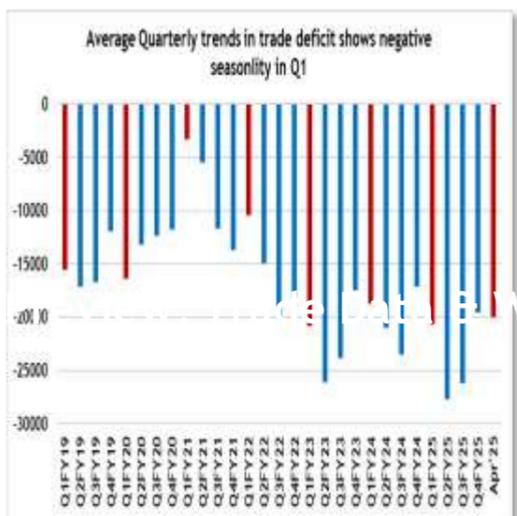


Fig 1: While Q1 usually shows negative trade seasonality, sharp commodity price drop may turn out to be a saviour in Apr'25

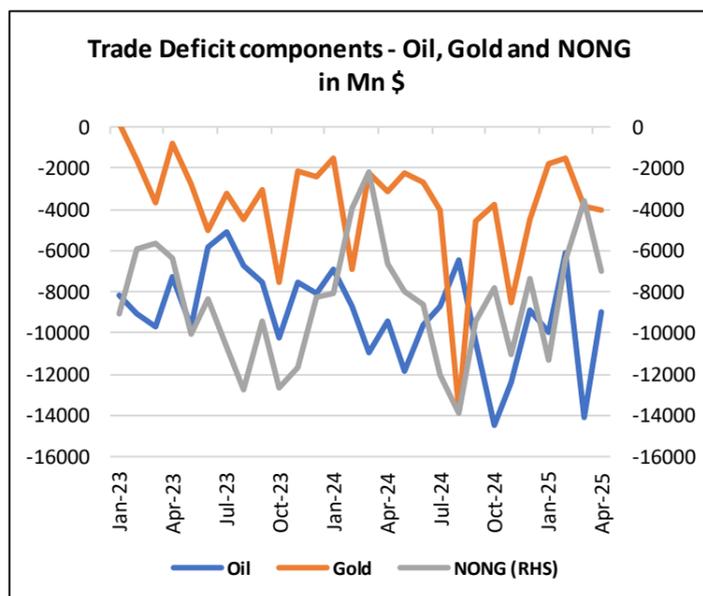


Data release	Due date	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25	Mar'25	Apr'25 (Proj.)
WPI (YoY %)	14 th May'25	2.75%	2.16%	2.57%	2.51%	2.38%	2.05%	1.12%
Trade Balance (bln US\$)	14 th May'25	-26.1	-32.0	-20.7	-23.0	-14.1	-21.5	-20.0

Trade deficit likely saw slight improvement in April'25

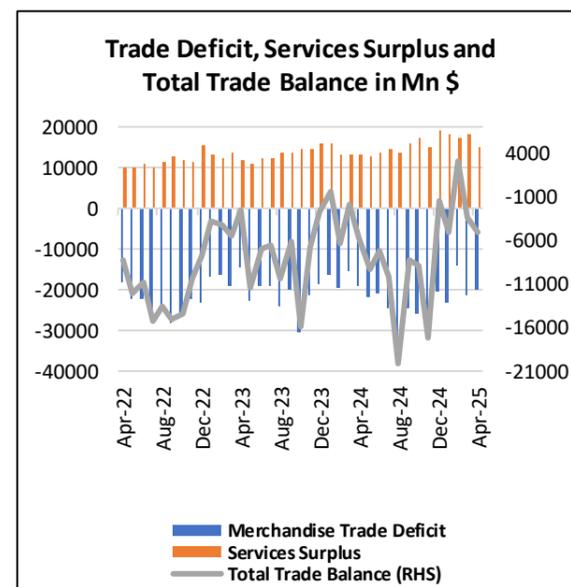
- **Merchandise trade deficit** likely marginally narrowed in Apr'25 to \$20.0 bln vis-à-vis \$21.5 bln a month ago. This was probably led by moderation in oil deficit on fall in crude oil prices and also supported by flat gold imports on persistent rise in price. The extent of improvement in trade dynamics may however be capped amid concerns of trade restrictions and tariff increases by the US administration given trade related uncertainties accentuated on Trump's policy flip flops in April.
- **Oil deficit** likely narrowed as global Brent crude oil prices moderated to \$66.5/bbl vis-à-vis \$71.5/bbl a month ago. As per market analytics firm Kpler (sourced from Reuters), India's oil imports from Russia in April rose 2.1% (9-month high) over March to 1.92 million barrels per day (bpd), even as overall oil imports contracted 7.3% sequentially to 4.88 million bpd. The share of Russian crude in India's oil import basket rose to 39.3% in April from 35.7% in March due to the abundant availability of Moscow's crude for exports as well as the low oil prices.
- April also saw oil imports from the US rise to an eight-month high, amid the evolving geopolitical and geo-economic scenario. Oil imports from Iraq fell 5.7% M-o-M, while those from Saudi Arabia slipped 4.6% sequentially. Oil imports from the US rose 16.5% sequentially in April to 337,000 bpd, the highest since Aug'24. Going forward, the US tariffs imposed across countries are expected to curb global economic activity and demand for energy which will weigh on oil prices.
- In the **Non-Oil-Non-Gold (NONG)** segment, deficit may have doubled as per seasonal trends observed in the past years. Lower energy prices may drive favorable trade dynamics in sectors like chemicals, coal etc. Meanwhile, factors like dumping effects from some countries amid ongoing trade wars may cap the narrowing in NONG deficit.
- We do not expect much change in the quantity of gold imports for Apr'25. Gold demand may have fallen with the end of marriage season. Further, persistent rise in gold prices (price rose 38% YoY in April) may have weakened the demand for gold likely. However, given the elevated global macro uncertainty under Trump 2.0, safe haven demand for gold may persist.
- Commodity prices especially oil will remain on close watch to assess trends in trade deficit. The cooling seen in commodity prices, if sustained, would support trade dynamics while global growth and export worries may limit impact. Going forward, geopolitical risks especially tariff concerns will continue to influence trade dynamics.

