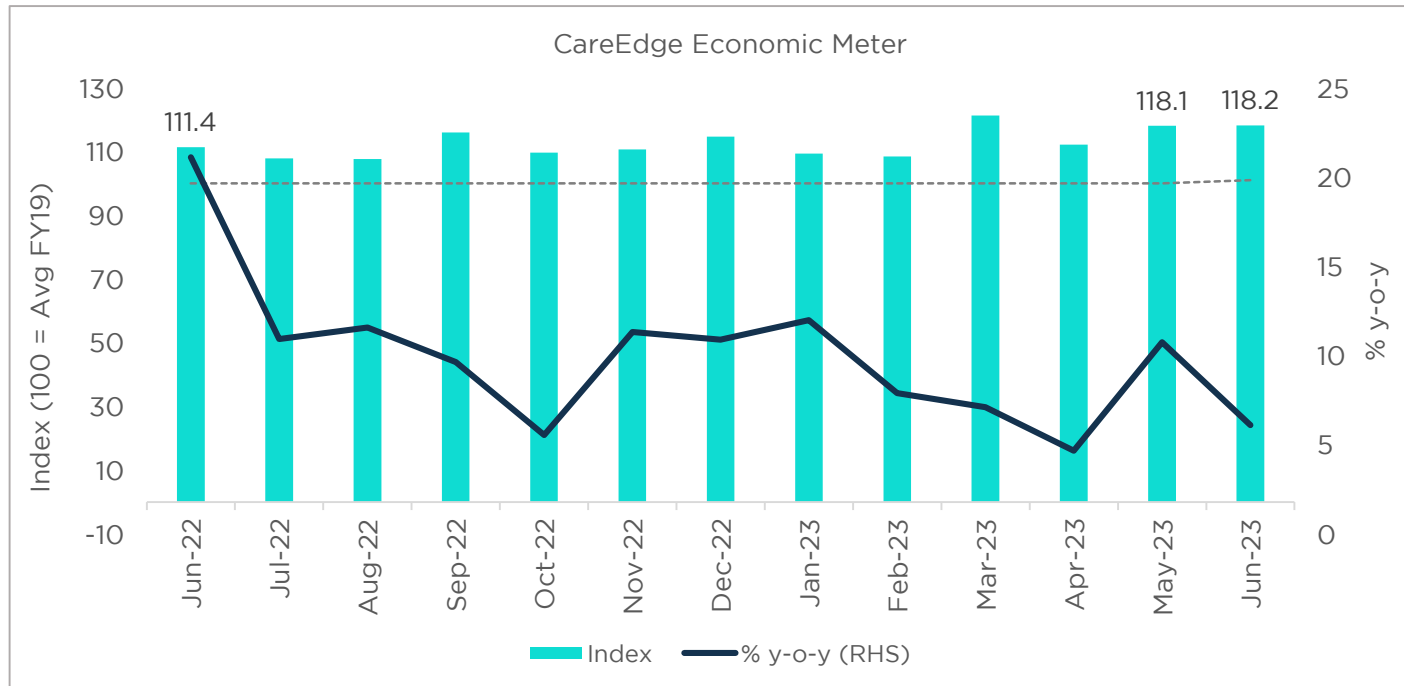


CareEdge Economic Meter

July 2023

CEM Slows in June on Mixed Economic Data



Source: CareEdge

Note: CareEdge Economic Meter (CEM) is a composite index covering 18 high-frequency economic indicators to track the state of the economy on a real-time basis. We have considered FY19 as our base year to facilitate relative comparisons. Also, to discount for the impact of inflation on nominal variables such as GST collections, credit, exports, imports etc., we have deflated the series using CPI index.

- CEM, the index of economic activity, expanded 6.1% in June compared to 10.7% growth in the previous month.
- The moderation in growth was due to weak trade numbers and disappointing rural demand indicators viz. 2-3 wheeler sales and tractor sales.
- On the positive side, high-frequency indicators such as manufacturing PMI, E-way bill issuances, GST collections, credit demand, corporate bond issuances etc., performed well, limiting the downside in growth.
- Sequentially, the index was almost unchanged at 118.2 on account of mixed economic data.

What Moved the CEM in June?

