

JULY 31, 2018
ISSUE NO:33, FY19**SBI COMPOSITE INDEX LOSING STEAM**

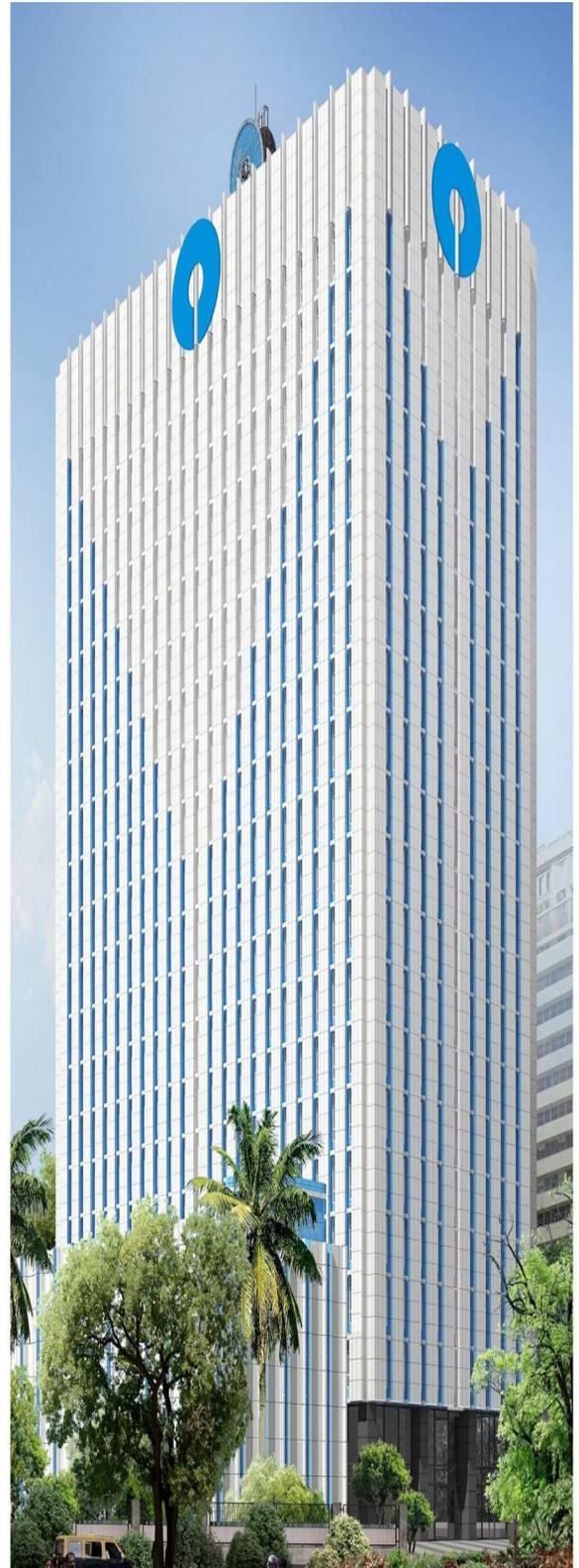
The yearly SBI Composite Index for Jul'18 has now declined marginally to 52.3 (Moderate Growth), from 52.9 (Moderate Growth) in Jun'18. The M-o-M index also declined even further to 48.6 (Low Decline) in Jul'18, from 49.9 (Low Decline) in Jun'18.

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.

With the growth in the SBI Composite Index, we believe IIP Manufacturing growth is set to reverse and the growth is likely to decelerate to 4-4.5% in July from estimated 5% in June 2018. Thus, IIP is likely to remain below peak that was seen in Nov-Feb.

Meanwhile, sectors such as Steel, Entertainment, Automobiles, Chemicals FMCG etc. has reported all round growth in Q1 FY19. Steel, Auto Ancillary however reported better growth numbers because of improving realisation but also lower base.

