FORTNIGHTLY MACRO REVIEW

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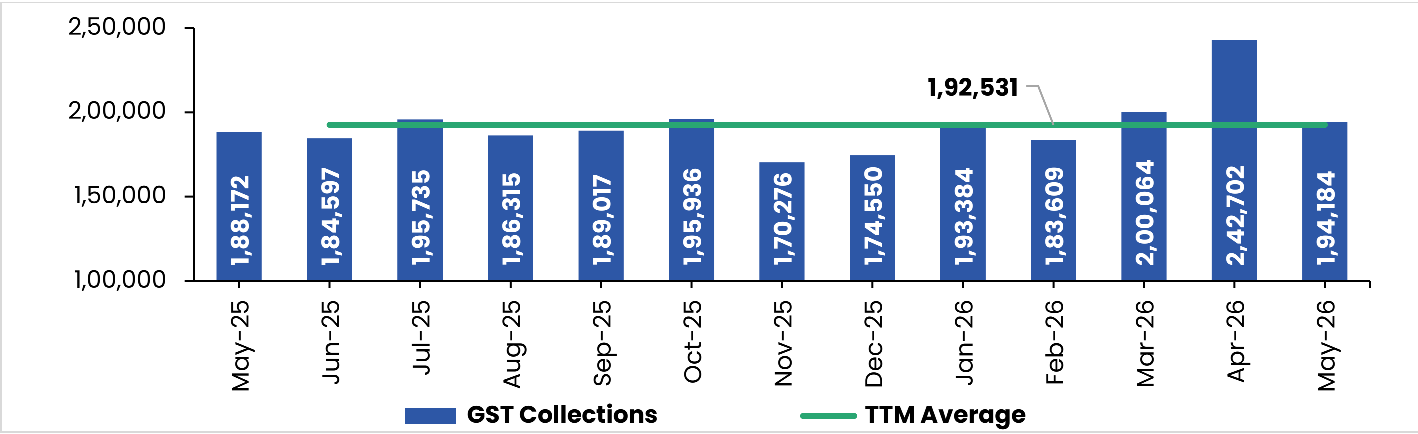
BONANZA WEALTH

GST COLLECTIONS

India's gross Goods and Services Tax (GST) revenue collections for May-26 registered a growth of 3.2% YoY reaching to Rs. 1.94 lakh crore. However, the base period included a one-time GST payment of around Rs. 10,000 crore related to telecom spectrum allocation in May-25. The Union Finance Ministry mentioned that excluding the one-off receipt, the gross GST collections for the month of May-26 recorded a stronger growth of nearly 9.0% YoY. Gross GST collections from domestic transactions fell by 2.6% to Rs. 1.35 lakh crore. Meanwhile, revenue from imported goods rose sharply by 19.1% YoY to Rs. 59,654 crore. This highlighted continued strength in import-linked tax collections. The gross GST collections comprised CGST of Rs. 37,397 crore, SGST of Rs. 45,143 crore and IGST of Rs. 1.12 lakh crore.

The net GST collections after adjusting for refunds increased by 3.3% YoY to Rs. 1.67 lakh crore. Similar to the gross collections, the net collections were also affected by the elevated base of the previous year. On an adjusted basis, net GST revenues grew by 10.1% YoY. Total refunds during the month rose by 2.6% YoY to Rs. 27,281 crore, while export-related refunds increased by 16.6% YoY to Rs. 10,250 crore.



