SBI Research

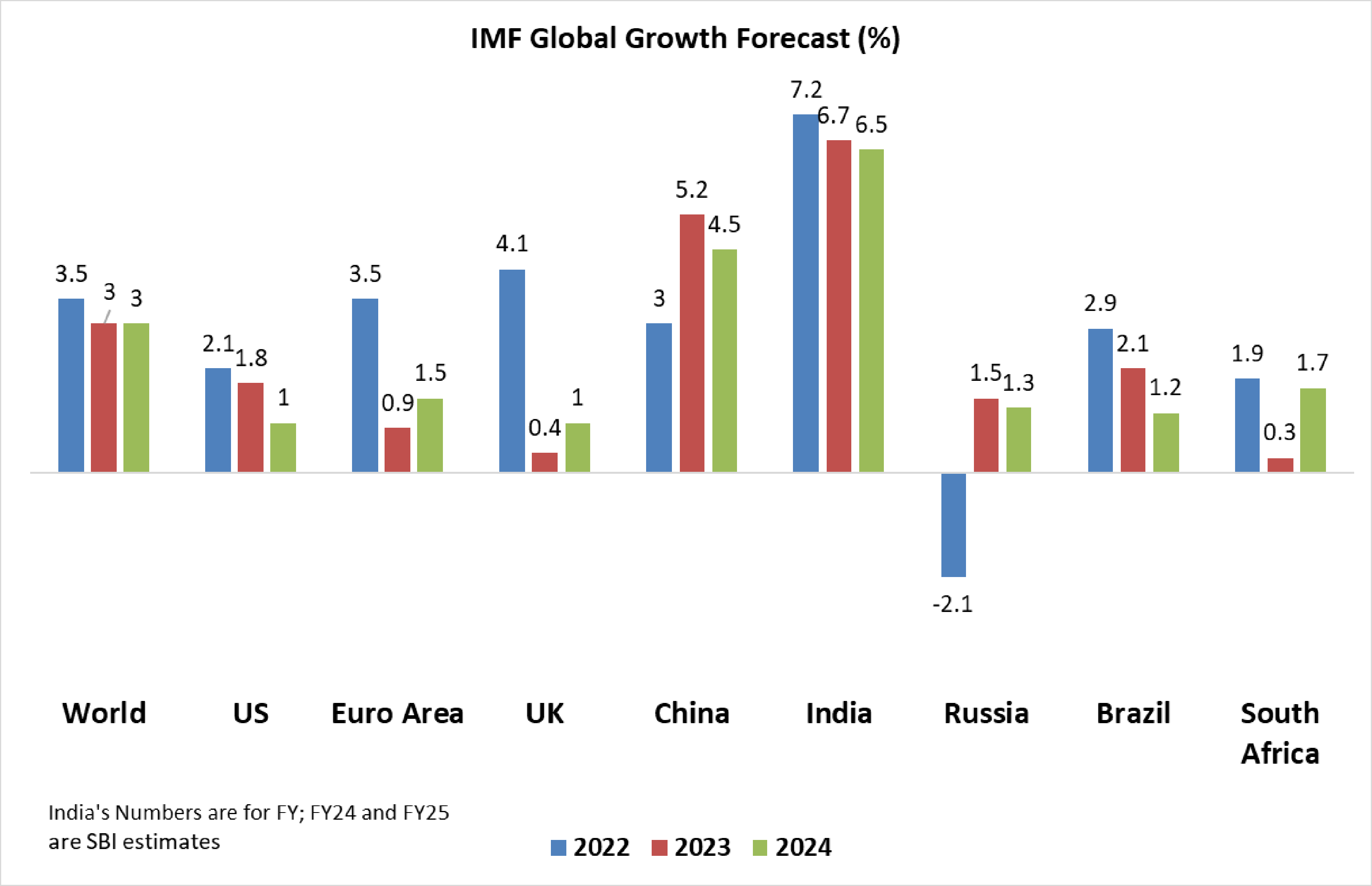
Prelude to MPC Meeting: August 8-10, 2023

