MONTHLY MACRO REVIEW

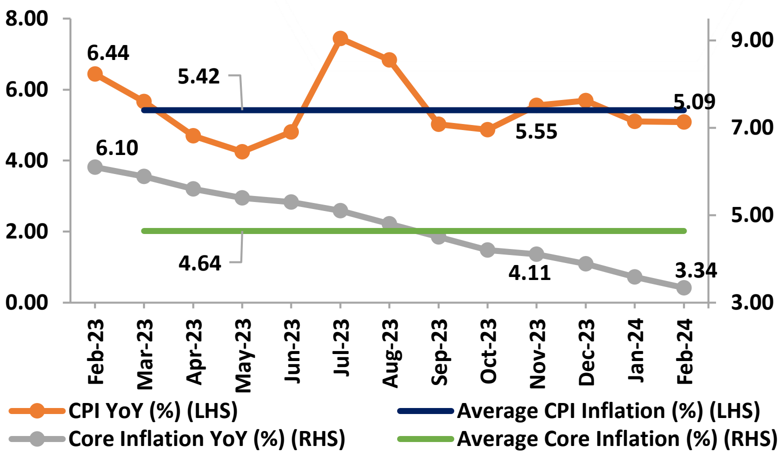
March 2024

BONANZA WEALTH

CPI INFLATION

India's Consumer Price Index (CPI) inflation remained steady at 5.1% in February 2024, which is the sixth month in a row within the target range set by the Reserve Bank of India (RBI). The moderation was observed across all major categories (except food). Fuel and light continued to deflate for the fourth consecutive month, contributing to the inflationary trend. This was supported by the recent reduction in LPG prices. However, food inflation remains a major concern as key commodity prices for vegetables, spices, and pulses have grown at double digits.

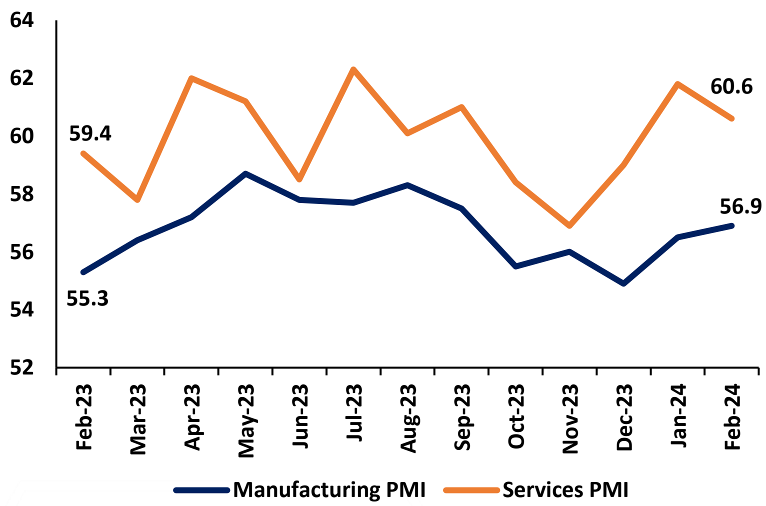
The Core CPI, which is a non-volatile component of CPI, has further eased to 3.3% from 3.6% in January 2024, staying below the 4% threshold for three consecutive months. The fall in Core inflation was aided by moderation in major categories such as housing, clothing, and miscellaneous. Going forward, Food inflation remains a concern. Government measures and good progress in rabi sowing have improved the outlook. Nevertheless, the favorable base effect helps absorb potential upward risks. RBI policy rates remain unchanged, but a shallow rate-cutting cycle may commence from H2 FY25.



PMI INDICATORS

February saw a strong rebound in India's manufacturing sector, with the PMI hitting a five-month high of 56.9. This positive trend translates to the fastest production growth since September 2023, fuelled by a surge in new orders, particularly exports (highest in 21 months). Companies ramped up production to meet demand, leading to the strongest output increase in the capital goods category. Encouragingly, purchasing costs fell to a 43-month low, suggesting some relief from inflationary pressures.

