

Data releases last week:

- **India: WPI numbers moderated further in Aug'24 and came in lower than our expectations**

Headline WPI for the month of Aug'24 moderated to 1.31% vis-a-vis 2.04% recorded in Jul'24 and lower than our estimates of 1.59%. This cooling in YoY inflation levels was primarily led by a sequential moderation in vegetable prices and favourable base effect. Meanwhile, core inflation recorded downturn due to slow down in global commodity prices. Going forward, apart from monsoon trends, trends in global prices are likely to be key drivers of WPI inflation in the coming months. (Please see our report: [India: WPI continues to trend lower](#)).

- **Trade Deficit in Aug'24 widened much sharper on spike in gold imports**

Merchandise trade deficit clocked near record high levels of \$29.65 bln in Aug'24 vis-à-vis \$23.50 bln a month ago (highest since Oct'23). While we anticipated trade deterioration on likely spike in gold imports, the number came in much higher than our above consensus estimate (\$23.0bln) of \$24.9bln. In terms of sub-segments, gold was the prime driver of trade dynamics (as expected) as deficit hit an all-time high of \$10.69bln ahead of festive season and import duty cut in the budget in end-July. Meanwhile, oil deficit narrowed on both price and volume effects while further deterioration was seen in non-oil non-gold (NONG) deficit which clocked 21-month highs at \$13.89bln. Total trade deficit (goods and services combined) widened to double-digit levels last seen in Oct'23, to \$14.66 bln vis-a-vis \$8.91 bln last month. The average trade deficit in Jul-Aug'24 is c.\$11.8 bln vs \$7.6 bln in Apr-Jun'24 quarter. (Please see our report: [Aug'24 trade deficit shockingly widens to \\$30bn on spike in gold imports](#)).

- **Major cabinet decisions last week**

Last week, the cabinet gave approval to the one nation, one election proposal recommended by a panel led by former President Ram Nath Kovind, which submitted its report in March 2024. Other schemes announced include approval for Rs 25,475 cr fertilizer subsidy, Pradhan Mantri Janjatiya Unnat Gram Abhiyan with total outlay of Rs.79,156 crore for improving the socio-economic condition of tribal communities, and continuation of PM-AASHA scheme to provide remunerative prices to farmers and to control price volatility of essential commodities for consumers with total financial outgo of Rs. 35,000 cr. Cabinet also approved Nutrient Based Subsidy (NBS) rates for Rabi Season, 2024 (from 01.10.2024 to 31.03.2025) on Phosphatic and Potassic (P&K) fertilizers. The Union Cabinet has approved the proposal of the Ministry of Chemicals & Fertilizers for fixing the Nutrient Based Subsidy (NBS) rates for RABI Season, 2024 (from 01.10.2024 to 31.03.2025) on Phosphatic and Potassic (P&K) fertilizers. The tentative budgetary requirement for Rabi season 2024 would be approximately Rs 24,475.53 cr. The total spending proposed by Cabinet is of Rs 1,79,601 cr.

- **RBI September Bulletin highlights food price volatility risk**

In the latest bulletin, RBI has pointed out that although August consumer price index (CPI) inflation came in below the central bank's target for the second consecutive month, food price volatility continue to pose risk. Vegetable price shocks have begun to reverse. The outlook for international crude prices has turned benign and may be sustained, due to weak demand. But the RBI in its 'State of the Economy' article said that although the prospects of headline inflation averaging 4.5% in H2:FY25 have improved, food price volatility remains a contingent risk. India's private consumption and gross fixed investment were robust and net exports remained sequentially positive in their support to GDP growth in Q1:FY25. The underperformance of agriculture was compensated for by a buoyant manufacturing sector and resilient services. The RBI's economic activity index (EAI) projects GDP growth at 7% in Q2 FY25 on the back of a ticking up of momentum relative to the preceding quarter. Household consumption is poised to grow faster in Q2 as headline inflation eases, with a revival of rural demand already taking hold. The demand for fast moving consumer goods (FMCG) is also accelerating as companies target older customers with healthy lifestyle products in response to rising longevity and affluence and younger ones with premiumisation. Another consumption booster is the ramping up of hiring by e-commerce majors ahead of the festival season, not just in the metros but in tier 2 and 3 cities as well. The GDP growth is projected at 7.3% YoY and headline CPI inflation at 4.6% during FY25. During FY26, GDP is projected to grow at 6.7%, with headline CPI inflation softening to 3.9%. As regards credit market, the article pointed out that the gap between credit and deposit growth is beginning to narrow, with banks offering higher interest rates on deposits. CD issuances grew by more than 65% YoY to Rs 4.51 lakh cr during FY25 (up to 6th September), significantly higher than Rs 2.72 lakh crore in the corresponding period of the previous year to meet funding requirements of banks to bridge the gap between credit and deposit growth.

