APAS MONTHLY – VOLUME 12

APAS MONTHLY NEWSLETTER

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EDITORIAL

In this issue, **Mr. Anuj Tyagi, Managing Director and CEO - HDFC ERGO General Insurance Company Limited** has presented his thoughts on **'General Insurance: Shape of things to come'**. We thank Mr. Tyagi for his contribution to the APAS Monthly.

This month, the APAS column covers '**India Growth Outlook 2025'.**

The economic indicators showed mixed performance. Manufacturing fell to 56.5 in November 2024, revised down from the initial estimate of 57.3 and lower than October's 57.5. Services PMI was revised lower to 58.4 in November 2024 from preliminary estimates of 59.2, after a final figure of 58.5 in October. Infrastructure output in India rose by 4.3% year-on-year in November 2024, up from a revised 3.7% in the previous month, marking the strongest growth rate in four months. Industrial production (IIP) increased 3.5% year-on-year in October 2024, in line with market expectations, following a 3.1% rise in the previous month. India's annual inflation rate in India eased to 5.48% in November of 2024 from 6.21% in the previous month. India Wholesale Price Index (WPI) number is 1.89% (Provisional) for the month of November.

The Monetary Policy Committee (MPC) has decided to maintain the policy repo rate at 6.50% and retain the neutral monetary policy stance, with the standing deposit facility (SDF) rate at 6.25% and the marginal standing facility (MSF) rate at 6.75%. RBI has announced a series of developmental and regulatory measures across multiple areas. Shri Sanjay Malhotra assumed office as the 26th Governor of the Reserve Bank of India on December 11, 2024. The Reserve Bank of India (RBI) released its report State Finances: A Study of Budgets of 2024-25, focusing on the theme "Fiscal Reforms by States". RBI published Highlights of the sectoral deployment of bank credit.

The Insurance Regulatory and Development Authority of India (IRDAI) published life insurance data of November 2024.

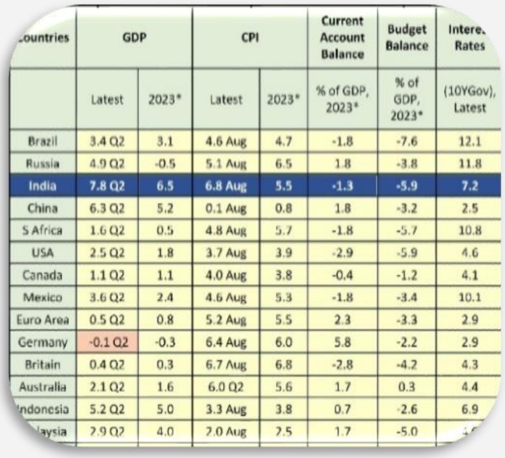
Securities and Exchange Board of India (SEBI) has expanded the scope of the optional T+0 rolling settlement cycle in equity cash markets, complementing the existing T+1 settlement cycle. SEBI has issued new directions for stock exchanges in the commodities derivatives segment to enhance market transparency and efficiency. SEBI's Board Meeting held on December 18, 2024, reviewed and approved several regulatory and market-related measures. SEBI has introduced the Mutual Funds Lite (MF Lite) framework to simplify regulations for passively managed mutual fund schemes.

India's FinTech sector, valued at over ₹68 trillion in FY25, continues to innovate despite challenges like regulatory scrutiny impacting digital lending growth and rising bad loans. Fintechs raised over $3.6 billion in 2024, with Q3 showing a 66% YoY funding surge. Meanwhile, digital lenders disbursed ₹37,000 crore in Q2FY25, even as growth slowed. The RBI's push for UPI access via PPIs and the Payments Association's call for sustainability frameworks highlight evolving priorities. AI, blockchain, and open banking are driving employment growth, underscoring the sector's pivotal role in financial inclusion and tech-driven transformation.

We hope that this APAS Monthly is insightful. We welcome your input and thoughts and encourage you to share them with us.

Ashvin parekh

On the Cover



Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10YGov), Latest
Brazil	3.4 Q2	3.1	4.6 Aug	4.7	-1.8	-7.6	12.1
Russia	4.9 Q2	-0.5	5.1 Aug	6.5	1.8	-3.8	11.8
India	7.8 Q2	6.5	6.8 Aug	5.5	-1.3	-5.9	7.2
China	6.3 Q2	5.2	0.1 Aug	0.8	1.8	-3.2	2.5
S Africa	1.6 Q2	0.5	4.8 Aug	5.7	-1.8	-5.7	10.8
USA	2.5 Q2	1.8	3.7 Aug	3.9	-2.9	-5.9	4.6
Canada	1.1 Q2	1.1	4.0 Aug	3.8	-0.4	-1.2	4.1
Mexico	3.6 Q2	2.4	4.6 Aug	5.3	-1.8	-3.4	10.1
Euro Area	0.5 Q2	0.8	5.2 Aug	5.5	2.3	-3.3	2.9
Germany	-0.1 Q2	-0.3	6.4 Aug	6.0	5.8	-2.2	2.9
Britain	0.4 Q2	0.3	6.7 Aug	6.8	-2.8	-4.2	4.3
Australia	2.1 Q2	1.6	6.0 Q2	5.6	1.7	0.3	4.4
Indonesia	5.2 Q2	5.0	3.3 Aug	3.8	0.7	-2.6	6.9
Malaysia	2.9 Q2	4.0	2.0 Aug	2.5	1.7	-5.0	[illegible]

ECONOMIC DATA SNAPSHOT

Global GDP, CPI, Current account balance, budget balance, Interest rates

BANKING

Monetary Policy Statement, 2024-25 Resolution of the Monetary Policy Committee December 4 to 6, 2024

Statement on Developmental and Regulatory Policies

Shri Sanjay Malhotra takes over as RBI Governor

State Finances: A Study of Budgets of 2024-25

Sectoral Deployment of Bank Credit – November 2024

INSURANCE

Life Insurance – Nov 2024

CAPITAL MARKETS

Enhancement in the scope of optional T+0 rolling settlement cycle in addition to the existing T+1 settlement cycle in Equity Cash Markets

SEBI issues directions to stock exchanges in Commodities Derivative Segment

SEBI Board Meeting

Introduction of a Mutual Funds Lite (MF Lite) framework for passively managed schemes of Mutual Funds

CAPITAL MARKETS SNAPSHOT

CNX Nifty, BSE Sensex, India VIX, $/₹, GIND 10Y

FINTECH NEWS

Highlights of the Month

GUEST COLUMN

Mr. Anuj Tyagi
Managing Director and CEO
HDFC ERGO General Insurance Company Limited

General Insurance: Shape of Things to come

The Indian GI industry has always played a vital role in securing the growth of the economy, its assets and citizens. Currently, the industry is at an interesting juncture. It has grown at a ~15% CAGR since the onset of this millennium, resulting in an improvement in insurance penetration from 0.5% (2000) to 1.0% (2023). Yet, there is significant growth potential: only ~50% of the registered vehicles plying on the road are insured, ~40 crore individuals ("Missing Middle") do not have access to any form of medical insurance and India's Natural Catastrophe Resilience Index is 7%, i.e. 93% of corporate exposures are uninsured. Also, consumer preferences are continuously changing, as the Gen Z is increasingly coming into the insurance fold. It is imperative that the industry evolves in a timely manner, so that it can continue to fulfil its responsibility towards the growth and security of our nation.

