FORTNIGHTLY MACRO REVIEW

8th September 2026

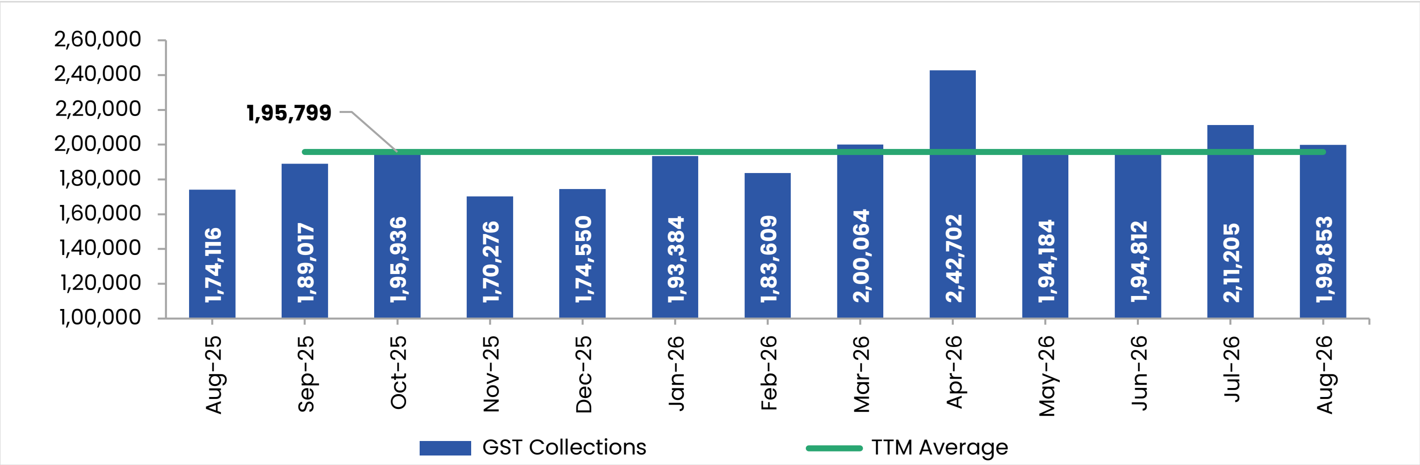
BONANZA WEALTH

GST COLLECTIONS

India's gross Goods and Services Tax (GST) revenue collections for Aug-26 registered a growth of 14.8% YoY to Rs. 1.99 lakh crore. This marked the third consecutive month of double digit growth in GST collections. However, the collections during the month were lower in comparison to Rs. 2.11 lakh crore registered in the month of Jul-26. The Aug-25 base has been restated to Rs 1.74 lakh crore after removing the GST compensation cess, which was withdrawn on all goods except tobacco and related products from 22-Sep-25, with the residual cess on tobacco and pan masala ceasing from 01-Feb-26.

The gross GST collections from domestic transactions increased by 9.3% YoY to Rs. 1.37 lakh crore. Meanwhile, revenue from imported goods surged by 29.0% YoY to Rs. 62,604 crore. This provided a significant boost to the overall collections. The gross GST collections comprised CGST of Rs. 38,413 crore, SGST of Rs. 46,316 crore and IGST of Rs. 1.15 lakh crore.

The net GST collections after adjusting for refunds increased by 8.3% YoY to Rs. 1.68 lakh crore. The sharp surge in domestic refunds was largely driven by inverted duty structures. Additionally, the slower growth in net collections compared with the gross collections was mainly due to a sharp rise in refunds during the month. Domestic refunds increased by 72.6% YoY to Rs. 18,490 crore, while export-related refunds processed through ICEGATE rose by 61.8% YoY to Rs. 13,305 crore. As a result, total refunds during the month increased by 67.9% YoY to Rs. 31,795 crore.



