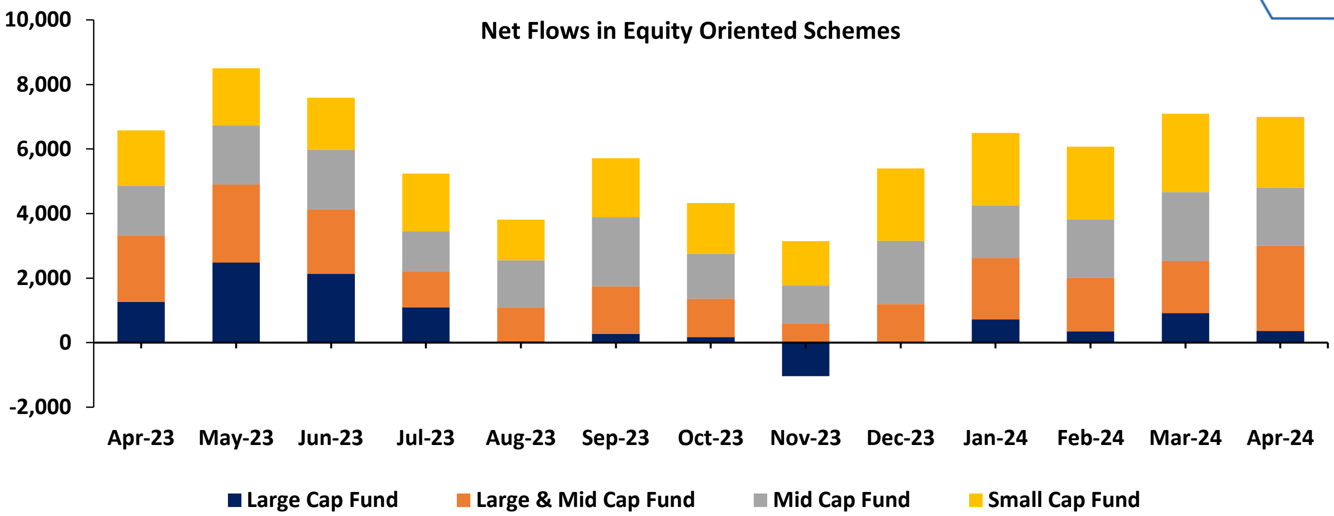
MONTHLY MACRO REVIEW

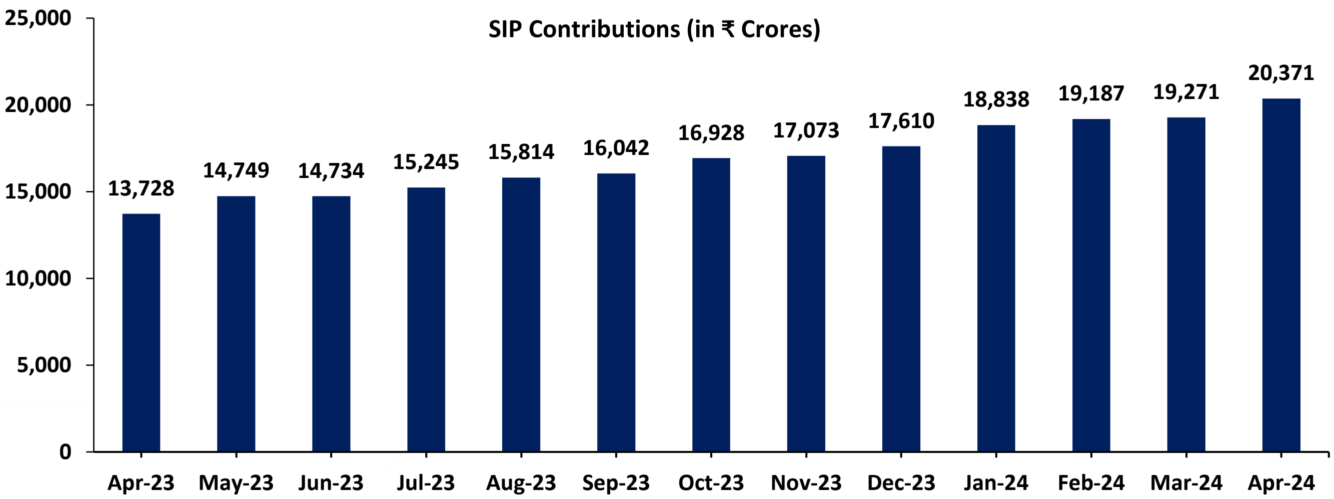
May 2024

BONANZA WEALTH

Mutual Fund Participation

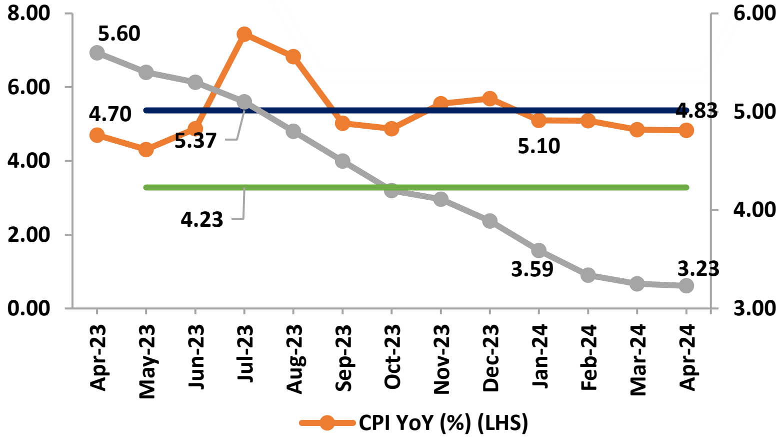


The Indian mutual fund industry witnessed moderation in equity inflows in April, though SIPs crossed a historic milestone of Rs. 20,371 crores. Net inflows into equity funds declined 16.42% MoM, driven by a sharp 83% fall in large-cap funds. However, small-cap and mid-cap funds saw strong inflows. On the debt side, the industry saw a strong revival with net inflows of Rs. 1.90 lakh crore after outflows in March, driven by liquid and money market funds. Overall, the industry's assets under management (AUM) swelled to Rs. 57.26 lakh crore at April-end as fresh inflows poured into both equity and debt segments. Retail investors' engagement with the Indian financial market has surged in recent years, with millennials emerging as avid participants. This expanding investor base has broadened market participation and fortified its foundation. Despite challenges, the resilience of the Indian equity market has been remarkable, encouraging more investors to participate. In the FY24, a record 32 million demat accounts were opened, with the total number surging to an unprecedented 154 million by the end of Apr-24. This strong retail participation has prompted prominent corporations to explore opportunities in the Indian broking and asset management business, such as Jio Financial Services entered in an agreement with BlackRock to establish a wealth management joint venture.



CPI INFLATION

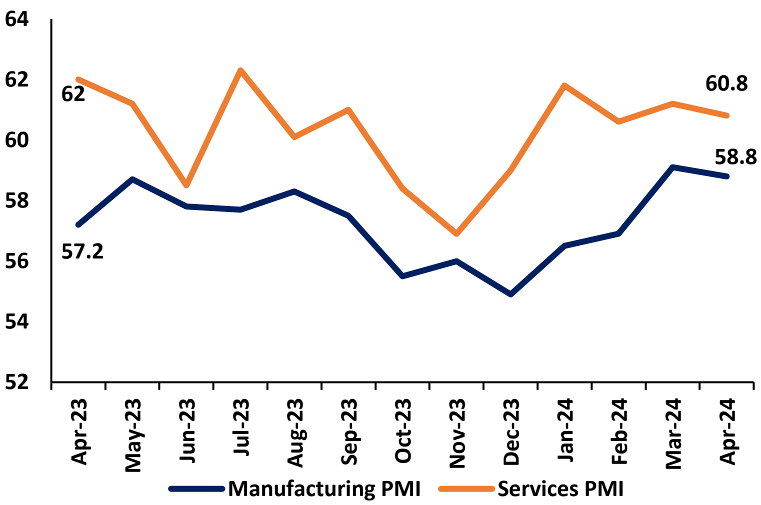
