

India Chart book

Treasury Research Group

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Chart book of India Economic Indicators: Uneven recovery ahead

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Story through charts – uneven recovery ahead (1/2)

- High frequency indicators are pointing towards an uneven recovery with data such as passenger vehicle sales, coal freight traffic showing sequential improvement in August, while others including electricity demand/supply, petroleum consumption recording contraction. Moreover, weekly indicators around mobility, unemployment rates, power demand have improved in the first three weeks of September, defying fears of infection spread, but their sustainability would have to be monitored
- Financial conditions have eased significantly across markets assisted by central bank action, global liquidity and strong flows. Fiscal year to date returns across asset classes have outperformed last years returns, diverging significantly from what is happening in the real economy
- After contracting sharply in Q1, we expect growth to remain in contraction in Q2 as well (albeit a more moderate contraction), in line with what the high frequency data is telling us
- Inflation is expected to follow a lowering trajectory in H2 FY2021, assisted by easing supply side disruptions, robust food grain production and lower crude oil price momentum. We expect the MPC to reduce the Repo rate in the February policy by 25 bps, even while RBI/MPC remains committed to keeping rates low for long, in line with its accommodative stance

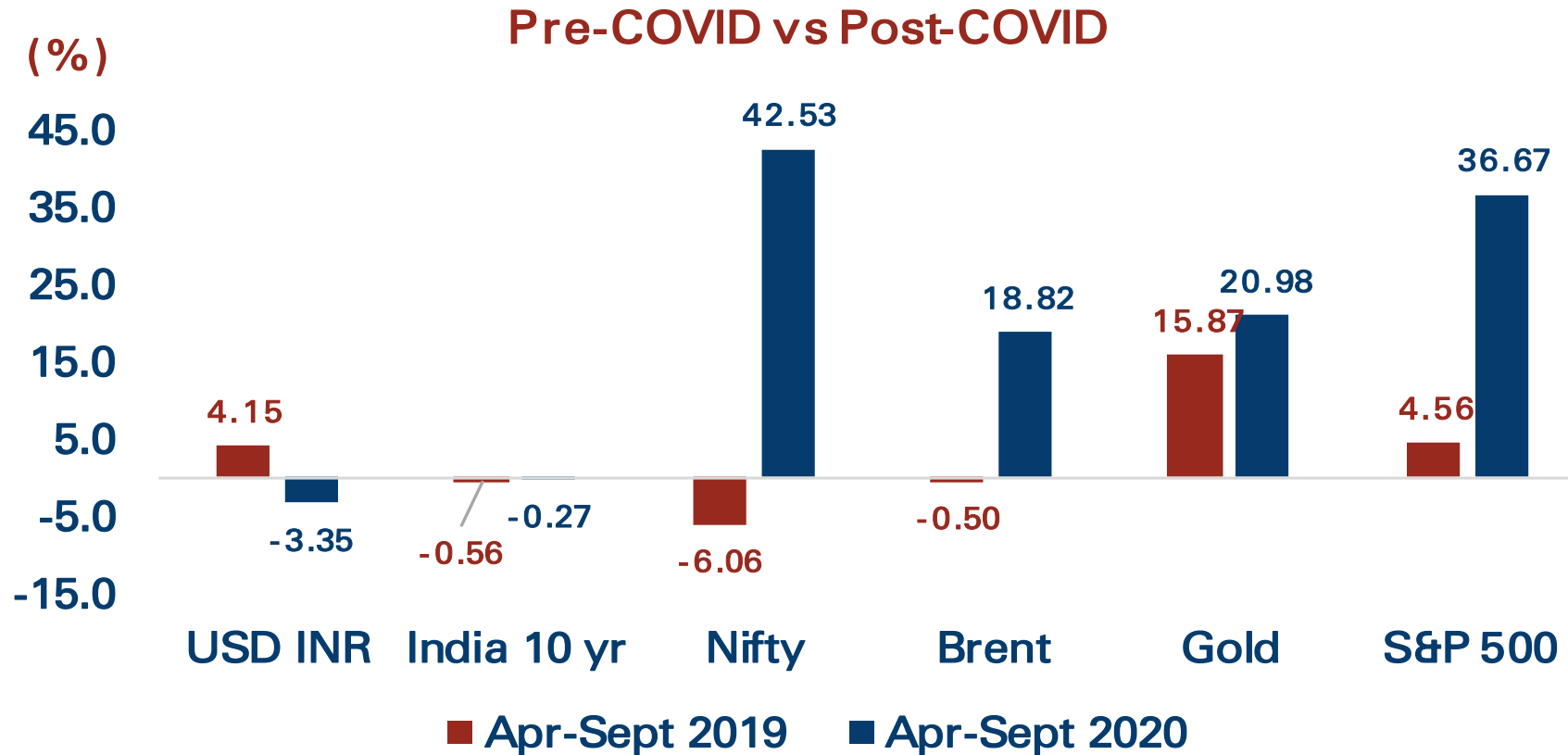


Story through charts – uneven recovery ahead (2/2)

- Fiscal deficit in FY2021 could see an upside breach to a range of 7.8-8.0% of GDP, led by substantial revenue slippage, expenditure commitments and contraction in nominal GDP. Central government borrowing could see additional upside of INR 1 tn, but that could be announced later in the year. Gross general government borrowing could surge to ~ INR 22.5-23.5 tn, as state finances remain constrained as well
- External sector is expected to end the year with a surplus BoP aided by robust flows, low oil prices, weak domestic demand curtailing the import bill, even while opening of economies aid exports
- USDINR could be driven by muted RBI intervention and strong flows aiding intermittent appreciation in the Rupee, with a ceiling on the strengthening being provided by weak economic data, strained fiscal balance sheet, pressure on the Yuan, caution around the US elections, and the persistent backdrop of the virus and its fallout
- Fixed income markets could see continued pressures emerging from fiscal concerns impacting duration. However, RBI is expected to intervene with both conventional and unconventional tools to stem any sharp rise in yields



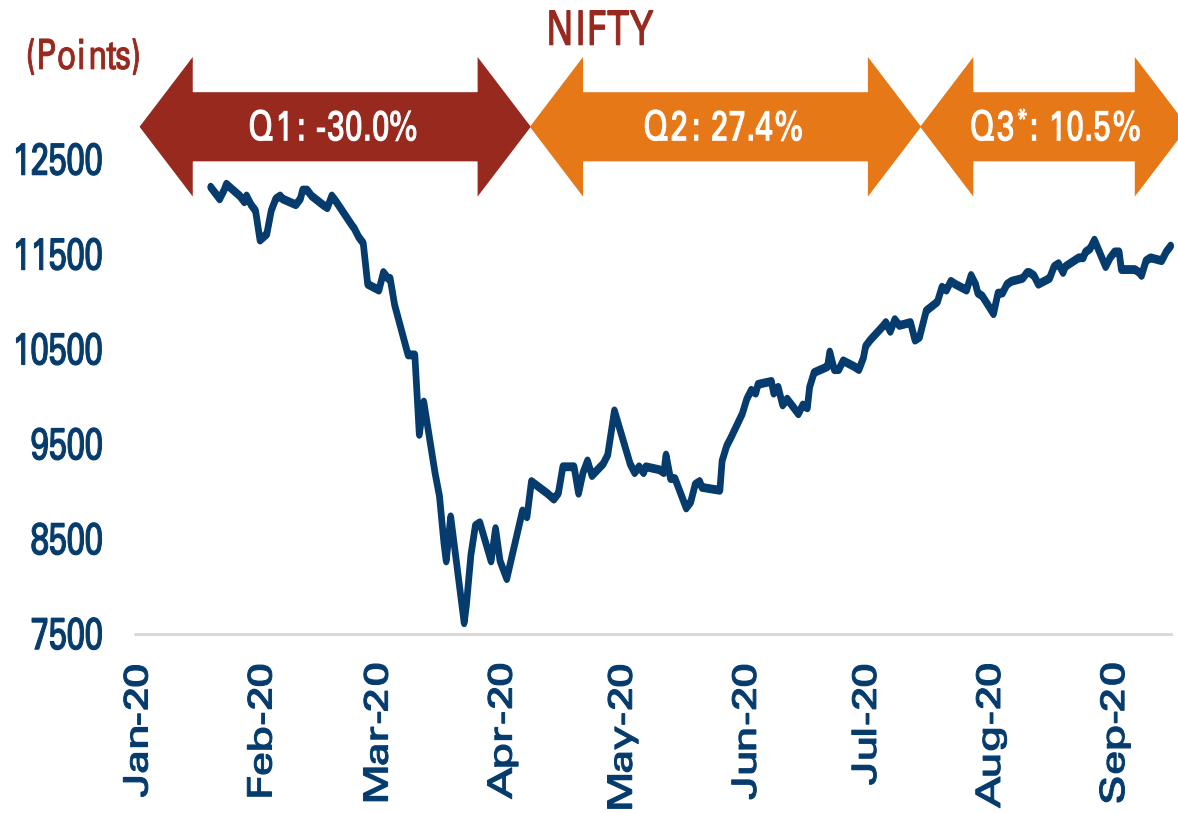
Returns across asset classes have outperformed last year's returns



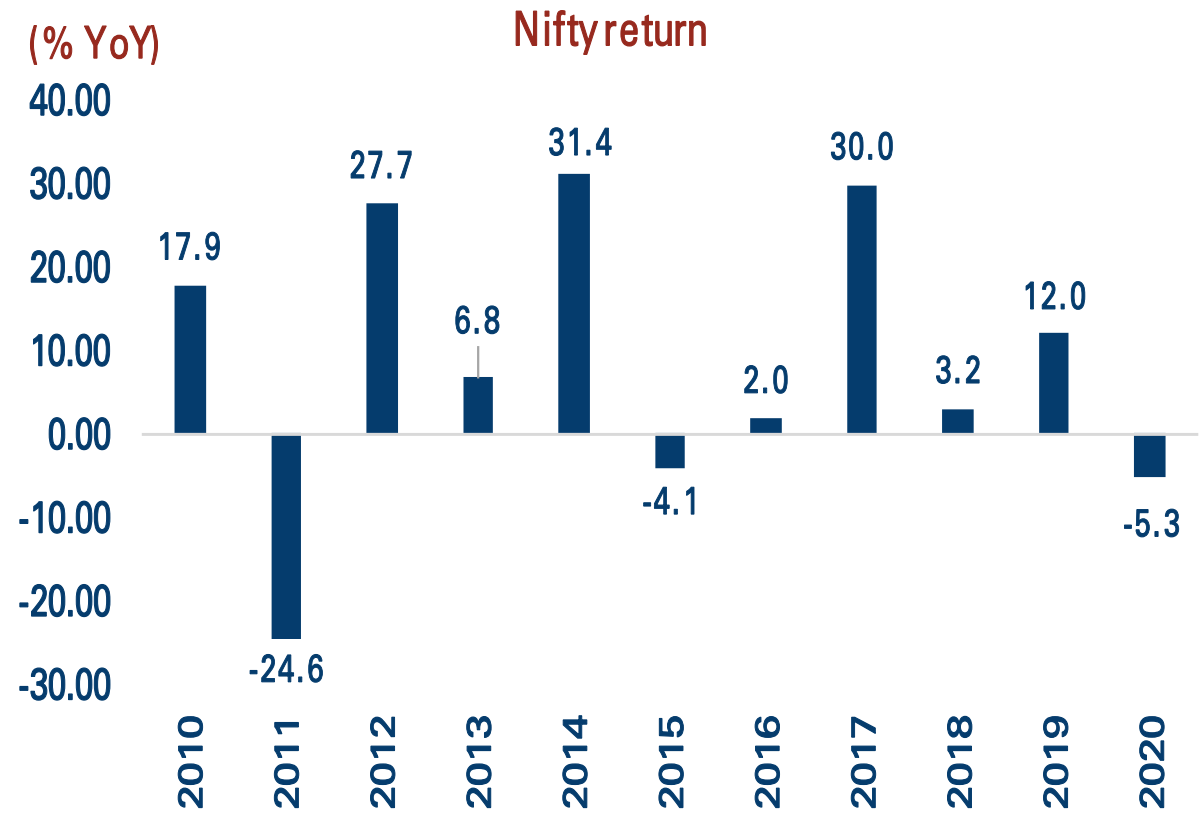
Pre-COVID returns are calculated from 2st Apr 2019-16st September 2019;
Post COVID returns are calculated form 3st Apr 2020-15st September 2020



Uni-directional up move in Indian equities assisted by flush of global liquidity



*Returns for Q3 are from Jul – 15th Sept, 2020

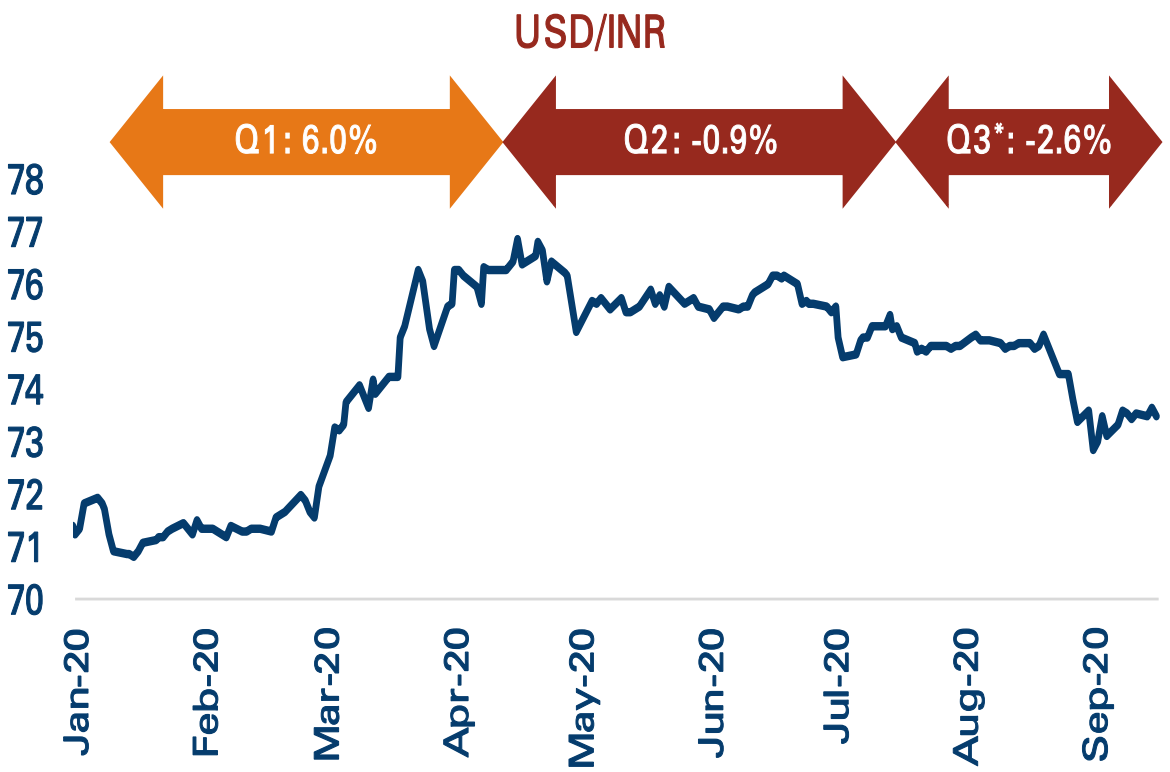


*2010 – 2019 returns are from 31st Dec prior year to 31st Dec current year; 2020 return is from 31st Dec 2019 to 15th Sept, 2020

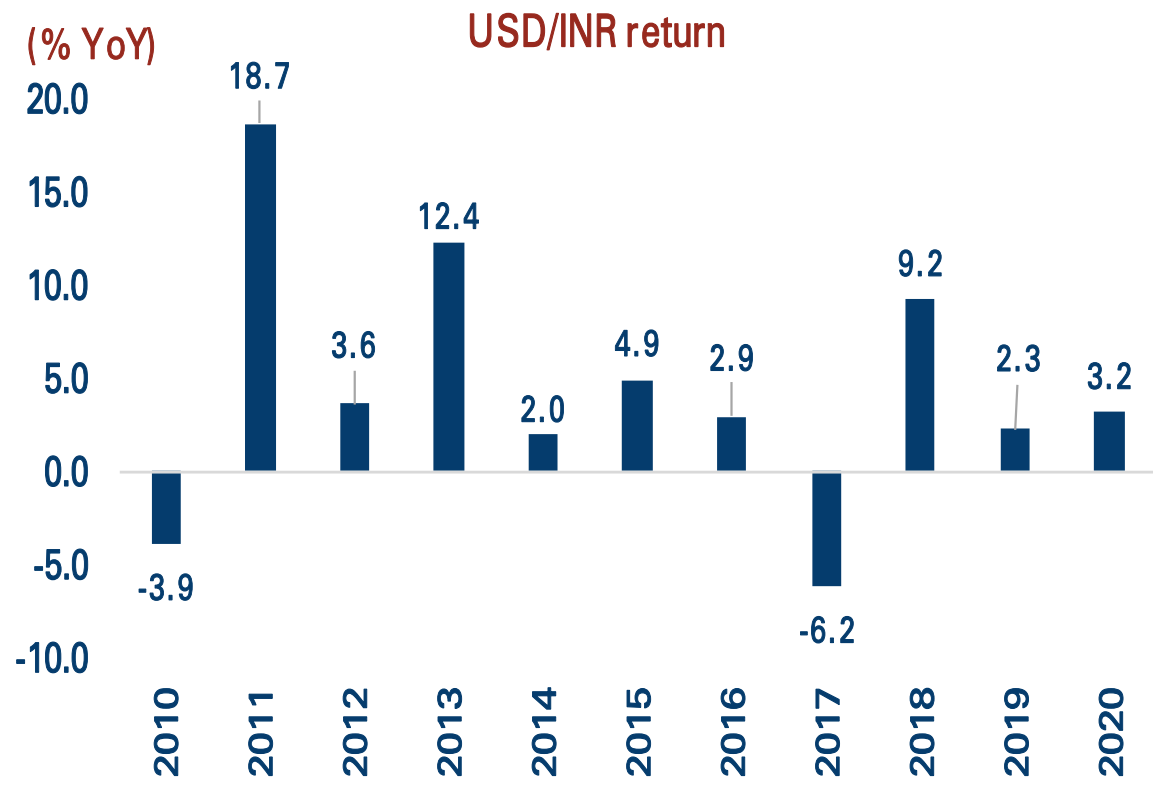


Source: Bloomberg, ICICI Bank Research

Recent Rupee appreciation assisted by RBI action (or rather the lack of it) and flows



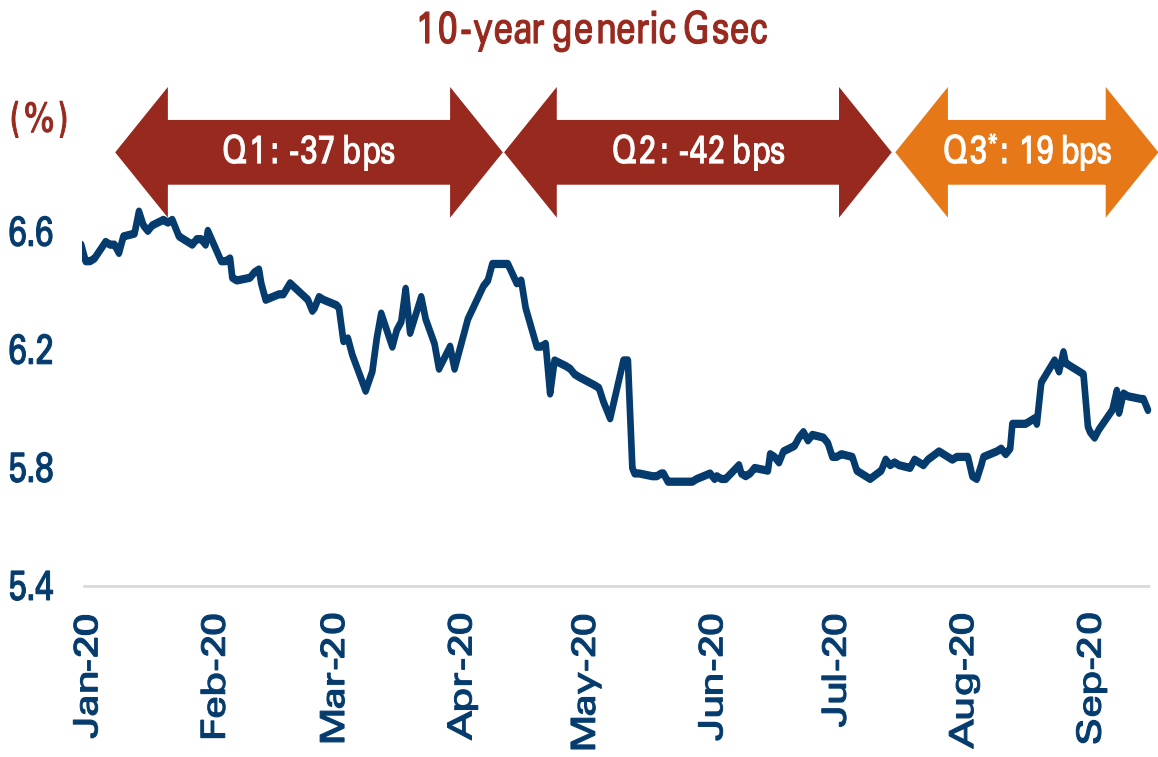
*Returns for Q3 are from Jul – 15th Sept, 2020



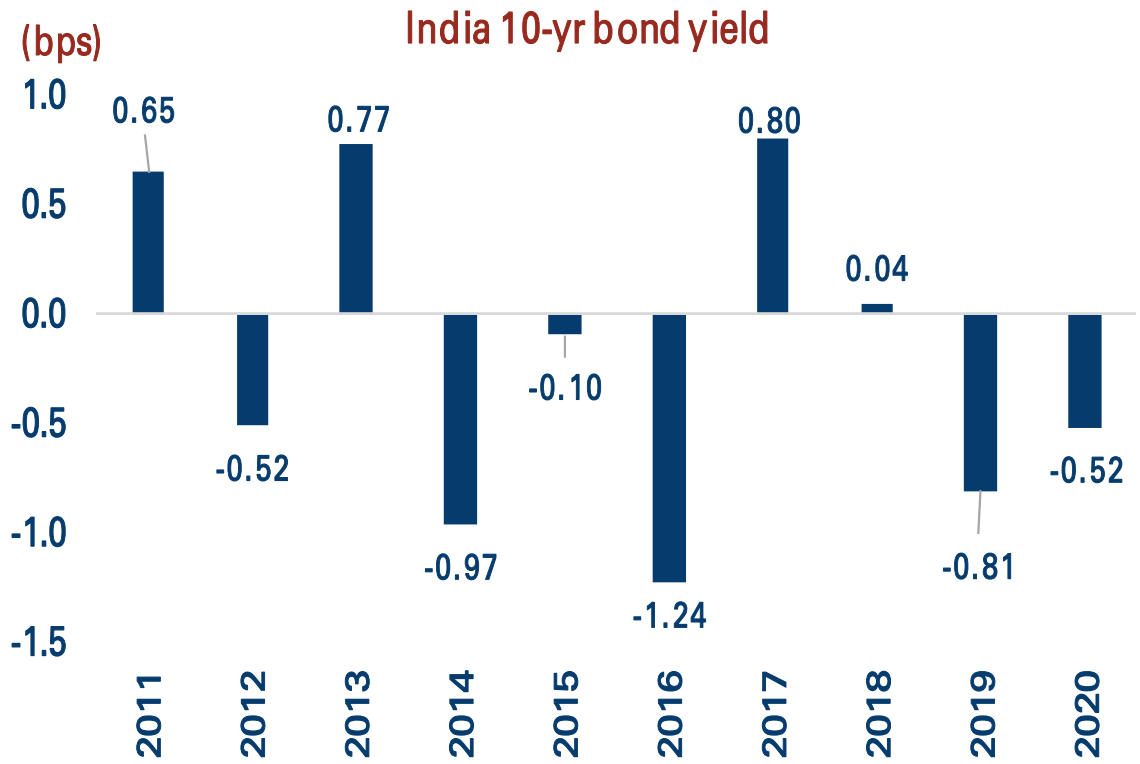
*2010 – 2019 returns are from 31st Dec prior year to 31st Dec current year; 2020 return is from 31st Dec 2019 to 15th Sept, 2020



Fiscal concerns to keep fixed income markets cautious; sharp upsurge expected to be stemmed through RBI action



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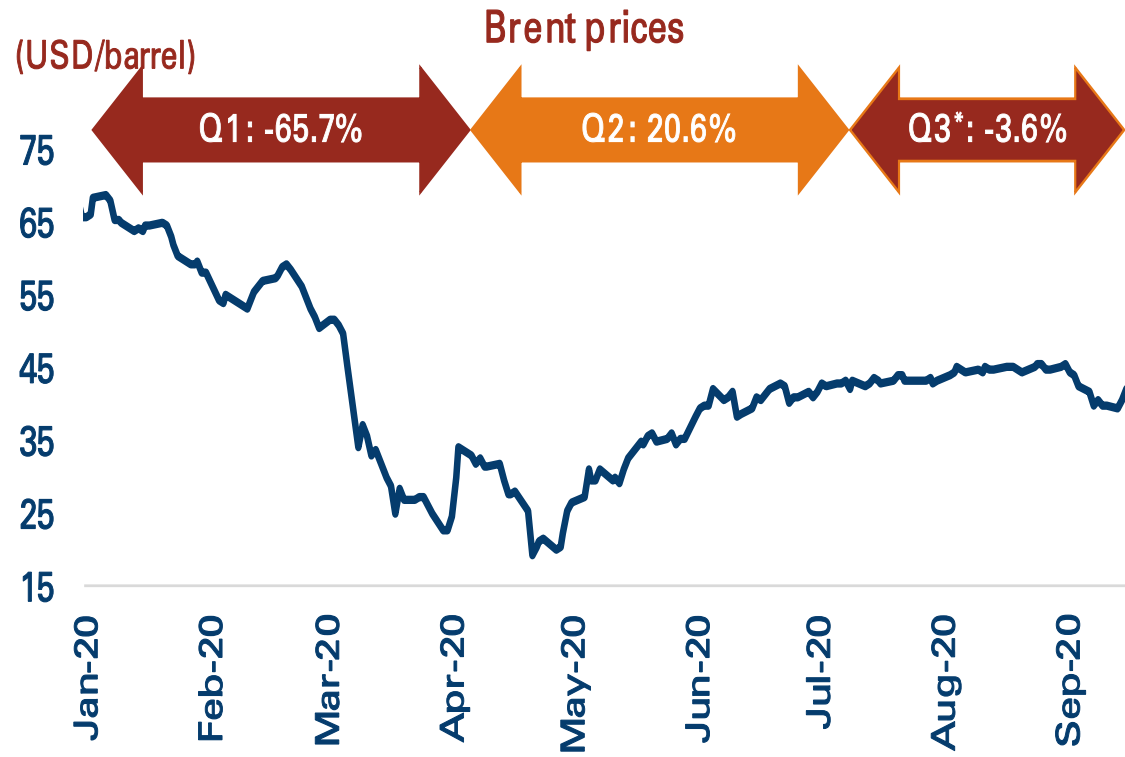


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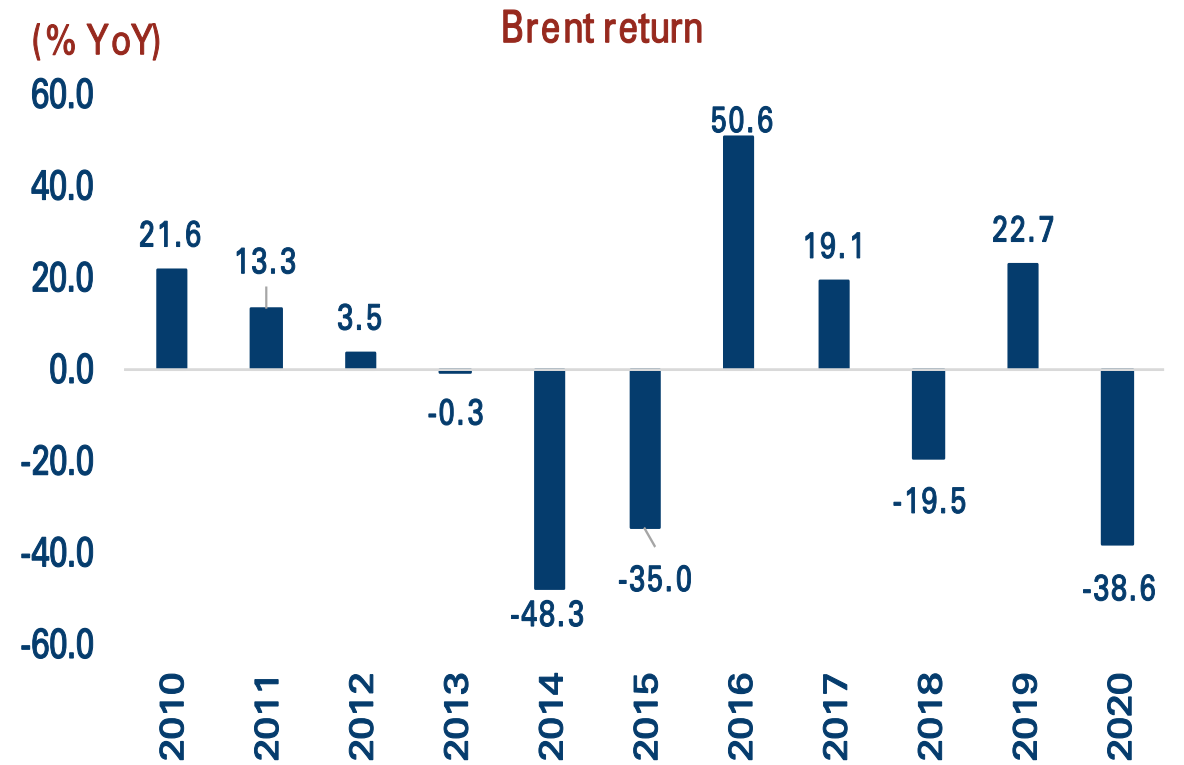


Source: Bloomberg, ICICI Bank Research

Volatility in oil prices to continue, sharp upside seems limited given demand crash



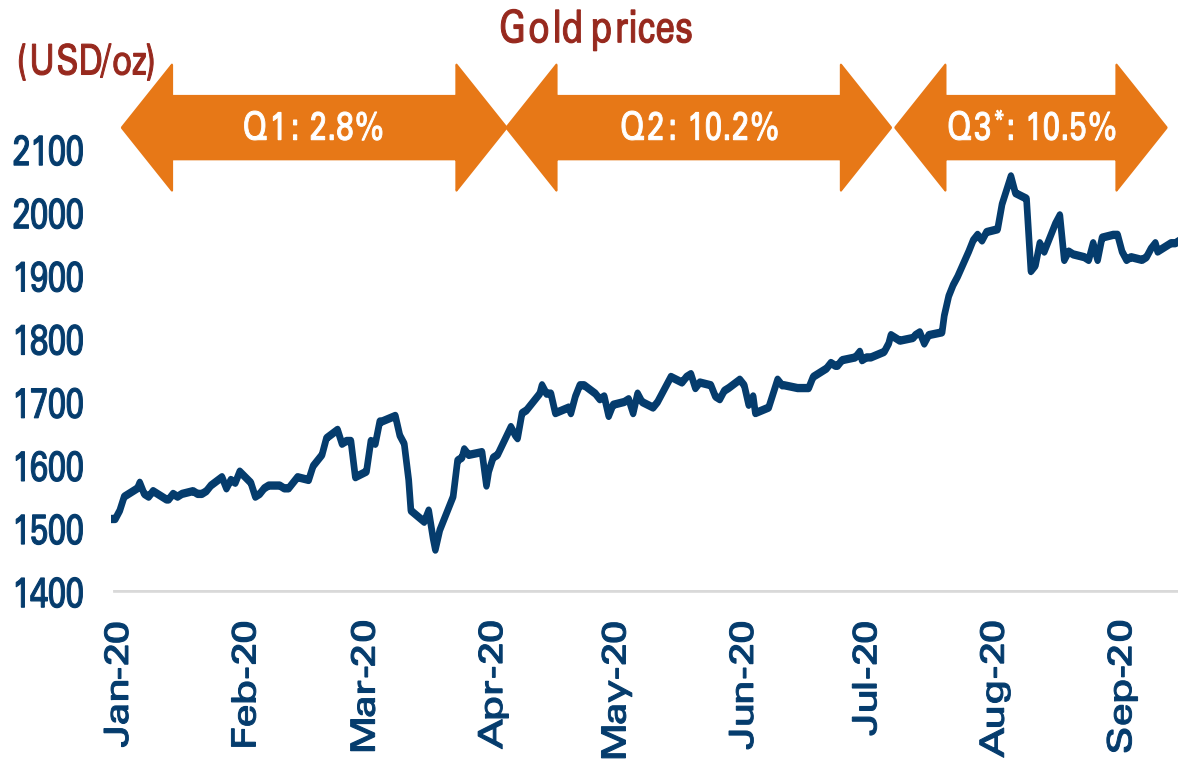
*Returns for Q3 are from Jul – 15th Sept, 2020



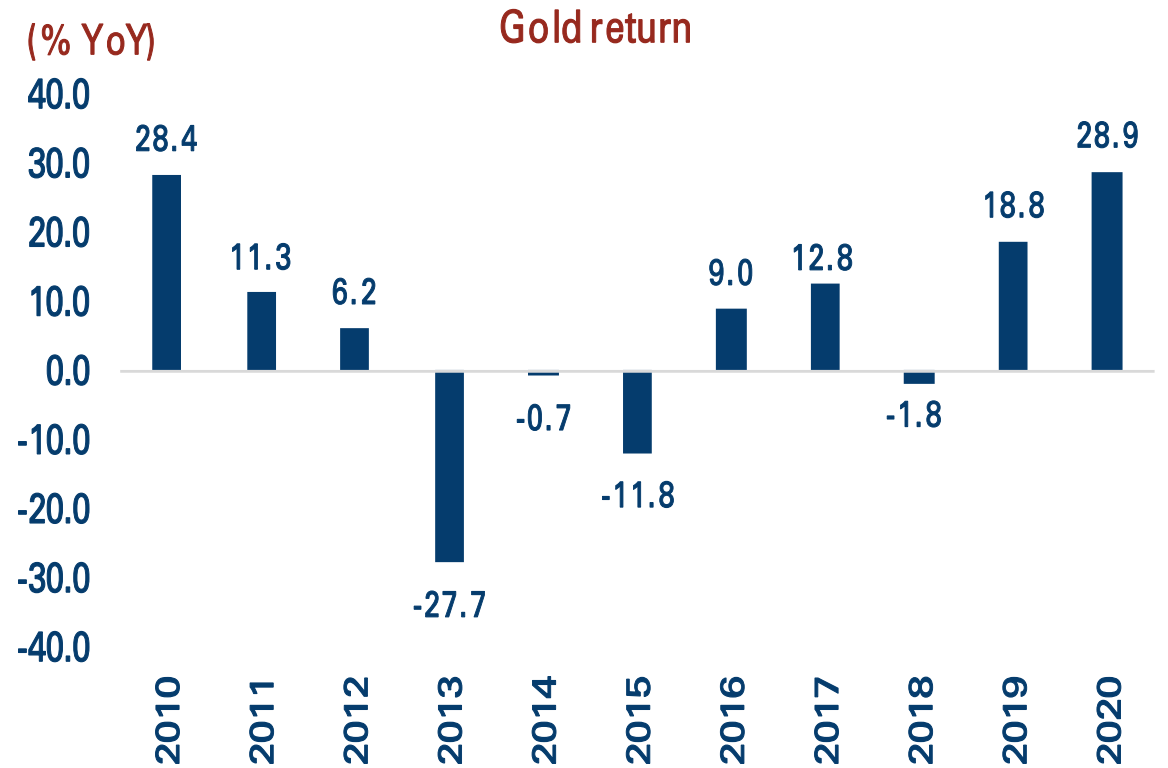
*2010 – 2019 returns are from 31st Dec prior year to 31st Dec current year; 2020 return is from 31st Dec 2019 to 15th Sept, 2020



Safe-haven demand could continue to assist the rally in Gold



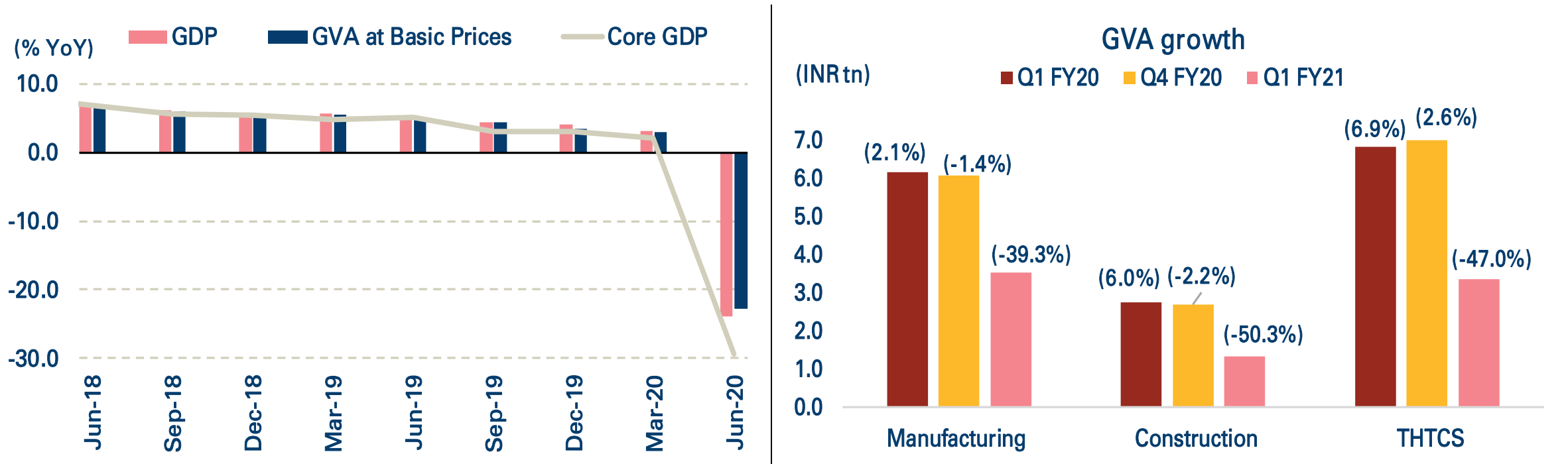
*Returns for Q3 are from Jul – 15th Sept, 2020



*2010 – 2019 returns are from 31st Dec prior year to 31st Dec current year; 2020 return is from 31st Dec 2019 to 15th Sept, 2020



Growth expectedly took a sharp hit in April-June



Figures in parenthesis are YoY growth rates; THTCS: Trade, hotels, transport, communication services

- **GDP growth** expectedly contracted by a substantial 24% YoY, given nationwide lockdowns, lack of non-essential consumption, and a severe contraction in investment
- Sectorally, agriculture was robust, while industry and services tapered in activity considerably
- Construction, manufacturing, domestic trade, hospitality and travel were a few sectors which saw substantial demand destruction in the April-June quarter
- Substantial support to growth came from Government's spending, without which contraction would have been much sharper (Core GDP)

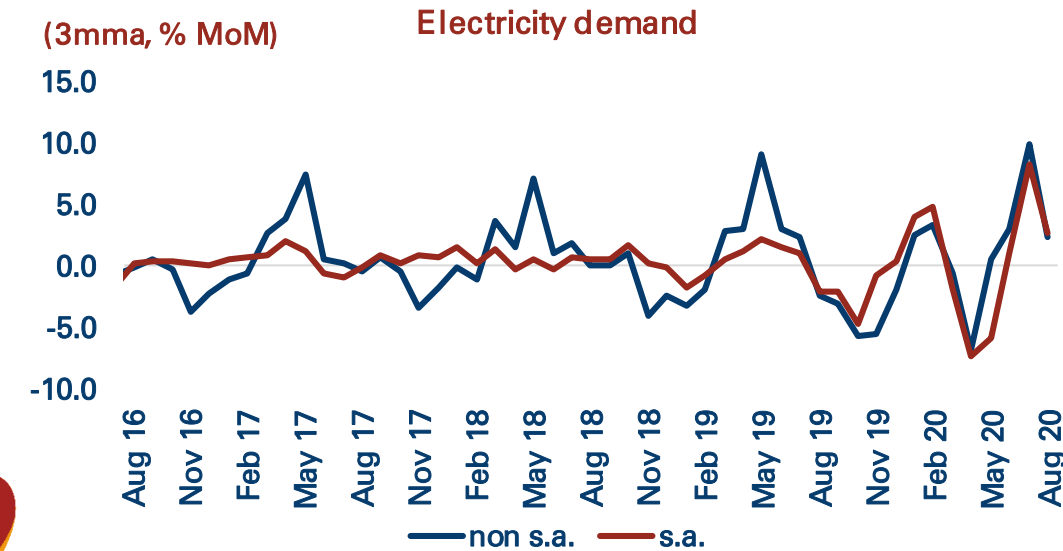
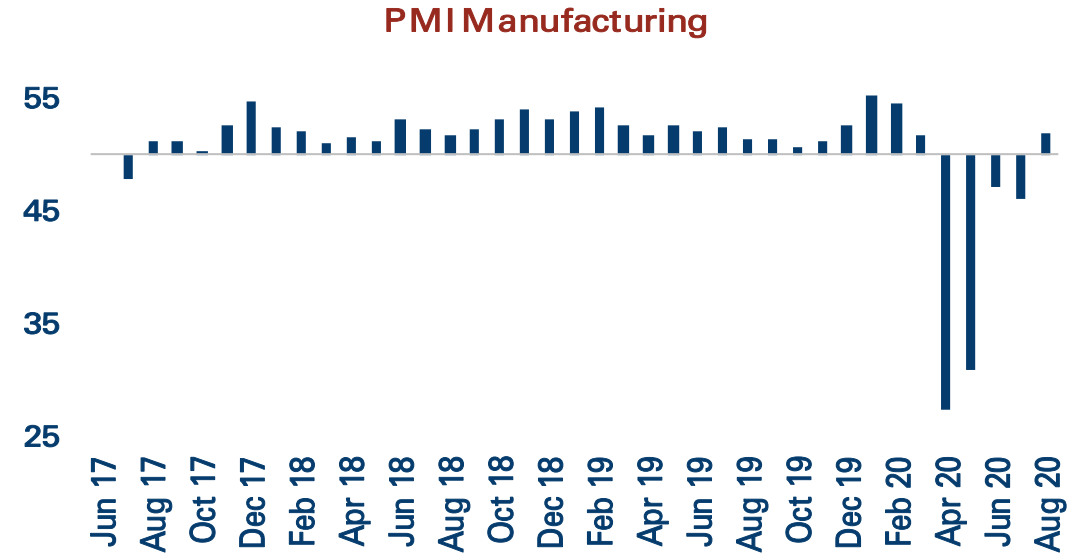
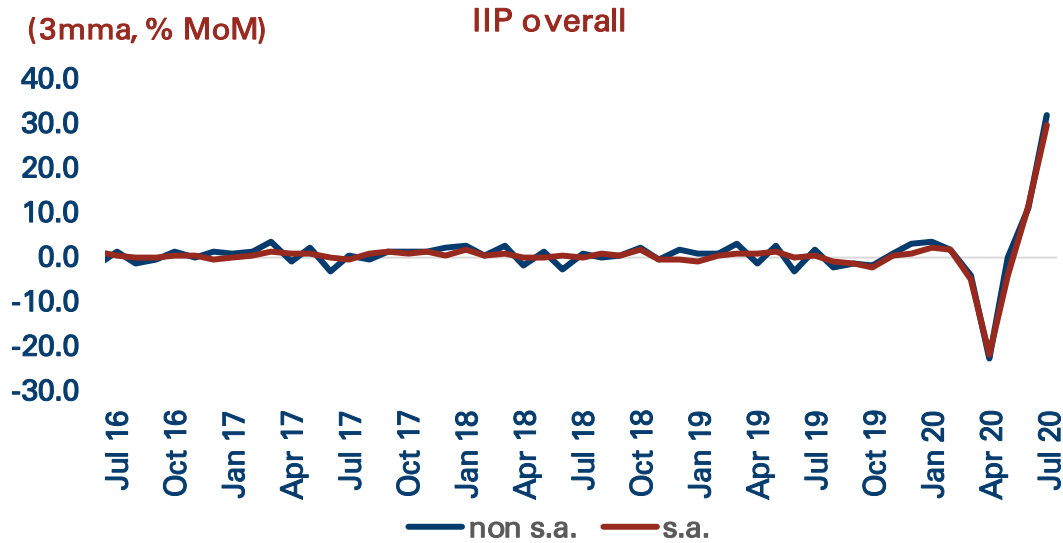


A sharp contraction in GDP will manifest this year

- Given the current status of lead indicators, localized lockdowns, and a substantial daily spike in infections, the current quarter could see a ~10% YoY contraction in GDP
- The upcoming festive quarter could see sequential increase in consumption impetus. However, the increased proclivity to save in this year, in light of loss of livelihoods and income, could put dent in consumption uptick
- Overall, we expect GDP for FY2021 to contract by at least 6.5% YoY
- Significant downside risks to this forecast exists, which could lead to GDP contracting more than our base case, dependent on
 - 1) pace and timing of peaking in infections
 - 2) the inclination to save rather than spend on consumer goods
 - 3) inadequate return of labour from rural India impeding key sectors like construction
 - 4) degree of fiscal spending and constraints thereof, and
 - 5) lower global growth and commensurate impact on global trade impacting exports

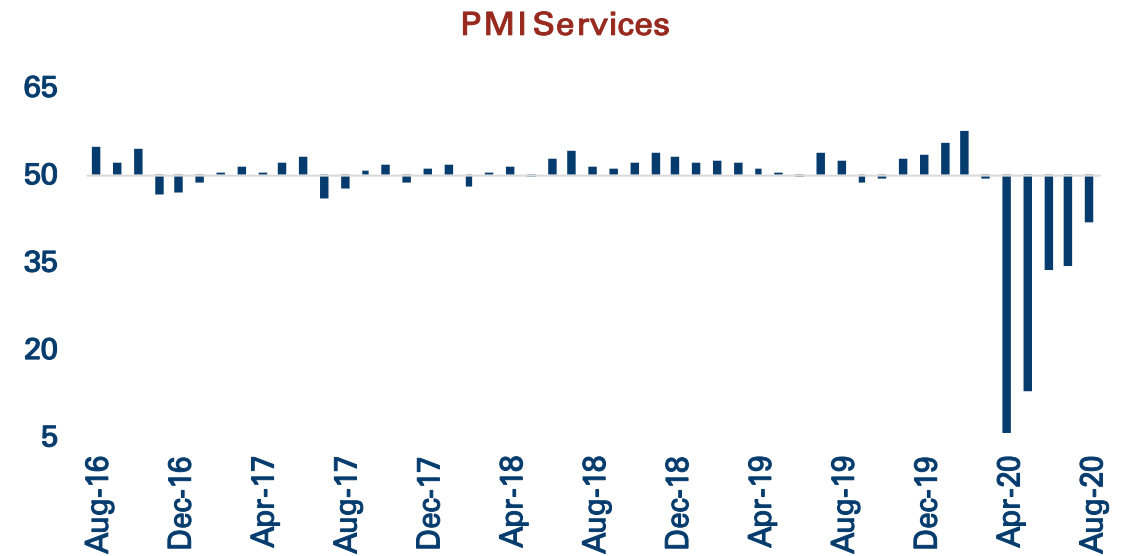
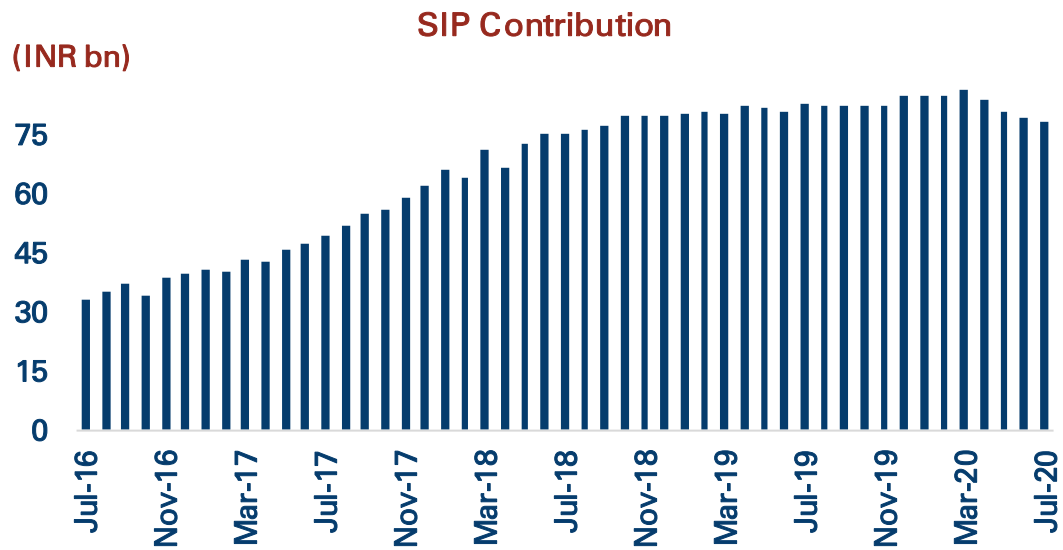
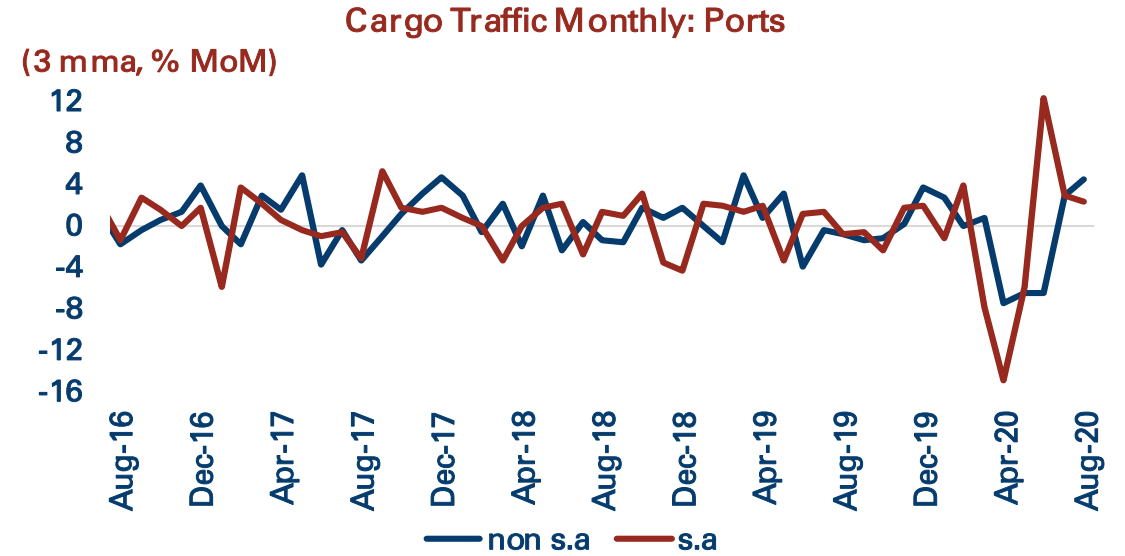
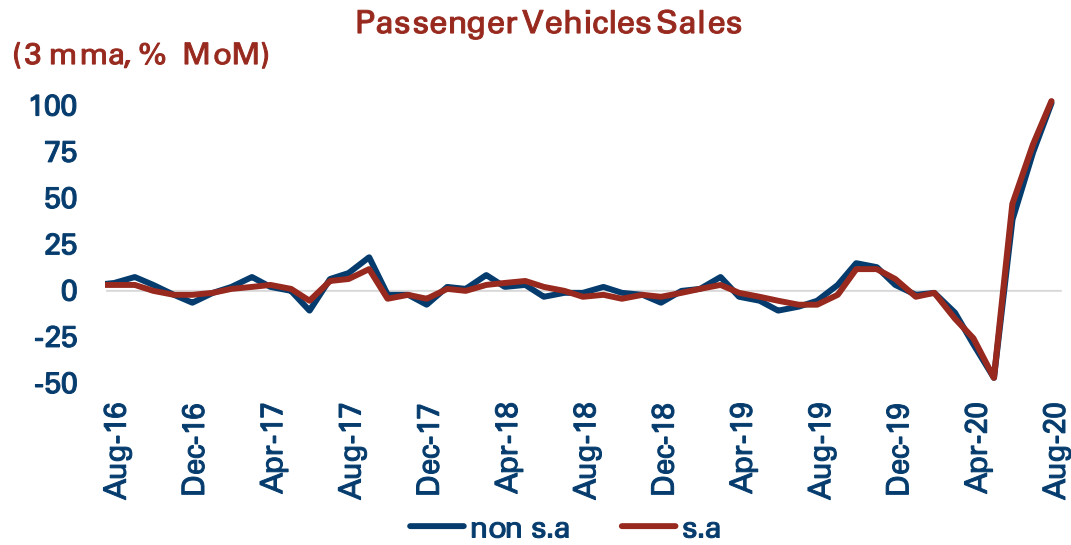


High frequency data presenting a mixed picture - while IIP and PMI saw improvement, post unlock surge in other industrial indicators seems to be abating..

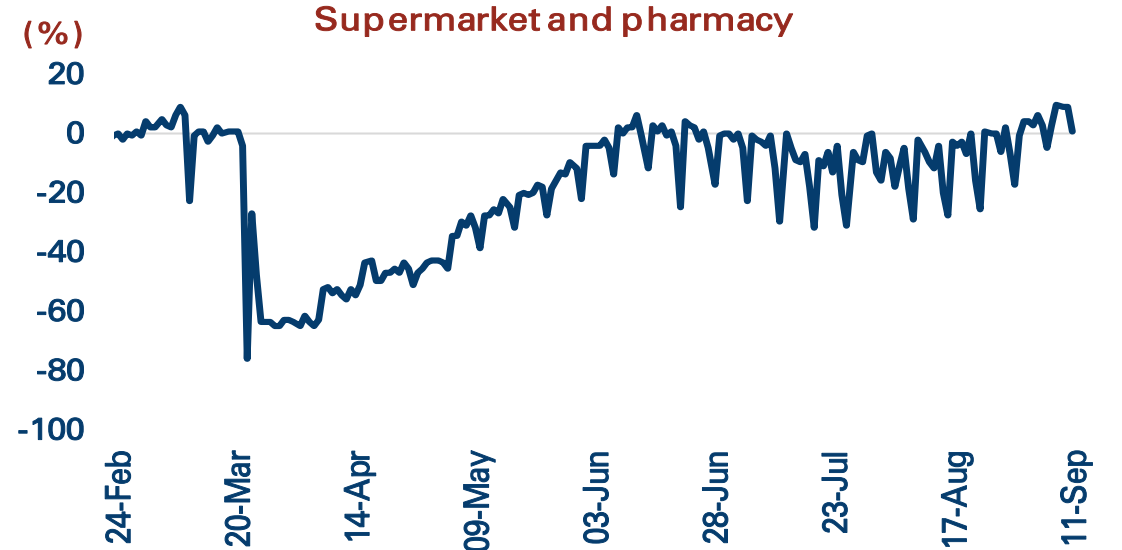
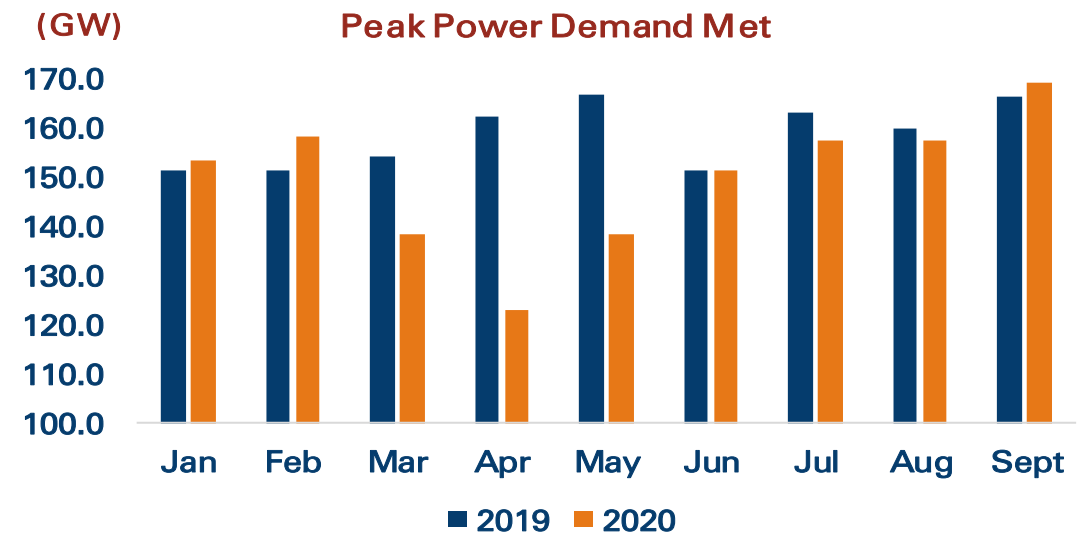
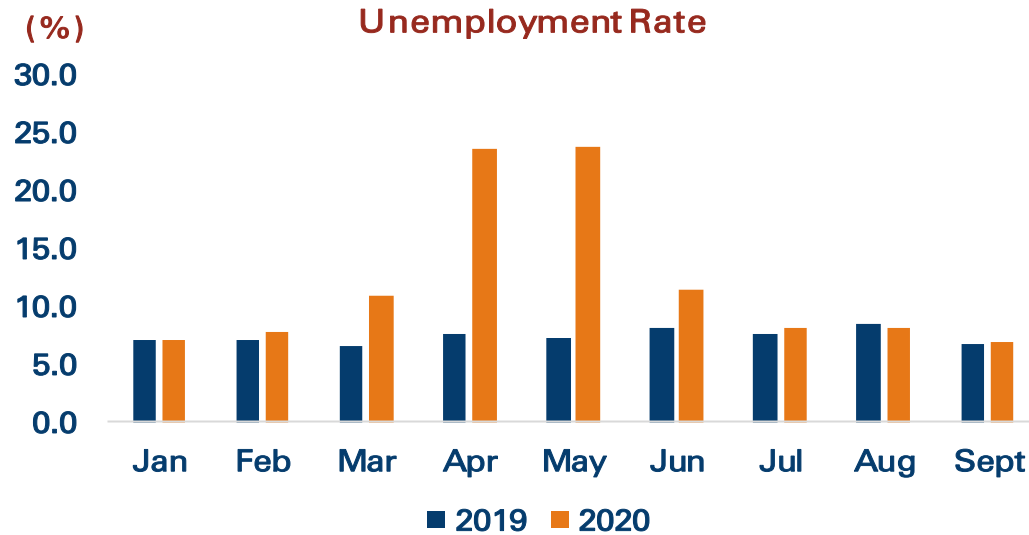


Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

...auto sales showing recovery, festive season could aid sales over Q3; while other services indicators remain muted

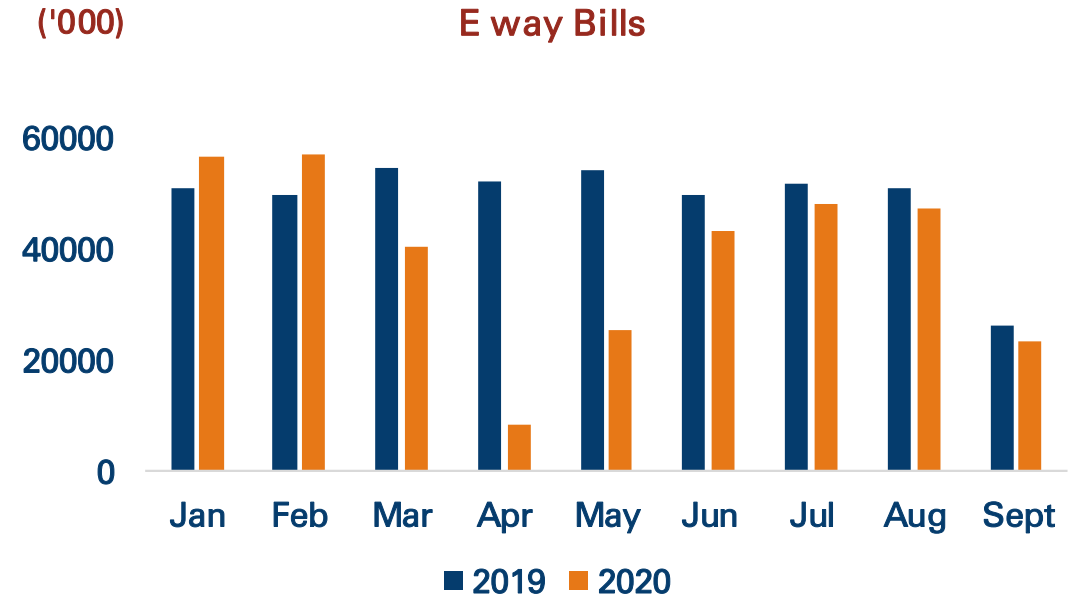
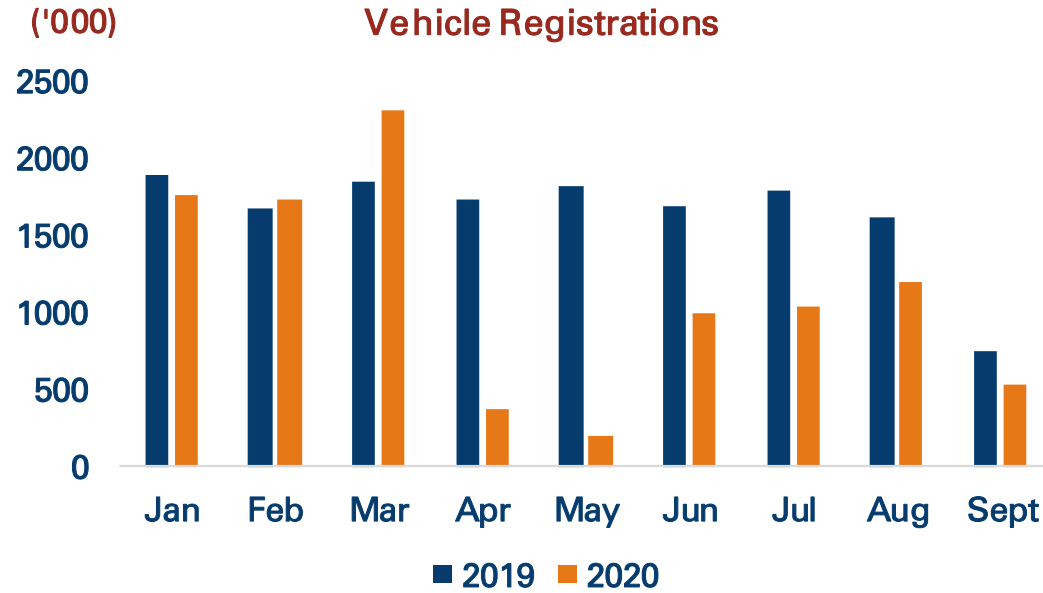


Unemployment rate and power demand seem to be reaching closer to pre-crisis levels; Google mobility showing improvement in supermarkets and retail sites...



