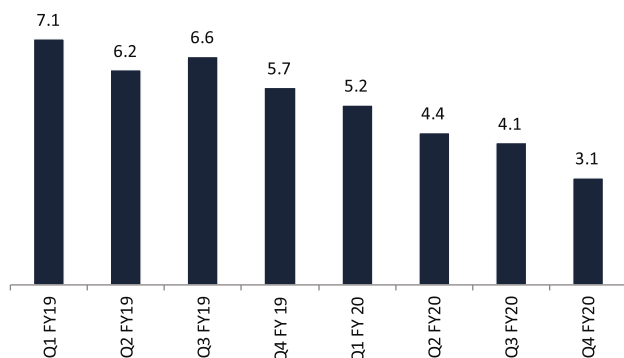


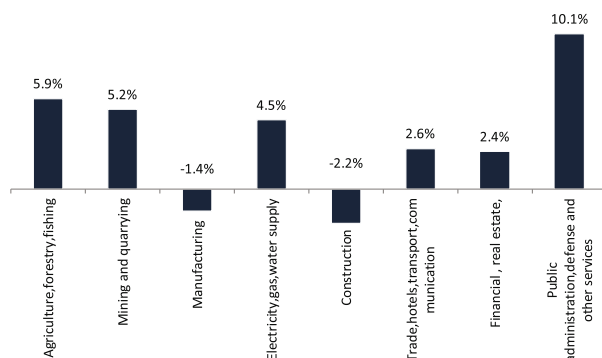
The Good, Bad & Ugly of the Indian Economy

Exhibit 1: Quarterly GDP Growth



Source: MOSPI

Exhibit 2: Growth in GVA components in Q4



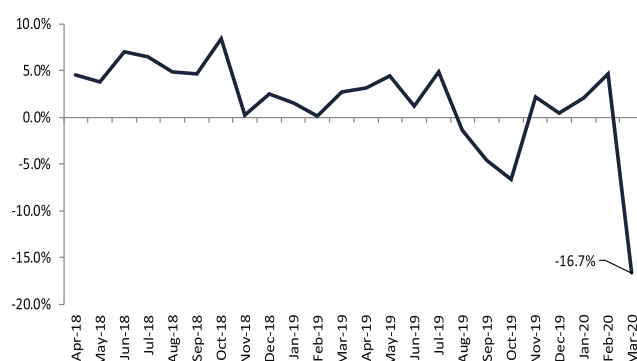
Source: MOSPI

India's quarterly GDP growth further fell in the 4th quarter of 2020 to 3.1% as opposed to a 4.1% in the preceeding three months. Simultaneously India's GDP for the year FY20 stood at 4.2% after growing by 6.1% in FY19. GVA growth for FY20 was at 3.9% compared to 6% last year. The GDP Data comes with a lag and does not provide the accurate covid-19 impact. Going forward we can expect private final expenditure to plummet further with lockdown in the Q1 of FY21. Domestic demand saw the weakest growth of 0.7% in FY20. Government expenditure has the highest growth in the quarter and the year FY21 will be highly dependent on the same. In the quarterly GVA construction and manufacturing saw negative growth rates at -2.2% and -1.4% respectively.

Exhibit 3: Index of Industrial Production

The Index of Industrial Production for the month of March 2020 inched downwards on the back of nation wide lockdown. The month of March showed a year on year degrowth in IIP at -16.7%. The IIP for the April-March period stood at -0.7% as opposed to 3.8% in the same period during the previous year.

Mining, manufacturing and electricity generation all witnessed a fall in output in March as compared to February 2020 as the month coincided with the nation wide lockdown. All the 23 manufacturing industries witnessed contraction. Manufacturing of motor vehicles saw the steepest fall by -49.6%.



