पंजाब नैशनल बैंक
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1. FROM THE DESK OF CHIEF ECONOMIST

India Unleashed: Driving Forward with Confidence

As we navigate through the dynamic landscape of the Indian economy, it is imperative to acknowledge the resilience and robustness that define our economic trajectory. Despite global uncertainties, the Indian economy has consistently demonstrated an upward momentum, driven by strong domestic fundamentals and strategic policy interventions.

The global economy is currently at a crossroads, marked by a mix of challenges and opportunities. Post-pandemic recovery has been uneven across regions, with Advanced Economies (AEs) rebounding strongly while many emerging markets face continued pressures. The Chinese economy is on the verge of deflation with a prolonged property crisis, increasing debt and weak demand complicating matters. Geopolitical tensions, inflationary pressures, and supply chain disruptions have created a complex environment for global trade and investment. Despite these headwinds, there are pockets of resilience, with technological advancements, green energy transitions, and robust policy measures fostering recovery and growth.

Global growth is projected to be broadly in line with the April forecast by International Monetary Fund (IMF) at 3.2 per cent in 2024 and 3.3 per cent in 2025. As firm services inflation has slowed down the disinflation process in AEs, central banks around the world are recalibrating their monetary policies to address inflation without stifling growth. This delicate balancing act is crucial for sustaining global economic stability.

India, as a major player in the global economic arena, has been impacted by these global dynamics. However, its strong domestic fundamentals and proactive policy measures have enabled it to navigate through these challenges effectively. After being the fastest growing major economy in the world in 2023-24 with a growth rate of 8.2 per cent, several international agencies have revised their growth projections upward for the Indian economy for FY25. The International Monetary Fund, in its World Economic Outlook, has raised its forecast from 6.8 per cent to 7 per cent, while the Asian Development Bank (ADB) also expects growth to be at 7 per cent. RBI and Fitch, both project a higher growth at 7.2 per cent. Currently, World Bank has forecasted growth for 2025 at 6.6 per cent, but it is likely to revise it upwards soon in its next economic update.

As economic activity gathers momentum across the globe, world trade is likely to grow at 2.6 per cent and 3.3 per cent in 2024 and 2025 respectively. India’s merchandise trade deficit shrank to 20.98 bn USD in June’24, down from 23.78 bn USD in May’24. Merchandise exports registered a growth of 2.55 per cent on a y-o-y basis, with engineering goods, electric goods, drugs and pharmaceuticals, coffee and organic and inorganic chemicals being the major drivers of growth.

While factory output as measured by Index of Industrial Production (IIP) scaled a seven month high at 5.9 per cent in the month of May, retail inflation rose to 5.08 per cent in June, driven by rising food prices. Food basket accounts for more than 40 per cent of the consumer price basket. Wholesale inflation surged to 3.36 per cent in June, the highest in the last 16 months due to a rise in prices of vegetables, cereals, fruits etc. RBI is expected to continue with its cautious stance, until it gathers evidence of inflation aligning with its target of 4 per cent on a durable basis.

The good news is that amid better monsoon rains, earlier this month, Kharif sowing has picked up, rising 10.3 per cent on a y-o-y basis, reaching 57.5 million hectares. This bodes well for rising food prices, which have been persistently high in the last few months. Area under rice has increased by 20.75 per cent compared to a year ago, which is encouraging due to its importance in ensuring food security. Area under pulses and oilseeds has also surged by 25.89 per cent and 22 per cent respectively, reflective of the efforts of Govt. of India to promote self-reliance and reduce the dependency on imports.

The govt. has committed itself to a path of fiscal consolidation post pandemic, aiming to reduce fiscal deficit to 4.5 per cent of GDP by FY 2025-26. The record transfer of surplus of Rs.2.11 lakh crore by the RBI during FY24 will further help the government in continuing on the glide path.

All other indicators in the economy point towards healthy growth momentum. Retail sales of automobiles recorded a 9 per cent year-on-year increase in the first quarter of the current financial year. GST collections stood at Rs.1.74 lakh crore in June'24, 7.7 per cent higher than June'23, showing buoyancy in domestic economy. The benchmark indices – BSE Sensex and NIFTY50 hit fresh record highs in the month of July. The number of SIP accounts reached an all-time high of 8.99 crore in June. Further, the Assets Under Management (AUM) of mutual funds in India reached Rs.61.16 lakh crore in June, up from Rs.58.91 lakh crore recorded in the month of May. Additionally, the inclusion of Indian bonds in the JP Morgan's Emerging Market Index has not only enhanced foreign inflows, but will also lead to deepening of government bond market and support systemic liquidity.

The economy continues to witness sustained credit growth, with gross bank credit for all SCBs growing by 13.9 per cent as on June'24, which is pivotal for fuelling investment, consumption and overall economic expansion. Sustainability and green growth are emerging as key themes in India's economic agenda. The commitment to achieving net-zero emissions by 2070 and the focus on renewable energy sources underline the importance of sustainable development. The push towards electric mobility, solar energy, and green hydrogen will not only address environmental concerns but also create new opportunities for economic growth. The banking sector will play a pivotal role in financing green projects and promoting sustainable practices. Green bonds and sustainable finance initiatives will be crucial in mobilizing resources for environmentally friendly projects.

In conclusion, the Indian economy is on a positive trajectory, driven by strong macroeconomic fundamentals and a resilient banking sector. The growth prospects are promising, with several sectors poised to contribute significantly to economic activity. The commitment to sustainability and green growth further enhances the long-term outlook. All structural reforms undertaken in the last couple of years have aligned progressively with the aspirations of creating a "**Viksit Bharat**" by 2047. The stage is set. It is time for take-off.

Deepak Singh
(General Manager - Designate)

2. KEY HIGHLIGHTS: WORLD ECONOMIC OUTLOOK

- The global economy is expected to grow by 3.2% in 2024 and 3.3% in 2025, in line with the April 2024 forecast.
- While momentum varied at the start of the year, output divergence among economies has narrowed as cyclical factors wane. Services price inflation is hindering disinflation efforts complicating monetary policy normalization. With increased risks to inflation, interest rates may remain high for longer, amidst escalating trade tensions and policy uncertainty.
- Global activity and trade improved, driven by strong exports from Asia's technology sector. While first quarter growth exceeded expectations in many countries, the US and Japan saw notable slowdowns due to moderating consumption and supply disruption, respectively. Europe experienced an economic recovery in services and China saw a boost from domestic consumption and surge in exports.
- The pace of global disinflation is slowing, with persistent services inflation and stronger goods disinflation. Nominal wage growth remains high in some countries, influenced by earlier wage negotiations and elevated inflation expectations.
- This has delayed policy normalization in the US, while other advanced economies like the euro area and Canada are ahead in the easing cycle.
- Central banks in emerging markets remain cautious about cutting rates due to external risks and currency depreciation against dollar.
- Global financial conditions remain with corporate valuations buoyant despite a general rise longer-term yields. However, increased yields may pressure fiscal discipline, especially in countries struggling to control spending or increase taxes.
- **Commodity prices –** Non-fuel commodity prices are projected to rise by 5% in 2024, while energy prices are expected to fall by about 4.6% due to OPEC+ cuts and ongoing price pressure from Middle East conflicts.
- **Monetary Policy –** Major central banks are anticipated to reduce policy rates in the second half of 2024, with the pace of normalization varying due to different inflation scenarios.

Growth projections –

- Advanced economies are expected to see moderated growth, with the United States revised downward to 2.6% for 2024 due to a slower-than-anticipated start to the year, followed by further slowing to 1.9% in 2025 if fiscal policies tighten. The euro area shows signs of improvement, with growth projections slightly upgraded for 2024 driven by services and exports, expected to reach 1.5% in 2025.
- In Japan, a rebound in private consumption is anticipated, although growth forecasts for 2024 have been adjusted downward due to supply disruptions and weak investment early in the year.
- Emerging markets, particularly in Asia, are set to contribute significantly to global growth, led by China and India. China's growth outlook has been raised to 5% for 2024, driven by strong exports and private consumption recovery, while India's growth is expected to be 7.0% this year, supported by rural consumption improvements.

- Latin America faces mixed prospects, with Brazil's 2024 growth revised down due to flooding impacts but set to rebound in 2025 with reconstruction efforts. Mexico also shows moderated growth due to demand trends.
- Meanwhile, in regions like the Middle East and Central Asia, ongoing conflicts and oil production challenges continue to dampen economic prospects, reflected in downward revisions for countries like Saudi Arabia and Sudan.
- The IMF's latest assessment underscores balanced overall risks to the global economic outlook. Chief among these are potential upside risks to inflation, particularly if services disinflation stalls and price pressures escalate due to renewed trade tensions or geopolitical conflicts.
- The escalation of trade tensions poses additional risks, potentially driving up costs along supply chains and exacerbating inflation pressures. These factors raise the possibility of prolonged periods of higher interest rates, which could in turn amplify external, fiscal, and financial vulnerabilities.

Key challenges and recommendations –

- As output gaps close and inflation decreases, policymakers must focus on maintaining price stability while addressing the lasting impacts of recent crises. This includes rebuilding economic buffers and fostering sustainable growth through a carefully balanced mix of policies.
- In economies facing inflation risks, particularly those influenced by external factors, central banks to avoid premature easing and be prepared for potential tightening if needed. Conversely, where inflation trends suggest durable stability, gradual monetary easing can create space for necessary fiscal consolidation.
- Countries experiencing fiscal slippages should adopt stricter measures to meet consolidation targets. Sound fiscal frameworks and effective resource mobilization are essential as fiscal maneuvering space diminishes.
- Divergent policies in emerging markets underline the importance of managing currency and capital flow volatility. Flexible exchange rates, prudent use of foreign reserves, and macro prudential policies are recommended to mitigate risks associated with foreign-currency debt.
- Policymakers are urged to take decisive actions to improve productivity and reduce resource misallocation, crucial for sustaining medium-term growth. Enhancing labor market participation, especially among women and immigrants, can bolster economic resilience and mitigate demographic pressures.
- Multilateral cooperation and a strong commitment to trade are emphasized as essential for addressing global challenges like climate change. Policies that distort trade or focus inwardly may exacerbate fiscal pressures and hinder effective solutions to domestic and international issues.

