LETTER

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CRISIL RAISES INDIA'S GDP GROWTH FORECAST TO 6.8% FROM 6.4% FOR FY25

Rating agency CRISIL on Wednesday raised its economic growth forecast for India in the next financial year (FY25) to 6.8 per cent from 6.4 per cent estimated earlier, citing higher growth momentum.
In its India Outlook report, it, however, said growth will moderate in FY25 from 7.6 per cent in the current financial year (FY24) as higher interest rates and lower fiscal impulse will temper demand and the net tax impact will normalise.

“The fiscal impulse [next year] will be lesser because of the need to reduce the fiscal deficit to 5.1 per cent of GDP next fiscal according to the glide path presaged. However, the nature of government spending will provide some support to the investment cycle and rural incomes,” CRISIL said in a statement.
On the inflation front, the rating agency expects the softening to continue in the next financial year on the back of healthier agriculture output that tames food inflation, and benign oil and commodity prices.
The report also expects the Indian economy to grow at an average rate of 6.7 per cent till the end of this decade.
India will become an upper middle-income country and nearly double its economy to $7 trillion, piggybacking on significant private investments in emerging sectors, continuing government spending on infrastructure build-up, ongoing reforms push and efficiency gains from increasing digitisation and physical connectivity, it said.
By FY31, both cylinders of the economy - manufacturing and services - are expected to fire, yielding a sturdier growth path.
CRISIL chief economist Dharmakirti Joshi said there is ample opportunity for both manufacturing and services to cater to domestic and global demand.
“We project manufacturing and services to grow 9.1 per cent and 6.9 per cent respectively, between fiscal 2025 and 2031. Despite some growth catch-up by manufacturing, services will remain the dominant driver of India’s growth,” he added.
CRISIL, in its note, said capex in the country has been driven by the household sector and the infrastructure build-out bankrolled by the central and state governments over the past three fiscal years.

“Going forward, the industrial sector is expected to pick up pace, with investments flowing towards both conventional and emerging sectors, even as infrastructure capex maintains momentum," it said.

The rating agency expects overall capex to grow 9-11 per cent annually over the next four financial years, with a good mix of the industrial and infrastructure segments. Private capex is expected to rise to Rs 6.5 trillion annually on average between FY24 and FY28, from Rs 3.9 trillion in the preceding five years.

CRISIL said emerging sectors such as electric vehicles (EVs), semiconductors and electronics will dominate investments, driven by market dynamics and global supply-chain diversification.

Miren Lodha, director, CRISIL expects a majority of the private capital expenditure in the emerging sectors to be led either by large companies in India or their global counterparts. He said this could translate into a larger dependence on bonds than bank-based funding, which is a trend with large companies. Of the private capex expected in other conventional sectors, Lodha expects it to be a mix of large-size and mid-size companies

On India's upcoming elections and what could or should be a focus area in terms of policy, Joshi said: "It could be a thrust on what is needed for the animal spirits of the private sector to go full throttle."

For FY25, Lodha expects borrowing from sectors such as steel, cement, auto value chain, and pharma to rise, but he maintained that he does not expect a sharp increase in debt burden.

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Indian economy likely to grow close to 8% in FY24, says RBI Governor

The Indian economy is likely to grow more than the National Statistical Office (NSO) estimate of 7.6 per cent in the current financial year (FY24) and it could be close to 8 per cent, Reserve Bank of India (RBI) Governor Shaktikanta Das said on Wednesday.

The NSO in its second estimate pegged economic growth at 7.6 per cent for FY24.

“Our sense and understanding of the high-frequency indicators and the momentum of economic activity tells us that this 5.9 per cent growth in Q4 could be exceeded and when that happens the growth will be more than 7.6 per cent. There is quite a good chance of the gross domestic product (GDP) number for the current year being very close to 8 per cent,” Das said in an interview with news channel ET Now.

On the issue of Paytm Payments Bank that has been asked to stop deposit and credit transactions after March 15, Das said the regulatory action was against the payment bank, a regulated entity, and not against any fintech.

