

Table 1. Sensitivity of India's macros to Indian crude Basket (ICB) prices

Economic Variables	Every USD 10/bbl increase in crude oil prices
GDP growth <sup>^</sup> , bps	-15
CPI inflation <sup>^</sup> , bps	+30bps <sup>^^</sup>
Combined fiscal deficit impact, % of GDP*	-0.2 to -0.4
C/A deficit, % of GDP*	-0.4
Indian rupee (INR)	Weaker

<sup>^</sup> as per the monetary policy report April 2025 and based on a 10% deviation from baseline crude oil assumption;

<sup>^^</sup> assumes no cut in excise duty;

\*negative sign indicates widening deficit.

Source: RBI, UBI Research

## Spurt in Crude oil prices likely to adversely affect macros; trends on close watch

The Iran-Israel conflict significantly influences global crude oil prices due to the Middle East's critical role in oil production and India's heavy reliance on oil imports. Crude oil prices saw a sharp rally this week, with Brent rising over 13% to \$78.25/bbl and WTI climbing to \$77.21/bbl — the steepest weekly gain since Feb'22 and the largest single-day jump in over two years. The surge was triggered by renewed Middle East tensions, following Israeli strikes on Iranian military and nuclear facilities. Iran's potential to disrupt this route (e.g., through blockades of Strait of Hormuz) could cause a sharp price spike, with estimates suggesting Brent could hit \$80-\$100 per barrel if the Strait is impacted. This geopolitical escalation has reintroduced a risk premium in global oil markets, pushing up inflation expectations and adding volatility to global fixed income markets.

For India, which imports around 85% of its crude needs, the rally heightens macroeconomic vulnerability at a time when fiscal and monetary policy headroom appears limited. According to RBI estimates, a 10% increase in crude oil could raise inflation by 30bps and reduce GDP growth by 15bps (*refer table 1*). However, the inflation impact does not assume any excise duty cut to limit impact on retail petrol & diesel prices and / or letting the oil marketing companies absorb the impact. This cushion is likely to be re-used this time round as well. That said, we will stay on close watch in terms of any flare up of geopolitical tensions and its impact on macros via direct spike in oil prices and / or via other channels like rupee weakness etc.

## Credit-deposit growth wedge for SCBs remains negative for the fortnight ended 30th May'25

The latest statement of position data released by RBI for the SCBs for the fortnight ended 30th May'25 shows that the gap between SCB's credit growth and deposit growth continues to be negative for third fortnight in line. SCBs aggregate deposits have grown 9.89% y/y for the fortnight while gross advances' growth at 8.97% has lagged behind creating a negative wedge of 92 bps, further higher than 20 bps for the previous fortnight. The CD ratio of SCBs was at 78.9%, with incremental CD ratio being 72.2%. Subdued nominal GDP growth coupled with increasing geopolitical tensions and trade uncertainties can be attributed to the reasons behind this slowdown.

## May'25 CPI cooled more than expected to 2.82%, lowest since April'19

The Consumer Prices Index (CPI) inflation for the month of May'25 has fallen sharply to 2.82%, its lowest level since April'19, vis-à-vis 3.16% in April'25 and below consensus estimate. The key source of data surprise has come from sharper than expected cooling in food inflation especially cereals and pulses while vegetables inflation has seen a first uptick after six months of continued correction. Core CPI has however edged up to 4.18% in line with our projection from 4.10% in April'25. Fuel CPI was almost flat at 2.8% vis-à-vis 2.9% in April. CPI excluding vegetables inflation was back to 4% levels from 4.13% last month. Prediction of an above normal rainfall for the season coupled with slashed import duty on edible oils bodes well for the food inflation in coming months. However, risks remain from any weather disruption (floods / drought) which may result in an adverse inflation scenario. In its June'25 MPC meeting, FY26 inflation forecast was revised downward by 30bps to 3.7%. While we acknowledge rising downside risks to our 4% CPI forecast for FY26, we are closely watching monsoon distribution (spatial & temporal) and its impact on food inflation as the latter has played spoilsport in inflation dynamics in recent years. With frontloaded policy boost of 50bps repo rate cut and 100 bps CRR cut, we retain our call on terminal repo rate of 5.5% which was affirmed by the shift in policy stance back from "accommodative" to "neutral" (pl refer [our CPI data update report](#)).