3. DIPPING US INFLATION TO BRING FED CLOSER TO RATE CUT

Parameter	Weights	Y-o-Y Change %			M-o-M Change %		
		Apr-24	May-24	Jun-24	Apr-24	May-24	Jun-24
Headline	**100.0**	**3.4**	**3.3**	**3.0**	**0.3**	**0.0**	**-0.1**
Food	13.4	2.2	2.1	2.2	0.0	0.1	0.2
Energy	7.0	2.6	3.7	1.0	1.1	-2.0	-2.0
Core	**79.6**	**3.6**	**3.4**	**3.3**	**0.3**	**0.2**	**0.1**
Core Goods	18.6	-1.3	-1.7	-1.8	-0.1	0.0	-0.1
New Vehicles	3.6	-0.4	-0.8	-0.9	-0.4	-0.5	-0.2
Used cars and trucks	1.9	-6.9	-9.3	-10.1	-1.4	0.6	-1.5
Apparel	2.6	1.3	0.8	0.8	1.2	-0.3	0.1
Medical care goods	1.5	2.5	3.1	3.1	0.4	1.3	0.2
Core Services	61.1	5.3	5.3	5.1	0.4	0.2	0.1
Shelter	36.2	5.5	5.4	5.2	0.4	0.4	0.2
Transportation	6.5	11.2	10.5	9.4	0.9	-0.5	-0.5
Medical care services	6.5	2.7	3.1	3.3	0.4	0.3	0.2

- On a yearly basis, headline Consumer Price Index for all Urban Consumers (CPI-U) cooled to 3 per cent in Jun’24, the lowest reading recorded since December 2021. The pace of inflation cooled from 3.3 per cent in May’24. The all items less food and energy index, or Core inflation, also rose by 3.3 per cent, marking the smallest increase in 12 months since April 2021.
- The Energy index increased by 1 per cent while the Food index rose by 2.2 per cent in Jun’24 on an annual basis. The continuous decline in energy prices, particularly gasoline could result in lower operating costs for transportation and manufacturing sectors.
- On a seasonally adjusted basis, the CPI-U Index declined 0.1 per cent in June’24, following a month of no change in May’24. The Energy index mirrored the 2 per cent decline in May, on the back of a sharp 3.8 per cent decline in gasoline. The Food index saw a slight increase of 0.2 per cent in June. The core CPI-U rose 0.1 per cent in June, a smaller increase than 0.2 per cent recorded in May.
- The decline in inflation print in June vis-à-vis May indicates a potential easing of inflationary pressures in the near term. This decline, especially in energy prices, could alleviate cost pressures for consumers and businesses.
- The smaller y-o-y rise in the all items index suggests a possible stabilization or slowing of inflation. Shelter prices, which have the highest weight within services recorded a month-on-month increase of 0.2 per cent, the smallest such rise since August 2021.
- The softening inflation will give confidence to the Fed on the continuing monetary transmission in the US economy.

4. KEY HIGHLIGHTS: FINANCIAL STABILITY REPORT

Financial Stability Report (FSR) is published by RBI semi-annually. Recently, the RBI has released the 29th Issue of Financial Stability Report (FSR), which reflects the assessment of risks to financial stability, and the resilience of the financial system in the context of contemporaneous issues relating to development and regulation of the financial sector. Highlights of FSR - Jun'2024 are given below:

Key Takeaways –

- The global financial system remains resilient and financial conditions stable despite an uncertain and challenging backdrop marked by last mile disinflation process, elevated public debt, geopolitical tensions and economic fragmentation.
- The goal of bringing inflation down to targets remains the key focus of monetary policy authorities the world over, although headwinds are being encountered from sticky services inflation, elections across half the world's population, and the recent firming up of commodity prices, besides persisting geopolitical tensions.
- Despite a volatile global economy, Indian economy has displayed robust growth, playing a significant role in global growth as the fastest-growing major economy. Its resilience is reinforced by substantial foreign reserves, strong financial buffers, and healthy balance sheets across banks, non-banks, and corporations, ensuring resilience against international economic disruptions.
- Real GDP increased by 8.2 per cent in 2023-24, up from 7.0 per cent in the previous year, despite muted private and government final consumption and external demand conditions acting as a drag.
- The Indian banking sector recorded sustained improvement in capital positions, asset quality and profitability amidst strong business expansion.
- Deposit mobilization by SCBs gathered pace during 2023-24 with a large portion of new accretions in the form of term deposits. Deposit growth of all SCBs stood at 13.5%, net of the impact of the merger of HDFC bank with HDFC Ltd., as at end Mar'24. (PNB's Global Deposit growth stood at 6.9% in Mar'24 on a y-o-y basis)
- Growth in current account and savings account (CASA) accelerated across all bank groups. CASA growth for all SCBs stood at 6.9% in Mar'24 vs 5.4% in Mar'23. (PNB's y-o-y CASA growth was 2.7% in Mar'24)

- Growth in term deposits remained high at 18.2%, reflective of the pass-through of interest rate hikes alongside efforts to mobilize funds to match credit demand. (PNB's term deposit growth on y-o-y basis was 10% in Mar'24)
- Bank credit accelerated during H2:2023- 24 among public sector banks (PSBs) and foreign banks (FBs), whereas it moderated in respect of private sector banks (PVBs). The credit growth of all SCBs by end-March 2024, stood at 19.2 per cent, net of the impact of the merger of HDFC Bank with HDFC Ltd. (PNB's y-o-y growth in Global Advances stood at 11.2%)
- The share of credit to the services sector and personal loans in the aggregate loan portfolio increased. Personal loans accounted for over half of PVBs' credit growth. For all SCBs, the expansion in personal loans (27.5% y-o-y) was broad-based, led by housing loans (36.5% y-o-y) and followed by other personal loans. (PNB's RAM share stood at 55.2% in Mar'24, with housing loans recording y-o-y growth of 14.5%)
- The asset quality of SCBs recorded sustained improvement and their GNPA ratio moderated to a 12-year low of 2.8% in March 2024. SCBs' NNPA ratio also improved to a record low of 0.6%, indicative of active and deep provisioning. (PNB's GNPA and NNPA ratio improved to 5.7% and 0.7% in Mar'24)
- The capital to risk-weighted asset ratio (CRAR) at end-March 2024 remained high at 16.8 per cent vis-à-vis the regulatory minimum of 11.5 per cent (including capital conservation buffer) while the common equity tier 1 (CET1) ratio stood at 13.9 per cent as against the regulatory requirement of 8 per cent (including capital conservation buffer). (PNB's CRAR and CET 1 ratio stood at 15.97% and 11.04% in Mar'24)
- Net interest income (NII) of SCBs increased during 2023-24 with a surge in trading income augmenting other operating income (OOI). There was slight moderation in net interest margin (annualized), from 3.7% in Mar'23 to 3.6% in Mar'24 for all SCBs. (PNB's Global NIM improved by 3 bps from 3.06% in Mar'23 to 3.09% in Mar'24)
- On the back of improved earnings, Return of Assets (RoA) and Return on Equity (RoE) rose to 1.3 per cent and 13.8 per cent, respectively, in March 2024 from the lows of 0.9 per cent and 9.7 per cent, respectively, in March 2022 for all SCBs. (PNB's RoA and RoE have risen to 0.54% and 11.66% from 0.06% and 1.35% respectively during this period).

5. GIST OF SPEECH- Shaktikanta Das, Governor, RBI

Keeping the Financial System Resilient, Future Ready and Crisis Resistant

Inaugural address delivered by Governor, on June 20, 2024, Second Global Conference on Financial Resilience organised by the College of Supervisors (CoS), RBI, Mumbai

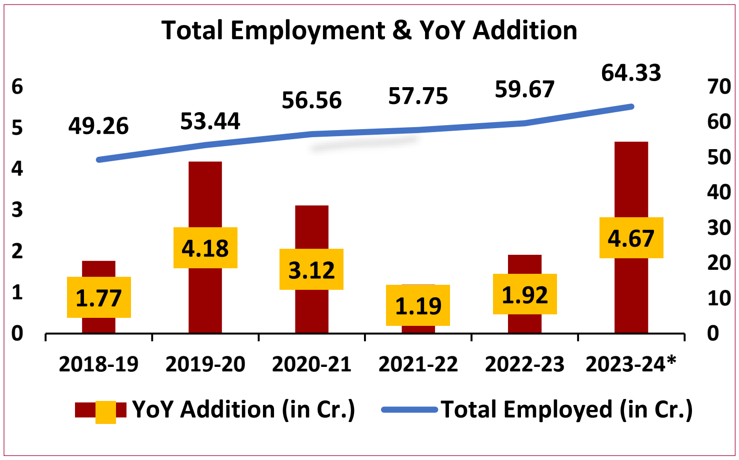
- The ethos of being future-ready and resilient against crisis needs to be built into every financial institution. It has to be a key element of their organisational culture.
- India's domestic financial system is now in a much stronger position, characterised by robust capital adequacy, low levels of nonperforming assets, and healthy profitability of banks and NBFCs.
- In today's environment which is characterised by turbulent global spillovers and uncertainties, it is important for the financial sector to follow an adaptive and forward-looking approach to navigate amidst the emerging challenges.
- This would entail strengthening governance and risk management practices; employing sustainable business models; and embracing technological advances.
- Strong governance is at the core of resilience. It is the bedrock for informed and strategic decisions that align with long-term goals and risk management principles.
- Effective governance entails establishing clear roles and responsibilities for the Board of Directors and the executive management.
- Robust governance also involves implementing comprehensive internal controls and strong assurance functions, namely, risk management, internal audit and compliance.
- Ethics in governance involve compliance with laws and regulations, both in letter and spirit; pursuit of sustainable business practices; and avoidance of mindless pursuit of bottom lines.
- Both regulated entities and supervisors need to be vigilant to risks, if any, in the business models of organisations.
- As the financial sector gets increasingly digitised, adoption of advanced technologies can significantly strengthen the ability of Banks and NBFCs to withstand and respond to various risks.
- AI and ML can enhance predictive analytics and enable banks and NBFCs to identify potential risks and trends more accurately.
- As financial institutions increasingly rely on advanced technologies to enhance their operations, the dependency on third party vendors and service providers may increase. Therefore, a thorough due diligence becomes necessary before selecting third-party vendors.

