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I-CAN COMMUNIQUÉ

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Sensex : Down 0.68 % Nifty : Down 0.03 %	
Best performing sector: Infrastructure (18.15 %)	Worst performing sector: Media (- 9.93 %)
Best performing Global index: Merval (Argentina) (35.59 %)	Worst performing Global index: Hang seng (- 9.16 %)
Indian Rupee: No change	Gold (International): - 0.68 %

MACRO ECONOMIC HIGHLIGHTS

The Indian economy faced a double whammy towards the close of the year as industrial output cooled and inflation jumped, data released showed. While industrial output growth fell to an eight-month low of 2.4% in November, consumer price index (CPI)-based inflation rose 5.69%, its fastest pace in four months in December, the statistics ministry said. Though factory output points to a slowdown in manufacturing growth momentum in November, in the April-November period of this fiscal, it expanded 6.4%, a notch above the 5.5% figure in the same time a year ago.

Retail inflation rose to 5.69% in December, up from 5.55% the previous month, the steepest monthly rise since August 2023. Interestingly, during the April-December 2023 period, the highest monthly retail inflation was reported during December, after July and August, with July reporting the highest inflation rate of 7.4% in 15 months due to a sharp rise in prices of vegetables and other food items such as pulses, spices and cereals. The high inflation levels earlier had prompted the government to take supply-side measures such as releasing substantial cereal stocks from reserves while proactively managing the imports and exports of pulses to ensure supplies. The government had also restricted exports of rice and sugar to tame inflation. December CPI inflation remained higher than RBI's target of 4%, but still within its tolerance range of 2-6% for the fourth consecutive month.

Food inflation, measured by the consumer food price index, which accounts for nearly half of the overall consumer price basket, rose to 9.53% in December, up from 8.70% in November, 6.61% in October and 6.62% in September.

Capital goods production, a proxy for fixed investments in the economy, contracted 1.1% annually during November. Alongside, consumer durables production, which highlights consumer sentiment, also contracted 5.4% on an annual basis during the month.

US wholesale prices defied predictions to edge lower in December last year, according to government data published, due largely to another sharp drop in the energy index. The producer price index (PPI) fell 0.1 percent in December, following a similar revised decline in November, the Labor Department announced in a statement. This is likely to be seen as good news at the US Federal Reserve as policymakers continue their fight against consumer inflation, since higher producer prices can increase costs for consumers.

Consumer price index-based inflation, the main yardstick for the Reserve Bank of India's policy making, is likely to average 4.5 per cent in the next financial year and gross domestic product (GDP) growth is likely to stay above 7 per cent, Governor Shaktikanta Das said. After increasing the key policy rates by 250 basis points (bps) to 6.5 per cent between May 2022 and February 2023, the central bank paused in the next five policy review meetings. The next monetary policy review is scheduled in February.

The HSBC India Manufacturing Purchasing Managers' Index, compiled by S&P Global, fell to an 18-month low in December at 54.9 from 56 in November, tamped down by a weaker rise in new orders and output. Despite the decline, the December figure marked 30 months of the index remaining above 50. India's manufacturing sector continued to expand in December, although at a softer pace, following an uptick in the previous month. The growth of both output and new orders softened, but on the other hand, the future output index rose since November. Rates of increase in input and output prices were broadly unchanged," said Pranjul Bhandari, chief India economist, HSBC. The private survey noted new business gains, favourable market conditions, fairs, and expositions collectively induced another sharp increase in manufacturing in December.

India's goods and services tax (GST) collections rose 10% year-on-year to ₹1.64 lakh crore in December, official data released showed. That's down from ₹1.68 lakh crore in November and up from ₹1.49 lakh crore in the same month the year before. Experts said the double-digit growth in collections reflected the underlying economic momentum and the monthly moderation was attributable to holidays and the base effect. "The sequential dip in the headline GST collections between November and December reflects the impact of the holidays related to the festive season, as GST is remitted in the subsequent month," said Aditi Nayar, chief economist, ICRA. "The moderation in the pace of growth of GST collections reflects the base effect." Gross GST revenue crossed ₹1.60 lakh crore for the seventh month in a row with the average monthly mopup at ₹1.66 lakh crore for the fiscal year.

India's net direct tax collection increased 19 per cent on an annual basis to Rs 14.70 lakh crore till January 11, the official government data showed. The data also revealed that the tax collection has reached 81 per cent of full-year target. The government has budgeted to collect Rs 18.23 lakh crore from direct taxes (personal income tax and corporate tax), 9.75 per cent higher than Rs 16.61 lakh crore mopped up last fiscal. "Direct Tax collection, net of refunds, stands at Rs 14.70 lakh crore which is 19.41 per cent higher than the net collection for the corresponding period of last year. This collection is 80.61 per cent of the total Budget Estimates of Direct Taxes for FY 2023-24," PTI quoted the Central Board of Direct Taxes (CBDT) as saying in a statement. Refunds amounting to Rs 2.48 lakh crore have been issued during April 1, 2023 to January 10, 2024. The growth rate in gross Corporate Income Tax (CIT) and Personal Income Tax (PIT) is 8.32 per cent and 26.11 per cent respectively. After adjustment of refunds, the net growth in CIT collections is 12.37 per cent and that in PIT collections is 27.26 per cent.

