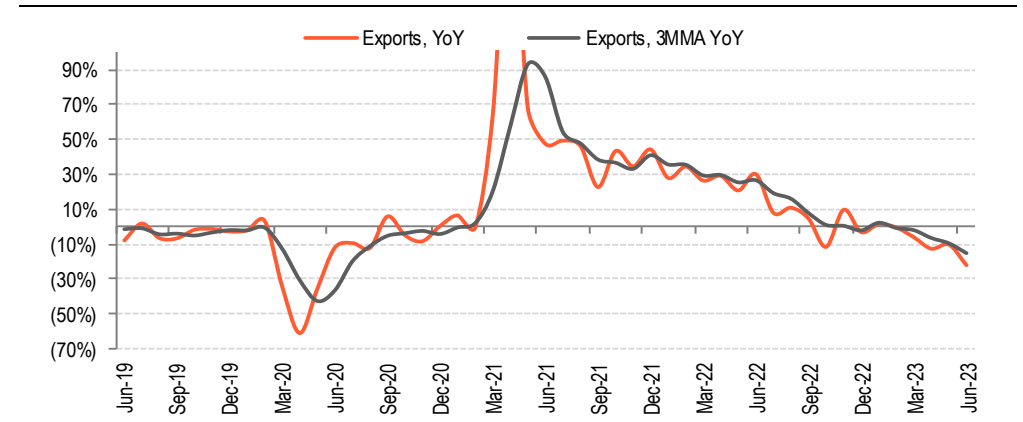


Fig 134 – India's exports have declined by 15.1% in Q1FY24 versus an increase of 26.6% in Q1FY23



Exports by major sectors

Fig 135 – ... led by a sharp dip in oil exports

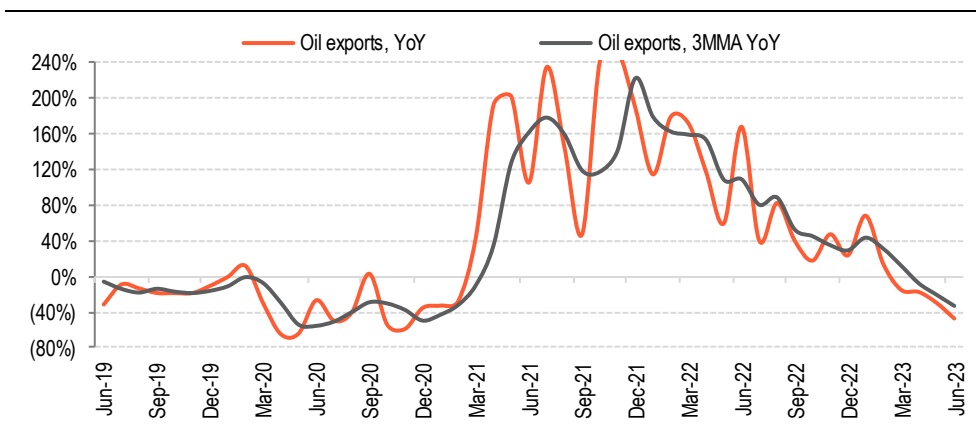


Fig 136 – Within non-oil exports, exports of gems and jewellery have contracted the most

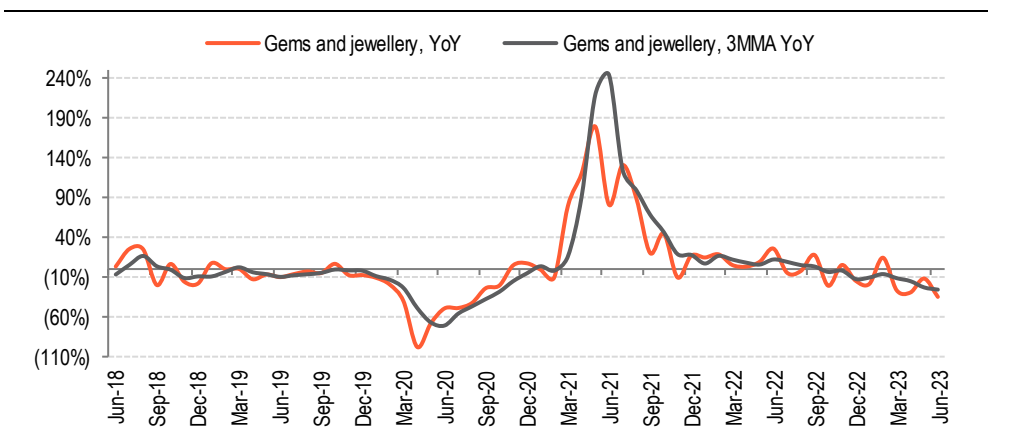


Fig 137 – Engineering goods exports have been contracting since Jun’22

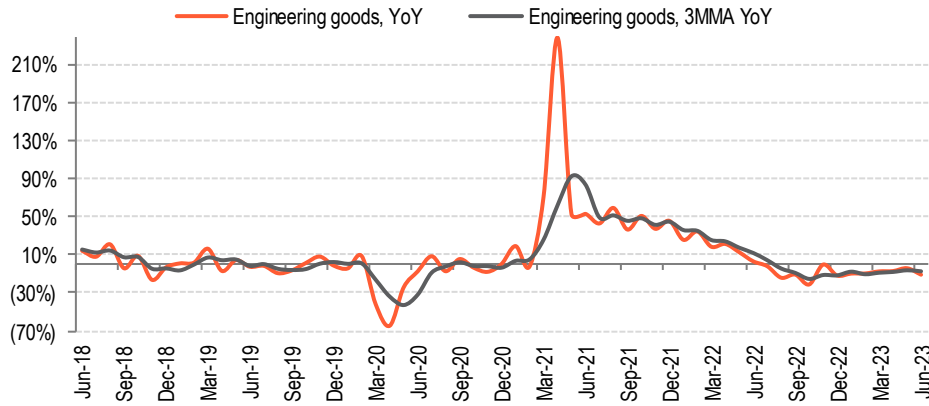
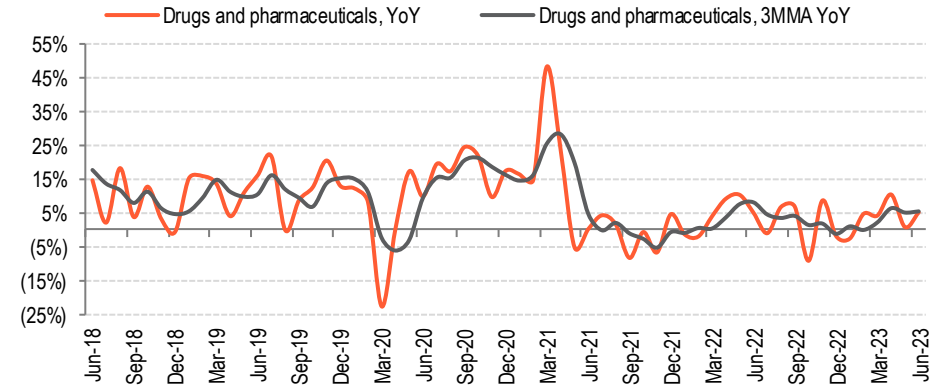


