

Data this week:

- **India: CPI likely slipped to 5-year lows on base effects, while IIP stagnated**

We estimate the CPI for August'24 at 3.3%, further lower than 3.5% seen in July'24 partly because of high base effects and because of softened food prices whereas core inflation is expected to soften to 3.3%. We expect the base effect to erode from September'24 month onwards. Core inflation that saw a first significant pickup in July'24 in last 20 months likely saw a minor tick down sequentially on drop in gold prices and as residual spillover effect of mobile tariff hikes in the month of July'24 is likely to be subdued. We expect the core inflation to ease from 3.35% in July'24 to 3.30% in August'24 and core ex transport inflation from 3.53% to 3.47%. Going forward, food inflation, is further expected to come down in coming months as the monsoon has progressed well.

Industrial production growth, as indicated by IIP, is likely to have remained nearly flat at 4.3%, from 4.2% in previous month and vs 6.2% in July'23. High frequency indicators showed a mixed trend in July'24 vs June'24. As indicated by HSBC India Manufacturing PMI, manufacturing activity eased slightly in July amid softer increases in new orders and output. Mining growth likely to have improved, supported by demand for coal as reflected in core sector data. Going forward, we continue to expect IIP growth to stay in single digits, with a watch on monsoon effect on rural demand along with impact of likely US slowdown on domestic private sector capex recovery and overall industrial sector momentum. (Please see our report: [India: CPI likely slipped to 5-year lows on base effects, while IIP stagnated](#)).

- **RBI Governor asserts that balance between inflation and growth is well-poised**

While addressing the annual FIBAC 2024 conference, the RBI Governor Shaktikanta Das stressed that India's growth story is intact, and banks have robust balance sheets while exhorting the private sector to step up investments in a big way. He said data actually shows that the fundamental growth drivers of the Indian economy are actually gaining momentum and they are not slowing. "This gives us the confidence to say that the Indian growth story remains intact," he said. In the address RBI Governor also expressed optimism about the outlook for food inflation, saying conditions could become "more favourable" in the coming months. "With the monsoon progressing well and the healthy kharif sowing raising prospects of better harvest, there is greater optimism that food inflation outlook could become more favorable over the course of the year. However, above normal rains in September, as forecast by the India Meteorological Department, could hurt kharif crops such as vegetables, fruits, and pulses. This could lead to food inflation as the biggest obstacle to the RBI cutting interest rates.

The Governor also stated that "the balance between inflation and growth is well-poised. We must successfully navigate the last mile of disinflation and preserve the credibility of the flexible inflation targeting (FIT) framework which is a major structural reform. The best contribution that monetary policy can make for sustainable growth is to maintain price stability". According to the RBI's latest data, "bank credit to agriculture and allied activities remained robust and increased by 18.1% (y-o-y). Credit to industry surged by 10.2% (y-o-y) in July 2024 as compared to 4.6% in July 2023. The enhanced credit flow to industry along with an all-time high-capacity utilisation points to an upturn in the investment cycle, as reflected in the NSO data." With RBI stating these views, the market is expecting a shift in stance in October policy. However, we feel that the RBI will maintain status quo.

- **India's Purchasing Managers' Index (PMI) remains robust**

The HSBC India Services Purchasing Managers' Index (PMI), compiled by S&P Global, rose to 60.9 in August (5-month high), up from 60.3 in July, and from 60.5 in June, on resilient demand amid easing inflationary pressures. The PMI reading has remained above the 50-mark, for 35 consecutive months. However, manufacturing activity eased to a three-month low in August to 57.5 amid a moderate increase in new business and production. The HSBC final India Manufacturing Purchasing Managers Index (PMI), compiled by S&P Global, came in at 57.5 in August, down from 58.1 in July. The figure stood at 58.3 in June. Meanwhile, the HSBC India Composite Output Index remained at 60.7 in August, similar to July, falling below June's 60.9 for a second successive month. That said, this index has remained above the critical 50 threshold for 36 months, indicating sustained strong growth momentum.

