

Data release	Due date	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24 (Proj.)
CPI (YoY %)	12 <sup>th</sup> Jun'24	5.55	5.69	5.10	5.09	4.85	4.83	4.76
IIP (YoY %)	12 <sup>th</sup> Jun'24	2.50	4.40	4.10	5.60	4.90	4.50 (Proj.)	-
Trade Balance (Bn \$)	14 <sup>th</sup> Jun'24	-20.7	-19.9	-16.5	-18.7	-15.6	-19.1	-19.0

### Headline inflation likely eased slightly in May'24

- Headline inflation likely slightly eased to 4.76% in May'24 vs 4.83% in the month of April'24. While core inflation stayed near record lows at 3.3%, food and beverages inflation continued to remain a cause of concern with our estimate of 7.75% vs 7.87% in April'24. Sequential pick up in vegetables along with other key food sub segments like cereals and pulses kept food inflation elevated. Heatwave effects further boosted food price pressures. Interestingly, CPI ex vegetables eased to 3.51%, lowest since Nov'2019.
- Core inflation likely stayed close to all-time lows at 3.3%. Meanwhile continued strength in gold prices kept inflation flat even as downward pressure on other commodity prices helped. We also estimate core ex transport inflation staying flat vis a vis April at 3.6%.

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 eased in May'24; % y/y

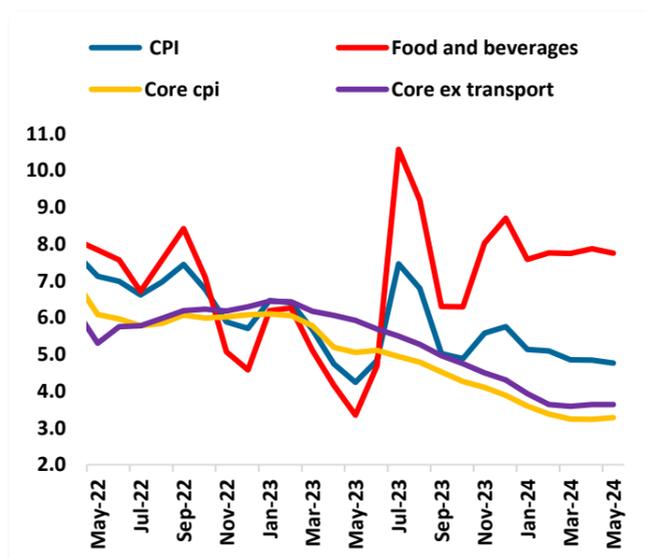


Fig 2: CPI ex veggies at 3.5% on sequential pickup in veggies prices; % y/y

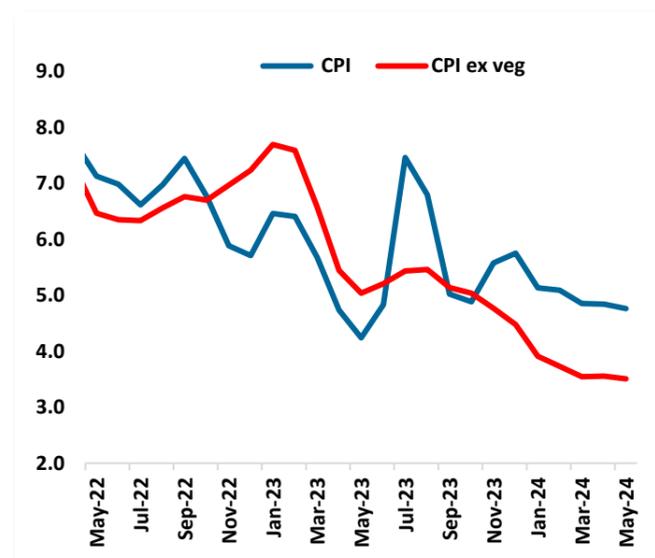
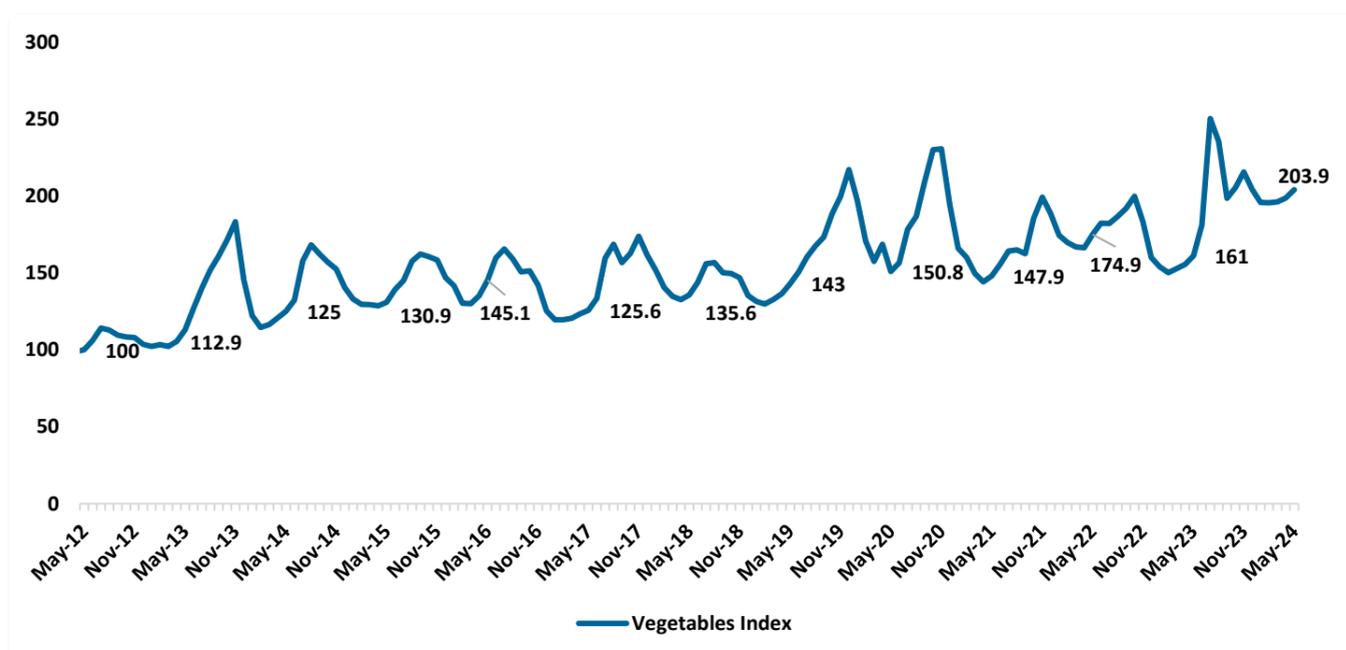


