APAS MONTHLY NEWSLETTER

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APAS

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EDITORIAL

In this issue, **Mr. Shailendra Jhingan, Managing Director and CEO – ICICI Securities Primary Dealership Limited** has presented his thoughts on **'Could RBI MPC ease monetary policy amidst pressure on INR?'**. We thank Mr. Jhingan for his contribution to the APAS Monthly.

This month, the APAS column covers '**India's Budget 2025-26: Key Highlights and Implications'**.

The economic indicators showed mixed performance. Manufacturing dropped to 56.4 in December 2024, down from 56.5 in November. Services PMI was revised lower to 59.3 in December 2024, from preliminary estimates of 60.8, remaining faster than the final reading of 58.4 in the previous month. Infrastructure output in India increased 4 % in December of 2024 over the same month in the previous year. Industrial production in India rose 5.2% year-on-year in November 2024, accelerating from a 3.5% rise in the previous month. India's annual inflation rate eased to 5.22% in December of 2024 from 5.38% in the previous month. India Wholesale Price Index (WPI) number is 2.37% (provisional) for the month of December 2024.

To promote the use of the Indian Rupee (INR) in cross-border transactions, the Reserve Bank of India introduced the Special Rupee Vostro Account (SRVA) in July 2022, leading to several foreign banks opening SRVAs with Indian banks. RBI has decided to implement several operations to inject liquidity into the banking system in response to the current liquidity and financial conditions. Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) held its 53rd meeting from February 5 to 7, 2025, The committee unanimously decided to reduce the policy repo rate by 25 basis points.

The Insurance Regulatory and Development Authority of India (IRDAI) has introduced five new regulations and amendments as part of a broader review to maintain a progressive and agile regulatory framework. IRDAI reviewed revision in premium rates under health insurance policies for senior citizens.

Securities and Exchange Board of India (SEBI) circular carries information on timeline for review of ESG Rating pursuant to occurrence of 'Material Events'. SEBI has introduced new guidelines to enhance the safety of retail investors engaging in algorithmic trading.

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

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On the Cover

GUEST COLUMN

Could RBI MPC ease monetary policy amidst pressure on INR?

Mr. Shailendra Jhingan
Managing Director and CEO
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APAS COLUMN

India's Budget 2025-26: Key Highlights and Implications

ECONOMY

Index of Industrial Production – Nov
Inflation update – Dec
PMI update – Dec
Core Sector – Dec

ountries	GDP		CPI		Current Account Balance	Budget Balance	Intere. 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
ndonesia	5.2 Q2	5.0	3.3 Aug	3.8	0.7	-2.6	6.9
laysia	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

Steps to encourage use of Indian Rupee and local / national currencies for settlement of cross border transactions – Liberalization of FEMA regulations

RBI announces measures to manage liquidity conditions

Monetary Policy Statement, 2024-25 Resolution of the Monetary Policy Committee February 5 to 7, 2025

INSURANCE

IRDAI further strengthens the Regulatory framework

Review of revision in premium rates under health insurance policies for senior citizens

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CAPITAL MARKETS

Timeline for Review of ESG Rating pursuant to occurrence of 'Material Events'

Safer participation of retail investors in Algorithmic trading

CAPITAL MARKETS SNAPSHOT

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

GUEST COLUMN

Mr. Shailendra Jhingan
Managing Director and CEO
ICICI Securities Primary Dealership Limited

Could RBI MPC ease monetary policy amidst pressure on INR?

RBI MPC finally delivered monetary policy easing in the latest meeting held in Feb, exactly two years after the committee last hiked repo rate in 2023. This gap is far higher than the hiatus seen in previous cycles, but the central bank has timed its action well. An important nuance to consider when making comparisons with earlier rate cutting cycles is that peak policy rates were lower this time, at 6.5%. That compares to 9% peak in CY08, 8.5% in CY11 and 8% in CY14 when effective policy rates were even higher as RBI mounted an interest rate defence of INR. In fact, the 6.5% repo rate peak falls in the same ballpark as long period average, and RBI was thus correct in having a high bar to changing direction of monetary policy.

Even as RBI has only just started cutting policy rate, there are already question marks about whether the central bank can ease monetary policy amidst depreciation pressure on the rupee. INR has depreciated close to 4% since November, with most of the fall seen since December. This decline in turn follows record balance of payment (BoP) deficit estimated for Oct-Dec 2024 period (at USD30bn, 3% of GDP). Absolute BoP deficit is thus estimated to be close to gap seen in July-Sep 2022 period when eruption of Russia-Ukraine conflict had triggered stress. At that time, RBI was hiking policy rates and bond market was pricing aggressive monetary policy tightening. However, this time could be different, and RBI MPC should have scope to cut more even as it is difficult for RBI to be completely immune to tight global financial conditions that need monitoring.