## May'25 WPI falls to 0.39% y/y, lowest in 14 months

Wholesale Price Index (WPI) corrects further to 14-month low of 0.39% (y/y) in May'25, from 0.85% in previous month reflecting broad based easing of supply side pressures as fuel and core inflation are down m/m while food inflation is slightly positive m/m. The prime driver of y/y drop in headline WPI was food and core subsegments even as slight uptick in fuel WPI despite staying in deflation mode capped the downside. The number has come in line with our below consensus estimate (0.70%) of 0.38%. WPI Food has fallen to a 19-month low of 1.72% y/y vis-à-vis CPI food inflation which fell to 6-years low in May'25. Fuel WPI y/y stayed in negative zone and fell to -3.87%, down from -4.33% in April. Core WPI has continued to moderate in May too, to 0.86% in May from 1.40% in April. Monsoon led trend in food prices and commodity prices in the wake of geopolitical tensions will be prime inflation driver in the coming months (pl refer [our WPI data update report](#)).

## Trade Deficit narrowed as expected in May'25 to \$21.8bln

Merchandise trade deficit narrowed in May'25 to \$21.8bln vis-à-vis \$26.42bln a month ago. The trend was in line with our expectation while our estimate was slightly higher at ~\$23.3bln, on sharper than expected improvement in oil trade dynamics as the deficit narrowed back into single digits. Hence, fall in global Brent crude oil prices of \$64.01/bbl. vis-à-vis \$66.46/bbl. a month ago drove oil trade dynamics even as import volume demand was elevated. That said, seasonal correction in Gold imports after Akshaya Tritiya & temporary pause of the wedding season was in line with our estimates. Interestingly, Non-Oil-Non-Gold deficit stayed elevated at \$10.5bln and against our view of likely normalization in imports post sharp widening seen last month on frontloading of imports (due to tariff uncertainty). Going forward, geopolitical risks especially tariff concerns apart from oil price trends (post recent spike on Israel-Iran conflict) and any trade deals signed by India with US/Europe will likely influence trade-dynamics.

By:

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

Nidhi Arora  
[nidhiarora@unionbankofindia.bank](mailto:nidhiarora@unionbankofindia.bank)

Rohit Digambar Yarmal  
[rohitdigambar@unionbankofindia.bank](mailto:rohitdigambar@unionbankofindia.bank)