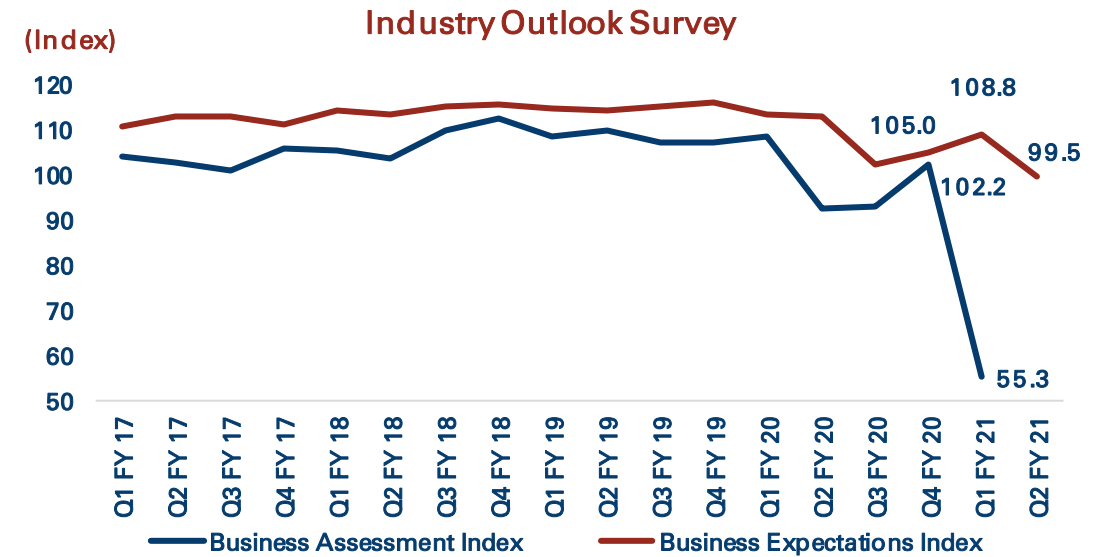
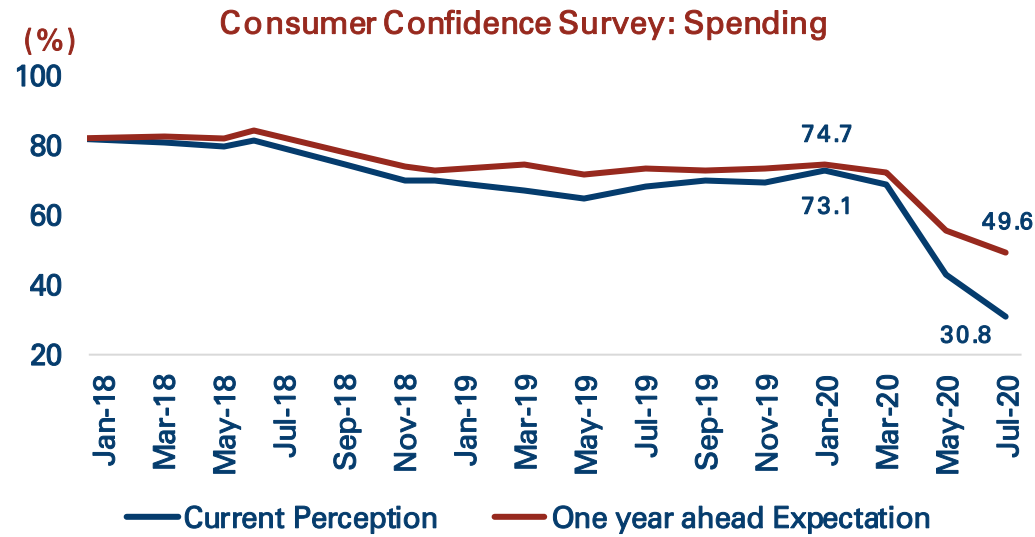
Note: Sept data is till 13th September, 2020
 Source: CMIE, POSOCO, Google, ICICI Bank Research

...while vehicle registrations and e-way bills collections seeing stagnancy

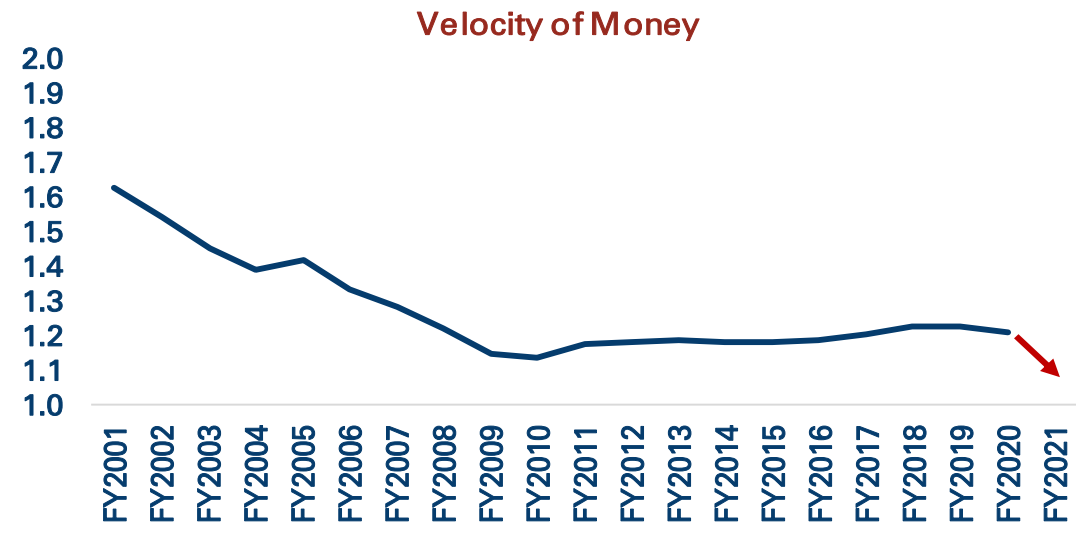
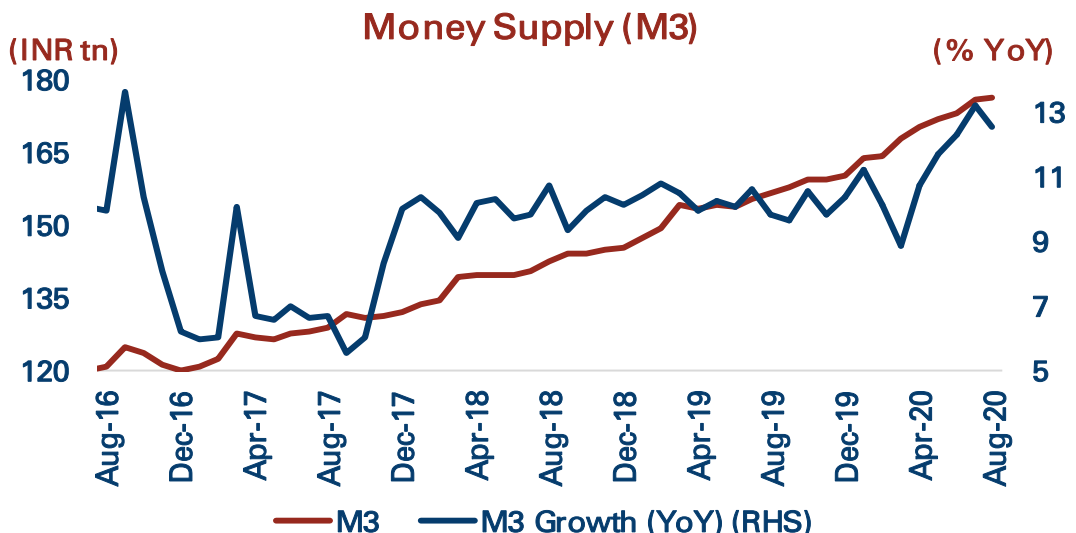
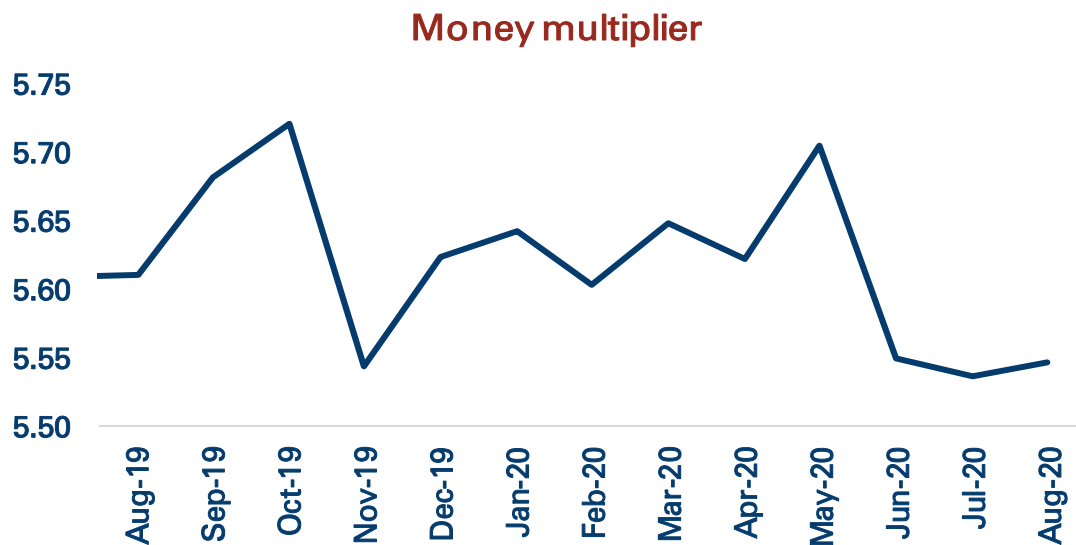
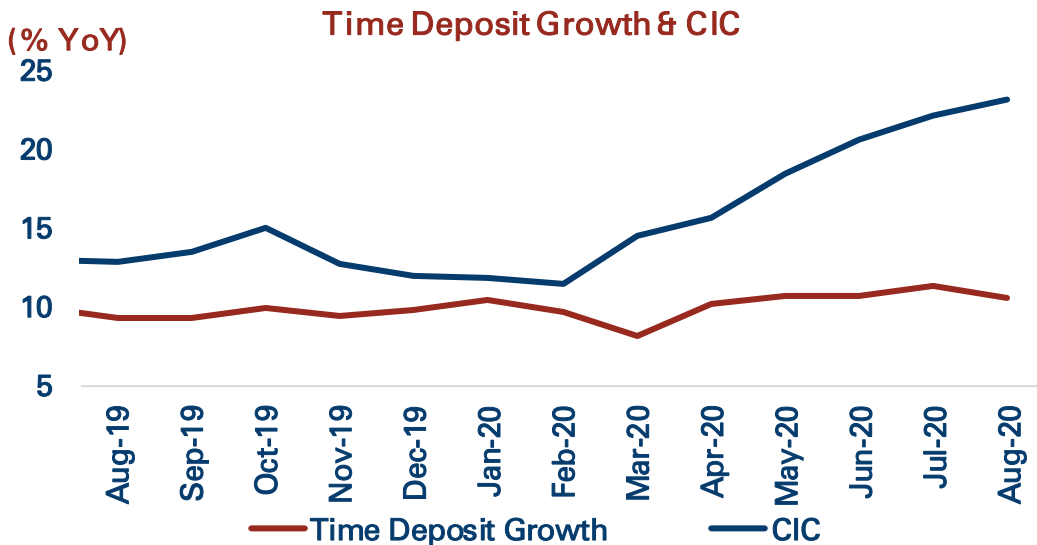


Note: Sept data is till 13th September, 2020
Source: Vahan, GSTN, ICICI Bank Research

Consumer and industrial confidence has fallen sharply & inflation expectations continue to rise

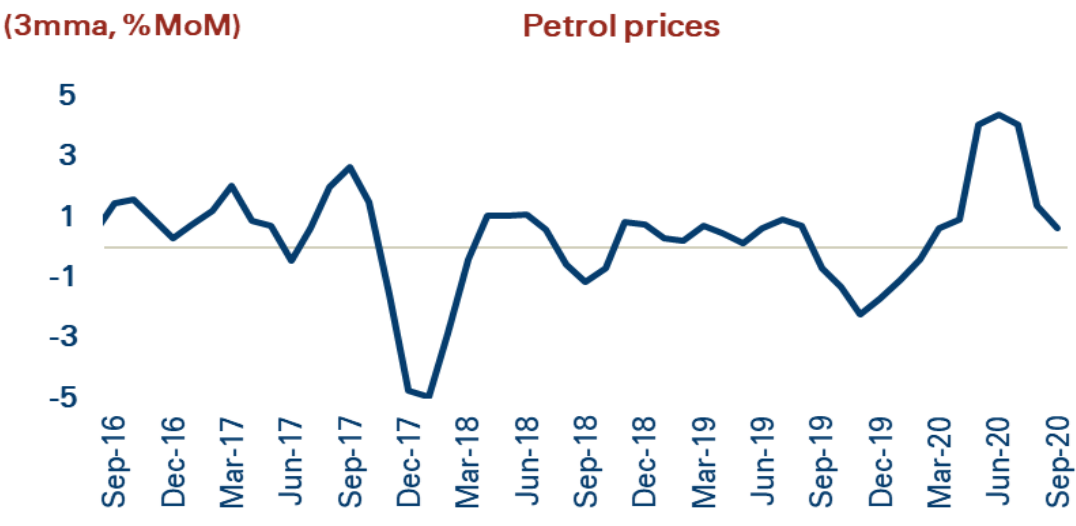
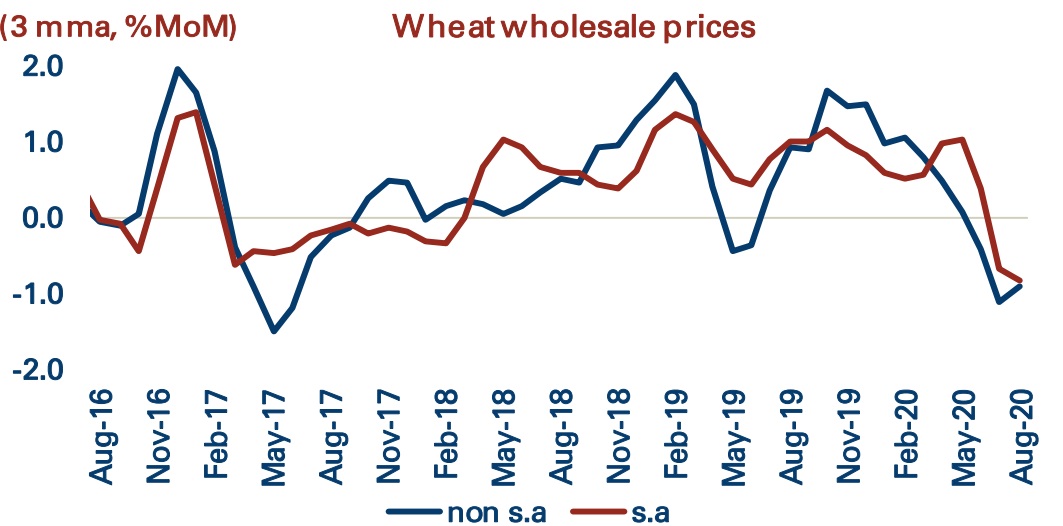
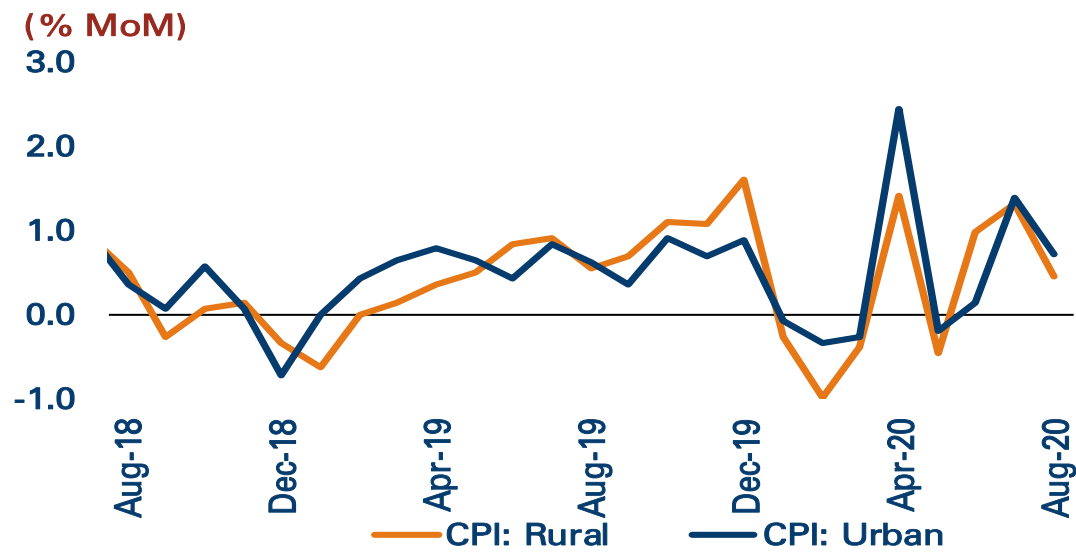
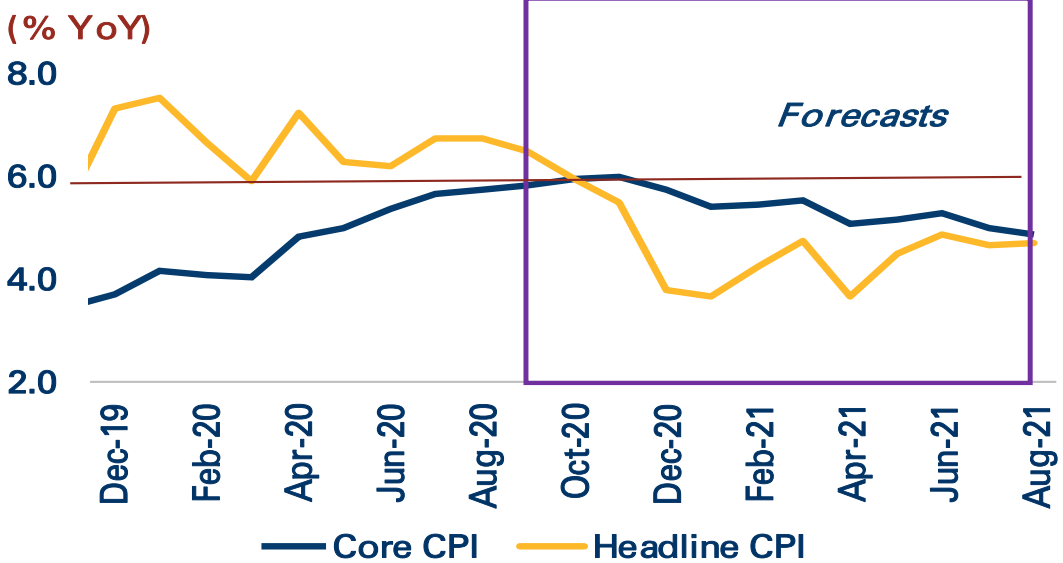


Money multiplier remains low, while deposit growth and CIC increase; fall in velocity of money could add to recessionary impulses if not supported by growth in money supply



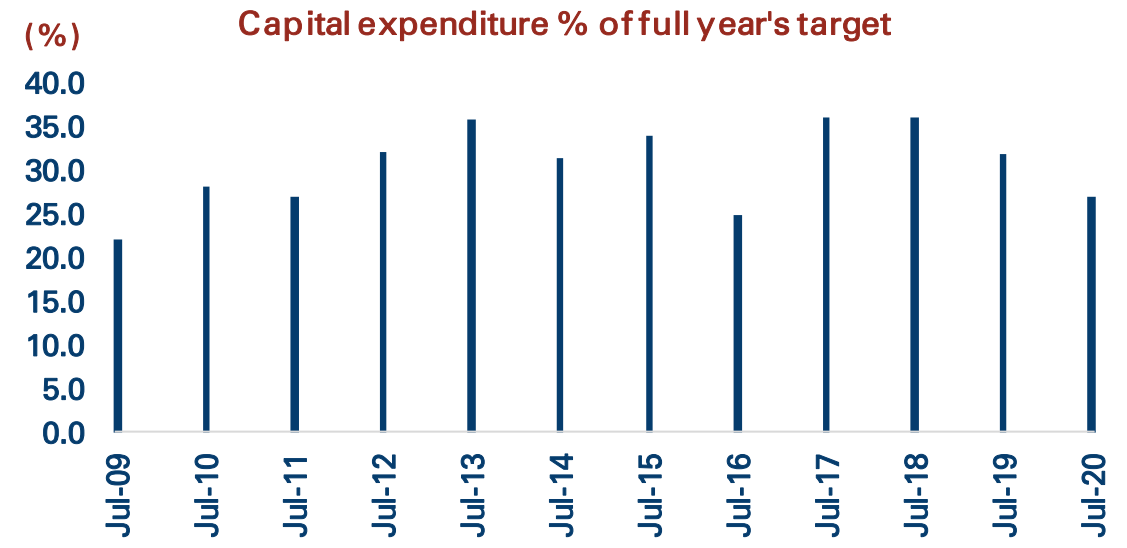
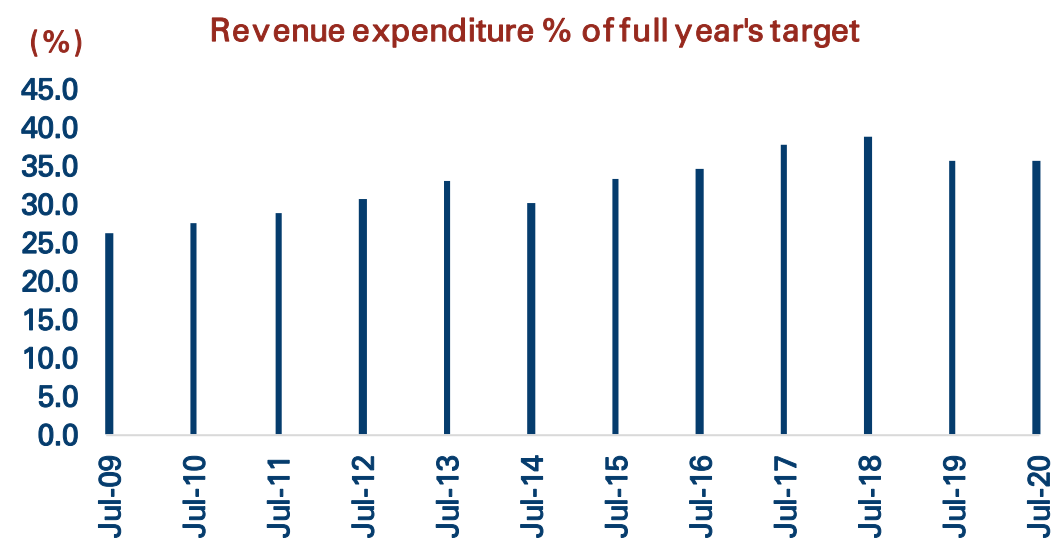
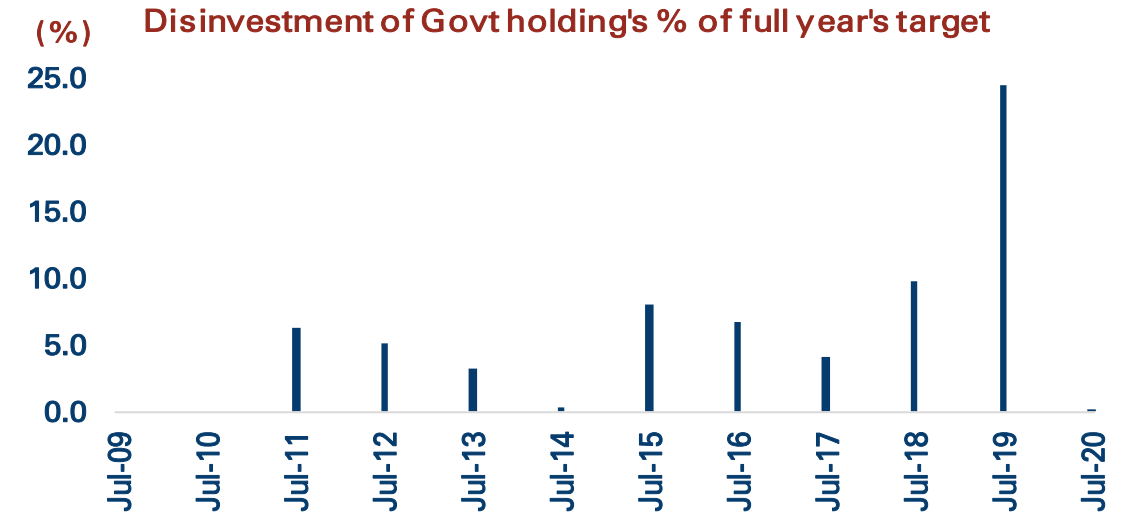
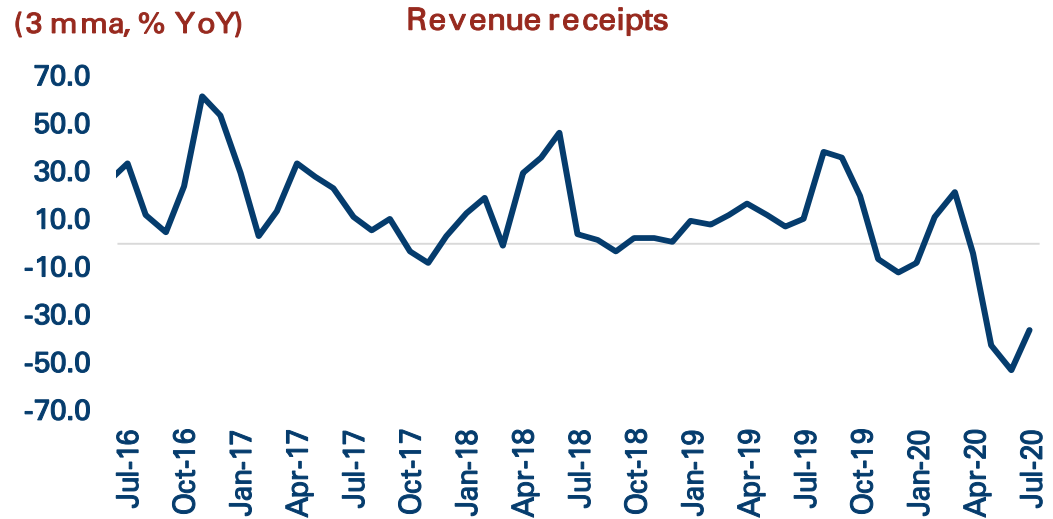
Source: CEIC, RBI, ICICI Bank Research; Money multiplier = M3/M0; Velocity = Nominal GDP/M3

Inflation expected to see a lowering trajectory, assisted by food grain and oil momentum, and easing supply side disruptions



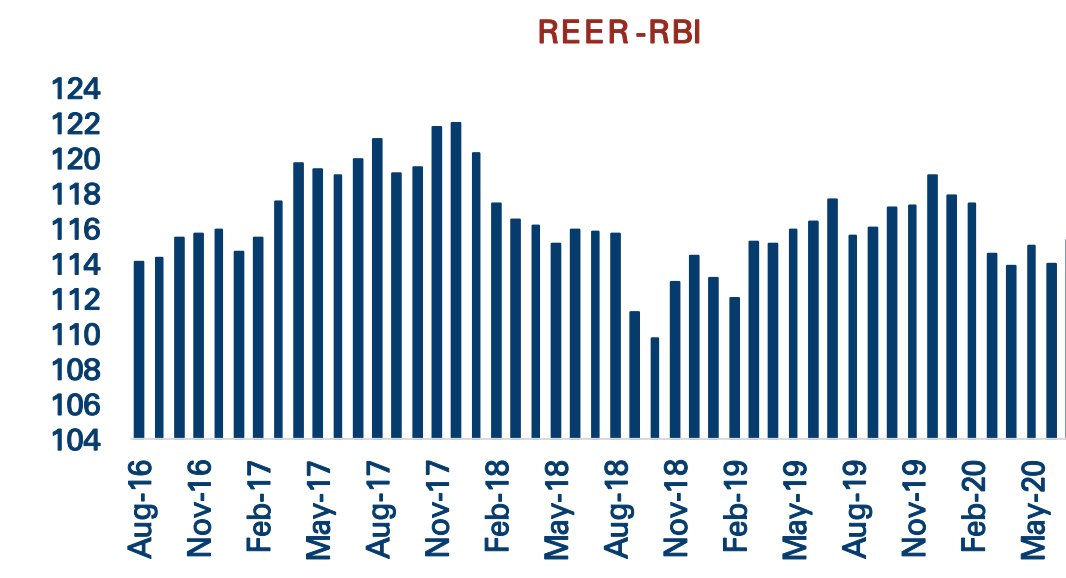
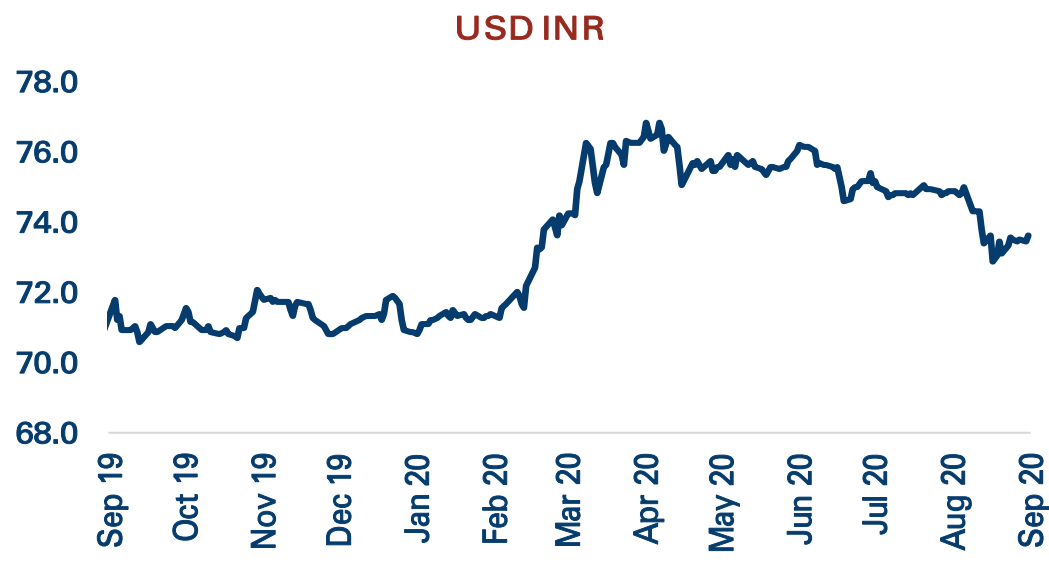
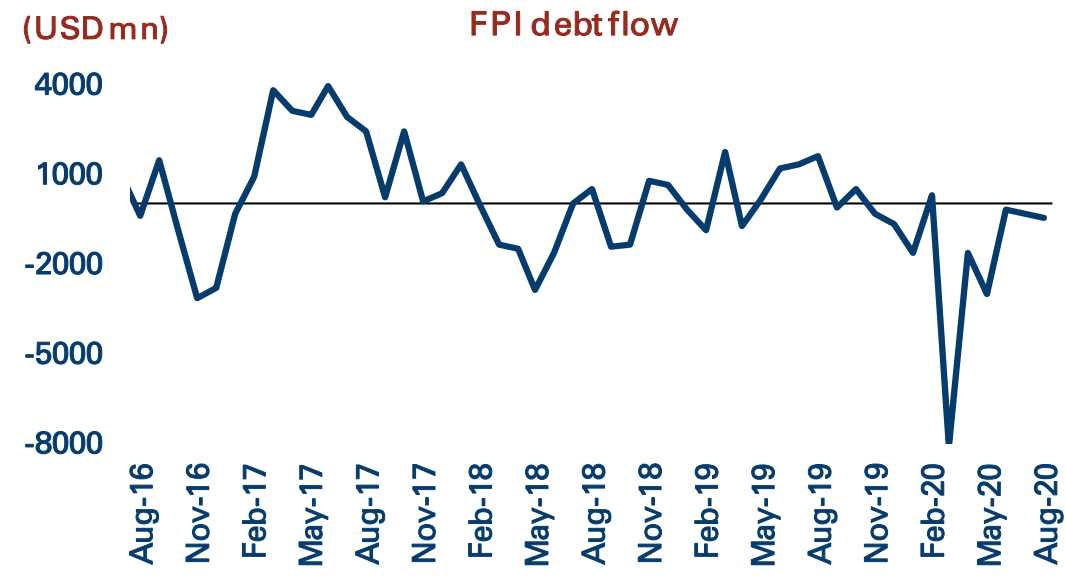
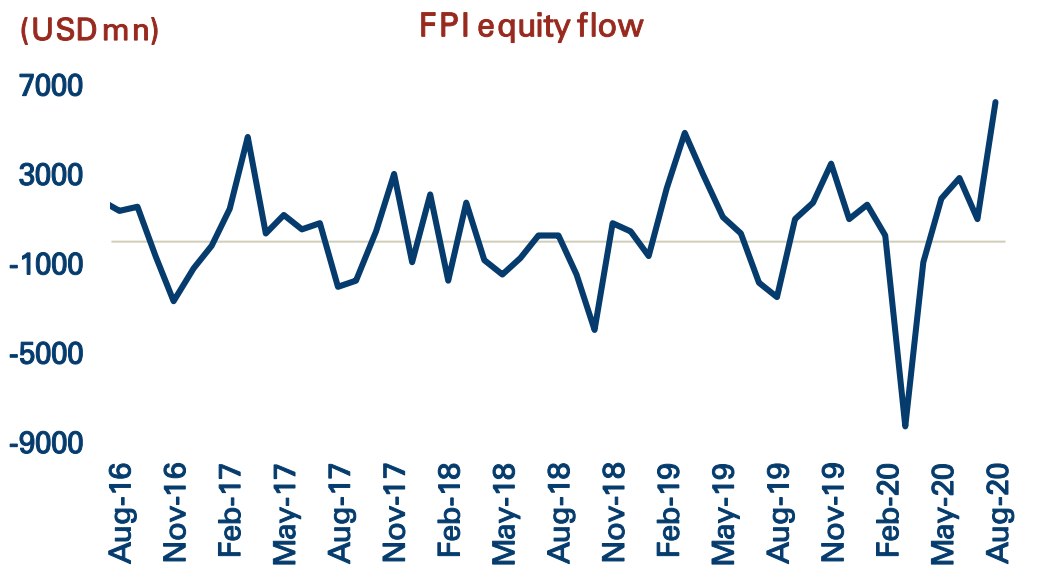
Source: CEIC, RBI, ICICI Bank Research

Fiscal slippage to be considerable given slippage in receipts in the first five months of the fiscal ... while expenditure has kept pace with budgeted numbers



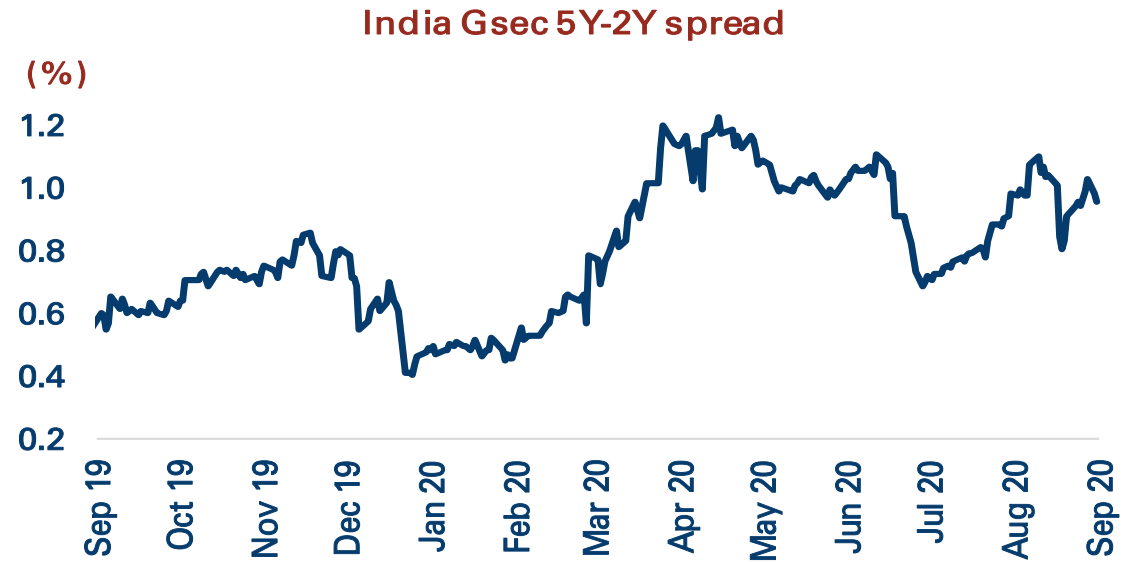
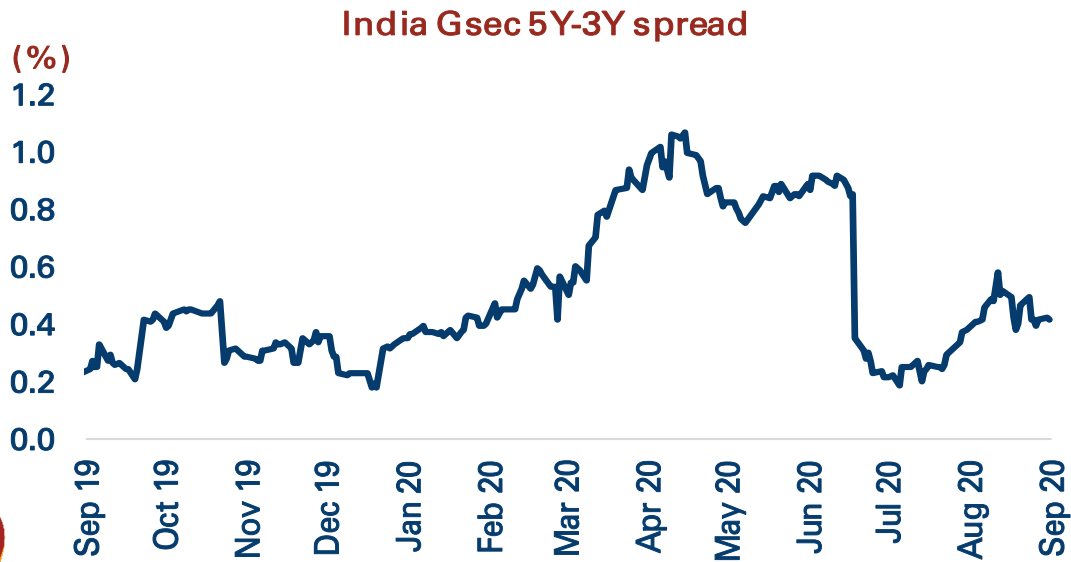
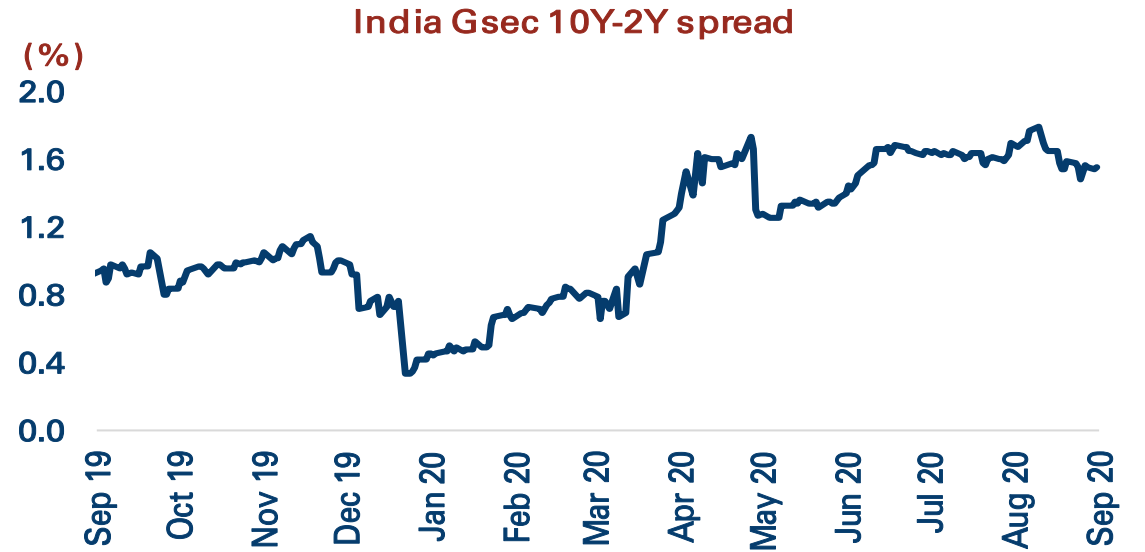
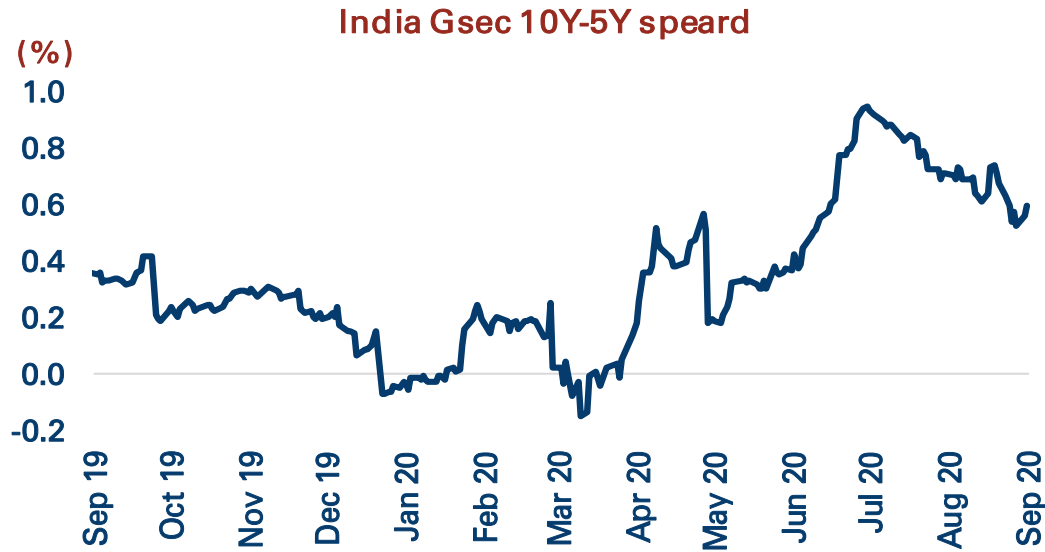
Note : Total value from April to July (in charts with % of full year targets)
 Source: CEIC, Union Budget, ICICI Bank Research

Rupee strengthening assisted by equity flows and lack of RBI intervention

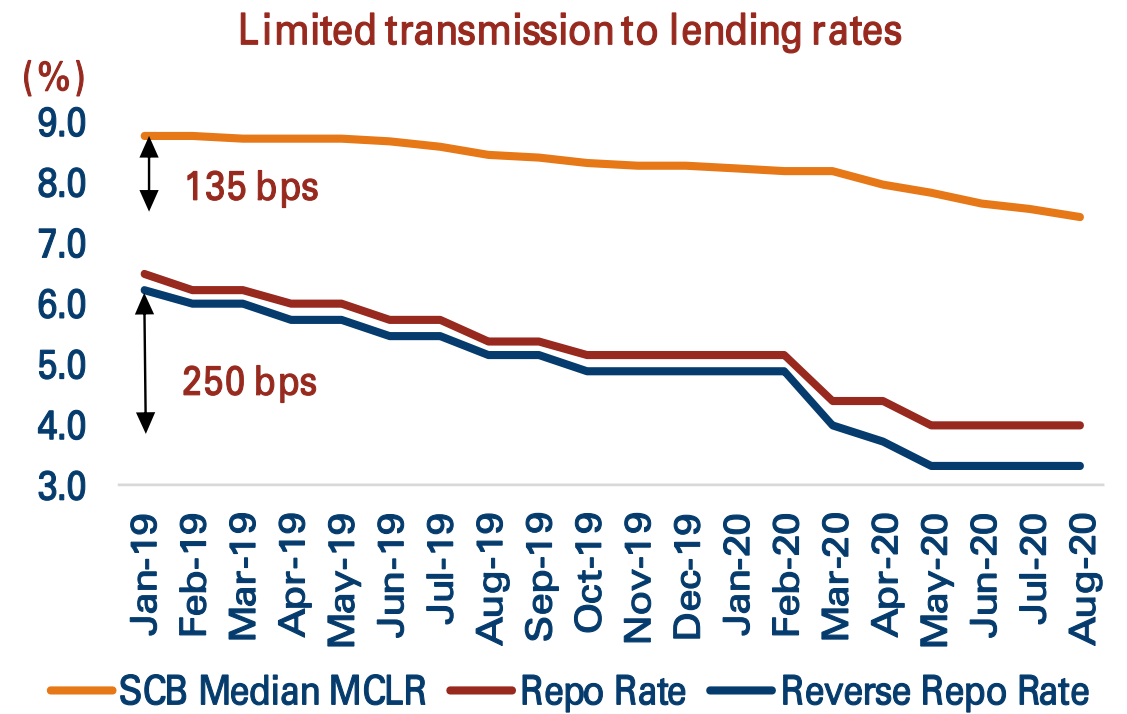
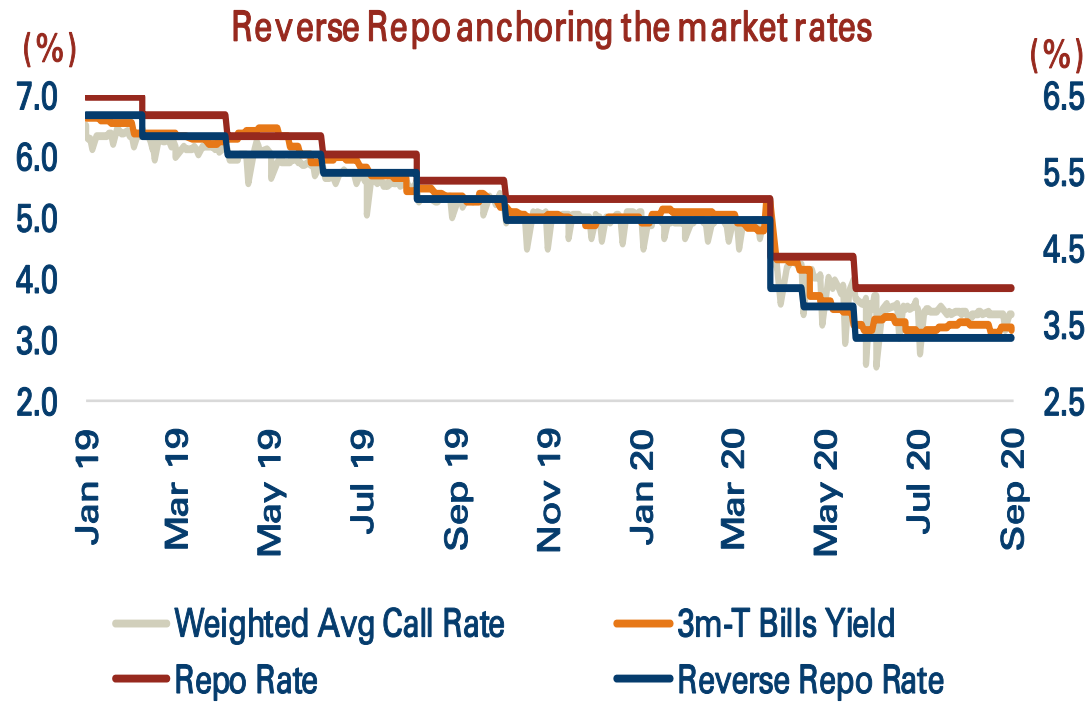


Source: CEIC, Bloomberg, RBI, ICICI Bank Research

Spreads driven by supply concerns and RBI action



Reverse repo the effective policy rate; transmission to lending rates partial



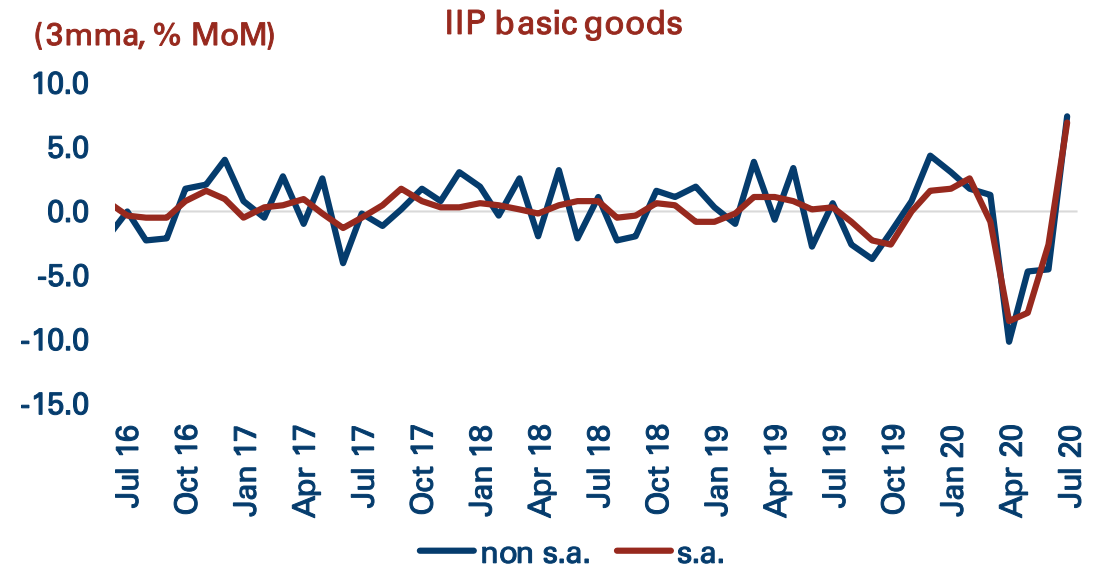
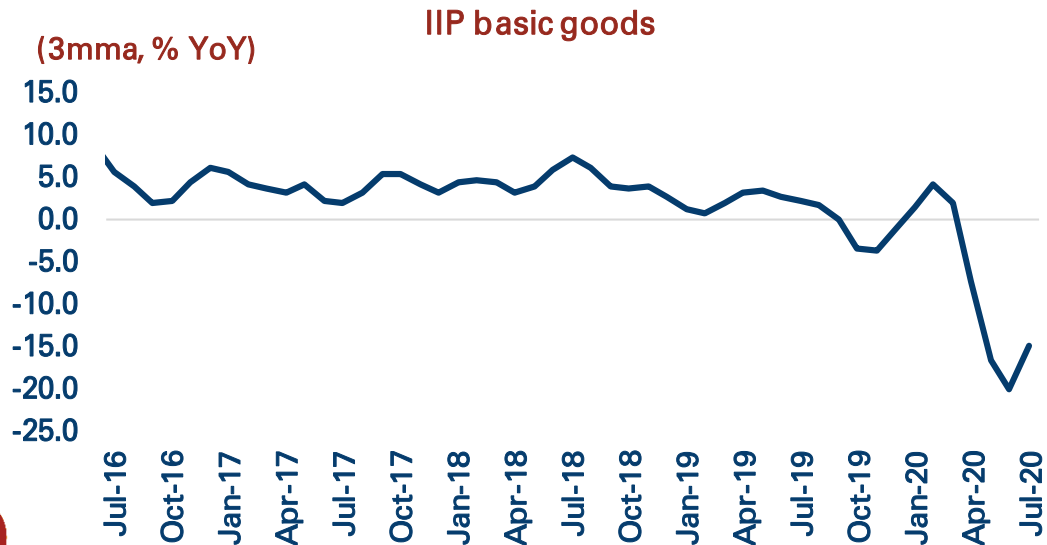
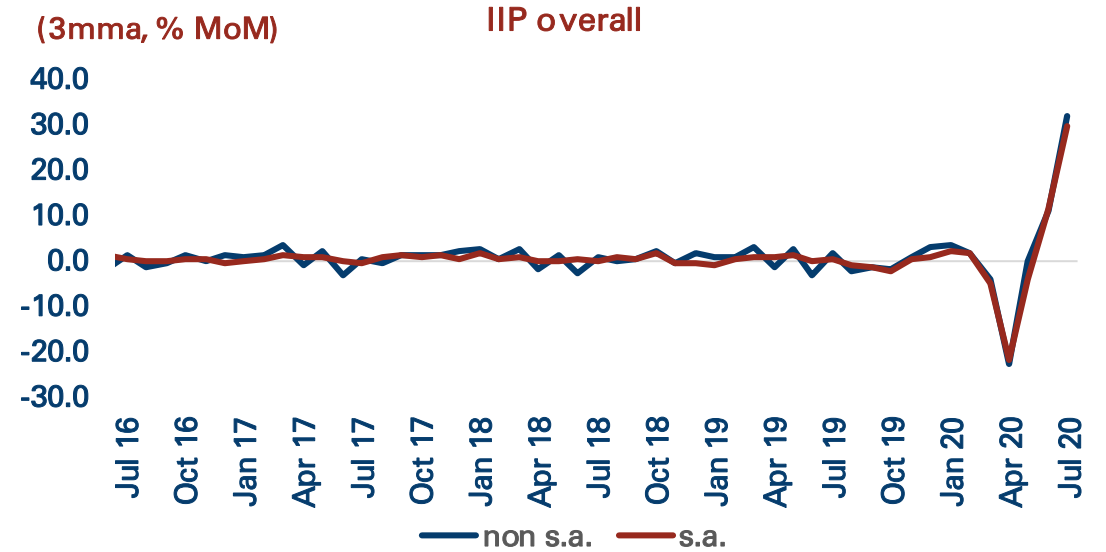
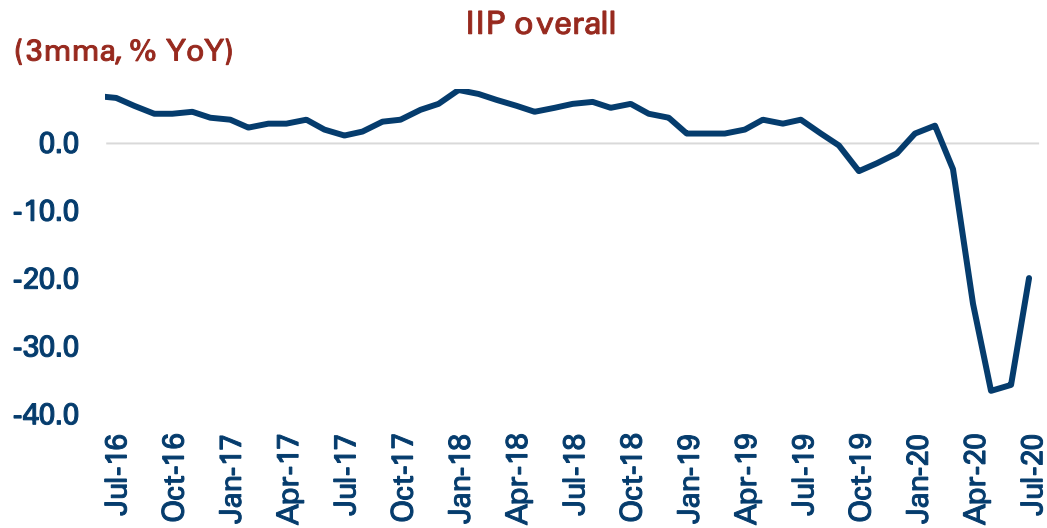


