



# ECONOMY OUTLOOK - NOVEMBER 2024

**BWR**  
वेरीफ़ाईड रिसर्च

Economy outlook

**BRICKWORK RESEARCH**

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## RBI's Monetary Policy Meet Outcome - October 2024

The Reserve Bank of India (RBI) has maintained its repo rate at 6.5% for the tenth consecutive time, following its MPC meeting on October 9, 2024.

### Key Highlights from the RBI Monetary Policy Committee (MPC) Meeting:

**Repo Rate Unchanged:** RBI has decided to maintain the repo rate at 6.5% for the tenth consecutive meeting, with a 5-1 vote in favour of this decision.

- The repo rate has remained stable at 6.5% since February 2023, aimed at managing inflation and supporting economic growth.

**Monetary Policy Stance Shifted to Neutral:** The MPC has changed its stance from "withdrawal of accommodation" to "neutral," enabling greater flexibility in adjusting interest rates based on economic conditions, especially inflation trends.

**Economic Growth Projections:** The RBI's FY25 GDP growth forecast of 7.2% suggests a strong economic outlook, possibly influencing interest rate decisions, potentially supporting or increasing rates if inflationary pressures rise unexpectedly.

Real GDP Growth Estimates		
Period	Current Forecast	Previous Forecast
FY 2024-25	7.2%	7.2%
Q2	7.0%	7.2%
Q3	7.4%	7.3%
Q4	7.4%	7.2%
Q1 FY 2025-26	7.3%	-

**Food Inflation Concerns:** The RBI remains cautious despite a decrease in retail inflation, largely due to persistent inflationary pressures, especially from food prices and global commodity fluctuations.

- Food inflation, contributing 70% to retail inflation, is a significant concern, prompting the RBI to monitor this area closely to prevent broader inflationary pressures.

**Inflation Outlook:** The MPC predicts inflation at 4.5% for FY25, with quarterly estimates increasing to 4.1% in Q2, 4.8% in Q3, and slight decreases in Q4 and Q1 FY26.

- The RBI is monitoring food prices, predicting inflation to hover around 5% in the coming months due to global commodity prices.
- The MPC acknowledges inflation risks from rising global commodity prices and geopolitical tensions, but maintains optimistic growth outlook due to favourable agricultural conditions and increased government infrastructure spending.

Inflation Estimates		
Period	Current Forecast	Previous Forecast
FY 2024-25	4.5%	4.5%
Q2	4.1%	4.4%
Q3	4.8%	4.7%
Q4	4.2%	4.3%
Q1 FY 2025-26	4.3%	4.4%

(For further details, please refer to BWR Economic Brief, 9<sup>th</sup> October, 2024, <https://www.brickworkratings.com/Research/RBI-Monetary%20Policy-meet-outcome-October2024.pdf>)

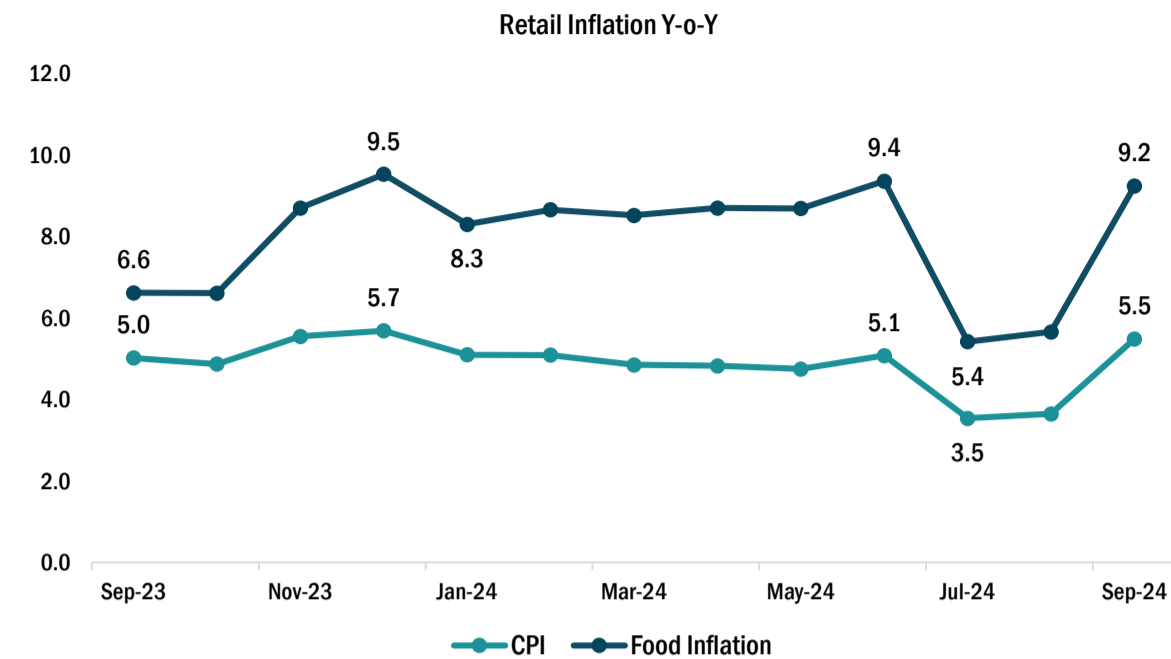
## RBI Repatriates 102 tonnes of Gold from Bank of England

- The Reserve Bank of India has successfully repatriated 102 tonnes of gold from the Bank of England on October 29, 2024, bringing the total repatriated amount to 214 tonnes, amid international tensions and economic uncertainties
- This move by RBI is seen as a strategic move amid rising geopolitical tensions and a need to secure national assets from potential international conflicts and economic instability
- The transfer was officially announced on October 29, 2024, ahead of Dhanteras, a festival associated with wealth and prosperity
- The RBI's decision to maintain domestic gold reserves is influenced by geopolitical risks, as the safety of foreign-held assets is being reassessed in an uncertain global environment
- This move marked one of the largest gold repatriations since the 1990s, when India pledged significant gold reserves during a balance of payments crisis

### Total Gold Reserves:

- This repatriation of gold significantly impacts India's foreign exchange reserves. With this recent transfer from the Bank of England, India total gold reserves have risen to 855 tonnes of gold as of September 2024, with 510.5 tonnes stored domestically
- This marks a significant increase from 822.10 metric tonnes at the end of March 2024, reflecting a robust strategy to enhance financial stability amid global economic uncertainties
- The recent transfer of gold increased gold's share in India's foreign exchange reserves from 8.1% in March 2024 to 9.3% by September 2024, indicating a growing reliance on gold as a stable asset amid economic uncertainty
- 324.01 metric tonnes of gold were kept in safe custody with the Bank of England and the Bank for International Settlements (BIS)

## India's Retail Inflation Hits 5.49% in September 2024; Vegetable Prices Spike



Source: RBI

- India's retail inflation reached 5.49% in the month of September 2024, a nine-month high
- The increase is primarily due to a significant rise in food prices, particularly vegetables, which experienced a year-on-year inflation rate of 35.99%

### Key Highlights:

- **Previous Month Comparison:** In August 2024, retail inflation increased significantly to 3.65%, indicating a shift in the base effect from the previous year
- **Food Price Impact:** The Consumer Food Price Index (CFPI) shows a 9.24% inflation rate, with rural areas experiencing 9.08% inflation and urban areas experiencing 9.56%
- **Rural inflation** reached 5.87%, while urban inflation was slightly lower at 5.05%, indicating varying economic pressures across different regions

### Sectoral Breakdown

- **Vegetables:** In September 2024, a significant increase in vegetable prices led to a rise in both food inflation and retail inflation rates. The Consumer Food Price Index (CFPI) surged, with food inflation reaching 9.24% YoY, with vegetable prices rising by 35.99% from 10.7% in August 2024
- **Cereals:** Cereal inflation reached 6.84%, indicating moderate inflation compared to previous months
- Meat and Fish categories experienced a 2.66% decrease in inflation compared to earlier figures
- **Food and Beverage Inflation:** The food and beverages category experienced an inflation rate of 8.4% in September 2024, up from 5.3% in August 2024, significantly contributing to the overall CPI increase
- Beyond food, there were notable increases in personal care and housing prices, which increased by 9% and 2.78% respectively, while core inflation reached an eight-month high of 3.65%, indicating broader price pressures across various sectors
- Housing inflation rose to 2.78%, while clothing and footwear remained stable at 2.71% while fuel and light prices experienced a slower decline, down 1.39% in September 2024 compared to 5.31% in August 2024

### Key Factors contributing to retail inflation

- **Surge in Food Prices:** The Consumer Food Price Index (CFPI) reported a 9.24% year-on-year inflation rate in September 2024, primarily due to significant price increases in vegetables and fruits

### Unfavourable Weather Conditions

- **Heavy Rainfall:** High rainfall in September 2024 severely impacted agricultural output, especially seasonal vegetables supply, damaging crops and disrupting supply chains, resulting in a significant reduction in fresh produce availability

### Supply and Demand Imbalance

### BWR VIEW

In September 2024, India experienced a surge in retail inflation due to rising food prices, particularly vegetables, and a fading base effect, raising concerns for consumers and policymakers as inflation exceeds the Reserve Bank's target range