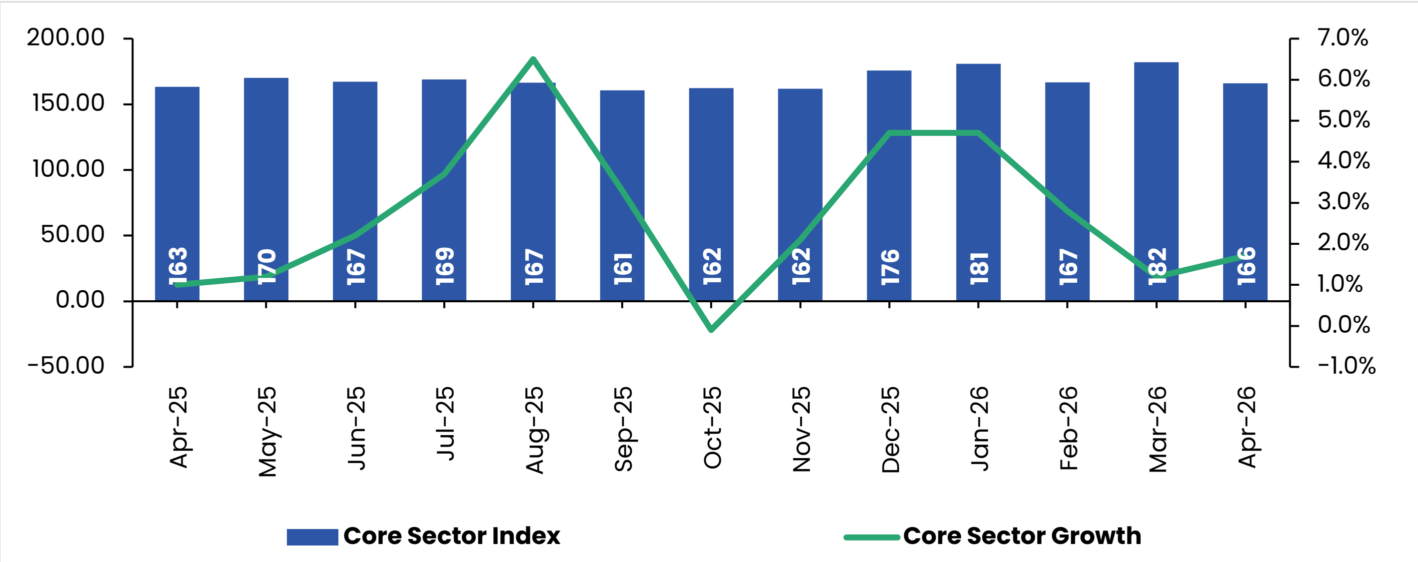
The post settlement figures on a state wise basis showed that Maharashtra continued to lead the GST collections table. The collections amounted to Rs. 16,657 crore. Karnataka followed with collections of Rs. 7,828 crore. Uttar Pradesh came in third and recorded revenues of Rs. 7,577 crore. Gujarat and Tamil Nadu were the next largest contributors with collections totalling to Rs. 7,181 crore and Rs. 6,903 crore respectively. The strong performance of Maharashtra and Karnataka are broadly consistent with sustained activity in manufacturing, financial services and technology-led sectors. Uttar Pradesh continued to benefit from improving formalisation of the economy and rising consumption activity, while Gujarat's collections were supported by sustained economic activity and improved tax compliance in the state.

Among the major states, Haryana reported a 22.0% YoY increase in the post-settlement collections. Furthermore, Karnataka, Gujarat, Andhra Pradesh and Kerala also posted double-digit growth. In contrast, Delhi witnessed a contraction of 26.0% YoY while Chhattisgarh and Jharkhand also recorded declines of 33.0% YoY and 35.0% YoY respectively. This indicated that the consumption and industrial activity remained uneven across regions during the month. Overall, strong import related revenues and steady business activity supported the GST collections. However, the variation in collections across states suggests that consumption demand remains the key trend to watch going forward.

CORE SECTOR

The Index of Eight Core Industries (ICI) expanded by 1.7% (Provisional) in Apr-26 as against 1.0% recorded in the same month last year. It is supported by higher output in steel, cement and electricity. Core sector output together accounts for 40.27% of the Index of Industrial Production (IIP). The final ICI print for Mar-26 observed a significant revision and was revised upward to 1.2% (Final) from the previous reading of (-0.4%).

Notably, only three out of eight key industries experienced growth in the month of Apr-26. Positive output growth was recorded in sectors like Cement (9.4%), Steel (6.2%) and Electricity (4.1%). Cement sector continued to remain the best performing segment which was supported by healthy construction and infrastructure activity. However, contractions were observed in Coal (-8.7%), Fertilizers (-8.6%), Natural Gas (-4.3%), Crude Oil (-3.9%) and Refinery Products (-0.5%).



