

RESEARCH
BOB ECONOMICS RESEARCH | MONETARY POLICY EXPECTATIONS

RBI to remain static

METALS & MINING

Manganese price bottoming but recovery likely modest: Eramet

Daily macro indicators

Indicator	01-Apr	02-Apr	Chg (%)
US 10Y yield (%)	4.31	4.35	4bps
India 10Y yield (%)	7.06	7.12	6bps
USD/INR	83.40	83.38	0.0
Brent Crude (US\$/bbl)	87.4	88.9	1.7
Dow	39,567	39,170	(1.0)
Hang Seng	16,541	16,932	2.4
Sensex	74,015	73,904	(0.1)
India FII (US\$ mn)	27-Mar	28-Mar	Chg (\$ mn)
FII-D	173.0	566.5	393.5
FII-E	485.1	282.5	(202.7)

Source: Bank of Baroda Economics Research

SUMMARY
INDIA ECONOMICS: MONETARY POLICY EXPECTATIONS

Monetary Policy committee in the upcoming policy meet is likely to retain the repo rate and continue with the 'withdrawal of accommodation' stance. US Fed has hinted at 3-rate cuts in CY24 with the first one expected in Jun'24. Bank of England and ECB too is expected to follow suit with rate cuts this year. On the other hand, BoJ made a historic shift and had hiked rates (0.1% from 0%) for the first time in over 17-years. RBI is unlikely to pivot at the current juncture, given the resilience in domestic economy. The likelihood of any rate cuts has been pushed forward to H2FY25. We expect 2-rate cuts this year of 25-50bps with the first one likely in Aug'24 which however is contingent on evolving inflation scenario.

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METALS & MINING

- Manganese prices have bottomed out in India during Dec'23, in line with global trends, with domestic major MOIL effecting hikes
- Global market is likely to move into slight deficit in CY24 from slight surplus, per Eramet; however, inventory support exists
- Consensus view suggests modest 7% recovery in global prices in CY24 from current levels

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MONETARY POLICY EXPECTATIONS

02 April 2024

RBI to remain static

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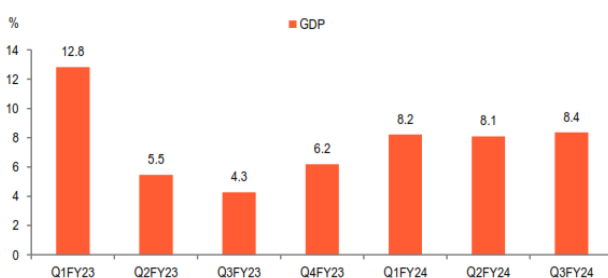
Jahnvi Prabhakar
Economist

RBI is expected to announce the first monetary policy for FY25 and the rates are likely to remain unchanged with possibility of no change in the stance too. The repo rate was last revised in Feb'23 when it was hiked by 25bps, bringing the repo rate to 6.5% mark. In the last policy (Feb'24), 5 out of 6 members voted to keep the policy rates unchanged even as 1-member voted to reduce repo rate by 25bps.

What has been the story so far?

On the growth front, MOSPI recently released the Q3 GDP print, which noted the economy has accelerated by 8.4% from 8.1% in Q2FY24, signaling the economy has been on the strong footing. The resilience in domestic economy has been supported by robust manufacturing sector which continues to grow in double digits. Furthermore, investment continues to grow at a steady pace and bodes well for the economy. Additionally, other high frequency indicators have also been reflecting growing strength in the economy with the strong GST collections (Second highest at Rs 1.8 lakh crore) and manufacturing PMI climbing to a 16-year high in Mar'24 (59.1 from 56.9 in Feb'24). Given the above backdrop, we expect both investment and consumption to contribute significantly to India's growth story in FY25 and based on this we expect India's economy to clock a 7.8% growth in FY25.

Fig 1: GDP growth zooms ahead in Q3



Source: CEIC, Bank of Baroda



 **METALS & MINING**

03 April 2024

Manganese price bottoming but recovery likely modest: Eramet

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- **Global market is likely to move into slight deficit in CY24 from slight surplus, per Eramet; however, inventory support exists**
- **Consensus view suggests modest 7% recovery in global prices in CY24 from current levels**

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We summarise recent commentary from Eramet (Not Rated) – a leading global manganese producer, along with inputs from other stakeholders, to gauge pricing trends.

Manganese prices bottoming out...: Manganese prices declined 20% in CY23 following passthrough of lower production costs amid a slight global market surplus. This year, we note early signs of a bottoming out, with the index price rising from US\$ 4 per dry metric tonne unit in Dec'23 to US\$ 4.3/dmtu for China CIF 44% grade ore in Feb'24. The recovery is being supported by a supply response from marginal producers by way of a temporary curtailments of both manganese and alloy supplies, along with logistical issues in the Red Sea that are helping shore up European alloy prices.

...but recovery likely to be modest: Eramet indicated a modest consensus price forecast of US\$ 4.6/dmtu for manganese in CY24, with more support for the recovery expected in H2CY24 as steel demand gains traction in China and global markets.

Global market to enter slight deficit in CY24: Eramet expects the global market for manganese to transition to a small deficit this year from a nominal surplus last year. Available inventory could support the market during CY24.

Demand closely tied to steel outlook: With more than 97% of manganese being used in steel, its demand outlook tracks the steel production outlook. Global steel major ArcelorMittal expects a rebound in apparent steel consumption in CY24, with 3-4% growth outside China on inventory rebuild and 0-2% growth in China (see our note of 9 Feb 2024: [Steel recovery in CY24 – ArcelorMittal](#)).

Global supply response: In response to lower prices, Eramet highlights that it is noting temporary supply curtailments, particularly in South Africa, the largest manganese producer. However, dispatches are likely to increase this year from Gabon, the second largest producer, as it recovers from rail disruptions in H1CY23.

Implications for India: Though Indian manganese prices have likely bottomed out in December, global inputs point to a modest recovery ahead, akin to worldwide trends. State-owned miner MOIL (Not Rated) has the largest exposure to the metal.



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