Data Preview: Trade Data & WPI Nov’24

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Data release	Due date	May’24	Jun’24	Jul’24	Aug’24	Sep’24	Oct’24	Nov’24 (Projected)
WPI (YoY %)	16th Dec’24	2.60%	3.40%	2.04%	1.31%	1.84%	2.4%	2.67%
Trade Balance (Bln $)	16th Dec’24	-22.52	-21.52	-23.63	-29.72	-20.74	-27.14	-25.12

Trade Deficit likely contracted in Nov’24

- **Merchandise trade deficit** likely narrowed in Nov’24 to $25.12bln vis-à-vis $27.14bln a month ago. This was probably led by correction in Brent Crude oil prices amid weak global oil demand, primarily from China, and possibility of an oversupply in the market. Gold imports likely stayed flattish, narrowed after Diwali festivals but demand persisted amid wedding seasons. (Please refer our report: Oct’24 trade data provided negative surprise; oil plays spoilsport)
- **Oil deficit** narrowed amid fall in global Brent crude oil prices. However, imports were at 4-months high in Nov’24, climbing 6.8% from Oct’24, amid robust domestic fuel demand and higher refinery activity in the country. As per market analytics firm Kpler, India imported 4.7mbpd in Nov’24 vis-à-vis 4.4mbpd a month ago from suppliers including Russia, Saudi Arabia, Iraq and the US, among others. With maintenance largely behind, refineries are poised to sustain high utilization rates in Q4, leveraging robust seasonal demand. This momentum aligns with the country’s peak festival and agricultural cycles. Imports of crude oil from Russia—India’s largest crude supplier presently; were up by almost 2% in Nov’24 and imported 1.78mbpd in the month, as against 1.75mbpd a month ago. Meanwhile, traditional suppliers including Saudi Arabia and Iraq also increased. In the month, Iraq supplied 870k bpd from 866k bpd in October while Saudi Arabia provided 620k bpd, compared to 618k bpd in last year. However, India’s exports of petroleum products in Nov’24 declined by 12% YoY to 1.29mbpd, driven by a significant fall in the supply to Europe.
- **In the Non-Oil-Non-Gold segment**, deficit likely moderated on a MoM basis amid downward pressure on commodity prices. Ministry of steel has proposed a safeguard duty of 25% on steel imports. Sources said that 62% of steel imports originate from FTA countries at Zero customs duty. From a sectoral perspective, new guidelines on India's laptop import policy were still under deliberation. Refinitiv reported that India was set to limit imports of laptops, tablets and personal computers after Jan’25. However, the government has removed mandatory registration of certain electronic integrated circuits under the chip import monitoring system; which likely to be dampen trade dynamics.
- **Gold deficit** remained broadly unchanged in Nov’24 after marginal cooling off in record high global prices after the festival season, however demand continued due to wedding season. Despite 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. As per media reports, the practice of smuggling gold persisted via neighboring borders. Nevertheless, gold prices hovering to near record levels (avg $2655/oz in Nov’24 up from avg $2692/oz a month ago) 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 December, 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
H2FY25	85.74

Source: CEIC, UBI research

Fig 2: Oil & NONG have likely moderated while Gold flatish for trade recovery in Nov’24

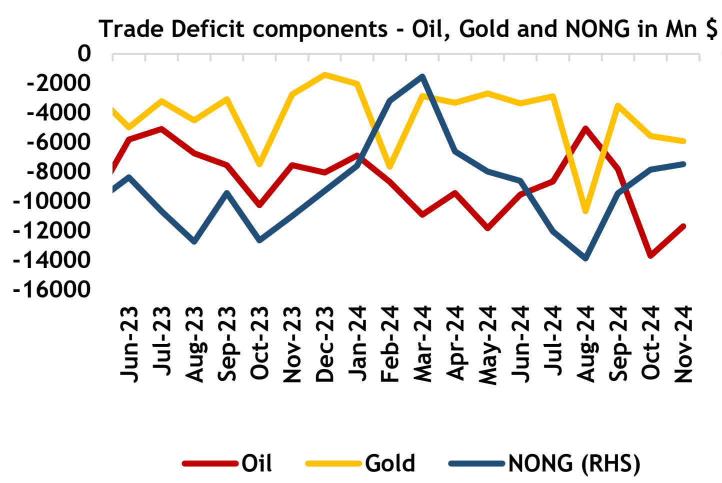


Fig 3: Goods trade deficit estimated to narrow in Nov’24 yet strong services surplus to support