The IRDAI has launched various initiatives as a part of its vision of "Insurance for All" by 2047. These are aimed at increasing transparency and customer convenience, improving 'ease of doing business' for insurers, aligning Indian market with global best practices and enabling long-term growth. One such initiative is the 'State Insurance Plan,' wherein one general insurer and one life insurer has been appointed as 'Lead Insurer' for each state of the country, for increasing insurance awareness as well as working with the State Government administration and local organizations to improve insurance inclusion.

The industry is transitioning towards 'Risk Based Capital & Risk Based Supervision Framework' and is implementing the Ind AS 117 accounting regime in a phased manner. These would nudge insurers to strengthen their risk management practices and improve access to capital by aligning our accounting policies with those in mature markets.

The industry is also making insurance more relevant to the insureds (and uninsureds) through an experience-based philosophy. The launch of bespoke products is on the rise, and technology is ingrained in every part of the value chain. Digitalization is impacting the industry across dimensions:

- **Sales**:
    - Insurers & distributors are enabling guided and intuitive insurance purchases through seamless journeys
    - AI / ML is making our advisors bionics where the human emotions are complemented by the agility and consistency of digital platforms
    - Embedded insurance is on the rise, as platforms enable insurers to be where the consumer is, instead of having to attract the consumer to their platforms. We launched India's first insurer-

led ecosystem, Here. app, a unique proposition that focuses on addressing customers' concerns related to health, wellness and mobility and provide convenience & access to save cost of their daily expenses on healthcare & motor vehicles. It is open to our customers and non-customers and is one of our ways to go beyond insurance

- **Product**:
    - Wearable devices in health insurance and usage-based insurance in motor insurance are enabling insurers access to richer data, and in turn offer personalized offerings to consumers

    - Cyber risks are increasingly playing out, driven by higher use of internet & digital across sectors. Cyber insurance is in its nascent stage, and it is only a matter of time before it achieves meaningful scale

- **Servicing**: Technologies such as Artificial Intelligence (esp. Generative AI) are re-shaping insurance servicing. Chatbots, robotic process automation, virtual tele callers, etc. are taking over simpler processing tasks offering higher uptime & accuracy. Insurers are deploying predictive modeling and machine learning techniques for claims servicing and arresting fraud leakages, enabling improved turnaround times and cost control.

- Insurtechs, who offer one or more of the above technologies, are rapidly scaling and augmenting the digital capabilities of insurers

Today, the Indian insurance industry is demonstrating its ability to reinvent itself by becoming more customer-centric and making itself relevant to all cohorts of customers. We are servicing the Baby boomers, Gen X and Millennials who want higher risk coverage with a human touch enabled digitally; at the same time, we are making ourselves attractive to the Gen Z through innovative technology and simple, holistic product propositions. I firmly believe that the industry is on its path of maturity, and these are among the best times to become an insurance sector professional, since we still have a lot of our citizens to be protected by insurance, and career growth opportunities abound.

To summarize, numerous factors are shaping the Indian GI industry – robust economic growth resulting in increasing disposable incomes, regulatory initiatives aimed at strengthening the sector over the long-term and evolution of emerging technologies affecting sales and servicing. The industry is working across multiple dimensions to improve insurance inclusion. A few years down the line, after achieving the "Insurance for All" vision of the IRDAI, we would certainly look back with a sense of satisfaction and pride on our contribution to nation building.

APAS COLUMN

India Growth Outlook 2025

India's economic outlook for 2025 is a blend of cautious optimism and evolving opportunities across multiple sectors. While challenges like inflation, global uncertainties, and subdued manufacturing activity persist, structural reforms, policy continuity, and sector-specific growth drivers position the country for long-term resilience.

Economic Outlook and Challenges
Moderate Growth Projections
India's GDP growth is projected at 6.4% to 6.6% for FY 2025-26, with forecasts from India Ratings & Research and ICRA reflecting cautious optimism. RBI has also revised its FY25 growth estimate down to 6.6% from 7.2%. However, global uncertainties, subdued demand, and inflation remain significant challenges.

Inflation and Consumption Constraints
Inflation, which peaked in mid-2024, is moderating but remains above comfortable levels. Economists emphasize the need for stabilization around 4-4.5% to stimulate broader demand recovery. Persistent inflation impacts urban consumption and dampens household spending power, critical to sustaining economic growth.

Sectoral Headwinds
The RBI's December 2024 bulletin highlights subdued manufacturing activity in key sectors like petroleum, iron, and cement. Mining contraction and lower electricity demand further signal industrial deceleration. Agricultural output faces risks from weather variability and global price fluctuations, adding to uncertainty.

Growth Catalysts in 2025
Infrastructure Development
India's infrastructure sector is set for robust growth, driven by INR 100 trillion investments under programs like the PM Gati Shakti and National Infrastructure Pipeline. Key areas include roads, ports, railways, and urban upgrades, unlocking opportunities for construction and allied industries.

Manufacturing and Export Diversification
The government's Production Linked Incentive (PLI) scheme is boosting precision engineering, robotics, and R&D-driven manufacturing. While challenges like high import duties and logistics inefficiencies persist, geopolitical realignments offer opportunities for export growth in electronics, textiles, chemicals, and automotive components. India's exports are expected to cross $800 billion in FY25, with a long-term target of $2 trillion by 2030.

Green Energy and Sustainability
India aims to add 35 GW of renewable energy capacity in FY25, focusing on solar, wind, and green hydrogen. The National Green Hydrogen Mission and advanced battery energy storage systems support decarbonization efforts in heavy industries.

