

MONTHLY MAGAZINE AUGUST, 2024



Budget Theme:

- Focus on employment, skilling, MSMEs, and the middle class.
- Announcement of Prime Minister's package of 5 schemes and initiatives to facilitate employment, skilling and other opportunities for 4.1 Cr youth over a 5-year period with a central outlay of INR 2 Lakh Cr.
- Provision of INR 1.48 Lakh Cr for education, employment and skilling.

Budget Priorities:

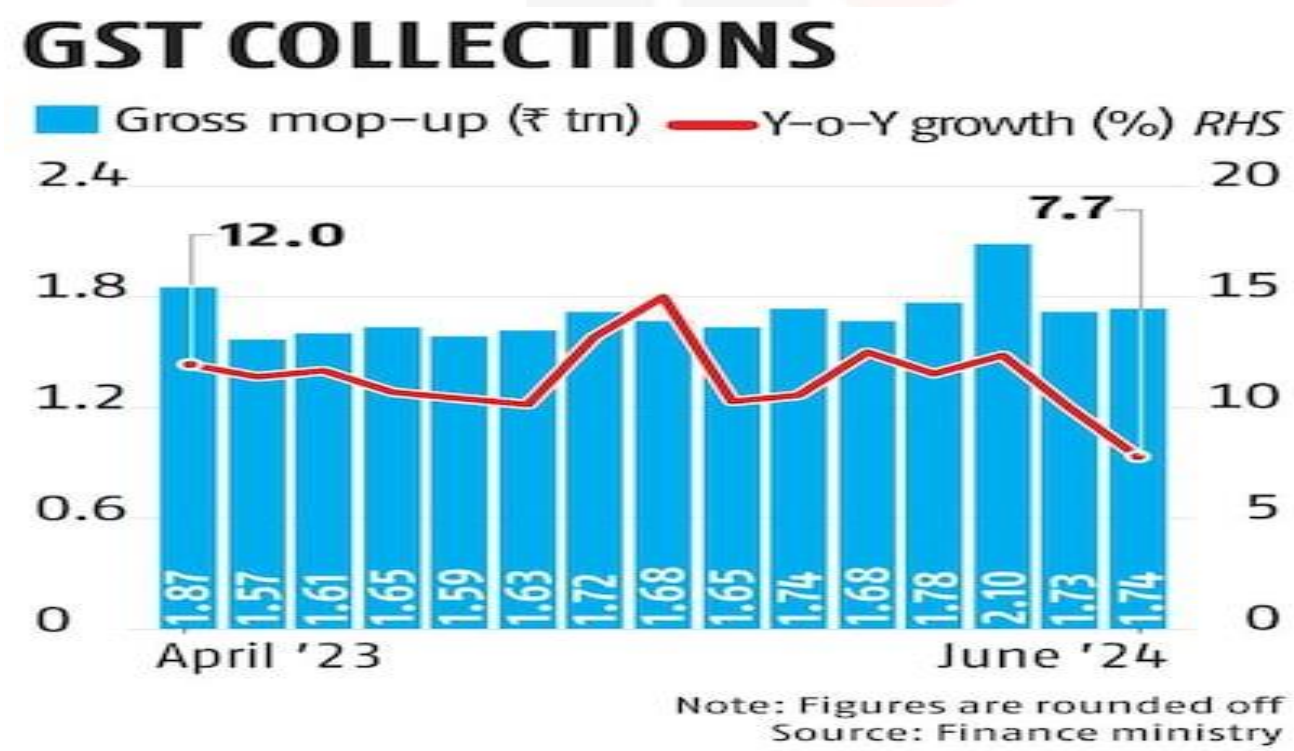
- In line with the Viksit Bharat strategy set out in the interim budget, the budget envisages sustained efforts on the following 9 priorities for generating ample opportunities for all.
- Productivity and resilience in Agriculture
- Employment & Skilling
- Inclusive Human Resource Development and Social Justice
- Manufacturing & Services
- Urban Development
- Energy Security
- Infrastructure
- Innovation, Research & Development and
- Next Generation Reforms
- Subsequent budgets will build on these, and add more priorities and actions.

INDIA'S GST COLLECTIONS

The gross goods and services tax (GST) collection for June 2024 stood at Rs 1.74 trillion, marking 7.7 per cent year-on-year (Y-o-Y) growth, official sources said on 1st July. This Y-o-Y growth is notably less than the 12.4 per cent and 10 per cent increases recorded in April and May, respectively. Month-on-month figures, too, were flat.

“Growth is not as robust as in past months, with various underlying factors contributing to this. Nevertheless, the upward trend is expected to continue in the upcoming months, with gross collections likely to remain above the Rs 1.6 trillion mark,” the official said.

