

EAI – Monthly Dashboard: Economic activity weak in Jul'22

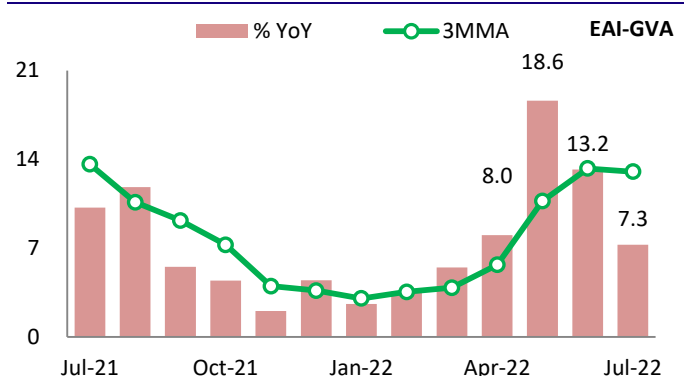
Expect 2QFY23 real GDP growth to be at 5-5.5% YoY

- Preliminary estimates indicate India's EAI for GVA grew at a four-month low rate of 7.3% YoY in Jul'22 v/s 13.2%/10.2% YoY in Jun'22/Jul'21, respectively. This was due to a four-month low growth in non-farm sector led by both industrial and services activities. The farm sector, on the other hand, performed well in Jul'22 vis-à-vis Jun'22.
- On the contrary, EAI-GDP contracted 2.8% YoY in Jul'22 – its first contraction in 17 months. This was owing to a negative 9.5pp contribution by net exports, as real imports grew ~35% YoY during the month while real exports declined ~4% YoY.
- Total consumption posted a 13-month low growth of 3.7% YoY (v/s 8.3% YoY in Jun'22), because of a sharp decline in fiscal spending and weak petrol sales. Excluding fiscal spending, private consumption rose 4.5% YoY in Jul'22. Investments grew lower at 12.1% YoY in Jul'22 v/s 23% YoY in 1QFY23, led by weak power generation, construction activity and diesel sales.
- A monthly analysis of indicators for Aug'22 denotes a mixed bag. Some indicators such as currency in circulation, Vahaan registrations and Google mobility have done well, while others like PMI manufacturing, toll collections, FX reserves and power generation have decelerated in Aug'22.
- Overall, our in-house estimates suggest that, the economic activity growth ebbed in Jul'22. Further, progress of economic activity in Aug'22 also looks bleak. These estimates suggest that real GDP growth could be 5-5.5% in 2QFY23, lower than [market consensus](#) of 6.3% but higher than RBI's [forecast](#) of 4.1% YoY.

Preliminary estimates indicate India's EAI for GVA posted a four-month low growth rate of 7.3% YoY in Jul'22 as against 13.2%/10.2% YoY in Jun'22/Jul'21, respectively

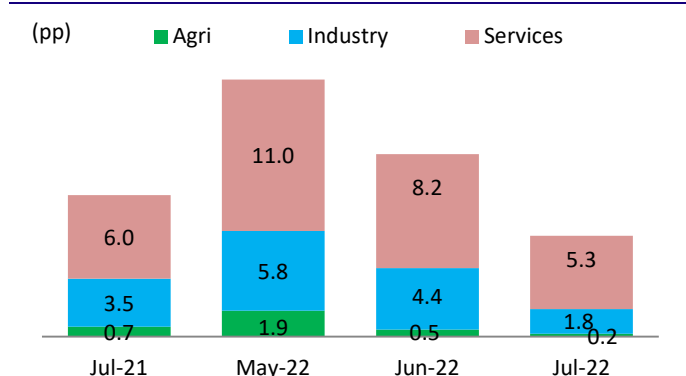
- **EAI-GVA grew at four-month low rate of 7.3% YoY in Jul'22...**: Preliminary estimates indicate India's EAI for GVA posted a four-month low growth rate of 7.3% YoY in Jul'22 as against 13.2%/10.2% YoY in Jun'22/Jul'21, respectively. The weakness was because of a deceleration in industrial and services activities, which led to 7.9% YoY growth in non-farm EAI-GVA v/s 14.5%/10.7% YoY in Jun'22/Jul'21, respectively (*Exhibits 1, 2*).
- **...while EAI-GDP, contracted due to worsening external trade**: EAI-GDP declined for the first time in 17 months by 2.8% YoY in Jul'22 as against +5.5%/7.8% YoY in Jun'22/Jul'21, respectively. This was owing to a negative 9.5pp contribution by net exports, as real imports grew ~35% YoY during the month while real exports declined ~4% YoY. Additionally, both consumption and investments also decelerated during the month (*Exhibits 3, 4*).

