

India Watch

Chart book series #38: December activity didn't bounce back fully

Activity in December didn't bounce back fully

As overall activity [normalized in November](#), giving up the stellar gains seen during the festival season in October, it was expected that overall activity would go back to pre-festive times, however December data disappointed on that front. As exhibit 1 shows, only 3/9 high frequency indicators saw actual Dec'23 m-o-m outpace the median m-o-m typical of Dec. Indicators that performed well vs Nov included- railway freight traffic, civil aviation passenger traffic, diesel demand, PMI services, power generation. Indicators such as PMI manufacturing, port cargo traffic, petrol demand, tractor sales, passenger vehicle sales, two-wheeler sales disappointed. Expected correction was visible in GST collection and e-way bill generation.

Moving on to agriculture, as of Jan 12, 104% of total area under rabi crop is sown. It's down 0.7% yoy. While wheat acreage has finally turned positive (0.4% yoy), pulses at -4.9% yoy continue to be an area of concern. As of Jan 11, water reservoir storage levels stand at 57% only. This compares rather poorly vs last year storage levels and also vs the last ten-year average. Southern river basin is most affected.

Fiscal deficit on track, bank credit growth steady in Nov

Between Apr-Nov, India used up 50.7% of the full year budgeted fiscal deficit target. This compares well vs the median 75.9% of total that gets exhausted during Apr-Nov usually. The outperformance was led by higher than median revenue receipts even as total expenditure continued to trace the median run rate.

Non-food bank credit grew by 16.3% yoy in Nov vs 15.3% yoy in Oct. While agriculture credit saw slower growth, credit to industry and services sector saw higher growth rate in Nov vs Oct. Personal loan growth softened a bit too, to 18.6% yoy in Nov as home loan growth slowed.

Trade deficit fell modestly in December

Trade deficit in Dec narrowed further to US\$19.8bn from US\$20.6bn in Nov. Despite a US\$5bn sequential increase in export bill, trade deficit was largely unchanged at non-oil, non-gold imports saw a similar monthly increase. In case of exports, it was the non-oil export segment that drove the headline, growing by 6.2% yoy. Oil exports fell marginally. Oil and gold imports stayed largely unchanged bs Nov. FY24 TD trade deficit stands at US\$188bn vs US\$212bn seen during same period last year.

Exhibit 1: Economic activity indicators, actual m-o-m in Dec'23 vs median m-o-m in December

3/9 high frequency indicators saw sequential momentum in Dec'23 outpacing the median trend

(M-o-m in %)	Dec-23	Median Dec	(M-o-m in %)	Dec-23	Median Dec
Port cargo traffic	1.4	5.1	PV sales	-14.3	-3.9
Railway freight	8.2	6.8	2W sales	-25.3	-9.5
Aviation cargo#	-7.7	-7.6	Petrol demand	-4.4	1.9
Civil aviation passenger traffic	9.3	8.3	Diesel demand	1.0	2.4
Railway passenger traffic		0.5	Electricity generation	0.0	5.1

Source: BofA Global Research estimates, CEIC, Bloomberg, #. Data is for Nov (Median is for last 10 years)

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17 January 2024

GEM Economics
Asia | India

Aastha Gudwani
India Economist
BofAS India
+91 22 6632 8648
aastha.gudwani@bofa.com

Asia FI Strategy & Economics
Merrill Lynch (Hong Kong)

GEMs FI Strategy & Economics
BofAS

[See Team Page for List of Analysts](#)

Acronyms

CPI: Consumer Price Index
CRB: Commodity Research Bureau
FAO: Food and Agriculture Organization of the United Nations
FDI: Foreign direct investors
FPI: Foreign portfolio investors
MCLR: Marginal cost of funds-based lending rate
NONG: Non-oil, non-gold
PMI: Purchasing Manager's Index
PPAC: Petroleum Planning & Analysis Cell
RBI: Reserve Bank of India
SLR: Statutory liquidity ratio
WALR: Weighted Average Lending Rate
WPI: Wholesale price index
NONG: Non-oil, non-gold
GST: Goods & services tax
MSP: Minimum Support Price