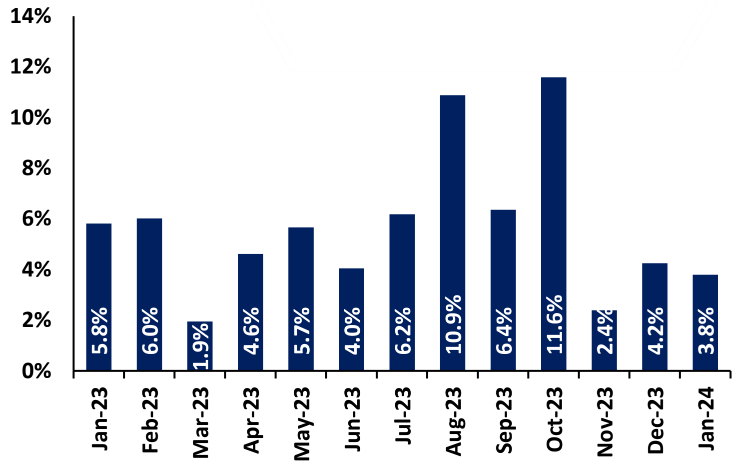
While the service sector witnessed a slight slowdown in growth compared to January, activity remained robust according to the PMI. The index registered 60.6, well above the 50.0 expansionary threshold. Notably, cost pressures eased to their second-lowest level since 2020, with selling price increases also moderating. Companies continued hiring due to rising workloads, although at a slower pace compared to the previous month. Despite the slight moderation in services, private sector output continued to expand in February.



IIP GROWTH

India's industrial growth moderated in January, with output expanding at 3.8% compared to a revised 4.2% in December. This dip reflects a slowdown in manufacturing (3.2% vs 4.5%) partially offset by gains in mining and electricity. The consumer durables segment witnessed a positive trend (10.9% growth), likely due to a favourable base effect, while non-durables contracted, signalling potential weakness in consumption.

Within manufacturing, key sectors displayed mixed results. Basic metals experienced modest growth (5.8%), while coke and refined petroleum products declined (2.2%). Export-oriented sectors like textiles and leather products improved, but apparel production remained negative. Encouragingly, automobile output surged by 18%. Infrastructure and construction goods-maintained growth (4.6%), reflecting the government's focus on capital expenditure. Similarly, capital goods output increased (4.1%). For a sustained industrial recovery, broad-based consumption growth is essential. Moderating inflation might translate into improved consumer spending in the coming months.

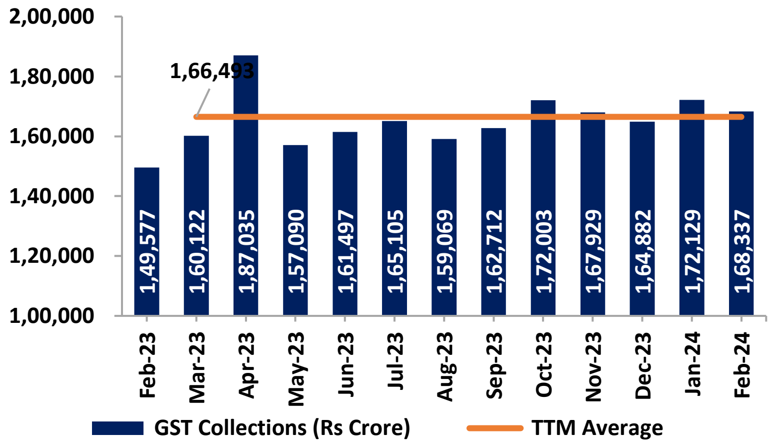


GST COLLECTIONS

India's GST collections for February 2024 exhibited robust growth of 12.5% year-on-year, reaching Rs. 1,68,337 crs. This positive trend is driven by a 13.9% increase in domestic transactions and an 8.5% rise in import-related GST.

Net of refunds, GST revenue also witnessed a healthy 13.6% growth compared to February 2023. As of February, gross GST collections stand at Rs. 18.40 lakh crs, exceeding the same period last year by 11.7%. The average monthly collection also surpasses the previous year, reaching Rs. 1.67 lakh crs. Net of refunds, the growth holds steady at 13.0% for the year so far.

