



## ECONOMY

### State of the Indian Economy

#### S&P Global forecasts 6.8% growth for India:

S&P Global raised its forecast for India's real economic growth in FY2025 by 0.4 percentage point to 6.8% but kept it much below the 7.6% GDP expansion rate estimated by National Statistical Organisation (NSO). According to S&P Global, restrictive interest rates by the RBI are expected to weigh on demand next fiscal year and affect credit growth. A lower fiscal deficit may also dampen growth. On the other hand, strong domestic demand and pick-up in exports are expected to be the growth drivers for FY2025. Despite expectations of a mild slowdown in Asian emerging market economies, strong domestic demand and a pick-up in exports would be drivers of robust growth, with India, Indonesia, the Philippines and Vietnam in the lead.

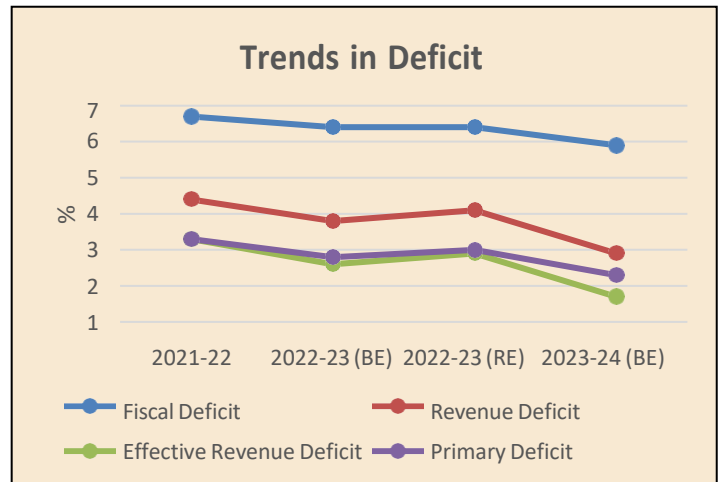
#### Forex reserves hit historic high of \$642.63 billion:

According to RBI, India's foreign exchange reserves surged by \$140 million to reach a historic high of \$642.631 billion as on 22 March 2024. It marks the fifth consecutive week of a notable increase in the country's overall reserves. Reserves had seen a significant rise of \$6.396 billion, reaching \$642.492 billion in the week ending on 15 March 2024 as well. Higher FPI flows is one of the key triggers for the higher reserves and is also indicative of growing foreign investor confidence in Indian markets. The resilience of the Indian stock market and the improving macros of the Indian economy compelled the FPIs to turn buyers in India. FPIs were big buyers in capital goods, automobiles, financial, telecom and real estate. On the other hand, FPIs were sellers in IT.

#### Fiscal deficit at 86.5% of FY24 RE in April-Feb:

According to Ministry of Finance, the Centre's fiscal deficit in the first eleven months of FY 2024 stood at ₹15 trillion, accounting for just 86.5% of the full-year's revised estimate (RE). The deficit was reined in despite higher devolution of taxes to states in February 2024. The Centre's capex in the first 11 months of FY2024 grew 36.5%

year on year to ₹8.05 trillion, higher than 29% growth projected for the whole year.



Source: PIB

#### India's current account deficit declines to \$10.5 billion in Q3 of FY2024:

According to RBI, India's current account deficit (CAD) declined to \$10.5 billion in the third quarter of FY2024 as compared to \$11.4 billion during the previous three months and \$16.8 billion in FY2023. The CAD in the October-December quarter amounted to 1.2% of India's GDP. The CAD in July-September 2023 period was 1.3% of the GDP and it was 2% of GDP during October-December 2022 period, respectively. Going ahead, the current account deficit is foreseen to moderate below 1% of GDP led by growing merchandise and service exports coupled with decline in import dependency.

**Wheat stocks fall to a 16-year low:** Wheat stocks in the central pool fell to a 16-year low of 7.73 million tonnes (MT) due to low procurement for the last two years, and aggressive sale of grains in the open market by Food Corporation of India (FCI) in FY2024. FCI annually requires around 18 MT of wheat annually for distribution of grain under the free ration scheme – Pradhan Mantri Garib Kalyana Anna Yojana. In anticipation of a robust harvest and heightened procurement, the government has decided against extending stock holding limits imposed on wheat beyond 31 March 2024. The decision is aimed at managing the overall food security and to prevent hoarding and



unscrupulous speculations. FPI flows are expected to remain strong and continue increasing their stake in Indian markets.

