

SBI MONTHLY COMPOSITE INDEX DECLINES IN MAY: BETTER TO IGNORE HUGE SPIKES IN IIP IN APRIL & MAY

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SBI MONTHLY COMPOSITE INDEX INCHED UP MARGINALLY

- ◆ The yearly SBI Composite Index reached all-time high of 60.5 (High Growth) in May 2021, compared to 59.8 (High Growth) in April 2021, and 41.0 (Moderate Decline) in May 2020. The monthly index also increased marginally to 50.5 (Low Growth) in May'21, compared to 52.1 (Moderate Growth) in Apr'21 and 30.0 (Large Decline) in May 2020.
- ◆ However, it is better to ignore Yearly Index and concentrate on Monthly Index because of a distorted base same period previous year. **The eight core sector industries increased sharply to 56.1% in April 2021, even as the sequential momentum was down by 15%.**
- ◆ Based on the SBI index, we believe IIP & IIP manufacturing may see a huge spike in growth in the range of 60-70% in April 2021 and 35-40% in May 2021, primarily due to base effects, but it is better to ignore such based on a unflattering base.

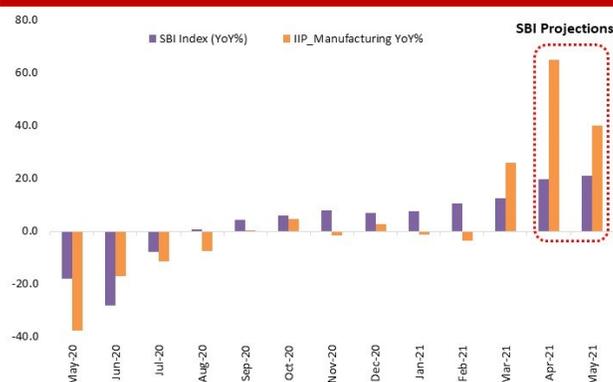
ASCB'S DEPOSITS GROWTH CONTINUED DESPITE LOW INTEREST RATE

- ◆ Deposits had increased by a staggering Rs 2.8 lakh crore in FY21 & in FY22 it has already increased by Rs 1.0 lakh crore till 07 May'21. The interesting point to note is that deposits have shown alternate periods of expansion and contraction in FY22 in first 3 fortnights.
- ◆ It is possible that such expansion followed by contraction could indicate household stress as people getting salary credits in first fortnight are withdrawing it in second fortnight for health expenses / stocking up currency for precautionary motive and an uncertain scenario and the trend continues. So far, we have got only 3 fortnights of deposit data & this trend would be validated once we have the complete data in the first week of June.
- ◆ However, time deposits data is indicating a different story, which is growing in double digits in spite of considerable moderation in interest rates. It is possible that such increase in time deposits may witness a moderation as household budgets are stressed.

SBI Yearly and Monthly Composite Index Trend

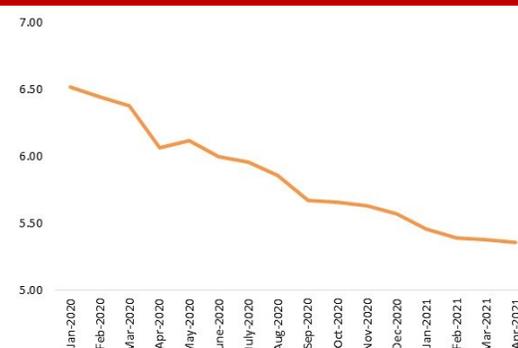


SBI Index (YoY) vs IIP Manufacturing (YoY%)



Source: SBI Research

Weighted Average Domestic Term Deposit Rates (WADTDR) of ASCBs



Source: SBI Research

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