

RESEARCH**BOB ECONOMICS RESEARCH | MONTHLY CHARTBOOK**

Growth inflation powerplay continues

SUMMARY**INDIA ECONOMICS: MONTHLY CHARTBOOK**

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09 December 2024

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The consumption story: India's PFCE growth inched up to 6% in Q2FY25 against a growth of 2.6% in Q2FY24. On the other hand, in line with expectations, the GFCE growth moderated to 4.4% from 14.4% in Q2FY24. There are mixed signs of how consumption story is faring so far as reflected by high frequency indicators including uptick in electronic imports. RBI's consumer confidence in Nov'24 turned optimistic for future. However, some moderation was noted in digital payments, PV sales and credit growth. On rural front, agriculture growth remained a bright spot, clocking a growth of 4% in Q2FY25 (1.7% in Q2FY24). Rabi sowing so far has been higher compared with last year supported by good soil conditions and better reservoir levels.

Central government finances: Centre's fiscal deficit rose to 5.1% as of Oct'24 (12MMA basis) from 4.6% in Sep'24, as revenue growth moderated. Till Oct'24 (FYTD basis), total expenditure rose by 3.3%, following (-) 0.4% decline registered in H1FY25. This was due to bounce back in revenue spending, as it rose by 8.7% from 4.2% in H1. Capex continued to decline but at slightly slower pace (-14.7% versus -15.4%). On the income side, Centre's net revenue growth slowed to 8.7% from 16.1% in H1, dragged by moderation in direct tax collections (11.1% versus 13.6%) and non-tax receipts (50.2% versus 50.9%). Indirect tax collections held ground. We expect spending to pick up further in the coming months, to meet budgeted targets.

Yields witnessed volatility: India's 10Y yield witnessed quite a bit of momentum. In Nov'24, it moderated in line with global yields. Same narrative persisted till RBI policy where markets priced in slimmer chances of rate cut on account of sharp slowdown in Q2 GDP data. However, post RBI policy, much sell off was witnessed as status quo prevailed. This might be following a hawkish policy following upward revision in inflation projections. The CRR cut of 50bps was in line with market expectations.



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