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Sector update

INDIA

Banking

Bank Credit Outlook 2021: On the cusp of releveraging (post deleveraging phase)

With collection efficiency trends and credit cost expectations reining in a lot of enthusiasm for financial stocks, another critical vector driving earnings and valuation rerating is going to be credit growth. We believe India Inc, after undergoing a phase of deleveraging over the past few years, is now better positioned and confident to anvil on the path of releveraging. Indian financiers, too, have saddled themselves with ample liquidity/capital buffer to tap the emerging opportunity. Does this mean we are at an inflection point with respect to credit growth outlook? Evaluating macro-economic variables including trends in private/government capex, aggregate demand, high frequency lead indicators, YTD trends of credit flow, and corporate/government/consumer ability to spend, we pen down credit growth estimate at 4.4% for FY21E, 9.5% for FY22E and significant spike to 13-15% over FY22-25E.

- **Macro – a mixed bag – capex ability improved but confidence and demand derailed.** Postponement of existing capex plans on weak aggregate demand, underutilisation of existing capacities, low business confidence and rising fiscal deficit limiting government spending has hurt the prospects of capex in FY21. However, economy is expected to post positive growth in all quarters of CY21. Structural policy initiatives (labour law reforms, PLI, etc), competitive corporate tax rates etc, conducive investment climate, relocation of global value chains, rise in aggregate demand, improved business sentiments, ample balance sheet resources (to absorb capex spend) and corporate asset quality cycle nearing its end should see some boost in capex FY22 onwards. We are building in more than 6% growth for FY22 and 13-15% over FY22-25E in corporate credit. *(Refer table 2,5)*
- **Pent up household spending to drive retail lending growth.** Credit growth held up well in H1FY21 in retail and services segment with housing, vehicle, credit card, transport, hotels etc witnessing 2% YTD (8-10% YoY) growth. Household spending, after remaining weak during Covid-19 pandemic with shaken consumer confidence and risk of job and income security, we expect pent-up spending as situation normalises. Retail lending will sustain 8% growth in FY21E and on lower base and improved spending sentiment will effectively grow 14% in FY22E. Recovery in economic activity and derivative effect of increased investments and corporate/government spending on consumption will sustain the momentum of 15% plus growth over FY22-25E. *(Refer table 1,4)*
- **ECLGS 2.0 to support SME credit; bank lending to NBFCs will stabilise.** Expansion of scope of ECLGS 2.0 scheme will further provide impetus for medium corporate growth in the range of 15-20% all through FY22E. NBFCs after having consolidated for almost 2 years now, significantly deleveraging the balance sheet by running down high risk profile assets, and improved capital market sentiment will pursue growth opportunities in risk calibrated manner. Consequently, bank lending to NBFCs should stabilise in FY22E rather than decelerate like FY21.
- **Who tends to gain, who tends to lose?** Flow of resources to commercial and household sector though will settle in single digit or low double digit, there will still be a rejig in market share amongst players in financial ecosystem. PSU banks, in the last decade, have been consistently losing market share. Also NBFCs, after having consolidated to a large extent post liquidity crisis and amidst Covid-19 pandemic, are now in a relatively better position to tap the upcoming opportunities. Also, it has been demonstrated in the past that asset quality deterioration reduces the efficacy of the credit channel, while strong capital position and robust deposit growth reinforce it. We have, therefore, based our assumption of credit growth for various players based on their performance on these critical parameters. *(Refer table 6,7)*

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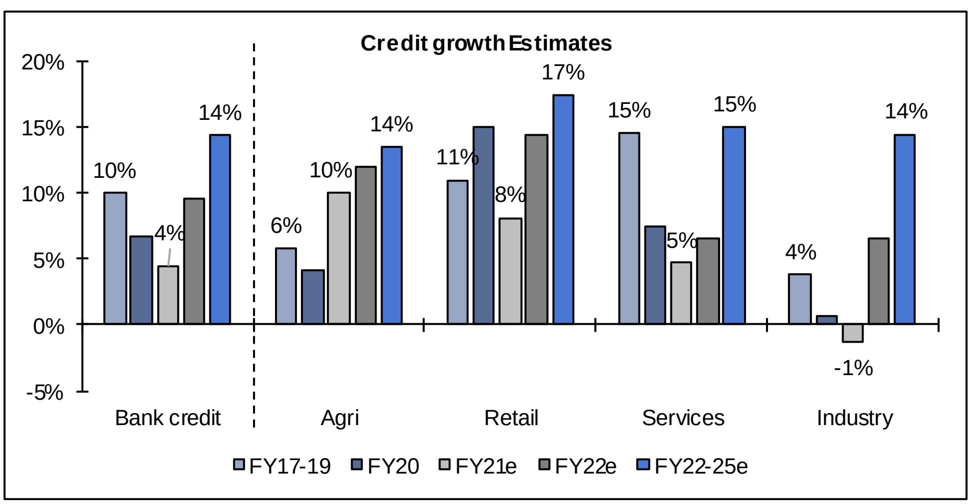
Gauging credit growth outlook is of prime relevance

With collection efficiency trends and credit cost expectations reining in lot of enthusiasm for financial stocks, another critical vector driving earnings and valuation rerating in 2021/22 is going to be credit growth. Gauging the outlook on credit growth is of prime relevance especially in the backdrop of corporate deleveraging cycle over the past several years leading to mere 9% CAGR in bank credit over FY15-FY20. The pandemic has further impacted credit flow to multiple sectors in H1FY21, reflected in bank credit growth settling at mere 5.6% YoY in October'20.

However, government has undertaken several structural initiatives (labour reforms, PLI, etc), competitive corporate tax rates etc that are conducive for manufacturing investments in India and can aid relocation of global value chains. Corporates, too, are now echoing optimism with respect to regained momentum of high frequency lead Indicators and demand/activity level trending towards return to normalcy. Financiers, too, drawing comfort from stabilising collection trends, improving consumer/business confidence level, adequate liquidity/capital buffer on the balance sheet, are now looking towards kick-starting growth in a risk calibrated manner. Nonetheless, macro variable including private capex, government spending, household balance sheet, aggregate domestic and export demand, coupled with financial indicators namely interest rates, liquidity, asset quality stress, financial savings etc become key to base the argument when does the process of releveraging start. Not only this, how various participants are positioned in the financial ecosystem, with respect to capitalisation, product offerings, liability flows, and cost advantage, to leverage emerging opportunities will determine winner and losers in the game.

Evaluating private/government capex and aggregate demand estimates going forward, high frequency lead indicators for respective segments, YTD trends of credit flow, collection efficiency across product segments, we pen down credit growth estimate at 4.4% for FY21E, 9.5% for FY22E and significant boost to 13-15% over FY22-25E.

Chart 1: Bank credit – at an inflection point of releveraging: ~4% (FY21E), 9.5% (FY22E), 13-15% (FY22-25E)



Source: RBI, I-Sec research

What are the key levers and which segments will drive credit growth?

- Postponement of existing capex plans on weak aggregate demand, underutilisation of existing capacities, low business confidence and limited government spending has hurt the prospects of capex in FY21.
- However, structural initiatives (labour reforms, PLI, etc), competitive corporate tax rates etc are conducive for manufacturing investments in India and can aid relocation of global value chains. Also, corporates have ample balance sheet resources to absorb capex spend and are confident of corporate asset quality cycle nearing its end. What would actually boost capex in FY22 is rise in aggregate demand and improvement in consumer and business confidence. We are building in 6% plus growth for FY22 and 13-15% over FY22-25E in corporate credit.
- Government's continued support to SME segment (expansion of scope of ECLGS 2.0 scheme) will sustain growth momentum for medium corporate credit in the range of 15-20% all through FY22E and beyond.
- Household spending, after remaining weak during pandemic with shaken consumer confidence and risk of job and income security, we expect pent up spending as situation normalises. Retail lending will sustain 8% growth in FY21E, and on lower base and improved spending sentiment will effectively grow 14% in FY22E. Recovery in economic activity and derivative effect of increased investments and corporate/government spending on consumption will sustain the momentum of 15%-plus growth over FY22-25E.
- NBFCs, after having consolidated for almost 2 years now, significantly deleveraging the balance sheet by running down high risk profile assets, and improved capital market sentiment will pursue growth opportunities in risk calibrated manner. One of the channels for funding this growth will be bank credit lines and bank lending to NBFCs should stabilise in FY22E rather than decelerate like FY21.