India accounted for the highest number of IPOs initial public offerings (IPOs) globally (27% by volume) in H1:2024, led by public offerings of small and medium enterprises (SMEs). As on 6th Sep'24, India's forex reserves rose to an all-time high of US\$ 689.2 bn, equivalent of more than 12 months of imports for FY24 and more than 103% of total external debt outstanding at end-March 2024.

Indicators point increasingly to slowing global economic activity while the pace of disinflation remains sluggish, provoking caution among monetary policy authorities. Job growth is getting softer than initially anticipated as labour markets continue to slow down, unemployment rates are up and wage growth is easing. Consumer confidence surveys show a deterioration in sentiment about jobs. Growing expectations of monetary policy easing by major central banks, however, continue to instill confidence about a soft landing.

- **Monsoon progress**

The cumulative southwest monsoon (SWM) rainfall was 5% above the long period average (LPA) this year so far (1st June to 23rd September), as against 7% below the LPA a year ago. Cumulative rainfall consistently remained above the normal LPA since mid-July. During the current SWM season so far, 20 out of the 36 meteorological sub-divisions recorded normal rainfall. The number of sub-divisions receiving excess/large excess rainfall increased to 13 in the current year from 4 a year ago, which is reflected in the higher spatial variation in rainfall across the country vis-à-vis last year. Reservoir levels have been replenished to 87% of capacity (as on 19th Sep'24) as compared with 71% in the corresponding period last year, which boosts rabi sowing prospects. The live storage of 155 major reservoirs stood at 123% of the level in the corresponding period of last year and 118% of the last 10 years' average.

As per Indian Meteorological Department (IMD), monsoon rains have started retreating from the northwest region on 22nd September, nearly a week later than normal. Total area sown stood at 1096.6 lakh hectares (as on 13th Sep'24), which is 2.2% higher than last year and 1.7% higher over the normal area as on date. Except cotton, area under all major crops has increased over last year. Pulses recorded the highest increase in area at 7.9% over last year. Acreage under rice, the key kharif crop which accounts for almost 37% of the kharif area, increased by 4.2% YoY. Kharif sowing of onions increased by 61% while the area under tomatoes lagged behind, with key producing states reporting lower sowing due to extended heatwave condition till June. Although food prices and sowing looks favorable, food inflation prospects needs close watch especially while the monsoons has been relatively well behaved, the issue of La Nina led unseasonal rainfall in October can disrupt food prices.

- **Fed cut rates by a jumbo 50bps; will the RBI follow suit?**

In the September meeting, the US Federal Reserve cut rates by 50bps for the first time since March 2020. Fed Chair Powell asserted that the attempt is to manage a soft landing, and this is the start of a policy normalization cycle with rates kept at elevated levels of 5.50% since July 2023. As the Fed has initiated a policy move, the question arises whether others especially in emerging markets will tread the similar path or not. In fact, the domestic investors started questioning how soon will the RBI led Monetary Policy Committee implement the shift in policy cycle. Taking cues from the RBI Governor who asserted in a recent media interview, "our monetary policy decision is likely to be governed by domestic fundamentals", which gives a stronger conviction to our call that the RBI is unlikely to follow the Fed in the next policy meeting in October. We do not expect any change in policy stance and hence rates in the October 7-9 policy meeting.

Data to watch out for: In the upcoming week, the key economic indicator to watch out is HSBC India Composite PMI for September. The composite PMI for August 2024 came in at 60.7, compared with a flash figure of 60.5, remaining comfortably above its long-run average of 54.6. It was the 37th month of rise in private sector activity, with service providers signalling the strongest rise in business activity since March while goods producers posted the weakest expansion in production for seven months.

