

Global Economic Outlook

The US Bureau of Labour Statistics (BLS) releases the US Jobs report for June 2022

- Job growth accelerated at a much faster pace than expected in June, indicating that the main pillar of the U.S. economy remains strong despite pockets of weakness.
- Total nonfarm payroll employment rose by 372,000 in June, and the unemployment rate remained at 3.6 percent. Notable job gains occurred in professional and business services, leisure and hospitality and health care. An alternative measure of unemployment that includes discouraged workers and those holding part-time jobs for economic reasons fell sharply, dropping to 6.7% from 7.1%.
- The unemployment rate was 3.6 percent for the fourth month in a row, and the number of unemployed persons was essentially unchanged at 5.9 million in June. These values are hardly different from those in February 2020 (3.5% and 5.7 million respectively) prior to Covid-19.

Bank of England released its latest Financial Stability Report on 05 July 2022

- According to the report, the outlook for the UK economy for this year was weak while it had deteriorated materially.
- While the UK's banking sector was well placed to cope with a severe downturn, banks must increase the amount of money set aside to absorb shocks. Starting a year from now banks will be required to set aside 2% of their assets as buffer as opposed to the normal 1%.
- Tighter financial conditions and reduced real incomes will weigh on debt affordability for households, businesses and governments in many countries, increasing the risk from global debt vulnerabilities.

China's inflation cools in month of June

- China's factory-gate inflation cooled in June to the lowest in 15 months as the country continued to buck the global trend of accelerating prices. The producer price index (PPI) rose 6.1% year-on-year in June after a 6.4% rise in May.

Domestic Economic Outlook

Hiring activity up by 22% in June 2022

- Hiring activity in India increased by 22 per cent year-on-year (y-o-y) in June 2022, according to a report by Naukri JobSpeak.

- While hiring in travel and hospitality rose by 125% y-o-y, retail and banking, financial services and insurance (BFSI) also ramped up offers by 75% and 58%, respectively.
- Further, auto & auto ancillary and oil & gas sectors ramped up hiring by 37% and 36%, respectively. However, hiring in telecom and pharma/biotech sectors remained flat.

Kharif sowing down 9.3% as of 8 July 2022

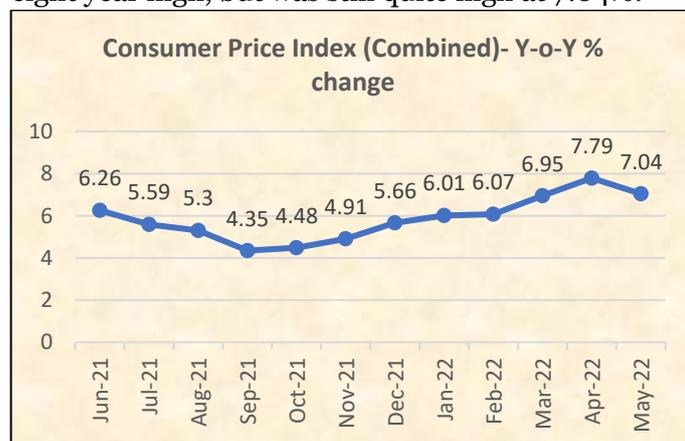
- Area sown under kharif crops was reported at 40.7 million hectares as of 8 July 2022. This is 9.3% lower than the area covered during the corresponding period last year.
- Acreage under rice decreased by 23.9% to 7.2 million hectares, while that under coarse cereals increased by 1.5% to 6.5 million hectares.
- Area sown under pulses was up y-o-y by 1% at 4.7 million hectares. Oilseeds were sown on 7.8 million hectares, 20.3% lower than a year ago. Area sown under cotton decreased by 0.2% to 8.5 million hectares, while that under sugarcane increased by 0.5% to 5.3 million hectares.

FCI's grain stocks expected to plunge to 6-year low by October 2022

- The Food Corporation of India's (FCI) grain stock will plunge to a 6-year low by October owing to extension of Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) till September 30 and sharp drop in wheat procurement in the current season.
- The low surplus would prevent FCI from open market sales in the current fiscal year, bucking the trend of recent years.

India's headline inflation data for June to be released in coming week

- India's retail inflation for the month of June is expected to be released on 12 July 2022. Retail inflation cooled marginally in May from April's eight year high, but was still quite high at 7.04%.