Table 1: Credit growth, post deleveraging phase, is expected to bounce back post FY21

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY22-25E
Non-Food Credit	**37.9**	**16.8**	**20.6**	**17.0**	**14.2**	**13.6**	**7.9**	**9.1**	**9.0**	**7.7**	**12.3**	**6.7**	**4.4**	**9.5**	**13.0-15.0**
Agri	51.1	22.9	10.6	13.5	13.3	13.0	14.4	15.3	12.4	3.8	7.9	4.2	10.0	12.0	12.0-14.0
Industry	52.8	24.4	23.6	21.3	14.2	12.4	5.3	2.7	(1.9)	0.8	6.9	0.7	(1.3)	6.6	13.0-15.0
Services	32.3	12.5	23.9	14.7	12.1	15.5	5.7	9.1	19.5	11.3	17.8	7.4	4.7	6.6	9.0-11.0
Retail	12.2	4.1	17.0	12.1	17.7	14.6	12.5	19.4	16.7	17.5	16.4	15.0	8.2	14.4	16.0-18.0

Note: Green indicates higher growth than non-food credit, Red indicates lower growth than non-food credit
Source: RBI, I-Sec research

Table 2: Environment conducive for capex coupled with ample resources

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY22-25E
Micro & Small	55.5	22.1	11.0	13.1	10.2	23.1	8.1	(2.3)	(0.4)	0.8	0.7	1.7	(1.5)	5.0	8.0-10.0
Medium	19.7	8.6	39.2	11.4	(39.6)	2.6	(0.7)	(9.3)	(8.7)	(1.1)	2.6	(0.7)	20.0	15.0	15.0-17.0
Trade (Services)	32.8	13.9	13.2	18.6	26.1	15.9	13.3	4.2	12.3	9.1	13.1	4.6	12.0	10.0	13.0-15.0
Large	58.2	27.4	24.1	24.3	22.2	11.4	5.3	4.3	(1.8)	0.9	8.2	0.6	(2.2)	6.4	13.0-15.0

Source: RBI, I-Sec research

Table 3: NBFCs and CRE to take some more time to regain lost momentum

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY22-25E
NBFCs	43.7	14.8	54.8	26.3	18.0	12.6	5.8	13.2	10.9	26.9	29.2	25.9	-	2.0	5.0-10.0
CRE	45.8	(0.3)	21.4	7.8	4.7	22.4	7.8	6.7	4.5	0.1	8.9	13.6	2.0	7.0	8.0-10.0

Source: RBI, I-Sec research

Table 4: Retail credit derailment seem to have bottomed out in FY21

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY22-25E
Housing	15.6	7.7	15.0	12.1	19.1	17.0	16.2	18.8	15.2	13.3	19.0	15.4	8.0	15.0	16.0-18.0
Vehicle	8.8	2.9	24.3	19.7	17.4	17.0	(4.5)	22.7	12.5	10.3	6.5	9.1	5.0	10.0	13.0-15.0
Credit Card	(24.6)	(28.1)	(10.2)	12.9	23.8	(1.8)	22.6	23.7	38.4	31.6	28.6	22.5	9.0	20.0	20.0-25.0
Other personal loans	7.7	(1.2)	19.0	7.9	33.0	12.4	18.2	25.2	27.6	34.6	19.4	19.7	12.0	15.0	15.0-18.0

Source: RBI, I-Sec research

Table 5: Reforms will aid investments in manufacturing units

	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Power	97.6%	50.9%	43.3%	22.2%	27.4%	16.6%	14.2%	4.0%	-9.4%	-1.1%	9.5%	-1.6%	1.0%	10.0%
Telecom	55.1%	18.0%	69.2%	-6.8%	-4.9%	1.6%	2.3%	-1.3%	-6.8%	-0.6%	36.7%	24.4%	-20.0%	5.0%
Metals	51.4%	26.5%	28.8%	21.8%	23.9%	14.3%	6.9%	7.5%	1.3%	-1.3%	-10.7%	-5.7%	-1.0%	5.0%
Engineering	35.6%	12.2%	26.5%	21.6%	12.6%	13.8%	5.8%	0.1%	-2.8%	3.6%	8.6%	-6.7%	-10.0%	5.0%
Textiles	25.9%	18.2%	19.2%	10.4%	16.2%	9.8%	-0.3%	1.2%	-4.4%	6.7%	-3.0%	-5.5%	-0.5%	5.0%
Food processing	33.0%	22.1%	29.3%	20.6%	16.9%	23.6%	16.9%	-13.2%	-2.9%	6.7%	1.1%	-1.9%	2.0%	5.0%

Source: RBI, I-Sec research

Who tends to gain, who tends to lose?

Flow of resources to commercial and household segment though would settle in single digit or low double digit, there will still be a rejig in market share amongst players in financial ecosystem. PSU banks, in the last decade, have been consistently losing market share (by more than 15% points) in favour private banks, NBFCs and SFBs. Also NBFCs, after having consolidated to a large extent post liquidity crisis and amidst Covid-19 pandemic, are now in a relatively better position to tap the upcoming opportunities. Also, it has been demonstrated in the past that asset quality deterioration reduces the efficacy of the credit channel, while strong capital position and robust deposit growth reinforce it. We have, therefore, based our assumption of credit growth for various players based on their performance on these critical parameters.

Table 6: Credit growth post a drag in H1FY21 to see a sharp rebound

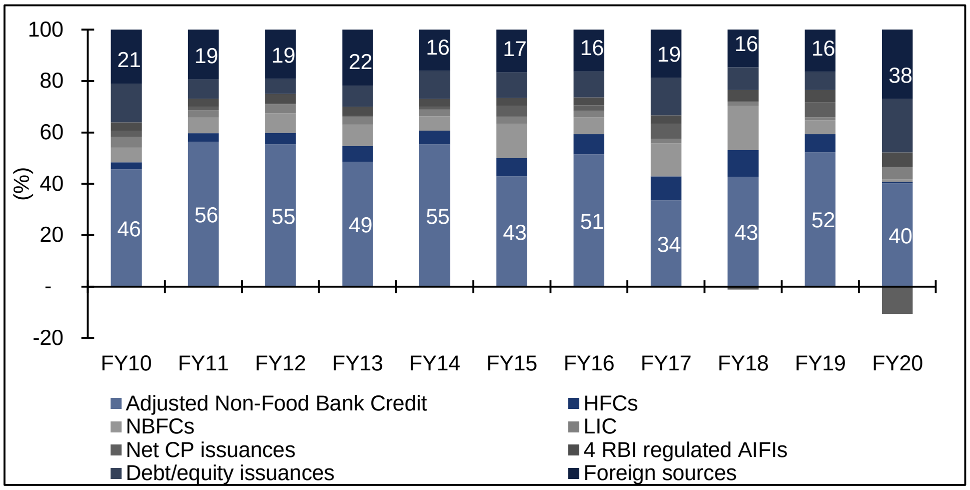
Name	Credit growth				Deposit growth			
	FY20	FY21YTD	FY21E	FY22E	FY20	FY21YTD	FY21E	FY22E
SBIN	6.4%	-1.3%	7.3%	11.9%	11.3%	14.4%	12.0%	12.0%
HDFCB	21.3%	4.5%	14.6%	17.8%	24.3%	20.3%	12.0%	17.0%
AXIS	15.5%	0.9%	10.4%	17.9%	16.7%	8.8%	10.0%	15.0%
KOTAK	6.8%	-6.8%	7.1%	16.7%	16.4%	12.2%	8.0%	17.0%
INDUSIND	6.5%	-2.7%	5.8%	14.6%	3.7%	10.0%	13.0%	17.0%
YES	-29.0%	-2.6%	3.9%	10.5%	-53.7%	-35.2%	45.0%	8.0%
BANDHAN	17.0%	10.0%	22.0%	25.3%	32.0%	34.4%	20.0%	28.0%
FB	10.9%	0.5%	7.9%	17.0%	12.8%	2.9%	10.0%	14.5%
CUBK	3.8%	2.6%	4.0%	18.0%	6.2%	1.4%	4.0%	16.0%
DCB	7.5%	-1.8%	2.0%	15.0%	6.8%	-5.3%	3.0%	15.0%
KVB	-5.1%	3.7%	8.0%	15.0%	-1.3%	3.5%	8.0%	15.0%
AU SFB	29.0%	-1.0%	4.5%	23.1%	34.7%	3.1%	11.8%	21.3%

Table 7: Credit efficacy: Credit cost reduces, capital/deposit position enhances

Name	FY17-20 Credit	FY17-20 Deposit	FY17-20 Avg credit cost	Sep'20 CET 1
SBIN	8%	8%	2.9	10.5
HDFCB	21%	21%	1.0	17.0
AXIS	15%	16%	3.2	15.4
KOTAK	17%	19%	0.5	21.2
INDUSIND	22%	17%	1.6	14.5
YES	9%	-10%	4.9	13.5
BANDHAN	58%	35%	0.8	22.2
FB	15%	17%	1.0	13.3
CUBK	10%	11%	1.4	16.3
DCB	12%	12%	0.8	14.2
KVB	1%	2%	3.0	16.4
AU SFB	42%	82%	0.9	18.3

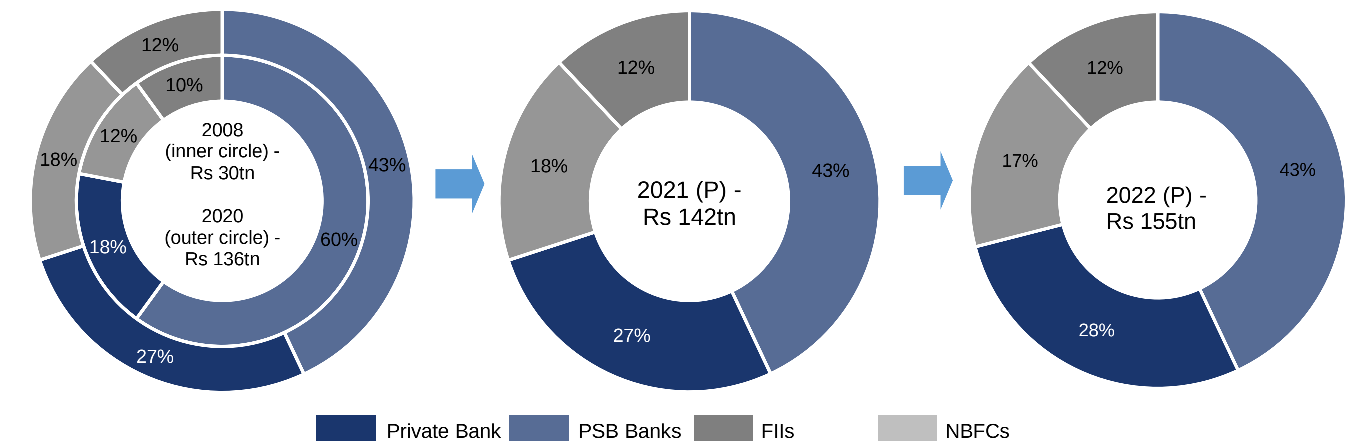
Source: Company, I-Sec Research

Chart 2: Credit substitution at relatively lower cost has led to lower reliance on bank credit by India's commercial sector



