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1. FROM THE DESK OF CHIEF ECONOMIST

Navigating the Evolving Trade Landscape

Global trade landscape has undergone massive transformation in the last four years. As we move forward in 2024, the outlook for international trade remains cautiously optimistic. Despite disruptions caused by the pandemic, supply chain bottlenecks, and geopolitical tensions, world trade volumes are projected to grow by approximately 3.5 per cent this year, according to estimates from the World Trade Organization (WTO). The year 2023 witnessed contraction in growth in international trade. Growth in trade volumes in 2024 and 2025 will be majorly driven by declining inflationary pressures which will provide a boost to household incomes and consumption in advanced economies and improving trade infrastructure across developing nations.

The Asian region is expected to play an outsized role in driving the expansion of trade growth in the year 2024. It is expected to add 45 per cent to exports and 81 per cent to imports globally. Geopolitical tensions and the attendant policy uncertainty, however, present downside risks to the global trade outlook. Other challenges include – uncertain energy markets, climate-driven disruptions, and rising protectionism which threaten to impact both trade flows and global supply chains. In such a complex environment, multilateral trade agreements and bilateral pacts may play a critical role in sustaining growth and ensuring resilience in the coming years.

India’s foreign trade trajectory post pandemic is a tale of resilience and strategic recalibration. After a sharp contraction in 2020, India’s exports rebounded strongly in FY21 and FY22, recording double-digit growth. In FY24, though merchandise exports moderated, service exports continued to perform well, improving overall Current Account Deficit (CAD) to 0.7 per cent of GDP from 2 per cent of GDP in FY23.

India’s exports are all set to cross USD 800 billion in FY 2024-25 after reporting the highest ever exports in the first quarter of any fiscal. Total merchandise and service exports in Q1 FY25 stood at USD 200.3 billion, surpassing the previous record of USD 197.1 billion in Q1 FY23. To accelerate the growth further, India is targeting 20 countries of significance and 6 major sectors including engineering goods, textiles and apparels, electronics, pharmaceuticals, chemicals and plastics, and agriculture and allied products. Imports, too, have grown, particularly in technology and energy, highlighting the growing domestic demand and the country’s participation in global value chains.

The pandemic underscored the importance of diversifying trade partnerships and reducing over-reliance on any single geography for critical supplies. Exports and Imports have now increasingly been aligned along geopolitical lines, leading to fragmentation in world trade. According the Global Trade Outlook, by WTO, trade between hypothetical blocs composed of economies which are aligned politically has grown 4 per cent more slowly than trade within these blocs.

India’s recent push for trade diversification—through increased engagement with ASEAN, the Middle East, and African nations—has helped cushion the impact of global economic uncertainties. Moreover, the Atmanirbhar Bharat initiative has spurred domestic manufacturing, making India less dependent on imports in certain sectors while boosting exports in others. The rise of smartphone exports among India’s top five export items considered at six-digit Harmonized System product categories is a result of thrust on domestic manufacturing, especially since the launch of Production Linked Incentive (PLI) Scheme in 2020.

India’s recent efforts to sign strategic trade pacts have significantly enhanced its position on the global trade map. Recognizing the importance of trade partnerships, the country has signed 4 new trade Free Trade Agreements (FTAs) between 2020 and 2024 – Mauritius (February 2021), UAE (February 2022), Australia (April 2022) and the European Free Trade Association or EFTA (March 2024), after a gap of 10 years. Of these, all, except the one with EFTA has come into force.

The Comprehensive Economic Partnership Agreement (CEPA) with the UAE, signed in 2022, has provided a major boost to bilateral trade. The UAE emerged as India’s second largest export destination, with exports valued at USD 35.6 billion in FY24. As a result of CEPA, goods trade between the two nations is projected to rise to USD 100 billion and services trade to USD 15 billion, within 5 years of signing. The FTA with Australia is expected to push Indian exports, particularly in labour intensive sectors like textiles, pharmaceuticals, and gems & jewellery. Negotiations with the United Kingdom for a long-pending FTA have also resumed post elections in both countries, with a commitment on both sides to conclude the agreement soon.

Further, trade talks with EU and Canada are also in pipeline, to give Indian businesses preferential access to key markets. By lowering tariffs and simplifying trade procedures, these agreements will not only enhance India’s export potential but also attract greater foreign direct investment (FDI) into the country, thereby bolstering economic growth.

India’s 2030 export target is to increase its goods and services exports to USD 2 trillion from USD 776 billion in FY23. Trade will undoubtedly remain a vital driver of the country’s economic growth and transformation into a developed nation. By capitalizing on new trade agreements, improving competitiveness, and fostering a supportive policy environment, India can unlock immense growth opportunities. As global trade continues to evolve, our proactive trade strategy will ensure we remain a key player in the global economy, paving the way for sustained prosperity.

Deepak Singh

(General Manager)

2. Key Takeaways: Gross Domestic Product Q1FY25

GDP for Q1 FY25 grew by 6.7% as compared to a growth of 7.8% in the previous quarter (Q4 FY24) and a growth of 8.2% in Q1 FY24. Also, GVA in Q1 FY25 grew by 6.8% as compared to a growth of 6.3% in the previous quarter (Q4 FY24) and a growth of 8.3% in Q1 FY24.

Highlights

- The moderation of India's Gross Domestic Product (GDP) to 6.7% during Q1 FY 2024-25 may be attributed to the high base effect, adverse weather conditions and restrictions on activities during the general elections.
- However, Gross Value Added (GVA) – which is GDP minus net taxes - growth in Q1 FY 2024-25 was pegged higher at 6.8 per cent.
- The growth was mainly driven by the Industry Sector.
- Despite India's GDP growth hitting a five-quarter low, India still remains the fastest-growing major economy in the world.

Components of GDP

- Growth in Private Final Consumption Expenditure, which constitutes the highest share in GDP, rebounded and grew by 7.4 per cent in Q1 FY25 as against 4.0 per cent in the previous quarter and 5.5 per cent in Q1 FY24.
- Government Final Consumption Expenditure dipped in the negative zone to -0.2 per cent in the first quarter of FY25, contrasting with the 0.9 per cent growth in the previous quarter.
- The growth in Gross Fixed Capital Formation, which denotes investment in the economy, improved from the previous quarter to 7.5 per cent.
- Exports registered a robust growth of 8.7 per cent in Q1 FY25 as against a growth of 8.1 per cent in Q4 FY24 and -6.6 per cent in Q1 FY24.

Change in the share of Major Components in GDP

- Share of Private Final Consumption Expenditure increased from 55.9 per cent in Q1 FY24 to 56.3 per cent in Q1 FY25.
- Share of Gross Fixed Capital Formation improved marginally from 34.6 per cent in Q1 FY24 to 34.8 per cent in Q1 FY25.
- On the contrary, share of Government Final Consumption Expenditure declined by 70 bps, from 10.2 per cent in Q1 FY24 to 9.5 per cent in Q1 FY25, on account of the restrictions on activities during the general elections.
- While share of Exports improved by 40 bps, share of imports declined by 60 bps, when compared to the first quarter of FY25 over the same quarter a year ago.

Components of GVA

- The GVA growth in the Agriculture sector increased by 2 per cent in the first quarter of FY25 compared to 0.6 per cent in the previous quarter. The sector however grew by 3.7% in Q1 FY24.
- The growth in the Industry Sector was robust in Q4 FY24 and Q1 FY25 as well, growing above 8 per cent in both the quarters.
- The growth rate of Services sector at 7.2 per cent in Q1 FY25, is higher than the growth of 6.7 per cent in the previous quarter, but lower than the growth of 10.7 per cent in Q1 FY24.

Closer look at Industry and Services

- The Manufacturing industry, a major part of the industry sector, grew by 7 per cent in Q1 FY25 as compared to a growth of 8.9 per cent in Q4 FY24 and 5 per cent in Q1 FY24.
- Mining & Quarrying, Construction Industry and the 'Electricity, gas, water supply and other utility services' witnessed healthy growth of 7.2 per cent, 10.5 per cent and 10.4 per cent respectively in Q1 FY25.
- Growth of 'Trade, Hotel, Transport, Communication & Services related to broadcasting' and 'Financial, Real Estate & Professional Services' was slower in Q1 FY25 when compared to Q1 FY24.
- However, 'Public Administration, Defence & Other Services' showcased a growth of 9.5 per cent in Q1 FY25, higher than both the previous quarter and the same quarter a year ago.

Way forward

- The easing of GDP growth in Q1 FY25 was on expected lines, however the magnitude of the moderation was higher than the expectations and RBI's projection of 7.1 per cent.
- With the growth of above 6.5 per cent, and remaining the fastest growing major economy, easing of GDP is not a concern for the economy. The data also emphasizes the country's capacity to maintain its economic momentum, despite high base effects from previous years.
- The significant gap between GVA and GDP, which was witnessed in the last three quarters, shrank in Q1 FY25.
- Several sectors, especially 'Construction', 'Electricity, gas, water supply and other utility services' and 'Public Administration, Defence & Other Services' emerged as key drivers of this growth, pointing to a favorable trajectory in the coming quarters.
- The notable increase in private consumption also presents a positive outlook for the economy.
- Even though the growth in Agriculture was tepid, the recent abundant rainfall is poised to revitalize the farm sector.
- Going forward, the full year GDP is expected to be around 7 per cent with a positive bias, aided by strong growth across key sectors, increased foreign investments, continued expansion in domestic activities, rural demand and government spending.

Sagnik Bose
Senior Manager (Economics)
Head Office, SMEAD

3. India's Balancing Act To Dodge Financialization

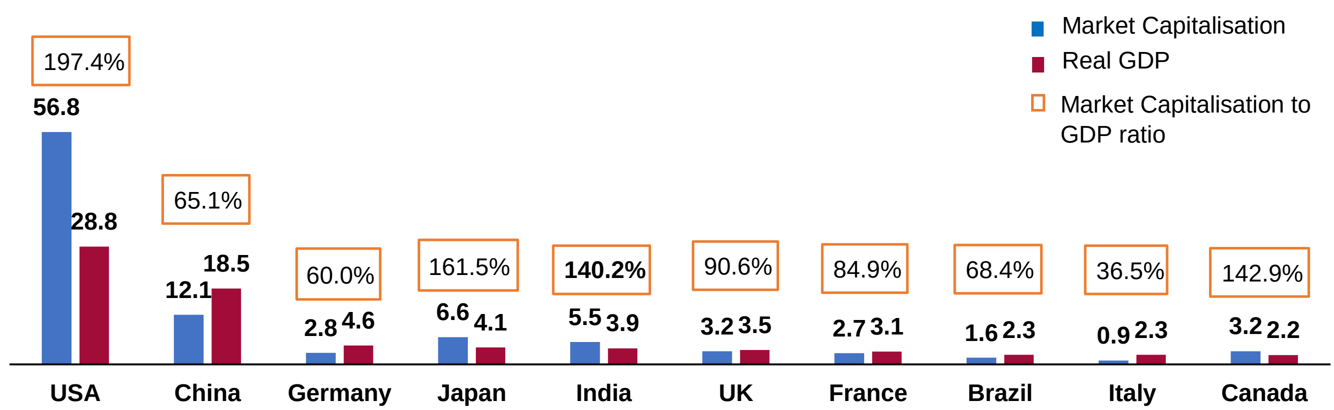
India's stock market capitalization reached a record $5.54 trillion, exceeding 140% of GDP

Financialization happens when financial markets, financial institutions, and financial activities become increasingly dominant in an economy. It involves a shift in focus from the real economy (production and trade of goods and services) to the financial economy (trading of financial assets & instruments).

The term has come back in focus after the Chief Economic Advisor (CEA), V. Anantha Nageswaran cautioned the financial sector about its impacts on the Indian economy if it gets triggered. Financialization reshapes both macro-economic & micro-economic landscapes through its influence on financial markets, corporate behaviour, and economic policy making.

Indian stock market capitalization has touched an all-time high of $5.54 Trillion as of August 2024, and it is about 140% of current GDP ($3.94 Trillion), representing an over-valued market as per the Buffet Indicator. This ratio has remained on uptrend in 2024 and is just a notch below the all-time high of 149.4 per cent touched at the end of December 2007.

