

EAI – Monthly Dashboard: Economic activity weakened in Apr-May'24

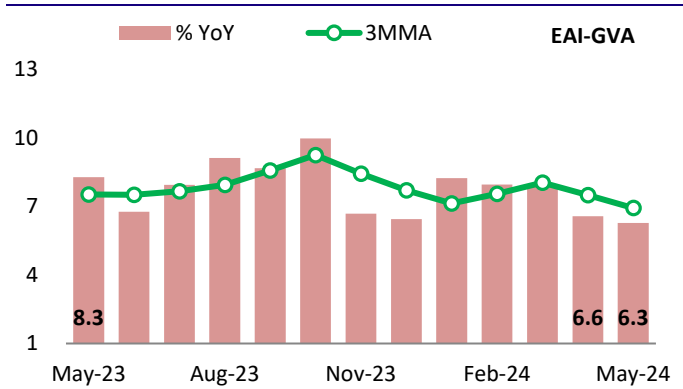
Expect real GDP growth of 6.5-7.0% in 1QFY25 vs. the RBI's projection of 7.3%

- Preliminary estimates indicate that India's EAI-GVA grew at a 19-month low rate of 6.3% YoY in May'24 (vs. 6.6%/8.3% in Apr'24/May'23), primarily led by 11-month slowest growth in the services sector (led by lower auto sales growth and contraction in core fiscal spending). At the same time, industrial sector growth remained buoyant at 7.6% in May'24, though moderated slightly (vs. 7.8%/10% in Apr'24/May'23). Farm sector growth remained muted at 2.6% in May'24.
- EAI-GDP, on the other hand, grew 1.7% YoY in May'24 (the slowest in five months) vs. 5.3%/3.4% YoY in May'23/Apr'24. Although consumption grew at the slowest pace in five months, it was only partly offset by a seven-month high growth in investments and a better contribution from foreign trade. Excluding fiscal spending, EAI-GDP grew 3.1% YoY in May'24, better than 2.5% YoY a month ago, but weaker than +6.1% YoY a year ago.
- Selected HFIs portray a mixed picture for Jun'24 growth. The growth slowed last month for some indicators, such as vaahan registrations, power generation, commercial vehicle (CV) sales, and air cargo traffic, while the manufacturing and services PMI remained robust, and toll collections continued to grow decently. Passenger vehicle (PV) sales grew 3.7% in Jun'24, better than the growth in May'24 (the slowest in 29 months), but much weaker than +9.4% YoY in Jun'23.
- During the past four quarters, India's real GDP growth has been much better than expected (close to or above 8%), beating all estimates. However, our estimates suggest that EAI-GVA for Apr-May'24 decelerated to a 19-month low of 6.4% and selected HFIs for Jun'24 portray a mixed picture for growth. Thus, we expect 1QFY25 real GDP growth in the range of 6.5-7.0%, lower than the RBI's projection of 7.3%.

Preliminary estimates indicate that India's EAI-GVA grew 6.6% YoY in May'24, the slowest in 19 months

