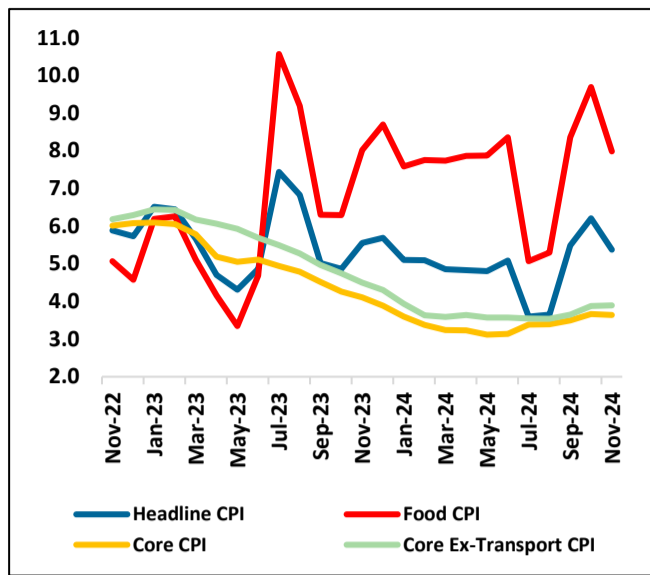


Nov'24 CPI likely eased to 5.4% on seasonal cool off in vegetable prices

Fig 1: Headline CPI likely slowed in Nov'24, core CPI remained nearly flat; % y/y



Source: CEIC, UBI Research

Fig 2: Our Nov'24 CPI estimate; % y/y

Y/Y, %	Headline CPI	Food	Fuel	Core	Core Ex Transport
Apr-24	4.8	7.9	-4.0	3.2	3.6
May-24	4.8	7.9	-3.7	3.1	3.6
Jun-24	5.1	8.4	-3.6	3.1	3.6
Jul-24	3.6	5.1	-5.5	3.4	3.5
Aug-24	3.7	5.3	-5.3	3.4	3.5
Sep-24	5.5	8.4	-1.3	3.5	3.6
Oct-24	6.2	9.7	-1.6	3.7	3.9
Nov-24 (P)	5.4	8.0	-1.6	3.6	3.9

Source: CEIC, UBI Research

Fig 3: On-the-ground food price trends are mixed with veggies, pulses, milk down; % m/m

% Change in Price (m/m)	Jul'24	Aug'24	Sep'24	Oct'24	Nov'24
Cereals	-0.40	-1.67	-0.42	0.55	0.82
Pulses	1.86	-1.09	-0.59	0.02	-0.24
Oils	-0.14	-1.92	1.73	8.53	3.59
Vegetables*	29.43	-7.09	0.42	13.52	-4.03
Milk	0.34	0.02	-0.89	0.09	-0.02
Sugar	0.18	-0.09	-0.25	0.40	0.11

*OPT (Onion, Potato & Tomato), Source: MCA, UBI Research

Note: Figures for November are our projections

By:

