09th May 2024

Data release	Due date	Oct’23	Nov’23	Dec’23	Jan’24	Feb’24	Mar’24	Apr’ 24 (Proj.)
CPI (YoY %)	13th May’24	4.87	5.55	5.69	5.10	5.09	4.85	4.84
IIP (YoY %)	10th May’24	11.90	2.50	4.20	4.10	5.70	5.10 (Proj.)	-
Trade Balance (Bn $)	15th May’24	-29.9	-20.7	-19.9	-16.5	-18.7	-15.6	-18.0

Headline inflation likely to remain steady in Apr’24

- Headline inflation likely to have remained steady on sequential basis at 4.84% in Apr’24 vs 4.85% in March. Food and beverages inflation likely to be tad-up at 7.8% in Apr vs 7.7% in Mar. Inflation in vegetables segment likely to have witnessed uptick on sequential basis despite not having shown seasonal corrections during the month of March and February. Sticky cereals inflation also likely to have kept inflation in the food segment elevated.
- Core inflation is likely to clock fresh all-time low vs last month at 3.2%, as lagged impact of retail fuel price cut in March helped offset impact of spike in gold prices, with some base effect also at play. Core ex transport inflation also likely to show slight downside move vs 3.6% in March.
- Going forward, we see inflation staying at 4.5% in FY25 vs 5.4% in FY24. However, we remain cautious regarding moves in global commodity prices (especially crude & gold) and monsoon trends will be key to watch among others.
- Despite expectation of cooling of inflation in FY25, we expect start of a shallow 50 bps rate cut cycle by October with a likely delay, given the higher for longer theme signaled by US Fed.

Fig 1: Headline CPI and sub segments likely to be steady in Apr’24; % y/y

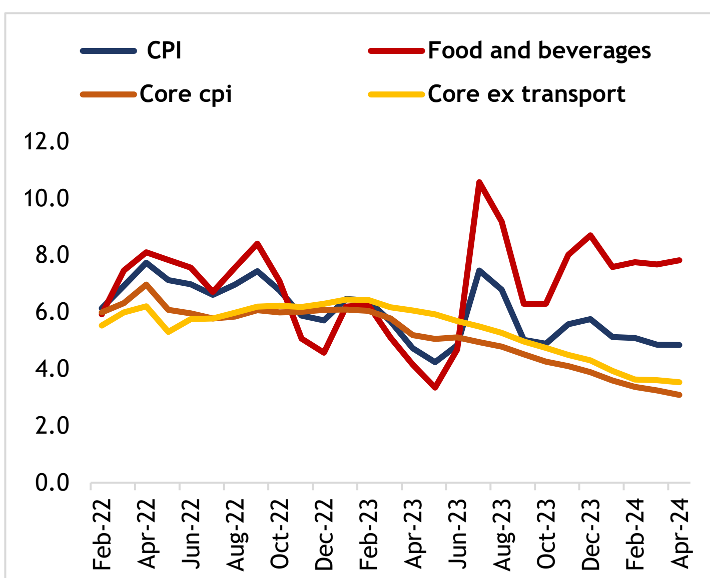


Fig 2: CPI ex veggies at 3.6% while seasonal correction in veggies yet to play out; % y/y