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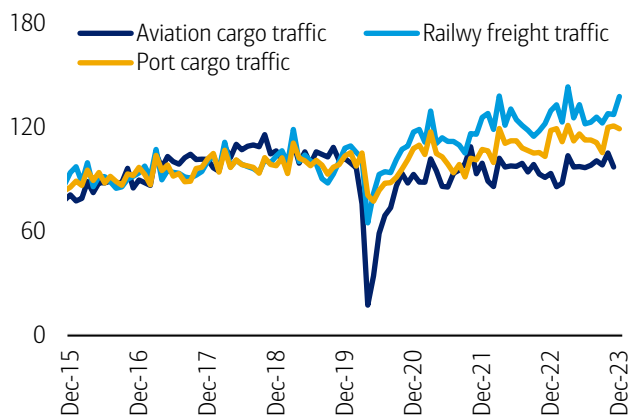
Economic Activity: Festival season begins

As favorable base effects started to distort yoy reading for most activity indicators since March 2021, we have moved to an index-based assessment. We use CY2019 (2019=100) as the baseline to offer a more representative picture, across activity indicators (barring PMIs, bank credit, and trade data).

After some correction in November, high frequency indicators failed to bounce back entirely in December, but performance varied.

Exhibit 2: Freight movement, Index (2019=100)

Freight movement indicated different stories, while railway freight softened, aviation freight picked up and so did port cargo traffic

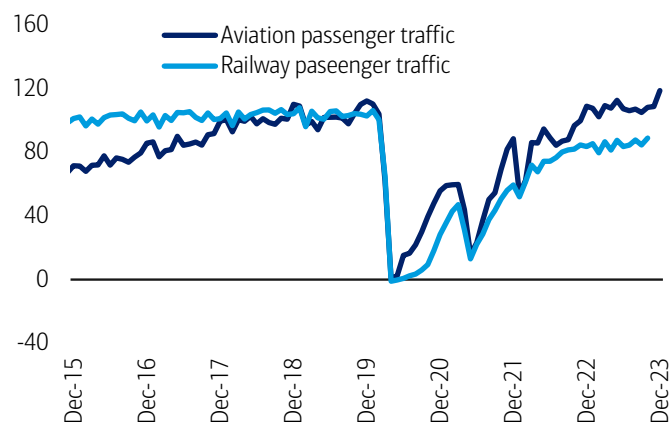


Source: CEIC

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Exhibit 3: Passenger traffic, Index (2019=100)

Aviation passenger traffic grew steadily in Dec as holiday travel picked up

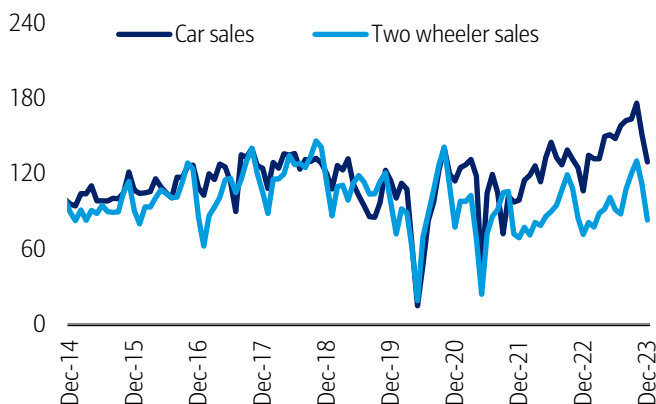


Source: CEIC

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Exhibit 4: Automobile sales, index (2019=100)

After a stellar performance in Oct-Nov, automobile sales corrected sharply in Dec