Steadfast, Spirited & Supportive: How Mint Street is wading through waters

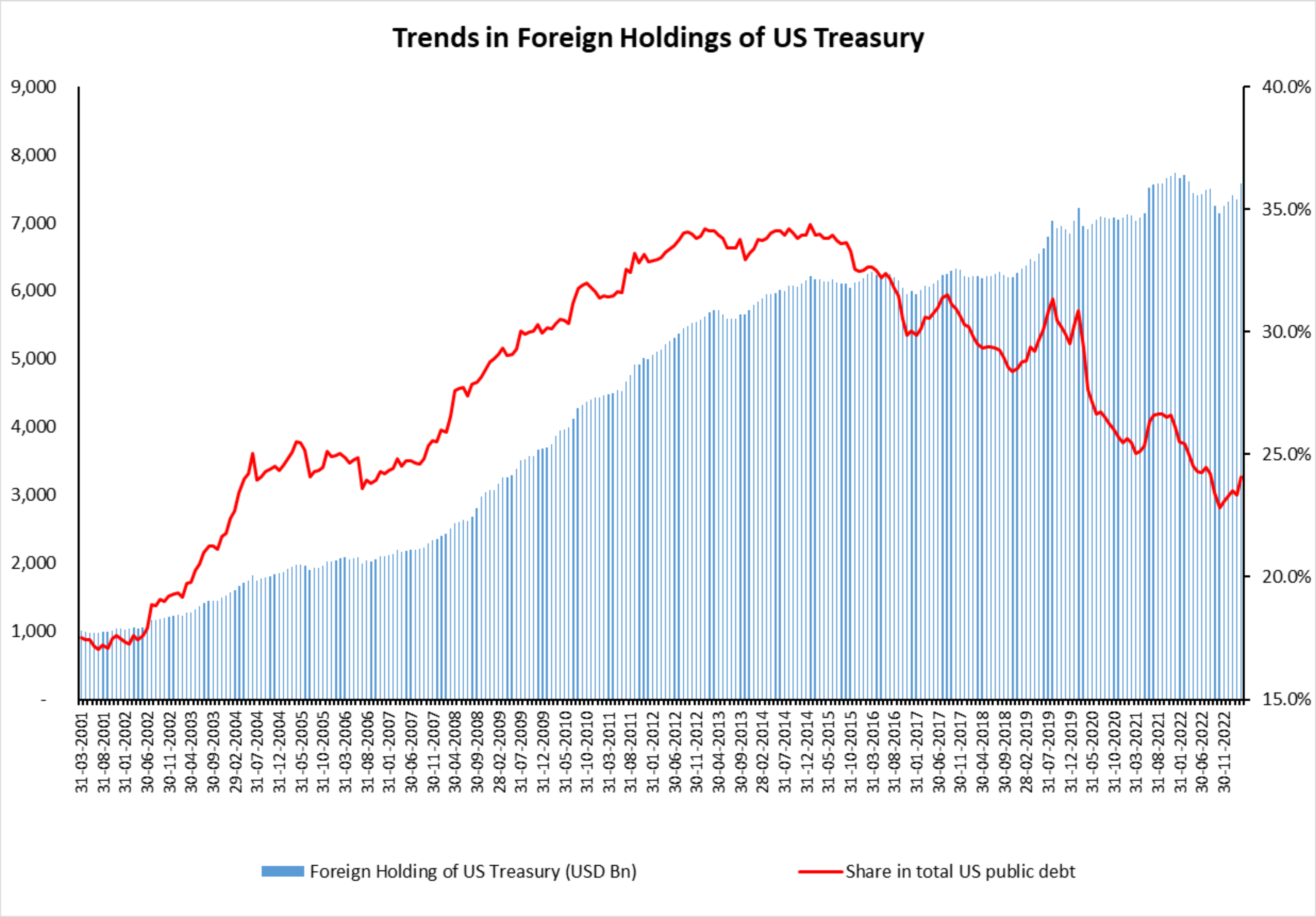
07-August-2023

Global Economic Situation

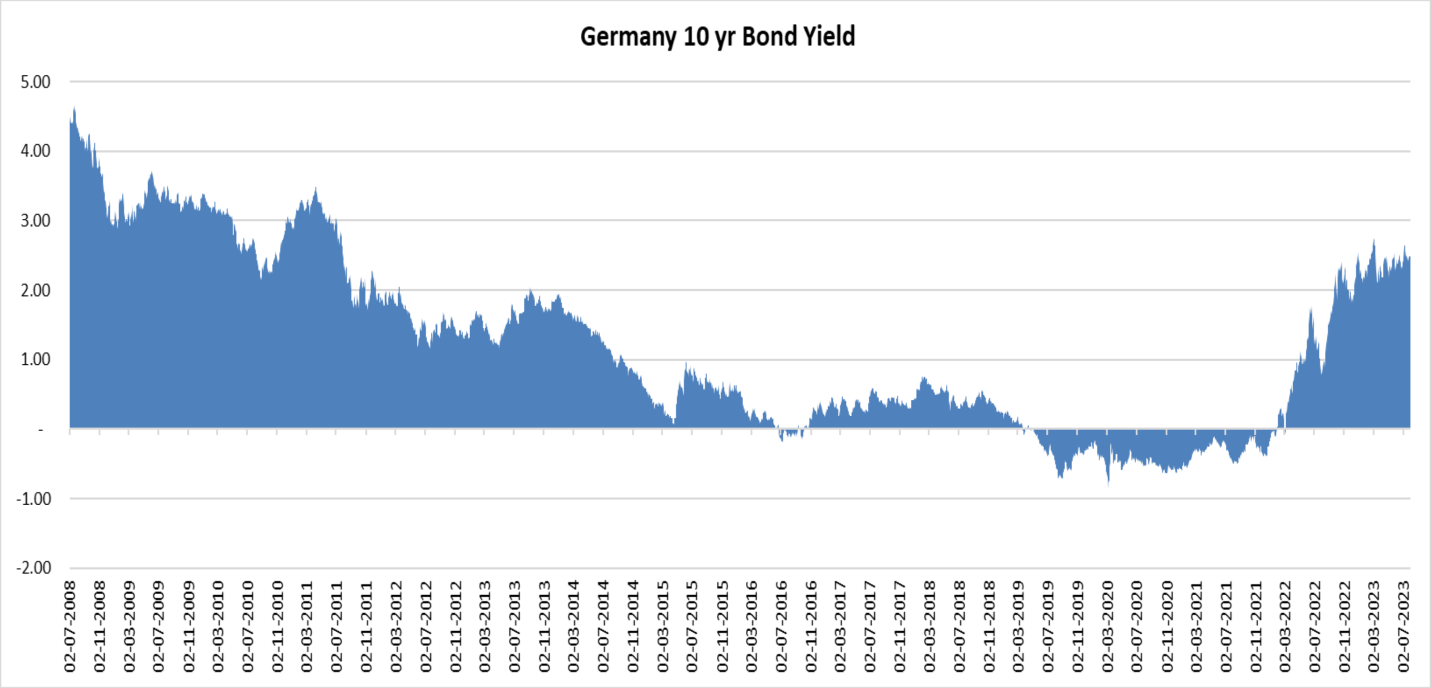
Global growth is still resilient…India a bar higher…SBI growth numbers for FY24 at 6.7%

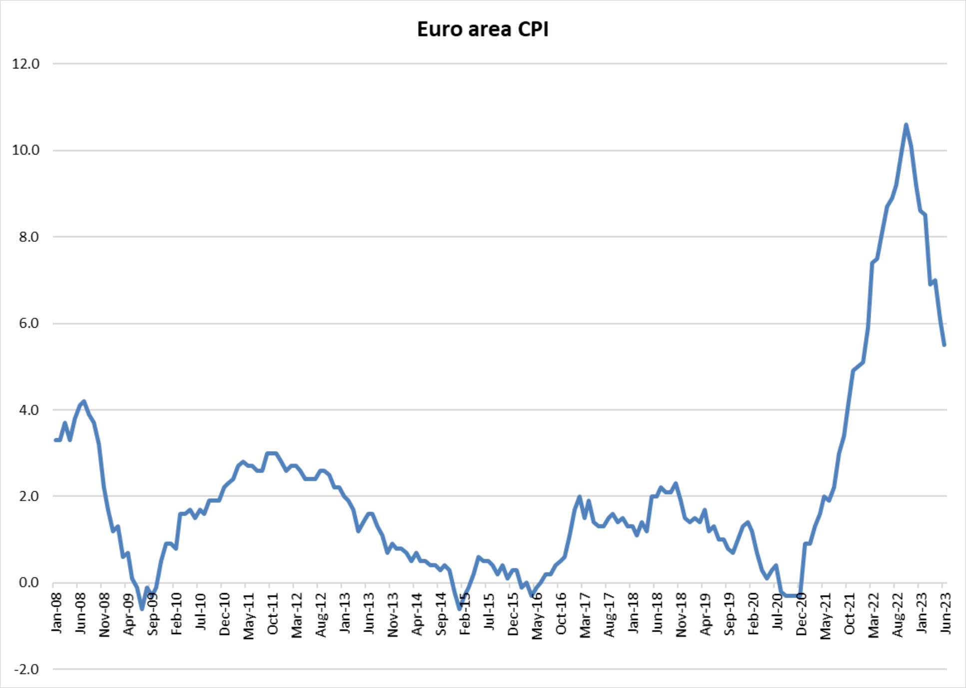


External demand for US treasury to be negatively impacted due to new rating action



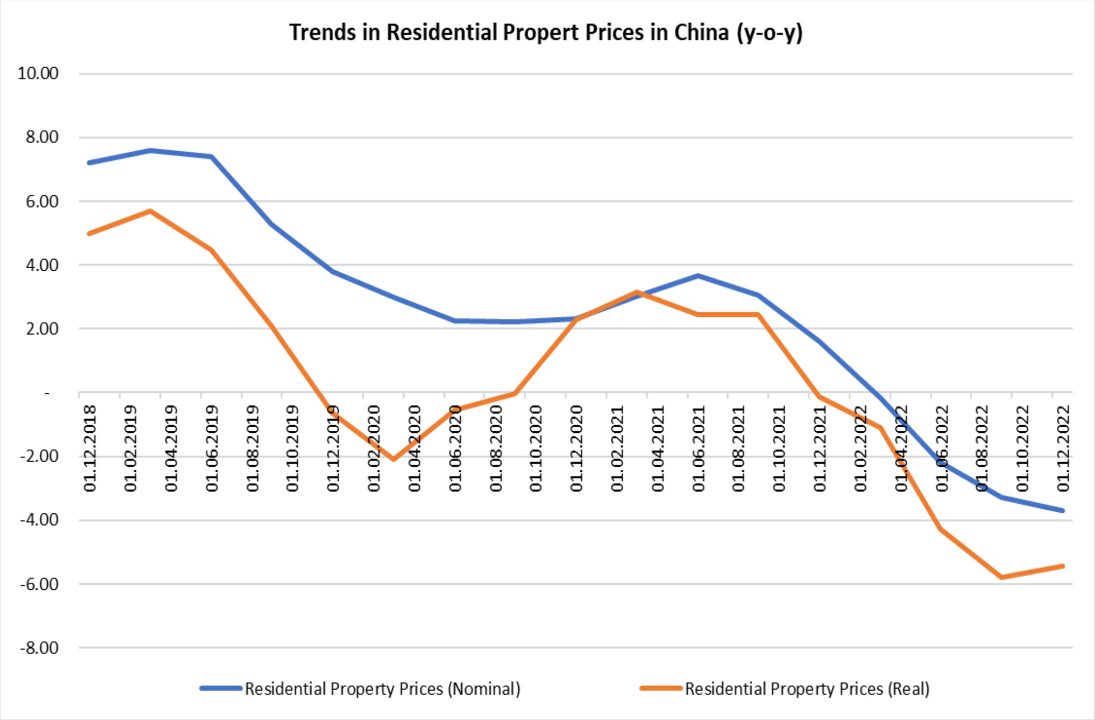
Euro area inflation and interest rates on expected course

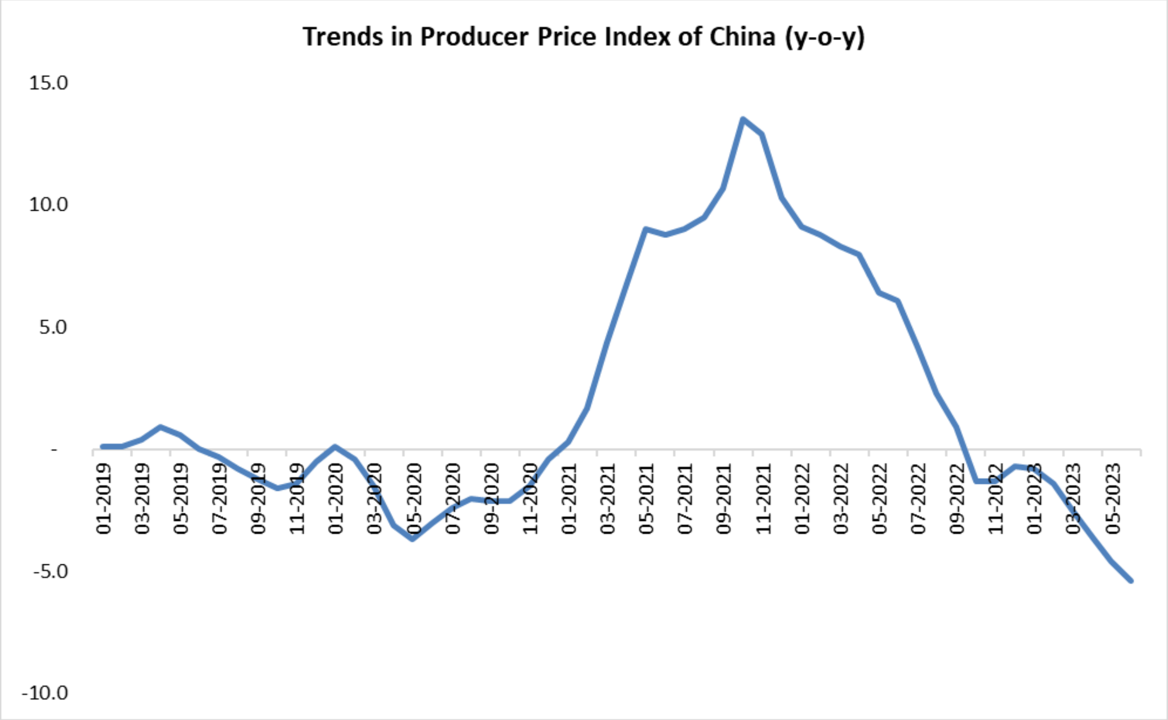




- Inflation remains high by historical standards in Europe (though continues to decline)
- Pressure to withdraw liquidity persists as current inflation is outside the ECB mandate
- Hike can not be ruled out in September
- Benchmark German bond yields have remained stable after the recent hike

China’s economy slowing down after zero-COVID and flattering global growth





- China’s PPI and Property prices have entered spell of deflation prompting accommodative monetary policy
- Slowdown in global growth and fall out of zero-COVID to limit future upside potential growth

Federal Reserve and ECB rate outlook

- The current situation in the US clearly indicates slowdown in pace of hike in the US
- The deficit liquidity in the US banking system to feed into policy stance thus balancing stability and inflation objectives
- Sovereign rating action, tight liquidity conditions to negatively impact US growth, consumer spending

<u>FED RATE OUTLOOK – Too close call for a final rate hike of 25 bps in next cycle</u>

- The ECB will keep the stance as tightening as inflation continues to outside comfort zone
- Escalation of conflict in Ukraine to influence the trajectory of inflation in EU countries

<u>ECB RATE OUTLOOK – Strong pace, hike in 25 bps steps</u>

US Economy: Hard or Soft Landing or Status Quo?...Past history suggest assessment and reality may be divergent…specifically if inflation remains persistent, growth could be lower..

