

## India Watch

## Chart book series #40: Leap in February

**Benefitting from leap year, activity stayed strong in Feb**

High frequency indicators improved further in Feb on account of an additional working day due to leap year. As exhibit 1 shows, 6 out of 9 high frequency indicators saw actual m-o-m outpace median m-o-m typical of Feb. While sequentially only two-wheeler sales, diesel demand and power generation improved vs Jan, when compared to median activity run rate in Feb, only passenger vehicle sales and petrol demand disappointed. PMI continued to expand in Feb, faster vs Jan in case of manufacturing.

Moving on to rural wages, growth improved to 6.2% yoy in Jan from 6% yoy in Dec. Non-agriculture wage growth drove this improvement, even as Agri wage growth was robust at 6.8% yoy.

**WPI inflation slowed, credit growth improved**

WPI inflation moderated a shade to 0.2% yoy in Feb from 0.3% yoy in Jan. While primary articles inflation rose on account of crude and natural gas, deflation in fuel & light and manufactured products quickened. Core WPI deflation was unchanged at 0.5% yoy. Sequentially, WPI rose by just 0.07% vs a median m-o-m increase of 0.19% typical of Feb.

Non-food bank credit grew by 16.2% yoy in Jan up from 15.8% yoy in Dec. Sector-wise data shows that credit growth to agriculture and services sector improved, while that to industry slowed. Within personal loans, housing loan growth improved, but vehicle loan growth slowed.

**Trade deficit widened in February**

Trade deficit widened to US\$18.7bn in Feb from US\$16.5bn in Jan. Sequentially both exports and imports rose, but the latter outpaced. Within exports, all of the US\$4.5bn sequential increase was due to non-oil exports, which accordingly saw a 13.8% yoy growth. On the imports side, 80% of monthly increase of US\$6.8bn was due to higher gold imports, which shot to US\$7.9bn in Feb. Oil imports also rose modestly. Non-oil, non-gold imports were mostly unchanged m-o-m, but grew by 3.8% yoy on favorable base as Feb'24 had an additional working day vs Feb'23. Trade deficit between Apr-Feb in FY24 has turned out to be lower than same period last year as decline in imports outpaced decline in exports. Services net exports continued to showcase robust growth, rising further to US\$16.2bn in Jan.

**Exhibit 1: Economic activity indicators, actual m-o-m in Feb'24 vs median m-o-m in February**

6/9 high frequency indicators saw sequential momentum in Feb'24 outpacing the median trend

(M-o-m in %)	Feb-24	Median Feb	(M-o-m in %)	Feb-24	Median Feb
Port cargo traffic	0.0	-6.8	PV sales	-5.7	-1.4
Railway freight	-4.3	-7.4	2W sales	1.7	0.6
Aviation cargo#	-4.8	-4.8	Petrol demand	-2.5	-0.1
Civil aviation passenger traffic	-4.9	-5.8	Diesel demand	0.1	-1.1
Railway passenger traffic		-6.7	Electricity generation	0.0	-6.3

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

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**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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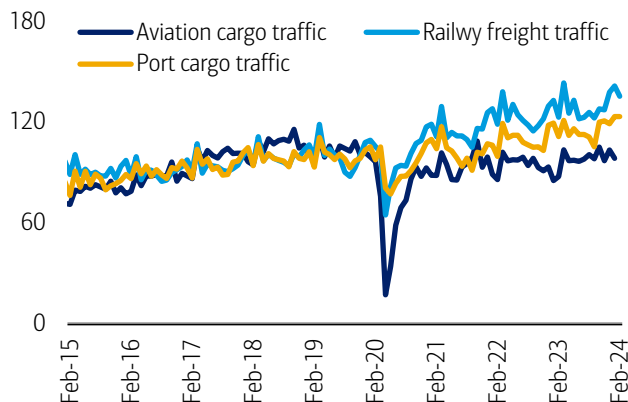
## Economic Activity: Festival season begins

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).

