

### Global Economic Outlook

- **A third of world in recession this year** - IMF chief in an interview said, A third of the global economy will be in recession in 2023 and warned that 2023 will be “tougher” than the last year (2022) as the US, EU and China will see their economies slow down.
- IMF has trimmed its global growth forecast for 2023. Global growth is forecast to slow from 6% in 2021 to 3.2% in 2022 and 2.7% in 2023.
- **US consumer sentiments improves in December 2022-** Confidence among US consumers improved in December 2022, as University of Michigan consumer sentiment index rose to 59.7 in December 2022 from 56.8 in November 2022. While the sentiment appears to have turned a corner from its all-time low from June 2022, consumers have reserved their judgment about whether the trends will continue.
- **Covid-19 containment dampen China’s output at end of 2022-** Chinese manufacturers signalled a further slight deterioration in overall business conditions at the end of 2022, as efforts to stop the spread of COVID-19 continued to disrupt operations and dampen client demand.
- The Purchasing Managers’ Index which provides a single-figure snapshot of operating conditions in the manufacturing economy – edged down from 49.4 in November 2022 to 49.0 in December 2022. The reading signalled a fifth successive monthly deterioration in operating conditions.
- **European Central Bank President Christine Lagarde indicated that borrowing costs will increase** again, saying this is required to temper soaring consumer-price growth. The ECB has raised interest rates by a total of 2.5 percentage points since July 2022 in a bid to arrest a historic surge in inflation. ECB’s long term price growth target is 2%.
- The president further added that “The process is essential because it would be even worse if we allowed inflation to become entrenched in the economy”.

### Domestic Outlook

- **India’s GDP growth at 6.8% for 2022-23** IMF- The International Monetary Fund (IMF) has projected India’s real GDP growth for 2022-23 and 2023-24 at 6.8% and 6.1%, respectively.
- Growth is expected to moderate in next fiscal reflecting the less favourable outlook and tighter

financial conditions. A sharp global growth slowdown in the near term is also likely to impact the country’s economy through trade and financial channels, it added.

- **GST Collection at 1.5 lakh crore in Dec 2022-** The government collected ₹1.5 lakh crore goods and services tax (GST) in December 2022. This is the 10th consecutive month when GST collections have remained above ₹1.4 lakh crore. GST collections for December 2022 rose by 2.5% compared to November 2022.
- **Index of Eight Core Industries increases by 5.4% in Nov 2022-** The combined Index of Eight Core Industries increased by 5.4% (provisional) in November 2022 as compared to November 2021.
- The production of Cement, Coal, Electricity, Steel and Fertilizers increased in November 2022 over the corresponding month of last year. (The Eight Core Industries comprise 40.27% of the weight of items included in the Index of Industrial Production (IIP)).
- **CPI-IW decreased to 5.4% in Nov 2022-** Inflation for industrial workers, measured by the CPI-IW, declined to 5.4% in November 2022 from 6.1% in October 2022. The fall was primarily driven by softening of food inflation which fell to 4.3% from 6.5% during this period.



Source: CMIE

- **Unemployment rate saw a rise in December 2022-** The unemployment rate increased in December 2022 to 8.3% from 8% in November 2022. The unemployment rate had been in excess of 8% in each of the four weeks that ended in December 2022 with an average of close to 8.8%.
- **Agri Exports up 16% in April- Nov 2022-** According to the provisional data by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), the overall export of Agricultural and Processed Food Products increased by 16% during

- April-November 2022 to USD 17.43 billion from USD 15.07 billion over the same period of the last fiscal.
- For the year 2022-23, an export target of USD 23.56 billion has been fixed for the agricultural and processed food products basket and an export of USD 17.435 billion has already been achieved in eight months of the current fiscal.
- Manufacturing PMI rises to 57.8 in Dec 2022-** India Manufacturing Purchasing Managers' Index rose to 57.8 in December 2022 from 55.7 in November 2022 pointing to a robust improvement in the health of the sector that was best seen since October 2020.
- Demand resilience boosted sales growth in December 2022. International demand for Indian goods also improved. However, new orders from abroad rose at the slowest pace in five months as several companies reportedly struggled to secure new work from key export markets.

### Interest Rate Outlook

- Excessive monetary tightening could result in a sub-par growth-** Reserve Bank of India (RBI)'s Monetary Policy Committee (MPC) member Jayanth R Varma has cautioned that an excessive monetary tightening could result in a sub-par growth. This in turn could cripple job creation and productivity. According to him, India's current macroeconomic situation calls for a different balance between growth and inflation at this point where a large amount of front-loaded tightening has already been completed.
- NBFCs need to be wary of rising rate cycle: RBI-** RBI in its Trend and Progress Report 2021-22 have pointed out that NBFC need to be wary of the rising interest rate cycle and lingering uncertainties due to global shocks.
- ICRA expects NBFCs' costs of funds to rise by 50-60 bps from the current levels. Borrowings from banks and the corporate bond markets constituted 75% of total NBFC borrowings in 2021-22.
- States borrowing to increase in Q4 2022-23-** Indian states plan to raise ₹3.41 trillion by selling bonds in 13 weekly auctions between January 2023 and March 2023. The supply is sharply higher than market expectations of ₹2.70 trillion to ₹3.00 trillion. States had borrowed ₹4.57 trillion between April 2022 and December 2022, lower than the scheduled ₹ 6.55 trillion.

- Government bond yields rose on the first trading session of 2023 (2 January 2023), with the benchmark bond yield jumping to its highest level (7.34 at the end of period on 2 Jan 2023) in nearly two months after states announced a bigger-than-expected borrowing schedule for the Q4 2022-23.
- According to the Financial Stability Report of the RBI, Frontloaded monetary policy actions are expected to bring inflation into the tolerance band and closer to the target while anchoring inflation expectations.
- Sale (reissue) of government securities-** RBI on 30 Dec 2022 conducted the sale (re-issue) of four dated securities for a notified amount of ₹30,000 crore. The securities included were 6.69% GS 2024, 7.10% GS 2029, 7.41% GS 2036 and 7.40% GS 2062. RBI on 6 January 2023, will be conducting a sale (re-issue) of three dated securities (viz., 7.38% GS 2027, 7.26% GS 2032 and 7.36% GS 2052) for a notified amount of ₹28,000 crore.

Weekly Benchmark Bond Yield Movement (%)					
Date	26-Dec	27-Dec	28-Dec	29-Dec	30-Dec
<b>USA 10 years</b>	3.75	3.85	3.88	3.83	3.88
<b>India 10 years</b>	7.32	7.31	7.31	7.31	7.33
<b>India 5 years</b>	7.28	7.27	7.29	7.27	7.27
<b>India 3 months</b>	6.34	6.30	6.31	6.28	6.28

Source: CMIE, worldgovernmentbonds.com

- During the week (26 Dec 2022- 30 Dec 2022), Indian Govt Bonds ended largely steady. At the end of the week, Indian bond yields rose as RBI announced slightly higher weekly auction quantum for T-Bill for the Q4 2022-23.
- The total liabilities of the government increased to ₹147.19 lakh crore at the end of September 2022 from ₹145.72 lakh crore at the end of June 2022, according to the latest data on public debt. Also, the central government's fiscal deficit at the end of November 2022 touched 59% of the full year budget estimate, according to data released by the Controller General of Accounts (CGA). Fiscal deficit for the same period last year was 46.2% of the budget estimate of 2021-22.
- We expect benchmark 10 year bond to trade in a range of 7.27%-7.37% during the next week.