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- Recessions surprise every time. It always looks like a soft landing, until it doesn't, and that's when minds are changed. Too soon to declare it's different this time - as so many have done before…….
- Behavioral patterns repeat across history as can be seen below

US Economy: Hard or Soft Landing?							
% YoY		GDP	CPI	GDP	CPI	GDP	CPI
Assessment Month	View	At the time of assessment		Post 1 Year		Post 1.5 Year	
Mar-90	The economy generated many more jobs…suggested a rebound from recent stagnation	2.8% (Q1 1990)	5.2% (Mar'90)	-1.0% (Q1 1991)	4.9% (Mar'91)	-0.1% (Q3 1991)	3.4% (Sep'91)
Sep-00	A raft of economic data released Friday continued to portray an economy gilding towards a soft landing of slower growth and stable prices	4.0% (Q3 2000)	3.5% (Sep'00)	0.5% (Q3 2001)	2.6% (Sep'01)	1.3% (Q1 2002)	1.5% (Mar'02)
Oct-07	Unexpectedly strong employment report suggesting that economy has enough strength to avoid recession	2.4% (Q3 2007)	3.5% (Oct'07)	0.2% (Q3 2008)	3.7% (Oct'08)	-4.0 (Q1 2009)	-1.3% (May'09)
Jul-23	Recent indicators suggest that economic activity has been expanding at a moderate pace. Job gains have been robust….the unemployment rate has remained low…Inflation remains elevated	2.6% (Q2 2023) 5.6% (Q4 2021)*	3.0% (Jun'23)	-			
Source: SBI Research; * At the time of start of rate hike cycle (Mar'22)							

A cooling job market solaces Fed sure; though, that's just one of the variables

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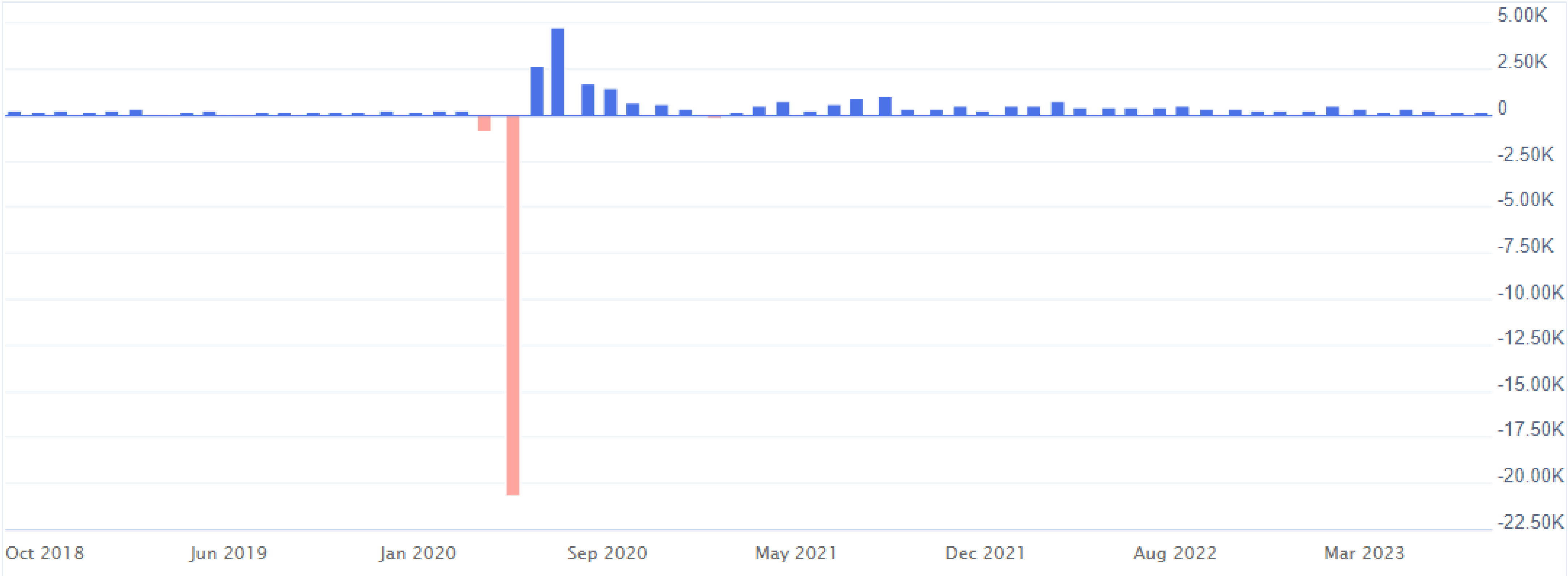

- Cooling labor market at last cheered asset classes, notably benchmark yields that retreated significantly as actual NFP at 187K came lower than estimates (200K) after 14 months of actuals being higher than estimates. Healthcare contributed ~41% of these numbers (77K out of 187K) and service industry job gains are now below the pre-pandemic trend
- Juxtaposing against this week's earlier data of a falling ECI (Employment Cost index), a rising productivity (after many quarters) & falling unit labor costs points towards a decelerating core inflation. All-in-all, these indicators suggest labor markets are finally cooling off even more than what the NFP numbers suggest
- One will not be wrong in presuming at this juncture that the US labor markets are slouching downhill and in services, ex housing, which is the most-sticky part of CPI, labor demand is now dwindling which would likely lead to a cooling off in core services (ex housing inflation where significant draw down in home equity can have collateral impacts). With US student loans repayments kicking in from October, there would be curtailment in aggregate income and discretionary demand. Will Fed find the harmonized data an enabler in voicing the likely tipping point as far as terminal FFR is concerned in the ensuing September meet?

Source: SBI research, Investing.com

HOUSE *of* DEBT*s:* clouds over US growth outlook

Delinquency Trap targets the Prime rated borrowers too as the ‘Repo Men’ (Recovery Agents) returns

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Household Debt and Credit Developments (March’ 2023)

CATEGORY	QUARTERLY CHANGE * (BILLIONS $)	ANNUAL CHANGE** (BILLIONS $)	TOTAL AS OF Q1 2023 (TRILLIONS $)
MORTGAGE DEBT	(+) $121	(+) $864	$12.04
HOME EQUITY LINE OF CREDIT	(+) $3	(+) $22	$0.34
STUDENT DEBT	(+) $9	(+) $14	$1.60
AUTO DEBT	(+) $10	(+) $93	$1.56
CREDIT CARD DEBT	(+) $0	(+) $145	$0.99
OTHER	(+) $5	(+) $67	$0.51
TOTAL DEBT	(+) $148	(+) $1205	$17.05

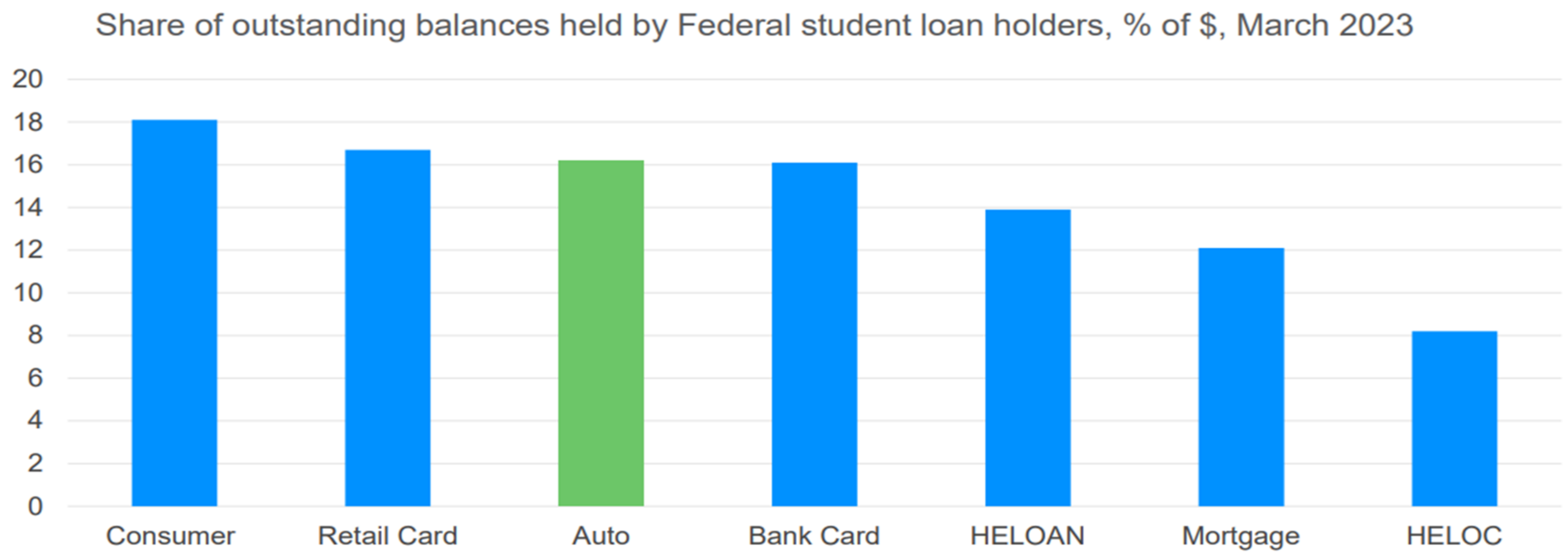
Flow into Serious Delinquency (90 days or more delinquent)