Market Capitalisation & Real GDP (In USD Trillion)



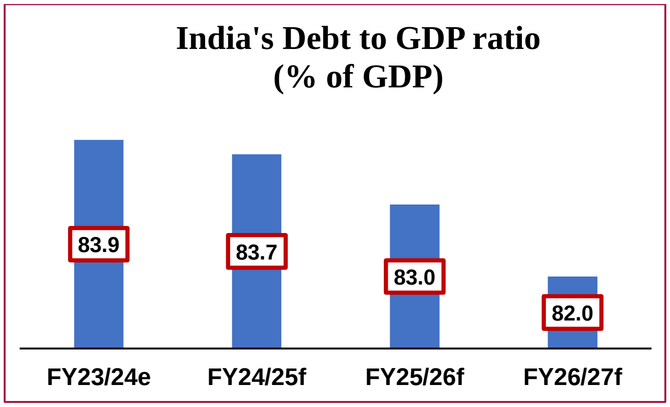
Source: *BSE, RBI, CEIC, World Bank, PNB Research;*
Note *- Market Cap. to GDP ratio of countries may wary as it is estimated on the latest data available from multiple sources*

To sustain high economic growth and become a developed nation by 2047, financialization is something India has to avoid, because its consequences seen by the developed world during early 2000's (dot.com bubble) and in 2007-08 (Global Financial Crisis).

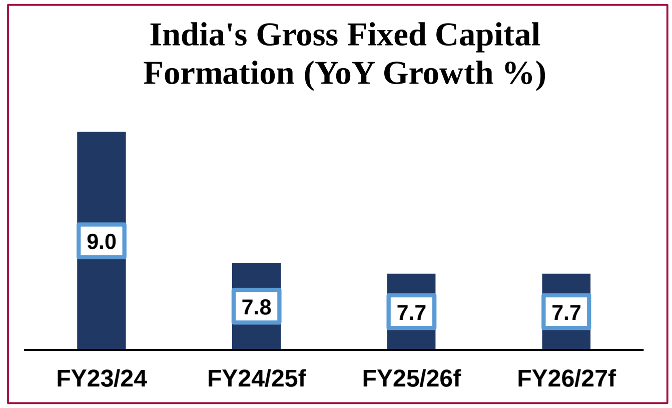
The U.S. and other developed nations that have higher maket capitalization to GDP ratio or higher financialization, face significant economic risks due to high levels of public and private debt. Their growth is increasingly dependent on asset prices to sustain their financial leverage, leading to rising inequality.

Additionally, the people in developed economies have higher per-capita incomes, better financial literacy and significant amount of material wealth, making them less vulnerable in a probable downturn.

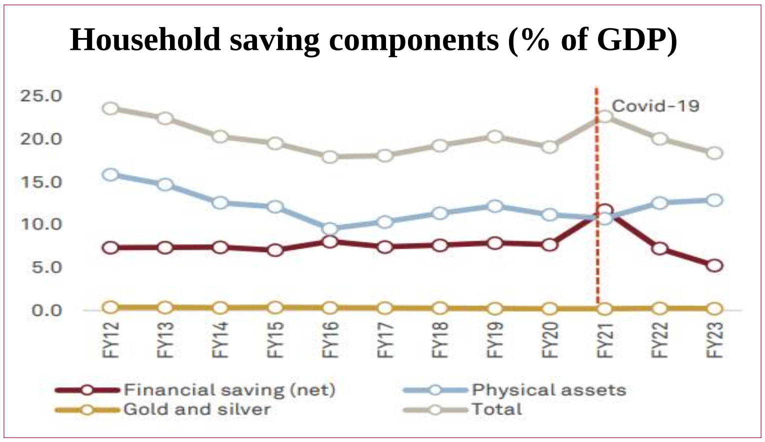
Whereas India, characterized by its lower-middle-income status and relatively limited financial market participation and physical wealth, particularly among its lower economic strata, necessitates a prudent approach to avert such a scenario.



India's Debt to GDP ratio (% of GDP)



India's Gross Fixed Capital Formation (YoY Growth %)



Household saving components (% of GDP)

Source: *World Bank, MOSPI, Crisil, PNB Research; e – estimate, f - forecast*

Despite the elevated market capitalization relative to GDP, India's economic landscape remains stable due to robust macroeconomic fundamentals, strong corporate performance, policy independence, and proactive measures by financial regulators.

Furthermore, World Bank projections indicate that India's Debt-to-GDP ratio is poised to moderate in the coming years. This positive trajectory is anticipated alongside robust growth in fixed capital formation, catalysed by a revitalized private capital expenditure cycle. Additionally, a likely diversification of household savings portfolios is expected to contribute to a more resilient economic landscape.

Hence, India is poised to navigate a delicate equilibrium between national priorities and investor preferences in the future. The role of Banks will remain pivotal in ensuring that credit growth primarily fuels productive sectors, thereby fostering job creation.

Kartik Khandelwal
Officer (Economics)
Head Office, SMEAD

4. Banks See Growing Proportion Of High-Rate Deposits

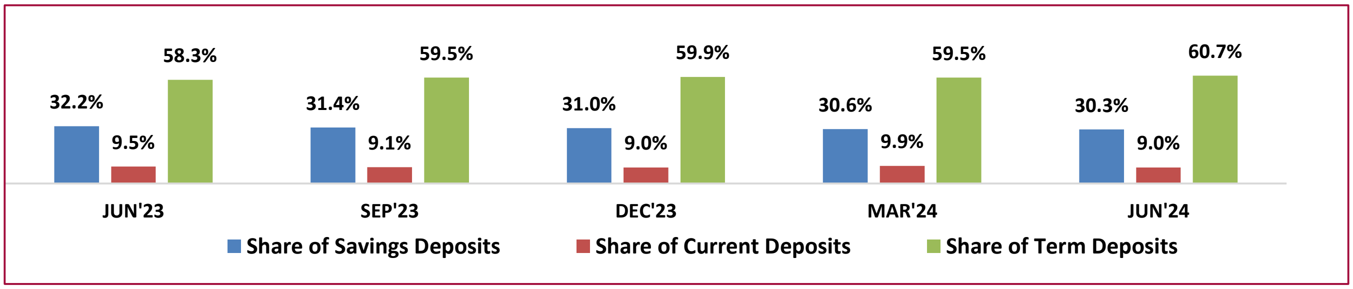
Banks in India are offering higher interest rates on deposits to attract savers, with more than two-thirds of deposits earning 7% or above by June 2024

Term Deposits Interest Rate Range

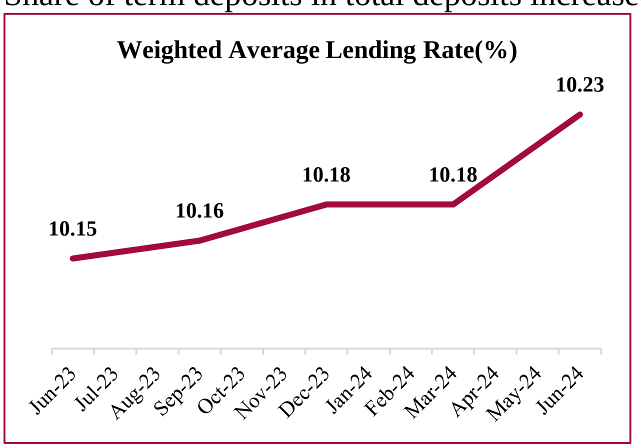
Interest Rate Range	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Less than 3 %	0.95	0.70	0.62	3.08	0.68
3% and above but less than 7 %	53.37	47.14	41.26	37.16	37.66
7 % and above	45.13	57.87	66.62	72.75	77.65

- The data showed that the deposits mobilized by banks on interest rates **7% and above is ₹77.65** lakh crore as of June **2024, as against ₹45.13 lakh crore a year ago**.
- Nearly 67% of the deposits mobilised by banks by the end of June 2024 were contracted at interest rates of 7% and above as compared 45% of deposits in June 2023.

Share of Savings, Current and Term Deposits in Total Deposits



- The share of deposits with 7% interest rate rose because banks are offering higher rates not just to retail depositors but also mobilizing bulk deposits and certificate of deposits over 7%.
- For a long time, post-Covid, most banks offered sub-7% on one-three years deposits. Also, to narrow the gap in credit-deposit growth, banks raised deposit by offering higher interest rate.
- The share of savings deposits in total deposits fell to 30.3% in June 2024 from 32.2% a year ago. Share of current account deposits fell to 9.0% of total deposits in June 2024 from 9.5 per cent a year ago. Share of term deposits in total deposits increased to 60.7% in June 2024 from 58.3% in June 2023.

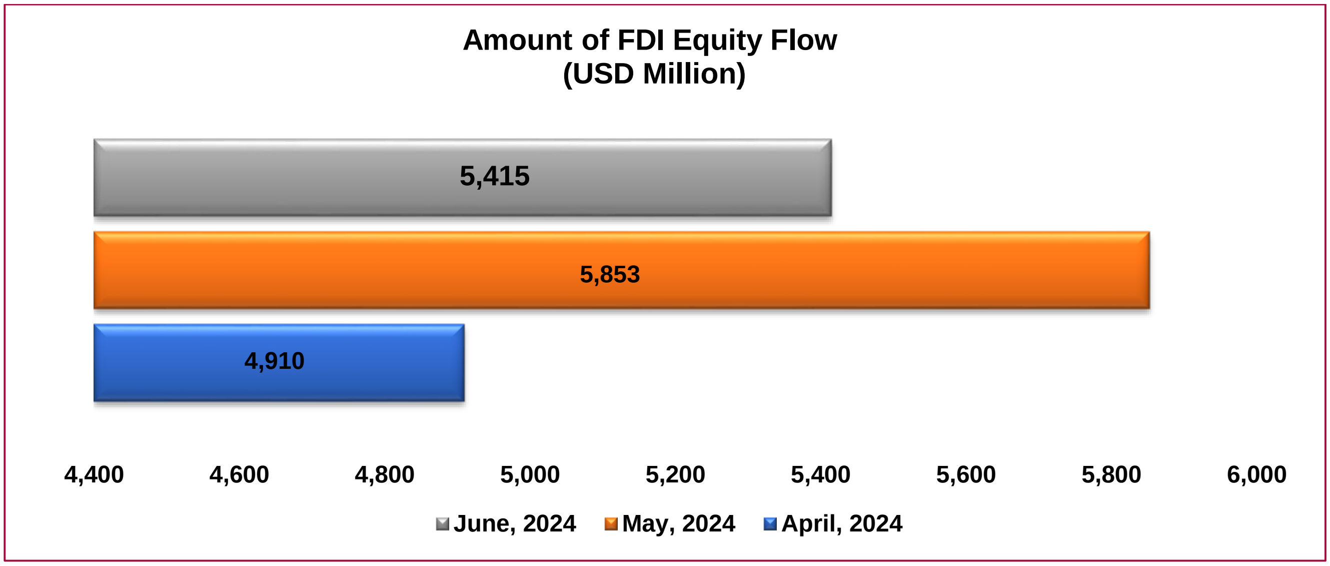


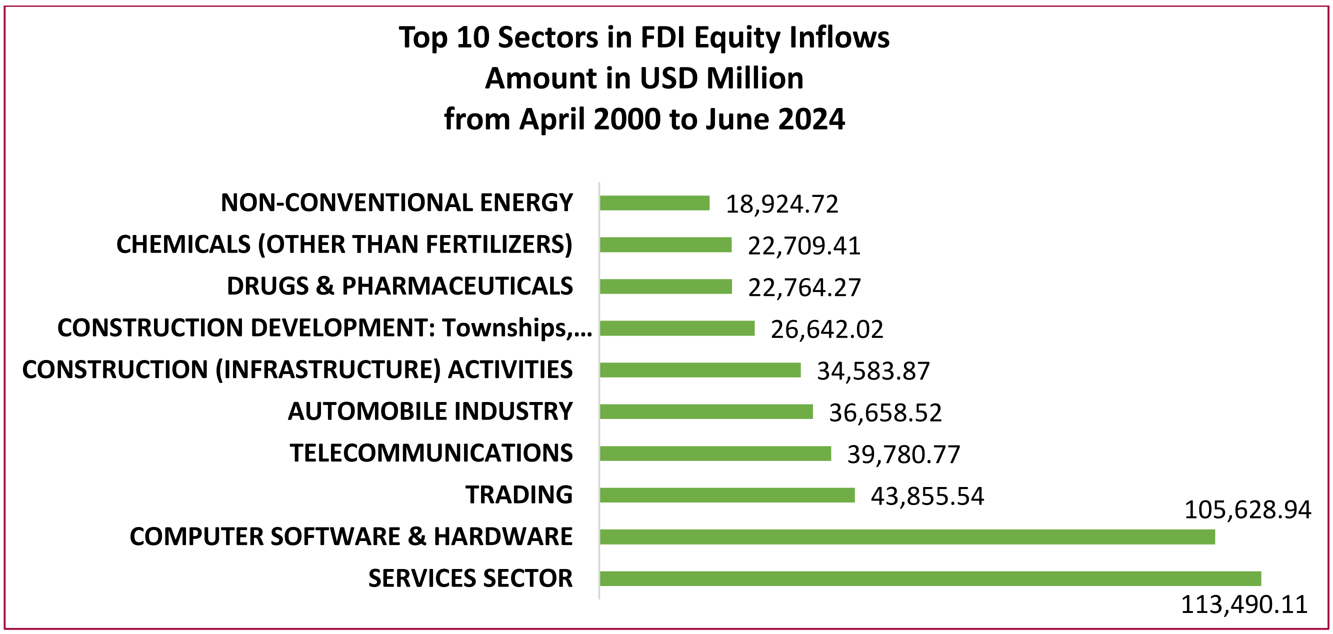
The weighted average lending rate rose marginally to 10.23% in June 2024 from 10.15% a year ago. Nearly 65% of bank loans, amounting to ₹108 lakh crore in total, were given between 8% and 11%.

