

Data Review: Mar'24 CPI/Feb IIP

India Economy | Update

April 14, 2024

CPI at 4.85%; IIP robust at 5.7%; RBI to remain cautious

Key Points

- CPI inflation stood at 4.85% in March'24 (our estimate: 5.08%; Bloomberg consensus: 4.9%), down from 5.1% in Feb'24. The deviation from our estimate was due to lower than anticipated Fuel & Light inflation (led by lower subsidised LPG prices).
- Food & Beverage inflation stood at 7.68% in March'24 (estimate: 7.72%), just a notch lower from 7.8% in Feb'24. Core inflation stood at 3.25% (in line with estimate), down from 3.4% in Feb'24. Underlying data points to some worrying dynamics with moderating urban inflation and rising rural inflation. The divergent trends suggest continued challenges for recovery at the "bottom of the pyramid".
- While core inflation continues to moderate, sticky food inflation along with resilient growth and delayed rate cuts by the US Federal Reserve will keep the RBI cautious. We are penciling in 50bps rate cuts by the RBI in 2HFY25. We believe rate cuts are likely to be led by the ECB followed by the US Fed and finally the RBI.
- Growth in the Index of Industrial Production (IIP) was robust at 5.7% YoY in Feb'24 (NBIE estimate: 5.9%; Bloomberg consensus: 6%) vs 4.1% YoY in Jan'24. Growth was broad-based, with 19 of 23 manufacturing sectors in the positive territory.

CPI moderates to 4.85% led by cut in subsidised LPG prices: CPI inflation stood at 4.85% in March'24, down from 5.1% in Feb'24. The moderation was led by Fuel & Light inflation, which was down by 3.2% YoY in Mar'24 (a decline of 2.6% MoM). In addition to subsidised LPG prices, which were down by 6.6% MoM, subsidised Kerosene prices were down by 3.7% MoM. Food & Beverage inflation stood at 7.68% in Mar'24 (estimate: 7.72%), just a notch lower from 7.8% in Feb'24. Vegetable prices were up by 0.3% MoM, led by higher Potato prices (up by 15.5% MoM) while Garlic prices declined by ~23% MoM. Onion prices were up by a muted 1.3% MoM while Tomato prices declined by 2.65% MoM. Prices of Green Chillies were up by 10.84% MoM. Prices of Spices declined by 1.8% MoM, led by lower Jeera (Cumin) and Red Chili prices, indicating a good Rabi harvest. Core inflation stood at 3.25% (in line with estimate) vs 3.4% in Feb'24, with some marginal support coming in from the cut in Petrol and Diesel prices. Inflation in Personal Care & Effects was however up by 1.37% MoM, led by a 3.84% MoM increase in gold prices. Core inflation (excluding Petrol, Diesel, Gold and Silver) stood at 3.15% in Mar'24 vs. 3.33% in Feb'24. CPI inflation averaged 5.4% in FY24 vs. 6.7% in FY23.

Higher rural inflation a cause of worry: Underlying data points to some worrying dynamics with moderating urban inflation and rising rural inflation. Urban CPI moderated from 4.78% in Feb'24 to 4.14% in Mar'24 while rural CPI rose from 5.34% in Feb'24 to 5.45% in Mar'24. The divergent trends suggest continued challenges for recovery at the "bottom of the pyramid". The divergence was primarily led by lower Fuel & Light inflation in urban areas vs. rural areas. Fuel & Light inflation declined by 8.16% YoY in urban areas in Mar'24 while in rural area it declined only by 0.17% YoY. Within food, notably vegetable price inflation is higher in rural areas while inflation in Pulses is lower in rural areas. Within states, the difference between rural and urban inflation is the highest in Karnataka whereas in Rajasthan and few other states, rural inflation is lower than urban inflation (Exhibit 6).

