

Macro Insights

14th August, 2024

India's WPI declines after four months' rise

The wholesale inflation measured by WPI declined to 2.04 per cent in July 2024 on a YoY basis, as against 3.36 per cent in June 2024, while it was at -1.23 per cent in July 2023.

Highlights

- 👉 India's WPI fell in July'24, ending a four months' rise, due to lower food inflation of 3.45 per cent compared to 10.87 per cent in Jun'24.
- 👉 Positive rate of inflation is primarily due to increase in prices of food articles, manufacturing of food products, mineral oils, crude petroleum & natural gas, other manufacturing among others.
- 👉 Fuel inflation rose for the third consecutive month, reaching 1.72 per cent in July (up from 1.03 per cent in June).
- 👉 Primary articles prices rose 3.08 per cent (vs 8.80 per cent in June). Manufactured products prices rose 1.58 per cent (vs 1.43 per cent in June).

Chart: Wholesale Price Index – July 2024

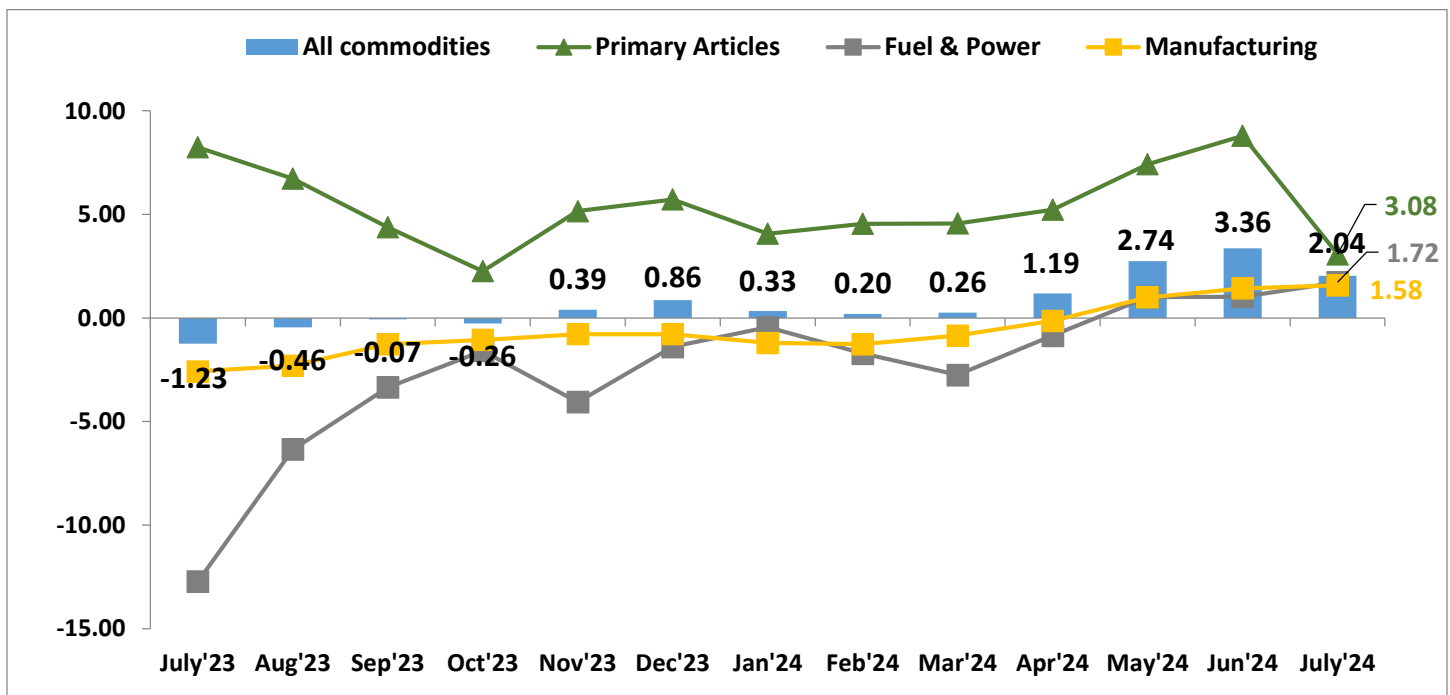


Table: Components of WPI

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
May	-1.90	7.42	-9.17	1.01	-3.03	1.00	1.63	9.93	-3.61	2.74
June	-2.98	8.80	-12.51	1.03	-2.78	1.43	1.32	10.87	-4.18	3.36
July	8.24	3.08	-12.73	1.72	-2.58	1.58	15.09	3.45	-1.23	2.04

Views:

1. In July 2024, manufactured products saw a MoM fall of 0.14% and a YoY rise of 1.58%, marking the third consecutive month of inflation. Chemicals & chemical products; food products; fabricated metal products, except machinery and equipment; textiles; other manufacturing have witnessed price rise in July 2024, while basic metals; other non-metallic mineral products; computer, electronic and optical products; machinery and equipment; furniture have witnessed price decrease in compared to June 2024.
2. Food articles inflation has softened to 9 months' low of 3.45 per cent in July 2024. Among the food articles, Onion & Potato have continued to witness highest rise of 88.77 & 76.23 per cent YoY, respectively followed by Pulses (20.27 per cent), Fruits (15.62 per cent), Paddy (10.98 per cent), Cereals (8.96 per cent), Wheat (7.0 per cent), and Milk (4.55 per cent). Meanwhile, 'Vegetables' and 'Eggs, Meat & Fish' categories witnessed a YoY deflation of 8.93 per cent and 1.59 per cent, respectively.
3. Further, India's retail inflation cooled off to **3.54 per cent** in July from 5.08 per cent in June 2024 falling below the Reserve Bank of India's (RBI) medium-term target of 4 per cent for the first time in nearly five years. With Inflation under control and economic growth remaining strong, RBI's Monetary Policy Committee (MPC) maintained its status quo on Repo rate in August 2024. The RBI is expected to continue with its cautious approach with first rate cut expectation in Q3'FY25.
4. Going forward, WPI inflation's downward trend likely to continue in August owing to softer food inflation and easing global commodity prices though the inflation in manufacturing products might put pressure on the intensity of decrease.

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