

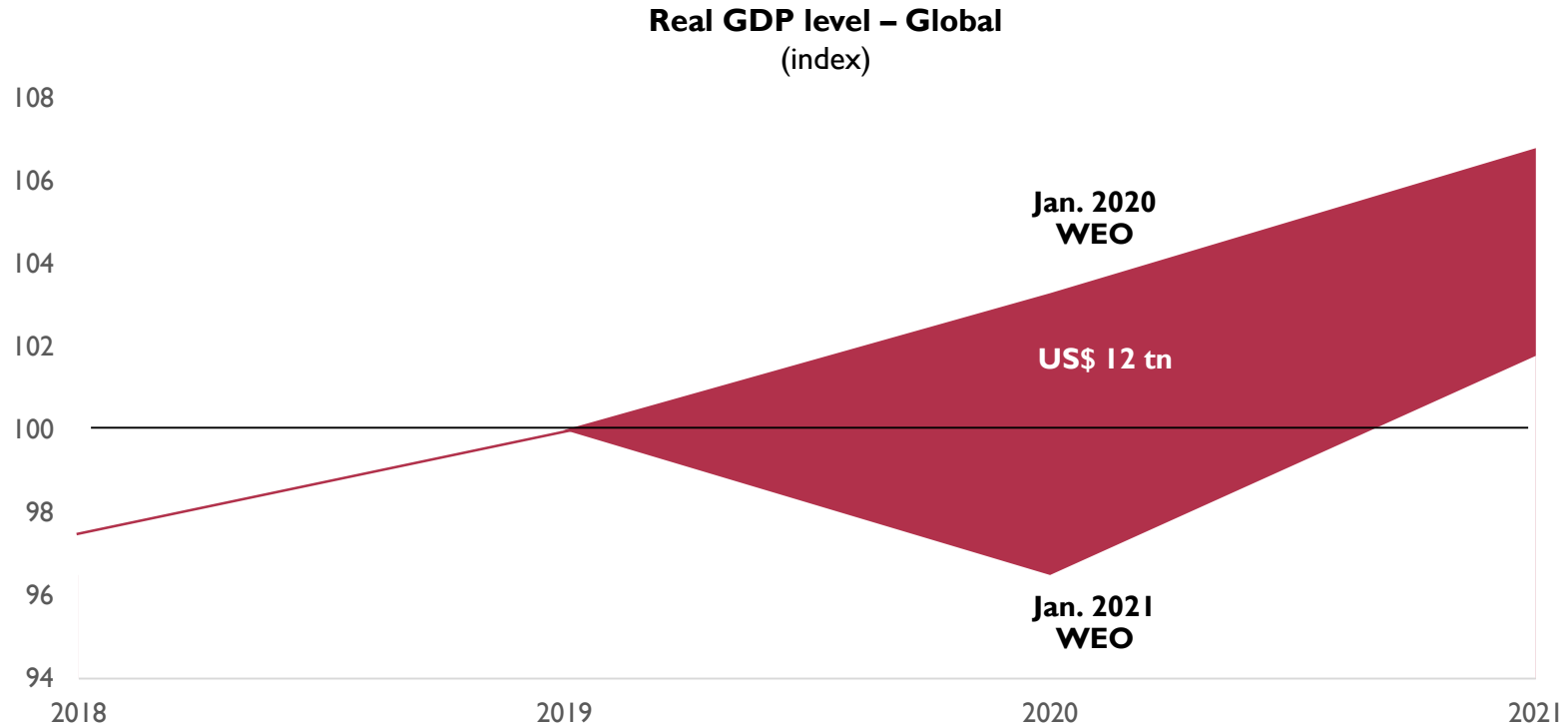
# Current Macro-Economic Scenario & Impact on Indian Financial Markets

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Global Chief Economist

March 03, 2020

## REAL GDP GROWTH

Cumulative output loss over 2020 and 2021 could be around US\$ 12 tn compared to the pre pandemic forecasts



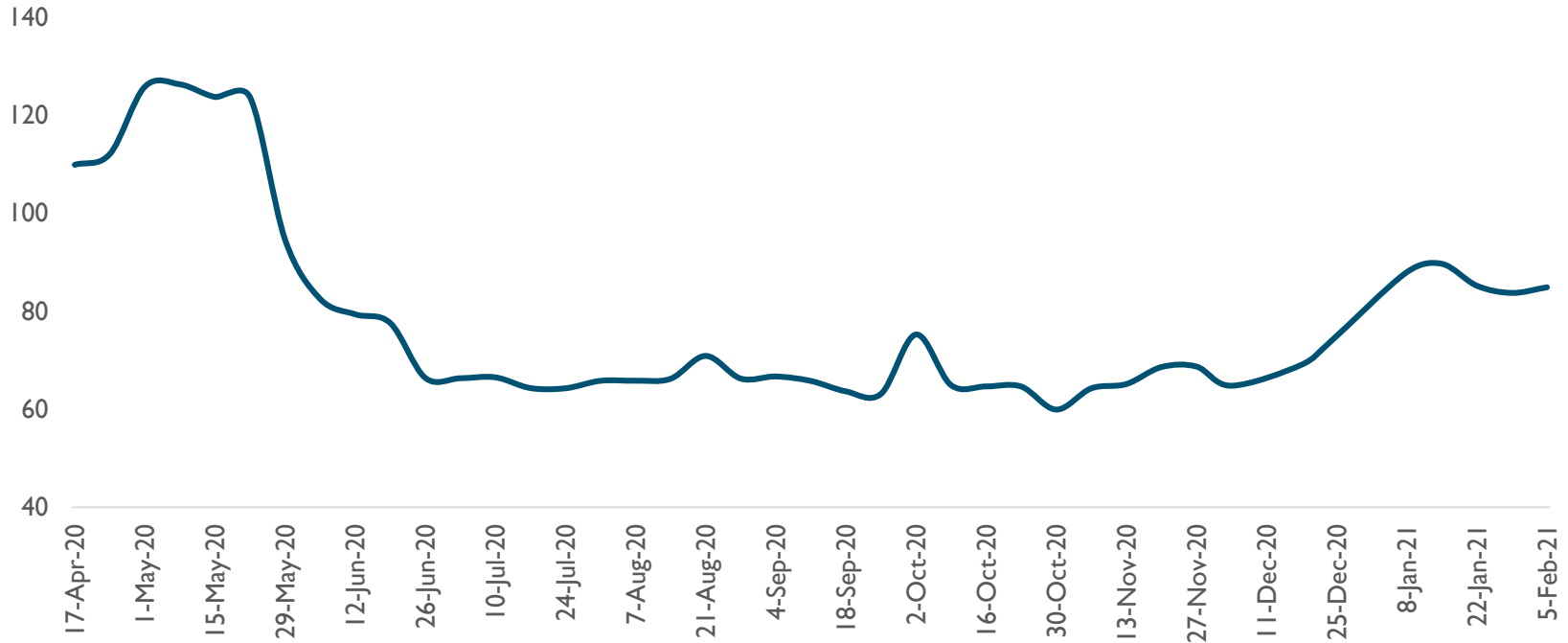
Note: Forecasts as on Jan 2021

Source: IMF, D&B Analysis

## BUSINESS DISRUPTION

Disruption to global supply chains remain elevated as the percentage of businesses disrupted globally stands at 40% (85 million) by early-Feb 2021 - highest in over six months

Dun & Bradstreet Commerce Business Disruption Tracker

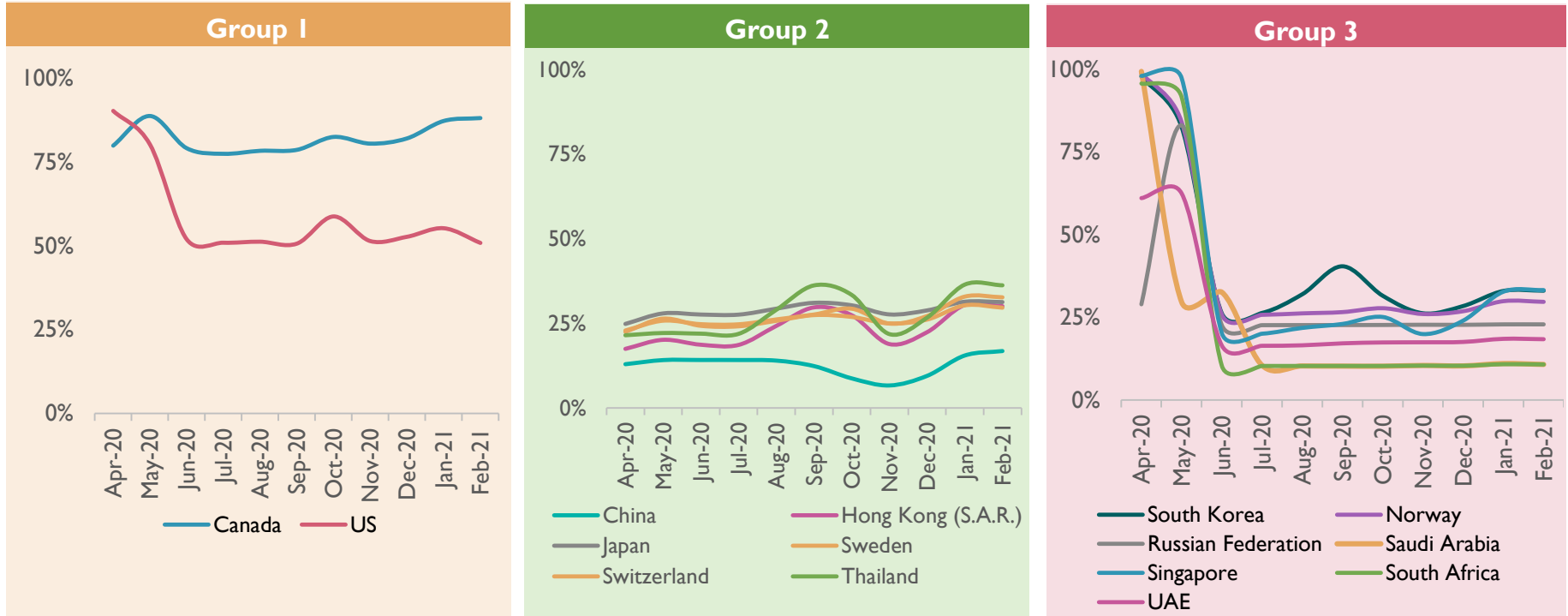


Source: Dun & Bradstreet

## BUSINESS DISRUPTION

Our tracker readings confirm the asymmetric impact of the pandemic which showed several distinct patterns for 30 major economies