GST revenue collections from April 23 to June 24.



India's economic activity expanded in July, fueled by a jump in services and a pickup in manufacturing, a flash survey by HSBC Holdings Plc showed. The services purchasing managers' index rose to 61.1 from 60.5 last month, while the manufacturing purchasing managers' index increased slightly to 58.5 from 58.3 in June. That drove the composite PMI to a three-month high of 61.4 from 60.9 the previous month.

The indexes are based on preliminary survey results and are a signal of business confidence in the economy. A reading above 50 indicates expansion compared with the previous month, while a print below that indicates contraction in activity.

India is the fastest-growing major economy in the world, posting growth of more than 8 per cent in the past fiscal year. The central bank predicts expansion of 7.2 per cent this year, although the government this week gave a more cautious outlook, predicting 6.5 per cent-7 per cent in the year through March 2025.

New orders placed with private sector firms rose sharply in July, HSBC said. That meant that the aggregate employment index expanded at one of the strongest rates, the data showed, with manufacturing firms reporting higher levels of new jobs.

INDIA'S RETAIL INFLATION

India's retail inflation saw an uptick for the first time in five months as it accelerated to 5.08 per cent on an annual basis in June driven by an increase in food prices. This is higher than the 12-month low of 4.75 per cent registered in the previous month, government data showed on 12th July. Food inflation which accounts for around half the overall CPI basket, increased to 9.55 per cent in June from 8.69 per cent in May and 4.55 per cent in June 2023. Vegetable prices had risen 27.33 per cent in the previous month. Food prices have been increasing by over 8% year-on-year since November 2023. The headline inflation has remained within the Reserve Bank of India's (RBI) tolerance band of 2-6 per cent, but has steered further away from its median target of 4 per cent which is crucial to its rate cut plans this year.

WPI INFLATION

India's wholesale inflation, measured using the Wholesale Price Index, surged to a 16-month high of 3.36 per cent on an annual basis in June as against a 15-month high of 2.61 per cent last month, government data showed on 15th July. The inflation rate for primary articles stood at 8.80 per cent as against 7.20 per cent in May. The fuel and power inflation witnessed moderated to 1.03 per cent from 1.35 per cent in the previous month. Manufactured products' inflation rate rose to 1.43 per cent in June from 0.78 per cent in May. Rate of inflation in the food articles index stood at 8.68 per cent as against 7.40 per cent in May.

Federal Reserve officials on Wednesday held short-term interest rates steady but indicated that inflation is getting closer to its target, which could open the door for future interest rate cuts. Central bankers made no obvious indications, though, that a reduction is imminent, choosing to maintain language that indicates ongoing concerns about economic conditions, albeit with progress. They also preserved a declaration that more progress is needed before rate reductions can happen.

“The Committee judges that the risks to achieving its employment and inflation goals continue to move into better balance,” the Federal Open Market Committee’s post-meeting statement said, a slight upgrade from previous language.

“Inflation has eased over the past year but remains somewhat elevated,” the statement continued. “In recent months, there has been some further progress toward the Committee’s 2 percent inflation objective.” However, speaking with the media, Chair Jerome Powell indicated that while no decision has been made about actions at future meetings a cut could come as soon as September if the economic data showed inflation easing.

“If that test is met, a reduction in our policy rate could be on the table as soon as the next meeting in September,” Powell said.



