

## Global Economic Outlook

- **U.S. non-farm unemployment rate stable at 3.4% and weekly jobless claims drop to nine-month low:** As per the data released by the U.S. Bureau of Labor Statistics, the total non-farm payroll employment rose by 517,000 in January, and the unemployment rate changed little at 3.4% (lowest since 1969). Job growth was widespread, led by gains in leisure and hospitality, professional and business services, health care, etc.
- The number of new claims for unemployment benefits being filed in USA dropped to a nine-month low last week, indicating that labour market remains resilient despite the multifarious challenges being faced by the economy.
- **Japan's Services Activity Growth at three-month high: Au Jibun Bank Japan Services PMI**
- As per the Au Jibun Bank Japan Purchasing Managers' Index (PMI), Japan's services sector activity grew at its fastest pace in three months in January 2023. The final Au Jibun Bank Japan Services PMI rose in January to a seasonally adjusted 52.3 from December's 51.1, marking the fastest pace since October.
- **China's January Factory Activity Contracts at a Slower Pace:** As per Caixin/S&P Global manufacturing PMI, China's factory activity shrank more slowly in January than in the previous month, possibly due to reasons such as improving COVID situation.
- The Caixin/S&P Global manufacturing Purchasing Managers' Index (PMI) nudged up to 49.2 in January from 49.0 in December. Since the reading was below 50, it marks a sixth straight monthly contraction.
- The data contrasted with a recently released official survey, which showed a stronger-than-expected result. It is noteworthy that official survey largely focuses on big and state-owned firms, whereas the Caixin survey centres on small firms and coastal regions, which includes many exporters.
- **Eurozone grows marginally in Q4:** As per the data released from Eurostat, the Eurozone economy grew marginally in the last quarter of 2022. The GDP

across EU grew by 0.1% compared to the previous quarter. A year earlier, the growth was 1.9%.

- Among the biggest Eurozone countries, Germany and Italy recorded negative growth rates for the quarter but France and Spain expanded.

## Domestic Outlook

**Economic Survey estimates GDP growth at 6-6.8% during 2023-24:** As per the Economic Survey released by the Ministry of Finance, Government of India, GDP growth for FY24 has been forecasted to be in the range of 6-6.8%. For the year 2022-23, GDP is estimated to grow at 7% (as per First Advanced Estimates).

- The optimistic growth forecasts stem from a number of positives like the rebound of private consumption given a boost to production activity, higher Capital Expenditure (Capex), near-universal vaccination coverage enabling people to spend on contact-based services, etc.
- **Union Budget 2023-24 presented in Parliament:** The Government has proposed the Union Budget 2023-24 in Parliament. The highlights are given below:
  - **Expenditure:** The government proposes to spend ₹45,03,097 crore in 2023-24, which is an increase of 7.5% over the revised estimate of 2022-23.
  - **Government receipts** (excluding borrowings) are estimated to be ₹27,16,281 crore.
  - **Revenue deficit** is the excess of revenue expenditure over revenue receipts. Such a deficit implies that the government needs to borrow funds to meet recurring expenses which may not provide future returns. The estimated revenue deficit for 2023-24 is 2.9% of GDP in 2023-24.
  - **Fiscal deficit** is an indicator of borrowings by the government for financing its expenditure. The estimated fiscal deficit for 2023-24 is 5.9% of GDP.
  - **Primary deficit** is the difference between fiscal deficit and interest payments. It is estimated to be 2.3% of GDP in 2023-24.
  - **Interest expenditure** at ₹10,79,971 crore is estimated to be 41% of revenue receipts.

- **India may become the 3<sup>rd</sup> largest economy by FY28:** NITI Aayog's former chairman Arvind Panagariya has stated that India is on the cusp of returning to a high growth trajectory. He exuded confidence that the country will become the world's third-largest economy by 2027-28.
- **PMI indicates towards easing services sector growth in January:** The Indian services sector growth rate appeared to have moderated in January 2023. The seasonally adjusted S&P Global India Services PMI Business Activity Index fell from 58.5 in December to 57.2 in January. Despite easing from December, the latest figure remained above its long-run average (53.5).
- **India's Forex Reserves rise USD 3.03 bn to USD 576.76:** India's forex reserves increased by USD 3.034 billion to USD 576.76 billion (as of 27 January 2023), making it the third consecutive week of rise in Forex.
- The foreign currency assets, a major component of the reserves, increased by USD 2.66 billion to USD 509.018 billion. Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.
- The gold reserves continued to rise, increasing by USD 316 million to USD 44.027 billion. The Special Drawing Rights (SDRs) were up by USD 46 million to USD 18.478 billion. The country's reserve position with the IMF was up by USD 11 million to USD 5.238 billion in the reporting week.
- **Rice prices in global market soar to over 11-year high:** Global rice prices have peaked to their highest level since November 2011 as the global production of rice is projected to drop by 2.7% during the current season August 2022-July 2023, according to the Food and Agricultural Organisation (FAO).
- **RBI raises the repo rate by 25 basis points:** Based on the meeting of the Monetary Policy Committee (MPC) held during 06-08 Feb 2023, RBI has raised the policy repo rate by 25 basis points to 6.5%. The Standing Deposit Facility (SDF) rate adjusts to 6.25% from 6% and Marginal Standing Facility (MSF) rate increased by 25 bps to 6.75%. RBI has also revised its estimates of inflation and GDP growth. RBI projects retail inflation at 6.5% for FY23 (reduction from earlier estimate of 6.7%) and 5.3% for the next fiscal. The GDP growth is estimated to be 6.4% for 2023-24.
- **Yield on 10-Year bond declined last week:** The yield on the Indian 10-year government bond fell sharply to below the 7.3% mark in February, the lowest in seven weeks, as investors welcomed fiscal responsibility presented in the Union Budget 2023-24. The government proposes to borrow ₹15.43 trillion in the period through the sale of bonds. The plans outlined in the document aim for a fiscal deficit of 5.9% of GDP.
- **Auction of Government of India dated securities:** The Government of India has announced the sale (re-issue) of four dated securities for a notified amount of ₹30,000 crore. The auction will be conducted on 10 Feb 2023 using uniform price method for 6.89% GS 2025, 7.10% GS 2029, 7.41% GS 2036 and multiple price method for 7.40% GS 2062.

Weekly Benchmark Bond Yield Movement (%)					
Date	30-Jan	31-Jan	01-Feb	02-Feb	03-Feb
USA 10 years	3.54	3.51	3.40	3.38	3.53
India 10 years	7.40	7.34	7.28	7.26	7.28
India 5 years	7.29	7.30	7.23	7.17	7.16
India 3 months	6.46	-	6.55	6.54	6.56

Source: CMIE, worldgovernmentbonds.com

- **Interest Rate Outlook**
- **Fed raises benchmark interest rate by 25 basis points:** The rate setting Federal Open Market Committee raised the federal funds rate by 25 basis points, taking the target range to 4.5% - 4.75%, highest since October 2007.
- We expect benchmark 10-year bond to trade in a range of 7.26%-7.36% during the week (06 Feb-10 Feb 2023).