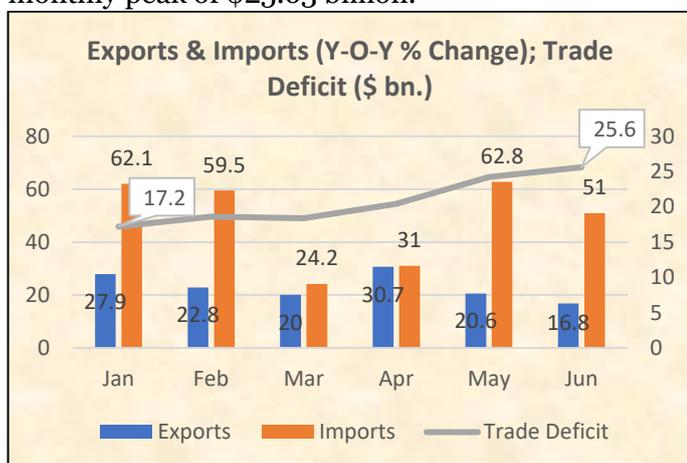


Source: CMIE

- A Mint poll of 27 economists predicted that inflation will stay at 7% in June. In their latest report, economists at Barclays said that despite easing commodity and energy prices, India's inflation will likely remain high in the near term.
- Retail inflation has breached the Reserve Bank of India's upper tolerance band of 6% across all the months of this year. Monetary policy makers in India will be looking for inflation data to chart out further steps to take in their August meeting.

Exports rise to \$37.94 billion in June but trade deficit at record \$25.6 billion

- Merchandise exports grew 16.8% in June from a year before even on a high base but a 51% surge in imports owing to high prices of oil and other commodities, drove up trade deficit to a fresh monthly peak of \$25.63 billion.



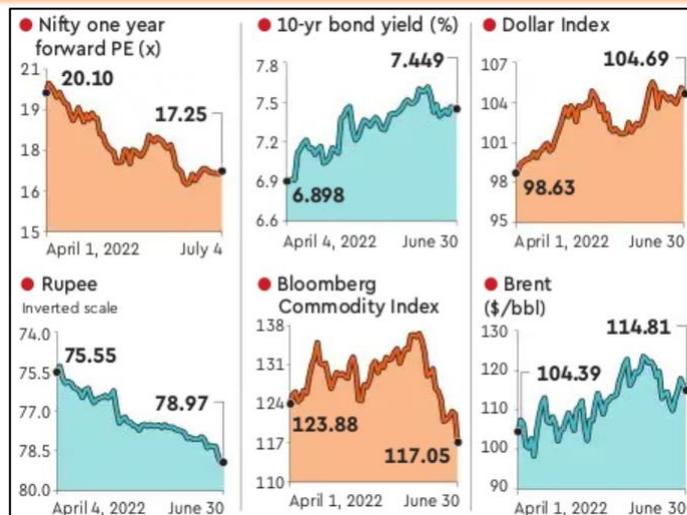
Source: CMIE

- As per data released by the Commerce ministry, exports hit \$37.94 billion in June, a record for the third month of any fiscal. However, sequentially, the growth was slower than the 20.6% recorded in May, when, in absolute terms, the outbound shipment had scaled \$38.9 billion.
- Imports, however, surged to \$63.6 billion in June, against \$42.1 billion a year before. While the spike in imports signals improving domestic demand, it will put pressure on the Current Account Deficit (CAD) which is estimated by Fitch Ratings to double in FY23 to about 3.1% of GDP.

Interest Rate Outlook

Rupee slipped to 79.36 on CAD concerns

- The rupee on 05 July 2022 closed at 79.36 against the dollar on concerns that the current account deficit (CAD) would widen more than anticipated after the trade deficit for June hit an all-time high. The performance of equities, bonds and currency in Q1, FY23 is given below (Source: Financial Express)



RBI announces measures to boost forex inflows to cushion falling rupee

- FPIs can, via the Fully Accessible Route, buy new issuances of G-Secs of 7- and 14-year tenures in addition to 5-, 10- and 30-year tenures.
- The limit under automatic route for External Commercial Borrowings raised from \$750 million to \$1.5 billion in a financial year.
- FPIs can invest in corporate money market instruments such as CPs and NCDs with an original maturity of 1 year, under Medium Term Framework (MTP) until 31 October 2022.
- FCNR(B) and NRE deposits exempted from SLR, CRR requirements, for deposits mobilised between July 1 and November 4, 2022.
- Interest rate ceiling of 250-350 basis points, over the overnight alternative reference rate, for FCNR (B) deposits removed until October 31, 2022.

	04 July	05 July	06 July	07 July	08 July
USA 10 year	2.89	2.81	2.90	3.00	3.00
India 10 year	7.37	7.39	7.29	7.35	7.41
India 5 Year	7.14	7.14	7.05	7.12	7.17
India 3 Month	5.09	5.09	5.15	5.12	5.14

Source: CMIE, worldgovernmentbonds.com

- The yield on the government benchmark 10-year bond for the period (30 June to 08 July) rose 0.064% under selling pressure and is expected to be in the range 7.35% to 7.45% for the week (11-15 July).