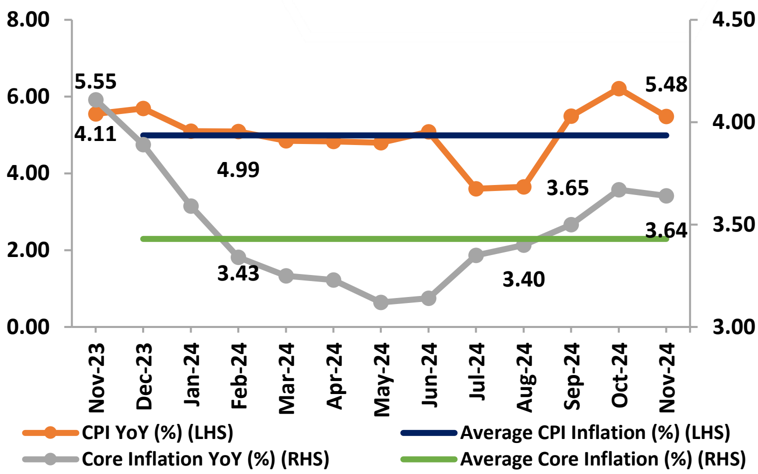
MONTHLY MACRO REVIEW

December 2024

BONANZA WEALTH

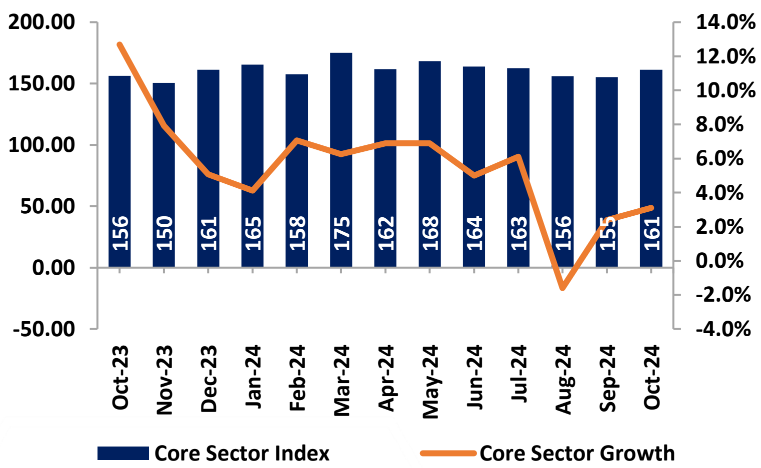
CPI INFLATION

India's Consumer Price Index (CPI) inflation eased to 5.48% in Nov-24, down from 6.21% in Oct-24, reflecting a significant moderation attributed mainly to a decline in food and beverage prices. This reduction aligns with seasonal harvests that have contributed to lower food prices, particularly in the vegetable category, which remains a concern with a YoY inflation rate of 29%. Food and beverage inflation dropped from 9.7% in October to 8.2% in November, primarily due to seasonal corrections. While the moderation is encouraging, elevated prices in essential items such as fruits (8%), edible oils (13%), and cereals (7%) continue to pose challenges. Notably, core inflation remained subdued at 3.64%, underscoring stable price trends outside the food sector. The outlook for inflation appears more optimistic, thanks to favorable agricultural conditions and healthy reservoir levels. However, policymakers must remain vigilant regarding potential external risks, particularly in edible oil prices, which are significantly influenced by global markets. Analysts speculate that sustained easing of inflation could prompt the Reserve Bank of India to reconsider policy rates in early 2025, with expectations of a potential cut in response to slowing economic growth.



