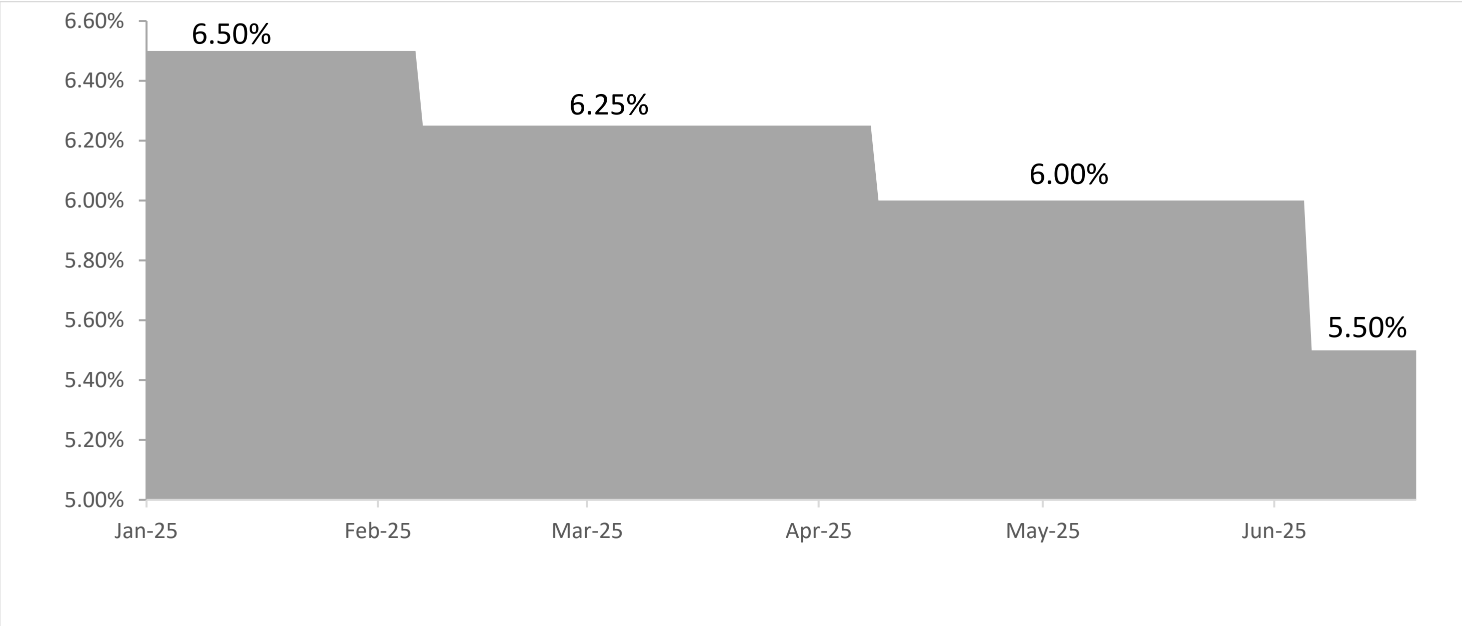
MONTHLY MACRO REVIEW

June 2025

BONANZA WEALTH

RBI MPC DECISION

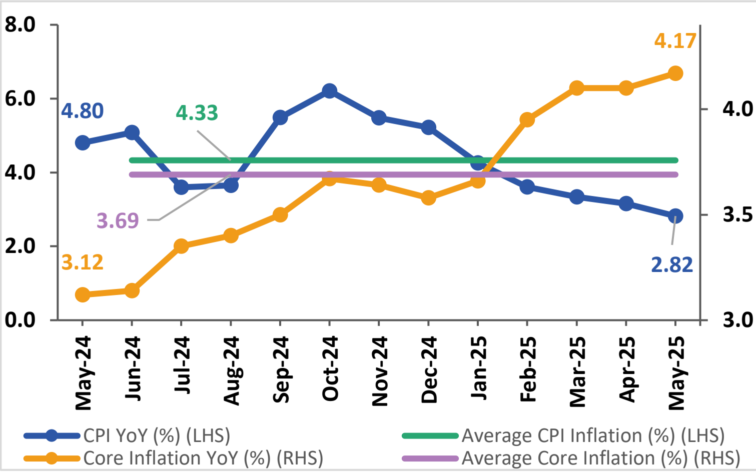
The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) has cut the repo rate by 50 bps, bringing the rate down to 5.50% in Jun-25. This marks the third consecutive time in a row that central bank has cut interest rates and also marks the sharpest rate cut since Mar-20. MPC has now cut interest rates by 100 bps since Feb-25. The MPC has also decided to change the stance from accommodative to neutral, signalling a more balanced approach between supporting growth and keeping inflation expectations steady. RBI Governor Sanjay Malhotra has adjusted the Marginal Standing Facility (MSF) and Bank rate to 5.75% and the Standard Deposit Facility (SDF) rates adjusted to 5.25%. Going forward, the MPC will adopt a data-dependent approach, closely monitoring domestic and global developments to maintain a balanced growth-inflation trajectory.



