

WHOLESALE PRICE INDEX

WPI inflation expectedly rose to 1.8% in September 2024; likely to print at 2.0-2.5% in October 2024, amid rising commodity prices

OCTOBER 2024





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The WPI inflation expectedly rose to 1.8% in September 2024, entirely led by an adverse base-led surge in the primary food articles inflation print.

Uptick in global commodity prices, including crude oil in early-October 2024 coupled with upward pressure from food items is likely to keep WPI elevated for the month.

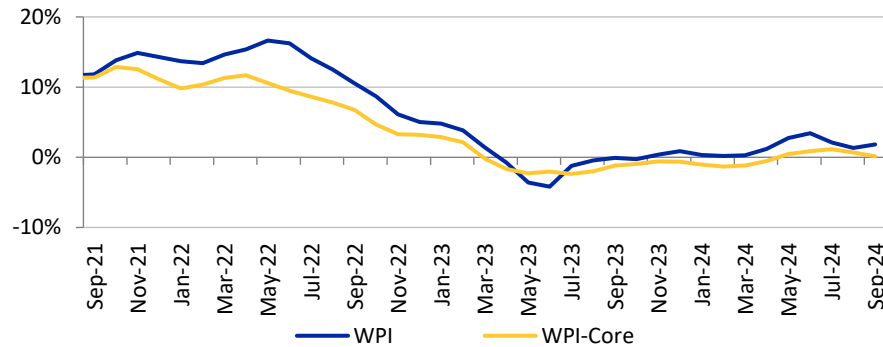
ICRA expects the WPI inflation to increase to 2.0-2.5% in October 2024.

The year-on-year (YoY) WPI inflation increased mildly to 1.8% in September 2024 from 1.3% in August 2024, with an adverse base-led surge in the primary food articles and manufactured food products sub-groups pushing up the headline print by as much as 174 bps between these months. This was partly offset by dips in most other categories including fuel and power, crude petroleum and natural gas, and non-food manufactured items during this period. With the base remaining unfavourable in October 2024, the WPI-food inflation print is expected to remain elevated, upwards of 8%, in the month. Additionally, the sequential increase in global commodity and crude oil prices in early-October 2024, amidst the escalation of tensions in West Asia, will also exert some pressure on the WPI print for the month. Overall, ICRA projects the WPI inflation to increase to 2.0-2.5% in October 2024.

- **WPI inflation expectedly rose to 1.8% in September 2024:** The mild uptick in the WPI inflation to 1.8% in September 2024 (ICRA's estimate: +1.9%) from 1.3% in August 2024 was entirely driven by primary food articles (+156 bps), and manufactured food products (+18 bps), which together exerted upward pressure to the tune of 174 bps to the headline WPI print between these months. This was partly offset by dips in most other categories including fuel and power, crude petroleum and natural gas, and non-food manufactured items during this period.
- **Core-WPI inflation at five-month low 0.1% in September 2024:** The core (non-food manufacturing) WPI continued to display a sequential softening for the fourth consecutive month in September 2024, contracting by 0.1% relative to August 2024. The YoY print in the core WPI eased for the second straight month to 0.1% in September 2024 from 0.7% in the previous month.
- **WPI inflation to rise to 2.0-2.5% in October 2024:** Following the escalation of tensions in West Asia, crude oil and global commodity prices have witnessed a sequential increase in early-October 2024, which is likely to exert some pressure on the WPI print for the month. Additionally, the WPI-food inflation print is also likely to remain elevated above the 8.0% mark in October 2024 for the second consecutive month, led by a double-digit print in the primary food articles segment. Consequently, ICRA estimates the WPI inflation to inch up to 2.0-2.5% in October 2024.

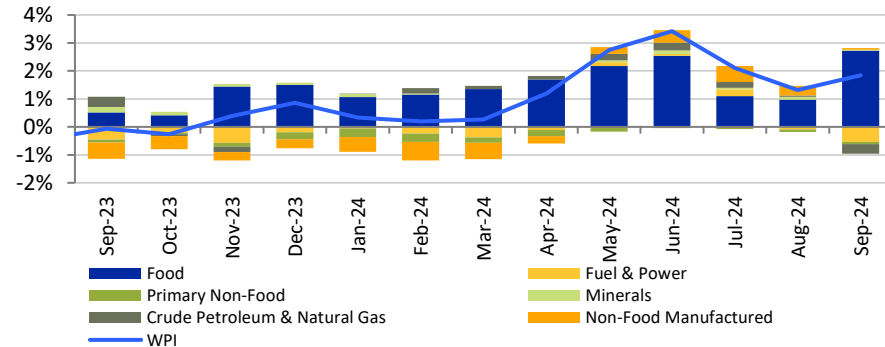
WPI inflation rose mildly to 1.8% in September 2024 from 1.3% in August 2024, led by primary food inflation segment

