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1. FROM THE DESK OF CHIEF ECONOMIST

Turnaround of the Banking Sector

India's banking sector has achieved a milestone, with its combined annual profit surpassing Rs.3 lakh crore for the first time. To put things in perspective, Rs.3 lakh crore is approximately the total quarterly profits of all listed companies in the first three quarters of the fiscal. Prime Minister Narendra Modi applauded the remarkable turnaround in India's banking sector, highlighting the feat. The profits of banking sector were even higher than the net profit of the IT sector at Rs.1.1 lakh crores for FY'24, which have been the most profitable group in recent years. Public Sector Banks generated a record profit of Rs.1.41 lakh crore in FY'24, an increase of 34% over Rs.1.05 lakh crore registered in the year ago period.

PSBs is a turnaround story from record losses of Rs. 85,390 in FY'18 to record profit of Rs.1.4 lakh crores in FY'24. The net profits of PSBs have more than quadrupled in the last three years.

The primary drivers for the increase in net profit for public sector banks are treasury gains, reduced NPAs, which have led to lower provisioning and strengthened their balance sheets. Along with-it banks are growing revenues on back of decadal high level of credit growth at 16.1 per cent for FY'24.

Turnaround of the Banking Sector

In just past few years, the performance of PSBs has completely turned around. In 2016, Gross NPAs were at 11.25 per cent for SCBs and 14.5 per cent for PSBs, while provisioning peaked, after the RBI conducted the Asset Quality Review exercise in 2015, forcing banks to reclassify stressed assets as NPA. Between FY'16 and FY'20, PSBs reported a collective loss of Rs.2 lakh crore. Return on Assets and Return on Equity for the PSBs were in negative zone. Eleven banks were under PCA (Prompt Corrective Action) as at end of June'18.

In 2024, the Public Sector Banks are in their best shape in decades. The banks are standing strong across all the fundamental pillars – business growth, asset quality, profitability and capital adequacy. The banks are reporting business growth in double digits, Gross NPAs of the sector is at decadal low levels of below 3 percent, profitability is at record level and all the banks are well capitalized, above the regulatory requirement.

The doom-to-bloom story of the public sector banking industry can be attributed to the initiatives and spate of reforms undertaken by the government. The government has implemented a comprehensive 4R strategy: Recognising NPAs transparently, Resolution and recovery, Recapitalising PSBs, and Reforms in the financial ecosystem.

As part of the strategy, the government infused an unprecedented Rs.3.1 lakh crores to recapitalise PSBs during five financial years i.e. from 2016 to 2021. The recapitalisation programme provided much-needed support to the PSBs and prevented the possibility of any default on their part. Government also established the much-needed Insolvency & Bankruptcy Code in 2016, a single bankruptcy code, which consolidated the fragmented multiple legislations related to insolvency and restructuring. It led to faster resolution, recovery and maximisation of value of assets recovered. The reforms undertaken by the government addressed credit discipline, ensured responsible lending and improved governance. Along with reforms, in 2020, Government came out with historical merger in the banking sector, amalgamating ten banks to create four that consolidated and created banks of bigger size in India.

Simultaneously, the Indian banking landscape underwent a structural shift. There was rapid adoption of technology by the banks that improved their overall operational efficiency. Banks embraced innovation and digitalization, introducing various digital products and services. Digitalization led to faster and broader reach of banking products, reduction in costs, curbing of frauds and improved customer service. India today leads globally in digitalization, accounting for 46 per cent of all digital payments, as per BCG report.

As a result of concerted efforts of the government, regulator and banks, there has been a gradual turnaround of the banking sector, despite various headwinds faced by the sector like the COVID-19 pandemic, geopolitical tensions and sharp monetary policy tightening around the globe.

Going Forward

Banks in India today are fairly positioned to contribute effectively in Government’s vision of Viksit Bharat by 2047. Apart from extending credit to traditional sectors of the economy like MSME and Agriculture, banks will also venture into new sectors like Space, Electric Vehicles and Renewable Energy, Farm Mechanization, Tourism, Defence and Start Ups to support these emerging sectors of India.

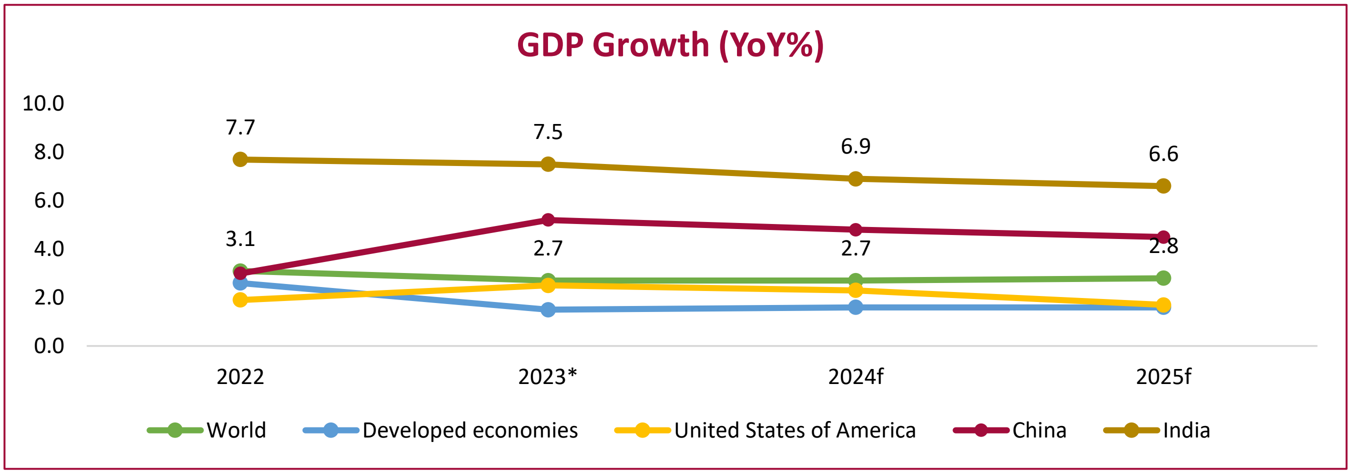
Banks will continue to tread on digitalization path and completely transform the way banking is done today. Green and sustainable banking shall be an integral part of future banking scenario with an aim to allocate resources towards avenues that lead to environmental, social and governance objectives, in line with the emerging opportunities.

The banking sector will aid the consumption and investment growth of in the economy by providing credit and will help India become the third largest economy with GDP of $5 trillion by 2027.

Deepak Singh
(Deputy General Manager)

2. KEY HIGHLIGHTS: UN DESA WORLD ECONOMIC SITUATION AND PROSPECTS 2024

The global economic outlook has improved since January 2024, with major economies avoiding a severe downturn. The world economy is now projected to grow by 2.7 per cent in 2024 (earlier projection 2.4 per cent), owing to better than-expected performance of the United States economy and some improvement in the outlook for several large emerging economies.



Note: All figures on a calendar year basis (including for India); f: forecast; *Partial estimate Source: UN DESA

- ❖ Improved prospects in the United States of America and several large developing economies, notably India and Brazil has led to upward revisions in the growth forecasts. However, the economic outlook for many African countries has deteriorated.
- ❖ Developed economies continue to sustain relatively strong household spending despite the lagged effects of monetary tightening on consumption.
- ❖ Several large developing economies including Indonesia, India, and Mexico are benefiting from strong domestic and external demand.
- ❖ The outlook of the United States continues to improve-being bolstered by a strong labour market and real income growth, as well as stronger household balance sheets supporting additional consumption.
- ❖ China's growth is projected to moderate to 4.8 per cent in 2024, from 5.2 per cent in 2023. Pent-up consumer demand in China has largely dissipated. While enhanced policy support is expected to boost investments in public infrastructure and strategic sectors, the property sector poses a significant downside risk to the Chinese economy.
- ❖ A few economies in the European Union experienced a recession in 2023 amid tight financing conditions and the withdrawal of fiscal support. Nevertheless, declining inflation, robust wage growth and projected rate cuts by the European Central Bank and the Bank of England are expected to provide some impetus to growth in the near term.

- Global trade is expected to recover in 2024 attributed to destocking of inventory and a resurgence in China's export growth to emerging markets.
- Inflation has declined in most countries since their peaks in 2023. The declining and stabilizing international energy and food prices and weak second-round pass-through effects largely explain the sharp disinflation.
- Concerns remain that inflation could resurge, as food and energy prices have edged up in recent months, amid geopolitical tensions in the Red Sea and transit challenges in the Panama Canal.

India-specific Observations

- South Asia's economic outlook improved on the back of robust performance of India's economy and a slight recovery in Pakistan and Sri Lanka.
- India's economy is forecasted to expand by 6.9 per cent in 2024 and 6.6 per cent in 2025, mainly driven by strong public investment and resilient private consumption. Although subdued external demand will continue to weigh on merchandise export growth, pharmaceuticals and chemicals exports are expected to expand strongly.
- In India, labour market indicators have also improved amid robust growth and higher labour force participation.
- Many developing country governments are pursuing gradual fiscal consolidation after phasing out support measures to fight the pandemic and the cost-of-living crisis. India's government remains committed to gradually reduce the fiscal deficit, while seeking to increase capital investment.
- Consumer price inflation in India is projected to decelerate from 5.6 per cent in 2023 to 4.5 per cent in 2024. However, despite some moderation, food prices remained elevated in the first quarter of 2024, especially in Bangladesh and India.

Special Focus: Critical Minerals

- There exist significant opportunities for developing countries in the critical minerals space.
- Brazil, Chile, India, Indonesia, and South Africa hold a significant share of critical mineral deposits, however, they contribute comparatively little to mining innovation.
- Harnessing the potential of critical minerals in developing countries will require significant policy and institutional reforms and reorientation. It will also require stronger international cooperation to prevent tax avoidance and evasion and curb illicit financial flows.
- Governments will need to manage economic, social, and environmental challenges associated with mining, while creating and expanding opportunities for localization of midstream and downstream activities.

3. INDIA: THE EMERGING GLOBAL ESG LEADER

In a very short period of time, we have witnessed '*Climate Change*', from just being an environmentalist thing to being seen as a real threat. Businesses which were underestimating the effects that climate change may bring for them are now officially planning for threats of '*Catastrophic Risk*'. With pressure mounting on companies globally to give environmental, social, and governance (ESG) standards top priority, India is a country on which the Sun is shining bright…quite literally!

