

## 1. Global Economic Outlook

**US Economy:** The U.S. central bank on 17 July 2024, kept its benchmark overnight interest rate in the current 5.25%-5.50% range, where it has been since last July. In a separate report on 18 July 2024, the Labor Department's Bureau of Labor Statistics indicated that the producer price index for final demand decreased 0.2% in April. That was the biggest drop in the PPI since last October and followed an unrevised 0.5% rise in April 2024. Goods prices fell 0.8%, with a 7.1% plunge in wholesale gasoline prices accounting for nearly 60% of the decline. Wholesale food prices dipped 0.1% as the cost of eggs declined. Inflation "remains above" the U.S. Federal Reserve's 2% target but has been improving in recent months and "more good data would strengthen". The number of Americans filing new claims for unemployment benefits increased to a 10-month high in 3<sup>rd</sup> Week of July 2024, suggesting the labour market was losing momentum and keeping hopes of a September interest rate cut from the Federal Reserve alive. A jobs report on 19<sup>th</sup> July 2024 showed a still-solid 206,000 jobs added in June 2024, but with a slowing monthly trend and a rising unemployment rate now at 4.1%.

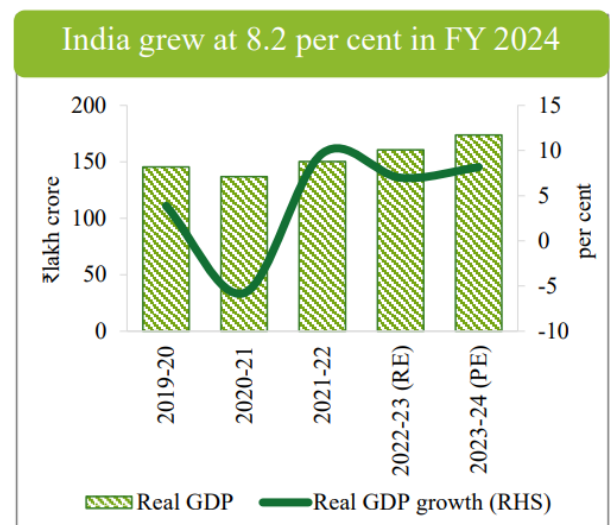
**Chinese Economy:** China's economy grew much slower than expected in the second quarter, as a protracted property downturn and job insecurity squeezed domestic demand. The world's second-largest economy grew 4.7% in April-June, official data showed, its slowest since the first quarter of 2023 and missing a 5.1% analysts' forecast in a Reuters poll. Particular concern was the consumer sector, with retail sales growth grinding to an 18-month low as deflationary pressures forced businesses to slash prices on everything from cars to food to clothes. The years-long property crisis deepened in June 2024 as new home prices fell at the fastest pace in nine years, battering consumer confidence and constraining debt-laden local governments' ability to generate fresh funds through land sales. On a quarterly basis, growth came in at 0.7% from a downwardly revised 1.5% in the previous three months, the data from the National Bureau of Statistics (NBS) showed.

**UK Economy:** UK businesses can breathe something of a sigh of relief following the Office for National Statistics' (ONS) announcement in July 2024. The ONS revealed that strong performances in the construction and retail industries were largely responsible for the unexpected economic growth. The retail industry covers things like shops, bars, and restaurants and grew by 0.3% compared to April 2024. The construction industry, on the other hand, grew by 1.9%. Whilst experts never place too much emphasis on a one-month period, the Bank of England will meet on 1 August 2024 to discuss the possibilities of reducing interest rates which currently sit at 5.25% – a 16 year high in the UK. As it stands, the UK economy from March-May grew overall by 0.9% compared to the previous 3-month period.

## 2. Domestic Economic Outlook

### Budget 2024 Highlights: Key takeaways:

Budget envisages sustained efforts on nine priorities for generating ample opportunities for all. The nine priorities are Productivity and resilience in Agriculture; Employment and Skilling; Inclusive Human Resource Development and Social Justice; Manufacturing and Services; Urban Development; Energy Security; Infrastructure; Innovation, Research and Development; and Next Generation Reforms.