Fig 3: Vegetables index was likely the highest in May 2024 vis-à-vis last 12 years historical comparison



By:  
Kanika Pasricha  
kanika.pasricha@unionbankofindia.bank

Nidhi Arora  
nidhiarora@unionbankofindia.bank

Jovana Luke George  
jovana.george@unionbankofindia.bank

Akash Deb  
akash510@unionbankofindia.bank

Note: Figure for May is our estimate

Source: CEIC, UBI research

## Industrial Production likely moderated further in Apr'24

- Industrial production growth, as indicated by IIP, is expected at 4.5%, on lower number of working days and high base effect (4.6% in Apr'23 vs 1.9% prior).
- Sequential fall in IIP seen in Apr'24 is likely to be driven by the lower Y-o-Y rise in mining and manufacturing output.
- The YoY performance of electricity generation continued to improve in April 2024 relative to Feb'24 and Mar'24, 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 stays strong, supported by base effects. However, recovery in rural demand is underway as highlighted by the latest CMIE data which shows the Index of Consumer Sentiments is at its highest level since at least March 2019. While rural consumer sentiment was at its highest level since 2019, urban consumer sentiment has dipped further to a seven-month low.
- We estimate a likely slowdown in both capital and infra goods IIP growth on lower govt. spending with the commencement of elections.
- Going forward, we continue to expect IIP growth to stay in single digits, with a watch on monsoons given their significant effect on rural demand.