Financial Services and Digital Transformation
The financial sector is witnessing strong credit demand, fintech adoption, and digital banking expansion. India's rise as a global hub for Global Capability Centers (GCCs) underscores its growing prominence in technology-driven value chains. GCCs are also driving innovation in AI, cybersecurity, and digital governance.

Healthcare and Medical Tourism
India's healthcare market is projected to reach $285 billion by 2028, driven by demographic changes, rising incomes, and increased insurance penetration. Medical tourism has surged post-pandemic, supported by e-medical visas and cost-effective treatment options, offering significant opportunities for investment in advanced diagnostics and training institutions.

Sector-Specific Opportunities
Technology and AI Integration
AI and semiconductors are set to dominate investment conversations. Digitization, 5G infrastructure, and ICT-led innovation remain pivotal for India's tech-driven growth strategy. The data center market, projected to reach $4.6 billion by 2025, highlights the growing demand for cloud services and digital infrastructure.

Quick Commerce and Retail
Quick commerce, expanding into electronics, fashion, and niche areas, is transforming the retail landscape. With a projected CAGR of 50%, this segment represents a significant growth avenue.

Defense and Localization
India's defense market, growing at an 8% CAGR, aims to achieve self-reliance and increase exports. Localization efforts align with national priorities to reduce dependency on global supply chains.
Policy and Investment Climate.

India's fiscal deficit target of 4.5% for 2025-26 provides room for increased government spending. Economists anticipate a shallow rate-cut cycle in 2025, potentially lowering borrowing costs and spurring private investments. Policy continuity under the third BJP government ensures sustained focus on infrastructure, manufacturing, and green energy transitions.

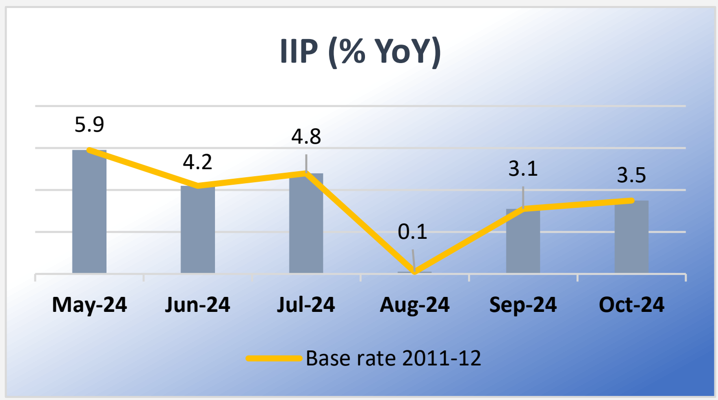
Conclusion: Balancing Resilience with Reform
India's dynamic economic landscape for 2025 presents both challenges and opportunities. While inflation and global uncertainties may temper short-term growth, strong fundamentals in infrastructure, technology, green energy, and financial services lay the groundwork for sustained progress.

Strategic investments aligned with India's evolving priorities—whether in manufacturing, healthcare, or digital infrastructure—offer foreign and domestic players a chance to contribute to the country's economic development. By addressing structural challenges and capitalizing on emerging trends, India is poised to solidify its position as a global economic powerhouse by the end of the decade.

ECONOMY

IIP (Index of Industrial Production) – Oct

Industrial production in India increased 3.5% year-on-year in October 2024, in line with market expectations, following a 3.1% rise in the previous month.



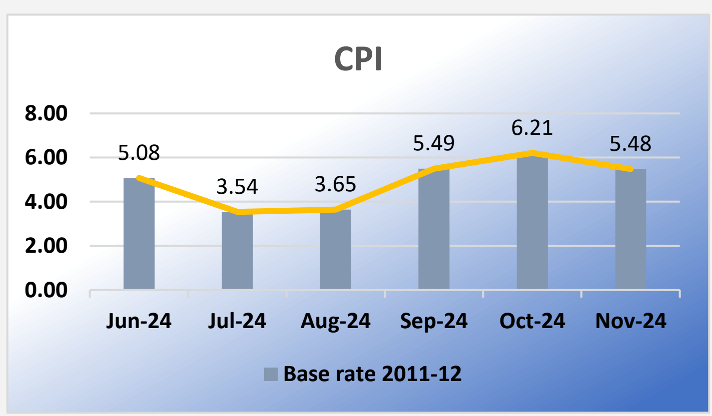
Source: APAS BRT, www.mospi.gov.in

The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of October 2024 are 0.9 percent, 4.1 percent and 2.0 percent respectively. Within the manufacturing sector, 18 out of 23 industry groups at NIC 2 digit-level have recorded a positive growth in October 2024 over October 2023. The top three positive contributors for the month of October 2024 are – “Manufacture of basic metals” (3.5%), “Manufacture of electrical equipment” (33.1%) and “Manufacture of coke and refined petroleum products” (5.6%).

The corresponding growth rates of IIP as per Use-based classification in October 2024 over October 2023 are 2.6 percent in Primary goods, 3.1 percent in Capital goods, 3.7 percent in Intermediate goods, 4.0 percent in Infrastructure/ Construction Goods, 5.9 percent in Consumer durables and 2.7 percent in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of October 2024 are – Primary goods, Intermediate goods, and Consumer durables.

CPI (Consumer Price Index) – Nov

The annual inflation rate in India eased to 5.48% in November of 2024 from 6.21% in the previous month, loosely in line with market expectations of 5.5%, and remaining near the limit for the central bank’s limit of 2 percentage points away from 4%. Despite easing back to the target range, the result showed that inflation remained firmly above the averages from earlier in the year, raising risks for the RBI to commence its rate-cutting cycle in the first quarter of 2025. Inflation remained



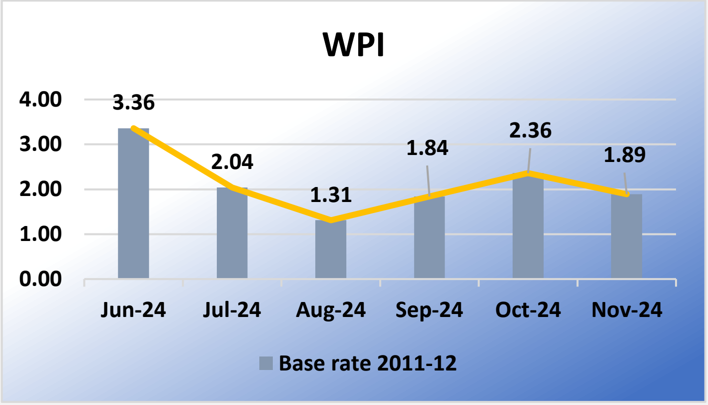
Source: APAS BRT, www.eaindustry.nic.in

elevated but eased for food (9.04% vs 10.87% in October), which accounts for half of the Indian consumer price basket. Price growth remained steady for housing (2.87% vs 2.81%) and slowed more for fuel and light (-1.83% vs -1.39%). From the previous month, consumer prices edged down by 0.15%.

