MONTHLY MACRO REVIEW

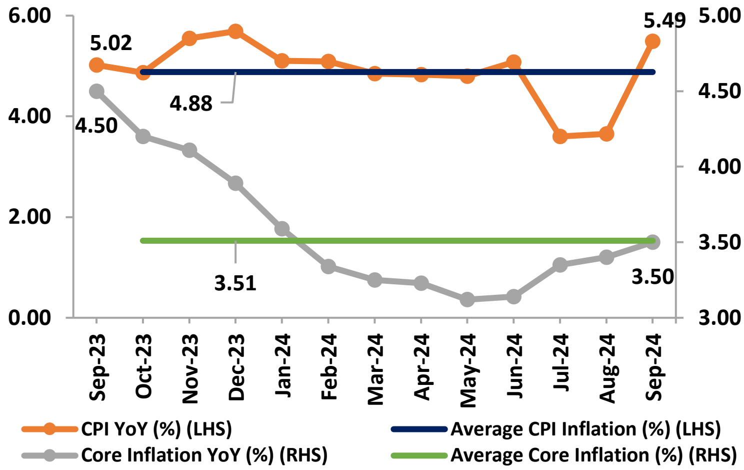
October 2024

BONANZA WEALTH

CPI INFLATION

In Sep-24, India's Consumer Price Index (CPI) inflation rose sharply to nine-month high of 5.5% (Provisional) compared to 3.65% (Final), driven by higher food prices and unfavourable base effect. Nevertheless, the inflation was still within the RBI's medium-term target range of 2-6%. Food inflation remains a persistent concern as it increased to 8.4% in Sep-24 up from 5.3% in Aug-24, led by vegetables (3.5%), edible oils (2.9%), eggs (1.6%) and pulses (0.6%). The surge in food inflation can be attributed to the favourable base effect of the previous two months tapered off. The Vegetable inflation has peaked in the past 14 months and edible oils have exited deflation for the first time in 19 months.

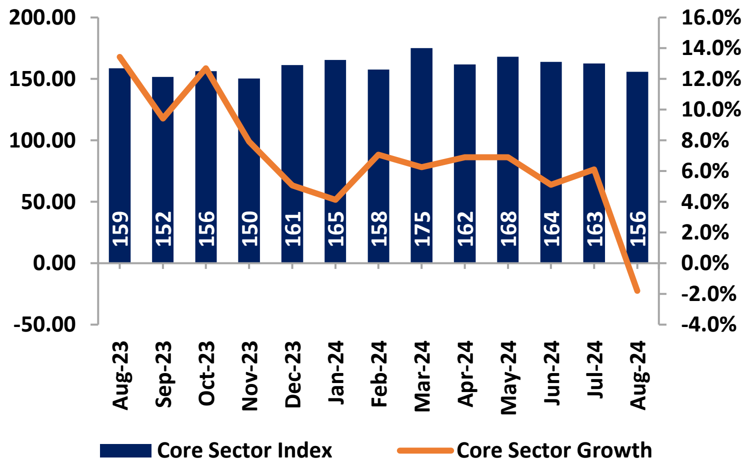
The Core CPI, a non-volatile component of the CPI, saw a marginal uptick of 10bps to 3.5% in Sep-24. We believe food inflation remains a significant threat, but the Kharif harvest and favourable base effects may help. It's crucial to manage food inflation to stabilize household inflation expectations. Geopolitical tensions in the Middle East should also be monitored. There may be a shallow rate cut in December and February policies if food inflation moderates.



CORE SECTOR

The Index of Eight Core Industries (ICI) experienced a decline in overall growth, reaching to -1.8% (Provisional) in Aug-24, marking the lowest point in 42 months, compared to 6.1% growth (Provisional) in Jul-24. The final growth rate of ICI for the May-24 is 6.9% (earlier 6.4%). The decline in ICI in the month of Aug-24 can be attributed to a high base as well as monsoon impacting industrial activity. The growth in the output was 13.4% in Aug-23. The first five months of FY25 recorded 4.6% growth (Provisional) as against 8% during similar period in the previous year. The eight core industries contribute 40.27% to the IIP.

