

Macro Monthly Update: April 2023

10 May 2023

Global Updates

- **The Fed Action, a dovish hike:** As expected, the FED unanimously raised the target range for the federal funds rate by 25 bps, in a range of 5%- 5.25 %, while also signaling a pause (not pivot) in the remainder year.
- **Oil on a losing run:** The OPEC+ production cut failed to prop up the oil prices, and prices declined for most of April. Brent crude prices slipped to a 1 year low of ~\$71/bbl mid of the last week, before recouping marginally to \$73/bbl at the close of week. Essentially, oil prices are being depressed by a confluence of economic factors, like the recent Fed rate hike that raised concerns of incoming slowdown in consumer demand, as well as lackluster re-opening of China.
- **China slowdown:** The Chinese economy is hinting to a weak momentum and inadequate demand post the pandemic lift-off. While services have shown a rebound, factory output has remained constrained. Purchasing Manufacturing Index (PMI) unexpectedly shrank in April 2023 to 49.2 from 51.9 in March 2023, below the 50 mark that separates expansion from contraction.

India Macro Updates

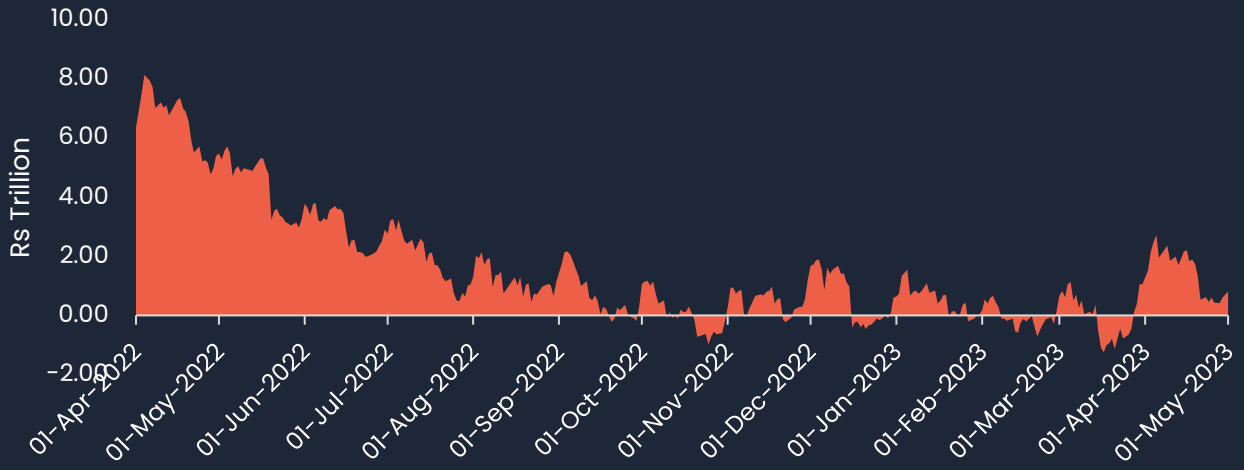
- **Liquidity:** Banking system liquidity position in the first half of April remained above Rs 2 Trillion, before narrowing in the second half. Government spending and FX intervention by the RBI were key drivers of higher liquidity surplus in first half, while redemptions of LTROs and TLTROs brought down the surplus to an average of Rs 0.61 Trillion. Call rates, the rates at which inter-bank transactions happen have been above the repo rate and inching closer to MSF rates which is the upper band of rates. At end of April, the weighted average call rate (WACR) stood at 6.73%.
- **Credit and Deposit:** The outstanding bank deposits as of April 23rd, 2023, stood at Rs. 183.10 Trillion as against the outstanding bank credit of Rs. 138.57 Trillion. The increase in bank credit growth was a robust 15% Y-o-Y, indicating a consistently strong demand for loans, while deposits continue to grow at about 10% Y-o-Y. Personal loans, services and industrial (MSME) sectors have been the main drivers of bank credit expansion, followed by the agriculture sector. Overall, the credit-to deposit ratio stood at ~75% in April 2023.