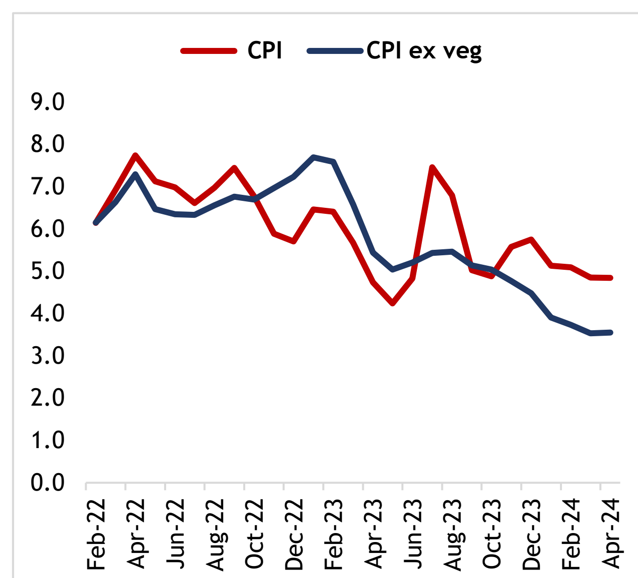
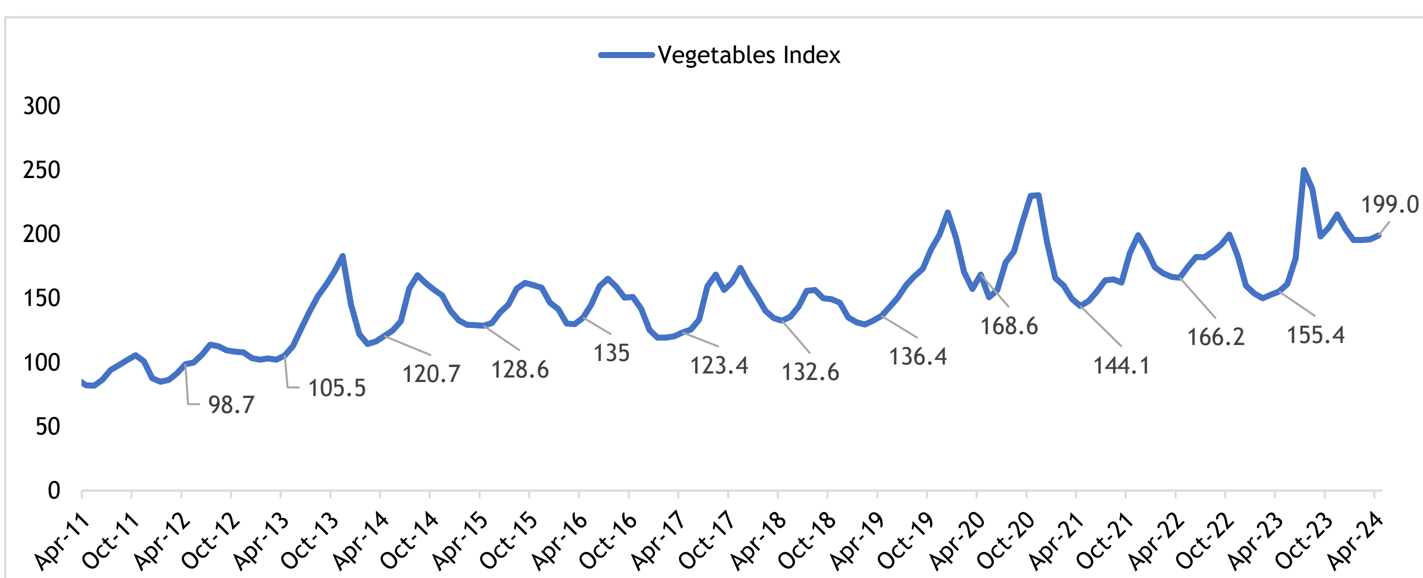


Fig 3: Vegetables index was likely way higher in Apr’24 vis-à-vis historical comparison



Note: Figure for April is our estimate *Source: CEIC, UBI research*

By:
Kanika Pasricha
kanika.pasricha@unionbankofindia.bank

Jovana Luke George
jovana.george@unionbankofindia.bank

Kanhaiya Jha
kanhaiya.jha@unionbankofindia.bank

Maneesh Gupta
maneesh.gupta@unionbankofindia.bank

Industrial Production likely eased in Mar'24

- Industrial production growth, as indicated by IIP, is expected to be at 5.1%, on moderation in manufacturing, while supported by a low base (1.9% in Mar'23).
- High frequency indicators such as GST e-way bills, passenger vehicles output, vehicle registrations, etc. indicated a slowdown in performance in Mar'24 vs. Feb'24, indicating softening of economic activity. Core sector has 40% contribution in IIP and has declined to 5.2% in Mar'24 from 7.1% in Feb'24.
- The YoY performance of electricity generation improved in March 2024 relative to February 2024, majorly due to rise in temperatures witnessed across the country.
- The wedge in rural-urban demand persisted with consumer non-durables likely remaining in contraction zone while consumer durables staying strong in double digits.
- Capital goods IIP growth has been weighed down by very strong base effects of last year and likely to have slipped into negative zone in March.
- Going forward, we continue to expect IIP growth to stay in single digits, with a watch on monsoon effect on rural demand.

