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THE MONTH GONE BY

An insightful roundup of relevant stories in the recent month backed by interesting data points

Imagine you are asked, "How may red cars did you see while travelling today?" You might not be certain of the answer, simply as you were not specifically looking for it. Now, let us change this scenario – If you were told before the journey that you would receive a handsome reward for every red car you spot, probably you would actively look out for all the red cars on your way.

'The Red Car Theory' highlights the idea that opportunities, akin to the red car, are abundant but may often go unnoticed because we may not be looking out for it.

Considering the investment landscape, markets present a myriad of opportunities, be it a downswing dominated by bears or an up-move driven by bullish momentum – A Fund Manager has the skill to identify opportunities across market cycles, much like spotting a red car in a bustling city.

While we ponder about the course ahead, it is important to connect the dots with key market events of January 2025.

Equity Markets Trapped in a Whirlwind of Anxiety – Which Factors Rattled Market Participants?

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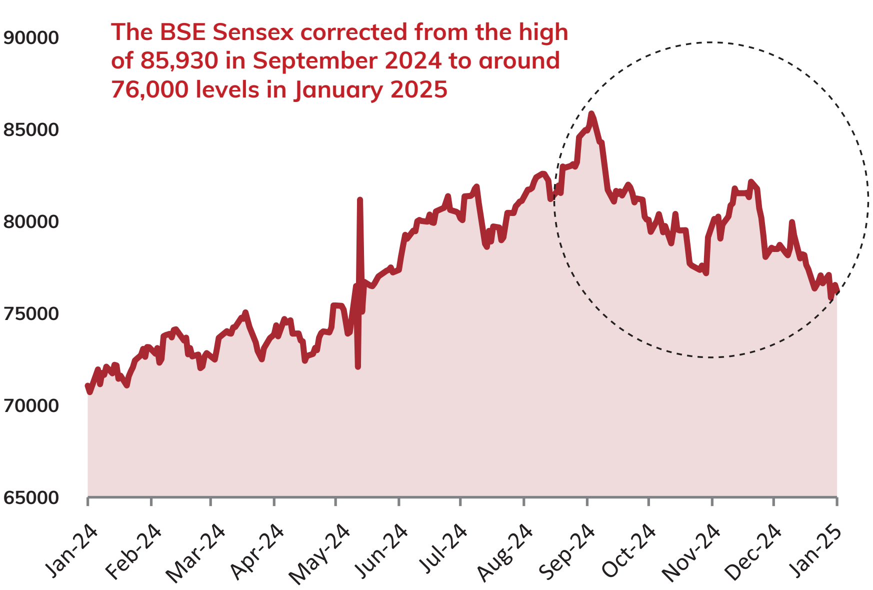
What a rocky start to the year for the Equity markets – Global factors such as climbing crude oil prices, flaring geopolitical conflicts and jitters around the potential policies by the U.S. president weaved a web of challenges for the markets. The political comeback of the Republican party sparked discussions about potential tariff proposals, unresolved trade tensions and rising public debt levels.

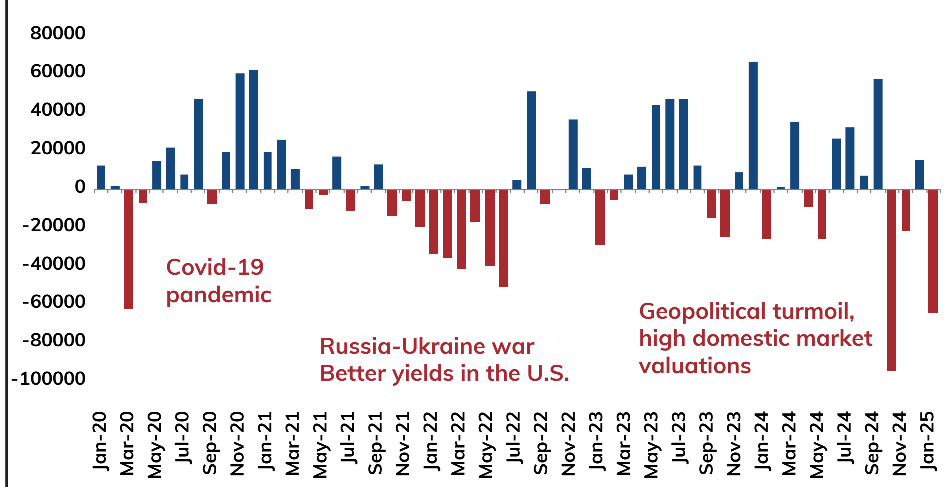
On the domestic front, a sliding rupee and Human metapneumovirus (HMPV) detected in a few states of India, kept market participants on the edge. Foreign Portfolio Investors sold Indian equities worth ₹76,273 crore in January 2025*, owing to relatively high domestic market valuations and anticipation of a lacklustre Q3FY25 earnings season.

BSE SENSEX (CLOSING LEVEL)



Source: BSE, Data as on January 24, 2025.

MONTHLY FPI NET INVESTMENTS IN INDIAN EQUITIES (₹, CRORE)



Source: National Securities Depository Limited (NSDL).
*January 2025 data is up to January 30, 2025. U.S.: United States

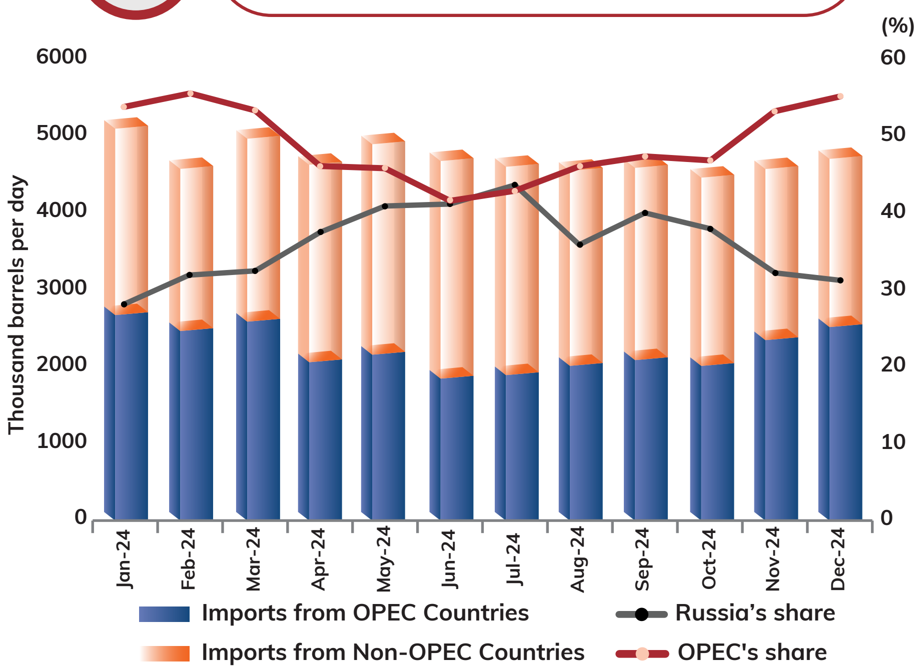
Amidst the chaos, will the bears tighten their grip on the markets or will the bulls succeed in regaining lost ground? Only time will tell.

Oil on the Boil

Brent crude oil prices surged from $74/barrel in December 2024 to around $82/barrel in January 2025 as the U.S. announced sanctions targeting Russian oil producers and 183 oil tankers. Indian and Chinese refiners that rely on discounted crude oil from Russia would face challenges mounting from disruption in oil supply chains and higher freight costs. These adversities could compel them to supply oil from other regions, such as the Middle East, United States and Africa.

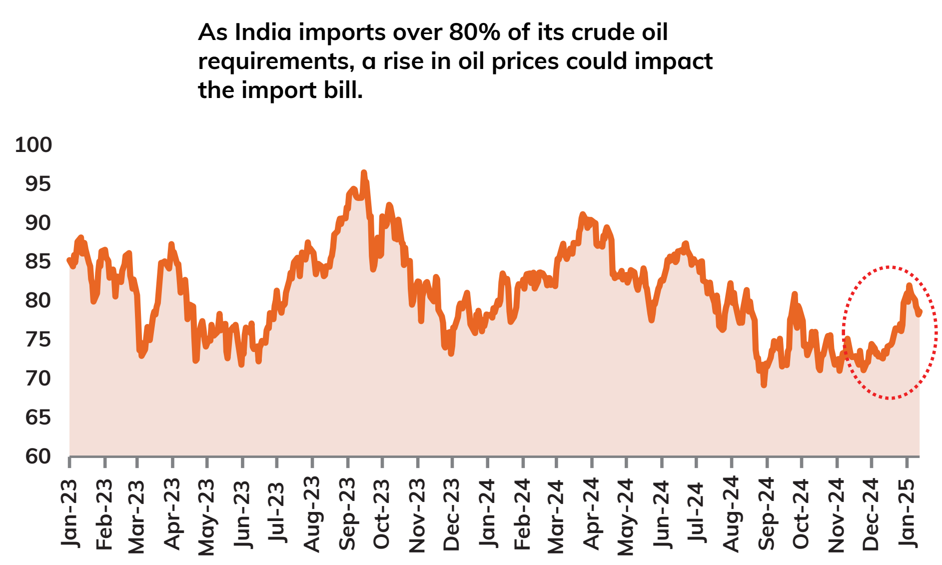
Oil prices also gained momentum as demand for heating fuels increased in the Europe and the U.S. owing to colder weather conditions.

INDIA'S CRUDE OIL IMPORT FROM OPEC AND NON-OPEC COUNTRIES



Source: Reuters, Trade, Industry. OPEC: Organization of the Petroleum Exporting Countries.

