

WEEKLY WRAP

Issue 10

BRICKWORK RESEARCH

13 January 2025

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India Economic News

- India's economy growth is expected to slow down in FY25 due to a significant downturn in the manufacturing sector, with the government's GDP forecast of 6.4% for the current fiscal year being lower than the RBI's 6.6% estimate
- The rupee depreciated by 2.8% in 2024, driven by a stronger USD, elevated US bond yields, geopolitical tensions, and significant foreign portfolio investment outflows. A depreciating rupee presents several economic challenges in 2025
- FDI inflows into India are surging, as investors from the Middle East, Japan, the EU, and the US acknowledge India's position as a leading investment hub. This surge is fueling rapid economic growth and creating millions of new jobs, according to Commerce and Industry Minister Piyush Goyal
- The upcoming Union Budget for India, scheduled for February 1, 2025, is viewed as a pivotal opportunity for India to foster sustainable growth, strengthen its taxation system, and enhance its global competitiveness. Key focus areas include expanding the PLI scheme, streamlining GST rates, investing in infrastructure, advancing skill development and start-ups

Global Economic News

- IMF Managing Director Kristalina Georgieva has cautioned that the global economy in 2025 is likely to encounter increased uncertainty, largely due to economic policies, especially the trajectory of US trade policy
- The UN stated that despite challenges from conflicts and inflation, the global economy demonstrated resilience in 2024 and is expected to grow modestly by 2.8% in 2025. According to the "World Economic Situation and Prospects 2025" report, this positive outlook is largely driven by robust, though slowing, growth projections for China and the US, alongside strong anticipated performances from India and Indonesia
- The US nonfarm payrolls report shows the economy gained 256,000 jobs in December 2024, far exceeding the anticipated 155,000. Additionally, the unemployment rate fell to 4.1%, contrary to expectations of 4.2%. These data points are closely monitored by financial markets, as they have a significant impact on forecasts for upcoming monetary policy decisions

Equity Markets	Last	1 Week	YTD
Nifty	23,311.80	-0.51%	7.02%
Sensex	76,826.54	-0.71%	6.63%
Dow Jones	41,938.45	-1.86%	11.56%
S&P 500	5,830.01	-2.43%	-0.88%
Nasdaq	19,173.65	-3.42%	-0.68%
FTSE 100	8,248.49	0.30%	-0.14%
Nikkei 225	39,190.40	-0.29%	-0.29%
Shanghai	3,154.37	-0.45%	9.79%
CAC 40	7,431.04	2.04%	0.50%
DAX	20,214.79	4.34%	-3.32%
Commodities	Last	1 Week	YTD
Gold	\$2,661.2	1.25%	30.81%
Silver	\$30.3	2.92%	31.56%
Crude Oil WTI	\$74.31	1.59%	3.17%
Currency	Last	1 Week	YTD
USD / INR	86.26	0.12%	3.94%
EUR / INR	88.65	0.44%	-2.27%
Government Bond	Last	1 Week	1 Year
India 10 Year G-Bond	6.94%	2.56%	-5.68%

Central Bank and Regulatory Updates

- RBI has mandated that lenders update credit records every 15 days to improve the accuracy of credit scores and better reflect borrowers creditworthiness. This change is designed to offer more favorable loan terms for responsible borrowers while reducing risks for financial institutions
- The minutes from the December 2024 meeting reveal a split among US Fed officials regarding rate cuts, with the 0.25 percent reduction being a closely debated decision. They also indicate that slower rate cuts are expected in 2025
- China's central bank will temporarily suspend its purchase of government bonds due to an undersupply. This move comes amid strong demand driven by expectations of policy easing in a weak economy. The central bank's actions are aimed at managing liquidity and guiding yield trends, with plans to resume bond purchases based on market conditions
- Central banks worldwide significantly boosted their gold reserves in November 2024, collectively adding 53 tons. This surge highlights a rising interest in gold as a stable asset amid global economic uncertainties. RBI was a key player in this increase, contributing 8 tons to its reserves

Sectoral News

- Microsoft Chairman and CEO Satya Nadella announced strategic partnerships focused on cloud and AI with the Government of India and key industry leaders from various sectors of the Indian economy. This follows Microsoft's recent announcement of a US \$3 billion investment in cloud and AI infrastructure
- In FY24, the technology sector grows at 3.8% and employed 5.43 million professionals, reflecting a 1.1% growth in employment. Key focus areas included generative AI, cloud computing, and cybersecurity. Companies are aiming to expand into tier-2 and tier-3 cities to tap into new talent pools
- India aims to capture 20-25% of the global semiconductor market by 2047. This ambitious goal is set against the backdrop of a global chip industry facing technical challenges, substantial capital demands, and fierce competition
- The finance ministry has approved an incentive scheme worth nearly \$3 billion to promote domestic manufacturing of electronic components. The scheme is designed to boost local production of components and subassemblies, with the aim of significantly reducing import dependency

Economic Indicators	Last	Previous
GDP Annual Growth Rate	5.4%	6.7%
Unemployment Rate	8%	8.7%
Interest Rate	6.5%	6.5%
Government Debt to GDP	81.59%	82.49%
Consumer Confidence	94	94.7
Business Confidence	119	127
HSBC India Mfg PMI (Dec)	56.4	56.5
HSBC India Services PMI (Dec)	59.3	58.4
FX Reserves, USD Billion	634.59	640.28
Bank Deposit Growth	11.50%	10.70%
GST Collections (₹ Trillion) (Dec)	1.77	1.82
Infra Output (YoY) (Nov)	4.30%	3.70%
Trade Balance (Dec)	-37.84B	-27.10B
WPI Food (YoY) (Nov)	8.92%	11.59%
WPI Fuel (YoY) (Nov)	-5.83%	-5.79%
WPI Inflation (YoY) (Nov)	1.89%	2.36%
WPI Mfg Inflation (YoY) (Nov)	2.00%	1.50%
CPI Inflation (YoY) (Nov)	5.48%	6.21%
Industrial Production (YoY) (Nov)	5.20%	3.70%
Mfg Output (MoM) (Nov)	5.80%	4.40%

* Views are personal

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