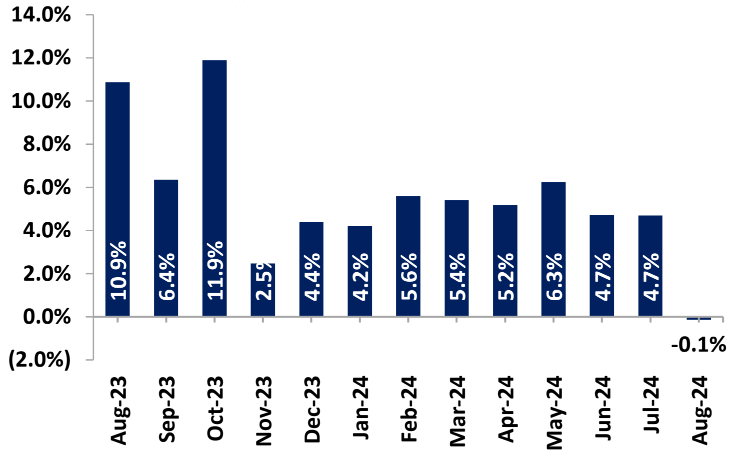
Notable increase in output growth were seen in Fertilizer by 3.2%, Steel by 4.5%. While the decline in output were seen in Coal Production by 8.1%, Crude oil by 3.4%, Natural Gas by 3.6%, Refinery products by 1.0%, Cement by 3.0%, and Electricity by 5.0%. Compared to Aug-23, all eight sectors have recorded decline in growth output. The contraction was the sharpest in coal and electricity sectors in August 2024 due to the swift progress of monsoon in the country which resulted in lower power demand.



IIP GROWTH

The India's Industrial Production (IIP) contracted to 0.1% YoY (Provisional) in Aug-24 as against a growth of 4.7% YoY (Final) in Jul-24. The slowdown was primarily due to an unfavourable base and a contraction in the mining and electricity sectors. The IIP print for Jul-24 has been revised to 4.7% from 4.8%. On a sectoral basis, electricity (3.7%) and mining (4.3%), whereas manufacturing output witnessed a muted growth of 1% in Aug-24. Out of the 23 categories within the manufacturing sector, 14 saw a YoY uptick in output. Basic metals accounting for 12.8% weight grew by 3.0% YoY, output of apparel saw an uptick of 14%, leather and related products grew by 2.1%, and textiles output increased by 1.2%.

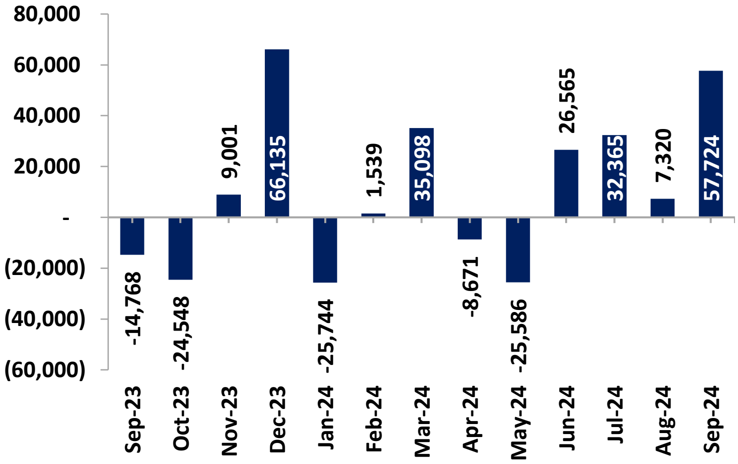
Within use-based classification, almost all categories recorded growth: Capital Goods - 0.7%, Intermediate Goods - 3.0%, Infrastructure Goods - 1.9%, Consumer durables - 5.2%, while Primary Goods and Consumer non-durables contracted by 2.6% and 4.5%, respectively. A favourable monsoon should bolster the consumption sector despite distributional issues. While external demand has been weak, domestic private consumption is expected to strengthen with the early festive season, improving the over consumption scenario.



FII FLOWS

In Sep-24, Foreign Portfolio Investors (FPIs) remained net buyers for fourth consecutive months in Indian equities. FPIs poured in Rs. 57,724 crores in the Indian equities market in Sep-24, marking it the highest monthly inflow since Dec-23. For FY25, FPI investments in equity stands at Rs. 89,716 crores in the country. The surge in inflows can be attributed to the Fed's aggressive interest rate cut making Indian assets more attractive. September maintained a positive streak in debt market inflows for the fifth consecutive month, attracting Rs. 1,299 crores.