CATEGORY[1]	Q1 2022	Q1 2023
MORTGAGE DEBT	0.34%	0.59%
HOME EQUITY LINE OF CREDIT	0.26%	0.48%
STUDENT LOAN DEBT	1.05%	0.94%
AUTO LOAN DEBT	1.61%	2.33%
CREDIT CARD DEBT	3.04%	4.57%
OTHER	2.88%	4.35%
ALL	.71%	1.08%

Source: SBI Research, Federal Reserve of New York

Basis the Federal Reserve Bank total household debt in the first quarter of 2023 increased by $148 billion (0.9%) to $17.05 trillion, with balances now standing $2.9 trillion higher than 2019 (pre-pandemic). Mortgage balances rose modestly by $121 billion in Q12023 and stood at $12.04 trillion, while Mortgage originations, which include refinances, dropped sharply in the first quarter of 2023 to $324 billion, the lowest level seen since 2014. With the pandemic-era refinance boom over and a slowdown in home sales, both refinance and purchase mortgage originations, declined substantially in the first quarter though new foreclosures have remained low for now. Aggregate limits on credit card accounts increased by $119 billion, representing a 2.7% increase from Q4 2022 levels. **The share of current debt becoming delinquent increased for most debt types. The delinquency transition rate for credit cards and auto loans increased by 0.6 and 0.2 percentage points, respectively approaching or surpassing their pre-pandemic levels.**

Staggering level of Debt under Student loan dwarfs the inconsistent relief & remedial policy measures..



Nearly 44 million Americans owe $1.78 trillion in federal and private student loan debt as of June'2023 ($187 billion in 1995), far surpassing the total Credit card debt of $986 billion in first quarter of 2023. The student loan debt had first surpassed $1 trillion mark in 2012 and has continued to climb since. The average loan ticket size hovers around $40,000 and the average repayment period is ~20 years. The average monthly repayment is a little above $500 for most students. Borrowers between the ages of 25-34 had close to $500 billion in federal student loan debt while adults aged 35-49 carried maximum debt as a group with outstanding balance of around $636 billion. Despite policy makers struggling to bring some alternate relief measures, in particular for undergraduate loan borrowers who have less income security, overcoming legal strictures as the Supreme Court had blocked Biden administrations $430 billion loan forgiveness plan under HEROES ACT
(HELOAN: Home Equity Loans with fixed payment / RoI; HELOC: Home Equity Lines of Credit with variable payment / RoI)

Source: SBI Research, Moody's Analytics, Equifax

Start of repayments for Education Loans from October'23 should upend Auto loan delinquencies!

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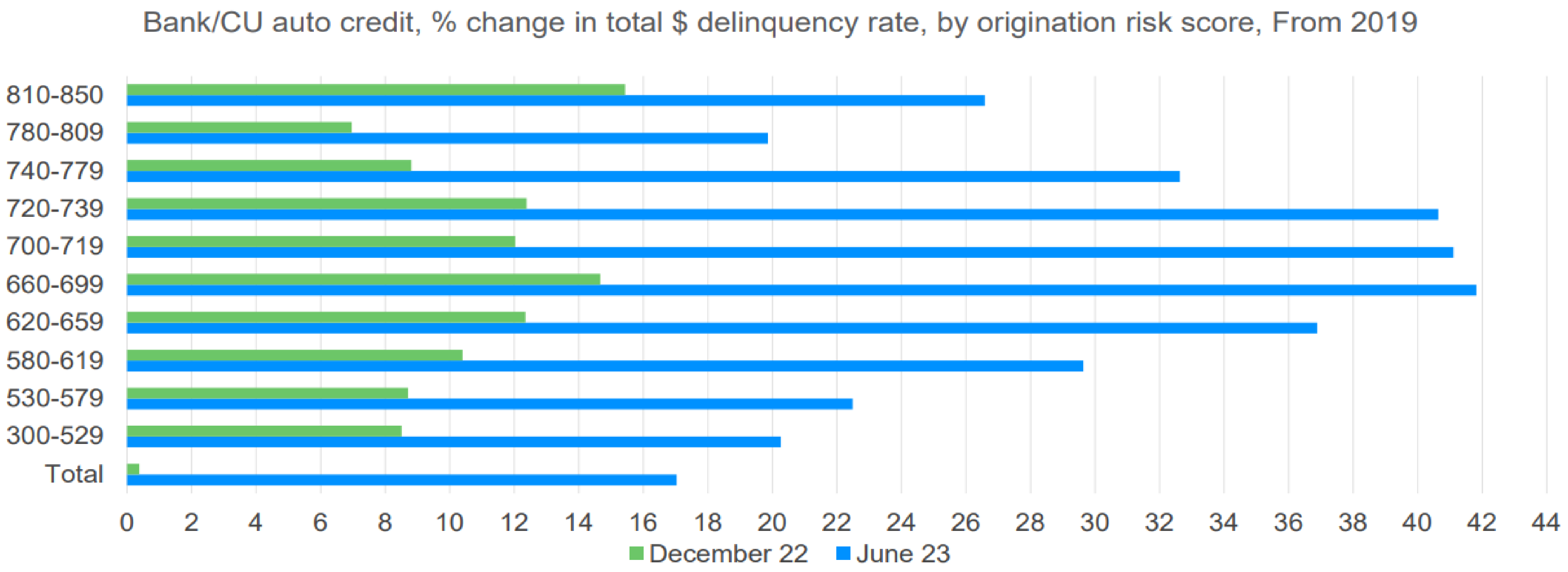


Source: SBI Research, Moody's Analytics, Equifax, Creditforecast

Delinquencies in auto loans continue to rise, surpassing pre-pandemic highs and denting Prime (660+)/Super Prime (720+) grade of borrowers too even as rise in interest rates hurt demand for new auto loans signaling a boom time for the 'repossession' agent / recovery professionals entrusted with recovery of collateral on default after concessions of pandemic time fade. Though most of auto loans are of fixed rate type, prices have gone significantly up due to inflation and supply chain constraints (the average auto loan rose to ~$24,000 in 2022, up 40% from $17,000 in 2019 with new cars costing much more), signaling greater pains for Gen-Z and millennials in particular as the repayment tenor has been shifting towards longer months from usual 60s or below earlier. The volume of newly originated auto loans was $162 billion during Q1 2023, a reduction from pandemic-era highs but still elevated compared to pre-Covid volumes.

