ICRA
A MOODY'S INVESTORS SERVICE COMPANY

INDIAN ECONOMY

SEPTEMBER 2020

"Forecast of FY2021 GDP contraction revised to 11.0%, owing to continued spread of Covid-19 pandemic"

Aditi Nayar
+91 124 4545 385
aditin@icraindia.com

Yash Panjrath
+91 124 4545 399
yash.panjrath@icraindia.com

Aarzoo Pahwa
+91 124 4545 873
aarzoo.pahwa@icraindia.com

Tiasha Chakraborty
+91 124 4545 873
tiasha.chakraborty@icraindia.com

OUTLOOK

An uneven recovery is underway in Q2 FY2021, as evidenced by the varied performance of the high frequency indicators in July-August 2020. There are some early green shoots, such as the sharp revival in passenger vehicles and motorcycles, but those seem to be driven by pent up demand as well as inventory restocking, casting some doubts on their sustainability. Moreover, the outlook for agriculture appears bright, which should continue to bolster farm demand. In addition, many sectors have witnessed activity stabilising at levels that are moderately below their pre-Covid performance, a trend which may entrench over the next two quarters, before a further substantial uptrend materialises. However, there have been some slippages in the recent data, such as the worsening pace of contraction of electricity generation, crude oil and refinery output, diesel consumption and non-oil merchandise exports, reinforcing the view that the return to normalcy will not be smooth.

With the pandemic continuing in India for over six months, we sense that economic agents are now adapting to the crisis, resulting in a graduated recovery to a new post-Covid normal. Nevertheless, with rampant Covid-19 infections, we expect behaviours to remain altered for longer than what we had earlier presumed. This would continue to depress activity in some sectors, especially where social distancing is difficult to maintain such as travel, tourism and recreation. Moreover, issues of labour availability, as well as continued depressed demand for residential/commercial premises, may continue to exert an adverse effect on construction activity. Additionally, the continued economic uncertainty and health concerns would result in a prolonged impact on consumption and investment decisions. Further, the massive revenue shock being experienced by the Central and State governments would limit the extent of the fiscal support that may be forthcoming, and result in protracted fears about deferral of capex and release of timely payments. Moreover, fresh restrictions being imposed in major trading partners on account of a new wave of Covid-19 cases, could cap the extent of further improvement in exports in the near term.

With the six-month moratorium on debt servicing having ended on August 31, 2020, the extent of the increased financial stress on entities in various sectors amid the graduated recovery, as well as the potential rise in delinquencies and NPAs remain key monitorables.

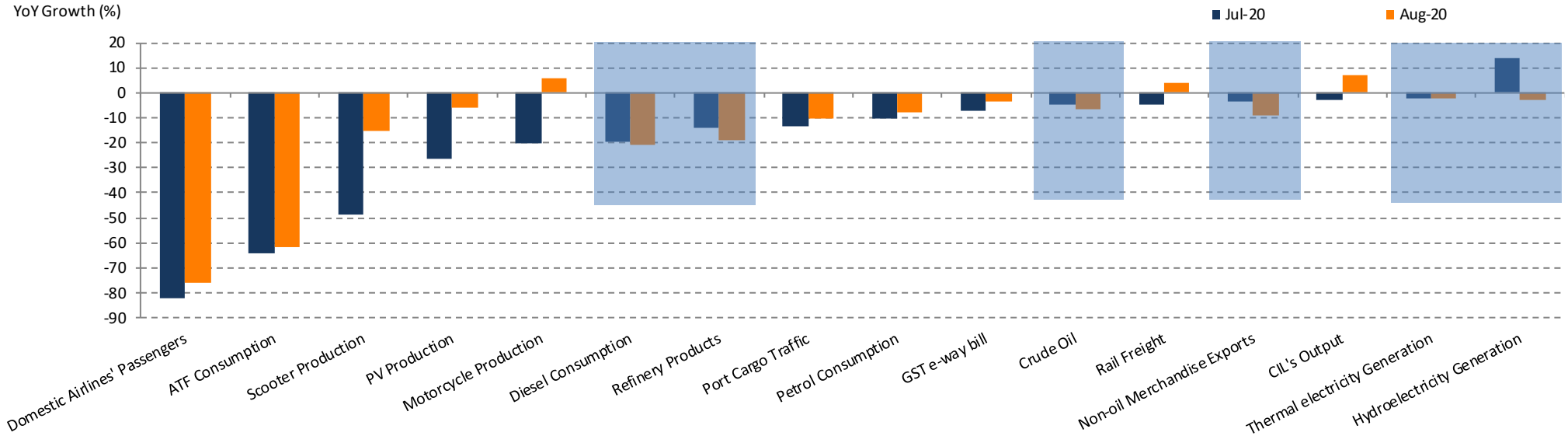
After the expected plunge in Indian GDP (at constant 2011-12 prices) in Q1 FY2021, the recovery in Q2 FY2021 has broadly evolved along anticipated lines. In our view, the year-on-year (YoY) contraction in GDP will narrow considerably from 23.9% in Q1 FY2021 to 12.4% in Q2 FY2021, in line with our previous expectation. While we expect the situation to improve in H2 FY2021 relative to H1 FY2021, we are revising our forecasts for Q3 FY2021 and Q4 FY2021 given the unabated rise in Covid-19 infections in India. We now expect a deeper contraction of 5.4% in Q3 FY2021 (earlier expectation: -2.3%) and a continued de-growth of 2.5% in Q4 FY2021 (earlier expectation: +1.3%), implying a full year contraction of 11.0%.

In particular, we expect construction as well as trade, transport, hotels, communications and services related to broadcasting to recover with the longest lag and continue to underperform the rest of the economy. We believe the gross value added (GVA) at basic prices for these sectors would record a contraction even in Q4 FY2021, despite the favourable base effect, resulting in the overall GVA and GDP continuing to record a YoY de-growth in that quarter. We also caution that if the pace of contraction in Q1 FY2021 gets revised below the initial estimate, after data for the MSME and less formal sectors becomes available, the overall GDP outcome for FY2021 could be even worse than our current expectation of an 11.0% YoY decline. Nevertheless, higher-than-anticipated government spending, a faster global recovery, and an early decline in fresh Covid-19 cases could impart an upside to these forecasts.

UPDATE ON PROJECT ACTIVITY

While the improvement in the industry had gathered speed in July 2020, the momentum of the recovery in the services sector stalled that month. Government expenditure, a key driver of economic activity in Q1 FY2021, had reported a volatile trend in July 2020. Revenue expenditure growth slipped from 40.1% in June 2020 to 18.6% in July 2020, while remaining substantial. However, capital expenditure contracted by 47.1% in July 2020 after having more-than-doubled in June 2020. Subsequently, the high frequency lead indicators for August 2020 confirm that the recovery remains uneven.

Exhibit 1: Mixed trend seen in economic indicators in August 2020; intermittent setbacks likely before the economy fully recovers from the impact of the crisis



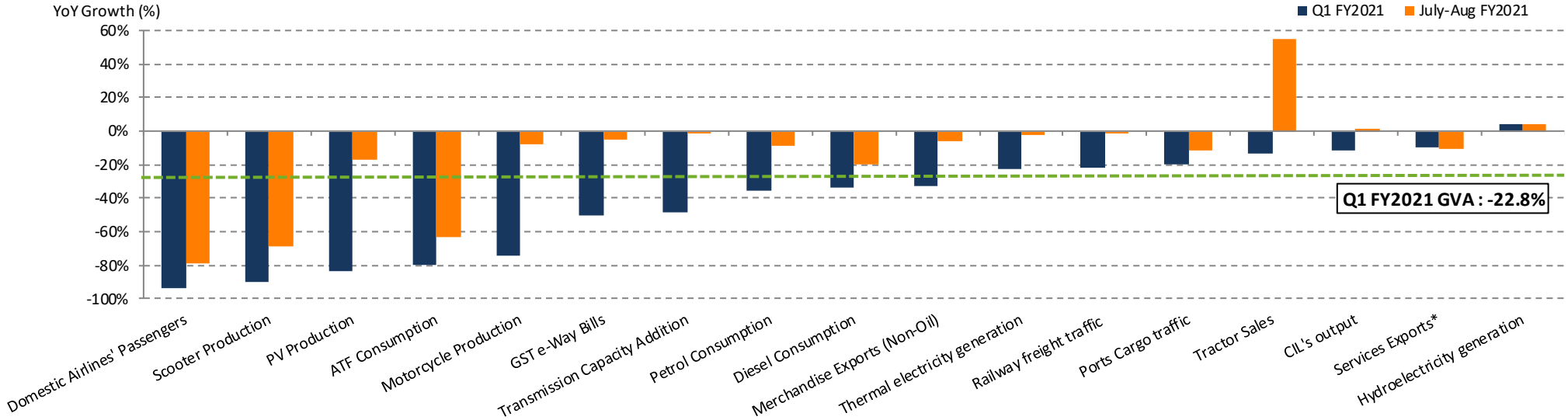
Shaded areas represent the indicators which had shown deterioration in their YoY performance in August 2020 relative to July 2020
Source: Society of Automobile Manufacturers (SIAM); CIL; Central Electricity Authority (CEA); Indian Ports Association; Ministry of Commerce, Government of India (GoI); Goods and Services Tax Network (GSTN); Directorate General of Civil Aviation (DGCA); Petroleum Planning and Analysis Cell (PPAC); Indian Railways; Reserve Bank of India (RBI); CEIC; ICRA research

On one hand, the output of Coal India Limited (CIL), motorcycles, and rail freight traffic posted a turnaround to a YoY expansion in August 2020, after having displayed a contraction in the previous month. Moreover, the pace of contraction in the production of scooters and passenger vehicles (PV), domestic airlines' passenger traffic, port cargo traffic, GST e-way bills, and the consumption of ATF and petrol, narrowed at a varying rate in August 2020.

In contrast, the YoY performance of diesel consumption, thermal and hydroelectricity generation, refinery and crude oil output and non-oil merchandise exports, worsened in August 2020 compared to July 2020, reiterating that there may be intermittent setbacks before the economy fully recovers from the impact of the ongoing crisis.

On a positive note, benefitting from favourable rainfall, the entire 2019 kharif acreage level has now been exceeded by 5.1% and the harvest of most crops is expected to be bountiful. ICRA expects the growth of agriculture, forestry and fishing to print at 3.0-3.5% in Q2 FY2021. Moreover, with ample rainfall in most regions, reservoir storage has retraced to the healthy year-ago levels, which should support the timely sowing of the upcoming rabi crops. Such factors portend that agricultural growth, and the farm's sector's sentiment and consumption may remain bolstered in H2 FY2021.

Exhibit 2: YoY performance of most sectors has improved appreciably in July-August FY2021 relative to Q1 FY2021

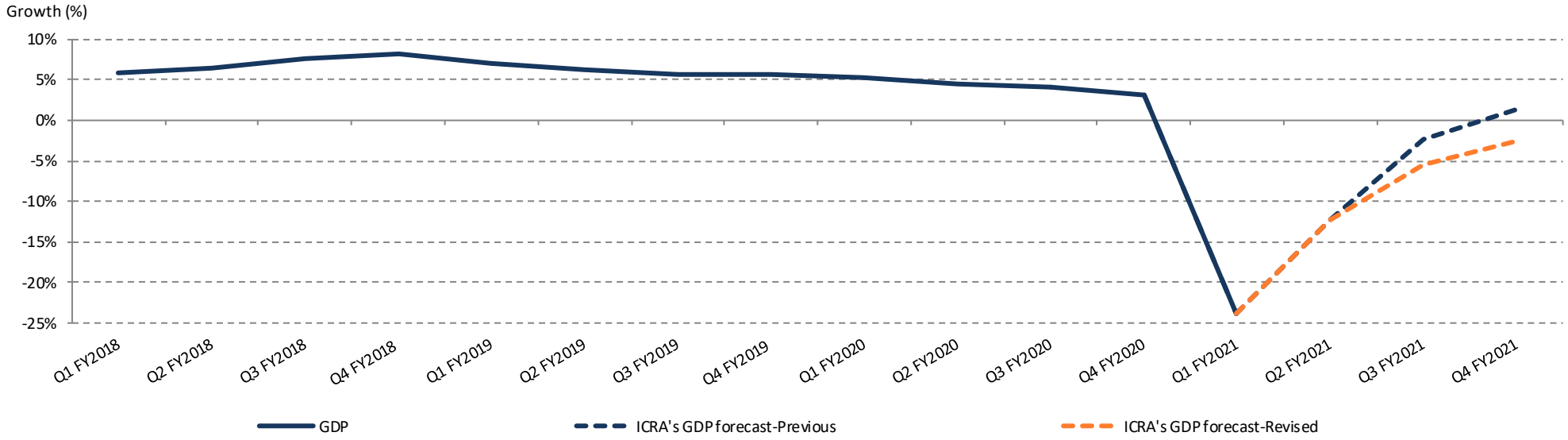


**Services Exports data available only till July 2020*

Source: Society of Automobile Manufacturers (SIAM); CIL; Central Electricity Authority (CEA); Indian Ports Association; Ministry of Commerce, Government of India (GoI); Goods and Services Tax Network (GSTN); Directorate General of Civil Aviation (DGCA); Petroleum Planning and Analysis Cell (PPAC); Indian Railways; Reserve Bank of India (RBI); Centre for Monitoring Indian Economy (CMIE); CEIC; ICRA research

After the expected plunge in Indian GDP (at constant 2011-12 prices) in Q1 FY2021, the recovery in Q2 FY2021 has broadly evolved along anticipated lines. In our view, the YoY contraction in GDP will narrow considerably from 23.9% in Q1 FY2021 to 12.4% in Q2 FY2021, in line with our previous expectation. While we expect the situation to improve further in H2 FY2021 relative to H1 FY2021, we are revising our forecasts for Q3 FY2021 and Q4 FY2021 given the elevated level of fresh Covid-19 infections in India. We now expect a deeper contraction of 5.4% in Q3 FY2021 (earlier expectation: -2.3%) and a continued de-growth of 2.5% in Q4 FY2021 (earlier expectation: +1.3%), implying a full year contraction of 11.0%.

