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Global Briefs

- According to the United Nations, the world's food import bill is set to jump even more than expected to a record this year, increasing the threat of hunger, especially in the poorest nations. [Higher shipping rates & prices of foodstuffs from grains to vegetables are likely to drive the cost of importing food up by 14% to \\$1.75 trillion. It also warned of higher bills as farm inputs get more expensive.](#)
- After expanding by a robust 5.1% in 2021, the global economy is set for another year of above-potential recovery growth in 2022, according to The Conference Board's report, "[Global Economic Outlook 2022: From Pandemic Downturn to Growth Revival.](#)" By the end of 2022, 66 out of 77 key economies — representing 96% of global GDP — should be at or above pre-pandemic output levels, though labor market and income recovery will lag somewhat.
- American president Joe Biden signed into a law a \$1 trillion infrastructure bill on Nov 15th to create jobs across the country by dispersing billions of dollars to state & local governments [to fix crumbling bridges & roads and by expanding broadband internet access to millions of Americans.](#)
- Economic data points for China in Oct'21 present a mixed picture and indicate that China's economy continues to decelerate due to COVID-related restrictions, [enhanced regulatory scrutiny, and a slowdown in the real estate sector.](#)
- As vaccination campaigns progress and restrictions are gradually lifted, "[the EU economy is recovering faster than expected from the pandemic-induced recession](#)", says the European Commission in its latest autumn 2021 forecast. [It is expected to record a GDP growth rate of 5% in 2021, 4.3% in 2022 and 2.5% in 2023.](#)
- [Pointing to the hardening of interest rates across the world, the RBI has indicated in its latest State of the Economy report that a distinct shift towards unwinding of pandemic-led stimulus is taking hold on the policy front globally as inflation worries are rumbling more clearly than before. There is a risk of faster policy normalisation by major central banks leading to tightening of financial conditions and stifling of growth impulses.](#)

Indian Agricultural & Rural Scene

- As farmers rush to plant Rabi (winter crops) as chill sets in Northern India, several Indian states like Rajasthan, Punjab, Haryana, Karnataka and Uttar Pradesh are facing a severe shortage of fertilisers mainly of Di-ammonium Phosphate, [threatening to disrupt their planting season. Despite normal rainfall during the monsoon season and select heavy showers in North-East season \(Oct-Nov, 2021\), the current water level in reservoirs is down 5% \(y-o-y\).](#)
- Wheat stocks with the Food Corporation of India stood at a record 42 million tonnes (mt) in Nov, 2021 as compared to 40.3 mt in the same period a year ago. [In fact, the stocks at the beginning of Nov, 2021 have more than doubled over the past six years from 18.8 mt in 2016. This is despite a rise in domestic off-take and a surge in exports in recent months.](#)
- A study by Bank of America reveals that the increase in rural wages has been slowing, averaging 2.7% (y-o-y) during Apr-Jul, 2021 compared to a much better 7.4% (y-o-y) increase in the same period last year. [The deceleration has been steeper for non-agri wages rather than agri-wages. Activities like weaving & handicraft are severely stressed. Some of the deceleration could be attributed to the waning effect of the enhanced MGNREGS outlay.](#)
- According to a research firm Kantar, rural demand for India's FMCG sector witnessed a slowdown in the September quarter. [Rural market growth by volume was estimated at 1.5% in the July-Sept, 2021 versus 4.5% in the July-Sept, 2020.](#)

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India's Economic & Policy Developments

