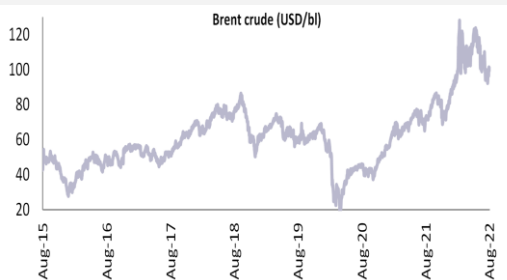


India Economics

Weekly round-up of macro-economic events

Exhibit A. Oil prices shot up to USD 100.7/bbl



Source: Bloomberg, JM Financial, As on 26th Aug'22

Exhibit B. INR closed at 79.8/USD



Source: Bloomberg, JM Financial, As on 26th Aug'22

Exhibit C. Forex reserves fell by \$7bn to \$564bn



Source: CMIE, JM Financial, As on 19th Aug'22

THIS WEEK'S HIGHLIGHTS

- Centre's latest move to restrict exports of wheat flour is taken to address twin problems of rising wheat prices and to ensure domestic food security. Media reports suggest that the current wheat stock (26.6MT) is at 15yrs low but above the buffer stock level. Considering this situation government has already replaced wheat with rice in schemes like PMJKY and NFSA.
- Government is planning to raise funds through InvITs in the coming month for funding four road projects. The target set for 2024 is at 2 lakh km vs 1.4 km currently.
- Rajasthan attracts investments worth Rs 700bn from companies like Avadda power, Asahi India Glass Ltd, Saint Gobain, Varun Beverages and Wipro for setting up projects like manufacturing facilities, renewable energy plants etc.
- US flash PMI for Aug signals weakness in demand with easing inflationary pressures and supply chain constraints. Better consumer spending and lower decline in government spending lifted the GDP print (-0.6%) in Q2 CY22 (2nd estimates).
- Markets would be closely watching Fed chairs comments at the Jackson Hole Symposium this weekend. For the next week, India's GDP for Q1 would be released. RBI estimates the growth to be at 16.2%. US non-farm payrolls scheduled to be released next week would also be closely eyed as it has implications on Fed's policy actions.

Week-ahead events

Release Date	Event
30-Aug	EU - Consumer Inflation expectations
30-Aug	US - JOLTS - Job openings
30-Aug	China - Mfg PMI
31-Aug	EU - CPI
31-Aug	India - Monthly Fiscal
31-Aug	India - Q1 GDP
1-Sep	India - Mfg PMI & GST collection
2-Sep	EU - Producer Price Index
2-Sep	US - Non Farm Payrolls

[Link to Last Week's Mailer](#)

CRUDE



100.7/bbl ↑

INR/USD



79.8 ↑

RESERVES

fx

USD 564bn ↓

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JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters S&P Capital IQ, FactSet and Visible Alpha Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