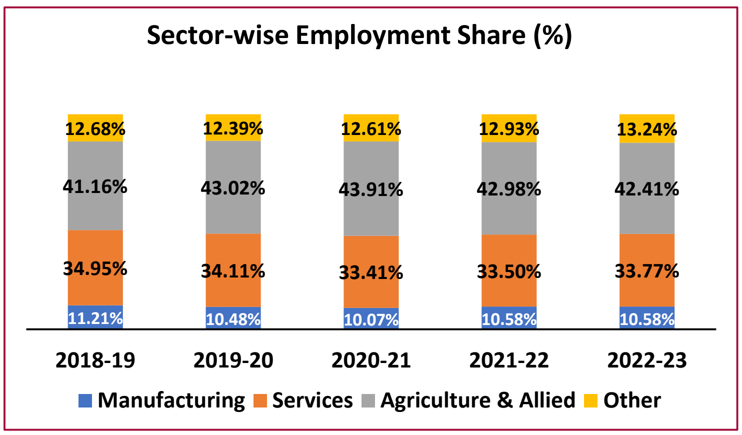
- RBI as a regulator and supervisor constantly focuses on being vigilant, adaptive and proactive with regard to the regulatory frameworks and supervisory systems to safeguard the stability of the financial system.
- Over the past few years, the Reserve Bank has undertaken a comprehensive review of regulations under the aegis of the Regulations Review Authority (RRA) 2.0 constituted by it.
- Apart from withdrawal of many redundant instructions, the RRA has also made valuable recommendations to ease compliance and reduce the regulatory burden; streamline the reporting mechanism; and bring in more clarity in regulatory instructions.
- RBI has also comprehensively restructured the regulatory architecture for banks (both commercial and urban co-operative banks), NBFCs, Housing Finance Companies (HFCs), Asset Reconstruction Companies (ARCs), Digital lenders, Micro-finance lenders and Core-investment companies.
- Steps have also been taken to set up Self-Regulatory Organisations (SROs) for NBFCs and Fintech companies.
- RBI has also significantly strengthened its supervisory systems, transitioning beyond an entity-focused approach to a more thematic and activity-based approach.
- It looks at sustainability of business models of banks and NBFCs. Root cause analysis of problems and vulnerabilities are undertaken. Advance action is initiated in anticipation of a crisis.
- Structural changes have been implemented within the Reserve Bank by creating a unified department of supervision to ensure holistic assessment of the financial sector.
- Unconventional methods are also being adopted now. Onsite supervision of Credit Information Companies has been made annual and intense.
- The College of Supervisors (CoS) is itself a shining example of RBI’s proactive initiatives to enhance the quality of its supervision and capacity of its supervisors.
- The goal is to make Reserve Bank’s supervision a global model, by building a ‘Through the Cycle’ Risk Assessment Framework with continuous Horizon Scanning and a Holistic Risk Assessment.
- It also envisages having a more customer centric framework that protects and promotes customers’ interest by improving the conduct of supervised entities.

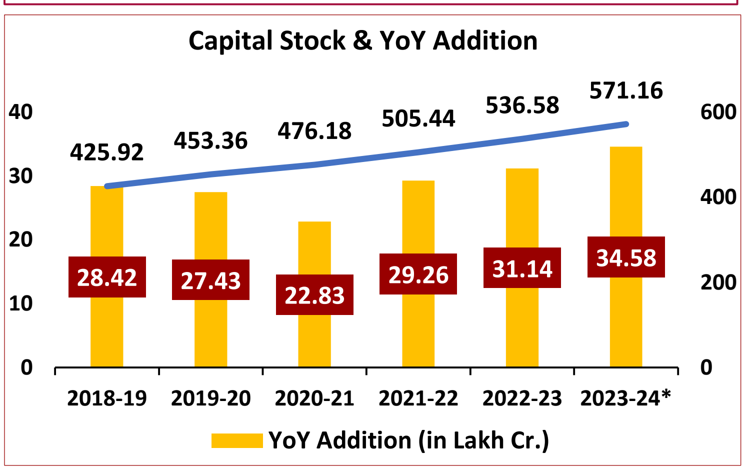
6. THE INDIAN KLEMS DATABASE- OBSERVATIONS

The Reserve Bank of India on 8th July,2024 released an update on "Measuring Productivity at the Industry Level-The India KLEMS [Capital (K), Labour (L), Energy (E), Material (M) and Services (S)] Database" comprising the Data Manual 2024 and time-series data on productivity for 27 industries covering the period 1980-81 to 2022-23.

Some of the insights from the dataset are:







- India has added 4.67 crore new jobs, which is higher than the combined figure for FY22 & FY23.
- The employed people to total population ratio now stands at 44.6% in FY24, up from 35.6% in FY19.
- The trend in sector-wise employment share is signalling towards gradual structural transformation in the Indian economy in the post pandemic period.
- Employment share in the agriculture & allied sector has fallen from 43.91% in FY21 to 42.41% in FY23, while it has increased in the others including construction and mining & quarrying. Manufacturing sector has also witnessed a modest increase since FY21.
- Meanwhile, the decline in the employment share within the services sector has been arrested with a marginal rise of 27 bps in FY23.
- Labour income share in overall economy has consistently risen since FY17, while capital share has fallen.
- Further, India's capital stock in real terms has also increased by ₹34.58 lakh crore in FY24, registering a 50% rise from Covid hit FY21.
- Labour productivity which is an important metric to measure the input efficiency shrank in 9 industries (8 of them belonged to manufacturing sector) during FY23.
- The Hotels & Restaurants industry under services sector accounted for the highest labor productivity growth and total factor productivity (TFP) growth in FY23 based on value added.

Kartik Khandelwal
Officer (Economics)
Head Office, SMEAD

7. CLASSROOM: DIGITAL PAYMENT INDEX

Reserve Bank of India comes out with composite Digital Payment Index (DPI) to measure and capture the level of digitisation in India. This index so formed has 5 broad parameters that enable measurement of deepening and penetration of digital which include

(i) Payment Enablers,

(ii) Payment Infrastructure – Demand-side factors,

(iii) Payment Infrastructure – Supply-side factors,

(iv) Payment Performance and

(v) Consumer Centricity.

Out of the above, payment performance has the highest weightage i.e. 45%, followed by Payment Enablers @ 25%, Payment Infrastructure- supply side and demand side with a weightage of 15% and 10% respectively. Lastly, the indicator Consumer Centricity has a weightage of 5%.

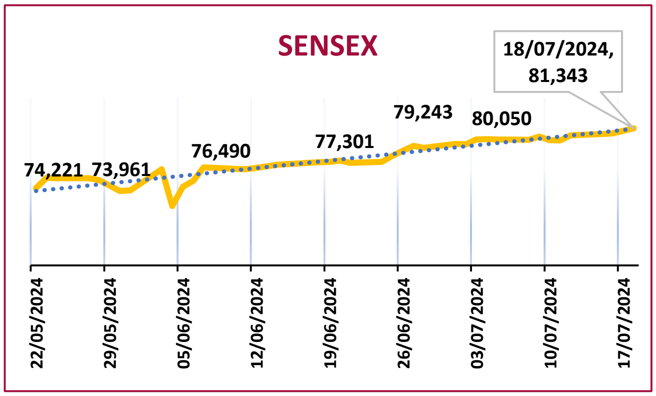
- **Payment Performance include Payment Enablers** include Internet, Mobile, Aadhaar, Bank Accounts, participants and merchants.
- **Payment Infrastructure-Demand-side factors** include Debit Card, Debit Cards, Prepaid Payment Instruments, Customers registered- Mobile& Internet Banking, FASTag
- **Payment Infrastructure-supply-side factors** include Bank branches, Business Correspondents, ATMs, PoS terminals, QR Code, Intermediaries
- **Payment Performance** Include Digital Payment Systems-Volume, Digital Payments System-Value, Unique Users, Paper Clearing, Currency in Circulation, Cash Withdrawals
- **Consumer Centricity** include Awareness and education, Declines, Complaints, Frauds and System Downtime.

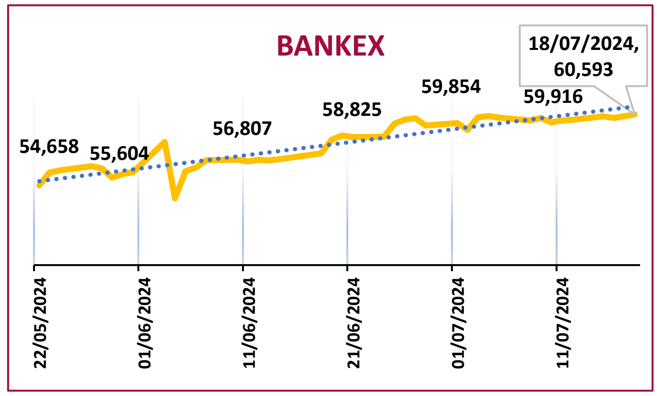
This is an important indicator to track the development in all aspects of digital payments index. Each indicator has various sub-parameters as listed in table below:

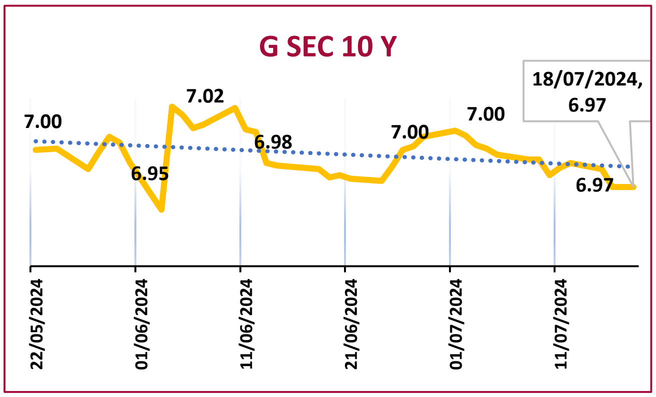
- The RBI-DPI has been constructed with March 2018 as the base period, i.e. DPI score for March 2018 is set at 100.
- The Digital Payments Index is published on a semi-annual basis with a lag of 4 months.
- The value of index increased 2.7 times a span of 3 years, from 100 in March 2018 to 270.59 in March 2021.

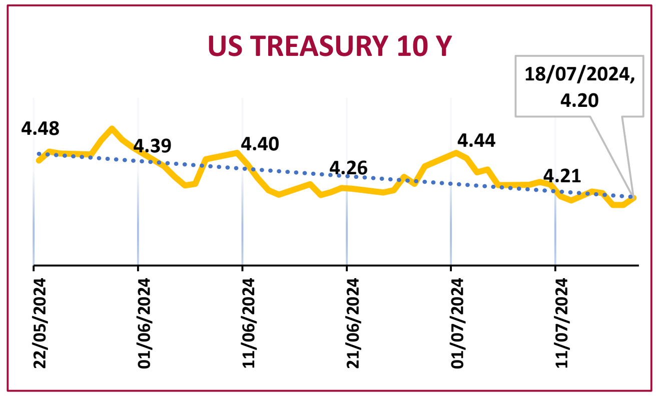
The index has demonstrated significant growth in the index representing the rapid adoption and deepening of digital payments across the country in recent years.