Exhibit 3: ICRA has revised its GDP forecasts (at constant 2011-12 Prices) for Q3 FY2021 and Q4 FY2021, given the elevated level of fresh Covid-19 infections in India



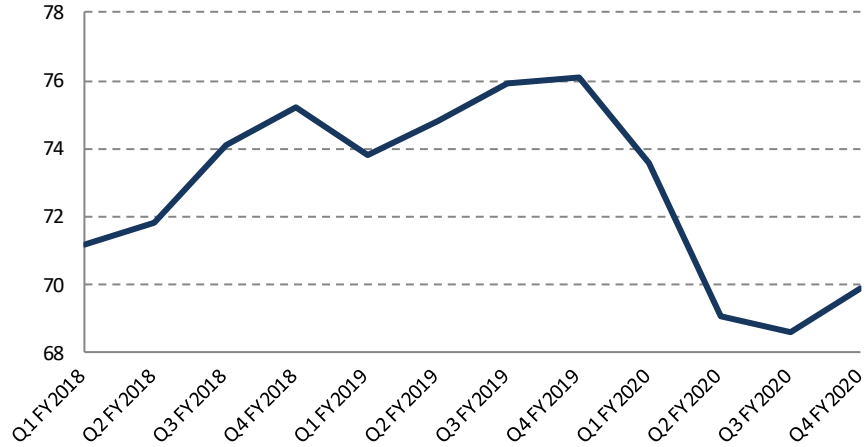
Source: CSO; CEIC; ICRA Research

In particular, we expect construction as well as trade, transport, hotels, communications and services related to broadcasting to recover with the longest lag and continue to underperform the rest of the economy. We believe the gross value added (GVA) at basic prices for these sectors would record a contraction even in Q4 FY2021, despite the favourable base effect, resulting in the overall GVA and GDP continuing to record a YoY de-growth in that quarter.

We also caution that if the pace of contraction in Q1 FY2021 gets revised below the initial estimate, after data for the MSME and less formal sectors becomes available, the overall GDP outcome for FY2021 could be even worse than our current expectation of an 11.0% contraction. Nevertheless, higher government spending, a faster global recovery, and an early decline in fresh Covid-19 cases could impart an upside to these forecasts.

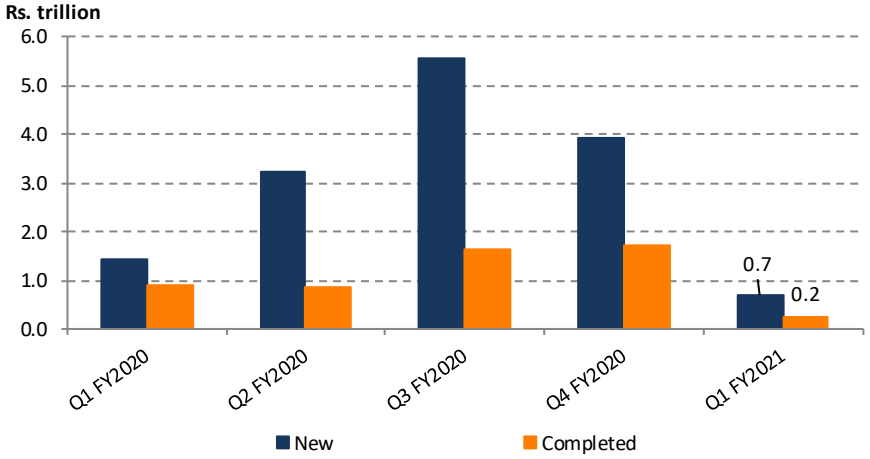
- Capacity utilisation, which had recorded a mild sequential increase to 69.9% in Q4 FY2020 from 68.6% in Q3 FY2020 (Source: Order Books, Inventories and Capacity Utilisation Survey conducted by the RBI), is expected to have plunged in Q1 FY2021, given the impact of the lockdown and disruptions related to Covid-19. Subsequently, while we expect a moderate recovery in the ongoing quarter, we expect capacity utilisation to remain below pre-Covid levels throughout FY2021.
- Gross fixed capital formation (GFCF) shrunk by a steep 47.1% in Q1 FY2021, in contrast to growth of 4.6% in Q1 FY2020, emerging as the worst-affected component of aggregate demand during the pandemic.
  - The IIP data indicates that the YoY contraction in the capital goods output widened to 64.6% in Q1 FY2021 from 18.3% in Q4 FY2020. While it subsequently improved to 22.8% in July 2020, the de-growth in capital goods output continued to under-perform the other use-based categories, adding heft to the view that a recovery in investment activity will lag the other parts of aggregate demand.
  - The YoY contraction in the capital outlay of 19 state governments, for which data is available, stood at a considerable 40.4% in Q1 FY2021. ICRA cautions that the state governments may be forced to curtail their aggregate capital spending by as much as Rs. 1.0-3.4 trillion in FY2021, on account of the anticipated shortfalls in GST compensation and Central tax devolution, despite the options for additional borrowings put forth by the GoI.[1]
  - However, the GoI's capital expenditure and net lending expanded by 39.8% in Q1 FY2021, reflecting the base effect as well as payment for work that had been completed previously, before contracting by a sharp 47.1% in July 2020.
- Moreover, the value of new and completed projects fell in Q1 FY2021.
  - The value of completed projects deteriorated to Rs. 0.2 trillion in Q1 FY2021 from Rs. 0.9 trillion in Q1 FY2020 and Rs. 1.7 trillion in Q4 FY2020 (source: www.economicoutlook.cmie.com, Centre for Monitoring Indian Economy, September 23, 2020). Similarly, the value of new project announcements declined to Rs. 0.7 trillion in Q1 FY2021 from Rs. 1.4 trillion in Q1 FY2020, and Rs. 3.9 trillion in Q4 FY2020.
  - However, the value of revived projects doubled to Rs. 0.6 trillion in Q1 FY2021 from Rs. 0.3 trillion in Q1 FY2020. In addition, the value of abandoned projects eased mildly to Rs. 0.11 trillion in Q1 FY2021 from Rs. 0.13 trillion in Q1 FY2020.

Exhibit 4: Capacity utilisation rose to 69.9% in Q4 FY2020 from 68.6% in Q3 FY2020; expected to have plunged in Q1 FY2021 amid Covid-induced disruptions



Source: RBI; ICRA research

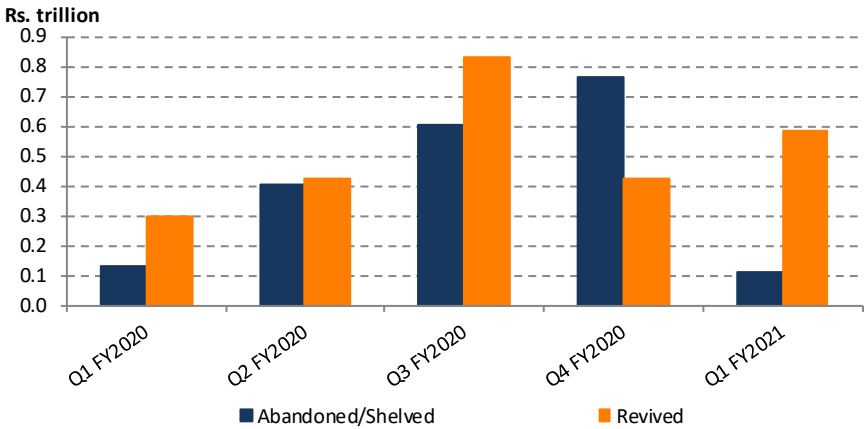
Exhibit 5: Value of new and completed projects fell sharply in Q1 FY2021



Source: CMIE, www.economicoutlook.cmie.com, September 23, 2020

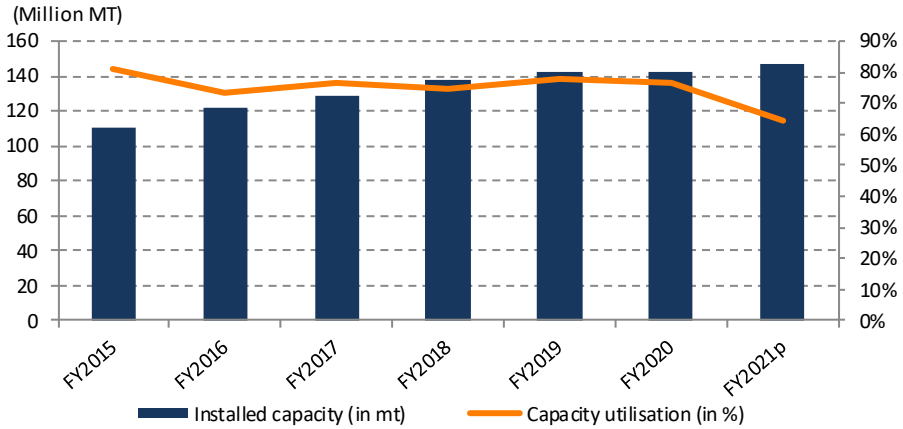
[1] *Refer to ICRA's publication, Additional borrowings for states proposed by GoI for FY2021 inadequate to cover expected shortfalls in GST compensation and Central tax devolution, published in September 2020*

Exhibit 6: However, the value of revived projects doubled to Rs. 0.6 trillion in Q1 FY2021 from Rs. 0.3 trillion in Q1 FY2020, while the value of abandoned projects remained largely stable in these two quarters



Source: CMIE, www.economicoutlook.cmie.com, September 23, 2020

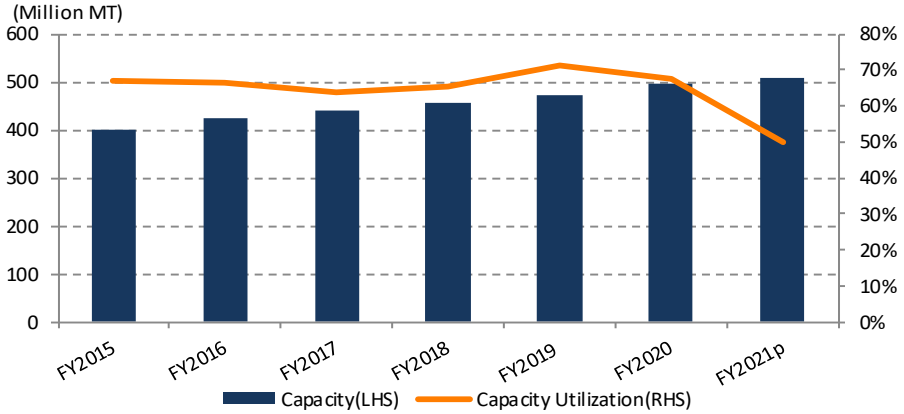
Exhibit 8: Steel capacity utilisation is projected to decline to ~64% in FY2021 from 77% in FY2020, given the expected decline in the demand for steel of at least 22-23% in the current fiscal; deferment of infrastructural spending, especially by the state governments, to prevent a sharp bounce back in steel demand in the current fiscal



