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Global Economic Outlook

US Job Growth Surges in December 2024, Unemployment Drops To 4.1%: The U.S. labour market remains resilient, as December's jobs gain of 256,000 was roughly 100,000 more than most economists had expected. The result capped a year that generated an average monthly gain of 186,000 jobs. December's unemployment rate slipped to 4.1% from 4.2% the previous month.

US ISM Services PMI for December 2024 at 54.1%: The US ISM Services PMI rose to 54.1 in December 2024 from 52.1 in November 2024, above market expectations of 53.3. The reading marked the 10th time the composite index has been in expansion territory this year. The Services PMI in December was boosted primarily by strength in the Business Activity and Supplier Deliveries indexes. Many industries noted that end-of-year and seasonal factors were helping drive business activity or impact inventory management. Some of the increased business activity seems to have been driven by preparation for demand in the new year, or risk management for impacts from ports strikes and potential tariffs.

Euro area annual inflation in December 2024 up at 2.4 %: Euro area annual inflation rises to 2.4% in December 2024, up from 2.2% in November 2024 according to a flash estimate from Eurostat, the statistical office of the European Union. Analysis of main components of euro area inflation reveals, services experienced highest annual inflation in December 2024 (4.0%, compared with 3.9% in November), followed by food, alcohol & tobacco (2.7%, stable compared with November), non-energy industrial goods (0.5%, compared with 0.6% in November) and energy (0.1%, compared with -2.0% in November).

Domestic Economic Outlook

GDP to grow at 6.4% in FY25: NSO's 1st Advance Estimate: India's real gross domestic product (GDP) has been projected to grow by 6.4 % in 2024-25, as per the first advance estimates (FAE) released by the National Statistical Office (NSO). Private final consumption expenditure (PFCE) is projected to drive the GDP growth in 2024-25 with a 7.3% expansion. Gross fixed capital formation (GFCF) has been projected to grow by 6.4%, and government final consumption expenditure (GFCE) has been projected to grow by 4.1 %. Real GVA of Agriculture and allied sector has been estimated to grow by 3.8% during 2024-25 as compared to the growth of 1.4% witnessed during the last year, i.e., 2023-24.

HSBC Research forecasts India's FY26 GDP growth at 6.5%: HSBC Research forecasts India's real GDP growth to accelerate to 6.5 % in 2025-26 from 6.2 % estimated for 2024-25. India's resilience to global challenges, such as US tariffs on China and a strong US dollar, positions it as a top-performing economy in Asia, despite challenges like high inflation and rupee depreciation. While earnings growth in equity markets is expected to moderate and bond inflows may decline after March 2025, India remains on track to become the world's third-largest economy by 2027, with its GDP potentially reaching USD 7.5-USD 8 trillion by 2032.

Retail inflation falls to 5.2%, wholesale inflation rises to 2.4% in December 2024: Retail price inflation, measured by the Consumer Price Index (CPI), fell to 5.2 % in December 2024 from 5.5 % in November 2024. This is the lowest inflation recorded in the last 4 months. Inflation in urban India fell to 4.6 % from 4.9 % in November 2024, while that in rural India rose to 5.8 % from 6 %. At the all-India level, inflation in the food & beverages group fell to 7.7 % in December 2024 from 8.2 % in November 2024. The fuel & light group reported a deflation of 1.4 % in December 2024, as compared to a deflation of 1.8 % seen in November 2024.

Wholesale price inflation, measured by the WPI, rose to 2.4 % in December 2024 from 1.9 % in November 2024. Inflation in the manufactured products group rose to 2.1 % in December 2024 from 2 % in November 2024. Similarly, inflation in primary article prices increased to 6 % from 5.5 % in November 2024. Meanwhile, deflation in fuel and power moderated to 3.8% in December 2024, compared to 5.8 % in the previous month.