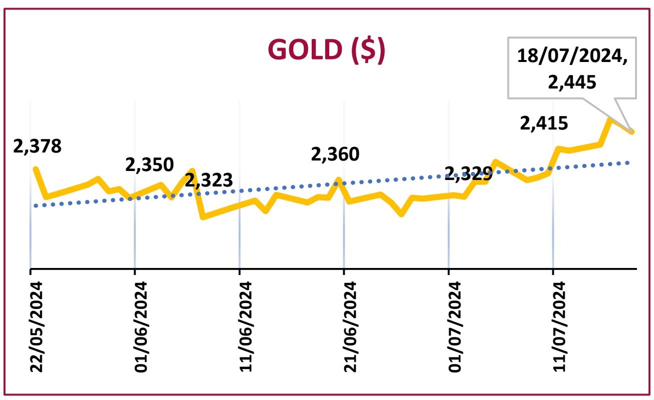
8. DAILY ECONOMIC INDICATORS

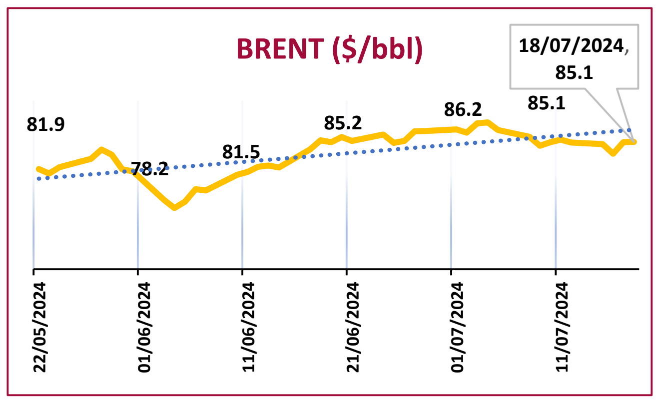


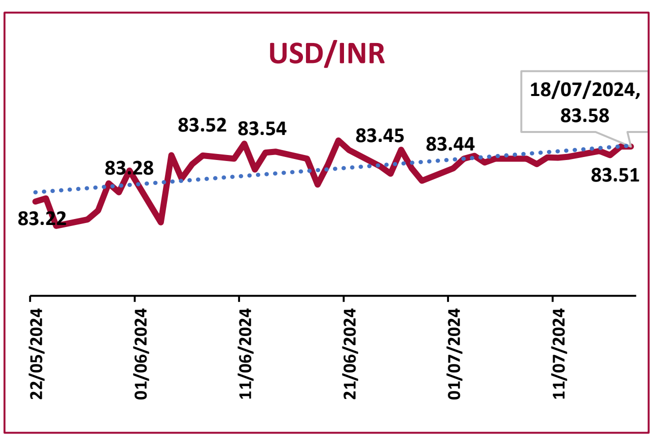


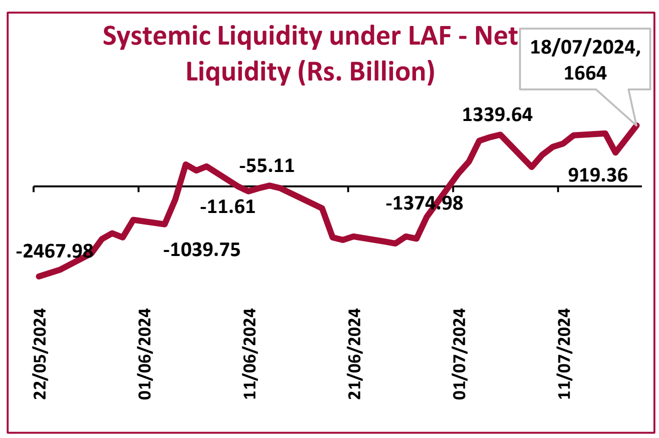








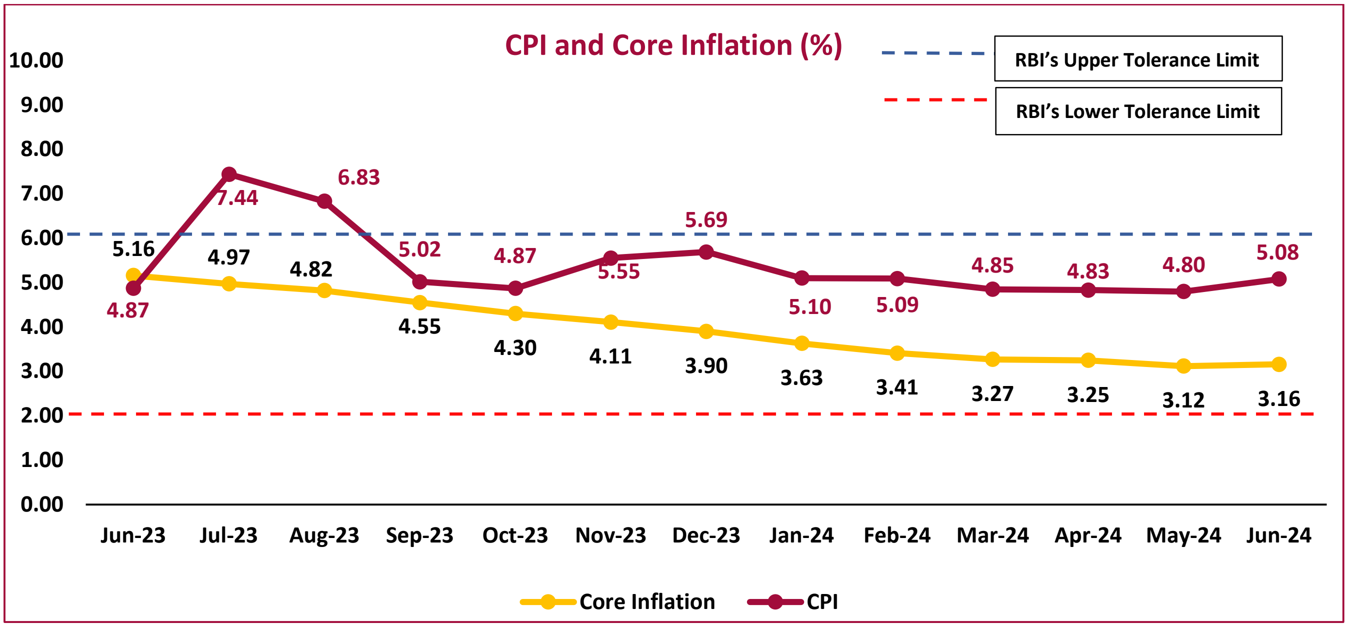


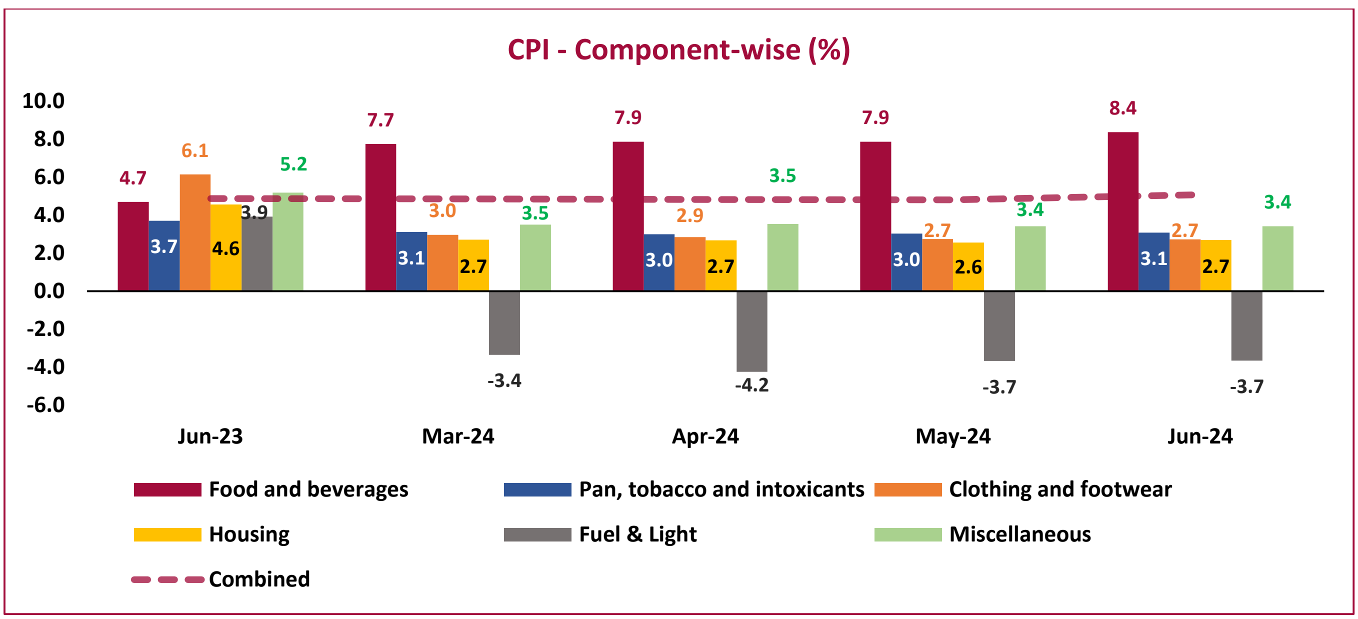


9. MONTHLY, FORTNIGHTLY & WEEKLY ECONOMIC INDICATORS

CONSUMER PRICE INDEX (CPI)

