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Global Economic Briefs

- Global GDP growth is forecasted to slow from 3.0% in 2022 to 2.3% in 2023 and the slowdown is expected to be centered in Europe and the US- regions where high inflation and monetary policy tightening through interest rate hikes are restraining consumer and business spending, according to S&P Global Market Intelligence's latest outlook. However, reopening of China after Covid restrictions is providing some lift to the global economy.
- The European Central Bank, the Bank of Japan, the Bank of England and the Swiss National Bank which have been conducting daily dollar swaps with the Fed for the past month, have now decided to revert to weekly tenders, given improvements in US dollar funding conditions. The daily tenders were made available after the failure of Silicon Valley Bank and the sale of Credit Suisse sent jitters across financial markets, raising the risk of liquidity shortages in case confidence falls further.
- The US Federal Reserve will deliver a final 25-basis-point interest rate increase in May and then hold rates steady for the rest of 2023, according to a Reuters poll of economists. The poll also showed that a short and shallow US recession is likely this year.
- China's GDP grew 4.5% (y-o-y) in Q1, FY24, data from the National Bureau of Statistics showed. This is up from 2.9% in the previous quarter. It also beat analyst forecasts for a 4.0% expansion and marked the strongest growth in a year.
- Britain is now the only large developed nation with double-digit inflation rates. Its annual consumer price inflation fell to 10.1% last month but defied forecasts for a bigger drop from February's 10.4% after a record rise in bread prices, the Office for National Statistics said.
- After weeks of rising, oil prices appear to have lost upwards momentum after the 2 April announcement of voluntary output cuts failed to counter worries about demand linked to a weakening economic backdrop and a hawkish Federal Reserve. There are also fears that Russian output might not have fallen despite government announcements.

Indian Economy: Agriculture & Rural Belts

- After an initial lull, wheat procurement has picked up pace in the past few days and, according to PTI, till last week, the Centre procured 11.1 million tonnes in the 2023-24 marketing year (April-March), up from the 9.9 million tonnes in the year ago period.
- The turnover of the electronic National Agriculture Market (e-NAM) platform increased by 32% (y-o-y) to Rs 746.6 billion in FY23. The platform aims to create a unified national market for agricultural produce, allowing farmers and buyers to trade both within and outside states. The year FY23 also saw inter-state trade on e-NAM, with farmers from Uttar Pradesh, Kashmir, Maharashtra, and Rajasthan selling commodities to buyers in Kerala, Odisha, Jharkhand, Madhya Pradesh, and Tamil Nadu.
- Over the past decade, India's rural economy has registered an impressive growth, driven by eight good monsoons, a hundred percent increase in the minimum support price for primary crops and a variety of other factors, as per the research report published in the latest edition of the 'Rural Marketing Book', authored by MART founder. There is a rise in the non-farm sector driven by improvement in infrastructure and growing exports of handicrafts, gems and jewellery, and carpets, the study by the MART found.

- While there is a prediction of El Nino for India, certain factors can offset the impact of El Nino this year. These include the accumulation of snowfall over Eurasia and a positive Indian Ocean Dipole (IOD). This can lead to higher rainfall in India.