You can also access our portal www.jmflresearch.com

Domestic Macroeconomic Indicators/Events

- **Export ban on wheat flour:** Cabinet approved the proposal to restrict exports of wheat flour, ensuring food security and to keep a tab on rising prices. Media reports indicate a rise of 200% YoY in exports of wheat flour during Apr-Jul'22, while we note that prices rose 9% since Apr'22. It is worth noting that although India is world's 2nd largest wheat producer (103.6MT), majority of it is used for domestic consumption. Official estimates peg wheat stock at 22.9MT (by Oct'22) vs buffer stock of 20.5 MT, currently has hit a 15yr low at 26.6MT. Considering the situation, Govt has replaced 5.5MT of wheat with rice under PMGKY and 6.1MT under NFSA. We note that large FMCG players have already procured wheat stocks, pre-empting the price rise due to global shortage.
- **Govt to approach capital markets:** Road Transport Minister said that the government will approach the capital markets next month to raise funds for four road projects through InvITs (Infra Investment Trusts) with an investment limit of Rs. 1mn and assured return of 7-8% for retail investors. The minister has set a target to take the national highway network length to 2 lakh km by 2024 from current 1.41 km (Nov'21).
- **Investments worth Rs. 700bn in Rajasthan:** Rajasthan bagged investment commitments worth Rs 700bn from companies like Avadda Power (Rs 400bn) – Green Hydrogen & Ammonia, O2 Power SG Pte (Rs. 250bn) – Renewable energy and solar power, Asahi India Glass Ltd. (Rs 14bn), Saint Gobain (Rs. 10bn) – glass manufacturing, Varun Beverages (Rs. 6.4bn) – carbonated soft-drinks and by Wipro (Rs. 2bn) – Hydraulic cylinders.
- **Sharp drop in power dues of states:** The o/s dues of states/UTs to developers dropped 80% within a day of the electricity grid operator barring defaulting distribution companies from power exchanges for short-term purchases/sales. They fell to Rs 10.4bn from Rs. 51bn after some paid up while others disputed their dues. Currently, the dues are the highest for J&K (Rs.4.4bn) and MP (Rs.2.3bn).
- **Centre takes back 17 mines:** Centre has taken back 17 mineral mines from states as they were idle for as long as last 1- 2 decades. It is decided that if a mine does not start production in five to six years, the mines will be re-auctioned. The confiscation of mines would not impact the current bank guarantees on the mines.
- **Employment falls under MGNREGA:** Demand for work from households under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) dropped to 20.3 mn in Jul'22 from 31.8 mn in Jun'22. The government provided employment to 17.6 mn households in Jul'22 vs 27.6mn last month. The quantum of work offered under MGNREGS was 235mn person-days, as against 422 mn person-days in June 2022. Historically, it is seen that employment generation under this scheme tends to be higher during May and Jun and tapers from July.
- **EPFO adds 1.8mn subscribers:** The Employees' Provident Fund Organization (EPFO) added 1.8 mn new subscribers on a net basis in Jun'22. During the month, 1.05 mn new subscribers joined the EPF scheme, while 393,885 exited the scheme. Besides, 1.18 million members who had exited the scheme earlier, re-subscribed to it in June 2022.

Global Market Movers

- **US PMI – weak demand:** US Manufacturing PMI (Flash) fell to its lowest level in over two years (51.3 in Aug'22 vs 52.2 in Jul'22) amid muted demand conditions and production cutbacks, but continued to expand. Output contracted for 2nd successive month at a sharpest pace since Jun'20. Firms reported easing (pace) in supply chains and inflationary pressures, although continued to remain above the pre covid levels.
- **Shallower decline in US GDP:** US Real GDP growth declined (0.6%) in Q2 of 2022 lower than first estimates of -0.9% while in Q12022 the decline was sharper (1.6%). The upward revision was led by improvement in consumer spending (1.5%) and private inventory investment (0%) and smaller decrease in government spending (-1.8%) but were partly offset by a downward revision to residential fixed investment (-16.2%). PCE index rose 7.1%, core PCE rose 4.4%. (Fed closely tracks PCE over the CPI inflation.)
- **Rate cuts in China:** The People's Bank of China (PBOC) cut its five year loan prime rate by 15bps to 14.3% from 14.45% and lowered its one year loan prime rate by 5bps to 3.65% (most new loans in China are based on the one year LPR). The rate on medium-term lending facility (MLF) loans was lowered by 10bps (2.65%) to some financial institutions; in addition to this the seven day reverse repo rate was cut by 10bps to 2%. It is believed that although the LPR cut may provide near-term relief, easing liquidity alone is unlikely to lead to a turnaround in the property market.
- **US unemployment claims:** Initial jobless claims fell 2,000 to 243,000 in the week ended 20th Aug. It has been on an uptrend since Mar'22 when it bottomed at 166,000. Continuing claims, which is an accumulation of the initial claims trended down by 19,000 to 1.42 mn in the week ended 13th Aug. Strong labor market would provide comfort to the FED to raise rates although on the other hand the other economic indicators (GDP growth) remains weak.