Appendix



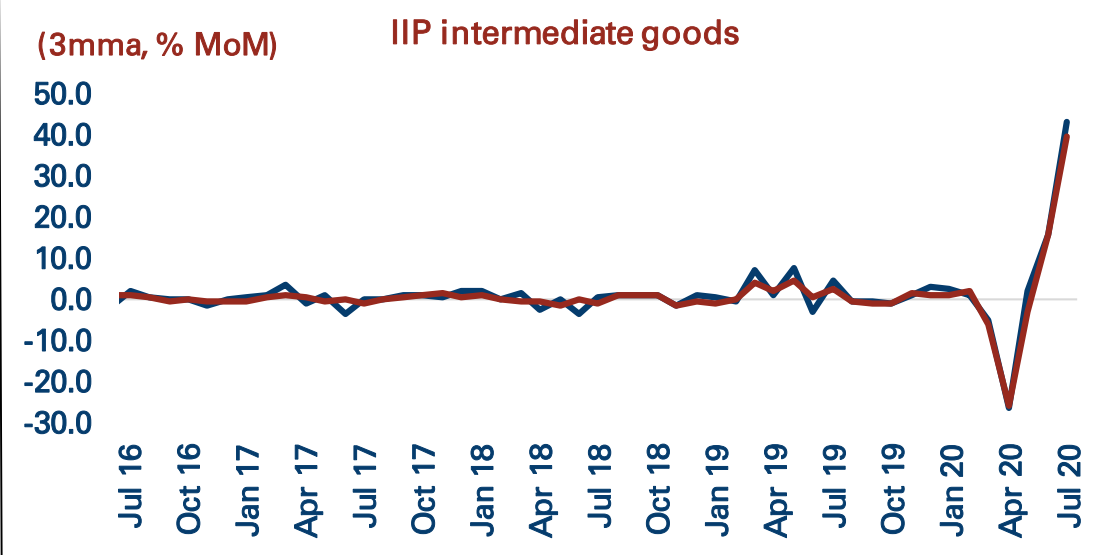
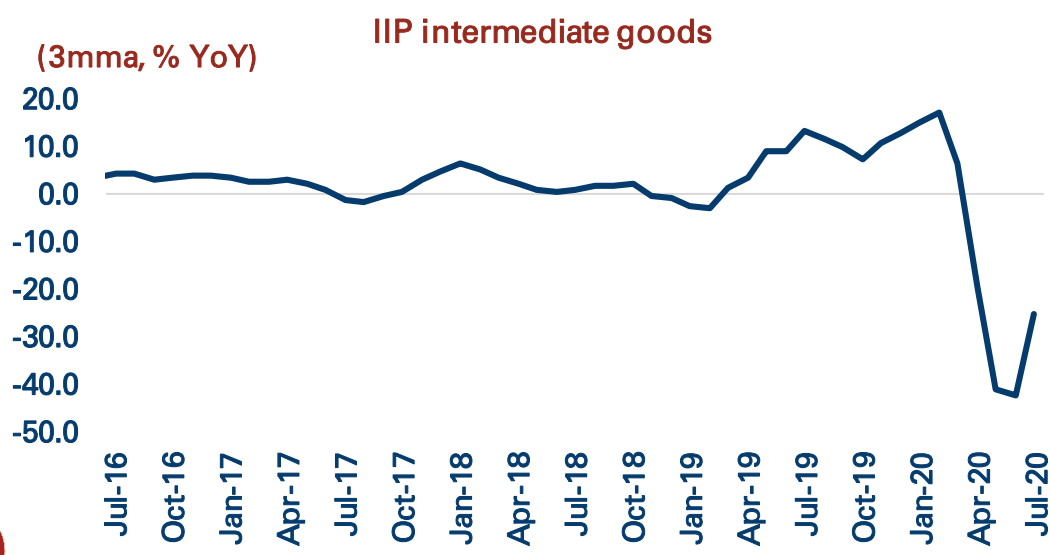
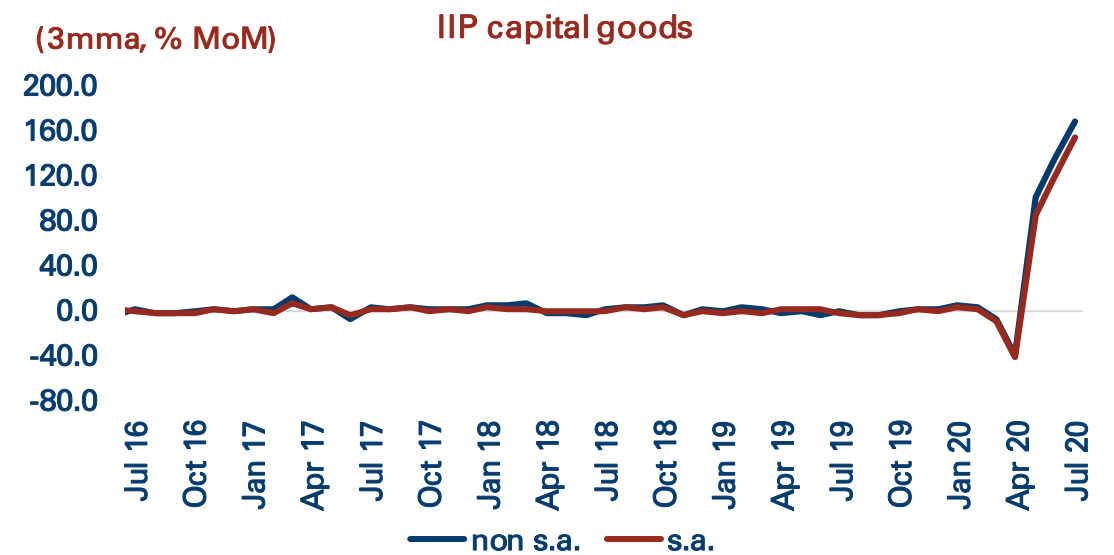
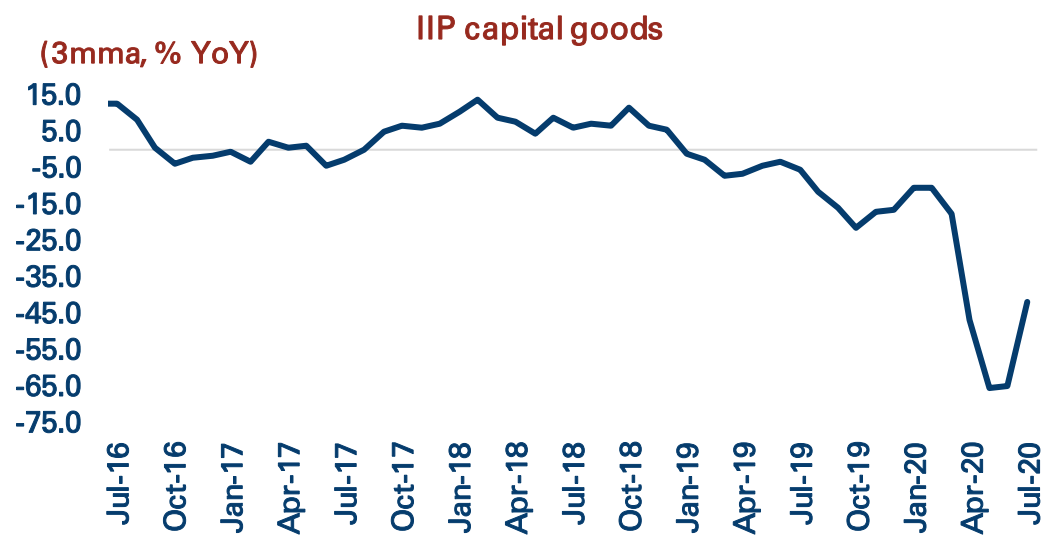
Industrial Sector

Momentum in industrial production improving through April-July



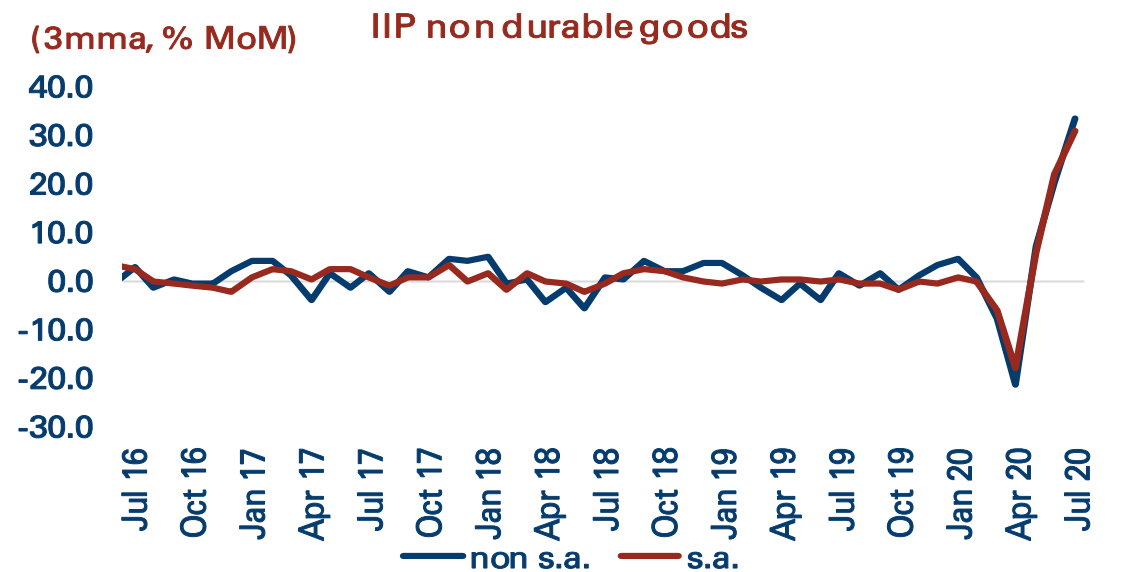
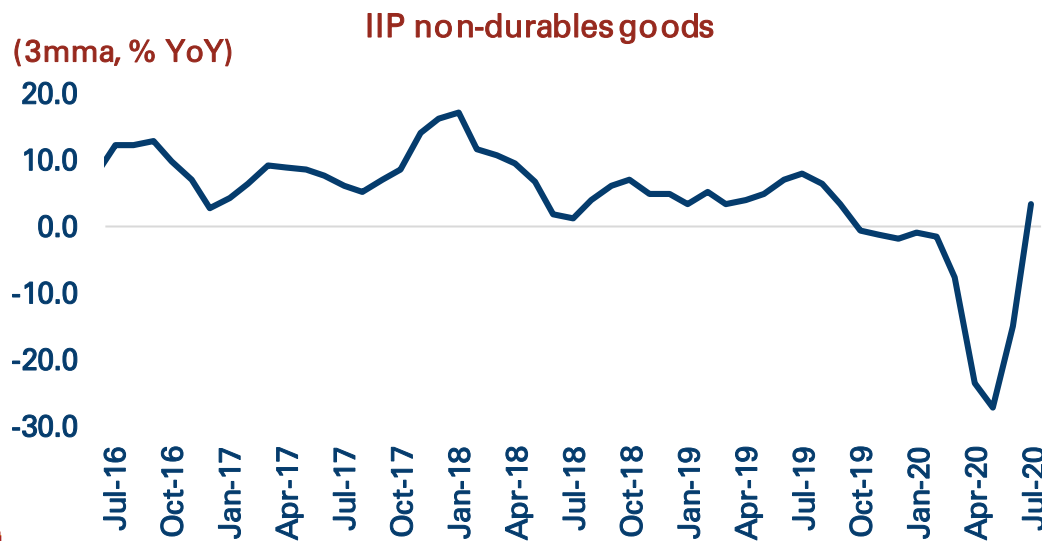
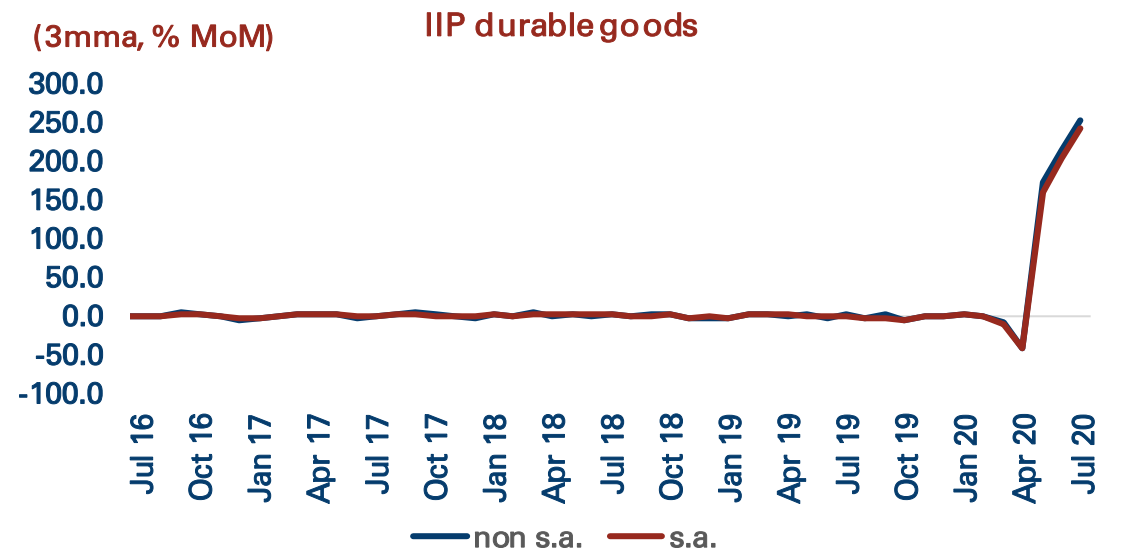
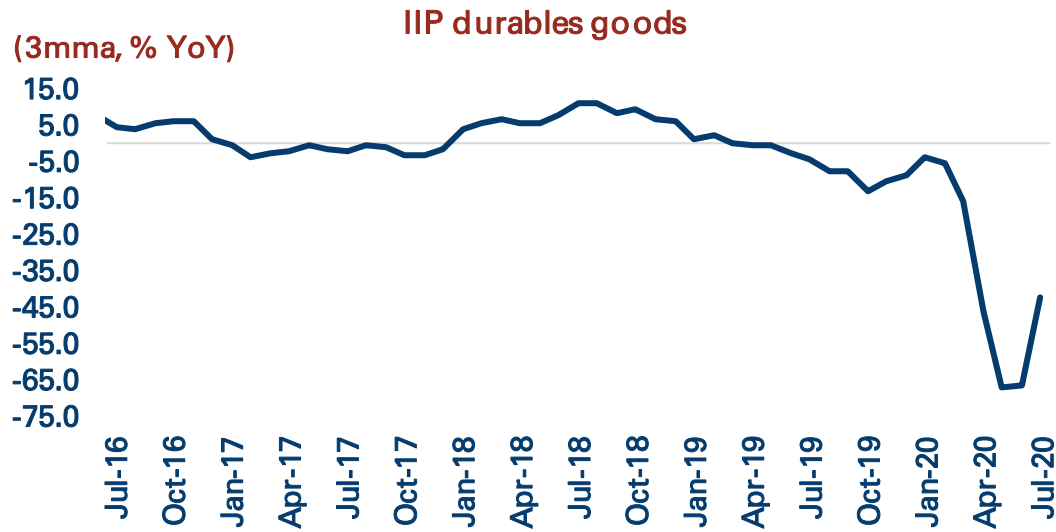
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Momentum in industrial production improving through April-July



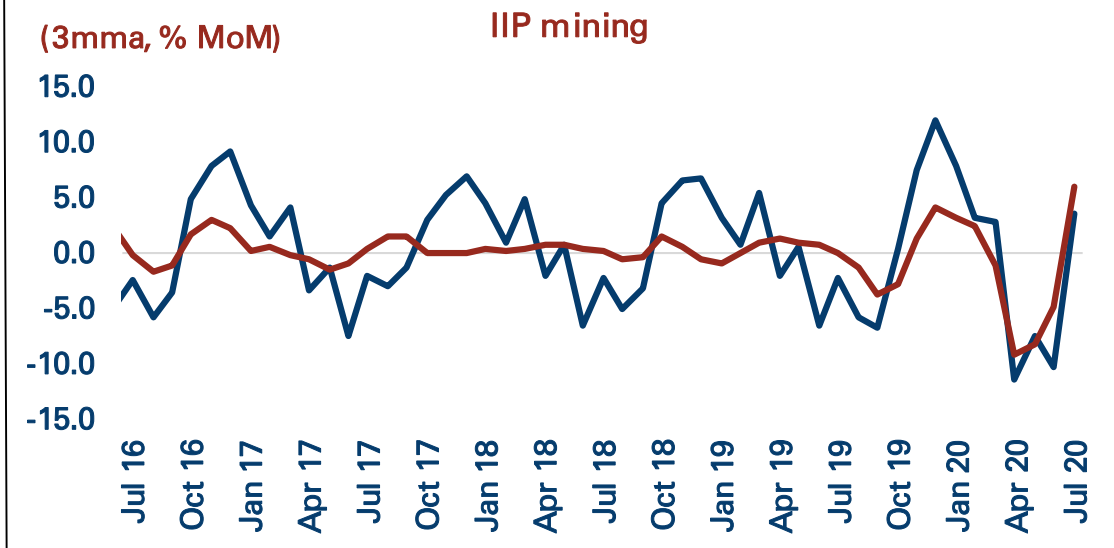
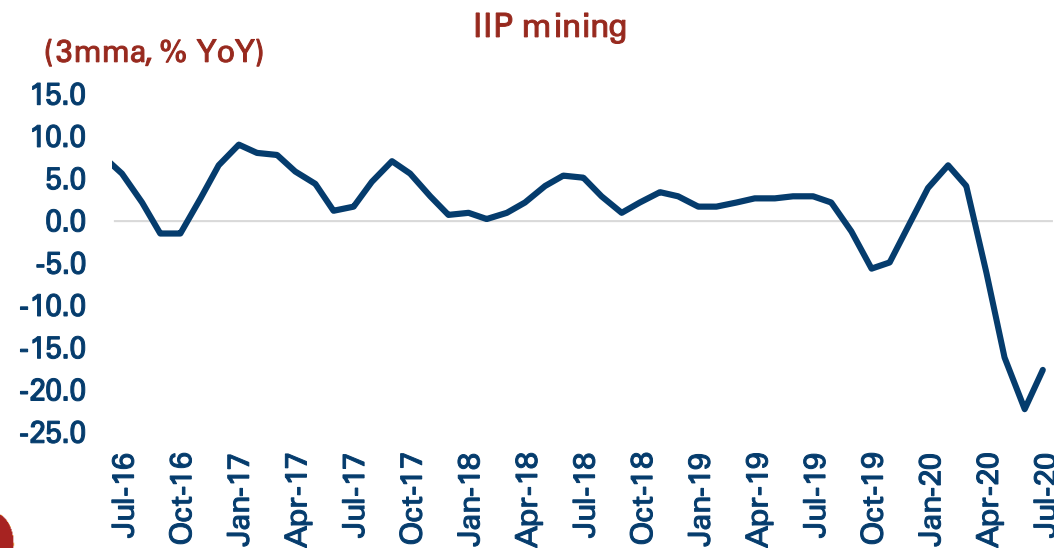
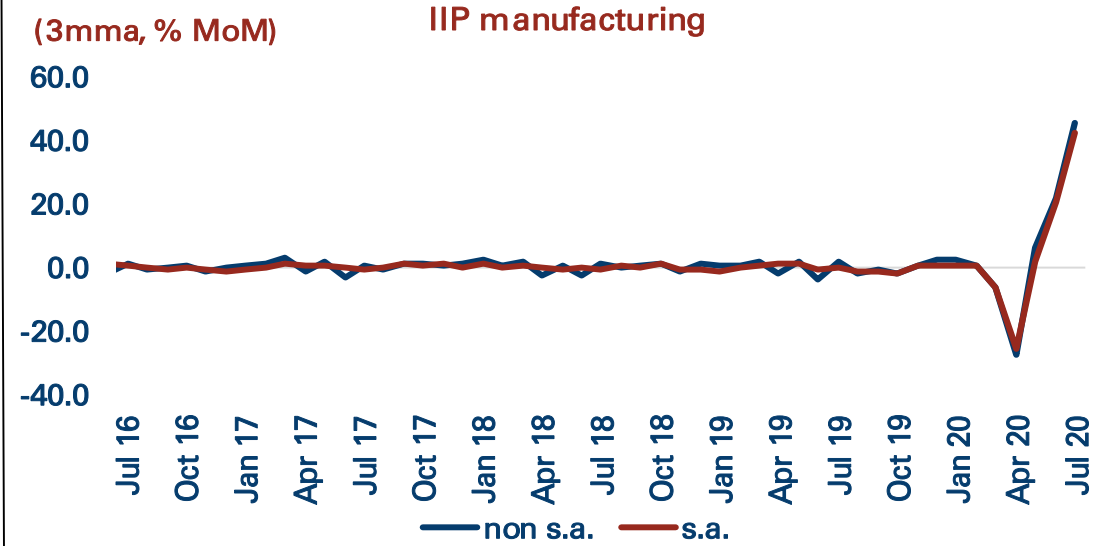
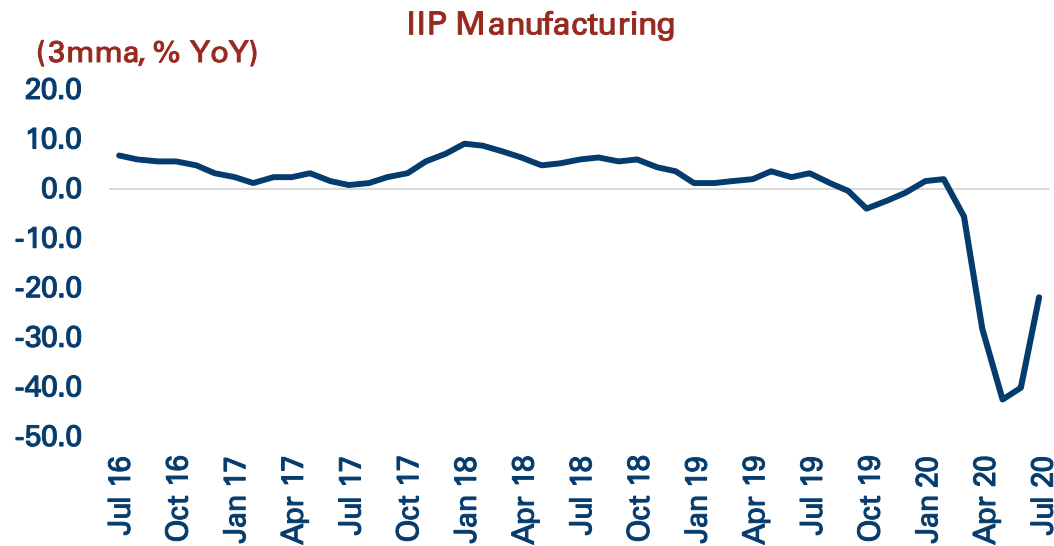
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Momentum in industrial production improving through April-July



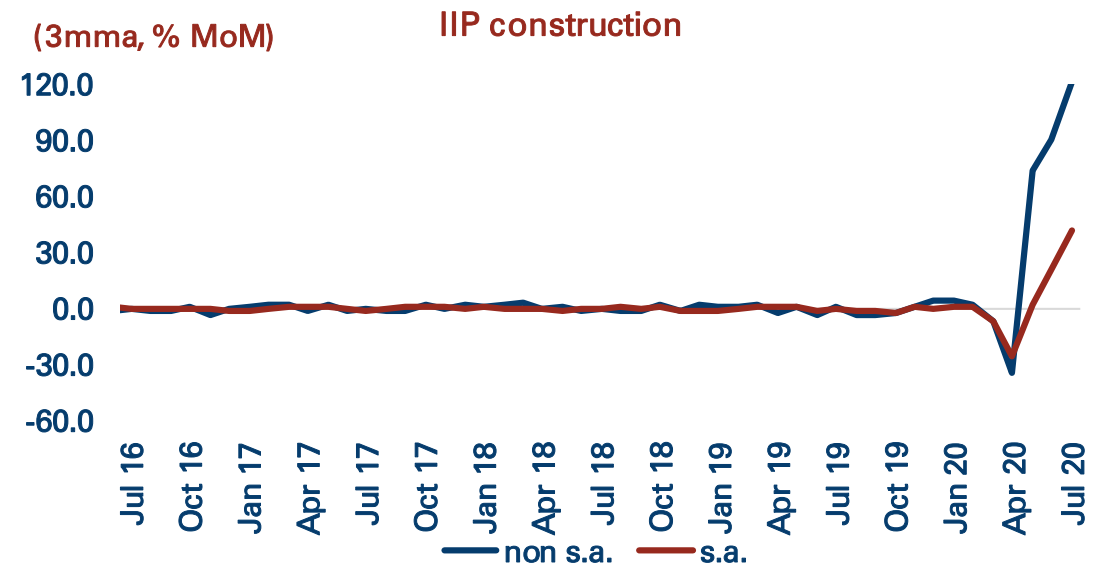
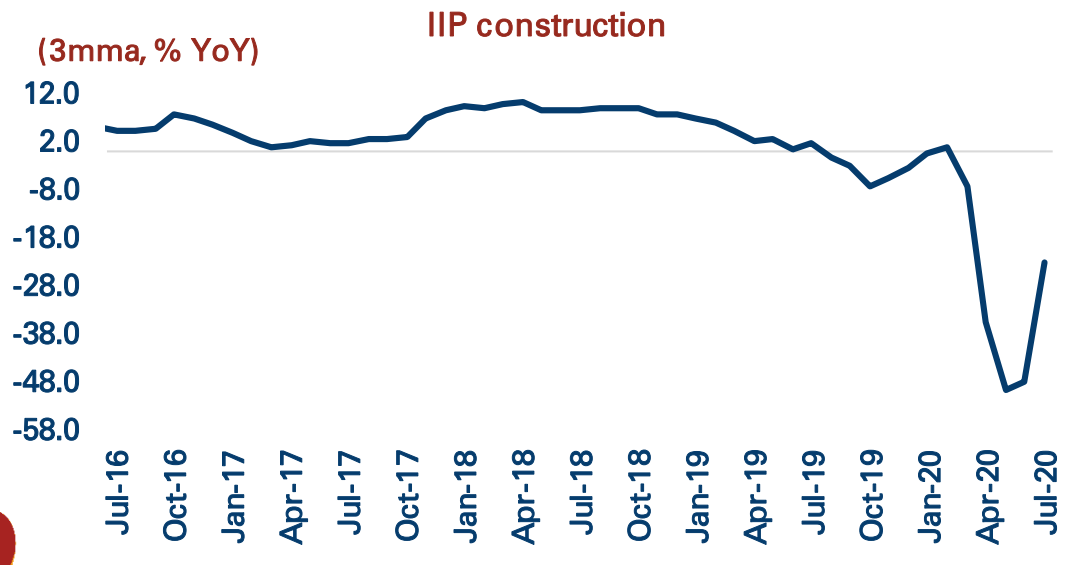
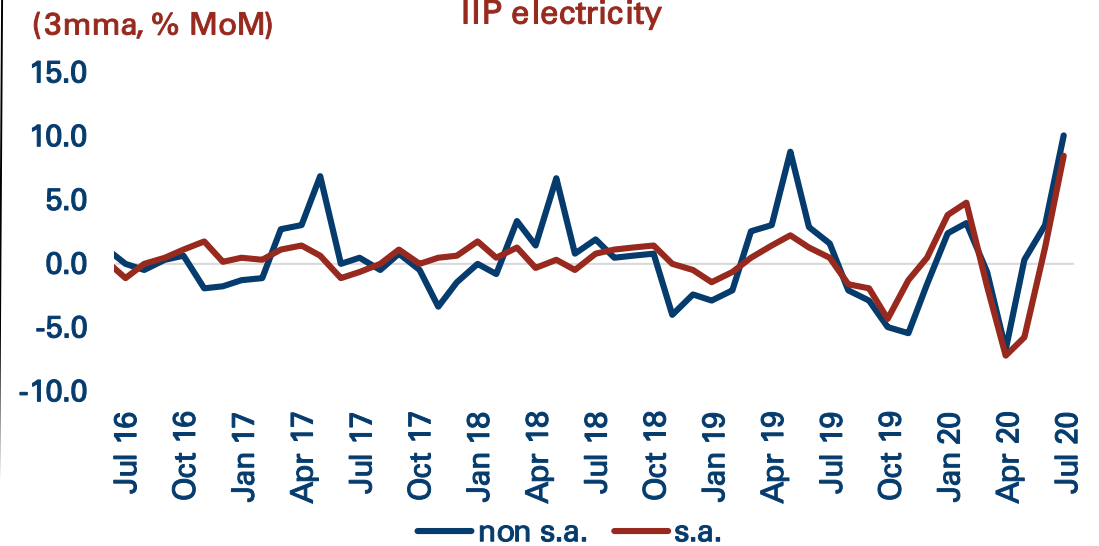
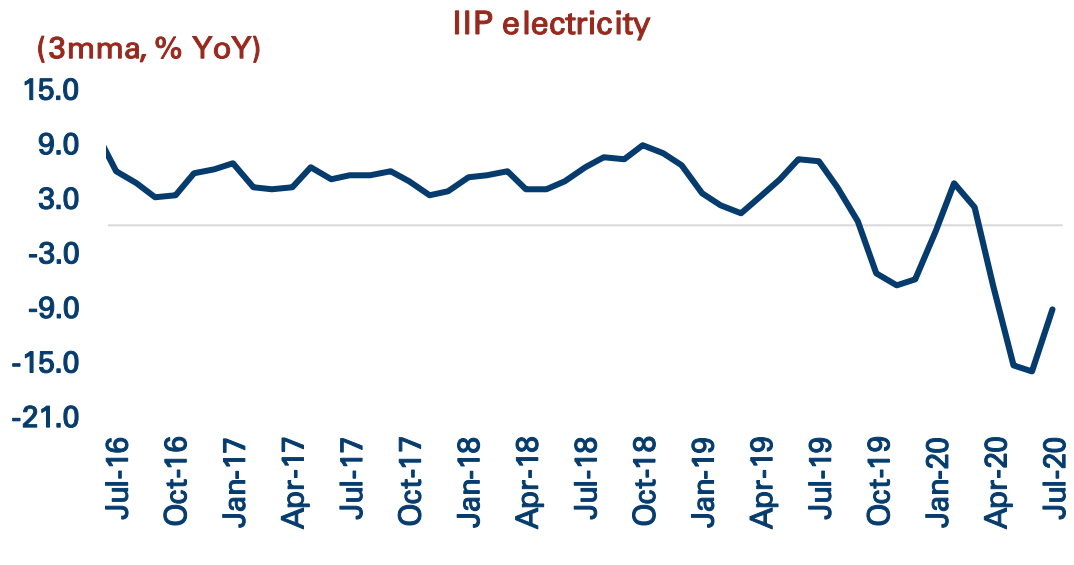
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Momentum in industrial production improving through April-July



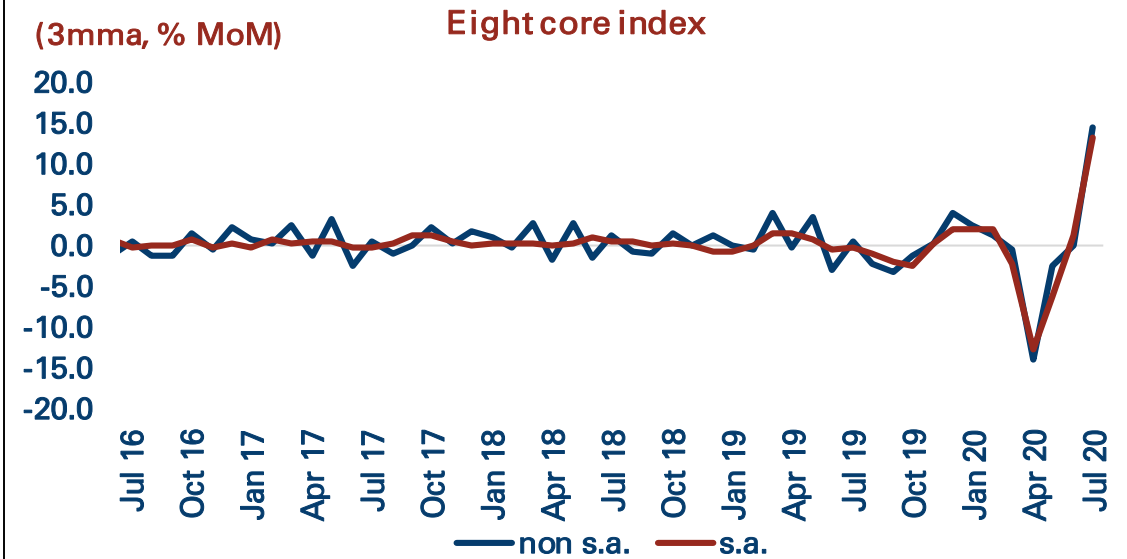
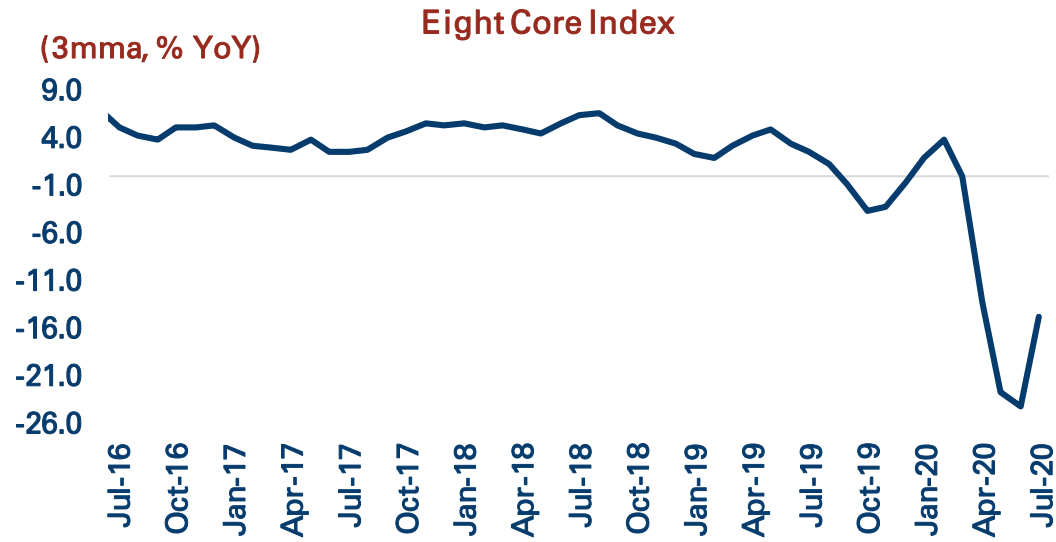
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Momentum in industrial production improving through April-July...

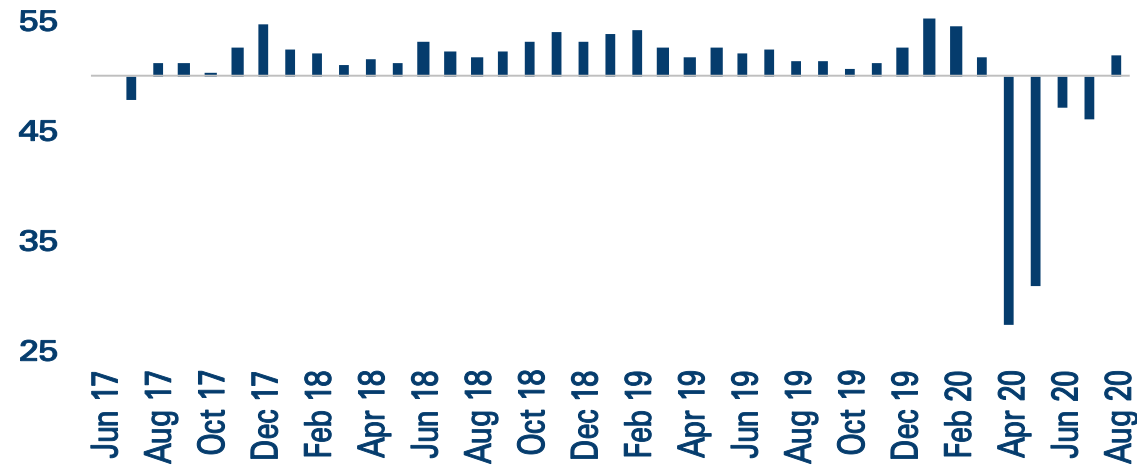


Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

..as seen in eight core industries data as well; unlock led to PMI manufacturing in expansion, sustainability to be monitored

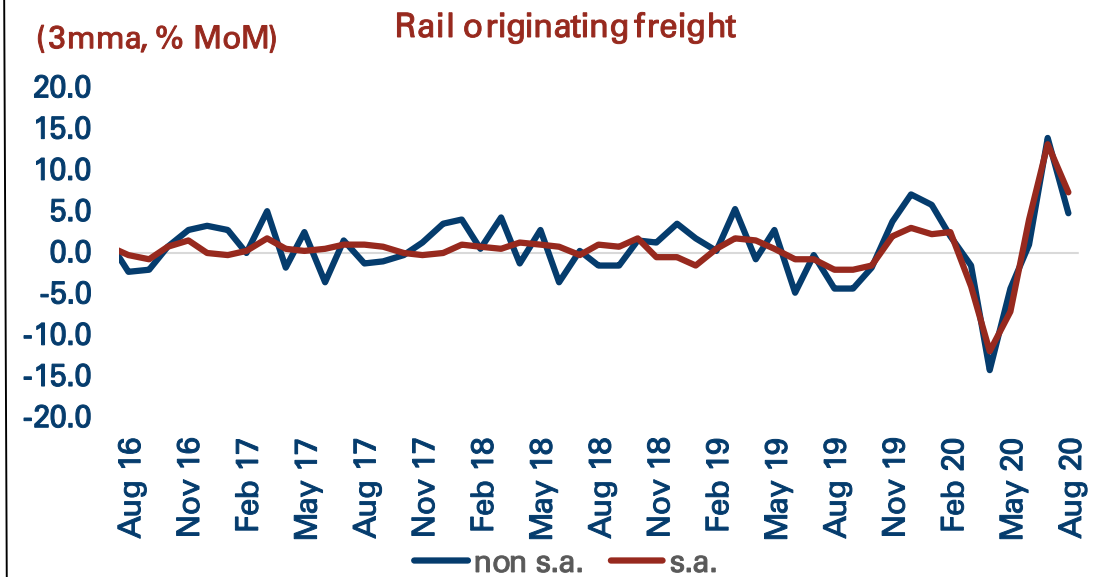
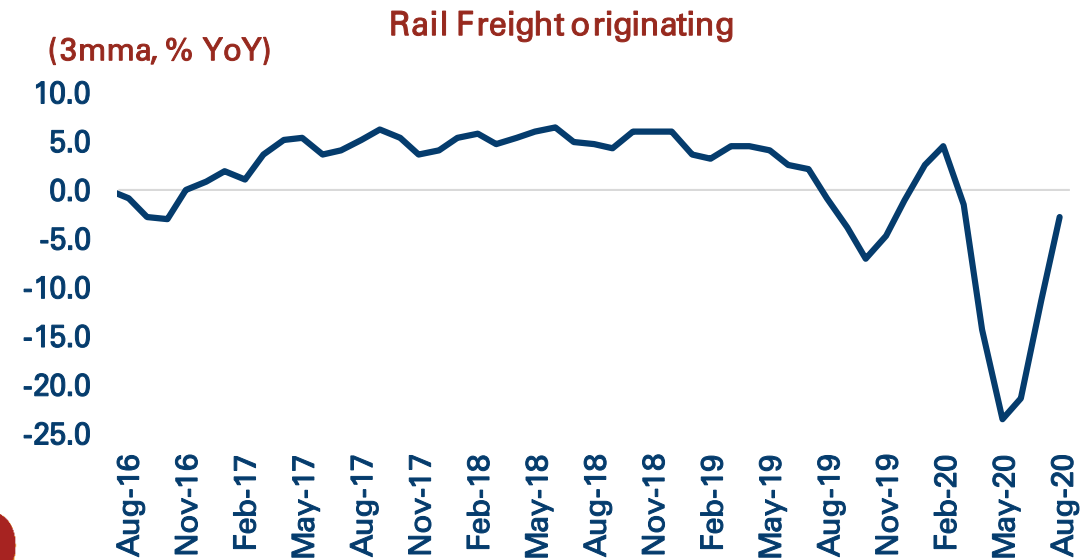
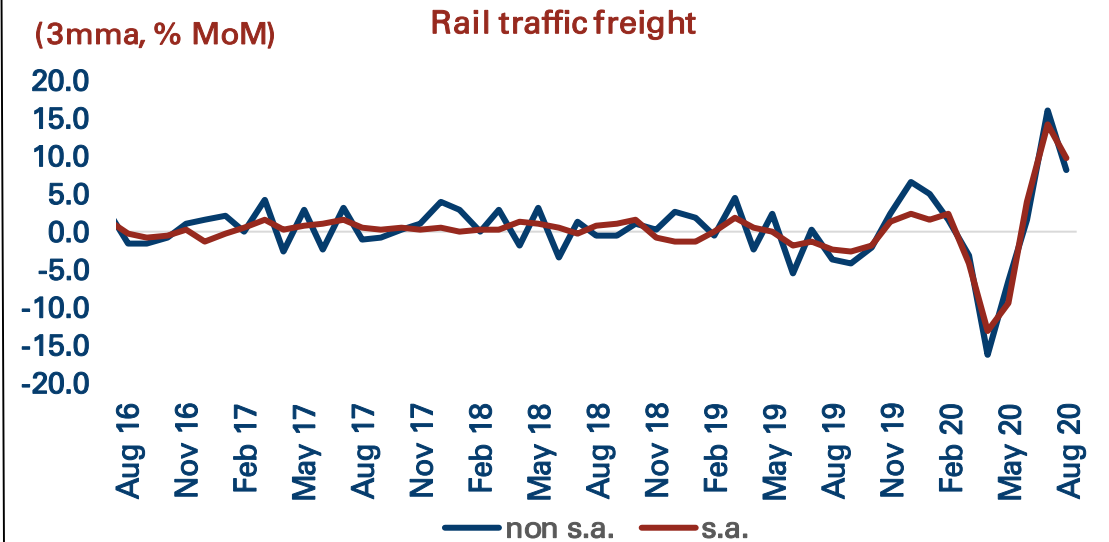
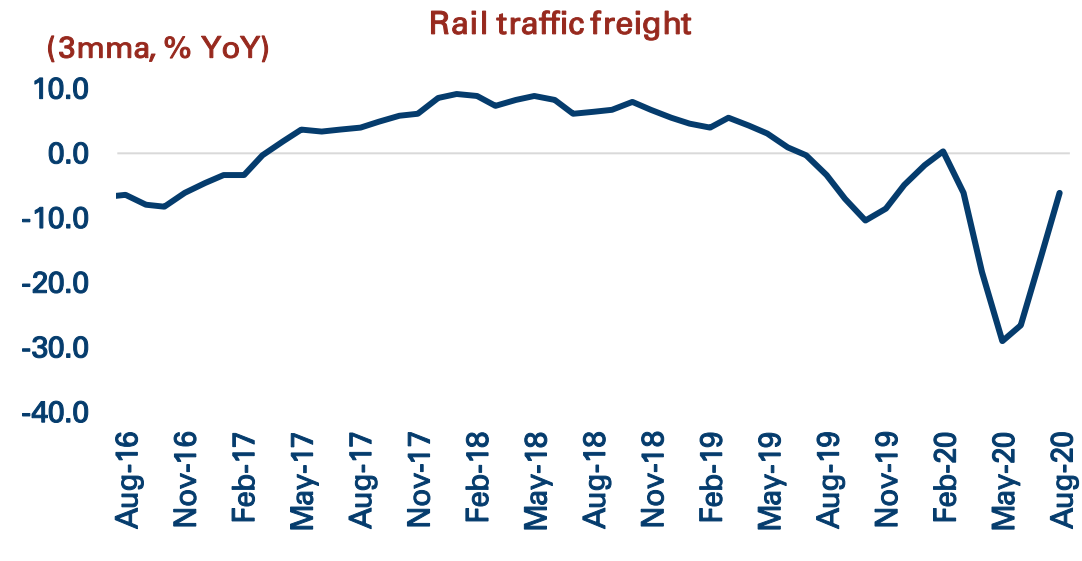


PMI Manufacturing



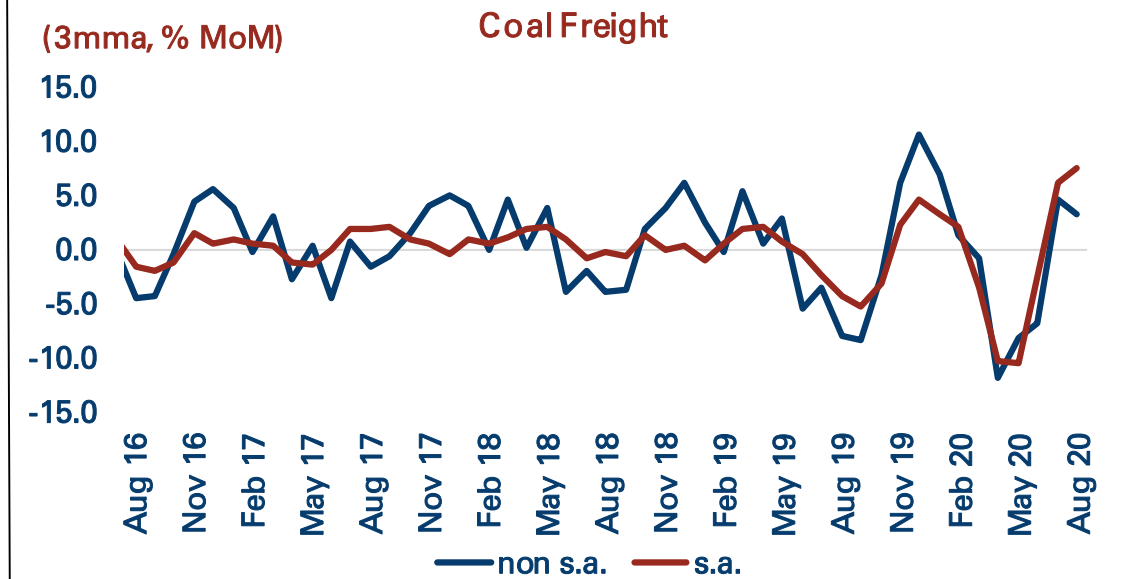
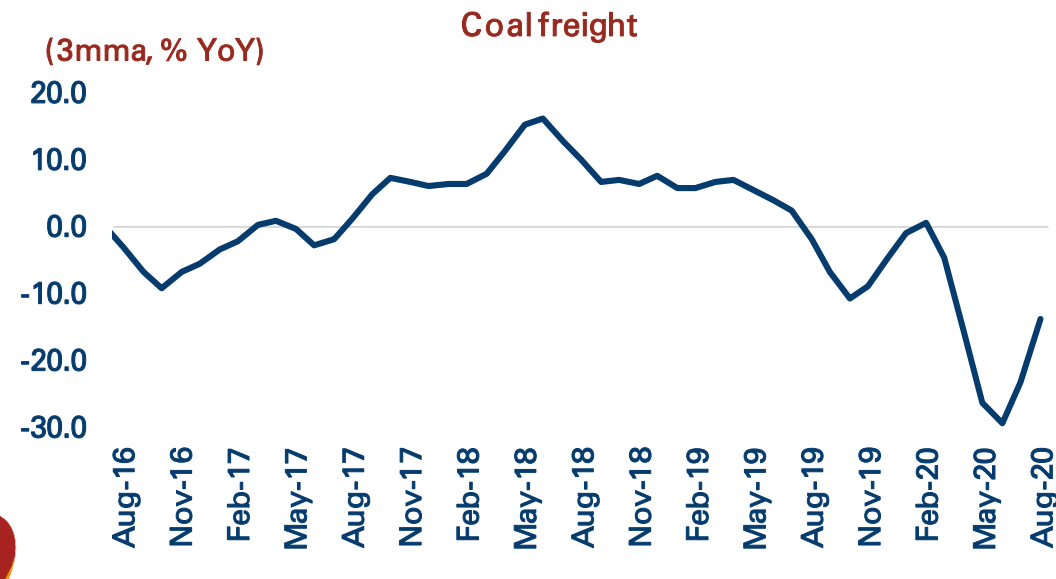
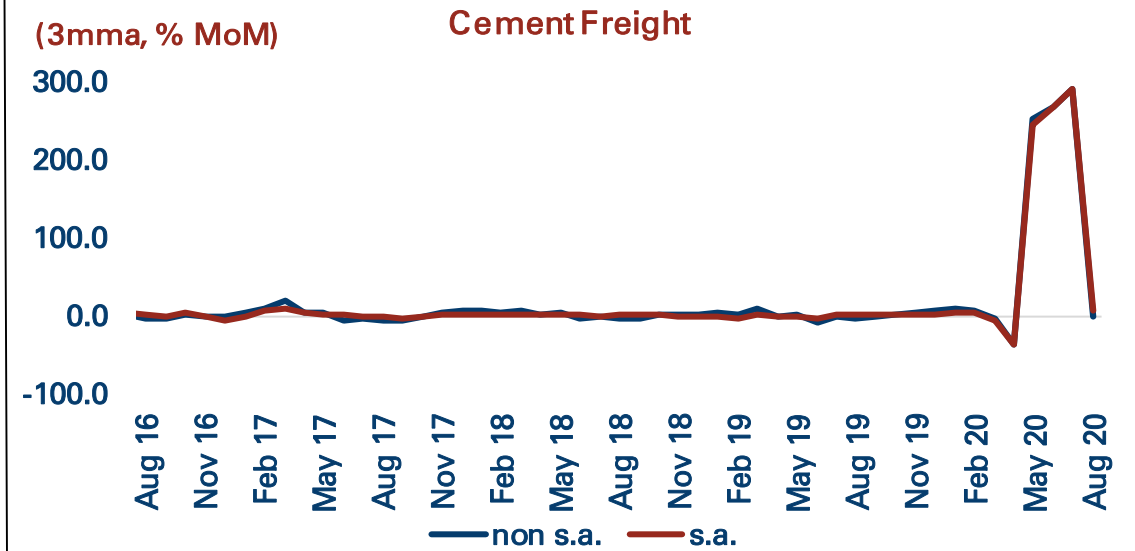
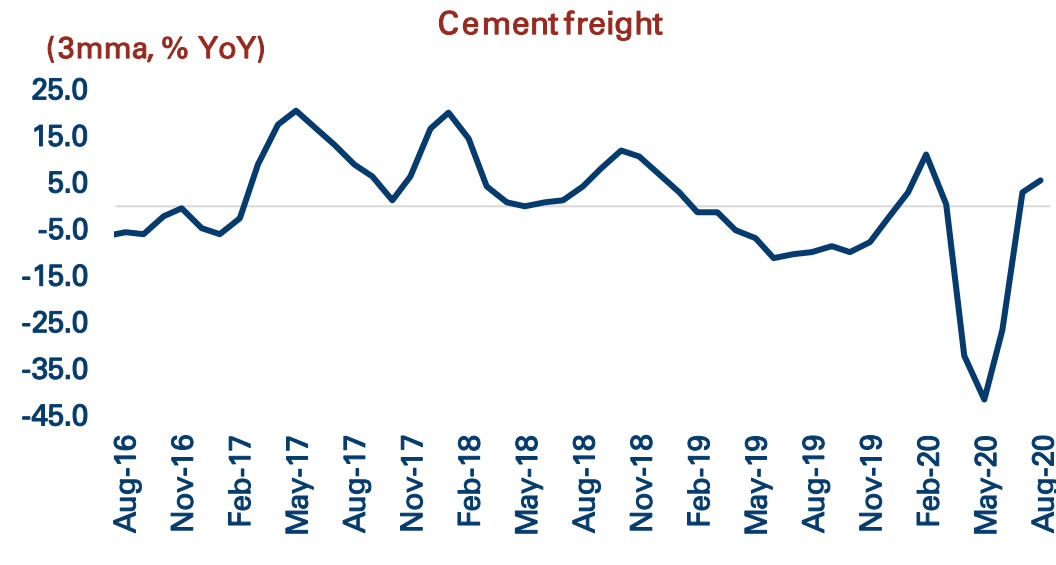
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Post unlock surge in sequential freight movement abating



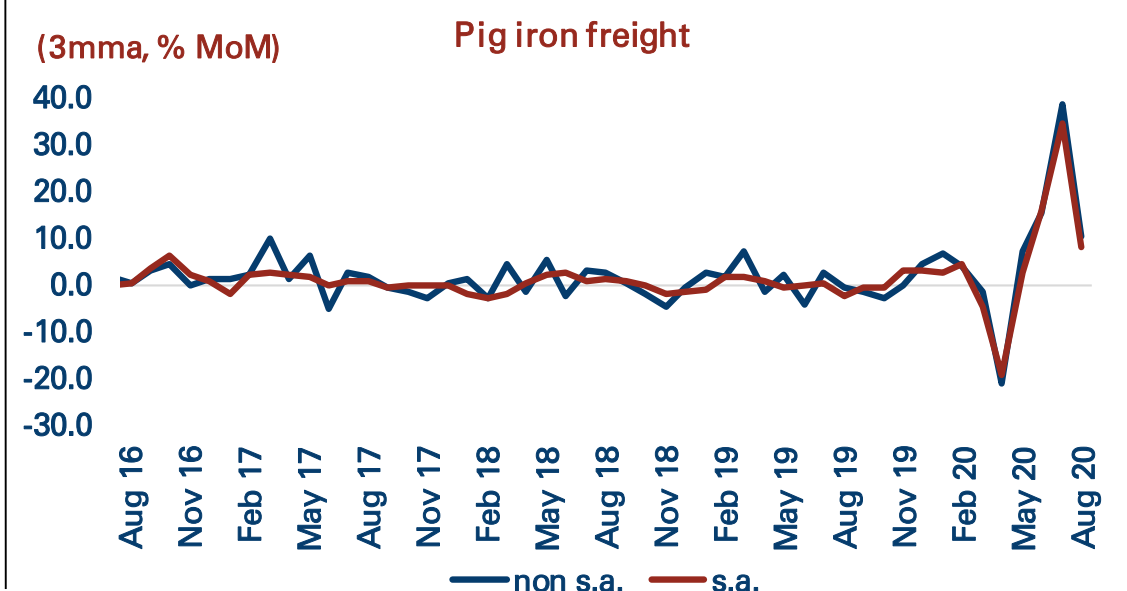
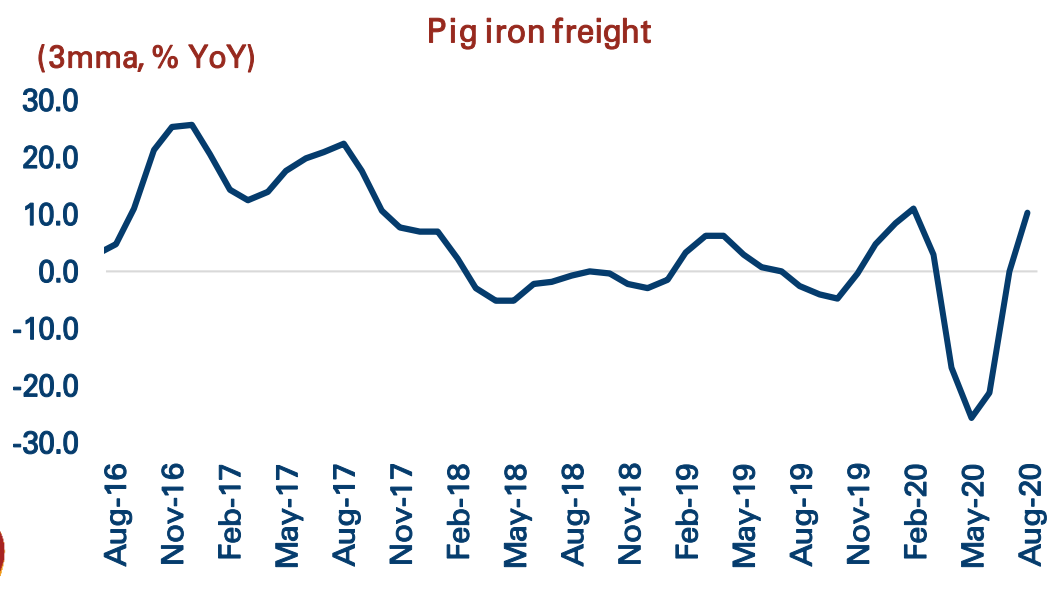
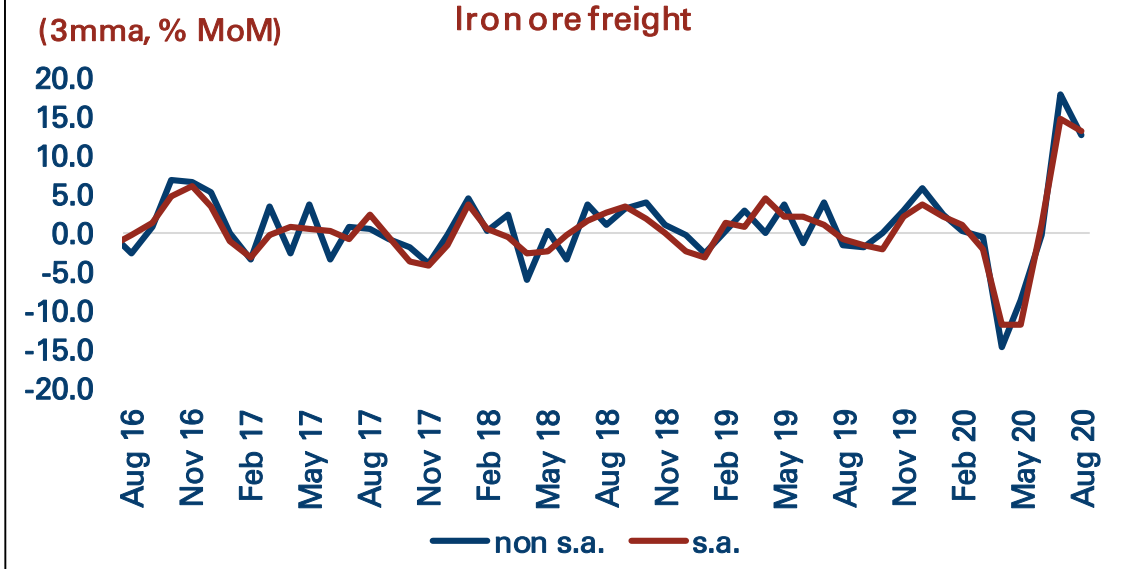
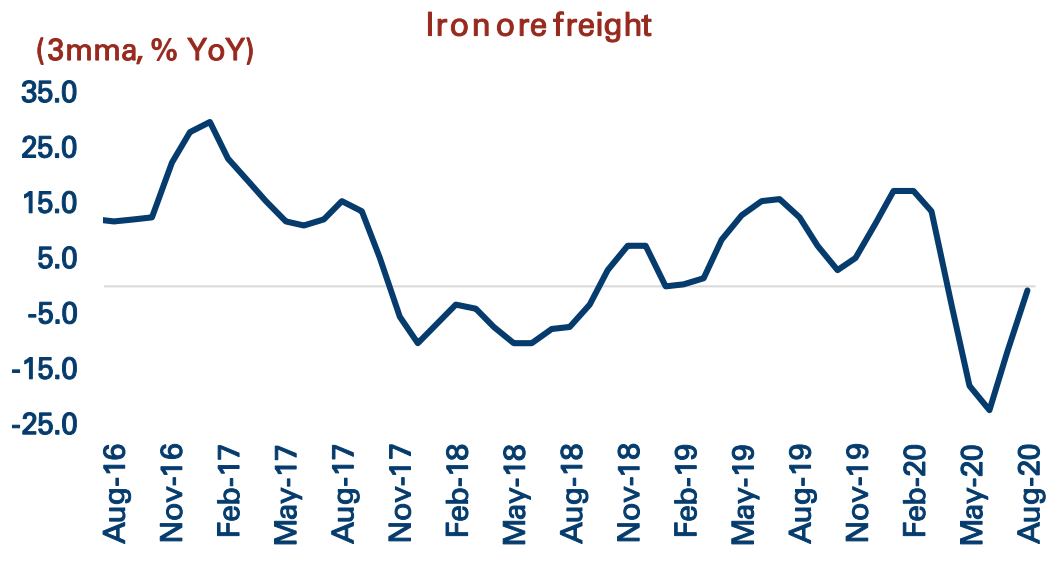
Source: CEIC, ICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Cement freight tracking positive annual growth, assisted by rural demand