### Dun & Bradstreet Commerce Business Disruption Tracker

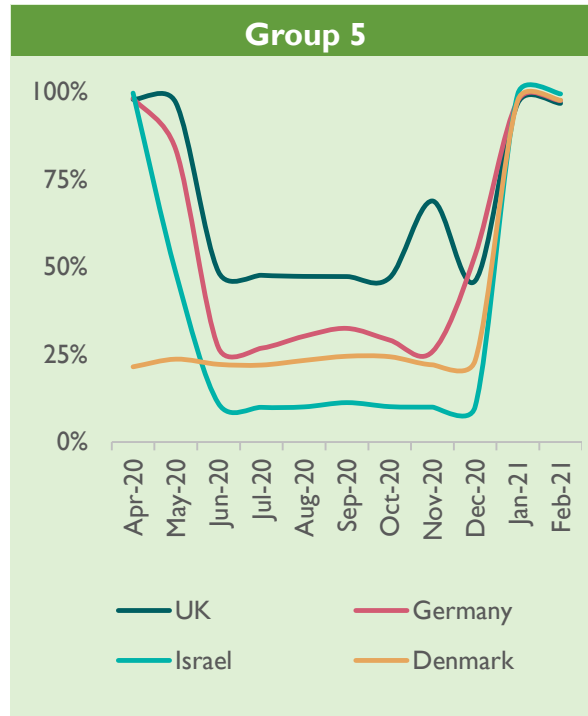
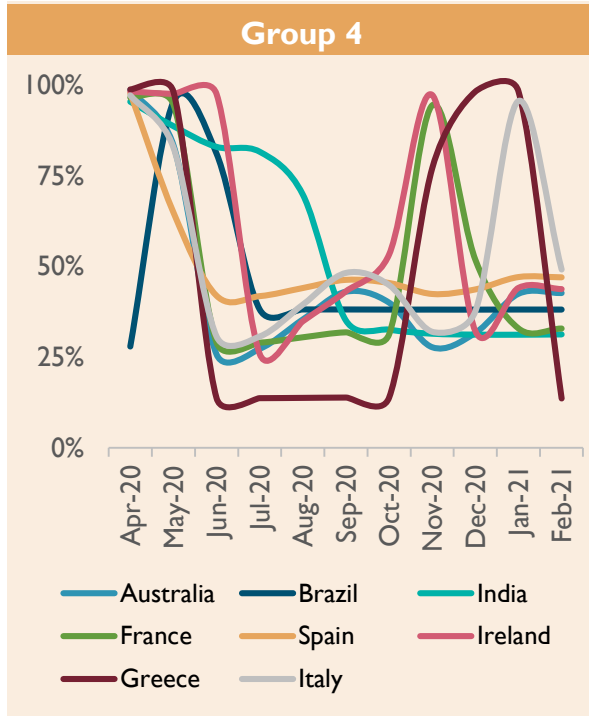


Source: Dun & Bradstreet

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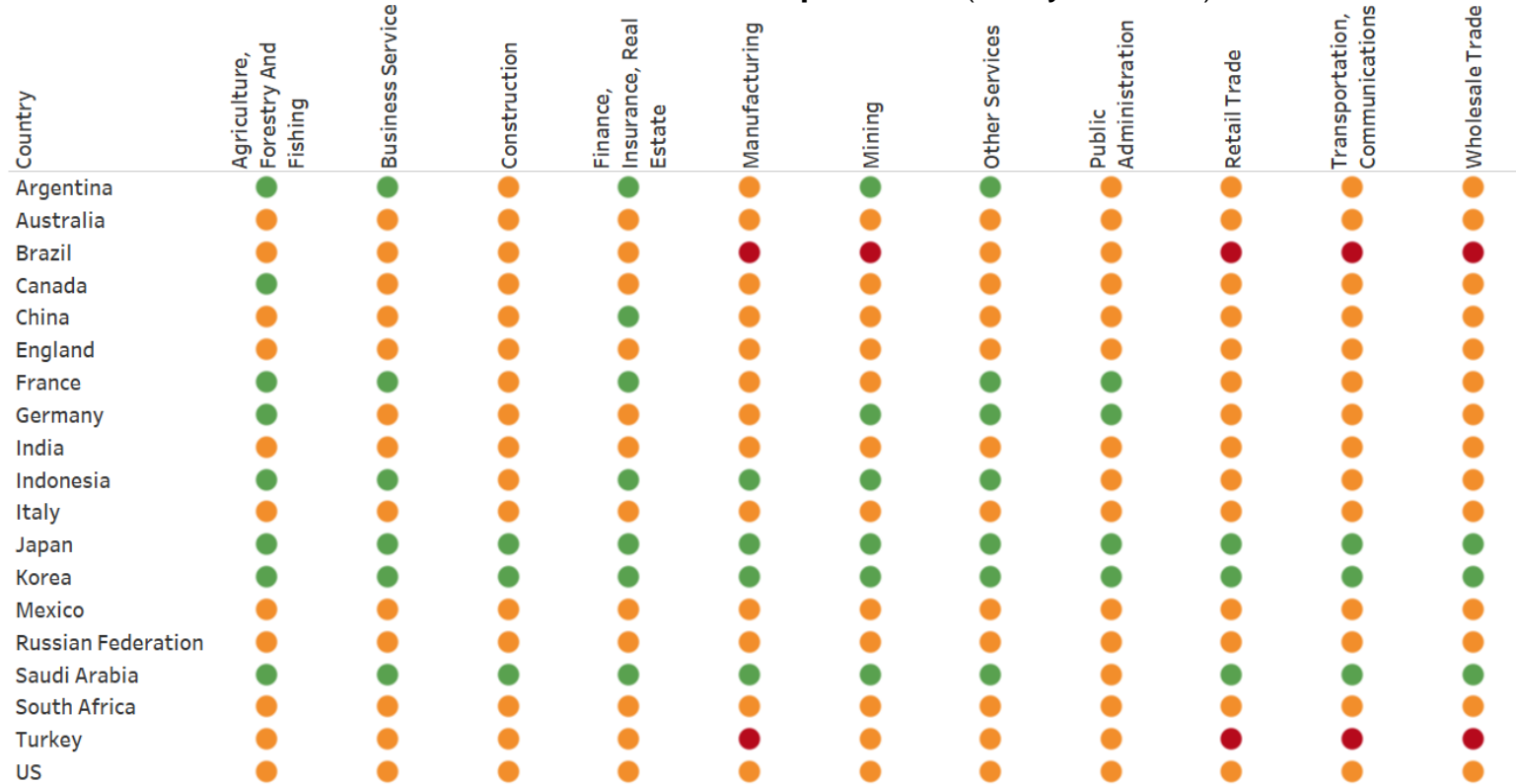


Source: Dun & Bradstreet

# COVID-19 IMPACT INDEX

## Distinct variations in risk at the sector level have also been observed

Dun & Bradstreet COVID-19 Impact Index (as on Jan 05, 2021)