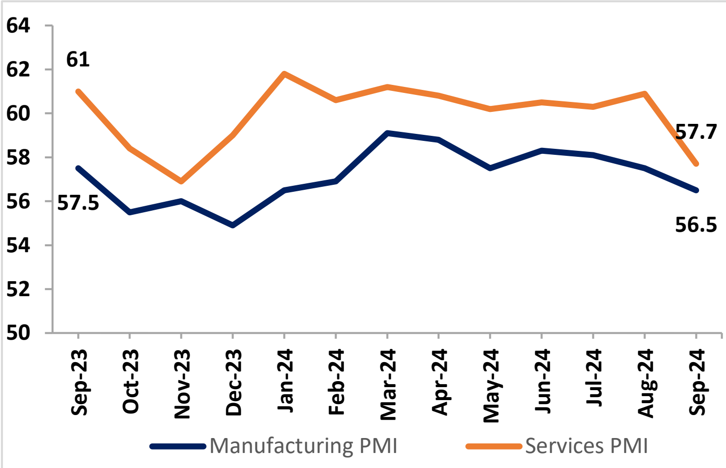
Despite geopolitical tensions and valuation concerns, FPIs have continued to invest in Indian equities and debt markets in FY25, following the trend from FY24. Experts believe India's growing prominence in global indices and favourable economic conditions will sustain FPI interest. However, investors should be mindful of changing global dynamics and geopolitical uncertainties. Sector-wise, in Sep-24, major inflows were seen in Financial Services, Healthcare, and Realty, while major outflows were seen in Consumer Services, Automobile and Auto Components, and Information Technology.



PMI INDICATORS

In September, the manufacturing sector experienced a significant downturn, with the PMI falling to an eight-month low of 56.5 against 57.5 in Aug-24. This decline signals a contraction in production levels and new orders, highlighting potential challenges that may impede the sector's recovery and growth trajectory. Factors contributing to this slowdown may include supply chain disruptions, rising input costs, and shifting consumer demand patterns. Simultaneously, the services sector also faced a notable dip, with its PMI decreasing to a ten-month low of 57.7 in Sep-24 as against 60.9 in Aug-24. This reduction reflects a slowdown in service-related activities, driven by a combination of reduced consumer spending and increasing operational expenses.

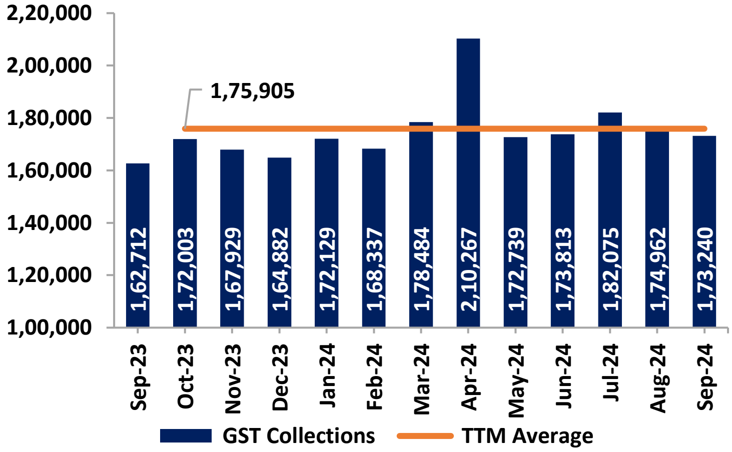
The simultaneous decline in both manufacturing and services PMI paints a concerning picture of the overall economic landscape, suggesting that businesses may need to adopt strategic measures to navigate these challenges effectively. Policymakers and industry leaders should closely monitor these trends to implement targeted interventions aimed at enhancing economic resilience and sustaining growth in an increasingly complex market environment.



GST COLLECTIONS

The gross GST collections for Sep-24 rose by 6.5% YoY growth to Rs. 1,73,240 crores as against Rs. 1,74,962 crores in Aug-24. This is the second month of a single-digit rise in collections and the slowest pace of growth in 40 months. According to government data, gross GST revenue from domestic transactions grew by 5.9% to Rs. 1,27,850 crores, whereas import of goods was up by 8.0% to Rs. 45,390 crores. Following adjustments for refunds, the net GST revenue for Sep-24 totalled Rs. 1,52,782, reflecting a growth of 3.9% compared to the same period last year. CGST comprised Rs. 31,422 crores, SGST comprised Rs. 39,283 crores, IGST comprised Rs. 90,594 crores, and Cess comprised Rs. 11,941 crores.