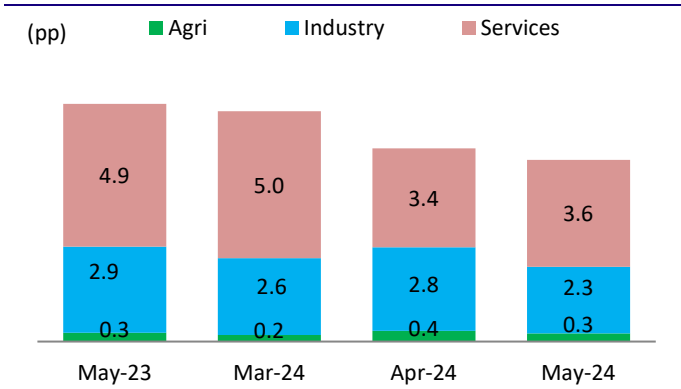
- **EAI-GVA growth at 19-month low in May'24:** Preliminary estimates indicate that India's EAI-GVA grew at a 19-month low rate of 6.3% YoY in May'24 (vs. 6.6%/8.3% in Apr'24/May'23), primarily led by 11-month slowest growth in the services sector (led by lower auto sales growth and contraction in core fiscal spending). At the same time, industrial sector growth remained buoyant at 7.6% in May'24, though moderated slightly (vs. 7.8%/10% in Apr'24/May'23). Farm sector growth remained muted at 2.6% in May'24. (Exhibits 1 and 2)
- **EAI-GDP growth at five-month low in May'24:** At the same time, EAI-GDP grew at a five-month lowest rate of 1.7% YoY in May'24 vs. 3.4%/5.3% YoY in Apr'24/May'23. Excluding fiscal spending, EAI-GDP grew 3.1% YoY in May'24, better than 2.5% YoY a month ago but weaker than 6.1% YoY a year ago (Exhibits 3, 4).

Exhibit 1: EAI-GVA growth at 6.3% YoY in May'24, slowest in 19 months...



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

Exhibit 2: ...led by deceleration in the services sector



Source: Various national sources, CEIC, MOFSL

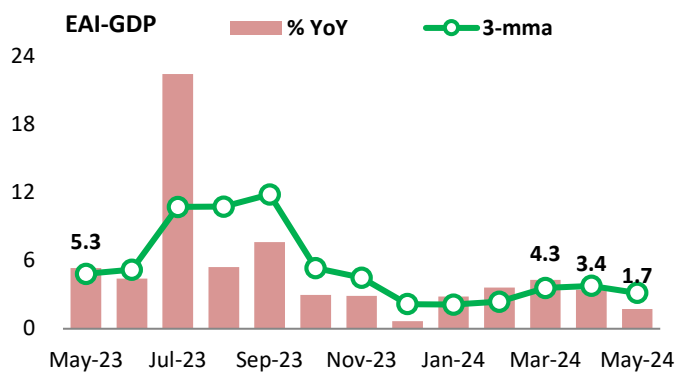
Nikhil Gupta – Research analyst (Nikhil.Gupta@MotilalOswal.com)

Tanisha Ladha – Research analyst (Tanisha.Ladha@MotilalOswal.com)

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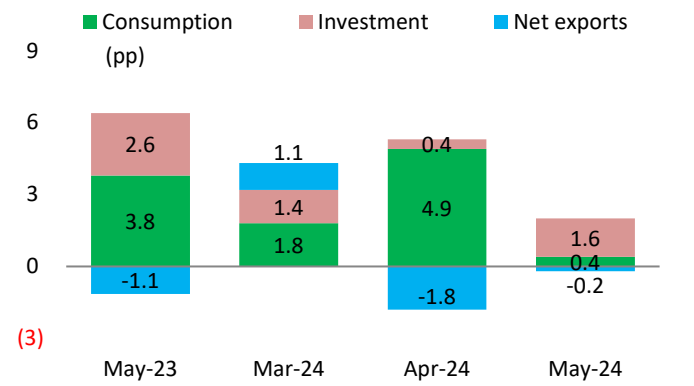
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 3: EAI-GDP grew slowly by just 1.7% YoY in May'24, slowest in five months



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

Exhibit 4: ...led by very weak consumption which was only partly offset by seven-month high growth in investments



