

Macro Insights

15th December, 2023

WPI turns positive after 7 months

Wholesale inflation measured by WPI was 0.26% in November 2023, compared to -0.52% in the previous month i.e. October 2023, while it was 6.12% in November 2022.

Highlights

- India's WPI turns positive in November 2023, after remaining negative for seven consecutive months.
- Inflation was primarily led by rise in prices of food articles, mineral, machinery, computer, electronics, as well as those of motor vehicles, other transportation equipment, and other manufacturing.
- Fuel and power prices showed a substantial 4.61 per cent year-on-year decrease.
- Prices of primary articles rose by 4.76 per cent, while manufactured product prices fell by 0.64 per cent.

Chart: Wholesale Price Index – November 2023

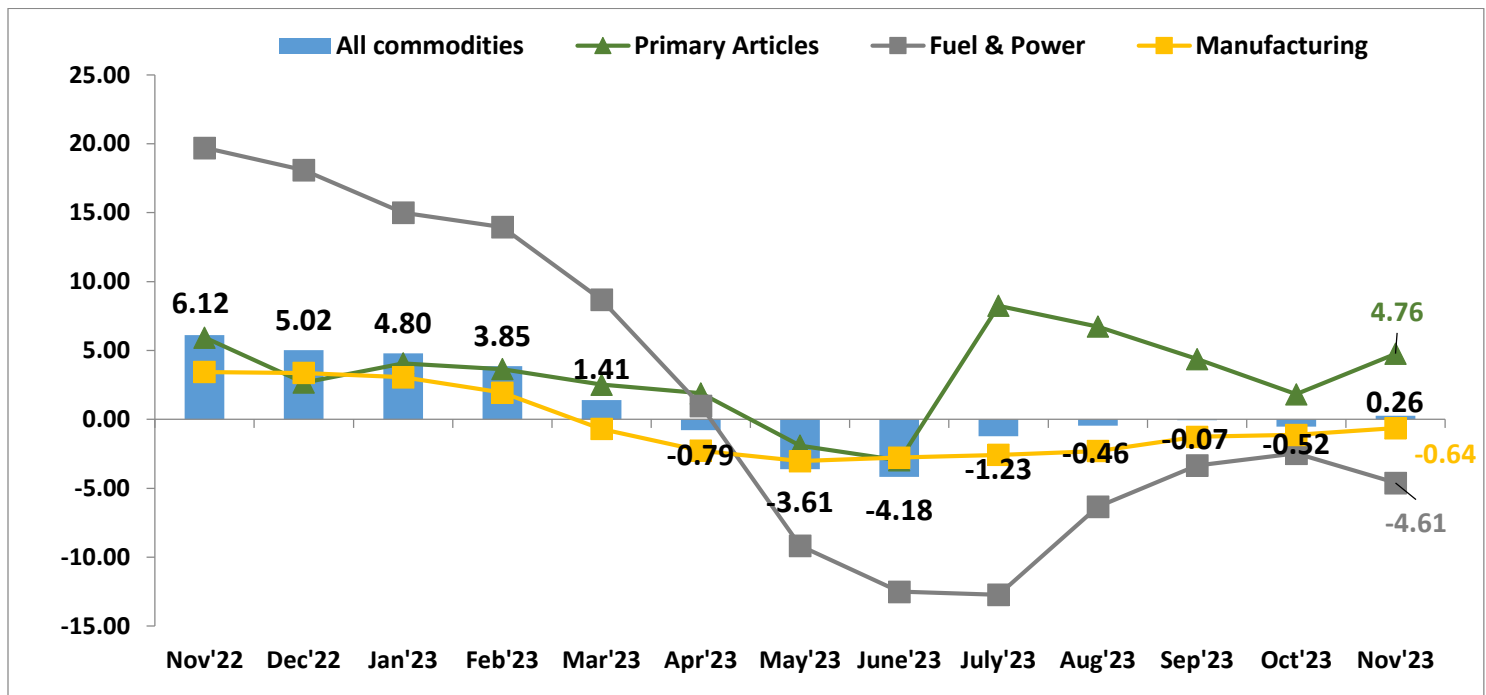


Table: Components of WPI

| 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 |
| 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 |
| November | 5.94 | 4.76 | 19.71 | -4.61 | 3.44 | -0.64 | 1.51 | 8.18 | 6.12 | 0.26 |

Views:

1. With the highest weight in the WPI basket, the manufactured products category is still in the deflationary zone. Food products, motor vehicles, trailers & semi-trailers, fabricated metal products, wood & by products of wood saw month-over-month rise in prices, while manufacture of basic metals, electrical equipment, textiles, other non-metallic mineral products, rubber & plastic products saw month-on-month gains.
2. The Food Index increased from 1.07% in October 2023 to 4.69% in November 2023. This increase was led by vegetables (like onion & tomato) which moved from -21% YoY in October 2023 to 10.4% YoY in November 2023. While, in paddy and fruits, inflation was 10.44% and 8.37% respectively.
3. Earlier this month, India's retail inflation also rose at its fastest pace in three months at 5.55% in November 2023, driven by a spike in food prices. Though, staying within RBI's Tolerance level of 2-6%.
4. In the upcoming months, the WPI may further see an uptick owing to rising prices of vegetables, cereals, pulses, and some other food items. Moreover, the base effect is now likely to put upward pressure on the index as well.
5. While on the downside, declining global energy and commodity prices would release pressure on WPI index. All things considered, the index is expected to show positive inflation prints in coming months before moderating in the Q4 of FY2024.

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