- Fitch Ratings has retained India's rating at BBB- with a negative outlook, unchanged from its previous review, citing high debt and limited fiscal headroom of the central and state governments. [With this, Moody's and S&P have a stable outlook on their ratings on India, while Fitch still has a negative outlook. All three rating agencies have given India the lowest investment grade.](#)
- According to the RBI deputy governor Patra, India is better positioned to face external shocks emanating from increasing geopolitical tensions, the aftermath of the COVID pandemic and the inevitability of climate change. [Patra has stressed that external sector viability is critical as countries all over the world are contemplating shifting their policy stances away from a pandemic mode to a more normal one.](#)
- The RBI governor Das has reiterated the central bank's concerns around cryptocurrencies and warned that deeper issues are involved in virtual currencies that could pose a threat to the country's economic and financial stability. [However, he has clarified that the blockchain technology is a decade old and is here to stay & grow, even without cryptocurrencies.](#)
- India's headline CPI inflation increased by 13 bps to 4.48% in Oct, 2021 from 4.35% in the previous month on the back of higher food prices and sticky core inflation. Sequentially, core inflation firmed up further due to higher inflation in transportation, recreation & housing. The WPI inflation too spiked to 12.54% in Oct, 2021 versus 10.66% in the previous month on the back of higher commodity price inflation. On the other hand, factory activity slowed to 3.1% in Sept, 2021 – the lowest since Mar, 2021. Both consumer durables and non-durables suffered year-on-year fall in production in Sept, 2021.
- Basis the latest prints on industrial production & CPI inflation, we expect the RBI's Monetary Policy Committee to continue with the normalisation of liquidity at the same aggressive pace without raising the reverse repo rate in Dec, 2021.
- In the first half of Nov, 2021, the pace of e-way bill generation in India slowed down considerably as compared to the previous month. [This indicates a possible slowdown in demand from the uptick seen during the festive season.](#)
- India's Central government is planning to release Rs 950.8 billion as tax devolution to states in Nov, 2021 [after including one advance installment to help them push their capital expenditure.](#)
- India's merchandise exports have risen for the eleventh consecutive month, with October shipments surging by 43% (y-o-y) to \$35.7 billion, led by a recovery in global demand. [Compared with pre-pandemic levels in Oct, 2019, the country's merchandise exports were up 35.9%. The growth was driven by higher demand for engineering goods, petroleum products, as well as organic and inorganic chemicals, among others. India's October trade deficit, however, widened to \\$19.73bn as imports increased at a faster pace of 62.5% than exports at \\$55.4bn in the lead-up to the Diwali festival.](#)

India's Industrial & Services Sectors

- Vehicle registrations during the festival season this year (from Navarathri to Diwali) declined by steep double digits compared with the same festive period last year. [While the passenger vehicle \(PV\) market was hurt by lack of supplies, as a shortage of semiconductors forced automakers to cut down on production, there was an unusually sluggish demand for two-wheelers.](#)
- The ratings agency ICRA has revised the growth forecast for the auto components industry downwards by 300 bps for the ongoing fiscal year [citing the impact of semiconductor shortage on domestic vehicle manufacturers as well as on exports revenues.](#)
- [As per reports,](#) India's top steel and aluminium manufacturers are witnessing a rise in thermal coal stock even as some small manufacturers are still reeling under supply constraints of solid fuel from the state-owned Coal India.

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- India has continued to lead financial technology (fintech) investments in the Asia-Pacific (APAC) region, with \$1.93 billion raised across 66 deals in the third quarter (Q3) of 2021, suggests a note by S&P Global Market Intelligence.
- Cargo traffic at India's major ports in Sept, 2021 remained almost at the same level as it was in the year-ago month. Major ports handled 53.6 million tonnes of cargo during the month. But freight traffic on Indian Railways (IR) rose by 8.4% (y-o-y) in Oct, 2021. The IR carried 117.3 million tonnes of freight during the month as compared to 108.2 million tonnes carried in Oct, 2020.

Indian Financial Markets

- Liquidity in the banking system is estimated to be in a surplus of over Rs 8.15 trillion on Nov 18th. As the RBI has stepped up liquidity absorption through the variable rate reverse repo (VRRR) auctions (both main and fine-tuning operations), the amount absorbed under the fixed rate repo has declined.
- RBI's rapid liquidity management through VRRRs has led to a surge in the weighted average reverse repo rate which has increased by ~42bps from mid-September to 3.79% currently.
- Since the RBI's last policy statement, T-Bill rates, CP rates, one-year OIS rate, etc. have increased by 16-25 bps. RBI's aggressive efforts at fine-tuning the liquidity surplus are helping money market rates to get realigned towards the upper end of the policy corridor. The 10-yr GOI benchmark yield has risen by 8 bps from 6.27% to 6.35% currently.
- Indian rupee has depreciated by 1.61% in the calendar year 2021 till today, though it has been an outperformer compared to the other Asian currencies. This outperformance was supported by a strong pipeline of IPOs & portfolio inflows. Going ahead, the rupee exchange rate is likely to come under pressure with the Fed possibly tightening as early as next year.
- Indian equities have come under pressure for their overstretched valuations with five major investment firms downgrading their outlook on the market in the past three weeks. Additionally, a surging US dollar on the back of increasing inflationary impulses in the US economy is seen as Negative for the emerging market economy like India.
- Global crude oil prices rose slightly yesterday (Nov 18th) after dropping to six-week lows as investors wondered about how much crude, major economies would release from their strategic reserves and how much that would ease global crude demand pressures. Brent crude closed at \$81.24 a barrel yesterday.

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