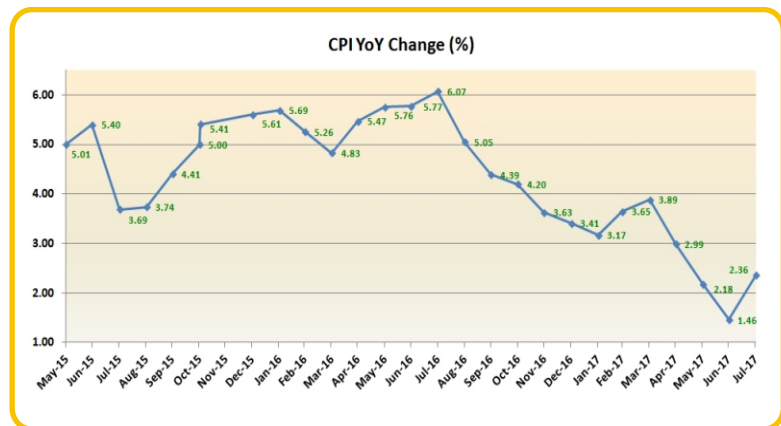


Update on India Economic Indicators

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Retail inflation rebounds in July'17

- The Consumer Price Index (CPI) based inflation for India expanded in the month of July'17. It stood at 2.36% (provisional) in July 2017 compared with 1.46% recorded in the previous month. The retail inflation for June'17 underwent final revision. The Core CPI inflation climbed to 4% in July 2017 from 3.9% in June 2017.
- The spike in retail inflation can be majorly attributed to food inflation (-0.29% from -2.12% in June'17) led by a major rise in vegetable prices from -3.57% from -16.53% previous month. Fruits prices(2.83% from 1.98% MoM) also grew. Food and beverages grew to 0.43% from -1.17% in June'17. Pan Tobacco and intoxicants prices increased (6.39% from 5.62%) in July'17. On the other hand, cereals price rise remains muted(3.97% from 4.39% in June'17) and pulses (-24.75% from -21.86% in June'17) continued to de-grow. Besides Meat and fish (3.19% from 3.59%), Egg (-2.04% from -0.16%), Milk products (3.82% from 4.15%), Oils and fats (1.55% from 2.34%) and Spices (-1.67% from -0.73%) prices decreased.
- Sugar prices witnessed a decline of 8.27% in July'17 compared to 8.83% in June'17. The hardening of sugar prices can be ascribed to increased domestic supplies in the country.



- Inflation in fuel and light increased in the month of July'17 (4.86% from 4.46% in June'17) owing to rise in international oil prices.
- The inflation rates of non-food components have increased in the month of July as compared to previous month. Inflation in housing recording a growth rate of 5% from 4.7% in June'17, clothing and footwear at 4.2%, education at 4.5%. On the other hand, personal care at 3.43% and miscellaneous items remained unchanged at 3.3% in July'17, Transport and communication also declined from 2.01% in June'17 to 1.76% in July'17.

Outlook

- With the volume of monsoon rainfall near normal, its uneven geographical spread poses a concern particularly in the South Peninsula. The MoM hardening of vegetable prices is also another threat.
- The staggered impact on the housing index of CPI, revision in HRA of central govt. employees is likely to push up housing inflation further coming year. This will remain a key upside risk on the CPI inflation trajectory.
- Based on the spike of retail inflation RBI is unlikely to make any further rate cuts in its upcoming policy during 3rd Bimonthly policy in October'17.

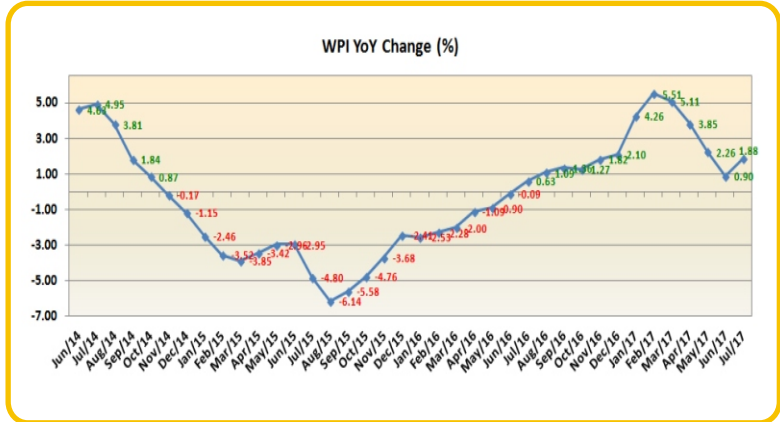
Retail inflation for major items in the past 6 months

