

## Global Economic Outlook

### Dr. Jerome Powell reaffirms resolve to bring inflation to 2% target

- At the Jackson Hole Economic Policy Symposium 2022 held during 25-27 August 2022, Fed's Chair Dr. Jerome Powell reiterated Fed's overarching focus to bring inflation back down to the 2% goal. A few important points from his speech are given below:
  - Reducing inflation is likely to require a sustained period of below-trend growth. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they may also bring some pain to households and businesses.
  - While the lower inflation readings for July are a welcome sign, a single month's improvement isn't enough to feel confident that inflation has begun moving downwards.
  - The historical record cautions strongly against prematurely loosening stance of the monetary policy.
  - Fed's decision on changing interest rate at its September meeting will depend on the totality of the incoming data and the evolving outlook.

### Japan's factory activity grows slowest in August

- The au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index (PMI) fell to a seasonally adjusted 51.0 in August from a 52.1 in July, marking the slowest expansion since January last year. For PMI, a reading greater than 50 indicates expansion.
- The possible reasons include reduction in new orders, growing pressure from persistent rises in raw material and energy costs and weakening global demand.

### Singapore's core inflation at 4.8% in July, highest in 13 last years

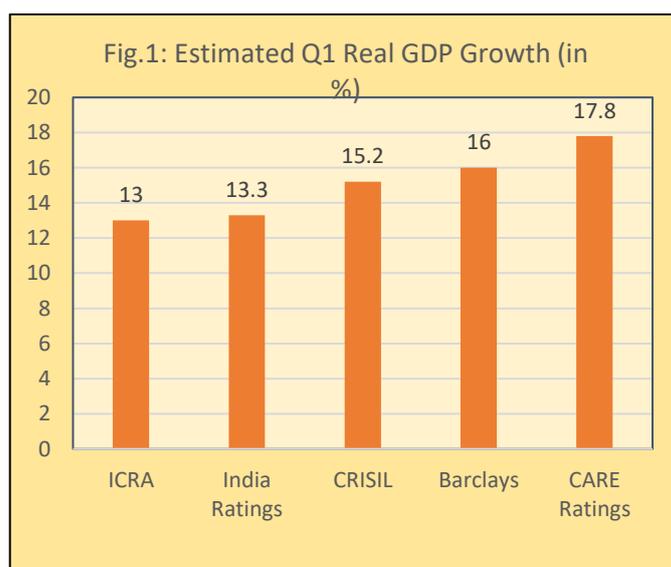
- As per the official data released by authorities in Singapore, the core inflation rate rose to 4.8% in July on year-on-year basis, while the

headline inflation rose to 7%. It is noteworthy that the core and headline inflation rates were 4.4% and 6.7%, respectively in June.

## Domestic Economic Outlook

### India's quarterly GDP results expected on 31 August 2022; estimates suggest robust economic recovery

- The authorities are expected to report Q1FY23 GDP figures on 31 August, and various forecasters expect the economy to grow in double digits (Fig.1), owing to a low base and robust recovery. For instance, ICRA projects India's growth rate at 13% in the quarter ended June-2022, Barclays estimates the growth rate to have accelerated to 16%.



### Direct Tax collections rise 33% till 24 August

- The Centre's direct tax collections (post-refunds) grew by a robust 33% (on year) till August 24, with both personal income tax (PIT) and corporate income tax (CIT) performing much better than anticipated by experts. Chairman of Central Board of Direct Taxes (CBDT) has attributed this rise to higher compliance and a favourable base effect. The direct tax collections stood at about ₹4.8 trillion as on August 24.

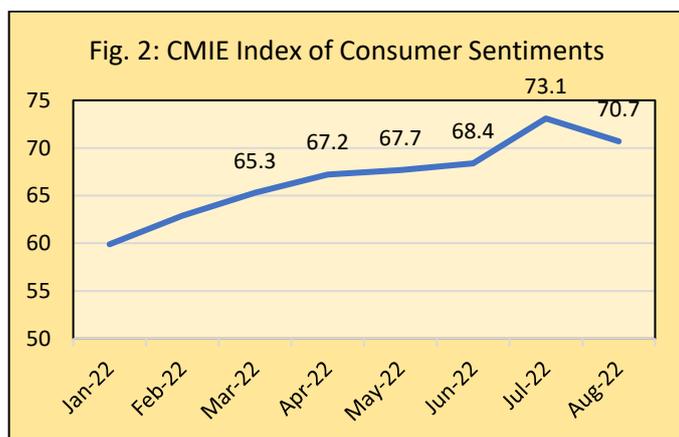
## RBI releases 'Quarterly Statistics on Deposits and Credit of SCBs' for June 2022

RBI released quarterly statistics on deposits and credit of scheduled commercial banks (SCBs) for the quarter ended June-2022 on its Database on Indian Economy (DBIE) portal. A few major points are given below:

- Credit growth (y-o-y) accelerated further to 14.2% in June 2022 from 6.0% a year ago and 10.8% a quarter ago.
- Aggregate deposit growth (y-o-y) has remained in the range 9.5-10.2% during the last five quarters.
- As credit growth is outpacing deposit growth, credit-deposit (C-D) ratio has been on the rise. In June 2022, C-D ratio stood at 73.5% at all-India level (it was 70.5% a year ago).

## Consumer Sentiments remain muted in August

- As per Centre for Monitoring Indian Economy (CMIE) data, consumer sentiments in August have remained muted (Fig. 2). Although July had observed an increase of 6.7% in consumer sentiments after several months of deceleration, but sentiments suffered a serious setback in the last week of July and then again in the first week of August. Most of the souring of sentiments emanated from rural India. It is likely that the principal reason for this is the behaviour of the southwest monsoon.
- The Index of Consumer Sentiments (ICS), which stood at 73.1 in July-2022 (base 100 in September-December 2015) declined to 70.7 as on 21 August 2022.



## Interest Rate Outlook

### Expectations rise for a large interest rate hike by central banks of major economies

- Amidst the rising inflation in many major economies and recent deliberations at the Jackson Hole Economic Policy Symposium 2022, it is being believed by many experts that the central banks of major economies may opt for a large interest rate hike during their next meeting.
- For instance, European Central Bank (ECB) board member Dr. Isabel Schnabel, French Central Bank chief Dr. Francois Villeroy de Galhau and other experts argued for forceful or significant policy action at its meeting scheduled in the next month. Experts suggest that a rate hike of 50-75 basis points is a possibility.
- Similarly, the Federal Reserve is expected to introduce a large interest rate hike.

### Crude Oil Prices Rise

- Oil prices rose more than \$3 per barrel on 29.08.2022, due to reasons such as possible OPEC+ output cuts. Brent crude rose \$3.16, or 3.1%, at \$104.15 per barrel by 12:22 p.m. EDT (1633 GMT). U.S. West Texas Intermediate (WTI) crude gained 3.4% to reach \$96.22.
- Rising crude prices often lead to rising inflation and if they remain elevated for too long, may work to offset the gains made by India in controlling inflation in recent weeks.

Weekly Benchmark Bond Yield Movement (%)					
Date	22-Aug	23-Aug	24-Aug	25-Aug	26-Aug
USA 10 years	3.02	3.06	3.10	3.03	3.03
India 10 years	7.27	7.28	7.29	7.29	7.22
India 5 years	6.98	6.99	7.01	7.04	6.99
India 3 months	5.50	5.50	5.50	5.58	5.57

Source: CMIE, worldgovernmentbonds.com

- The yield on the government benchmark 10-year bond for the period (29 Aug-02 Sep 2022) is expected to be in the range 7.16% to 7.28%.