NABARD

DEAR
ECO WATCH
Issue No. 137/ 01-31 October 2024

1. Global Economic Outlook

US Economy: The U.S. economy is projected to show solid growth in the third quarter, fuelled by easing inflation and strong wage gains that support consumer spending. This economic momentum comes just ahead of a contentious presidential election focused on pocketbook issues. Economists expect GDP to have increased at an annualized rate of 3.0% from July to September, matching the previous quarter's pace. Although estimates ranged from 2.0% to 3.5%, a recent surge in the goods trade deficit led the Atlanta Fed to adjust its forecast to 2.8%. Consumer spending, which accounts for over two-thirds of economic activity, is estimated to have grown at a rate of at least 3.5%, up from 2.8% in the previous quarter. However, concerns remain that much of this growth may be concentrated among middle- and upper-income households.

UK Economy: Inflation in the UK has fallen to its lowest level in three and a half years, giving a pre-budget boost to the government as expectations grow for the Bank of England to cut interest rates. Figures from the Office for National Statistics show the consumer prices index dropped sharply to 1.7%, down from 2.2% in August 2024, in a bigger fall than anticipated in financial markets, driven by lower air fares and petrol prices. It is the first time headline inflation has dropped below the central bank's 2% target since April 2021.

Chinese Economy: China's economy expanded 4.6% year on year in the third quarter, slower than in the previous three months, underlining faltering growth as Beijing steps up stimulus efforts. The economic growth figure is the lowest in 18 months, below the government's full-year target of 5% and less than the 4.7% recorded in the three months to June 2024 as sluggish consumption and a property slump weighed on household sentiment. The softer growth will underscore the need for more support from Beijing, which in late September announced its biggest monetary stimulus since the pandemic and followed up with promises of heavy fiscal spending.

2. Domestic Economic Outlook

IMF retains India FY25 growth estimate at 7 per cent: The International Monetary Fund (IMF) has retained the growth projection for India at 7% for the current fiscal, in its latest World Economic Outlook report. The forecast, however, is 20 basis points (bps) lower than that of the Reserve Bank of India (RBI). For FY26 too, the IMF has retained India's growth outlook at 6.5%. As per IMF, in India, the outlook is for GDP growth to moderate from 8.2% in 2023 (FY24), to 7% in 2024 (FY25) and 6.5% in 2025 (FY26), because pent-up demand accumulated during the pandemic has been exhausted, as the economy reconnects with its potential.

FPO scheme to be extended by 4-5 years with financial aid: The government is likely to extend the central scheme for promotion of farmer producer organisations (FPOs) by four to five years beyond the current end date of FY25. The central sector scheme titled "formation and promotion of 10,000 FPOs" was launched in 2020 with a budgetary provision of Rs 6,865 crore. The target was to create 10,000 new FPOs by March 2025 and it aimed at enhancing farmers' income through aggregation of their agricultural produce and supplier of various inputs thus reducing cost of cultivation. So far, under the scheme, over 9,200 FPOs have been set up either as companies or co-operatives, against the target of having 10,000 such collectives by FY25.

Sugar output estimated at 33 MT for 2024-25 season: The food ministry has estimated sugar production at 33 million tonne (MT) for 2024-25 sugar season (Oct-Sept), which would be adequate to meet domestic annual consumption of 29 MT as well as 4.5 MT required for ethanol production. Sugarcane sowing in the current kharif season was 5.76 million hectare, higher than previous year. Inflation in sugar has been in the single digit for last many years. For 2023-24, sugar production is estimated at 32 MT, lower than 32.8 MT in the previous season.

India's oil demand to grow 4 per cent on year in October-December: India's demand for oil and refined oil products is expected to grow by almost 4% in the fourth quarter of the current calendar year compared to the corresponding period of last year, according to S&P Global Commodity Insights. The growth will be supported by the upcoming festival season and recovery seen in the agriculture sector post the excessive rains during the monsoon season. The country's consumption of petroleum products in the first half of the financial year 2024-25 rose by 3%

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Published by Department of Economic Analysis and Research (DEAR), NABARD Head Office, Mumbai

to 117.7 million tonnes compared to 114.2 in Apr-Sep 2023, as per data from the Petroleum Planning and Analysis Cell.

October sees a marginal uptick in PMI: Economic activity in the country, both manufacturing and services, improved in October from September, in the backdrop of positive demand trends. The HSBC Flash India PMI rose to 58.6 in October from 58.3 a month ago, S&P Global said in a release. The recovery in activity was largely driven by a sharp rise in manufacturing. Input cost inflation, meanwhile, at the composite level picked up to the strongest in three months in October, amid marginally quicker increases at both goods producers and service providers.

Foodgrain production target set at 341.55 MT in 2024-25: The government has set a target of a record foodgrain production of 341.55 million tonne (MT) in the 2024-25 crop year (July-June), which is an increase of around 3% from the 2023-24 crop year. Out of these, rabi season is projected to contribute 164.55 MT of foodgrain production such as rice, wheat, pulses and coarse cereals in the 2024-25 crop year. The foodgrain production for kharif and summer season crops are estimated at 161.37 MT and 2.25 MT respectively.

Direct tax-GDP ratio at millennial high in FY24: The Centre's direct tax-to-GDP ratio in the financial year reached the highest level in the millennium in FY24, if not the highest ever, reports FE. The ratio, which is a crucial determinant of the country's ability to find resources for physical and social infrastructure projects, and the progressive nature of taxation, came in at 6.64% in the last financial year, up from 6.11% in FY23 and 5.97% in FY22. Experts say this is largely due to simplification of taxes and procedures, improved taxpayer services, and higher tax compliance. Also, introduction of Annual Information System (AIS), third party data, updated returns have helped in increasing PIT collections.

3. Interest Rate Outlook

The yield on the 10-year US Treasury note was at 4.3% on 31st October 2024, the highest in over three months as a series of economic data releases aligned with the view that the US economy remains resilient to higher interest rates. Personal spending and personal income both accelerated during September to underscore the strength of the US consumer, while job cuts fell sharply, and jobless claims unexpectedly fell considerably. The core PCE prices, the Fed's preferred gauge of underlying inflation, refrained from slowing on an annual basis to sustain concerns of sticky inflation in the economy. Consequently, markets continued to consider a scenario where the Federal Reserve refrains from delivering a large magnitude of interest rates next year as it aims to achieve a soft landing. The possibility of a change in presidency also pressured long-dated bonds amid the outlook of expansionary fiscal policies and an accompanying rise in credit risk for US debt. India 10Y Bond Yield was 6.84% on 31st October 2024, according to over-the-counter interbank yield quotes for this government bond maturity. Historically, the India 10-Year Government Bond Yield reached an all-time high of 14.76 in April of 1996. The India 10-Year Government Bond Yield is expected to trade at 6.83% by the end of this quarter, according to Trading Economics global macro models and analysts' expectations.

Date	18 Oct	21 Oct	23 Oct	25 Oct	29 Oct	31 Oct
USA 10 yr	4.08	4.19	4.26	4.24	4.26	4.28
Ind 10 yr	6.80	6.82	6.82	6.83	6.85	6.83
Ind 5 yr	6.71	6.73	6.75	6.75	6.77	6.77
Ind 3 M	6.44	6.45	6.49	6.49	6.51	6.51

Source: CMIE, worldgovernmentbonds