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Data release	Due date	Jun'24	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24 (Proj)
WPI (YoY %)	14 th Jan'25	3.40%	2.04%	1.31%	1.84%	2.36%	1.89%	2.5%
Trade Balance (Bln \$)	15 th Jan'25	-21.52	-23.63	-29.72	-20.74	-27.14	-37.84	-26.85

Trade Deficit likely contracted in Dec'24

- **Merchandise trade deficit** likely narrowed in Dec'24 to \$26.85bln vis-à-vis the mammoth \$37.84bln a month ago. This was probably led by marginal correction in both Gold & Brent Crude oil prices amid weak global oil demand, and uncertainty in the global markets. Gold imports likely narrowed after festival & wedding seasons but demand persisted amid investment dynamics. (Refer our report: [Trade deficit shocks to \\$38bln; we revise FY25 C/A deficit to 1.2% vs 0.9%](#))
- **Oil deficit** likely stayed flattish amid marginal fall in global Brent crude oil prices of \$73.13/bbl vis-à-vis \$73.40/bbl a month ago. However, overall crude oil imports increased around 4% to 4.46mbpd MoM in Dec'24 compared to Nov'24, with imports from Iraq offsetting the decline in imports from Russia. As per market analytics firm Kpler, total crude oil imports increased in December driven by resumption in refinery activity. India imported 4.8mbpd of crude oil in Dec'24, compared to 4.7mbpd in the previous month. Data from Vortexa reports, import of Russian crude oil declined by 13.2% to 1.39mbpd in Dec'24 vis-a-vis 1.61mbpd in Nov'24, still Russia remained the largest crude supplier with 31%. To compliment the fall in Russia's supply, imports from Iraq increased by 48.3% on MoM basis to 1.03mbpd, imports from Saudi Arabia fell by 8%. With maintenance largely behind, the resumption of full-capacity operations significantly boosted refineries, which are poised to sustain high utilization rates in Q4, leveraging robust demand. Exports of petroleum products took a hit amid sluggish demand in developed economies after logistical disruptions along major supply routes, majorly in the red sea.
- **In the Non-Oil-Non-Gold segment**, deficit likely moderated on a MoM basis amid downward pressure on commodity prices. As per media, imports of finished steel from China hit a new record in the first 8 months of the FY25. Altogether, imports rose to 6.5MT, 26% more than the previous year; China supplied 1.96MT of steel to India between April and November, 22.8% higher. The steel industry has proposed for a safeguard duty of up-to 25%, including in the FTA partner countries. Sources said that around 60% of steel imports originate from FTA countries at Zero customs duty. Government has already initiated countervailing duty probe on import of Vietnamese chemicals. Vietnam has been a key trading partner in the ASEAN bloc. India's exports to the country stood at \$ 5.47 billion in 2023-24, while imports were \$ 9.34 billion in the last fiscal. The government has however extended the import management system for 7 IT hardware products by another year until 31st Dec'25.
- **Gold deficit** expected to fall sharply in Dec'24 after the deficit widened to record all-time highs after the festival & 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. Sportingly, gold prices hovering to near record levels (avg \$2639/oz in Dec'24 down from avg. \$2655/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
H2TDFY25	254.74

Source: CEIC, UBI research

Fig 2: Gold & NONG have likely moderated while Oil is flattish for trade recovery in Dec'24