BRENT CRUDE OIL PRICE ($/BARREL)



Source: Reuters. Data as on January 14, 2025.

The oil market witnessed a roller coaster ride owing to geopolitical tensions and weak demand from China. China's crude oil imports declined 11.04 million barrels per day in 2024, falling nearly 2% from 2023 (Source: China's General Administration of Customs). Market participants await OPEC's next move aimed at stabilizing market conditions.

The Allure of the Yellow Metal

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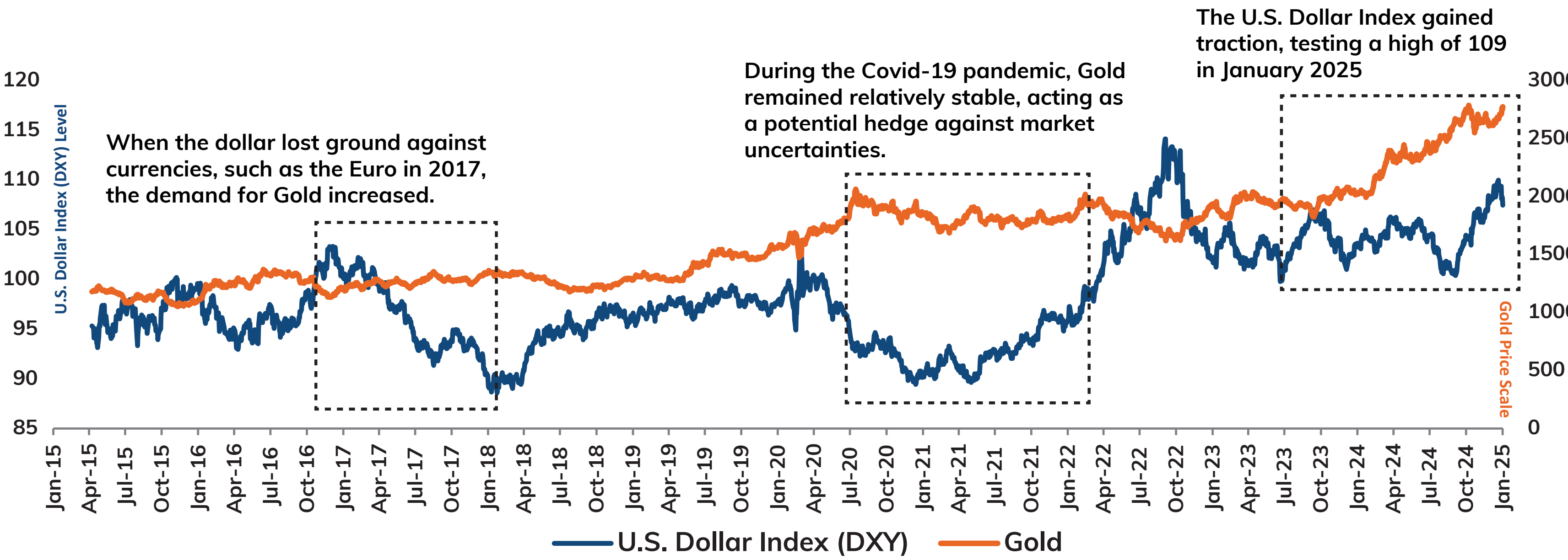
Gold prices rebounded from $2600/ounce in December 2024 to $2,771/ounce on January 24, 2025, hovering near the October 2024 high of $2783/ounce. Firstly, concerns over potential trade wars lingered as the newly elected U.S. president took charge, pushing investors to lean towards the relatively stable asset. Secondly, central banks continued to diversify reserves with Gold as persistent geopolitical tensions have painted the global economic scenario with uncertainties.

The trajectory of Gold depends on the following scenarios:

The Movement of the U.S. Dollar Index and Yields: a) The combination of a stronger U.S. Dollar Index and rising U.S. Treasury yields could dim the sheen of Gold prices. b) Conversely, if the U.S. deficit continues to rise, it could drive inflation higher and lead to unrest in the market, thereby boosting gold prices.

The Wrath of Market Turbulence: a) If central banks continue to accumulate Gold amidst geopolitical conflicts in the Middle East, it would help maintain the value of Gold. b) Conversely, if the turmoil eases, investors may divert their attention to riskier assets.

GOLD PRICES (LBMA, $/OUNCE) AND U.S. DOLLAR INDEX LEVEL



Source: LBMA: London Bullion Market Association and Reuters. Data as on January 24, 2025. The gold price in India was around ₹80,348/10 gm on January 24, 2025.

The Ascent of the U.S. Treasury Yields

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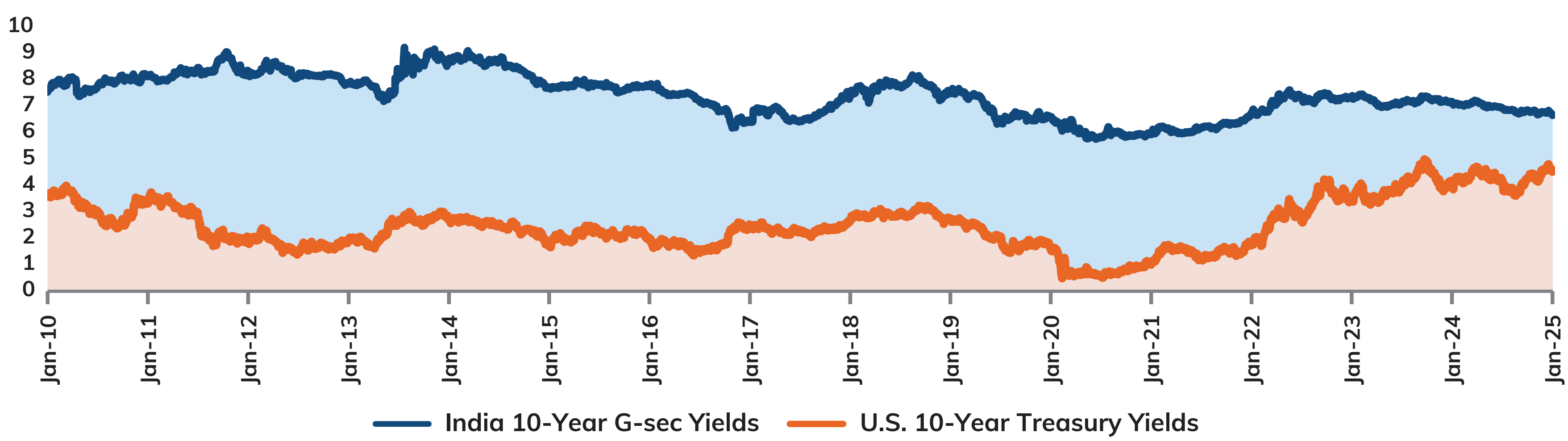
The U.S. 10-Year Treasury yield rose to around 4.55% on January 28, 2025 from 3.72% on September 20, 2024 on the back of strong economic developments:

a) **Healthy Economic Growth:** The U.S. economic growth in the fourth quarter of 2024 has been supported by strong consumption and government spending.

b) **Strengthening Labour Market:** The total nonfarm payroll employment increased by 256,000 and the U.S. unemployment rate moderated to 4.1% in December 2024.

c) **The Trajectory of Inflation:** The U.S. Consumer Price Index (CPI) rose to 2.9% in December 2024, driven by a spike in energy prices. While inflation eased significantly since past year, the print still remains higher than the target of 2%.

10-YEAR GOVERNMENT BOND YIELDS (%)



Source: Reuters. Data as on January 28, 2025. G-sec: Government Securities

The Indian 10-year G-Sec yields softened to around 6.68% on January 28, 2025 in reaction to a string of measures announced by the Reserve Bank of India to inject liquidity into the banking system. A rising U.S. Treasury 10-year yields nearing 5% provides an attractive investment opportunity for investors, aggravating outflows from emerging markets.

The U.S. Federal Reserve holds interest rates steady in January 2025

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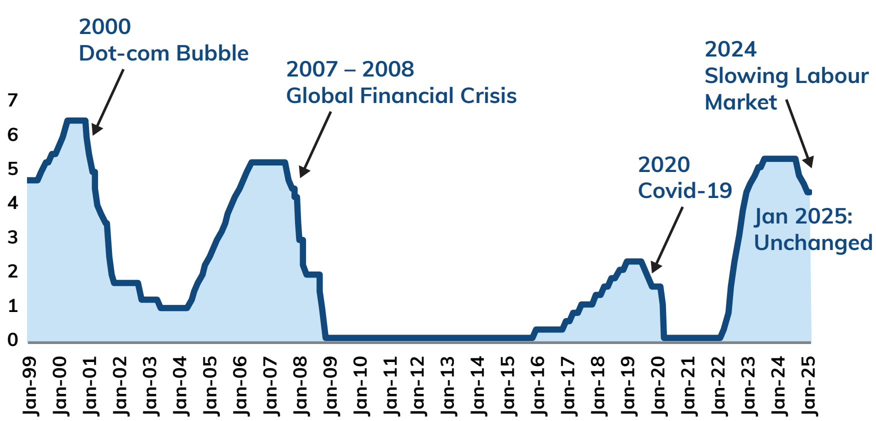
After lowering interest rates for three consecutive times in 2024, the U.S. Federal Reserve left the benchmark interest rate unchanged at the target range of 4.25-4.50% in January 2025.

