

## 1. Global Economic Outlook

**US Economy:** US inflation increased more-than-expected in March 2024 mostly driven by petrol and shelter costs, pushing away hopes of a June interest rate cut from the US Federal Reserve. The US consumer price index (CPI) rose 0.4 % sequentially--higher than Wall Street estimates. In the 12 months through March, the CPI increased 3.5 % year-on-year (YoY)-the biggest gain in six months (since September 2023). This follows a 3.2% rise in February 2024. Measured from a year earlier, these core prices were up 3.8%, unchanged from the YoY rise in February 2024.

**UK Economy:** Britain's tepid economy is on course to exit a shallow recession after output grew for a second month in a row in February, and January's reading was revised higher. Gross domestic product expanded by 0.1% in monthly terms in February, as expected in a Reuters poll of economists. The data confirm Britain's economy started on a stronger footing, with the three-month average growth rate rising to 0.2% in February from zero in January - the highest such reading since August. Construction output, which boosted growth at the start of the year, fell 1.9% in February. Instead, production output was the biggest contributor to the GDP, rising by 1.1% in February, while growth in the U.K.'s dominant services sector slowed to 0.1% from 0.3%. The figures are also likely to reinforce the Bank of England's cautious tone around the prospect for interest rate cuts, with the economy on track to slightly exceed the central bank's expectation for a 0.1% expansion in the first quarter.

**Chinese Economy:** China's economy grew stronger than expected at the start of this year, mainly thanks to robust growth in high-tech manufacturing. Gross domestic product (GDP) grew by 5.3% in the first quarter from a year ago, according to the National Bureau of Statistics. That beat the estimate of 4.6% growth from a Reuters poll of economists. It also marked an acceleration from the 5.2% growth in the previous three months. Industrial production jumped 6.1% in the first quarter from a year ago, boosted by strong growth in high-tech manufacturing. In particular, the production of 3D printing equipment, charging stations for electric

vehicles (EVs) and electronic components all surged about 40% compared to a year earlier.

## 2. Domestic Economic Outlook

**IMF raises India's GDP growth forecast by 30 bps to 6.8% for FY25:** The International Monetary Fund (IMF) raised India's GDP growth projection for 2024-25 by 30 basis points to 6.8% in its update to the World Economic Outlook (WEO), citing buoyant domestic demand. However, the fund's estimate is below the 7% growth projection by the government. For FY24, the IMF raised India's GDP growth projection to 7.8%, compared to 6.7% in its January report. For FY26, the IMF expects the country's economic growth to slow down slightly to 6.5 % - the same as projected in its January update. Rating agencies, including Fitch and Barclays, recently revised India's GDP growth projection for FY24 to 7.8 % due to strong domestic demand and persistent growth in business and consumer confidence levels.

**India's wholesale inflation rises to three-month high of 0.53% in March:** India's wholesale price index (WPI)-based inflation accelerated to 0.53% in March on an annual basis, as against 0.20% in February. WPI inflation stood at 1.34% in March 2023. Positive rate of inflation in March 2024 is primarily due to increase in prices of food articles, electricity, crude petroleum & natural gas, machinery & equipment and other manufacturing, etc. Inflation for food articles, as per the release, stood at 4.65% in March as against 4.09% in February. For the primary articles, the inflation rate came in at 4.51% from 4.49% in the previous month. The fuel and power inflation contracted to -0.77% as against a contraction of -1.59% in February. Further, manufactured products inflation stood at -0.85% in March.

**Goods exports hit 12-month high of \$41.68 billion in March:** India's goods exports hit a 12-month high of \$41.68 billion in March, although it constituted a 0.67% decline from last year's tally, while imports dropped 6% to \$57.3 billion last month. The goods trade deficit contracted to \$15.6 billion in March, the lowest in 11 months. The sharp drop in India's import bill during March was led by gold imports, which fell a sharp 53.6% in March to \$1.53 billion, and aided by a drop in non-oil, non-gold imports. However, silver imports jumped nearly 1059% to \$816.6 million. March's relatively strong export tally, coming on the back of a \$41.4 billion figure in February, lifted the generally weak

merchandise shipments tally for 2023-24. While goods exports in the first ten months averaged \$35.4 billion, the last two months' spike lifted the full year export figure to \$437.1 billion, 3.1% below the record \$451.1 billion performance in the previous year.

	Feb 2024	Mar 2024	Change (%)
Trade balance	-18.7	-15.6	
Exports	41.4	41.7	0.7
Petroleum products	8.2	5.4	-34.4
Non-petroleum products	33.2	36.3	9.4
Imports	60.1	57.3	-4.7
Crude oil and petroleum products	16.9	17.2	2.0
Non-crude oil and petroleum products	43.2	40.1	-7.3
Gold	6.1	1.5	-75.1
Silver	1.7	0.8	-52.7

Source: CMIE

**Industrial production rises to a four-month high of 5.7% in February:** The Index of Industrial Production (IIP) posted a modest rise of 5.7% in February 2024. The momentum of growth did pick up from the sub par 4% increase recorded in the preceding two months of December 2023 and January 2024. Manufacturing on a year-on-year basis grew by 5 % in February 2024. The growth seen in manufacturing is slower than that seen in the overall index. Output of mining & quarrying grew by a noticeable 8.1 % in February. It had grown by a similar 8.2 % during April-February 2023-24. A remarkable growth in fuel minerals like coal, petroleum and natural gas, metallic minerals like iron ore and non-metallic mineral like limestone backed the mining & quarrying index to record noteworthy growth in February. Electricity generation grew by 7.5 % in February 2024. This was higher than the 6.9 % growth recorded during April-February 2023-24. Impressive double-digit year-on-year growth in generation from thermal power and renewable sources contributed towards a remarkable rise in power generation during February.

**IMD forecasts above-normal monsoon for 2024:** The India Meteorological Department (IMD) has forecasted above normal southwest monsoon in 2024. Rainfall during the southwest monsoon that spans from June to September is expected to be 106% of the Long Period Average (LPA). Rainfall within the range of 96 % to 104 % of the LPA is considered normal. IMD has attached a 31 % probability of occurrence of above normal rainfall. The probability of excess rainfall was at 29% and that of normal rainfall was at 30%. A positive monsoon outlook augurs well for farmers that will commence kharif sowing activities with the onset of monsoons in most parts of the country in June 2024. We expect a modest recovery in kharif crop production as an increase in acreage supported by strong crop yields will boost crop production. In the previous year, El-Nino conditions led to erratic rainfall causing kharif crop production to decline.

### 3. Interest Rate Outlook

**India bond yields at near 3-month high:** India's benchmark government bond yields rose to near three-month highs on 16 April 2024, driven by concerns surrounding heightened geopolitical tensions and diminishing expectations of an early US interest rate cut. The yield on the Indian 10-year bond was at 7.1890% (intra-day), the highest since Jan 25, and closed at 7.1860%. The benchmark U.S. 10-year Treasury yield hit five-month highs on April 15 (4.6%) after stronger-than-expected retail sales data suggested the Fed could delay cutting interest rates this year.

Date	3 Apr	5 Apr	8 Apr	10 Apr	12 Apr	16 Apr
USA 10 yr	4.34	4.40	4.42	4.54	4.52	4.67
Ind 10 yr	7.10	7.12	7.15	7.11	7.17	7.19
Ind 5 yr	7.08	7.08	7.13	7.09	7.16	7.19
Ind 3 M	6.81	6.82	6.83	6.85	6.84	6.84

Source: worldgovernmentbonds.com, CMIE