

**April CPI inflation clocks 4.83% in line with our expectations (4.84%)**

Headline CPI inflation came in close to the previous month’s print of 4.85%. The data was very close to our estimate of 4.84% with interestingly the internals also aligning with expectations.

Food and beverages inflation edged up to 7.87% in April vs 7.74% in March, while core CPI stayed at record lows of 3.2%. Fuel CPI also hit record lows and slipped deeper in contraction zone (-)4.2%.

**Food inflation stays elevated and a cause for concern**

Vegetables inflation saw a sequential uptick as expected despite not having shown seasonal corrections during the month of March and February. Meanwhile, CPI ex vegetables remained flat vs March at 3.56%. More importantly, cereals inflation inched up further to 8.6%, thereby remaining a cause for concern, with wheat stocks slipping to 16-year lows in April. Overall, food inflation trends need close watch, with monsoon likely to be key driver.

**Core CPI remains at record lows providing relief**

Core inflation stayed at all-time lows at 3.2% as expected. The lagged impact of retail fuel price cut in March (driving transport CPI to 4 ½ year lows of 1.1%) helped offset impact of spike in gold prices (causing spike in personal care CPI to 7.5%), with some base effect also at play. Core ex transport inflation also stayed flat vs March at 3.6%.

**Post a flat India CPI, bond markets to shift focus to US CPI due on 15<sup>th</sup> May**

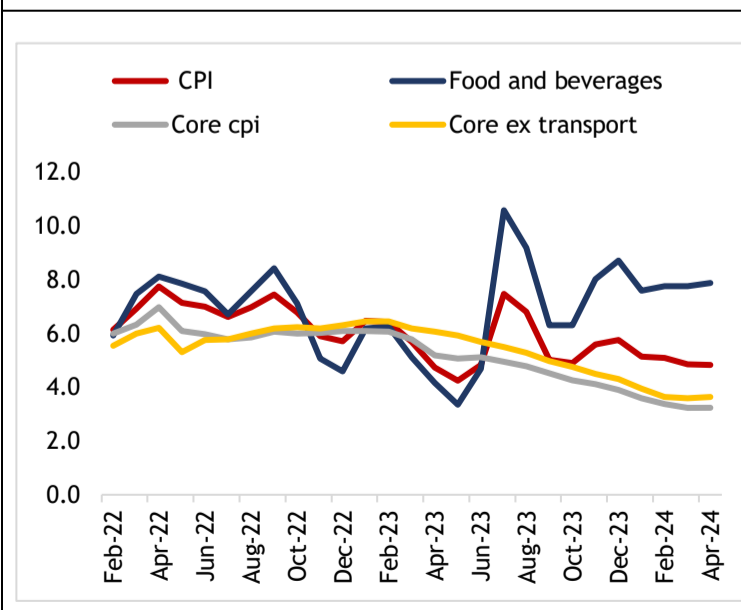
With the consistent repricing in timing of rate cuts by the US Fed, the monthly inflation and labour market reports are key bond market drivers. Hence, after a flat India CPI, the April US CPI print on 15<sup>th</sup> May is on watch with interestingly, a flat nearly flat print expected at 3.5%.

**We see rate cut(s) starting October with rising risk of further delay**

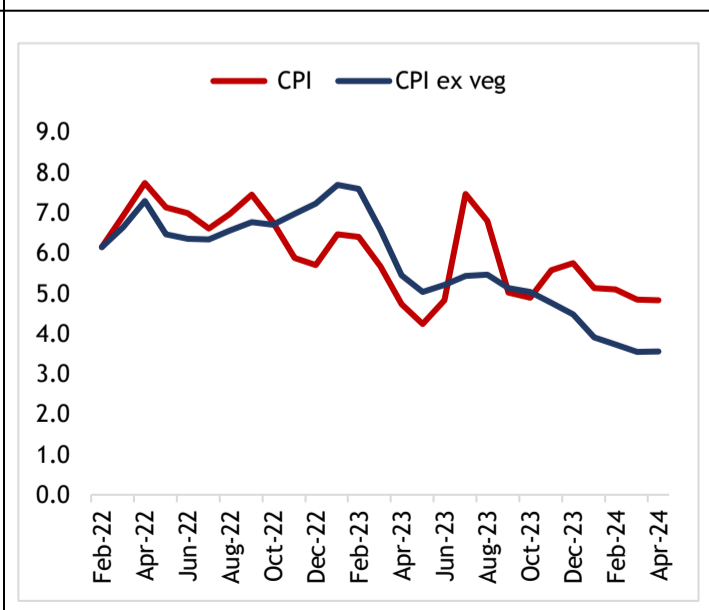
Going forward, we see inflation cooling towards 4.5% in FY25 vis-a-vis 5.4% in FY24. The projected cooling in inflation in FY25 is contingent on drop in food CPI from elevated levels with good monsoon expected to be a key driver. While core CPI is seen staying flat at c.4.5%, it remains vulnerable to trends in global commodity prices (especially oil and gold).

