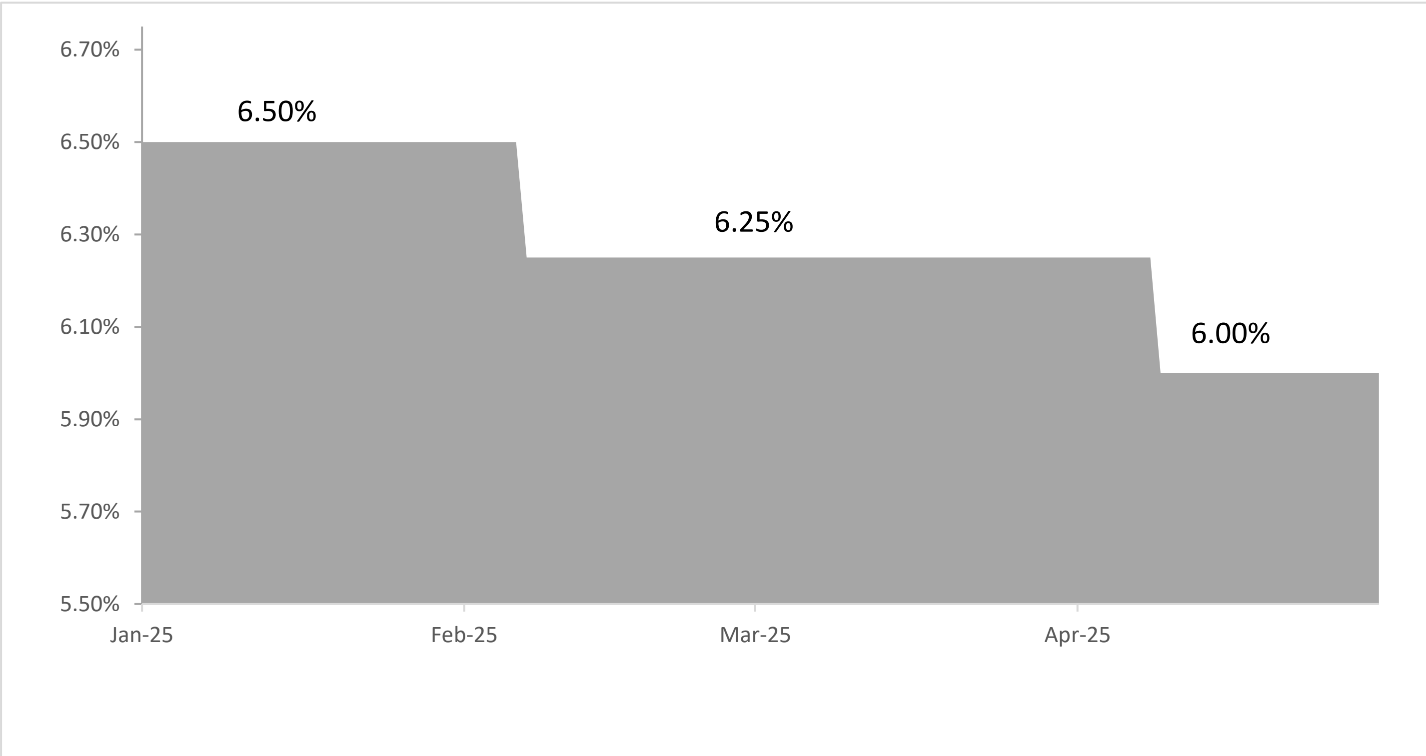
MONTHLY MACRO REVIEW

April 2025

BONANZA WEALTH

RBI MPC Decision

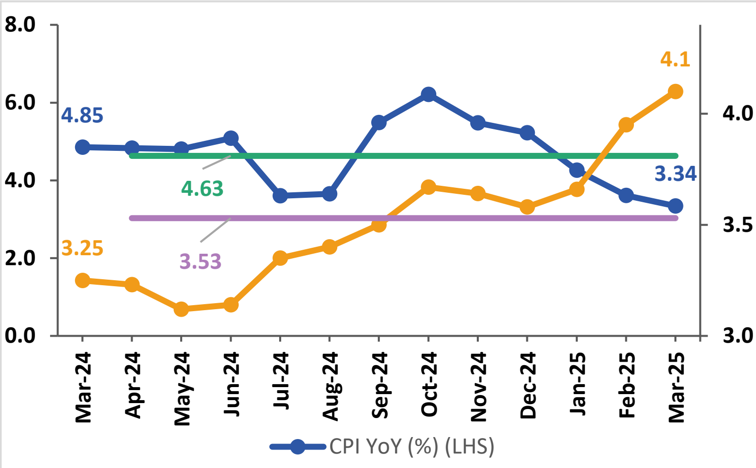
The Reserve Bank of India (RBI) Monetary Policy Committee (MPC) has cut the repo rate by 25bps, bringing the rate down to 6.00% in its Apr-25 meeting. This reduction marks the second in the row that the central banks has cut its interest rate to aid growth amid global uncertainties. The MPC has also decided to change the stance to accommodative from neutral, indicating that it will mainly consider keeping the policy rate the same or lowering it in the future. The newly appointed RBI Governor Sanjay Malhotra has adjusted the Marginal Standing Facility (MSF) and Bank rate to 6.25% and the Standard Deposit Facility (SDF) rates adjusted 5.75%. The current outlook suggests that the MPC will shift its focus from inflation concerns to supporting economic growth. We anticipate a continuation of the rate-cutting cycle initiated in February, with a 25-basis point reduction in the repo rate during the April MPC meeting.



The RBI Governor forecasted GDP growth for FY26 at 6.5% with Q1FY26 at 6.5%, Q2FY26 at 6.7%, Q3FY26 at 6.6%, Q4FY26 at 6.3%. Further, RBI has projected retail inflation at 4.0% for FY26, with Q1FY26 at 3.6%, Q2FY26 at 3.9%, Q3FY26 at 3.8%, Q4FY26 at 4.4%. The retail inflation forecast has been brought down as the prospects for agriculture remain bright due to healthy reservoir levels and crop production. The governor pointed out that the growth-inflation trajectory should remain growth supportive while being watchful of inflation at a time when global challenges have mounted.

