

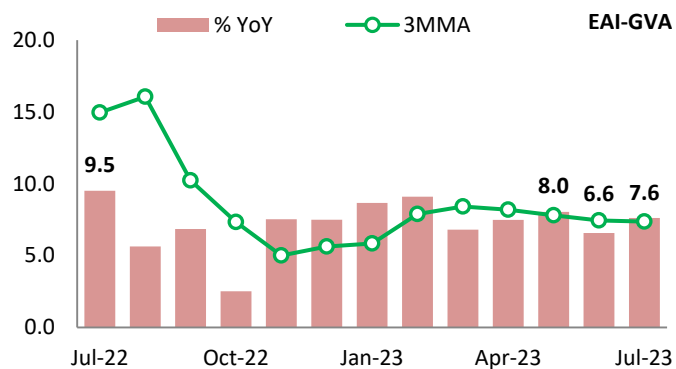
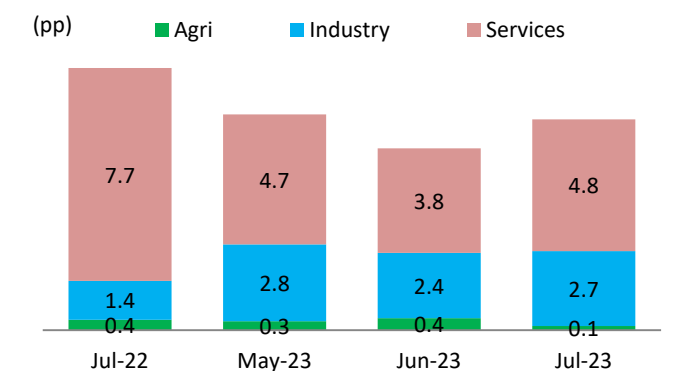
EAI – Monthly Dashboard: Economic activity remained strong in Jul'23

Led by higher consumption and investment

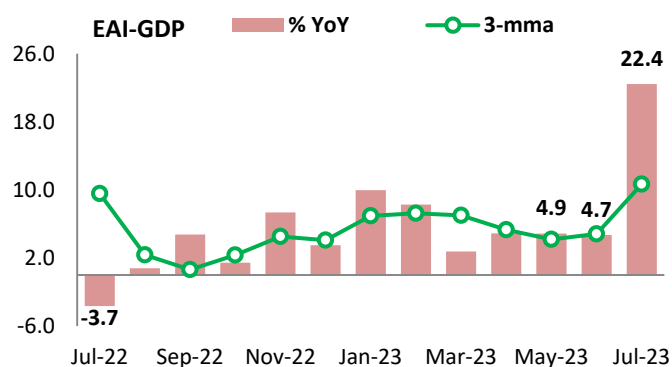
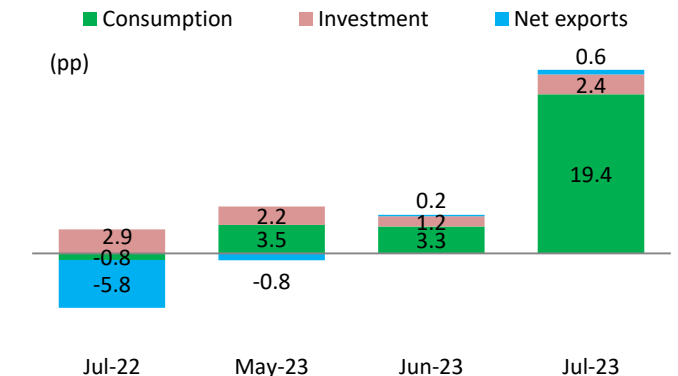
- Preliminary estimates indicate that India's EAI for GVA grew 7.6% YoY in Jul'23 (vs. 9.5%/6.6% YoY in Jul'22/Jun'23). The acceleration in growth (vs. Jun'23) was mainly led by an eight-month high growth in the industrial sector (10% in Jul'23 vs. 8.1% in Jun'23 and 4.6% in Jul'22) and continued robust momentum in the services sector. On the contrary, farm sector growth deteriorated to 2.4% in Jul'23 vs. 3.1%/3.6% in Jun'23/Jul'22, the worst in three months.
- EAI-GDP grew by a massive 22.4% YoY in Jul'23, partly led by a favorable base (it declined 3.7% YoY in Jul'22) and partly due to exceptional growth of 276% YoY in government spending. EAI-GDP, excluding fiscal spending, grew at a five-month high of 7.7% in Jul'23, again supported by the base effect (contraction of 1.8% in Jul'22). Private consumption, as per our estimates, grew decently at 5.4% YoY during the month vs. 2.7%/3.8% YoY in Jul'22/Jun'23. Further, investments continued to remain robust (8.2% in Jul'23 vs. 10.7%/4.6% in Jul'22/Jun'23, the highest in five months). Additionally, net exports added 0.6pp to EAI-GDP growth as real imports contracted faster than real exports.
- Economic activity appears to have remained resilient in Aug'23 as well. Three-month high manufacturing PMI, strong services PMI, robust toll collections growth, double-digit growth in PV sales, five-month high growth in CV sales, higher growth in rail passenger traffic, rail freight traffic, and power generation assert continued strength of the non-farm sector in Aug'23. Falling water reservoir levels amid weak monsoon may keep the farm sector subdued.
- At 7.8% YoY, real GDP growth was in line with the market consensus, but slightly lower than the RBI's forecast of 8%. With continued resilience in Jul'23 and Aug'23, we expect 2QFY24 growth at ~6% with upward bias, against the RBI's forecast of 6.5%.