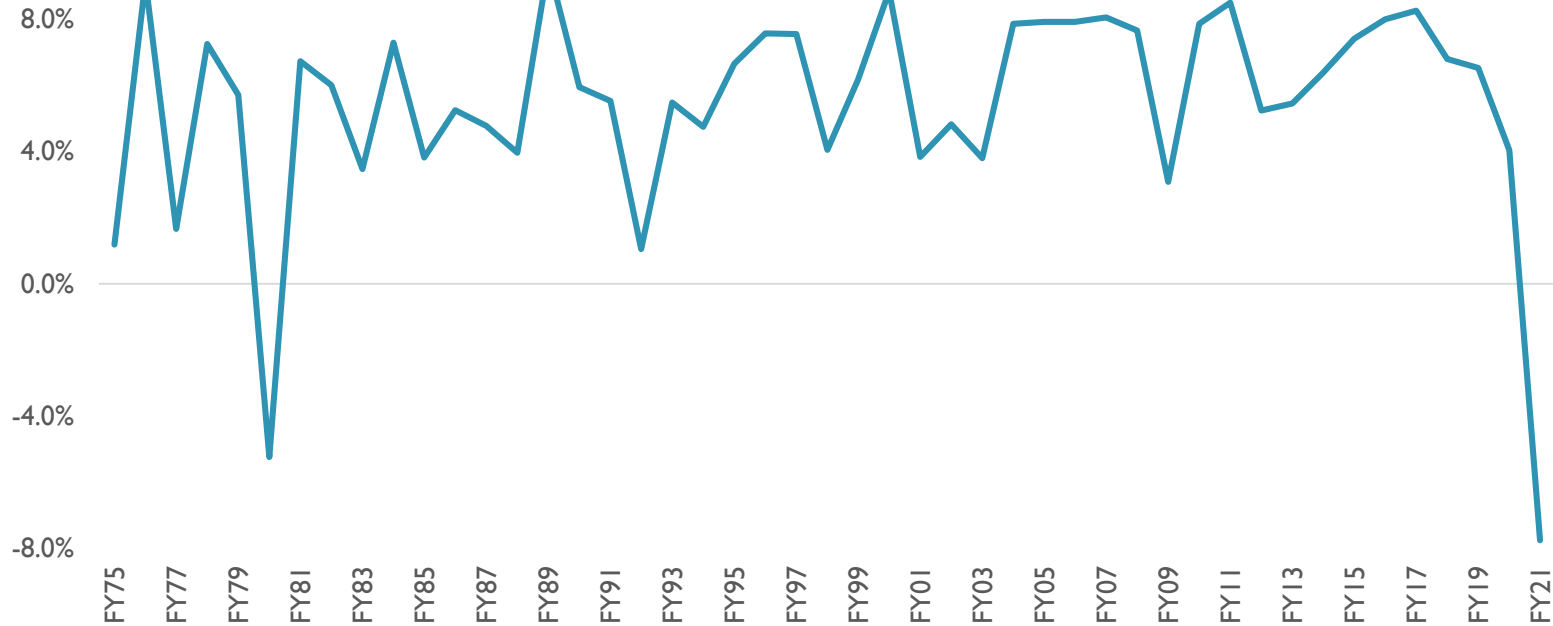


Source: Dun & Bradstreet

## REAL GDP GROWTH

# India's economy is expected to contract for the 1<sup>st</sup> time in four decades

Real GDP Growth – India

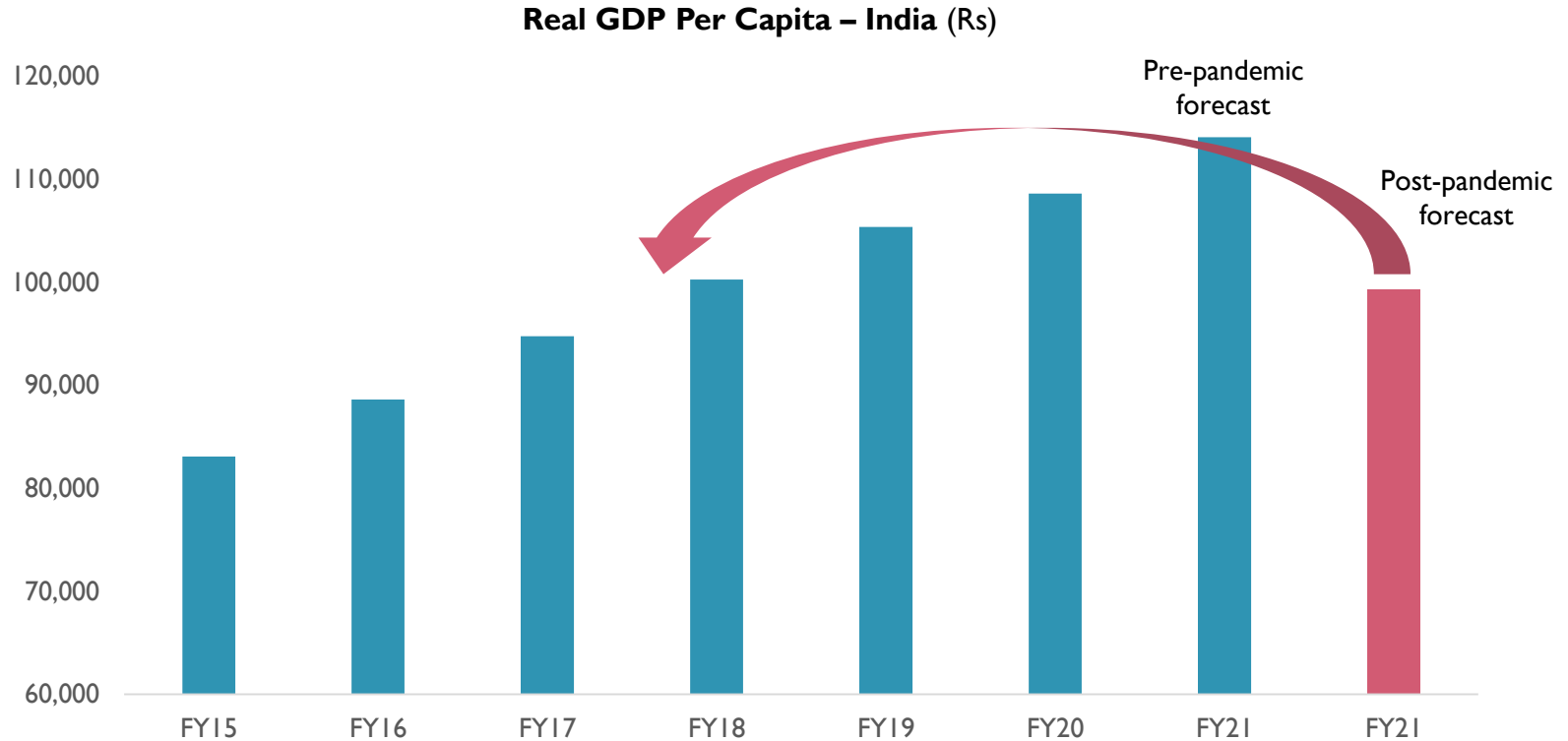


Note: Data for FY21 is forecast

Source: MOSPI, D&B Analysis

## PER CAPITA GDP

Income levels is estimated to regress to FY18 levels, wiping out 3 years of progress



Note: Data for FY21 is forecast

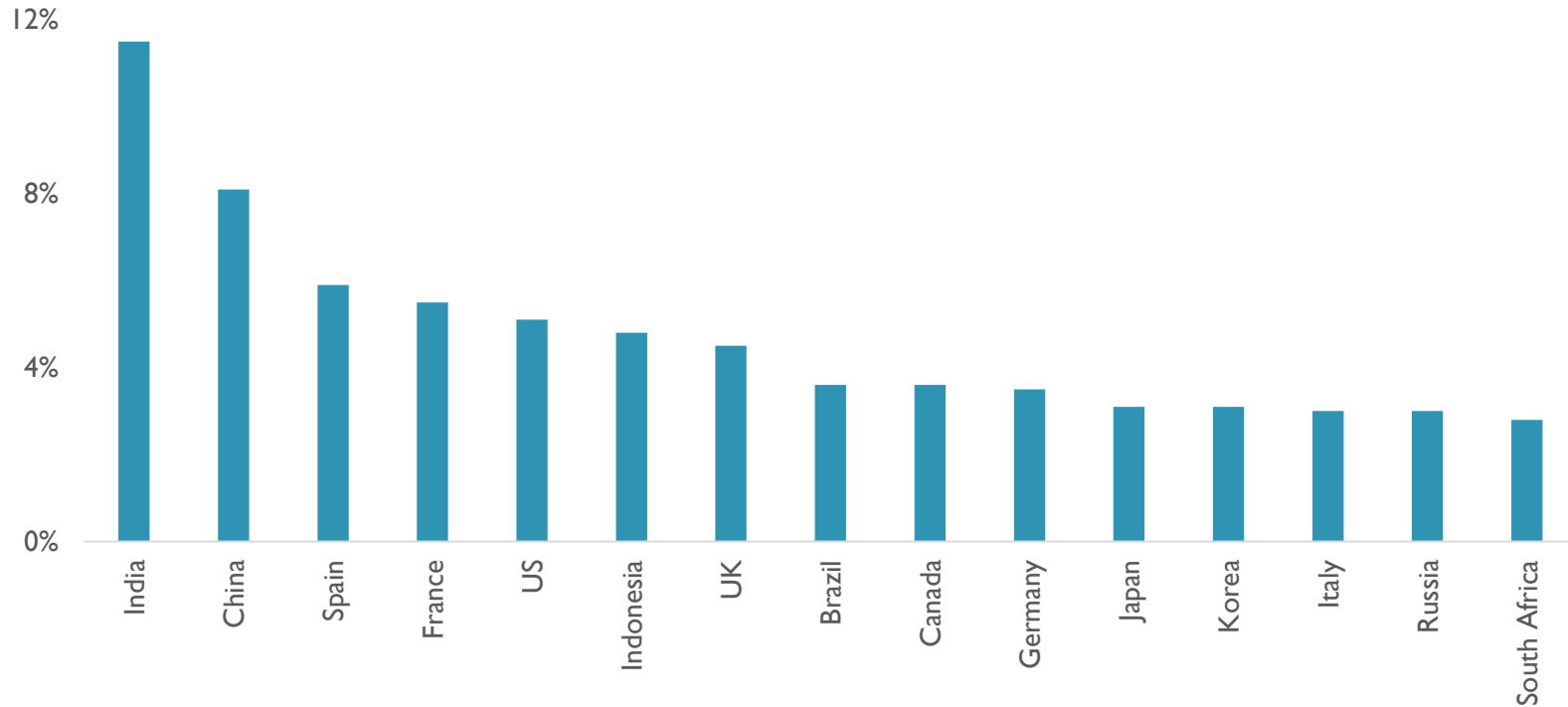
Source: MOSPI, D&B Analysis



## REAL GDP GROWTH

However, India is expected to be the only major economy to record a double-digit growth in the next fiscal year

