



# MONTHLY MACRO REVIEW

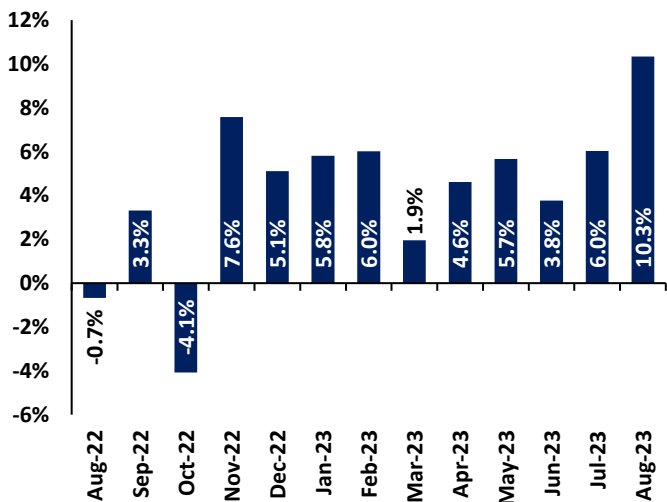
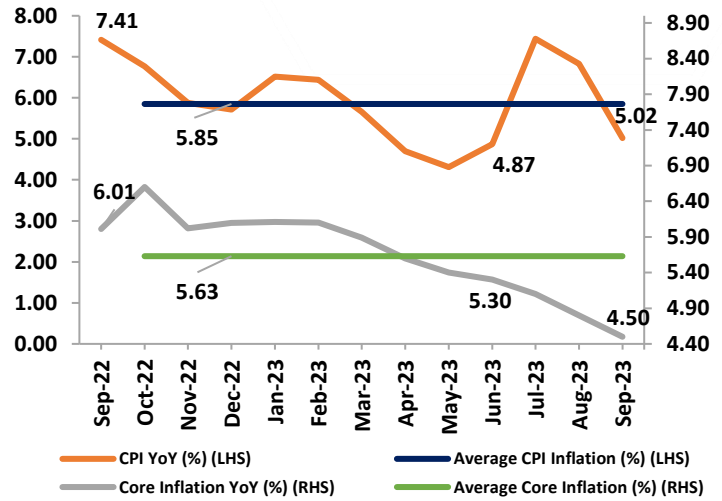
NOVEMBER 2023

BONANZA WEALTH



# CPI INFLATION

India's Consumer Price Index (CPI) inflation rate has slowed down for the second consecutive month, reaching a three-month low of 5.02% in Sep-23. This was mainly due to a sharp decline in vegetable prices and price cuts on Liquefied Petroleum Gas (LPG) cylinders. The headline inflation rate dropped by 181 basis points, while the core CPI inflation rate declined by only 30 basis points. Lower vegetable prices limited the fall in core inflation rate to 4.5% in Sep-23 from 4.8% in Aug-23. On a month-on-month basis, food inflation declined from 9.2% to 6.3% due to the easing prices of vegetables and deflation in edible oils. Clothing and footwear inflation and housing inflation moderated for the 11th and sixth consecutive months to 4.6% and 4.0% respectively in Sep-23. The arrival of fresh harvests into markets, coupled with various government measures to curb inflation. Fuel and light experienced a marginal reduction in Sep-23, the first time in around four years, due to a decrease in LPG prices. However, volatile global crude oil prices pose a near-term risk to inflation.



