

MONTHLY NEWSLETTER

AUGUST 2023



RESEARCHTM
& RANKING



Ajay Banga

World Bank President

"India was able to accomplish, in the form of a successful G20 declaration, what was being thought impossible. It reflects the affirmation of India's leadership."



Alan Greenspan

**American economist,
Former Chair of Federal Reserve of US**

"The number one problem in today's generation and economy is the lack of financial literacy."

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G20 Summit

One Earth, One Family, One Future

The 18th Head of States and Government summit - G20 summit took place in Delhi on 9-10th September. The G20 comprises of 19 countries and the European Union. Under India's presidency the theme for the summit was 'One Earth, One Family, One Future'. India presidency began from 1st December 2022, as the Indonesian President Joko Widodo transferred the presidency gravel to Indian PM Narendra Modi at the end of the Bali Summit.

Prior to the G20 summit. There were more than 220+ meetings held across 60 locations in 32 cities in India with over 1 lakh participants from 125 nationalities.

The G20 comprises most of the largest economies both developed as well as the developing. The members together account for 85% of the global GDP, 75% of global trade and a little over 65% of the world's population. It was founded in 1999 after the Asian financial crisis as a forum for finance ministers and central bank governors to discuss various global economic and financial issues. After the 2007-08 financial crisis the G20 was upgraded to the level of Heads of State/Government. Since then the G20 leaders have met regularly during the G20 summit held annually. While the forum was initially focused the macro economics issues, it focus has since expanded to trade, climate change, sustainable development, health, agriculture, energy, environment, climate change, and anti-corruption.

Consensus on the New Delhi Declaration

The G20 summit adopted the New Delhi Declaration with 100% consensus. The declaration focuses on sustainable growth, accelerating the progress towards the sustainable development goals, green development. One of the key observations was the consensus reached on the wording for Ukraine conflict. It was noted that there was considerable softening of language regarding Russia's role in Ukraine war. The declaration also recognised start-ups and MSMEs as the natural growth engines and keys to socio-economic transformation by driving innovation and creating employment. Some of the commitment in the Declaration include

- To accelerate sustainable, balanced, and inclusive growth
- Pursue environmentally sustainable development pathways.
- Improve access to medical countermeasure and facilitate supplies and production capacities in developing nations.
- Promote growth and effectively address debt vulnerabilities in developing countries.
- Pursue reforms for better, bigger, and more effective Multilateral Development Banks
- Improve access to digital services and digital public infrastructure.



Source: g20.org

G20 Members



Argentina



Australia



Brazil



Canada



China



France



Germany



India



Indonesia



Italy

India-Middle East-Europe Economic Corridor



Source: PMO India

The US, Saudi Arabia and India has proposed the development of a new ship and rail corridor connecting India to the middle east and Europe. The proposed corridor would stretch across the Arabian Sea from India to the United Arab Emirates, then cross Saudi Arabia, Jordan and Israel before linking up to Europe. This corridor is perceived as an answer to China's Belt and Road Initiative (BRI). In the northern corridor which connects the Arabian Gulf to Europe. Along the railway track, the members propose to lay cable for energy and digital connectivity as well as a pipe for clean hydrogen. The rail link is expected to make trade between India and Europe 40% faster.

Global Biofuel Alliance

During the G20 summit, the Global biofuel alliance was launched with India, US and Brazil as the founding members. These countries combined contribute 85% of the global production and 81% of the global consumption of ethanol. 19 countries have so far agreed to join the alliance. According to International Energy Agency, the global biofuel production is expected to triple by 2030. India has already achieved the target of 10% ethanol blending in petrol and is targeting 2025-26 to reach 20% ethanol blending in petrol.



Source: PMO India

African Union added as the 21st member



Source: PMO India

African Union (AU) which comprises of 55 nations have been added as the newest member to G20. These nations have a combined GDP of \$2.99 trillion. Earlier only South Africa from the African continent was represented in the G20. The addition of AU is seen as a right step towards a just, fair, more inclusive and representative global architecture and governance.

At the end of the two-day summit Prime Minister Narendra Modi handed over the G20 presidency to Brazilian President Luiz Inacio Lula da Silva. Brazil will officially start the presidency from December 1 onwards. President Lula listed out priorities for the next session as social inclusion, fight against hunger, energy transition and sustainable development.

