

Macro Insights

15th February, 2024

India's WPI eases to 3-month low

Wholesale inflation measured by WPI eased to 0.27 per cent in January 2024 on an annual basis, as against 0.73 per cent in December 2023, while it was at 4.80 per cent in January 2023.

Highlights

- India witnessed a positive WPI, successively for the third month in January 2024. It was negative from April to October, before tuning positive in November 2023.
- Positive rate of inflation in January, 2024 is primarily due to increase in prices of food articles, machinery & equipment, other manufacturing, minerals, other transport equipment etc.
- Fuel and power prices showed continued deflation with 0.51 per cent year-on-year.
- Prices of primary articles rose by 3.84 per cent, while manufactured products' fell by 1.13 per cent Y-o-Y.

Chart: Wholesale Price Index – January 2024

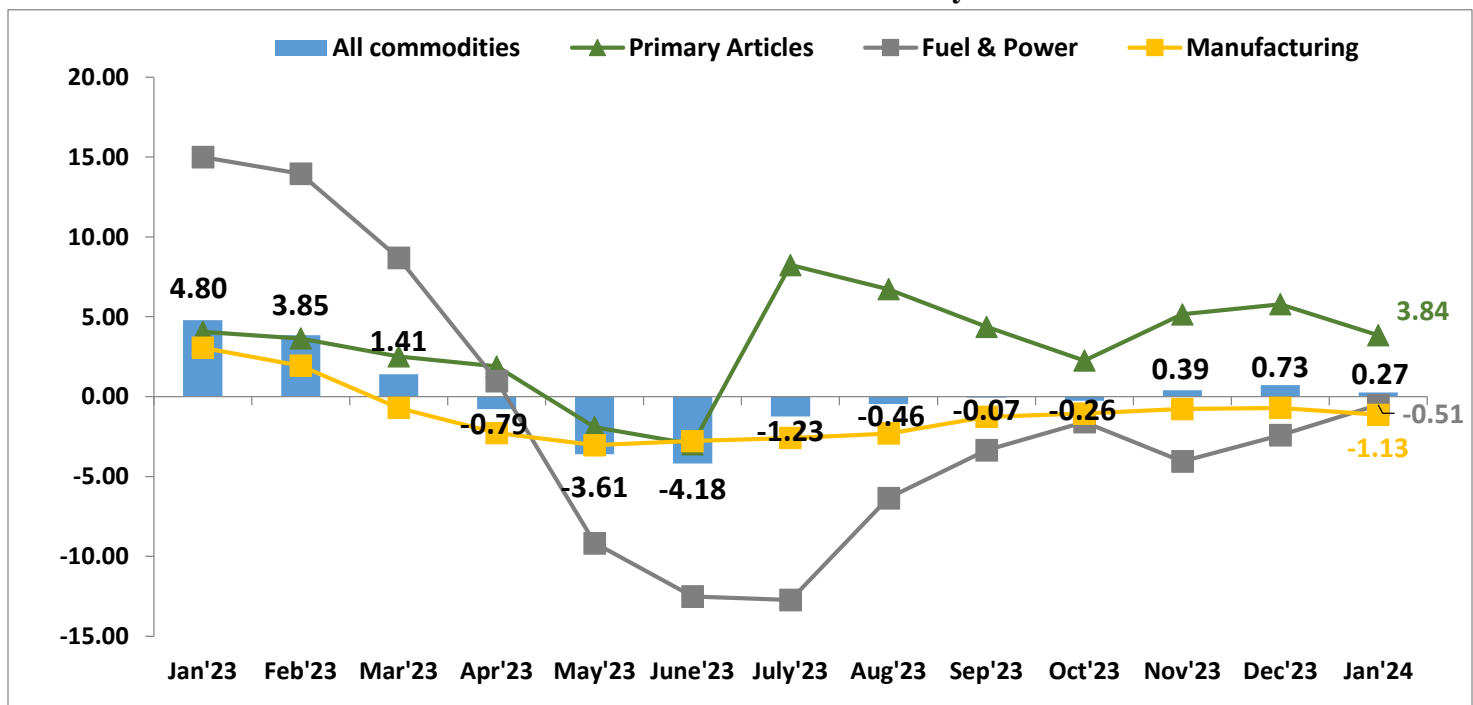


Table: Components of WPI

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%	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
November	5.94	5.16	19.71	-4.05	3.44	-0.78	1.51	8.84	6.12	0.39
December	2.67	5.78	18.09	-2.41	3.37	-0.71	-1.02	9.38	5.02	0.73
	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024
January	4.06	3.84	15.00	-0.51	3.06	-1.13	2.67	6.85	4.80	0.27

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 January 2024. Machinery & equipment, textiles, beverages, motor vehicles, trailers & semi-trailers, rubber & plastics products etc. saw month-on-month gains. Whereas, food products, basic metals, other manufacturing, chemicals and chemical products, other non-metallic mineral products etc. witnessed month-on-month fall in prices.
2. Food inflation declined to 6.85% in January 2024, down from 9.38% in December 2023. Specifically, inflation in vegetables decelerated to 19.71% from 26.3% in the preceding month. Meanwhile, WPI inflation for pulses stood at 16.06%, and for fruits, it was 1.01%.
3. Earlier this week, India's retail inflation also fell to a three-month low of 5.1% in January 2024, aided by a slower rise in prices of food items like cereals, milk and milk products, fruits, pulses and spices. It still remains above the central bank's target of 4%, but has stayed within its tolerance range of 2-6% for the fifth consecutive month.
4. In the remaining months of Q4 FY24, the WPI may see some further moderation on account of lower inflation in primary & manufactured food items, disinflation in fuel and manufactured products. While on the upside, geo-political risks in the Middle East and its adverse impact on Red Sea trade route might put upward pressure on the index.

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