- **RBI November Bulletin points to recovery in growth in the third quarter**

As per November RBI bulletin, private consumption is back driven by festive spending, and the medium-term economic outlook remains bullish as the innate strength of the macro-fundamentals reasserts itself. The slack in speed of economic activities observed in the second quarter of the current financial year is "behind us". Aggregate demand regained strength in October 2024, buoyed by festival season demand, which is indicated by high-frequency indicators. As regards inflation, the Bulletin asserts that "inflation is already biting into urban consumption demand and corporates' earnings and capex. If allowed to run unchecked, it can undermine the prospects of the real economy, especially industry and exports". Also, as per its growth model of high frequency indicators, RBI expects Q2 and Q3 FY25 GDP growth at 6.7% and 7.6% (higher than the 7.4% growth projection provided during the October monetary policy meeting), respectively.

Global economic uncertainty is unprecedentedly high amidst persisting geopolitical tensions, divergent monetary policy pathways, geo economic fragmentation, and political spillovers, among other overlapping crises. Interventions in the forex market by RBI have imparted stability to the rupee, and the economy remains relatively insulated from multiple global spillovers and attendant financial stability risks.

- **Finance minister directs banks to make interest rates more affordable**

The Finance Minister Nirmala Sitharaman while addressing at the SBI Banking and Economics Conclave highlighted the crucial role of banks in strengthening the MSME sector. She emphasised the need for banking reforms to enhance lending capabilities, including offering collateral-free loans, to empower MSMEs. Recognising MSMEs as not just an economic sector but a transformative job-creating force, she proposed cash flow-based lending as a game-changer for improving financial access and inclusion. These reforms aim to foster growth, expand credit accessibility, and strengthen India's journey towards becoming a developed economy. The finance minister announced ambitious lending targets for the MSME sector, aiming for Rs 6.12 trillion in FY26 and Rs 7 trillion in FY27, while urging banks to extend an additional Rs 1.54 trillion in FY25 to bolster small businesses.

She asked banks to make interest rates more affordable at a time when the government wants industries to build capacity, describing the current high cost of borrowing as "very stressful". Further, banks need sharper focus on core banking practices, and must prioritise transparency, ethical practices, and clear communication to earn people's trust. While banks have contributed to improving insurance penetration, they were warned against unethical practices. While acknowledging some moderation in the growth indicators and of challenges stemming from both domestic and global factors, the finance minister argued that there was no need for "undue concerns". The high-frequency indicators, in fact point to sustained growth momentum.

- **RBI Governor: Inflation is expected to moderate despite periodic humps**

RBI Governor Shaktikanta Das, in his address at the CNBCTV18 Global Leadership Summit, asserted that "the Indian economy is sailing through smoothly, powered by buffers like strong macro-economic fundamentals, stable financial system and resilient external sector". Inflation is expected to moderate despite periodic humps and the external sector is robust. The RBI's "prime focus has been to maintain financial stability, which breeds growth and prosperity". He also said that India's financial sector is now more robust and resilient than at the beginning of the recent period of turmoil. However, the RBI and regulated entities cannot be complacent and must remain alert and future ready for the emerging challenges.

At the Conference of Directors of Private Sector Banks, the Governor urged bank boards to strengthen internal governance framework to curb unethical practices. "While such practices may yield short-term gains, they ultimately expose the bank to significant long-term risks, including reputational damage, supervisory scrutiny, and financial penalties." Bank boards have to strengthen internal governance framework to curb unethical practices, such as mis-selling of products or opening of accounts without proper KYC verification. Further he pointed out that the Boards may adopt a proactive approach in identifying and addressing potential challenges and must be cognizant of build-up of concentrations in their business model. They must also remain vigilant to operational risks, particularly those arising from IT outsourcing and reliance on third-party vendors. There is a need to balance innovation with security and stability.

In a separate address at the High-Level Policy Conference of Central Banks from the Global South, the RBI Governor said that resilient growth has given RBI the space to focus on inflation to ensure its durable descent to the 4% target. "A stable inflation or price stability is in the best interest of the people and the economy. It acts as a bedrock for sustained growth, enhances the purchasing power of the people and provides a stable environment for investment." Price stability is equally important as growth. It allows economic agents to plan confidently, reduces uncertainty and inflation risk premiums and encourages savings and investment. "In the long run, price stability supports sustained high growth. Price stability is also important because high inflation is disproportionately burdensome on the poor."

Meanwhile, media reports indicate that for maintaining policy continuity, government is likely to extend the term of RBI Governor Shaktikanta Das for the third time, an unprecedented move that would make him the longest serving chief since the 1960s.