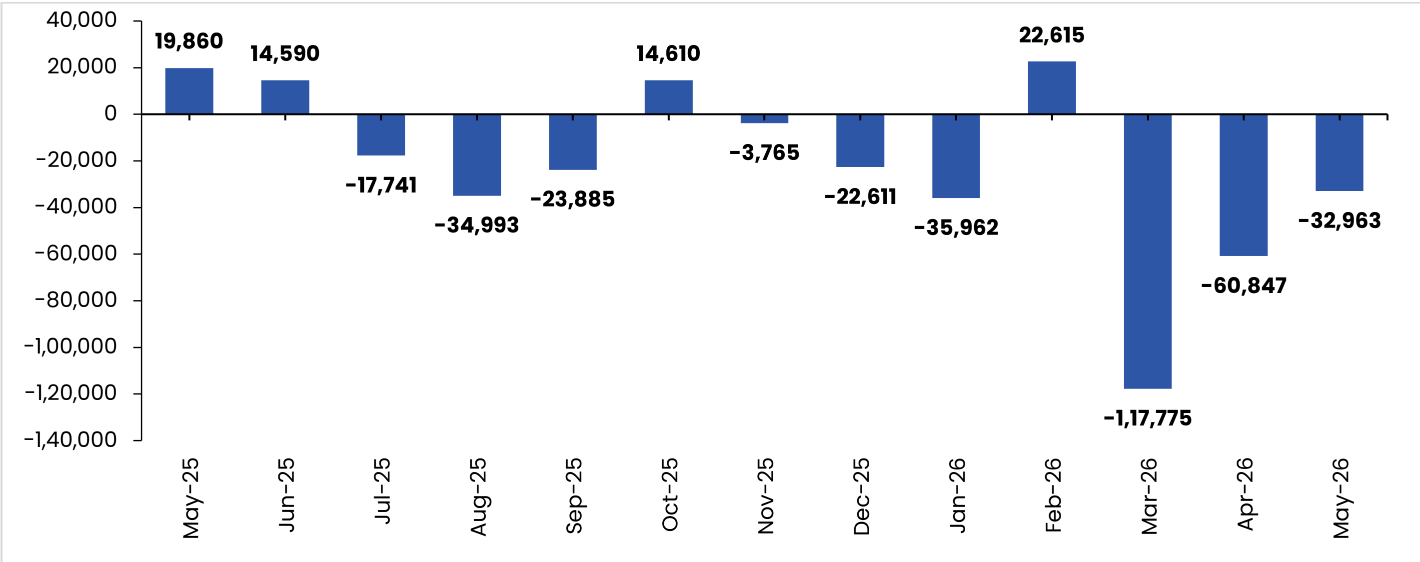
The cumulative growth of the Index of Core Industries (ICI) during FY26 stood at 2.7% over the corresponding period of the previous year. Steel and cement remained the strongest performers during the year, registering cumulative growth of 9.5% and 8.7% respectively. The energy sector continued to remain under pressure, with crude oil production contracting for the eighth consecutive month. Meanwhile, natural gas sector fell back into contraction after witnessing a brief recovery in Mar-26.

Overall, steel and cement sectors remained the key pillars of core sector growth in Apr-26. However, continued weakness in energy related sectors suggests that the recovery is yet to broaden across industries.

FPI FLOWS

Foreign Portfolio Investors (FPIs) continued to remain net sellers in May-26 with net outflows of Rs. 32,963 crore as against the net outflows of Rs. 60,847 crore recorded in Apr-26. This marks the third consecutive month of net outflows. The outflows indicate that foreign investors remained cautious amid the global macroeconomic uncertainties, elevated bond yields and attractive opportunities across other overseas markets.

In the first half of May-26, sector-wise inflows were recorded in Services (Rs. 7,019 crore), Capital Goods (Rs. 2,645 crore) and Metals and Mining (Rs. 1,698 crore). On the other hand, major outflows were observed in Financial Services (Rs. 17,960 crore), Oil, Gas and Consumer Fuels (Rs. 6,885 crore) and Telecommunication (Rs. 2,542 crore).



Meanwhile, the Debt/Hybrid segment recorded net inflows of Rs. 3,480 crore in May-26 as against the net outflows of Rs. 10,038 crore in Apr-26. It continued to witness pressure amid an uncertain global environment. So far in 2026, FPIs have remained net sellers in four out of the five months, with cumulative equity outflows reaching nearly Rs. 2.25 lakh crore.

