

## Press Release

# Acuité launches Macroeconomic Performance Index Retains FY22 growth forecast of 10.0%

21 October, 2021

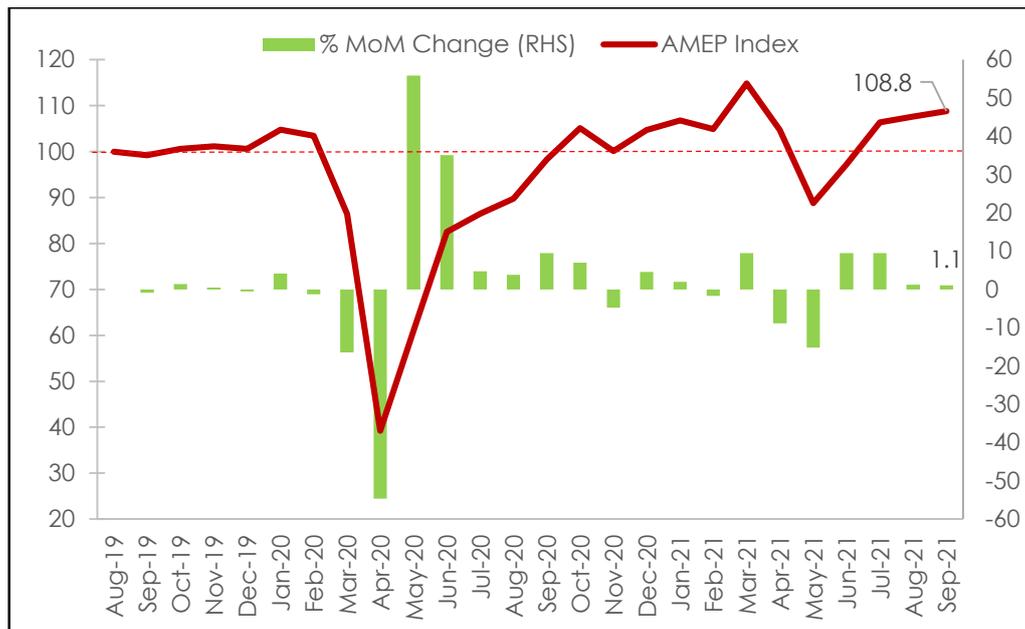
- Second V shaped recovery losing a bit of steam but an uptick likely in festive months
- The impact of the second Covid wave was less severe from the economic perspective
- Post the disruption caused by the second Covid wave, most of the economic activities have recouped their lost momentum

**Mumbai, October 21, 2021:** Acuité Ratings & Research continues to hold on to its FY22 growth forecast of 10.0% given the likely revival in consumption demand during the festive months, although its newly launched proprietary **Acuité Macroeconomic Performance (AMEP) Index** highlights that the V shaped recovery witnessed after the severe second Covid wave has lost a bit of steam in Aug-Sep'21. AMEP Index will track the momentum in the Indian Economy in the aftermath of the Covid Pandemic on a monthly basis and has been constructed on the basis of sixteen high frequency macroeconomic indicators.

The trajectory of the index (Chart 1) reveals that the impact of the second Covid wave was less severe from the economic perspective, and more importantly post the disruption in Apr-May'21, most of the economic activities have recouped their lost momentum.

“Given the steady progress on vaccination, expected improvement in consumption driven by pent-up demand for goods and vengeance spend on services, favourable kharif crop estimates, export buoyancy as well as the continuing accommodative monetary and fiscal policy backdrop, we continue to hold on to our FY22 growth forecast of 10.0%. However, a mild downside risk to our forecast could emanate from persistently high global commodity prices, an ongoing global energy crisis affecting coal and gas supplies and raw material shortages in some industries such as the automotive sector”, said **Suman Chowdhury, Chief Analytical Officer at Acuité Ratings & Research.**