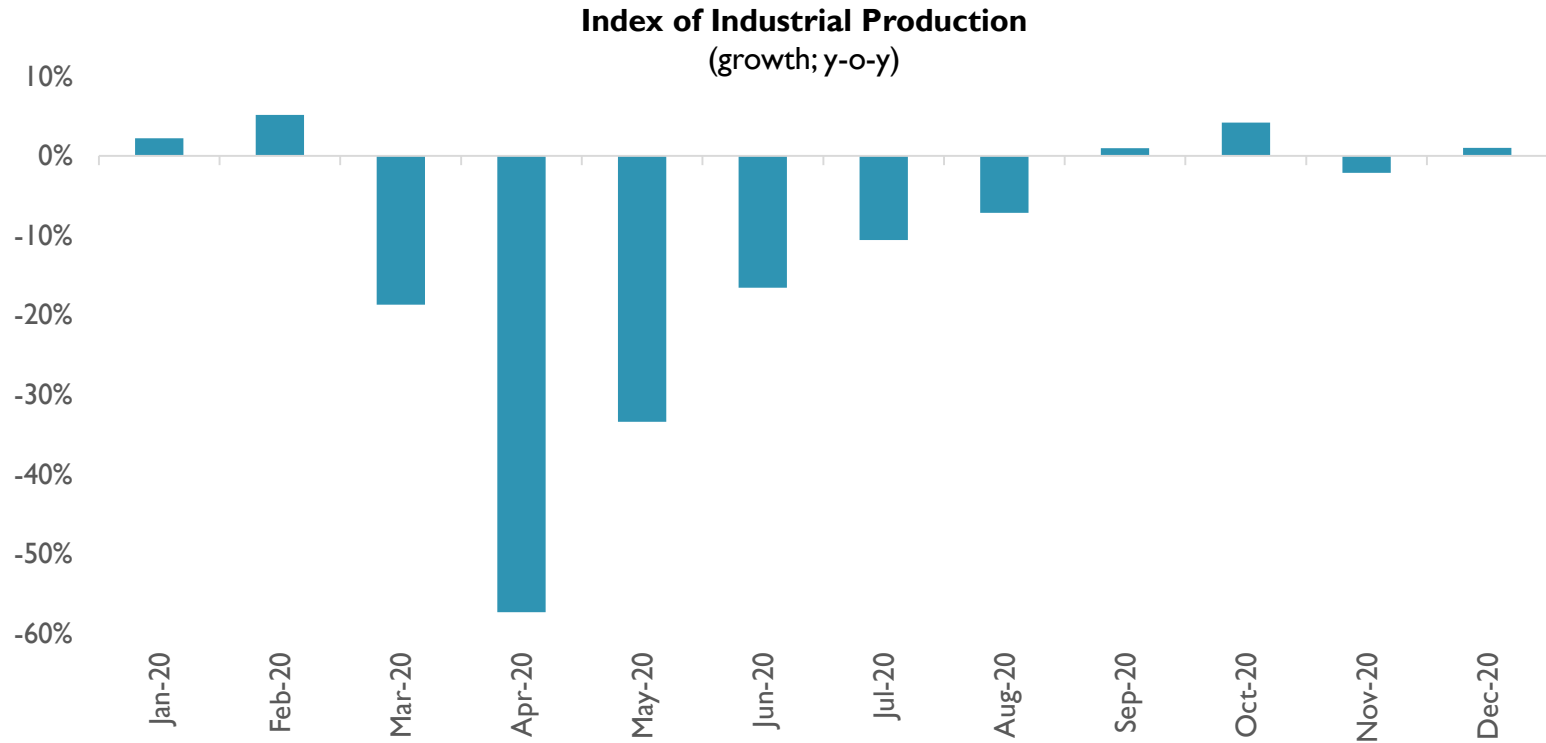
Real GDP Growth Forecast - 2021



Source: IMF, D&B Analysis

## INDUSTRIAL OUTPUT

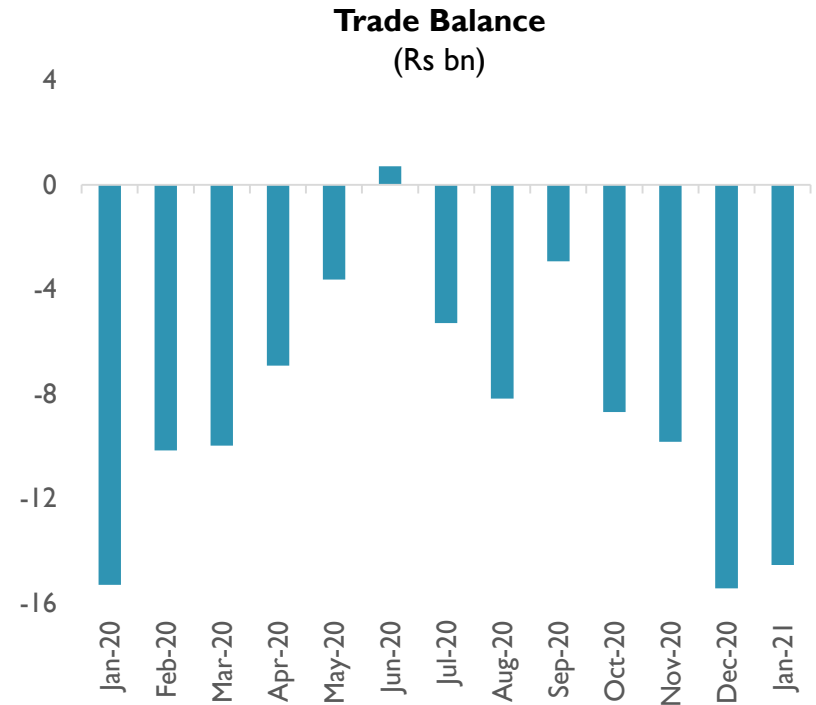
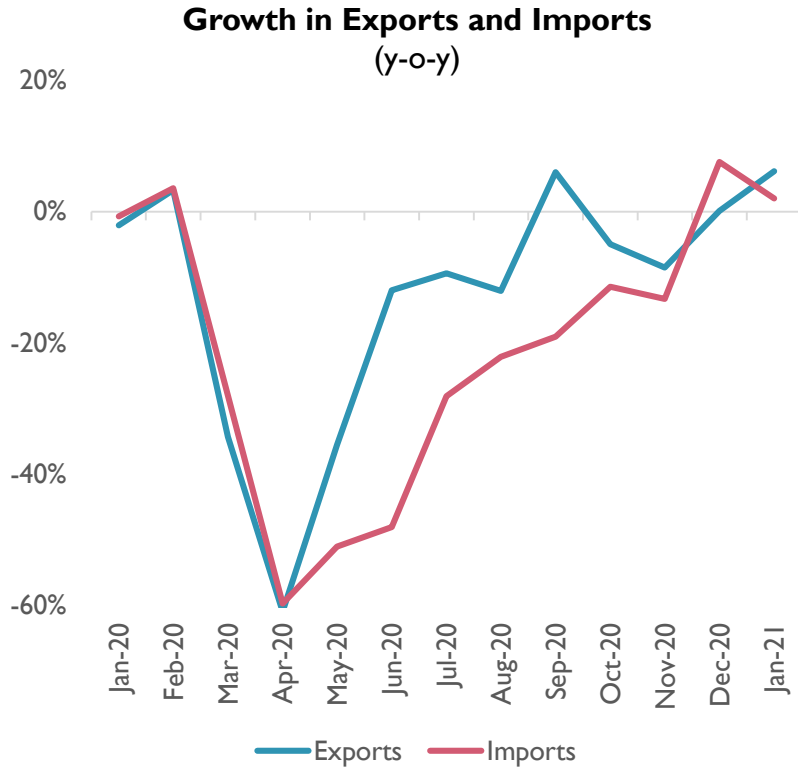
### While industrial output has turned positive, it is still sluggish



Source: MOSPI, D&B Analysis

## FOREIGN TRADE - MERCHANDISE

Recovery of exports has been sharper than that of imports; trade balance has reached pre pandemic levels

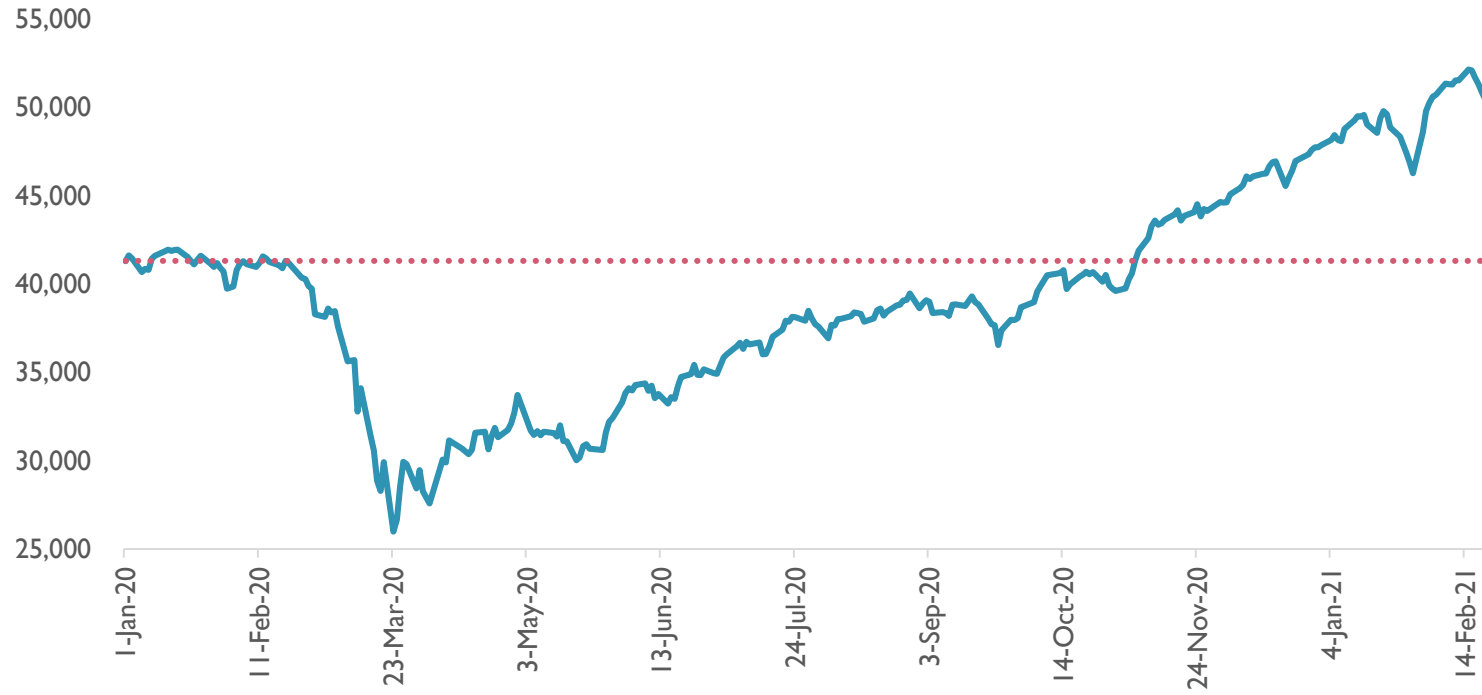


Source: Ministry of Commerce & Industry, D&B Analysis

## STOCK MARKET

Broad market index is trading at 26 percentage points above the pre pandemic levels

