MONTHLY MACRO REVIEW

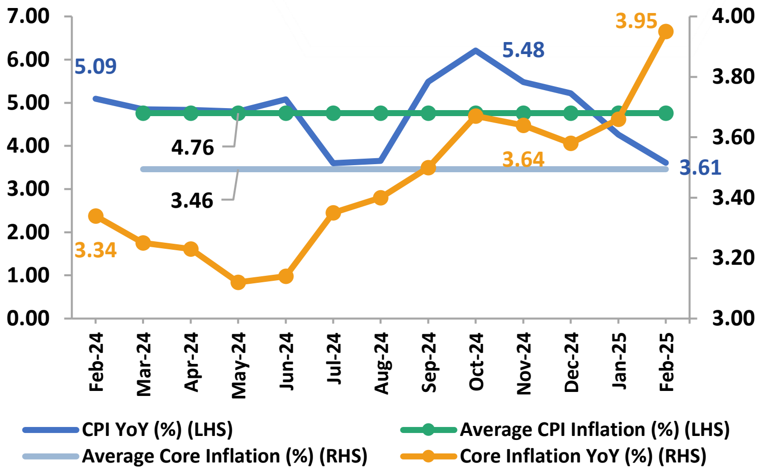
March 2025

BONANZA WEALTH

CPI INFLATION

Consumer Price Index (CPI) inflation in Feb-25 witnessed a higher-than-expected moderation to 3.6% (provisional), marking its lowest level in the past seven months. This decline was primarily supported by a sustained easing in food and beverages inflation, which fell to 3.8%, the lowest since May-23. Notably, vegetable inflation slipped into deflation at (-1.1%), a significant reversal from previous trends. Deflation was also observed in pulses, at (-0.4%). However, the moderation in overall food inflation was somewhat capped by double-digit inflation in edible oils (16.4%) and fruits (14.8%).

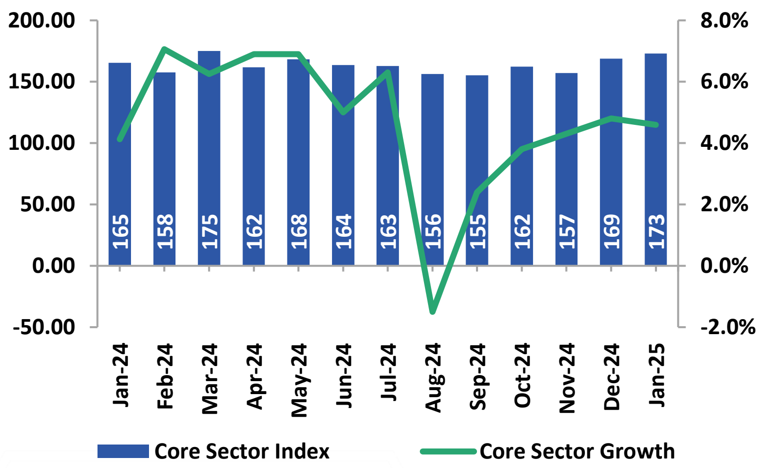
Concerns remain regarding edible oil prices due to contracted sowing and reliance on imports, coupled with rising global prices. In contrast to the headline figure, core inflation saw a marginal increase to 4.0% in Feb-25 from 3.7% in Jan-25. Looking ahead, CPI inflation is projected to remain around the 4% mark, underpinned by comfortable core inflation and moderating food prices, supported by favourable agricultural prospects. Nevertheless, the trajectory of global commodity prices warrants continued monitoring amidst geopolitical uncertainties and evolving trade policies.



CORE SECTOR

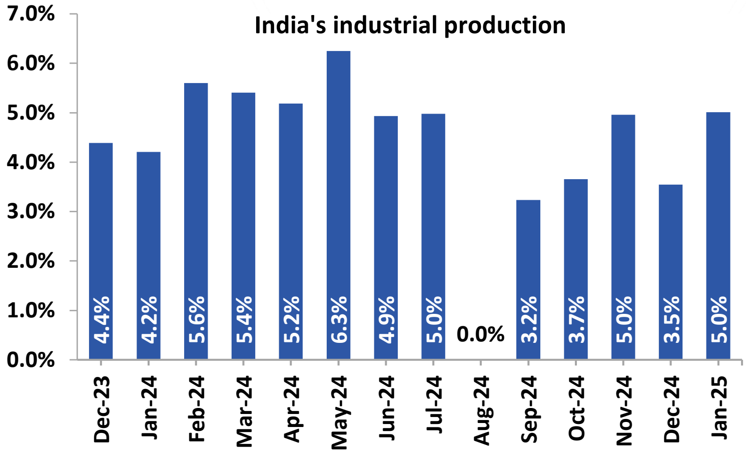
The Index of Eight Core Industries (ICI) grew by 4.6% (Provisional) in Jan-25, marking the fifth consecutive month of expansion. Eight Core Industries Jan-25 print shows a slight moderation compared to the 4.8% (Revised) growth recorded in Dec-24 but is an improvement from the 4.2% growth in Jan-24. The final output for Oct-24 was revised to an expansion of 3.8%, while Dec-24 output was revised upwards to 4.8% from 4.0% earlier. Notably, positive output growth was seen in coal (4.6%), refinery products (8.3%), fertilizers (3.0%), steel (3.7%), cement (14.5%), and electricity (1.3%).