Exhibit 1: India's EAI-GVA grew only 7.3% YoY in Jul'22...



Please refer to our earlier [report](#) for details

Exhibit 2: ...due to deceleration in all components



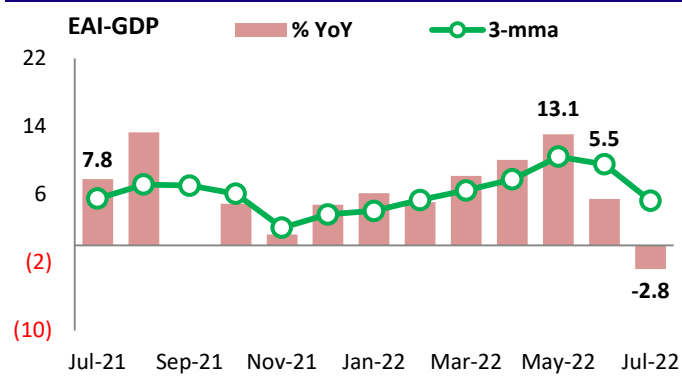
Source: Various national sources, CEIC, MOFSL

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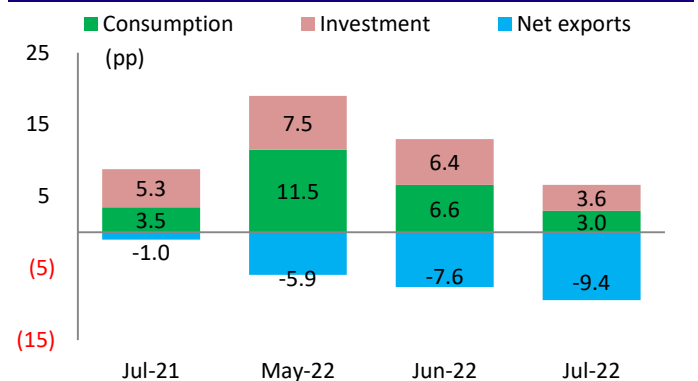
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Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 3: EAI-GDP contracted for the first time in 17 months...

Please refer to our earlier [report](#) for details

Exhibit 4: ...led by adverse external trade in Jul'22

Contribution of various components to EAI-GDP
Source: Various national sources, CEIC, MOFSL

Total consumption posted a 13-month low growth of 3.7% YoY, on account of a sharp decline in fiscal spending and weak petrol sales

EAI-GVA details suggest that while the farm sector grew 2.2% YoY in Jul'22, the non-farm sector weakened to a four-month low of 7.9% YoY in Jul'22

Consumption grew at a 13-month low rate in Jul'22... Total consumption posted a 13-month low growth of 3.7% YoY (v/s 8.3% YoY in Jun'22), because of a sharp decline in fiscal spending and weak petrol sales. Excluding fiscal spending, private consumption rose 4.5% YoY in Jul'22 (*Exhibit 5*). The weakness in private consumption was due to a slowdown in auto and petrol sales as well as weak expected IIP for non-consumer durable goods. Personal credit, on the brighter side, spiked ~19% YoY in Jul'22 – at a 28-month high. Fiscal spending, in contrast, contracted 13.8% YoY in Jul'22 – its first decline in seven months (*Exhibit 11 for the heat maps*).

