

CPI falls near 5-year low



OVERVIEW

India's consumer price inflation softened to 3.54% in July from 5.08% in June. In the same period last year, inflation was 7.44%. On a monthly basis, consumer prices posted an increase of 1.4%.

MOVEMENT IN MAJOR COMPONENTS OF CPI

- Urban inflation declined to 2.98% in July 2024, compared to 7.20% in July 2023.
- Rural inflation declined to 4.10%, compared to 7.63% in July 2023.
- Food inflation in July 2024 was the lowest since June 2023.
- The combined Consumer Food Price Index (CFPI), which shows food inflation also saw a sharp decline. It was 5.42% in July 2024, compared to 11.51% in July 2023.
- Spices saw the lowest inflation rate at -1.43%. This was followed by oils and fats at -1.17%, and non-alcoholic beverages, which saw a 2.29% increase.
- Pulses saw the highest amount of inflation, increasing 14.77% year-on-year. This was followed by cereals, which saw an 8.14% inflation rate, and vegetables, which saw a 6.83% inflation rate.
- Urban food inflation plummeted to 4.63% in July 2024, compared to 12.37% in July 2023.
- Rural food inflation fell to 5.89%, compared to 11.04% in July 2023.

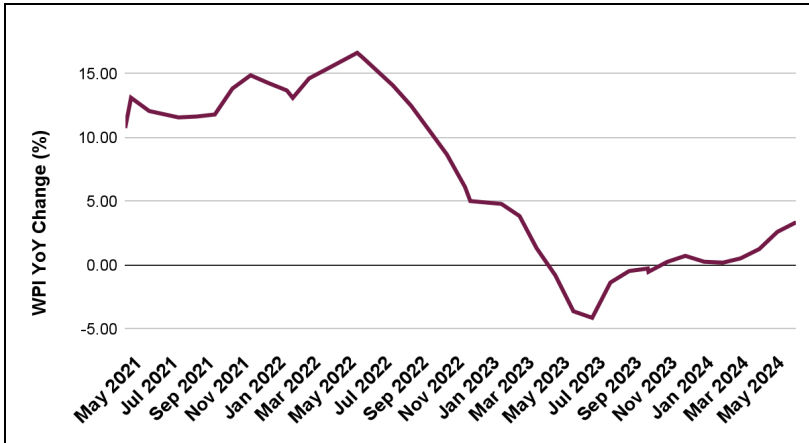
OUTLOOK

The latest inflation data would come as a relief for the central bank which has a target of keeping the CPI inflation close to the 4% mark with a range of 2-6%. The data may also boost hopes of a nearly rate cut from the RBI-led monetary Policy Committee in its next meet.

RETAIL INFLATION FOR MAJOR ITEMS IN THE PAST 6 MONTHS

Group	JUL'24	JUN'24	MAY'24	APR'24	MAR'24	FEB'24
CPI	3.54	5.08	4.80	4.83	4.85	5.09
FOOD & BEVERAGES	5.06	8.36	7.87	7.87	7.68	7.76
PAN TOBACCO & INTOXICANTS	3.02	3.08	3.03	2.99	3.06	3.12
CLOTHING & FOOTWEAR	2.67	2.73	2.74	2.85	2.97	3.14
HOUSING	2.68	2.69	2.56	2.68	2.77	2.88
FUEL & LIGHTING	-5.48	-3.66	-3.83	-4.24	-3.24	-0.77
MISCELLANEOUS	3.79	3.41	3.41	3.54	3.50	3.57

WPI falls from 16-month high



OVERVIEW

India's wholesale price inflation rose 2.04% year-over-year in July, slower than the 3.36% increase in June. On a monthly basis, wholesale prices moved up 0.84% from June, when they increased by 0.26%.

KEY HIGHLIGHTS

- Prices for primary articles grew at a slower pace of 3.08% in July versus an 8.80% gain in the prior month.
- The yearly price growth in the food index moderated to 3.55% from 8.68%.
- Costs for manufactured products climbed 1.58% after a 1.43% increase in the preceding month.
- The annual price growth in fuel and power accelerated from 1.03% in June to 1.72% in July.

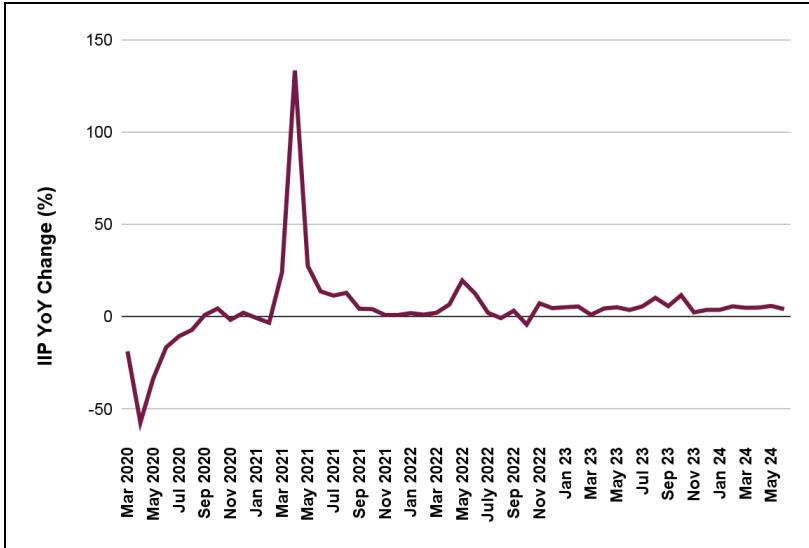
OUTLOOK

Wholesale price inflation moderated in July, led by the impact of a favourable base effect reversing a four month rising trend but prices of vegetables and food items rose sequentially.