WPI (Wholesale Price Index) – Nov

Wholesale Price Index (WPI) number is 1.89% (Provisional) for the month of November 2024 (over November 2023). Positive rate of inflation in November 2024 is primarily due to an increase in prices of food articles, food products, other manufacturing, textiles, machinery & equipment, etc.

The month over month change in WPI for the month of November 2024 stood at (-) 0.06 % as compared to October 2024.



Source: APAS BRT, www.eaindustry.nic.in

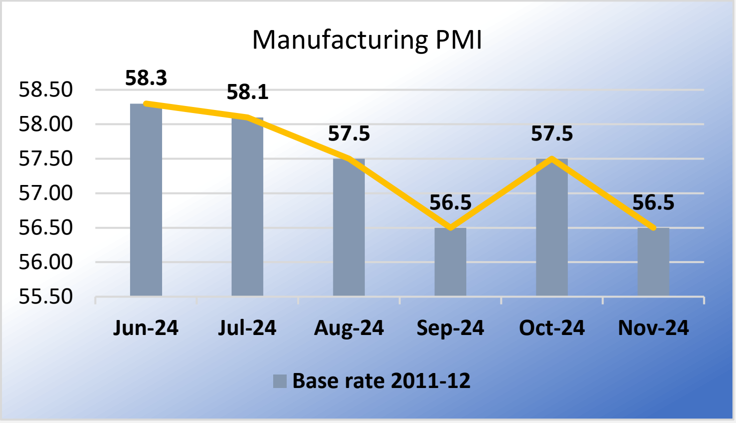
The index for primary articles decreased by 1.20% to 197.9 (provisional) in November 2024 from 200.3 (provisional) for the month of October 2024. Prices of food articles (-1.83%) and crude petroleum & natural gas (-0.41%) decreased in November 2024 as compared to October 2024. Price of minerals (2.10%) and non-food articles (0.56%) increased in November 2024 as compared to October 2024.

Prices for Fuel & Power increased by 0.41% to 147.1 (provisional) in November 2024 from 146.5 (provisional) for the month of October 2024. Price of mineral oils (0.72%) increased in November 2024 and price of electricity generation (-0.07%) decreased in November 2024 as compared to October 2024. Price of coal remained same as in the previous month.

Prices for Manufacturing products increased by 0.35% to 143.0 (provisional) in November 2024 from 142.5 (provisional) for the month of October 2024.

Manufacturing PMI – Nov

The HSBC India Manufacturing PMI fell to 56.5 in November 2024, revised down from the initial estimate of 57.3 and lower than October's 57.5. Still, the reading signaled significant improvement in the sector, with solid but slower growth in new business and production, as strong demand was moderated by competition and price pressures. Factory employment rose for the ninth month, and manufacturers increased their purchases of inputs, although the rise was the weakest in nearly a year. Meanwhile, lead times shortened due to strong supplier relationships, and vendor performance improved slightly. On prices, input cost inflation rose to its highest level since July, though it remained below the long-term average, leading to the largest increase in selling prices since October 2013. Looking ahead, Indian firms remained

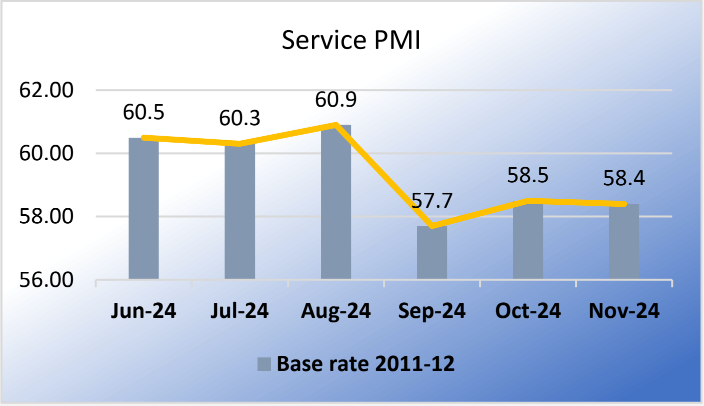


Source: www.tradingeconomics.com

optimistic, driven by expectations of successful marketing, new product launches, capacity expansions, and strong demand forecasts for 2025..

Services PMI – Nov

The HSBC India Services PMI was revised lower to 58.4 in November 2024 from preliminary estimates of 59.2, after a final figure of 58.5 in October, and below market estimates of 59.5. This marked the 40th consecutive month of services activity expansion, driven by strong demand and new business gains. Total sales grew softer but above its long-run average and consistent with robust growth, with new export orders rising the most in three months. In response, firms raised employment to the highest level since the survey began in December 2005. On prices, input cost inflation accelerated to a 15-month high, primarily due to higher food and wage costs. As a result, output cost inflation rose to the fastest rate in close to 12 years as firms passed on additional cost burdens to their clients.

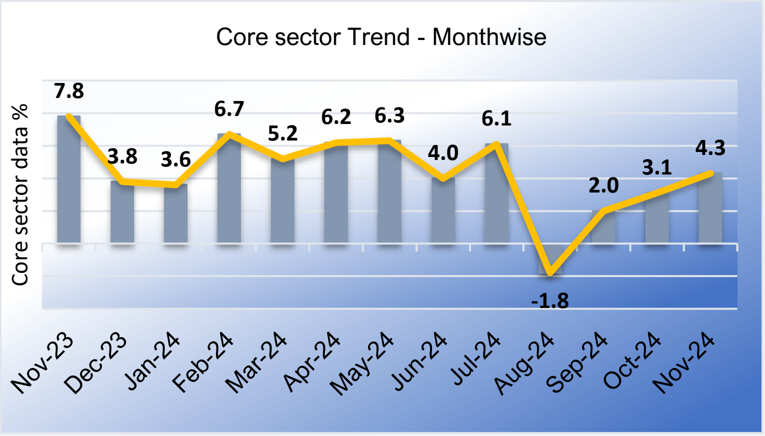


Source: www.tradingeconomics.com

Finally, business sentiment improved to a six-month high, boosted by predictions of continued demand strength and expectations that marketing efforts will drive new business.

