यूनियन बैंक ऑफ इंडिया
भारत सरकार का उपक्रम
Union Bank of India
A Government of India Undertaking

India: Data releases likely to reassert favorable macros

07th March, 2024

Key Data Previews

Data release	Due date	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24 (Proj.)
CPI (YoY %)	12th Mar'24	6.83	5.02	4.87	5.55	5.69	5.10	5.11
IIP (YoY %)	12th Mar'24	10.87	6.20	11.58	2.40	3.80	4.50 (Proj.)	–
Trade Balance (Bn $)	15th Mar'24	-22.0	-19.4	-29.9	-20.6	-19.8	-17.5	-16.9

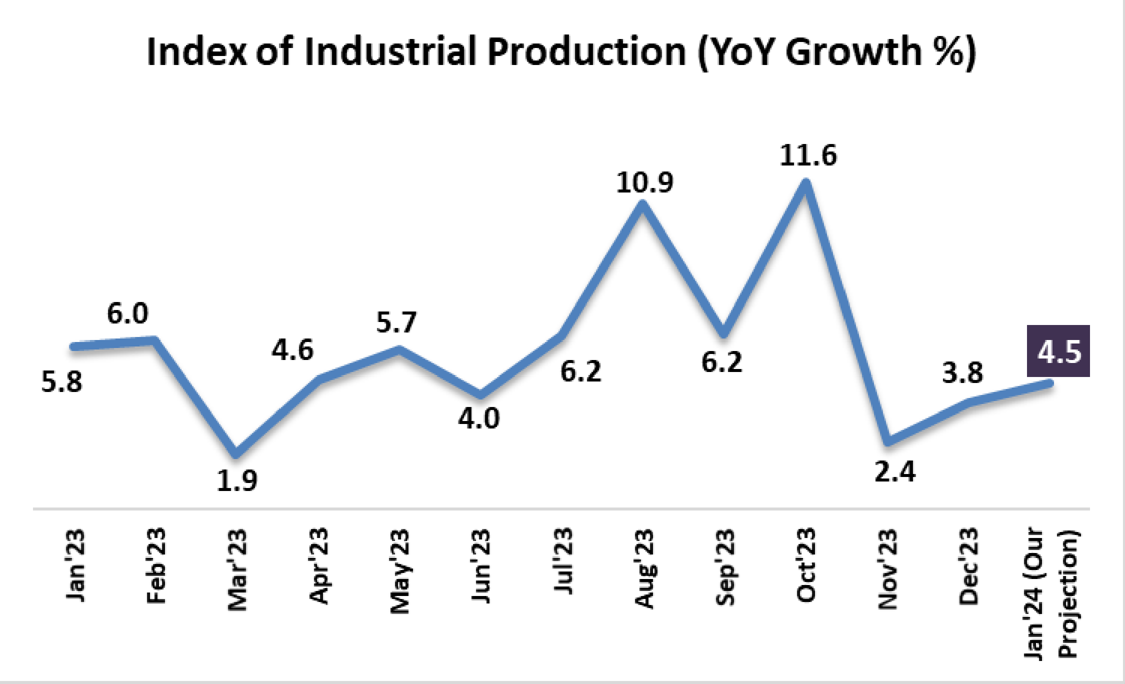
Source: CEIC and UBI research

Jan’24 IIP likely to show a broad based uptick

- **Industrial production is expected to pick up to 4.5% in Jan’24 from 3.8% in Dec’23.**
- **Lead indicators like exports, auto production and core sector are also showing an uptick.**
- **IIP growth to be broad-based, led by mining and electricity on sectoral basis.**
- **Within use-based IIP, growth to be led by consumer sectors, on account of gradual recovery in rural demand. Also government capex is expected to push infra/capital goods.**
- **Going forward, our economic activity indicator shows moderation in growth momentum even as it stays above pre-Covid level.**
- **We see IIP staying in single digit levels in the coming months with impact from global headwinds on a close watch.**

IIP pickup likely to be broad-based

Industrial production to show an uptick in Jan'24 to reach a 2-month high.



