

Data release	Due date	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24	Dec'24	Jan'25 (Proj.)
WPI (YoY %)	14 <sup>th</sup> Feb'25	2.04%	1.31%	1.84%	2.36%	1.89%	2.37%	3.90%
Trade Balance (bln US\$)	14 <sup>th</sup> Feb'25	-23.03	-28.09	-19.69	-24.13	-31.83	-21.94	-20.88

**Trade deficit likely marginally narrowed in Jan'25**

- **Merchandise trade deficit** likely narrowed in Jan'25 to \$20.88 bln vis-à-vis \$21.94 bln a month ago. This was probably led by marginal moderation in the demand for gold amid surge in prices in the backdrop of uncertainty in the global markets. It may also have narrowed after the end of festival season and wedding purchases.
- **Oil deficit** likely increased marginally amid rise in global Brent crude oil prices to \$78.35/bbl vis-à-vis \$73.13/bbl a month ago. As per market analytics firm Kpler, India imported 1.67 million barrels per day (bpd) of crude oil from Russia in Jan'25, an increase of 13% from Dec'24. Imports from other crude oil suppliers including Saudi Arabia, the US, Kuwait and Brazil also saw an uptick in India's total imports in January. Saudi Arabia supplied almost 12% more crude oil to India in January from the previous month. Crude oil imports from the US saw a steep increase of 322% to 279,000 bpd in January from 66,000 bpd in previous month. Oil imports from Iraq, however, saw an 8% decline m-o-m. India's total oil imports in January rose by 6% to 4.98 million bpd, against 4.70 million bpd in December. 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 narrowed on positive seasonality in last quarter of fiscal. As per govt. data, India stayed net importer of steel with the inbound shipments rising over 20% y-o-y to 8.29 million tonnes during Apr-Jan FY25. Against imports, exports have shrunk to 28.9% to 3.99 MT during the said period compared to 5.62 MT in Apr-Jan FY24. Fall in steel demand and excess capacities globally have affected the domestic industry. There may be a reduction in coal imports, with government's focus on ensuring India's energy security by increasing domestic production.
- The quantity of gold imports for Jan'25 is assumed at 40 tonnes (vs. 50 tonnes in Dec). Gold demand may be subdued as customers were hesitant about buying gold jewelry due to high and fluctuating prices and the inauspicious period in the Hindu calendar from mid-Dec to mid-Jan. However, investment demand for physical gold have been sustained. Going forward, gold prices will largely depend on policy changes, inflation data and geopolitical developments.
- The World Bank's Commodity Markets Outlook projects commodity prices to decrease by 5.1% in 2025. 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.

By:

Kanika Pasricha  
[kanika.pasricha@unionbankofindia.bank](mailto:kanika.pasricha@unionbankofindia.bank)

Jovana Luke George  
[jovana.george@unionbankofindia.bank](mailto:jovana.george@unionbankofindia.bank)

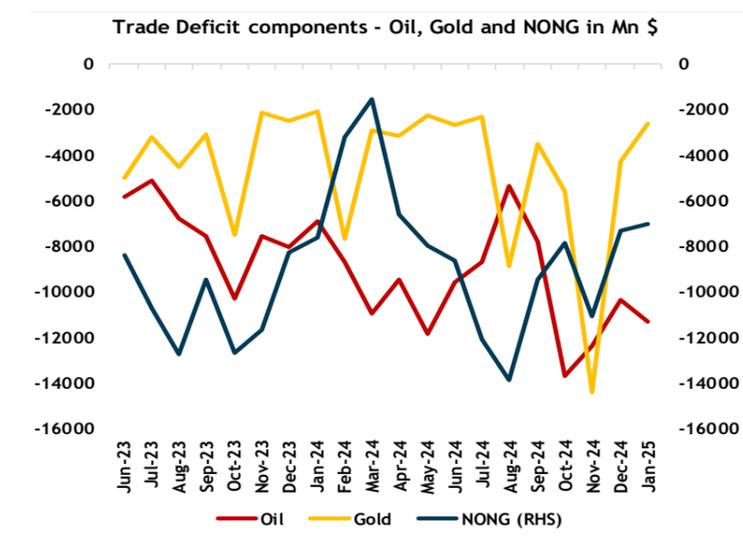
S. Jaya Laxmi  
[s.jayalaxmi@unionbankofindia.bank](mailto:s.jayalaxmi@unionbankofindia.bank)

