



# MONTHLY MACRO REVIEW

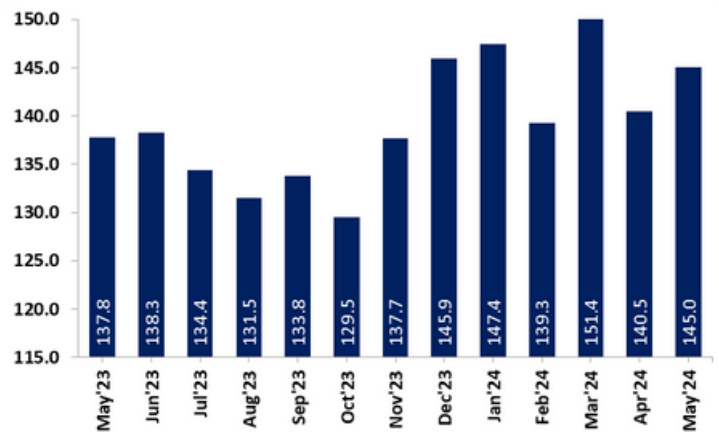
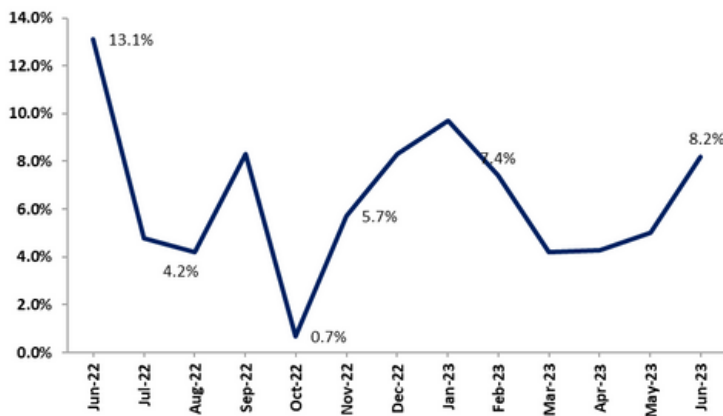
AUGUST 2023

BONANZA WEALTH



# IIP GROWTH

The Index for Industrial Production (IIP) in India rise to 5.2% (provisional) in May'23 as against 4.2% (revised to 4.5% actual) in Apr'23. The month of May saw a positive performance with strong growth in both the mining and manufacturing industries. Additionally, there was an increase in electricity output after muted demand from last 2 months, which contributed to overall growth in the IIP. The manufacturing sector which constitutes more than 3/4 of overall IIP output grew by 5.7% in May as against 5.2% in April. Basic metals, with the highest weight of 12.8% in the overall IIP, saw a positive growth of 9.6% compared to 10.2% in the previous month. As per, use-based classification, on YoY basis, all 6 categories have shown positive growth in May'23. The IIP growth was supported by Consumer durables, Infrastructure/Construction goods and Capital goods. In recent months, there has been an evident uptick in infrastructure output, signifying an encouraging growth in the real estate and infrastructure sectors. It is worth noting that the consumer durable segment has an uptick, following five consecutive months of decline. However, it is concerning that retail inflation is rising driven by food prices, especially since there is a recovery in consumption underway.