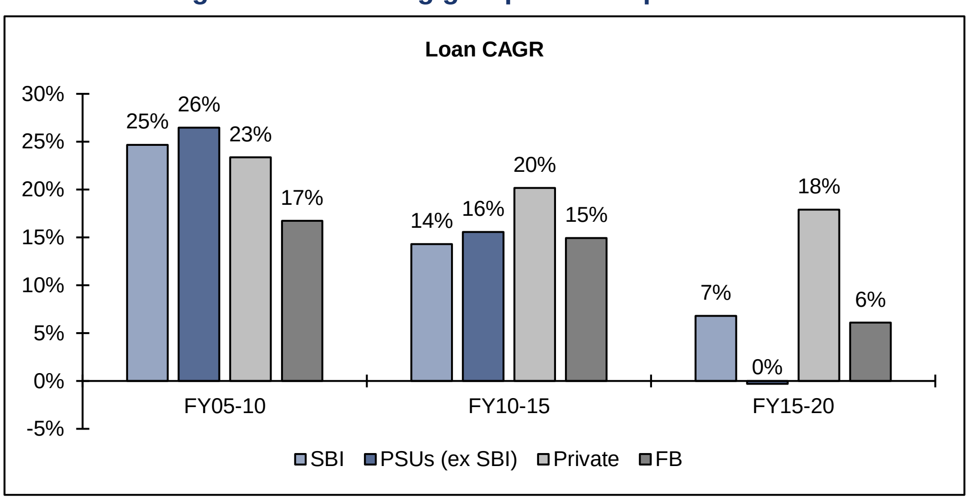
Source: RBI, I-Sec Research

Chart 3: Composition of credit in Indian financial ecosystem



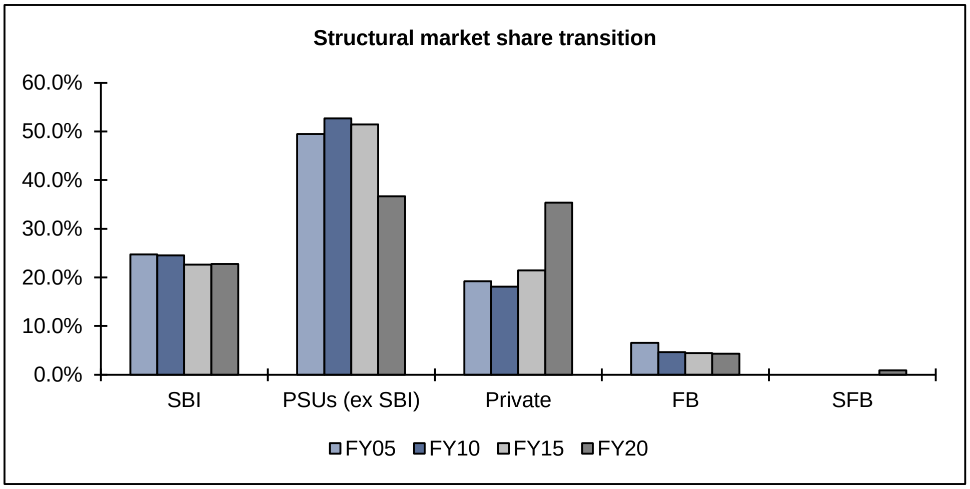
Source: CRISIL, RBI, I-Sec Research

Chart 4: Loan growth of banking groups across phases



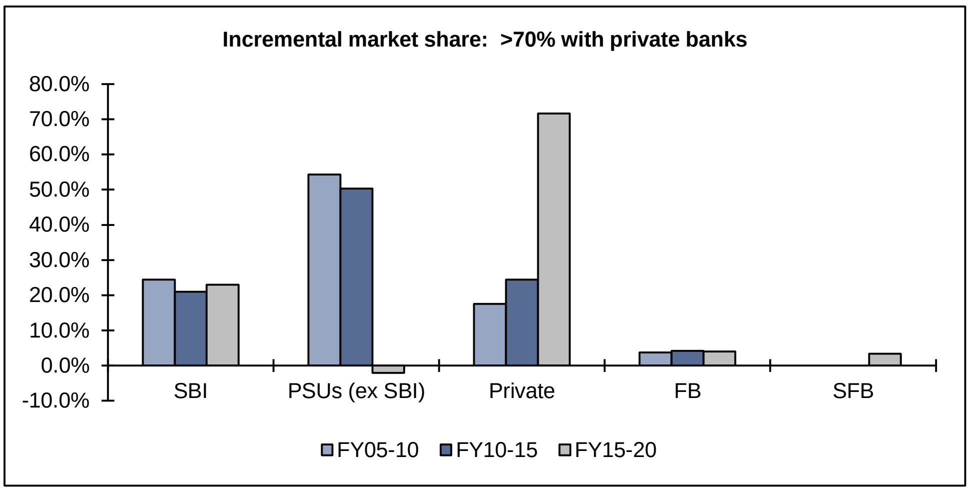
Source: Company, RBI, I-Sec Research

Chart 5: PSU banks consistently losing market share over the decade



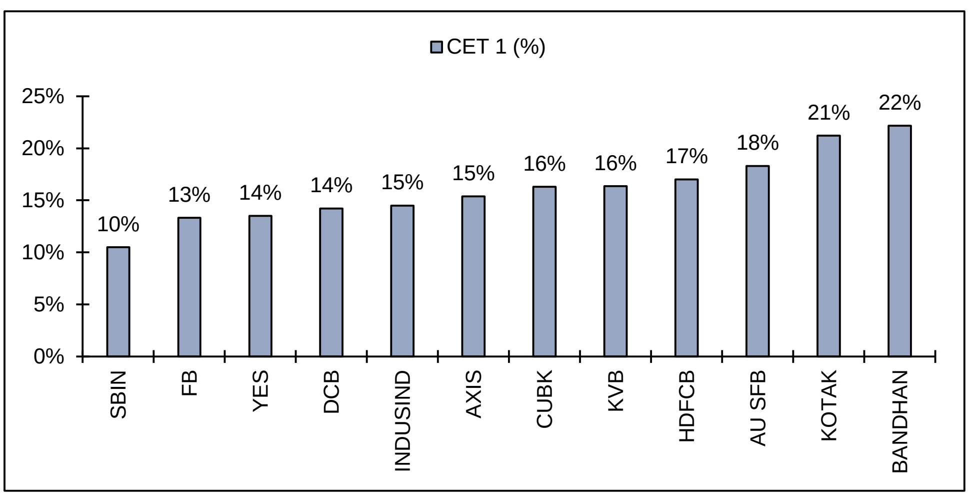
Source: Company, RBI, I-Sec Research

Chart 6: Private banks grab the maximum opportunity; SBI share steady



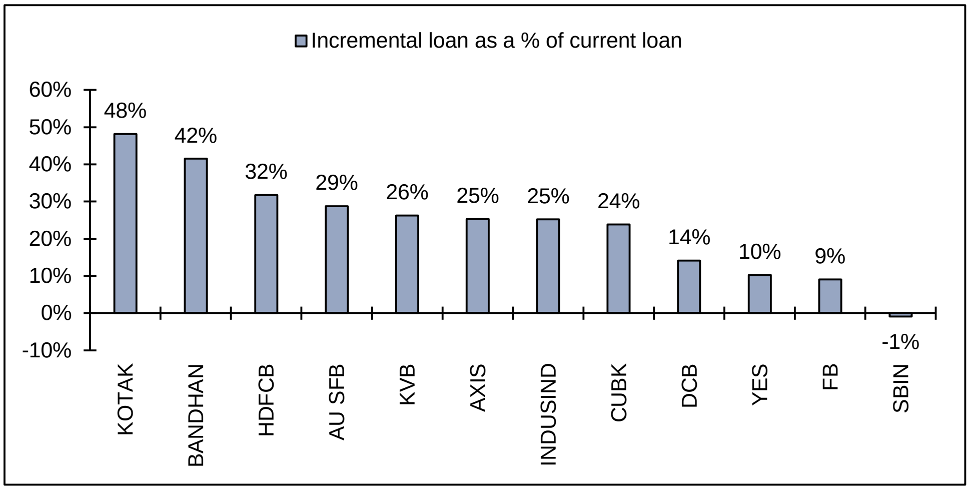
Source: Company, RBI, I-Sec Research

Chart 7: Leading banks well capitalised to grasp the lending opportunity



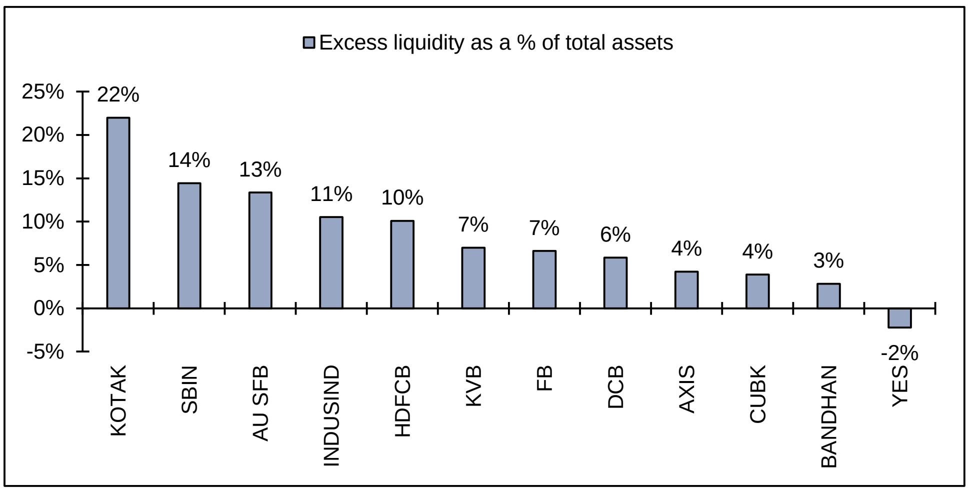
Source: Company, I-Sec Research

Chart 8: Excess capital buffer leaves enough headroom for incremental growth



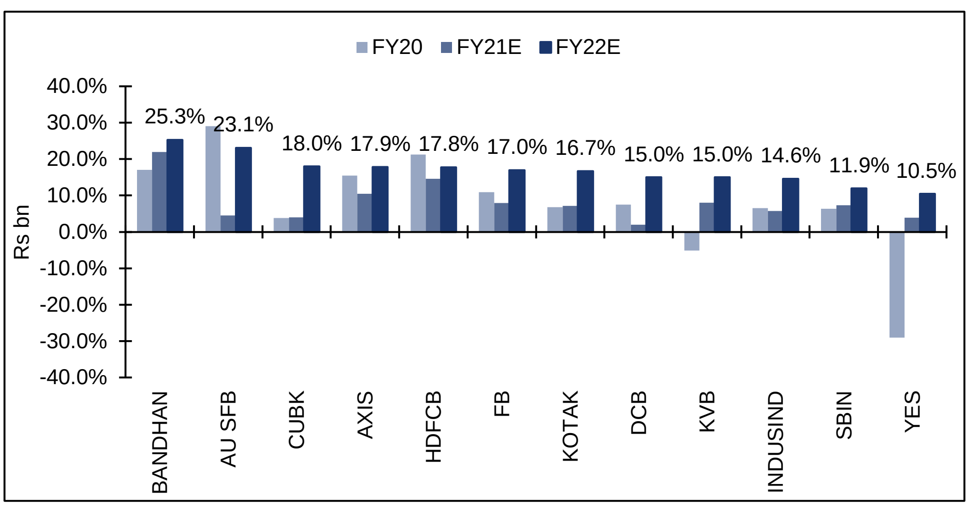
Source: Company, I-Sec Research

Chart 9: Most Bank carrying higher liquidity on balance sheet



Source: Company, I-Sec Research

Chart 10: Credit growth to rebound strongly in FY22



Source: Company, I-Sec Research

Macro outlook – a mixed bag – capex ability improved but confidence and demand derailed

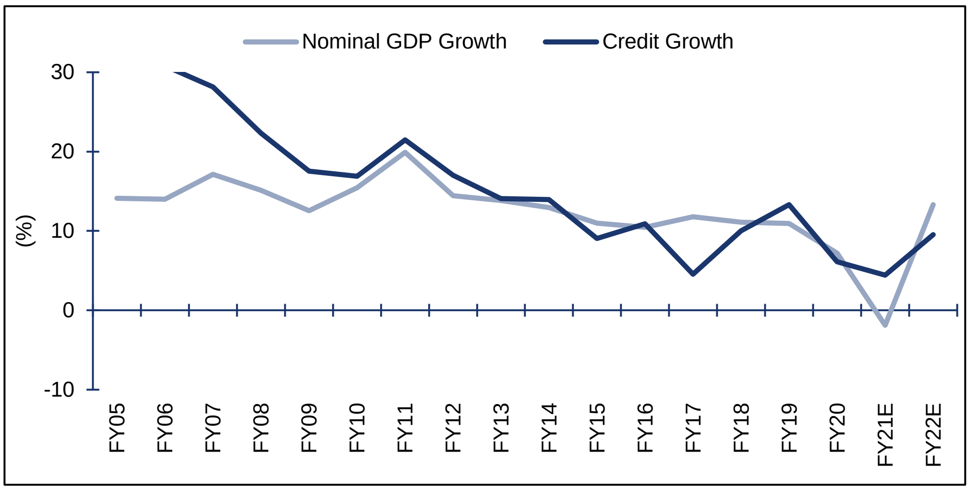