Going forward, the interest outgo will remain higher on account of competitive interest rate for deposit mobilization but expected rate cut will bring down the interest income. This will put pressure on net interest margin, therefore banks may prefer to put thrust on mobilization of low cost deposit to maintain net interest margin.

Akansha Chauhan
Officer (Economics)
Head Office, SMEAD

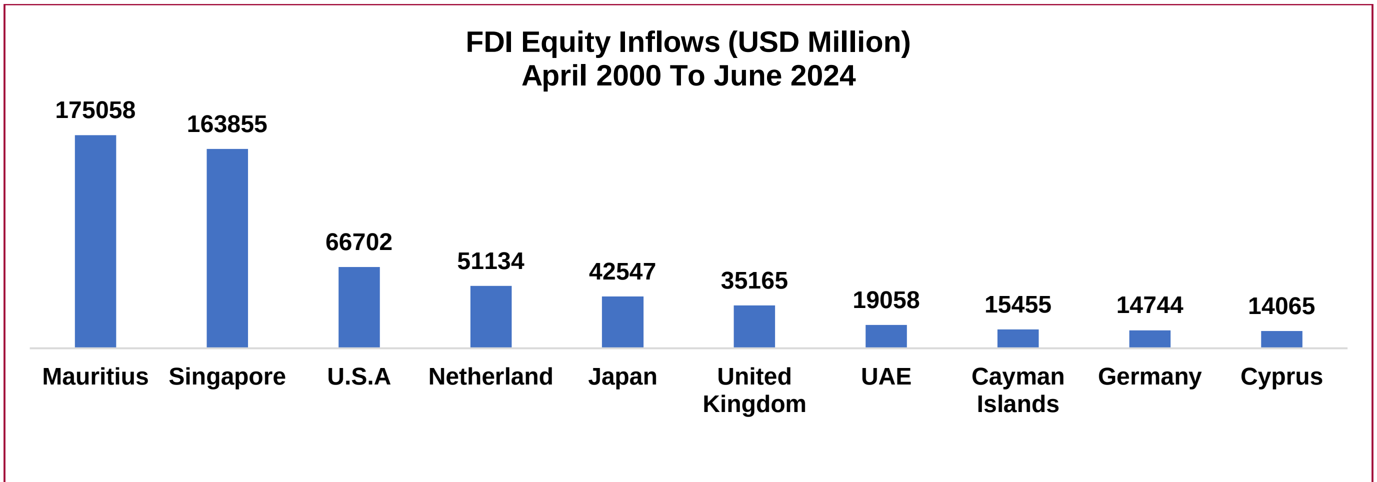
5. FDI Equity Inflows see a jump of 47.8% in Q1FY25

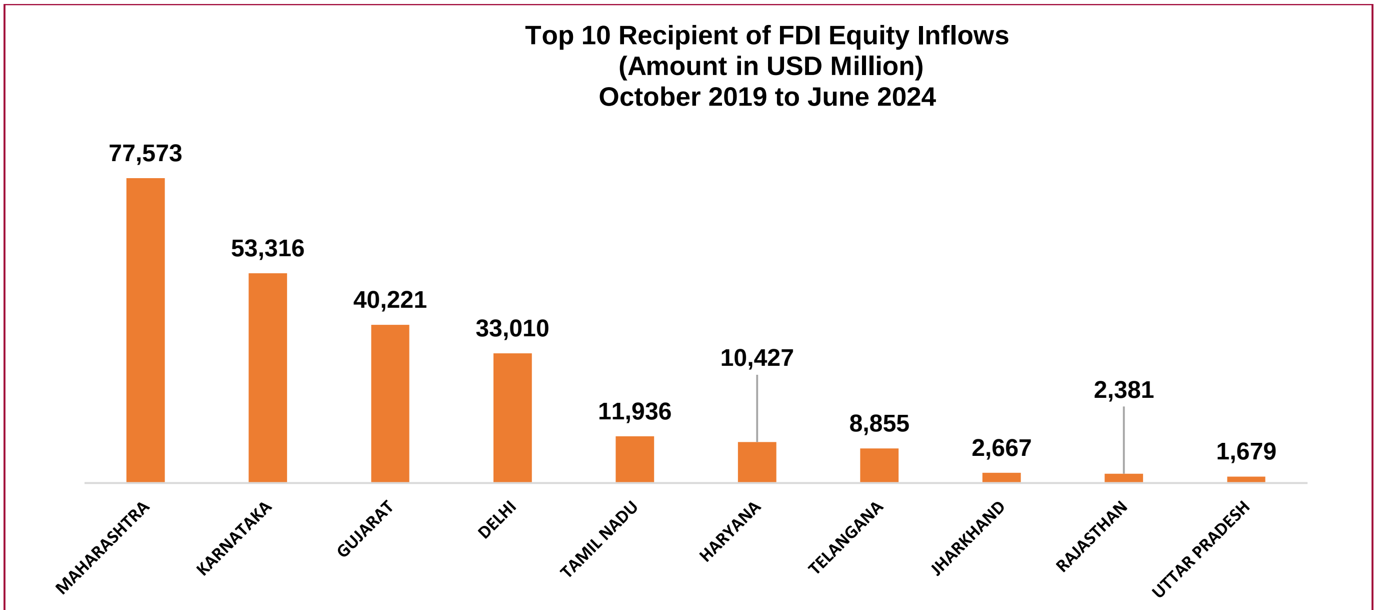




- According to Department of Promotion of Industry & Internal trade, growth of 47.8% was observed in amount of Foreign Direct Investment Equity Inflow during Q1FY'25 as compared to Q1FY'24.
- Services Sector continued to be the highest recipient of FDI equity inflows while amongst states, Maharashtra attracted the highest FDI. Mauritius remained the highest source of FDI inflows in India.
- The Inflows were majorly driven by Services Sector (16.33% of Total FDI), followed by Computer and hardware (15.2% of Total FDI) in USD term. Maharashtra received the highest FDI inflows i.e. 31.16% of Total FDI Inflows in USD term
- The concentration of FDI Equity inflows in fewer states calls for better policy upgradation in states at lower end so that benefits may be reaped.

- With measures like Make in India, Production Linked Incentive, FDI Policy Amendments, digital India, India aims to expand its bucket of sectors.
- Indian Economy has been experiencing good growth though Q1FY'25 experienced slowdown due to election but India continues to be the highest performing economy.
- FDI Inflows may see further growth in view of stable government formation at the centre, however, geo political tensions remain a big threat and actions of the other government need to be watched.
- India is also looking forward free trade deals and recently concluded such deals with Australia, UAE and EFTA trade block and expected to conclude with the UK and European Union which entails improvement in India's attractiveness as a preferred investment destination, going forward.





Source: *Department for Promotion of Industry and Internal Trade; FEDAI conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEAP), Mumbai.*

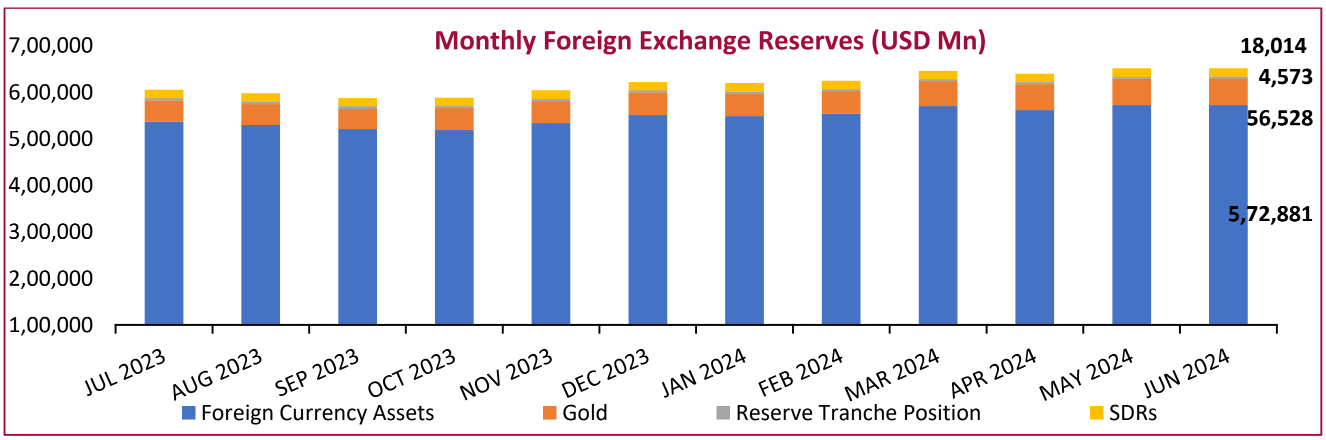
Surabhi Tewari
Senior Manager (Economics)
Head Office, SMEAD

6. Trend of Foreign Exchange Reserves

India's Foreign Exchange Reserves Reach a record high of over $680 Billion in August 2024

Component	Amount (in US $ Millions)
Total Reserves	6,83,987
Foreign Currency Assets	5,99,037
Gold Reserves	61,859
Special Drawing Rights (SDR)	18,468
Reserve Position in IMF	4,622

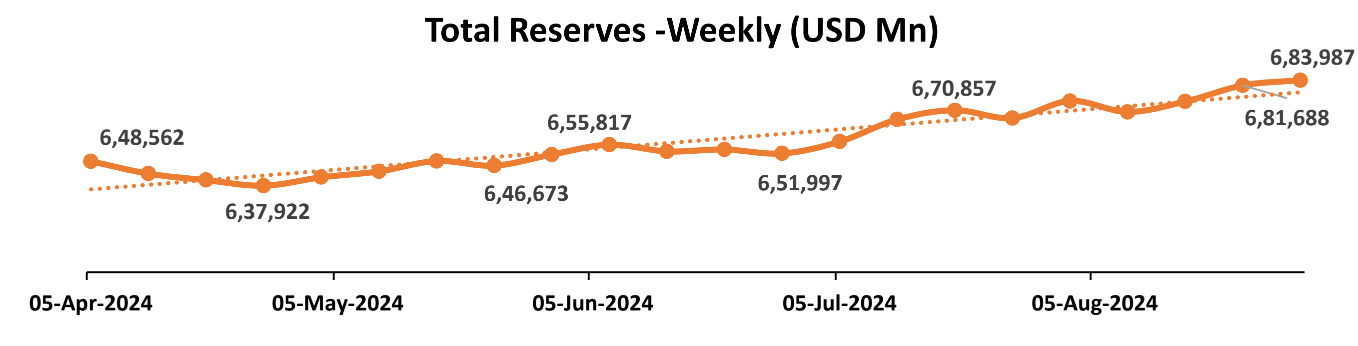
- ❖ India's foreign exchange (forex) reserves have reached a record high, surpassing $680 billion as of August 2024. This remarkable achievement underscores the nation's robust economic standing and resilience.
- ❖ The Indian forex reserves are composed of foreign currency assets, gold, Special Drawing Rights (SDRs), and the country's reserve position with the International Monetary Fund (IMF).
- ❖ The status of India's Foreign Exchange Reserves, categorized by various components as of 30th August, is detailed in the table.