Most high frequency indicators saw better growth in Feb'24 when compared to median performance in Feb otherwise. This was mostly driven by an extra work-day on account of leap year,

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

While port cargo traffic was unchanged in Feb, railway freight traffic slowed. Aviation cargo traffic was lower in Jan vs Dec

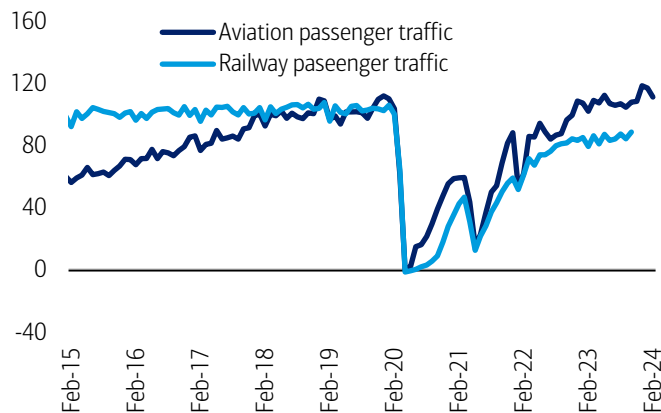


Source: CEIC

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

Railway passenger traffic data is still not available, civil aviation passenger traffic slowed in Feb vs Jan

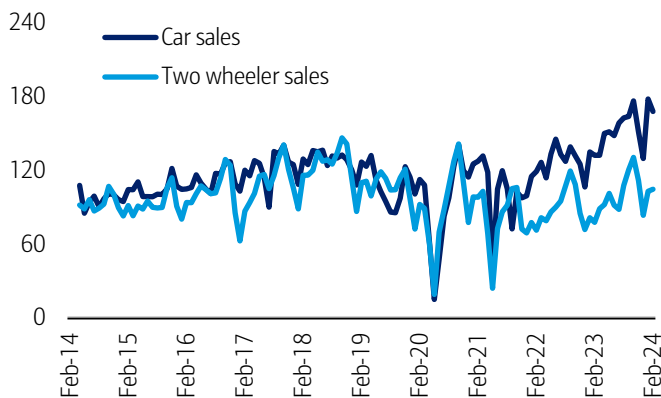


Source: CEIC

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

While PV sales were lower in Feb vs Jan, two-wheeler sales were up a shade

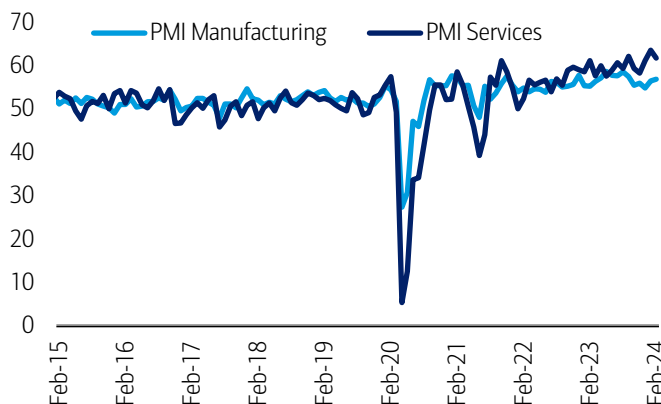


Source: CEIC

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### Exhibit 5: PMI manufacturing and services

Both PMI manufacturing & services expanded in Feb vs Jan, the former at a higher pace vs Jan

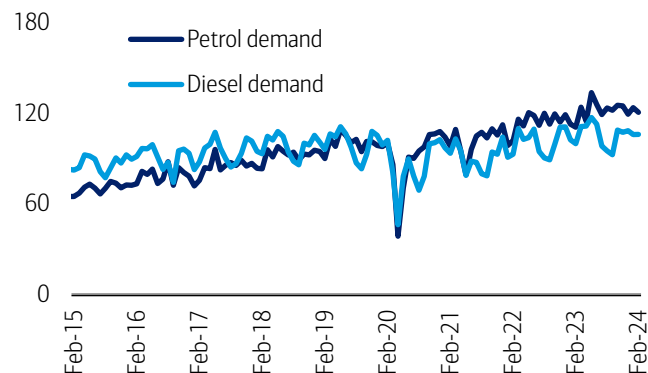


Source: Bloomberg

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

While petrol demand fell in Feb vs Jan, diesel demand was largely unchanged

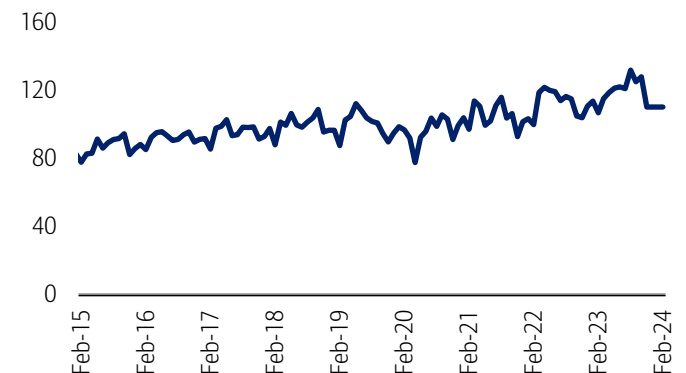


Source: PPAC

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**Exhibit 7: Power generation index (2019=100)**