CPI INFLATION

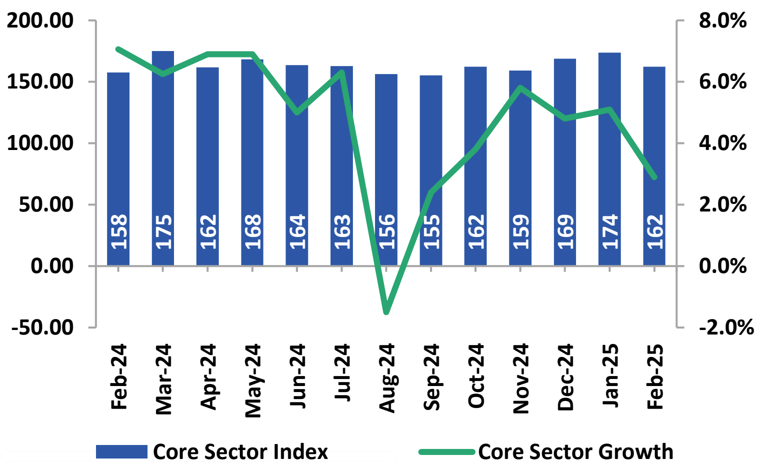
Consumer Price Index (CPI) inflation in Mar-25 witnessed a higher-than-expected moderation to 3.3% (provisional), marking its lowest level since Aug-19. A key driver of this moderation has been the sustained easing in food and beverages inflation, which fell to 2.9% in Mar-25 from 3.8% in Feb-25. Deflation in vegetables (-7.0%), pulses (-2.7%), and egg prices (-3.2%) deepened, significantly contributing to this trend. Interestingly, the fuel and light category exited deflation after 18 consecutive months, registering (1.5%) inflation. However, this trend may not sustain due to recent electricity price reductions in some major states. While food inflation is expected to remain benign due to strong agricultural prospects and Rabi harvests, double-digit inflation in edible oils (17.1%) and fruits (16.3%) continues to pose a challenge.



Core inflation saw a marginal increase to 4.1% in Mar-25. Looking ahead, while moderating food inflation is expected to support comfortable CPI levels, factors such as global trade uncertainties, geopolitical tensions, and weather-related events remain crucial monitorables. The Reserve Bank of India (RBI) has already responded to the easing inflation by cutting its policy rate.