An important nuance when comparing the latest episode of BoP stress with that seen in CY22 relates to relative pressure on current account deficit (CAD). The BoP stress in last quarter was mainly led by capital outflows, particularly FPI outflows from equity markets. CAD is likely to have risen only moderately from first half of fiscal, to 1.7% of GDP from 1.2% in April-Sep period. Contrast that with July-Sep 2022 period when CAD surged to 3.8% of GDP, from 2.1% deficit in April-June and only 1.1% CAD in previous fiscal FY22. Also, surge in crude prices and broader global commodity complex fanned inflation concerns more broadly.

On the flipside, global financial conditions settled down reasonably quickly in CY22 also, and crude prices slid lower. Global uncertainty may persist for longer this time amidst uncertainty around US trade policies and Federal reserve's reaction function in terms of monetary policy. US Fed also indicated it is in no hurry to ease monetary policy after front loading 100bps rate cut last year. Bond markets are pricing only one more cut in current CY. Could that upend scope for rate cuts from RBI MPC? As India has gotten embroiled in trade war rhetoric with US talking up reciprocal tariffs (and India has higher tariffs on US imports than regional peers), there is risk pressure on rupee may sustain for longer.

However, RBI has sufficient FX reserve buffer to effectively damp any speculation, and to ensure orderly depreciation in rupee also. The scope to do that has only increased as recent rupee underperformance has ensured the currency is more fairly valued compared to earlier. For context, import cover of FX reserves is currently estimated at more than 10 months compared to sub-7 months around taper tantrum period. It is likely RBI may wish to have 8.5-9 months of import cover at the least, and that indicates scope to intervene by around USD60-90bn more. That ammunition is similar to the drop in FX reserve position from the peaks in Sep, at USD705bn.

The key point is that sufficient FX reserve buffer amidst modest CAD provides RBI MPC scope to normalize real policy rates that are on the higher side currently. Real policy rates ex ante, based on RBI's inflation forecast average of 4.2% in next fiscal, is estimated at 2% currently. While that measure is in the same ballpark as pre-covid period, conviction on inflation forecasts and downside risks to growth should allow central bank to target 1.5% real policy rate instead. RBI's own estimate for real neutral rate is seen ranging between 1.4 and 1.9%, and there is scope to target real policy rates at the lower end of that range.

There is a point of view, including from some past MPC members, that RBI should target even lower real policy rate of 1%. However, with advanced economy central banks such as US Fed targeting a 1% real policy rate despite having lower potential growth compared to India, RBI MPC should be more conservative. Low policy rates on nominal basis should provide further comfort to MPC that deeper cuts may not be worth the risk, unless global financial conditions ease notably. RBI MPC is likely to cut policy rates again in the upcoming meeting in this context, with scope for one more 25bps cut that can be delivered later, implying terminal policy rate of 5.75%. Even if US Fed doesn't cut any more, policy rate differential between US and India will then be ~1.5%. That is similar to the likely inflation differential between the two countries assuming India inflation averages around 4% and US inflation hovers around 2.5%. The bar to deliver two cuts should not be high in that context.

APAS COLUMN

India's Budget 2025-26: Key Highlights and Implications

The Union Budget 2025-26, unveiled in February 2025, outlines India's strategic financial roadmap, emphasizing inclusive growth, economic resilience, and technological advancements. With a vision of "Viksit Bharat," the budget aims to uplift various sectors, including agriculture, MSMEs, infrastructure, and education, while fostering economic stability and investment.

Agriculture and Rural Development

A major focus of this year's budget is on boosting agricultural productivity and improving rural prosperity. Several key initiatives have been introduced:

- **National Mission on High-Yielding Seeds**: Targeted development and propagation of climate-resilient, high-yielding, and pest-resistant seeds.
- **Prime Minister Dhan-Dhaanya Krishi Yojana**: This initiative aims to develop 100 Agri Districts, benefiting 1.7 crore farmers.
- **Makhana Board in Bihar**: Focuses on enhancing the production, processing, and marketability of makhana.
- **Mission for Cotton Productivity**: A five-year mission to increase cotton farming productivity and sustainability.
- **Enhanced Credit through KCC (Kisan Credit Card)**: Providing short-term loans of up to ₹5 lakh for farmers, dairy farmers, and fishermen.
- **Aatmanirbharta in Pulses**: A six-year mission emphasizing the development of climate-resilient seeds and increased productivity of pulses.
- **India Post's Role in Rural Economy**: Expansion of institutional financial services through India Post, including credit services, insurance, and assisted digital banking.

