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Global Economic Briefs

- Six out of ten respondents surveyed in the World Economic Forum's latest *Chief Economists Outlook* view global economic prospects as "anaemic" and expect "overall conditions to weaken over the year ahead". Global growth could slow to 2.6% in 2024 from 2.9% this year, according to a Reuters poll forecast. While economists generally agree the world will avoid falling into recession, they highlight the possibility of "mild recessions" in Europe and the UK.
- According to Arab news, the escalation of violence between Israel & Hamas has sparked concerns about its potential impact on the world economy and, in a worst-case scenario, push in into recession. If Israel's army were to engage with militias in Lebanon & Syria that support Hamas, the conflict could spill over into a regional war. Such an escalation could again lead to a spike in oil prices.
- The US retail sales fell for the first time in seven months in Oct 2023, as motor vehicle purchases and spending on hobbies dropped, pointing to slowing demand at the start of the fourth quarter.
- Global economic trends reveal eased inflation in the US and UK, prompting speculation of interest rate cuts. Europe sees uneven recovery, while Asia faces uncertain economic rebounds.
- In Asia, the economic recoveries in China and Japan are facing uncertainties, with factors such as slowing consumption contributing to shaky prospects.
- As major central banks in the US, euro zone, and the UK temporarily pause rate hikes, their counterparts in Europe's northern region face critical decisions.
- The FOMC minutes released on Nov 21st showed all participants agreed to "proceed carefully" and policy decisions at every meeting would continue to be based on the totality of incoming information and economic outlook as well as the balance of risks. This is taken as a signal for the continuance of higher for longer narrative.
- This week's summit meeting between the presidents of US and China may not resolve any of the major differences that plague relations between the two economic powers. However, it has offered the promise of stabilising a relationship that has recently been in free fall and brought growing concerns. There is cautious optimism that the current attempt is built on more solid grounds.

Indian Economy: Agriculture & Rural Belts

- During Oct 1st to Nov 20th, India's northeast rainfall has reported 27% deficiency. The Central Water Commission's recent report highlights growing concerns as water levels in reservoirs across southern Indian states continue to decline. In September 2023, water stocks stood at 48% of the total storage capacity, dropping to 46% in October, and further plummeting to 44% in November. This starkly contrasts with last year when water reserves were at 87% around the same time.
- The sowing area under all Rabi (winter) crops has reached 24.9 million hectares (mh) as of 17th Nov, down by 3% from 25.7 mh a year ago. Wheat planting has touched 8.6 mh, which is 5% lower, year on year.
- As per reports, India's sugar production during the period 1 Oct to 15 Nov 2023, is reported to be 1.3 MT, down by 37% (y-o-y). Though crushing started earlier than previous season, the lower

recovery of cane juice in Maharashtra may not be completely offset by higher recovery in Uttar Pradesh, potentially leading to a decline in sugar output this year.

- At a time when the central government has extended the free-food programme and rural demand has remained depressed, rural inflation was higher than its urban equivalent in 18 of the 22 months from Jan 2022 to Oct 2023.
- India's rural unemployment rate increased from 6.2% in Sept to 10.82% in Oct 2023. Weak rainfall significantly reduced farming output, denting potential work opportunities in rural areas.