EXHIBIT: Headline and Core-WPI Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: Composition of WPI Inflation (YoY)

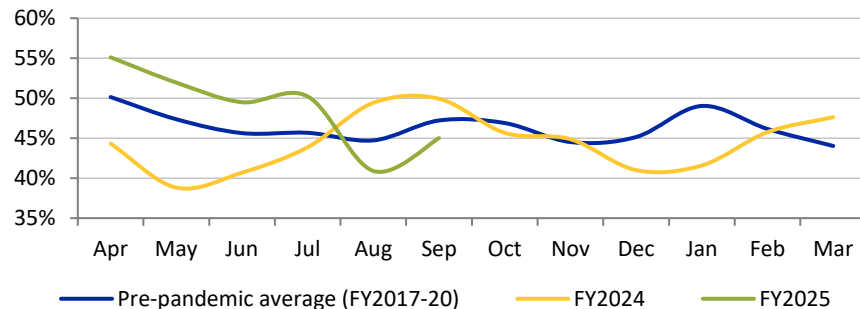


Source: NSO; Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

- The WPI inflation rose mildly to 1.8% in September 2024 (vs. -0.1% in September 2023) from 1.3% in August 2024 (-0.5% in August 2023), while printing in line with ICRA’s expectation of 1.9% for the month. The uptick was largely led by primary food articles (to 14-month high of +11.5% in September 2024 from +3.1% in August 2024; primarily on account of an adverse base) and manufactured food products (to +5.5% from +3.6%) that exerted an upward pressure to the tune of 174 bps to the headline WPI print between these months. This was partly offset by dips in most other categories including minerals (to +3.0% in September 2024 from +8.8% in August 2024), fuel and power (to -4.0% from -0.7%), crude petroleum and natural gas (to -13.0% from +1.8%), and non-food manufactured items (to +0.1% from +0.7%).
- The core-WPI inflation (with a weight of 55.1% in the WPI) fell to a five-month low of 0.1% in September 2024 (-1.2% in September 2023) from 0.7% in August 2024 (-2.0% in August 2023). Consequently, the wedge between the headline and the core WPI widened to (-) 171 bps in September 2024 from (-) 62 bps in August 2024.
- On a sequential basis, the WPI rose by 0.1% in September 2024, as against the contraction of 0.5% in September 2023, led by primary food items (+0.9% vs.-6.8%), primary non-food items (+1.3% vs. +0.9%), and manufactured food-products (+1.6% vs. -0.2%).

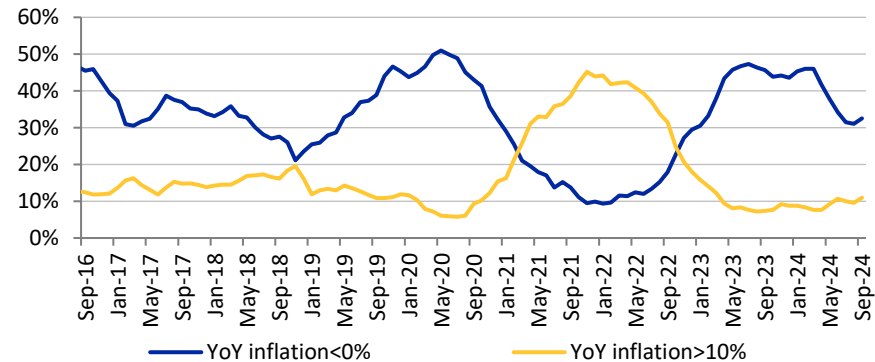
Share of items in WPI basket that saw MoM uptick in prices surged to 45% in September 2024, while remaining lower than pre-pandemic average level

EXHIBIT: Share of items in WPI basket* reporting a sequential increase in prices (%)



*Based on the 697 items covered in the WPI basket; on FY basis; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

EXHIBIT: Share of items in the WPI* with YoY inflation <0% and >10%

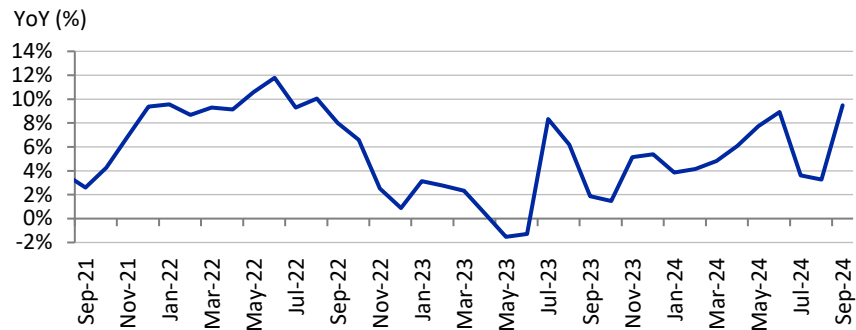


*Based on the 697 items covered in the WPI basket; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

