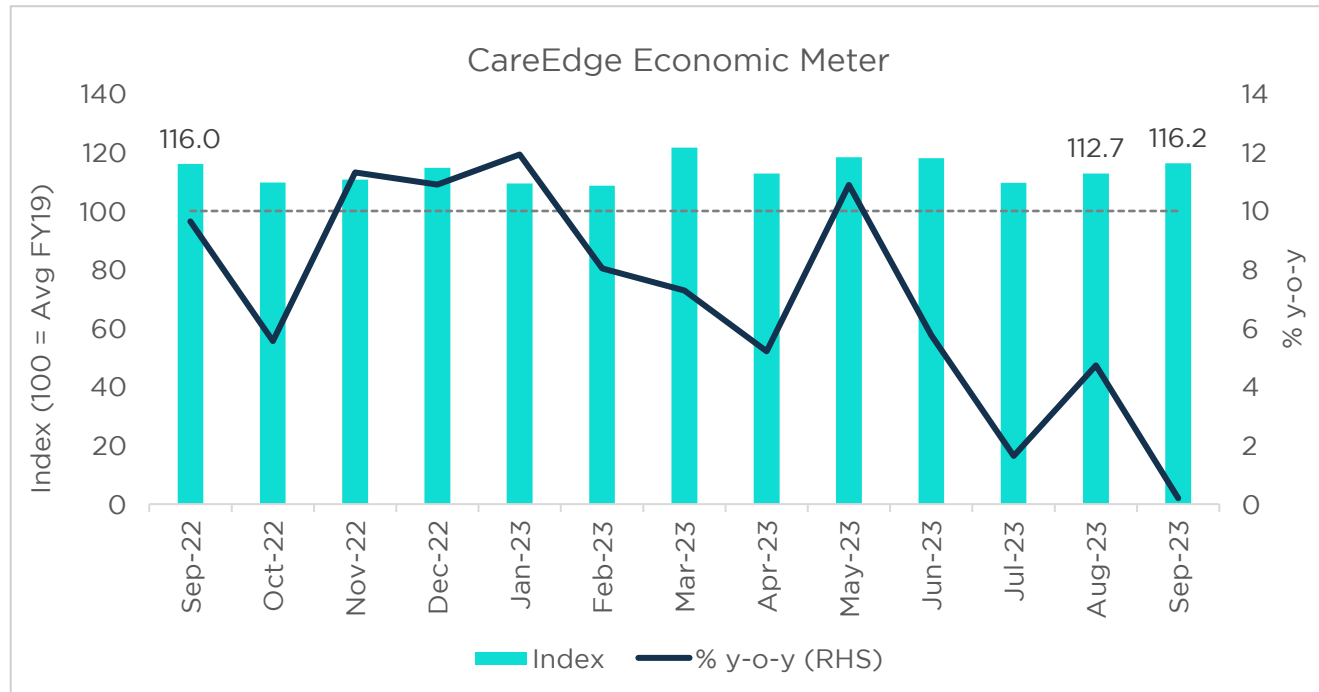


CareEdge Economic Meter

October 2023

Economy Holds Up in September, Growth Falters due to High Base



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.

- The index of economic activity (CEM) expanded at a muted annual rate of 0.2% in September. However, sequentially it inched up as economic activities gathered momentum ahead of the festive season.
- The early start of the festive season last year and the post-pandemic spurt in demand as it was the first Covid-free festive season in three years resulted in a high base which has weighed on the CEM growth number.
- Additionally, a sharp annual contraction in imports, corporate debt issuances and tractor sales contributed negatively to the CEM growth.

What Moved the CEM in September?

Indicators that Weighed on Growth

- Though both **merchandise exports and imports** contracted in September, the decline in imports was much more prominent (15%) with non-oil and non-gold imports witnessing a nearly 13% fall.
- **Tractor sales**, a proxy for rural demand, continued to disappoint by contracting for 6th consecutive month (15.6% in September) with weather-related irregularities and concerns around prospects of the Kharif harvest weighing on rural demand sentiments. **Passenger Vehicle (PV)** sales growth slowed to 5% in September from 12.4% a month ago due to a high base. Even sequentially, sales were down marginally.
- **Corporate bond issuances** contracted sharply (19%) in September. It was the second consecutive month of contraction owing to elevated bond yields due to a combination of factors like hawkish commentary by the RBI, higher global crude oil prices etc.
- **E-way bills generation** moderated mildly in September from the previous month's record high but remained strong above the 9-crore level. However, on an annual basis, the growth eased to 9.5% compared to an average of nearly 19% growth witnessed in the last ten months mainly because of a high base.

