



'Be the Bank of Choice for a Transforming India'

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SBI COMPOSITE INDEX SLOWING DOWN

The yearly SBI Composite Index for Sep'18 has increased to 52.60 (Moderate Growth) from 51.4 (Moderate Growth) in Aug'18. While, the M-o-M index declined to 49.9 (Low Decline) in Sep'18, from 51.78 (Low Growth) in Aug'18.

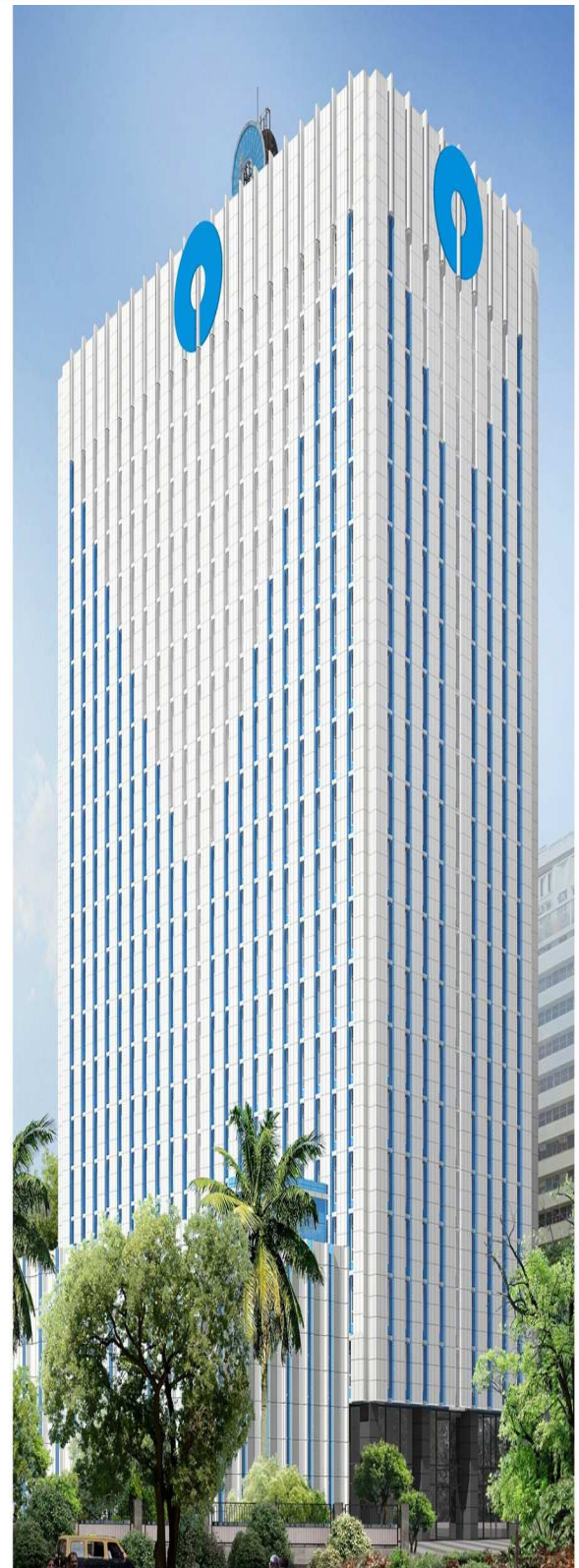
The SBI Composite Index, a leading indicator for manufacturing activities in the Indian Economy aims to foresee the periods of contraction and expansion. The Composite Index has mainly two indices i.e. SBI Monthly Composite Index and SBI Yearly Composite Index.

We expect IIP growth to moderate to around 4%-5% levels in August and September. We also estimate that Q2 GDP growth will slow down possibly more than expected earlier with the recent happenings in the market.

Meanwhile, in the forthcoming policy, RBI is likely to raise the policy repo rate at least 25 bps. We rule out a hike of 50 bps, as it may spook the market. However, there is an outside probability of change in neutral stance too, as 3 successive rate hikes with a neutral stance could contradict RBI message.

It seems that liquidity is currently not much of a problem, however, it is the uncertainty in the market which is contributing to credit crisis. The recent increase in mutual funds redemptions is resulting in increase in bank deposits and due to uncertainty in the market funds are getting parked in reverse repo.

Even with the recent assurance by Government and RBI on liquidity fronts, there is some amount of reduction in anxiety in the market but people are still jittery. In July 2018, the Mutual Fund industry has seen outflow of Rs 32,628 crore (redemption of liquid funds Rs 31,141 crore and Rs 7950 crore from liquid and income funds, inflows of Rs 10,585 crore in ELSS) and the industry expects Rs 50,000 crore from the debt market in September 2018.



