

Macro Insights

15th February 2023

WPI at a 24-month low

Wholesale inflation measured by WPI eased to 4.73% in January 2023, compared to 4.95% in the previous month i.e. December 2022, while it was 13.68% in January 2022.

Highlights:

- India's wholesale inflation reduced to its lowest levels in two years.
- Decline in the rate of inflation in January, 2023, is primarily contributed by mineral oils, chemicals & chemical products, textiles, crude petroleum & natural gas, textiles, and food products.
- The WPI Inflation for food articles in January surged to 2.38 per cent from -1.25 per cent in December. For the primary articles segment, the inflation rate recorded a growth of 3.88 per cent.
- Inflation in manufactured products was 2.99% during the month under review.

Chart: Wholesale Price Index - Jan'23

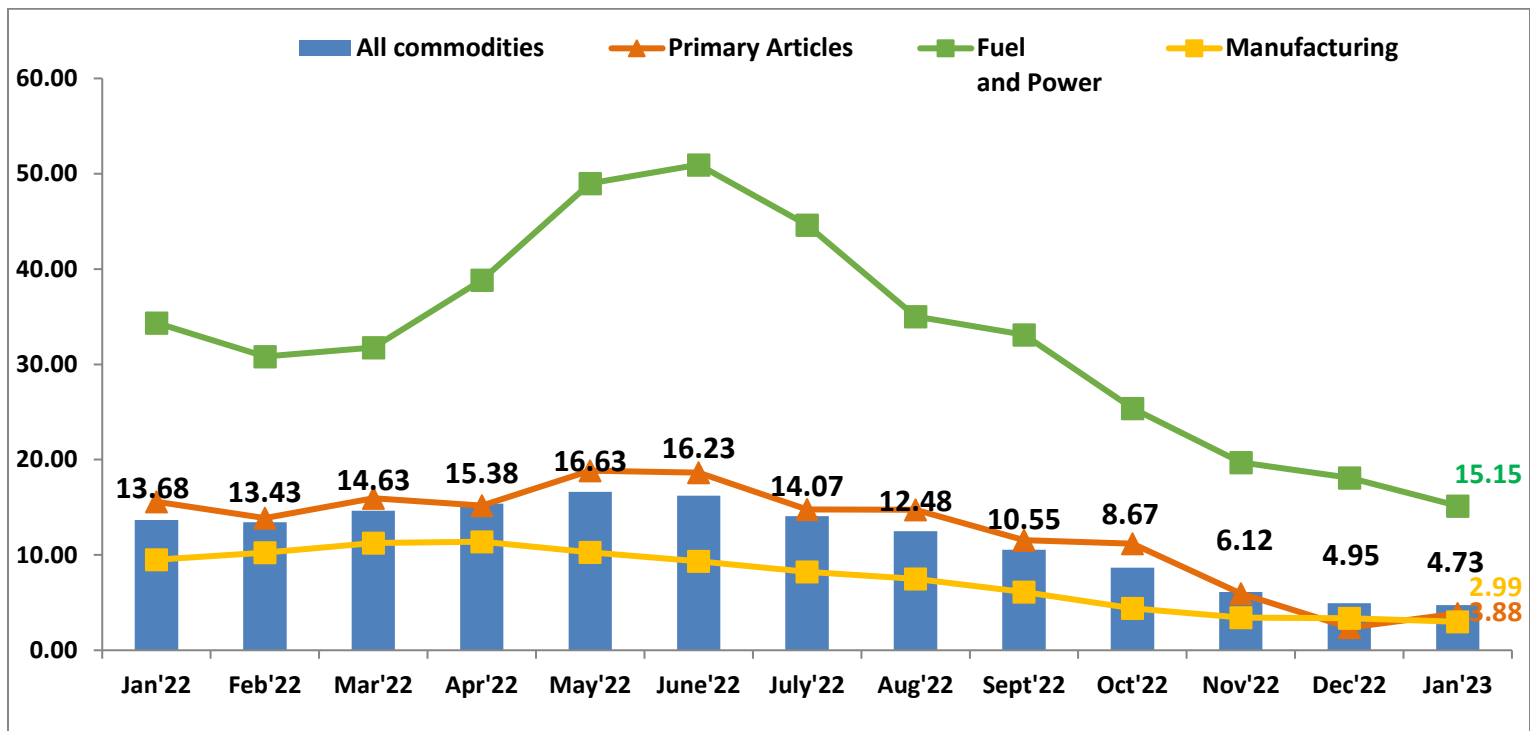


Table: Components of WPI

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%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
November	10.21	5.94	44.37	19.71	12.34	3.44	4.82	1.51	14.87	6.12
December	13.78	2.38	38.08	18.09	10.71	3.37	9.68	-1.25	14.27	4.95
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
January	15.60	3.88	34.36	15.15	9.50	2.99	10.40	2.38	13.68	4.73

Views:

1. This is the eighth straight month of declining WPI-based inflation.
2. Wholesale inflation remained in single digits for the fourth month in a row after 18 straight months of double-digit inflation.
3. Food articles inflation for both primary and processed categories intensified in January from the previous month due to rising inflation in wheat, milk, and fruit.
4. Low Manufacturing inflation reflects the cooling down of the global commodity prices.
5. The release of India's wholesale (WPI) inflation numbers come at a time when the retail inflation data, showed a 3-month high of 6.52 per cent.
6. The latest WPI number could be favorable for corporates as a dip in wholesale prices might ease pressure on corporate earnings. Lower input costs might also bode well for retail prices.
7. Going forward, **high base along with softening of global commodity prices is expected to keep WPI inflation at low levels in the coming months.**

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