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1. Global economic briefs

- The US Federal Reserve raised interest rates by 0.25% on Dec 13 but left its rate outlook for the coming years unchanged even if there are expectations that the US economic growth may benefit from the Trump administration's proposed tax cuts. Interestingly, the US consumer inflation slowed in Nov-17, held down by weak healthcare costs and a significant drop in apparel prices.
- The Hong Kong Monetary Authority (HKMA) raised the base rate charged through its overnight discount window by 25 bps today to 1.75% after the US Fed raised interest rates by 0.25%.
- Economic momentum in the Euro zone unexpectedly accelerated to the fastest pace in almost seven years as manufacturing posted record growth at the end of 2017. A composite Purchasing Managers' Index rose to 58 in Dec-17 from 57.5 in Nov-17, as per the IHS Markit report.
- Japan's manufacturing activity too expanded strongly in almost four years in Dec-17 on the back of surging new orders. The Markit/Nikkie Flash PMI for Japan rose to a seasonally adjusted 54.2 in Dec-17 from a final reading of 53.6 in the previous month.
- The UK economy is likely to suffer for a decade after leaving the EU under the most probable post-Brexit trade scenarios, according to a new study from the RAND Corporation, made available to EURACTIV.com before publication. It is said that only one of the eight presented options would see the UK economy better off than it is now: a trilateral UK-EU-US free trade agreement, which does not seem very likely.
- According to the Australian Bureau of Statistics (ABS), employment jumped by 61,600 to 12.4 mln in seasonally adjusted terms, easily topping forecasts for an increase of 19,000. It was the largest monthly increase since Oct-15.
- The European Central Bank stuck to its pledge yesterday to keep money pouring into the Euro zone economy for as long as needed amid opposition from some rate setters and its own n increased growth and inflation forecasts for the area.
- The Bank of England rate setters voted unanimously yesterday to keep rates at 0.5% in line with market expectations. However, they added that "further modest increases" in interest rates are likely as they are trying to bring inflation down to their target of 2% in the next few years.
- The Bank of Canada is increasingly confident that the economy will need less stimulus over time, Governor Stephen Poloz said on Thursday in an end-of-year speech that boosted the Canadian dollar and raised expectations of another rate hike early in 2018.

2. India: Agriculture and rural economic news

- Area sown under Rabi (winter crop) in India was down 1.3% (y-o-y) as on 8th Dec, 2017. The primary dragger was wheat, which witnessed delayed sowing in some States due to the lack of soil moisture. According to the Ministry of Agriculture, lower wheat plantings have been reported from states such as MP, UP, Rajasthan & Haryana.
- However with rains lashing different parts of the wheat growing regions, the chances of getting higher yields have gone up for those who have sown wheat in time. A further drop in temperature over the next one month should also help the wheat crop.
- State level progress in rabi sowing shows that the states like MP, Karnataka, Gujarat & Chhattisgarh that had suffered from extreme rainfall situation during the :Kharif" season are showing superior performance in rabi sowing. In our assessment, this may help them offset some of the losses incurred during the kharif season.

- A move by the government to remove prohibition on export of all types of pulses to ensure better “remuneration” to farmers is strongly positive for the major pulses growing states like MP, UP, AP, Maharashtra & Rajasthan.

3. India’s overall economic & policy developments

- India’s retail (CPI) inflation surged to 4.88% in Nov-17 from 3.58% in Oct-17 on higher food prices (esp vegetables & eggs). Other components like fuel & housing prices also showed firming up. India’s producer price inflation (WPI) too increased from 3.59% to 3.93% due to higher inflation in food articles and crude petroleum. Manufactured product price inflation continued to reflect demand weaknesses.
- The RBI’s inflation expectations survey released on Dec 6th showed that in the month of Nov-17, over 80% of the respondents expected general prices to increase over the next quarter and over half of them also anticipated higher inflation.
- India’s industrial production growth slowed to 2.2% in Oct-17 from 4.2% in Sep-17 primarily due to the festive season (which meant less number of working days). Continued contraction of consumer durables’ production reflected weaknesses in average demand.
- India’s Composite PMI Output Index (constructed by Nikkei), which measures both manufacturing and services activities, fell from 51.3 in Oct-17 to a three-month low of 50.3 in Nov-17 due to a sharp fall in the services’ PMI print reflective of sluggish demand and lower customer turnout due to the GST rollout.
- India’s BOP data for Q2, FY18 was “positive” as it showed CAD falling from 2.5% of GDP to 1.2% of GDP sequentially on the back of higher invisible surplus – due to increased export earnings from services and higher remittances. Higher crude oil price remains a “risk” for CAD, going forward.
- Almost all exit polls have predicted a “victory” for India’s ruling party “BJP” in both Gujarat and Himachal Pradesh assembly elections. Final results are due on December 18th.
- According to RBI, Indian banks loans and deposits rose at the pace of 8.6% and 8.1% on year respectively, as on Nov 10, 2017. While outstanding loans increased by Rs 869.8 bln to Rs 79.58 trln in the two weeks to Nov 10, aggregate deposits rose by Rs 936.1 bln to Rs 108.87 trln. As a result, Credit-Deposit ratio improved to 73.09% as on Nov 10th from 72.92% as on Oct 27th.
- India’s Broad Money Supply, i.e., M3 growth stood at a lower 7.3 % (y-o-y), as on Nov 10, 2017 (versus 9.9% a year ago), as growth in deposits has slowed this year versus last year. However, “cash withdrawals” from banks have picked up in recent months. Between Mar 31st and Nov 10, “Currency with the Public” has grown from Rs 12.64 trln to Rs 15.72 trln reflecting an increase of Rs 3.08 trln. During the same period, term deposit growth significantly decelerated from 10.5% to 6.9%.
- India’s “foreign exchange reserves” further increased by \$240.4 mln to \$399.53 bln in the latest reported week ended Nov 17th primarily on account of healthy inflows into India’s equity segment during Nov 15-17, 2017.

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