

## Macro Insights

15<sup>th</sup> January, 2023

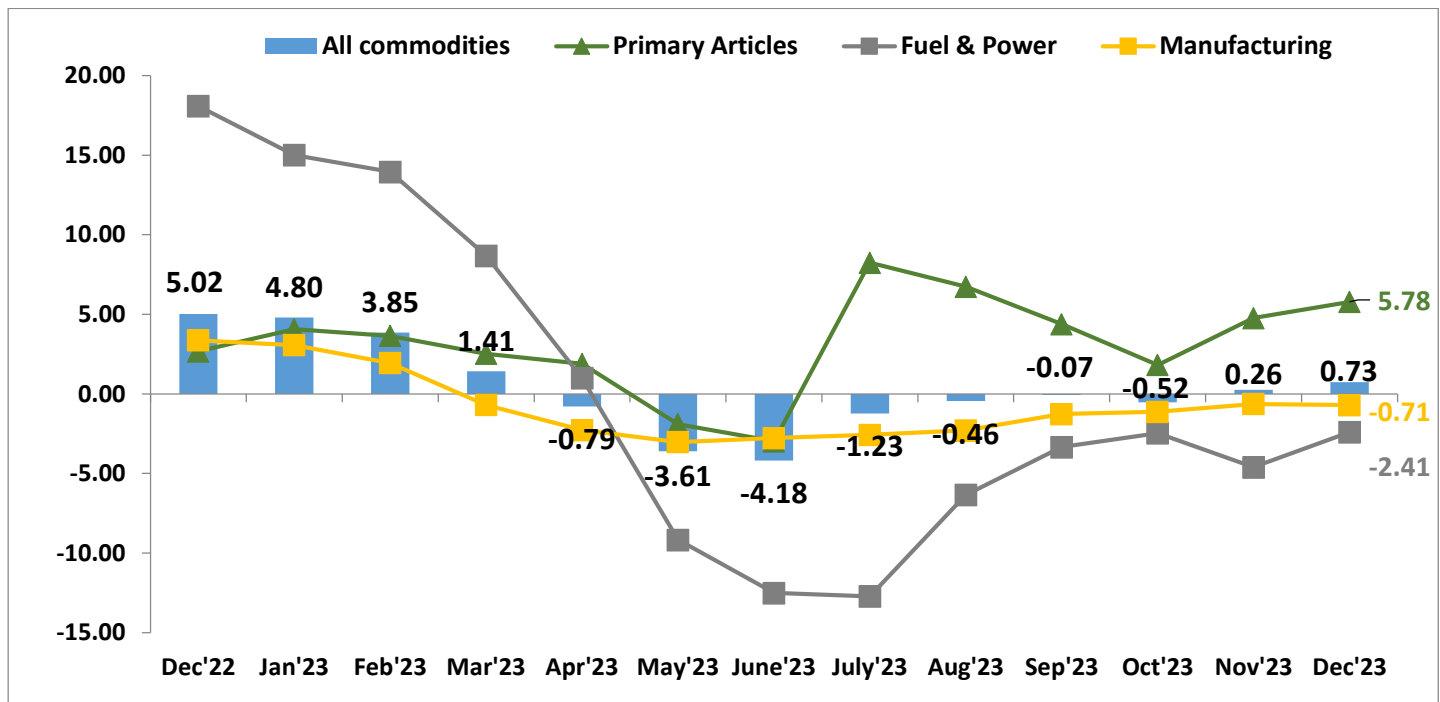
### WPI continued its upward trajectory to reach highest in 9 months

Wholesale inflation measured by WPI was recorded at 0.73% in December 2023, compared to 0.26% in the previous month i.e. November 2023, while it was at 5.02% in December 2022.

### Highlights

- India's WPI remains positive in December 2023. It had been negative from April to October, but it had turned positive in November 2023.
- Inflation was primarily led by increase in prices of food articles, machinery & equipment, other manufacturing, other transport equipment and computer, electronics & optical products etc.
- Fuel and power prices showed continued deflation with 2.41 per cent year-on-year decrease.
- Prices of primary articles rose by 5.78 per cent, while manufactured product prices fell by 0.71 per cent.

Chart: Wholesale Price Index – December 2023



**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%            |       |
|                   | 2022             | 2023 | 2022         | 2023  | 2022                  | 2023  | 2022                                     | 2023 | 2022            | 2023  |
| October           | 11.17            | 1.82 | 25.40        | -2.47 | 4.42                  | -1.13 | 8.45                                     | 2.53 | 8.67            | -0.52 |
| November          | 5.94             | 4.76 | 19.71        | -4.61 | 3.44                  | -0.64 | 1.51                                     | 8.18 | 6.12            | 0.26  |
| December          | 2.67             | 5.78 | 18.09        | -2.41 | 3.37                  | -0.71 | -1.02                                    | 9.38 | 5.02            | 0.73  |

**Views:**

1. With the highest weight in the WPI basket, the manufactured products category remains in the deflationary zone, even the pace of deflation has accelerated in December 2023. Machinery & equipment, other manufacturing, pharmaceuticals, medicinal chemical & botanical products, electrical equipment, motor vehicles, trailers & semi-trailers etc. saw month-on-month gains.
2. The Food Index increased from 4.69% in November 2023 to 5.39% in December 2023. This increase was led by vegetables (26.30 per cent), Onion (91.77 per cent), Pulses (19.6 per cent), and Paddy (10.54 per cent) as all moved up in double digits on YoY basis.
3. Earlier this month, India's retail inflation also rose to its four months high at 5.69% in December 2023, owing to surge in prices of food items such as pulses, spices, fruits and vegetables. Though, still staying within the RBI's Tolerance level of 2-6%.
4. In the upcoming months of Q4 FY2024, the WPI may see some moderation and remains range bound due to RBI's monetary policy transmission, declining global energy and commodity prices.
5. While on the upside, food inflation led by rise in prices of vegetables, cereals, pulses & some other food items along with the base effect is likely to put upward pressure on the index.
6. Moreover, the extending geopolitical tensions in the Middle East, the progress of Rabi sowing, uncertainty surrounding the Kharif harvest, and the dynamics of global growth are still important to keep an eye on.

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