- **India: Monsoon progresses, September trends on close watch**

Rainfall deviation over the country has turned from an 11% deficit on 30th June 2024 to 8% surplus as on 5th September, 2024. Rainfall deviation was 2% surplus as on July end and has picked up steadily in the month of August. However, uneven spatial distribution remains a concern, with south Indian region continuing to run a surplus of 26% vis a vis east and north-east Indian region facing a major deficit of 13%. The good thing is, the major crop cultivating north-west region has progressed from 18% deficit in July end to 4% surplus on 5th September. (Please see our report: [India: Monsoon progresses, September on close watch](#)).

Food inflation is further expected to come down in coming months as the monsoon has progressed well in most of the regions of the country and reservoir levels have also seen sharp pickup; this, coupled with improved sowing of kharif crops is expected to keep the supply side concerns at bay for some time. With at least one more month to be covered by monsoon, any negative surprise on the monsoon front whether deficit of rain or flooding will again trigger the food price inflation on the upper side.

- **Bank deposit and credit growth as on 23rd August:**

As per RBI's latest data on SCBs', while deposits grew 10.8%, credit growth was at 13.6%, indicating that the gap between their growth continues to be wide. Deposits continue to lag on annual basis. The declining pace of SCBs credit growth could be due to high base effect. Investments growth of SCBs is also picking amidst system liquidity tightening. The credit-deposit gap has been the lowest since May 2022. (Please refer to our report, [India: Actions speak louder than words](#)).

- **Finance Ministry pushes for capex growth**

With a view to push capex, the Finance Minister Nirmala Sitharaman nudged Indian industries to invest to expand their capacity to serve the growing needs of India by taking advantage of the government's employment and production-linked incentives and the corporate tax rate cut since 2019. She also exhorted central ministries to expedite capital expenditure and make up for the shortfalls in the first and second quarters of the current financial year. Due to a slowdown in government programs due to general elections (in April-May), the Centre's capex fell by 17.6% to Rs 2.6 lakh crore in April-July of FY25. The Finance ministry has relaxed norms for expenditure exceeding Rs 500 crore to accelerate capex (capital expenditure) that is pegged at Rs 11.11 lakh crore for the current fiscal. This will give a push to government spending which suffered a slowdown for a couple of months due to general elections. The range of dates for such releases may be kept between the 21st and 25th of a month to take advantage of the Goods and Services Tax (GST) inflows.

- **World Bank has revises upwards India's FY25 growth forecast**

The World Bank has revised India's growth forecast for FY25 to 7% from 6.6% earlier in its latest 'India Development Update: India's Trade Opportunities in a Changing Global Context' report. "Growth was boosted by public infrastructure investment and an upswing in household investments in real estate. On the supply side, it was supported by a buoyant manufacturing sector, which grew by 9.9%, and resilient services activity, which compensated for underperformance in agriculture," the World Bank report said. The World Bank report has forecast inflation—consumer price index—of 4.5% for FY25, declining to 4.1% and 4% in FY26 and FY27, respectively.

- **54th meeting of the GST Council**

At the GST Council meeting it was recommended to form a GST Council of group of ministers to look into the future of the GST compensation cess levied on automobiles, aerated drinks and tobacco. It also decided to cut the rate on cancer drugs, foreign airlines in India, certain helicopter services and research institutions. Kindly note that the Compensation Cess was originally introduced to be levied for a period of five years from the introduction of GST, i.e., from 1st July 2017 to 30th June 2022. During this period, the centre shared the cess revenues with states, to compensate for the shortfall in collections post introduction of GST.

Data to watch out for: In the upcoming week, the key economic indicators to watch out are India's Index of Industrial Production (IIP) and Consumer Price Index (CPI), which would be published on September 12. These data points will provide important cues on economic trajectory, amid concerns about global economic headwinds.