Core Sector Data – Nov

The combined Index of Eight Core Industries (ICI) increased by 4.3 % (provisional) in November 2024 as compared to the Index in November 2023. The production of Cement, Coal, Steel, Electricity, Refinery Products and Fertilizers recorded positive growth in November 2024. The ICI measures the combined and individual performance of production of eight core industries viz. Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products and Steel. The Eight Core Industries comprise 40.27 % of the weight of items included in the Index of Industrial Production (IIP).



Source: APAS BRT, www.mospi.gov.in

The final growth rate of Index of Eight Core Industries for August 2024 declined by 1.5 %. The cumulative growth rate of ICI during April to November, 2024-25 is 4.2 % (provisional) as compared to the corresponding period of last year.

The summary of the Index of Eight Core Industries is given below:
Coal - Coal production (weight: 10.33 %) increased by 7.5 % in November 2024 over November 2023. Its cumulative index increased by 6.4 % during April to November, 2024-25 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) declined by 2.1 % in November 2024 over November 2023. Its cumulative index declined by 2.4 % during April to November, 2024-25 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) declined by 1.9 % in November 2024 over November 2023. Its cumulative index increased by 1.1 % during April to November, 2024-25 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) increased by 2.9 % in November 2024 over November 2023. Its cumulative index increased by 2.7 % during April to November, 2024-25 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 %) increased by 2.0 % in November 2024 over November 2023. Its cumulative index increased by 1.6 % during April to November, 2024-25 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 4.8 % in November 2024 over November 2023. Its cumulative index increased by 5.9 % during April to November, 2024-25 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 %) increased by 13.0 % in November 2024 over November 2023. Its cumulative index increased by 3.1 % during April to November, 2024-25 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) increased by 3.8 % in November 2024 over November 2023. Its cumulative index increased by 5.3 % during April to November, 2024-25 over corresponding period of the previous year.

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
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Brazil	3.4 Q2	3.1	4.6 Aug	4.7	-1.8	-7.6	12.1
Russia	4.9 Q2	-0.5	5.1 Aug	6.5	1.8	-3.8	11.8
India	7.8 Q2	6.5	6.8 Aug	5.5	-1.3	-5.9	7.2
China	6.3 Q2	5.2	0.1 Aug	0.8	1.8	-3.2	2.5
S Africa	1.6 Q2	0.5	4.8 Aug	5.7	-1.8	-5.7	10.8
USA	2.5 Q2	1.8	3.7 Aug	3.9	-2.9	-5.9	4.6
Canada	1.1 Q2	1.1	4.0 Aug	3.8	-0.4	-1.2	4.1
Mexico	3.6 Q2	2.4	4.6 Aug	5.3	-1.8	-3.4	10.1
Euro Area	0.5 Q2	0.8	5.2 Aug	5.5	2.3	-3.3	2.9
Germany	-0.1 Q2	-0.3	6.4 Aug	6.0	5.8	-2.2	2.9
Britain	0.4 Q2	0.3	6.7 Aug	6.8	-2.8	-4.2	4.3
Australia	2.1 Q2	1.6	6.0 Q2	5.6	1.7	0.3	4.4
Indonesia	5.2 Q2	5.0	3.3 Aug	3.8	0.7	-2.6	6.9
Malaysia	2.9 Q2	4.0	2.0 Aug	2.5	1.7	5.0	4.0
Singapore	0.5 Q2	1.0	4.0 Aug	4.3	18.8	-0.7	3.4
Korea	0.9 Q2	1.3	3.4 Aug	3.0	1.6	-2.7	[illegible]

ECONOMIC DATA SNAPSHOT

Countries	GDP (% change on year ago)		CPI (%change on year ago)		Current Account Balance % of GDP, 2024*	Budget Balance % of GDP, 2024*	Interest Rates 10-yr gov't bonds Latest,%
	Latest	2024*	Latest	2024*			
Brazil	4.0 Q3	3.4	4.9 Nov	4.4	-2.1	-7.5	14.3
Russia	3.1 Q3	3.5	8.9 Nov	8.5	3.3	-1.7	16.2
India	5.4 Q3	6.6	5.5 Nov	4.8	-0.5	-4.9	6.8
China	4.6 Q3	4.9	0.2 Nov	0.3	2.1	-4.4	1.4
S Africa	0.3 Q3	0.8	2.8 Nov	4.4	-1.9	-5.2	9.0
USA	2.7 Q3	2.7	2.7 Nov	2.8	-3.4	-7.1	4.5
Canada	1.5 Q3	1.3	1.9 Nov	2.4	-1.0	-1.2	3.1
Mexico	1.6 Q3	1.5	4.5 Nov	4.7	0.3	-5.0	10.2
Euro Area	0.9 Q3	0.8	2.2 Nov	2.4	3.3	-3.1	2.3
Germany	-0.3 Q3	-0.1	2.4 Nov	2.4	6.3	-1.6	2.3
Britain	0.9 Q3	0.9	2.6 Nov	2.9	-2.9	-4.0	4.5
Australia	0.8 Q3	1.1	2.8 Q3	3.1	-0.6	-1.0	4.2
Indonesia	4.9 Q3	5.0	1.6 Dec	2.3	-0.2	-2.5	7.1
Malaysia	5.3 Q3	5.1	1.8 Nov	1.9	1.4	-4.5	3.8
Singapore	4.3 Q4	3.5	1.6 Nov	2.4	19.3	0.2	2.8
S Korea	1.6 Q3	2.2	1.9 Dec	2.3	3.8	-1.8	2.8

BANKING

Monetary Policy Statement, 2024-25 Resolution of the Monetary Policy Committee December 4 to 6, 2024

The Monetary Policy Committee (MPC) has decided to maintain the policy repo rate at 6.50% and retain the neutral monetary policy stance, with the standing deposit facility (SDF) rate at 6.25% and the marginal standing facility (MSF) rate at 6.75%. This decision aligns with the objective of achieving a medium-term CPI inflation target of 4% ± 2% while supporting economic growth. Despite recent inflationary pressures, the MPC emphasized its focus on achieving durable price stability to foster a foundation for sustained growth.

