FORTNIGHT MACRO REVIEW

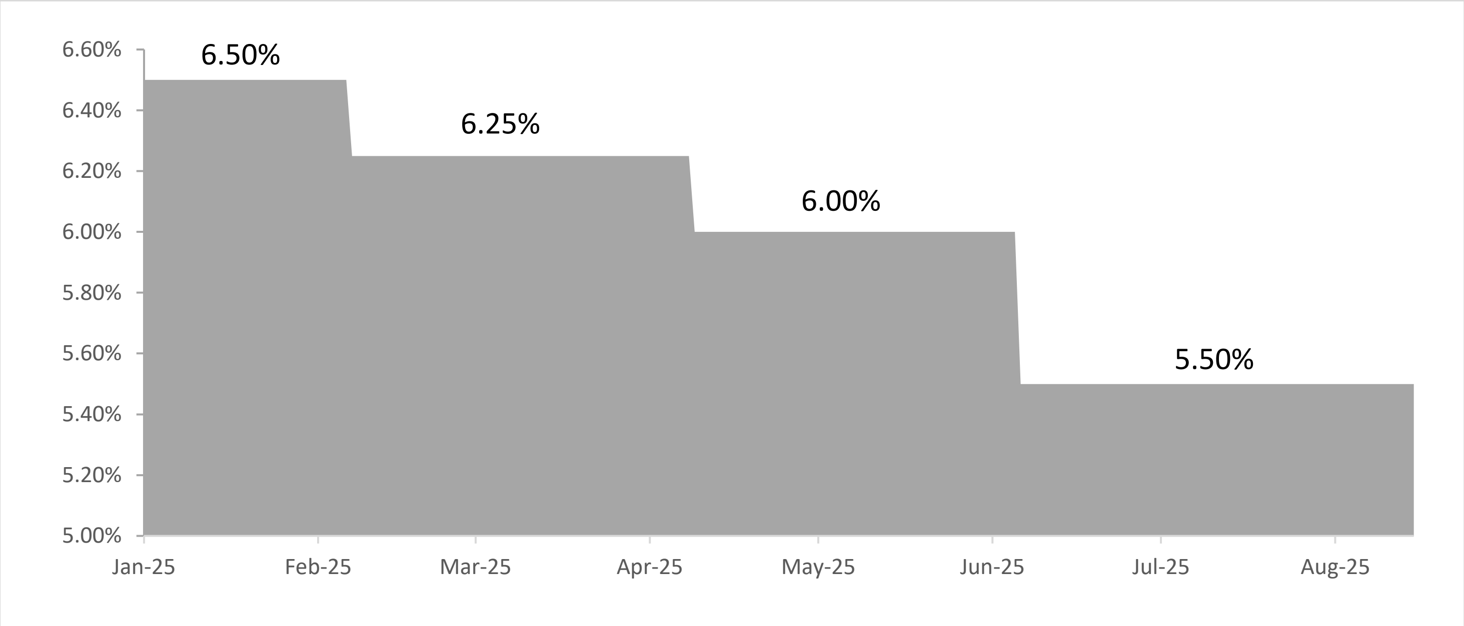
14 August 2025

BONANZA WEALTH

RBI MPC DECISION

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) decided to keep the repo rate unchanged at 5.50% in the Aug-25 meeting, also maintaining its neutral stance. This marked the first pause after three consecutive rate cuts earlier this year. Following the 100bps rate cut so far in 2025, the MPC is now assessing the impact of earlier policy easing on economic activity and inflation dynamics. RBI Governor Sanjay Malhotra has kept the Marginal Standing Facility (MSF) and Bank rates steady at 5.75% and the Standard Deposit Facility (SDF) is unchanged at 5.25%. The GDP growth forecast for FY26 was retained at 6.5%.