G20 Members



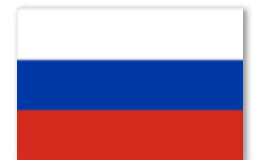
Japan



Mexico



Republic of Korea



Russia



Saudi Arabia



South Africa



Türkiye



United Kingdom



USA



European Union

Q1 FY24 REVIEW

Margin Improves On Lower Input Prices; Top-line Remains Muted

In Q1FY24, Nifty recorded low single digit revenue growth of 6% YoY whereas PAT growth was strong double-digit at 32% YoY driven by strong EBITDA margin across the board. Nifty Excl. BFSI, revenue growth was weak at 2% YoY.

Softening commodities prices positively impacted margins of companies such as Auto and FMCG which benefited from reduced input costs, whereas it negatively impacted dependent sectors like Metals & Mining. Chemicals reported weak Q1FY24 due to inventory de-stocking, subdued demand growth and increasing Chinese supply. IT reported weak quarter as CC growth slowed down sharply with few IT companies resorting to lowering guidance or maintaining a soft demand outlook. OMCs posted strong recovery driven by improved marketing margin. Within BFSI, banks saw NIMs contract though credit growth remained strong while credit costs still benign.

Q1 FY24 Nifty500 Sectoral Distribution

Sector/Index	YoY (Quarterly)			(vs Q1FY20, CAGR)			Margin (%)	Change (bps)	
	Sales	EBITDA	PAT	Sales	EBITDA	PAT	Q1FY24	vs YoY	vs QoQ
Nifty	6	30	32	12	15	23	22.9	429	252
Nifty (excl. BFSI)	2	25	30	11	15	19	19.5	358	155
Nifty (excl. BFSI, Comm.)	7	20	27	11	14	18	21.3	230	29
Exports Oriented	5	5	2	12	11	11	19.7	1	5
IT-Software	10	10	10	13	12	10	21.4	-13	-98
Pharmaceuticals	16	38	28	9	12	13	23	375	222
Chemicals	-14	-35	-45	12	7	14	12.3	-411	-39
Commodities	-6	45	64	12	15	23	15.8	559	281
Oil & Gas	-10	376	869	11	25	33	13.5	1,090	436
Metals & Mining	-1	-29	-35	14	8	15	15.2	-606	-44
Power Gen. & Dist.	1	7	-1	11	7	10	33.6	214	261
Investment	14	28	31	9	6	16	15.2	171	-3
Cement	14	14	14	9	-1	3	15.8	4	125
Capital Goods	15	35	48	10	18	26	9.6	143	-305
Infra	22	38	63	9	4	18	13.3	153	-4
Logistics	-9	28	31	12	16	24	31.2	891	91
Realty	11	43	7	-1	0	28	24.1	532	377
Consumption	14	40	100	11	16	30	19.1	354	73
Auto Ancillaries	-8	16	42	7	10	16	14.7	301	119
Automobile	29	144	7,360	11	25	82	14.1	663	53
Cons. Durables	6	1	6	6	-6	-3	6.4	-26	-124
Cons.- Build. Mat.	6	10	30	13	10	19	15.3	52	-114
Cons.- Discretionary	13	4	-9	12	6	9	14.4	-126	238
FMCG	4	13	17	9	8	10	25	213	53
Telecom	11	22	173	15	24	NA	45.7	423	115
Diversified	-8	3	-11	9	14	11	17.3	181	32
E-Commerce	26	28	10	16	48	NA	2.9	4	-13
Healthcare	16	12	-27	13	13	26	13.5	-48	25
Others	13	-5	28	7	5	12	12.1	-226	-120

Source: Nuvama PCG Q1FY24 Report, August 2023 and Equentis Research

What's Trending

Rising Financial Literacy Paves Path for a Financially Inclusive India

International Literacy Day is observed on 8th September every year as declared by UNESCO in 1966 to remind us of the significance of literacy in empowerment. The literacy rate in India is ~75%, however, one of the important aspects of literacy, i.e. financial literacy is pegged much lower at ~27% of the population in India.

OECD-INFE Definition of Financial Literacy

The definition is not just limited to knowledge but also encompasses skills, attitude, and behaviour.