- **Credit-deposit growth converge for SCBs as credit slows**

The latest credit and deposit data by RBI for the fortnight ended 1st Nov'24 shows a convergence in their growth. The YoY growth under aggregate deposits of SCBs as on 1st Nov'24 stood at 11.8% and gross advances YoY growth was 11.9%. With this the wedge between growth of deposit and credit for SCB has narrowed to 0.1%. Meanwhile for SCBs, deposit growth rate was higher than credit growth for the fortnight ended 18th October 2024 by 23 bps which was the first time since April 2022. As on 1st Nov'24, the CD ratio of SCBs was at 79.1%, with incremental CD ratio being 79.6%. In the latest Bulleting RBI has stated that, "a better balance is emerging between deposit and credit growth, with the incremental credit-deposit ratio falling to more normal levels from stratospheric heights earlier." This trend is also in line with the analysis in RBI Financial Stability report that "there have been episodes of credit and deposit growth divergence for 2 to 4 years". Hence, the RBI actions with respect to credit excesses have borne fruit and led to convergence of credit growth with deposit growth.

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Economy Dashboard

MACRO-ECONOMIC DASHBOARD														
Industrial Sector	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
IIP (YoY Gr%)	6.35	11.89	2.47	4.39	4.21	5.60	5.47	5.19	6.25	4.93	4.70	-0.07	3.09	
Mining (YoY Gr%)	11.50	13.14	7.01	5.20	6.02	8.13	1.30	6.77	6.56	10.30	3.75	-4.29	0.18	
Manufacturing (YoY Gr%)	5.13	10.58	1.31	4.62	3.64	4.94	5.90	4.18	5.10	3.53	4.36	1.11	3.89	
Electricity (YoY Gr%)	9.87	20.38	5.76	1.23	5.63	7.59	8.62	10.24	13.74	8.58	7.94	-3.72	0.49	
Core Infra Growth (YoY Gr%)	9.45	12.68	7.89	5.08	4.16	7.06	6.25	6.94	6.86	5.00	6.14	-1.58	2.04	
Cement Production (YoY Gr%)	4.73	16.95	-4.75	3.84	4.06	7.82	10.58	0.16	-0.63	1.79	5.48	-3.02	7.10	
Steel Production (YoY Gr%)	14.81	13.59	9.74	8.28	9.17	9.44	7.53	9.83	8.94	6.31	6.42	3.88	1.46	
Petroleum Products (YoY Gr%)	5.49	4.29	12.36	4.09	-4.30	2.63	1.59	3.92	0.50	-1.54	6.62	-1.03	5.76	
Fertilizers Production (YoY Gr%)	4.17	5.33	3.33	5.85	-0.59	-9.50	-1.27	-0.76	-1.66	2.45	5.31	3.15	1.89	
Coal Production (YoY Gr%)	16.00	18.38	10.87	10.79	10.57	11.57	8.70	7.51	10.20	14.78	6.82	-8.05	2.64	
Capital Goods Production (YoY Gr%)	8.37	21.67	-1.11	3.70	3.24	1.72	6.99	2.81	2.63	3.63	11.75	0.47	2.84	
PMI Manufacturing	57.50	55.50	56.00	54.90	56.50	56.90	59.10	58.80	57.50	58.30	58.10	57.50	56.50	57.50
PMI Services	61.00	58.40	56.90	59.00	61.80	60.60	61.20	60.80	60.20	60.50	60.30	60.90	57.70	58.50
Banking Sector	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
Bank Credit (YoY Gr%)	19.96	19.73	20.64	19.95	20.30	20.50	20.16	19.01	19.78	17.36	13.59	13.59	13.03	
Agriculture Credit (YoY Gr%)	16.66	17.39	18.11	19.39	19.99	20.00	19.97	19.84	21.60	17.41	18.07	17.73	16.36	
Industry Credit (YoY Gr%)	6.51	5.36	6.06	8.04	7.97	8.89	8.51	7.37	9.36	8.13	10.09	9.71	8.94	
Services Credit (YoY Gr%)	25.39	24.03	25.75	23.34	24.20	24.26	23.49	22.02	23.18	17.36	13.99	13.92	13.70	
Retail Credit (YoY Gr%)	30.03	29.56	30.03	28.41	28.61	28.11	27.46	26.70	28.73	25.60	14.99	13.93	13.42	
Bank Deposits (YoY Gr%)	9.90	12.96	14.21	13.28	13.20	13.12	13.47	12.56	14.02	11.12	10.57	12.72	11.54	11.75
