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Data release	Due date	Mar'24	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24 (Projected)
WPI (YoY %)	14 <sup>th</sup> Oct'24	0.3%	1.3%	2.6%	3.4%	2.04%	1.31%	1.48%
Trade Balance (Bn \$)	15 <sup>th</sup> Oct'24	-15.6	-19.1	-23.8	-21.0	-23.5	-29.65	-24.2

**Trade Deficit likely narrowed from record high levels (Oct'23) in Sep'24**

- **Merchandise trade deficit** likely saw broad based narrowing in Sep'24 to \$24.2bn vis-à-vis \$29.65 bn a month ago. This was probably led by fall in gold imports post sharp spike last month amid record high prices ahead of festive season along with lower oil deficit on steep fall in crude oil imports amid lower demand. (Please refer our report: [Aug'24 trade deficit shockingly widens to \\$30bn on spike in gold imports](#))
- **Oil deficit** likely stayed lower amid plunge in crude oil prices MoM at \$4.7bln in Sep'24. According to media reports, India likely procured 4.94mbpd of Brent crude oil in the current month, compared to 4.71mbpd during August 2024. As per the data by energy cargo tracker, Vortexa; India's imports from Iraq and Saudi climbed by 16% and 37%, respectively, in the month. It also stated, India imported 688k bpd in September from Saudi Arabia from 501k bpd in August, whereas Iraq supplied 894k bpd of crude oil in September against 771k bpd in the month of August. However, Russia still remains the top crude supplier, with over 1.79mbpd, accounting for 38% of total oil imports vis-a-vis 1.61mbpd a month ago. The demand is expected to climb further with the festive season approaching, pushing Indian refiners to seek more supplies.
- **In the non-oil-non-gold segment**, deficit likely moderated marginally MoM basis as the deadline to review the 'import management system' for laptops and other IT products are nearing. Though central government slashed import duty in mobile parts & accessories to boost manufacturing in India, it may have a lagged impact on trade dynamics. The slip in commodity prices and possible deficit correction in bulky segments like machinery likely drove an improvement in trade deficit post sharp widening seen in recent months.
- **Gold deficit** likely moderated in Sep'24 amid record high global prices ahead of the festive and wedding seasons. Also, the reduction in basic customs duty (BCD) of gold, silver and platinum from (Gold bar: 15% to 6%) in the Budget probably led to sustained upward pressure on import volumes as per media reports. However, surge in gold prices to near record levels (avg \$2572/oz in September up from avg \$2472/oz a month ago) may have kept a lid on volumes .
- **Going forward**, commodity prices especially oil will remain on close watch to assess the trends in trade deficit and overall C/A dynamics. Given that oil prices have surged amid escalating tensions in the Middle east, and festive seasonal effects are likely to weigh on trade dynamics in the coming months.

Fig 1: Gold & Oil likely moderated thereby helping trade dynamics in Sep-24

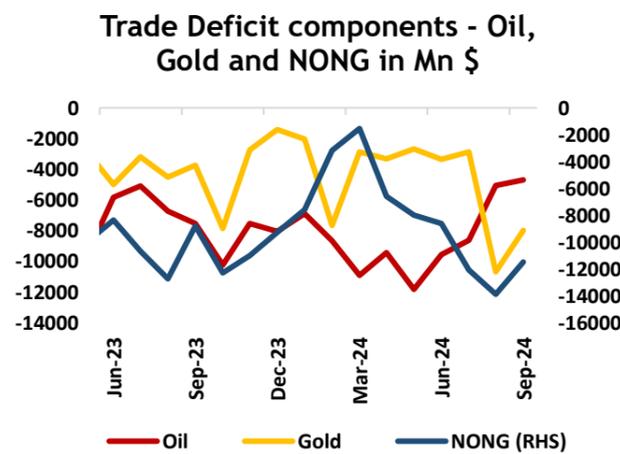


Fig 2: Goods trade deficit widened in Aug-24 yet strong services surplus supported

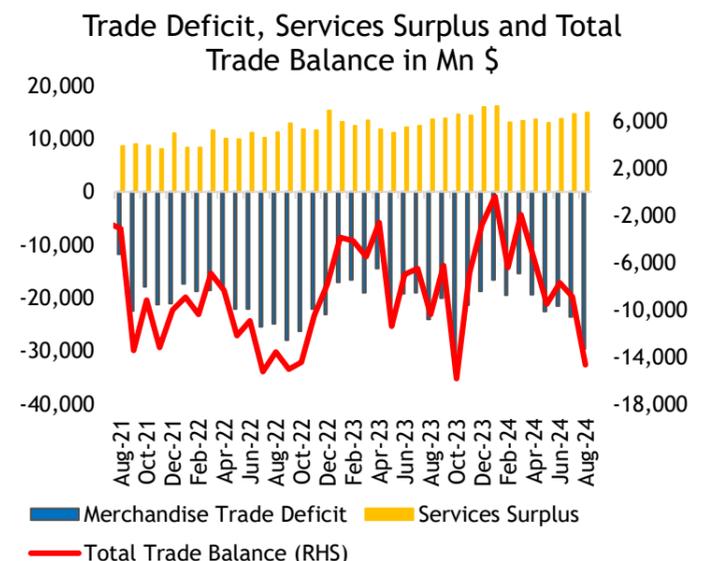
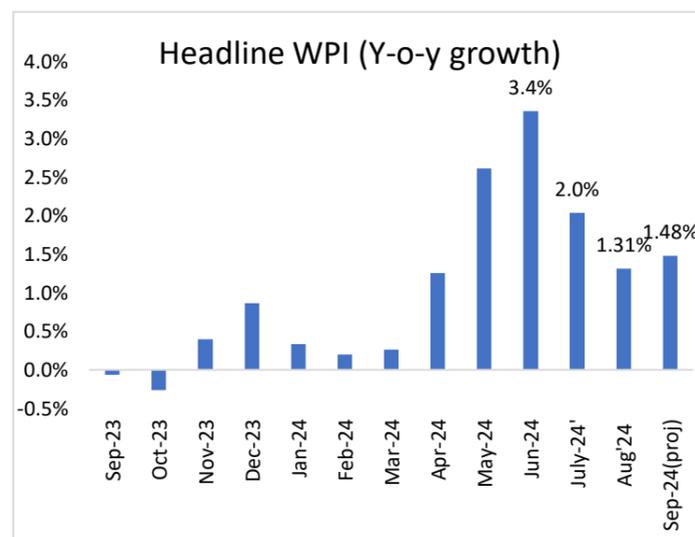