- Amidst the uptick in the headline inflation, the share of items in the WPI basket that witnessed a sequential increase in prices rose sharply to 45.0% in September 2024 from 40.9% in August 2024. However, this was lower than the average seen in September of FY2017-20 (47.2%).
- Besides, the share of items in the WPI basket that reported a double-digit YoY inflation rate (>10%) rose to 11.0% in September 2024 from 9.5% in August 2024. Interestingly, the share of items reporting a YoY deflation also increased to 32.5% from a 19-month low of 31.1%, respectively.

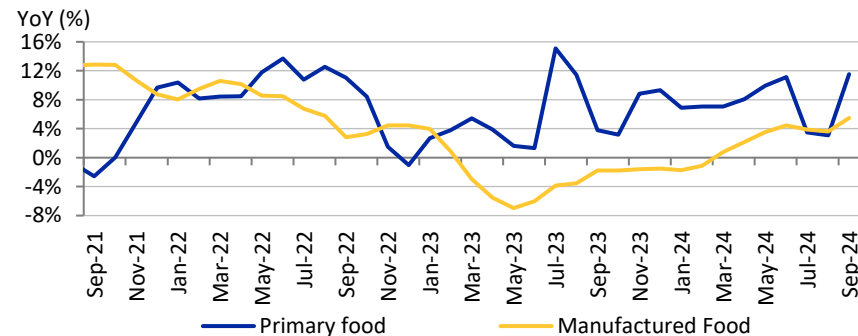
WPI-food inflation surged to 25-month high of 9.5% in September 2024

EXHIBIT: YoY trends in WPI Food Inflation



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

EXHIBIT: YoY trends in primary and manufactured food

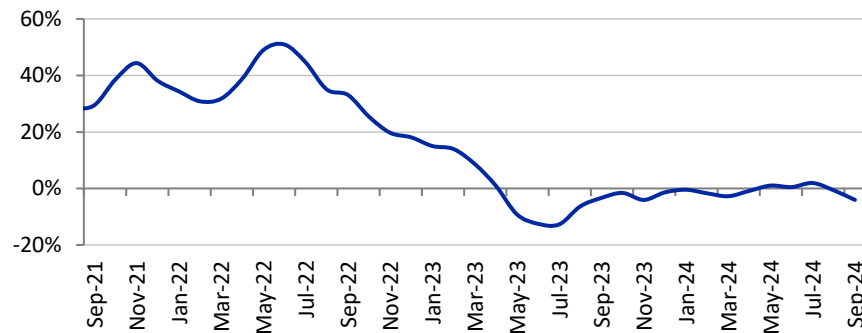


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- Owing to an unfavourable base, the WPI-food inflation (primary food articles and manufactured food items) surged to a 25-month high of 9.5% in September 2024 (+1.9% in September 2023) from 3.3% in August 2024 (+6.2% in August 2023). This was led by both primary food articles (to 14-month high of +11.5% in September 2024 from +3.1% in August 2024) and manufactured food products (to 25-month high of +5.5% from +3.6%, driven by vegetable and animal oils and fats).
- The surge in the inflation for primary food products in September 2024 relative to August 2024 was led by a turnaround in vegetables (at 14-month high of +48.7% in September 2024 from -10.0% in August 2024), driven by potato, tomato, onion, brinjal, cabbage, etc. Additionally, the YoY inflation in other food articles (to +15.7% from +15.3%, led by tea), and condiments and spices (to -3.7% from -5.8%, led by garlic, chilies) also edged up in September 2024 vis-à-vis August 2024. In contrast, the remaining sub-categories saw a lower inflation print between these months, namely, fruits (to three-month low of +12.2% from +16.7%, led by banana, apple, etc.), pulses (to +13.0% from +18.6%), cereals (to +8.1% from +8.4%), milk (to +3.2% from +3.5%), and eggs, meat and fish (to -0.8% from -0.7%).
- In month-on-month (MoM) terms, the WPI-food sub-index rose by 1.1% in September 2024, as against the decline of 4.6% seen in September 2023, led by both primary food articles (+0.9% vs. -6.8%) and manufactured food products (+1.6% vs. -0.2%).