BSE Sensex

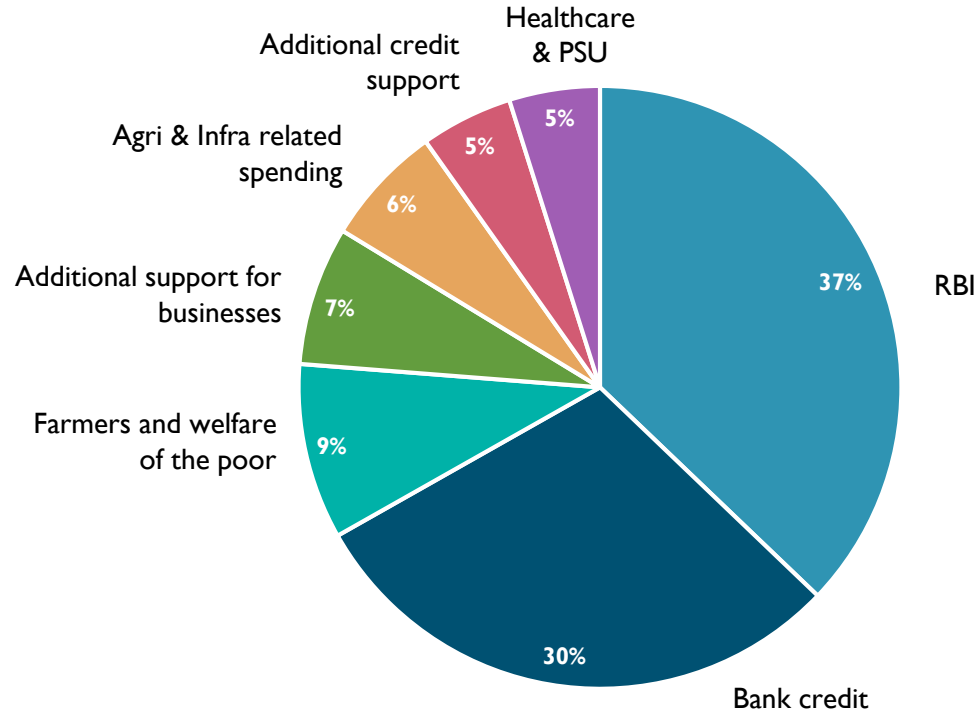


Source: BSE, D&B Analysis

## ECONOMIC STIMULUS

### Below-the-line measures account for a majority of the stimulus package

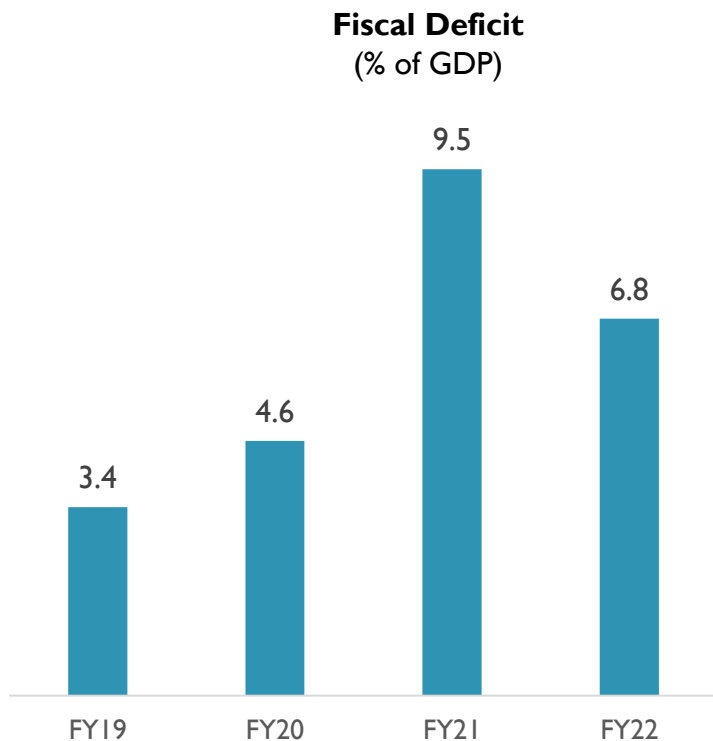
Breakup of the Rs 21 tn stimulus package



Source: Ministry of Finance, D&B Analysis

## FISCAL DEFICIT

Fiscal deficit funded by incremental market borrowings to the tune of 3.3% of GDP, exerting pressure on bond yields



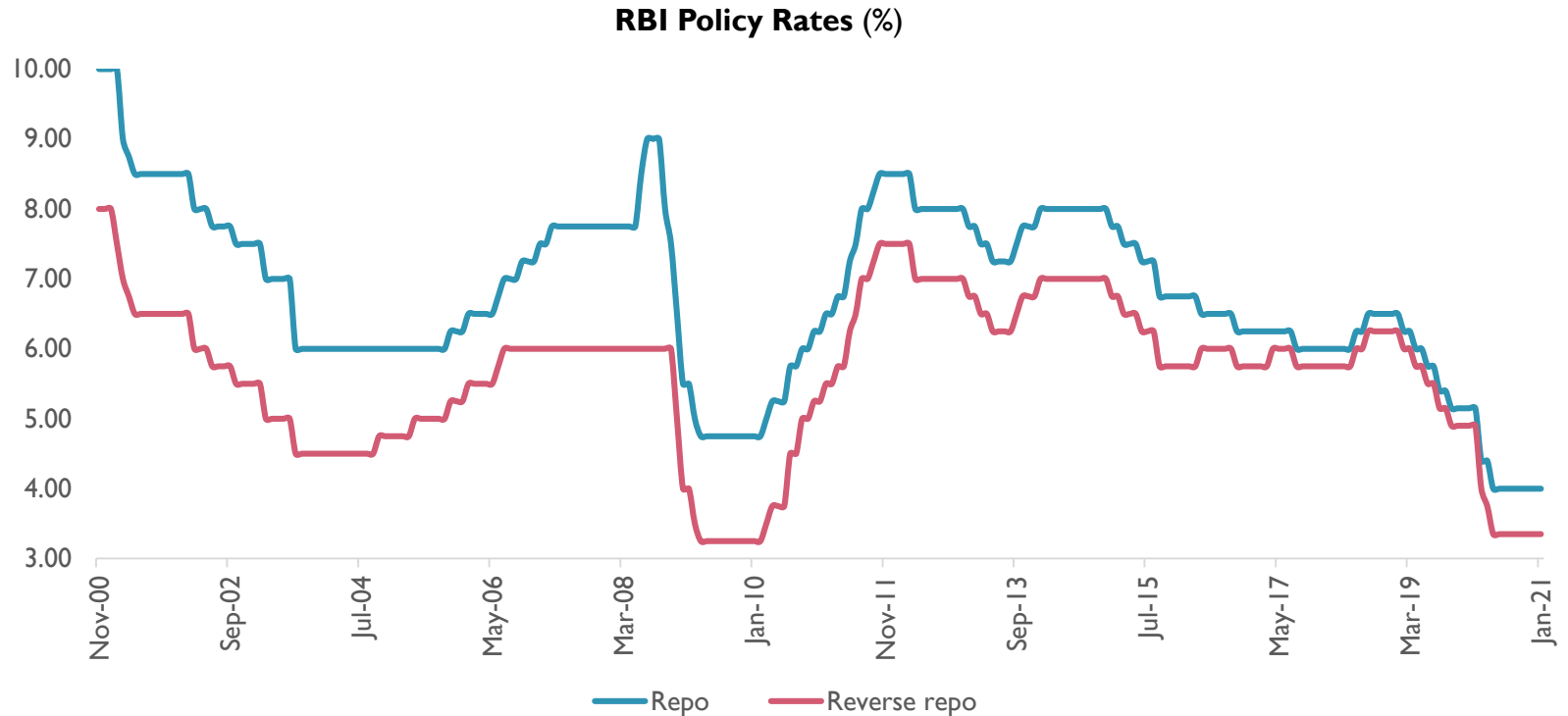
Source: Union Budget 2021, D&B Analysis

### Sources of Financing Fiscal Deficit (Rs bn)

	FY20	FY21	FY22
Market Borrowings	6,241	12,738	9,677
Securities against Small Savings	2,400	4,806	3,919
State Provident Funds	116	180	200
Other Receipts (Internal Debts and Public Account)	443	391	543
External Debt	87	545	15
Draw Down of Cash Balance	50	(174)	714
<b>Fiscal Deficit</b>	<b>9,337</b>	<b>18,487</b>	<b>15,068</b>

## RBI POLICY RATES

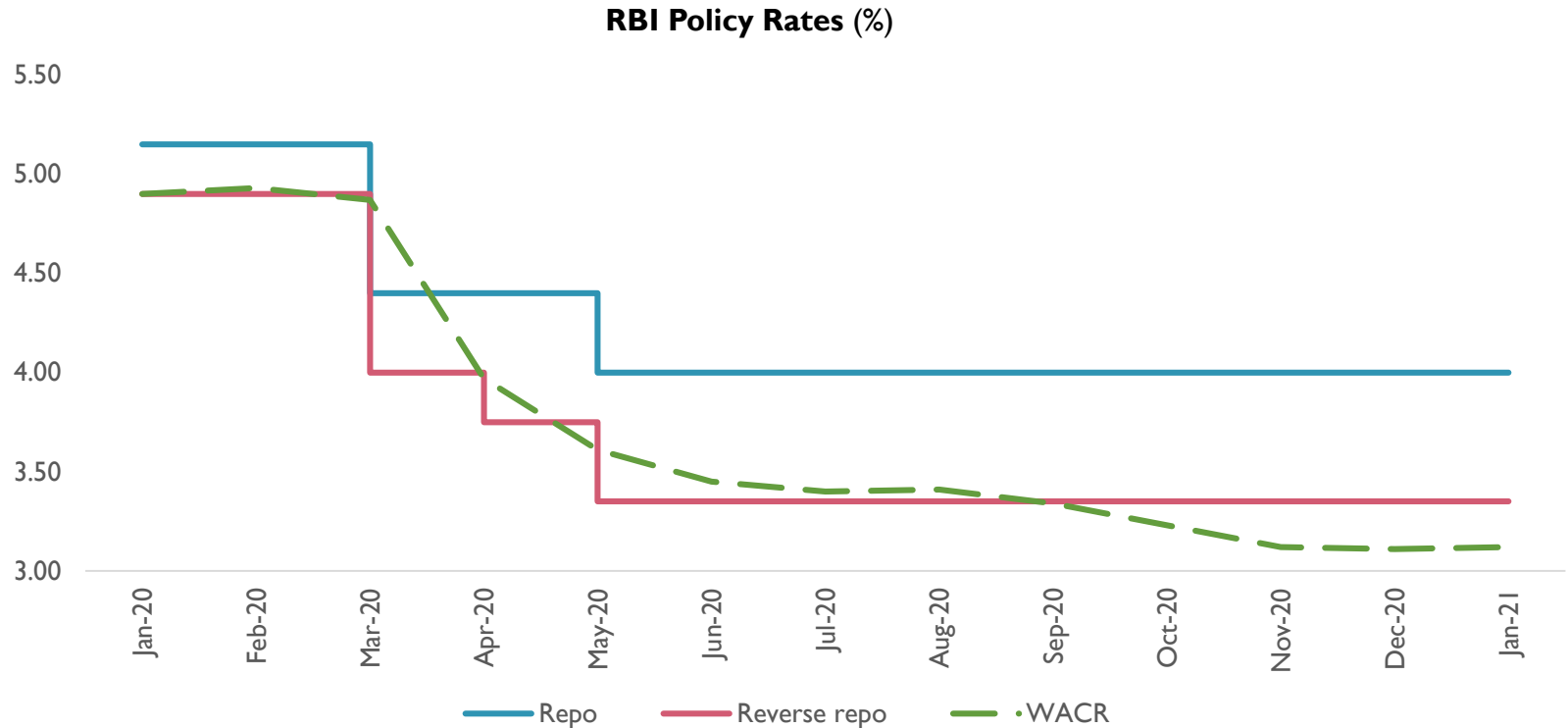
The MPC unanimously voted to reduce the policy repo rate and maintain an accommodative stance