Growth likely to edge up across sectors

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Nov'23	Dec'23	Jan'24 (P)
Mining	14.4	7.0%	5.1%	6.8%
Manufacturing	77.6	1.2%	3.9%	4.0%
Electricity	8.0	5.8%	1.2%	5.2%

Industrial Production: Use-based				
Sector	Weight	YoY Growth %		
		Nov'23	Dec'23	Jan'24 (P)
Primary goods	34.0	8.5%	4.6%	3.0%
Capital goods	8.2	-1.1%	3.2%	3.4%
Intermediate goods	17.2	3.1%	3.4%	3.9%
Infrastructure / Construction Goods	12.3	1.7%	4.1%	3.6%
Consumer durables	12.8	-5.5%	4.8%	7.9%
Consumer non-durables	15.3	-3.3%	2.1%	7.2%

Source: MOSPI, UBI research

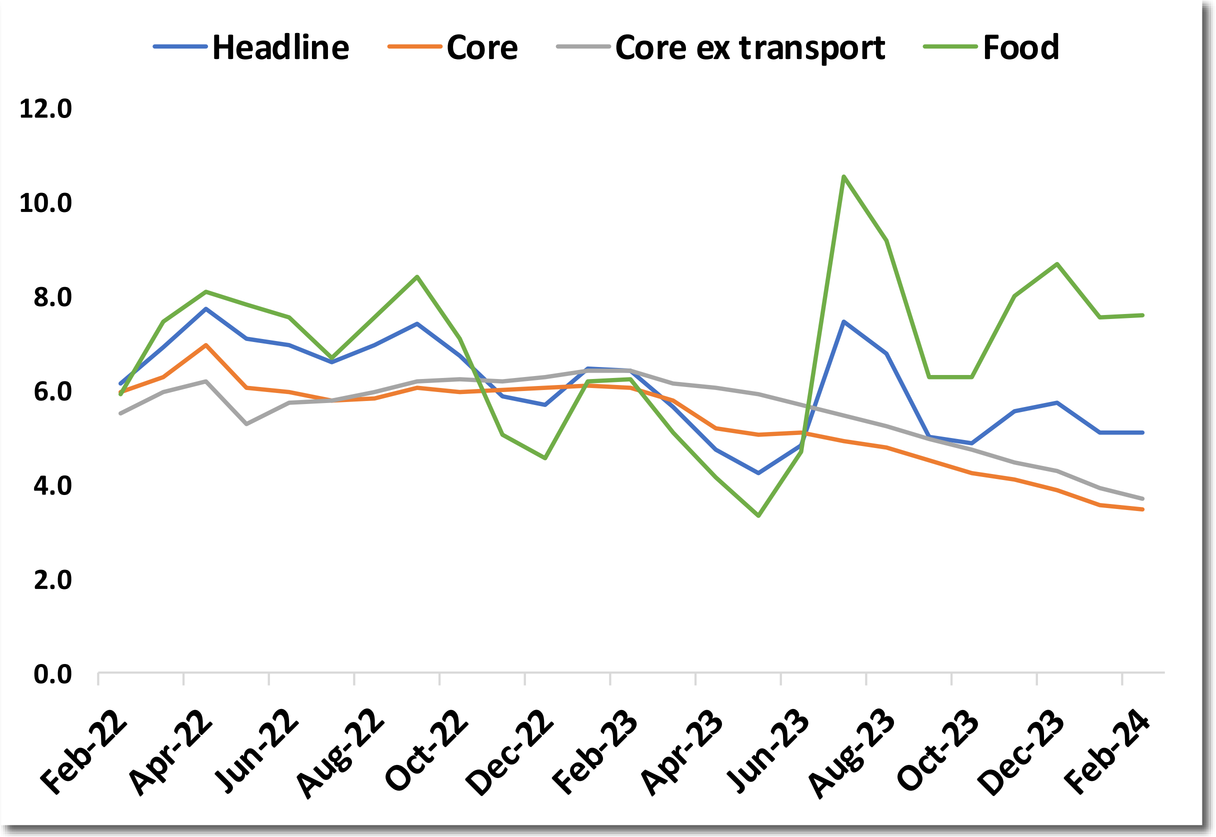
CPI Inflation likely to remain steady at 5.1% in February 2024

