

## Global Economic Outlook

### Inflation in USA moderated but still at uncomfortable level

- The US CPI increased 8.3% Y-o-Y and 0.3% M-o-M in April 2022. On month-on-month basis the inflation moderated and was lowest since September 2021. Though the inflation moderated in April 2022, the monthly measure continues to rise at an uncomfortable rate.
- The all items less food and energy index rose 6.2 percent over the last 12 months, against 6.5% in March 2022. The energy index rose 30.3 percent over the last year, and the food index increased 9.4 percent, the largest 12-month increase since the period ending April 1981.
- Producer Price Index (PPI), which measures the prices through the perspective of producers, rose 0.5% on monthly basis and 11% on annual basis after hitting a record 11.5% rise in March 2022.

### UK Economy shrinks in March, grows in first quarter of 2022

- According to estimates released by Office for National Statistics, UK economy shrank by 0.1% in March 2022 but expanded by 0.8% (Q-o-Q) for the first quarter of 2022. It grew by 8.7% compared with Q1 of 2021.
- The level of quarterly GDP in Quarter 1 2022 is now 0.7% above its pre-coronavirus level (Quarter 4 2019).

### Chinese Inflation rose more than expected

- China's consumer price inflation rose 2.1% as against 1.5% in March 2022, making its fastest pace in five months as widespread COVID-19 lockdowns across major cities hit supplies of household items. The inflation went well above the expectation of 1.8% gain by analyst in a Reuters poll.
- China's PPI increased by 8.0% Y-o-Y in April 2022, down from 0.3 percentage points from March 2022, but still faster than the 7.7% growth tipped by the Reuters poll.

### OPEC cuts oil demand

- World oil demand growth in 2022 is expected to increase by 3.4 mb/d y-o-y, representing a downward revision of 0.3 mb/d from last month's report. Oil demand growth in Q2 of 2022 is projected to be slower at 2.8 mb/d, compared with 5.2 mb/d in Q1 of 2022. Demand in 2022 is expected to be impacted by ongoing geopolitical developments in Eastern Europe, as well as COVID-19 pandemic restrictions.

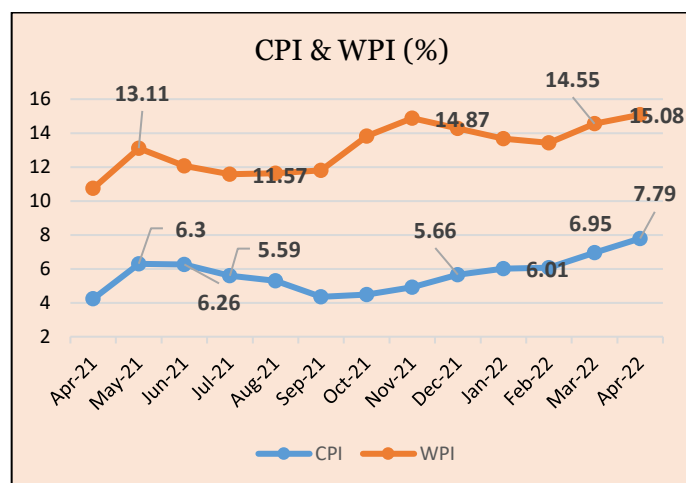
## Domestic Economic Outlook

### Indian Economy to grow at 12-13% in Q1 of FY 23: ICRA

- ICRA has projected the Indian economy to grow by 12-13 per cent in the June 2022 quarter. However, ICRA has maintained its annual GDP projection at 7.2 per cent for this fiscal citing worries over inflation and the resultant RBI tightening.
- The 7.2 percent projection in FY23 came as higher input costs may dampen GVA growth to single-digits. Further citing inflation worries, ICRA expects Consumer Price Index to average at 6.3-6.5 per cent this fiscal.

