Macro Perspectives

March 17, 2024

L&T Finance

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Global Economic Briefs

- The US dollar advanced on March 14, boosted by data showing higher-than- expected producer price inflation (a leading indicator of consumer price inflation) and fewer people seeking unemployment claims, which suggested that the Federal Reserve could reduce the number of rate cuts during 2024.
- Speculation is rife that the Bank of Japan may move to exit the world's last 'negative interest rate policy' as early as next week, when policymakers gather for their March meeting. The rally in Japanese equities has come to a halt, the yen has been strengthening against the US dollar and the Japanese government bond yields hit their highest in three months on 12th March.
- The governing council of European Central Bank (ECB) decided to keep its three policy rates unchanged on March 7th. Although most measures of underlying inflation have eased further, domestic price pressures remain high, in part owing to strong growth in wages. Financing conditions are restrictive and the past interest rate increases continue to weigh on demand, which is helping push down inflation.
- The People's Bank of China kept the rate on its one-year policy loans steady at 2.5% on March 15th, as expected by the Bloomberg survey of economists. It net withdrew 94 billion yuan ($13 billion) cash from the banking system to avoid excessive liquidity. Chinese central bank has continued its approach of drip-feed stimulus for the country's economy amid pressure on the local currency.
- In the first two months of 2024, Suez Canal trade dropped by 50% (y-o-y) while trade through the Panama Canal fell by 32%, disrupting supply chains and distorting key macroeconomic indicators, says the IMF.

Indian Economy: Agriculture & Rural Belts

- As per the Second Advance Estimates of Kharif & Rabi Crop Production for FY24 released by the Ministry of Agriculture on 1st March, India's total foodgrain production is likely to be at 309.3 MT compared to 329.7 MT in FY23. Maximum shortfall will be witnessed in the production of Coarse Cereals, Oilseeds & Pulses.
- Even though procurement of rice recorded a decrease of 7.5% in FY24, rice stocks are higher at 27.2 MT compared to a buffer stock of 12.6 MT. Above this, FCI is yet to receive around 30 MT of grain from millers.
- India's union government has agreed to purchase urad, masoor and tur under minimum support price (MSP) for the next five years. However, this will be done only if the farmers diversify from cultivating rice which is a water intensive crop.
- Unemployment rate in India increased to 8% in February 2024 from 6.8% in January 2024, according to CMIE's Consumer Pyramids Household Survey. While the unemployment rate eased in urban India (8.9% to 8.5%), it rose substantially in rural India (5.8% to 7.8%).
- The recent industrial production data and surveys on FMCG /consumer sentiment show that higher food inflation has negatively impacted the discretionary spending in rural areas. However, spending on "premium consumer goods" shows continued growth momentum both in rural and urban areas.
- Based on our internally developed dashboard for farmers' cash-flows, the regions that will have relatively better rural prospects in the coming six months will be Gujarat region, Saurashtra &

Kutch, Haryana, Bihar, East & West MP, East & West UP, Telangana, Odisha, Vidarbha, Uttarakhand & Chhattisgarh.

Indian Economy: Economic & Policy Briefs

- Global rating agency Fitch Ratings on March 14th raised India's growth forecast for the next financial year (FY25) to 7.0% from 6.5% estimated earlier, citing robust domestic demand and sustained growth in business and consumer confidence.
- Even Moody's has upgraded India's 2024 GDP forecast to 6.8% from 6.1% projected earlier, indicating a more favourable outlook for India's economic performance in the years to come. Moody's envisions the momentum in India's GDP growth to persist into 2025, with a forecasted growth rate of 6.4%. The brokerage radar points to several factors contributing to India's economic prospects, including its strong growth trajectory and stable inflation, positioning the country as a pivotal driver of growth within the G20 group.
- India's CPI inflation remained flat around 5.1% in Feb 2024 and WPI inflation declined to 0.2% from 0.3% in the same month, as core components of both the inflation series eased significantly. Higher inflation in vegetables (30.3%), pulses (18.9%), eggs (10.7%) and spices (13.5%), however, continue to pose concern.
- The RBI has stepped up its fight against exuberance in retail lending. They have cautioned against new areas including mortgage-linked top-up loans, on concerns about rising risks to the financial stability.
- Capex loans given by the Central Government to the States has exceeded the revised estimates presented in the interim budget. The Centre's liberal capital expenditure loans stood at Rs 1.09 trillion or 104% of the FY24 revised estimate thanks to last last-minute rush by some states to benefit from the scheme.
- India's merchandise exports grew at the fastest pace in 20 months to 11.9% (y-o-y) in Feb 2024, overcoming the red sea crisis and falling commodity prices. Merchandise imports too grew by 12.2% - a 17-month high, leading to a trade deficit of $18.7 billion during the month.
- India's E-way bill generation spiked in Feb 2024 to Rs 97.3 million. This is at a four-month high and the second highest recorded generation. This is expected to have a positive impact on Goods and Services Tax (GST) collections in March. Further, February numbers are all-the-more important as the month had only 29 days.