Group	Feb-17	Mar-17	April-17	May-17	June-17	July-17(Prov)
CPI	3.65	3.89	2.99	2.18	1.46*	2.36
Food & beverages	2.39	2.54	1.29	-0.22	-1.17	0.43
Pan tobacco & intoxicants	6.25	6.30	6.05	6.17	5.62	6.39
Clothing & footwear	4.38	4.52	4.58	4.41	4.17	4.22
Housing	4.9	4.96	4.86	4.84	4.7	4.98
Fuel & lighting	3.9	5.47	6.13	5.46	4.46*	4.86
Miscellaneous	4.79	4.86	4.25	3.81	3.29	3.28

*Revised

WPI inflation rises for the month of July'17

- The wholesale price index (WPI) based inflation rate for the month of July'17 rose to 1.9% in July'17 from the 11 month low 0.90% in the previous month. The core WPI came in at 2.1% during July'17 inching up from 2.0% in June'17.
- The higher inflation print for the month can be ascribed to sharp turnaround in the inflation for the minerals and primary food articles. The inflation in primary articles increased from -3.86% in June'17 to 0.46%.
- The spike in primary articles is aided by increase in inflation in food articles. The food inflation in the month expanded by 2.1% compared with 3.5% in June'17. The sub-categories in food articles which recorded rise in inflation were vegetables(21.9% from -21.2% in June'17), fruits(2.7% from -0.1% in June'17),eggs, meat and fish(3.3% from 1.9% in June'17),condiments & spices(-16% from 16.8%).However prices softened in case of pulses (-32.6% from -25.5%),other food articles (-3.7% from -1.4%), cereals (0.6% from 1.9%), milk(3.5% from 4.1%) during June'17.
- The non-food articles inflation decreased at -6.3% in July'17 against -5.15% in June'17. The decline is primarily due to reduction in inflation in all segments such as minerals (-2.02% to 24.84% in July'17), fibres (-5.2% from 3.1%), oilseeds (-13.6% from -13%).
- Owing to declining global crude oil prices, the inflation in fuel and power eased in July'17 to 4.37% from 5.28% in June'17. Inflation in LPG contracted to 0.28% from 0.70% previous month, high speed diesel declined to 5.49% from 7.07% in June'17.
- Manufactured products exhibited moderation in inflation at 2.18% in July'17 from 2.27% in June'17.
- Sugar prices fell to 8.44% from 10.71% inflation in June'17. Decline in sugar prices can be ascribed to sufficient availability of domestic supplies in the country as well as impact of GST on sugar prices which went down from 8% to 5%.



Outlook

- With the volume of monsoon rainfall near normal, its uneven geographical spread poses a concern particularly in the South Peninsula. The decline in sowing of various crops like pulses, cereals and oilseeds may affect the prices further exerting some upward pressure on WPI in coming months.
- Based on the spike of both retail and wholesale inflation, RBI is unlikely to make any further rate cuts in its upcoming policy during 3rd Bimonthly policy in October'17.

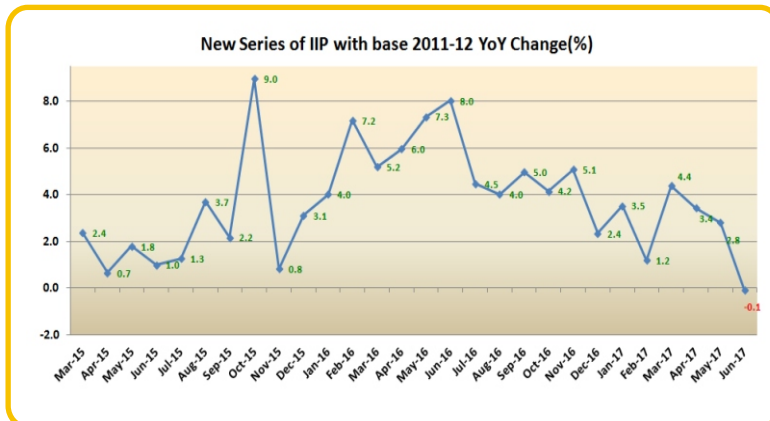
WPI inflation for major items in the past 6 months

Group	Feb-17	Mar-17	April-17	May'17	June'17	July'17(Prov)
All Commodities	5.51	5.11	3.85	2.26	0.9	1.88
Primary Articles	4.01	3.33	1.03	-1.71	-3.86	0.46
Food Articles	2.55	3.15	0.58	-2.13*	-3.47	2.15
Non Food Articles	4.65	3.83	-0.08	-0.91	-5.15	-6.32
Fuel & Power	25.17	22.35	17.11	11.81	5.28	4.37
Manufactured products	3.23	3.22	3.11	2.55	2.27	2.18