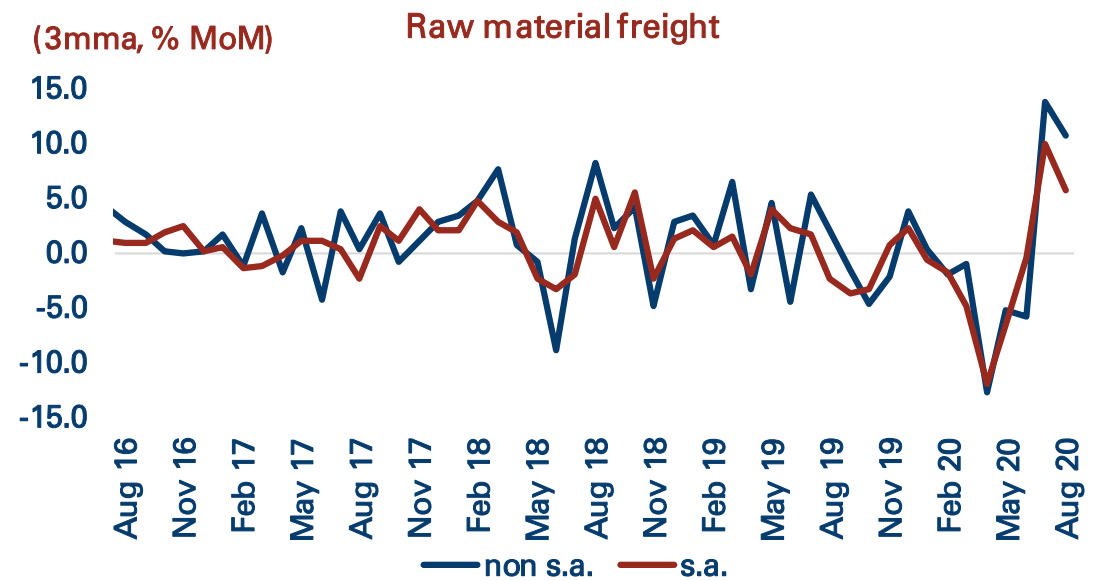
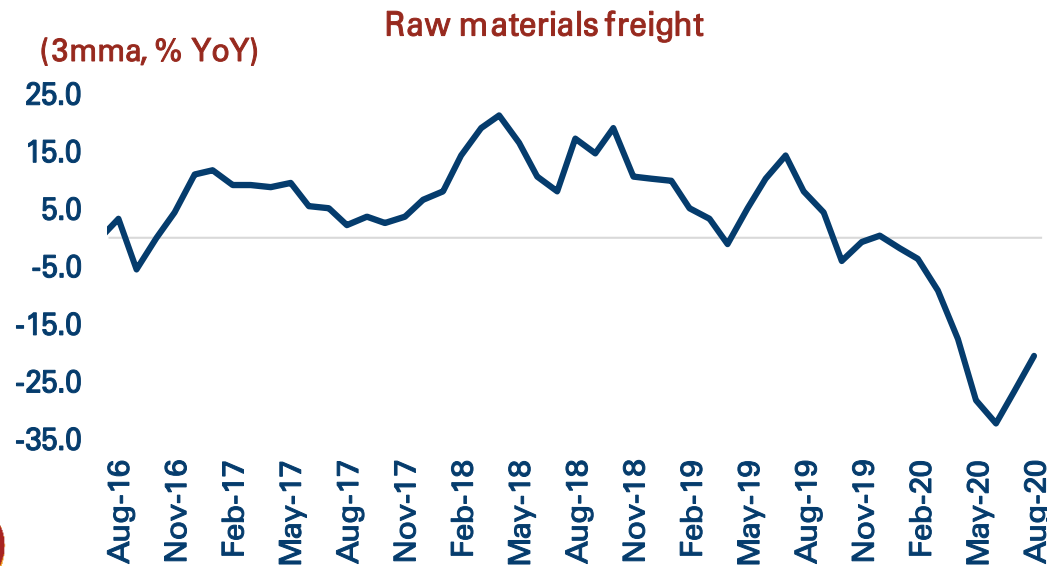
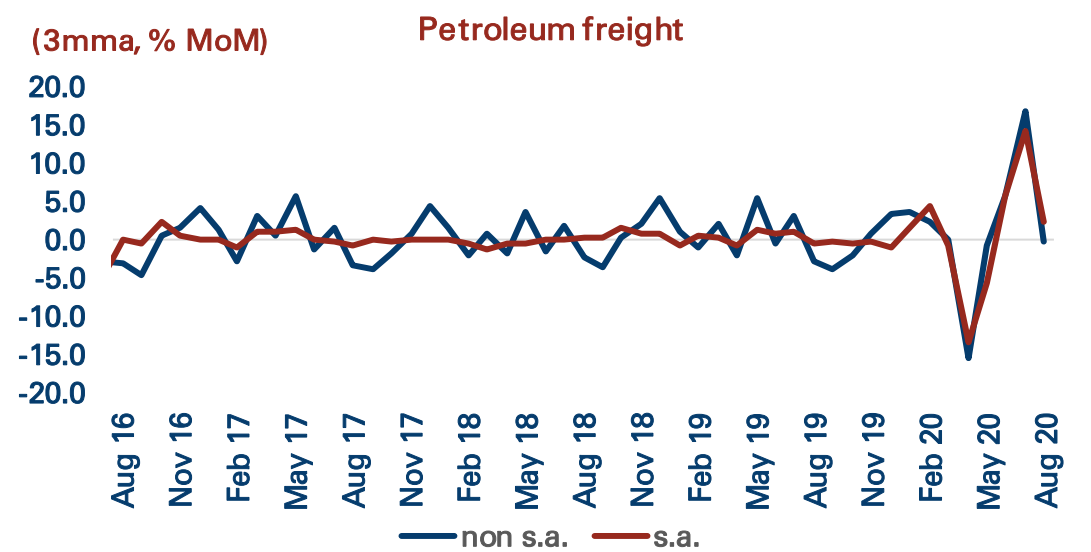
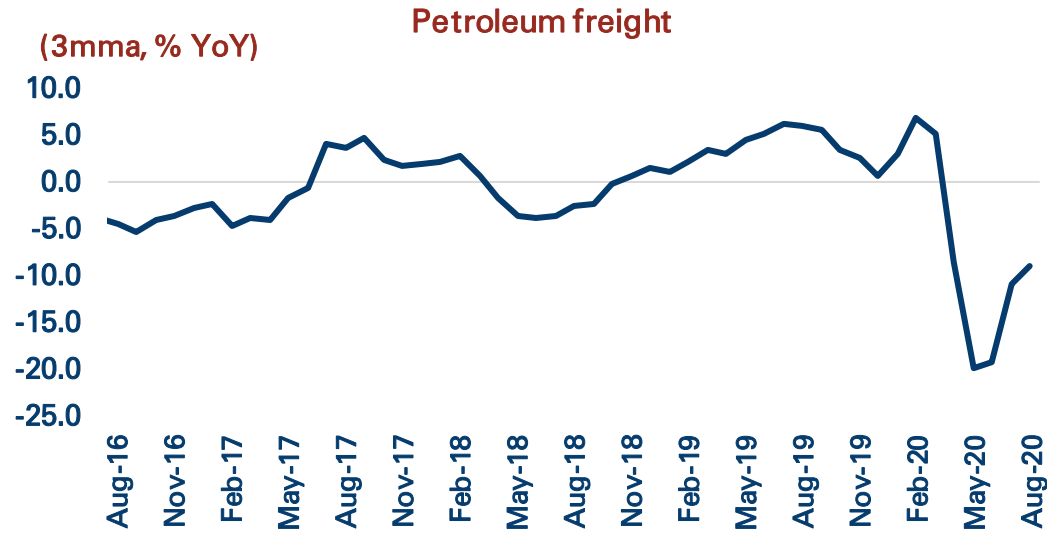
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Iron freight movement also improving in annual terms



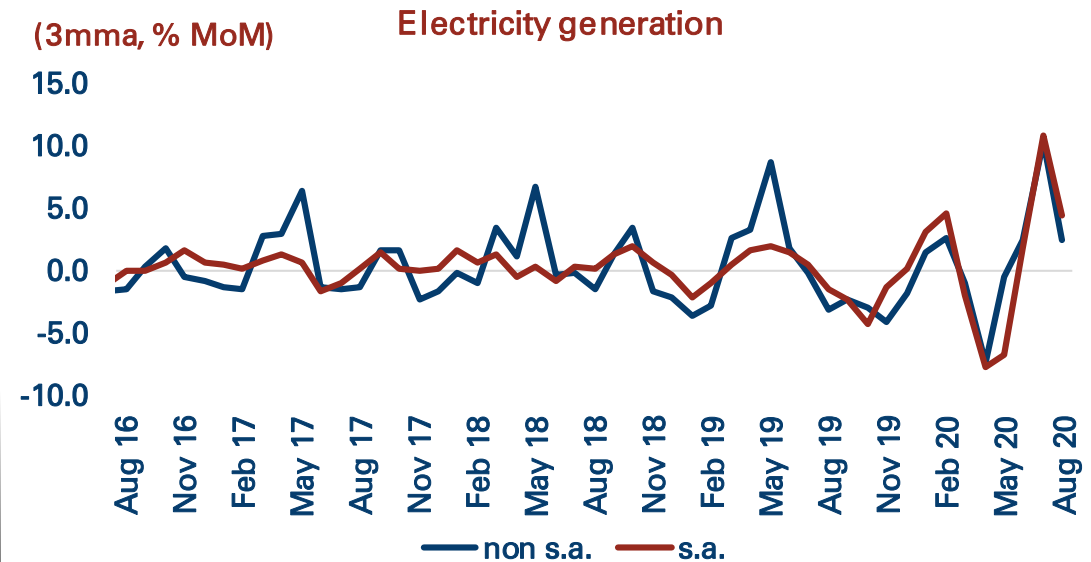
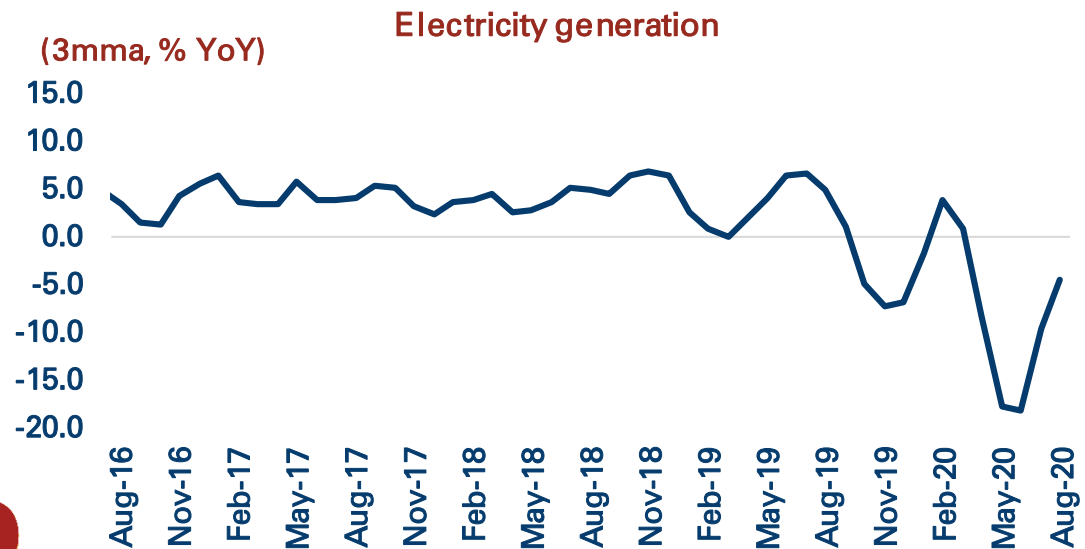
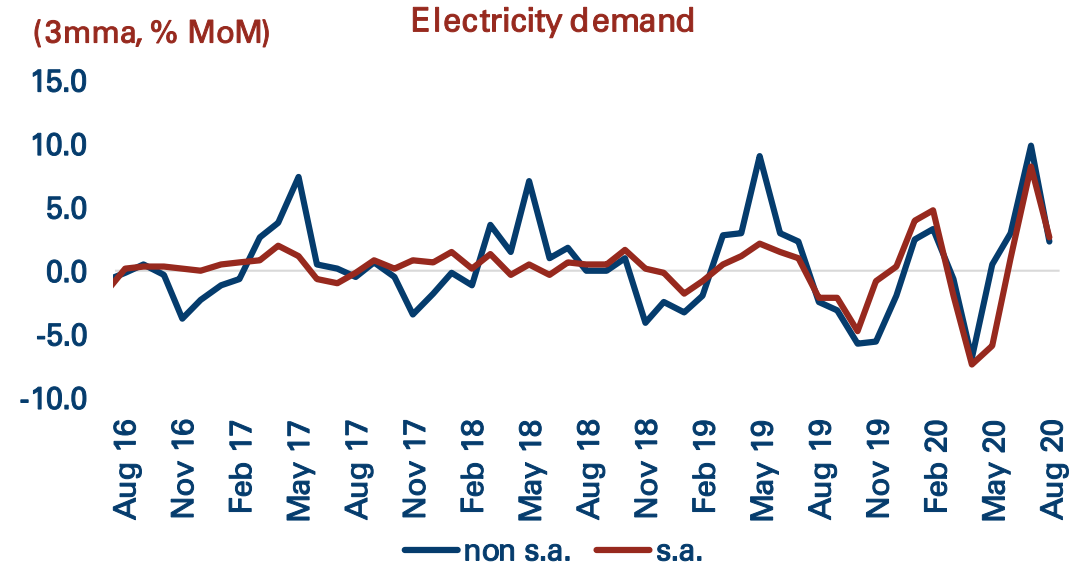
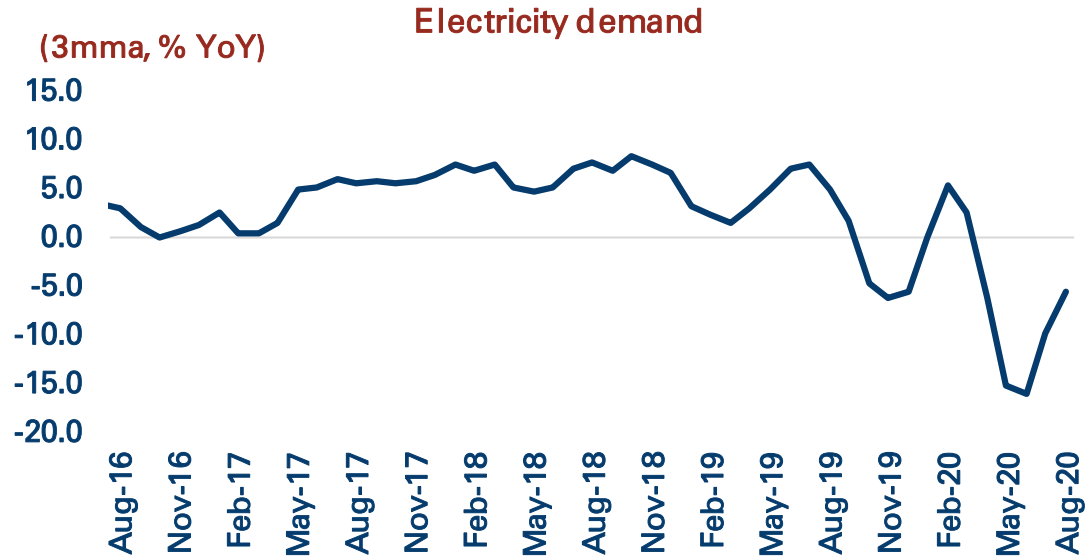
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Recovery in petroleum and raw material freight movement remains muted



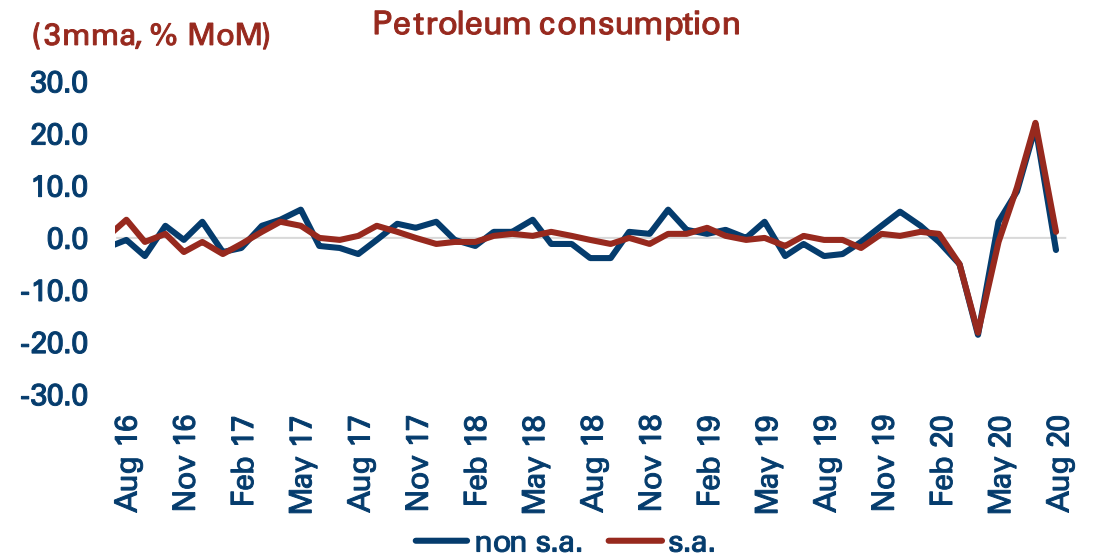
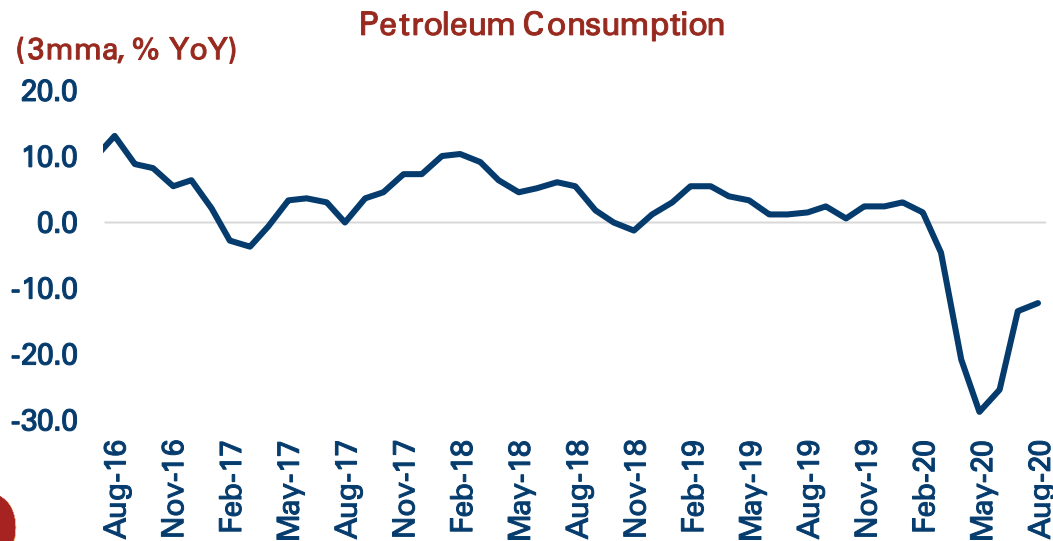
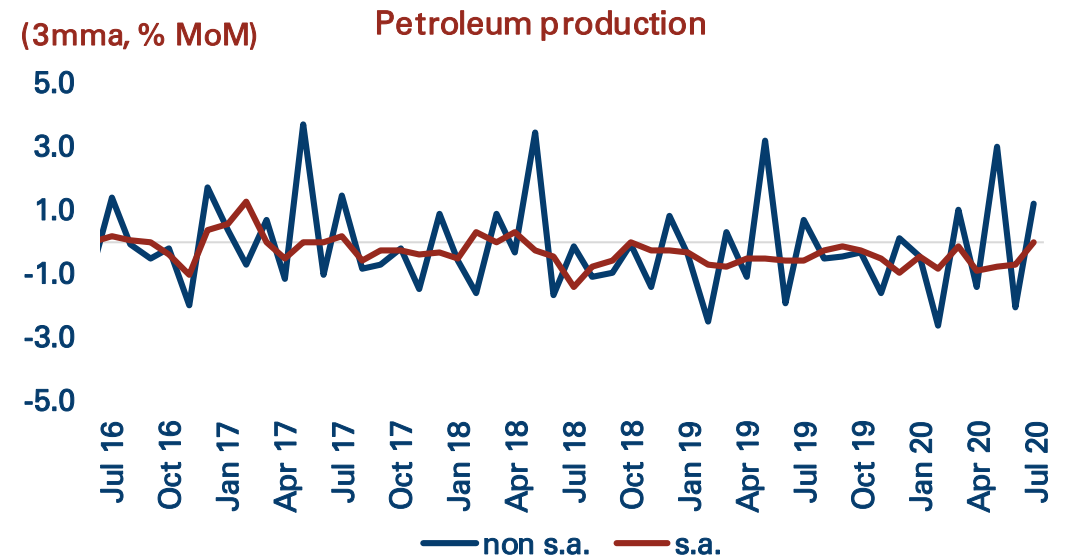
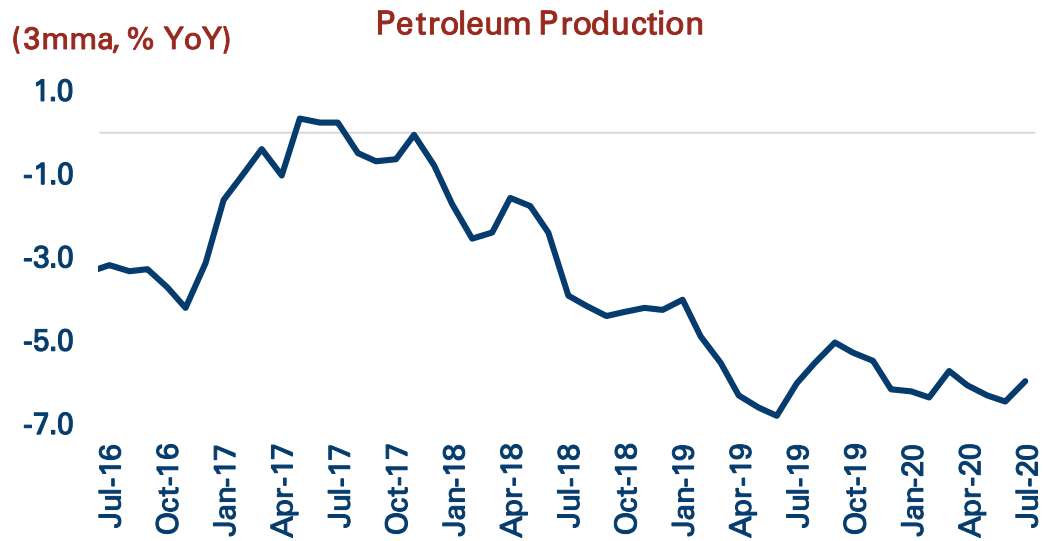
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Electricity demand and generation dwindling on a sequential basis...



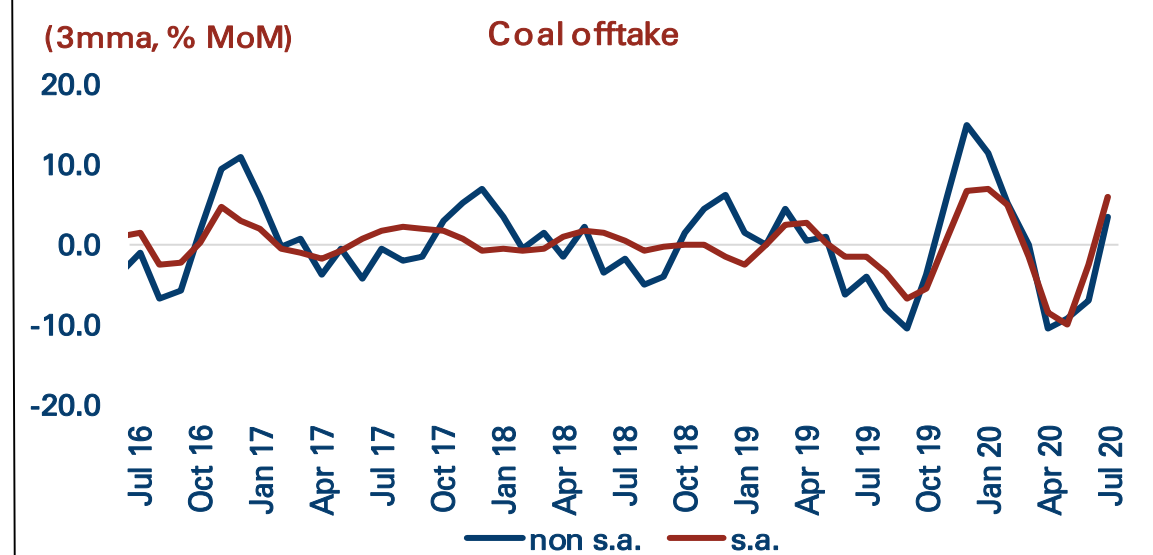
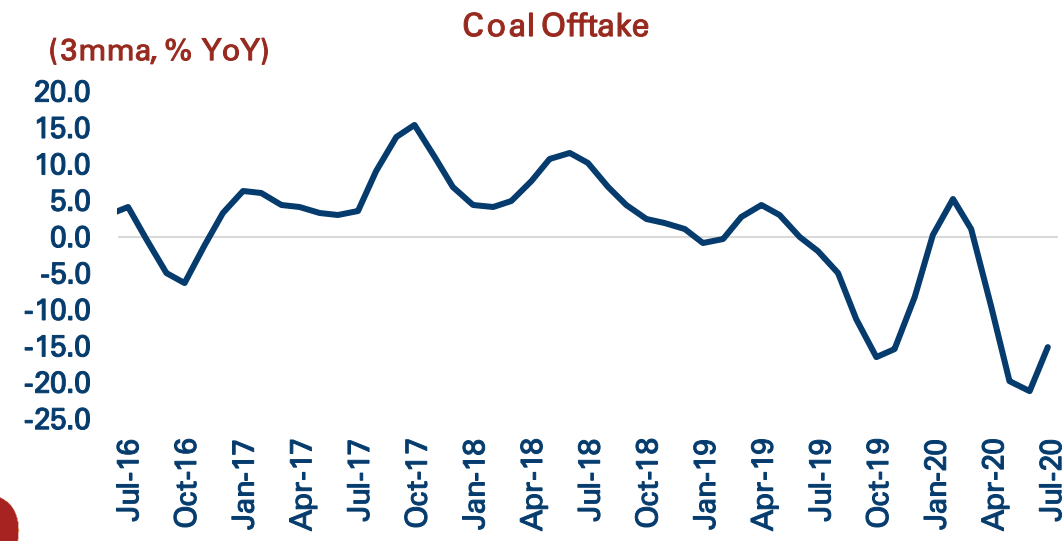
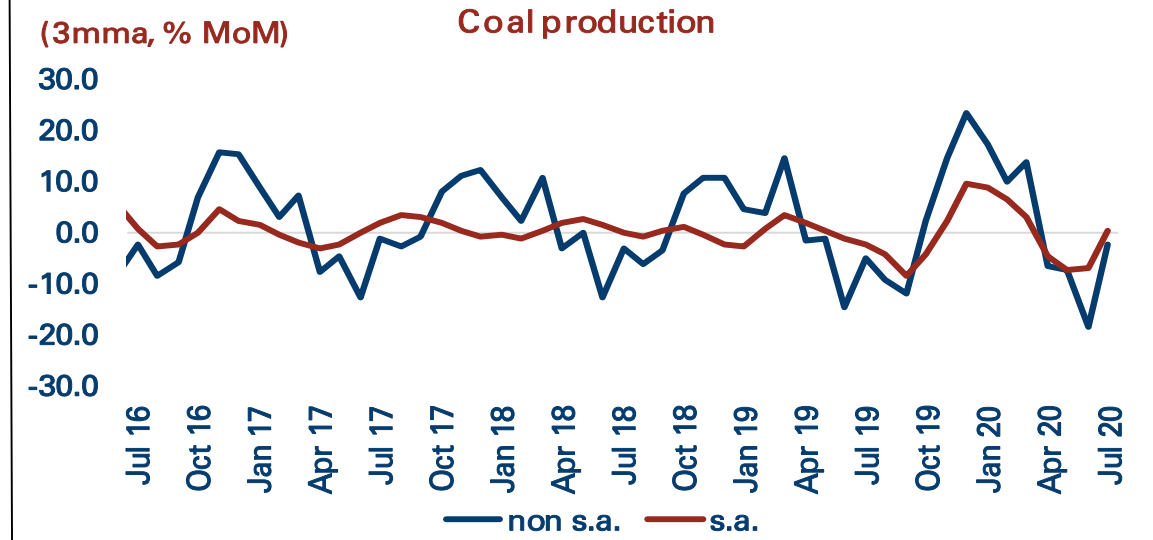
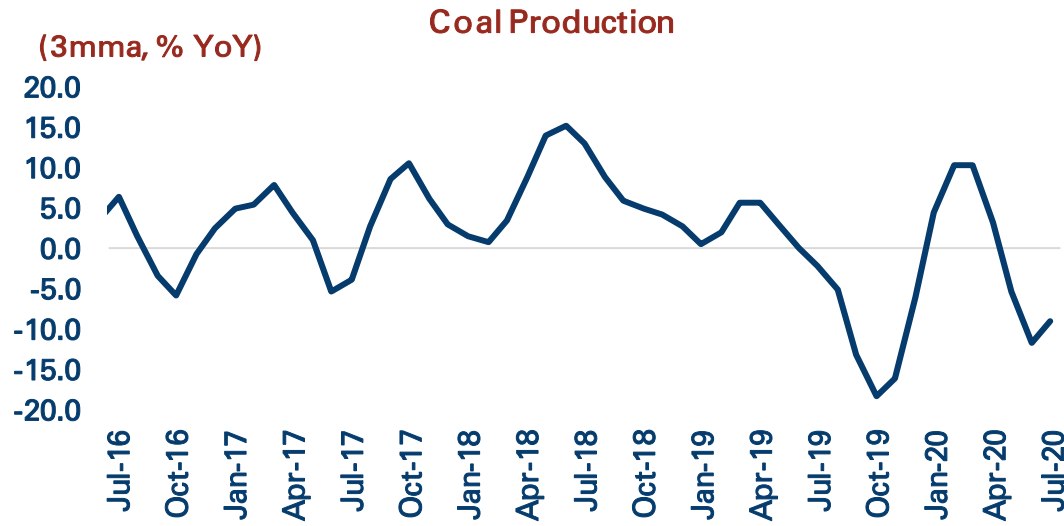
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

...so is petroleum consumption



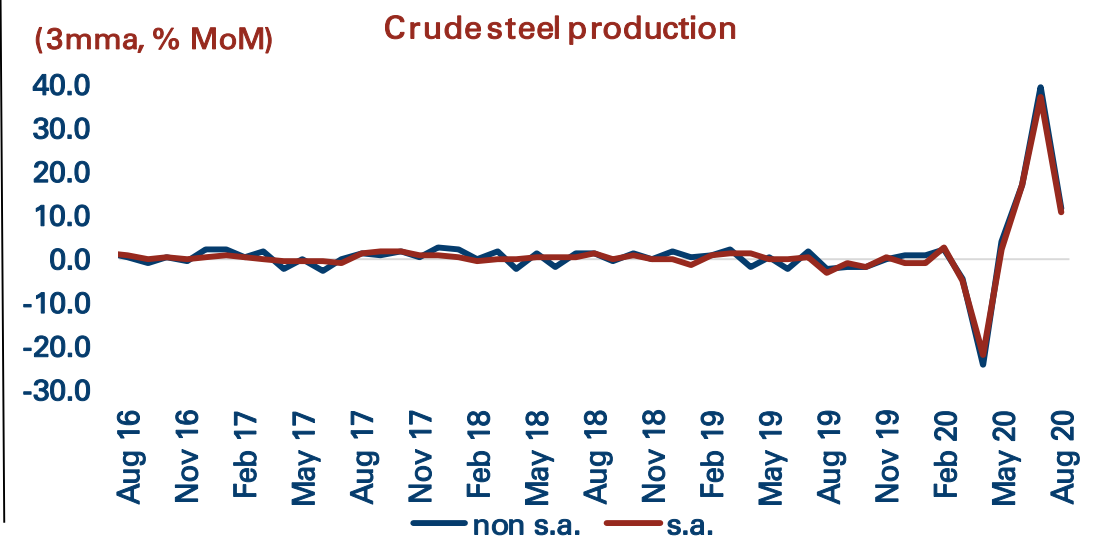
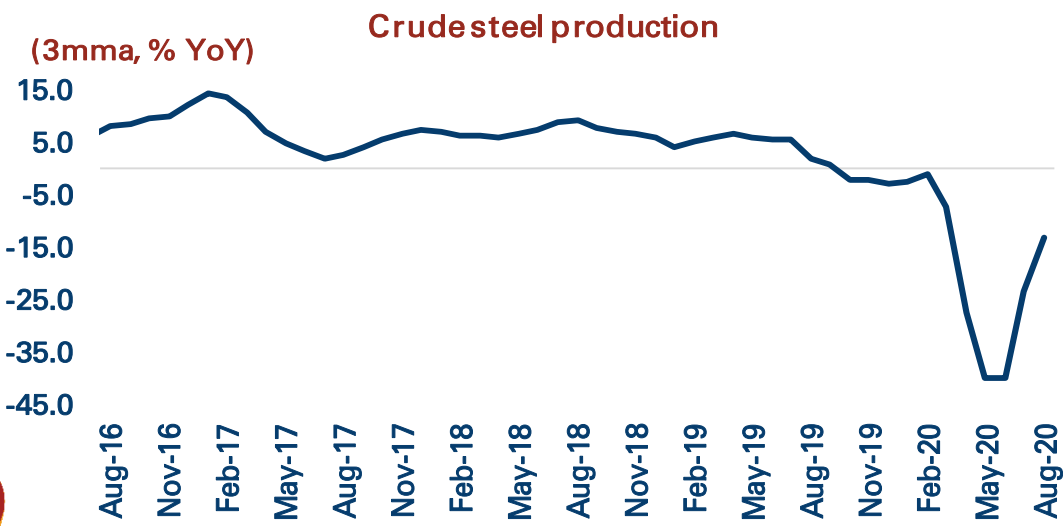
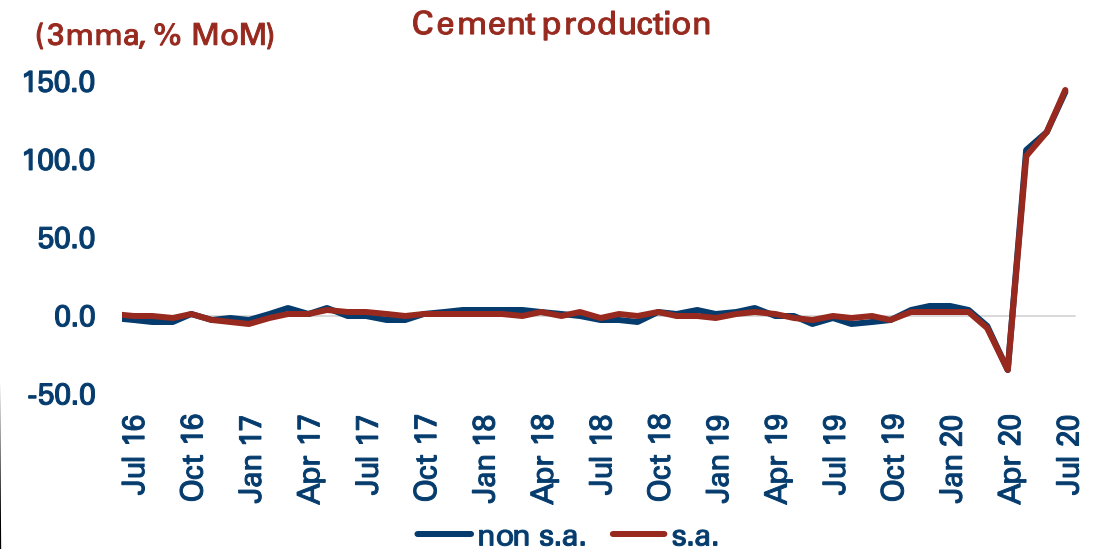
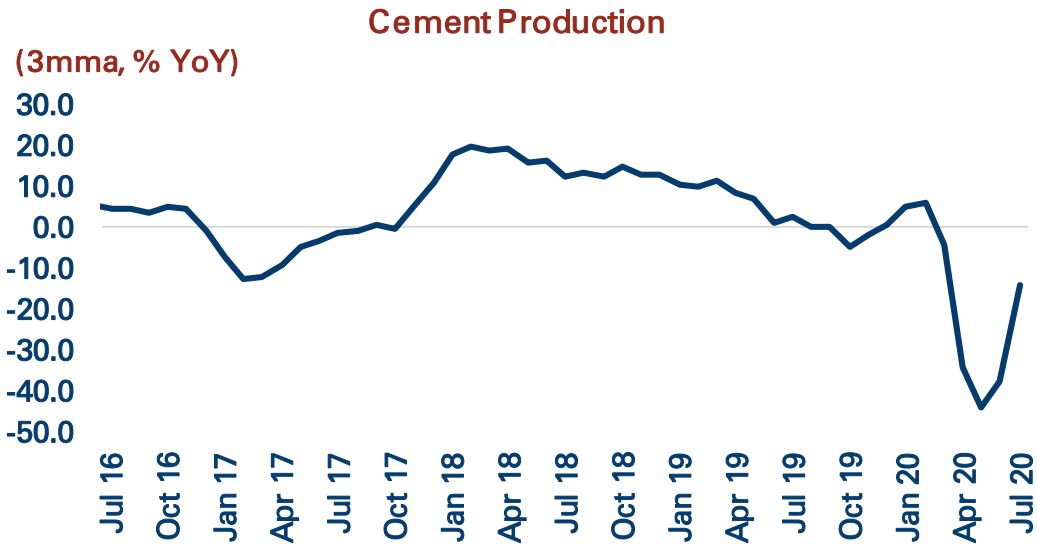
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Sustainability of improving momentum in coal production and offtake to be monitored...



Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

...and for cement production as well; even while steel production weakens sequentially

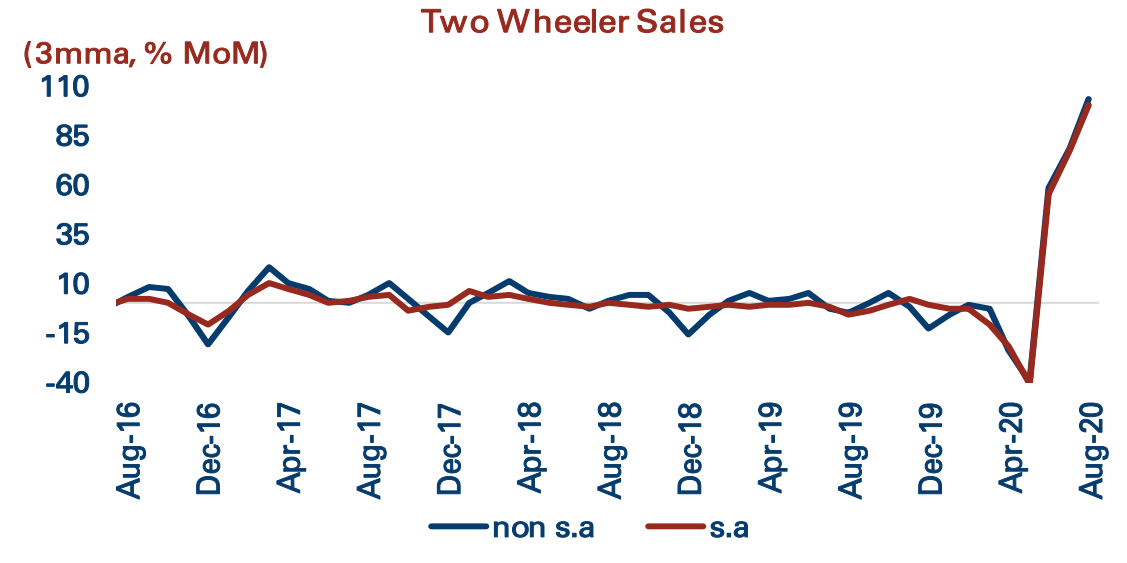
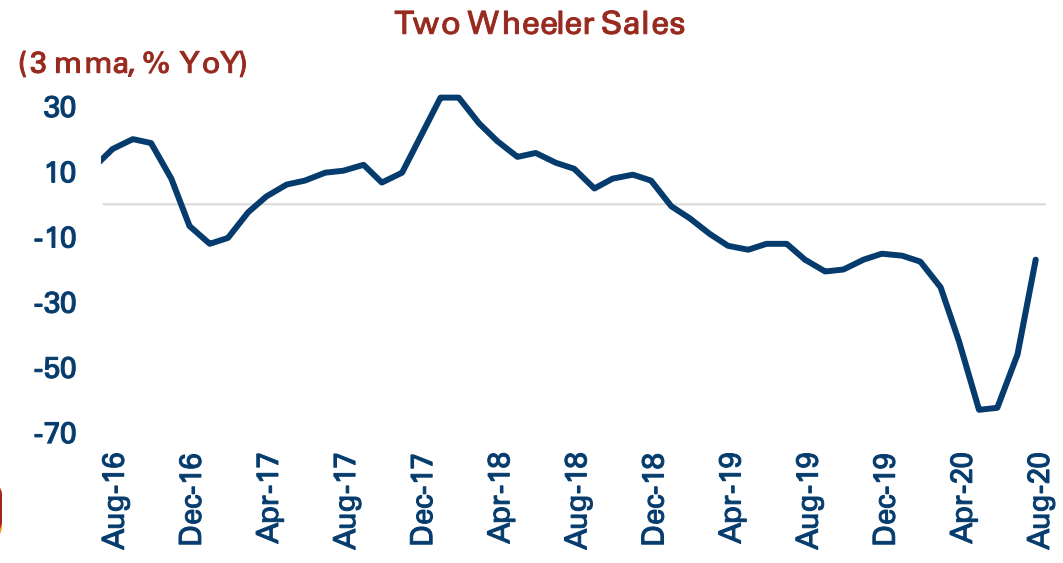
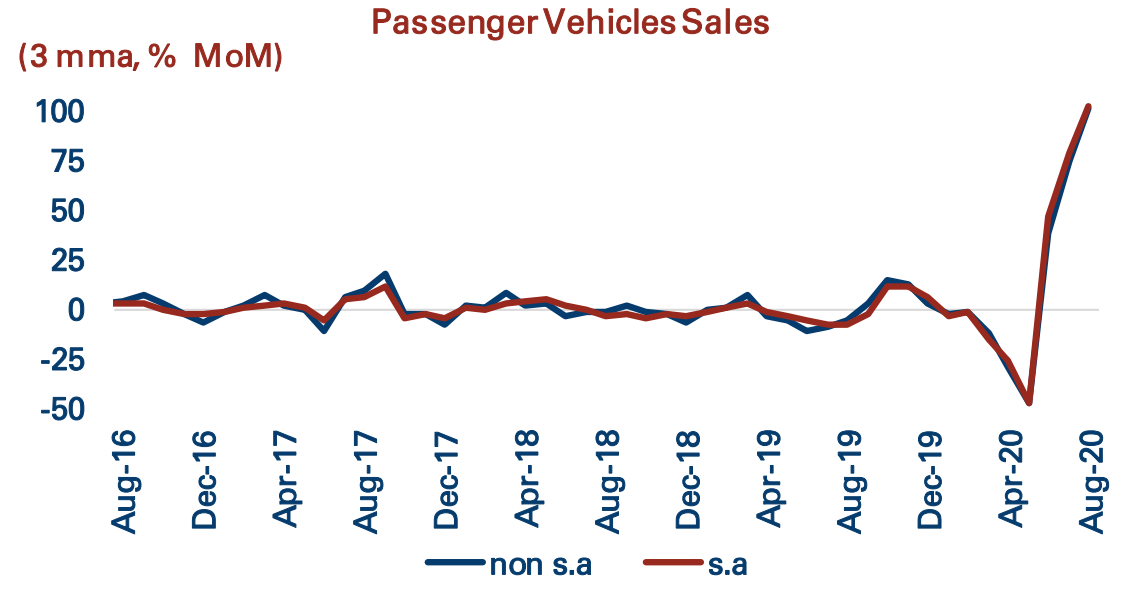
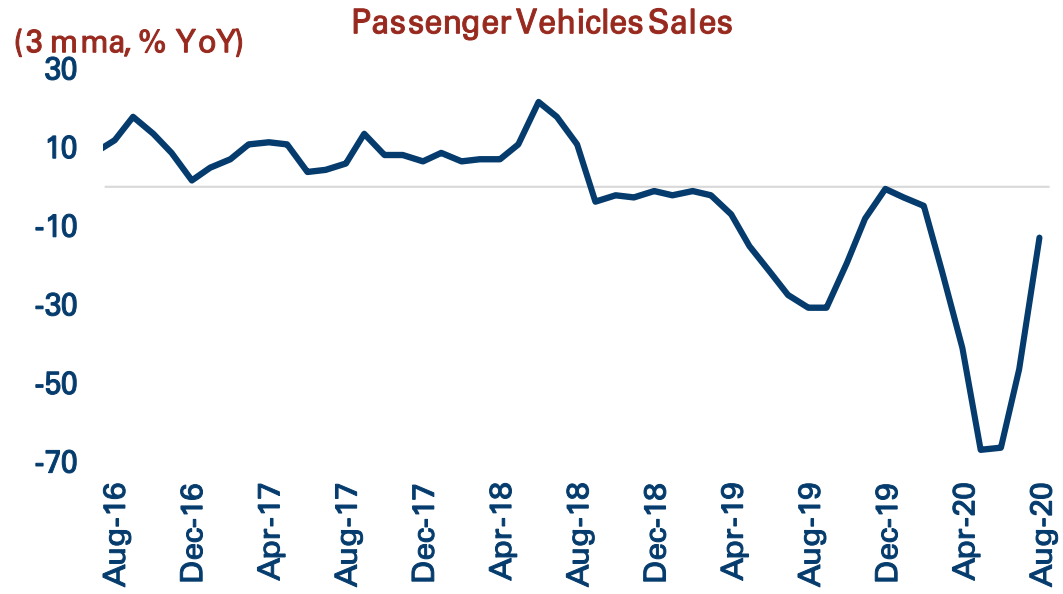


Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted



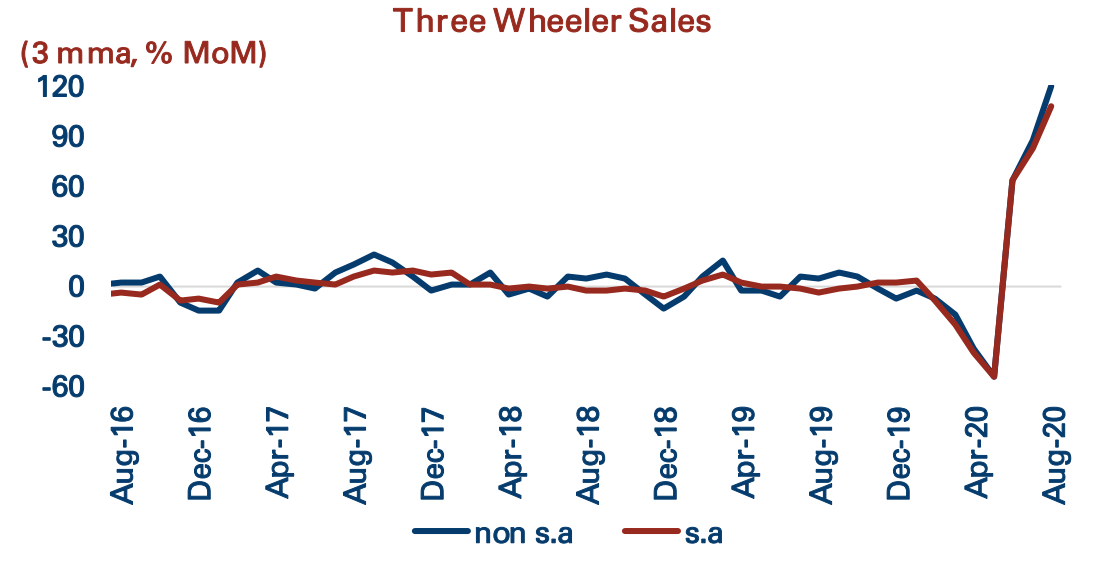
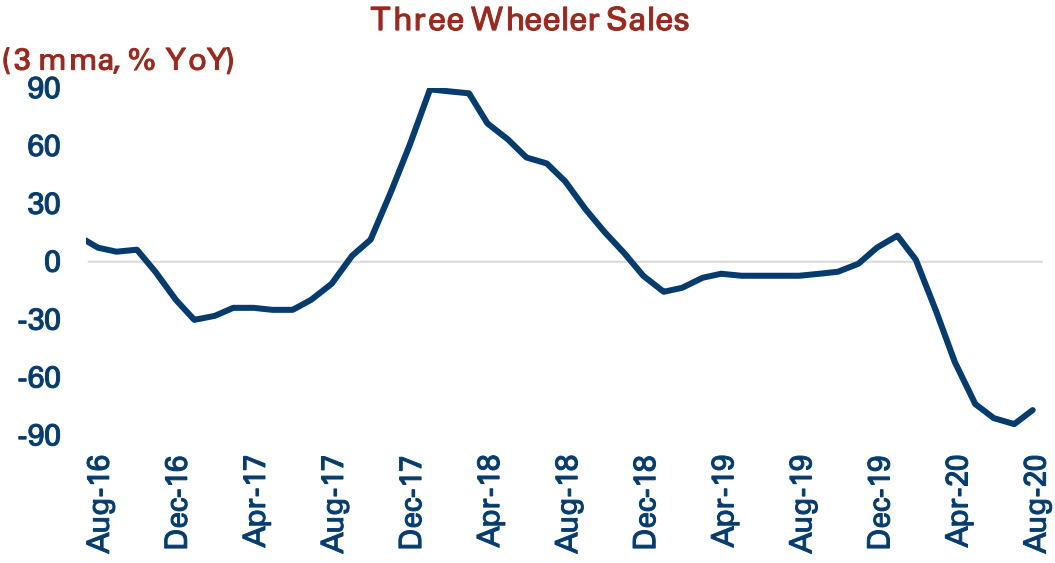
Services Sector

Auto sales showing recovery, festive season could aid sales over Q3 as well



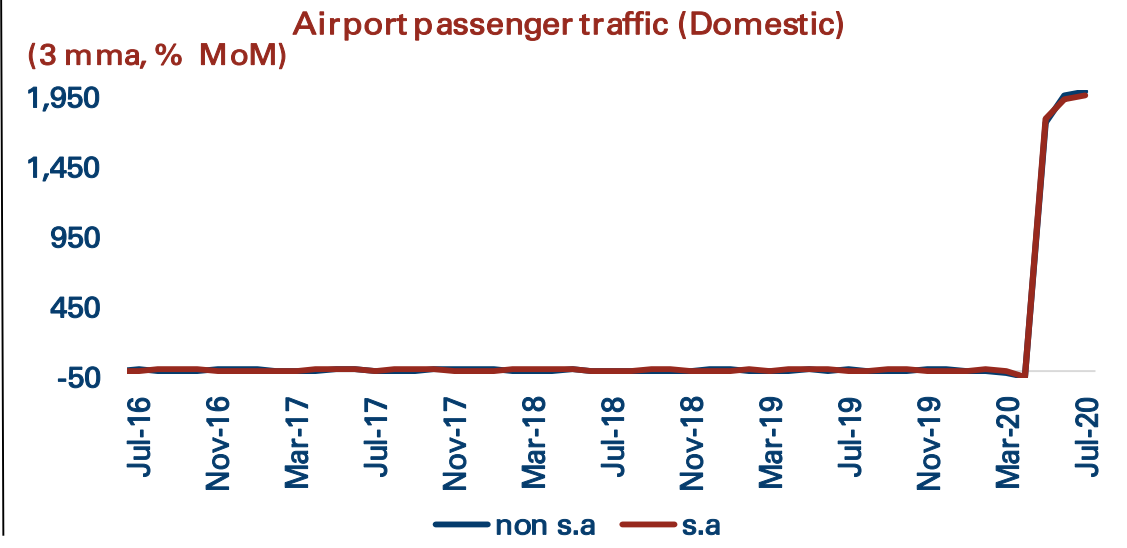
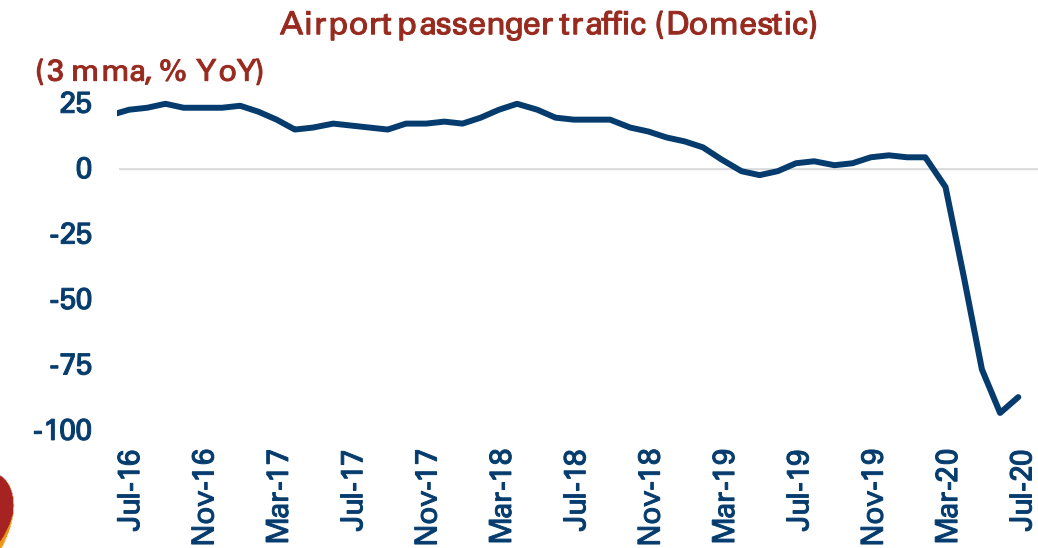
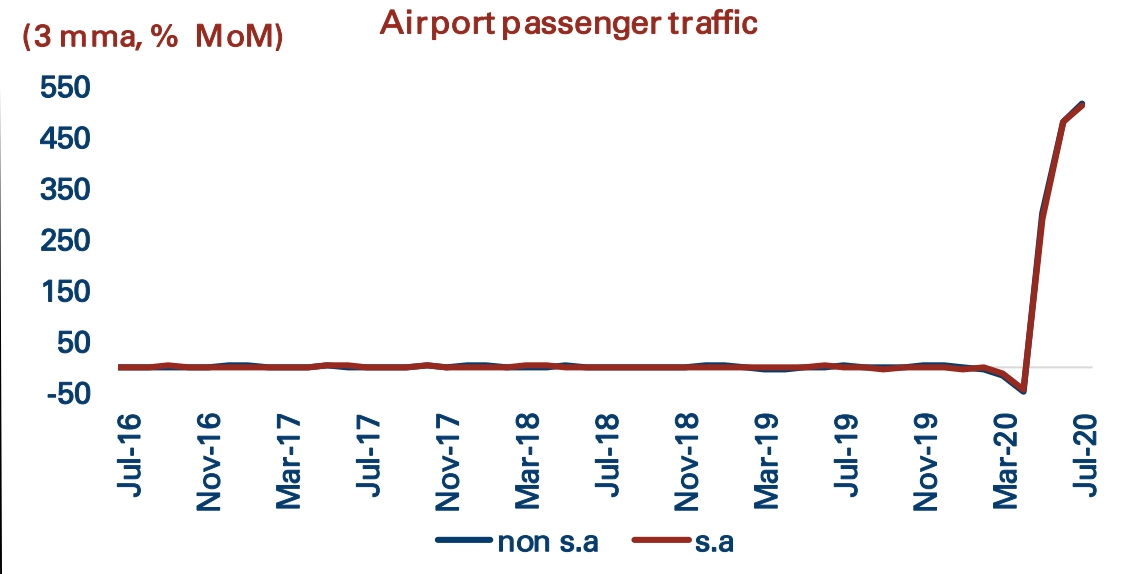
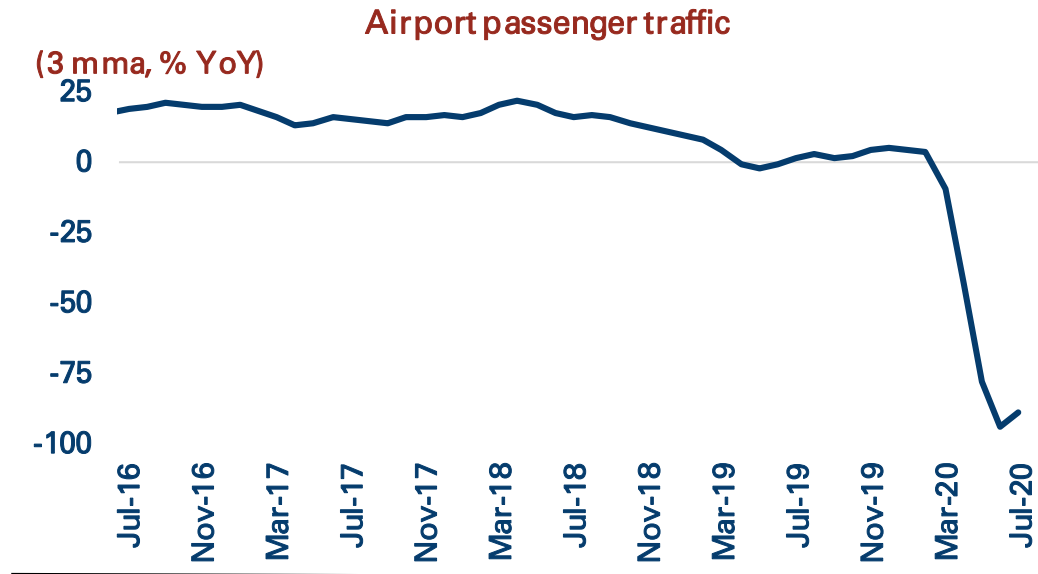
Source: CEIC, ICICI Bank Research; s.a – seasonally adjusted, non s.a – non seasonally adjusted

