

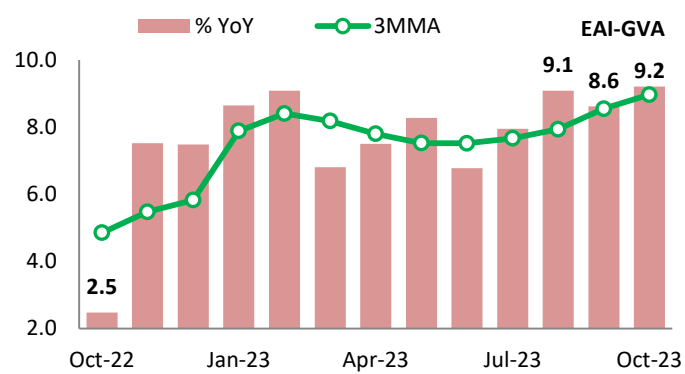
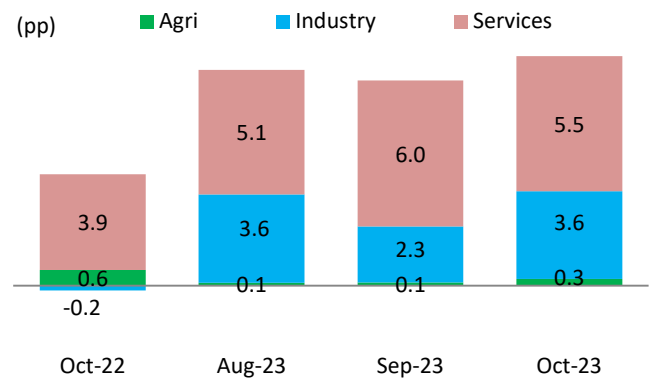
EAI – Monthly Dashboard: Economic activity strengthened in Oct'23...

...but could start weakening from Nov'23

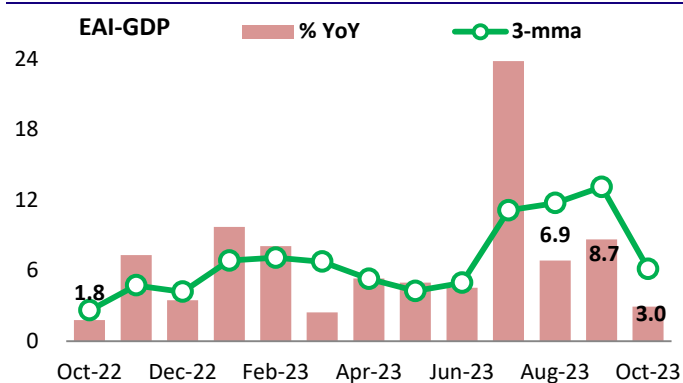
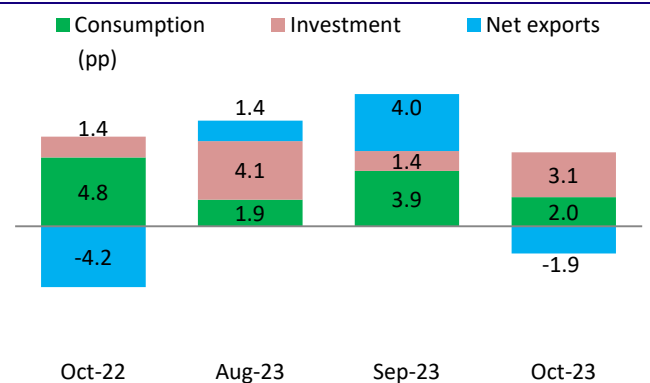
- Preliminary estimates indicate that India's EAI for GVA strengthened further. It grew at a 14-month high of 9.2% YoY in Oct'23 (vs. 8.6%/2.5% YoY in Sep'23/Oct'22). The acceleration in growth (vs. Oct'22) was led by a sustained broad-based growth in the industrial sector (up 13% YoY), and a strong growth in the services sector (up 9.7% YoY) in Oct'23. On the contrary, farm sector growth remained muted at 1.8% YoY in Oct'23.
- However, EAI-GDP growth decelerated to a 7-month low of 3.0% YoY in Oct'23 (vs. 8.7%/1.8% YoY in Sep'23/Oct'22). The slowdown in growth was led by consumption, which decelerated to 2.5% YoY in Oct'23 (vs. 4.9%/6.2% Sep'23/Oct'22), and contraction in net exports as imports grew much faster than exports. On the other hand, investment growth jumped up to 12.5% YoY in Oct'23 (vs. 4.4%/6.1% in Sep'23/Oct'22). Excluding fiscal spending, EAI-GDP grew 4.5% in Oct'23 vs. 9.1% in Sep'23.
- High-frequency indicators for Nov'23 suggest a slowdown in momentum with six out of ten high frequency indicators reflecting a decline in economic activity. Rail freight traffic and rail passenger traffic witnessed contraction for the first time in four months. CV/PV sales growth and power generation growth decelerated sharply in Nov'23. Additionally, water reservoir level continued to contract for the ninth consecutive month. On the other hand, manufacturing PMI increased, Vaahan registrations witnessed a double-digit growth, toll collections and air cargo traffic remained robust.
- India's real GDP growth came in at a much higher rate of 7.6% in 2QFY24, beating all estimates. Our calculations suggest that EAI-GVA growth remained strong at 9.2% in Oct'23. High frequency indicators for Nov'23, however, suggest a deceleration in growth. Therefore, we expect growth to ease to 5.8% YoY in 3QFY24. Despite this, we do expect some slowdown in growth in 2HFY24.