Fig 2: Oil deficit likely narrowed in April'25 even as NONG saw seasonal deterioration



Note: Figure for Apr'25 is our estimate

Fig 3: Goods trade deficit likely improved somewhat in April'25



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

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WPI likely moderated to 1.12% in April'25, lowest since April'24

- **Wholesale Price Index (WPI)** is expected to moderate to 1.12% (y/y) in Apr'25, from 2.05% in previous month mainly due to global decline in crude oil and metal prices. Meanwhile food prices continued to moderate during the month, though at a slower rate. Fuel WPI is to see a sequential decline during Apr'25 due to fall in crude prices in international markets. Whereas, core WPI too may see a correction due to fall in global metal prices in Apr'25.
- **Food WPI** has seen some softening to 2.20% vis-à-vis 4.62% in March as the seasonal slide in prices has stretched into April as well. Within food, vegetable prices index has seen a sequential fall of 6.1% during the month. Milk prices are showing upward trend during the month with 0.5% increase m/m. Edible oil prices index is likely up by 0.93% sequentially even as sugar prices continue to firm up by 0.94% m/m in Apr'25 leading to 0.7% m/m increase in the index of manufactured food prices (edible oil and sugar are primary inputs in manufactured food products).
- **Fuel WPI is set to record** a decline in Apr'25 due to fall in crude oil prices. Crude oil prices are down almost 13% m/m in the month of April due to demand concerns amid changing global orders of 'oil' after Trump's policies. Fuel WPI is projected to fall further to -0.29% y/y as against -1.1% in March.
- **Core WPI** which reflects inflation excluding food and fuel, has likely moderated to 0.93% y/y vis-a-vis 1.7% in March reflecting the fall in global commodity prices (other than gold and silver) due to on-going tariff wars. 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. However, China PPI likely stayed in deflation zone (Apr'25 estimate: -2.80%), whereas, India WPI inflation is seen moderating amid price normalization both globally and domestically.
- **Going forward**, easing commodity prices amid trade war concerns globally are expected to cap WPI inflation, though geopolitical risks or oil price spikes could alter this. Meanwhile food prices, especially vegetable price volatility could pose an upside threat. This year's monsoon impact on kharif crops and government interventions like export bans or subsidies will influence the food prices, a major WPI component. We will watch for the impact of cross border tensions also on inflation.