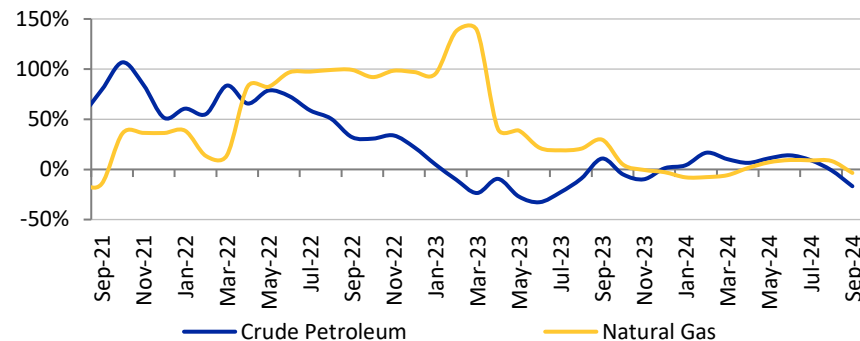
YoY deflation for fuel items widened in September 2024, aided by a high base

EXHIBIT: YoY trends in Fuel and Power Inflation



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

EXHIBIT: YoY trends in Crude Petroleum and Natural Gas Inflation

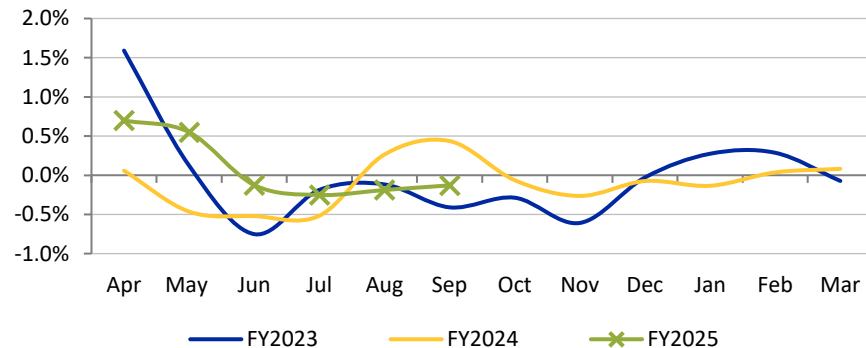


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The YoY deflation in the fuel and power sub-index (weight in WPI: 13.2%) widened to 4.0% in September 2024 (-3.3% in September 2023) from 0.7% in August 2024 (-6.3% in August 2023), aided by a base effect. This was entirely driven by a larger YoY deflation in mineral oils (to a 13-month low of -5.8% in September 2024 from -0.4% in August 2024), and electricity (to -0.9% from -0.8%), while coal (to -0.8% from -1.5%) saw a narrower deflation between these months.
- Crude petroleum and natural gas witnessed a 13.0% YoY deflation in September 2024 (+15.6% in September 2023) as against the inflation of 1.8% in August 2024 (-1.9% in August 2023), largely led by an elevated base. This was driven by both crude petroleum (to -16.8% in September 2024 from -1.0% in August 2024) as well as natural gas (to -3.5% from +8.4%). Notably, the WPI index for crude petroleum for September 2024 was 9.6% lower than the final level for July 2024, narrower than the decline of 12.2% (in Rs./bbl terms) in the average monthly international crude oil prices of the Indian basket between these months, suggesting that the crude petroleum index for September 2024 may undergo a downward revision.

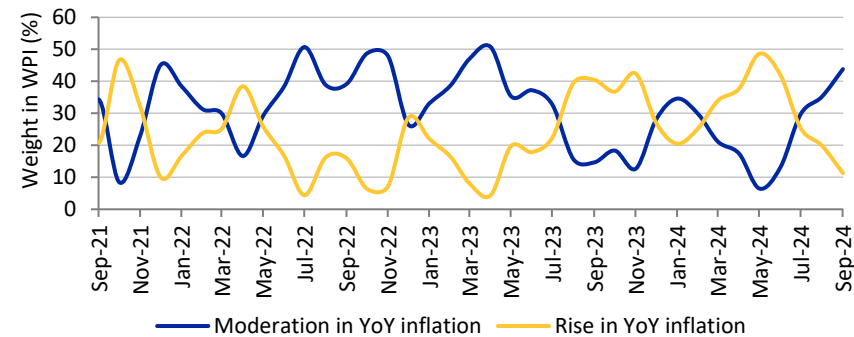
Core-WPI inflation eased to five-month low of 0.1% in September 2024, amid a broad based dip in 13 of the 21 sub-groups

