

FOREWORD

JULY 2024



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Dear Associate,

As we progress into Q2 FY25, the macroeconomic outlook for India remains broadly positive.

The Indian economy grew by 8.2% in FY24, higher than expectations, with the RBI projecting the real GDP growth rate for FY25 at 7.2% and that of Q1 FY25 at 7.3%. Key contributors to economic growth include significant government spending on infrastructure, a thriving manufacturing sector, and strong domestic demand.

The recent election outcome signals continuity of government policies. Macro stability and conservative fiscal policy has been the hallmark of this government. It is expected to continue with the fiscal consolidation roadmap.

The fiscal year 2023-24 marked a milestone with total gross GST collections reaching ₹20.18 lakh crore, exceeding ₹20 lakh crore for the first time - a remarkable 11.7% increase compared to the previous year. The average monthly GST collection for this fiscal year stands at ₹1.68 lakh crore, surpassing last year's average of ₹1.5 lakh crore.

Fuelling the optimism further, S&P Global has upgraded India's sovereign rating outlook to positive from stable. The inclusion of India into the JP Morgan Emerging Market Bond Index in June this year will result in higher FII inflows into Indian bonds. Inflows of close to US \$10 bn in Indian bonds have followed the announcement.

Despite global volatility, Indian markets demonstrated significant growth during the 2023-24 financial year. The BSE Sensex delivered ~ 24% return, the Nifty 50 index appreciated ~ 28%. Gold prices rose ~ 12%. Nifty Realty index appreciated ~ 130%, Nifty Auto, PSU banks, Nifty Oil and Gas, and Nifty Healthcare indices delivered more than 50% returns each.

India's robust economic growth, healthy macro-economic indicators, strong corporate earnings and political stability have all contributed to keeping market sentiments upbeat and scaling new heights. This is reflected in the increase in demat accounts, higher systematic investment plan (SIP) inflows, and participation of Foreign Portfolio Investor (FPI) in India's equity markets.

Overall the equity indices have performed well with expectations of continued performance on account of positive economic outlook, strong fundamentals, continuity in policy and political stability. The outlook on Indian bonds continues to be positive due to improving fiscal health, receding inflation, stable INR, positive change in the sovereign rating and the inclusion to global/EM bond indices.

From an investment perspective, asset allocation continues to be the key factor. To harness the momentum in India's economic growth, investors can also consider funds like multi-cap, multi-asset, flexi cap or funds with consumption, infrastructure, digital themes/sectors to capitalise on wealth creation opportunities.

Aditya Birla Sun Life AMC Limited (ABSLAMC) has always been customer centric, catering to the diverse investment needs by continuously innovating and introducing new products with the most recent being the Aditya Birla Sun Life Quant Fund. This fund blends quantitative techniques, such as advanced mathematical models, with investment expertise to identify investment opportunities.

FY25 presents an opportunity for continued economic growth in India. There is a cautious optimism about potential rate cuts towards the end of the year or early next year. This gradual reduction in interest rates will keep inflation in check and support growth momentum. India is on a promising trajectory, and we are well-positioned to seize the opportunities that lie ahead.

Thank you for your continued patronage as we navigate this exciting period of growth and development.

Regards,

A. Balasubramanian

Source:
RBI MPC Meeting (5th – 7th June 2024)
PIB Ministry of Finance
ABSLAMC Research
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