India is slowly emerging as a leader in the capital markets and industry for sustainable business practices. The change has come from the top and therefore with the support of a powerful blend of vision, legislative efforts, and market forces, the country is staking claim for a position as a worldwide leader in establishing the agenda for stakeholder capitalism and a thorough ESG integration. RBI is at the centre of India's sustainability effort with reducing climate risk and offering green financing as the priority goals. The Reserve Bank of India (RBI) declared in its Statement on Developmental and Regulatory Policies for April 2023 that it will incorporate climate risk into the supervisory frameworks for financial institutions. To do this, it requires climate risk stress testing and implementing disclosure regulations in line with the suggestions of the Task Force on Climate-related Financial Disclosures (TCFD).

The RBI's climate plan highlights the need to shift India's $3.5 trillion economy on a low-carbon trajectory. Estimates in the central bank's Report on Currency indicate that $12.4 trillion in investments will be needed by 2060 to meet the country's decarbonisation objectives. As stated by the RBI, green transformation could help India capture a disproportionate share of the global market for emerging low-carbon technologies.

As regarding regulations, listed firms are now required to submit complete sustainability reports to the Securities and Exchange Board of India (SEBI). The top 1,000 listed companies are required by SEBI's 2021 requirement to publish an annual Business Responsibility and Sustainability Report that describes their ESG practices, policies, and performance in relation to a number of quantitative measures that fall in line with international reporting frameworks.

According to a SEBI analysis, the top 325 Bombay Stock Exchange companies allocated over $10 billion to community and corporate social responsibility projects in fiscal year 2022, with a concentration on environmental preservation, healthcare, education and rural development.

The exponential expansion of ESG investment in India over the last few years is reflected in the country's aggressive legislative approach. According to data from Morningstar, by the end of 2022, the assets under management (AUM) of Exchange-Traded Funds (ETFs) and ESG funds with Indian domiciles had surpassed $13 billion which is more than five times the amount in 2020.

The issuance of sustainable financing instruments by Indian enterprises and public sector bodies has been prompted by the increasing demand from investors. The Climate Bonds Initiative reports that between 2015 and 2022, Indian issuers issued a total of $7.8 billion in green, social, and sustainability bonds; in 2022, the issuance volume more than doubled compared to 2021. India's corporate giants and conglomerates are leading this effort; they have contributed tens of millions of dollars and created ambitious de-carbonization roadmaps.

By 2045, a renowned Group aspires to achieve complete carbon neutrality throughout its automotive, steel, aviation, hospitality, and consumer products businesses. Another renowned Group has established alliances with major international corporations in order to create green hydrogen ecosystems and renewable energy solutions.

Gujarat International Finance Tec-City (GIFT City) is one of the specialist green centers that India built to expedite climate finance and sustainability efforts. Trading platforms and indices for sustainable finance products, such as green bonds, carbon credit instruments, and ESG funds/ETFs, are provided by the GIFT branches of the BSE and NSE. In order to create frameworks that support green lending and investment, the International Financial Services Centres Authority (IFSCA), which has its headquarters in GIFT City, has joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The NGFS Asia Green Bond Premium Monitor was jointly introduced in 2023 by the IFSCA and NGFS to examine yield premiums on green bonds issued in Asia.

Considering its 140 Crore people and vulnerability to climate-related hazards as a developing nation, India's ambitious plan to rapidly reduce its carbon footprint and "greenify" trade could potentially have a positive knock-on effect on global affairs. India is firmly establishing itself as a worldwide leader in the ESG imperative, owing to its strong policy frameworks, growing ecosystem of climate finance instruments, and enlightened business leadership.

Barun Chakravarty
Senior Manager
ZRMC, Delhi

4. DIGITAL LEAD SOURCING

In the context of banking, leads are potential business opportunities for banks where they identify customers who might have an interest in the bank's products and services. The goal of generating leads in banking is to attract potential customers and convert them into actual customers. This is typically done by offering value and building trust with potential customers. Lead generation life cycle consists of five steps:

- Identifying the target market
- Creating attractive offers
- Generating leads
- Nurturing leads
- Converting leads

In the current era of digitalization, customer's banking experience is also changing. They expect more from service providers in the form of fast, frictionless, and personalized journeys. Their banking practices have also altered, with many of them now using digital solutions and looking for the same from their banks and financial service providers. Customer experience (CX) is proving to be the strategic differentiator for banks, with experienced leaders outperforming laggards.

Financial services lead generation is evolving. While cold calling and traditional media ruled supreme in the past, online is now the undisputed leader in generating leads for financial services providers. According to surveys, digital lending business is expected to grow at an approximate annual CAGR of 40% every year till 2030 (USD 270 billion in 2022, USD 350 billion in 2023, and to cross USD 1.3 trillion by 2030).

Identification of lead sourcing points at bank level

Financial services lead generation is evolving. Now customers frequently browse online content about available banking products and services before making a decision. With advancement in technology and evolution in the fintech industry, the growth and competition in the financial services industry, especially in digital lending is at its peak.

Below mentioned lead sourcing points may contribute immensely:

- **Efficient digital marketing**: Digital marketing uses the Internet and digital technologies such as desktop computers, mobile phones, and other digital media and platforms to promote products and services. Digital platforms have become increasingly incorporated into marketing plans and everyday life and as people increasingly used digital devices instead of visiting physical branches, digital marketing campaigns have become prevalent, employing combinations of :-

- Social Media Marketing
  - Search Engine Optimization (SEO)
  - Content Marketing
  - Influencer Marketing
  - Content automation
  - Campaign marketing
  - Data-driven marketing
  - E-Commerce marketing
  - E-Mail / SMS etc.

- **Mobile-First Readiness and websites:** Mobile ready websites, active user friendly design patterns with better UI/UX (User interface/ User Experience) to provide leads with a more integrated and customized experience. When designing a digital experience on your website, options to consider include self-service and self-led actions that allow prospects to complete lead-qualification tasks.
- **Creating Unique Brand Voice and enhance brand visibility:** Brand voice, also called brand personality, is integral to generating leads. Our messages with product and service offerings should stick in customer's minds when they hear of our bank name. It should be built and maintained by deep engagement with customer trust and positive feedback.
- **Adopt a Localized Approach:** India is geographically and culturally a diverse country. "National is great, but local is better". That is the mantra, which helps in adopting local lead generation. This approach offers several benefits. It reduces exposure to competition and allows a brand to become a big fish in a small pond.
- **Evolving collaboration between banks and Fin-techs:** In the vast world of finance and technology, the bond between banks and technology is playing a crucial role. The fintech revolution has spread its wings far and wide, transforming from basic financial services to a dazzling spectrum of solutions that now pave the way for lending success and bridge the gap between banks and these ambitious businesses.

Hence, digital lead sourcing is a powerful tool for banks to connect with customers, promote their services, and remain competitive in a rapidly evolving industry. It allows banks to adapt to changing consumer behaviour and preferences and offers a cost-effective way to reach and retain customers.

Surjya Narayan Patti
Chief Manager
Circle Office, Berhampur

5. THE 3 BIG B'S IN BANKING SECTOR
BIOMETRICS – BIG DATA ANALYTICS – BLOCK CHAIN

Biometrics

Biometric payment technology utilizes biometric authentication, leveraging unique physical characteristics to verify users' identities and authorize transactions directly from their bank accounts at point-of-sale (POS) terminals. Well-known examples of biometric payment methods include Apple Pay and Google Pay, which enable users to make purchases using Face or Touch ID. This trend has led consumers to increasingly rely on mobile devices for their financial transactions, supplanting traditional desktop PCs for everyday banking activities like accessing accounts, transferring funds, and managing online payments.

The fintech industry and traditional banks derive advantages from incorporating biometrics and face verification into their services. Employing automation not only fortifies the verification process against fraud but also streamlines the procedure, reducing the time and effort needed to open new accounts or access financial services. This approach ensures minimal friction, heightens security measures, and achieves a harmonious balance between user experience and effective fraud prevention. Biometric technology serves as a robust solution for banks to meet their Know Your Customer (KYC) and Anti-Money Laundering (AML) obligations. During the account opening process, financial institutions frequently employ biometric identity verification to authenticate users' identities before providing access to their services. Given its strong security features, biometrics act as a formidable safeguard, aiding banks in mitigating the risks linked with financial crimes and money laundering, commonly associated with fraudulent behaviour.

Big Data Analytics

The utilization of big data analytics has become a pivotal force within the banking industry, fundamentally altering operational methodologies and strategic decision-making processes. The exponential growth in data volumes, coupled with advancements in analytical tools, has provided financial institutions with unprecedented access to extensive arrays of structured and unstructured data. This vast pool of data presents an unparalleled opportunity for banks to derive valuable insights, enhance risk management protocols, optimize operational efficiencies, and deliver personalized customer experiences.

By harnessing intricate algorithms and machine learning techniques, financial organizations can streamline decision-making processes, enhance operational efficiency, and elevate customer satisfaction levels. Additionally, data analytics facilitates the detection of fraudulent activities through anomaly recognition and real-time monitoring, thereby fortifying security measures. Moreover, it aids in risk assessment and management by providing accurate models for credit rating, funding approvals, and investment strategies. Overall, the integration of big data analytics in banking has catalyzed innovation, propelled growth, and fostered a more secure and personalized financial ecosystem.

The emergence of Internet and mobile banking has empowered clients to manage their accounts, conduct transactions, and monitor finances seamlessly, anytime and anywhere. The Unified Payments Interface (UPI), exemplifies the transformative impact of technology on the banking landscape. UPI has revolutionized traditional financial practices by leveraging smartphones and the Internet, fostering cashless transactions, reducing cash handling costs for banks, enhancing financial transparency, and mitigating the risk of counterfeit currency. The success of UPI in India has garnered international attention, leading to its adoption and expansion on a global scale.

Block Chain

Block chain technology possesses the potential to address persistent challenges within the financial sector and redefine the roles of financial stakeholders. By enhancing transparency, simplifying operations, expediting settlement processes, and automating tasks through smart contracts, block chain stands poised to revolutionize financial practices. An illustrative example lies in its ability to streamline bank guarantees and letters of credit, slashing both time and costs associated with these transactions. Additionally, it facilitates near real-time fund transfers between financial entities, mitigating friction and expediting settlements. Furthermore, block chain technology has the potential to curb fraud and cyber threats, thus reducing financial losses and stress for all stakeholders.

However, despite its myriad advantages, block chain technology is not without its challenges. It remains in a nascent developmental stage and must surmount hurdles such as security, privacy, and scalability concerns. Moreover, the regulatory landscape surrounding block chain and cryptocurrencies is evolving, necessitating clear guidelines and policies to govern their utilization. Nevertheless, the prospective benefits of block chain technology far outweigh the associated risks. With an appropriate regulatory framework and continued technological advancements, block chain holds the potential to truly revolutionize India's financial sector.

