

## Macro Insights

15<sup>th</sup> April, 2024

### India's WPI inches up to 3-month high

Wholesale inflation measured by WPI accelerated to 0.53 per cent in March 2024 on YoY basis, as against 0.20 per cent in February 2024, while it was at 1.41 per cent in March 2023.

### Highlights

- India's WPI saw an acceleration in March 2024, following two consecutive months of decline. It has remained in positive territory since November 2023.
- Positive rate of inflation in March, 2024 is primarily due to increase in prices of food articles, electricity, crude petroleum & natural gas, machinery & equipment and other manufacturing etc.
- Fuel and power prices showed continued deflation of 0.77 per cent year-on-year.
- Prices of primary articles rose by 4.51 per cent, while manufactured products' fell by 0.85 per cent on a Y-o-Y basis.

Chart: Wholesale Price Index – March 2024

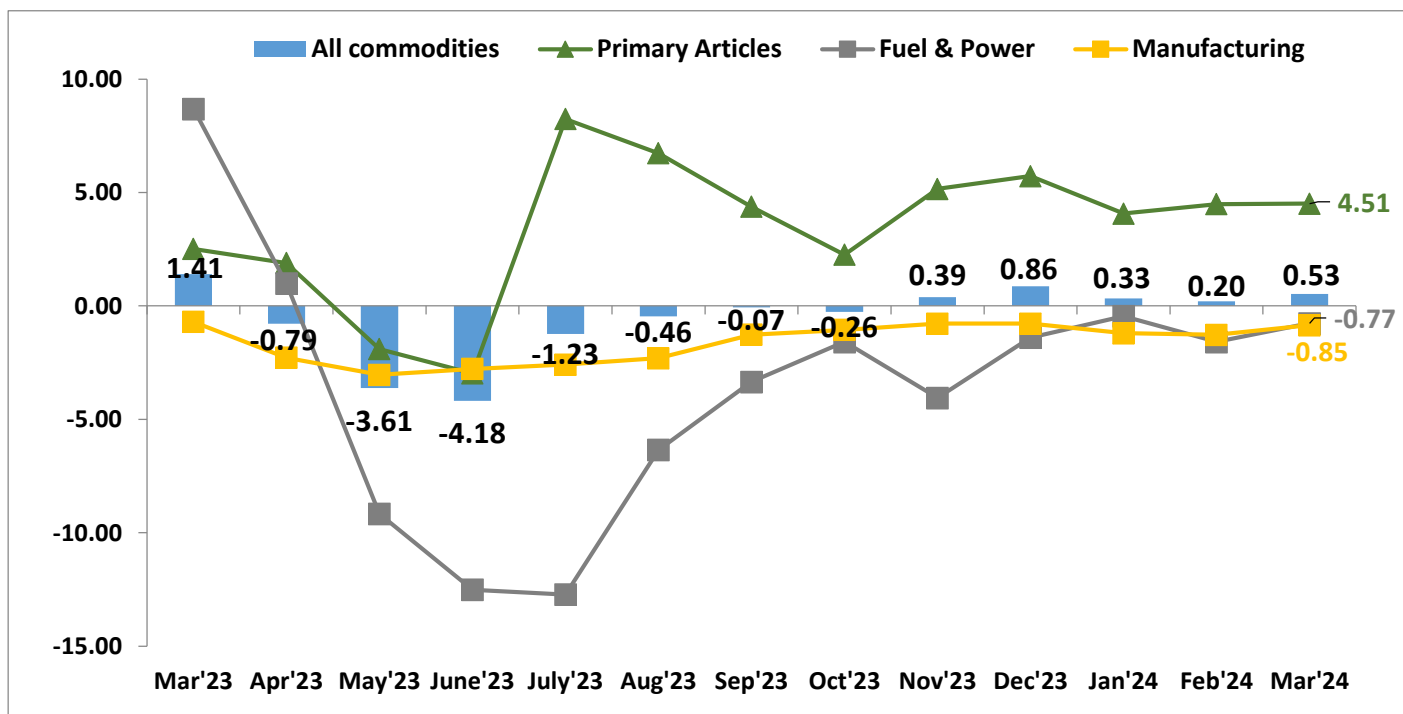


Table: Components of WPI

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
January	4.06	4.07	15.00	-0.45	3.06	-1.20	2.67	6.91	4.80	0.33
February	3.64	4.49	13.96	-1.59	1.94	-1.27	3.81	6.95	3.85	0.20
March	2.52	4.51	8.69	-0.77	-0.70	-0.85	5.42	6.88	1.41	0.53

### Views:

1. In March 2024, Manufactured products with the highest weight in the WPI basket witnessed a MoM rise of 0.21%, yet it remained in the deflationary zone (-0.85%) on YoY basis. Food products, automobiles, trailers and semi-trailers, rubber and plastic products, other manufacturing, chemicals and chemical products, etc. all saw monthly increase in prices. Whereas, fabricated metal products, except machinery and equipment, basic metals, pharmaceuticals, medicinal chemical and botanical products, textiles, wearing apparel etc., witnessed decline in prices in March 2024 as compared to February 2024.
2. The inflation in food articles has remained sticky, though moderating slightly from 6.95% in February 2024 to 6.88% in March 2024. Among the major food articles, Onion & Potato has witnessed the highest rise of 56.99% & 52.96%, respectively followed by Vegetables (19.52%), pulses (17.24%), paddy (11.74%), cereals (9.04%), and wheat (7.43%). Meanwhile, categories like Eggs, Meat & fish and fruits saw a deflation of 1.86 percent and 2.95 percent, respectively.
3. Furthermore, India's retail inflation has eased to 10-month low of 4.85% in March 2024, owing to some moderation in prices of food items. In RBI's first bimonthly Monetary Policy Committee (MPC) address of FY25, RBI Governor also characterized inflation as the prominent challenge by referring it as "the elephant in the room." However, he indicated optimism by suggesting that inflation (elephant) appears to be reverting to the desirable threshold (forest) of 4%.
4. Going forward, it is anticipated that WPI inflation will witness more upticks in coming months on account of fading base effect, rising Brent crude price and fear of potential war in the West Asia. However, factors such as above normal monsoon prediction by IMD, favoring La Niña effect and improved Rabi sowing season might provide some relief by lowering the intensity of rise in WPI.

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