Key Takeaways

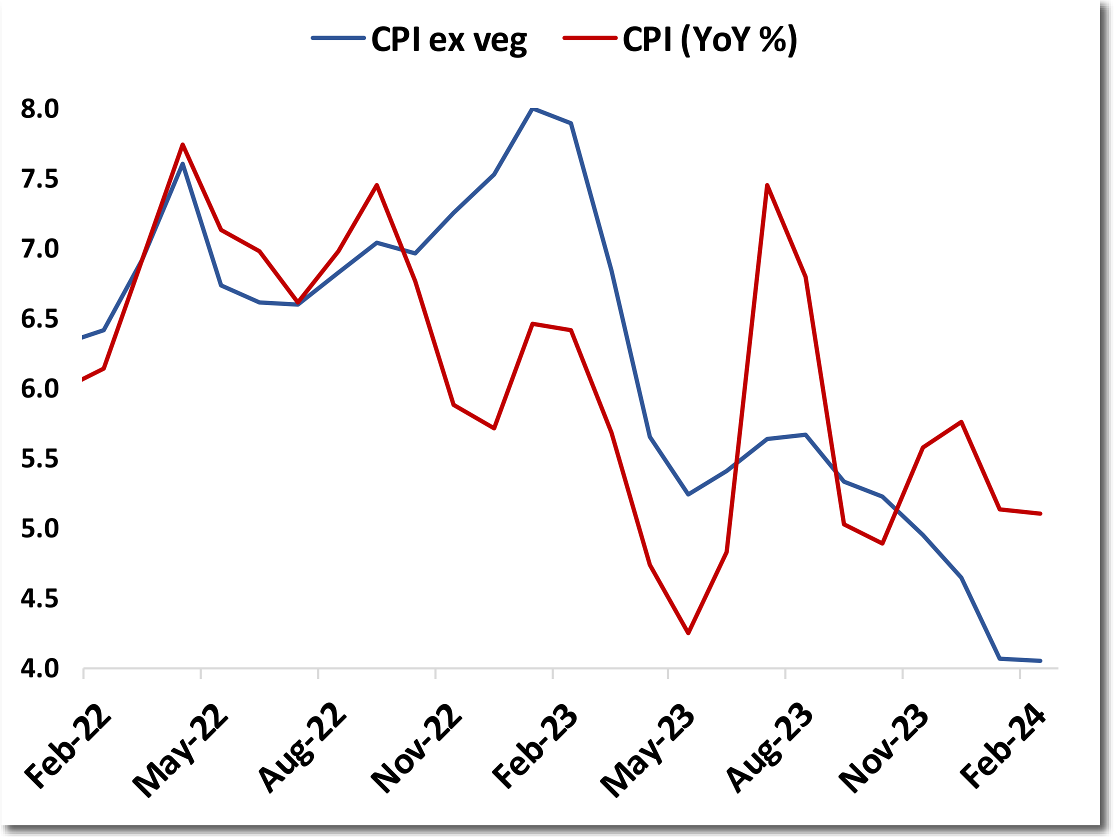
- With inflation likely to remain flat in Feb’24, we see the internals also staying broadly unchanged.
- Food inflation likely remained steady at 3.6%.
  - However, downside has been capped as vegetables price have lagged seasonal correction, hence correction may be witnessed in coming months.
  - More importantly, cereals inflation has remained sticky with wheat stocks at 7-year lows.
  - Core inflation estimated to stay at 4-year lows of 3.5% on base effects, impact of lower commodity prices and services inflation (housing, health and recreation & amusement) facing downward pressure.
- Meanwhile, core ex transport likely edge lower to 3.7% from 3.9% in Jan’24
- Going forward, we see inflation slipping back to 4% handle as seasonal drop in vegetables prices plays out.