The RBI Governor forecasted the GDP Growth for FY26 at 6.5%, with quarterly estimates at 6.5%, in Q1FY26, 6.7% in Q2FY26, 6.6% in Q3FY26 and 6.3% in Q4FY26. Furthermore, the retail inflation for FY26 expected to be at 3.7%, with quarterly projections at 2.9% in Q1FY26, 3.4% in Q2FY26, 3.9% in Q3FY26 and 4.4% in Q4FY26. The Governor pointed out that a favourable monsoon outlook and easing input costs are likely to support the inflation trend in the near term.

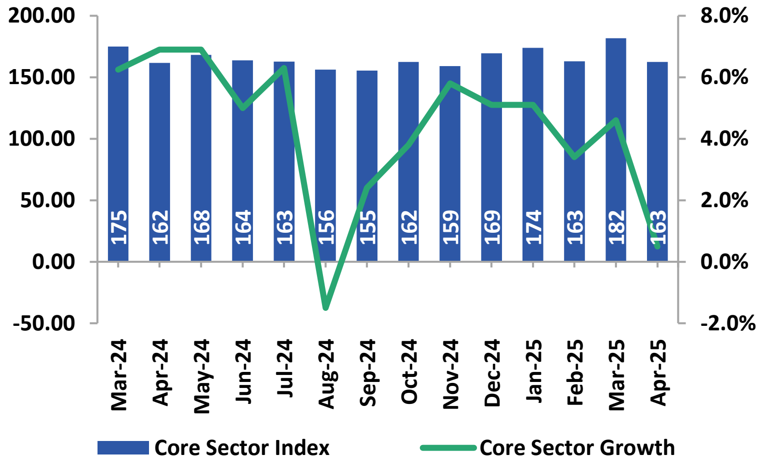
CPI INFLATION

Consumer Price Index (CPI) inflation eased to 2.82% (provisional) in May-25, compared to 3.16% in Apr-25. This marked its lowest reading since Feb-19, bringing inflation close to the RBI's lower tolerance threshold of 2%. The key driver of the decline was food inflation, which dropped to 0.99%, marking its lowest since Oct-21 and significantly below 1.78% in Apr-25. Among the major categories, a decline was observed in vegetables (-13.7%), pulses (-8.22%) and spices (-2.82%). However, inflation in fruits (12.74%) and oils and fats (17.91%) remains elevated, indicating that some items are still experiencing high price pressures. Fuel and light inflation moderated to 2.78% in May-25 from 2.92% in Apr-25. Good monsoon conditions have helped food supply chains and boasted market arrivals, supporting the disinflationary trend in perishable goods. Core inflation remained elevated at 4.17% in May-25. Going forward, while easing food prices and a promising monsoon outlook support a benign inflation environment, upside risks persist from global commodity volatility, weather shocks, and geopolitical developments. In response to the easing inflation trajectory, the Reserve Bank of India (RBI) has already lowered its policy rate in the recent meeting.