Fig 4: Headline WPI likely moderated in April'25 (% , y/y)

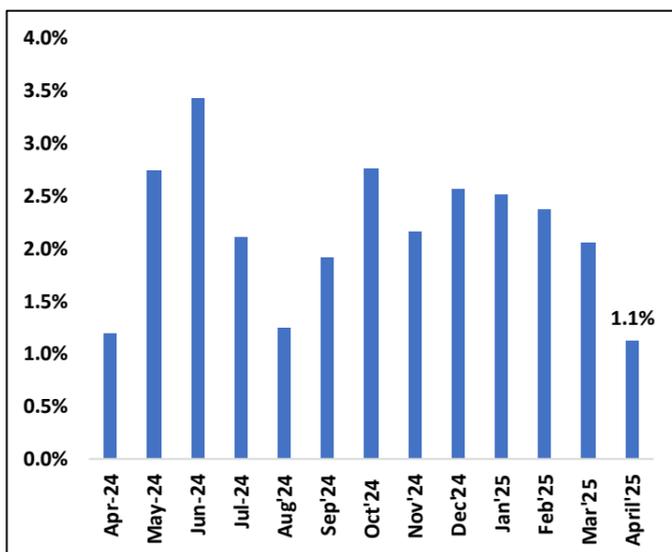


Fig 5: High correlation between China PPI and India, WPI resumes (% , y/y)

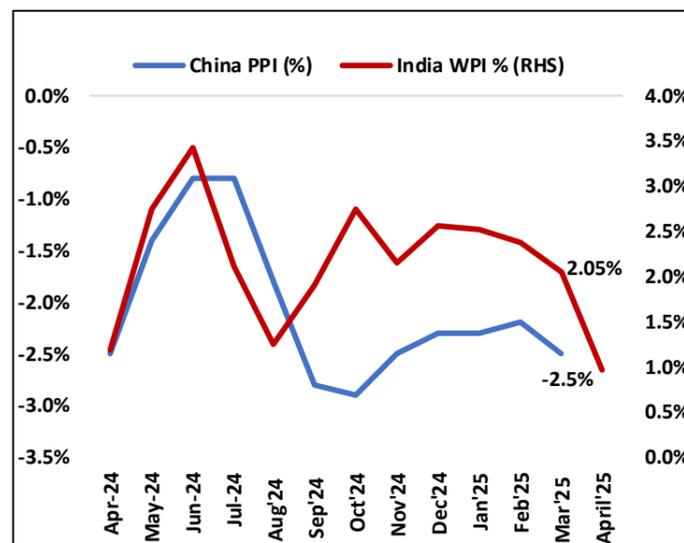
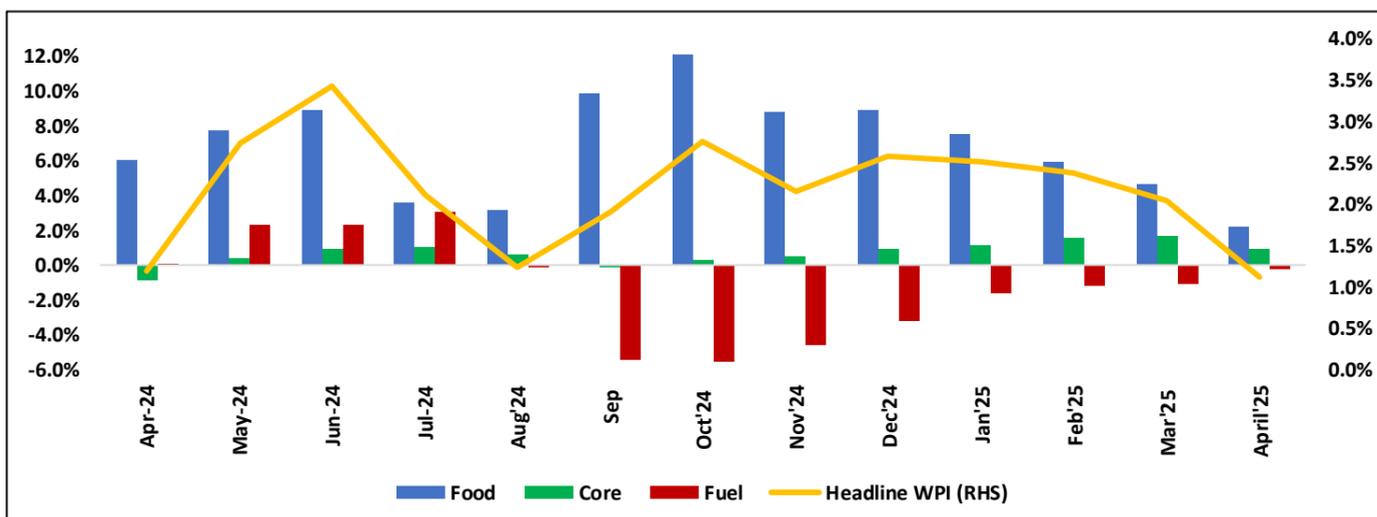


Fig 6: While food WPI likely cooled further, fuel WPI continued to remain in negative zone in April (% , y/y)



Note: Figures for April'25 are our estimates

Source: CEIC, UBI research

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