Conclusion

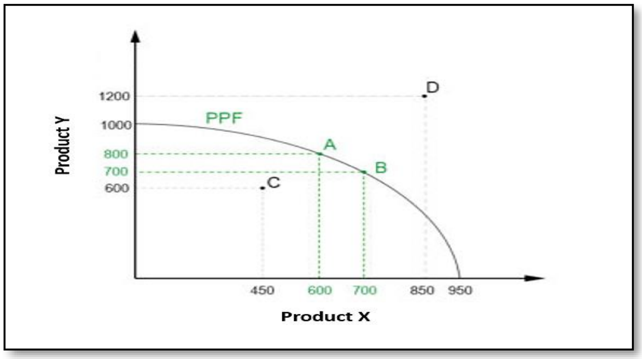
The integration of advanced technology by banks plays a pivotal role in driving economic development. In India, the banking sector has witnessed a surge in customer growth attributed to the innovative services offered by banks. Particularly noteworthy are the efforts directed towards financial inclusion, aimed at extending banking services to rural areas and bolstering credit growth. This strategic shift brings banking services closer to customers, thereby saving valuable time. While challenges persist, ongoing technological advancements, coupled with collaborative endeavours between banks, government, and end-users, offer promising prospects for overcoming these obstacles. Banks must formulate strategies to bridge the technology gap between rural and urban banks. Presently, the Indian banking industry stands at the threshold of "next-generation banking", driven by ICT innovations and the vision of a cashless economy. This convergence is poised to catalyze a transformative shift within the banking sector.

Aravinth R
Officer (Credit)
PLP RAM Trichy

6. CLASSROOM: PRODUCTION POSSIBILITY FRONTIER

A production possibilities frontier (PPF) is a microeconomic concept that defines all of the possible combinations of goods that a business can produce, given some finite resource. The concept can also be applied in macroeconomics as the limitations of output that a country can reach on its own, given its scarce resources.

Let us take an example of Product X and Y, which a business unit produces with its given resources.



The curved line is the PPF of the firm. At point A and B, the firm is efficiently utilizing its resources, i.e. any point on the PPF curve represents efficient utilization. The firm's decision regarding the combination of goods to be produced, depends mainly on the demand of the market. Here, at Point A, the firm is producing 800 units of Product Y and 600 units of Product X. To reach at Point B, the firm must forgo 100 units of product Y and thereby produce 700 units of both X and Y. However, it is to be noted, as the firm shift more towards X axis, it has to forgo more of Y to get a little extra amount of X and vice versa because of the Law of Diminishing Returns.

Now, coming to Point C, it represents an inefficient point, where the firm is not producing enough, given the potential of its resources. On the other hand, Point D represents the unattainable point, where the firm can only reach by improving its technology or increasing its resources (which will shift the PPF curve outward).

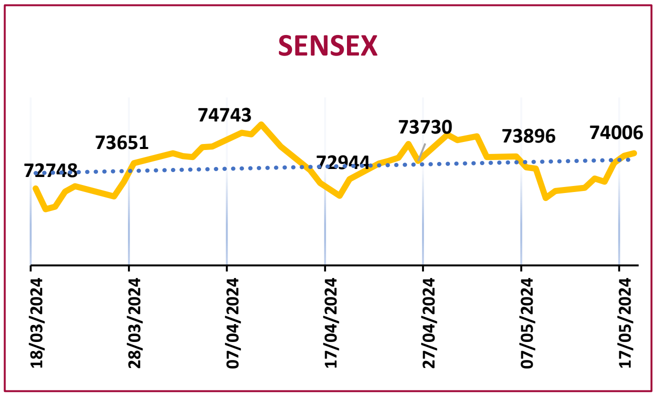
How Banks can utilize the concept of PPF

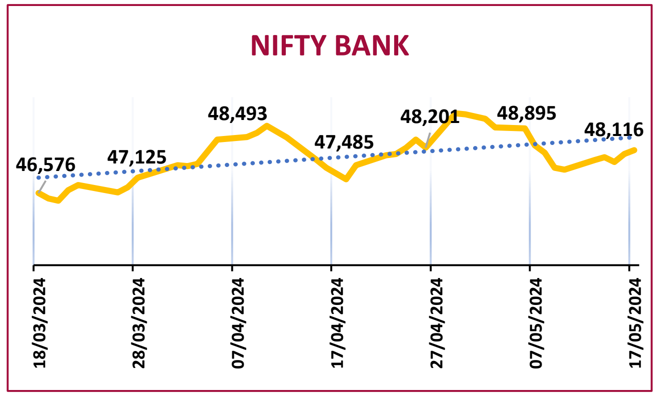
Banks can use PPF as a decision-making tool by allocating their resources to maximize efficiency and balance trade-offs between various financial products and services. Here are some ways where Banks can utilize PPF:

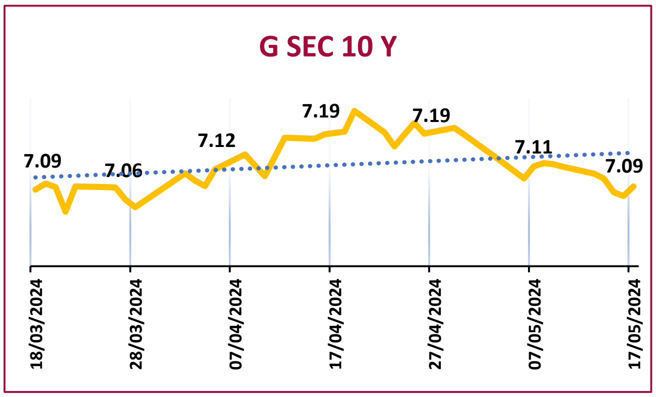
a. Assess the trade-offs between extending credit to high-risk customers vis-à-vis low-risk customers to optimize the composition of the credit portfolio.
b. Serve as a benchmark to compare the efficiency of different branches or departments, identifying areas where improvements can be made.
c. Determine the most cost-effective combinations of inputs to produce desired levels of outputs, such as the balance between automated services and human labour.
d. Balance between high-risk, high-reward investments and low-risk, low-reward investments.
e. Compare the potential outputs of entering new markets versus expanding in current markets.

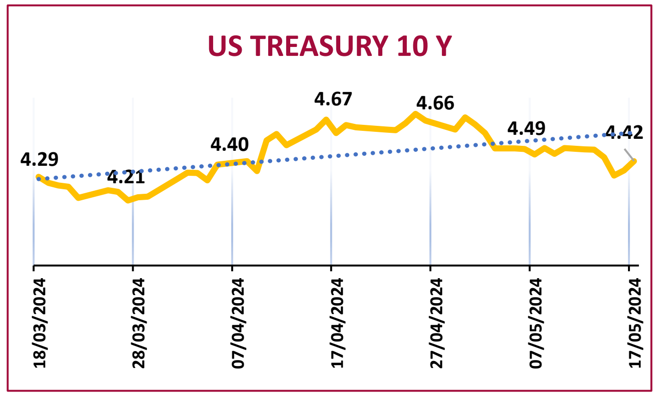
Sagnik Bose
Senior Manager (Economics)
Head Office, SMEAD