Micro, Small & Medium Enterprises (MSMEs) and Employment Generation

Recognizing MSMEs as the backbone of the economy, the budget has introduced several reforms:

- **Revised MSME Classification**: Increasing investment and turnover thresholds for micro, small, and medium enterprises.
- **Customised Credit Cards**: ₹5 lakh limit credit cards for micro enterprises.
- **Startup and MSME Loan Enhancements**: Guarantee cover for startups increased from ₹10 crore to ₹20 crore, and for MSMEs from ₹5 crore to ₹10 crore.
- **Sector-Specific Employment Measures**:
    - **Footwear & Leather**: Expected to generate 22 lakh jobs and a turnover of ₹4 lakh crore.
    - **Toy Manufacturing**: Support for local toy clusters and skill development.
    - **Food Processing**: Establishing a National Institute of Food Technology in Bihar.

Education, Health, and Social Welfare
Investments in human capital development have been significantly increased:

- **Atal Tinkering Labs**: 50,000 labs in government schools over five years.
- **Broadband Connectivity**: Expansion to all government secondary schools and primary health centers in rural areas.
- **Centre of Excellence in Artificial Intelligence (AI)**: With an outlay of ₹500 crore for AI in education.
- **Medical Education Expansion**: Adding 10,000 seats in medical institutions, with a target of 75,000 new seats over five years.
- **Day Care Cancer Centers**: Established in all district hospitals.
- **PM SVANidhi Expansion**: Enhanced loans and credit card integration for street vendors.
- **Welfare of Online Platform Workers**: Registration under the e-Shram portal and healthcare under PM Jan Arogya Yojana.

Urban and Infrastructure Development
The government has allocated massive funds to modernize infrastructure and enhance urban living conditions:

- **Urban Challenge Fund**: ₹1 lakh crore for cities as growth hubs, redevelopment, and water/sanitation improvements.
- **Jal Jeevan Mission Extension**: Continued until 2028 with increased funding.
- **Asset Monetization Plan 2025-30**: Capital recycling of ₹10 lakh crore for infrastructure development.
- **Power Sector Reforms**: Incentives for intra-state transmission upgrades and additional borrowing options for states.
- **₹1.5 Lakh Crore Interest-Free Loans**: For state infrastructure projects and reforms.
- **SWAMIH Fund-2**: ₹15,000 crore for completing one lakh housing units.
- **Maritime Development Fund**: ₹25,000 crore to boost port infrastructure and logistics.
- **Expansion of UDAN Scheme**: 120 new destinations and 4 crore passengers in the next decade.
- **Nuclear Energy Mission**: Amendments to the Atomic Energy Act to promote private sector participation.

Financial and Tax Reforms
A slew of financial sector and tax reforms have been introduced to improve ease of doing business and boost investments:

- **Increase in FDI Limit for Insurance**: Raised from 74% to 100%.
- **Partial Credit Enhancement Facility**: Introduced by NaBFID to facilitate infrastructure funding.
- **Grameen Credit Score Framework**: To help self-help group members access credit.
- **Revamped Central KYC Registry**: Launching in 2025.
- **Regulatory Reforms**:
    - **High-Level Committee for Regulatory Reforms**.
    - **Investment Friendliness Index for States**.
    - **Jan Vishwas Bill 2.0**: Decriminalizing 100+ laws.
- **Direct and Indirect Taxation Reforms**:
    - Removal of multiple tariff rates in customs.
    - Reduced compliance for small charitable institutions.
    - Increased tax deductions for senior citizens (₹1 lakh limit).

- TDS exemption limit on rent increased from ₹2.4 lakh to ₹6 lakh.

Revenue and Expenditure Overview
The budget's fiscal management focuses on balancing revenue and expenditure, with strategic investments in growth sectors:

- **Revenue Receipts and Capital Expenditure**:
  - Revenue receipts expected at ₹34.2 lakh crore in 2025-26.
  - Capital expenditure increased to ₹15.5 lakh crore.

- **Major Expenditure Allocations**:
  - Defence: ₹4.91 lakh crore.
  - Education: ₹2.66 lakh crore.
  - Rural Development: ₹1.28 lakh crore.
  - Agriculture: ₹1.71 lakh crore.
  - Health: ₹98,311 crore.

- **Deficit Trends**:
  - Fiscal Deficit: Targeted at 4.4% of GDP.
  - Primary Deficit: Reduced to 0.8%.
  - Revenue Deficit: 3.3%.

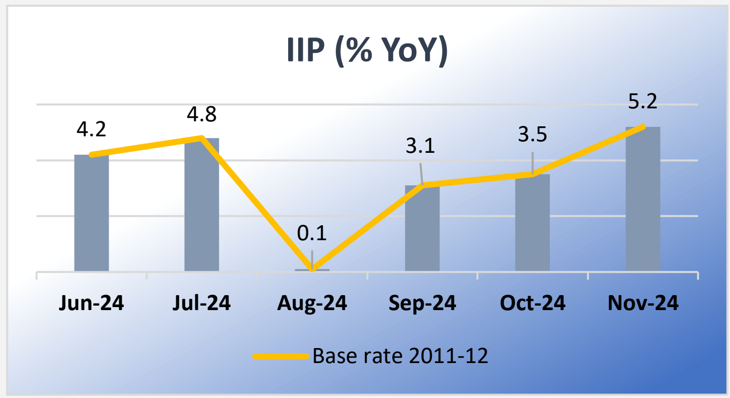
Conclusion
Considering that there were very few options available, considering strengthening the dollar as a geopolitical factor, this perhaps is one of the thought full budgets by putting more surplus with a middle class by way of tax concession, the government aims at pushing consumption. This is like deviation from earlier budgets where the govt had adequate resources to put more outlay on capital expenditure.