Retail Inflation accelerated to 5.08% in June 2024

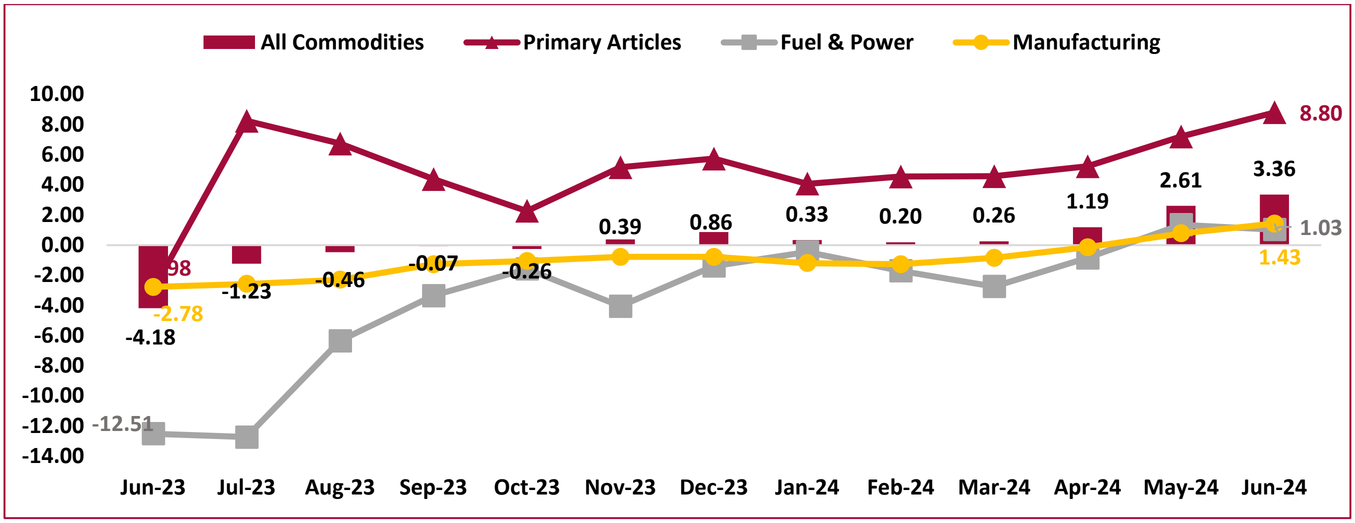




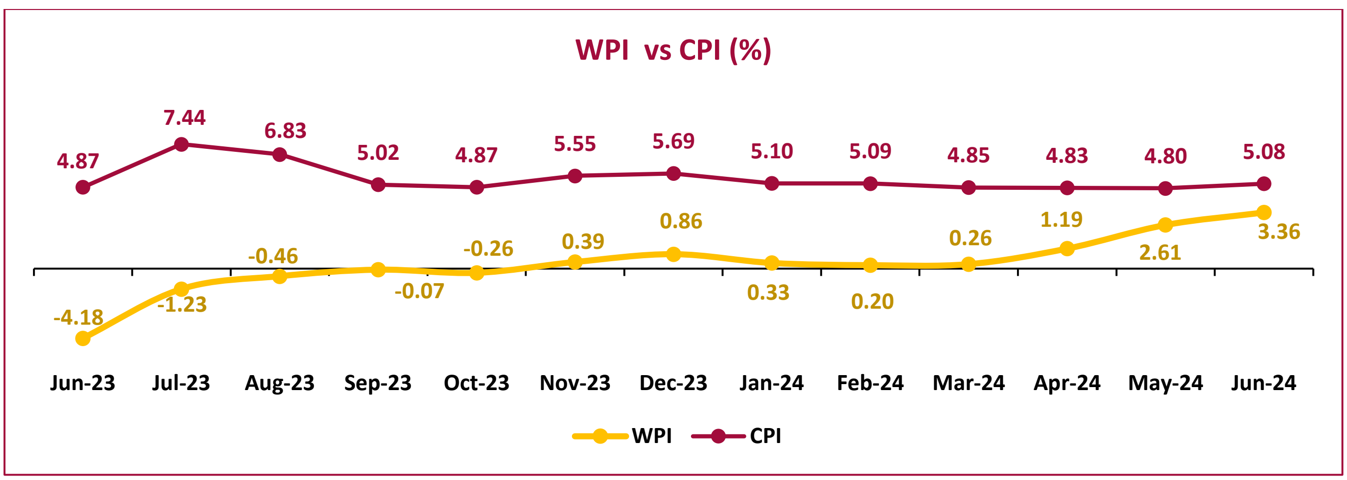
India's Consumer Price Index (CPI) based inflation increased to 5.08 per cent in June 2024 vis-a-vis 4.80 per cent in May 2024. Food Price increased to 9.36 per cent in June 2024 vis-à-vis 8.39 per cent in May 2024. India's retail inflation saw an uptick for the first time in five months in June driven by an increase in food prices. Vegetable prices had risen 29.32 per cent year on year. Pan, tobacco and intoxicants has decreased from 3.71 per cent in June 2023 to 3.08 per cent in June 2024.

WHOLESALE PRICE INDEX (WPI)

WPI inches up to 16-month high in June 2024



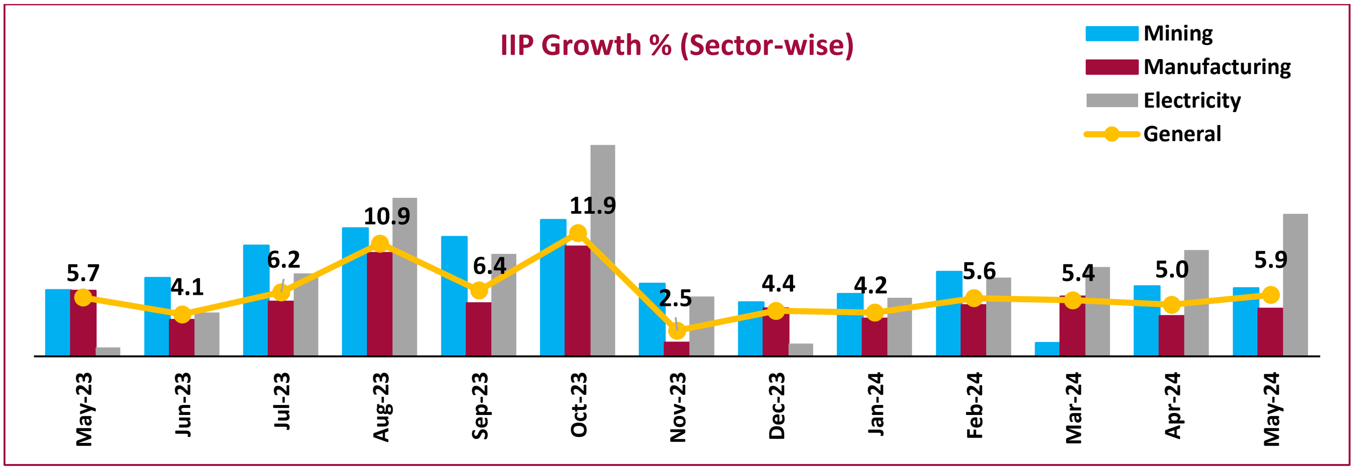
WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles *(Part of Primary Articles)*		All Commodities	
Weights	**22.62%**		**13.15%**		**64.23%**		**15.26%**		**100%**	
	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**
April	1.89	**5.23**	0.99	**-0.85**	-2.28	**-0.14**	3.88	**8.07**	-0.79	**1.19**
May	-1.90	**7.20**	-9.17	**1.35**	-3.03	**0.78**	1.63	**9.82**	-3.61	**2.61**
June	-2.98	**8.80**	-12.51	**1.03**	-2.78	**1.43**	1.32	**10.87**	-4.18	**3.36**



India's WPI rose for the fourth consecutive month in June 2024 at 3.36 per cent. Positive rate of inflation in June 2024 is primarily due to increase in prices of food articles, manufacture of food products, crude petroleum & natural gas, mineral oils, other manufacturing among others. In June 2024, manufactured products saw a MoM rise of 0.14% and a YoY rise of 1.43%, marking the second consecutive month of inflation after 14 months of deflation (Mar'23 to Apr'24). Food articles inflation has risen further to 10 months high at 10.87 per cent in June 2024 from 9.82 per cent in May 2024.

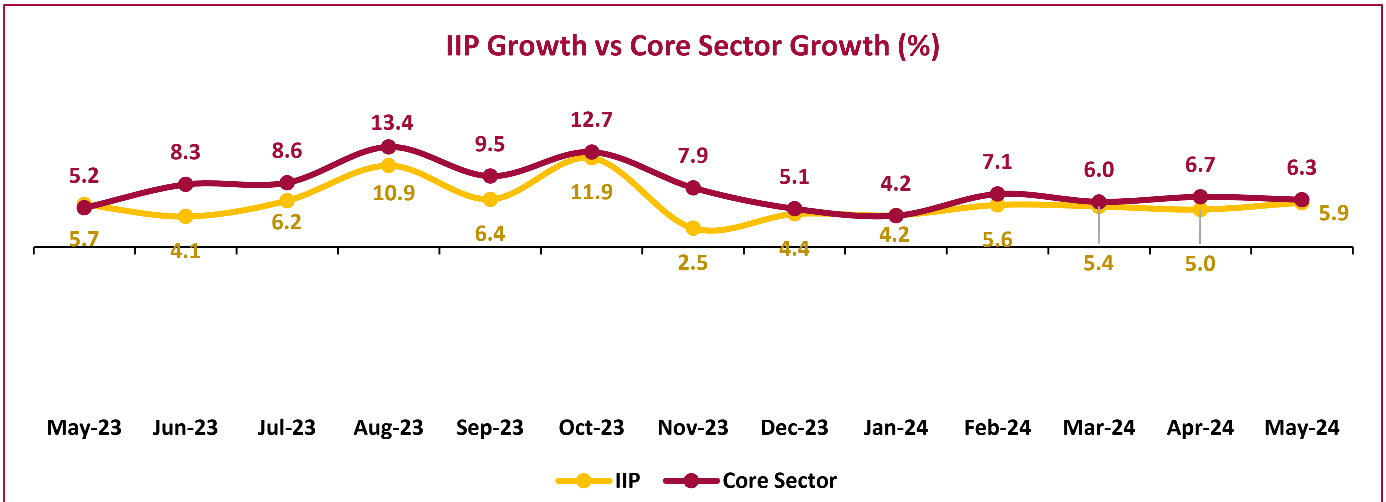
INDEX OF INDUSTRIAL PRODUCTION (IIP) & CORE SECTORS

IIP growth increased to 5.9% in May 2024



IIP Growth % (Usage-wise)

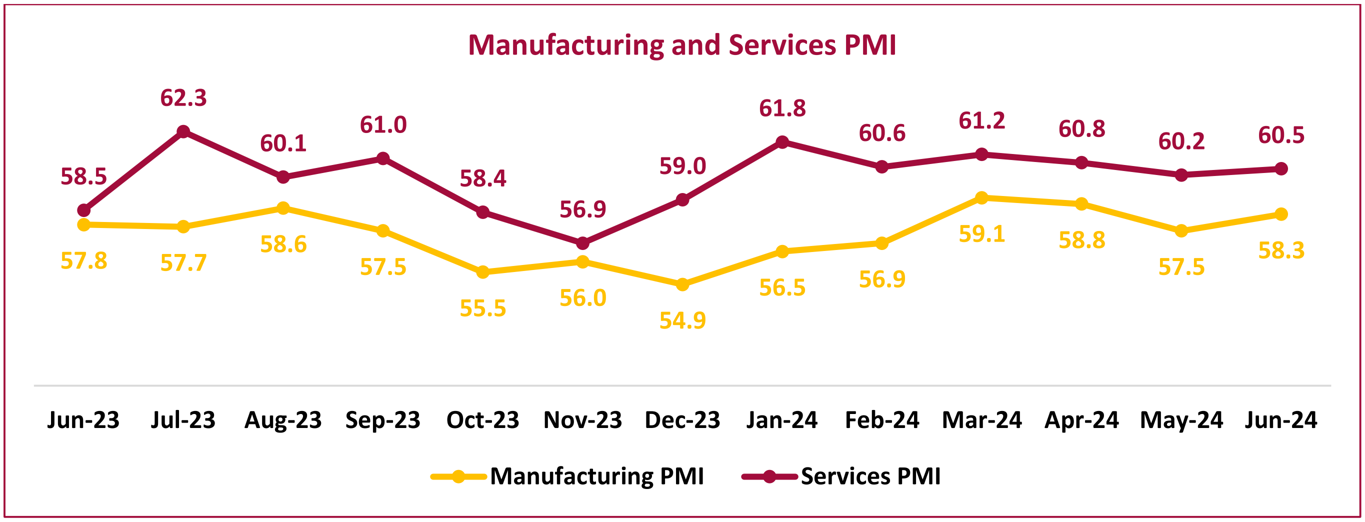
Component	Weight	May'23	Feb'24	Mar'24	Apr'24	May'24
Primary Goods	34.05%	3.6	5.9	2.5	7.0	**7.3**
Capital Goods	8.22%	8.1	1.7	6.1	2.7	**2.5**
Intermediate Goods	17.22%	3.4	8.6	5.1	3.2	**2.5**
Infra/Construction Goods	12.34%	13.0	8.3	6.9	8.0	**6.9**
Consumer Durables	12.84%	1.5	12.6	9.5	10.0	**12.3**
Consumer Non- Durables	15.33%	8.9	-3.2	4.9	-2.5	**2.3**



IIP growth jumps to 5.9 percent in May'24. In May'23, India's industrial output had grown by 5.7 percent. In sector-wise performance, Electricity Sector recorded the highest growth of 13.7 percent. Mining and Manufacturing grew by 6.6 and 4.6 respectively. Amongst Use Based, highest growth was observed in Consumer Durables while the lowest was in Consumer Non-Durables.