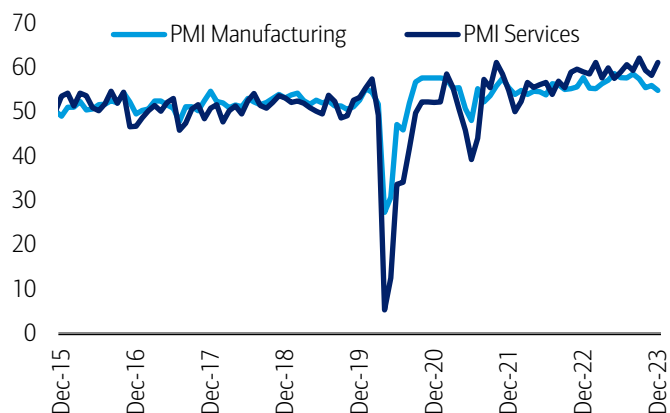


Source: CEIC

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Exhibit 5: PMI manufacturing and services

PMI manufacturing expanded at a slower pace in Dec vs Nov, PMI services saw a sharp increase in the rate of expansion

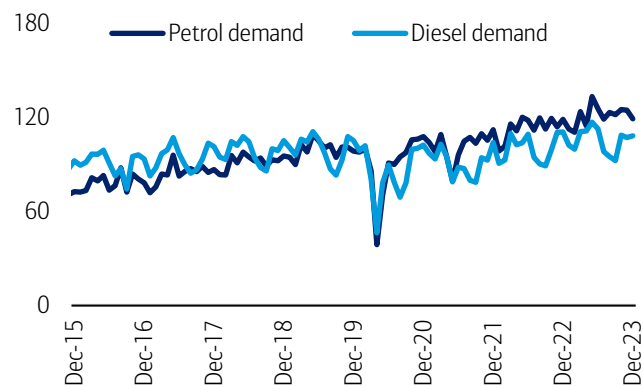


Source: Bloomberg

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Exhibit 6: Oil demand, Index (2019 = 100)

Petrol demand fell sharply in Dec vs Nov, diesel demand on the other hand inched up a shade

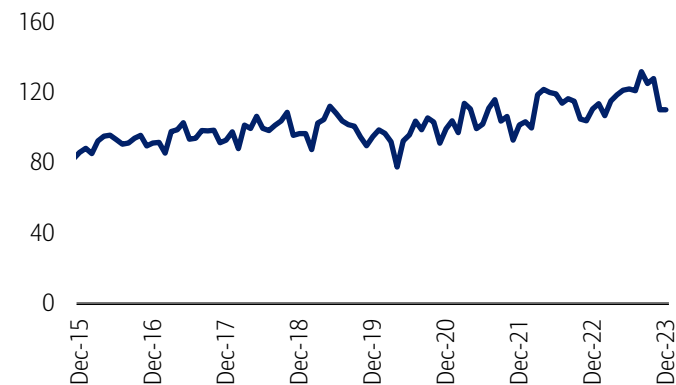


Source: PPAC

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Exhibit 7: Power generation index (2019=100)

Power generation was unchanged in Dec vs Nov



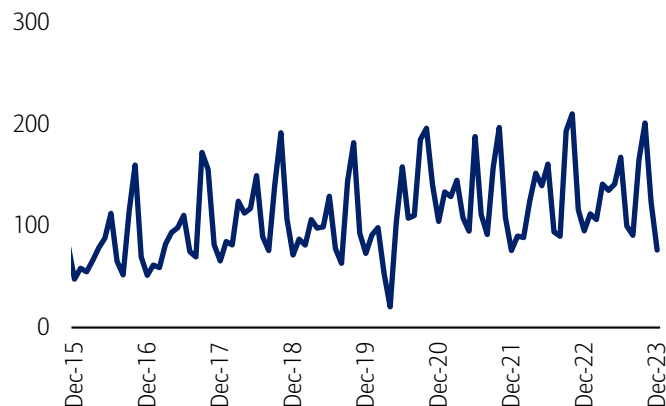
Source: CEIC

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Rabi sowing: As of Jan 12, 104% of total area under rabi crop is sown. It's down 0.7% yoy. While wheat acreage has finally turned positive (0.4% yoy), pulses at -4.9% yoy continue to be a point of concern. As of Jan 11, water reservoir storage levels stand at 57% only. This compares rather poorly vs last year storage levels that stood at 81% and 10yr average of 95%. Southern river basin seems to be most affected.

