

By:
 Kanika Pasricha
kanika.pasricha@unionbankofindia.bank

Akash Deb
akash510@unionbankofindia.bank

S. Jaya Lakshmi
s.jayalaxmi@unionbankofindia.bank

Data release	Due date	Apr'24	May'24	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24 (Projected)
WPI (YoY %)	14 th Nov'24	1.30%	2.60%	3.40%	2.04%	1.31%	1.84%	2.4%
Trade Balance (Bn \$)	14-18 th Nov'24	-19.1	-23.8	-21	-23.5	-29.65	-20.78	-21.7

Trade Deficit likely widened marginally in Oct'24

- **Merchandise trade deficit** likely saw slight deterioration in Oct'24 to \$21.7bn vis-à-vis \$20.8bn a month ago. This was probably led by spike in gold imports despite record high prices ahead of Dhanteras & Diwali festivals and on impact of import duty cut in the Budget in end-July though the impact was majorly offset by steep fall in crude oil imports amid refinery maintenance season. (Please refer our report: [Trade deficit normalizes to \\$20.8 bn in Sep'24 post August aberration](#))
- **Oil deficit** narrowed as imports likely declined to a 13-month low amid maintenance-related shutdowns at some refineries and the geopolitical crisis in West Asia which led to fears of high volatility in international oil prices. According to media reports, imports declined by 7.6% (MoM) to 4.35mbpd of Brent crude oil in the Oct'24 compared to 4.94mbpd during Sep'24. As per the data by international commodity market analytics firm Kpler; supplies from Russia—India's largest source market for crude—fell 9.2% sequentially to a 7-month low of 1.73mbpd, accounting for almost 40% of India's total oil imports in October. Oil import volumes from Iraq and Saudi Arabia were sequentially lower by 3.3% at 0.84mbpd and 10.9% at 0.65mbpd, respectively. The demand is expected to rebound in November as all refiners would be fully back on stream amid robust demand with the festive season approaching, pushing Indian refiners to seek more supplies.
- **In the non-oil-non-gold segment**, deficit likely moderated marginally on a MoM basis amid downward pressure on commodity prices. From a sectoral perspective, steel exports rose to 0.44 million tonnes in Oct'24 (as per media reports), while imports moderated for the first time this year to 0.98 million tonnes as India tightened import norms. Festive demand for electronics especially mobile parts and accessories may have led to widening pressure on NONG trade dynamics. This may partly reverse in November post Diwali with downward pressure on commodity prices also likely to be supportive of trade dynamics.
- **Gold deficit** widened in Oct'24 despite record high global prices ahead of the Dhanteras & Diwali festivals and wedding season. As per industry officials, Indian buyers of gold brushed off record high prices and made purchases during festive season hoping bullion would continue to rally and deliver promising investment returns amid a cooling stock market. Also, the reduction in basic customs duty (BCD) of gold, silver and platinum from (Gold bar: 15% to 6%) in the Budget probably continued to support import volumes. Nevertheless, surge in gold prices to near record levels (avg \$2692/oz in Oct'24 up from avg \$2572/oz a month ago) proved to be a double whammy for trade dynamics though elevated prices may have kept a lid on volumes.
- **Going forward**, commodity prices especially oil will remain on close watch to assess trends in trade deficit. Post Trump's victory, the cooling seen in commodity prices in November, if sustained, would support trade dynamics while global growth and export worries may limit impact.