EXHIBIT: Month-on-month trends in Core-WPI



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

EXHIBIT: Weightage (%; in WPI) of core-WPI sub-sectors recording sequential rise and moderation in their YoY inflation

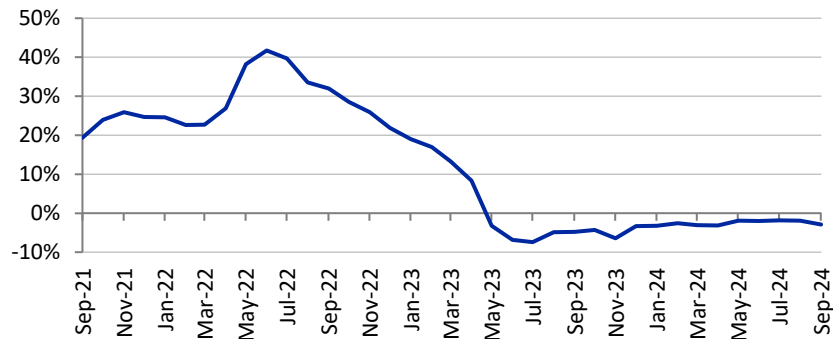


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The core-WPI inflation eased for the second consecutive month in September 2024, softening to a five-month low of 0.1% YoY in the month (-1.2% in September 2023) from 0.7% YoY in August 2024 (-2.0% in August 2023), partly supported by a favorable base. The dip was broad based, with as many as 13 of the 21 sub-groups of the core-WPI (with a substantial weight of 43.8% in the WPI) witnessing a lower YoY inflation print in September 2024 vis-à-vis August 2024, including manufacture of basic metals, chemicals and chemical products, motor vehicles, trailers and semi-trailers, machinery and equipment, etc. In contrast, the remaining eight sub-sectors of the core-WPI (with a weight of 11.3% in the WPI) saw an uptick in their YoY inflation print between these months. Additionally, four sub-groups witnessed a YoY deflation in September 2024 as against five in August 2024.
- In sequential terms, the core index eased by 0.1% in September 2024, registering the fifth straight month of a decline. This contrasted with the MoM expansion of 0.4% seen in September 2023, amid a lower MoM print in as many as 13 of the 21 sub-sectors (with a weight of 43.8% in the WPI basket), including the manufacture of basic metals, chemicals and chemical products, motor vehicles, trailers and semi-trailers, etc., in September 2024, relative to September 2023.

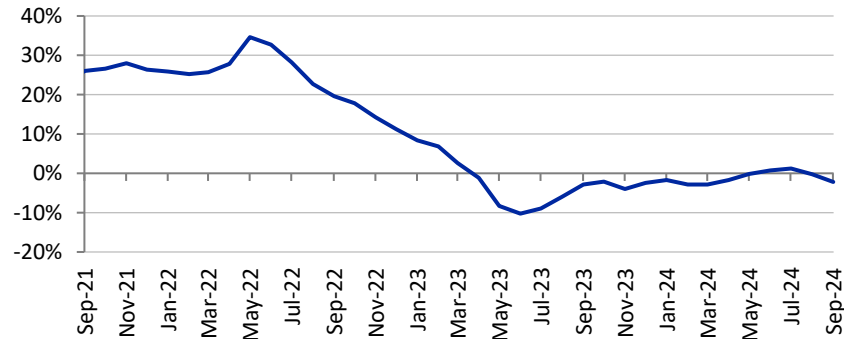
Deflation in industrial and farm inputs costs widened in September 2024

EXHIBIT: Farm inputs WPI (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

EXHIBIT: Industrial raw materials WPI (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

