

Data release	Due date	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24 (Proj.)
CPI (YoY %)	12 th Jul'24	5.75	5.13	5.09	4.84	4.83	4.75	5.06
IIP (YoY %)	12 th Jul'24	4.40	4.20	5.60	5.40	5.0	5.0 (Proj.)	-

Headline inflation likely jumped in June'24

- Headline inflation likely jumped to 5.06% in June'24 vs 4.75% in the month of May'24. While core inflation likely remained at record lows of 3.1%, Food CPI continues to remain a bone of contention with a jump from 7.87% in May'24 to our estimate of 8.47% in June'24. A sharp spike in vegetables prices along with cereals and pulses kept food inflation at higher levels and nullified the softness in eggs, fruits, and spices prices. The below normal rains in the month of June caused the heatwave effects (hottest June seen in 123 years) to further push the food price pressures. Interestingly, CPI ex-vegetables fell further to 7-year lows of 3.30% after touching 3.45% previous month.
- Core inflation likely stayed flat at all-time lows of 3.1% as gold prices eased somewhat during the month and commodity prices also remained under pressure. We estimate that core ex transport inflation slipped further to 3.49% from 3.6% previous month.
- 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.

Fig 1: Headline CPI and sub segments likely spiked in June'24; % y/y

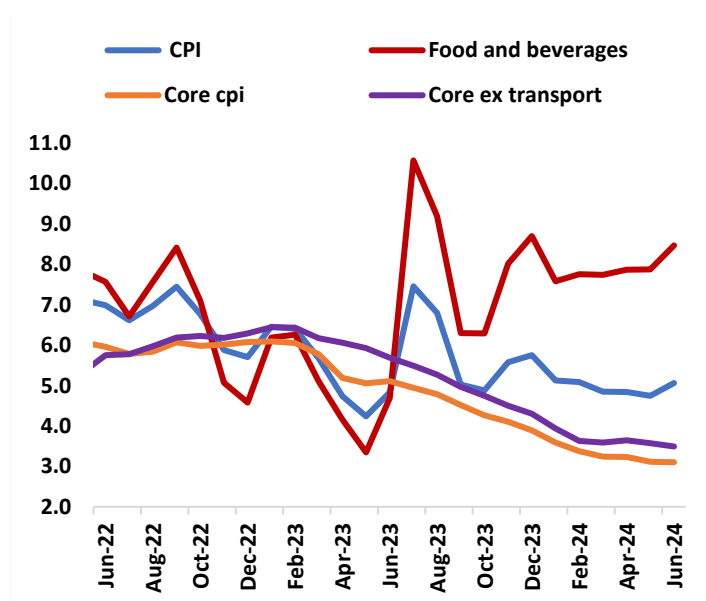


Fig 2: CPI ex veggies at 3.3% on a sharp spike in veggies prices; % y/y

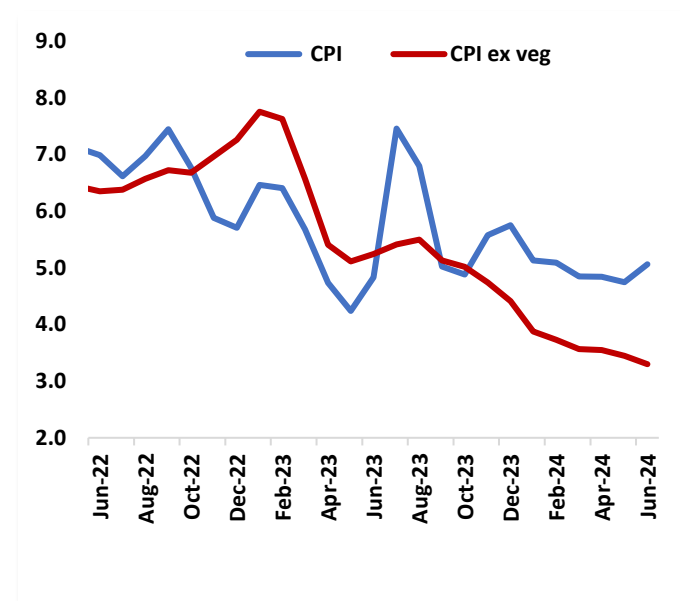
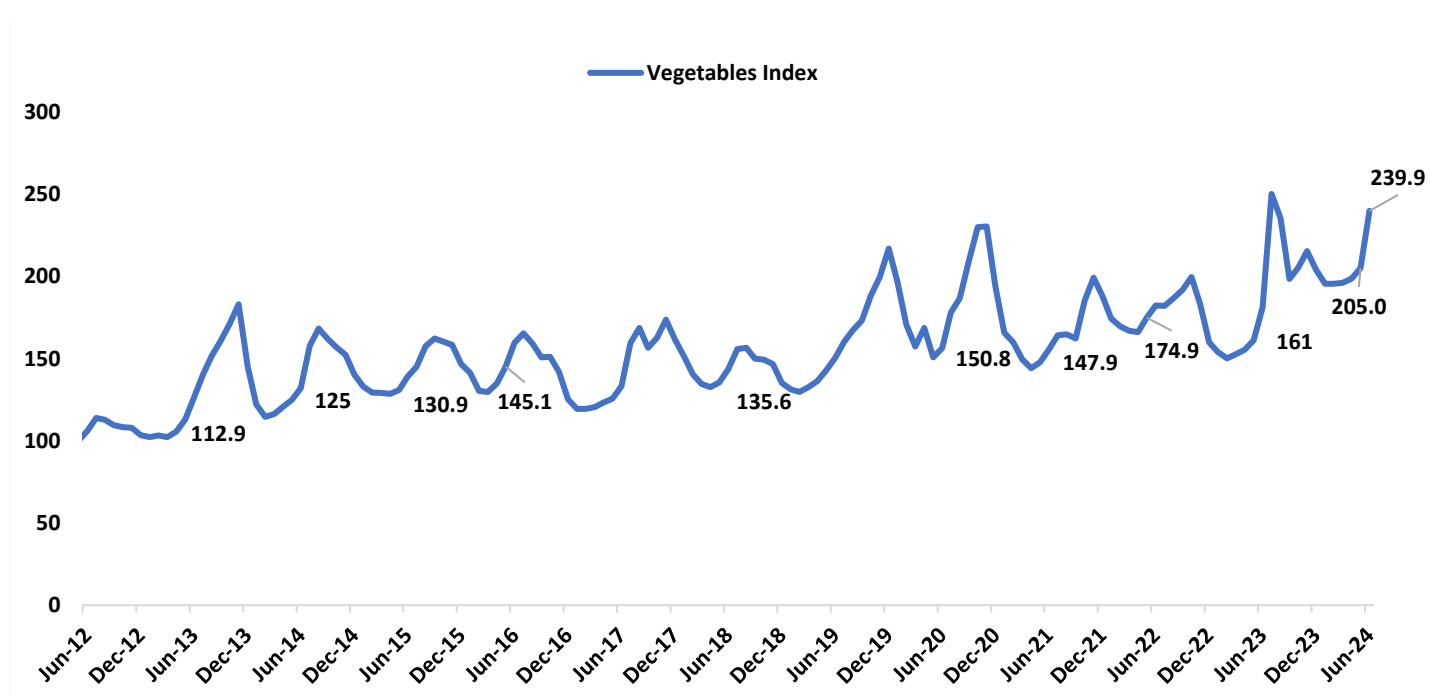


Fig 3: Vegetables index shows a sharp seasonal spike even as the long-term upward trend is maintained



By:
 Kanika Pasricha
