

1. Global Economic Outlook

US Economy: The US Federal Reserve announced its interest rate decision on July 31, 2024, after a two-day Federal Open Market Committee (FOMC) meeting, leaving the benchmark interest rates unchanged at 5.25% - 5.50% for the eighth straight meeting, in line with Wall Street estimates. The US central bank has maintained borrowing rates steady for 12 straight months to bring down inflation in the US economy. It has been hinted that the next committee might cut policy rates if inflation continues to fall. Earlier, Inflation in the United States had cooled in June 2024 for a third straight month.

UK Economy: The Bank of England delivered its first interest rate cut in more than four years, taking the key rate to 5%. The UK's consumer price inflation returned to the central bank's 2% target in May and remained there in June 2024. The cut and the potential of future cuts are welcome news to millions of mortgage holders, certainly those whose borrowing costs track the bank's headline rate, though it will likely mean that the savings rates offered by banks will be reduced.

Chinese Economy: China's manufacturing activity slipped to a five-month lowest in July 2024 as factories grappled with falling new orders and low prices, pointing to a grinding second half for the world's production powerhouse. The National Bureau of Statistics (NBS) purchasing managers' index (PMI) contracted marginally for a third month, easing to 49.4 from 49.5 in June 2024, below the 50-mark separating growth from contraction, but just ahead of a median forecast of 49.3 in a Reuters poll. Sentiment remains gloomy among manufacturers as domestic demand is increasingly under siege and external pressures from trade tensions loom large for China's \$18.6 trillion economy, which grew more slowly than expected in the second quarter. Producers reported factory gate prices were at their worst in 13 months, while employment stayed in negative territory, with its sub-index last expanding in February 2023 and pointing to a somnolent domestic economy and China's increasing reliance on exports for momentum. Policymakers offered further stimulus to encourage low- and middle-income groups to spend more.

2. Domestic Economic Outlook

Services PMI stays robust at 60.3 in July: India's services activity remained robust during July 2024, as the India Services Business Activity Index, or services PMI, stood at 60.3, data showed. The monthly services' activity index stood above the 60-mark for the seventh consecutive month in July, as new business gains and "rosy demand" acted as the main drivers of growth. The latest reading, however, was marginally lower than 60.5 recorded in June 2024, but was above the neutral 50-mark for the 36th straight month. The rise in output reflected a sustained increase in sales volumes in July 2024, with survey participants particularly commenting on buoyant demand, tech investment and a growing online presence. The composite PMI, a weighted average of both manufacturing and services PMI, stood at 60.7 in July 2024, slightly down from 60.9 in June 2024, signalling a continuation of the strong growth momentum seen recently. Data showed manufacturing PMI eased to 58.1 in July 2024 from 58.3 in June 2024.

Petroleum products exports to Europe up 26% in July on higher demand: India's export of petroleum products in the first four months of the current FY25 increased marginally by 1% to 4.9 million barrels per day against 4.8 million barrels per day in April to July period of FY24, as per data from energy cargo tracking firm Vortexa. In July 2024, however, the total export of petroleum products increased by 4% to 1.27 million barrels per day against 1.22 million barrels per day registered in June 2024. The country's top destinations for the exports in July 2024 were Southeast Asia, Europe, and the Middle East. While exports to Europe surged by 26% last month to 2,66,000 barrels per day, supplies to Southeast Asia slumped 9% to 254,000 barrels per day compared to the previous month. Exports to the Middle East increased by 12% to 1,91,000 in July 2024. Asia's share in Indian petroleum products exports decreased to 20% in July 2024 against 22.9% in June 2024. Europe's share, however, increased to 21% last month from 17.3% in the previous month. The Middle East accounted for 15% of India's total export volume in July 2024 against 13.9% in June 2024.