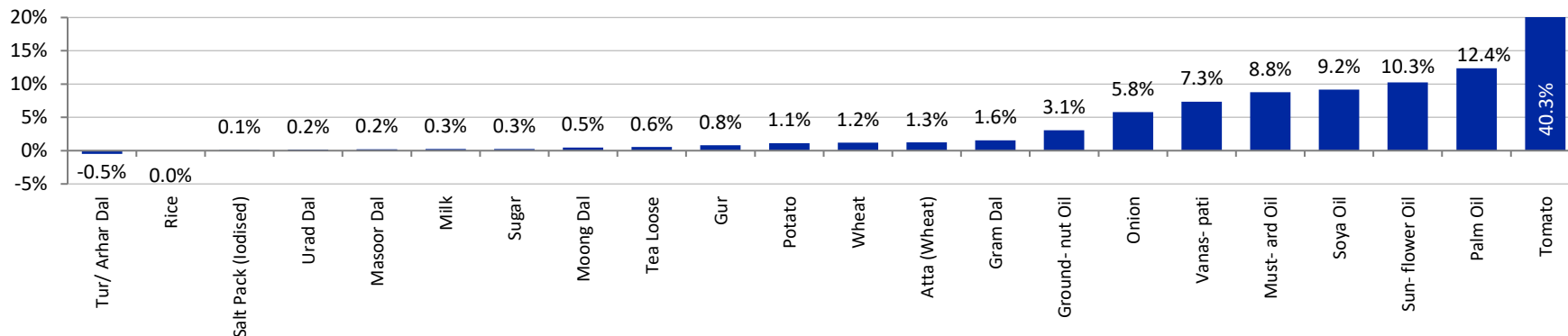
- The YoY deflation in the WPI for industrial raw materials¹ widened to 2.2% in September 2024 (-2.8% September 2023) from 0.2% YoY in August 2024 (-6.0% August 2023), despite an unfavorable base. This was largely led by fuel items (including HSD, ATF, furnace oil, bitumen, naphtha, lube oil, petroleum coke, etc.), electricity, minerals and cotton yarn, which witnessed lower YoY prints in September 2024 vis-à-vis August 2024. On a sequential basis, the index inched up marginally by 0.1% in September 2024 (vs. +2.0% in September 2023), similar to the uptick seen in the previous month.
- Likewise, the WPI farm inputs² index also witnessed a larger deflation of 2.9% in September 2024 vs. 1.9% in August 2024, led by HSD, electricity, fodder, and agricultural and forestry machinery. This was the 17th consecutive month of a deflation in this index.

¹ Comprises primary non-food articles, minerals, coal, aviation turbine fuel, high speed diesel, naphtha, bitumen, furnace oil, lube oil, petroleum coke, electricity, cotton yarn, and paper and paper pulp from WPI

² Comprises high speed diesel, fodder, electricity, fertilisers, pesticides and agricultural and forestry machinery from WPI

OUTLOOK: WPI-food inflation to remain elevated in October 2024

EXHIBIT: MoM trends in wholesale prices in October 2024 (till October 13, 2024)



Source: Department of Consumer Affairs; CEIC; ICRA Research

- The data released by the Department of Consumer Affairs points to a broad-based MoM hardening in the average wholesale prices of 20 of the 22 commodities in October 2024 (till October 13, 2024), barring those for rice and tur dal. This is similar to the trend seen in the retail prices of these essential commodities. Among vegetables, onion prices that have risen continuously since May 2024, surging to a 11-month high of Rs. 4,566/quintal in October 2024 (MoM: +5.8% and YoY: +55.3%). Additionally, tomato prices have surged to a 14-month high of Rs. 5,163/quintal in the ongoing month so far from Rs. 3,679/quintal in the previous month. Further, potato prices remain elevated at Rs. 2,980/quintal in October 2024 (MoM: +1.1%).
- As many as 13 of the 22 items witnessed a higher MoM prints in October 2024 as compared to October 2023, including wheat, most edible oils, tomatoes and potatoes. Likewise, the same set of 13 items reported an uptick in their YoY inflation rates in October 2024 (till October 13, 2024) vs. September 2024.
- **Overall, ICRA expects the WPI-food inflation print to remain elevated above the 8.0% mark in October 2024 for the second consecutive month (+9.5% in September 2024), with the inflation in primary food articles likely to remain in double digits.**

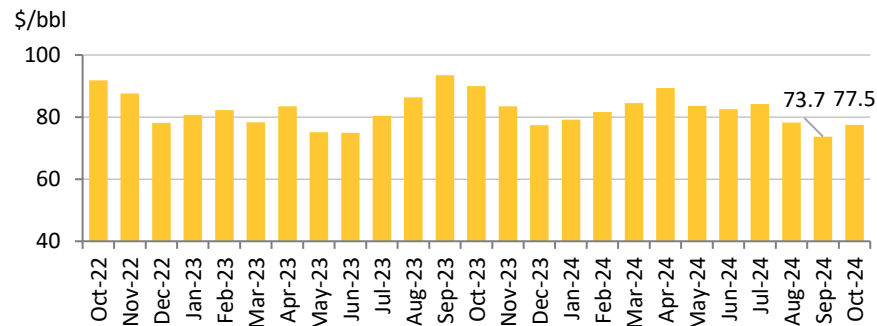
OUTLOOK: Rise in commodity and crude oil prices likely to exert upward pressure to October 2024 WPI print