Preliminary estimates indicate that India's EAI for GVA grew 7.6% YoY in Jul'23 (vs. 9.5%/6.6% YoY in Jul'22/Jun'23).

- **EAI-GVA grew 7.6% in Jul'23...** Preliminary estimates indicate that India's EAI for GVA grew 7.6% YoY in Jul'23 (vs. 9.5%/6.6% YoY in Jul'22/Jun'23). The acceleration in growth (vs. Jun'23) was mainly led by an eight-month high growth in the industrial sector (10% in Jul'23 vs. 8.1% in Jun'23 and 4.6% in Jul'22) and continued robust momentum in the services sector. On the contrary, farm sector growth deteriorated to 2.4% in Jul'23 vs. 3.1%/3.6% in Jun'23/Jul'22, the worst in three months (*Exhibits 1, 2*).
- **...and EAI-GDP growth surged to 22.4%, due to fiscal spending:** EAI-GDP grew by a massive 22.4% YoY in Jul'23, partly led by a favorable base (it declined 3.7% YoY in Jul'22) and partly due to exceptional growth of 276% YoY in government spending. EAI-GDP, excluding fiscal spending, grew at a five-month high of 7.7% in Jul'23, again supported by the base effect (contraction of 1.8% in Jul'22). Private consumption, as per our estimates, grew decently at 5.4% YoY during the month vs. 2.7%/3.8% YoY in Jul'22/Jun'23. Further, investments continued to remain robust (8.2% in Jul'23 vs. 10.7%/4.6% in Jul'22/Jun'23, the best in five months). Additionally, net exports added 0.6pp to EAI-GDP growth as real imports contracted faster than real exports (*Exhibits 3, 4*).

Exhibit 1: EAI-GVA growth accelerated to 7.6% in Jul'23 vs. 9.5% a year agoPlease refer to our earlier [report](#) for details**Exhibit 2: ...on the back of robust industrial sector growth and continued momentum in services**

Source: Various national sources, CEIC, MOFSL

Exhibit 3: EAI-GDP grew 22.4% in Jul'23, the best in 27 monthsPlease refer to our earlier [report](#) for details**Exhibit 4: ...majorly led by massive growth in fiscal spending**Contribution of various components to EAI-GDP
Source: Various national sources, CEIC, MOFSL

Private consumption, thus, grew 5.4% YoY in Jul'23 vs. 2.7%/3.8% in Jul'22/Jun'23, the highest in three months

The non-farm sector increased 8.3% YoY in Jul'23, vs. 10.1%/6.8% YoY in Jul'22/Jun'23