On a cumulative basis, gross GST collections for FY27 which is from Apr-Aug increased by 11.0% YoY to Rs. 10.43 lakh crore, while the net GST collections rose by 9.0% YoY to Rs. 8.90 lakh crore. Furthermore, the total refunds for Apr-Aug rose by 23.8% YoY to Rs. 1.53 lakh crore. Import related revenues remained a major support, rising 27.3% YoY during the period.

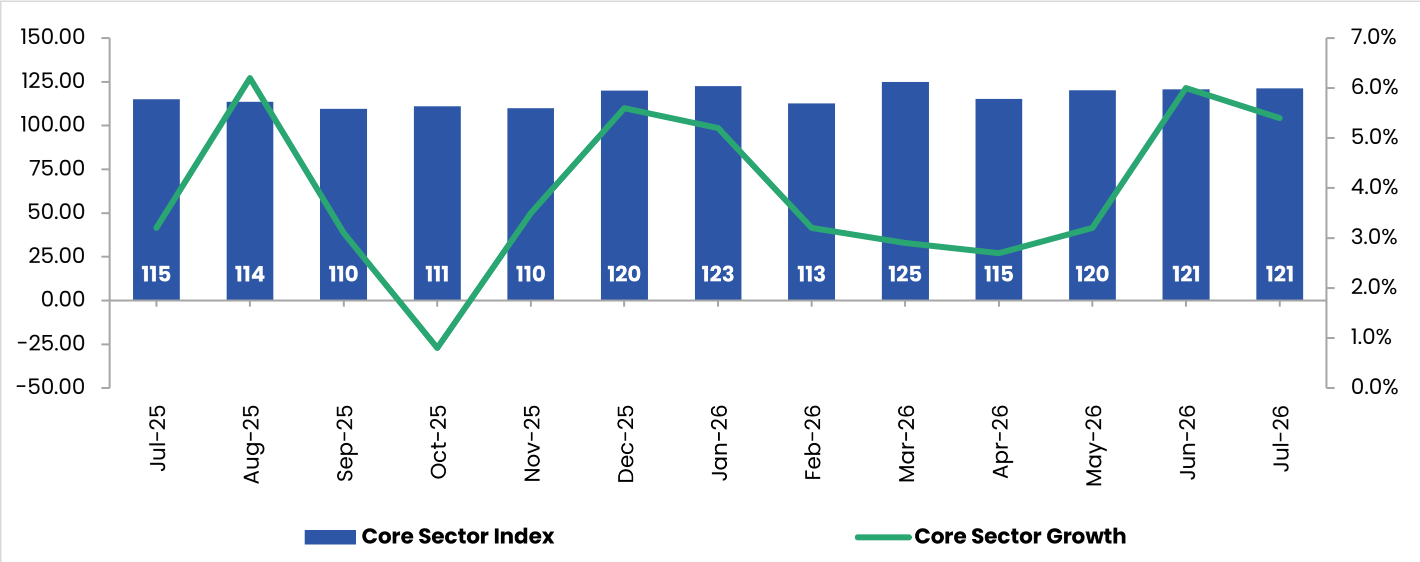
Among the major states, Assam recorded the highest growth in domestic GST collections at 162.0% YoY, albeit off a low base. It was followed by Uttar Pradesh at 19.0%, Telangana at 16.0% and Gujarat at 15.0%. Karnataka and Kerala both recorded a growth of 13.0% each. In contrast, decline in collections was observed in Odisha (-7.0%) and Andhra Pradesh (-7.0%), followed by Rajasthan (-2.0%) and Tamil Nadu (-1.0%). Among states collecting under Rs. 2,000 crore in the month, Sikkim fell by (-63.0%), followed by Himachal Pradesh by (-23.0%), Meghalaya (-21.0%) and Puducherry (-13.0%).

On a post-settlement basis, which adds each state's share of settled IGST to its own SGST, Maharashtra continued to lead with Rs. 17,789 crore, up 13.0% YoY. It was followed by Karnataka, Gujarat, Uttar Pradesh and Tamil Nadu as the other leading contributors. Going ahead, the upcoming festive season is likely to provide further support to consumption and GST collections.