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

Investments grew at a 7-month high rate of 6.4% YoY in May'24

- Consumption growth at five-month low of 0.8% in May'24:** Total consumption grew at a five-month slowest pace of 0.8% YoY in May'24 (vs. 6.8%/4.7% in Apr'24/May'23). Deceleration in total consumption was mainly led by four-month lowest growth in real fiscal spending (-10.7% YoY in May'24 vs. 15.7% in Apr'24 and -27.6% in May'23), first single-digit growth in auto sales after seven consecutive months of double-digit growth, and lower petrol sales growth. Private consumption grew 1.6% YoY in May'24 vs. 5.6% in Apr'24 and 6.8% in May'23 (*Exhibit 11 for details*).
- Investment growth at 7-month high of 6.4% in May'24:** According to our estimates, investments grew 6.4% YoY in May'24 (vs. 3.9%/9.1% YoY in Apr'24/Jan'24), highest in seven months. Higher growth in investment is attributed to robust growth in capital goods imports, acceleration in power generation growth and continued strong momentum in industrial credit. Capital spending of the government, however, contracted by a massive 50.3% YoY in May'24 (*Exhibit 12*).
- Non-farm sector growth weakened in Apr-May'24:** In terms of EAI-GVA, the non-farm sector grew at an average of 7% YoY in Apr-May'24, compared to an average growth of 8.8% YoY in Apr-May'23. Within the non-farm sector, construction and services sector weakened considerably, while the manufacturing activities seem to be growing decently. The farm sector growth was slightly better in Apr-May'24 vs. Apr-May'23 (*Exhibit 13*).
- HFIs portray a mixed picture for Jun'24 growth:** Selected HFIs portray a mixed picture for Jun'24 growth. The growth slowed last month for some indicators, such as vaahan registrations, power generation, commercial vehicle (CV) sales, and air cargo traffic, while the manufacturing and services PMIs remained robust, and toll collections continued to grow decently. PV sales grew 3.7% in Jun'24, better than the growth in May'24 (the slowest in 29 months), but much weaker than +9.4% YoY in Jun'23. (*Exhibit 14*).
- Expect real GDP growth at 6.5%-7% YoY in 1QFY25, slower than RBI's projection of 7.3%:** During the past four quarters, India's real GDP growth has been much better than expected (close to or above 8%), beating all estimates. However, our estimates suggest that EAI-GVA for Apr-May'24 decelerated to 19-month low of 6.4% and selected HFIs for Jun'24 portray a mixed picture for growth. Thus, we expect 1QFY25 real GDP growth in the range of 6.5-7.0%, lower than RBI's projection of 7.3% (*Exhibits 9, 10*).

Exhibit 5: Total consumption grew at 5-month low of 0.8% YoY in May'24

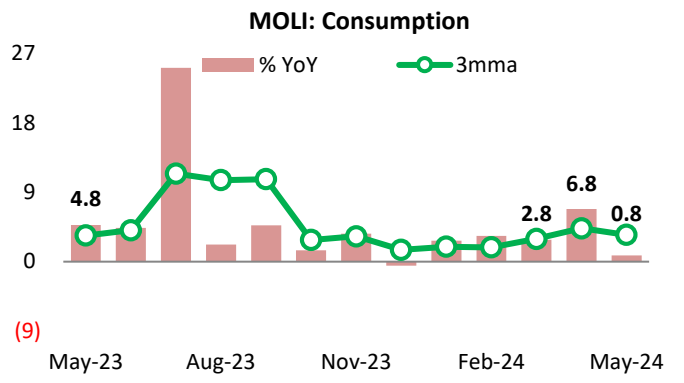


Exhibit 6: Investment growth stood at a seven-month high of 6.4% in May'24

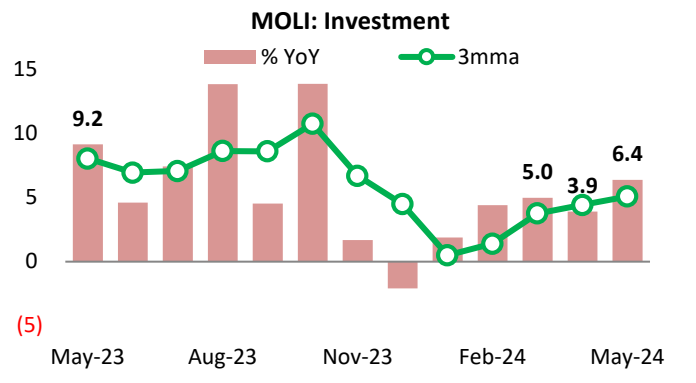


Exhibit 7: Industrial sector growth moderated slightly to 7.6% YoY in May'24...