Source: NCFE Financial literacy & Inclusion survey 2019 report

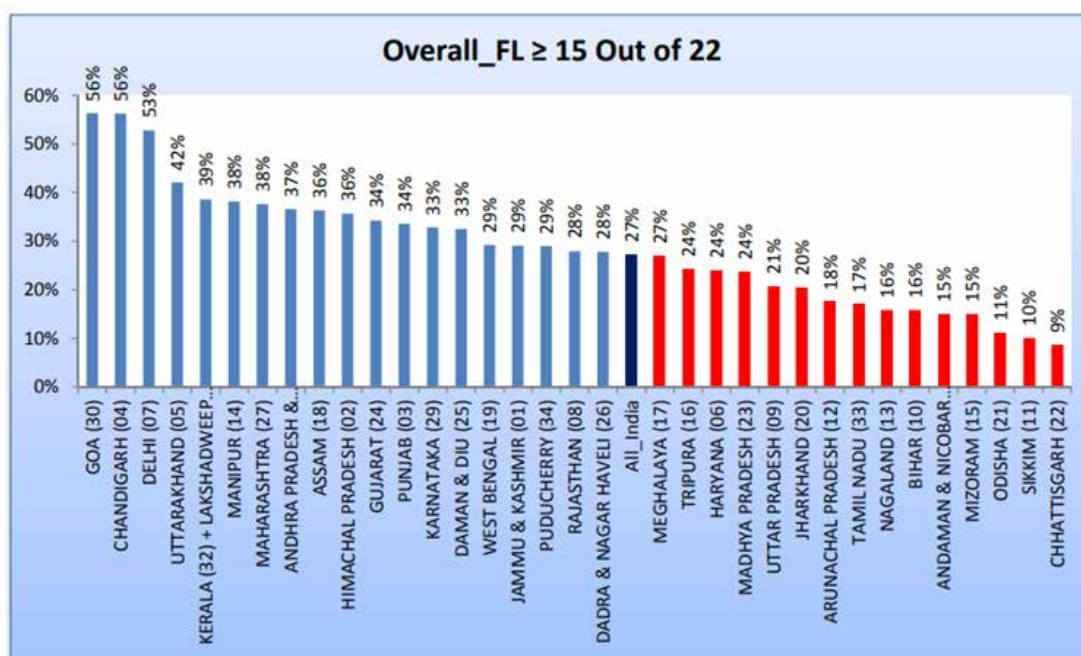
- **Financial Knowledge** - Understanding of key financial concepts and ability to evaluate benefit in real life financial situations.
- **Financial Behaviour** - Involves study of day-to-day money management, financial planning, spending, savings, investment etc.
- **Financial Attitude** - People's response towards savings, prioritization of short-term wants over long-term security, inclination towards risk etc.

As per OECD guidelines, one is regarded financially literate if he/she has a combined score of at least 15 out of 22 with a minimum of 3 in financial attitude, 6 in financial behaviour and 6 in financial knowledge.

1 in 4 Indians are equipped to make sound financial decisions.

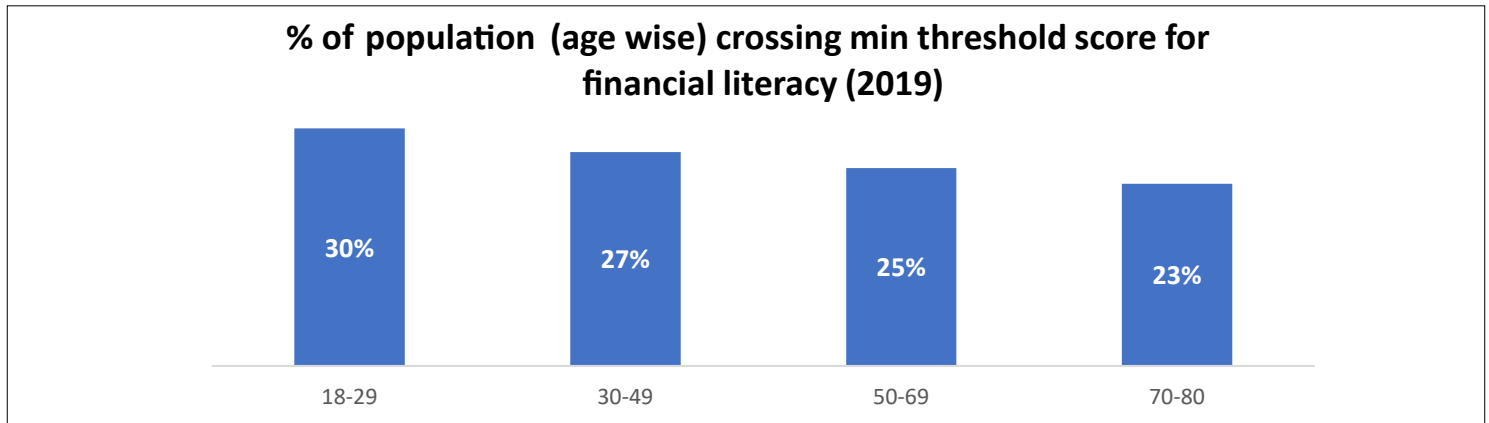
With a ~27% financial literacy rate, 1 in 4 Indians are able to make sound financial decisions. Taking on large debt, poor investment decisions and inability to create long term wealth are outcomes of absence of financial literacy.

