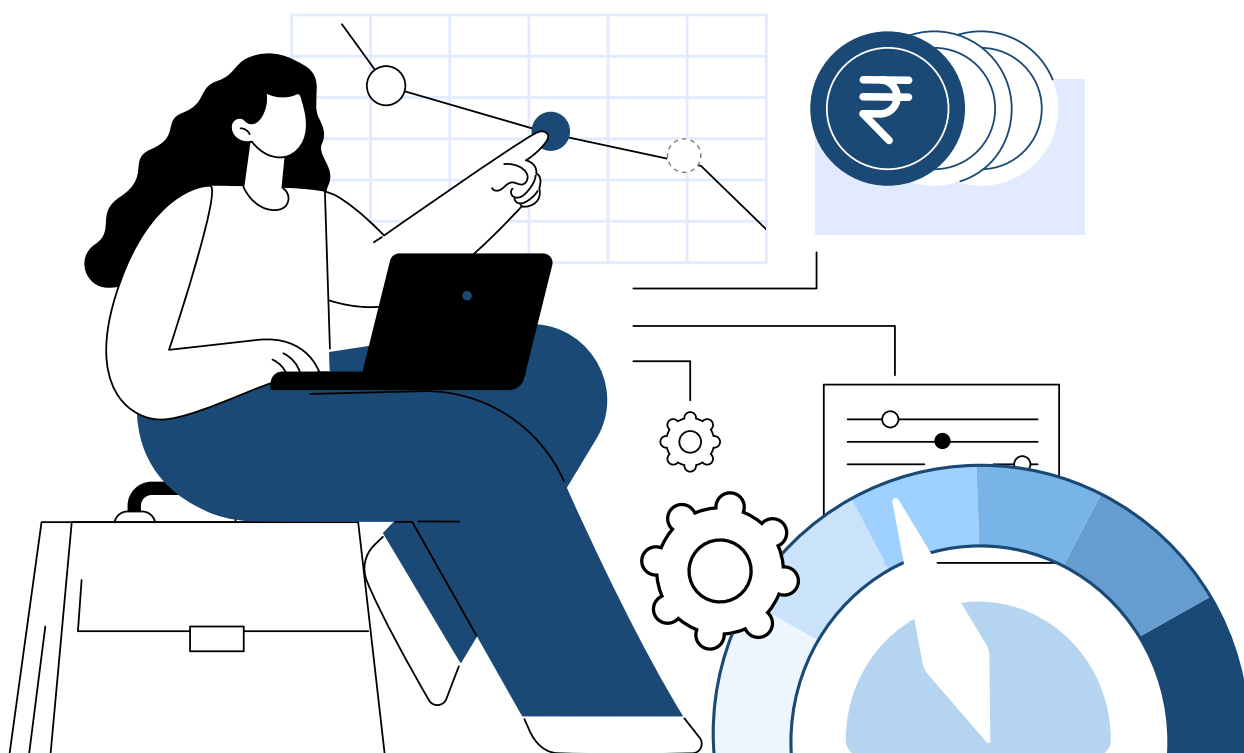
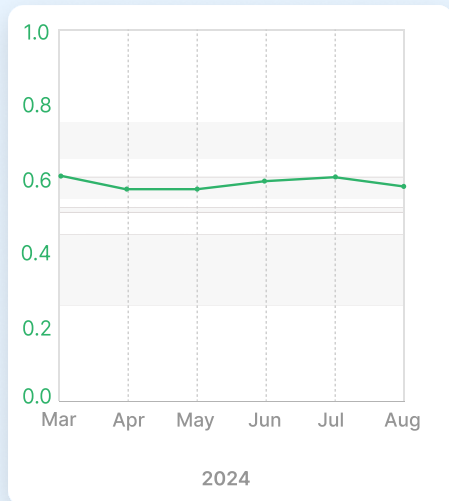


# Uncertain Times Test MSME Resilience



**Insights from India's First  
MSME Economic Activity Index**



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### Aug'24 Jocata Sumpoorn **0.56**

Jocata Sumpoorn moved down to 0.56 in August, from the 0.60 level in July, indicating that the sales activity of credit-seeking MSMEs stays in the phase of mild expansion.