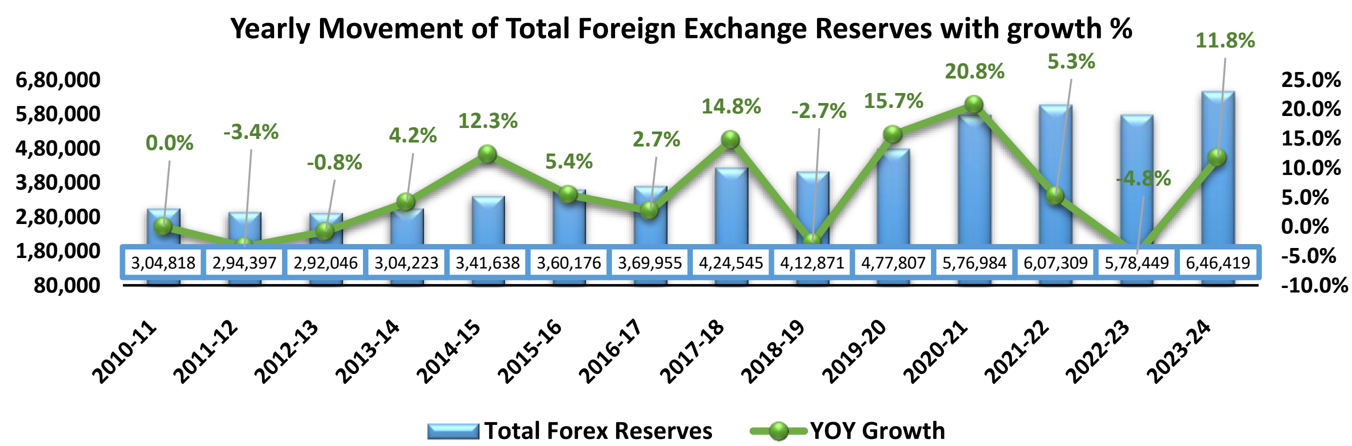
Source: RBI

- ❖ India's foreign exchange (forex) reserves increased by $2,299 million, reaching a new record high of $683,987 million for the week ending on August 30, compared to $681,688 million in the previous reporting week.
- ❖ Foreign Currency Assets (FCAs), the largest component of the reserves, amounted to $599,037 million as compared to $597,552 million in the previous reporting week. Gold reserves also saw an increase, rising to $61,859 million.
- ❖ The total reserves experienced a yearly growth of 14.21%, with gold reserves showing the most significant annual increase of 37.65%, followed by FCAs with a growth of 12.88%. This increase in gold reserves is primarily attributed to purchases by the RBI, reflecting the central bank's trend to diversify its foreign reserves and reduce its reliance on the U.S. dollar.

- For the fiscal year ending March 2024 also, gold reserves saw a notable growth of 18.59% followed by FCAs.
- India's foreign exchange reserves have been on a consistent upward trajectory, with a cumulative increase of over $60 billion in 2024 till August.
- India currently ranks 4th globally in terms of forex reserves, following China, Japan, and Switzerland.



Source: RBI



- India maintains high forex reserves to stabilize the value of the rupee and prevent excessive volatility in the foreign exchange markets.
- These reserves act as a crucial buffer against external shocks, providing liquidity during times of crisis and ensuring the country can meet foreign debt obligations and finance essential imports.
- High reserves boost investor confidence, attracting foreign direct investment and supporting long-term economic growth.
- They also strengthen the country's monetary and exchange rate policies, helping to reduce inflationary pressures. In times of crisis, such as the COVID-19 pandemic, strong reserves enable the government to manage both internal and external financial challenges effectively.
- Additionally, the Reserve Bank of India (RBI) can intervene in the foreign exchange markets to maintain orderly conditions, which plays a crucial role in preserving investor confidence. Overall, India's growing forex reserves reflect its economic strength, resilience to global uncertainties, and capacity to sustain long-term stability and development.

Mansi Wahi
Manager (Economics)
Head Office, SMEAD

7. CLASSROOM: Demystifying Sovereign Gold Bonds (SGBs)

In recent years, a unique investment option has caught the attention of both seasoned investors and newcomers alike: Sovereign Gold Bonds (SGBs). But what exactly are these bonds, and why have they become such a talking point in financial circles?

At its core, an SGB is a government security denominated in grams of gold. It's like buying gold, but without the hassle of storing it physically. When you invest in an SGB, you're essentially lending money to the government and receiving returns linked to the price of gold. The Reserve Bank of India issues these bonds on behalf of the Government of India, typically in a series of tranches throughout the year.

The government introduced SGBs in November 2015 with two primary objectives. First, to provide an alternative to purchasing physical gold, thereby reducing the country's massive gold imports which strain our foreign exchange reserves. Second, the scheme aims to shift investors from physical gold to paper gold, making it easier to track and regulate gold investments in the economy.

The modalities of SGBs are designed to be investor-friendly. Each bond represents one gram of gold, with a maximum purchase limit of 4 kg per person per fiscal year. The bonds have a tenure of 8 years, with an exit option available from the 5th year onwards. What makes SGBs particularly attractive is the interest rate – currently 2.5% per annum on the initial investment – paid semi-annually. This is on top of any capital appreciation from the increase in gold prices.

When it comes to tax treatment, SGBs offer significant advantages. The interest earned is taxable as per the investor's tax slab. However, the capital gains at maturity are exempt from tax for individual investors, making it a tax-efficient investment option. This tax benefit, combined with the interest payment, gives SGBs an edge over physical gold or gold ETFs.

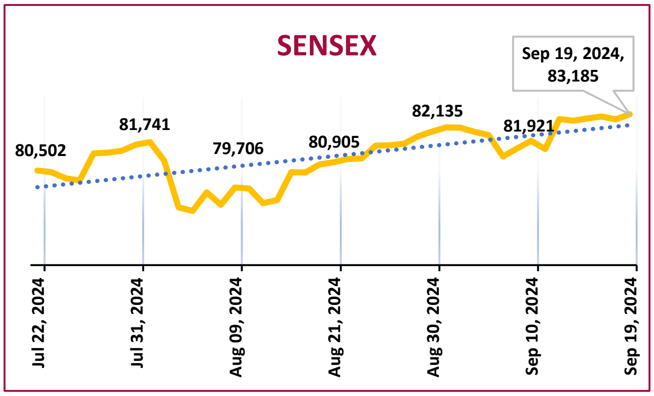
For the government, SGBs serve as a valuable tool for managing gold demand. By channeling investments into bonds rather than physical gold, the government can reduce gold imports, thereby helping to balance the country's trade deficit. Moreover, it provides the government with a source of borrowing at relatively low interest rates.

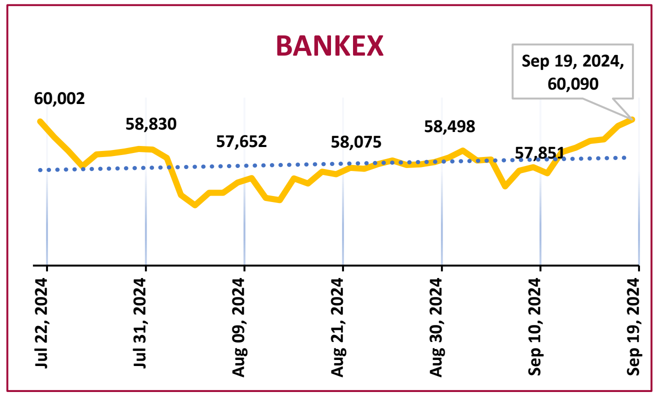
Investors, on the other hand, benefit from the safety of a government-backed security, potential capital appreciation linked to gold prices, and the additional interest income. The absence of concerns about storage and purity, which are common with physical gold, adds to the appeal of SGBs.

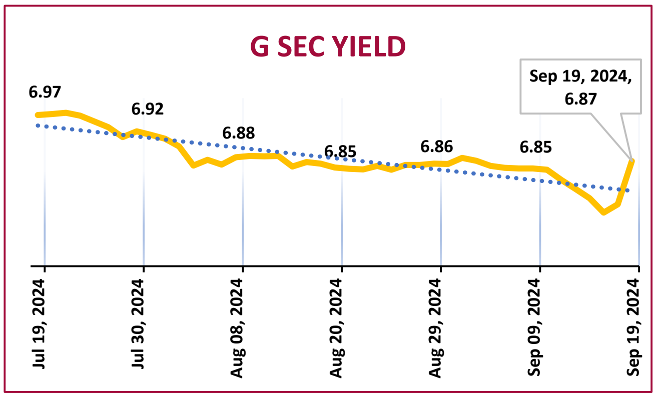
In conclusion, Sovereign Gold Bonds represent an innovative approach to gold investment, offering a blend of the traditional appeal of gold with the benefits of a modern financial instrument. As India continues to be one of the world's largest consumers of gold, SGBs provide a win-win solution – helping the government manage gold imports while offering investors a secure and profitable way to invest in gold. Whether you're a gold enthusiast or simply looking to diversify your investment portfolio, SGBs certainly merit consideration in your financial planning.

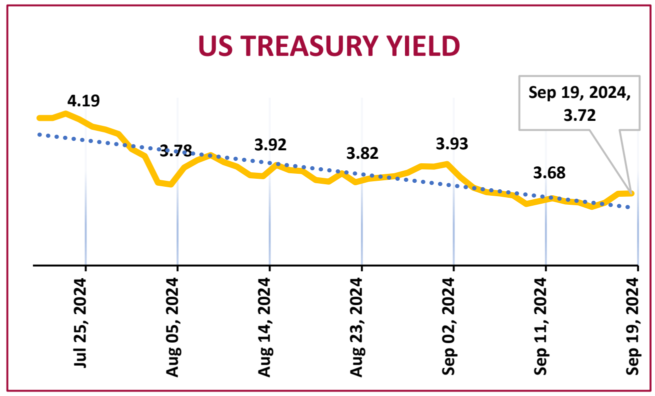
Shubham Kumar Singh
Officer (Economics)
Head Office, SMEAD