Fig 4: IIP likely to be tad low in Mar'24; % y/y

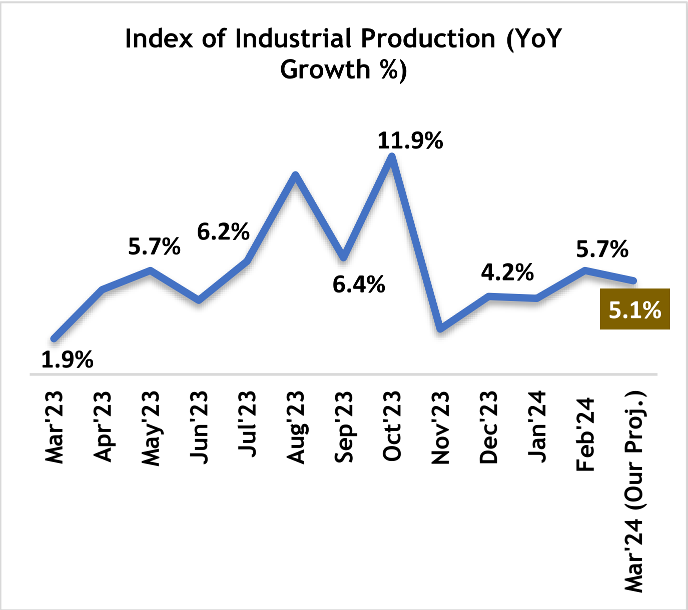


Fig 5: Electricity to lead Mar'24 IIP growth; % y/y

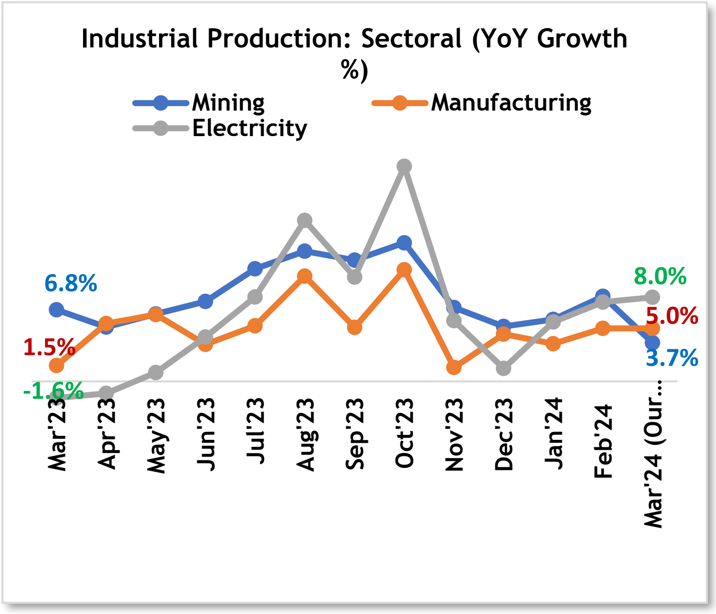


Fig 6: Consumer durables to continue strong performance in Mar'24

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Jan'24	Feb'24	Mar'24 (P)
Mining	14.4	5.9	8.0	3.7
Manufacturing	77.6	3.6	5.0	5.0
Electricity	8.0	5.6	7.5	8.0
Industrial Production: Use-based				
Primary goods	34.0	2.9	5.9	3.9
Capital goods	8.2	3.4	1.2	-2.4
Intermediate goods	17.2	5.3	9.5	9.7
Infrastructure / Construction Goods	12.3	5.5	8.5	6.9
Consumer durables	12.8	11.9	12.3	11.8
Consumer non-durables	15.3	-0.2	-3.8	-0.9

