

MASHREQ GLOBAL DIGEST

India

September 29 – October 05



This issue of Market Digest provides an analysis of key macroeconomic indicators and economic developments in India. In addition, it offers insights into major financial developments.

Macroeconomic News

India: Developed Nation by 2047

Prime Minister Narendra Modi announced that India is on a path of "sustained high growth," expecting to exceed 7% growth in the coming years and aiming for developed nation status by 2047. He highlighted strong economic fundamentals and resilience amid global uncertainties, positioning India as the fastest-growing major economy and fifth-largest by GDP. Key achievements include leading in fintech adoption and having the third-largest startup ecosystem. At the Kautilya Economic Conclave, Modi noted that 250 million people have escaped poverty in the last decade. He reaffirmed the government's commitment to structural reforms and manufacturing, citing recent policies that attracted significant investments.



Reference: [Hindustan Times](#)

Living Standards Set to Rise

India's Finance Minister announced that living standards are set to rise significantly, with IMF projections indicating a \$2,000 increase in per capita income over the next five years. Improvements in inequality were noted, with reductions in the Gini coefficient for both rural and urban areas. The importance of enhancing domestic capacity for sustainable growth amid global challenges was emphasized, along with the need for a transition to clean energy.

Reference: [Indian Express](#)

India's April-August Fiscal Deficit at \$51.93 billion



India's fiscal deficit for April-August reached 4.35 trillion rupees (\$51.93 billion), or 27% of the annual estimate. Net tax receipts totaled 8.74 trillion rupees, 34% of the annual target. Total government expenditure stood at 16.52 trillion rupees, also 34% of the annual goal, slightly down from 16.72 trillion rupees last year due to reduced spending ahead of general elections. The government aims to reduce the fiscal deficit target to 4.9% of GDP from 5.6% in the last fiscal year. It is with noting that in September, gross goods and services tax collections were 1.73 trillion rupees (\$20.64 billion), a 6.5% increase year-on-year.

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

India's Current Account Deficit Widens

India's current account deficit widened to \$9.7 billion (1.1% of GDP) in Q1 FY2024-25, up from \$8.9 billion (1.0% of GDP) a year earlier and down from a surplus of \$4.6 billion in Q4 FY2023-24, primarily due to a rising merchandise trade deficit to \$65.1 billion. Net foreign direct investment inflows increased to \$6.3 billion, while foreign portfolio investments dropped to \$0.9 billion from \$15.7 billion in Q1 FY24.

Reference: [The Economic Times](#)

India's Forex Reserves Exceed \$700B

India's foreign exchange reserves have exceeded \$700 billion for the first time, reaching \$704.89 billion after a \$12.6 billion increase in the week ending September 27. This rise is the largest since mid-July 2023 and positions India as the fourth country to achieve this milestone. Key factors include the Reserve Bank of India's dollar purchases and valuation gains from declining U.S. Treasury yields and rising gold prices. Improved economic fundamentals and \$30 billion in foreign inflows this year have bolstered reserves, enhancing currency stability and investor confidence. So far in 2024, reserves have increased by \$87.6 billion.

Reference: [Reuters](#)



Revitalizing India's Manufacturing Sector

The government has prioritized the manufacturing sector to transform India into a \$5 trillion economy. While manufacturing grew by 7% in the April-June quarter, this represents a decline of 1.9% from the previous quarter, and its contribution to Gross Value Added remains below the target of 25% by 2025. Initiatives like 'Make in India' and the Production Linked Incentive (PLI) scheme aim to boost manufacturing, but investment growth is slow, and the sector faces challenges such as rising input costs and weak demand. To enhance growth, experts recommend stimulating consumption, offering investment incentives, simplifying regulations, and supporting small and medium enterprises.

Reference: [Financial Express](#)

India's R&D Outsourcing Boom



India is transitioning from being a hub for outsourcing labor-intensive tasks to becoming a key player in research and development (R&D) for Western firms. The services sector now represents 45% of total exports, bolstered by low labor costs and high IT literacy. Companies like Cyient are forming strong R&D partnerships, with the market projected to reach \$30 billion and potentially double in five years. The stock market is thriving, fueled by infrastructure investments and a growing domestic consumer base, where local investors are becoming more active than foreign ones. Despite recent market declines linked to geopolitical tensions, analysts anticipate growth as inflation stabilizes and monetary policy may relax.