The Budget 2025-26 presents a robust framework to accelerate economic growth while fostering inclusivity and sustainability. By focusing on agricultural resilience, MSME growth, infrastructure expansion, and financial sector liberalization, the government aims to achieve the long-term vision of "Viksit Bharat." The significant tax and regulatory reforms further aim to ease business operations and attract global investments. With a balanced approach to fiscal management, this budget sets a strong foundation for India's journey towards becoming a global economic powerhouse.

ECONOMY

IIP (Index of Industrial Production) – Nov

Industrial production in India rose 5.2% year-on-year in November 2024, accelerating from a 3.5% rise in the previous month, and easily beating market expectations of 4% gain.



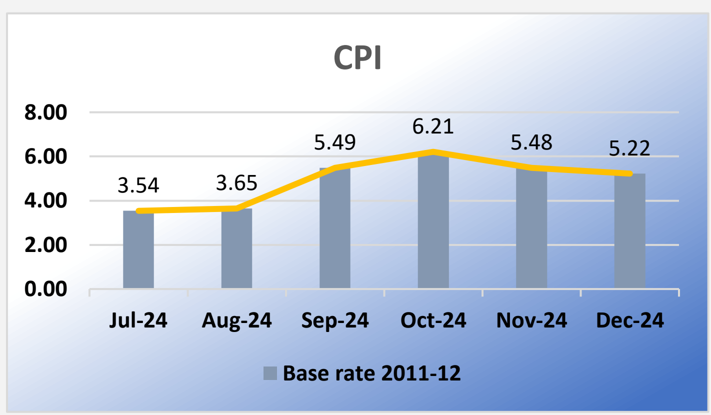
Source: APAS BRT, www.mospi.gov.in

The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of November 2024 are 1.9 percent, 5.8 percent and 4.4 percent respectively. Within the manufacturing sector, 18 out of 23 industry groups at NIC 2 digit-level have recorded a positive growth in November 2024 over November 2023. The top three positive contributors for the month of November 2024 are – “Manufacture of basic metals” (7.6%), “Manufacture of electrical equipment” (37.2%) and “Manufacture of other non-metallic mineral products” (12.0%).

The corresponding growth rates of IIP as per Use-based classification in November 2024 over November 2023 are 2.7 percent in Primary goods, 9.0 percent in Capital goods, 5.0 percent in Intermediate goods, 10.0 percent in Infrastructure/ Construction Goods, 13.1 percent in Consumer durables and 0.6 percent in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of November 2024 are – Infrastructure/ construction goods, Consumer durables and Primary goods.

CPI (Consumer Price Index) – Dec

The annual inflation rate in India eased to 5.22% in December of 2024 from 5.38% in the previous month, loosely aligned with market expectations of 5.3%, and remaining within the RBI’s target of within 2 percentage points away from 4%. The slight deceleration in consumer prices was owed to a slower inflation for food (8.39% vs 9.04% in November), which takes up nearly half of the Indian consumer basket. In turn, prices eased

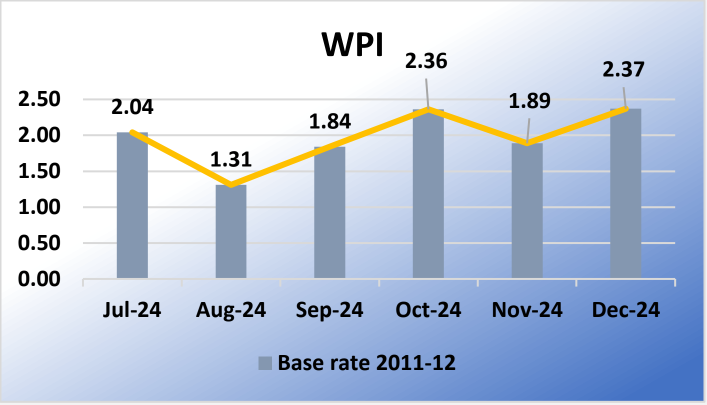


Source: APAS BRT, www.eaindustry.nic.in

slightly for housing (2.71% vs 2.87%), but deflation slowed for fuel and light (-1.39% vs -1.83%). On a monthly basis, Indian retail prices were 0.52% lower, the sharpest monthly decline in over one year.

