

## 1. Global Economic Outlook

**US Economy:** Real gross domestic product (GDP) in the United States increased at an annual rate of 3.4% in the fourth quarter of FY2024, according to the third estimate of Bureau of Economic Analysis (BEA). The increase in the fourth quarter primarily reflected increases in consumer spending and state and local governments' spending that were partly offset by a decrease in inventory investment. The Federal Open Market Committee (FOMC) announced on 20 March 2024 that it would maintain its policy rate in a range of 5.25% to 5.5%. The decision marks the fifth consecutive meeting at which the Federal Reserve (Fed) has opted to hold interest rates steady. The U.S. current-account deficit, narrowed by \$1.6 billion, or 0.8%, to \$194.8 billion in the fourth quarter of FY2024. The narrowing primarily reflected a reduced deficit on secondary income that was mostly offset by an expanded deficit on goods. The fourth-quarter deficit was 2.8% of current-dollar gross domestic product, down less than 0.1% from the third quarter. The US economy has made considerable progress given that inflation has eased substantially, and labour market remains strong,

**UK Economy:** UK gross domestic product (GDP) is estimated to have fallen by an unrevised 0.3% in fourth quarter (Oct to Dec) of 2023, following an unrevised fall of 0.1% in the previous quarter. The economy decreased for two consecutive quarters, while GDP for 2023 is estimated to have increased by an unrevised 0.1% compared with 2022. At its meeting ending on 20 March 2024, the Monetary Policy Committee of the UK voted to maintain Bank Rate at 5.25%. According to Office of National Statistics, Consumer Price Index (CPI) rose by 0.6% in February 2024 monthly, compared with a rise of 1.1% in February 2023. The largest downward contributions to the monthly change in CPI annual rates came from food, and restaurants and cafes, while the largest upward contributions came from housing and household services, and motor fuels.

**Chinese Economy:** According to National Bureau of Statistics (NBS), profits at China's industrial firms jumped 10.2% in the first two months from the same period in FY2023. As per NBS, China's official manufacturing PMI is at 50.8 in March 2024, its

strongest reading since March 2023 on account of expansion in supply and demand accelerating, and acceleration in overseas demand. CPI in China has also increased to 104.20 points in February 2024 from 103.20 points in January 2024. Aiming for faster growth, China has set a growth target of around 5% for 2024 and a deficit-to-GDP ratio of 3% for 2024.

## 2. Domestic Economic Outlook

**S&P Global forecasts 6.8% growth for India:** S&P Global raised its forecast for India's real economic growth in FY2025 by 0.4 percentage point to 6.8% but kept it much below the 7.6% GDP expansion rate estimated by National Statistical Organisation (NSO). According to S&P Global, restrictive interest rates by the RBI are expected to weigh on demand next fiscal year and affect credit growth. A lower fiscal deficit may also dampen growth. On the other hand, strong domestic demand and pick-up in exports are expected to be the growth drivers for FY2025. Despite expectations of a mild slowdown in Asian emerging market economies, strong domestic demand growth and a pick-up in exports would be drivers of robust growth, with India, Indonesia, the Philippines and Vietnam in the lead.

**Forex reserves hit historic high of \$642.63 billion:** According to RBI, India's foreign exchange reserves surged by \$140 million to reach a historic high of \$642.631 billion as of 22 March 2024. It marks the fifth consecutive week of a notable increase in the country's overall reserves. Reserves had seen a significant rise of \$6.396 billion, reaching \$642.492 billion in the week ending on 15 March 2024 as well. Higher FPI flows is one of the key triggers for the higher reserves and is also indicative of growing foreign investor confidence in Indian markets. The resilience of the Indian stock market and the improving macros of the Indian economy compelled the FPIs to turn buyers in India. FPIs were big buyers in capital goods, automobiles, financial, telecom and real estate. On the other hand, FPIs were sellers in IT.

