

Macro Insights

15th July, 2024

India's WPI inches up to 16-month high

On the expected line, the wholesale inflation measured by WPI accelerated to 3.36 per cent in June 2024 on a YoY basis, as against 2.61 per cent in May 2024, while it was at -4.18 per cent in June 2023.

Highlights

- India's WPI rose for the fourth consecutive month in June 2024, after moderating in January and February, and has been positive since November 2023.
- Positive rate of inflation in June 2024 is primarily due to increase in prices of food articles, manufacture of food products, crude petroleum & natural gas, mineral oils, other manufacturing among others.
- In June 2024, fuel and power inflation increased by 1.03% YoY, down from 1.35% in May, but positive for the second month in a row.
- Prices of primary articles rose by 8.80 per cent, while manufactured products by 1.43 per cent Y-o-Y.

Chart: Wholesale Price Index – June 2024

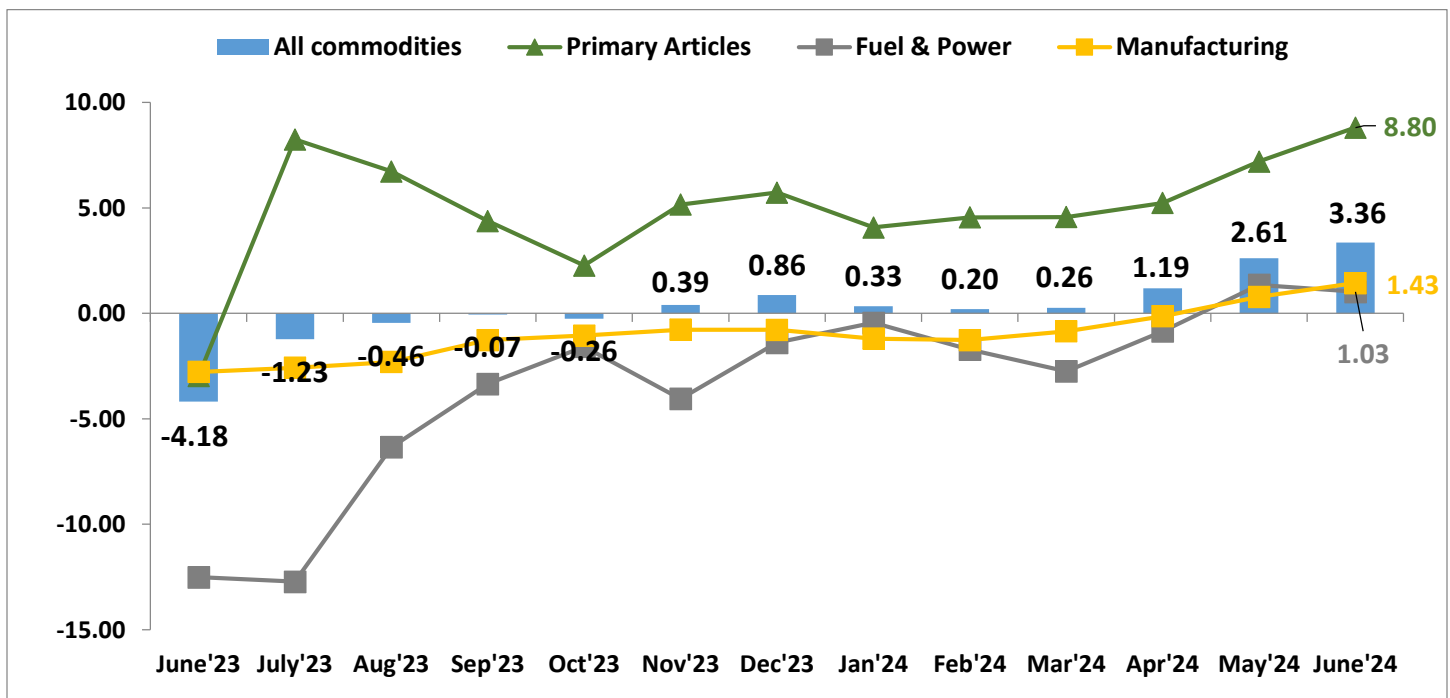


Table: Components of WPI

WPI Inflation (%)	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
April	1.89	5.23	0.99	-0.85	-2.28	-0.14	3.88	8.07	-0.79	1.19
May	-1.90	7.20	-9.17	1.35	-3.03	0.78	1.63	9.82	-3.61	2.61
June	-2.98	8.80	-12.51	1.03	-2.78	1.43	1.32	10.87	-4.18	3.36

Views:

1. In June 2024, manufactured products saw a MoM rise of 0.14% and a YoY rise of 1.43%, marking the second consecutive month of inflation after 14 months of deflation (Mar'23 to Apr'24). Food products, chemicals, textiles, rubber and plastics, motor vehicles and trailers etc. have witnessed price rise in June 2024, while basic metals, non-metallic mineral products, fabricated metal products, pharmaceuticals, and machinery have witnessed price decrease in compared to May 2024.
2. Food articles inflation has risen further to 10 months high at 10.87 per cent in June 2024 from 9.82 per cent in May 2024. Among the major food articles, Onion & Potato have witnessed the highest YoY rise of 93.35 & 66.37 per cent, respectively followed by Vegetables (38.76 per cent), Pulses (21.64 per cent), Paddy (12.07 per cent), Fruits (10.14 per cent), Cereals (9.27 per cent), Wheat (6.25 per cent), and Milk (3.37 per cent). Meanwhile, Eggs, Meat & Fish was the only category that witnessed a YoY deflation of 3.06 per cent.
3. Further, India's retail inflation has increased to 5.08 per cent in June 2024 from 4.80 per cent in May 2024 on account of higher food inflation though remaining within the Reserve Bank of India's (RBI) target range of 2-6 per cent. RBI is expected to continue with its cautious approach till it sees signs of easing food inflation. Thereby, Rate cut is only expected by Q3'FY25.
4. Going forward, WPI inflation is expected to moderate in July 2024 on account of favorable base and easing global commodity prices though the inflation in food and manufacturing products might put pressure on the intensity of decrease.

Disclaimer: The opinion/information expressed/compiled in this note is of Bank's Research team and does not reflect opinion of the Bank or its Management or any of its subsidiaries. The contents can be reproduced with proper acknowledgement to the original source/authorities publishing such information. Bank does not take any responsibility for the facts/ figures represented in the note and shall not be held liable for the same in any manner whatsoever.

For any feedback or valuable suggestions: Reach us at eicsmead@pnb.co.in

Follow our Official Page www.pnbindia.in