RBI anticipates inflation rise due to base effects and rising food prices, complicating monetary policy. Governor Shaktikanta Das predicts moderation in Q2 due to improved agricultural yields, but external shocks and domestic supply chain issues raises concerns

The RBI maintains a retail inflation forecast of 4.5% for FY25, despite rising inflation, indicating potential for long-term stability due to favourable agricultural output

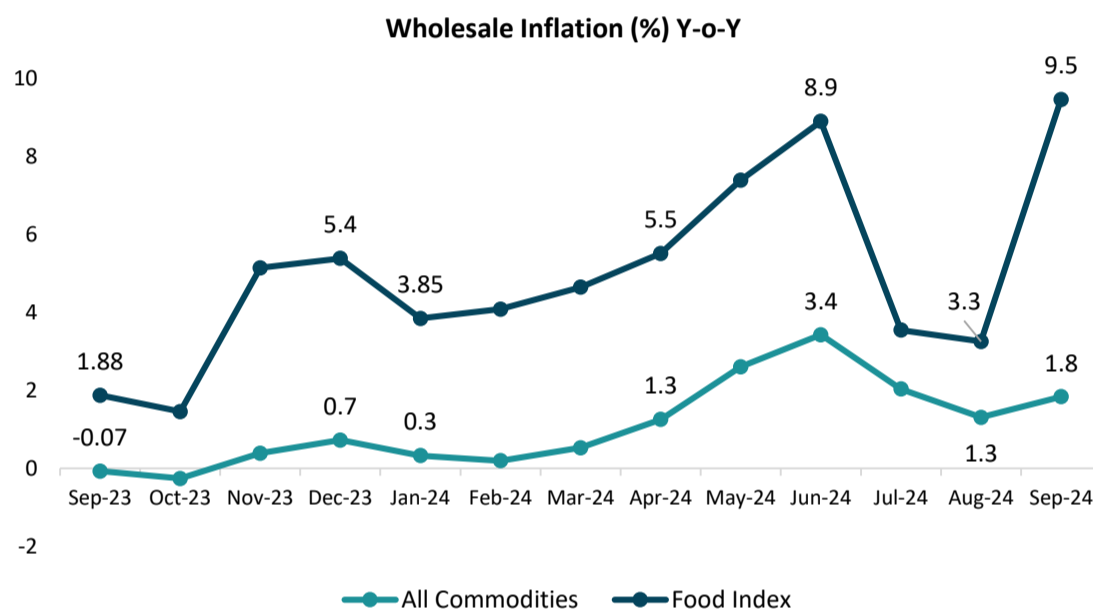
The RBI's target inflation range is between 2% and 6%, raising concerns for policymakers as they navigate economic stability amid rising prices

Inflation is expected to rise in October 2024 due to high prices of vegetables like onions and tomatoes. However, the onset of winter crop harvest is expected to alleviate some price pressures in the coming months

The RBI anticipates inflation to remain higher in the short-term and is expected to gradually decrease due to improved supply and seasonal factors, but risks remain due to potential global commodity price fluctuations and domestic agricultural performance

- **Crop Damage and Weather Conditions:** The severe weather conditions, including excessive rainfall and irregular monsoon patterns, caused crop damage, reduced yields for vegetables like onions and tomatoes, leading to market shortages and increased prices
- **Lower arrivals of key vegetables:** Lower arrivals of onions and potatoes in the market worsened supply-demand imbalance, leading to a 53% year-on-year increase in onions prices and a 50% increase in potatoes prices
- **Rising Food Inflation:** Food inflation increased to 9.24% in September 2024, with vegetable prices contributing significantly, reaching 36% year-on-year, marking a significant increase from previous months. The rise in food prices is attributed to escalating costs for cereals, pulses, and vegetables due to broader economic conditions
- **Base Effect:** The inflation increase was influenced by a high base effect from the previous year, with lower rates in July and August 2024. The September 2024 figures were significantly higher than the year-on-year comparison due to the relatively low inflation figures from late 2023 and early 2024
- Retail inflation in rural and urban areas varies significantly, with rural inflation at 5.87% and urban inflation at 5.05%, indicating varying cost pressures

### Wholesale Inflation in India Rises to 1.84% in September 2024 led by Soaring Food Prices



Source: Ministry of Commerce & Industry, Government of India

- India's wholesale inflation for September 2024 has risen to 1.84%, up from 1.31% in August 2024. This spike is primarily attributed to higher food prices, particularly vegetables, which experienced a 48.73% inflation rate, with potatoes and onions experiencing rates of 78.13% and 78.82%, respectively
- On a month-on-month basis, the wholesale price index (WPI) slightly increased by 0.06% month-over-month, following a 0.52% decline in August

#### Key Highlights:

- **Food Inflation:** Food inflation increased substantially to 11.53% in September 2024 from 3.11% in August 2024, primarily due to significant rises in vegetable prices
- The food index rose by 9.47% in September 2024 from 3.26% in August 2024, indicating a significant increase in food articles
- **Manufacturing Sector:** The inflation rate for manufactured products decreased to 1.00% in August, attributed to slower price increases in sectors like textiles and pharmaceuticals
- **Fuel and Power:** The category experienced a 4.05% deflation, largely due to a decrease in petrol and diesel prices by 7.47% and 5.33%, respectively
- The deflation in wholesale fuel and power categories has significantly impacted India's overall wholesale inflation. Fuel prices, particularly petrol and high-speed diesel, have significantly decreased, indicating that the decrease in fuel costs helped to offset some inflationary pressures during rising food prices
- **Primary Articles:** Primary articles experienced a 6.59% year-on-year increase, compared to a mere 2.42% increase in the previous month

#### Key Factors Contributing to Spike in Wholesale Inflation; Surge in Food Prices:

- **Vegetables Prices:** Food prices, particularly vegetables, experienced a significant increase, leading to a 48.73% inflation rate in September 2024 compared to a deflation of 10.01% in August

India experienced a significant increase in wholesale inflation in September 2024, primarily due to weather-related food price hikes, vegetable staple price hikes, and manufacturing sector impacts

Wholesale inflation surged amid economic conditions impacted by high demand for staple vegetables, adverse weather conditions affecting supply, increased global commodity prices, and rising production costs

The Reserve Bank of India (RBI) is closely monitoring these inflation trends. The RBI has maintained a repo rate of 6.5% during their latest monetary policy review meet, indicating continued monitoring of monetary policy trends. However, the rise in food prices presents potential challenges for future monetary policy adjustments.

The Indian economy faces a complex picture in late 2024, with moderate manufacturing prices and drop in fuel costs, despite rising food and primary article costs

In September 2024, India's inflation landscape is complex, with rising food prices impacting wholesale inflation, while manufacturing costs show moderate signs.

The decrease in fuel prices provides some relief, but the sharp rise in essential food items presents ongoing challenges for consumers and policymakers.

2024, primarily due to adverse weather conditions that significantly impacted crop yields and supply chains

- **Specific Items:** Staple vegetables like potatoes and onions experienced significant price hikes, with inflation rates of 78.13% and 78.82%, respectively

#### Broader Food Inflation

- Food inflation surged to 11.53% in September, affecting fruits, cereals, and vegetables

#### Manufacturing Sector Impact

- Inflation in the manufacturing sector, influenced by machinery and vehicles, contributed to a 1% inflation rate, despite a slight slowdown in food prices

#### Base Effects and Seasonal Factors

- Inflation surged due to fading base effect from previous months, causing current rates to appear more pronounced, and seasonal agricultural output factors exacerbated these changes

#### The rise in vegetable prices in September 2024 was influenced by several key factors:

##### Supply Chain Disruptions:

- **Weather Conditions:** Heavy rainfall in key agricultural states like Andhra Pradesh and Maharashtra caused crop damage, reduced yields, and lower market arrivals of tomatoes and onions.
  - The decrease in onion and potato supply led to significant price increases, further exacerbated by a drop in arrivals
  - Uneven monsoon rains and adverse weather conditions, including pre-harvest rainfall, have led to supply shortages, affecting crop yields and increasing prices
- **Global Edible Oil Prices:** Global edible oil prices increased, impacting food production costs and resulting in higher vegetable prices
- **Manufacturing and Production Costs:** Rising manufacturing costs in other sectors have contributed to inflationary pressures in food articles, as production costs can indirectly affect food prices due to their interconnectedness

### India Manufacturing PMI Decline to 56.5 in September 2024; Slower Growth in Output and New Orders

- India's Manufacturing PMI for September 2024 recorded a decline to 56.5, down from 57.5 in August 2024
- Factory activity experienced its softest expansion since January 2024, with slower growth in output and new orders