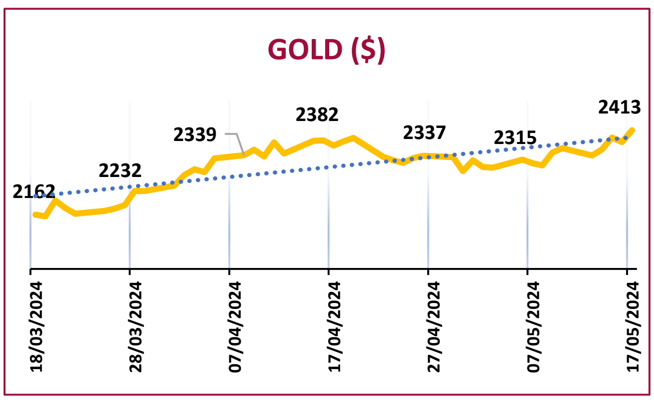
7. DAILY ECONOMIC INDICATORS

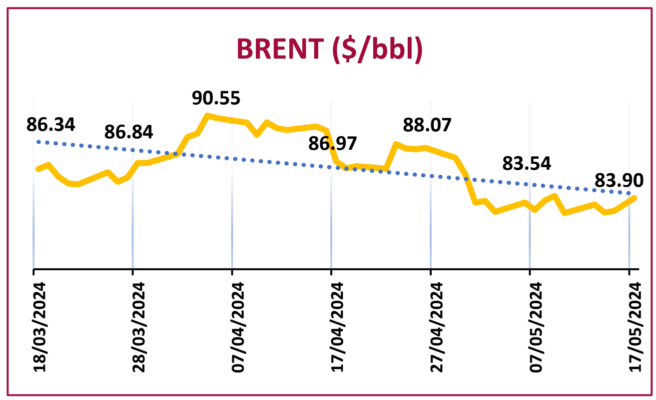


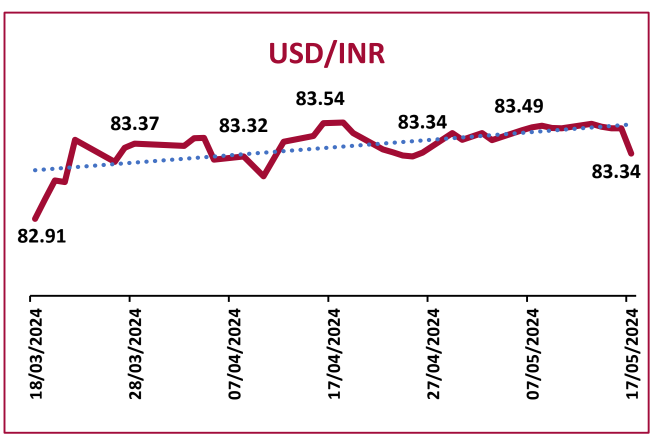


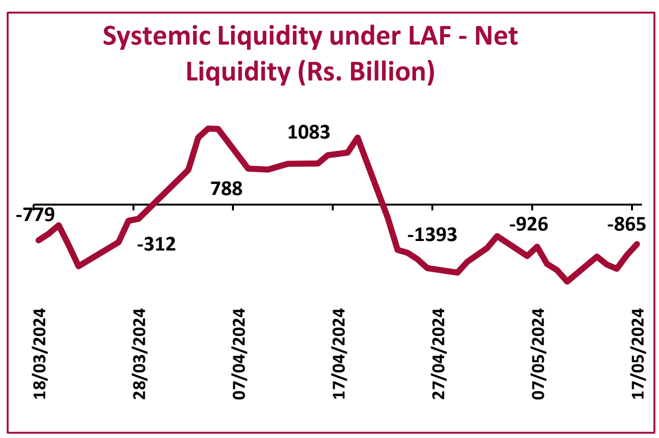








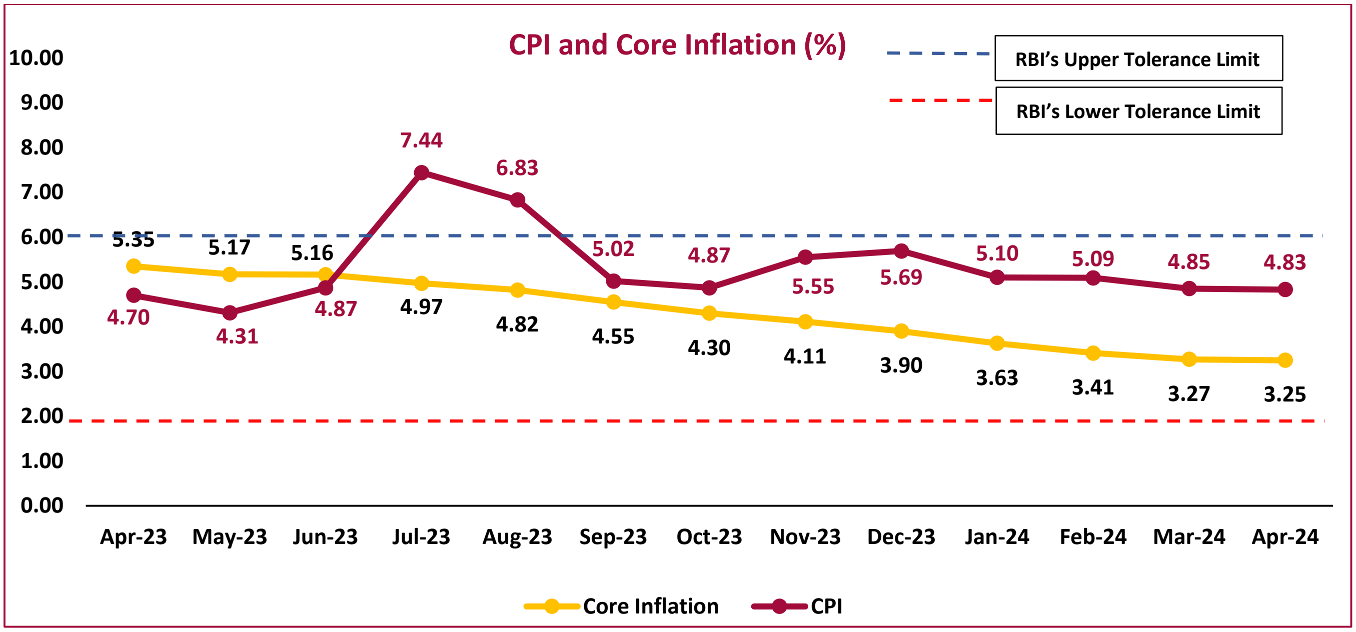


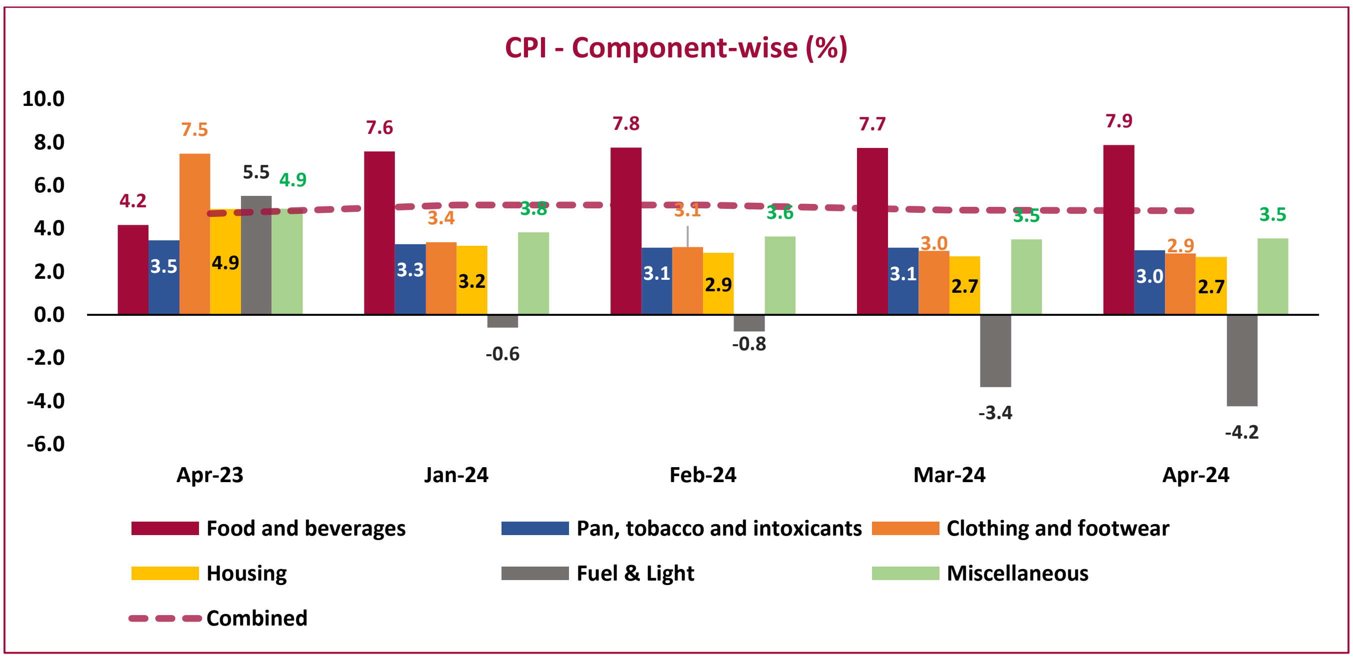


8. MONTHLY & FORTNIGHTLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

Retail Inflation further cools to 4.83% in April 2024

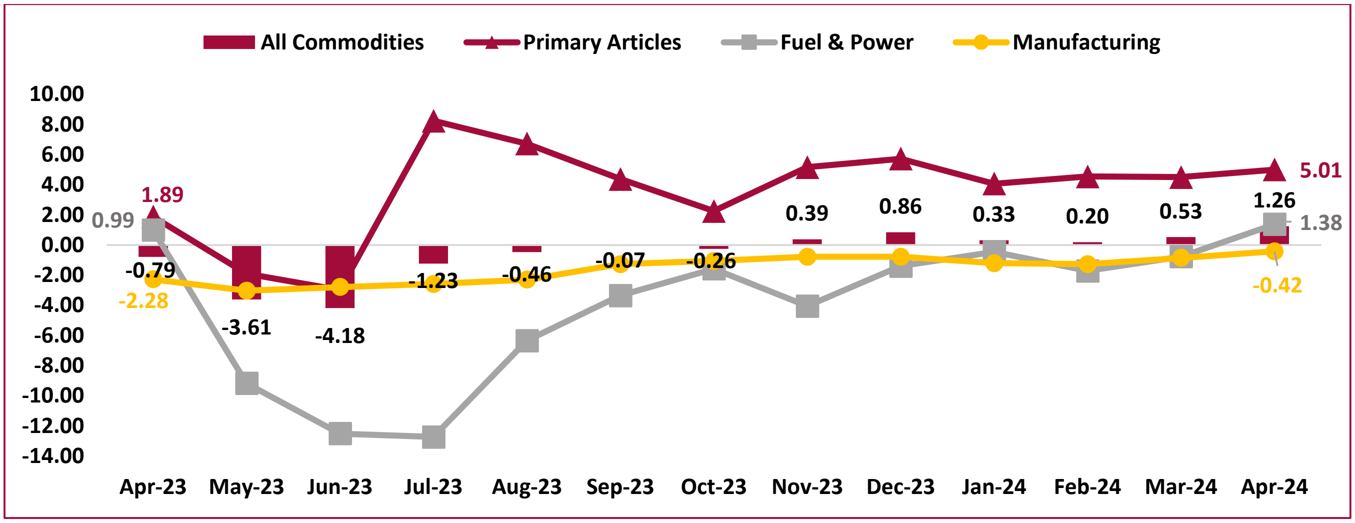




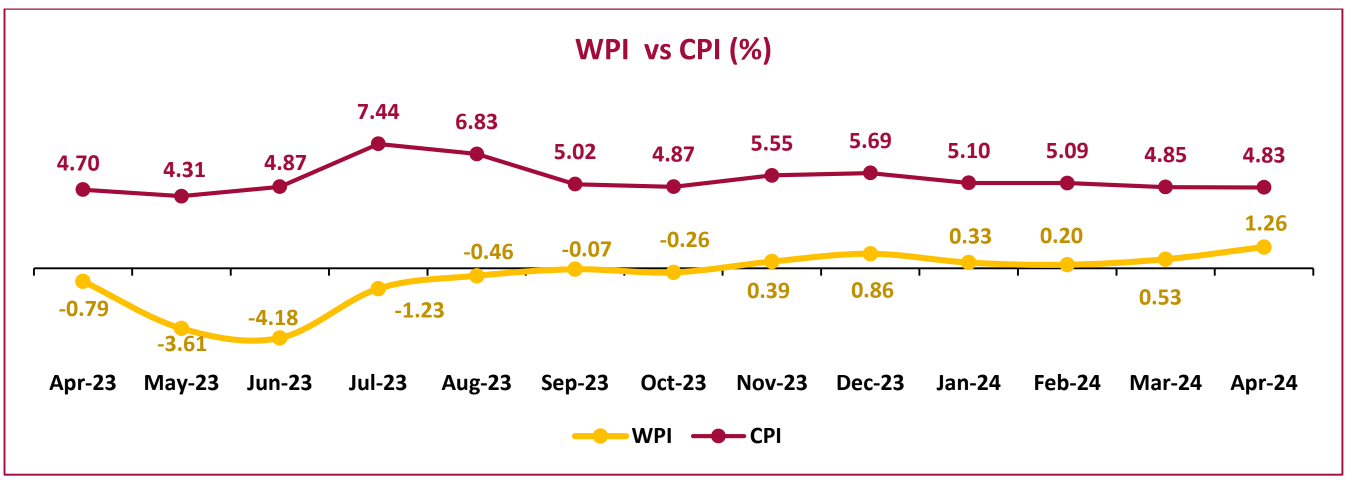
India's Consumer Price Index (CPI) based inflation moderated further to 4.83 per cent in April 2024 vis-a-vis 4.85 per cent in March 2024. Food Price index eased to 8.70 per cent in April 2024 vis-à-vis 8.52 per cent in March 2024. With parts of the country experiencing a heatwave, food prices continue to pose an additional risk. Food inflation is preventing a sustainable fall in headline CPI, despite easing price pressures in the core and fuel categories. Vegetable inflation stood at 27.80 per cent in April 2024.