PURCHASING MANAGERS' INDEX (PMI)

Composite PMI at 60.9 in June 2024

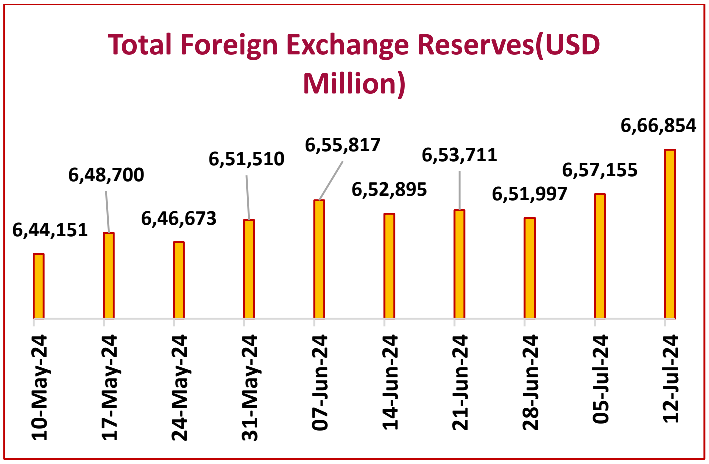


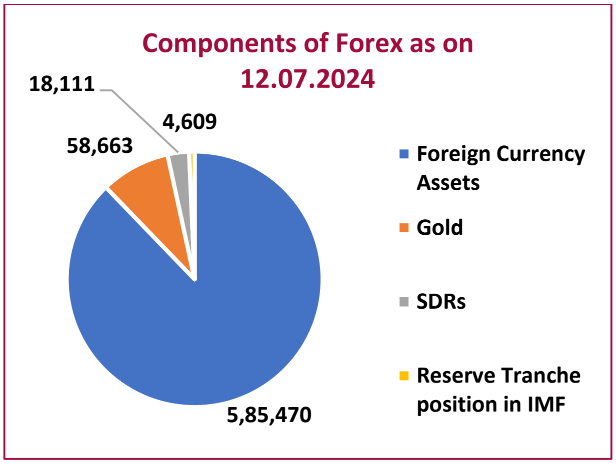
The HSBC India Manufacturing PMI increases to 58.3 in June 2024 from the 57.5 in May 2024. Upbeat demand lifted the output and new order sub-indexes in June, stretching the current sequence of expansion to three years he Indian manufacturing sector ended the June quarter on stronger footing. PMI services increases from 60.2 in May 2024 to 60.5 in June 2024, driven by a surge in new orders and unprecedented growth in international sales. **HSBC India Composite PMI Index stood at 60.9 in June 2024- marginally above last month's 60.5.**

PERFORMANCE OF OTHER LEADING INDICATORS

	Jun -23	Jul -23	Aug -23	Sep -23	Oct -23	Nov-23	Dec-23	Jan-24	Feb-24	Mar -24	Apr-24	May-24	Jun-24
Coal production(YoY%)	9.8	14.9	17.8	16.0	18.5	11.0	10.7	10.3	11.9	8.2	7.5	10.2	14.6
Electricity generation (YoY%)	2.4	6.2	13.2	8.8	21.9	5.8	0.4	7.9	6.4	8.0	10.0	14.6	9.3
Consumption of petroleum products (YoY%)	5.2	3.1	8.1	7.9	4.8	-2.2	3.7	7.3	8.2	1.7	7.8	0.2	2.6
Railways: freight traffic (YoY%)	-1.9	1.5	6.4	6.7	8.5	4.3	6.4	6.4	10.1	-	-	-	10.1
GST collection (YoY%)	11.7	10.8	10.8	10.2	13.4	15.1	10.3	11.7	12.5	11.5	12.4	10.0	7.7
Cement production (million tonnes)	36.5	31.0	33.9	31.0	33.9	29.1	35.9	35.9	36.4	41.2	35.7	35.6	-
Steel consumption (million tonnes)	10.1	10.6	11.1	11.2	11.6	11.3	12.1	11.6	11.7	12.4	11.3	12.1	12.0
Fertiliser sales (YoY%)	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	15.8	18.6	20.5	21.9	19.0	15.0	17.6	18.5	18.1	20.7	19.3	19.0
Tractors sales (Nos. in Thousand)	106.6	67.0	62.1	105.5	125.4	79.0	52.1	62.8	51.8	74.5	84.4	91.8	110.3

FOREIGN EXCHANGE RESERVES



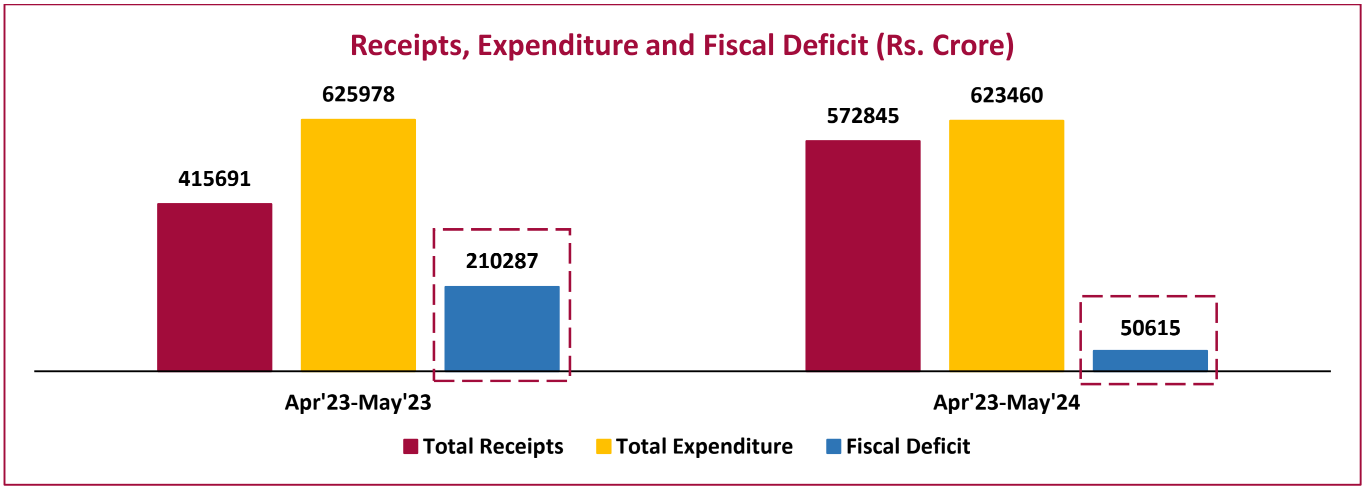


India's foreign exchange reserves rose for a second straight week and hit a record high of $666.85 billion as of July 12. The reserves rose by $9.7 billion in the reporting week, the biggest jump in four months. Forex reserves had risen by $5.16 billion in the prior week ended on July 05, 2024.

E-way Bill Generation (No. In Cr.)

Jun -23	Jul -23	Aug -23	Sep -23	Oct -23	Nov -23	Dec -23	Jan -24	Feb -24	Mar -24	Apr -24	May -24	Jun -24
8.6	8.8	9.3	9.2	10.0	8.8	9.5	9.6	9.7	10.3	9.7	10.3	10.0

