

RESEARCH**BOB ECONOMICS RESEARCH | MONTHLY CHARTBOOK**

Budget to focus on fiscal consolidation

Daily macro indicators

Indicator	07-Jun	10-Jun	Chg (%)
US 10Y yield (%)	4.43	4.47	3bps
India 10Y yield (%)	7.02	7.03	2bps
USD/INR	83.38	83.51	(0.2)
Brent Crude (US\$/bbl)	79.6	81.6	2.5
Dow	38,886	38,799	(0.2)
Hang Seng	18,477	18,367	(0.6)
Sensex	75,075	76,693	2.2
India FII (US\$ mn)	06-Jun	07-Jun	Chg (\$ mn)
FII-D	112.8	154.7	41.9
FII-E	(811.2)	642.0	1,453.2

Source: Bank of Baroda Economics Research

SUMMARY**INDIA ECONOMICS: MONTHLY CHARTBOOK**

Domestic macro fundamentals continue to post steady recovery. However, inflation is still worrisome with major upward momentum visible in vegetables, pulses and cereals. Unless these segments witness some correction, 4% headline number does not seem feasible in the near term. Major event in the coming days is likely to be the final Budget where there is anticipation of a change in spending pattern.

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11 June 2024

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Domestic macro fundamentals continue to post steady recovery. However, inflation is still worrisome with major upward momentum visible in vegetables, pulses and cereals. Unless these segments witness some correction, 4% headline number does not seem feasible in the near term. Major event in the coming days is likely to be the final Budget where there is anticipation of a change in spending pattern.

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Revenue spending to spur consumption

Revenue spending is likely to gain prominence to spur consumption demand. Fiscal prudence would be at the core. Market fundamentals such as domestic yield would witness further downward correction supported by index related flows. INR might come under some pressure as deferment of Fed rate cycle seems likely.

Rural demand to turn strong this year

RBI's survey reflected consumer confidence was marginally down but there is an expectation of a rise in overall spending in the next 1-year, for both essential and non-essential items. There has been a steady rise in power demand, electronic imports and digital payments. On agri front, overall growth in this sector in FY24 has been lower than last year. A rebound is expected in FY25 supported by favourable base and expectation of above normal monsoon. India's foodgrain production (3rd AE) is expected to be marginally lower in the year 2023, but remains higher, compared with average foodgrain production of past 5-years.

FY24 FD lower than target

Centre's fiscal deficit ratio (% of GDP) eased to 5.6% in FY24, lower than 5.8% as per FY24RE. This was on account of higher than anticipated revenue receipts (mainly due to non-tax receipts). In FY24, centre's overall spending growth eased to 5.9% from 7.1% as per FY24RE, dragged by revenue spending (1.2% versus 2.5% as per RE). Capex growth broadly met the target (Rs 9.49 lakh crore versus Rs 9.5 lakh crore as per RE). Income side noted an increase. Centre's net revenue receipts were at Rs 27.3 lakh crore versus RE of Rs 27 lakh crore. Within this, tax receipts were up at Rs 23.26 lakh and non-tax receipts jumped to Rs 40.2 lakh crore versus Rs 37.6 lakh crore. For FY25, we expect the government to keep the fiscal deficit target unchanged from the interim budget at 5.1%.

Yields exhibited volatility

India's 10Y yield showed considerable moderation. The medium to longer part of the curve shifted downwards completely.



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