IIP robust at 5.7% YoY in Feb'24: IIP growth stood at 5.7% YoY in Feb'24, up from 4.1% in Jan'24. Growth was relatively broad-based, with Manufacturing output up 5% YoY, Mining output up by 8% YoY and Electricity production up by 7.5% YoY. 19 of 23 manufacturing sectors were in the positive territory in Feb'24 vs. 15 in Jan'24. Consumer Durables output was up by 12.3% YoY on a low base while Consumer Non-durables output declined by 3.8% YoY in Feb'23 on a high base, led by Pharma Products. Infrastructure & Construction Goods output witnessed healthy growth at 8.5% YoY in Feb'24 (5.5% YoY in Jan'24) while Capital Goods production moderated to 1.2% YoY in Feb'24 vs. 3.4% YoY in Jan'24.

Key Macro Forecasts

Particulars	FY23	FY24F	FY25F
GDP (% YoY)	7.2	7.5	6.2
GVA (% YoY)	7.0	6.9	6.1
Agriculture (% YoY)	4.0	1.7	3.5
Industry ex. construction (% YoY)	2.4	8.9	5.5
Services inc. construction (% YoY)	9.5	7.5	6.9
CPI (average)	6.6	5.4	4.8
WPI (average)	10.0	-0.8	2.5
Interest rates-Repo (Fiscal year end)	6.50	6.50	6.0
Fiscal deficit (% of GDP)	6.4	5.8	5.1
Current account balance (% of GDP)	-2.0	-0.7	-1.3
INR/USD (Average)	80.3	82.8	84.6
10 year yields (average)	7.35	7.16	7.0
Crude oil price (US\$ /bbl average)	95.0	82.1	80.0

Source: CSO, CEIC, Nirmal Bang Institutional Equities

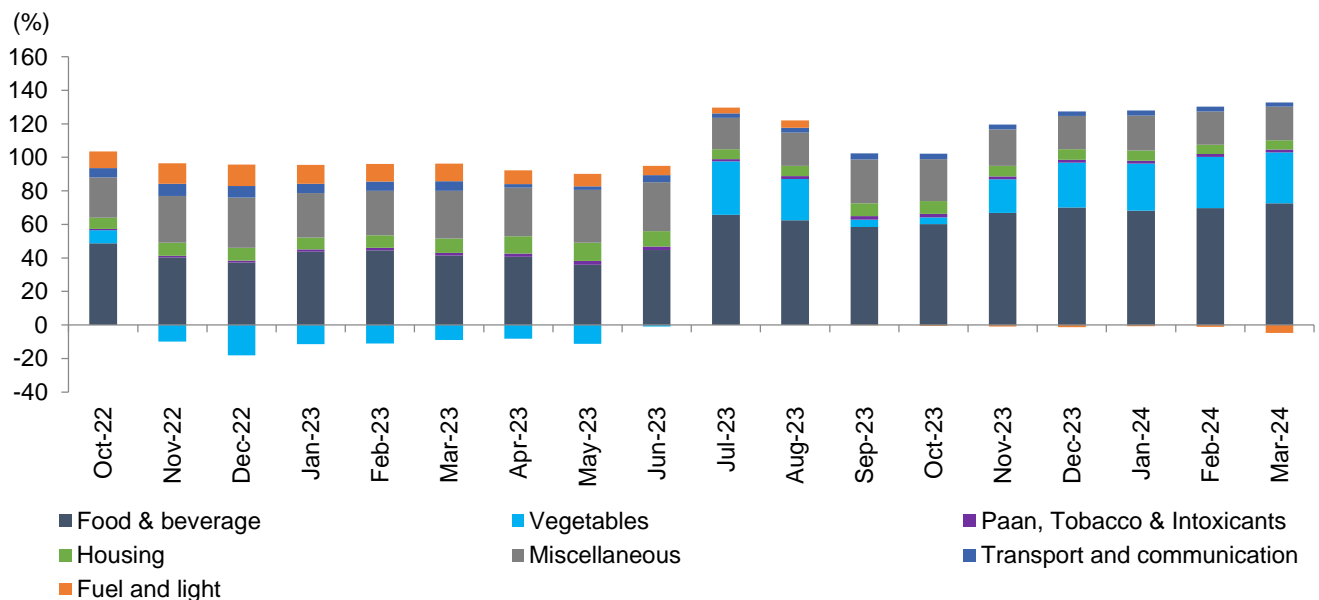
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Exhibit 1: CPI at 4.9% in March'24; Core CPI moderates while Food Inflation remains sticky