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Economy Dashboard

MACRO-ECONOMIC DASHBOARD														
Industrial Sector	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
IIP (YoY Gr%)	4.05	6.18	10.87	6.35	11.89	2.47	4.39	4.21	5.60	5.47	4.98	6.18	4.24	
Mining (YoY Gr%)	7.56	10.68	12.35	11.50	13.14	7.01	5.20	6.02	8.13	1.30	6.77	6.56	10.30	
Manufacturing (YoY Gr%)	3.51	5.26	9.98	5.13	10.58	1.31	4.62	3.64	4.94	5.90	3.89	4.96	2.61	
Electricity (YoY Gr%)	4.22	7.99	15.26	9.87	20.38	5.76	1.23	5.63	7.59	8.62	10.24	13.74	8.58	
Core Infra Growth (YoY Gr%)	8.37	8.55	13.42	9.44	12.67	7.94	5.05	4.13	7.09	6.26	6.93	6.32	5.10	6.07
Cement production (YoY Gr%)	9.95	6.89	19.74	4.75	16.98	-4.79	3.81	4.04	7.83	10.56	0.16	-0.61	1.88	5.50
Steel Production (YoY Gr%)	21.31	14.92	16.35	14.79	13.61	9.77	8.28	9.19	9.41	7.52	9.82	6.73	6.71	7.19
Petroleum Products (YoY Gr%)	4.58	3.56	9.49	5.55	4.24	12.44	4.04	-4.29	2.64	1.57	3.92	0.48	-1.56	6.63
Fertilizers Production (YoY Gr%)	3.44	3.29	1.79	4.21	5.35	3.36	5.85	-0.56	-9.51	-1.29	-0.78	-1.68	2.45	5.34
Coal Prduction (YoY Gr%)	9.76	14.95	17.89	16.03	18.41	10.90	10.75	10.57	11.61	8.72	7.49	10.22	14.75	6.82
Capital Goods Production (YoY Gr%)	2.87	5.15	13.05	8.37	21.67	-1.11	3.70	3.24	1.72	6.99	2.71	2.92	2.42	
PMI Manufacturing	57.80	57.70	58.60	57.50	55.50	56.00	54.90	56.50	56.90	59.10	58.80	57.50	58.30	58.10
PMI Services	58.50	62.30	60.10	61.00	58.40	56.90	59.00	61.80	60.60	61.20	60.80	60.20	60.50	60.30
Banking Sector	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Bank Credit (YoY Gr%)	16.16	19.55	19.76	19.96	19.73	20.64	19.95	20.30	20.50	20.16	19.01	19.78	17.36	13.71
Agriculture Credit (YoY Gr%)	19.72	16.71	16.48	16.66	17.39	18.11	19.39	19.99	20.00	19.97	19.84	21.60	17.41	18.07
Industry Credit (YoY Gr%)	7.44	5.18	5.91	6.51	5.36	6.06	8.04	7.97	8.89	8.51	7.37	9.36	8.13	10.09
Services Credit (YoY Gr%)	26.77	23.42	24.98	25.39	24.03	25.75	23.34	24.20	24.26	23.49	22.02	23.18	17.36	13.99
Retail Credit (YoY Gr%)	21.32	31.15	30.36	30.03	29.56	30.03	28.41	28.61	28.11	27.46	26.70	28.73	25.60	14.40
Bank Deposits (YoY Gr%)	15.45	12.94	13.22	12.30	13.22	14.21	13.28	13.20	13.12	13.47	12.56	14.02	11.12	10.57
Demand (YoY Gr%)	25.35	10.61	9.36	7.83	8.06	15.04	10.71	9.19	10.12	12.08	9.88	14.83	6.24	8.21
Time (YoY Gr%)	14.13	13.25	13.75	12.95	13.95	14.10	13.64	13.76	13.53	13.67	12.93	13.91	11.83	10.88
C-D Ratio (%)	75.10	77.10	77.50	77.80	79.20	79.60	79.50	80.00	80.20	80.30	79.50	79.60	79.30	79.30
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.20	9.44	9.47	9.38	9.50	9.41	9.32	9.43	9.36	9.37	9.55	9.39	9.32	9.40