Annual growth recovery in 3-wheelers may take longer

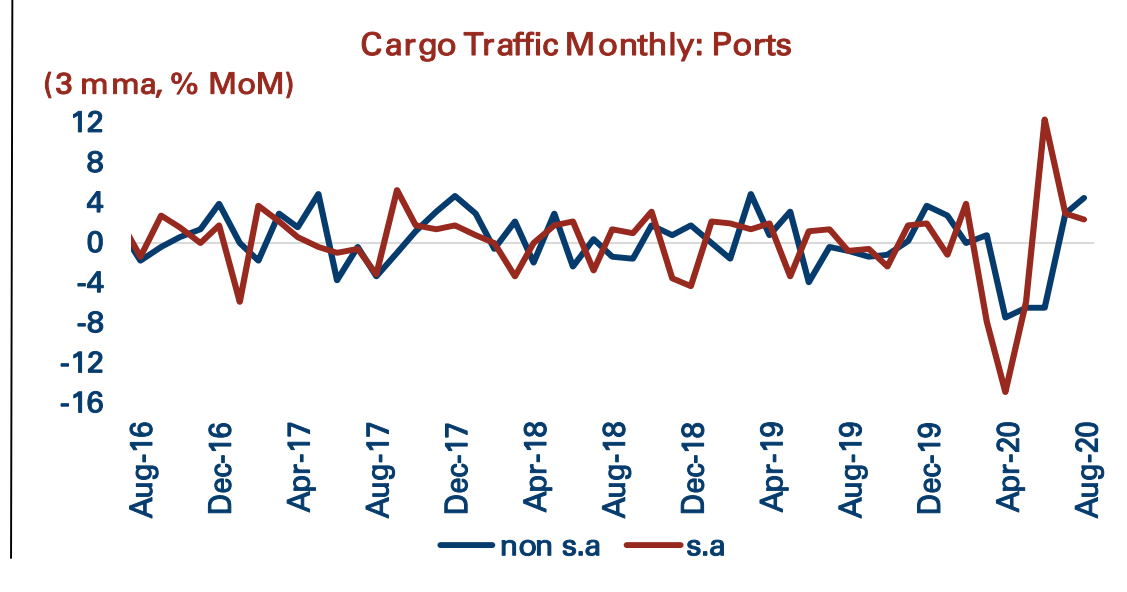
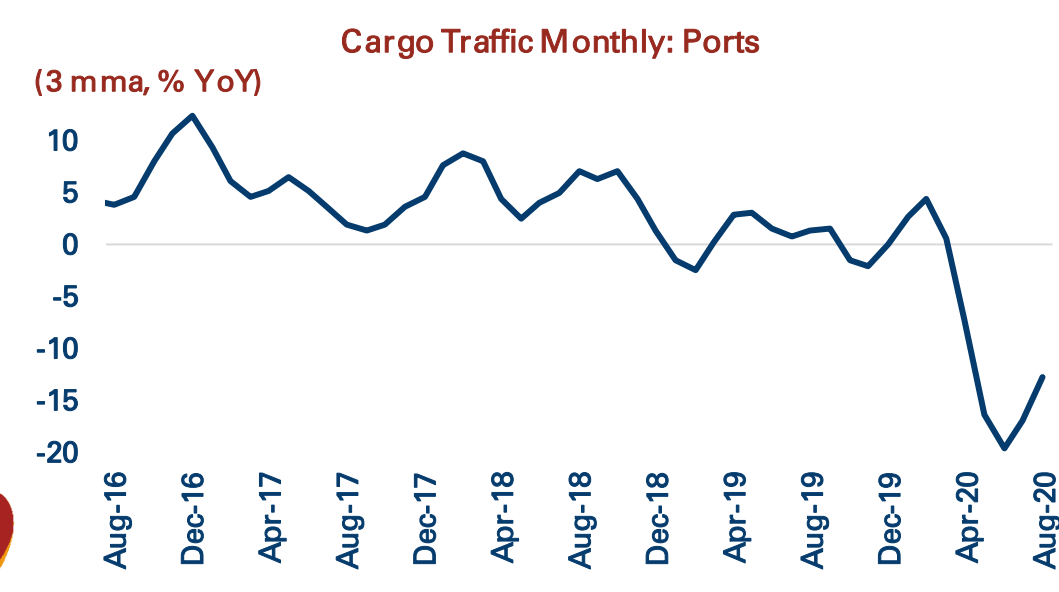
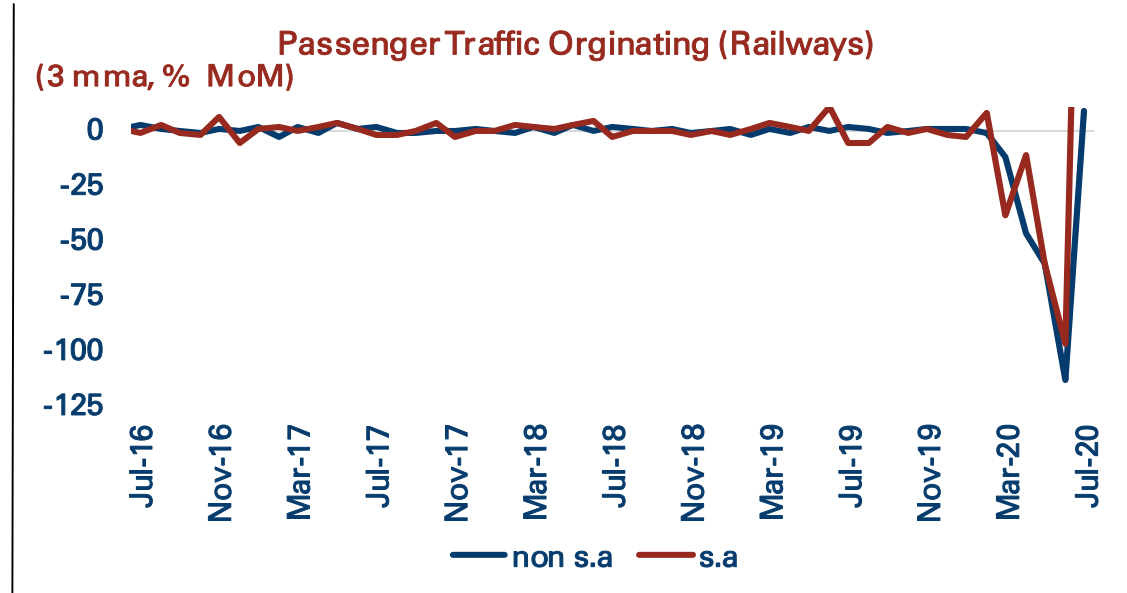
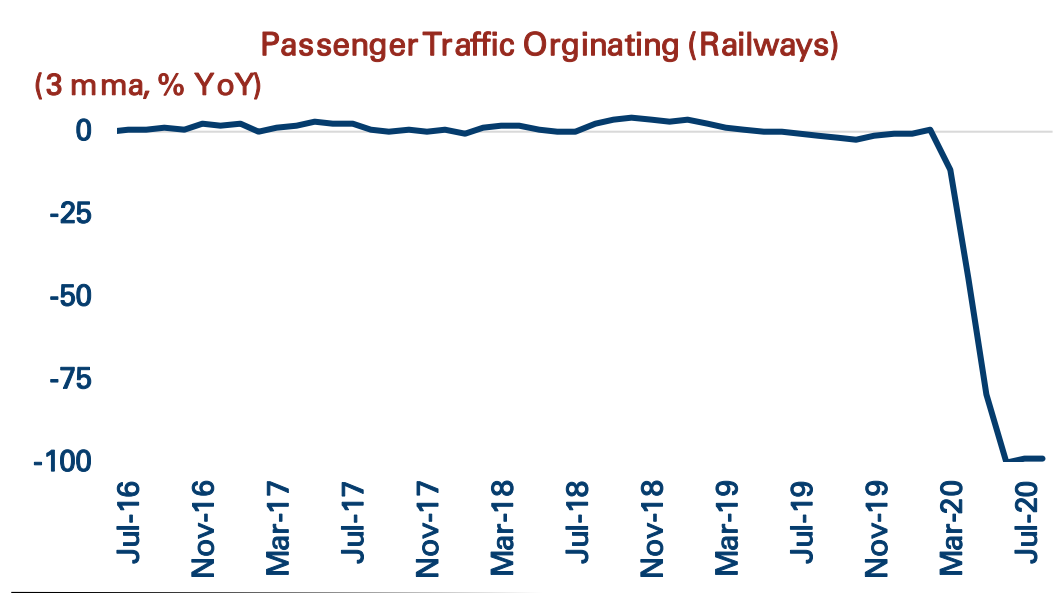


Source: CEIC, ICICI Bank Research; s.a – seasonally adjusted, non s.a – non seasonally adjusted

Travel services hit asymmetrically...

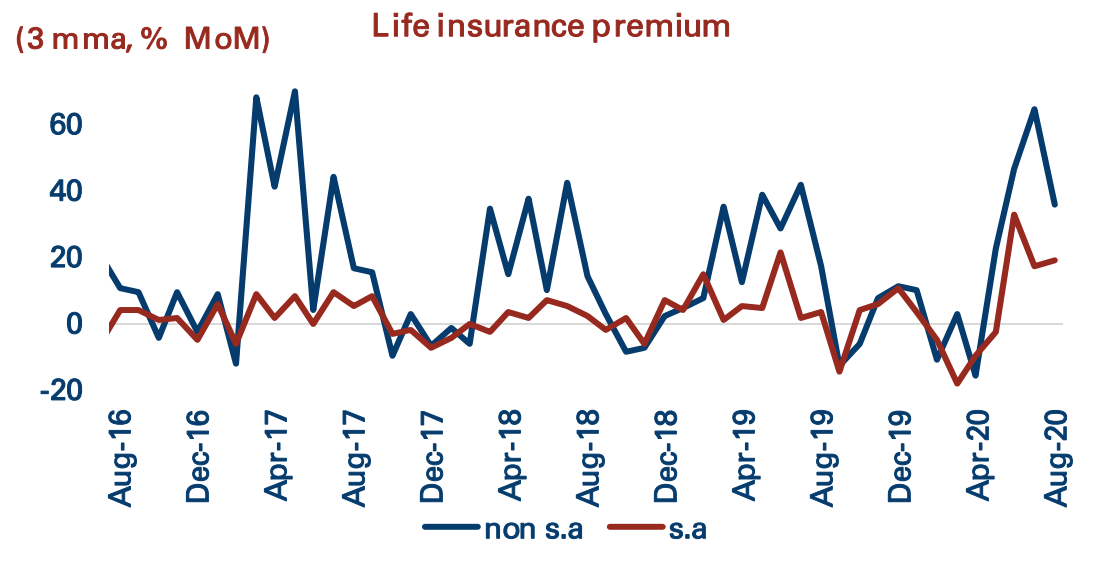
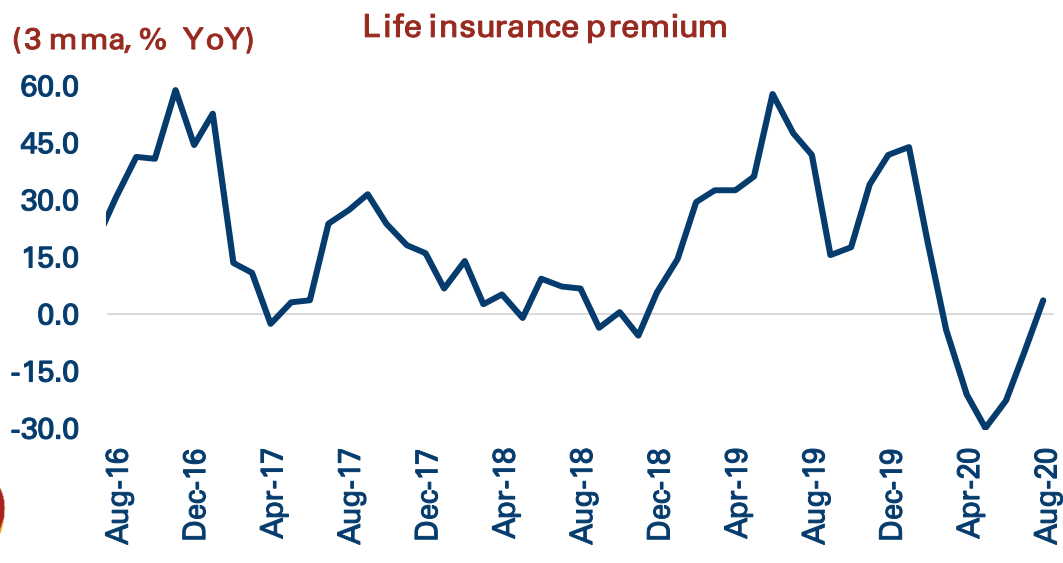
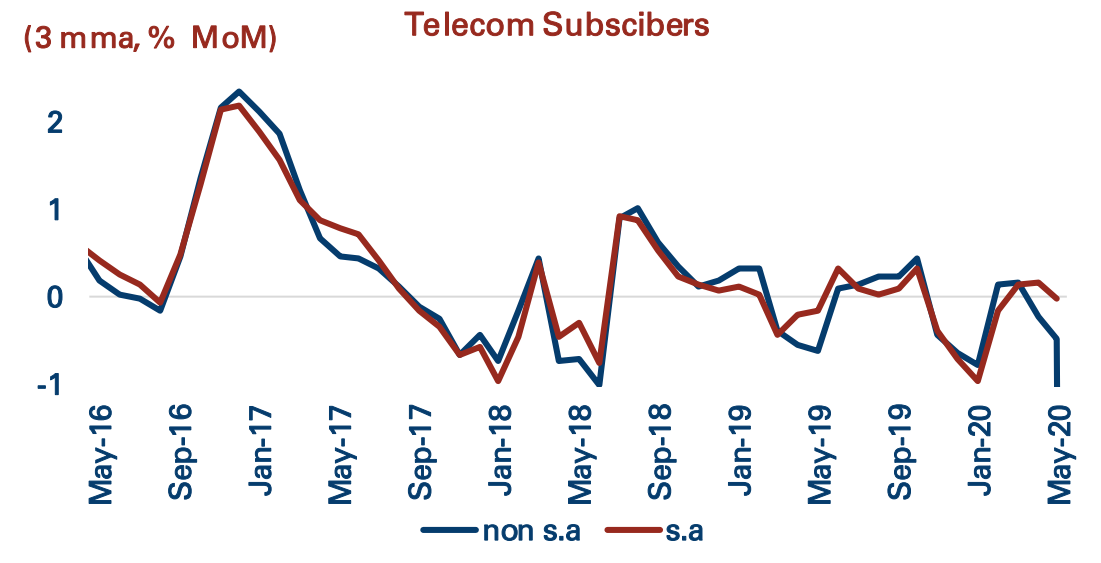
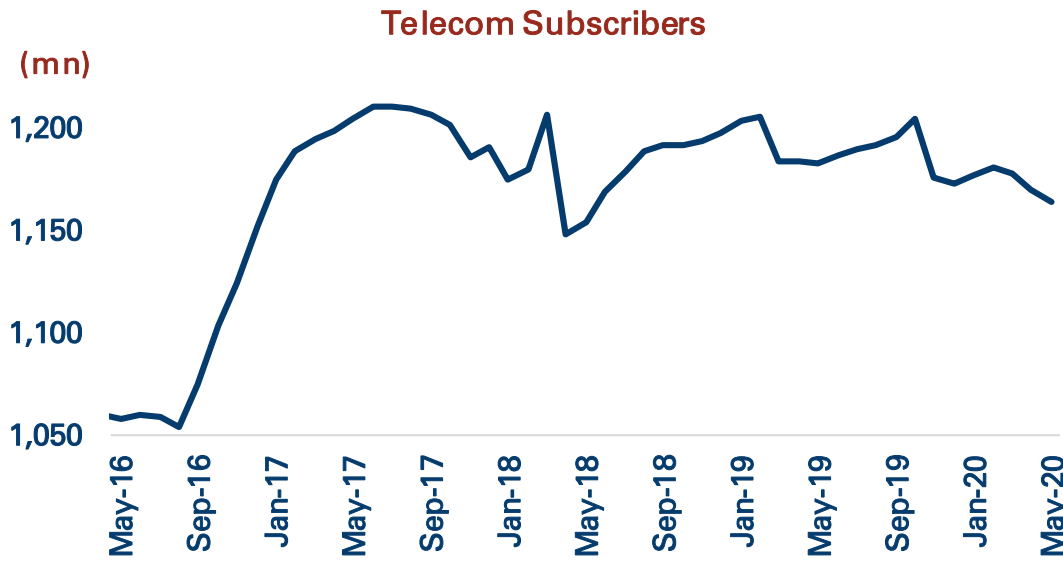


...could take a long time to show growth; improvement in port traffic ebbing



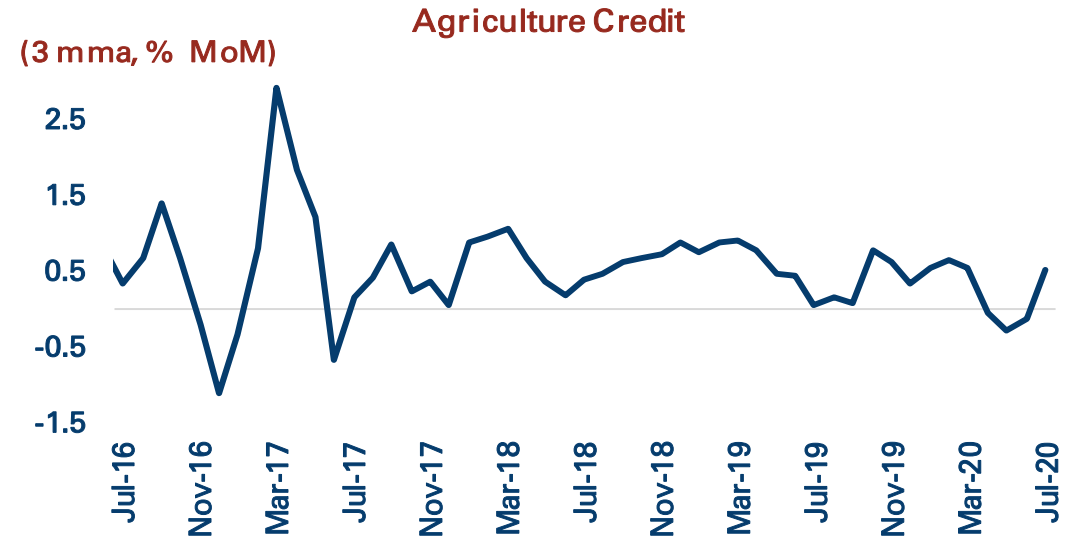
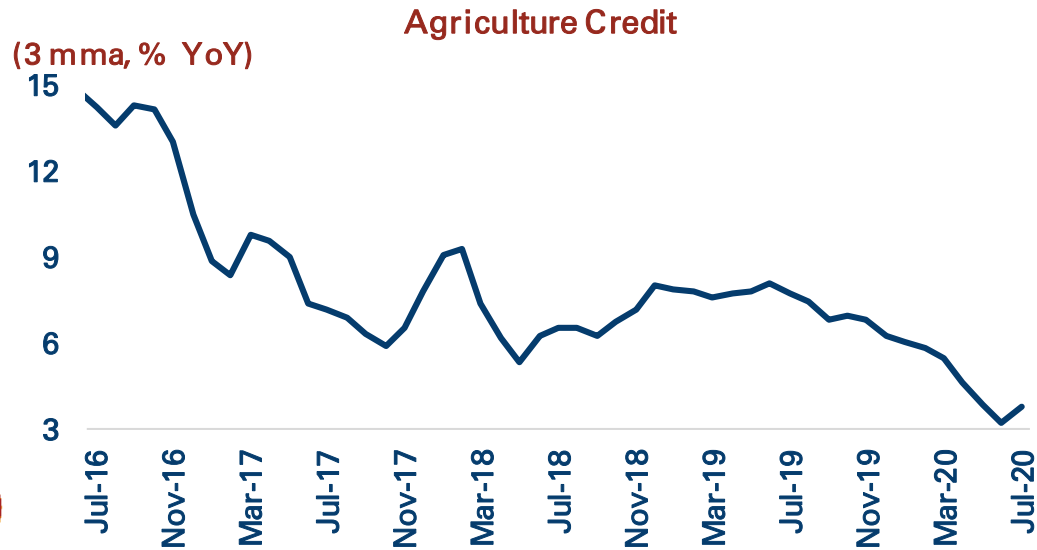
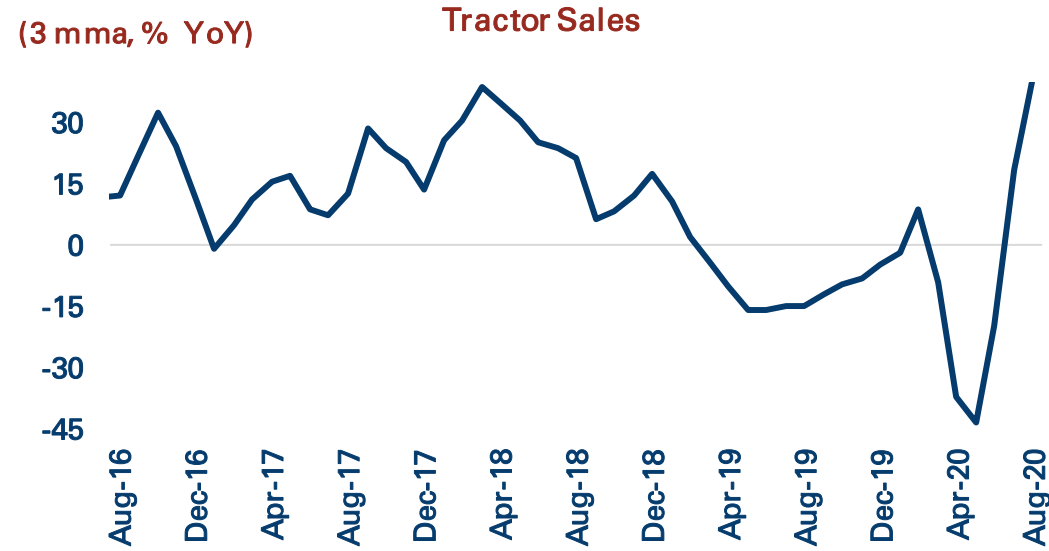
Source: CEIC, ICICI Bank Research; s.a – seasonally adjusted, non s.a – non seasonally adjusted

Telecom subscriber base has reduced, while life insurance premium showing positive growth

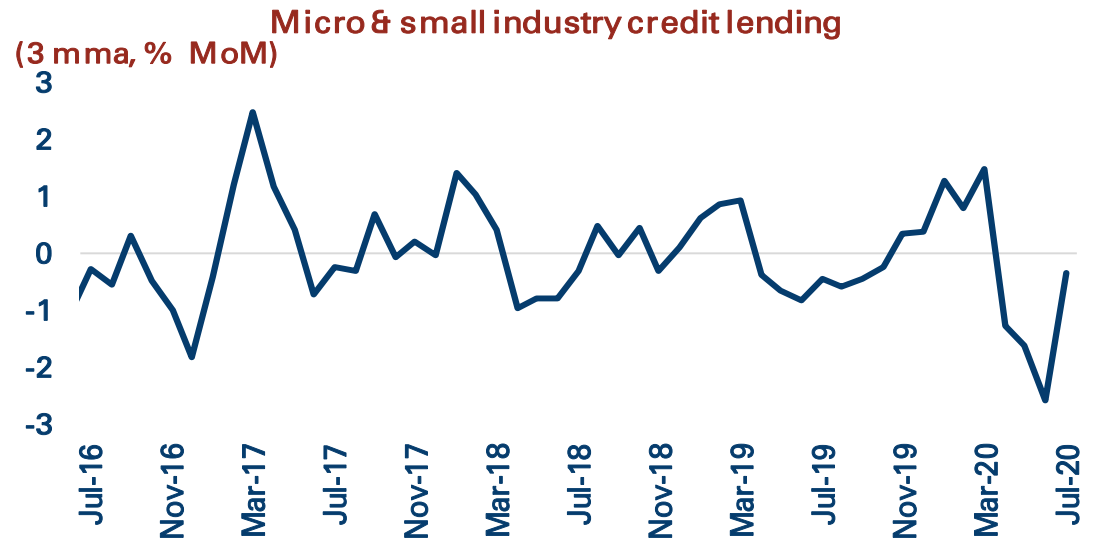
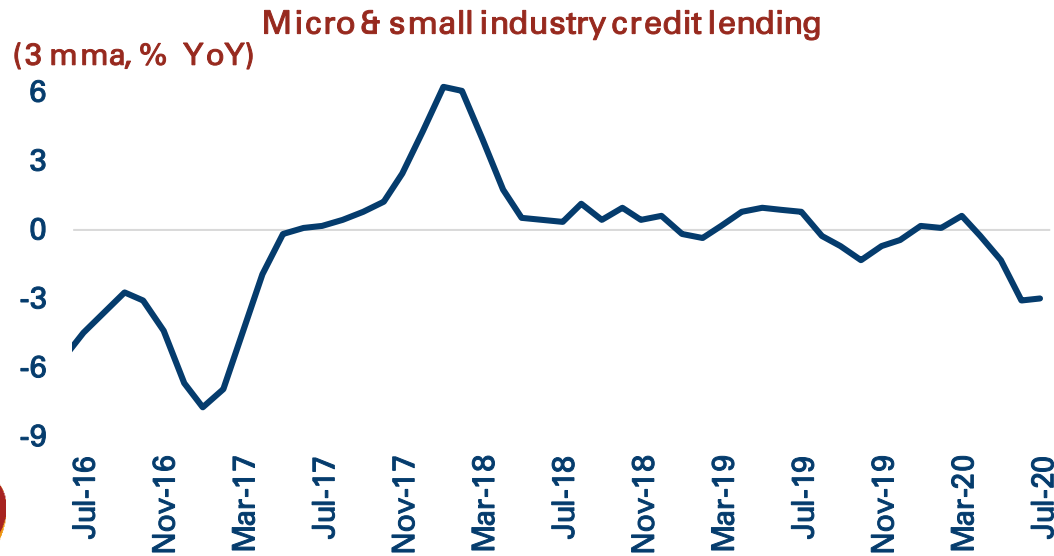
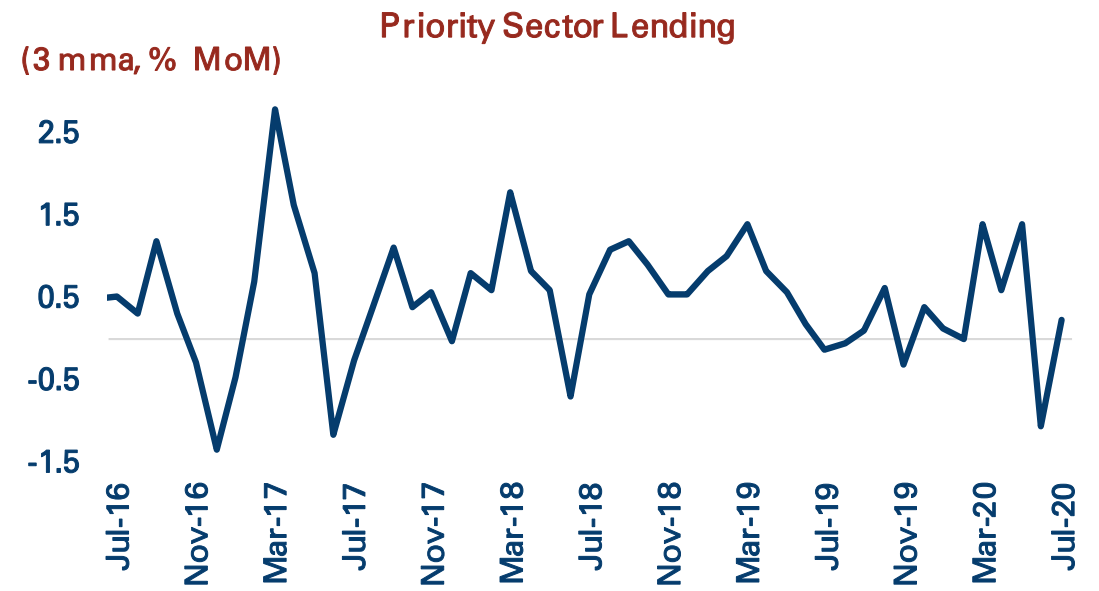
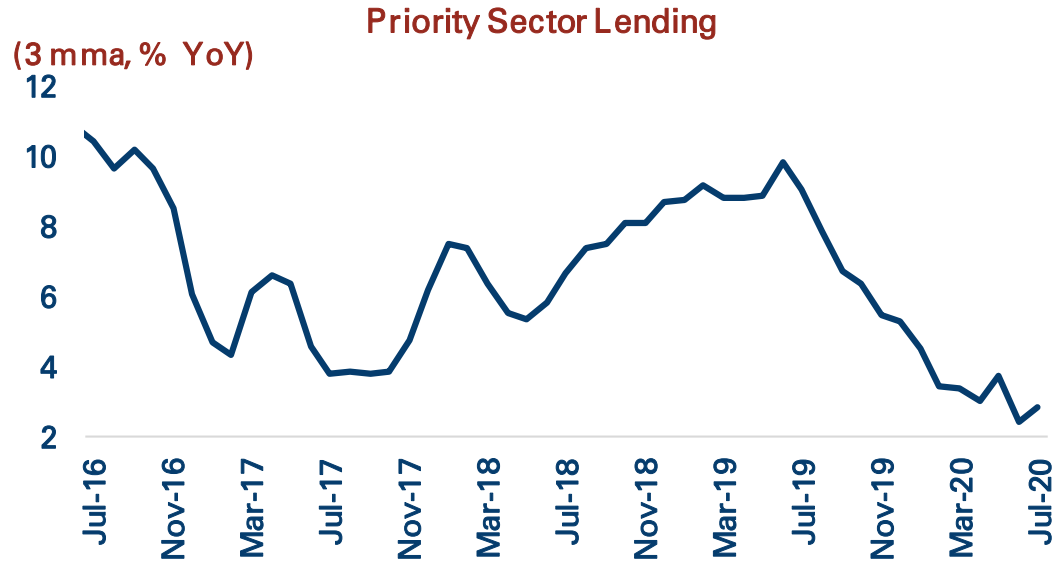


Source: CEIC, ICICI Bank Research; s.a – seasonally adjusted, non s.a – non seasonally adjusted

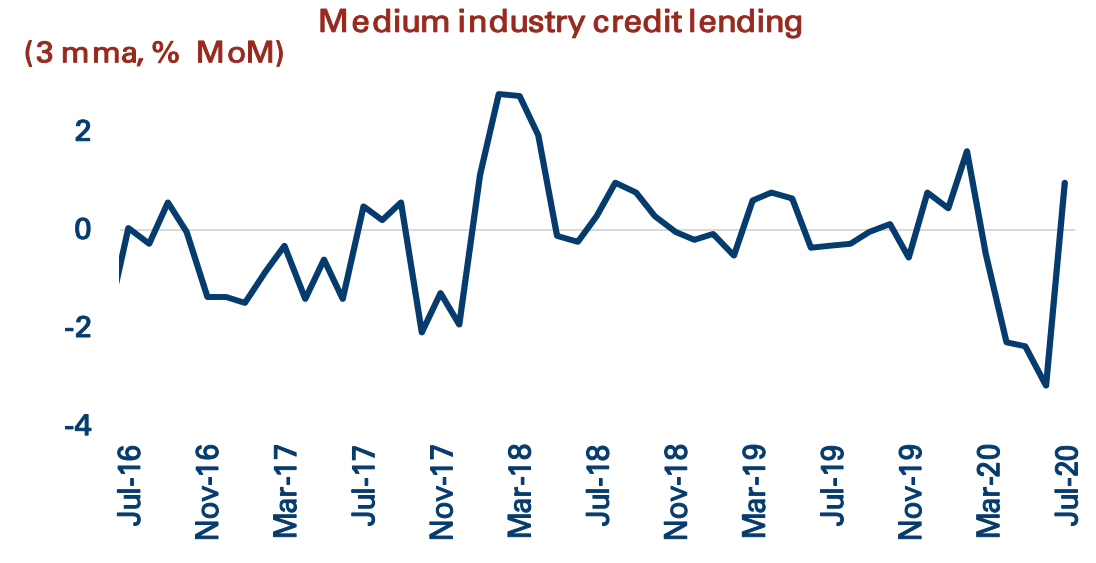
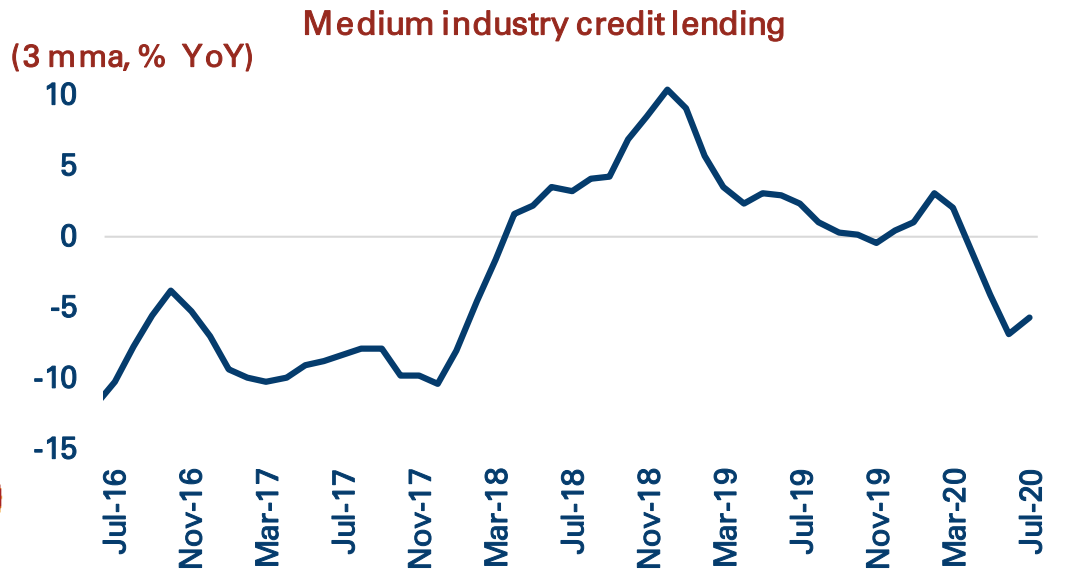
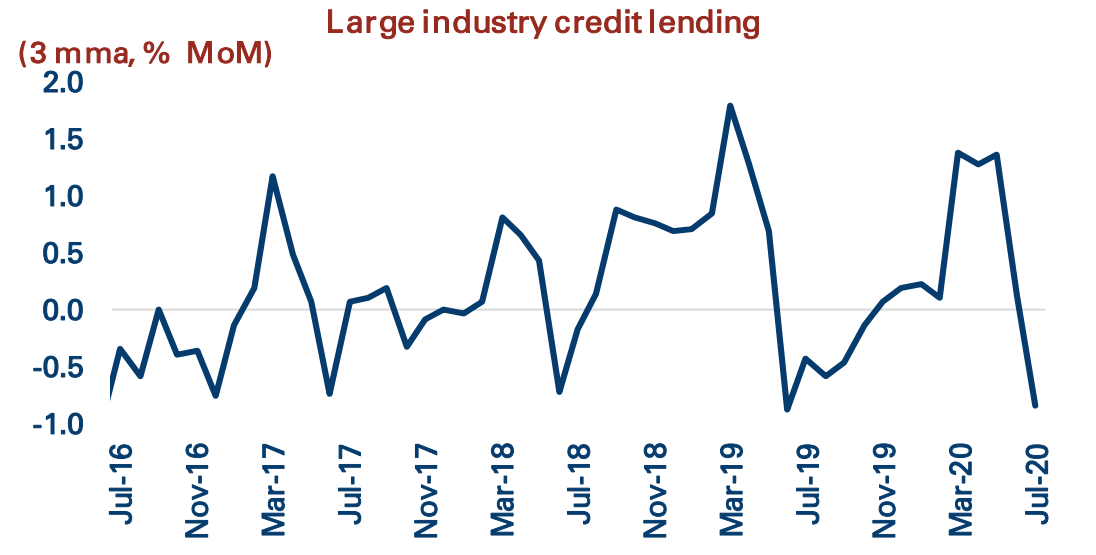
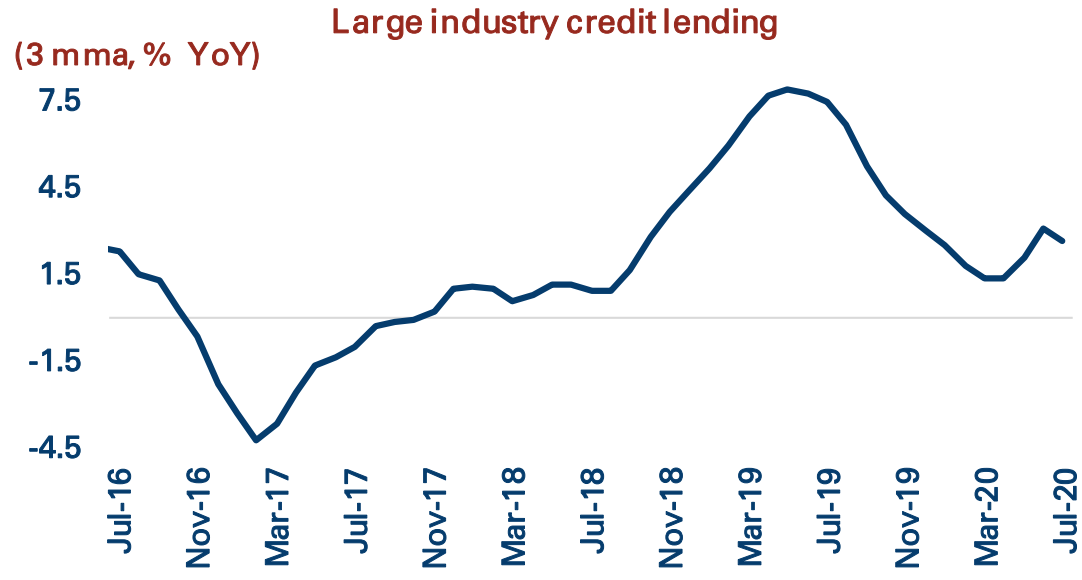
Rural economy has been relatively less impacted, though agri credit remains muted



..as does priority sector credit, MSME credit showing negative annual growth..

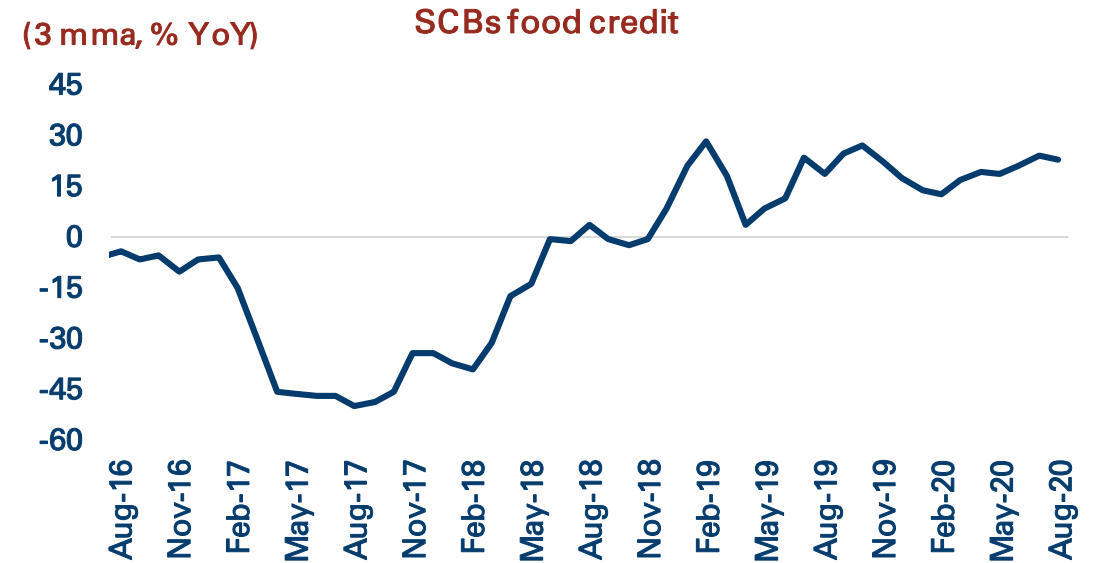
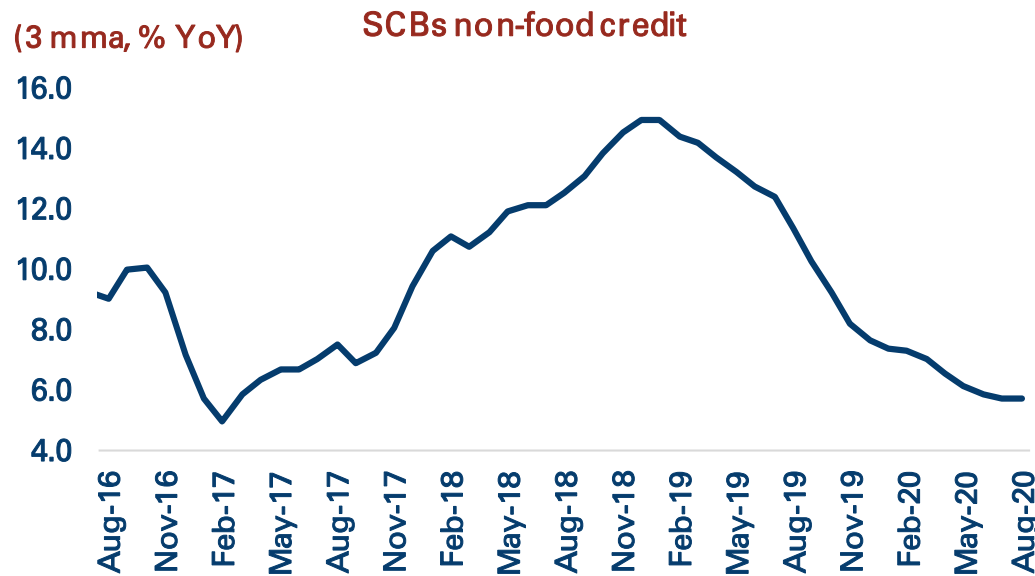
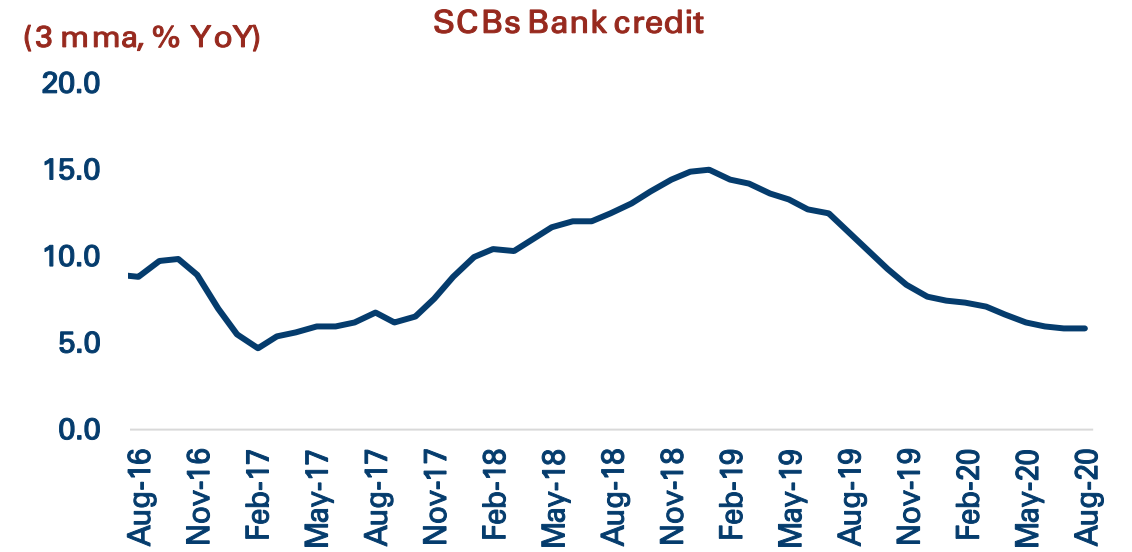
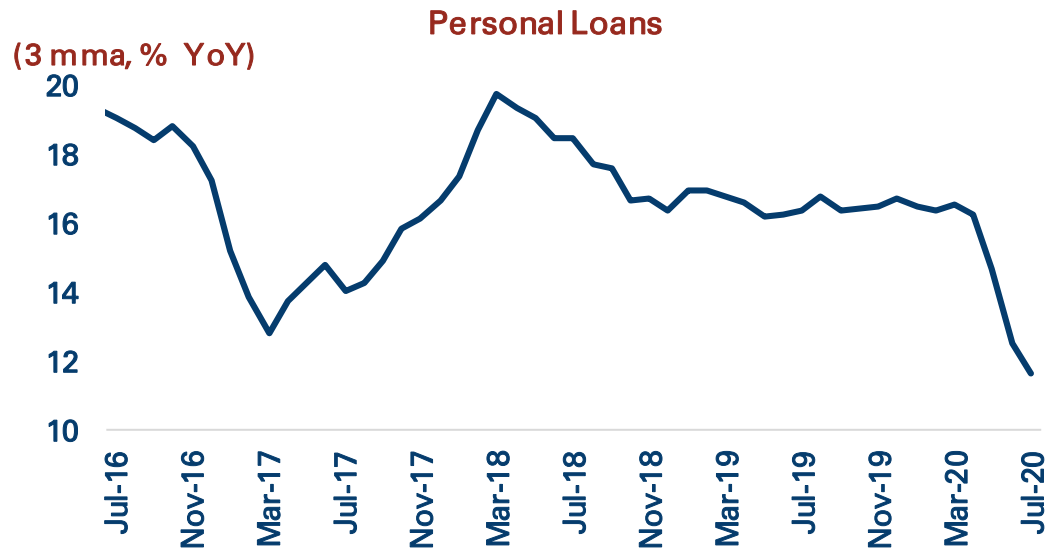


..as is credit to medium industry

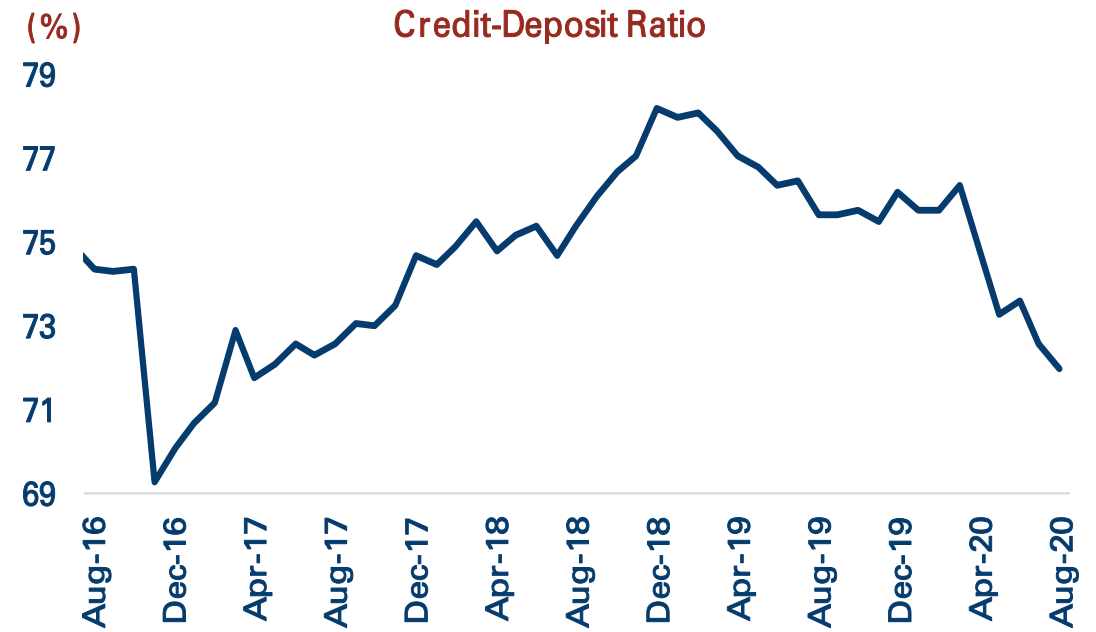
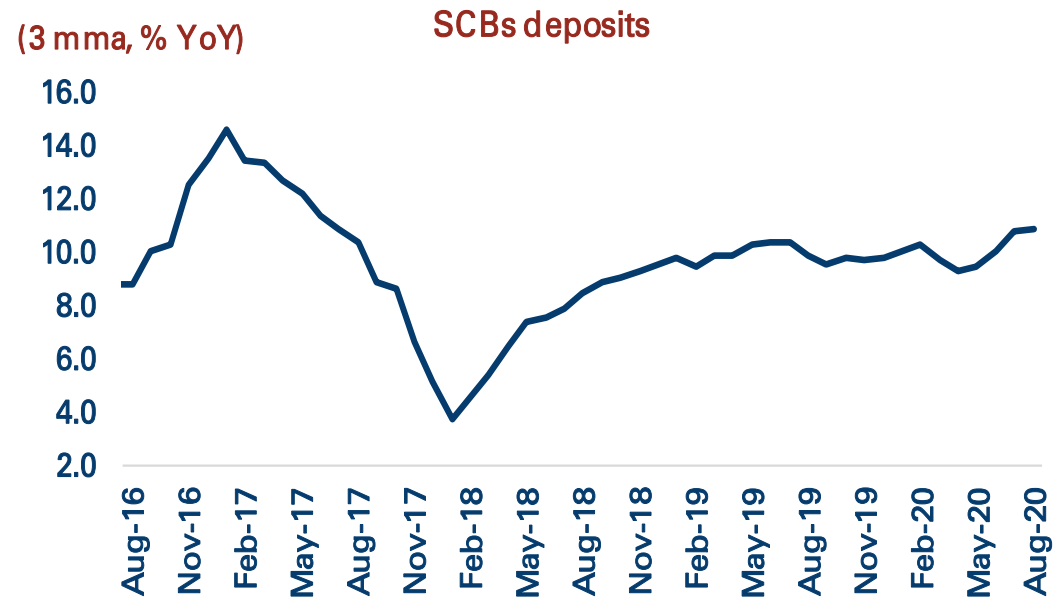


Source: CEIC, ICICI Bank Research

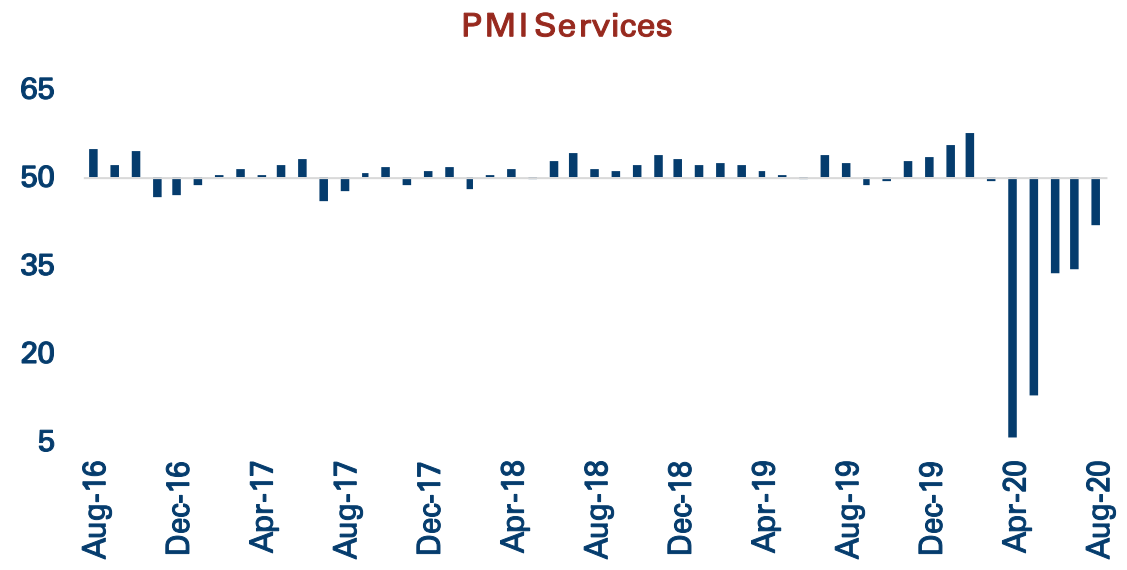
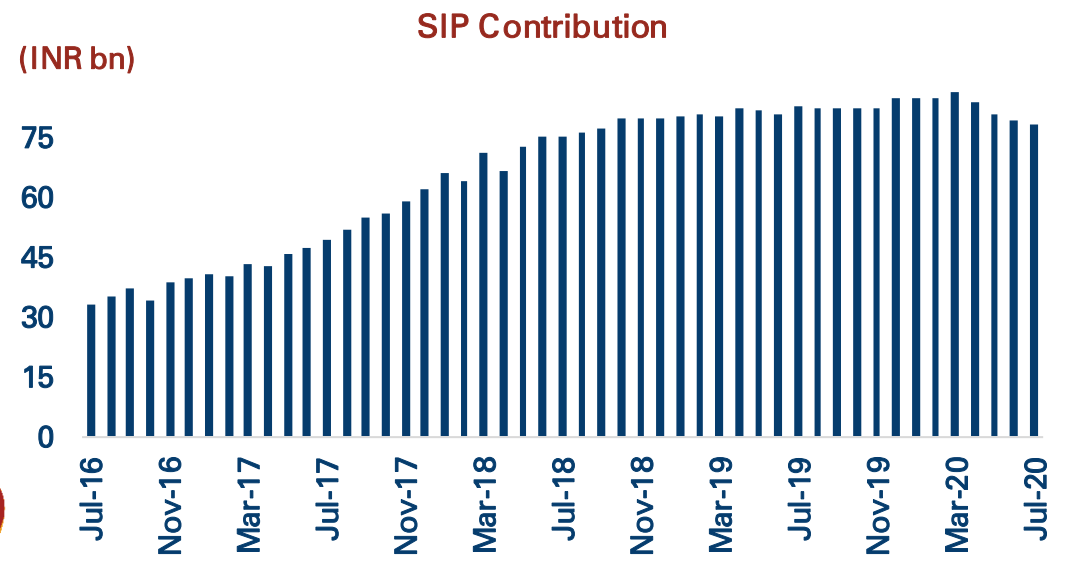
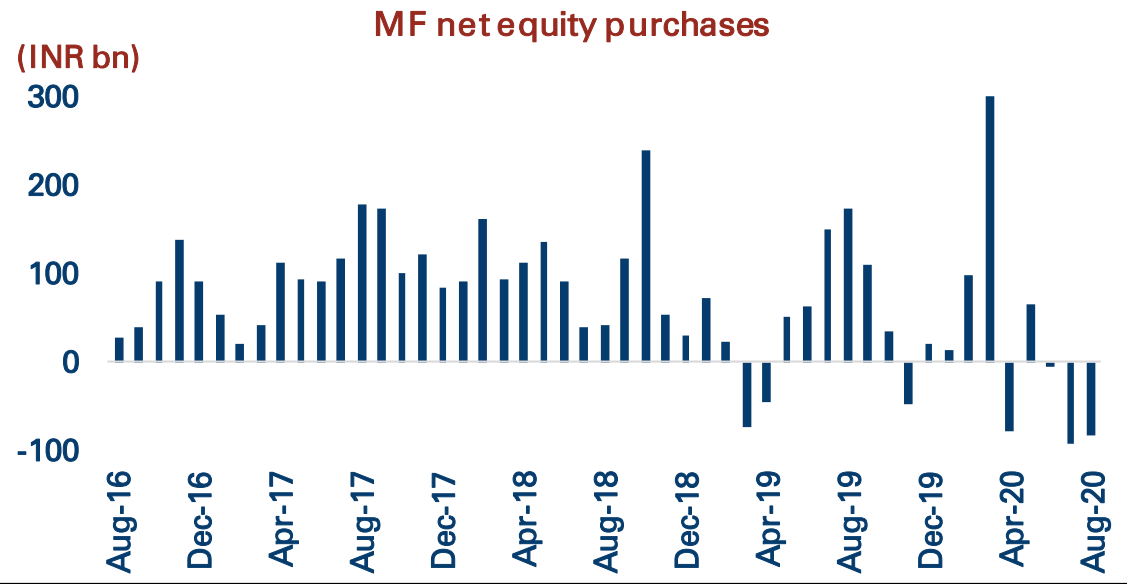
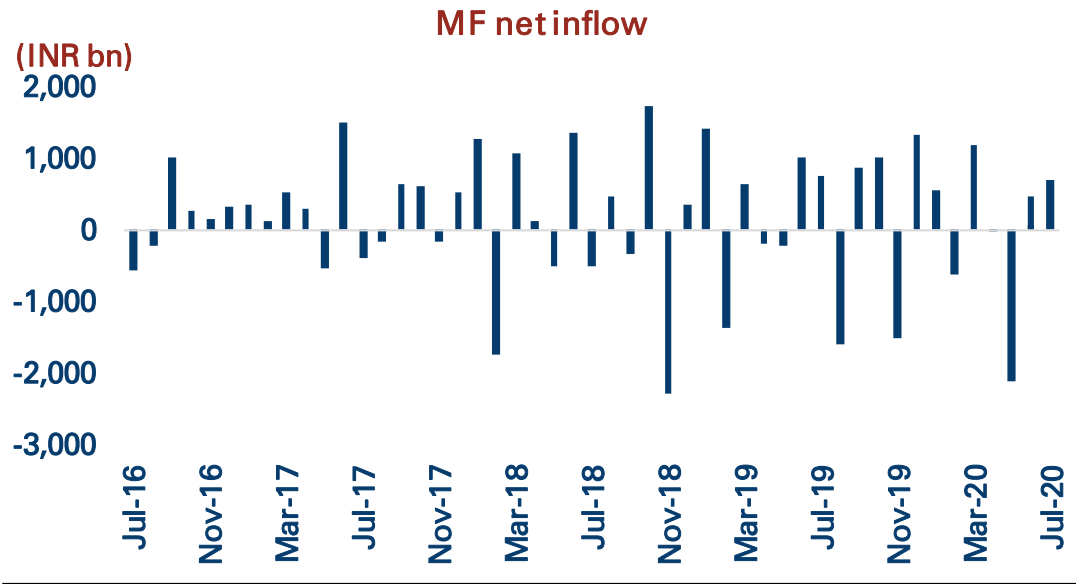
Personal loans have also reduced in the wake of uncertainty in incomes; overall credit growth remains muted