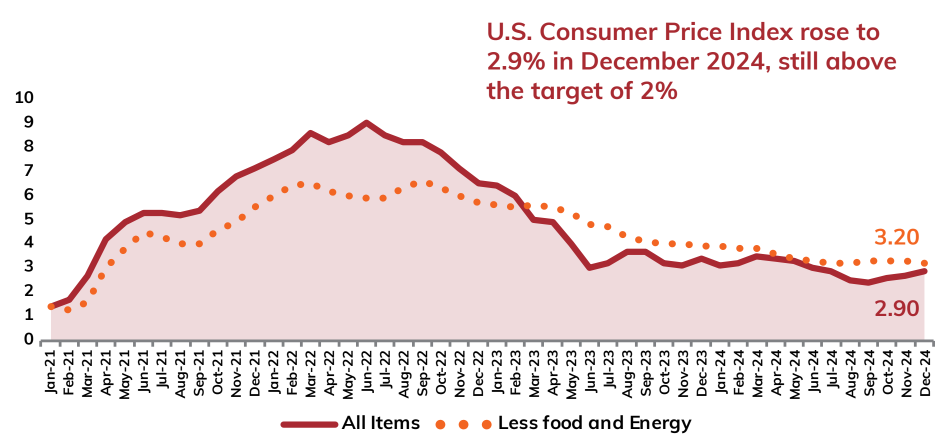
The economic growth continues to expand supported by robust consumer spending and solid labour market conditions with unemployment rate stabilizing at low levels. While these macroeconomic fundamentals indicate that the U.S. economy is in good shape, it is challenging for the central bank to gauge the direction of inflation – **uncertainty looms around the potential trade tariffs and tax cuts by the U.S. government, which could push inflation higher.**

U.S. FEDERAL FUNDS TARGET RATE (%)



Source: Data as on January 30, 2025. Reuters, Federal Reserve. The Federal Funds target rate chart reflects the midpoint of the Federal Reserve's target range. U.S.: United States

U.S. CONSUMER PRICE INDEX (%)



Source: U.S. Bureau of Labor Statistics, Year-on-Year % Change. Data as on December 2024.

The Federal Reserve is in no hurry to adjust the policy rate – the central bank would evaluate the incoming data, economic outlook, trajectory of inflation and risks involved while framing the next monetary policy decision.

China's Trade Surplus soars with Exports in a bright spot

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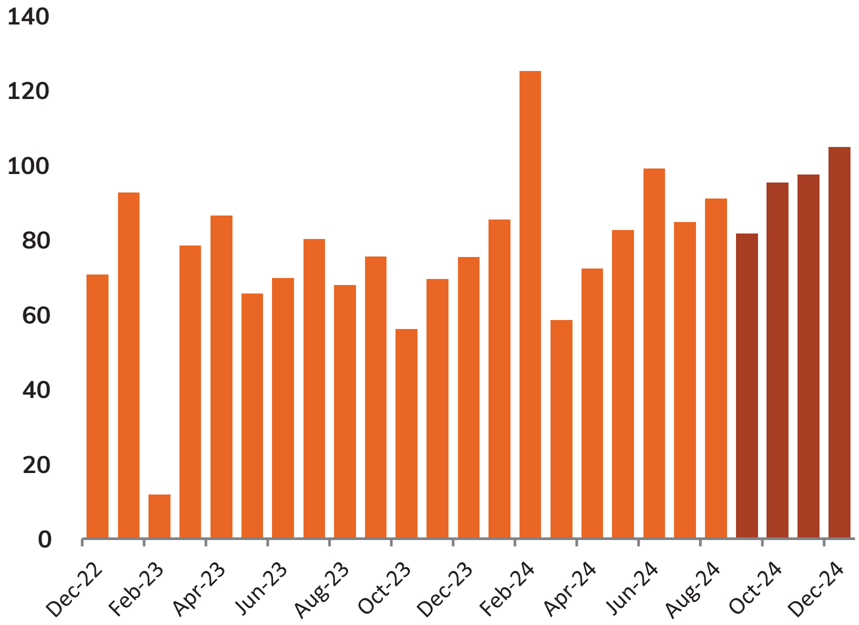
China's trade surplus soared to $104.84 billion in December 2024 from $97.44 billion in the preceding month, driven by a surge in exports. Exports jumped 10.7% in December 2024, surpassing the 6.7% growth recorded in November 2024, as exporters rushed to frontload shipments and fill orders in anticipation of further trade tariffs from the U.S. administration.

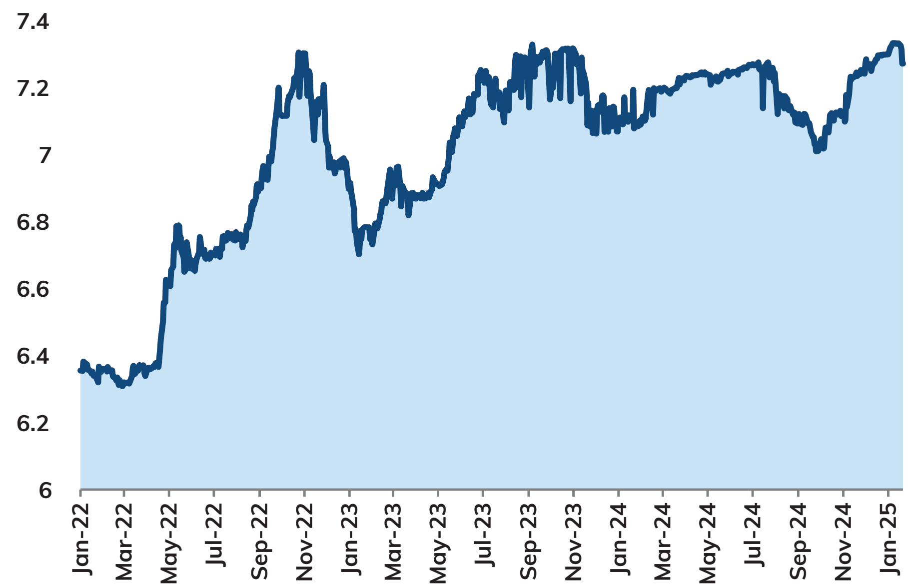
Followed by strong U.S. economic data released, China's currency weakened to around 7.28 levels (USD/CNY) on January 23, 2025. The Chinese economy continues to grapple with deflationary pressures stemming from low investor confidence and weak domestic consumption.

TRADE SURPLUS OF CHINA (US $, BILLION)



Source: General Administration of Customs

USD/CNY



Source: Reuters, Data as on January 23, 2025. USD: U.S. Dollar. CNY: Chinese Yuan

China's benchmark bond yields also slumped to an all-time low of around 1.66% in January 2025 as investors continue to favour bond after developing a sour taste for equities and real estate. Amidst dwindling foreign investment and consumer spending, the Chinese economy still awaits more stimulus measures by the government to kick in and support economic growth.

India's Retail Inflation eases aided by cooling vegetable prices

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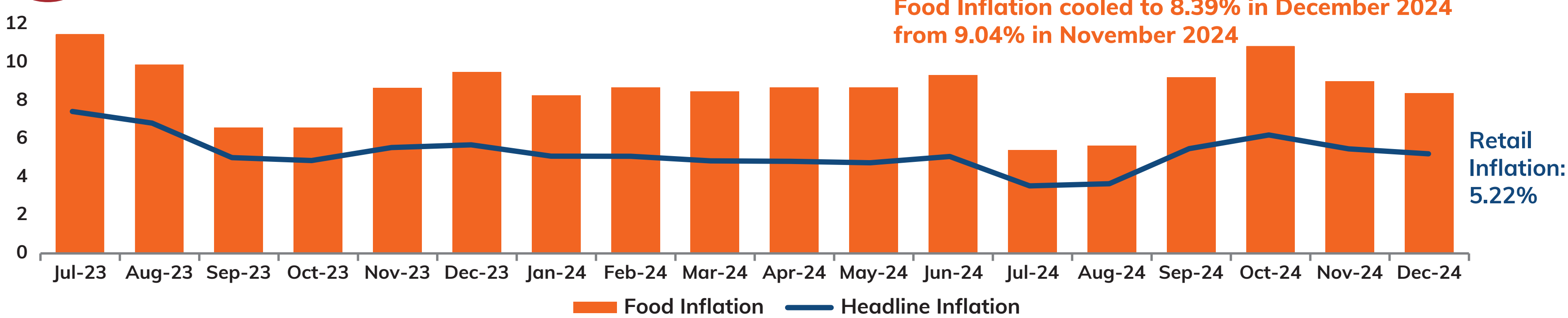
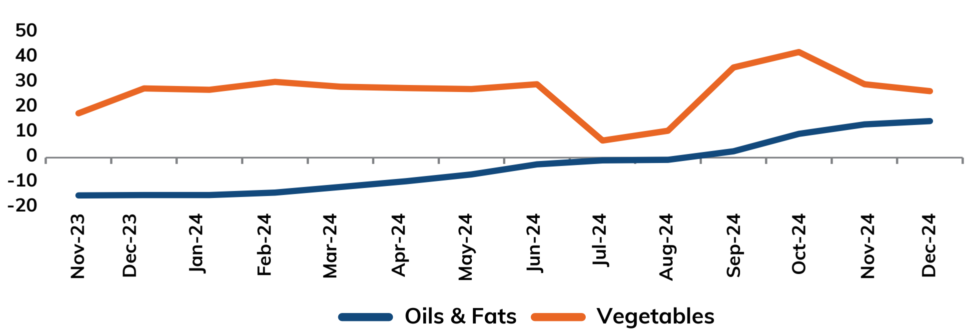
Bringing relief to households, India's retail inflation moderated for the second consecutive month to 5.22% in December 2024 from 5.48% in November 2024, primarily due to a fall in vegetable prices and a favourable base effect.

