



# Monthly Chartbook

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## Economic Research Group

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Sameer Narang

Shivom Chakravarti

Aditya Sharma

Aniket Gaikwad

Asha Sasikumar

Dhairya Modi

Debomitra Sen

Jyoti Sharma

Kaushalkumar Aryan

Tanisha Ladha

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*Please see important disclaimer at the end of this report*

# Uncertainty is the only certainty (1/2)

**Financial risks surge:** Global markets saw heightened volatility after UK's new Chancellor released a mini-Budget which encapsulated fiscal expansion to spur growth and insulate the economy from high energy prices. Pound slid to a 40-year low and markets are pricing-in that BoE may look at a hike in excess of 100bps in next policy. It also brought financial stability risks to the forefront with CDS spreads on a number of financial institutions rising. European and British banks have to prepare for a period of stagflation which will ultimately drive loan losses upward, in particular in the housing sector. Bank stocks in developed markets have fallen by 21% this year pricing-in the impact on profitability from a weaker economy.

**Global growth to weaken:** Higher financial volatility will impinge on investments and consumption. Higher interest rates will weaken consumption. This bodes well for inflation. Already, US vacant jobs have fallen to 10.1mn from a high of 11.9mn. US housing market is facing a downturn with mortgage rate hitting near 6%. Revenue growth at tech and social media firms has slowed down. However, OPEC+ is looking at reducing output by 2mbd to

ensure high prices (2% of global supply). This sets the floor on oil prices and thus energy inflation which is underlying driver of higher inflation across the world.

**India going strong:** India's rural unemployment rate at 5.8% has finally dipped below pre-Covid level in September (6.1% in Sep 2018). Formal sector job creation has been gaining traction. Work demanded by rural workers from job guarantee scheme is at much lower levels than during Covid period. Four-wheeler and two-wheeler registrations are higher by 9% YoY in September. Credit growth has also moved higher to 16%+ and is broad-based. However, exports are seeing a slowdown given a weak global economy. Non-oil imports have stabilized at USD 133.1bn in Q2FY23 (USD 129.3bn in Q1FY23). GST collections remain elevated at INR 1.47tn (+26% YoY). Government capex announcements have slowed down while private are inching up. Real estate sector is seeing sustained uptrend. However, as interest rates move up, some slowdown is inevitable.



# Uncertainty is the only certainty (2/2)

**External sector worries:** A backdrop of muted exports and elevated imports implies higher trade deficits. We expect trade deficit at USD 286bn (8.3% of GDP) in FY23. The good news is rising momentum of software exports (+35% YoY) and remittances (+22%). Even so, CAD is expected to remain elevated at 3.2% of GDP. With a CAD of USD 23.9bn in Q1, RBI managed to add USD 4bn+ to its reserves from an inflow of USD 19bn from banking capital. Despite this inflow, RBI's forex reserves have fallen by USD 69.8bn in the current financial year. Forward cover is down by another USD 45.6bn. As much as 67% of reduction in reserves is a result of higher yields and currency volatility. While incremental reserve depletion may be lower, the build-up of reserves is difficult unless trade deficits fall (unlikely) or FPI inflows resume (difficult given volatility and postponement of GBI inclusion). Hence, INR is likely to see depreciation pressure.

**What will the RBI do?** We see terminal repo rate at 6.5% by Feb 2023 policy. The glide path is for a 35bps and 25bps rate hike in next two policies. We also see inflation edging lower towards 5% in Q1FY24. What can change in the

above trajectory? First, sharp increase in domestic cereal prices as seen in case of wheat. If rice procurement is also on the lower side (current target is 50mn tons) then it will put upward pressure on prices. Rains have continued in October. Second, if US Fed does deliver a funds rate of 4.75%, RBI may look at maintaining interest rate differential between US and India. With US policy rate at 4.75%, differential with Indian policy rate will be less than 200bps. We believe RBI may look at a higher terminal repo rate (6.75%). Given the uncertain times, RBI has maintained its stance at withdrawal of accommodation and has ensured much more tighter liquidity than earlier. This has raised the bar for financial volatility hitting India. But we are not insulated.

**Sameer Narang**  
**Head of Research**  
**Economic Research Group**

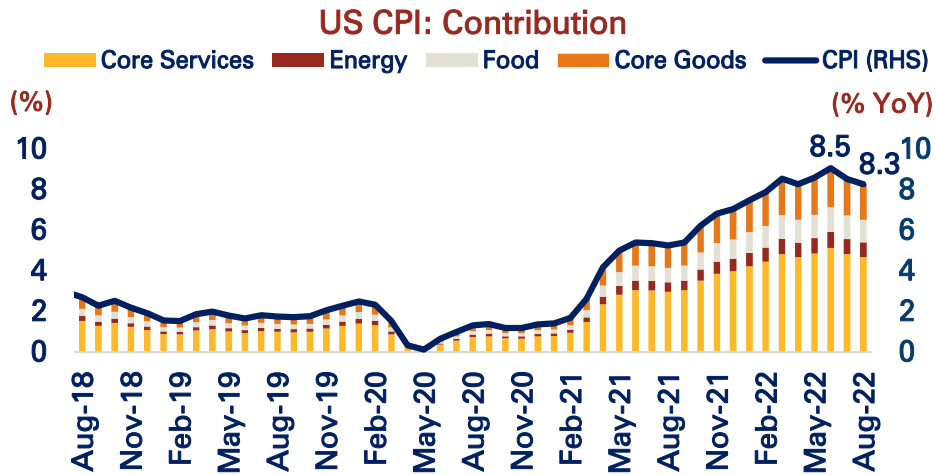




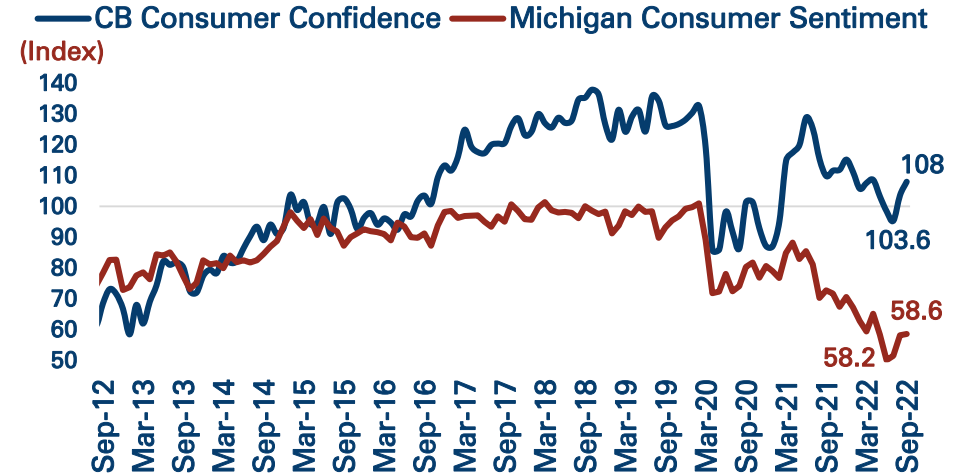
**Global**

# US economy: still holding up, despite increasing headwinds

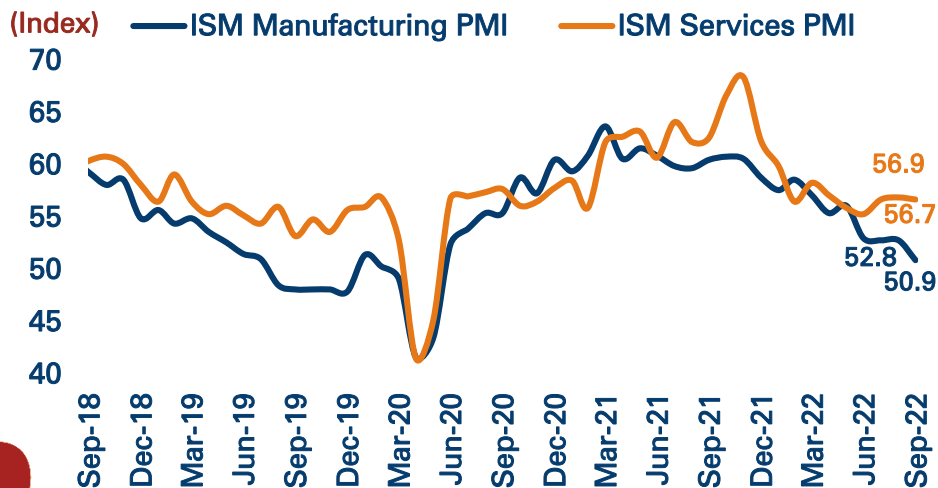
US CPI has peaked but core inflation continues to drift higher



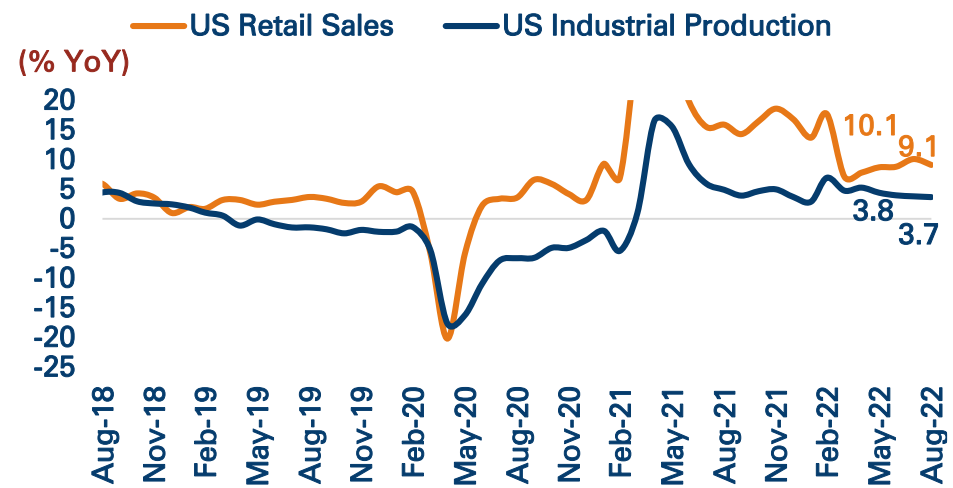
US Consumer Confidence has improved responding to peak in inflation rate & strong labour market



US manufacturing is weak because of global factors while service sector is showing increased resilience

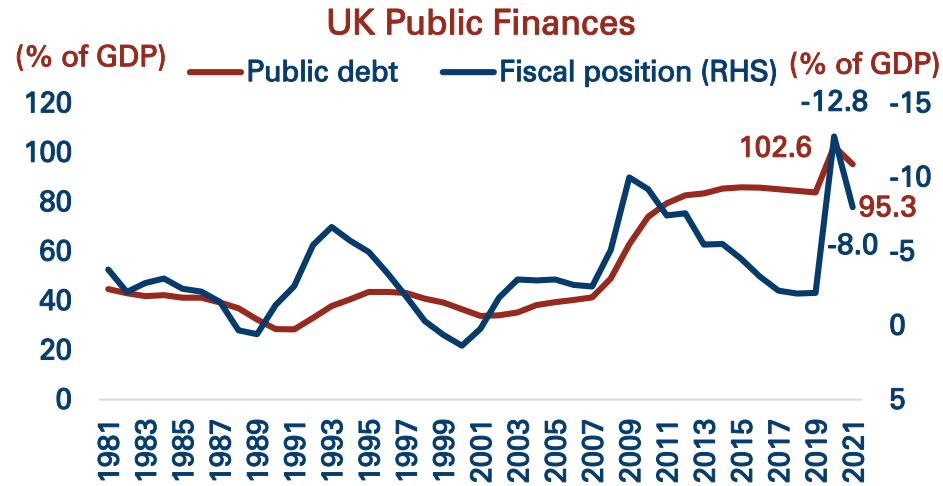


US high frequency indicators have not fallen off a cliff as yet

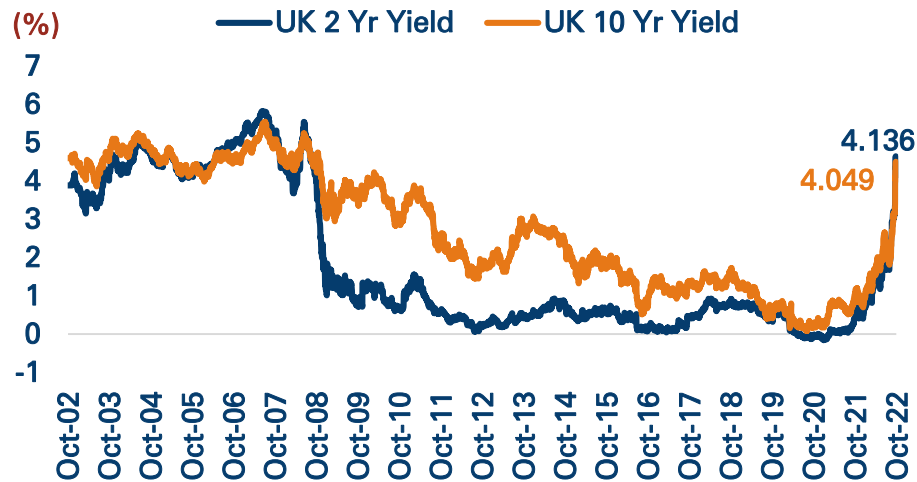


# UK: macros have weakened because of the fiscal stimulus provided

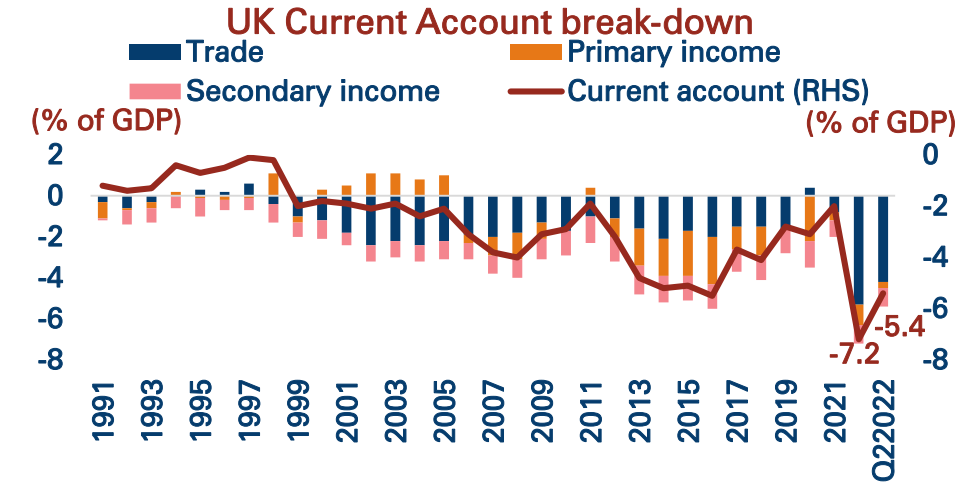
UK Public finances are poised to deteriorate further because of new fiscal stimulus announced



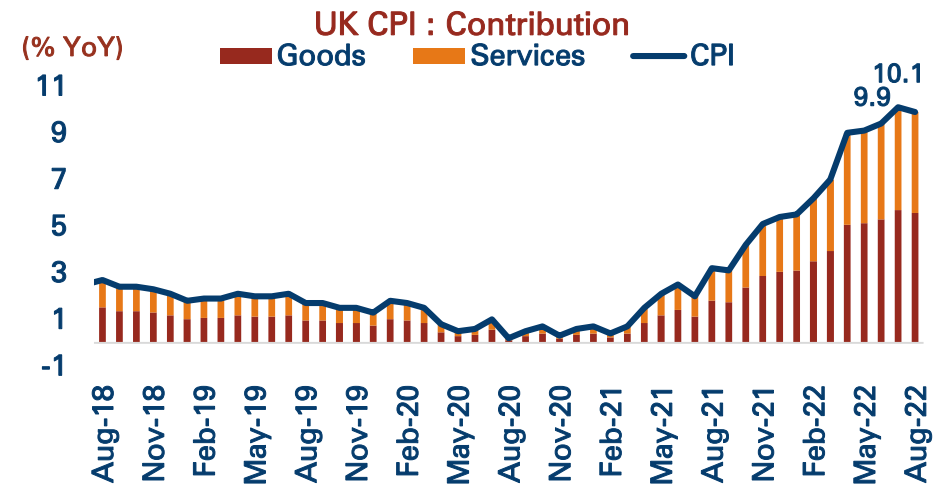
Fiscal stimulus & weak external balances have pushed UK gilt yields sharply higher over the last month



UK external imbalances have deteriorated quite sharply in 2022

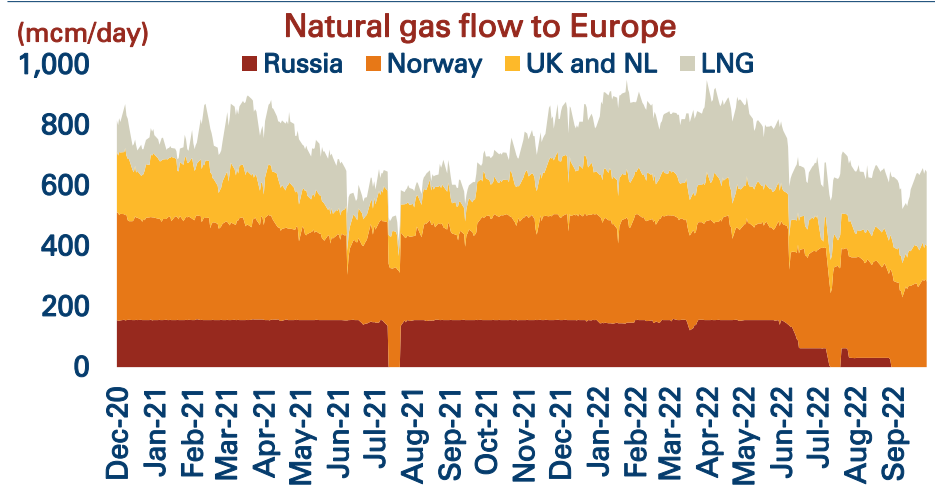


UK inflation remains elevated that will remain a source of concern

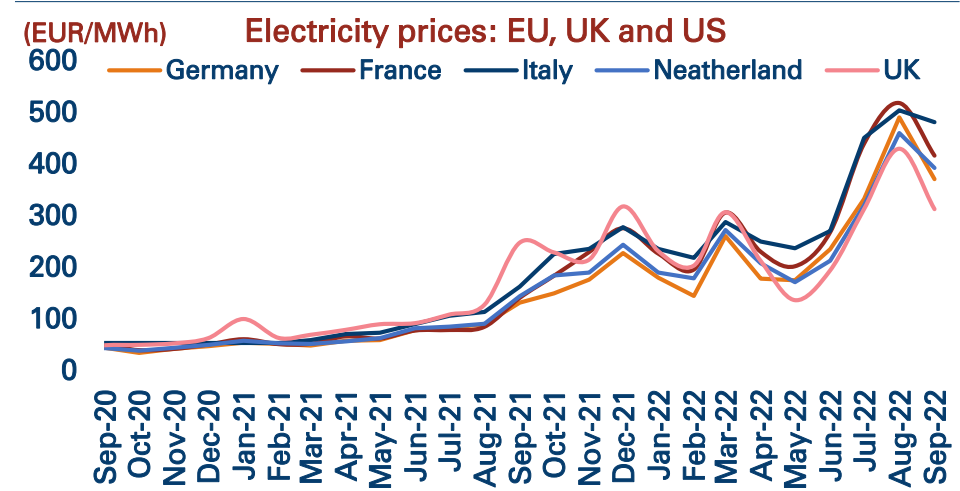


# Euro-zone: The energy crisis is weighing strongly on the economy

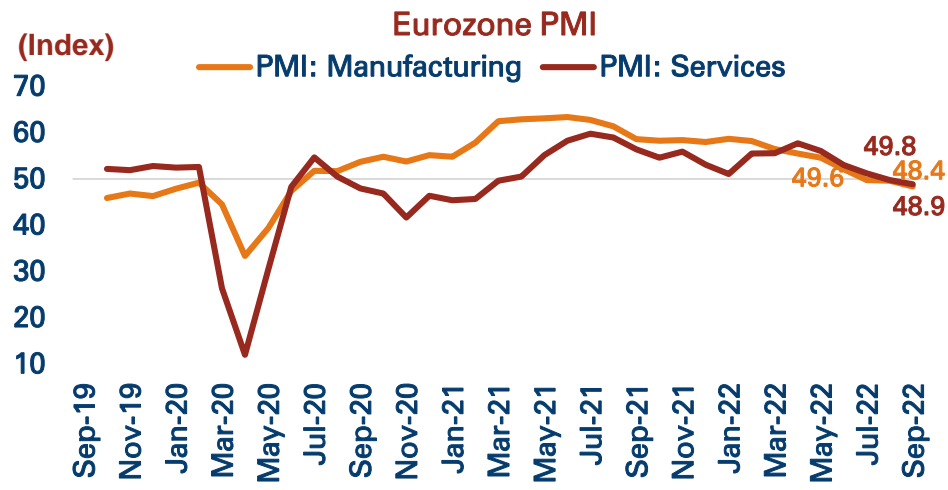
Russian natural gas flows have stopped creating substantial headwinds to the region



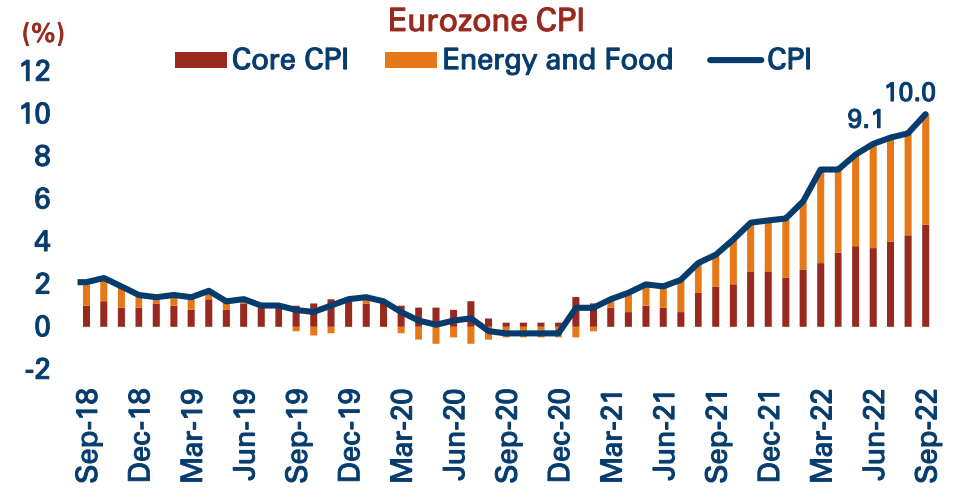
Europe electricity prices have risen sharply higher than that is weighing on spending



Eurozone is showing broad-based signs of falling into a recession



Eurozone CPI has moved to the double digit mark because of elevated energy prices



Source: US EIA, Bloomberg, ICICI Bank Research

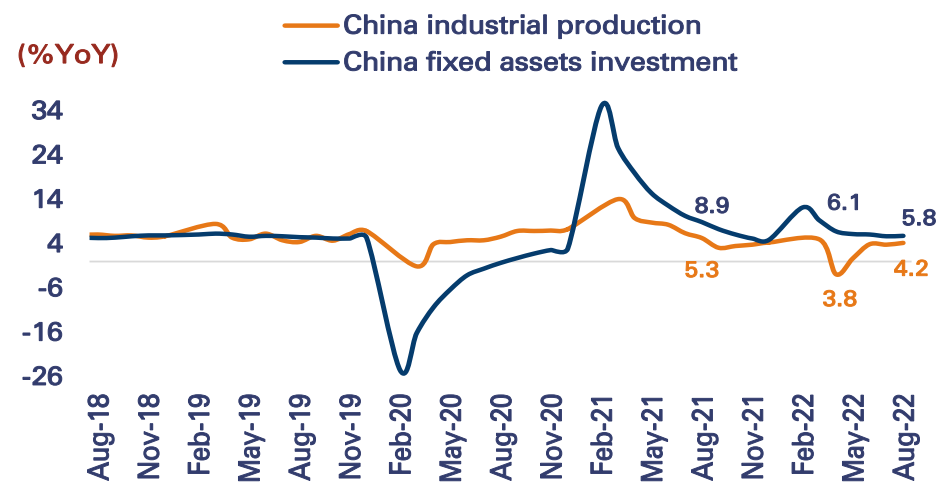


# China: recovering from lockdowns, even as underlying demand is weak

With a fall in covid19 cases, lockdowns are easing..



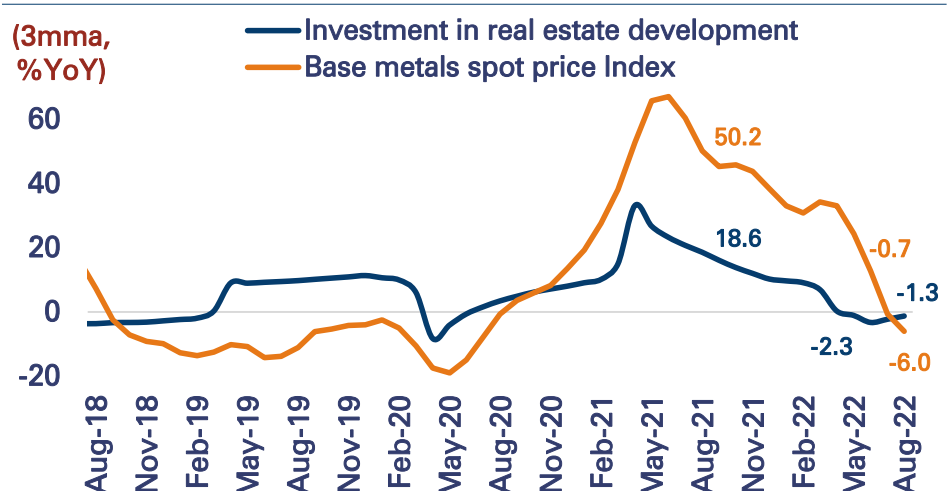
Easing lockdowns and monetary stimulus leads to an improvement in industrial sector performance



But private demand remains weak that is visible in below trend growth in retail sales



Property sector continues to work as a structural headwind that is keeping base metal prices low



Source: CEIC, Bloomberg, ICICI Bank Research

# Weak global economy can push commodity prices lower, metals have seen a rebound

Commodity performance (%)																			
	2018	2019	2020	2021	2022*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct*	Relative to 2022 high	YoY	MoM	WoW
<b>Bloomberg commodity</b>	-11	10	12	27	12	9	6	8	4	1	-13	4	-1	-9	5	-17	9	1	5
<b>Energy</b>	-14	9	-43	52	62	22	4	16	13	10	-15	12	1	-17	9	-19	38	1	9
Brent Crude	-20	23	-22	50	23	17	11	7	1	12	-7	-4	-12	-9	9	-25	17	9	9
US Natural Gas	-0	-26	16	47	83	31	-10	28	28	12	-33	52	11	-26	1	-30	20	-13	1
EU Natural Gas	14	-45	51	356	91	2	21	20	-19	-10	54	43	24	-32	-5	-50	67	-23	-5
Coal	1	-34	19	111	127	31	23	-6	26	31	-10	6	4	2	-11	-16	66	-12	-11
<b>Industrial Metals</b>	-21	5	16	30	-13	3	6	12	-6	-7	-16	1	-3	-7	5	-37	-8	2	5
Copper	-17	3	26	26	-21	-2	4	5	-6	-3	-13	-4	-1	-2	-0	-29	-18	-1	-0
Aluminium	-17	-4	11	42	-17	9	11	3	-13	-9	-12	3	-5	-9	9	-40	-20	5	9
Zinc	-25	-9	20	32	-12	0	2	15	-2	-5	-19	7	3	-15	4	-31	3	-0	4
Nickel	-17	32	19	26	9	9	8	30	-1	-11	-20	4	-10	-1	8	-53	24	5	8
Iron Ore	-0	29	70	-28	-15	17	8	6	-0	-11	-3	-18	-2	-6	-3	-41	-19	-1	-3
Steel Rebar	-8	-2	11	8	-13	5	-1	8	1	-12	-0	-8	-6	2	-	-24	-33	2	-
<b>Precious Metals</b>	-6	15	25	-6	-9	-2	6	3	-4	-4	-3	-2	-5	-1	4	-19	-6	2	4
Gold	-2	18	25	-4	-7	-2	6	1	-2	-3	-2	-2	-3	-3	3	-17	-3	-0	3
Silver	-9	15	48	-12	-11	-4	9	1	-8	-5	-6	0	-12	6	9	-22	-9	12	9
<b>Agriculture Index</b>	-4	9	24	23	5	6	9	4	5	-2	-13	-2	3	-2	-0	-19	12	0	-0
Wheat	18	11	15	20	15	-1	22	8	4	4	-20	-7	0	14	-4	-57	20	8	-4
Corn	7	3	25	23	14	6	11	7	9	-8	-1	-17	9	1	-	-17	27	0	-
Soybeans	-7	7	39	1	2	12	10	-2	6	-1	-0	-2	-8	-9	-0	-23	9	-7	-0
Cotton	-8	-4	13	44	-19	13	-4	11	12	-9	-25	-1	15	-21	-2	-42	-20	-14	-2



Note: Data updated till October 07, 2022

Source: Bloomberg, ICICI Bank Research

# DXY strength continues over September, along with rising short-end yields

Asset comparative performance																		
	2018	2019	2020	2021	2022*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct*	YoY	MoM	WoW
<b>Currency (%)</b>																		
DXY	4	0	-7	6	17	1	0	2	5	-1	3	1	3	3	0	19	2	0
EUR/USD	-4	-2	9	-7	-14	-1	0	-1	-5	2	-2	-3	-2	-3	0	-15	-2	0
GBP/USD	-6	4	3	-1	-17	-1	0	-2	-4	0	-3	0	-5	-4	0	-18	-3	0
USD/JPY	3	1	5	-11	-26	0	0	-6	-7	1	-5	2	-4	-4	0	-30	-1	0
USD/INR	-9	-2	-2	-2	-11	0	-1	-1	-1	-2	-2	0	0	-2	-1	-10	-3	-1
USD/CNY	-6	-1	6	3	-12	0	1	0	-4	-1	0	-1	-2	-3	0	-10	-2	0
<b>Equity (%)</b>																		
US - S&P 500	-6	29	16	27	-21	-5	-3	4	-9	0	-8	9	-4	-9	4	-15	-6	4
Europe - DAX	-18	25	4	16	-21	-3	-7	0	-2	2	-11	5	-5	-6	3	-18	-3	3
UK - FTSE 100	-12	12	-14	14	-5	1	0	1	0	1	-6	4	-2	-5	2	-1	-3	2
Japan - Nikkei	-12	18	16	5	-6	-6	-2	5	-3	2	-3	5	1	-8	5	-2	-1	5
India - Nifty	3	12	15	24	0	0	-3	4	-2	-3	-5	9	4	-4	1	-3	-2	1
China - SSE com	-25	22	14	5	-17	-8	3	-6	-6	5	7	-4	-2	-6	0	-15	-7	0
<b>Rates (bps)</b>																		
UST 10 yr	28	-77	-100	60	232	27	5	51	60	-9	6	-12	21	20	0	226	57	1
EUR 10 yr	-18	-43	-38	39	232	19	12	41	39	18	19	-39	89	37	2	232	57	3
GBP 10 yr	9	-46	-63	77	322	33	11	20	30	20	6	-16	50	46	2	312	116	10
JPY 10 yr	-5	-2	4	5	18	11	1	2	1	1	-4	-21	24	8	3	18	0	1
INR 10 yr	4	-81	-69	59	101	23	8	7	30	28	0	-2	-2	3	1	120	28	7
CN 10 yr	-58	-16	0	-37	-3	-7	8	-1	5	-4	1	-2	-4	4	0	-13	12	0
UST 2 yr	60	-92	-145	61	353	45	25	90	38	-16	16	-2	21	22	0	395	83	-2
EUR 2 yr	2	1	-10	8	245	10	0	46	33	24	28	-58	348	48	4	252	73	6
GBP 2 yr	31	-21	-71	85	346	36	-1	31	24	0	16	-7	77	40	-2	367	115	-8
JPY 2 yr	-1	1	0	4	2	4	2	-1	-2	-2	-18	35	-1	-39	36	5	1	-2
INR 2 yr	25	-109	-190	65	266	30	3	13	63	78	2	-2	-1	11	1	290	66	8
CN 2 yr	1	-8	7	-35	-23	-23	9	7	4	-10	1	-3	-6	4	0	-36	11	0



Note: Data updated till October 07, 2022

Source: Bloomberg, ICICI Bank Research

# Indian equity sold sharply in September, led by Realty, Power and Oil stocks

Asset comparative performance																			
	2018	2019	2020	2021	2022*	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct*	YoY	MoM	WoW	
Equity (%)																			
Sensex	6	14	16	22	-2	0	-3	4	-3	-3	-5	9	3	-4	-1	-4	5	-2	
Large	2	11	15	25	-1	0	-3	4	-1	-4	-5	9	4	-4	-1	-5	5	-2	
Mid	-13	-3	20	39	-1	-1	-5	3	1	-5	-6	11	6	-2	-1	-3	9	1	
Small	-24	-7	32	63	-4	-1	-9	6	1	-8	-6	9	6	-1	0	-1	11	3	
Bank	5	21	-2	13	8	8	-4	0	-1	-2	-6	12	5	-2	-1	-4	8	0	
Fin ex bank	-4	15	2	22	-6	-1	-6	3	-3	-4	-8	16	5	-4	0	-4	10	-1	
IT	25	10	57	56	-28	-8	-4	9	-12	-6	-6	4	-2	-5	-1	-5	-5	-7	
Realty	-31	27	9	55	-13	-1	-9	6	-4	-7	-6	17	3	-9	0	-9	3	-5	
Metal	-21	-12	11	66	-7	-1	9	8	-3	-16	-14	17	5	-6	-1	-7	12	-2	
Auto	-22	-11	13	19	15	6	-7	-2	5	5	1	7	6	-4	-2	-6	3	-4	
Power	-16	-4	7	69	33	13	-2	5	18	-11	-4	12	15	-9	-2	-11	11	-3	
O&G	-16	7	-4	24	6	7	-7	8	4	-5	-3	5	7	-9	0	-8	6	-4	
Cap Goods	-2	-10	11	53	8	1	-5	-1	0	-1	-4	14	8	-3	-1	-4	12	3	
Con Goods	-9	21	22	47	-6	-6	3	-2	1	-11	-9	14	8	-1	-1	-2	13	4	



Note: Data updated till September 30, 2022

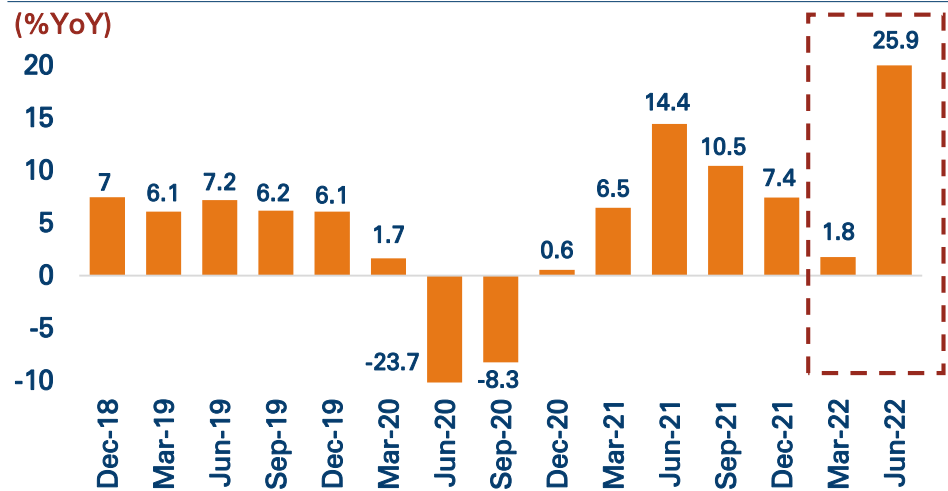
Source: Bloomberg, ICICI Bank Research



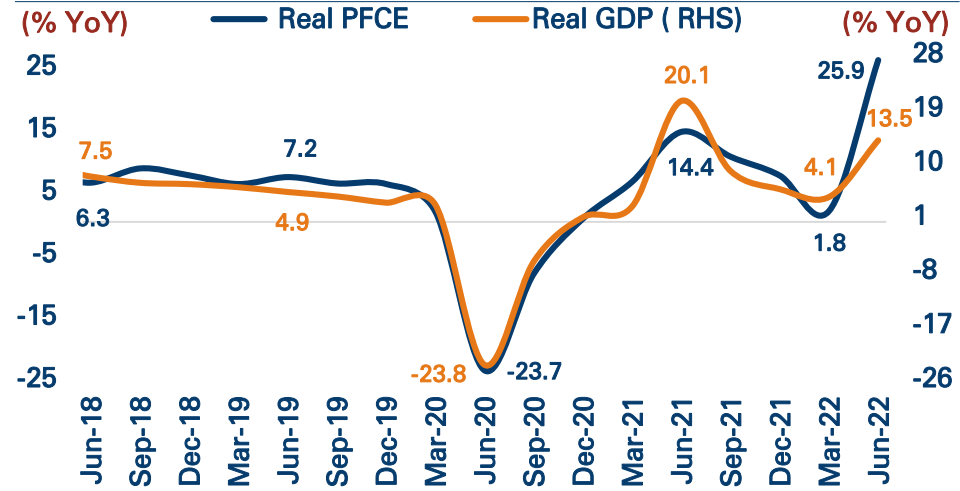
# Consumption

# Consumption climbs up in Q1, government spending moves lower

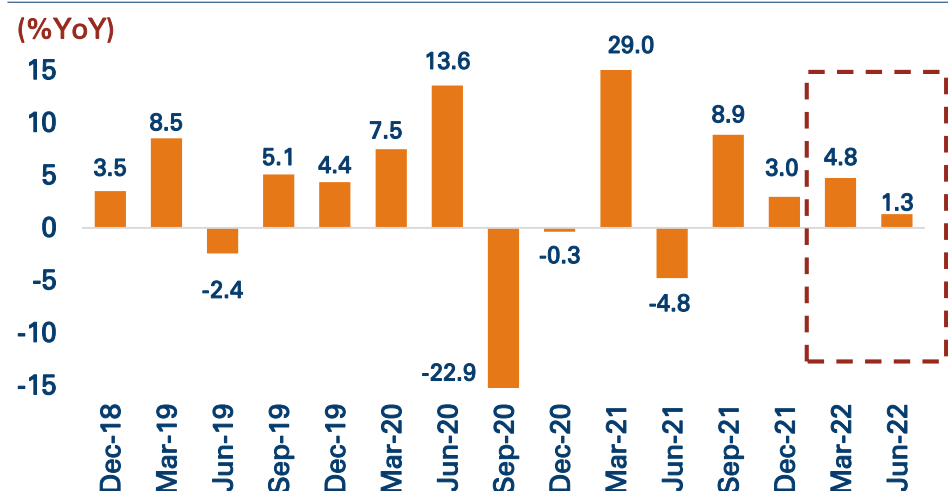
Private Consumption inched up 25.9% YoY in Q1



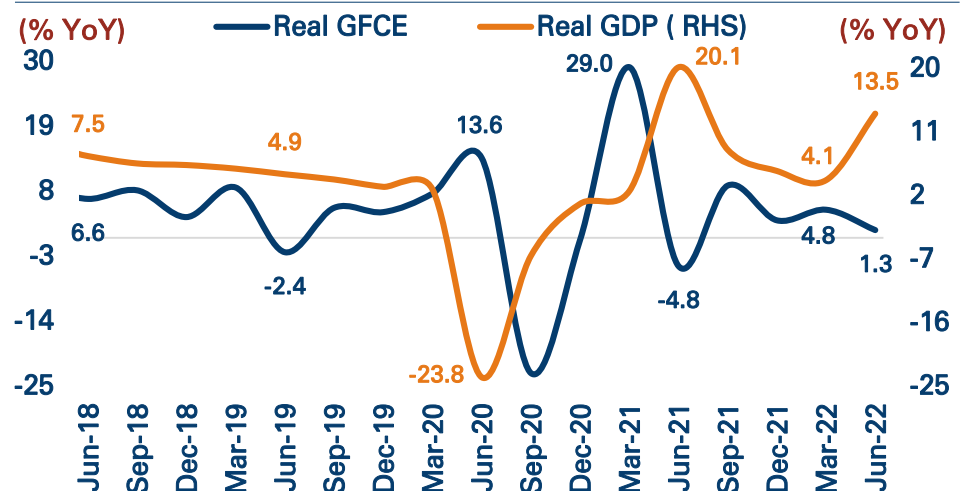
GDP growth too increased by 13.5% YoY from 4.1% last quarter