...while deposit growth has been strong...leading to falling credit-deposit ratio



Fund flows through SIPs has been tapering; equity purchases through MFs remains weak

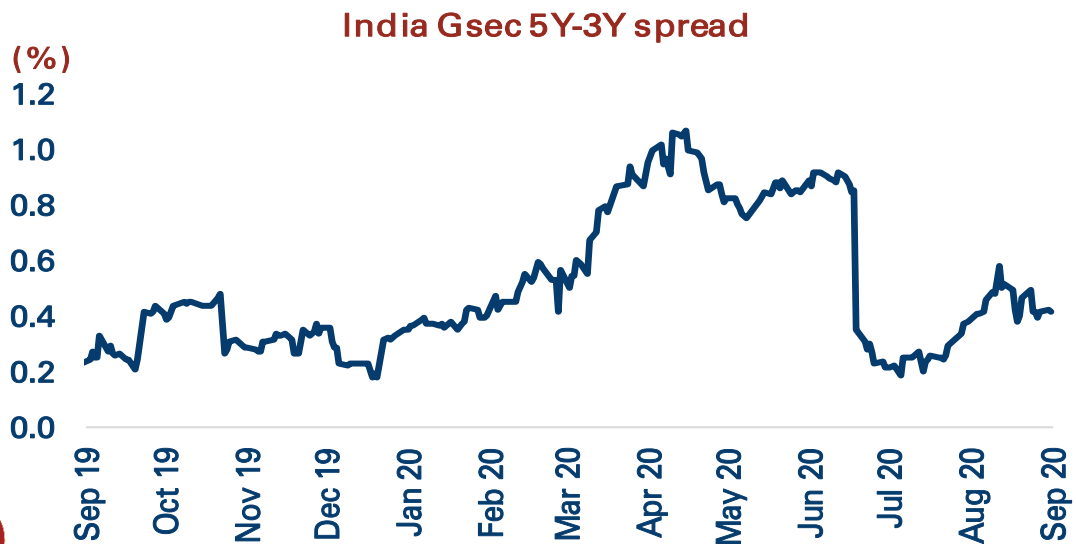
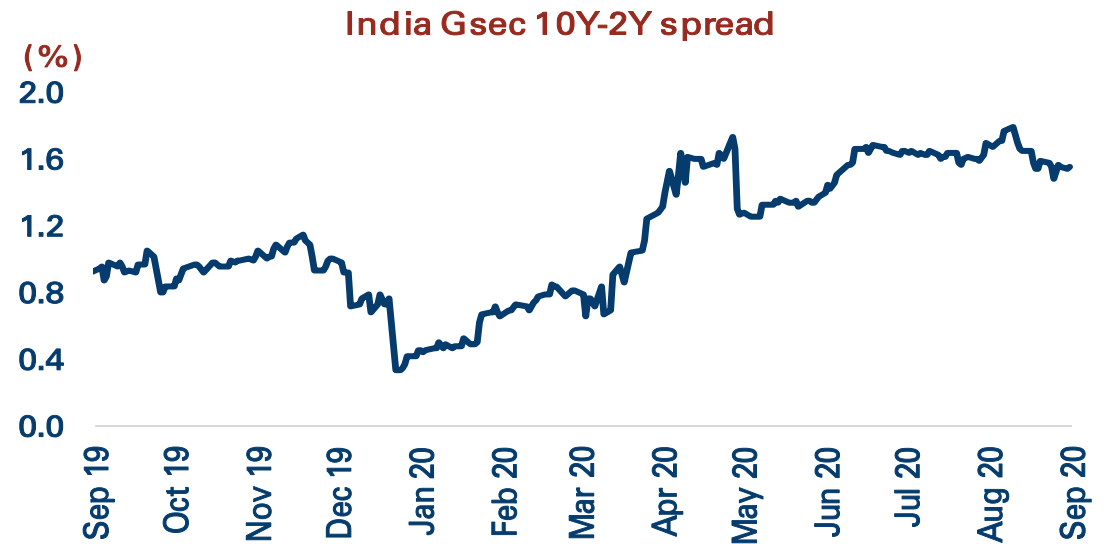
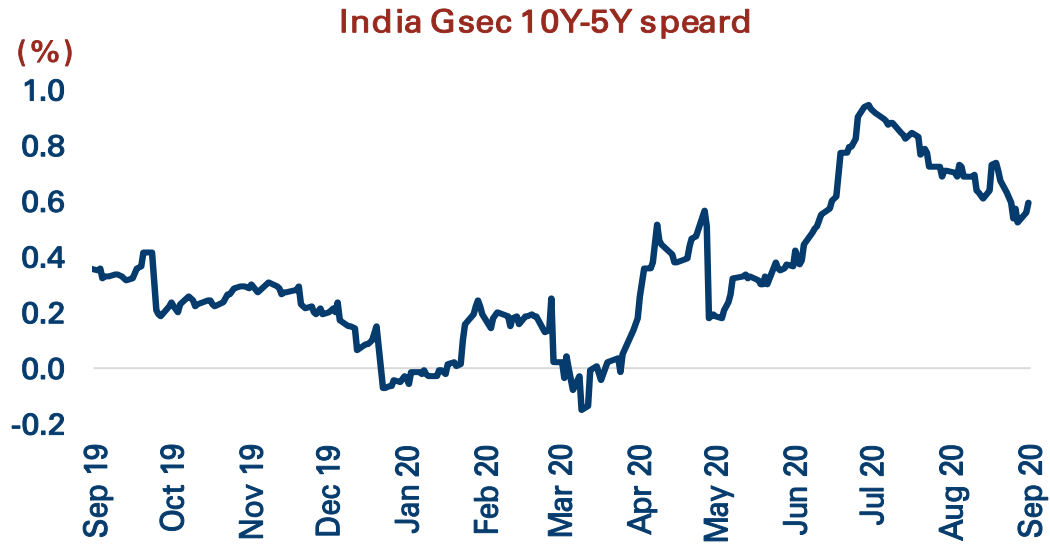


Source: CEIC, ICICI Bank Research

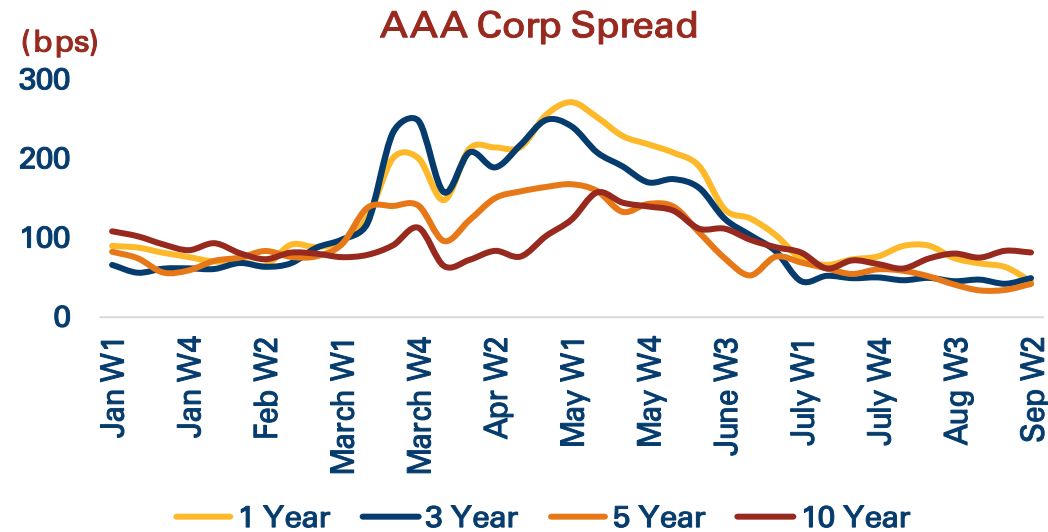
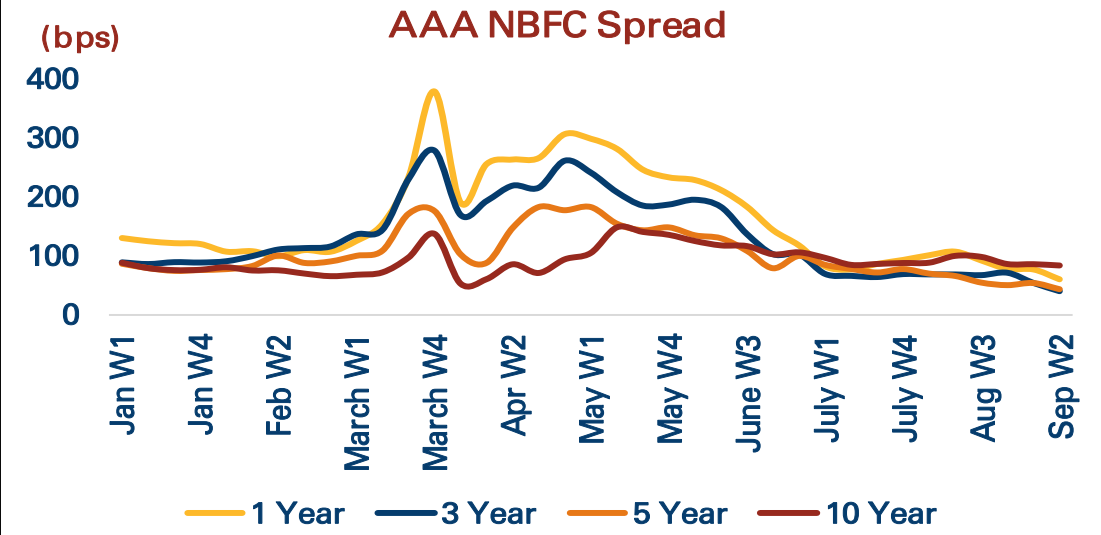
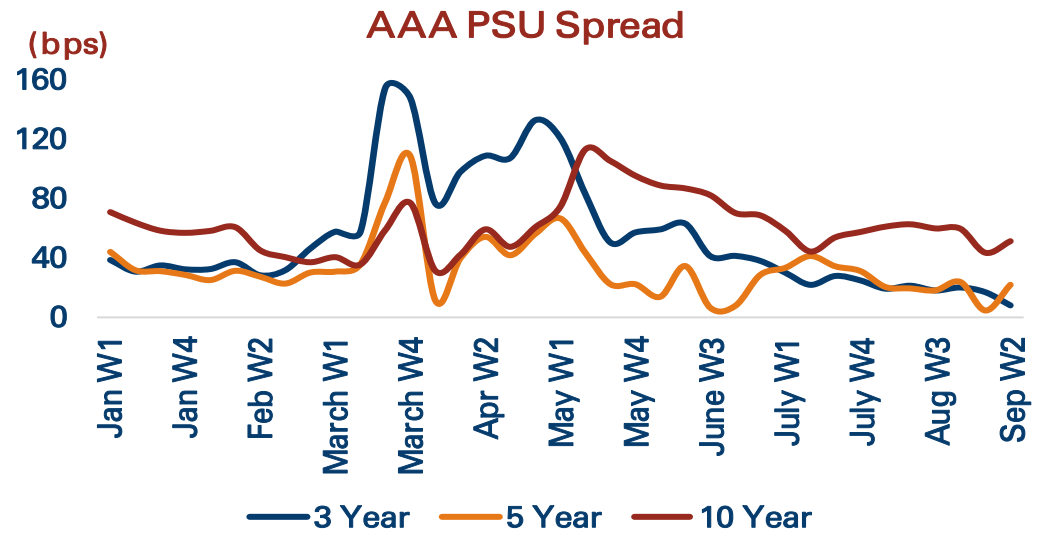


Financial Sector

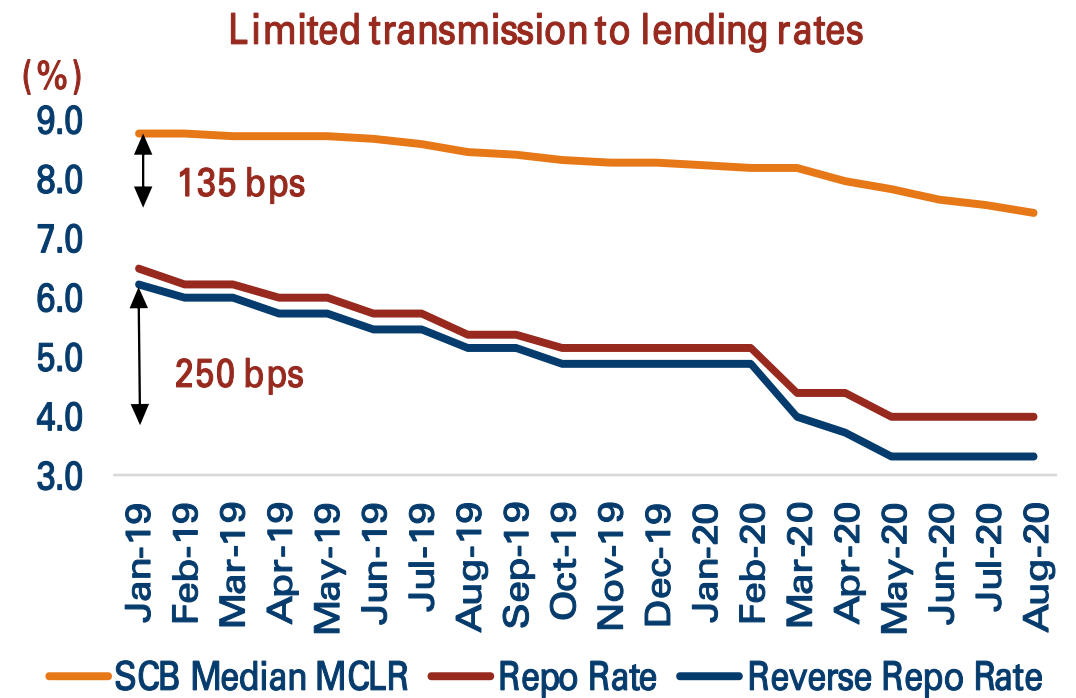
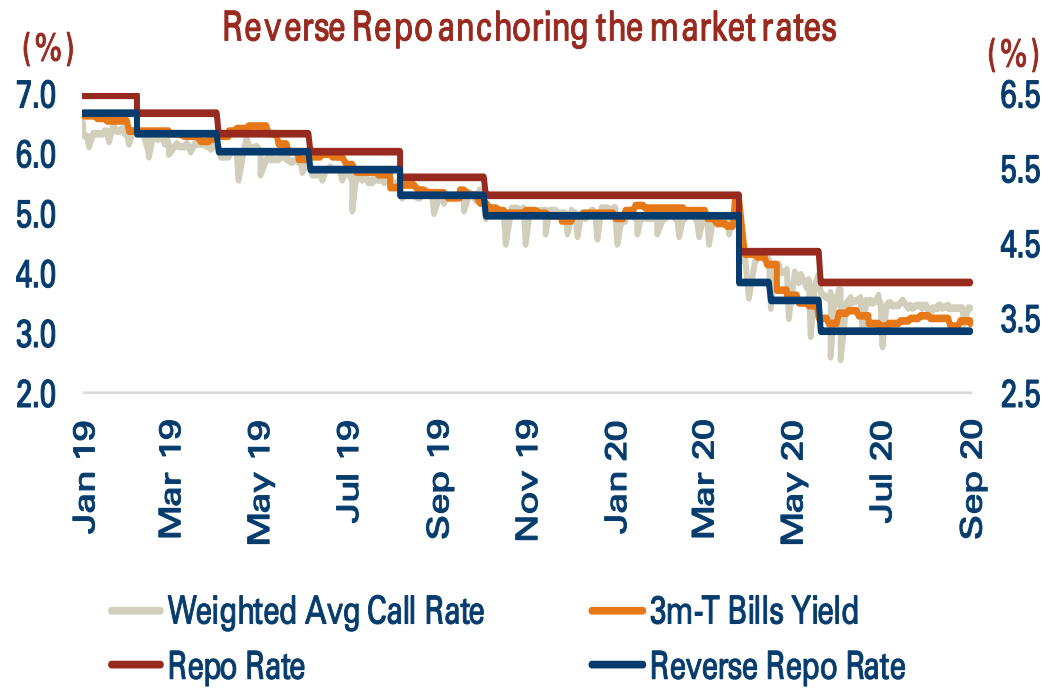
Spreads driven by supply concerns and RBI action



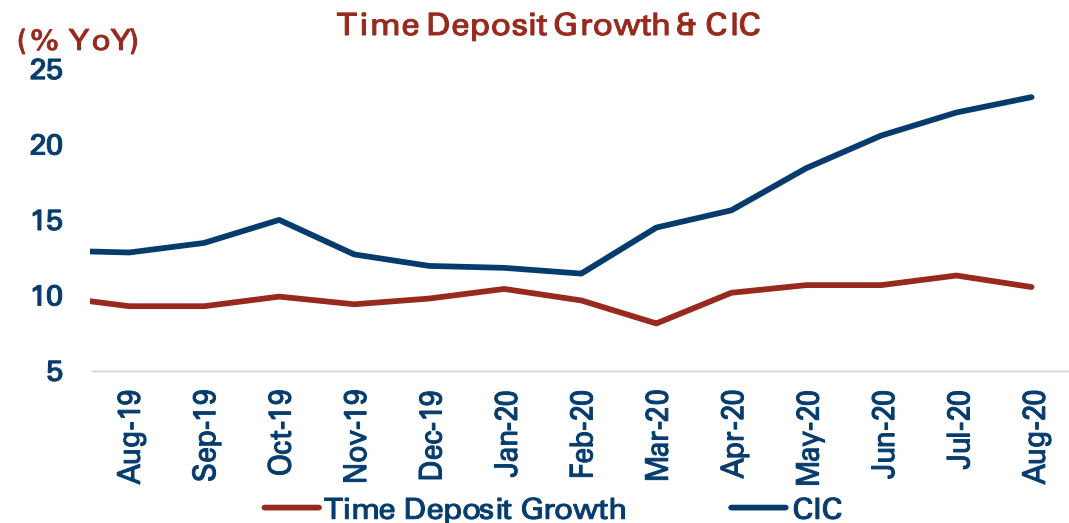
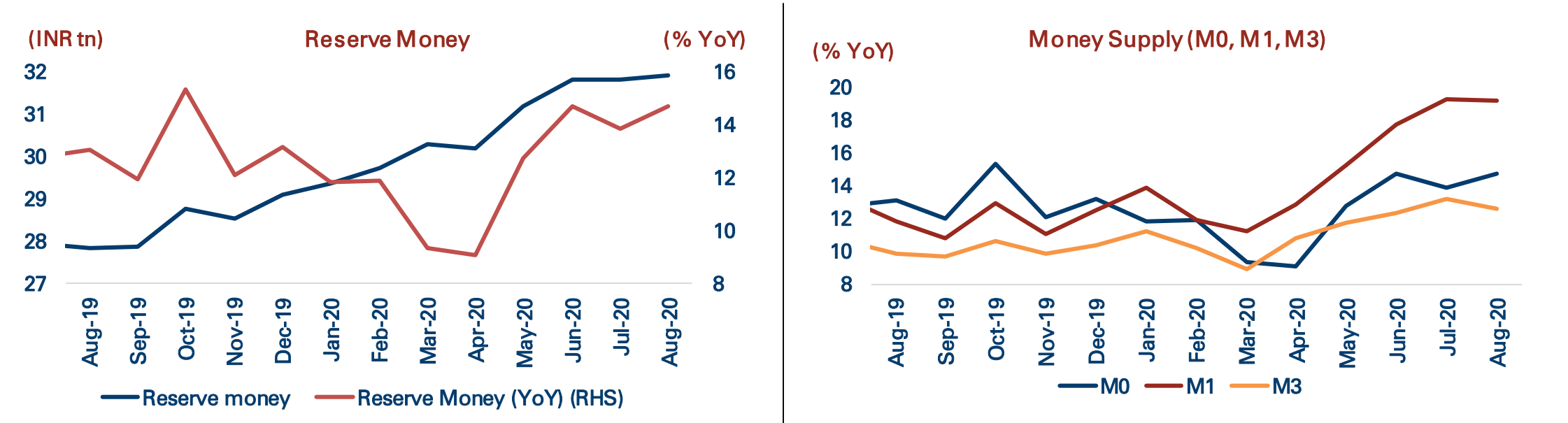
Spreads driven by supply concerns and RBI action



Reverse repo the effective policy rate; transmission to lending rates partial

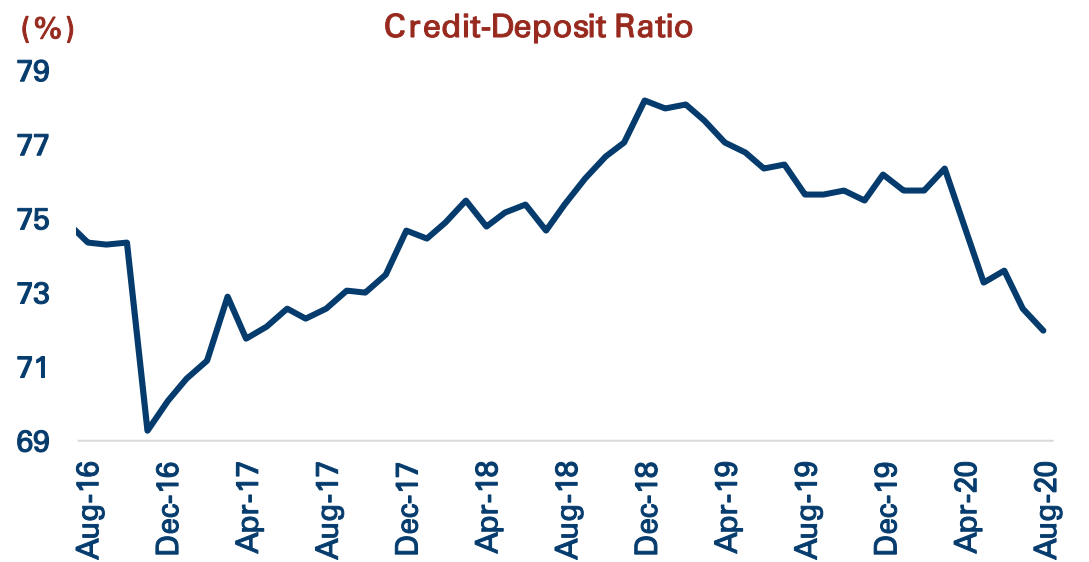
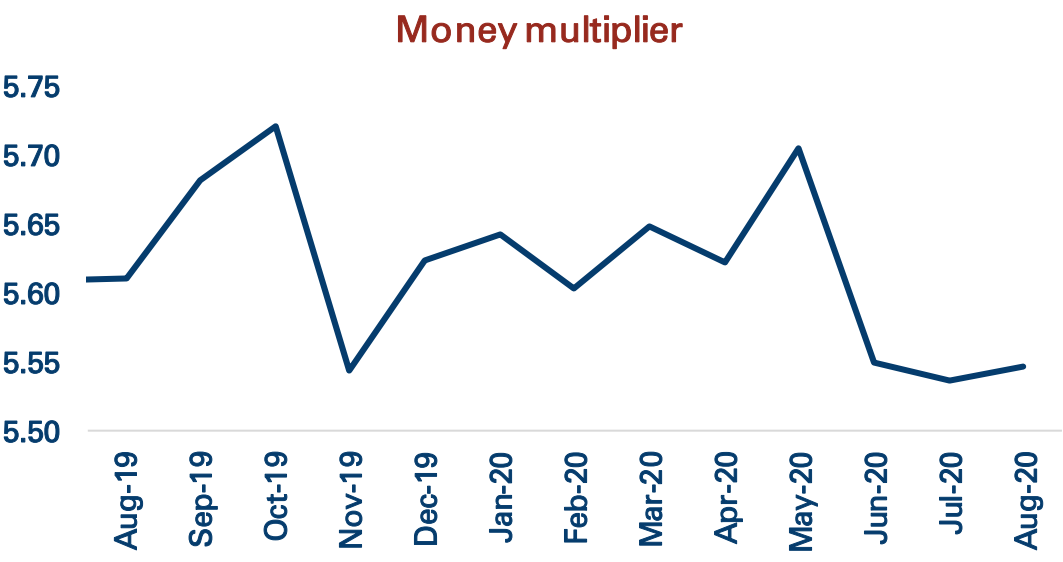
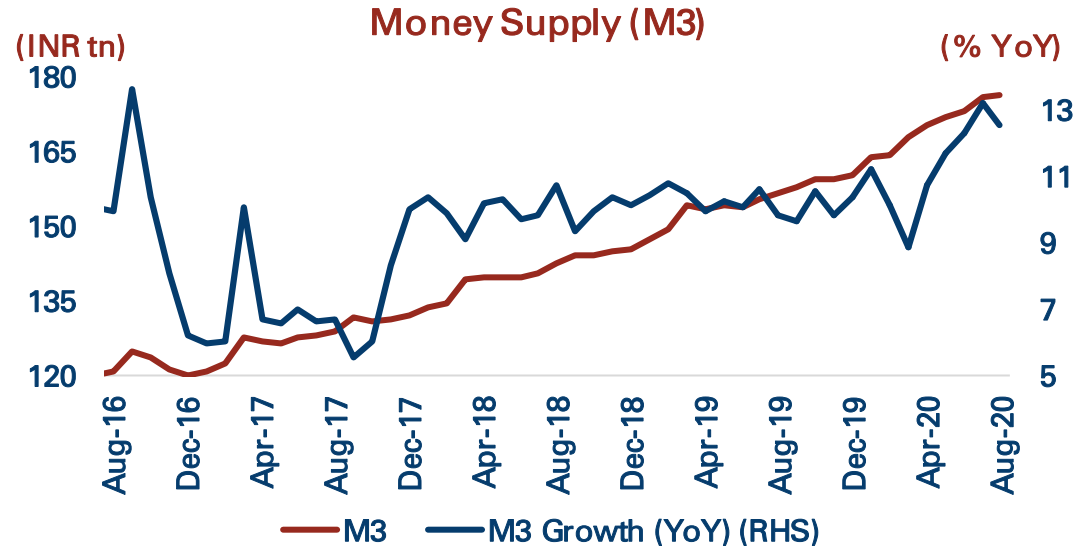
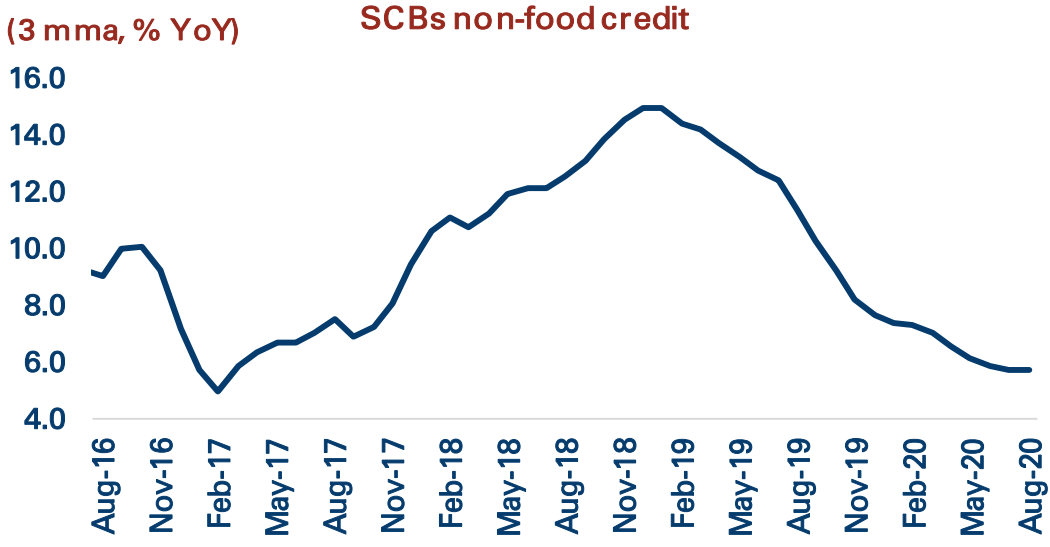


Deposit growth and CIC increase, indicating precautionary savings and safe haven demand....



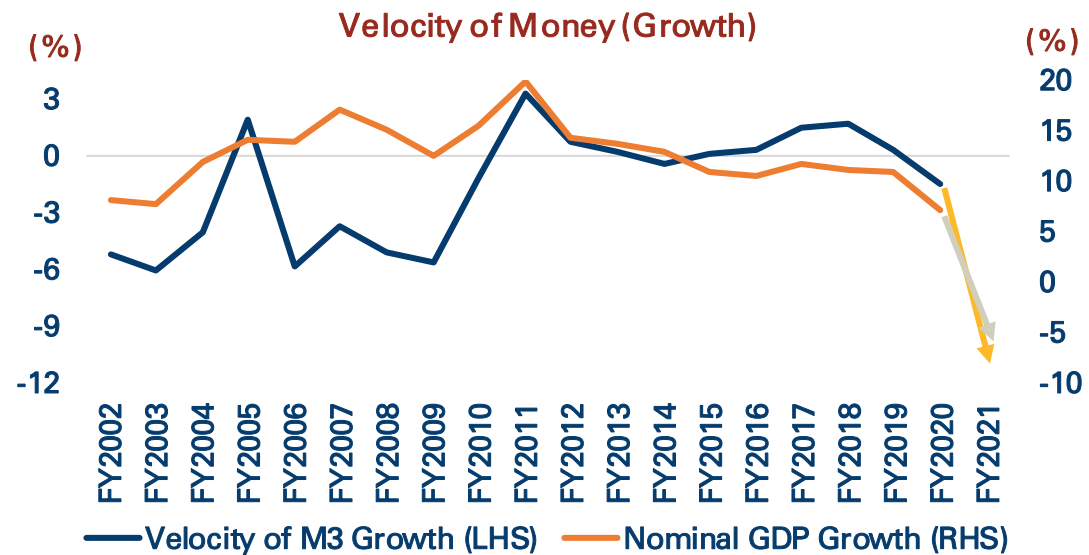
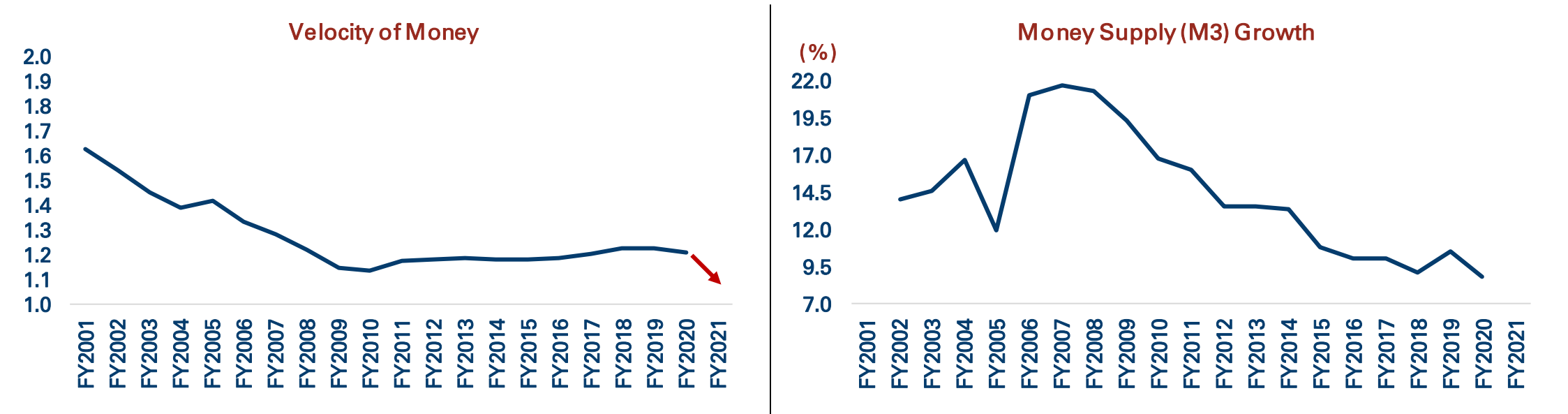
Source: CEIC, RBI, ICICI Bank Research; Note: Reserve money(M0)=currency in circulation + deposits with RBI; M1= M0 + demand deposits with the banking system; M3= M1 + time deposits with the banking system

...while weak credit growth leading to low money multiplier



Source: CEIC, RBI, ICICI Bank Research
Money multiplier = M3/M0

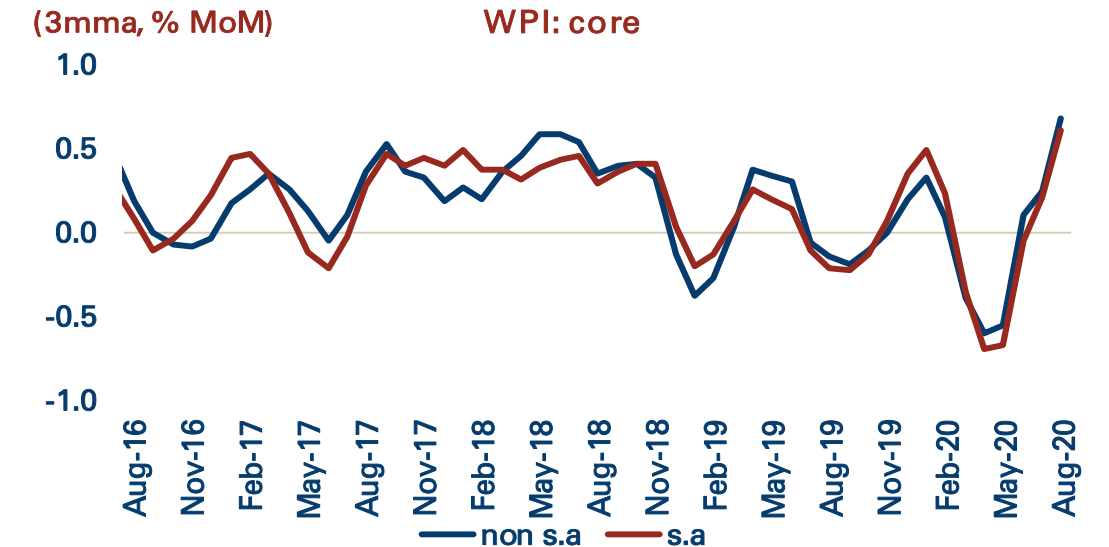
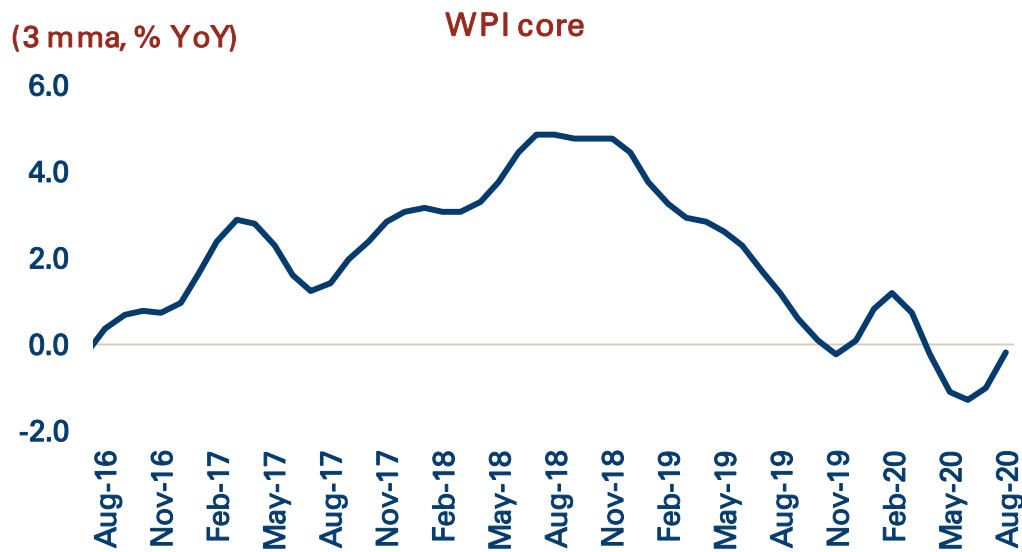
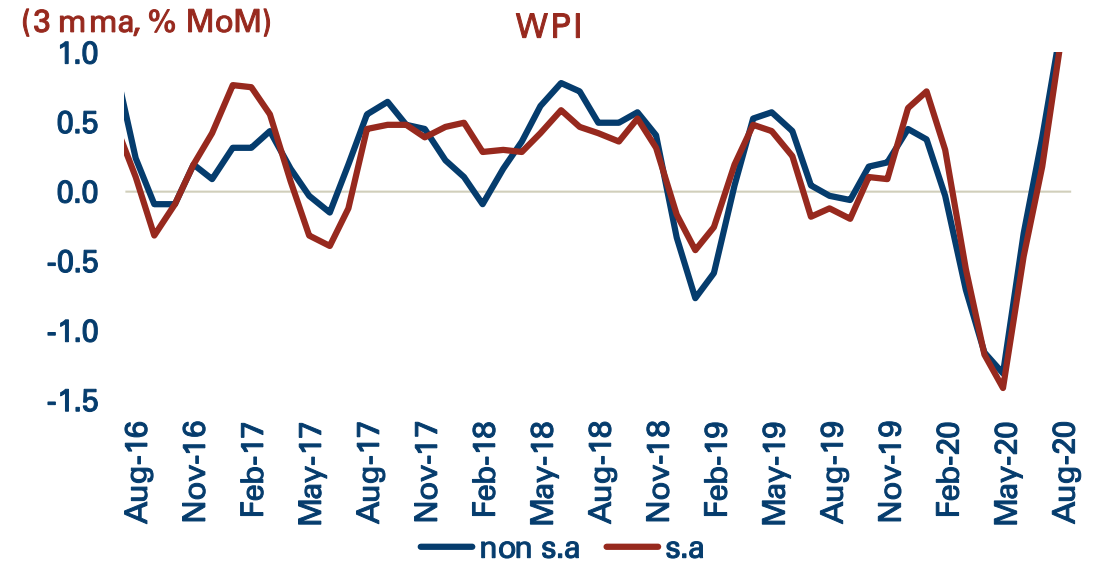
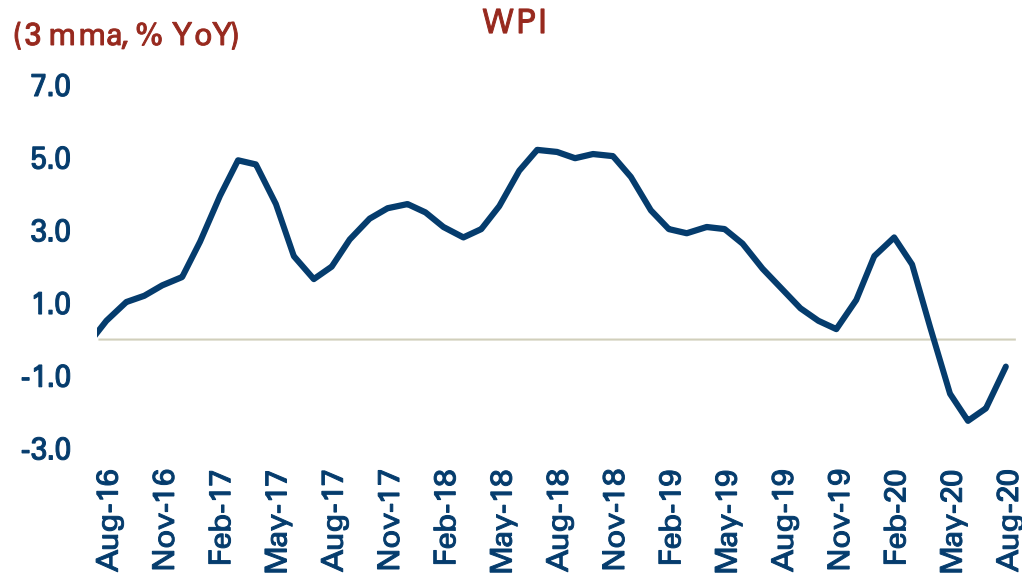
Sharp fall in velocity of money, could add to recessionary impulses if not supported by growth in M3





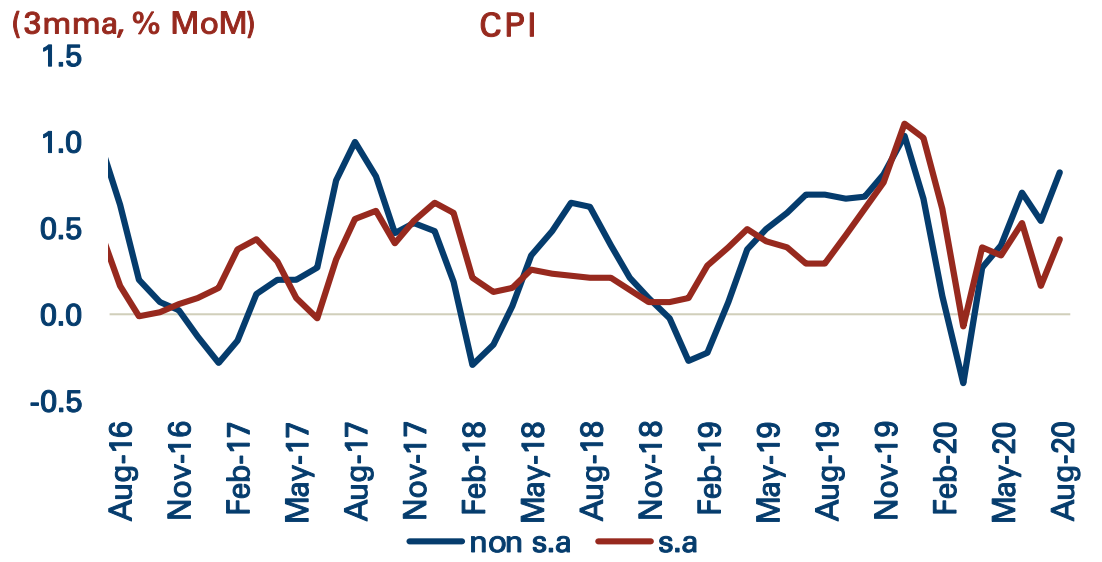
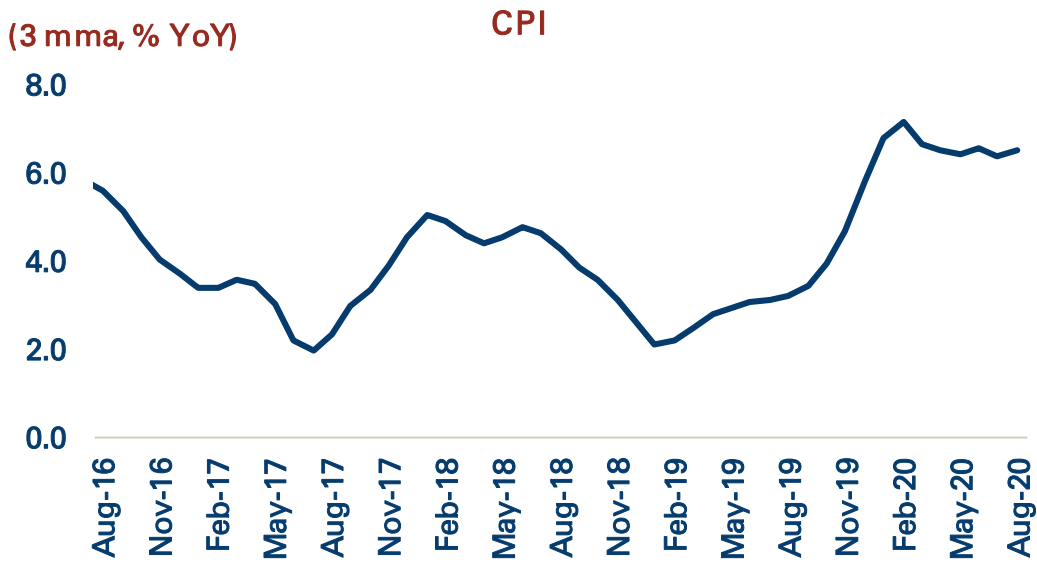
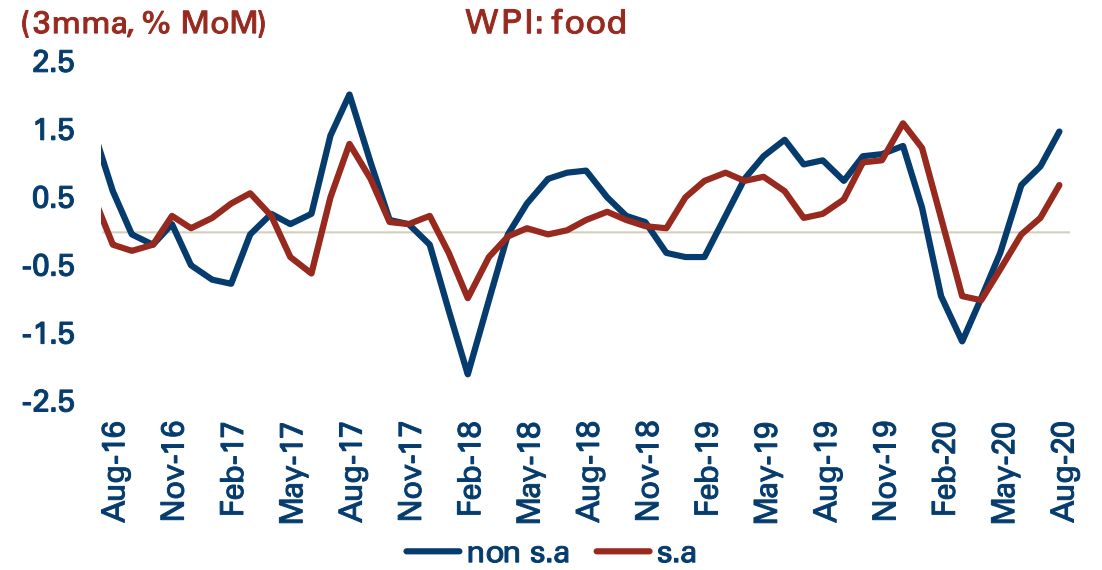
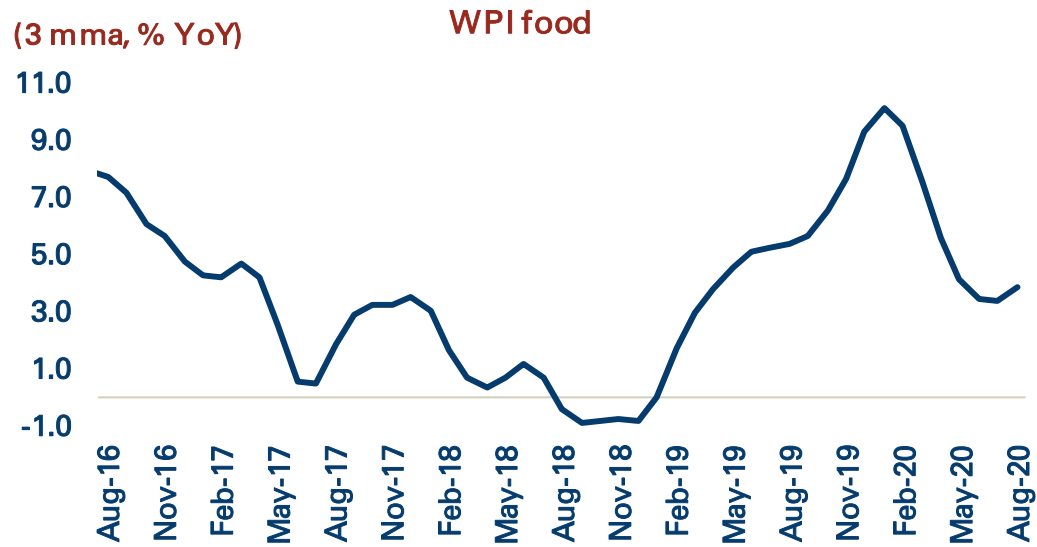
Key inflation metrics

Wholesale price index (WPI) and WPI core picked up in August

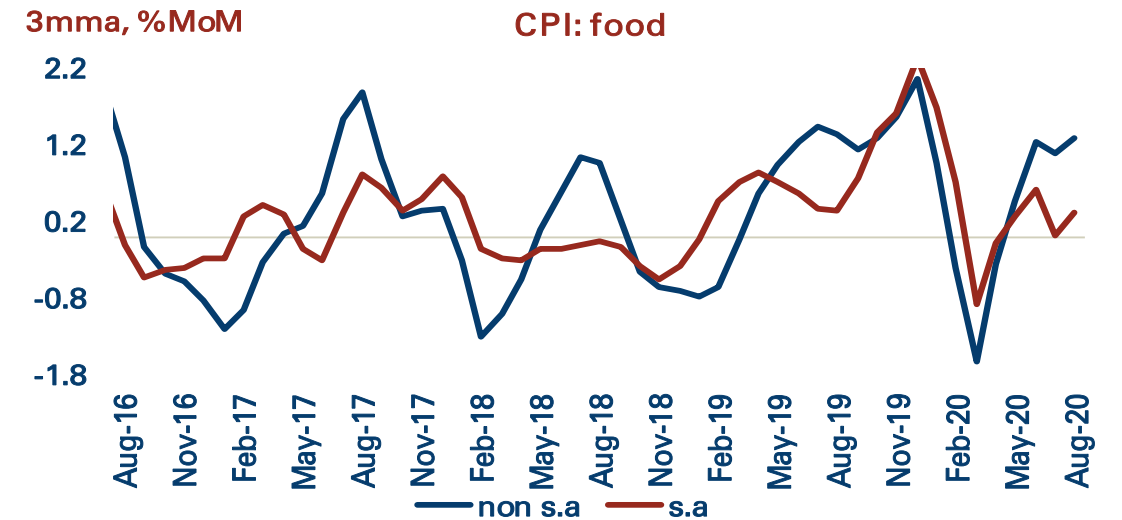
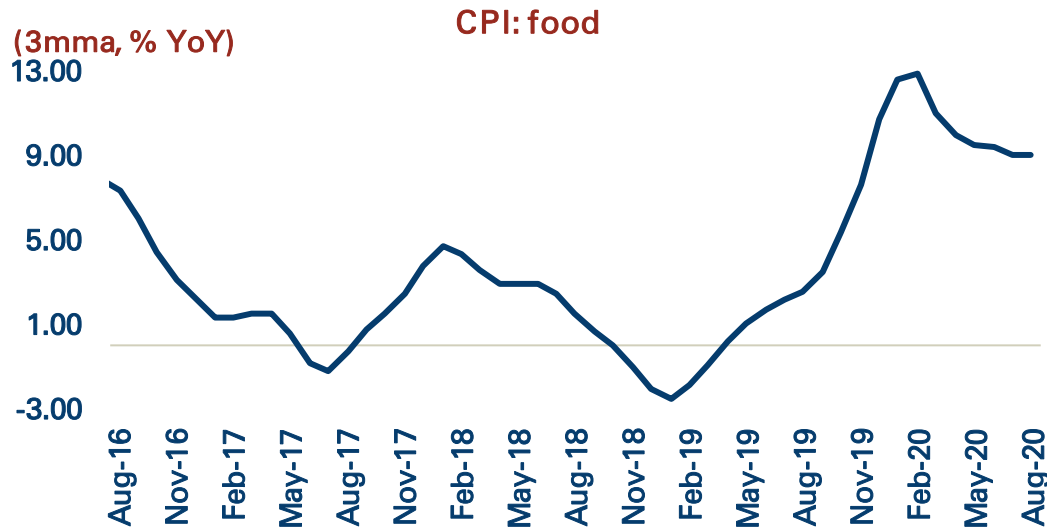
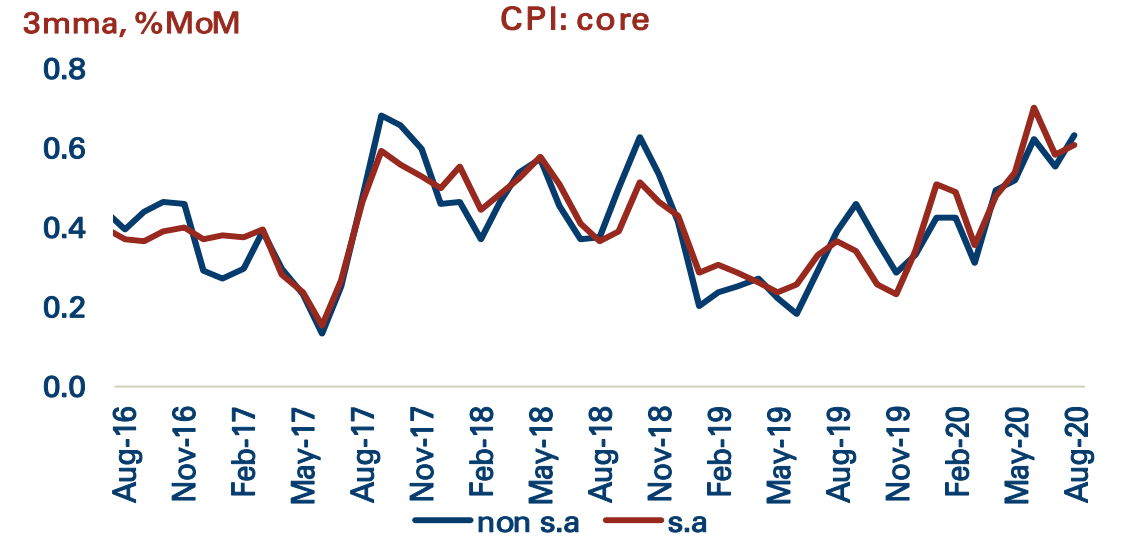
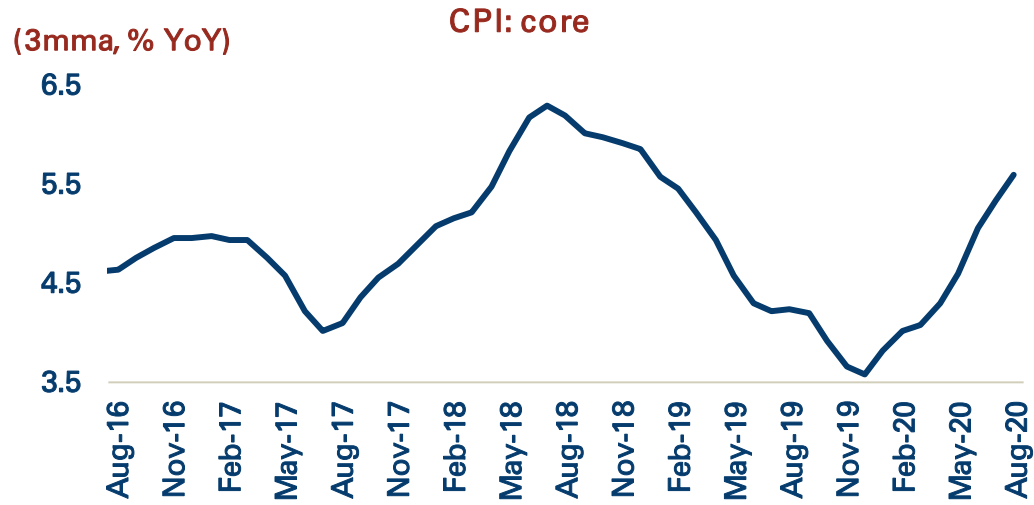


Source: CEIC, ICICI Bank Research; s.a – seasonally adjusted, non s.a – non seasonally adjusted