INFLATION (%)



What's cooking? Vegetables inflation edged down to 26.56% year-on-year basis in December 2024 compared to 29.33% in November 2024, supported by the arrival of fresh rabi crop harvests and healthy reservoir levels. However, prices of fruits, eggs, oils & fats and meat rose at a higher pace as compared to the previous month. Higher prices of edible oil may continue to pinch the pockets of consumers owing to higher global prices and the recent hike in import duty on various edible oils.

VEGETABLE AND OILS & FATS INFLATION (%)



Group	Weightage	Dec-24 (YoY)	Nov-24 (YoY)
Food and beverages	45.86%	7.7%	8.2%
Pan, tobacco and intoxicants	2.38%	2.5%	2.4%
Clothing and footwear	6.53%	2.7%	2.8%
Housing	10.07%	2.7%	2.9%
Fuel and light	6.84%	-1.4%	-1.8%
Miscellaneous	28.32%	4.2%	4.3%

Source: Centre for Monitoring Indian Economy (CMIE), Ministry of Statistics and Programme Implementation (MOSPI). YOY: Year-on-Year

Unfolding India's Merchandise Trade Deficit tale

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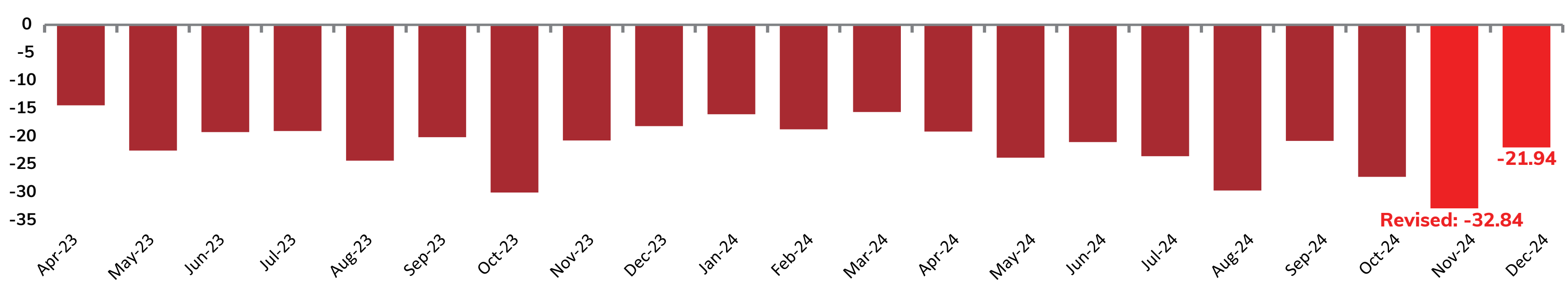
When India's merchandise trade deficit came in at a staggering $37.84 billion for November 2024, most economists found it a hard pill to swallow. After closer inspection, the Commerce Ministry revised the gold import figure downward by $5 billion owing to miscalculation, which in turn lowered the merchandise trade deficit to $32.84 billion for the month.

What did the next month have in store? India's merchandise trade deficit narrowed to $21.94 billion in December 2024 on the back of higher exports.

MERCHANDISE TRADE BALANCE ($, BILLION)



Source: Ministry of Commerce and Industry

MERCHANDISE EXPORTS

Merchandise exports increased from $32.11 billion in November 2024 to $38.01 billion in December 2024.

Example of Merchandise Export Drivers:

Electronic Goods

Engineering Goods

Rice

Readymade Garments

Handloom Products

MERCHANDISE IMPORTS

Merchandise imports decreased from $64.95 billion in November 2024 to $59.95 billion in December 2024.

Example of Merchandise Import Drivers:

Crude Oil

Petroleum Products

Gold

Chemical Products

The sliding Indian Rupee is caught in a crossfire

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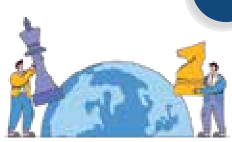
The rupee continued to weaken against the U.S. Dollar, plummeting to around 86.61 levels in January 2025.

01

Geopolitical tensions in West Asia, the ongoing Russia-Ukraine war and fresh U.S. sanctions on Russia contributed to market uncertainties.



02

Rising crude oil prices could strain India's import bill as the economy imports over 80% of its oil requirements.

03

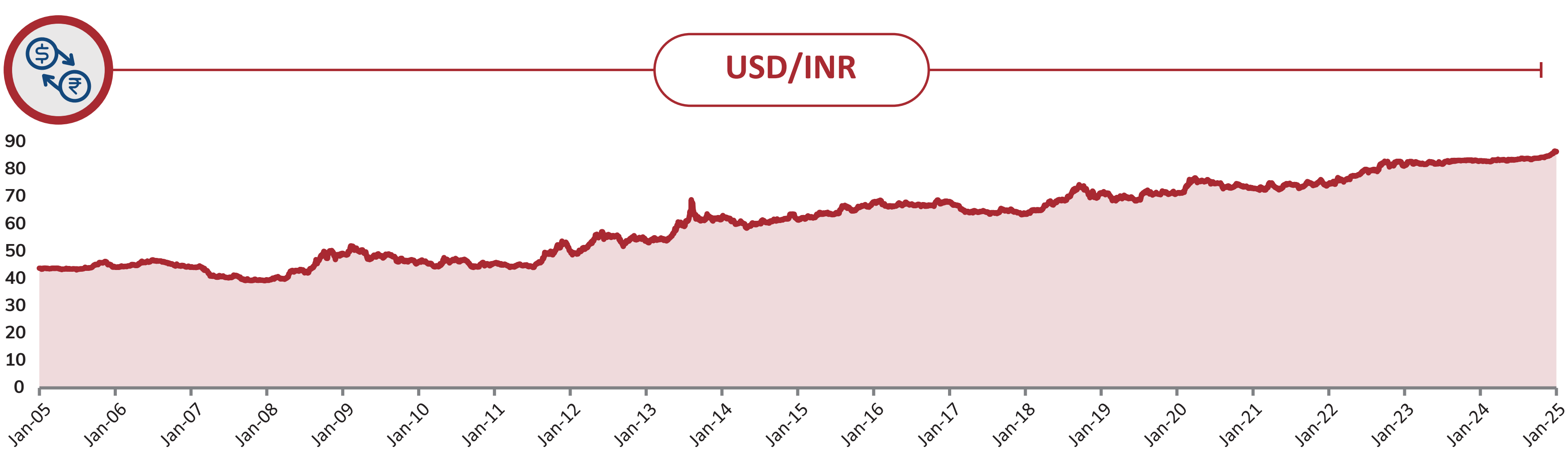
Foreign Portfolio Outflows from Indian markets has increased the demand for the dollar.

04

The U.S. Dollar Index is climbing to new highs on the back of strong macroeconomic data.

05

The Ministry of Statistics & Programme Implementation (MOSPI), projected India's GDP at 6.4% in FY25, lower than the 8.2% growth recorded in FY24, raising concerns related to growth prospects.



Source: Reuters, Data as on January 24, 2025. GDP: Gross Domestic Product. USD: U.S. Dollar. INR: Indian Rupee

India's foreign exchange reserves fell to $623.98 billion on January 17, 2025 (Source: Reserve Bank of India). A healthy level of foreign exchange reserves is vital for an economy as it acts as a buffer against global financial turbulence, which could be directed to defend the rupee in times of volatility.

The Reserve Bank of India's decision to ease liquidity tightness in the banking system

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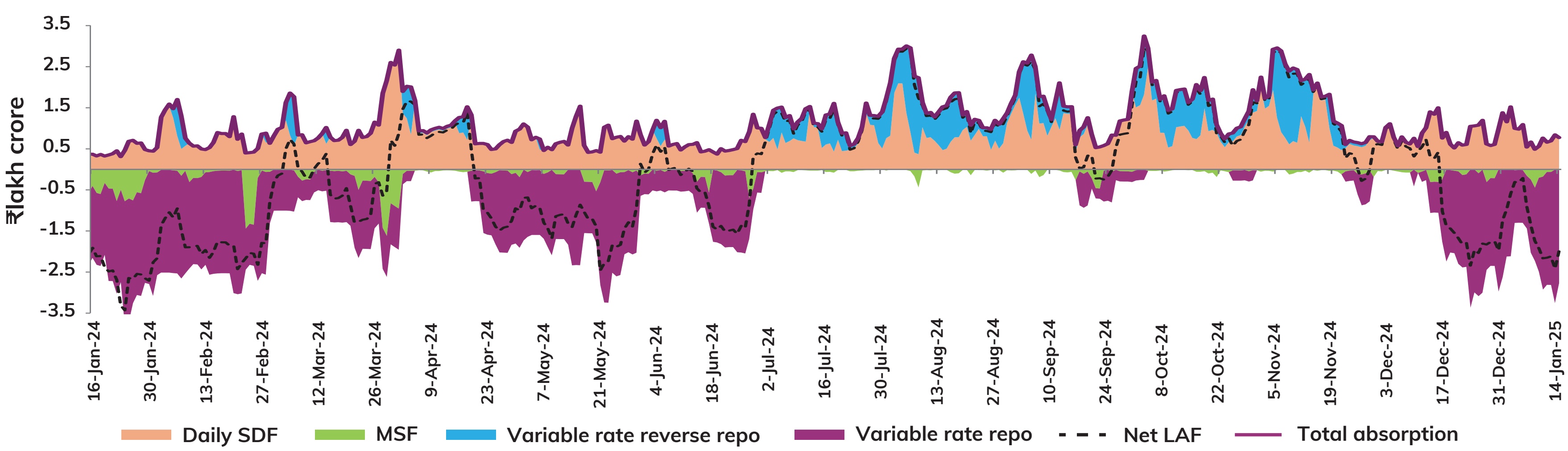
System liquidity slipped into the deficit arena since mid-December 2024 owing to a build-up in government cash balances underpinned by monthly Goods and Services Tax (GST) payments and the usual quarter-end advance tax outflows. **With an aim to ease the prevailing liquidity tightness in the Indian banking system, the Reserve Bank of India (RBI) announced that it will conduct daily Variable Rate Repo (VRR) auctions on all working days until further notice, beginning from January 17, 2025, with a notified amount of ₹50,000 crore.** VRR enables the central bank to inject liquidity into the system by allowing banks to borrow funds at an interest rate determined through an auction process.