Preliminary estimates indicate that India's EAI for GVA grew 9.2% YoY in Oct'23 (vs. 8.6%/2.5% YoY in Sep'23/Oct'22).

- **EAI-GVA grew 9.2% in Oct'23....:** Preliminary estimates indicate that India's EAI for GVA strengthened further. It grew at a 14-month high of 9.2% YoY in Oct'23 (vs. 8.6%/2.5% YoY in Sep'23/Oct'22). The acceleration in growth (vs. Oct'22) was led by a sustained broad-based growth in the industrial sector (up 13% YoY), and a strong growth in the services sector (up 9.7% YoY) in Oct'23. On the contrary, farm sector growth remained muted at 1.8% YoY in Oct'23. (*Exhibits 1, 2*).
- **... and EAI-GDP growth decelerated to 3%, led by a slowdown in consumption:** However, EAI-GDP growth decelerated to a 7-month low of 3% YoY in Oct'23 (vs. 8.7%/1.8% YoY in Sep'23/Oct'22). The slowdown in growth was led by consumption, which decelerated to 2.5% YoY in Oct'23 (vs. 4.9%/6.2% Sep'23/Oct'22), and contraction in net exports as imports grew much faster than exports. On the other hand, investment growth jumped up to 12.5% YoY in Oct'23 (vs. 4.4%/6.1% in Sep'23/Oct'22). Excluding fiscal spending, EAI-GDP grew 4.5% in Oct'23 vs. 9.1% in Sep'23. (*Exhibits 3, 4*).

Exhibit 1: EAI-GVA grew 9.2% in Oct'23 vs. 2.5% in Oct'22...Please refer to our earlier [report](#) for details**Exhibit 2: ...on the back of robust non-farm sector**

Source: Various national sources, CEIC, MOFSL

Exhibit 3: EAI-GDP growth eased to 3% YoY in Oct'23...Please refer to our earlier [report](#) for details**Exhibit 4: ...led by weak consumption**Contribution of various components to EAI-GDP
Source: Various national sources, CEIC, MOFSLPrivate consumption grew
4.1% YoY in Oct'23

- **Consumption weakened in Oct'23...** Total consumption growth slowed down to 2.5% YoY in Oct'23 vs. 4.9%/6.2% YoY in Sep'23/Oct'22. It was led by a double-digit contraction in government revenue spending and deceleration in petrol sales growth. On the other hand, personal credit and auto sales growth remained robust. Excluding fiscal, private consumption grew at 4.1% YoY in Oct'23 (*Exhibit 11 for the heat map*).
- **...and investment growth accelerated to 12.5% in Oct'23:** According to our estimates, investment growth accelerated to 12.5% YoY in Oct'23 vs. 4.4%/6.1% YoY in Sep'23/Oct'22. It can be attributed to higher steel and cement output and recovery in capital goods imports (*Exhibit 12 for the heat map*). On the other hand, capital spending by the central Govt. contracted during the month. External trade subtracted 1.9pp from EAI-GDP growth, primarily due to real merchandise imports growing at a faster rate than real exports.
- **Non-farm sector supported EAI-GVA growth in Oct'23:** The non-farm sector grew at a 16-month high of 10.6% YoY in Oct'23 vs. 9.1%/2.2% YoY in Sep'23/Oct'22. Details suggest that the acceleration was driven by an expected strong growth in IIP-manufacturing, higher fuel consumption, robust construction activity, strong auto sales growth, higher PMI manufacturing, and robust coal production (*Exhibit 13-14 for the heat map*). On the contrary, farm sector growth decelerated due to poor tractor sales growth and deteriorating reservoir levels.