Indian Economy: Industry & Services Sectors

- India's Ministry of Heavy Industries announced a new policy on March 15th to boost electric vehicle (EV) manufacturing in the country by global players, such as Tesla, VinFast, BYD, Kia, Skoda, BMW and Mercedes-Benz. It proposes to reduce import duties for interested EV makers to 15% from the current 70% or 100% on vehicles having a CIF (cost, insurance & freight) value of $35,000 and above for a period of five years from the date of issuance of the approval letter by the government.
- Growth in India's industrial output stood at 3.8% (y-o-y) in Jan 2024, driven by infrastructure, capital & intermediate goods. Growth in consumer durables was rich at 10.9%. However, growth in consumer nondurables (a proxy for mass consumption sentiment) was -0.3% (y-o-y).
- Indian manufacturing sector seem to have gathered momentum in Feb 2024 on the back of expansion in new export orders and easing of pricing pressures as the headline Purchasing Managers Index (PMI) climbed to a five-month high. It touched 56.9 during the month from 56.5 in January, the survey released by HSBC in early March showed.
- India's government on 6 March 2024, approved the Strategic Investment Plans (SIPs) of nine states, including Gujarat, West Bengal, and Rajasthan, with the goal of lowering compliance costs

and enhancing finance availability for micro, small and medium enterprises (MSMEs). The government also approved the SIPs of Meghalaya, Chandigarh, Tripura, Nagaland, Uttarakhand, and Himachal Pradesh.

- Passenger vehicle sales in India surged more than 10% (y-o-y) to 3,70,786 units in Feb 2024, according to SIAM data. Two-wheeler sales surged more than a third to over 15 lakh units. Retail sales of tractors also grew by 11% (y-o-y) in Feb 2024.

Indian Financial Markets

- At the end of trade on Friday (March 15), liquidity in the banking system was in a surplus of Rs 298.17 billion, as per the RBI's money market operations data.
- Liquidity situation is improving as the government spending has resumed.
- Rupee and government bonds weakened on March 15th after the yield on the benchmark 10-Yr US treasury bond surged by about 10 bps to reach 4.29% and the dollar index rose by 0.57%, climbing to 103.50. The hardening of US yields was due to a significant uptick in Producer Price Index (PPI) prices, which signifies an unfavourable situation.
- India's government bond yield curve is poised to flatten further in the coming weeks as long-term interest rates fall on strong demand for longer-term securities. In contrast, short-term rates have remained elevated due to tight liquidity conditions and a hawkish stance from the central bank, which signalled that easing will only be considered when inflation falls close to the 4.0% target in a sustainable manner.
- Rupee settled at 82.88 a dollar at the end of last week reflecting a depreciation of 17 paisa in the week ended March 15th. According to forex dealers, there is technical resistance around 82.97 a dollar. Rupee is expected to trade in a narrow range until the Fed meeting next week.
- Indian stock markets witnessed worst week in five months during 11-15 March 2024, as the small & midcap indices ended the week with a loss of around 5.0% - the largest in 15 months amid the regulator's move to contain the "froth" in the market. Blue chip-oriented indices also logged their worst weekly slide in five months. Towards the end of the week, worst global cues (higher-than-expected US inflation data) muddled the outlook for rate cuts.
- Brent crude prices climbed to a five-month high mark on March 14 to $85.42 per barrel as the International Energy Agency raised its view on oil demand growth this year, predicting a tighter market in 2024. On March 15th, it settled at $85.34 per barrel. However, trend and momentum indicators support a further rise in oil prices, say the experts.