On January 27, 2025, the central bank announced additional operations to inject liquidity into the banking system: **a) OMO purchase auctions of Government of India securities for an aggregate amount of ₹60,000 crore in three tranches of ₹20,000 crore each to be held on January 30, 2025, February 13, 2025 and February 20, 2025. b) 56-day Variable Rate Repo auction for a notified amount of ₹50,000 crore on February 7, 2025. c) USD/INR Buy/Sell Swap auction of USD 5 billion for a tenor of six months to be held on January 31, 2025.**

LIQUIDITY OPERATIONS (₹ LAKH CRORE)

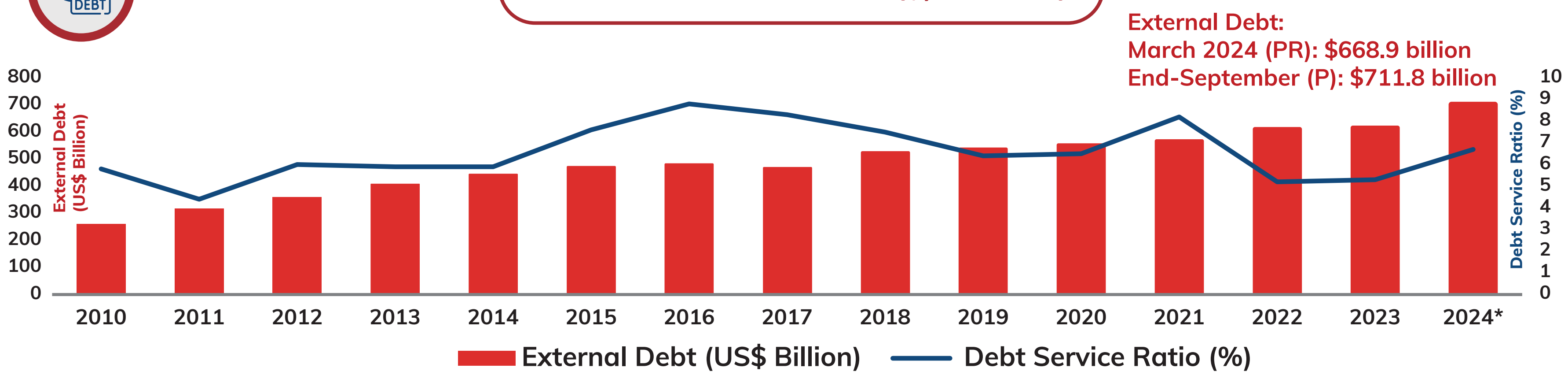


Source: Reserve Bank of India (RBI) Bulletin, January 2025. SDF: Standing Deposit Facility, MSF: Marginal Standing Facility LAF: Liquidity Adjustment Facility. OMO: Open Market Operations. USD: US Dollar, INR: Indian Rupee.

The External Debt Trap of India

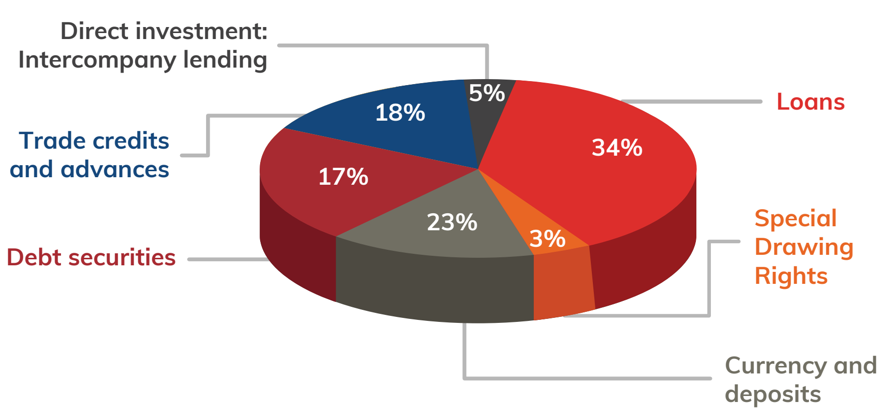
India's external debt rose to $711.8 billion in September 2024, up 4.3% from $682.2 billion in June 2024. A volatile global environment has compounded India's external debt challenges – a) Geopolitical conflicts in the Middle East have impacted trade flows to emerging markets. b) Further, weakening of the rupee against the dollar has increased the cost of servicing the foreign debt. c) India's growing reliance on external borrowings could further strain foreign exchange reserves, especially during a black-swan event like the pandemic or global financial crisis.

INDIA'S EXTERNAL DEBT ($, BILLION)

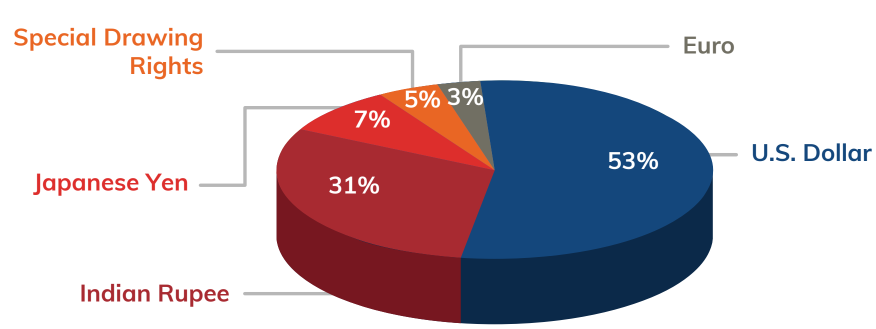


Source: Ministry of Finance, PR: Partially Revised; P: Provisional. For all the years, data as on March-end. *2024 Provisional data as on September 2024

SHARE OF INSTRUMENTS IN INDIA'S EXTERNAL DEBT (%)



INDIA'S EXTERNAL DEBT WITH RESPECT TO CURRENCY (%)



Source: Ministry of Finance, Provisional data as on September 2024. The percentages have been rounded-off to the nearest value.

India’s Industrial Output climbs to a six-month high

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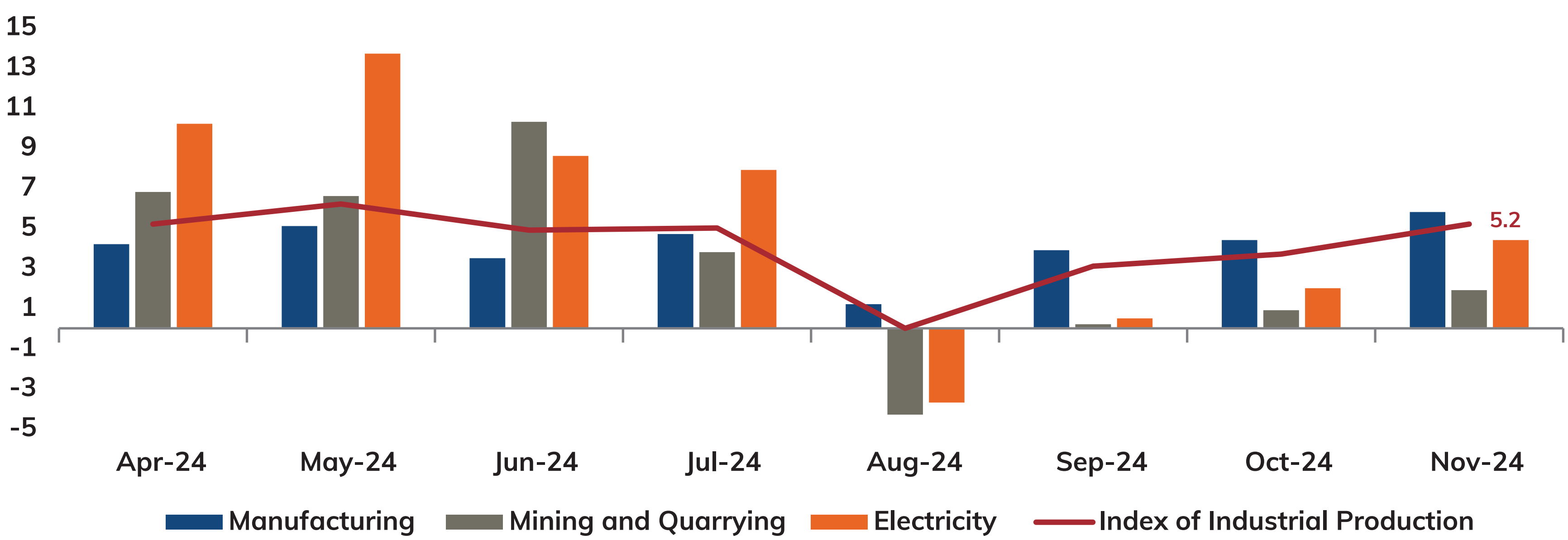
India’s factory output, based on the Index of Industrial Production (IIP), accelerated to a six-month high of 5.2% in November 2024, driven by a broad-based improvement in the Manufacturing, Electricity and Mining output.