In Apr-24, India's Consumer Price Index (CPI) inflation has largely remained steady at 4.83%. Even though CPI inflation is at 11-month low in Apr-24, it will be the 55th month in a row that it would be above the RBI's medium-term target of 4%. The fall in CPI inflation were limited due to elevated prices of food and beverages. Although the outlook for food inflation is positive due to anticipation of a normal monsoon, which is expected to bolster agricultural production.



The continued deflation in fuel and light category helped keep the CPI Inflation withing the RBI's tolerance band, The Core CPI, a non-volatile component of the CPI, has largely remained steady at 3.23% slightly moderating from 3.25% in Mar-24. Core inflation has consistently stayed below the 4% threshold for five consecutive months. Continued government interventions and recent reductions in LPG and fuel prices are poised to mitigate potential upward price pressures. However, it is important to monitor external risks to the inflationary outlook from higher commodity prices and geopolitical uncertainties.

PMI INDICATORS

India's Apr-24 PMI data signals the Indian economy started the new fiscal year on a strong footing. The manufacturing PMI moderated slightly to 58.8 in April 2024, albeit still representing the second-strongest improvement in the manufacturing sector's health in over three years. Services PMI which posted 60.8 in Apr-24, highlighting one of the strongest increases in services activity in nearly 14 years. Composite PMI Output Index reading of 61.5 - one of the highest seen since the composite series began in 2013.