Government Consumption expenditure dipped to 1.3% YoY in Q1

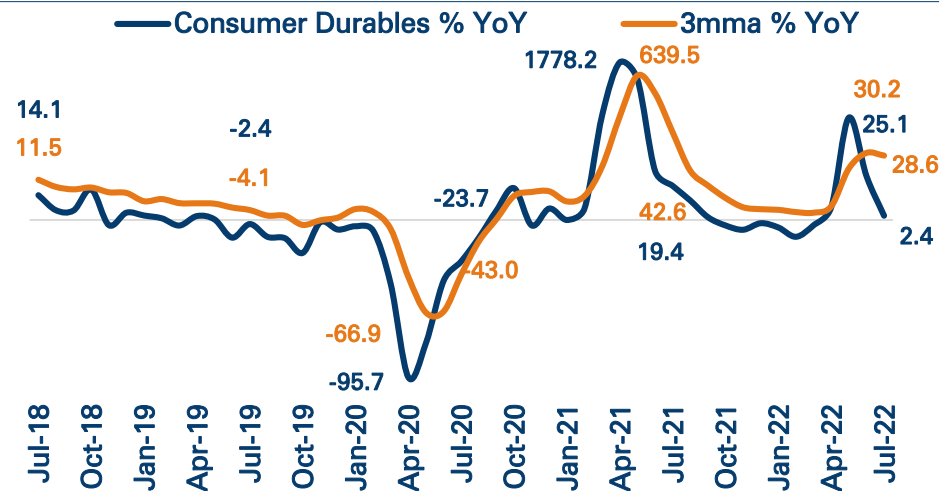


Despite this, GDP growth remains higher

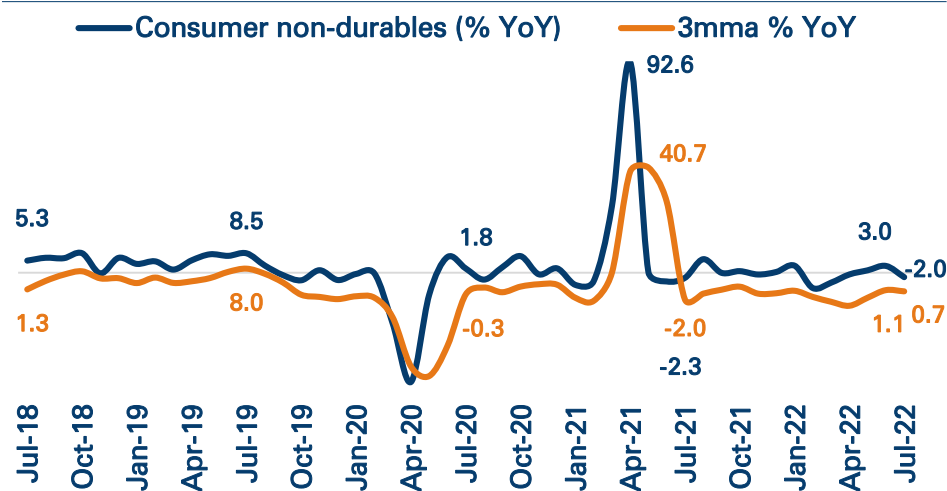


# Consumption indicators slowed down; imports too moved lower...

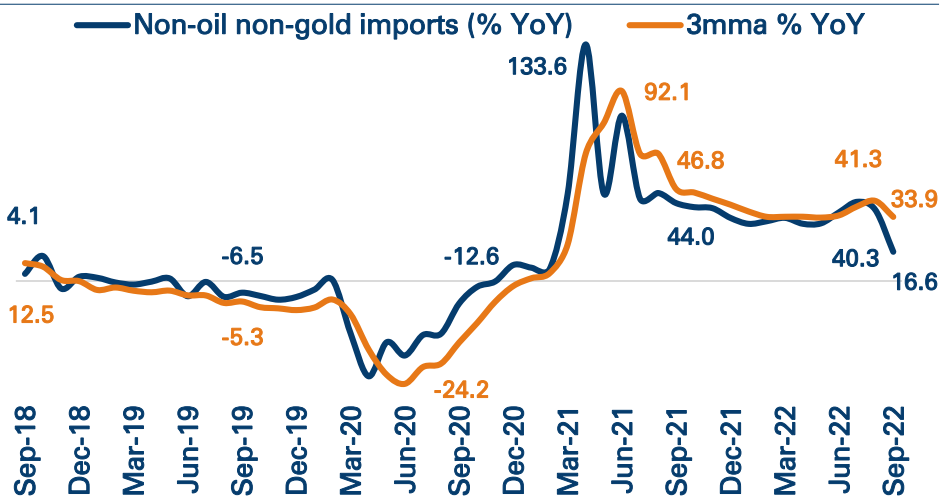
Consumer durables output moderated to 2.4% YoY compared with 25.1% YoY in June



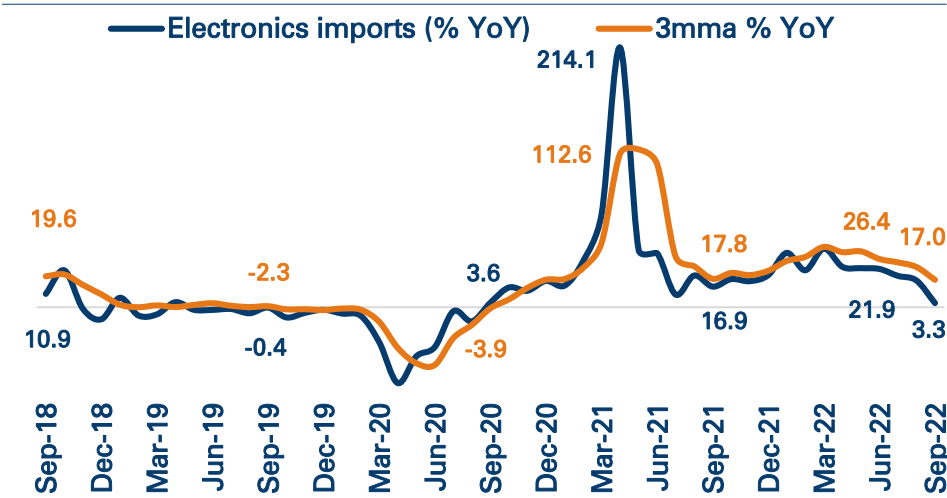
Consumer non-durables remain muted at -2.0% YoY in July vs. 3.0% YoY in June



Non-oil Non-gold imports dipped to 16.6% YoY in September from 40.3% in August



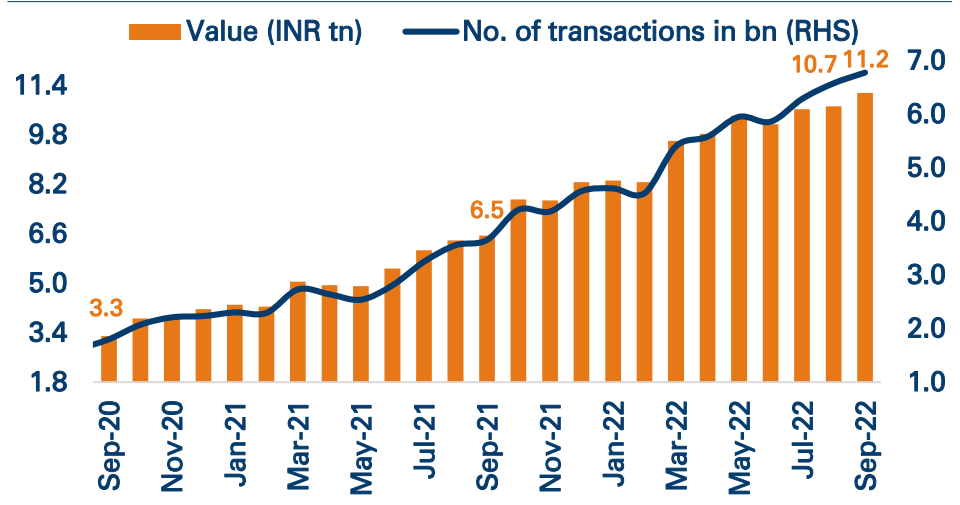
Electronics imports moderated to 3.3% YoY from 21.9% in August



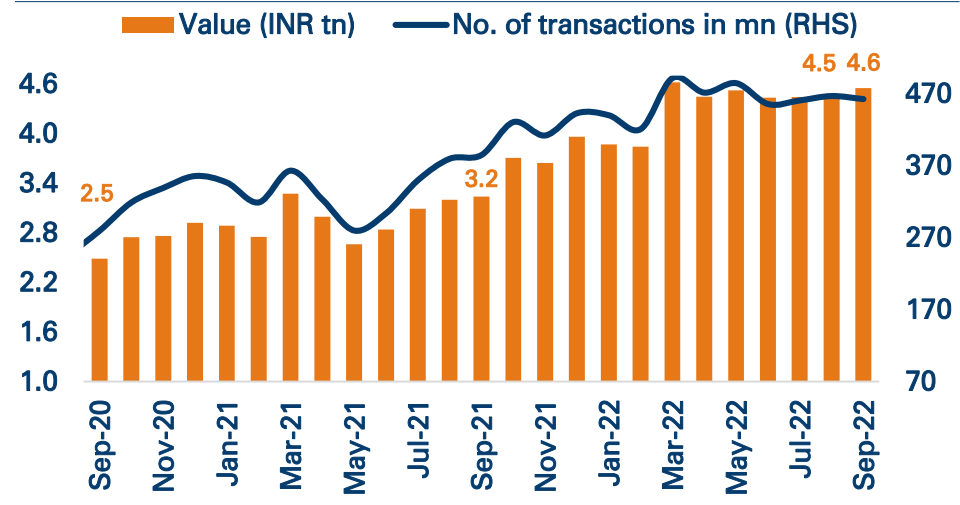
Source: CEIC, ICICI Bank Research

# Digital payments accelerate further; Consumer sentiment moves up...

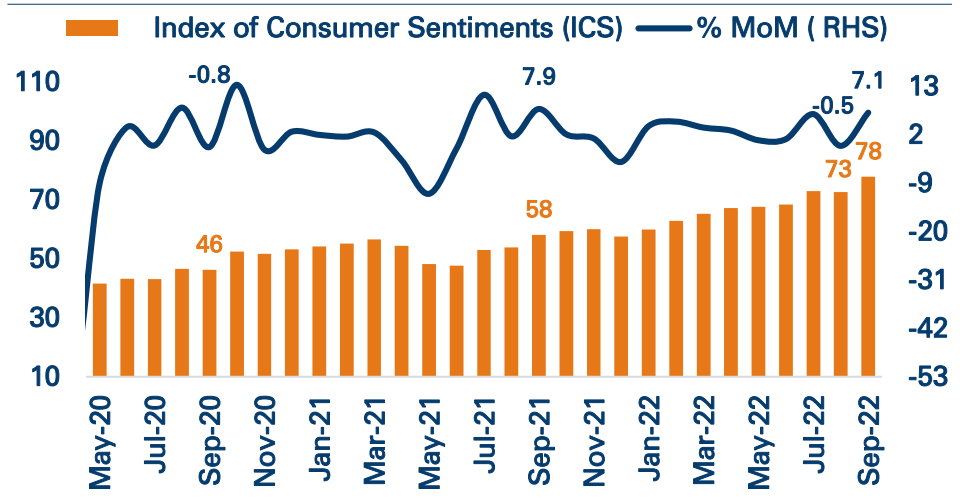
UPI payments recorded yet another high of 6.8bn transactions worth INR 11.2tn in September



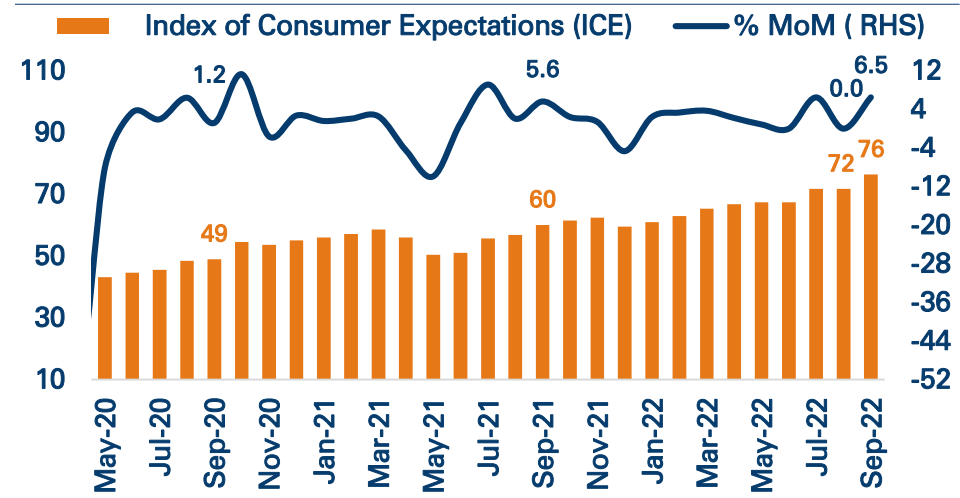
IMPS payments remain stable at 463mn worth INR 4.6bn in September



Consumer sentiment index increased to 78 vs. 73 last month



...as was the case with consumer expectations index which moved up to 76 vs. 72 last month

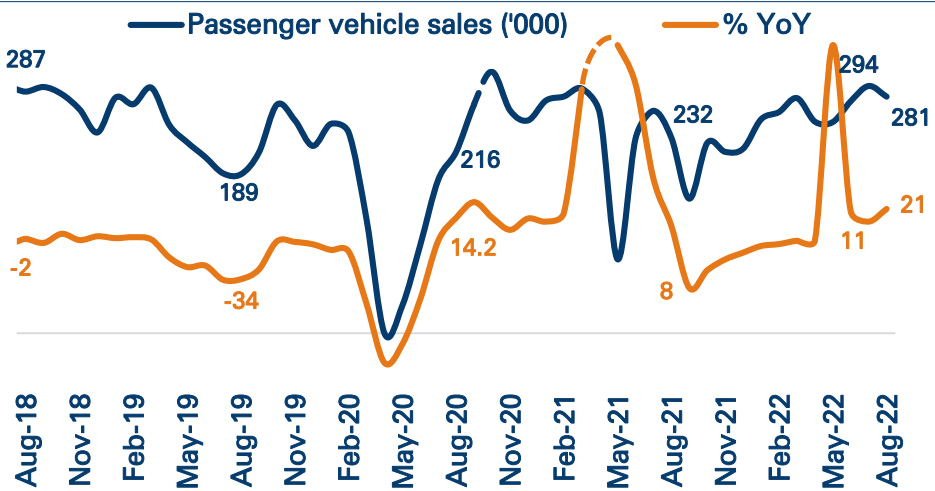


Source: CEIC, CMIE, ICICI Bank Research

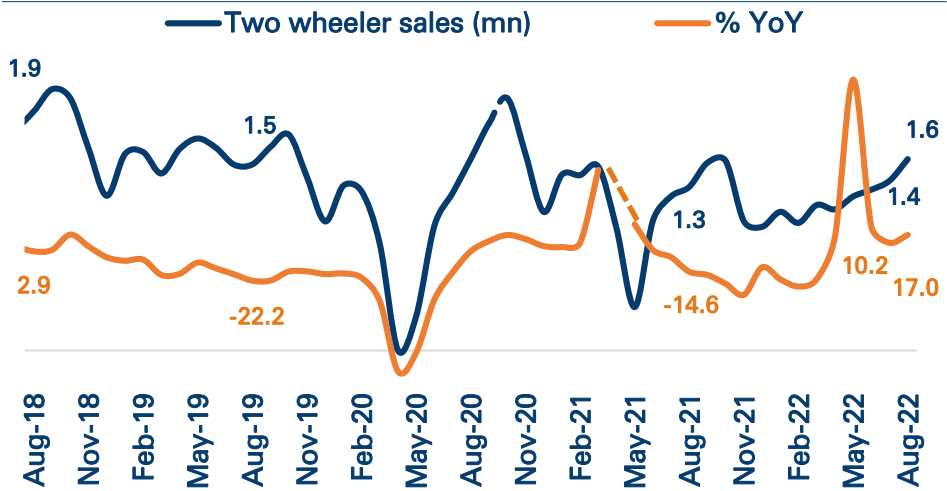


# ... However, auto down-cycle yet not over

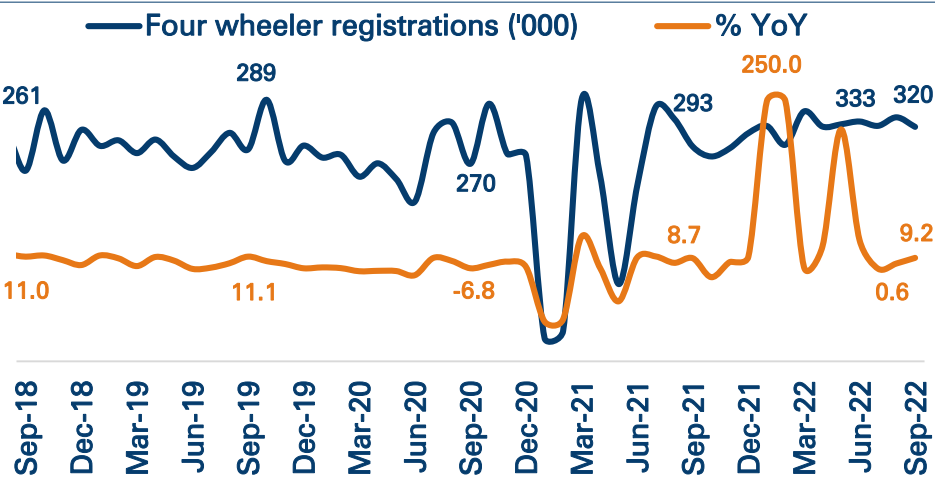
Passenger vehicle sales moved to 281k in August from 294k in July (+21% YoY); \*261k in September (+11%)



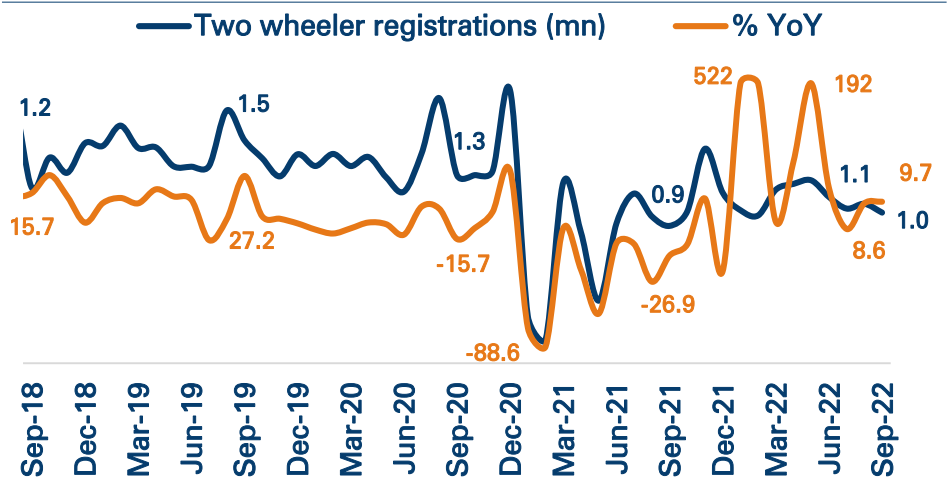
Two-wheeler sales remain up at 1.6mn vs. 1.4mn in July (+17% YoY); \*1.0mn in September (+11% YoY)



PV registrations move up by 9.2% YoY in September



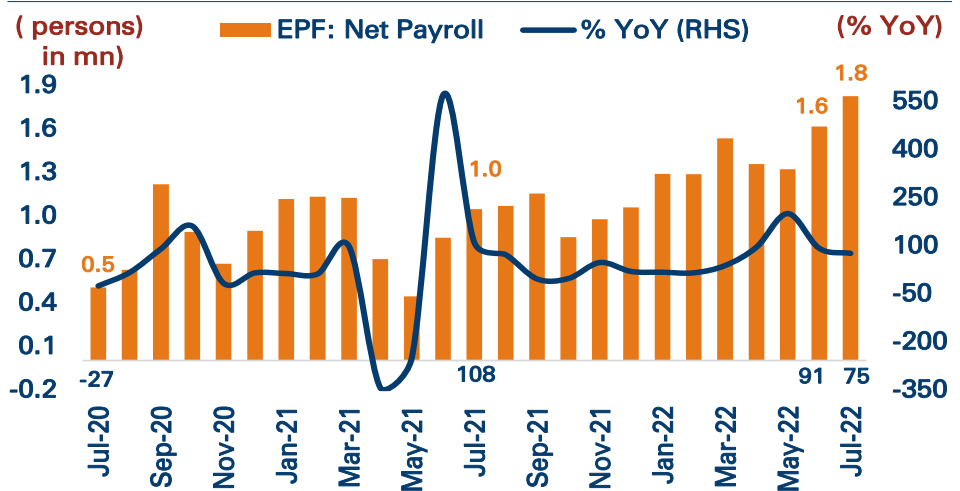
..while two-wheeler registrations rose by 9.7% YoY



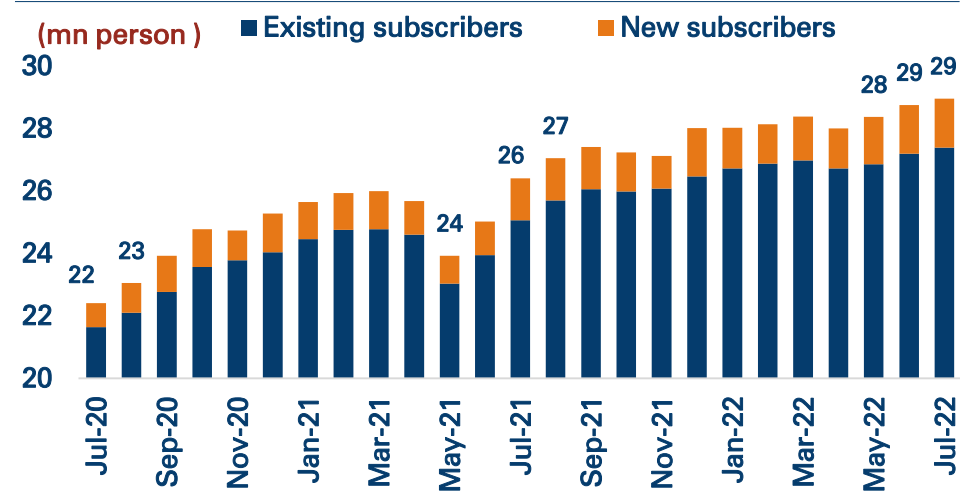
Note: \* PV sales and two-wheeler sales in September is from FADA; SIAM data for other months  
 Source: CEIC, ICICI Bank Research

# Formal employment far better placed than informal sector...

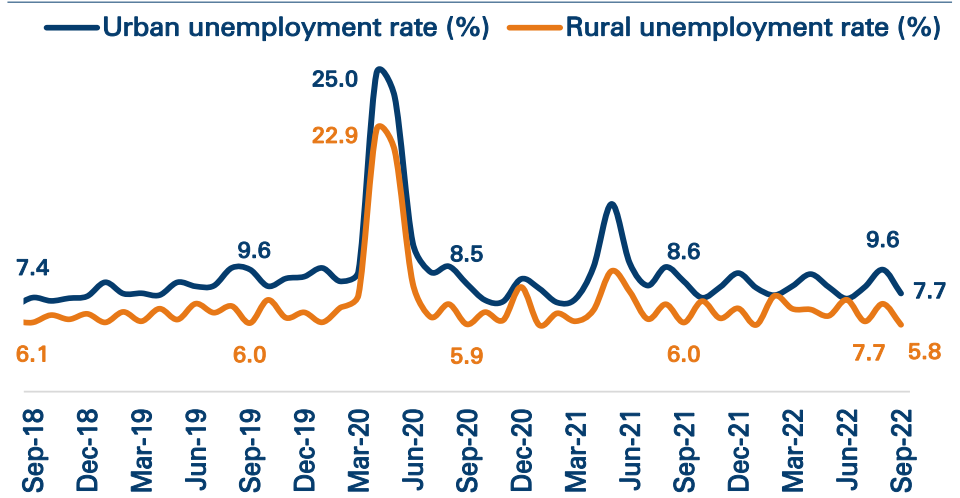
EPFO net payrolls continue to see traction



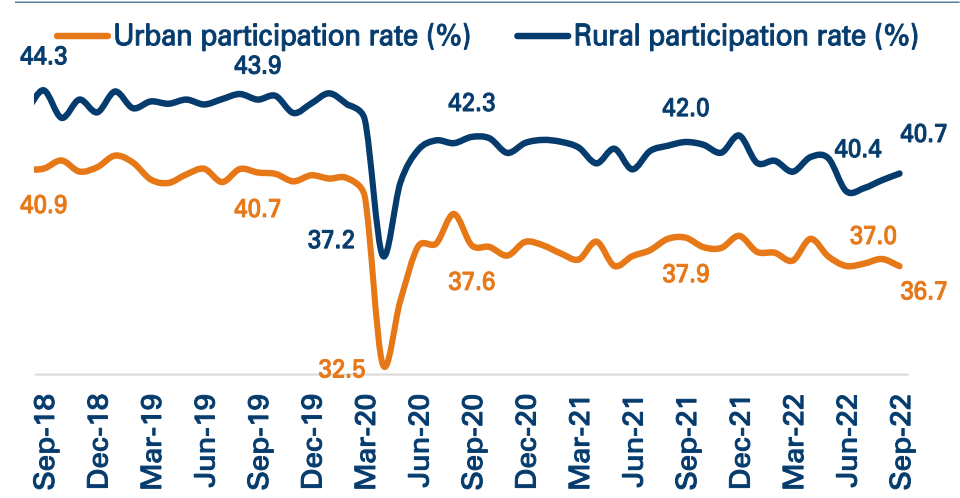
Contribution in ESIS remain steady..



Unemployment rate dropped in both rural and urban areas



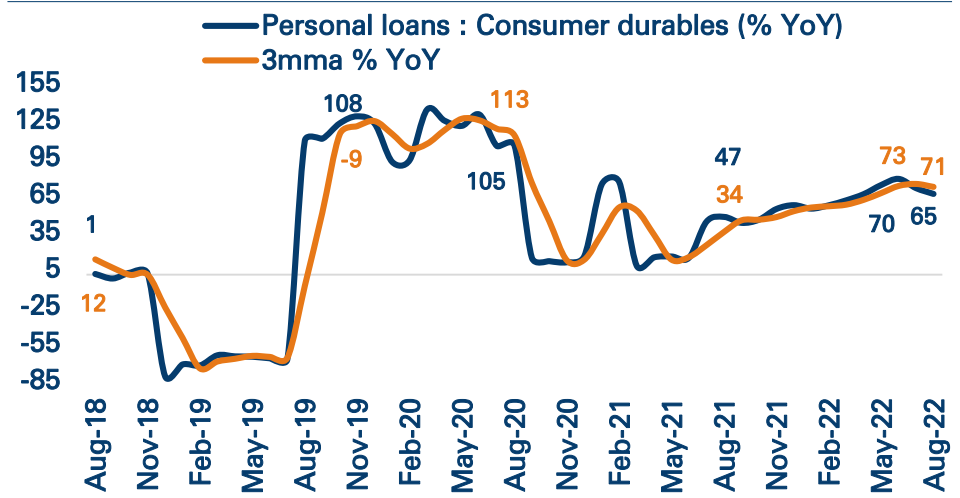
Participation rate for rural areas increased marginally



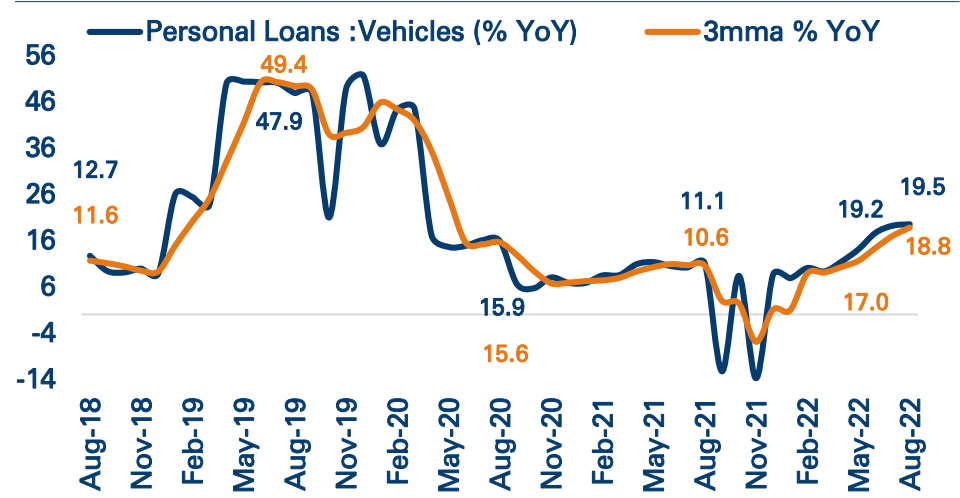
Source: CEIC, CMIE , ICICI Bank Research

# Consumer credit is buoyant....

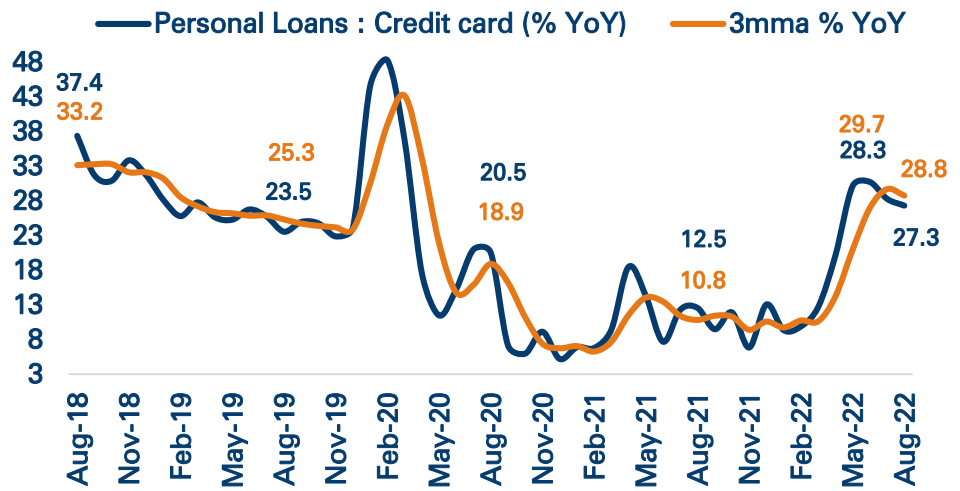
Consumer durable loans slowed down to 65% YoY in August vs. 70% in July



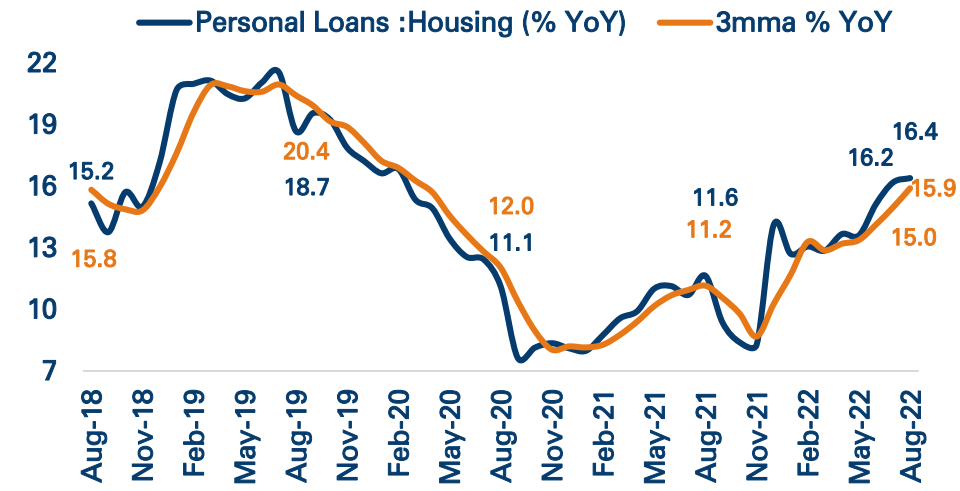
Vehicle loans rose by 19.5% YoY vs. 19.2% in July



Credit card spending dipped at 27.3% YoY vs. 28.3% in July

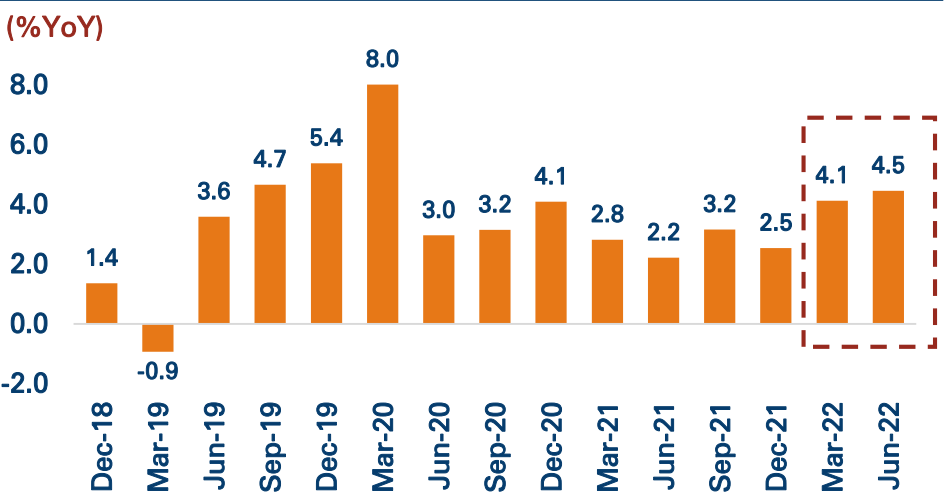


Housing loans rose by 16.4% YoY in August vs. 16.2% in June

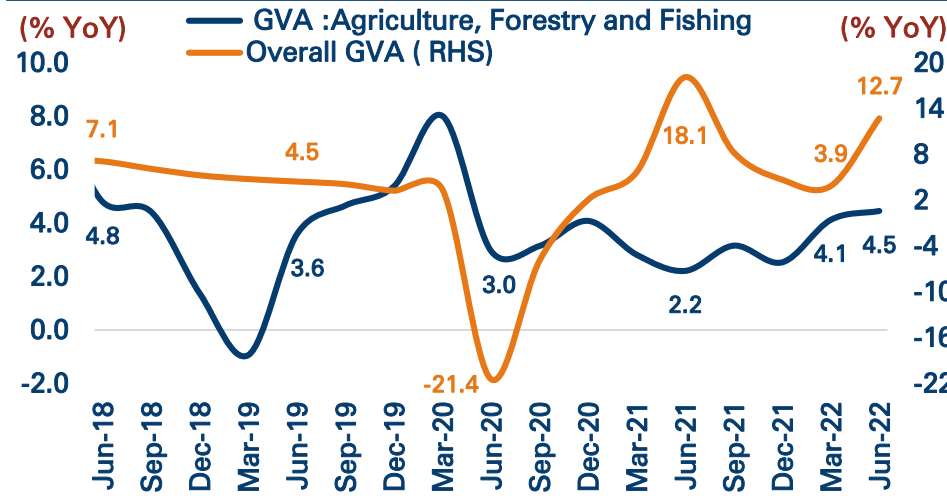


# Agriculture GVA robust at 4.5% YoY in Q1; MNREGA demand marginally up...

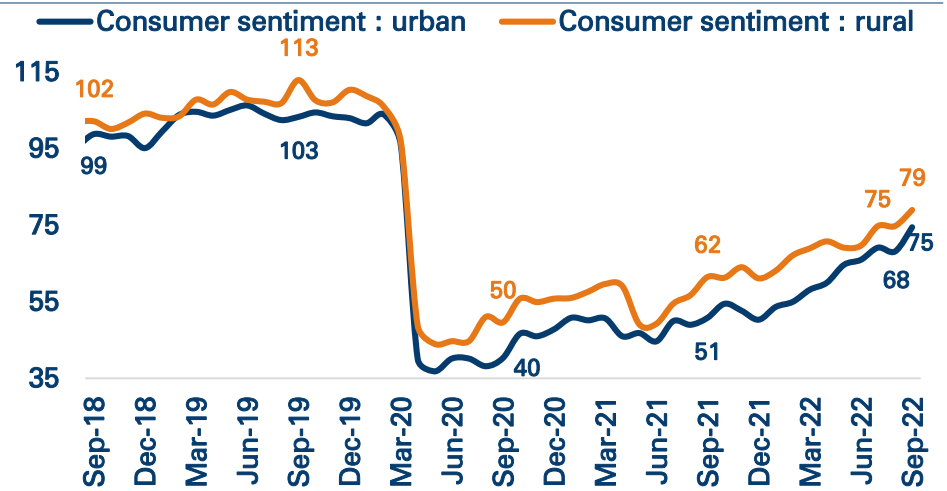
GVA agriculture up at 4.5% YoY in Q1 FY23



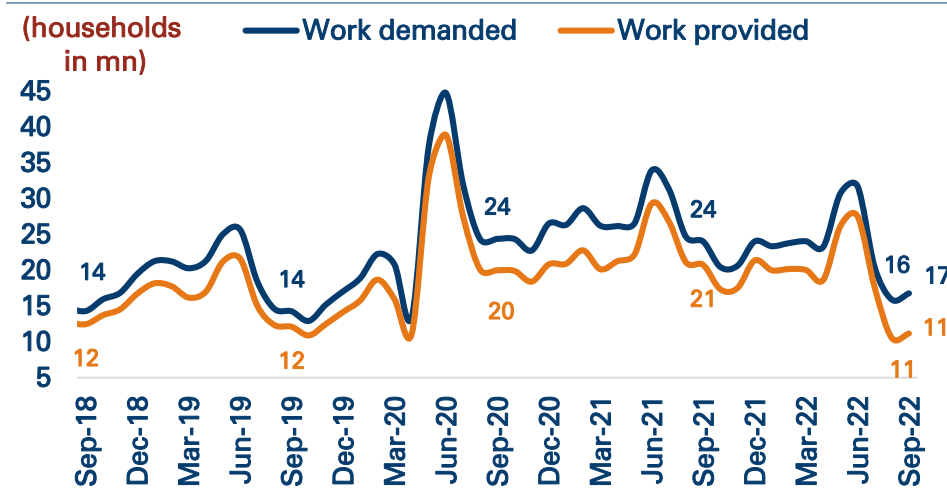
Overall GVA increased to 12.7% YoY in the quarter



Consumer sentiment index for both urban and rural areas moved up



Work demanded under MGREGS slips reflecting return to normalcy

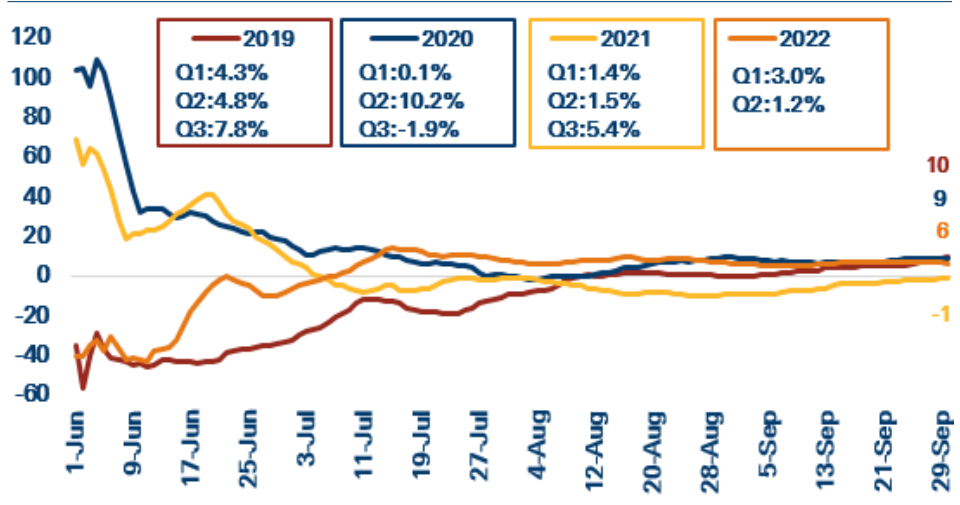


Source: CEIC, CMIE, ICICI Bank Research

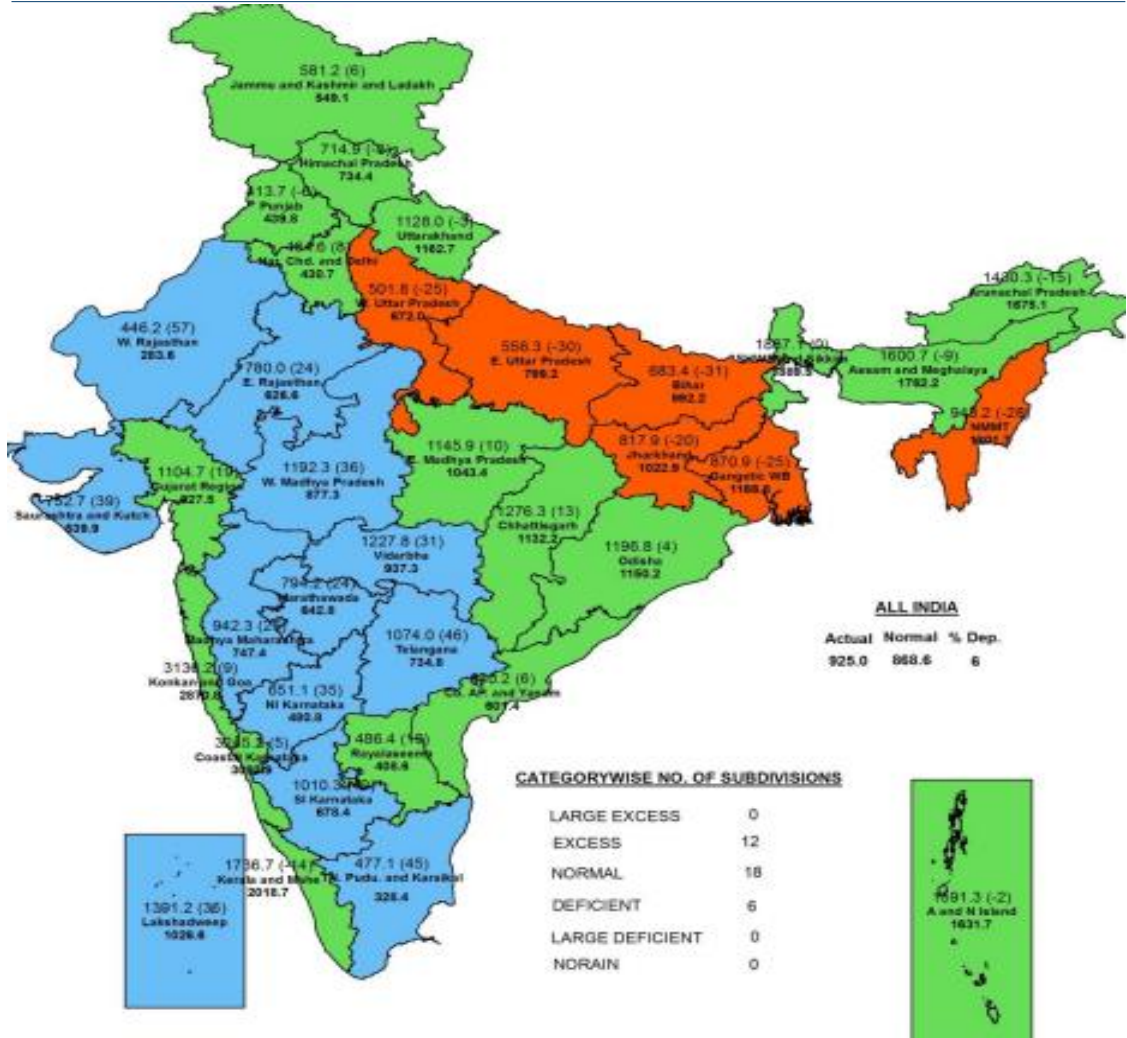
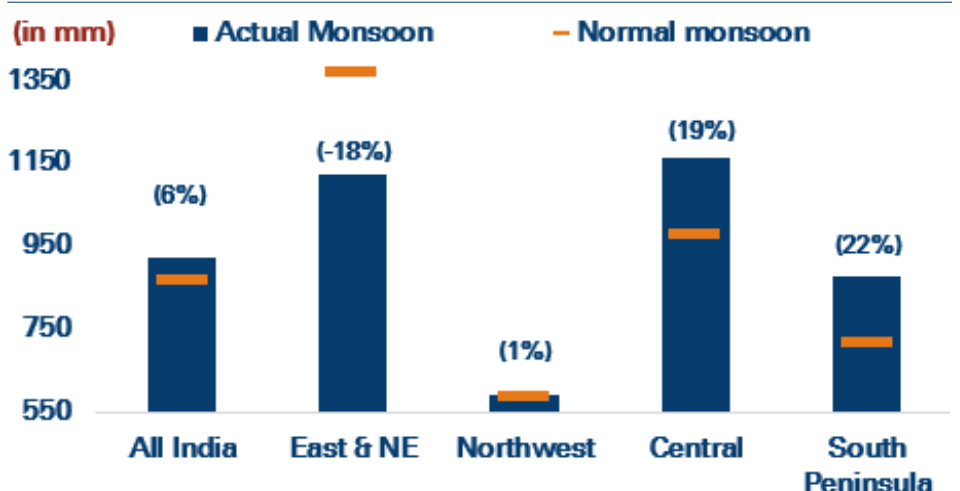
# South-west monsoon above normal; spatial variations persist...

