

Global Economic Outlook

U.S. Economy Shrank 1.4% in Q1 2022

- According to the "advance" estimate released by the Bureau of Economic Analysis, US GDP decreased at an annual rate of 1.4 percent in the first quarter of 2022. In the fourth quarter of 2021, economy expanded by 6.9 percent.
- Forecasters were bracing for weak growth in the first three months of this year as the country dealt with a renewed wave of Covid-19 cases and government aid programs lapsed.

U.S. inflation continues to rise

- Federal Reserve's preferred measure of inflation, the personal consumption expenditure (PCE) price index, rose a sharp 6.6% in March 2022 compared to 6.3% in Feb 2022.
- The index was largely driven by energy prices which increased by 33.9 percent while food prices increased by 9.2 percent. Excluding food and energy, the PCE price index for March 2022 increased by 5.2 percent from one year ago.

Chinese economy grew 4.8% in Q1 2022

- According to the data released by National Bureau of Statistics, China's economy grew 4.8% in the first quarter of 2022, faster than expected despite Covid lockdowns in major parts of the country.
- Industrial production in March 2022 rose by 5%, beating the forecast for 4.5% growth. However, retail sales in March 2022 fell by 3.5% from a year earlier as against a 1.6% decline anticipated by Analyst polled by Reuters. It is anticipated that the April 2022 activity data could be even weaker on the account of ongoing impact of COVID lockdowns.

Domestic Outlook

Indian economy to be \$5 trillion only by 2028-29

- According to the International Monetary Fund (IMF), India would reach its goal of becoming a USD 5 trillion economy only in 2028-29, not sooner.
- Following the shadow banking crisis and the outbreak of Covid-19, India's GDP growth potential for the next five years has dipped to 6.2 %, down from a previous estimate of up to 7%, according to an economist at IMF.

Mobility Indicators Picked up

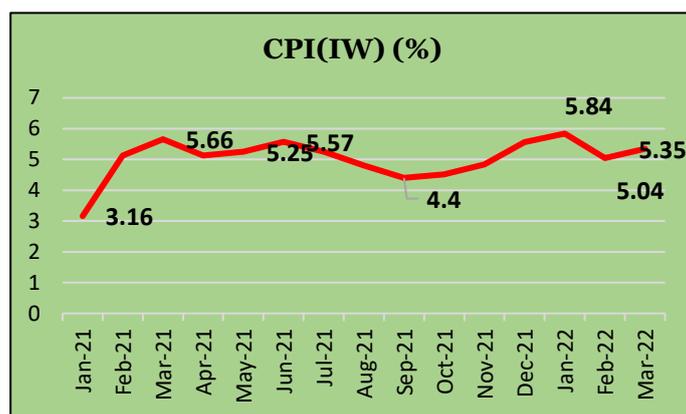
- The Nomura India Normalization Index (NINI) showed a broad-based improvement in activity in

March 2022 as mobility indicators picked up. Nomura's measure of aggregate demand and aggregate supply now stand at 15 percentage points (pp) and nine percentage points above pre-pandemic levels, respectively.

- Consumption is almost three percentage points higher, while industry is 4.5 pp higher. However, the services sector remains around 10 pp below pre-pandemic levels.

Inflation for Industrial Workers rose by 5.4% in March 2022

- The CPI-IW, which measures retail price inflation for industrial workers, grew by 5.4% in March 2022, up from 5% the previous month. Inflation had been at 5.6 percent in the same month the previous year. Food prices drove the sequential increase in headline inflation in March 2022. Food inflation increased by 6.3 percent in March 2022, up from 5.1 percent in February 2022.



Source: CMIE

Price of Edible Oil expected to soar in upcoming months

- According to a report of India Ratings and Research (Ind-Ra), Edible oil prices are likely to witness a double-digit rise in the next few months compared to January 2022.
- The reason cited for the steep increase is the ongoing geopolitical tensions and Indonesia's decision to ban crude palm oil exports. This step by Indonesia could remove about 2 million tonnes of palm oil supply from the global market every month, which accounts to about 50 percent of the global monthly trade volumes, leading to an increase in substitution demand for other oils and thus a widespread rise in edible oil prices.

India's Current Account Deficit (CAD) to widen in FY 2023

- India's current account deficit (CAD) is expected

to reach a decade's high in FY 2023, breaching the 2.5 percent mark, according to State Bank of India (SBI) Research.

