

Macro Insights

17th September, 2024

WPI eases to a 4-month low

The wholesale inflation measured by WPI declined to 1.31 per cent in August 2024 on a YoY basis, as against 2.04 per cent in July 2024, while it was at -0.46 per cent in August 2023.

Highlights

- The decline in Wholesale Price Index (WPI) was primarily due to a drop in fuel prices, moderation in the prices of manufactured products and a slower increase in food prices.
- The inflation rate for primary articles decreased from 3.08 per cent in July to 2.42 per cent in August.
- The fuel and power inflation was at -0.67 per cent in August as against 1.72 per cent in July.
- Manufactured products inflation stood at 1.22 per cent in August.

Chart: Wholesale Price Index (%) – August 2024

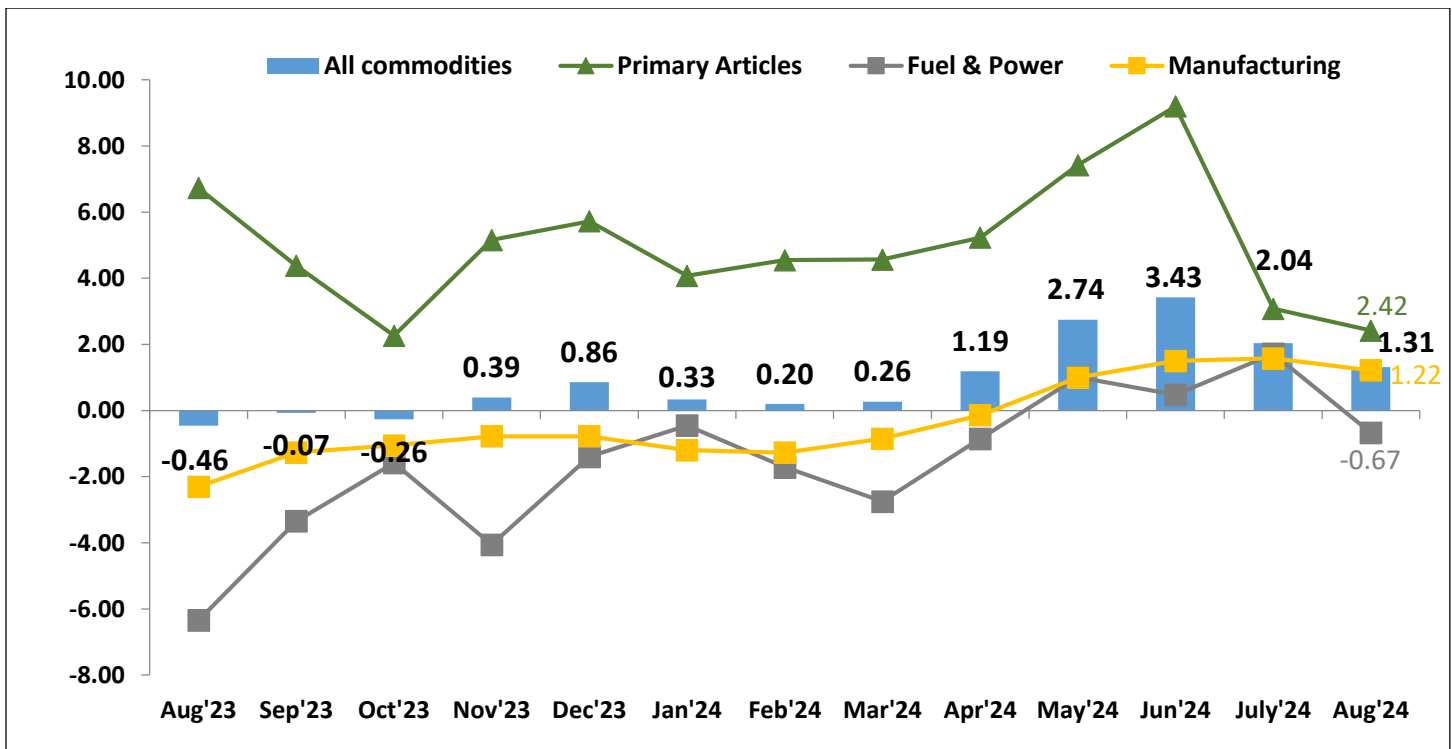


Table: Components of WPI

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
June	-2.98	9.20	-12.51	0.48	-2.78	1.50	1.32	11.14	-4.18	3.43
July	8.24	3.08	-12.73	1.72	-2.58	1.58	15.09	3.45	-1.23	2.04
August	6.73	2.42	-6.34	-0.67	-2.30	1.22	11.43	3.11	-0.46	1.31

Views:

- The WPI Inflation data showed a more than expected moderation in August 2024.
- The WPI Food Index, which includes food items from both primary and manufactured goods, decreased from 195.4 in July 2024 to 193.2 in August 2024. This decline resulted in a decrease in the annual inflation rate based on the WPI Food Index, from 3.55 per cent in July 2024 to 3.26 per cent in August 2024. This provides some relief from the fluctuating food prices seen in recent months.
- Under the Food Articles, ‘Vegetables’ & ‘Eggs, Meat and Fish’ items recorded a deflation of 10.01 per cent and 0.69 per cent respectively. However, wholesale prices of potatoes and onion sky-rocketed to 77.96 per cent and 65.75 per cent respectively.
- The Non-food Articles witnessed a deflation of 2.08 per cent in August 2024.
- Under Fuel and Power, while LPG showed a positive inflation, Petrol and HSD showcased negative growth in prices on YoY basis.
- Food products, vegetable & animal oils, beverages, tobacco products, textiles, wearing apparel, wood, paper, chemicals, pharmaceuticals and rubber & plastic products contributed to the rise in the prices of Manufactured Items in August 2024 when compared to the last year during the same month.
- Further, India's retail inflation inched up marginally to 3.65 per cent in August 2024, but remained below the Reserve Bank of India's target of 4 per cent.
- Going forward, WPI inflation is expected to remain contained in the coming month, with better than expected rainfall, stable demand and moderation in global commodity prices.

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