He said the March 15 deadline would be sufficient and not cause any disruption since only

15-20 per cent of Paytm app users have linked their account to the payments bank.
“So far as Paytm is concerned, a large part of its payments app users, almost to the extent of about 80 to 85 per cent, are linked to other banks along with Paytm bank or to entirely different banks. So, therefore, about 80 to 85 per cent of the customers who are using the app will not be impacted at all because their app is also linked to another bank account of theirs,” Das said.
“So, their payments can go on in a non-disruptive manner. The challenge is with regard to those 15 or 20 per cent of the users who have linked only with Paytm Payments Bank. Therefore, Paytm Payments Bank has been advised to shift these customers to other banks,” Das said, stressing that the RBI favours innovation in the financial technology sector and has even introduced Sandbox for testing new tools.
“The RBI is and remains fully supportive of fintech...The RBI is all for fintech to grow.”
Regarding GDP growth for FY25, Das stuck to the estimates provided during the February monetary policy review which was 7 per cent.

“We are quite optimistic about next year. And I say, with a reasonable amount of confidence based on our internal analysis and research, that 7 per cent next year is definitely very much on the table,” Das said.
While adding that the economic growth momentum has been strong, Das said rural demand has improved compared to the year-ago period and urban demand continues to be very strong. Also, the investment activity remains strong on the back of government capex, and private capex is also beginning to pick up. There are signs of private capex revival, particularly in certain sectors like steel, construction activity, textiles, and chemicals, according to Das.
The governor said the savings rate in the country would improve as economic growth strengthens.
Currently, the credit growth in the economy is about 16 to 17 per cent and deposit growth is around 12 to 13 per cent. Meanwhile, the historical growth trends in deposits are around 13 to 14 per cent.
“To some extent, I think there has been some dip in deposits, perhaps because I think now there is a propensity to spend more. I think people’s consumption expenditure is picking up. But, eventually, that money comes back into somebody else's bank account. So, as economic growth takes a greater foothold, I think one can expect the savings rate to improve.”
Speaking about inflation and maintaining the stance, the governor said the RBI was trying to bring inflation sustainably and durably to 4 per cent.
“It cannot be just a one-off number or just a one-month number touching 4 per cent, which will give us satisfaction. It has to be sort of sustainably and durably at around 4 per cent

and that is something which will give us greater confidence. But the direction is very clear, inflation is on a downward trajectory.”
However, the central bank continues to be cautious with its monetary policy stance due to two major uncertainties emanating from geopolitical risks resulting in supply chain challenges and weather-related events that affect food prices.
The inflation print for January was 5.1 per cent, 110 basis points higher than RBI’s target.
The RBI’s estimation of Consumer Price Index inflation for FY25 is 4.5 per cent.

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Inflation reached double-digit growth in Congress regime, our govt contained it below 5%: Amit Shah

Union Home Minister Amit Shah on Wednesday said their government contained the inflation below 5 per cent while it had reached double-digit growth during the Congress-led UPA regime.

Before 2014, the Indian economy was fragile, inflation was high and fiscal deficit was beyond control, Shah said at the India Global Forum's annual investment summit NXT10 in Mumbai.

Today, India has emerged as a policy-driven state, he said.

"We are approaching elections with our government's performance of last 10 years and roadmap of next 25 years," the Union minister said ahead of the upcoming Lok Sabha polls.

Lauding Prime Minister Narendra Modi as a visionary PM, Shah said that by 2047, when the country celebrates its centenary of independence, Bharat will be completely developed, atmanirbhar (self-reliant) and among the top three economies in the world.

"Bharat is a self-confident and self-reliant country, which has transformed itself from a dormant to a dynamic government, from regressive to progressive growth,

The progress made in the last 10 years should be compared with the previous UPA government's decade, he said.

"Unless you do not know how deep the pothole was, you cannot understand the progress we achieved," the senior BJP said.

"Inflation reached double-digit growth during the Congress-led UPA regime; our government has contained it below 5 per cent. The country's confidence was shaken due to various scams of Rs 12 lakh crore during the UPA's tenure, crony capitalism was at its peak," he said.

