

# Economics

## Inflation risks continue to ebb

**Key takeaway:** The headline CPI print for Jan-24 moderated to 5.1% YoY from 5.69% in Dec-23 on the back of moderating food prices, predominantly perishables. A consistent downtrend in core CPI will likely comfort the RBI, although a rate cut looks unlikely till the headline inflation moves durably closer to 4%. The recent strong data from the US and push-back of rate cut expectations should also keep the RBI guarded against early policy easing. We reiterate 'change in stance' by the MPC in Q1FY25, with first cut in Q2 and overall 75bps cut for FY25E. We retain our inflation estimate at 5.3% for FY24E and see FY25E CPI averaging at 4.5%.

### Core inflation, lowest since Dec-19; headline declines MoM

Jan-24 headline inflation came in at 5.1% YoY versus 5.69% in Dec-23, declining MoM for two months, led by food and beverages deflation as vegetable and spices witnessed deflation by 4.2% and 1.26% MoM. Pulses inflation declined by 0.92% MoM – the first drop since Feb-23, indicating that the decade-high YoY pulses import growth in Q3FY24 has started to impact pulse prices positively. The food basket that can potentially un-anchor household inflation expectations – comprising vegetables, pulses, spices, oils and fats – declined by 1.77% MoM in Jan-24 on an average versus Apr-Dec FY24 average inflation of 1.7%.

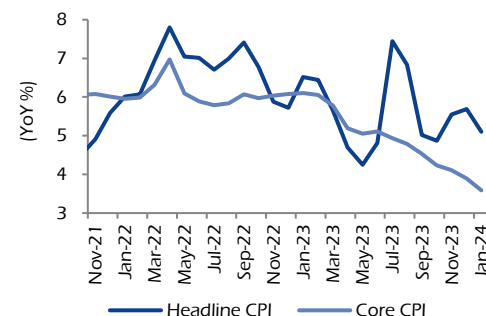
Core CPI continued its downward trajectory with Jan-24 print coming in at 3.59% YoY versus 3.89% in Dec-23, easing from 12-month high of 6.05% in Feb-23. Personal care and effects, and households goods and services components dropped sequentially MoM by 43bps, and 11bps each respectively. Overall global commodity prices declined for the third straight month in Jan-24 on YoY basis, indicating that upside risks to wholesale prices may remain at bay in the upcoming months, which bodes well for core inflation.

### Retain FY24E CPI at 5.3%; first rate cut by RBI likely in Q2FY25

Despite the easing inflation trajectory, the transition to rate cut cycle is expected to be gradual, with change in stance in Q1FY25 and first rate cut in Q2, as the MPC maintains an unwavering focus on durably maintain 4% inflation target and looks for signals from the Federal Reserve regarding the timing of the first rate cut.

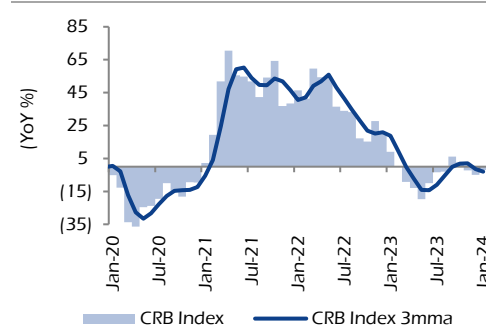
In our view, food prices continue to remain the primary risk to overall inflation situation in India for FY25, but 79% chance of transition from El Nino to ENSO-neutral situation (source: NOAA) provides hope of less adverse shocks to the monsoons. While commodity prices remain muted and geopolitical tensions are yet to hurt the supply side, potential flash points resulting in escalation and elongated uncertainties warrants caution. A downtrend in core CPI remains the key tailwind, along with expected muted crude oil prices.

### Headline and core inflation easing



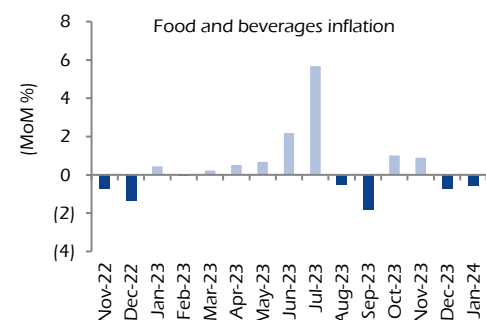
Source: CEIC, Elara Securities Research

### Commodity deflation continues



Source: CEIC, Elara Securities Research.