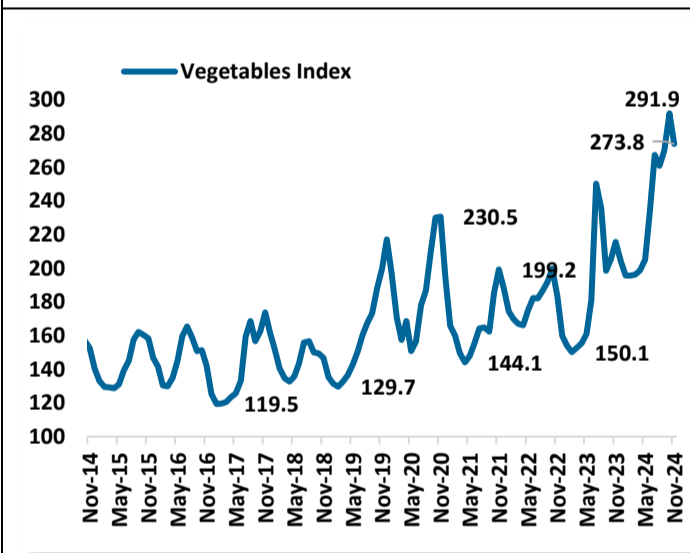
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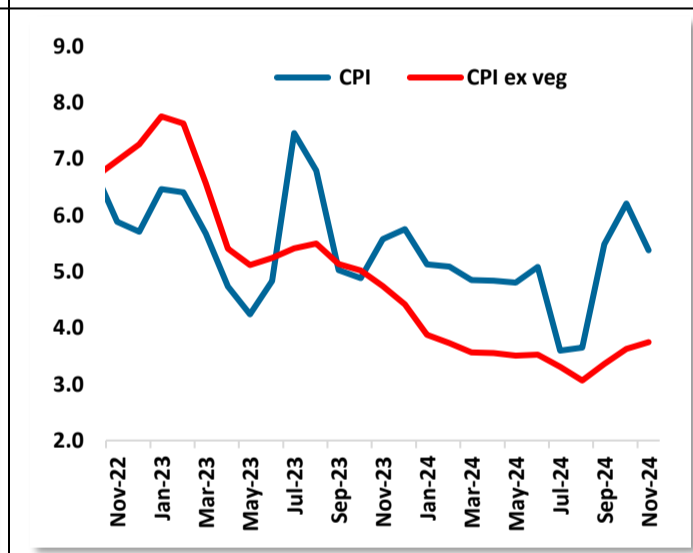
- **The ghost of vegetable prices is seen to be fading away in November'24, CPI likely eased to 5.4% from October hump of 6.2%:** We think that the CPI for the month of Nov'24 took a breather from October highs and cooled down to 5.4% mainly on account of seasonal cooling off in vegetable prices even as edible oil prices continued their upward march (ref. fig.1 & 2). CPI had hit a 14-month high of 6.21% in October'24.
- As has been the case for last many months now, vegetable prices are proving to be the real handle of the CPI in India. This month is no exception. Vegetables CPI after hitting the highest (42%) in Oct'24 since Jan'20 has likely come down to 27% in Nov'24 led by slip in tomato prices. Food inflation has apparently cooled off to -8% from 9.7% last month. However, y/y edible oil price inflation went up to even double digits on continuing spilling over of hike in import duties even as m/m its moderated. At 13.5%, y/y edible oils inflation is trending at its highest level since Apr'22. Another significant change is in meat and fish, where y/y inflation has moved up from 3.2% last month to 6% in November.
- Apart from vegetable and fruits prices, on-the-ground prices of most of the other major segments like edible oil and cereals are still trending at higher levels (refer fig.3). There is not much change in cereals inflation from last month though pulses inflation continues to slow down for sixth consecutive month.
- CPI ex-vegetables is seen inching up again to 3.7% in November from 3.6% in October (refer fig.4 & 5), a nine-month high. This can be attributed to the firming price inflation in food segments other than vegetables like edible oils, meat and eggs etc. and continuing yet moderate increase in gold prices. CPI ex-veg is expected to only firm up in the coming months aligning with firming up of core inflation in rest of FY25.

Fig 4: Vegetables index likely declined from previous month pointing to the softening of food CPI



Sources: CEIC, UBI research

Fig 5: CPI ex veggies remains on an uptrend in recent months; % y/y



- Core inflation likely eased somewhat 3.6% on easing sequential momentum in personal care segment primarily driven by gold price trends. Nevertheless, most sub-segments within core CPI are likely to stay in sub-4% threshold except for personal care CPI which is likely to stay in double-digits. Meanwhile, core ex transport inflation is also expected to remain at 3.9%.
- As is already visible, going forward also, food inflation, is expected to ease by the last quarter of this fiscal as kharif crop sowing has been good and the harvest season has already started and good reservoir levels also augur well for buoyant rabi crop production. However, there are a few upside risks to this optimistic scenario: first, any unseasonal winter rains can play the spoilsport with regard to the food prices; second, geopolitical tensions / slow pace of OPEC output increase may not bode well for crude oil prices.
- MPC has revised higher the CPI inflation forecast to 4.8% for FY25 with Q3 and Q4 CPI now pegged at 5.7% and 4.5% respectively, from 4.8% and 4.2%. In our view, the Q4FY25 inflation projection of 4.5% has a possibility of undershooting if the elevated 42% inflation in veggies in October squares off completely. We maintain our view, that unless weather again plays spoilsport, the overall macro environment is not inflationary with weak demand pressures, subdued prices of commodities especially for oil among others. This may be the reason for the MPC to expect that CPI inflation may ease towards the 4% mark by Q2FY26.

Oct'24 IIP likely improved to 3.7% on festive demand effects

- Industrial production growth, as indicated by IIP, may have improved to 3.7% YoY, from 3.1% in previous month and vs 11.9% in Oct'23.
- High-frequency indicators suggest that aggregate demand regained strength in Oct'24, buoyed by festival season demand. E-way bills increased by 16.9% y-o-y, reflecting higher supply chain activity. Toll collections increased by 10.4% y/y in value terms and 7.9% y/y in volume terms. Auto sales increased by 11.7% y/y as the festival season spending and discounts from automakers boosted demand. In particular, sales in the passenger vehicles segment and in two-wheelers drove overall growth. Domestic tractor sales also increased by 22.4%, recording the highest sales since May 2011. Vehicle registrations surged across both transport and non-transport segments. Merchandise exports grew by 17.2% y/y in Oct'24, driven by both a strong momentum and a favorable base effect. Construction sector picked up pace, with steel consumption expanding by 9% y/y in October.
- Core sector which has 40% contribution in IIP, recovered to 3.1% in Oct'24 (3-month high) from 2.4% in Sep'24. The sequential recovery was driven by the acceleration in the output of coal steel, and electricity, even as the output of fertilizers, refinery products, and cement decelerated. On the other hand, the output of crude oil and natural gas contracted during the month.
- We estimate that manufacturing IIP growth improved on the back of festive season demand as reflected by auto production growth figures.
- Consumer non-durables probably edged higher signaling rural demand recovery. As noted in the Nov'24 RBI bulletin, rural India is emerging as a gold mine for e-commerce companies in this festival season which is expected to gather further momentum with the sharp increase in kharif output and optimism around rabi production. Urban demand, as indicated by consumer durables, may have seen an uptick on festive season sales, although momentum was less compared to rural demand. (Please see our report "[India: Rural demand recovery in sight while urban demand slows](#)")
- Capital goods and infrastructure/construction goods IIP growth may have recovered in October due to a combination of factors including the pickup in govt expenditure post elections. Oct'24 govt. finances data showed pickup in fiscal impulses as spending gained pace. While capex was down by 14.7%, the extend of negativity had lessened in Oct'24 (negative by 15.7% during H1FY25). Capex spending in Oct'24 reached 42% of BE as against 37.3% in the previous month, with further pickup expected in the coming months. (Please see our report "[Fiscal impulse seen improving in Oct'24 as spending gains pace](#)")
- Going forward, we expect IIP growth to stay in single digits in H2FY25 yet see some support on the back of pick up in govt. spending and recovery in rural consumption demand. However, impact of global macro uncertainty under Trump 2.0 needs close watch.