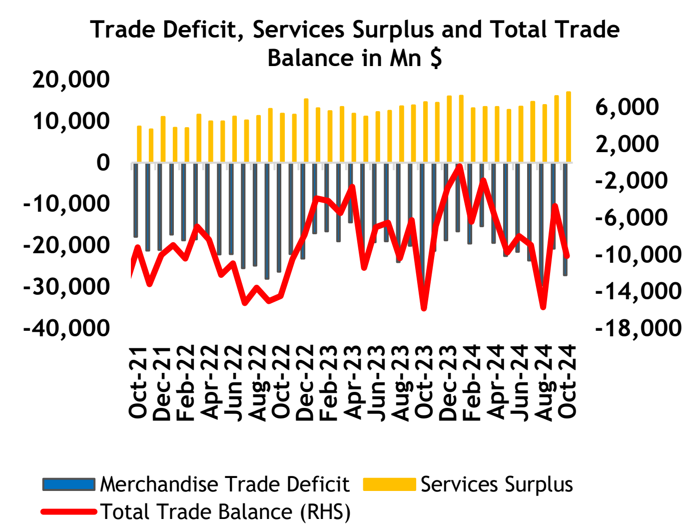


Fig. for Nov-24 is our estimate; Source: CEIC, UBI research

Wholesale Price Index likely to further edged up to 2.67% in Nov'24

- **Wholesale Price Index (WPI)** is expected to inch-up further to 2.67% (y/y) in Nov'24, moving up from 2.4% in previous month, due to increase in food prices owing to low base effect. Food prices are seen to rise mainly on account of spike in edible oil prices on import duty hike in mid-September. Fruits and vegetable prices cooled during the month, however, low base effect kept the indices high. Fuel prices have seen a monthly decline due to demand concerns globally. Manufacturing inflation too is estimated to remain marginally high in Nov'24, due to continued depreciation of rupee making imported inputs costlier.
- **Food WPI** likely to see moderation in sequential price pressures. Within food, vegetable and fruits prices saw sequential decline during the month. However, edible oil prices shown some sequential increase. Manufactured food prices to remain high during the month driven by high edible oil prices (edible oil is primary input in manufactured food products).
- **Fuel Index** continue to remain in negative zone in Nov'24 due to high base effect. Fuel prices are seen to drop by (-) 0.10% m/m in continuation with monthly drop for the last three months.
- **Core WPI** which reflects inflation excluding food and fuel, is expected to witness a sequential pickup in Nov'24, though at a slower pace than October. 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 (adjusted for INR) 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 (-)2.50% in Nov'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. Yet unfolding impact of trade wars and restrictive trade policies on global supply chains will be on close watch.

Fig 4: WPI continue to trend higher in Nov'24

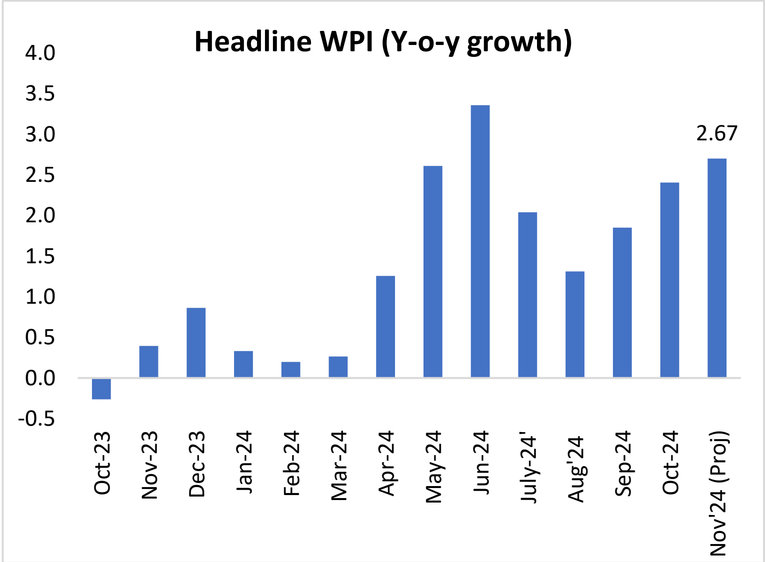


Fig 5: High correlation between China's Producer Price Index and India' WPI though divergence seen in Nov'24