Spatial variations persists as states like Uttar Pradesh, Bihar, West Bengal, Jharkhand are still in deficient

Monsoon above normal at +6% of LPA



Cumulative rainfall stands at 925mm, with Central and south regions receiving excess rainfall



Legend: Large Excess [ 60% or more], Excess [ 20% to 59%], Normal [-18% to 19%], Deficient [-59% to -20%], Large Deficient [-60% to -99%], No Rain [-100%], No Data



Note: chart 1- deviation from long period average (LPA), figures in boxes gives average sequential momentum in CPI vegetables index  
 Note: numbers in parenthesis are given as % deviation from long period average (LPA), rainfall updated till September 30, 2022  
 Source: CEIC, IMD, ICICI Bank Research

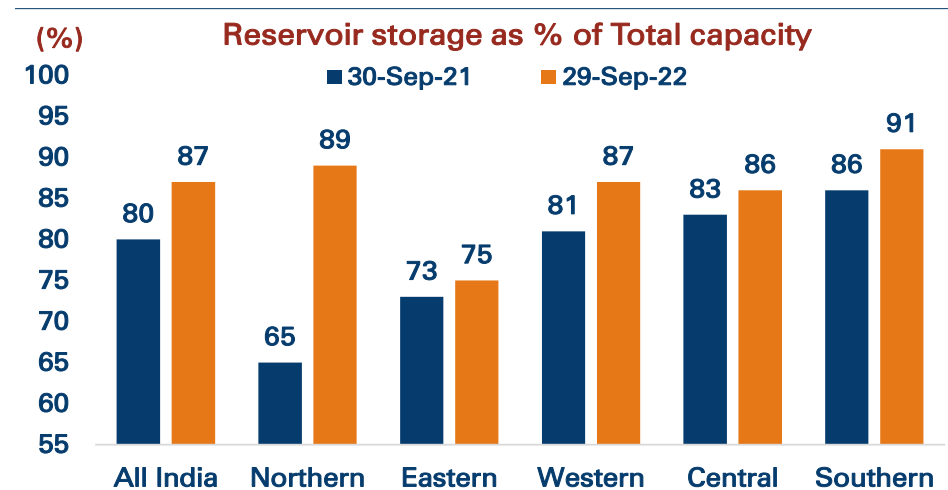
# ....*kharif* sowing lower than last year levels; reservoir storage remains higher

Sowing of *kharif* crops stands at 110.3mn hectares (~0.8% lower than last year)

**Area Sown under Kharif crop**

Million hectare	30-Sep-21	30-Sep-22	% YoY
Rice	42.3	40.3	-4.8
Pulses	13.9	13.4	-4.0
Coarse Cereals	17.5	18.4	5.0
Oilseeds	19.4	19.2	-1.0
Sugarcane	5.5	5.6	0.9
<i>Jute &amp; Mesta</i>	0.7	0.7	-0.6
Cotton	11.9	12.8	7.5
<b>Total</b>	<b>111.2</b>	<b>110.3</b>	<b>-0.8</b>

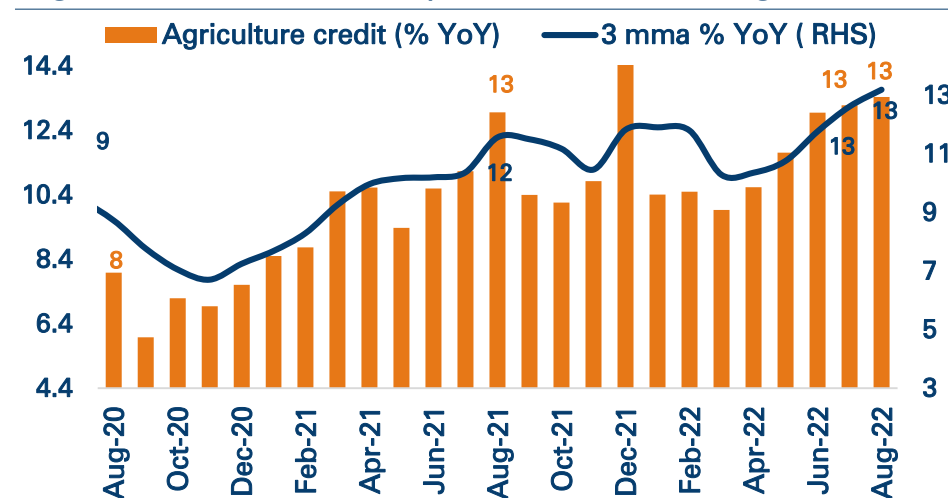
Reservoir levels are higher than last year which bodes well for upcoming winter crop



Wheat procurement lower than previous years

(mn tonnes)	Wheat (Apr-Mar)	Rice (Oct-Sep)
2016	28.1	34.2
2017	23.0	38.1
2018	30.8	38.2
2019	35.8	44.4
2020	34.1	51.8
2021	39.0	60.2
2022	43.3	59.2
2023	18.8*	-

Agriculture credit steady at 13% YoY in August

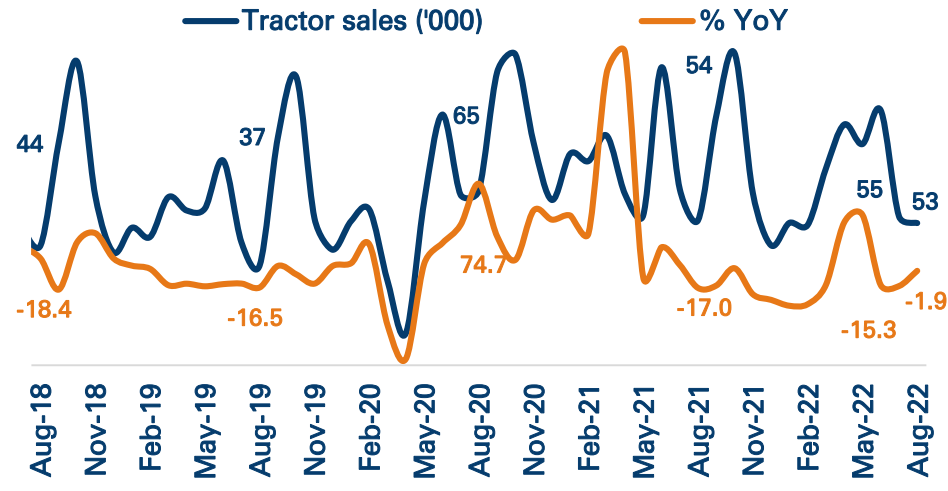


Note: \*Procurement updates till August 31, 2022  
 Source: CEIC, Informist, FCI, Ministry of Agriculture, ICICI Bank Research

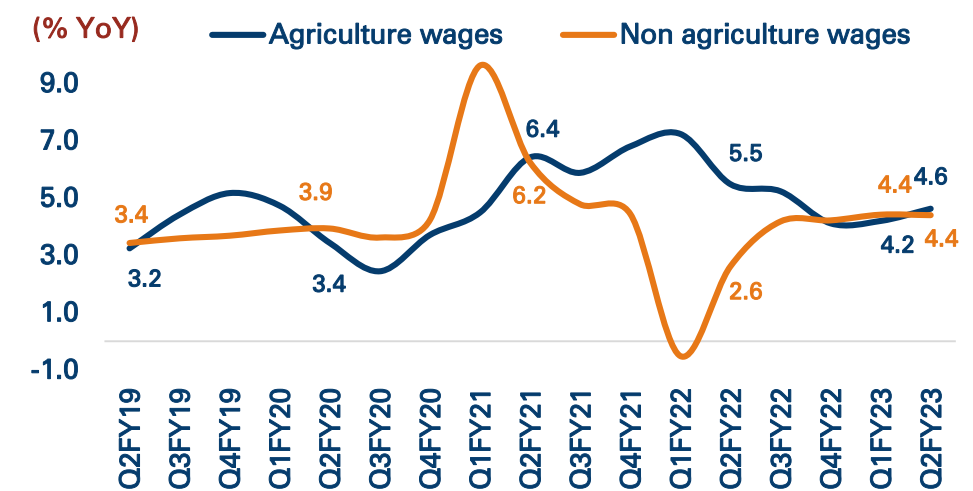


# Rural demand indicators remain mixed...

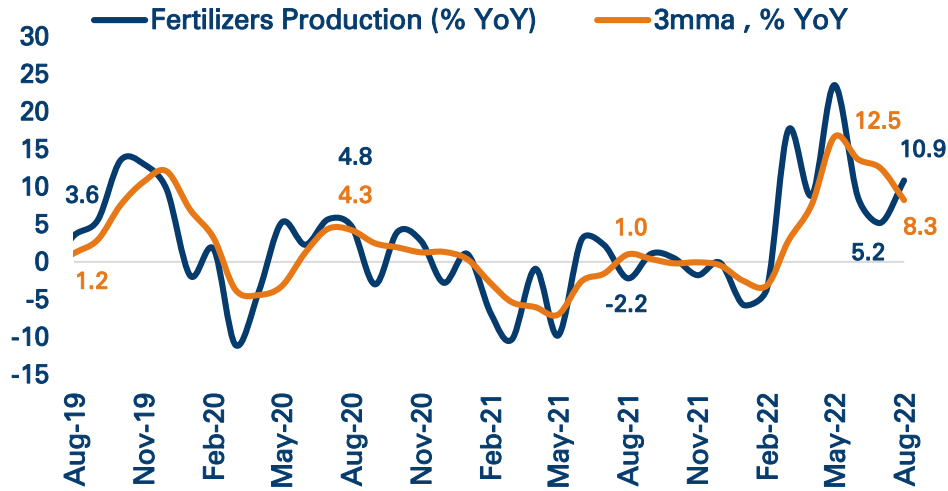
Tractor sales moved to -1.9% YoY in August; \* 52.6k in September (-0.6% YoY), while output rose



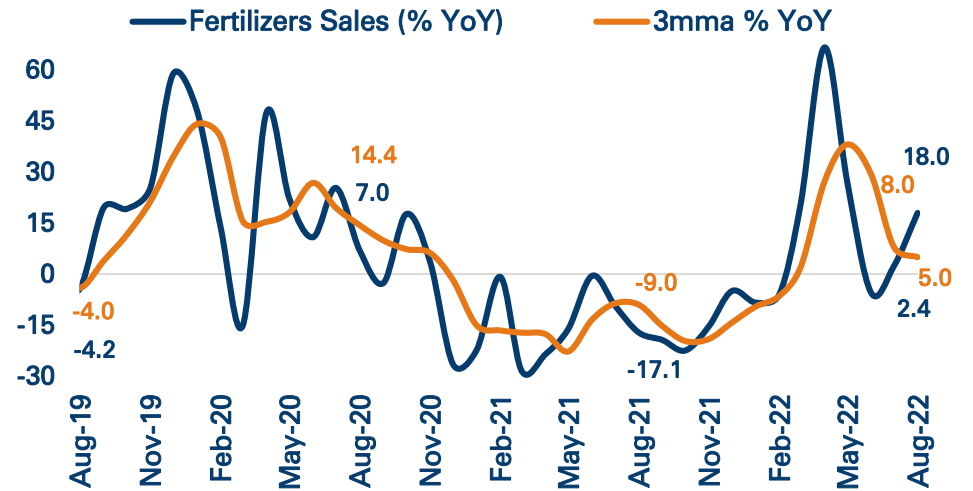
Agriculture wages up at 4.6% in Q2FY23\*; non-agri wages at 4.4%



Fertilizer production increased by 10.9% YoY in August vs. 5.2% YoY in July



Fertilizer sales up by 18.0% YoY in August vs. 2.4% YoY in July



Note: \* Q2FY23 updated till August 2022  
 Note: \* Tractor sales in September is from FADA; Tractor and mechanization association data for other months  
 Source: CEIC, ICICI Bank Research

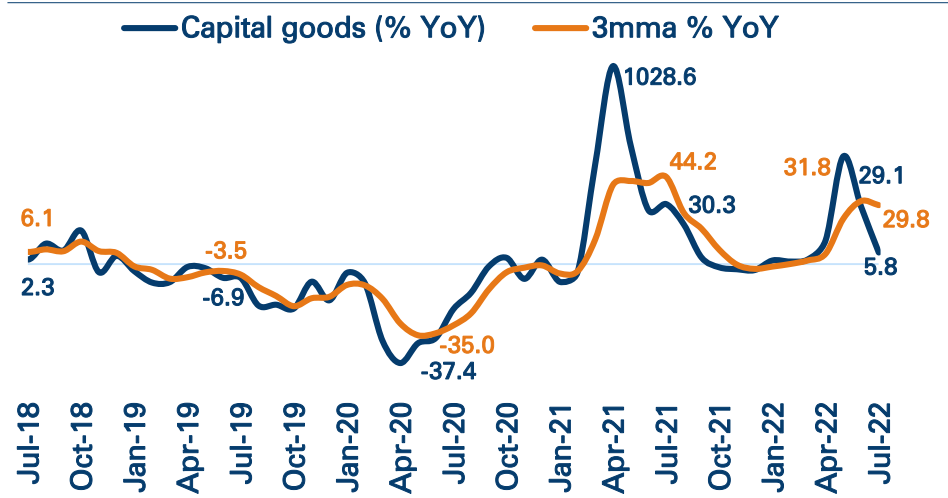


# Investments

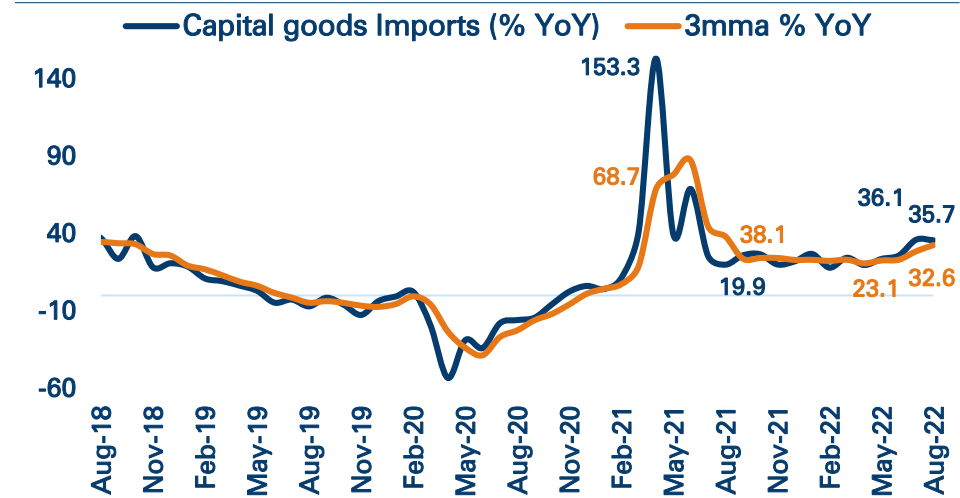


# Investment indicators showing a mixed picture.....

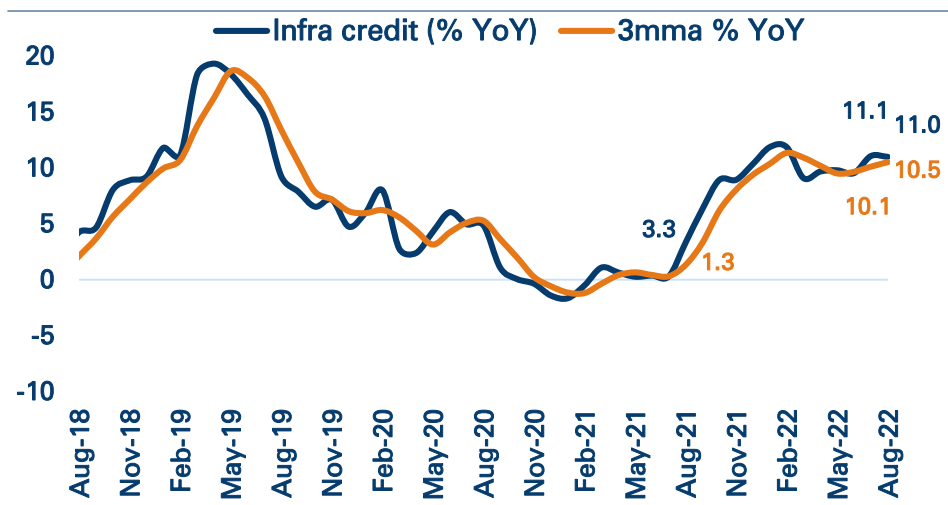
Capital goods production decelerated in July...



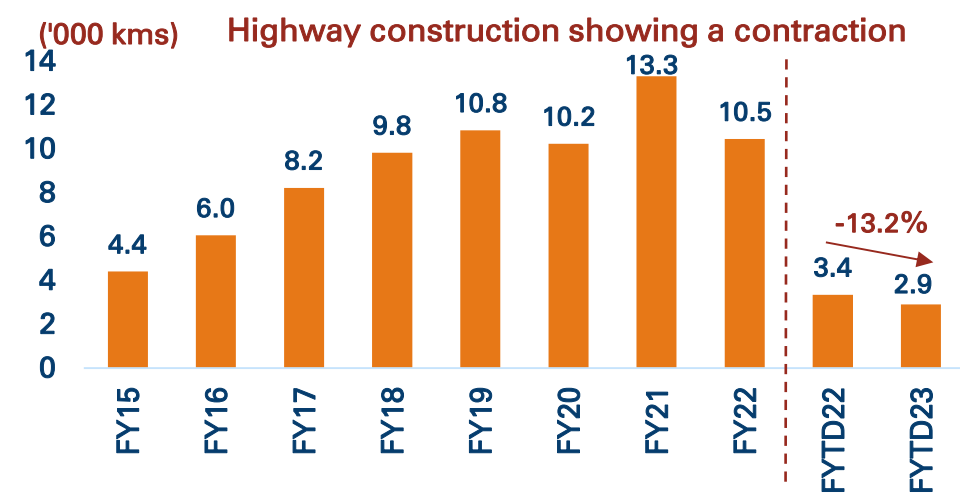
...while imports of capital goods maintained traction



Credit to infrastructure remained robust in August 2022



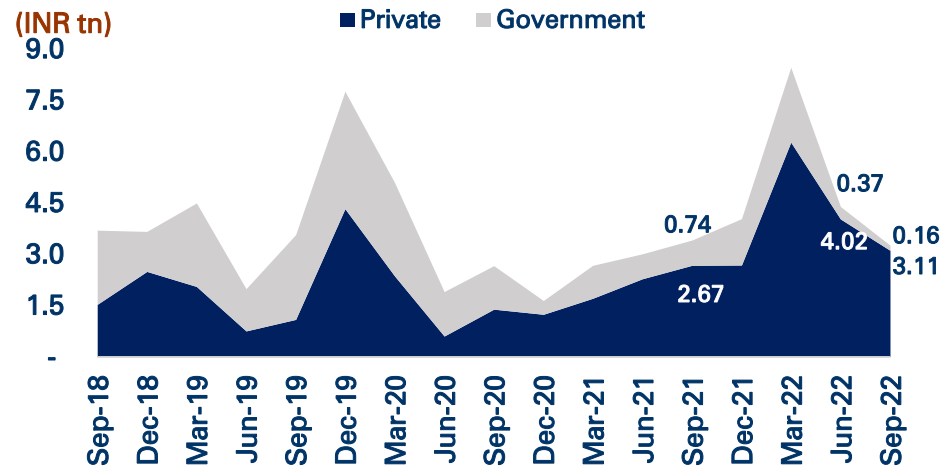
Highway construction weak during April-August 2022



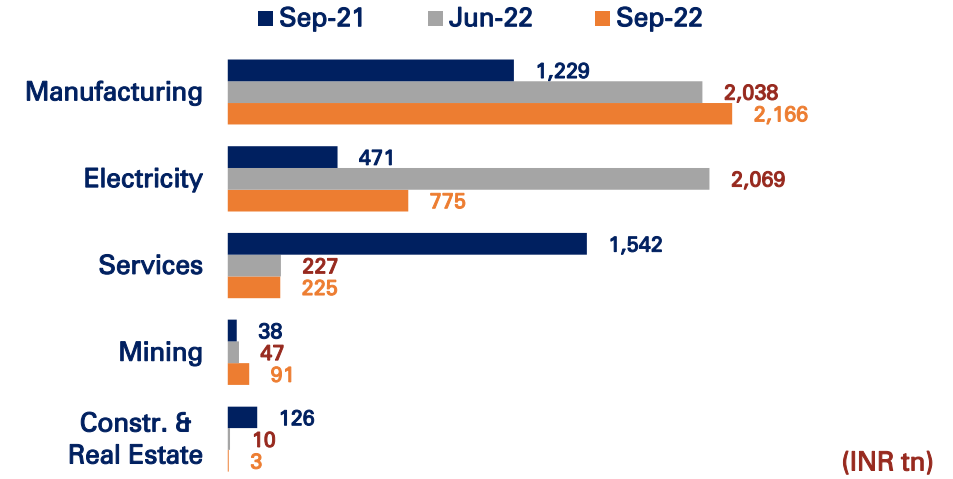
Source: CEIC, ICICI Bank Research

# ...while private capex shows an improvement over previous year

Private investments increase in comparison to previous year



Investments increased across sectors on a YoY basis

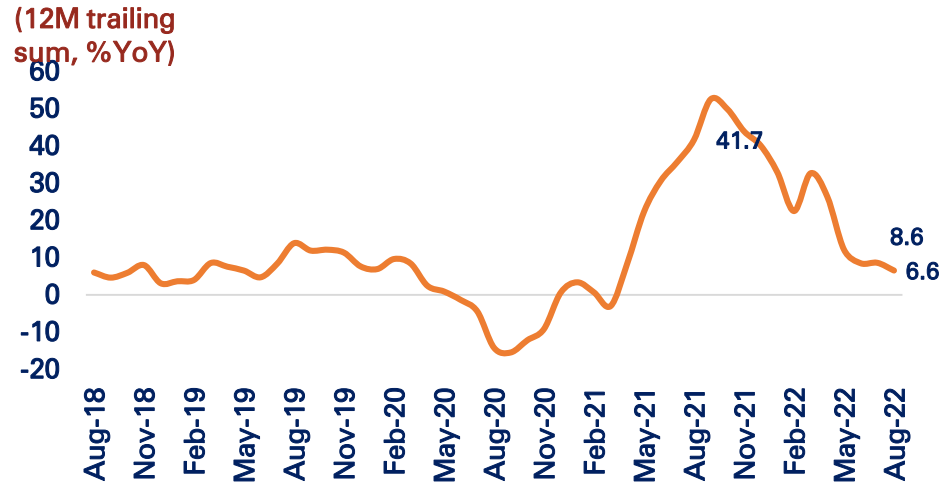




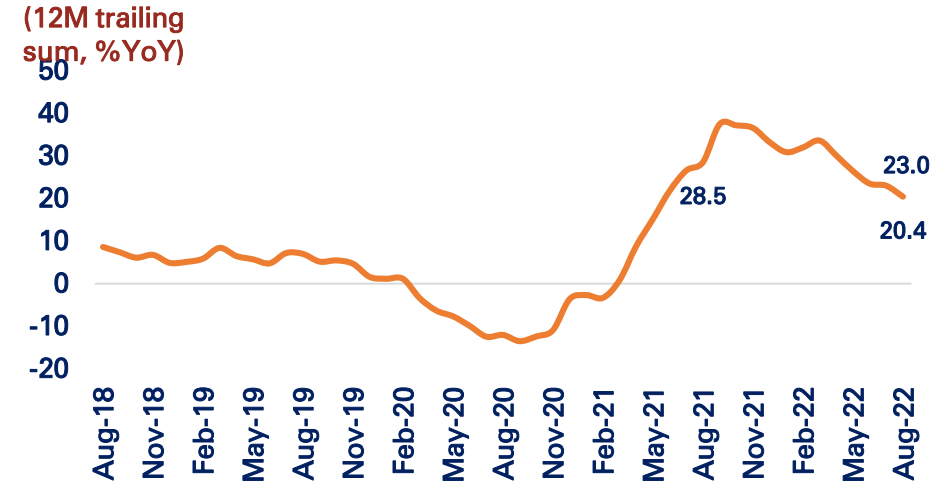
# Fiscal Position: Centre

# Robust direct tax collections visible

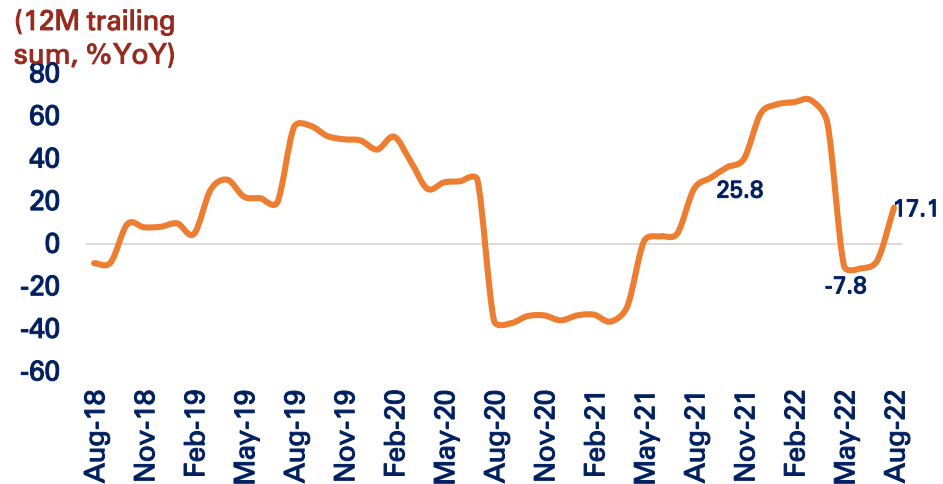
Revenue growth slipped due to refunds...



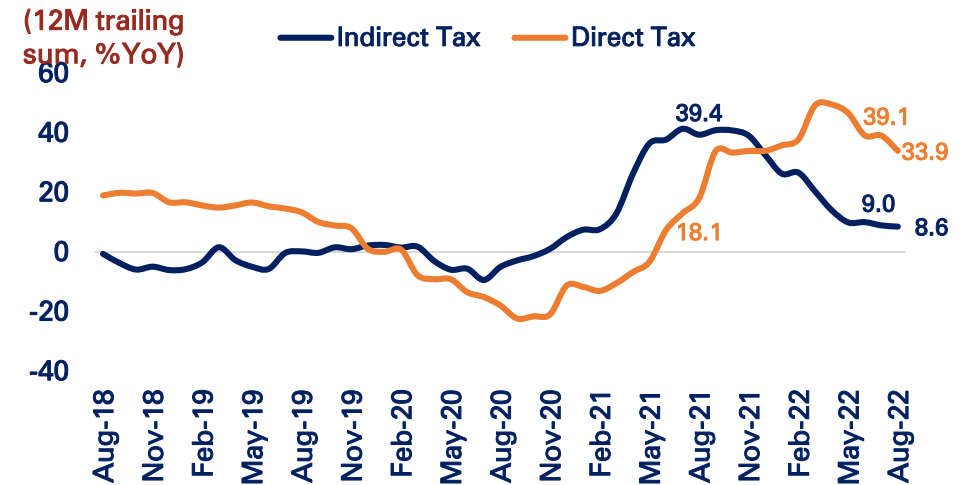
While gross tax revenues dipped slightly, it still remained above estimates..



Non-tax revenues showed an uptick

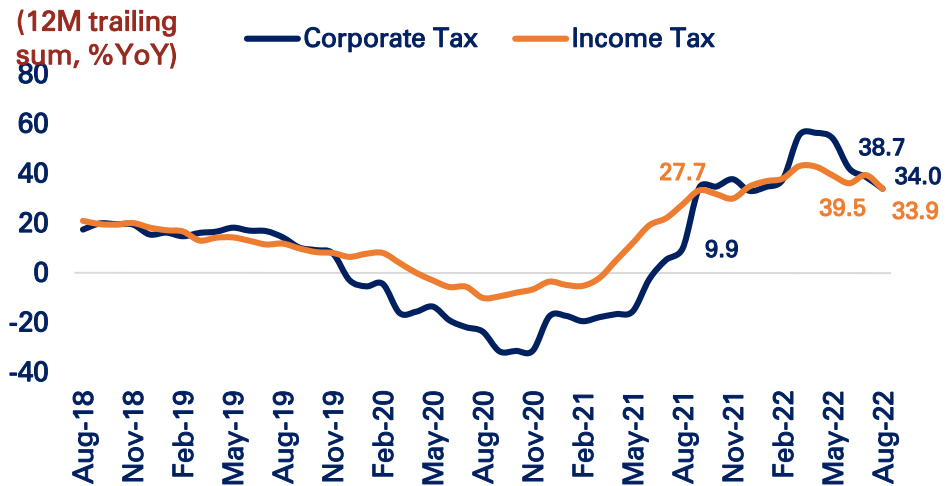


Direct taxes continue to remain robust

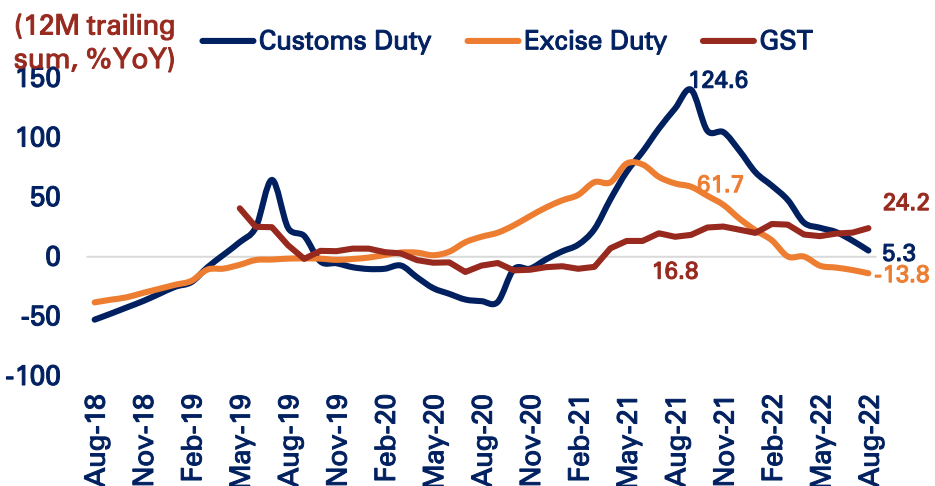


# Excise and customs duty collections continue to be a drag on indirect taxes

Corporate and Income tax collections continue to post robust growth



... as do GST collections



GST revenues remain buoyant

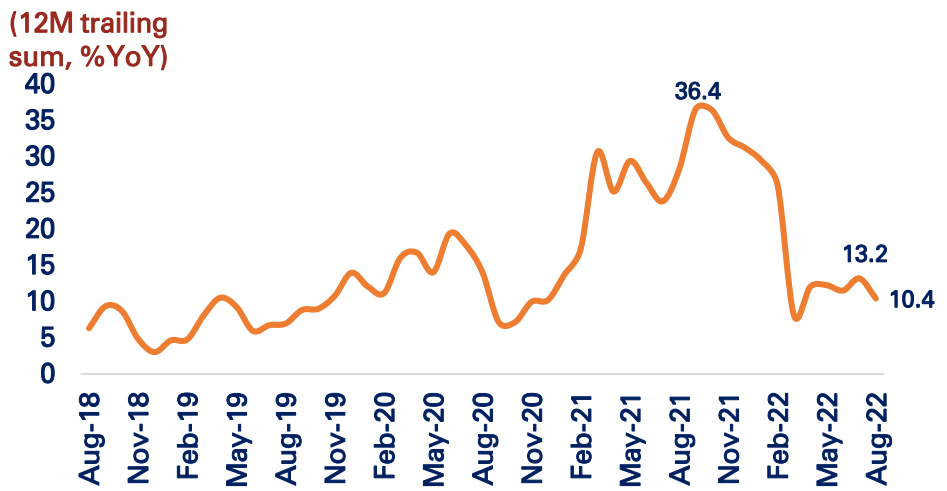
(INR bn)	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Monthly Run Rate (FY22)	FY22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Monthly Run Rate (FYTD23)	FYTD23
CGST	206	239	240	226	247	244	258	225	2,705	332	250	253	258	247	253	265	1,592
SGST	268	304	311	287	320	308	324	288	3,460	418	320	324	328	310	318	336	2,018
IGST	609	674	668	692	720	675	745	636	7,631	819	733	759	795	778	805	782	4,689
Compensation Cess	88	85	96	94	97	103	94	90	1,078	106	105	110	109	102	101	106	634
UTGST*	2	1	1	3	4	2	12	3	36	2	2	3	2	1		2	10
<b>Total GST</b>	<b>1,170</b>	<b>1,301</b>	<b>1,315</b>	<b>1,298</b>	<b>1,384</b>	<b>1,330</b>	<b>1,421</b>	<b>1,239</b>	<b>14,873</b>	<b>1,675</b>	<b>1,409</b>	<b>1,446</b>	<b>1,490</b>	<b>1,436</b>	<b>1,477</b>	<b>1,489</b>	<b>8,933</b>
<b>%YoY</b>	<b>22.5</b>	<b>23.7</b>	<b>25.3</b>	<b>12.7</b>	<b>15.5</b>	<b>17.6</b>	<b>14.7</b>		<b>30.8</b>	<b>18.5</b>	<b>37.2</b>	<b>55.8</b>	<b>28.0</b>	<b>28.2</b>	<b>26.2</b>		<b>30.9</b>



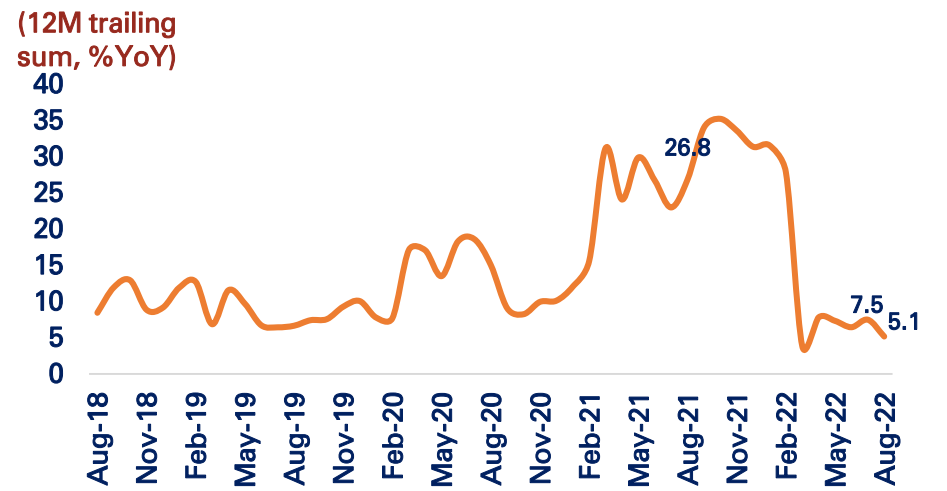
Source: CGA, CEIC, ICICI Bank Research

# ...while capital expenditure continues to remain in focus

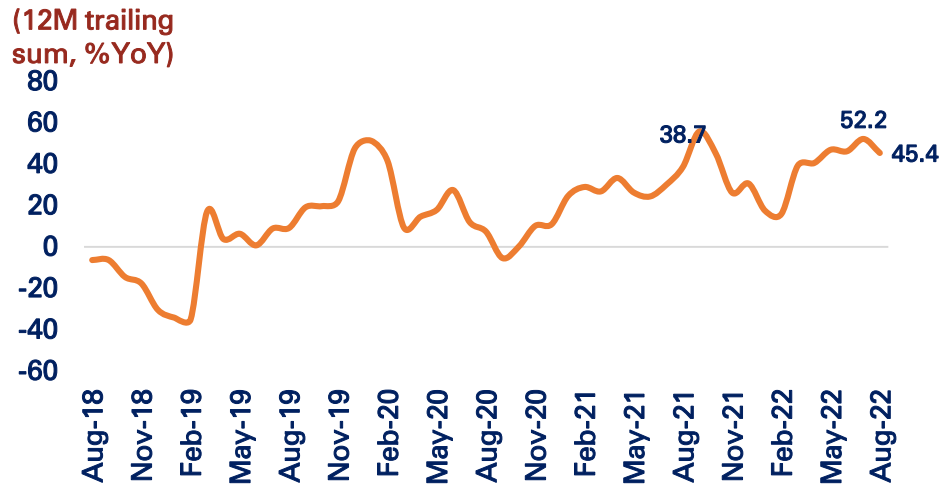
Spending slowed down...