- Indian economy, after recording a technical recession with GDP contracting for two consecutive quarters, is recovering faster than expected. Our economist expects the economy to post positive growth in all quarters of CY21, starting with a modest growth of ~0.8% YoY in Q4FY21 (Q1CY21) and increasing sharply to ~20% in Q1FY22 (Q2CY21) due to low base effect and sequential momentum. We expect Indian economy to contract 7.5% in FY21 and grow 8.5% in FY22.

Table 8: GDP to recover faster after a technical recession in FY21

% YoY	FY21 (E)	FY22 (E)
Agriculture	3.6%	3.2%
Industry	-10%	10.5%
Services	-9%	9.1%
Real GDP	-7.5	8.5

Source: Mospi, I-Sec research

Chart 11: Increased economic activity levels to boost credit growth



Source: Mospi, RBI, I-Sec research

- Our economist expects inflation to remain elevated in early CY21 due to supply-side constraints. CPI inflation may average 6% in Q4FY21 (Q1CY21) and 5.6% in Q1FY22 (Q2CY21). However, we expect inflation to ease and decline to ~4.3% towards the end of CY21.

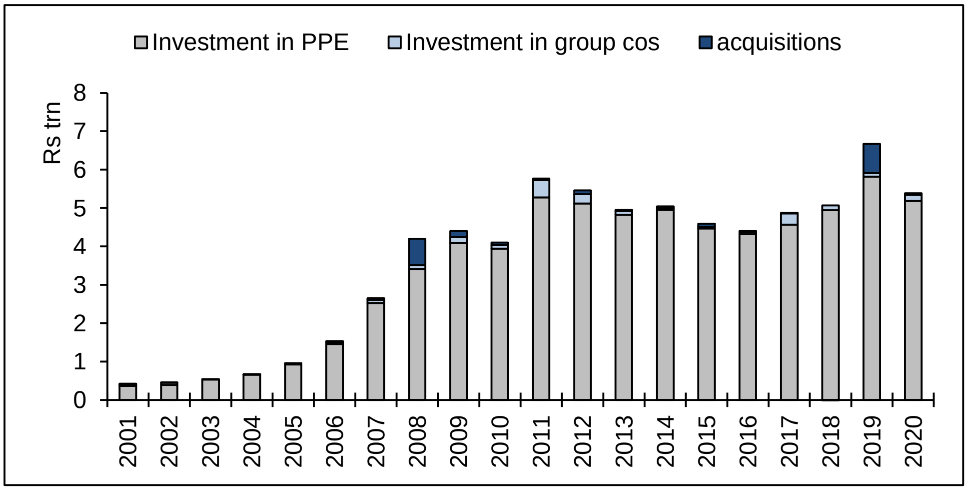
Table 9: Expected trajectory of CPI inflation

	FY21E					FY22E				
	Q1	Q2	Q3(E)	Q4(E)	Full yr (E)	Q1(E)	Q2(E)	Q3(E)	Q4(E)	Full yr(E)
Headline CPI inflation										
Actual CPI inflation	6.6%	6.9%	-	-	-	-	-	-	-	-
Headline CPI (I-Sec)	-	-	6.7%	6.0%	6.5%	5.6%	5.1%	4.3%	4.4%	4.8%
MPC forecast	-	-	6.8%	5.8%	6.5%	4.6% to 5.2%		-	-	-
RBI Professional Forecasters' Survey (Dec 2020)	-	-	6.6%	5.4%	6.3%	5.0%	4.5%	-	-	4.5%
Core CPI inflation										
Actual Core inflation	5.0%	5.6%	-	-	-	-	-	-	-	-
Core (I-Sec)	-	-	5.7%	6.0%	5.6%	5.2%	4.7%	4.7%	4.6%	4.8%
RBI Professional Forecasters' Survey (Dec 2020)	-	-	5.4%	5.3%	5.3%	4.8%	4.3%	-	-	4.2%

