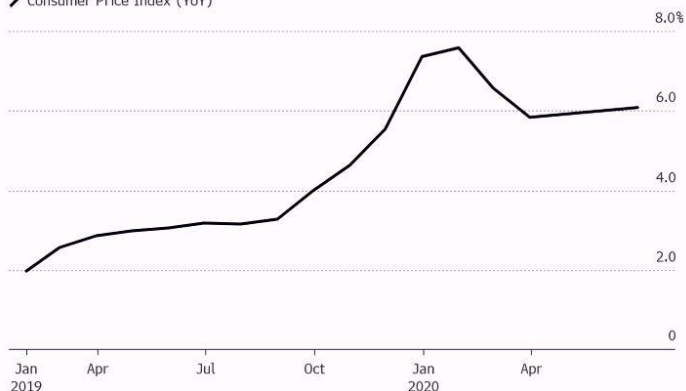


## Highlights

### Surprise Surge

Inflation quickens as India's economy reopens after a lockdown

Consumer Price Index (YoY)



Source: India Statistics Office

Bloomberg

**India's retail inflation unexpectedly quickened in June, as consumer prices rose 6.09% from a year earlier.** Food and beverage prices rose 7.29% in June from a year ago, while fuel prices edged up 2.69%. Although the headline inflation number is now above the RBI's 2%-6% target range, it's unlikely to keep the central bank from easing monetary policy to support the Indian economy, which is headed for its first full-year contraction in more than forty years. However, the contraction is expected to be short lived, with the IMF forecasting a rebound in India's GDP next year at 6%. The RBI which expects inflation to soften in the second-half of the fiscal year to March will meet in the first week of August to review policy. (Source: Bloomberg, RBI)

**June was the best month on record for foreign inflows in India, as overseas investors bought USD2.7 billion worth of stocks.** India was the only Asian market with two straight months of inflows in the April quarter resulting in the highest inflow in the region at USD4.6 billion. (Source: Bloomberg)

**Digital Payments in India is soaring in India as the COVID-19 pandemic accelerates consumer adoption of digital payment solutions.** The RBI aim to increase digital transactions to about 15% of gross domestic product by 2021, from 10% in 2019. Global tech giants such as Amazon.com Inc. and Alphabet Inc. are vying for a slice of India's digital-payments market, which is forecast to quintuple to \$1 trillion by 2023. They will have to compete

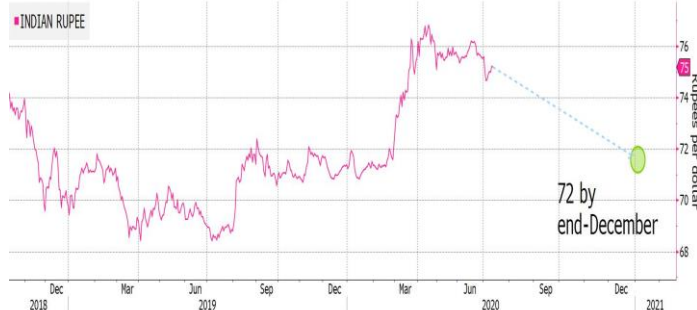
with Alibaba-backed local start-up Paytm, and Facebook Inc.'s WhatsApp Pay -- still in its testing stage in the country -- among others. Recent surveys by Boston Consulting Group, Facebook and Capgemini Research Institute all show that online payments have risen since the virus outbreak and a strong likelihood that the trend will continue for at least over the next 6 months. (Source: Bloomberg)

**In a show of confidence in the future of India and its digital economy, Google has announced plans to spend USD 10 billion over the next five to seven years to help accelerate the adoption of digital technologies in India.**

The USD10 billion will be invested in partnerships, operations, infrastructure, the digital ecosystem and equity investments. India's business has grown into one of Google's most important as the country has the second highest internet usage with 500 million users. In the last few months, India has seen a surge of foreign interest in its digital economy with Facebook Inc., Qualcomm Inc. and Intel Corp. ploughing USD16 billion in the digital services unit of Reliance Industries Ltd. as they set the foundation for future revenue growth. (Source: Bloomberg)

## Getting Better

Rupee is seen advancing in coming months on improving inflow



Source: Bloomberg

INR Surveys (Dollar Rupee Spot) HPI:PEP Daily 06/02/2019-03/01/2020

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**The Indian rupee is on course to recover as the prospect of a rare-current account surplus following robust foreign inflows and the global oil-price collapse nudges it higher against the USD.** Improvement in the services sector and trade data in May after the gradual easing of the world's strictest lockdown also suggest continuing inflows. Analysts have forecasted that the rupee may climb to as high as 72 by year end, implying a gain of about 5% from 75.6475 to the dollar. (Source: Bloomberg)

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