CORE SECTOR

The Index of Core Industries (ICI) expanded by 5.4% (Provisional) in Jul-26 as against 3.2% recorded in the same month last year. The Jul-26 print is lower than the 6.0% growth recorded in Jun-26. The final ICI print for Jun-26 was revised upwards to 6.0% from the previous reading of 5.0%.

Notably, six out of nine key industries experienced growth in Jul-26. Positive output growth was recorded in sectors like Iron Ore (29.5%), Cement (13.1%), Electricity (9.0%), Coal (7.6%), Refinery Products (2.7%) and Steel (2.9%). Iron Ore has been included as a new component in the core sector data and carries a weight of 4.9% in the index. Its 29.5% growth comes off a low base, output having contracted 7.1% in Jul-25, as does Coal's 7.6% against a 12.3% contraction a year earlier. Refinery Products recorded their strongest growth in nine months, breaking their three-month contraction streak. Overall, gains remained concentrated in infrastructure-linked sectors such as iron ore, cement and electricity. However, contractions were observed in Fertilizers (-8.0%), Crude Oil (-5.3%) and Natural Gas (-3.7%).



The cumulative growth of the Index of Core Industries (ICI) during Apr-26 to Jul-26 stood at 4.3% (Provisional) compared to 1.5% in the corresponding period of the previous year. Iron Ore, Cement and Electricity remained the strongest performers during the period with cumulative growth of 25.2%, 9.9% and 9.3% respectively.

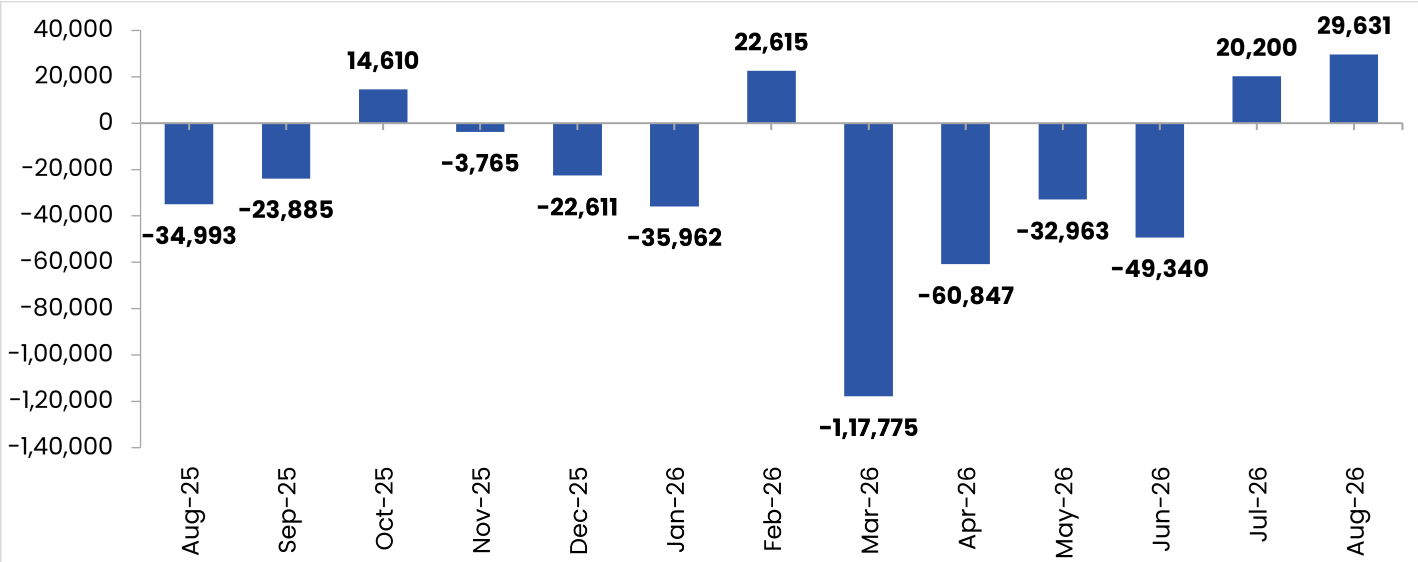
Looking ahead, weak monsoon conditions and a likely rise in retail inflation could weigh on rural demand and discretionary consumption in H2 FY2027.