WPI (Wholesale Price Index) – Dec

The wholesale Price Index (WPI) number is 2.37% (provisional) for the month of December 2024 (over December, 2023). Positive rate of inflation in December 2024 is primarily due to increase in prices of food articles, manufacture of food products, other manufacturing, manufacture of textiles and non-food articles etc.



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

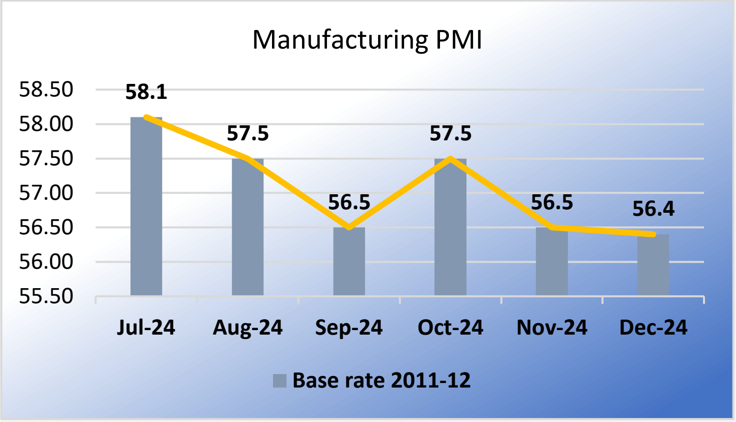
The month-over-month change in WPI for the month of December 2024 stood at (-) 0.38% as compared to November 2024.

The index for primary articles decreased by 2.07% to 193.8 (provisional) in December 2024 from 197.9 (provisional) for the month of November 2024. Price of food articles (-3.08%) and crude petroleum & natural gas (2.87%) decreased in December 2024 as compared to November 2024. The Price of nonfood articles (2.53%) and minerals (0.48%) increased in December 2024 as compared to November 2024.

Prices for Fuel & Power increased by 1.90% to 149.9 (provisional) in December 2024 from 147.1 (provisional) for the month of November 2024. Price of electricity (8.81%) and coal (0.07%) increased in December, as compared to November 2024. The price of mineral oils (-0.06%) decreased in December 2024 as compared to November 2024.

Prices for Manufacturing products were 143.0 in December 2024 (provisional), same as that in the month of November 2024 (provisional).

Manufacturing PMI – Dec

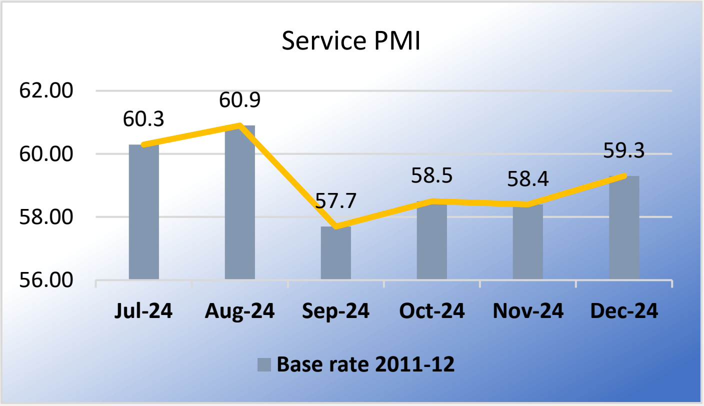


Source: www.tradingeconomics.com

The HSBC India Manufacturing PMI dropped to 56.4 in December 2024, down from 56.5 in November, and revised lower from an initial estimate of 57.4. This marked the softest expansion in operating conditions since the start of the year. While growth slowed across output, new orders, and stocks of purchases, rates of expansion remained strong. This supported further increases in employment, rising for the tenth month, with job creation accelerating to its fastest pace in four months. Manufacturers' purchases also increased, and inventory accumulation continued, though at a slower rate. On prices, input cost inflation remained moderate by historical standards, while selling prices rose more sharply than cost burdens, reaching levels stronger than the average seen in the near 20-year series history. Looking ahead, the outlook for 2025 remains optimistic, with firms expecting growth driven by advertising, investment, and strong demand.

Services PMI – Dec

The HSBC India Services PMI was revised lower to 59.3 in December 2024, from preliminary estimates of 60.8, remaining faster than the final reading of 58.4 in the previous month. This marked the 41st consecutive month of growth in services activity and the fastest pace since August, supported by a continued improvement in demand, with new orders rising the most in four months. Subsequently, employment increased sharply, marking one of the strongest increases since the data began in December 2005. Meanwhile, the backlog of work grew to a seven-month high. On the pricing front, input prices rose due to higher food, labor, and material costs, although inflation eased from November's 15-month high. Selling price inflation also eased but remained above its long-run trend.

