

## India Macro Meter

23 December 2020

### Economic recovery sustains despite some signs of fatigue

Early data for Nov'20 indicate that 63.64% of indicators were in the positive territory, up from 57.6% in Oct'20. Final data for Oct'20 suggest that 65.31% indicators were in the positive territory. Despite some signs of fatigue, economic recovery has largely held up in Nov'20. Rural demand continues to hold up and Rabi sowing is up 4.9% YoY. Currency in circulation was up 22.2% YoY in Nov'20 while rural unemployment dipped to 6.3% in Nov'20 from 6.9% in Oct'20. Tractor sales were up 51.3% YoY in Nov'20 and two-wheeler sales were up 13.4% YoY although the pace slowed from 16.9% in Oct'20. Passenger vehicle sales were up 12.7% YoY in Nov'20 and commercial vehicle sales are estimated to be up ~1% YoY. Urban unemployment dipped marginally to 7.1% in Nov'20 from 7.2% in Oct'20. The Naukri jobspeak index, which is largely indicative of white collar employment, declined by 28% YoY in Nov'20 after declining by 17% YoY in Oct'20. Central government expenditure, which has been a drag on growth in the recent past, rose by 9.5% YoY in Oct'20. Manufacturing continues to lead the recovery but the Markit manufacturing PMI slowed to 56.3 in Nov'20 from 58.9 in Oct'20 although it remained in the expansion zone. Manufacturing as measured by the index of industrial production (IIP) rose by 3.5% YoY in Oct'20. But, exports declined by 8.7% YoY in Nov'20. Indicating some signs of fatigue in industrial activity, diesel consumption declined by 6.9% YoY in Nov'20. Demand for personal mobility helped petrol consumption grow by 5.1% YoY in Nov'20. The services sector is getting back to speed although there are sectors such as Airlines and Tourism that are still operating far below their pre-covid levels. Air traffic was down 50.8% YoY while foreign tourists are yet to come back. There are also some tell-tale signs of fatigue in indicators which have so far held up. The Markit services PMI slowed to 53.7 from 54.1 in Oct'20. Growth in rail freight traffic slowed to 9% YoY in Nov'20 from 15.4% in Oct'20. E-way bill generation slowed to register a growth of 3.8% YoY in Nov'20 vs. 21.4% YoY in Oct'20. Major port traffic rose by 2.8% YoY in Nov'20. Bank credit demand witnessed a mild pick-up at 5.6% YoY in Nov'20 vs. 5.1% in Oct'20. Deposit growth inched down to 9.7% YoY in Nov'20 from 10.1% in the previous month. The credit to deposit ratio stood at 72.6% in Nov'20 from 71.95% in the previous month. The median MCLR of banks now stands at 7.33% as of Nov'20, down by 2bps from the previous month. While lending rates may be near bottom, the fall in lending rates should set the stage for a recovery in credit growth.

**Rural recovery still robust:** Rural demand continues to hold up and Rabi sowing is up 4.9% YoY. Currency in circulation was up 22.2% YoY in Nov'20 and rural unemployment dipped to 6.3% in Nov'20 from 6.9% in the previous month. Tractor sales were up 51.3% YoY in Nov'20 and two-wheeler sales were up 13.4% YoY although the pace slowed from the previous month. Passenger vehicle sales were up 12.7% YoY and commercial vehicle sales are estimated to be up ~1% YoY in Nov'20. Urban unemployment dipped marginally to 7.1% in Nov'20 from 7.2% in the previous month. The Naukri jobspeak index, which is largely indicative of white collar employment, declined by 28% YoY in Nov'20 after declining by 17% YoY in Oct'20. Central government expenditure, which has been a drag on growth in the recent past, rose by 9.5% YoY in Oct'20.