#### Key Highlights:

- **Output and New Orders:** New export orders experienced a significant decrease, reaching their lowest level since March 2023, resulting in a decline in overall manufacturing activity, indicating slower growth in both metrics
- **Employment:** Despite ongoing hiring, the rate of job creation has decreased compared to previous months
  - Manufacturers' cautious approach to declining growth indicators led to slowed job creation despite continued employment levels and increased growth
- **Input Prices:** Input prices increased, while factory gate price inflation showed signs of easing
  - In September, higher input prices due to raw materials and electricity costs impacted manufacturers' profit margins, leading to increased output prices for consumers
- **Business Confidence:** Manufacturer sentiment has reached its lowest level since April 2023, with only 23% of firms anticipating output growth in the upcoming year
- **Impact of Global Conditions:** Global oil price fluctuations and adverse weather conditions, including heavy rainfall affecting mining activities, further constrained manufacturing output, contributing to the overall September slowdown

## India Services PMI Declines; marks the Slowest Growth Since November 2023

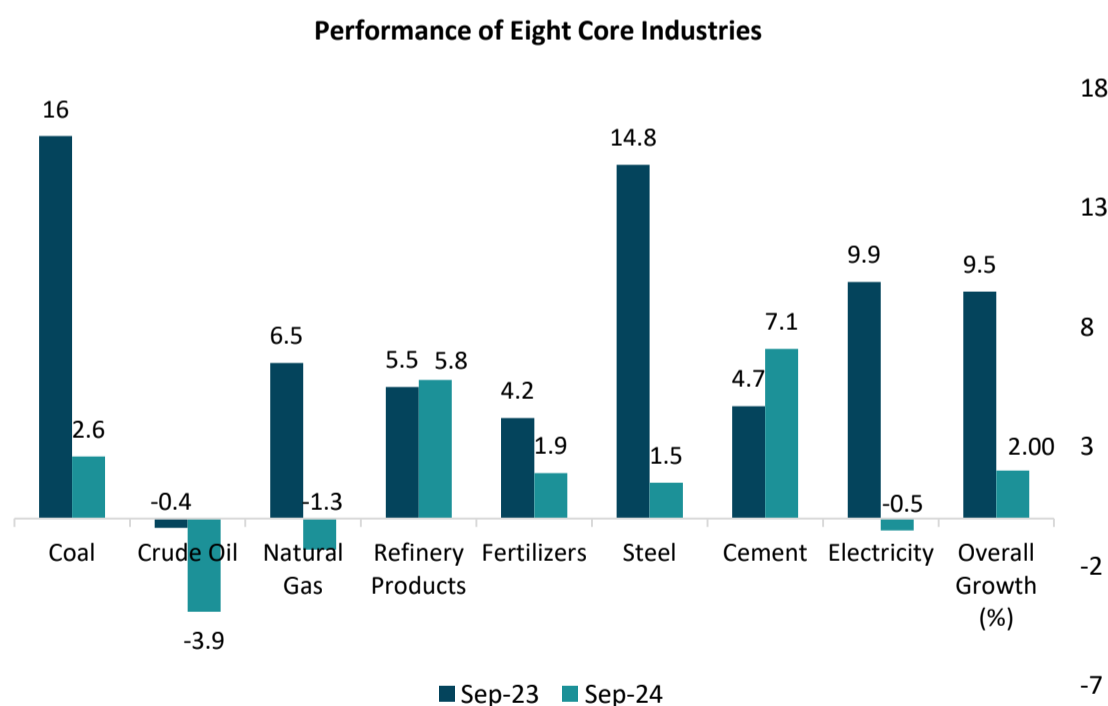
- India Services Purchasing Managers' Index (PMI) reached 57.7 in September 2024, down from a five-month high of 60.9 in August 2024, marking the slowest growth in services activity since January 2023
- The sector experienced a 38th consecutive month of expansion, with the index remaining above the neutral 50 mark despite a decline
- The index's overall drop is attributed to a significant decrease in service demand.

### Key Highlights:

- **Growth Rate:** The PMI's decrease to 57.7 indicates a decline in new business and international sales, which have experienced their slowest growth since late 2023
- The Services Purchasing Managers' Index (PMI) reached its lowest level in ten months, indicating a slowing trend in business activity and a critical measure of economic health in services
- **New Business Growth:** New business growth slowed to its lowest level since November 2023, indicating a slower pace of client acquisition despite continued growth
- International sales growth moderated, with new export orders increasing at the slowest rate in 2024, exacerbated by a decline in international demand for service providers
- **Employment:** Employment levels have seen a significant increase, marking the steepest growth since August 2022
- **Input Cost Inflation:** Input cost inflation increased due to rising electricity and food prices, while output price inflation reached its lowest level in over two years
  - Input cost inflation increased, causing squeezed profit margins for service providers. Charges increased at slowest pace in two years, indicating firms are reluctant to fully pass on higher costs

The services sector, despite slowing growth, remains optimistic with firms continuing to hire amid improved business sentiment

## India's Core Sectors Grow by 2% in September 2024 led by growth in Cement and Refinery Products



Source: Ministry of Commerce & Industry, Government of India

- In September 2024, India's core sector output experienced a 2% growth, a recovery from a 1.6% decline in August 2024
- The rebound was fuelled by significant growth in key industries, including cement production, refinery products (up by 5.8%), and the coal sector (up 2.6%). The cement sector and refinery products are key drivers of recovery, despite slow growth compared to previous periods
- For the first half of the fiscal year (April 2024-September 2024), core sector growth averaged 4.2%, down from 8.2% during the same period last year

### BWR VIEW

September recovery shows rebound from disruptions, with cement and refinery sectors leading. Core sector growth below average, indicating challenges in crude oil and electricity production. Despite positive developments, some sectors, like the steel industry, experienced mixed performance, raising concerns about overall industrial output stability

In September 2024, five out of eight core sectors experienced positive growth, with cement leading the way, along with refinery products and coal, bolstering overall industrial output.

Rainfall-related disruptions eased, restoring production capabilities in critical sectors like mining and electricity generation, which were previously affected by poor performance. This recovery was particularly beneficial for cement and refinery products.

The core sector's performance has declined significantly from 9.5% in September 2023. The first half of FY24 experienced a moderate growth rate of 4.2%, down from 8.2% in the previous year.

### Positive Sectoral Performance:

- **Cement:** Cement production surged by 7.1%, reaching a six-month high, leading the growth, a significant recovery from a 3.1% contraction in August, largely due to the end of monsoon disruptions affecting construction and infrastructure activities
  - Ease in monsoon led disruptions boosted demand for construction and infrastructure projects. The improved weather led to a resumption of construction and infrastructure projects, thereby increasing the demand for cement
  - The rebound was further bolstered by positive economic indicators like increased GST e-way bill generation and a favourable base effect compared to previous months
- **Refinery Products:** The refinery products sector experienced a 5.8% growth, significantly contributing to the overall recovery, recovering from a 1% decline, thanks to resolution of supply chain issues and maintenance activities
  - This marked a strong turnaround and instrumental in lifting the overall core sector performance
  - The recovery was primarily attributed to improvements in the refinery and cement sectors, which had previously experienced declines.
- **Coal:** The coal output increased by 2.6%, rebounding from an 8% drop in August 2024, reflecting stabilization in mining operations due to adverse weather conditions
- **Other Sectors:** Fertilizer production increased by 1.9%, while steel output increased by 1.5%, indicating a positive impact on the core sector's overall performance
- Steel output experiencing the slowest growth in 33 months
- In contrast, crude oil, natural gas, and electricity experienced declines in their performance compared to September 2023
- Crude Oil output fell by 3.9% in September 2024, worsening from a contraction of 3.4% in August 2024 while natural Gas output declined 1.3%, marking an improvement from a larger contraction of 3.6% the previous month

### India's Industrial Production Contracts 0.1% in August 2024 led by Mining and power generation sectors decline

#### Index of Industrial Production, Y-o-Y Growth

	Mining	Manufacturing	Electricity	General
<b>August 2024*</b>	-4.3	1.0	-3.7	-0.1
August 2023	12.3	10.0	15.3	10.9
Weight in IIP	14.4	77.6	8.0	100

Source: Ministry of Commerce & Industry, Government of India

#### Index of Industrial Production, April 2024-June 2024

	Mining	Manufacturing	Electricity	General
<b>Y-o-Y Growth</b>	<b>4.8</b>	<b>3.6</b>	<b>7.1</b>	<b>4.2</b>

Source: Ministry of Commerce & Industry, Government of India

\* Figures for August 2024 are Quick Estimates

#### Sector-wise Classification

	Primary Goods	Capital Goods	Intermediate Goods	Infrastructure / Construction Goods	Consumer Durables	Consumer Non-Durables
<b>August 24*</b>	-2.6	0.7	3.0	1.9	5.2	-4.5
August 2023	12.4	13.1	7.4	15.7	6.0	9.9
July 2024	5.9	11.8	6.4	4.6	8.3	-4.3
Weight in IIP	34.05	8.2	17.2	12.3	12.8	15.3

\* Figures for August 2024 are Quick Estimates

- India's Index of Industrial Production (IIP) for August 2024 saw a 0.1% contraction, marking the first decline since October 2022, following a robust growth rate of 4.7% in July 2024

### BWR VIEW

In September 2024, the core sector's output showed signs of recovery, but it also reflected mixed sectoral performances and ongoing economic challenges compared to previous years. The recovery can be attributed to reduced rainfall-related disruptions affecting mining and electricity sectors, which previously hindered production capabilities

Economic indicators like GST e-way bill generation have boosted the rebound, with analysts predicting a 3-5% growth in the Index of Industrial Production in September 2024

- The downturn is attributed to adverse conditions in key sectors, particularly mining and electricity, which experienced declines of 4.3% and 3.7%, respectively
- The IIP index stood at 145.6 in August 2024, down from 145.8 in August 2023, indicating ongoing industrial sector challenges amid fluctuating economic conditions
- Consecutive months of contraction in merchandise exports during July and August 2024 indicates a decrease in the external demand. Geopolitical tensions in West Asia impacted export-driven sectors, while the government's FY25 capital expenditure reduction reduced investment and spending in industrial sectors.