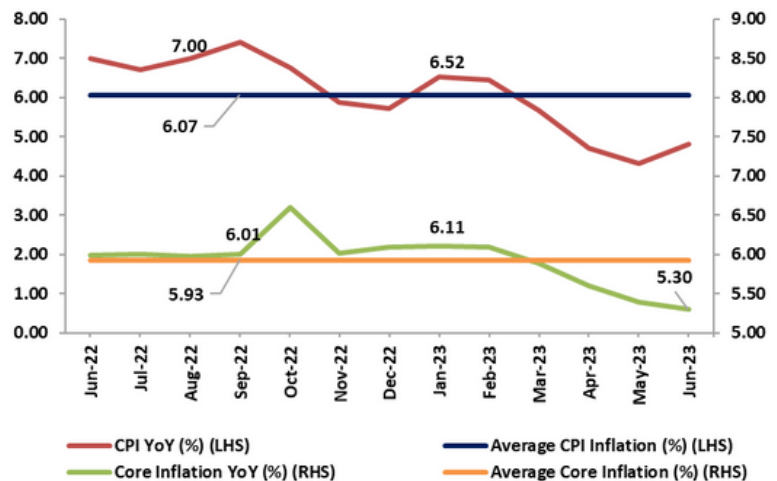


# CORE SECTOR

In Jun'23, The combined Index of Eight Core Industries (ICI) saw a growth of 8.2% (provisional) the highest in five months. Seven out of the eight sectors witnessed a rise in production, the only laggard was Crude Oil which experienced a 0.6% decline on a YoY basis. This marks the 13th consecutive month of output contraction for Crude Oil. During Q1FY23, output for growth of core industries slowed to 5.8%, as against 13.9% in the same period last year. The decline was due to a high base effect. Coal Production rose by 9.8%, Natural Gas by 3.6%, Refinery Products by 4.6%, Fertilizers by 3.4%, Steel by 21.9%, Cement by 9.4% and Electricity by 3.3% in May'23. On the other hand, the output of Crude Oil declined by 0.6%. Refinery products grew at the fastest pace in nine months, while cement output grew at the slowest pace in three months.

# INFLATION

India's consumer price inflation (CPI) rose to 4.81% in June breaking a four-month streak of decline due to an unfavourable base and spike in vegetable prices. Although CPI print remained within RBI's tolerance band of 2-6%. Core CPI (i.e., CPI excluding food and fuel) remained elevated at 5.3% in June-23, as against 5.4% in May-23. Food inflation jumped to 4.49% in June, driven by rising prices of pulses and vegetables. The inflation rate for certain food items, such as onions (8.1%), tomatoes (64%), and potatoes (10.5%), saw a sharp increase in June on a sequential basis. The central government is implementing various measures to control inflation by capping the wholesale prices of tomatoes to Rs. 80 per kg in some cities and an export ban on most rice varieties to reduce rice prices domestically. Production of certain food items is lower than last year due to excessive rainfall in some parts of India. While food inflation is concerning, the comforting factor is that the WPI has been contracting



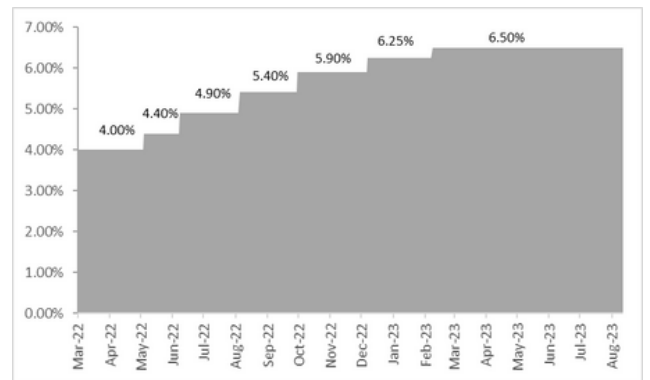
# GST COLLECTION

GST collections in Jul'23 saw a notable jump of 10.8% YoY, rising to ₹1,65,105 crores. GST collection crossed the 1.6 lakh crore mark for the fifth time since its inception, which can be attributed to tighter compliance and strong business activity. Out of the total gross GST revenue collected of which CGST is ₹29,773 crores, SGST is ₹37,623 crore, IGST is ₹85,930 crore, which includes ₹41,239 crore collected on import of goods and cess of ₹11,779 crores (including ₹840 crore collected on import of goods). Domestic transaction revenue increased by 15% YoY, including imported services. The GST Council in its 50th GST meeting, agreed to impose a 28% tax on the entire face value on online gaming, horse racing, and casinos. According to the Union finance minister, the 28% tax is likely to come into effect on October 1, 2023, and will be reviewed 6 months after its implementation.