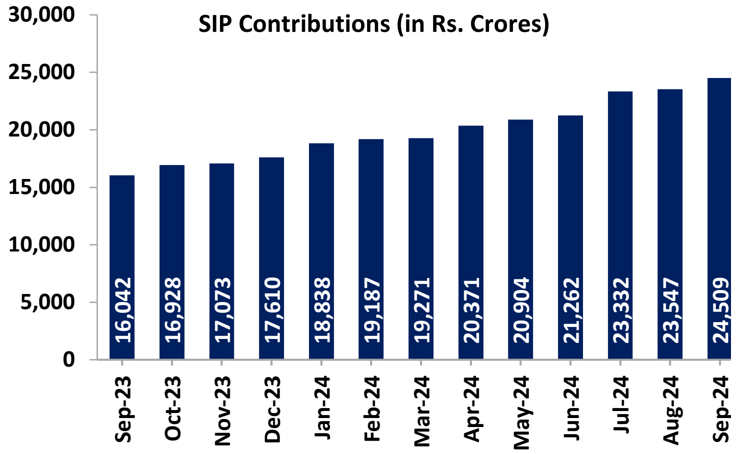
Maharashtra led in GST collection for Sep-24, amassing Rs. 26,369 crores, followed by Karnataka at Rs. 12,642 crores and Gujarat at Rs. 11,024 crores. The GST Council, led by Finance Minister Nirmala Sitharaman, decided to form a Group of Ministers (GoM) to consider reducing GST rates on life and health insurance. They also reduced GST on cancer drugs and namkeens. Additionally, a GoM was formed to address the compensation cess issue beyond March 2026, and a secretaries' committee will be created to resolve the negative balance in IGST.

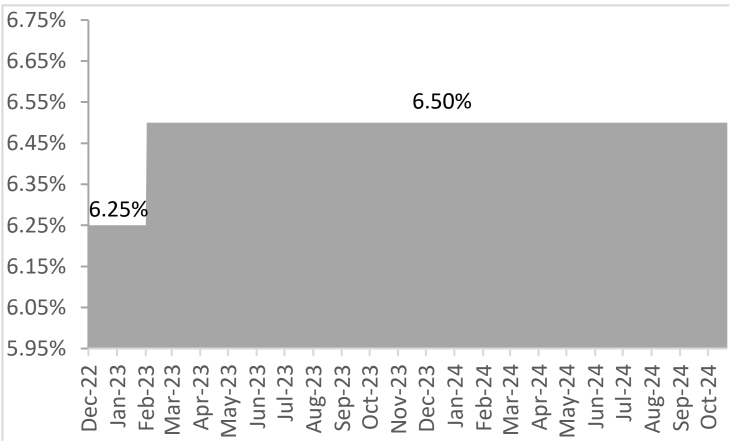


MUTUAL FUND FLOWS

In Sep-24, the mutual funds industry witnessed an outflow of Rs. 71,114 crores against net investment of Rs. 45,169 crores in the previous months. The huge outflow was due to withdrawal to the tune of Rs 1.14 lakh crore into debt schemes. Open-ended equity mutual funds inflows declined 10% MoM to Rs. 34,419 crores in Sep-24 as against Rs. 38,239 crores in Aug-24, on account of slower demand for large-cap funds. Net assets under management (AUM) of the mutual fund industry rose to hit Rs. 66.82 lakh crore in Sep-24.

In the equity fund category, large-cap funds experienced a 33% drop in inflows to Rs. 1,769 crores, while small-cap funds were at Rs. 3,071 crores and mid-cap funds maintained Rs. 3,130 crores. Sectoral/Thematic funds declined by 27% to Rs. 13,255 crores. Notably, the Dividend yield category surged by 205% to Rs. 1,529 crores, and multi-cap funds rose by 42% to Rs. 3,509 crores. The investment via systematic investment plans (SIPs) rose to all-time high of Rs. 24,509 crores in Sep-24 from Rs. 23,547 crores in Aug-24. The number of new SIPs registered in Aug-24 stood at 66,38,857. The SIP AUM was highest ever at Rs. 13.81 lakh crore in Sep-24 compared to 13.39 lakh crore in Aug-24.





RBI’s MPC Policy Decision

The Monetary Policy Committee (MPC) of the Reserve Bank of India, in its Aug-24 meeting, has opted to keep the repo rate unchanged at 6.5% for the tenth consecutive time. This decision reflects a cautious approach amid ongoing inflationary pressures and a complex economic landscape. The RBI's Governor, Shaktikanta Das, indicated that while inflation has shown signs of moderation, it remains above the target range, primarily driven by fluctuations in vegetable prices and other consumer goods. The RBI's stance suggests that it is closely monitoring both domestic and global economic indicators, including manufacturing sector performance and broader consumer sentiment.

During the Oct-24 meeting, MPC maintained its FY25 CPI inflation forecast at 4.5%, with Q2 projected at 4.1%, Q3 at 4.8%, and Q4 at 4.2%. CPI inflation for the Q1FY26 is projected at 4.3%. RBI Governor also kept the Marginal Standing Facility (MSF) and the Standard Deposit Facility (SDF) rates remain unchanged at 6.75% and 6.25%, respectively. GDP growth forecast for FY25 retained at 7.2%, with Q2 at 7.0%, Q3 at 7.4%, and Q4 at 7.4%, with risks being evenly balanced. Real GDP growth for the Q1 of FY26 is projected at 7.3%.

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