Indicators that Limited Downside

- India's manufacturing sector activity moderated slightly in September with manufacturing PMI at 57.5 but remained significantly above the long-run average (53.9) on positive business optimism. Services activity held strong on robust demand in September as **Services PMI** inched higher to 61 compared with 60.1 a month ago and 54.3 a year ago.
- September **GST collections** marked the fourth highest collection since the inception. At Rs 1.63 lakh crore, it continued to expand in double-digits (10.2% in September), however, the rate of expansion has been gradually moderating.
- **Two-three wheeler sales** grew by 2% in September compared with a muted 0.2% growth a month ago. Demand for auto is expected to gather pace as we enter the peak festive season.

Indicators At a Glance - Monthly Trend

y-o-y %^	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
PMI - Manufacturing	2.6	-1.1	-3.3	4.1	2.6	0.7	4.4	4.6	7.5	7.2	2.3	4.3	4.4
PMI - Services	-1.6	-5.7	-2.9	5.4	11.1	14.7	7.8	7.1	3.9	-1.2	12.3	5.1	12.3
E-way Bill Issuances	23.7	4.6	32.0	17.5	19.7	18.4	16.3	12.2	19.7	15.5	16.4	19.5	9.5
GST Collections	17.5	9.2	4.7	9.0	5.8	5.6	6.6	6.6	6.9	6.5	3.1	3.7	4.9
Exports*	6.3	-8.9	13.8	0.3	4.9	3.0	-4.0	-10.2	-8.4	-18.5	-13.6	1.2	-4.0
Imports*	14.3	11.1	11.4	5.0	2.6	-1.6	-2.8	-11.2	-4.8	-17.1	-20.2	-5.3	-16.3
Credit Outstanding	7.3	9.3	9.6	8.7	9.2	8.5	8.8	10.7	10.6	10.8	11.4	12.1	14.2
Commercial Paper Issued	-3.5	-38.3	-59.9	-54.3	-33.3	-11.5	4.0	-2.2	-2.8	17.1	-9.3	-28.2	-16.7
Debt issuances	-30.4	37.4	58.5	92.3	111.5	27.6	34.9	111.6	220.4	112.0	2.3	-11.4	-23.0
Power Consumption	11.3	0.5	12.3	9.8	12.0	7.7	-2.1	-1.8	-0.4	4.3	8.3	16.3	10.3
Petroleum Consumption	8.3	5.7	14.3	3.4	4.3	6.5	8.6	1.4	12.6	5.2	2.1	6.5	7.6
PV Sales	67.7	27.3	27.0	10.6	19.9	7.7	5.9	9.0	10.9	1.7	4.1	12.4	5.1
2-3 Wheeler Sales	7.6	-2.4	7.9	-4.8	-6.5	-3.6	-0.7	2.3	9.0	-4.7	-7.8	0.2	2.0
Tractor Sales	18.9	3.6	4.4	19.2	16.0	11.8	10.1	-13.0	-2.4	-0.7	0.0	-4.1	-15.6
Rail Passenger Traffic	87.6	62.2	51.1	40.7	64.5	29.8	20.5	20.2	17.7	12.5	10.3	9.4	3.9
Rail Freight Traffic	9.2	1.4	5.2	3.1	3.8	3.6	3.8	3.5	1.9	-1.9	1.5	6.4	6.7
Currency in Circulation	0.8	2.4	1.7	2.4	1.9	1.6	2.0	2.8	3.4	-0.7	-2.8	-2.7	-1.1
Unemployment Rate	0.5	-0.2	-1.1	-0.4	-0.6	0.7	-0.5	-0.8	-0.5	-0.8	-1.1	0.2	-0.7
Composite CEM	9.6	5.6	11.3	10.9	11.9	8.0	7.3	5.2	10.9	5.8	1.6	4.7	0.2

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



Thank you

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