Services growth accelerated further in April as new orders in both domestic and international markets rose. Manufacturing margins improved in April as firms were able to pass on higher prices to customers due to strong demand conditions.

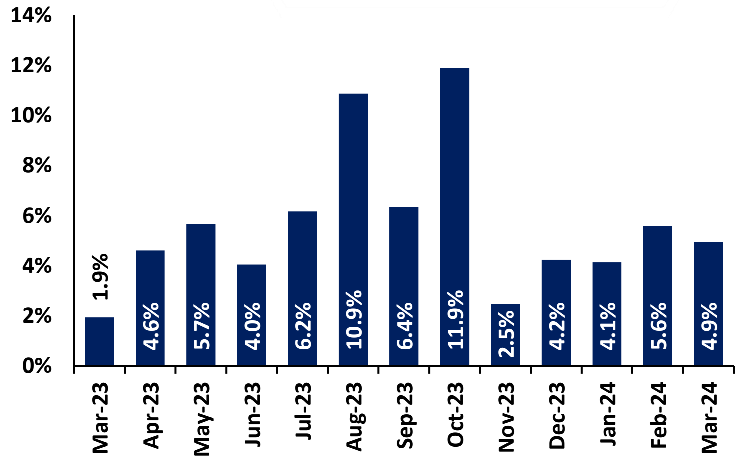
The data signals an improving 12-month outlook after a brief dip in March, as strong sales bolstered business confidence. Overall, the PMI figures depict an economy firing on all cylinders, well-positioned to sustain its lead among major global peers this year.

IIP GROWTH

India's Industrial Production (IIP) grows by 4.9% (Provisional) in Mar-24 as against 5.7% (revised to 5.6% Final) in Feb-24. Growth in the manufacturing and electricity sectors witnessed some acceleration countering the slowdown in mining output. For FY24, IIP stood at 5.8% against 5.2% in the previous year. Growth in the manufacturing and electricity sectors witnessed some acceleration countering the slowdown in mining output.

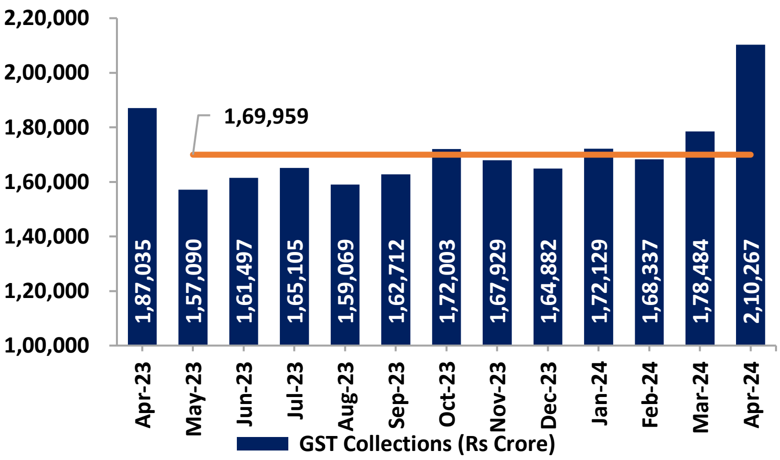
Within the sectoral based, all sectors witnessed growth, Mining (1.2%), Manufacturing (5.2%), and Electricity (8.6%). Out of the 23 categories within the manufacturing sector, fifteen saw a YoY increase in output. Basic metals, accounting for 12.8% of the weight, witnessed a growth of 7.7% YoY and pharmaceuticals, accounting for 4.98% of the weight, logged growth of 16.7% YoY.

Within the use-based classification, with all categories recording growth. Primary Goods (2.5%), Capital Goods (6.1%), Intermediate Goods (5.1%), Infrastructure goods (6.9%), Consumer durables (9.5%), and Consumer non-durables (4.9%). The infrastructure and construction goods segment drove industrial activity growth this year and is expected to continue. Urban demand was strong, but rural demand lagged in FY24. However, anticipated good monsoon, lower inflation, and signs of rural demand improvement are positive for overall consumption.