Source: RBI, D&B Analysis

## RBI POLICY RATES

The **Weighted Average Call Rate (WACR)** has been trading below the reverse repo since Sep 2020, reflecting the surplus liquidity in the system

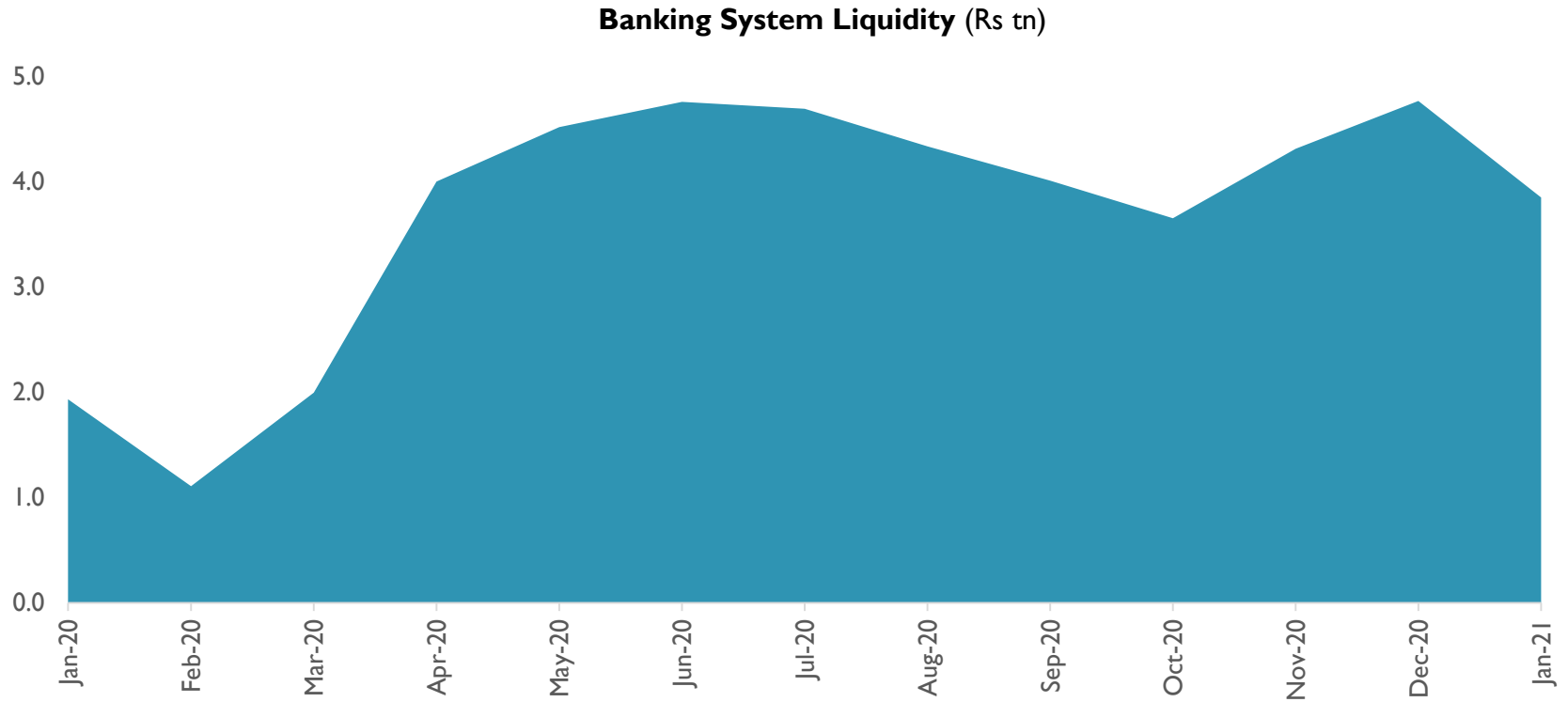


Source: RBI, D&B Analysis



## BANKING SYSTEM LIQUIDITY

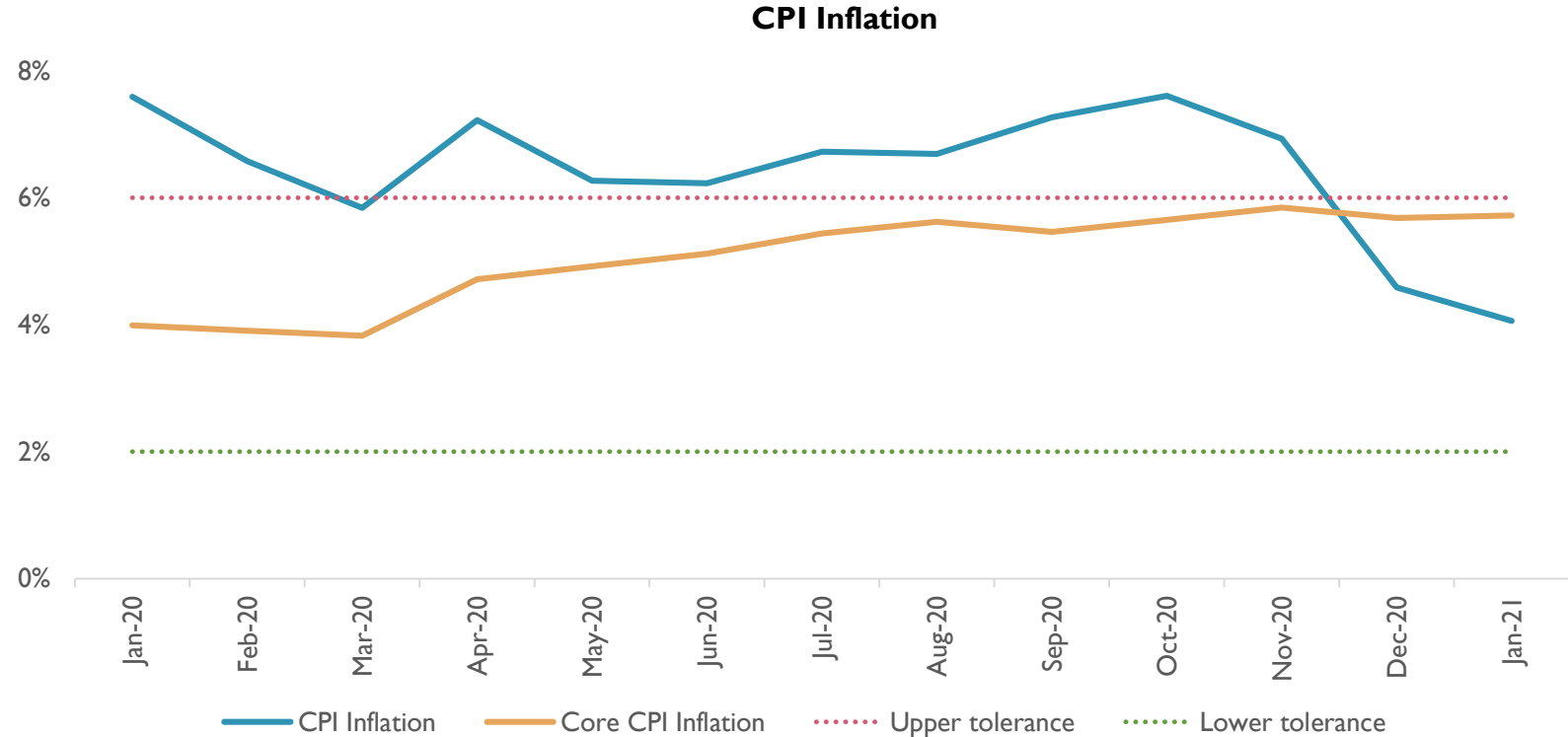
### Banking system liquidity continues to remain in surplus



Source: RBI, D&B Analysis

## INFLATION

For most part of 2020, CPI inflation remained above the upper tolerance level of 6%; core inflation continues to remain high and sticky