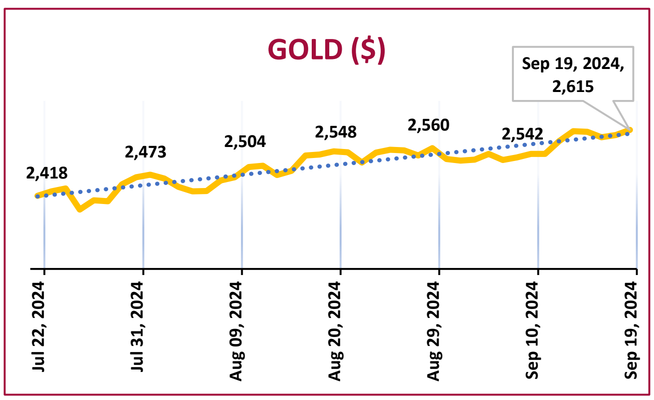
8. DAILY ECONOMIC INDICATORS

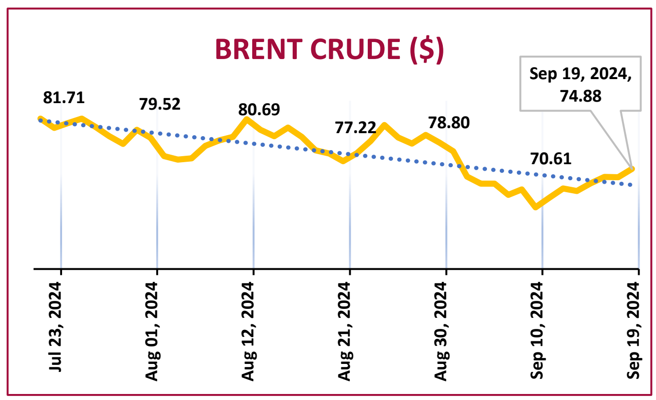


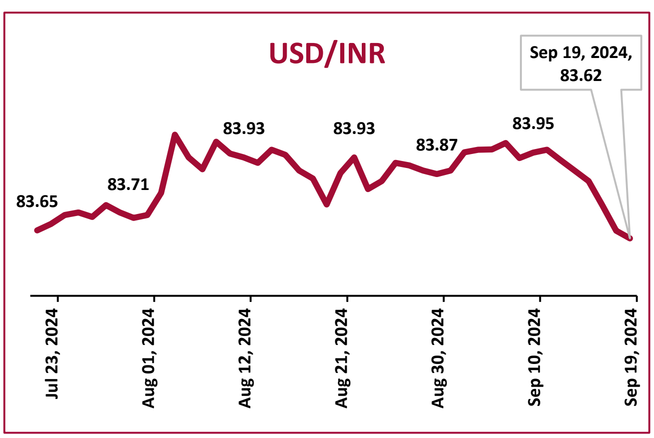


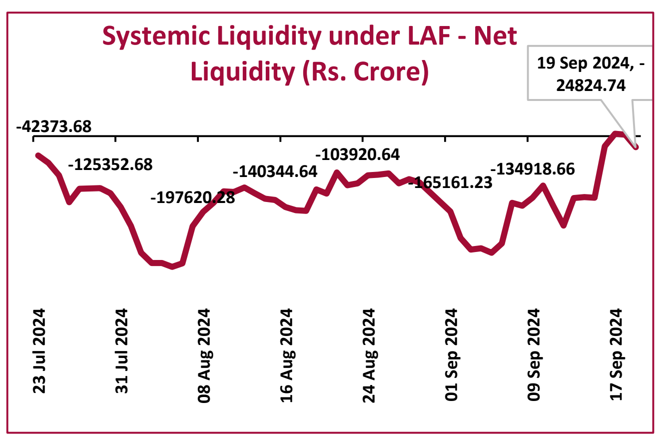








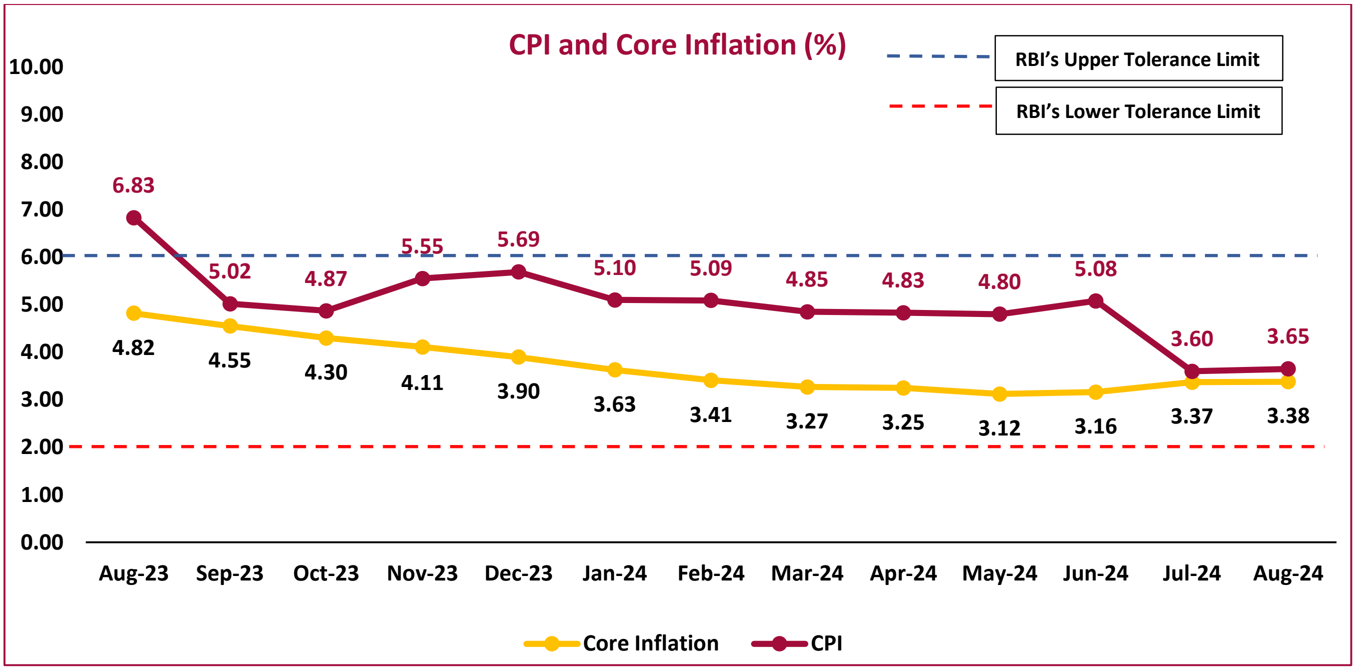


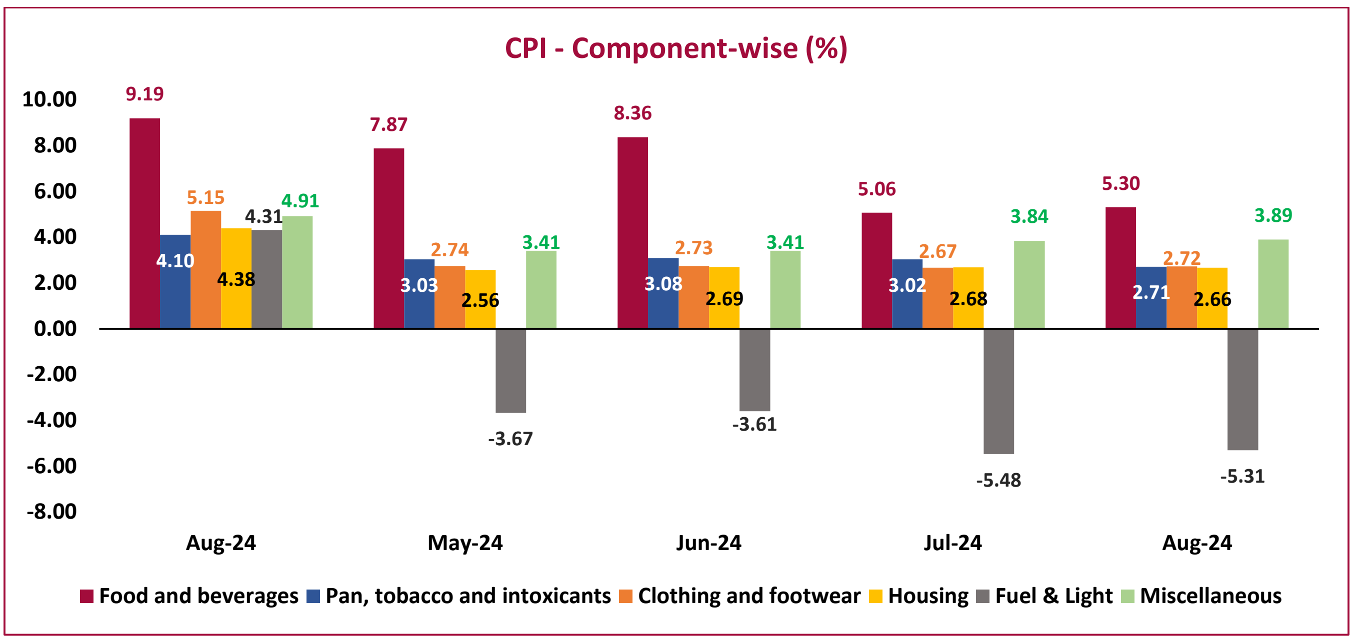


9. MAJOR ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

Retail Inflation marginally up to 3.65% in August 2024

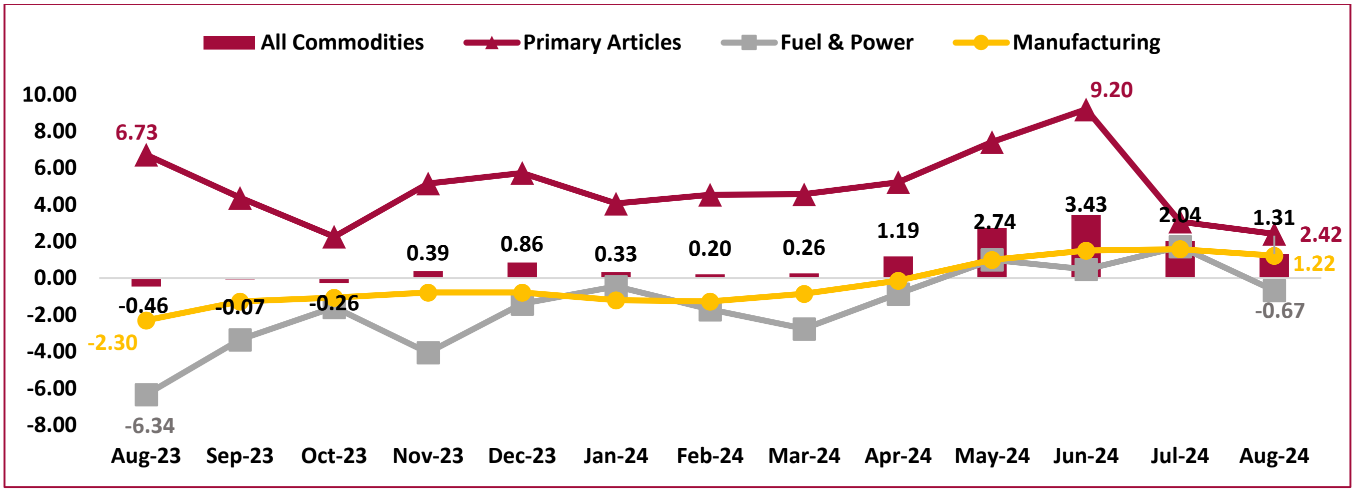




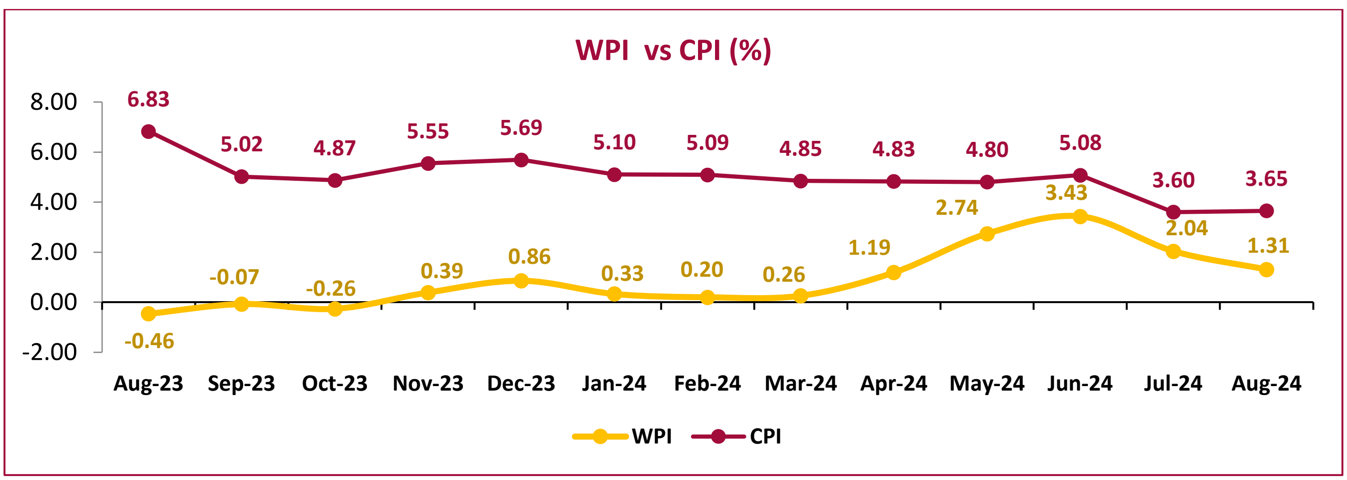
India's Consumer Price Index (CPI) based inflation increased to 3.65 per cent in August 2024 – marginally up from 3.60 per cent in July 2024. Food price index rose 5.30 per cent in August vis-à-vis 5.06 per cent in the previous month. Urban inflation increased to 3.14 per cent from 3.03 per cent in the previous month and rural inflation increased from 4.10 per cent to 4.16 per cent.

WHOLESALE PRICE INDEX (WPI)

WPI inflation further eases to 1.31% in August 2024



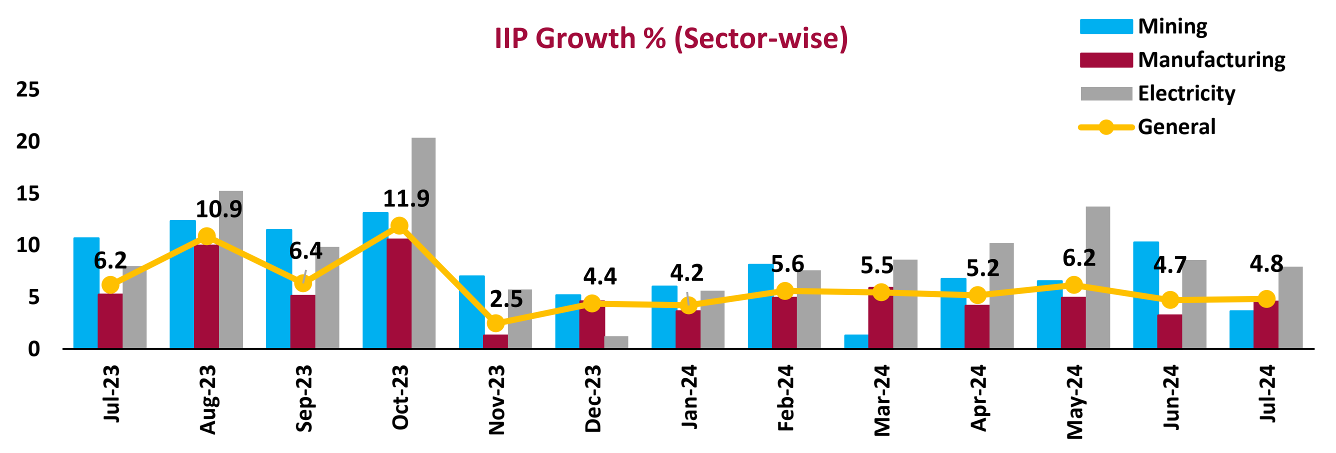
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
June	-2.98	**9.20**	-12.51	**0.48**	-2.78	**1.50**	1.32	**11.14**	-4.18	**3.43**
July	8.24	**3.08**	-12.73	**1.72**	-2.58	**1.58**	15.09	**3.45**	-1.23	**2.04**
August	6.73	**2.42**	-6.34	**-0.67**	-2.30	**1.22**	11.43	**3.11**	-0.46	**1.31**



The WPI Inflation data showed a more than expected moderation in August 2024.The decline in Wholesale Price Index (WPI) was primarily due to a drop in fuel prices, moderation in the prices of manufactured products and a slower increase in food prices. Under Food Articles, ‘Vegetables’ & ‘Eggs, Meat and Fish’ items recorded a deflation of 10.01 per cent and 0.69 per cent respectively. However, wholesale prices of potatoes and onion sky-rocketed to 77.96 per cent and 65.75 per cent respectively.