Indicators that Weighed on Growth

- Trade numbers continued to disappoint with a double-digit contraction in June. Slowing demand and easing commodity prices dragged on both **merchandise exports** and **imports**. In particular, among non-petroleum products exports, textiles, chemicals, engineering goods, gems and jewellery registered sharp contraction. The non-oil and non-gold imports contracted by 15% (y-o-y) compared with a contraction of 0.9% (y-o-y) a month ago.
- **Unemployment rate** jumped to 8.45% in June from 7.68% a month ago, led by rural areas. The unemployment rate in rural areas touched a two-year high of 8.73%. While June is typically a lean season for the agricultural sector, the delayed and uneven monsoon could have added to the stress in the rural labour market.
- Both **2-3 wheeler sales** and **tractor sales** (indicators of rural demand) contracted (y-o-y basis) in June. While tractor sales were only marginally lower (0.7% y-o-y), there was a sharp sequential jump owing to seasonal demand.
- Services sector output grew at a slowest pace in three months with **services-PMI** at 58.5 in June. The output prices rose at the sharpest pace in almost six years amid higher food and wage costs.

Indicators that Limited Downside

- Manufacturing sector activity continued to expand in June with **manufacturing-PMI** at 57.8. This was supported by robust demand reflected in healthy growth in new orders and rising business confidence.
- **GST collections** grew 11.7% (y-o-y), marking the fourth time of crossing the Rs 1.6 lakh crore mark since its inception. **E-way bill generation** also expanded in double digits, crossing the 8 crore level for the 8th consecutive month.
- **Bank credit** recorded a growth of 16.2% (y-o-y) in June while **corporate bond issuances** jumped sharply to Rs 1.2 lakh crore in June from Rs 0.52 lakh crore a year ago.

Indicators At a Glance - Monthly Trend

Index	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
PMI – Manufacturing	102.1	106.9	106.5	104.4	104.8	105.6	109.5	105.0	104.8	106.9	108.4	111.2	109.5
PMI – Services	113.5	106.4	109.6	104.1	105.6	108.1	112.1	109.6	113.9	110.8	118.8	117.3	112.1
E-way Bill Issuances	160.2	162.6	168.3	180.8	165.4	173.6	181.0	177.4	176.1	195.6	181.6	189.6	185.1
GST Collections	119.2	122.3	117.2	119.9	122.2	117.6	121.1	125.7	120.4	128.6	149.4	124.8	127.0
Exports*	138.9	127.8	122.7	117.6	106.9	117.4	129.7	120.6	125.5	141.3	116.0	116.9	108.8
Imports*	135.7	136.5	131.7	135.2	125.8	123.1	133.9	113.0	115.8	129.9	107.7	122.2	112.5
Credit Outstanding	101.1	102.5	102.7	103.5	104.8	105.4	108.8	108.6	109.3	110.9	111.8	111.5	114.3
Commercial Paper Issued	45.9	35.2	55.8	51.0	26.9	44.7	44.2	35.3	37.4	46.3	40.3	42.7	53.8
Debt issuances	79.5	91.5	84.8	129.5	68.4	148.8	186.8	103.3	115.7	173.7	100.1	154.1	177.9
Power Consumption	125.0	119.7	121.5	118.7	107.1	105.1	113.0	117.6	109.8	118.9	121.7	126.4	130.4
Petroleum Consumption	104.3	99.9	98.1	95.1	104.6	107.5	110.0	105.0	104.1	115.3	105.3	112.9	108.7
PV Sales	98.4	103.0	99.4	106.2	100.3	97.7	89.8	104.7	100.2	106.9	96.3	101.1	100.0
2-3 Wheeler Sales	82.3	84.3	90.7	98.6	91.1	74.6	64.5	68.9	66.9	75.1	77.5	84.2	78.4
Tractor Sales	147.7	92.2	89.2	172.0	182.2	107.1	91.2	101.0	95.9	127.5	119.6	125.6	146.7
Rail Passenger Traffic	71.3	73.4	76.8	78.0	78.6	81.1	80.1	81.9	76.4	83.0	78.0	83.9	80.1
Rail Freight Traffic	123.1	119.8	117.1	113.5	116.7	120.8	128.2	131.6	121.7	141.8	124.1	131.7	120.7
Currency in Circulation	131.1	128.8	128.1	126.7	127.7	127.9	129.0	130.8	132.1	133.7	136.1	136.2	130.3
Unemployment Rate	98.4	99.5	97.9	99.9	98.3	98.2	97.9	99.2	98.8	98.2	97.7	98.6	97.7
Composite CEM	111.4	107.8	107.6	116.0	109.6	110.7	114.7	109.4	108.4	121.3	112.2	118.1	118.2

Source: CEIC, CMIE, Prime database, CareEdge; *refers to merchandise exports and imports

Note: All indicators have been indexed to average of FY19 (100 = Average 2018-19); #PMI numbers have also been re-indexed to the average of FY19; Nominal indicators have been deflated using CPI index



Thank you

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