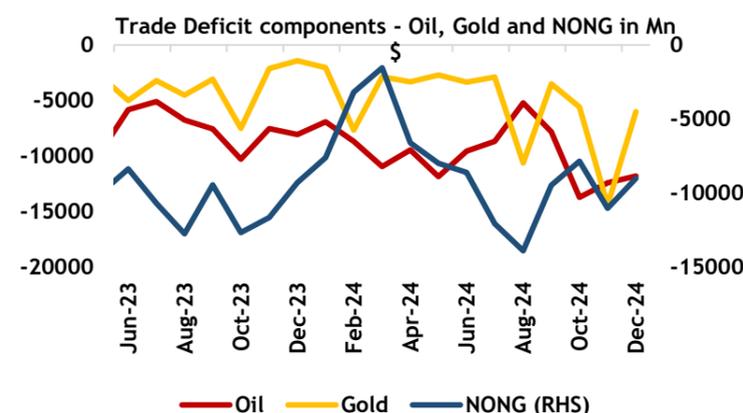
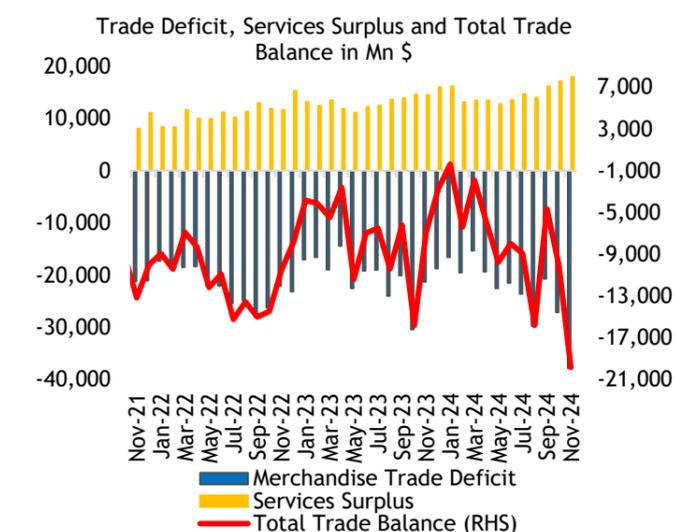


Fig. for Dec-24 is our estimate; Source: CEIC, UBI research

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



Wholesale Price Index likely to spike up to 2.5% in Dec'24

- **Wholesale Price Index (WPI)** is expected to jump further to 2.5% (y/y) in Dec'24, up from 1.89% in previous month, driven by unfavourable base effects, uptick in prices of metals especially gold amid global volatility. Both fuel and core WPI inflation probably inched up in Dec'24, due to inching up of commodity prices and Rupee depreciation pressures. Meanwhile, food inflation eased as prices have seen seasonal drop during the month, led by veggies.
- **Food WPI** is seen to moderate during the month as supplies resumed. Within food, vegetable prices saw sequential drop during the month. However, edible oil prices are still showing sequential increase, though at a slower pace. Further, manufactured food prices continue to remain high during the month driven by high edible oil prices (edible oil is primary input in manufactured food products).
- **Fuel Index** likely entered positive zone in Dec'24 on base effects and marginal sequential uptick in global oil prices. Fuel prices are seen to be recording second consecutive monthly increase.
- **Core WPI** which reflects inflation excluding food and fuel, is expected to witness a sharp sequential pickup in Dec'24, due to spike in global metal 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. Commodity prices (adjusted for INR) saw slight upward pressure during the month with Rupee depreciation pressures also adding to inflation momentum.
- 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 (Nov'24: -2.5%), we likely saw a pickup in India WPI inflation on unfavourable base effects and Rupee depreciation effect.
- **Going forward**, WPI is expected to be driven by upward pressure on commodity prices as Rupee depreciation may further add to the impact, though food prices marginally stabilized. Yet unfolding impact of trade wars and restrictive trade policies on global supply chains will be on close watch.

Fig 4: WPI continued to trend higher in Dec'24

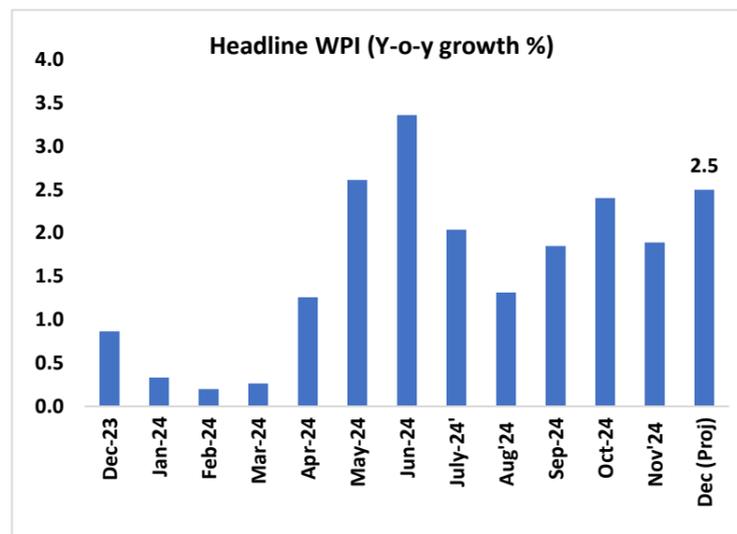


Fig 5: High correlation between China PPI and India WPI though divergence seen in Dec'24