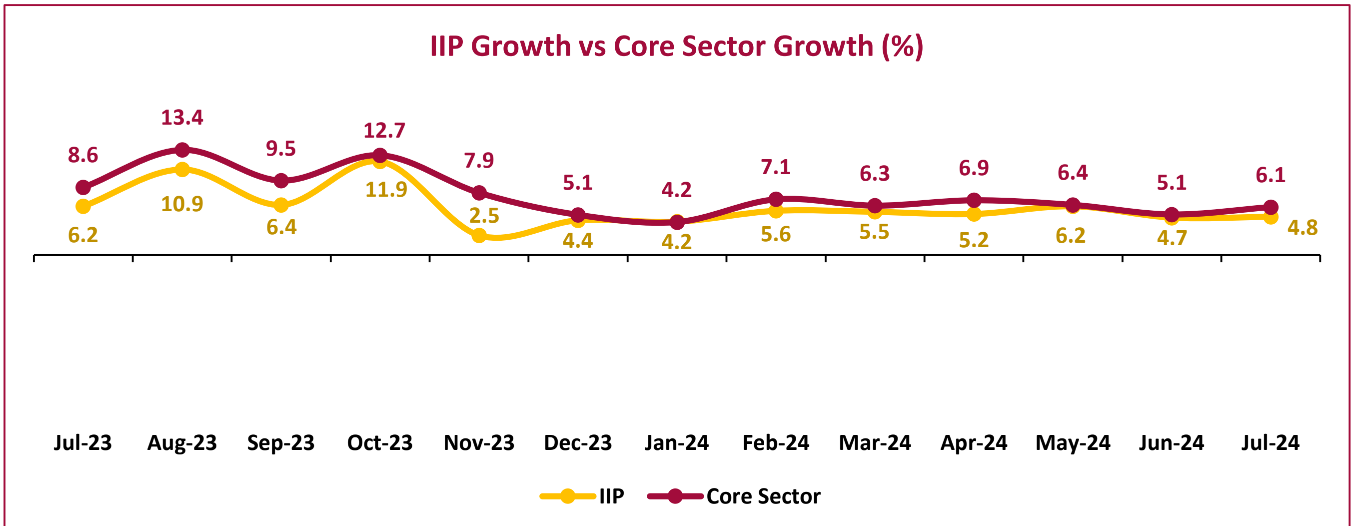
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth slows down to 4.8% in July 2024 compared to July 2023



IIP Growth % (Usage-wise)

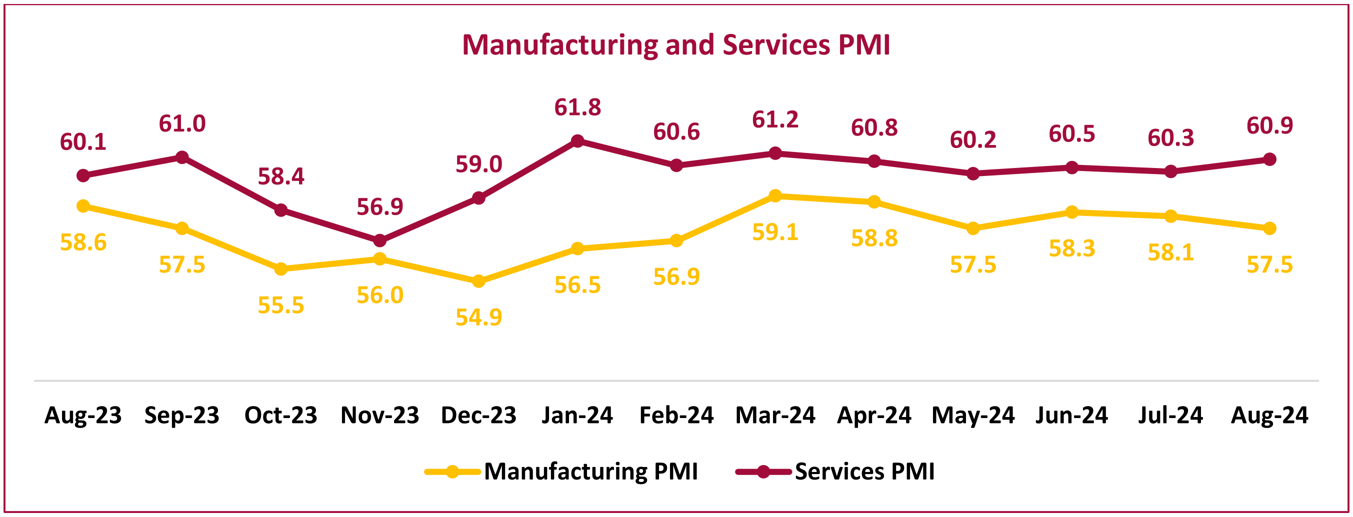
Component	Weight	Jul-23	Apr-24	May-24	Jun-24	Jul-24
Primary Goods	34.05%	**7.7**	7.0	7.3	6.3	**5.9**
Capital Goods	8.22%	**5.2**	2.8	2.9	3.8	**12.1**
Intermediate Goods	17.22%	**3.2**	3.8	3.9	3.1	**6.8**
Infra/Construction Goods	12.34%	**12.6**	8.5	6.3	7.1	**4.9**
Consumer Durables	12.84%	**-3.6**	10.6	12.6	8.7	**8.2**
Consumer Non- Durables	15.33%	**8.3**	-2.5	2.5	-1.5	**-4.4**



In Sector-wise performance, Electricity sector recorded the highest growth of 7.9 per cent. Lowest growth was observed in Mining sector at 3.7 per cent. Manufacturing growth picked up in July’24 as compared to June’24. Amongst use based, highest growth was observed in Capital Goods while the de-growth was in Consumer Non-Durables (-4.4%). A broad way recovery in the private consumption remains crucial for the industry activity to pick up going forward.

PURCHASING MANAGERS' INDEX (PMI)

Manufacturing PMI slows down while Services PMI shows uptick

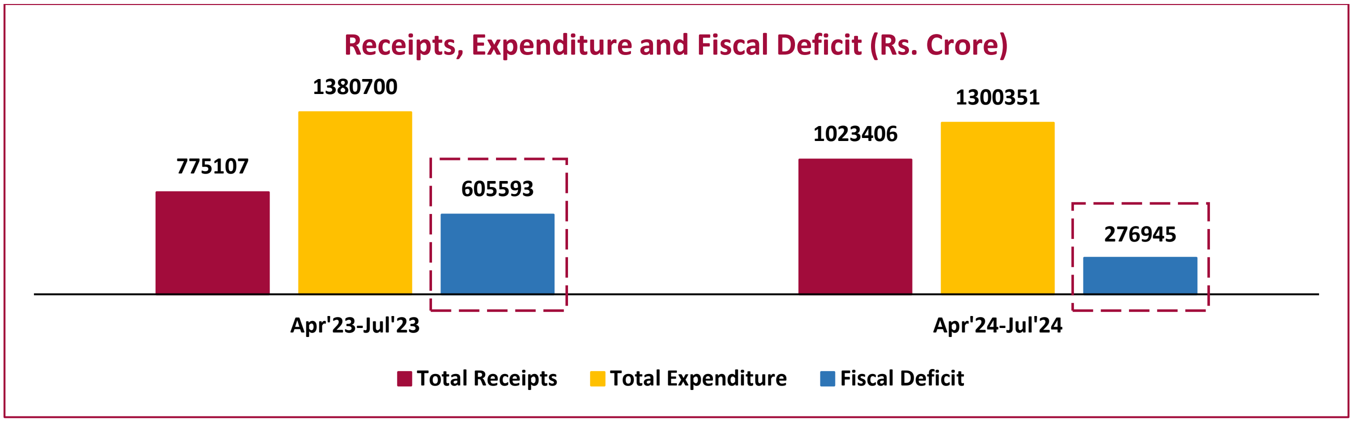


The HSBC India Manufacturing PMI stood at 57.5 in Aug'24, declining from 58.1 recorded in July'24, also lower than 58.6 recorded in Aug'23. The Services PMI recorded an uptick to 60.9 in Aug'24 from 60.3 recorded in July'24. Recording the strongest rate of expansion since March, PMI services was well above its long run average driven by expansions in business activity. Both manufacturers and their service sector counterparts noted an easing of input cost pressures in August. **HSBC India Composite PMI posted flat at 60.7 in Aug'24 same as in July'24.**

PERFORMANCE OF OTHER LEADING INDICATORS

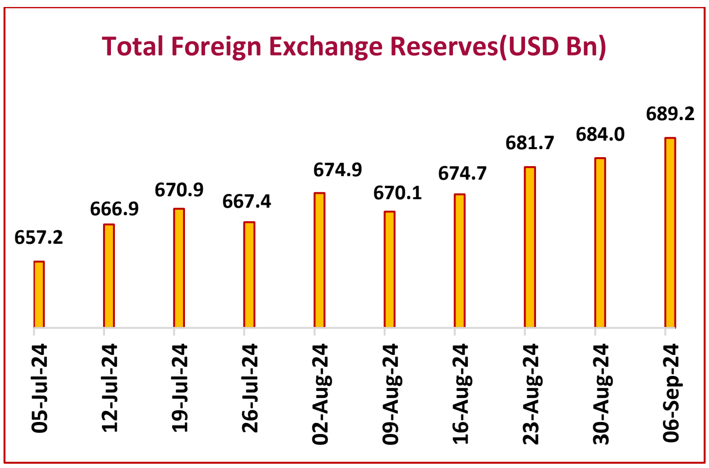
	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Coal production (YoY%)	16.7	16.0	18.5	11.0	10.7	10.3	11.9	8.2	7.5	10.2	14.6	6.4	-7.5
Electricity generation (YoY%)	13.2	8.8	21.9	5.8	0.4	7.9	6.4	8.0	10.0	14.6	9.7	6.8	-3.9
Consumption of petroleum products (YoY%)	8.1	7.9	4.8	-2.2	3.7	7.3	8.2	1.7	7.8	1.9	2.3	7.5	-2.6
Railways: freight traffic (YoY%)	6.4	6.7	8.5	4.3	6.4	6.4	10.1	8.4	1.5	3.7	10.1	4.6	-5.0
Cargo handled at major ports (YoY%)	4.1	0.3	13.8	16.9	0.6	3.2	2.1	2.7	1.3	3.8	6.8	-	-
Cement production (million tonnes)	33.9	31.0	33.9	29.1	35.9	35.9	36.4	41.2	35.7	35.7	37.2	-	-
Steel consumption (million tonnes)	11.4	11.2	11.6	11.3	12.1	11.6	11.7	12.4	11.3	12.0	12.2	12.1	12.5
Fertiliser sales (YoY%)	2.7	5.7	10.5	-5.5	-3.1	-9.1	-13.5	0.6	-3.7	10.5	7.3	-1.4	-
Two-wheelers sales (Nos. in Lakhs)	18.6	20.5	21.9	19.0	15.0	17.6	18.5	18.1	20.7	19.3	19.0	17.7	20.5
Tractors sales (Nos. in Thousand)	62.1	105.5	125.4	79.0	52.1	62.8	51.8	74.5	84.4	91.8	110.3	68.0	58.7

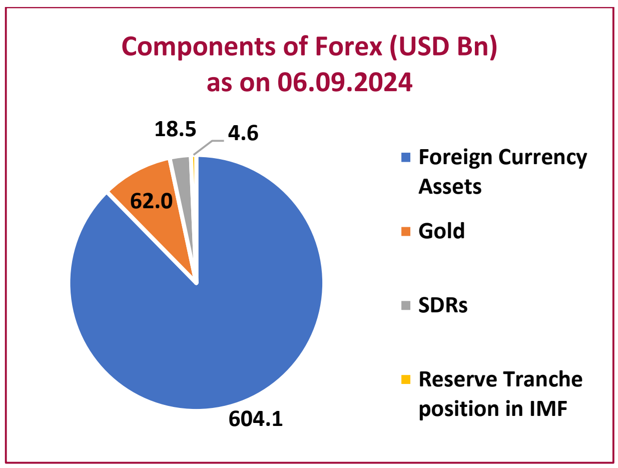
FISCAL DEFICIT



The government's fiscal deficit in April-July 2024 period came in at Rs. 2.77 lakh crore - amounting to 17.2% of the budget estimates vis-à-vis 33.9% of BE reached during the same period last year. Capex doubled to Rs. 80,209 crore in the month of July 2024 from Rs. 38,600 crore in July 2023 which is an encouraging sign and denotes revival of growth activities in the economy. The primary account was also in surplus at Rs. 50,942 crore up to July 2024- indicating improvement in fiscal health.

