

Global Economic Outlook

U.S. labour market recovery gaining steam

- The U.S. added close to half a million jobs in March and the unemployment rate fell by more than expected, highlighting a robust labour market that's likely to support aggressive Federal Reserve tightening in the coming months.
- Non-farm payrolls increased by 4,31,000 last month after an upwardly revised 7,50,000 gain in February. The unemployment rate fell to 3.6%, near its pre-pandemic low, and the labour force participation rate ticked up. Wage gains accelerated.

U.S. inflation at 40 year peak

- Inflation in U.S. reached a new 40-year peak in February, according to the Federal Reserve's preferred gauge, buoyed in part by a surge in oil prices related to Russia's invasion of Ukraine combined with other supply problems and strong U.S. consumer demand. The personal-consumption-expenditures price index climbed 6.4% in February from a year ago, faster than the 6% increase in the year ending in January. The February rise was the fastest since 1982.

Federal Reserve to weigh on high inflation

- Unemployment rate along with GDP growth are important metrics of buoyant economic activity as gauged by the U.S Federal Reserve. With record low unemployment rate and high inflation rate, we expect Federal Reserve to increase interest rate by 50 bps in its next meeting.

UK economy near pre pandemic level

- The level of GDP was now 0.1% below where it was pre-covid at the fourth quarter of 2019, revised from the previous estimate of 0.4% below.

Japanese car production rebounded

- Japanese factories posted their first rise in output in three months in February as resilience in global demand led to a rebound in car production. Factory output rose 0.1% in February from the previous month.

Domestic Outlook

Indian economy growth forecast lowered

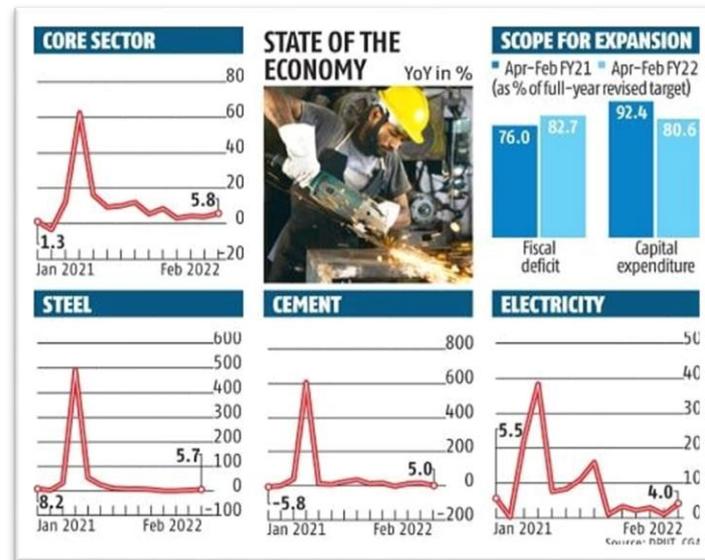
- India's GDP growth forecast stood at 7.4% for 2022-23, according to a survey by the Federation

of Indian Chambers of Commerce and Industry (FICCI).

- India Ratings also lowered GDP growth forecast to 7% for 2022-23. This has been mainly on back of adverse impact of Russia-Ukraine war on crude oil prices.

Core sector grows by higher rate in February

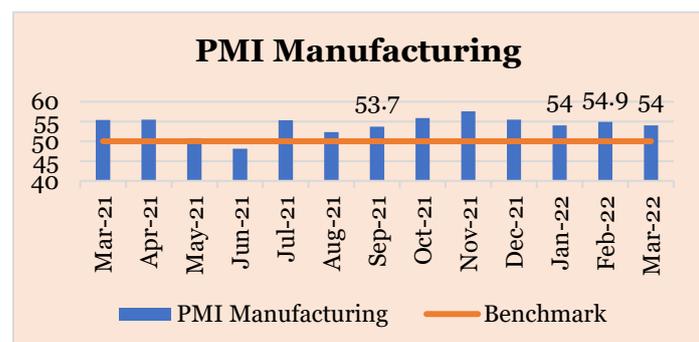
- Growth in eight infrastructure sectors rose to a four-month high at 5.8% in February. The output of eight infrastructure sectors had registered a growth of 4.0% year-on-year in January 2022 while in February 2021, it had contracted by 3.3%.