FPI FLOWS

Foreign Portfolio Investors (FPIs) remained net buyers in Aug-26 with net inflows of Rs. 29,631 crore as against the net inflows of Rs. 20,200 crore recorded in Jul-26. This marks the highest monthly inflows since Sep-24. It also marks the second consecutive month of net inflows after four months of heavy selling.

In the month of Aug-26, sector-wise inflows were recorded in Financial Services (Rs. 10,494 crore), Consumer Services (Rs. 8,417 crore) and Healthcare (Rs. 5,931 crore). On the other hand, major outflows were observed in Telecommunication (Rs. 4,983 crore), FMCG (Rs. 1,916 crore) and Oil, Gas & Consumable Fuels (Rs. 1,761 crore).

FPIs pumped in Rs. 12,921 crore in equity inflows during the first week of Aug-26. Within the week, August 5, 2026 recorded the strongest single session inflows of Rs. 9,323 crore. However, the pace of inflows moderated towards the end of the week.



Meanwhile, the Debt/Hybrid segment witnessed net outflows of Rs. 4,139 crore in the month of Aug-26 as against net inflows of Rs. 19,831 crore recorded in Jul-26. This marks the first monthly outflow in 4 months after a strong inflow of Rs. 77,320 crore in the past three months. FPIs turned net sellers in General Limit debt securities with outflows of Rs. 2,224 crore.

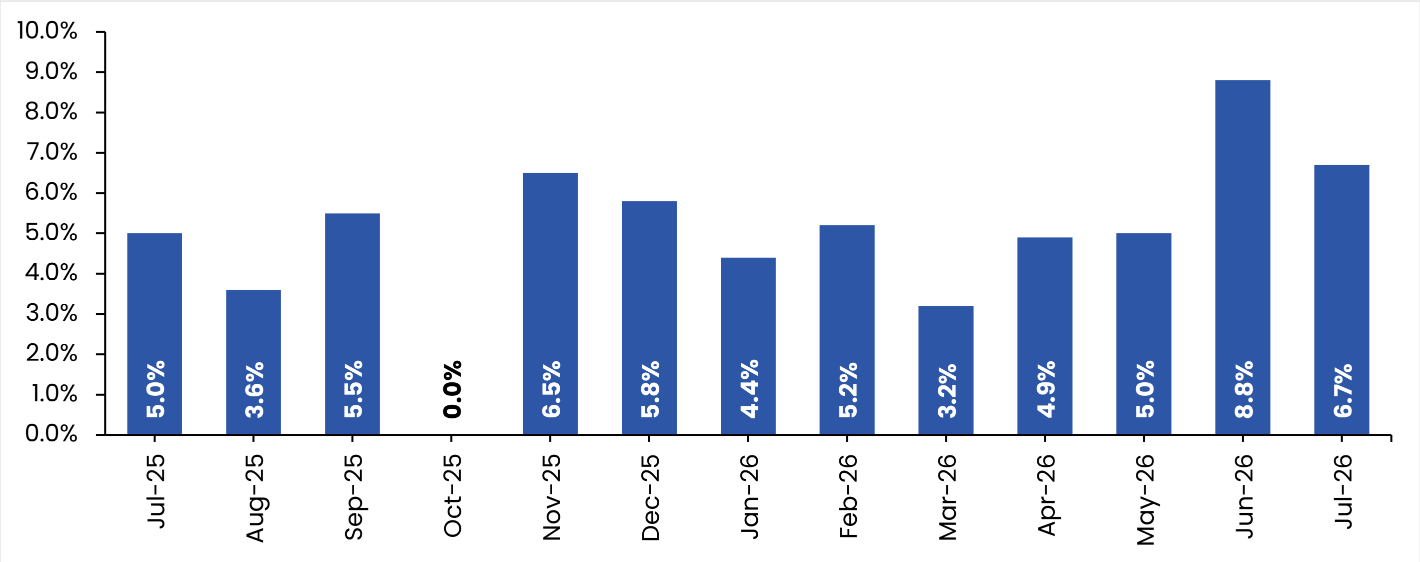
So far in 2026, FPIs have remained net sellers in five out of the eight months in equities. The cumulative net equity outflows declined to Rs. 2.24 lakh crore during the month from Rs. 2.54 lakh crore recorded in the previous month.