Indian Economy: Economic & Policy Briefs

- S&P Global Ratings projects economic output of India to post an annual expansion of 6.0% to 7.1% in fiscal years 2024-2026. It further states that interest rates in India are unlikely to rise materially and this should help limit the risk for the banking industry.
- According to a report by Business Standard (dated 20th Nov 2023), India's K-shaped recovery from the pandemic slowdown is reflected in corporate results also. The automobile sector, which represents big-ticket consumption, continues to do well and has increased its share in corporate revenues and profits while FMCG companies that sell low-ticket consumer goods are struggling with poor sales & earnings growth.
- Led by supportive base effect, India's CPI inflation in October came in at 4.87% (y-o-y) despite a sharp sequential uptick in the prices of "food & beverages" and "housing" components. Repressed inflation in "fuel & light" category also aided. The continued subdued print of core inflation, however, offers respite and would allow the MPC room to maintain status quo at least until the end of this financial year.
- Fresh formal job creation cooled for the second consecutive month to decline to a six-month low in Sept 2023, signalling a downturn in the labour markets this financial year.
- On expected lines, the RBI increased the risk-weights on unsecured credit and bank loans to NBFCs. This was in response to its concern over the rapid growth (@20% CAGR) in unsecured loans over the past four to five years. According to Moody's this move is credit positive as lenders will have to allocate higher capital, which will improve their loss-absorbing buffers.
- India's goods exports grew only for the second time in FY24 in October, albeit on a low base, rising 6.2% to $33.6 billion, but imports jumped to a record high of $65.03 billion, 12.3% over last year, fuelled by higher gold inflows. Consequently, India's monthly goods trade deficit widened to an all-time high of $31.46 billion, eclipsing the previous record of $29.23 billion in September 2022.
- Net foreign direct investment (FDI) in India fell by 77% to US$ 4.5 billion during April-September 2023. The decline in inflows in the second quarter of the current fiscal can be attributed to the global slowdown in investment activities and an increase in repatriation.

Indian Economy: Industry & Services Sectors

- Rating agency ICRA suggests that global challenges impacting domestic economic activity will likely lead to a restrained and moderate approach to private sector capital expenditure in India over the coming years. ICRA also remains skeptical about project completion as elections approach and expects spillovers to the next fiscal year.
- India's factory output growth fell to a three-month low of 5.8% in September from 10.34% in August due to slower activities in the manufacturing, mining, and electricity sectors. Within the use-based classification, the production of consumer goods decelerated sharply, with modest

growth seen in the consumer durables component.

- Tractor sales in India declined by 5.3% (y-o-y) in October. Industry representatives and analysts pointed out that the festive season this year is spread across two months and hence October sales were slightly muted compared with last year. However, two-wheeler sales posted a growth of 20.1% (y-o-y) in October.
- Tamil Nadu is experiencing significant growth in the auto retail market, surpassing the national average. Rising disposable incomes, urbanization and improved road infrastructure are driving the sales of passenger vehicles and two-wheelers in the state.
- ICRA rating agency has lowered its projection for the services sector growth in Q2, FY24 to 8.2% (y-o-y) from 10.3% in Q1, FY24 due to the decline in output across all kharif crops.

Indian Financial Markets

- At the end of the trade yesterday (Nov 21), liquidity in the banking system was in a deficit of Rs 1.74 trillion. Liquidity deficit has widened this week on account of outflows in the form of goods & services tax (GST) to the tune of Rs 700 billion to Rs 1 trillion. Apart from GST, there are no major inflows/outflows scheduled currently.
- While the yield on 10-Yr GOI benchmark paper is trending lower, tracking the moves in US treasury yields, the yields on corporate bonds maturing in three and five years are showing a hardening bias on account of higher supply. Market participants are expecting a fresh supply of issuances from NBFCs next week after the RBI increased risk weights last week. Apart from NBFCs, several banks are also said to have been lining up their bond issuances in the primary market, according to merchant bankers.
- After sustained selling in the last two and a half months, FPIs bought Indian assets worth US $1.71 billion thus far in November, primarily due to the decline in US treasury yields and crude oil prices. Between Oct 31 & Nov 22, US 10-Yr treasury yield has declined from 4.93% to 4.42%, while Brent crude price has eased from $ 87.41 to $82.55 per barrel.
- After hitting a record of 83.42 against the US dollar on November 10, the Indian rupee has stabilised ~ 83.27 today (Nov 22) on account of the return of FII inflows and relatively lower global Brent crude prices. The same factors will influence its trajectory, going ahead. The OPEC is likely to take a decision on whether to implement additional oil supply cuts, as per the Reuters news. This is expected to weigh on the rupee in the coming weeks.
- Indian stocks have held their ground and gained 1.86% in the month of November so far, led by easing trends in the US treasury yields & global crude oil prices and a decent financial performance of companies in Q2, FY24. According to stock experts, Indian equity markets can witness another rally ahead of general elections 2024 in six months.
- Brent crude price has declined by 5.6% in the month of November so far amid concerns of a slowdown in China. However, there is a cautious mood amongst the traders as OPEC & allies will be meeting on Nov 26 to take a decision on extending or deepening supply cuts to support prices.
