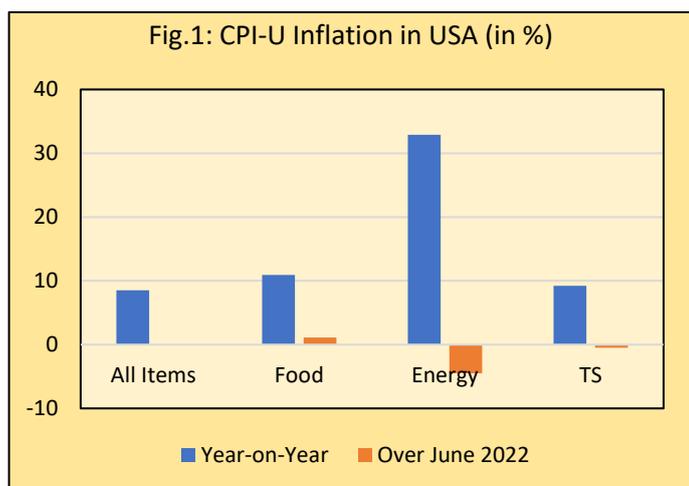


Global Economic Outlook

USA CPI-U remains unchanged in July as fall in gasoline offsets shelter and food increases

- As per the data released by the U.S. Bureau of Labor Statistics, the Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in July on a seasonally adjusted basis, after rising 1.3% in June. On year-on-year basis, the all items seasonally-unadjusted index increased 8.5% (Figure. 1).
- The gasoline index fell 7.7% in July and played an important role to offset increases in the food and shelter indexes, resulting in the all-items index being unchanged, compared to June-2022.
- The core index, consisting of all items less food and energy, rose 0.3% in July, a smaller increase than in previous 3 months of April, May, and June 2022. The all items less food and energy index rose 5.9% on year-on-year basis.



TS: Transportation Service

USA Producer Price Index for final demand declines 0.5% in July

- The USA producer price index (PPI), often considered to be a key measure of US producer prices, fell in July for the first time in more than two years, largely reflecting a drop in energy costs and representing a moderation in inflationary pressures.
- The producer price index for final demand decreased 0.5% from a month earlier and rose 9.8% from a year ago.

China's Factory-gate inflation eases to a 17-month low

- As per the data released by China's National Bureau of Statistics, China's factory-gate inflation eased in July to a 17-month low, with the producer price index (PPI) rising 4.2% year-on-year. In June-2022, PPI rose by 6.1%.

Domestic Economic Outlook

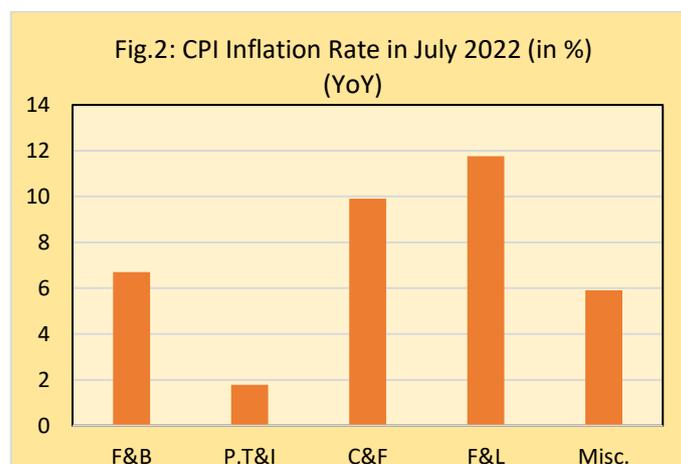
CPI-Inflation in India at 6.71% in July

- India's retail inflation eased to 6.71% in July, aided by a moderation in food price inflation to 6.75%, the lowest in five months. However, the inflation continued to be higher than upper tolerance limit of 6% pursued by the RBI's Monetary Policy Committee.
- Rural inflation eased from 7.09% in June to 6.8% in July (YoY basis), while urban consumers faced a price rise of 6.49% from 6.86% in June.
- Inflation for major items is given below:

All-India Inflation Rates (in %) for July 2022 (Y-o-Y)			
	Rural	Urban	Combined
CPI (General)	6.80	6.49	6.71
CFPI	6.80	6.69	6.75