Headwinds galore: China, Japan & Russia

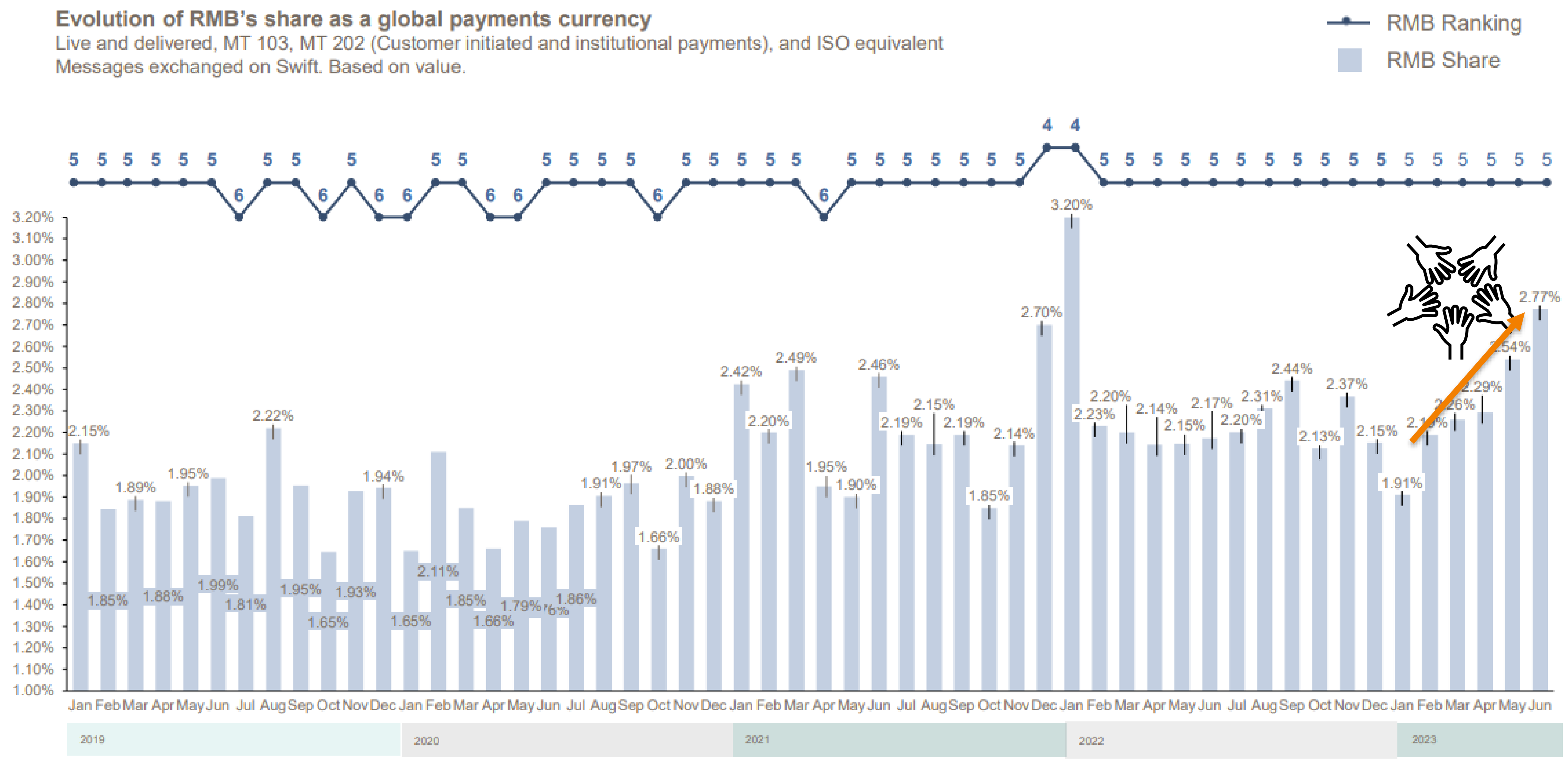
BoJ under new governor Kazuo Ueda finally signals the beginning of the end of YCC….

Source: SBI Research, Financial Times

BoJ actions could reprice the risky assets as days of thunder in carry trade lose sheen…

- Last week, BoJ's policy announcement was a turning point for markets in their wait for the 'lone looking' central bank to finally start the retreat from YCC (yield curve control). It has been an agonizing period, a trade which was called a widow maker trade for some time as BoJ steadfastly hanged onto YCC management despite Central Banks globally and in particular the Developed Market ones, tightening the monetary policy rather steeply
- Some time back, when BoJ surveyed the local banks, assuaging their views on decoupling the yields from YCC, most banks stressed on facilitating an immediate rise in yields. Prior to this, in December'22, BoJ under Kuroda had increased 10Y JGB target range from +/-25bp to +/-50bp but retained the broader contours of YCC
- BoJ has endeavored to continue to allow 10-year JGB yields to fluctuate in the range of around plus and minus 0.5 percentage points from the target level, while it outlined to conduct with greater flexibility, regarding the upper and lower bounds of the range **as references, not as rigid limits,** in its market operations. The Central Bank offered to **purchase 10-year JGBs at 1.0%** every business day through fixed-rate purchase operations
- Historically, BoJ starts monetary tightening when Fed & ECB are about to stop on their rate hike cycles so that there is not much pressure on JGB yields. Also, it looks like that Governor Kazuo Ueda is effectively targeting USDJPY one way depreciation by allowing yields to move freely above 0.5% ensuring Macro funds & momentum models will soon test their resolve
- Going forward, BoJ, under academician Kazuo Ueda, who was the lone dissenter in the much-debated rate hike of 2000, could contemplate moving away from the 1% threshold as the formal end of YCC. Only times ahead could say if the move was a 'giant leap' as being hailed by some or another 'dead cat bounce' in the ever-changing flux of global hotchpotch with accentuated tilt towards unforeseen uncertainty…..

Renminbi is making rapid strides as a global P&S (Payment & Settlement) currency…



After promoting Yuan-denominated trade settlements through important European financial centres viz. London and Geneva, Latin America seems to be the new hotbed of Chinese currency aggression outside Hong Kong as it pitches yuan as a major alternative to a sapping King Dollar, finding favour from Argentina to Bolivia as it gyrates to second largest trading partner of LatAm and Caribbean regions (LAC), with bilateral trade rising to ~$450 Bn in 2022, up 37 times from $12 Bn in 2000…..

Source: SBI Research, SWIFT

The Cost of Long War in Europe: Tactical and Profound collateral effects might be in the offing impacting global food dynamics…

- The Black Sea Grain initiative, wherein Russia allowed Ukraine to continue shipping grain via the Black Sea route (under Russian control) has been suspended, clouding the Supply algorithms of essential commodities
- Year to date, data indicates more than 1,000 ships leaving the three Ukrainian ports; Odesa, Chornomorsk and Yuzhny with close to 33 million metric tonnes of grain and other foodstuffs which halted the select jurisdictions of world at large from tethering towards an acute humanitarian crisis (also, contrary to common belief, DMs from Europe as also China benefitted more from this route than the Global South).
- The overland route devised to pass the grain through Europe (Solidarity route) has been in a mess with countries like Bulgaria, Poland, Romania, Hungary and Slovakia initially banning the flooding of their local markets, distorting the local supply chains while profiting some dubious shell-firms.
- Also, the supply of natural gas from Russia to Europe would be under pressure once Ukraine's supply contract with Gazprom expires in end-2024 (though plugs could be pulled much earlier). That should, however, not unnerve Europe as its procurement of Natural Gas from Russia is a fraction (less than 10%) of early' 2022 levels though Russia's supply of LNG to Europe has gained much more of late. Russia seems to be focusing more on alternate markets, from neighbors Kazakhstan and Uzbekistan to Turkey as also working on a new 3600 km long pipeline through Mongolia (power of Siberia 2) to China!

Domestic Economy Momentum

...As global food dynamics gets difficult to manage, India is pulling out measures like export ban on rice…could help to cool down cereal prices specifically in South….

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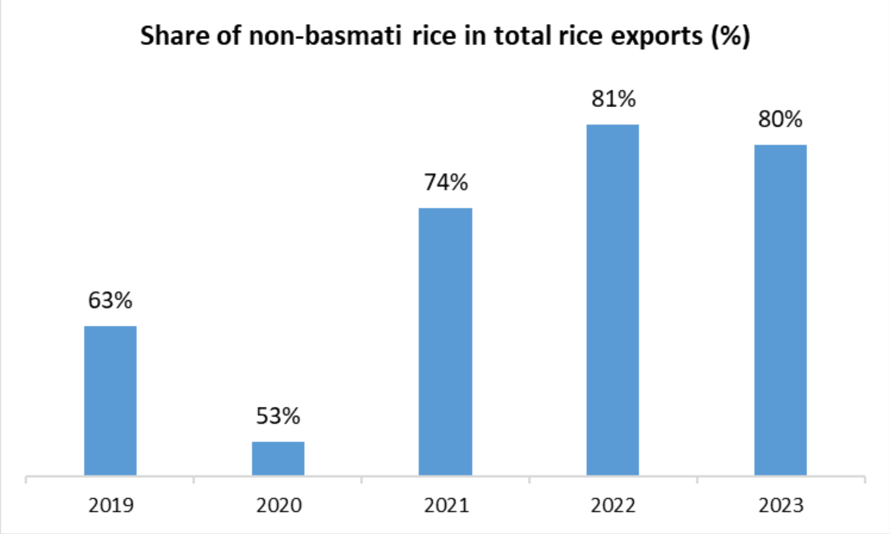
- Indian government decided on July 20 to ban the export of non-basmati white rice to ensure adequate availability in the Indian market and to allay the rise in prices in the domestic market
- The exported share of non-basmati white rice surpassed the 80% mark in the last two fiscal years
- While the decision is creating havoc around the world as over 140 countries bought non-basmati white rice from India in FY23. However, in India, the decision may bring relief to consumers as many of them, especially in the south zone, were people paying over ₹50 for a kilo of rice. Natural disasters such as extreme flooding in the north and relatively poor rainfall in some of the states have also impacted rice sowing this year



Zonewise Average of Retail Prices Of Rice/Kg						
Zone	Jul-18	Jul-19	Jul-20	Jul-21	Jul-22	Jul-23
NORTH ZONE	27.8	29.9	31.4	34.0	33.1	36.8
WEST ZONE	27.9	29.3	31.6	32.5	35.1	40.1
EAST ZONE	31.5	30.1	30.1	32.1	35.7	38.5
NORTH-EAST	34.3	34.5	31.4	29.8	32.5	41.9
SOUTH ZONE	34.5	36.3	43.5	45.1	45.8	53.7

Source: Department Of Consumer Affairs (Price Monitoring Division); SBI Research

State wise actual area sown (Ha Mn)			
State	2023 week Ending on 28 July		
	Normal Area covered	Acual Area covered	% of actual to normal
Uttar Pradesh	5.7	5.0	88%
West Bengal	4.2	1.1	25%
Chhattisgarh	3.7	2.7	73%
Odisha	3.6	0.9	24%
Bihar	3.0	1.8	60%
Punjab	3.0	3.0	102%
Madhya Pradesh	2.1	2.5	117%
Assam	2.0	1.0	52%
Tamil Nadu	1.8	0.2	12%
Andhra Pradesh	1.5	0.4	25%
Telangana	1.5	0.6	42%
Jharkhand	1.5	0.2	16%
Maharashtra	1.5	0.8	58%
Haryana	1.4	1.2	88%
Total	**39.9**	**23.8**	**59%**