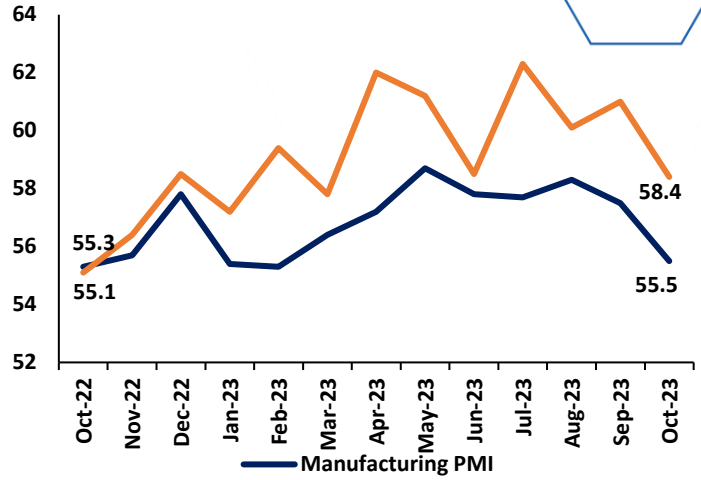
# IIP GROWTH

India's Industrial Production (IIP) growth accelerated further to a 14-month high of 10.3% (Provisional) in Aug-23 as against 5.7% (revised to 6.0% actual) in Jul-23, led by favourable base. In August, within the sectoral-based classification, all sectors witnessed healthy growth with Mining (12.3%), Manufacturing (9.3%) and Electricity (15.3%). Out of the 23 categories within the manufacturing sector, 16 witnessed a YoY increase in output. Basic metals (constitutes a weight of 12.8%) experienced robust growth of 15.7%, contributing significantly to the overall IIP. The mining and electricity sectors also saw double-digit growth at 12.3% and 15.3% respectively. The manufacturing industry benefited from the combined growth of all three sectors. Within the use-based classification, all 6 categories registered growth on a YoY basis. Infrastructure/construction goods continued its streak of posting double-digit growth at 14.9% in Aug-23, for fifth successive month. Even, Consumer durables has recorded a growth of 5.7% after two months of decline. Domestic consumption is critical for industrial activity in the medium term. The Infrastructure/Construction sector is maintaining momentum and supporting industrial growth.

# PMI INDICATORS

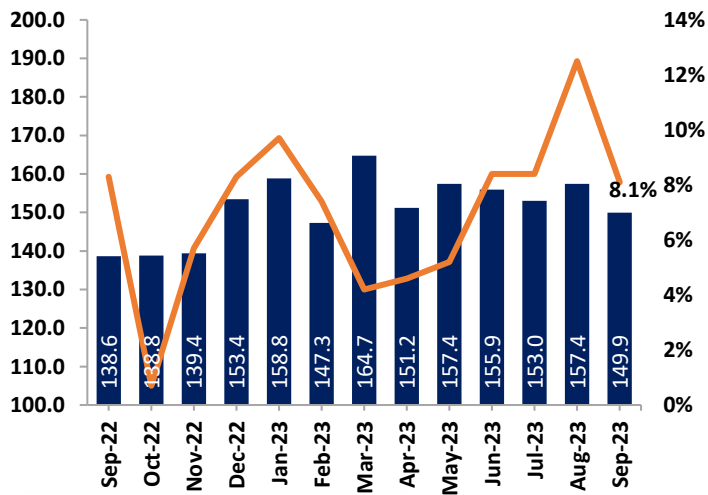
The Manufacturing Purchasing Managers' Index (M-PMI) in India declined to 55.5 in October 2023, from 57.5 in September 2023, marking the lowest reading since February 2023. Similarly, the Services Purchasing Managers' Index (S-PMI) also showed a slight decline to 58.4 in the same period. As a result, the Composite Purchasing Managers' Index (C-PMI) fell to 58.4. Despite the decline across the board, the PMI remains firmly in the positive territory, indicating healthy economic activity ahead. The M-PMI data revealed subdued demand for certain products and fierce competition, with the rate of expansion being the softest in a year, especially affecting consumer goods.

In the case of S-PMI, despite the moderation in the headline number, growth was underpinned by the securing of new work, favourable demand trends, and positive market conditions. New business received by services companies rose for the twenty-seventh straight month in October. The loss of growth momentum in the manufacturing sector and its services counterparts weighed at the composite level.



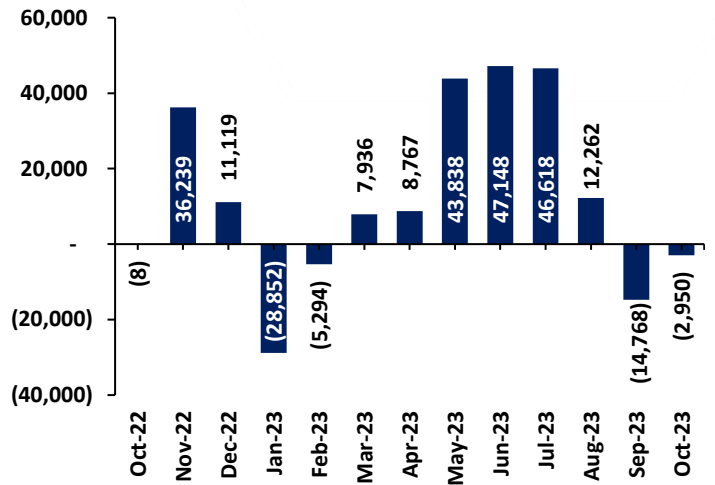
# CORE SECTOR

In Sep-23, the Eight Core Industries (ICI) index grew by 8.1%, marking its first decline in four months and a decrease from the 8.3% growth in September 2022. The ICI moderated from 12.1% (revised to 12.5%) in August 2023 to 8.1% in September 2023, with the impressive performance in August 2023 attributed to a favorable base. Except for Crude oil, which declined after two successive months of year-on-year growth, almost all sectors reported positive year-on-year growth. The coal production has risen by 16.1%, natural gas by 6.5%, refinery products by 5.5%, fertilizers by 4.2%, steel by 9.6%, cement by 4.7%, and electricity by 9.3% in Sep-23. The only laggard was Crude oil which contracted by 0.4%. Excluding fertilisers, seven of eight sectors slowed down. The Index of Industrial Production is expected to moderate in high single digits. Positive growth was noted in power, cement, and steel, suggesting buoyancy in infrastructure industries, with steady fertilizer growth for rabi sowing preparation.