- **Consumption growth at 14-month high in Jul'23...:** The total consumption growth was 26% YoY in Jul'23 vs. -1.3%/4.3% YoY in Jul'22/Jun'23. This was largely led by a massive increase of 276% YoY in government revenue spending during the month (-53.8%/7.5% in Jul'22/Jun'23). Petrol sales continued to maintain its robust growth momentum. On the other hand, auto sales declined 2.6% in Jul'23 vs. 10.3%/1.8% in Jul'22/Jun'23, the lowest in 15 months. Private consumption, thus, grew 5.4% YoY in Jul'23 vs. 2.7%/3.8% in Jul'22/Jun'23, the highest in three months. (*Exhibit 11 for the heat map*).
- **...and investments continued to remain resilient:** According to our estimates, investments grew 8.2% YoY in Jul'23 vs. 10.7%/4.6% YoY in Jul'22/Jun'23. An increase in capital goods imports, strong diesel sales, higher steel and cement output, and an expected acceleration in IIP for capital goods are the key drivers of robust investments growth in Jul'23 (*Exhibit 12 for the heat map*). Apart from this, government's focus on higher capex continues to support investment growth. External trade added 0.6pp to EAI-GDP growth, as real merchandise imports fell faster than real imports.
- **Non-farm sector propelled higher EAI-GVA growth:** EAI-GVA details suggest that the acceleration in growth was mainly led by an eight-month high growth in the industrial sector (10% in Jul'23 vs. 8.1% in Jun'23 and 4.6% in Jul'22). In the industry, increased mining activity has been supported by robust coal and natural gas production due to a deficient monsoon. Additionally, there are high expectations for improved manufacturing output growth and robust construction

activity, led by increased government capex.

Even the services sector continued its robust growth momentum, printing at 7.9% YoY in Jul'23. Thus, the non-farm sector increased 8.3% YoY in Jul'23 vs.

10.1%/6.8% YoY in Jul'22/Jun'23. Within the services sector, higher government spending growth, continued double-digit deposit growth, and a 16-year high PMI services print led to this robust growth. On the contrary, the farm sector remained muted. It grew 2.4% YoY in Jul'23 vs. 3.6%/3.1% in Jul'22/Jun'23, the worst in three months, led by poor tractor sales growth and deteriorating reservoir levels. Deficient monsoon (overall deficit of 11% as of Sep 4) and marginally higher sowing growth (0.4% higher than last year) would further adversely affect farm activity (*Exhibit 13-14 for the heat map*).

- **Economic activity expected to remain robust in Aug'23:** Economic activity appears to have remained resilient in Aug'23 as well. Three-month high manufacturing PMI, strong services PMI, robust toll collections growth, double-digit growth in PV sales, five-month high growth in CV sales, higher growth in rail passenger traffic, rail freight traffic, and power generation assert continued strength of the non-farm sector in Aug'23. Falling water reservoir levels amid weak monsoon may keep farm sector subdued (please see *Exhibit 14*).
- **Real GDP growth expected at 6% with upward bias in 2QFY24:** At 7.8% YoY, real GDP growth was in line with the market consensus, but slightly lower than the RBI's forecast of 8%. Although there is no one-to-one correlation between our EAI's and the official GVA/GDP growth due to the underlying differences, our composite indices move in sync with the official real GDP (ex-discrepancies) and real GVA estimates (*Exhibits 9, 10*). We expect 2QFY24 real GDP growth at ~6% YoY, compared to the RBI's forecast of 6.5%. However, with a strong performance in Jul'23 and continued resilience in Aug'23, our projections are certainly exhibiting a noticeable upward inclination.