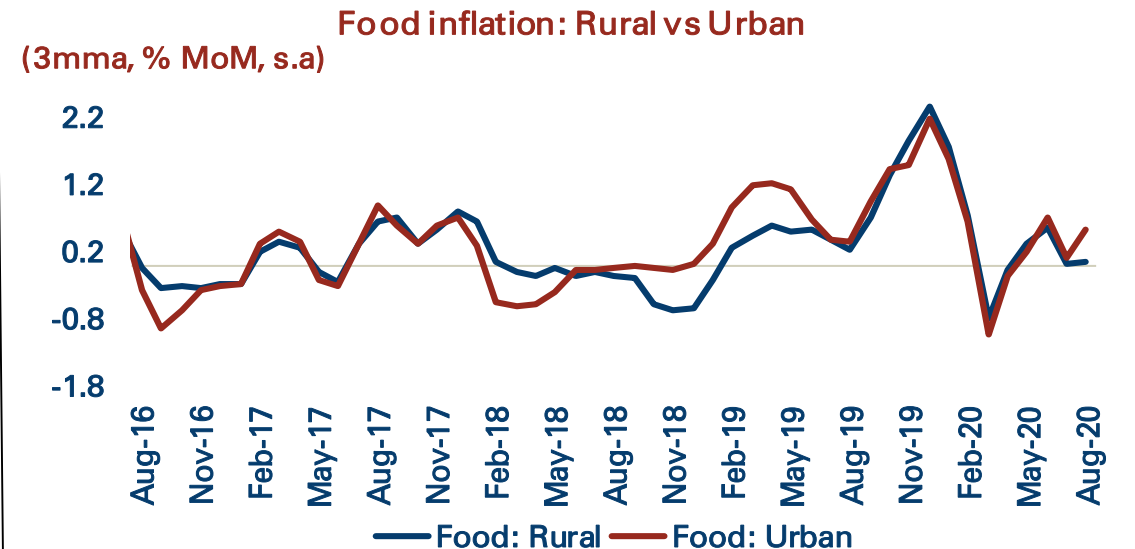
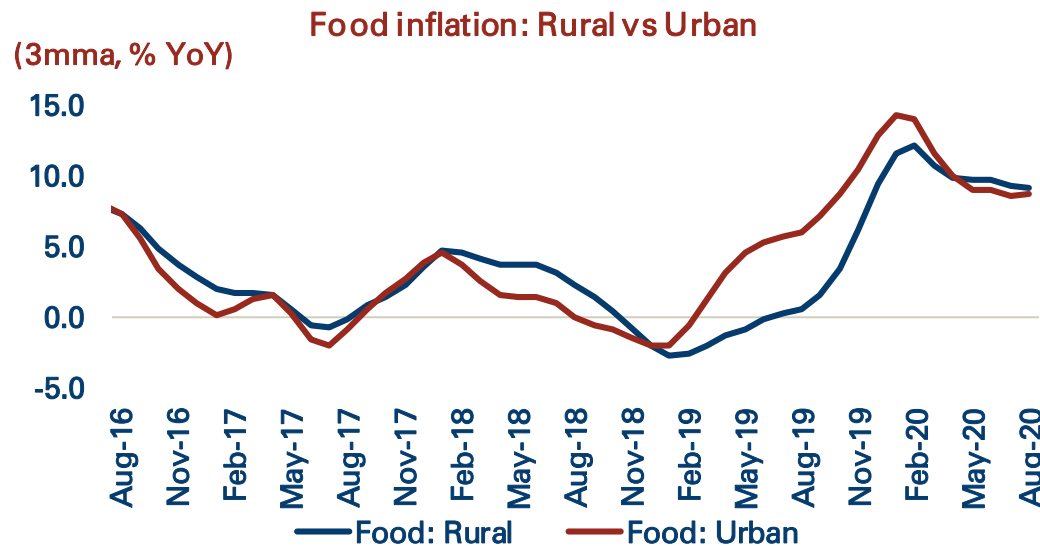
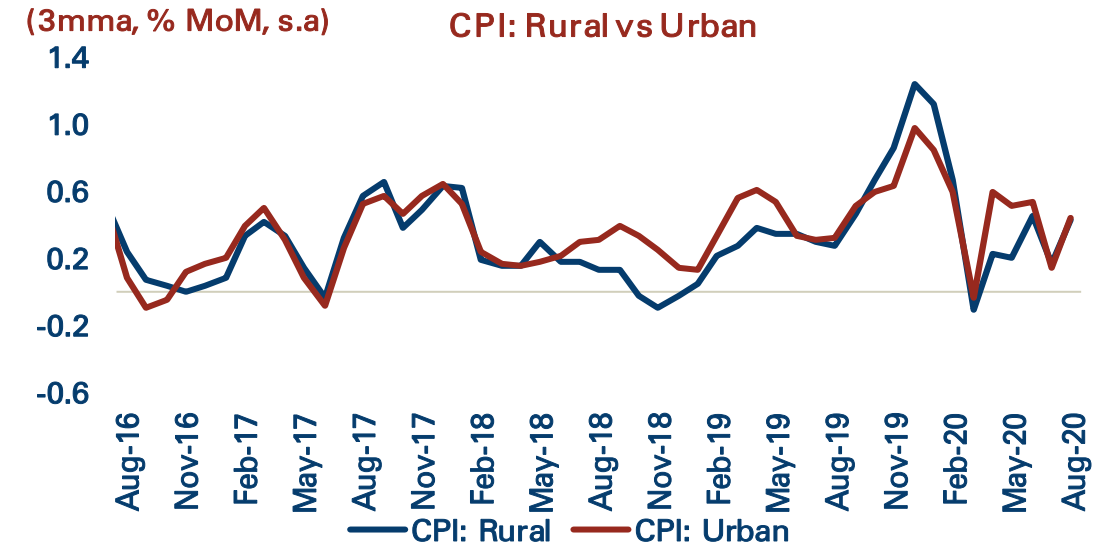
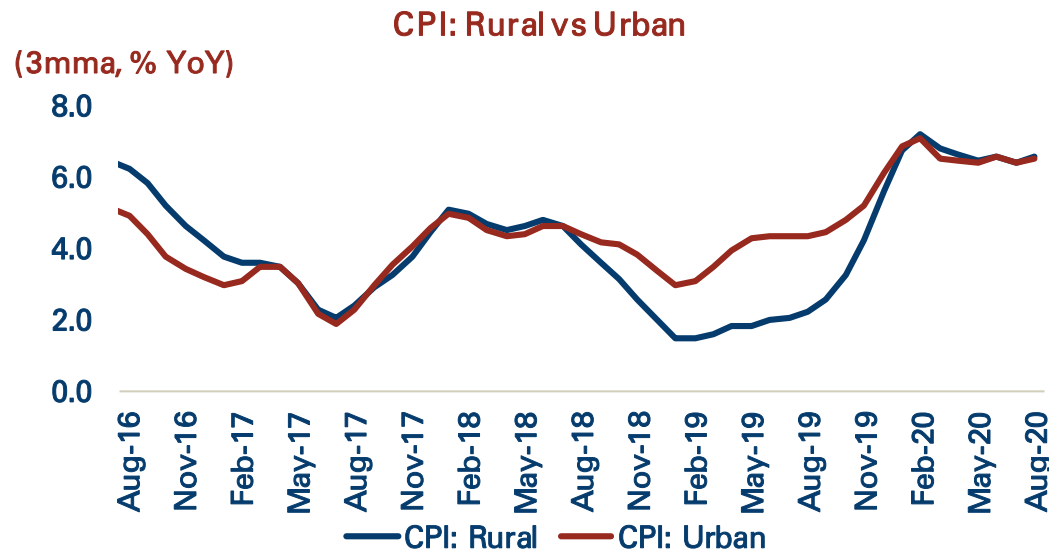
WPI food increased marginally while CPI headline was flat



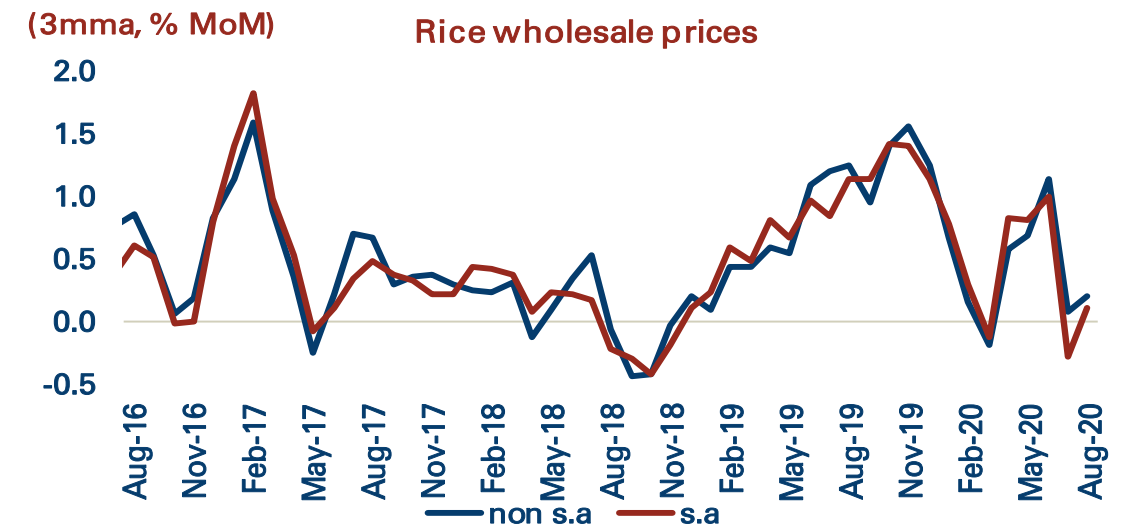
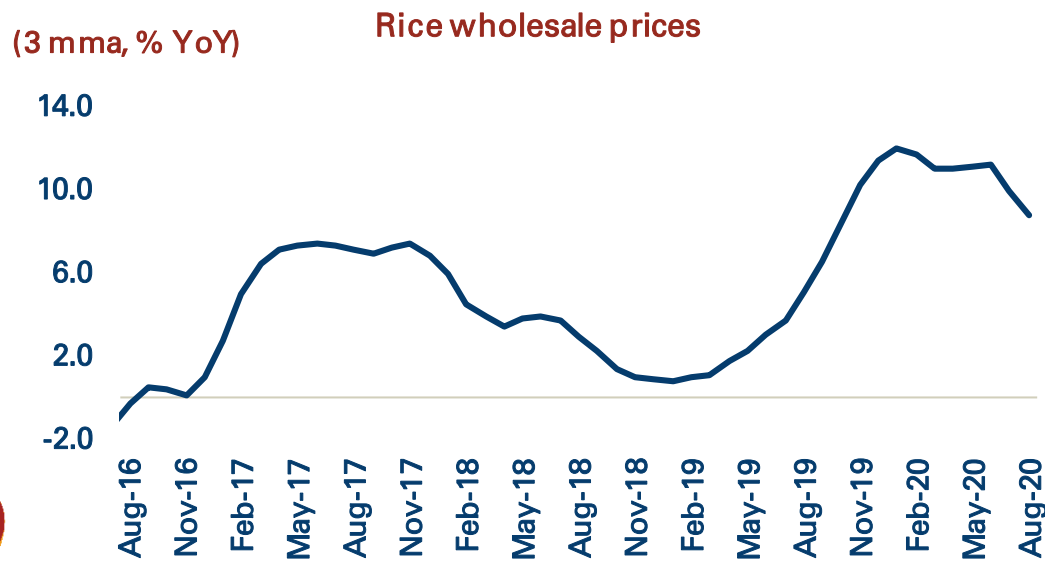
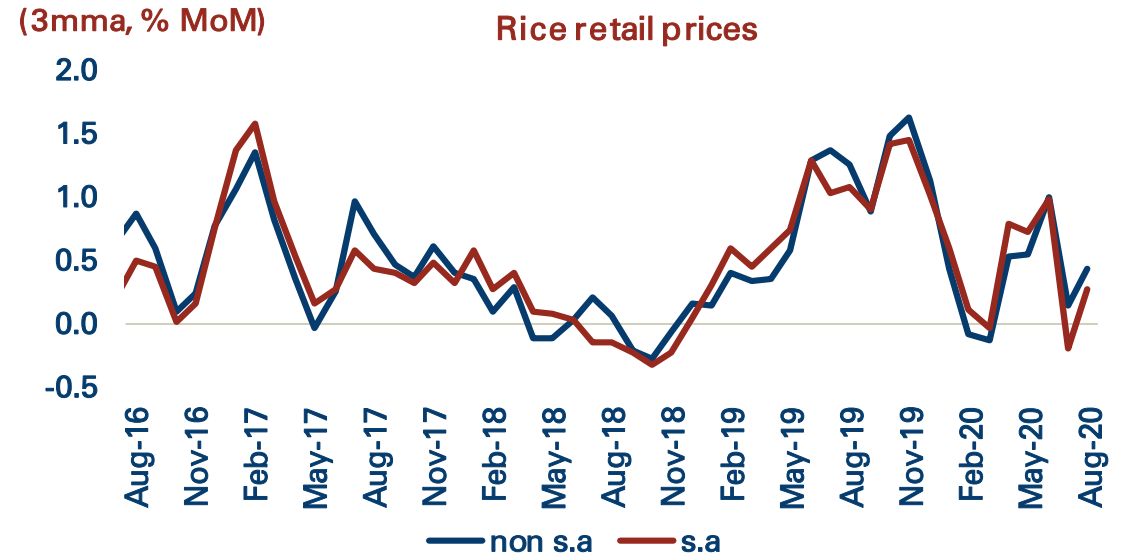
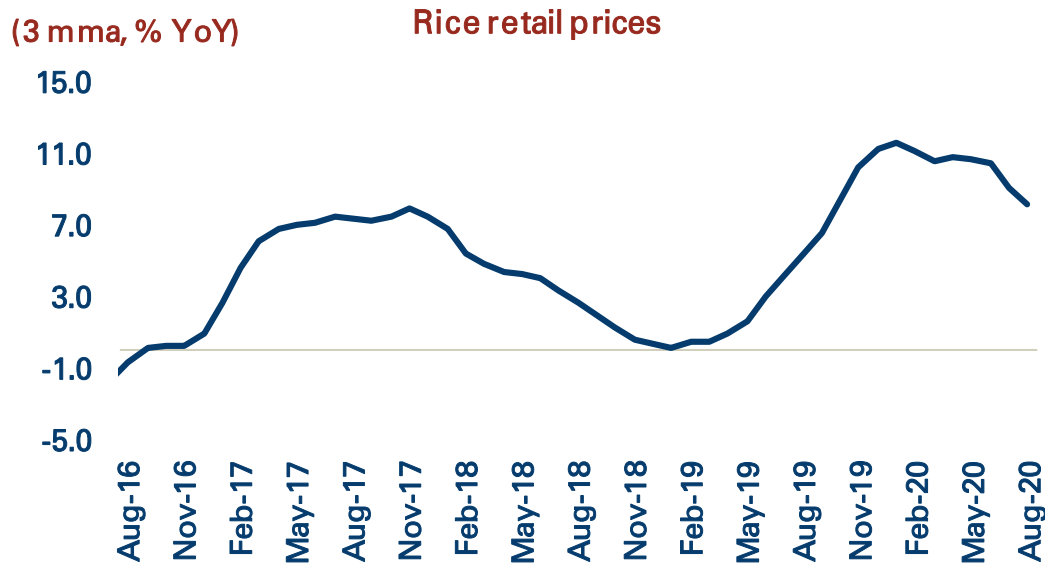
CPI core and food momentum were flat, could see some lowering in the coming months



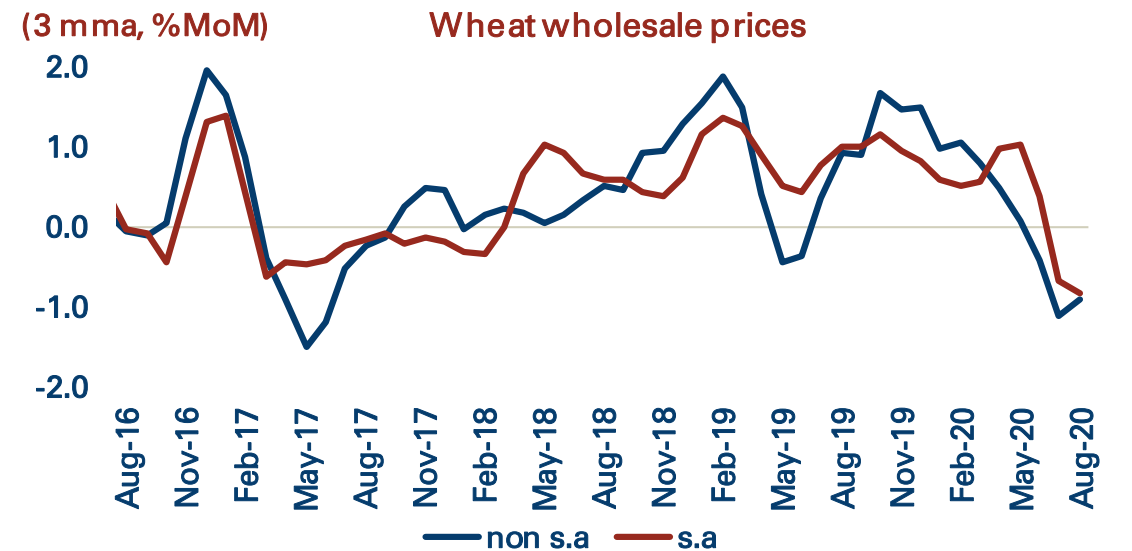
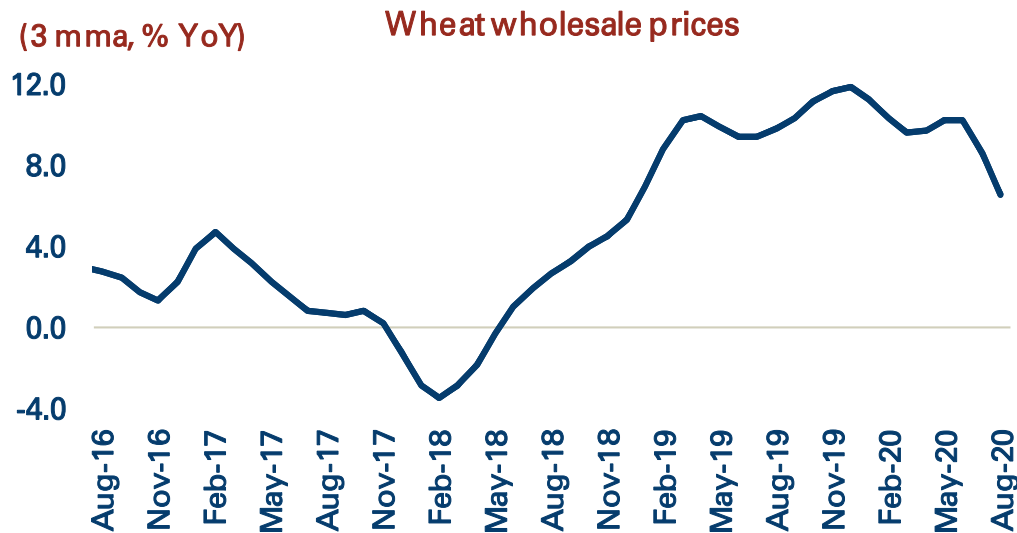
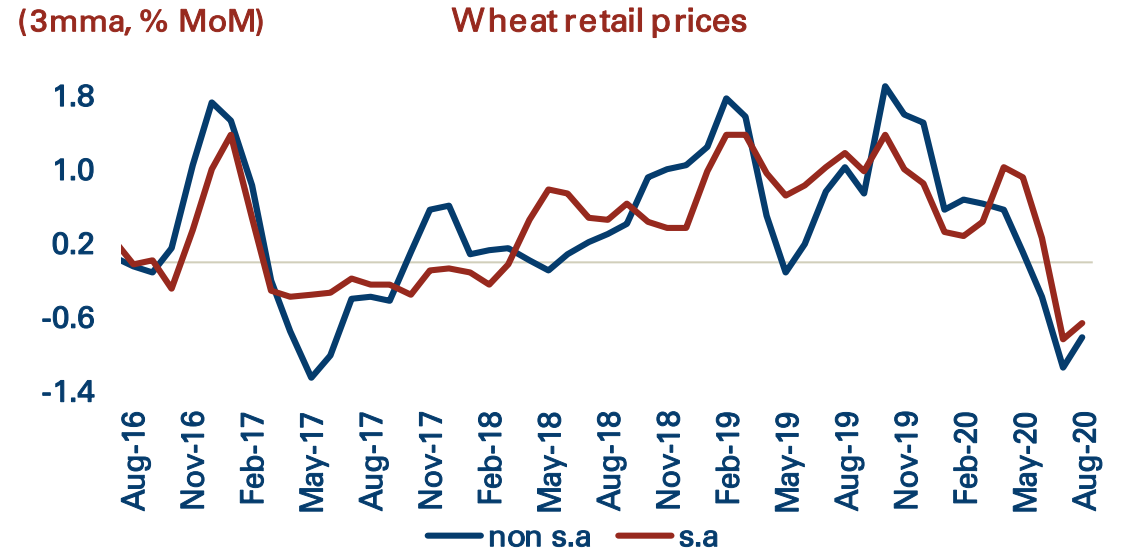
CPI inflation was stagnant in both urban and rural areas, with food inflation falling



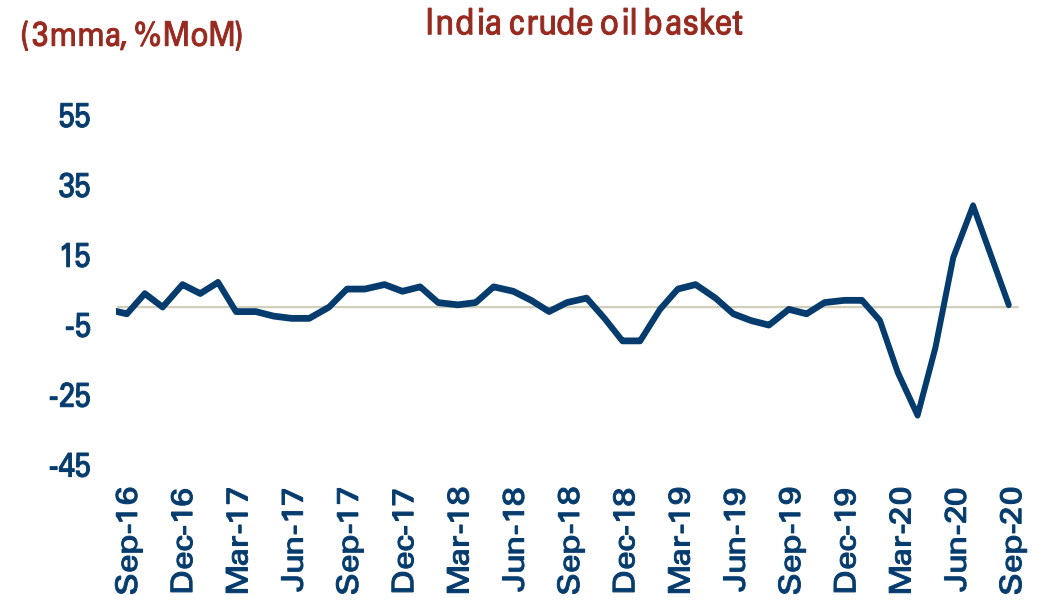
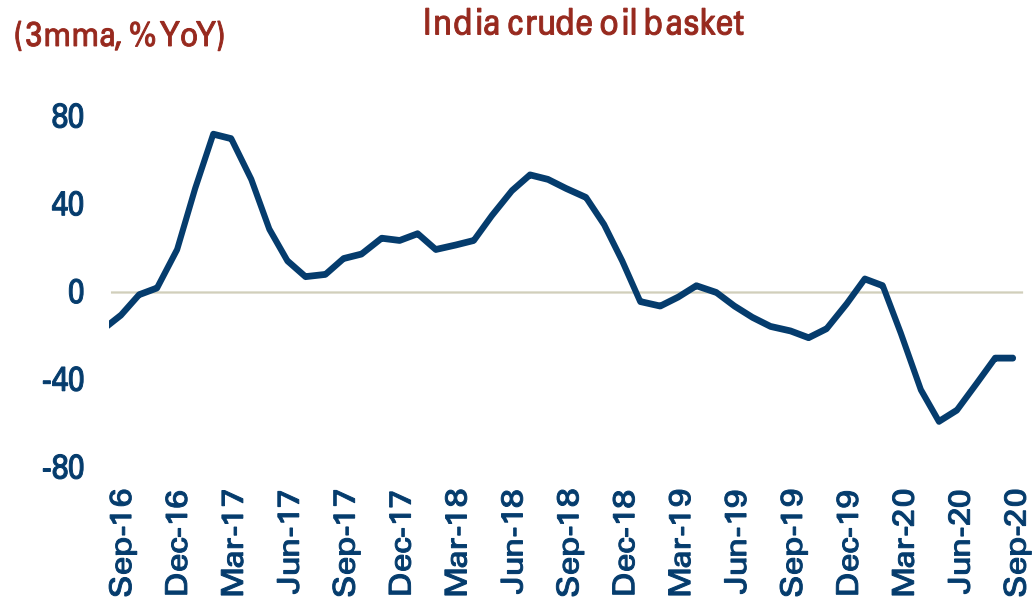
Rice prices are falling....



along with wheat prices

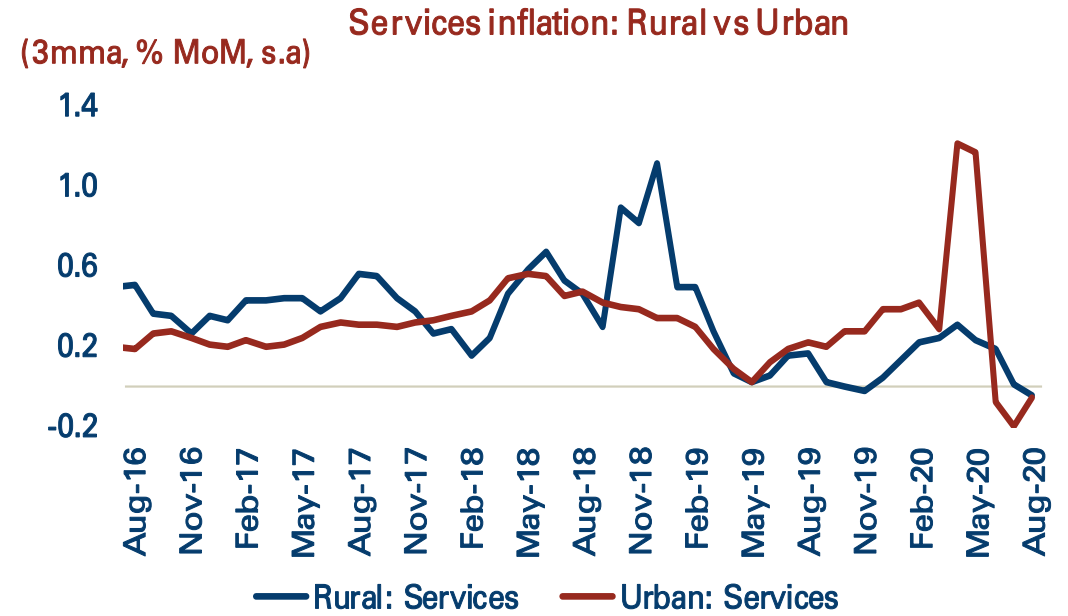
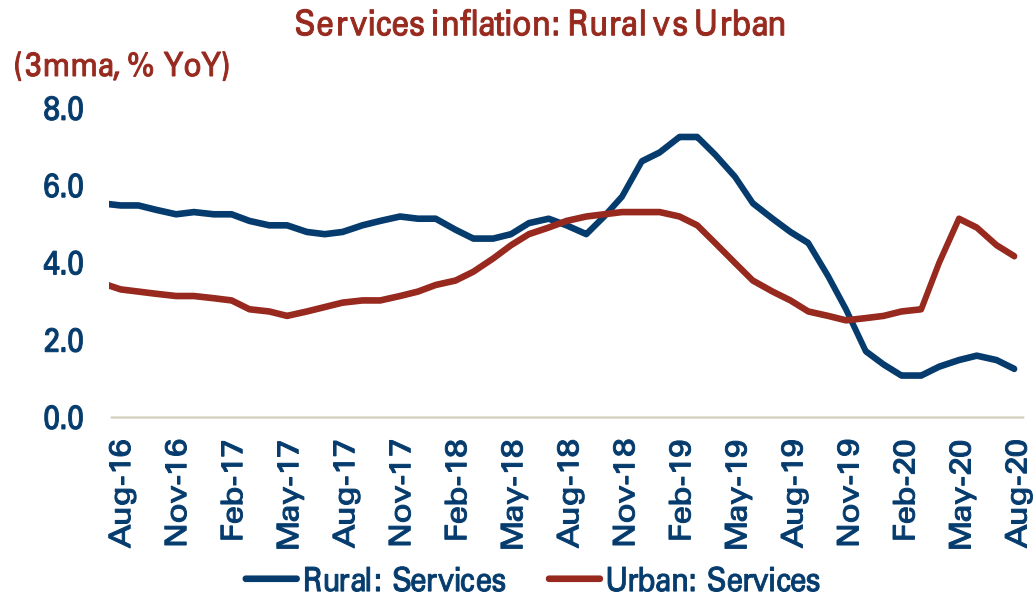


Crude momentum could see further decline with demand concerns superseding supply concerns



Source: Bloomberg, ICICI Bank Research

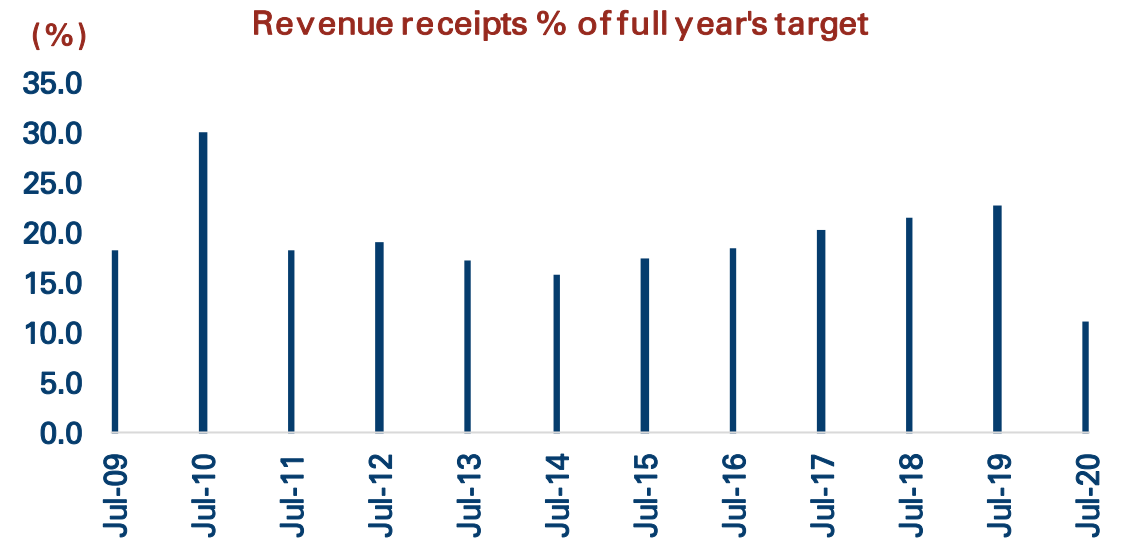
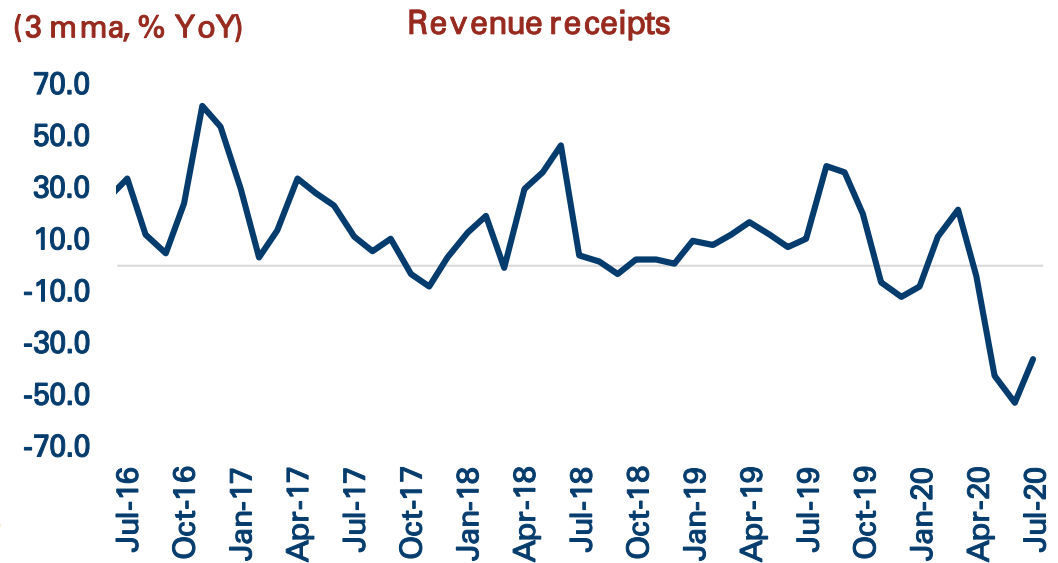
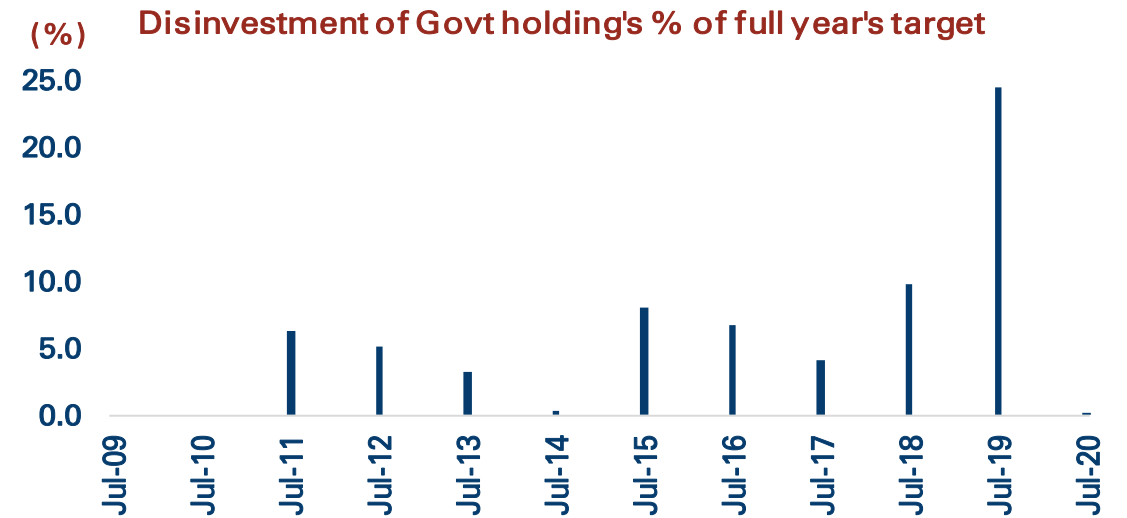
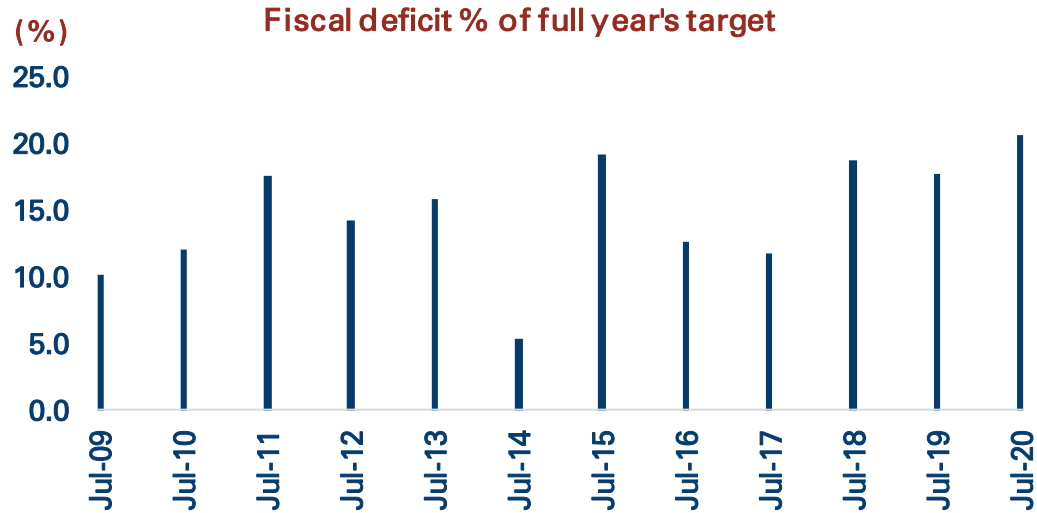
Divergence in services inflation across rural and urban areas could narrow going ahead





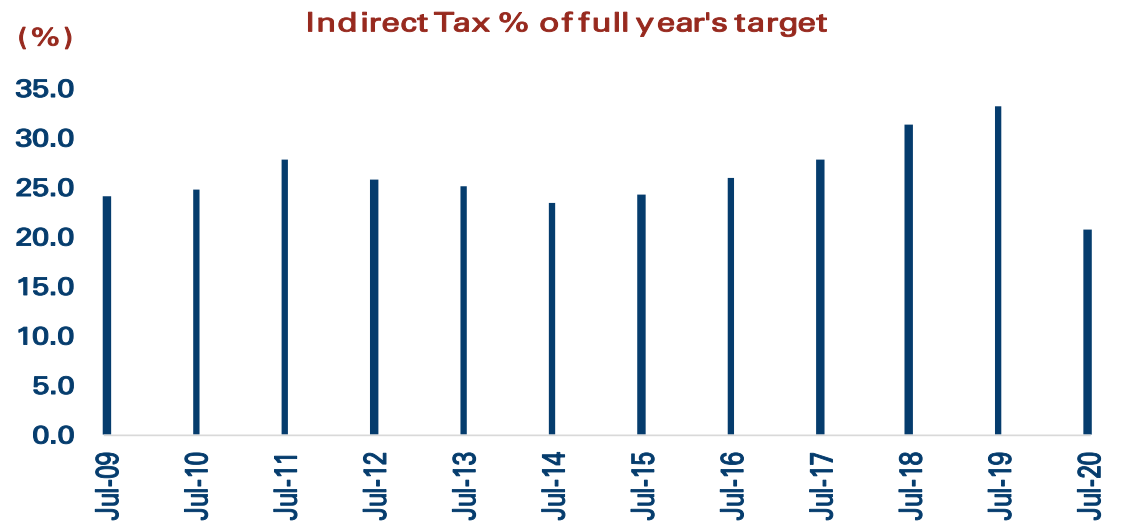
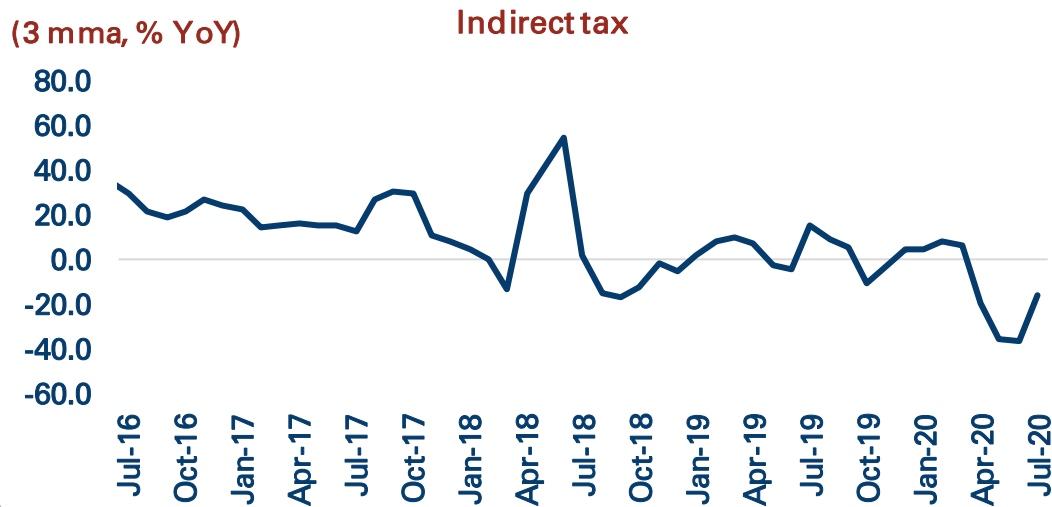
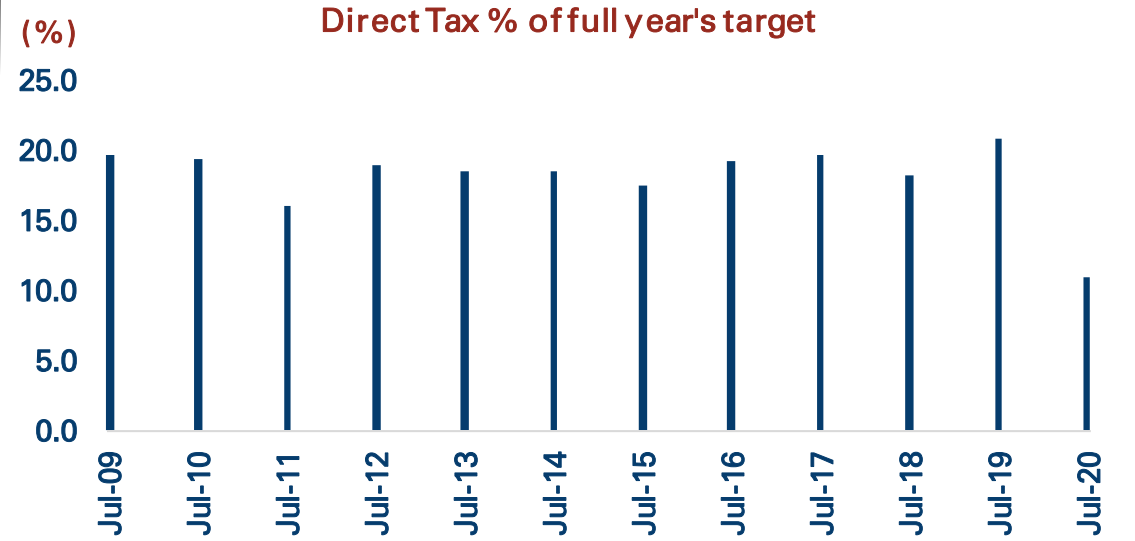
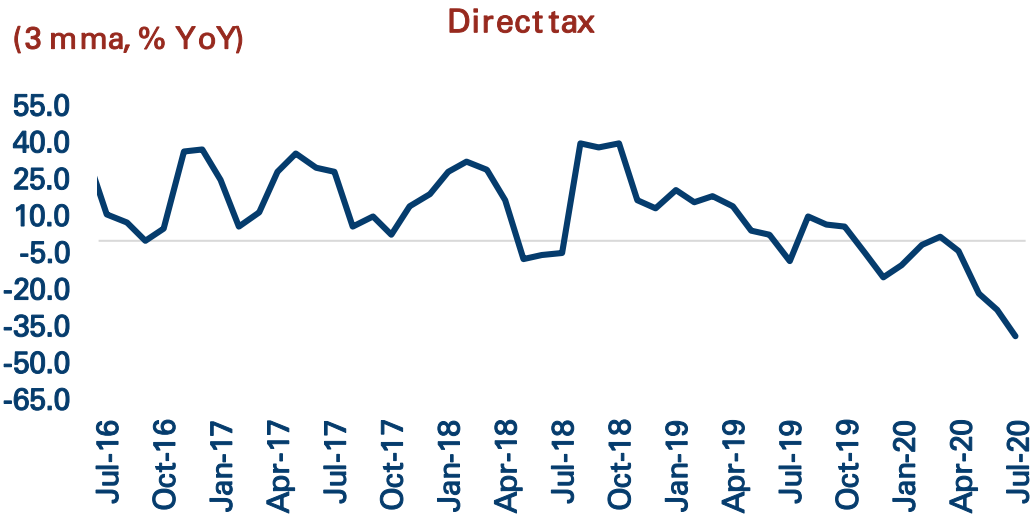
Fiscal Sector

Fiscal slippage to be considerable given slippage in receipts in the first five months of the fiscal ...



Note :Total value from April to July(in charts with % of full year targets)
 Source: CEIC, Union Budget, ICICI Bank Research

...across direct and indirect tax...

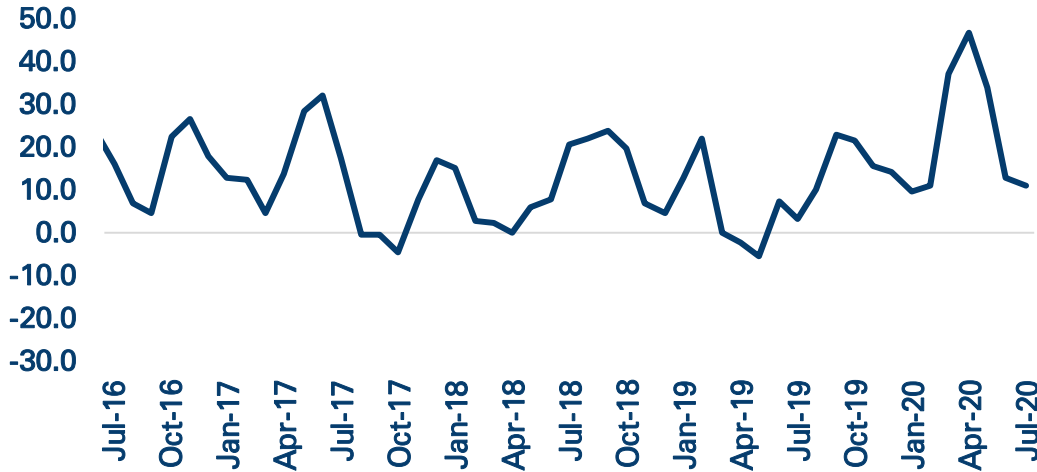


Note :Total value from April to July(in charts with % of full year targets)

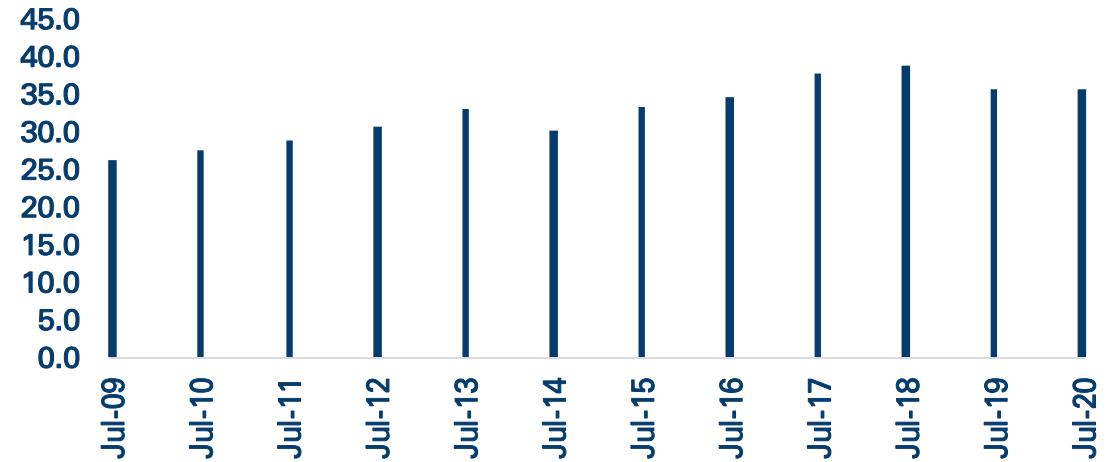
Source: CEIC, Union Budget, ICICI Bank Research

...while expenditure has kept pace with budgeted numbers

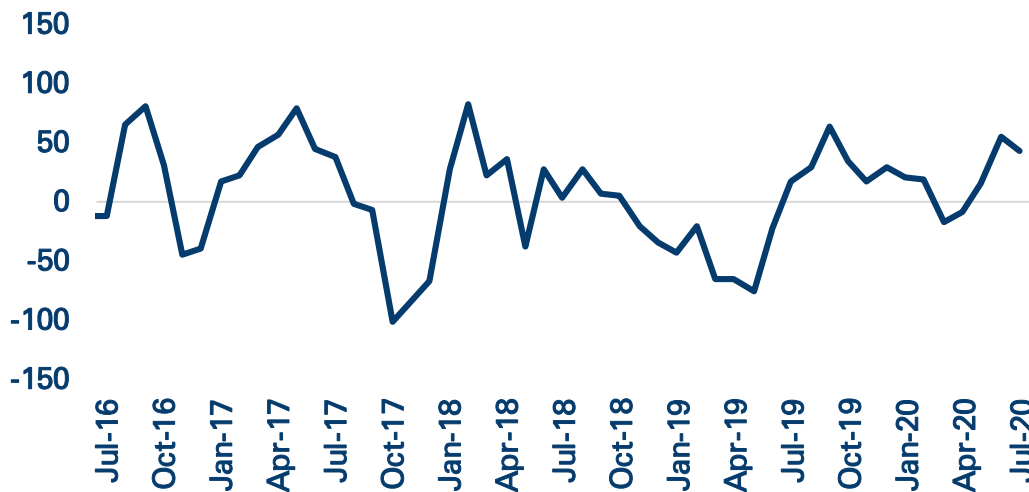
(3 mma, % YoY) Revenue expenditure



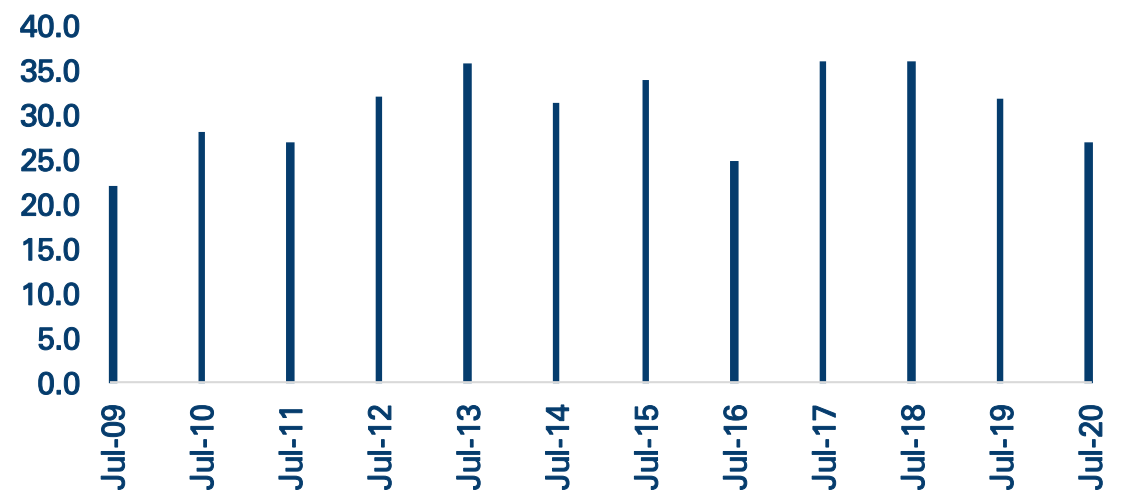
(%) Revenue expenditure % of full year's target



(3 mma, % YoY) Capital expenditure



(%) Capital expenditure % of full year's target

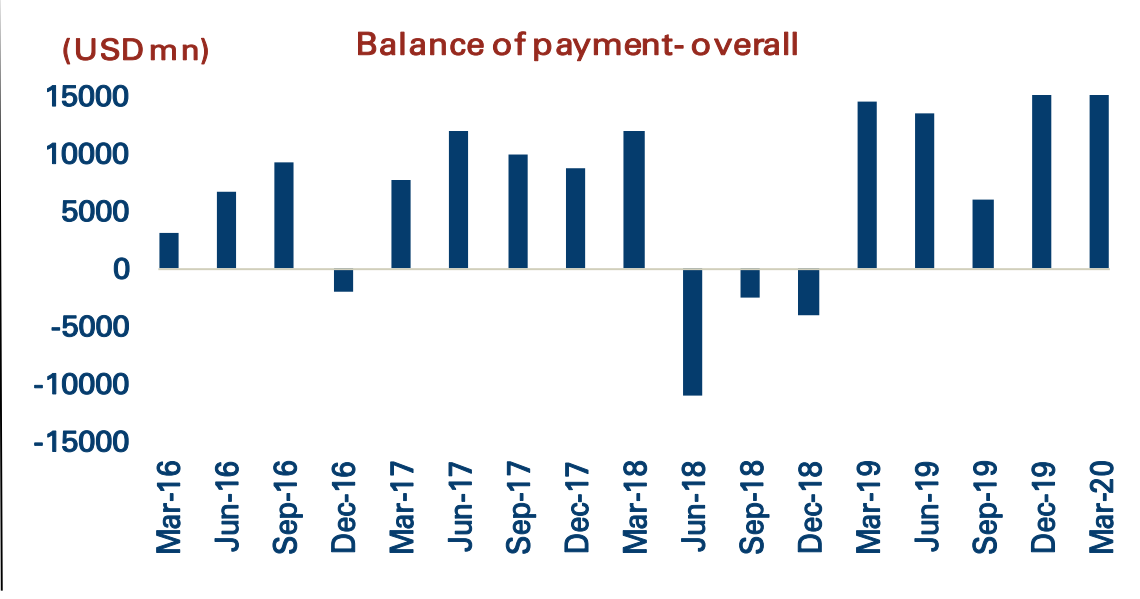
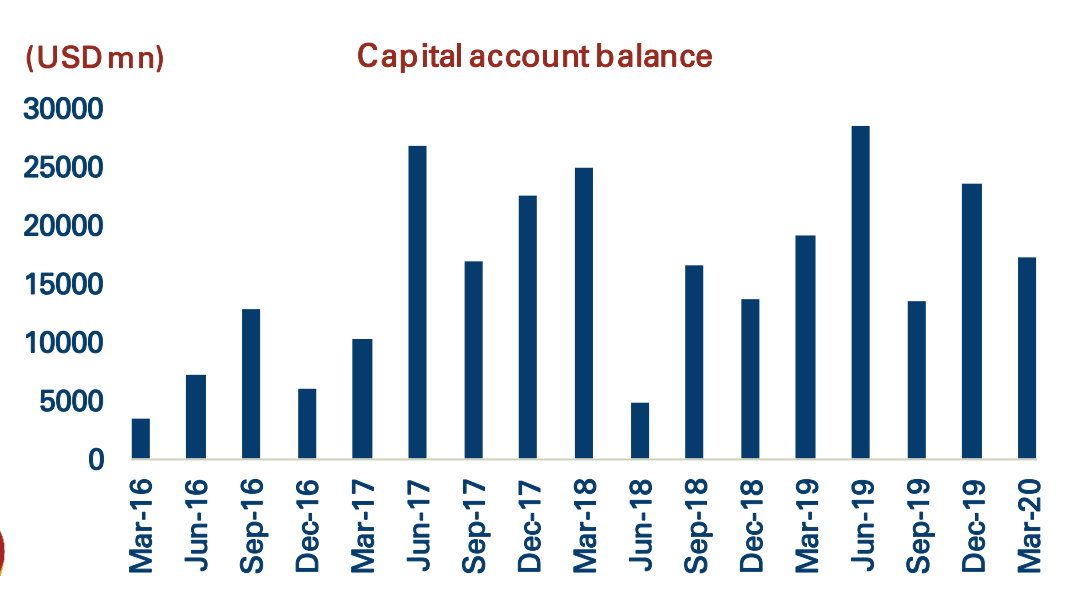
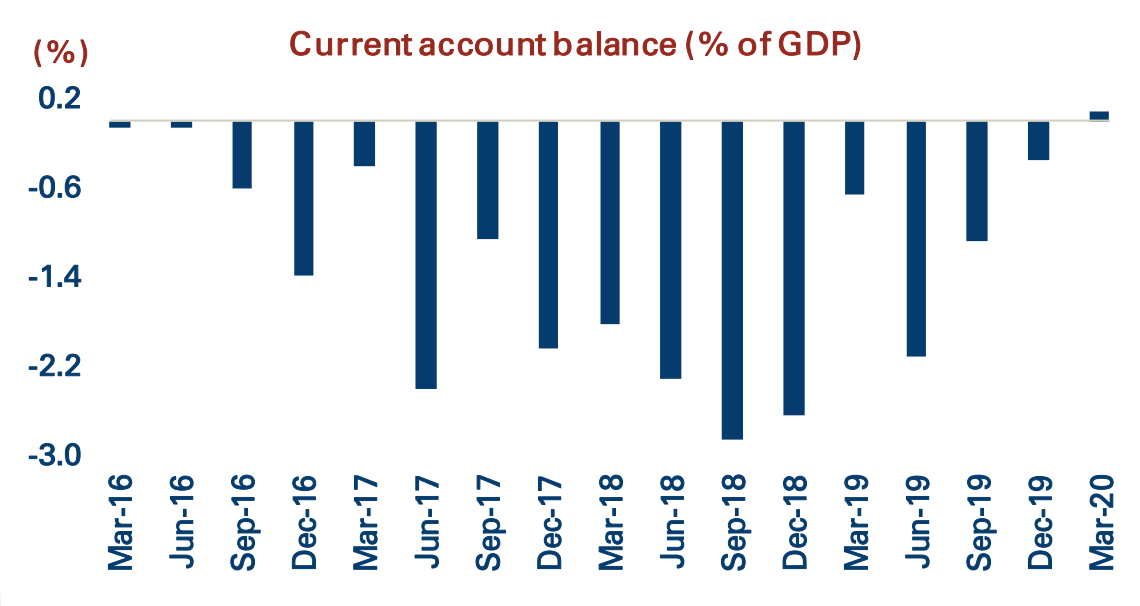
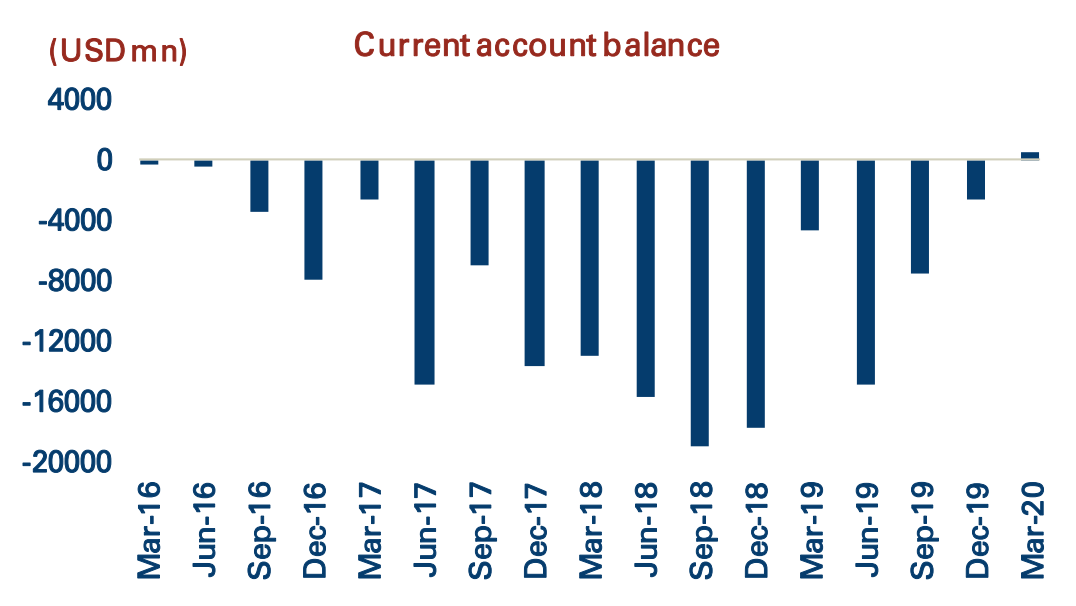


Note : Total value from April to July (in charts with % of full year targets)
 Source: CEIC, Union Budget, ICICI Bank Research



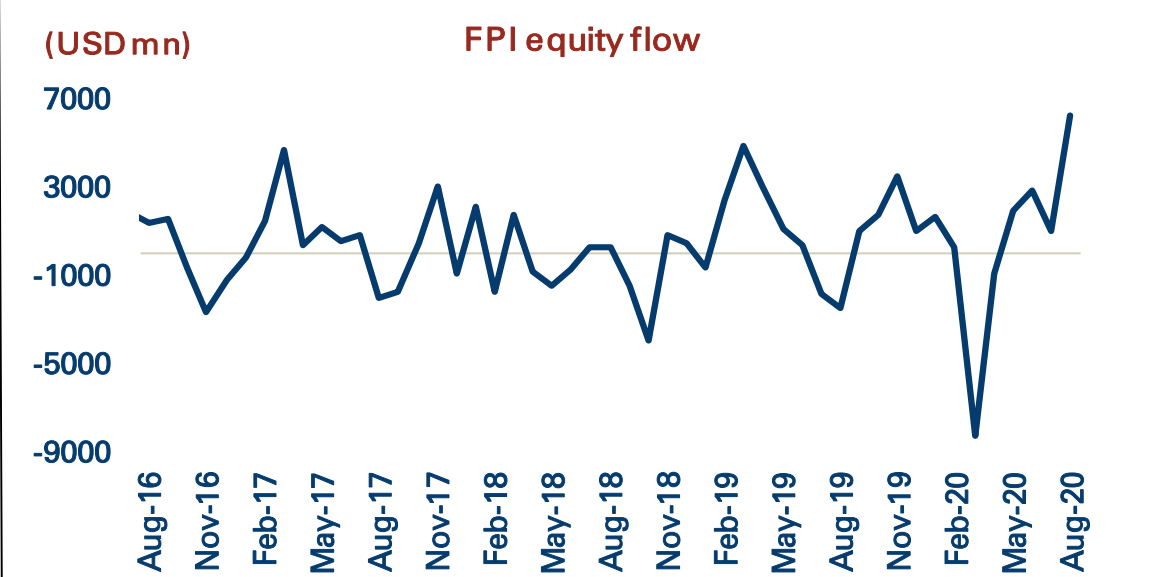
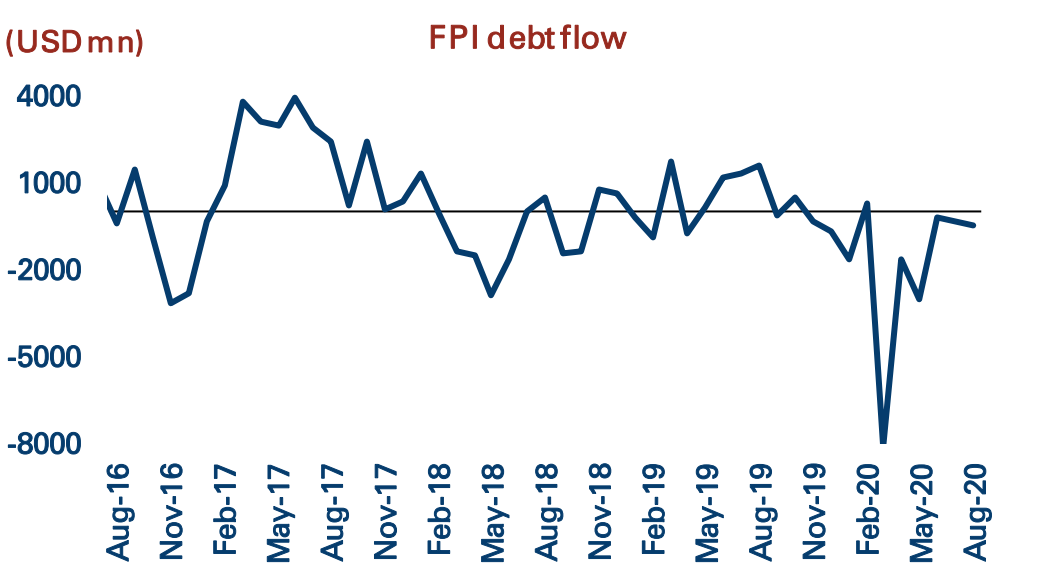
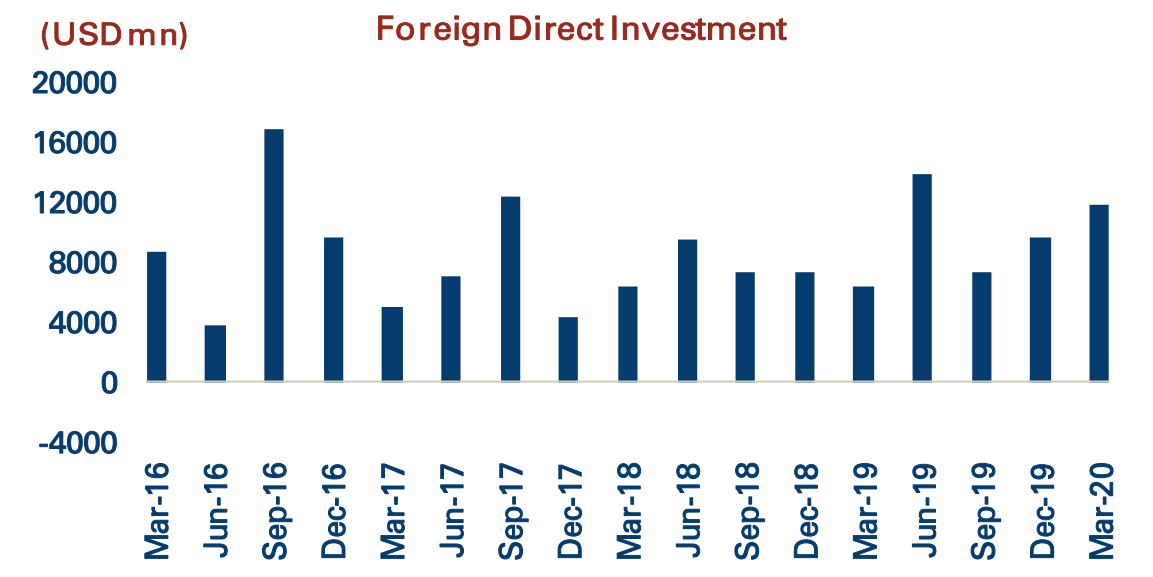
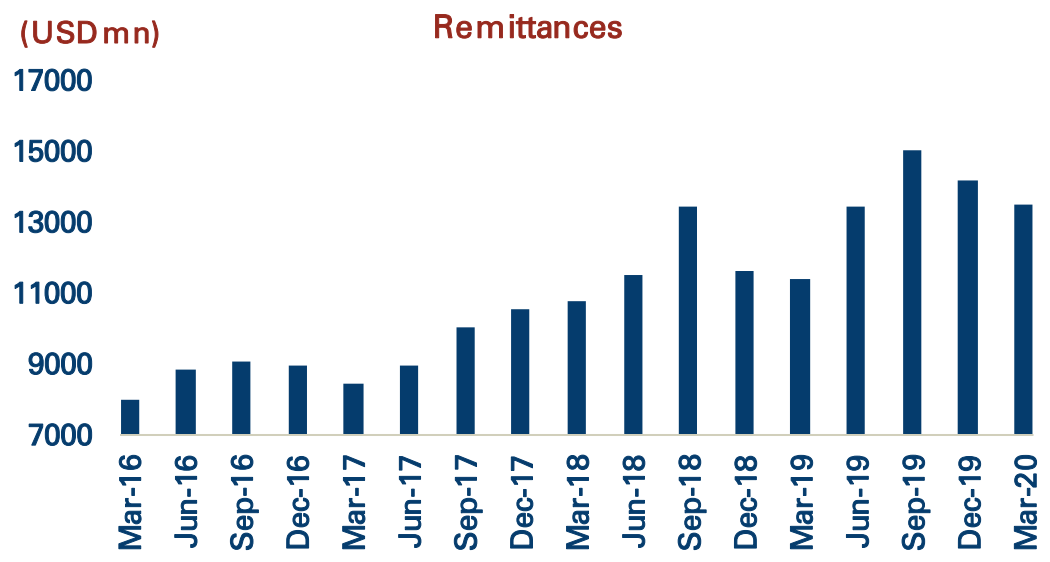
External Sector

Q4FY20 saw a current account surplus with strong overall BoP numbers...