Fig 138 – Drugs and pharma exports recovered in Jun’23 to 5.1%



Imports

Fig 139 – In Q1FY24, imports have declined by 12.7% versus an increase of 44.5% in the same period last year

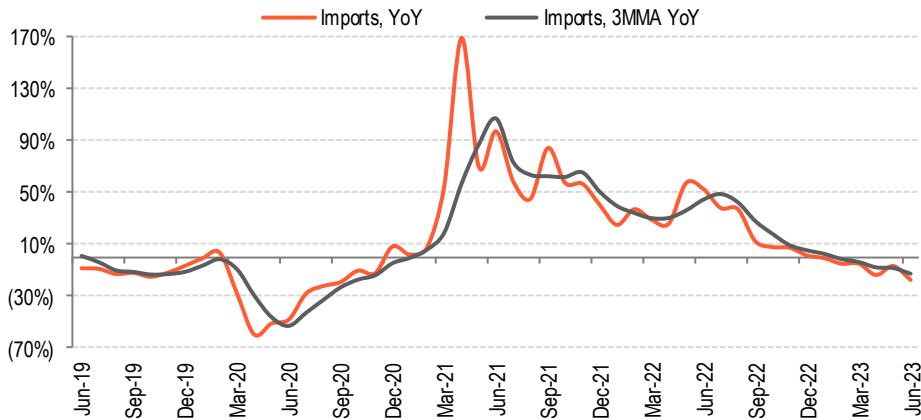


Fig 140 – .. led by a sharp decline in oil imports

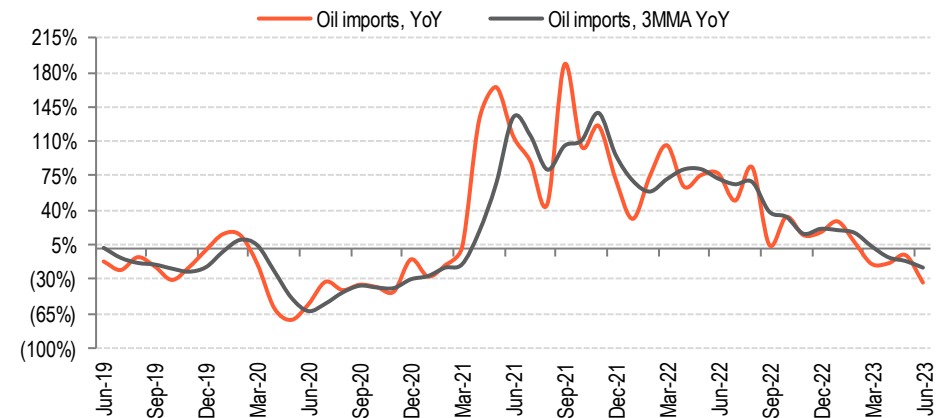


Fig 141 – Within non-oil-non-gold imports, coal imports have plunged sharply

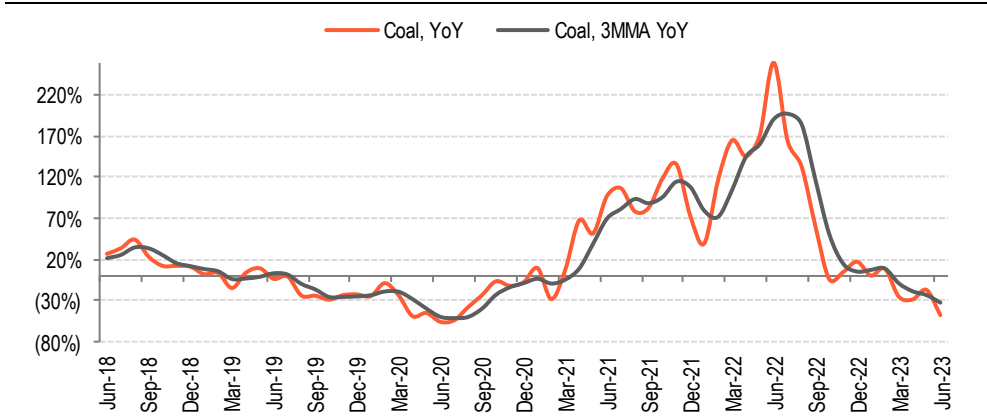


Fig 142 – Import of organic and inorganic chemicals also showing a downward trend

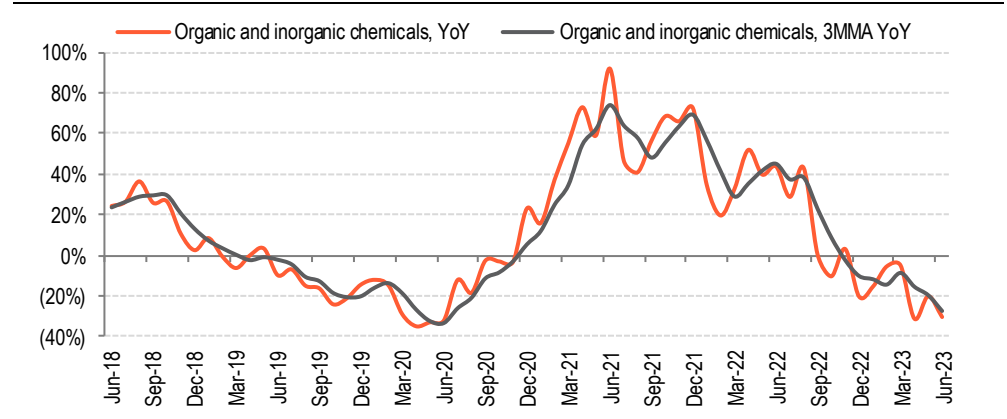


Fig 143 – After showing some positive momentum, machinery imports once again contracted in Jun'23

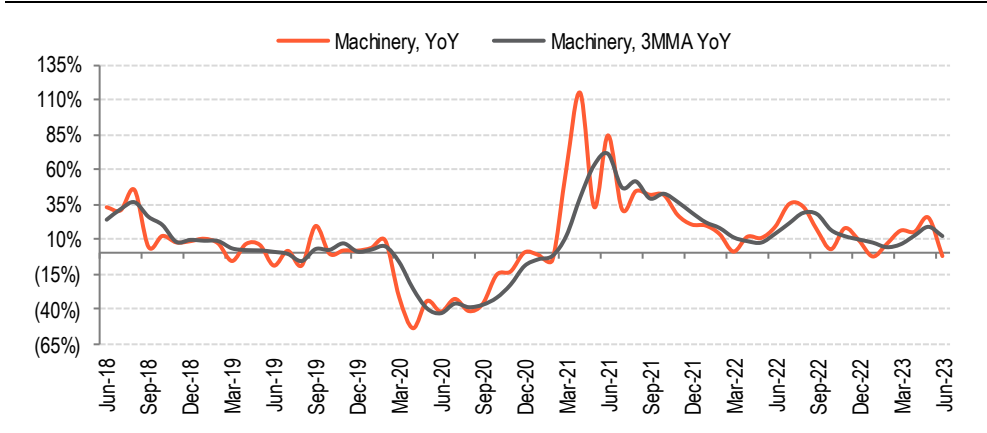
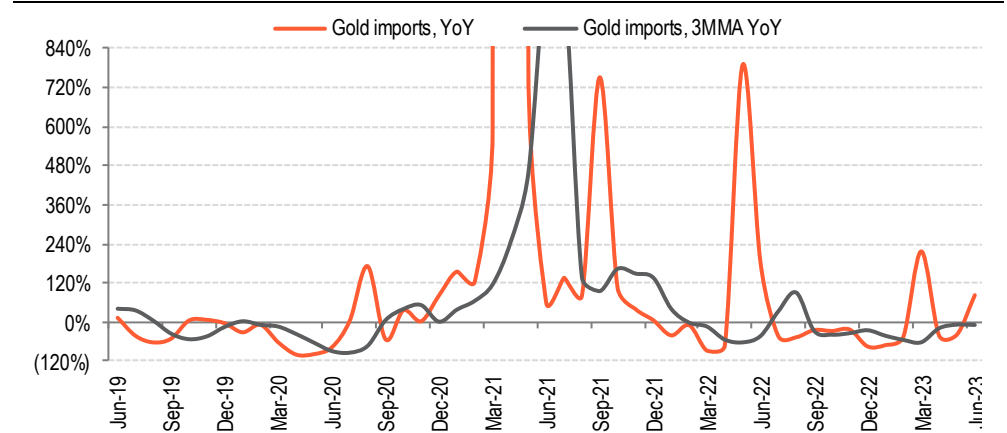