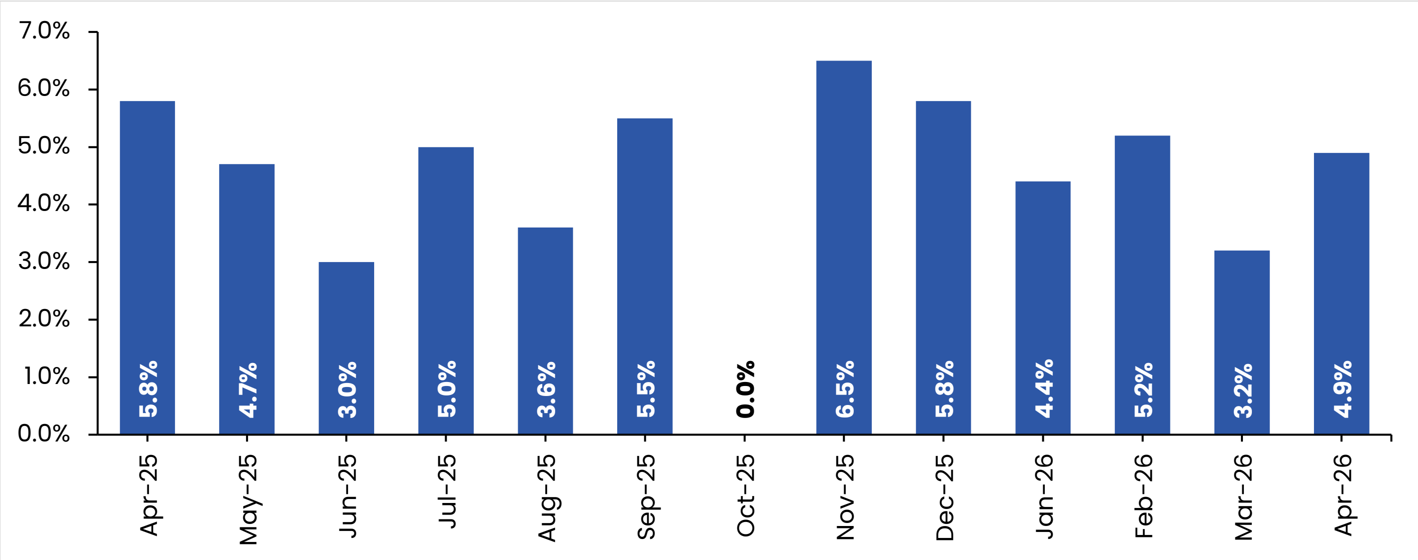
Overall, FPIs have been selling Indian equities majorly due to rupee depreciation and the strong AI led rally in markets such as South Korea and Taiwan. In addition, the outflows are attributed to crude oil prices rising due to tensions in the West Asia and rising concerns over India’s import bill and inflation outlook.

IIP GROWTH

India's industrial production rose to 4.9% (Provisional) in Apr-26 from 3.2% (Final) recorded in Mar-26. This marks the first release under the revised IIP series with the base year shifted to 2022-23. Apart from the base year revision, the new series also offers broader coverage and improved sectoral representation.

The manufacturing sector forms the largest share of the index. It expanded by 6.2% in Apr-26 in turn supporting the overall growth in industrial activity. Furthermore, growth in Electricity & Gas Supply stood at 4.9%, whereas Water Supply, Sewerage & Waste Management expanded by 6.6%. On the other hand, Mining & Quarrying contracted by (-5.1%). The overall IIP index stood at 118.9 in Apr-26 as compared to 113.4 in Apr-25.

Among the 23 manufacturing sub-sectors, 17 recorded YoY growth. Within the manufacturing sector, YoY growth was recorded in Motor Vehicles, Trailers and Semi-Trailers (12.7%), Electrical Equipment (19.2%) and Machinery and Equipment (12.9%).



