FORTNIGHTLY MACRO REVIEW

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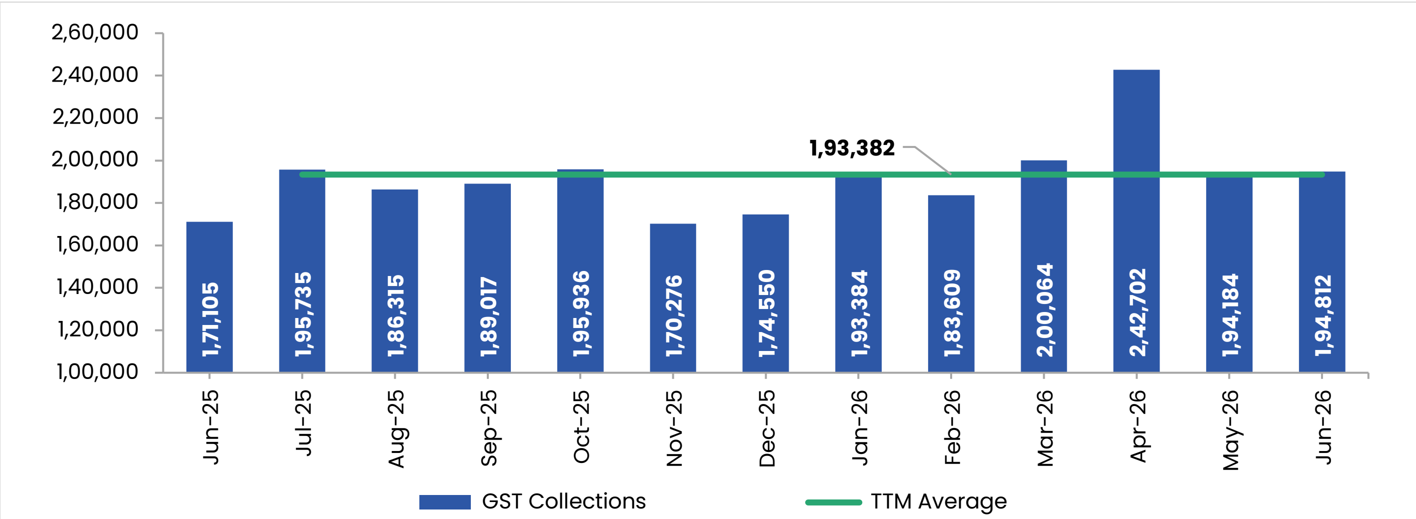
BONANZA WEALTH

GST COLLECTIONS

India's gross Goods and Services Tax (GST) revenue collections for Jun-26 registered a growth of 13.9% YoY to Rs. 1.95 lakh crore. This marked the strongest YoY growth in the thirteen months. The growth was primarily driven by a sharp increase in import related revenues and steady domestic GST collections. The gross GST collections from domestic transactions climbed by 6.5% YoY to Rs. 1.35 lakh crore. Meanwhile, the revenue from imported goods surged by 34.6% YoY to Rs. 60,038 crore. This represented the 16th consecutive month in which the GST revenue from imports has grown in double digits and the 10th straight month in which its growth has exceeded the growth in revenues from domestic transactions. The gross GST collections comprised CGST of Rs. 37,376 crore, SGST of Rs. 45,116 crore and IGST of Rs. 1.12 lakh crore.

The net GST collections after adjusting for refunds increased by 11.2% YoY to Rs. 1.62 lakh crore. Total refunds during the month rose by 29.1% to Rs. 32,436 crore and it was led by 42.9% YoY growth in domestic refunds. Overall, the refund disbursements picked up during the month which signalled faster processing by the government.

On a cumulative basis, the gross GST collection for FY27 (Apr-Jun) expanded by 8.4% YoY to Rs. 6.32 lakh crore, while net collections for the period grew by 7.1% YoY to Rs. 5.40 lakh crore.