Exhibit 8: Tractor sales, Index (2019=100)

Tractor sales fell further in Dec



Source: CEIC

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Exhibit 9: Area sown under rabi crop (As of Jan 12th)

104% of total sowing is done, down by 0.7% yoy. Wheat acreage up modestly by 0.4% yoy

	Normal area sown	2023-24	2022-23	YoY	% of normal area sown
Wheat	307.32	336.96	335.67	0.4%	110%
Rice	52.5	23.6	24.76	-4.7%	45%
Pulses	152.74	152.39	160.22	-4.9%	100%
Coarse cereals	51.32	52.03	49.5	5.1%	101%
Oilseeds	84.45	108.52	107.99	0.5%	129%
Total crop	648.33	673.5	678.15	-0.7%	104%

Source: Ministry of Agriculture

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Fiscal performance: Between Apr-Nov, India used up 50.7% of the full year budgeted fiscal deficit target. This compares well vs the median 75.9% of total that gets exhausted during Apr-Nov usually. The outperformance was led by higher than median revenue receipts even as total expenditure continued to trace the median run rate.

Exhibit 10: Fiscal performance of the Centre vs median performance during the same period

Apr-Nov FY24 fiscal deficit outturn is lower than median, benefiting from higher than usual tax revenue growth, even as total expenditure run rate is same as median

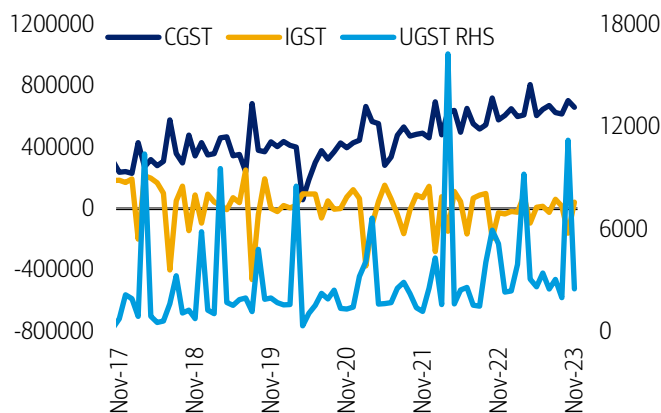
	Fiscal Deficit	Revenue receipts	Tax revenue	Corporate tax	Income tax	Custom duty	Excise duty	Total expenditure	Revenue expenditure net of int payment	Capital outlay
Apr-Nov24 as % of FY24 BE	50.7%	65.3%	61.6%	55.7%	63.0%	60.8%	52.0%	58.9%	60.2%	60.3%
Median Apr-Nov as % of full year actual	75.9%	63.4%	60.9%	45.6%	63.4%	65.3%	54.3%	58.3%	60.4%	56.6%

Source: CGA, FinMin

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Exhibit 11: Monthly GST collections for the Centre

GST collections for Nov rose to INR1.65 lakh crore

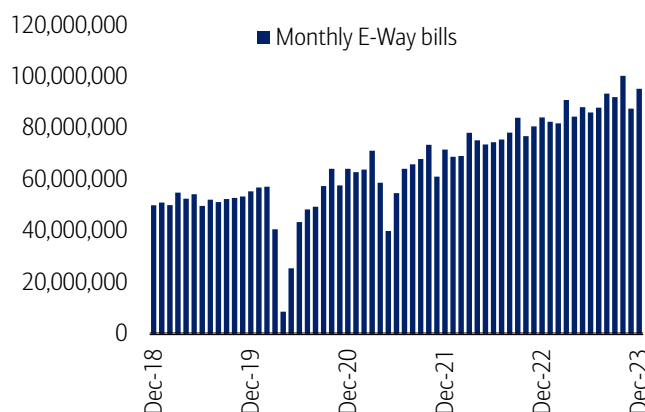


Source: CEIC

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Exhibit 12: Monthly e-way bills (value INR)