Growth and Inflation Projections

India's real GDP growth for Q2 of 2024-25 was lower than expected at 5.4%, reflecting deceleration in private consumption and investment. However, robust prospects for rabi production, improving industrial activity, and strong services are expected to support growth, with real GDP growth projected at 6.6% for 2024-25. Meanwhile, CPI inflation rose to 6.2% in October due to food inflation and core inflation pressures but is expected to moderate in Q4 with improved harvest arrivals. Inflation for 2024-25 is projected at 4.8%, supported by seasonal factors and improved agricultural conditions, though geopolitical risks and commodity price volatility pose upside risks.

Rationale and Voting

The MPC acknowledged recent inflation spikes and the potential adverse impact on private consumption. With economic activity expected to improve, the committee highlighted the importance of maintaining a neutral stance to ensure flexibility in addressing inflation and growth dynamics. While most members voted to keep the policy repo rate unchanged, a minority advocated for a 25-basis-point cut. The MPC reaffirmed its commitment to balancing inflation control and growth, with the next policy review scheduled for February 2025.

Statement on Developmental and Regulatory Policies

The Reserve Bank of India (RBI) has announced a series of developmental and regulatory measures across multiple areas. In Liquidity and Financial Markets, it reduced the Cash Reserve Ratio (CRR) by 50 basis points to release ₹1.16 lakh crore liquidity and raised interest rate ceilings on FCNR(B) deposits to attract capital inflows. FX-Retail platform's linkage with Bharat Connect aims to enhance accessibility for forex transactions. A new Secured Overnight Rupee Rate (SORR) benchmark is being introduced to replace MIBOR for better interest rate credibility. In Regulation, the “Connect 2 Regulate” initiative invites stakeholder inputs for policymaking. Communication efforts include introducing podcasts to enhance public engagement. For Financial Inclusion, collateral-free agricultural loans limit has been raised to ₹2 lakh. Payment Systems now allow Small Finance Banks (SFBs) to offer pre-sanctioned credit lines through UPI. In Fintech, the RBI is setting up a committee for a framework on responsible AI (FREE-AI) and piloting AI-based solutions like MuleHunter.AI™ to identify mule accounts, aiding fraud prevention. These initiatives reflect the RBI’s commitment to financial stability, inclusivity, and technological advancement.

Shri Sanjay Malhotra takes over as RBI Governor

Shri Sanjay Malhotra, a 1990 batch IAS officer of the Rajasthan cadre, assumed office as the 26th Governor of the Reserve Bank of India on December 11, 2024, for a three-year term. Prior to this role, he served as Secretary of the Department of Revenue and the Department of Financial Services in the Ministry of Finance. With extensive experience in power, finance, taxation, and information technology, Shri Malhotra has held significant positions in both state and central governments, including a stint as CMD of Rural Electrification Corporation Limited and as a Government Nominee Director on the RBI's Central Board. He holds a Computer Science degree from IIT Kanpur and a Master's in Public Policy from Princeton University, USA.

State Finances: A Study of Budgets of 2024-25

The Reserve Bank of India (RBI) released its report *State Finances: A Study of Budgets of 2024-25*, focusing on the theme "Fiscal Reforms by States." It provides a detailed analysis of state finances for 2024-25, drawing comparisons with actual and provisional accounts for 2022-23 and 2023-24. The report highlights states' efforts in containing the gross fiscal deficit (GFD) within 3% of GDP during 2022-23 and 2023-24, with a slight increase to a budgeted 3.2% in 2024-25. Revenue deficits remained low at 0.2% of GDP during the same period.

Capital expenditure by states showed consistent improvement, rising from 2.4% of GDP in 2021-22 to 3.1% in 2024-25. Outstanding liabilities, although reduced from 31% of GDP in March 2021 to 28.5% in March 2024, remain above pre-pandemic levels. Over the past two decades, fiscal responsibility legislations, alongside tax and expenditure reforms, have bolstered state finances. However, challenges such as high debt, contingent liabilities, and growing subsidies call for risk-based fiscal frameworks, counter-cyclical fiscal policies, transparent debt consolidation, and better data reporting.

The report also underscores the importance of strengthening State Finance Commissions to ensure timely fund transfers to local bodies.

Sectoral Deployment of Bank Credit – November 2024

Data from 41 select scheduled commercial banks revealed an 11.8% year-on-year (y-o-y) growth in non-food bank credit as of November 29, 2024, compared to 16.5% growth in the same period last year. Credit to agriculture and allied activities grew at 15.3% y-o-y, down from 18.1% in the previous year, while credit to industry increased by 8.1%, up from 5.5%. Key industries such as chemicals, infrastructure, petroleum, and engineering saw stronger credit growth.

The services sector experienced a 14.4% y-o-y credit growth, slower than 22.2% in the previous year, due to reduced growth in lending to NBFCs and trade, though commercial real estate and computer software segments saw accelerated growth. Personal loans grew at 16.3% y-o-y, slightly lower than 18.7% last year, primarily due to declines in vehicle loans, credit card outstanding, and other personal loans. However, housing loans, the largest component of personal loans, showed faster growth.