India’s foreign exchange reserves rose $2.759 billion to $623.20 billion in the week ended December 29, 2023. The reserves are now at the highest level in the last 21 months. FCA comprise multi-currency assets that are held in multi-asset portfolios. The assets include investment in securities, deposits with other central banks and the BIS, and deposits with commercial banks overseas.

The International Monetary Fund (IMF) raised India’s growth projection for 2024-25 (FY25) by 20 basis points (bps) to 6.5 per cent in its World Economic Outlook (WEO) update, citing buoyant domestic spending and improved global growth prospects. The estimate, however, falls below the 7 per cent growth projection by the Ministry of Finance (FinMin).

REFORMS

The Reserve Bank of India has eased the process to reactivate the dormant accounts and at the same time tightened norms to ensure that frauds are limited in the inoperative accounts where funds remain unclaimed. The central bank said that activation of such accounts can simply be done by re-submission of know your customer (KYC) details across branches including non-home branches. The process can also be done through video-customer identification process (V-CIP) on account holders' request, if the facility is being provided by the bank.

Capital markets regulator Sebi tweaked the framework for on-boarding investors by Alternative Investment Funds (AIFs). This came in view of amendments to the Prevention of Money-Laundering

(Maintenance of Records) Rules, 2005. The Regulation 10(a) of AIF norms laid down the criteria for on-boarding investors whereby AIFs are allowed to garner funds from any type of investor -Indian, foreign, or non-resident Indians through the issuance of units. However, when on-boarding investors, the AIF manager must ensure that the investor or its beneficial owner is not listed in the sanctions list by the United Nations Security Council, Sebi said in its circular. Additionally, the investor should not be a resident in a country identified by the Financial Action Task Force (FATF) as having strategic anti-money laundering or combating the financing of terrorism deficiencies, subject to counter measures, or a jurisdiction making insufficient progress in addressing these deficiencies, it added. If an investor, who has previously joined the AIF, no longer meets these conditions, the AIF manager is prohibited from drawing further capital contributions from that investor for making investments until the investor complies with the specified conditions, Sebi said. The move is aimed at compliance with international sanctions and anti-money laundering measures in the context of AIF investments.

The Securities and Exchange Board of India (Sebi) reiterated its existing rules on short selling by including its 2007 circular on the subject in the master circular. Institutional investors wouldn't be allowed to do day trading, where in they square- off their transactions intra-day, Sebi said. The regulator said securities traded in the futures and options segment would be eligible for short selling. The list of eligible stocks would be revised from time to time.

Determining the global AUM is significant because a 'regulated' fund whose exposure to an Indian business group and to the Indian equity market is below 25% and 50% respectively of its global AUM is spared of the granular disclosure rules laid down by the Securities and Exchange Board of India (Sebi). In verifying the global assets under management (AUM) of foreign portfolio investors (FPIs), the custodians of the funds can rely on regulatory filings available on the websites of regulators for information about the regulated investment manager or trust bank or trustee of the fund, according to a revised standard operating procedure.

India has allowed domestic companies to list their shares directly on global exchanges at Gujarat's GIFT City. The new regulatory framework provides easier access to foreign capital for entities in the sunrise and technology sectors. The ministries of finance and corporate affairs notified the new regulatory framework, setting the stage for Indian startup unicorns and other entities, especially those in the sunrise and technology sectors, to have easier access to a larger pool of foreign capital, experts said.

The Securities and Exchange Board of India (SEBI) has made additional proposals for the issuance of subordinate units for REITs and InvITs. The regulator has said that the amount of subordinate units that can be issued at the time of acquisition of an asset will not exceed 10 per cent of the asset's acquisition price. At any point of time, the total number of such outstanding units shall not exceed 10 per cent of the outstanding ordinary units. Subordinate units are intended to bridge the valuation gaps that may arise as a result of difference in the valuation of an asset perceived by the sponsor and the REIT/InvIT. These units will be issued to the sponsor depending on the valuation gap. Such gaps could potentially disappear if pre-agreed performance benchmarks are met, reflecting in increased value of the asset. This can, in turn, result in the conversion or reclassification of the subordinate units to ordinary units. The regulator has proposed that the subordinate units will only carry inferior voting rights or inferior distribution rights or both. Accordingly, the subordinate units will carry no distribution and voting rights, or inferior distribution and inferior voting rights to the extent of 10 per cent of the corresponding rights conferred on ordinary units, or a range may be specified on the extent of inferior distribution rights and inferior voting rights which can be offered on the subordinate units vis-à-vis ordinary units. To bring uniformity in the nature of rights conferred by the subordinate units, it is proposed to provide that inferior rights on all subordinate units issued by a REIT or InvIT will be similar — there will not be multiple classes of subordinate units. The performance benchmark, defined and specified in the offer document, for the conversion or the reclassification of subordinate units to ordinary units should not be subject to any change post the issuance of subordinate units.