WHOLESALE PRICE INDEX (WPI)

WPI inflation increases to 13-month high in April 2024



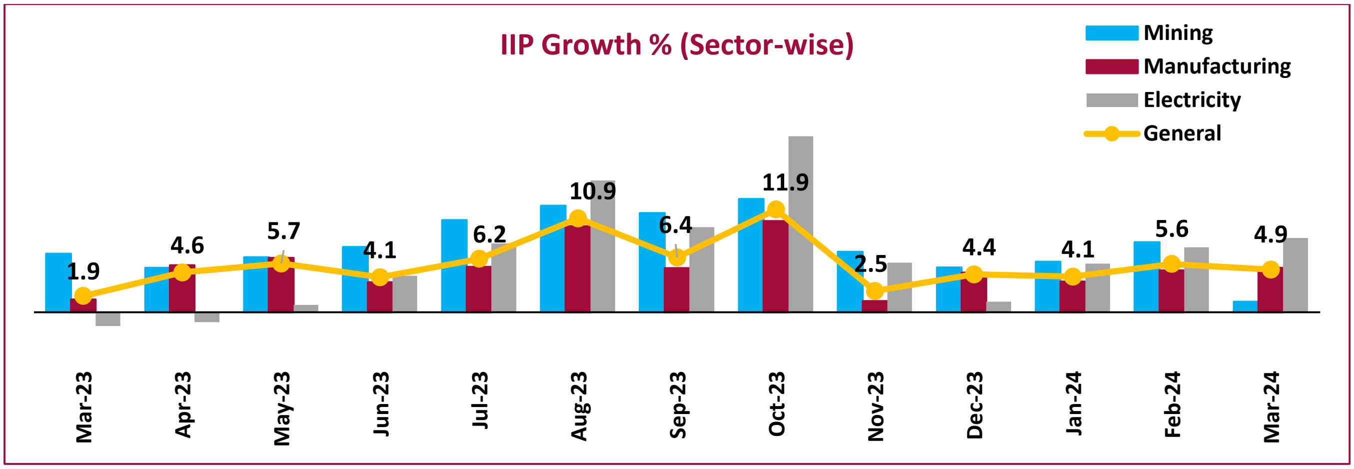
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**
February	3.64	**4.55**	13.96	**-1.71**	1.94	**-1.27**	3.81	**7.07**	3.85	**0.20**
March	2.52	**4.51**	8.69	**-0.77**	-0.70	**-0.85**	5.42	**6.88**	1.41	**0.53**
April	1.89	**5.01**	0.99	**1.38**	-2.28	**-0.42**	3.88	**7.74**	-0.79	**1.26**



India's WPI rose to a 13-month high in April 2024 at 1.26 per cent. Positive rate of inflation in April 2024 is primarily due to increase in prices of food articles, electricity, crude petroleum & natural gas, manufacture of food products, other manufacturing etc. There has been a month-on-month price increase in 15 of the 22 National Industrial Classification (NIC) two-digit categories for manufactured goods in products such as basic metals, other manufacturing, textiles, food products, chemical & chemical products, etc.

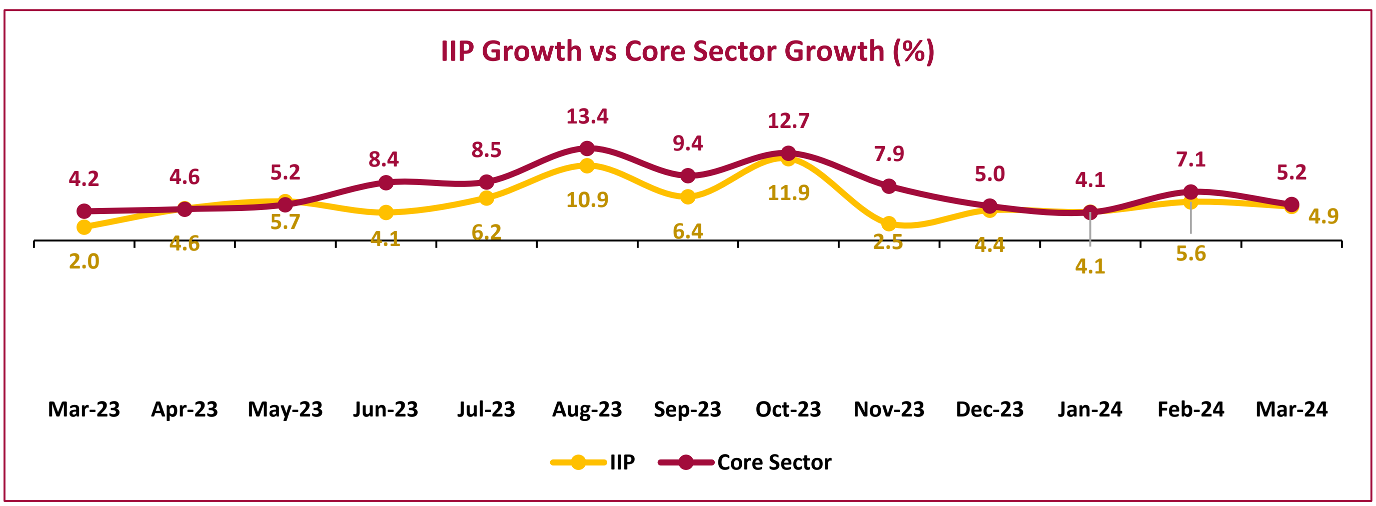
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth declines to 4.9% in March 2024



IIP Growth % (Usage-wise)

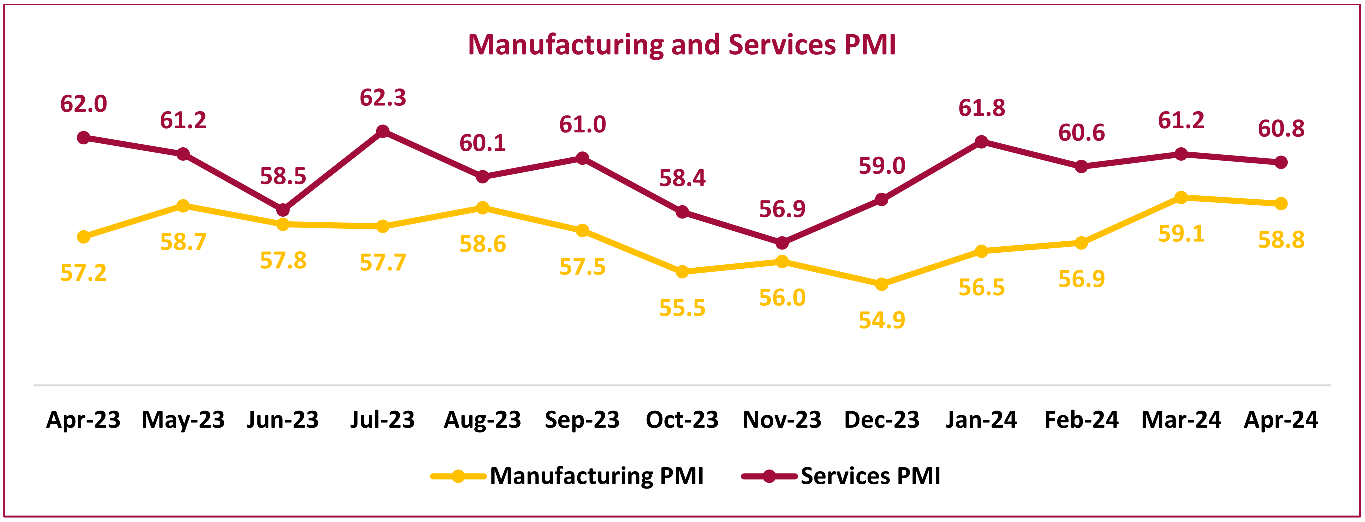
Component	Weight	Mar'23	Feb'24	Mar'24	Apr-Mar'23	Apr-Mar'24
Primary Goods	34.05%	3.3	5.9	**2.5**	7.5	**6.0**
Capital Goods	8.22%	10.0	1.0	**6.1**	13.1	**6.2**
Intermediate Goods	17.22%	1.8	8.7	**5.1**	3.8	**5.2**
Infra/Construction Goods	12.34%	7.2	8.5	**6.9**	8.4	**9.6**
Consumer Durables	12.84%	-8.0	12.4	**9.5**	0.6	**3.6**
Consumer Non- Durables	15.33%	-1.9	-3.5	**4.9**	0.7	**4.0**



IIP growth declined to 4.9 per cent in March 2024, down from 5.6 per cent in February 2024 and significantly higher than the 2.0 per cent recorded in March 2023. In sector-wise performance, Mining Sector recorded the lowest growth of 1.2 percent. The highest growth was observed in the electricity sector at 8.6 percent while the manufacturing sector grew by 5.2 percent in February 2024. Both manufacturing and electricity sectors witnessed improvement compared to February 2024.