### Food inflation down for two months now



Source: CEIC, Elara Securities Research

## Disclosures & Confidentiality for non U.S. Investors

The Note is based on our estimates and is being provided to you (herein referred to as the "Recipient") only for information purposes. The sole purpose of this Note is to provide preliminary information on the business activities of the company and the projected financial statements in order to assist the recipient in understanding / evaluating the Proposal. Nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. Nevertheless, Elara Securities (India) Private Limited or any of its affiliates is committed to provide independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Elara Securities (India) Private Limited or any of its affiliates have not independently verified all the information given in this Note and expressly disclaim all liability for any errors and/or omissions, representations or warranties, expressed or implied as contained in this Note. The user assumes the entire risk of any use made of this information. Elara Securities (India) Private Limited or any of its affiliates, their directors and the employees may from time to time, effect or have effected an own account transaction in or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for or solicit investment banking or other business from any company referred to in this Note. Each of these entities functions as a separate, distinct and independent of each other. This Note is strictly confidential and is being furnished to you solely for your information. This Note should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This Note is not 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 be contrary to law, regulation or which would subject Elara Securities (India) Private Limited or any of its affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. Upon request, the Recipient will promptly return all material received from the company and/or the Advisors without retaining any copies thereof. The Information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This Information is subject to change without any prior notice. Elara Securities (India) Private Limited or any of its affiliates reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Elara Securities (India) Private Limited is under no obligation to update or keep the information current. Neither Elara Securities (India) Private Limited nor any of its affiliates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. This Note should not be deemed an indication of the state of affairs of the company nor shall it constitute an indication that there has been no change in the business or state of affairs of the company since the date of publication of this Note. The disclosures of interest statements incorporated in this document are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. Elara Securities (India) Private Limited generally prohibits its analysts, persons reporting to analysts and their family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Any clarifications / queries on the proposal as well as any future communication regarding the proposal should be addressed to Elara Securities (India) Private Limited. It is important to note that any dispute with respect to this research report, would not have access to stock exchange investor redressal forum or arbitration mechanism.

Elara Securities (India) Private Limited was incorporated in July 2007 as a subsidiary of Elara Capital (India) Private Limited.

Elara Securities (India) Private Limited is a SEBI registered Stock Broker in the Capital Market and Futures & Options Segments of National Stock Exchange of India Limited [NSE], in the Capital Market Segment of BSE Limited [BSE] and a Depository Participant registered with Central Depository Services (India) Limited [CDSL].

Elara Securities (India) Private Limited's business, amongst other things, is to undertake all associated activities relating to its broking business.

The activities of Elara Securities (India) Private Limited were neither suspended nor has it defaulted with any stock exchange authority with whom it is registered in last five years. However, during the routine course of inspection and based on observations, the exchanges have issued advise letters or levied minor penalties on Elara Securities (India) Private Limited for minor operational deviations in certain cases. Elara Securities (India) Private Limited has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has the certificate of registration been cancelled by SEBI at any point of time.

Elara Securities (India) Private Limited offers research services primarily to institutional investors and their employees, directors, fund managers, advisors who are registered or proposed to be registered.

Details of Associates of Elara Securities (India) Private Limited are available on group company website [www.elaracapital.com](http://www.elaracapital.com)

Elara Securities (India) Private Limited is maintaining arms-length relationship with its associate entities.

Research Analyst or his/her relative(s) may have financial interest in the subject company. Elara Securities (India) Private Limited does not have any financial interest in the subject company, whereas its associate entities may have financial interest. Research Analyst or his/her relative does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Elara Securities (India) Private Limited does not have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Associate entities of Elara Securities (India) Private Limited may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report. Research Analyst or his/her relative or Elara Securities (India) Private Limited or its associate entities does not have any other material conflict of interest at the time of publication of the Research Report.

Research Analyst or his/her relative(s) has not served as an officer, director or employee of the subject company.

Research analyst or Elara Securities (India) Private Limited have not received any compensation from the subject company in the past twelve months. Associate entities of Elara Securities (India) Private Limited may have received compensation from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities have not managed or co-managed public offering of securities for the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associates have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months. Research analyst or Elara Securities (India) Private Limited or its associate entities may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company or third party in connection with the Research Report in the past twelve months.