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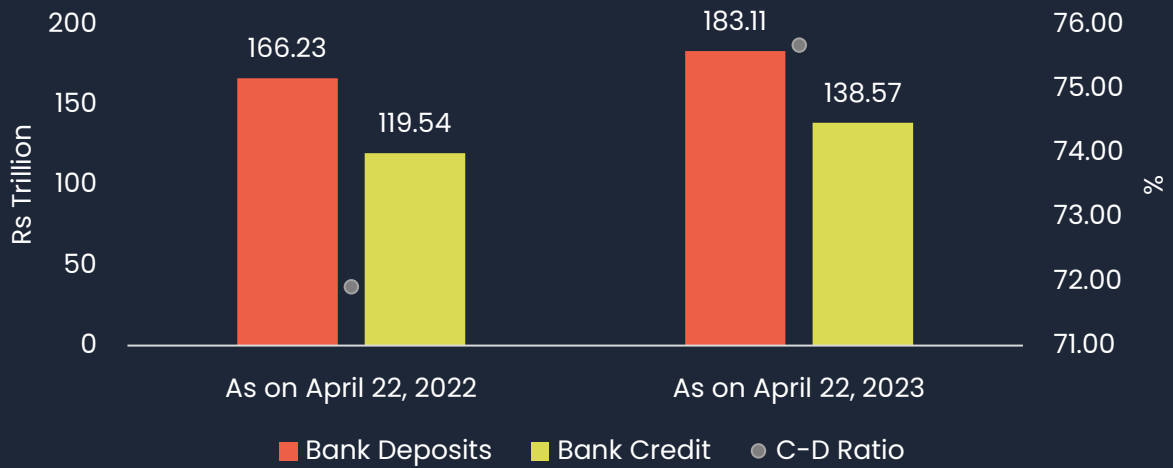
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- **GST Collections:** In April 2023, the gross GST collection was at an all time high of Rs 1.87 Trillion, growing for a second month consecutively. Previously in February 2023, the gross collections stood at Rs 1.49 Trillion and Rs 1.60 Trillion in March 2023. Of the gross collections in April, the CGST stood at Rs 0.38 Trillion, SGST is Rs 0.47 Trillion, IGST is Rs 0.89 Trillion (including Rs 0.34 Trillion collected on import of goods), and cess is Rs 0.12 Trillion (including Rs 0.90 Trillion collected on import of goods). Additionally, on 20th April 2023, there was the highest ever tax collection on a single day with Rs 0.68 crores being paid through 9.8 lakh transactions.
- **Core Sector Output:** The core sector output expanded 3.6% in March 2023 as compared to 7.2% in February 2023. Over the last year, factors that saw a significant shrink in production include – crude oil (-2.8%), electricity (-1.8%) and cement (-0.8%). Electricity production has declined as there was a large jump in production in Mar'22, proving to be an unfavorable base. However, on a sequential basis, all three sectors have recorded a growth. Sectors that saw a growth over last year include – coal (12.2%), fertilizers (9.7%), steel (8.8%), natural gas (2.8%) and refinery products (1.5%). On a sequential basis, all sectors indicated a growth, except for fertilizers.
- **Services and Manufacturing PMI:** Easing supply chain pressures have provided some fillip to the services and manufacturing PMIs in the last few months, sending positive signals for future business activity as well. Manufacturing PMI rose to 57.2 in April 2023 from 56.4 in March, with expansion in new orders, milder price pressures and improved international sales. Additionally, the Services PMI rose to 62.0 in April 2023 from 57.8 in March 2023 which was the fastest expansion in output since 2010.