### Sector Performance:

**Mining:** In August 2024, India's mining sector experienced a significant decline due to adverse weather conditions and operational challenges. Heavy rainfall significantly impacted mining operations, leading to a 4.3% contraction.

- August 2024 month saw 16% above-average rainfall, disrupting mining operations and transportation, especially in eastern India, causing a significant decrease in coal production and dispatch
- **Record Low Coal Production:** India's coal production fell by 7.5% year-on-year and 15% month-on-month for the first time in 18 months during August 2024, largely due to adverse weather conditions affecting extraction and supply chains
- Heavy rains led to lower power demand and decreased coal requirements at thermal power plants, exacerbating the decline in production

**Manufacturing:** The manufacturing sector experienced a modest growth of 1%, with notable contributions from:

- Basic metals: 3%
- Electrical equipment: 17.7%
- Chemicals and chemical products: 2.7%
- Electricity: Contracted by 3.7%

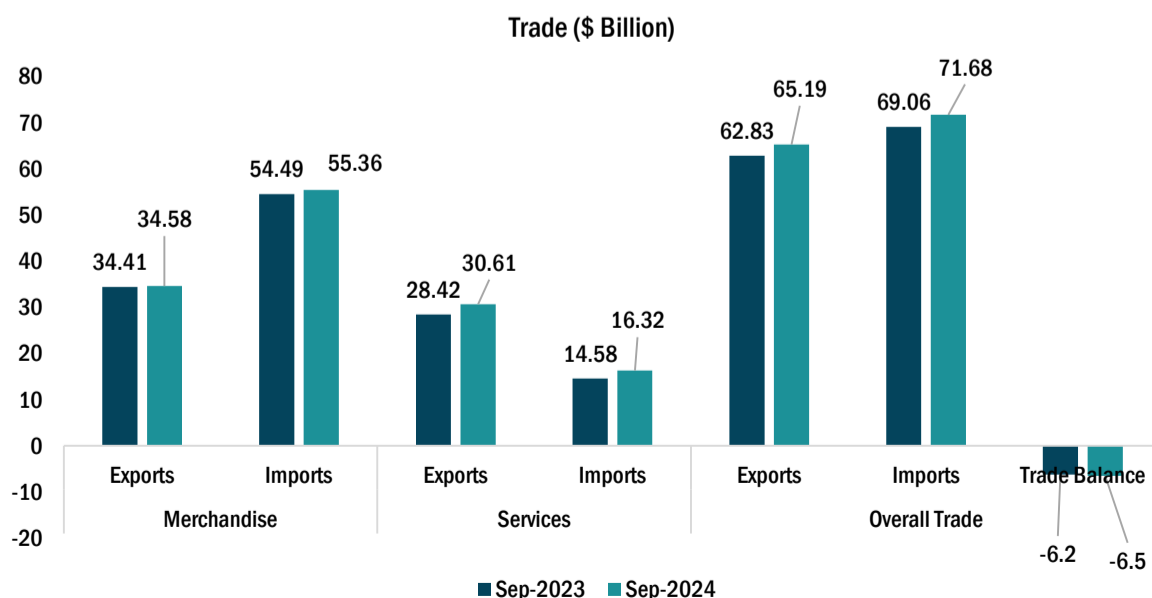
The manufacturing sector's performance in August 2024 is considerably lower than the previous month's performance with a significant decrease in output, with 11 out of 23 sectors reporting decreased output, especially in food products and beverages

**Electricity:** The electricity sector experienced a 3.7% contraction, further exacerbated by the overall decline in industrial output

### Use-Based Classification

- Primary goods declined by 2.6%
- Capital goods grew by 0.7%
- Intermediate goods increased by 3%
- Infrastructure or construction goods rose by 1.9%
- Consumer durables showed a growth of 5.2%
- Economic activity shows subdued consumer demand, especially in automobiles and consumer non-durables, which contracted by 4.5%, reflecting broader economic challenges and consumer sentiment issues

## India's Trade Deficit Narrows to \$20.78 Billion in September 2024; Gold Imports Impacted Trade Balance



Source: Government of India, Ministry of Commerce & Industry

### BWR VIEW

Heavy rainfall in August 2024 significantly impacted mining, electricity demand, and industrial activities, leading to reduced output across various sectors

- The contraction in the industrial sector indicates ongoing challenges amidst fluctuating economic conditions.

The industrial production sector faces challenges due to weather and fluctuating consumer demand, with the upcoming months crucial for determining growth or potential contractions

Industrial production is expected to recover slightly with domestic consumption potentially boosting demand during the festive season, but weak external demand

- India's trade deficit decreased significantly in September 2024, reaching \$20.78 billion, marking the lowest since April 2024 and a narrowing of the deficit compared to \$20.08 billion in September 2023, largely due to a decrease in gold imports
- The trade deficit decreased from \$29.65 billion in August 2024, indicating a significant improvement in the country's ability to effectively balance its trade

### Export Growth

- **Overall Export Performance:** In September 2024, India's total exports (including both merchandise and services) reached approximately \$65.19 billion, a 3.76% increase from the corresponding period previous year (September 2023)
- **Marginal Increase in Merchandise Exports:** India's merchandise exports increased marginally by 0.5% year-on-year (y-o-y) to \$34.58 billion in September 2024, after two consecutive months of decline, bolstered by robust performance in engineering goods, chemicals, plastics, and pharmaceuticals sectors

### Slower Import Growth

- **Reduced Import Growth Rate:** Imports grew by 1.6% y-o-y to \$55.36 billion in September 2024, a significant decrease from previous months' surges due to high gold demand and energy prices. The decrease in import growth rate was instrumental in reducing the trade deficit
- **Decrease in Gold Imports:** A significant factor in the narrowing trade deficit was a sharp decline in gold imports, which decreased significantly by 60% month-on-month, from over \$10 billion in August 2024 to \$4.39 billion in September 2024, due to lower festive demand and customs duty changes
- **Energy Imports:** Oil imports decreased by approximately 10.44%, thereby positively impacting the overall trade balance.

**Services Sector:** The services sector showed a strong performance, with services exports estimated at \$30.61 billion and imports at \$16.32 billion.

### Global Economic Context

- **Resilience Amid Global Challenges:** Indian exporters have maintained superior performance despite global economic uncertainties and geopolitical tensions, surpassing the global average. The government noted that despite challenges, export growth remained robust, indicating a strong demand for Indian goods

### Lower Prices for Key Commodities:

- The lower prices of key energy commodities in wholesale markets, which constitute a large portion of India's imports further contributed to a decrease in import expenditure in India during this period
- India's trade deficit narrowed in September 2024 due to modest export growth, slower import growth, especially in gold, and favourable global commodity prices
- India's export sectors are showing resilience, while imports are being cautiously viewed due to fluctuating global economic conditions

### Key factors driving export growth

#### 1. Resilience in key sectors

- **Gems and Jewellery:** The sector remained a robust performer, significantly contributing to export figures due to sustained demand from the United States and the UAE
- **Pharmaceuticals:** The performance of this sector was bolstered by the continued global health needs and strong demand for generic medicines

2. **Diversification of Export markets:** Indian exporters are diversifying their markets, reducing reliance on traditional partners and leveraging emerging economies to maintain export levels amidst global economic fluctuations

3. **Increase non-petroleum exports:** Non-petroleum exports, including machinery and textiles, showed positive growth, indicating a broader range of export activity beyond traditional commodities

4. **Government Support and Policy Measures:** Government initiatives, including sector incentives, have helped sustain export growth despite global challenges by boosting manufacturing and exports

### The reduction in the trade deficit is attributed to a combination of factors:

- A slight rise in merchandise exports, notably in sectors like engineering goods, chemicals, and pharmaceuticals.
- A slowdown in the growth rate of imports, primarily due to decreased demand for energy commodities, which have resulted in lower global market prices.

## BWR VIEW

India's exports, despite facing global economic challenges like geopolitical tensions and declining demand, have demonstrated resilience in sectors like engineering goods, chemicals, and textiles

The geopolitical conflicts, including the Russia-Ukraine and Israel-Hamas conflicts, have reduced global demand for goods, affecting India's export growth. The World Trade Organization (WTO) has noted the high risks to trade growth arising from regional conflicts and uncertainties in global policies.

Commenting on the India's trade deficit performance, Commerce Secretary Sunil Barthwal highlighted India's resilience in exports despite global economic challenges, with major export destinations being the US, UAE, and China, and key import sources being China, Russia, and Iraq.

