

SPECIAL REPORT

16th April, 2021

Indian Rupee Could Find Weakness Amid Rising Inflation, Import and Covid Worries

Rising Covid-19 cases has added worries in India especially in the month of April. Earlier, till March month, Indian economic recovery was seen to be more certain. The International Monetary Fund (IMF) has stated that India's debt-to-GDP ratio increased to **90%** from **74%** during the Covid-19 pandemic. The agency expects the debt ratio to gradually come down as the economy recovers. In its baseline forecast under the assumption of healthy economic growth in the medium term, the IMF sees debt returning to about **80%** over time.

Wholesale price inflation (WPI), shot up to **7.4% in March 2021** from **4.2% in February 2021**. This is the highest inflation at the wholesale level witnessed in the last eight years. Inflation in the manufactured products group rose to **7.3% in March 2021** from **5.8% in February 2021**. Inflation in primary article prices rose to 6.4% from 1.8% and that in power & fuel prices increased to 10.3% from 0.6%. India's merchandise exports rose year-on-year by 60.3% to USD 34.5 billion in March 2021, as per the revised estimates of foreign trade released by the Directorate General of Commercial Intelligence & Statistics (DGCI&S). The growth came after a steep 34.3% fall registered by exports in March 2020. India's merchandise imports grew y-o-y by 53.7% to USD 48.4 billion in March 2021, after falling by 32.9% in March 2020. POL imports rose by 2.2% to USD 10.3 billion, but non-POL imports rose by 77.9% to USD 38.1 billion in March 2021. Consequently, trade deficit widened to **USD 13.9 billion in March 2021** from nearly USD 10 billion in the year-ago month and **USD 13 billion in the preceding month**.

In the latest meeting with top officials of public sector banks and select private sector lenders, Reserve Bank of India (RBI) Governor Shaktikanta Das advised banks to remain watchful of the evolving situation and continue taking measures proactively for maintaining their business continuity, sharpening business strategies and raising adequate capital. The governor has also stressed upon the importance of credit flows in sustaining the nascent economic recovery. Moreover, discussions were held on the progress in the implementation of Covid Resolution Framework, outlook on stressed assets, capital augmentation and liquidity scenario and monetary transmission. The issue of credit flows to different sectors including to stressed sectors, micro, small and medium enterprises (MSMEs) and the retail segment also came up for discussion.

The increasing lockdowns, mobility restrictions and night curfews across key economic hubs are likely to cost the Indian economy **USD 1.3 billion** a week, up from **USD 0.5 billion** a week earlier, Barclays stated in a report. On a quarterly basis, containment measures may result in a loss of around 140 bps of nominal GDP in the first quarter. If the current restrictions remain until May-end, the cumulative loss of economic and commercial activity could be around **USD 10.5 billion** or around **0.34 percentage points** of nominal GDP, it added. Moody's Investors Services has stated that the second wave of Covid-19 infections presents a risk to its growth forecast for India as the reimposition of containment measures will curb economic activity and could dampen market and consumer sentiment. However, the agency expects the **impact on economic activity to be less severe than in 2020** given the focus on micro-containment zones to deal with the current wave of infections as opposed to a nationwide lockdown. It stated that the country's GDP growth is still likely to be in **double digits in 2021** given the low level of activity in 2020. Goldman Sachs has revised India's real GDP growth projection for 2021 downwards to **10.5% from 10.9%**, citing fresh restrictions put in place by several states to limit the spread of Covid-19.

The above fundamental factors is estimated to weaken Indian Rupee and we expect USDINR to trade in the range of 72.8-76.8 levels in the month ahead.

Research Team

Mr. Sumeet Bagadia : Executive Director

Sunand Subramaniam
Sr. Research Associate

Sachin Gupta
Sr. Research Associate

Diksha Mhatre
Research Advisor

Vishal Singh
Research Advisor

Sunandh Subramaniam

Quick Order Placement

Trade with **JIFFY**



**Any kind of queries on RESEARCH,
contact us on: 022 - 67079933 / 971 / 978**

Email: customercare@choiceindia.com

website: www.choiceindia.com

Connect us



Disclaimer: This is solely for information of clients of Choice Broking and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels. It is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Choice Broking in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.
POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement- • Analyst interest of the stock/Instrument(s):- No. • Firm interest of the stock/Instrument (s): - No.