CORE SECTOR

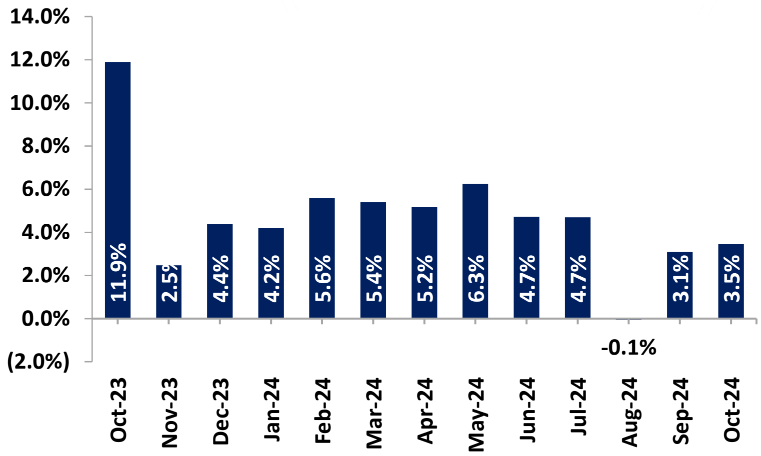
The Index of Eight Core Industries (ICI) sector growth rebounded to 3.1% in Oct-24, marking the second consecutive month of improvement across the eight core industries. This growth follows a revised 2.4% increase in September, signalling a positive shift in the nation's infrastructure output. The eight core industries—coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity—are vital indicators of industrial health, accounting for 40% of the Index of Industrial Production (IIP). The Oct-24 growth follows a contraction to a 22-month low of 0.1% in Aug-24, highlighting signs of a gradual rebound. Notable expansion in output growth were seen in Coal by 7.8%, Refinery products by 5.2%, Fertilizer by 0.4%, Steel by 4.2%, Cement by 3.3%, and Electricity by 0.5%. While the contraction in output were seen in Crude oil by (-4.8%) and Natural Gas by (-1.2%). Compared to Oct-23, seven sectors have recorded decline in growth output. Despite the recent uptick, growth in the core sectors during the first half of the current fiscal (H1FY25) stood at 4.2%, significantly lower than the 8.2% growth recorded in the same period last year.



IIP GROWTH

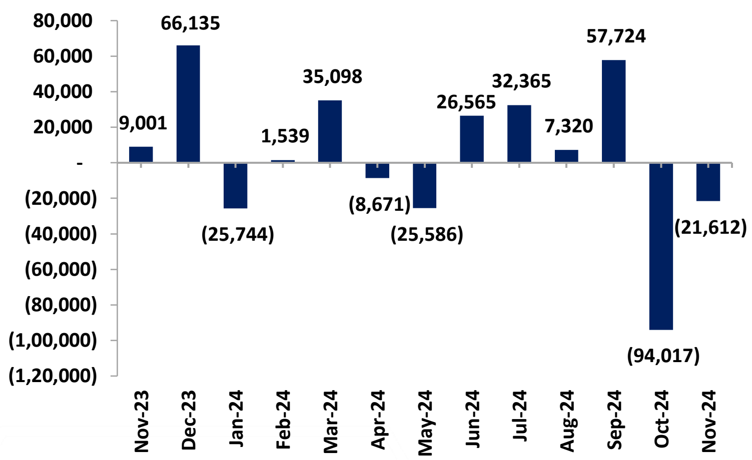
In Oct-24, India's Index of Industrial Production (IIP) registered a notable growth of 3.5%, up from 3.1% in Sep-24. This broad-based improvement across key sectors underscores a resilient industrial landscape. The manufacturing sector, a critical component of the IIP, grew by 4.1%, buoyed by positive performance. Out of the 23 categories within the manufacturing sector, eighteen saw a YoY uptick in output. Basic metals accounting for 12.8% weight grew by 2.5% YoY, output of electric equipment saw an uptick of 18.7%, petroleum products output increased by 5.6% while motor vehicles output declined by 1.6%.

