Public

NABARD

DEAR
ECO WATCH

Issue No. 136/ 21 September – 30 September 2024

1. Global Economic Outlook

US Economy: S&P Global Ratings expects the U.S. economy to expand 2.7% in 2024 and 1.8% in 2025 (on an annual average basis). The growth forecasts are 0.2 and 0.1 percentage point higher, respectively, compared with June 2024 forecasts, partly reflecting the impulse from financial conditions that turned more positive and partly on stronger core goods consumption than previously expected. On a year-end basis, growth is expected to come in at 2.0% in the fourth quarter of 2024, down from 3.1% in fourth-quarter 2023. The S&P 500 is on track to gain 5% in the third quarter, which ends on Monday. This time, however, optimism that the Federal Reserve's rate cuts will boost U.S. growth is pushing investors into shares of regional banks, industrial companies and other beneficiaries of a strong economy and lower rates, in addition to the tech-focused stocks that have already seen massive gains this year.

UK Economy: Britain's economy grew more slowly than previously thought in the second quarter but there were also some signs of improvement in household finances ahead of next month's annual budget. Economic output expanded by 0.5% in the April-to-June 2024 period, according to the Office for National Statistics. The reading was slightly weaker than a preliminary estimate for a 0.6% growth in gross domestic product and was below economists' forecasts for another 0.6% rise. This is largely the result of inflation being back to target, interest rates starting to come down and greater political stability post-election. Britain's household saving ratio increased to 10.0% in the second quarter, up from 8.9% in the first three months of the year, and gross domestic product per head rose for a second quarter in a row, albeit more slowly than in the first quarter.

Chinese Economy: China's economy weakened further in recent weeks signaling the need for more support as the government ratchets up stimulus. An official survey released by the National Bureau of Statistics showed a less drastic decline but it marked a fifth straight month of contraction. The purchasing managers index was at 49.8 in September 2024, up from a six-month low of 49.1 in August 2024. The index is on a scale where figures above 50 indicate expansion. The Caixin purchasing managers survey also showed that factory output rose while new orders fell. The downturn in the property sector has rippled throughout the world's second-largest economy, hitting many other industries that depended on booming housing construction, such as appliance makers and manufacturers of building materials. It has slowed China's recovery from the massive disruptions of the COVID-19 pandemic, adding to pressures on Chinese consumers worried over pay cuts, job losses and weaker asset prices. The economy expanded at a 4.7% pace in the last quarter, slightly below the government's target for about 5%.

Domestic Economic Outlook

Retail inflation for farm workers eases to 5.96% in August- Labour Ministry: Retail inflation for farm workers decreased to 5.96% in August, while inflation for rural labourers fell to 6.08%. These figures compare to 6.17% and 6.20%, respectively, recorded in July. The All-India Consumer Price Index for Agricultural Labourers (CPI-AL) and Rural Labourers (CPI-RL) each increased by 7 points in August, reaching levels of 1297 and 1309, up from 1290 and 1302 in July 2024.

Agri exports fall 4% in Apr-Aug, on slump in rice trade: India's exports of agricultural and processed food products in the first five months of FY25 declined by 4% to $ 9.69 billion on year primarily because of fall in rice shipments due to restrictions imposed last year. Of items under the Agricultural and Processed Food Products Export Development Authority (APEDA) basket, shipments of meat, dairy and poultry products, fresh fruits and vegetables and cereals preparations saw a spike during April-August, 2024-25 compared to FY24.

GDP growth may surpass 7.2% in FY25: MoSPI official: As per MoSPI, India's economic growth could touch 7.2% in FY25, or even surpass it. The Reserve Bank of India (RBI) has projected India's GDP to grow 7.2% in the current financial year. But due to a slower than projected growth (of 7.1% in Q1FY25), economists say the full year growth could be around 7% or slightly lower. The International Monetary Fund (IMF) and the World Bank (WB) have projected the country's GDP growth at 7% in FY25.

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

As per GOI Price pressures in pulses market declining: The government recently abolished minimum export prices (MEP) for onion and also reduced the export duty on the staple vegetable to 20% from 40% on robust kharif prospects. Secretary, Department of consumer affairs said there has been downtrend trend prices as imports have picked up while kharif crops will start arriving in the market by November. Retail inflation in pulses have been in double digits since June, 2023 because of lower output of key varieties of pulses like chana, tur and urad.

Food grains output at 332.2 MT for 2023-24: The country's food grain production rose marginally to 332.2 million tonne (MT) in the 2023-24 crop year (July-June) from 329.68 MT, because of rise in rice and wheat output, the agriculture ministry on Wednesday said. Rice and wheat production rose by 1.52% and 2.47% to 137.82 MT and 113.29 MT respectively in 20230-24 compared to previous year. However pulses output dropped by 6.94% to 24.24 MT, mainly because of a 10% decline in chana to 11.03 MT on year.

Food inflation to turn milder, low oil prices a bright spot- Finance Ministry: Unless climatic shocks occur, food inflation will be milder in the short term, allowing rural incomes and demand to get stronger, the finance ministry said in its monthly economic report that Amid global uncertainties, low oil prices are a bright spot for the economy. Most high-frequency indicators on the supply side suggest continuing economic expansion in the current quarter. Steady growth in GST collections, expansionary trends in purchasing managers' indices and growth in air and port cargo indicate vigorous economic activity.

Interest Rate Outlook

The yield on the 10-year US Treasury note held its recent decline to around 3.75% on 30th September 2024 as soft US economic data reinforced expectations of further Federal Reserve rate cuts. Both headline and core PCE prices, which are the Fed's preferred gauge of broad and underlying inflation in the US economy, refrained from showing unexpected increases in price growth to hold the trend that inflation is converging to the central bank's target. Personal income and spending also came in weaker-than-expected last month. Meanwhile, the latest weekly jobless claims report pointed to a resilient labour market. Markets remain split on whether the Fed will cut rates by 50 basis points in November or opt for a smaller 25 bps reduction India 10Y Bond Yield was 6.75 percent on Monday September 30, according to over-the-counter inter bank 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 6.85 percent by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate it to trade at 6.82 in 12 months time.

(per cent)

Date	23 Sept	24 Sept	25 Sept	26 Sept	27 Sept
USA 10 yr	4.74	4.69	4.68	4.72	4.80
Ind 10 yr	6.77	6.76	6.74	6.72	6.74
Ind 5 yr	6.68	6.68	6.67	6.66	6.65
Ind 3 month	6.53	6.49	6.50	6.48	6.50

Source: worldgovernmentbonds