Fig 144 – Gold imports rose in Jun'23 on a YoY basis after declining in the last two months



Exports and imports by major regions

Fig 145 – Exports to all regions have seen a sharp drop in Q1FY24, sharpest decline in exports to Asia and Pacific and China

Region (% YoY)	Share in FY23	FYTD23	FYTD24	Apr-23	May-23	Jun-23
Americas	23.7	32.4	(13.6)	(16.3)	(9.4)	(15.0)
Asia and Pacific (Ex. China)	23.3	13.6	(25.2)	(27.8)	(18.3)	(28.8)
China	3.5	(31.2)	(16.7)	(4.3)	(20.3)	(24.3)
Europe	22.0	42.1	(2.9)	(5.3)	(3.4)	0.1
Middle East and Africa	26.6	42.4	(14.1)	(3.6)	(8.7)	(27.2)
Other	0.9	231.2	(8.3)	3.3	(4.8)	(20.0)

Fig 146 – Even imports are lower, led by Middle East and Africa and Asia and Pacific

Region (% YoY)	Share in FY23	FYTD23	FYTD24	Apr-23	May-23	Jun-23
Americas	11.2	32.2	(13.4)	(26.5)	(0.1)	(13.8)
Asia and Pacific (Ex. China)	24.9	50.1	(18.6)	(18.2)	(14.5)	(22.6)
China	13.8	17.8	(2.9)	(5.6)	9.7	(11.2)
Europe	12.6	18.1	(1.4)	15.1	(6.6)	(7.2)
Middle East and Africa	30.8	64.5	(31.9)	(33.5)	(29.7)	(32.5)
Other	6.8	159.5	116.9	175.4	189.0	43.2

Trade deficit

Fig 147 – Trade deficit narrowed to US\$ 20.1bn in Jun'23 from US\$ 22bn in May'23, tracking at US\$ 19.1bn in FYTD24

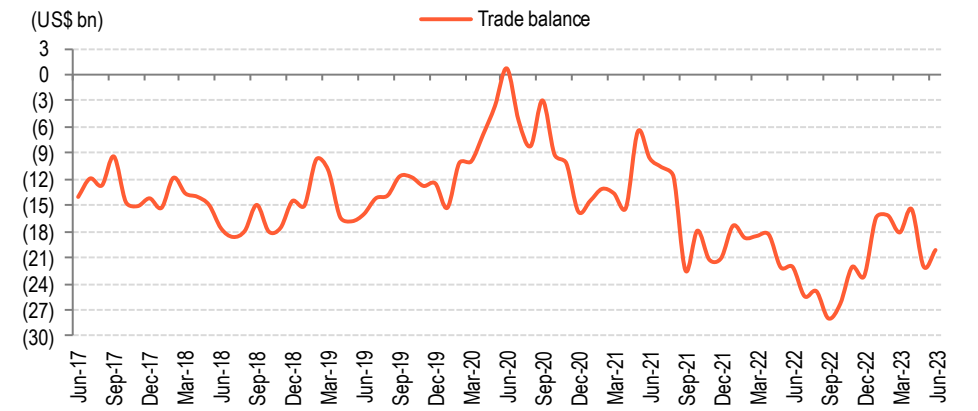
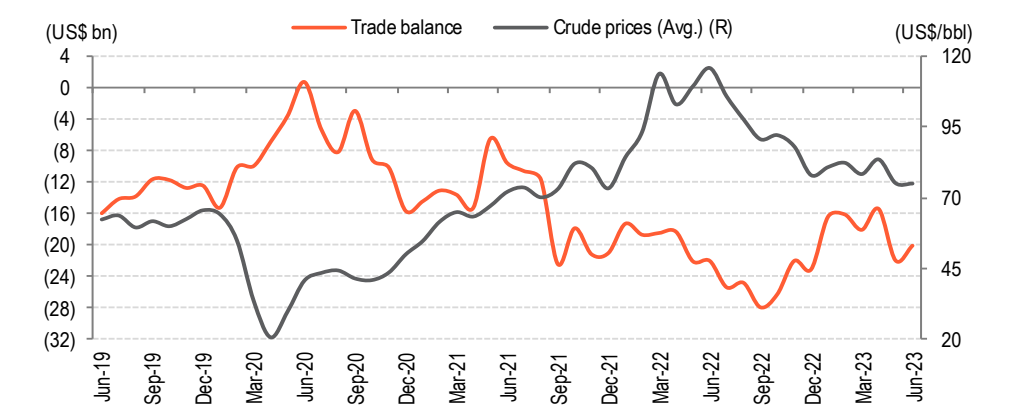
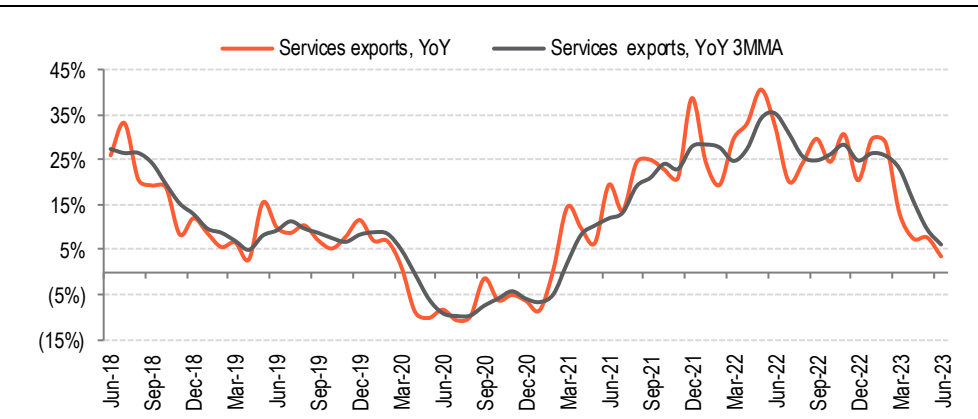