The manufacturing sector output expanded to 5.8% in November 2024 with an increase in production of capital goods and consumer durables products during the festive season – From cutting-edge household appliances to the latest electronic gadgets, the manufacturing sector bustled to meet demand. **The Electricity and Mining output also improved for the third consecutive month,** registering a growth of 4.4% and 1.9%, respectively during the month.

INDEX OF INDUSTRIAL PRODUCTION - MANUFACTURING, MINING AND QUARRYING, ELECTRICITY (YEAR-ON-YEAR %)



Source: Centre for Monitoring Indian Economy (CMIE), CareEdge Ratings.

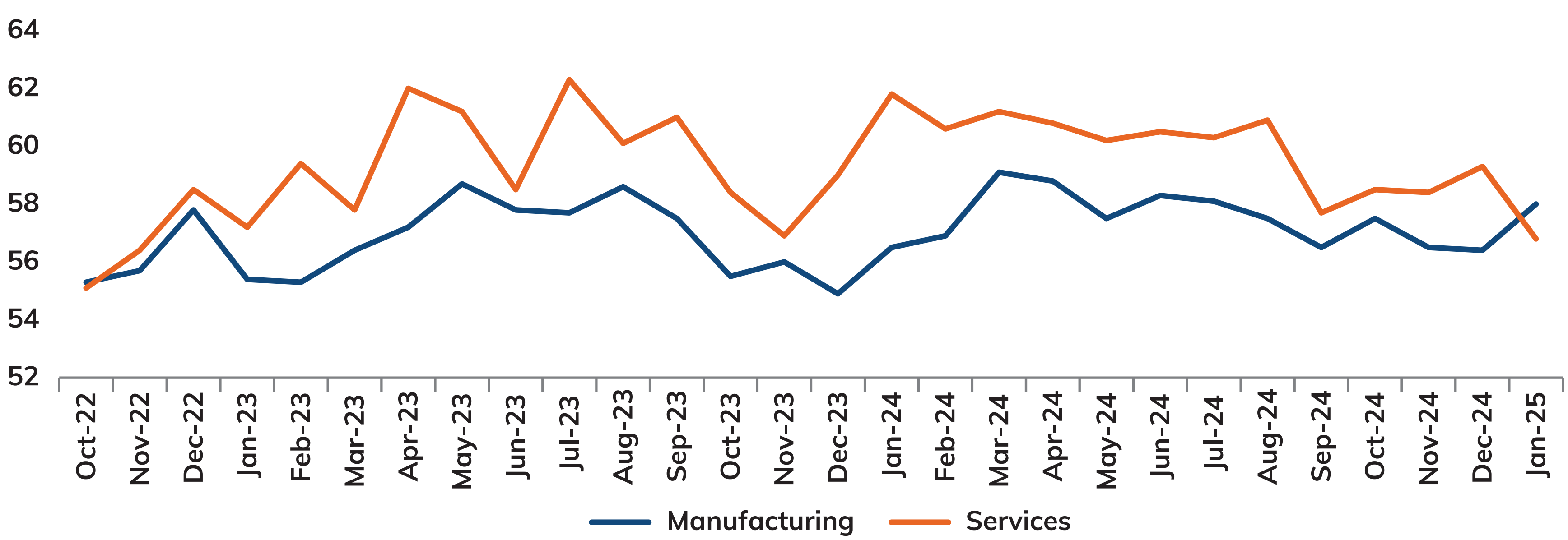
Adding to the industrial momentum, infrastructure activities witnessed a notable growth of 10% in November 2024 after a lackluster performance during the financial year. Growth of government capital expenditure, private investment and consumption remain critical for industrial performance.

India's Manufacturing sector started the year on a strong note but Services loses steam

The HSBC Flash India Manufacturing PMI, compiled by S&P Global, increased from 56.4 in December 2024 to 58.0 in January 2025 – the best improvement in the health of the sector since July 2024. Manufacturing providers indicated increase in factory output and new orders, facilitating the fastest expansion in aggregate international sales for six months. **Business confidence improved from the previous month and job creation strengthened, indicating an overall level of positive sentiment.**

While the manufacturing segment witnessed new orders rebounding, the growth of new domestic business in the services sector softened. The HSBC Flash India Services PMI Business Activity Index, compiled by S&P Global, weakened to 56.8 in January 2025 from 59.3 in December 2024. Another concern was that the prices charged for goods and services rose at a faster rate than in December as cost pressures intensified.

INDIA'S PURCHASING MANAGERS' INDEX (PMI)



Source: The HSBC Flash India PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. Manufacturing variables: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output. Services variables: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity. PMI: Purchasing Managers' Index

Is the Urban-Rural gap in Monthly Per Capita Consumption Expenditure narrowing?

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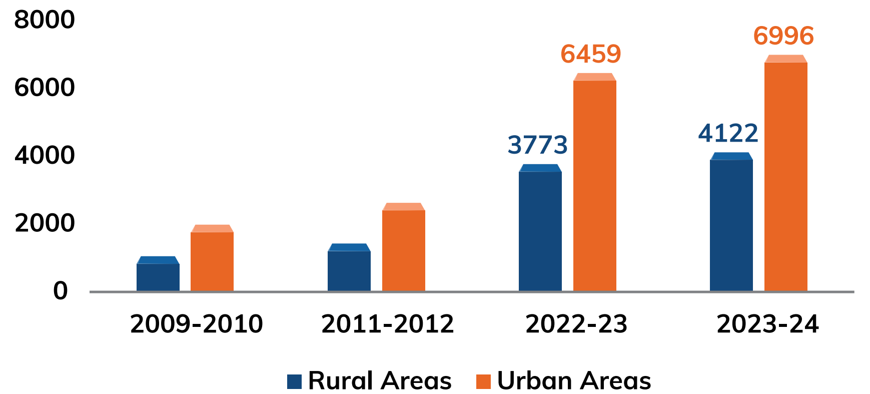
The Household Consumption Expenditure Survey (2023-24) revealed some interesting statistics:

01 **The rural Indian's average monthly spending increased to ₹4,122, up 9.25% compared to the preceding 12-month period. Whereas that for urban Indians was at ₹6,996, up 8.25%.**

AVERAGE MPCE IN RURAL INDIA AND URBAN INDIA (₹)



Note: The above does not take into account the values of items received free of cost by the households through various social welfare programmes.

04 **The urban-rural gap in MPCE has declined to 70% in 2023-24 from 84% in 2011-12** aided by better access to socio-economic facilities and increase in income levels with the support of government initiatives.

02 **Non-food items remain the major contributor to the household's average monthly expenditure in 2023-24.**

Item Group	Rural India		Urban India	
	Average MPCE (₹)	Share in MPCE (%)	Average MPCE (₹)	Share in MPCE (%)
Food	1,939	47.04	2,776	39.68
Non-Food	2,183	52.96	4,220	60.32

03 **Beverages, refreshments and processed food have major expenditure share in the food items basket of the rural and urban households.**

Conveyance, clothing, footwear, entertainment and durable goods had major expenditure share in non-food expenditure of rural and urban households.

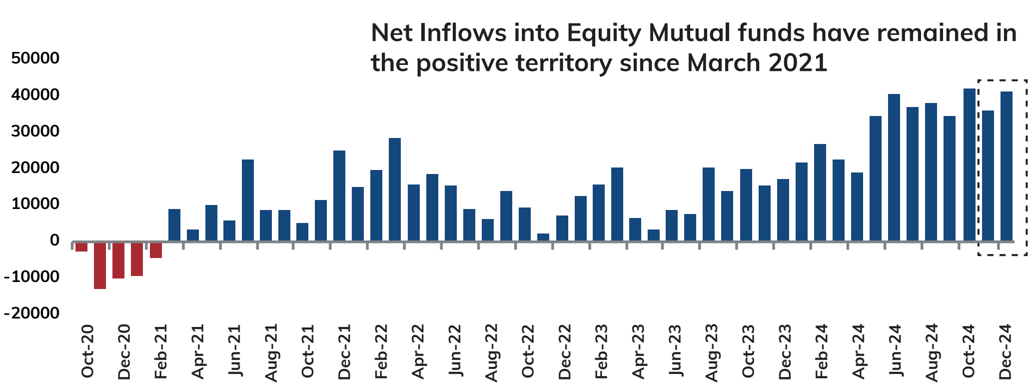
Source: Ministry of Statistics & Programme Implementation. The estimates of MPCE of 2023-24 are based on the data collected from 2,61,953 Households (1,54,357 in rural areas and 1,07,596 in urban areas) in the central sample spread over all States and Union Territories in the country. MPCE: Monthly Per Capita Consumption Expenditure.

Retail Mutual Fund Investors continue to Buy the Dip?

Investors are tapping the mutual funds route given the wide range of options catering to every risk appetite and availability of a diversified basket of securities managed by professionals.

Despite volatile market conditions, equity-oriented schemes closed the year on a strong note with inflows of ₹41,156 crore in December 2024, vis-a-vis ₹35,943 crore in the previous month, a 14.50% increase, reflecting the commitment of investors to long-term investment.