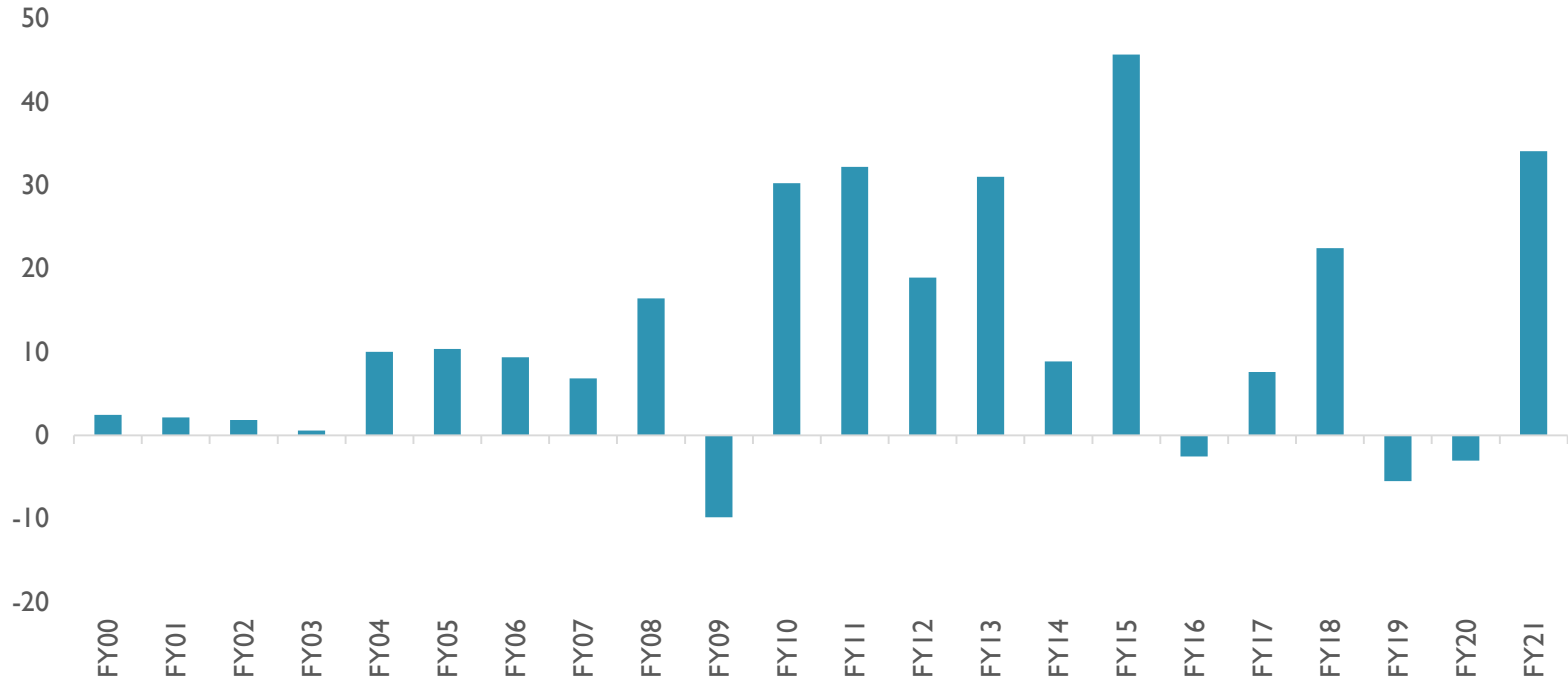


Source: MOSPI, D&B Analysis

## INVESTMENTS BY FIIs

Investments by Foreign Institutional Investors is currently the highest in six years, exerting upward pressure on the rupee

Net Investments by FIIs (US\$ bn)

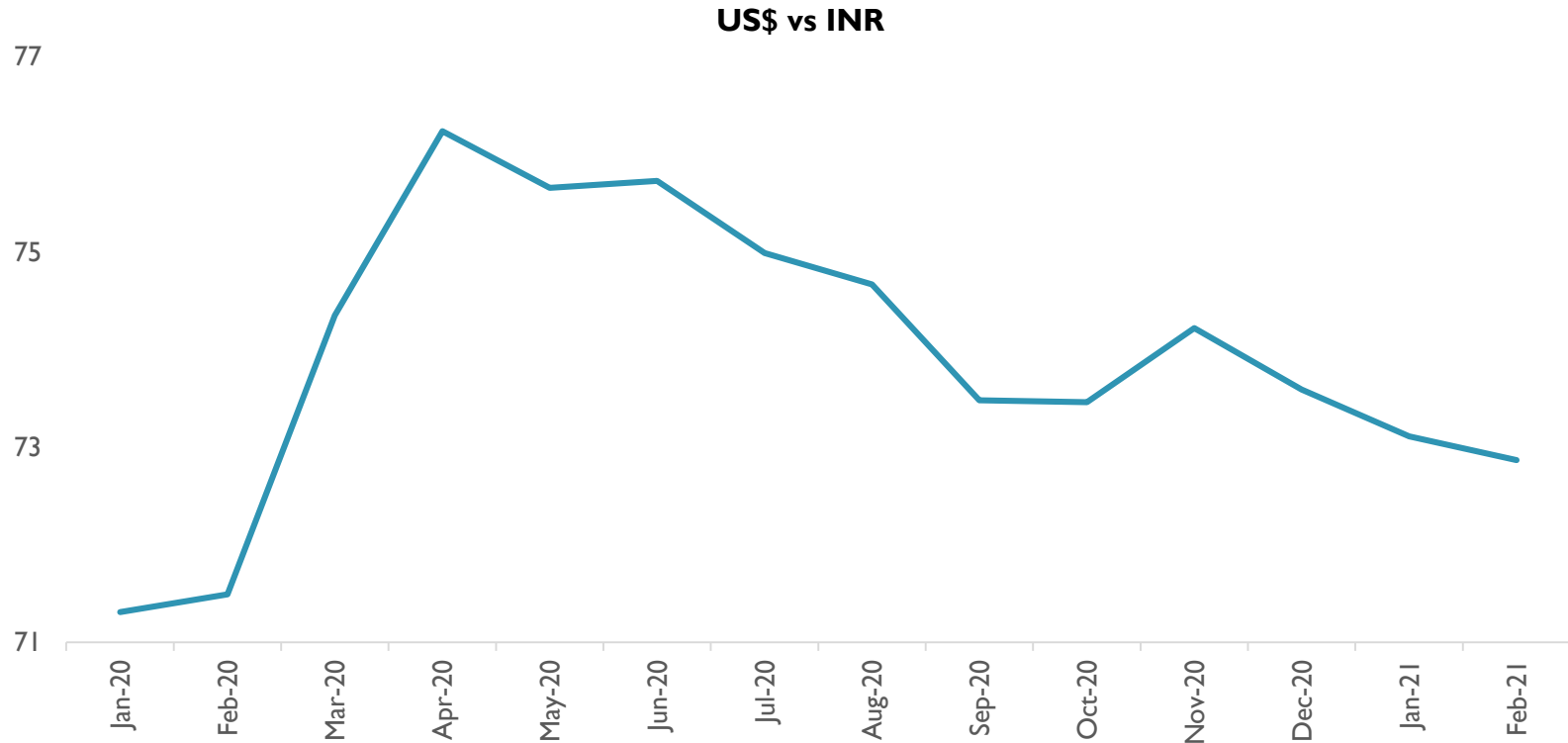


Note: Data for FY21 is up to Feb 23, 2021

Source: RBI, D&B Analysis

## EXCHANGE RATE

After reaching record low levels in Apr 2020, the rupee has been mostly appreciating since then