Fig 148 – Oil prices were stable in Jun'23



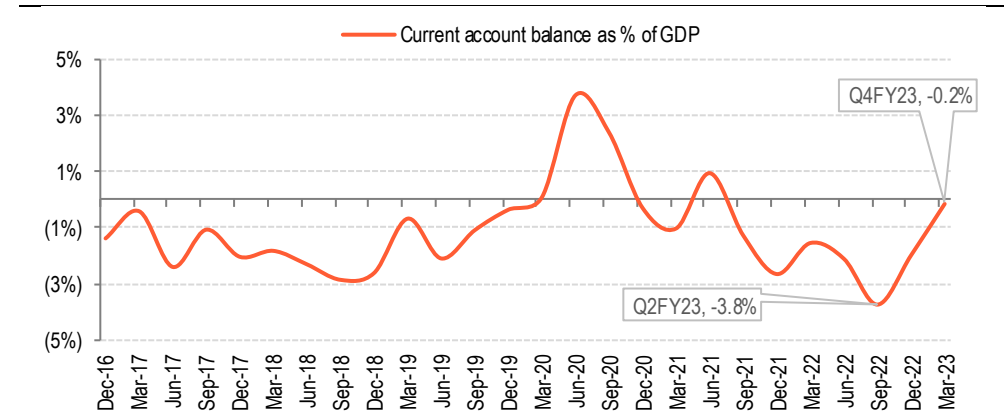
Trade in services

Fig 149 – Growth in services exports moderates to 3.5% in Jun'23 from 7.7% in May'23



BoP

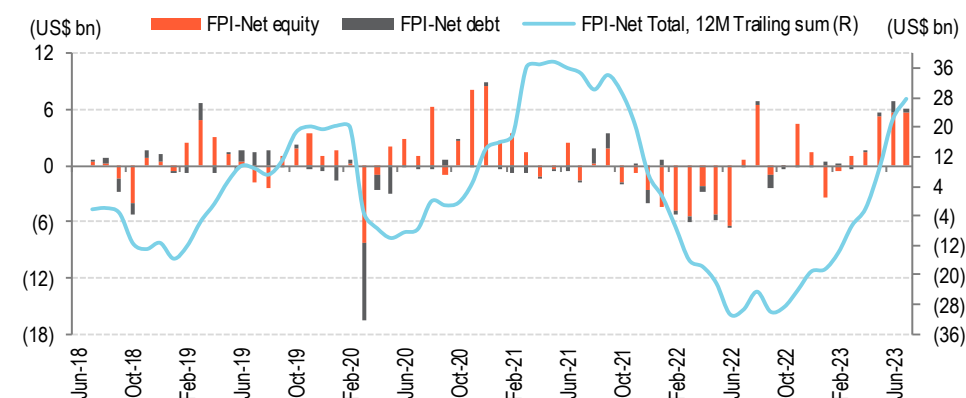
Fig 150 – India's current account deficit narrowed to a 6-quarter low at 0.2% of GDP in Q4FY23



Foreign inflows

FPI inflows

Fig 151 – FPI inflows in Jun'23 were US\$ 5.8bn versus US\$ 6.8bn in Aug'23, momentum has waned in Aug'23



Source: Bloomberg

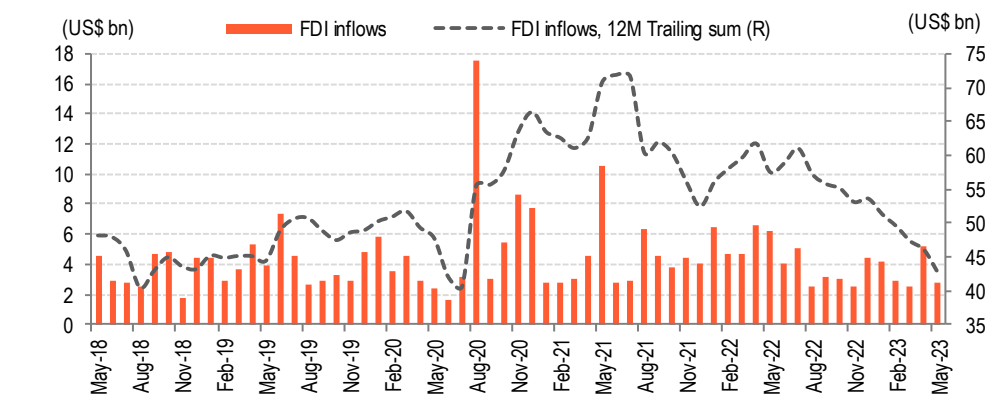
Fig 153 – FDI inflows fall in FY23, led by computer software and hardware and automobile sector

Sector	% Share FY23	FY22	FY23	Q4FY22	Q3FY23	Q4FY23
Computer software and hardware	20.4	14.5	9.4	4.2	1.8	1.3
Services	18.9	7.1	8.7	1.8	2.4	2.1
Trading	10.4	4.5	4.8	1.5	0.9	0.6
Non-conventional energy	5.4	1.6	2.5	0.4	0.3	0.8
Drugs and Pharmaceuticals	4.5	1.4	2.1	0.2	1.1	0.2
Automobile industry	4.1	7.0	1.9	1.0	0.3	0.6
Construction (Infrastructure) activities	3.7	3.2	1.7	1.7	0.2	0.5

Source: DIPP

FDI inflows

Fig 152 – FDI equity inflows moderate to US\$ 2.8bn in May'23 from US\$ 5.2bn in Apr'23



Source: RBI, Bank of Baroda Research

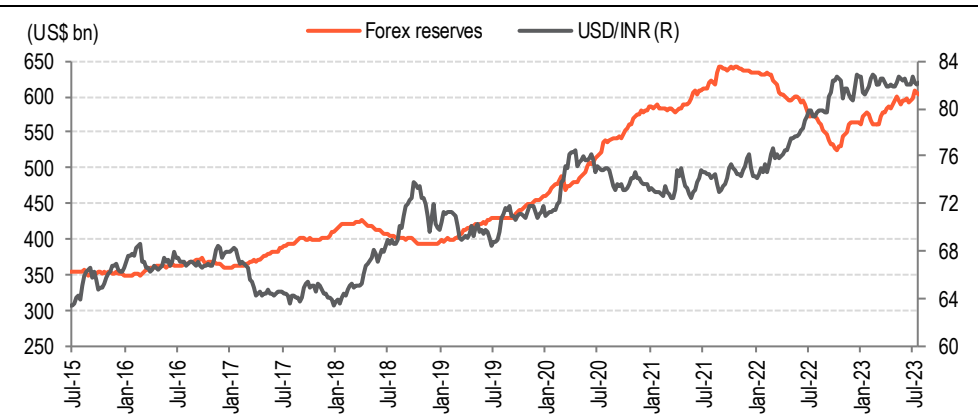
Fig 154 – Country wise, inflows from Mauritius and US dipped in FY23

