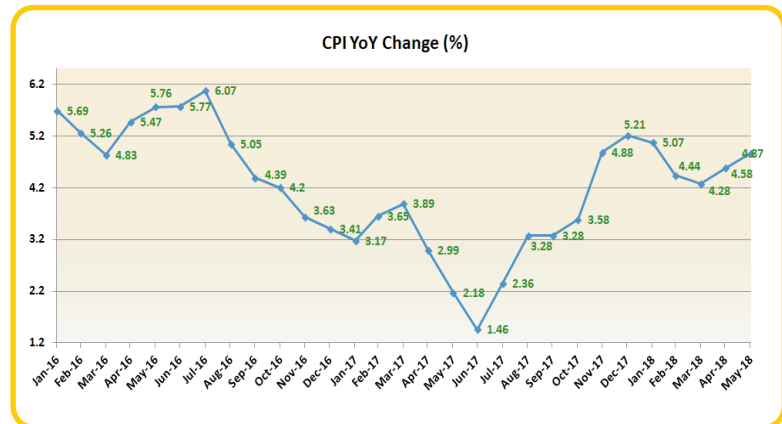


Update on India Economic Indicators

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CPI accelerates to 4 months high in May'18

- Retail inflation as measured by the consumer price index (CPI) at 4.87% in May'18 is at a 4 month high and was 2.69% higher than that in May'17. The core CPI excluding food and beverages and fuel and light rose to a 46 month high 6.2% in May 2018 from 5.9% in April 2018.
- Food inflation came in at 3.37% in May'18, a 3 month high and was driven by the rise in prices of vegetable (8.04%) and fruits (12.33%). The increase in food inflation in May'18 can be attributed in part to the low base. Food inflation in May'17 was a low (-)0.22%.
- Owing to excess supply, pulses (-11.57%) and sugar (-8.12%) continued to see contraction in prices level (yoy basis). The prices of pulses have contracted for the last 18 months while sugar prices have declined for the last 4 months in a row. Other food items which fell were meat & fish (-3.53%), milk and products -3.2%, egg (-5.78%).



- Housing inflation eased at 8.4% during the May'18. It has been ruling in the range of 8.2-8.5% since Dec'17. It however is nearly 70% higher than that in the previous year. The higher price movement in these segments is on account of the statistical base effect of the HRA implementation of the 7th pay commission. The impact of this is likely to start easing after 3-4 months
- Fuel price inflation came in at a 3 month high of 5.8% in May'18 and can be ascribed to the movement in global energy prices.
- The increases in inflation of education, health, transport & communication and personal care have also pushed up overall inflation.
- Core inflation (excluding food & fuel) has seen a near sustained increase since Jul'17. The last 2 months saw a notable increase in core inflation. The core inflation has surpassed the upper bands of the RBI's target for CPI target and is an area of concern.

Outlook

- The sustained increase in inflation and building concerns over the same could prompt the RBI to undertake further monetary tightening in the coming months.
- Food inflation would be largely contingent on the progress and spread of the monsoons in the coming months. Inflation is likely to be pressured in the next 2 months and could see some easing from August'18 onwards provided global oil prices remain stable.

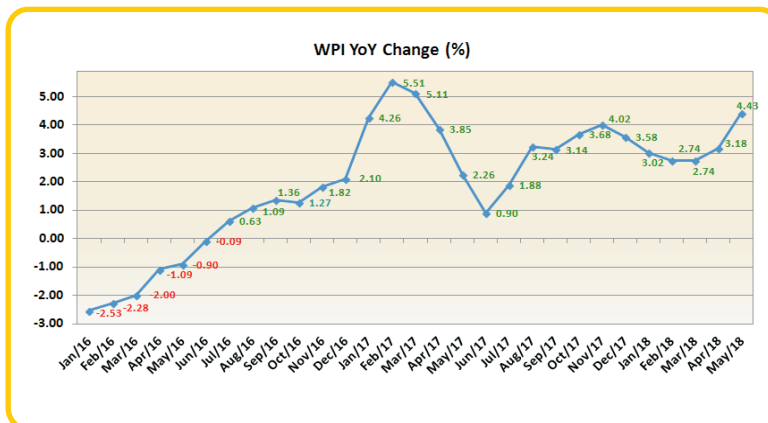
Retail inflation for major items in the past 6 months

Group	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18(Prov)
CPI	5.21	5.07	4.44	4.28	4.58	4.87
Food & beverages	4.85	4.58	3.46	3.08	3.0	3.7
Pan tobacco & intoxicants	7.76	7.58	7.27	7.72	7.91	8.0
Clothing & footwear	4.87	4.94	4.93	4.91	5.11	5.47
Housing	8.25	8.33	8.28	8.31	8.5	8.4
Fuel & lighting	7.90	7.73	6.88	5.73	5.16*	5.8
Miscellaneous	3.79	3.78	3.85	4.16	4.96	5.35

