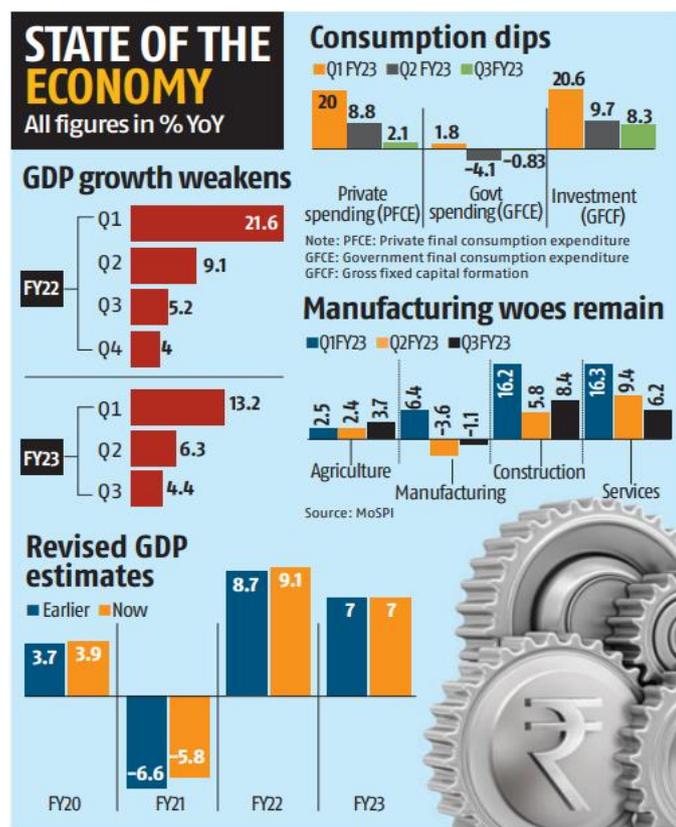## Global Economic Outlook

- **China's GDP growth target set at 5%, lowest in over 25 years**
  China unveiled its lowest growth target in more than a quarter century as it faces challenges in the domestic and global economy following its emergence from three years of strict COVID-19 measures.

- **China's defence budget raised by 7.2%, 3-times of India's, 1/3rd of America**
  The 2023 budget will see China's actual defence spending during the year rise to 1.55 trillion yuan ($225 billion), which amounts to a single digit budget increase for the eighth consecutive year. India is raising its capital expenditure spending to $21 billion and its overall defence spending by 13% to $72.5 billion (i.e., 1.97% of India's GDP).

Domestic Outlook

- **GDP growth slows in Q3**
  Quarterly GDP growth slowed to 4.4% in the past three months of 2022 as weaker global demand and high inflation weigh on India.

Moody's cuts India's FY23 GDP growth forecast to 6.8% from 7%.

The sequential slowdown in the quarterly growth as revealed by the latest estimate of national income released by the NSO indicates that India is approaching the Hindu rate of Growth *(Hindu rate of growth is a term describing low Indian economic growth rates from the 1950s to the 1980s, which averaged around 4%. The term was coined by Raj Krishna in 1978)* in view of subdued private sector investment, high interest rates and slowing global growth.

- **NSO scales up growth estimates since pandemic**
  The NSO's latest GDP estimates suggest that the adverse impact of the Coronavirus pandemic induced lockdowns on the Indian economy was far lesser than gauged earlier.