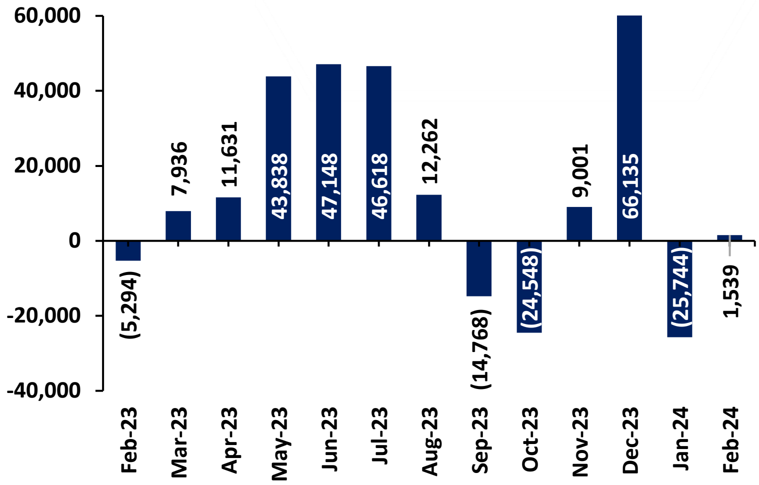
A detailed breakdown of February's collections reveals: CGST: Rs. 31,785 crs, SGST: Rs. 39,615 crs IGST: Rs. 84,098 crs (including Rs. 38,593 crs from imports) Cess: Rs. 12,839 crs (including Rs. 984 crs from imports). Following inter-governmental settlements, the final revenue for CGST and SGST stands at Rs. 73,641 crs and Rs. 75,569 crs respectively. The top 5 state account for 53.5% of the total GST collected with Maharashtra leading having collected Rs. 27,065 crs alone which is 21% of the total.



FII FLOWS

In Feb-24, Foreign Institutional Investors (FIIs) became net buyers in the Indian equity market, after being net sellers in January 2024. While the overall inflow was modest at Rs. 1,539 crores, FIIs were more inclined towards investing in IPO market. Generally, when 10-year US bond yields surpass 4.15%, FIIs tend to heavily sell their holdings. However, this scenario did not occur in Feb-24.

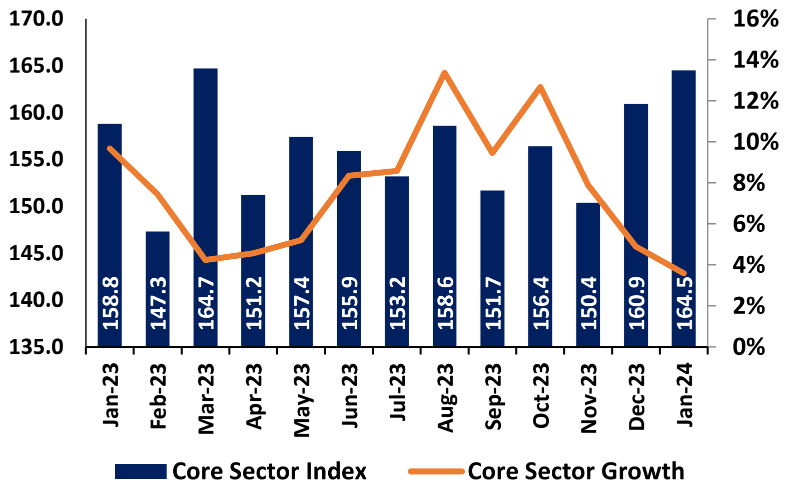
Additionally, FPIs continued as net buyers in the debt segment, with a total inflow of Rs. 22,419 crores for Feb-24 and Rs. 42,256 crores for the CY24. Sector-wise, in Feb-24, major inflows were seen in Consumer Services, Automobiles and ancillaries and Healthcare. While major outflows were seen in Financial Services, Construction & FMCG. Foreign investors are currently risk-averse due to the emerging markets' slowdown, caused by high interest rates, core inflation, and above-average valuation. India is experiencing the ripple effect, expected to continue in H1CY24.



