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1. Global Economic Outlook

US Economy: Federal Open Market Committee (FOMC) commenced its two-day monetary policy meeting on 19 March 2024 with high expectations to maintain interest rates at their current level. The Consumer Price Index (CPI) in the US increased 0.4% month-over-month in February 2024 compared to 0.3% in January 2024. Even though inflation in US has cooled considerably, after touching a four-decade peak of 9.1% in June 2022, but it remains higher than its pre-pandemic levels of about 2%. The Fed is expected to maintain the federal funds rate in a range of 5.25% to 5.5%. At the same time, the US labour market remains tight despite some signs of weakening. According to Household survey data, the unemployment rate rose by 0.2% to 3.9% in February 2024. On 19 March 2024, the Bank of Japan (BOJ) decided to hike its interest rate for the first time in 17 years since 2007. The BOJ's move could have a noticeable impact on U.S. investors given that Japanese institutional investors are the largest foreign holders of treasuries.

UK Economy: Inflation in UK is expected to sink to 3.5% in March 2024, the lowest in two and a half years, from 4% in January 2024. Cooling food and goods inflation will help drive the rate lower before a plunge in energy bills triggers a more marked step down in April 2024, when it is expected to dip below the 2% target of Bank of England (BOE). However, the BOE is expected to leave the key rate at a 16-year high of 5.25% at their meeting on 21 March 2024. Britain's economy is forecast to grow by 0.8% this year by the Office for Budget Responsibility (OBR). The economy has been very sluggish since its initial recovery from the COVID-19 pandemic, beset by a surge in the cost of energy imports from Russia's invasion of Ukraine and, more recently, by high Bank of England interest rates. However, OBR projects economic output to expand by 1.9% in 2025 and by 2.0% in 2026, respectively.

Chinese Economy: Chinese consumer prices rose in February 2024 for the first time since August 2023, breaking from a month-long stretch of deflation that compounded the country's economic woes. According to Beijing's National Bureau of Statistics (NBS), CPI rose 0.7% in February 2024. Consumer prices was primarily driven by rise in food and service prices. CPI in China traditionally sees a boost during the Chinese New Year period, also known as Spring Festival, which fell in February this year. It also led to a 3% growth in oil refinery throughput to meet strong demand for transport fuels. As per data released by the National Bureau of Statistics (NBS), industrial output rose 7.0% in the first two months of FY2024, marking the quickest growth in almost two years.

2. Domestic Economic Outlook

RBI forecasts 8% growth for India: RBI monthly bulletin released on 19 March 2024 highlighted the healthy state of the Indian economy and stated that the India can sustain a GDP growth of 8% fuelled by a conducive macroeconomic configuration which can further the country's growth trajectory. According to RBI, real GDP growth was at a six-quarter high in third quarter of FY2024, powered by strong momentum, robust indirect taxes, and lower subsidies. The modest account deficit, resilient external buffers and healthy balance sheets in the financial sector, among other things, are some of the factors favouring macroeconomic and financial stability in India.

CAD forecasts for FY2024 lowered: Because of the 13 year high in services trade surplus in February 2024, projections of India's current account deficit (CAD) for the FY2024 have been lowered to 0.8-0.9% of the GDP by Barclays. During February 2024, the country's services trade surplus came in at $16.8 billion, the highest since April 2011, as compared to $16.2 billion in January 2024. This was due to the record-high services exports, which stood at $32.2 billion in February 2024 as compared to $31 billion in January 2024. Services trade surplus since the past three months has stayed consecutively above the $16-billion-mark, while goods trade deficit has remained contained below $20 billion, leading to sharp decline in the country's overall trade deficit. In April 2023-February 2024, merchandise trade deficit has lowered 8.4% on year, while services trade surplus has soared by 17.8%.

Inflation fell below 5% in February 2024: According to CMIE, CPI is expected to have fallen to 4.9% in February 2024, compared to 5.1% in January 2024. The non-core index, which comprises food and fuel & light, is expected to see inflation ease. But non-

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core inflation will remain well above 6%. From 6.9% in January 2024, non-core inflation is expected to have fallen to around 6.6% in February 2024. Core inflation, which excludes food and fuel & light, is expected to have moderated to 3.5% in February 2024, compared to 3.6% in January 2024. A higher rate of month-on-month increase in February 2023 helped push down core inflation.

WPI inflation moderates to 0.20% in February 2024: According to the provisional data released by the Ministry of Commerce & Industry, India's wholesale price index (WPI)-based inflation moderated to a four-month low of 0.20% in February 2024 on an annual basis in comparison to 0.27% in the month of January 2024 and 0.73% in December 2023, respectively. Positive rate of inflation in February 2024 is primarily due to increase in prices of food articles, crude petroleum & natural gas, electricity, machinery & equipment and motor vehicles, trailers & semi-trailers, etc. Inflation for food articles stood at 6.95% in February 2024 as against 6.85% in January 2024. For the primary articles, the inflation rate came in at 4.49% from 3.84% in the previous month. Further, manufactured products inflation stood at -1.27% in February 2024.

India's exports may reach $450 billion in FY2024: According to Federation of Indian Export Organisation (FIEO), the country's merchandise exports are expected to reach $450 billion by the end of FY2024 despite geo-political challenges like the Red Sea crisis. Despite issues, exports rose about 12% in February 2024 to $41.40 billion. During April-February 2023-24, exports reached $395 billion. The main drivers of merchandise export growth in February 2024 include engineering goods, electronic goods, organic and inorganic chemicals, drugs and pharmaceuticals, and petroleum products.

Mandi prices for tur dal close to 50% above MSP: The arrivals of tur dal have peaked and mandi prices are ruling around Rs. 10,400/quintal, 48% above the minimum support price (MSP). With mandi prices of tur dal ruling close to 50% above MSP of Rs 7000/quintal, the government agencies are struggling to purchase the pulse variety under the direct procurement from farmers at market prices aimed at building a buffer of one million tonne (MT). There has been a significant mismatch between demand and supply of tur dal thus driving the prices up. Tur (pigeon pea) output in the 2023-24 crop year (July-June) is estimated at 3.33 MT, marginally lower than the previous crop year. Despite 0.77 MT of imports in 2023, average retail prices of tur as per the department of consumer affairs of have been ruling Rs 160/kg since the beginning of the year. The retail tur price is highest amongst all the pulses variety.

Edible oil imports fall 21% since November 2023: According to the Solvent Extractors' Association of India (SEA), the imports of edible oils – palm, soybean and sunflower — in the first four months of the 2023-24 oil year (November-October) declined by 21% to 4.61 million tonnes (MT) compared to same period last oil year. The availability of palm oil for edible oil requirements has come down as the main two producers Malaysia and Indonesia are diverting it for biodiesel production which may also result in an increase in prices this year.

3. Interest Rate Outlook

Indian government bond yields closed higher on 18 March 2024. The yield on the Indian 10-year government bond was near the 7.08% mark. As per a CRISIL report, the 10-year benchmark government security yield is expected to be in the range of 6.96-7.06%. Advance tax outflows and GST collection may impact yields negatively, but a pickup in government spending, reversal of dollar/ rupee sell-buy swaps and FPI can support yields.

Date	05 Mar	07 Mar	11 Mar	13 Mar	15 Mar	18 Mar
USA 10 yr	4.14	4.08	4.10	4.20	4.31	4.33
Ind 10 yr	7.06	7.04	7.01	7.03	7.06	7.08
Ind 5 yr	7.08	7.04	7.04	7.06	7.08	7.09
Ind 3 M	6.95	6.90	6.90	6.90	6.84	6.86

Source: worldgovernmentbonds.com, CMIE