Meanwhile, contractions in output were observed in crude oil (-1.1%) and natural gas (-1.5%). Experts suggest the cement sector's robust growth reflects rising demand in the real estate and roads sectors, indicating sustained infrastructure and construction investment. While the overall core sector growth remains positive, the decline in key energy sectors warrants attention regarding import dependence and potential cost pressures. The cumulative growth for the Apr-24 to Jan-25 period stands at 4.4%, notably lower than the 7.8% recorded in the same period last year.



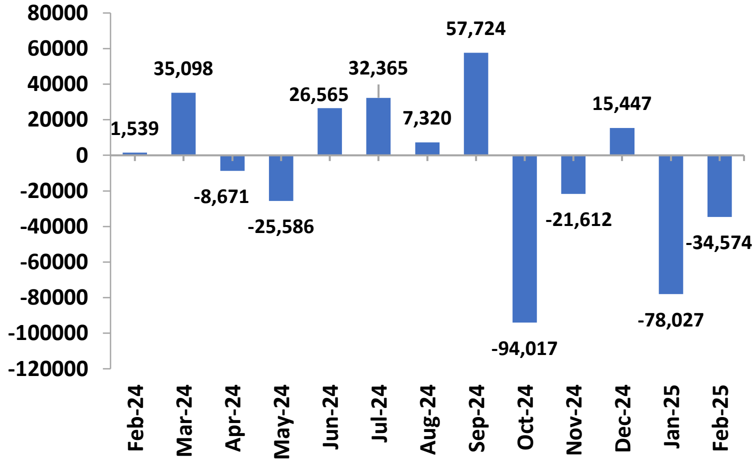
IIP GROWTH

India's industrial production growth witnessed a sharp uptick reaching to 5% in Jan-25, a notable increase from the 3.5% recorded in the Dec-24. This overall expansion was primarily supported by the improved performance of both the manufacturing and mining sectors. Specifically, manufacturing output growth saw a rise to 5.5% in Jan-25, up from 3.4% in Dec-24, with 19 out of 23 subcategories demonstrating YoY growth. Notably, the largest component, basic metals, grew by 6.3%. Mining output also exhibited positive momentum, growing by 4.4% compared to 2.7% in December. In contrast, electricity output experienced a moderation, slowing to 2.4% in January from 6.2% in December. Within use-based classification, five out of six categories have recorded growth: Primary Goods (5.5%), Capital Goods (7.8%), Intermediate Goods (5.2%), Infrastructure goods (7.0%), Consumer durables (7.2%). The only laggard was consumer non-durables which declined by (-0.2%). The consumer non-durables continued to contract, albeit at a slower pace of (-0.2%) compared to (-7.5%) in the previous month. Looking ahead, a sustained and broad-based improvement in consumption demand remains critical for bolstering industrial performance.