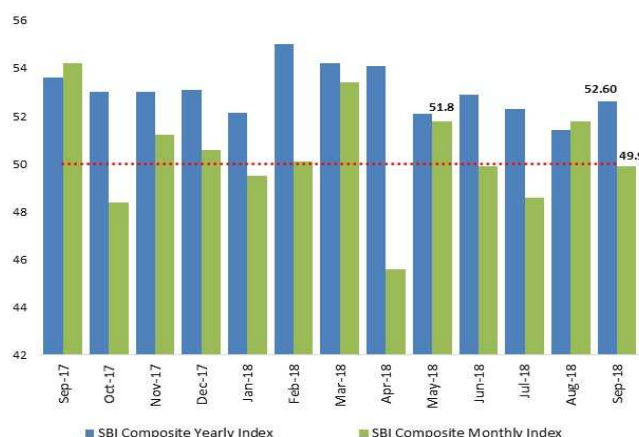
SBI COMPOSITE INDEX: SEPTEMBER 2018

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- ◆ The SBI Composite Index, a leading indicator for manufacturing activities in the Indian Economy aims to foresee the periods of contraction and expansion. The Composite Index has mainly two indices i.e. SBI Monthly Composite Index and SBI Yearly Composite Index.
- ◆ With the robust growth in the SBI Composite Index, we believe IIP Manufacturing growth may grow at 4.3% in Aug'18 and 5.2% in Sep'18.

Table 1: How to Read SBI Composite Index	
SBI Composite Index	Index Value
Less than 42	Large Decline
42 to 46	Moderate Decline
46 to 50	Low Decline
50 to 52	Low Growth
52 to 55	Moderate Growth
55 & Above	High Growth

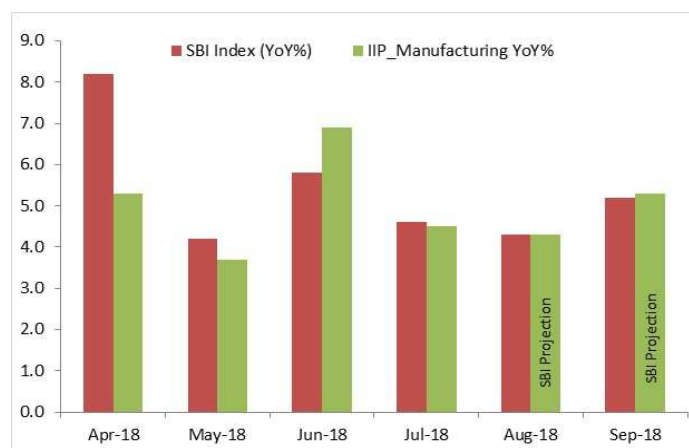
Source: SBI Research

Chart 1: SBI Yearly and Monthly Composite Index Trend



Source: SBI Research

Chart 2: SBI Yearly Index (YoY %) & IIP Manufacturing (YoY %)



CAPACITY ADDITION IN Q1FY19

- ◆ Projects worth Rs.73483 cr are completed during April to June 2018 and are ready for commercial production this year.
- ◆ Major sectors where capacity addition were completed and will go for commercial production this year include LNG Storage & Distribution, Shipping Infrastructure, Iron & Steel, Shipping, Gas distribution. Irrigation, Cement, Hydel based Power etc. List of major sector given in Table.

Projects completed in Q1FY19		
Sectors	Projects	Amount Rs in Cr
Iron & Steel	15	19,968
Roadways	79	14,013
Shipping Infrastructure	1	10,000
LNG Storage & Distribution	1	5,200
Irrigation	3	4,214
Cement & Asbestos	7	2,291
Hydel Based Power	2	1,583
Electrical Machinery	7	1,450
Gas Pipeline	2	1,132
Fertilisers	1	976
Non Conventional Energy	9	879
Food Products	8	550
All Sectors	305	73,483

Source: Projects Today; SBI Research

ABOUT US

The Economic Research Department (ERD) in SBI Corporate Centre is the successor to the Economic and Statistical Research Department (E&SRD). The latter came into being in 1956, immediately after the State Bank of India was formed, with the objective of “tendering technical advice to the management on economic and financial problems in which the Bank has interest and which required expert analysis”.

After the first reorganization of the Bank, when specialized departments like Management Science, Management Information Systems, Planning and Market Segment Departments took over the statistical work of E&SRD, the Department was renamed as ERD.

However, with the ERD team now taking on multidimensional functionalities in the area of risk management , corporate analytics, strategy and so on, who knows, the time may have come to rename it again!

DISCLAIMER

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