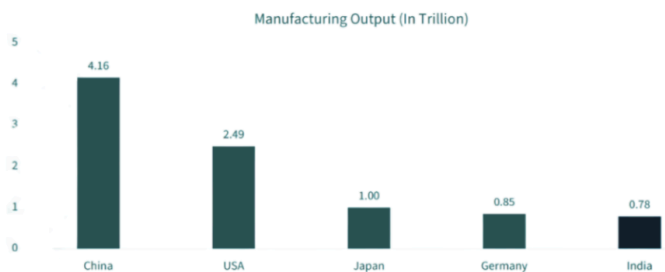


Indian Economy

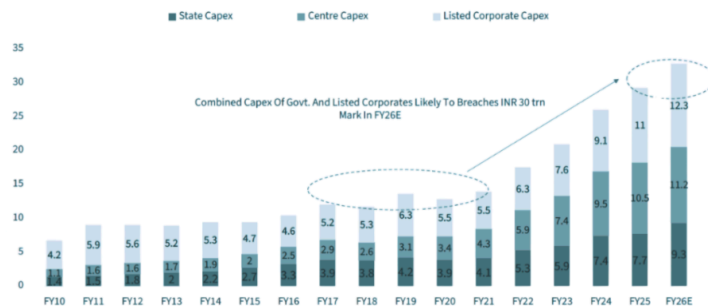
- India overtakes Japan to become the 4th largest economy. With projected growth rates of 6.5% by RBI, India will outperform most large economies. And growth has been inclusive -with improvement in LPG, Sanitation, Housing, solar, access to electricity & water.
- Approx. 15% of global economic growth over the next 5 years, is going to come from India.
- India is now among the top 5 manufacturing countries. A USD 781 Bn output puts India ahead of South Korea, UK & France.



Source: World Bank report 2024, as per the latest data available

- June's Manufacturing PMI at 58.4, was at a 14-month high. And June's Services PMI at 60.4 was at 10-month high.
- RBI has stated that India had a record current account surplus of USD 13.5 Bn in the March quarter. Oil prices continue to be below USD70/Bbl, a huge saving for India.

- India is one of the only large economies where Debt/GDP has been brought down since 2008.
- Listed Corporate Capex is expected to be higher than Centre's in FY26. Average capacity utilisation is near 75% and as it nears 80%, corporates will invest in capacity additions. Revival of private Capex is important for boosting growth.



Source: CEIC, Capitaline, I-Sec Research report June 2025, As Per Latest Data Available

- In 2024-25 crop year ending in Jun'25, India has recorded highest ever food grain production of 353 Mn T, a significant 6.5% increase over previous year.
- Monsoon is expected to be about 9% over long term average. Dispersion will be important. This will translate to higher agricultural output, hence lower inflation.

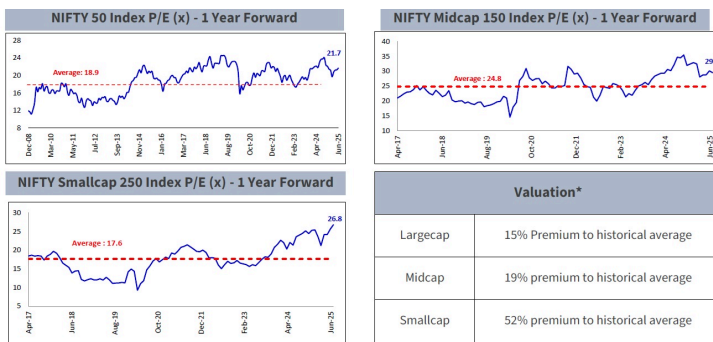
Global Economy

- World Bank has revised its expectation of global growth for CY25/26 downwards to 2.7%. Going forward US, China & India are core engines of global growth. Together they are projected to contribute 50% of global growth over next 5 years. All three countries are going through a phase of growth with lower inflation.
- Turmoil in global trade due to US tariff uncertainties is affecting all countries. Ahead of the July 9th deadline, US has announced tariff of 25% on 14 countries including South Korea and Japan. India is still to sign the bilateral trade agreement.

- China is re-routing exports via Vietnam, Thailand, etc., due to trade tensions. China is a high investment-driven economy, with investment ~40% of GDP. Its strategy going forward is to transition to a consumption led (~65%) economy. At present consumption growth is still under 40% of GDP.
- US – 10 yr Yield remains in a narrow range of 4.3-4.4% even after Iran Israel cease fire. High level of debt is a concern in the US. US govt. is paying USD 1 Tn in debt servicing cost alone. The recent Big Beautiful Bill passed in US will further exacerbate the situation.

Outlook

- Strong push by govt for capex to create multiplier for growth and job creation- YoY capex growth expected to be in line with nominal GDP growth rate.
- Green shoots seen in rural consumption, but urban consumption is yet to pick up. Tax rebates (~INR 1 lac crore) announced for this financial year, and RBI's 1% rate cut will support demand by having a multiplier effect with lower EMI and higher borrowing capacity.
- Government is expected to rationalise GST slabs. Some high value items like 2-wheelers, health insurance, cement are expected to be brought to lower slabs. Possible GST rate cuts and rationalization could further boost consumption.
- Nifty50 earnings are expected to grow 7% YoY in Q1 FY26. Returns going forward expected to be moderate. Markets are trading at a premium to long term valuations. Return on Equity has improved to 15% and India Inc.'s profit to GDP is highest (5.1%) since 2008. Higher ROE and increasing profits are supporting higher valuations.



Source: Motilal Oswal, Bloomberg, As on 30th June 2025

- Going forward the key factors to watch out for are FII flows, geopolitical tensions, supportive government policy, bi-lateral trade agreement and corporate earnings reported. Since valuations are already rich, equity should be added on dips with a medium to long term view and moderation in return expectations.
- Gold has outperformed all asset classes amid geopolitical risk. Gold prices have corrected (~4%) after highs of mid-June'25. Central banks are expected to continue to buy gold to diversify away from USD denominated assets.
- RBI has taken a number of steps to infuse liquidity and support growth. India remains in an easing cycle, with inflation under control and growth moderating. 10-yr G-secs have inched up by 10 bps to 6.3% levels. Interest rates at the short end are expected to fall with improving liquidity conditions as the 100 bps CRR cut comes into effect in 4 tranches.
- Fixed Deposit rates are expected to fall further as Banks and corporates transmit lower rates. Surplus funds with a minimum time horizon of 3 months can be parked in arbitrage funds, and with a minimum time horizon of 2 years can be invested in the Arbitrage-Plus-Income category of funds. Conservative Hybrid funds like Equity Savings and Multi Asset funds and Gold & Silver Funds are also tax-efficient options in lieu of pure debt investments.

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