Source: MOSPI

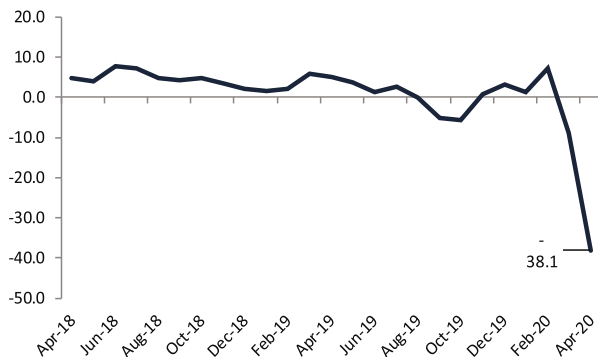
Research Analyst

Deepak Kumar
deepak.kumar@narnolia.com

Dhwanik Shah
Dhwanik.Shah@narnolia.com

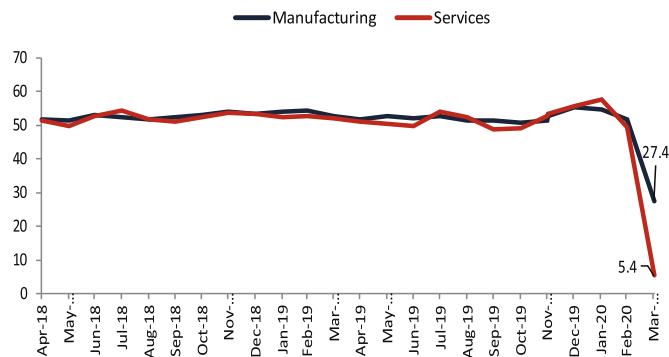
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Exhibit 4: Growth of Core Industries



Source: EA

Exhibit 5: Purchasing Managers index

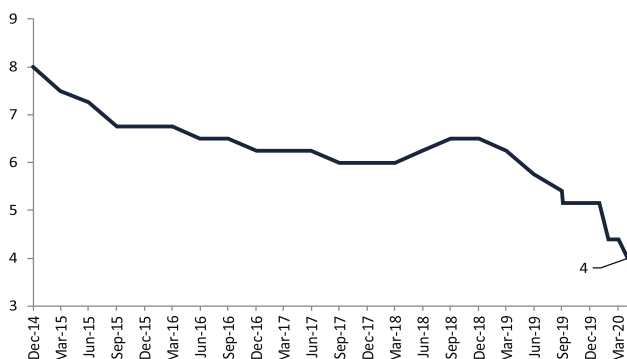


Source: EA

For the month of April'20 the Eight Core Industries declined by 38.1% compared to a decline of 9% in the preceeding month. In view of the lockdown and the pandemic a lot of industries witnessed substantial loss of production. The sectoral growth rates for the eight industries stood at : Coal (-15.5%), Crude Oil (-6.4%), natural Gas (-19.9%), Refinery Products(-24.2%),Fertilizers(-4.5%), Steel(-83.9%), Cement(-86%) and Electricity (-22.8%).

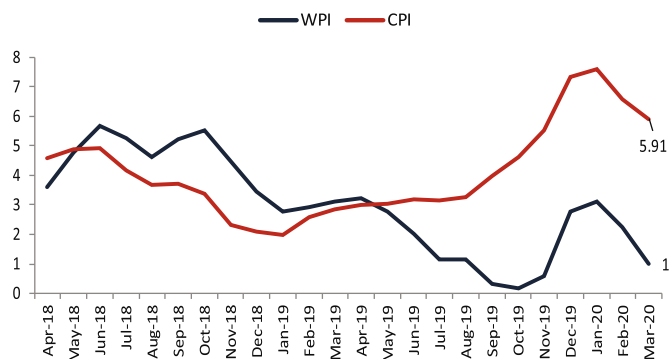
Services PMI and Manufacturing PMI nosedived to 5.4% and 27.4% respectively in the month of April'20 owing to muted demand and nation wide production cuts on the back of lockdown. The figures have seen the steepest fall in the last 15 years. The PMI data can be expected to be a tad better in May than April due to easing of a few lockdown norms in the country.