**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

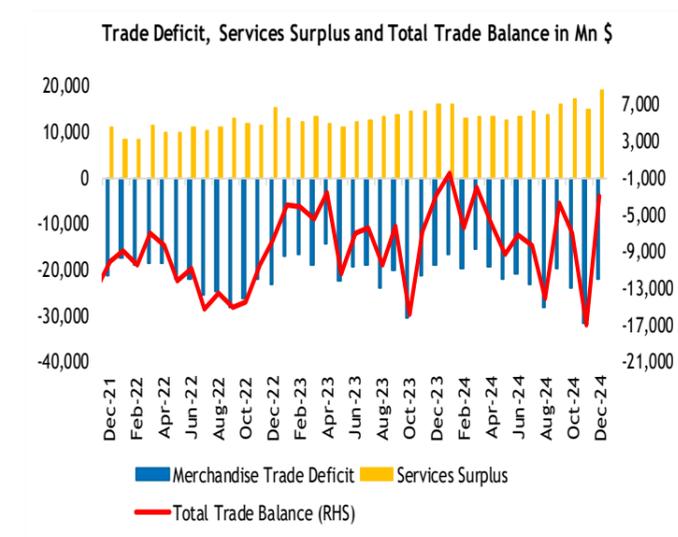
\*H2 TDFY25 is till Dec'24  
 Source: CEIC, UBI research

**Fig 2: Gold & NONG have likely moderated for trade recovery in Jan'25**



\*Gold imports quantity for Jan'25 is assumed at 40 tonnes.  
 Source: RBI, Ministry of Commerce, CEIC, UBI research

**Fig 3: Goods trade deficit estimated to narrow in Jan'25 yet strong services surplus to support**



Note: Figure for Jan'25 is our estimate

### Wholesale Price Index likely to spike up to 3.9% in Jan'25

- **Wholesale Price Index (WPI)** is expected to stand high at 3.9% (y-o-y) in Jan'25, up from 2.4% in previous month, driven by unfavorable base effects, uptick in prices of metals and oils amid global volatility. Both fuel and core WPI inflation noted high during Jan'25, due to spike in commodity prices and Rupee depreciation pressures simultaneously impacting prices of domestic supplies. 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 at (-)16% m-o-m. However, edible oil prices are showing marginal increase sequentially. Manufactured food prices are expected to settle low as sugar and edible oil prices stood lower during the month (edible oil and sugar are primary inputs in manufactured food products).
- **Fuel Index** is expected to enter positive zone in Jan'25 due to sequential uptick in global oil prices. Fuel prices are seen to be recording second consecutive monthly increase during Jan'25 due to on-going geo-political tensions.
- **Core WPI** which reflects inflation excluding food and fuel, is expected to witness a sharp sequential pickup in Jan'25, 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 sharp 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 (-2.2% in Jan'25), we would likely see pickup in India WPI inflation on unfavorable 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 on global supply chains and mounting global inflation will be on close watch.

Fig 4: WPI to trend higher in Jan'25

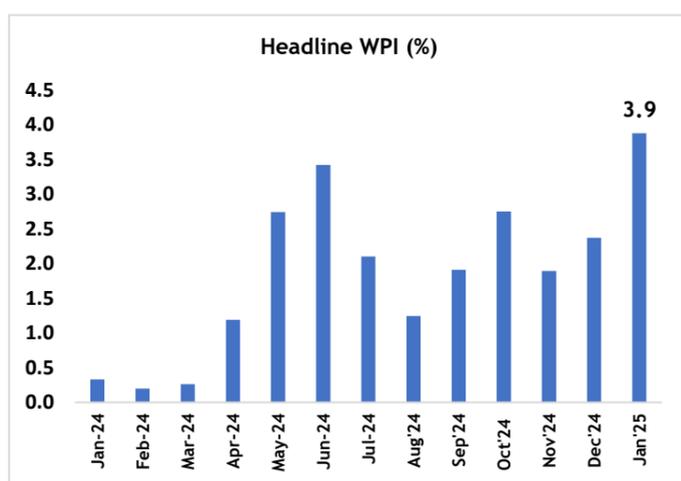


Fig 5: High correlation between China PPI and India WPI, however divergence seen in Jan'25