*We expect start of a shallow 50 bps rate cut cycle by October with a likely delay, given the higher for longer theme signalled by US Fed.*

**Fig 1: Headline CPI and sub segments remained steady in Apr’24; % y/y**

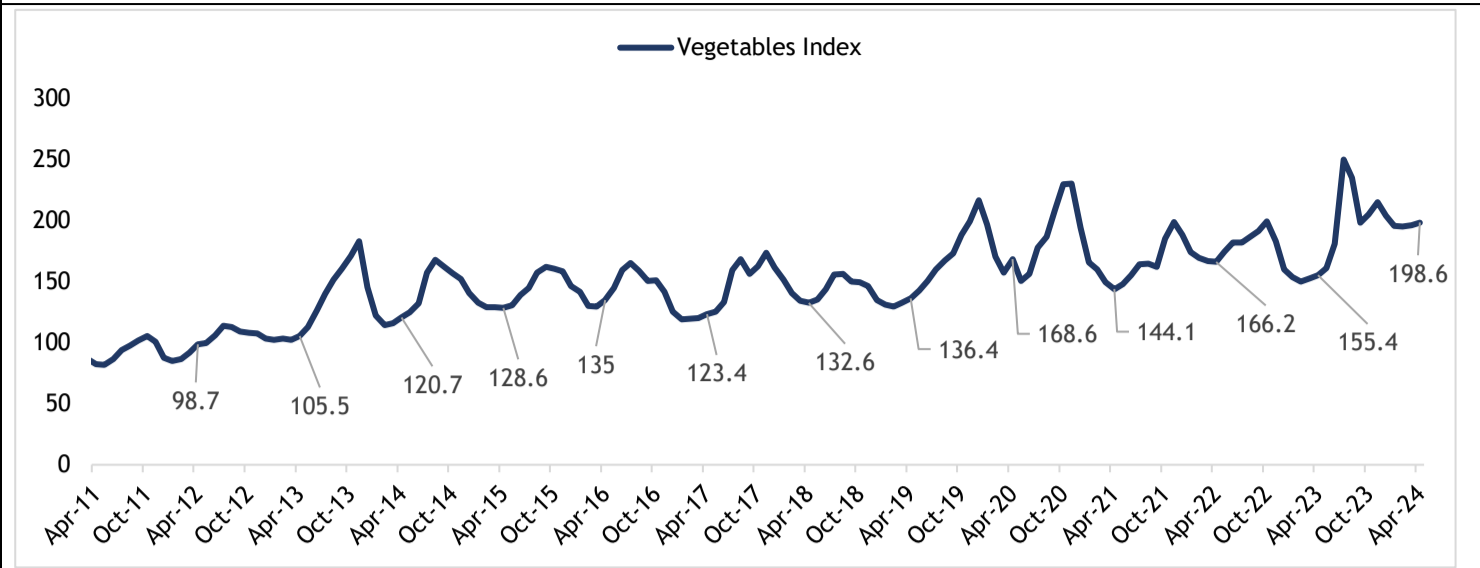


**Fig 2: CPI ex veggies at 3.6% while seasonal correction in veggies limited in the current cycle; % y/y**

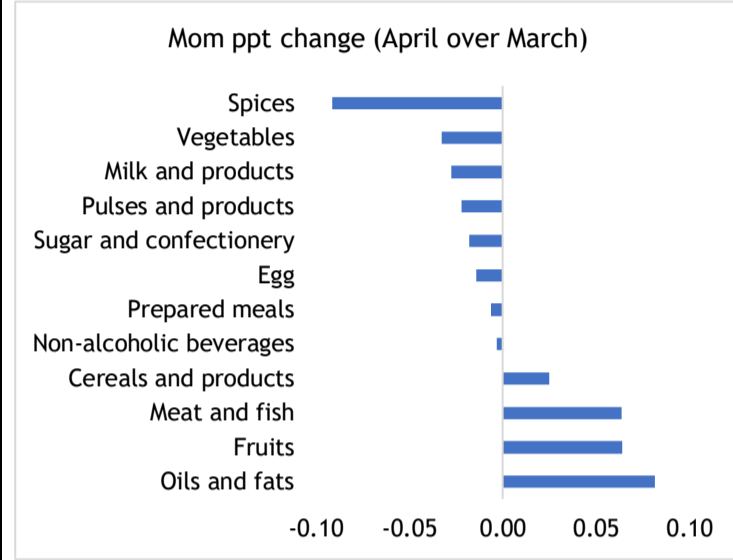


By:  
 Kanika Pasricha  
 kanika.pasricha@unionbankofindia.bank  
 Kanhaiya Jha  
 kanhaiya.jha@unionbankofindia.bank

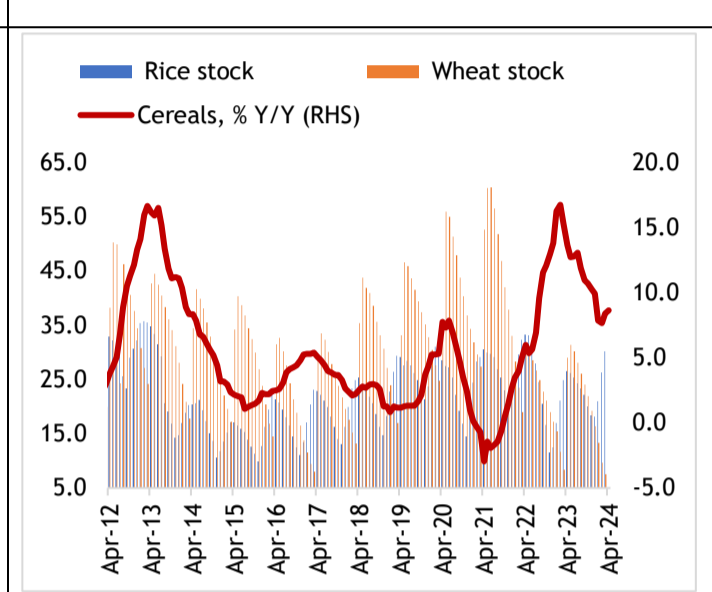
**Fig 3: Vegetables index remained elevated in April 2024 vis-à-vis historical comparison**



**Fig 4: Spices led the moderation in food inflation; change in ppt contribution (April vs March)**



**Fig 5: Wheat stock at its lowest level in 16 years**



Sources: CEIC, UBI research

*Table:1*

YY, %	Headline CPI	o/w Food CPI	Cereals	Pulses	Vegetables	Fuel CPI	Core CPI	Core ex transport	Transport & commn