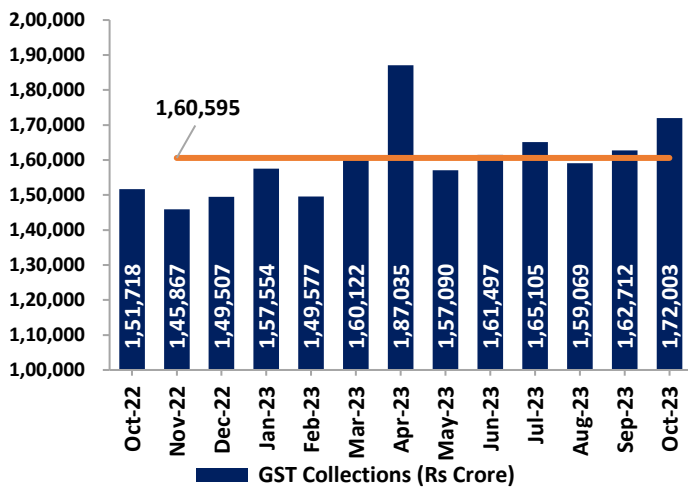
# FII FLOWS

In Oct-23, Indian capital markets witnessed net FII outflows to the tune of Rs. 2,148 crores with equity segment recording outflows of Rs. 2,950 crores, whereas the debt segment saw inflows of Rs. 816 crores. This is second consecutive month where FII remained net sellers in Indian equity markets. Since the start of Sep-23, FIIs have pulled out \$4.72 billion due to rise in US bond yields and geopolitical tension in the middle east. Sector-wise, in Oct-23, major inflows were seen in Telecommunications, Capital Goods and Construction materials. While major outflows were witnessed in the Financial Services, IT and Oil & Gas sector. The US Federal Reserve has maintained the current interest rates for the second time, indicating a possible end to the rate hikes. This boosted investor sentiment, resulting in a positive market consolidation with stock-specific action.



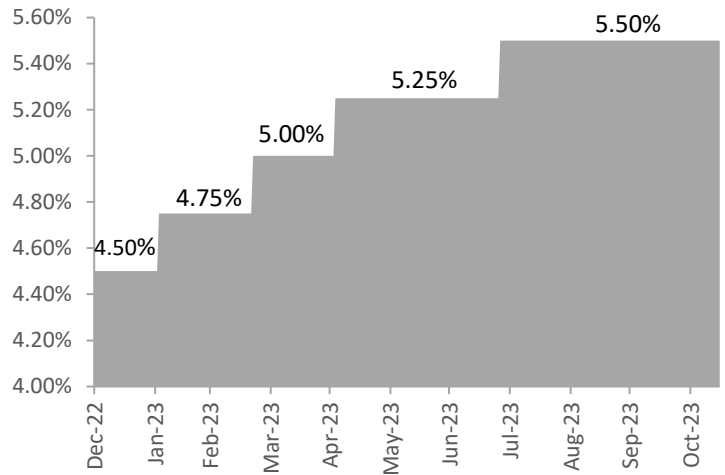
# GST COLLECTIONS

In October 2023, the Goods and Service Tax (GST) collection in India recorded a healthy growth of 13.4% YoY and 5.71% MoM, amounting to Rs. 1,72,003 cr. This marks the second consecutive month of sequential growth, with collections surpassing the trailing twelve-month average collection of Rs. 1,60,595. The uptick in GST collection can be attributed to a strong festive season. Notably, the GST data reveals a 4.6% MoM decline in collection from imports, with their value standing at Rs. 42,127 cr. The government has settled Rs. 42,873 crs to CGST and Rs. 36,614 crs to SGST from IGST. After regular settlement, the total revenue of the Centre and the States in October 2023 amounts to Rs. 72,934 crs for CGST and Rs. 74,785 crs for SGST. It is worth mentioning that the average gross monthly GST collection in FY24 currently stands at Rs. 1.66 lakh crore, which is a 12% increase over the corresponding period in the previous financial year.