As per the National Centre for Financial Education (NCFE) - Financial literacy & Inclusion survey 2019, Goa, Chandigarh and Delhi are the top 3 States with financial literacy above 50% while Odisha, Sikkim and Chhattisgarh are lower than the national average.



Source: National Strategy for Financial Education 2020-25 report

The 18-29 age-group has the highest financial literacy rate at 30% followed by the 30-49 age group.



Source: National Strategy for Financial Education 2020-25 report

Digital Public Infrastructure (DPI) & Fintech driving financial inclusion.

Financial inclusion entails providing access to avenues of savings and investments, and credit at an affordable cost. At the recent Global Fintech Fest 2023, the finance minister stated that Fintech has become a more robust and dynamic financial inclusion tool.

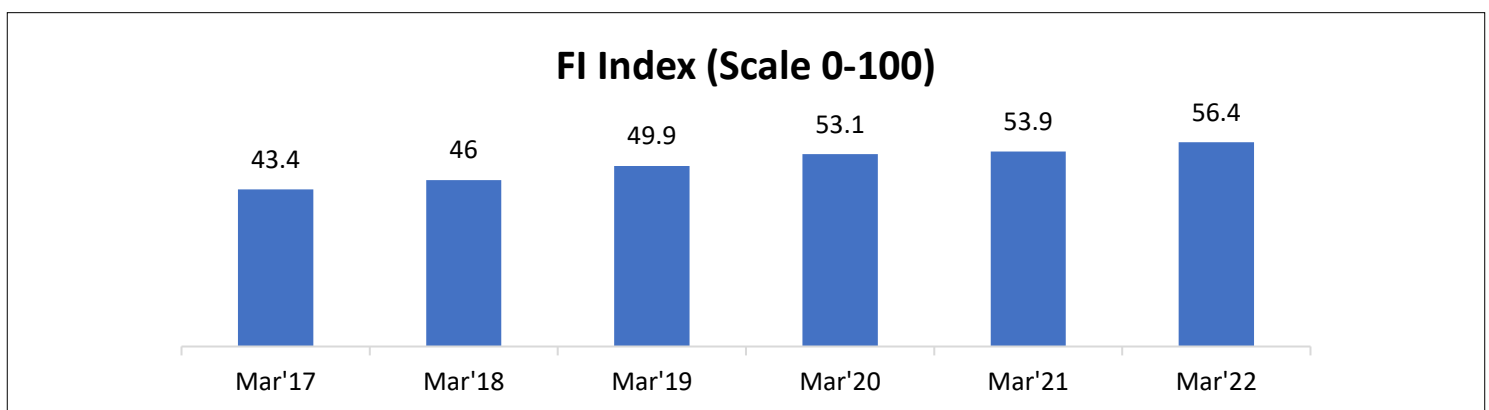
DPI programs such as the Jan Dhan, Aadhar, and Mobile have significantly boosted financial access in India. ~78% of Indian adults (above age 15) have access to bank accounts, up from only 35% in 2011.