P: Projected

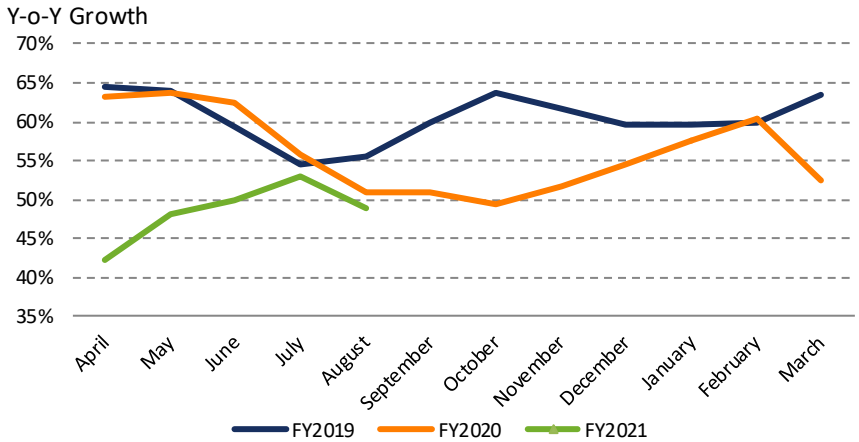
Source: Ministry of Steel; JPC; ICRA estimates

Exhibit 7: Cement capacity utilisation is projected to shrink to ~50% in FY2021 from 68% in FY2020, owing to a sharp decline in demand, with construction activities at a standstill during the lockdown, and expected to recover gradually thereafter, partly given apprehensions of labour unavailability in some urban centres, as well as depressed demand for residential/commercial premises



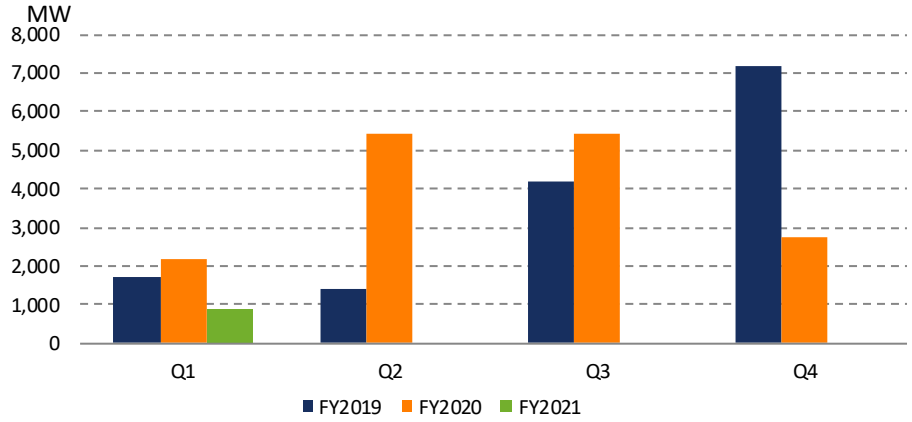
P: Projected Source: Company Announcements and Media Releases, Company Annual Reports, Cement Manufacturers Association, Office of Economic Advisor, ICRA estimates

Exhibit 9: The all-India plant load factor for thermal power plants increased modestly from 49.9% in Jun 2020 to 53.1% in Jul 2020, before easing to 49.0% in Aug 2020; all-India average thermal PLF likely to decline to 50-51% in FY2021 from 56.0% in FY2020



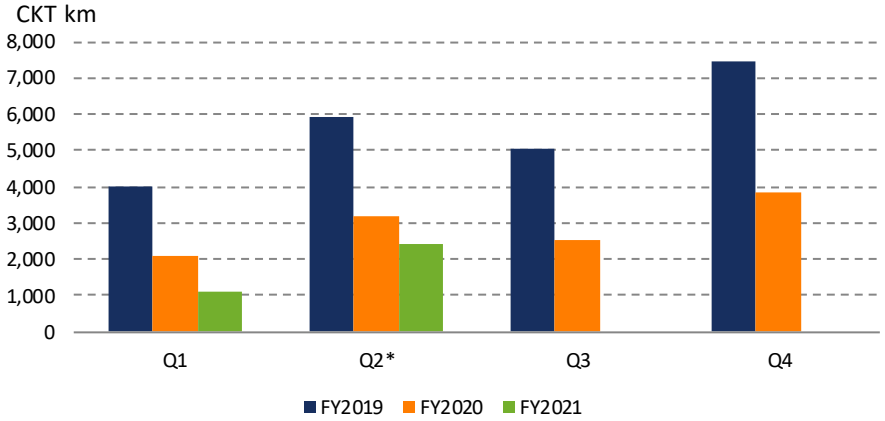
Source: CEA; ICRA research

Exhibit 10: Power generation capacity addition (including renewables) decreased significantly to 898 MW in Q1 FY2021 from 2,196 MW in Q1 FY2020 and 2,739 MW in Q4 FY2020, owing to the execution headwinds in Q1 FY2021; capacity addition in renewable energy segment is likely to be lower at 8 GW in FY2021, compared to our earlier expectation of 11 GW



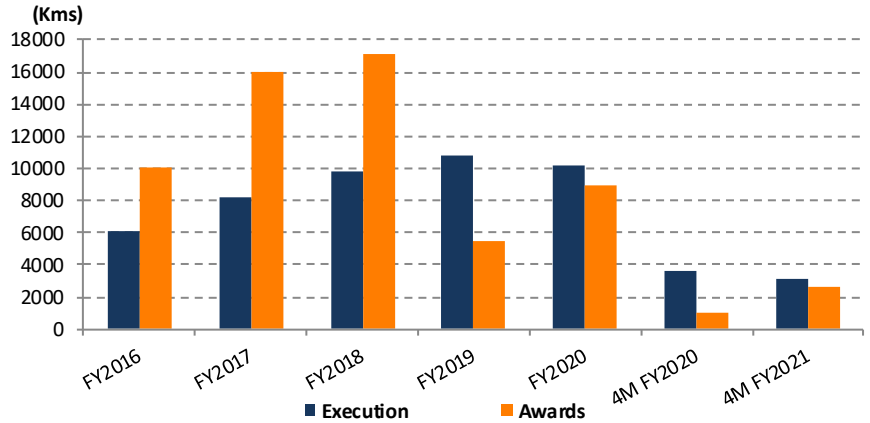
Source: CEA; ICRA research

Exhibit 11: Moreover, power transmission capacity addition nearly halved to 1,091 CKT kms in Q1 FY2021 from 2,110 CKT kms during Q1 FY2020; subsequently the transmission lines added during Jul-Aug FY2021 (2,420 CKT kms) remained similar to the level recorded in Jul-Aug FY2020 (2,427 CKT kms)



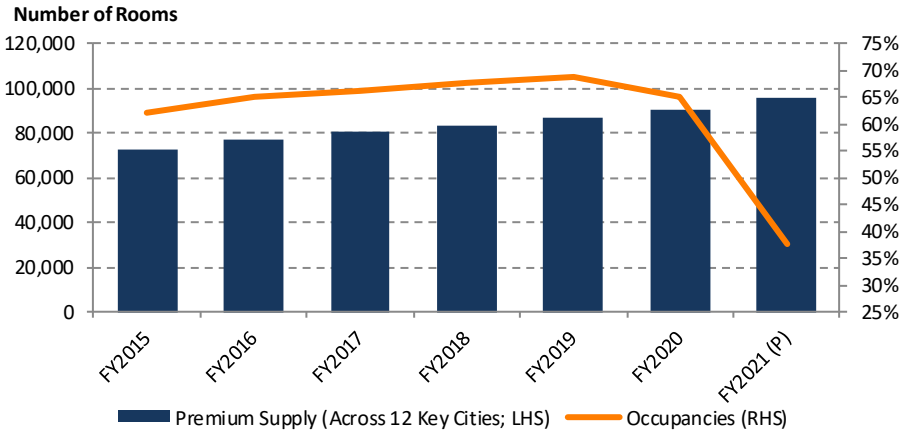
**Data for Q2 FY2021 available till August 2020; Source: CEA; ICRA research*

Exhibit 12: However, road contracts awarded directly under the Ministry of Road Transport and Highway (MoRTH) increased considerably to 2,611 kms in April-July FY2021 from 980 kms in April-July FY2020, while execution dipped to 3,181 km from 3,656 km during the same period



**Data for FY2021 available till April-July only*
Source: ICRA research

Exhibit 13: Hotel occupancies are expected to shrink to ~30-35% in FY2021, on account of the severe impact of the lockdown, travel restrictions, safety-related concerns, and prolonged changes to demand patterns arising out of the virus spread; normalcy in the occupancies is expected to be over two years away

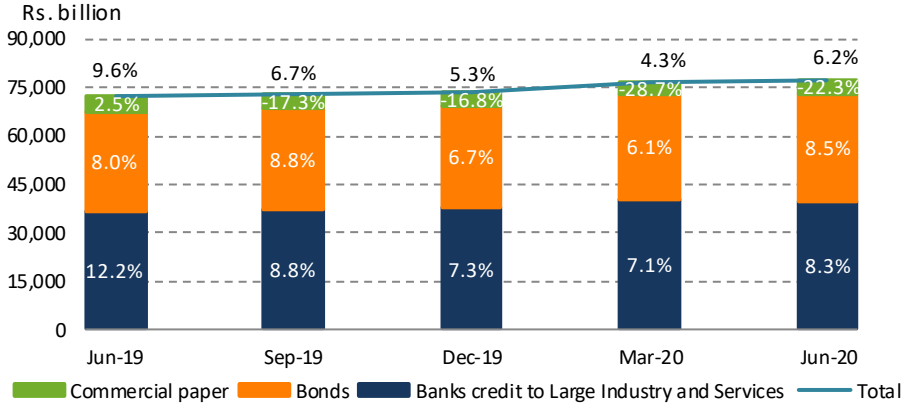


**Premium supply stated here is as per pre-Covid times; P: Projected*
Source: ICRA research

UPDATE ON FINANCING

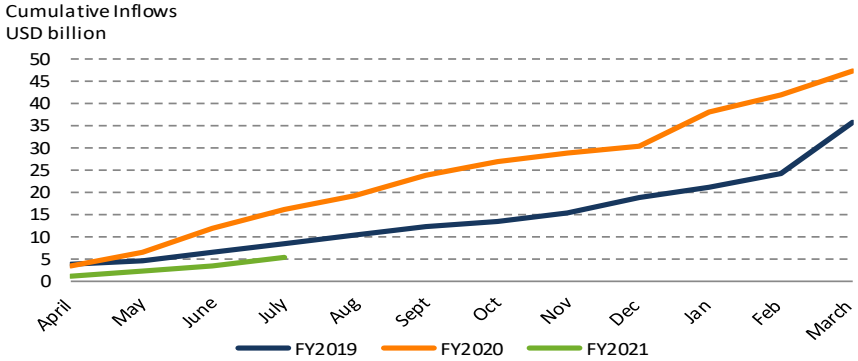
- Growth in total financing through bank credit to large industry and services, commercial paper (CP), and bonds declined to 6.2% at end-June 2020 from 9.6% at end-June 2019, led primarily by a significant YoY contraction in CP outstanding (to -22.3% from +2.5%), as well as a decline in the growth of bank credit to large industry and services (to +8.3% from +12.2%). However, the YoY growth in bonds outstanding rose mildly to 8.5% at end-June 2020 from 8.0% at end-June 2019.
  - *Given the subdued demand for credit amid the downturn, non-food bank credit growth nearly halved to 5.3% on September 11, 2020 from 10.3% on September 13, 2019. In contrast, deposit growth rose to 12.0% from 10.0% between these two dates, despite lower deposit rates, with subdued discretionary private spending during the lockdown, as well as a preference for liquidity.*
  - *With the announcement of a lower-than-expected recapitalisation programme of Rs. 200 billion by the GoI for FY2021 for public sector banks (PSBs), we have revised our estimate of credit growth in FY2021 to 5% from 6-7%.*
- Gross external commercial borrowings (ECB) approvals fell sharply to US$5.7 in April-July FY2021 from US$17.0 billion in April-July FY2020. We expect ECB volumes to decline by US$15-20 billion in FY2021 from US$52.0 billion in FY2020, on account of higher risk aversion to NBFCs and Indian corporates, and pricing caps.
- Domestic equity fund raising rose to Rs. 852.8 billion in April -August FY2021 from Rs. 694.9 billion in April-August FY2020, driven by FPOs and OFS of equity and higher rights issues.

