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# FIRST LIGHT

26 May 2022

## RESEARCH

### BOB Economics Research | GDP Expectations

Recovery in FY22

### Media

Expert call takeaways – Industry staging a swift recovery

## SUMMARY

### India Economics: GDP Expectations

Growth in Indian economy is expected to improve by 9.2% (GDP) in FY22 led by services. Agriculture sector is also expected to provide support in parallel. With the ebbing of the 3rd covid-19 wave, pent up demand especially for hospitality sector has provided the thrust. However, prolonged geopolitical conflicts pose significant risk to future projections. In addition, surge in global inflation has added to the concerns. Global rate hike cycle is expected to counter and tame this fear.

Click here **for the full report.**

### Media

- Media industry seeing robust recovery as consumers are returning to theatres in large numbers and spending more
- Recent announcements of consolidation in the sector may help reduce rentals for premium spaces and also increase pricing power
- OTT platforms generally help the market by offering more incentives to content creators but cannot substitute for a theatre experience

Click here **for the full report.**

### Daily macro indicators

| Indicator | 23-May | 24-May | Chg (%) |
|---|---|---|---|
| US 10Y yield (%) | 2.85 | 2.75 | (10bps) |
| India 10Y yield (%) | 7.39 | 7.36 | (3bps) |
| USD/INR | 77.52 | 77.59 | (0.1) |
| Brent Crude (US$/bbl) | 113.4 | 113.6 | 0.1 |
| Dow | 31,880 | 31,929 | 0.2 |
| Hang Seng | 20,470 | 20,112 | (1.7) |
| Sensex | 54,289 | 54,053 | (0.4) |
| **India FII (US$ mn)** | **19-May** | **20-May** | **Chg ($ mn)** |
| FII-D | 11.1 | (23.9) | (35.0) |
| FII-E | 187.6 | (165.6) | (353.2) |

Source: Bank of Baroda Economics Research

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## GDP EXPECTATIONS

25 May 2022

# Recovery in FY22

**Growth in Indian economy is expected to improve by 9.2% (GDP) in FY22 led by services. Agriculture sector is also expected to provide support in parallel. With the ebbing of the 3rd covid-19 wave, pent up demand especially for hospitality sector has provided the thrust. However, prolonged geopolitical conflicts pose significant risk to future projections. In addition, surge in global inflation has added to the concerns. Global rate hike cycle is expected to counter and tame this fear.**

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**Growth Expectations**: According to MOSPI, India's economy is pegged to grow by 8.9% in FY22 (2nd Advance Estimate) with Q4FY22 growth kept at 4.8%. ADB has projected India's growth at 7.5%, while IMF expects it at 9% for FY22. However, we expect the economy to do much better sequentially specially on the back of base effect and normalisation of economic activity. The overall impact of Omicron variant which resulted in the 3rd wave of Covid-19 seems to be relatively muted than was initially anticipated. Further, rapid pick up in the pace of vaccination programme is also expected to support growth.

**Q4 growth expected to be higher**: With improvement in mobility indices and opening of economy along with much lower covid-19 cases across states; contact-intensive sectors are expected to make stronger recovery. The economy is projected to grow by 5.5% in Q4FY22 against 5.4% in Q3FY22. A much needed pick up will be visible in services sector with travel and hospitality, contributing significantly towards this recovery. Construction is also likely to edge upwards. However, Agriculture growth might be a tad slow as compared to government expectations (3.3% against government estm of 3.5%) owing to lower yield of wheat crops, conflict between Russia-Ukraine and heat wave conditions. These might pose downside risk to these projections. Industrial growth might be adversely impacted too.

**FY22 growth to improve:** After contracting by 7.3% in FY21, India's economy is poised to recover in FY22. Following factors are likely to contribute towards this improvement: 1. Rural sector has maintained its resilience with normal monsoon and higher production of total foodgrains (As per 3rd advance estimates). 2. Uptick in bank credit growth to push financial services. 3. Improvement in services sector with passenger traffic (-62% to 59%), rail freight (2% to 15%) and port cargo (-4.6% to 7%) leading the race. 4. Higher GST tax collections has also provided much needed support. Against this backdrop, we expect GDP growth at 9.2% in FY22. However, there is downside risk emanating from ongoing Russia-Ukraine conflict, soaring of commodity prices and acceleration in global inflation going ahead. Further, aggravating heat wave conditions has curbed wheat output and added some pressure to industrial growth. A mix of both monetary (RBI frontloading with rate hike) and Fiscal policy (reduction in excise duties) at play is expected to boost growth prospects.

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## MEDIA

25 May 2022

# Expert call takeaways: Industry staging a swift recovery

- **Media industry seeing robust recovery as consumers are returning to theatres in large numbers and spending more**
- **Recent announcements of consolidation in the sector may help reduce rentals for premium spaces and also increase pricing power**
- **OTT platforms generally help the market by offering more incentives to content creators but cannot substitute for a theatre experience**

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We hosted Amit Sharma, MD of Miraj Entertainment. Key takeaways:

**Robust recovery underway:** The media and entertainment industry witnessed a robust recovery in Mar-Apr'22 with both Bollywood and regional content (including dubbed) performing well across India. New content, along with pent-up demand, is drawing large audiences. Not only are consumers paying high prices for tickets, but they are also spending more on food & beverages (F&B). Average ticket price (ATP) has increased by 20-25% and F&B spending is up 30-35%. However, advertising revenue will take around 2-3 quarters to recover. In terms of cost inflation, the recent increase in ATP and spends per head (SPH) can absorb the higher costs.

**Expansion on track:** The content pipeline is strong for the coming months and the industry has the capacity to launch ~350 screens this financial year. India remains an underpenetrated market by global standards. Multiplexes form just 30-35% of overall screens. Despite having the largest movie industry in the world, India has one of the lowest theatre availability levels per capita. Also, ATP is less than US$ 3 against US$ 7-8 in other big global markets.

**Proposed PVR-Inox merger positive for the industry:** A key benefit from the PVR-Inox deal could be a correction in real estate rentals. The merger can also increase pricing power for exhibitors and push up advertisement revenue by 30-35%. With the increased cash flow, exhibitors can also look to enter into movie production. The merger may encourage further consolidation in the industry.

**OTT benefits content creators but cannot replace theatre experience:** Over the top (OTT) services are good for the overall industry as they offer another revenue stream for content creators. With this, content creators can recoup 35-40% of costs even before movie release, which reduces their dependency on box office revenue. OTT platforms have also helped regional content get pan-India viewership. However, they cannot substitute the big-screen theatre experience which is more of a community-based, emotive experience. In a more generalised form, OTT competes for TV series while films are best suited for larger screens.

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