- **...but investment growth at a three-month low:** According to our estimates, investments grew only 12.1% YoY in Jul'22 as against 23.8%/20.8% YoY in Jun'22/Jul'21, respectively (*Exhibit 6*). This was led by weakness in almost all components – cargo traffic, electricity generation, auto sales, diesel sales and weak expected IIP in capital goods. Government capex nearly doubled in Jul'22 than a year ago (*Exhibit 12 for the heat maps*).
- **The farm sector grew faster but non-farm was a laggard:** EAI-GVA details suggest that while the farm sector grew 2.2% YoY in Jul'22 (v/s 0.9%/4.3% YoY in Jun'22/Jul'21), the non-farm sector weakened to a four-month low growth of 7.9% YoY in Jul'22 v/s 14.5%/10.7% YoY in Jun'22/Jul'21, respectively (*Exhibits 7, 8*). The six-month weak growth in power generation and seven-month slow growth in construction activity drove industrial activity, along with a slowdown in manufacturing IIP during the month. Within services, real fiscal spending was a serious laggard and real deposits, telecom services and AUM of MFs too continued their downward trends. Auto sales, real services credit, freight traffic and PMI services all ebbed in Jul'22 (*Exhibits 13, 14 for the heat maps*).
- **Economic activity bleak in Aug'22:** A monthly analysis of indicators for Aug'22 denotes a mixed bag. Some indicators such as currency in circulation, Vahan registrations and Google mobility have done well, while some others like PMI manufacturing, toll collections, FX reserves and power generation have decelerated in Aug'22 (*Exhibit 15 for the heat map*).

We believe that real GDP growth could be ~4% in 2QFY23, lower than [market consensus](#) of 6.3% but similar to the RBI's [forecast](#) of 4.1% YoY.

■ **We expect 2QFY23 real GDP growth at 5-5.5% YoY:** Overall, our in-house estimates suggest that, as [expected](#), the economic activity growth slowed down in Jul'22. Progress of economic activity in Aug'22 also looks bleak. Although there is no one-to-one correlation between our EAI and the official GVA/GDP growth due to [underlying differences](#), our composite indices move in sync with the official real GDP (ex-discrepancies) and real GVA estimates (*Exhibits 9, 10*). These estimates suggest that real GDP growth could be 5-5.5% in 2QFY23, lower than [market consensus](#) of 6.3% but higher than RBI's [forecast](#) of 4.1% YoY.

Exhibit 5: Consumption was at 13-month low in Jul'22...

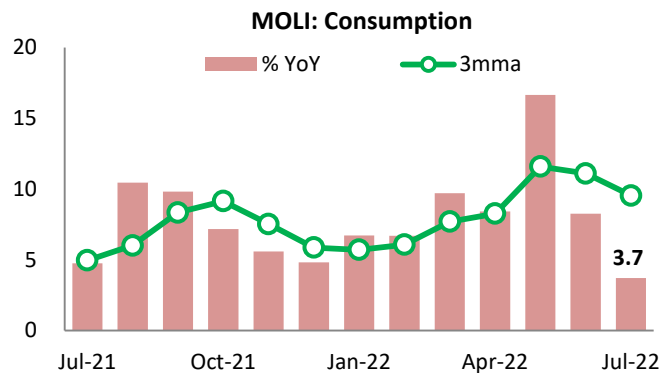


Exhibit 6: ...and investments at a three-month low level

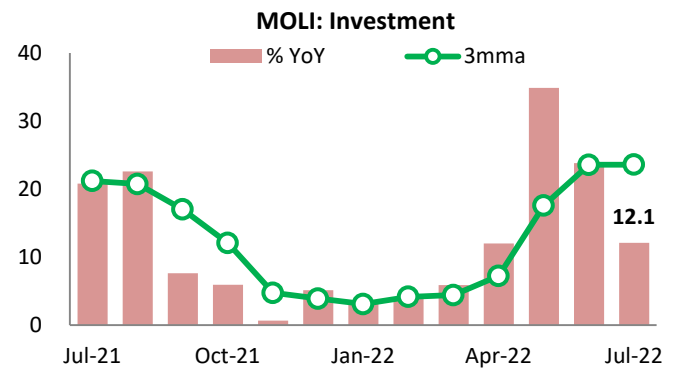


Exhibit 7: Industry activity at a four-month low in Jul'22...