Country (US\$ bn)	% Share FY23	FY22	FY23	Q4FY22	Q3FY23	Q4FY23
Singapore	37.4	15.9	17.2	4.2	3.1	4.1
US	13.3	9.4	6.1	2.8	1.4	1.4
Mauritius	13.1	10.5	6.0	3.0	2.4	1.1
Netherlands	5.4	4.6	2.5	2.0	0.4	0.3
UK	3.9	1.5	1.8	0.6	0.2	0.4
Japan	3.8	1.6	1.7	0.2	0.7	0.1

Source: DIPP

Forex reserves and external debt

Fig 155 – India’s FX reserves at US\$ 603.9bn in Jul’23, up by US\$ 25.4bn in FYTD24



Source: Bloomberg | Weekly data as of 28 Jul 2023

Fig 156 – India’s import cover improves further in Jun’23, supported by increase in FX reserves

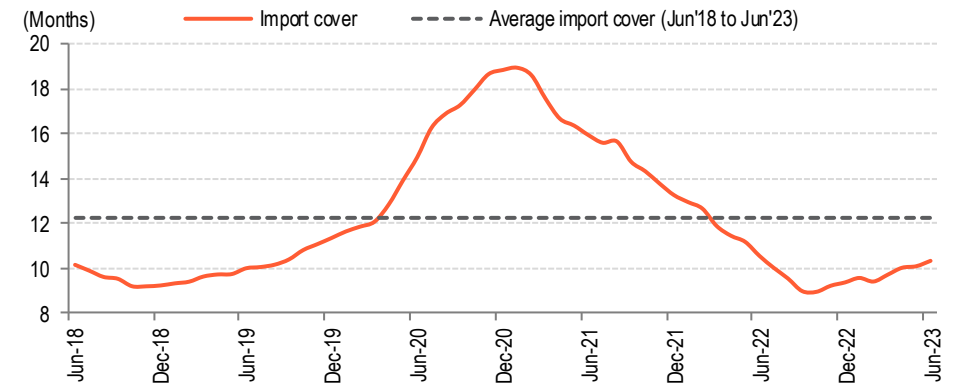


Fig 157 – RBI’s bought US\$ 7.4bn in the spot market in May’23

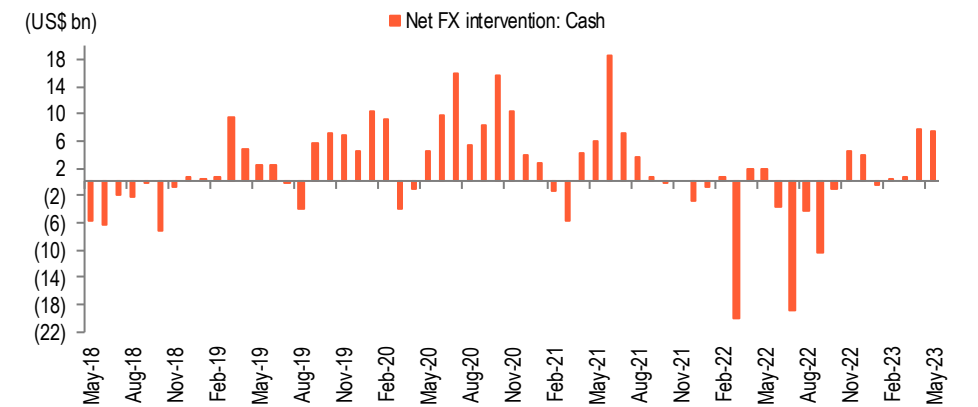
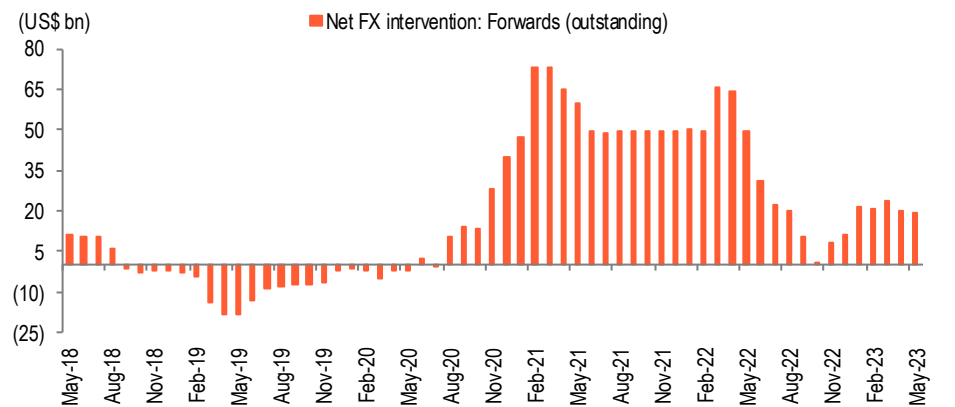


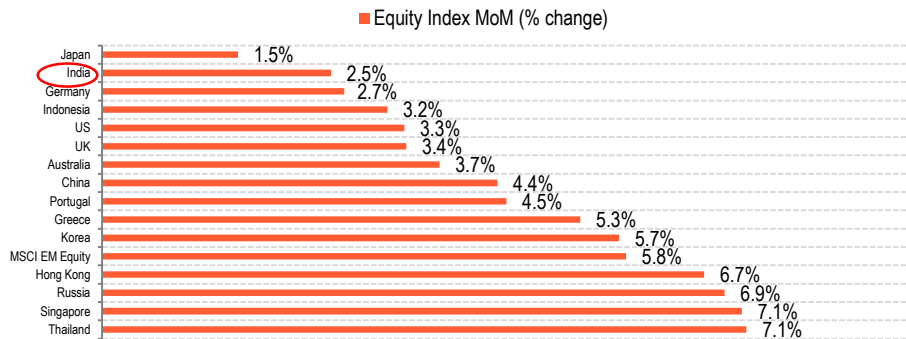
Fig 158 – RBI’s outstanding forwards position at US\$ 19.3bn as of May’23



Markets

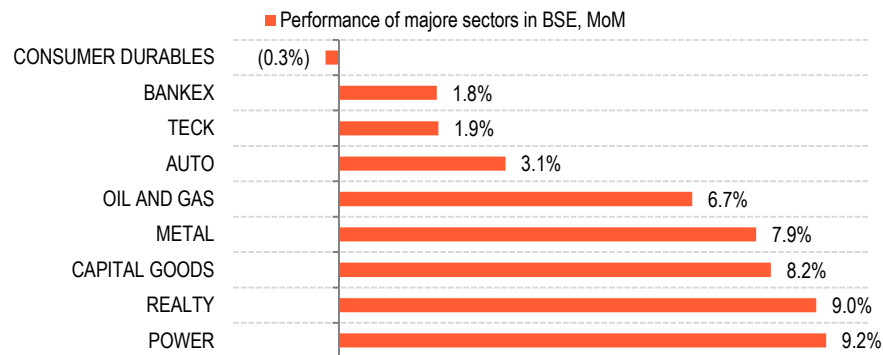
Equity

Fig 159 – In Jul'23, Sensex rose by 2.5%, while MSCI EM rose by 5.8%



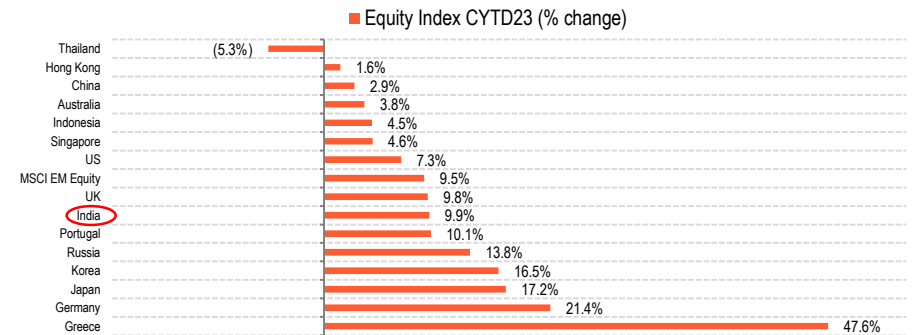
Source: Bloomberg | * As on 31 Jul 2023, Indices are in US\$ terms

