

## Macro Insights

14<sup>th</sup> March, 2024

### India's WPI eases to 4-month low

Wholesale inflation measured by WPI eased to 0.20 per cent in February 2024 on an annual basis, as against 0.27 per cent in January 2024, while it was at 3.85 per cent in February 2023.

### Highlights

- For the fourth consecutive month, India saw a positive WPI in February 2024. It was negative from April to October & had turned positive since November 2023.
- Positive rate of inflation in February 2024 is primarily due to increase in prices of food articles, crude oil, natural gas, electricity, machinery & equipment and motor vehicles, trailers & semi-trailers etc.
- Fuel and power prices showed continued deflation with 1.59 per cent year-on-year.
- Prices of primary articles rose by 4.49 per cent, while manufactured products' fell by 1.27 per cent Y-o-Y.

Chart: Wholesale Price Index – February 2024

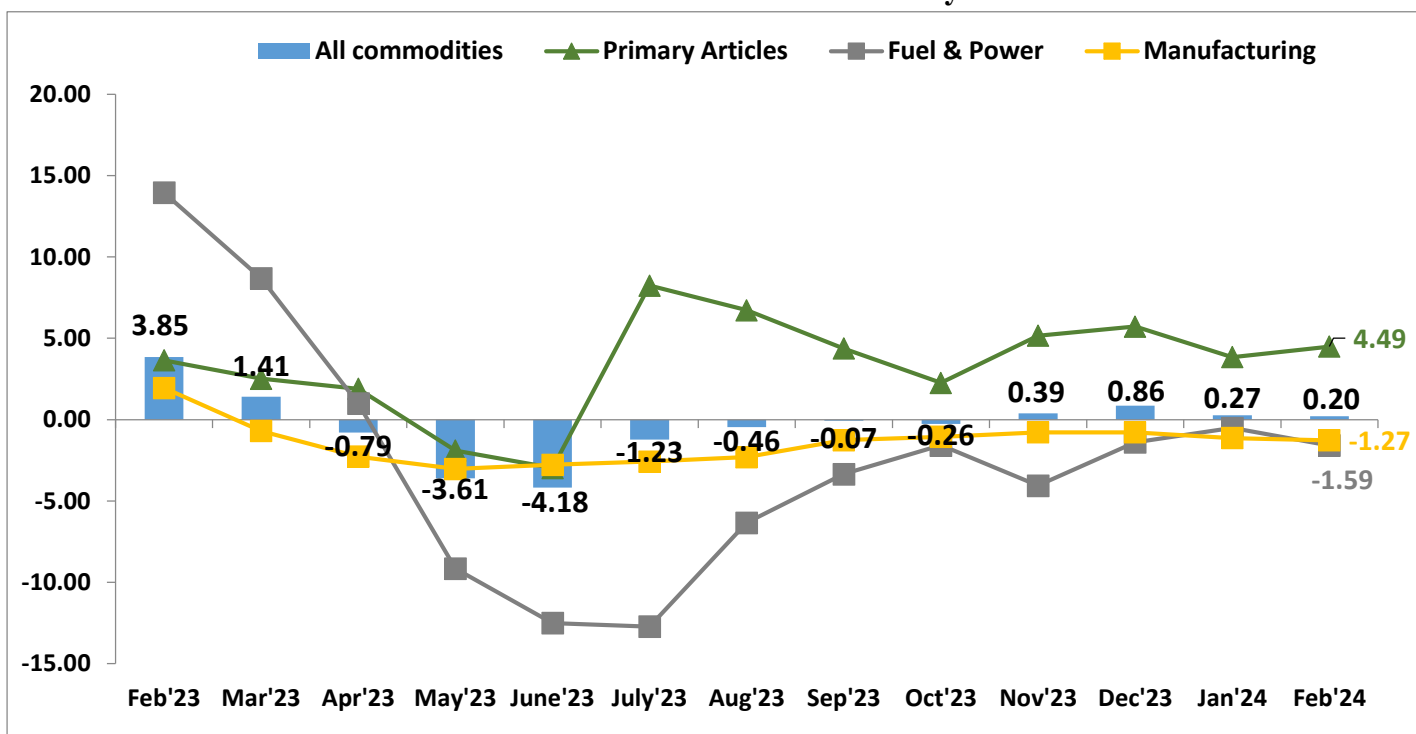


Table: Components of WPI

| WPI Inflation (%) | Primary Articles |      | Fuel & Power |       | Manufactured Products |       | Food Articles<br>(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 |
| December          | 2.67             | 5.73 | 18.09        | -1.39 | 3.37                  | -0.78 | -1.02                                       | 9.32 | 5.02            | 0.86 |
|                   | 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 |
| February          | 3.64             | 4.49 | 13.96        | -1.59 | 1.94                  | -1.27 | 3.81  | 6.95 | 3.85            | 0.20 |

### Views:

1. Manufactured products with the highest weight in the WPI basket remains in the deflationary zone, even the rate of deflation has even quickened on a month-over-month basis in February 2024. The following industries saw monthly gains: tobacco products, electrical equipment, trailers and semi-trailers, automobiles, textiles, pharmaceuticals, and medical, chemical, and botanical products. However, the prices of basic metals, other nonmetallic mineral products, fabricated metal products (apart from machinery and equipment), rubber and plastic products, printing and recorded media reproduction, etc., decreased month over month.
2. Food inflation rose slightly from 6.85% in January 2024 to 6.95% in February 2024. With regard to YoY basis, inflation was specifically observed in cereals (6.63%), wheat (2.34%), pulses (18.48%), paddy (10.25%), and potatoes (15.34%). In the meantime, the categories for meat and fish, fruits and eggs, and meat saw a deflation of 0.47 percent and 3.99 percent, respectively.
3. Earlier this week, India's retail inflation also fell to a four-month low of 5.09 per cent in February 2024, roughly the same level as in January but the easing of pressures in manufactured goods has been steeper, while food and beverage prices remained sticky and even saw a M-o-M rise in February. Although, retail inflation still remains above the central bank's target of 4 per cent, but has stayed within its tolerance range of 2-6 percent for the sixth consecutive month.
4. Going forward, in the last month of FY24, the WPI may see some further moderation on account of disinflation in fuel and manufactured products. While, rise in prices of cereals, pulses and vegetables might put upward pressure on the index.

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