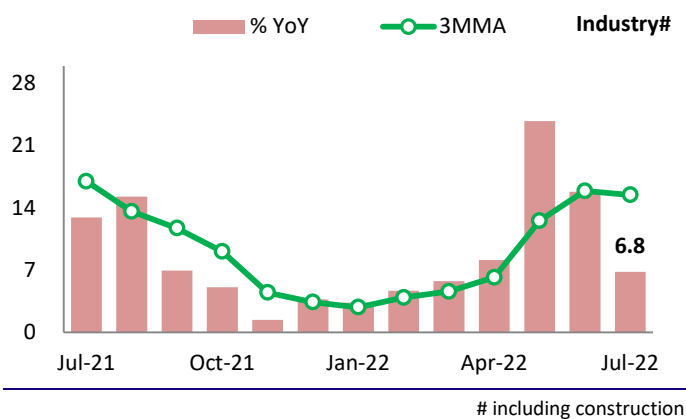


Exhibit 8: ...and Services sector at a three-month low level

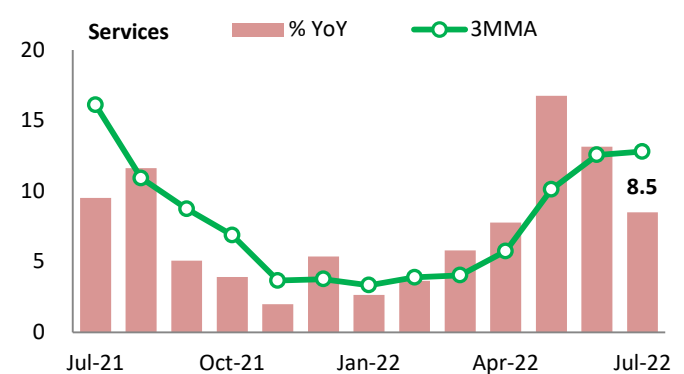
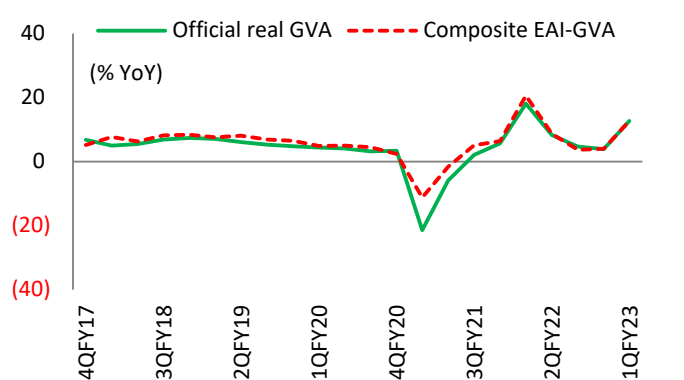
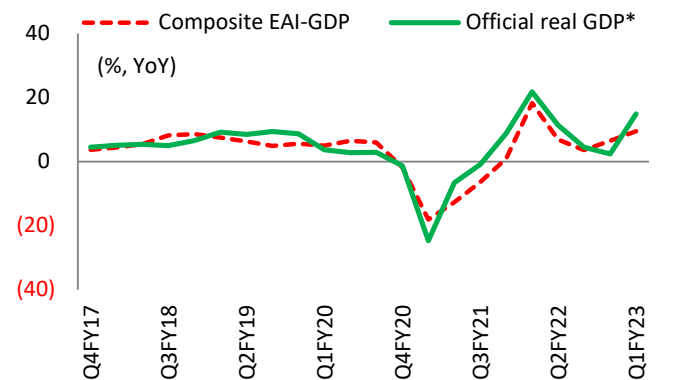


Exhibit 9: EAI-GVA moves in line with the official real GVA...



