

Global Economic Outlook

Morgan Stanley cuts Euro Zone's growth forecast

- Morgan Stanley has lowered its 2022 euro area GDP forecast to 2.7% from 3% previously and shaved 1 percentage point off its 2023 growth forecasts to 1.3%.
- Despite the resilience in economic activity shown so far against geopolitical headwinds, we think more material impacts will show in the second half of the year, through various channels of transmission.

Germany set to revise its economic forecast for 2022

- The German government is set to hike its inflation forecast for this year to 6.1% due to the impact of the war in Ukraine, up from 3.3% and lower its growth forecast for Europe's biggest economy for 2022 to 2.2% from 3.6%.

USA's service activity eases in April

- U.S. business activity slowed in April as soaring costs for raw materials, fuel and labor pushed input prices to a record high, which also showed an ebb in sentiment at the start of the second quarter.
- S&P Global's flash U.S. Composite PMI Output Index, which tracks the manufacturing and services sectors, fell to a reading of 55.1 in April from 57.7 in March. That reflected a moderation in activity in the vast services sector. A reading above 50 indicates growth in the private sector.

Japan March consumer prices rise at fastest pace in over 2 years

- Japan's core consumer prices rose at the fastest pace in more than two years in March, raising worries higher energy and food costs could increasingly take a toll on households' purchasing power.
- The core consumer price index (CPI), which excludes volatile fresh food prices but includes fuel and broader energy costs, jumped 0.8% in March from a year earlier.

Domestic Economic Outlook

IMF slashes India's GDP forecast

- The International Monetary Fund (IMF) has cut its growth forecast for India for FY23 to 8.2%, warning that Russia's invasion of Ukraine would hurt consumption and hence, growth, by way of higher prices.

- The Reserve Bank of India has kept the growth forecast at the rate of 7.2% in 2022-23, while the second advance estimate of the Ministry of Statistics and Programme Implementation had said that GDP growth would be 8.9% in 2021-22.

Wholesale Inflation spikes to 14.55% in March

- The WPI inflation has remained in the double digits for the 12th consecutive month beginning April 2021.
- The high rate of inflation in March, 2022 is primarily due to rise in prices of crude petroleum & natural gas, mineral oils, basic metals, etc. owing to disruption in global supply chain caused by Russia-Ukraine conflict.
- The fuel and power segment spiked to 34.5% in the month of March from 31.5% in February.



Source: CMIE

Bright times ahead for Agriculture

- The India Meteorological Department (IMD) has predicted rainfall in India during the south-west monsoon season this year to be normal, which is 99% of long-period average (LPA).
- Skymet, a private weather forecaster, has also projected the south-west monsoon to be 98% of the LPA. If these predictions come true, 2022 will be the fourth consecutive year of normal rainfall.
- Normal monsoon and prospects of earning good income due to rising prices of agricultural commodities in the domestic and the global market is likely to boost area under kharif 2022-23.

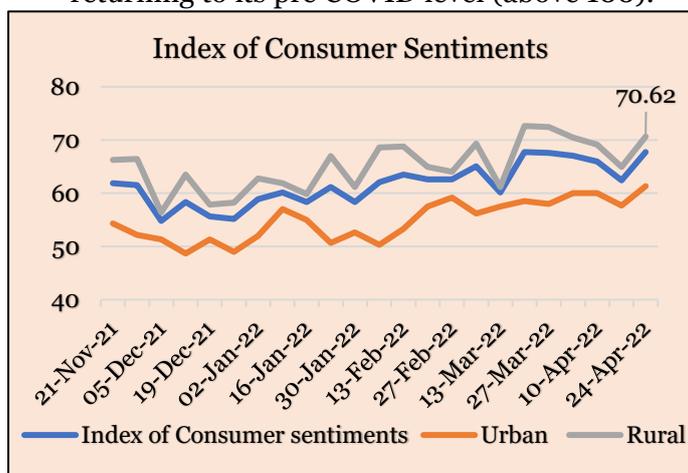
Transport activity recovers in India

- Transportation activity in India improved in March 2022. Cargo traffic at major ports grew year-on-year by a robust 19.4%. This came over and above the 12.6% increase in port traffic witnessed in March 2021.

- A rise was marked in shipments of all commodities except fertilisers. During the entire fiscal year 2021-22, traffic at major ports grew by a healthy 7.1%.
- The growth was broad-based with only iron ore, fertilisers and coking coal among the bulk traded commodities faltering. India achieved record exports and imports in 2021-22. While global commodity price rise had a large role to play in this, volume of foreign trade increased too.

Rural sentiments remains upbeat

- In 2022, India will record the fifth consecutive year of bumper wheat crop. The crop goes into harvest during April-May. Government procurement has continued to increase and so has the minimum support price.
- The Russia-Ukraine war has raised global prices to a point where they stand at twice their year-ago level. As the war threatens to be prolonged the price is expected to remain elevated.
- Prediction of normal monsoon has resulted in upbeat farmers' sentiments and have lifted the rural sentiments more than the urban sentiments. The rural sentiments index is returning to its pre COVID level (above 100).



Source: CMIE

Interest Rate Outlook

Monetary Policy Minutes reveals hawkish stance

- Almost all members of the monetary policy committee have expressed unanimous concern over surging inflation, even while risks to domestic growth warrant continued monetary policy accommodation, according to the minutes of its latest meeting.
- Emerging from the Omicron wave, India's economic recovery remains on track, although

there are weak spots. Private consumption and investment are still subdued and contact-based services, although catching up, are yet to recover fully," RBI governor Shaktikanta Das said, the minutes showed.

- Das said the current circumstances warrant prioritising inflation and anchoring of inflation expectations in the sequence of objectives to safeguard macroeconomic and financial stability, while being mindful of the ongoing growth recovery.

Bearish sentiments drags oil prices down

- Prospects of weakening economic growth globally have continued to weigh on crude prices, with the US Fed hinting at a half-point interest rate increase at the next policy meeting in May and China's COVID woes getting ever-more protracted amid Shanghai announcing another round of lockdowns.
- Upside risks are still on the table with the European Union mulling oil sanctions against Russia and Libya on the brink of war, but for the time being bearish sentiment is pulling prices lower.

Weekly Expectation

Date	18 Apr	19 Apr	20 Apr	21 Apr	22 Apr
USA 10 year	2.85	2.94	2.83	2.90	2.90
India 10 year	7.15	7.15	7.11	7.14	7.17
India 5 Year	6.59	6.59	6.70	6.60	6.65
India 3 Month	4.00	3.96	3.94	3.93	3.94

Source: CMIE, world governmentbond.com

- Government 10-year bond may trade in the range of 7.05-7.15% (25th April-30th April 2022) given the lower forecast for world growth bringing down the crude oil prices reinforced by worries about Chinese growth due to severe lockdowns in many parts of China due to ensuing COVID-19 crises.
- The fall in yield to be witnessed in bonds of all tenors.
- Earlier, 10 year bond yield surged due to higher than expected inflation and hawkish monetary policy stance.