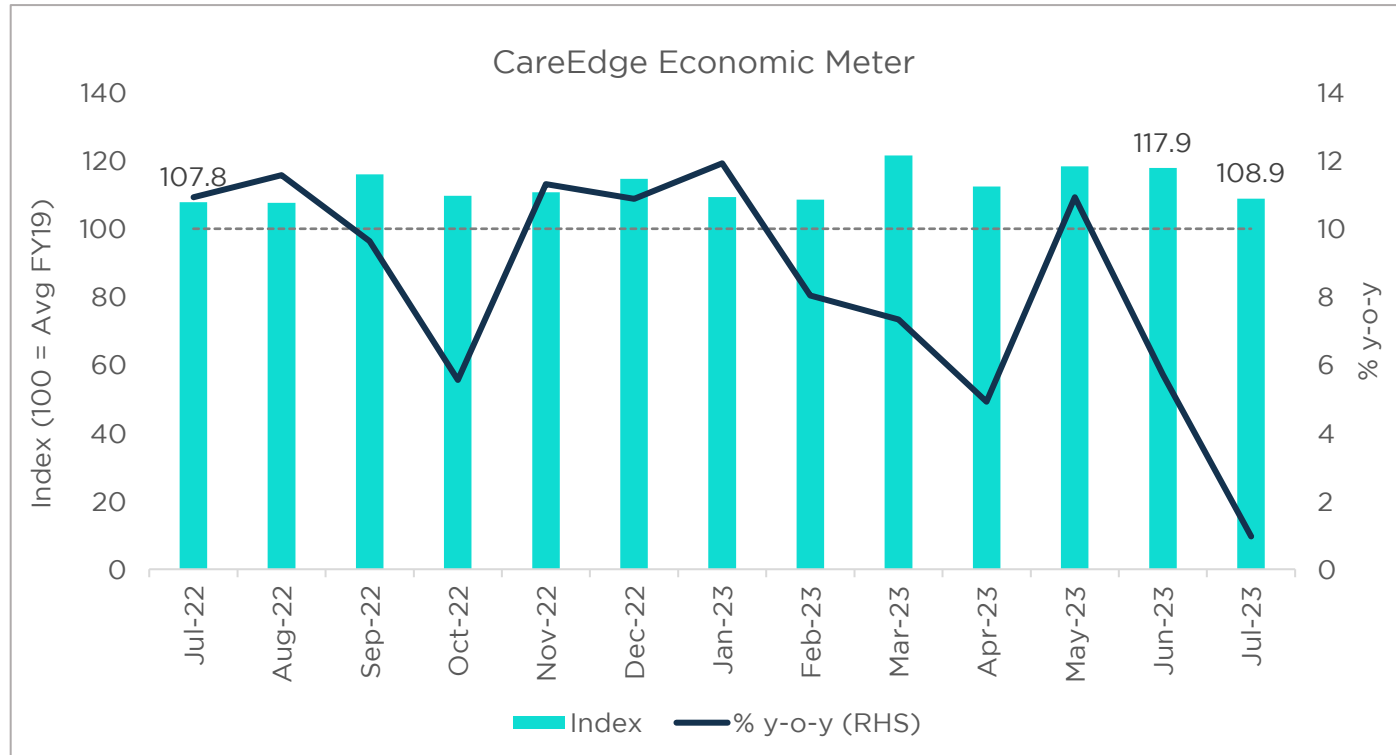


CareEdge Economic Meter

August 2023

CEM Loses Steam in July, Slows for Second Month in a Row



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, grew at a muted pace of 1% in July compared with 5.7% growth a month ago. It was the slowest pace of expansion in 18 months.
- This deceleration in growth was due to disappointing export and import numbers, mixed performance of rural demand indicators and significant growth moderation in corporate bond issuances.
- Even sequentially, the index fell sharply to 108.9 in July from 117.9 a month ago.
- On the positive side, high-frequency indicators such as services PMI, E-way bill issuances, power consumption and PV sales performed well.

What Moved the CEM in July?