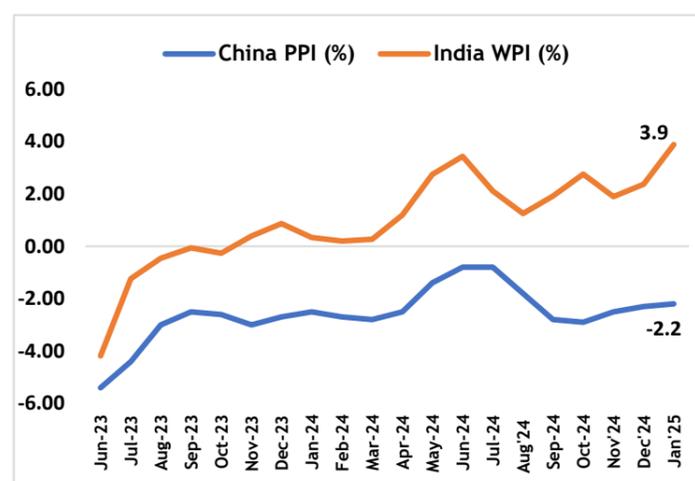
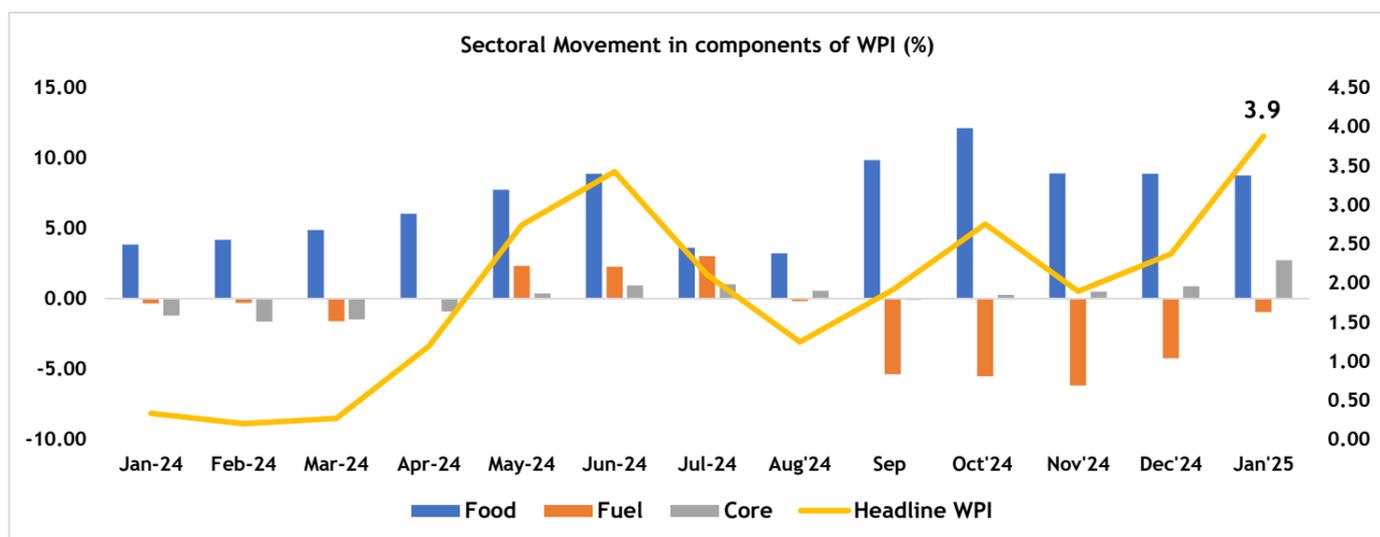


Fig 6: Food inflation stabilised while fuel and core WPI inched up (y/y)



Jan'25 figure is our estimate;

Source: CEIC, UBI research

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

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