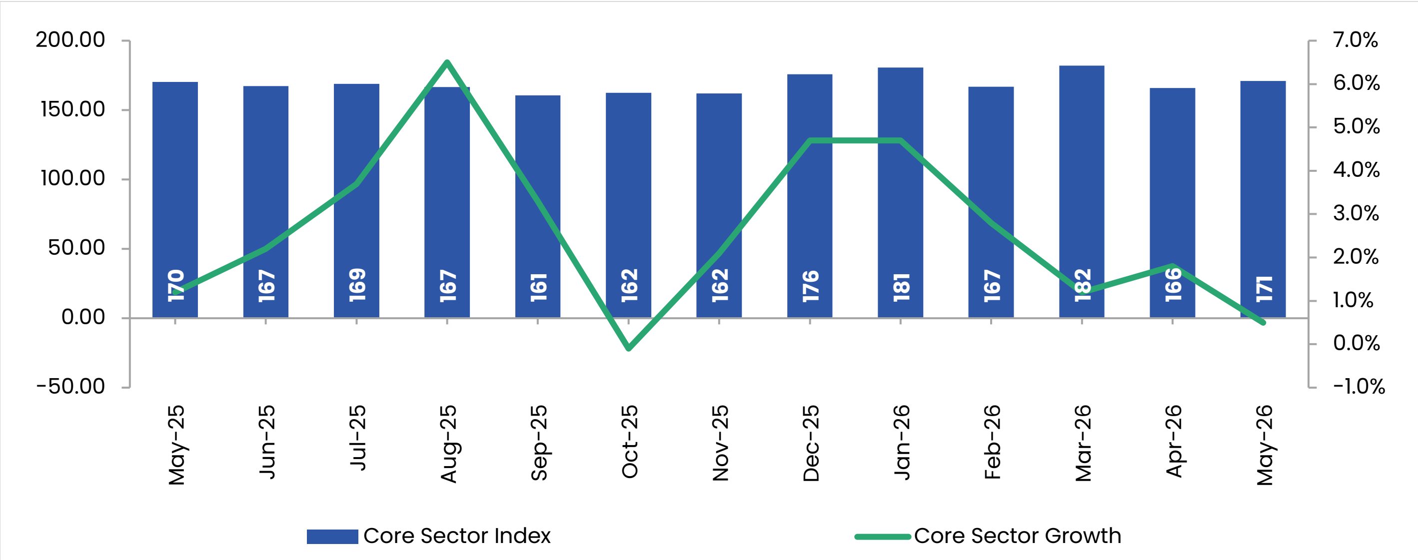
The post settlement figures on a state-wise basis showed that Maharashtra continued to lead the GST collections table. The collections amounted to Rs. 16,430 crore. Gujarat followed with collections of Rs. 7,800 crore. Uttar Pradesh came in third and recorded revenues of Rs. 7,572 crore. Karnataka and Tamil Nadu were the next largest contributors with collections of Rs. 7,542 crore and Rs. 6,952 crore respectively.

Overall, the GST data for Jun-26 points to sustained momentum in economic activity which was supported by healthy domestic collections and a sharp rise in import-related revenues. The faster pace of refund disbursements is also easing liquidity for businesses without weighing on the headline growth. Going forward, global trade uncertainties and geopolitical developments still remain key risks to monitor.

CORE SECTOR

The Index of Eight Core Industries (ICI) recorded a modest growth of 0.5% (Provisional) in May-26 as against 1.2% recorded in the same month last year. This print showed the weakest expansion since Oct-2025. Core sector output together accounts for 40.27% of the Index of Industrial Production (IIP). The final ICI print for Apr-26 was revised slightly to 1.8% (Final) from the previous reading of 1.7%.

Notably, only three out of eight key industries experienced growth in the month of May-26. Positive output growth was recorded in sectors like Electricity (8.7%), Cement (8.4%), and Steel (5.0%). However, contractions were observed in Coal (-9.3%), Refinery Products (-8.7%), Natural Gas (-4.9%), Crude Oil (-4.6%) and Fertilizers (-0.9%).