Despite the moderation in the debt flows during the month, the overall FPI inflows remained positive for the third consecutive month. Total inflows stood at Rs. 25,492 crore in Aug-26 compared with Rs. 40,031 crore in Jul-26.

IIP GROWTH

India's industrial production grew by 6.7% (Quick Estimate) in Jul-26 as against 8.8% (Revised) in Jun-26. The moderation was due to slower growth in manufacturing and electricity & gas supply sectors. The Jun-26 print was revised higher to 8.8% from the 7.3% recorded earlier.

India's industrial production includes 4 sectors. The 4 sectors are Manufacturing, Electricity & Gas supply, Water Supply, Sewerage & Waste Management and Mining & Quarrying. Amongst this, the manufacturing sector forms the largest share of the index. It expanded by 7.3% in the month of Jul-26 as against 9.5% recorded in Jun-26. Furthermore, growth in Electricity & Gas Supply stood at 8.7% in Jul-26 as against 11.3% in Jun-26. The Water Supply, Sewerage & Waste Management expanded by 7.4% during the month as against 6.1% recorded in the previous month. The Mining and Quarrying sector contracted by (0.9%) in Jul-26 as compared to growth of 1.6% observed in the previous month.



Among the 23 manufacturing sub-sectors, 19 recorded YoY growth. Within the manufacturing sector, notable gains were seen in Motor vehicles, Trailers and Semi-Trailers (22.2%), Electrical Equipment (28.3%) and Machinery & Equipment (12.1%).

Under the use-based classification, Capital Goods continued to post double-digit growth. It expanded by (16.1%), followed by Consumer Durables (10.5%), Intermediate Goods (10.0%), Infrastructure/Construction Goods (6.9%) and Primary Goods (4.1%). Consumer Non-Durables contracted by 1.0% during the month.