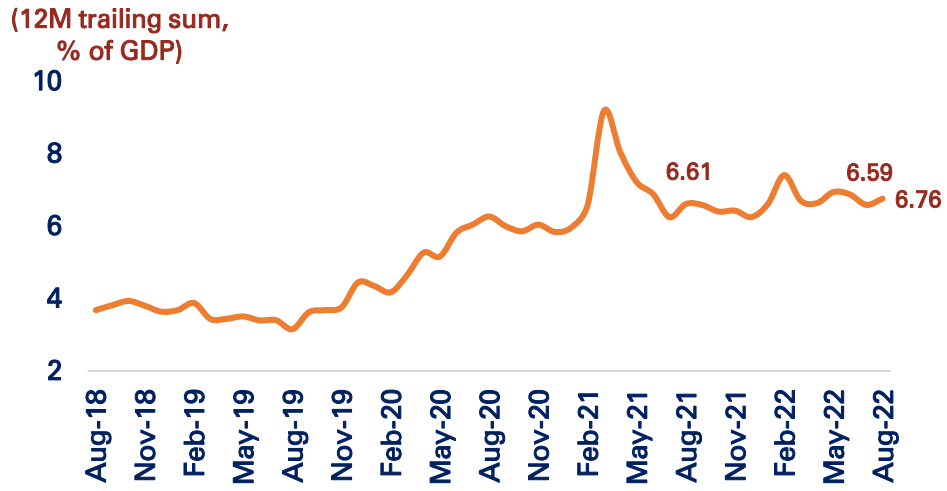
Revenue spending remains muted in comparison



...as focus on capex continues...



Fiscal deficit remains higher than the BE of 6.4%



Source: CEIC, ICICI Bank Research

# Spending geared towards roads, railways and fertilizer subsidies

Spending on defense and road transport & Interest Expenses were the highest in the first four months of FY23

INR tn	FY22	FY23 BE	FYTD23	FYTD 23 (% of BE)	FYTD 22 (% YoY)	FYTD 23 (% YoY)	FY23 BE (% YoY)
<b>Ministry of Finance</b>	<b>13.84</b>	<b>15.39</b>	<b>4.00</b>	<b>26.0</b>	<b>-6.03</b>	<b>12.6</b>	<b>8.8</b>
<i>o/w Interest Payments</i>	<i>8.05</i>	<i>9.41</i>	<i>2.84</i>	<i>30.2</i>	<i>13.7</i>	<i>25.7</i>	<i>15.6</i>
<b>Ministry of Defence</b>	<b>5.01</b>	<b>5.25</b>	<b>1.78</b>	<b>34.0</b>	<b>-7.6</b>	<b>21.2</b>	<b>4.4</b>
<b>Ministry of Road Transport and Highways</b>	<b>1.24</b>	<b>1.99</b>	<b>0.86</b>	<b>43.4</b>	<b>93.7</b>	<b>68.0</b>	<b>51.8</b>
<b>Ministry of Railways</b>	<b>1.35</b>	<b>1.40</b>	<b>0.75</b>	<b>53.5</b>	<b>20.5</b>	<b>159.3</b>	<b>16.9</b>
<b>Ministry of Consumer Affairs, Food and Public Distribution</b>	<b>3.07</b>	<b>2.18</b>	<b>0.74</b>	<b>34.2</b>	<b>41.6</b>	<b>-24.9</b>	<b>-28.5</b>
<i>o/w Food Subsidy</i>	<i>2.89</i>	<i>2.07</i>	<i>0.64</i>	<i>31.1</i>	<i>61.6</i>	<i>-30.3</i>	<i>-27.8</i>
<b>Ministry of Home Affairs</b>	<b>1.69</b>	<b>1.86</b>	<b>0.65</b>	<b>35.2</b>	<b>12.3</b>	<b>15.5</b>	<b>7.3</b>
<b>Ministry of Rural Development</b>	<b>1.62</b>	<b>1.38</b>	<b>0.48</b>	<b>34.4</b>	<b>-47.3</b>	<b>-11.8</b>	<b>-10.9</b>
<b>Ministry of Agriculture</b>	<b>1.23</b>	<b>1.33</b>	<b>0.30</b>	<b>22.6</b>	<b>-32.7</b>	<b>-12.1</b>	<b>4.5</b>
<b>Ministry of Chemicals and Fertilisers</b>	<b>1.55</b>	<b>1.08</b>	<b>0.46</b>	<b>42.2</b>	<b>-14.2</b>	<b>69.6</b>	<b>-24.0</b>
<i>o/w Fertiliser Subsidy</i>	<i>1.54</i>	<i>1.05</i>	<i>0.45</i>	<i>43.0</i>	<i>-14.4</i>	<i>70.0</i>	<i>-24.9</i>
<b>Ministry of Health and Family welfare</b>	<b>0.84</b>	<b>0.86</b>	<b>0.20</b>	<b>23.4</b>	<b>-7.8</b>	<b>-19.2</b>	<b>0.2</b>
<b>Ministry of HRD/Education</b>	<b>0.80</b>	<b>1.04</b>	<b>0.16</b>	<b>15.1</b>	<b>17.2</b>	<b>-33.5</b>	<b>18.5</b>
<b>Ministry of Petroleum and Natural Gas</b>	<b>0.06</b>	<b>0.09</b>	<b>0.00</b>	<b>1.7</b>	<b>-87.0</b>	<b>-93.9</b>	<b>1.1</b>
<i>o/w Petroleum Subsidy</i>	<i>0.03</i>	<i>0.06</i>	<i>0.00</i>	<i>2.4</i>	<i>-92.5</i>	<i>-88.7</i>	<i>-10.8</i>



# High direct tax revenues to keep fiscal deficit within budget estimates

## Tax collections running ahead of Budget Estimates

(All figures in INR tn)	FY22 (PA)	FY22 PA (% YoY)	FY23 (BE)	FYTD23	FYTD23 (% YoY)	FY23 BE (% YoY)	FYTD23 (% of BE)
<b>Revenue</b>							
Direct Tax	13.9	49.2	14.2	4.7	28.8	13.6	33.3
Indirect Tax	13.2	20.4	13.3	5.5	11.2	5.6	41.2
<b>Gross Tax Revenue</b>	<b>27.1</b>	<b>33.6</b>	<b>27.6</b>	<b>10.2</b>	<b>18.7</b>	<b>9.6</b>	<b>37.0</b>
<i>Transfer to states</i>	8.8	48.2	8.2	3.2	49.5		38.9
<b>Net tax revenue</b>	<b>18.2</b>	<b>27.6</b>	<b>19.3</b>	<b>7.0</b>	<b>8.6</b>		<b>36.2</b>
Non-tax revenue	3.5	67.3	2.7	1.2	-21.4	-14.1	43.3
<b>Revenue receipts</b>	<b>21.7</b>	<b>32.7</b>	<b>22.0</b>	<b>7.6</b>	<b>12.9</b>	<b>6.0</b>	<b>34.3</b>
Non-debt capital receipts	0.4	-32.0	0.8	0.3	107.7	-20.7	39.8
<i>Disinvestments</i>	0.1	-74.4	0.7	0.25	193.5		37.8
<b>Total receipts</b>	<b>22.1</b>	<b>30.5</b>	<b>22.8</b>	<b>7.9</b>	<b>15.0</b>	<b>4.8</b>	<b>34.4</b>
<b>Expenditure</b>							
Revenue expenditure	32.0	3.8	31.9	9.2	4.8	0.9	28.7
Capital expenditure	5.9	39.3	7.5	2.1	62.5	24.5	27.8
<b>Total expenditure</b>	<b>37.9</b>	<b>8.1</b>	<b>39.4</b>	<b>11.3</b>	<b>12.2</b>	<b>4.6</b>	<b>28.6</b>
<b>Gross fiscal deficit (GFD)</b>	<b>15.9</b>	<b>-12.7</b>	<b>16.6</b>	<b>3.4</b>	<b>6.1</b>	<b>4.4</b>	<b>20.5</b>
<b>GFD (% of GDP)</b>	<b>6.7%</b>		<b>6.4%</b>				





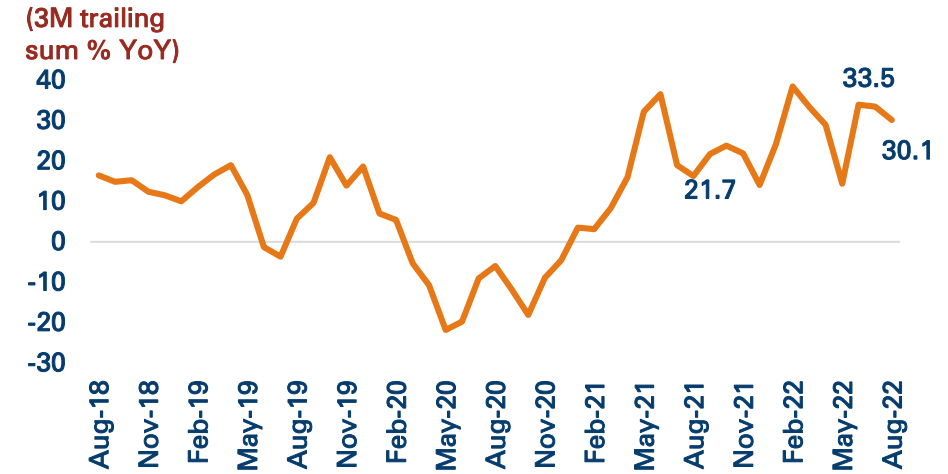
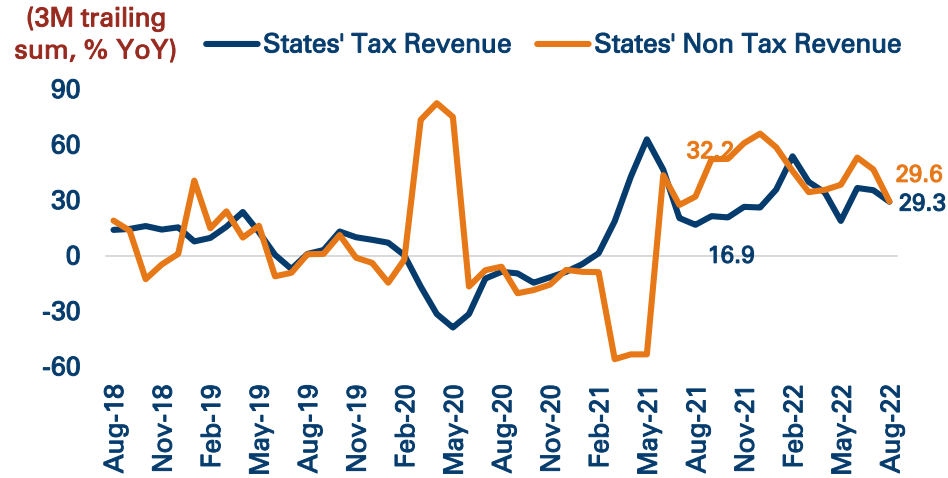


# Fiscal Position: States

# States' revenues slip in July, after seeing an improvement in the previous month...

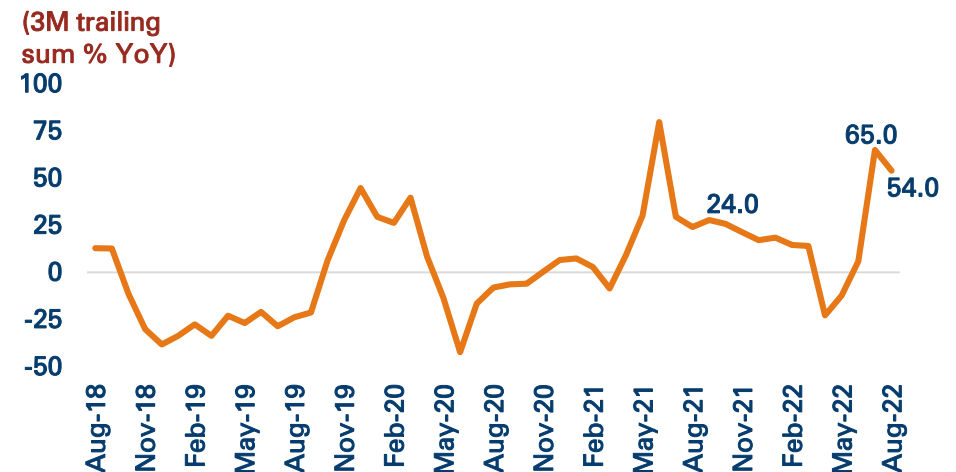
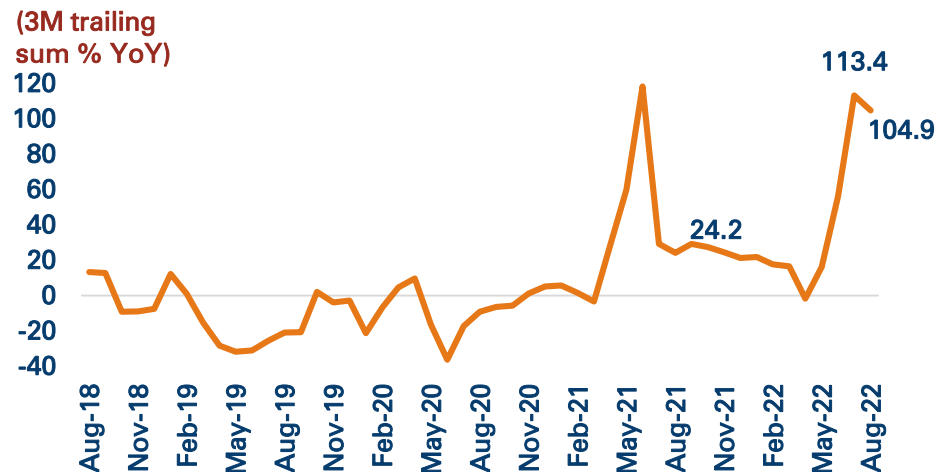
...resulting in revenues moderating during the month...

States' tax and non-tax revenues slowed in August...



... with a softening observed in the states' own revenue receipts...

..and the trend followed by states' own tax receipts ...

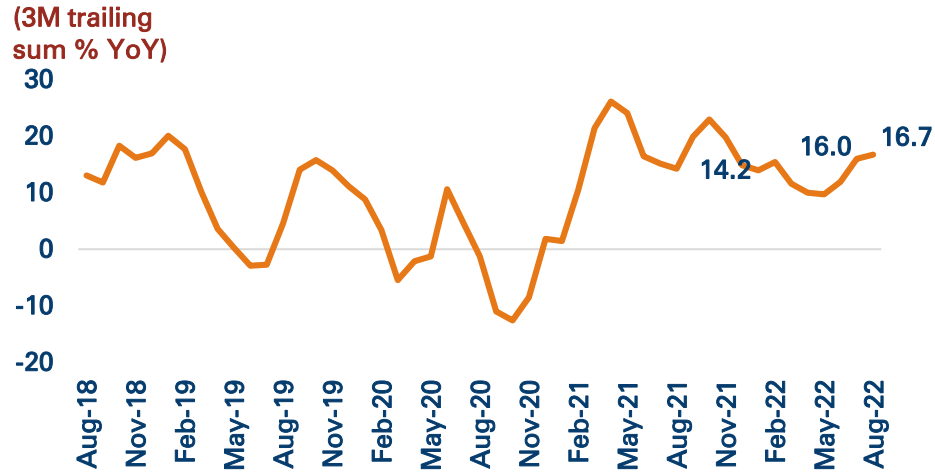


Note: The charts are aggregated over 15 states contributing to ~90% of GDP (state selection based on data availability and GDP contribution); data for Tamil Nadu not available for August '22 yet.

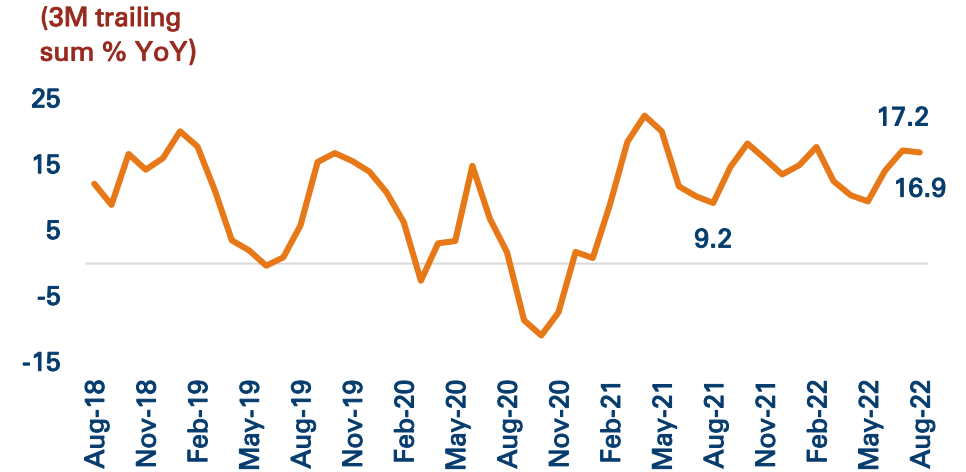
Source: CEIC, ICICI Bank Research

# Fiscal deficit continue to remain low

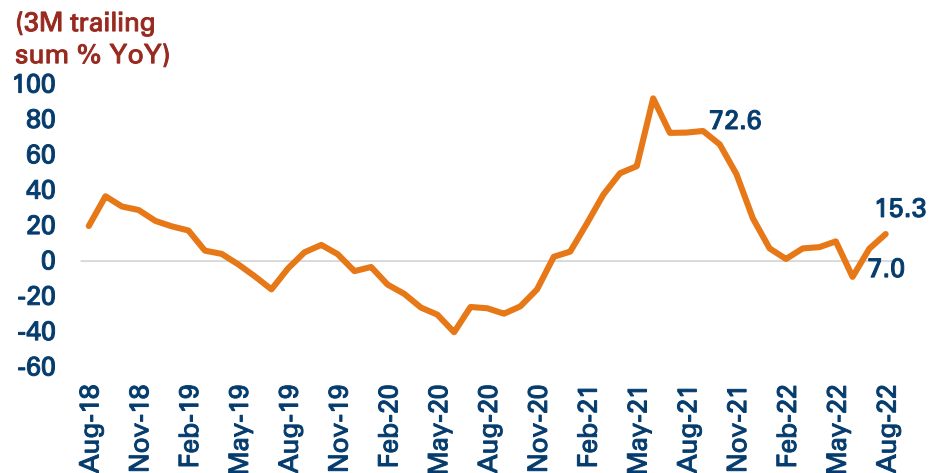
But spending continues to slow down



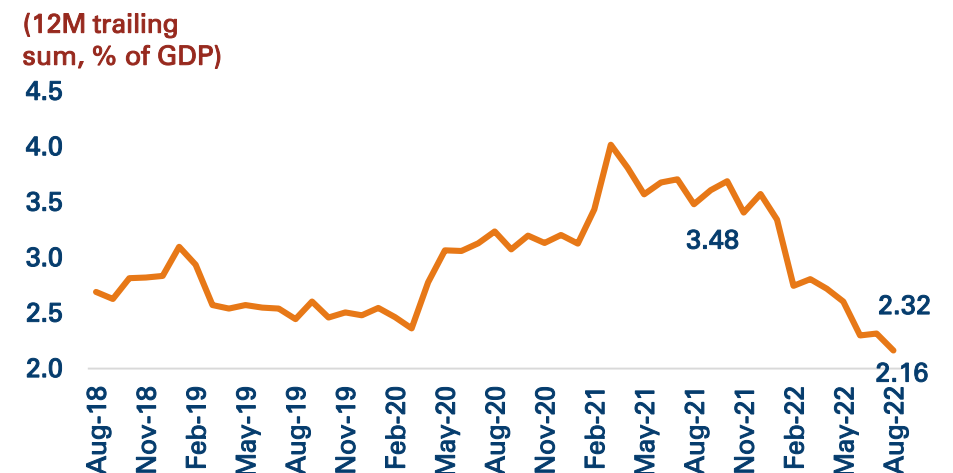
Revenue spending growth fell marginally...



...focus on capex was visible..



Fiscal deficit of states is contained at 2.2% of GDP (2.3% in July 2022)



Note: The charts are aggregated over 15 states contributing to ~90% of GDP (state selection based on data availability and GDP contribution); data for Tamil Nadu not available for August '22 yet.  
Source: CEIC, ICICI Bank Research



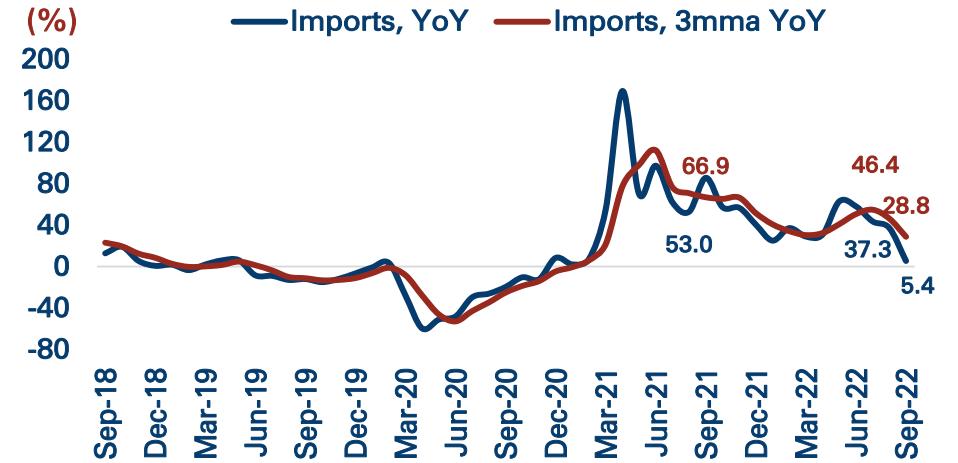
# External Sector

# Exports continue to fall, trade deficit narrowed slightly

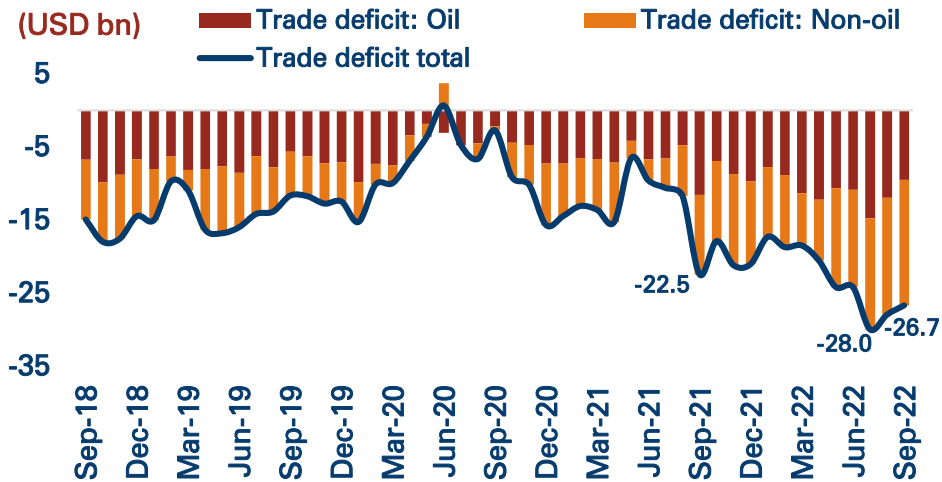
Exports growth turned negative in September. During FYTD23, exports grew by 15.5% to USD 229bn.



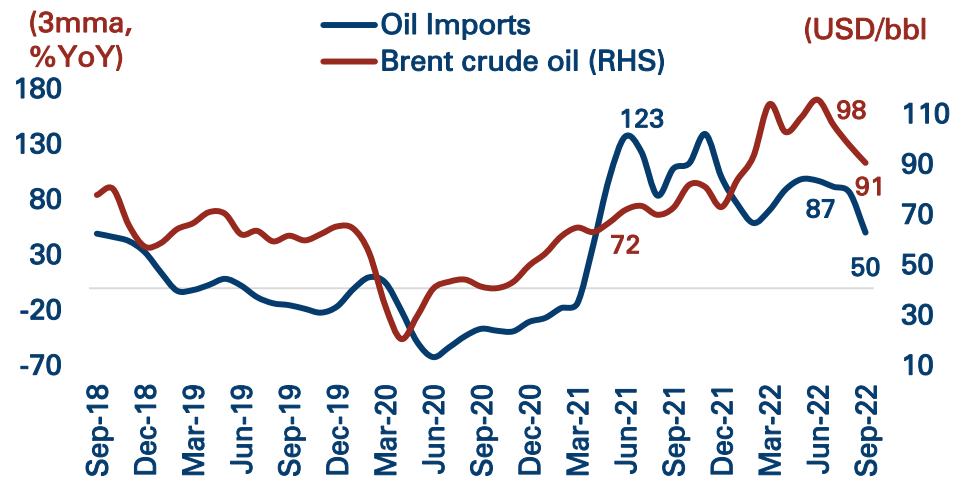
Imports increased by 5.4% in September. FYTD23 imports stood at USD 378.5bn



Trade deficit narrowed to USD 26.7bn vs USD 28bn in August, FYTD at USD 149.5bn



..as oil prices continue to ease



# Exports by major commodities and region

Fall in exports led by engineering goods and chemicals, gems & jewellery and petroleum products witnessed positive growth in September

(USD bn)	Sep-21	Aug-22	Sep-22	% YoY	% MoM	FYTD22	FYTD23	% YoY
Engineering Goods	9.4	8.3	7.8	-17.0	-5.7	54.5	54.5	-0.1
Petroleum Products	5.2	5.7	6.1	17.0	6.4	28.6	43.6	52.7
Gems and Jewellery	3.2	3.3	3.6	12.6	9.4	19.3	20.5	6.1
Organic and Inorganic Chemicals	2.4	2.5	2.3	-1.7	-7.8	13.9	15.6	12.5
Drugs and Pharmaceuticals	2.1	2.1	2.1	-0.1	-4.3	12.0	12.6	4.8
<b>Total of top 5 commodities</b>	<b>22.3</b>	<b>22.0</b>	<b>21.9</b>	<b>-1.6</b>	<b>-0.4</b>	<b>128.3</b>	<b>146.8</b>	<b>14.4</b>
<b>Overall Exports</b>	<b>33.8</b>	<b>33.9</b>	<b>32.6</b>	<b>-3.5</b>	<b>-3.8</b>	<b>198.2</b>	<b>229.1</b>	<b>15.5</b>

Exports to China have contracted considerably, while falling in other regions too on a MoM basis

(USD bn)	Aug-21	Jul-22	Aug-22	% YoY	% MoM	FYTD22	FYTD23	% YoY
US	6.4	6.8	6.7	4.7	-1.1	29.7	35.2	18.3
EU	5.0	6.1	5.4	8.0	-11.3	23.7	30.8	30.0
Middle East	3.5	4.5	4.3	23.0	-2.8	17.0	22.0	29.3
ASEAN	3.0	3.8	3.3	10.5	-11.9	17.9	19.7	9.9
China	1.7	1.3	0.9	-46.7	-28.5	10.6	6.8	-35.6
<b>Total of top 5 destinations</b>	<b>19.6</b>	<b>22.4</b>	<b>20.7</b>	<b>5.3</b>	<b>-7.6</b>	<b>99.0</b>	<b>114.5</b>	<b>15.7</b>
<b>Overall Exports</b>	<b>33.4</b>	<b>36.3</b>	<b>33.9</b>	<b>1.6</b>	<b>-6.5</b>	<b>164.4</b>	<b>196.4</b>	<b>19.5</b>



Source: CEIC, ICICI Bank Research

# Imports by major commodities and region

Oil and gold imports lower. Coal imports seeing MoM reduction

(USD bn)	Sep-21	Aug-22	Sep-22	% YoY	% MoM	FYTD22	FYTD23	% YoY
Petroleum Crude and Products	16.8	17.7	15.6	-7.0	-11.9	69.5	115.1	65.6
Electronic Goods	6.9	7.3	6.9	-0.1	-5.8	32.0	39.5	23.3
Coal, Coke and Briquettes, etc	2.2	4.5	3.4	56.9	-24.2	12.0	30.3	153.1
Gold	5.1	3.6	3.7	-28.5	2.4	23.9	20.1	-16.0
Machinery, Electrical and Non Electrical	3.2	3.9	3.6	12.5	-7.7	18.1	21.8	20.1
<b>Total of top 5 commodities</b>	<b>34.2</b>	<b>37.0</b>	<b>33.2</b>	<b>-2.9</b>	<b>-10.4</b>	<b>155.6</b>	<b>226.8</b>	<b>45.8</b>
<b>Overall Imports</b>	<b>56.3</b>	<b>61.9</b>	<b>59.4</b>	<b>5.4</b>	<b>-4.1</b>	<b>274.5</b>	<b>378.5</b>	<b>37.9</b>

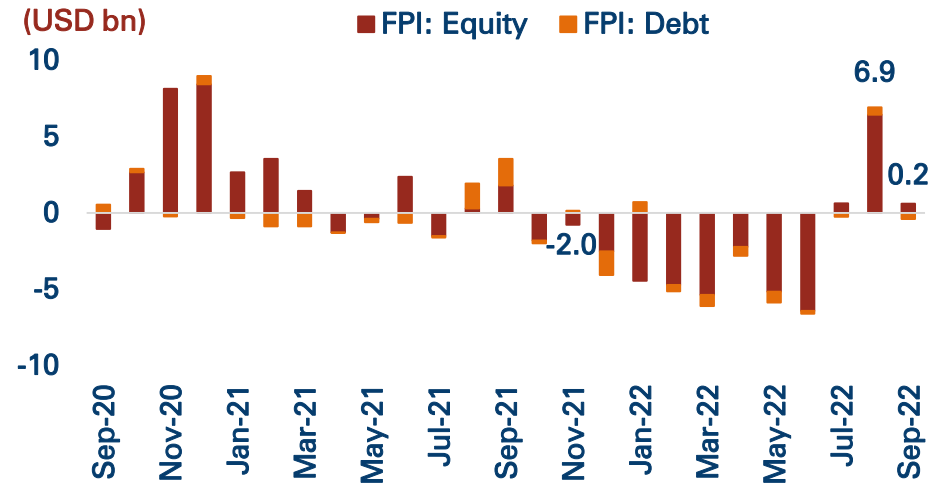
Imports from EU, Middle east and China fell sequentially, imports from US and ASEAN strong

(USD bn)	Aug-21	Jul-22	Aug-22	% YoY	% MoM	FYTD22	FYTD23	% YoY
US	3.3	4.3	4.7	44.8	9.0	16.4	22.5	36.9
EU	3.9	5.3	4.6	15.8	-13.8	20.5	23.9	16.5
Middle East	7.6	12.5	11.2	48.1	-10.6	36.2	60.6	67.5
ASEAN	4.8	7.5	8.2	70.1	9.1	23.8	39.1	64.3
China	6.5	10.2	9.4	45.1	-7.9	34.2	43.9	28.6
<b>Total of top 5 destinations</b>	<b>26.1</b>	<b>39.9</b>	<b>38.1</b>	<b>46.1</b>	<b>-4.5</b>	<b>131.1</b>	<b>190.0</b>	<b>44.9</b>
<b>Overall Imports</b>	<b>45.1</b>	<b>66.3</b>	<b>61.9</b>	<b>37.3</b>	<b>-6.6</b>	<b>218.2</b>	<b>319.2</b>	<b>46.3</b>



# FDI robust, FPI remain weak in August

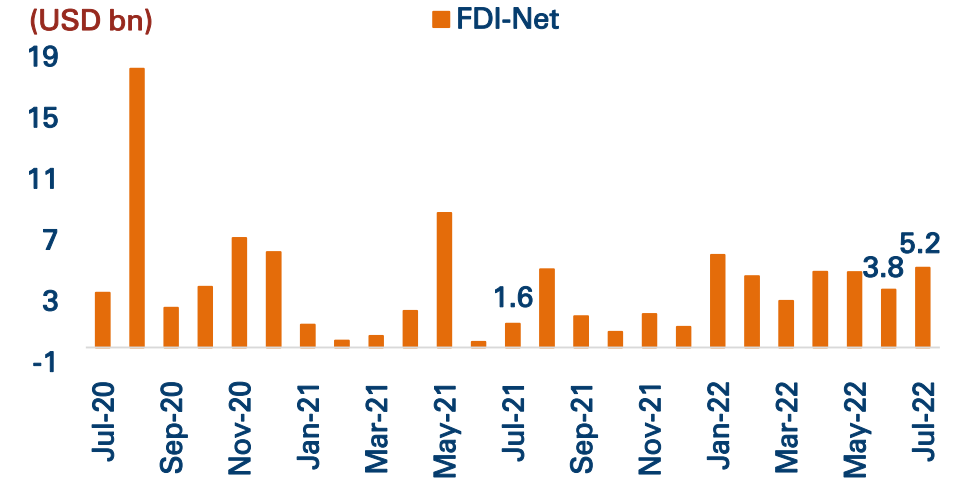
FPI inflows remain weak in August, inflow stood at USD 0.2bn, FYTD outflow at USD 7.8bn



FDI inflows in software and chemicals are buoyant, auto sector saw modest inflows in Q1

Country (USD bn)	FY21	FY22	Q1FY23	Share(%)
Computer soft. & hard.	26.1	14.5	3.4	24.7
Automobile	1.6	6.9	0.7	11.8
Services sector	5.2	7.1	2.6	12.1
Trading	2.6	4.5	2.0	7.7
Drugs & pharma	1.5	1.4	0.5	2.4
Chemicals	0.85	0.97	0.96	1.6
<b>FDI inflows</b>	<b>59.6</b>	<b>58.7</b>	<b>16.5</b>	<b>100</b>

FDI increased in July to USD 5.2bn vs 3.8bn in June



FDI from Singapore highest, FDI from US are a bit modest

Country (USD bn)	FY21	FY22	Q1FY23	Share (%)
Singapore	17.4	15.8	5.7	26.9
US	13.8	10.5	1.5	17.9
Mauritius	5.6	9.4	2.4	16.0
Netherlands	2.8	4.6	1.1	7.8
Caymen Islands	2.8	3.8	0.5	6.5
<b>FDI inflows</b>	<b>59.6</b>	<b>58.7</b>	<b>16.5</b>	<b>100</b>



Source: CEIC, DPIIT, ICICI Bank Research

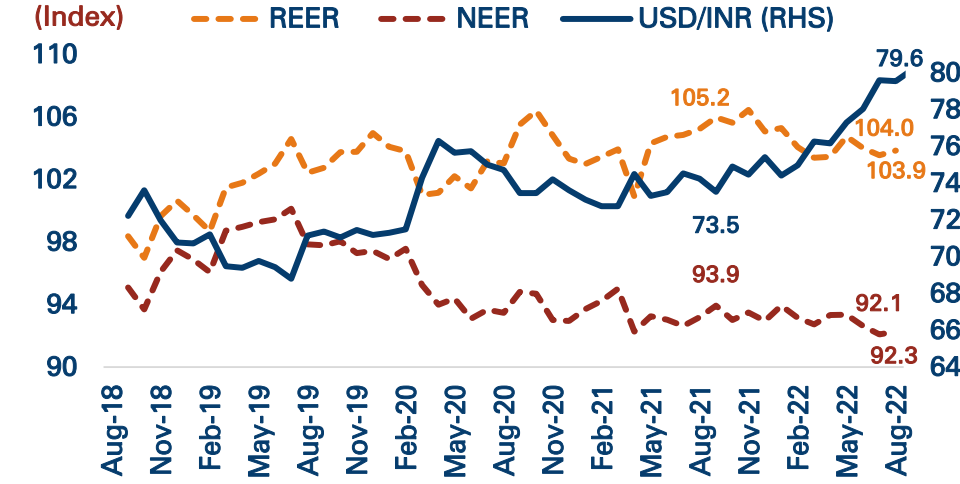


# Rupee depreciated in September, receding oil prices to alleviate pressure

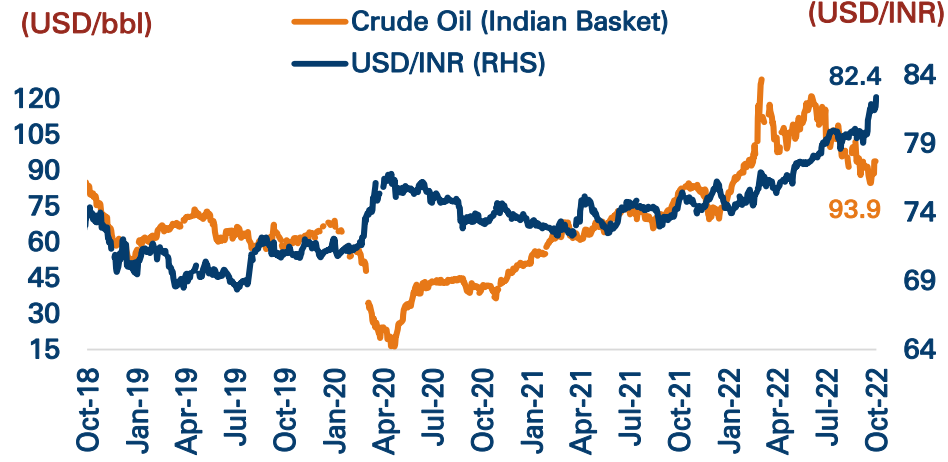
INR depreciated 3.0% MoM to 82.4 amid stronger dollar



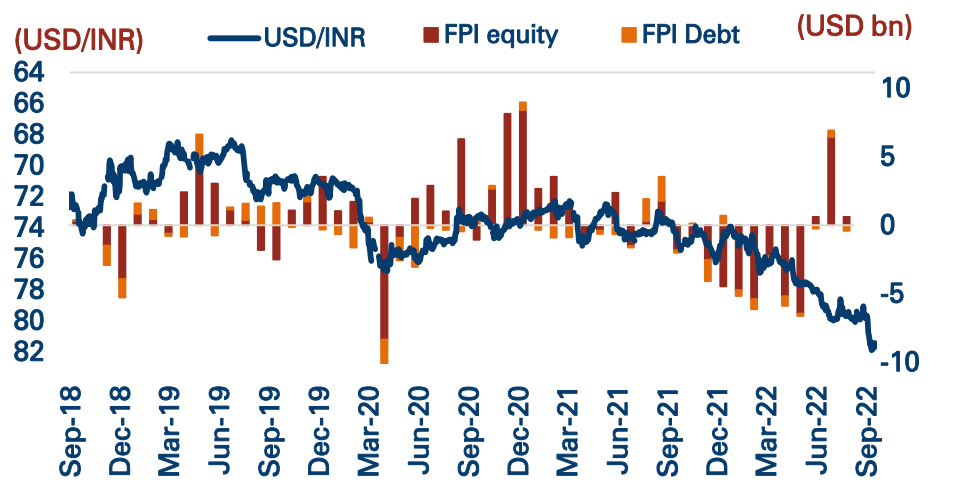
Rupee remained overvalued by 3.9% in August on REER basis