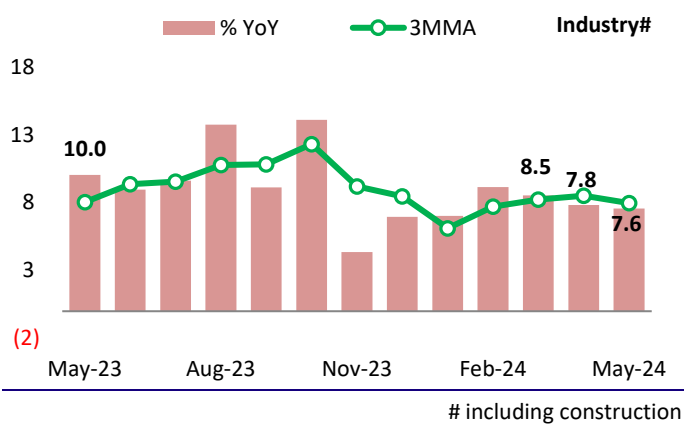


Exhibit 8: ...while services sector growth decelerated sharply to 6.2% YoY in the month

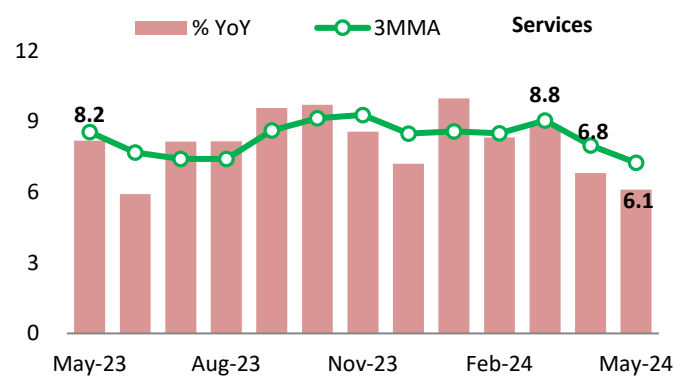
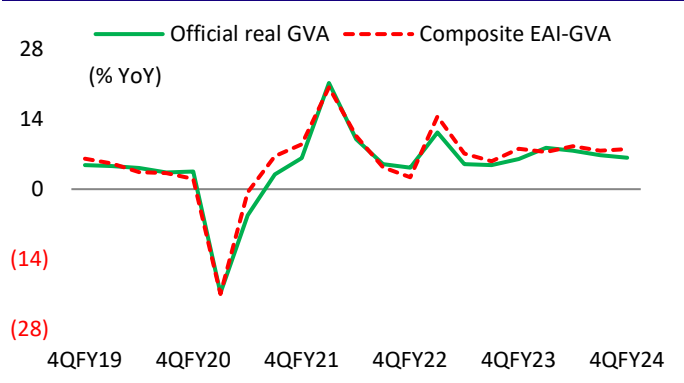
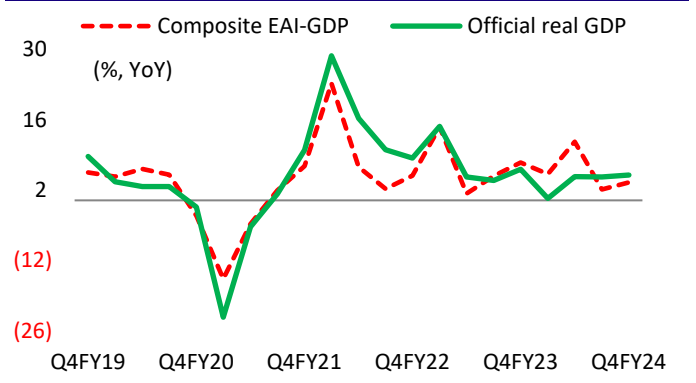