**Chart 1: While AMEP index ticked up in Sep-21, the recovery momentum has slowed**



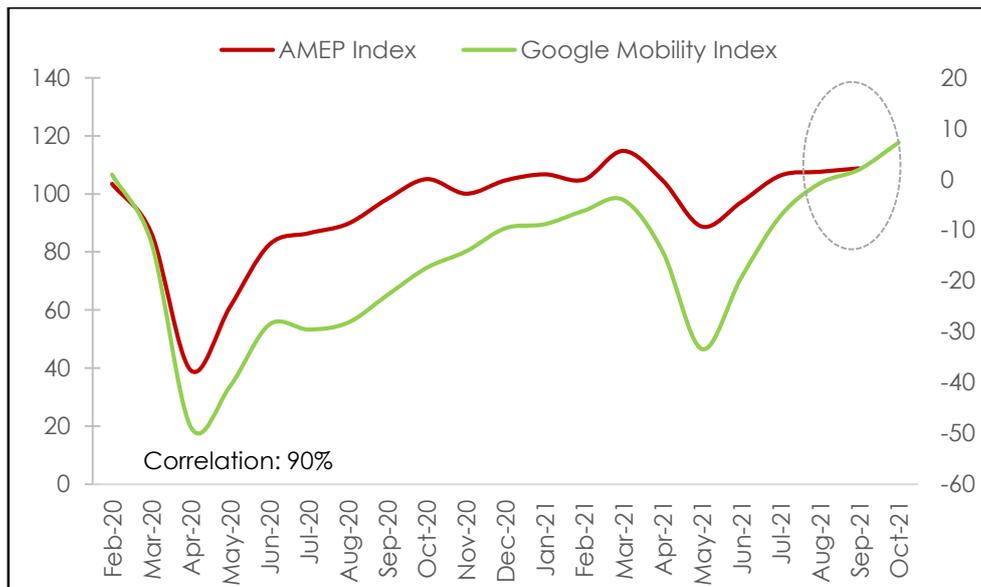
The trajectory of AMEP index in the current year reflects two aspects clearly – one, the impact of the second Covid wave was less severe from the economic perspective with the index in May-21 higher than the index levels in each of the months Mar-Jul'20, the severe period of the first Covid wave. Secondly, post the disruption caused by the second Covid wave, most of the economic activities have recouped their lost momentum as reflected by the average value of the index in Q2FY22 at 107.6, almost touching the average of 108.9 seen in Q4FY21, the latter partly driven by the spike in activity in Mar-21 just before the second wave. After trailing below 100 for two consecutive months in May-Jun 21 due to the intense second Covid wave, AMEP index went well beyond that level from Jul-21 and stands at 108.8 in Sep-21 which is not only 10.7% higher YoY but also 9.7% higher than the pre-pandemic level at Sep-19.

The uptick in the average index in the second quarter of the current fiscal of 11.1% vis-à-vis the first quarter has been primarily driven by a pickup in industrial activity particularly manufacturing, passenger traffic, auto sales, trade, E-way bills and GST collection. On the other hand, the growth in diesel consumption, rail freight, and credit growth has been relatively muted during this period.

However, the sequential momentum of the index has clearly slowed with index growing by 1.1% MoM in Sep-21 and 1.2% MoM in Aug-21 from 9.5% MoM in Jul-21. Only 9 of the 16 high frequency indicators have shown a positive sequential growth in Sep-21, reflecting the fact that the strength of the economic recovery is currently moderate.

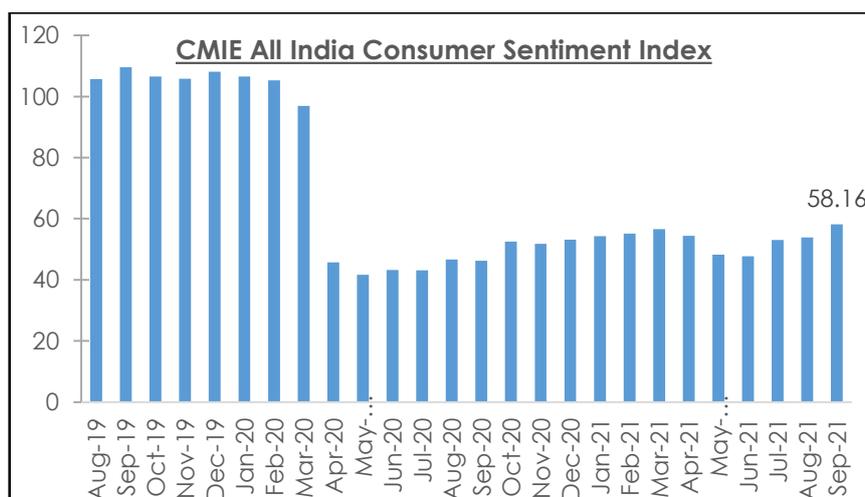
Nevertheless, we expect an impetus to the index from Oct-21 with further easing of restrictions in contact intensive sectors with several states opening up schools and recreational services which has led personal mobility (as per google mobility data) to surpass Feb-21 levels across nearly all location sub-categories (Chart 2).

**Chart 2: With mobility index beyond Feb-21 levels, AMEP set to rise further in Oct-21**



We expect the index to tread a slightly accelerated trajectory in H2 FY22 amidst the steady nationwide drop in Covid infections as well as mortalities and importantly, the substantial progress achieved in the rate of vaccination of the adult population. India is set to reach the milestone of 100 Cr aggregate vaccine doses shortly with an estimated 50.2% of the population administered a single dose and 20.6% with both the doses. Given the healthy pace of vaccination, we expect India to inoculate around 80% of its population with at least one dose of vaccine before the end of calendar 2021. This is likely to lead to a sustained revival in consumer sentiment with the CMIE All India Consumer Sentiment Index having climbed to 58.2 in Sep-21 from 53.9 in Aug-21, thereby revving up consumption demand in the backdrop of the ongoing festive season.

**Chart 3: Consumer sentiment rose to an 18-month high in Sep-21**



AMEP index has been constructed deploying **sixteen** high frequency indicators encompassing a wide spectrum of domestic economic activities across four major categories – consumption demand, industrial production, external sector, and employment.

**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 8,850 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.

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