Source: Department of Agriculture and Farmers welfare, SBI Research

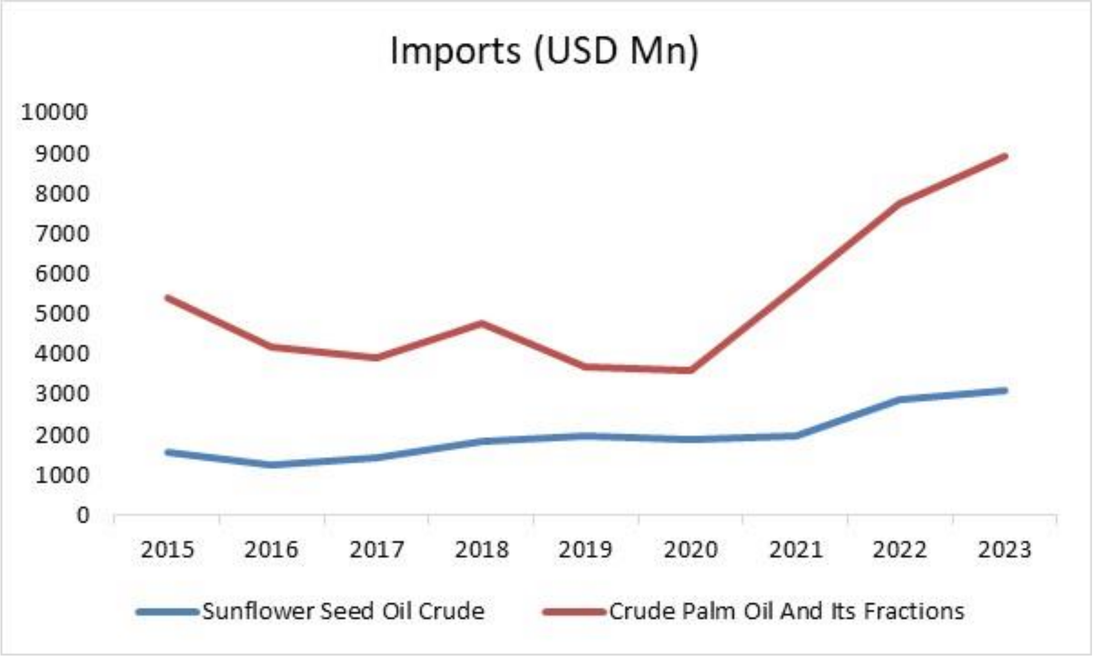
……Global Edible Oil Prices under Sandwich type Pressure…

- Expiry of safe Black Sea grain exports from Ukraine's ports is putting the uncertainty in the already volatile exports of Sunflower oil from the Ukrainian region

- India has already substituted the sunflower oil imports with Palm oil Imports

- Palm oil is mainly produced in Indonesia, Malaysia region which is being hardly hit by El-Nino event along with Indian Ocean Dipole (IOD) creating the dry climatic conditions

- For the Indonesia and Malaysia region, positive IOD is associated with dry phase and negative IOD is associated with wet phase



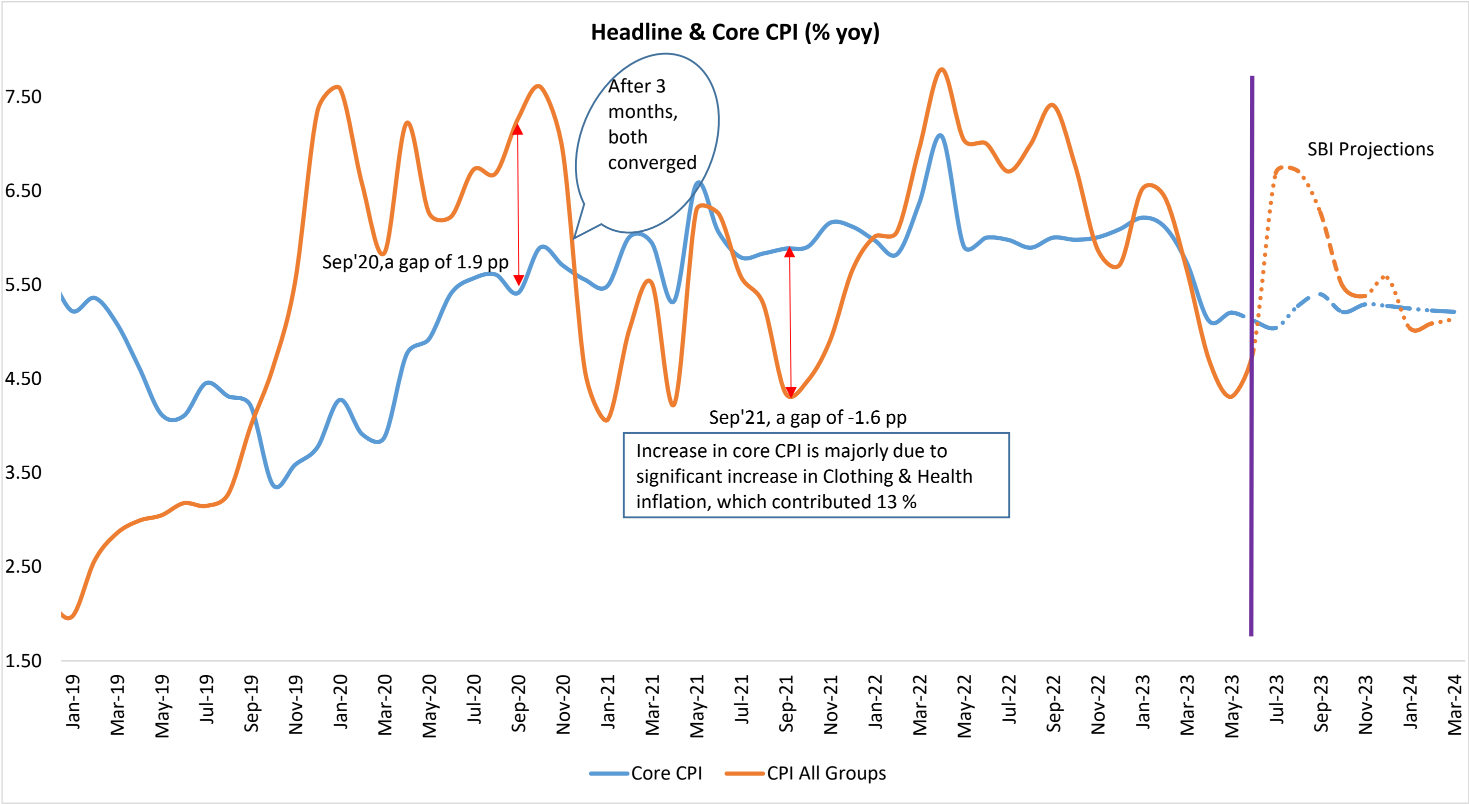
..Declining Palm oil Imports from Indonesia can impact Headline CPI going forward

- Every 1 thousand tonne loss in crude palm oil production in Indonesia due to El Nino supported by IOD conditions, decreases its exports to India by $0.061 Mn, and the same then increases oil and fat CPI by 3 basis points
- Every 1 thousand tonne loss in crude palm oil production in Malaysia due to El Nino supported by IOD conditions, decreases its exports to India by $ 0.105 Mn. However, the same has no statistically significant impact on oil and fat CPI
- Indonesia being major trading partner for crude palm oil imports than Malaysia, has major impact on creating inflationary pressures in India
- With the weight of 3.56 of Oil and Fat CPI in Headline CPI, Headline CPI could be impacted may be due to declining palm oil imports alone in such a scenario

3 Stage Least Squares Regression			
Case: ENSO>=0, IOD>=0, Exogenous variables: ENSO, IOD			
Dependent Variable : Oil and Fat CPI			
Crude Palm Oil Imports from Indonesia	-0.03** (0.013)	Crude Palm Oil Imports from Malaysia	-0.002 (0.009)
Constant	0.301 (0.356)	Constant	0.256 (0.18)
Dependent Variable: Crude Palm Oil Imports from Indonesia		Dependent Variable: Crude Palm Oil Imports from Malaysia	
Crude Palm Oil Production in Indonesia	0.061* (0.031)	Crude Palm Oil Production in Malaysia	0.105** (0.05)
Constant	-2.2 (13.3)	Constant	-4.34 (8.7)
Source: SBI Research, ** Significant at 5%, * Significant at 10%, N =40 for Indonesia, N=41 for Malaysia			

