

## Global Economic Outlook

### Inflation in USA at decades high

- In the month of March, the CPI in USA accelerated 8.5%, as Russia's war against Ukraine boosted the cost of gasoline to record highs, the largest year-on-year gain since December 1981, after a 7.9% jump in February. It was the sixth straight month of annual CPI readings exceeding 6%.
- Groceries increased 10% on a year-on-year basis, the most in 41 years.

### Unemployment claims rise slightly in U.S. but still near historic low

- New unemployment claims in the United States have risen by close to 20,000, but they remain near the 54-year low that was set last week.
- First-time filings increased by 18,000 to 185,000. Earlier, there were 167,000- the lowest mark since 1968.

### Inflation in UK surges

- British consumer price inflation leapt to 7.0% in March, its highest since March 1992 and up from 6.2% in February, official figures showed on Wednesday, intensifying the cost-of-living squeeze faced by households.
- The increase in the annual rate of CPI was sharper than expected by most economists polled by Reuters, who had forecast an increase to 6.7%. Broad-based price rises saw annual inflation increase sharply again in March putting more pressure on the Bank of England to increase interest rates again.

### Inflation in Germany highest since reunification

- The inflation rate in Germany, measured as the year-on-year change in the consumer price index (CPI), stood at 7.3% in March 2022—its highest level since German reunification, according to the Federal Statistical Office (Destatis). In February, it was 5.1%. Consumer prices jumped by 2.5% in March this year compared to February levels.

## Domestic Economic Outlook

### World Bank slashes India's GDP forecast

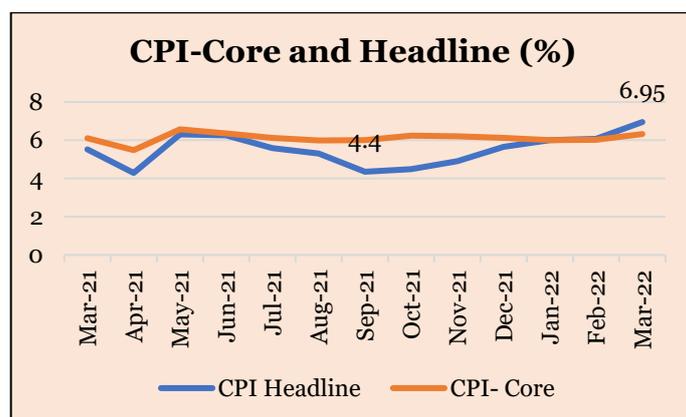
- The World Bank pared its 2022 growth projections for South Asian economies to 6.6% on Wednesday, from an estimate of 7.6% released in January, emphasising that post-pandemic growth was already uneven and fragile before the Russia-Ukraine conflict triggered fresh challenges.
- The ripple effect of high oil and food prices that

prevailed even before the war and were exacerbated since February 24, are key factors worrying the Bank as people real income take a hit.

- India's GDP, the Bank reckons, may now grow by 8% in 2022-23, not 8.7% as it had earlier forecast, before dropping further to 7.1% in 2023-24.

### Inflation rockets to 17 months high

- The country's retail inflation, which is measured by the Consumer Price Index (CPI), rose to 6.95% in the month of March. The retail inflation for the month of February was 6.07%.
- This is the third consecutive month that the CPI data has breached the RBI upper margin of 6%.
- The spike in the food basket was due to a sharp rise in prices of oils and fats which climbed 18.79% on year in March. Apart from this, the vegetable prices saw a rise of 11.64% while that meat and fish gained 9.63% and spices rose 8.50%. Non-alcoholic beverages spiked 5.62% last month, cereals and products climbed 4.93% and milk and products rose 4.71%.



Source: CMIE

### India's industry output records low growth rate

- India's factory output, which is measured in terms of IIP witnessed a growth of 1.7% year-on-year during the month of February.
- The growth in IIP data during February is on account of the mining and electricity sectors which rose 4.5% each. The mining sector rose 4.5% on-year in February. The electricity sector witnessed a growth of 4.5%.
- Growth in capital goods output, however, slowed to 1.1% on a year-on-year basis from 1.4% in January, while consumer durables and non-durables witnessed a contraction.

- The decline in capital goods output growth may be a matter of concern as an RBI survey (OBICUS), released on April 8, showed capacity utilisation in the manufacturing sector rose to a two-and-a-half-year high of 72.4% in the last quarter of 2021.



Source: CMIE

### State government's tax collection fares even better

- If the Centre reported an unprecedented 34% annual jump in gross tax revenues in FY22, the state governments likely fared even better. According to data of 20 big states, their overall tax receipts—own revenue plus divisible-pool receipts from the Centre—jumped 39% on year to ₹18.8 trillion in April-February FY22, thanks to a reviving economy, improved compliance and higher transfers from the Centre.
- Due to buoyancy in tax revenues, the Centre released ₹8.83 trillion to states for FY22 as their share of the divisible tax pool, 19% more than the revised estimate (RE) for the year.

### Interest Rate Outlook

#### Bond yield continues to rise on surging inflation

- The yield on the benchmark bond rose for the fourth straight day after data showed that retail inflation has surged to nearly 7% in March. The inflation prints of 6.95% came in at levels way above what were estimated by economists.
- The benchmark yield ended at 7.21% on Wednesday (13.04.2022), three basis points higher than it ended in the previous trading session on Tuesday. This is the highest level since May 23, 2019.
- The bond yield is already under pressure due to higher government borrowing with a higher

amount being front-loaded in the first half of the current fiscal year, higher crude oil prices, and the introduction of liquidity absorption tool by the central bank in the monetary policy. Demand from investors is also weak due to domestic and international uncertainties.

### RBI devolves auction on Primary Dealers

- The RBI devolved some portion of 6.54%-2032 bonds on the primary dealers at the weekly bond auction. The central bank devolved ₹1,553.203 crore of an amount of ₹3,000 crore. It set the cut-off price at ₹5.12 or 7.24% cut-off yield.
- The yields on the 10-year benchmark cooled off slightly after partial devolvement in the bond auction.

### RBI signals discomfort with sharp yield uptick

- The RBI issued a new seven-year paper with yields at 7.1%, even as there was partial devolvement on the 10-year benchmark in auction, indicating discomfort with sharp rise in yields.
- Usually, the trend is of the RBI coming up with a long-term paper, but it has issued bonds whose maturity falls between five years and 10 years, perhaps to ease some pressure on the benchmark.
- The RBI statement showed for a seven-year paper, the notified amount was ₹7,000 crore and bids received were worth ₹22,632 crore.

### Weekly Expectation

Date	11 Apr	12 Apr	13 Apr	14 Apr	15 Apr
USA 10 year	2.77	2.72	2.70	2.82	2.82
India 10 year	7.15	7.19	7.21	-	-
India 5 Year	6.54	6.60	6.68	-	-
India 3 Month	3.97	3.98	3.97	-	-

Source: CMIE, world governmentbond.com

- Government 10-year bond may trade in the range of 7.15-7.25% (18th April-22th April 2022) given the higher than forecast CPI in India and expectation of interest rate increase in USA due to high inflation data.