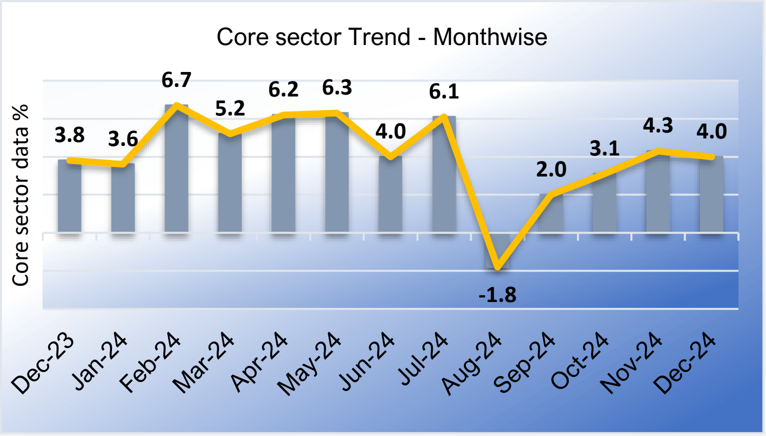


Source: www.tradingeconomics.com

Finally, business sentiment weakened from November's six-month high, but remained above its long-run average amid hopes of strong new business and easing input price pressures.

Core Sector Data – Dec

The combined Index of Eight Core Industries (ICI) increased by 4.0 % (provisional) in December 2024 as compared to the Index in December, 2023. The production of Cement, Coal, Steel, Electricity, Refinery Products and Fertilizers recorded positive growth in December 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 September 2024 declined by 2.4 %. The cumulative growth rate of ICI during April to December, 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 5.3 % in December 2024 over December 2023. Its cumulative index increased by 6.2 % during April to December, 2024-25 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) increased by 0.6 % in December 2024 over December 2023. Its cumulative index declined by 2.1 % during April to December, 2024-25 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) declined by 1.8 % in December 2024 over December 2023. Its cumulative index increased by 0.7 % during April to December, 2024-25 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) increased by 2.8 % in December 2024 over December 2023. Its cumulative index increased by 2.7 % during April to December, 2024-25 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 %) increased by 1.7 % in December 2024 over December 2023. Its cumulative index increased by 1.6 % during April to December, 2024-25 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 5.1 % in December 2024 over December 2023. Its cumulative index increased by 5.8 % during April to December, 2024-25 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 %) increased by 4.0 % in December 2024 over December 2023. Its cumulative index increased by 3.3 % during April to December, 2024-25 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) increased by 5.1 % in December 2024 over December 2023. Its cumulative index increased by 5.3 % during April to December, 2024-25 over corresponding period of the previous year.

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	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	4.8 Dec	4.4	-2.4	-7.5	15.1
Russia	3.1 Q3	3.7	9.5 Dec	8.4	3.2	-1.6	16.4
India	5.4 Q3	6.6	5.2 Dec	4.8	-0.5	-4.9	6.7
China	5.4 Q4	5.0	0.1 Dec	0.2	2.1	-5.0	1.4
S Africa	0.3 Q3	0.8	2.9 Dec	4.4	-2.1	-5.3	9.0
USA	2.7 Q3	2.7	2.9 Dec	2.8	-3.4	-6.5	4.5
Canada	1.5 Q3	1.3	1.8 Dec	2.4	-0.6	-1.7	3.2
Mexico	1.6 Q3	1.5	4.2 Dec	4.7	-1.0	-4.9	10.0
Euro Area	0.9 Q3	0.8	2.4 Dec	2.4	3.2	-3.2	2.6
Germany	-0.1 Q4	-0.2	2.8 Dec	2.5	5.8	-1.8	2.6
Britain	0.9 Q3	0.9	2.5 Dec	3.2	-2.9	-4.0	4.6
Australia	0.8 Q3	1.1	2.4 Q4	3.1	-2.0	-1.2	4.5
Indonesia	4.9 Q3	5.0	1.6 Dec	2.3	-0.2	-2.4	6.9
Malaysia	4.8 Q4	5.1	1.7 Dec	1.8	1.6	-4.4	3.8
Singapore	4.3 Q4	3.8	1.6 Dec	2.4	19.6	0.2	2.9
S Korea	1.3 Q4	2.2	1.9 Dec	2.3	4.1	-1.8	2.9

BANKING

Steps to encourage use of Indian Rupee and local / national currencies for settlement of cross border transactions – Liberalization of FEMA regulations

To promote the use of the Indian Rupee (INR) in cross-border transactions, the Reserve Bank of India introduced the Special Rupee Vostro Account (SRVA) in July 2022, leading to several foreign banks opening SRVAs with Indian banks. Additionally, MoUs were signed with the central banks of the UAE, Indonesia, and Maldives to encourage trade in local currencies. In December 2023, FEMA regulations were revised to enable transactions in all foreign currencies, including local currencies of trading partner countries and INR. Further amendments now allow overseas branches of Authorized Dealer banks to open INR accounts for non-residents to settle transactions with Indian residents, enable non-residents to use repatriable INR balances for transactions and investments, and permit Indian exporters to maintain foreign currency accounts overseas for trade settlements. The updated regulations and directions have been issued to implement these changes.