# Economy Dashboard

MACRO-ECONOMIC DASHBOARD													
<b>Industrial Sector</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
IIP (YoY Gr%)	6.3	4.9	5.0	0.0	3.2	3.7	5.0	3.7	5.2	2.7	3.9	2.7	
Mining (YoY Gr%)	6.6	10.3	3.8	-4.3	0.2	0.9	1.9	2.7	4.4	1.6	1.2	-0.2	
Manufacturing (YoY Gr%)	5.1	3.5	4.7	1.2	4.0	4.4	5.5	3.7	5.8	2.8	4.0	3.4	
Electricity (YoY Gr%)	13.7	8.6	7.9	-3.7	0.5	2.0	4.4	6.2	2.4	3.6	7.5	1.1	
Core Infra Growth (YoY Gr%)	6.9	5.0	6.3	-1.5	2.4	3.8	5.8	5.1	5.1	3.4	4.6	0.5	
Cement Production (YoY Gr%)	-0.6	1.8	5.1	-2.5	7.6	3.1	13.1	10.3	14.3	10.8	12.2	6.7	
Steel Production (YoY Gr%)	8.9	6.3	7.0	4.1	1.8	5.7	10.5	7.3	4.7	6.9	9.3	3.0	
Petroleum Products (YoY Gr%)	0.5	-1.5	6.6	-1.0	5.8	5.2	2.9	2.8	8.3	0.8	0.2	-4.5	
Fertilizers Production (YoY Gr%)	-1.7	2.4	5.3	3.2	1.9	0.4	2.0	1.7	3.0	10.2	8.8	-4.2	
Coal Production (YoY Gr%)	10.2	14.8	6.8	-8.1	2.6	7.8	7.5	5.3	4.6	1.7	1.6	3.5	
Capital Goods Production (YoY Gr%)	2.6	3.6	11.7	0.0	3.5	2.9	8.9	10.5	10.2	8.2	3.6	20.3	
PMI Manufacturing	57.5	58.3	58.1	57.5	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2	57.6
PMI Services	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8
<b>Banking Sector</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Bank Credit (YoY Gr%)	19.8	17.4	13.7	13.6	13.0	11.5	10.6	11.2	11.4	11.0	11.0	10.3	
Agriculture Credit (YoY Gr%)	21.6	17.4	18.1	17.7	16.4	15.5	15.3	12.5	12.2	11.4	10.4	9.2	
Industry Credit (YoY Gr%)	9.4	8.1	10.2	9.7	8.9	7.9	8.0	7.2	8.0	7.1	7.8	6.6	
Services Credit (YoY Gr%)	23.2	17.4	14.5	13.9	13.7	12.7	13.0	11.7	12.5	12.0	12.4	10.5	
Retail Credit (YoY Gr%)	28.7	25.6	13.9	13.9	13.4	12.9	13.3	12.0	11.8	11.7	11.6	11.9	
Bank Deposits (YoY Gr%)	14.0	11.1	10.6	12.7	10.4	11.5	11.2	9.8	12.1	12.0	10.3	9.9	
Demand (YoY Gr%)	14.8	6.2	8.2	20.6	7.2	10.2	7.7	5.4	13.5	14.2	10.4	6.4	19.2
Time (YoY Gr%)	13.9	11.8	10.9	11.7	10.8	11.7	11.7	10.4	11.9	11.7	10.3	10.4	8.6
C-D Ratio (%)	79.6	79.3	79.3	78.4	79.2	79.4	79.5	80.4	80.3	80.4	80.8	79.6	78.9
Weighted Average Lending Rate Fresh Rupee Loans (%)	9.4	9.3	9.4	9.4	9.4	9.5	9.4	9.3	9.3	9.4	9.4	9.3	
Weighted Average Deposit Rate (%)	6.9	6.9	6.9	6.9	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	
<b>Banking Sector</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
UPI (No. in Cr)	1404	1389	1444	1496	1504	1658	1548	1673	1700	1611	1830	1789	1868
IMPS (No. in Cr)	55.8	51.7	49.0	45.3	43.0	46.7	40.8	44.1	44.4	40.5	46.2	44.9	46.4
NPCI Retail Transaction value (Y-o-Y Cr)	22.0	22.8	23.0	20.5	20.6	29.6	14.9	19.5	20.5	12.3	17.0	15.9	16.7
NPCI Retail transactions volume (Y-o-Y Cr)	42.9	44.1	39.0	37.4	39.0	43.2	31.8	34.4	35.2	29.3	31.6	30.1	30.0
<b>Inflation</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
CPI (Y-o-Y Gr%)	4.8	5.1	3.6	3.7	5.5	6.2	5.5	5.2	4.3	3.6	3.3	3.2	2.8
Core CPI (Y-o-Y Gr%)	3.1	3.1	3.4	3.4	3.5	3.7	3.6	3.6	3.7	4.0	4.1	4.1	4.2
WPI (Y-o-Y Gr%)	2.7	3.4	2.1	1.2	1.9	2.8	2.2	2.6	2.5	2.4	2.0	0.9	0.0
<b>Consumer</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Electricity Consumption (YoY Gr%)	13.6	8.0	4.0	-5.0	-0.8	-0.4	3.7	5.1	1.3	2.4	5.7	2.8	-4.4
Petroleum Consumption (YoY Gr%)	8.2	9.0	7.4	0.3	-10.6	8.4	2.0	4.0	1.4	-11.3	3.7	-4.3	6.9
Consumer Durables (YoY Gr%)	12.6	8.8	8.2	5.4	6.3	5.5	14.1	8.1	7.1	3.7	6.9	6.4	
Consumer Non Durables (YoY Gr%)	2.8	-1.0	-4.2	-4.4	2.2	2.8	0.6	-7.1	0.1	-2.1	-4.0	-1.7	
Unemployment (YoY Gr%)	7.0	9.2	7.9	8.5	7.8	8.8	8.8	9.8	10.8	11.8	12.8	13.8	14.8
<b>Trade</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Merchandise Export (YoY Gr%)	13.3	2.4	0.6	-9.9	-0.3	16.6	-5.3	-1.5	-2.6	-11.1	0.7	9.0	
Merchandise Import (YoY Gr%)	7.3	4.6	11.2	10.0	7.8	1.9	16.1	2.3	10.3	-16.3	11.4	19.1	
Service Export (YoY Gr%)	9.7	3.2	16.6	5.7	14.6	22.7	14.2	16.9	12.0	11.6	18.6	8.8	
Service Import (YoY Gr%)	6.2	-3.1	16.0	9.1	13.5	28.0	26.1	13.9	12.6	-4.8	5.3	1.0	
<b>Logistics</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
E Way bill generated (Nos. in Cr)	10.3	10.0	10.5	10.5	10.9	11.7	10.2	11.2	11.8	11.2	12.5	11.9	
Air Freight (YoY Gr%)	15.6	15.9	18.1	12.5	18.0	14.5	9.7	8.0	7.0	-4.9	3.8	11.5	
<b>Fiscal</b>	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
GST Collection (YoY Gr%)	10.0	7.6	10.3	10.0	6.5	8.9	8.5	7.3	12.3	9.1	9.9	12.6	16.4
Govt. Expenditure (YoY Gr%)	-37.9	-18.4	0.1	20.9	2.6	31.7	3.6	22.1	12.4	-17.7	9.7	10.0	

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@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

**Disclaimer:**

*The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.*