Core inflation staying at c.4 year lows provides relief

Headline CPI and sub segments likely stayed flat in Feb'24 vs last month; % y/y



CPI ex veggies at 4% while seasonal correction in veggies yet to play out; % y/y



Source: CEIC, MoSPI, UBI research

Trade Deficit likely to improve in Feb’24

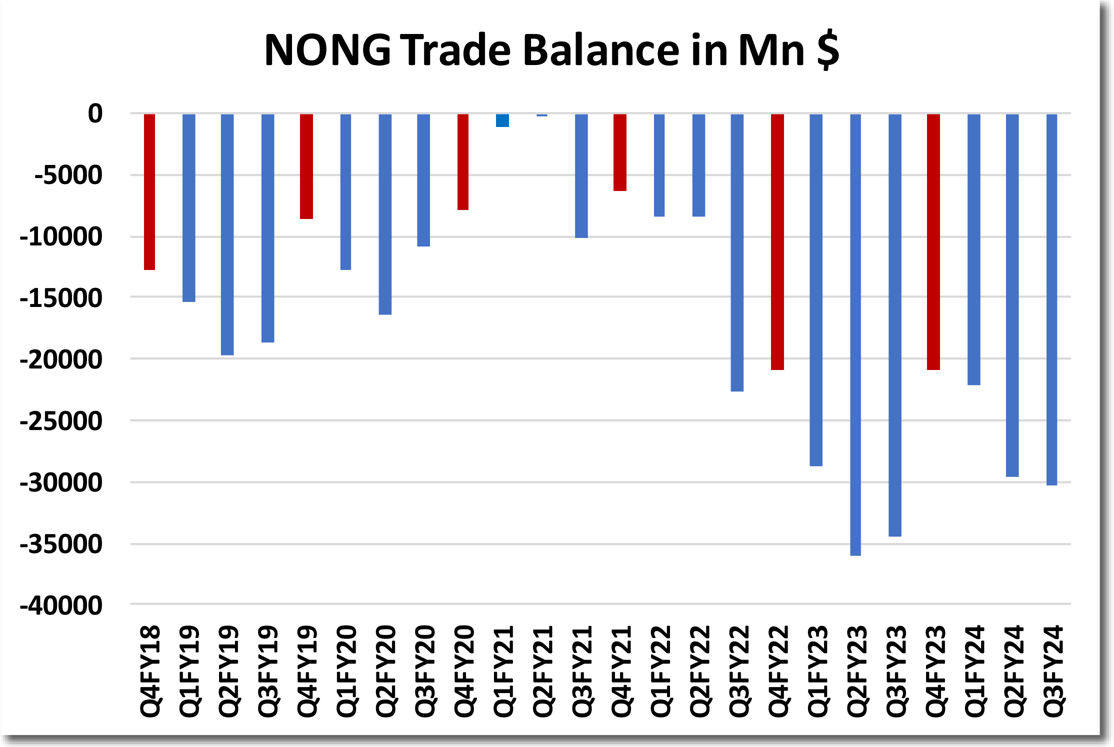
Key Takeaways

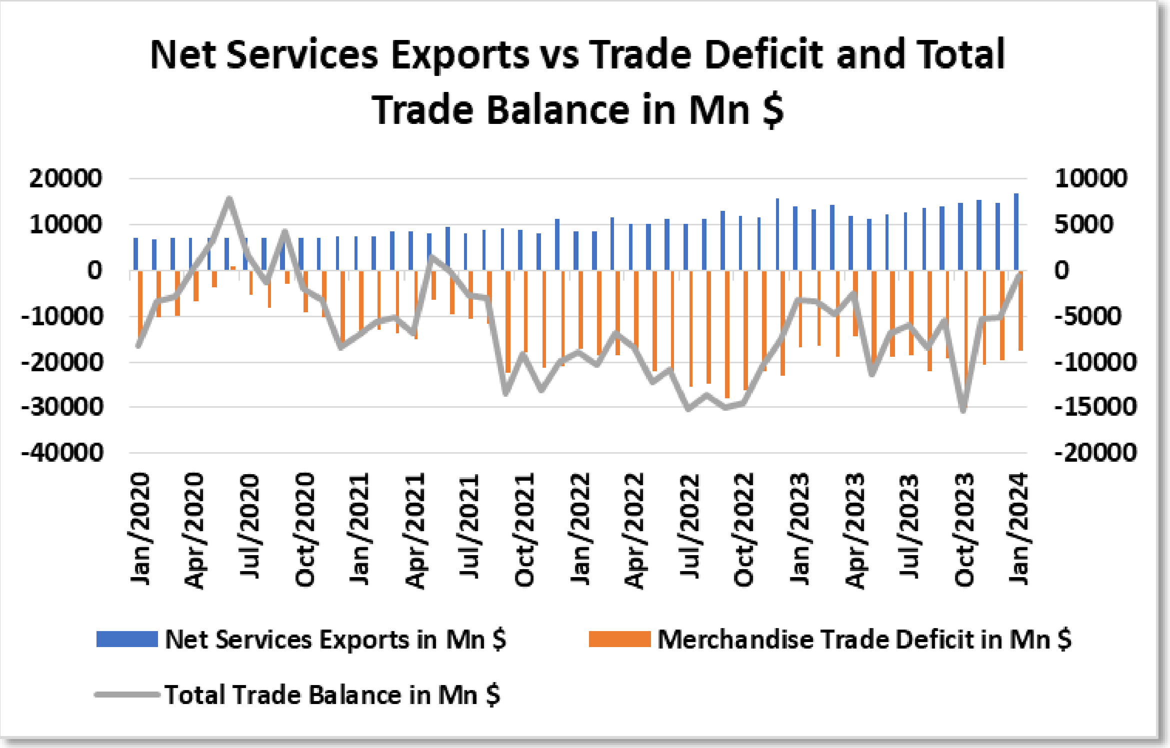
- Trade Deficit is expected to have improved in the month of Feb’24 to $16.90 Bn from $17.49 Bn in Jan’24.
- As seen in January, we assume that the impact of Red Sea crisis likely remained fairly limited. As per the RBI Bulletin, about 48.7% of India’s merchandise exports and 30.4% of imports are estimated to be exposed to the Red sea route. In February, oil deficit likely remained elevated as avg Brent crude prices stayed above $80/b for the second consecutive month.
- Gold trade deficit likely remained stable in Feb’24 after showing a jump in the Q3FY24 on account of festival demand. Higher prices (above USD 2000/oz) and import duty hike (in January) probably continued to keep gold deficit in check
- In the non oil non gold segment, positive seasonality as witnessed in the last quarter of every fiscal , likely led to sharp improvement in trade dynamics.
- In the month of January 2024, Current Account balance came in surplus after accounting for remittance and investments. Net Services exports rose to record high in Jan’24 and the strong trend is likely to continue. Despite persisting trade concerns along the Red Sea route, we expected trade deficit to improve slightly going forward due to positive seasonality.

Trade balance showing improvement

Non oil non gold trade balance showing improvement in the last quarter of the fiscal year and is likely to improve in the month of Feb'24.

Net Services exports rose to record high in Jan'24 and the strong trend is likely to continue.





Source: RBI, Ministry of Commerce, UBI research

Thank You !

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