After a record high e-way bill generation Oct, second highest no. of bills for this year were seen in Dec, up from Nov



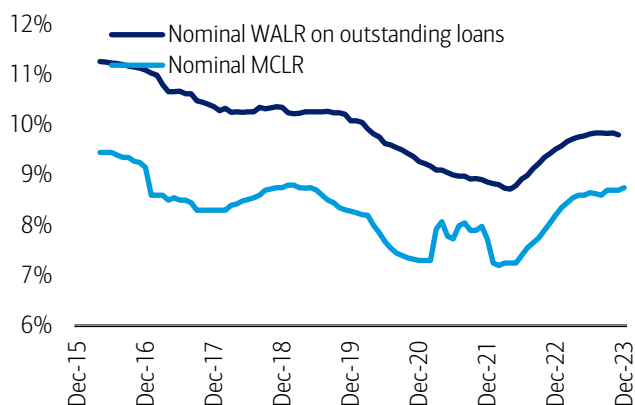
Source: CEIC

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Credit and nominal rates: Non-food bank credit grew by 16.3% yoy in Nov vs 15.3% yoy in Oct. While agriculture credit saw slower growth, credit to industry and services sector saw higher growth rate in Nov vs Oct. Personal loan growth softened a bit too, to 18.6% yoy in Nov as home loan growth slowed. On the lending rate front, nominal WALR softened by 4bp in Nov vs Oct while nominal MCLR was up 5bp in Dec vs Nov.

Exhibit 13: Nominal lending rates: WALR, MCLR

While nominal WALR softened by 4bp in Nov vs Oct, MCLR inched up by 5bp in Dec vs Nov

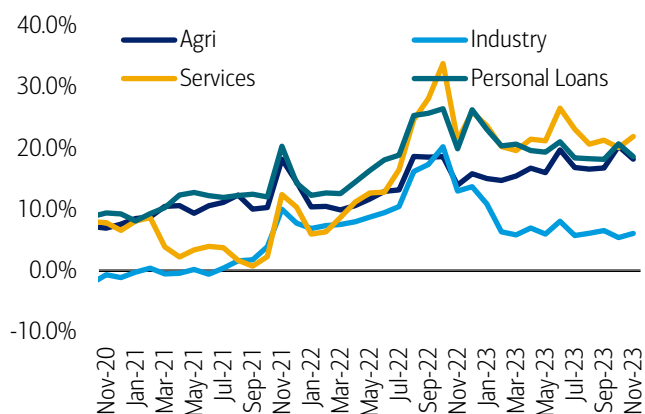


Source: RBI

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Exhibit 14: Sector wise bank credit growth (outstanding stock, yoy)

Non-food credit growth softened to 16.3% yoy in Nov vs 17.5% yoy in Oct



Source: RBI

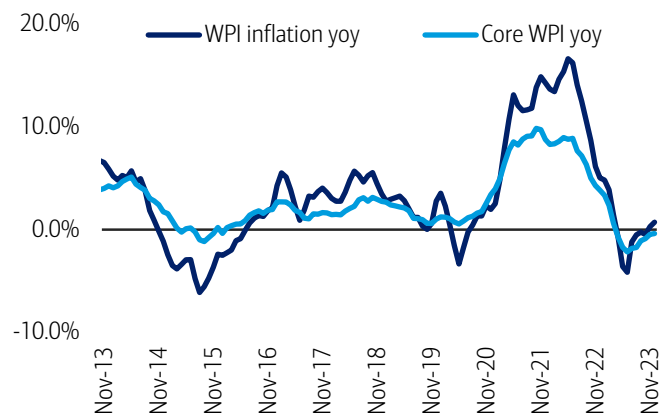
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Global price and inflation: WPI inflation inched up to 0.7% yoy in Dec from 0.3% yoy in Nov on higher food inflation. While fuel deflation narrowed, that in manufacturing products accentuated further. Core WPI continued to deflate by 0.4% yoy in Dec vs -0.5% yoy in Nov. Sequentially the index fell by 0.85%, much lower than the median m-o-m of -0.44% typical of Dec. Favorable base effects will continue to fade in coming months.