kanika.pasricha@unionbankofindia.bank
 Nidhi Arora
nidhiarora@unionbankofindia.bank
 Jovana Luke George
jovana.george@unionbankofindia.bank

Note: Figure for June is our estimate

Source: CEIC, UBI research

Industrial Production likely to have remained flat in May'24

- Industrial production growth, as indicated by IIP, is expected to be at 5.0%, similar to last month and vs 5.7% in May'23.
- High frequency indicators such as GST e-way bills, toll collections, passenger vehicles sales, domestic tractor sales, etc. point towards sustained momentum in domestic demand conditions. In specific, while exports growth picked up to 9.1% vs muted growth in last two months, auto production saw moderation despite staying in double digits.
- Core sector has 40% contribution in IIP and has declined to 6.3% in May'24 from 6.7% in Apr'24. The YoY performance of electricity generation improved in May 2024 relative to April 2024, triggered by higher demand due to rise in temperatures witnessed across the country in May.
- Mining growth likely eased on higher base effects even as demand for coal and natural gas has stayed strong as reflected in core sector data.
- The wedge in rural-urban demand persisted with consumer non-durables likely remaining in contraction zone while consumer durables staying strong.
- Capital goods IIP growth has been weighed down by strong base effects of last year with growth likely to have slowed in May. A combination of factors including the impact of heatwave and the phased Parliamentary elections could have curtailed capex activity and execution in some sectors.
- 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 stagnant in May'24; % y/y