**Manufacturing recovery largely sustains:** Manufacturing continues to lead the recovery but the Markit manufacturing PMI slowed to 56.3 in Nov'20 from 58.9 in the previous month although it remained in the expansion zone. Manufacturing as measured by the IIP rose by 3.5% YoY in Oct'20. The recovery was led by consumer durables output, which was up by 17.6% YoY and consumer non-durables output, which was up by 7.5% YoY. But, capital goods production turned positive for the first time since the onset of the Covid-19 pandemic and was up 3.3% YoY. Exports were however down by 8.7% YoY in Nov'20. Non-oil, non-gold imports continued to improve and were down by just 1.7% YoY in Nov'20. Indicating some signs of fatigue in industrial activity, diesel consumption declined by 6.9% YoY in Nov'20.

**Services sector making a comeback despite some sectors far below pre-covid levels:** Helped by demand for personal mobility, petrol consumption grew by 5.1% YoY in Nov'20. The services sector is getting back to speed although there are sectors such as Airlines and Tourism that are still operating far below their pre-covid levels. Air traffic was down 50.8% YoY while foreign tourists are yet to come back. There are also some tell-tale signs of fatigue in indicators which have so far held up. The Markit services PMI slowed to 53.7 from 54.1 in the previous month. Growth in rail freight traffic slowed to 9% YoY in Nov'20 from 15.4% in the previous month. E-way bill generation growth slowed to 3.8% YoY in Nov'20 from 21.4% YoY in the previous month. Major port traffic however rose by 2.8% YoY in Nov'20.

**Bank credit growth may be getting ready to bottom out:** Bank credit demand witnessed a mild pick-up to 5.6% YoY in Nov'20 from 5.1% in Oct'20. Bank credit to industry declined by 1.7% YoY in Oct'20 while bank credit to the services sector was up by 9.6% YoY in Oct'20 vs. 9.1% in the previous month. Bank credit to the retail sector stood at 9.3% YoY. Deposit growth inched down to 9.7% YoY in Nov'20 from 10.1% in the previous month. The credit to deposit ratio stood at 72.6% in Nov'20 from 71.95% in the previous month. The median MCLR of banks now stands at 7.33% as of Nov'20, down by 2bps from the previous month. While lending rates may be near bottom, the fall in lending rates should set the stage for a recovery in credit growth. Commercial paper issuance continued to decline and was down by 18.6% YoY.

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## Exhibit 1: Economic recovery sustains despite some signs of fatigue

