

By:
 Kanika Pasricha
 kanika.pasricha@unionbankofindia.bank

S.Jaya Laxmi
 s.jayalakshmi@unionbankofindia.bank

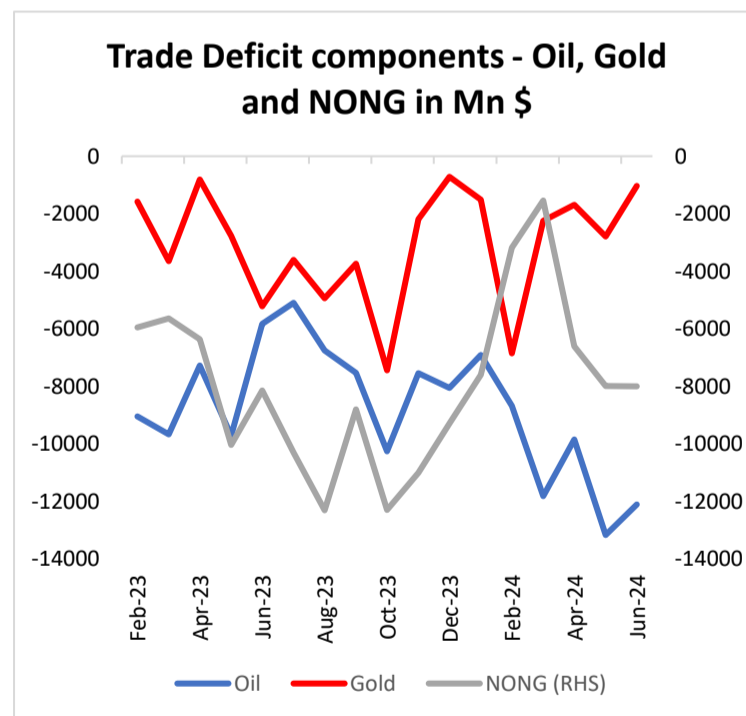
Akash Deb
 akash510@unionbankofindia.bank

Data release	Due date	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	Jun'24 (Proj.)
WPI (YoY %)	15 th Jul'24	0.9%	0.3%	0.2%	0.3%	1.3%	2.6%	3.6%
Trade Balance (Bn \$)	15 th Jul'24	-19.9	-16.5	-18.7	-15.6	-19.1	-23.8	-21.1

Trade Deficit likely to have narrowed in June'24

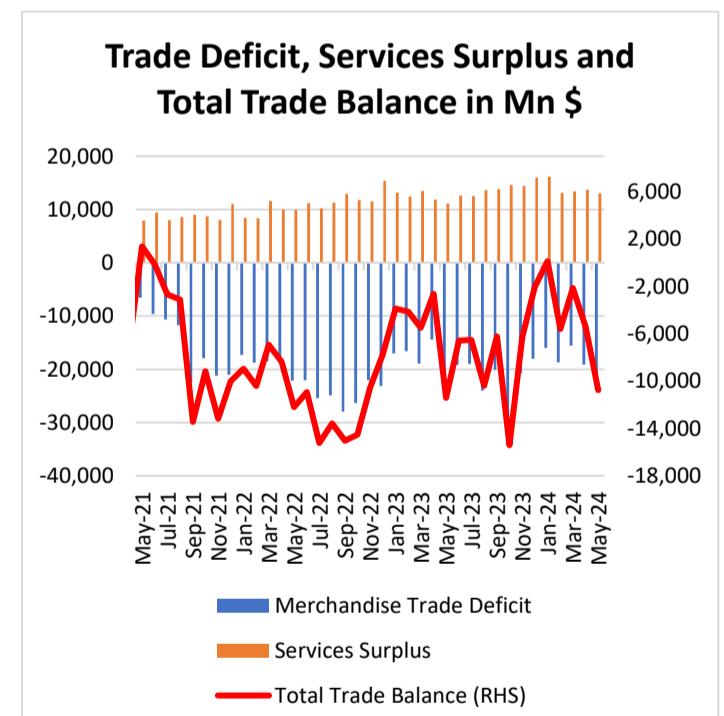
- Merchandise trade deficit is expected to have curtailed in Jun'24 to \$21.1 bn vis-à-vis \$23.8 bn a month ago, majorly led by shrinking gold imports.
- Oil deficit is likely to have narrowed slightly from USD 13.5bn in May'24 on price effects yet remained in double digit levels in the month of June as well. According to S&P Global Commodity Insights, India is likely to have procured 5.33 mbpd of crude oil in the current month, compared to 5.22 mbpd during May 2024. Russian oil imports in June were 7.2% higher sequentially and accounted for as much as 45% share in India's oil imports, highest in 13 months.
- In the non-oil-non-gold segment, deficit likely stayed flat tracking commodity price trends and as bulky machinery trade surplus likely improved post drop in recent months.
- Gold deficit likely narrowed in June'24 due to seasonal drop in demand post festive season. However, rise in gold prices close to near record levels (avg \$2333/oz in June marginally down from avg \$2357/oz in previous month) likely weighed on demand and kept deficit in check. Also, the recent increase in gold import duty from 7.5% to 15% as of 11th June has significantly impacted.
- Going forward, commodity prices especially oil will remain the key driver on close watch to assess the trends in trade deficit and overall C/A dynamics. Given that oil prices are inching back towards USD 90/bbl levels, we may see a return of widening pressures on trade deficit in the coming months given high oil price sensitivity.