FOREIGN EXCHANGE RESERVES





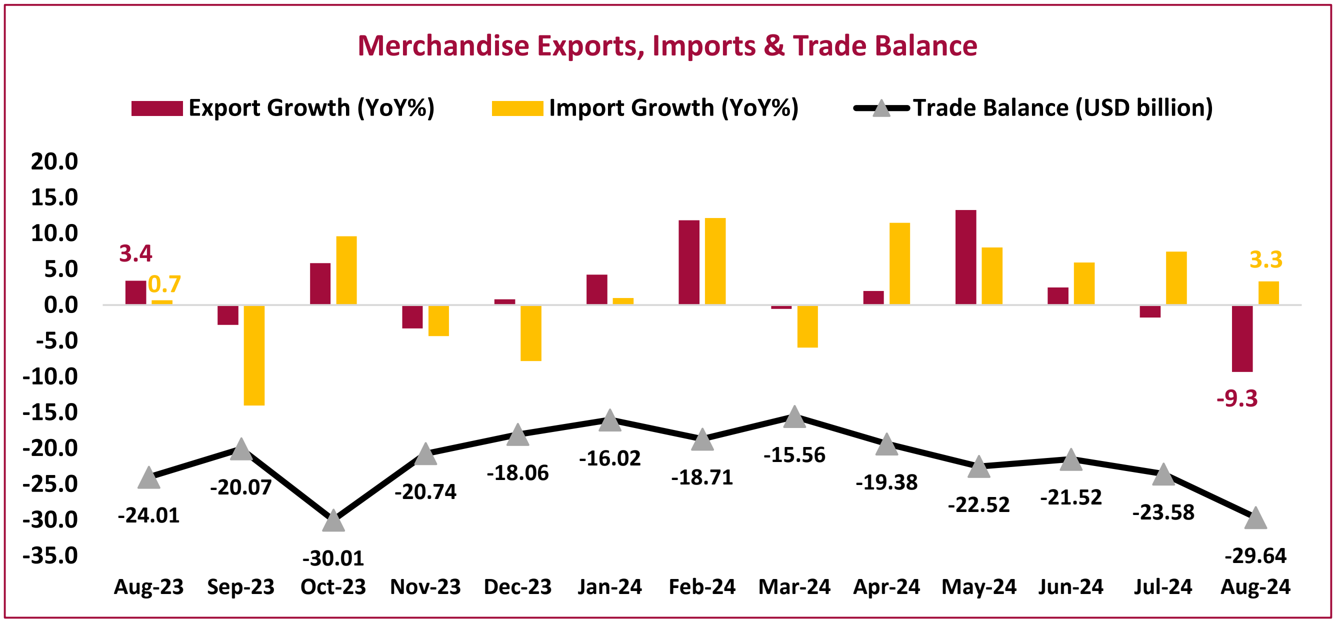
India's foreign exchange reserves increased by USD 5.2 billion in the week ended 6th September 2024 to settle at USD 689.2 billion, setting another record high level. Foreign Currency Assets (FCA) increased by USD 5.1 billion to reach USD 604.1 billion.

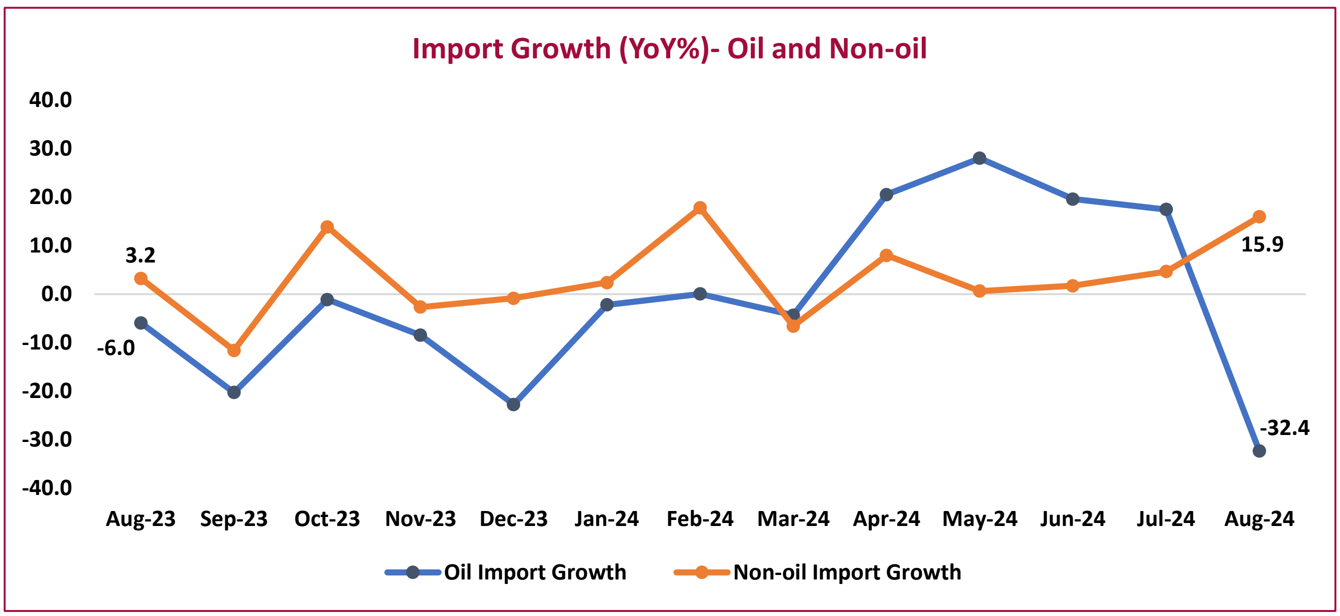
E-WAY BILL GENERATION (No. in cr.)

Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
9.3	9.2	10.0	8.8	9.5	9.6	9.7	10.4	9.7	10.3	10.0	10.5	10.5

FOREIGN TRADE

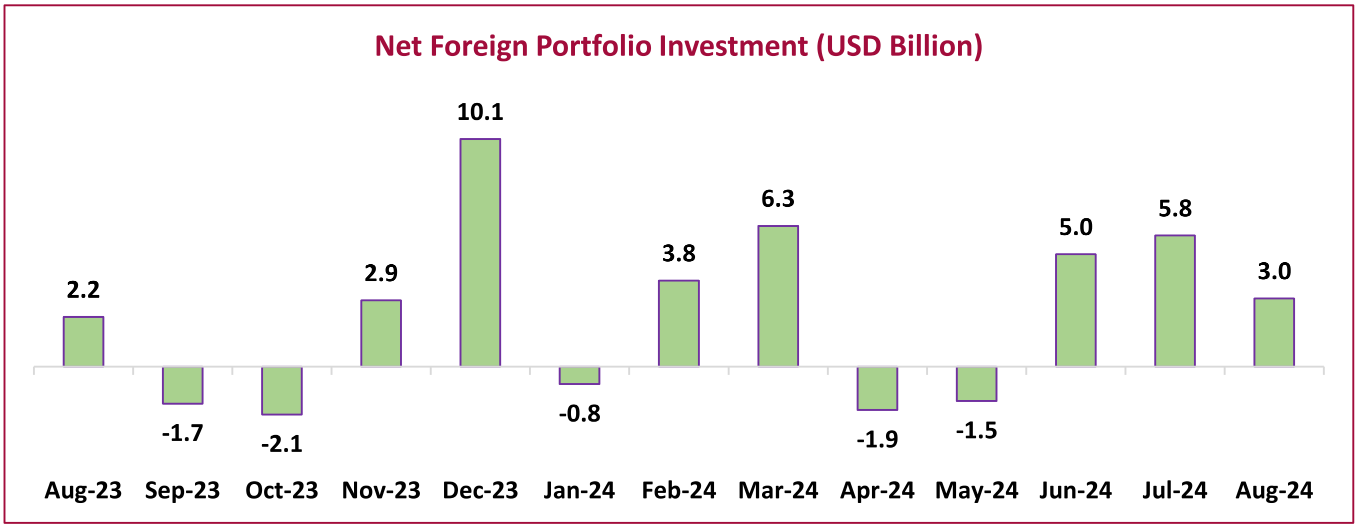
Trade deficit widens to 10-month high in August 2024





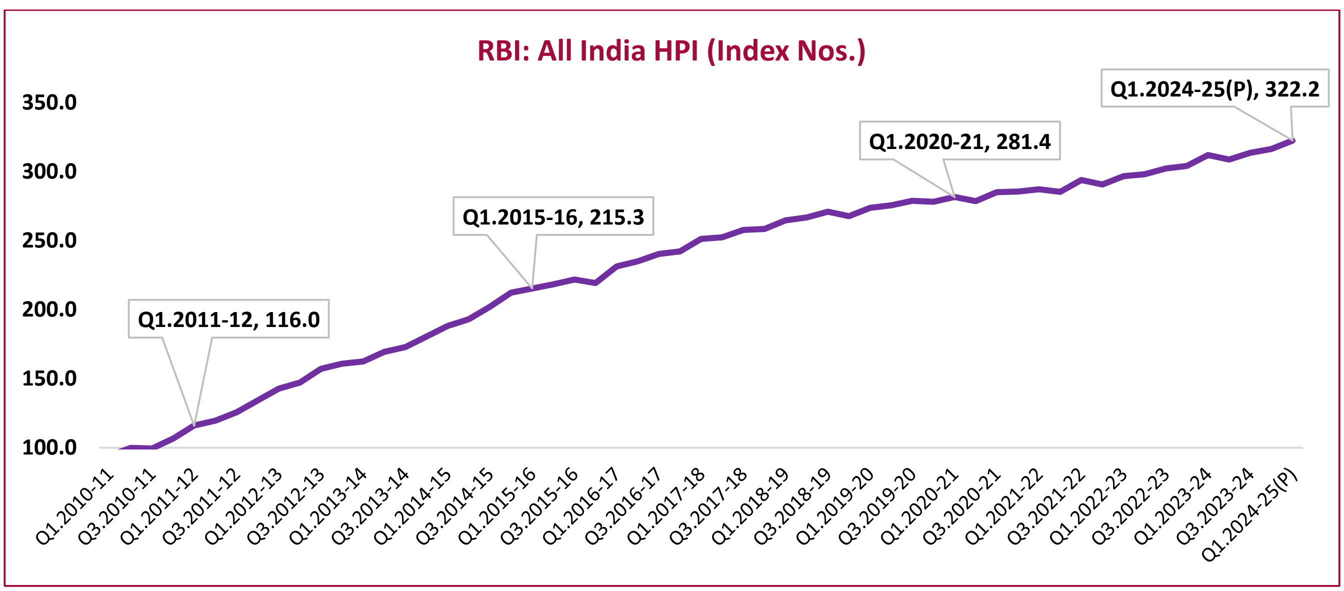
India's merchandise trade deficit rose to a 10-month high of USD 29.64 billion in Aug'24. Exports fell YoY but imports rose YoY following the last month's trend. Non-oil imports rose to USD 53.34 billion with a 15.93% YoY rise. Non-Oil exports rose marginally to USD 28.76 billion with 0.07% YoY rise. Imports of Gold increased by 104% YoY in Aug'24 while imports of silver increased by 727% YoY in Aug'24. In Aug'24, India's top 20 export destinations accounted for 68% of total exports with USA (18.9%) having the largest share followed by UAE (8.3%) and Netherlands (5.6%). Top 5 export destinations showing positive growth in value compared to Aug'23 are Kenya (105.7%), Russia (44.6%), Netherland (28.9%), Brazil (27.1%), and U K (14.6%)

FOREIGN INVESTMENTS



FPI investments into the country registered a net inflow of USD 3.0 billion in August 2024. This was lower than the previous two months that had witnessed net inflows of over USD 5 billion. However, this was higher compared to August 2023 figure of USD 2.2 billion worth of net inflows. Recently, the Federal Reserve delivered a massive 50 bps policy rate cut which augurs well for the INR and FPI inflows that are expected to increase going ahead. As of September 19, 2024, FPI net inflows into the country have already amounted to USD 7.4 billion.

RBI ALL-INDIA HOUSE PRICE INDEX (HPI) FOR Q1:2024-25



P: Provisional

All-India HPI increased by 3.3 per cent (y-o-y) in Q1:2024-25 as compared to 4.1 per cent growth in the previous quarter and 5.1 per cent a year ago; annual HPI growth varied widely across the cities - ranging from a high of 8.9 per cent (Kolkata) to a low of -1.7 per cent (Delhi).