Monthly	Weight (%)	Mar-23	Jan-24	Feb-24	Mar-24	%MoM	Jan-24	Feb-24	Mar-24
CPI	100.0	5.7	5.1	5.1	4.9		(0.1)	0.2	0.0
Food and beverage	45.9	5.1	7.6	7.8	7.7		(0.6)	0.1	0.2
Cereals and products	9.7	15.3	7.8	7.7	8.4		0.8	0.6	0.3
Meat and Fish	3.6	(1.4)	1.2	5.2	6.4		0.9	2.3	1.3
Egg	0.4	4.4	5.6	10.7	10.3		3.4	(1.2)	(4.7)
Milk and milk products	6.6	9.3	4.6	3.9	3.4		0.2	0.2	0.2
Oils and fats	3.6	(7.9)	(15.0)	(14.0)	(11.7)		(0.7)	(0.6)	(0.1)
Fruits	2.9	7.6	8.6	4.8	3.1		(2.1)	(0.3)	1.9
Vegetables	6.0	(8.4)	27.1	30.2	28.3		(4.2)	(0.1)	0.3
Pulses	2.4	4.4	19.5	18.9	17.7		(0.9)	(0.8)	(0.6)
Sugar and confectionery	1.4	1.0	7.4	7.5	7.3		(0.4)	(0.5)	(0.5)
Spices	2.5	18.2	16.3	13.5	11.4		(1.3)	(1.9)	(1.8)
Non-alcoholic beverages	1.3	4.2	3.3	3.0	2.8		0.2	-	-
Prepared Meals, Snacks, Sweets	5.6	7.6	4.0	3.7	3.6		0.4	0.3	0.3
Paan, tobacco and intoxicants	2.4	3.0	3.3	3.1	3.1		0.1	0.2	0.2
Clothing and footwear	6.5	8.2	3.4	3.1	3.0		0.2	0.2	0.2
Housing	10.1	5.0	3.2	2.9	2.8		0.4	0.5	(0.1)
Fuel and Light	6.8	8.8	(0.6)	(0.8)	(3.2)		0.4	(0.1)	(2.6)
Miscellaneous	28.3	5.8	3.8	3.6	3.5		0.2	0.2	0.2
Household Goods and Services	3.8	7.0	3.1	2.8	2.7		0.2	0.2	0.2
Health	5.9	6.6	4.9	4.5	4.3		0.5	0.3	0.4
Transport and communication	8.6	4.0	2.0	1.8	1.5		0.1	0.1	(0.2)
Recreation and Amusement	1.7	4.3	2.9	2.7	2.8		0.2	0.1	0.2
Education	4.5	5.4	4.9	4.8	4.7		0.0	0.1	0.1
Personal Care and Effects	3.9	8.3	5.9	5.2	6.0		0.3	0.1	1.4
Core CPI	47.3	5.8	3.6	3.4	3.2		0.0	0.3	0.1