India saw 91bn digital transactions in 2022 up multi-fold from 1.2bn in 2014 driven by the success of UPI. The growth of digital payment transactions has facilitated ease of access, financial inclusion, facilitating growth of business and economy.

Financial Inclusion Index (FI-Index) improved to 56.4 in Mar-22

The FI-Index incorporates ease of access, availability and usage of services and quality of services, consisting of 97 indicators. The quality parameter captures the aspect of financial inclusion as reflected by financial literacy, consumer protection and inequalities and deficiencies in services.

The RBI's Financial Inclusion Index (FI-Index) has improved to 56.4 in March 2022 vs 43.4 in March 2017, indicating improving access, usage and quality of financial services.

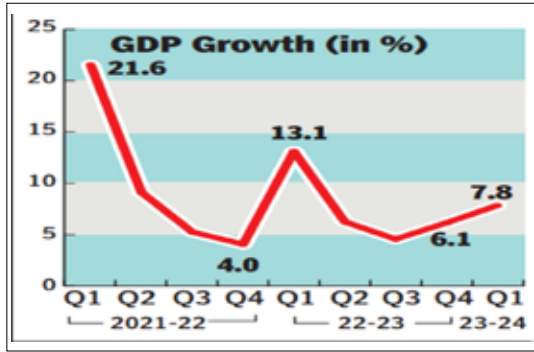


Source: RBI

Conclusion

In conclusion, there is a positive correlation between financial literacy and financial inclusion. While financial inclusion makes financial products and services more accessible, financial literacy and knowledge are the demand drivers for these products and services. Hence RBI has been following an integrated approach towards financial literacy and financial inclusion through various policy initiatives such as Pradhan Mantri Jan Dhan Yojana, Promotion of technology for banking and payments, setting up of NCFE towards disseminating basic financial literacy etc. Fintech has been transformative in driving greater financial inclusion with ease of access. In the Global Fintech summit in Sept'2023, the RBI governor highlighted its commitment to encouraging fintech innovation in the country.

What Caught Our Attention This Month !



Source: The Times Of India

India's GDP growth accelerates to 7.8% in April- June quarter

In April-June quarter of FY 24, India's GDP expanded at the fastest pace in four quarters at 7.8%, driven by a favourable base effect along with a substantial uptick in investment.

This is against 13.1% growth in the year-ago period and 6.1% growth in the previous quarter. While RBI had anticipated 8% GDP growth rate in Q1 of FY24.

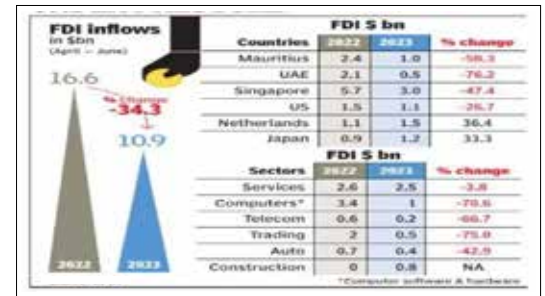
India remains the world's fastest-growing major economy as China's GDP growth in the April-June quarter was 6.3%.

FDI equity inflows dip 34% to \$10.94 bn in April-June

Foreign direct investment (FDI) into India witnessed a 34% decline to USD 10.94 billion during April-June 2023-24, attributed to lower inflows in computer hardware and software, telecom, auto and pharma.

FDI inflows stood at \$16.59 billion during April-June 2022-23.

Additionally, FDI equity inflows from countries like Singapore, Mauritius, the United States, the United Kingdom, and the United Arab Emirates also witnessed a decrease during this quarter.



Source: The Times of India



Source: Mint

India's manufacturing PMI rises to 3-month high in August

India's manufacturing sector remained robust, experiencing its fastest growth in three months on the back of an increase in orders and output.

In August, S&P Global's Manufacturing Purchasing Managers' Index for India rose to 58.6 from 57.7 in July, marking the highest level since May.

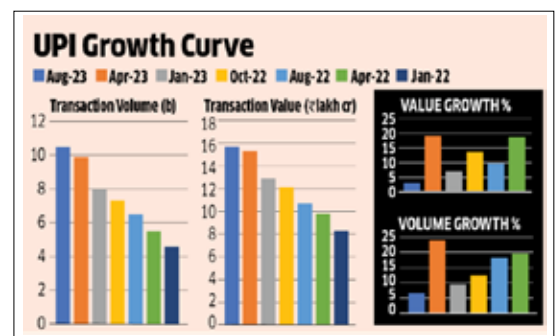
New orders and output expanded at the quickest pace since January 2021 and October 2020, respectively, while export orders saw a notable acceleration, reaching the fastest rate in 10 months.