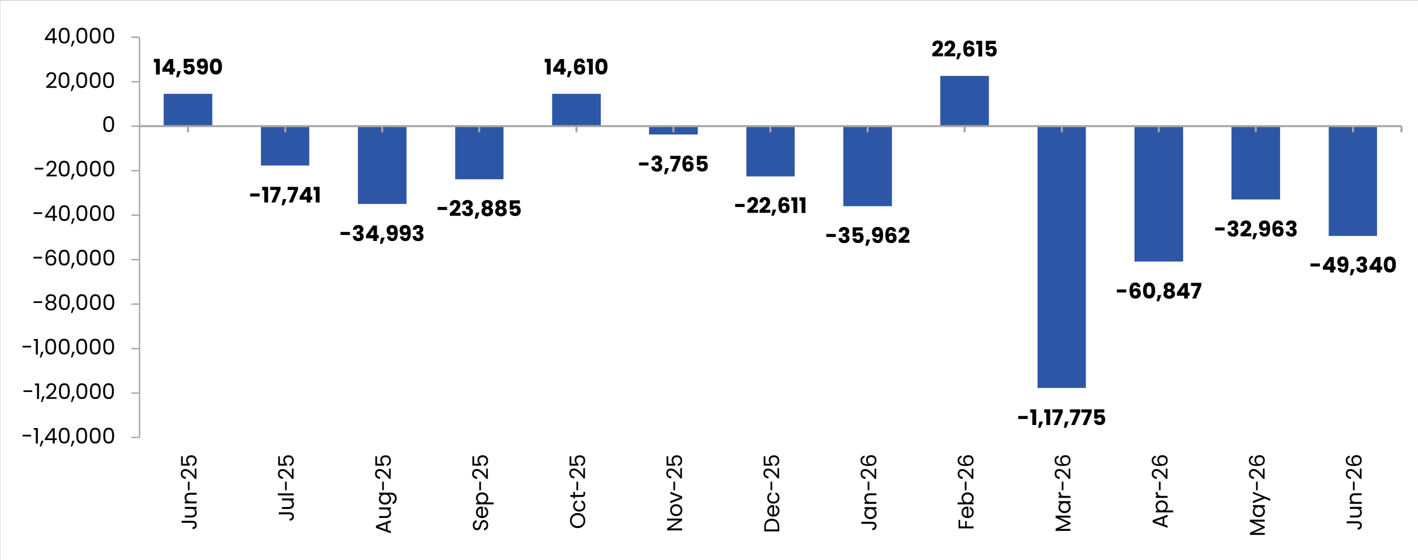
The cumulative growth of the Index of Eight Core Industries (ICI) during Apr-26 to May-26 stood at 1.1% (Provisional) over the corresponding period of the previous year. Cement, Electricity and Steel have been the strongest performers so far during FY27, registering cumulative growth of 8.3%, 7.1% and 5.2% respectively.

Overall, the weakness in energy-related sectors continued to weigh on the core sector despite steady performance in construction-linked industries. Looking ahead, the energy segments may observe some relief which is supported by the recent US-Iran peace framework.

FPI FLOWS

Foreign Portfolio Investors (FPIs) continued to remain net sellers in Jun-26 with net outflows of Rs. 49,340 crore as against the net outflows of Rs. 32,963 crore recorded in May-26. This marks the fourth consecutive month of net outflows.

In the first half of Jun-26, sector-wise inflows were recorded in the Others category (Rs. 629 crore), Telecommunication (Rs. 373 crore) and Services (Rs. 302 crore). On the other hand, major outflows were observed in Financial Services (Rs. 11,263 crore), Oil, Gas & Consumer Fuels (Rs. 10,488 crore) and Automobile & Auto components (Rs. 9,044 crore). So far in 2026, FPIs have remained net sellers in five out of the six months, with cumulative equity outflows reaching nearly Rs. 2.74 lakh crore.