The electricity sector also showed encouraging signs, with output increasing by 2% compared to September's 0.5%. The mining sector, recovering from monsoon-related disruptions, saw a growth of 0.9%, indicating a robust rebound in activity. Within use-based classification, all categories recorded growth: Primary Goods (2.6%), Capital Goods (3.1%), Intermediate Goods (3.7%), Infrastructure goods (4.0%), Consumer durables (5.9%), and Consumer non-durables (2.7%). As favorable agricultural conditions support consumption, continued vigilance on urban demand trends will be essential for future growth. The outlook remains cautiously optimistic as India navigates through evolving economic dynamics.



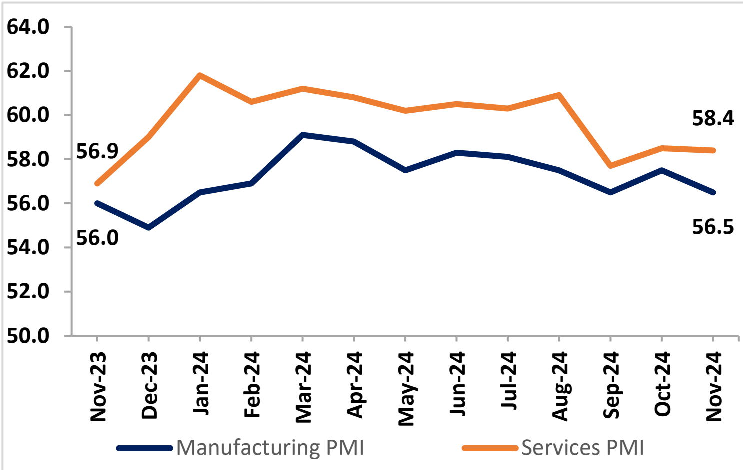
FII FLOWS

In Nov-24, Foreign Portfolio Investors (FPIs) withdrew Rs. 21,612 crores from the Indian equity market, primarily driven by rising US bond yields, a strengthening dollar, and concerns over a potential slowdown in the domestic economy. This outflow marks a significant reduction from October's record withdrawal of Rs. 94,017 crore, indicating a shift in investor sentiment. Despite the continued sell-off, FPIs have faced a cumulative net outflow of Rs 15,019 crore in CY24. Analysts suggest that future foreign investment flows will depend on various factors, including US economic policies under President Donald Trump, inflation rates, and geopolitical developments. Notably, FPIs exhibited erratic behaviour throughout November; they were net buyers during specific periods but reverted to selling shortly after. Additionally, FPIs invested Rs. 1,217 crores in debt general limits and Rs. 3,034 crores through the Voluntary Retention Route (VRR), contributing to a total investment of Rs. 1.07 lakh crore in the debt market this year. Sector-wise, in Nov-24, major inflows were seen in Information Technology, Financial Services, and Realty while major outflows were seen in Oil & Gas, Automobile and Auto Components, and Telecommunication.