|  | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20  | May-20  | Jun-20  | Jul-20  | Aug-20  | Sep-20  | Oct-20  | Nov-20  |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|---------|---------|
| Currency in circulation (% YoY)            | 14.2   | 12.7   | 13.0   | 12.9   | 13.6   | 15.1   | 12.8   | 11.9   | 11.9   | 11.5   | 14.5   | 15.7    | 18.4    | 20.6    | 22.2    | 23.2    | 22.7    | 20.3    | 22.2    |
| M3 (% YoY)                                 | 10.3   | 10.1   | 10.6   | 9.8    | 9.6    | 10.6   | 9.8    | 10.4   | 11.2   | 10.2   | 8.9    | 10.8    | 11.7    | 12.3    | 13.2    | 12.6    | 12.2    | 11.6    | 12.5    |
| Rural wage (% YoY)                         | 5.1    | 4.4    | 5.0    | 3.5    | 3.5    | 2.8    | 2.6    | 3.3    | 4.5    | 4.5    | 4.0    |         | 5.7     | 5.7     | 7.5     | 6.6     | 5.4     | -       | -       |
| Urban unemployment (%)                     | 8.6    | 8.3    | 8.3    | 9.7    | 9.6    | 8.3    | 8.9    | 9.0    | 9.7    | 8.7    | 9.4    | 25.0    | 25.8    | 12.0    | 9.4     | 9.8     | 8.5     | 7.2     | 7.1     |
| Rural unemployment (%)                     | 6.3    | 7.7    | 6.9    | 7.5    | 6.0    | 8.0    | 6.5    | 6.9    | 6.1    | 7.3    | 8.4    | 22.9    | 22.5    | 10.5    | 6.5     | 7.7     | 5.9     | 6.9     | 6.3     |
| Naukri job speak index (%YoY)              | 11.4   | 6.1    | 14.1   | 0.1    | 7.6    | 1.5    | 15.2   | 10.5   | 5.8    | (0.0)  | (17.8) | (61.6)  | (61.2)  | (44.4)  | (47.3)  | (35.0)  | (23.0)  | (17.0)  | (28.0)  |
| Consumer durable production (% YoY)        | 0.3    | (10.2) | (2.7)  | (9.1)  | (9.9)  | (18.8) | (1.6)  | (5.4)  | (3.8)  | (6.4)  | (36.5) | (95.7)  | (70.3)  | (34.3)  | (23.0)  | (9.6)   | 3.4     | 17.6    | -       |
| Consumer non-durable production (% YoY)    | 8.1    | 7.1    | 8.4    | 3.1    | (0.4)  | (1.8)  | 1.5    | (3.9)  | (0.3)  | 0.0    | (20.2) | (48.1)  | (9.7)   | 14.3    | 1.8     | (2.3)   | 2.4     | 7.5     | -       |
| Motorvehicle sales (%YoY)                  | (8.6)  | (12.3) | (18.7) | (23.5) | (22.4) | (12.8) | (12.1) | (13.1) | (13.8) | (19.1) | (45.0) | (98.0)  | (84.8)  | (43.0)  | (18.6)  | (1.3)   | 7.2     | 10.5    | 7.2     |
| Passenger vehicle (% YoY)                  | (20.5) | (17.5) | (31.0) | (31.6) | (23.7) | 0.3    | (0.8)  | (1.2)  | (6.2)  | (7.6)  | (51.0) | (100.0) | (85.2)  | (49.6)  | (3.9)   | 14.2    | 26.5    | 14.2    | 12.7    |
| Commercial vehicle (% YoY)                 | (10.0) | (12.3) | (25.7) | (38.7) | (39.1) | (23.3) | (15.0) | (12.3) | (14.0) | (32.9) | (88.1) | (97.8)  | (90.0)  | (80.0)  | (50.0)  | (18.0)  | (3.0)   | (3.6)   | 1.0     |
| Two wheeler (% YoY)                        | (6.7)  | (11.7) | (16.8) | (22.2) | (22.1) | (14.4) | (14.3) | (16.6) | (16.1) | (19.8) | (39.8) | (96.2)  | (83.8)  | (38.6)  | (15.2)  | 3.0     | 11.6    | 16.9    | 13.4    |
| Tractor sales                              | (15.7) | (13.6) | (13.1) | (16.5) | (4.7)  | (5.0)  | (13.2) | 2.4    | 4.8    | 21.3   | (49.9) | (79.4)  | 4.0     | 22.4    | 38.5    | 74.7    | 28.3    | 7.7     | 51.3    |