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India’s ad-GDP ratio dismal despite being among fastest-growing markets

Despite being one of the fastest-growing advertising markets in the world, India’s advertising-to-GDP ratio is among the lowest, the 2024 edition of the Ficci-EY report showed.

Most key markets such as the US, China, Japan, Germany and the UK have an advertising-to-GDP ratio in the region of 0.6-1%. In comparison, India’s ad-GDP ratio is 0.33%, according to the report.

India’s ad market is projected to grow in the range of 11-15% in calendar year 2024, according to recent forecasts by some of the country’s top media agencies, including GroupM, Madison Media, Dentsu and IPG Mediabrands.

India is also projected to cross the `1-trillion mark in terms of ad spends for the second year in a row in 2024, led by digital, television and print advertising. It will stand eighth overall in terms of ranking of ad markets from the ninth spot earlier, ad forecasters say, led by the general and state elections as well as a likely strong summer, high-impact properties such as the Indian Premier League, and a stable second half of the year.

Yet, the divergence between ad-to-GDP ratio and ad growth rates is hard to miss. Advertising and media industry executives point to a number of reasons for this contrasting trend.

“We actually remain under-invested as an advertising market versus other key markets where even small businesses advertise apart from the larger companies,” said Vikram Sakhuja, group chief executive officer (CEO) at Madison Media and OOH.

Also, advertising rates in India versus international markets are lower across media, said Sajal Gupta, CEO of Gurugram-based media consultancy Kiaos Marketing, which has contributed to lower advertising versus GDP. “Despite the ad market growing in size in India, ad rates have not grown substantially,” he said, adding: “This has contributed to India’s advertising to GDP ratio being low versus global markets.”

Sujata Dwibedy, chief investment and trading officer at Amplifi, which is part of the Dentsu group, said the startup sector has cut back on spends, which has led to fewer companies advertising overall. “Startups and new-age companies are high-impact categories that brought in significant advertising dollars, thanks to VC funding earlier. That has slowed now. Secondly, with startups advertising, there was a ripple effect across the economy, pushing more players to advertise. This has taken a backseat for now with the squeeze in funding,” she said.

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Centre willing to procure jute and cotton crop if prices fall below MSP: Goyal

The government is willing to procure the harvest of jute and cotton from farmers if the market price is lower than the Minimum Support Price (MSP), Union Minister Piyush Goyal said on Wednesday.

The minister further said that the Centre is working towards increasing the production of jute and cotton and is willing to provide quality seeds and fertilisers for quality produce to fulfil the vision of farm to foreign exports.

The Union Minister for Textiles, Consumer Affairs & Food & Public Distribution and Commerce & Industry made the remarks during his interaction with beneficiaries of the Textile Sector here as he also urged them to be vocal for local.

“Be vocal for local and take local to global. That’s the clarion call from Prime Minister Narendra Modi to showcase our products on the world stage”, Goyal said.

The minister further noted that ramping up textile production in the country will spur income, open up employment opportunities and play a vital role in making the country ‘Atmanirbhar’ as well.

He urged the artisans to register their businesses on the Government e-Marketplace (GeM). Goyal also said he has instructed GeM to register all artisans and weavers connected with handicraft and handloom without any registration fee.
“Registering on the e-marketplace will boost the visibility of artisans and help promote businesses enhancing their income,” said Goyal.

He further said that the government would try to facilitate the GeM-registered businesses to be on-boarded on major e-commerce websites in the country and push for registering their businesses on foreign websites prioritising handicraft and handloom.
The minister noted that the support of the officials to the handicraft and handloom businesses, especially small enterprises, would help them create an identity through their craft on the GeM website, the Textiles Ministry stated.
With a special emphasis on promoting the ‘Made in India’ initiative, Goyal urged the officials to devise ways for the handicraft beneficiaries to gain from the ‘Handmade in India’ label and register greater income on their products.
The Minister noted that businesses selling machine-made products under the ‘Handmade in India’ label should be penalised and said that the government would take firm action to protect the handicraft and handloom sectors.
“Goyal said that the government is willing to procure the harvest of jute and cotton farmers if the market price is lower than the Minimum Support Price,” the official statement by Textiles Ministry said.
He urged the textile sector to collectively work towards technological innovation that would ease the lives of the artisans and weavers and provide an impetus to their income.
Stressing on the need to redefine and present the handicraft and handloom at the world stage, the Minister said that the industry should work towards improving the quality and packaging of the textile products to increase the brand value and income of the artisans and weavers.
He also said that with the convergence of schemes like PM-Suryoday Yojana (free solar-powered rooftop scheme), Samarth schemes and benefits from textile schemes would help the artisans benefit their businesses and transform their income.