Fig 1: Oil and Gold deficit narrowed in June, with oil deficit remaining in double digits



Note: Figure for June is our estimate

Fig 2: C/A Balance likely saw a seasonal switch to deficit in Q1-FY25



Source: RBI, Ministry of Commerce, CEIC, UBI research

Wholesale Price Index likely to cross 3.5% in June'24

- **Wholesale Price Index (WPI)** is expected to spike to 3.6% (y-o-y) in June'24, highest since Feb'23, up from 2.6% in previous month. Combined effect of seasonal food price jump and uptick in global commodity price from end-May along with unfavorable base effect would likely drive the inflation higher.
- **Food WPI** is likely to be on a higher trajectory with 8.1%(y-o-y), highest since Aug'23, mainly due to jump in vegetable prices. Steep increase is expected in Tomato, Onion and Potato group due to supply mismatches. Fruits and other perishables are likely to remain volatile due to seasonal price pressures.
- **Fuel Index** is expected to inch up further to 4% (y-o-y) from 2.6% last month, largely as a result of increase in crude oil prices and other Hydrocarbons such as Natural Gas.
- **Core WPI** which reflects inflation excluding of food and fuel, is expected to remain moderate at 1.1% in June'24 (y-o-y) up from previous months due to global commodity price uptick and unfavorable base effect. Core WPI basically includes price movements in non-food manufactured products which closely track commodity prices as more than 40% manufacturing raw materials are imported.
- A comparative analysis of China's Producer Price Index (PPI) and Wholesale Price Index in India reflects that, there exists a strong correlation between the two, which is reflective of increase in commodity prices in the global markets. Since China PPI is expected to continue with an upward trend in June'24, as per consensus estimates, we estimate a similar trend in India WPI as well.
- **Going forward**, WPI is expected to continue with upward trend in the coming months with gradual smoothening, if supply constraints are mitigated and commodity prices in global market normalize. Impact of monsoon and geo-political re-adjustments in global markets would be key drivers of prices in medium term.

Fig 3: Yearly movement in Wholesale Price Index (WPI), consistent increase in WPI from last 3 months