Crude oil prices eased, but now moving up



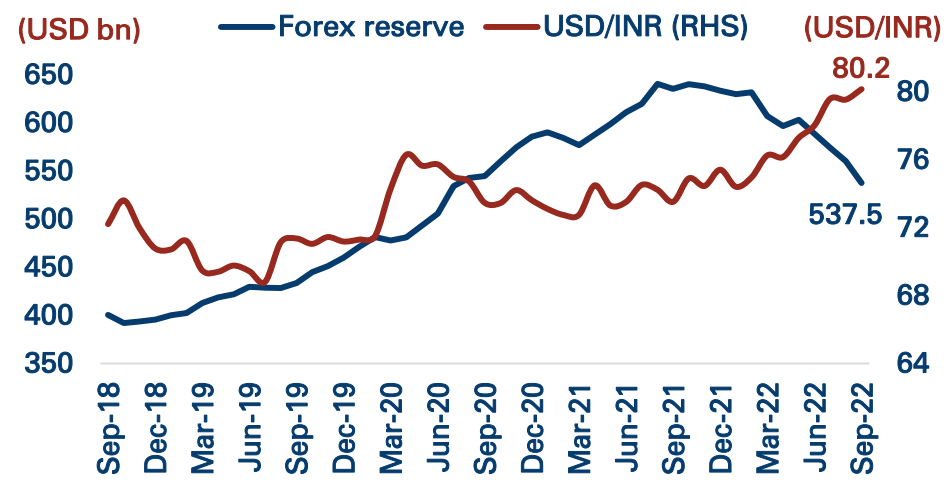
FPI inflows remain weak in September



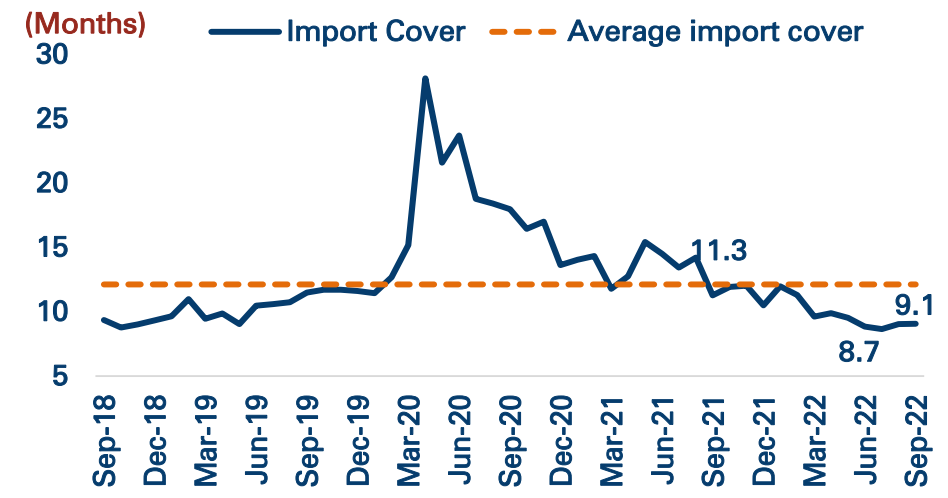
Source: CEIC, ICICI Bank Research

# Forex reserve depleting amid RBI's forex intervention, import cover improved slightly

Fx reserves fell to USD 538bn, reserves fell by USD 69.8bn in this financial year



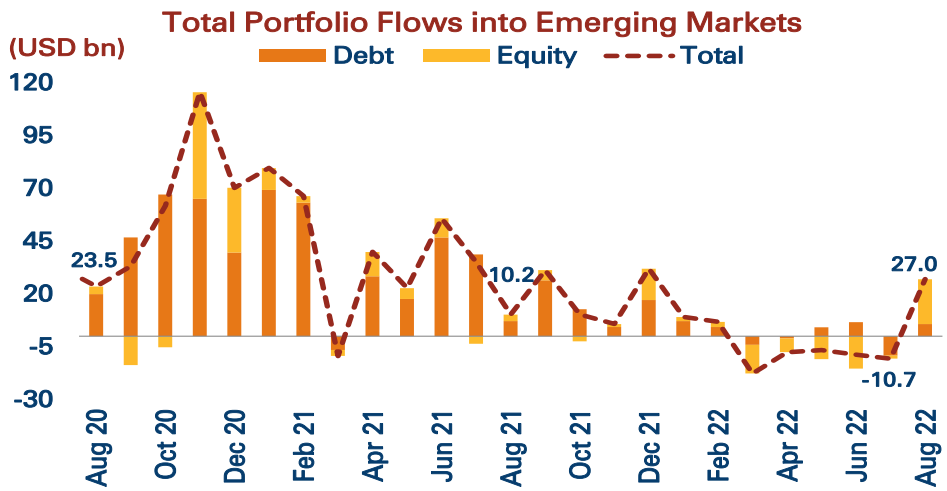
Import cover below average as reserves continue to deplete



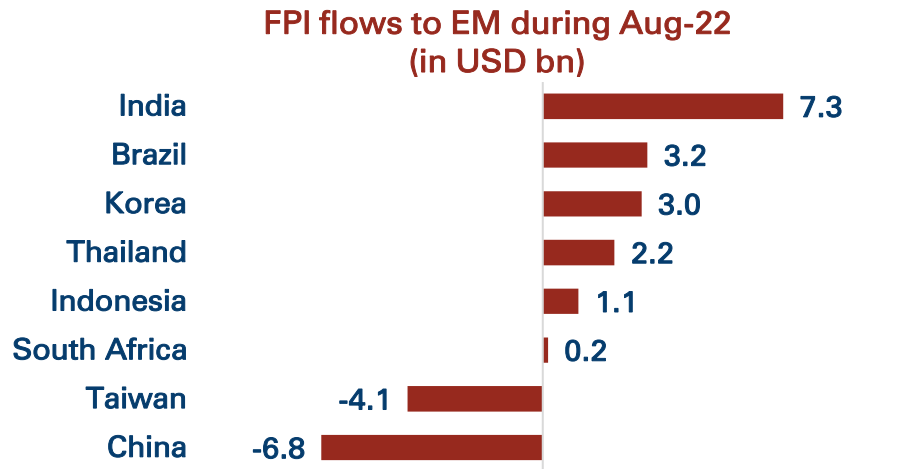
Source: CEIC, ICICI Bank Research

# EMs see FPI inflows in August, tide turned in September and October

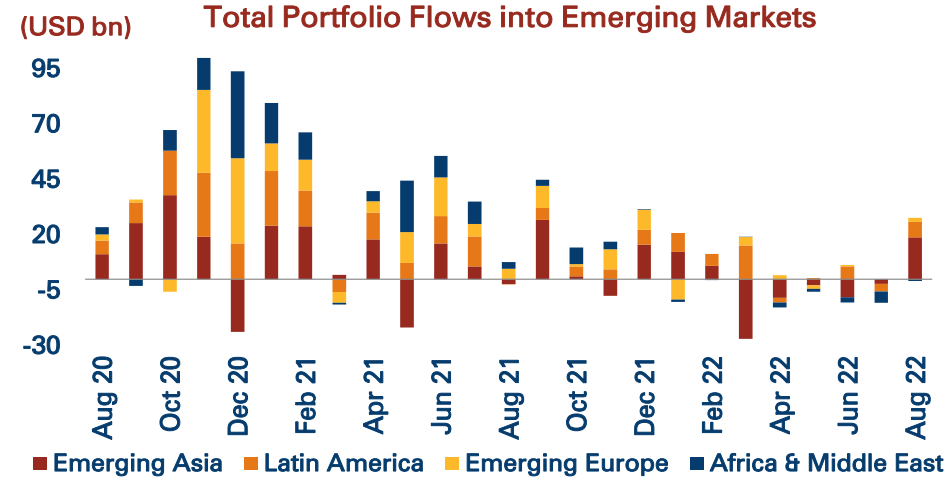
EM witnessed inflows of USD 27bn in August compared with outflows of USD 10.7bn in July



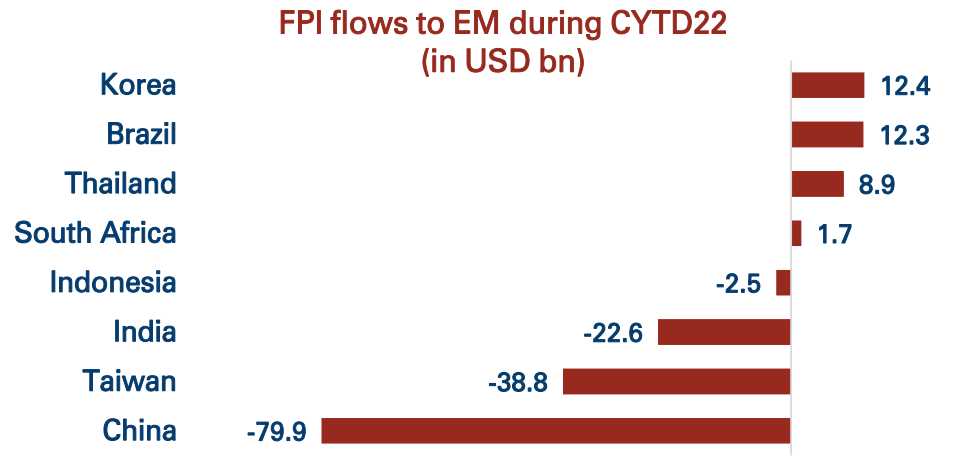
India, Korea, Brazil, Indonesia & Thailand saw inflows in August, Outflows were more persistent in China & Taiwan



Inflows seen across major regions, EM Asia and Latin America witnessed inflows in August



On CYTD basis, outflows are more pronounced in India, China and Taiwan



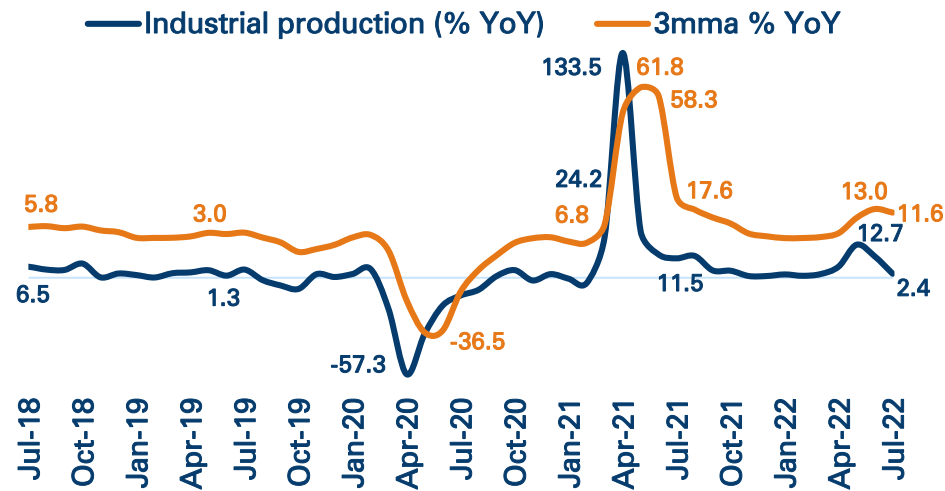
Source: IIF, ICICI Bank Research



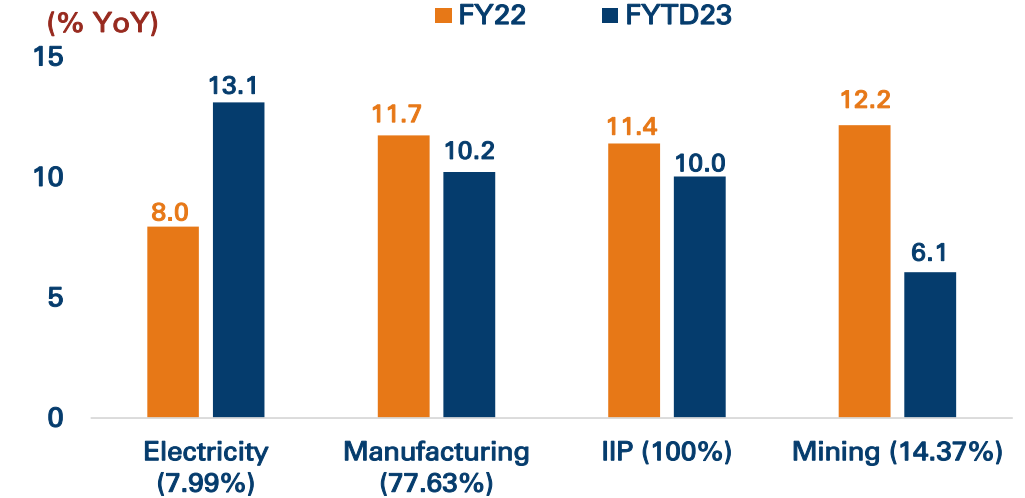
**Industry**

# Industrial output growth weak in July

Industry output grew by 2.4% in July compared to 12.7% in June



IIP grew BY 10% during Apr-Jul 2022 compared with 11.7% in FY22



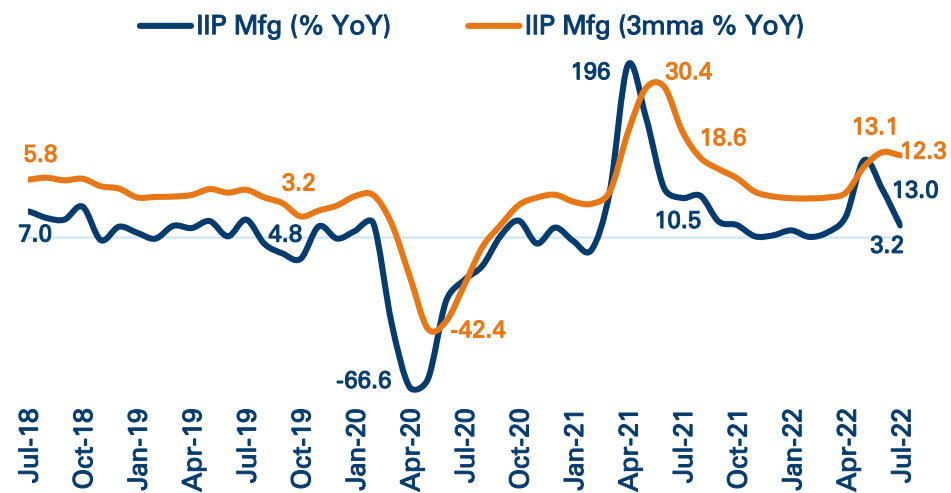
Industrial output seeing a broad-based slowdown

Industrial Production Index; 2011-12=100 (% YoY)	Jul-21	Jun-22	Jul-22	FYTD22	FYTD23	CAGR (FY17-FY20)	CAGR (FY20-FY23)
IIP (100%)	11.5	12.7	2.4	33.9	10.0	3.5	1.4
Mining (14.37%)	19.5	7.8	-3.3	25.4	6.1	3.4	2.1
Manufacturing (77.63%)	10.5	13.0	3.2	38.7	10.2	3.2	0.9
Electricity (7.99%)	11.1	16.4	2.3	15.2	13.1	5.9	4.5
Primary goods (34.05%)	12.4	13.8	2.5	18.5	11.0	3.7	2.6
Capital goods (8.22%)	30.3	29.1	5.8	77.6	23.0	-0.4	-0.6
Intermediate goods (17.22%)	14.6	10.5	3.6	50.6	9.5	3.8	3.4
construction goods (12.34%)	12.3	9.3	3.9	57.8	8.6	4.0	2.5
Consumer durables (12.84%)	19.4	25.1	2.4	76.7	19.6	1.7	-2.7
Consumer non-durables (15.33%)	-2.3	3.0	-2.0	11.6	0.3	5.6	-0.6

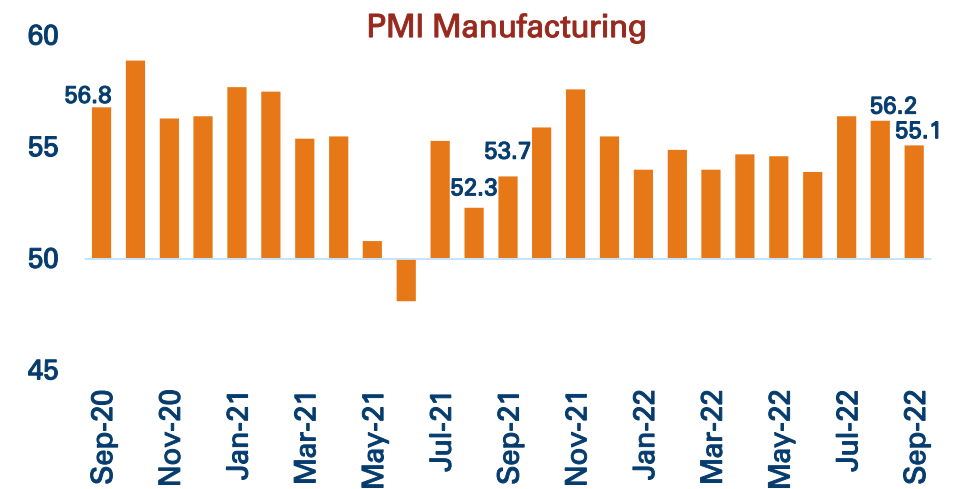


# Manufacturing growth decelerated on the back of weak exports

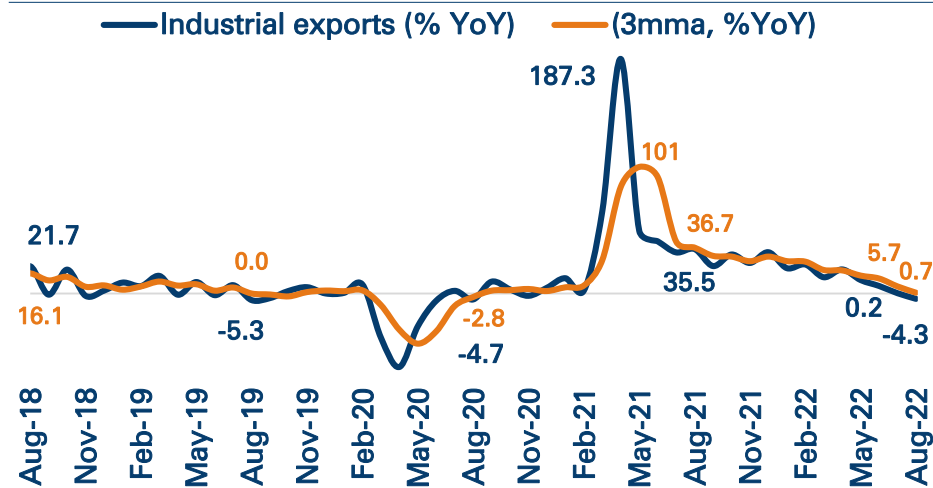
Mfg. growth decelerated to 3.2% in July



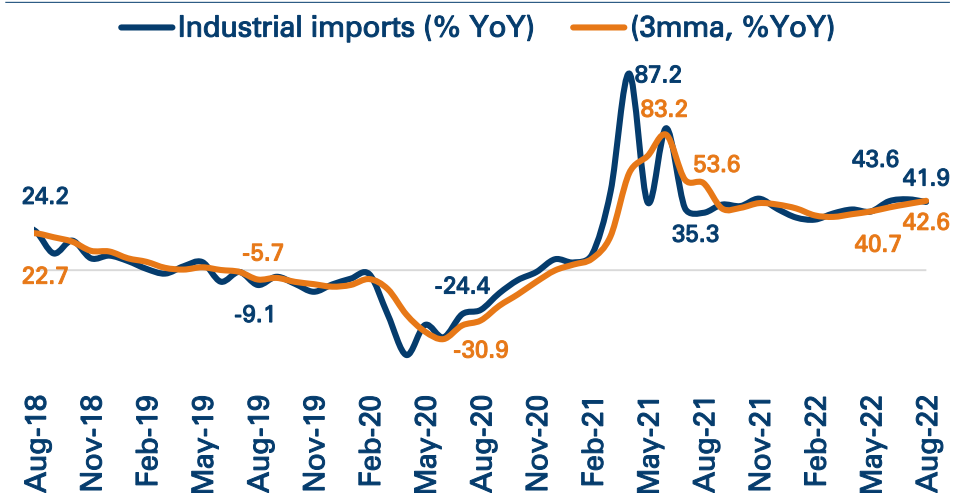
PMI Manufacturing in expansionary phase; growth decelerated



Industrial exports contracted by 4.3% in August

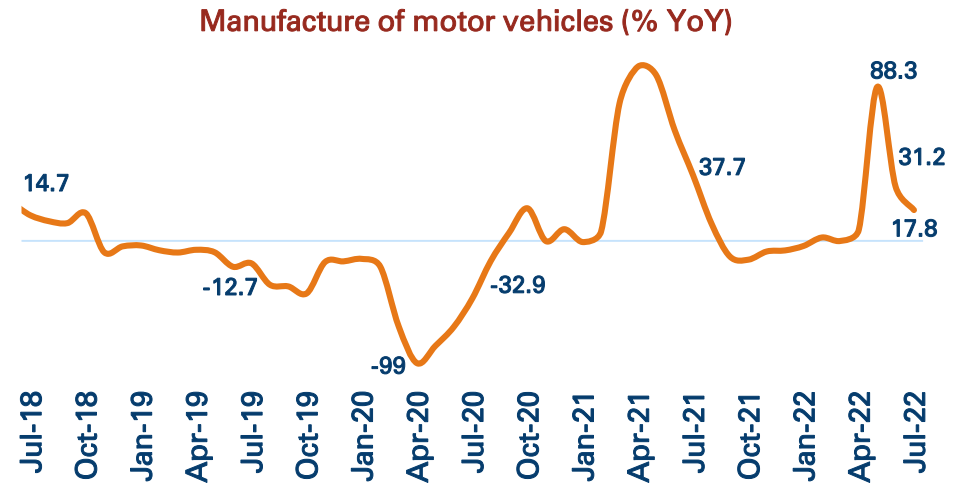


.....while industrial imports remain strong, printing at 42.6% in August

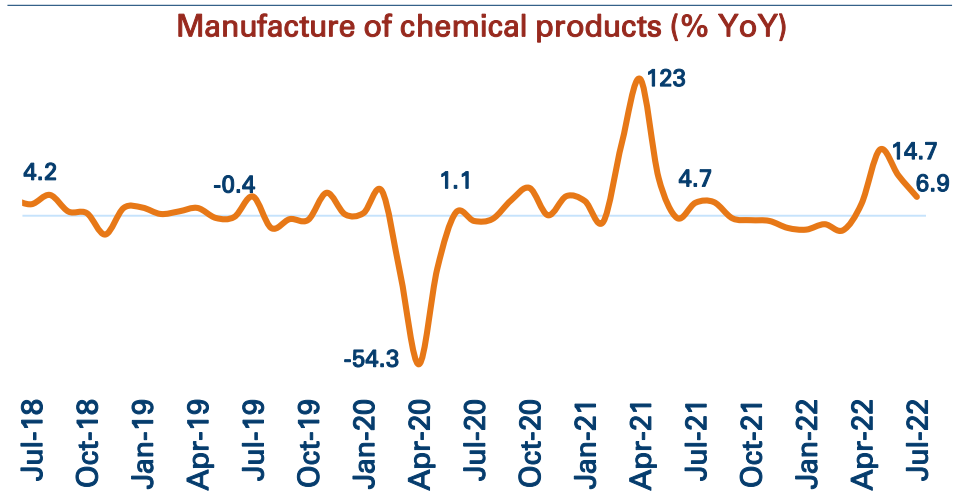


# Manufacturing industries maintaining traction....

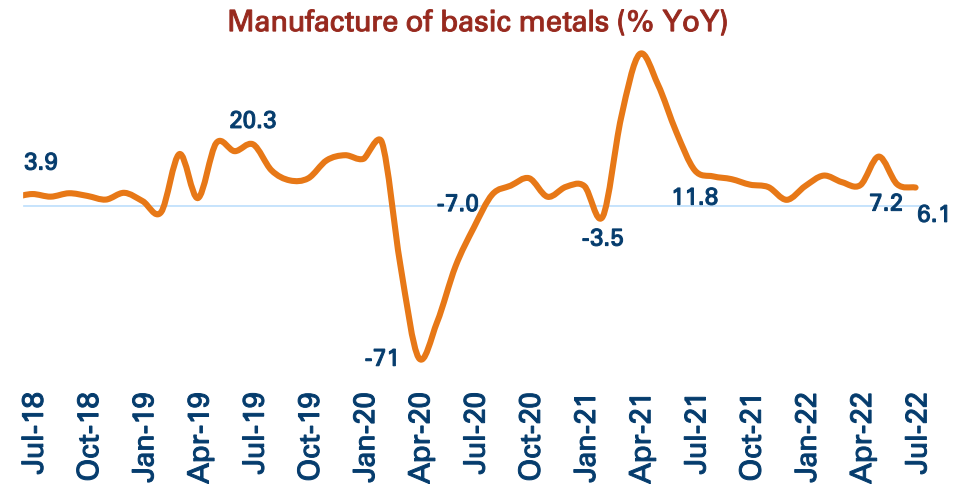
Motor vehicles production grew by 17.8% in July 2022



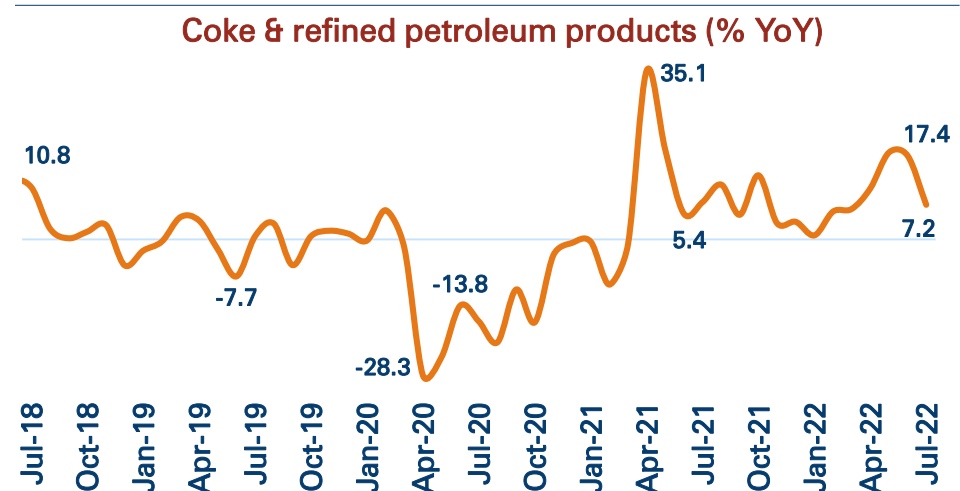
Manufacture of chemical products grew by 6.9% in July 2022



Basic metals production remain strong, printing at 6.1% in July 2022



Manufacture of coke & refined petroleum products grew by 7.2% in July 2022



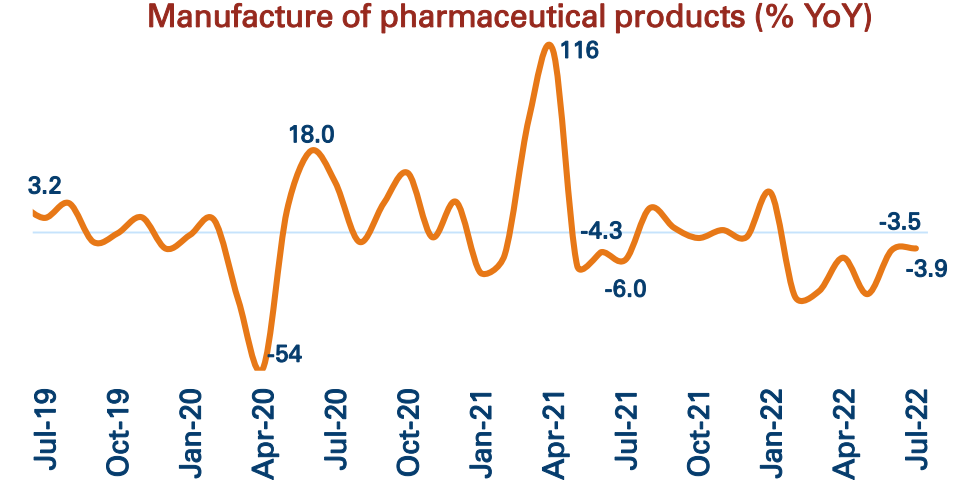
Source: CEIC, ICICI Bank Research

# Manufacturing industries where growth is weak....

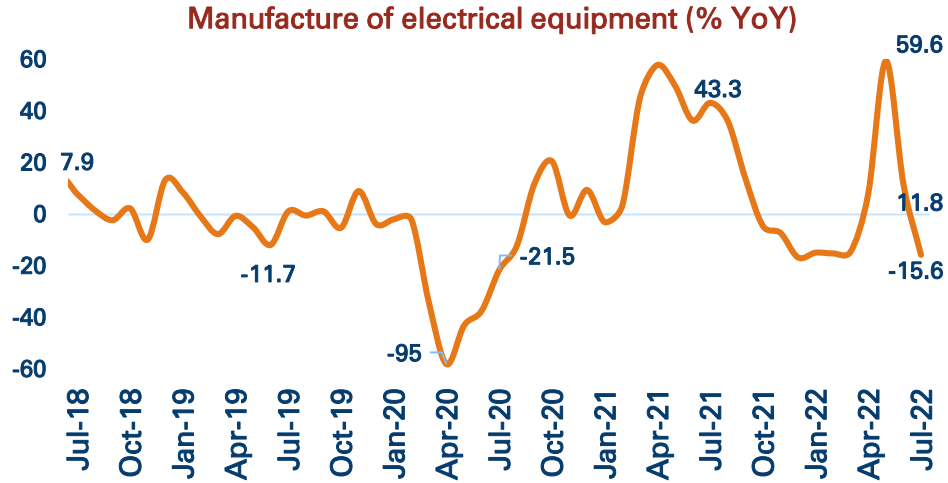
Manufacture of textiles remain in contractionary territory, printing at 8.6% in July



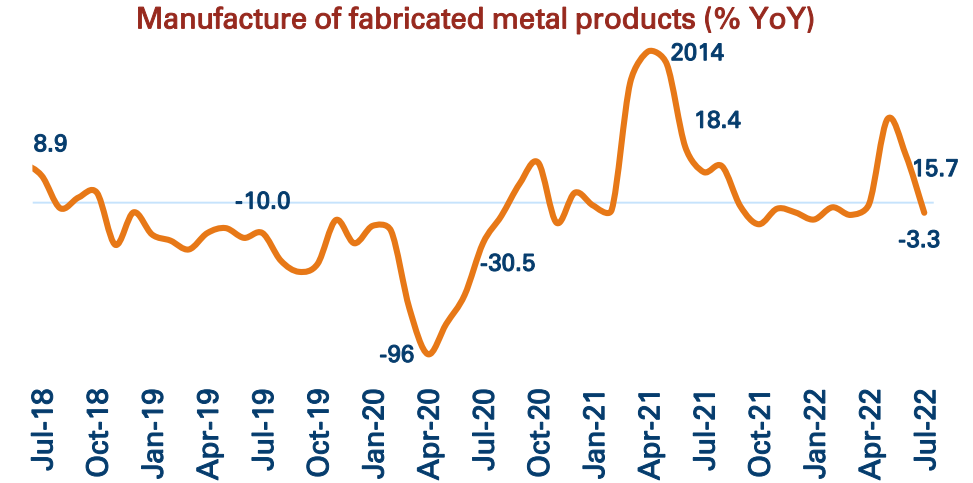
Manufacture of pharma products remain weak too, printing at -3.9% in July 2022



Manufacture of electrical equipment contracted by 15.6% in July 2022



Manufacture of fabricated metal products contracted by 3.3% in July 2022

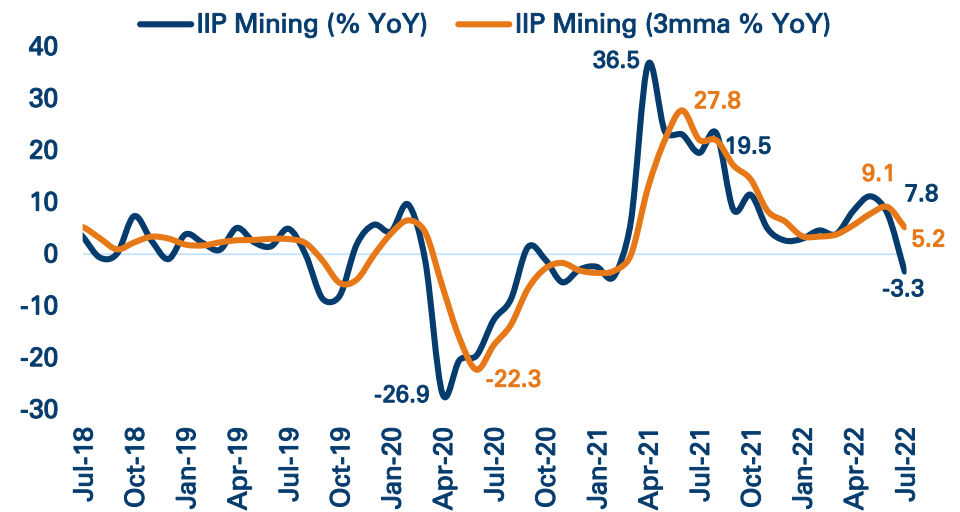


Source: CEIC, ICICI Bank Research

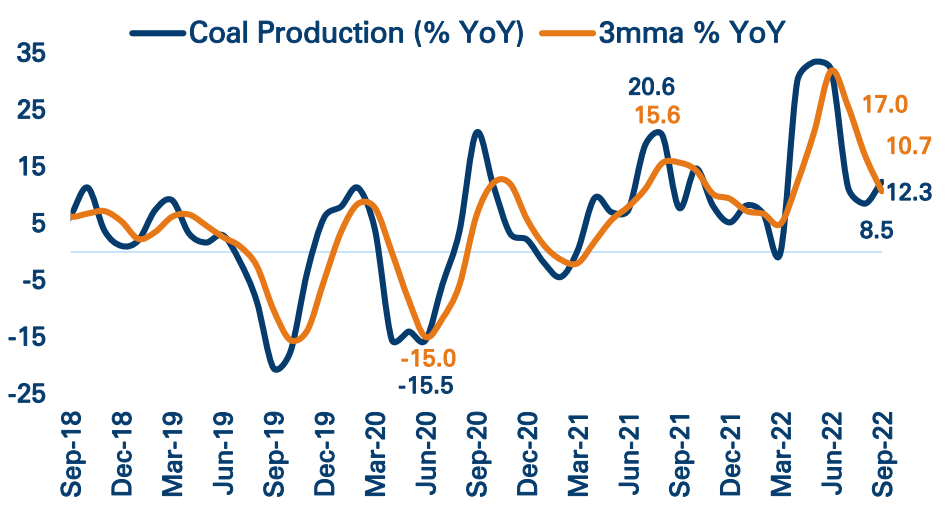


# Mining sector growth remained weak in July

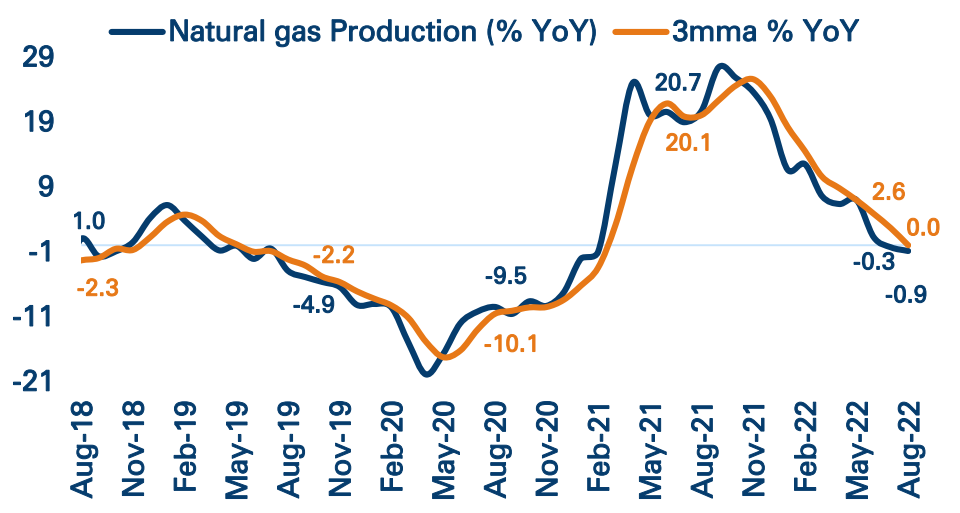
Mining output growth contracted by 3.3% in July compared with a growth of 5.2% in June



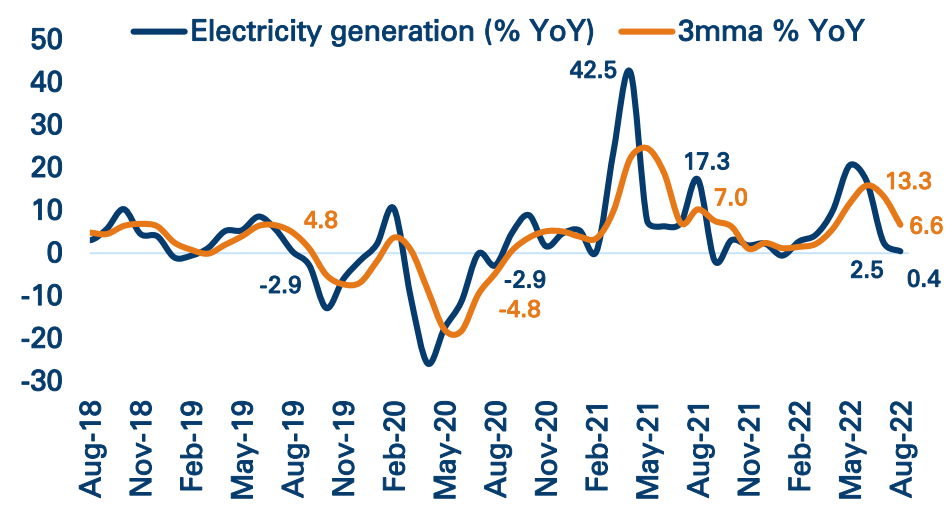
Coal production picked up in September, printing at 12.3%



Natural gas production contracted by 0.9% in August 2022



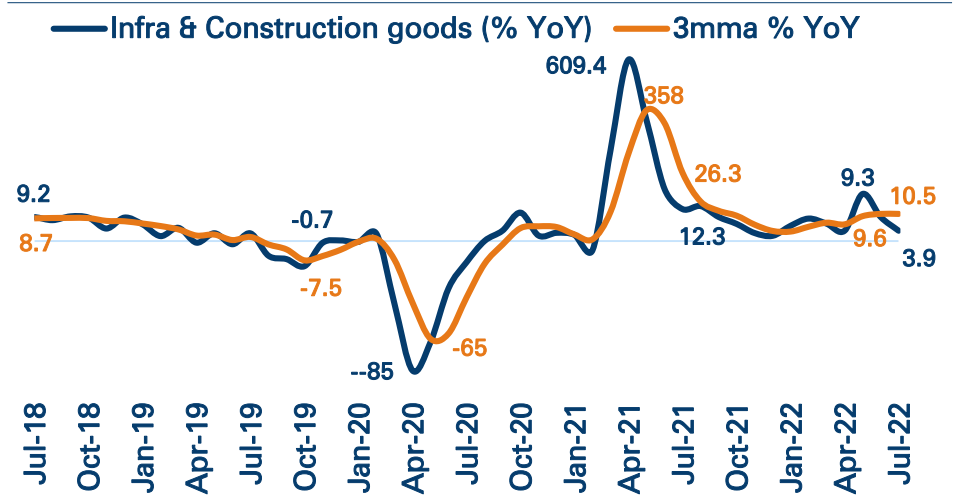
Electricity generation slowed down in August, grew by 0.4% vs. 2.5% in July



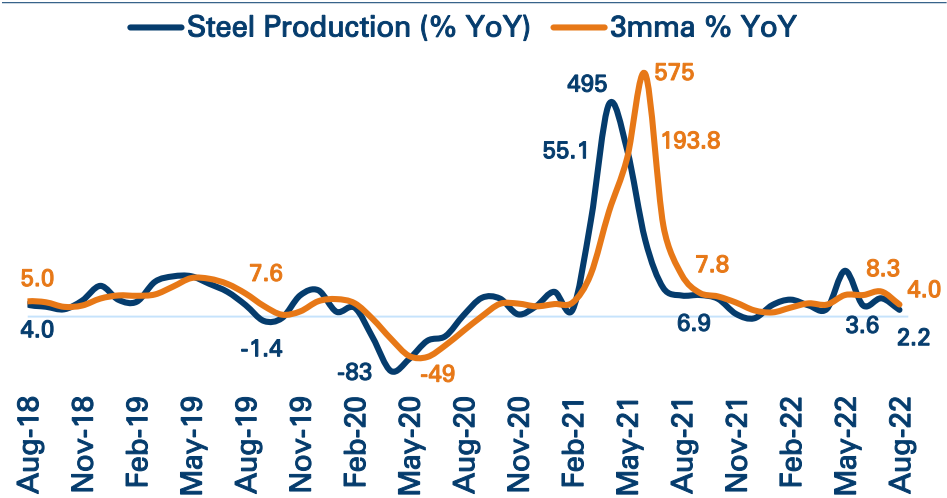
Source: CEIC, ICICI Bank Research

# Construction sector slowed down in August..

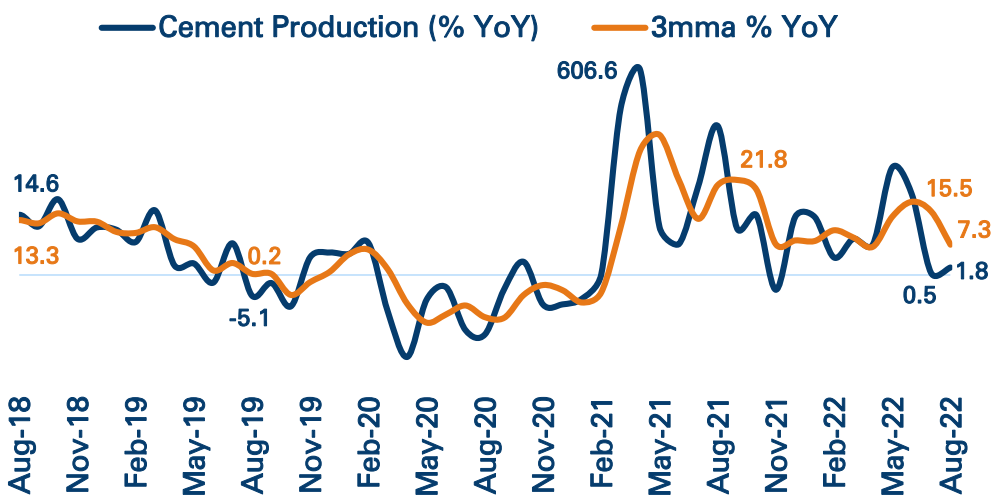
Construction goods output decelerated in July, printing at 3.9% in July