## Signs of strain?

Over the last year, Sumpoorn has stayed in the range of 0.55–0.60 staying in the zone of mild expansion, an endorsement of the MSMEs' resilient performance. The slippage in the growth of sales activity in August from 0.60 to 0.56 is in sync with multiple indicators, which have been called out by the Ministry of Finance's Monthly Economic Review as "incipient signs of strains". These include data from the Federation of Automobile Dealers Association data showing a moderation in passenger vehicle sales and rising inventory in August, slowing growth of FMCG sales in urban areas, and a decline in capital spending by state governments. Other data that has come in also gives cause for concern. In August, the output in the eight core industries contracted for the first time in 42 months by 1.8 percent, with only steel and cement reflecting positive growth. Though there was a large base effect from August 2023 that influenced this contraction for the core sector, the index was also 4.18 percent lower month-on-month. Purchasing managers from large firms have been reporting slower growth, and the HSBC PMI Manufacturing Index has been moving down for four consecutive months, with September marking the softest expansion this calendar year.

## Uneven impact of monsoon

In line with the IMD forecast, India saw above-average rainfall this year, and the monsoon closed recording a four- year high, at about 108 per cent of the long period average. While this is expected to boost kharif output as well as rabi sowing, there have been significant spatial and temporal variations – according to the IMD, there were 525 heavy rainfall events, which is the highest number in the last five years, and 96 extremely heavy rainfall events during this monsoon. On one hand, Bihar had deficient rainfall for the months of June to September, and is currently experiencing floods, while on the other Punjab has seen 28% deficient rain, which will impact the rabi crop. Overall, the current situation is still looking favourable, according to government estimates, with kharif crop sowing exceeding last year by 1.9 percent. However, some crops are lagging behind, like cotton, which has strong implications for the textile sector that has a large MSME presence.

## Festive season may bring cheer

Going further, the auto sector, which is a critical part of the MSME business, is still looking for brighter days – car sales declined for the third consecutive month in September, but two-wheelers and tractor sales have continued to post good growth. Auto dealers have reported improved bookings in response to discounts offered to clear car inventories, indicating that the festive season may revive sales. Bank credit is moving along at a robust pace, though slower than last year – overall non-food bank credit growth has slowed in August to 13.6 percent yoyYoY from 19.8 percent while loans to MSMEs grew by 14.9 percent yoyYoY compared to 17.4 percent. There has been a considerable slow down in personal loans, as intended by the RBI, from 30.4 percent yoyYoY last August to 13.9 percent yoyYoY, which has had its impact on sales of consumer durables and vehicles, yet growth is still in double-digits. Slower and more stable growth augurs well for small businesses. Further, government spending on capex also is expected to pick up in the months ahead, as just 27.1 percent of the total budgeted amount for FY25 had been disbursed till August-end.

## Uncertain times for exports

One of the biggest concerns looming is that of geo-political risk, with increased tension in the Middle East, which can impact MSMEs as they contribute a little more than 45 percent to India's merchandise exports. Non-petroleum exports stood at USD 28.76 billion in August, just marginally higher than the USD 28.74 billion clocked last year. While engineering goods, handicrafts, and electronic goods were amongst the sectors that did well, gems and jewellery recorded a decline of 18.79 per cent in August exports compared to last year. While the government has announced some measures to resolve issues raised by the surge in ocean freight rate and shipping costs, shipping delays and container shortages, these are uncertain times for exporters. While the evolving geopolitics will have an impact on global markets, India's growth drivers and domestic markets continue to look stable.

**To View Entire Index Time Series From Oct'19**  
**[Click Here](#)**

## Jocata Wins Global SME Finance Forum 2024 Award for Product Innovation in São Paulo, Brazil!



We are excited to share that Jocata has won the prestigious Global SME Finance Forum 2024 award for our products SWARA & Sumpoorn. This recognition is a testament to our commitment to building a financially inclusive future for MSMEs by harnessing the power of AI & data analytics.

We are deeply grateful to SIDBI for their support and for trusting us to build a one-of-its-kind country level index for the MSME ecosystem. It's a moment of pride and we thank our incredible team of data scientists, credit experts, and our valued financial institution partners.