Indicators that Weighed on Growth

- **Merchandise exports** contracted for the sixth consecutive month in July (16%) amid ongoing economic uncertainty. The fall was sharper for petroleum products (43.7%) contributed by lower (y-o-y) crude oil prices. However, non-petroleum exports also contracted 8% led by engineering goods, chemicals, gems and jewellery. **Merchandise imports** contracted 17% with non-oil and non-gold imports falling by nearly 10%.
- Indicators of rural demand performed poorly in July. While **two-three wheeler** sales were down nearly 8%, **tractor sales** remained unchanged compared to a year ago level as incessant rains and flooding in some parts of the country impacted the demand. Heavy rains also restricted mobility which impacted petroleum consumption in July. It recorded a muted growth of 2% during the month, down from 4.5% growth a month ago.
- **Corporate bond issuances** in July grew by nearly 10% compared to an average of 156% in Q1 FY24. The higher-than-usual growth in Q1 FY24 was on account of favourable market conditions and significant bond issuances by HDFC before the merger.
- **Unemployment rate** improved in July to 7.95% from a month ago (8.45%) due to higher demand for agricultural labour. However, it was still much higher than a year ago (6.83% in July 2022).

Indicators that Limited Downside

- Services sector exhibited resilience as **services PMI** rose to a 13-year high of 62.3 in July. This was supported by a significant improvement in demand across domestic and international markets.
- **E-way bill issuances** inched up to 8.8 crore in July (nearly 16% growth) indicating sustained economic momentum despite rain-led disruptions. The wider coverage of e-invoicing from 1 August and upcoming festive season will positively impact e-way bill issuances and GST collections in the coming months.
- Other high frequency indicators such as **power consumption, PV sales** and **rail passenger traffic** recorded good growth during the month.

Indicators At a Glance - Monthly Trend

y-o-y % [^]	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
PMI – Manufacturing	2.0	7.5	2.6	-1.1	-3.3	4.1	2.6	0.7	4.4	4.6	7.5	7.2	2.3
PMI – Services	22.2	0.9	-1.6	-5.7	-2.9	5.4	11.1	14.7	7.8	7.1	3.9	-1.2	12.3
E-way Bill Issuances	17.8	18.7	23.7	4.6	32.0	17.5	19.7	18.4	16.3	12.2	19.7	15.5	16.4
GST Collections	20.0	19.8	17.5	9.2	4.7	9.0	5.8	5.6	6.6	6.6	6.9	6.5	3.1
Exports*	8.1	11.1	6.3	-8.9	13.8	0.3	4.9	3.0	-4.0	-10.2	-8.4	-18.5	-19.2
Imports*	38.3	37.5	14.3	11.1	11.4	5.0	2.6	-1.6	-2.8	-11.2	-4.8	-17.1	-20.3
Credit Outstanding	6.2	6.8	7.3	9.3	9.6	8.7	9.2	8.5	8.8	10.7	10.6	10.8	6.7
Commercial Paper Issued	-66.7	-36.5	-3.5	-38.3	-59.9	-54.3	-33.3	-11.5	4.0	-2.2	-2.8	17.1	-9.3
Debt issuances	36.6	9.0	-30.4	37.4	58.5	92.1	111.4	27.5	35.6	101.7	222.2	111.7	2.2
Power Consumption	2.3	0.6	11.3	0.5	12.3	9.8	12.0	7.7	-2.1	-1.8	-0.4	4.3	8.3
Petroleum Consumption	8.6	14.6	8.3	5.7	14.3	3.4	4.3	6.5	8.6	1.4	12.6	4.5	1.9
PV Sales	9.8	18.5	67.7	27.3	27.0	10.6	19.9	7.7	5.9	9.0	10.9	1.7	4.1
2-3-Wheeler Sales	6.3	9.7	7.6	-2.4	7.9	-4.8	-6.5	-3.6	-0.7	2.3	9.0	-4.7	-7.8
Tractor Sales	-12.2	-1.0	18.9	3.6	4.4	19.2	16.0	11.8	10.1	-13.0	-2.4	-0.7	0.0
Rail Passenger Traffic	168.6	113.6	87.6	62.2	51.1	40.7	64.5	29.8	20.5	20.2	17.7	12.5	10.3
Rail Freight Traffic	8.3	7.9	9.1	1.4	5.2	3.1	3.8	3.6	3.8	3.5	1.9	-1.9	1.5
Currency in Circulation	1.3	1.1	0.8	2.4	1.7	2.4	1.9	1.6	2.0	2.8	3.4	-0.7	-2.8
Unemployment Rate	0.1	0.0	0.5	-0.2	-1.1	-0.4	-0.6	0.7	-0.5	-0.8	-0.6	-0.7	-1.2
Composite CEM	10.9	11.6	9.6	5.6	11.3	10.9	11.9	8.0	7.3	4.9	10.9	5.7	1.0

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; [^]percentage change is calculated based on the respective indexes for each indicator



Thank you

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