Exhibit 1. Macro indicators

Flows (USD mn)	Last Week*	Week prior	MTD	FYTD23
FII -Equity	406	1,168	6,013	(7,035)
FII -Debt	337	14	605	(87)
DII (Rs. bn)	(5)	(18)	(66)	1,283
Equity Returns (%)	LTP	1 Week	1 month	1 Year
Nifty	17,559	(1.1)	5.5	5.5
Dow Jones	33,292	(1.2)	3.4	(5.5)
Shanghai Comp	3,236	(0.7)	(1.2)	(7.6)
Nikkei	28,641	(1.0)	3.3	3.2
MSCI EM	1,003	0.2	1.4	(20.7)
MSCI DM	2,768	(0.7)	3.5	(11.0)
Global Pairs Returns (%)	LTP	1 Week	1 month	1 Year
USDINR	79.9	(0.1)	0.0	(7.1)
EURUSD	1.0	0.4	2.1	17.6
GBPUSD	1.2	0.1	2.9	15.9
USDJPY	137.0	-	(0.3)	(19.6)
ADXY	100.8	(0.3)	(0.3)	(6.1)
Dollar Index	108.3	0.1	1.7	16.4
Commodities returns (%)	LTP	1 Week	1 month	1 Year
GOLD (\$/OZ)	1,745	(0.1)	0.6	(2.7)
Brent (\$/bbl)	101	4.1	(5.5)	41.7
CRB Metal Index	1,062	0.1	1.8	(8.6)
Generic Bond Yields (%)	LIBOR		G-Sec	
Country	3M	6M	1Y	10Y
US	3.01	3.49	4.08	3.07
EU	(0.58)	(0.56)	(0.49)	2.61
UK	2.40	3.13	0.81	0.22
India - Yields (%)	LTP	1 Week ago	1 month ago	Year ago
MIBOR	5.35	5.30	5.32	3.38
10Yr G-Sec	7.22	7.26	7.34	6.25
India Macro	latest	1 month ago	Year ago	
FX Reserves (USD bn)	564	572	617	
Reserve Money (yoy %)	10.7	10.3	16.7	
Currency in Circulation (yoy %)	8.3	7.9	9.9	
Credit Growth (yoy %)	15.0	13.5	6.2	
Deposit Growth (yoy %)	8.8	8.4	10.6	
Unemployment Rate -CMIE (%)	7.5	6.8	7.9	

Source: Bloomberg, CMIE, CEIC, JM Financial | * recent FII data updated till 25th Aug

- Dollar index (+0.1%) remained flat while MSCI EM Index (+0.2%) gained marginally in last week
- FII buying was spread across equity (USD 406bn) and debt (USD 337bn).
- DIIs sold to the tune of Rs. 5 bn. Their current month's selling comes to Rs. 66 bn.
- Brent crude spiked by 4% in last week while the Commodity index remained flat.
- India's Forex reserves fell by a massive USD 7bn in last week.
- Credit growth in India (15.1%) remains robust but is constrained by deposit growth (9.2%), exerting upward pressure on borrowing cost of banks.

Exhibit 2. Sectoral Performance

	LTP	Performance (%)		
		1 week	1 month	1 Year
Nifty	17,559	(1.1)	2.3	5.1
BSE Capital Goods	31,941	1.4	7.5	30.5
BSE Cons Durables	41,978	2.1	6.1	16.2
NSE Bank	38,987	0.0	4.0	9.4
NSE Industrial	1,771	(4.2)	(14.4)	(10.4)
NSE Nifty Auto	12,929	(0.1)	3.1	32.0
NSE Nifty Energy	27,725	0.9	6.6	39.0
NSE Nifty FMCG	42,769	(0.4)	0.7	10.2
NSE Nifty India Consumption	7,783	(0.1)	6.3	17.4
NSE Nifty IT	28,692	(4.5)	4.6	(15.7)
NSE Nifty Pharma	12,580	(1.7)	(1.5)	(9.8)
BSE Utilities	4,191	1.0	13.8	67.1
NSE Infra Index	5,096	(0.0)	4.2	11.7

Source: Bloomberg, JM Financial

- Nifty lost 1.1% in last week
- Top three performances came from Consumer Durables (2.1%), Capital Goods (1.4%) and Utilities (1%).
- IT and Industrials lost 4.5% and 4.2% in last week.
- In last one month, Industrials lost the most (-14.4%) while Utilities (13.8%) gained the most.