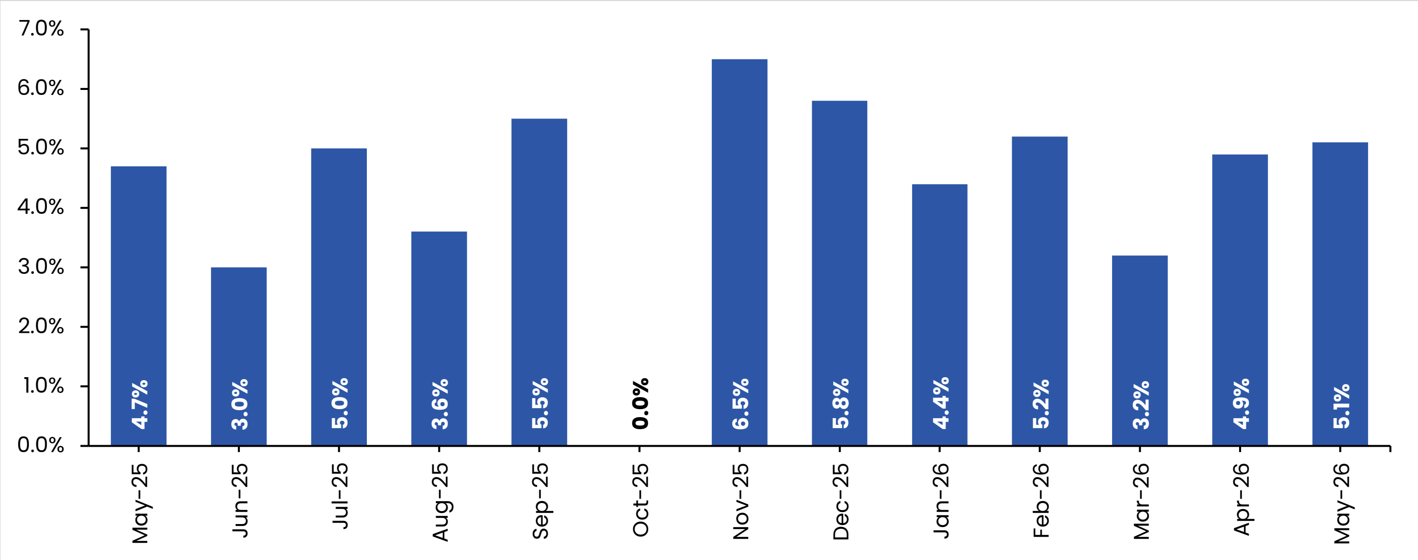
Meanwhile, the Debt/Hybrid segment witnessed strong net inflows of Rs. 54,009 crore in Jun-26 in comparison to the net inflows of Rs. 3,480 crore in May-26. The inflows were supported by a series of policy measures announced by the Government of India and the RBI to attract long-term institutional investors such as pension funds, insurance companies and sovereign wealth funds. The policies included tax exemptions on interest income and capital gains for eligible government securities. Additionally, it also included expansion of specified securities under the Fully Accessible Route (FAR). They have also strengthened the case for the inclusion of Indian Government bonds in the Bloomberg's Global Aggregate Index. This is also the reason for the recent rally in the bond market. The Bloomberg's Index committee is expected to meet in mid-July to further review India's inclusion.

Overall, crude oil prices have corrected sharply, easing from nearly US$120 per barrel in late Apr-26 to around US$70 per barrel following signs of a US-Iran peace framework.

IIP GROWTH

India's industrial production rose to 5.1% (Provisional) in May-26 from 4.9% (Final) recorded in Apr-26. The growth was primarily driven by steady expansion in factory activity despite some contraction observed in the mining activity.

The four sectors include Manufacturing, Electricity & Gas supply, Water Supply, Sewerage & Waste Management and Mining & Quarrying. Amongst these, the manufacturing sector forms the largest share of the index. It expanded by 5.5% in May-26 as against 6.1% in Apr-26. Furthermore, growth in Electricity & Gas Supply stood at 9.9% as against 4.6% in Apr-26. The Water Supply, Sewerage & Waste Management expanded by 5.5% during the month as against 6.6% recorded in the previous month. On the other hand, the Mining & Quarrying sector continued to contract, though the pace of decline eased to 1.6% in May-26 from 3.8% in Apr-26. The overall IIP index stood at 122.7 in May-26 as compared to 116.7 in May-25.



Among the 23 manufacturing sub-sectors, 16 recorded YoY growth. Within the manufacturing sector, notable gains were seen in Motor Vehicles, Trailers & Semi-trailers (14.5%), Electrical equipment (20.8%) and Basic Metals (4.6%). Under the industry group of Motor Vehicles, Trailers & Semi-trailers, significant contribution towards the growth was seen in item groups like Passenger cars, Auto components, spares & accessories and commercial vehicles.

Under the use-based classification, Capital Goods continued to post double-digit growth. It expanded by (12.9%), followed by Consumer Durables (7.2%), Infrastructure/Construction Goods (5.9%), Intermediate Goods (5.8%), Consumer Non-Durables (3.6%) and Primary Goods (2.6%).

