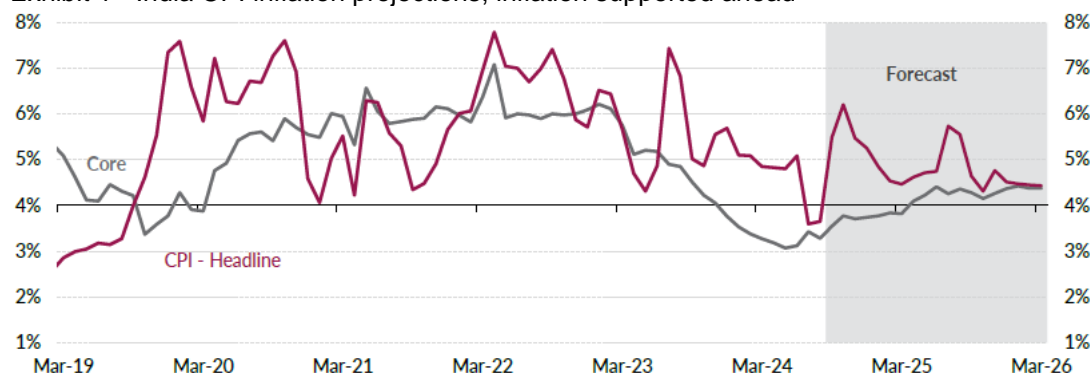


## **Growth and Inflation: Dec India inflation likely at 5.3%, rate cuts unlikely**

India Dec CPI inflation is expected to print at 5.3% YoY, with vegetables and edible oil prices continuing to hold food prices up, with core inflation also stable despite lower gold and silver prices. We expect food prices to remain susceptible to shocks in the coming year as well, keeping inflation above target. IIP is likely to improve slightly to 4.5% with base effects. Growth is likely to recover cyclically with the fiscal impulse, which coupled with inflation risks and INR stresses is unlikely to allow the MPC to cut rates in the year ahead.

Exhibit 1 - India CPI inflation projections, inflation supported ahead



Source: Axis Bank Economic Research.

### **Dec inflation expected at 5.3%, last mile of disinflation appears sticky**

India Dec CPI inflation is likely to print at 5.3%, given limited cooldown in food prices, while core inflation is likely to hold steady around 3.7% despite moves down in gold and silver prices. We see inflation in Q4 around 4.6%, with risks in FY26 as well. Convergence of inflation to the 4% target on a durable basis has been difficult of late, owing to food price shocks more than making up for a long period of low core inflation. That these are driven by perishables is well known, but recent moves towards income transfer schemes are likely to only exacerbate these trends. We also see core inflation taking support from a cyclical recovery in growth with the fiscal impulse.

### **IIP likely to benefit from festive base, printing at 4.5%**

We expect IIP to print at 4.5% YoY for November, tracking improvements in core sector IIP (making up 40% of IIP) as well as taking into account the low base within certain sectors. Despite this, conditions feeding into GVA calculations remain weak.

### **Despite weaker growth inflation and INR make rate cuts unlikely**

India 1H GDP growth was soft, with the negative fiscal impulse, high tax/subsidy wedge base, reversal of negative WPI inflation, good monsoon being known factors, even though manufacturing slowed more than expected and consumption appeared to be overstated. The fiscal impulse is now in reversal, with macroprudential policy also no longer being tightened – with stronger rural trends driving a cyclical acceleration. Structural drivers related to construction and renewable energy are also likely to push growth back towards 7% in FY25. With higher inflation and risks on the INR, the configuration continues to indicate rate cuts are distant.

**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**