

1. Global Economic Outlook

US Economy: The National Association for Business Economics (NABE) predicted that GDP of US economy will rise to 2.2% in 2024. US inflation eased to 2.4% in January 2024, supporting expectations of rate cuts later this year. According to report from the Census Bureau, spending on construction fell to \$2.1 trillion, down by 0.2% from December 2023 for the first time since the end of 2022. The manufacturing PMI fell to 47.8 in February 2024 from 49.1 in January 2024 because of freezing temperatures. It was the 16th straight month that the PMI (Purchasing Manager's Index) remained below 50, which indicates contraction in manufacturing activity.

UK Economy: Twelve-month CPI inflation fell to 4.0% in December 2023 which was below expectations. The Monetary Policy Report of Bank of England targets to bring inflation back down to 2%. Although still elevated, wage growth has eased across a number of measures and is projected to decline further in coming quarters. CPI inflation is projected to be 2.3% in two years' time and 1.9% in three years. The S&P Global UK Manufacturing PMI (Purchasing Manager's Index) was revised up to 47.5 in February 2024, the highest in ten months and up from the preliminary estimate of 47.1. Despite this uptick, the PMI continues to signal contraction for the 19th consecutive month due to the ongoing crisis in the Red Sea leading to disruptions in production and vendor delivery schedules.

Chinese Economy: China's consumer prices continue to decline, and producer prices have dropped, underscoring deflationary risks faced by the world's second-biggest economy. Multiple factors have contributed to deflationary pressure in China, including global commodity price declines, food price drags and policy support for supply rather than demand. According to data from the National Bureau of Statistics (NBS), the consumer price index (CPI) fell to -0.8% in January 2024 from a year earlier, after drop in December 2023 to -0.3%. The CPI rose 0.3% month-on-month in January 2024 from a 0.1% uptick the previous month. The annual average inflation rate in China ranged at 0.2% in 2023. It is expected that headline CPI inflation will trend up to 0.9% y-o-y on average in 2024 and core CPI inflation to reach 1.2%.

2. Domestic Economic Outlook

Moody's raised India's 2024 growth forecast to 6.8%: Global rating agency Moody's has raised India's growth forecast for 2024 calendar year to 6.8%, from 6.1% on the back of 'stronger-than-expected' economic data of 2023 and fading global economic headwinds. India's real GDP expanded 8.4% year-over-year in the fourth quarter of calendar year 2023, resulting in a 7.7% growth for full-year 2023. Capital spending by the government and strong manufacturing activity have meaningfully contributed to the robust growth outcomes in 2023. With global headwinds fading, the Indian economy is expected to register 6-7% real GDP growth.

Inflation to dip to 4.3% in FY25: According to CMIE (Centre for Monitoring Indian Economy) retail inflation as measured by the Consumer Price Index (CPI), will likely dip to 4.3-4.4% in fiscal year 2024-25 compared to an estimated 5.4% in the current fiscal. The forecast of CMIE is slightly lower than the Reserve Bank of India's (RBI's) projection of 4.5% for the year 2024-25. Core inflation, which excludes food and fuel & light, is expected to tread upwards from around 4.5% in fiscal year 2023-24, and may even touch 5% in 2024-25. This is primarily on account of an expected rise in prices in the miscellaneous group.

Agri trade to cross Rs 80,000 crore via e-NAM in FY24: With more states opening up or facilitating trade of agricultural commodities on electronic – National Agriculture Market (e-NAM), trade on the platform is projected to touch Rs 80,000 crore in FY24. While the volume of farm gate, inter-state and inter-mandi trade is still a small portion of total turnover of e-NAM at Rs 70,445 crore in April-February (2023-24), up by 4% on year, it indicates a gradual shift to the digital platform, being used for better price discovery by the farmers. The e-NAM platform currently allows online trading in 209 agricultural, horticultural and other commodities notified by respective state governments. In addition, 3510 Farmer Producers Organisations (FPOs), 0.25 million traders and around 0.11 million commission agents are registered with e-NAM. Farmers in several states – Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Madhya Pradesh, Rajasthan, Tamil Nadu, Uttar Pradesh, Odisha, Himachal Pradesh and

Jammu and Kashmir have started to sell commodities on e-NAM using the farm-gate model.