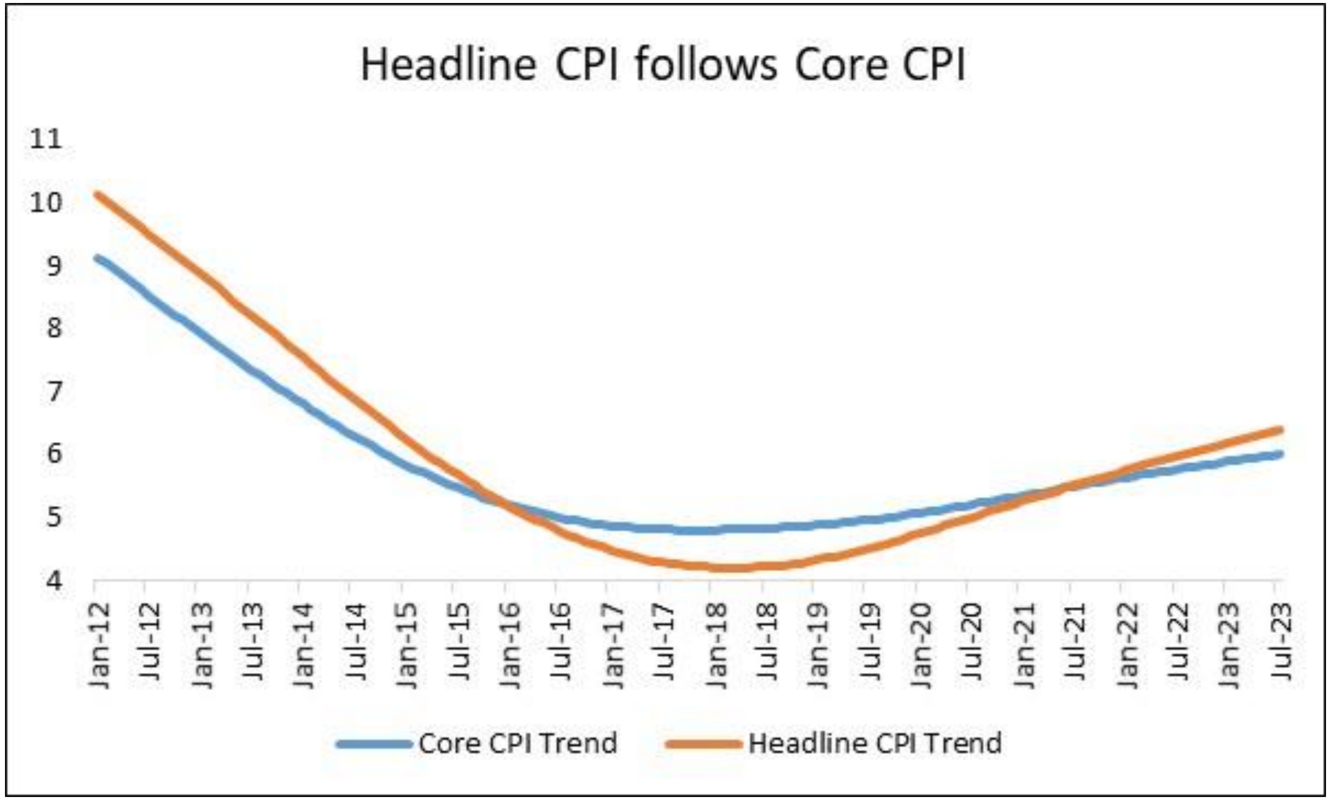
….Domestic food inflation to push Headline beyond 6.5% in July…Core Inflation likely to move in opposite direction towards 5%...in India Headline moves towards Core

- Currently, core CPI is higher (5.1% yoy) than headline CPI (4.8% yoy). In July, however headline CPI is expected to increase to 6.7% yoy while core CPI is likely to fall to 5.0%, the gap of 1.6%
- Earlier CPI was higher than core CPI by 1.9% in Sep'20. At that time the headline CPI declined and move towards core CPI in the next three months
- This time however we believe that core CPI inflation will remain contained (5.2% for FY24) while headline CPI will continue to decline and converge towards core CPI owing to decline in vegetable prices.



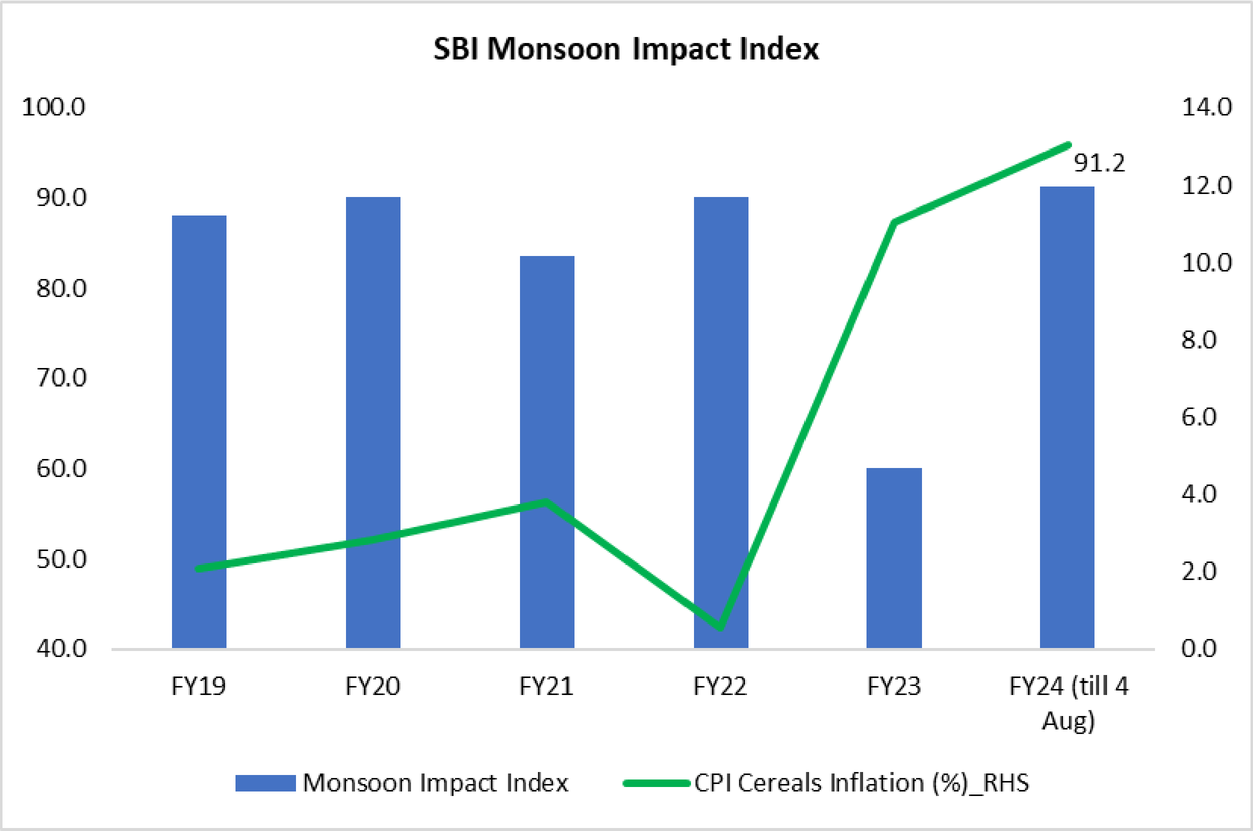
….Inflation Outlook: Headline & Core Inflation

- Trend of Headline CPI follows the trend of core CPI with maximum divergence observed between these trends at 1%
- Change in trend of core CPI is also reflected in change in trend of headline CPI with 6 months lag. The divergence between these two trends is increasing and is currently at 0.4%
- It is expected that the divergence between these two trends will increase up to 0.6% and then headline CPI will start trailing towards core CPI in 6 months…We project Average CPI for FY24 now at 5.4%



The good thing is that…..Monsoon: No uneven distribution

- Nearly two-three weeks of relatively good rainfall over many parts of the country has significantly reduced the monsoon deficit and currently overall rains are 4% above normal
- “SBI Monsoon Impact Index / MI” incorporating four parameters from 15 major food grains producing states, viz. their share in total food grains production, rainfall deviation from normal, irrigation status, and overall skewness in rainfall among states. On a scale of 0-100, values closer to 100 indicate lesser impact of distribution of rainfall on economy
- The current MI Index, with present value of 91.2 fares much better than 2022 full season MI Index at 60.2



ASCB's deposits continue to outpace credit growth…

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- In FY23, ASCB deposits grew only at 9.6%, while credit grew at 15.0% (11 year high)
- In FY24 so far (till 14 July 2023), ASCB's credit on YTD basis grew by Rs 10.89 lakh crore (8.0% YTD), compared to last year growth of Rs 3.9 lakh crore (3.3% YTD). While, aggregate deposits grew by Rs 9.86 lakh crore (5.5% YTD), compared to last year growth of Rs 3.4 lakh crore (2.1% YTD)
- With the HDFC Ltd merger with HDFC Bank wef 01 July 2023, the ASCB's deposits has increased by Rs 1.54 lakh crore and advances by Rs 7.2 lakh crore
- Additionally, around Rs 2.73 lakh crore has received as deposits from Rs 2000 banknotes as on July 31, 2023
- **If we exclude HDFC Ltd Deposits/Credit and Rs 2000 notes deposited, then ASCBs deposits YoY growth would be 10.6% compared to actual growth rate of 13.2% (last year: 8.4%) and credit growth would be 14.4% compared to actual 20.2% (last year 14.0%)**

ASCB's Deposits & Credit Growth				
	YOY		YTD	
Deposits				
Year	**Absolute**	**%**	**Absolute**	**%**
FY24	2220037	13.2	986124	5.5
FY23	1295694	8.4	344688	2.1
Advances				
FY24	2483419	20.2	1089168	8.0
FY23	1512176	14.0	389669	3.3
Memo				
HDFC Ltd	Deposits	153995		
	Credit	720335		
Rs 2000 Notes Deposited*		273180		
Growth in Deposits & Credit (Excluding HDFC and Rs 2000 Note Deposits)				
YoY	**Deposits**	**Credit**		
FY24	10.6	14.4		
FY23	8.4	14.0		