RBI announces measures to manage liquidity conditions

RBI announces measures to manage liquidity conditions. The Reserve Bank of India has decided to implement several operations to inject liquidity into the banking system in response to the current liquidity and financial conditions. These include the purchase of Government of India securities through Open Market Operations (OMO) for ₹60,000 crore, divided into three tranches of ₹20,000 crore each, scheduled for January 30, 2025, February 13, 2025, and February 20, 2025. Additionally, a 56-day Variable Rate Repo (VRR) auction for ₹50,000 crore will take place on February 7, 2025. Furthermore, a USD/INR Buy/Sell Swap auction for USD 5 billion with a six-month tenor is set for January 31, 2025. As per RBI, detailed instructions for these operations will be issued separately, and the Reserve Bank will continue to monitor liquidity and market conditions to ensure orderly functioning.

Monetary Policy Statement, 2024-25 Resolution of the Monetary Policy Committee February 5 to 7, 2025

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) held its 53rd meeting from February 5 to 7, 2025, under the chairmanship of Governor Shri Sanjay Malhotra. The committee unanimously decided to reduce the policy repo rate by 25 basis points to 6.25%, with corresponding adjustments to the standing deposit facility (6.00%) and the marginal standing facility (6.50%). This decision aligns with the objective of keeping inflation within the target range while supporting economic growth. The MPC maintained a neutral stance, ensuring flexibility to respond to evolving macroeconomic conditions.

India's GDP is projected to grow at 6.4% in 2024-25, driven by recovery in private consumption and robust performance in the services and agriculture sectors, despite weak industrial growth. For 2025-26, GDP growth is expected to rise to 6.7%, supported by strong household consumption, improved investment sentiment, and government capital expenditure. Inflation has moderated from its October 2024 peak of

6.2%, aided by lower food prices, and is expected to further soften due to favorable crop prospects. CPI inflation is projected at 4.8% for 2024-25 and 4.2% for 2025-26, with balanced risks.

The MPC acknowledged that while inflation is easing, global financial uncertainties, trade policy risks, and adverse weather events could impact both inflation and growth. Hence, while the rate cut aims to support growth, the committee remains cautious about potential risks. The next MPC meeting is scheduled for April 7-9, 2025, and the minutes of the current meeting will be published on February 21, 2025.

INSURANCE

IRDAI further strengthens the Regulatory framework

The Insurance Regulatory and Development Authority of India (IRDAI) has introduced five new regulations and amendments as part of a broader review to maintain a progressive and agile regulatory framework. These include strengthening the Regulatory Sandbox to promote innovation and operational efficiency in the insurance sector, with expanded scope to encourage cross-sector proposals. The IRDAI has also consolidated regulations on the maintenance and sharing of information by regulated entities, mandating electronic record-keeping, data governance, and local data storage. Additionally, amendments to the Meetings, Insurance Advisory Committee, and Re-Insurance Advisory Committee Regulations have been made to enhance operational flexibility, governance, and efficiency. These changes aim to foster innovation, improve governance, ensure data security, and promote sustainable growth while protecting policyholders.

Review of revision in premium rates under health insurance policies for senior citizens

The document is a press release reviewing the recent revisions in premium rates under health insurance policies specifically for senior citizens. It discusses the rationale behind these changes, including factors such as rising healthcare costs, increased claims, and actuarial assessments conducted by insurance companies. The review also highlights concerns raised by senior citizens and consumer advocacy groups regarding affordability and accessibility of health insurance after these premium hikes.

Regulatory authorities, likely the Insurance Regulatory and Development Authority of India (IRDAI), may have been involved in monitoring these revisions to ensure fairness and transparency. The press release could include guidelines or recommendations issued by regulators to maintain a balance between sustainability for insurers and affordability for policyholders. Additionally, it might mention steps taken by the government or insurance companies to mitigate the impact on senior citizens, such as discounts, long-term policy options, or customized insurance plans.

The document may also include responses from insurance companies, explaining the necessity of premium increases due to factors like higher medical inflation, increased life expectancy, and the rising cost of treatment for age-related diseases. Furthermore, it could highlight any industry-wide trends or regulatory interventions aimed at ensuring that premium revisions remain justified and in line with policyholder interests.

Overall, the press release provides a comprehensive review of the changes in premium rates for senior citizen health insurance policies, addressing key concerns from both insurers and policyholders while considering the role of regulatory oversight. Let me know if you need a more in-depth breakdown of any specific section.