Power generation was unchanged in Feb too



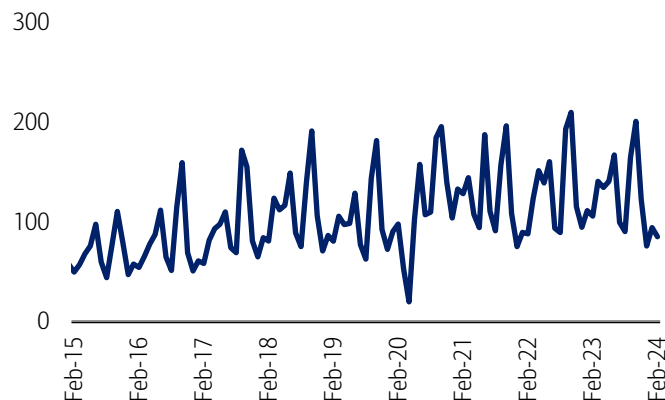
Source: CEIC

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**Rural wages:** Rural wage growth improved to 6.2% yoy in Jan from 6% yoy in Dec. The improvement was driven by non-Agri wage growth, which rose by 6.2% yoy from 5.95% yoy in Dec, Agri-wage growth stayed robust at 6.8% yoy. Between Jul-Jan FY24, rural wage growth averaged at 6.2% yoy vs 5.4% yoy seen in FY23.

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

Tractor sales slowed in Feb vs Jan

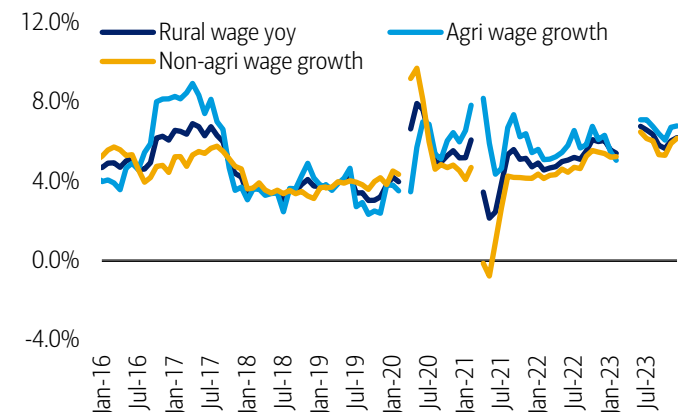


Source: CEIC

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**Exhibit 9: Rural wage growth monthly yoy, Agri and non-Agri activities**

Rural wage growth improved to 6.2% yoy in Jan on higher non-Agri wage growth, even as Agri wage growth was robust at 6.8% yoy



Source: RBI

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**Fiscal performance:** Between Apr- Jan, India used up 82.2% of the full year budgeted fiscal deficit target. This compares well vs the median 83.5% of total that gets exhausted during Apr-Jan usually. The outperformance was led by higher than usual revenue receipts, even as expenditure run rate was in line with median

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

Apr-Jan 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

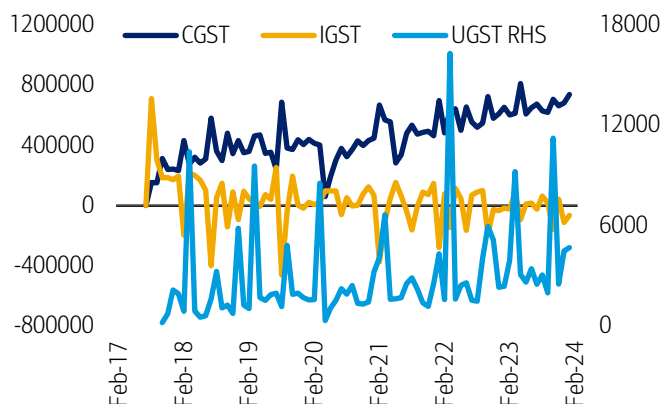
	Fiscal Deficit	Revenue receipts	Tax revenue	Corporate tax	Income tax	Custom duty	Excise duty	Total expenditure	Revenue expenditure net of int payment	Capital outlay
Apr-Jan24 as % of FY24 BE	82.2%	82.2%	80.9%	78.2%	76.1%	67.9%	59.7%	74.7%	77.4%	74%
Median Apr-Jan as % of full year actual	83.5%	74.2%	73.6%	69.5%	71.0%	81.3%	70.7%	76.5%	77.8%	73.1%

