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By:

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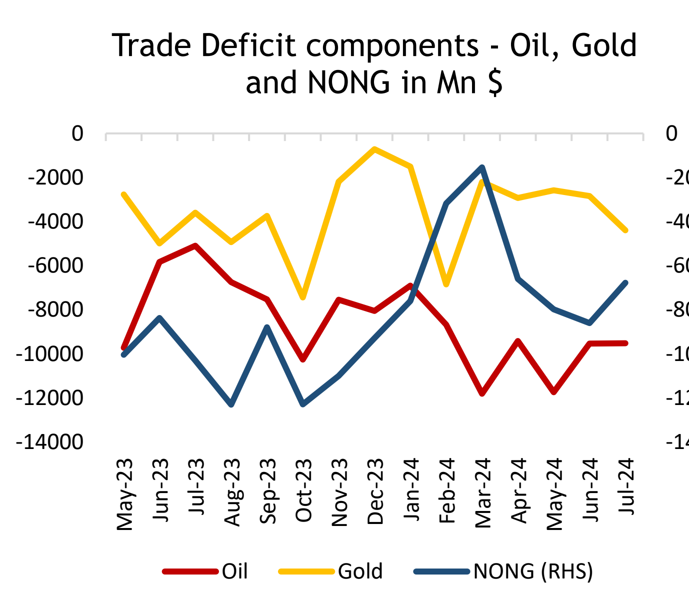
Data release	Due date	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24	Jul'24 (Projected)
WPI (YoY %)	14th Aug'24	0.3%	0.2%	0.3%	1.3%	2.6%	3.4%	2.23%
Trade Balance (Bn $)	14th Aug'24	-16.5	-18.7	-15.6	-19.1	-23.8	-21.0	-20.7

Trade Deficit likely to have flattened in July'24

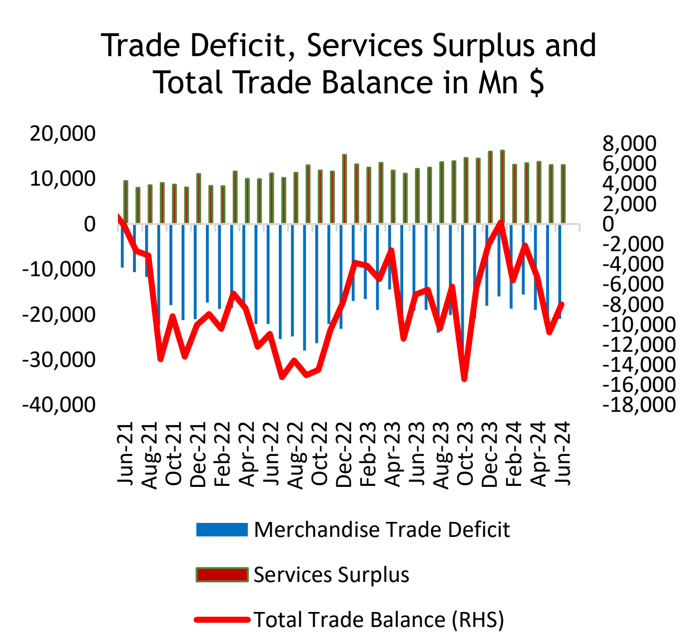
- **Merchandise trade deficit** likely narrowed slightly in Jul'24 to $20.7 bn vis-à-vis $21.0 bn a month ago. This was probably led by a sharp correction in global commodity prices though impact was offset by spike in gold imports amid custom duty cut in the Budget. (Please refer our report: June trade deficit narrows as expected post sharp deterioration in May).
- **Oil deficit** likely stayed flat MoM at $9.52 in Jul'24 on price effects. According to media reports, India likely procured 4.54 million bpd of Brent crude oil in the current month, compared to 4.76 million bpd during June 2024. Crude oil imports from Russia experienced a 6.5% MoM decline in July, decreasing the share in India's total imports of the commodity to 40%, as reported by energy cargo tracker Vortexa. Russia's Urals has a price advantage of over $5 per barrel over Saudi Arabian medium-sour grades & share was almost as much as the cumulative market share of the next four large suppliers—Iraq, Saudi Arabia, the United Arab Emirates (UAE), and the United States (US). July was the 7th straight month of sequential growth in India's Russian oil imports.
- **In the non-oil-non-gold segment**, deficit likely narrowed sharply amid sharp fall in metal prices. Though central government slashed import duty in mobile parts & accessories to boost manufacturing in India, it may have a lagged impact on trade dynamics. Commodity price trends and correction in bulky segments like machinery likely drove an improvement in trade deficit post deterioration seen in recent months.
- **Gold deficit** broadened in July'24 after the reduction in basic customs duty (BCD) of gold, silver and platinum from (Gold bar: 15% to 6%). Ahmedabad air cargo complex reported gold imports jumped 214% in July (10.56MT compared to 3.36MT YoY). However, rise in gold prices close to near record levels (avg $2394/oz in July marginally up from avg $2333/oz in previous month) likely weighed on demand and kept deficit in check.
- **Going forward,** commodity prices especially oil will remain the key driver on close watch to assess the trends in trade deficit and overall C/A dynamics. Given that oil prices are again inching up amid persistent middle east tensions, even though touched a low of $75/bbl in the recent past.