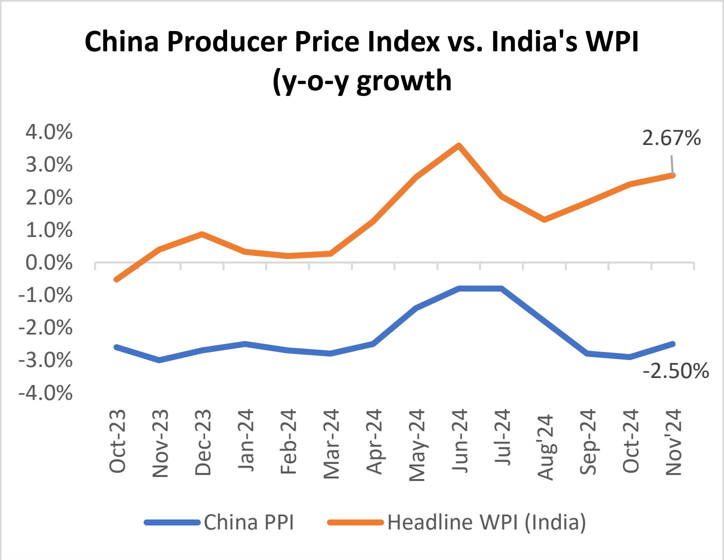
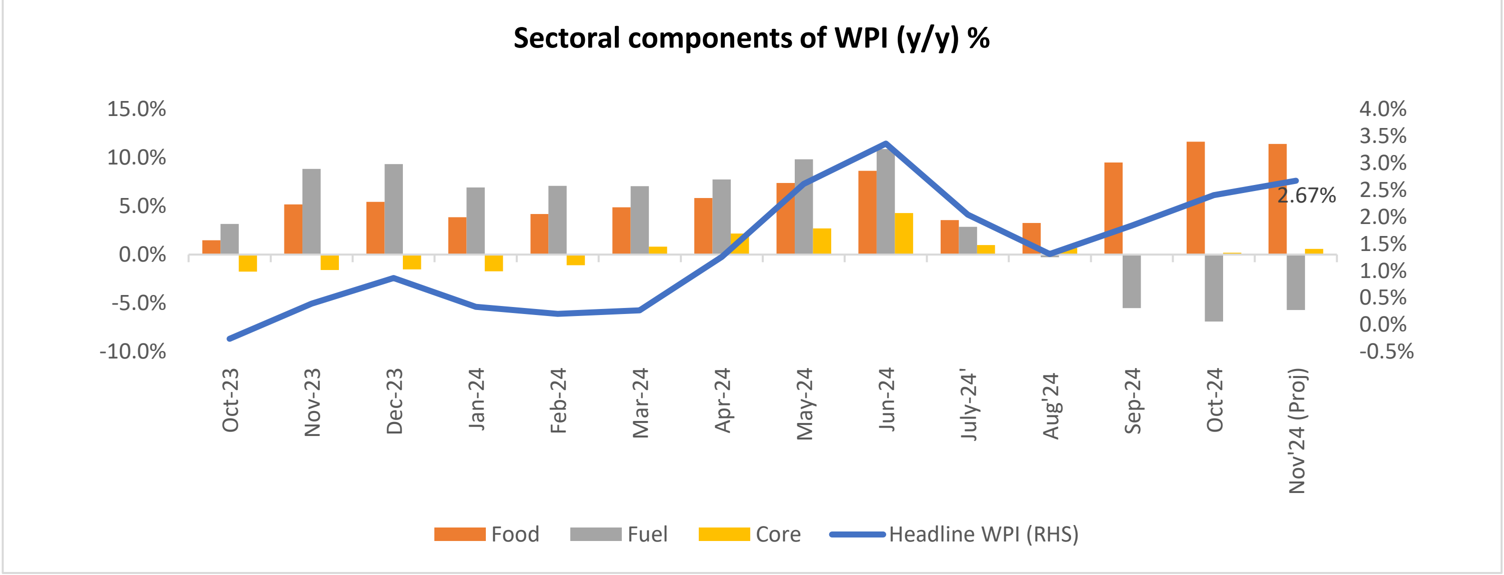


Fig 6: Components of WPI to increase, except for fuel (y/y)



Note: Figure for Nov'24 is our estimate

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