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Global Economic Briefs

- On the back of global slowdown and Brexit worries, the UK economy grew at 1.0% (y-o-y) in Jul-Sept, 2019 – its lowest since the first quarter of 2010. Britain's economy has lost momentum since the 2016 Brexit referendum, before which it typically grew more than 2% a year.
- Germany's economic growth fell by 0.1% in the second quarter, with government figures in the third quarter expected on Nov 14th. Germany is Europe's biggest economy and is known for its high-quality automobiles and machinery which is sold to other countries.
- According to a former Chinese finance minister, a Sino-US trade war could ease somewhat but the wider conflicts between the US and China will continue to haunt the world economy.
- In a fresh challenge to the ability of global central banks to revive inflation, China's slowest growth in almost three decades and cheaper energy costs have left manufacturing prices declining since July.
- The US president Trump is expected to push back a decision on whether to impose tariffs on EU automobile imports for six months, as per the report from Politico. The Trump administration has to decide whether to slap import tariffs on cars and auto parts until Nov 13th.
- International rating agency Moody's cut its global sovereign outlook for 2020 to 'negative' from 'stable' on Nov 11th, saying disruptive and unpredictable world politics would slow growth and increase the risk of economic or financial shocks.

Indian Agriculture Scene

- The excess monsoon & post-monsoon rainfall across parts of Central & South India have spoilt the kharif party for many a farmer in these regions this year.
- Crops such as soyabean, groundnut, pulses and cotton, among others, have been hit by excess rains both during the growth stage and in the harvest period, thereby trimming crop sizes in some cases and also impacting the quality of the produce. Besides, horticulture crops such as onions and tomatoes and perennial crops such as coffee and pepper have also been impacted.
- A total of seven cyclones has hit Indian Coasts so far in 2019. Three cyclones were formed in Bay of Bengal, while four were formed in Arabian Sea. The ongoing cyclone Bulbul is the third cyclone in the Bay of Bengal in 2019 after 'Pabuk' (January 2019) and 'Fani' (May 2019). In the Arabian Sea, four cyclones - Cyclone Vayu, Cyclone Hikka, Cyclone Kyarr and Cyclone Maha – were formed in 2019. Overall, Bulbul is the seventh cyclone of 2019 that pummeled coastal regions of India and Bangladesh.
- Four private insurance companies — ICICI Lombard, Tata AIG, Cholamandalam MS, and Shriram General Insurance — have opted out of the government's flagship crop insurance scheme, PM Fasal Bima Yojana (PMFBY), for both the kharif and rabi seasons of the FY20 crop year, as the claims ratios in the states where they were operators in the previous year were quite high, leading to losses from the business.

India's Overall Economic & Policy Developments

- The rating agency Moody's has lowered India's rating outlook to 'negative' from 'stable' citing growing risks to economic growth and rising debt burden. While the outlook is downgraded, the sovereign ratings are affirmed at Baa2.
- The former RBI deputy governor – Viral Acharya has advised Indian government to reduce its dependence on bond markets and depend more on "disinvestments" to finance the spending. He has also stressed on setting

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up of an independent fiscal monitor (on the lines of a congregational budgeting office), where every time a programme is announced, there is an audit within two months that looks into the next five year implications of financing to be met for the particular programme.

- According to reports, India's income tax department may seek a downward revision in the direct tax collection target for FY20 by around Rs 1 trillion. This is because growth in this segment has dropped to three per cent as of 31 October 2019 as against 17.3% estimated for FY20.
- India has decided to opt out of RCEP [Regional Comprehensive Economic Partnership] due to concerns about getting swamped by imports. India runs a large trade deficit with RCEP countries (i.e., China & the ASEAN countries) and was looking for specific protection for its industry and farmers from a surge in imports, especially from China. The move has given enough elbow room to India to be able to bilaterally resolve its issues with other countries.
- According to RBI, Indian banks loans and deposits rose at the pace of 8.9% and 10.3% on year respectively, as on Oct 25, 2019. While outstanding loans increased by Rs 491.54 billion to Rs 98.39 trillion in the two weeks to Oct 25, aggregate deposits rose by Rs 403.40 billion to Rs 129.78 trillion. The Average Credit-Deposit ratio marginally increased to 75.81% as on Oct 25, from 75.66% on Oct 11.
- India's Broad Money Supply, i.e., M3 growth was at 10.6% (y-o-y), as on Oct 25, 2019 (versus 10.0% a year ago). While net bank credit to the commercial sector has been the main source of money supply during FY20, its relative share in M3 has been much lower this year as compared to the previous year.
- India's "foreign exchange reserves" touched a fresh life-time high of $446.10 billion on Nov 1st, 2019.

India's Industrial & Services Sectors Scenario

- Freight traffic on Indian Railways declined by 8.1% (y-o-y) in Oct, 2019; India's diesel consumption contracted by 3.3% (y-o-y) in September and electricity demand fell by 13.2% (y-o-y) in October posting its steepest monthly decline in over two years. India's infrastructure output in September contracted 5.2%, the worst in 14 years.
- India's services sector output contracted for second straight month in October, according to the PMI survey. The print came in at 49.2 versus 48.7 in September. According to the Survey, concerns that challenging economic conditions will linger dragged business confidence to its lowest level in close to three years.
- According to India Ratings, "Indian government's decision to set up a fund of Rs 250 billion to provide priority debt financing for the completion of stalled housing projects is expected to provide relief to home buyers awaiting possession of the property and also offer an alternate funding channel to net worth-positive projects that have been stalled because of operational liquidity and credit availability issues".
- India's industrial production contracted by 4.3% in Sept, 2019 on the back of fragile investment and consumption demand. Excessive rains in September aggravated the crisis, as they disrupted the mining and transport activity and added to the existing woes of the manufacturing sector. In our assessment, the government needs to work in close coordination with industry experts to come out with relevant sector-specific measures (for example, the recent bail-out fund for housing projects). Blunt tools like monetary policy may not be effective anymore.

Indian Financial Markets

- Liquidity in the banking system is estimated at a surplus of Rs 2.40-2.50 trillion currently.

- Sentiment in the government & corporate bond markets turned bearish after the Moody's downgraded India's ratings outlook.
- G-Sec yields/corporate bond yields are reeling under many pressures such as - fiscal deficit fears, excess supply of papers and lack of any macroeconomic triggers. Besides the global factors like US-China trade deal, Hong Kong unrest, etc., domestic growth concerns are weighing on the rupee.
- However, experts see only a small correction in stocks despite the negative rating action & domestic growth concerns, as hopes of disinvestment and FPI inflows are supporting Indian equities.
- Brent crude rallied today to $62.4 per barrel in the overseas market on speculation that OPEC may intervene to support prices at the upcoming group meeting.

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