We expect 2QFY24 real GDP growth at ~6% with upward bias

Exhibit 5: Consumption growth increased to 26% in Jul'23, the highest in 14 months

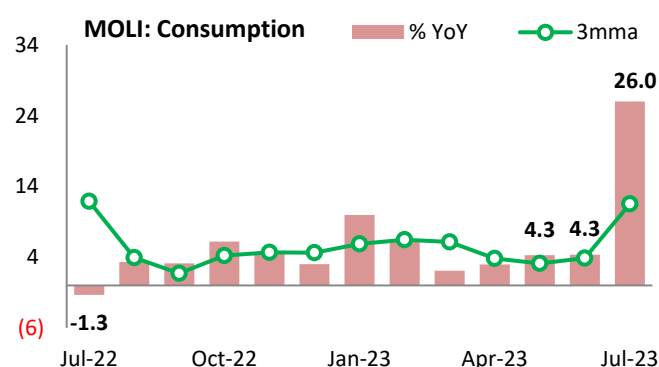


Exhibit 6: ...and investment growth likely at five-month high during the month

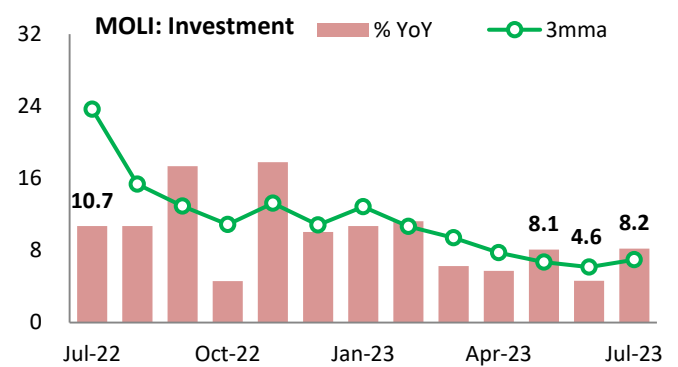
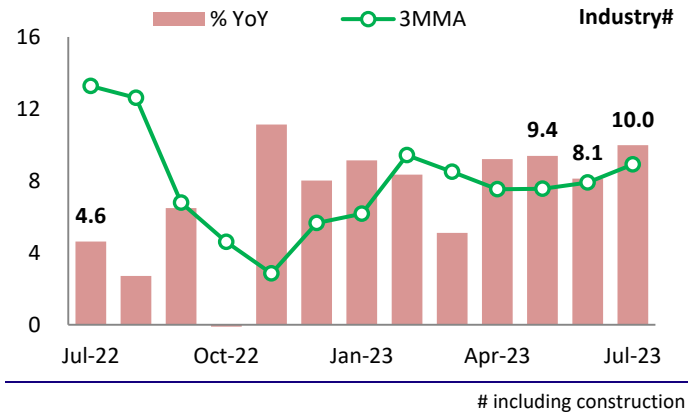
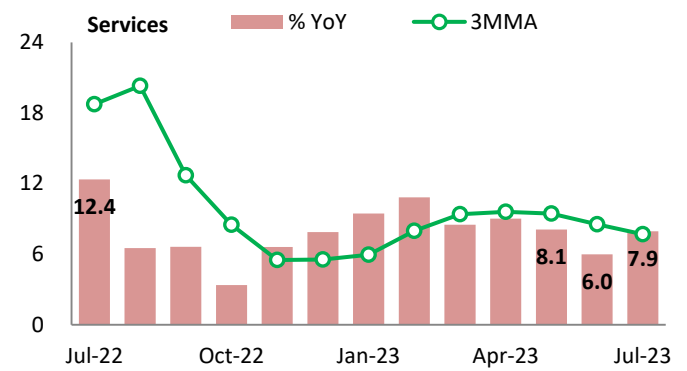
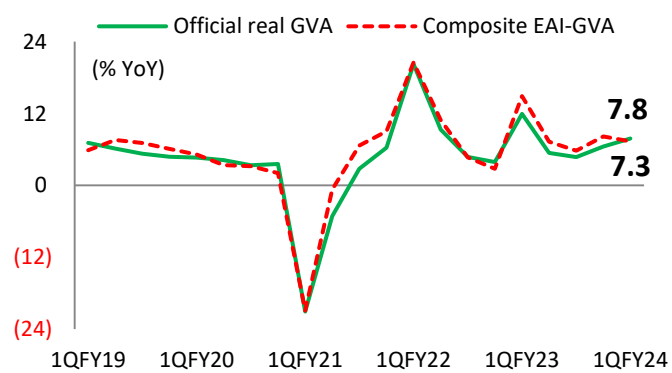
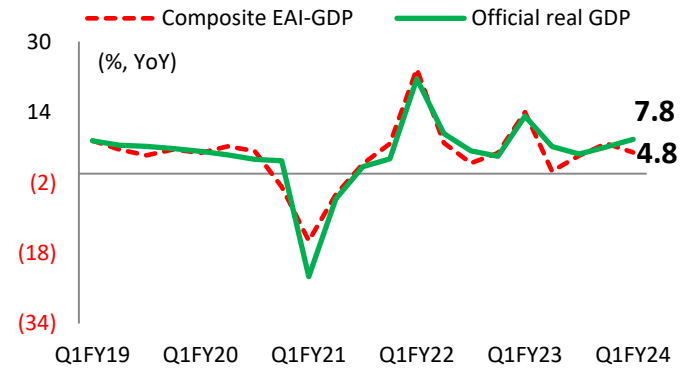