PURCHASING MANAGERS' INDEX (PMI)

Manufacturing PMI at 58.8 in April 2024



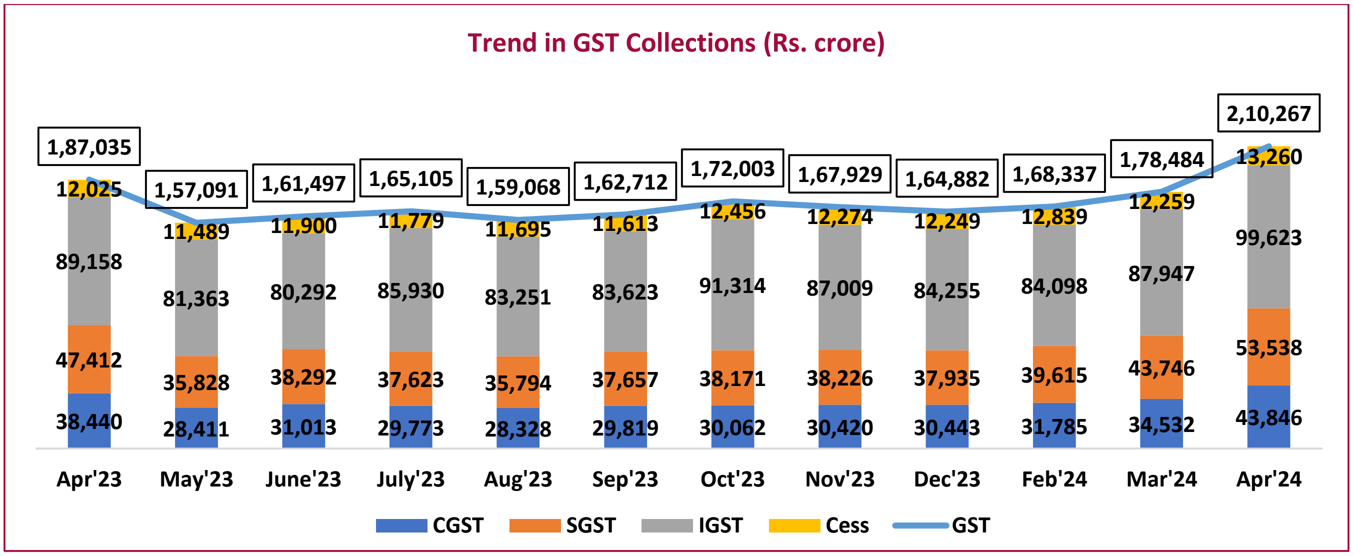
The HSBC India Manufacturing PMI fell marginally to 58.8 in April 2024 from the 16-year high of 59.1 in March 2024. However, the April reading was the second highest since October 2020. Indian manufacturers reported robust demand for their goods in April, from domestic and external clients. Growth was spurred by healthy demand trends and successful marketing campaigns. Total new orders rose sharply, with the pace of expansion being the second-strongest since the start of 2021. **HSBC India Composite PMI Index stood at 61.5 in April 2024- marginally below last month's 61.8.**

PERFORMANCE OF OTHER LEADING INDICATORS

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
Coal production (YoY%)	8.9	7.0	9.7	15.1	17.7	16.0	18.5	11.0	10.8	10.3	11.8	8.2	7.4
Electricity generation (YoY%)	-2.5	1.1	2.4	6.2	13.2	8.8	21.9	5.8	0.4	7.9	6.4	8.0	9.6
Consumption of petroleum products (YoY%)	1.4	12.6	5.2	3.1	8.1	7.9	4.8	-2.2	3.7	7.3	8.2	-0.4	6.2
Railways: freight traffic (YoY%)	3.5	1.9	-1.9	1.5	6.4	6.7	8.5	4.3	6.4	6.4	10.1	-	-
Cargo handled at major ports (YoY%)	1.3	3.2	-2.0	4.2	4.1	0.3	13.8	16.9	0.6	3.2	2.1	2.7	-
Cement production (million tonnes)	35.9	35.9	36.5	31.0	33.9	31.0	33.9	29.1	35.9	36.5	36.8	41.2	-
Steel consumption (million tonnes)	10.1	10.4	10.1	10.6	11.1	11.2	11.6	11.3	12.1	11.6	11.7	12.3	11.1
Fertiliser sales (YoY%)	-13.9	2.1	1.7	4.5	2.7	5.7	10.5	-5.5	-3.1	-9.1	-13.5	0.6	-3.7
Two-wheelers sales (Nos. in Lakhs)	16.0	17.3	16.0	15.8	18.6	20.5	21.9	19.0	15.0	17.6	18.5	18.1	20.7
Tractors sales (Nos. in Thousand)	86.9	91.3	106.6	67.0	62.1	105.5	125.4	79.0	52.1	62.8	51.8	74.5	84.4

GOODS AND SERVICES TAX (GST)

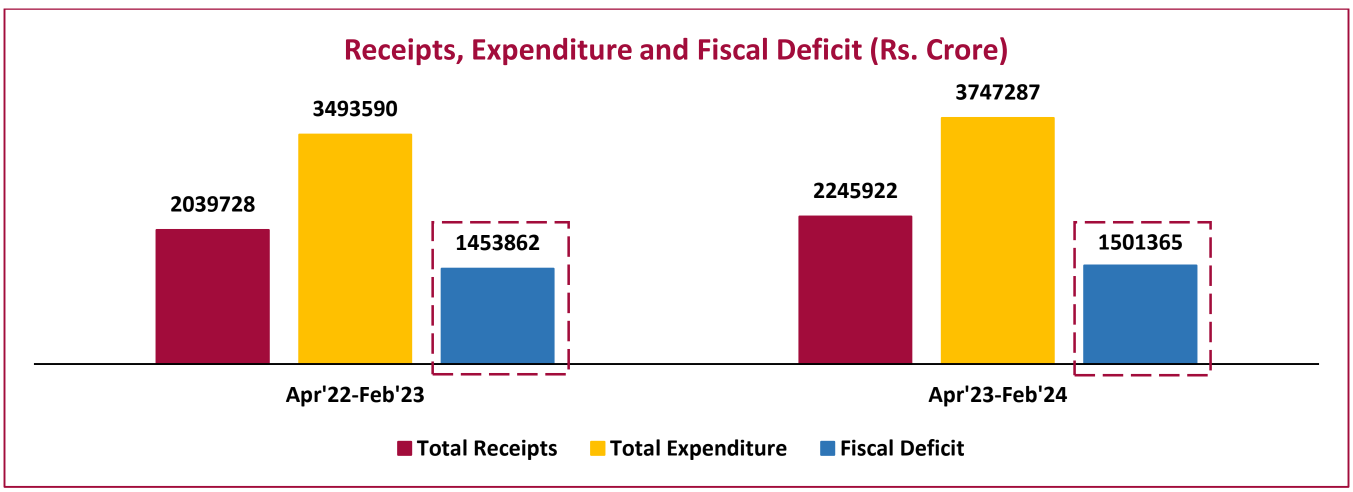
GST Collections highest ever at Rs. 2.10 lakh crore in April 2024



Gross Good and Services Tax (GST) collections for April 2024 witnessed the highest-ever collection at Rs. 2.10 lakh crore, with a 12.4 per cent year-on-year growth driven by a strong increase in domestic transactions (up 13.4%) and imports (up 8.3%).

	Apr -23	May -23	Jun -23	Jul -23	Aug -23	Sep -23	Oct -23	Nov -23	Dec -23	Jan -24	Feb -24	Mar -24	Apr -24
E-way bill Generation (Nos. in Cr.)	8.4	8.8	8.6	8.8	9.3	9.2	10.0	8.8	9.5	9.6	9.7	10.3	9.7

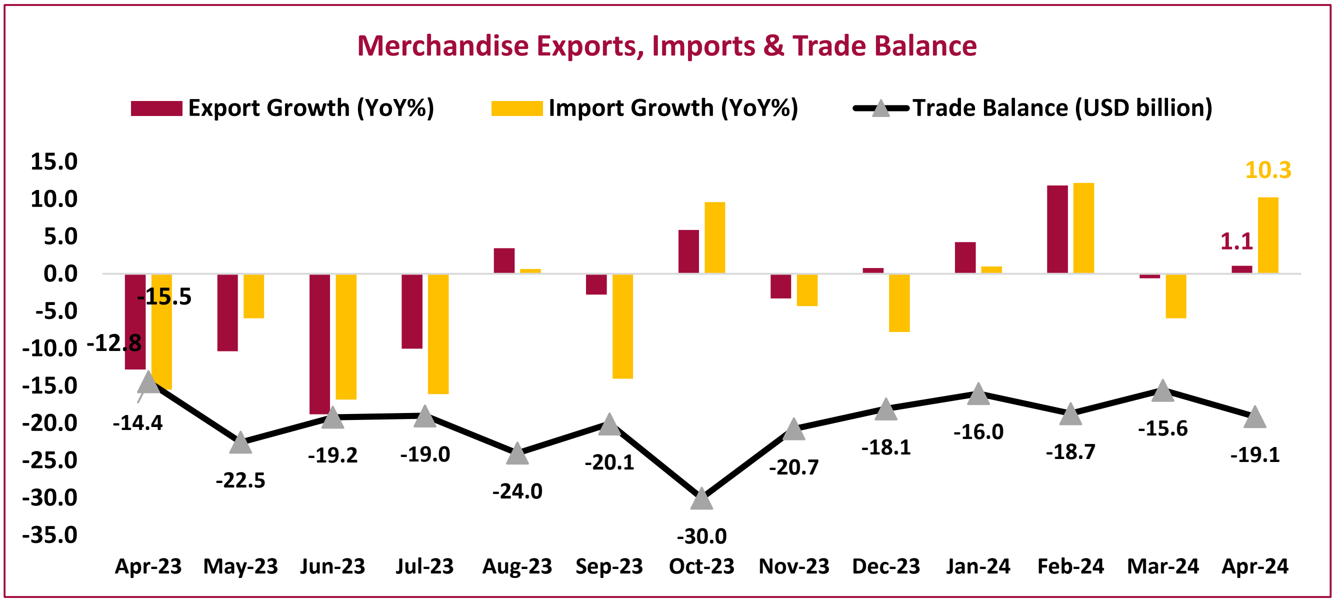
FISCAL DEFICIT

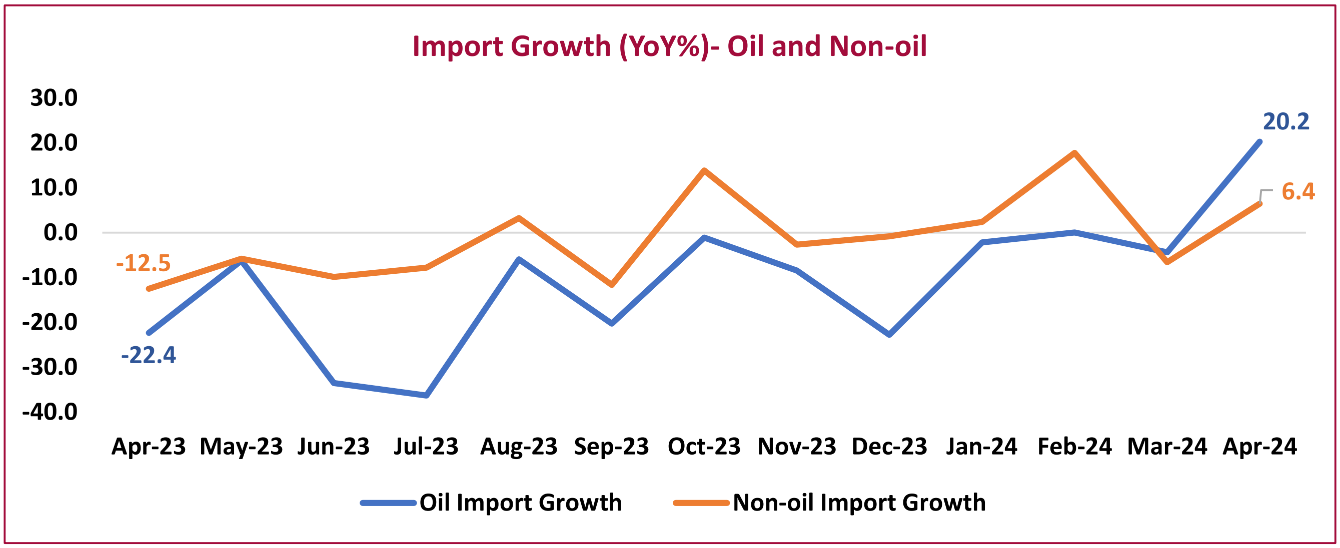


The government's fiscal deficit in the April 2023-February 2024 period increased to 15.01 lakh crore-amounting to 86.5 per cent of the BE- a big jump from 63.6 per cent of BE reached till last month.