Weighted Average Deposit Rate (%)	6.47	6.55	6.60	6.70	6.76	6.79	6.83	6.85	6.86	6.89	6.91	6.92	6.91	6.92
Banking Sector	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
UPI (No. in Cr)	933.51	996.43	1058.60	1055.57	1140.88	1123.53	1202.02	1220.30	1210.27	1344.00	1330.40	1403.58	1388.51	1443.56
IMPS (No. in Cr)	46.81	48.97	48.92	47.29	49.29	47.24	49.88	50.88	53.46	58.06	55.04	55.77	51.68	49.03
NPCI Retail Transaction value (Y-o-Y Gr%)	21.14	23.89	26.71	20.61	23.52	25.99	21.14	25.16	28.51	22.19	23.95	22.01	22.83	22.96
NPCI Retail transactions volume (Y-o-Y Gr%)	42.09	44.83	46.68	43.68	42.59	46.93	44.96	44.68	50.01	46.69	44.24	42.86	44.14	39.05
Inflation	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
CPI (Y-o-Y Gr%)	4.87	7.44	6.83	5.02	4.87	5.55	5.69	5.10	5.09	4.85	4.83	4.80	5.08	3.54
Core CPI (Y-o-Y Gr%)	5.11	4.94	4.79	4.52	4.26	4.11	3.89	3.59	3.37	3.24	3.23	3.12	3.14	3.35
WPI (Y-o-Y Gr%)	-4.18	-1.23	-0.46	-0.07	-0.26	0.39	0.86	0.33	0.20	0.26	1.19	2.74	3.36	2.04
Consumer	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Petroleum Consumption (YoY Gr%)	9.77	4.87	11.69	-1.97	1.91	-4.37	9.41	6.46	-4.84	15.31	-2.56	8.18	8.97	4.34
Consumer Durables (YoY Gr%)	-6.78	-3.62	6.02	0.97	15.93	-4.83	5.24	11.58	12.56	9.53	9.99	12.63	8.65	
Consumer Non Durables (YoY Gr%)	0.55	8.33	9.93	2.66	9.29	-3.38	3.04	0.30	-3.17	5.22	-2.46	2.54	-1.43	
Unemployment (YoY Gr%)	8.45	7.90	8.10	7.10	10.10	9.16	8.65	6.80	8.00	7.40	8.10	7.93	7.98	8.03
Trade	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
Merchandise Export (YoY Gr%)	-18.82	-10.03	3.47	-2.78	5.80	-3.27	0.80	4.26	11.87	-0.57	1.99	13.41	2.54	-1.48
Merchandize Import (YoY Gr%)	-16.84	-16.12	0.68	-14.03	9.55	-4.33	-7.79	0.98	12.19	-5.98	10.69	7.44	4.96	7.46
Service Export (YoY Gr%)	3.25	8.10	8.34	-2.74	10.66	4.16	1.74	10.75	3.43	-1.40	17.65	10.25	3.68	16.61
Service Import (YoY Gr%)	-1.02	-2.26	-0.87	-10.41	-0.41	-11.13	-1.05	0.10	1.72	-2.12	19.14	5.43	-3.77	15.72
Logistics	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
E Way bill generated (Nos. in Cr)	8.61	8.80	9.34	9.20	10.03	8.76	9.53	9.60	9.73	10.35	9.67	10.32	10.01	10.49
Air Freight (YoY Gr%)	-0.76	-1.16	6.86	-0.25	13.15	6.58	10.80	15.52	22.66	17.32	9.98	15.57	15.94	18.06
Fiscal	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
GST Collection (YoY Gr%)	11.67	10.81	10.76	10.17	13.37	15.12	10.28	10.39	12.54	11.17	12.42	10.13	7.63	10.28
Govt Expenditure (YoY Gr%)	17.27	84.55	10.55	3.19	-14.01	-13.82	7.13	-14.03	20.44	-0.62	39.26	-37.87	-18.42	0.12

Source: CEIC, RBI, UBI research

Classification: Internal

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