Globally, both overall commodity price index and UN food and agriculture price index were lower in Dec vs Nov.

Exhibit 15: WPI & core WPI inflation, monthly yoy

Dec WPI inflation inched up in Dec to 0.7% yoy, core WPI deflation narrowed to -0.4% yoy in Dec

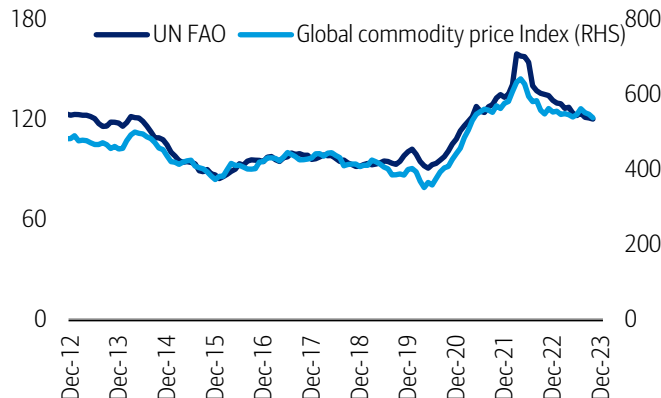


Source: CEIC

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Exhibit 16: Global commodity price index & UN Food & agriculture price index

Both global commodity prices and food & agriculture prices fell further in Dec vs Nov



Source: Bloomberg

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External trade and FX: Trade deficit in Dec narrowed further to US\$19.8bn from US\$20.6bn in Nov. Despite a US\$5bn sequential increase in export bill, trade deficit was largely unchanged as non-oil, non-gold imports saw a similar monthly increase. In case of exports, it was the non-oil export segment that drove the headline, growing by 6.2% yoy. Oil exports fell marginally. Oil and gold imports stayed largely unchanged bs Nov. FY24 TD trade deficit stands at US\$188bn vs US\$212bn seen during same period last year.

Exhibit 17: Trade deficit and components: Performance FY24TD vs FY23 same period

Trade deficit in FY24 till Dec is lower than same period last year as imports declined persistently, while exports were up 1% yoy

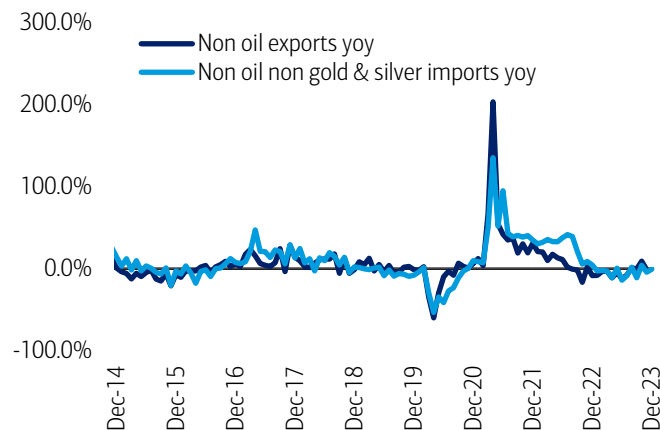
	Total Exports	Total Imports	Trade Balance	Oil Exports	Non-oil Exports	Oil Imports	Non-Oil Imports	Gold (& Silver) Imports	NONG Imports
yoy for Dec	1.0%	-4.9%	-14.4%	-17.6%	6.2%	-22.8%	3.4%	134.6%	-0.9%
Apr-Dec FY24	317.1	505.1	-188.0	62.1	255.0	128.6	376.5	38.4	338.2
Apr-Dec FY23	336.3	548.6	-212.3	73.6	262.7	158.6	390.0	33.5	390.0