Fig 161 – Power and real Estate stocks rose the most in Jul'23



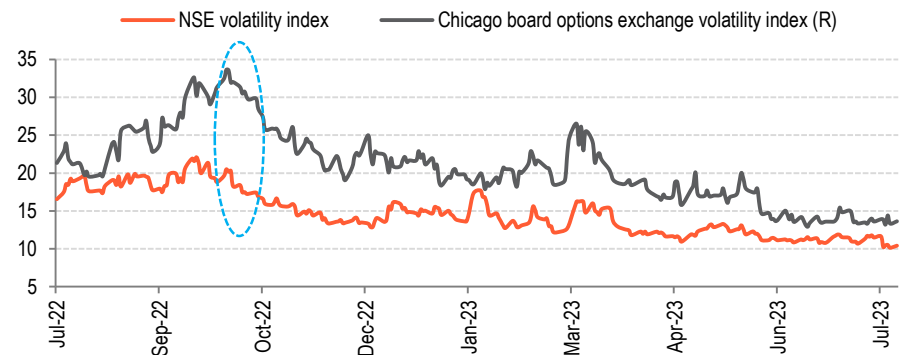
Source: Bloomberg | As on 31 Jul 2023

Fig 160 – In CYTD23, Sensex rose by 9.9%



Source: Bloomberg | * As on 31 Jul 2023, Indices are in US\$ terms

Fig 162 – VIX index remained broadly stable at 10.4 in Jul'23

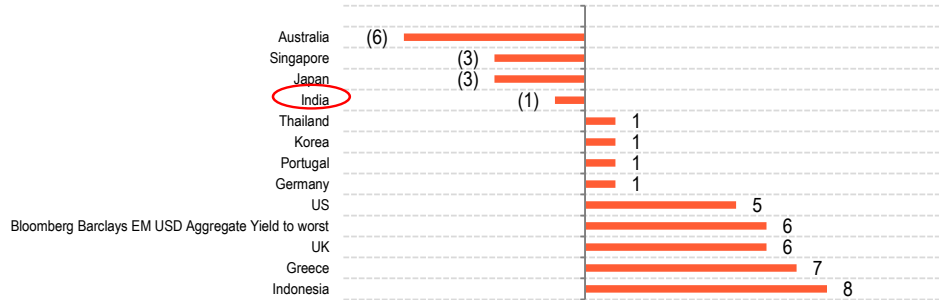


Source: Bloomberg

10-year bond yields

Fig 163 – On MTD basis, India’s 10Y yield edged down a tad by 1bps

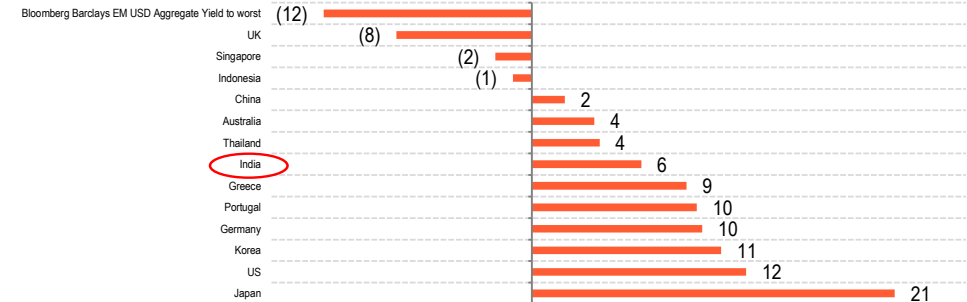
10 year generic yields movement MTD (31 Jul-9Aug), bps



Source: Bloomberg | As on 9 Aug 2023

Fig 164 – On MoM basis, India’s 10Y yield rose by 6bps, led by higher global yields

