

Press Release

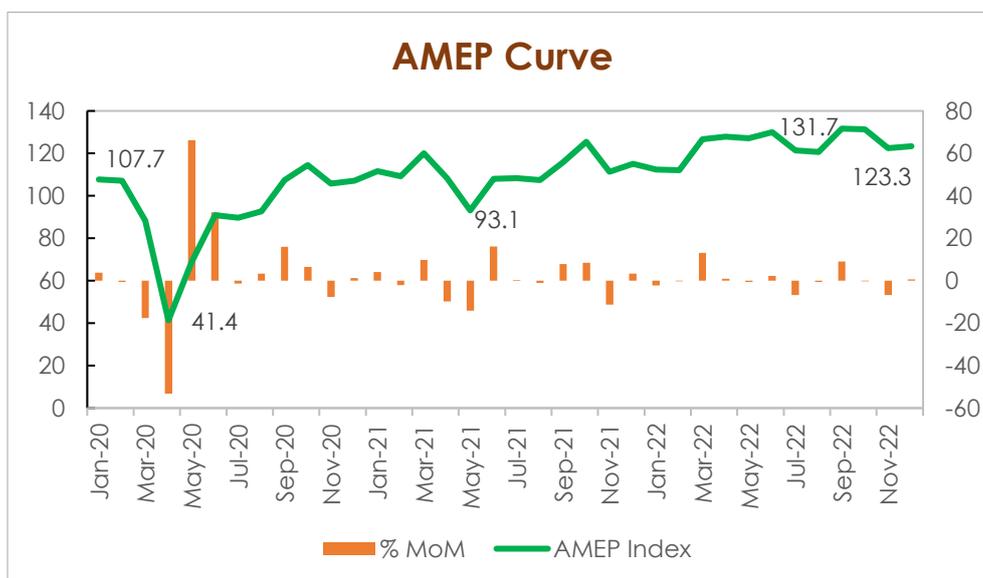
AMEP index under global slowdown effect

Services sector bringing in resilience in domestic economy

23-Jan-2023

The Indian economy continues to manoeuvre through the intense global headwinds with the support of the domestic demand engine. While **Acuite Macroeconomic Performance index (AMEP index)** has witnessed a moderation from a high of 131.7 in Sep-22 to 123.3 in Dec-22, it has recorded a growth of 7.2%YoY and 0.7%MoM respectively. The higher figures printed in Sep-22 and Oct-22 had been a reflection of heightened economic activity before or during the festive season which is typically difficult to sustain in the subsequent months. On a cumulative basis for the first nine months of the fiscal (Apr-Dec'22), the average AMEP index has risen by 14.4% as compared to the corresponding period of the previous fiscal which was partly impacted due to the lockdown from the second Covid wave.

Chart 1: AMEP index down from a high in Sep-22 but displays resilience



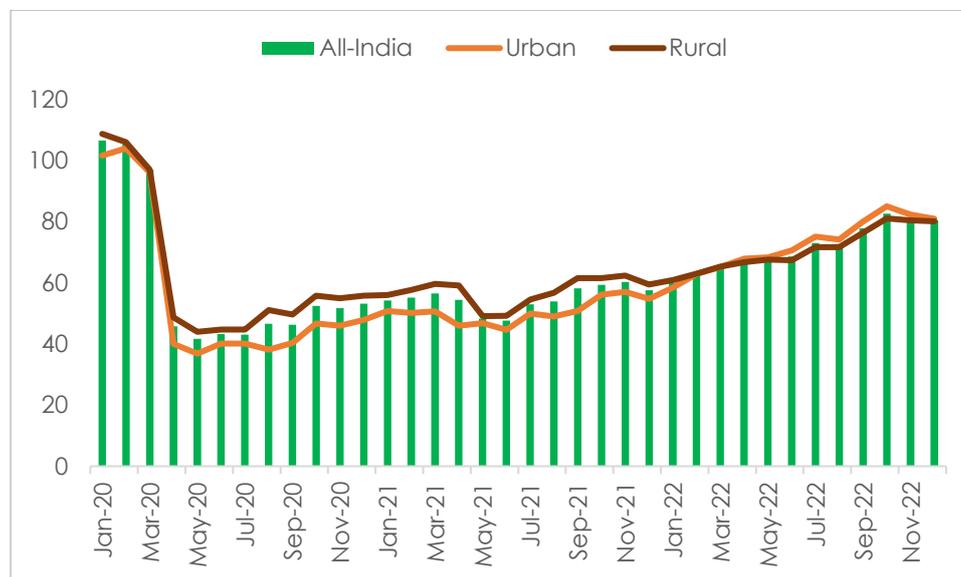
Source: CMIE, Acuite Ratings and Research, Base Month: Aug-2019: 100