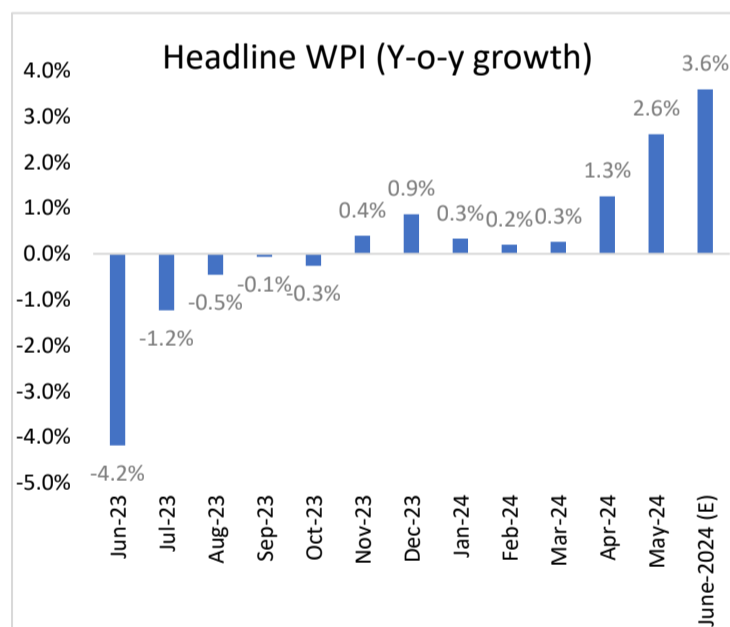


Fig 4: Yearly movement in Wholesale Food Index

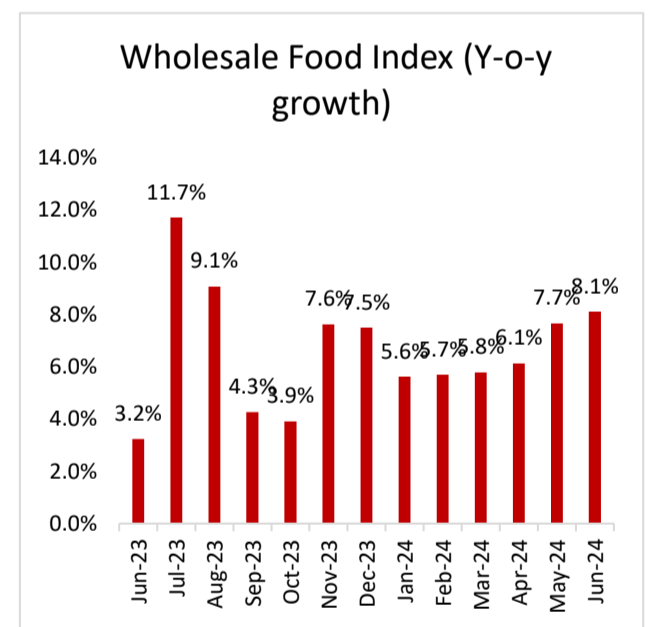


Fig 5: China's Producer Price Index and India's WPI show similar trajectory of gradual increase

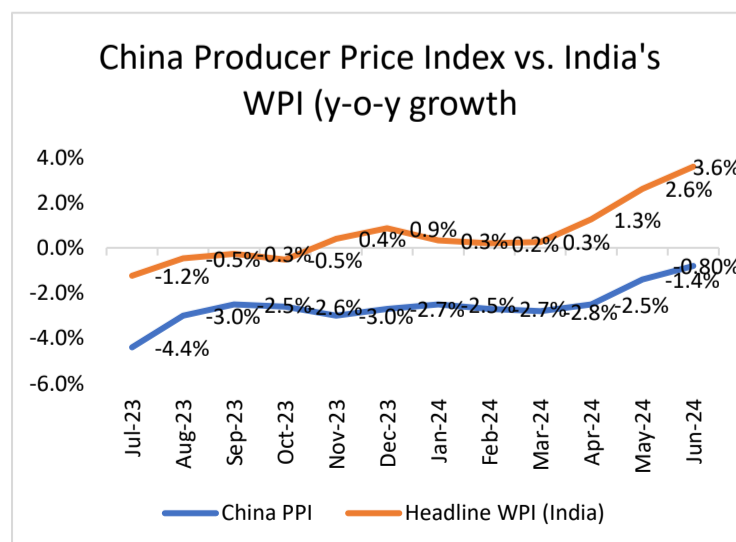
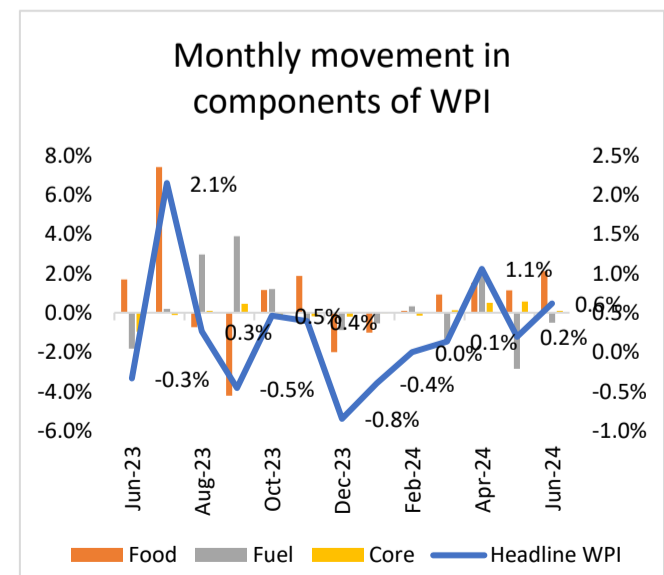


Fig 6: month on month movement in WPI, reflecting volatility



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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