Source: Ministry of Commerce

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Exhibit 18: Non-oil export, non-oil, non-gold import growth

While NOX growth improved to 6.2% yoy in Dec, NONG imports continued to de-grow by -0.9% yoy

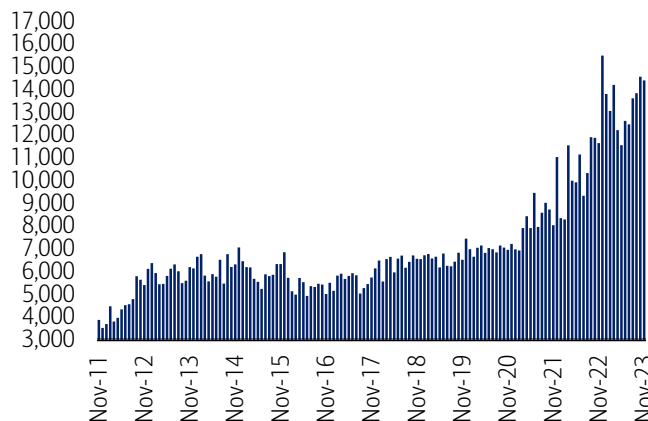


Source: CEIC

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Exhibit 19: Services net exports

Services net exports improved stayed strong in Nov at US\$14.4bn



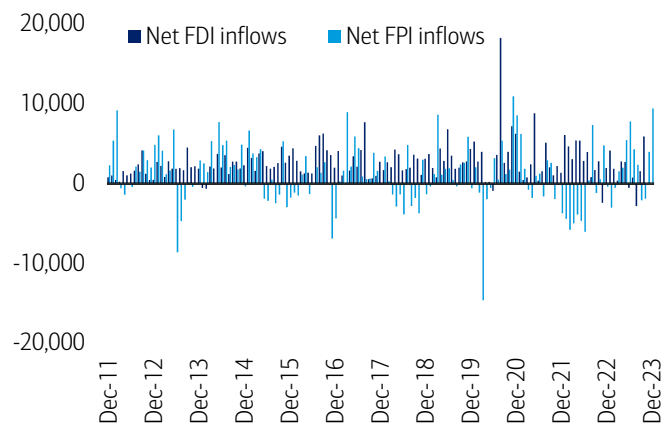
Source: RBI

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On the flows side, net FDI inflows improved further in Oct. Net FPI inflows also gained momentum in Dec vs Nov. As foreign inflows improved, FX reserves rose to US\$623bn and INR modestly appreciated in Dec vs Nov.

Exhibit 20: Foreign investment inflows (Net, in USD mn)

FPI inflows improved further in Dec, net FDI inflows rose in Oct

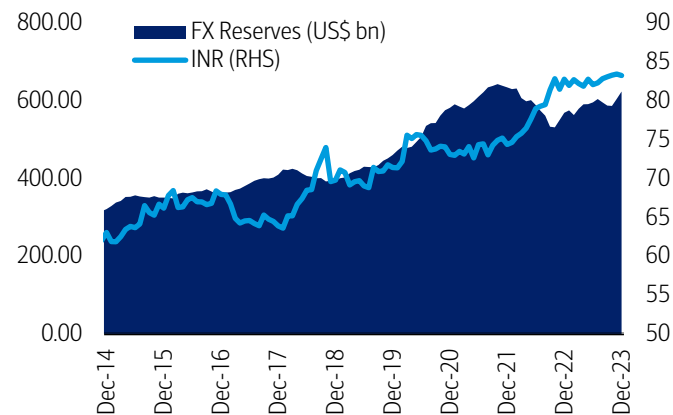


Source: Bloomberg, RBI

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Exhibit 21: FX reserves and INR

Amidst improving foreign inflows, FX reserves improved to US\$623bn in Dec. INR too experienced modest appreciation