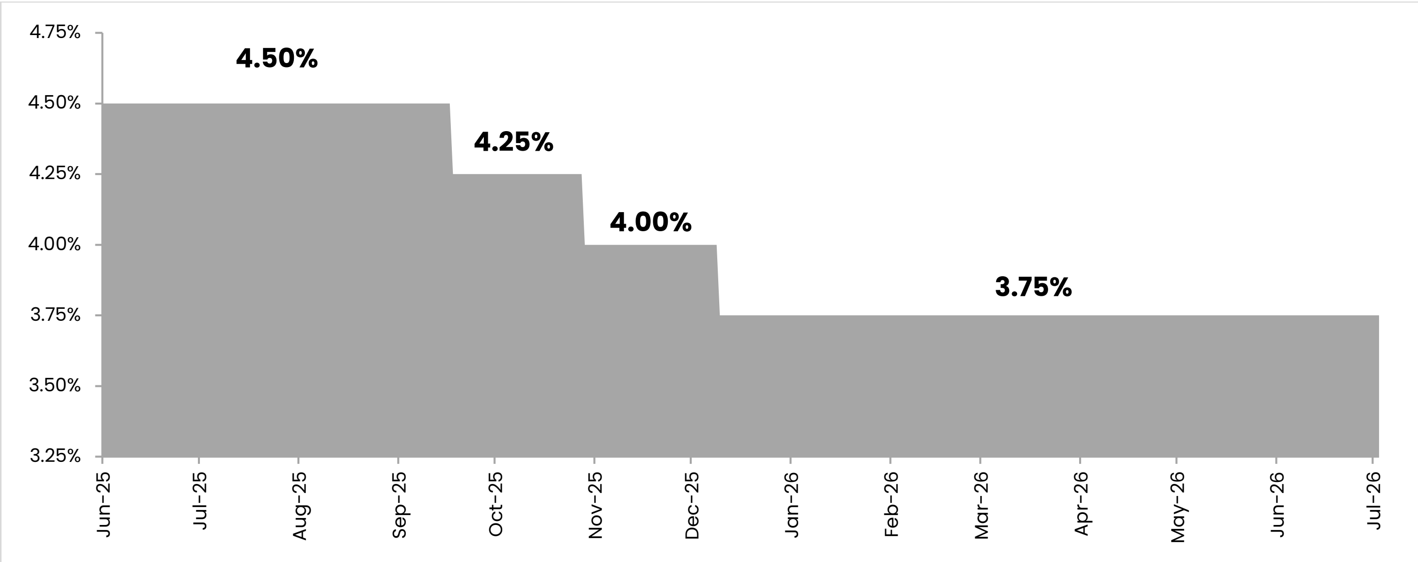
Looking ahead, the global uncertainties continue to pose challenges despite the recent ceasefire in the West Asia. On the domestic front, a slow progress in monsoon amid El Niño conditions could affect rural demand and food inflation. These developments will remain key monitorables for industrial activity in the coming months.

FOMC

The Federal Open Market Committee (FOMC) decided to keep the policy rate unchanged at 3.50%–3.75% in its Jun-26 meeting. The decision was passed with a unanimous 12-0 vote to keep the benchmark rates unchanged. This marks the fourth straight pause in interest rates.

The recent Fed data showed strong hiring in the US and a low unemployment rate, while inflation remained well above the US Fed's 2% target. The pause in the interest rates gives the Fed an extended window for its wait-and-watch approach to assess whether the inflation pressures are temporary or persistent.

In its Summary of Economic Projections, the Federal Reserve revised its real GDP growth outlook downwards to 2.2% in 2026 from 2.4% in Mar-26 and kept the 2027 forecast unchanged at 2.3%. The projected unemployment rate was nudged lower to 4.3% from earlier estimate of 4.4%, while keeping the 2027 estimate unchanged at 4.3%.