FOREIGN TRADE

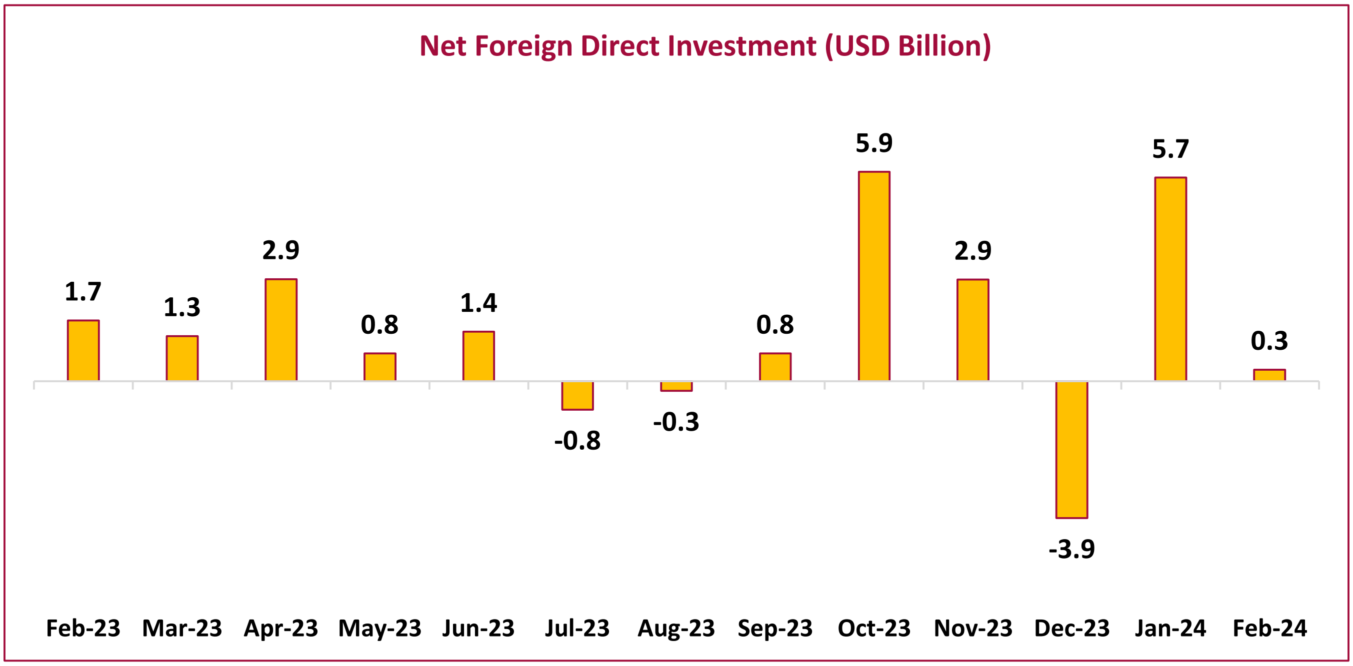
Trade deficit widens to five-month high in April 2024



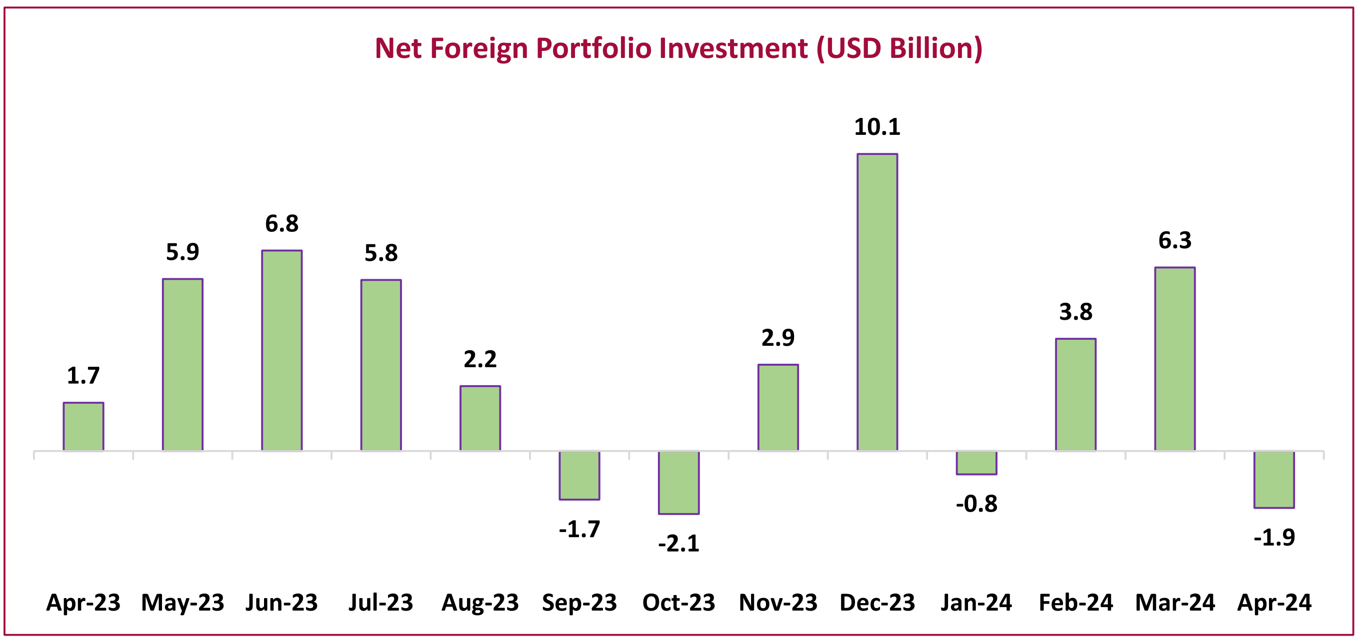


India's merchandise trade deficit increased by approximately USD 3.5 billion to USD 19.1 billion in April 2024 from the previous month. This is the highest in the last 5 months—the last time the deficit was this high in November 2023 when it came in at USD 20.7 billion. This was on account of weak global demand in the western countries and a sharp surge in India's gold imports due to a rise in gold prices. Merchandise exports rose marginally (by 1.1 per cent) to USD 35.0 billion in April 2024, from USD 41.7 billion in March 2024 and USD 34.6 billion in April 2023. Main drivers of export growth were electronic, organic and inorganic chemicals, drugs and pharmaceuticals and petroleum products. Oil imports in the also jumped by 20.22 per cent to USD 16.46 billion in April this year compared to USD 13.69 billion last year.

FOREIGN INVESTMENTS



Net Foreign Direct Investments into the country witnessed a significant fall in February 2024 to USD 0.3 billion- down from USD 5.7 billion in January 2024. Global FDI flows have been impacted by higher borrowing costs, deepening geo-fragmentation, and rising protectionism in recent years.



Net FPI inflows into the country also witnessed a sharp fall in April 2024. April witnessed net outflows amounting to USD 1.9 billion in April 2024 vis-a-vis net inflows of USD 6.3 billion in March and USD 3.8 billion in February 2024. FII selling was on account of weakening growth in sectors such as IT, FMCG, construction, metals & mining, telecom, and automobiles. Election-related concerns also dented foreign investors' sentiments.

BANK DEPOSIT AND CREDIT

Parameter (Rs. Lakh Crore)	05.05.23	22.03.24	19.04.24	03.05.24	YoY (%)	YTD (%)	Fortnightly (%)
Deposits	184.35	204.75	207.49	209.36	***13.57%***	***2.25%***	***0.90%***
Advances	139.01	164.32	164.94	166.31	***19.64%***	***1.21%***	***0.83%***
Business	323.36	369.07	372.44	375.67	***16.18%***	***1.79%***	***0.87%***

