

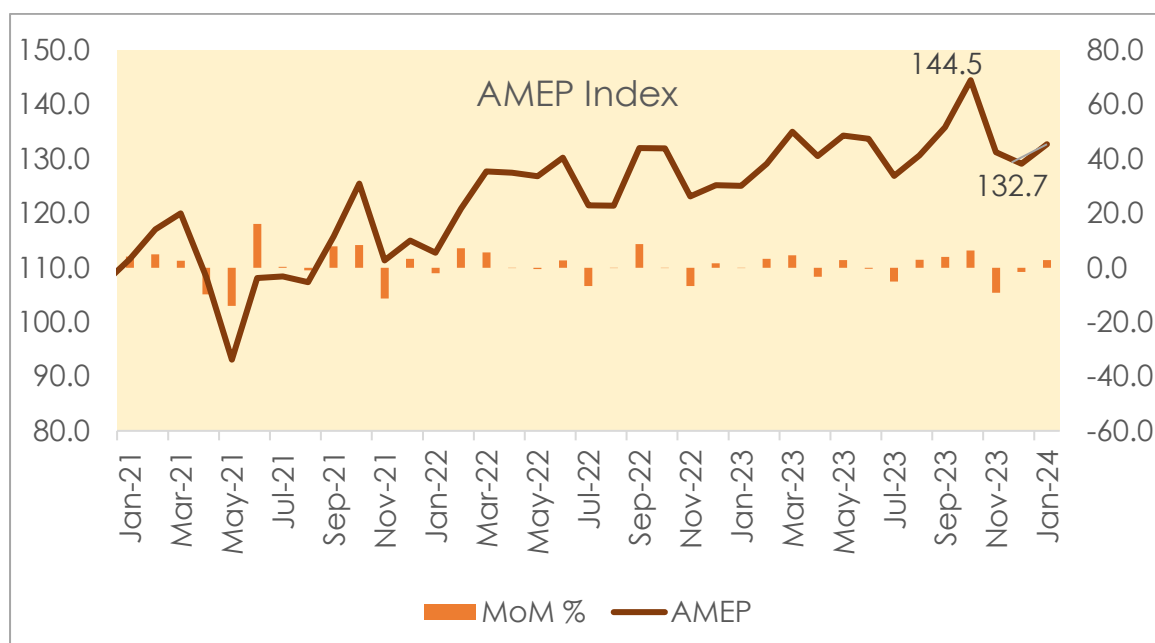
Press Release

AMEP Index signals moderation in GDP growth Growth momentum still healthy on a YoY basis

February 24, 2024

Acuite Macroeconomic Performance index (AMEP index) has witnessed a moderation after the peak of October 2024 although there are signs of a pickup in January 2024. The index has shown an annualized and broad based growth of 6.1% during the latter month with only one indicator out of sixteen indicators i.e. tractor sales recording a contraction. On a sequential basis, the index has grown by 2.8% over Dec-23 compared to a contraction MoM in Nov-23 and Dec-23.

Chart 1: Mild pickup in Jan-24 after a moderating trend in Q3FY24



Source: CMIE, Acuite 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. Railway passenger traffic has not been released for the last 3 months and its nos are estimated.

One of the key indicators from the demand perspective is the automotive sales trajectory (passenger vehicles, two and three wheelers) which has seen a strong recovery at 21.2% YoY. It also witnessed a sequential rise of 18.2% MoM, highlighting the likelihood of a healthy revival in rural demand. On a cumulative basis, auto volumes have grown by a fairly healthy 7.8% in the Apr-Jan eleven month period.

However, tractor sales has dropped significantly by 15.3% YoY in Jan-24 for second consecutive month and for the cumulative Apr-Jan'24 period, the contraction has been to the extent of 5.0%. The persistent weakness in the tractor volumes is the reflection of a slowdown in agricultural growth in the current fiscal largely driven by

the El Nino phenomenon that induced a drop in kharif output and also a potential risk to the rabi output. While there is an encouraging sequential pickup of 24.3% in the volumes, it has been from a record low seen in Dec-23.

The core sector output namely steel and cement has also been an import element in economic momentum. On an annualized basis steel production rose by a relatively moderate 4.8% in Jan-24 but for the Apr-Jan'24 period, finished steel production rose by 12.7% YoY given the strong demand from both the infrastructure and the auto sector.

Higher mining activity and core sector output have also driven a healthy annualised growth of 6.4% and a sequential 2.7% MoM for rail freight movement.

The level of power generation from conventional electricity sources increased by 7.7% YoY along with a sequential rise of 10.2%. On a cumulative basis, electricity generation grew at a healthy 6.3% in the first ten months of the fiscal due to two factors (i) pickup in core sector and industrial activity (ii) on an average, warmer weather conditions across India and lesser rainfall leading to higher power demand from the residential and the agricultural sectors.

Retail fuel i.e., petrol and diesel consumption continued to exhibit a positive trend, with petrol recording 9.7% YoY increase and diesel by 3.5% YoY increase respectively. Higher consumption growth of retail fuel highlights the continuing demand from the travel and the tourism sector.

Credit growth (non-food) continues to stand at 20.3% YoY (including the impact of HDFC merger). Excluding the impact of the merger, year-on-year growth in outstanding bank credit disbursed by SCBs accelerated to 16.1% from 15.7% in the preceding month.

Further, robust growth in GST collections has continued with 10.4% YoY; on a cumulative basis, the GST collections have also risen in double digits at 11.6% YoY in the YTD period; apart from the economic momentum, this is partly also due to increased compliance with GST rules.

The trade data continues to evoke concern with both export and import decreasing sequentially by 3.8% and 6.6% YoY respectively in Jan-24. However, they recovered on an annualised basis by a growth of 3.2% and 4.2% respectively. India's merchandise trade deficit fell to a nine-month low of USD 17.5 billion in January 2024. The import bill fell from USD 58.2 billion to USD 54.4 billion on account of a fall in non-POL imports; POL imports, on the other hand, increased in the month. Merchandise exports of India were valued at USD 36.9 billion in January, lower than USD 38.4 billion recorded in the preceding month.

India Manufacturing PMI (Purchasing Managers' Index) rose to 56.5 in Jan-24 from 54.9 in Dec-23 recovering from an 18-month low. PMI Services climbed back again to 61.8 in Jan-24 from 58.0 in Dec-23 which reflects a rapid revival in the sector. A sustained performance in services and manufacturing in the rest two months of the fiscal can help the GDP growth to come closer to 7% in FY24; our current estimates stand at 6.8%.

Says **Suman Chowdhury, Chief Economist and Head – Research** “The current trajectory of the AMEP index doesn't support the expectation that India's growth will sustain at around 7.0% for FY25. We believe that there are signs of a moderation in growth over the next few quarters due to weaker agricultural output, the impact of higher interest rates on urban consumption and some fiscal consolidation efforts. Accordingly, we have projected a growth rate of 6.5% for FY25. However, there is an expectation of a visible pickup in private sector investments in the coming fiscal along with the continuity in public investments and a recovery in rural demand supported by the exit of El Nino.”

About Acuite Ratings & Research Limited:

Acuite 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 9,800 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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