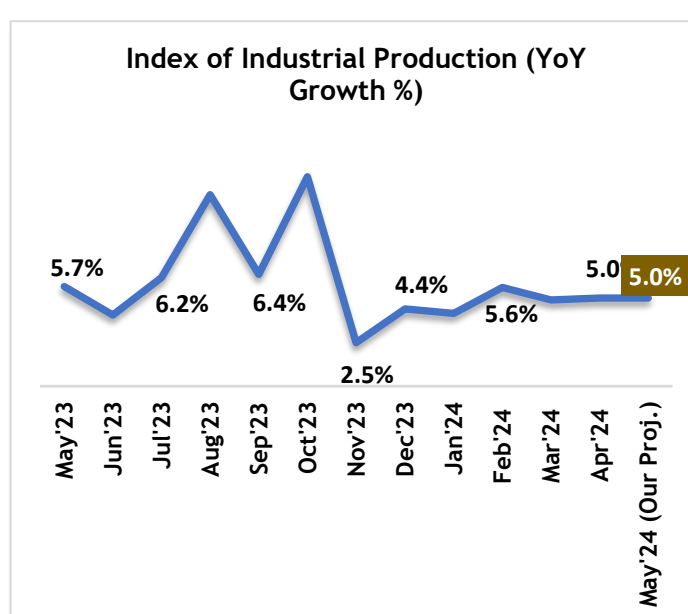


Fig 5: Electricity to lead May'24 IIP growth; % y/y

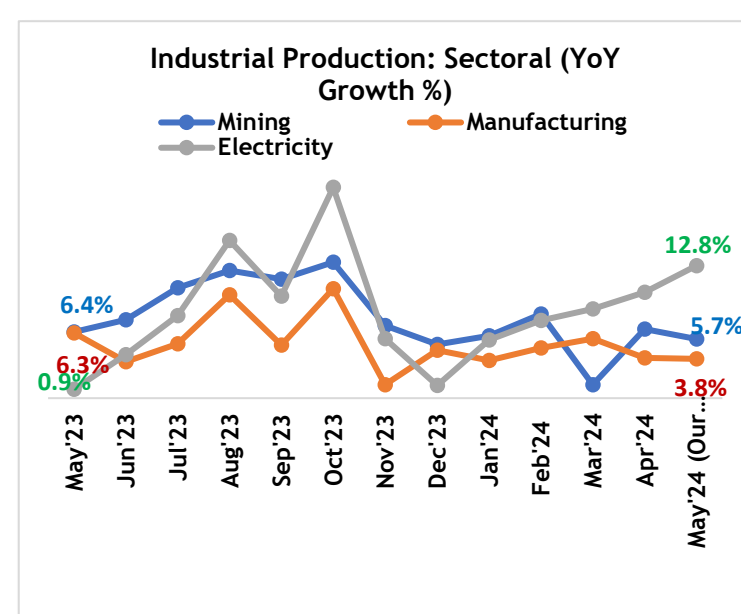


Fig 6: Consumer durables to continue strong performance in May'24

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Mar'24	Apr'24	May'24 (P)
Mining	14.4	1.3	6.7	5.7
Manufacturing	77.6	5.8	3.9	3.8
Electricity	8.0	8.6	10.2	12.8
Industrial Production: Use-based				
Primary goods	34.0	3.0	7.0	7.1
Capital goods	8.2	6.6	3.1	1.2
Intermediate goods	17.2	5.5	3.2	4.5
Infrastructure / Construction Goods	12.3	7.4	8.0	5.5
Consumer durables	12.8	9.5	9.8	9.4
Consumer non-durables	15.3	5.3	-2.4	-1.2

Note: Figure for May is our estimate

Source: 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
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank

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