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1. Global Economic Briefs

- After nearly ten years of steady expansion, the global economy faces growing concerns of a looming recession. The global PMI has reached a three-year low in June, while the PMI focusing on manufacturing slid to a seven-year low in July. Global trade volume has slumped to a seven-year low in June, whereas global real GDP growth is forecast to slow to a six-year-low in the third quarter of 2019.
- What is worrisome is the setback to the process of global cooperation. Growing protectionism and increasingly inward-looking policies will make it impossible for countries to move in concert as they did while responding to the Global Financial Crisis of 2008.
- Interest rate moves by central banks across a group of 37 developing economies showed a net fourteen rate cuts in August. In July, a total number of rate cuts by developing countries' central banks were eight. Some of the August interest rate cuts – like in Mexico & Thailand – took markets by surprise.
- In a surprise move, the Argentine government authorised the central bank on Sunday (Sept 1) to restrict purchases of dollars as it burns through its reserves in an effort to prop up the peso currency. The central bank has burned through nearly \$1 billion in reserves since Aug 28th in an effort to prop up the peso.
- The list of recession signals that are flashing red are – inversion of the US yield curve; a 13% fall in the copper price in H1, 2019; soaring of gold prices by more than 20% since May (when the US & China escalated their trade fight), weak global equities and strong downside bias in global oil prices.

2. Indian Agriculture Scene

- With the southwest monsoon in full swing in parts of India, the water level in reservoirs has continued to improve. Majority of the nation's reservoirs have recorded higher storage on a year-on-year basis. As on Aug 29th, the level of water storage was 111% of the storage in the corresponding period of the last year and 125% of the average of last ten years.
- Of the total 107 reservoirs monitored by India's Central Water Commission, higher year-on-year storage has been recorded in reservoirs in Himachal Pradesh, Punjab, Rajasthan, Gujarat, Maharashtra, Uttarakhand, Madhya Pradesh, Andhra Pradesh and Karnataka. But water level in reservoirs in Jharkhand, Odisha, Tripura, West Bengal, Nagaland, Uttar Pradesh, Chhattisgarh, Telangana, Kerala and Tamil Nadu has declined.
- Deficit in kharif (summer crop) sowing has also shrunk to 1.7% as on Aug 30th from 8.6% around mid-July. Going by the trend, the kharif output of paddy, pulses and soybean is likely to decline in FY20. However, a rebound in the monsoon and improved water reservoir status bode well for the rabi season.

3. India's Overall Economic & Policy Developments

- India's real GDP growth (y-o-y) dropped to a six-year low of 5% in Q1, FY20 on the back of weaknesses in aggregate demand – both consumption and investment demand. While private consumption expenditure grew by a mere 3.1% (y-o-y) - the lowest growth recorded since June 2012, gross fixed capital formation grew by just 4%. Fitch solution expects slow economic recovery looking at the ongoing pressure on private final consumption expenditure & the external sector.
- A week after announcing a slew of measures to prop up the slowing economy, India's Finance Minister announced the merger of ten nationalised banks into four entities on Aug 30th. This will reduce the number of public sector banks to 12 from 27. A report by Credit Suisse said the merger is unlikely to revive credit growth

or have meaningful cost synergies. Recent experience of SBI and BOB shows that focus on integration impacts near-term growth of the merged entities.

- The Annual Report of RBI revealed that NBFC funding to commercial sector of India plunged by 20% in FY19. The report further added that the gains in restoring financial stability may face rough weather due to credit & liquidity stress in NBFCs.
- A taskforce set up by the RBI has recommended a slew of measures for developing a secondary market for corporate loans in India. The measures primarily include easing of regulations on FPIs to directly purchase distressed loans from banks, an online portal for conducting auctions & sales of corporate loans and setting up of a Self-Regulatory Body (SRB) to define modalities for such a market.
- Indian central government's gross fiscal deficit stood at Rs 5.48 trillion during Apr-Jul, 2019, which accounted for 77.8% of the annual budgeted target as compared to 86.5% in the same period last year.
- Overseas borrowings raised by India Inc grew over two-fold to \$4.98 billion in July (y-o-y) on the back of the constraints on availability of domestic loanable funds in sufficient quantity.
- The Indian states - Andhra Pradesh, Uttar Pradesh, Madhya Pradesh and West Bengal achieve higher house completions under Pradhan Mantri Awas Yojana (PMAY) than other states, according to the rating agency ICRA.
- According to RBI, Indian banks loans and deposits rose at the pace of 11.6% and 10.2% on year respectively, as on Aug 16, 2019. While outstanding loans declined by Rs 460.4 billion to Rs 96.83 trillion in the two weeks to Aug 16, aggregate deposits declined by Rs 643.8 billion to Rs 126.80 trillion. As a result, the Average Credit-Deposit ratio marginally increased to 76.36% as on Aug 16, from 76.34% on Aug 2nd.
- India's Broad Money Supply, i.e., M3 growth was at 10.2% (y-o-y), as on Aug 16, 2019 (versus 9.9% a year ago). "Bank credit to commercial sector" and "banks' net non-monetary liabilities" have been the major contributors to M3 growth this year.
- India's "foreign exchange reserves" stood at a healthy level of \$429.05 billion as on Aug 23rd, 2019.

4. India's Industrial & Services Sectors Scenario

- India's manufacturing PMI dropped to a 15-month low of 51.4 in August – the lowest since May, 2018 as most survey indicators (including those for new orders, output, employment, etc.) fell signaling a wide loss of momentum. The PMI for services too came down to 52.4 in August from 53.8 in July, signaling a weak momentum in consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.
- India's core sector growth slowed to 2.1% in July – the lowest in the past 50 months.
- India's steel sector is battling with high inventories amidst weak demand. Inventories are at alarming levels of 35 days compared to 21 days. India Ratings and Research (Ind-Ra) has revised its outlook on the steel sector to stable-to-negative from stable for the remaining part of FY20. It expects steel demand growth to be sluggish due to growing concerns in automobiles and real estate & construction sectors.
- The Society of Indian Automobile Manufacturers - an auto industry body, has sought immediate steps from India's central government as sales continued to decline in August too. The steps demanded are reduction in goods and services tax (GST) rates and initiation of scrappage policy.
- India's foreign exchange earnings from tourism declined in the first half of FY20 on account of a muted growth in tourist arrivals.

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