Fig 1: Oil deficit stayed flat and remained in double digits but Gold deficit jumped in July amid BCD cuts



Note: Figure for July is our estimate

Fig 2: C/A Balance likely saw a seasonal switch to deficit in Q1-FY25



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

Wholesale Price Index likely to moderate to 2.23% in July'24

- **Wholesale Price Index (WPI)** is expected to moderate to 2.23% (y-o-y) in July'24, cooling down from 3.4% in previous month. Despite sharp jump in food prices, overall index is estimated low in July due to high base effect. Fuel prices are expected to stabilize, whereas manufacturing inflation is estimated to increase in July'24.
- **Food WPI** is likely to stay higher at 5.3%(y-o-y), despite high base effect, due to spike in vegetable prices especially, Tomato, Onion and Potato group. While inflation in fruits is expected to remain stable, inflation in other perishable basket (egg, fish & meat) is expected to continue in negative territory.
- **Fuel Index** is expected to normalize with 0.50% (y-o-y) in Jul'24 from 2.7% last month. Though fuel prices have fallen since last month tracking global cues, they have stayed higher compared to same period previous year.
- **Core WPI** which reflects inflation excluding of food and fuel, is expected to inch up to close to 1.0% in July'24 (y-o-y) despite a sequential decline, due to downward pressure on global commodity prices on adverse base effect. 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, which is reflective of decrease in commodity prices in the global markets. While China PPI was flat at (-) 0.8% in Jul'24, we expect a decline in India WPI on favorable base effect.
- **Going forward,** WPI is expected to be led by global commodity prices with recent drop on recession concerns favorable for India WPI while domestic food price trends need close watch amid uneven monsoon distribution.

Fig 3: Yearly movement in Wholesale Price Index (WPI), reversing trends of consistent increase, base effect weigh