Real GDP and GVA (Point-to-Point % Change between 2019-20 and 2022-23	NSO's Previous Estimates	NSO's Latest Estimate
GDP	8.6	9.9
PFCE	9.2	13.2
GFCE	9.6	6.9
GCF	19.2	18.6
GFCF	15.7	18.1
Change in stock	77.4	16.6
Valuables	80.0	44.4
Exports	26.9	31.0
Imports	41.2	25.0
GVA	9.8	11.2
Agriculture	10.1	11.4
Industry	11.1	14.6
Mining	4.4	1.2
Manufacturing	11.0	14.9
Electricity	13.0	14.7
Construction	12.8	18.1
Services	9.1	9.2
Trade, transport & comm., etc.	0.8	4.3
Fin. Serv., real estate, etc.	13.3	14.2
Pub. Admin. & defence	14.8	8.5

Source: CMIE

- **Per capita income (PCI) doubles since 2014 but uneven distribution a challenge**
  As per the NSO, the annual per capita (net national income) at current prices is estimated at ₹1.72 lakh in 2022-23 (up from ₹0.87 lakh in 2014-15) thus increasing about 99%. However, in real terms the PCI has increased by 35% from ₹0.73 lakh in 2014-15 to ₹0.98 lakh in 2022-23. However, the distribution is critical as unevenness in growth is not factored in.

- **Fiscal deficit widens to 67.8% of the revised full year target (Govt capex stays strong, 29% higher)**
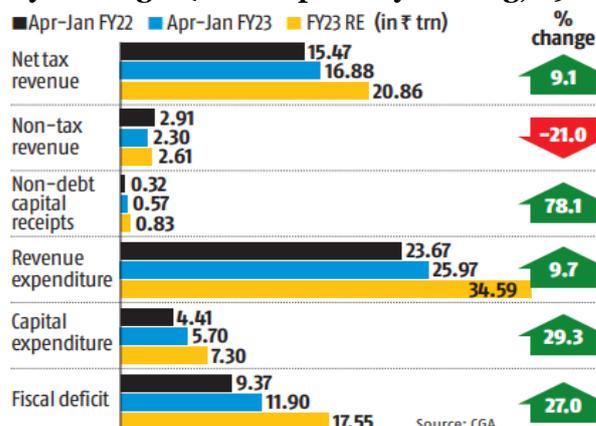

- **Unemployment rate remains the same for last two quarters**
  As per the Periodic Labour Force Survey (PLFS) data released on 24 February, 2023, the unemployment rate

has remained the same during last two quarters (7.2% each in Sept 2022 and Dec 2022 quarters). *(Source: MOSPI, PLFS-Quarterly Bulletin-Oct-Dec 2022)*

From the data analysed, it has been observed that both LFPR and WPR have improved in last one year (LFPR increased to 48.2% from 47.3% and WPR increased to 44.7% from 43.2%). However, the latest PLFS Annual Report shows some numbers which are cause of concern. The unemployment rate @4.1% for 2021-22 is lower than 5.8% witnessed in 2018-19 shows lingering effects of COVID-19 pandemic.

The global economy is losing at least $7 trillion of economic gains each year due to a failure to reach gender parity in the workforce, according to Moody's analytics.

## 1: SHARE OF MANUFACTURING JOBS BELOW PRE–PANDEMIC LEVELS
Broad industry division   Share %
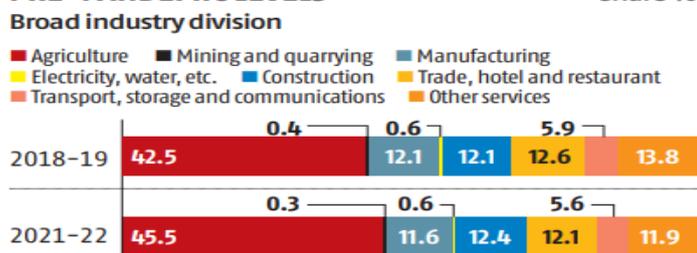
Source: PLFS Annual Reports
Note: Data is for persons in both rural and urban areas

5: CHANGE IN FEMALE LABOUR FORCE PARTICIPATION RATE
Female labour force participation rate (LFPR), in %
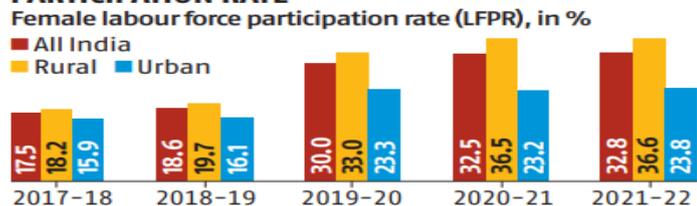
Note: The labour force participation rate is defined as the percentage of persons of employable age who are currently employed or actively seeking employment as a share of the total population. The data is for LFPR in usual status considering both principal activity status and subsidiary economic activity status.
Source: PLFS Annual Reports