| Petrol consumption (% YoY)                 | 11.4   | 10.9   | 8.9    | 9.0    | 6.3    | 8.9    | 9.3    | 3.3    | 3.5    | 11.3   | (16.4) | (60.4)  | (35.3)  | (13.5)  | (10.4)  | (7.5)   | 3.3     | 4.5     | 5.1     |
| Diesel consumption (%YoY)                  | 3.2    | 1.7    | 3.5    | (0.9)  | (3.1)  | (6.9)  | 9.3    | 0.2    | (1.6)  | 6.6    | (24.0) | (55.6)  | (29.5)  | (15.4)  | (19.5)  | (20.7)  | (6.0)   | 7.4     | (6.9)   |
| Cement production (% YoY)                  | 2.8    | (1.9)  | 7.7    | (5.1)  | (1.9)  | (7.7)  | 4.3    | 5.4    | 5.1    | 7.8    | (25.1) | (85.2)  | (21.4)  | (6.8)   | (13.4)  | (14.6)  | (3.5)   | 2.8     | -       |
| Steel production (% YoY)                   | 13.31  | 10.78  | 8.13   | 3.81   | (1.5)  | (1.9)  | 7.0    | 8.7    | 1.6    | 2.9    | (24.1) | (82.8)  | (40.4)  | (25.4)  | (8.2)   | (1.7)   | 2.8     | (2.7)   | -       |
| IIP (%YoY)                                 | 4.6    | 1.2    | 4.3    | (1.4)  | (4.3)  | (4.0)  | 1.8    | 0.1    | 2.1    | 4.5    | (16.7) | (57.3)  | (33.4)  | (15.8)  | (10.8)  | (7.4)   | 0.5     | 3.6     | -       |
| Mining (% YoY)                             | 2.4    | 1.5    | 4.9    | 0.0    | (8.5)  | (8.0)  | 1.8    | 5.7    | 4.3    | 10.0   | 0.0    | (26.9)  | (20.4)  | (19.6)  | (12.8)  | (9.0)   | 1.4     | (1.5)   | -       |
| Manufacturing (%YoY)                       | 4.5    | 0.2    | 4.2    | (1.6)  | (3.9)  | (2.3)  | 2.7    | (0.7)  | 1.6    | 3.2    | (20.6) | (66.6)  | (37.8)  | (16.0)  | (11.6)  | (7.9)   | (0.2)   | 3.5     | -       |
| Electricity (%YoY)                         | 7.4    | 8.2    | 4.8    | (0.9)  | (2.6)  | (12.2) | (5.0)  | (0.1)  | 3.1    | 8.1    | (6.8)  | (22.9)  | (14.9)  | (10.0)  | (2.5)   | (1.8)   | 4.9     | 11.2    | -       |
| Capital goods production (%YoY)            | (2.1)  | (6.9)  | (7.0)  | (20.9) | (20.3) | (22.0) | (8.6)  | (18.0) | (4.3)  | (9.7)  | (38.3) | (92.7)  | (65.9)  | (37.4)  | (22.8)  | (14.8)  | (1.3)   | 3.3     | -       |
| Capital goods imports (%YoY)               | 2.9    | (6.4)  | 1.9    | (9.3)  | 13.1   | (0.8)  | (4.1)  | (5.2)  | 9.1    | 8.3    | (36.3) | (55.4)  | (33.9)  | (42.6)  | (30.1)  | (41.3)  | (34.3)  | (14.9)  | (16.3)  |
| PMI Manufacturing Index                    | 52.7   | 52.1   | 52.5   | 51.4   | 51.4   | 50.6   | 51.2   | 52.7   | 55.3   | 54.5   | 51.8   | 27.4    | 30.8    | 47.2    | 46      | 52.0    | 56.8    | 58.9    | 56.3    |
| PMI Services Index                         | 50.2   | 49.6   | 53.8   | 52.4   | 48.7   | 49.2   | 52.7   | 53.3   | 55.5   | 57.5   | 49.3   | 5.4     | 12.6    | 33.7    | 34.2    | 41.8    | 49.8    | 54.1    | 53.7    |
| PMI Composite Index                        | 51.7   | 50.8   | 53.9   | 52.6   | 49.8   | 49.6   | 52.7   | 53.7   | 56.3   | 57.6   | 50.6   | 7.2     | 14.8    | 37.8    | 37.2    | 46.0    | 54.6    | 58.0    | 56.3    |