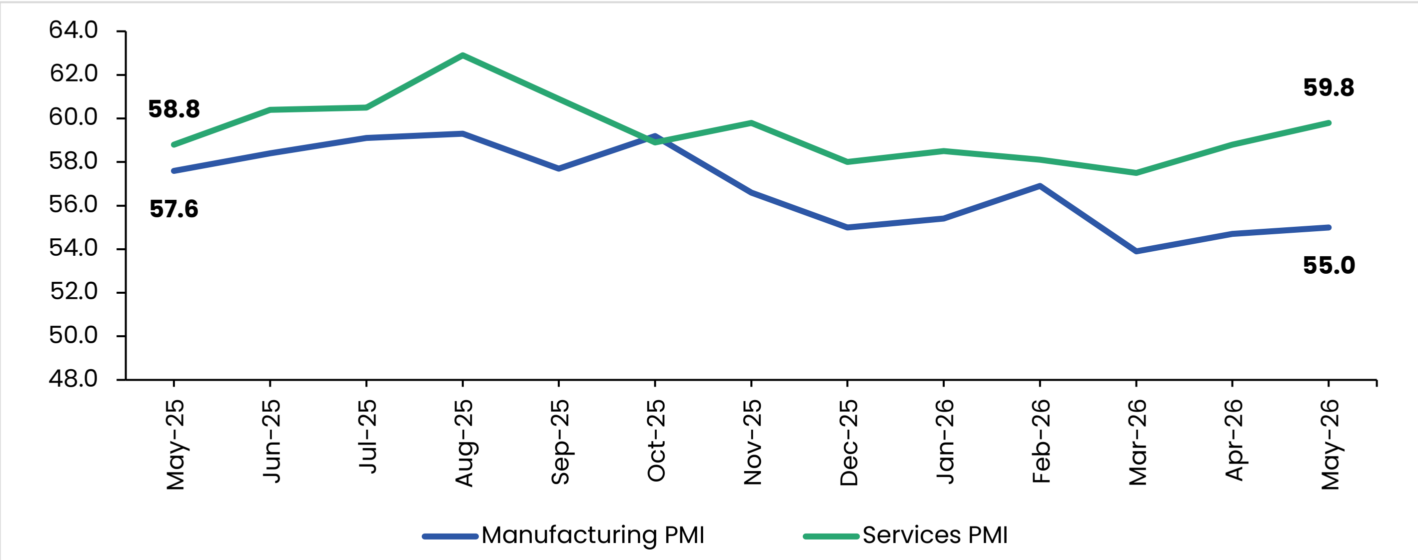
Under the use-based classification, all six categories recorded growth. Capital Goods continued to post double-digit growth for the sixth consecutive month. It expanded by (16.0%), followed by Intermediate Goods (7.7%), Infrastructure/Construction Goods (7.1%), Consumer Durables (4.3%) and Consumer Non-Durables (2.8%). Primary Goods also recorded a modest growth of (0.4%).

Looking ahead, concerns over El Niño conditions and the possibility of a weaker than normal monsoon could impact the rural demand and keep food inflation elevated. In addition, the ongoing geopolitical tensions in the West Asia may continue to create uncertainty around commodity prices and supply chains.

Purchasing Managers' Index (PMI)

India's manufacturing sector has hit a three-month high in May, on the back of strong domestic demand, infrastructure projects and rising output, although rising input costs and softer business sentiment tempered the overall outlook. The HSBC India Manufacturing PMI rose to 55.0 in May-26, compared to 54.7 in Apr-26.

Manufacturers reported strong growth in both fresh orders and production expanding at fastest pace since February, domestic demand remained the key growth driver. Intermediate and capital goods producers led rise in production while consumer goods manufacturer reported moderate growth. Export orders continued to grow, albeit at a slower pace. Input cost inflation remained elevated, due to ongoing geopolitical tension in West Asia which continued to push up prices of energy, fuel and transportation. Despite higher costs, manufacturers raised raw material purchases and stocks of finished products rose at the fastest pace in 11 years as supply outpaced demand.