Indian Economy: Economic & Policy Briefs

- India's Ministry of Finance has cautioned about risks to GDP during FY24. In its latest monthly economic review, it has said India needs to be vigilant against potential risks of lower agricultural output, elevated oil prices and geopolitical developments. These three factors have potential to impact negatively the favourable combination of growth and inflation outcomes currently anticipated.
- India's state governments are increasing their Capex in line with the central government's push to capital spending by over 37% (y-o-y) in FY24. Around 24 major states that have presented their budgets as of 23 March 2023 have collectively announced an increase of 17.7% (y-o-y) in Capex in FY24. Even during April-February 2023, capex by states was 11.9% higher on year.
- Personal income tax to GDP ratio for India has gone up from 2.11% in FY15 to 2.94% in FY22, indicating that taxpayer base is widening steadily. The personal income tax collection (including Securities Transaction Tax) increased to over Rs 6.96 trillion, from over Rs 2.65 trillion in FY15.
- The sharp recovery in industrial credit from banks in the first half of FY23 appears to have tapered off, as year-on-year growth declined to a 12-month low of 7% in Feb, according to RBI data. The slowdown in industrial credit was much sharper than the slowdown in overall non-food credit, which continued to grow in double digits at 15.9% (y-o-y) in February.
- Home loan borrowers who are the worst hit following steep rise in interest rates – are increasingly refinancing their loans with another lender or with the same lender to minimise the impact of hardening interest rates. This is made possible by the narrowing of spreads (the difference between the benchmark rate & the actual lending rate) by banks & HFCs, who are trying to attract new customers amid stiff competition.
- As Middle East crude exporters cut output and raise prices, India's refiners are successfully switching to Russian oil and enjoying the double bonus of cheaper cargoes and higher margins for exported refined products.
- CPI (retail) inflation in India is volatile since the previous year peaking at 7.8% in Apr 2022, easing to 6.7% in July 2022, and rising again to 7.4% in Sept 2022. As of Mar 2023, the inflation rate in India has come down to 5.7% which is a 15-month low. In its latest monthly bulletin, the RBI has noted that while a substantial disinflation has been achieved, the monetary policy committee would keep working till the inflation levels decline to the target of four per cent.

Indian Economy: Industry & Services Sectors

- The domestic airlines carried a record 13 million passengers in Mar 2023, according to the Directorate General of Civil Aviation. The air passenger traffic was 7% higher than Feb 2023 and 21% from a year ago.
- Around 50,000 kilometres of national highways (NHs) have been added in the last nine years, as per government data. India had a total of 97,830 km of NHs in FY15 which expanded to 145,155 km by Mar 2023.
- India's apparel market grew by 15% in FY23 and the growth was entirely led by price hikes as volumes fell by three per cent, according to the Clothing Manufacturers Association of India (CMAI).
- India's industrial output growth stood at 5.6% (y-o-y) in Feb 2023. However, consumer durables production contracted for the third month in a row, to drop 4% in February – reflecting a weakness

in urban demand. On the contrary, consumer non-durables saw a surge of 12.1% in February, indicative of a pick-up in rural demand supported by improved farm cash flows.

- India has gained by close to 80 bps in market share in services exports globally since the onset of the pandemic, according to Morgan Stanley Research. Factors such as 'remote working' have contributed to the rise. While there will be some slowdown in annual terms due to slower global growth, market share gains tend to be sticky and will provide a cushion, says Morgan Stanley.

Indian Financial Markets

- Liquidity in the banking system is estimated to be in a surplus of Rs 605.37 billion today (Apr 26), up from Rs 459.23 billion yesterday. The surplus has widened as the month-end government spending began with the disbursal of pensions.
- India's benchmark 10-year bond yield dropped to its lowest level in more than seven months - 7.10% on Apr 24, as global and domestic monetary policy pivots support sentiment. The yield marginally increased today to 7.11% on profit booking.
- Indian bonds are expected to consolidate around current levels, until another major trigger. Moreover, continuous supply also weighs.
- As corporate bond yields have softened, several state-owned entities, NBFCs & municipal corporations are charting out plans to tap the primary bond market in the coming days.
- Rupee has been stable in the range of 81.75 to 82.80 per US dollar in Apr 2023, receiving support from positive domestic equities, softening trend in Brent crude oil price (from 84.93 to 79.98 in Apr) and a weak US dollar. The US Dollar has been declining on rising concerns over recession amid disappointing economic data from the US and renewed banking concerns. However, selling pressure from foreign investors (due to risk aversion) may cap the upside for rupee.
- Indian stocks are expected to stay range-bound on global uncertainties even though the valuation froth has settled after the recent correction. However, most of the brokerages see a sustained growth potential in Indian equities in the medium to long term notwithstanding short-term volatility.

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