

Macro Insights

14th November, 2024

WPI inflation inches up further to 4-month high in October

The wholesale inflation measured by WPI accelerated to **2.36 per cent** in October 2024 on a YoY basis, as against 1.84 per cent in September 2024, while it was at -0.26 per cent in October last year.

The continued uptick in food prices pushed up the WPI inflation.

Highlights

- 👉 Inflation rate in food articles (part of primary articles) shot up further to 13.54 per cent in October 2024 vis-à-vis 3.17 per cent October 2023 and 11.53 per cent in September 2024.
- 👉 Inflation in food articles pushed up the prices of primary articles. The inflation rate for primary articles rose from 6.59 per cent in September 2024 to 8.09 per cent in October 2024.
- 👉 Fuel and power prices further declined by 5.79 per cent in October 2024 as against a deflation of 4.05 per cent in September 2024.
- 👉 Inflation in the manufactured products category stood at 1.50 per cent in October 2024 - a 50 bps uptick from last month's figure of 1.00 per cent.

Chart: Wholesale Price Index – October 2024

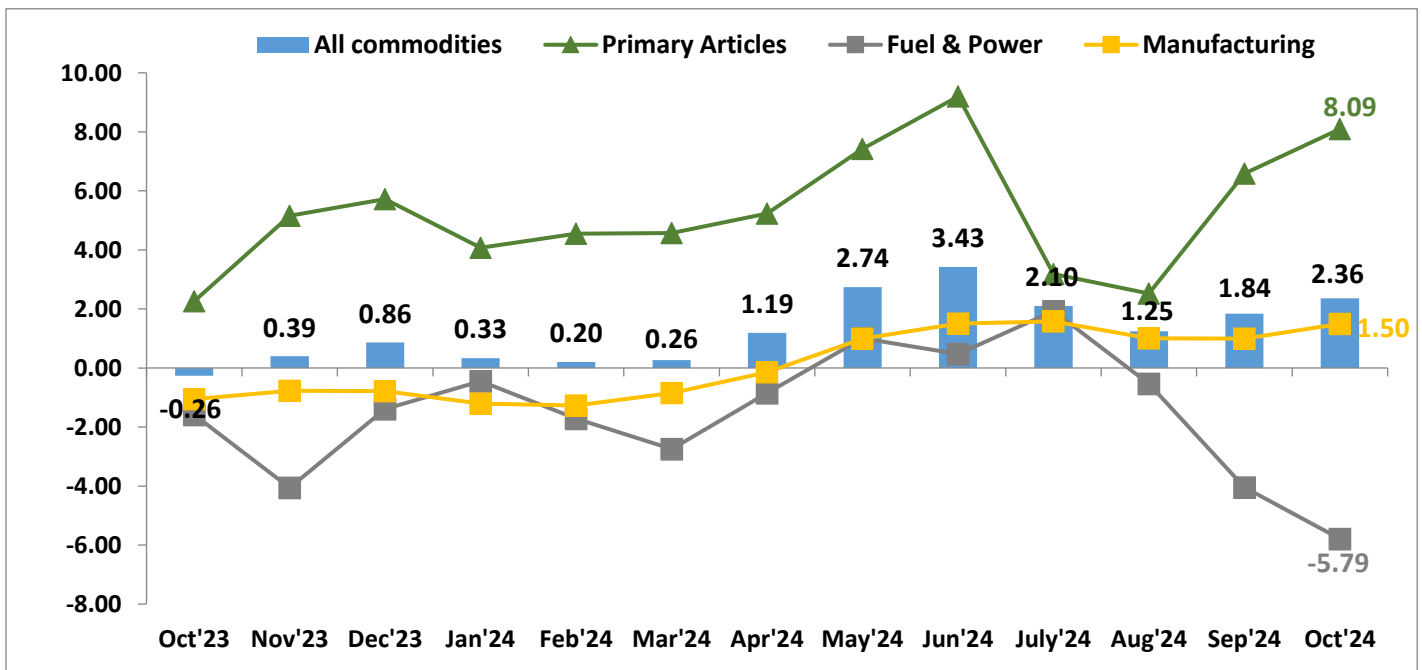


Table: Components of WPI

WPI Inflation YoY (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
August	6.73	2.52	-6.34	-0.54	-2.30	1.00	11.43	3.06	-0.46	1.25
September	4.38	6.59	-3.35	-4.05	-1.27	1.00	3.79	11.53	-0.07	1.84
October	2.26	8.09	-1.58	-5.79	-1.06	1.50	3.17	13.54	-0.26	2.36

- As anticipated, the uptrend in WPI Inflation continued for the third straight month, driven by rising food prices, manufacture of food products, other manufacturing, manufacture of machinery & equipment, manufacture of motor vehicles, trailers & semi-trailers.
- Inflation in the WPI Food Index, which includes food items from both primary and manufactured goods, crossed the double digit mark after 25 months (Aug'22) to reach 11.59 per cent in Oct'24.
- Under the Food Articles (part of primary articles), the highest rise was seen in the Vegetables category where inflation was seen at 63.04 per cent in October 2024. Potato and Onion contributed significantly to the rise in vegetable prices- with both witnessing a price rise of 78.73 per cent and 39.25 per cent, respectively. Fruits also witnessed double-digit inflation (13.55 per cent) in October. While, Cereals, Paddy, Pulses, Onion and Milk categories witnessed moderation on month-on-month basis.
- At the same time, the manufactured products which have a weight of 64.2 per cent in the index also saw upsurge in inflation to 1.50 per cent after remaining constant at 1.0 per cent in the previous two months. This was led by acceleration in manufactured food products, basic metals, other manufacturing, machinery & equipment and other transport equipment.
- Meanwhile, Fuel and Power witnessed deflation at 5.79 per cent on YoY basis in October 2024 from 4.05 per cent in the preceding month, only LPG prices rose in by 2.57 per cent in October, while Petrol (7.35 per cent) and HSD (6.23 per cent) prices fell on YoY basis.

Views:

- A sharp rise in wholesale prices can indicate supply chain disruptions or increasing production cost which is reflected in the CPI going forward. As CPI has surged to 6.21% in October'24. This scenario may prevent the Central Bank to take up rate cut action in the coming MPC in December at least. RBI needs to ensure growth with stability.
- With arrival of Kharif crop and a favorable outcome of Rabi sowing, WPI inflation is anticipated to moderate in the coming month amidst softening in food prices. However, WPI inflation depends upon external scenario also.

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