

MASHREQ GLOBAL DIGEST

India

January 5 – January 11



This issue of Market Digest delves into key macroeconomic indicators, recent economic developments in India, as well as the latest financial and tech updates and notable deals.

Macroeconomic News

India's Growth Forecast Cut to 6.4% for 2024/2025

India's economic growth forecast for the year ending in March has been revised down to 6.4%, the slowest in four years, mainly due to weaker manufacturing and slower corporate investments. This is below the government's initial projection of 6.5%-7%. Disappointing indicators in the second half of 2024, such as low growth, high inflation, and a record trade gap, contributed to this revision. While the Reserve Bank of India cites inflation as the main cause, the government points to the central bank's policy. In related news, the IMF has also projected India's economy to face a slight decline in 2025, citing uncertainty surrounding global trade policies and economic conditions.

Reference: [Reuters](#), [CNBC](#)



India's Inflation Likely Lower in December

India's consumer inflation likely eased to 5.3% in December, down from 5.48% in November, driven by moderating food prices. This decline was mainly due to lower vegetable prices following a strong summer harvest. Core inflation, excluding food and energy, is estimated at 3.7%. Despite easing inflation, economists expect inflation to remain above the Reserve Bank of India's 4% target until at least mid-2026. As a result, many expect the RBI to cut interest rates by 25 basis points to 6.25% at its February meeting to support slowing economic growth.

Reference: [Reuters](#)



India's Forex Reserves Hit 10-Month Low Amid Weakening Rupee

India's foreign exchange reserves have dropped to a 10-month low of \$634.59 billion as of January 3, marking the fifth consecutive week of decline. The reserves fell by \$5.7 billion during the reported week, continuing a \$70 billion decrease since their all-time peak in September. The weakening rupee, driven by a stronger dollar and slower capital flows amid slowing economic growth, has led to substantial Reserve Bank of India interventions. These actions have caused tighter liquidity and higher short-term rates, further fueling capital outflows and potential "dollar hoarding" in anticipation of further rupee depreciation. The rupee recently hit a record low of 85.97 against the dollar, marking its tenth consecutive weekly decline.

Reference: [Reuters](#)



Key Focus of India's 2025 Budget

EY India expects the Union Budget 2025-26, set to be presented on February 1, to focus on boosting private capital expenditure, providing personal income tax relief for lower-income groups, and simplifying tax compliance. Reforms are anticipated to reduce litigation, enhance investment, and support economic growth, including steps toward simplifying the direct tax code and addressing tax disputes. Additionally, EY suggests measures like reducing capital gains tax holding periods, fiscal consolidation to lower the deficit, and increased capital expenditure to drive business innovation and achieve a real GDP growth target of 6.5%.

Reference: [CNBC](#)



India's Industrial Output Hits 6-Month High

India's industrial output rose 5.2% year-on-year in November, marking a six-month high, driven by strong growth in consumer durables and capital goods. Manufacturing grew by 5.8%, electricity generation by 4.4%, and mining by 1.9%. Despite outperforming expectations, questions remain about sustaining this growth. For the April-November period, industrial output grew by 4.1%, down from 6.5% the previous year. This growth is critical for boosting the country's GDP, which is projected to slow to 6.4% for the financial year ending March 31.

Reference: [Yahoo Finance](#)

Financial/Tech News

India's IPO Boom to Continue in 2025

India's IPO market is expected to continue its strong performance in 2025, with over 90 companies aiming to raise an estimated 1 trillion rupees. In 2024, 91 firms raised a record 1.6 trillion rupees through IPOs. However, there is a growing concern over the increase in Offers for Sale (OFS), where large shareholders sell existing shares instead of raising fresh capital. The BSE CEO expressed a preference for more fresh capital raising.

Reference: [Reuters](#)

India's Private Equity Investment Soars 46% to \$15B in 2024

Private equity investments in India surged by 46.2% in 2024, reaching \$15 billion, driven by sectors like healthcare, pharmaceuticals, consumer industries, and technology. Key deals included Data Infrastructure Trust's \$2.17 billion, Kiranakt Technologies' \$1.36 billion, and Hyundai Motor India's \$989 million. The Internet-specific sector led with \$4.49 billion in investments, while communications saw an extraordinary rise. India remains a major market, accounting for 28% of Asia Pacific's equity investments. Growth in sectors like healthcare and technology, along with favorable government policies, is expected to sustain private equity activity in 2025.