Exhibit 14: The pace of growth of bank credit to large industry and services, bonds and CP declined to 6.2% at end-June 2020 from 9.6% at end-June 2019



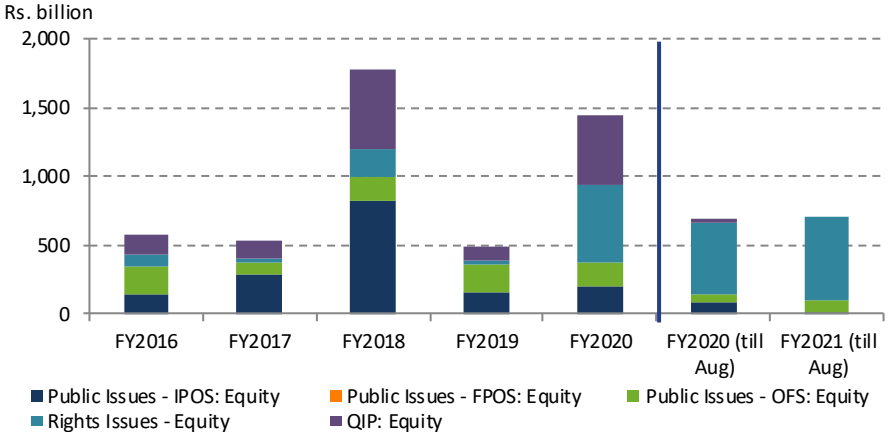
The data labels correspond to the YoY growth rates
Source: RBI; SEBI; ICRA research

Exhibit 15: Net of refinancing, ECB volumes plunged to US$5.4 in April-July FY2021 from US$16.2 billion in April-July FY2020



Source: RBI; ICRA research

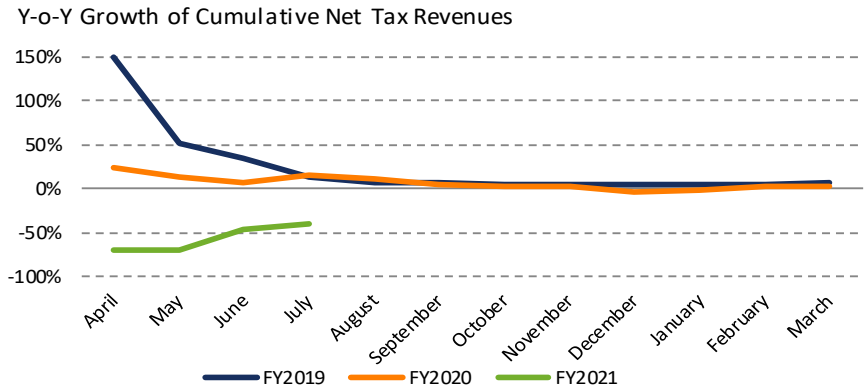
Exhibit 16: Domestic equity fund raising increased by 22.7% in April-August FY2021 relative to April-August FY2020, driven by Reliance Industries Limited's rights issue



Source: Prime Database; ICRA research

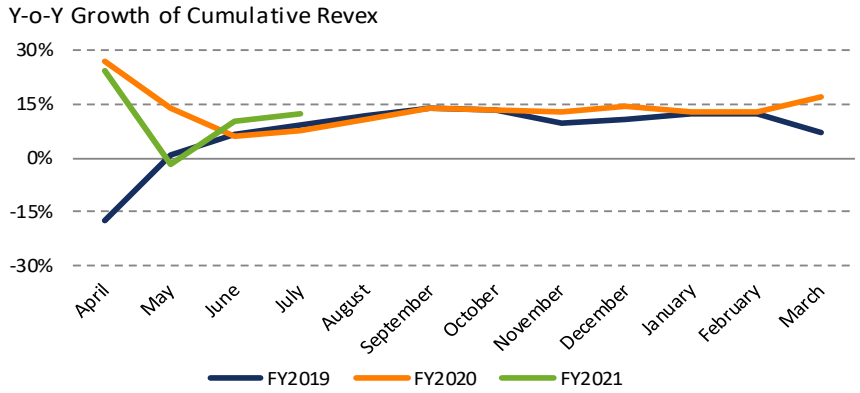
UPDATE ON UNION GOVERNMENT FINANCES

Exhibit 17: The GoI's net tax revenues (net of devolution to states) contracted by a steep 40.1% during Apr-Jul 2020, exceeding the de-growth in gross tax revenues (-29.5%), because of limited transmission to central tax devolution to the states (-12.0%); ICRA expects the net tax revenues to fall short of the Budget Estimates (BE) for FY2021 by Rs. 3.4 trillion, given the expected compression in consumption and incomes levels during the Covid-19 pandemic



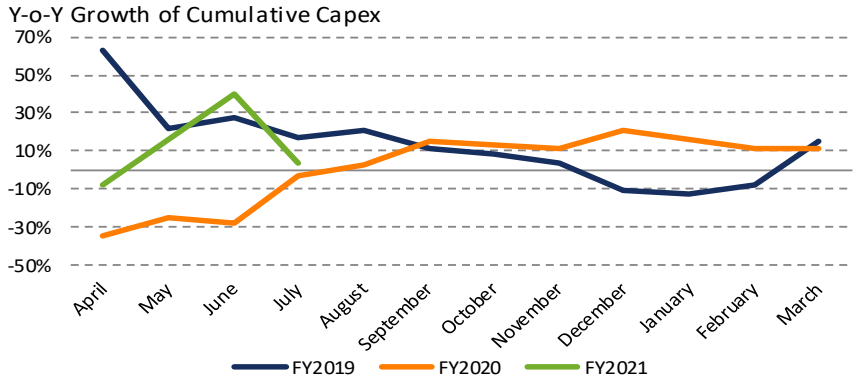
Source: Controller General of Accounts (CGA); ICRA research

Exhibit 18: Revenue expenditure of the GoI expanded by 12.2% on a YoY basis to Rs. 9.4 trillion in Apr-Jul 2020 from Rs. 8.4 trillion in Apr-Jul 2019, slightly higher than the growth included in FY2021 BE (+11.9% relative to FY2020 Prov.), driven by higher expenditure related to healthcare, rural development (MGNREGS), and agriculture (front-loaded payments under PM-KISAN)



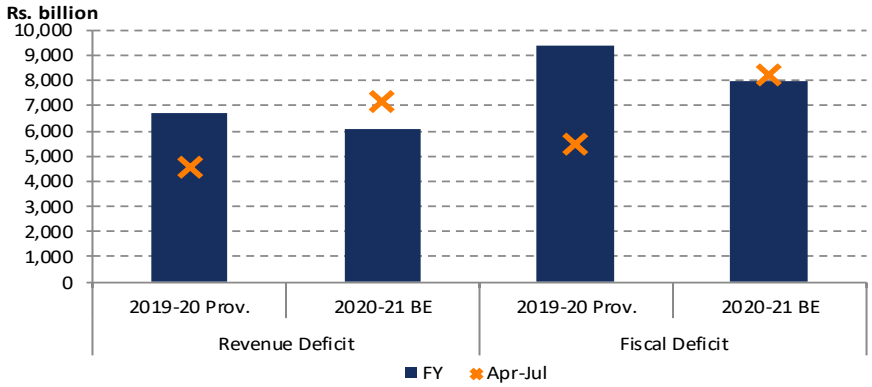
Source: CGA; ICRA research

Exhibit 19: Amid a volatile monthly trend, the GoI's capital expenditure recorded a subdued YoY growth of 3.9% in Apr-Jul 2020, sharply lower than the 22.4% expansion included in FY2021 BE over FY2020 Prov.



Source: CGA; ICRA research

Exhibit 20: The GoI's fiscal deficit widened to Rs. 8.2 trillion during Apr-Jul 2020 from Rs. 5.5 trillion in Apr-Jul 2019; ICRA expects it to widen to at least Rs. 14.0 trillion or 7.4% of GDP from the Rs. 8.0 trillion or 3.5% included in FY2021 BE

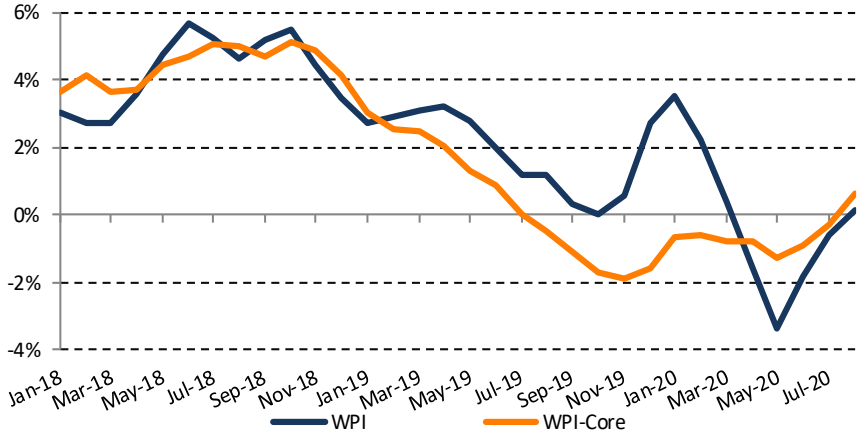


Source: CGA; ICRA research

INFLATION

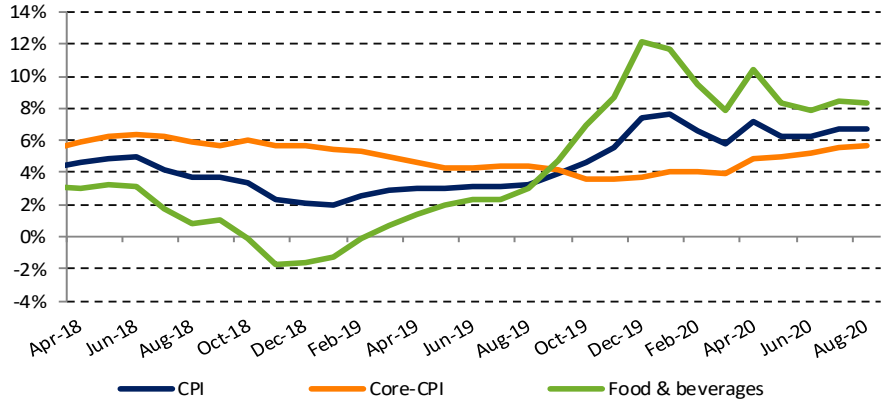
- The YoY CPI inflation eased marginally to 6.69% in August 2020 from 6.73% in July 2020, with a base-effect led softening in the inflation for food and beverages, and a dip in the inflation for housing, being offset by increases in the inflation rates for miscellaneous items, fuel and light, and pan, tobacco and intoxicants.
- The CPI inflation may harden further in September 2020, especially given rising vegetable prices. However, the combination of an expected healthy kharif harvest for most crops, modest rise in minimum support prices for the upcoming rabi season, ample reservoir storage, and a favourable base-effect, should suppress the food inflation in Q3 FY2021.
- Nevertheless, the core-CPI inflation may remain sticky even in H2 FY2021, preventing the headline inflation from falling to more comfortable levels. Given this inflation trajectory, the MPC is likely to keep the rates unchanged in its October 2020 and December 2020 policy meetings.
- The WPI posted a surprise turnaround to a YoY inflation of 0.2% in August 2020, after a gap of four months. This stood in contrast to the 0.6% disinflation recorded in July 2020, driven by core items and commodities. Additionally, the core-WPI witnessed a YoY inflation of 0.6% in August 2020, in contrast to the disinflation of 0.3% in July 2020, reflecting the base effect as well as the increase in commodity prices amid some pick-up in demand.