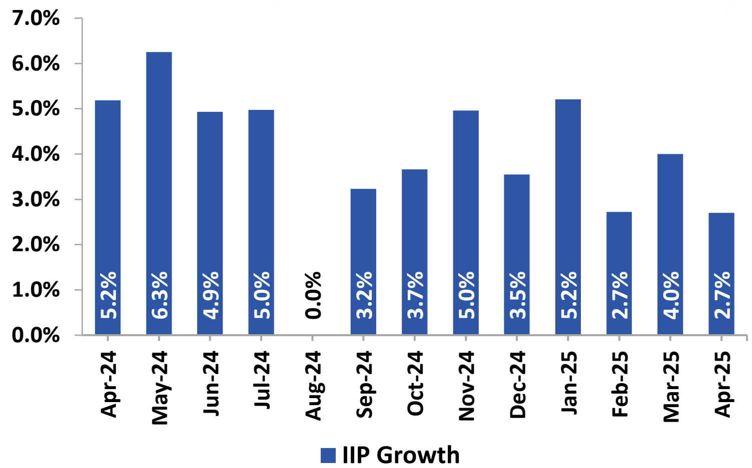
CORE SECTOR

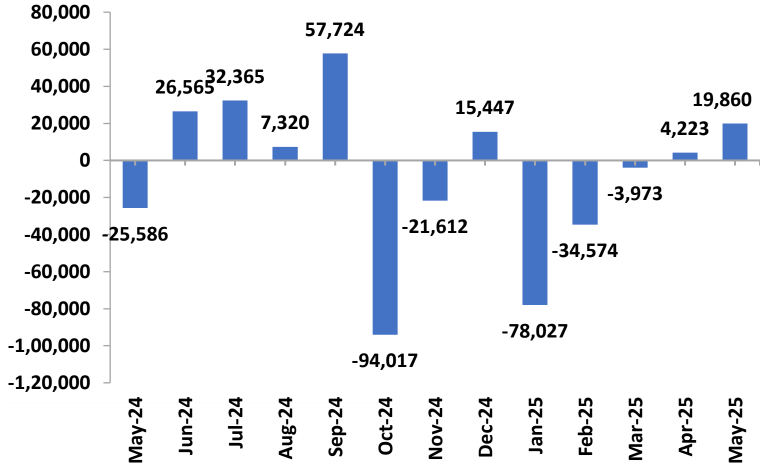
The Index of Eight Core Industries (ICI) increased by 0.5% (Provisional) in Apr-25 registering a sharp downtick from 4.6% in Mar-25. This marked an eight-month low, reflecting elevated global uncertainties and tariff related concerns. The ICI print for Mar-25 was revised upward to 4.6% from the previously provisional print of 3.8%, while the final print for Jan-25 stood at 5.1%. Core sector output contributes 40.27% to the Index of Industrial Production (IIP). Notably, five out of eight key industries experienced growth in Apr-25. Positive output growth was recorded in Coal (3.5%), Natural Gas (0.4%), Steel (3.0%), Cement (6.7%) and Electricity (1.0%). However, contractions were observed in Crude Oil (-2.8%), Refinery Products (-4.5%) and Fertilizers (-4.2%). Within the eight core industries, only coal and natural gas registered a MoM increase in production in Apr-25. The cumulative growth of the Index of Core Industries (ICI) during Apr-24 to Mar-25 stood at 4.5% (Provisional). Looking ahead, while sector-specific challenges persist, a meaningful recovery in core industries will depend on stable policy support, revival in demand, and easing of global headwinds.



IIP GROWTH

India's industrial production growth eased to 2.7% in Apr-25, softening from 3.9% in Mar-25, as growth momentum weakened across key sectors. Manufacturing, which forms nearly 78% of the index, grew by 3.4% as against 4.0% growth in Mar-25. Mining activity contracted marginally by (0.2%), reversing the 1.2% growth seen in Mar-25, while electricity output rose by 1.1% compared to a sharp 7.5% jump witnessed in Mar-25. Among the 23 manufacturing sub-sectors, 16 recorded YoY growth led by Machinery and Equipment (17.0%), Motor Vehicles (15.4%) and Basic Metals (4.9%). On the other hand, Pharmaceuticals (-3.9%), Chemicals (-3.6%) and Paper Products (-2.4%) observed YoY decline, pointing to sector specific constraints. Within the use-based classification, four out of six categories posted positive growth under which Capital Goods (20.3%) were a standout performer followed by Consumer Durables (6.4%), Intermediate Goods (4.1%) and Infrastructure/Construction Goods (4.0%). Primary Goods and Consumer Non-Durables witnessed decline of (-0.4%) and (-1.7%) YoY respectively. While growth softened across multiple segments, resilience in capital goods and consistent manufacturing activity helped anchor overall industrial production in April.