EXHIBIT: Trends in the Bloomberg commodity price Index



Data for October 2024 is available till October 11, 2024; Source: ICRA Research

EXHIBIT: Trends in prices of Indian basket of crude oil

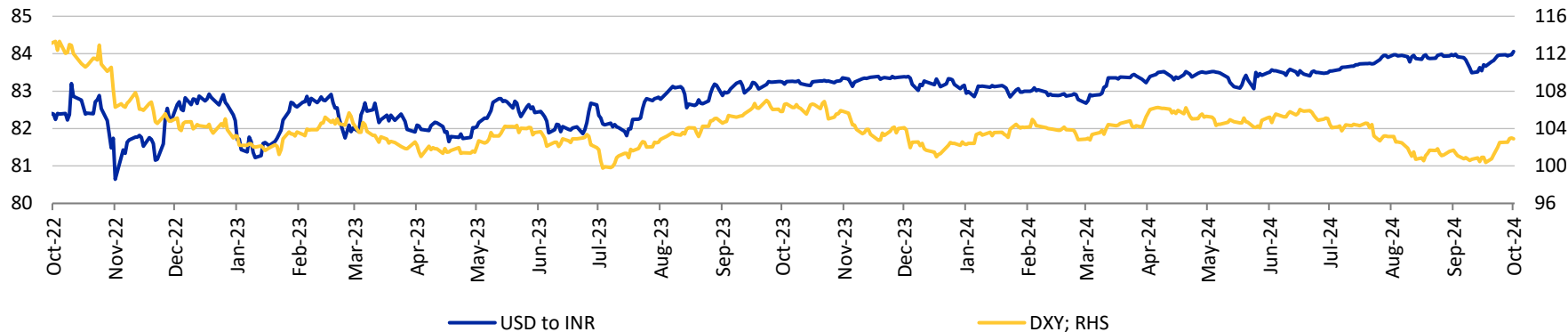


Data for October 2024 is available till October 11, 2024; Source: PPAC; ICRA Research

- The average value of the Bloomberg commodity price Index has risen by a sharp 4.3% on a MoM basis in October 2024 (up to October 11, 2024) after rising by 1.2% in September 2024. On a YoY basis, the contraction in the Index narrowed sharply to 3.0% in October 2024 (up to October 11, 2024) from 8.9% in the previous month.
- The average price of the Indian basket of crude oil surged by 5.1% MoM to \$77.5/bbl in October 2024 (during October 1-11, 2024) from a 33-month low of \$73.7/bbl in September 2024, amid the escalation in tensions in West Asia. While ample supply and weak demand has largely kept oil prices in check, the recently announced Chinese stimulus package and the US Fed's rate cuts can help spur demand in the world's largest oil consumers, posing headwinds to oil prices, along with any further escalation in geopolitical tensions. On a YoY basis, such prices are down by 13.8% in October 2024 so far, narrower than the 21.2% contraction seen in the prior month.
- **The uptrend in global commodity prices including crude oil prices will exert an upward pressure on the WPI inflation print in the ongoing month.**

OUTLOOK: WPI inflation to rise marginally to 2.0-2.5% in October 2024

EXHIBIT: Trends in INR, DXY



Data for October 2024 is available till October 11, 2024; Source: CEIC; RBI; ICRA Research

- The USD/INR pair had depreciated from 83.87/\$ seen at end-August 2024 to low levels of 83.98/\$ on multiple days in September 2024, before appreciating to 83.49/\$ towards the latter part of the month. However, an escalation of the conflict in West Asia since the start of the ongoing month, the announcement of China's stimulus package in late September 2024 (leading to a diversion of FPI flows to China), strong employment data in the US, and rising crude prices have impacted foreign capital flows to India, thereby weighing on the INR. Consequently, the pair breached the 84/\$-mark on October 11, 2024, closing at 84.06/\$.
- The pair has averaged at 83.95/\$ during October 1-11, 2024, as against 83.81/\$ in September 2024. Going forward, while the RBI's intervention is likely to prevent volatility in the USD/INR pair, any further escalation in tensions in West Asia could lead to a depreciation in the Indian currency in the ongoing month, which would affect the landed cost of imports.
- **Overall, ICRA currently expects the headline WPI inflation to rise to 2.0-2.5% in October 2024 (-0.3% in October 2023) from 1.8% in September 2024 (-0.1% in September 2023).**

