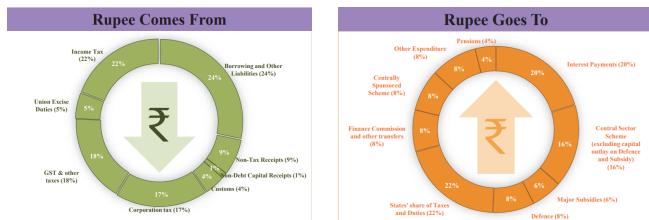




Economic Outlook

- The government has set the fiscal deficit target for FY 2025-26 at 4.40% of GDP, down from 4.80% in FY 2024-25.
- The revenue deficit is targeted to reduce to 1.50% of GDP from 1.90% in FY 2024-25.



Sectoral Reform & Development

- The government is launching Prime Minister Dhan-Dhaanya Krishi Yojana to enhance agriculture, irrigation, and rural credit across 100 Agri Districts, benefiting 1.7 crore farmers.
- The government increased the MSME classification criteria, raising the investment threshold to 2.50 times and turnover limits to 2.00 times.
- Government has enhanced the Credit Guarantee cover for MSEs to INR 10 crore from existing limit of INR 5 crore and for Startups from INR 10 crore to INR 20 crore.
- The Budget allocates INR 3 lakh crore for renewable energy projects, including solar, wind, and green hydrogen, aligning with India's goal of achieving net-zero emissions by 2070. This is in addition to supporting sustainable urban development through INR 1 lakh crore fund.
- India aims to develop 100 GW of nuclear energy by 2047.
- INR 12 lakh crore has been allocated for infrastructure projects, focusing on roads, highways, railways, and airports.
- FDI limit for the insurance sector raised from 74% to 100%.

Direct Tax Reforms

- Government has introduced new Income Tax Bill, aiming to simplify six-decade old tax legislation.
- Income tax liability removed for individual earning upto INR 12 lakh annually, excluding special income under new regime.
- TDS threshold limit for senior citizen increased to INR 1 lakh from existing limit of INR 50 thousand under sec 194A.
- The annual threshold limit for TDS on rent increase to INR 6 lakh from existing limit of INR 2.40 lakh.
- Tax payers can claim annual value as 'Nil' for 2 self-occupied properties.
- Time limit to file updated returns extended from 2 years to 4 years.

Indirect Tax Reforms

- Import duty on CBU EVs cut from 70% to 50% and on CKD EVs from 15% to 10% to attract automakers and boost auto assembly.
- Import duty on battery cells reduced from 5.00% to 2.50%, and GST on lithium-ion batteries lowered from 18.00% to 5.00% to support EV adoption.
- Higher duty on certain textiles & flat panel displays to promote local manufacturing.
- 10-years duty exemption for MRO (Maintenance, Repair & Overhaul) in shipbuilding and ship breaking and time limit for export of railway goods imported for repair extended.

AIF Specific

- Income from transfer of securities by AIFs will now be taxed as Capital Gain instead of Business Income.
- Return earned by fund managers (via carried interest) will also qualify as capital gain.

Global Economy

- Australia's Reserve Bank has reduced interest rates by 25 basis points to 4.10%, marking its first rate cut since the 2020 pandemic.
- UK's central bank has reduced its interest rate by 0.25% to 4.50% in Feb 2025. The last rate cut was in Nov 2024 (by 0.25%).
- UK economy grew by 1.50% YoY in Dec 2024, up from 1.10% increase in Nov 2024 and surpassing the forecasted 1.00% growth.
- Japan's GDP grew by 0.70% QoQ in Q4 2024, up from a revised 0.40% expansion in Q3 and exceeding market expectations of 0.30%.
- US President Donald Trump has put a 25% tariff on steel and aluminum imports from all country.

Indian Economy

- India's economy expanded by 6.20% in the Oct-Dec quarter of FY 2025, up from 5.60% in the previous quarter.
- India's annual inflation rate fell to 4.31% in Jan 2025, down from revised 5.22% in Dec 2024.
- India's annual wholesale inflation rate fell to 2.31% in Jan 2025, down from 2.37% in Dec 2024.
- India's forex reserves fell by USD 2.54 billion to USD 635.72 billion in the week that ended on 14 Feb 2025.
- The rupee hit a record low of INR 87.96/USD on 10 Feb 2025 after Trump announced 25% tariffs on steel and aluminum imports.
- FPIs withdrew USD 24 billion from equity market since Oct 2024 amid global risk-off sentiment, while debt inflows remained weak at USD 1 billion due to a low US-India rate differential.

Indian Startups

- 77 Indian start-ups raised total funding of around USD 604 million in the month of Feb 2025.
- Fintech, Enterprise Tech, Ecommerce & D2C Brands are major segment that secured USD 211 million, USD 137 million, USD 133 million & USD 46 million funding respectively.
- The funding dropped by 48% in Feb 2025 compared to Jan 2025 month, with Fintech leading both month.

Indian Debt Market

- The RBI cut its key repo rate by 25 basis points to 6.25% in Feb 2025, its first reduction since May 2020.
- RBI reduced risk weights for bank financing to NBFCs and microfinance loans, aiming to unlock more funds and boost credit.
- The RBI's USD 10 billion foreign exchange swap auction on 28 Feb 2025 was oversubscribed by 1.60 times, receiving 244 bids totaling USD 16.2 billion. The RBI accepted 161 bids, injecting approximately INR 870 billion into the banking system to alleviate liquidity shortages.
- On 31 Jan 2025, Indian government bonds were included in the Bloomberg EM Local Currency Index. The inclusion is expected to bring inflows of around USD 2 billion to USD 5 billion over 10 months.
- NRI deposits increased by 43% YoY from Apr 2024 to Dec 2024, fueled by foreign currency inflows and consistent growth in NRE/NRO accounts, supported by the RBI's higher interest rate limits.

INDIA 10-YEAR BOND YIELD

