

# Macro Insights

14<sup>th</sup> June, 2024

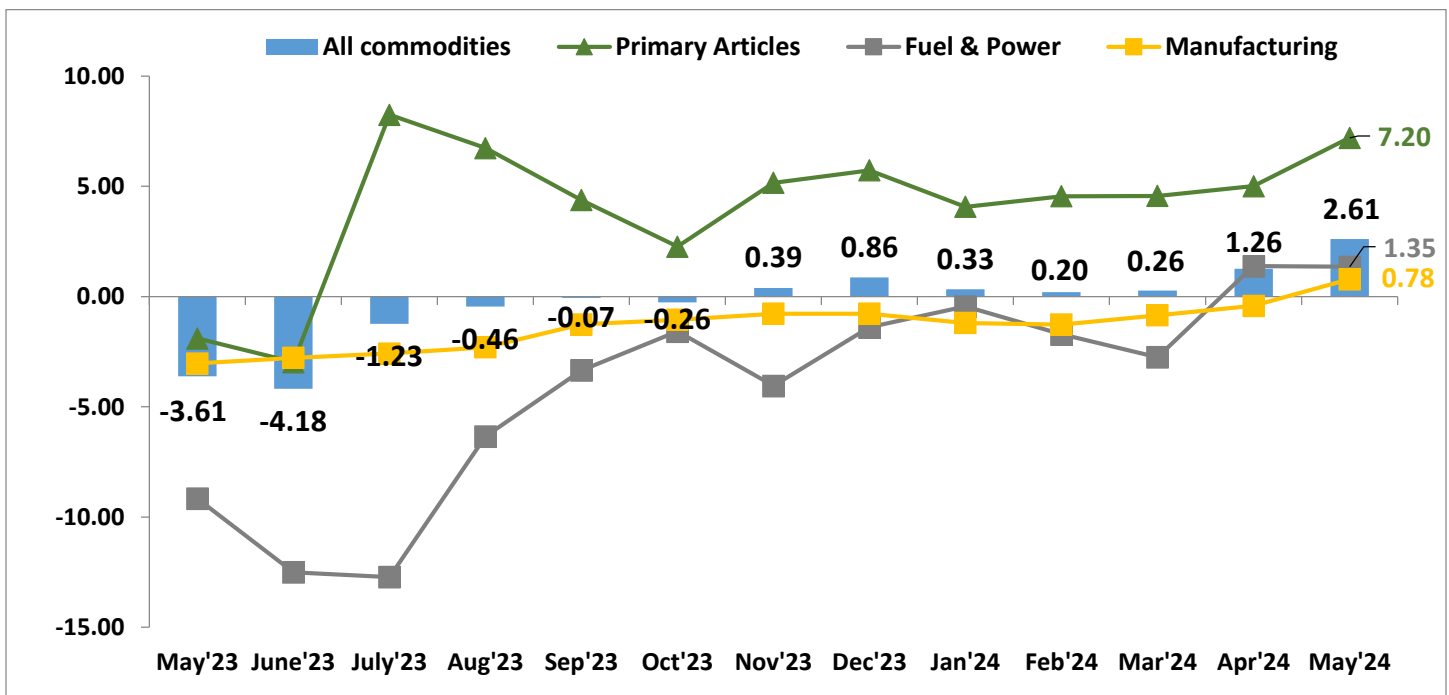
## India's WPI inches up to 15-month high

Wholesale inflation measured by WPI accelerated to 2.61 per cent in May 2024 on a YoY basis, as against 1.26 per cent in April 2024, while it was at -3.61 per cent in May 2023.

## Highlights

- India's WPI has continued its uptrend for the third consecutive month in May 2024 after it moderated in the Jan & Feb 2024. It has remained in positive territory since November 2023.
- Positive rate of inflation in May 2024 is primarily due to increase in prices of crude petroleum and natural gas, mineral oils, food articles, other manufacturing among others.
- In May 2024, fuel & power inflation rose by 1.35 per cent YoY, marking the second consecutive month of increase after being negative from May'23 to Mar'24.
- Prices of primary articles rose by 7.20 per cent, while manufactured products by 0.78 per cent Y-o-Y.

Chart: Wholesale Price Index – May 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
March	2.52	<b>4.57</b>	8.69	<b>-2.75</b>	-0.70	<b>-0.85</b>	5.42	<b>7.05</b>	1.41	<b>0.26</b>
April	1.89	<b>5.01</b>	0.99	<b>1.38</b>	-2.28	<b>-0.42</b>	3.88	<b>7.74</b>	-0.79	<b>1.26</b>
May	-1.90	<b>7.20</b>	-9.17	<b>1.35</b>	-3.03	<b>0.78</b>	1.63	<b>9.82</b>	-3.61	<b>2.61</b>

**Views:**

1. In May 2024, Manufactured products with the highest weight in the WPI basket witnessed a MoM rise of 0.64 per cent and a YoY rise of 0.78 per cent, it has come out of deflationary zone after 14 months. Prices rose in categories like basic metals, food products, electronics & electrical equipment. Conversely, prices fell in categories like fabricated metal products, chemicals, tobacco products & transport equipment compared to Apr'24.
2. Food articles inflation has risen further to 9 months high at 9.82 per cent in May from 7.74 per cent in April 2024. Among the major food articles, Potato & Onion has witnessed the highest rise of 64.05 & 58.05 per cent, respectively followed by Vegetables(32.42 per cent), Pulses(21.95 per cent), Paddy(11.79 per cent), Cereals(9.01 per cent), Wheat(6.00 per cent), Fruits(5.81 per cent), Milk(3.61 per cent) and Eggs, Meat & Fish(0.68 per cent).
3. Further, India's retail inflation cooled off to **4.75 per cent** in May from 4.83 per cent in April 2024 remaining well within the Reserve Bank of India's (RBI) target range of 2-6 per cent and approaching nearer to its medium term target of 4 per cent. Since, Inflation is in the manageable limit and India's economic growth is strong, RBI's Monetary Policy Committee (MPC) maintained its status quo on Repo rate in June 2024. 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 rise above 3 per cent in the coming months before it starts to moderate by Sept-Oct 2024. The rise is anticipated mainly due to non-food manufacturing inflation, persistent food inflation from ongoing heat wave, high crude oil prices, a fading base effect, and geopolitical tensions in West Asia. However, the early and above-normal monsoon predicted by the IMD in 2024 may help mitigate the increase.

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