Reference: [Business Standard](#)

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Indian Banks' Profitability to Moderate in FY26

Indian banks' profitability is expected to moderate in FY26 due to higher delinquencies in unsecured loans (such as personal loans and credit cards) and increased credit costs. Following a strong performance from 2021-2024, banks' financial growth is likely to slow. Rising delinquencies, particularly among self-employed individuals and younger populations, will weigh on profits. Credit growth is projected to slow to 13.5% in 2024-25, with further moderation in 2025-26.



Reference: [The Economic Times](#)

HSBC Downgrades Indian Equities, but Optimism Remains Among Some Analysts

HSBC downgraded its rating on Indian equities to "neutral," citing slowing growth and elevated valuations, while reducing its 2025 Sensex target by 5% to 85,990. However, other analysts remain optimistic. Citi expects the Indian economy to grow by 6.5% in 2025, driven by infrastructure spending, and forecasts a 10.5% increase in the Nifty 50 to 26,000. Morgan Stanley anticipates that a reduction in the fiscal deficit will lower borrowing costs and support equity recovery, while Bernstein believes Indian stocks have "bottomed out" and projects a 13% rise in the Nifty 50, targeting 26,500 by the end of 2025.

Reference: [Reuters](#), [CNBC](#)

India's Space Funding Drops 55% in 2024

Funding in India's space industry dropped by 55% in 2024, from \$130.2 million in 2023 to \$59.1 million, marking the first decline in five years. This mirrors a global downturn of 20% in space sector investments. However, India's space ambitions remain strong, with plans for a \$44 billion private space economy. Experts expect funding to rebound in 2025 as key milestones approach.

Reference: [Reuters](#)

Projects/Deals

Microsoft to Invest \$3B in India's AI and Cloud Infrastructure

Microsoft has committed to a \$3 billion investment in India over the next two years to enhance cloud and AI infrastructure, including the development of new datacenters. This investment aligns with India's vision to become an AI-first nation. The company will also train 10 million people by 2030 and expand the AI ecosystem through its partnership with SaaSBoomi to support startups and entrepreneurs. Additionally, Microsoft emphasizes sustainability with eco-friendly data center operations.



Reference: [Microsoft](#)

US to Lift Barriers, Boost Nuclear Cooperation with India

The US and India are finalizing an agreement to remove barriers that previously restricted cooperation on civil nuclear projects. This step aims to strengthen their strategic partnership. India plans to expand its nuclear energy use to meet growing energy demands and reduce carbon emissions. During his visit, US National Security Adviser Jake Sullivan also discussed space cooperation, defense, and technological advancements with Indian officials. The US views India as a key partner in countering China's influence in the region.

Reference: [Bloomberg](#)



Markets

Market Dashboard

- The S&P 500 ended the week lower, wiping out its early-year gains, after a strong U.S. jobs report for December sparked inflation concerns. This led traders to expect a more cautious Federal Reserve approach on rate cuts, causing a pullback in investor sentiment. Most sectors of the S&P 500 declined, with the energy sector being the only exception, marking Wall Street's second consecutive week of losses.
- Bitcoin experienced volatility this week, dropping from over \$100,000 to \$91,200 before stabilizing around \$94,000. Strong U.S. economic data, concerns about Federal Reserve rate cuts, and the planned sale of seized Bitcoins contributed to the decline. Despite this, analysts remain positive, with Standard Chartered predicting a \$200,000 price by the end of 2025.
- Gold prices rebounded this week, driven by uncertainty surrounding Trump's policies and the upcoming inauguration, which provided safe-haven support. Despite a stronger-than-expected U.S. jobs report that initially pressured gold lower, the metal still managed to post a weekly gain of nearly 2%.
- Oil prices surged this week after the U.S. Treasury Department imposed sanctions on Russia's oil sector, targeting key companies, tankers, and officials. The sanctions raised concerns about potential disruptions to crude supply, adding a risk premium to the market. Indian and Chinese refiners are expected to search for alternative oil sources, further supporting the price gains, which reached their highest levels since October.
- The U.S. dollar strengthened following stronger-than-expected December job data, raising expectations that the Federal Reserve will pause rate cuts. The euro, impacted by Trump's tariffs, differing U.S. and European monetary policies, and geopolitical tensions, faces the risk of falling below parity with the dollar in 2025.

Indicators	3-Jan-25	10-Jan-25	% Change
S&P 500	5,942.47	5,827.04	-1.94%
Bitcoin	98,107.43	94,701.45	-3.47%
Gold	2,639.12	2,689.63	1.91%
Crude Oil	76.51	79.76	4.25%
EUR/USD	1.0268	1.0298	0.29%

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