Source: CGA, FinMin

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**Exhibit 11: Monthly GST collections for the Centre**

GST collections in Feb moderated to INR 1.68trn, up 12.5% yoy

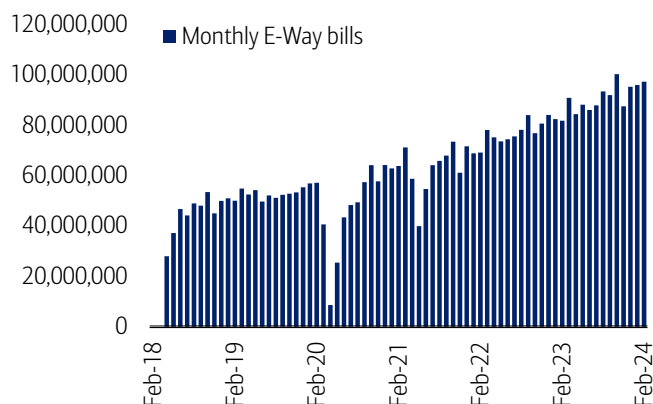


Source: CEIC

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

Number of e-way bills rose further in Feb



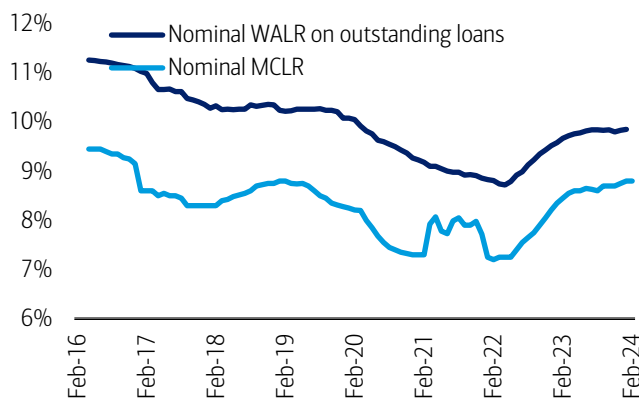
Source: CEIC

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**Credit and nominal rates:** Non-food bank credit grew by 16.2% yoy in Jan up from 15.8% yoy in Dec. Sector-wise data shows that credit growth to agriculture and services sector improved, while that to industry slowed. Within personal loans, housing loan growth improved, but vehicle loan growth slowed. On the lending rate front, nominal WALR was up 2bp in Jan vs Dec to 9.85%, nominal MCLR for Feb was unchanged at 8.8%.

**Exhibit 13: Nominal lending rates: WALR, MCLR**

Nominal WALR was up 2bp in Jan to 9.85%, nominal MCLR was unchanged at 8.8% in Feb