Real GDP growth could be 6.5-6.6% in FY24, better than our forecasts, but in line with the RBI's projections

- **High-frequency indicators for Nov'23 portray slowdown in growth:** High-frequency indicators for Nov'23 suggest a slowdown in momentum with six out of ten key indicators reflecting a decline in economic activity. Rail freight traffic and rail passenger traffic witnessed contraction for the first time in four months. CV/PV sales growth and power generation growth decelerated sharply in Nov'23. Additionally, water reservoir level continued to contract for the ninth consecutive month. On the other hand, manufacturing PMI increased, Vaahan registrations witnessed a double-digit growth, toll collections and air cargo traffic remained robust. (*Exhibit 14*).
- **Real GDP growth:** India's real GDP growth came in at a much higher rate of 7.6% in 2QFY24, beating all estimates. Our calculations suggest that EAI-GVA growth remained strong at 9.2% in Oct'23. However, high-frequency indicators for Nov'23 signal a potential slowdown. Therefore, we expect a moderation in growth to 5.8% YoY in 3QFY24. Despite this, we do expect some slowdown in growth in 2HFY24.
- Although there is no one-to-one correlation between our EAI 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*).

Exhibit 5: Consumption growth weakened to 2.5% in Oct'23...

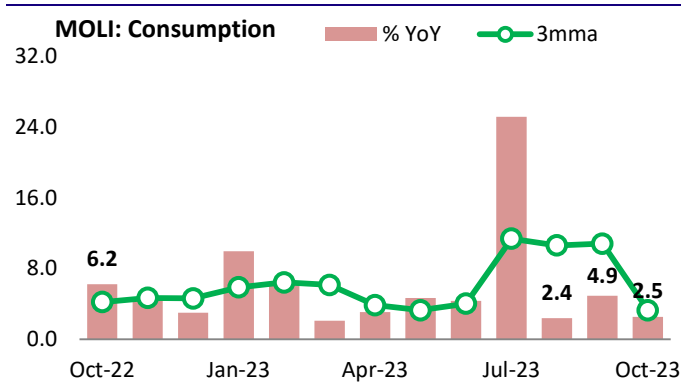


Exhibit 6: ...while investment growth accelerated to 12.5%

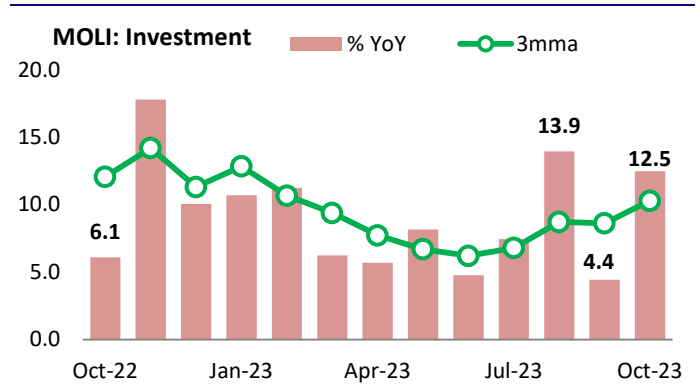


Exhibit 7: Industrial activity growth improved to 13% in Oct'23 from 8.3% in Sep'23...

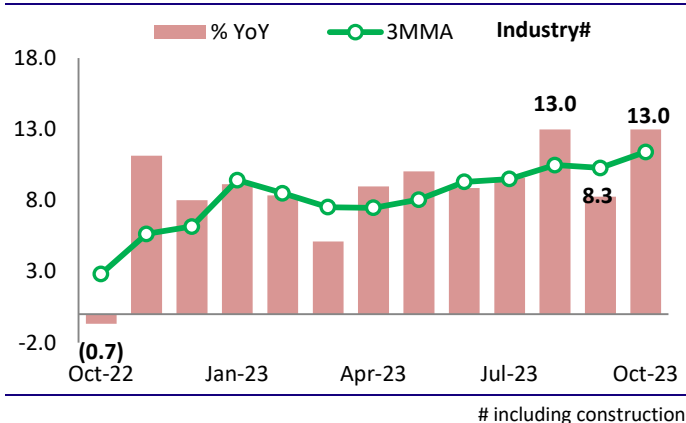


Exhibit 8: ...and services sector grew 9.7% in Oct'23, almost the same as in Sep'23