[Click Here](#) to Read More

## What is Jocata Sumpoorn in association with SIDBI?

Jocata Sumpoorn in association with SIDBI is an MSME-specific high frequency indicator built using consent-led and anonymised sales data of 76,000+ MSMEs seeking credit from financial institutions.

The sample is well-distributed across geography, turnover size and sectors.

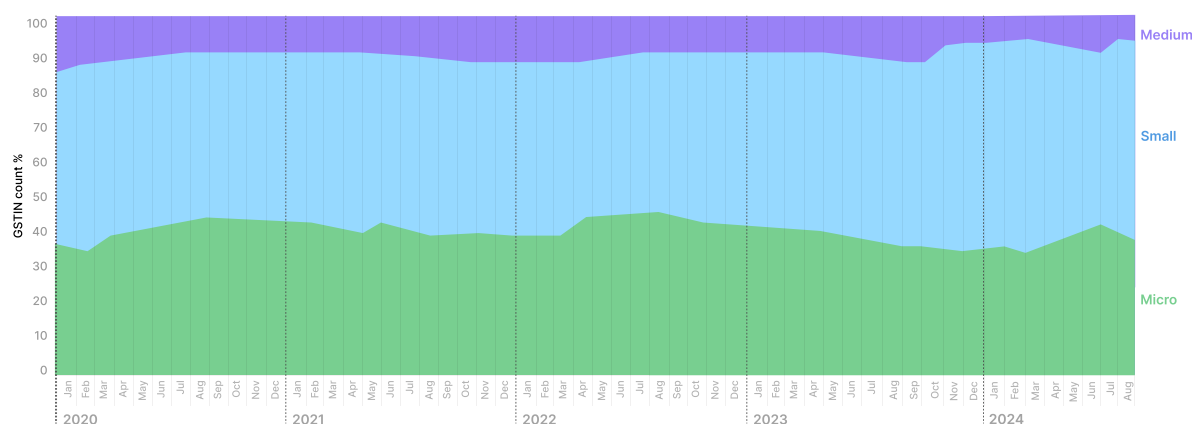


Fig - % Distribution by turnover size within MSME sample

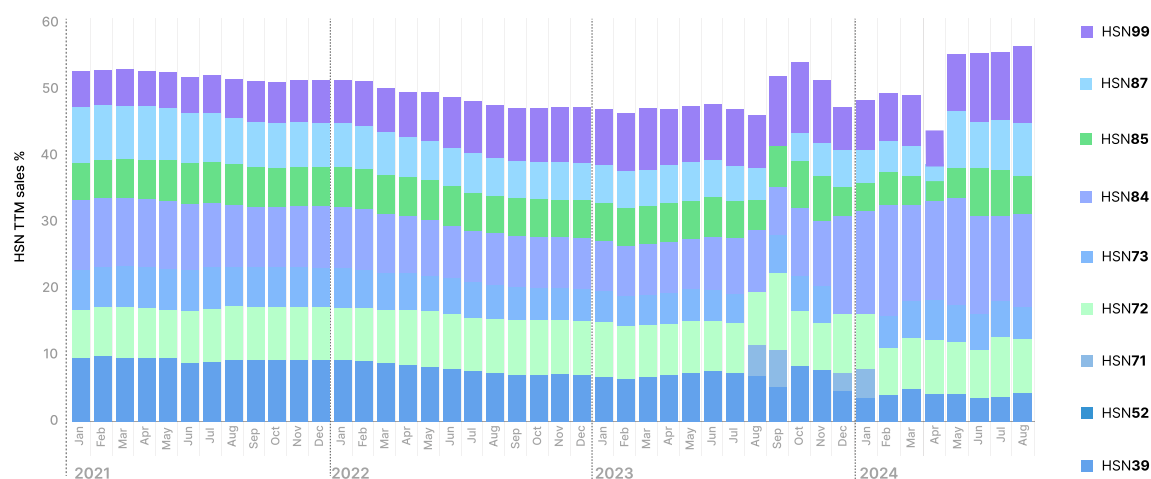


Fig.- % Distribution by value of top 7 HSNs within MSME sample



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