UPI crosses 10 billion transactions for the first time in August

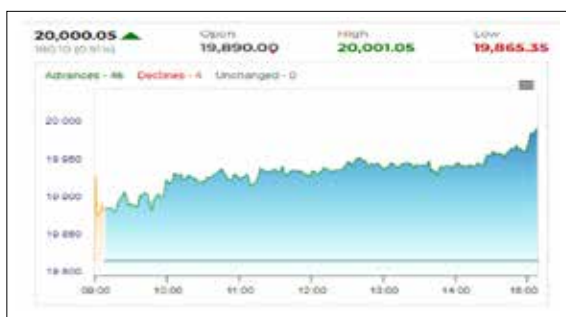
In August, UPI crossed 10 bn monthly transactions, a transaction value of Rs 15.7 tn.

Transactions on UPI saw a YoY growth of 50%, with August last year registering 6.58 bn monthly transactions. UPI crossed 1 bn monthly transactions mark for the first time in October 2019, showcases a rapid 4x increase in adoption within less than 4 years.

NPCI now envisions that the UPI daily transactions can touch 1 billion in the next two-three years as the platform approaches its full potential.



Source: The Economic Times



Source: Mint

Nifty hits 20,000 mark for the first time ever

On Sep 11, 2023, NSE's benchmark index Nifty 50 hit record high, crosses the significant 20,000 mark for the first time ever.

This was primarily driven by sustained buying from foreign portfolio investors (FPIs) and inflows from retail investors and also supported by strong macroeconomic data.

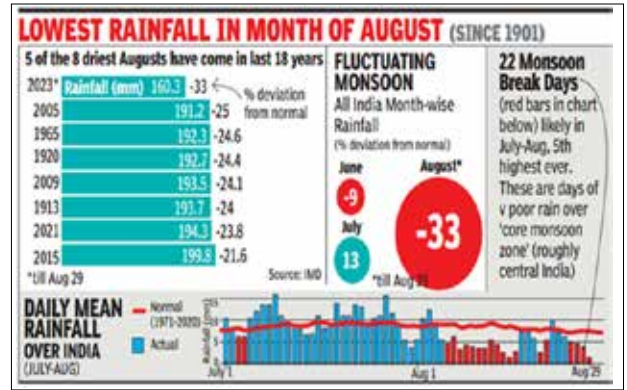
The index was set to cross 20,000 in July itself, but fell short by just eight points, making a record high of 19,992 and reversing from those levels.

Monsoon deficit over 33%, this is India's driest August in 122 years

In August, India experienced its driest month in 122 years, as rainfall plummeted to 33% below the seasonal average, largely influenced by El Nino.

During this period, the countrywide rainfall stood at 160.3mm compared to the normal average of 241mm, marking a significant 33% deficit.

Farmers and agricultural experts have voiced deep concerns about the rural India growth prospects due to the monsoon deficit. The implications of this deficit extend beyond the immediate crop yield to economic stability, food security, and overall livelihoods.



Source: The Times of India



After T+1, SEBI to introduce one-hour trade settlements soon

SEBI is working on accelerating the settlement of shares to one hour soon, from the current (T+1) settlement window. This will be followed by instantaneous settlement.

SEBI Chairperson said, "We are now talking about a one-hour settlement and that will be a stepping-stone to instantaneous settlement. And this will be in a reasonably short period of time".

Additionally, mentioned that "Technology for one-hour settlement already exists. For instant settlement, the system needs some more tech development. That would take another 7-8 months".

India's retail inflation surges to 15-month high of 7.44% in July

In July, retail inflation increased to a 15-month high of 7.44% in July, primarily driven by a sharp rise in food and vegetables prices.

The inflation in the food basket was 11.51% in July. Under the food basket, vegetable prices surged 37.34% against a contraction of 0.93% YoY,

July CPI reading had breached the Reserve Bank of India's upper tolerance limit of 6% for the first time in five month.