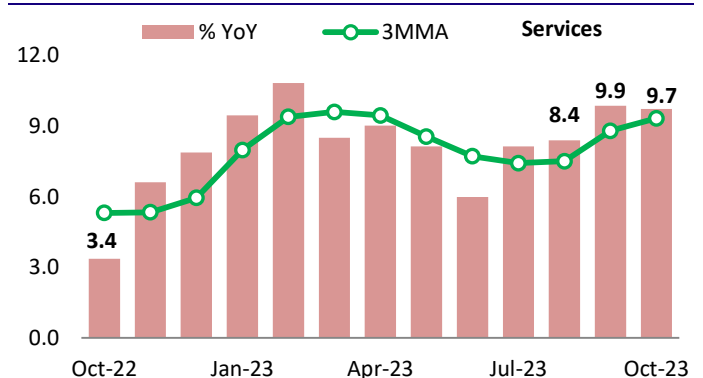
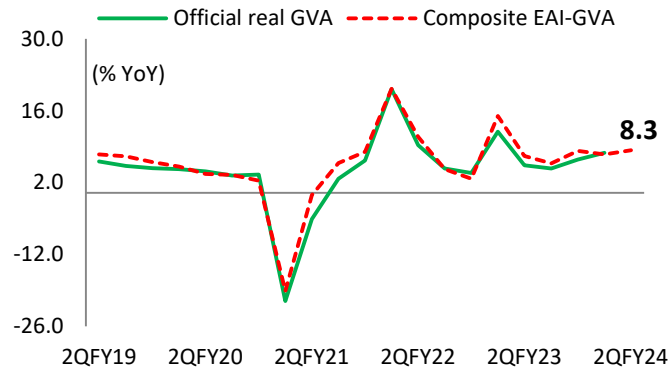
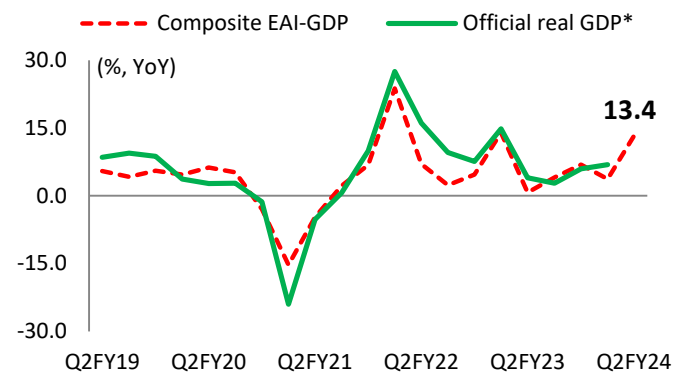


Exhibit 9: EAI-GVA moves in line with the official real GVA...



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
Oct-22	61.0	51.5	8.9	(1.0)	(13.0)	9.3	5.7	5.0	243.2	20.5	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	21.0	57.8
Apr-23	20.5	5.6	2.9	(0.4)	11.4	7.7	19.3	(12.4)	53.7	19.4	62.0
May-23	17.8	(27.6)	11.0	0.8	8.9	7.8	16.7	6.7	41.3	19.2	61.2
Jun-23	12.8	7.5	6.2	0.8	0.5	4.1	1.8	(7.1)	24.0	20.9	58.5
Jul-23	11.0	275.9	6.3	(0.4)	7.9	4.4	(2.6)	(3.3)	13.6	18.4	62.3
Aug-23	10.0	(8.1)	2.9	(0.1) ⁶	9.6	4.0	4.7	2.1	22.6	18.3	60.1
Sep-23	4.6	3.1	8.2	0.3 ⁶	2.7	4.3	3.4	(2.9)	17.5	18.2	61.0
Oct-23	8.6	(21.6)	4.8	0.5 ⁶	14.1 ⁶	2.6	22.3	7.6	(1.0) ⁶	18.0	58.4

¹ Railways and aviation³ Real rural wages; deflated by CPI for rural workers⁵ Imports of agricultural items, leather products, newsprint and electronic goods, textiles (excluding gold, silver, precious metals)⁶ Our forecasts² Revenue spending less interest payments of the central government⁴ Includes passenger vehicles and two-wheelers