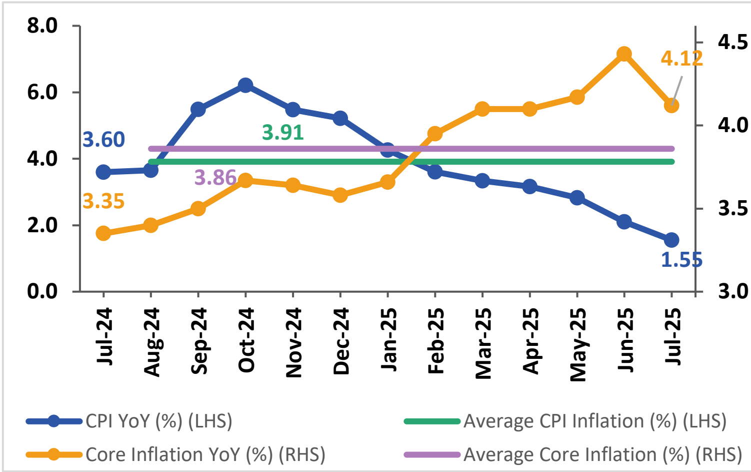
Furthermore, the retail inflation for FY26 was revised down to 3.1% from 3.7%, signalling favourable monsoon conditions, easing input costs and supply chain conditions. The quarterly retail inflation projections for FY26 stand at 2.1% in Q2FY26, 3.1% in Q3FY26, 4.4% in Q4FY26 and 4.9% in Q1FY27.



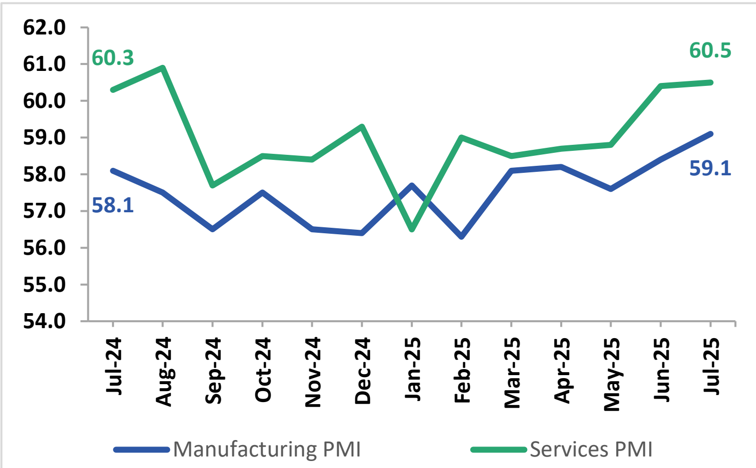
The quarterly GDP projections for FY26 stand at 6.5% in Q1FY26, 6.7% in Q2FY26, 6.6% in Q3FY26 and 6.3% in Q4FY26. The Governor noted that the current policy setting provides room to support growth while ensuring inflation well within the target range in the near term. With a steady policy stance, the RBI continues to balance growth and price stability, while remaining watchful of evolving domestic and global developments, including the potential impact of US tariffs on trade and inflation.

CPI INFLATION

Consumer Price Index (CPI) eased to 1.55% (provisional) in Jul-25, compared to 2.10% (final) in Jun-25. This marks the lowest CPI reading in 8 years, since Jun-17 and remains below the RBI's comfort band of 2-6%, primarily driven by contraction in food prices. Food Inflation dropped into negative trajectory at (-1.76%), marking the lowest since Jan-19 and supported by healthy agricultural activity. The easing food inflation has provided meaningful relief to households, particularly in rural areas where headline inflation softened to (-1.74%) and (-1.90%) in urban areas. Among the major categories, a decline was observed in vegetables (-20.69%), pulses (-13.76%) and spices (-3.07%). A good monsoon, adequate reservoir levels and strong kharif sowing contributed to the strong agricultural output. However, inflation persisted in oils and fats at 19.24%, personal care at 15.12%, and fruits at 14.42% indicating continued price pressures in selected items. Fuel and light inflation rose slightly to 2.67% (provisional) in Jul-25 from 2.55% (final) in Jun-25. Core inflation which excludes food and fuel prices also saw a decline to 4.12% in Jul-25 from 4.43% in Jun-25. Looking ahead, easing food prices provide relief, but ongoing tariff pressures and global uncertainties suggest a cautious outlook.