Demand (YoY Gr%)	-1.32	5.97	15.04	10.71	9.19	10.12	12.08	9.88	14.83	6.24	8.25	20.55	13.33	13.16
Time (YoY Gr%)	11.54	13.94	14.10	13.64	13.76	13.53	13.67	12.93	13.91	11.83	10.88	11.70	11.31	11.56
C-D Ratio (%)	78.60	79.20	79.60	79.50	80.00	80.20	80.30	79.50	79.60	79.30	79.30	78.40	79.60	79.00
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.38	9.50	9.41	9.32	9.43	9.36	9.37	9.55	9.39	9.32	9.40	9.41	9.37	
Weighted Average Deposit Rate (%)	6.70	6.76	6.79	6.83	6.85	6.86	6.89	6.91	6.92	6.91	6.92	6.93	6.95	
Banking Sector	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
UPI (No. in Cr)	1055.57	1140.88	1123.53	1202.02	1220.30	1210.27	1344.00	1330.40	1403.58	1388.51	1443.56	1496.30	1504.17	1658.50
IMPS (No. in Cr)	47.29	49.29	47.24	49.88	50.88	53.46	58.06	55.04	55.77	51.68	49.03	45.33	42.99	46.68
NPCI Retail Transaction value (Y-o-Y Gr%)	20.61	23.52	25.99	21.14	25.16	28.51	22.19	23.95	22.01	22.83	22.96	20.51	20.62	29.59
NPCI Retail transactions volume (Y-o-Y Gr%)	43.68	42.59	46.93	44.96	44.68	50.01	46.69	44.24	42.86	44.14	39.05	37.43	38.96	43.18
Inflation	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
CPI (Y-o-Y Gr%)	5.02	4.87	5.55	5.69	5.10	5.09	4.85	4.83	4.80	5.08	3.60	3.65	5.49	6.21
Core CPI (Y-o-Y Gr%)	4.52	4.26	4.11	3.89	3.59	3.37	3.24	3.23	3.12	3.14	3.39	3.40	3.49	3.67
WPI (Y-o-Y Gr%)	-0.07	-0.26	0.39	0.86	0.33	0.20	0.26	1.19	2.74	3.43	2.10	1.25	1.84	2.36
Consumer	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
Electricity Consumption (YoY Gr%)	11.76	23.46	6.15	0.80	5.54	8.86	9.99	9.02	13.62	8.01	3.98	-4.96	-0.78	1.14
Petroleum Consumption (YoY Gr%)	-1.97	1.91	-4.37	9.41	6.46	-4.84	15.31	-2.54	8.20	8.98	7.40	0.26	-7.85	7.24
Consumer Durables (YoY Gr%)	0.97	15.93	-4.83	5.24	11.58	12.56	9.53	10.55	12.63	8.82	8.29	5.28	6.48	
Consumer Non Durables (YoY Gr%)	2.66	9.29	-3.38	3.04	0.30	-3.17	5.22	-2.46	2.80	-1.02	-4.30	-4.45	2.03	
Unemployment (YoY Gr%)	7.09	9.42	8.88	8.65	7.40	8.10	7.40	8.10	7.00	9.20	7.90	8.50	7.80	8.80
Trade	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
Merchandise Export (YoY Gr%)	-2.77	5.79	-3.27	0.80	4.26	11.87	-0.63	1.99	13.30	2.44	-1.84	-9.34	0.49	17.26
Merchandize Import (YoY Gr%)	-14.02	10.27	-3.32	-6.64	1.99	13.69	-6.39	11.47	8.07	5.93	7.45	3.28	1.60	3.88
Service Export (YoY Gr%)	-2.74	10.66	4.16	1.74	10.75	3.43	-1.40	17.06	9.69	3.16	16.61	5.66	14.62	21.29
Service Import (YoY Gr%)	-10.41	-0.41	-11.13	-1.05	0.10	1.72	-2.12	19.99	6.18	-3.08	15.72	8.83	13.24	26.30
Logistics	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
E Way bill generated (Nos. in Cr)	9.20	10.03	8.76	9.53	9.60	9.73	10.35	9.67	10.32	10.01	10.49	10.55	10.91	11.73
Air Freight (YoY Gr%)	-0.25	13.15	6.58	10.80	15.52	22.66	17.32	9.98	15.57	15.94	18.06	12.46	17.95	
Fiscal	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-24**	**Mar-24**	**Apr-24**	**May-24**	**Jun-24**	**Jul-24**	**Aug-24**	**Sep-24**	**Oct-24**
GST Collection (YoY Gr%)	10.17	13.37	15.12	10.28	10.51	12.54	11.47	12.42	9.96	7.63	10.28	9.99	6.47	8.92
Govt. Expenditure (YoY Gr%)	3.19	-14.01	-13.82	7.13	-14.03	20.44	-0.62	39.26	-37.87	-18.42	0.12	20.94	2.63	

Source: CEIC, RBI, UBI research

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