

WEEKLY WRAP

Issue 15

BRICKWORK RESEARCH

17 February 2025

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India Economic News

- Prime Minister Narendra Modi and President Trump met to reinforce India-US relations. During the discussion, the Prime Minister stated that the two countries aim to double their bilateral trade to \$500 billion by 2030
- India's retail inflation dropped to a five-month low of 4.31% in January, compared to 5.22% in December, due to a slowdown in the rise of food prices while India's industrial output grew by 3.2% in December 2024, a decline from 5.2% in November 2024
- Finance Minister Nirmala Sitharaman stated that the Indian economy is rapidly recovering and will maintain its position as the fastest-growing economy, driven by strong economic fundamentals and the actions taken by the government
- Kevin Hassett, the top economic adviser to U.S. President Donald Trump, has highlighted India's import tariffs as "enormously high" in the context of the trade war initiated by the U.S.
- CEA Nageswaran stated that there will be no immediate review of Chinese investments in India. He also mentioned that India's capital markets remain robust, despite the rupee depreciating by an average of 3 percent annually due to inflation differentials

Global Economic News

- President Donald Trump declared a new 25% tariff on steel and aluminum imports, causing market volatility. While some view this as a negotiation strategy, it may strain U.S. relations with key suppliers such as Canada and Mexico and potentially trigger global economic consequences
- US inflation picked up last month as grocery, gasoline, and rent prices rose, disappointing families and businesses already grappling with higher costs. This likely reinforces the Federal Reserve's decision to postpone further interest rate cuts. The consumer price index rose by 3% in January
- President Donald Trump unveiled a plan to impose reciprocal tariffs, though the duties will not be implemented right away. This move marks the latest instance of the president's aggressive tactics against US trading partners
- Russia has stated that U.S. sanctions are creating uncertainty in the energy sector and damaging the global economy. Pavel Sorokin, Russia's First Deputy Minister of Energy, criticized the sanctions, claiming they have diverted tens of billions of dollars from developing economies

Equity Markets	Last	1 Week	YTD
Nifty	22,795.60	-0.58%	-3.87%
Sensex	75,408.25	-0.70%	-3.70%
Dow Jones	44,546.08	0.55%	4.71%
S&P 500	6,117.50	0.84%	4.01%
Nasdaq	20,037.25	1.66%	3.79%
FTSE 100	8,732.46	0.37%	5.72%
Nikkei 225	39,208.00	0.15%	-0.27%
Shanghai	3,346.72	0.43%	2.64%
CAC 40	8,178.54	2.58%	10.61%
DAX	22,513.42	3.33%	2.64%
Commodities	Last	1 Week	YTD
Gold	\$2905.60	1.92%	9.80%
Silver	\$32.20	1.07%	9.52%
Crude Oil WTI	\$72.73	0.95%	-1.44%
Currency	Last	1 Week	YTD
USD / INR	86.77	0.18%	1.13%
EUR / INR	90.75	-0.13%	2.56%
Government Bond	Last	1 Week	1 Year
India 10 Year G-Bond	6.80	1.43%	-5.62%

*YTD – Indicates % gain/loss as of today

Central Bank and Regulatory Updates

- The RBI has increased its OMO purchase to ₹40,000 crore to enhance liquidity. This move comes as the banking system faces a liquidity shortfall of ₹1.33 lakh crore as of February 7, marking the eighth consecutive week of deficit
- RBI's intervention in the forex market has increased as the Indian Rupee becomes more volatile. Data shows that the RBI's forex reserves have dropped by over \$75 billion since September 27, 2024, coinciding with the rupee's depreciation from 83.70 against the US Dollar on September 27 to 87.96 on February 10
- Bankers feel relieved by RBI Governor Sanjay Malhotra's focus on a consultative approach with minimal disruption to the financial system. With the anticipated rise in provision costs and stricter regulations for project finance now postponed, lenders can prioritize business growth over the next year, according to bankers
- Markets regulator SEBI allowed registered stock brokers to access the negotiated dealing system-order matching platform for trading in government securities through a separate business unit

Sectoral News

- According to a survey by consulting firm EY India, the growing adoption of generative artificial intelligence (GenAI) could enhance the productivity of India's \$254-billion software industry by 43%-45% over the next five years. This increase in productivity will be driven by two factors: the IT industry integrating GenAI internally, and the shift of client projects from proof of concept to full-scale production
- Domestic steel manufacturers have stated that US President Donald Trump's plan to impose a 25% tariff on all steel and aluminum imports is likely to create a ripple effect in the global steel market, potentially heightening the risk of steel dumping in the country
- The Indian electronics industry is striving for stronger trade relations with the US, targeting \$750 billion in bilateral trade by 2032, with \$100 billion coming from electronics. They emphasize the opportunities presented by initiatives like the Production Linked Incentive scheme and are advocating for favorable trade concessions and technology partnerships from the US
- CII praised the results of Prime Minister Narendra Modi's visit to the U.S., calling it a significant milestone that will enhance bilateral trade, investment, defense, and technology collaborations

Economic Indicators	Last	Previous
GDP Annual Growth Rate*	6.4%	8.2%
Unemployment Rate	8.3%	8.0%
Interest Rate	6.25%	6.5%
Government Debt to GDP	81.59%	82.49%
Consumer Confidence	93.7	94.0
Business Confidence	120	119
HSBC India Mfg PMI (Jan)	57.7	56.4
HSBC India Services PMI (Jan)	56.5	59.3
FX Reserves, USD Billion	638.26	630.61
Bank Deposit Growth	10.3%	10.8%
GST Collections (₹ Trillion) (Jan)	1.96	1.77
Infra Output (YoY) (Dec)	4.00%	4.40%
Trade Balance (Dec) USD Billion	-21.94	-37.84
WPI Food (YoY) (Jan)	5.88%	8.47%
WPI Fuel (YoY) (Jan)	-2.78%	-3.79%
WPI Inflation (YoY) (Jan)	2.31%	2.37%
WPI Mfg Inflation (YoY) (Jan)	2.51%	2.14%
CPI Inflation (YoY) (Jan)	4.31%	5.22%
Industrial Production (YoY) (Dec)	3.2%	5.0%

*GDP Estimates

* Views are personal

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