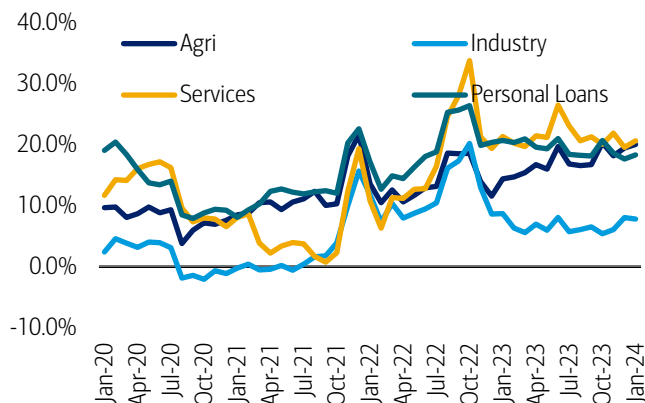


Source: RBI

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

Non-food credit growth improved to 16.2% yoy in Jan from 15.8% yoy in Dec



Source: RBI

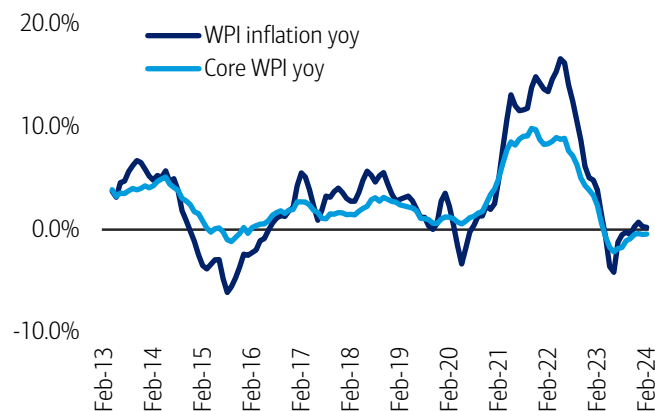
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**Global price and inflation:** WPI inflation moderated a shade to 0.2% yoy in Feb from 0.3% yoy in Jan. While primary articles inflation rose on account of crude and natural gas, deflation in fuel & light and manufactured products quickened. Core WPI deflation was unchanged at 0.5% yoy. Apr-Feb WPI and core WPI now stands at -0.9% yoy and -1.1% yoy respectively. Sequentially, WPI rose by just 0.07% vs a median m-o-m increase of 0.19% typical of Feb.

Globally, while food and agriculture price index was broadly unchanged in Feb vs Jan, commodity prices in general were higher.

**Exhibit 15: WPI & core WPI inflation, monthly yoy**

WPI inflation moderated a shade to 0.2% yoy in Feb, core deflation was unchanged at -0.5% yoy

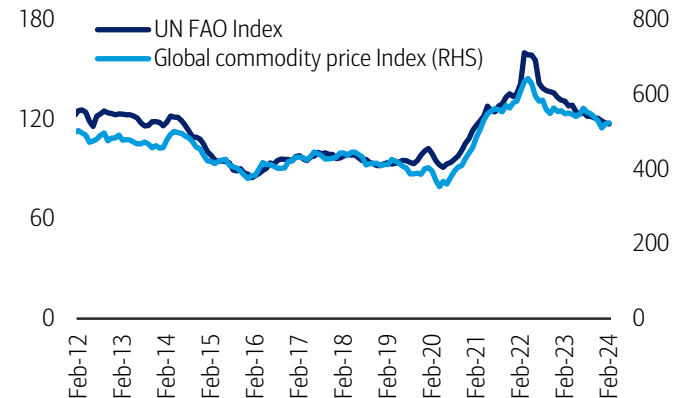


Source: CEIC

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

While food price index was mostly unchanged in Feb, global commodity prices were up



Source: Bloomberg

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**External trade and FX:** Trade deficit widened to US\$18.7bn in Feb from US\$16.5bn in Jan. Sequentially both exports and imports rose, but the latter outpaced. Within exports, all of the US\$4.5bn sequential increase was due to non-oil exports, which accordingly saw a 13.8% yoy growth. On the imports side, 80% of monthly increase of US\$6.8bn was due to higher gold imports, which shot to US\$7.9bn in Feb. Oil imports also rose modestly. Non-oil, non-gold imports were mostly unchanged m-o-m, but grew by 3.8% yoy on favorable base as Feb'24 had an additional working day vs Feb'23. Trade deficit between Apr-Feb in FY24 has turned out to be lower than same period last year as decline in imports outpaced decline in exports. Services net exports continued to highlight robust growth, rising further to US\$16.2bn in Jan.

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

Trade deficit between Apr-Feb summed at US\$225bn, lower than same period last year on account of sharply lower NONG imports, even as exports fell