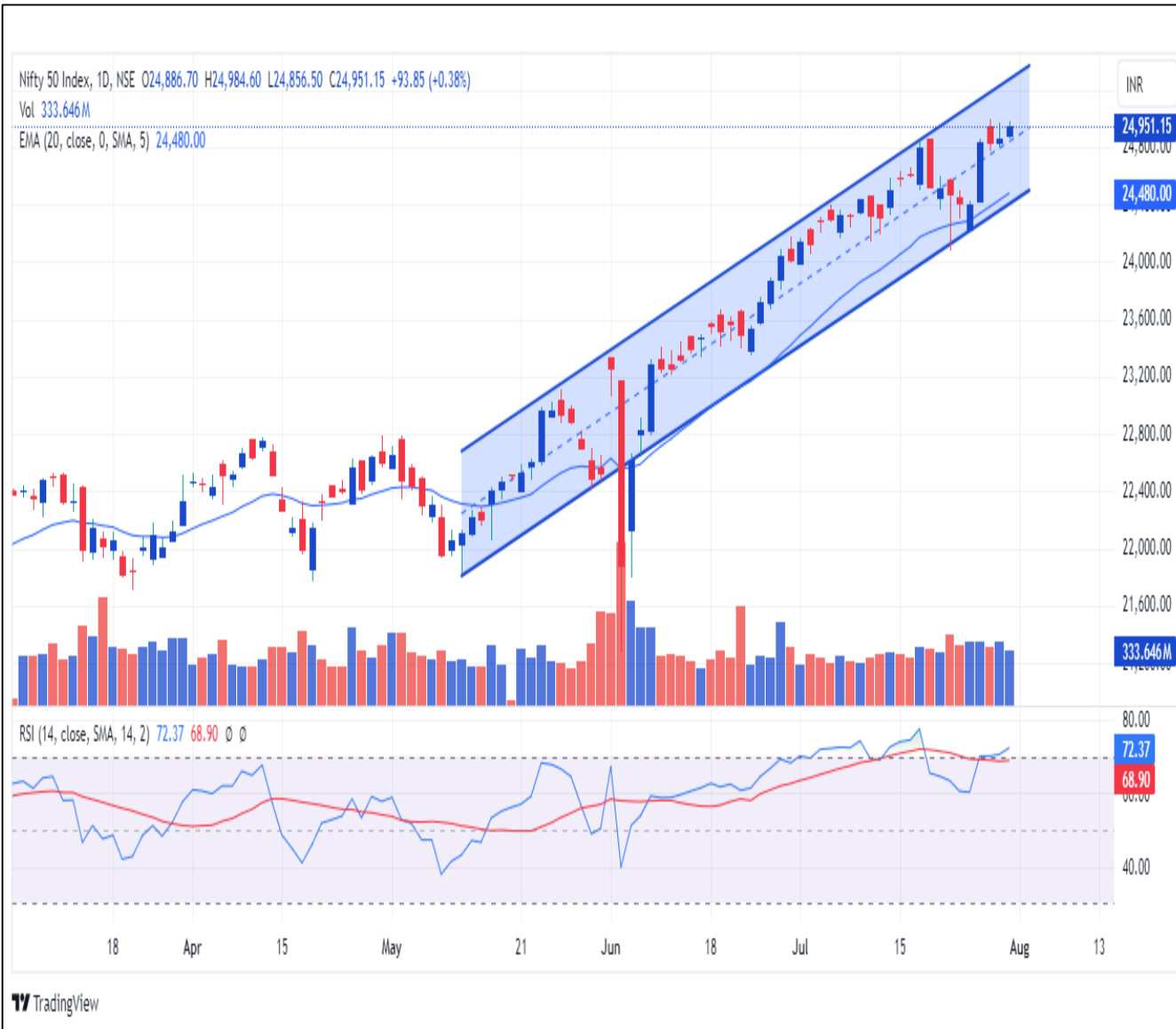
India's fiscal deficit for the first quarter of this fiscal year through June stood at 1.36 lakh crore rupees, or 8.1% of annual estimates, government data showed today. The fiscal deficit sharply narrowed from 25.3% reported in the comparable year-earlier period. Total receipts stood at 8.34 lakh crore rupees, while overall expenditure in April to June was at 9.70 lakh crore rupees. They were 27.1% and 20.4% of this fiscal year's budget target.

Total receipts in year-earlier period was at 22.1% of estimate, while expenditure narrowed from 23.3% a year earlier. India went to polls during the first quarter of this fiscal year. Revenue receipts stood at about 8.30 lakh crore rupees, of which tax revenue was nearly 5.50 lakh crore rupees and non-tax revenue was 2.80 lakh crore rupees.



India remains the fastest-growing major economy, with growth predicted at 6.5% to 7% for the fiscal year through March 2025. The inflation landscape showed mixed signals, with retail inflation accelerating to 5.08% in June, driven by food prices, while wholesale inflation surged to a 16-month high. Overall, the economic indicators reflect cautious optimism, with ongoing efforts to balance growth and inflation. The Federal Reserve's stance on interest rates adds a layer of global economic context, indicating potential rate cuts if inflation targets are met. India's fiscal health, driven by robust economic management and strategic budget priorities, sets a positive tone for the future.

NIFTY TECHNICAL VIEW (MONTHLY CHART) – 24,951.15



- In the month of July, the Nifty resumed its bullish momentum from the previous month. The bulls pushed the index to an all-time high of 24,999.75, helping to maintain its bullish structure.
- On a daily scale, the index is trading above the support of the 20 DEMA, holding its bullish structure by forming higher highs. However, a concern for the bulls is that the RSI has entered the overbought zone.
- **Looking ahead to August, the index needs to breach and sustain above the psychological level of 25,000 to continue its bullish momentum.**

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