MONTHLY MACRO REVIEW

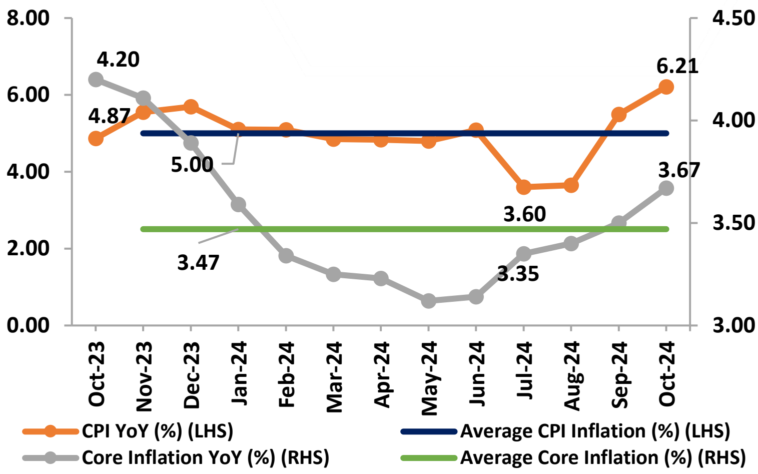
November 2024

BONANZA WEALTH

CPI INFLATION

In Oct-24, India's Consumer Price Index (CPI) inflation surged to a 14-month high of 6.2% YoY, up from 5.5% in Sep-24, exceeding market expectations. This increase was significantly influenced by food inflation, which reached 10.8% YoY, the highest in 48 months, driven by substantial price hikes in fruits and vegetables, along with oils and fats. Core inflation also rose to a 10-month high of 3.7% YoY, reflecting higher costs in housing, education, and personal care. The data indicated that 26% of the CPI basket recorded inflation rates exceeding 5%.

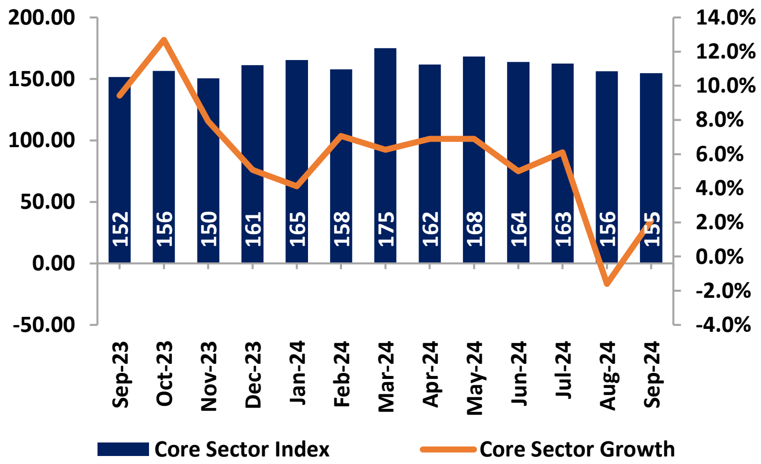
Food inflation significantly impacts overall inflation and household expectations, highlighting the need for government action to stabilize prices. The upcoming harvest and positive rabi sowing outlook may relieve some pressure. However, inflation in FY25's second half could exceed RBI forecasts, delaying rate cuts. The MPC is likely to maintain policy rates in December. We expect inflation to drop below 5% by Q4 FY25, enabling a potential rate to cut in February, with an average CPI inflation of 4.8% for the year.



CORE SECTOR

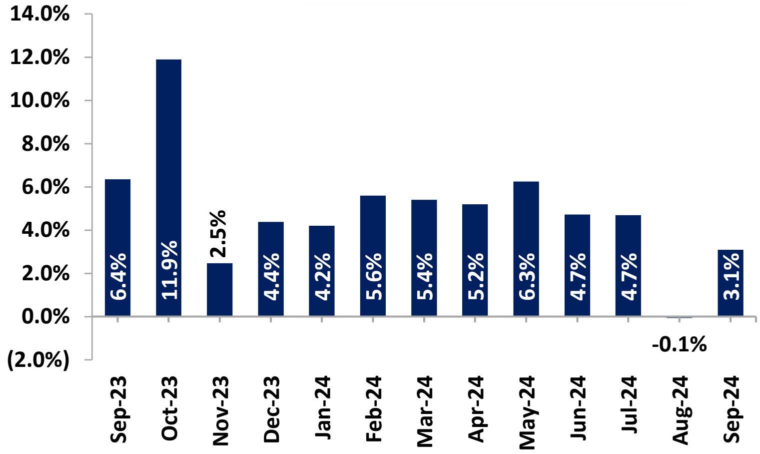
In Sep-24, the Index of Eight Core Industries (ICI) sector recorded a significant recovery, registering a growth of 2.1% YoY as against a contraction of 1.6% YoY recorded in Aug-24. This rebound was primarily fuelled by strong performances in the cement and refinery sectors, which expanded by 7.1% and 5.8%, respectively, following declines in the prior month. However, despite this positive development, overall growth remains below the average of 4.2% recorded during H1FY25, highlighting persistent challenges within certain industries.