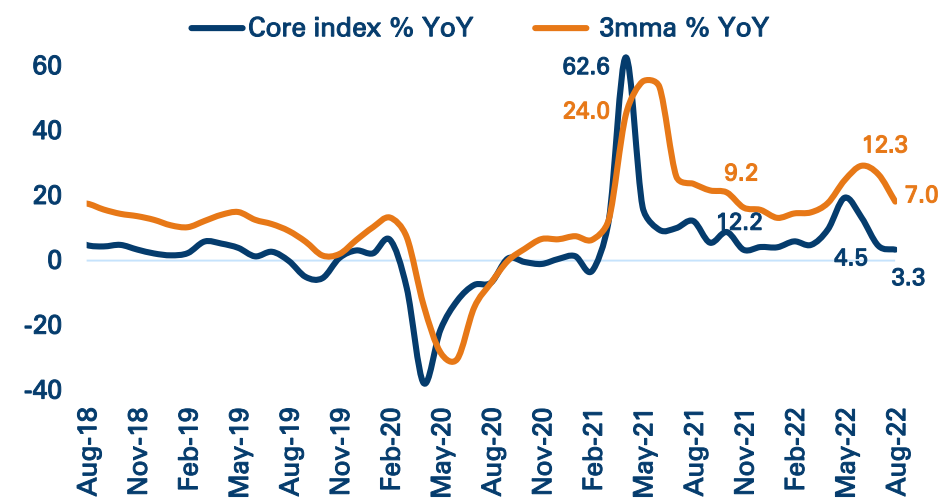
Steel production slowed down in August, printing at 2.2% in August



....while cement output picked up, printing at 1.8%



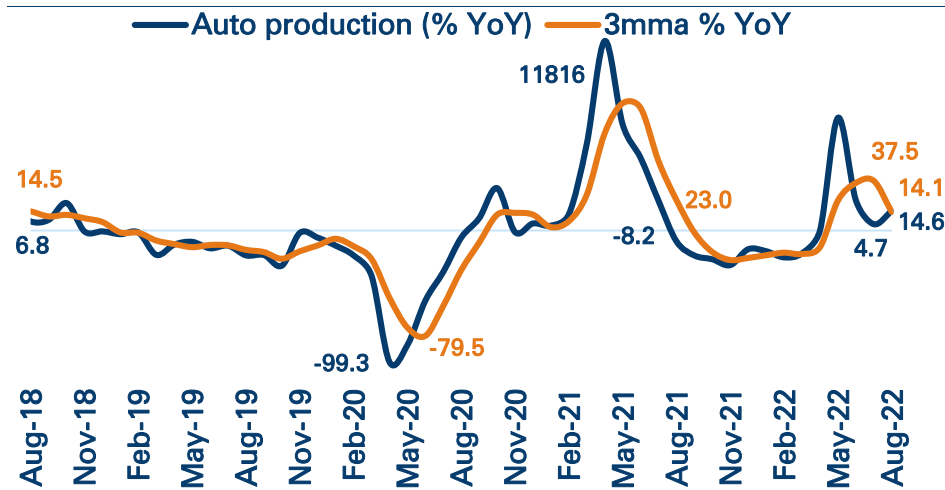
Infrastructure industries' growth slowed down, printing at 3.3% in August vs 4.5% in July



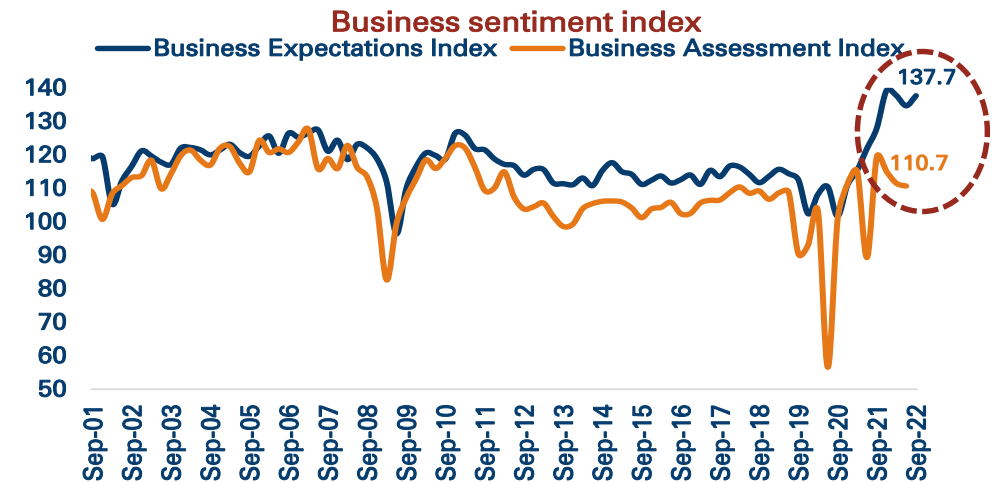
Source: CEIC, ICICI Bank Research

# Auto Production accelerated, business expectation at all time high

Auto production accelerated in August, printing at 14.6% in August vs 4.7% in July



Business expectation index at all time high



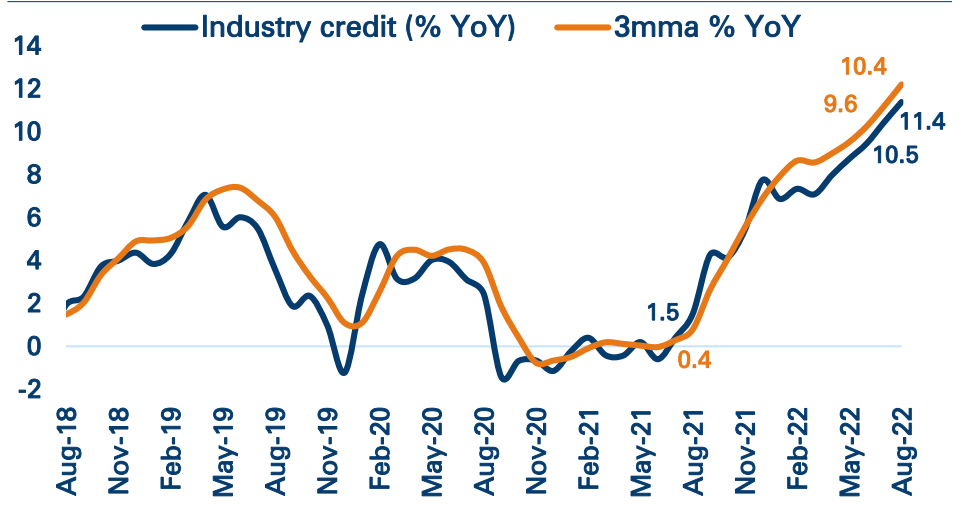
Infrastructure industries growth decelerated sharply in July on the back of weak coal, natural gas and cement production

Eight core infrastructure industries index (% YoY)	Aug-21	Jul-22	Aug-22	FYTD22	FYTD23	Q1FY23	Q2FY23*
Core index (100 %)	12.2	4.5	3.3	19.4	9.8	14.0	3.9
Coal (10.33 %)	20.6	11.4	7.6	12.5	22.7	31.9	9.5
Crude oil (8.98 %)	-2.3	-3.8	-3.3	-3.1	-1.1	0.7	-3.5
Natural Gas (6.87 %)	20.7	-0.3	-0.9	21.0	2.6	4.9	-0.6
Petroleum refinery products (28.03 %)	9.1	6.2	7.0	12.3	10.8	13.6	6.6
Fertilizer (2.62 %)	-3.1	6.2	11.9	-1.5	11.4	13.3	9.0
Steel (17.91 %)	6.9	6.0	2.2	44.7	5.8	7.1	4.1
Cement (5.37 %)	36.3	0.5	1.8	44.3	10.6	17.8	1.1
Electricity (19.85 %)	16.0	2.3	0.9	15.4	10.5	17.2	1.6

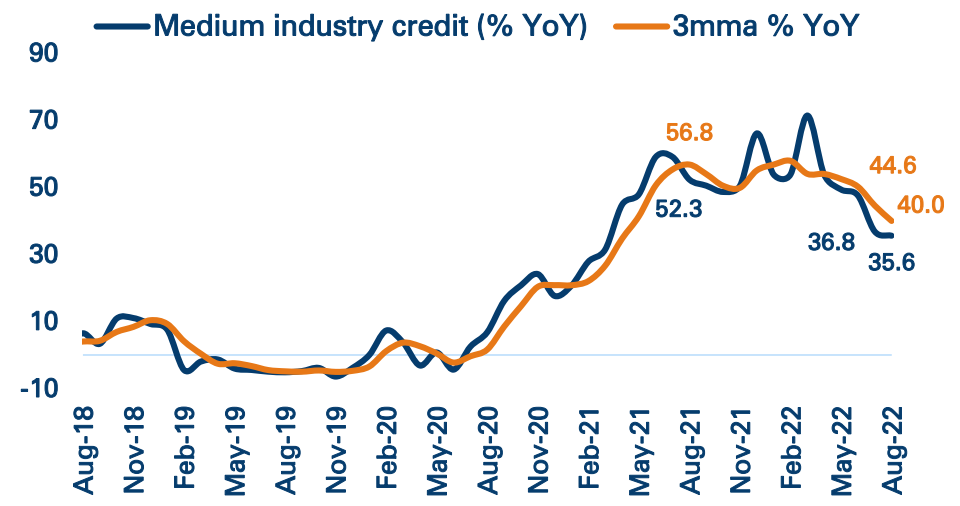


# Industrial credit growth maintains upward momentum in August 2022

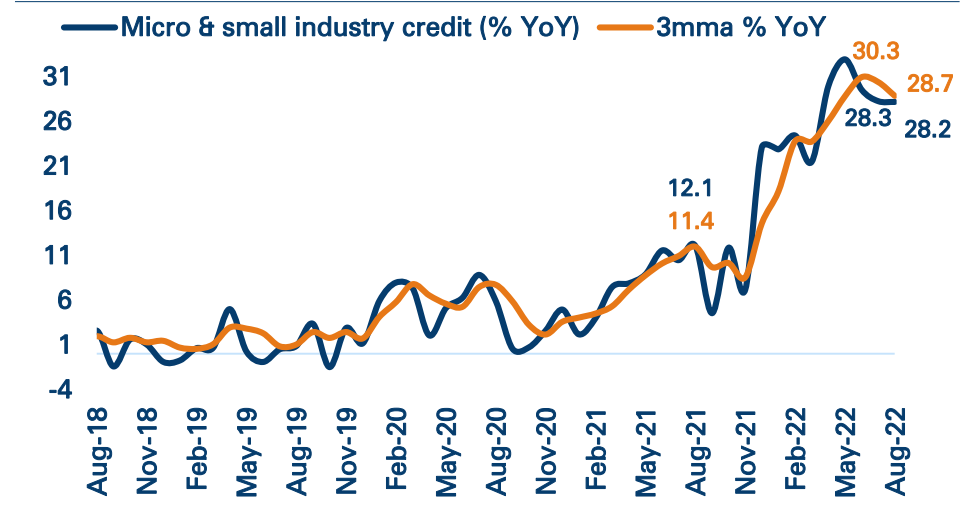
Credit to industry continues to accelerate in August at 11.4% YoY



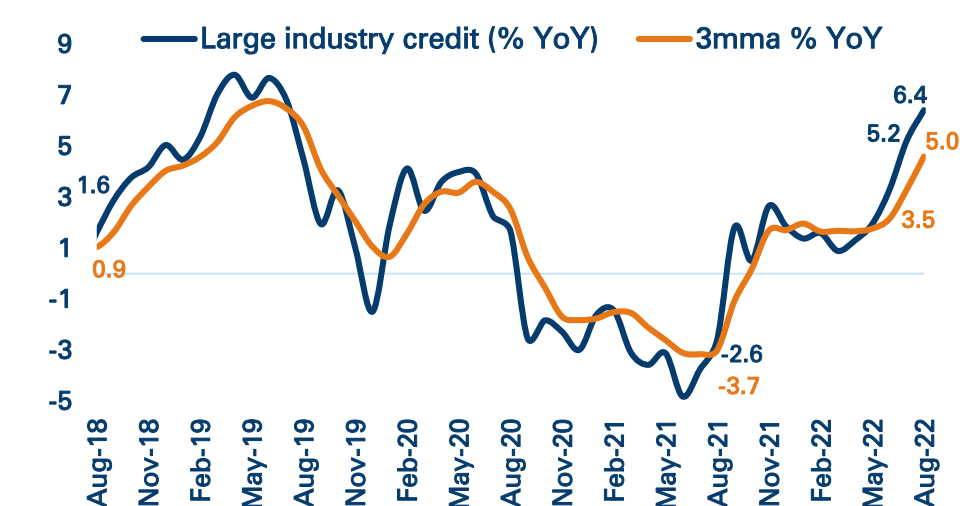
...while credit to medium industry decelerated, but remains buoyant



Credit to micro & small industry remain robust at 28.2% YoY in August



...and pace of expansion in large industry credit showed further acceleration

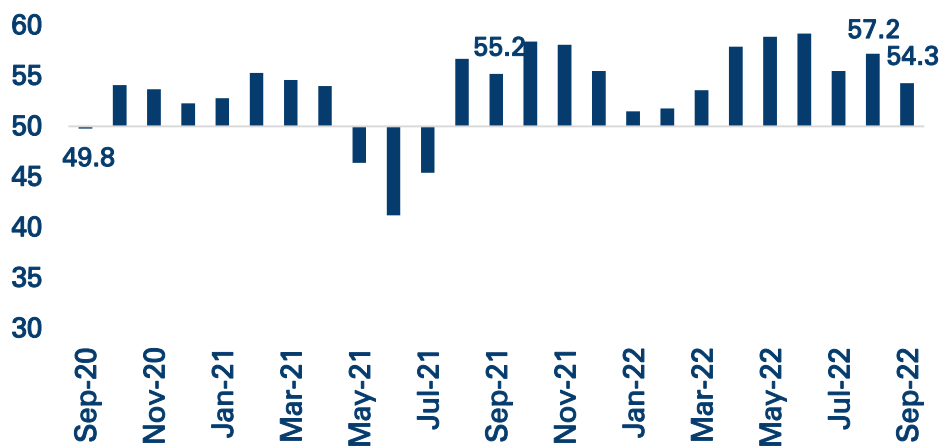




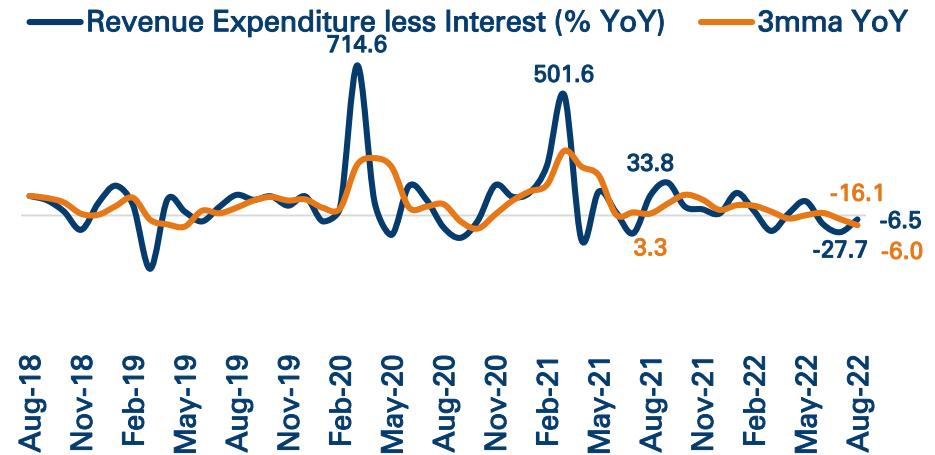
# Services

# Services sector show a mixed picture...

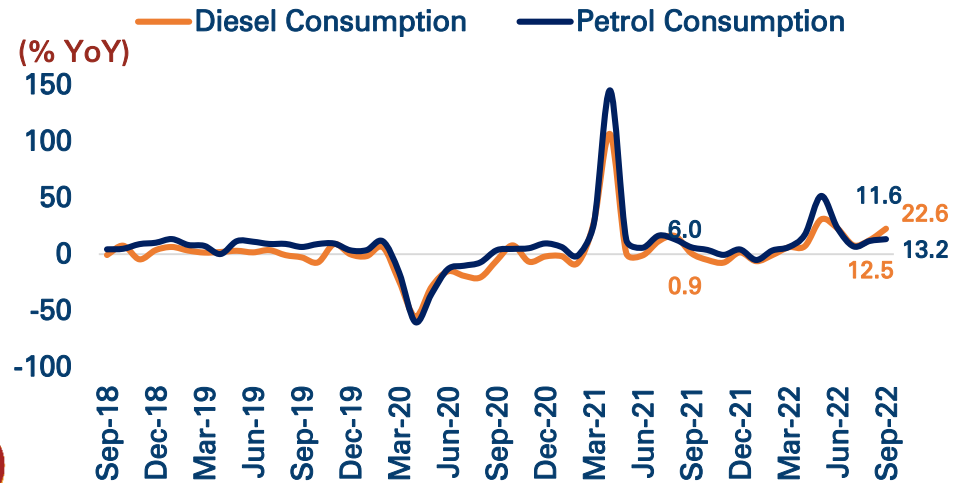
Services sector activity softened to 6-month low



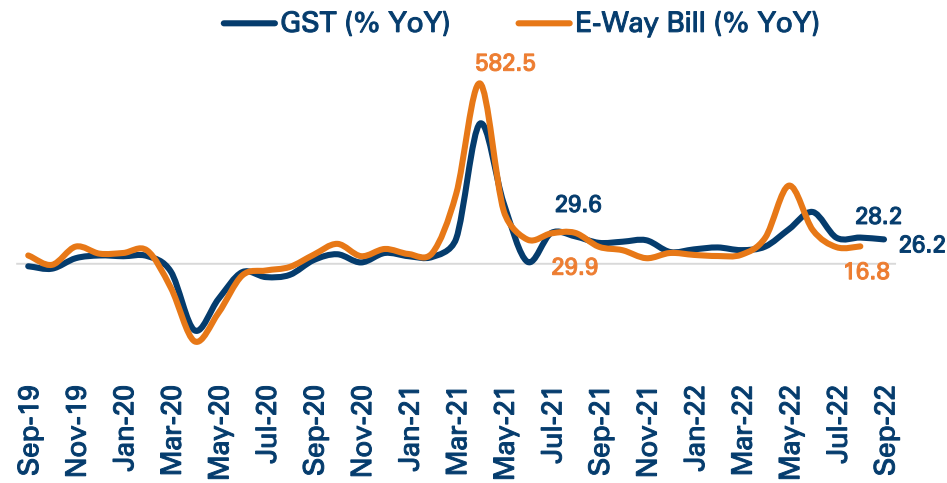
Revenue Expenditure for the central government was lower by INR 254bn in August vis-à-vis a year ago



Fuel consumption picked up



GST collections remained above INR 1.4tn for 5<sup>th</sup> consecutive month, at INR 1.48tn in September

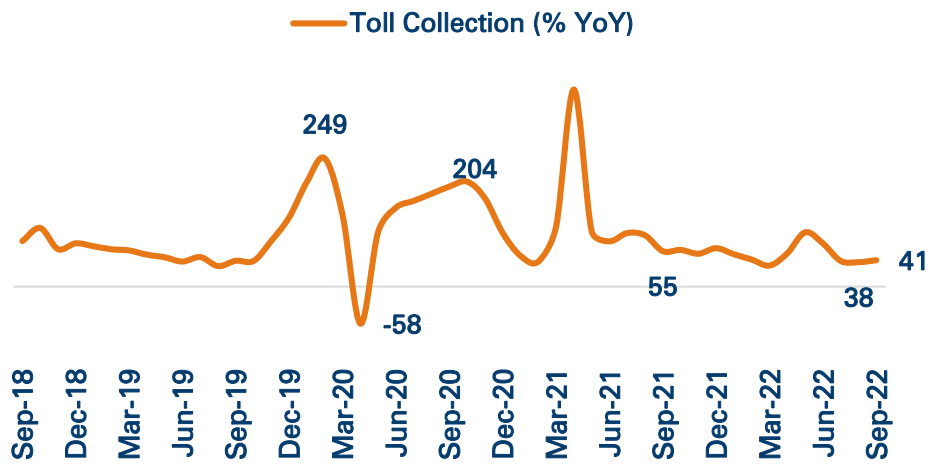


\*Fuel consumption for August 2022 are provisional numbers

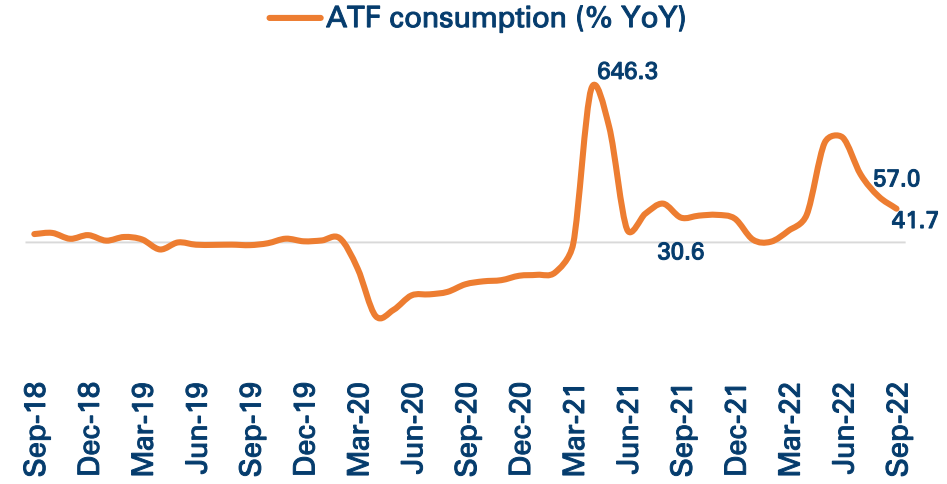
Source: CEIC, ICICI Bank Research

# ... with air traffic inching towards pre-covid levels

Toll Collection remained stable, at INR 42.5bn in Sept



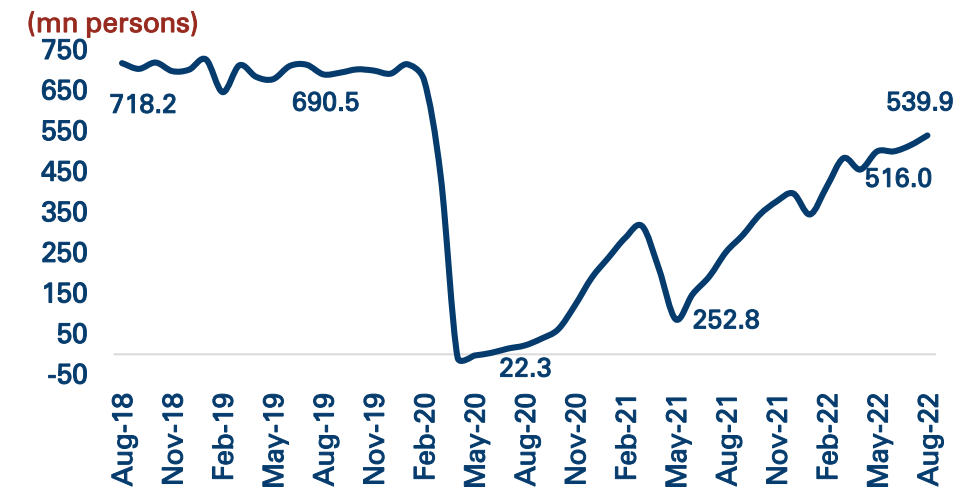
Growth in ATF consumption moderated, but consumption remained high as aviation sector opened up...



...while an increase in passenger traffic was observed in August



...rail passenger traffic continue to post steady growth

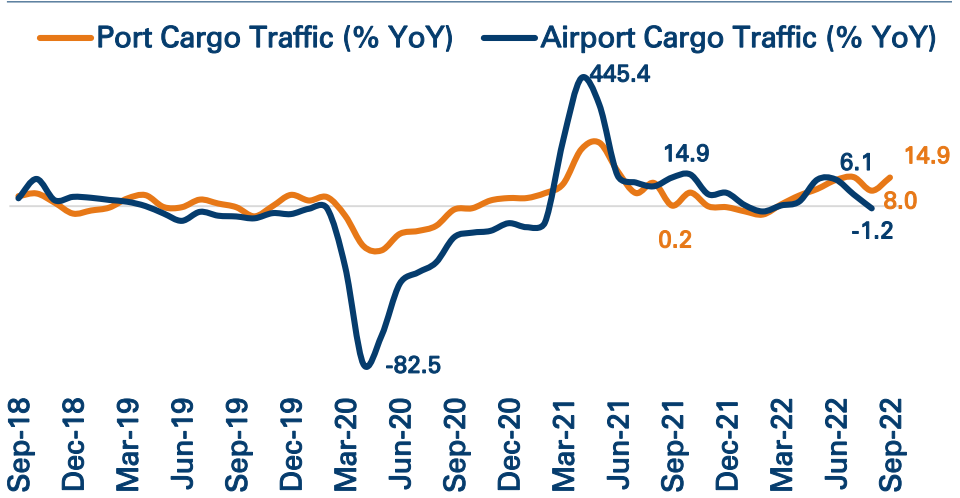


\*Fuel consumption for August 2022 are provisional numbers

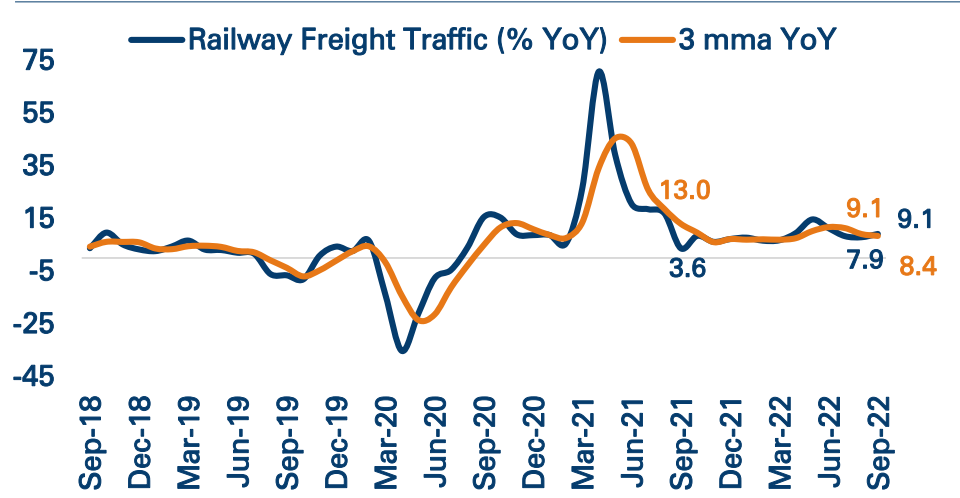
Source: CEIC, ICICI Bank Research

# ... cargo traffic showed an uptick,

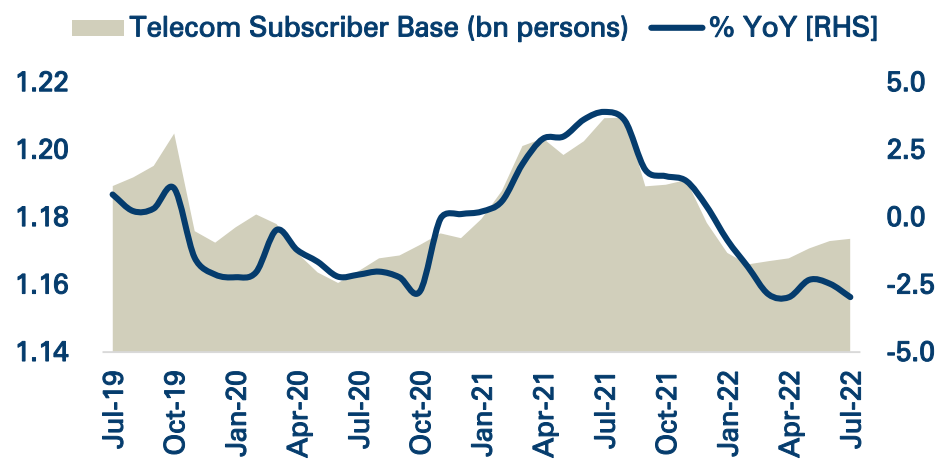
Port cargo up, air cargo slowing....



...Rail cargo showing an uptick



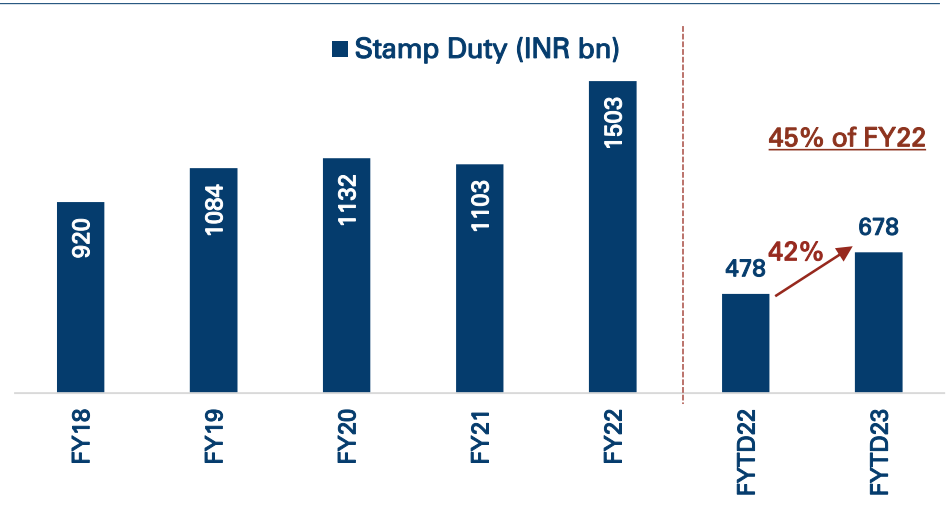
Growth in telecom subscriber increased by 0.70mn users in July '22 compared to June '22



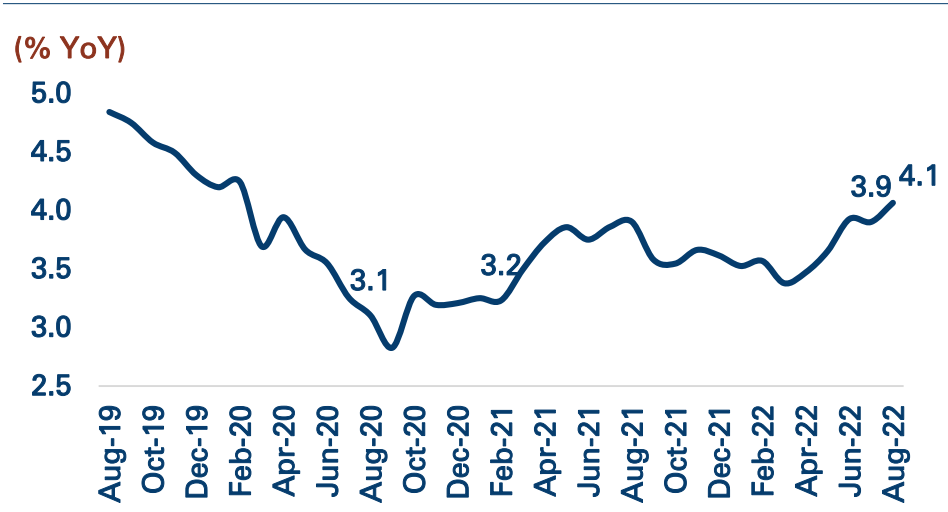


# ...and Real Estate sector continues to post a positive outlook

Stamp duty collections post a rosy picture at over 1.4x of FYTD22



CPI Housing Price index increased to 169 in August vs 167.8 in July

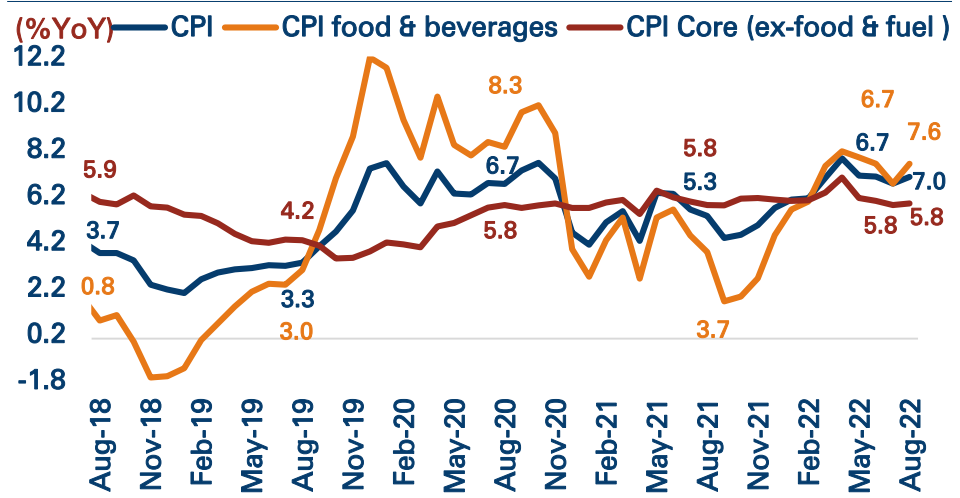




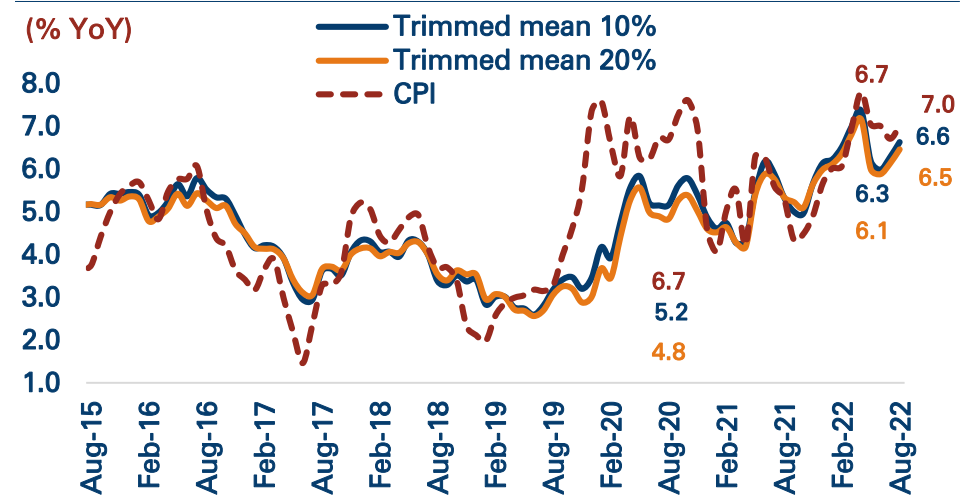
# Key inflation metrics

# Inflation inched up to 7.0% YoY in August vs. 6.7% YoY in July

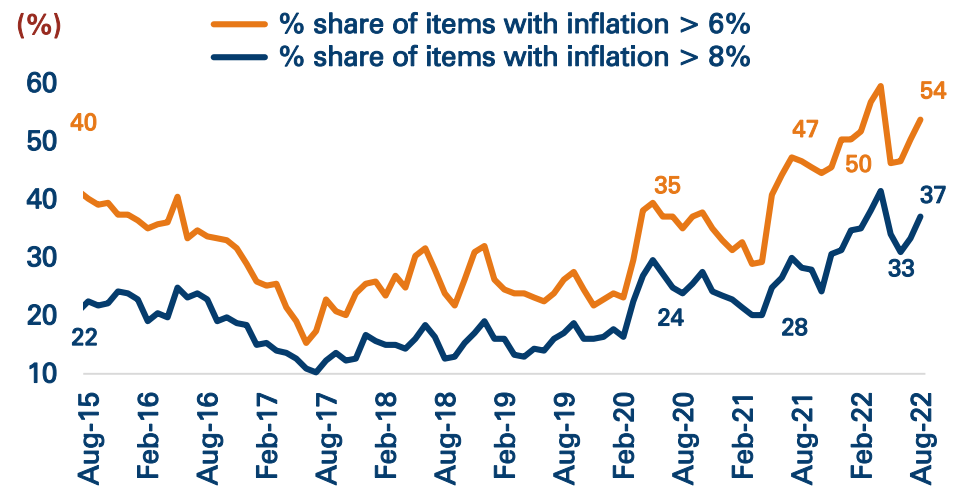
Headline inflation inched up to 7.0% YoY in August vs. 6.7% in July



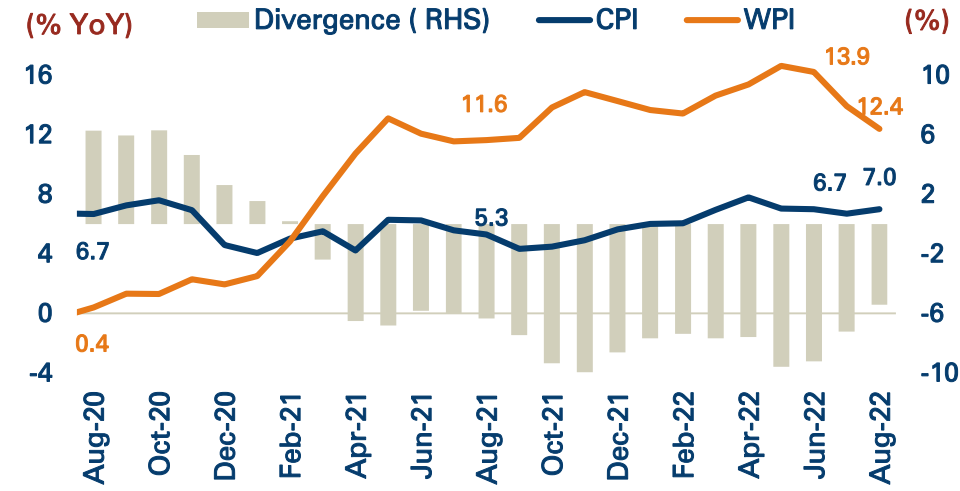
However, there is a mild increase in trimmed mean at both 10% and 20%



54% of items are showing 6% or more increase in August compared with 50% last month

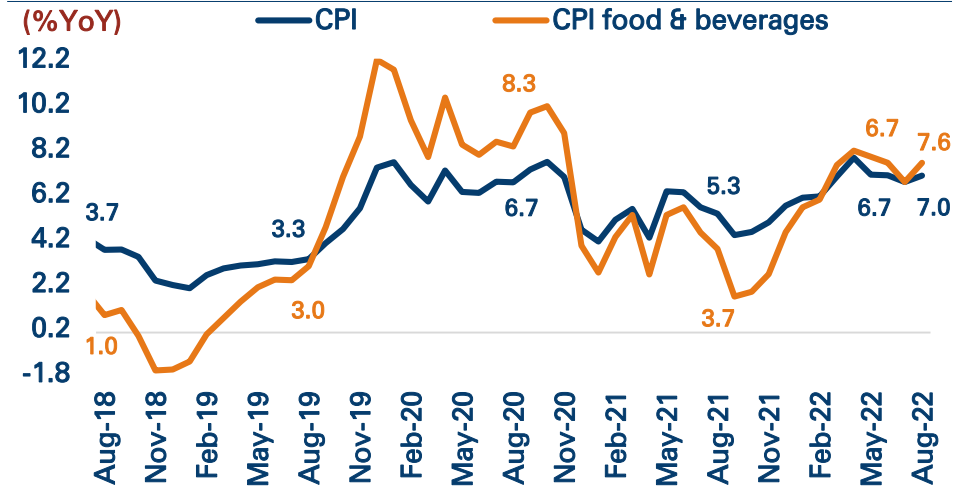


WPI fell to 12.4% YoY in August; divergence between CPI and WPI narrowing subsequently

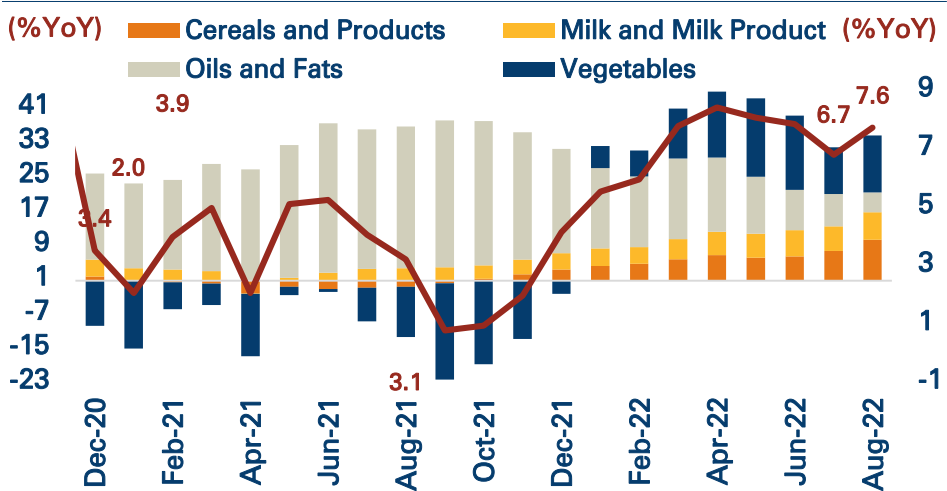


# Food & beverages up again led by lower vegetables & cereals...

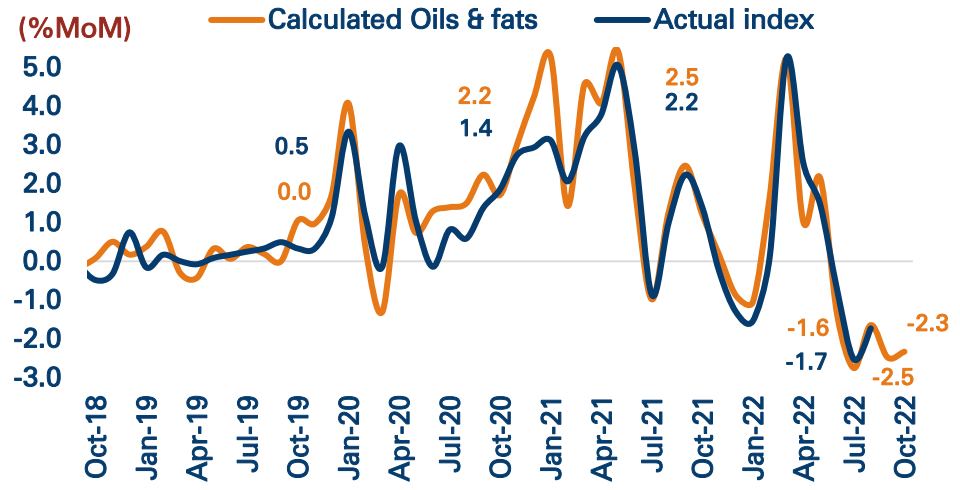
Food & beverages inflation moved higher to 7.6% YoY in August vs. 6.7% last month...