CFPI: Consumer Food Price Index

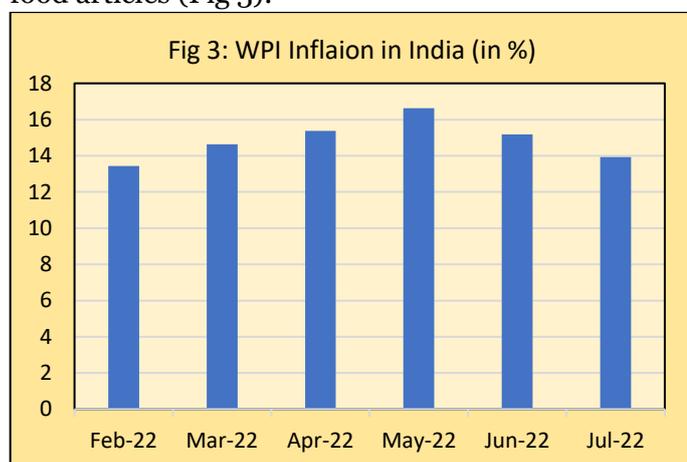
- Inflation in some of the major components is given below (Fig. 2).



F&B: Food and beverages; P, T&I: Pan, Tobacco and Intoxicants; C&F: Clothing & Footwear; F&L: Fuel and Light; Misc.: Miscellaneous

Wholesale Price Inflation eases to a 5-month low of 13.9% in July

- Wholesale price inflation in India moderated to a five-month low in July, due to reasons such as easing food and commodity prices, but continued to be in double digits for the 16th month in a row.
- WPI inflation in July was primarily contributed by rise in prices of mineral oils, food articles, crude petroleum & natural gas, basic metals, electricity, chemicals & chemical products, food products etc. as compared to July-2021. Compared to the previous months, WPI inflation softened on account of a moderation in the inflation for food items, core-WPI, crude petroleum and natural gas, and primary non-food articles (Fig 3).



IIP growth eases to 12.3% in June

- As per the data released by the Ministry of Statistics and Programme Implementation, India's industrial output grew 12.3% in June, moderating from 19.6% in May-2022, led by a 16.4% increase in electricity and 12.5% growth in manufacturing.
- The Index of Industrial Production (IIP), however, grew only 0.14% over May 2022 levels, with manufacturing being the only sector to report a sequential uptick in output in June, rising 1.34%.
- Among use-based categories, production of consumer durables and capital goods led the growth trajectory for the second month in a row, rising 26.1% and 23.8%, respectively, in June.
- Primary goods output rose 13.7%, followed by intermediate goods (11%) and infrastructure/construction items which grew 8%. However, these three sectors reported a

sequential decline from May's output levels, with primary goods slipping 3.8%, intermediate goods 2.9% and construction goods 2.7%.

Interest Rate Outlook

USA High Yield Bonds experience net inflow

- U.S high-yield bond funds are attracting heavy investments, possibly due to beliefs that the U.S. economy will avoid a recession or, if it does have one, that it will be mild. As per the Refinitiv data, U.S. high-yield bond funds received an inflow of \$4.8 billion in July, the first monthly inflow in 2022.

Minutes of USA Fed Meeting signal more rate hikes in coming months

- As per the minutes released on 17 August 2022 of Fed's meeting held on 26 July-27 July 2022, coming months may witness more rate hikes. As per the minutes, 'with inflation remaining well above the Committee's objective, participants judged that moving to a restrictive stance of policy was required to meet the Committee's legislative mandate to promote maximum employment and price stability.

Reducing Indian Inflation, a positive Sign, but USA inflation data of next month important

- In economics, it is often said that 'expectations are self-fulfilling' and thus expectations have an important role in determining actual inflation.
- Recent data indicates reduced inflation in India than previous months and may lead to lower inflationary expectations and hence lower inflation in coming months. The inflation data of USA also holds importance.

Weekly Benchmark Bond Yield Movement (%)					
Date	08-Aug	09-Aug	10-Aug	11-Aug	12-Aug
USA 10 years	2.75	2.78	2.79	2.89	2.83
India 10 years	7.35	--	7.31	7.27	7.29
India 5 years	7.05	--	7.01	6.97	6.96
India 3 months	--	--	5.20	5.16	5.23

Source: CMIE, worldgovernmentbonds.com

- The yield on the government benchmark 10-year bond for the period (15-19 August 2022) is expected to be in the range 7.16% to 7.26%.