Fig 4: IIP likely to be a tad lower in Apr'24; % y/y

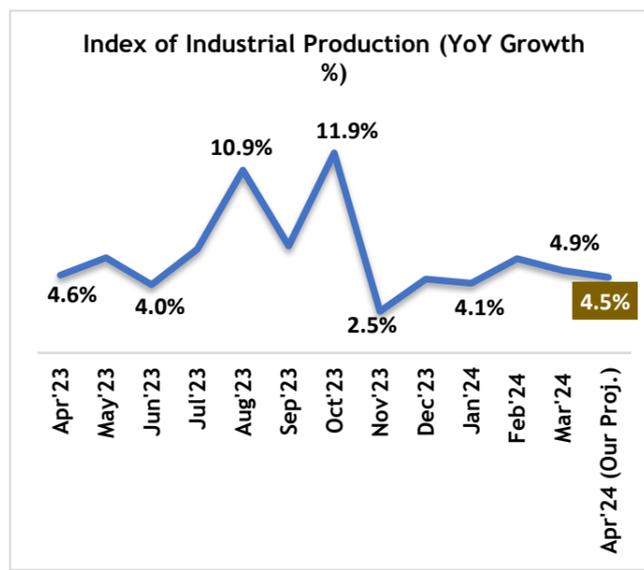


Fig 5: Electricity likely to lead Apr'24 IIP growth; % y/y

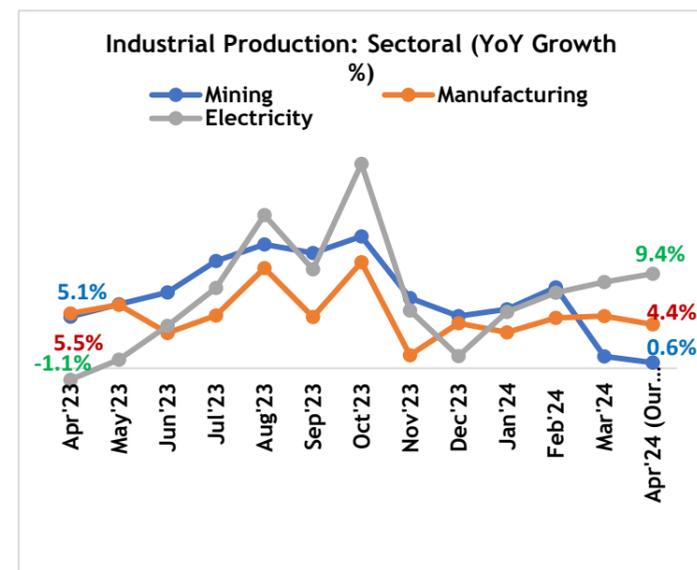


Fig 6: Switch in Consumer non-durables back to contraction mode likely weighed on IIP in Apr'24

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Feb'24	Mar'24	Apr'24 (P)
Mining	14.4	8.0%	1.2%	0.6%
Manufacturing	77.6	5.0%	5.2%	4.4%
Electricity	8.0	7.5%	8.6%	9.4%
Industrial Production: Use-based				
Primary goods	34.0	5.9%	2.5%	4.5%
Capital goods	8.2	1.2%	6.1%	13.0%
Intermediate goods	17.2	9.5%	5.1%	4.7%
Infrastructure / Construction Goods	12.3	8.5%	6.9%	6.0%
Consumer durables	12.8	12.3%	9.5%	9.4%
Consumer non-durables	15.3	-3.8%	4.9%	-3.0%