CORE SECTOR

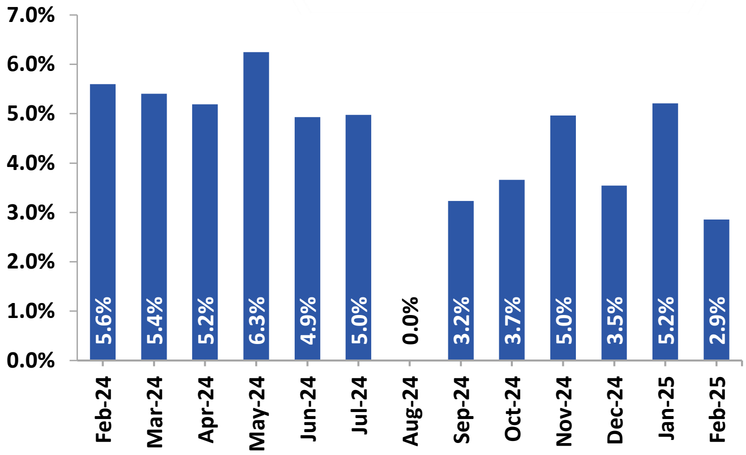
The Index of Eight Core Industries (ICI) slipped to 2.9% (Provisional) in Feb-25, marking the slowest expansion in five months. The ICI print for the month of Jan-25 registers an uptick to 5.1% (Revised) from previous reported 4.6% growth. The final output for Nov-24 revised upwards to 5.8% from previously reported 4.4% growth. Notably, positive output growth was seen in coal (1.7%), refinery products (0.8%), fertilizers (10.2%), steel (5.9%), cement (9.3%), and electricity (2.9%). Meanwhile, contractions in output were observed in crude oil (-5.2%) and natural gas (-6.0%).

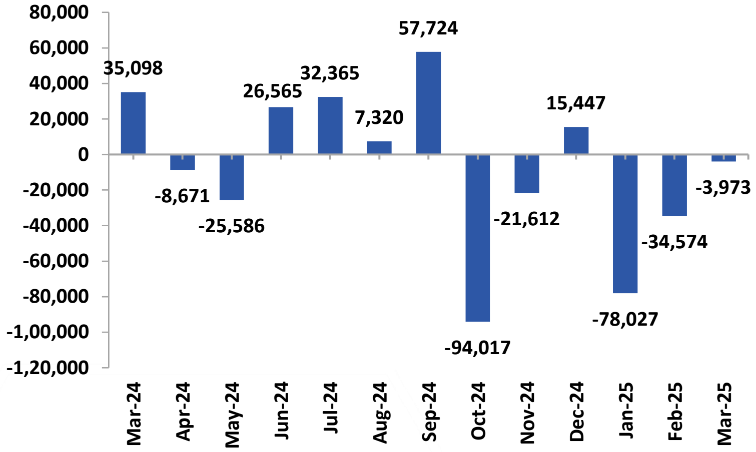


Core sector performance reflects slow capex growth, with the FY25 target revised to Rs 10.2 lakh crore from Rs 11.1 lakh crore. By April-February, India reached 80% of its Rs 8.1 lakh crore capex target, leaving Rs 2.1 lakh crore for March 2025. State spending has also been low, with the capital outlay of the top 15 states declining by 4% YoY to Rs 3.57 lakh crore 9MFY25. They have only completed 48% of their budgeted capex of Rs 7.5 lakh crore, highlighting the need for significant spending in March to meet targets.

IIP GROWTH

India's industrial production growth decelerated to 2.9% in Feb-25, marking a six-month low. This slowdown was primarily driven by a weaker performance in the mining and manufacturing sectors, which outweighed the improvement observed in electricity production. Manufacturing output growth decreased significantly to 2.9% in Feb-25 from 5.8% in Jan-25. Mining output also saw a considerable slowdown, declining to 1.6% from 4.4% in the previous month. In contrast, the electricity sector experienced an increase in output growth to 3.6% from 2.4% in January. Out of 23 subcategories in manufacturing, fourteen categories have recorded YoY growth in output. While export-oriented segments such as wearing apparel (-4.4%) and leather and related products (-9.4%) have recorded decline in output. While basic metals, accounting for 12.8%, still registered growth at 5.8%. Within use-based classification, five out of six categories have recorded growth, Primary Goods (2.8%), Capital Goods (8.2%), Intermediate Goods (1.5%), Infrastructure goods (6.6%), Consumer durables (3.8%). The only laggard was consumer non-durables which declined by (-2.1%). The consumption scenario presented a mixed picture. While consumer durables output saw a YoY increase in growth, consumer non-durables remained in contraction. This highlights the persistent weakness in urban demand, which remains a critical concern for industrial performance.