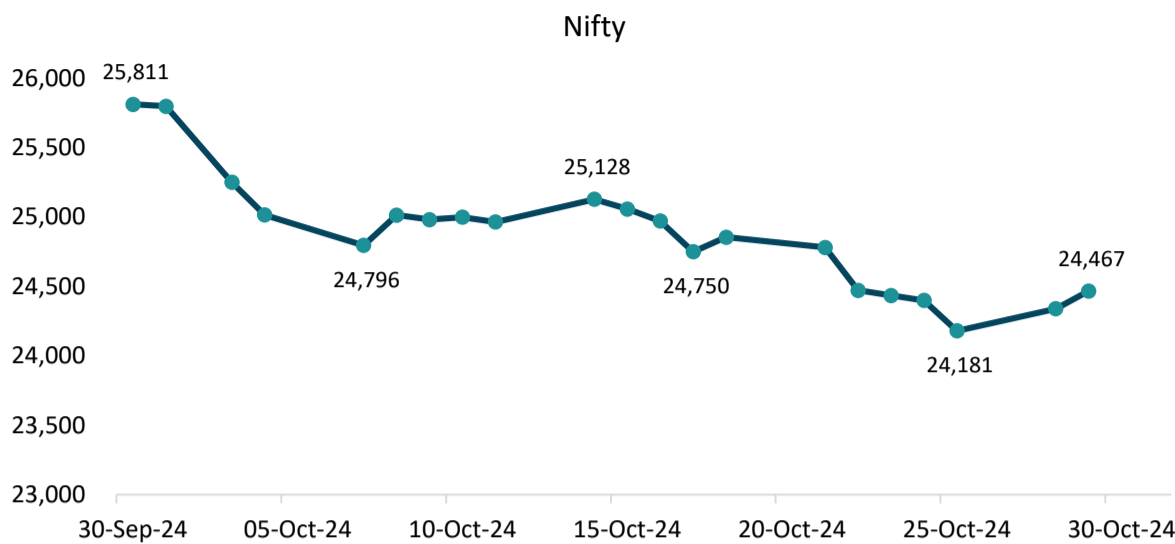
He further affirmed that Indian exporters are outperforming the global average despite numerous challenges, indicating a positive outlook for future trade performance

India's trade deficit has seen a significant improvement in September 2024, indicating effective measures to boost exports and manage imports more judiciously

Though India's trade deficit slightly eased in August 2024, international conflicts and economic uncertainties remain. The government's focus on addressing logistical issues and enhancing export capabilities is crucial for navigating this turbulent environment.

## Stock Markets

### Nifty Faces Significant Decline Amid Global Concerns: Foreign Institutional Investors' Selling Pressure in October



Source: BSE and NSE

- October 2024 was a challenging month for Indian equity markets, with significant foreign investment withdrawals and fluctuating index performances, influenced by external factors, high domestic valuations, and muted corporate results
- The Nifty 50 began the October 2024 month strongly but faced challenges due to a decrease in investor sentiment
- In October 2024, the bearish sentiment among FPIs led to significant outflows from India, making it one of the worst months for foreign fund withdrawals in recent history
- The index showed signs of weakness by mid-month, fluctuating within a narrow range, however, in late October 2024, foreign institutional investors (FIIs) continued to sell off equities, causing a worsening situation and contributing to the overall negative market sentiment
- **Significant Outflows:** FPIs withdrawn ₹94,017 crore worth of Indian equities from the Indian stock market, marking the largest monthly outflow on record, due to high domestic valuations and increased interest in Chinese market opportunities, thus significantly impacting market confidence
- Further, the upcoming U.S. presidential elections and potential economic policy concerns under a new leadership heightened market volatility
- Despite outflows, the banking sector demonstrated resilience, with gains in stocks like State Bank of India and ICICI Bank, while sectors like PSU banks and metals performed well during recovery periods
- The BSE Sensex began the month at 80,000 points, but fluctuated, closing at 79,389.06 on October 31, down 553.12 points. It reached a peak of 80,369.03 on October 29
- The Sensex experienced a significant recovery on October 28, climbing by 602.75 points to close at 80,005.04, driven by gains in sectors like banking and metals
- The Indian market's growth was further influenced by global economic conditions and investor sentiment regarding upcoming U.S. Federal Reserve interest rate decisions

#### Key factors for FPIs' Retraction from Indian Equities in October 2024

- **FII Selling Pressure:** The Indian stock market faced selling pressure from foreign institutional investors, leading to a bearish sentiment and a decline in the Nifty. Global economic uncertainties exacerbated this selling, prompting investors to flee safety
- The outflow of Indian stocks was primarily due to their high valuation, making them less appealing to investors, prompting a shift towards markets with more appealing valuations, particularly China
- **Improved Chinese Market Valuations:** Chinese stocks gained attractive valuations due to economic stimulus measures, leading to a reallocation of funds away from India, as global investors sought better opportunities in a recovering market
  - China's recent economic stimulus measures have made Chinese stocks more attractive compared to the high valuations of Indian equities

## BWR VIEW

October economic indicators influenced investor sentiment, with mixed corporate earnings reports causing uncertainty and stock price volatility across sectors

The decline in the market was attributed to disappointing earnings reports from various companies with several companies missing earnings estimates for the September 2024 quarter, causing a general sense of caution

Various sectors showed varying performances in October 2024, with banking stocks showing resilience amid market weakness, while consumer goods sectors faced challenges with declines in Hindustan Unilever and Nestle India due to rising costs and lower demand forecasts

FPIs' aggressive selling led to around 7% decline in benchmark indices from their peak levels during October 2024, affecting market performance and investor confidence due to significant outflows

India's economic strengths may drive recovery despite recent shaky performance due to external pressures and disappointing earnings reports, provided global conditions stabilize

The outcome of the U.S. presidential election on November 5, 2024, is expected to significantly impact the Indian equity market between November and December 2024. Investors should monitor sector-specific developments and global economic indicators to gauge market performance post-election.

**BWR VIEW**

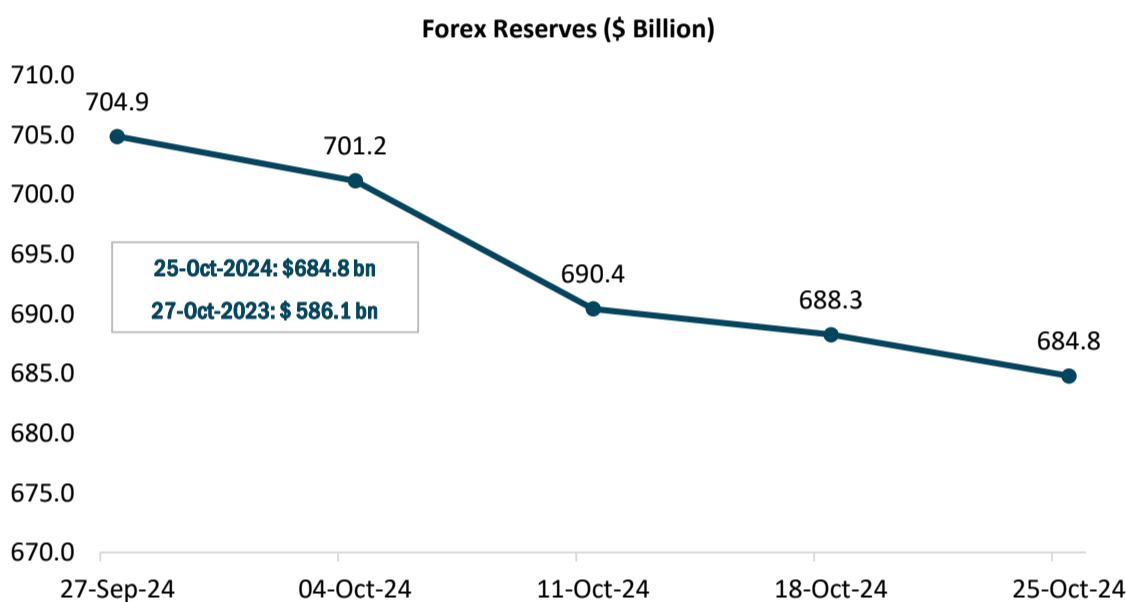
**Key Stimulus Measures in China**

- China's People's Bank of China (PBOC) announced interest rate cuts to stimulate consumer spending and business investment. The Reserve Requirement Ratio (RRR) for banks was lowered, releasing approximately \$140 billion into the economy. Measures included mortgage rate cuts and down payment ratios for homebuyers, a \$200 billion budget for local government projects, and plans for issuing 284 billion sovereign bonds to finance local government debt and enhance social safety nets
- **Global Economic and Geopolitical Factors:** Global economic conditions, geopolitical tensions, and interest rate fluctuations influenced investor sentiment along with the uncertainty surrounding the upcoming U.S. presidential elections and rising U.S. bond yields, leading to cautious approaches among FPIs, such as withdrawing from emerging markets like India
- In October 2024, global market trends and geopolitical tensions influenced investor behaviour, with concerns over inflation rates and interest rate hikes in major economies adding to the cautious outlook.