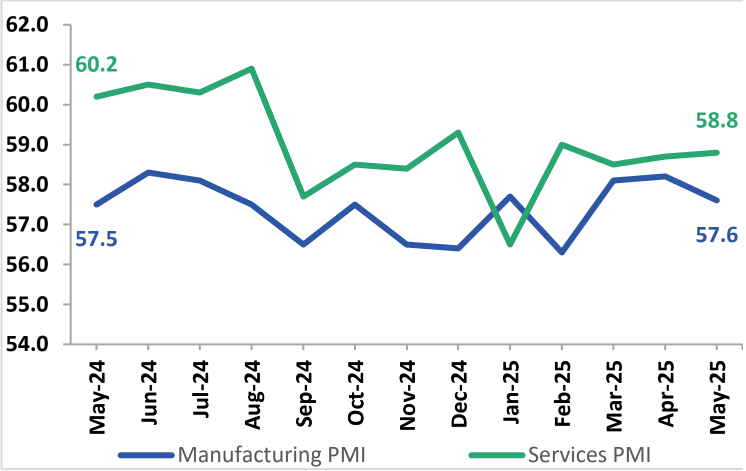
FPI FLOWS

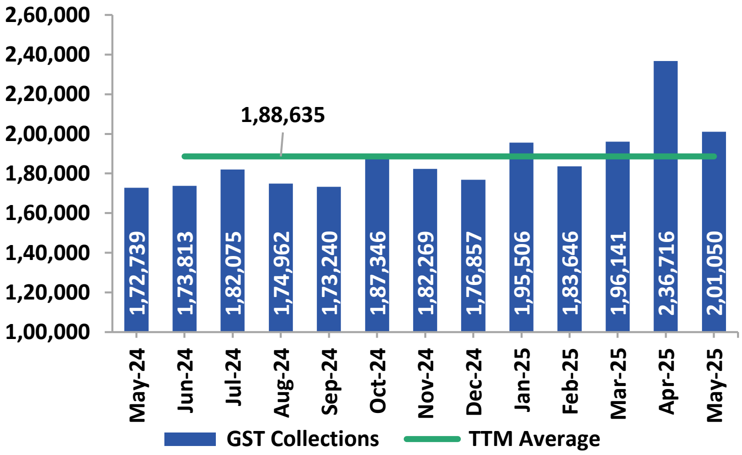
Foreign Portfolio Investors (FPIs) were net buyers of Rs 19,860 crore in May-25, recording an 8-month high in equity inflows. This marked the second consecutive month of positive net equity inflows in the calendar year, following the net inflows observed in Apr-25 of Rs 4,223 crore. Notably, foreign investors pumped in nearly Rs 6,024 crore during the last five trading sessions of May indicating renewed interest in domestic equities amid improving sentiment. Meanwhile, the debt / hybrid segment witnessed a net inflow of Rs 11,089 crore following the net outflows of Rs 24,413 crore in Apr-25. The improvement in FPI sentiment was likely driven by strong GDP growth, steady domestic macro indicators and a combination of global factors such as weaker US dollar and slowing growth in the US and China. Sector-wise inflows were recorded in Telecommunication (Rs 8,089 crore), Services (Rs 7,972 crore) and Capital Good (Rs 5,327 crore). Major outflows were observed in Healthcare (Rs 2,614 crore), Power (Rs 2,494 crore) and Information Technology (Rs 2,436 crore). Despite the improvement in foreign flows, the overall trend remains sensitive to external headwinds including evolving monetary policy expectations, geopolitical uncertainties, and sector-specific developments.

PMI INDICATORS

India's private sector economy maintained its growth trajectory in May-25, supported by continued expansion in both manufacturing and services. The Manufacturing PMI fell to a 3-month low of 57.6 in May-25, down from 58.2 in Apr-25. Growth in new orders and production eased slightly, export demand improved, and employment growth reached new peaks. The Services PMI registered 58.8 in May-25 as compared to 58.7 in Apr-25, indicating that business activity maintained its momentum during the month. Firms reported healthy demand conditions, robust inflows of new business, and the strongest rise in export orders in nearly two decades of survey data. Record high job creation was also observed for the services sector.

As a result, the Composite Output Index stood at 59.3 in May-25, slightly lower than 59.7 in Apr-25, suggesting broad-based resilience in private sector activity. Input cost inflation across both sectors increased, leading to higher output charges.





GST COLLECTIONS

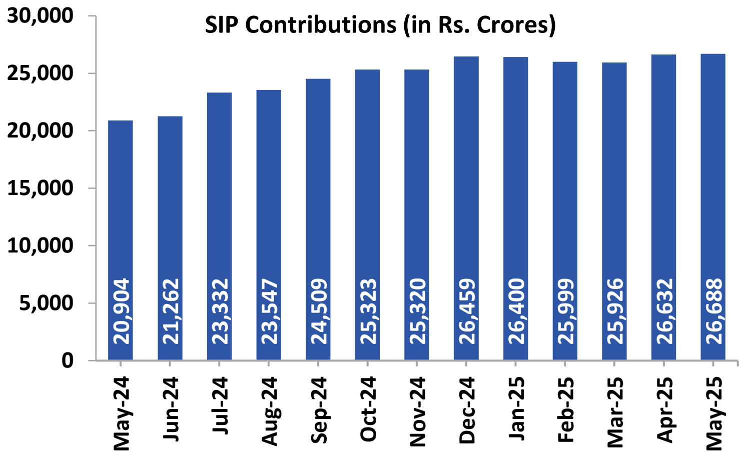
India's gross Goods and Services Tax (GST) revenue collections rose to 16.4% in May-25 to over Rs 2,01,050 crore. According to the government data, gross GST revenue from domestic transactions increased by 13.7% YoY to Rs 1,49,785 crore, while revenue from imports accounted for Rs 51,266 crore, registering a 25.2% YoY rise.