Exhibit 7: Industrial activity grew 10% in Jul'23...**Exhibit 8: ...and services continued to remain robust****Exhibit 9: EAI-GVA moves in line with the official real GVA...**

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 ⁶	Personal credit ⁷	Services PMI
Jul-22	166.5	(53.8)	6.8	(0.6)	(2.9)	8.1	10.3	36.1	783.9	18.7	55.5
Aug-22	111.4	(7.3)	11.7	(0.9)	(9.0)	8.1	17.6	36.0	437.3	19.4	57.2
Sep-22	86.3	6.5	8.8	(1.5)	(5.7)	8.3	21.0	11.7	363.7	19.4	54.3
Oct-22	61.0	51.5	8.9	(1.0)	(13.0)	9.3	5.7	5.0	243.2	20.1	55.1
Nov-22	49.4	(7.8)	8.2	0.3	10.0	7.7	19.4	4.2	165.3	19.6	56.4
Dec-22	39.7	(19.7)	5.9	0.4	7.9	8.2	4.5	(2.2)	204.2	20.0	58.5
Jan-23	66.0	23.7	14.3	0.3	6.5	8.6	7.2	(6.6)	330.8	20.4	57.2
Feb-23	31.2	2.5	8.8	(0.1)	12.5	8.1	9.3	(13.3)	259.4	20.4	59.4
Mar-23	20.8	(14.0)	6.8	(0.3)	(1.9)	7.8	8.1	(13.8)	132.5	20.6	57.8
Apr-23	20.5	5.6	2.9	(0.5)	10.8	7.7	19.3	(12.4)	53.7	19.4	62.0
May-23	17.8	(27.6)	11.0	(0.2)	8.4	7.8	16.7	6.7	77.0	19.2	61.2
Jun-23	12.8	7.5	6.2	0.6	1.2	4.1	1.8	(7.1)	38.7	20.9	58.5
Jul-23	11.0	275.9	6.3	0.6	11.5	4.4	(2.6)	(3.2)	17.0	18.4	62.3

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 forecasts⁷ Excluding the impact of non-merger

	Worse than previous month and a year ago
	Worse than the previous month but better than a year ago
	Better than the previous month but worse than a year ago
	Better than previous month and a year ago

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-22	10.6	2.3	48.3	8.1	31.1	0.5	0.0	5.1	10.5	98.5	56.4
Aug-22	7.7	1.4	47.2	13.1	29.0	2.1	1.4	4.3	11.4	0.5	56.2
Sep-22	11.1	11.6	51.5	13.4	29.5	12.4	9.6	11.4	12.6	57.5	55.1
Oct-22	2.1	1.2	34.1	5.6	10.3	(4.2)	(3.6)	(2.9)	13.6	176.5	55.3
Nov-22	4.1	12.7	36.9	19.2	15.1	29.1	20.7	20.7	13.1	87.1	55.7
Dec-22	5.5	10.4	23.6	6.6	13.8	9.5	7.4	7.8	8.6	(63.7)	57.8
Jan-23	6.6	12.7	32.1	12.7	5.4	4.6	1.2	10.5	8.7	59.8	55.4
Feb-23	6.3	8.2	30.7	7.5	18.0	7.4	2.1	11.0	7.0	(53.2)	55.4
Mar-23	3.0	(1.6)	30.3	1.1	9.6	(0.6)	(1.0)	10.0	5.7	125.4	56.4
Apr-23	2.7	(1.1)	22.7	8.6	3.1	12.0	6.8	4.6	7.0	(0.6)	57.2
May-23	2.4	0.8	16.4	12.7	10.7	15.3	10.0	8.1	6.0	217.4	58.7
Jun-23	(1.1)	4.2	24.7	3.1	(1.7)	9.9	4.6	2.2	8.1	62.8	57.8
Jul-23	2.5	6.9	25.8	3.9	8.2	7.1	1.7	9.6	5.2	14.9	57.7