Exhibit 21: The WPI surprised with a turnaround to a YoY inflation of 0.2% in August 2020 from the disinflation of 0.6% in July 2020, with the sequential hardening driven by core items and commodities, even as food inflation cooled marginally, offering a modicum of relief



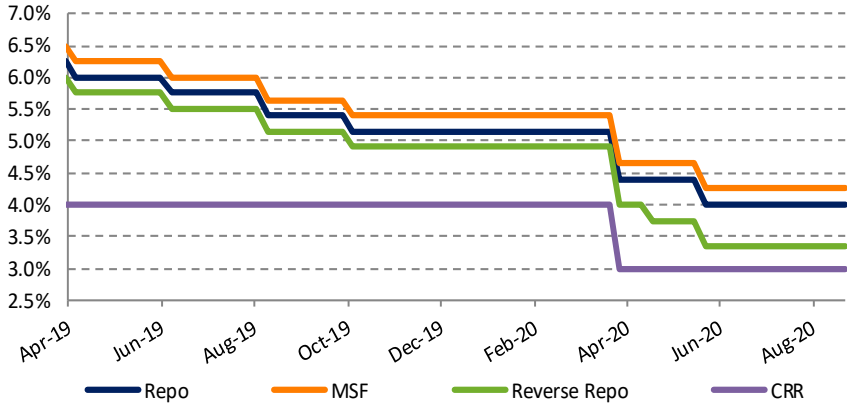
Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA research

Exhibit 22: CPI inflation eased only marginally to 6.69% in August 2020 from 6.73% in July 2020, and has exceeded the upper threshold of the MPC's medium term target of 2-6% throughout FY2021; expected to rise further in September 2020



Source: CSO; CEIC; ICRA research

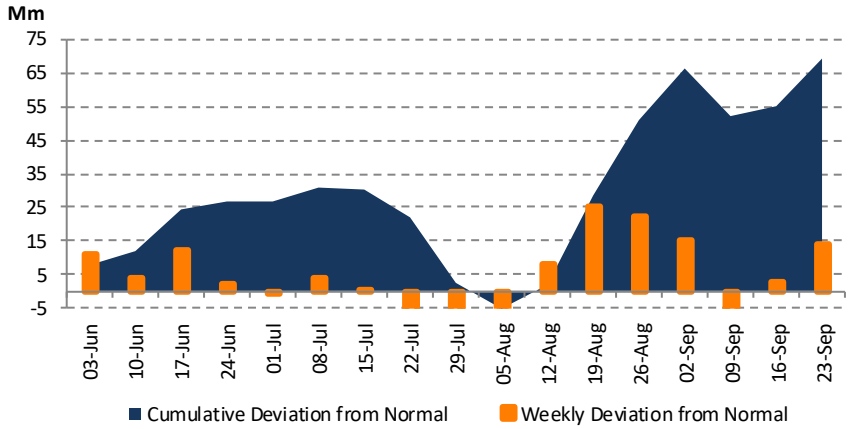
Exhibit 23: The MPC is expected to remain on hold in its October 2020 and December 2020 meetings, given its primary mandate of keeping the headline inflation within the medium-term target range of 4+/-2%



Source: RBI; CEIC; ICRA research

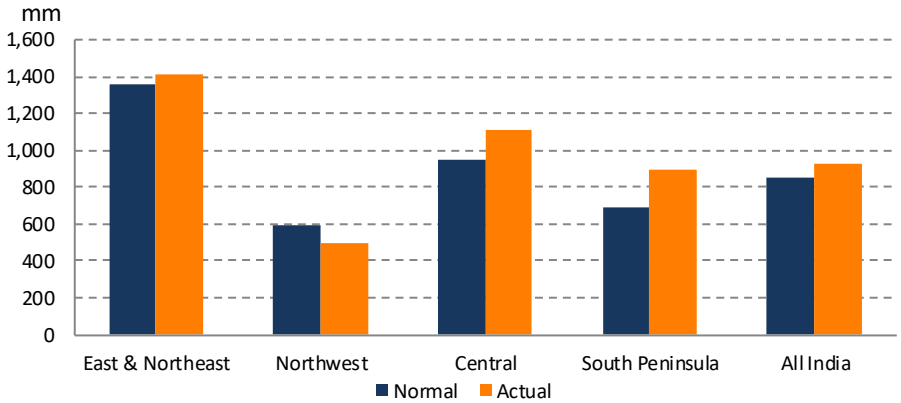
SECTORAL TRENDS

Exhibit 24: The cumulative rainfall during June-August 2020 was above-normal, at 110% of the long period average (LPA) on a pan-India level; cumulative precipitation subsequently stood at 109% of LPA till September 24, 2020



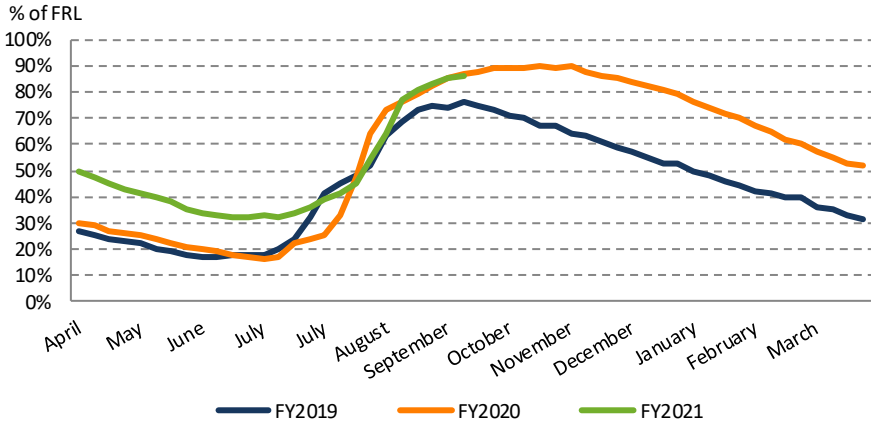
Source: Indian Meteorological Department (IMD); CEIC; ICRA research

Exhibit 25: Spatial distribution of the monsoon rainfall has been uneven, with excess precipitation in the South Peninsula (129% of LPA), and normal rains in the Central (117% of LPA), East and Northeast (104% of LPA) and Northwest (85% of LPA) regions till September 24, 2020



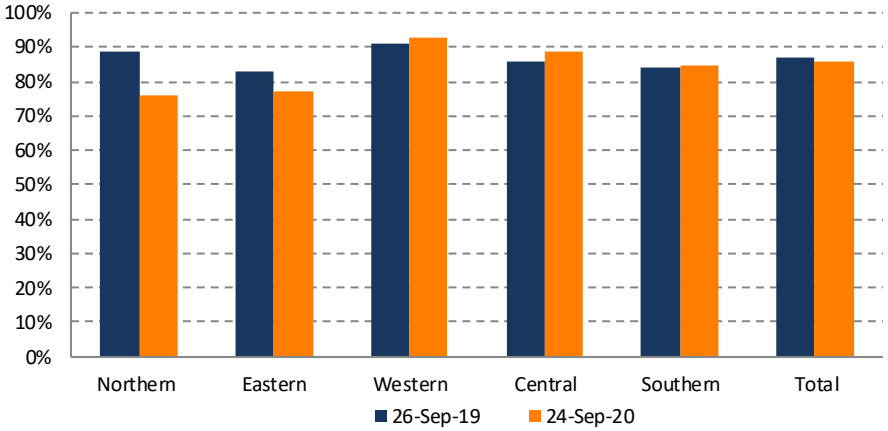
Source: IMD; CEIC; ICRA research

Exhibit 26: Benefitting from the ample rains, reservoir storage stood at a favourable 86% of the Full Reservoir Level (FRL) as on September 24, 2020, slightly lower than 87% of FRL as on September 26, 2019



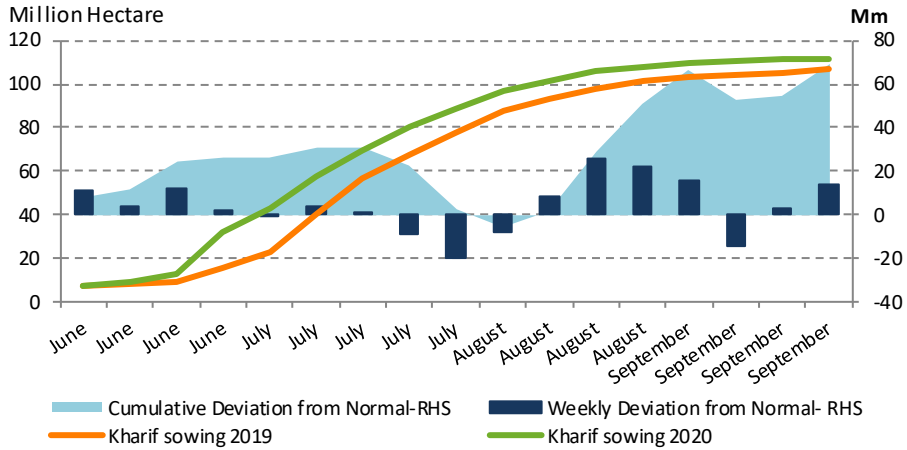
Source: Central Water Commission (CWC); CEIC; ICRA research

Exhibit 27: Reservoir storage exceeded the year-ago levels in the Western (93% vs. 91%) and Central (89% vs. 86%) regions, while it trailed the same in the Northern (76% vs. 89%) and Eastern (77% vs. 83%) regions as on September 24, 2020



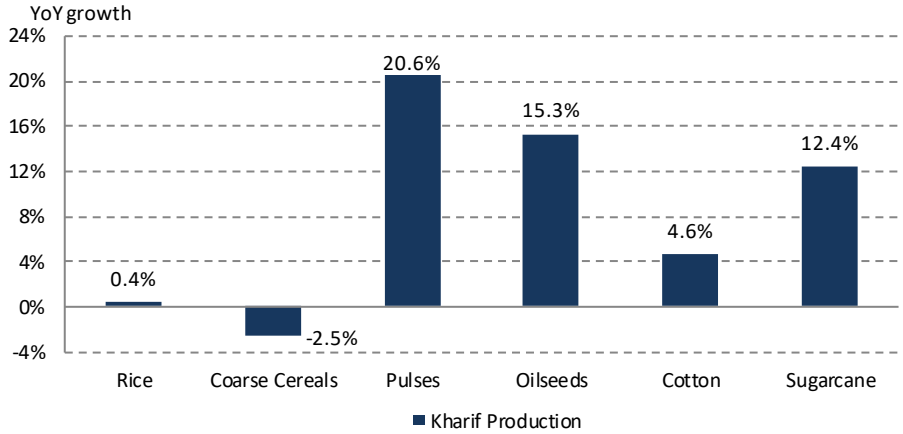
Source: CWC; CEIC; ICRA research

Exhibit 28: Total kharif sowing recorded a healthy 4.8% YoY rise as on September 25, 2020, led by oilseeds, rice, pulses, coarse cereals, cotton, sugarcane and jute and mesta, and exceeded the total sown area for 2019 by 5.1%



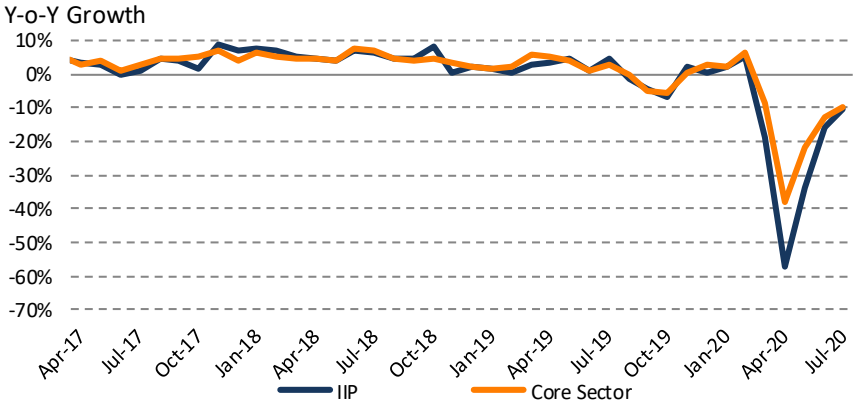
Source: Directorate of Economics and Statistics, Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture, GoI; ICRA research

Exhibit 29: The 1st Advance Estimates (AE) forecast a record production of several kharif crops; with the output of pulses (+20.6%), oil seeds (+15.3%), sugarcane (+12.4%), cotton (+4.6%) and rice (+0.4%) in FY2021 estimated to exceed the 4th AE for FY2020.