### Inflation Outlook

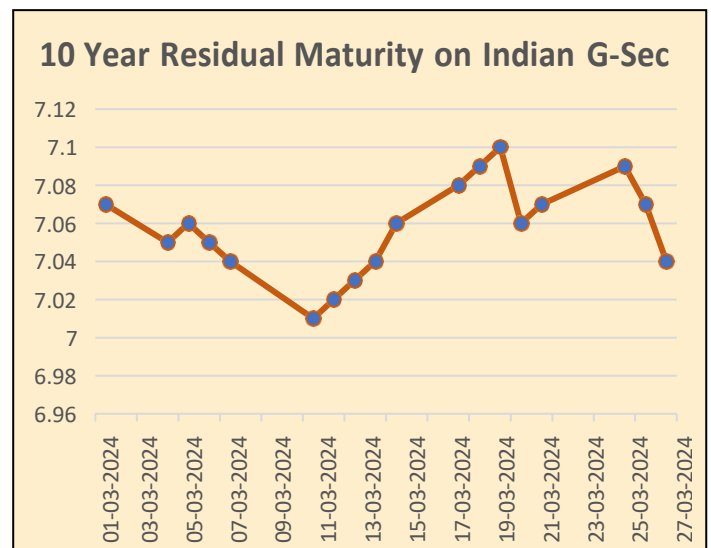
**India's wholesale inflation eased to 0.2%, Food WPI increased to 4.09%:** Wholesale price inflation (WPI), closed at 0.2% in February, compared to 0.3% in the month prior. The index for primary articles increased by 0.22% to 181.4 (provisional) in February 2024 from 181.0 (provisional) for the month of January 2024. The index for fuel and power increased by 0.19% to 155.1 (provisional) in February 2024 from 154.8 (provisional) for the month of January 2024. The index for manufactured products remained unchanged at 139.8 (provisional) in February 2024 as compared to the month of January 2024. The fall in inflation was led by manufactured products and fuel & power, while primary articles, which saw inflation rise, cushioned the fall. Prices of manufactured products, which constitute more than half of the WPI basket, have been in the deflationary zone for nearly a year now. Deflation in this group was 1.3% in February 2024, compared to a deflation of 1.1% in January 2024. The WPI Food Index consisting of 'Food Articles' from Primary Articles group and 'Food Product' from Manufactured Products group has increased from 178.0 in January 2024 to 178.3 in February 2024. The rate of inflation based on WPI Food Index increased from 3.79% in January 2024 to 4.09% in February 2024.

**India's CPI to have eased to 5%, CPI-AL at 7.43% and CPI-RL at 7.36% respectively:** Retail price inflation, measured by the Consumer Price Index (CPI), is likely to have eased to around 5% in March 2024 compared to 5.1% in February 2024. On a month-on-month basis, overall prices rose by 0.1%. While fuel & light prices reduced significantly following the cut in LPG, petrol, and diesel prices, the overbearing effect that food holds, on account of its large weight in the CPI basket, and the estimated rise in inflation in the miscellaneous group is likely to have cushioned the fall in overall inflation in March 2024. While food inflation eased during the month, overall food prices noted a month-on-month rise of 0.1% during March 2024. Food inflation is estimated to have eased to 8.5% in March 2024 compared to 8.7%

in the month prior. The month-to-month inflation rates based on CPI-AL and CPI-RL were recorded at 7.43% and 7.36% in February 2024 showing a decrease from 7.52% and 7.37% in January 2024, respectively. There was a varied pattern observed in the indices of constituent States. In the case of CPI-AL, eight states experienced a decline, while for CPI-RL, this downward trend was observed in seven states. Additionally, two states witnessed no change in their index.