Note: Figure for March is our estimate *Source: CEIC, UBI research*

Trade Deficit likely to have widened in Apr’24

- Merchandise trade deficit is expected to have widened in Apr’24 to $18.0 bn from $15.6 bn in Mar’24 led by widening in NONG deficit and gold deficit.
- Oil deficit is likely to have eased slightly but still remained in double digit levels in the month of April as well. Meanwhile as per reports, oil import volumes were down 8.0% m-o-m in April while average Brent crude price increased to $89 per barrel from $84 per barrel in March. This led to rise in Russia’s share in Indian crude oil imports to close to 40%.
- In the non-oil-non-gold segment, deficit likely worsened as positive seasonality witnessed in Q4 FY24 phased out.
- Gold deficit likely widened in Apr’24 on the back of demand expected ahead of Akshaya Tritiya after gold imports fell sharply in Mar’24. However further rise in gold prices to near record levels (avg $2335/oz in April) likely weighed on demand which kept deficit in check. Also, fewer weddings and election-related restrictions probably impacted consumer demand.
- Going forward, trade deficit is expected to stay wide as positive seasonality of Q4FY24 phases out though commodity prices will remain the key driver on close watch.
- Current A/c balance is likely to shift from a surplus in Q4FY24 (for the first time in 17 years except crisis periods) to a deficit in the coming quarters. Meanwhile, strong trend witnessed in services balance and remittances is likely to cap the deficit and limit the impact if any from high oil prices.

Fig 7: Gold and NONG deficit widened in April, with oil deficit remaining in double digits

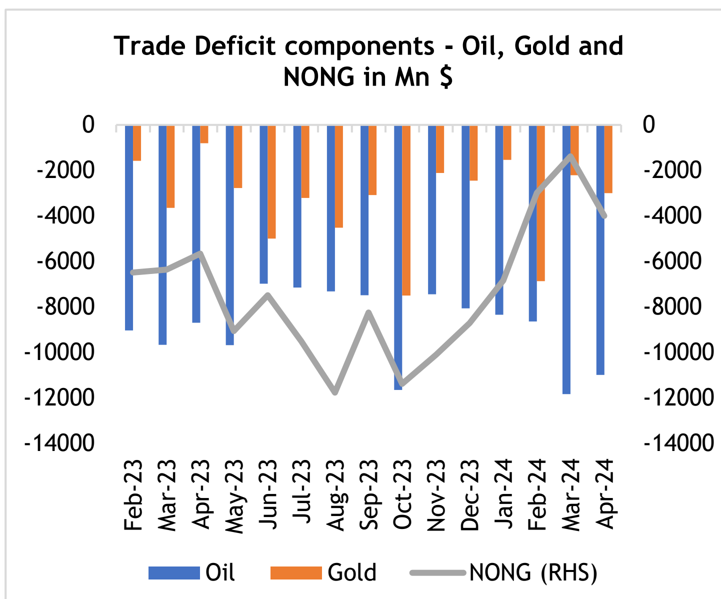
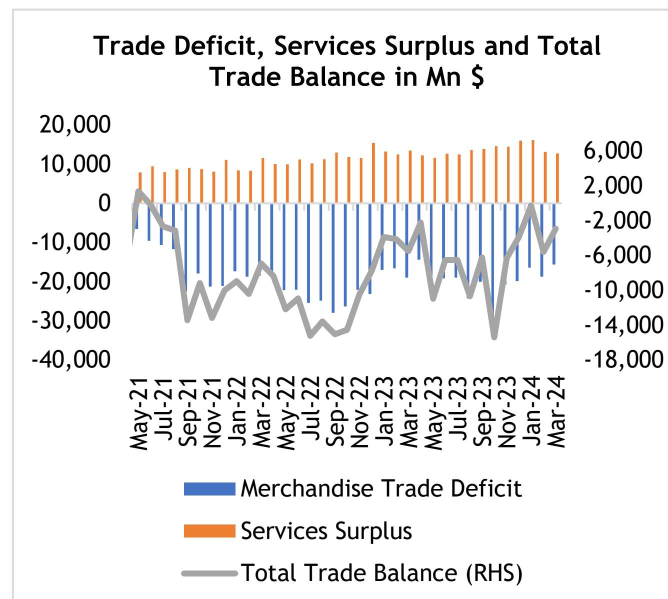


Fig 8: C/A Balance clocked first non-crisis C/A surplus in 17 years in Q4FY24



Note: Figure for April is our estimate

Source: RBI, Ministry of Commerce, CEIC, UBI research

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	**kanika.pasricha@unionbankofindia.bank**
Suneesh K	suneeshk@unionbankofindia.bank
R Gunaseelan	gunaseelan@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank
Ajinkya Tawde	ajinkya.tawde@unionbankofindia.bank
Kanhaiya Jha	kanhaiya.jha@unionbankofindia.bank
Maneesh Gupta	maneesh.gupta@unionbankofindia.bank