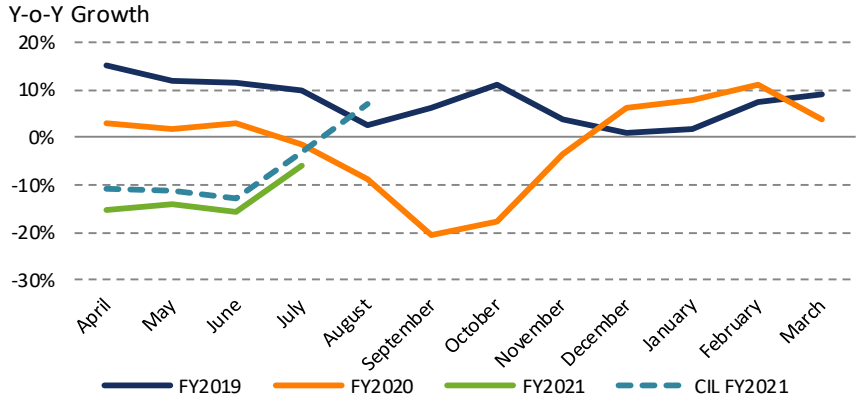
Source: Directorate of Economics and Statistics, Department of Agriculture, Cooperation and Farmers Welfare, Ministry of Agriculture, GoI; ICRA research

Exhibit 30: The core sector and the IIP contracted by 9.6% and 10.4%, respectively, in July 2020, recording a modest improvement relative to the trend in the previous month (-13.0% and -15.8%, respectively, in June 2020); the V-shaped recovery seen in May-June 2020 tapered to an extent in July 2020



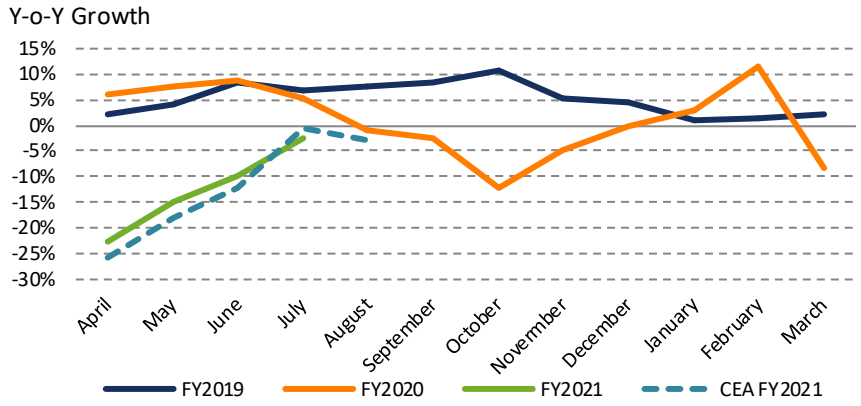
Source: CSO; Office of the Economic Adviser, GoI; CEIC; ICRA research

Exhibit 31: The YoY contraction in coal output narrowed appreciably to 5.7% in July 2020 from 15.5% in June 2020; subsequently, the output of the predominant producer, CIL, recorded a turnaround to a five-month high YoY expansion of 7.1% in August 2020 from the 3.0% de-growth in July 2020, partly benefitting from the base effect



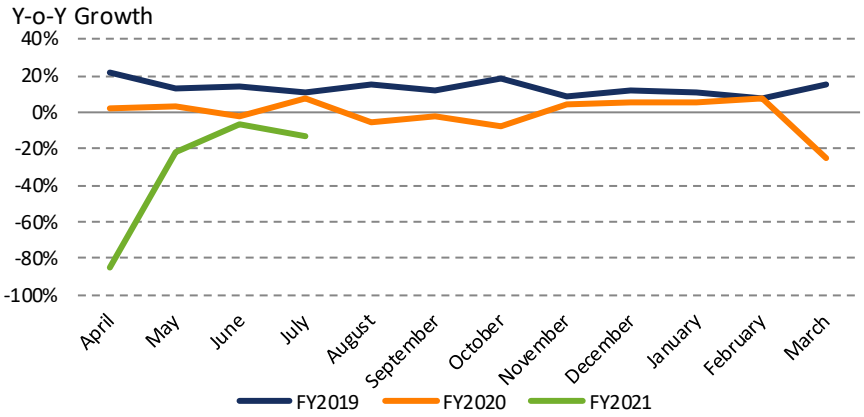
Source: Office of the Economic Adviser, GoI; CIL; ICRA research

Exhibit 32: The YoY contraction in electricity generation narrowed to 2.5% in July 2020 from 10.0% in June 2020 (source: CSO); subsequent data released by the CEA, indicates that the YoY contraction in electricity generation widened to 3.1% in August 2020, from 0.7% in July 2020, led by the thermal and hydroelectricity components



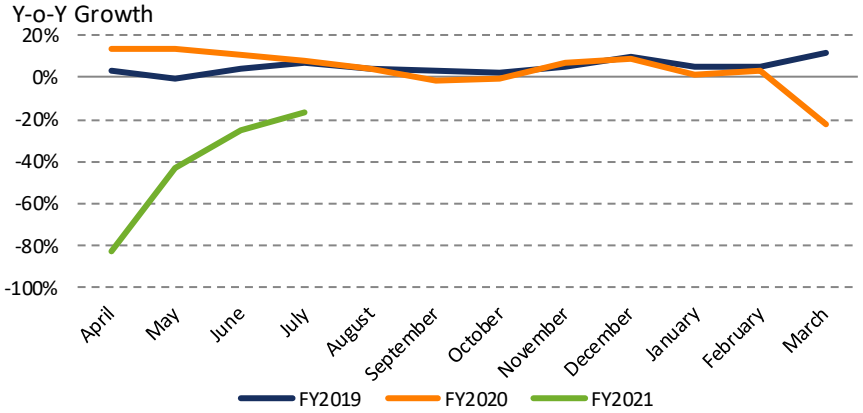
Source: CSO; CEA; CEIC; ICRA research

Exhibit 33: After rapidly narrowing in May-June 2020, the YoY contraction in cement output worsened to 13.4% in July 2020; in YTD terms, cement output has contracted by 32.1% during April-July 2020 on a YoY basis



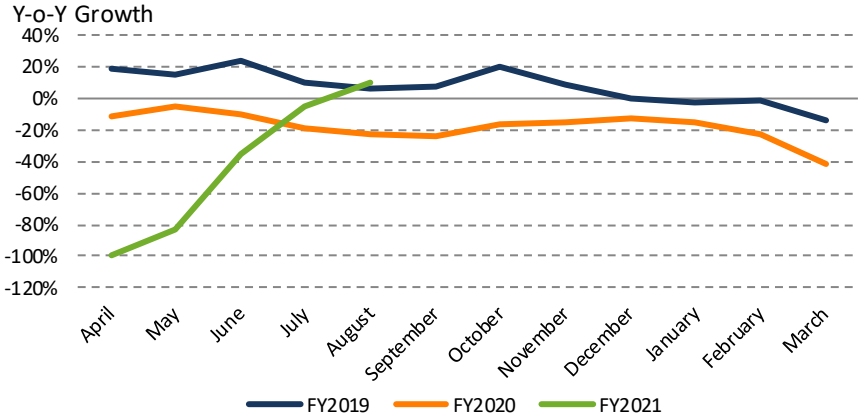
Source: Office of the Economic Advisor, GoI; ICRA research

Exhibit 34: The YoY contraction in steel output narrowed to 16.3% in July 2020 from 25.4% in June 2020, amid resumption in construction activities following the lifting of the lockdown and pickup in production of consumer durables; steel output has contracted by 42.0% during April-July 2020 on a YoY basis



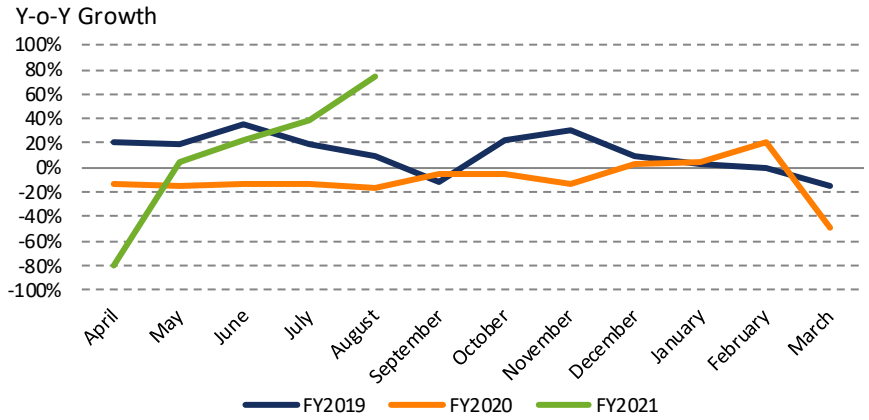
Source: Office of the Economic Advisor, GoI; ICRA research

Exhibit 35: The YoY motorcycle sales grew by 10.1% in August 2020, in contrast to the contraction of 4.9% in July 2020, benefitting from pent-up demand and inventory restocking; sales are expected to continue to grow in the near term led by demand related to social distancing norms and a robust outlook for the rural sector



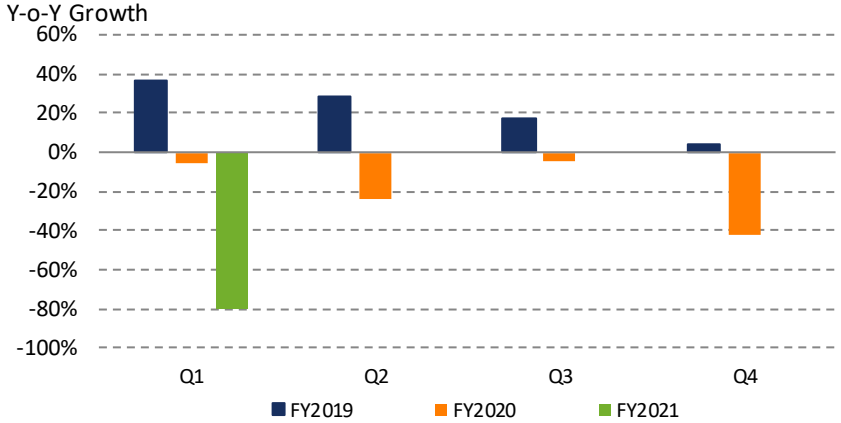
Source: SIAM; ICRA research

Exhibit 36: The YoY growth in tractor sales increased considerably to 74.7% in August 2020 from 38.5% in July 2020; expectations of healthy kharif output and a favourable outlook for timely rabi sowing are likely to bolster tractor sales volumes in the near term



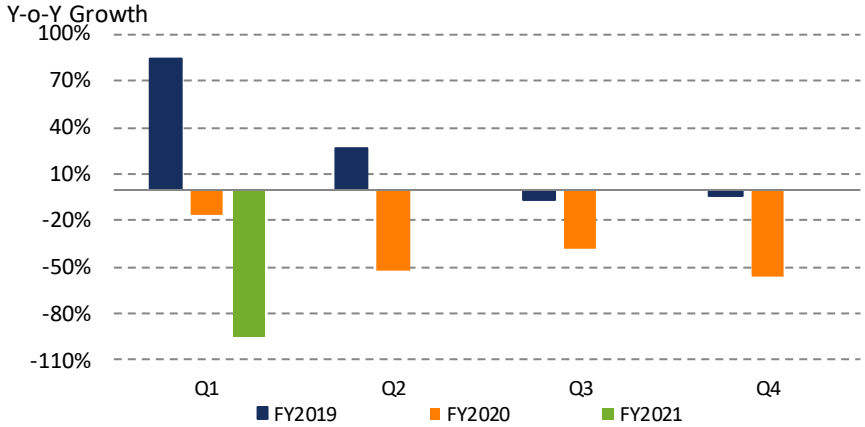
Source: CMIE; ICRA research

Exhibit 37: The YoY contraction in the sales of light commercial vehicles (LCVs) worsened to 79.7% in Q1 FY2021 from 42.7% in Q4 FY2020; going forward, easing of supply chain issues and festive demand should support sales to a modest extent, although the near-term outlook remains uncertain



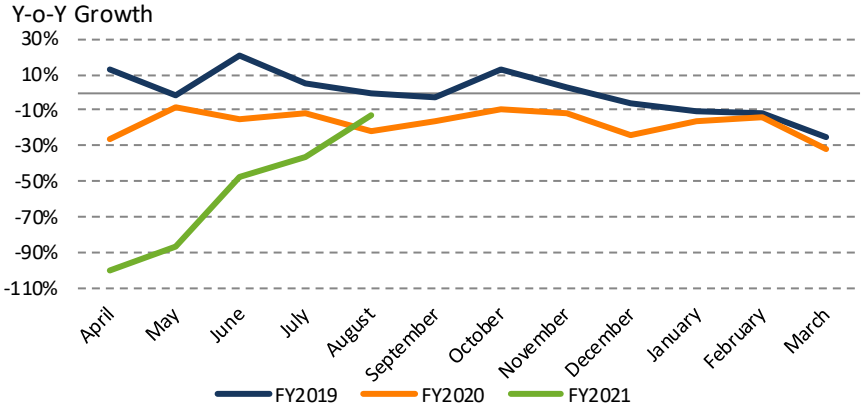
Source: SIAM; ICRA research

Exhibit 38: The YoY contraction in sales of medium & heavy commercial vehicles (M&HCVs) widened to an alarming 94.1% in Q1 FY2021 from 56.8% in Q4 FY2020; supply overhang and economic uncertainty to make this segment severely under-perform the other automotive segments in FY2021