**Fiscal deficit at 86.5% of FY24 RE in April-Feb:** According to Ministry of Finance, The Centre's fiscal deficit in the first eleven months of FY 2024 stood at Rs 15 trillion, accounting for just 86.5% of the full-year's revised estimate (RE). The deficit was

reined in despite higher devolution of taxes to states in February 2024. The Centre’s capex in the first 11 months of FY2024 grew 36.5% on year to Rs 8.05 trillion, higher than 29% growth projected for the whole year.

**India’s current account deficit declines to \$10.5 billion in Q3 of FY2024:** According to RBI, India’s current account deficit (CAD) declined to \$10.5 billion in the third quarter of FY2024 as compared to \$11.4 billion during the previous three months and \$16.8 billion in FY2023. The CAD in the October-December quarter amounted to 1.2% of India’s GDP. The CAD in July-September 2023 period was 1.3% of the GDP and it was 2% of GDP during October-December 2022 period, respectively. Going ahead, the current account deficit is foreseen to moderate below 1% of GDP led by growing merchandise and service exports coupled with decline in import dependency.

**IIP grew by 3.8% in January 2024:** Industrial activity, as measured by the Index of Industrial Production (IIP) index, grew by 3.8%, on a year-on-year basis, during January 2024. This was slower than the growth of 4.3% recorded in the preceding month. Manufacturing activity slowed in January 2024 contributing to the overall slowdown in industrial output. Manufacturing output grew at a lower rate of 3.2% during January compared to the 4.5% expansion recorded in December 2023. Output of eight of the 23 industries in the manufacturing sector declined in total. These included some heavyweight manufacturing industries such as food products, coke & refined petroleum products and chemicals & chemical products.

**Government to purchase 0.5 MT of onion for buffer:** The government has directed National Cooperative Consumers Federation (NCCF) and Farmers’ Cooperative, National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) to initiate procurement of 0.5 million tonne (MT) of onion at market price for the buffer from the farmers as rabi harvest has started to arrive in the market. This follows the government’s decision to extend the ban on exports on onion which is expected to bring down the mandi prices of the key vegetable. Recently the Ministry of Agriculture & Farmers’ Welfare has estimated that onion

production is likely to fall by 16% to 25.47 MT in the current crop year compared to 2022-23 due to a decrease of 3.43 MT in Maharashtra which is the biggest producer of the staple vegetable.

**Wheat stocks fall to a 16-year low:** Wheat stocks in the central pool fell to a 16-year low of 7.73 MT due to low procurement for the last two years, and aggressive sale of grains in the open market by Food Corporation of India (FCI) in FY2024. FCI annually requires around 18 MT of wheat annually for distribution of grain under the free ration scheme – Pradhan Mantri Garib Kalyana Anna Yojana. In anticipation of a robust harvest and heightened procurement, the government has decided against extending stock holding limits imposed on wheat beyond 31 March 2024. The decision is aimed at managing the overall food security and to prevent hoarding and unscrupulous speculations. FPI flows are expected to remain strong and continue increasing their stake in Indian markets.

### 3. Interest Rate Outlook

**Indian government bond yields closed lower** on 28 March 2024. The yield on the Indian 10-year government bond was near the 7.04% mark. The rate on the 10-year Treasury note was around 4.32% on 1 April 2024 as investors kicked off the second quarter and weighed the latest U.S. inflation data. The Indian government will auction new 10-year bonds worth Rs. 200 billion (\$2.40 billion) on 05 April 2024 to kickstart its borrowing programme for FY2024. However, RBI’s move to switch to multiple price-based method for all debt auctions dampened sentiment as investors are cautious.

Date	20 Mar	21 Mar	22 Mar	26 Mar	27 Mar	28 Mar
<b>USA 10 yr</b>	4.28	4.27	4.20	4.25	4.19	4.21
<b>Ind 10 yr</b>	7.10	7.06	7.07	7.09	7.07	7.04
<b>Ind 5 yr</b>	7.09	7.07	7.09	7.11	7.09	7.05
<b>Ind 3 M</b>	6.89	6.87	6.84	6.79	7.01	6.90

Source: worldgovernmentbonds.com, CMIE