*Revised

WPI inflation rises to 14-month high of 4.43% in May'18

- The WPI inflation increased sharply to 4.43% in May 2018 from 3.18% in April 2018, led by uptick in manufactured non-food products, as well as an expected rise in crude petroleum and natural gas, fuel and power, and minerals.
- Core Inflation rose to a series high print of 4.4% in May 2018 from 3.6% in April 2018, reflecting the pass through of higher input costs and a weaker INR.
- Inflation for fuel and power rose to 11.2% in May 2018 (+11.8% in May 2017) from 7.9% in April 2018. This was on account of rise in petrol (13.9% from 9.45%) and LPG (-0.74% from -11.73%).
- The YoY inflation for minerals increased sharply to 15.6% in May 2018 (+8.0% in May 2017) from 4.6% in April 2018.
- Primary non-food articles narrowed to 0.6% in May 2018 from 1.8% in April 2018, reflecting the trend for fibres (to -0.8% from -3.8%), oil seeds (to +8.1% from +6.5%).
- Inflation for primary food articles rose to 1.6% in May 2018 (-2.1% in May 2017) from 0.9% in April 2018, partly on account of an unfavorable base effect. The YoY inflation increased in sequential terms in May 2018 for vegetables (to +2.5% from -0.9%), condiments and spices (to +4.5% from +0.6%), eggs, meat and fish (to +0.1% from -2.0%), cereals (to +1.7% from +0.2%), pulses (to -21.1% from -22.5%), milk (to +2.3% from +2.5%) and other food articles (to -6.7% from -7.1%). However, this was partly offset by a dip in WPI inflation for fruits to 15.4% in May 2018 from 19.5% in the previous month.
- In contrast, inflation for manufactured food products softened mildly to 0.2% in May 2018 from 0.3% in April 2018, led by sugar (to -19.5% from -15.6%), dairy products (to -2.3% from -1.6%) and bakery products (to -2.3% from -1.6%), which was partially offset by the rise in inflation for manufacture of vegetable and animal oil (to +13.2% from +10.8%).
- The index for Crude Petroleum & Natural Gas rose by 7.3 percent due to higher price of crude petroleum (9%) and natural gas (3%).



OUTLOOK

- Available trends suggest a pickup in prices of vegetables such as potatoes and tomatoes, and cereals, offset by a continued correction in the prices of onions, pulses and sugar in the current month.
- Other key factors that would influence the inflation trajectory in the immediate term include the early trend in the monsoon dispersion and the extent of change in minimum support prices.
- While crude oil prices have eased somewhat in June 2018 relative to the previous month, the rise in the average retail prices of petrol and diesel would likely push the WPI inflation in June 2018.

WPI inflation for major items in the past 6 months

Group	Dec'17	Jan'18	Feb'18	Mar'18	April'18	May'18(Prov)
All Commodities	3.58	3.02	2.74	2.74*	3.18	4.43
Primary Articles	3.86	2.53	0.79	0.87*	1.41	3.16
Food Articles	4.72	3.15	0.95	-0.22*	0.87	1.6
Non Food Articles	-0.17	-1.31	-2.58	1.48*	-1.81	-0.58
Fuel & Power	8.03	4.73	4.55	4.7	7.85	11.22
Manufactured products	2.79	2.96	3.31*	3.12*	3.11	3.73

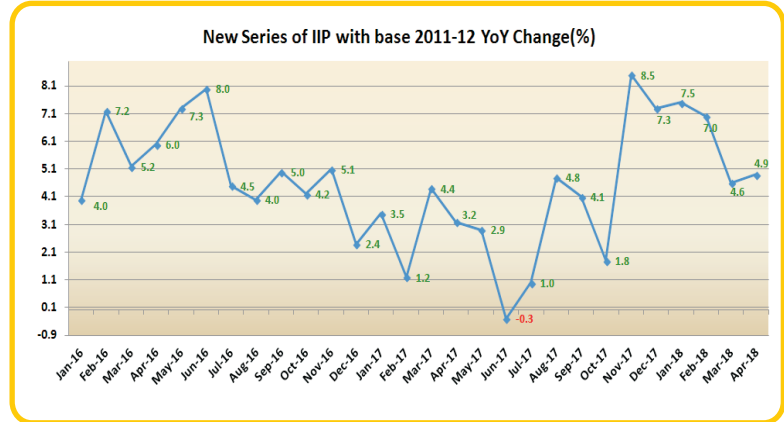
*Revised

India's Industrial Output Rises 4.9% in April

In April'18, the industrial output grew by 4.9%. The IIP growth for the month is higher 3.2% growth witnessed in April'17. However, it is lower than 6% growth registered in April'16. The growth during the month has been broad based and is driven by manufacturing, capital goods, infra/construction goods and consumer non-durables.