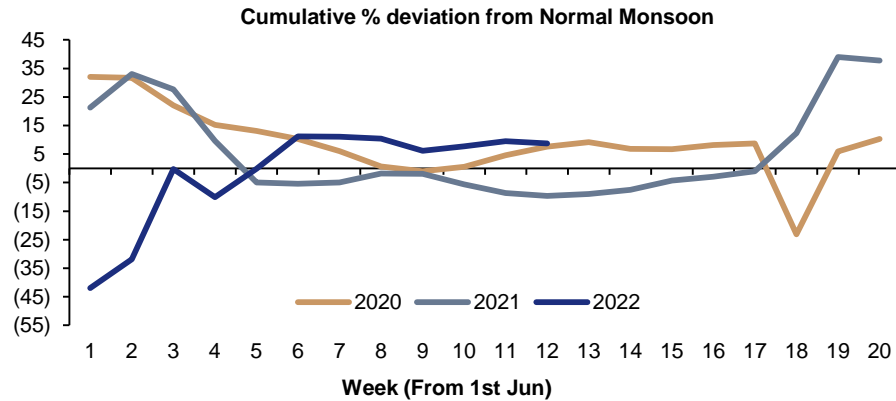
Exhibit 3. Agriculture Snapshot

Kharif -Sowing (as on 26th Aug)	% change in actual area sown			
	2022	2021	2020	2019
All crops	(4.0)	(1.8)	7.2	(1.8)
Cereals	(6.8)	(1.6)	7.6	(3.5)
Rice	(11.5)	(1.2)	11.0	(5.3)
Pulses	(5.0)	0.1	4.3	(2.2)
Oilseeds	(1.1)	(2.0)	12.6	(0.1)
Water Levels (% of Full Reservoir)				
	Latest	Week ago	Month ago	Year ago
Current	81.7	76.1	57.2	63.2
10 Yr Avg	65.2	60.7	41.1	66.1
Weekly % deviation from LPA				
Rainfall	Latest	Week ago	Month ago	Year ago
All India	1	26	7	(21)
North West	11	15	45	(25)
Central	25	103	2	(28)
South	(33)	(55)	2	(16)
East & North East	(29)	(39)	(22)	(9)

Source: CMIE, CEIC, JM Financial

- Kharif sowing fell by 4% in the last week but improved over the previous weeks (-6.9%) drop.
- Sowing declined across crop categories and was more profound in cereals (-6.8%) and pulses (-5%).
- Rainfall continued to remain above LPA on a Pan India basis (1%). Southern and North-Eastern states remained deficient.
- Reservoir levels (82%) remained comfortably above Long Period Average (61%).
- Recently due to concerns of drought conditions in US, Brazil and China, prices of crops are spiking (especially cotton).