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India-Oman free trade deal likely to be signed soon, say officials

Read more at : India-Oman free trade deal likely to be signed soon, say officials | Mint (livemint.com)

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EFTA trade deal to include investment commitment

Read more at : EFTA trade deal to include investment commitment - Economy News | The Financial Express

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Australia's GDP Grows Marginally In December 2023 Quarter

Australia's economic growth edged up by 0.2 per cent in the December quarter of 2023, marking a 1.5 per cent increase over the year, as revealed by the Australian Bureau of Statistics (ABS). This modest quarterly growth was underpinned by a 0.6 per cent rise in government final consumption expenditure, following a more significant increase of 1.5 per cent in the September quarter.
Net trade contributed positively to the quarter's GDP growth, adding 0.6 percentage points, thanks to a notable 3.4 per cent decline in imports. The fall in goods imports, which dropped by 2.8 per cent, was particularly evident in consumption and intermediate goods. On the other hand, exports decreased slightly by 0.3 per cent, primarily due to a 0.4 per cent reduction in goods exports.

The quarter also saw a $2.7 billion decrease in inventories, which detracted 0.3 percentage points from the GDP growth. This decline in inventories was partly attributed to the fall in goods imports, affecting wholesale and retail inventories as businesses opted not to replenish stock levels during the period, as per ABS.

Household spending experienced a slight increase of 0.1 per cent in the December quarter, with all essential categories seeing growth. Compensation of employees saw a more significant boost, rising by 1.4 per cent over the quarter and 8.4 per cent since December 2022, reflecting continued income growth amidst the economic conditions.

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Annual Report To US Congress Calls For Bangladesh Labour Law Reforms

The US government, in its 2023 Annual Report to Congress, has called for upgrading labour laws in Bangladesh as per international standards to be in tune with President Joe

Biden's 2024 Trade Policy Agenda.
The Agenda and the Annual Report were released on March 1.

The United States has earlier repeatedly urged Bangladesh to reform its labour laws, extending the rights of freedom of association and collective bargaining to the export processing zones and special economic zones, and to ease the trade union registration requirements for workers.

The US trade representative (USTR) engaged with the commerce ministry throughout last year to convey the importance of the present US dispensation's worker-centred trade policy.

USTR officials interacted with government agencies and textile and apparel brands, retailers, trade associations, and domestic and international labour stakeholders regarding this.

USTR and inter-agency partners highlighted growing concerns regarding violence against and harassment of workers, unfair labour practices, freedom of association, collective bargaining and the need for a fair and transparent minimum wage process for garment workers at the US-Bangladesh Trade and Investment Cooperation and Facilitation Agreement (TICFA) council meeting in September last year.

Because of concerns related to worker safety standards and worker rights, Bangladesh's eligibility for the Generalised System of Preferences was terminated in 2013, the Report said.

The 2024 Trade Policy Agenda stands up for workers' rights and sustainable trade practices; supports US farmers, ranchers, fishers and food manufacturers; bolsters supply chain resilience; addresses unfair policies and practices; and advances inclusive, durable trade policy through expanded engagement, an official release said.

USTR is working closely to set up a Council on Trade and Competitiveness, which will meet regularly to implement the guidance regarding trade matters in the East Room Declaration of the Leaders of the Americas Partnership.