Exhibit 9: EAI-GVA moves in line with the official real GVA



Source: CEIC, Various official sources, MOFSL

Exhibit 10: EAI-GDP moves in line with official real 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	Services PMI
May-23	17.8	(27.6)	11.0	1.0	8.9	7.8	16.7	6.7	34.3	19.5	61.2
Jun-23	12.8	7.5	6.2	1.0	0.5	4.1	1.8	(7.1)	18.4	21.2	58.5
Jul-23	11.0	275.9	6.2	(0.2)	8.3	4.4	(2.6)	(3.3)	13.6	15.8	62.3
Aug-23	10.0	(8.1)	2.9	(0.4)	9.9	4.0	4.7	2.1	22.6	15.6	60.1
Sep-23	4.6	3.1	8.2	(0.0)	2.7	4.3	3.4	(2.9)	17.5	15.6	61.0
Oct-23	8.6	(21.6)	4.8	(0.6)	9.3	2.7	22.3	7.6	19.8	18.0	58.4
Nov-23	8.9	7.7	9.4	(1.1)	(3.4)	4.3	29.4	(1.4)	31.8	18.6	56.9
Dec-23	8.5	(5.2)	0.2	(1.3)	3.0	4.0	17.0	3.1	7.8	17.7	59.0
Jan-24	8.6	(13.7)	9.6	(1.3)	0.3	3.9	27.4	(2.7)	10.4	18.4	0.0
Feb-24	11.6	10.0	8.9	(1.2)	(3.5)	3.7	33.1	9.0	15.8	18.1	0.0
Mar-24	11.3	(9.3)	7.0	(1.2)	5.3	3.9	17.3	(0.7)	8.0	17.7	61.2
Apr-24	17.1	15.7	14.1	(1.1)	(2.4)	3.2	25.0	8.6	7.7	17.4	60.8
May-24	16.6	(10.7)	2.4	(1.1) ⁶	5.3 ⁶	...	9.0	2.9	6.9 ⁶	17.9	60.2

¹ Railways and aviation government

² Revenue spending less interest payments of central

³ Real rural wages, deflated by CPI for rural workers

⁴ Includes passenger vehicles and two-wheelers

⁵ Import 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
	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 ⁵	Manufacturing PMI
May-23	3.0	0.8	15.9	12.8	18.2	15.9	10.4	8.1	6.0	217.4	58.7
Jun-23	(2.0)	4.2	24.0	3.0	(1.7)	9.9	4.8	2.9	8.0	62.8	57.8
Jul-23	2.5	8.0	23.4	3.8	8.2	6.9	5.6	5.1	3.7	14.9	57.7
Aug-23	5.7	15.3	29.0	5.2	13.9	19.7	15.0	13.1	4.6	29.9	58.6
Sep-23	4.5	9.9	24.9	3.8	(22.8)	4.7	4.7	8.4	5.0	29.0	57.5
Oct-23	10.3	20.3	25.3	9.3	(5.5)	17.0	12.9	21.7	6.5	(14.9)	55.5
Nov-23	8.5	5.7	13.9	(3.1)	(4.6)	(4.8)	(3.6)	(1.1)	7.2	1.6	56.0
Dec-23	4.4	1.2	6.6	(2.3)	(26.7)	3.8	3.0	3.7	9.2	105.4	54.9
Jan-24	5.3	5.7	1.8	3.4	(12.8)	5.7	3.0	3.2	9.0	(40.5)	0.0
Feb-24	7.5	6.3	1.0	6.2	(1.1)	10.2	8.8	1.0	9.5	315.2	0.0
Mar-24	7.0	8.6	(1.9)	3.1	(0.9)	10.6	8.2	6.6	8.9	(4.3)	59.1
Apr-24	1.4	10.2	12.8	1.4	(1.0)	(0.5)	1.7	3.1	6.9	26.5	58.8
May-24	3.7	12.8	5.9	1.8	11.3	(0.8)	2.4 ⁴	7.2 ⁴	8.3	(50.3)	57.5