Exhibit 6: Interest Rates



Source: RBI

Exhibit 7: Inflation trajectory



Source: RBI

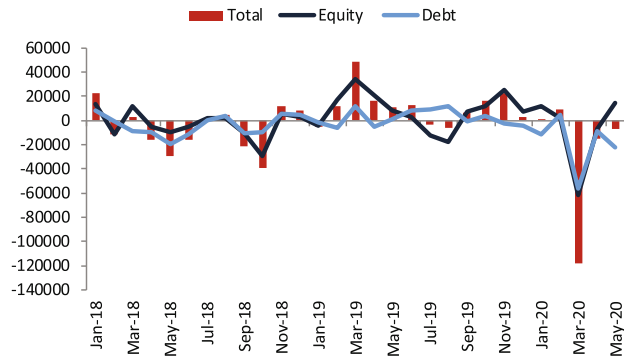
Consumer Price Index for the month of March 2020 further eased at 5.84% as opposed to 5.91% a month ago.

Inflation data could however be subjected to a lot of revisions going forwards as many data points could not be gathered due to the nation wide lockdown .

The all India indices have been compiled using Direct Approach by considering a common market at the national level in both Rural & Urban sectors separately. The Consumer Price Index pained by the food index though higher on account of food prices, and telecom & communication charge is expected to slide down in the coming months on demand level concerns. Food inflation may have an upside risk going forward due to the locust swarm infestation which the country is going through.

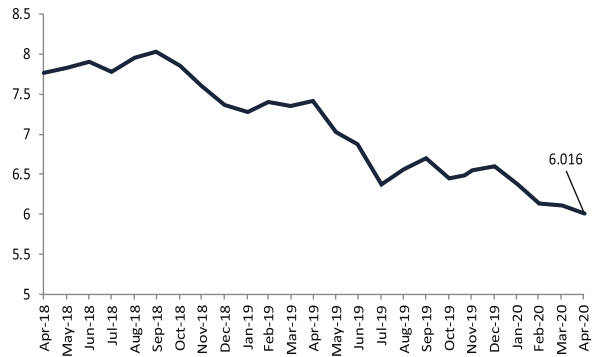
The retail inflation outlook still remains uncertain with the pandemic showing no signs of restraint in the country. The MPC believes the economic activity in the country other than agriculture will remain depressed for FY21 because of further downside risk to domestic growth.

Exhibit 8: FII Flows



Source: nsdl

Exhibit 9: 10 Year G-Sec Yield

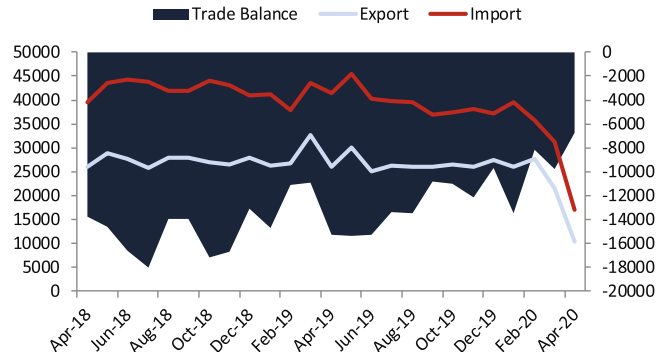


Source: rbi

FPIs pulled out nearly Rs.88000 crores from India amidst Covid Fears. May was the first month in 2020 when the FII flow turned positive standing at Rs.11718 crores as on 28th May.

