Economic Intelligence Cell
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Macro Insights

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WPI negative for 6 consecutive months

Wholesale inflation measured by WPI was -0.26% in September 2023, compared to -0.52% in the previous month i.e. August 2023, while it was 10.55% in September 2022.

Highlights

- *India's WPI remained in negative territory for the sixth consecutive month in September 2023.*
- *Deflation in September 2023 was primarily due to fall in prices of chemical & chemical products, mineral oils, textiles, basic metals and food products.*
- *Fuel and power prices showed a 3.35 per cent year-on-year decrease.*
- *Prices of primary articles rose by 3.70 per cent, while manufactured product prices fell by 1.34 per cent.*

Chart: Wholesale Price Index – September 2023

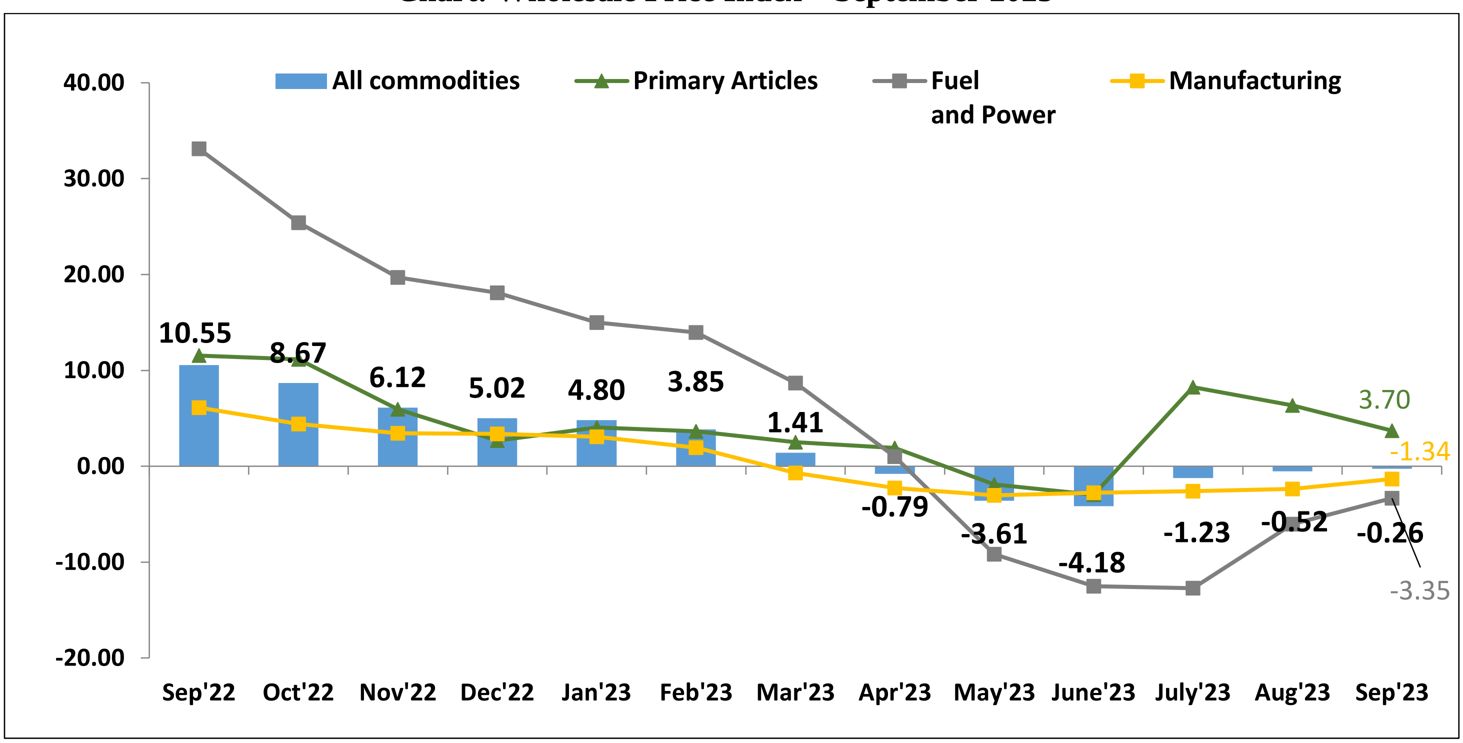

Table: Components of WPI

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
July	14.78	**8.24**	44.62	**-12.73**	8.24	**-2.58**	10.77	**15.09**	14.07	**-1.23**
August	14.74	**6.34**	35.03	**-6.03**	7.51	**-2.37**	12.55	**10.60**	12.48	**-0.52**
September	11.54	**3.70**	33.11	**-3.35**	6.12	**-1.34**	11.03	**3.35**	10.55	**-0.26**

Views:

1. The manufactured products category, having the highest weightage in WPI basket, continues to be in the deflationary zone.
2. The Food Index consisting of Food Articles and Food Products has shown substantial decline, from 8.32 per cent in July 2023 to 1.54 per cent in September 2023.
3. India's retail inflation also eased to a three-month low to 5.02 per cent in September, primarily due to softer vegetable prices, thus staying within RBI's Tolerance level.
4. Hence, the rate hikes by RBI in the past is showing results with both wholesale and retail prices showing positive signs.
5. Going forward, WPI Inflation is expected to be low in the coming month too, due to higher base. However, further escalation in the Israel-Palestine war may lead to negative impact on the price levels.

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