

Press Release

AMEP index continues to display resilience

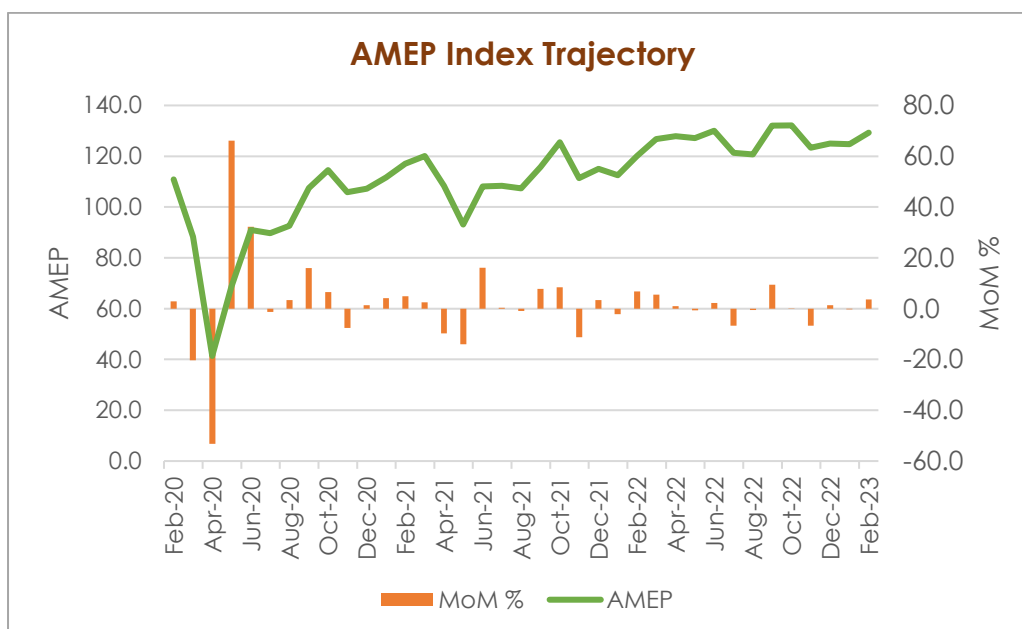
Global banking crisis and turbulent markets may increase headwinds in FY24

21-Mar-2023

The trajectory of **Acuite Macroeconomic Performance index (AMEP index)** in Feb-23 highlights that domestic demand has remained largely resilient in the current fiscal despite the increased global headwinds. The index print, adjusted for the shorter duration of the month of February, stood at 127.3 which translates into a YoY growth of 5.9% and 2.0% MoM. A moderate upward momentum in the index is visible after the sluggishness in the past few months although its sustainability will need to be seen going forward.

On a cumulative basis for the first eleven months of the fiscal (Apr-Feb'23), the average AMEP index has risen by 13.6% 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 continues to demonstrate 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. The data for Feb has been adjusted for the lesser number of days in the month.

From the range of sixteen high-frequency indicators, ten domestic demand indicators held up sequentially in Feb-23; Power generation continues to grow on a sequential basis after Nov-22 and reflects the higher power demand from the agricultural sector due to inadequate rainfall in certain parts during the winter months.

Auto sales continues to be one of the key reasons for the relatively weaker sequential trajectory of AMEP index after the peak festive season in Sep-Oct'22; it is driven by the continuing weakness in rural demand and the sharp drop in exports particularly of two wheelers due to the global slowdown. While domestic steel demand has been largely 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 which is reflected in the annualized contraction in Feb-23. The other indicators that continue to remain resilient through both sequential and annual growth include GST collections and credit growth.

A further analysis of the index components reveal that the service oriented economic activities continue to perform well with the first eleven months of the fiscal (Apr-Feb'23) showing that the services part of AMEP index has risen sharply by 19.1%YoY.

Amidst the persistent geo-political risks, aggressive and synchronized policy tightening have been constraining global growth. This is clearly reflected in a weak domestic export growth in the current fiscal.

Says Suman Chowdhury, Chief Analytical Officer, Acuite Ratings & Research "India's GDP growth dropped to 4.4% YoY in Q3 FY23 from 6.3% YoY in Q2, performing weaker than market expectations. The downward slide in headline growth was primarily due to waning of favorable statistical base effect, the contraction in export sector along with the lack of strength in rural consumption demand. However, services activity continues to outperform industrial activity and the run-rate for investment growth remains healthy, supported by capex-oriented government spending. Given the index trajectory in Q4, we don't expect any significant divergence between the first advance estimates of GDP growth (7.0%) and the actuals for FY23.

However, headwinds for economic growth are set to intensify in FY24 on the back of turbulent global financial markets induced by the banking sector crisis, persistence of tightness in global financial conditions, sluggish global demand, impact of increased interest rates on domestic demand and the risks of adverse weather on agriculture. While we maintain our GDP growth forecast at 6.0% for FY24, a downside bias has crept in."

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 9,500 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.