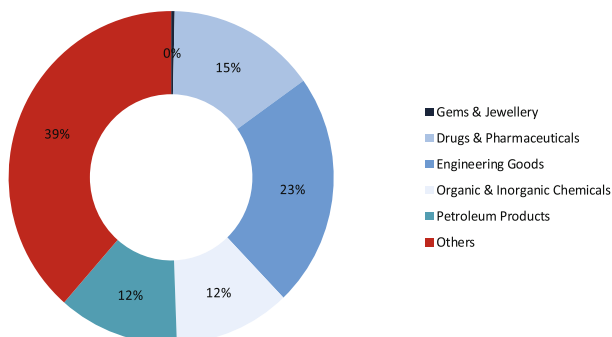
The Monetary Policy Committee with concerns over the extension of the lockdown in the country decided to pre pone the meeting and came to conclusion to reduce the repo rate by 40bps. The Repo Rate now stands at 4.00 from 4.40. The 10 year bond yield fell to a 10 year low at 5.87 before going back up to 5.97 as compared to the previous day closing of 6.03. A fall of 15bps. Alongside short term yields on AAA rated papers also saw a decline.

Exhibit 10: Trade Balance



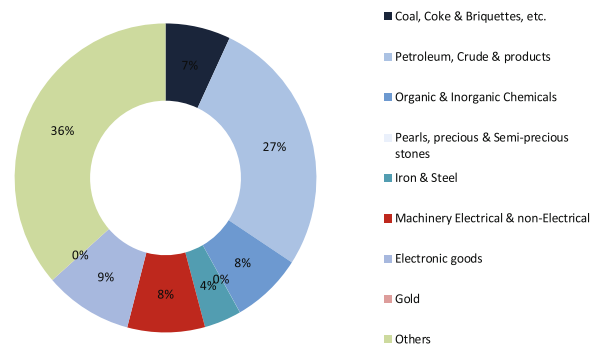
Source: Ministry of Commerce

Exhibit 11 : Exports in April'20



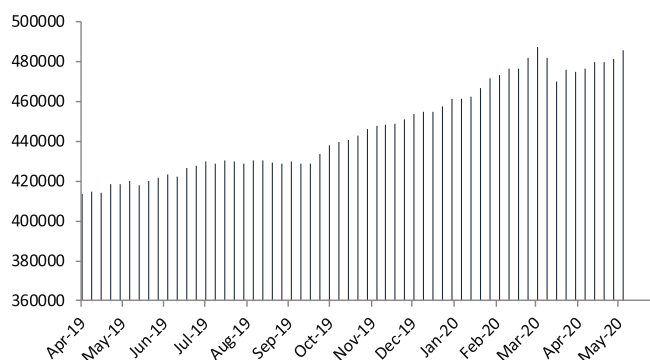
Source: Ministry of Commerce

Exhibit 12: Imports in April'20



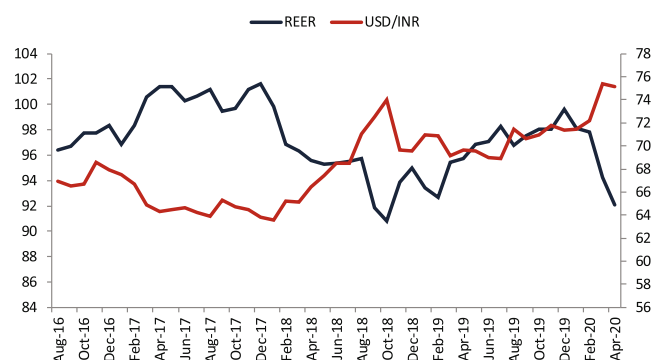
Source: Ministry of Commerce

Exhibit 13: Forex Reserves (USD million)



Source: rbi

Exhibit 14: USD/INR in relation with REER



Source: rbi

India's foreign exchange reserves rose to a lifetime high in May at 490.044 USD billions. The rise was mainly of increase in holdings of foreign currency assets. The Gold reserves also declined in the last week of May 2020.

The rupee also depreciated in the entirety of 2020 touching 75.67 in the month of May. The REER on the other hand has also simultaneously depreciated with a fall in inflation in the last couple of months.

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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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