10 year generic yields, MoM, bps



Source: Bloomberg | As on 31 Jul 2023

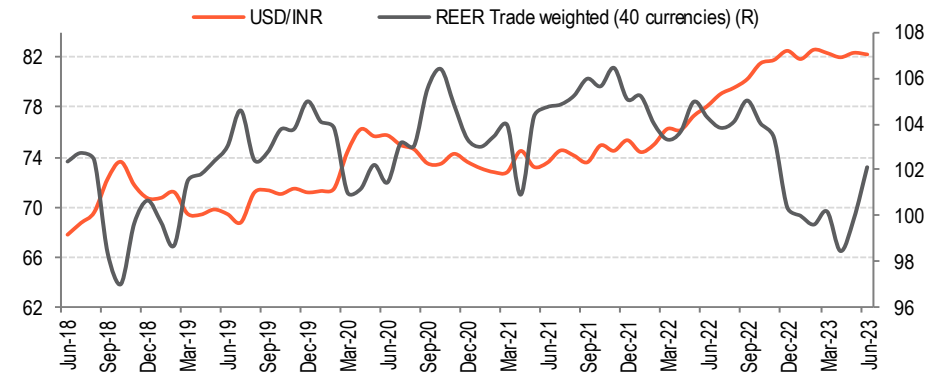
Currencies

Fig 165 – INR depreciated by 0.3% in Jul’23



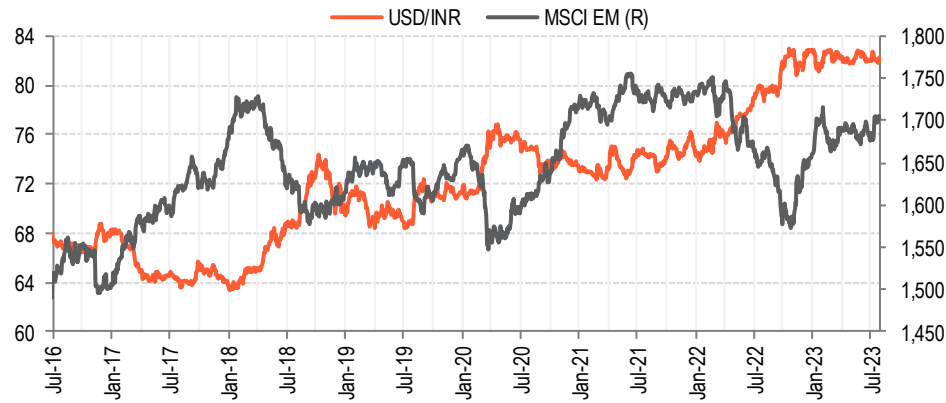
Source: Bloomberg | *As on 31 Jul 2023

Fig 166 – INR still overvalued by 2.1% on REER basis



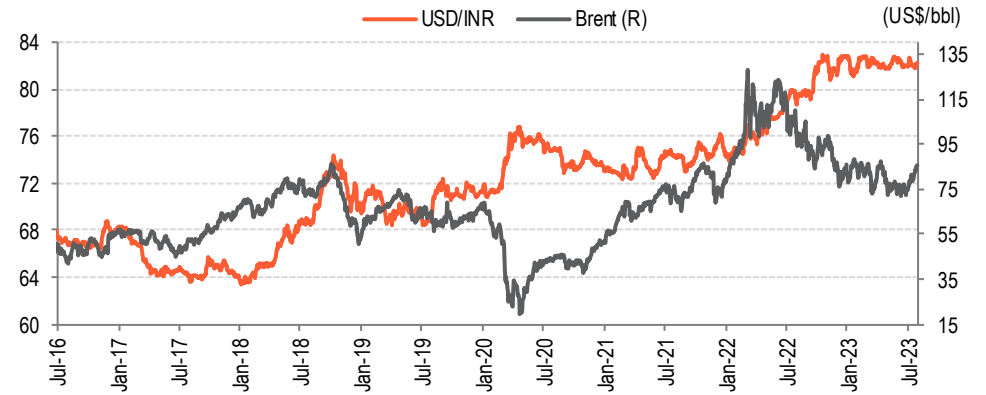
Source: Bloomberg

Fig 167 – EM currencies appreciated in Jul'23



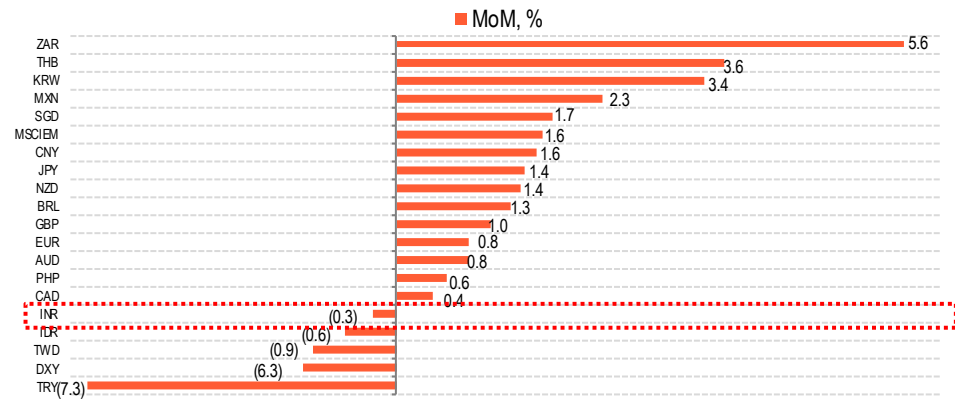
Source: Bloomberg | *As on 31 Jul 2023

Fig 168 – .. as oil prices remained range-bound



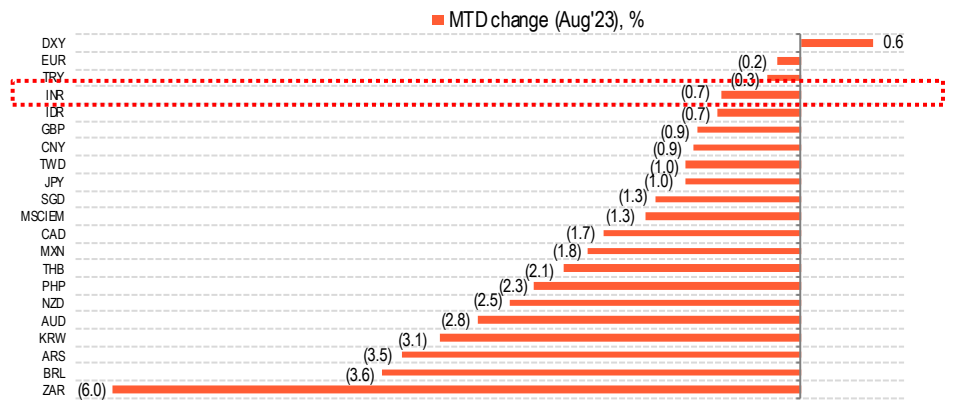
Source: Bloomberg | *As on 31 Jul 2023

Fig 169 – In Jul'23 INR has depreciated by 0.3%



Source: Bloomberg | *As on 31 Jul 2023

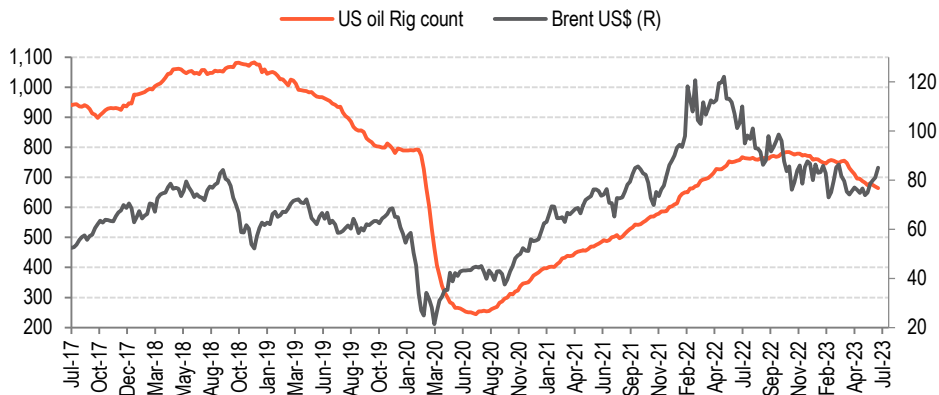
Fig 170 – INR has depreciated by 0.7% in Aug'23