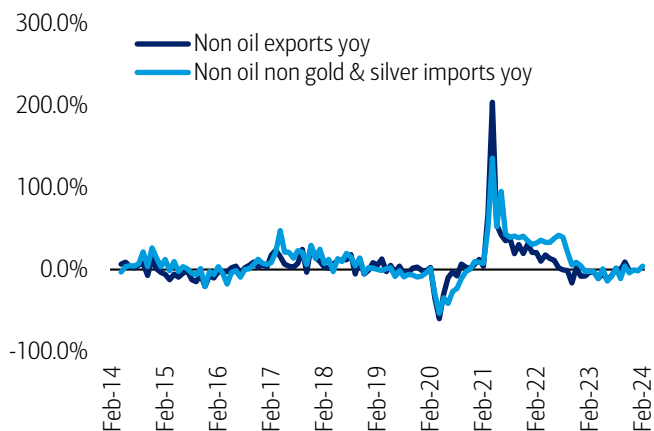
in USD bn	Total Exports	Total Imports	Trade Balance	Oil Exports	Non-oil Exports	Oil Imports	Non-Oil Imports	Gold (& Silver) Imports	NONG Imports
yoy	-3.5%	-5.3%	-8.4%	-12.1%	-1.1%	-15.0%	-1.3%	31.7%	-4.2%
Apr-Feb FY24	395.0	620.2	-225.2	78.4	316.6	162.6	457.6	48.6	408.9
Apr-Feb FY23	409.1	655.0	-245.9	89.1	320.0	191.4	463.7	36.9	426.7

Source: Ministry of Commerce

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

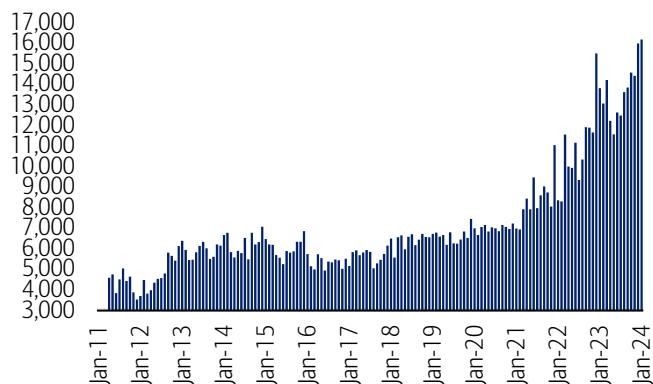
While NOX growth improved sharply to 13.8% yoy, NONG imports grew by 3.8% yoy, ditching last 3 months of negative growth rate



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**Exhibit 19: Services net exports**

Services net exports improved further in Jan to US\$16.2bn (record high)

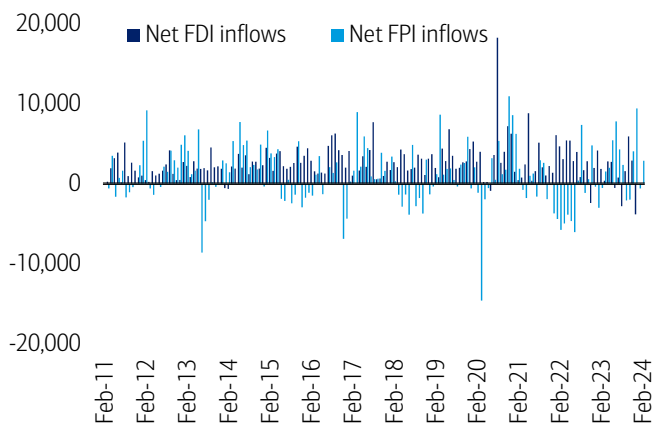


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On the flows side, net FDI was negative in Dec. Apr-Dec net FDI inflow now stands as US\$9.3bn. On the FPI front, inflows resumed and improved to US\$2.9bn. Accordingly, RBI built up their FX reserve buffer to US\$626bn and INR remained unchanged.

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

Net FDI inflow was negative in Dec, net FPI inflows turned positive in Feb

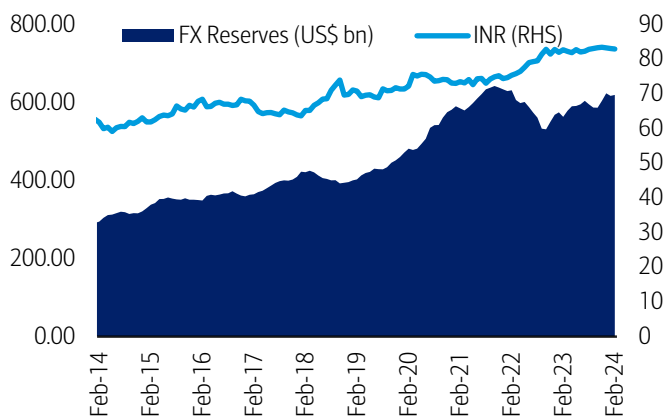


Source: Bloomberg, RBI

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**Exhibit 21: FX reserves and INR**

With FPI inflows resuming, FX reserves also improved in Feb to US\$626bn, INR was rangebound



Source: RBI, Bloomberg

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