Apr-23	4.7	4.2	13.7	5.3	-6.5	5.5	5.2	6.1	1.2
May-23	4.2	3.3	12.7	6.6	-7.9	4.7	5.1	5.9	1.1
Jun-23	4.8	4.7	12.8	10.6	-0.7	3.9	5.1	5.7	2.5
Jul-23	7.5	10.6	13.0	13.3	37.4	3.7	4.9	5.5	2.5
Aug-23	6.8	9.2	11.9	13.0	26.1	4.3	4.8	5.3	2.5
Sep-23	5.0	6.3	10.9	16.3	3.4	-0.1	4.5	5.0	2.3
Oct-23	4.9	6.3	10.7	18.8	2.8	-0.4	4.3	4.7	2.0
Nov-23	5.6	8.0	10.3	20.3	17.7	-0.8	4.1	4.5	2.1
Dec-23	5.8	8.7	9.9	20.7	27.6	-1.0	3.9	4.3	2.0
Jan-24	5.1	7.6	7.8	19.5	27.1	-0.6	3.6	3.9	2.0
Feb-24	5.1	7.8	7.7	18.9	30.2	-0.8	3.4	3.6	1.8
Mar-24	4.9	7.7	8.4	17.8	28.3	-3.4	3.2	3.6	1.5
Apr-24	4.8	7.9	8.6	16.8	27.8	-4.2	3.2	3.6	1.1

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
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank
Ajinkya Tawde	ajinkya.tawde@unionbankofindia.bank
Kanhaiya Jha	kanhaiya.jha@unionbankofindia.bank
Maneesh Gupta	maneesh.gupta@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.*