INSURANCE

Life Insurance – Nov 2024

Sl No.	Insurer	New Business Statement of Life Insurers for the Period ended 30th November 2024								
		First Year Premium			No of policies/schemes			Sum Assured		
		Up to 30th November, 2024	Growth in %	Market Share	Up to 30th November, 2024	Growth in %	Market Share	Up to 30th November, 2024	Growth in %	Market Share
1	Acko Life Insurance	39.53	280.25	0.02	1108.00	22060.00	0.01	4416.52	412.40	0.07
2	Aditya Birla Sun Life	6159.10	37.60	2.52	211841.00	31.44	1.32	298336.63	59.40	4.48
3	Ageas Federal Life	859.57	32.92	0.35	39502.00	20.13	0.25	16968.98	31.37	0.25
4	Aviva Life	178.44	-21.37	0.07	9442.00	-45.61	0.06	45040.88	11.64	0.68
5	Bajaj Allianz Life	7449.09	13.26	3.04	479750.00	12.29	2.99	435235.06	17.53	6.54
6	Bandhan Life	90.90	71.63	0.04	16178.00	24.02	0.10	9526.77	9.08	0.14
7	Bharti Axa Life	419.20	-12.59	0.17	45648.00	-16.70	0.28	7006.76	-32.34	0.11
8	Canara HSBC Life	2128.78	19.48	0.87	131232.00	20.44	0.82	163223.41	-13.64	2.45
9	CreditAccess Life	77.38	110.09	0.03	319.00	362.32	0.00	9833.45	345.20	0.15
10	Edelweiss Tokio Life	288.55	2.08	0.12	26206.00	-11.41	0.16	4123.86	-27.55	0.06
11	Future Generali Life	284.75	10.48	0.12	19487.00	0.00	0.12	21614.49	20.32	0.32
12	Go Digit Life	693.80	353.15	0.28	1928.00	606.23	0.01	407165.48	241.72	6.11
13	HDFC Life	19947.73	13.98	8.15	760871.00	16.60	4.74	876040.06	0.65	13.15
14	ICICI Prudential Life	13583.94	35.43	5.55	391733.00	11.65	2.44	753813.90	16.32	11.32
15	India First Life	1808.23	-19.85	0.74	117932.00	-36.40	0.73	273902.78	8.10	4.11
16	Kotak Mahindra Life	4653.23	7.77	1.90	154988.00	-4.72	0.97	179471.55	-14.45	2.69
17	Max Life	6834.86	18.81	2.79	473212.00	20.77	2.95	351851.80	15.60	5.28
18	PNB Met Life	2825.01	50.90	1.15	192754.00	14.75	1.20	88343.00	5.08	1.33
19	Pramerica Life	763.26	16.43	0.31	27746.00	33.32	0.17	69557.65	28.15	1.04
20	Reliance Nippon Life	701.28	1.72	0.29	102125.00	-7.70	0.64	20663.03	10.94	0.31
21	SBI Life	20947.55	-2.08	8.55	1313992.00	-1.48	8.18	521446.71	12.05	7.83
22	Shriram Life	1347.33	21.97	0.55	343827.00	58.10	2.14	133039.27	101.01	2.00
23	Star Union Dai-ichi Life	2576.11	35.70	1.05	105066.00	-9.94	0.65	52991.31	-54.79	0.80
24	Tata AIA Life	5778.48	20.05	2.36	518172.00	27.15	3.23	630058.37	20.29	9.46
	Private Total	100436.12	15.09	41.02	5485059	10.07	34.16	5373672	17.32	80.69
25	LIC of India	144432.09	16.08	58.98	10571698.00	-2.84	65.84	1286212.63	21.53	19.31
	Grand Total	244868.20	15.67	100.00	16056757	1.21	100.00	6659884	18.11	100.00

CAPITAL MARKET

Enhancement in the scope of optional T+0 rolling settlement cycle in addition to the existing T+1 settlement cycle in Equity Cash Markets

SEBI has expanded the scope of the optional T+0 rolling settlement cycle in equity cash markets, complementing the existing T+1 settlement cycle. The circular outlines procedural details, allowing market participants to choose faster settlement options for increased liquidity and efficiency.

SEBI issues directions to stock exchanges in Commodities Derivative Segment

SEBI has issued new directions for stock exchanges in the commodities derivatives segment to enhance market transparency and efficiency. These measures aim to strengthen the framework for monitoring and trading practices.

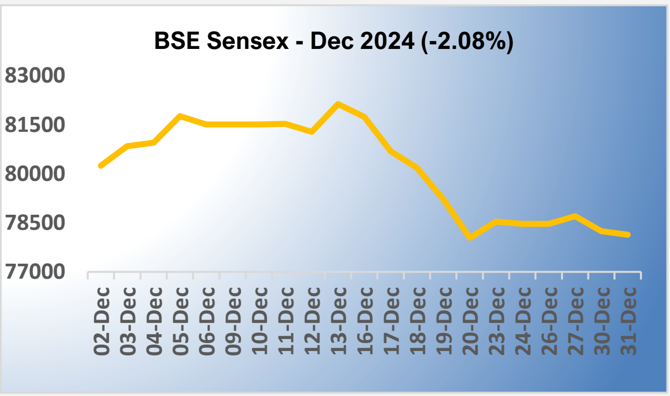
SEBI Board Meeting

SEBI's Board Meeting held on December 18, 2024, reviewed and approved several regulatory and market-related measures. Key decisions included enhancements in investor protection, measures to boost market efficiency, and updates to compliance frameworks.

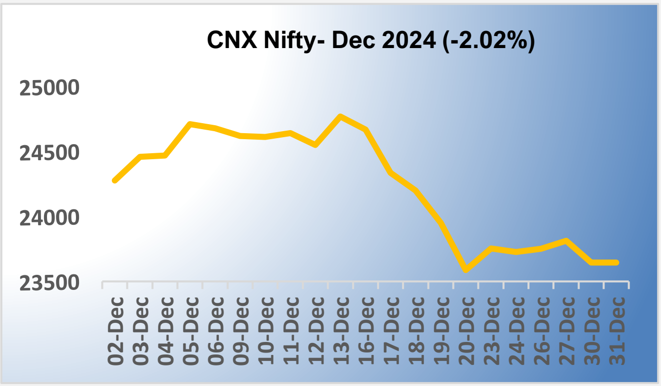
Introduction of a Mutual Funds Lite (MF Lite) framework for passively managed schemes of Mutual Funds

SEBI has introduced the Mutual Funds Lite (MF Lite) framework to simplify regulations for passively managed mutual fund schemes. This initiative aims to reduce compliance burdens, encourage new entrants, and foster innovation in the passive funds segment. Eligible schemes include those based on domestic equity indices with a minimum collective Assets Under Management (AUM) of ₹5,000 crore, as well as certain debt funds and commodity ETFs. The framework also permits private equity funds to sponsor passive schemes under specific conditions.