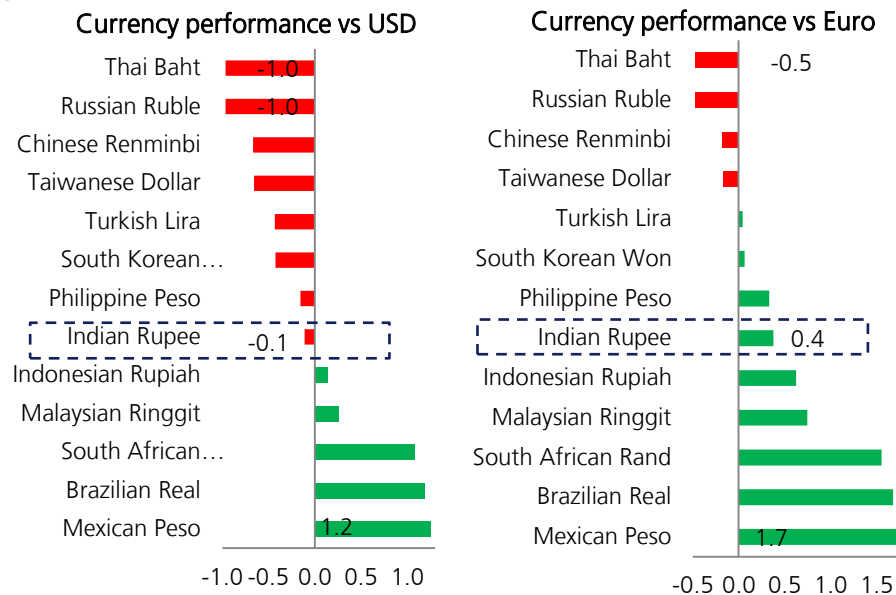
Exhibit 4. Monsoon tracker



Source: CMIE, JM Financial

- On a cumulative basis, monsoon was higher by 8.7% in the 12th week of this season.
- Rainfall was 1% higher on a Pan India basis.
- Since last two weeks rainfall has witnessed an uptrend.

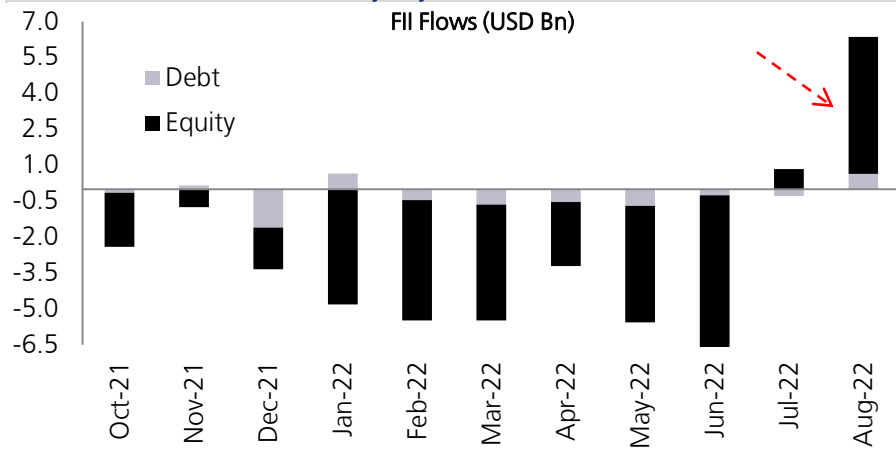
Exhibit 5. EM Currency tracker (vs USD & Euro)



Source: Bloomberg, JM Financial | Period 22nd to 26th Aug

- INR weakened 0.1% against USD while gained 0.4% against Euro in the last week.
- Compared to other currencies, INR remained relatively stable in last two weeks.
- Thai Baht and Ruble lost the most while Mexican Peso and Brazilian Real gained

Exhibit 6. Return of the FIIs, will they stay?



Source: CMIE, JM Financial | Till 24th Aug

- FII Flows turned positive in July for the first time since Oct'21.
- Inflows in Aug'22 (USD 6.3bn) have been both in Equity as well as in Debt.
- Majority of the FII flows went to sectors like Financials, FMCG and Auto in Aug'22