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Asian Exports To Be Adversely Hit Due To Red Sea Disruptions: EIU

Asian exports will be adversely affected due to the disruptions arising out of the conflict in the Red Sea through increases in port dwelling times and shipping days, as well as

changes in inventory management, according to Hong Kong-based Economist Intelligence Unit (EIU).
Imports are likely to be less affected than exports as many Asian countries are dependent on China (or India in the case of South Asia) for their inbound shipments, it noted.

Despite the rerouting of trade, data indicate that inbound vessels are less affected than outbound vessels for countries such as Singapore, Cambodia, New Zealand, Indonesia and Sri Lanka.

EIU expects small downward revisions to its forecasts for Asian growth in the first half of this year as a result of the disruption, which is likely to persist, and upside risks to our inflation forecasts.

Sub-regions more directly affected will include South Asia, for which most trade goes via the Suez Canal, and export-oriented economies in Southeast Asia such as Indonesia, Thailand and Malaysia.

An indirect impact will be felt across most Asian economies through increased shipping costs, particularly in food-dependent economies, EIU said in a note.

Import dwell times for countries like Japan, India and Australia have increased significantly, which may exert inflationary pressure tied to disruption in clearance and the smooth onboarding of new vessels.

Regardless of shipping disruption, it takes longer to ship from Bangladesh than other countries in south and south-east Asia because of the former's poor port infrastructure. EIU expects countries like Bangladesh to face a greater impact as manufacturers and warehouses shift their bases to other countries, like Indonesia, which would reduce lead time by 10 days in the medium term.

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Bangladesh Finance Minister Asserts Economic Stability Amid Growth

Finance minister Abul Hassan Mahmood Ali emphasised the positive trajectory of Bangladesh's economy, citing the steady increase in major macroeconomic indicators and indices.

Speaking to reporters after chairing a session at the Ministry of Finance recently, he reassured the public, stating there was no cause for concern or disappointment regarding the country's economic status.

Ali highlighted the upward trend in inward remittances in February and the overall growth across key macroeconomic indicators even as he dismissed concerns of uncertainty, attributing them to baseless propaganda spread by some vested interests.

The minister also pointed out that Bangladesh had achieved its highest position in various indicators since independence under the leadership of Prime Minister Sheikh Hasina.

He underscored the tangible progress witnessed across the nation, emphasising the positive impact of development initiatives.

Regarding inflation, Ali downplayed its significance, highlighting the government's provision of family cards to millions of people, enabling them to access essential commodities at subsidised prices.

State minister for Finance Waseqa Ayesha Khan echoed Ali's sentiments even as she reiterated the government's commitment to austerity measures and efficient implementation of development projects.

Cotton Fell On Profit Booking After Prices Rose Due To Severe Cold In China Harmed Crop.

Cotton candy witnessed a marginal decline of -0.52%, settling at 61600, driven by profit booking following a recent surge fueled by adverse weather conditions in China and reduced acreage in the US, contributing to a global cotton shortage. The severe cold in China has affected the crop cycle, while diminished acreage in the US has added to concerns about supply. However, profit-taking pulled prices lower as market participants reassessed the situation. The US Department of Agriculture's (USDA) World Agricultural Supply and Demand Estimates (WASDE) for 2023/24 indicated lower ending stocks, higher exports, and reduced mill use, underlining the global cotton supply challenges.

The Southern India Mills Association (SIMA) has advised textile mills to avoid panic buying, anticipating a potential increase in global supply post-July. The USDA reported a 69% decline in net sales of cotton for 2023/2024, contributing to market fluctuations. Despite this, the February WASDE report highlighted a decrease in world cotton production and ending stocks, with India's cotton exports in February reaching the highest level in two years. Indian cotton, now the cheapest globally, attracted buyers in China, Bangladesh, and Vietnam.

Technically, the market is undergoing long liquidation, with a -1.97% drop in open interest, settling at 399. Cottoncandy is currently finding support at 61260, and a breach could test 60910 levels. Resistance is expected at 62020, with a potential move above targeting 62430. Despite the recent profit-taking, the fundamentals of reduced global supply and increased Indian exports suggest a complex market dynamic. Traders should closely monitor global production trends, export figures, and weather conditions for cotton markets' future movements.

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