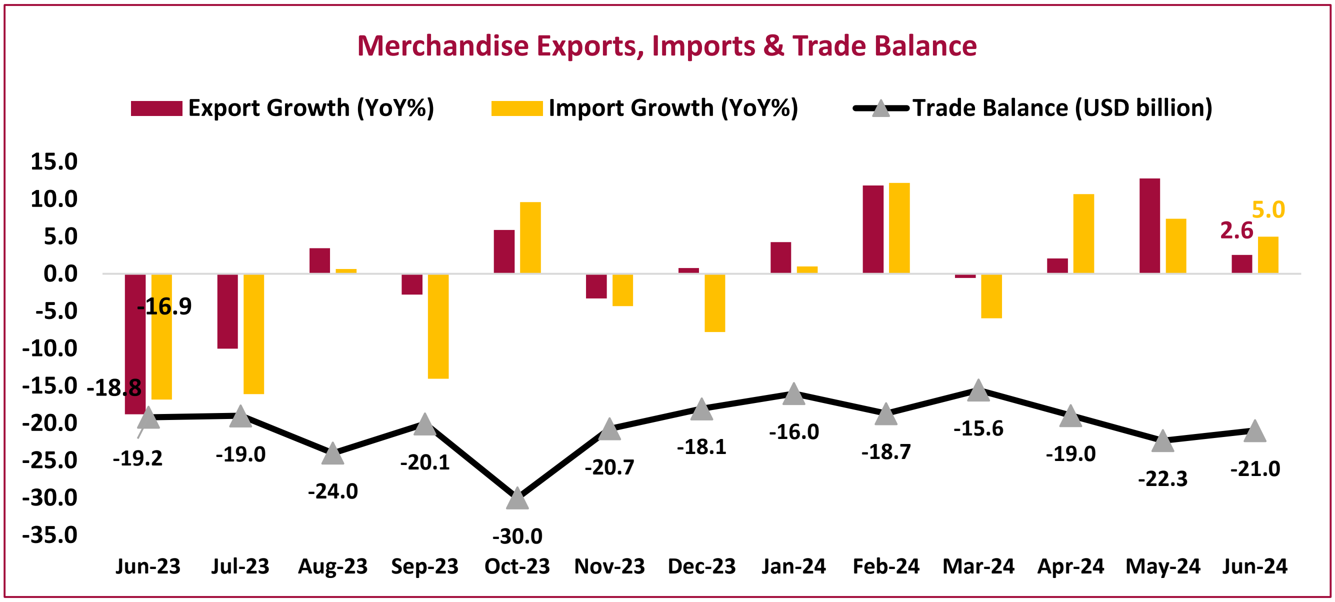
FISCAL DEFICIT

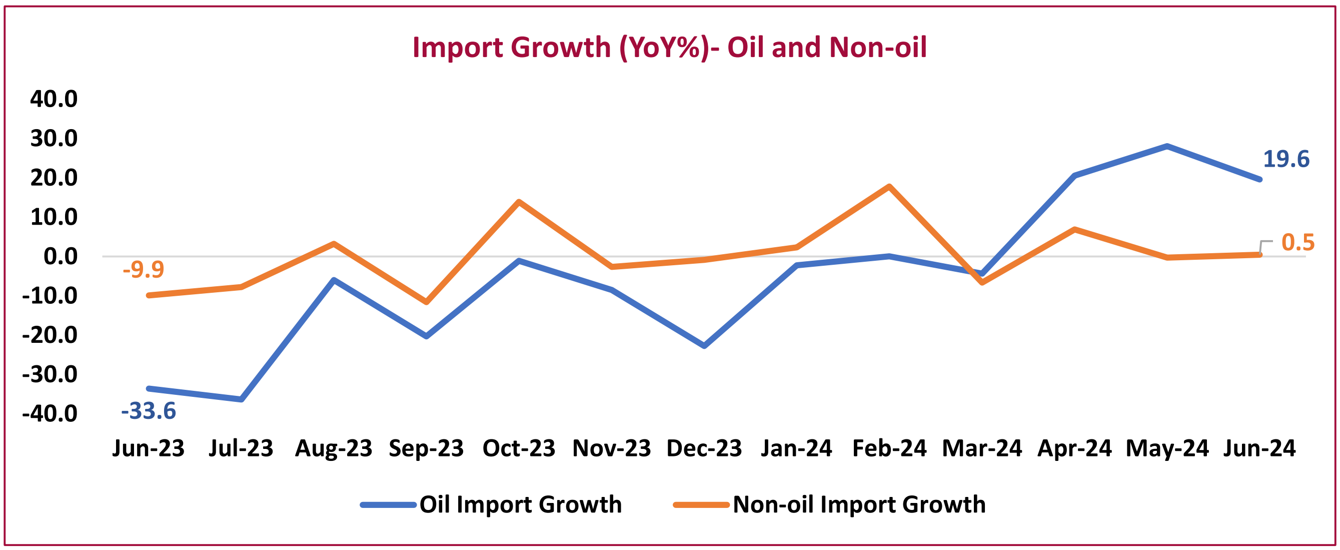


The government's fiscal deficit in the April 2024-May 2024 was arrested at Rs. 50,615 crores – amounting to 3 per cent of the budget estimates vis-à-vis 11.80 per cent of BE reached during the same period last year. This occurred due to reduced capital expenditure by the Centre during the election period, increased revenue receipts, and a record ₹2.11 trillion dividend declared by the Reserve Bank of India (RBI).

FOREIGN TRADE

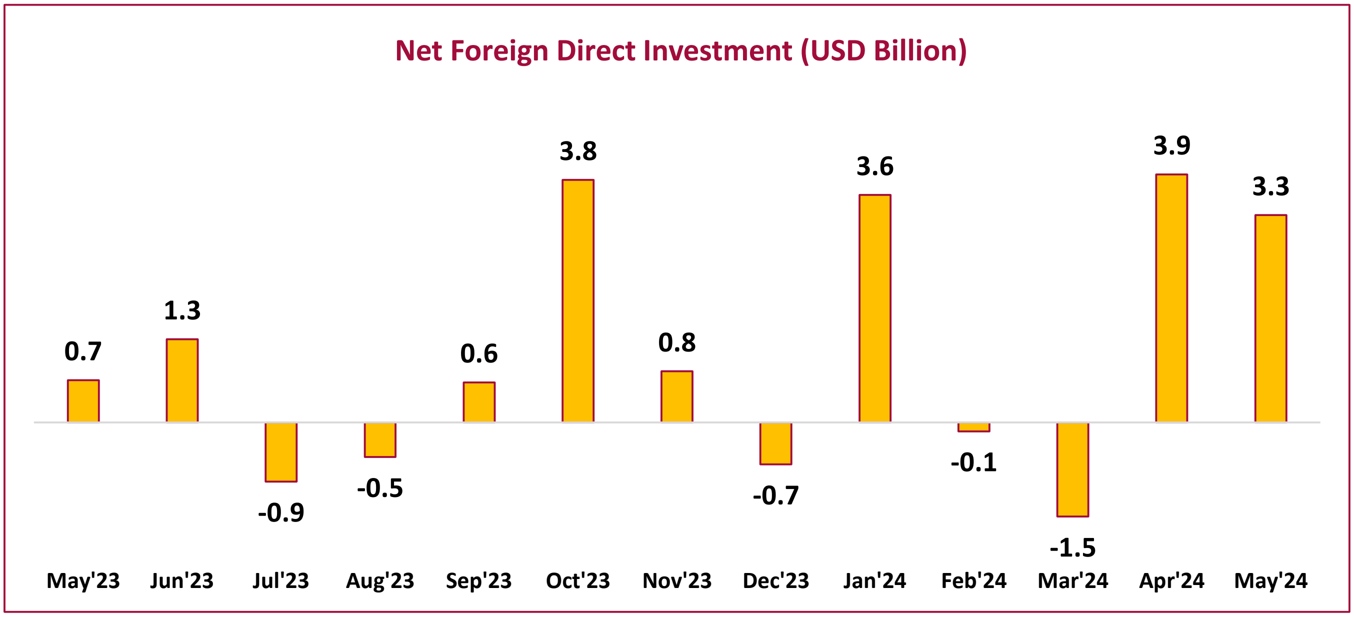
Trade deficit narrows to $20.98 billion



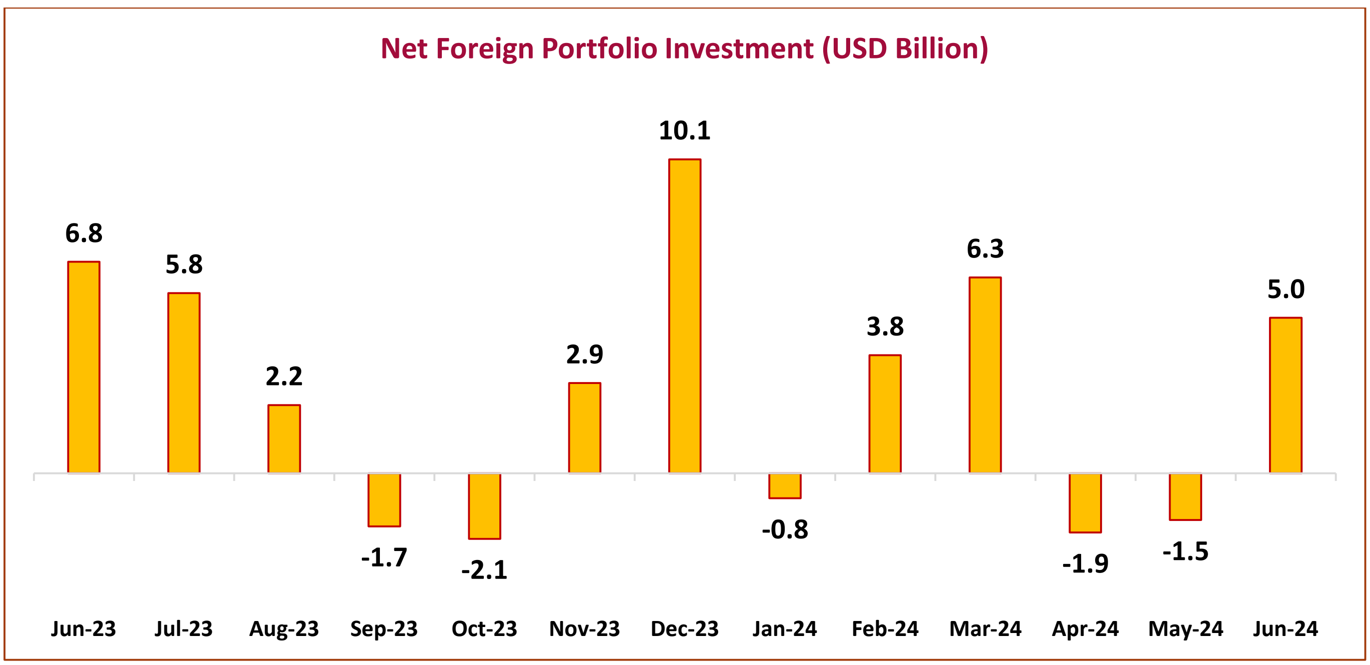


India's merchandise exports saw a growth of 2.56% YoY. Under merchandise exports, 19 out of 30 key sectors exhibited positive growth in June '24. These include Coffee (70.02%), Tobacco (37.71%), Iron Ore (24.66%), Electronic Goods (16.91%) and Cereal Preparations & Processed Items (15.43%). This growth in Indian exports is notable amid geopolitical tensions and export curbs on foodstuffs such as rice to contain domestic inflation. In June 2024, the top 5 export destinations showing significant positive growth in value compared to June 2023 are the USA (5.98%), United Arab Emirates (13.81%), Malaysia (93.82%), Bangladesh (25.2%), and Tanzania (59.13%) and the top 5 import sources demonstrating increased value compared to June 2023 are the United Arab Emirates (48.15%), China (18.37%), Russia (18.57%), Indonesia (23.22%), and the USA (10.65%).

FOREIGN INVESTMENTS



Net Foreign Direct Investments into the country witnessed a significant fall in February 2024 to USD 0.1 billion- down from USD 3.3 billion in May 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 increase in June 2024. June witnessed net inflow amounting to USD 5.0 billion in June 2024 vis-a-vis net outflows of USD 1.5 billion in May and USD 1.9 billion in April 2024. This inflow was mainly driven by expectations of continued policy reforms and sustained economic growth.

BANK DEPOSIT AND CREDIT

Parameter (Rs. Lakh Crore)	30.06.23	22.03.24	14.06.24	28.06.24	YoY (%)	YTD (%)	Fortnightly (%)
Deposits	191.56	204.75	209.03	212.85	***11.12***	***3.96***	***1.83***
Advances	143.84	164.32	167.11	168.81	***17.36***	***2.71***	***1.02***
Business	335.40	369.07	376.14	381.66	***13.79***	***3.40***	***1.47***