Exhibit 7. Movement in High Frequency Indicators

	Unit	Jul-22	Jun-22	May-22	Apr-22	Mar-22	Feb-22	Jan-22	Dec-21	Nov-21	Oct-21	Sep-21	Aug-21	Jul-21	Jun-21	May-21	Apr-21
Monetary																	
Currency with public (M0)	%YoY	7.9	7.4	9.0	10.4	10.3	9.0	8.3	7.3	7.7	7.9	8.9	9.6	10.2	12.7	13.9	15.6
10 year G-sec	%	7.4	7.5	7.3	7.1	6.8	6.8	6.6	6.4	6.3	6.3	6.2	6.2	6.2	6.0	6.0	6.1
O/s Banking liquidity	INR tn	(2.3)	(3.6)	(4.4)	(6.5)	(8.1)	(8.6)	(7.2)	(8.3)	(8.6)	(8.4)	(9.0)	(9.1)	(8.1)	(6.7)	(5.5)	(6.4)
CPI inflation	%YoY	6.7	7.0	7.0	7.8	7.0	6.1	6.0	5.7	4.9	4.5	4.3	5.3	5.6	6.3	6.3	4.2
WPI inflation	%YoY	13.9	15.2	16.6	15.4	14.6	13.4	13.7	14.3	14.9	13.8	11.8	11.6	11.6	12.1	13.1	10.7
SCB credit growth (fortnightly data)"	% YoY	13.9	13.5	11.9	10.3	8.7	8.2	7.3	9.6	7.1	7.0	6.8	6.7	6.2	6.1	5.8	6.0
Fiscal																	
Total Receipts (Centre)	%YoY		11.2	(12.1)	35.1	36.6	(134.1)	(32.1)	31.6	(19.0)	26.4	54.4	(13.2)	71.4	78.2	1052.1	437.2
Total Expenditure (Centre)	%YoY		5.4	23.7	21.2	(5.9)	11.0	21.6	19.4	1.2	10.3	50.7	40.7	(23.3)	13.0	22.7	(26.2)
Revenue Expenditure (Centre)	%YoY		(0.3)	20.1	9.1	(19.1)	12.7	29.5	7.3	13.1	17.4	45.7	33.9	(22.7)	8.9	32.4	(35.6)
Capital Expenditure (Centre)	%YoY		40.1	77.8	67.5	429.9	0.8	(5.8)	74.0	(53.5)	(24.1)	83.1	92.2	(28.2)	46.8	(41.1)	66.5
Centre's GFD (% of BE)	% BE		8.9	7.8	5.0	17.9	25.1	11.8	4.2	9.9	1.3	3.9	9.7	3.1	10.0	3.0	9.9
GST collections	INR tn	1.5	1.4	1.4	1.7	1.4	1.3	1.4	1.3	1.3	1.3	1.2	1.1	1.2	0.9	1.0	1.4
Industrial/services																	
Manufacturing PMI	Index	56.4	53.9	54.6	54.7	54.0	54.9	54.0	55.5	57.6	55.9	53.7	52.3	55.3	48.1	50.8	55.5
Services PMI	Index	55.5	59.2	58.9	57.9	53.6	51.8	51.5	55.5	58.1	58.4	55.2	56.7	45.4	41.2	46.4	54.0
GST e-way bills	mn	75.6	74.5	73.6	75.2	78.2	69.1	68.8	71.6	61.2	73.5	67.9	65.9	64.2	54.7	40.0	58.8
Diesel consumption	%YoY	7.8	23.0	30.8	7.1	6.1	(0.8)	(6.2)	1.6	(7.5)	(5.1)	0.9	16.1	11.5	(1.1)	0.8	106.5
Eight Core Industries	%YoY		12.7	19.2	9.4	4.8	5.8	4.0	4.1	3.2	8.8	5.4	12.1	10.0	9.4	16.4	62.6
IIP	%YoY		12.3	19.6	6.7	2.2	1.2	2.0	1.0	1.0	4.2	4.4	13.0	11.5	13.8	27.6	133.5
Railway Freight earnings	%YoY	20.3	20.1	21.5	16.4	10.7	10.2	11.3	9.4	14.1	18.2	9.2	20.2	22.0	26.8	56.1	86.3
Cargo handled at ports	%YoY		12.2	10.2	5.5	0.6	(0.1)	(3.1)	(0.6)	(0.2)	6.5	0.1	11.4	6.7	19.6	31.6	29.6
SCBs credit to industry	%YoY		9.5	8.7	8.1	7.5	6.5	6.4	7.6	3.8	4.1	2.5	2.3	1.0	(0.6)	0.2	(0.4)
SCB credit to small & micro ent.	%YoY		29.6	33.0	29.0	23.1	19.9	19.7	20.5	12.7	11.9	9.7	10.1	7.9	11.6	8.9	8.7
Consumption																	
