

Global Economic Outlook

Unemployment rate dips @3.9%

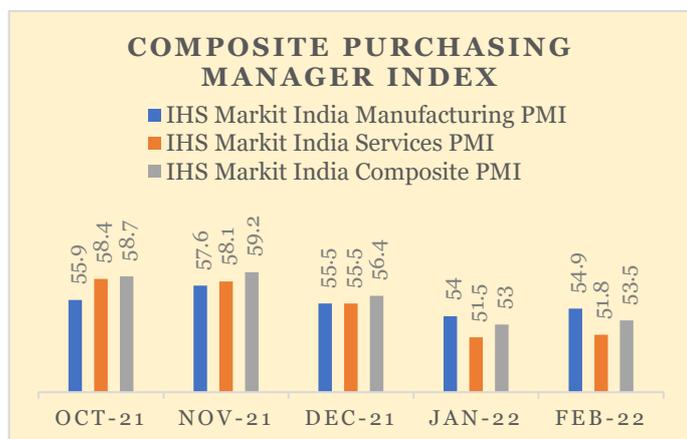
The rising headwinds from geopolitical tensions can lower business confidence and slow job growth in the months ahead though U.S. employers likely maintained a strong pace of hiring in February, pushing the labour market closer to maximum employment.

The database indicates the nonfarm payrolls increased by 400,000 jobs in February 2022 after rising by 467,000 in January. (Source: Reuters)

Given the current geopolitical situation in Ukraine and Russia and its impact on oil prices, inflation and economic growth, Federal Reserve is expected to go for a less aggressive 25 basis point increase in interest rate. Federal Reserve Chair Jerome Powell also hinted at a 25-basis-point interest rate increase at the U.S. central bank's March 15-16 policy meeting and a more aggressive stand later if inflation does not abate as fast as expected.

Domestic Outlook

As per the data released by IHS Markit on 04.03.2022, India Purchasing Managers Index (PMI) which tracks the prevailing direction of economic trends in the manufacturing and service sectors, rose to 54.9 points in February from 54 points in January as Indian manufacturers raised their buying activity. The improvement in demand was the result of sharp drop in Covid-19 cases in the third wave.



Source: CMIE, Economic Outlook, Livemint.com

The 50-point mark separates expansion from contraction. Though employment growth was slower, business sentiments grew at a higher pace since

October 2021 on account of favourable demand conditions.

Record High Export of Wheat

India, being the world's second biggest producer of grain, is set to export a record of 7 million tonnes of wheat this year in the rally of global prices. Amid Black Sea supply uncertainty resulting in supply disruptions, India's wheat export set to accelerate due to high demand from buyers seeking alternative shipments. As per CMIE, Commodity data, India shipped a record 6.5 million tonnes in the year 2012-13. During the year 2020-21, the export data of wheat was 2.08 million tonnes. With current data of India's wheat export of 6.6 million tonnes by end of February 2022, it is expected that India will surge as a saviour wheat exports during this uncertainty.

Employment Falls

Employment fell sharply in the first two months of 2022 in India. A job loss of 3.3 million and 5.5 million were witnessed during January 2022 and February 2022, respectively. Data suggest that the fall in employment during these two months was highly concentrated among small traders and daily wage labourers. Analysing the occupation-wise and industry-wise employment distribution database, it is inferred that employment has dropped highly in agricultural sector (*Industry database: 12 million jobs lost during Jan-Feb 2022, Occupation database: 0.6 million jobs lost during Jan-Feb 2022*). (Source: CMIE, Economic Outlook)

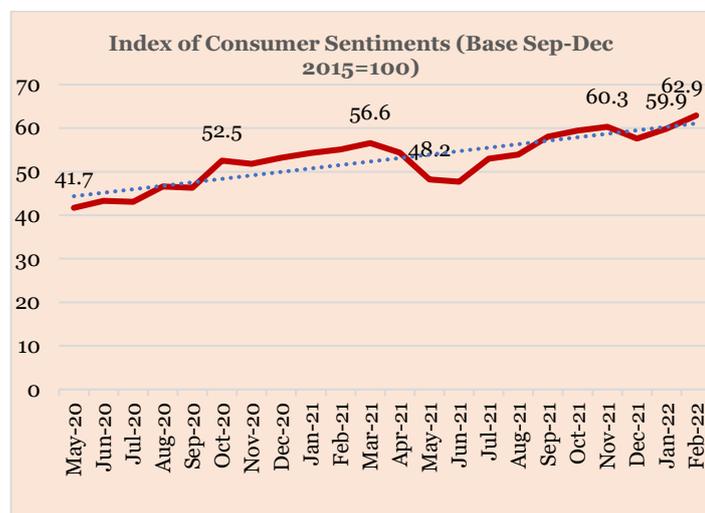
Agriculture sheds labour when sowing in Rabi season comes to an end (during January and February). Rural India saw a loss of 9 million jobs. While small traders and daily wage labourers lost 20.9 million jobs during January and February 2022, business persons and salaried employees saw increases in jobs.