**Forex**

**India's foreign exchange reserves experienced a notable decline in October 2024**

**Dropped from \$704.9 billion in September 2024 to \$684.8 billion as of October 25, 2024**



Source: RBI

- India's foreign exchange reserves experienced a significant decline in October 2024, marking the fourth consecutive week of decreases after reaching a record high
- As of October 25, 2024, India's foreign exchange reserves decreased by \$3.463 billion from the previous week to stand at \$684.8 billion
- This decline in reserves was followed by earlier declines of \$3.7 billion, \$10.7 billion, and \$2.16 billion in the preceding weeks
- The decline marks the fourth consecutive week of lows following a record high of \$704.89 billion at the end of September. Reserves have fallen due to foreign capital outflows amid geopolitical tensions and investor shift towards Chinese assets following Beijing's stimulus measures
- Reserves reached an all-time high of \$704.885 billion in late September 2024, driven by RBI interventions to stabilize the Indian Rupee amid external pressures
- Earlier on October 11, India's forex reserves dropped by \$10.746 billion from the previous week, marking one of the largest declines in recent times
- Foreign currency assets constituted the largest part of these reserves, amounting to approximately \$593.751 billion as of October 25, 2024
- India's gold reserves have slightly increased to approximately \$68.527 billion during the current period

**Key Factors Contributing to the Decline:**

- **Consistent Withdrawals:** Foreign exchange reserves experienced a decline for four consecutive weeks, totalling approximately \$19 billion, with the most significant drop occurring in the week ending October 25, following previous declines of \$2.163 billion, \$10.746 billion, and \$3.709 billion in the preceding weeks

The persistent decrease in reserves underscores India's economic difficulties in sustaining stability amidst external pressures and market fluctuations

India's forex reserves, despite recent declines, remain strong enough to maintain economic stability and meet import needs amid global uncertainties

India's foreign exchange reserves experienced a significant decline in October 2024 due to domestic economic challenges and external market dynamics

India's forex reserves are still substantial, but their recent decline indicates potential vulnerabilities in currency stability, inflation management, and investor confidence, potentially affecting future economic conditions

India's forex reserves' recent decline reveals currency stability vulnerabilities and investor confidence, potentially impacting economic performance and inflation management in the near term

- **Rupee Depreciation:** The Indian Rupee fell below 84 against the US dollar, leading to RBI intervention and dollar sales to stabilize the currency, further depleting forex reserves
- **Foreign Investor Sell-offs:** Indian equity market witnessed over \$10 billion in foreign investor sell-offs from Indian equities in October 2024 exacerbated market instability and pressured the rupee, prompting RBI interventions
- **Global Economic Conditions:** Rising global interest rates and inflationary pressures may have impacted investor sentiment and capital flows, potentially reducing foreign investments in India
- **Composition of Reserves:** India's forex reserves, a significant portion of total reserves, experienced a decrease in foreign currency assets in late October 2024 due to fluctuations in non-US currency values.

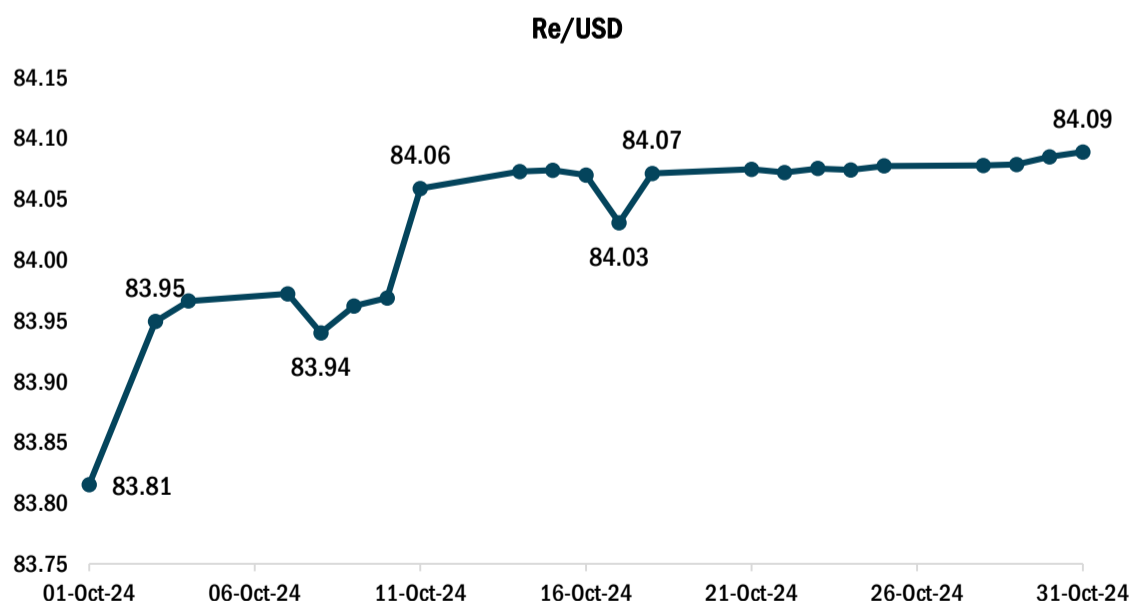
The decline in India's forex reserves poses several implications for India's economy, impacting the country's economy

**Economic Implications:**

- **Currency Stability:** The Reserve Bank of India's ability to effectively intervene in foreign exchange markets raises concerns due to the recent decline of the Indian Rupee, which is currently trading near its all-time low against the US dollar
  - The Indian Rupee is trading near its all-time low against the US Dollar due to outflows, potentially causing increased import costs for essential goods and exacerbating inflation.
- **Inflation and Import Costs:** Reduced forex reserves could increase inflationary pressures due to a weaker Rupee, making imports more expensive, especially for essential commodities like crude oil, potentially affecting economic stability
- **Investor Confidence:** The declining reserve level could negatively impact investor sentiment, as foreign institutional investors are showing signs of pulling back, potentially affecting stock market performance and overall economic growth
  - The \$10 billion outflow from Indian equities in October raises investor confidence concerns, while continuous declines in forex reserves may signal economic instability and deter FDI and portfolio investment.
- **Trade Balance Concerns:** India's trade balance and efficient external payment management could be threatened by a decline in reserves, which are estimated to cover about one year's worth of imports
- **Long-term Economic Growth:** The government's ability to finance deficits or invest in critical infrastructure projects may be hindered by persistent declines in forex reserves.

**Rupee**

**Record foreign investor outflows caused a significant depreciation of the rupee, pushing it to its lowest levels against the dollar**



Source: RBI

The Indian rupee experienced significant volatility and a persistent depreciation in October 2024, reaching its all-time low against the US dollar

**Key Highlights**

- **Record Low Levels:** The Indian rupee reached a record low of 84.10 against the US dollar on October 22, 2024, marking a critical point in its depreciation journey due to intensified fund outflows, negative domestic equities trends, and persistent foreign investor selling

## BWR VIEW

- Further, uncertainties surrounding the US Presidential elections, reflecting concerns over potential U.S. monetary policy changes and their global market implications impacted the rupee performance
- Throughout the month, the rupee fluctuated between 83.79 and 84.09
- The RBI's consistent interventions significantly limited the rupee's depreciation during this period, as foreign institutional investors withdrew substantial amounts, increasing demand for dollars
- The intervention significantly improved the performance of the rupee compared to other major Asian currencies during this period.

### Key Factors Influencing the Rupee's Performance

- **Foreign Institutional Investor (FII) Outflows:** The rupee faced pressure due to significant foreign outflows from Indian equities. The rupee's weakness was largely due to a significant outflow of funds from foreign institutional investors, particularly in October 2024, and a shift in investor sentiment towards Chinese markets
  - Foreign institutional investment (FII) outflow from Indian equities significantly impacted the rupee's decline, selling over ₹90,000 crores worth of stocks in October 2024
    - This outflow was a sharp contrast to \$7 billion inflow witnessed in September 2024, indicating a shift in investor sentiment due to high valuations and China stimulus measures.
- **Increased Demand for the Dollar:** Indian foreign exchange market experienced a surge in dollar demand due to higher crude oil prices and equity market sell-offs, resulting in a close of 84.07 against the dollar
- **Rising Crude Oil Prices:** Increased global crude oil prices have exacerbated India's situation, increasing import bills and causing a higher demand for dollars to cover these costs
  - Crude oil prices surged due to Middle East conflicts and US supply disruptions caused by natural disasters like Hurricane Milton in the US, impacting India's oil imports and causing inflationary pressures, requiring higher dollar purchases by domestic companies
- **US Economic Factors:** U.S. monetary policy expectations, including rising bond yields and a less dovish stance from the US Federal Reserve, strengthened the dollar's global strength, causing additional headwinds for the rupee
- **Market Sentiment and Domestic Economic Conditions:** Indian equity markets experienced negative sentiment, with hefty decline in major indices like BSE Sensex and Nifty 50. Economic stability and inflation concerns fuelled a lack of confidence in the rupee
- **Geopolitical Concerns:** The ongoing geopolitical tensions and uncertainties surrounding the upcoming US presidential elections have heightened market anxiety, prompting investors to seek safer assets

**RBI's Intervention:** The Reserve Bank of India has been implementing forex market interventions to stabilize the rupee, including selling dollars to manage volatility and prevent depreciation