Source: Mospi, I-Sec research

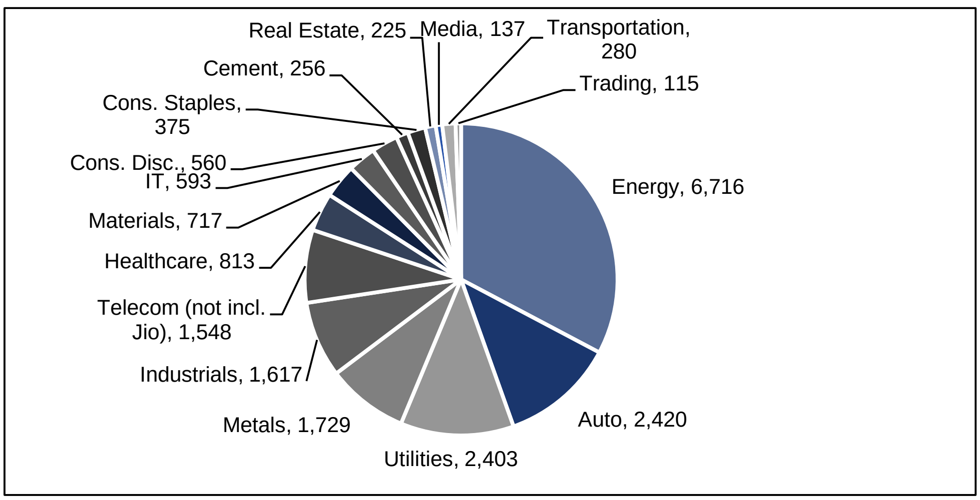
- Annual capex (in PPE) over the past 5 years has averaged around Rs5trn – few important characteristics: 1) Largest contributors to capex spend were energy, auto, utilities, industrials, and metals (>70% share); 2) PSUs continue to dominate capex spend with 31%; 3) key impediment for large scale pick-up in private capex cycle was missing private sector participation in infrastructure and real estate development.

Chart 12: Investment in PPE averaged around Rs5tn



Source: Capitaline, I-Sec Research

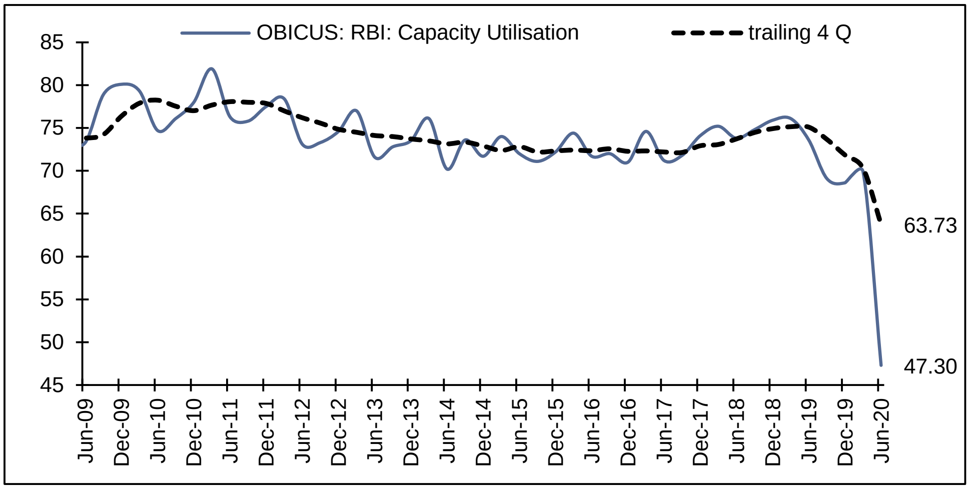
Chart 13: Key contributors to capex spend over FY17-20



Source: Capitaline, I-Sec Research

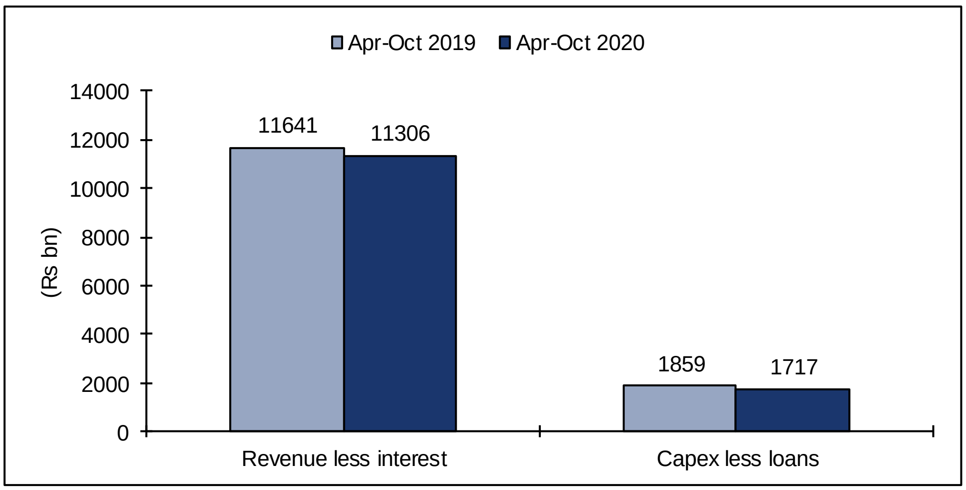
- Covid-19 pandemic has resulted in slowdown of capex execution during H1FY21. Postponement of existing capex plans on weak aggregate demand, underutilisation of existing capacities, low business confidence and rising combined fiscal deficit limiting government spending has hurt the prospects of capex in FY21 significantly. Improvement in export demand will be contingent on how soon global growth recovers.

Chart 14: Postponement of existing capex plans due to weak aggregate demand



Source: CEIC, RBI, I-sec Research

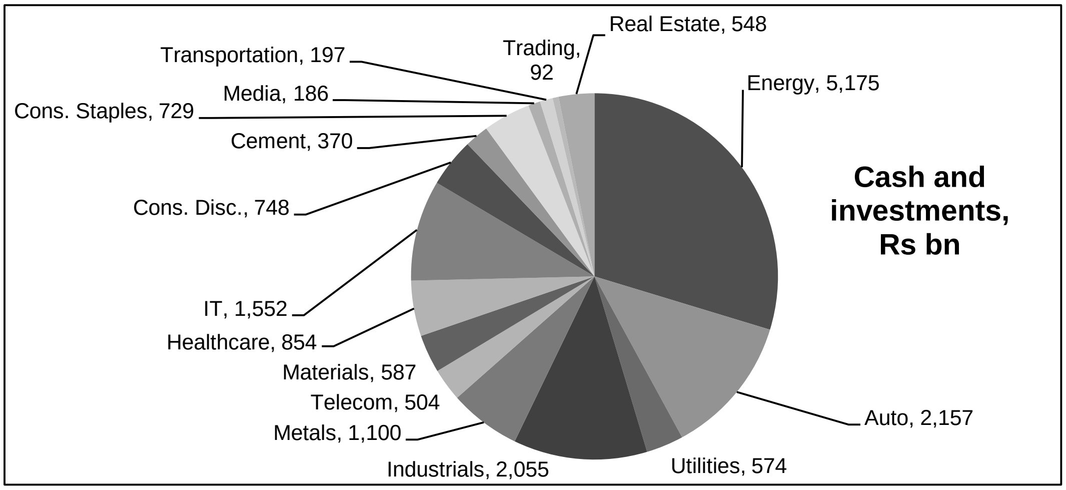
Chart 15: Fiscal deficit concerns (lower revenues) limit government spending



Source: CGA, CEIC, I-sec Research

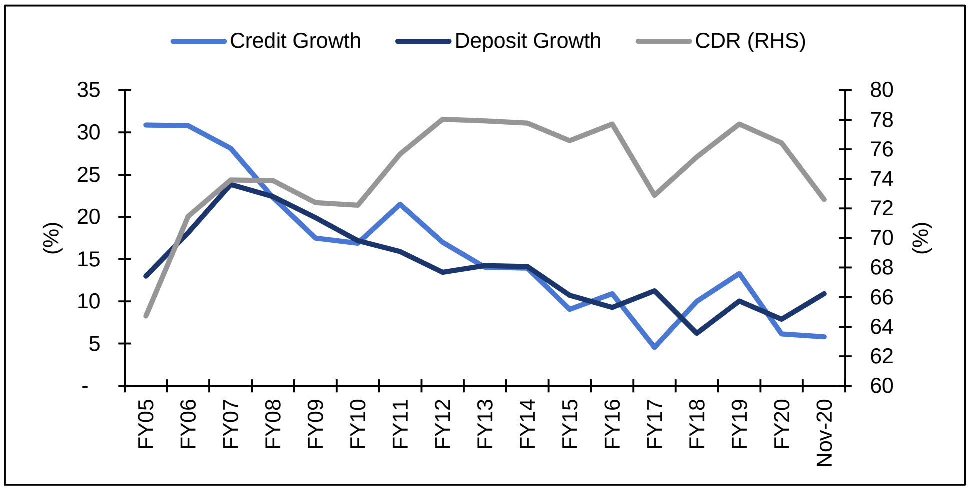
- However, structural policy initiatives (labour law reforms, PLI, etc), competitive corporate tax rates etc are conducive for manufacturing investments in India and can aid relocation of global value chains. Also, corporates have ample balance sheet resources to absorb capex spend and are confident of corporate asset quality cycle nearing its end. What would actually boost capex in FY22 is rise in aggregate demand and improvement in consumer and business confidence.
- However, capacity to absorb capex spend is only improving with ample balance sheet resources – liquid assets of Rs17trn (as of FY20), buoyant capital markets facilitating equity and bond issuances, improving net financial savings of households etc.