Table A.1: Trend in Monthly WPI Inflation

	Weight	YoY Inflation				MoM
		July-24	July-24	August-24	September-24	September-24
		Initial	Revised	Initial	Initial	Initial
WPI	100.00	2.0%	2.1%	1.3%	1.8%	0.1%
Primary Articles	22.62	3.1%	3.2%	2.4%	6.6%	0.4%
- Food	15.26	3.4%	3.5%	3.1%	11.5%	0.9%
- Non-Food	4.12	-2.9%	-1.9%	-2.1%	-1.6%	1.3%
- Minerals	0.83	6.6%	5.2%	8.8%	3.0%	1.8%
- Crude Petroleum and Natural Gas	2.41	9.1%	9.1%	1.8%	-13.0%	-5.7%
Fuel and Power	13.15	1.7%	1.9%	-0.7%	-4.0%	-0.8%
- Coal	2.14	-1.5%	-1.5%	-1.5%	-0.8%	0.0%
- Minerals Oils	7.95	3.7%	3.7%	-0.4%	-5.8%	-1.7%
- Electricity	3.06	-1.7%	-1.0%	-0.8%	-0.9%	1.3%
Manufactured Products	64.23	1.6%	1.6%	1.2%	1.0%	0.1%
- Food	9.12	3.8%	3.9%	3.6%	5.5%	1.6%
- Non-Food	55.11	1.2%	1.2%	0.7%	0.1%	-0.1%

Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

Table A.2: Trend in Monthly Inflation related to Non-Food Manufactured Products

	Weight	YoY Inflation				MoM
		July-24 Initial	July-24 Revised	August-24 Initial	September-24 Initial	September-24 Initial
Non-Food Manufactured Products	55.11	1.2%	1.2%	0.7%	0.1%	-0.1%
Beverages	0.91	2.1%	2.1%	1.9%	2.0%	0.0%
Tobacco Products	0.51	2.3%	2.0%	3.7%	1.8%	-1.1%
Textiles	4.88	2.1%	2.2%	1.8%	1.1%	-0.5%
Wearing Apparel	0.81	1.3%	1.3%	1.5%	1.9%	0.5%
Leather and Related Products	0.54	-1.0%	-1.0%	-0.6%	1.0%	0.3%
Wood and Products of Wood and Cork	0.77	3.5%	3.5%	3.2%	1.6%	-0.5%
Paper and Paper Products	1.11	-0.6%	-0.7%	0.5%	0.7%	-0.2%
Printing and Reproduction of Recorded Media	0.68	3.3%	3.4%	1.6%	1.5%	-0.4%
Chemicals and Chemical Products	6.47	0.1%	0.1%	0.2%	0.1%	-0.1%
Pharmaceuticals, Medicinal Chemical and Botanical Products	1.99	2.0%	2.0%	2.0%	1.5%	0.1%
Rubber and Plastics Products	2.30	1.6%	1.7%	1.5%	0.8%	0.0%
Other Non-Metallic Mineral Products	3.20	-3.0%	-3.4%	-3.9%	-3.4%	0.5%
Basic Metals	9.65	0.9%	0.6%	-0.8%	-3.1%	-0.7%
Fabricated Metal Products, except Machinery and Equipment	3.15	-1.5%	-1.4%	-1.5%	-2.2%	-0.3%
Computer, Electronic and Optical Products	2.01	2.3%	2.3%	1.6%	1.6%	0.3%
Electrical Equipment	2.93	1.9%	1.9%	1.0%	1.6%	0.0%
Machinery and Equipment	4.79	1.4%	1.5%	1.7%	1.2%	0.1%
Motor Vehicles, Trailers and Semi-Trailers	4.97	0.9%	1.2%	1.3%	1.3%	-0.3%
Other Transport Equipment	1.65	1.4%	1.5%	1.3%	0.1%	0.1%
Furniture	0.73	-1.6%	-0.8%	-0.6%	-0.2%	0.4%
Other Manufacturing	1.06	18.2%	18.2%	12.5%	15.6%	2.8%

Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

Table A.3: Sub-sectors with items having major contribution in the WPI Inflation

Sub-Group	Item Description	Weight (%)
Primary Food Articles	Milk	4.44
	Paddy	1.43
	Wheat	1.03
Primary Non-food Articles	Industrial Wood	0.89
	Raw Cotton	0.66
	Fodder	0.53
Minerals	Copper Concentrate	0.33
	Iron Ore	0.21
	Phosphorite	0.11
Crude Petroleum and Natural Gas	Crude Petroleum	1.95
	Natural Gas	0.46
Fuel and Power	HSD	3.10
	Electricity	3.06
	Petrol	1.60
Manufactured Food Products	Vegetable and Animal Oils and Fats	2.64
	Grain Mill Products	2.01
	Dairy Products	1.17
Non-Food Manufactured Products	Basic Metals	9.65
	Chemicals and Chemical Products	6.47
	Motor Vehicles, Trailers and Semi-Trailers	4.97

Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research



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