Consumer Sentiments improve

Consumer sentiment is an economic indicator that measures how optimistic consumers feel about their finances and the state of the economy. Consumer sentiments improved by a substantial 5 per cent during February 2022. The week ended March 6 saw the sentiments index rise by an extraordinary 4 per cent.

The improvement in sentiments during the early months of 2022 essentially reflects an increase in the

proportion of households that believe that their current household incomes are better than they were a year ago. In January 2022, the proportion jumped to 11.4 per cent and in February it rose further to 12.1 per cent. In the first week that ended in March, 13.1 per cent of the households believed that their incomes were higher than they were a year ago.



Source: CMIE, Economic Outlook

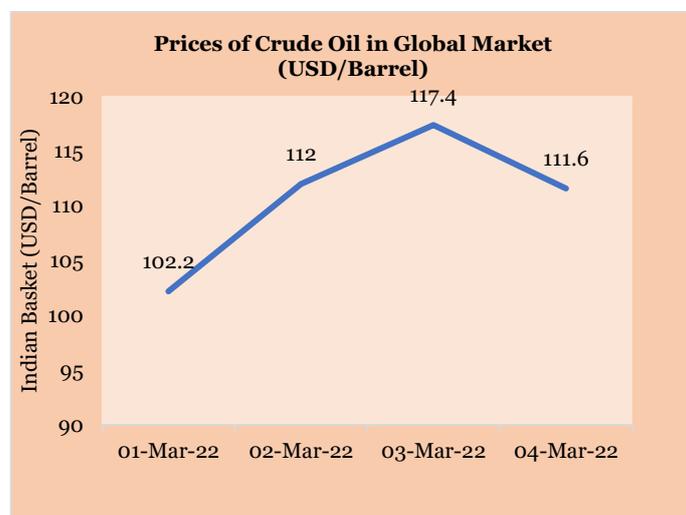
The change in the perception of households regarding their current and prospective incomes is expected to play a significant role in the revival of the Indian economy. It is expected to increase household spending and contribute towards an acceleration of the private final consumption expenditure component of the gross domestic product.

There has been an improvement in the propensity of households to buy consumer durables compared to a year ago. A change in the propensity to buy consumer durables is perhaps, the most important indicator of an economy changing direction (9.1 % households in Feb 2022 compared to 7.4% households in Jan 2022). Database suggest that while households are willing to purchase non-essentials, they are less enthusiastic on the economic and business prospects in the short or medium term.

Interest Rate Outlook

The Indian rupee weakened past the 76 per dollar mark on Friday to touch its lowest level since mid-December, as the deepening crisis in Ukraine pushed Asian shares toward 16-month lows. The present war has weakened most emerging currencies leading to volatility in market.

India imports more than two-thirds of its oil needs and the surge in crude threatens to push up the country's trade and current account deficit and pressure the rupee.



Source: CMIE, Economic Outlook

Inflation around the world, including in India (6.01% in January 2022), is expected to remain high in the near term, which could propel central banks to hike their interest rates in coming days. The war has led to rate hike by the Federal Reserve. Even though India is not directly dependent on Russia for its oil needs, it will get indirectly impacted by rising commodity prices around the globe. Economists suggest that RBI needs to act faster in the coming Monetary Policy in April 2022 to tighten the soft policy stance.

Yield on benchmark bonds which rose sharply during February 2022, saw a variation in last week.

Date	28-Feb	01-Mar	02-Mar	03-Mar	04-Mar
USA 10 years	1.830	1.727	1.904	1.854	1.741
India 10 years	6.770	6.770	6.814	6.826	6.813
India 5 years	6.047	6.047	6.097	6.112	6.113
India 3 months	3.730	3.730	3.780	3.790	3.800

Source: CMIE, Economic Outlook, worldgovernmentbonds.com

We expect the 10-year benchmark bond to trade within the present range in next week.