In October 2024, the Indian rupee experienced a historic low against the dollar due to foreign capital outflows, rising oil prices, and U.S. macroeconomic concerns, highlighting India's economic vulnerabilities amid global uncertainties

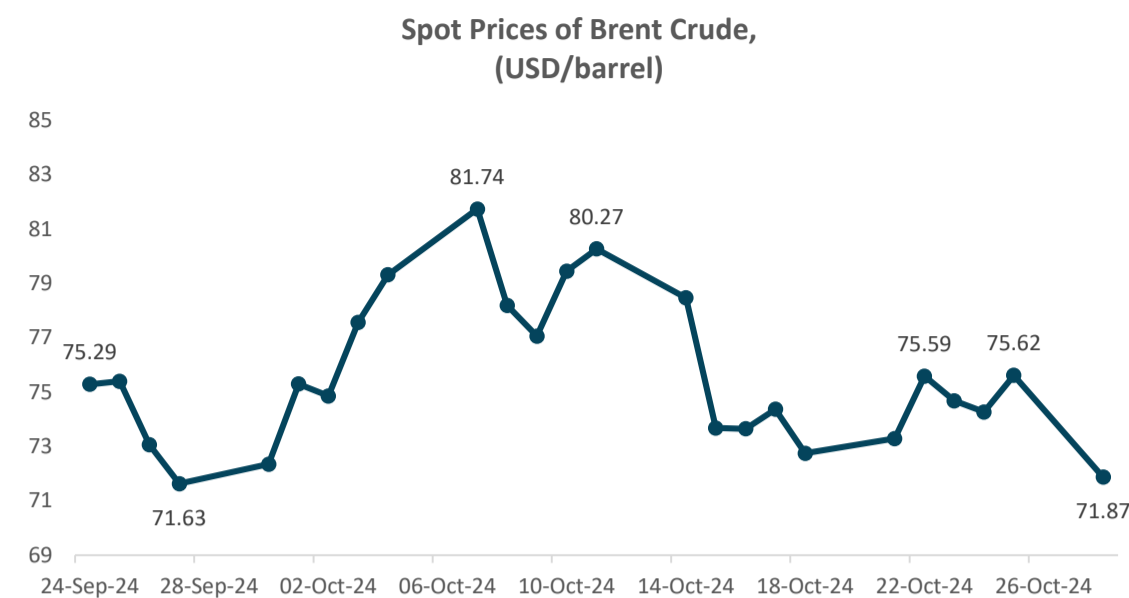
The Indian rupee performance in October 2024 is influenced by economic challenges like foreign capital outflows and rising import costs, with ongoing geopolitical and economic uncertainties posing risks

The RBI's October 2024 interventions helped stabilize the rupee against the dollar amid economic challenges like foreign capital outflows and rising oil prices. However, ongoing external pressures suggest continued vigilance and potential currency value fluctuations

The Indian rupee is expected to consolidate around 84.00 levels as the Reserve Bank of India (RBI) aims to maintain this level of the Indian rupee amid market pressures and foreign exchange outflows

## Oil

**Brent Crude Oil Prices witnessed Significant fluctuations influenced by IEA and OPEC forecasts**



Source: U.S. Energy Information Administration

- In October 2024, Brent crude oil prices experienced significant fluctuations, largely influenced by forecasts from the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC)
- Brent crude futures surged by \$8 per barrel in early October 2024 due to Middle East military escalations, bringing prices to \$79 per barrel by early October. Crude oil prices surged due to geopolitical tensions following missile attacks between Iran and Israel, causing concerns over Middle East oil supply disruptions. Despite these, oil supply remained steady
- By mid-October 2024, Brent prices and crude prices fell sharply to below \$74 per barrel and stabilized at \$74.07 per barrel due to geopolitical developments and revised demand forecasts by the IEA and OPEC
- The IEA revised its 2024 oil demand forecast to 860,000 barrels per day due to weaker demand from China and Israel's decision not to target Iranian oil infrastructure
- The IEA predicts a potential oil market surplus in 2025 due to slowing global demand growth and robust production, without major disruptions
- Further, OPEC's production cuts were also seen as a stabilizing factor, but their forecasts for demand growth were lowered for the third consecutive month, causing market participants to be cautious

Brent crude oil prices faced downward pressure towards the end of the month and dropped to \$72.35 due to renewed hopes for a ceasefire in the region and Israel's limited retaliatory actions, reducing geopolitical risk premiums

### Key Influencing Factors:

- **Geopolitical Tensions:** The ongoing conflict between Israel and Iran has significantly impacted oil prices, initially causing higher prices before stabilizing as the situation evolves
- **Demand Forecasts:** The International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) have revised their demand forecasts, indicating potential softness in global oil demand
- **Market Sentiment:** Investor sentiment remained cautious amid geopolitical risks and economic indicators from major economies like the U.S. and Europe, providing mixed signals about oil demand recovery
- **Production Cuts:** OPEC+ production cuts have limited supply, leading to speculation that planned production increases may be postponed, affecting market dynamics

In October 2024, Brent crude oil prices were significantly influenced by geopolitical tensions, supply-demand dynamics, and market sentiment, with key factors shaping the market including:

### Geopolitical Tensions

- **Middle East Conflict:** The growing tensions between Israel and Iran have raised concerns about regional conflicts, potentially disrupting oil supplies. The potential targeting of Iranian energy infrastructure has raised stability concerns, leading to a geopolitical premium in oil prices

BWR VIEW

OPEC+ decision to extend production cuts until December 2024 to support oil prices and navigate complex global economic factors, aiming to maintain market conditions. Market sentiment remains cautious due to ongoing geopolitical conflicts, particularly in the Middle East, which have historically influenced oil prices.

- **Libyan Oil Exports:** The resumption of crude shipments in Libya following a political dispute resolution has slightly stabilized the market amid rising Middle Eastern tensions.

#### Supply and Demand Factors

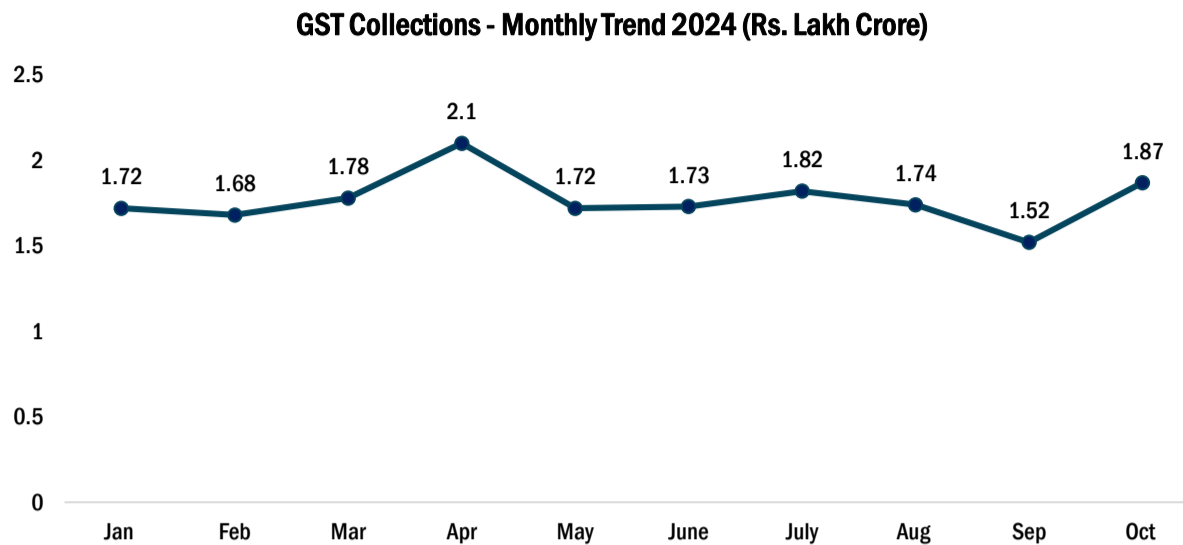
- **OPEC+ Production Cuts:** OPEC+'s voluntary production cuts, set to end in October 2024, aimed to manage supply levels amid fluctuating demand forecasts. OPEC+ plans to extend its 2.2 million barrels per day production cuts for an additional month, extending the potential increase timeline to early 2025.
- **Global Oil Inventories:** Global oil inventories decreased significantly in October 2024, leading to a significant draw in crude stocks, causing price increases as markets reacted to reduced supplies
  - In October 2024, global oil inventory declines, primarily due to OPEC+ supply cuts and strong refining activity, significantly impacted Brent Crude prices, leading to a notable rebound in the market
  - As a result of these inventory declines, Brent crude futures rallied in early October, reaching around \$78 per barrel. Further, geopolitical tensions in the Middle East, particularly between Israel and Iran, raising fears of potential disruptions to oil supplies compounded the market reaction
- **Weak Demand from China:** Crude Oil prices rose due to upward pressure, but weak demand from China, a major consumer, exacerbated the situation by causing a year-on-year decline in Chinese oil consumption