PMI INDICATORS

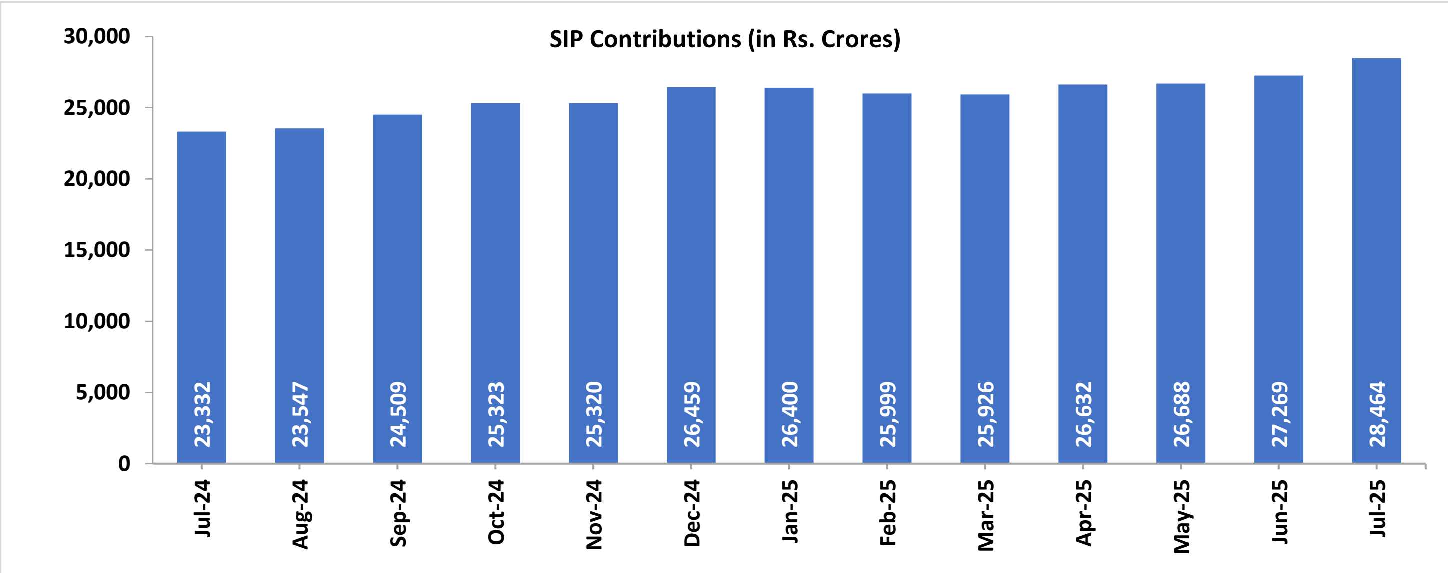


India's private sector economy strengthened further in Jul-25, led by robust expansions in both manufacturing and services sector. The Manufacturing PMI grew sharply in Jul-25, marking a 16-month high of 59.1 from 58.4 recorded in Jun-25. Improvement was driven by fastest growth recorded in new orders in nearly 5 years and growth output also surged to a 15-month high especially in intermediate goods. However, business sentiments and job creation showed signs of weakness. The Services PMI rose slightly to 60.5 in Jul-25 from 60.4 in Jun-25, supported by solid domestic demand and a sharp increase in new export sales, recording the second-fastest expansion rate in a year.

The Composite Output Index marginally increased to 61.1 in Jul-25 from 61.0 in Jun-25, maintaining a sharp rate of expansion which was quickest since Apr-24. Both input and output prices increased at a faster pace than in Jun-25 but could soften in the near term as indicated in the CPI and WPI prints. Overall, new orders and output expanded at quicker rate, meanwhile job creation eased, and inflationary pressures gathered pace.

RETAIL PARTICIPATION

The Indian Mutual Fund industry witnessed a robust surge in Jul-25 with net inflows rising to Rs 1,78,794 crore from net inflows of Rs 49,095 crore in Jun-25. Open-ended mutual funds maintained a positive streak for the 53rd consecutive month. In Jul-25, equity mutual funds stood at Rs 42,702 crore, registering an 81.04% rise. SIP inflows scaled a new high of Rs 28,464 crore, highlighting growing investor confidence amid global volatility. The industry's net asset under management (AUM) marked a new high of Rs 75.36 lakh crore. Within the open-ended equity fund category, large caps witnessed a 25.42% MoM rise, while mid-caps and small-caps posted an 38.04% MoM and 61.12% MoM growth, respectively. Inflows into Sectoral/Thematic funds increased significantly to Rs 9,426 crore in Jul-25, marking a nineteen-fold growth from Rs 476 crore in Jun-25. A total of 30 new schemes were introduced across categories contributing to an inflow of Rs 30,416 crore.



Debt funds observed a sharp rebound in Jul-25 with net inflows amounting to Rs 1,06,801 crore as compared to net outflows of Rs 1,711 crore registered in Jun-25. Despite ongoing global uncertainties and tariff concerns, the industry remains resilient with strong SIP participation across equity and debt segments.

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