NABARD

DEAR
ECO WATCH
Issue No. 115/ 18 Nov- 3 Dec

1. Global Economic Outlook

US Economy: The U.S. economy grew at an even stronger pace than previously indicated in the third quarter, the product of better-than-expected business investment and stronger government spending, the Commerce Department reported. Gross Domestic Product of second quarter accelerated at a 5.2% annualized pace, the department's second estimate showed. The acceleration topped the initial 4.9% reading. The report from the Commerce Department indicated the economy continued to grow despite fears of a recession that have persisted since late 2022. When measured from the income side, economic activity increased at a moderate pace. Economists polled by Reuters had expected GDP growth would be revised up to a 5.0% rate. The upward revision to growth reflected upgrades to business investment on structures, mostly warehouses and healthcare facilities. Spending by state and local governments was also revised higher. Residential investment was also raised, due to the construction of more single-family homes, helping to end nine straight quarters of contraction.

UK Economy: S&P Global reported its purchasing managers' index edged up to 50.1, the highest reading in four months and above the threshold level of 50 dividing growth and contraction. It was up from 48.7 in October. The data indicate resilience in the economy that may ward off the risk of a recession in the coming months. In November, UK Manufacturing PMI rose to 47.2, up from October's reading of 44.8 and higher than the earlier flash estimate of 46.7. British firms reported an unexpected increase in output in November and evidence of stronger inflation, signs of strength in the economy that may concern the Bank of England.

Chinese Economy: China's factory activity unexpectedly expanded in November, driven by rising orders, a private survey showed, but sluggish external demand continues to weigh on manufacturers. The Caixin/S&P Global manufacturing purchasing managers' index (PMI) rose to 50.7 in November 2023 from a 49.5 reading in October 2023, marking the fastest expansion in three months and surpassing analysts' forecasts of 49.8. The 50-point mark separates growth from contraction. The world's second-biggest economy has shown a feeble post-pandemic recovery dragged by a property sector downturn, local government debt risks and slow global growth. The government has launched a slew of policy measures this year to prop up growth. According to McKinsey, Chinese consumption shows no signs of a strong 'V- shaped' post pandemic recovery.

2.Domestic Economic Outlook

India's Q2 GDP growth at 7.6%, beats estimates: India's GDP grew 7.6% y-o-y during the July-September 2023 quarter (Q2 FY24) as compared to 6.2% growth recorded a year ago, according to the latest official data. The Q2 FY24 GDP growth is more than what was expected by analysts**.** For Q2 FY24, analysts had expected a GDP growth between 6.5% and 7.1% year-on-year (y-o-y). The 7.6% Q2 FY24 GDP growth is also way higher than the RBI MPC's estimate of 6.5% last month. Improved corporate profitability driven by the slide in input prices, a sharp surge in construction activity mainly by government-led capital expenditure helped, alongside some deflator-related issues in accounting — these were some of the factors which were underestimated by most economists in their GDP estimates for the July-September quarter. The result — a stellar 7.6% growth rate, which has prompted most economists to revise up their growth forecast for FY24, even as they underlined the perceptible moderation in private consumption and concerns of a slowdown in the remaining half of the financial year (October- March). For FY24, economists are now projecting a growth rate between 6.2-7.0 %.

REVISIONS IN ESTIMATES		
FY 2024 GDP Forecast	**Initial**	**New**
ICRA	6.00%	6.20%
QuantEco Research	6.20%	6.50%
Emkay Global	5.70%	6.60%
Nomura	5.90%	6.70%
Barclays	6.30%	6.70%
IDFC First Bank	6.20%	6.70%
DBS Bank	6.40%	6.80%
HDFC	6.50%	6.80%
State Bank of India	6.70%	7.00%

Source: Indian Express

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Published by Department of Economic Analysis and Research (DEAR), NABARD Head Office, Mumbai

RBI may keep rates unchanged, raise GDP forecast: Various polls suggest that RBI's Monetary Policy Committee (MPC) may keep key interest rates unchanged for the fifth consecutive time. This may be because of rising inflationary risks, stemming from the recent spike in vegetable prices. The central bank is also expected to retain the stance of the monetary policy as 'withdrawal of accommodation'. With better-than-expected second-quarter gross domestic product (GDP) at 7.6%, the RBI may revise upwards its FY24 growth estimate. It is also speculated that RBI might not alter the rate before Q2 FY25.

Rabi sowing down: Due to late harvesting of paddy in a few states such as Punjab and Haryana, sowing of key rabi crops – wheat, pulses and oilseeds have been delayed. According to the data released by Agriculture ministry, wheat is sown in 18.8 million hectare (mh), which is a decline of 5% on year while total estimated area to be covered in the season is 30.73 mh. Total area under all winter sown crops was 43.47 mh, a decline of 5.33% compared to previous year. As sowing would continue through December, it is too early to arrive at a judgement. However, because of deficiency in north-eastern monsoon and fear of El Nino conditions prevailing till the middle of next year could impact rabi crop yield.

Manufacturing PMI rises to 56.0 as prices ease and demand strengthens: India's manufacturing sector posted a robust performance in November 2023, mainly on the back of substantial easing in price pressures and strengthening demand from clients. The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) rose to 56 last month from the eight-month low level of 55.5 in October. According to S&P Global India, a key feature of the latest results was a substantial easing of price pressures. Although average purchasing costs rose again, the rate of inflation eased to the lowest in the current 40-month sequence of increases and was negligible by historical standards. After slowing in October 2023, growth of output gathered pace as strengthening client demand and more favourable input supply boosted production volumes.

Trade deficit swelled in October: India's merchandise trade deficit zoomed to USD 31.5 billion in October 2023 from USD 19.4 billion in September 2023. The deficit swelled as imports, especially that of gold, increased considerably while the exports fell compared to the previous month. Gold imports zoomed month-on-month by a handsome 75.9% in October 2023. The gold import bill stood at USD 7.2 billion in the month, up from USD 4.1 billion in September. Between these two months, gold prices in the London Bullion slipped down marginally by 0.2%. This implies that the surge was due to an increase in the quantity of gold imported in the month, a likely outcome of the festive season with Diwali on the horizon. The only major consumer good that saw an increase in exports was electronic goods. Exports of electronic goods expanded by 14.6% to USD 2.4 billion.

3. Interest Rate Outlook

Indian Government bond yields rise marginally: Indian government bond yields closed marginally higher at 7.29% on December 1, 2023, marking a second consecutive weekly increase amid a consistent supply of debt that impacted investors' interest. The week saw rise of 2 basis points. Continuous debt issuance, particularly from states, created market fatigue, that slowed down the rise in yields despite falling US yields and no significant negative triggers. Despite India's stronger-than-expected 7.6% GDP growth in the July-September quarter, traders were not very enthusiastic at the weekend. Centre raised ₹30,000 crore through bond sales, including ₹13,000 crore in 10-year papers. The Reserve Bank of India set the cut-off on the 10-year paper at ₹99.23 reportedly higher than market expectations. Also, 10 state Governments have offered to sell securities by way of auction, for an aggregate amount of ₹15,132 crore. Market speculations hint at more corporate bond issuances before the RBI policy next week.

Date	20 Nov	22 Nov	24 Nov	28 Nov	30 Nov	1 Dec
USA 10 yr	4.43	4.41	4.47	4.32	4.33	4.21
Ind 10 yr	7.26	7.24	7.27	7.28	7.28	7.29
Ind 5 yr	7.25	7.28	7.25	7.25	7.25	7.26
Ind 3 M	6.89	6.89	6.94	6.97	6.94	7.10

Source: worldgovernmentbonds.com, CMIE