Source: India Today



India's automotive industry poised to rank number 3 in world by 2030: Govt

The govt said that India's automotive industry is poised to rank no 3 in the world by 2030 supported by initiatives such as the Rs 25,938 crore Production Linked Incentive (PLI) scheme for the automobile and auto components sector.

India's objective is to double its auto industry size to Rs 15 lakh crore by the end of the year 2024.

Notably, there has been an FDI inflow of \$33.77 billion in the industry from April 2000 till September 2022 represent around 5.48% of the total FDI inflows in India during the same period.

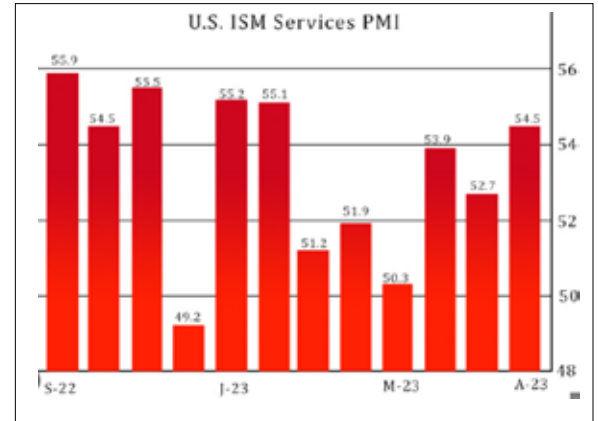
GLOBAL NEWS OF THIS MONTH

US services sector activity picks up unexpectedly

The U.S. services sector expanded unexpectedly in August, with new orders firming and businesses paying higher prices for inputs -- potential signs of still-elevated inflation pressures.

The index picked up to 54.5 percent in August, up from the 52.7 percent reading in July.

The business activity index grew by 0.2 percentage points while the new orders index expanded for an eighth straight month, up 2.5 percentage points to 57.5 percent.



Source: RTT News

Emerging economies group BRICS agrees to welcome six new members

The BRICS alliance (Brazil, Russia, India, China and South Africa) declared expansion of the grouping by welcoming six new countries into the club, a move to build dominance and reshape global governance into a multipolar world order.

Argentina, Egypt, Ethiopia, Iran, Saudi Arabia and the United Arab Emirates are among the countries to join the club. The membership will be effective from 1 Jan,2024.

In favour of an expansion BRICS leaders left the door open to future expansions as dozens more countries expressed interest in joining a grouping they hope can level the global playing field.



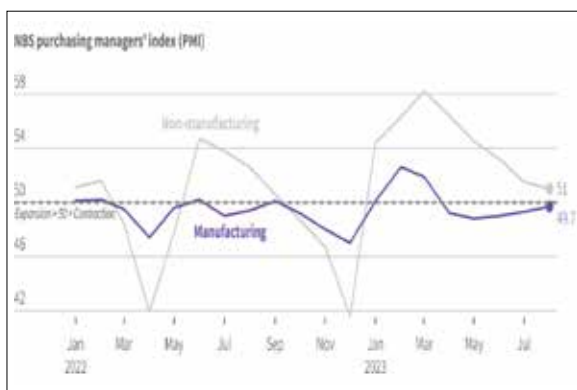
Source: Aljazeera

UK PM Rishi Sunak announces \$2 bn aid for Green Climate Fund

United Kingdom Prime Minister Rishi Sunak announced a record climate aid commitment of \$2 billion for the Green Climate Fund.

The contribution is by far the largest single funding commitment the UK has made to help the world fight against climate change.

Prime Minister said, "The UK is stepping up and delivering on the climate commitments, both by decarbonising their own economy and supporting the world's most vulnerable to deal with the impact of climate change,".



Source: Reuters

China's factory activity shrinks for fifth consecutive month in August

China's manufacturing activity contracted for a fifth straight month in August, adding pressure on officials to to boost economic growth in the face of weak domestic and international demand.

The official purchasing managers' index (PMI) rose to 49.7 from 49.3 in July, the reading was above a forecast of 49.4.

On the plus side, new orders returned to expansion for the first time in five months and and factory owners said that producer prices were improving for the first time in seven months, although the huge services sector continued to trend downwards.



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