Notable increases in output growth were seen in coal (2.6%), refinery products (5.8%), fertilizers (1.9%), steel (1.5%), and cement (7.1%). Conversely, declines in output were noted in crude oil (3.9%), natural gas (1.3%), and electricity (0.5%). Compared to Sep-23, six sectors have recorded a contraction in growth output. The mixed performance across the eight core industries underscores the complexities of the economic landscape, influenced by factors such as seasonal disruptions and varying demand dynamics. The eight core sectors contribute 40.27% to the IIP, with a favorable base and increased GST e-way bills from pre-festive stocking likely boosting growth this month.



IIP GROWTH

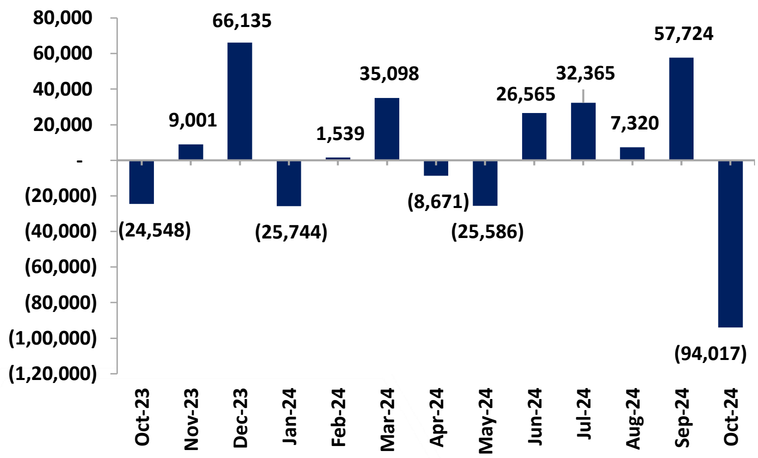
In Sep-24, the Index of Industrial Production (IIP) demonstrated notable growth of 3.1% YoY, a substantial recovery from the previous month's decline of -0.1%. This growth was primarily driven by the manufacturing sector, which grew by 3.9% YoY, marking a recovery from a mere 1.1% in Aug-24. Specific sub-segments within manufacturing, such as electric equipment and rubber products, showcased strong performance, even as certain sectors like pharmaceuticals and beverages lagged. Mining output also improved slightly, with a growth of 0.2% YoY, while electricity generation saw a modest increase of 0.5% YoY. 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; the output of electric equipment saw an uptick of 18.7%; rubber products grew by 9.9%; and petroleum products output increased by 5.3%.



Within the use-based classification, all categories recorded growth: Primary Goods (1.8%), Capital Goods (2.8%), Intermediate Goods (4.2%), Infrastructure goods (3.3%), Consumer durables (1.0%), and Consumer non-durables (2.0%). Expectations for improved domestic growth are supported by anticipated increases in investment activity, a recovery in rural demand, and heightened consumer spending during festive periods, alongside potential government spending boosts post the recent elections.

FII FLOWS

In Oct-24, Foreign Portfolio Investors (FPIs) turned net sellers, marking it as the worst-ever month in terms of outflows. This was triggered by the elevated valuation of domestic equities and the attractive valuations of Chinese stocks. FPIs pulled out a massive Rs. 94,017 crores (around US$ 11.2 billion) from the Indian stock market in October. Before this, FPIs had withdrawn Rs. 61,973 crores from equities in Mar-20. This came after a nine-month inflow of Rs. 57,724 crores in Sep-24. For FY25, FPI investments in equity now stand negative at Rs. 4,301 crores in the country. This significant exit was primarily driven by escalating geopolitical tensions, particularly in West Asia, and a notable rally in Chinese stock markets, which shifted investor focus towards more attractive valuations abroad.