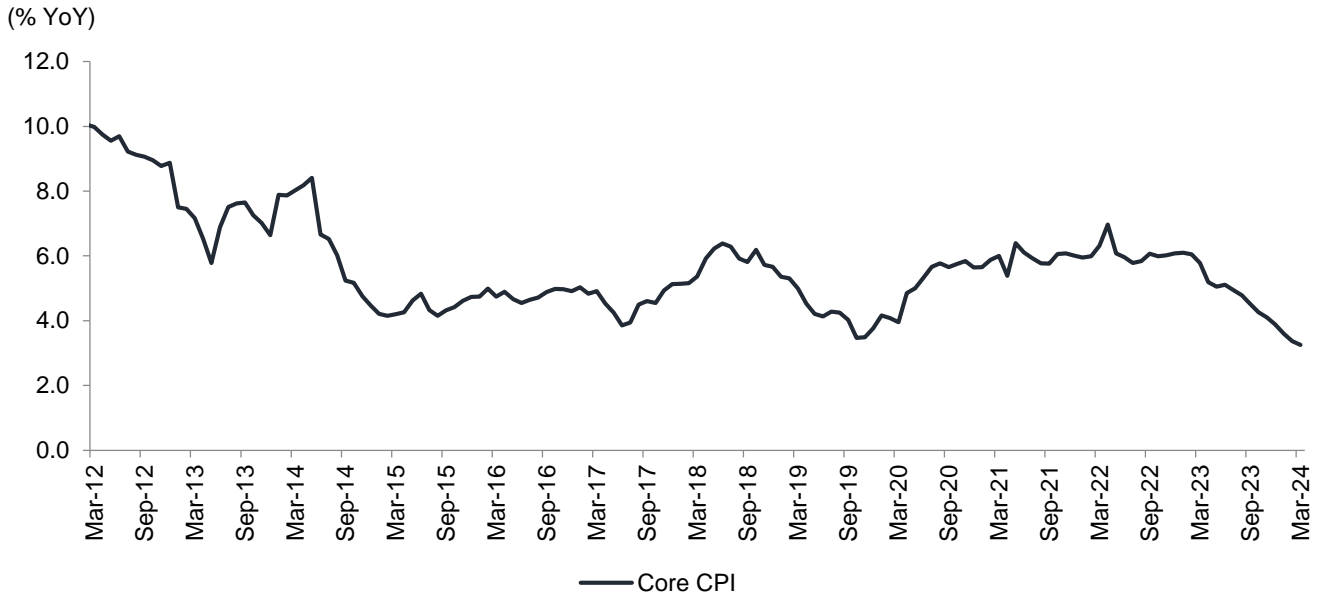
Source: CSO, CEIC, Nirmal Bang Institutional Equities Research

Exhibit 2: Vegetables still a significant contributor to inflation in Mar'24; Fuel & Light pulls down inflation



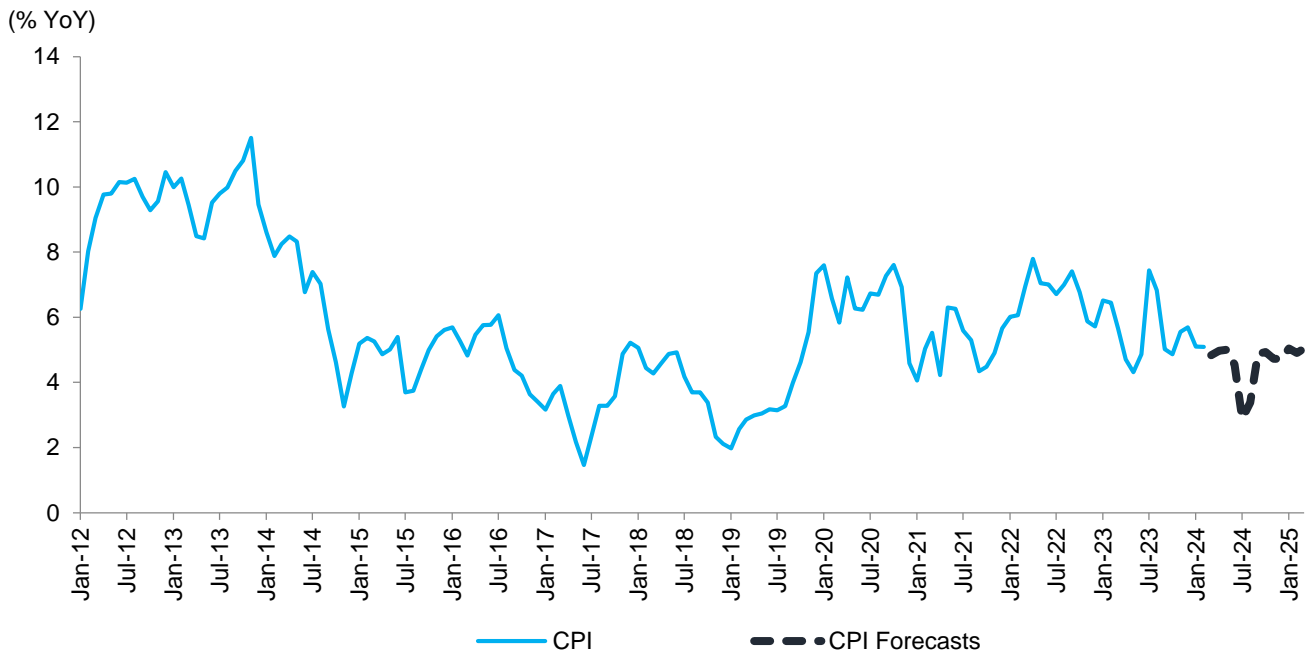
Source: CSO, CEIC, Nirmal Bang Institutional Equities Research