Fig 1: India's gold demand remains steady in FY25 despite elevated prices

India's Gold Imports	
Year	Gold Imports (In metric tonnes)
FY19	982.71
FY20	719.93
FY21	651.24
FY22	879.05
FY23	678.35
FY24	795.32
H1FY25	370.29

Source: CEIC, UBI research

Fig 2: Oil has likely moderated while Gold spiked trade deterioration in Oct'24

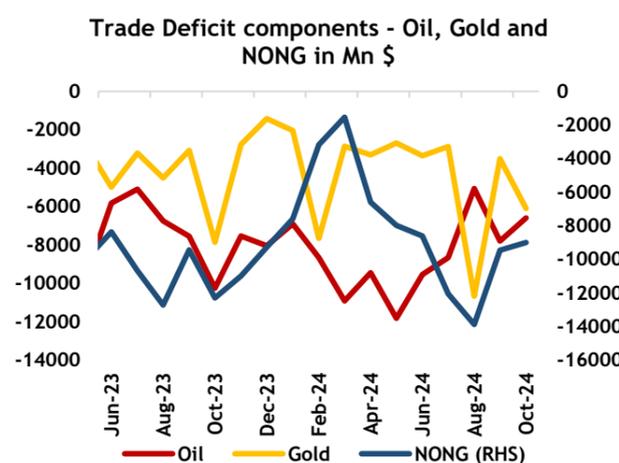
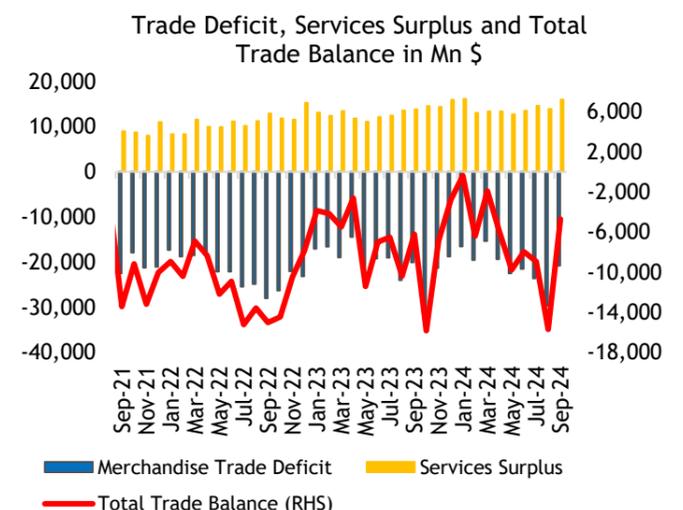


Fig. for Oct-24 is our estimate; Source: CEIC, UBI research

Fig 3: Goods trade deficit estimated to widen in Oct'24 yet strong services surplus to support



Wholesale Price Index likely to jump to 2.4% in Oct'24

- **Wholesale Price Index (WPI)** is expected to rise further to 2.4% (y/y) in Oct'24, moving up from 1.84% in previous month, mainly driven by pickup in food and manufacturing prices. Food prices are seen to rise mainly on account of spike in vegetable prices due to seasonal irregularities in supply, along with rise in edible oil prices on import duty hike in mid-September. Fuel prices have seen a monthly increase due to supply concerns emerging in global markets. Manufacturing inflation too is estimated to jump high in Oct'24, due to sharp depreciation of rupee making imported inputs costlier.
- **Food WPI** likely saw significant sequential price pressures. Within food, vegetables and edible oil prices were key drivers of MoM pickup. Additionally, price pressures in other food sub-segments like cereals and pulses have also contributed to sharp sequential pickup in food WPI index during the month.
- **Fuel Index** is expected to continue to remain in negative zone in Oct'24 due to high base effect. However, fuel prices are seen to increase by 0.10% m/m after dropping MoM for the last two months on hike in LPG cylinder prices and uptick in global energy prices due to geo-political tensions.
- **Core WPI** which reflects inflation excluding food and fuel, is expected to witness a sequential pickup in Oct'24. Core WPI includes price movements in non-food manufactured products which closely track commodity prices as more than 40% manufacturing raw materials are imported. Commodity prices saw slight upward pressure during the month with Rupee depreciation pressures also adding to inflation momentum even as it stayed within comfortable levels.
- 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 went into further deflation zone to clock (-)2.90% in Oct'24, while we see a pickup in India WPI inflation on spike in food prices pressures.
- **Going forward**, WPI is expected to be driven by seasonal correction in food prices and downward pressure on commodity prices even as Rupee depreciation may partly cap the impact. Impact of Trump's trade policies on global supply chains and price pressures will be on watch as well.