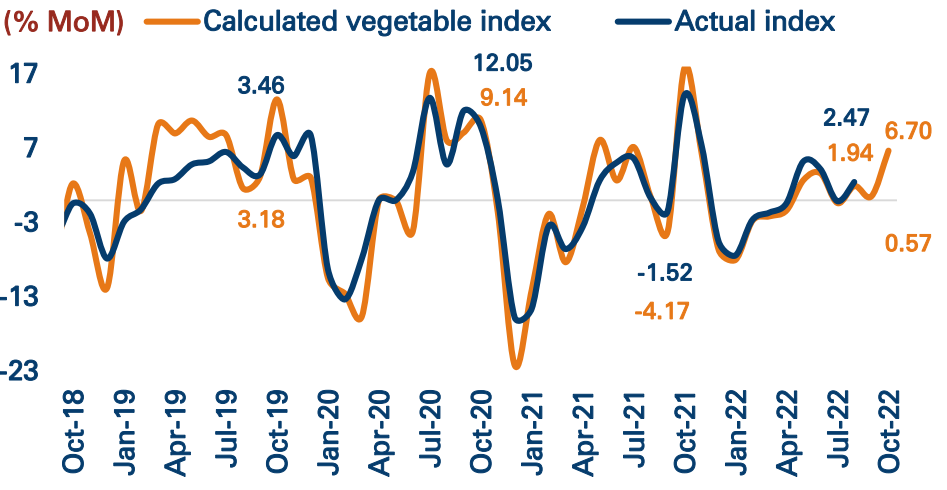
..led by vegetables and cereals; edible oil prices continue to decline



Edible oil prices remain in contraction at -2.5% MoM in September, -2.3% in October



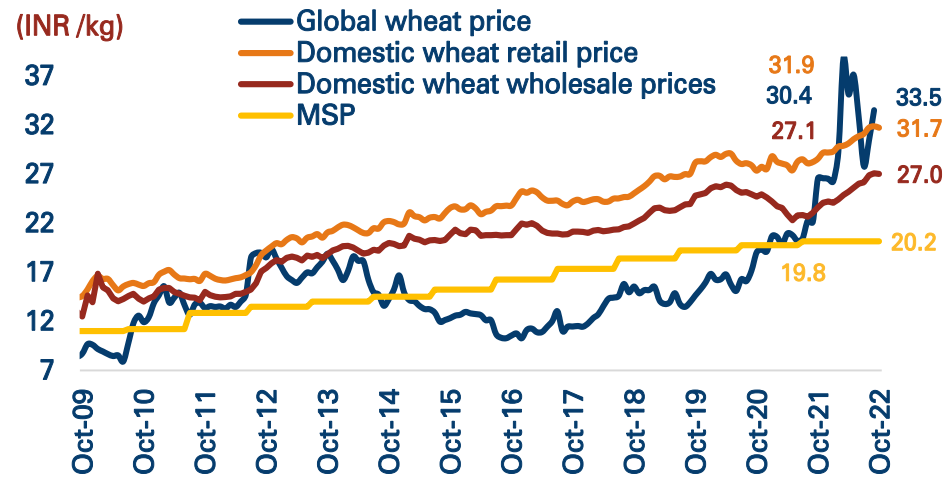
... However, vegetable prices saw a sequential uptick of 0.52% in September; 6.70% MoM in October



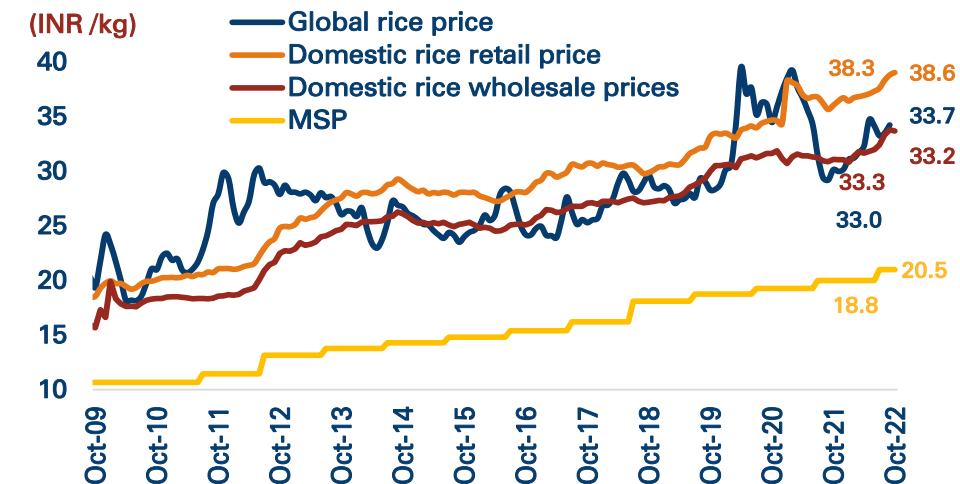
Note : domestic prices updated till August 31, 2022  
Source: CEIC, ICICI Bank Research

# Global wheat prices move up, edible oils fell...

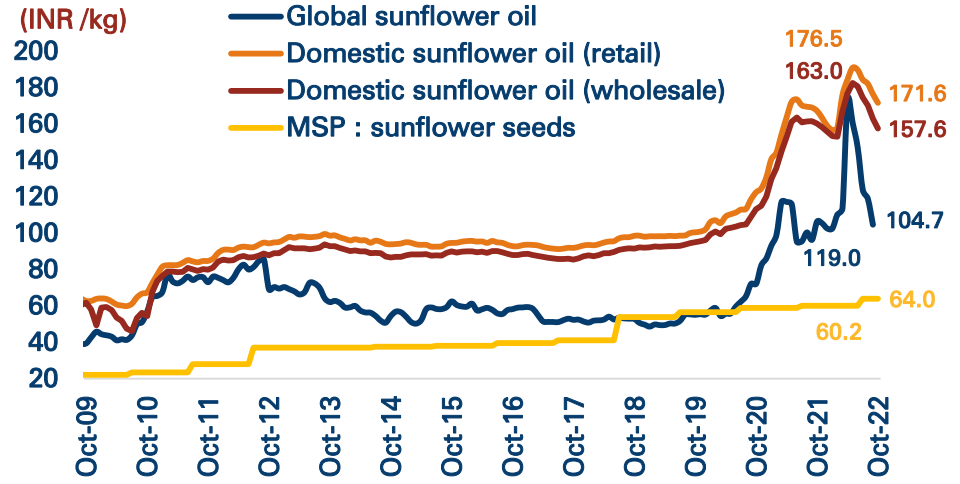
Global wheat price have risen by 9.2% MoM in September ; domestic prices too remain elevated



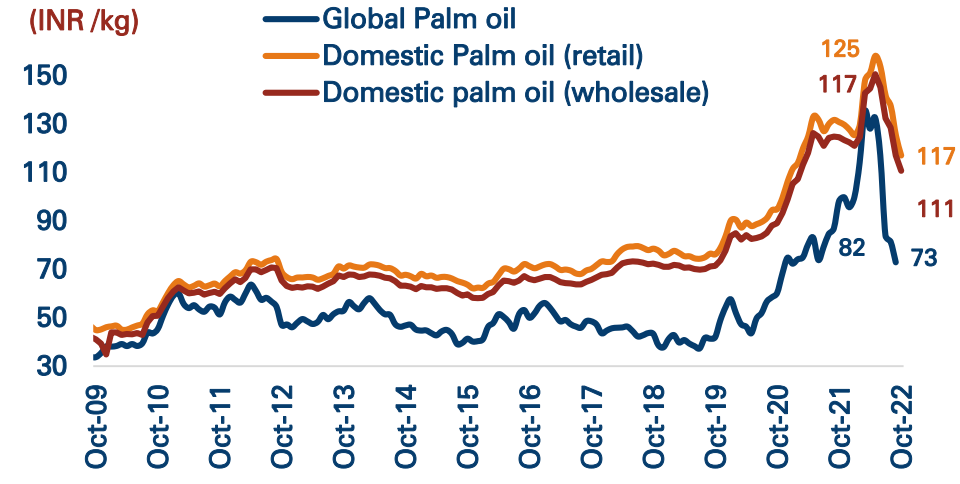
..while domestic rice prices are also inching up and are higher than global prices



Sunflower oil prices continue to decelerate across global and domestic markets...



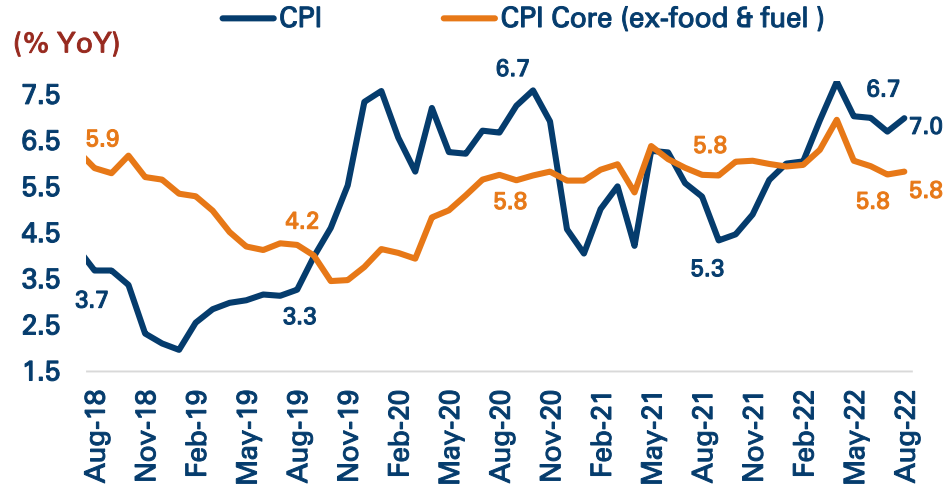
...as is the case with Palm oil which has been declining sharply



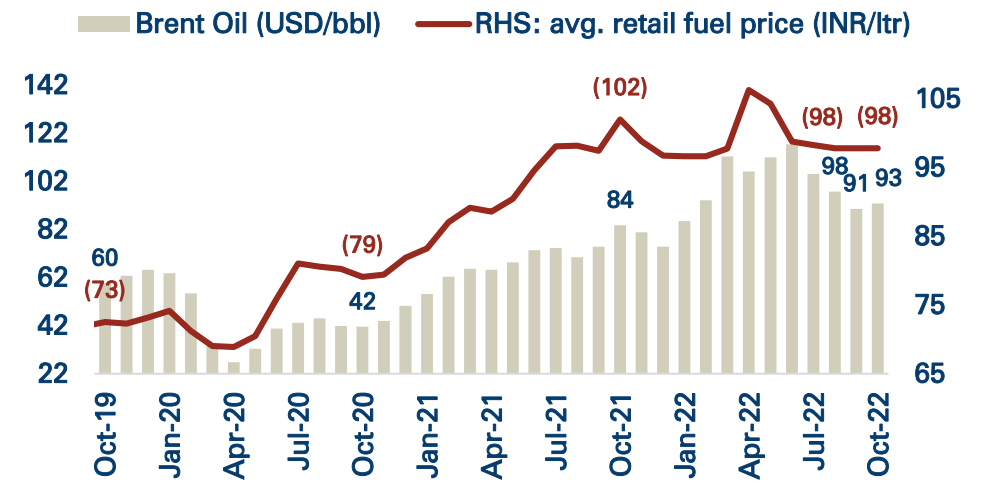
Note : Global prices are updated till September ; domestic prices updated till October 5, 2022  
 Source: World bank data, ICICI Bank Research

# Core inflation stable at 5.8% YoY; global oil prices have picked-up off-late

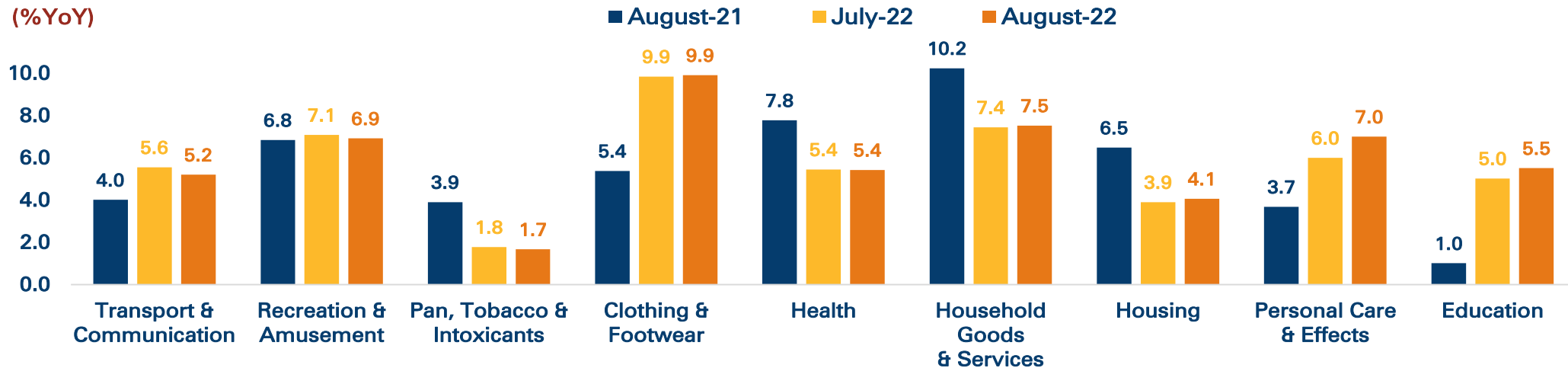
Core CPI moved stable at 5.8% YoY in August



..Global oil prices are below USD 100/bbl.; domestic prices remain steady

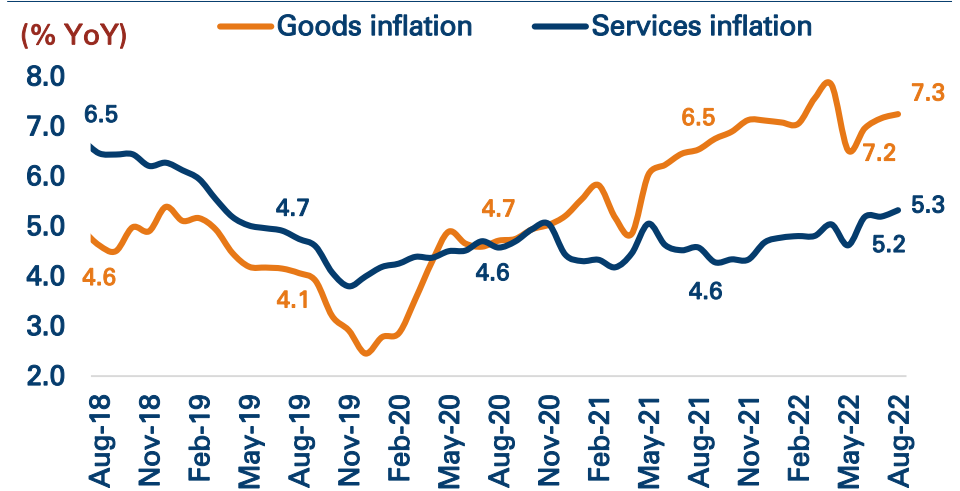


Transport and communication, pan, tobacco and intoxicants and recreation saw marginal declines, other components inched up

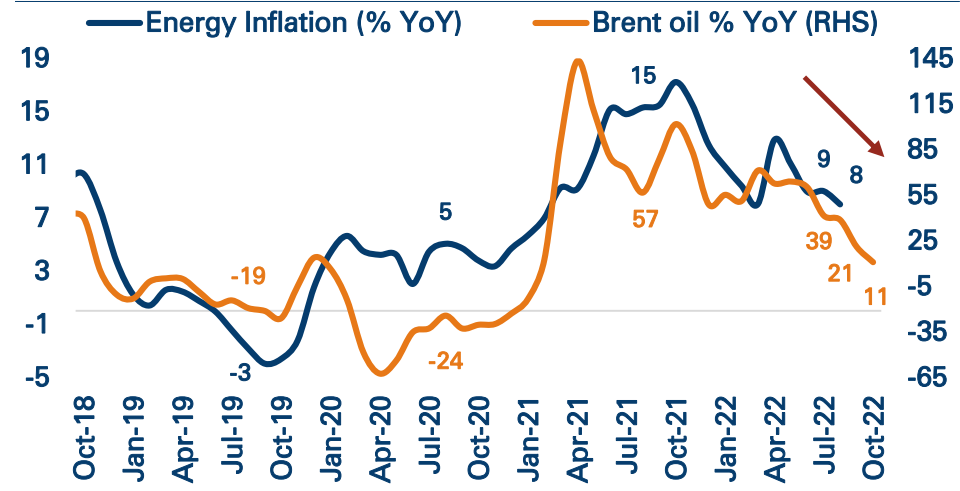


# Lower commodity prices to ease inflationary pressures...

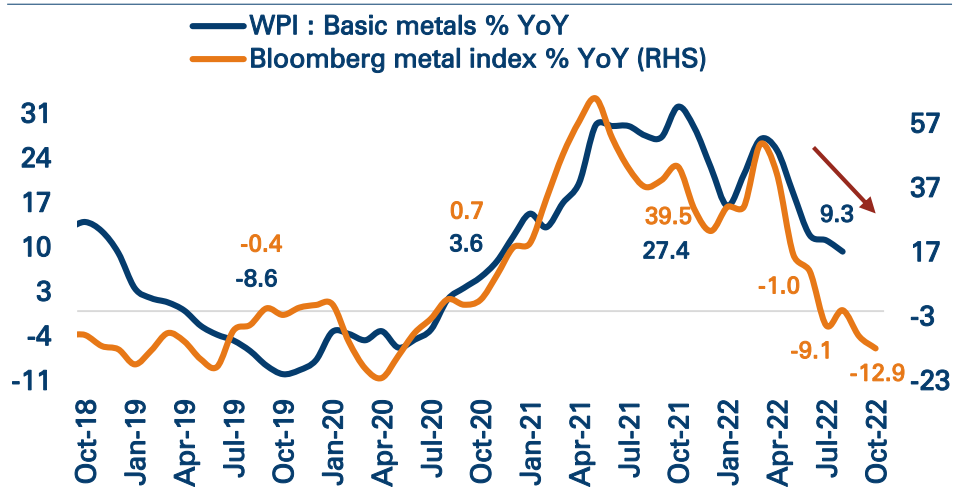
Goods inflation is marginally up at 7.2% YoY in July, while service inflation is stable at 5.2% YoY



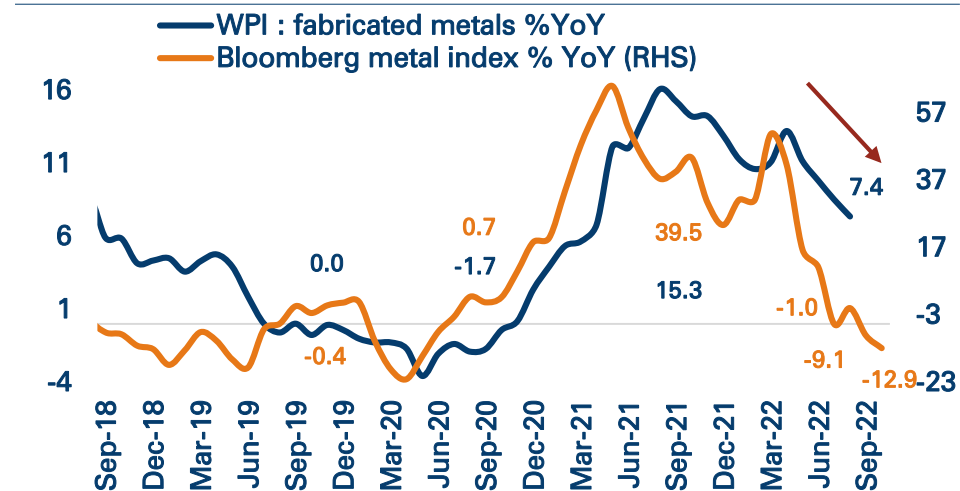
Energy inflation likely to decelerate with lower global crude oil prices...



WPI basic metals are set to decline in keeping with the decline in metal prices....



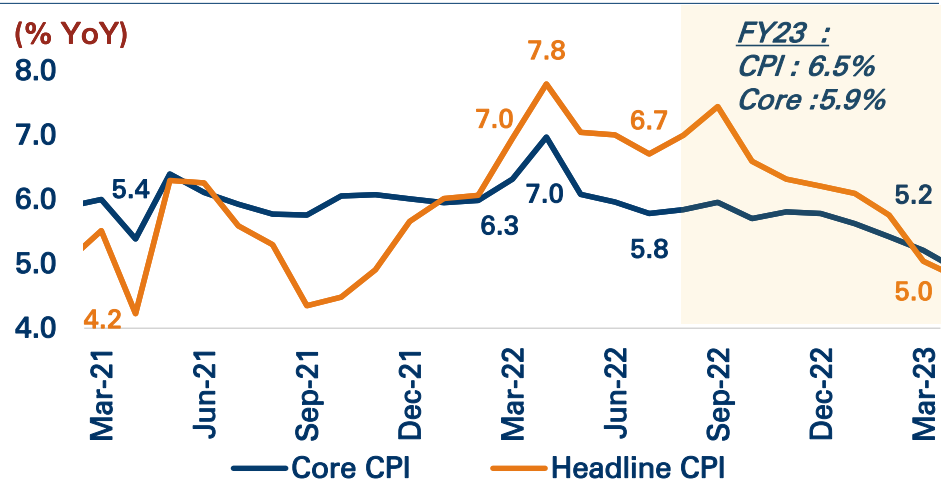
...so is the case with WPI fabricated metals. Overall WPI is seen descending further..



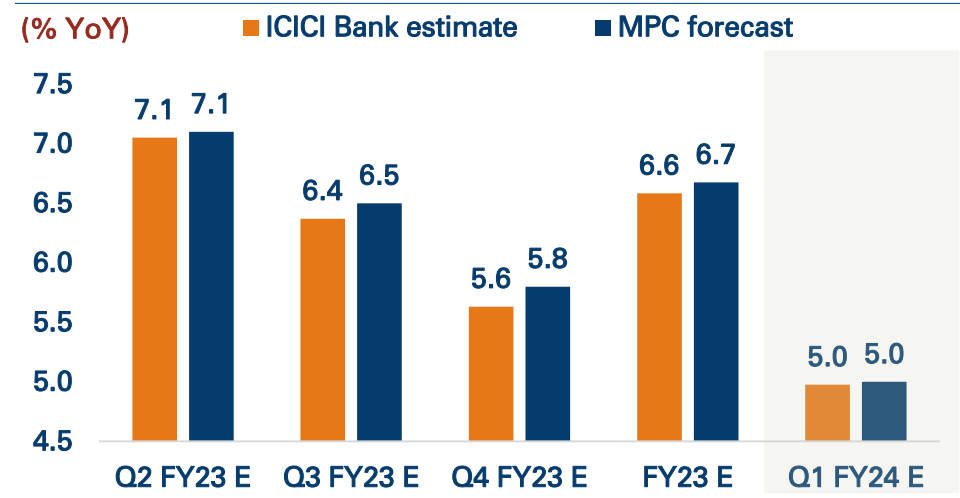
Note : Global prices are updated till October 06, 2022 ; CPI and WPI till August 2022  
Source: CEIC, Reuters, ICICI Bank Research

# CPI is seen averaging at 6.5% YoY in FY23 with risks broadly balanced...

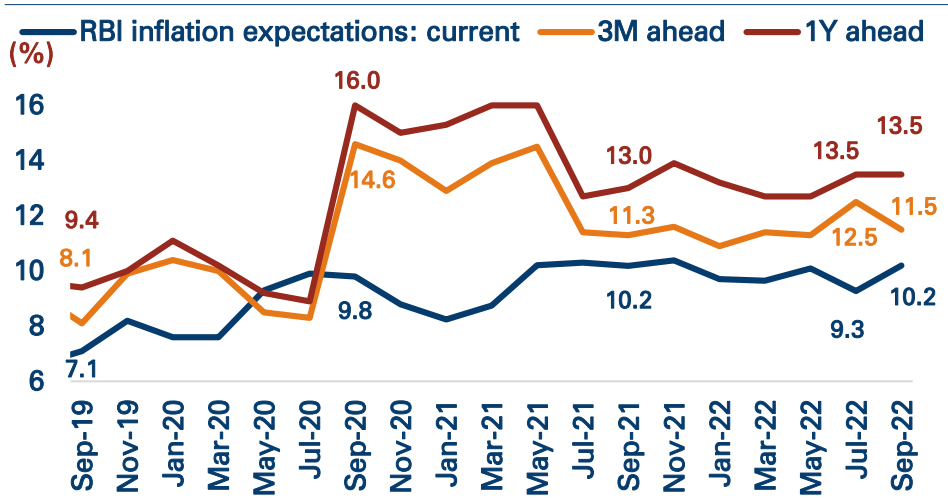
CPI inflation seen at 6.5% YoY in FY23



MPC's estimate for FY23 is 6.7% YoY



Household inflation expectations have moved up to 10.2% YoY in September from 9.3% in July



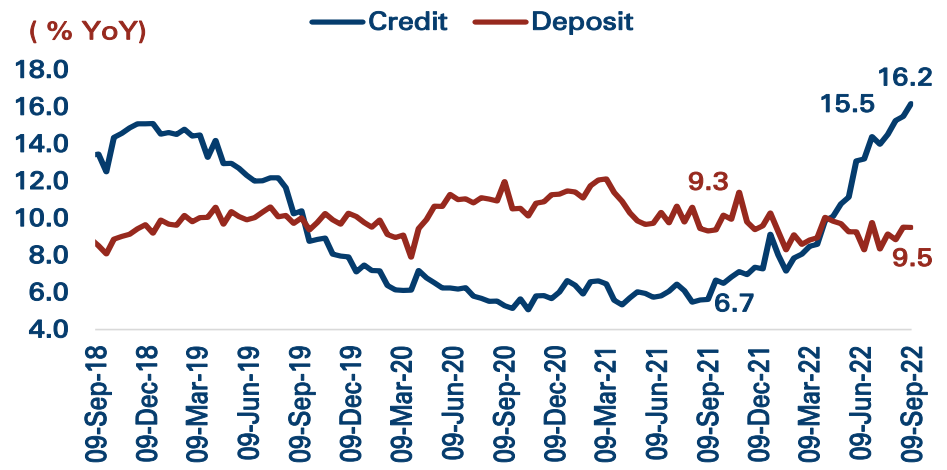




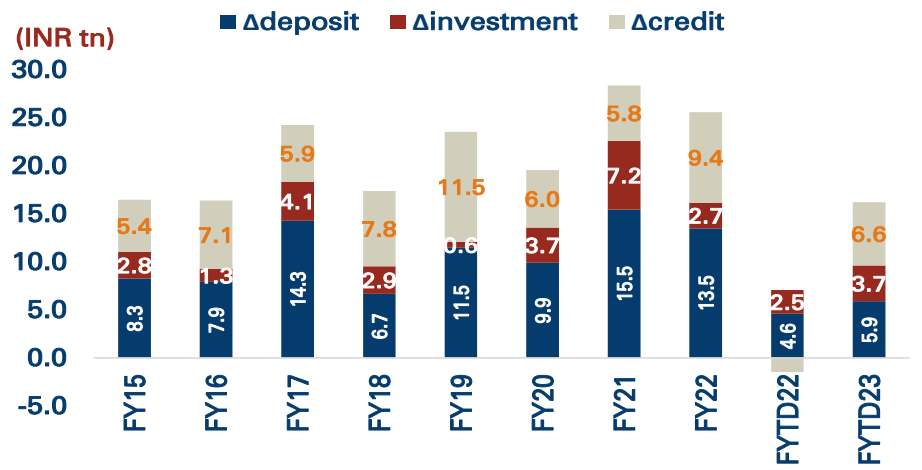
# Monetary

# Credit growth at a multi-year high; FYTD accretion remains robust

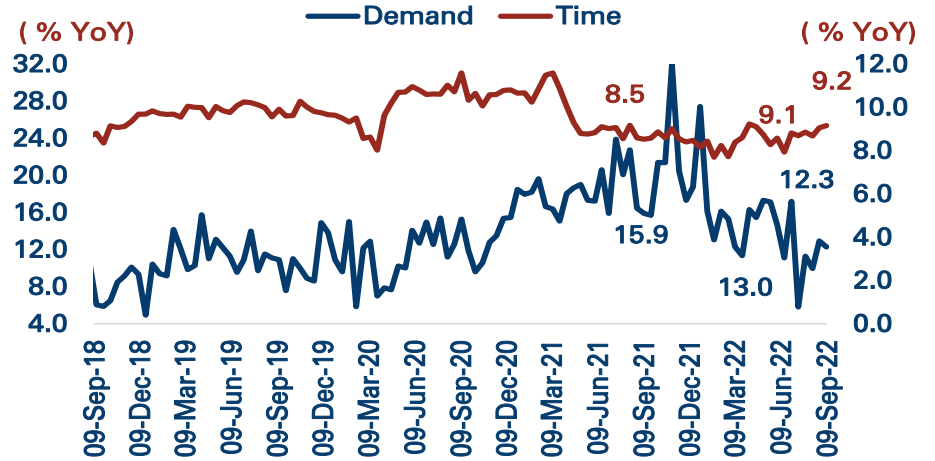
Credit picked up 16.2% YoY, while deposit growth stood at 9.5% YoY



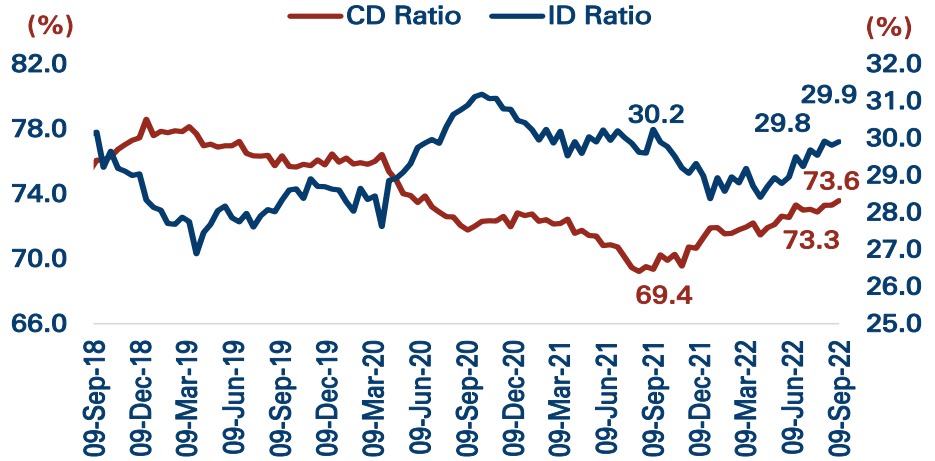
FYTD23 bank credit and deposit increased by INR 6.6tn and INR 5.9tn respectively



Demand and time deposit grew by 12.3% and 9.2% YoY, respectively



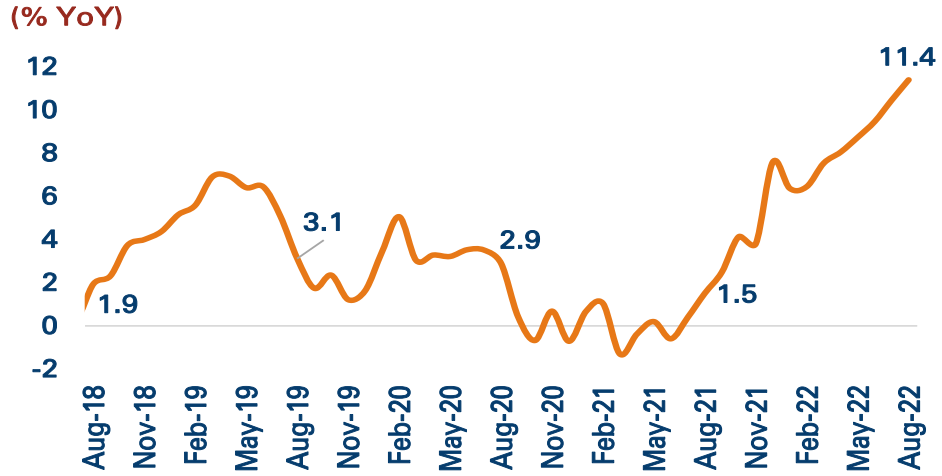
CD and ID ratio increased to 73.6 and 29.9, respectively



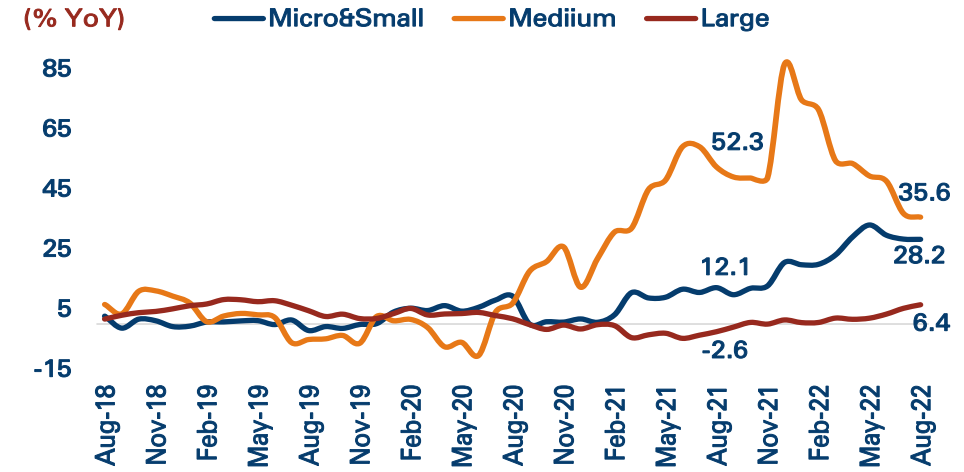
FYTD figures are till first week of September 2022 each FYs  
Source: CEIC & ICICI Bank Research

# Industry credit growth remains strong, led by large industries

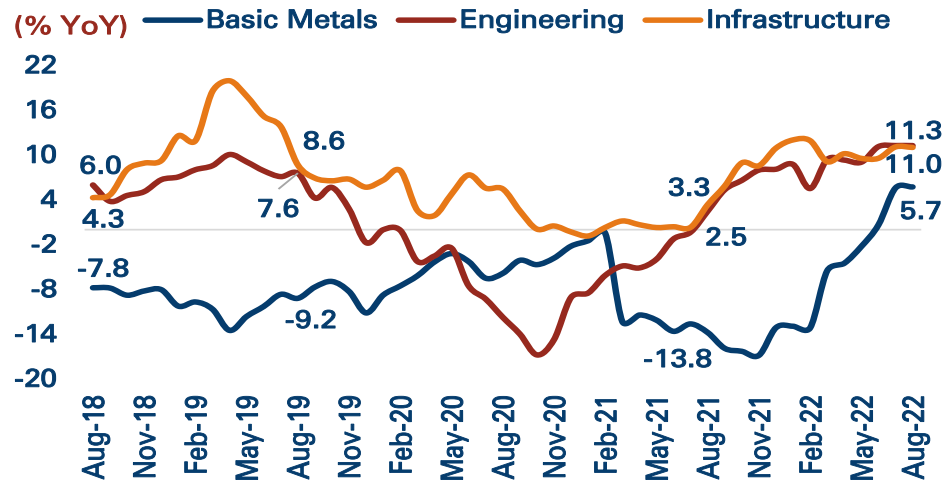
Credit to industry displays further acceleration at 11.4% YoY in August 2022



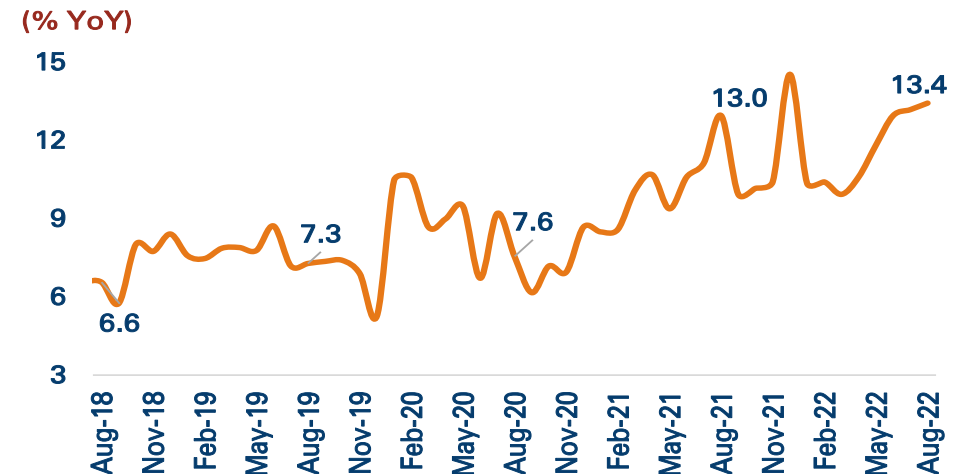
Large industry credit rose to 6.4% YoY, while MSME credit remains buoyant



