INDIA REPORT

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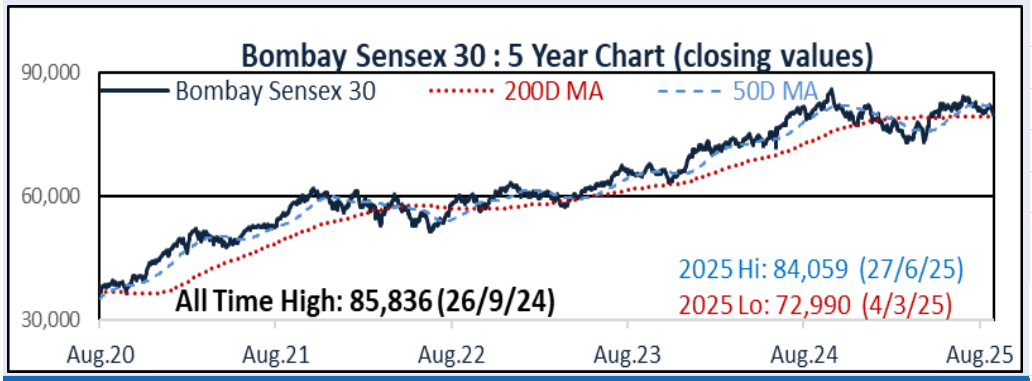

Close: 29 Aug 2025	Level	Index Pts Chg-Day	% Chg YTD
SENSEX 30	79,810	-270	+ 2.0%
NIFTY 50	24,427	- 74	+ 2.9%

Other Markets: Level & (% YTD)
ASIA: CHINA Shanghai: 3,858 (+15)
JAPAN Nikkei 225: 42,718 (+7%)
EUROPE: UK FTSE: 9,187 (+12%)
GERMANY DAX: 23,902 (+20%)
USA: Dow Jones: 45,544 (+7%)
NASDAQ Composite: 21,455 (+11%)
GOLD: $3,446.75 (+31%)
SILVER: $39.67 (+37%)
BRENT OIL: 67.48 (-9%)

Indian Currency; Level & (%YTD)		
INR ₹ / USD	$1=	Rs88.14 (-0.4%)
INR ₹ / GBP	£1=	Rs119.08 (-2.7%)
INR ₹/ EUR	€1=	Rs103.04 (-15.5%)

⇨ **India's economy unexpectedly accelerated to 7.8% in the April-June quarter, surpassing the 6.8% forecast amid concerns over rising U.S. tariffs.** This marks an increase from 7.4% in the previous quarter, reinforcing India's position as one of the world's fastest-growing major economies. Manufacturing rose 7.7%, up from 4.8%, while construction expanded 7.6%.. Agriculture posted a steady 3.7% growth. Despite an increasingly uncertain export outlook, driven by punitive U.S. trade tariffs of 50% on merchandise goods, domestic demand—particularly in rural areas—remains a key pillar of resilience. **The Reserve Bank of India which kept interest rates unchanged at 5.50% earlier this month, acknowledged the potential downside risks from U.S. trade policies, yet maintains a 6.5% GDP growth forecast for the fiscal year ending March 2026. Our more cautious GDP growth projection stands at 6.2%.**

⇨ **Earlier this month, S&P upgraded India's investment grade credit rating to 'BBB', its first increase in 18 years, prompting the government to anticipate similar actions from other rating agencies.** However, Fitch maintained India's sovereign investment grade rating at 'BBB-', citing persistently high fiscal deficits and debt levels. India's debt burden, estimated at 80.9%, remains well above the 'BBB' median of 59.6%, and is projected to rise to 81.5% by fiscal 2026. The agency forecasts India's economy to grow 6.5% in FY 2025-26, unchanged from the previous year. **While U.S. tariffs pose a "moderate downside risk," Fitch's outlook reflects cautious optimism for India's growth prospects despite tariff headwinds.**

⇨ **The U.S. imposed a 25% tariff on India's merchandise goods exports from August 7, with an additional 25% penalty from August 27 over India's oil purchases from Russia, bringing the total tariff to 50%—the highest on any major partner.** If these tariffs remain, Fitch warns they could undermine India's ability to benefit from the global supply chain shift away from China and dampen business sentiment and investment, especially as they exceed those on India's Asian peers. However, India's solid domestic demand, supported by government capital spending and steady private consumption, offers resilience. **Prime Minister Modi's promise of sweeping goods and services tax (GST) reforms aims to boost consumption, potentially offsetting some of the growth risks. Fitch notes that if adopted, these reforms could help cushion the economy amidst the ongoing trade impasse with the U.S.**

⇨ **Indian service exports like IT software, including business process outsourcing (BPO) and tech services, are exempt and not directly affected by the recent U.S. tariff hikes.** The U.S. tariffs primarily target physical goods, such as certain gems and jewellery, auto components, textiles, and agricultural products, rather than services. The U.S. is India's largest trade partner. U.S.-India two-way goods trade totalled $129 billion in 2024, with a $45.8 billion U.S. trade deficit, according to U.S. Census Bureau data. **Exporter groups estimate the tariffs could affect nearly 55% of India's $87 billion in merchandise exports to the U.S., while benefiting competitors such as Vietnam, Pakistan, Bangladesh and China.**

