



BUILDING BONDS

NEWS UPDATE

November 22, 2024

Goldman Sachs cuts India's GDP growth forecast for 2025, sees less impact from global economic shocks

Goldman Sachs forecasts India's GDP growth to slow to 6.3% in 2025, citing continued fiscal consolidation and tighter credit growth due to the RBI macro-prudential measures.

Despite global uncertainties, particularly a potential trade war between the US and China, India is expected to remain relatively insulated from external economic shocks. The report emphasizes India's strong long-term growth prospects, though it suggests that the RBI will proceed cautiously with monetary policy given the strong US dollar and global trade risks.

Inflation is projected to align with the RBI's target at 4.2% in 2025, supported by favorable weather conditions and improved crop sowing. As a result, Goldman Sachs anticipates a modest 50-basis-point cut in the repo rate in early 2025, with the RBI maintaining a liquidity surplus and potentially reducing overnight inter-bank rates to 5.75%, signaling a cautious approach to easing.

Source: Business Today
<https://www.businesstoday.in/latest/economy/story/goldman-sachs-cuts-indias-gdp-growth-forecast-for-2025-sees-less-impact-from-global-economic-shocks-454581-2024-11-21>

Stable inflation bedrock for sustained growth: Shaktikanta Das

RBI Governor Shaktikanta Das emphasized that stable inflation is crucial for sustained economic growth, boosting purchasing power and creating a stable investment environment. It reduces uncertainty, encourages savings, and supports long-term growth. He highlighted that high inflation disproportionately harms the poor and stressed the importance of fiscal-monetary coordination, particularly in the Global South. Das noted that India's success in navigating economic challenges was due to effective collaboration between fiscal and monetary authorities, ensuring macroeconomic stability.

Source: Financial Express
<https://www.financialexpress.com/policy/economy-stable-inflation-bedrock-for-sustained-growth-shaktikanta-das-3672816/>

ECBs net inflows rise to \$7.9 bn in H1FY25 from \$6.8 bn in H1FY24: RBI data

Net inflows through External Commercial Borrowings (ECBs) rose to USD 7.9 billion in H1 FY25, up from USD 6.8 billion in H1 FY24, according to the RBI. Nearly half of these ECBs were for capital expenditure, including on-lending for capex. ECBs for importing capital goods fell sharply to USD 1.3 billion, while those for modernization and infrastructure projects decreased to USD 5.6 billion. However, ECBs for working capital and corporate purposes surged to USD 10.2 billion. The recent easing of global interest rates helped reduce the overall cost of ECBs.

Source: Business Standard
https://www.business-standard.com/economy/news/ecbs-net-inflows-rise-to-7-9-bn-in-h1fy25-from-6-8-bn-in-h1fy24-rbi-data-124112100789_1.html

Japan CPI rises more than expected in Oct, core inflation above BOJ target

Japan's consumer price index (CPI) inflation rose slightly more than expected in October 2024, with core inflation (excluding energy and fresh food) increasing to 2.3% from 2.1%, remaining above the Bank of Japan's (BOJ) 2% target. Headline CPI inflation eased to 2.3% from 2.5%, partly due to softer energy prices and government subsidies on utilities. Persistent inflation is fueling expectations of more interest rate hikes from the BOJ, which has already raised rates twice in 2024.

Source: Investing
<https://www.investing.com/news/economic-indicators/japan-cpi-rises-more-than-expected-in-oct-core-inflation-above-boj-target-3736328>

US weekly jobless claims at seven-month low; home resales rebound in October

New unemployment claims in the U.S. fell to a seven-month low of 213,000 for the week ending 16th November 2024, signaling a likely rebound in job growth after a slowdown due to hurricanes and strikes. However, it's taking longer for laid-off workers to find new jobs, which could increase the unemployment rate. Despite inflation remaining above the Federal Reserve's 2% target, labor market slack raises the possibility of a third interest rate cut in December 2024.

Source: Investing
<https://www.investing.com/news/economic-indicators/us-weekly-jobless-claims-unexpectedly-fall-3734884>

Rupee hits new low of 84.50/\$ amid equity sell-off, geopolitical tension

The Indian rupee fell to a new low of 84.50 per dollar, driven by foreign portfolio investors selling domestic equities amid rising geopolitical tensions and higher crude oil prices. Uncertainty around the US Federal Reserve's rate policy added further pressure. The RBI has been defending the rupee, allowing gradual depreciation while limiting volatility. The dollar index rose to 106.7, as investors sought clarity on US policies and the Fed's interest rate outlook. The rupee has depreciated 1.29% this financial year.

Source: Business Standard
https://www.business-standard.com/finance/news/rupee-hits-new-low-of-84-50-amid-equity-sell-off-geopolitical-tension-124112101101_1.html

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