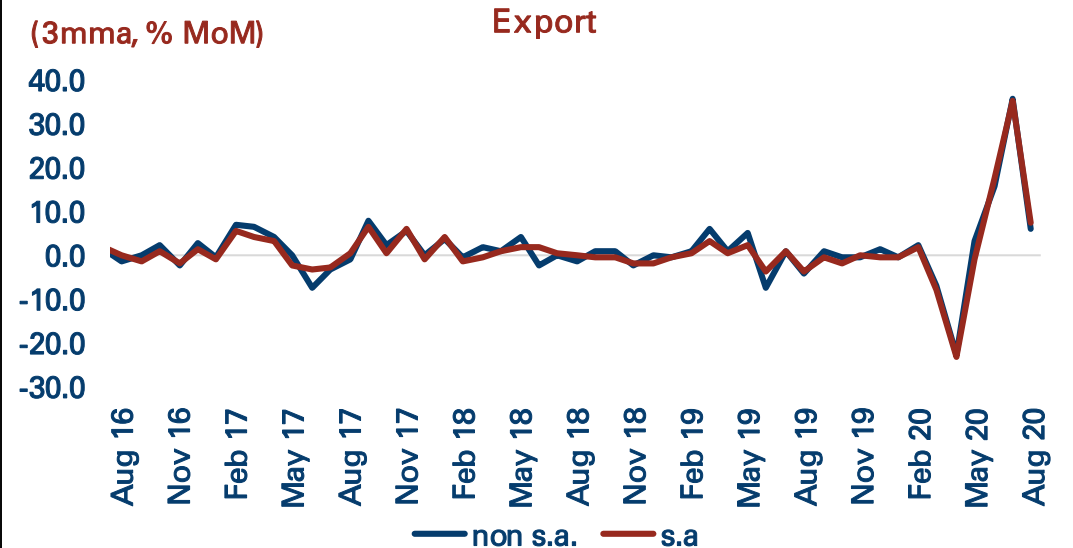
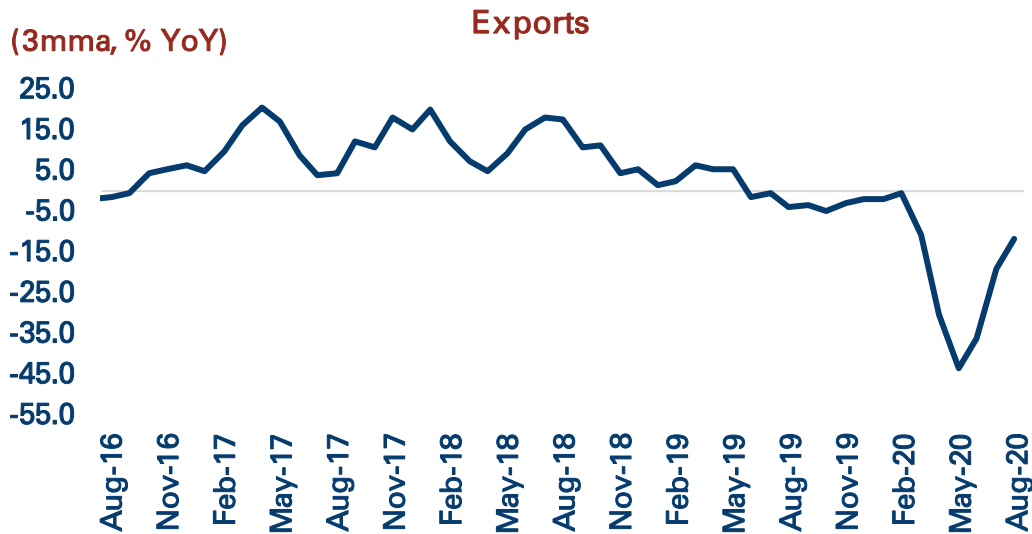
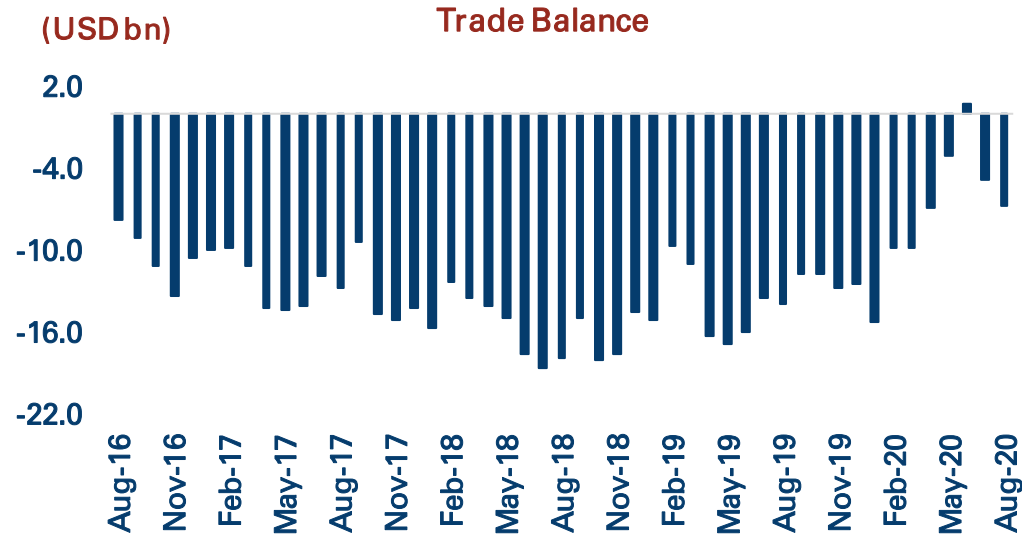
Source: CEIC, RBI, ICICI Bank Research

...assisted by strong FDI flows



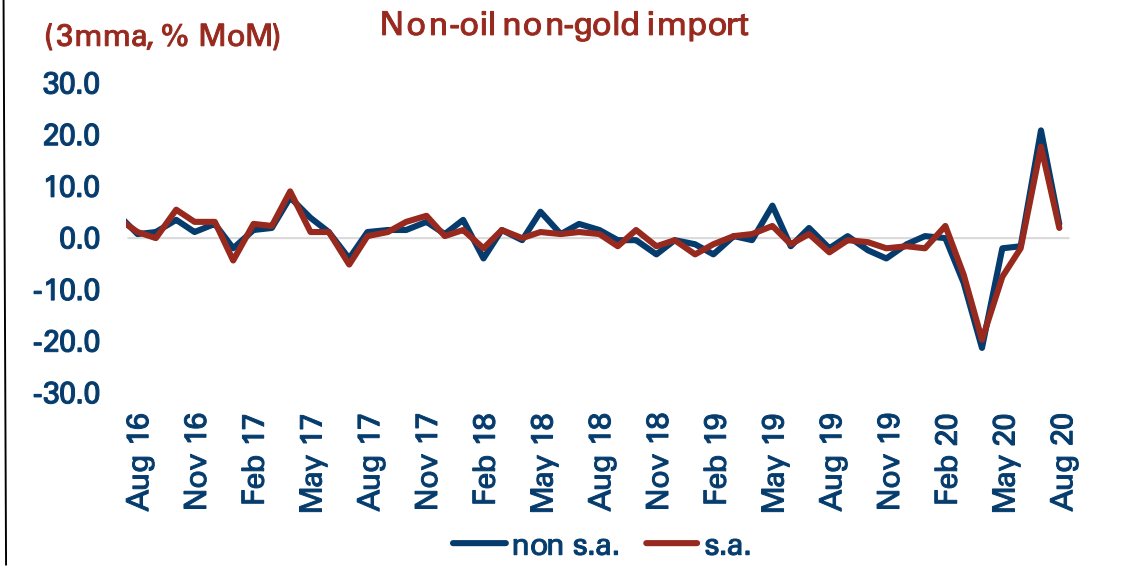
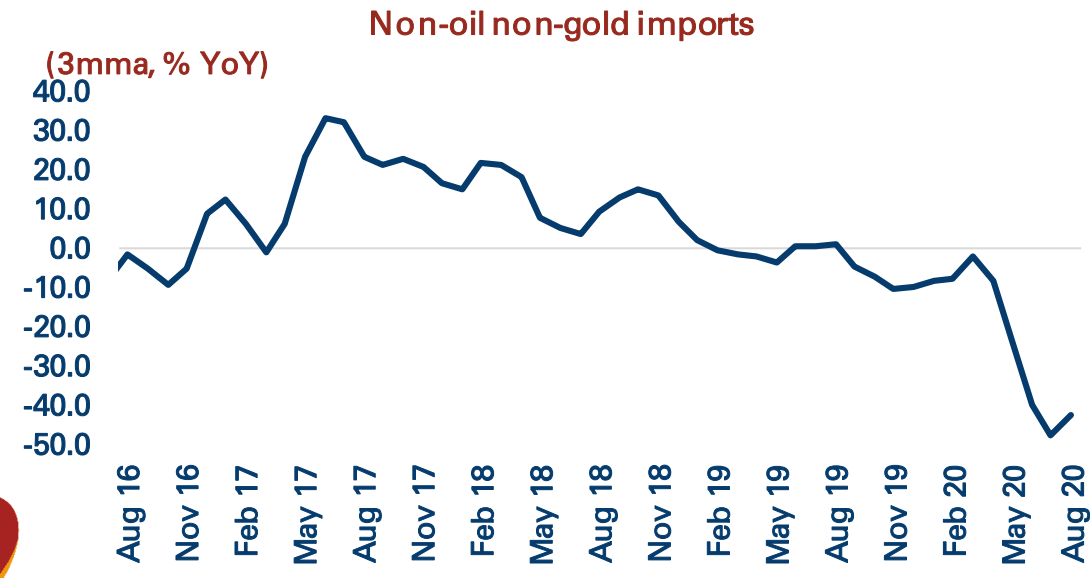
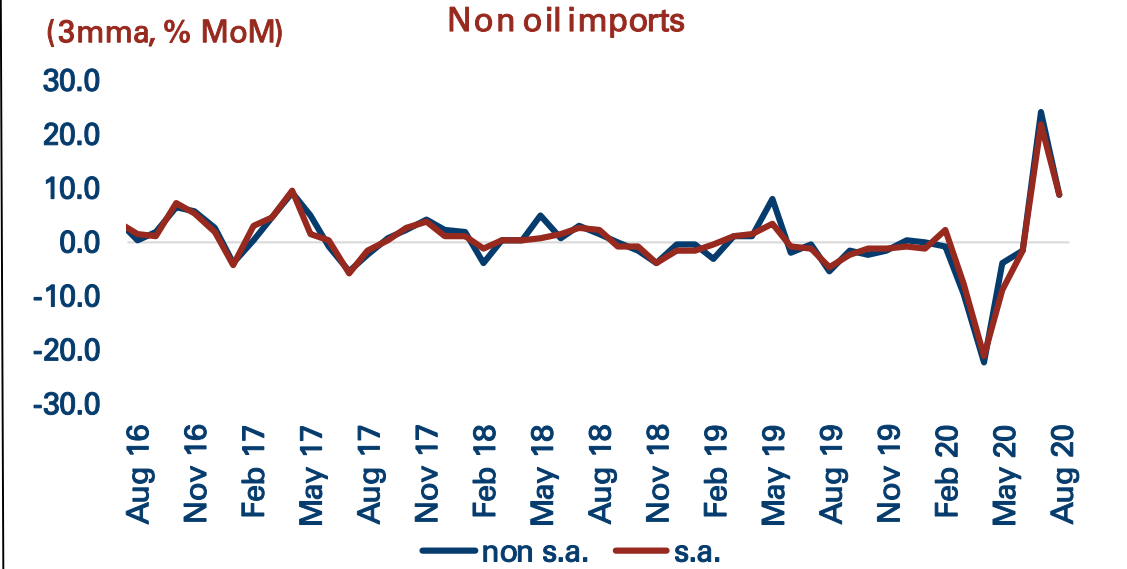
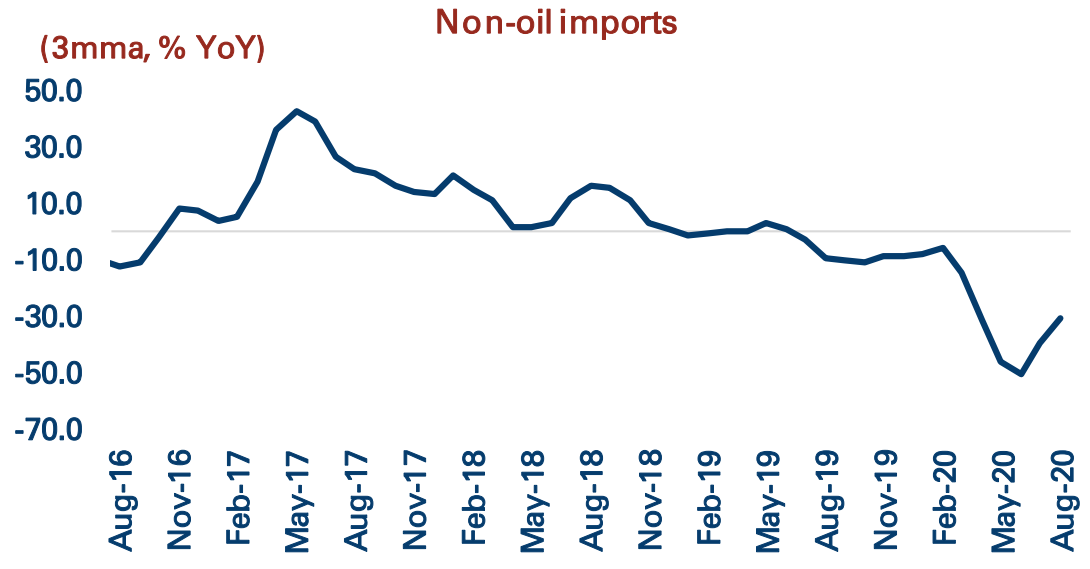
Source: CEIC, Bloomberg, RBI, ICICI Bank Research

Trade deficit has increased over the past few months...as export momentum fell...



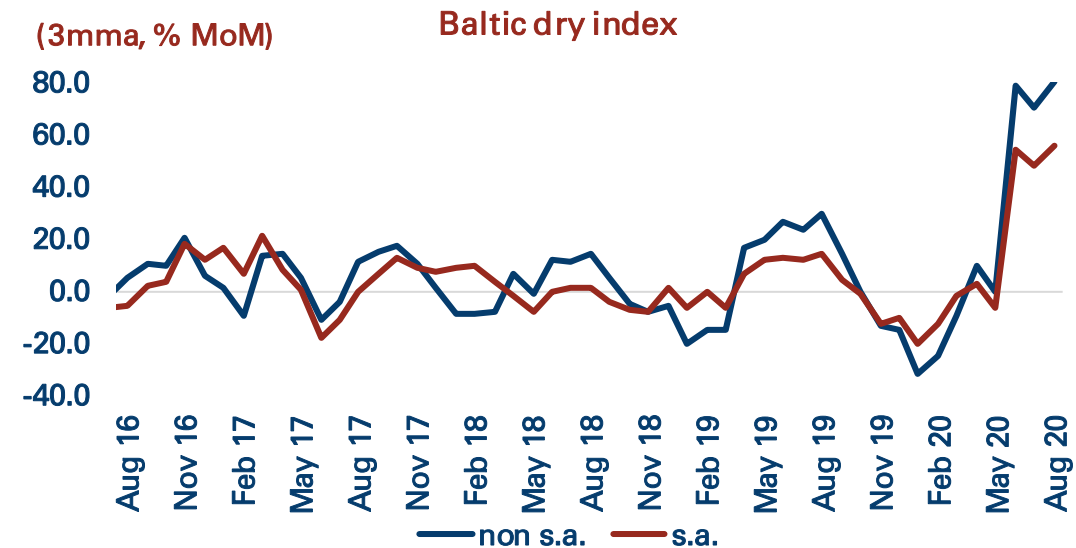
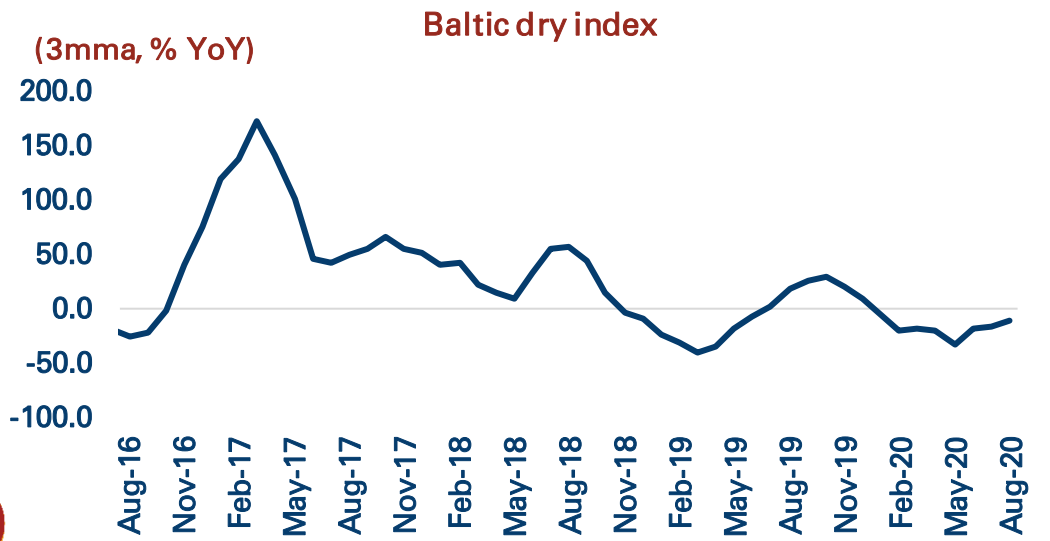
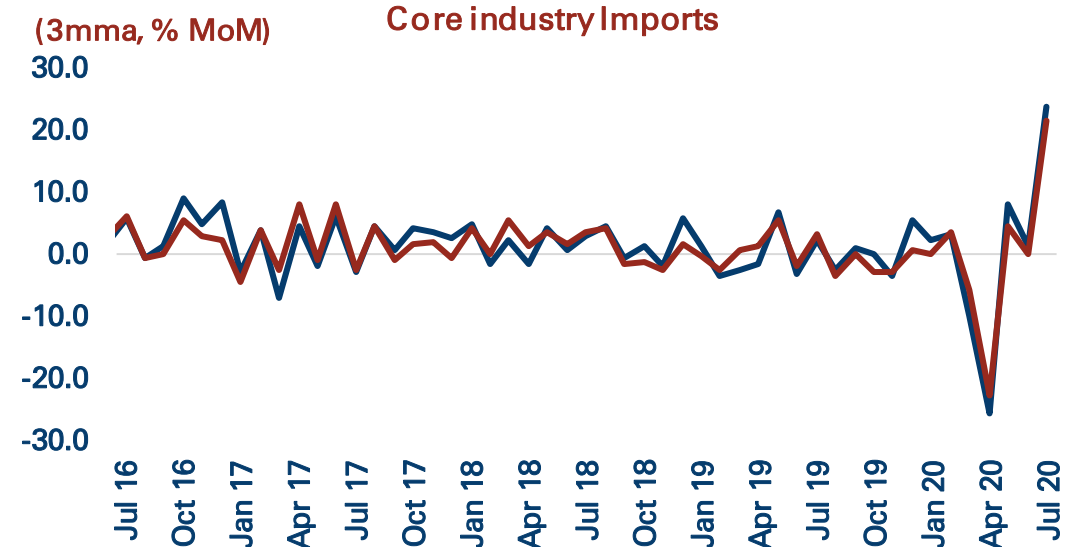
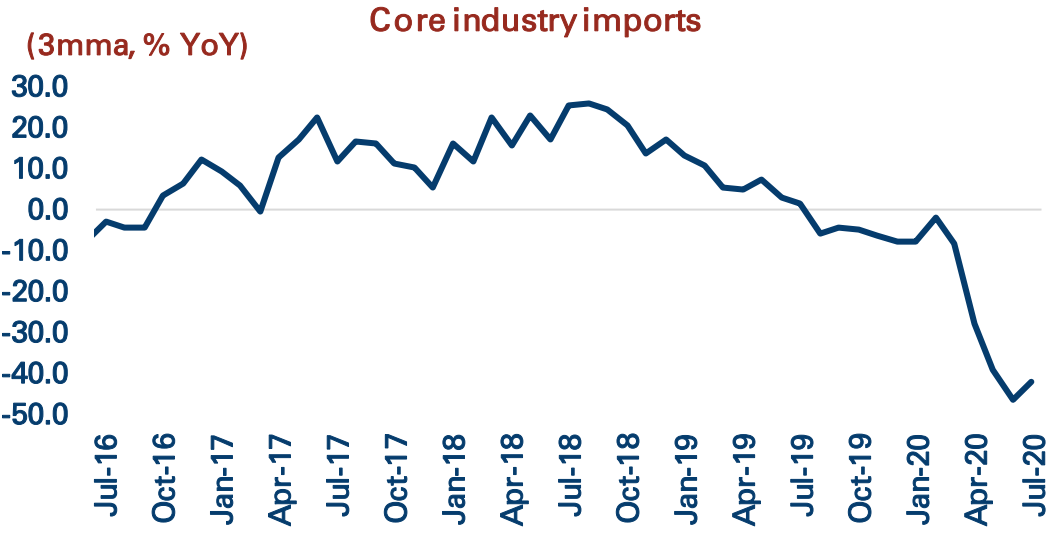
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

....even while non-oil non-gold momentum also fell



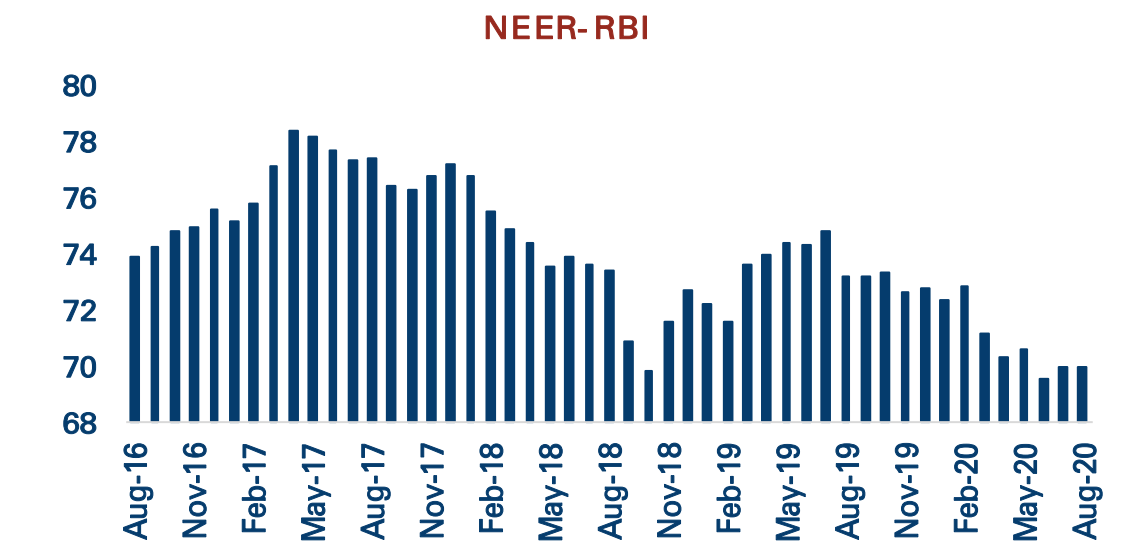
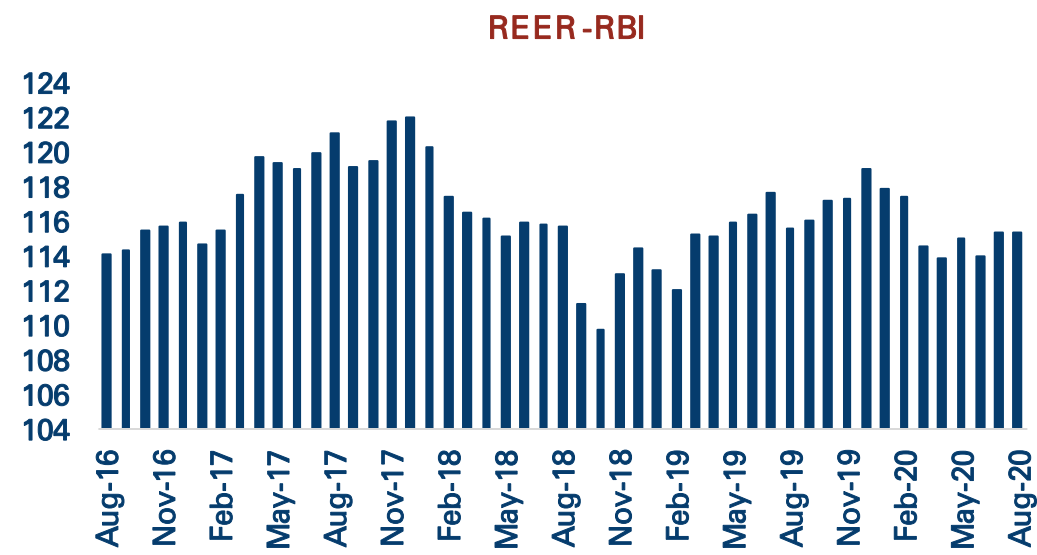
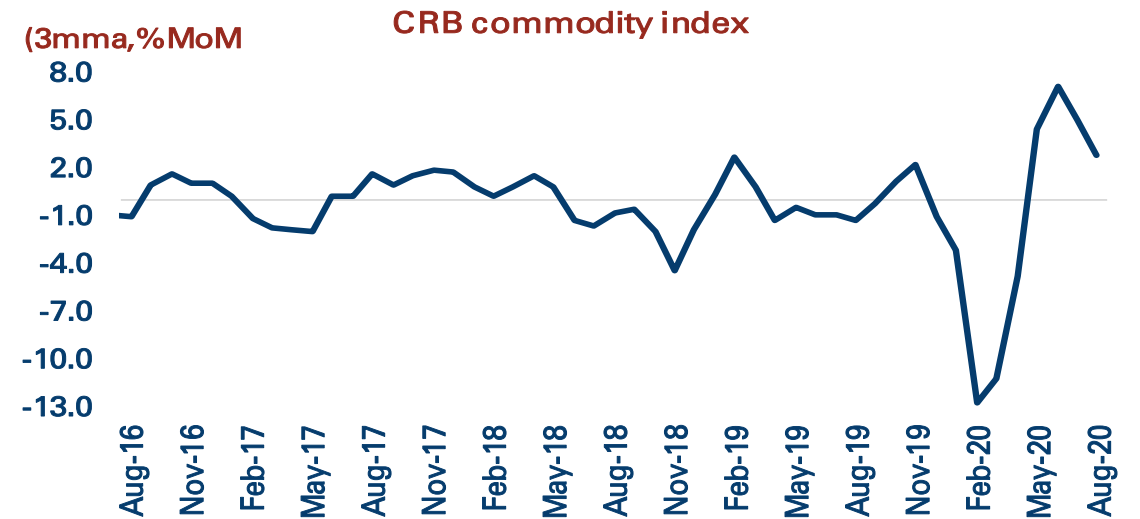
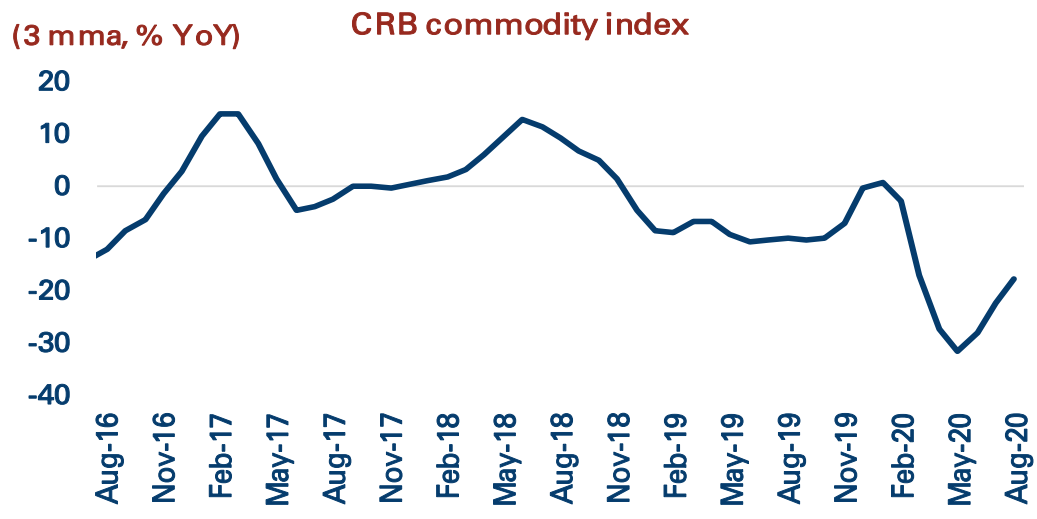
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

Global trade is seeing tailwinds with opening of economies...



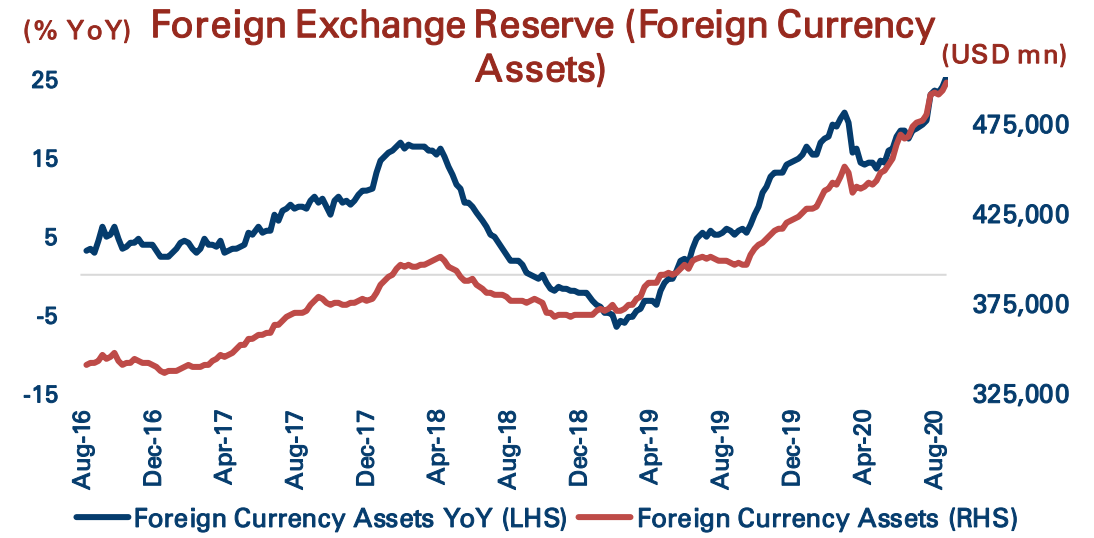
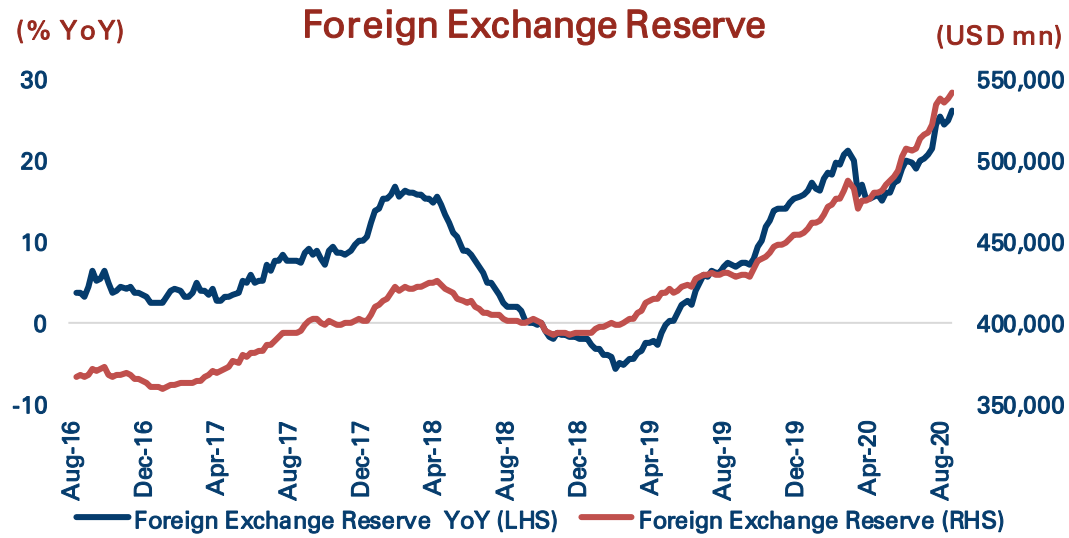
Source: CEIC, ICICI Bank Research; s.a. – seasonally adjusted, non s.a. – non seasonally adjusted

..as have global commodity prices (though still in contraction); while the Rupee has seen appreciation



REER/NEER : 36 trade weighted Source : RBI
Source: Bloomberg, CEIC, ICICI Bank Research

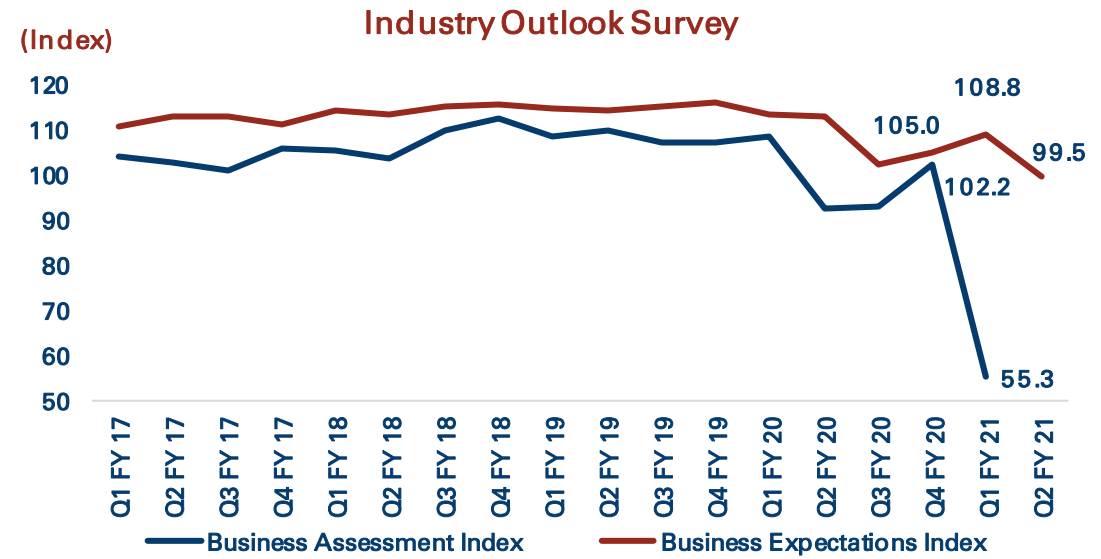
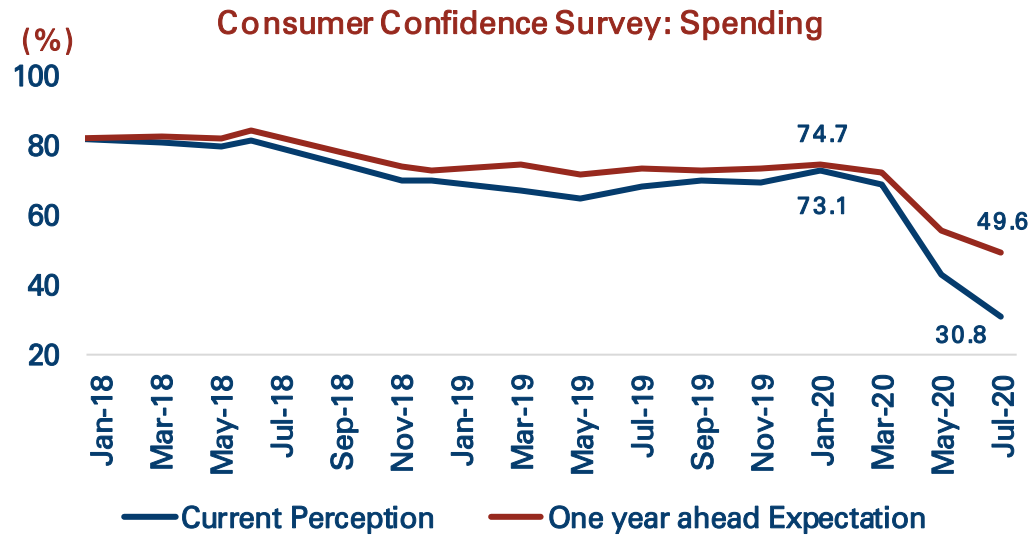
Large built-up in Forex. Reserves to deter any untoward volatility in the Rupee





Surveys

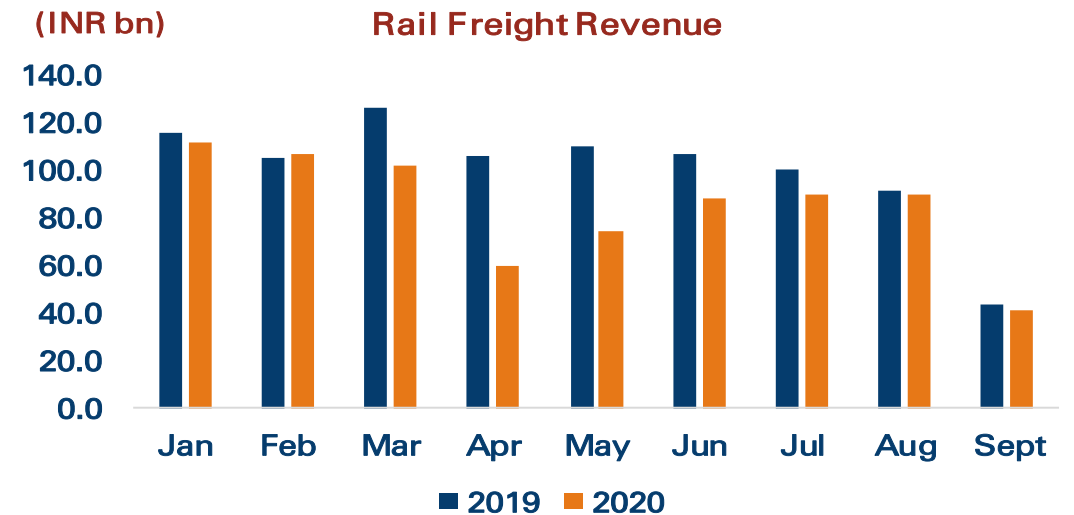
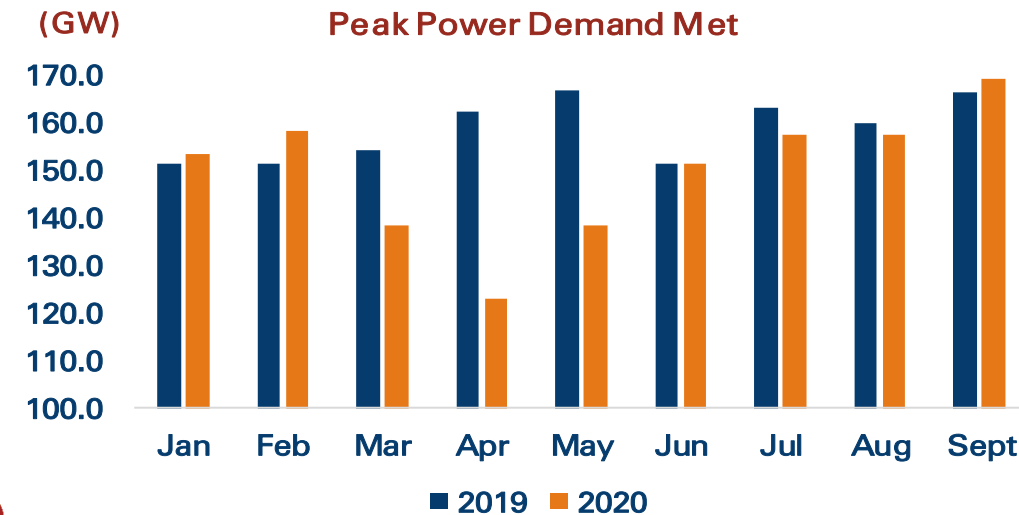
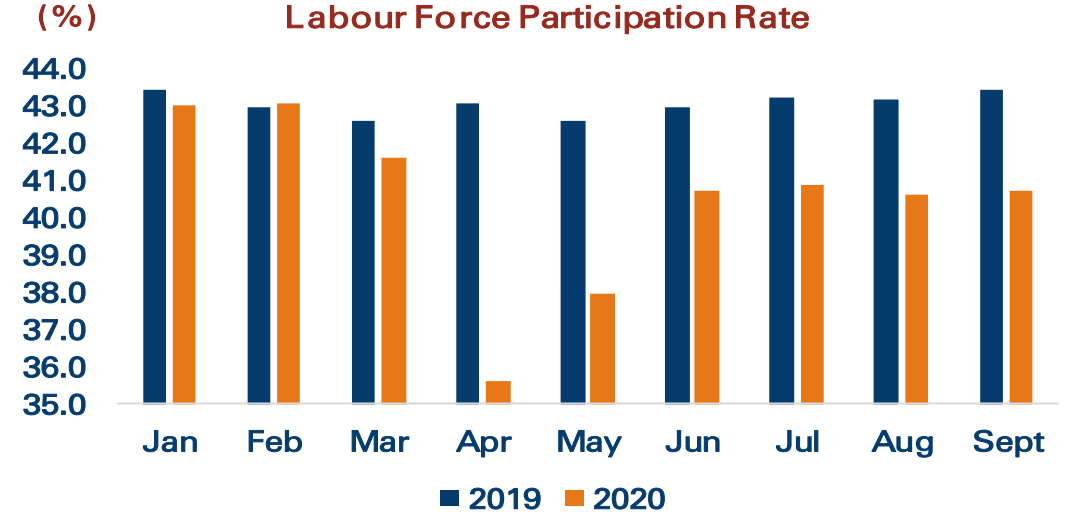
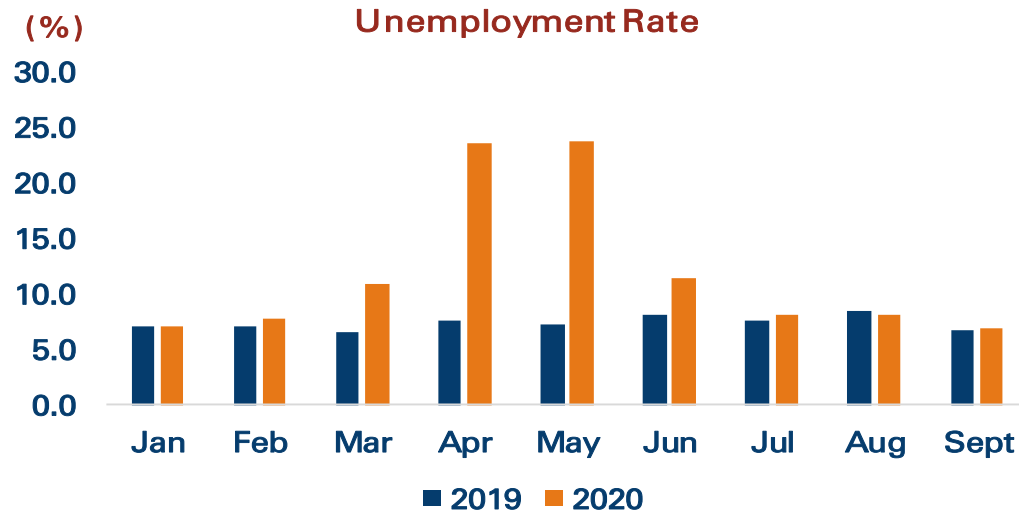
Consumer and industrial confidence has fallen sharply & inflation expectations continue to rise





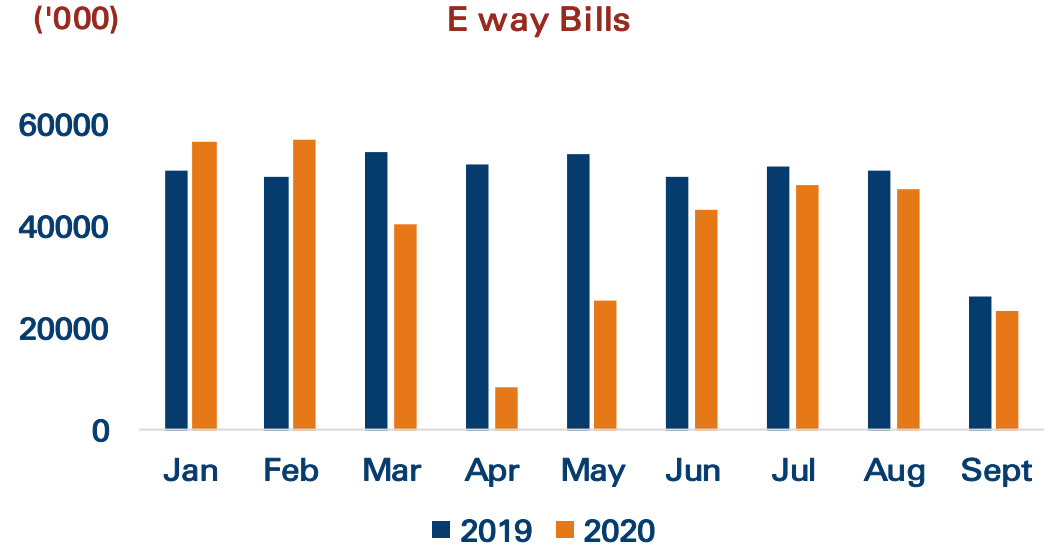
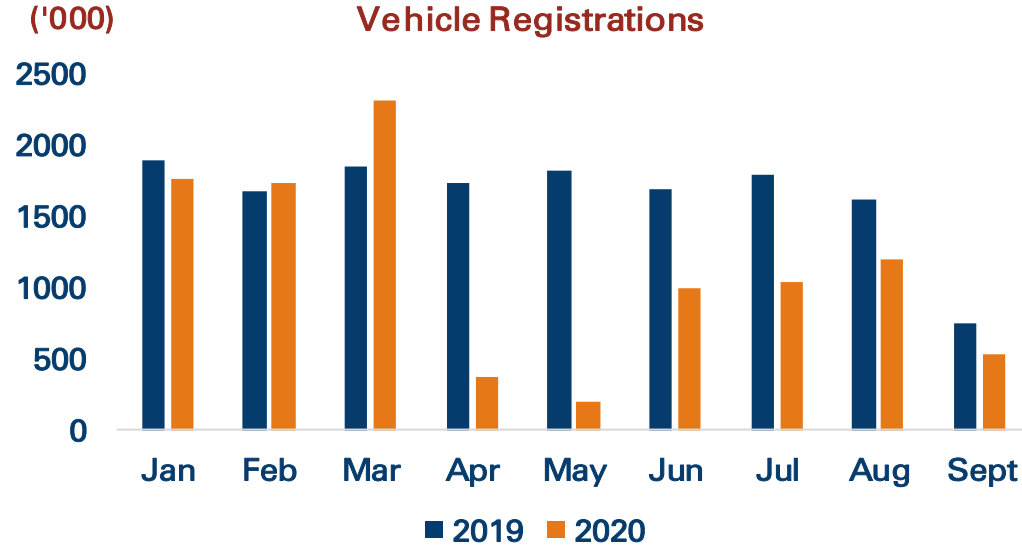
Ultra-high Frequency Indicators

Unemployment rate and power demand seem to be reaching closer to pre-crisis levels



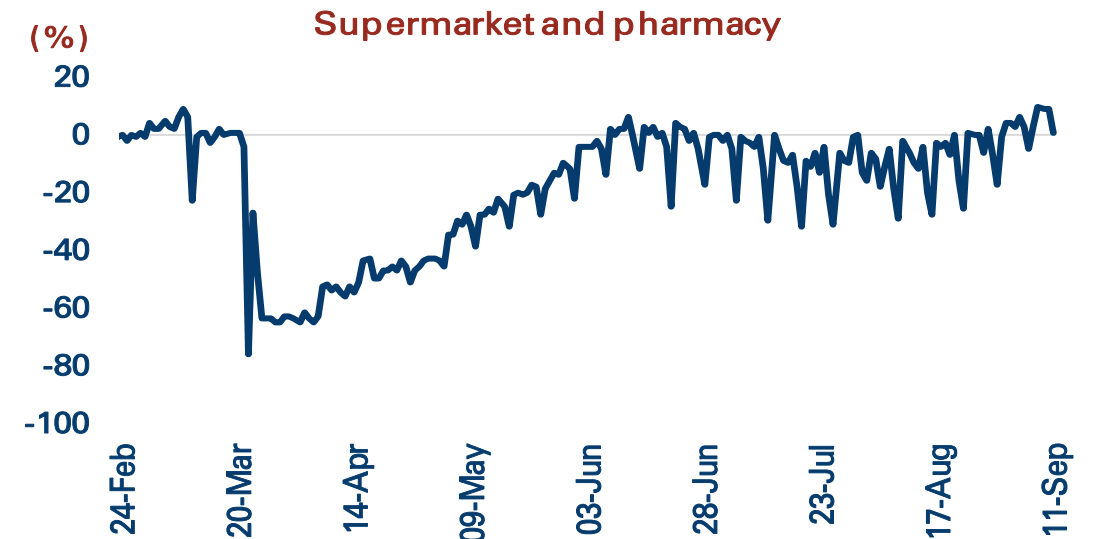
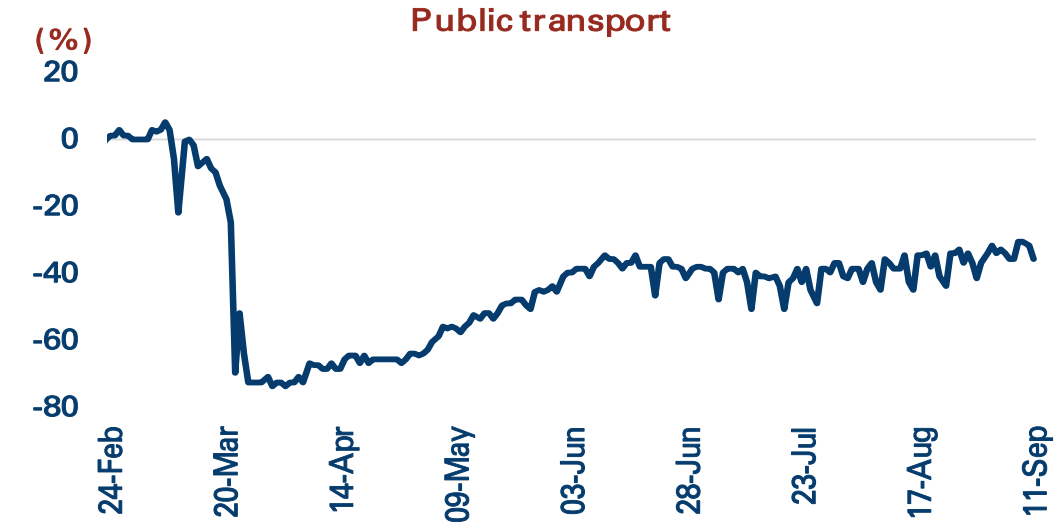
Note: Sept data is till 13th September, 2020
 Source: CMIE, POSOCO, Raildrishti, ICICI Bank Research

While vehicle registrations and e-way bills collections seeing stagnancy



Note: Sept data is till 13th September, 2020
Source: Vahan, GSTN, ICICI Bank Research

Google mobility showing improvement in supermarkets and retail sites



Source: Google mobility report India Sept 11, ICICI Bank Research



Thank you

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