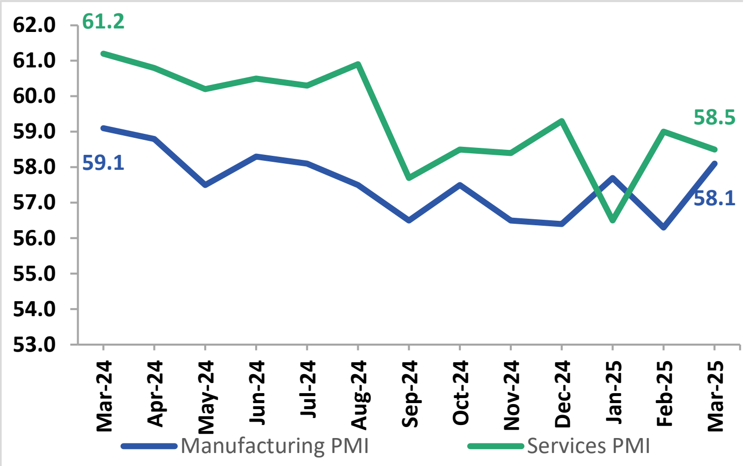


FPI FLOWS

In Mar-25, Foreign Portfolio Investors (FPIs) remained net sellers in Indian equities, divesting Rs. 3,973 crore. However, this figure was significantly lower than the Rs. 34,574 crore outflow recorded in Feb-25. Notably, foreign investors pumped nearly Rs. 31,000 crore into equities during the last six trading sessions of March. This marked a partial reversal of the strong outflows witnessed earlier in 2025. The equity market continued to face pressure from persistent concerns over elevated valuations, modest corporate earnings, and global risk-off sentiment. In contrast, the debt segment witnessed robust FPI participation, with net inflows of Rs. 36,954 crore during March. This continued momentum was supported by stable RBI monetary policy, favourable interest rate differentials, and sustained demand for Indian debt instruments from global investors. Sector-wise, inflows were recorded in Financial Services (Rs. 14,274 crore), Telecommunications (Rs. 3,073 crore), and Others (Rs. 2,237 crore). Major outflows were observed in Information Technology (Rs. 8,451 crore), FMCG (Rs. 5,593 crore) and Oil & Gas (Rs. 3,419 crore). Despite early 2025 equity outflows, overall FPI activity showed a shift toward debt, partially offsetting equity market weakness.