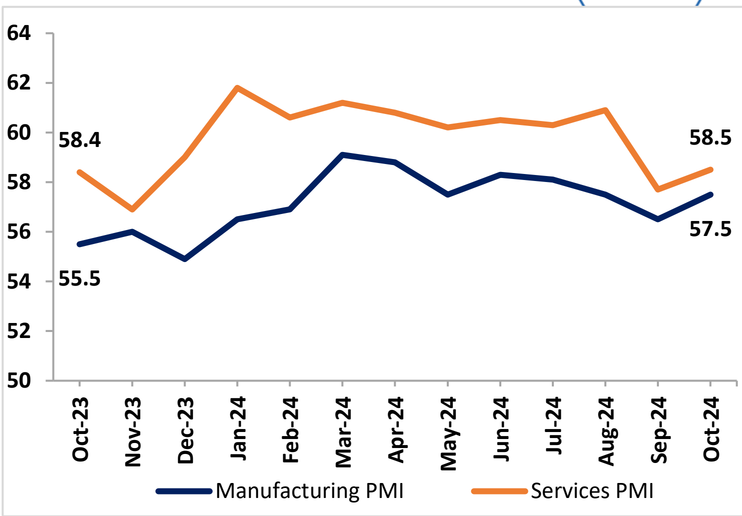


FPIs were net buyers of the Indian debt market for five consecutive months but sold Rs. 4,306 crores in October due to rising US Treasury yields, escalating geopolitical tensions, and a surge in crude oil prices. Sector-wise, in Oct-24, major inflows were seen in Healthcare, Information Technology, and Power, while major outflows were observed in Oil & Gas, Financial Services, and FMCG.

PMI INDICATORS

In Oct-24, India's economic performance demonstrated notable resilience and expansion, as reflected in key indicators of business activity. The Manufacturing PMI rose to 57.5, up from 56.5 in Sep-24, signalling a substantial improvement in operating conditions driven by accelerated growth in output, new orders, and export sales. This growth was underpinned by robust demand and strategic efforts by manufacturers to strengthen their sales pipelines. Similarly, the Services PMI increased to 58.5 from 57.7 in the prior month, marking a strong recovery from a 10-month low. Service providers reported heightened domestic and international demand, which facilitated accelerated job creation and sharper expansions in new business volumes.

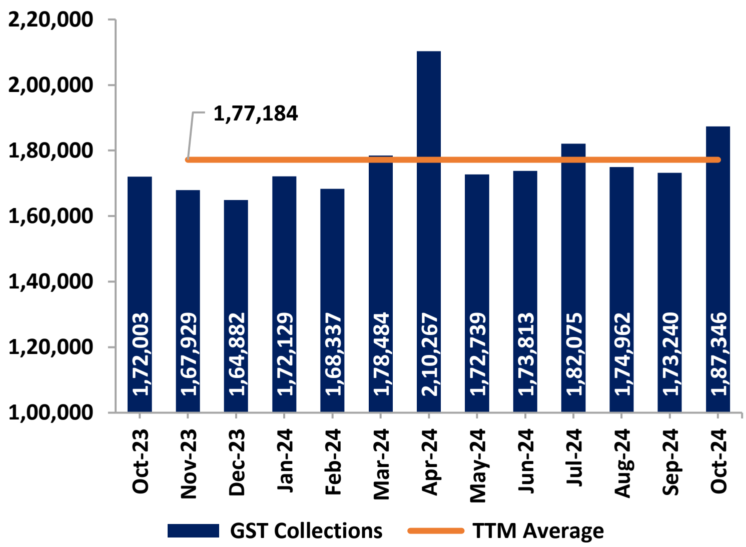
The Composite PMI, which aggregates manufacturing and services activity, advanced to 59.1, reflecting synchronized and robust sectoral growth. Looking ahead, the India Business Outlook survey and Flash India PMI for Nov-24 indicate sustained economic optimism, supported by expectations of continued demand strength, proactive marketing strategies, and favorable consumer sentiment.



GST COLLECTIONS

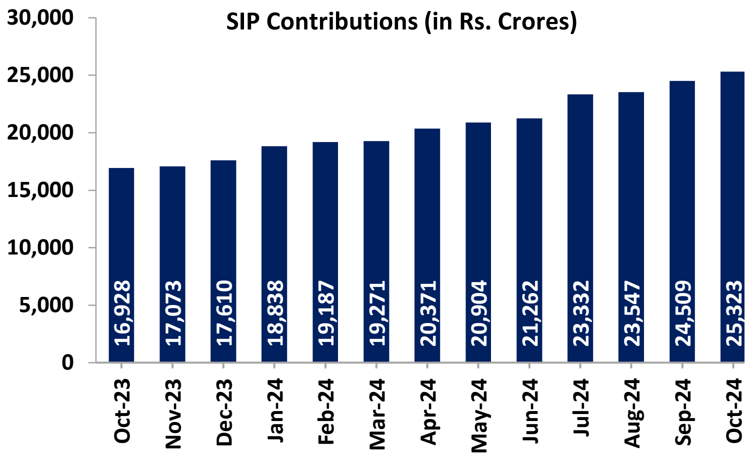
In Oct-24, India’s gross GST collections reached a remarkable ₹1.87 lakh crore, marking an 8.9% YoY growth and representing the second-highest monthly collection since the implementation of GST. This increase highlights robust domestic economic activities and effective tax compliance measures. According to government data, gross GST revenue from domestic transactions grew by 10.6% YoY to Rs. 1,42,251 crores, whereas the import of goods was up by 3.9% YoY to Rs. 45,096 crores. Following adjustments for refunds, the net GST revenue for Oct-24 totalled at Rs. 1,68,041 crores, reflecting a growth of 7.9% YoY. FY25 collections now stands at Rs. 12,74,442 crores, a 9.4% YoY increases.