### Interest Rate Outlook

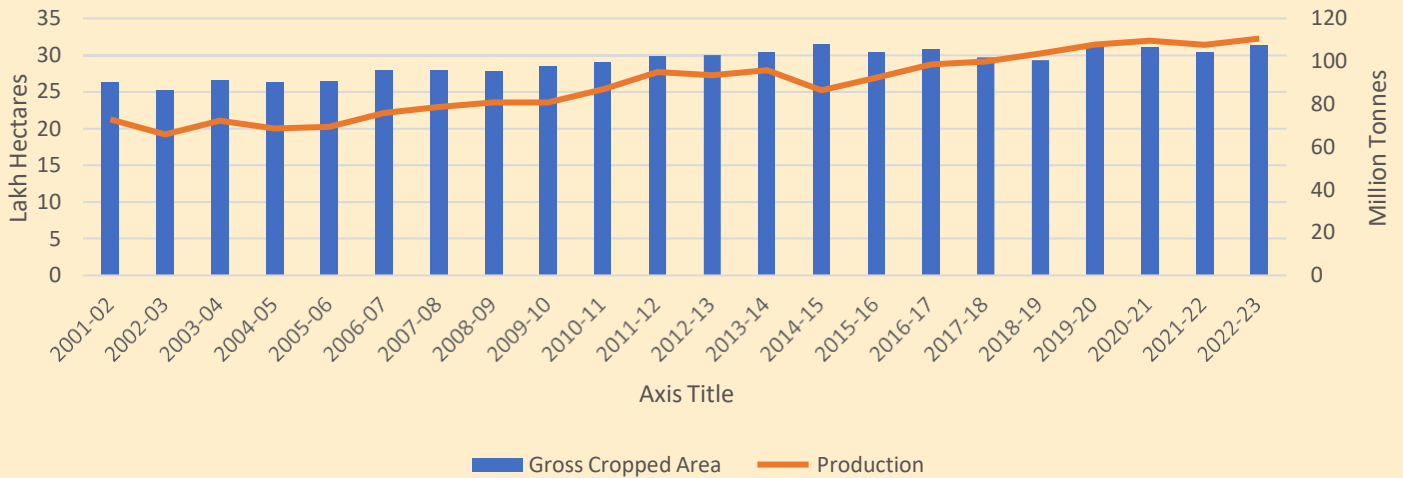
**Bond Yield Movement:** 1-year G-Sec yields rose six basis points (bps) from 7.03 % in February to 7.09 % in March 2024. 10-year yields declined by three bps from the previous month's 7.07% to 7.04% in the same month. The Indian central bank held its key interest rate unchanged at 6.5% in its April meeting and signaled that upside risks to inflation due to uncertain agricultural conditions may force a prolonged period of peak interest rates. The yield on the Indian 10-year government bond rose above 7.11% in April, a two-month high, amid a hawkish RBI. The yield on US 10-year bond is 4.19% in March 2024, declining slightly from 4.26% in February 2024. The Fed held interest rates steady for a fifth consecutive meeting in March 2024 keeping its benchmark overnight borrowing rate at 5.25% to 5.5%. The yield on US 10-year bond is expected to go higher as the jobs report showed the US economy added the most jobs in previous ten months.



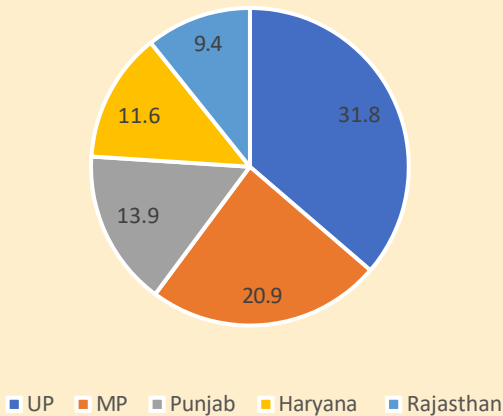
Source: CMIE

## Dashboard on Agricultural Commodity: Wheat

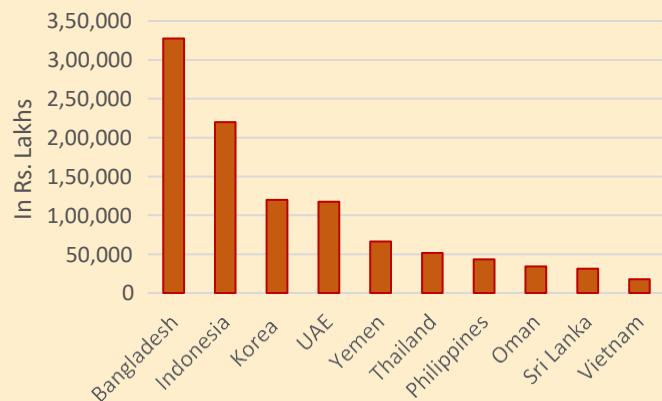
### Area and Production of Wheat



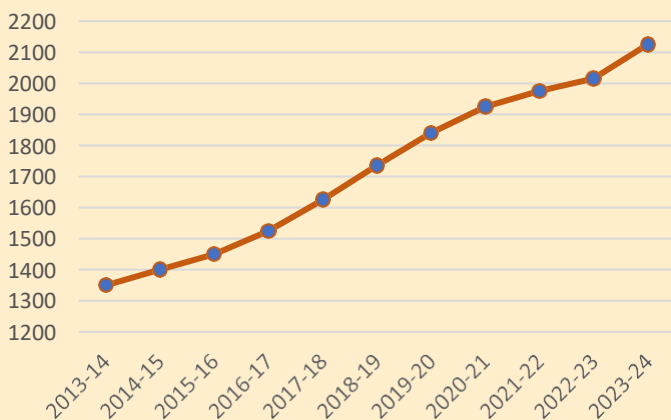
### % Share of Top Wheat Producing States