Reference: [CNBC](#)

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India to Double Edible Oil by 2031

India has approved a 101 billion rupee (\$1.2 billion) program to double edible oil production within seven years, aiming to cut reliance on imports. Currently, India meets two-thirds of its demand through imports, primarily from Indonesia and Malaysia. The initiative focuses on enhancing oilseed productivity with high-yield varieties and advanced technologies, targeting an increase from 12.7 million metric tons to 25.45 million tons by 2030-31, fulfilling about 72% of domestic needs. The country's edible oil import bill has surged from \$2.2 billion in 2006/07 to \$15 billion in 2023/24. Recently, India also raised import taxes on edible oils by 20 percentage points to support local farmers.



Reference: [Reuters](#)

Financial News

India Overtakes China in MSCI

India has overtaken China in the MSCI All-Country World Index, with its share rising to 2.33% compared to China's 2.06%. The country now ranks sixth, after France, Canada, the UK, Japan, and the US. This shift is driven by India's strong economic growth, projected at 7% for 2024, outpacing China's 4.7%. India's NIFTY 50 index has surged by 20.5% this year, attracting significant investment, while China's Shanghai Composite Index increased only 3.8%. Despite recent stimulus measures, China faces structural challenges, whereas India's reforms are fostering sustainable growth. Additionally, retail equity holdings are rising in India while declining in China, indicating a potential long-term shift in investment trends.

Reference: [Yahoo Finance](#)

SEBI Tightens Derivatives Rules



India's market regulator, SEBI, has tightened equity derivatives trading rules, increasing costs and entry barriers for investors, effective November 20. The number of weekly options contracts will be limited to one per exchange, and the minimum trading amount will rise from 500,000 to 1.5-2 million rupees. These changes aim to curb excessive retail trading, which has resulted in significant losses for individual investors—totaling 1.81 trillion rupees over three years. SEBI's goal is to protect investors and stabilize the derivatives market with these new regulations.

Reference: [Reuters](#)

Technology

India's Path to a \$1 Trillion Digital Economy By 2028

India's digital transformation is set to significantly enhance economic development, with projections of a \$1 trillion digital economy by 2028. Government initiatives have improved financial inclusion and access to services. Innovations such as the Unified Payments Interface (UPI) position India as a leader in real-time payments. With increasing internet penetration and affordable 4G and 5G services, digital transactions are surging. The digital economy's contribution to GDP is expected to grow from 4.5% in 2014 to 20% by 2026. Key sectors like finance, education, healthcare, and e-commerce are rapidly digitizing, with retail digital payments projected to reach \$10 trillion by 2026. Overall, India's digital revolution, supported by government initiatives and technological advancements, promises inclusive growth and innovation.



Reference: [The Hindu Business Line](#)

India Targets First Chip by 2026

India aims to produce its first semiconductor chip by 2026-2027, as major U.S. firms like Nvidia and Micron expand operations in the country. The Commerce Minister noted collaborations with domestic firms and highlighted India's skilled workforce, despite challenges in producing cutting-edge chips without companies like TSMC and Samsung. Apple is significantly increasing its manufacturing in India, creating 150,000 jobs. However, analysts warn that infrastructure and regulatory issues remain challenges.

Reference: [CNBC](#)

Markets

Market Dashboard

The S&P 500 closed the week up 0.22%, with Friday's rebound offsetting recent losses. This positive shift followed a stronger-than-expected jobs report that boosted investor confidence in the economy's health. The unemployment rate dipped to 4.1%, contrary to predictions that it would remain at 4.2%. However, escalating geopolitical tensions in the Middle East led to a rocky start for stocks and Bitcoin in October, following an unusually strong performance in the first nine months of the year. Crude oil prices surged again on Friday, resulting in a weekly increase of about 8.4%, driven by the intensifying conflict in the region after Iran's missile attack on Israel.

Indicators	27-Sep-24	4-Oct-24	% Change
S&P 500	5,738.17	5,751.07	0.22%
Bitcoin	65,790.66	62,067.48	-5.66%
Gold	2,657.97	2,653.52	-0.17%
Crude Oil	71.98	78.05	8.43%
EUR/USD	1.1177	1.0972	-1.83%

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