- India current account deficit was 1.2 per cent of GDP in April-December 2021 on the back of a sharp increase in the trade deficit. For the full fiscal 2021-22, the SBI Research expects CAD to be around 1.7 percent of GDP.

Sowing area under summer crops increased by 7.2%

- The sowing area under summer crops increased to 6.9 million hectares (mh) from 6.5 mh as of 29 April 2022, translating into a growth of 7.2 percent.

The acreage is likely to be aided by pre-monsoon precipitation in past one month as the rainfall deficit has narrowed. In addition, a better position of water levels in reservoirs will help farmers to sustain the crops this summer.

Bank Credit expected to grow at 11-12 % in FY 2023

- Bank credit is likely to grow at a four-year high of 11-12 percent in 2022-23, according to a report released by Crisil Ratings. Better economic growth, budgetary support from the government and improved resilience of the banking system will be driving the higher credit growth expectations.

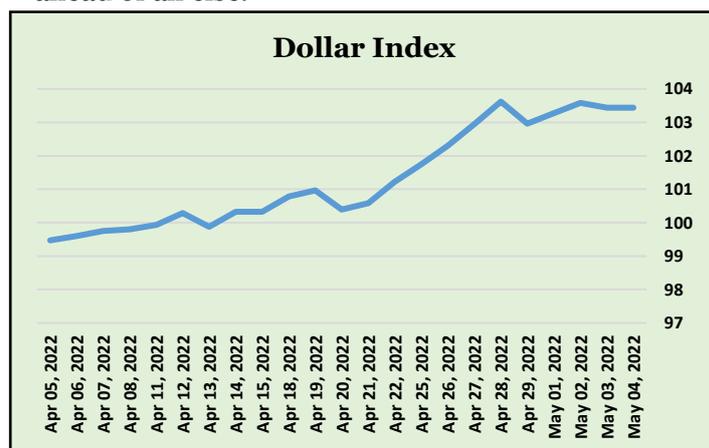
Interest Rate Outlook

RBI hikes repo rate by 40 basis points with immediate effect

- Monetary Policy Committee (MPC) on 4th May 2022, unanimously voted to increase the repo rate by 40 bps thus taking it to 4.40%. The standing deposit facility rate now stands at 4.15% while the marginal standing facility rate and bank rate stand at 4.65%. The RBI also hiked the cash reserve ratio (CRR) by 50 basis points to 4.5% of NDTL.
- RBI governor stated that the risk from inflation is rising and April inflation figures are expected to be on the higher side. He further added that Geopolitical risks are evolving and lingering and it is necessary to be sensitive to new realities.
- Monetary policy response at this juncture will ensure financial stability. RBI will promote medium-term growth prospects by ensuring adequate liquidity in the system.
- In the weekly debt sale, the RBI auctioned 4.56% GS government security (GS) 2023, 7.10% GS 2029, 6.54% GS 2032, and 6.95% GS 2061 totalling a notified amount of Rs.33,000 crore.

Dollar Index hit highest level since 2002

- The dollar index hit its highest level since 2002 this week on account of dollar shooting to a two-decade high on yen after the Bank of Japan stating to buy unlimited amount of bonds daily in order to keep interest rate at an implicit cap of 0.25% around its zero yield target.
- The uber-dovish decision set Japan miles apart from the Federal Reserve, where markets are priced for 150 basis points (bps) of hikes in just three meetings, and triggered a fresh rush of funds into the dollar ahead of all else.



Source: Investing.com

Table 1: Weekly Benchmark Bond Yield Movement (%)

Date	25 Apr	26 Apr	27 Apr	28 Apr	29 Apr
USA 10 year	2.82	2.73	2.83	2.83	2.94
India 10 year	7.04	7.05	7.08	7.16	7.14
India 5 Year	6.55	6.58	6.61	6.67	6.68
India 3 Month	3.96	3.96	3.95	3.97	4.02

Source: CMIE, worldgovernmentbonds.com

- Government benchmark 10-year bond may trade on the higher side of the range 7.15-7.25% (2nd May-8th May 2022) upon RBI's unscheduled press briefing and sudden hike of report rate by 40 bps.
- Federal Reserve is expected to increase the interest rate by 50 bps in a meeting scheduled on 3rd to 4th May 2022. Increase in interest rate higher than the expectation will put pressure on the Indian yield.