YOY= 14 Jul 2023 over 15 Jul 2022, YTD= 14 Jul 2023 over 24 Mar 2023

Source: RBI WSS & SBI Research *Till 31 July

Liquidity nearly neutral…..though operational issues remain

- Liquidity in the system has remained into surplus this fiscal. Surplus liquidity which was Rs 2.6 lakh crore at the time of the last monetary policy reduced during June but again increased in July. Average durable liquidity stood at Rs 3.7 lakh crore as on 31 Jul'23
- However, Government surplus cash balances which represent transient liquidity has been rising during July, currently at Rs 1.9 lakh crore as on 31 Jul'23. Thus, average system liquidity stood at Rs 1.8 lakh crore
- Moreover, in view of the 24*7 RTGS/NEFT settlement, flow of funds happen round the clock which impacts a bank's CRR position during the day. Generally, banks meet their daily CRR requirement through market operations which is available till 2.30 pm. After that, if any unanticipated inflow/outflow happens, no borrowing/lending avenue is available with banks other than RBI's SDF/MSF facility. This amounts to approx. Rs 50,000-70,000 crore and can be taken as precautionary motive liquidity
- **Thus, there is not much excess liquidity in the banking system**
- *However, the industry is right in pitching for a more dynamic liquidity management window through ASISO mechanism as funds placed under SDF by banks on Friday evening remain out-of-reach till the beginning of the next week, clouding visibility through the weekend when funds move through electronic / digital channels!*

Liquidity Position (Rs lakh crore)

Rs Lakh Crore	06-Apr-23	Post Policy Average	08-Jun-23	Post Policy Average	31-Jul-23
Repo Outstanding	0.54	0.13	0.09	0.09	0.09
Reverse Repo Total	1.24	0.57	1.52	0.61	0.94
SDF statrted on 08.04.2022	1.46	1.12	0.65	1.00	0.66
Government Cash Balance	-1.03	0.13	0.89	1.90	1.88
Net LAF (+absorption)	1.95	1.09	2.01	1.29	1.43
MSF	0.01	0.09	0.02	0.08	0.02
Core Liquidity (+Surplus)	1.21	1.27	2.62	3.22	3.68

Source: RBI, SBI Research

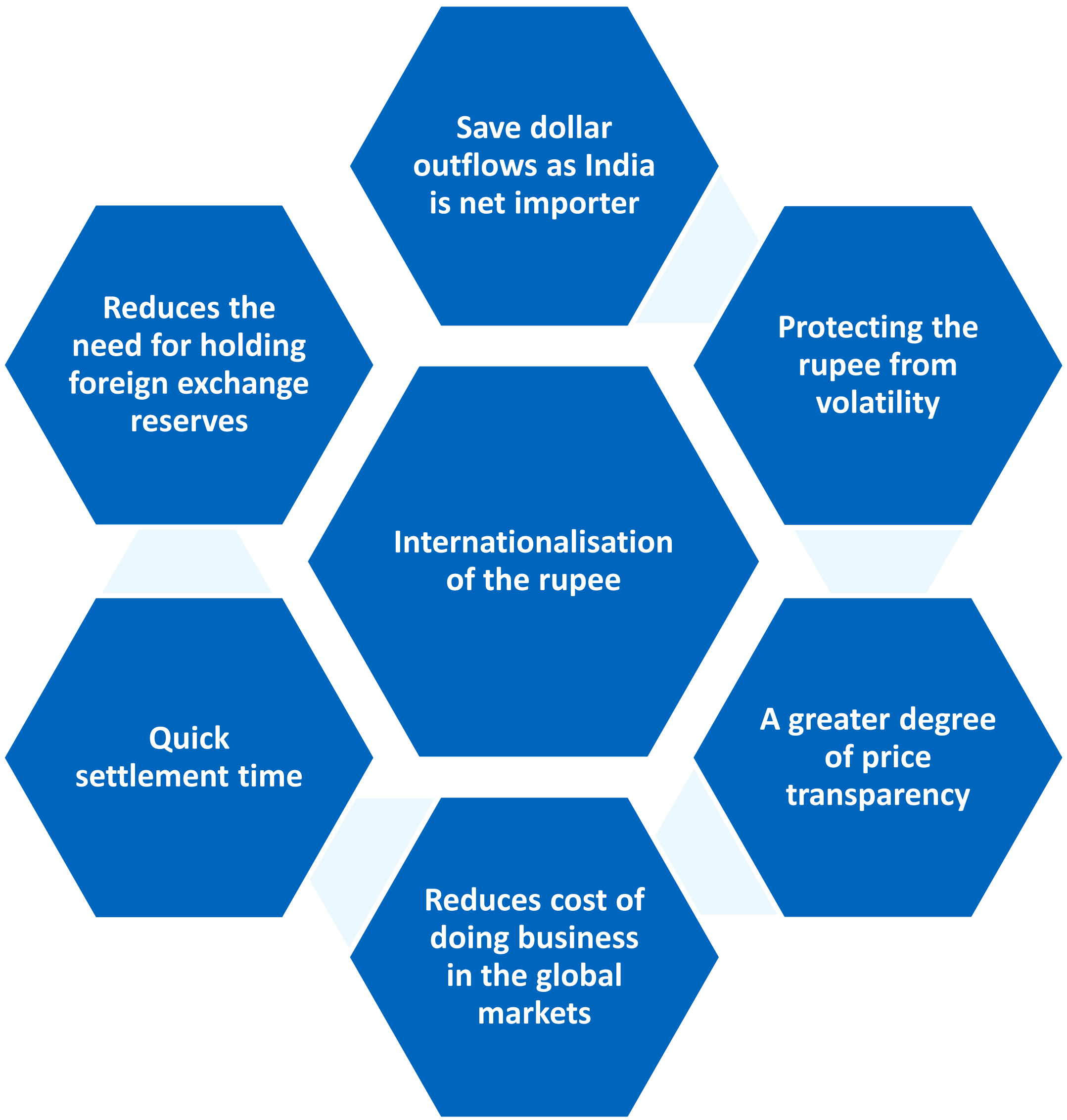
Estimate of Excess Liquidity (Rs lakh crore)

A	Durable liquidity	3.7
B	Government Surplus Cash balances	1.9
C=A-B	System liquidity	1.8
D	Precautionary liquidity	0.5-0.7
E=C-D	Excess liquidity	1.1-1.3

RBI considers Rs 2.5- 3 lakh crore liquidity as non-inflationary, thus the current liquidity situation is comfortable

Impact of Rupee Settlement is positive…

- Indian Rupee had performed well through the year, gaining more than a percent against the USD this year, with currency appreciating 0.3% in FY24. It has moved from Rs 82.74/$ in Dec’22 to Rs 82.18/$ in Mar’23 and Rs 81.81/$ in last days of Jul’23 but has ceded the gains since then (YTD)
- The Indian currency got support from the recent measures taken by the authorities to increase trade settlement in rupee
- RBI has recently permitted 20 banks operating in the country to open 92 Special Rupee Vostro Accounts (SRVAs) of partner banks from 22 countries as part of efforts to promote bilateral trade in local currencies
- Settlement of trade transactions with UAE, Sri Lanka and Malaysia in Indian Rupees has also been announced recently



Final Thought: A PAUSE…. BUT CAUTION WARRANTED

- So, what will be the RBI's policy look like:

Indicator	Our View
Repo rate	❑ We expect the RBI to pause in August policy ❑ Coupled with the recent Fitch downgrade of US Long Term ratings (IDR), while keeping the outlook Stable, reflecting on the expected fiscal deterioration over the next three years, a high and growing general government debt burden, rising levels of debt across asset classes, the soft knocks of delinquencies and the savings glut in a 'restrictively higher for sufficiently longer period' rate regime battling strong job market (while not ruling a few more punches from the Fed which is fast decreasing its B/S)….Latest job market data shows colling off..**the US economy outlook though still remain strong and resilient**….**but will there be soft landing / status quo?...jury is not yet out…** ❑ Domestically, we believe at 6.50%, we are in for a prolonged pause as seasonality of inflation should taper….
Stance	❑ Quoting verbatim from a recent RBI paper…"*It is observed that as the repo rate increases, the impact of forward guidance on policy rate expectation declines. Notably, the impact of it on near term OIS rates, i.e., where monetary policy action is expected to be the most potent, disappears as the policy rate crosses 5.5 per cent……….By the time the policy rate reaches 6.5 per cent, even this impact fades away*"… **against this backdrop, operational significance of a change in stance from withdrawal of accommodation to neutral as being argued for long is minimal…we thus expect no change in stance….** ❑ India has diversified its export destinations. Exports to Asia, Africa and CIS countries account for ~ 55% of our total exports, thus our growth story remains intact even as the external situation remains shrouded in uncertainties
Risks for growth/inflation	❑ The cost of long war in Europe could imply collateral impacts might be in the offing on global food dynamics…
Forward Guidance	❑ In an environment of rising rates, it is clearly not advisable to give a forward guidance

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Contact Details:
Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in
gcea.erd@sbi.co.in
Phone:022-22742440
:@kantisoumya