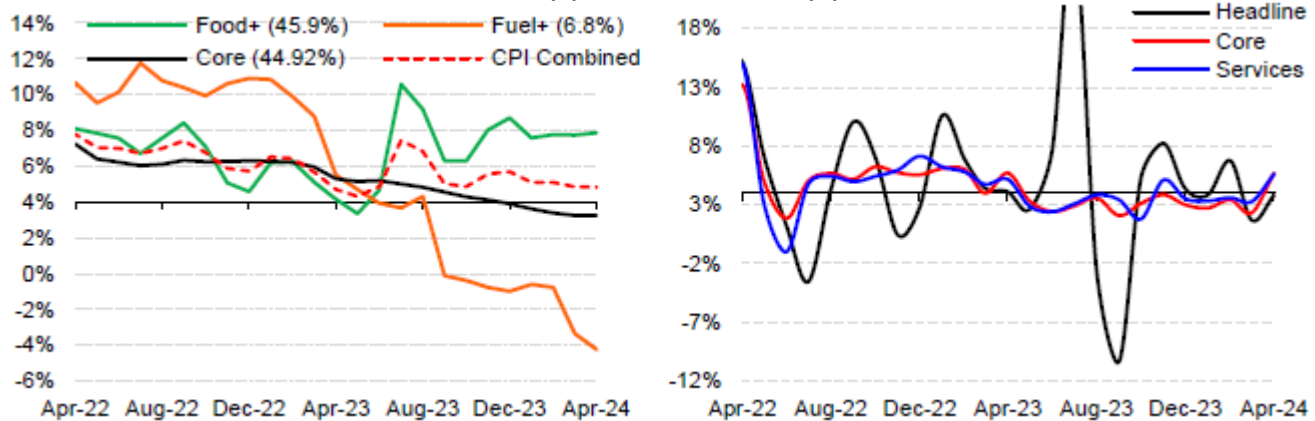


India Data CPI Update

CPI inflation at 4.83% - is core inflation even weaker?

India CPI inflation came in at 4.83% along expected lines, with limited impact of hot weather and limited water metrics on fruit and vegetable prices, and with continued core disinflation despite sharply higher gold and silver prices. The numbers now indicate core inflation printing below 4% for the entirety of FY25. Inflation risks not materialising in this period could weaken arguments used in monetary policy setting.

Exhibit: Details of India CPI inflation YoY% (L), and MoM saar% (R)



Source: Axis Bank Business and Economic Research

India CPI inflation prints at 4.83%, along expected lines

India Apr CPI inflation of 4.83% was on expected lines, with limited increase of vegetable and fruit prices as seen in high-frequency data, despite hot conditions with constrained water storage and soil moisture. Numbers were due to higher than seasonal increases in headline and core prices on a monthly basis, though offset by similar increases in the same period last year. These trends saw inflation in vegetables hold steady, in fruits tick up, and in pulses and spices slow down. Disinflation in oils and fats also slowed considerably, given pickup in global prices over the month (domestic edible oils track movements in global prices). However, rice, some millets, and a number of vegetables and pulses remain in double digits.

Core inflation continues below expectations, despite gold and silver

Data showed core inflation at 3.2%, despite a 3% jump in personal care and effects over the month driven by higher gold and silver prices. Continued core disinflation was driven by weaker recreation and limited increases elsewhere, as well as the known effects of an equally large monthly increase in Apr'23. A look at core inflation metrics shows continued high-quality disinflation seen across exclusion-based metrics, diffusion indicators, and trimmed mean measures. However, sequential core inflation (MoM saar%) indicated some pickup over the month – figures in May will need to be seen to capture the trend with more stable gold and silver prices (so far at least). However, the contrast with food inflation which remains elevated with a chunky portion above 10%, is still stark.

Continued core disinflation may indicate weaker than expected trajectory

Core inflation has been coming below expectations for many months now, even after carefully looking at individual figures as well as after adjusting for higher prices of precious metals. This indicates subdued pricing power, partly on limited consumption growth – with the low-quality monsoon as well as likely diversion of household spending towards construction as seen in national accounts data. Even with considering a recovery in demand with a better monsoon, core inflation is likely to now print below 4% for the whole of FY25, barring shocks in prices of petrol and diesel at the pump and other increased services prices – though with limited labour market strength, justifying this assumption is becoming difficult. If inflation risks do not materialize later in the year with better demand and higher commodity prices, the argument of inflation risks in setting monetary policy might weaken substantially.