Chart 16: Large cash and investment reserves among India Inc (Rs17tn in FY20)



Source: Capitaline, I-Sec Research

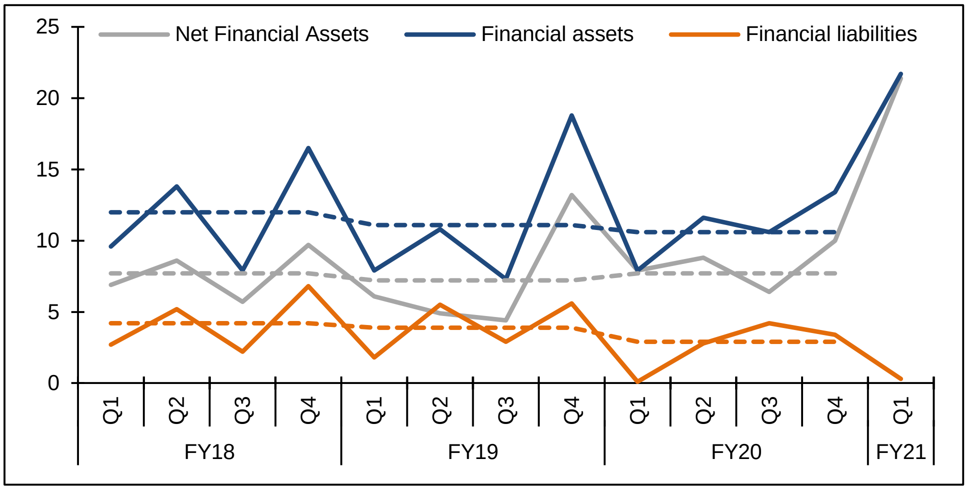
Chart 17: Financiers too flushed with liquidity buffer, CD ratio at 72%



Source: RBI, I-Sec Research

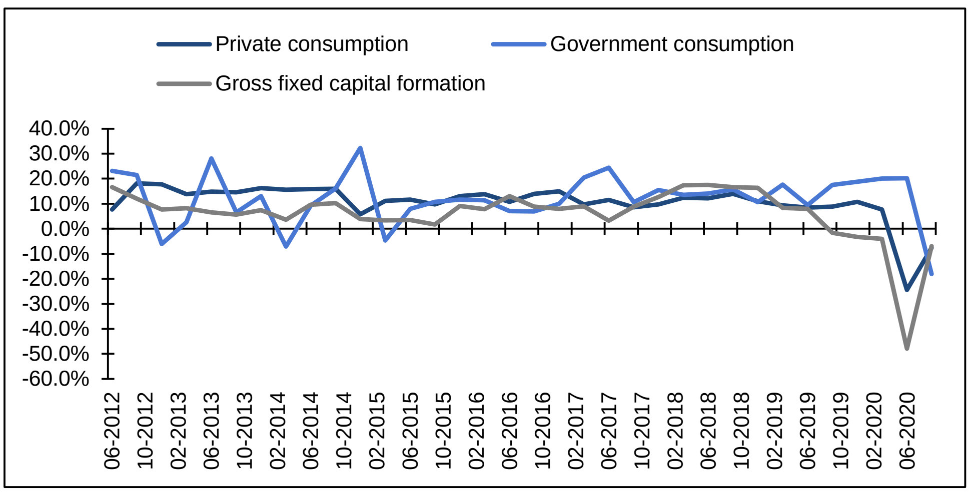
- **On the contrary, with respect to household spending,** after remaining weak during the pandemic with shaken consumer confidence and risk of job and income security, we expect pent-up spending there as situation normalises. Recovery in economic activity and derivative effect of increased investments and corporate/government spending on consumption will sustain the momentum.

Chart 18: Households too have deleveraged to a larger extent and saddled with surplus liquidity



Source: RBI, I-Sec Research

Chart 19: Private consumption and government spending to normalise

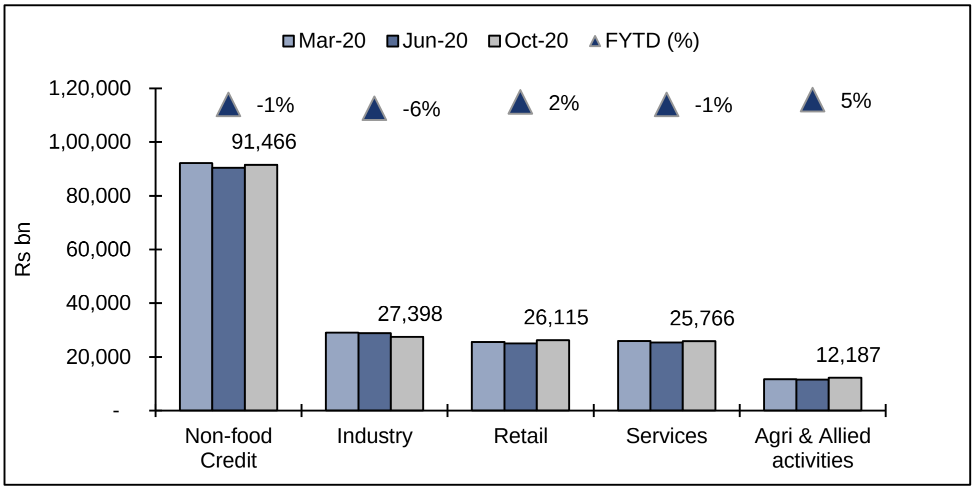


Source: MOSPI, CEIC, I-Sec research

Evaluating YTD trend in credit flow

The pandemic has impacted credit flow to multiple sectors in H1FY21, reflected in bank credit growth settling at mere 5.6% YoY in October'20. However relative to expectations (when the crisis had set in March) of sharp contraction, credit decelerated merely Rs650bn till October (down less than 1% YTD).

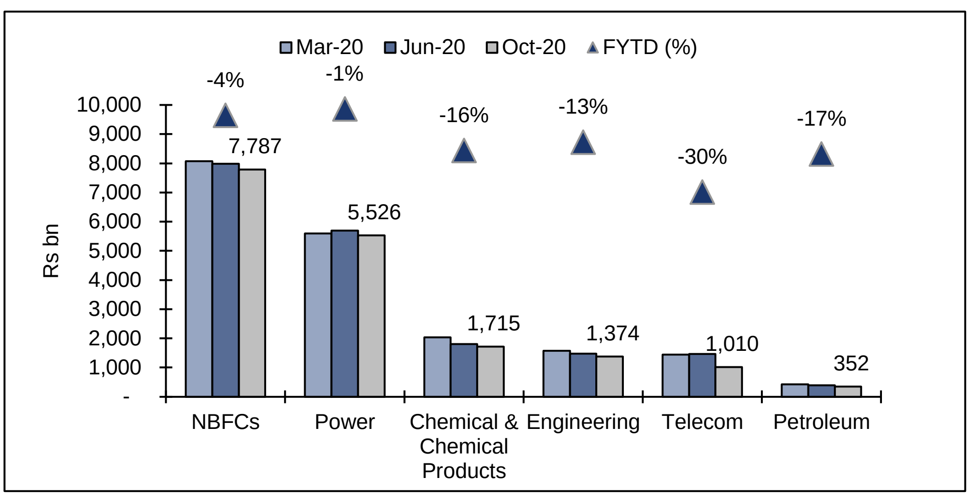
Chart 20: Credit offtake (YTD) was supported by rural, retail, SME lending while industry and services pulled down growth



Source: RBI, I-Sec Research

- Analysing sectoral distribution suggests dominating factor dragging credit growth was corporate deleveraging – large industry credit contracted Rs1.6trn - especially for telecom (down Rs430bn), petroleum (down Rs145bn), chemical products (down Rs315bn), engineering (contracted Rs200bn).
- Risk aversion from banks towards lending to NBFCs (down 3.5% YTD by Rs300bn), CRE (flat YTD), power (down 1.3%) etc.