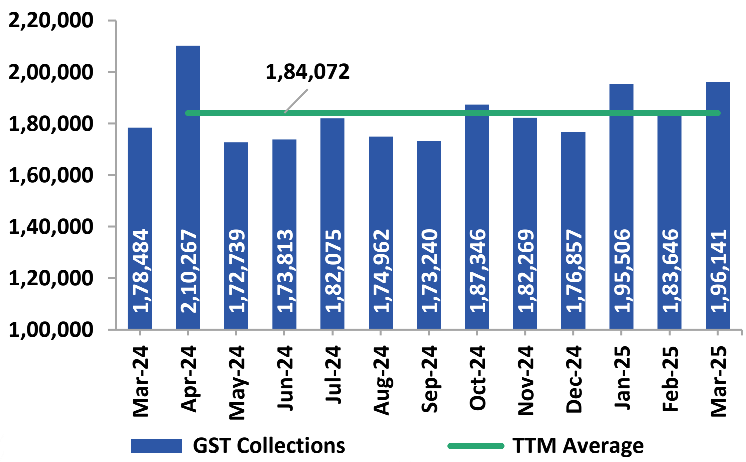
PMI INDICATORS

India's private sector activity maintained its growth momentum in Mar-25, supported by a sharp upturn in manufacturing and continued expansion in services. The HSBC India Manufacturing PMI rose to 58.1 in Mar-25, compared to 56.3 in Feb-25, which had marked the lowest reading in the past 14 months. This growth in manufacturing was largely driven by a notable surge in new orders, which also attained an eight-month peak, leading to faster production growth and the quickest depletion of finished goods stocks in over three years. Despite a slight deceleration in international orders, strong domestic demand continued to support overall manufacturing activity. On the services front, the HSBC India Services PMI eased slightly to 58.5 in Mar-25 from 59.0 in Feb-25. This softening was attributed to a slowdown in external activity impacting demand for Indian services, although domestic and international demand remained reasonably robust but sequentially lower. However, service providers indicated that increasing competition is anticipated to exert downward pressure on future business prospects, causing a dip in positive sentiment. The HSBC India Composite Output Index climbed to a seven-month high of 59.5 in Mar-25, up from 58.8 in Feb-25, signalling broad-based strength across key segments of the economy.



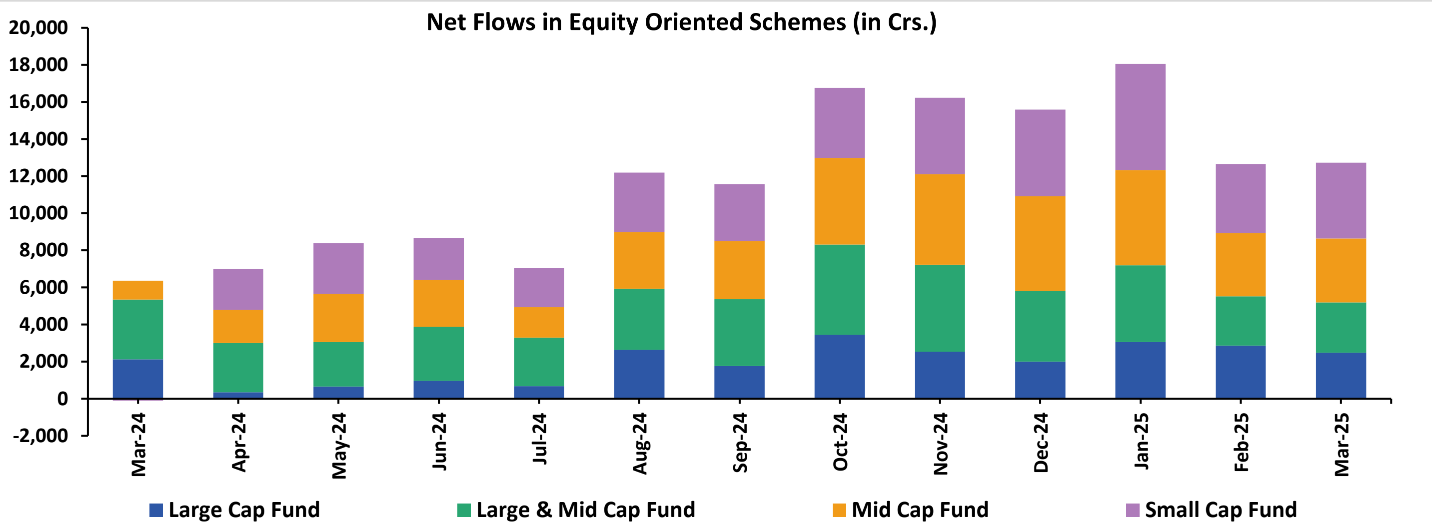
GST COLLECTIONS

India gross Goods and Services Tax (GST) revenue collections for Mar-25 reached to Rs. 1,96,141 crores, a 9.9% YoY increase. This marks a 6.8% MoM increase from Feb-25, marking it highest collection in eleven months. According to government data, gross GST revenue from domestic transaction grew by 8.8% YoY to Rs. 1,49,222 crores, whereas imports of goods were up by 13.6% YoY to Rs. 46,919 crores. Following adjustments for refunds, the net GST revenue for Mar-25 totalled at Rs. 1,76,526 crores, reflecting a growth of 7.3% YoY. For the full year of FY25, the gross collection stood at Rs. 22,08,861 crores, a 9.4% YoY increase. CGST comprised Rs. 38,145 crores, SGST comprised Rs. 49,891 crores, IGST comprised Rs. 95,853 crores, and Cess comprised Rs. 12,253 crores. In FY25, GST collections rose by 8.6% after taking refunds into account, reaching Rs. 19,56,034 crores. This growth shows economic stability and strong tax compliance among companies compared to last year. Maharashtra led the states in GST collections, contributing Rs. 31,534 crore, a significant 14% YoY increase. Followed by Karnataka with Rs. 13,497 crore. Gujarat secured the third position with Rs. 12,095 crore, while Tamil Nadu and Uttar Pradesh collected Rs. 11,795 crore and Rs. 9,956 crore, respectively.