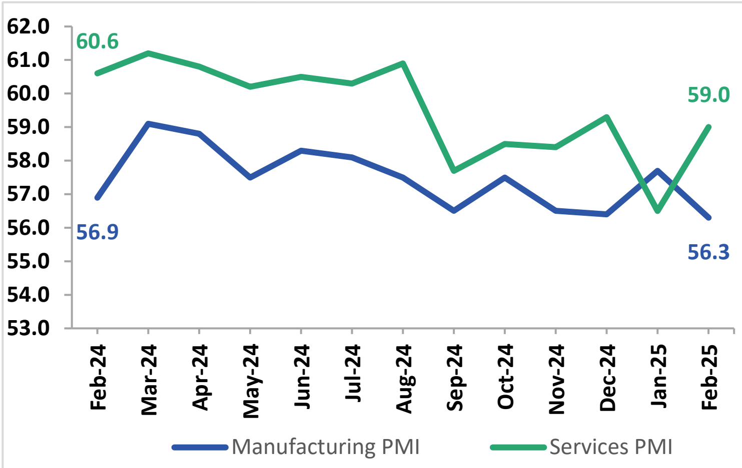
FII FLOWS

In Feb-25, Foreign Portfolio Investors (FPIs) were net sellers in Indian equities market, divesting Rs. 34,574 crore indicating that FPIs have pulled out Rs. 1.13 lakh crores in the first two months of CY25. Despite the RBI's active intervention, including a recent USD/INR swap to bolster its forex reserves, significant FPI outflows have continued to pressure the Indian Rupee and equity markets in the early months of CY25. Concerns over elevated valuations of Indian equities and modest corporate earnings growth are key drivers. A stronger US dollar and attractive US bond yields have also reduced the appeal of emerging markets. Furthermore, the potential for higher US tariffs on Indian exports under a new US administration has contributed to negative investor sentiment. Debt saw net inflows of Rs. 10,274 crore, bringing the total FPI infusion for FY25 to Rs. 1,10,107 crore. Sector-wise, in Feb-25, major inflows were seen in Telecommunications (Rs. 7,998 crores), Others (Rs. 1,246 crores), and Information Technology (Rs. 805 crores) while major outflows were seen in Financial Services (Rs. 6,991 crores), FMCG (Rs. 6,904 crores) and Capital Goods (Rs. 4,464 crores). Despite these pressures, some analysts anticipate an improvement in FPI sentiment in the coming months, contingent on stabilising valuations, a recovery in corporate earnings, and improved global risk sentiment



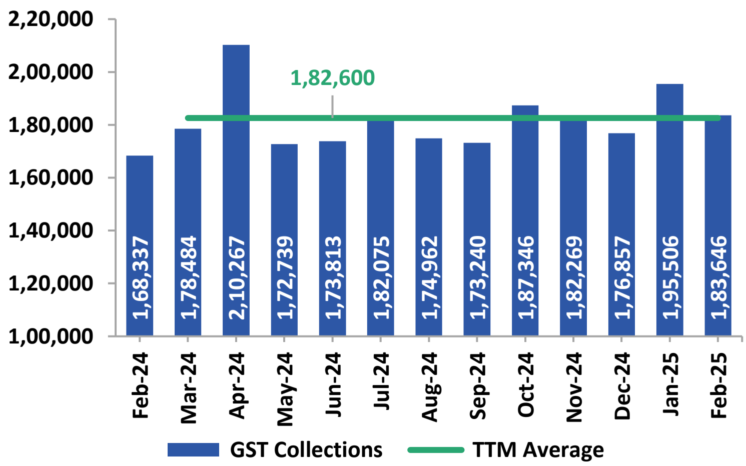
PMI INDICATORS

The Indian manufacturing sector exhibited robust growth in Feb-25, although the pace of expansion in both output and sales eased to their slowest levels in fourteen months. The HSBC India Manufacturing PMI stood at 56.3 in Feb-25, down from 57.7 in Jan-25, but still signalling a notable improvement in the sector's overall health. Meanwhile, the services sector saw a sharper acceleration in business activity. The HSBC India Services PMI Index rose to 59.0 in Feb-25, up from 56.5 in Jan-25, indicating a rapid expansion well above the long-term average. As a result, overall private sector output increased at a faster rate. The HSBC India Composite Output Index climbed from 57.7 in Jan-25 to 58.8 in Feb-25, with the services sector being the primary driver of this acceleration. Looking ahead, the HSBC India Business Outlook Survey conducted in Feb-25 reflected strong optimism among private sector firms, driven by expectations of favorable demand conditions over the next 12 months. This supported upbeat projections for output, investment, and employment, though the degree of confidence had slightly eased. The subsequent HSBC Flash India PMI for Mar-25 showed that private sector output growth remained solid.