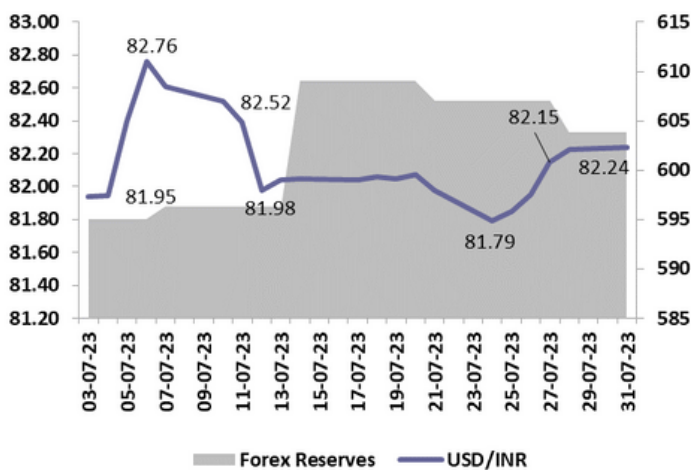
# RBI MPC DECISION

The RBI's Monetary Policy Committee (MPC) decided unanimously to keep the repo rate unchanged at 6.50% for the third time in a row. Since May 2022, the RBI has raised the repo rate by 250 basis points (bps). Consequently, the SDF rate is still at 6.25% while the MSF rate and Bank Rate are at 6.75%. The MPC also decided by a majority of 5:1 members to keep the policy stance unchanged as 'withdrawal of accommodation' aiming to curb money supply to maintain price stability and control inflation, with supporting growth. Headline inflation is expected to rise in coming months led by a surge in vegetable prices, as well as the potential impact of El Niño weather conditions. The latest CPI inflation projection for FY24, assuming normal monsoon season, has been raised to 5.4% from 5.1%. Meanwhile, the breakdown of the inflation projection is 6.2% for Q2FY24, 5.7% for Q3FY24 and 5.2% for Q4FY24.



# RUPEE MOVEMENT

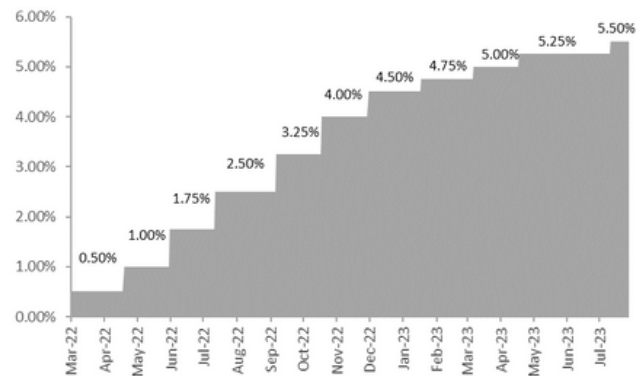
For the month of Jul'23, the rupee depreciated by 0.18% against the USD due to a rate hike by FED and moderation in FII flows. The Rupee, which began the month at 81.94/USD, ended at 82.24/USD despite RBI having bolstered its forex reserves by \$8.82 billion, reaching \$603.87 billion in Jul'23. In Jul'23, the rupee weakened to 82.82/USD due to a surge in US bond yields and concerns over FED raising interest in the next meet by 25bps. In Jul'23, the rupee strengthened to 81.67 / USD as RBI likely bought dollars via public sector banks after the rupee touched a two-month high. In July, Bangladesh and India launched trade transactions in rupees with the aim of reducing dependence on the US dollar and strengthening regional currency and trade.



# FED DECISION

After a pause in the previous meet the Federal Reserve (Fed) delivered a 25 bps rate hike effective from 26-Jul-2023 raising the target range to 5.25 - 5.50 which is the level in 22 years. The Fed had indicated at the June meeting that two rate hikes are coming this year with a 50 bps increase to be enacted. During a news conference, Chairman Jerome Powell (Fed Chair) said "...would say it's certainly possible that we will raise funds again at the September meeting if the data warranted...". When asked about when rates seem to stabilize he said "...would also say it's possible that we would choose to hold steady and we're going to be making careful assessments, as I said, meeting by meeting..."