Exhibit 3: Core CPI continues to moderate



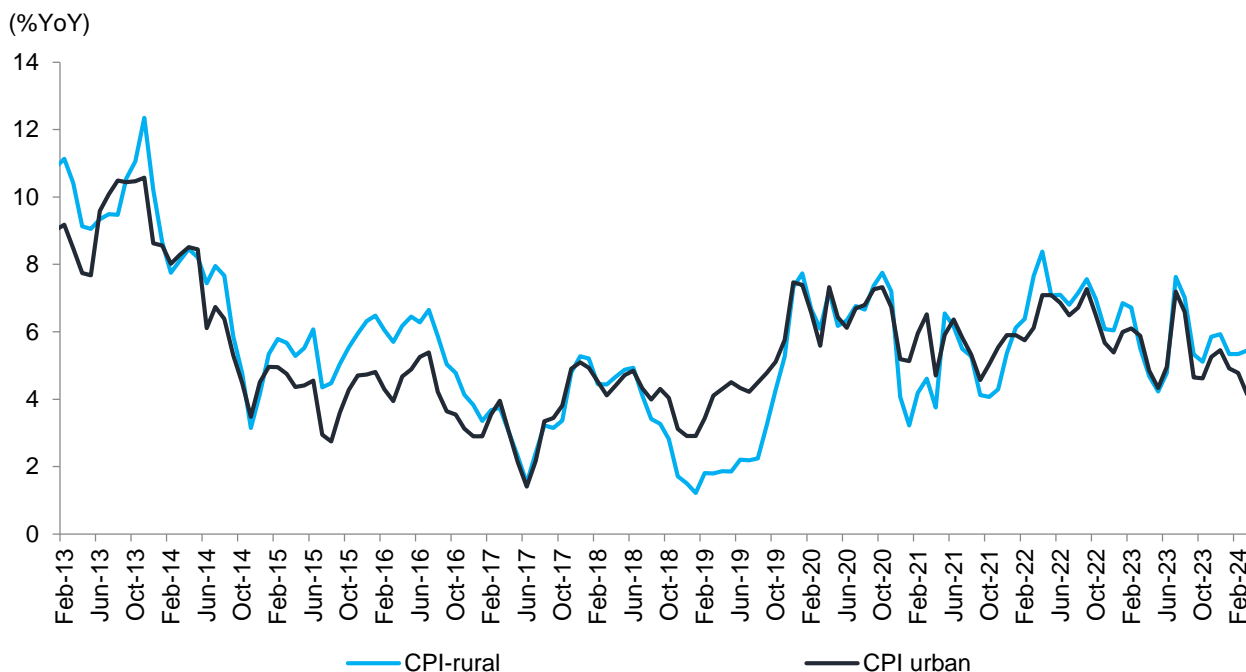
Source: CSO, CEIC, Nirmal Bang Institutional Equities Research

Exhibit 4: CPI likely to moderate further going into FY25 to ~4.5-4.8%



Source: CSO, CEIC, Nirmal Bang Institutional Equities Research

Exhibit 5: Elevated and rising rural inflation a worry



Source: MOSPI, CEIC, Nirmal Bang Institutional Equities.