Source: Bloomberg | *As on 9 Aug 2023

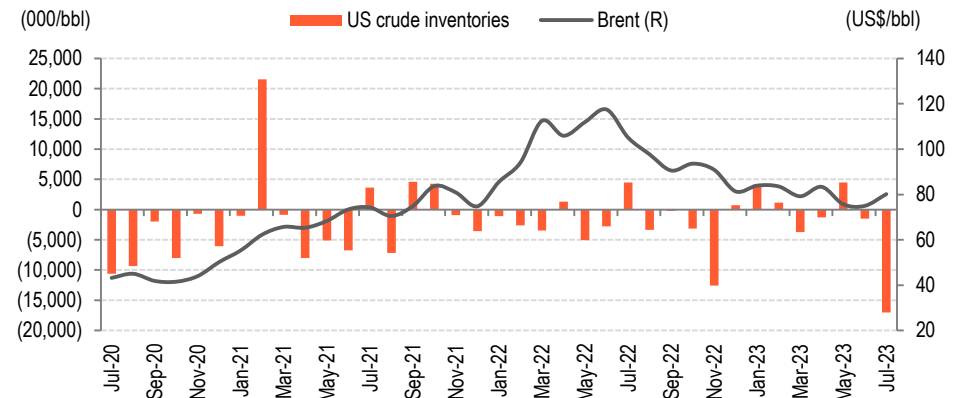
Commodities

Fig 171 – US rig count moderated in Jul'23



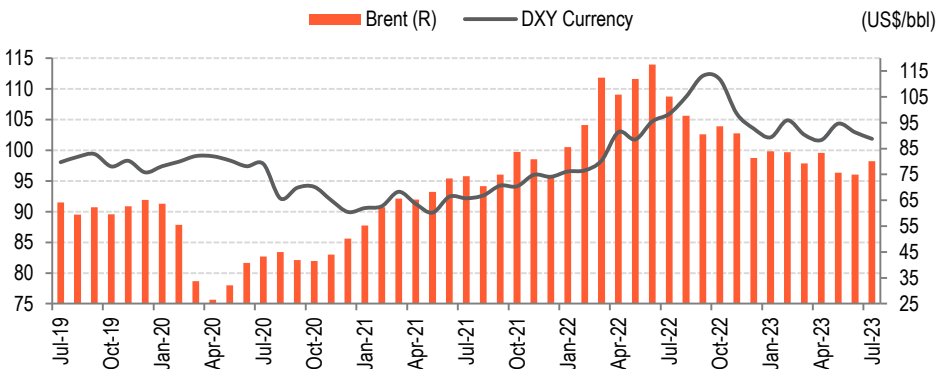
Source: Bloomberg

Fig 172 – US crude oil inventory fell sharply in Jul'23



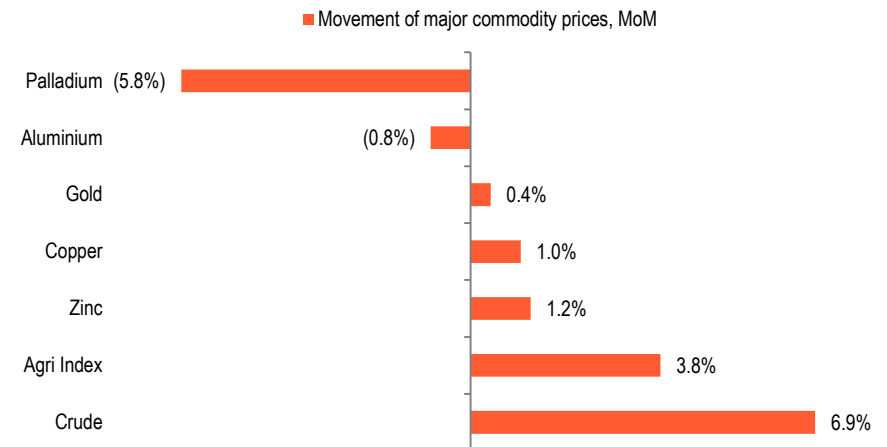
Source: Bloomberg

Fig 173 – Oil prices (average) moderated to US\$ 80/bbl in Jul'23 from US\$ 75/bbl in Jun'23, DXY inched down to 101.86 from 102.91



Source: Bloomberg | DXY Index as on last trading day of the month

Fig 174 – Crude is again posing risk



Source: Bloomberg | Index as on last trading day of the month, all other commodities are averaged and MoM change is taken

Fig 175 – Performance of high frequency indicators

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
Agriculture													
Tractor sales	(12.2)	(1.0)	18.9	3.6	4.4	19.2	16.0	11.8	10.1	(13.0)	(2.4)	(0.7)	-
Two wheeler sales	(10.9)	8.5	9.0	51.1	23.6	(11.2)	10.1	14.8	12.4	(7.3)	9.3	6.8	8.2
MNREGA work (HH, MoM)	(34.9)	(35.2)	(30.3)	(24.0)	(10.1)	(11.9)	(11.4)	(11.1)	(6.2)	3.4	3.2	6.2	14.9
Manufacturing													
IIP: General index	2.2	(0.7)	3.3	(4.1)	7.6	5.1	5.8	6.0	1.7	4.5	5.2	-	-
IIP: Manufacturing	3.1	(0.5)	2.0	(5.8)	6.7	3.6	4.5	5.9	1.2	5.2	5.7	-	-
IIP: Capital goods	5.1	4.3	11.4	(2.9)	20.7	7.8	10.5	11.0	9.1	4.6	8.2	-	-
IIP: Infra & construction goods	4.8	3.0	8.2	1.7	14.3	11.0	11.3	9.0	7.0	15.0	14.0	-	-
IIP: Consumer goods	2.3	(4.4)	(5.5)	(18.1)	5.0	(11.2)	(8.2)	(4.1)	(8.1)	(2.5)	1.1	-	-
Steel	7.5	5.8	7.7	5.8	11.5	12.3	14.3	12.4	12.1	15.3	10.9	21.9	-
Cement	0.7	2.1	12.4	(4.2)	29.1	9.5	4.7	7.4	(0.6)	12.0	15.3	9.4	-
Electricity	2.3	1.4	11.6	1.2	12.7	10.4	12.7	8.2	(1.6)	(1.1)	0.8	3.3	-
PMI: Manufacturing	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7
Services													
Services PMI index	55.5	57.2	54.3	55.1	56.4	58.5	57.2	59.4	57.8	62.0	61.2	58.5	62.3
Automobile sales	(7.8)	8.3	10.9	47.6	25.7	(5.4)	13.6	16.0	13.9	(4.0)	10.1	9.6	10.0
Passenger vehicle sales	(4.7)	6.5	9.7	40.6	21.3	8.1	21.9	11.0	14.4	(1.3)	4.3	4.8	4.0
Vehicle registration	(8.8)	7.5	7.5	48.5	19.0	(6.3)	14.0	16.5	14.8	(3.3)	10.9	9.9	9.8
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
Port cargo volume	15.3	7.5	14.9	3.6	2.0	10.4	12.2	12.0	1.5	1.3	3.5	0.4	4.3
Credit growth	13.4	14.3	18.9	15.8	16.1	14.9	16.3	15.5	15.0	15.7	15.4	18.1	19.7
Deposit growth	9.2	9.5	12.5	8.9	9.8	9.2	10.5	10.1	9.6	10.1	10.9	15.4	12.9
CIC	8.1	8.1	8.2	9.0	7.9	8.2	8.6	8.2	7.8	7.6	6.9	4.9	4.4
Toll collection (in mn)	265.2	272.0	259.2	283.0	285.6	308.0	300.8	288.4	306.3	305.0	335.2	316.1	295.0
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
GST E-way bill (in mn)	75.6	78.2	84.0	76.9	80.7	84.1	82.4	81.8	90.9	84.4	88.2	86.1	88.0
External Trade													
Merchandise exports	7.9	10.9	4.7	(11.5)	9.7	(3.1)	1.6	(0.4)	(6.0)	(12.6)	(10.2)	(22.0)	-
Merchandise imports	38.2	37.2	12.6	8.0	7.4	1.5	(0.6)	(4.9)	(4.9)	(13.6)	(6.7)	(17.5)	-
Services exports	20.2	24.3	29.7	24.6	30.7	20.4	29.5	28.6	13.0	7.4	7.7	3.5	-
Services imports	22.3	27.1	28.1	15.9	21.7	5.7	12.0	15.4	10.5	(3.1)	2.0	(3.4)	-

Source: CEIC, Posoco, Markit, RBI, Bank of Baroda Research

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