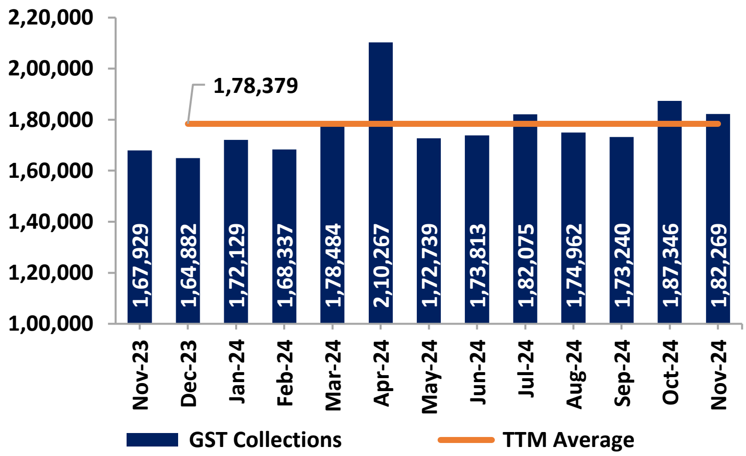
PMI INDICATORS

In Nov-24, India's manufacturing sector exhibited a notable yet tempered growth, as indicated by a Manufacturing PMI of 56.5, a slight decrease from October's figure of 57.5. This decline reflects a deceleration in new order growth, impacted by intensified competitive pressures and significant inflationary trends, particularly in input costs which surged to levels not seen in over eleven years. Conversely, the Services PMI displayed robust resilience, maintaining a strong index of 58.4, a marginal reduction from 58.5 in October, bolstered by heightened employment growth and unwavering demand. This sector witnessed an unprecedented increase in job creation, further buoyed by growing international demand, which led to a sharp rise in both input costs and selling prices. Consequently, the Composite PMI for India registered at 58.6, signifying continued expansion across both sectors, albeit with caution regarding inflationary pressures. Looking ahead to the month of December, the outlook remains optimistic, with expectations of sustained demand and strategic marketing efforts poised to drive new business initiatives, reinforcing the overall positive trajectory of the Indian economy despite prevailing challenges.



GST COLLECTIONS

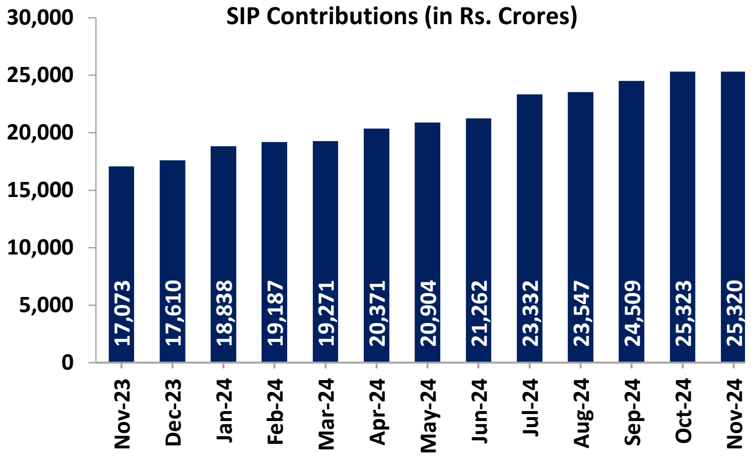
India’s gross GST collections for Nov-24 demonstrated a robust annual growth of 8.5%, reaching Rs 1,82,269 crores. This figure, while a dip from October's Rs. 1,87,346 crores, reflects a consistent upward trajectory compared to Rs. 1,67,929 crores collected in Nov-23. According to government data, gross GST revenue from domestic transaction grew by 9.4% YoY to Rs. 1,39,678 crores, whereas import of goods was up by 5.9% YoY to Rs. 42,591 crores. Following adjustments for refunds, the net GST revenue for Nov-24 totalled at Rs. 1,63,010 crores, reflecting a growth of 11.1% YoY. YTD gross collections now stand at Rs. 14,56,711 crores, a 9.3% YoY. CGST comprised Rs. 34,141 crores, SGST comprised Rs. 43,047 crores, IGST comprised Rs. 91,828 crores, and Cess comprised Rs. 13,253 crores.