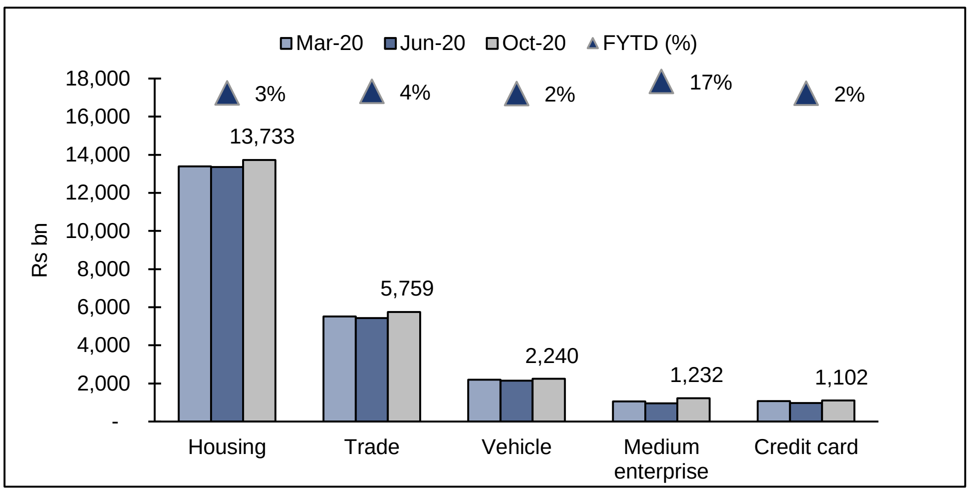
Chart 21: Telecom, petro, chemicals & engineering were the laggards YTD in credit offtake



Source: RBI, I-Sec Research

- Moratorium benefit (lower repayment run-rate) and interest capitalisation provided a boost.
- Lending to SMEs under ECLGS scheme support 17% YTD growth in medium corporates and 4% YTD growth in wholesale/retail trade segment – compared to disbursements of Rs1.6trn under this scheme, net accretion to credit was to the tune of Rs410bn.
- Rural buoyancy was reflected in agri credit being better at 7% YoY and 5% YTD.
- Also, credit growth held up well in retail and services segment with housing, vehicle, credit card, transport, hotels etc witnessing 2% YTD (8-10% YoY) growth.
- Retail lending growth as anticipated moderated to sub-10% from 15-20% - nonetheless, positively MoM trend in home loan accretion is encouraging – post moratorium, when collections/repayments have risen sharply, it still witnessed absolute accretion. With disbursements reaching/breaching last year's level, it seems home loan growth has bottomed out at 8% in October.
- Even credit card outstanding after decelerating >15% in initial three months, has gathered momentum in spending and was positively up 2% YTD.
- Risk aversion stance of financiers towards unsecured personal/small business loans was partially offset by improved offtake for gold loans.

Chart 22: Housing, trade, auto & MSME supported YTD credit growth



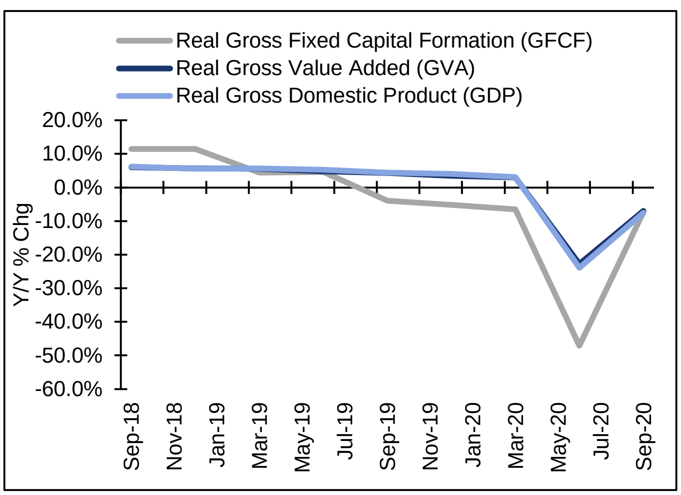
Source: RBI, I-Sec Research

Regained momentum of high frequency lead indicators

Corporates are now echoing optimism with respect to regained momentum of high frequency lead Indicators and demand/activity level trending towards return to normalcy. Financiers, too, drawing comfort from stabilising collection trends, improving consumer/business confidence level, adequate liquidity/capital buffer on the balance sheet, are now looking towards kick-starting growth in a risk calibrated manner.

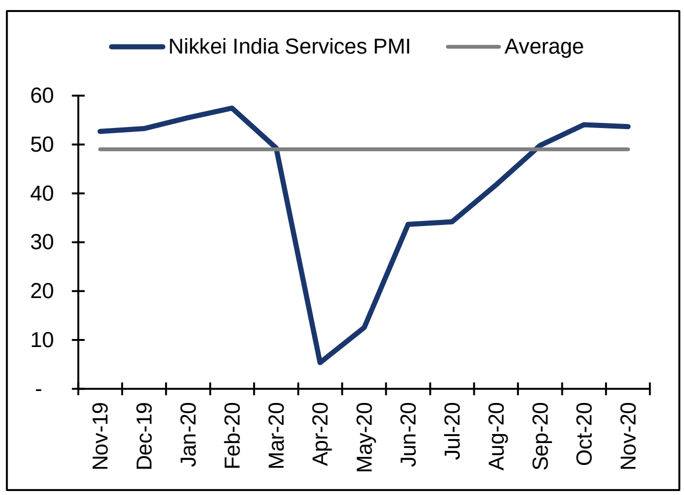
- Google mobility index indicates that in October movement has increased around groceries, pharmacies and residential places above pre-Covid levels but remained lower at workplaces, areas of recreation and around retail shops.
- Movement of goods also increased in October/November, as reflected in an YoY increase in the issuance of e-way bills – intra-state as well as inter-state.
- Electricity consumption increased 11.5% YoY for the second successive month after remaining in contraction over the year so far.
- Consumption of petrol and diesel also emerged out of contraction and posted growth rates of 4% and 6.6%, respectively.
- Sales of consumer durables surged across categories such as smartphones, consumer electronics and automobiles. E-commerce platforms recorded an acceleration of 50% in sales.
- Mirroring these indicators of the revival in domestic spending, GST collections broke through Rs1trn mark in October for the first time in this fiscal – up 10.2% YoY.
- Unemployment rate has receded almost continuously from a high of 23.5% in April 2020 to 7% in October.
- Services PMI for October at 54.1 emerged out of contraction zone for the first time since the Covid-19 outbreak. Manufacturing PMI surged in a broad-based acceleration to 58.9 in October, driven mainly by new orders and output amidst restocking of inventories.

Chart 23: GDP & GVA indicators recover from stress; will take time to be back to normal levels



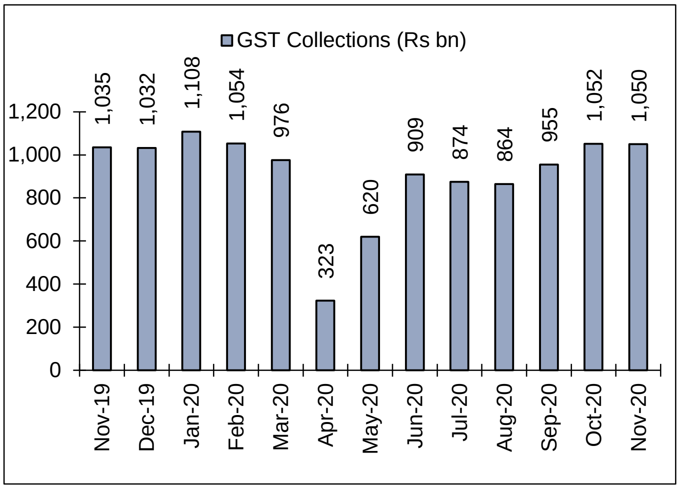
Source: CEIC, I-Sec Research

Chart 24: PMI suggests activity levels now above average and just a tad below pre-Covid levels