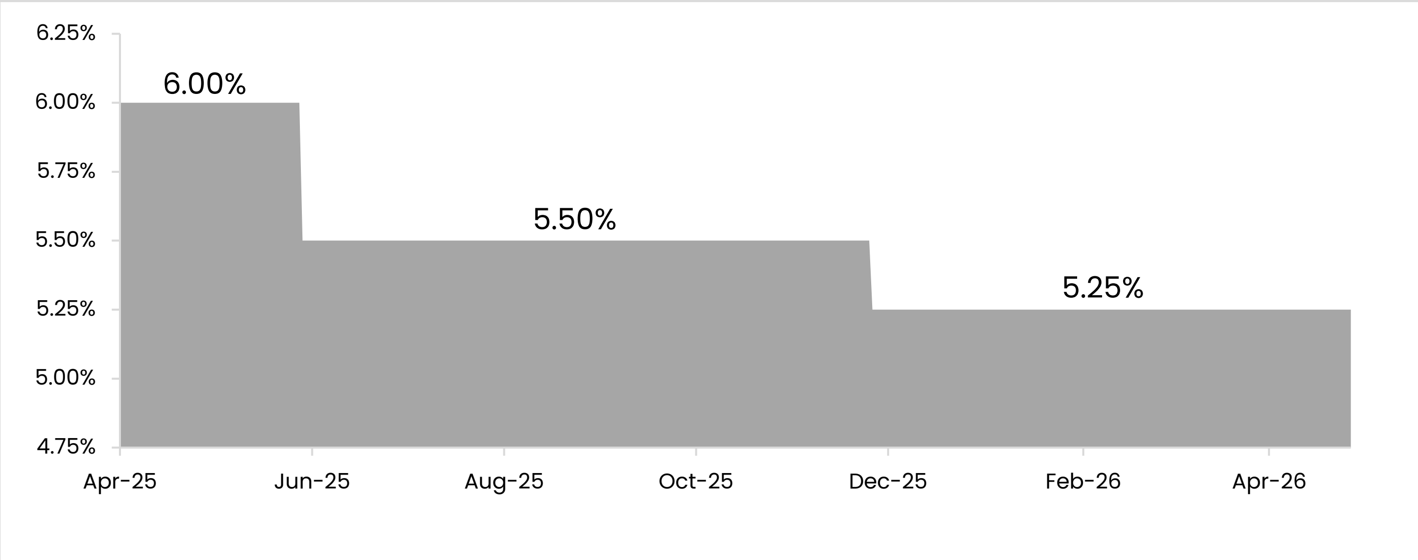
India's dominant services sector grew at its fastest pace in six months in May on the back of domestic demand even though global orders stayed below last year average and business confidence slipped for a second straight month. The HSBC India Services PMI rose to 59.8 in May-26, compared to 58.8 in Apr-26.

The service sector growth was led by demand for services such as freight, digital solutions, ecommerce, entertainment and IT. In May, India's service activity grew at its fastest pace since November, External demand for India-provided services also grew at faster pace. Despite elevated cost pressure across India's service economy, they receded to their lowest in four months which supported a moderate increase in selling prices that was softest since January. Output growth was boosted by healthy demand conditions, new client wins and ongoing improvements in business intakes. Composite PMI stood at 59.3 in May to 58.2 in April.

RBI Monetary Policy Committee

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) decided to keep the repo rate unchanged at 5.25% in its Jun-26 meeting. The MPC has also retained its neutral stance. This marks the third consecutive time that the central bank has kept the repo rate unchanged. It has decided to adopt a more data-dependent approach amid the increasingly uncertain global environment. The Marginal Standing Facility (MSF) and Bank Rate were maintained at 5.50%, while the Standing Deposit Facility (SDF) remained unchanged at 5.00%. The MPC unanimously in a 6-0 voted to keep the benchmark interest rates unchanged.

India's GDP growth forecast for FY27 was revised downwards to 6.6% from 6.9% which was projected earlier. Further, Central bank expects GDP to grow by 6.6% in Q1FY27, 6.3% in Q2FY27, 6.5% in Q3FY27 and 6.8% in Q4FY27. This reflected concerns over global economic conditions and external headwinds.



On the inflation front, the CPI forecast for FY27 was revised upwards to 5.1% from the earlier estimate of 4.6%. Furthermore, the central bank revised its inflation figures to 4.2% in Q1FY27, 5.1% in Q2FY27, 5.9% in Q3FY27 and 5.4% in Q4FY27. The FY27 Core inflation was revised upwards to 4.7% from the 4.4% projected earlier. The upward revision reflects concerns around sub-normal southwest monsoon forecasts, El Niño risks, elevated energy prices and continued disruptions in global supply chains.