| Rail freight traffic (% YoY)               | 2.9    | 2.0    | 1.6    | (6.1)  | (6.6)  | (8.1)  | 0.9    | 4.3    | 3.0    | 6.5    | (13.9) | (35.3)  | (21.3)  | (7.7)   | (4.6)   | 3.9     | 15.5    | 15.4    | 9.0     |
| Air traffic (% YoY)                        | 2.8    | 6.2    | 1.8    | 3.9    | 1.5    | 4.3    | 11.5   | 2.6    | 2.5    | 9.0    | (32.8) | (100.0) | (97.7)  | (83.5)  | (82.2)  | (75.9)  | (65.7)  | (57.1)  | (50.8)  |
| Major port tariff (%YoY)                   | (0.5)  | (0.5)  | 3.5    | 1.2    | (0.5)  | (5.4)  | (0.3)  | 6.1    | 2.5    | 4.5    | (5.1)  | (21.1)  | (23.3)  | (14.5)  | (13.2)  | (10.4)  | (1.9)   | (1.2)   | 2.8     |
| Foreign tourist arrivals (%YoY)            | 0.7    | 5.4    | 1.4    | 1.6    | 4.3    | 6.1    | 7.8    | 2.8    | 1.3    | (6.6)  | (66.4) | (100.0) | (100.0) | (100.0) | (100.0) | (100.0) | (100.0) | (100.0) | (100.0) |
| Export growth (% YoY)                      | 3.4    | (7.8)  | 1.7    | (6.2)  | (6.3)  | (0.6)  | (0.5)  | (1.6)  | (1.7)  | 2.9    | (34.6) | (60.3)  | (36.2)  | (12.4)  | (10.2)  | (12.7)  | 6.0     | (5.1)   | (8.7)   |
| Import growth (% YoY)                      | 6.2    | (8.4)  | (10.3) | (13.4) | (12.8) | (16.3) | (12.7) | (8.8)  | (0.8)  | 2.5    | (28.7) | (58.6)  | (52.4)  | (47.6)  | (28.4)  | (26.0)  | (19.6)  | (11.5)  | (13.3)  |
| Non-oil, non-gold imports (%YoY)           | 1.5    | (10.4) | (0.4)  | (8.8)  | (6.5)  | (8.3)  | (10.5) | (8.9)  | (4.8)  | (1.0)  | (30.5) | (53.7)  | (34.5)  | (42.0)  | (30.4)  | (29.7)  | (12.6)  | (4.9)   | (1.7)   |
| E-way bills generated (%YoY)               | 45.8   | 6.4    | 18.0   | 4.6    | 8.9    | (1.2)  | 18.5   | 10.8   | 11.6   | 14.3   | (26.0) | (83.6)  | (53.0)  | (12.7)  | (7.3)   | (3.5)   | 9.6     | 21.4    | 3.8     |
| Bank non-food credit growth (%YoY)         | 13.3   | 11.9   | 12.1   | 10.1   | 8.6    | 8.8    | 6.9    | 6.7    | 8.0    | 6.9    | 6.1    | 6.7     | 5.5     | 5.4     | 6.1     | 5.5     | 5.1     | 5.1     | 5.6     |
| Personal credit (%YoY)                     | 16.9   | 16.6   | 17.0   | 15.6   | 16.6   | 17.2   | 16.4   | 15.9   | 16.9   | 17.0   | 15.0   | 12.1    | 10.6    | 10.5    | 11.2    | 10.6    | 9.2     | 9.3     | -       |
| Credit to industry (%YoY)                  | 6.4    | 6.4    | 6.1    | 3.9    | 2.7    | 3.4    | 2.4    | 1.6    | 2.5    | 0.7    | 0.7    | 1.7     | 1.7     | 2.2     | 0.8     | 0.5     | 0.0     | (1.7)   | -       |
| Credit to services (%YoY)                  | 14.8   | 13.0   | 15.2   | 13.3   | 7.3    | 6.5    | 4.8    | 6.2    | 8.9    | 6.9    | 7.4    | 11.2    | 11.2    | 10.7    | 10.1    | 8.6     | 9.1     | 9.5     | -       |
| Deposit growth (%YoY)                      | 11.1   | 10.0   | 10.6   | 9.7    | 9.4    | 10.3   | 8.3    | 9.1    | 11.1   | 10.2   | 7.9    | 9.9     | 9.7     | 11.3    | 12.1    | 10.9    | 10.5    | 10.1    | 9.7     |
| Commercial Paper issuance (%YoY)           | 18.2   | 2.5    | (20.3) | (21.4) | (17.3) | (21.3) | (18.2) | (16.8) | (20.2) | (23.2) | (28.7) | (23.1)  | (22.9)  | (22.3)  | (26.4)  | (25.1)  | (21.2)  | (17.8)  | (18.6)  |
