

RESEARCH
BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET

Economic Round-up: November 2023

Daily macro indicators

Indicator	1-Dec	4-Dec	Chg (%)
US 10Y yield (%)	4.20	4.25	6bps
India 10Y yield (%)	7.29	7.27	(2bps)
USD/INR	83.30	83.36	(0.1)
Brent Crude (US\$/bbl)	78.9	78.0	(1.1)
Dow	36,246	36,204	(0.1)
Hang Seng	16,830	16,646	(1.1)
Sensex	67,481	68,865	2.1
India FII (US\$ mn)	30-Nov	1-Dec	Chg (\$ mn)
FII-D	(10.9)	131.0	141.9
FII-E	1,169.1	685.9	(483.2)

Source: Bank of Baroda Economics Research

SUMMARY
INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET

Global economy is showing signs of soft landing rather than hard landing, with US economic growth proving to be more resilient than expected and UK economy giving slight miss to start of the recession in Q3. However, conditions remain bleak in Eurozone, but prospects of improvement are emerging (PMI business confidence, Germany IFO business sentiment index). Growth in China remains in a tight spot, as signalled through official PMIs, while domestic consumption seems to be holding ground (retail sales). Amongst these, India remains a bright spot and has maintained its position of fastest growing major economy in the Sep'23 quarter, despite noting slight moderation in GDP print. Weakness in US economy is more prominent in Q4 and based on this, analysts expect no more rate hikes by Fed. Timing of rate cut is debatable, but is widely expected to start by mid CY24.

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05 December 2023

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Sonal Badhan
Economist

Global growth: Global growth seems to be faltering in Q4, with labour market in the US loosening, housing sector slowing and manufacturing activity also faltering. In case of Eurozone and UK, weakness continues to persist and Q4 is expected to be no better. However, as inflation pressures ease globally, domestic demand can be expected to provide growth some push. In China, growth is awaiting more fiscal/monetary stimulus from the government for revival. Ongoing problems in the real estate sector (EverGrande bankruptcy) are expected to hamper economic activity. On the other hand, expectations of improvement in demand from Europe and less than expected slowdown in US can provide support to China's trade engine.

Global Central Banks: In Oct/Nov'23, US Fed, ECB, BoE, BoJ and Bank of Canada held rates unchanged. Fed Chair and other members have consistently reiterated that rate hike is not off the table if data warrants and any talks of rate cuts a premature. However, looking at high-frequency data from the US it is clear that Fed may no longer need to hike rates but may choose to keep rates 'higher for longer'. Other central banks such ECB and BoE are also expected to follow the same path keep rate elevated. In UK rate cuts are not expected before Jul'24. On the other hand, BoJ continues to maintain ultra-loose monetary policy, despite market indicators signalling need for shift in stance. BoJ members have highlighted that real wage growth remain negative hence there is need for ultra-loose policy and talks of shift in stance are premature.

Key macro data releases: India's GDP growth surprised positively, rising by 7.6% in Q2FY24, following a 7.8% growth in Q1FY24. The moderation was led by slowdown in private consumption, while upward push was given by improvement in sectors including government consumption, followed by investment. GDP growth is expected to register some moderation in H2 in line with RBI's projections. However, given the upcoming general elections, government spending is expected to pick up and support growth estimates.



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