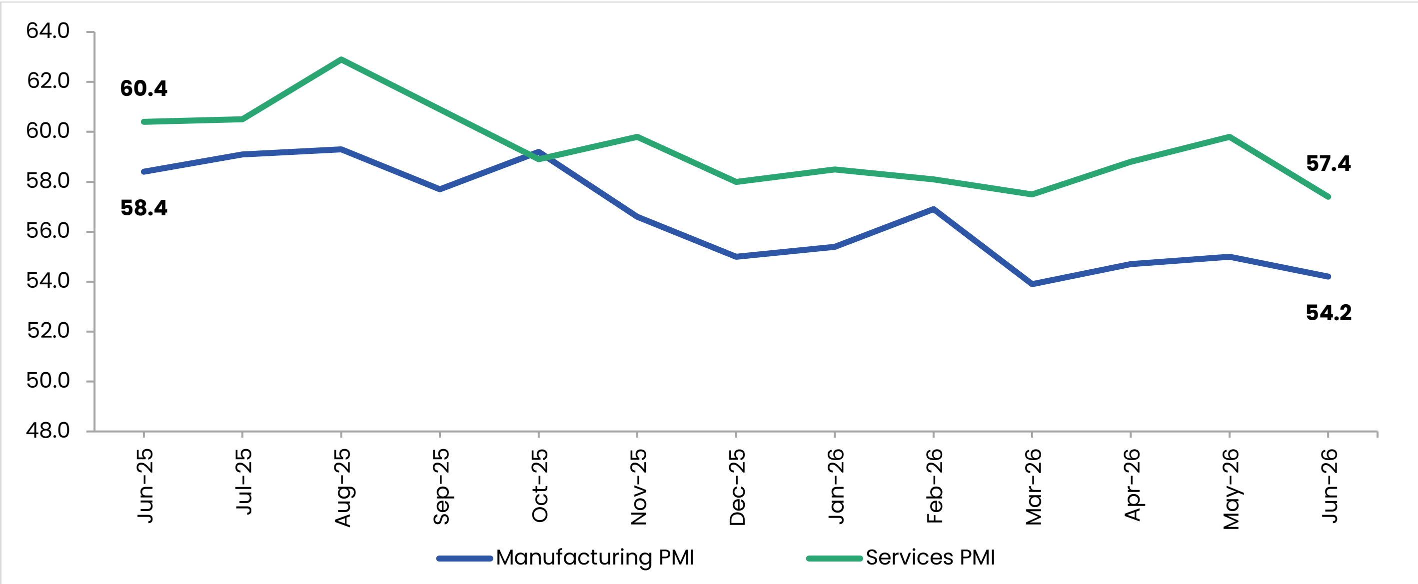
The Fed's PCE inflation forecast was revised upwards by 0.9 points to 3.6% for 2026 and by 0.1 points to 2.3% for the year 2027. Furthermore, the Core PCE inflation was revised higher to 3.3% for the year from 2.7% estimated earlier and 2.5% for 2027 from 2.2%. Based on the Fed dot plot policy, 9 out of the 18 voting members project an interest rate hike of 25 bps before the end of 2026 and 6 out of 18 voting members project two 25 bps hikes. The policymakers no longer expect a rate cut in 2026.

The Jun-26 meeting marked the first meeting of Chairman Kevin Warsh. Former Fed Chairman Jerome Powell remains a member of the Board of Governors and a voting member of the FOMC. Overall, Warsh maintained a cautious and data-dependent stance in his debut meeting. He delivered a shorter and simpler policy statement which removed the outdated language and dispensed with forward guidance to focus on incoming data and the committee's goals.

PMI INDICATOR

India's private sector activity remained in expansionary territory in Jun-26 although the pace of growth moderated across both manufacturing and services. The Manufacturing PMI eased to 54.2 in Jun-26 from 55.0 in May-26 and it marked the second weakest improvement in operating conditions since mid-2022. Growth in new orders and output slowed to their weakest pace in four years as firms reported softer client demand and fierce market competition. Capital goods manufacturers largely contributed to the moderation while consumer and intermediate goods producers continued to register healthy growth. International sales increased at the slowest pace in 39 months reflecting weaker demand from some European markets. However, softer input cost and output price inflation provided some relief to manufacturers.

The Services PMI also moderated to 57.4 in Jun-26 from 59.8 in May-26. This marked the weakest expansion in 17 months. Overall, on the domestic front the demand softened amid challenging market conditions. On the other hand, international sales expanded at the fastest pace in three months. Hiring activity remained broadly unchanged while easing cost pressures helped contain selling price inflation.



As a result the Composite Output Index eased to 57.1 in Jun-26 from 59.3 in May-26. This indicated a slower but still healthy pace of private sector expansion.

Going forward, firms continue to expect equipment upgrades, marketing pushes and new client enquiries to support activity over the coming year.

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