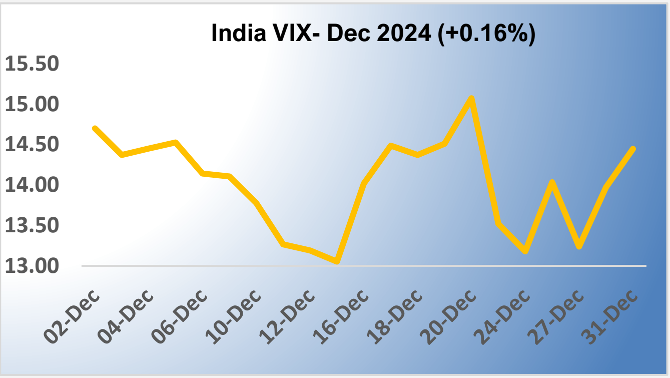
CAPITAL MARKET SNAPSHOT



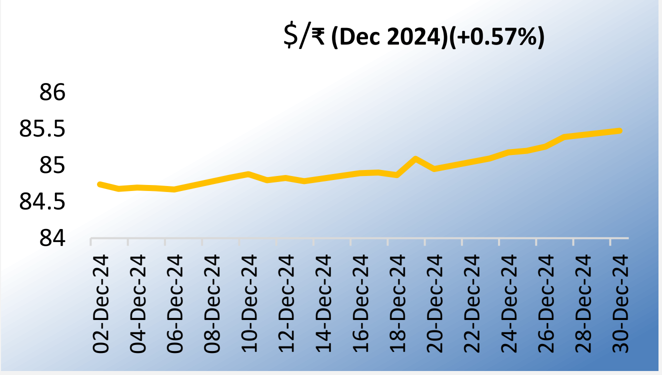
Source: National Stock Exchange



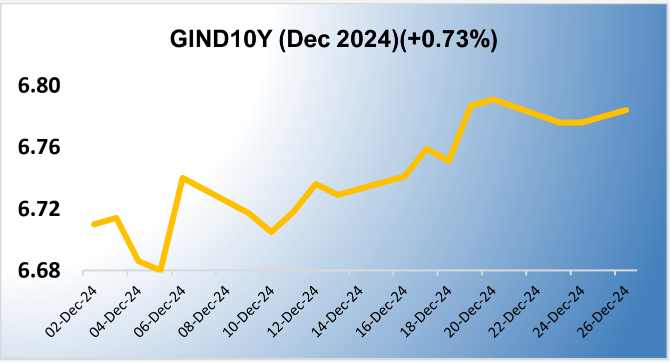
Sources: Bombay Stock Exchange



Sources: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

In Dec, broader indices, such as MidCap and SmallCap, experienced modest growth, surging by 1.43% and 0.63% respectively. Notably, volatility (VIX) decreased. However, both the Nifty (down 2.02%) and Sensex (down 2.08%) experienced a decline over the month of December. Both the indices closed the year with impressive annual gains of 8.17% and 8.8%, marking nine straight years of positive returns.

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FINTECH

Highlights of the Month

Digital lending sector sees slowdown in growth, higher bad loans as regulator increases scrutinity

India's digital lending sector is experiencing a slowdown in growth and an increase in bad loans due to heightened regulatory scrutiny. RBI has informally advised fintech lenders to limit their growth to 20%, prompting a shift towards larger, longer-term loans. This change, combined with rising borrowing costs, is expected to strain asset quality and compress profit margins.

Fintech Year Ender 2024: Fintechs raise over $3600 million this year

Fintech funding saw a decline in November 2024, dropping to USD 130 million, a significant fall from the USD 508 million raised in August. Despite this, Q3CY24 saw a 66% YoY increase in funding, reaching USD 778 million. India ranked 4th in all-time fintech funding and surged to 2nd place globally in Q3 2024. Leading fundraisers included DMI Finance, Svatantra Microfinance, and IIFL, collectively raising over USD 760 million.

Payments Association calls for standardised carbon emissions measurement in digital payments

The Payments Association report underscores the need for standardized carbon emissions measurement in digital payments to assess the environmental impact effectively. Despite minimal emissions per transaction, the industry's scale contributes significantly to the carbon footprint. The report proposes a unified framework for measurement, collaborative efforts across the value chain, and alignment with regulatory goals to promote sustainability. Highlighting challenges like data complexity, it provides strategies and resources to aid businesses in adopting greener practices, urging the sector to prioritize environmental responsibility.

Lending, Payments, Neobanking reached Rs 68T FinTech market in FY24

India's FinTech sectors reached over INR 68 trillion in FY25, driven by innovations in Lending Tech (INR 34 trillion), Payments Tech (INR 29 trillion), and Neo-Banking (INR 5.6 trillion). The growth is fueled by digital adoption, alternative credit models, UPI, and mobile-first banking, alongside strategic collaborations between traditional banks and fintech firms. Lending Tech's rapid growth is particularly evident in underserved markets, while Payments Tech benefits from secure, cashless systems, and Neo-banks attract younger, tech-savvy users.

AI, blockchain to push employment needs of FinTech industry

The Indian fintech industry is projected to see a 7.5% rise in job opportunities, driven by digital payments, blockchain, and open banking growth. Key trends include high demand for AI, blockchain, and cybersecurity experts, with job postings in these fields up by 40%. Digital wallet usage grew by 25%, and UPI transactions saw a 50% surge in FY 2023-24. Banks and NBFCs also reported employment growth, focusing on digital services and compliance roles. This growth supports financial inclusion and evolving industry needs.

Digital lenders disburse 3 crore loans worth Rs 37,000 crore in Q2FY25

Digital lenders disbursed 3 crore loans worth nearly INR 37,000 crore by September 2024, with growth slowing to 19% from 44% last year. While the total disbursement grew to INR 36,897 crore, the slowdown is evident. The average loan size was INR 10,891, with loans between INR 10,000-25,000 making up 40% of disbursements. The sector's ability to serve diverse consumer segments remains strong, as indicated by varied company performances.

RBI enables PPI users to access UPI through third-party apps

RBI has permitted users of full-KYC prepaid payment instruments (PPIs) to conduct UPI transactions via third-party mobile applications. This move enhances digital payment flexibility, allowing PPI holders to make and receive UPI payments through apps like Google Pay and PhonePe. Transactions will be authenticated using existing PPI credentials, streamlining the process for users of digital wallets, gift cards, and similar instruments.

ABOUT APAS

APAS is a management advisory firm specializing in banking, financial services, and the insurance space. APAS assists business leaders of some of the leading domestic and global organizations, acting as an extended arm to the management in coping with the ever changing internal and external dynamics. Leveraging deep business insights APAS develops business and operational strategy for its clients. APAS provides transaction advisory services (Buy, sell and merge), and also specializes in governance and board training. APAS facilitates investors and sellers with directional guidelines of pursuing transactions, by utilizing subject knowledge, vast experience, and deep market outreach. APAS has capability to identify and analyze key transaction drivers, recognize possible partnerships, and initiate discussions with them for possible growth opportunity. We help major insurance companies, payment institutions, and other financial organizations to identify their growth potential, innovative opportunity, and possible benefits of consolidation, and hence comprehend the possible merger or acquisition. Buying or selling a major asset or a business, undertaking a merger, or performing an IPO can be risky and complex especially in this globalization era. Hence, the need of a trusted advisor who can help clients preserve, create and enhance value in transactions.

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