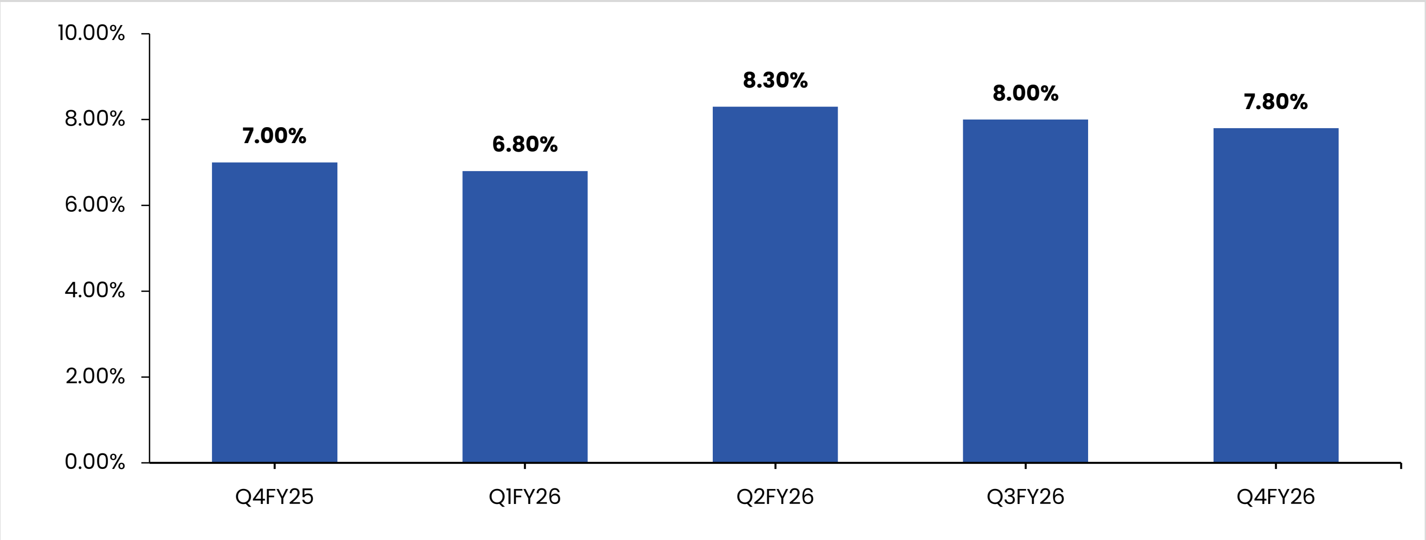
The MPC noted that while government capital expenditure and resilient services exports continue to support growth, risks from geopolitical tensions and trade disruptions remain elevated. In addition, the Centre has scrapped LTCG and STCG on investments by Foreign Institutional Investors (FIIs) in G-sec as well as the withholding tax they must pay in their interest income from these debt instruments. At present, FIIs pay 12.5% tax on LTCG, 30% on STCG and around 20% withholding tax on Interest income. Moreover, RBI has raised its limit for equity investments by the Non-Residents and Overseas Citizens of India.

GROSS DOMESTIC PRODUCT

India's real GDP (Gross Domestic Product) growth for Q4FY26 came in at 7.8% in comparison to 8.0% in Q3FY26 as per the revised GDP series. India's real GDP for FY26 grew by 7.7% as against 7.1% in FY25. On the other hand, India's nominal GDP witnessed a growth of 8.9%.

The Real Gross Value Added (GVA) which measures the economic activity across sectors has registered a growth rate of 7.9% in FY26 as against 7.3% in the previous fiscal year. On the other hand, the Nominal GVA observed a growth of 9.1%.

The economic growth for the full year was aided by policy measures like GST rationalization and income tax cuts. Overall, the Q4FY26 GDP growth rate has been better than expected but a key measure to note here is that the impact of the West Asia conflict was seen towards the end of the quarter. The upcoming quarters will witness the impact of geopolitical tensions, elevated crude oil prices and supply chain disruptions.



On the expenditure front, strong investment has been the key growth driver that supported the overall performance. The Gross Fixed Capital Formation (GFCF) accelerated to 10.8% in Q4FY26 which also marks the highest in the revised GDP series.

Going forward, although the Q4FY26 GDP print exceeded expectations, but the growth outlook remains clouded due to the ongoing West Asia conflict. In addition, the possibility of sub-normal monsoon in southwest India and the El Nino conditions are key areas to watch out.

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