2nd September 2024

Data this week:

- **Q1-FY25 GDP toes the line, strong GVA growth surprises**

Q1FY25 GDP growth clocked 6.7% y/y, (vis-a-vis RBI estimate of 7.1%), while it was in line with our expectations (please refer: Q1FY25 GDP likely clocked 6.7%). The key source of surprise was the GVA growth number which saw a much sharper than expected pickup. The wedge between GDP and GVA was a major surprise in the data as it became negative for the first time since Q1FY24 on a sharp drop in net indirect taxes growth. Historically, while there is low correlation between net indirect taxes growth from fiscal numbers and GDP data, yet a sharp growth slowdown was visible in Q1FY25, with the actuals coming in way lower than our estimates. On a sectoral basis, while agriculture GVA growth at 2% was in line with our expectations, industry and services outperformed our estimates. On the latest GDP numbers the RBI Governor opined that the slowing of India's GDP growth to a 15-month low of 6.7% in Q1FY25 was due to *"lower government spending in the wake of the enforcement of the model code of conduct for the recent Lok Sabha elections"*. However, he asserted that the data is strong as "*components and main drivers responsible for the GDP growth like consumption, investment, manufacturing, services and construction have registered a growth of more than 7%*".

- **Fiscal deficit in Apr-Jul'24 limited to 17.2% of budgeted estimates (BE)**

India's fiscal deficit for April-July FY25 came in at Rs 2.77 lakh crore (17.2% of BE) vis-a-vis Rs 6.06 lakh crore (33.9% of BE) in corresponding period last year. It was also way lower than over 77% seen in pre-Covid period. More importantly, in comparison to Q1FY25, where we saw fiscal deficit at 8.1% of BE, it widened in July. This was led by a combination of strong tax revenues, robust dividend from PSUs and lower capex during an election quarter even as growth in latter saw sharp 108% YoY pickup in July (please refer: July'24 fiscal dynamics signals spending pickup post elections). Overall, focus remained on quality of spending which was reassuring, as revenue expenditure momentum was lower relative to capex.

- **Core sector growth edged up in July**

Core sector growth in July saw a slight pickup to 6.1% YoY vs 5.1% last month, but was lower than 8.5% in July'23. Only four (cement, steel, fertilisers, refinery products), of the eight core industries reported a sequential rise in production in July, while output in crude oil, and natural gas contracted. The core industries comprise 40.27% of the weight of items included in the Index of Industrial Production (IIP).

- **Sectoral credit growth continued with easing trend for second consecutive month**

Bank credit growth slowed to 13.7% in July'24 (June: 17.3%) and after staying consistently in 19-20% range for last 12 months. This is attributed to base effects of merger of a bank with a non-bank in end June'23 fading, yet it does not fully explain the story. Credit accretion has also eased in FY25 to Rs 4.2 lakh cr during Apr-Jul'24 vs Rs 5 lakh cr during same period last year. This is primarily led by slip in services and retail credit growth to around 14% in July'24 vis-à-vis 23.4% and 31.2% respectively in July'23. The RBI's imposition of increased regulatory weights on unsecured retail and NBFC ex HFC loans have started to bear fruit. More importantly, corporate credit growth has seen a pickup to 10.1% from around 5% in July'23, signalling a gradual recovery in private capex activity.

- **PMI Manufacturing for August hits a three-month low**

The HSBC final India Manufacturing Purchasing Managers' Index, compiled by S&P Global, eased for a second month in August, to 57.5 from July's 58.1 and below a preliminary estimate of 57.9. Despite this, the index beat its long-term average, led by new orders and output with inventory buildup at 19 ½ year highs on low input price inflation.

- **GST collections dip in August**

Gross GST collections in August increased by 10% YoY to approximately Rs 1.75 lakh crore, but was lower compared with Rs 1.82 lakh crore in the previous month. In August 2023, GST collections were Rs 1.59 lakh crore, with a YoY growth of around 11%. GST revenue collection reflects both robust consumption of goods and services and administrative measures taken by the tax authorities to improve compliance. GST revenue collections are expected to further improve in the festive season.