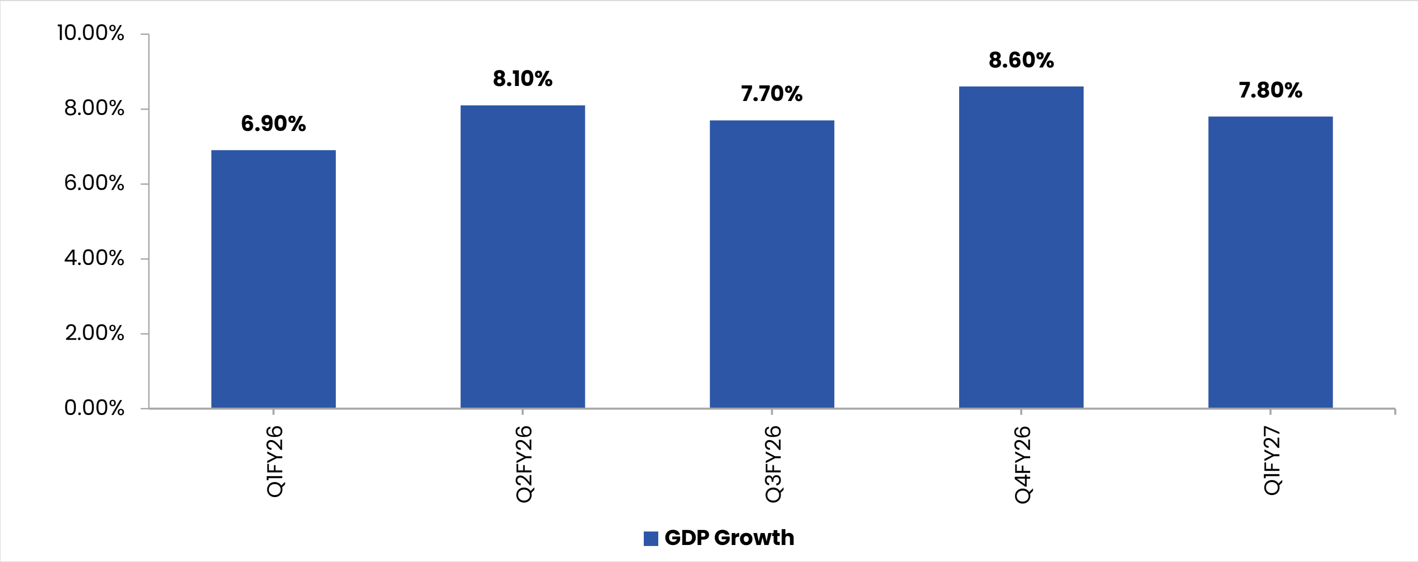
So far in this fiscal year, industrial activity has been largely resilient despite global uncertainties and elevated energy prices. Looking ahead, the global economic environment remains challenging amid persistent geopolitical tensions. Industrial activity could be affected by supply-chain disruptions and elevated input costs. On the domestic front, rising inflation and weather-related uncertainties may affect consumption and investment.

GROSS DOMESTIC PRODUCT GROWTH

India's real GDP (Gross Domestic Product) growth for Q1FY27 came in at 7.8% compared to 6.9% in Q1FY26. The growth was supported by domestic demand and gains in manufacturing and services. The new GDP series continues to use 2022-23 as the base year.

The Real Gross Value Added (GVA) measures economic activity across sectors. It registered a growth of 8.2% in Q1FY27 as against 7.0% in Q1FY26. The growth was supported by the tertiary sector which grew by 10.0% and the secondary sector expanded by 8.6%. Within the secondary sector, manufacturing recorded a growth of 9.2%. On the other hand, the primary sector slowed to 2.9%.

The economic growth during the quarter was supported by domestic demand. Measures such as GST rate rationalisation and income tax cuts supported consumption. Private Final Consumption Expenditure (PFCE) grew by 7.1% during the quarter.



On the expenditure front, investment remained a key growth driver supporting the overall performance. Gross Fixed Capital Formation (GFCF) grew by 11.9% in Q1FY27 compared to 5.8% in Q1FY26. The performance was supported by continued public capex by the central and state governments. Exports also improved and grew by 12.0% in Q1FY27 compared to 6.0% in Q1FY26. Imports contracted by 1.1%.