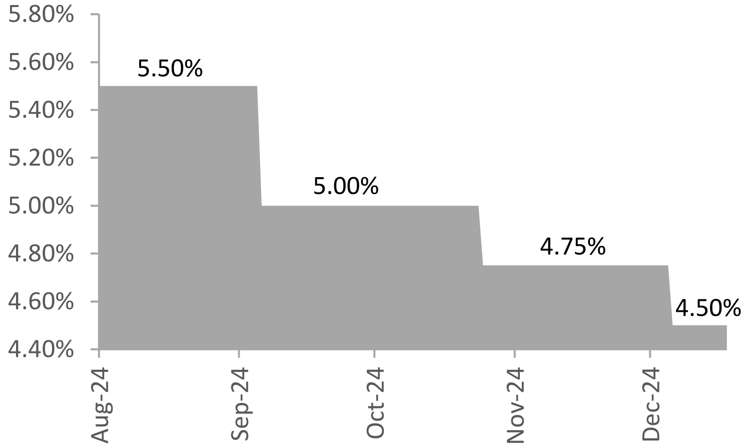


Maharashtra led the states in GST collections, contributing Rs.29,948 crore, a significant 17% year-on-year increase. Other prominent states included Karnataka and Gujarat, with collections of Rs. 13,722 crore and Rs. 12,192 crore, respectively. This recovery was supported by high-frequency indicators such as the Purchasing Managers’ Index (PMI) and e-way bill generation, signalling a rebound in rural and urban demand.

MUTUAL FUND FLOWS

The mutual funds industry recorded a significant decline in Nov-24 inflow amounting to Rs. 60,295 crores against net outflow of Rs. 2,39,829 crores in the previous month. Open-ended equity mutual funds inflows declined by 14.2% MoM to Rs. 35,943 crores during the month as against Rs. 41.887 crores in Oct-24. This slowdown is attributed to multiple factors, including fewer sectoral and thematic new fund offers (NFOs) and a shorter trading month. Net assets under management (AUM) of the mutual fund industry rose to hit Rs. 68.07 lakh crore in Nov-24. In the equity fund category, large-cap funds witnessed a decline of 26.2% MoM to Rs. 2,548 crores, Mid Cap Fund and Small Cap Fund grew by 4.28% and 9.01% MoM, respectively. Dividend Yield Fund and Sector/Thematic Funds declined by 59.53% and 37.63% respectively. ELSS fund recorded growth of 61.34% accounting to Rs. 619 crores. Systematic Investment Plan (SIP) inflows reached a record high of Rs. 25,320 crores for the month, reflecting a 48.3% YoY increase compared to Nov-23. The number of new SIPs registered in Nov-24 stood at 49,46,408. SIP Accounts reached an all-time high of 10.22 crore, surpassing the 10.12 crore accounts in September. The SIP AUM stood at Rs. 13.54 lakh crore in Nov-24 compared to 13.30 lakh crore in Oct-24.





FOMC MEETING

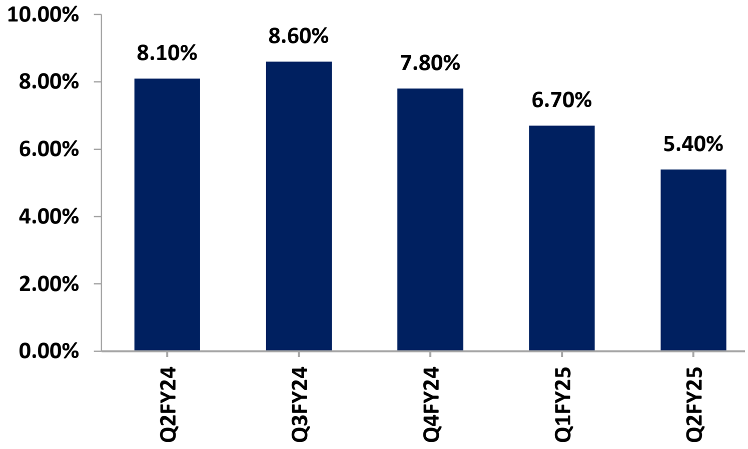
The Federal Reserve's final policy meeting of 2024 concluded with a 25-basis point rate cut, bringing the federal funds rate to a target range of 4.25-4.5%. This decision, anticipated by the market, reflects the Fed's cautious approach amid persistent inflationary pressures. Policymakers revised their inflation forecasts upward, now projecting a 2.5% inflation rate for CY25, compared to an earlier estimate of 2.1%. Looking ahead, the Fed has tempered its expectations for future rate cuts, anticipating only two additional 25-basis point reductions in CY25, with rates expected to end that year between 3.75-4.00%.