### • Budget Estimates 2024-25

- Total receipts other than borrowings: Rs 32.07 lakh crore
- Total expenditure: Rs 48.21 lakh crore
- Net tax receipt: Rs 25.83 lakh crore

- d. Fiscal deficit: 4.9 per cent of GDP
- e. Government aims to reach 4.5 per cent fiscal deficit in 2025-26.
- On promoting Investment, Employment & Social Security, Union Budget 2024-25 proposes Angel tax for all classes of investors to be abolished, to bolster Indian start-up eco-system. Corporate tax rate on foreign companies to be reduced from 40% to 35%.
- Under **PM Awas Yojana Urban 2.0**, housing needs of 1 crore urban poor and middle-class families will be addressed with an investment of Rs 10 lakh crore.
- In Labour Reforms, Union Budget 2024-25 **proposes e-shram portal to be integrated with other portals** to provide one-stop labour services solution; will include mechanism to connect jobseekers with potential employers and skill providers.
- **Anusandhan National Research Fund** to be set up for basic research and prototype development. Financing pool of Rs. 1 lakh crore to spur private sector-driven research and innovation at commercial scale.
- All lands in rural areas to be assigned **Unique Land Parcel Identification Number**. Land registry to be established in rural areas.
- The government intends to **streamline customs duty rates**, with specific reductions in tariffs on mobile phones and chargers to 15%.
- Government's endeavour to maintain strong fiscal support for infrastructure over the next 5 years. **Capital expenditure to be Rs. 11,11,111 crore @ 3.4% of India 's GDP.**
- Union Budget 2024-25 provides special attention to **MSMEs and manufacturing**, particularly labour-intensive manufacturing. Limit of Mudra loans increased from **Rs 10 lakh to Rs 20 lakh.**
- Prime Minister's **package of 5 schemes** and initiatives to facilitate employment, skilling and other opportunities for 4.1 crore youth over a 5-year period with a central outlay of **Rs. 2 lakh crore** was announced.

**Key takeaways from the economic survey related to the agriculture sector:** Over the last five years, the agriculture sector recorded an average annual growth rate of 4.18%. Livestock and fisheries are also showing promise with the former sector growing at CAGR of 7.38% at constant prices in 2014-15 and 2023-24. While the fisheries grew at a compound annual rate of 8.9% between 2014-15 and 2022-23.

## 2. Interest Rate Outlook

**Centre cuts gross market borrowings for 2024-25:** The Indian government has lowered its planned gross market borrowing by 120 thousand crore rupees (\$1.44 billion) for the financial year ending March 2025, Hon'ble Finance Minister announced in the budget on 23<sup>rd</sup> July 2024. The government aims to borrow a gross of Rs 14.01 trillion (Rs 14,01,000 crore) down from Rs 14.13 trillion (Rs 14,13,000 crore) announced at the time of the interim budget in February 2024. In the previous financial year, the government borrowed Rs 15.43 trillion (15,43,000 crore). Government borrowings are one of the key drivers for bond yields.

Currently, yield on the 10-year benchmark bond 7.10%, is trading at 6.9666%, which was almost flat as compared to open at 6.9662% on 23 July 2024, and 6.9663% at close on 22 July 2024. With borrowing program lowered marginally and walking the fiscal consolidation glide path is encouraging from debt markets standpoint as it raises the prospects of softer bond yields.

Date	11 July	14 July	17 July	20 July	22 July
USA 10 yr	4.20	4.24	4.16	4.24	4.25
Ind 10 yr	6.98	6.99	6.97	6.96	6.97
Ind 5 yr	6.98	6.98	6.93	6.92	6.93
Ind 3 yr	6.92	6.92	6.90	6.89	6.90

Source: worldgovernmentbonds