Domestic PV sales	%YoY	10.3	9.0	198.7	(20.1)	(12.1)	(13.9)	(17.3)	(23.1)	(32.7)	(43.2)	(60.8)	(13.0)	26.6	118.7	187.3	NA
2W sales (Total)	%YoY	8.3	22.2	253.2	15.4	(20.9)	(27.3)	(21.1)	(10.8)	(34.4)	(24.9)	(17.4)	(14.6)	(2.2)	3.9	26.9	NA
No of Flights (Dom + International)	Th		95.2	98.3	92.2	81.7	57.2	63.5	87.3	81.6	73.6	62.4	58.8	48.1	32.0	28.1	61.1
JM Consumer RM Inflation#	%YoY	25.5	34.5	32.9	29.7	34.7	25.3	23.0	23.4	34.4	36.5	23.8	20.3	26.9	33.4	47.8	53.6
Petrol consumption	% YoY	6.8	23.2	51.5	17.2	6.1	3.1	(5.3)	4.1	(0.8)	3.6	6.0	13.0	16.3	5.6	12.5	145.2
Naukri Job Speak Index	% YoY	20.8	22.0	39.9	38.2	16.3	30.5	41.1	(2.9)	25.8	43.4	56.9	89.2	107.8	95.3	124.9	117.9
Personal loans from SCBs	% YoY		18.1	16.4	14.7	12.6	12.3	11.6	14.3	11.6	11.7	12.1	12.2	11.2	12.3	12.8	12.1
External																	
Exchange Rate	INR/USD	79.6	78.1	77.3	76.2	76.2	75.0	74.4	75.4	74.5	74.9	73.6	74.2	74.5	73.6	73.3	74.5
Forex Reserves	USD bn	574	593	601	598	618	632	630	634	638	642	639	634	621	609	598	588
Trade Balance	USD bn	(30)	(26)	(24)	(20)	(18)	(19)	(17)	(21)	(21)	(18)	(22)	(12)	(11)	(10)	(7)	(15)
Non-oil, non-gold and silver imports	USD bn	43	42	38	38	41	35	38	39	35	36	34	29	30	30	29	29
Services Surplus	USD bn	9	10	8	9	12	8	8	10	8	8	8	8	7	9	8	8
Current account balance % of GDP	%					(1.5)			(2.6)			(1.3)			1.0		
Oil Prices	USD/bbl	105.8	115.3	109.3	102.9	113.7	93.3	84.2	73.3	80.5	82.0	73.0	70.1	73.5	72.0	67.0	63.3
Flows (Net)																	
FII inflows- Equity	USD bn	0.8	(6.3)	(4.9)	(2.7)	(4.8)	(5.0)	(4.8)	(1.7)	(0.8)	(2.3)	1.1	1.0	(1.7)	1.5	0.7	(1.7)
FII inflow -Debt	USD bn	(0.3)	(0.3)	(0.7)	(0.5)	(0.6)	(0.5)	0.7	(1.6)	0.2	(0.1)	1.5	1.8	(0.1)	(0.6)	(0.2)	(0.1)
Mutual fund inflows	INR bn	91.7	133.7	168.9	292.0	174.5	337.8	177.9	235.1	375.8	77.3	154.0	326.4	351.1	128.9	47.1	271.1
FDI Inflows	USD bn		4.7	5.6	5.8	5.1	5.2	6.9	2.9	3.3	2.7	4.3	6.0	2.6	2.6	10.4	4.3

Source: CMIE, CEIC, JM Financial | #JM Proprietary Raw Material Index

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd., National Stock Exchange of India Ltd. and Metropolitan Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst – INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for large-cap stocks* and REITs and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for large-cap* stocks and REITs and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* Large-cap stocks refer to securities with market capitalisation in excess of INR200bn. REIT refers to Real Estate Investment Trusts.

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