*Revised

IIP growth shrinks 0.1% in June, hits 4 year low

- The economy witnessed some contraction in industrial output mainly due to destocking of inventories ahead of Goods and Services Tax (GST) implementation in the country. The industrial output, measured via Index of Industrial Production (IIP) growth, contracted at -0.1% in June'17 as against 8.0% growth in June'16.
- Industrial growth is dragged down by contraction in the manufacturing sector though the fall has been capped by positive growth in the electricity sector. With regard to used based classification, the negative growth in primary, capital, intermediate and consumer durables have led to contraction in industrial output during the month.
- The manufacturing sector grew at subdued rate at -0.4% in June'17. On the other hand electricity segment grew at 2.1% during June'17. The mining sector registered a meagre growth of 0.4% during June'17.
- In terms of industries, 15 out of the 23 industry groups in the manufacturing sector have shown decline during the month of June'17 as compared to the corresponding month of the previous year. The industry group 'Manufacture of electrical equipment' has shown the highest fall of (-) 20.1 % followed by (-) 11.1 % in 'Manufacture of fabricated metal products, except machinery and equipment' and (-) 10.5 % in 'Printing and reproduction of recorded media'. On the other hand, the industry group 'Other manufacturing' has shown the highest positive growth of 28.1 % followed by 19.2% in 'Manufacture of pharmaceuticals, medicinal chemical and botanical products' and 11.7% in 'Manufacture of furniture'.
- In Use based classification, Primary goods that have highest weight in the IIP (34.05%) contracted at -0.2% during the month of June'17. The capital goods have contracted by -6.8% in June'17. On similar note the intermediate goods recorded decline of -0.6% in June'17.
- Consumer durables have contracted on monthly basis (-2.1% in June'17) compared to 4.55% in June'16. The contraction has majorly come from destocking of inventories by producers before the GST. Consumer non-durables have recorded highest growth of 4.9% in June'17. The growth in June'17 is however subdued compared to 11.4% growth in the comparable month in FY16.



Outlook

The industrial growth the upcoming months is likely to be guided by government spending. Since the Goods and Services Tax (GST) has already kicked in, the restocking of inventories will take place that is likely to boost industrial output. In addition, favourable monsoon with higher crop output and allowances paid due to 7th pay commission implementation is likely to push consumer demand in the second half of the year.

IIP growth in the past 6 months at base 2011-12

SECTOR	Jan-17	Feb-17	Mar-17	Apr-17	May-17	June-17(Prov)
All Industries	3.53	1.19	4.39	3.43	2.8	-0.08
Mining & Quarrying	8.64	4.64	10.09	3.23	0.2	0.41
Manufacturing	2.5	0.67	3.27	3.16	2.61	-0.41
Electricity	5.15	1.2	6.2	5.39	8.29	2.15

*Revised

India's trade deficit widens to \$11.45 billion in July

EXPORTS

- India's merchandise exports rose 3.9% to US\$ 22,543.80 million in July'17 over US\$21,689.57 million in July'16. Meanwhile, merchandise export in rupee terms were valued at Rs 1,45,308.10 Cr compared to Rs 1,45,770.30 Cr during July'16 registering a decline of 0.32%.
- Amongst major items, the engineering goods recorded an increase in exports by 15.2%, followed by petroleum products 20.3%, organic & inorganic chemicals 20.7%, marine products 30.5%, rice 20.9%, and cotton yarn/fabrics/made-ups, handloom products etc. 5.4%. The exports also moved up for plastic & linoleum by 7.9%, fruits & vegetables 14.8% and meat, dairy & poultry products 3.3% in July'17. Further, the exports gained for leather & leather products by 1.7%, spices 2.8%, man-made yarn/fabrics/made-ups etc 0.1% and ceramic products & glassware 0.1% in July'17.
- However, the exports declined for gems & jewellery by 22.7%, RMG of all textiles 11.9%, drugs & pharmaceuticals 5.4%, mica, coal & other ores, minerals including processed minerals 2.3%, and electronic goods 0.4% to in July'17.

IMPORTS

- Imports during July'17 were valued at US\$ 33,993.61 million (Rs 2,19,108.89 crore) which was 15.42% higher in Dollar terms and 10.70% higher in Rupee terms over the level of imports valued at US\$ 29,450.97 million (Rs. 1,97,932.93 crore) in July'16.
- Among the non-oil imports, the major contributors to the overall rise in imports were gold imports rising 95.1%, silver rising 222.15%, electronic goods 22.5%, coal 52.0%, iron & steel 42.7%, metaliferrous ores & other minerals 64.1%, organic & inorganic chemicals 16.0% and non-ferrous metals 26.6%. The imports also improved for electrical & non-electrical machinery by 7.3%, vegetable oil 18.5%, artificial resins, plastic materials etc 16.7%, pearls, precious & semi-precious stones 6.9% and chemical material & products 19.2%.
- However, the imports have declined for transport equipment by 1.2%, medicinal & pharmaceutical products 15.5% and fertilizers, crude & manufactured 25.7% in July'17.
- Oil imports moved up 15.02% to US\$ 7844.94 million from US\$ 6,820.34 million in July'16.

TRADE BALANCE

- Indian trade deficit expanded during July'17 at \$11,449.81 million vs \$7761.4 million in July'16 due to the spurt in imports. On the contrary, trade deficit narrowed on a month-over-month basis from \$12,959.86 million in June'17.

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