Source: CEIC, Various official sources, MOFSL

Exhibit 10: ...and so does official real GDP* with EAI-GDP



*Excluding discrepancies

Exhibit 11: Key leading indicators for consumption

% YoY	Passenger traffic ¹	Revenue spending ²	Petrol sales	Rural wages ³	Consumer durable: IIP	Currency	Auto sales ⁴	Imports ⁵	Foreign tourists arrival	Personal credit	Services PMI
Jul-21	1057.4	(30.9)	16.4	(2.3)	(2.3)	10.3	3.7	29.3	472.9	11.9	45.4
Aug-21	934.6	40.9	13.1	(0.4)	5.9	9.8	(11.9)	39.5	329.9	11.6	56.7
Sep-21	594.5	61.8	6.0	1.9	(0.1)	9.0	(20.4)	37.4	278.8	11.5	55.2
Oct-21	420.3	19.6	3.7	2.6	0.7	8.5	(25.2)	37.5	337.0	11.7	58.4
Nov-21	202.6	8.8	(0.7)	2.0	(0.8)	7.9	(32.1)	33.1	255.0	10.8	58.1
Dec-21	107.3	(4.4)	4.1	0.4	0.3	7.5	(11.3)	28.0	235.5	14.3	55.5
Jan-22	42.5	50.9	(5.3)	(0.7)	3.1	8.0	(19.0)	33.2	140.4	12.3	51.5
Feb-22	42.5	39.7	3.5	(0.7)	(6.8)	8.6	(23.8)	27.2	141.8	12.7	51.8
Mar-22	52.7	78.8	6.2	(0.9)	(4.4)	9.8	(18.1)	35.5	177.9	12.6	53.6
Apr-22	115.5	28.4	17.2	(1.0)	(0.6)	10.4	11.4	24.1	399.2	14.5	57.9
May-22	478.3	27.6	51.5	(1.2)	1.0	8.8	241.3	25.7	2043.7	16.3	58.9
Jun-22	237.8	5.5	23.2	(0.9)	2.9	8.0	23.1	32.1	1349.2	18.1	59.2
Jul-22	167.2	(13.8)	6.8	(0.9) ⁶	1.4 ⁶	8.1	10.3	35.7	783.9	18.8	55.5

¹ Railways and aviation² Revenue spending /less interest payments of the central government³ Real rural wages; deflated by CPI for rural workers⁴ Includes passenger vehicles and two-wheelers⁵ Imports of agricultural items, leather products, newsprint and electronic goods, textiles (excluding gold, silver, precious metals)⁶ Our forecasts

	Worse than previous month and a year ago
	Worse than the previous month but better than a year ago
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Exhibit 12: Key leading indicators for investments

% YoY	Cargo traffic ¹	Electricity	Auto sales ²	Diesel sales	Capital goods' imports ³	Cement Production	IIP: Non-metallic products	IIP: Capital goods	Industrial credit	Govt capex ⁴	Manufacturing PMI
Jul-21	14.4	11.0	56.7	11.3	29.2	21.7	20.4	30.3	0.4	(28.2)	55.3
Aug-21	15.3	16.0	32.4	15.7	46.9	36.3	27.0	20.0	3.9	92.2	52.3
Sep-21	2.5	0.9	15.5	0.4	39.8	11.3	11.5	3.3	3.6	83.1	53.7
Oct-21	7.7	3.2	6.8	(5.4)	31.1	14.6	10.3	(1.6)	4.1	(24.1)	55.9
Nov-21	3.9	2.1	(2.8)	(7.6)	21.3	(3.6)	(3.2)	(2.6)	5.4	(53.5)	57.6
Dec-21	4.5	2.9	9.8	1.7	15.0	14.2	8.5	(3.0)	7.8	74.0	55.5
Jan-22	4.0	0.9	7.1	(6.5)	6.5	14.1	11.2	1.8	6.9	(5.8)	54.0
Feb-22	2.7	4.5	15.4	(0.7)	1.7	5.0	7.7	1.3	7.4	0.8	54.9
Mar-22	4.7	6.1	8.8	6.7	5.1	9.0	10.0	2.4	7.5	219.1	54.0
Apr-22	8.0	10.7	53.5	7.9	8.1	8.0	7.3	13.3	8.0	67.5	54.7
May-22	12.7	23.5	306.7	31.7	14.4	26.2	21.8	54.4	8.8	77.8	54.6
Jun-22	12.1	16.5	97.0	23.9	18.3	19.7	19.3	26.1	9.5	40.1	53.9
Jul-22	10.5	2.2	45.5	8.2	36.4	2.1	10.3 ⁵	7.1 ⁵	10.5	98.5	56.4

¹ Railways and waterways² Includes commercial vehicles and three-wheelers³ Machinery and equipment, transport equipment, machine tools and project goods⁴ Capital spending of the central government⁵ Our forecasts

** - Data for total CV sales starting Apr'20 derived using CV sales of Ashok Leyland, Eicher Motors Ltd., Mahindra & Mahindra Ltd.; and Tata Motors; the three account for ~98% of all CV sales

	Worse than previous month and a year ago
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Exhibit 13: Key indicators used in the creation of EAI-GVA on a monthly basis

