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Global Economic Briefs

- According to the IMF, global growth during first quarter slightly outpaced projections in its April forecasts, but data since then has shown a mixed picture, with “pockets of resilience” alongside signs of slowing momentum. The IMF said this in its briefing note for G20 finance leaders meeting in India next week.
- For the first time this year, International Energy Agency (IEA) cut its 2023 outlook for worldwide oil demand growth, citing a “challenging economic environment”. The IEA now expects crude demand to rise by 2.2 mb/d this year to an average of 102.1 mb/d per day. That was 220,000 barrels per day below its previous estimate.
- China's exports declined in June at their fastest pace since the onset of the COVID-19 pandemic (three years ago), as an ailing global economy puts mounting pressure on Chinese policymakers for fresh stimulus measures. Momentum in China's post-COVID recovery has slowed after a brisk pickup in the first quarter, with analysts now downgrading their projections for the economy for the rest of the year.
- The US economy may escape recession as inflation is slowing and interest rates aren't hurting much. According to Paul Krugman, remote work, industrial policies, and pent-up travel demand may be fueling growth. Retail inflation in the US cooled significantly in June to 3% (y-o-y). However, Fed officials are unlikely to declare victory just yet. They have signaled in recent weeks that they are likely to raise interest rates at their meeting on July 25-26 and one or more additional rate moves may be warranted after that.
- Euro-area industrial production rose less than anticipated in May — adding to signs that manufacturing is struggling to regain momentum after the 20-nation bloc suffered a recession over the winter.
- According to the UN report, the number of countries facing high debt levels has increased sharply from 22 nations in 2011 to 59 in 2022. A growing share of this debt is held by private creditors who charge sky-high interest rates to developing countries.

Indian Economy: Agriculture & Rural Belts

- As on July 14th, cumulative rainfall was 1% higher than the normal (LPA) level. Despite torrential downpour in northern and northwestern India, large parts of the country are still facing rainfall deficit. Of 36 subdivisions, 12 subdivisions (primarily located in eastern, southern and central states) have deficit rainfall.
- The up and down in weather in the recent few weeks have impacted the sowing of kharif crops in the ongoing season. Rice is the main crop of the kharif season. Statistics shows that paddy sowing may be significantly impacted this year.
- The most affected agrarian states in terms of kharif sowing so far are Maharashtra, Karnataka & Odisha.
- Beyond rice, other essential crops like sugarcane are bearing the brunt of unpredictable weather. In particular, vegetables and pulses are experiencing price volatility due to climate issues, floods & droughts.

- India's unemployment rate rose above 8% for the third time this year in June 2023 on the back of seasonal joblessness in rural areas, according to data from CMIE. Delayed kharif sowing has been the primary factor behind the increased joblessness in rural areas.

Indian Economy: Economic & Policy Briefs

- The latest Confederation of Indian Industry (CII) Business Outlook Survey findings show that business confidence in India improved in the June 2023 quarter, driven by enhanced macro stability.
- India's retail inflation as measured by CPI was at 4.8% in June while WPI disinflation widened further to 4.1% in the same month. Going ahead, rising prices of vegetables, pulses and even cereals remain major upside risks to India's inflation trajectory. There is a need for a close monitoring of inflation, considering the unevenness in the distribution of the monsoon and its impact on kharif sowing and price situation.
- At the 50th GST Council meeting, a 28% GST rate has been levied on full value of gaming, horse racing, and casinos. Furthermore, the council members exempted GST on key import of pharma products like cancer drug Dinutuximab, and Food for Special Medical Purposes (FSMP).
- The central government of India has achieved 25% of its annual capital expenditure target of Rs 10 trillion in Q1, FY24 as compared to 23.4% of the annual target of Rs 7.5 trillion during Q1, FY23.
- India's net direct tax collections rose by 15.9% to Rs 4.8 trillion during 1 April-8 July 2023, as per the Ministry of Finance.
- The commercial bank credit in India expanded by 16.22% (y-o-y) to almost Rs 144 trillion at the end of fortnight ended June 30, showed the RBI data. Bank deposits grew by 12.96% (y-o-y) to Rs 192 trillion during the same period.
- India reported a current account deficit (CAD) of US\$ 1.3 billion in the quarter ended March 2023. The CAD amounted to 0.2% of GDP, much lower than the CAD-to-GDP ratio of 2.0% experienced in the preceding quarter and of 1.6% in the year-ago quarter.
- India's merchandise exports declined by 22% (y-o-y) and imports contracted by 17.5% (y-o-y) taking merchandise trade deficit to US\$ 20.4 billion in June 2023 as compared to US\$ 23.4 billion in June 2022.