All eyes are now on RBI policy on 01 Aug'18. Markets seem divided over a rate hike or status quo at this point. While a rate hike now will mean RBI frontloading the rate hike cycle as both headline and core are set to fall rapidly post June. We expect Core to decline meaningfully beginning Aug. However, with global uncertainties and recovery emanating mixed signals, the question could whether successive rate hikes is the answer to such.



SBI COMPOSITE INDEX: JULY 2018

- ◆ The yearly SBI Composite Index for Jul’18 declined marginally to 52.3 (Moderate Growth), from 52.9 (Moderate Growth) in Jun’18. The M-o-M index also declined further to 48.6 (Low Decline) in Jul’18, from 49.9 (Low Decline) in Jun’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.
- ◆ With the robust growth in the SBI Composite Index, we believe IIP Manufacturing growth will reverse and may grow at 5.1% in Jun’18 but may decline to 4.5% in Jul’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

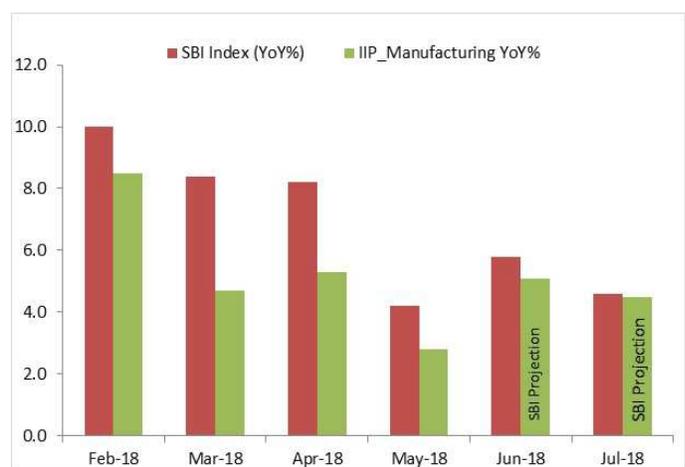
Source: SBI Research

Chart 1: SBI Yearly and Monthly Composite Index Trend



Source: SBI Research

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



CORPORATE RESULTS : Q1FY19

- ◆ As per the initial trend for the first quarter of FY19, we saw top line growth of 21% and bottom line growth of 16% from the published results of 428 companies.
- ◆ Sans, Bank, Finance, Insurance and Refineries, with 367 companies, the bottom line looks further better with reported Y-o-Y growth of 23% and Top and Middle line growth of 15%.
- ◆ Sectors such as Entertainment, Automobiles, Chemicals FMCG etc. reported all round growth in Q1FY19 as compared to the same period in previous year. Steel, Auto Ancillary reported better growth numbers because of better realisation and low base.
- ◆ Sector such as Cement, Pharma, Aviation etc. reported negative growth in bottom-line Q1FY19 albeit little growth in top line while Telecom, Realty continued to struggle.
- ◆ Capital Goods both Electrical Equipment and Non Electrical Equipment reported excellent growth in PBIDT and PAT with a reasonable growth in top line. Select sectors reported all round growth in Q1FY19 is as in the adjacent table.

Sector-Wise Corporate Results - Growth in Key Parameters in Q1FY19 over Q1FY18					
Sl No.	Sector	No of Companies	Net Sales	PBIDT	PAT
1	Entertainment	13	57%	50%	56%
2	Auto Ancillaries	18	33%	38%	58%
3	Automobile	19	27%	23%	26%
4	Steel	17	27%	71%	222%
5	Agro Chemicals	5	25%	58%	34%
6	Chemicals	26	17%	24%	11%
7	Capital Goods - Electrical Equipment	9	15%	34%	67%
8	IT - Software	31	14%	14%	14%
9	Capital Goods-Non Electrical Equipment	14	12%	82%	213%
10	FMCG	12	8%	19%	26%

Source: Cline; SBI Research ; 367 companies sans Bank, Finance, Insurance and Refineries

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!

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