Source: RBI, Bloomberg

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Research Analysts

Asia FI/FX Strategy & Economics

Helen Qiao

China & Asia Economist
Merrill Lynch (Hong Kong)
+852 3508 3961
helen.qiao@bofa.com

Claudio Piron

Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
+65 6678 0401
claudio.piron@bofa.com

Adarsh Sinha

FX Strategist
Merrill Lynch (Hong Kong)
+852 3508 7155
adarsh.sinha@bofa.com

Jojo Gonzales ^^

Research Analyst
Philippine Equity Partners
jojo.gonzales@pep.com.ph

Abhay Gupta

Emerging Asia FI/FX Strategist
Merrill Lynch (Singapore)
abhay.gupta2@bofa.com

Pipat Luengnaruemitchai

Emerging Asia Economist
Kiatnakin Phatra Securities
pipat.luen@kkpfg.com

Miao Ouyang

China & Asia Economist
Merrill Lynch (Hong Kong)
miao.ouyang@bofa.com

Xiaoqing Pi

China Economist
Merrill Lynch (Hong Kong)
xiaoqing.pi@bofa.com

Benson Wu

China & Korea Economist
Merrill Lynch (Hong Kong)
benson.wu@bofa.com

Ting Him Ho, CFA

Asia Economist
Merrill Lynch (Hong Kong)
tinghim.ho@bofa.com

Janice Xue

Emerging Asia FI/FX Strategist
Merrill Lynch (Hong Kong)
janice.xue@bofa.com

Kai Wei Ang

Asia & ASEAN Economist
Merrill Lynch (Singapore)
kaiwei.ang@bofa.com

EEMEA Cross Asset Strategy, Econ

David Hauner, CFA >>

Global EM FI/FX Strategist
MLI (UK)
+44 20 7996 1241
david.hauner@bofa.com

Mai Doan

CEE Economist
MLI (UK)
mai.doan@bofa.com

Zumrut Imamoglu

Turkey & Israel Economist
MLI (UK)
zumrut.imamoglu@bofa.com

Vladimir Osakovskiy >>

EM Sovereign FI/EQ strategist
Merrill Lynch (DIFC)
vladimir.osakovskiy@bofa.com

Jean-Michel Saliba

MENA Economist/Strategist
MLI (UK)
jean-michel.saliba@bofa.com

Merveille Paja

EEMEA Sovereign FI Strategist
MLI (UK)
merveille.paja@bofa.com

Mikhail Liluashvili

EEMEA Local Markets Strategist
MLI (UK)
mikhail.liluashvili@bofa.com

Tatonga Rusike

Sub-Saharan Africa Economist
MLI (UK)
tatonga.rusike@bofa.com

LatAm FI/FX Strategy & Economics

Claudio Irigoyen

Global Economist
BofAS
+1 646 855 1734
claudio.irigoyen@bofa.com

David Beker >>

Bz Econ/FI & LatAm EQ Strategy
Merrill Lynch (Brazil)
+55 11 2188 4371
david.beker@bofa.com

Jane Brauer

Sovereign Debt FI Strategist
BofAS
+1 646 855 9388
jane.brauer@bofa.com

Carlos Capistran

Canada and Mexico Economist
BofAS
+1 646 743 2921
carlos.capistran@bofa.com

Pedro Diaz

Caribbean Economist
BofAS
pdiaz2@bofa.com

Antonio Gabriel

Global Economist
BofAS
antonio.gabriel@bofa.com

Christian Gonzalez Rojas

LatAm Local Markets Strategist
BofAS
christian.gonzalezrojas@bofa.com

Lucas Martin, CFA

Sovereign Debt FI Strategist
BofAS
lucas.martin@bofa.com

Alexander Müller

Andean(ex-Ven) Carib Economist
BofAS
alexander.muller@bofa.com

Natacha Perez

Brazil Economist
Merrill Lynch (Brazil)
natacha.perez@bofa.com

Sebastian Rondeau

LatAm FI/FX Strategist
BofAS
sebastian.rondeau@bofa.com

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