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## Global Economic Briefs

- According to the IMF's latest projections, world economic growth will slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024 – a 0.1 percentage point downgrade for 2024 from July. This remains well below the historical average. The global economy is limping along, not sprinting.
- Headline inflation continues to decelerate, from 9.2% (y-o-y) in 2022 to 5.9% in 2023 and 4.8% in 2024. Core inflation, which excludes food and energy prices, is also projected to decline, albeit more gradually, to 4.5% in 2024. Most countries are not likely to return inflation to target until 2025, says the IMF.
- As per the IMF's assessment, the probability of a soft landing for the global economy including labour markets has increased. Among advanced economies, the US growth outlook has been revised up, with resilient consumption and investment, while euro area activity was revised downward. Many emerging market economies also proved unexpectedly resilient, with the notable exception of China.
- China's real-estate crisis could intensify, posing a complex policy challenge. Restoring confidence requires promptly restructuring struggling property developers, preserving financial stability, and addressing the strains in local public finance.
- According to World Bank Chief Economist, the global economy is getting weaker, although the US and India are bright spots in an arena where high interest rates are dragging growth lower.
- According to Bloomberg Economics, the new higher-for-longer stage of global monetary policy may last only until the early months of 2024 as central banks begin moving toward cutting borrowing costs. However, the outbreak of military conflict in the Middle East may leave central banks battling new inflationary trends as well as deal a blow to economic confidence at a time when they had expressed growing hope about containing the price surge sparked by the pandemic and Russia's 2022 invasion of Ukraine.

## Indian Economy: Agriculture & Rural Belts

- According to IMD, the four-month monsoon season (June-September) for India recorded rainfall at 94% of its long period average (LPA) and considered 'normal.'
- Monthly rainfall over the country was highly uneven with 91% of the LPA in June, 113% of the LPA in July, 64% of the LPA in August, and 113% of the LPA in September.
- As per the latest reservoir status dated 12th October, the live storage available in India's 150 critical reservoirs is 18% lower than the last year's level and 6% below normal (i.e., past ten years' average).
- The states witnessing maximum negative deviation of water reserves from normal as on 12th October were Tamil Nadu (-62%), AP (-49%), UP (-29%), Karnataka (-29%), Kerala (-24%), Punjab (-15%) and Tripura (-12%).
- Extremely uneven rainfall poses risk to the Kharif yield, plus the depleted water reserves in several States could challenge timely sowing of Rabi crops. This does not augur well for rural incomes and food inflation in H2, FY24.

- As per reports, uneven monsoon is weighing on demand for FMCG firms. Rural demand recovery remained elusive in Q2, FY24. Tractor sales too declined by 10% (y-o-y) in September, even when the overall auto retail sales soared by 20%.

## Indian Economy: Economic & Policy Briefs

- While the World Bank has kept India's GDP growth projection unchanged at 6.3% for FY24, citing public investment in infrastructure as a significant driver of growth, the IMF has raised its forecast for India from 6.1% to 6.3%, citing increased consumption and infrastructure spending.
- India's CPI inflation eased from 6.8% in August to 5.0% in September, partly driven by a favourable base effect and partly by a sequential easing in the prices of food & beverages (esp. vegetables, fruits and oils & fats), housing (home rents) and fuel & light (LPG). Core inflation (ex 'food & fuel') too eased from 4.83% in August to 4.56% in September, thanks to the RBI's dedicated focus to inflation targeting.
- India's WPI inflation hit six-month high of -0.26% in September but remained negative for the sixth consecutive month. Deflation in September was primarily due to the fall in prices of chemical & chemical products, mineral oils, textiles, basic metals and food products on a y-o-y basis.
- Global investment firm UBS has turned more cautious on Indian banks and changed its rating to "neutral" as banks have been expanding their unsecured lending portfolios aggressively. UBS sees a higher probability of regulatory tightening on unsecured loans.
- Net financial savings of Indian households fell to a 50-year low in FY23, according to data from the RBI. The household savings rate stood at 5.1% of GDP in FY23 as compared to 7.2% in FY22. However, household liabilities were up 76% (y-o-y) in FY23. As a share of GDP, total financial liabilities rose to 5.8% in FY23, as compared with 3.8% in FY22.
- India's net direct tax collections rose by 21.8% to Rs 9.6 trillion during 1 April-9 October 2023, as per the Ministry of Finance. Its gross GST collection for H1, FY24 too was higher by 11% (y-o-y). Going ahead, inflation patterns, particularly in the WPI may affect nominal GDP growth & GST collections.
- India's merchandise exports fell year-on-year by 2.6% to $34.5 billion in September, while merchandise imports were 15% lower than the year ago level. Since the fall in imports was much steeper than the fall in exports, trade deficit in September narrowed to $19.4 billion from $28 billion in the year-ago month.
- India's foreign exchange reserves declined from $598.897 billion as of Sept 1st to $584.742 billion on Oct 6th - the lowest in more than five months, the RBI data showed. This was primarily on account of the valuation loss and the RBI's intervention in the currency spot market to curb the rupee's depreciation against the dollar.

## Indian Economy: Industry & Services Sectors

- India's two-wheeler exports declined by 20% (y-o-y) during H1, FY24 due to a challenging geopolitical situation and forex crises in key markets such as South Asia.
- Auto sales in India continued to grow in September at 1.6% (y-o-y) across all segments, according to data released by the Society of Indian Automobile Manufacturers on October 16. However, the sluggish growth in income levels of rural India was an area of concern, which was hitting sales in the entry-level segment of two-wheelers and cars.
- India's industrial activity, as measured by the Index of Industrial Production (IIP), posted a sharp

rebound in August with 10.3% growth year-on-year, which was a 14-month high. The growth was primarily driven by electricity generation followed by mining and manufacturing. While a favourable statistical base helped, a very high growth in infrastructure and capital goods was facilitated by the central & state governments' capex spending.

- Within the manufacturing sector of IIP, there were still seven product groups, notably wearing apparels, wood products, paper products, chemical products, computers, electronics & opticals, furniture and other manufacturing that posted negative y-o-y growth rates in the month of August, 2023.
- Based on the S&P PMI survey, India's services sector growth strengthened further in September (print 0f 61 in Sept), recording robust sales performances. The services PMI has held firm in the expansion zone every month since August 2021, its longest such stretch since August 2011.

## Indian Financial Markets

- Deficit in the Indian banking system's liquidity has started shrinking due to increased government spending. At the start of today (Oct 17), liquidity deficit was at Rs 63.59 billion.
- However, dealers expect 'liquidity' to come under strain in the coming months due to the likely intervention by the RBI in the foreign exchange market.
- Bond yields (both government & corporate) have developed a hardening bias due to the spike in crude oil prices, driven by Middle East violence. This combined with the likelihood that inflation may rise again in H2, FY24 and the RBI's plan to sell bonds, led to higher yields. Liquidity tightness has slowed down the bond purchases by public sector banks. In a month's time, the yield on GOI 10-Yr benchmark paper has risen by 15 bps, while that on AAA 3-Yr corporate bond has gone up by 18 bps.
- Indian rupee dropped to a one-year low of 83.28 against the US dollar yesterday (Oct 16) amid rising concerns about oil prices. Concerns of escalation of the Israel-Hamas conflict resulted in Brent oil futures firming up above $90 per barrel. Rupee has partially recovered to 83.25 today on the RBI's intervention.
- Of late Indian stock markets are depicting increased volatility due to the geopolitical headwinds and the risk off sentiment by the FIIs. However, equity participants see a positive bias in stocks in the near term led by expectation of healthy festive demand and decent earning results from the majority of the corporates.

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