

Press Release

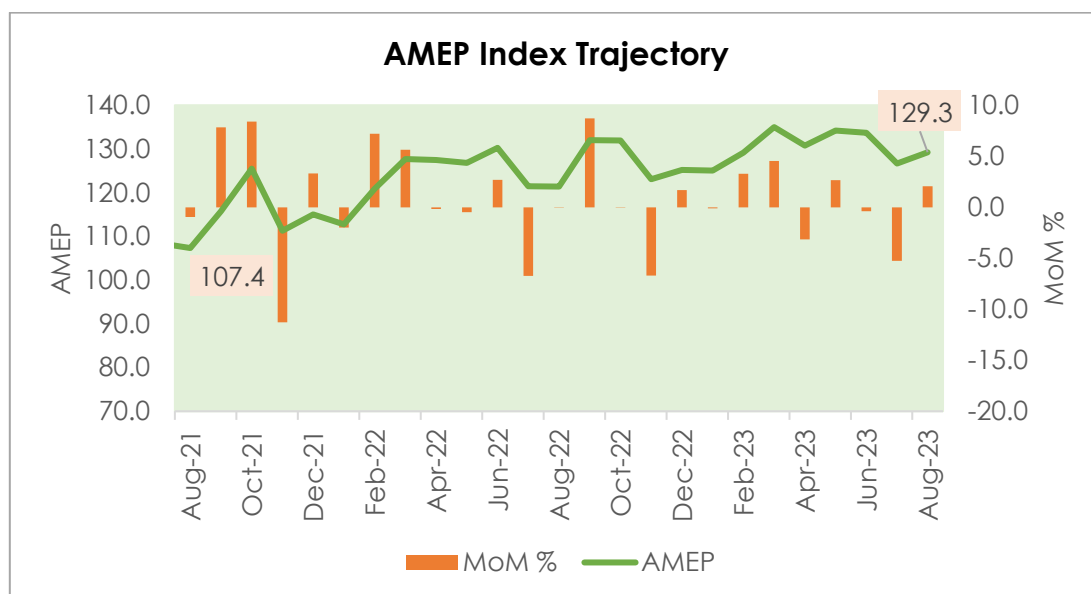
Healthy recovery in AMEP index in Aug-23
Festive season brings in the seasonal momentum in the economy

21-September-2023

After a relatively weak July, **Acuité Macroeconomic Performance index (AMEP index)** has shown a moderate buoyancy in August with a sequential growth of 2.05% and an annualised growth of 6.44%. The step up in economic activities typically before the festive season is the key factor behind the improved momentum. Given the continuing global uncertainty and the increased inflation risks, such an uptick is encouraging but the index's ability to maintain a sustained uptrend needs to be seen.

Among the sixteen high frequency indicators, the majority i.e., twelve of them have recorded good growth sequentially with three notching up MoM growth in double or high single digits. On an annualised basis, all of them were in the expansion domain in Aug-23 except the trade parameters i.e. exports and imports.

Chart 1: AMEP shows sequential recovery



Source: CMIE, Acuité Ratings and Research, Base Month: Aug-2019: 100. AMEP index has been constructed deploying sixteen high frequency indicators across four major categories– consumption demand, industrial production, external sector, and employment.

PMI Manufacturing rose to a 3-month high in August 2023 indicating the twenty sixth straight month of growth in factory activity. The growth in PMI manufacturing can be attributed to the step up in output before the festive season and better traction in export orders in some manufacturing segments. While the PMI Services dropped a bit sequentially, it continued to be robust at over 60.0, reflecting the continuing buoyancy in the services sector.

Steel output has continued to be robust in the current fiscal with a cumulative output growth of 12.7% in the first five months of the fiscal. The strong growth in steel production can be largely attributed to the increased investments in infrastructure particularly by the government.

The overall employment rate (Source: CMIE) saw a substantial rise in the month of August and stood at a 23 month high of 37.8%. Heightened agricultural activity during the current kharif season and also a pickup in hiring in both the manufacturing and the services sector, are likely factors behind the material rise in employment. Nevertheless, the sustainability of the increased figure will need to be seen.

Rail freight and passenger freight continue to perform better in August-23. The growth in rail freight has been at 6.4% YoY and 2.4% MoM. On the other hand, passenger rail traffic rose by 9.4% YoY. In terms of freight transportation, Railways has recorded a load of 634.7 MT during the first five months of the current year, compared to 620.9 MT over the corresponding period of last year, translating into a moderate growth of 2.2%.

The auto sales volume (comprising two, three wheelers and passenger vehicles) witnessed a good recovery of 14.7% MoM in Aug-23 although the growth remains muted at 2.0% on an annualised basis. Festive season sales in India account for about 23-26 per cent of annual sales volumes of the auto industry and therefore, a seasonal uptick is likely over the next few months. However, rural demand for 2Ws continue to be fragile and an expected recovery may be hit in case of a weaker than expected kharif crop. Meanwhile, tractor sales have recorded a contraction of 4.3% in the Apr-Aug'23 period which may be likely on account of a deficient monsoon and a potential drop in the kharif crop output.

The trade metrics continue to have the most significant impact on AMEP index. Exports dropped by 6.9% YoY highlighting the intensity of the global slowdown. Imports dropped as well i.e., 5.2% YoY but it increased 10.7% MoM, reflecting the rise in crude oil prices and higher gold imports before the festive season.

The level of power generation increased by 13.2% YoY and 8.9% MoM in August 2023. The peak power demand in India surged to an all-time high of 234 GW in the middle of the month due to a larger deficiency in rainfall during the month, leading to higher residential and agricultural demand.

Retail fuel i.e., petrol and diesel consumption have been largely steady with 2.9% and 5.2% YoY growth respectively. However, petrol consumption rose sequentially by 3.7% whereas diesel consumption dropped by 3.2% MoM. During April-August 2023, a total of 95.6 million tonnes of petroleum products were consumed, 5.5 per cent higher compared to the same period of last year.

The reported credit growth continues to be high at 19.8% YoY but this figure include the merger of HDFC with HDFC Bank; adjusting for the impact of the merger, the credit growth still stands strong at 14.9%., reflecting the demand for retail and SME loans. As an indicator of overall economic health, growth in GST collections and E-way bills remain robust at 10.8% and 19.5% YoY respectively.

Says Suman Chowdhury, Chief Economist & Head-Research “The uptick in the index in August reflects the optimism on domestic demand during the current festive season. Further, the economic momentum continues to be supported by steady public investments in the infrastructure sector. While exports continue to remain a dampener, a less than expected slowdown in the developed economies may help exports in some sectors to make a quicker revival. Nevertheless, we hold on to our base forecast of 6.0% GDP growth, given the risks of higher food inflation and its impact on rural demand.”

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 9,700 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 Economist & Head of Research
Ph: + 91-9930831560
suman.chowdhury@acuite.in

Prosenjit Ghosh
Group Chief Business Officer
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.