	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
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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 ⁵	Manufacturing PMI
Oct-22	2.0	1.2	34.1	5.6	22.5	(4.2)	(3.6)	(2.9)	13.5	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	5.6	125.4	56.4
Apr-23	2.7	(1.1)	21.2	8.6	3.1	12.0	7.1	4.4	7.0	(0.6)	57.2
May-23	2.4	0.8	15.4	12.7	10.7	15.9	10.4	8.1	6.0	217.4	58.7
Jun-23	(1.1)	4.2	24.2	3.0	(1.7)	9.9	4.8	2.9	8.0	62.8	57.8
Jul-23	2.5	8.0	24.1	3.9	8.2	6.9	6.4	4.5	5.2	14.9	57.7
Aug-23	5.7	15.3	30.0	5.1	13.9	19.3	15.3	13.1	6.1	29.9	58.6
Sep-23	4.5	9.9	25.8	3.8	(22.8)	4.6	4.7	7.4	6.5	29.0	57.5
Oct-23	10.3	20.3	25.7	9.3	(5.5)	17.1	6.0 ⁴	15.3 ⁴	5.4	(14.9)	55.5

¹ Railways and waterways² Includes commercial vehicles and three-wheelers³ Machinery and equipment, transport equipment, machine tools and project goods⁵ Capital spending of the central government⁴ 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

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Exhibit 13: Key indicators used in the creation of EAI-GVA on a monthly basis

% YoY	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Agriculture and allied activities													
IIP: Fertiliser	5.4	6.4	7.3	17.9	22.2	9.7	23.5	9.7	3.4	3.3	1.8	4.2	5.3
Domestic tractor sales	3.6	4.4	19.2	16.0	11.8	10.1	(13.0)	(2.4)	(0.7)	(0.0)	(4.1)	(15.6)	(5.3)
Real rural wages ¹	(1.0)	0.3	0.4	0.3	(0.1)	(0.3)	(0.4)	0.8	0.8	(0.4)	(0.1) ⁸	0.3 ⁸	0.5 ⁸
Reservoir levels	13.2	8.5	5.8	2.9	0.4	(4.2)	(1.8)	(3.9)	(2.0)	(15.3)	(23.2)	(15.9)	(20.4)
Agriculture sector	4.3	3.9	4.5	3.8	3.3	3.5	1.8	2.6	3.0	2.6	1.9	1.5	1.8
Industrial sector													
Coal	3.7	12.3	12.3	13.4	8.5	12.2	9.1	7.2	9.8	14.9	17.9	16.0	18.4
Crude oil	(2.2)	(1.1)	(1.2)	(1.1)	(4.9)	(2.8)	(3.5)	(1.9)	(0.6)	2.1	2.1	(0.4)	1.3
Natural gas	(4.2)	(0.7)	2.6	5.3	3.2	2.8	(2.9)	(0.3)	3.5	8.9	10.0	6.6	9.9
IIP: Mining	2.6	9.7	10.1	9.0	4.8	6.8	5.1	6.4	7.6	10.7	12.3	11.5	12.2 ⁸
Mining	2.5	8.9	8.8	8.1	1.5	5.3	3.6	5.3	7.3	11.9	13.4	10.6	12.6
Electricity	1.2	12.7	10.4	12.7	8.2	(1.6)	(1.1)	0.8	4.2	8.0	15.3	9.9	20.3
IIP: Manufacturing	(5.8)	6.7	3.6	4.5	5.9	1.5	5.5	6.3	3.5	5.0	9.3	4.5	10.3 ⁸
Credit growth ²	4.4	6.5	3.4	3.8	3.0	4.3	7.8	10.0	12.7	6.5	6.6	6.8	6.0
Fuel consumption	(1.4)	11.0	3.0	7.5	3.7	0.9	8.7	14.9	3.6	2.9	5.1	2.7	9.0
Manufacturing	(1.2)	10.5	7.0	8.1	8.9	5.1	9.5	11.0	8.2	8.6	12.3	8.1	13.4
Steel production	6.5	11.5	12.3	10.8	11.6	12.1	16.6	12.0	21.3	14.9	12.4	13.8	11.0
Cement output	(4.3)	29.1	9.5	4.6	7.4	(0.2)	12.4	15.9	9.9	6.9	19.3	4.6	17.1
IIP: NMMP ³	(3.6)	20.7	7.4	1.2	2.1	(1.0)	7.1	10.4	4.8	6.4	15.3	4.7	6.0 ⁸
Construction	1.7	14.3	11.0	11.3	9.0	7.2	13.4	13.0	13.3	12.4	13.5	7.5	8.4
Industry	(0.7)	11.1	8.0	9.1	8.3	5.1	9.0	10.0	8.9	9.6	13.0	8.3	13.0
Services sector													
Auto sales	7.2	20.6	5.9	8.8	10.8	9.8	19.4	16.6	3.1	(1.0)	6.2	4.7	22.5
Trade credit ⁴	7.7	9.3	8.4	11.5	12.4	16.1	19.2	21.9	22.4	18.6	14.8	16.5	19.5
Foreign tourist arrivals	...	...	...	...	...	...	...	...	...	...	...	...	...
Freight traffic ⁵	2.0	4.1	5.5	6.6	6.3	3.0	2.7	2.4	(1.1)	2.5	5.7	4.5	10.3
Passengers traffic ⁵	...	...	...	...	...	...	...	...	...	...	...	...	...
MFs AUMs	(2.6)	1.9	0.7	(0.5)	1.2	3.5	10.3	20.4	30.0	24.4	19.1	21.5	18.9
Fiscal Spending ⁶	59.7	(2.2)	(40.0)	27.5	(11.7)	7.8	4.2	7.4	31.2	172.1	1.5	12.0	(19.3)
Real deposits ⁷	0.2	3.5	4.0	5.5	6.1	8.1	11.0	15.6	20.5	14.3	13.7	13.5	13.5
Telecom subscribers	(1.6)	(1.8)	(0.7)	0.1	0.3	0.5	0.4	0.2	0.1	0.3	0.4	0.4	0.6
PMI: Services	(5.7)	(0.4)	5.4	11.1	14.7	7.8	7.1	3.9	(1.2)	12.3	5.1	12.3	6.0
Services sector	3.4	6.6	7.9	9.5	10.8	8.5	9.0	8.1	6.0	8.1	8.4	9.9	9.7
Aggregates													
EAI-GVA	2.5	7.5	7.5	8.6	9.1	6.8	7.5	8.3	6.8	7.9	9.1	8.6	9.2
Non-farm EAI-GVA	2.2	8.2	8.0	9.3	9.9	7.3	8.6	8.9	7.1	8.3	9.6	9.1	10.6