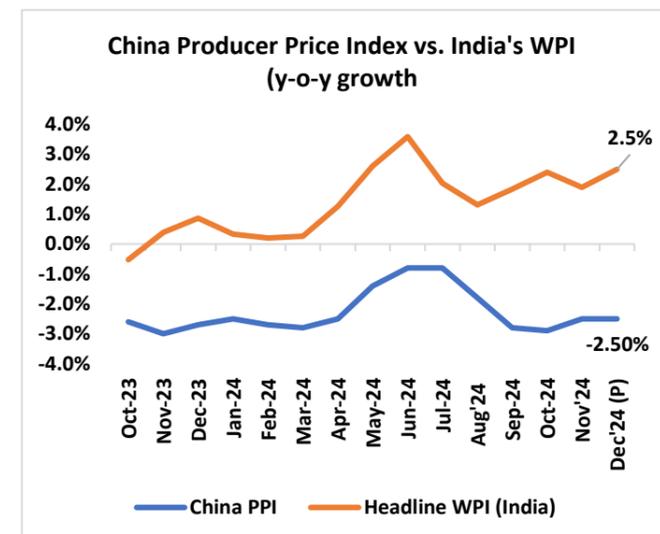
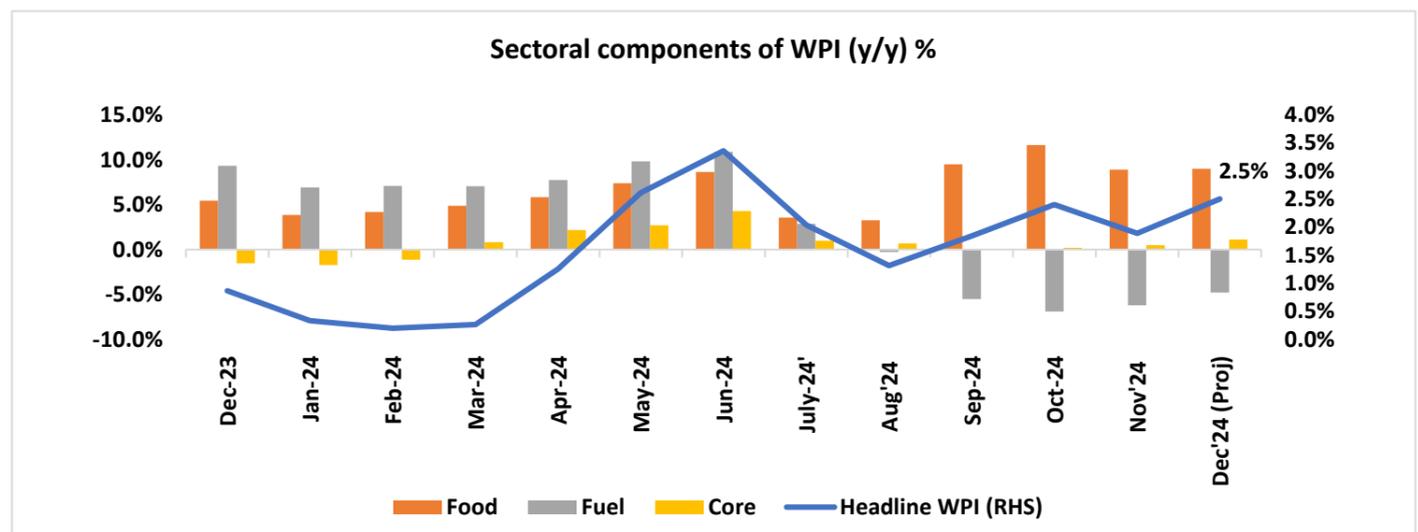


Fig 6: Food inflation stabilised while fuel and core WPI inched up (y/y)



Source: CEIC, UBI research

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