Indian Economy: Industry & Services Sectors

- India's industrial production posted a healthy growth of 5.2% (y-o-y) in May 2023, led by a rich growth in the production of capital goods (up 8.2%, y-o-y) and infrastructure/construction goods (up 14.0%, y-o-y). However, consumer durables growth (a proxy for urban demand) posted a tepid growth of 1.1% (y-o-y).
- In June 2023, India's two & three-wheeler sales declined by 4.7% (y-o-y) and the sales volumes of tractors stagnated at the same level as in the corresponding period of last year. However, there is a consumer demand at the top end of the market. For example, sales of luxury vehicles in India grew by a robust 38% (y-o-y) during Jan-June, 2023.
- As production costs turn unviable, over 400 opened spinning mills in Tamil Nadu have suspended operations. Majority of the opened spinning mills are LT CT electricity consumers, and these mills are shelling out almost Rs 70,000 more a month due to higher power charges implemented by the government last year. Also, cotton waste prices are increasing for the last ten months even as raw cotton prices decline.
- After staying range-bound in FY23, credit card spend in India hit Rs 1.4 trillion in May for the first time, reveals the latest data released by the RBI. Credit card non-performing assets (NPAs) rose 0.66% to 2.94% as of March, a report by Transunion Cibil showed this week. The report also said

that such products like credit cards and personal loans grew the fastest.

- Hiring by the information technology (IT) sector was down by 31% (y-o-y) in June 2023. Hiring declined across all types of IT companies, including global tech giants, large IT services companies, tech-focused start-ups and unicorns. Hiring fell across all metros and non-metros, with IT-dependent metro cities like Bengaluru, Hyderabad, Chennai and Pune being impacted the most.

Indian Financial Markets

- Liquidity in India's banking system at the start of the trade today (July 14) was in a surplus of Rs 2.07 trillion compared to the yesterday's level of Rs 1.81 trillion. The surplus widened due to some inflows on account of government spending.
- Indian government bond yields rose today (July 14), but the benchmark yield saw its biggest weekly fall in over two months, tracking US peers. The yield fell seven basis points this week, the biggest such fall since the week ended May 5. While a fall in the US inflation has improved sentiment, an increase in the domestic CPI inflation has added to the nervousness. According to experts, the benchmark yield (7.26% 2033) should find bottom at 7.05%, while 7.15% may act as a top, with traders eyeing the Federal Reserve policy decision for the next trigger.
- In June 2023, companies and financial institutions raised Rs 1.39 trillion through the placement of 230 bonds, compared with Rs 875.27 billion mobilised through 238 bonds a month ago, according to data sourced from the National Securities Depository Ltd and compiled by Informist. Domestic CPI inflation prints below 5% for the past three months and the RBI's 'pause' mode have buoyed the sentiment.
- Indian rupee ended at 82.1612 against the dollar on July 14th marking a gain of 0.5% over the week. Rupee was supported by a sell off in the US dollar on expectations that the US Federal Reserve's rate hike cycle was near its end. The dollar index fell to a fresh 15-month low on July 14th and is down 2.4% so far this week, after a data showed that inflation was easing in the US.
- Indian equities too ended higher this week, marking a third straight week of gains, on hopes that the US Fed would pause rate hikes. According to experts, Indian stocks offer the best long-term opportunity to generate returns that outperform other key markets. The other good markets include the US, Japan & China.
- Global benchmark Brent crude has been hovering above \$81 a barrel currently, with bullish sentiment over US demand bolstered by supply disruption in Libya and Nigeria.

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