Fig. for Sep-24 is our estimate; Source: CEIC, UBI research

## Wholesale Price Index likely rose to 1.48% in Sep'24

- **Wholesale Price Index (WPI)** is expected to spike up to 1.48% (y-o-y) in Sep'24, moving up from 1.31% in previous month, mainly driven by low base effect. Food prices are seen to rise sharply from its previous month, especially vegetables, due to seasonal irregularities in supply. Fuel prices are however entering into negative zone, and manufacturing inflation is estimated to moderate in Sep'24, due to global commodity price decline.
- **Food WPI** is likely to increase by 7.6%(y-o-y), a notable jump from last few months due to seasonal irregularities in vegetable supplies. Also, low base effect would drive the numbers high for this month. Inflation in pulses too is expected to jump amid supply disruptions. Nevertheless, inflation in milk is expected to continue in negative territory in Sep-24 compared to previous month.
- **Fuel WPI** is expected to slow down sharply to (-) 4.9% (y-o-y) in Sep'24 compared to (-) 0.3% last month due to sharp fall in crude oil prices. Fuel prices have fallen since last month and also from the same period previous year due to fall in crude oil prices. However, the outlook is under pressure on spike in oil prices amid on-going geo-political tension.
- **Core WPI** which reflects inflation excluding food and fuel, is expected to moderate to 0.1% in Sep'24 (y-o-y) versus previous month, due to downward pressure on global commodity prices. Core WPI includes price movements in non-food manufactured products which closely track commodity prices as more than 40% manufacturing raw materials are imported.
- A comparative analysis of China's Producer Price Index (PPI) and Wholesale Price Index in India reflects that, there exists a strong correlation between the two, which is reflective of decrease in commodity prices in the global markets. While China PPI went into further deflation at (-)1.8% in Sep'24, we expect a decline in India core WPI due to moderation in commodity prices in global markets.
- **Going forward**, WPI is expected to be driven by seasonal corrections in food prices and moderation in global commodity prices. While crude prices need close watch amid wars and supply shocks, global demand is expected to revive in the medium term which can add pricing pressure.

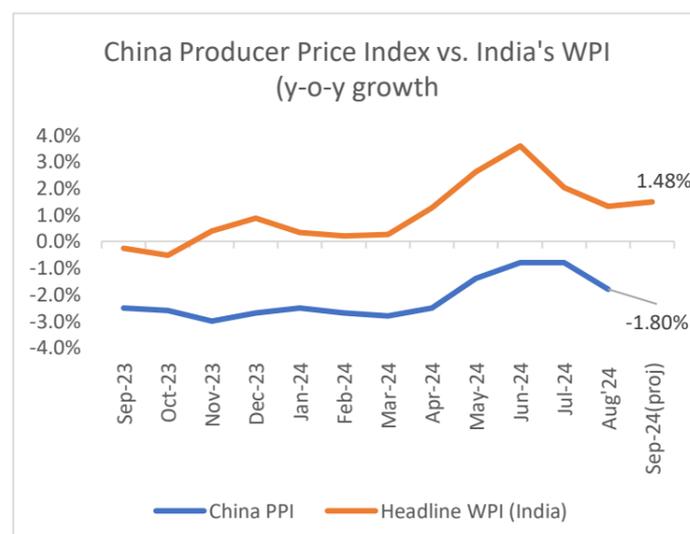
**Fig 3: Yearly movement in WPI to resurge from previous lows**



**Fig 4: Food index moving high due to low base**



**Fig 5: China's Producer Price Index and India's WPI**



**Fig 6: Yearly movement in components of WPI shows divergence**

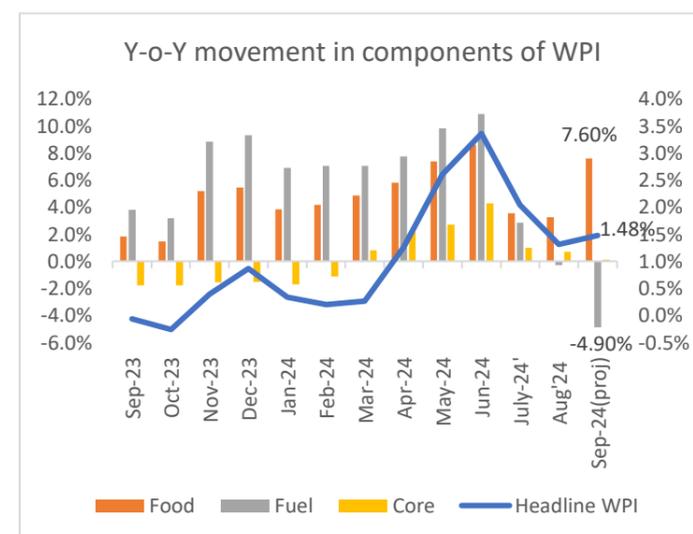


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