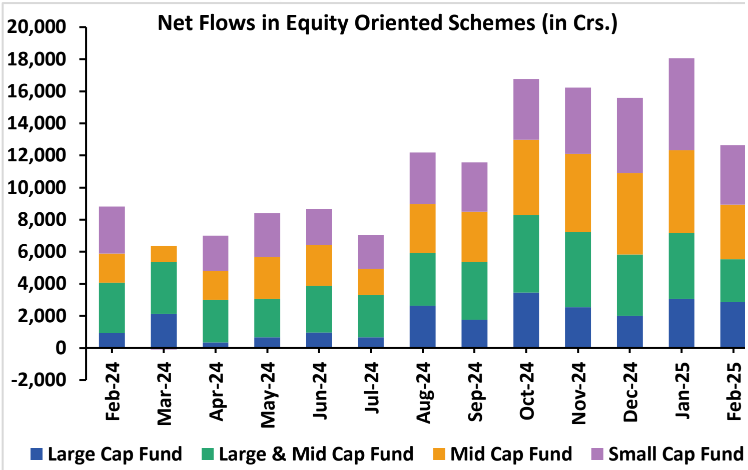
GST COLLECTIONS

India's gross Goods and Services Tax (GST) revenue collection for Feb-25 saw a significant uptick of 9.1% YoY increase, reaching approximately Rs. 1,83,646 crore. This robust performance, the twelfth consecutive month with collections exceeding Rs. 1,70,000 crore mark underscores the consistent growth in domestic GST revenue relative to import collections suggests the effective implementation of Atmanirbhar Bharat policies. According to government data, gross GST revenue from domestic transaction grew by 10.2% YoY to Rs. 1,41,945 crores, whereas import of goods was up by 5.4% YoY to Rs. 41,702 crores. Following adjustments for refunds, the net GST revenue for Feb-25 totalled at Rs. 1,62,758 crores, reflecting a growth of 8.1% YoY. YTD gross collections now stand at Rs. 20,12,720 crores, a 9.4% YoY. CGST comprised Rs. 35,204 crores, SGST comprised Rs. 43,704 crores, IGST comprised Rs. 90,870 crores, and Cess comprised Rs. 13,868 crores. Maharashtra led the states in GST collections, contributing Rs. 27,065 crore, a significant 13% YoY increase. Followed by Karnataka and Gujarat, with collections of Rs. 12,815 crore and Rs. 11,029 crore, respectively. Haryana and Tripura demonstrated notable growth of 20% and 21% respectively, while some states experienced muted or negative growth.

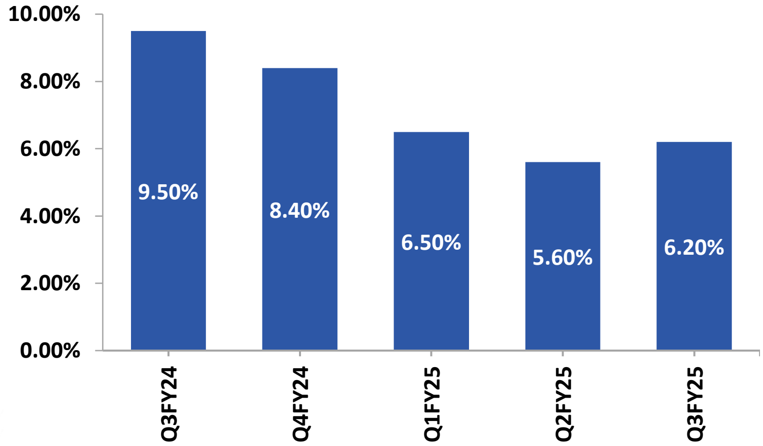


MUTUAL FUND FLOWS

In Feb-25, the Indian mutual fund industry witnessed a significant shift in domestic investor sentiment particularly in the mutual fund industry, with total inflows reaching to Rs. 40,063 crores a massive drop from Rs. 1,87,551 crores in Jan-25. Open-ended equity mutual funds stood at Rs. 29,303 crores in Feb-25 declined by 26% MoM, continued their positive trend. Data from the AMFI reveals that while equity funds maintained positive net inflows for the 48th consecutive month, the pace of investment has slowed. SIP inflows also saw a slight decrease, falling to a three-month low of ₹25,999 crore, accompanied by a spike in SIP stoppages. The industry's net assets under management (AUM) also stood at Rs. 64.53 lakh crore. Sectoral and thematic funds saw a significant contraction in inflows, down 37% MoM, while mid-cap and small-cap schemes also experienced 34% and 35% MoM declined, respectively. In contrast, large-cap funds witnessed a comparatively modest dip in inflows, suggesting investors are finding relative valuation comfort in this segment. Interestingly, Debt funds experienced net outflows of ₹6,525.56 crore, primarily driven by redemptions in shorter-duration funds. These trends indicate a cautious approach among investors, balancing long-term commitments with concerns over market uncertainty and global economic factors.



