

**RESEARCH****BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET**

Economic Round-up: February 2025

**SUMMARY****INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET**

Tariffs on Canada, Mexico and China, announced by US President Donald Trump, have come into effect from this month. These countries have also announced retaliatory tariffs on imports from the US, leading to start of a full-fledged trade war. Now US will soon announce more reciprocal tariffs on a wider set of economies, including India, from Apr'25 onwards. This escalation has raised concerns regarding a hit to global growth and has also revived fears of rising inflation. US economy is already showing signs of slowdown (existing home sales, consumer confidence, PMIs). Markets believe that if Fed delays rate cut action then the US economy may even enter a recession. So far investors are expecting 2-3 rate cuts by Fed this year.

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## MONTHLY ECONOMIC BUFFET

05 March 2025

### Economic Round-up: February 2025

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Businesses across the globe are now devising plans to manage their supply chains to avoid the impact of this trade war. Europe's major economy, Germany, is at most risk. Following the announcement of recent elections in Germany, hopes have increased that the new government may remove the debt ceiling clause to expand its fiscal deficit and provide much needed boost to infrastructure spending. Domestically, India's GDP growth softened to 6.2% in Q3FY25, following 9.5% growth in Q3FY24. Unfavourable base and lower sectoral growth in manufacturing and mining sector dragged the overall growth down. However, agriculture sector, private consumption and government spending remained bright spots. In Q4, economic prospects are improving with robust GST collections, toll collections and e-way bills generation. Kumbh mela will also provide a boost to economy in Q4.

**Global Central Banks:** In Jan/Feb'25, in line with market expectations, US Fed held rates steady, while ECB and BoE lowered rates by 25bps. Fed officials have repeatedly cautioned against sticky inflation. However, now with growth slowing, analysts expect 2-3 rate cuts this year. The ECB lowered its policy rate by 25bps, given the ongoing steady disinflation process and weak economic momentum. BoE after reducing its key policy rates by 25bps, may lower rates twice by Nov'25. However, in case inflation surges again (as projected by BoE for H2CY25), then these chances may dwindle. In case of BoJ, the central bank recently hiked rates by 25bps, taking short-term rate to 0.5% from 0.25% earlier. Now given that inflationary momentum is still continuing in Japan, analysts have raised their bets for another rate hike by BoJ soon. Markets are pricing in rate hike to 0.75% by Jul'25.

**Key macro data releases:** India's GDP growth softened to 6.2% in Q3FY25, following 9.5% growth in Q3FY24. Unfavourable base and lower sectoral growth in manufacturing and mining sector dragged the overall growth down.





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