On the sectoral basis, Mining and manufacturing sector both index-heavyweights grew at a higher pace than the overall IIP growth. The manufacturing sector, which has highest weight in IIP (77.63%), grew by 5.2% compared with 2.9% growth in April'17.

Within the manufacturing sector, 9 out of 23 industries recorded higher growth than average manufacturing sector growth of 5.2%. Computer, electronic and optical products (27.5%), motor vehicles, trailers and semi-trailers (21.9%), and food products (15.7%) registered highest growth in April'18. Basic metals which have highest weight in manufacturing grew at a slower pace of 3.9% compared with overall manufacturing growth. Textiles (-1.6%), rubber and plastic products (-10.2%) and wearing apparels (-13.4%) curtailed the overall growth in the manufacturing.



Mining sector grew at 5.1% in April'18 as against 3.1% growth in April'17.

The growth in electricity declined for the consecutively 2nd year. It grew by 2.1% lower than 14.4% in April'16 and 5.4% in April'17.

Within the used based classification, primary goods, Intermediate goods and consumer durables growth was below the overall IIP growth while capital goods, infra goods and consumer non-durables outperformed in April'18.

Primary goods which have highest weight in IIP grew at 3.1%, marginally higher than 3% growth in April'17.

Capital goods that have lowest weight in IIP grew by substantial 13% compared with a contraction by -4.8% in the comparable month in the previous year.

Intermediate goods grew at 1.6% lower than 3.6% in April'17 while the growth in consumer durables was at 4.3%.

Infrastructure/construction goods grew at 7.5%, higher than 4.7% growth in April'17.

Consumer non-durables grew at 7% higher than IIP growth but lower than 8.8% growth in the comparable month in FY18.

Outlook

There is sustained spending on infra especially by the government and consumer demand continuing to pick up in the coming months However, IIP growth may slip somewhat in May 2018, despite a favourable base effect, led by some moderation in the growth of manufacturing.

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

SECTOR	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	April(Prov)
All Industries	8.5	7.3	7.5*	7.0	4.6*	4.9
Mining & Quarrying	1.4	1.2	0.3*	-0.4	3.1	5.1
Manufacturing	10.4	8.7	8.7*	8.5	4.7*	5.2
Electricity	3.9	4.4	7.6	4.5	5.9*	2.1

*Revised

India's trade deficit widens to 4 months high in May'18

- Exports during May 2018 were valued at US \$ 28.86 Billion as compared to US \$ 24.01 Billion during May 2017 registering a positive growth of 20.18%. In Rupee terms, exports were valued at Rs. 194928.45 crore in May 2018 as compared to Rs. 154713.69 crore during May 2017, posting a positive growth of 25.99 %.
- During May 2018, major commodity groups of export showing positive growth over the corresponding month of last year were Engineering goods (14.77%), Petroleum products (104.5%), Organic Inorganic chemicals (34.21%), Drugs and Pharma (25.67%).
- Non-petroleum and Non Gems and Jewellery exports during May 2018 were valued at US \$ 19.94 Billion as compared to US \$ 17.51 Billion during May 2017 exhibiting a positive growth of 13.85 %.
- Imports during May 2018 were valued at US \$ 43.48 Billion (Rs 293660.48 crore) which was 14.85 % higher in Dollar terms and 20.41 % higher in Rupee terms over the level of imports valued at US \$ 37.86 Billion (Rs. 243888.74 crore) in May 2017.
- Major commodity groups of import showing high growth in May 2018 over the corresponding month of last year were petroleum and crude products (49.46%), electronic goods (19.93%) and machinery, electrical and non electrical goods (30.86%).
- Oil imports during May 2018 were valued at US \$ 11.50 Billion (Rs. 7754.11 crore) which was 49.46 % higher in Dollar terms and 56.69 % higher in Rupee terms compared to US \$ 7.69 Billion (Rs. 49560.16 crore) in May 2017.
- Non-oil imports during May 2018 were estimated at US \$ 31.98 Billion (Rs. 216006.37 crore) which was 6.03 % higher in Dollar terms and 11.16 % higher in Rupee terms compared to US \$ 30.16 Billion (Rs. 194328.58 crore) in May 2017.
- Non-Oil and Non-Gold imports in May 2018 valued at US \$ 28.50 billion has recorded a positive growth of 13.09% as compared to the same in May 2017.

TRADE BALANCE

Although there was expansion in export during May'18, India trade deficit widened at \$14.62 billion vs \$13.84 billion in May'17. On a similar note, trade deficit widened on a month-over-month basis from \$13.72 billion in April'18.

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