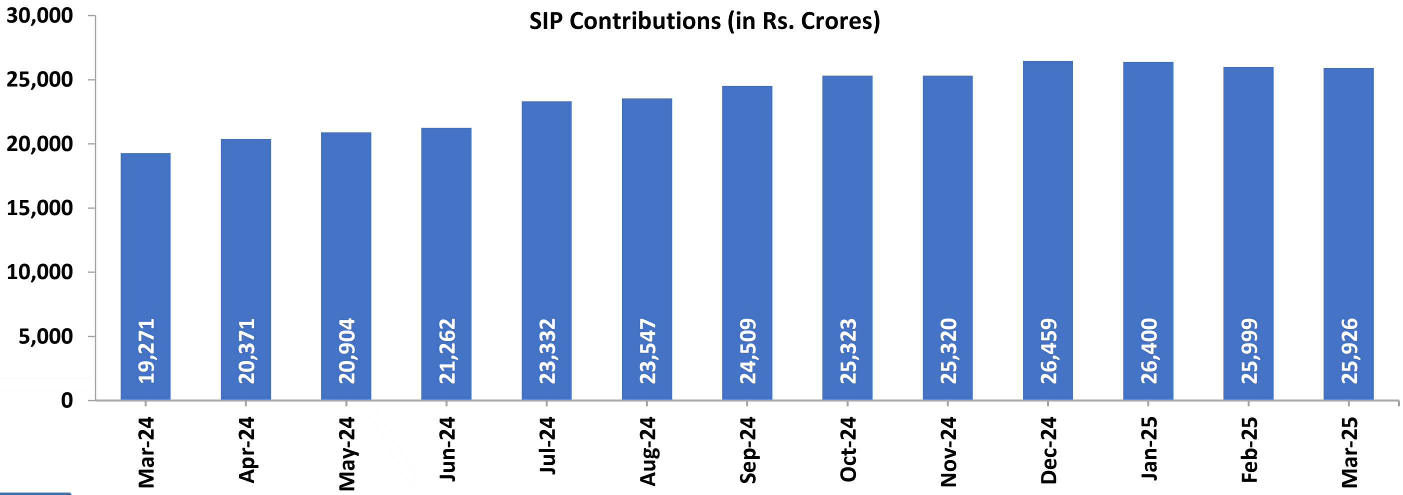


MUTUAL FUND FLOWS

The mutual fund industry saw a significant reversal in Mar-25, recording net outflows of Rs 1,64,435 crore compared to inflows of Rs. 40,063 crore in Feb-25. Open-ended equity mutual funds have sustained their positive trend for the 49th consecutive month. In March 2025, inflows totalled Rs 25,082 crore, reflecting a 14.4% MoM decline from Feb-25. The industry's net asset under management stood at Rs 65.74 lakh crore. In the open-ended equity fund category, the major drop came on the back of Sectoral / Thematic funds, crashing more than 97% MoM in Mar-25. Followed by Large-cap funds declined by 13.5% MoM to Rs. 2,479 crore. However, Small-cap funds witnessed an increase of 9.9% to Rs 4,092 crore, while Mid-cap funds saw marginal uptick of 1% in inflows. Debt funds observed substantial net outflows of Rs 2.02 lakh crore, mostly driven by increased corporate redemptions to meet quarter and financial year-end advance tax obligations.



Systematic Investment Plan (SIP) inflows moderated by 0.3% to Rs 25,926 crore marking a four-month low. The number of new SIPs registered in Mar-25 stood at 40.18 lakh against 44.56 lakh in Feb-25. The number of contributing SIP accounts stood at 8.11 crore in Mar-25 against 8.26 crore in Feb-25. The sharp surge in SIP stoppage can be linked to more investors stopping their SIPs or the expiration of existing SIP tenures. Additionally, the regulatory clean-ups of inactive accounts as per SEBI regulations have also played a role. The SIP AUM stood at Rs 13.35 lakh crore for the month of Mar-25 against Rs 12.37 lakh crore in Feb-25.



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