¹ Railways and waterways² Includes commercial vehicles and three-wheelers³ Machinery and equipment, transport equipment, machine tools and project goods⁴ Our forecasts⁵ Capital spending of the central government

** - 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 95-98% of all CV sales

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

% YoY	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Agriculture and allied activities													
IIP: Fertiliser	9.7	3.4	3.3	1.8	4.2	5.3	3.4	5.8	(0.6)	(9.5)	(1.3)	(0.8)	(1.7)
Domestic tractor sales	(2.4)	(0.7)	(0.0)	(4.1)	(15.6)	(5.3)	1.5	(21.3)	(14.5)	(25.7)	(19.5)	(2.9)	0.5
Real rural wages ¹	1.0	1.0	(0.2)	(0.4)	(0.0)	(0.6)	(1.1)	(1.3)	(1.3)	(1.2)	(1.2)	(1.1)	(1.1) ⁸
Reservoir levels	(3.9)	(2.0)	(15.3)	(23.2)	(15.9)	(20.4)	(20.5)	(18.5)	(15.8)	(15.4)	(15.1)	(16.8)	(20.0)
Agriculture sector	2.6	3.0	2.5	2.0	1.6	2.0	2.5	1.2	2.0	1.7	1.8	2.6	2.6
Industrial sector													
Coal	7.2	9.8	14.9	17.9	16.0	18.4	10.9	10.8	10.6	11.6	8.7	7.5	10.2
Crude oil	(1.9)	(0.6)	2.1	2.1	(0.4)	1.3	(0.4)	(1.0)	0.7	7.9	2.0	1.6	(1.1)
Natural gas	(0.3)	3.5	8.9	9.9	6.6	9.9	7.6	6.6	5.5	11.3	6.3	8.6	7.5
IIP: Mining	6.4	7.6	10.7	12.3	11.5	13.1	7.0	5.2	6.0	8.1	1.3	6.7	5.9 ⁸
Mining	5.3	7.3	11.9	13.4	10.6	13.2	7.0	5.4	7.5	15.0	5.6	8.0	5.6
Electricity	0.8	4.2	8.0	15.3	9.9	20.3	5.7	1.2	5.7	7.6	8.6	10.2	12.8
IIP: Manufacturing	6.3	3.5	5.3	10.0	5.1	10.6	1.3	4.6	3.6	4.9	5.8	3.9	5.5 ⁸
Real credit growth ²	10.0	12.7	5.0	5.0	5.0	6.8	6.8	8.3	8.6	9.3	8.6	5.6	5.6
Fuel consumption	14.9	3.6	2.9	5.1	3.3	9.9	(1.4)	1.0	3.8	5.6	2.0	0.7	(0.1)
Manufacturing	11.0	8.2	8.5	12.7	8.5	13.8	5.1	8.3	7.7	9.0	9.4	7.3	8.6
Steel production	12.0	21.3	14.9	16.3	14.8	13.6	9.8	8.3	9.2	9.4	6.4	8.8	7.6
Cement output	15.9	9.9	6.9	19.7	4.7	17.0	(4.8)	3.8	4.0	7.8	10.6	(0.5)	(0.8)
IIP: NMMP ³	10.4	4.8	5.6	15.0	4.7	12.9	(3.6)	3.0	3.0	8.8	8.2	1.7	2.4 ⁸
IIP: Construction	13.0	13.3	12.6	15.7	10.1	12.6	1.5	5.5	5.5	8.5	7.4	8.0	3.3 ⁸
Construction	13.0	13.3	12.6	15.7	10.1	12.6	1.5	5.5	5.5	8.5	7.4	8.0	3.3
Industry	10.0	9.0	9.6	13.8	9.1	14.1	4.4	6.9	7.0	9.2	8.7	7.8	7.6
Services sector													
Auto sales	16.6	3.1	(1.0)	6.1	4.7	22.5	28.3	16.1	25.3	30.2	15.5	24.2	8.8
Real trade credit ⁴	21.7	22.5	18.5	16.9	17.7	20.4	19.6	17.2	18.2	18.3	17.3	13.7	15.1
Freight traffic ⁵	3.0	(2.0)	2.5	5.7	4.5	10.3	8.5	4.4	5.3	7.5	7.0	1.4	3.7
MFs AUMs (real ⁷)	20.4	30.0	24.4	19.1	21.3	18.6	21.0	26.2	32.7	37.9	35.1	35.9	32.9
Real fiscal Spending ⁶	7.4	31.2	172.1	1.5	11.7	(19.5)	5.9	18.7	(22.8)	39.9	(8.1)	17.9	(28.0)
Real deposits ⁷	15.6	20.5	14.3	13.7	12.4	13.5	13.8	12.3	12.8	12.9	13.2	11.2	11.1
Telecom subscribers	0.2	0.1	0.3	0.4	0.8	1.0	1.3	1.7	1.9	2.4	2.3	2.4	2.3 ⁸
PMI: Services	3.7	(1.2)	12.3	5.1	12.3	6.0	0.9	0.9	8.0	2.0	5.9	(1.9)	(1.6)
Passengers traffic ⁵	10.3	9.4	3.9	8.5	8.8	8.4	8.6	11.8	11.5	17.7	17.1
Foreign tourist arrivals	13.6	22.6	17.5	19.8	16.8	7.8	10.4	15.8	8.0	7.7	6.9 ⁸
Services sector	8.2	5.9	8.1	8.2	9.6	9.7	8.6	7.2	10.0	8.3	8.8	6.8	6.1
Aggregates													
EAI-GVA	8.2	6.8	7.9	9.1	8.7	10.0	6.7	6.4	8.3	7.9	8.0	6.6	6.3
Non-farm EAI-GVA	8.8	7.1	8.4	9.7	9.2	11.0	7.1	7.0	8.9	8.6	8.7	7.3	6.6