GST COLLECTIONS

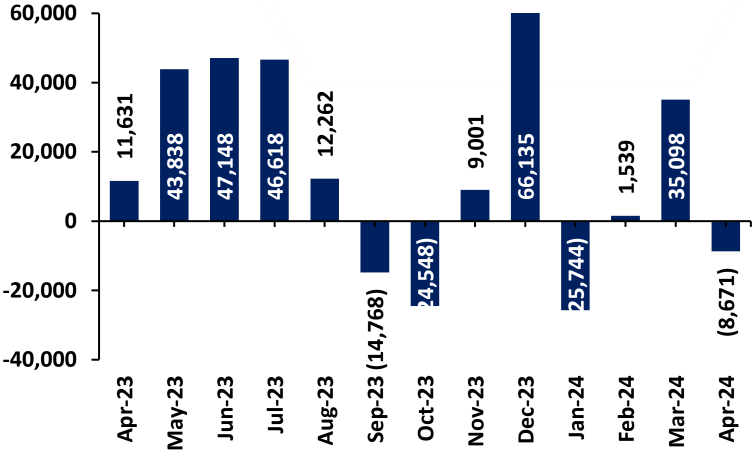
The Gross GST collections for Apr-24 hit an all-time high of Rs. 2,10,267 crores, reflecting a robust 12.4% YoY growth. This surge was driven by a healthy uptick in domestic transactions (13.4%) and imports (8.3%). After adjusting for refunds, the net GST revenue stood at an impressive Rs. 1.92 lakh crore, registering a 15.5% growth compared to Apr-23. The strong performance was evident across all major components, with the CGST, SGST, IGST, and Cess collections exhibiting double-digit growth rates. Out of total collections in Apr-24, CGST constituted Rs. 43,846 crores, SGST constituted Rs. 53,538 crores, IGST constituted Rs. 99,623 crores, and Cess constituted Rs. 13,260 crores. The sudden spike in GST collections could also attributed to deadline for GST audits and corresponding notices issued during this year. Maharashtra collected the highest GST in April 2024 at Rs. 37,671 crores, followed by Karnataka (Rs. 15,978 crores), Gujarat (Rs. 13,301 crores), Uttar Pradesh (Rs. 12,290 crores) and Tamil Nadu (Rs. 12,210 crores).

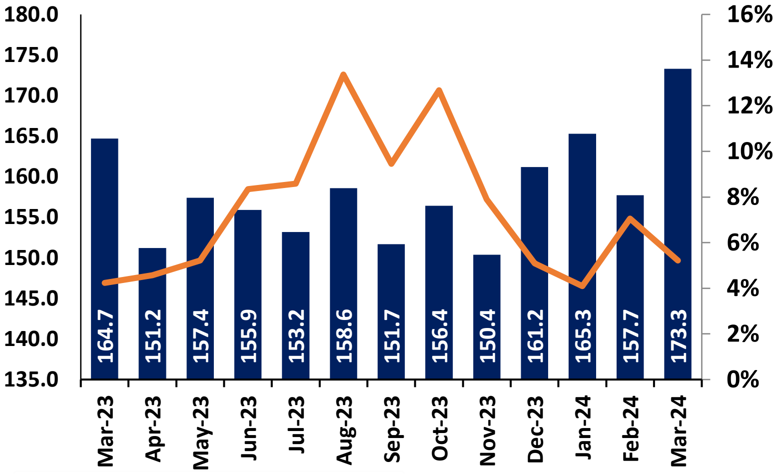


FII FLOWS

In Apr-24, Foreign Institutional Investors (FIIs) have started this fiscal year with a whimper, sucking out over Rs. 8,671 crores in Indian equity market due to surge in US Treasury yields as hopes of an interest rate cut by the Federal Reserve receded. FIIs were the second most sellers of Indian equities in April among emerging markets after Taiwan. FIIs inflows into India's debt market turned negative in April for the first time in over a year, even as it awaits its global inclusions in the coming months. FIIs have turned net sellers in debt market by offloading Rs. 10,949 crores.

Sector-wise, in Apr-24, major inflows were seen in Telecommunications, Power and Capital Goods. While major outflows were seen in Information Technology, Financial Services, and FMCG. FIIs have shown uncertainty about India in 2024 due to mixed data flows, subdued corporate results, and the uncertain election outcome. The market's volatility indicates apprehension. FIIs are expected to commit significant flows after the election and the presentation of the full budget.





Core Sector

The combined index of eight core industries (ICI) sector grew by 5.2% in Mar-24 (provisional), cumulative growth for FY24 came in at 7.5%, lower than 7.8% in FY23. The growth decline on MoM basis due to sequential deterioration recorded by five of its eights constituent's. The final growth rate for the core sector index for Dec-23 has been revised to 5.1% (from 4.9 provisional). Coal production has risen by 8.7%, crude oil by 2.0%, natural gas by 6.3%, steel by 5.5%, cement by 10.6% and electricity by 8.0%. The only laggard was refinery products and fertilizers, de-grew by 0.3% and 1.3%, respectively.

Overall, in FY24, growth in the core sector came in at 7.5%, lower than 7.8% in FY23, all the eight constituent sectors registered positive growth during the financial year. The uptick in coal and cement growth was on the back of general industrial activity, while growth in steel was due to infrastructure push by the government. The weakness in fertilizers could be attributed to non-sowing season and beginning of harvest where typically there are less demand. The healthy expansion in electricity generation due to rising heat likely boosting agricultural and household demand.

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