### CPI soars to 8 years high of 7.79%, WPI at 15.08% in April

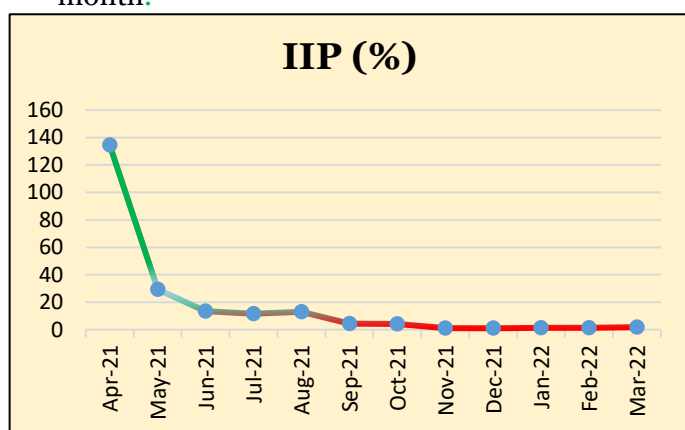
- The retail price inflation, which is measured by the Consumer Price Index (CPI), shot up to 7.8% in the April 2022, highest recorded in the last eight years. The retail inflation for the month of March 2022 was 6.95%.
- Inflation in the food & beverages group rose to 8.1% in April 2022 from 7.5% in March 2022 while that in fuel & light group rose to 10.8% from 7.5% in March 2022 and that in the clothing & footwear group increased to 9.9% from 9.4%.
- Inflation at wholesale level rose 15.08% in April 2022 higher than analysts' expectations of 14.48 per cent, according to a Reuters poll.
- The high rate of inflation in April, 2022 was primarily due to rise in prices of mineral oils, basic metals, crude petroleum & natural gas, food articles, non-food articles, food products and chemicals & chemical products etc. as compared to the corresponding month of the previous year.



Source: CMIE

## India's industry output records 1.9% growth in March 2022

- India's factory output, which is measured in terms of IIP, witnessed a growth of 1.9% year-on-year during the month of March 2022. The growth in February 2022 was 1.5%.
- The growth recorded in IIP was highest since last five months. Manufacturing, which has 77.63% weight in the IIP, grew by just 0.9% in March year-on-year. Electricity rose by 6.1% while mining posted a growth of 4 per cent during the month.



Source: CMIE

## Sowing areas under summer crops up by 5.4%

- Sowing areas under summer crops have gone up by 5.4% so far from year-ago. The acreage under crops like urad, moong, sesame and bajra have registered the highest growth whereas crops like paddy, groundnut and maize have reported a decline in acreage during the ongoing season. Reportedly, sowing area of summer crops have reached 7.35 million hectares as on 13 May 2022 as against 6.98 million hectares in the corresponding period last year.

## Labour Force saw an increase in April 2022

- According to CMIE, the labour force in India increased by 8.8 million from 428.4 million in March 2022 to 437.2 million in April 2022, one of the largest monthly increases, with working age people who were out of the labour force joining back the labour market in April 2022.
- The 8.8 million increases in the labour force in April comes after a 12 million fall in labour market during the preceding three months when labour moved out of the labour markets during January-March.

## Interest Rate Outlook

### RBI to hike rate in June 2022

- In a Reuters poll of nearly 53 economists, quarter

of economists, 14 of 53, expected the RBI to hike by 35 basis points to 4.75%, while 20 expected a larger move ranging from 40-75 basis points, including ten who forecast a 50-basis point hike.

- India's FDI outflow nearly halves to \$ 3.39 billion in April 2022.**
- India's outward foreign direct investment (OFDI) nearly halved to \$3.39 billion in April on an annual basis, as per data released by the Reserve Bank of India (RBI) on Monday. The OFDI stood at \$6.71 billion in April 2021.
- On a sequential basis too, the outward investment from India in April was lower compared to \$3.44 billion in March 2022.

## Rupee dips to new low against Dollar

- The rupee slipped down to its life time low on 9<sup>th</sup> May 2022, hitting 77.46 against the dollar. The drop came on the backdrop of sharp spike in yield of US treasuries to 3.1% on 9<sup>th</sup> May and fears that inflation would remain high.
- According to Forex exports, forces pushing dollar higher remains active, Indian interest rates will rise less and possibly, much less than the US rates over the next 12-18 months, which eventually would translate to more pressure on the rupee.
- RBI on 13<sup>th</sup> May 2022, auctioned 4.56% 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.

Date	09 May	10 May	11 May	12 May	13 May
USA 10 year	3.03	2.99	2.93	2.86	2.93
India 10 year	7.46	7.30	7.23	7.22	7.32
India 5 Year	7.23	7.08	7.00	7.02	7.04
India 3 Month	4.55	4.72	4.70	4.85	4.88

Source: worldgovernmentbonds.com , CMIE

## Weekly Expectation

- Government benchmark 10-year bond may trade in the range of 7.30%-7.40% (16<sup>th</sup> May-22<sup>th</sup> May 2022). High crude oil prices and WPI crossing 15%, 30 years high will exert pressure on retail inflation, which is unlikely to lessen any time soon.