Fig 6: IIP likely to have risen in Oct'24; % y/y

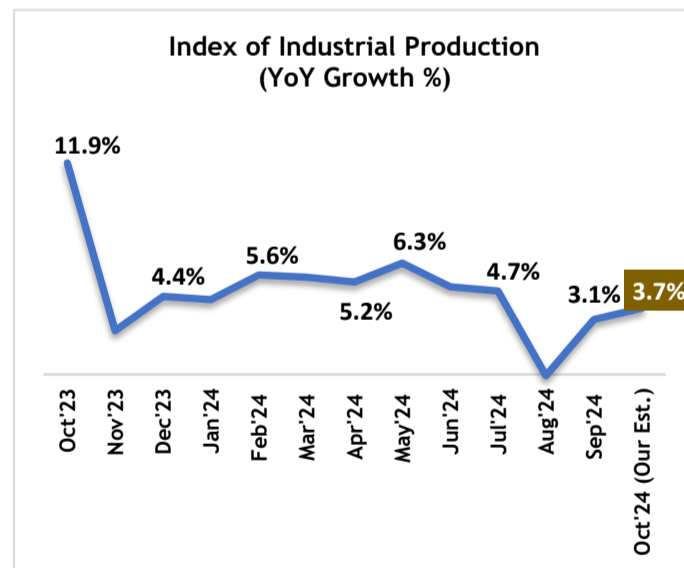


Fig 7: Manufacturing to have led Oct'24 IIP growth; % y/y

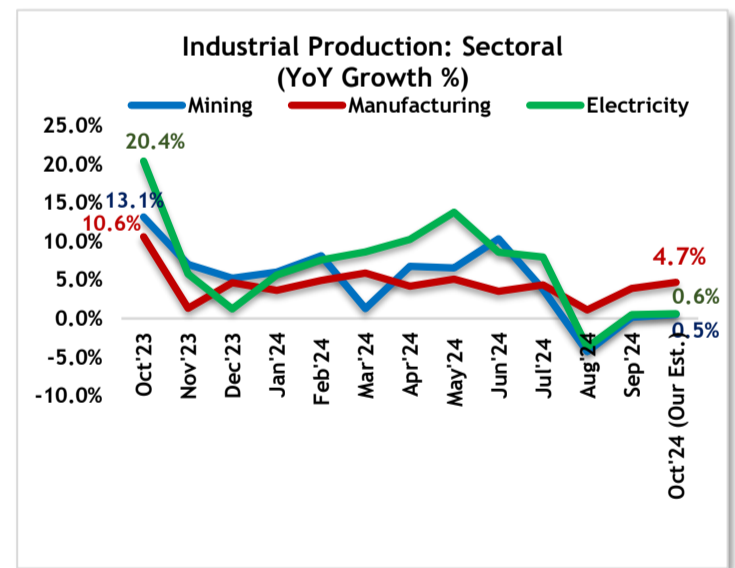


Fig 8: Consumer demand likely to have recovered in Oct'24, on festive spending

Industrial Production: Sectoral				
Sector	Weight	YoY Growth %		
		Aug'24	Sep'24	Oct'24 (Est)
Mining	14.4	-4.3%	0.2%	0.5%
Manufacturing	77.6	1.1%	3.9%	4.7%
Electricity	8.0	-3.7%	0.5%	0.6%
Industrial Production: Use-based				
Primary goods	34.0	-2.6%	1.8%	0.3%
Capital goods	8.2	0.5%	2.8%	3.1%
Intermediate goods	17.2	3.0%	4.2%	3.5%
Infrastructure / Construction Goods	12.3	2.2%	3.3%	5.9%
Consumer durables	12.8	5.3%	6.5%	10.4%
Consumer non-durables	15.3	-4.5%	2.0%	4.7%

Source: CEIC, UBI Research

Note: Figures for October are our estimates

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