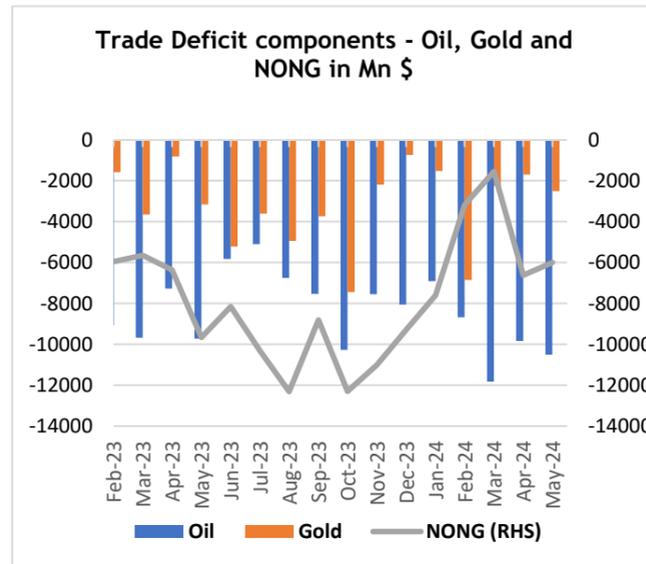
Note: Figure for April is our estimate

Source: CEIC, UBI research

## Trade Deficit likely stayed flat in May while internals saw a shift

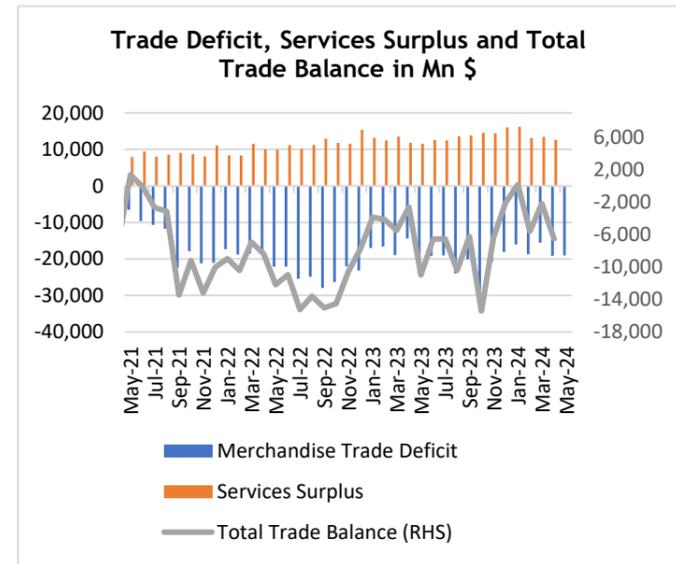
- Merchandise trade deficit is expected to stay flat in May'24 to \$19.0 bn from \$19.1 bn in Apr'24 led by moderation in NONG deficit and marginally higher oil import.
- Oil deficit is likely to have eased marginally but remained in double-digit levels in the month of April as well. Meanwhile as per reports, oil import volumes were up 710,000 bpd to 5.26 million bpd from April's 4.55 million bpd; while average Brent crude price decreased to \$83 per barrel from \$89 per barrel in April. Additionally, a sharp rise in discounted oil imports from Russia to a 10-month high in May also helped.
- In the non-oil-non-gold segment, deficit likely narrowed on slip in commodity prices after showing a seasonal deterioration in April.
- Gold deficit likely widened in May'24 on the back of central bank buying 1.5 times more gold in January-April 2024 than whole of 2023. However further rise in gold prices to near record levels (avg \$2357/oz in May) likely weighed on demand which kept deficit in check. Additionally, festive season demand on the back of Akshaya Tritiya also boosted imports.
- Current A/c balance is likely to shift from a surplus in Q4 FY24 (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 commodity prices or strong demand.

**Fig 7: Gold and NONG deficit widened in May'24, with oil deficit remaining in double digits**



Note: Figure for May is our estimate

**Fig 8: C/A Balance likely switched back to deficit in Q1-FY25**



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
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
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank

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