This marks a significant shift from previous forecasts that predicted more aggressive cuts. Despite these challenges, the U.S. economy is projected to grow by 2.5% in CY24 and 2.1% in CY25, surpassing earlier predictions of 2% growth for both years. Unemployment rates are also expected to decline, with revised projections of 4.2% for the current quarter and 4.3% by late CY25. Fed Chair Jerome Powell emphasized the importance of a balanced approach to managing inflation while fostering economic growth and maintaining a resilient labour market.

GDP GROWTH

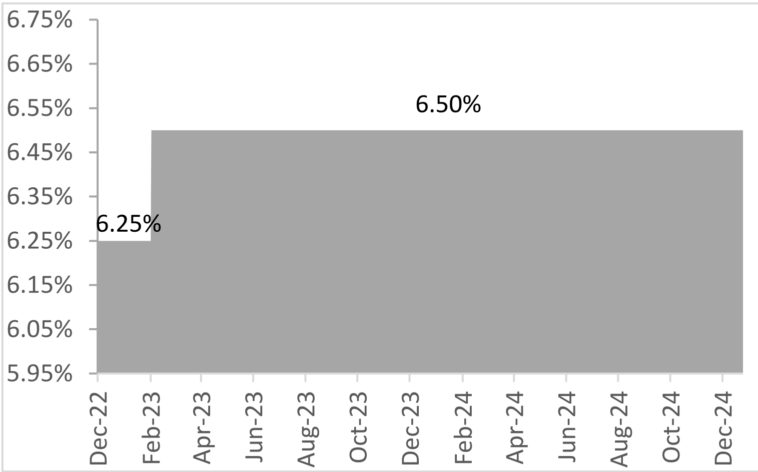
In Q2FY25, India's GDP growth has encountered a sharper-than-expected slowdown, hitting a seven-quarter low of 5.4% in the Q2FY25, and notably below the expected 6.5%. The deceleration in growth momentum, driven by an industrial slowdown and a moderation in investment demand. The Gross Value Added (GVA) growth fared slightly better at 5.6%, indicating a concerning stagnation in economic activity. Key sectors contributing to this decline included weak agricultural growth, which fell to 3.5% compared to an anticipated 5%, and a notable sluggishness in industrial output, notably manufacturing, which grew by only 2.2%.

The slip in private sector activity and a decrease in investment growth, which dropped to 5.4% from an average of 8.8% in previous quarters, likely influenced by a contraction in corporate profits. While services showed a modest growth of 7.1%, this was not sufficient to offset the overall slowdown. The RBI cut the GDP growth projection to 6.6% for FY25, from earlier forecast of 7.2%. Looking ahead, indicators suggest a potential recovery in H2FY25 due to festive demand and improved rural economic conditions following a good monsoon.



MPC MEETING

The Monetary Policy Committee (MPC) of the Reserve Bank of India, in its Dec-24 meeting, has opted to keep the repo rate unchanged at 6.5% for the eleventh consecutive time. As inflation pressures rose, reaching a 14-month high of 6.2%, the MPC maintained the policy repo rate at 6.50%, reflecting a careful approach to ensure price stability while accommodating economic growth. Acknowledging a slowdown in growth momentum, with real GDP growth declining to 5.4% in the Q2FY25 from an earlier projection of 7%, the MPC revised its growth forecast for FY25 down to 6.6%.



In a significant move to support liquidity, the MPC reduced the Cash Reserve Ratio (CRR) for banks to 4%, marking the first cut in nearly four years. This decision aims to inject approximately Rs. 1.16 lakh crore into the banking system, enhancing credit availability in a challenging economic environment. Governor Das emphasized the necessity for a balanced approach, focusing on maintaining inflation within its target while safeguarding growth prospects. With ongoing concerns about food inflation and geopolitical uncertainties, the MPC remains committed to monitoring these dynamics closely, underscoring the importance of prudent monetary policy at this critical juncture in India's economic landscape.

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