WPI INFLATION FOR MAJOR ITEMS IN THE PAST 6 MONTHS

Group	JUL'24	JUN'24	MAY'24	APR'24	MAR'24	FEB'24
ALL COMMODITIES	2.04	3.36	2.61	1.19	0.26	0.20
PRIMARY ARTICLES	3.08	8.80	7.20	5.23	4.57	4.55
FOOD ARTICLES	3.45	10.87	9.82	7.74	6.88	6.95
NON FOOD ARTICLES	-2.90	-1.95	-3.99	-4.41	-4.13	-6.29
FUEL & POWER	1.72	1.03	1.35	-0.85	-2.75	-1.71
MANUFACTURED PRODUCTS	1.58	1.43	0.78	-0.14	-0.85	-1.27

IIP growth eases to 4.2%



OVERVIEW

India's industrial production advanced 4.2% year-over-year in June, slower than the revised 6.2% rise in May. During April to June, industrial production grew 5.2% from the same period last year.

KEY HIGHLIGHTS

Sectoral classification

- Mining output rose 10.3% in June, compared to 6.6% in May.
- Manufacturing output grew 2.6%, compared to 5% in the previous month.
- Electricity generation rose 8.6%, compared to 13.7% last month.
- Primary goods output rose 6.3%, compared to 7.3% in May.
- Capital goods output increased 2.4%, compared to 2.9% last month.
- Intermediate goods output grew 3.1%, compared to 3.9% in the previous month.
- Infrastructure and construction goods output gained 4.4, compared to 6.3%.
- Consumer durables output rose 8.6%, compared to 12.6% last month.
- Consumer non-durables output fell 1.4%, compared to a rise of 2.5% in May.

OUTLOOK

One of the key factors for the slowdown in the IIP is the decline in manufacturing sector growth to 2.6%. This is possibly due to excessive summer heat conditions in many parts of the country in June apart from inventory rationalisation in some sectors. In the upcoming months, the industrial output may pick up pace with the likelihood of improvement in the demand owing to improvement in the infrastructure and rural spending post general election and excessive summer heat.

IIP GROWTH IN THE PAST 6 MONTHS

SECTOR	JUN'24	MAY'24	APR'24	MAR'24	FEB'24	JAN'24
ALL INDUSTRIES	4.2	5.9	5.0	4.9	5.7	3.8
MINING & QUARRYING	10.3	6.6	6.7	1.2	8.0	5.9
MANUFACTURING	2.6	4.6	3.9	5.2	5.0	3.2
ELECTRICITY	8.6	13.7	10.2	8.6	7.5	5.6

Trade gap widens to \$23.5 billion

OVERVIEW

India's trade gap widened to \$23.5 billion in July, as compared with \$19 billion in the same period in the previous fiscal. Exports fell 1.5% year-on-year to \$33.98 billion in July from \$34.39 billion in the year-ago period. Imports increased 7.5% year-on-year to \$57.48 billion from \$53.49 billion a year ago.

KEY HIGHLIGHTS

- Services exports in FY25 were higher 9.89% compared to the year ago period.
- Services imports were higher by 6.35% yoy; showing a slight pick-up in recent months.
- The services trade surplus in FY25 increased by 14.29% on a yoy basis to \$54.40 Billion.

EXPORTS

- Engineering goods at \$9.04%, up 3.7% yoy.
- Petroleum products at \$5.23 Billion (down -22.2%).
- Electronic goods at \$2.81 Billion (up 37.3%).
- Drugs & pharmaceuticals at \$2.31 Billion (up 8.4%).
- Organic & inorganic chemicals at \$2.27 Billion (down -12.0%)
- Gems & jewellery at \$1.84 Billion (down -20.4%).

IMPORTS

- Crude & petroleum products at \$13.87 Billion (up 17.4%).
- Electronic goods at \$8.66 Billion (up 11.5%).
- Machinery at \$4.47 Billion (up 3.2%).
- Gold at \$3.13 Billion (down -10.7%).
- Coal/coke/briquettes at \$2.99 Billion (up 9.07%).
- Chemicals \$2.51 Billion (up 8.1%).

OUTLOOK

Imports outstripped exports in value terms against the backdrop of the Red Sea conflict and higher crude bill. The lower growth in exports is mainly due to the armed conflict in the Red Sea. Indian exports have been impacted by a slowdown in global growth. The tightening of interest rates due to nagging inflation, especially in advanced Western economies, has led to a slowdown in business, investment and trade. Growth in exports may continue to remain subdued owing largely to Red-Sea conflict.

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