CAPITAL MARKET

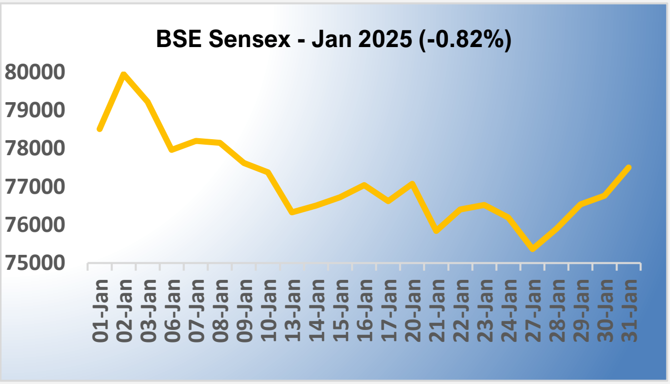
Timeline for Review of ESG Rating pursuant to occurrence of 'Material Events'

The circular establishes specific timelines for Environmental, Social, and Governance (ESG) rating providers to reassess and update their ratings following significant events that could impact an entity's ESG performance. The objective is to ensure that ESG ratings remain accurate and reflective of current conditions, thereby enhancing transparency and reliability for investors and stakeholders.

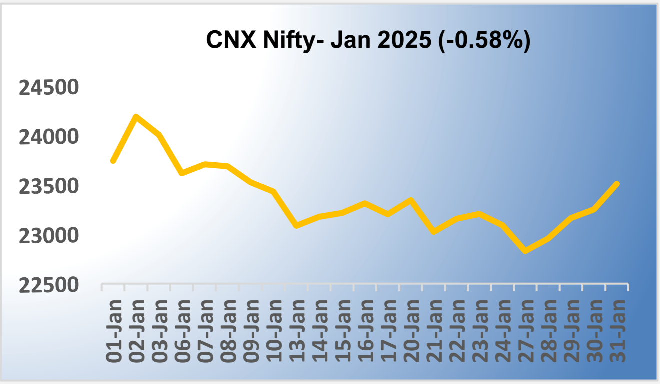
Safer participation of retail investors in Algorithmic trading

SEBI has introduced new guidelines to enhance the safety of retail investors engaging in algorithmic trading. Brokers are now required to obtain approval from stock exchanges for each algorithm and assign unique identifiers to all algo orders to ensure audit transparency. Additionally, providers of algorithmic trading services must register with stock exchanges, and retail investors developing their own algorithms are required to register them if they exceed a specified order-per-second threshold. These measures aim to protect investors amid the growing demand for algorithmic trading.

CAPITAL MARKET SNAPSHOT

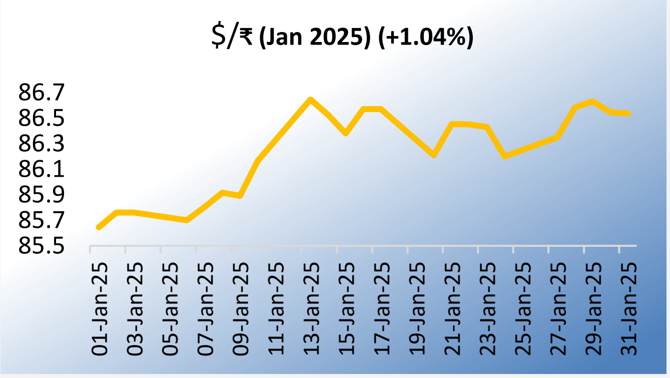


Source: National Stock Exchange

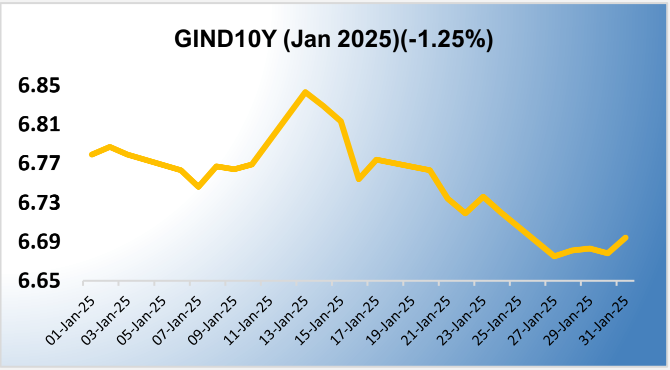


Sources: Bombay Stock Exchange

Sources: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

In Jan 2025, equity markets saw volatility, with the Sensex and Nifty starting strong but declining mid-month due to foreign investor withdrawals exceeding $31 billion. Domestic investors provided some resilience, but broad-based selloffs led to a significant drop by January 27. Key corporate actions, like Whirlpool reducing its India stake, further impacted sentiment. The Nifty midcap 100 and small cap 100 indices experienced a decline of 6.1% and 9.9%, respectively, compared to their previous month's close.

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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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