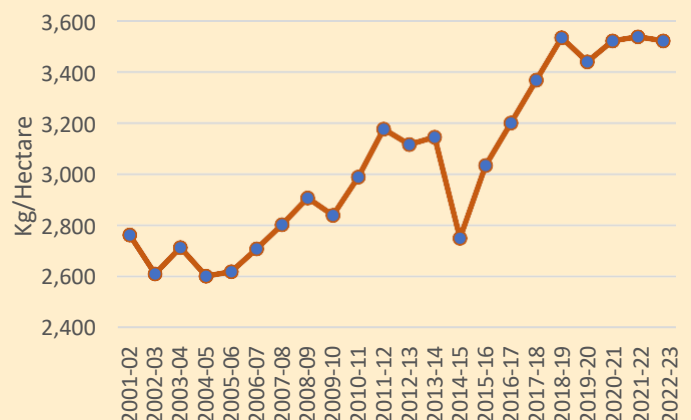
### Top 10 Exporter of Wheat



### MSP of Wheat



### Yield





## Report THINK

### State of Global Climate Report 2023:

State of Global Climate Report 2023 is a multi-agency report coordinated by the World Meteorological Organization (WMO) and released on 19 March 2024. The publication provides a summary on the state of the climate indicators, including greenhouse gases, temperature, ocean heat content, sea levels, cryosphere, and extreme weather events in 2023 with sections on key climate indicators, extreme events and impacts. It also provides most recent finding on climate related risks and impacts including on food security and population displacement. The report underscores the urgent need for sustainable and climate-resilient strategies to address the challenges posed by climate change.

### The key takeaways from the report are as under:

**Greenhouse Gas Concentrations:** In 2022, atmospheric levels of greenhouse gases reached new observed highs with globally averaged concentrations for carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O, respectively 150%, 264% and 124% of pre-industrial (1750) levels. The rate of increase of CH<sub>4</sub> was the second highest on record, after 2021, and the rate of increase of N<sub>2</sub>O was the highest on record. The average global temperature over the past ten years, 2014 to 2023, was  $1.20 \pm 0.12$  °C above the 1850–1900 average, making the past ten years the warmest among all ten-year periods on record. Large areas from central Asia to western Europe including parts of North Africa and the Arabian Peninsula were also unusually warm, as were southeast Asia, and Japan. The long-term increase in global temperature is due to increased concentrations of greenhouse gases in the atmosphere.

**Ocean Heat Content:** The ocean heat content reached its highest level in the 65-year observational record, with around 90% of the accumulated energy in the Earth system stored in the ocean. This has implications for sea level rise, ocean circulation, and marine ecosystems. The rate of global mean sea level rise in the past ten years (2014–2023) is more than twice the rate of sea level rise in the first decade of the satellite record (1993–2002).

**Cryosphere Changes:** The report highlights changes in the Greenland and Antarctic ice sheets, as well as glacier mass loss in North America and Europe. Arctic sea-ice extent remained well below normal in 2023, with the annual maximum and annual minimum extents being respectively the fifth and sixth

lowest in the 45-year satellite record. In Antarctica, ice extent was at a record low for the time of year from June till early November, and the annual maximum in September was around one million square kilometres below the previous record low maximum.

**Extreme Weather Events:** Extreme heat affected many parts of the world. Wildfires in Hawaii, Canada and Europe led to loss of life, the destruction of homes and large-scale air pollution. Flooding associated with extreme rainfall from Mediterranean Cyclone Daniel affected Greece, Bulgaria, Türkiye, and Libya with particularly heavy loss of life in Libya.

**Socio-economic Impacts:** Extreme weather and climate events continue to trigger new, prolonged, and secondary displacement, increasing the vulnerability of many who were already uprooted by complex multi-causal situations of conflict and violence. In 2022, 9.2% of the global population (735.1 million people) were undernourished, compared to 7.9% of the population (612.8 million people) in 2019. The number of people who are acutely food insecure worldwide has more than doubled, from 149 million people before the COVID-19 pandemic to 333 million people in 2023 (in 78 monitored countries by WFP).

**Renewable Energy Generation:** The report emphasizes the surge in renewable energy generation, driven by solar radiation, wind, and the water cycle. In 2023, renewable capacity additions increased by almost 50% from 2022, for a total of 510 gigawatts (GW). Such growth marks the highest rate observed in the past two decades and, as the International Energy Agency (IEA) indicates, demonstrates the potential to achieve the clean energy goal set at COP28 to triple renewable energy capacity globally to reach 11 000 GW by 2030.

**Climate Finance and Adaptation:** The report highlights the need for scaling the quantity and quality of climate finance to address the impacts of climate change. In 2021–2022, global climate flows reached almost USD 1.3 trillion, nearly doubling compared to 2019–2020 levels. The growth in global climate finance in 2021–2022 largely stemmed from significant increases in clean energy investments in only a handful of geographies; China, the USA, Europe, Brazil, Japan and India together received 90% of the increase in funds.

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