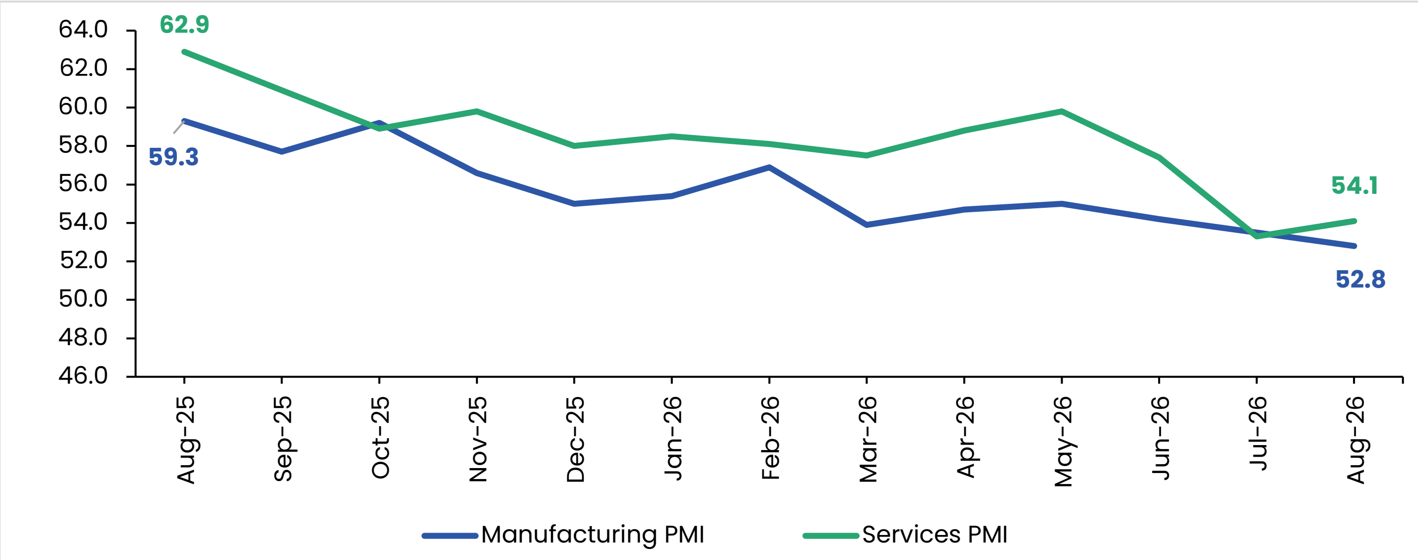
Overall, the Q1FY27 GDP growth rate has been better than expected and indicates that the domestic economy has started the financial year on a resilient footing. However, persistent global trade uncertainty and supply chain disruptions could weigh on manufacturing and exports in the coming quarters.

Going forward, the upcoming festive season is expected to provide further support to consumption. However, rising inflation and weather-related disruptions remain key monitorable, particularly for rural demand. Furthermore, strong El Nino conditions are already prevailing, and the Jun-Aug monsoon closed 14% below normal. This is likely to affect crop output and agricultural growth.

PURCHASING MANAGERS' INDEX

India's private sector activity continued to expand in Aug-26. However, the pace of growth moderated for manufacturing, while services activity improved slightly during the month.

The Manufacturing PMI declined to 52.8 in Aug-26 from 53.5 in Jul-26. The index remained above the 50 mark, but fell below its long-run average of 54.2 and declined for a third straight month. The slowdown was mainly due to softer demand conditions which affected new orders and output. The new orders and production both grew at their weakest pace since Aug-21. Export orders continued to rise although growth eased from the previous month. Manufacturing employment also declined for the first time in two and a half years. Inventory data offered further evidence of caution among manufacturers. Softer cost pressures helped firms limit increases in selling prices.



The Services PMI rose to 54.1 in Aug-26 from 53.3 in Jul-26. Despite the improvement, it remained fractionally below its long-run average of 54.5 and was the second-weakest reading since March 2022. The slight uptick was supported by stronger customer demand and higher new business. Export orders also continued to provide support with demand reported from Australia, Brazil, Canada, Japan, Malaysia, Singapore, Sri Lanka and the UAE. Job creation reached a 15-month high.

As a result, the Composite Output Index held at 54.3 in Aug-26, a four-and-a-half-year low. Private sector employment increased at the fastest pace in 14 months. Business confidence remained below its long run average although firms continued to expect better demand and market conditions.

Name	Designation
Jainam Doshi	Research Analyst

JAINAM BIMAL DOSHI

Digitally signed by JAINAM BIMAL DOSHI
DN: cn=JAINAM BIMAL DOSHI c=IN o=Personal ou=Personal
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Bonanza Portfolio Ltd.
Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063 Phone: 022-68363794/708
Website: https://www.bonanzaonline.com SEBI Regn. No.: INZ000212137 BSE CM: INB 011110237 | BSE F&O: INF 011110237 |
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Compliance Officer: Trupti Milind Khot, 022-62735507, compliance@bonanzaonline.com