6: HIGHER UNEMPLOYMENT RATE FOR URBAN WOMEN
Female unemployment rate, in %
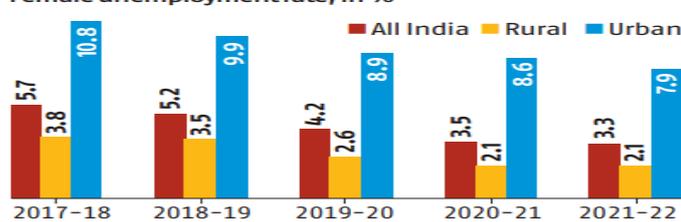
Note: Unemployment rate is defined as the percentage of persons unemployed among those in the labour force.
Source: PLFS Annual Reports

India scores 74.4 in World Bank Index on Working Women. *(A score of 100 on the index means women are on an equal standing with men on all 8 indicators, according to the World Bank's Women, Business & Law 2023 report).*

Interest Rate Outlook
- **Rupee could strengthen further in the short term**
  The dollar index broadly remained stable in a sideways range last week (104-105.35 was the range of trade). There

was a slight divergence witnessed last week between the US 10 yr Treasury yield, the dollar index and the Indian rupee. Barring the sharp fall, the 10yr yield continued to remain strong and indeed rose above 4%. However, that did not push the dollar index much higher. Also, the Indian rupee continued to strengthen last week amid a stable dollar.

Weekly Benchmark Bond Yield Movement (%)					
Date	27-Feb	28-Feb	01-Mar	02-Mar	03-Mar
USA 10 years	3.92	3.93	3.99	4.06	3.95
India 10 years	7.44	7.45	7.43	7.43	7.41
India 5 years	7.44	7.43	7.41	7.42	7.39
India 3 months	6.90	6.91	6.94	6.94	6.95

Source: CMIE, worldgovernmentbonds.com

The US 10 yr treasury yield broke 4% last week, but thereafter it fell sharply. An important support is at 3.9%. The 10 yr has to sustain above this support to keep the chances alive of rising back above 4%.

The euro (EURUSD: 1.0635) was stuck between 1.05 and 1.07 for the second consecutive week. The immediate outlook is not clear. A breakout on either side of the current range will decide the next move.

The Indian rupee (USDINR: 81.97) remained strong all through the week. The currency has closed at 81.97 in the onshore market. However, in the off shore segment the rupee has strengthened sharply to close at 81.68. So, the chances are very high for the rupee to open with a wide gap in the on-shore segment.

We expect benchmark 10-yr bond to trade in the range of 7.41%-7.45% during the week (06 March 2023-10 March 2023).

- **Shift to multiple price auctions of govt-debt**
  At a recent meeting with the RBI officials, participants in the govt. bond market urged the central bank to shift back to multiple-price method for primary auctions of sovereign debt *(The multiple-price method provides market participants with more flexibility in pricing bonds based on the evolving landscape of inflation and debt supply).*

In the Union Budget for 2023-24, the govt announced a gross borrowing programme of ₹15.43 trillion for the next fiscal year. In accordance with the RE in the budget, the govt borrowed ₹14.21 trillion through the sale of dated securities on a gross basis during the current fiscal year. In July 2021, RBI had decided to shift the method for auctions of 2-yr bonds, 3-yr bonds, 5-yr bonds, 10-yr bonds and 14-yr bonds to the uniform price method which resulted in volatility of auctions. Several sovereign bond auctions landed on the books of underwriters as hardening inflation numbers and heavy supply had eroded appetite for govt debt.