⇨ **Manufacturers of solar equipment, wind turbines, smartphones, pharmaceuticals, and energy products are exempt from U.S. tariffs, offering some relief to these sectors.** However, key Indian exports such as auto components, gems, textiles, and apparel—heavily reliant on the U.S. market—face the brunt of tariffs imposed by President Donald Trump. These industries, vital to India's trade with the U.S., are particularly vulnerable. In response, Prime Minister Narendra Modi's government has vowed to support affected sectors, proposing tax cuts to boost domestic demand. To further bolster the economy, he announced the formation of a task force aimed at driving next-generation reforms, improving the business environment, and attracting more investment. The RBI has allowed a steady depreciation of the Rupee to new lows to help exporters. **With the U.S. tariffs weighing heavily, Modi's "Think East" vision—focused on expanding markets in Asia and beyond—has taken on greater urgency in his trip to the Far East from today to counterbalance the inevitable loss of merchandise goods exports to the U.S.**

⇨ **Suzuki Motor of Japan will invest 700 billion rupees ($8 billion) in India over the next five to six years, marking a pivotal step as it begins production of its first electric vehicle (EV).** Through its majority stake in India's Maruti Suzuki, which commands 40% of India's car market, the automaker will export 50,000 to 100,000 EVs annually. Maruti's Gujarat plant is set to become one of the world's largest car manufacturing hubs, with an ambitious capacity of 1 million units said Suzuki Motor chairman and president Toshihiro Suzuki. **With this move, Maruti will also serve as the global production centre for Suzuki's electric cars, reinforcing India's strategic role in the automaker's future.**

EQUITY FOREIGN DIRECT INVESTMENT (FDI) INTO INDIA : TOP 10 COUNTRIES IN US$ MILLIONS

source: Department for Promotion of Industrial and Internal Trade, Govt. of India (https://dpiit.gov.in/publications/fdi-statistics)

Rank	Country	2022-2023 (Apr 2022- Mar 2023)	2023-2024 (Apr 2023- Mar 2024)	2024-2025 (Apr 2024- Mar 2025)	CUMULATIVE INFLOWS (Apr 2000 – Mar 2024)	%age to total
1.	MAURITIUS	6,134	7,970	8,344	180,191	25 %
2.	SINGAPORE	17,203	11,794	14,942	174,886	24 %
3.	USA	6,044	4,988	5,457	70,650	10%
4.	NETHERLANDS	2,498	4,924	4,620	53,302	7 %
5.	JAPAN	1,798	3,177	2,478	44,396	6 %
6.	U.K.	1,738	1,216	795	35,887	5 %
7.	U.A.E.	3,353	2,924	4,345	22,848	3%
8.	CAYMAN ISLANDS	772	342	371	15,637	2 %
9.	GERMANY	547	505	469	15,112	2%
10	CYPRUS	1,277	806	1,2703	14,653	2%
	TOTAL FDI INFLOWS FROM ALL COUNTRIES	46,034	44,423	50,018	728,882	-

- The figures above are to March 2025 - the latest data available on the DIPP, Government of India website. They relate only to fresh equity inflow, and not Total Foreign Direct Investment (FDI).
- To avoid confusion, Total FDI = Equity inflow + Re-invested earnings + Other Capital.
- Also, for clarity, the table above do not cover trade (merchandise goods + services) figures.
- In the 12 months to March 2025 Equity FDI inflow was up 13% compared to the same period in the previous year.
- Mauritius leads, but with a narrowing margin again. Many countries have routed their investments historically via this Indian Ocean Island to benefit from their hitherto favourable double tax treaty (DTAA) with India. However, the India-Mauritius DTAA was renegotiated in 2017. Investments via Singapore, because of its favourable DTAA with India, continue strongly and it is the highest from any country in 2024-25, and cumulatively since 2000 the second highest.
- Since 2000, the top 10 countries have accounted for $627,462 million, or 86%, of the total $728,882 million in Foreign Direct Investment (FDI) into India.
- The UK, which had been the third-largest source of FDI for several years, has dropped to sixth place. This shift is due to increased investments from the USA, driven by the e-commerce boom, and from the Netherlands, thanks to a favourable double tax agreement attracting investments from Europe and the USA. Japan has also moved ahead due to significant infrastructure projects.
- In the fiscal year 2024-25, the top five states receiving the highest FDI equity inflows were Maharashtra (31%), Karnataka (20%), Gujarat (16%), Delhi (13%), and Tamil Nadu (5%). Together, just these 5 states accounted for 85% of the total equity FDI inflows.
- The top 5 sectors receiving highest FDI Equity Inflow during FY 2024-25 are Services Sector (Finance, Banking, Insurance, Non-Fin/ Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other) (16%), Computer Software & Hardware (15%), Trading (7%), Telecommunications (5%) and Automobile Industry (5%). These 5 sectors accounted for 48% of Equity FDI inflows. Manufacturing continues to lag behind, and as a result the much-needed job creation in the country.
- The Indian government has implemented various policies and initiatives to boost FDI. The "Make in India" campaign aims to simplify procedures and promote a favourable investment climate across different sectors.
- Liberalisation of FDI policies, particularly in retail, defence, insurance, and single-brand retail trading, has been a key strategy. The Goods and Services Tax (GST) implementation has improved transparency, while Special Economic Zones (SEZs) provide dedicated spaces with tax incentives.

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