| Central Government expenditure (%YoY)      | 3.5    | (11.1) | 23.9   | 25.9   | 34.3   | 9.1    | 5.5    | 32.3   | (6.4)  | 5.2    | 75.0   | 20.6    | (20.7)  | 45.7    | 5.63    | (15.2)  | (26.0)  | 9.5     | -       |
| Indirect tax (%YoY)                        | 0.5    | (0.5)  | (2.3)  | 10.1   | (3.3)  | (18.7) | 6.5    | 4.2    | 14.2   | 13.1   | 3.8    | (74.9)  | (42.8)  | (3.21)  | 14.1    | (1.6)   | 12.0    | 49.1    | -       |
| CPI (%YoY)                                 | 3.0    | 3.2    | 3.1    | 3.3    | 4.0    | 4.62   | 5.5    | 7.4    | 7.6    | 6.6    | 5.9    | 7.2     | 6.3     | 6.2     | 6.7     | 6.7     | 7.3     | 7.6     | 6.93    |
| Core CPI (%YoY)                            | 4.3    | 4.1    | 4.3    | 4.3    | 4.0    | 3.5    | 3.5    | 3.7    | 4.2    | 4.1    | 4.1    | 4.8     | 5.0     | 5.3     | 5.7     | 5.77    | 5.67    | 5.76    | 5.79    |
| WPI (%YoY)                                 | 2.5    | 2.0    | 1.1    | 1.1    | 0.3    | 0.2    | 0.6    | 2.59   | 3.1    | 2.3    | 0.4    | (1.6)   | (3.4)   | (1.8)   | (0.6)   | 0.16    | 1.32    | 1.48    | 1.56    |
| 10 year G-Sec yields (%)                   | 7.03   | 6.88   | 6.37   | 6.56   | 6.70   | 6.45   | 6.47   | 6.55   | 6.60   | 6.4    | 6.1    | 6.1     | 5.76    | 5.89    | 5.84    | 6.12    | 6.01    | 5.88    | 5.91    |
| Credit to deposit ratio (%)                | 76.82  | 77.25  | 76.34  | 75.74  | 75.69  | 75.83  | 75.51  | 76.23  | 75.85  | 75.83  | 76.44  | 74.9    | 73.3    | 73.6    | 72.6    | 72.1    | 72.0    | 71.9    | 72.6    |
| Weighted average deposit rate of banks (%) | 6.89   | 6.89   | 6.85   | 6.87   | 6.84   | 6.75   | 6.68   | 6.55   | 6.52   | 6.45   | 6.38   | 6.07    | 6.12    | 6.00    | 5.96    | 5.86    | 5.67    | 5.66    | -       |
| Weighted average lending rate of banks (%) | 10.31  | 10.31  | 10.31  | 10.32  | 10.29  | 10.29  | 10.27  | 10.14  | 10.15  | 10.11  | 10.00  | 9.89    | 9.88    | 9.74    | 9.71    | 9.65    | 9.59    | 9.52    | -       |
| Median MCLR (%)                            | 8.75   | 8.70   | 8.60   | 8.50   | 8.45   | 8.35   | 8.31   | 8.30   | 8.25   | 8.21   | 8.20   | 8.00    | 7.85    | 7.68    | 7.58    | 7.45    | 7.40    | 7.35    | 7.33    |
| Negative (Red+ Amber)                      | 20     | 24     | 18     | 27     | 33     | 34     | 23     | 24     | 17     | 17     | 35     | 37      | 38      | 33      | 32      | 33      | 20      | 17      | 12      |
| Positive (Green + Blue)                    | 30     | 26     | 32     | 23     | 17     | 16     | 27     | 26     | 33     | 33     | 15     | 12      | 12      | 17      | 18      | 17      | 30      | 32      | 21      |

Red- Negative, Amber-Watch, Blue-Neutral, Green-Positive

Source: Nirmal Bang Institutional Equities Research, Reserve Bank of India, Central Statistical Office, Government of India, Bloomberg, CEIC, CMIE.

**DISCLOSURES**

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BUY > 15%

ACCUMULATE -5% to 15%

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