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

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Exhibit 14: Economic activity shows signs of weakening in Nov'23

% YoY	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23
% YoY Water reservoir levels	8.5	5.8	2.9	0.4	-4.2	-1.8	-3.9	-2.0	-15.3	-23.2	-15.9	-20.4	-20.5
Index PMI: Manufacturing	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0
% YoY Toll collection ¹ (Units)	33.4	27.2	30.2	18.4	13.3	14.9	17.5	13.7	11.3	13.3	15.4	13.0	12.3
USD b FX reserves ²	553.2	562.7	574.4	562.7	578.4	590.1	590.7	595.1	605.8	598.2	590.7	583.5	597.9
% YoY Currency in circulation ²	7.9	8.2	8.6	8.2	7.7	7.6	6.9	4.4	4.4	4.0	1.5	1.9	1.1
% YoY Vahaan registrations	18.8	-6.4	14.1	16.5	14.7	-3.4	10.9	10.2	10.6	9.4	20.8	-7.2	18.3
% YoY PVs sales ³	30.7	2.5	20.6	9.5	4.5	17.7	14.3	9.4	8.0	13.1	2.5	19.4	5.5
% YoY CVs sales ⁴	9.0	14.2	2.9	5.0	11.4	-5.8	-6.6	-2.4	-0.1	7.5	10.5	12.5	1.9
% YoY Air cargo traffic	1.0	-6.5	-5.6	-5.0	-1.2	-2.5	-5.6	-1.7	-7.3	9.4	27.1	23.9	13.9
% YoY Rail passenger traffic	-18.9	-19.9	9.2	-19.0	-22.7	-17.1	-15.7	-11.5	6.2	7.6	2.5	7.6	-13.4
% YoY Rail freight traffic	5.4	3.0	3.8	3.6	3.8	6.9	1.9	-1.9	1.5	6.4	6.8	8.8	-3.3
% YoY Power Generation	14.3	13.7	18.3	13.8	4.6	7.4	4.9	8.7	11.6	19.3	13.3	24.8	10.7

¹ In terms of daily data² Data as of 24th Nov, 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

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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	$\geq 15\%$
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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