Within industry, basic metals, engineering and infra credit showing traction

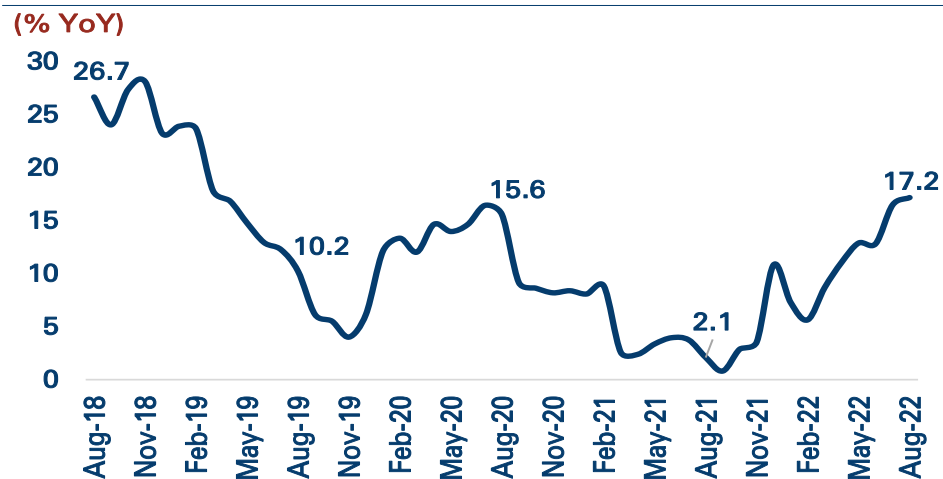


Agriculture credit growth (13.4% YoY) has displayed a steady rise in the last few months

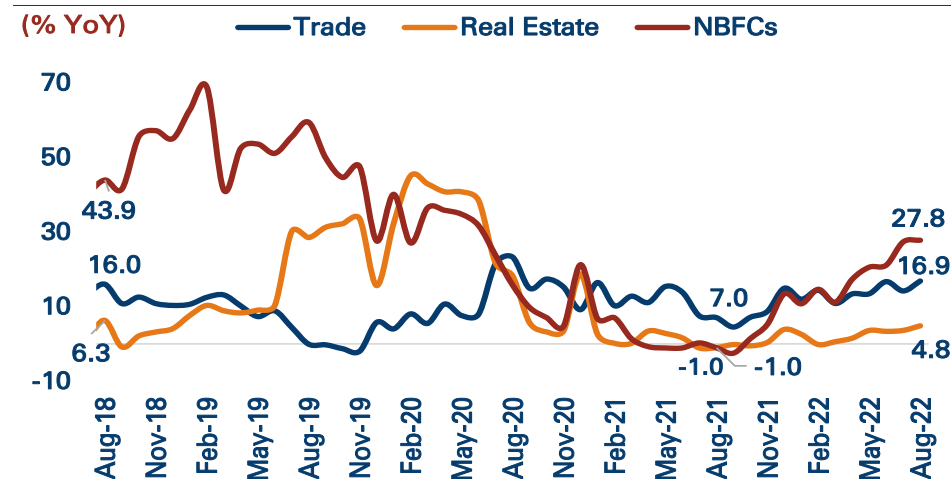


# Retail and services credit is expected to remain buoyant amid the festive season

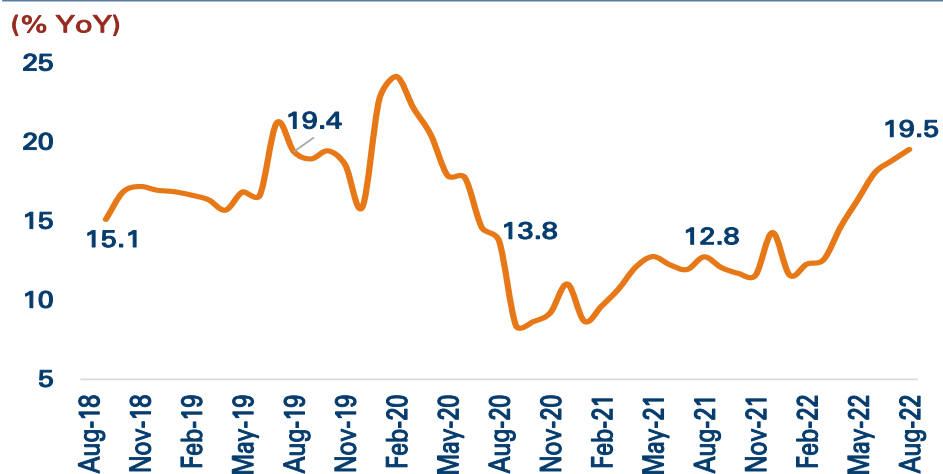
Credit to services continues upward momentum at 17.2% YoY



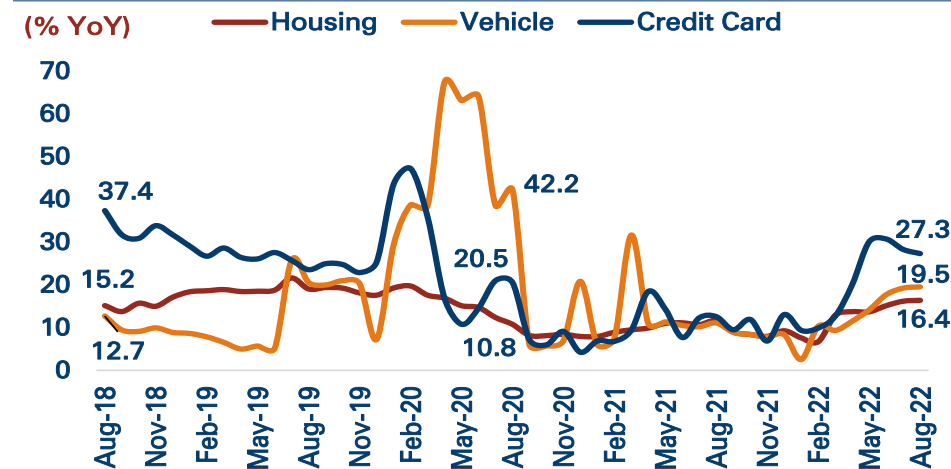
With NBFC and trade sectors continue to drive services credit



Retail credit growth rises to 19.5% YoY amidst the festive season

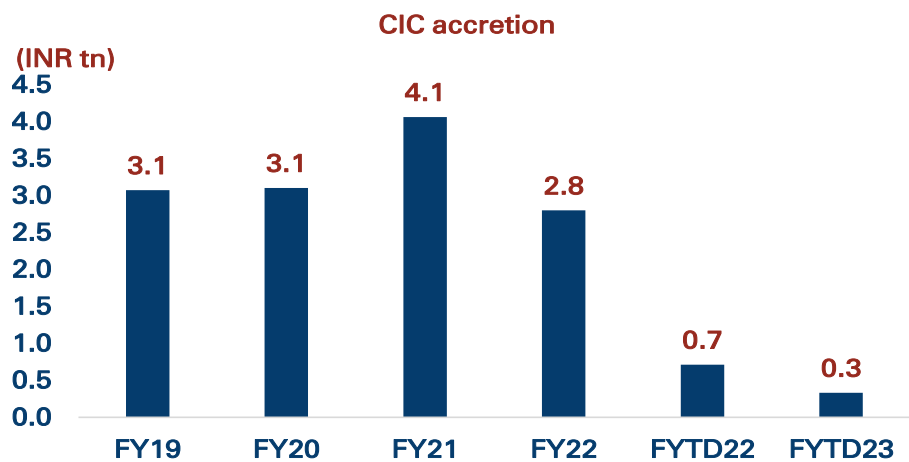


With credit card and housing credit remain elevated, while vehicle credit shows strong upward momentum

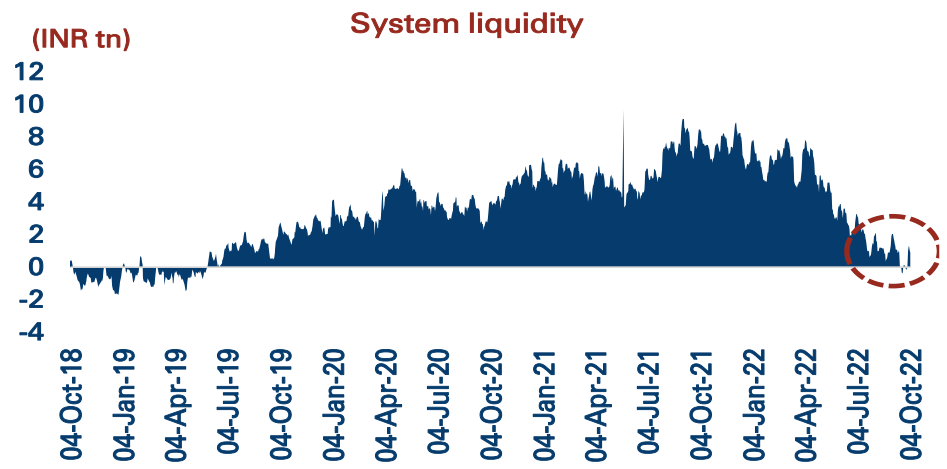


# Surplus liquidity went up due to month-end government spending

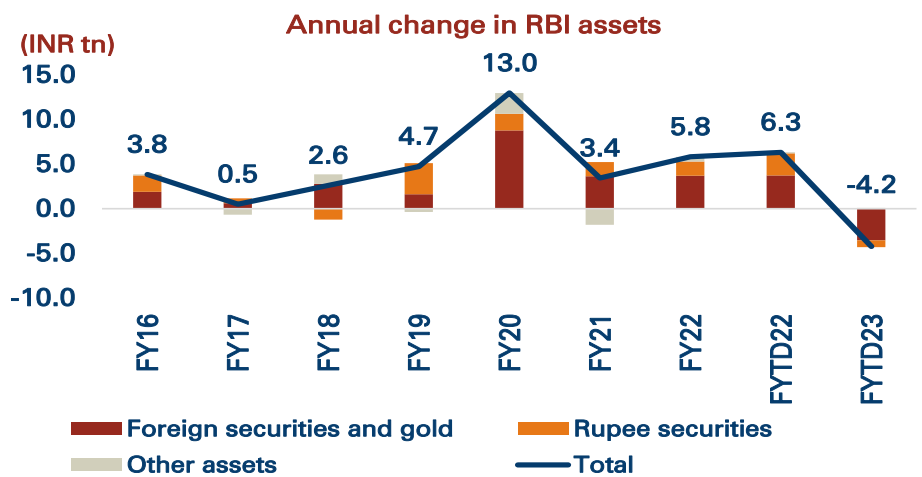
Currency in circulation stood at INR 0.3tn during FYTD23 vs. INR 0.7tn in the same period last year



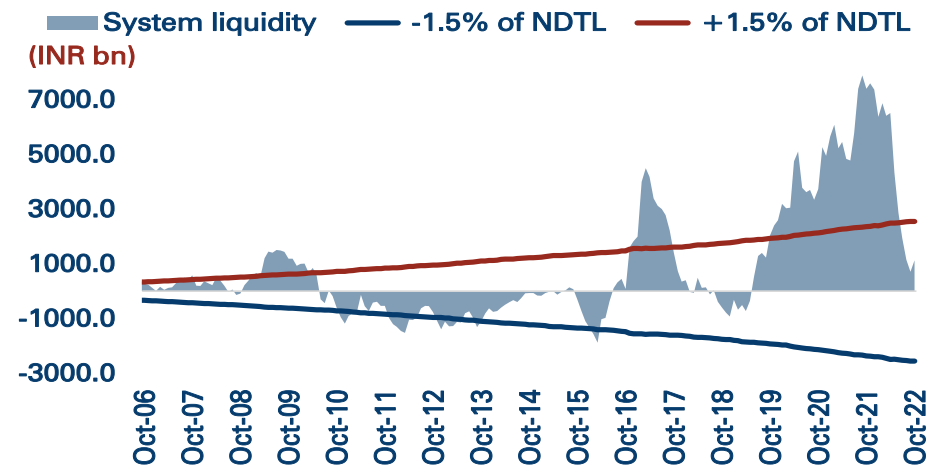
Liquidity came back to surplus territory in early October due to expected government spending



RBI assets fell ~INR 4.2tn during FYTD23



Average system liquidity stood at a surplus of INR 1.1tn in October vs. INR 710bn in September



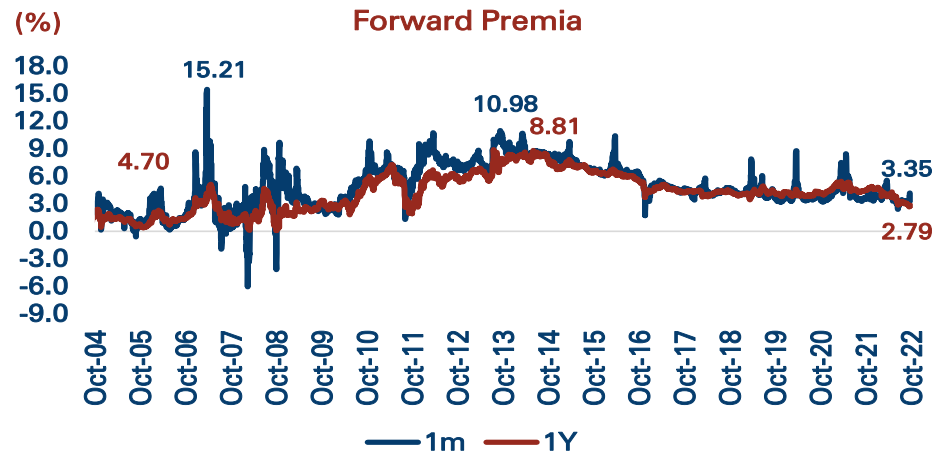
RBI assets: FYTD data is till third week of September for each FYs  
 CIC FYTD numbers is till third week of September for each FYs  
 Source: CEIC & ICICI Bank Research

# RBI operations in the recent time

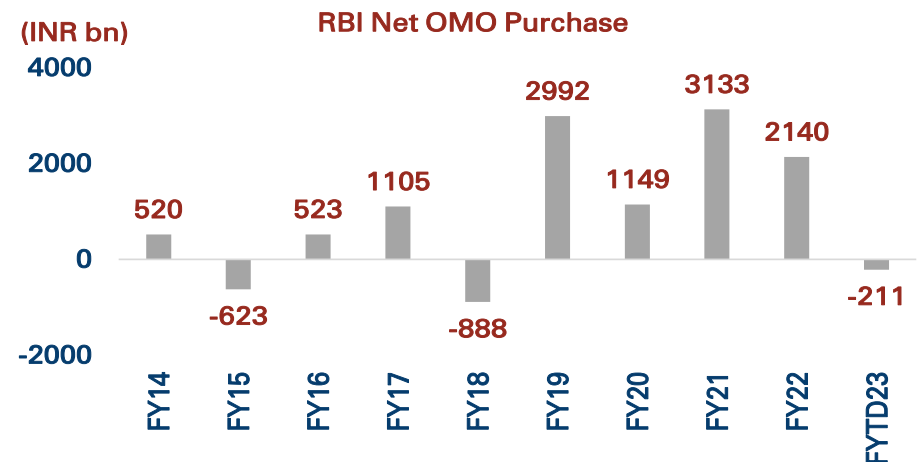
RBI Fx book stood at USD 20bn as on August 2022, down by USD 45.6bn during FYTD23

RBI Fx Assets: Forwards and Futures (USD bn)					
	<1Month	>1Month & <3Months	>3Months & <1 Year	>1 Year	Total
FY14	3.9	(1.0)	(8.0)	(26.0)	(31.0)
FY15	4.6	7.0	22.7	(26.0)	8.3
FY16	0.0	4.6	(7.0)	(1.8)	(4.3)
FY17	0.0	1.7	11.3	(2.1)	10.8
FY18	4.0	7.8	8.9	0.2	20.9
FY19	(0.3)	(0.8)	(6.9)	(5.9)	(13.8)
FY20	(3.3)	0.9	7.4	(10.0)	(4.9)
FY21	7.4	13.7	56.3	(4.7)	72.8
FY22	7.0	14.3	39.3	5.1	65.8
FYTD23	(8.2)	9.5	8.7	10.1	20.2

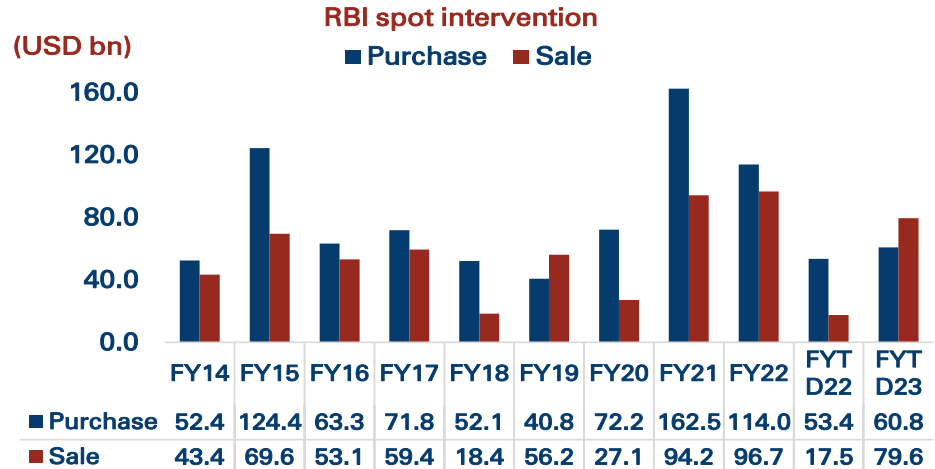
Forward premia reacting to RBI forward interventions and rate hikes



RBI net sold securities worth INR 211bn during FYTD23



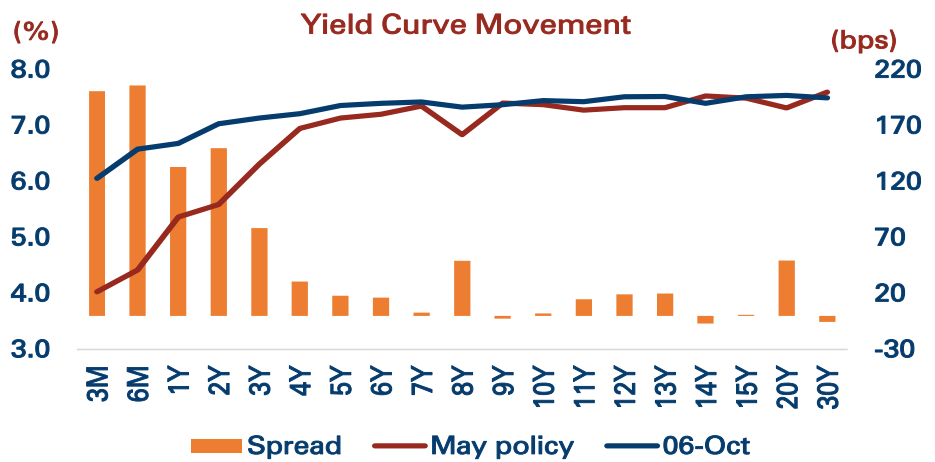
Spot intervention by RBI



Fx book FYTD23 number is till August 2022; OMO FYTD23 is as on 23 September 2022  
 Forward premia Oct-22 number is till 6 October 2022; RBI spot FYTD numbers are till July in each FYs  
 Source: CEIC & ICICI Bank Research

# Short-end up on rate hikes; delay in index inclusion will weigh on long-end

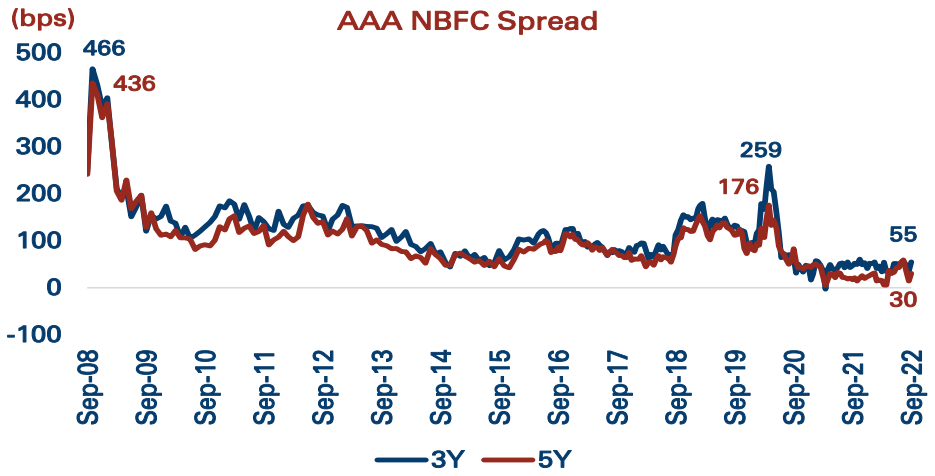
YC flattened due to MPC's front-loading of rate hikes; MPC hiked policy rates by 190bps during FYTD23



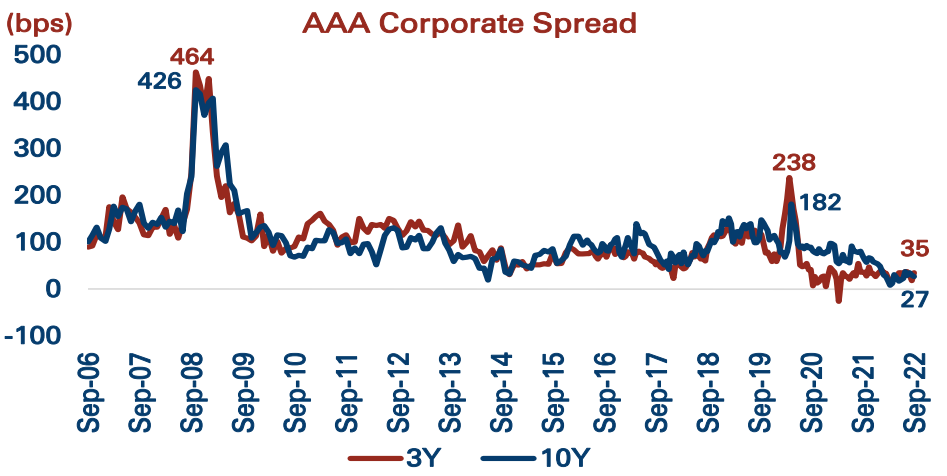
1Y and 5Y OIS rose 6bps and 7bps respectively since September policy



NBFC spread rose by 8bps in 3Y segment, while fell by 3bps in 5Y segment in September



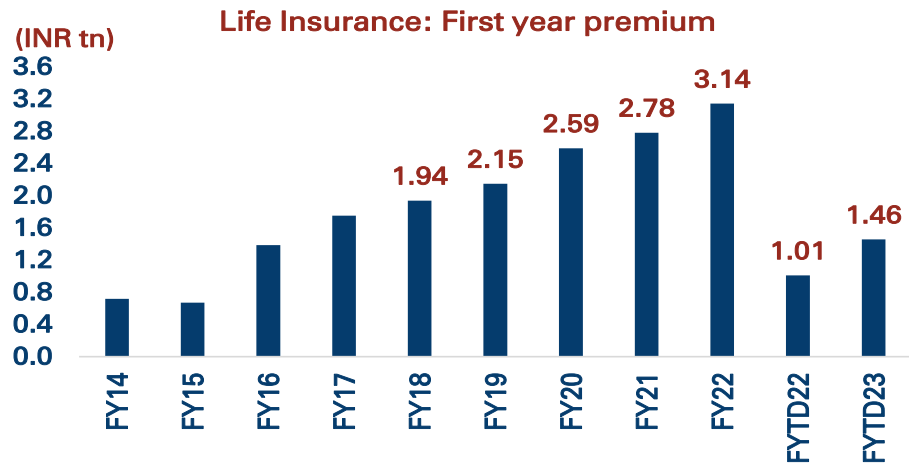
Corporate spread rose by 5bps in 3Y segment, while fell by 8bps in 10Y segment in September



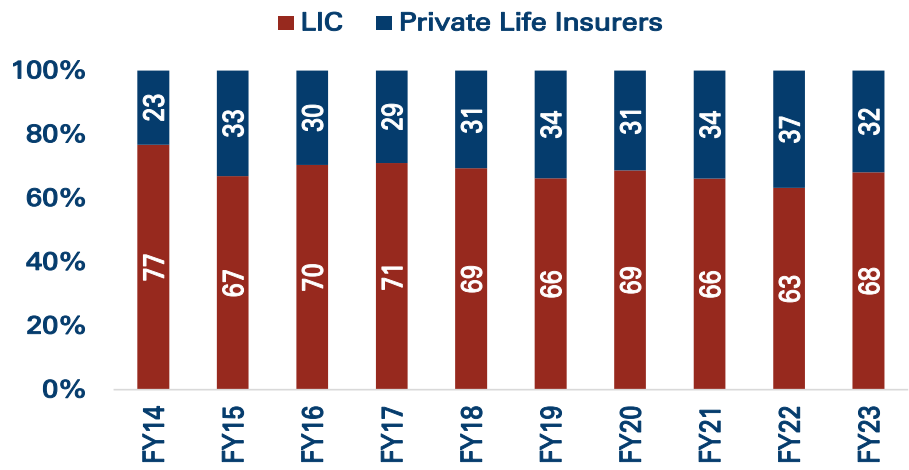
OIS Oct-22 number is till 6 October 2022  
Source: Bloomberg & ICICI Bank Research

# Both life and general insurance sectors showing traction

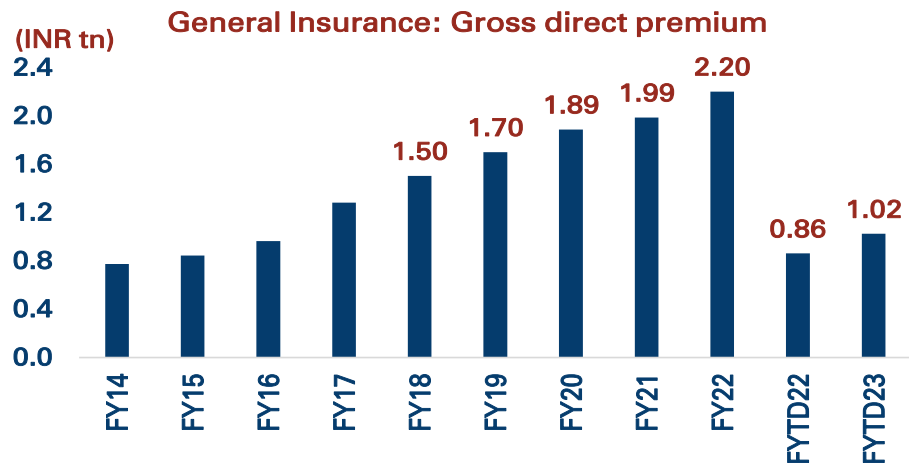
First year life insurance premium up 44% YoY in FYTD23 to INR 1.46tn



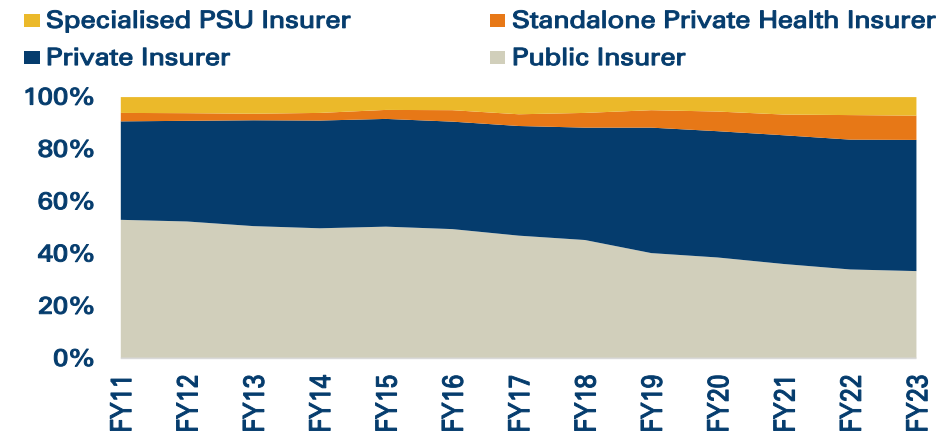
LIC's share at 68%, while private players' share stood at 32% as on August 2022



General insurance premium grew 19% on year to INR 1.02tn FYTD23



Private insurers taking the large pie of the market



Life and General insurance FYTD numbers are till August for each FYs  
 Life and General insurance % share: FY23 is as on August 2022  
 Source: CEIC & ICICI Bank Research



# Global central banks have started front loading of policy rates hike in 2022

Policy rates are moving higher as central bankers respond to higher inflationary pressures

Countries	Current inflation rate (%YoY)	Current Policy rate (%)	CY20 (change in bps)	CY21 (change in bps)	CY22 (change in bps)
Brazil	8.73	13.75	-250	725	450
Mexico	8.70	9.25	-300	125	375
US	8.26	3.25	-150	0	300
Canada	7.00	3.25	-150	0	300
Australia	6.14	2.35	-65	0	225
Phillippines	6.30	4.25	-200	0	225
New Zealand	6.50	3.00	-75	50	225
UK	9.90	2.25	-65	15	200
India	7.00	5.90	-115	0	190
Norway	6.50	2.25	-150	50	175
South Korea	5.70	2.50	-75	50	150
EU	9.10	1.25	0	0	125
Indonesia	5.95	4.25	-125	-25	75
Malaysia	4.70	2.50	-125	0	75
Japan	2.80	-0.10	0	0	0
China	2.50	3.65	-30	-5	-15
Russia	14.30	7.50	-200	425	-100
Turkey	83.45	13.00	500	-300	-100



Note: Data updated till September 30, 2022

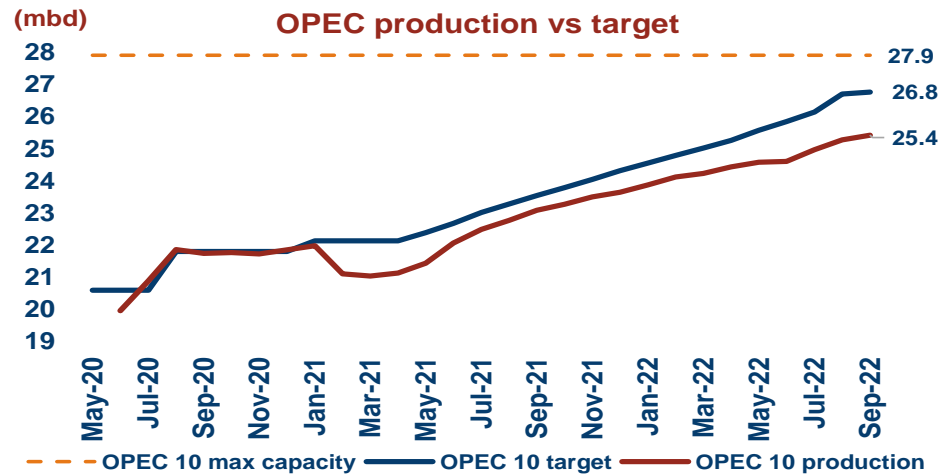
Source: Bloomberg, ICICI Bank Research



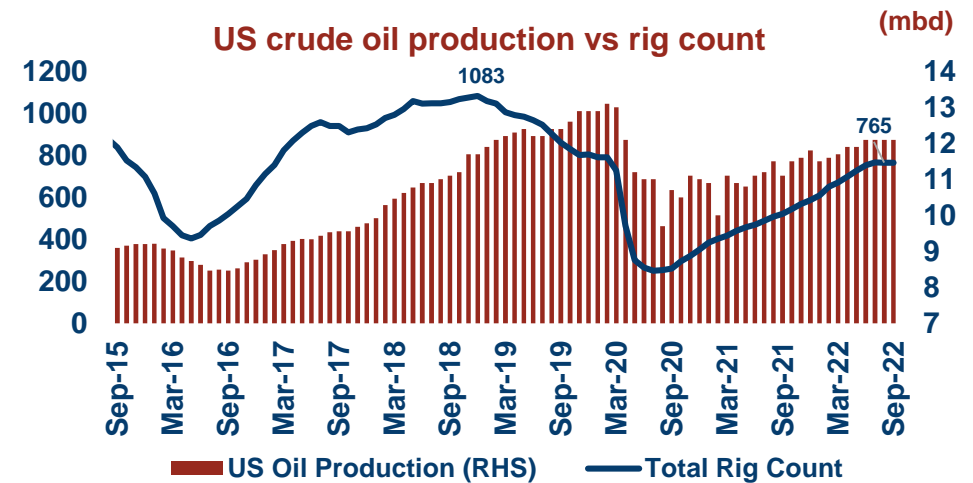
# Crude Oil

# Crude oil balance eased with demand falling, supply remain resilient

OPEC 10 struggle to meet the planned target supply over September



US oil supply increase gradual



Global balance remain in surplus as demand growth slowed, while supply rebounded

(mn bpd)	Aug-19	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
<b>Demand</b>	102.06	97.82	99.23	98.93	100.34	102.31	97.51	100.66	98.73	97.37	98.45	99.95	99.07	99.40
US	21.16	20.57	20.14	20.38	20.57	20.66	19.73	20.44	20.51	19.96	20.08	20.77	20.03	20.53
Europe	15.37	14.41	14.95	14.93	14.62	14.54	13.18	14.35	14.22	14.01	14.13	14.37	14.43	14.26
China	13.48	14.54	15.36	14.54	15.43	16.02	15.24	15.43	14.77	15.07	15.20	15.10	15.09	14.72
India	4.83	4.21	4.50	4.82	4.82	4.97	4.79	5.25	5.21	5.06	4.93	5.06	4.80	4.69
<b>Supply</b>	100.87	96.52	96.67	98.07	98.69	98.29	98.15	99.01	99.48	98.68	98.91	99.74	100.32	101.66
OPEC	34.60	32.15	32.56	32.83	33.13	33.35	33.44	34.11	33.72	34.02	33.59	33.75	34.01	34.84
Saudi Arabia	10.42	9.55	9.65	9.80	9.90	9.90	10.00	10.25	10.00	10.30	10.25	10.35	10.60	10.80
Non OPEC	66.29	64.37	64.14	65.23	65.55	64.94	64.63	64.84	65.66	64.59	65.10	65.44	66.33	66.42
Russia*	10.32	9.50	9.79	9.94	9.97	10.01	10.10	10.13	10.09	9.12	9.27	9.78	9.80	9.68
US	12.49	11.28	10.92	11.57	11.79	11.63	11.37	11.32	11.70	11.67	11.61	11.82	11.71	11.86
<b>Balance (Net Supply)</b>	-1.19	-1.31	-2.56	-0.86	-1.65	-4.02	0.64	-1.66	0.75	1.30	0.46	-0.21	1.26	2.26
<b>Brent (USD/bbl)</b>	59.04	70.75	74.49	83.54	81.05	74.17	86.51	97.13	117.25	104.58	113.38	122.71	111.93	100.45

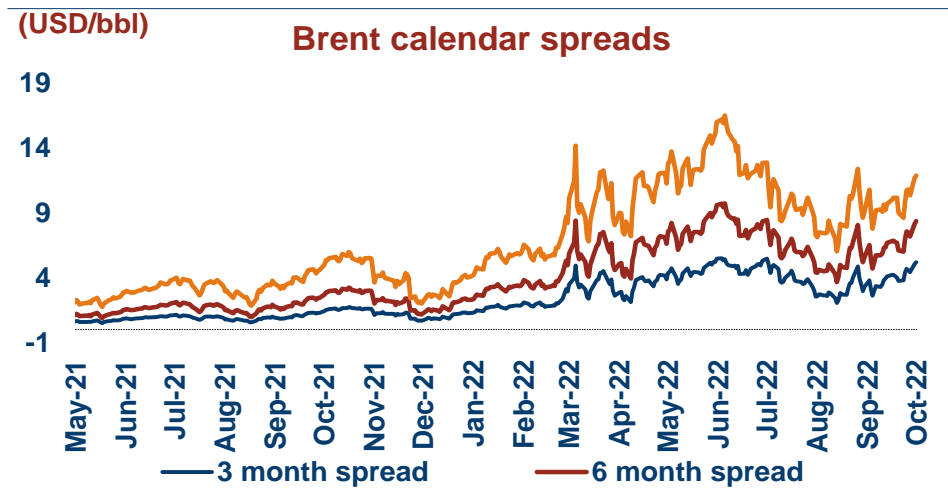


Note: Data updated till September 30, 2022

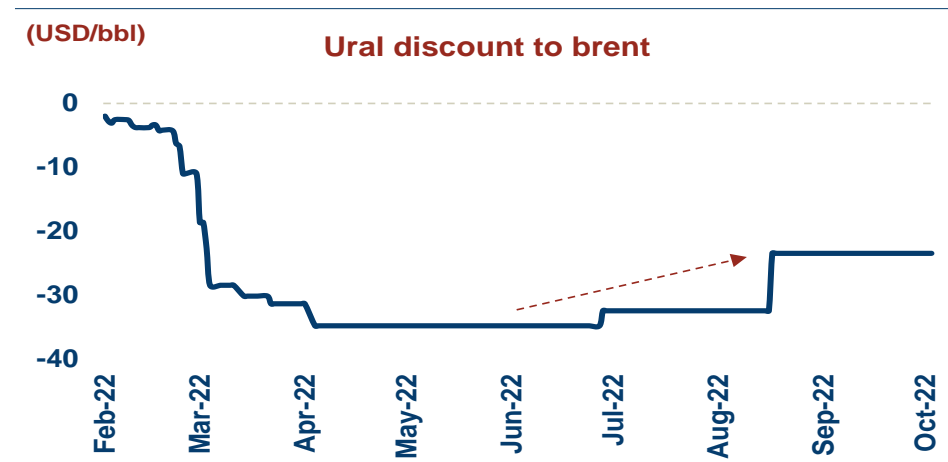
Source: US EIA, Bloomberg, ICICI Bank Research

# Brent demand moderated as global recessionary fears weighed on outlook

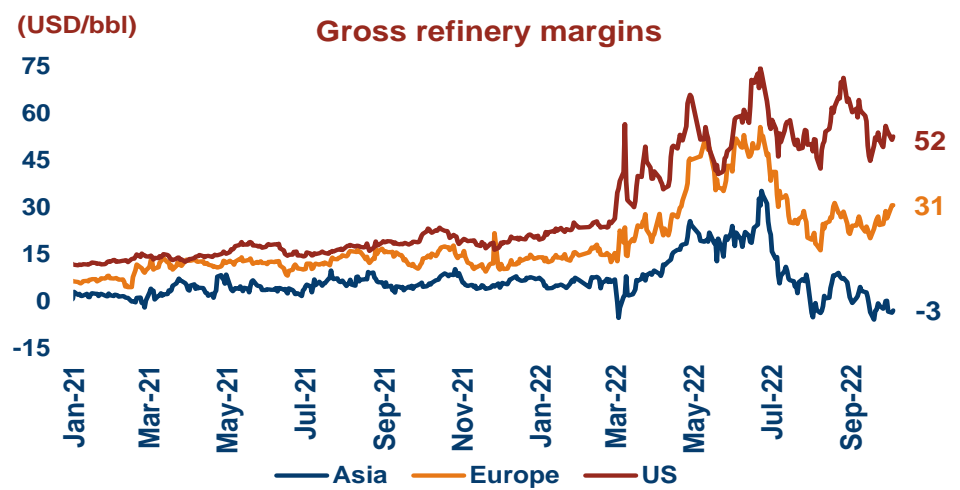
Crude oil spread rose over September in response to OPEC supply cut



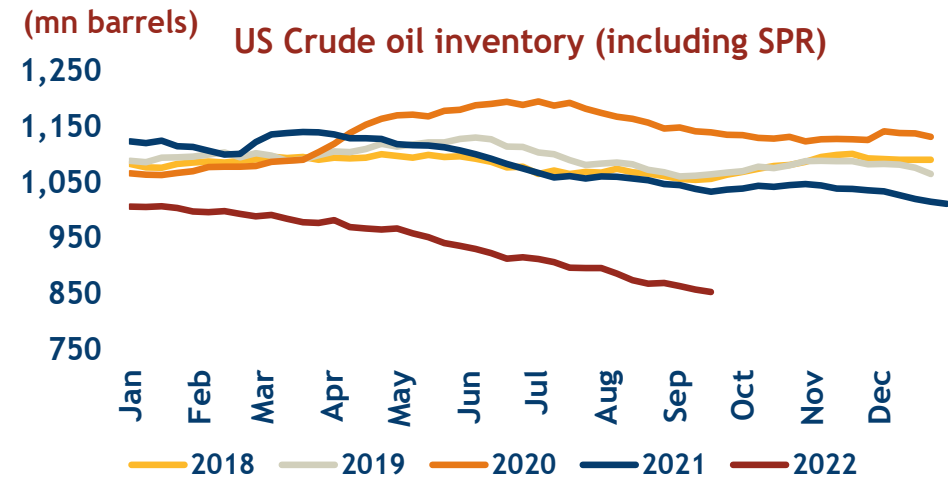
Russia Ural discount to Brent improved amid demand from Asian buyers



Global refinery margins continues to remain volatile, Asian margin fell; EU and US have inched up



US crude oil inventory drawdown have continued over September supported by US SPR sales



Note: Data updated till September 30, 2022  
Source: US EIA, Bloomberg, ICICI Bank Research



**Thank you**

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