By:

Kanika Pasricha
kanika.pasricha@unionbankofindia.bank

Jovana Luke George
jovana.george@unionbankofindia.bank

Rohit Digambar Yarmal
rohitdigambar@unionbankofindia.bank

Economy Dashboard

MACRO-ECONOMIC DASHBOARD														
Industrial Sector	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	Aug-24
IIP (YoY Gr%)	6.18	10.87	6.35	11.89	2.47	4.39	4.21	5.60	5.47	5.19	6.18	4.73	4.84	
Mining (YoY Gr%)	10.68	12.35	11.50	13.14	7.01	5.20	6.02	8.13	1.30	6.77	6.56	10.30	3.66	
Manufacturing (YoY Gr%)	5.26	9.98	5.13	10.58	1.31	4.62	3.64	4.94	5.90	4.18	4.96	3.25	4.57	
Electricity (YoY Gr%)	7.99	15.26	9.87	20.38	5.76	1.23	5.63	7.59	8.62	10.24	13.74	8.58	7.94	
Core Infra Growth (YoY Gr%)	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%)	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%)	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%)	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%)	3.29	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 Production (YoY Gr%)	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%)	5.15	13.05	8.37	21.67	-1.11	3.70	3.24	1.72	6.99	2.81	2.92	3.82	12.05	
PMI Manufacturing	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	57.50
PMI Services	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	60.90
Banking Sector	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	Aug-24
Bank Credit (YoY Gr%)	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%)	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%)	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%)	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%)	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%)	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	10.83
Demand (YoY Gr%)	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	10.56
Time (YoY Gr%)	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	10.87
C-D Ratio (%)	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	79.50
Weighted Average Lending Rate Fresh Rupee Loans (%)	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	9.40
Weighted Average Deposit Rate (%)	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	6.92
Banking Sector	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	Aug-24
UPI (No. in Cr)	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	1496.30
IMPS (No. in Cr)	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	45.33
NPCI Retail transaction value (Y-o-Y Gr%)	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	20.51
NPCI Retail transactions volume (Y-o-Y Gr%)	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	37.43
Inflation	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	Aug-24
CPI (Y-o-Y Gr%)	7.44	6.83	5.02	4.87	5.55	5.69	5.10	5.09	4.85	4.83	4.80	5.08	3.60	3.65
Core CPI (Y-o-Y Gr%)	4.94	4.79	4.52	4.26	4.11	3.89	3.59	3.37	3.24	3.23	3.12	3.14	3.39	3.40
WPI (Y-o-Y Gr%)	-1.23	-0.46	-0.07	-0.26	0.39	0.86	0.33	0.20	0.26	1.19	2.74	3.43	2.04	1.31
Consumer	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	Aug-24
Petroleum Consumption (YoY Gr%)	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	0.75
Consumer Durables (YoY Gr%)	-3.62	6.02	0.97	15.93	-4.83	5.24	11.58	12.56	9.53	10.55	12.63	8.73	8.21	
Consumer Non Durables (YoY Gr%)	8.33	9.93	2.66	9.29	-3.38	3.04	0.30	-3.17	5.22	-2.46	2.54	-1.50	-4.36	
Unemployment (YoY Gr%)	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	9.03
Trade	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	Aug-24
Merchandise Export (YoY Gr%)	-10.03	3.41	-2.78	5.80	-3.27	0.80	4.26	11.87	-0.63	1.99	13.30	2.45	-1.73	-9.33
Merchandise Import (YoY Gr%)	-16.13	0.68	-14.02	10.28	-3.32	-6.64	1.99	13.69	-6.39	11.47	8.07	5.93	7.46	3.31
Service Export (YoY Gr%)	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	6.88
Service Import (YoY Gr%)	-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	4.04
Logistics	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	Aug-24
E Way bill generated (Nos. in Cr)	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	10.55
Air Freight (YoY Gr%)	-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	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	Aug-24
GST Collection (YoY Gr%)	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	9.99
Govt. Expenditure (YoY Gr%)	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

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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