Exhibit 6: Rural inflation highest in Odisha and Haryana - wedge highest in Karnataka

	Rural Inflation	Urban Inflation	Difference
Karnataka	6.72	4.18	2.54
Haryana	7.20	4.78	2.42
Jammu & Kashmir*	5.24	2.85	2.39
Jharkhand	6.35	4.01	2.34
Uttar Pradesh	6.30	4.17	2.13
Himachal Pradesh	4.44	2.58	1.86
Andhra Pradesh	5.80	4.46	1.34
Tamil Nadu	5.23	3.92	1.31
West Bengal	4.27	3.03	1.24
Madhya Pradesh	5.91	4.68	1.23
Odisha	7.27	6.46	0.81
Chhattisgarh	5.40	4.61	0.79
Gujarat	5.33	4.56	0.77
Assam	6.17	5.54	0.63
Uttarakhand	3.77	3.26	0.51
Bihar	5.68	5.53	0.15
Maharashtra	3.67	3.59	0.08
Telangana	5.60	5.63	-0.03
Delhi	2.23	2.29	-0.06
Punjab	4.49	4.64	-0.15
Kerala	4.82	5.00	-0.18
Rajasthan	5.00	5.64	-0.64
All India	5.45	4.14	1.31

Exhibit 7: IIP at 5.7% YoY in Feb'24

% YoY	Weight (%)	Feb-23	Dec-23	Jan-24	Feb-24	%MoM	Feb-23	Dec-23	Jan-24	Feb-24
IIP		6.0	4.2	4.1	5.7		(5.5)	7.8	0.9	(4.1)
Mining	14.4	4.8	5.2	5.9	8.0		(5.1)	6.2	3.3	(3.1)
Manufacturing	77.6	5.9	4.5	3.6	5.0		(5.4)	8.7	(0.5)	(4.1)
Electricity	7.99	8.2	1.2	5.6	7.5		(6.8)	3.0	8.5	(5.1)
Goods based classification										
Primary goods	34.1	7.0	4.8	2.9	5.9		(6.7)	5.6	1.5	(3.9)
Capital goods	17.2	11.0	3.6	3.4	1.2		0.0	5.8	4.6	(2.1)
Intermediate goods	8.2	1.0	3.9	5.3	9.5		(6.7)	5.8	2.3	(3.0)
Infrastructure and construction goods	12.3	9.0	5.1	5.5	8.5		(6.3)	9.4	3.9	(3.7)
Consumer durables	12.8	(4.1)	5.3	11.9	12.3		(0.5)	7.6	6.2	(0.1)
Consumer non-durables	15.3	12.5	2.4	(0.2)	(3.8)		(5.8)	13.6	(8.2)	(9.2)

Source: CSO, CEIC, Nirmal Bang Institutional Equities.

Exhibit 8: 19 of 23 Manufacturing sectors in positive territory in Feb'24, up from 15 in Jan'24