(Source: Business Standard)

India's PMI manufacturing slows down

- India's manufacturing sector activities moderated in March with companies reporting softer expansions in new orders and production as inflation concerns dampened business confidence.
- This is weakest rate of growth in terms of production and sales since September 2021.



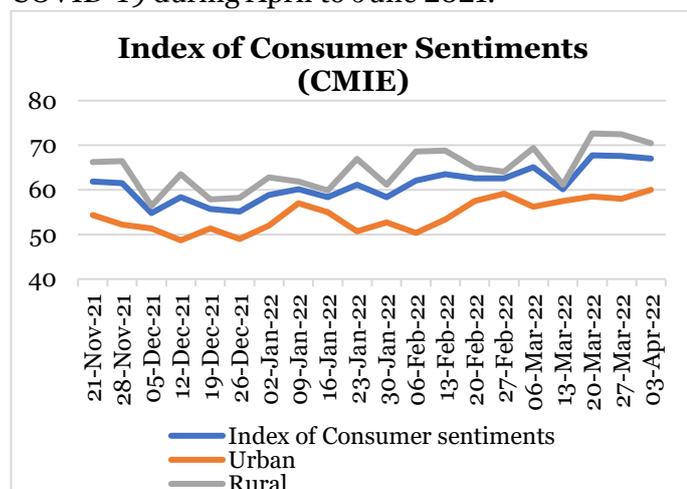
(Source: CMIE)

Indian exports are at record high

- India has, for the first time, met the government's annual export target since 2014. The country crossed the crucial threshold of \$400-billion annual merchandise export target.
- This would translate into a growth of about 41% from the pandemic-hit year of 2020-21, making it India's fastest exports growth rate since 2009-10.
- In the aftermath of COVID-19, a rise in the prices of key input materials, such as steel, chemicals and plastics, has helped India's exports recover.
- Higher demand for steel, not only in developing markets but also in the developed world- from Europe to the US -meant that Indian exporters earned total foreign exchange worth \$19.2 billion from iron and steel exports in the first 10 months of FY22, up from \$12.1 billion in FY21.

Consumer sentiments on recovery path

- Consumer sentiments continue to improve slowly but steadily. Except for one retreat in December, the index has risen in every month since the setback it suffered during the second wave of COVID-19 during April to June 2021.



Interest Rate Outlook

Government of India set to front load its borrowing

- The centre will borrow ₹8.45 lakh crore in the first half of 2022-23, or 60% of the planned borrowing for the full year, sticking with the trend of frontloading its debt raise early in the fiscal when the private demand for funds is low.
- Borrowing in first half of FY 2023 is more than 15% higher than a year ago.
- Higher supply of government bonds in the market is set to push up the yield across all tenors.

Centre's fiscal deficit to remain within target

- The Centre's fiscal deficit at the end of February stood at 82.7% of the full year budget target, mainly on account of higher expenditure, according to data released by Controller General of Accounts (CGA).

Crude oil prices remain a worry

- Crude prices continued to remain above \$100 per barrel due to worries of newer sanctions on Russia which is a major crude oil exporter.

RBI's Monetary Policy Review Expectation

- Given the lower forecast for Indian economy this financial year, we expect RBI to continue to support the economy and **keep the repo rate unchanged** in its bi-monthly review this week.
- While the CPI has breached the RBI's upper band of 6% two months in a row, situation is still not alarming.
- It is also to be noted that RBI has been allowed a time period of three quarters of high inflation before it has to provide explanation to GoI.

Weekly Expectation

Date	28 Mar	29 Mar	30 Mar	31 Mar	1 Apr
USA 10 year	2.46	2.41	2.35	2.32	2.38
India 10 year	6.84	6.82	6.78	6.84	-
India 5 Year	6.11	6.10	6.30	6.28	-
India 3 Month	3.75	3.75	3.75	3.75	-

Source: CMIE.

- Government 10 year bond may cross the level of 7% (4th April-8th April 2022) given the half yearly calendar showcasing higher borrowing in H1 of FY 2022-23. This is set to increase the supply of government bonds in the market and lead to increase in yield will be noticeable across all tenors. Inflation forecast may also be revised upwards by RBI in its bi-monthly monetary policy review (8th April 2022) in comparison to forecast released in February putting additional pressure on the yields.