#### BWR VIEW

## Other Macro-Economic Indicators

### GST Collections

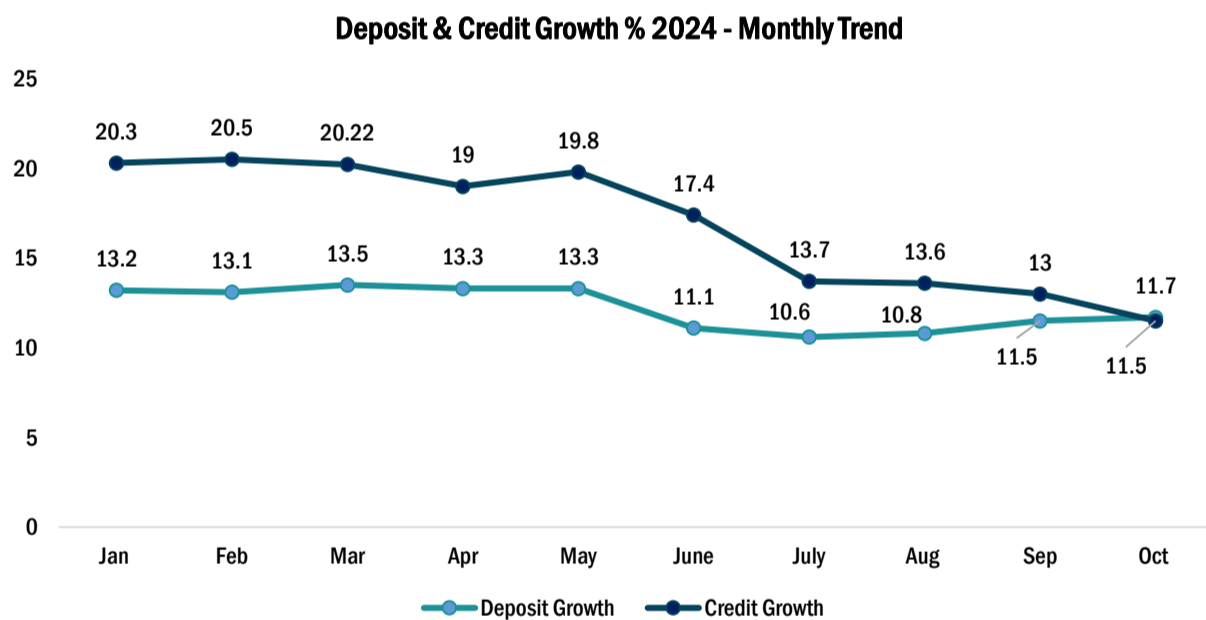
The monthly trends in India's GST collections indicate a resilient economy with robust domestic consumption and improved compliance among taxpayers.



Sources: GST Council, Press Information Bureau.

### Deposit & Credit Growth Rate

The trends in India's credit and deposit growth for 2024 indicate robust demand for credit in H1 driven by consumer lending and corporate investments. Loan growth moderates in October.



Source: RBI.

India's credit growth has been slowing in recent months due to several factors, including:

- **Tightened regulations:** RBI has implemented stricter norms on consumer loans and credit to non-banking financial companies.
- **Rising defaults:** There has been an increase in defaults, particularly in sectors like personal loans and credit cards.
- **Weakening urban consumption:** The slowdown in urban consumption may be a result of the RBI's measures to curb unsecured credit.

### BWR VIEW

The October GST Collections reflects positive economic sentiment, particularly during the festive season, while challenges remain in sustaining this momentum amid global uncertainties and fluctuating demand patterns. The ongoing efforts to enhance compliance and streamline tax processes are crucial for maintaining this growth trajectory in future

While deposit growth has lagged behind, prompting banks to innovate in mobilizing funds. The overall outlook suggests that while credit growth remains moderate, challenges in deposit mobilization could impact future lending capabilities within the banking sector as it navigates evolving economic conditions and competitive pressures from alternative investment avenues.

## GLOBAL

### ECB Cuts Interest Rates Again as Eurozone Inflation Slows

- The European Central Bank (ECB) reduced its key interest rates by 25 basis points, effective October 23, 2024, bringing the deposit facility rate to 3.25%, the main refinancing operations rate to 3.40%, and the marginal lending facility rate to 3.65%
- This rate cut marks its third rate reduction of the year following cuts in June and September 2024, reflecting a strategic monetary policy shift
- The decision to reduce interest rates is part of a broader strategy to address easing inflation and sluggish economic growth across the Eurozone
- The decision was influenced by a drop in inflation to 1.7% in September 2024, below the ECB's 2% target, and the need for supportive monetary policy to stimulate Eurozone growth
- The bank reported a strong disinflationary trend and emphasized the need for supportive monetary policy to stimulate growth in the Eurozone
- The ECB has acknowledged the persistent inflation pressures arising from rising wages and restrictive financing conditions, while also acknowledging the persistently high core inflation

### Germany's Economic Struggles Deepen

- Germany is experiencing a mild recession as of October 2024, with GDP forecasts predicting a 0.2% contraction this year, marking the second consecutive year of economic decline
- German Government Slashes Growth Forecast: German government predicts a 0.2% contraction in 2024's economic growth forecast due to weak demand, high interest rates, and rising energy costs, marking its second consecutive year of decline after a 0.3% contraction in 2023
- Manufacturing Sector Struggles: The manufacturing sector has experienced a 27-month contraction, with the Manufacturing Purchasing Managers' Index dropping to 40.6 in September 2024, primarily due to weakened export orders and increased competition from China
- The situation underscores persistent structural issues, including reliance on manufacturing, weak export demand, disruptions in energy supply, and global competition, notably from China
- Germany's economic outlook is bleak, with no growth expected in 2024 due to low consumer spending and industrial weakness, resulting in pessimistic forecasts from both government and independent economic institutes
- Forecasts indicate growth could return by 2025 if structural reforms are successful, but this depends on stabilizing global economic conditions and addressing long-standing German economic issues
- The current economic situation is expected to improve in 2025, with a 1.1% growth rate, largely due to government initiatives promoting investment incentives and structural reforms
- Germany's recession poses significant challenges to the euro area, affecting trade dynamics, investor confidence, and economic stability, potentially hindering recovery efforts across the interconnected European economies

## SUMMARY

- The Reserve Bank of India (RBI) has maintained its repo rate at 6.5% for the tenth consecutive time, following its MPC meeting on October 9, 2024. The MPC has changed its stance from "withdrawal of accommodation" to "neutral," enabling greater flexibility in adjusting interest rates based on economic conditions, especially inflation trends
- The Reserve Bank of India has successfully repatriated 102 tonnes of gold from the Bank of England On October 29, 2024, bringing the total repatriated amount to 214 tonnes, amid international tensions and economic uncertainties
- India's retail inflation reached 5.49% in the month of September 2024, a nine-month high and exceeding the Reserve Bank of India's target range of 2% to 6%. The increase is primarily due to a significant rise in food prices, particularly vegetables, which experienced a year-on-year inflation rate of 35.99%
- India's wholesale inflation for September 2024 has risen to 1.84%, up from 1.31% in August 2024. This spike is primarily attributed to higher food prices, particularly vegetables, which experienced a 48.73% inflation rate, with potatoes and onions experiencing rates of 78.13% and 78.82%, respectively
- India's core sector output experienced a 2% growth in September 2024, a recovery from a 1.6% decline in August 2024. The rebound was fuelled by significant growth in key industries, including cement production, refinery products (up by 5.8%), and the coal sector (up 2.6%). The cement sector and refinery products are key drivers of recovery, despite slow growth compared to previous period
- India's Index of Industrial Production (IIP) for August 2024 saw a 0.1% contraction, marking the first decline since October 2022, following a robust growth rate of 4.7% in July 2024. The downturn is attributed to adverse conditions in key sectors, particularly mining and electricity, which experienced declines of 4.3% and 3.7%, respectively
- India's trade deficit decreased significantly in September 2024, reaching \$20.78 billion, marking the lowest since April 2024 and a narrowing of the deficit compared to \$20.08 billion in September 2023, largely due to a decrease in gold imports
- October 2024 was a challenging month for Indian equity markets, with significant foreign investor withdrawals and fluctuating index performances, influenced by external factors and high domestic valuations
- India's foreign exchange reserves experienced a significant decline in October 2024, marking the fourth consecutive week of decreases after reaching a record high
- The Indian rupee reached a record low of 84.10 against the US dollar on October 22, 2024, marking a critical point in its depreciation journey due to intensified fund outflows, negative domestic equities trends, and persistent foreign investor selling
- Brent crude oil prices experienced significant fluctuations in October 2024, largely influenced by forecasts from the International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC)

## Global:

- The European Central Bank (ECB) reduced its key interest rates by 25 basis points, effective October 23, 2024, bringing the deposit facility rate to 3.25%, the main refinancing operations rate to 3.40% and the marginal lending facility rate to 3.65% The Federal Open Market Committee (FOMC) predicts an interest rate cut in September 2024, with policy adjustments suggested if economic data aligns, maintaining a cautious approach to inflation trends
- Germany is experiencing a mild recession as of October 2024, with GDP forecasts predicting a 0.2% contraction this year, marking the second consecutive year of economic decline

\* Views are personal

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