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 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
	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 14: Economic activity portray a mixed picture in Jun'24

% YoY	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
% YoY Water reservoir levels	-2.0	-15.3	-23.2	-15.9	-20.4	-20.5	-18.5	-14.2	-11.4	-15.1	-16.8	-20.0	-24.2
Index PMI: Manufacturing	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5	58.3
Index PMI: Services	58.5	62.3	60.1	61.0	58.4	56.9	59.0	61.8	60.6	61.2	60.8	60.2	60.4
% YoY Toll collection¹(Units)	13.7	11.3	13.3	15.4	13.0	12.3	13.0	10.2	8.3	10.6	4.1	3.6	2.4
USD b FX reserves²	595.1	605.8	598.2	587.7	588.5	604.2	622.5	620.0	625.2	646.4	640.2	646.7	653.7
% YoY Currency in circulation²	4.4	4.4	4.0	4.1	2.9	4.3	4.0	3.9	3.7	4.1	3.2	3.8	3.9
% YoY Vaahan registrations	10.5	10.9	9.8	21.3	-6.6	19.6	22.0	16.1	13.9	3.8	27.5	3.1	0.6
% YoY PVs sales³	9.4	8.0	13.1	2.5	19.4	5.5	1.6	15.3	15.1	14.4	3.6	0.5	3.7
% YoY CVs sales⁴	-2.4	-0.1	7.5	10.5	12.5	1.9	-5.7	-2.2	-2.8	-6.7	11.7	1.1	-5.8
% YoY Air cargo traffic	-1.7	-7.3	9.4	27.1	23.9	13.9	1.6	17.2	20.6	10.5	4.6	14.8	6.7
% YoY Power Generation	8.7	11.6	19.3	13.3	24.8	10.7	4.8	6.5	4.5	8.3	6.8	15.2	5.5

¹ In terms of daily data² Data as of 21st Jun, 2024³ 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

*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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. 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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