Rabi sowing up 0.1% as of 14 January 2025

Area sown under rabi crops was reported at 63.2 million hectares as of 14 January 2025. This is 0.1 % higher than the area covered during the corresponding period last year. Acreage under wheat

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increased by 1.4 % to 32 million hectares and that under coarse cereals also increased by 0.3 % to 5.4 million hectares. Area sown under pulses was up y-o-y by 0.5 % at 14 million hectares. Gram was sown on 9.7 million hectares, 0.8 % higher than a year ago. Area sown under oilseeds decreased by 4.9 % to 9.7 million hectares, and that under rapeseed declined by 5.6 % to 8.8 million hectares as of 14 January 2025.

Crops	Area Sown (lakh ha)	
	2023-24	2024-25
Wheat	315.63	320.00
Rice	21.53	22.09
Pulses	139.11	139.81
Shri Anna Coarse cereals	53.37	53.55
Oilseeds	101.80	96.82
Total Crops	631.44	632.27

Source: Department of Agriculture & Farmers' Welfare, GoI

IIP rises by 5.2% in November 2024: Industrial output, measured by the index of industrial production (IIP), rose by 5.2 % on a year-on-year basis in November 2024. The growth was higher than the 3.7 % growth registered in the preceding month. Output of mined products grew by 1.9 %, while electricity generation increased by 4.4 %. The manufacturing sector reported a 5.8 % growth in production in November 2024. The growth was broad-based, with 18 of the 23 sub-groups of the manufacturing sector reporting a rise in production. And, output of five reported a fall. Cumulative IIP during April-November 2024 rose by 4.1 %, as compared to a 6.5 % growth recorded during the same period a year ago.

Interest Rate Outlook

Global developments, especially the U.S. Federal Reserve actions and stronger-than-expected U.S. economic data, impacted the Indian financial market in the week ending January 10. Following the robust U.S. non-farm payrolls data, the US Federal Reserve (Fed) is likely to keep rates steady longer, delaying cuts. This resulted in the 10-year US Treasury yields reaching a one-year high, leading to higher FPI outflows from emerging markets including India.

Foreign Portfolio Investments (FPI) continued to pull out funds from the Indian equity markets in the week ending 10 January 2025, for the fourth consecutive week in a row. FPIs net outflows amounted to USD 3.1 billion in the first week of January. This was driven by a massive equity sell-off of around USD 2.1 billion and a USD 1 billion divestment from the debt segment. The rising U.S. bond yields made emerging market assets like Indian equities less attractive, prompting FPIs to pull back (CMIE).

The Indian Rupee (INR) continued to face pressure against the U.S. Dollar, depreciating by 0.2% during the week ending 10 January 2025, averaging Rs. 85.8 per USD. The stronger U.S. dollar, driven by U.S. economic data and Fed policy, weighed on the INR. The rupee briefly strengthened on January 6, but it ended the week at a historic low of Rs. 86.16 per USD. The dollar index rose by 0.6% to 109.6 for the week ending 10 Jan 2025 from the previous week, indicating further depreciation of the INR. Over the past two months, the INR had dropped from Rs. 84 to Rs. 86 against the USD.

Government securities (G-secs) yields fell across all maturities during the week ending 10 January 2025. Surprisingly, this is happening when liquidity in the domestic market is tightening, and US yields have surged. The 1-year G-sec yield increased by two basis points (bps) to 6.71 %, while the 3-year and 5-year G-secs increased five bps each reaching 6.75% and 6.80%, respectively. The 10-year benchmark G-sec yield increased by six bps to 6.84 %. While the yield of the longer-term securities, 12-year and 15-year G-secs remained steady during the week ending 10 Jan 2025, each, averaging 6.88 % and 6.87 %, respectively.

Date	06 Jan	07 Jan	08 Jan	09 Jan	10 Jan
USA 10 yr	4.60	4.69	4.67	4.69	4.75
Ind 10 yr	6.78	6.74	6.75	6.77	6.84
Ind 5 yr	6.75	6.72	6.74	6.76	6.80
Ind 3 M	6.54	6.56	6.54	6.59	6.56

Source: worldgovernmentbonds.com, cmie