Data to watch out for:

The final HSBC Services and Composite PMI numbers for August will be keenly watched. As per the flash data, Services PMI remained strong at 60.4 levels. In addition, bank loan & deposit growth for the fortnight ended August 23 will also be announced on 6th September. This will also remain on close watch after the wedge between credit and deposit growth slipped to lowest since May 2022 last fortnight.

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MACRO-ECONOMIC DASHBOARD														
Industrial Sector	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
IIP (YoY Gr%)	4.05	6.18	10.87	6.35	11.89	2.47	4.39	4.21	5.60	5.47	4.98	6.18	4.24	
Mining (YoY Gr%)	7.56	10.68	12.35	11.50	13.14	7.01	5.20	6.02	8.13	1.30	6.77	6.56	10.30	
Manufacturing (YoY Gr%)	3.51	5.26	9.98	5.13	10.58	1.31	4.62	3.64	4.94	5.90	3.89	4.96	2.61	
Electricity (YoY Gr%)	4.22	7.99	15.26	9.87	20.38	5.76	1.23	5.63	7.59	8.62	10.24	13.74	8.58	
Core Infra Growth (YoY Gr%)	8.37	8.55	13.42	9.44	12.67	7.94	5.05	4.13	7.09	6.26	6.93	6.32	5.10	6.07
Cement prduction (YoY Gr%)	9.95	6.89	19.74	4.75	16.98	-4.79	3.81	4.04	7.83	10.56	0.16	-0.61	1.88	5.50
Steel Production (YoY Gr%)	21.31	14.92	16.35	14.79	13.61	9.77	8.28	9.19	9.41	7.52	9.82	6.73	6.71	7.19
Petroleum Products (YoY Gr%)	4.58	3.56	9.49	5.55	4.24	12.44	4.04	-4.29	2.64	1.57	3.92	0.48	-1.56	6.63
Fertilizers Prduction (YoY Gr%)	3.44	3.29	1.79	4.21	5.35	3.36	5.85	-0.56	-9.51	-1.29	-0.78	-1.68	2.45	5.34
Coal Prduction (YoY Gr%)	9.76	14.95	17.89	16.03	18.41	10.90	10.75	10.57	11.61	8.72	7.49	10.22	14.75	6.82
Capital Goods Production (YoY Gr%)	2.87	5.15	13.05	8.37	21.67	-1.11	3.70	3.24	1.72	6.99	2.71	2.92	2.42	
PMI Manufacturing (YoY Gr%)	57.80	57.70	58.60	57.50	55.50	56.00	54.90	56.50	56.90	59.10	58.80	57.50	58.30	58.10
PMI Services (YoY Gr%)	58.50	62.30	60.10	61.00	58.40	56.90	59.00	61.80	60.60	61.20	60.80	60.20	60.50	60.30
Banking Sector	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Bank Credit (YoY Gr%)	16.16	19.55	19.76	19.96	19.73	20.64	19.95	20.30	20.50	20.16	19.01	19.78	17.36	13.71
Agriculture Credit (YoY Gr%)	19.72	16.71	16.48	16.66	17.39	18.11	19.39	19.99	20.00	19.97	19.84	21.60	17.41	18.07
Industry Credit (YoY Gr%)	7.44	5.18	5.91	6.51	5.36	6.06	8.04	7.97	8.89	8.51	7.37	9.36	8.13	10.09
Services Credit (YoY Gr%)	26.77	23.42	24.98	25.39	24.03	25.75	23.34	24.20	24.26	23.49	22.02	23.18	17.36	13.99
Retail Credit (YoY Gr%)	21.32	31.15	30.36	30.03	29.56	30.03	28.41	28.61	28.11	27.46	26.70	28.73	25.60	14.40
Bank Deposits (YoY Gr%)	15.45	12.94	13.22	12.30	13.22	14.21	13.28	13.20	13.12	13.47	12.56	14.02	11.12	10.57
Demand (YoY Gr%)	25.35	10.61	9.36	7.83	8.06	15.04	10.71	9.19	10.12	12.08	9.88	14.83	6.24	8.21
Time (YoY Gr%)	14.13	13.25	13.75	12.95	13.95	14.10	13.64	13.76	13.53	13.67	12.93	13.91	11.83	10.88