BANK DEPOSIT AND CREDIT

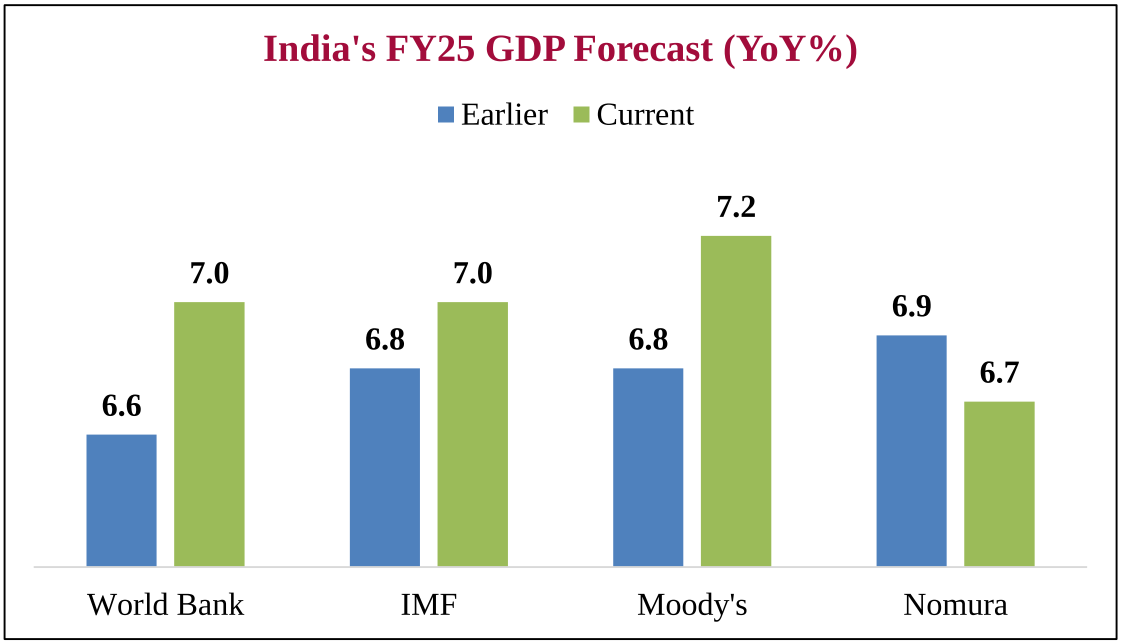
Parameter (Rs. Lakh Crore)	08.09.23	22.03.24	23.08.24	06.09.24	*YoY (%)*	*YTD (%)*	*Fortnightly (%)*
Deposits	193.89	204.75	213.25	215.50	***11.15***	***5.25***	***1.05***
Advances	150.39	164.32	169.45	170.46	***13.35***	***3.74***	***0.60***
Business	344.28	369.07	382.70	385.96	***12.11***	***4.58***	***0.85***

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

Parameter (Rs. Lakh Crore)	Jul-23	Apr-24	May-24	Jun-24	Jul-24
Total Non-food	**147.7**	**164.8**	**167.4**	**168.5**	**167.9**
Agriculture and allied activities	**18.3**	**21.2**	**21.4**	**21.6**	**21.6**
Industry	**33.8**	**36.6**	**37.0**	**37.3**	**37.2**
Of which	6.4	7.3	7.4	7.3	7.3
Micro & small	2.7	3.1	3.1	3.2	3.2
Medium	24.7	26.1	26.5	26.8	26.7
Large	48.3	53.5	54.6	54.9	55.3
Personal loans	**24.9**	**27.4**	**27.9**	**28.0**	**28.1**
Of which	1.0	1.2	1.2	1.2	1.2
Housing (Including priority sector housing)	5.3	5.9	6.0	6.0	6.2
Education	40.4	46.1	46.8	47.1	46.0
Vehicle loans	0.2	0.2	0.3	0.3	0.3
Services	**0.7**	**0.8**	**0.8**	**0.8**	**0.8**
Of which	0.1	0.1	0.1	0.1	0.1
Computer software	0.4	0.4	0.5	0.5	0.4
Tourism, hotels & restaurants	4.3	4.8	5.0	5.0	5.0
Shipping	4.4	4.7	4.8	4.8	4.8
Aviation	147.7	164.8	167.4	168.5	167.9
Retail trade	18.3	21.2	21.4	21.6	21.6
Commercial real estate	33.8	36.6	37.0	37.3	37.2

Non-food bank credit registered a growth of 13.7 per cent YoY in July 2024 compared to 19.7 per cent growth in the same month a year ago. Credit growth to agriculture and allied activities remained robust at 18.1 per cent (y-o-y) in July 2024 (16.7 per cent a year ago). Credit growth to industry also accelerated by 10.1 per cent (5.2 per cent a year ago). Among major industries, credit to 'chemicals and chemical products', 'food processing', 'petroleum, coal products and nuclear fuels' and 'infrastructure' accelerated in July 2024, while credit to 'basic metal and metal product', and 'textiles' moderated. Personal loan growth lagged at 14.4 per cent (y-o-y) in July 2024 (31.5 per cent in July 2023), while credit to services expanded at 25.6 per cent (y-o-y) in July 2024 vis-à-vis 23.4 per cent last year.

10. INDIA'S GDP OUTLOOK BY VARIOUS AGENCIES



11. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Federal Reserve	U.S.A	5.00%	Sep 18, 2024 (-50 bps)	Nov 07, 2024
European Central Bank	Europe	3.65%	Sep 12, 2024 (-60 bps)	Oct 17, 2024
Bank of England	U.K	5.00%	Aug 01, 2024 (-25 bps)	Nov, 07, 2024
Reserve Bank of India	India	6.50%	Feb 08, 2023 (25 bps)	Oct 09, 2024
Bank of Japan	Japan	0.25%	Jul 31, 2024 (15 bps)	Sep 20, 2024
Peoples Bank of China	China	3.35%	Jul 22, 2024 (-10 bps)	-

12. INDUSTRY OUTLOOK

HEALTHCARE

India's healthcare sector has emerged as a significant contributor to the economy, with health expenditure accounting for 1.9% of GDP in 2023-24, driven by robust growth in revenue and employment opportunities. Encompassing a broad range of services, including hospitals, medical devices, clinical research, outsourcing, telehealth, medical tourism, health insurance, and equipment, the sector is experiencing rapid expansion. This growth is fuelled by enhanced healthcare coverage, expanding services, and increased investments from both public and private stakeholders. As of 2024, India's healthcare sector has emerged as one of the largest employment hubs, providing jobs to a staggering 7.5 million individuals. Despite huge challenges, the country provides free healthcare to its citizens.

In 2023, India's healthcare industry reached a milestone of US$372 billion, fuelled by collaboration between the private sector and government initiatives. Advancements in telemedicine, AI, and data analytics are expected to create 2.7-3.5 million tech jobs.

Some of the major initiatives taken by the Government of India to promote the Indian healthcare industry are as follows:

The Union Minister of Health launched **'MedTech Mitra**,' a platform to support young innovators in the MedTech sector. It aims to enhance research, development, and regulatory approvals, reduce import dependence, and transform India into a US$ 50 billion MedTech industry by 2030, aligning with the Atmanirbhar Bharat and Viksit Bharat visions.

PoshanAbhiyan is a Centrally Sponsored Scheme with the implementation of the scheme being done by States/UTs. To ensure that all Anganwadi Centres are equipped with Smartphones and Growth Monitoring devices (GMDs) such as Infantometer, Stadiometers, and Weighing Scale for Mothers and Infant, the Ministry has released revised guidelines for technical specifications and replacement of GMDs by the States.

Road ahead

India is a land full of opportunities for players in the Healthcare and medical devices industry. The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of the population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep. Rising income levels, an ageing population, growing health awareness and a changing attitude towards preventive healthcare are expected to boost healthcare services demand in the future. Greater penetration of health insurance aided the rise in healthcare spending, a trend likely to intensify in the coming years. Also, the government aims to develop India as a global healthcare hub and is planning to increase public health spending to 2.5% of the country's GDP by 2025.

Consequently, Banks can play a pivotal role in India's growing healthcare sector by leveraging technology, partnerships, and financial expertise to develop accessible and affordable healthcare facilities, thereby addressing significant opportunities and challenges in the country's diverse and expanding market.

Akansha Chauhan
Officer (Economics)
Head Office, SMEAD

13. DATA SOURCES

- *Reserve Bank of India (RBI)*
- *Ministry of Statistics and Programme Implementation (MOSPI)*
- *Office of Economic Adviser*
- *Ministry of Commerce and Industry, Department of Commerce, DGFT*
- *S&P Global*
- *Press Information Bureau*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *CMIE*
- *NSDL*
- *Press Articles*

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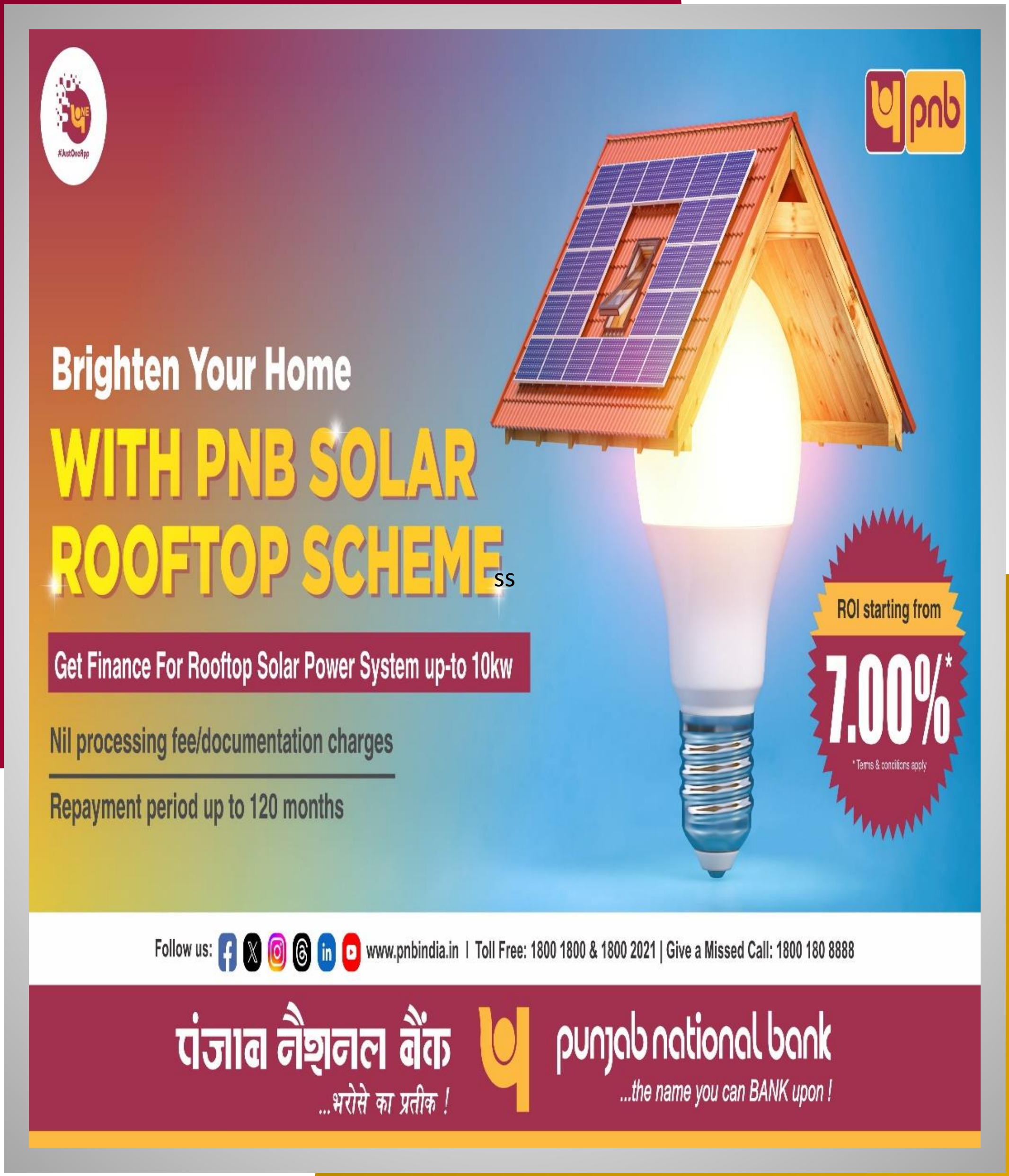
QUOTE OF THE MONTH

"Some books are so familiar that reading them is like being home again."

— Louisa May Alcott



Punjab National Bank
Strategic Management & Economic Advisory Division
Corporate Office, Plot No. 4, Sector 10,
Dwarka, New Delhi-110075

पंजाब नैशनल बैंक
कार्यनीति प्रबंधन एवं आर्थिक परामर्श प्रभाग
कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,
द्वारका, नई दिल्ली-110075