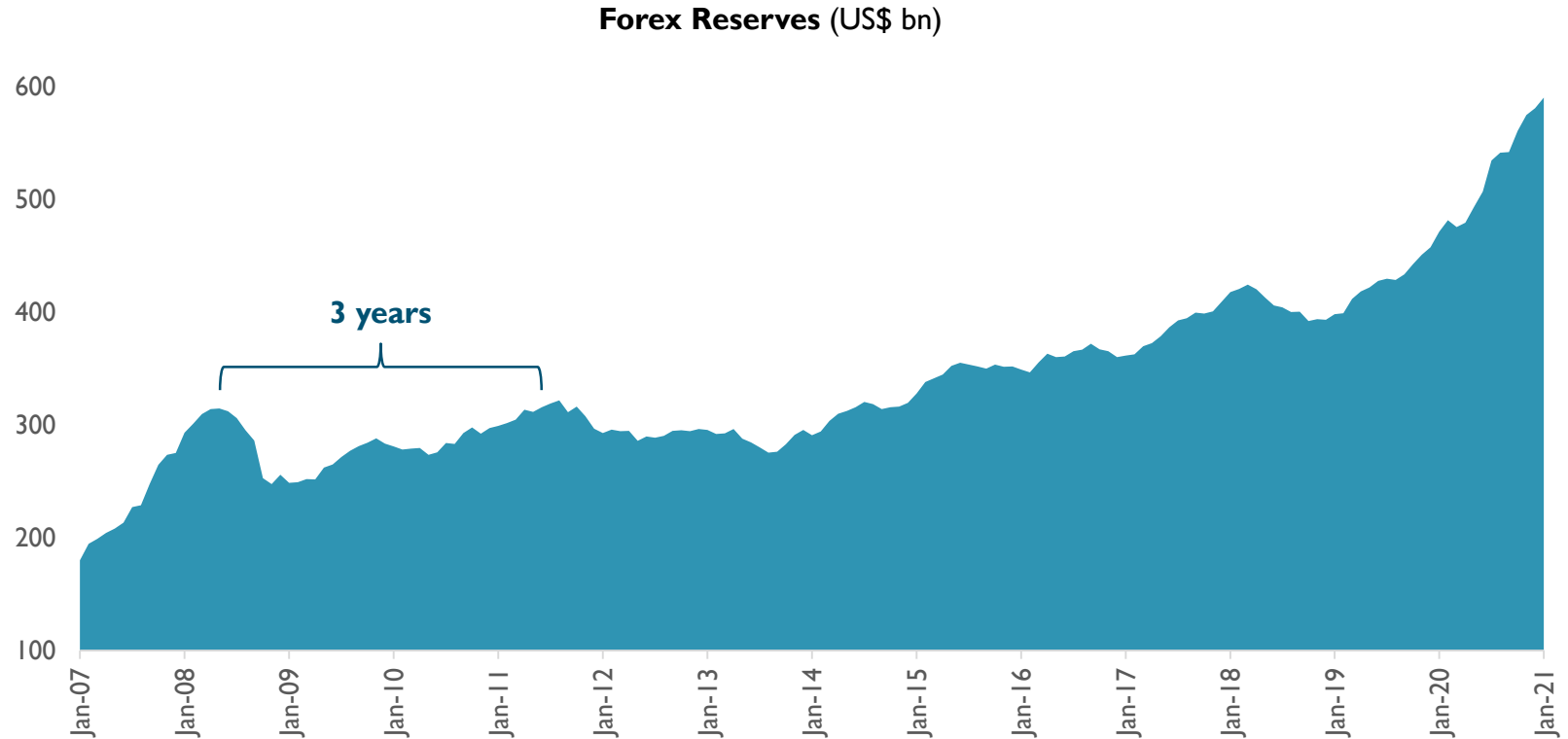


Note: Data for Feb-21 is up to Feb 15, 2021

Source: RBI, D&B Analysis

## FOREX RESERVES

# Forex reserves continues to accumulate steadily, reaching a record high

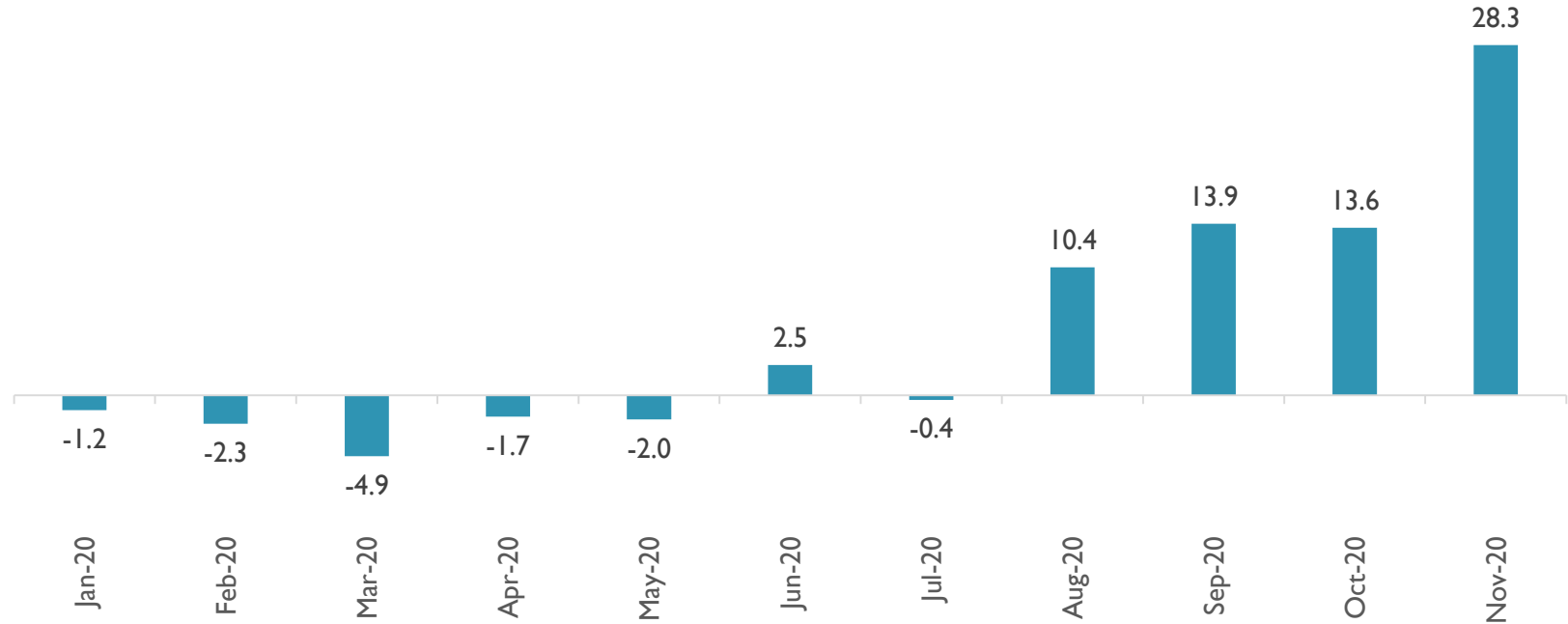


Source: RBI, D&B Analysis

## RBI's INTERVENTION

# RBI's intervention to stabilize the rupee amid rising capital inflows has increased significantly

Outstanding Net Forward Sales (-)/  
Purchase (+) at the end of month (US \$ bn)

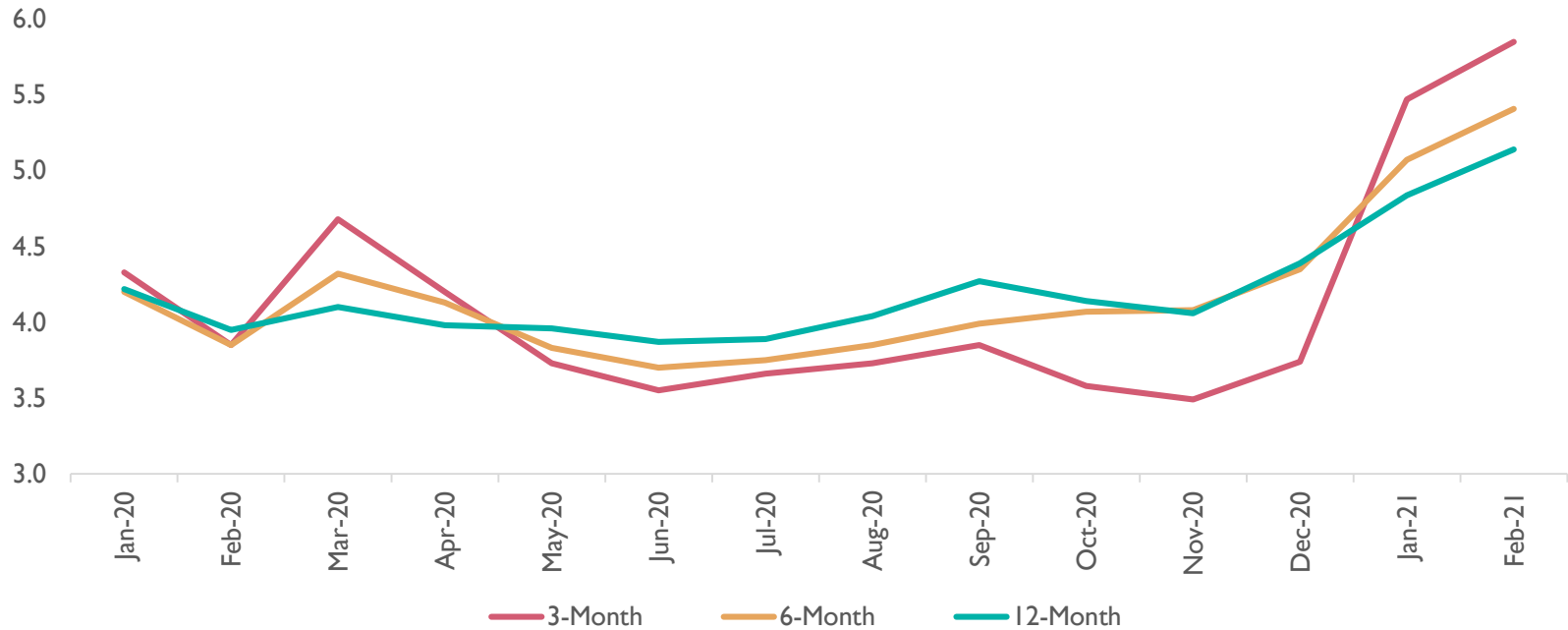


Source: RBI, D&B Analysis

## RBI's INTERVENTION

# RBI's intervention to stabilize the rupee seems to be driving up forward premiums

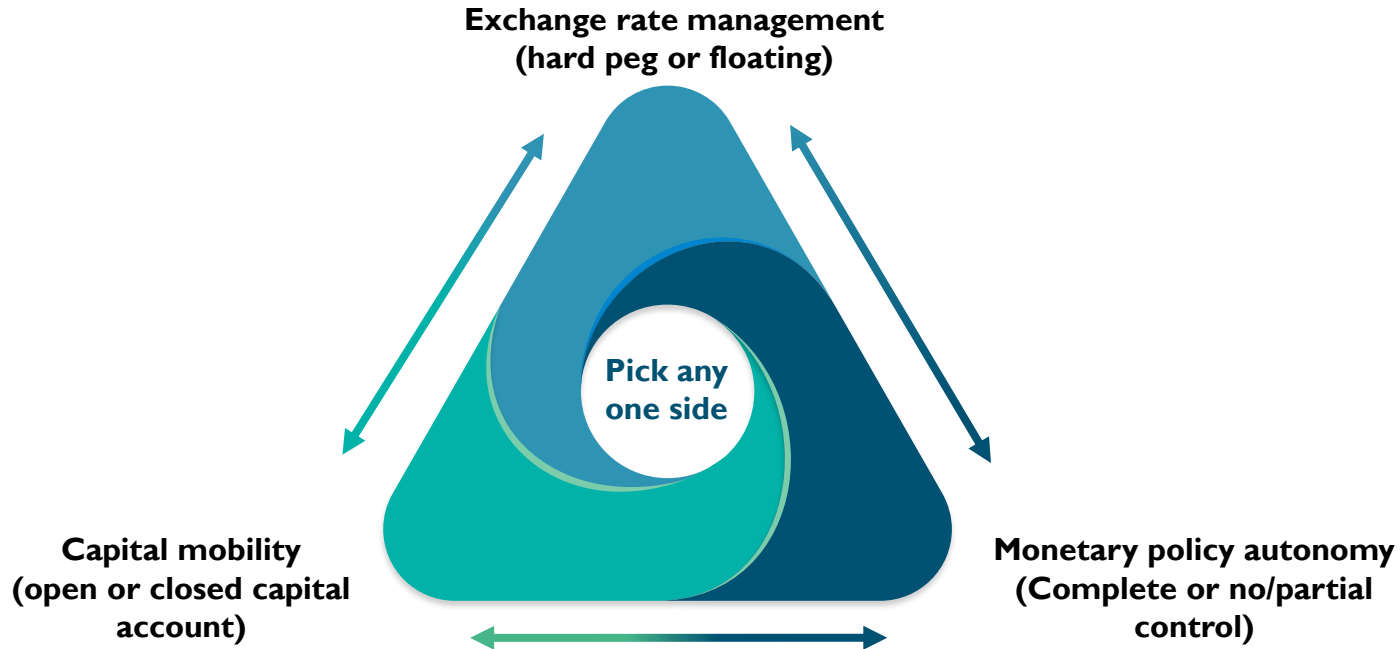
Forward Premia Curve (%)



Source: FBIL, D&B Analysis

## THE IMPOSSIBLE TRINITY

The RBI must navigate the impossible trinity of maintaining monetary policy independence while allowing a steady flow of foreign capital and keeping the rupee stable



Source: D&B Analysis



Thank You!

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