Disclaimer:

The report and information contained herein is of confidential nature and meant only for the selected recipient and should not be altered in any way, transmitted to, copied or distributed, in any manner and form, to any other person or to the media or reproduced in any form, without prior written approval of Axis Bank. The material in this document/report is based on facts, figures and information that are obtained from publicly available media or other sources believed to be reliable and hence considered true, correct, reliable and accurate but Axis Bank does not guarantee or represent (expressly or impliedly) that the same are true, correct, reliable and accurate, not misleading or as to its genuineness, fitness for the purpose intended and it should not be relied upon as such. The opinion expressed (including estimates, facts, figures and forecasts) is given as of the date of this document is subject to change without providing any prior notice of intimation. Axis Bank shall have the rights to make any kind of changes and alterations to this report/ information as may be required from time to time. However, Axis Bank is under no compulsion to maintain or keep the data/information updated. This report/document does not mean an offer or solicitation for dealing (purchase or sale) of any financial instrument or as an official confirmation of any transaction. Axis Bank or any of its affiliates/ group companies shall not be answerable or responsible in any way for any kind of loss or damage that may arise to any person due to any kind of error in the information contained in this document or otherwise. This document is provided for assistance only and should not be construed as the sole document to be relied upon for taking any kind of investment decision. The recipient is himself/herself fully responsible for the risks of any use made of this information. Each recipient of this document should make his/her own research, analysis and investigation as he/she deems fit and reliable to come at an independent evaluation of an investment in the securities of companies mentioned in this document (including the merits, demerits and risks involved), and should further take opinion of own consultants, advisors to determine the advantages and risks of such investment. The investment discussed or views expressed herein may not suit the requirements for all investors. Axis Bank and its group companies, affiliates, directors, and employees may: (a) from time to time, have long or short positions in, and deal (buy and/or sell the securities) thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn commission/brokerage or other compensation or act as advisor or lender/borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. The applicable Statutory Rules and Regulations may not allow the distribution of this document in certain jurisdictions, and persons who are in possession of this document, should inform themselves about and follow, any such restrictions. This report is not meant, directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would not be in conformation to the law, regulation or which would require Axis Bank and affiliates/ group companies to obtain any registration or licensing requirements within such jurisdiction. Neither Axis Bank nor any of its affiliates, group companies, directors, employees, agents or representatives shall be held responsible, liable for any kind of consequential damages whether direct, indirect, special or consequential including but not limited to lost revenue, lost profits, notional losses that may arise from or in connection with the use of the information. Prospective investors and others are cautioned and should be alert that any forward-looking statements are not predictions and may be subject to change without providing any notice. Past performance should not be considered as a reference to future performance. The disclosures of interest statements if any included in this document are provided only to enhance the transparency and should not be construed as confirmation of the views expressed in the report. The views expressed in this report reflect the personal views of the author of the report and do not reflect the views of Axis Bank or any of its associate and group companies about the subject company or companies and its or their securities.

This document is published by Axis Bank Limited ("Axis Bank") and is distributed in Singapore by the Singapore branch of Axis Bank. This document does not provide individually tailored investment advice. The contents in this document have been prepared and are intended for general circulation. The contents in this document do not take into account the specific investment objectives, financial situation, or particular needs of any particular person. The securities and/or instruments discussed in this document may not be suitable for all investors.

Axis Bank recommends that you independently evaluate particular investments and strategies and encourages you to seek advice from a financial adviser regarding the suitability of such securities and/or instruments, taking into account your specific investment objectives, financial situation and particular needs, before making a commitment to purchase any securities and/or instruments. This is because the appropriateness of a particular security, instrument, investment or strategy will depend on your individual circumstances and investment objectives, financial situation and particular needs. The securities, investments, instruments or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them.

This document is not an offer to buy or sell or the solicitation of an offer to buy or sell any security and/or instrument or to participate in any particular trading strategy. Axis Bank, its associates, officers and/or employees may have interests in any products referred to in this document by acting in various roles including as distributor, holder of principal positions, adviser or lender. Axis Bank, its associates, officers and/or employees may receive fees, brokerage or commissions for acting in those capacities. In addition, Axis Bank, its associates, officers and/or employees may buy or sell products as principal or agent and may effect transactions which are not consistent with the information set out in this document.

Axis Bank and its affiliates do business that relates to companies and/or instruments covered in this document, including market making and specialized trading, risk arbitrage and other proprietary trading, fund management, commercial banking, extension of credit, investment services and investment banking. Axis Bank sells to and buys from customers the securities and/or instruments of companies covered in this document as principal or agent.

Axis Bank makes every effort to use reliable and comprehensive information, but makes no representation that it is accurate or complete. Axis Bank has no obligation to inform you when opinions or information in this document change. Facts and views presented in this document have not been reviewed by, and may not reflect information known to, professionals in other Axis Bank business areas, including investment banking personnel. Axis Bank accepts no liability whatsoever for any loss or damage of any kind arising out of the use of the contents in this document. Axis Bank's comments are an expression of opinion. While Axis Bank believes the statements to be true, they always depend on the reliability of Axis Bank's own credible sources.

Disclaimer for DIFC branch:

Axis Bank, DIFC branch is duly licensed and regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority ("DFSA"). This document is intended for use only by Professional Clients (as defined by Rule 2.3.2 set out in the Conduct of Business Module of the DFSA Rulebook) who satisfy the regulatory criteria set out in the DFSA's rules, and should not be relied upon, acted upon or distributed to any other person(s) other than the intended recipient.

Axis Bank Ltd. is acting as an AMFI registered Mutual Fund Distributor under the ARN code of ARN-0019