NET INFLOWS IN EQUITY MUTUAL FUNDS (₹, CRORE)

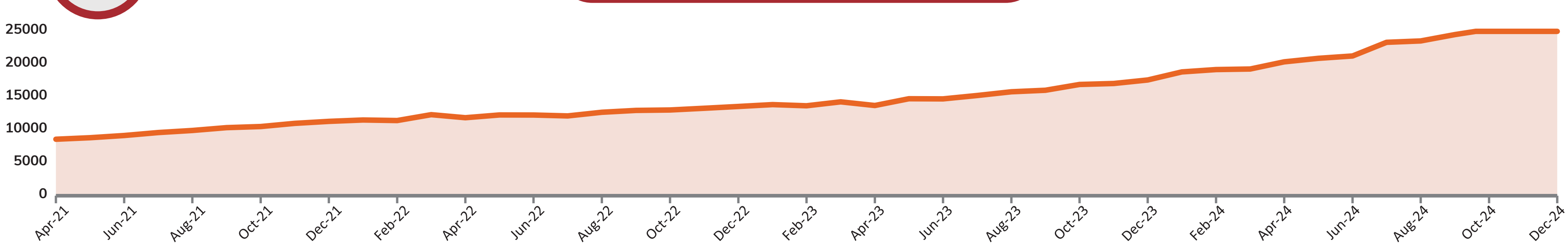


EQUITY FUND - NET INFLOWS/OUTFLOWS (₹, CRORE)

Category	December 2024
Multi Cap Fund	3,075
Large Cap Fund	2,011
Large & Mid Cap Fund	3,812
Mid Cap Fund	5,093
Small Cap Fund	4,668
Dividend Yield Fund	277
Value Fund/Contra Fund	1,514
Focused Fund	456
Sectoral/Thematic Fund	15,332
ELSS	188
Flexi Cap Fund	4,731
Total	**41,156**

The Systematic Investment Plan (SIP) contribution through mutual funds stood at ₹26,459 crore in December, compared to ₹25,320 crore in the preceding month, indicating the inclination towards disciplined investing.

SIP CONTRIBUTION (₹, CRORE)



Source: Association of Mutual Funds in India (AMFI). The mutual fund schemes/categories mentioned in this presentation do not constitute any recommendation of the same. ELSS: Equity Linked Savings Scheme.

Unified Payments Interface (UPI) continues to steal the limelight on the Payments Front

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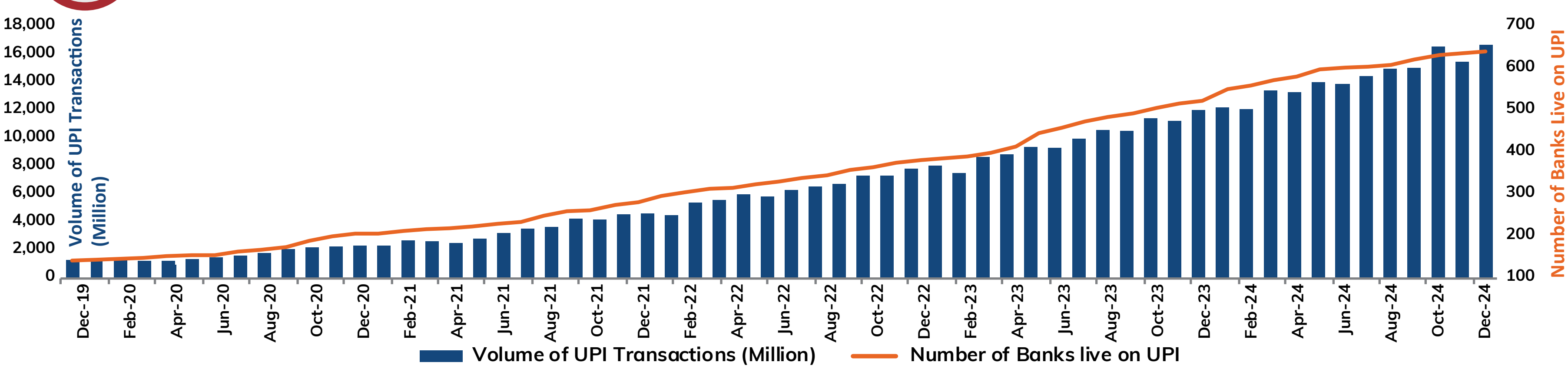
When you visit a retail store to buy an apparel, you are likely to first reach for your phone to make the payment than to check for cash in your wallet – The growing adoption of digital payments in India signifies the preference for an inclusive and convenient interface, reducing dependency on cash.

Digital transactions continued their upward trajectory with the number of transactions in Unified Payments Interface (UPI) surging from 12.02 billion in December 2023 to 16.73 billion in December 2024, a 39% increase over the year. Additionally, the number of banks participating on UPI have increased substantially from 522 banks in December 2023 to 641 banks in December 2024.

VOLUME OF UPI TRANSACTIONS (MILLION) & NUMBER OF BANKS LIVE ON UPI



Source: National Payments Corporation of India, Data as on December 2024. This data excludes the transactions having debit/credit to the same account. UPI: Unified Payments Interface.

Reasons for growing adoption of UPI

01 Integration with E-commerce Platforms

02 Two-factor Authentication for Security

03 Multiple bank accounts can be linked to a single UPI ID

04 Convenience - Instant money transfer

05 Reduces dependence on cash

06 User-friendly Interface

More Power to India

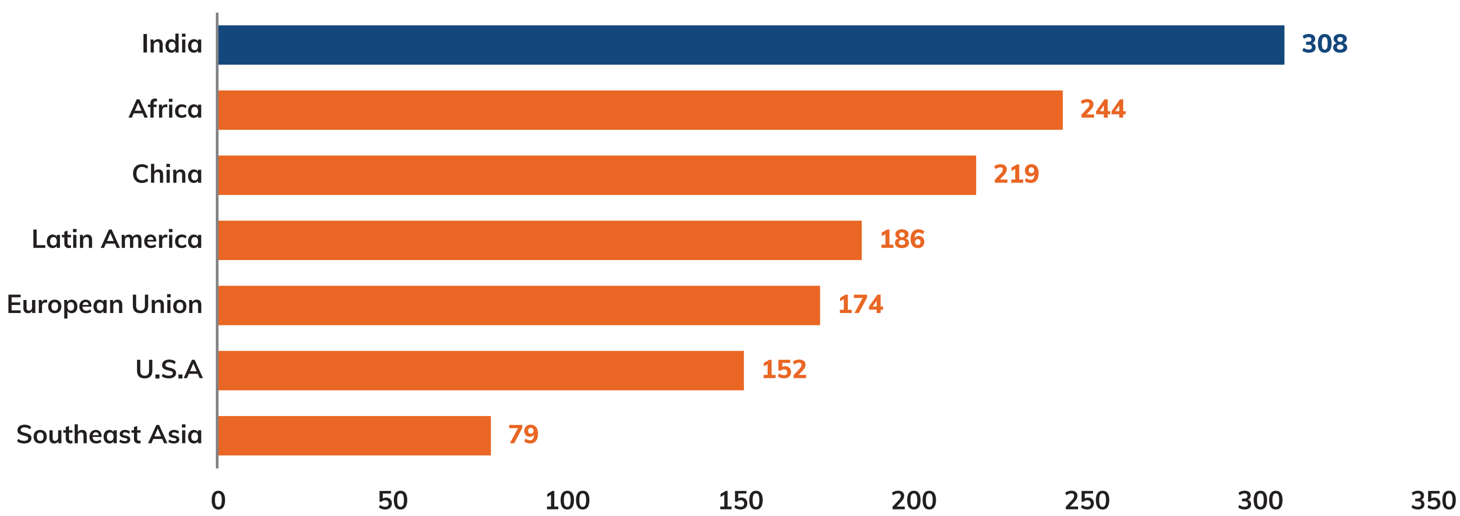
ICICI PRUDENTIAL MUTUAL FUND

The year 2024 added a groundbreaking chapter in India's power sector, showcasing significant strides in energy generation, transmission, and distribution.

- **India met an all-time maximum power demand of 250 GW in 2024** with improved rural electrification, new hydro projects and ambitious plans for expanding power transmission.
- **Per capita electricity consumption in India has surged to 1,395 kWh in 2023-24**, marking a 45.8% increase from 957 kWh in 2013-14.
- **The average availability of electricity in rural areas has increased from 12.5 hours in 2014 to 21.9 hours**, reflecting improvements in the reach of electricity services.
- **India's investments in renewable energy is rising faster than other countries.** During the year, renewable energy capacity added included solar power, wind power, biomass and hydroelectric power.

Source of data: Ministry of Power. GW: Gigawatt. kWh: Kilowatt hours

INVESTMENT GROWTH IN RENEWABLE POWER DURING 2019-2024 (% INCREASE IN INVESTMENT)



Source: International Energy Agency, Reserve Bank of India Bulletin, January 2024. U.S.A: United State of America. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

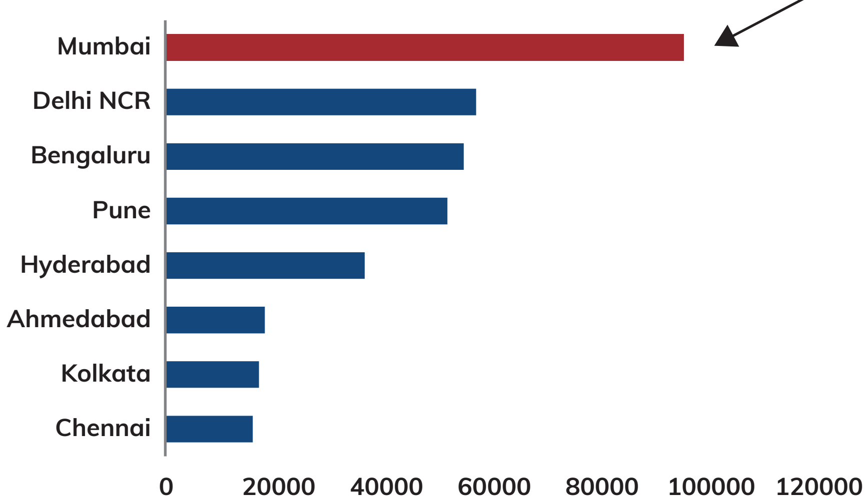
India's Housing sales data reflects the growing Premiumization trend

Housing sales have hit a 12-year high with 3,50,613 units sold across India's eight major cities in 2024, indicating the significant growth since the pandemic era. Higher demand for premium homes amid stable mortgage rates and an overall improvement in the health of the industry have contributed to the rise.