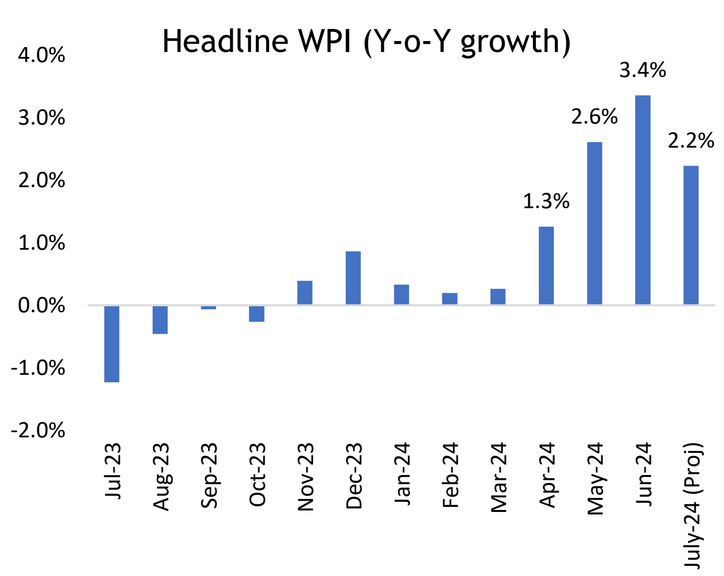


Fig 4: Yearly movement in Wholesale Food Index

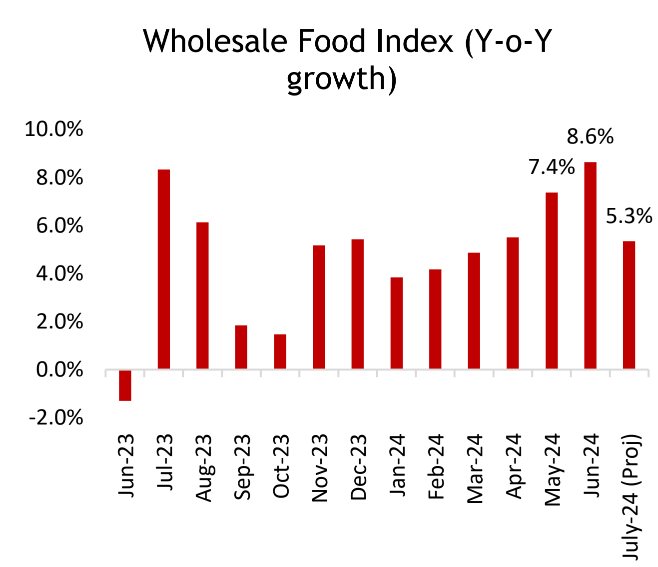


Fig 5: China's Producer Price Index and India' WPI show similar trajectory of gradual increase

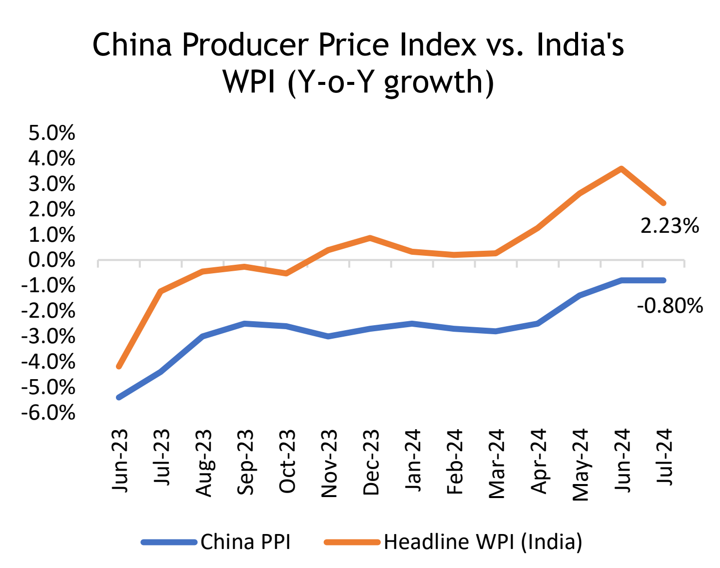
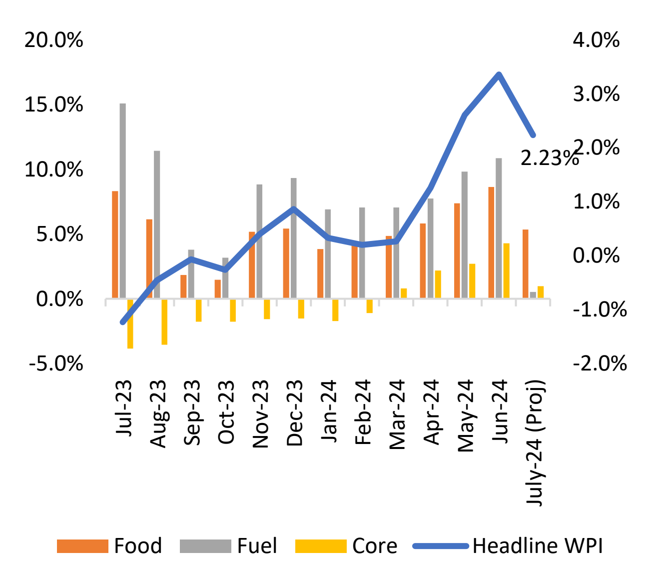


Fig 6: Y-o-Y movement in components of WPI



Note: Figure for July is our estimate

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