SECTORAL DEPLOYMENT OF CREDIT- INDUSTRY WISE

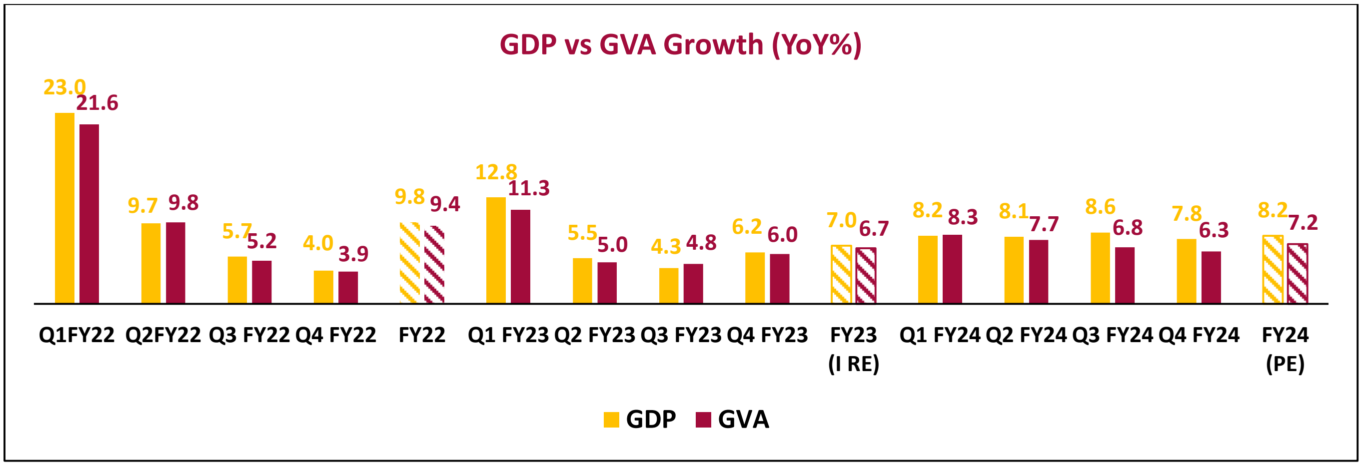
Parameter (Rs. Lakh Crore)	May-23	Mar-24	Apr-24	May-24
Total Non-food	**138.6**	**164.1**	**164.8**	**167.4**
Agriculture and allied activities	**17.6**	**20.7**	**21.1**	**21.3**
Industry	**33.9**	**36.8**	**36.6**	**37.0**
Of which				
Micro & small	6.4	7.3	7.3	7.4
Medium	2.7	3.0	3.1	3.1
Large	24.8	26.5	26.1	26.5
Personal loans	**42.4**	**53.4**	**53.6**	**54.6**
Of which				
Housing (Including priority sector housing)	20.1	27.2	27.4	27.9
Education	1.0	1.2	1.2	1.2
Vehicle loans	5.1	5.9	5.9	6.0
Services	**38.0**	**45.9**	**45.9**	**46.8**
Of which				
Computer software	0.2	0.3	0.2	0.3
Tourism, hotels & restaurants	0.7	0.8	0.8	0.8
Shipping	0.1	0.1	0.1	0.7
Aviation	0.3	0.4	0.4	0.5
Retail trade	4.3	4.9	4.9	5.0
Commercial real estate	3.3	4.5	4.5	4.8

Non-food bank credit registered a growth of 19.8 per cent YoY in May 2024 as compared with 15.5 per cent a year ago. Credit growth to agriculture and allied activities accelerated to 21.6 per cent (y-o-y) in May 2024 from 16.0 per cent a year ago., while Credit to industry grew by 8.9 per cent (y-o-y) in May 2024 as compared with 6.0 per cent in May 2023. Among major industries, credit growth (y-o-y) to 'all engineering', 'chemicals and chemical products', 'food processing', 'infrastructure', and 'textiles' accelerated in May 2024. Credit growth to services sector was robust at 20.7 per cent (y-o-y) in May 2024 (21.3 per cent a year ago).

10. QUARTERLY ECONOMIC INDICATORS

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

India's GDP growth surpasses expectations

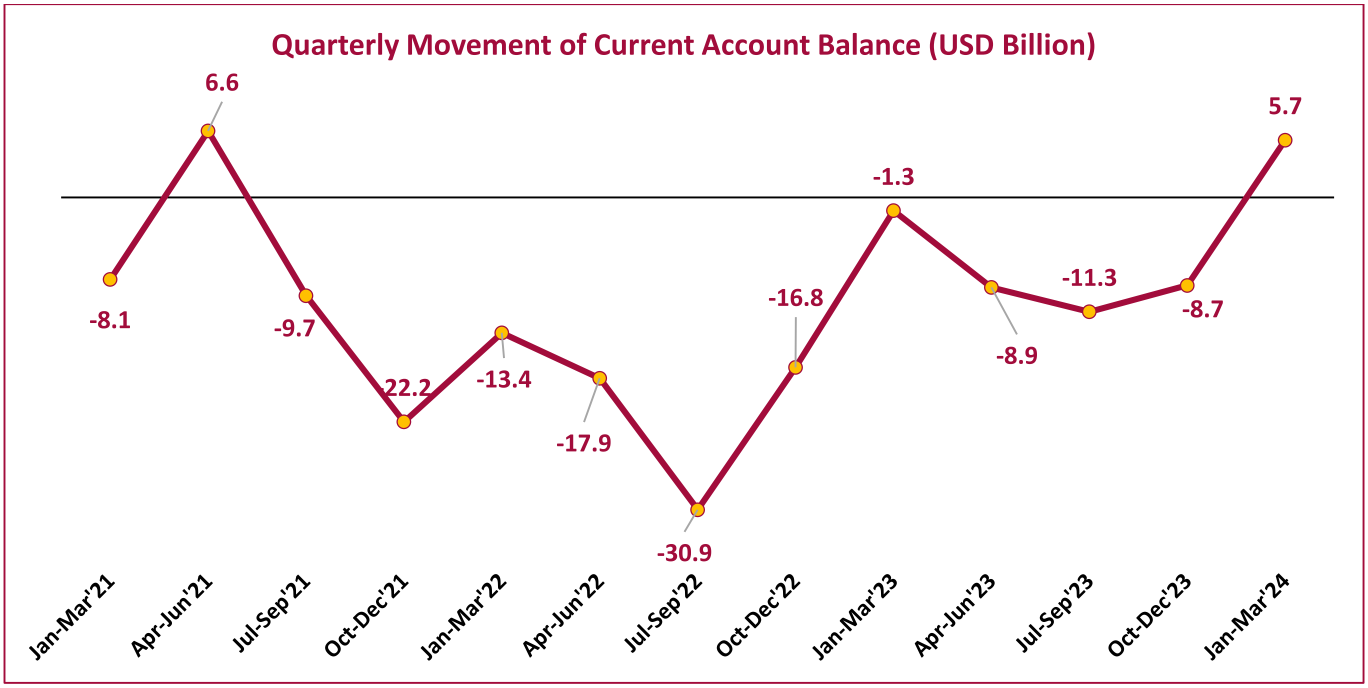


India's economic growth for FY24 was revised up to 8.2 per cent from the 2nd advance estimate of 7.6 per cent - the highest among large economies globally. GVA growth, which excludes indirect tax & includes subsidies, was pegged at 6.3 per cent in Q4 FY24. Manufacturing and construction sector were the primary drivers of the industry sector's robust and consistent growth in Q4 as well as in FY24, reflecting the public capex support push. The services sector also performed well in Q4 FY24, with improvements observed in the public administration, defense services and financial and real estate segments. However, the Agriculture Sector growth has remained low with 0.6 per cent in Q4 FY24, rising slightly from the 0.4 per cent in Q3 FY24. For the overall FY24, it has fallen from 4.7 per cent in FY23 to 1.4 per cent in FY24 owing to monsoon worries.

INDIA'S GDP OUTLOOK BY VARIOUS AGENCIES

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

CURRENT ACCOUNT BALANCE



India's Current Account recorded a surplus of USD 5.7 billion (0.6 per cent of GDP) in Q4 FY'24 as against a deficit of USD 8.7 billion (1.0 per cent of GDP) in Q3 FY'24. In the same quarter last year, the current account had recorded a deficit of USD 1.3 billion (0.2 per cent of GDP). The surplus recorded was bolstered by growth in services exports, especially software, travel and business services as well as a surge in remittances to India.

11. GLOBAL INTEREST RATES

Central Banks	Countries	Latest Interest Rate (%)	Last Change	Next Meeting Date
Bank of Japan	Japan	0.10%	March 19, 2024 (20bps)	July 31, 2024
European Central Bank	Europe	4.25%	June 06, 2024 (-25 bps)	Sep 12, 2024
Federal Reserve	U.S.A	5.50%	Jul 26, 2023 (25bps)	July 31, 2024
Bank of England	U.K	5.25%	Aug 03, 2023 (25bp)	Aug 01, 2024
Peoples Bank of China	China	3.35%	Jul 22, 2024 (-10bp)	-
Reserve Bank of India	India	6.50%	Feb 08, 2023 (25 bps)	Aug 08, 2024

12. INDUSTRY OUTLOOK

STEEL

Steel is a versatile and essential material that underpins modern life and industry. Its widespread use in manufacturing and construction makes it a crucial driver of economic development. From buildings to vehicles, steel forms the backbone of infrastructure and industrial growth.

The steel industry serves as a key economic indicator. Its performance often reflects a nation's overall economic health, given steel's critical role in infrastructure projects and manufacturing. A thriving steel sector typically signals broader economic expansion, increased construction activity, and industrial advancement.

The Indian steel sector plays a vital role across all aspects of the economy, significantly impacting GDP, industry, and infrastructure. Contributing approximately 2.5% to the national GDP, it provides employment to 2.5 million individuals, both directly and indirectly. The industry's influence extends beyond these direct contributions: for every unit of steel output, the Indian economy sees a 1.4-fold increase in overall output. Moreover, the sector's employment multiplier effect is substantial, with each job in steel generating 6.8 jobs in related industries.

The Indian steel industry's market size was valued at approximately $120 billion in 2023. Globally, the steel industry was valued at $1.2 trillion in the same year. Looking ahead, India's steel industry is projected to grow at a CAGR of 5-6% between 2024 and 2030, potentially reaching a market size of $200 billion by 2030. The global steel market is expected to grow at a CAGR of 3.5% during the same period, potentially reaching $1.5 trillion by 2030.

As of 2023, India's crude steel production capacity stood at approximately 150 million tonnes per annum (MTPA). The country produced about 120 MT of crude steel in the FY'24, maintaining its position as the world's second-largest steel producer after China. India's steel exports have been fluctuating in recent years due to global market conditions and domestic demand. In 2023, steel exports were around 12 million tonnes, while imports were approximately 5 million tonnes, reflecting India's net exporter status in the steel sector. Driven by rising infrastructure development and growing demand from sectors like automotives, construction & capital goods, India's per capita consumption of steel grew from 46 Kgs in FY'08 to around 87 Kgs in FY'23.

India has established itself as a global steel hub, accounting for 6% of worldwide crude steel production and 5.7% of global consumption. In line with the government's Atmanirbhar Bharat (Self-Reliant India) initiative, the National Steel Policy, 2017 has set an ambitious target of achieving a crude steel capacity of 300 MT by 2030. This goal reflects India's commitment to expanding its steel sector and enhancing its global steel market presence.

Despite a significant increase in total finished steel consumption from 90.68 MT in 2018 to 106 MT in 2021, India's steel industry still has considerable room for growth. This potential is evident in the country's per capita steel consumption of 70 kg, which remains far below the global average of 227.5 kg. The industry now faces a dual challenge: boosting domestic steel usage while also promoting Indian steel in international markets to increase exports.

Shubham Singh
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*
- *GST Council*
- *Websites of major Central Banks*
- *Controller General of Accounts (CGA)*
- *Investing.com*
- *Press Articles*
- *NSDL*
- *Cogencis*
- *CMIE*
- *Press Articles*

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QUOTE OF THE MONTH

"A book, too, can be a star, a living fire to lighten the darkness, leading out into the expanding universe."

– Madeleine L'Engle

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कॉर्पोरेट कार्यालय, प्लॉट सं. 4, सेक्टर-10,
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