Note: AMEP index has been constructed deploying sixteen high frequency indicators across four major categories– consumption demand, industrial production, external sector, and employment. Base

From the range of sixteen high-frequency indicators, all the domestic demand indicators held up sequentially in Dec-22 except auto and tractor sales and a slight dip in steel output. Auto sales has one of the key reasons for the relatively weaker sequential trajectory of AMEP index; the volume contraction in both annualized and sequential terms in the previous month reflects two aspects – one, the continuing fragility in rural demand and second, the sharp drop in exports due to the global slowdown. While domestic steel demand has been healthy in the current year driven by higher public expenditure in infrastructure, steel exports have seen a significant dip due to the imposition of export duty in May-22. The indicators that continue to remain resilient through both sequential and annual growth include power generation, retail fuel consumption, e-way bills, GST collections and credit growth.

A further analysis of the index components also reveal that the service oriented economic activities performed relatively better in Dec-22 with a growth of 12.3%YoY and 3.3%MoM respectively. For the first nine months of the fiscal (Apr-Dec'22), the services part of AMEP index has risen sharply by 19.5%YoY.

Chart 2: Consumer sentiments remain strong in Q3FY23



Source: CMIE, Acuite Ratings and Research

While there has been some visible green shoots in rural demand during the festive season, the strength of urban demand has been clearly higher in the current year as indicated by a few parameters like PV sales and air passenger traffic. Nevertheless, the outlook for rural demand in Q4FY23 is better on the back of a better than expected rabi crop and a moderate rise in procurement prices.

Amidst the continuing geo-political uncertainty, aggressive and synchronized policy tightening have been weighing on global growth. This is clearly reflected in domestic export growth performance which slipped to USD 96.2 bn in Q3FY23 from USD 103.5 bn in the similar period last year, a decline of 7.0%. Going forward, we expect the export performance to remain challenging with slowdown in India's key exports markets such as Eurozone and the US which account for nearly 50% of India's total exports. IMF had downgraded its global growth forecast for 2023 to 2.7% in Oct-22 after an estimated 3.2% in 2022.

Says Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research "There are three key takeaways from the latest AMEP index data and our track of the economy since the pre-pandemic days. One, the global headwinds are yet to make a significant dent to the domestic consumption story; the index has continued to grow with a 14.4% YoY growth in the Apr-Dec'22 period. Clearly, the services sector has been an outperformer with an additional boost coming from pent-up demand in the urban areas. Second, the economic activity is now unambiguously at a significantly higher level compared to the pre-pandemic days with the average index in Q3FY23 higher by 17.6% compared to that in Q3FY20. Thirdly, the rural economy continues to be a relative drag on the overall growth momentum as highlighted by the volumes of two wheelers and consumer non-durables albeit the trend is expected to pivot from the current quarter given the healthy rabi crop."

About Acuité Ratings & Research Limited:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 9,400 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Media Contact:

Sahban Kohari
Ph: + 91-9890318722
sahban@eminenceonline.in

Analytical Contacts:

Suman Chowdhury
Chief Analytical Officer
Ph: + 91-9930831560
suman.chowdhury@acuite.in

Prosenjit Ghosh
Chief Operating Officer – Subsidiaries
Ph: +91-9920656299
prosenjit.ghosh@acuite.in

Disclaimer: This release is sent to you for the sole purpose of dissemination through your newspaper / magazine / media / website / agency. The release may be used by you in full or in part without changing the meaning or context thereof but with due credit to Acuité. However, only Acuité has the sole right of distribution of its releases through any media. Acuité has taken due care and caution for writing this release. Information has been obtained by Acuité from sources which it considers reliable. However, Acuité does not guarantee the accuracy, adequacy or completeness of information on which this release is based. Acuité is not responsible for any errors or omissions or for the results obtained from the use of this release. Acuité has no liability whatsoever to the users / distributors of this release.