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

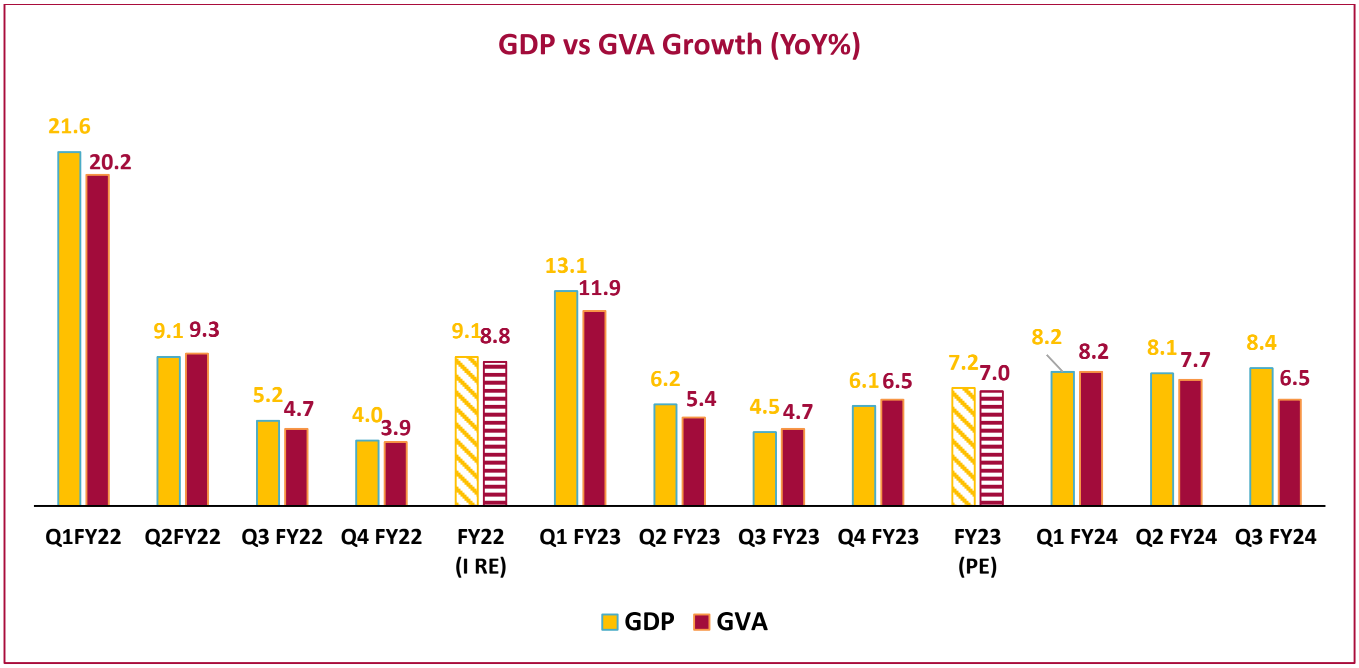
Parameter (Rs. Lakh Crore)	Mar-23	Jan-24	Feb-24	Mar-24
Total Non-food	**136.6**	**160.0**	**161.7**	**164.1**
Agriculture and allied activities	**17.3**	**20.1**	**20.4**	**20.7**
Industry	**33.8**	**36.5**	**36.7**	**36.8**
Of which				
Micro & small	6.3	7.1	7.9	7.3
Medium	2.7	2.9	3.1	3.0
Large	24.8	26.5	25.8	26.5
Personal loans	**41.8**	**52.2**	**52.7**	**53.4**
Of which				
Housing (Including priority sector housing)	19.9	26.6	26.8	27.2
Education	1.0	1.2	1.2	1.2
Vehicle loans	5.0	5.8	5.8	5.9
Services	**37.4**	**44.2**	**44.9**	**45.9**
Of which				
Computer software	0.2	0.3	0.3	0.3
Tourism, hotels & restaurants	0.7	0.8	0.8	0.8
Shipping	0.1	0.1	0.1	0.1
Aviation	0.3	0.5	0.4	0.4
Retail trade	4.3	4.7	4.8	4.9
Commercial real estate	3.2	4.4	4.4	4.5

Non-food bank credit registered a growth of 20.2 per cent YoY in March 2024 as compared with 15.4 per cent a year ago. Credit growth to agriculture and allied activities remained robust at 20.1 per cent (y-o-y) in March 2024 (15.4 per cent a year ago), while credit to industry grew by 9.0 per cent (5.6 per cent a year ago). Among major industries, growth in credit to chemicals & chemical products, food processing, and infrastructure accelerated in March 2024. Credit to services sector grew by 22.9 per cent (y-o-y) in March 2024 (20.0 per cent a year ago) owing to transport operators and commercial real estate.

9. QUARTERLY ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT (GDP) & GROSS VALUE ADDED (GVA)

India's GDP growth surpasses expectations

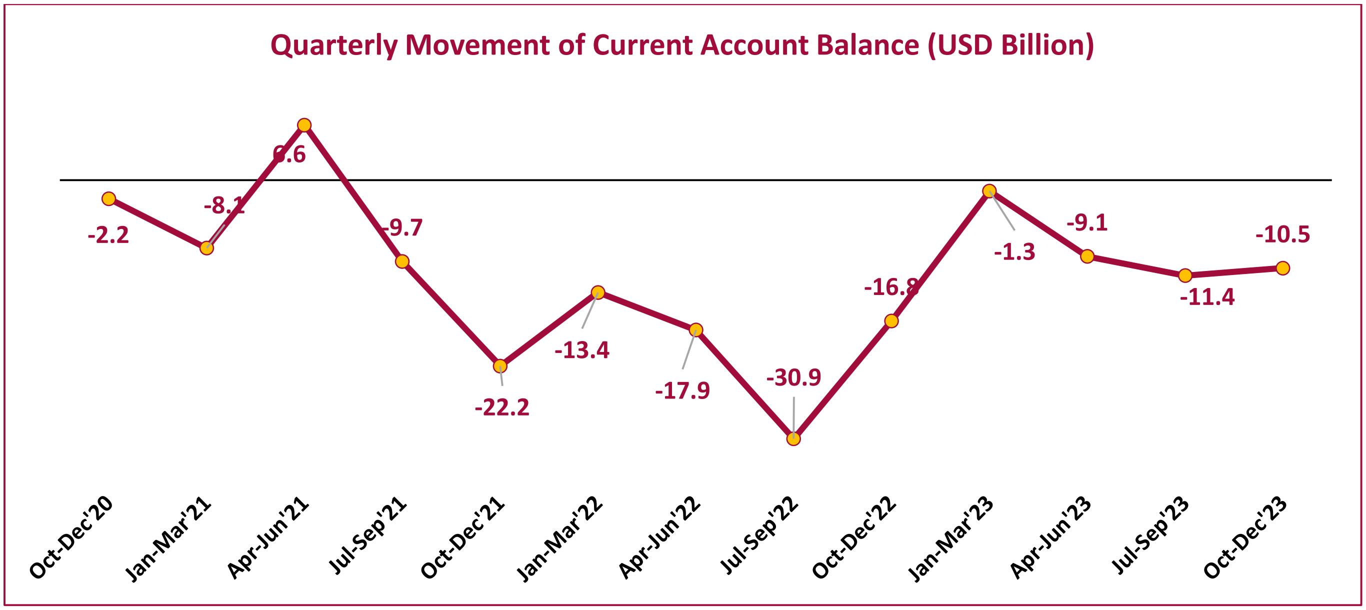


India accounted for the highest GDP growth in the last 6 quarters at 8.4 per cent in Q3 FY'24, marking the third consecutive quarter of 8 per cent plus growth in FY'24. GVA growth, which excludes indirect tax and subsidies, was pegged at 6.5 per cent in Q2 FY'24. The growth was mainly driven by a remarkable double-digit growth rate of 11.6 per cent in the manufacturing sector and a solid performance in the construction sector with a growth rate of 9.5 per cent.

INDIA'S GDP OUTLOOK BY VARIOUS AGENCIES

Agency	FY25
RBI	7.0%
World Bank	6.6%
IMF	6.8%
ADB	7.2%

CURRENT ACCOUNT BALANCE



India's Current Account Deficit (CAD) moderated slightly from USD 11.4 billion (1.3 per cent of GDP) in Q2 FY'24 to USD 10.5 billion (1.2 per cent of GDP) in Q3 FY'24. In the same quarter last year, CAD stood at USD 16.8 billion (2.0 per cent of GDP). CAD narrowed despite a wider merchandise trade deficit primarily due to growth in service exports (5.2 per cent YoY) and private transfers (2.1 per cent YoY).

10. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.10%	Mar 19, 2024 (20bps)	-
European Central Bank	Europe	4.50%	Sep 14, 2023 (25 bps)	June 06, 2024
Federal Reserve	U.S.A	5.50%	Jul 26, 2023 (25bps)	Jun 12, 2024
Bank of England	U.K	5.25%	Aug 03, 2023 (25 bps)	Jun 20, 2024
Peoples Bank of China	China	3.45%	Aug 21, 2023 (-10 bps)	-
Reserve Bank of India	India	6.50%	Feb 08, 2023 (25 bps)	June 07, 2024

11. INDUSTRY OUTLOOK

E-Commerce

India’s e-commerce industry is undergoing a significant transformation, driven by robust low cost internet access and increasing purchasing power. Internet penetration has reached unprecedented levels, with over 918 million subscribers, as of September 2023. This surge is not limited to major metropolitan areas but is also prominently growing in Tier 2 cities and beyond with rural internet subscribers numbering 375 million. India is having world's second-largest internet user base, with 881 million users, positioning it to become the second-largest e-commerce market by 2030. Also, internet economy is projected to reach USD 325 billion by 2030.

India’s e-commerce sector has revolutionized business operations across various segments, including Business-to-Business (B2B), Direct-to-Consumer (D2C), Consumer-to-Consumer (C2C) and Consumer-to-Business (C2B). Government initiatives like the National Logistics Policy aim to smoothen deliveries to hinterlands, giving a further boost to e-commerce landscape. The Government e-Marketplace (GeM) has been pivotal in facilitating e-commerce for government procurement while the Open Network for Digital Commerce (ONDC) has created an open and inclusive network for buyer and sellers to connect directly. This in turn empowers micro, small and medium enterprises directly by providing means of financing, technology and training which is having a spill over effect on other industries as well. These platforms are also giving a boost to ‘Make in India’ initiative by driving the sales of India-made products, thereby supporting small businesses and highlighting India's rich cultural heritage to a global audience.

However, delivering goods to rural and remote areas remains a challenge due to inadequate infrastructure and logistical complexities. Last-mile delivery solutions are critical for ensuring timely and efficient delivery. Another major concern is online scams and data breaches that commonly affect consumers. Businesses are therefore required to install robust verification systems to ensure product authenticity and build trust with transparent data practices. Moreover, these e-commerce platforms also need to ensure fair competition and consumer protection. Therefore, companies need to continuously innovate and invest in customer acquisition and retention strategies to stay competitive.

The integration of advanced technologies such as data analytics, artificial intelligence and innovations in hyper-local logistics and digital payments is also spurring growth in the sector. The sector’s growth will encourage employment, increase revenues from exports and provide better goods and services to the customers in the long term. E-commerce will also shorten delivery times and reduce carbon emissions through efficient transportation and packaging methods. These trends are expected to shape the e-commerce industry in the coming years.

Mansi Wahi
Manager (Economics)
Head Office, SMEAD

12. 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*
- *GST Council*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Petroleum Planning & Analysis Cell (PPAC)*
- *Investing.com*
- *Press Articles*
- *Cogencis*
- *CMIE*

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QUOTE OF THE MONTH

"There is no Frigate like a Book to take us Lands away."

– Emily Dickinson

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