### Disclaimer & Standard warning

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

## Disclaimer for non U.S. Investors

The information contained in this note is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

## Disclaimer for U.S. Investors

This material is based upon information that we consider to be reliable, but Elara Capital Inc. does not warrant its completeness, accuracy or adequacy and it should not be relied upon as such.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

Certain statements in this report, including any financial projections, may constitute "forward-looking statements." These "forward-looking statements" are not guarantees of future performance and are based on numerous current assumptions that are subject to significant uncertainties and contingencies. Actual future performance could differ materially from these "forward-looking statements" and financial information.

<b>India</b> <b>Elara Securities (India) Pvt. Ltd.</b> One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500	<b>Europe</b> <b>Elara Capital Plc.</b> 6th Floor, The Grove, 248A Marylebone Road, London, NW1 6JZ, United Kingdom Tel : +44 20 7486 9733	<b>USA</b> <b>Elara Securities Inc.</b> 230 Park Avenue, Suite 2415, New York, NY 10169, USA Tel: +1 212 430 5870 Fax: +1 212 208 2501	<b>Asia / Pacific</b> <b>Elara Capital (Asia) Pte.Ltd.</b> One Marina Boulevard, Level 20, Singapore 018989 Tel : +65 6978 4047
--	---	---	--

<b>Harendra Kumar</b>	<b>Managing Director</b>	<b>harendra.kumar@elaracapital.com</b>	<b>+91 22 6164 8571</b>
<b>Sales</b>			
Ashok Agarwal	India	ashok.agarwal@elaracapital.com	+91 22 6164 8558
Hitesh Danak	India	hitesh.danak@elaracapital.com	+91 22 6164 8543
Karan Rathod	India	karan.rathod@elaracapital.com	+91 22 6164 8570
Lekha Nahar	India	lekha.nahar@elaracapital.com	+91 22 6164 8512
Prashin Lalvani	India	prashin.lalvani@elaracapital.com	+91 22 6164 8544
Shraddha Shrikhande	India	shraddha.shrikhande@elaracapital.com	+91 22 6164 8567
Sudhanshu Rajpal	India	sudhanshu.rajpal@elaracapital.com	+91 22 6164 8508
Joshua Saldanha	Asia	joshua.saldanha@elaracapital.com	+91 22 6164 8541
Anita Nazareth	Corporate Access, Conference & Events	anita.nazareth@elaracapital.com	+91 22 6164 8520
Tina D'souza	Corporate Access	tina.dsouza@elaracapital.com	+91 22 6164 8595
<b>Quantitative, Alternatives, Sales Trading &amp; Dealing</b>			
Sunil Jain	Quantitative & Alternates	sunil.jain@elaracapital.com	+91 22 6164 8531
Nandish Patel	Quantitative & Alternates	nandish.patel@elaracapital.com	+91 22 6164 8564
Biren Mehta	Head - Sales Trading	biren.mehta@elaracapital.com	+91 22 6164 8500
Kalpesh Parekh	India	kalpesh.parekh@ElaraCapital.com	+91 22 6164 8555
Manoj Murarka	India	manoj.murarka@elaracapital.com	+91 22 6164 8551
Anil Pawar	India	anil.pawar@elaracapital.com	+91 22 6164 8552
Nilesh Chheda	India	nilesh.chheda@elaracapital.com	+91 22 6164 8554
Nupur Barve	India	nupur.barve@elaracapital.com	+91 22 6164 8532