With increasing lifestyle needs, the premiumization trend has been on an upward trajectory with a strategic shift towards higher ticket-size properties. Despite concerns of overheating, higher ticket size segments (₹2 - ₹5 crore category) witnessed a year-on-year growth of 85% as homebuyers shift to properties that provide an upgraded lifestyle and better amenities. Also, as more residents transit to a hybrid/work from home setup, they are increasingly seeking living spaces that offer a good living experience.

UNITS SOLD ACROSS EIGHT INDIAN STATES

Mumbai led the pack with 96,187 units sold, marking a 13-year peak and contributing 27% to total sales.



Source: Knight Frank India Research

The government's commitment to infrastructure development and affordable housing, coupled with a gradual pick-up in investment by the private sector could further propel the growth of the residential market in the following quarters.

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Geared up for Sales in the Automobile Sector

Automobile retail sales increased by 9% year-on-year in 2024, driven by strong demand for two-wheelers and passenger vehicles, despite a challenging business environment induced by extreme weather conditions, elections at both central and state levels, and patchy monsoons. Total vehicle registrations reached 2,61,07,679 units in 2024, up from 2,39,28,293 units in 2023.

01 Passenger Vehicle (PV) Segment Sales

Passenger Vehicle segment growth was aided by network expansion and new product launches. However, the segment faced margin pressures, driven by higher inventory levels and aggressive discounting in the latter half of the year.

2023
38,73,381 units

5.18% Growth

2024
40,73,843 units

01 Two-Wheeler Segment Sales

The two-wheeler segment grew on the back of improved supply, new model launches and strong rural demand.

2023
1,70,72,932 units

10.78% Growth

2024
1,89,12,959 units

03 Three-Wheeler Segment Sales

2023
11,05,942 units

10.49% Growth

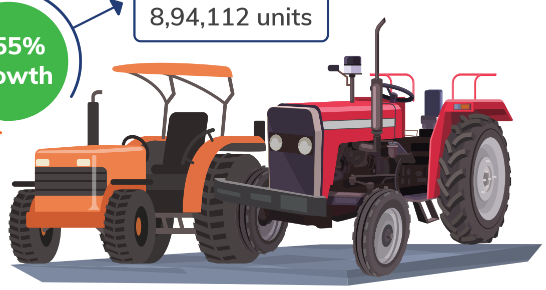
2024
12,21,909 units

04 Tractor Sales

2023
8,71,918 units

2.55% Growth

2024
8,94,112 units



Source: Federation of Automobile Dealers Associations (FADA). The above is Calendar Year. The sector(s) /stock(s) mentioned in this presentation do not constitute any recommendation of the same and ICICI Prudential Mutual Fund may or may not have any future position in these sector(s)/stock(s). The portfolio of the scheme is subject to changes within the provisions of the Scheme Information Document of the Scheme.

Other Key Developments

The Bank of Japan's decision to raise interest rates: Japan's core consumer inflation accelerated to 3% in December 2024, its fastest annual pace in 16 months, driven by rising energy costs and food prices. In January 2025, the Bank of Japan raised its short term policy rate to 0.5% from 0.25%, marking the highest level since the 2008 Global Financial Crisis (Source: Bank of Japan).

India as a net importer of steel: India increased imports of rolled products in April-December 2024 to at least a six-year high of 7.27 million tons, up 20.3% year-on-year. Exports of steel products from India dropped by 24.6% year-on-year to 3.6 million tons during the same period (Reuters). Demand for steel in India has been on the rise due to usage in infrastructure and the automotive industry.

Fiscal Deficit of India: India's fiscal deficit for the April-November period stood at ₹8.47 trillion, 52.5% of the estimate for 2024-25 (Controller General of Accounts). The fiscal deficit number is lower than ₹9.07 trillion, recorded a year ago, owing to the dividend payout to the government and subdued government capex during the first quarter amid the general elections.

A Step Towards Strengthening Agricultural Finance: The Government of India launched the Credit Guarantee Scheme for e-NWR based Pledge Financing (CGS-NPF) on 16 December 2024, providing a ₹1,000-crore corpus to support post-harvest financing for farmers. Under this scheme, farmers can access credit by pledging their produce stored in Warehousing Development and Regulatory Authority (WDRA) accredited warehouses, backed by electronic negotiable warehouse receipts (e-NWRs).

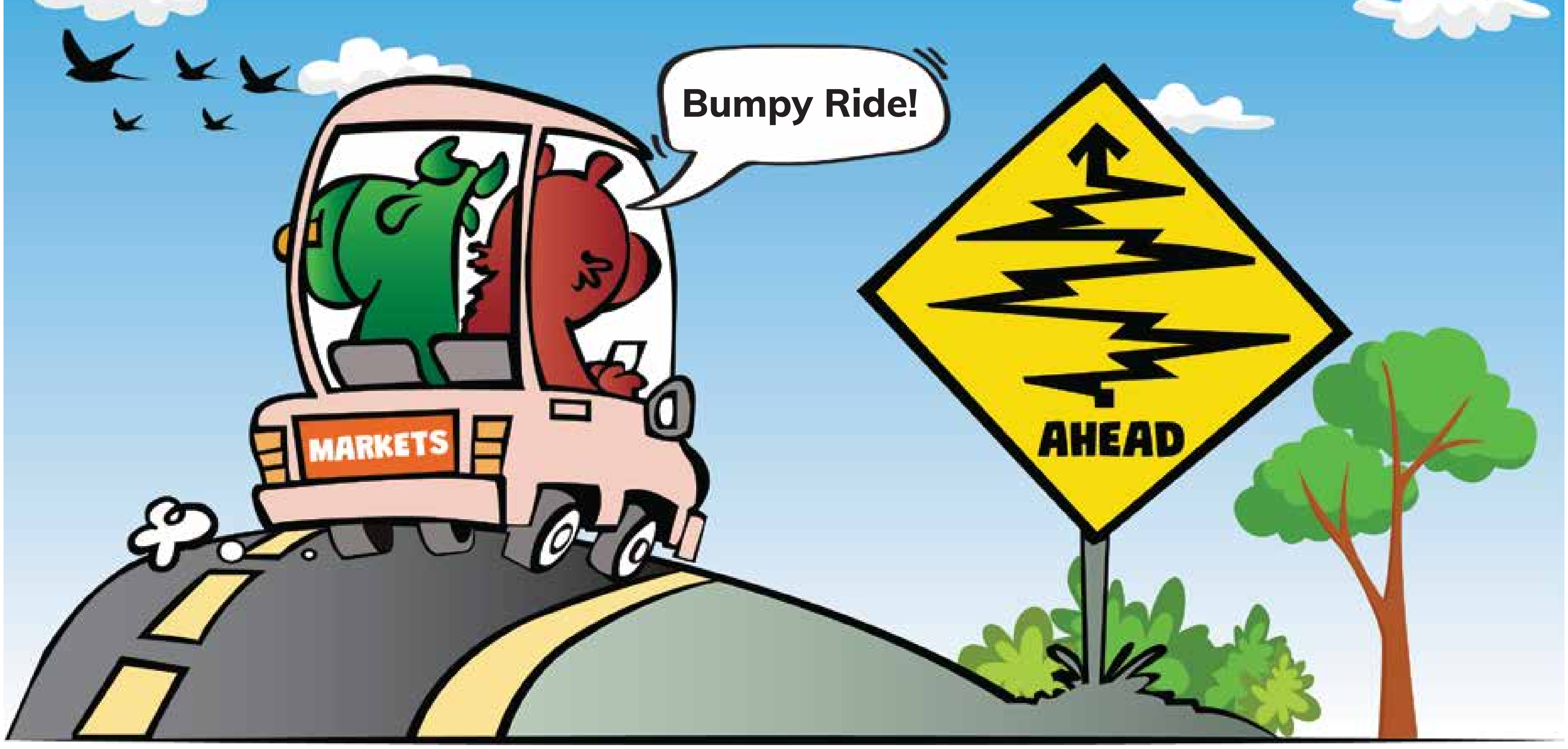
New Investment Projects announced by the Government and Private Sector: After witnessing recovery in the September 2024 quarter, the value of new projects announced in the December 2024 quarter stood at ₹8.07 trillion, a mere 3% fall since December 2023. The manufacturing sector projects improved to ₹5.09 trillion, supported by the Production Linked Incentive scheme that focuses on strengthening domestic manufacturing capabilities and employment generation (Source: Centre for Monitoring Indian Economy, Data updated as on January 31, 2025).

And it is a wrap for the month

India's economic growth could rebound on the back of domestic demand, rising factory output levels and growing momentum of rural demand supported by brighter agricultural prospects. Additionally, a revival in government capital expenditure is likely to stimulate growth in key sectors. However, economies may continue to grapple with global financial conditions constrained by public debt burdens, geopolitical tensions, volatile commodity prices and rising economic uncertainties.

Market participants now look forward to what the 2025 Union Budget has in store, welfare schemes introduced by the government, the stance of the Reserve Bank of India on inflation and the impact of policies implemented by the U.S. president in the following months.

PICTURE OF THE MONTH



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