C-D Ratio (%)	75.10	77.10	77.50	77.80	79.20	79.60	79.50	80.00	80.20	80.30	79.50	79.60	79.30	79.30
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.20	9.44	9.47	9.38	9.50	9.41	9.32	9.43	9.36	9.37	9.55	9.45	9.32	9.40
Weighted Average Deposit Rate (%)	6.47	6.55	6.60	6.70	6.76	6.79	6.83	6.85	6.86	6.89	6.91	6.92	6.91	6.92
Banking Sector	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
UPI (No. in Cr)	933.51	996.43	1058.60	1055.57	1140.88	1123.53	1202.02	1220.30	1210.27	1344.00	1330.40	1403.58	1388.51	1443.56
IMPS (No. in Cr)	46.81	48.97	48.92	47.29	49.29	47.24	49.88	50.88	53.46	58.06	55.04	55.77	51.68	49.03
NPCI Retail Transaction value (Y-o-Y Gr%)	21.14	23.89	26.71	20.61	23.52	25.99	21.14	25.16	28.51	22.19	23.95	22.01	22.83	22.96
NPCI Retail transactions volume (Y-o-Y Gr%)	42.09	44.83	46.68	43.68	42.59	46.93	44.96	44.68	50.01	46.69	44.24	42.86	44.14	39.05
Inflation	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
CPI (Y-o-Y Gr%)	4.87	7.44	6.83	5.02	4.87	5.55	5.69	5.10	5.09	4.85	4.83	4.80	5.08	3.54
Core CPI (Y-o-Y Gr%)	5.11	4.94	4.79	4.52	4.26	4.11	3.89	3.59	3.37	3.24	3.23	3.12	3.14	3.35
WPI (Y-o-Y Gr%)	-4.18	-1.23	-0.46	-0.07	-0.26	0.39	0.86	0.33	0.20	0.26	1.19	2.74	3.36	2.04
Consumer	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Petroleum Consumption (YoY Gr%)	9.77	4.87	11.69	-1.97	1.91	-4.37	9.41	6.46	-4.84	15.31	-2.56	8.18	9.35	4.28
Consumer Durables (YoY Gr%)	-6.78	-3.62	6.02	0.97	15.93	-4.83	5.24	11.58	12.56	9.53	9.99	12.63	8.65	
Consumer Non Durables (YoY Gr%)	0.55	8.33	9.93	2.66	9.29	-3.38	3.04	0.30	-3.17	5.22	-2.46	2.54	-1.43	
Unemployment (YoY Gr%)	8.45	7.90	8.10	7.10	10.10	9.16	8.65	6.80	8.00	7.40	8.10	7.93	7.98	8.03
Trade	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Merchandise Export (YoY Gr%)	-18.82	-10.03	3.47	-2.78	5.80	-3.27	0.80	4.26	11.87	-0.57	1.99	13.41	2.54	-1.48
Merchandize Import (YoY Gr%)	-16.84	-16.12	0.68	-14.03	9.55	-4.33	-7.79	0.98	12.19	-5.98	10.69	7.44	4.96	7.46
Service Export (YoY Gr%)	3.25	8.10	8.34	-2.74	10.66	4.16	1.74	10.75	3.43	-1.40	17.65	10.25	3.68	8.41
Service Import (YoY Gr%)	-1.02	-2.26	-0.87	-10.41	-0.41	-11.13	-1.05	0.10	1.72	-2.12	19.14	5.43	-3.77	5.87
Logistics	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
E Way bill generated (Nos. in Cr)	8.61	8.80	9.34	9.20	10.03	8.76	9.53	9.60	9.73	10.35	9.67	10.32	10.01	10.49
Air Fright (YoY Gr%)	-0.76	-1.16	6.86	-0.25	13.15	6.58	10.80	15.52	22.66	17.32	9.98	15.57	15.94	18.06
Fiscal	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
GST Collection (YoY Gr%)	11.67	10.81	10.76	10.17	13.37	15.12	10.28	10.39	12.54	11.17	12.42	10.13	7.63	10.28
Govt Expenditure (YoY Gr%)	17.27	84.55	10.55	3.19	-14.01	-13.82	7.13	-14.03	20.44	-0.62	39.26	-37.87	-18.42	

Source: CEIC, RBI, UBI research

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