

Macro Insights

14th November, 2023

WPI negative for 7 consecutive months

Wholesale inflation measured by WPI was -0.52% in October 2023, compared to -0.26% in the previous month i.e. September 2023, while it was 8.67% in October 2022.

Highlights

- India's WPI remained in negative territory for the seventh consecutive month in October 2023.
- Deflation in October 2023 was primarily due to fall in prices of chemicals and chemical products, electricity, textiles, basic metals, food products, paper and paper products.
- Fuel and power prices showed a 2.47 per cent year-on-year decrease.
- Prices of primary articles rose by 1.82 per cent, while manufactured product prices fell by 1.13 per cent.

Chart: Wholesale Price Index – October 2023

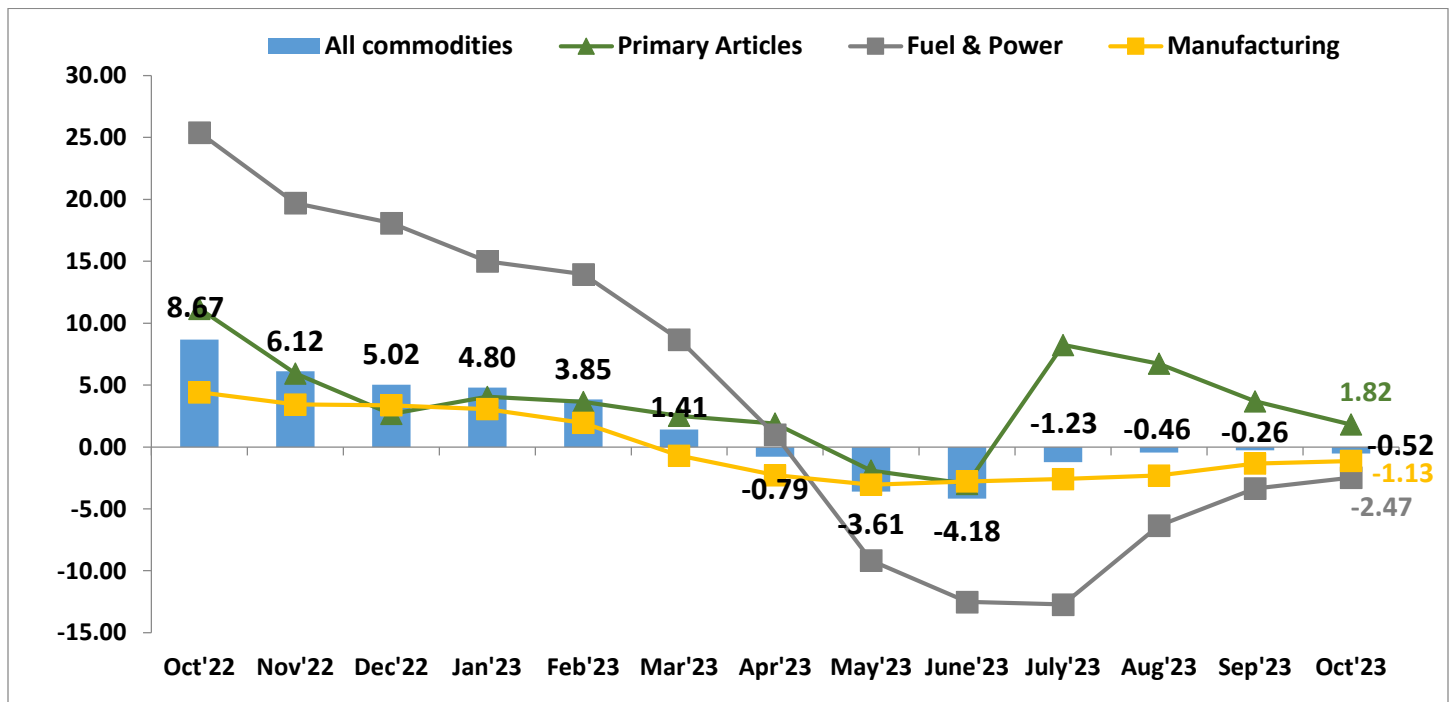


Table: Components of WPI

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
August	14.74	6.73	35.03	-6.34	7.51	-2.30	12.55	11.43	12.48	-0.46
September	11.54	3.70	33.11	-3.35	6.12	-1.34	11.03	3.35	10.55	-0.26
October	11.17	1.82	25.40	-2.47	4.42	-1.13	8.45	2.53	8.67	-0.52

Views:

1. With the highest weight in the WPI basket, the manufactured products category is still in the deflationary zone. Products made of semi-finished steel, edible oils, rubber, and plastic saw a fall, while clothing, tobacco products, and manufactured food saw month-on-month gains.
2. For the first time in three months, the M-o-M Food Index, which is made up of Food Articles & Food Products, increased. However, due to a favorable base effect, wholesale food inflation significantly decreased, falling to 1.07 percent in October 2023 from 6.19 percent in August 2023.
3. India's retail inflation also eased to a five-month low to 4.87 per cent in October 2023, owing to the combination of a favorable base effect and cooling prices of vegetable especially tomato, milk and edible oil, thus staying within RBI's Tolerance level of 2-6 per cent.
4. Therefore, the rate hikes by RBI in the past is showing results in terms of declining retail prices, which are further being reflected through the deflationary figures of wholesale prices in the last seven months.
5. In the upcoming months, the WPI may slightly rise due to the diminishing effects of the high base and the rising costs of cereals, onions, pulses, and some other food items. Furthermore, an increase in the Israel-Palestine could have an adverse effect on price levels.

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