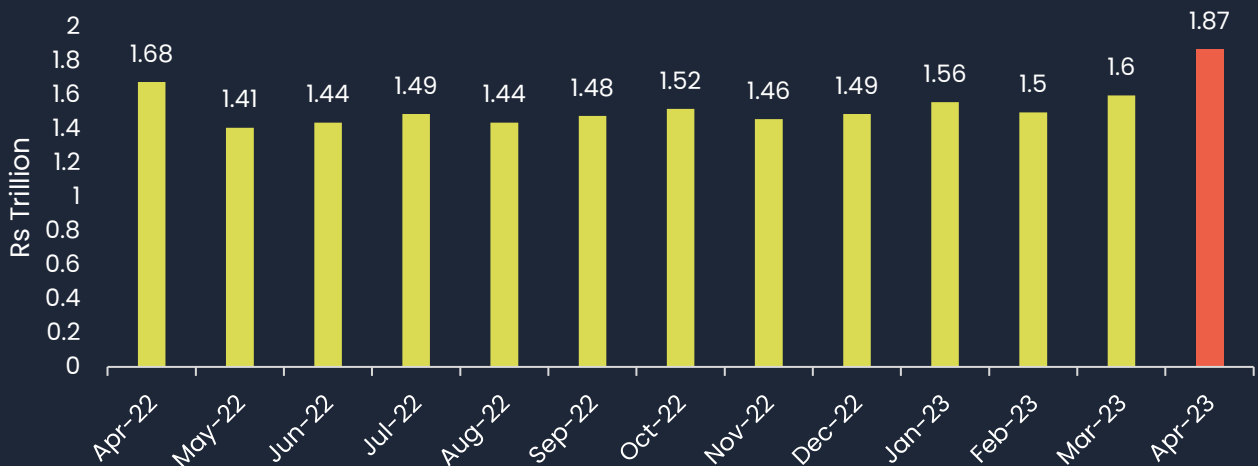
Banking System Liquidity



Bank Credit and Deposits



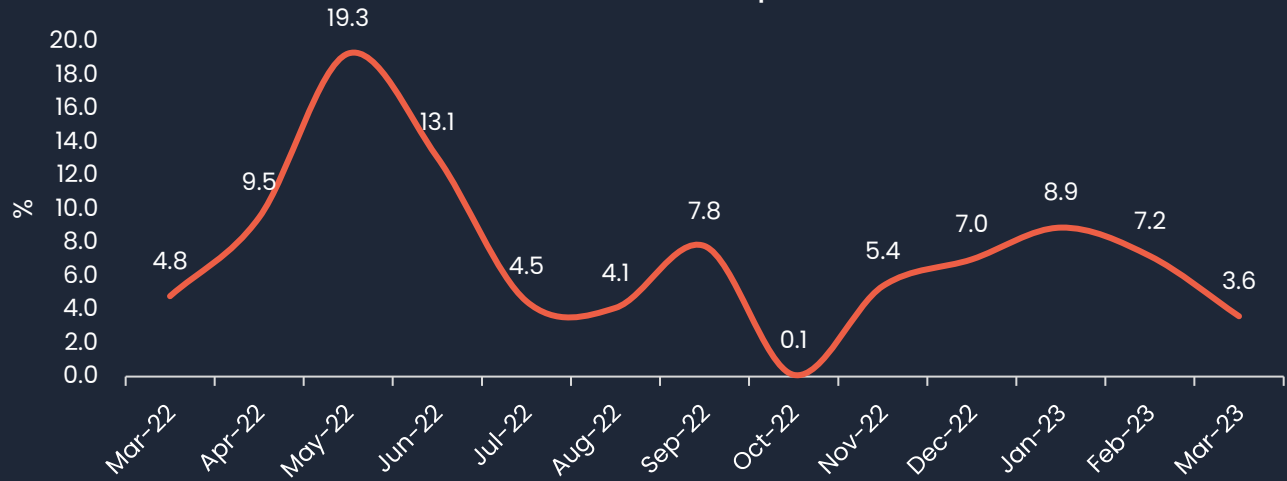
GST Collection



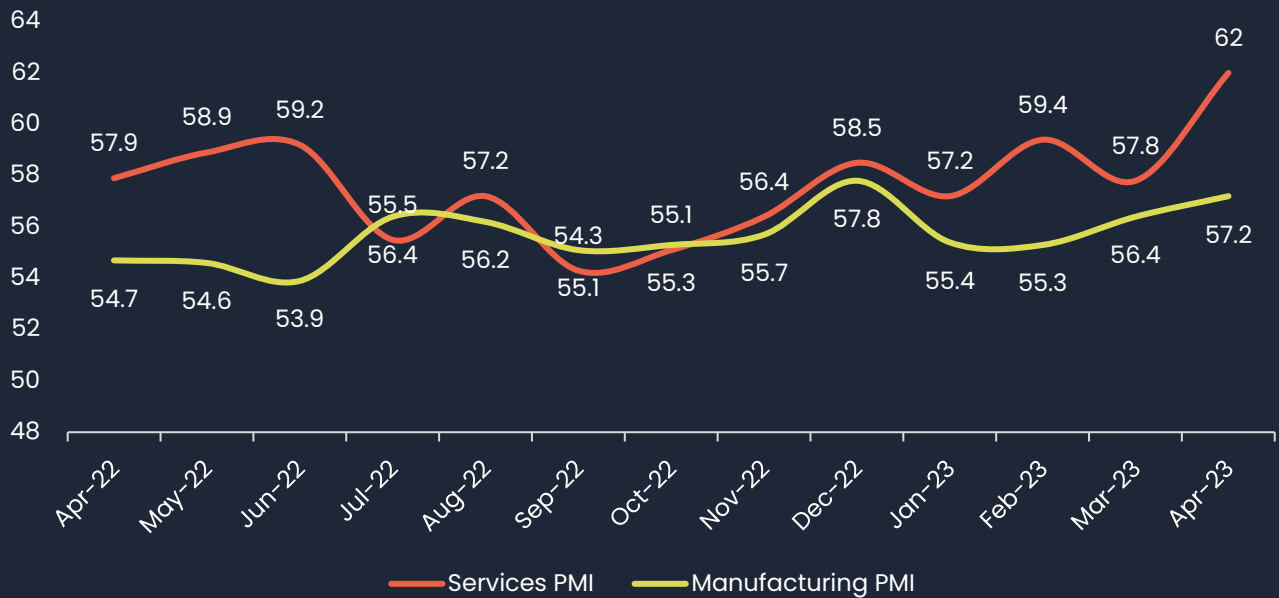
Source: CEIC, RBI



Core Sector Output



Services and Manufacturing PMI



Source: CEIC, S&P, MoSPI



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