% YoY	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Agriculture and allied activities														
IIP: Fertiliser	2.0	0.6	(3.1)	0.0	0.0	2.5	3.5	(2.0)	(1.4)	15.3	8.7	22.8	8.2	6.2
Domestic tractor sales	22.1	8.2	(9.8)	(9.5)	3.2	(16.7)	(22.5)	(27.8)	(26.4)	(11.6)	38.1	47.7	(10.9)	(12.2)
Real rural wages ¹	(3.2)	(2.3)	(0.4)	1.9	2.6	2.0	0.4	(0.7)	(0.7)	(0.9)	(1.0)	(1.2)	(0.7)	(0.9) ⁸
Reservoir levels	(2.0)	22.0	(17.2)	(6.7)	(5.2)	(1.3)	0.9	3.1	2.8	10.5	11.6	6.8	(12.0)	18.9
Agriculture sector	4.6	4.3	0.2	1.0	2.5	0.6	0.1	(0.7)	(0.5)	2.3	7.5	8.9	0.9	2.2
Industrial sector														
Coal	7.4	18.8	20.6	7.8	14.7	8.2	5.2	8.2	6.8	(0.1)	28.8	33.6	31.1	11.3
Crude oil	(1.8)	(3.2)	(2.3)	(1.7)	(2.2)	(2.2)	(1.8)	(2.4)	(2.2)	(3.4)	(0.9)	4.6	(1.7)	(3.8)
Natural gas	20.6	19.0	20.7	27.5	25.8	23.7	19.5	11.7	12.5	7.6	6.4	7.0	1.2	(0.3)
IIP: Mining	23.1	19.5	23.3	8.6	11.5	4.9	2.6	3.0	4.6	3.9	8.0	11.2	7.5	5.2 ⁸
Mining	21.0	19.8	22.9	16.2	18.0	13.4	11.3	9.6	10.4	6.9	15.0	21.6	13.4	7.2
Electricity	8.2	11.0	16.0	0.9	3.2	2.1	2.9	0.9	4.5	6.1	11.8	23.5	15.5	2.2
IIP: Manufacturing	13.2	10.5	11.1	4.3	3.3	0.3	0.6	1.9	0.2	1.4	5.8	20.6	12.5	3.8
Credit growth ²	(11.3)	(10.0)	(6.9)	(7.3)	(8.5)	(8.2)	(5.7)	(6.0)	(5.4)	(6.2)	(6.4)	(6.7)	(5.0)	(3.0)
Fuel consumption	(0.7)	7.0	10.1	1.8	(2.5)	(6.6)	1.2	(3.7)	(0.1)	3.8	3.6	20.0	16.7	6.3
Manufacturing	11.0	13.0	15.2	6.3	3.5	(0.7)	3.5	2.1	2.7	5.3	8.4	26.8	19.6	8.6
Steel production	25.2	9.4	6.9	7.1	5.9	0.9	(0.6)	3.8	5.9	5.0	(0.7)	15.0	3.3	5.7
Cement output	7.5	21.7	36.3	11.3	14.6	(3.6)	14.2	14.1	5.0	9.0	8.0	26.3	19.4	2.1
IIP: NMMP ³	8.0	20.4	27.0	11.5	10.3	(3.2)	8.5	11.2	7.7	10.0	7.3	21.8	19.3	10.3 ⁸
IIP: Construction	20.0	12.3	13.5	9.3	6.6	3.1	2.0	5.9	8.6	6.7	4.0	18.1	8.0	2.5 ⁸
Construction	20.0	12.3	13.5	9.3	6.6	3.1	2.0	5.9	8.6	6.7	4.0	18.1	8.0	2.5
Industry	12.6	12.9	15.3	7.0	5.1	1.4	3.7	3.4	4.7	5.8	8.1	23.8	15.8	6.8
Services sector														
Auto sales**	16.0	5.3	(10.5)	(19.2)	(24.0)	(30.8)	(10.0)	(17.6)	(21.9)	(16.5)	13.2	244.8	26.0	11.9
Trade credit ⁴	1.6	(3.7)	(4.3)	(6.6)	(5.9)	(5.0)	0.4	(2.0)	1.4	(3.3)	(1.9)	(2.9)	1.3	0.2
Foreign tourist arrivals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Freight traffic ⁵	19.7	14.4	15.3	2.5	7.7	3.9	4.5	4.0	2.7	4.7	8.0	(16.6)	12.1	10.5
Passengers traffic ⁵	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MFs AUMs	17.9	16.7	19.2	22.3	16.2	8.3	6.4	9.6	4.7	4.3	1.8	(3.5)	(8.1)	(6.2)
Fiscal Spending ⁶	(10.7)	(37.7)	34.3	49.1	(4.6)	(18.6)	1.6	(2.8)	33.1	71.8	21.3	13.5	(14.7)	(40.8)
Real deposits ⁷	(2.1)	(1.6)	(2.0)	(2.2)	(3.3)	(5.2)	(1.9)	(4.7)	(4.3)	(5.0)	(4.7)	(6.8)	(5.8)	(4.2)
Telecom subscribers	3.6	3.9	3.6	1.8	1.5	1.3	0.4	(0.9)	(1.8)	(2.9)	(3.0)	(2.3)	(2.5)	(3.0) ⁸
PMI: Services	22.3	32.7	35.6	10.8	7.9	5.4	6.1	(2.5)	(6.3)	(1.8)	7.2	26.9	43.7	22.2
Services sector	11.6	9.5	11.6	5.1	3.9	2.0	5.4	2.6	3.7	5.8	7.8	16.8	13.2	8.5
EAI-GVA	9.8	10.2	11.8	5.5	4.4	2.1	4.5	2.6	3.6	5.5	8.0	18.6	13.2	7.3
Non-farm EAI-GVA	10.1	10.7	12.9	5.8	4.6	2.2	5.1	3.0	4.2	6.0	8.2	19.5	14.5	7.9