Core sector growth slows to 20-month low of 4% in June: The expansion in production of key infrastructure sectors fell to a 20-month low of 4% in June 2024, mainly due to a slowdown in growth of five of the eight industries during the month. The

core sector output had grown 6.4% in May 2024, and 8.4% in June 2023. On a sequential basis, too, the core sector's production declined by 3.2%. Typically, June witnesses a contraction in output compared to May, but the decline in 2024 (between the two months) is much higher compared to a 1.7% fall seen on average in the past 13 years. In June, the five sectors that showed a decline in growth as against May were: crude oil, natural gas, refinery products, steel and electricity. In fact, the production of crude oil contracted by 2.6% during June 2024 over June 2023. Coal's output growth, however, rose to 14.8% in June 2024 from 10.2% in May 2024. The output growth of fertiliser was up 2.4% in June 2024 from (-)1.7% in the previous month, and that of cement was up 1.9% as against (-)0.8% in May 2024.

India's April-June fiscal deficit at Rs 1.36 lakh crore, sharply narrows on-year to 8.1%: India's fiscal deficit for the first quarter of this fiscal year through June stood at ₹1.36 lakh crore, or 8.1% of annual estimates. The fiscal deficit sharply narrowed from 25.3% reported in the comparable year-earlier period. Total receipts stood at ₹8.34 lakh crore, while overall expenditure in April to June 2024 was at ₹9.70 lakh crore. They were 27.1% and 20.4% of this fiscal year's budget target. Revenue receipts stood at about ₹8.30 lakh crore, of which tax revenue was nearly ₹5.50 lakh crore and non-tax revenue was ₹2.80 lakh crore. Non-tax revenue jumped as the Reserve Bank of India announced a transfer of ₹2.11 lakh crore as surplus to the central government. The dividend payout is more than double the amount budgeted from the central bank and state-run lenders.

Agri-products exports fall 3.24% in Q1 to \$5.88 billion: India's exports of agricultural and process food products in first quarter of FY25 declined by 3.24% to \$5.88 billion on-year due to decline in rice, cashew and maize shipments. Factors such as the Red Sea crisis caused increase in freight cost, as well as restrictions on rice exports and fall in global price of maize. Out of exports items under the Agricultural and Processed Food Products Export Development Authority (APEDA) basket, shipments of meat, dairy and poultry products and fresh fruits and vegetables saw a spike during April-June, FY25 compared to FY24. According to the Directorate General of Commercial Intelligence and Statistics, rice exports in the first quarter of the current fiscal dropped marginally by 0.46% to \$2.82 billion on-year. Basmati rice exports grew by 13% during April-

June, FY25 to \$1.03 billion on-year due to robust global demand. Non-basmati rice shipment declined by 13% to \$1.06 billion during the same period due to restriction on exports. Other cereals, including maize, dropped by 76% to \$251 million because of higher global prices.

Govt to meet 10,000 FPO target by year-end:

The government is likely to achieve the target for formation of 10,000 farmer producer organisations (FPOs) by the end of year which is expected to boost collective bargaining power, reduce cost of agri-inputs and boost marketing avenues of the produce by the collectives. So far 8,875 farmers' collectives have been registered under the companies or cooperatives acts under a central sector scheme aimed at enhancing farmers' income through aggregation of their agricultural produce and supplier of various inputs. Out of 14 agencies engaged in registering and on-boarding of FPOs, the Small Farmers' Agri-Business Consortium under the agriculture ministry has registered 3620 FPOs followed by NABARD (1694), National Cooperative Development Corporation (1863), NAFED (1191) and Foundation for Development of Rural Value Chains (800).

3. Interest Rate Outlook

10 year bond yield softens: Share markets slid and bonds rallied in India this week as fears of United States could be heading for recession triggered mass risk aversion and wagers interest rates will have to fall sharply, and quickly, to support growth. Benchmark 10-year bond yield fell below to 6.86% level, its lowest mark in more than two years.

Date	26 Jul	29 Jul	31 Jul	2 Aug	5 Aug
USA 10 yr	4.20	4.18	4.05	3.79	3.79
Ind 10 yr	6.94	6.92	6.92	6.90	6.86
Ind 5 yr	6.84	6.84	6.85	6.80	6.78
Ind 3 M	6.60	6.62	6.64	6.60	6.62

Source: worldgovernmentbonds.com, CMIE, investing.com