<b>Research</b>			
Dr Bino Pathiparampil	Head of Research	Healthcare, Pharmaceuticals, Strategy	bino.pathiparampil@elaracapital.com
Amit Purohit	Analyst	Building Materials, FMCG, Paints	amit.purohit@elaracapital.com
Ankita Shah	Analyst	Infrastructure, Ports & Logistics, Industrials	ankita.shah@elaracapital.com
Biju Samuel	Analyst	Quantitative & Alternate Strategy	biju.samuel@elaracapital.com
Gagan Dixit	Analyst	Aviation, Chemicals, Oil & Gas	gagan.dixit@elaracapital.com
Garima Kapoor	Economist		garima.kapoor@elaracapital.com
Harshit Kapadia	Analyst	Capital Goods, Consumer Electronics	harshit.kapadia@elaracapital.com
Jay Kale, CFA	Analyst	Auto & Auto Ancillaries	jay.kale@elaracapital.com
Karan Taurani	Analyst	Media & Entertainment, Alcobev, QSR, Internet	karan.taurani@elaracapital.com
Prakhar Agarwal	Analyst	Banking & Financials	prakhar.agarwal@elaracapital.com
Prashant Biyani	Analyst	Agrochemicals, Fertilisers, Hotels, Sugar	prashant.biyani@elaracapital.com
Prerna Jhunjunwala	Analyst	Textiles, Retail	prerna.jhunjunwala@elaracapital.com
Ravi Sodah	Analyst	Cement, Metals & Mining	ravi.sodah@elaracapital.com
Ruchi Mukhija	Analyst	IT Services	ruchi.mukhija@elaracapital.com
Rupesh Sankhe	Analyst	Utilities, Renewables, Capital Goods, Real Estate	rupesh.sankhe@elaracapital.com
Shweta Daptardar	Analyst	Diversified Financials, Non Lending Financials	shweta.daptardar@elaracapital.com
Saurabh Mitra	Sr. Associate	Cement, Metals & Mining	saurabh.mitra@elaracapital.com
Aditya Jaiswal	Associate	Strategy	aditya.jaiswal@elaracapital.com
Amogh Deshpande	Associate	Aviation, Chemicals, Oil & Gas	amogh.deshpande@elaracapital.com
Bhavi Shah	Associate	Cement, Metals & Mining	bhavi.shah@elaracapital.com
Gaurang Sakare	Associate	Healthcare, Pharmaceuticals	gaurang.sakare@elaracapital.com
Heet Van	Associate	Healthcare, Pharmaceuticals	heet.van@elaracapital.com
Himanshu Dhyawala	Associate	Diversified Financials, Non Lending Financials	himanshu.dhyawala@elaracapital.com
Jinesh Kothari	Associate	Infrastructure, Ports & Logistics	jinesh.kothari@elaracapital.com
Kartik Solanki	Associate	Banking & Financials	kartik.solanki@elaracapital.com
Ketul Dalal	Associate	Auto & Auto Ancillaries	ketul.dalal@elaracapital.com
Keval Shah	Associate	Strategy	keval.shah@elaracapital.com
Mudit Kabra	Associate	Capital Goods, Consumer Electronics	mudit.kabra@elaracapital.com
Nemish Sundar	Associate	Capital Goods, Consumer Electronics	nemish.sundar@elaracapital.com
Nishant Chowhan, CFA	Associate	Auto & Auto Ancillaries	nishant.chowhan@elaracapital.com
Palak Shah	Associate	Banking & Financials	palak.shah@elaracapital.com
Ragini Pande	Associate	Utilities, Renewables	ragini.pande@elaracapital.com
Rohit Harlikar	Associate	Building Materials, FMCG, Paints	rohit.harlikar@elaracapital.com
Rounak Ray	Associate	Media & Entertainment, Alcobev, QSR, Internet	rounak.ray@elaracapital.com
Seema Nayak	Associate	IT Services, Internet	seema.nayak@elaracapital.com
Shweta Roy	Associate	Economics	shweta.roy@elaracapital.com
Subhankar Sanyal	Associate	Economics	subhankar.sanyal@elaracapital.com
Tanvi Tambat	Associate	Real Estate	tanvi.tambat@elaracapital.com
Ujwal Wadighare	Associate	Agrochemicals, Fertilisers, Hotels, Sugar	ujwal.wadighare@elaracapital.com
Vaibhav Chechani	Associate	IT Services, Internet	vaibhav.chechani@elaracapital.com
Vidhi Puj	Associate	Building Materials, FMCG, Paints	vidhi.puj@elaracapital.com
Vinayak Patil	Database		vinayak.patil@elaracapital.com
Priyanka Sheth	Editor		priyanka.sheth@elaracapital.com
Prakriti Singh	Editor		prakriti.singh@elaracapital.com
Gurunath Parab	Production		gurunath.parab@elaracapital.com
Jinesh Bhansali	Production		jinesh.bhansali@elaracapital.com

Access our reports on Bloomberg: Type **RESP ESEC <GO>**

Also available on **Thomson & Reuters**

### Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500

CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933

Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236

Member of Central Depository Services (India) Limited | SEBI REGN. NO.: IN-DP-370-2018

Investor Grievance Email ID: [investor.grievances@elaracapital.com](mailto:investor.grievances@elaracapital.com) - Tel. +91 22 6164 8509

Compliance Officer: Mr. Anand Rao - Email ID: [anand.rao@elaracapital.com](mailto:anand.rao@elaracapital.com) - Tel. +91 22 6164 8509