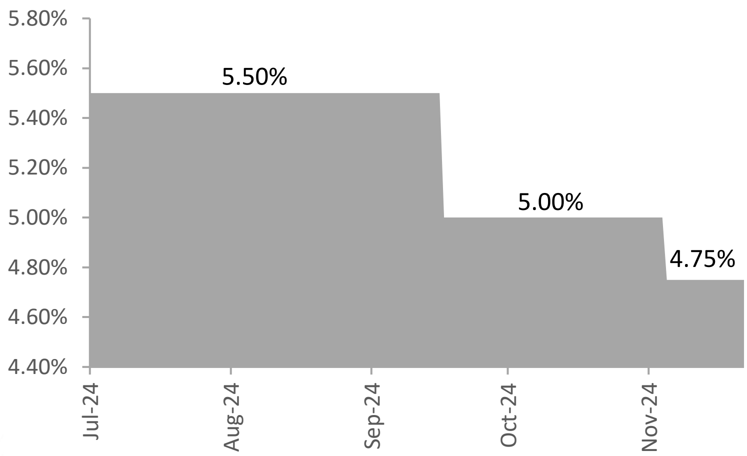
CGST comprised Rs. 33,821 crores, SGST comprised Rs. 41,864 crores, IGST comprised Rs. 99,111 crores, and Cess comprised Rs. 12,550 crores. Maharashtra led in GST collection for Oct-24, amassing Rs. 31,030 crores, followed by Karnataka at Rs. 13,081 crores and Gujarat at Rs. 11,407 crores. Key components, including CGST and SGST, showcased substantial growth, driven by heightened consumer demand and proactive enforcement strategies. The data reflects sustained economic recovery and improved administrative efficiencies, bolstering confidence in India’s fiscal health.



MUTUAL FUND FLOWS

In Oct-24, the overall mutual funds industry witnessed an inflow of Rs. 2,39,829 crores against a net outflow of Rs. 71,114 crores in the previous month. Open-ended equity mutual fund inflows jumped by 21.7% MoM to Rs. 41,886.69 crores during the month, compared to Rs. 34,419.26 crores in Sep-24. Despite a notable influx of capital, domestic equity markets experienced a widespread sell-off due to escalating concerns over a potential conflict between Iran and Israel. Net assets under management (AUM) in the mutual fund industry rose to Rs. 67.26 lakh crores in Oct-24. In the equity fund category, large-cap funds witnessed a growth of 95% MoM to Rs. 3,452 crores. Large and Mid-Cap Funds and Mid Cap Funds grew by 35% and 49.6% MoM, respectively. Dividend Yield Funds and Sector/Thematic Funds declined by 65.2% and 7.4% respectively. Systematic Investment Plan (SIP) inflows reached a record high of Rs. 25,323 crores for the month, reflecting a 49.6% YoY increase compared to Oct-23, underscoring growing investor confidence in disciplined, long-term investment approaches. The number of new SIPs registered in Oct-24 stood at 63,69,919. The SIP AUM was at Rs. 13.30 lakh crores in Oct-24, compared to Rs. 13.81 lakh crores in Sep-24.





FOMC Meeting

In Nov-24, the Federal Open Market Committee (FOMC) unanimously decided to reduce the federal funds rate by 25bps, bringing it to a range of 4.50% to 4.75%. This decision reflects cautious optimism regarding inflation trends, as recent data indicated a moderate but persistent inflationary environment, alongside solid economic growth and a resilient labour market. This cut comes after the FOMC has reduced its benchmark rate by 50bps in its last Sep-24 meeting. The FOMC emphasized its commitment to achieving its dual mandate of price stability and maximum employment while also acknowledging the uncertainties surrounding future economic developments. Inflation has made progress toward the 2% target, but it remains somewhat elevated, indicating that further policy adjustments may be necessary. The recently released CPI inflation displayed an increase in retail inflation to 2.6% YoY in October, marking the first uptick in seven months. The committee's forward guidance suggested that any further adjustments to the interest rate would be contingent upon ongoing assessments of economic indicators, including labour market dynamics and inflation expectations. As such, the FOMC remains poised to adapt its policy stance in response to evolving economic conditions, aiming for a balanced approach that supports sustainable growth while managing inflationary pressures.

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