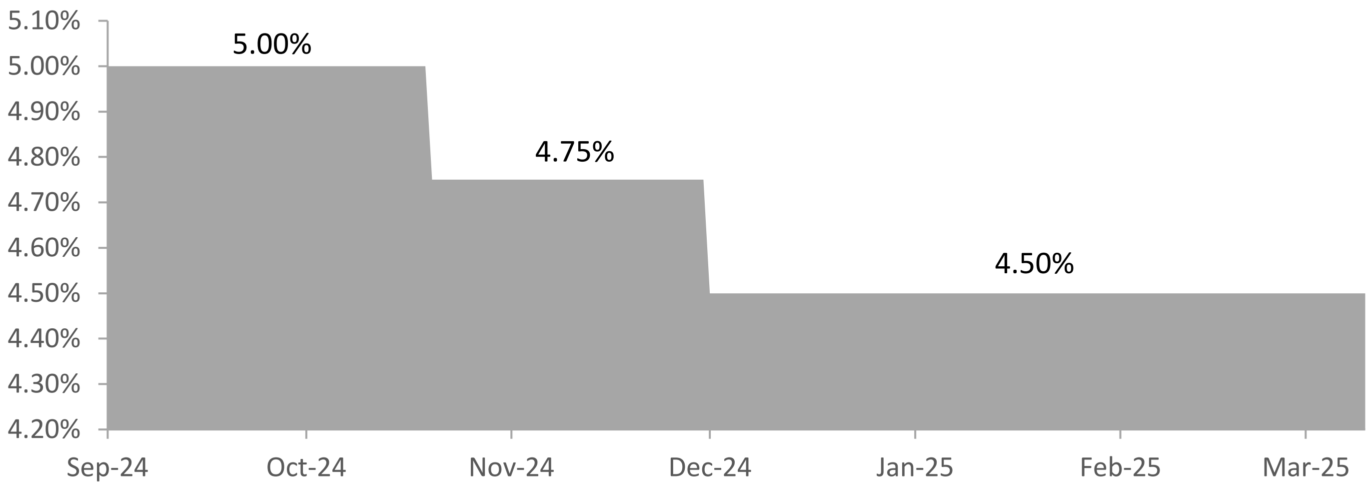
Gross Domestic Products



India's gross domestic product (GDP) growth accelerated to 6.2% YoY in the Q3FY25, recovering from 5.6% in Q3FY24. The uptick was primarily driven by a robust performance in private and government consumption, supported by a buoyant rural economy following a good monsoon and increased government spending. Notably, government consumption rose to a five-quarter high of 8.3% YoY. The gross value added (GVA) also stood at 6.2% in Q3FY25 as against 5.8% in Q2FY25, led by broad-based growth across sectors. The agriculture sector saw significant growth at 5.6% YoY, the highest since Sep-23. The services sector also demonstrated strong momentum, expanding by 7.4%. In contrast, gross capital formation remained largely steady at 5.7% YoY, and manufacturing growth, while improved, remained relatively subdued. Despite facing challenges, including the threat of a US tariff war, India remains poised to be the fastest-growing major economy globally, the government has revised it GDP growth forecast for FY25 set at 6.5%, from the initial 6.4%. Factors such as favourable fiscal policy supporting capex and consumption, easing monetary policy, and strong services exports are expected to aid this trajectory. For FY26, projections indicate a growth of around 6.3% to 6.6%.

FOMC Meeting

The Federal Open Market Committee (FOMC) has decided to keep its benchmark interest rate steady at 4.25% to 4.50% in its March meeting for a s second straight month. This decision reflects the central bank's navigation of mounting anxieties regarding a deceleration in economic growth alongside the potential for sustained high inflation. Chair Jerome Powell underscored the considerable ambiguity stemming from President Donald Trump's significant policy shifts. While acknowledging that inflation has begun to rise, partly attributed to tariffs, Powell suggested that any tariff-induced inflationary pressures are anticipated to be "transitory". The FOMC has revised its economic projections, anticipating a cooling of 2025 economic growth to 1.7% from 2.1%, and an increase in core inflation to 2.8% by year-end. Overall PCE inflation is projected at 2.7% for 2025, up from the previous estimate of 2.5%. The estimated unemployment rate for 2025 has been raised to 4.4%, while projections for 2026 and 2027 remain at 4.3%. In a parallel move, the Fed announced a deceleration in the reduction of its balance sheet, lowering the monthly cap on maturing Treasuries not being reinvested to $5 billion from $25 billion, effective April. This adjustment aims to ease potential strains on money market rates. The FOMC's statement indicated heightened uncertainty surrounding the economic outlook. The Fed anticipates reducing interest rates by about 50 basis points this year, although the timing and extent of these cuts remain uncertain due to economic volatility. The Fed dot plot also projects a decrease in the federal funds rate by 2026.



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