Financial Lessons from Ramayana

As we all witnessed the historic praan pratishthan ceremony at Ram Mandir in Ayodhya, it would have reminded us of various episodes from the Ramayana mythology which were narrated to us with an objective to impart life lessons. However, let us now approach it with a perspective to draw some financial lessons from it.

1. Lord Rama is worshipped for his patience and stoicism. As he suffered exile for fourteen years, he must have faced extreme difficulties in his journey. However, he always played by the rules and never cried foul for an easy escape. Thus, we should remember that life is hardly ever fair but it is important to maintain our credibility and keep working towards our goals so that we would be able to not only build what we want but also sustain what we build. Thus, maintaining a financial discipline and investing consistently for decades might feel like an exile to some who are used to acting out of impulse and cannot deprive themselves of materialistic possessions but it would definitely help one attain financial freedom over a period of time.

2. We all know how Sita was allured and kidnapped and taken to Lanka. It bears so much semblance with the random phone calls we get assuring high investment returns. If only Sita could resist her greed, Ramayana would have been a different story. Thus, it is important to remember that any investment option which is expected to yield better than risk free returns, has some type of risk associated with it. It is our duty as diligent investors to understand the type of risk involved and how to manage it if at all we have an appetite for it. If we fall prey to frauds or get stuck with a wrong investment, making up for the losses would be no less difficult than what it would have been for Lord Rama to get Sita back from Lanka.

3. We also know about the contribution of the monkeys headed by Hanuman and a squirrel in helping Lord Rama reach Lanka to free Sita and that it would not have been possible without them. Thus, never underestimate the contribution you make towards your financial freedom. It is a summation of all the small SIPs, investing of small surplus amounts that is going to eventually lead you towards your financial freedom.

4. Remember how Hanuman had set the splendid Lanka on fire? A simple lesson would be to protect ourselves from such natural or man-made calamities through an insurance cover. However, a deeper interpretation of this could be that nobody is too big to fail. Thus, if we are holding a very concentrated portfolio or buying only a few large cap stocks thinking they are too big to fail, we could be wrong. There are many internal and external factors which can change the fortune of any company. Hence, we must be prudent and maintain a diversified investment portfolio. The same lesson can be drawn from Ravana's defeat by Lord Rama.

Money Mantra

When you understand the game, you don't panic.

Cartoon of the Month

"Any other collateral besides your heart of gold and million-dollar smile?"

Good News!

1. The Union government is looking to set March 2025 as the deadline for 24x7 electricity supply across the country, according to sources. After connecting all households with electricity supply through two flagship schemes in the past decade, the Bharatiya Janata Party (BJP)-led central government now plans to ensure uninterrupted reliable power supply by the end of 2024-25 (FY25). This initiative will be part of the “continuous reforms” being planned if this government is voted back to power, said sources in the government. After achieving universal connectivity, senior officials in the power ministry said, the next step was to ensure round-the-clock power supply.

2. India and France have firmed up a mutually beneficial defence industrial partnership roadmap for joint development and production of key military projects and technology collaboration across spheres such as space, land warfare, cyberspace, and artificial intelligence, Foreign Secretary Vinay Kwatra said.

3. The government’s direct tax-to-GDP ratio stood at a 23-year high of 6.11% in FY23, data released by the Central Board of Direct Taxes showed. The Centre’s direct tax collections rose 17.8% year-on-year at Rs 16.6 trillion in FY23. Corporate tax collections during the year stood at Rs 8.26 trillion, up 16% on year, and income tax collections stood at Rs 8.33 trillion, 19.6% higher on year. Further, the government’s direct tax collections contribution to total tax mop-up stood at a four-year high of 54.62% in FY23 from 52.27% in FY22, the CBDT data showed. Also, the cost of collection with respect to direct tax mop-up reduced to the lowest in 23 years at 0.51%. In FY23, total number of income tax returns filed stood at 77.82 million as compared to 73.05 million in FY22.

4. The number of income-tax payers in India rose to 93.7 million in FY23 from 52.6 million in FY14. The tax deducted at source (TDS) emerged as the largest component of direct taxes, reaching ₹8.17 lakh crore in FY23, almost double the amount in FY18. In the last 10 years, net direct tax collections increased by 160.52% to ₹16.63 lakh crore in FY23 from ₹6.38 lakh crore in FY14.

5. The total number of new demat accounts opened in December 2023 reached an unprecedented high of 42 lakh, bringing the total count to 13.93 crore in India. This surge represents a remarkable 50% increase compared to the previous month, which witnessed 28 lakh new demat accounts. Financial experts attribute this consistent rise in account openings as a clear indication of the growing interest and active participation of investors in the country’s financial markets.

Top Personal Finance News – January 2024

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