Despite the elevated policy rates US inflation continues to remain above the Fed's target of 2% and hinges on economic and financial developments, among other factors.

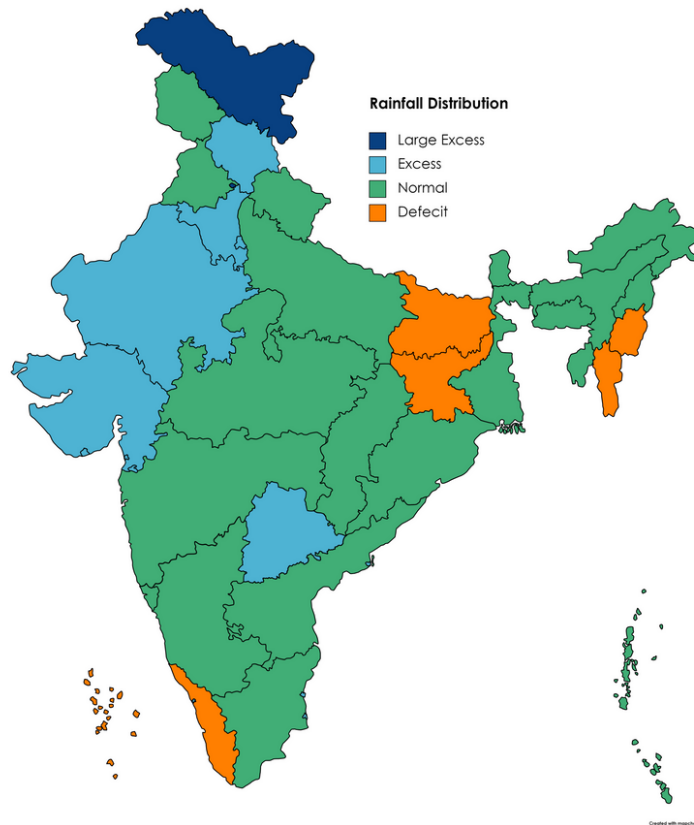


# FOREIGN FLOWS

In Jul'23, FII pumped in Rs. 47,977 crores in capital markets with the equity segment recording inflows of Rs. 46,618 crores, whereas the debt segment saw net inflows of Rs. 1,499 crores. Although the net foreign flows were slightly lower than the previous month, it marks the fifth consecutive month of sustained buying by FIIs. This drove the Indian benchmark indices to an all-time high in the month of July. Sector-wise, in July, major inflows were seen in Financial Services, Capital Goods and Oil & Gas. While major outflows were witnessed in the Chemicals and textiles sector. Experts believe, there's been a shift of money from China to India supported by India's strong GDP growth for FY24. India has received the highest FII inflows YTD among emerging markets despite the rich valuation of Indian equities.

# MONSOON WATCH

During Jul - 23, India was a turnaround in monsoon rains, rising from a 9% deficit in June to registering 13% excess rain in July, India logged 315.9 mm rainfall in July which was 13% more than normal. North India experienced incessant rainfall leading to floods and landslides with the states of Himachal, Punjab and Uttarakhand being the worst hit. Overall, Northwest India received 46.3% of Long Period Average (LPA) which is a large excess. This is in stark contrast to the continued deficiency in East & North East India which recorded the third-lowest rainfall of 280.9 mm in July since 1901. All states received below-average rainfall with 4 states recording a deficiency with the largest being in Manipur at -50% of LPA. Southern and Central India saw consistent, evenly spread and good rainfall which compensated for the deficiency in the previous month.



Currently, weak El Niño conditions are prevailing over the equatorial Pacific region, as per IMD however, the latest models have indicated that the El Niño conditions are likely to intensify further and continue up to early next year. The IMD also pointed to the fact that at present neutral Indian Ocean Dipole (IOD) conditions are prevailing over the Indian Ocean and the latest climate models forecast indicates positive IOD conditions. When the IOD is positive, there is rain over India, hence the probability of weak rainfall is increased.



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