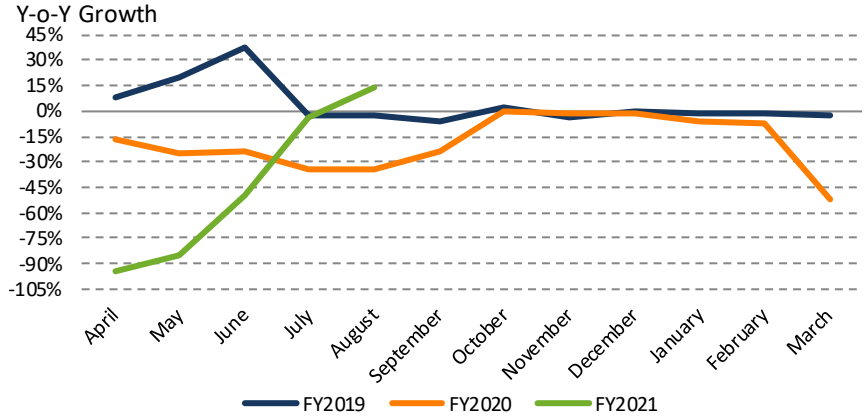
Source: SIAM; ICRA research

Exhibit 39: The YoY contraction in scooter sales narrowed to 12.3% in August 2020 from 36.5% in July 2020, while continuing to trail the performance of the rural-focussed motorcycles; contraction is expected to narrow further in the coming months, with increase in demand related to social distancing norms



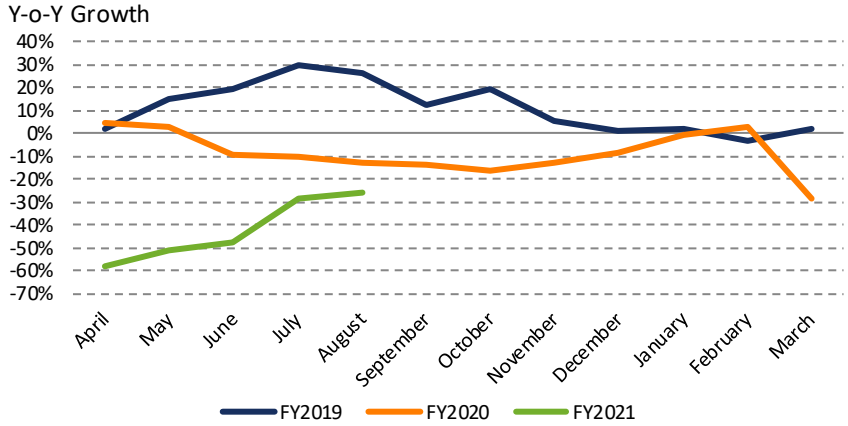
Source: SIAM; ICRA research

Exhibit 40: The PV sales expanded by 14.2% in August 2020, in contrast to the contraction of 3.9% in July 2020, led by inventory restocking, even as retail demand trailed wholesale despatches; going forward, strength of festive season demand to determine the trajectory for FY2021; while personal mobility will drive entry level segment, replacement demand may remain cautious amid economic uncertainty



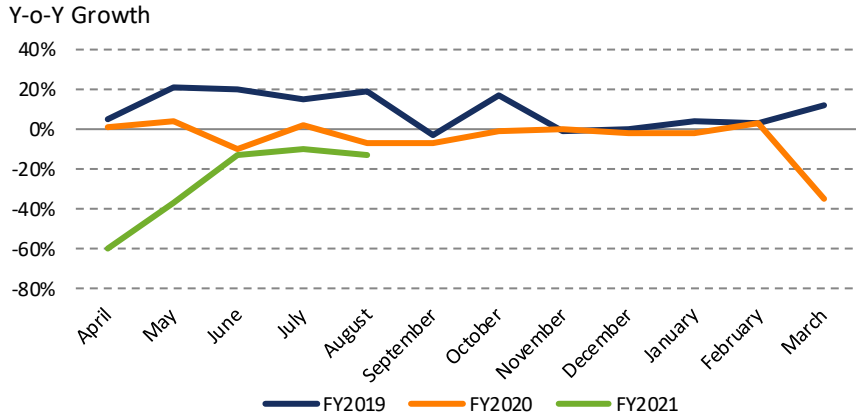
Source: SIAM; ICRA research

Exhibit 41: The YoY contraction in merchandise imports (in US$ terms) narrowed to 26.0% in August 2020 from 28.4% in July 2020, driven by a spike in shipments of gold; imports likely to recover further in H2 FY2021, with the economy shifting to a new normal, stabilisation in commodity prices and relatively sticky demand for gold closer to the festive season



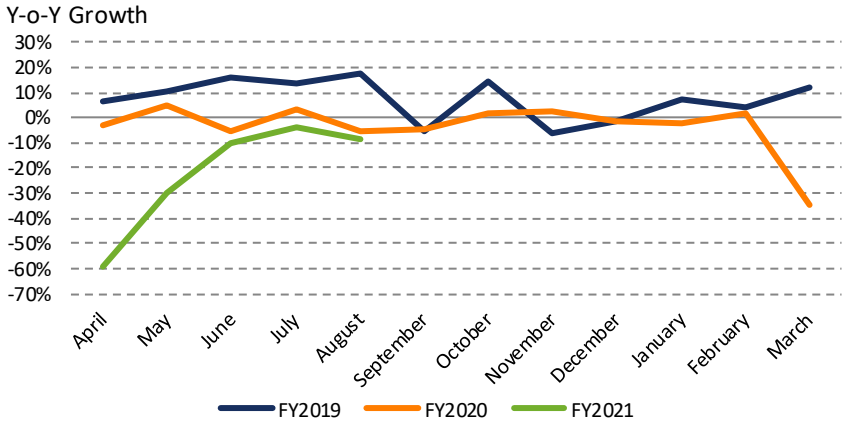
Source: Ministry of Commerce, GoI; ICRA research

Exhibit 42: After improving sharply in May-June 2020, the YoY contraction in merchandise exports (in US$ terms) has remained in a narrow band of 10-12% until August 2020; fresh restrictions imposed in major trading partners on account of a new wave of Covid-19 cases, could cap the extent of further improvement in the near term



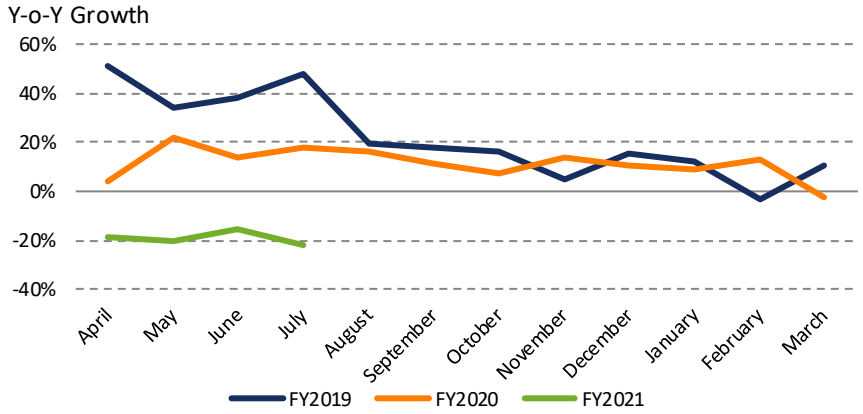
Source: Ministry of Commerce, GoI; ICRA research

Exhibit 43: The YoY contraction in non-oil merchandise exports (in US$ terms) widened to 8.8% in August 2020 from 3.6% in July 2020; nevertheless, the merchandise trade deficit has declined sharply to ~US$20.7 billion in Apr-Aug FY2021 from ~US73.3 billion in Apr-Aug FY2020



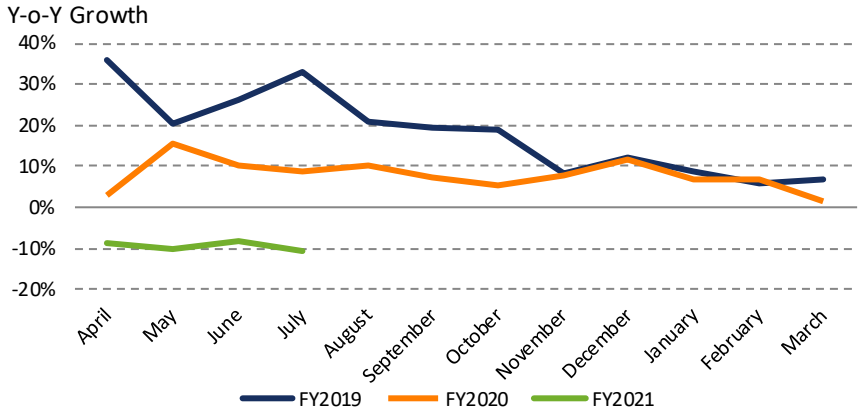
Source: Ministry of Commerce, GoI; ICRA research

Exhibit 44: The YoY contraction of services imports widened to 21.7% in July 2020 from 15.3% in June 2020, given the continuing domestic slowdown, as well as restrictions on travel



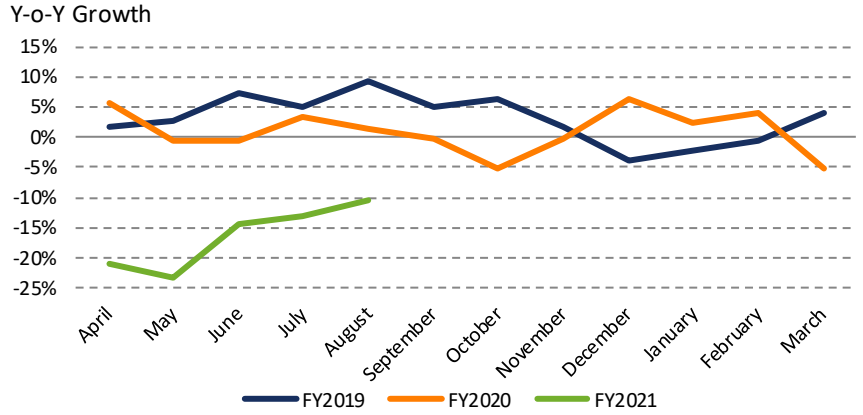
Source: RBI; ICRA research

Exhibit 45: Moreover, the YoY contraction in services exports widened to 10.8% in July 2020 from 8.4% in June 2020; nevertheless, the services trade surplus rose to US$28.0 billion in April-July 2020 from US$25.9 billion in April-July 2019



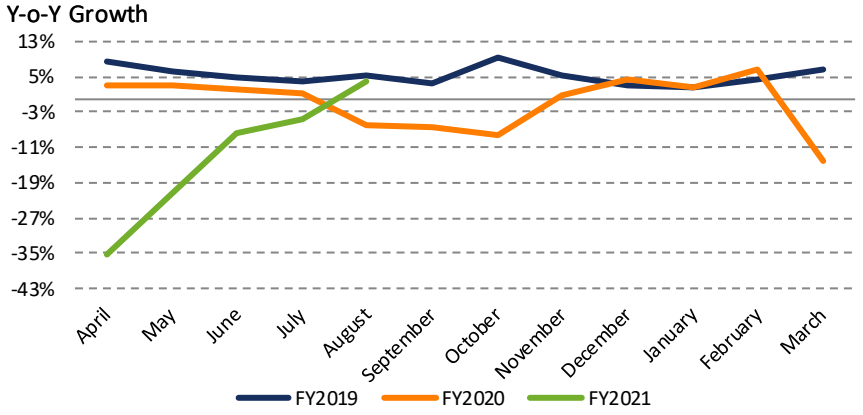
Source: RBI; ICRA research

Exhibit 46: The YoY contraction in cargo handled at major ports narrowed to 10.4% in August 2020 from 13.2% in July 2020; in YTD terms, cargo traffic has contracted by 16.6% in April-August 2020, in contrast to the mild growth of 1.8% in April-August 2019



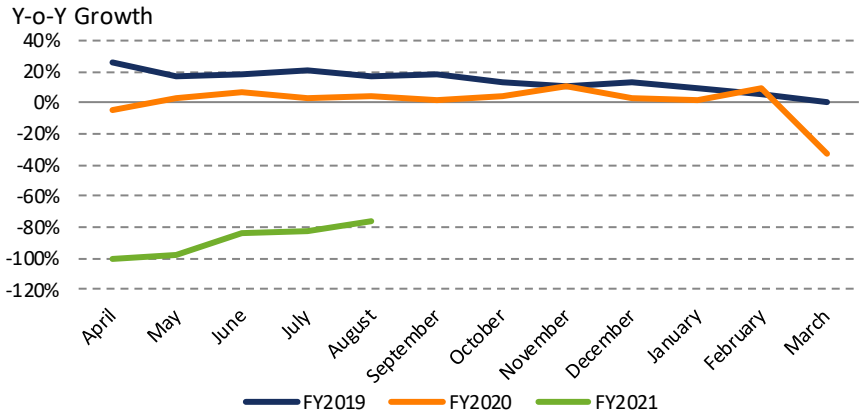
Source: Ports Authority of India, GoI; ICRA research