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	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
Agriculture and allied activities													
IIP: Fertiliser	6.2	11.9	11.8	5.4	6.4	7.3	17.9	22.2	9.7	23.5	9.7	3.4	3.3
Domestic tractor sales	(12.2)	(1.0)	18.9	3.6	4.4	19.2	16.0	11.8	10.1	(13.0)	(2.4)	(0.7)	(0.0)
Real rural wages ¹	(0.6)	(0.9)	(1.5)	(1.0)	0.3	0.4	0.3	(0.1)	(0.3)	(0.5)	(0.2)	0.6	0.6
Reservoir levels	18.9	36.0	11.5	13.2	8.5	5.8	2.9	0.4	(4.2)	(1.8)	0.6	(2.0)	(15.3)
Agriculture sector	3.6	5.0	4.9	4.3	3.9	4.5	3.8	3.3	3.5	1.8	3.0	3.1	2.4
Industrial sector													
Coal	11.4	7.7	12.1	3.7	12.3	12.3	13.6	9.0	11.7	9.1	7.2	9.8	14.9
Crude oil	(3.8)	(3.3)	(2.3)	(2.2)	(1.1)	(1.2)	(1.1)	(4.9)	(2.8)	(3.5)	(1.9)	(0.6)	2.1
Natural gas	(0.3)	(0.9)	(1.7)	(4.2)	(0.7)	2.6	5.2	3.1	2.7	(2.9)	(0.3)	3.5	8.9
IIP: Mining	(3.3)	(3.9)	5.2	2.6	9.7	10.1	9.0	4.8	6.8	5.1	6.4	7.6	10.4
Mining	(1.3)	(1.8)	5.2	2.5	8.9	8.8	8.2	1.6	5.2	3.6	5.3	7.3	11.8
Electricity	2.3	1.4	11.6	1.2	12.7	10.4	12.7	8.2	(1.6)	(1.1)	0.8	4.2	6.9
IIP: Manufacturing	3.1	(0.5)	2.0	(5.8)	6.7	3.6	4.5	5.9	1.5	5.2	5.8	3.1	7.6
Credit growth ²	(3.2)	(1.0)	1.8	4.5	6.5	3.4	3.8	3.0	4.3	7.8	10.0	12.7	7.2
Fuel consumption	5.9	11.3	6.8	(1.4)	11.0	3.0	7.5	3.7	0.9	8.7	14.9	2.8	2.1
Manufacturing	5.7	3.5	5.6	(1.2)	10.5	7.0	8.1	8.9	5.1	9.3	10.6	7.7	10.8
Steel production	7.5	5.8	7.7	6.5	11.5	12.3	14.3	12.4	12.1	16.6	10.9	20.8	13.5
Cement output	0.7	2.1	12.4	(4.3)	29.1	9.5	4.7	7.4	(0.2)	12.4	15.3	9.9	7.1
IIP: NMMP ³	0.0	1.4	9.6	(3.6)	20.7	7.4	1.2	2.1	(1.0)	6.8	10.0	4.6	6.4
Construction	4.8	3.0	8.2	1.7	14.3	11.0	11.3	9.0	7.2	15.0	11.3	11.3	7.1
Industry	4.6	2.7	6.5	(0.6)	11.1	8.0	9.1	8.3	5.1	9.2	9.4	8.1	10.0
Services sector													
Auto sales	12.0	18.9	22.5	7.2	20.6	5.9	8.8	10.8	9.8	19.4	16.6	3.1	(1.0)
Trade credit ⁴	0.1	3.9	9.7	7.7	9.3	8.4	11.5	12.4	16.1	19.2	21.9	22.3	18.7
Foreign tourist arrivals													
Freight traffic ⁵	(6.3)	(4.4)	(5.4)	(2.6)	1.9	0.7	(0.5)	1.2	3.5	10.3	20.4	29.9	24.6
Passengers traffic ⁵													
MFs AUMs	(4.3)	(2.6)	1.7	0.2	3.5	4.0	5.5	6.1	8.1	11.0	15.6	20.4	14.5
Fiscal Spending ⁶	(3.0)	(2.9)	(1.4)	(1.6)	(1.8)	(0.7)	0.1	0.3	0.5	0.4	0.2	0.1	0.1
Real deposits ⁷	22.2	0.9	(1.6)	(5.7)	(0.4)	5.4	11.1	14.7	7.8	7.1	3.7	(1.2)	13.6
Telecom subscribers	(3.0)	(2.9)	(1.4)	(1.6)	(1.8)	(0.7)	0.1	0.3	0.5	0.4	0.2	0.1	0.1
PMI: Services	22.2	0.9	(1.6)	(5.7)	(0.4)	5.4	11.1	14.7	7.8	7.1	3.9	(1.2)	12.3
Services sector	12.4	6.5	6.6	3.4	6.6	7.9	9.5	10.8	8.5	9.0	8.1	6.0	7.9
Aggregates													
EAI-GVA	9.5	5.6	6.8	2.5	7.5	7.5	8.7	9.1	6.8	7.5	8.0	6.6	7.6
Non-farm EAI-GVA	10.1	5.6	7.0	2.2	8.2	8.1	9.4	9.9	7.3	8.7	8.6	6.8	8.3