Core Sector

The combined index of eight core industries (ICI) sector grew by 3.6% in Jan-24, lowest in 15 months. The decline in output was due to five of the eight sectors witnessed slower growth or a contraction in their output compared to Dec-23. In Nov-23, ICI print came in at 3.8% (revised to 4.9%).

The ministry has also revised the output growth for the month of Oct-23 revised to 12.7%. In Jan-24, except refinery products and fertilizers, all recorded positive growth. Coal production has risen by 10.2%, crude oil by 0.7%, natural gas by 5.5%, steel by 7.0%, cement by 5.6% and electricity by 5.2%. The only laggard was refinery products by -4.3% and fertilizers by -0.6% showing negative growth. In Jan, core sector growth was mixed. Cement and steel, which reflect government capex, grew by 7% and 5.6% respectively, despite the high base effect.



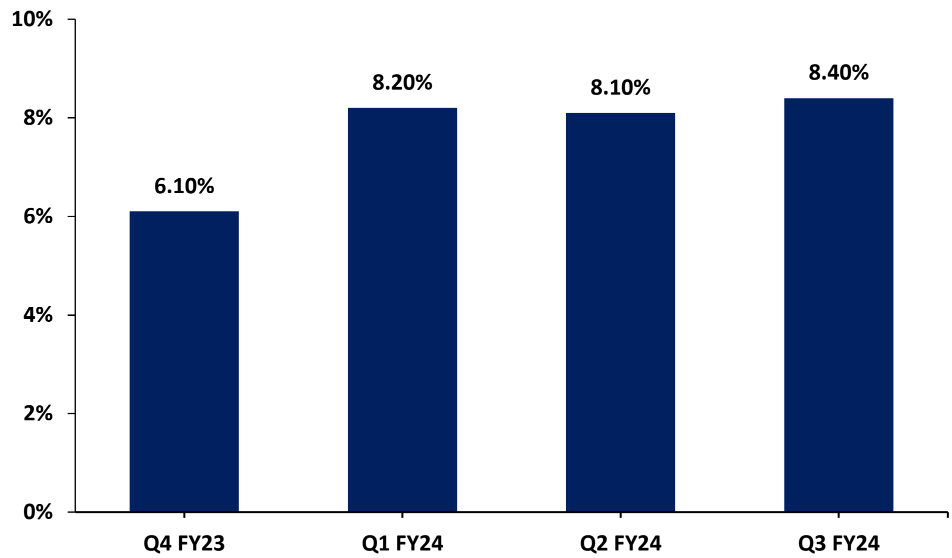
Gross Domestic Products (GDP)

India's economy continues to outperform expectations. Real GDP growth for Q3 FY24 reached a robust 8.4%, exceeding forecasts and prompting upward revisions for the full year to 7.6%. Public investment, particularly in infrastructure, is the main driver of this growth, contributing half of the overall increase.

However, private consumption growth is expected to be subdued at 3% YoY, reflecting weakness in the farm sector due to high food inflation and tepid agricultural output. This is the slowest private consumption growth in almost two decades (excluding the pandemic). Despite the drag from agriculture, the non-farm economy is performing well. Services activity is picking up, and manufacturing continues to experience double-digit growth. This trend highlights the strength of urban demand driven by services, contrasting with the weakness in rural demand.

Overall, GVA growth for the full year is projected at 6.9%, exceeding the previous year. This is primarily driven by a rebound in manufacturing and steady services growth, while farm sector growth is expected to decline sharply. On the expenditure side, investment activity is still the key engine. Public sector capital expenditure (capex) has seen significant growth, with both central and state governments increasing spending. However, private corporate sector capex continues to lag..

Looking ahead, the economic outlook stays positive. Potential recovery in rural demand, robust urban demand, continued emphasis on public capex, and an expected improvement in global trade are all expected to support continued economic growth. However, adverse global developments and geopolitical tensions stay potential risks.



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