Exhibit 47: Railway freight traffic grew by 3.9% in August 2020, in contrast to the contraction of 4.6% in July 2020; this turnaround is likely to have been partly driven by the improvement in volumes of CIL, as well as a broader pickup in industrial activity



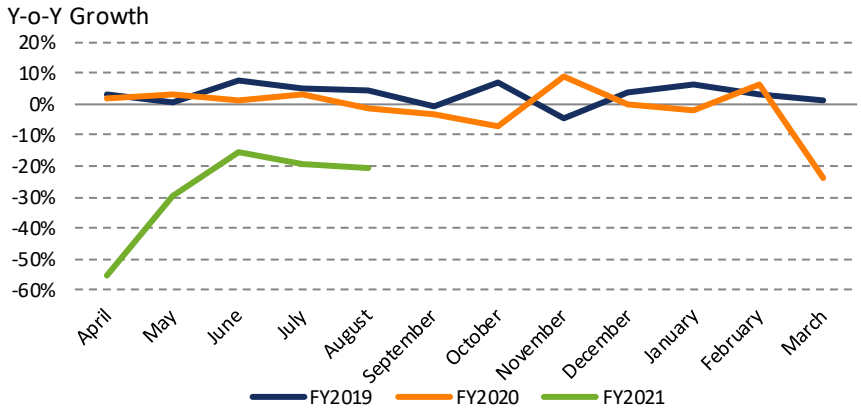
Source: Railway Board, GoI, CMIE; ICRA research

Exhibit 48: The YoY contraction in passenger traffic by domestic airlines narrowed to 76.0% in August 2020 from 82.3% in July 2020; while the performance may improve modestly in the coming months, this sector, along with hospitality and recreation, is expected to under-perform the rest of the economy until a vaccine becomes widely available



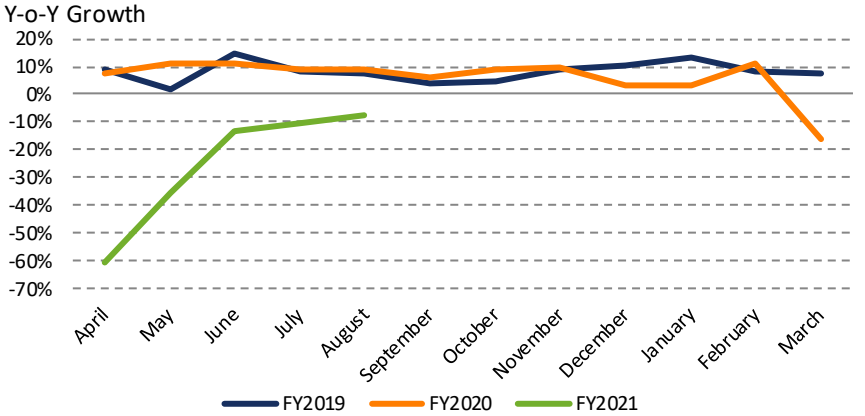
Source: Directorate General of Civil Aviation (DGCA); ICRA research

Exhibit 49: The YoY contraction in diesel consumption widened to 20.7% in August 2020 from 19.4% in July 2020; demand is likely to pick-up in the coming months with the further resumption of economic activities



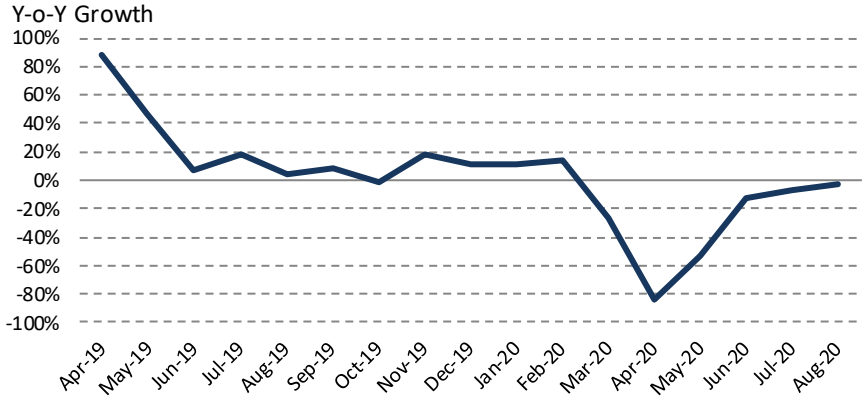
Source: PPAC, GoI; ICRA research

Exhibit 50: In contrast, the YoY contraction in petrol consumption moderated to 7.5% in August 2020 from 10.4% in July 2020; demand is likely to increase with resumption of economic activity as well as preference for social distancing in personal mobility



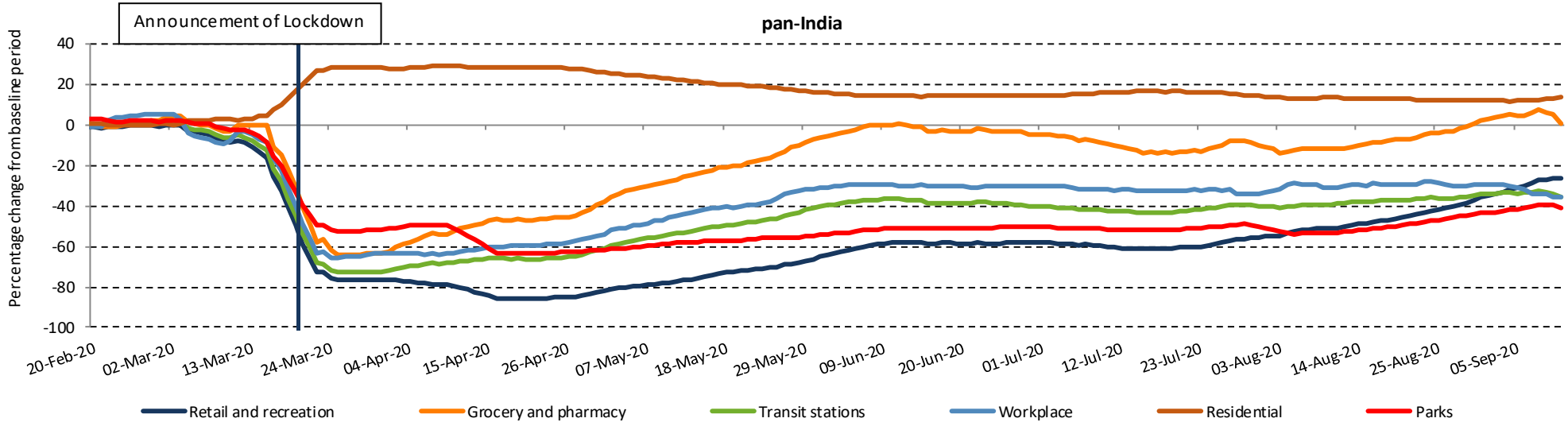
Source: PPAC, GoI; ICRA research

Exhibit 51: After contracting by a sharp 50.3% in Q1 FY2021, pace of YoY de-growth in the generation of GST e-way bills narrowed to a muted 3.5% in August 2020 from 7.3% in July 2020



Source: PPAC, GoI; ICRA research

Exhibit 52: Mobility of people at pan-India level[2] for all purposes barring grocery and pharmacy picked up gradually in late-August 2020; movement for retail and recreation purposes still ~28% below from baseline in September 2020*



**Data available till September 11, 2020*
Source: Google LLC; Google Global Mobility Report; ICRA Research

2 The index is smoothed to the seven-day moving average; The percentage change is compared to a baseline value for the same day of the week, calculated on a median basis during the 5-week period January 3, 2020- February 6, 2020

Exhibit 53: Local lockdowns implemented by some of the state governments

States	Till
Tamil Nadu	Sep 30, 2020
Jharkhand	Sep 30, 2020
Maharashtra	Sep 30, 2020
West Bengal	Bi-weekly lockdown till Aug 31, 2020
Assam	Weekend lockdown till Aug 31, 2020
Bihar	Sept 6, 2020
Uttar Pradesh - Noida, Ghaziabad and other parts	Weekend lockdown till Sept 30, 2020
Madhya Pradesh-Bhopal	10-day from July 24 to Aug 2, 2020
Karnataka -Bengaluru	July 14 to 22, 2020
Karnataka (Dharwad and Dakshina district)	July 21, 2020/ July 23, 2020
Kerala (critical coastal areas)	July 28, 2020
Goa	Janta curfew from July 15 to Aug 10, 2020
Tripura	Aug 4, 2020
Nagaland-Kohima	Aug 31, 2020
Jammu & Kashmir	Aug 5, 2020
Manipur	Aug 31, 2020
Punjab	Weekend lockdowns till September 30, 2020, as would night curfews from 9:30 PM-5:00 AM
Odisha (nine urban areas of Ganjam district)	Weekend lockdown till Aug 31, 2020; night curfew in entire state from 9:00 PM to 5:00 AM

Source: ICRA Research

ICRA
A MOODY'S INVESTORS SERVICE COMPANY

ABOUT ICRA

ICRA Limited (formerly Investment Information and Credit Rating Agency of India Limited) was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange.

Alliance with Moody's Investors Service

The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder. The participation of Moody's is supported by a Technical Services Agreement, which entails Moody's providing certain high-value technical services to ICRA. Specifically, the agreement is aimed at benefiting ICRA's in-house research capabilities, and providing it with access to Moody's global research base. The agreement also envisages Moody's conducting regular training and business seminars for ICRA analysts on various subjects to help them better understand and manage concepts and issues relating to the development of the capital markets in India. Besides this formal training programme, the agreement provides for Moody's advising ICRA on Rating-products strategy, and the Ratings business in general.

The ICRA Factor

Our services are designed to

- Provide information and guidance to institutional and individual investors/creditors;
- Enhance the ability of borrowers/issuers to access the money market and the capital market for tapping a larger volume of resources from a wider range of the investing public;
- Assist the regulators in promoting transparency in the financial markets;
- Provide intermediaries with a tool to improve efficiency in the funds raising process.

ICRA

Business Contacts

Mr. L. Shivakumar
E-mail: shivakumar@icraindia.com
Tel: +91 22 6114 3406 / +91 98210 86490

Mr. Jayanta Chatterjee
E-mail: jayantac@icraindia.com
Tel: +91 80 4332 6401/ +91 98450 22459

Media and Public Relations

Ms. Naznin Prodhani
E-mail: communications@icraindia.com
Tel: +91 124 4545 860

Registered Office:

1105, Kailash Building, 11th Floor,
26, Kasturba Gandhi Marg,
New Delhi - 110 001
Tel: + 91 11 2335 7940-45

Corporate Office:

Building No.8, 2nd Floor,
Tower A, DLF Cyber City Phase II,
Gurgaon- 122 002
Tel: +91 124 4545300

Ahmedabad

1809-1811, Shapath V,
Opposite Karnavati Club
S.G. Highway, Ahmedabad - 380015
Tel: +91 79 4027 1500/01

Bengaluru 1

'The Millenia', Tower- B, Unit No. 1004,
10th Floor,1 & 2 Murphy Road,
Bengaluru - 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber,
15-16, Trinity Circle, M.G. Road,
Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre,
634, Anna Salai, Nandanam
Chennai - 600 035
Tel: +91 44 4596 4300

Hyderabad 1

No. 7-1-58, 301, 3rd Floor, 'CONCOURSE',
Above SBI-HPS Branch, Ameerpet,
Hyderabad - 500 016
Tel: +91 40 4920 0200

Hyderabad 2

4A, 4th Floor, SHOBHAN,
6-3-927, A&B Somajiguda,
Raj Bhavan Road,
Hyderabad – 500082
Tel: +91 40 40676500

Kolkata

A-10 & 11, 3rd Floor,
FMC Fortuna 234/3A,
A.J.C. Bose Road,
Kolkata -700 020
Tel: +91 33 7150 1100/01

Mumbai

3rd Floor, Electric Mansion
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai - 400 025
Tel: +91 22 6169 3300

Pune

5A, 5th Floor, Symphony,
S. No. 210 CTS 3202 Range Hills Road,
Shivajinagar,Pune - 411 020
Tel: +91 20 2556 0194, 020 6606 9999

Email: info@icraindia.com
Helpdesk: 9354738909
Website: www.icra.in/ www.icraresearch.in