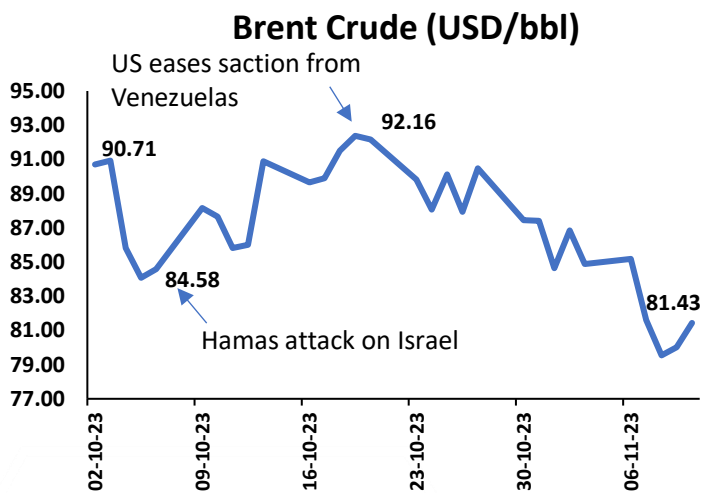
# FED POLICY

The US Federal Reserve decided to maintain the policy rates at the same level of 5.25% – 5.50% during its policy meeting announcement on 1st November 2023. This marks the second consecutive meeting where the rates remained unchanged. The noteworthy aspect of the meeting was the statement made by Mr. Powell, (Fed Chair), who stated that the restrictive monetary policy is exerting a downward pressure on economic activity and inflation. Fed Chair Jerome Powell said in remarks at a news conference “...The process of getting inflation sustainably down to 2% has a long way to go...”. This implies that the current policy rates may have reached their peak. Although the Fed Chair acknowledged the strong economic growth, which is higher than anticipated, it leaves the door open for one more rate hike in December 2023 if warranted. However, the economy would soon feel the effects of the elevated rates. Therefore, despite the unchanged rates, the tone of the Federal Open Market Committee (FOMC) is dovish.



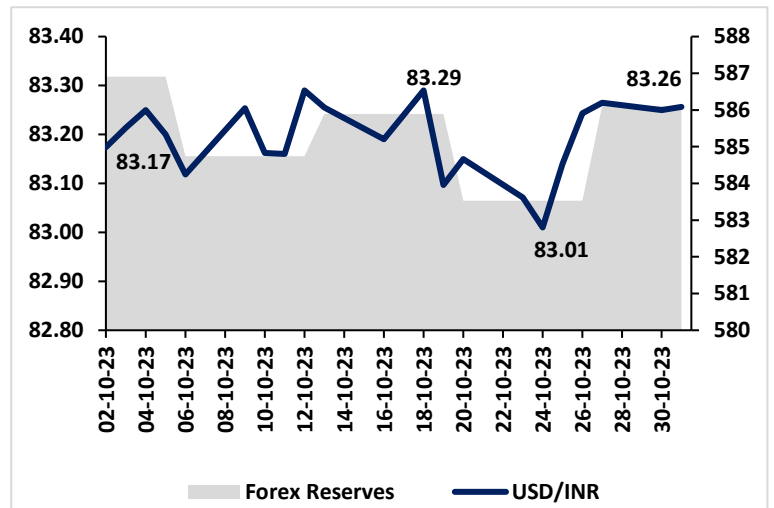
# CRUDE OIL

During the period from October 1st to November 10th, 2023, crude oil prices experienced considerable volatility due to geopolitical risks and supply concerns. At the beginning of October, crude oil was trading at \$90.71 per barrel, but it dropped to approximately \$84 per barrel after the Federal Reserve decided to maintain the policy rates unchanged, which raised fears of a prolonged slowdown in the global economy. However, prices rose abruptly to \$93 per barrel following the surprise attack by Hamas on Israel on October 7th, reaching \$92.16 per barrel. The conflict raised concerns about potential oil supply disruptions from the Middle East, which accounts for more than one-third of global seaborne oil trade. In response to the fears of a global oil shortage, the US eased restrictions on oil supplies from Venezuela, resulting in a cooling off of crude oil prices, which closed October at \$87.41 per barrel.



# RUPEE MOVEMENT

In Oct - 23, the Indian rupee remained relatively stable, fluctuating within a narrow range of 28 paise and closing at 83.26/\$, marking a depreciation of 0.27% from the preceding month's close. During H1FY24, India's trade deficit narrowed significantly to \$39.91 billion from \$75.35 billion in H1FY23, primarily due to a 27.6% increase in electronic goods exports and a 10.1% decline in overall imports. The recent Hamas-Israel conflict had little impact on the Indian rupee, as the volatility that ensued after the conflict soon stabilised. Moreover, the United States Federal Reserve opted to maintain its policy rates and cautioned investors about the possibility of tighter monetary policy in order to achieve the 2% inflation target, which has kept FPI investors at bay. The foreign exchange reserve remained almost unchanged, decreasing by 0.8 billion to 586.11 billion in October 2023.



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