States utilises 90% of Rs 1.05-trillion capex loan for FY24: The Centre has released over Rs 95,000 crore or 90% of the Rs 1.05 trillion fifty-year interest-free capex loans budgeted in the revised estimate for states for the FY24. In the budget for FY25, the Centre cut the outlay for the capex facility by 19% from the budget estimate of Rs 1.3 trillion for FY24 as some states failed to meet conditionalities. For next year, the Centre has made an outlay of Rs 1.3 trillion. Real GDP growth in Q3 of FY24 was a surprising 8.4% on year, which was largely driven by higher gross fixed capital formation at 10.6% on year due to the Centre, states and CPSE (Central Public Sector Enterprises) thrust on capex.

India's forex reserves jumped by USD 2.975 billion to USD 619.072 billion: For the week ended February 23, India's forex reserves jumped by USD 2.975 billion to USD 619.072 billion as per the RBI. Gold reserves increased by USD 472 million to USD 47.848 billion during the week and the Special Drawing Rights (SDRs) were up by USD 89 million to USD 18.197 billion, respectively. In the previous reporting week, the overall reserves had dropped by USD 1.132 billion to USD 616.097 billion. India's reserve position with the IMF was up by USD 9 million to USD 4.839 billion in the reporting week, according to RBI.

February GST collection increased by 12.5%: Showing strong economic growth and domestic consumption story, Gross Goods and Services Tax (GST) revenue was collected for February 2024 at Rs 1.68 lakh crore, posting a 12.5% increase compared to the same month in 2023. A strong 12.5% growth in overall GST collections and 13.9% growth in GST collections from domestic transactions respectively have added to 8.4% growth in GDP in Q3. This collectively shows the robustness of the Indian economy and domestic consumption story going strong. The ministry further added that GST revenue net of refunds as of February 2024 for the current fiscal year is Rs 16.36 lakh crore, up 13.0% from that for the same period last year. This increase in GST collections seems to be on the basis of growth in economic activity, especially with the GST collections from major states such as Maharashtra, Karnataka

and Gujarat showing growth rates close to ~15 to 20% on a year-on-year basis.

Unemployment rate decreases sharply: Unemployment rate in India, among persons aged 15 years and above, fell sharply to 6.8% in January 2024, which is the lowest recorded in 16 months. This is a significant fall of nearly 1.9% from December 2023 unemployment rate of 8.7%. It is also a notable decline from the levels of October-December 2023 that averaged at a much higher 9%. The 6.8% unemployment rate this January is not very different from its average of 6.7% witnessed in the month of January during 2016-2023. This suggests that the decrease in the metric is somewhat a reversion to a normal, after being at elevated levels of 8-9% since October 2023. However, the extent of decline in unemployment rate is significant.

3. Interest Rate Outlook

Indian government bond yields closed higher on 01 March 2024. The yield on the Indian 10-year government bond was near the 7.07% mark, close to the eight-month low of 7.05% touched on February 21st as the country's strong macroeconomic backdrop continued to spur bidding for Indian financial assets. The 10-year U.S. bond yield remained above 4.25% as the latest personal consumption expenditures price index did not change rate cut expectations from the Federal Reserve. U.S. yields were one of the bearish factors acting as a hindrance for local bonds, but if it moves below 4.20%, the Indian 10-year benchmark yield could ease to 7%.

Date	21 Feb	23 Feb	26 Feb	28 Feb	01 Mar
USA 10 yr	4.32	4.25	4.28	4.27	4.19
Ind 10 yr	7.05	7.07	7.05	7.06	7.07
Ind 5 yr	7.04	7.06	7.04	7.08	7.06
Ind 3 M	6.99	6.95	6.95	6.89	6.98

Source: worldgovernmentbonds.com, CMIE