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: Economic activity shows a mixed picture in jul'23

% YoY	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
% YoY Water reservoir levels	36.0	11.5	13.2	8.5	5.8	2.9	0.4	-4.2	-1.8	0.6	-5.6	-15.3	-23.2
Index PMI: Manufacturing	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6
% YoY Toll collection (Units)	35.2	33.9	32.1	33.4	27.2	30.2	18.4	13.3	14.9	17.5	13.7	11.3	13.3
USD b FX reserves	560.4	532.7	534.0	553.2	562.7	574.4	562.7	578.4	590.1	590.7	595.1	605.8	594.9
% YoY Currency in circulation	8.1	8.0	9.0	7.9	8.2	8.6	8.2	7.7	7.6	6.9	4.4	4.4	4.0
% YoY Vahaan registrations	7.5	7.5	48.5	19.0	-6.3	14.2	16.6	14.8	-3.2	11.0	10.1	10.4	8.6
% YoY PVs sales	91.3	342.5	78.7	72.9	108.8	57.3	44.9	110.2	52.7	48.1	44.1	3.0	22.5
% YoY CVs sales	35.4	37.0	12.9	9.0	14.2	2.9	5.0	11.4	-5.8	-6.6	-2.4	-0.1	7.5
% YoY Air cargo traffic	-6.4	-16.3	-21.8	1.0	-6.5	-5.6	-5.0	-1.2	-2.5	-5.6	-1.7	-7.3	9.4
% YoY Rail passenger traffic	-13.9	-20.5	-29.2	-18.9	-19.9	9.2	-19.0	-22.7	-17.1	-15.7	-11.5	6.2	7.6
% YoY Rail freight traffic	7.7	9.2	1.4	5.4	3.0	3.8	3.6	3.8	6.9	1.9	-1.9	1.5	6.4
% YoY Power Generation	3.1	13.8	3.1	14.3	13.7	18.3	13.8	4.6	7.4	4.9	8.7	11.6	19.3

¹ In terms of daily data² Data as of 21st July, 2023³ PV sales based on data for Maruti, Tata Motors and Mahindra & Mahindra⁴ CV sales derived from Ashok Leyland, Eicher Motors Ltd., M&M; Tata motors

Source: Various national sources, CEIC, MOFSL

	Worse than previous month and a year ago
	Worse than the previous month but better than a year ago
	Better than the previous month but worse than a year ago
	Better than previous month and a year ago

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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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Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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