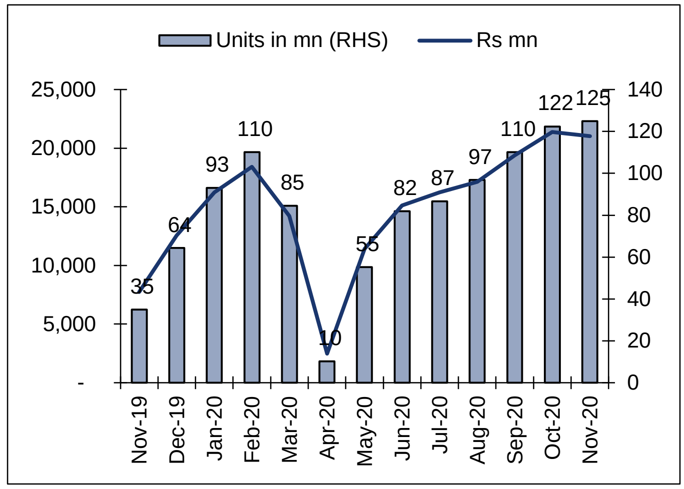
Source: Nikkei, I-Sec Research

Chart 25: GST collections back to pre-Covid levels



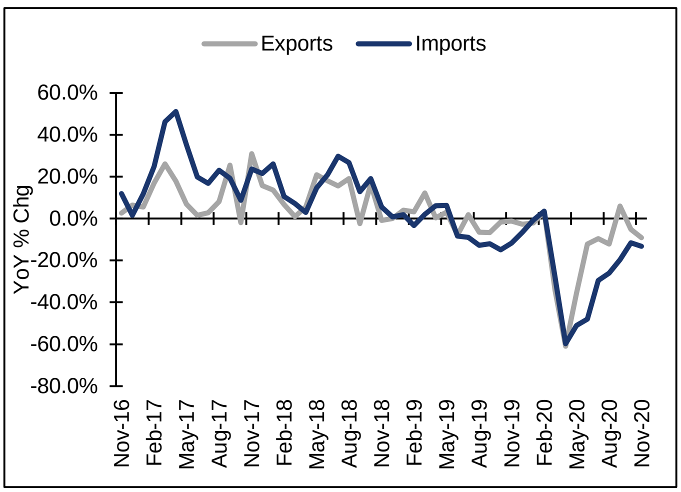
Source: CEIC, GSTN, I-Sec Research

Chart 26: Toll collections bounce meaningfully



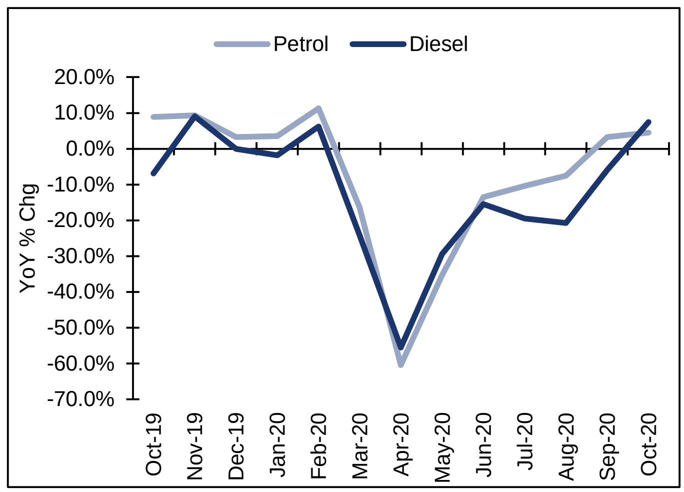
Source: NPCI, I-Sec Research

Chart 27: Foreign trade still under pressure



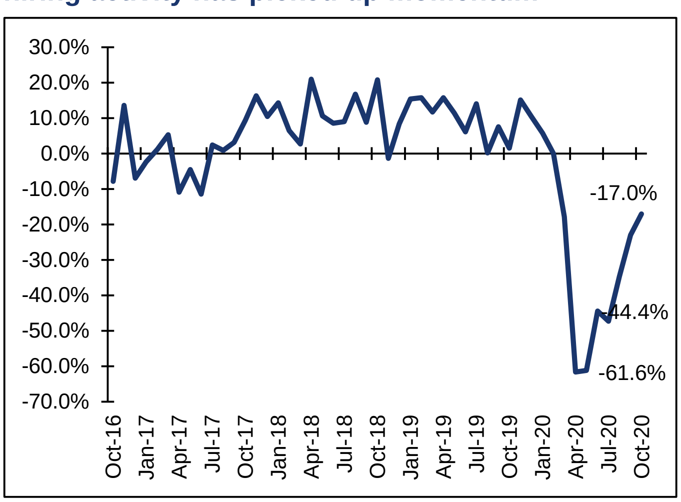
Source: CEIC, I-Sec Research

Chart 28: Fuel consumption suggests resumption in domestic activity



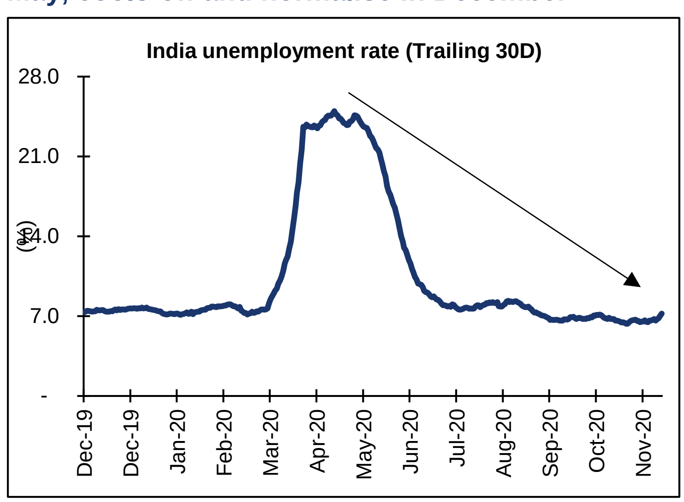
Source: CEIC, I-Sec Research

Chart 29: Naukri JobSpeak Index suggests that hiring activity has picked up momentum



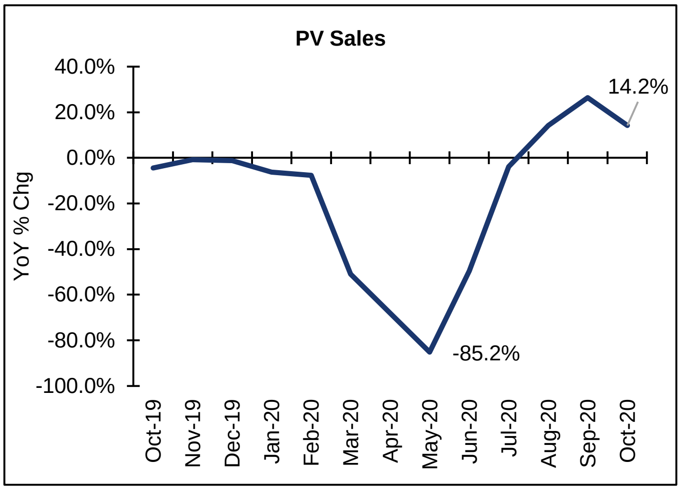
Source: Naukri, I-Sec Research

Chart 30: Unemployment, after spike to 25% in May, cools-off and normalise in December



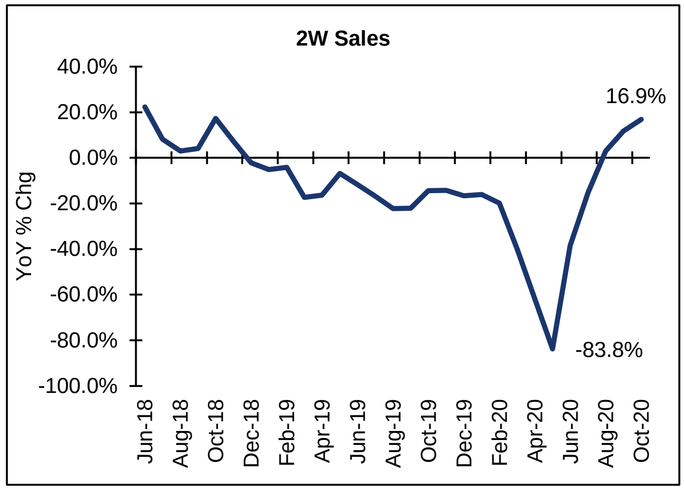
Source: CMIE, I-Sec Research

Chart 31: PV sales growth in positive territory post a large phase of consolidation



Source: CEIC, SIAM, I-Sec Research

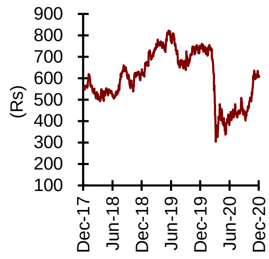
Chart 32: 2W sales witnessing robust demand



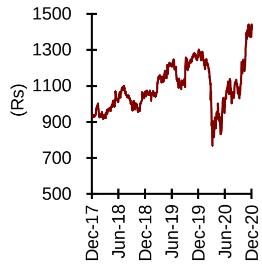
Source: CEIC, SIAM, I-Sec Research

Price charts

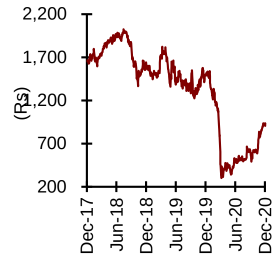
Axis Bank



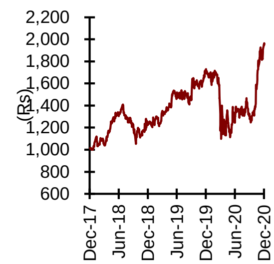
HDFC Bank



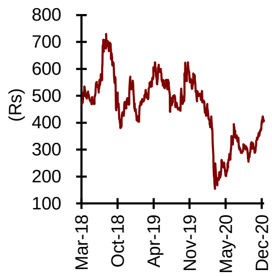
IndusInd Bank



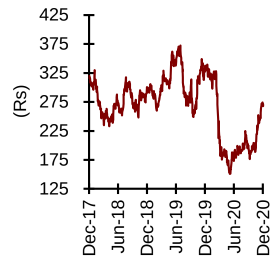
Kotak Mahindra Bank



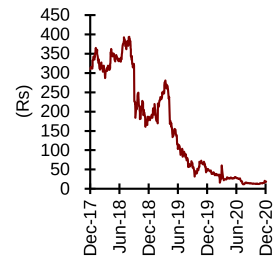
Bandhan Bank



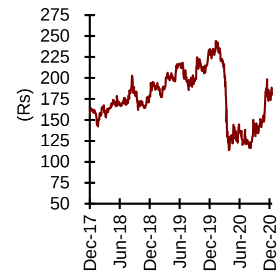
State Bank of India



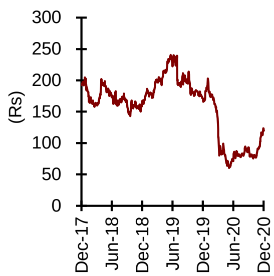
Yes Bank



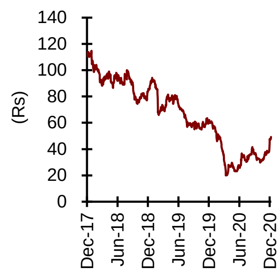
City Union Bank



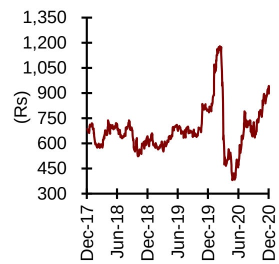
DCB Bank



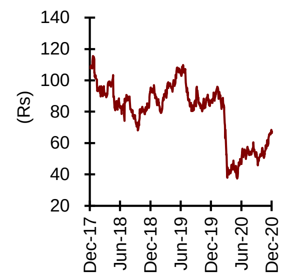
Karur Vysya Bank



AU SFB



Federal Bank



Source: Bloomberg

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