Fig 3: WPI continue to trend higher in Oct'24

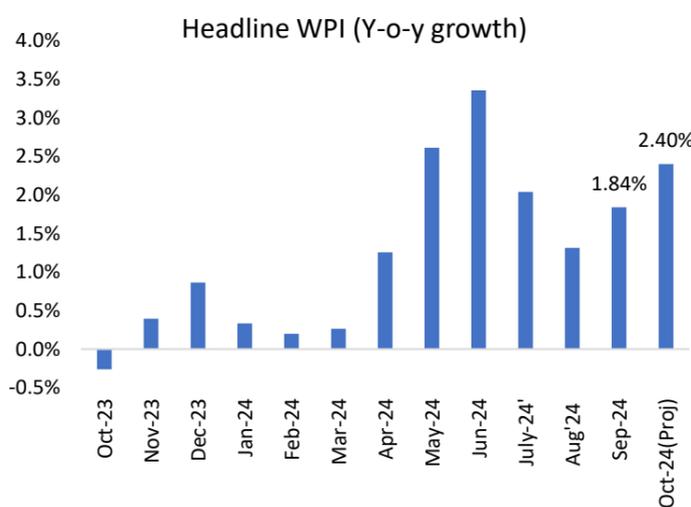


Fig 4: High correlation between China's Producer Price Index and India's WPI though divergence seen in Oct'24

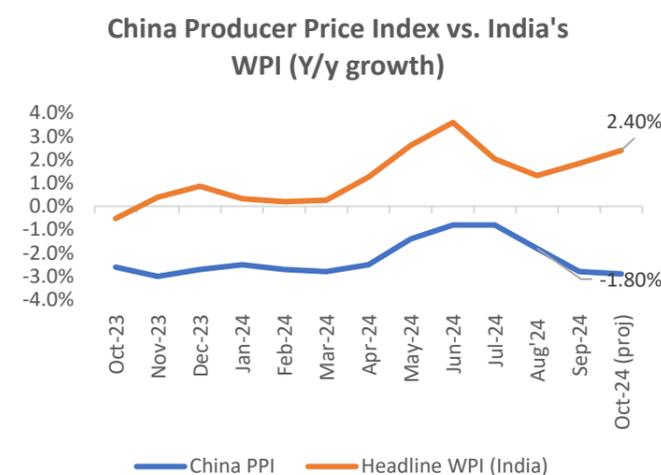
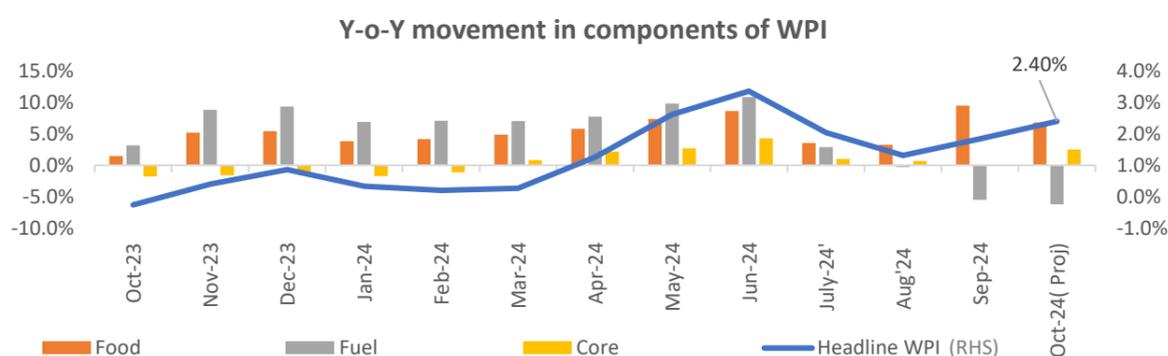


Fig 6: Components of WPI to increase, except for fuel (y/y)



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
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank

Disclaimer:

The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.