¹ Rural wages; deflated by CPI for rural workers² Banks' industrial credit growth; deflated by WPI³ Non-metallic minerals products (NMMP)⁴ Bank's non-food trade credit; deflated by WPI⁵ Railways and aviation⁶ Total spending of the central government excluding interest and subsidies; deflated by WPI⁷ Bank deposits; deflated by WPI⁸ Our forecasts

Sale of commercial vehicles within total auto Sales starting Apr'20 has been derived using CV sales of Ashok Leyland, Eicher Motors Ltd., Mahindra & Mahindra Ltd.; and Tata Motors; the three account for ~98% of all CV sales

	Worse than previous month and a year ago
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Exhibit 14: Monthly analysis of indicators in Jul'22 show slowdown in economic activity

		Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
PMI: Manufacturing	Index	52.3	53.7	55.9	57.6	55.5	54.0	54.9	54.0	54.7	54.6	53.9	56.4	56.2
PMI: Services	Index	56.7	55.2	58.4	58.1	55.5	51.5	51.8	53.6	57.9	58.9	59.2	55.5	
E-way registrations	% YoY	42.5	18.3	14.5	5.9	11.6	9.5	8.3	9.7	23.9	84.1	31.8	17.8	
Toll collection (Units)	% YoY	107.8	75.9	75.1	71.5	74.9	54.8	53.3	39.9	61.5	145.0	76.1	37.9	35.2
FX reserves	USD b	640.7	635.4	640.4	638.0	633.6	629.9	631.9	607.3	596.7	603.2	589.2	574.3	564.1
Currency in circulation	% YoY	9.6	8.9	7.9	7.7	7.3	8.3	9.0	10.3	10.4	9.0	7.4	7.9	9.2
Vahaan registrations ¹	% YoY	14.6	-5.3	-5.3	-2.7	-16.0	-10.6	-9.0	-2.8	37.3	207.6	26.3	-7.5	5.5
Google mobility (R&R) ²	Index	-16.3	-13.0	-4.9	-0.4	2.0	-9.2	3.3	7.5	9.4	10.2	8.7	6.1	13.6
Exports ³	% YoY	46.3	22.7	43.4	34.6	44.3	27.9	34.4	26.2	29.4	20.9	23.5	2.1	
Imports ³	% YoY	52.9	85.6	57.3	56.7	40.4	24.9	37.0	28.8	30.8	62.9	57.5	43.6	
Power Generation ⁴	% YoY	16.1	1.2	2.9	2.5	3.0	1.0	4.9	6.0	8.1	23.3	17.7	4.3	3.1

¹ In terms of daily vehicle units³ Google mobility index for retail & recreation⁵ Based on daily power generation² Apple mobility index for driving⁴ Merchandise exports and imports

Source: Various national sources, CEIC, MOFSL

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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