Industry / %YoY	Weights	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Food Products	5.3	4.9	(2.2)	3.8	0.4	(2.9)	7.4	4.9	(0.9)	7.1	(3.7)	2.5	(0.2)	2.0
Beverages	0.8	10.6	6.4	(7.6)	(1.7)	4.6	7.3	12.6	6.6	10.8	8.4	3.2	7.8	13.4
Tobacco Products	1.0	(2.5)	(11.0)	(21.4)	(4.8)	(17.0)	(0.6)	7.4	(5.1)	1.2	(14.5)	(9.2)	(7.4)	(0.4)
Textiles	3.3	(9.7)	(7.0)	(7.4)	(3.7)	0.0	1.2	1.8	4.3	7.7	(4.6)	1.5	3.1	3.7
Wearing Apparel	1.3	(16.7)	(30.6)	(28.8)	(21.2)	(23.5)	(22.7)	(17.0)	(18.2)	(5.7)	(20.6)	(10.2)	(2.9)	(2.8)
Leather and Related Product	0.5	(8.0)	(6.7)	(8.2)	2.1	7.8	(4.1)	3.2	(0.5)	18.5	(16.4)	(2.1)	0.1	1.8
Wood and Wood Products	0.2	(15.5)	(8.5)	(15.8)	(12.7)	(12.5)	(11.5)	(3.0)	4.3	(1.3)	(15.7)	(12.4)	3.5	6.8
Paper and Paper Products	0.9	(4.7)	(3.5)	(7.6)	(9.7)	(1.6)	(3.3)	(0.5)	(3.8)	(1.3)	(5.7)	(7.7)	(6.2)	4.7
Printing and Reproduction of Recorded Media	0.7	10.1	3.9	5.2	0.2	(11.0)	(7.9)	3.2	(3.7)	3.3	(6.6)	(4.2)	2.6	5.8
Coke and Refined Petroleum Products	11.8	4.7	1.4	(1.5)	2.7	3.2	4.4	10.2	2.7	2.4	14.0	7.3	(2.2)	4.9
Pharma, Medicinal Chemical and Botanical Products	7.9	23.1	(3.1)	24.0	21.2	4.1	12.2	17.2	7.4	13.1	(2.5)	3.0	0.0	(10.6)
Chemicals and Chemical Products	5.0	6.5	7.4	2.7	(1.3)	(2.2)	(6.3)	(3.9)	(5.8)	3.6	(4.1)	0.2	(1.9)	2.8
Rubber and Plastics Products	2.4	(2.1)	1.1	1.3	7.2	1.3	1.4	4.5	1.4	7.6	1.7	1.5	6.1	11.5
Other Non-Metallic Mineral Products	4.1	2.1	(1.0)	7.1	10.4	4.8	5.6	15.0	4.7	12.9	(3.6)	3.1	4.2	9.6
Basic Metals	12.8	8.6	7.4	12.1	10.8	16.1	14.7	16.9	15.0	13.0	7.6	8.3	7.3	8.8
Fabricated Metal Products ex Machinery and Equipment	1.6	(8.0)	(2.6)	(1.9)	4.7	(4.8)	(3.2)	24.2	10.5	19.3	(6.1)	9.0	19.0	14.9
Computer, Electronic and Optical Products	3.0	(11.4)	(28.1)	(12.0)	(6.0)	(32.5)	(16.6)	(8.8)	(8.8)	(7.3)	(23.9)	(5.2)	(7.4)	1.9
Electrical Equipment	2.7	12.5	15.3	16.5	8.4	10.7	3.1	18.0	8.0	12.7	(17.2)	5.0	3.1	10.0
Machinery and Equipment N.E.C.	4.8	12.0	10.4	8.2	9.7	7.1	5.5	12.8	5.0	25.6	(1.3)	0.7	3.1	3.8
Motor Vehicles, Trailers and Semi-Trailers	4.9	8.3	6.4	3.8	13.7	7.3	8.6	12.1	10.9	24.7	11.2	9.8	19.0	11.6
Other Manufacturing	1.8	(14.5)	(14.0)	(4.5)	(0.5)	(10.6)	7.3	(4.7)	(13.0)	30.6	(15.1)	(26.3)	(6.6)	(6.5)
Furniture; Manufacturing N.E.C.	0.1	(12.7)	(9.3)	(29.0)	(12.6)	(12.1)	(10.6)	(20.6)	(18.4)	(6.6)	(30.4)	(1.0)	15.1	22.7
Other Transport Equipment	0.9	5.5	9.6	11.6	10.9	(0.1)	(2.5)	8.2	7.1	23.3	9.8	29.4	25.3	24.4
Number of industries showing positive growth		12.0	10.0	11.0	13.0	10.0	12.0	16.0	13.0	18.0	6.0	14.0	15.0	19.0

Source: CSO, CEIC, Nirmal Bang Institutional Equities Research

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