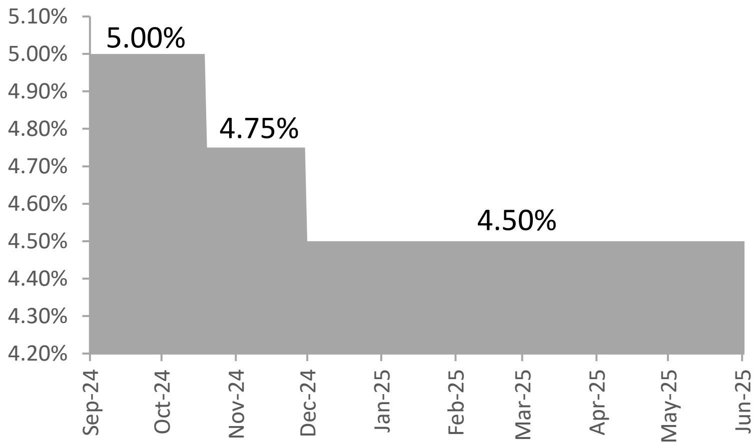
Gross GST collections comprised CGST of Rs 35,434 crore, SGST of Rs 43,902 crore, IGST of Rs 1,08,836 crore and Cess of 12,879 crore. After refunds, the net GST revenue for May-25 totalled Rs 1,73,841 crore recording a 20.4% YoY growth. For FY26 so far, the gross GST revenue reached Rs 4,37,767 marking a 14.3% YoY increase, while net collections after refunds stood at Rs 3,83,221 crore marking a 14% YoY increase.

India's GST collections continue to reflect steady economic recovery, driven by strong domestic demand and sustained trade activity. Maharashtra led the states in GST collections with Rs. 31,530 crore, posting a 17% YoY increase. Karnataka followed with Rs 14,299 crore. Tamil Nadu secured the third position with Rs 12,230 crore, while Gujarat and Delhi collected Rs 11,737 crore and Rs 10,366 crore, respectively.

RETAIL PARTICIPATION

The Indian Mutual Fund industry witnessed a slowdown in May-25 with total net inflows reaching to Rs 29,108 crore, a massive drop from Rs 2,76,828 crore in Apr-25. Open-ended mutual funds continued their positive trend for the 51st consecutive month. In May-25, inflows into equity mutual funds amounted to Rs 19,013 crore, reflecting a 21.66% MoM decline. SIP inflows during May-25 scaled a new high of Rs 26,688 crore, highlighting growing investor confidence. The industry's net asset under management (AUM) stood at Rs 72.20 lakh crore, achieving new record highs. The open-ended equity fund category saw sharp declines across various categories with large caps witnessing a steep 53.19% MoM fall to Rs 1,250 crore, while mid-caps and small-caps registered a 15.25% MoM and 19.64% MoM dip respectively. Sectoral/Thematic funds continued to rise registering an inflow of Rs 2,052 crore compared to Rs 2,001 crore in Apr-25. Debt funds schemes observed a total redemption of Rs 15,908 crore in May-25 relative to a rebound observed in the previous month. The highest redemptions were observed in liquid and overnight funds of Rs 40,205 crore and Rs 8,120 crore respectively. The trend reflects a cautious investor sentiment amid market volatility and selective equity participation.





FOMC MEETING

The Federal Open Market Committee (FOMC) voted to hold its benchmark interest rate steady at 4.25% - 4.50% at its June meeting. It is the fourth straight meeting that FOMC have left their rates unchanged amidst tariffs uncertainty, potential fiscal actions, and strong labour market. In Summary of Economic Projections, Fed have lowered their estimate for real GDP growth in 2025 to 1.4% from earlier 1.7% in March and increased the forecast year-end unemployment rate to 4.5%, reflecting softer labour-market conditions. Inflation forecasts were raised up and are now expected to come in at 3.0% in 2025 from 2.7% with risks arising from trade policy and expansive fiscal policy. According to the Federal Reserve's dot plot, there could be two 25bps rate cuts seen later this year. Chair Jerome Powell reaffirmed the Fed's data-dependent stance and its strong commitment to the dual mandate of maximum employment and price stability and indicated that the Committee stands ready to make policy adjustments if incoming data indicate a significant divergence from current projections in the face of geopolitical and trade uncertainties.

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