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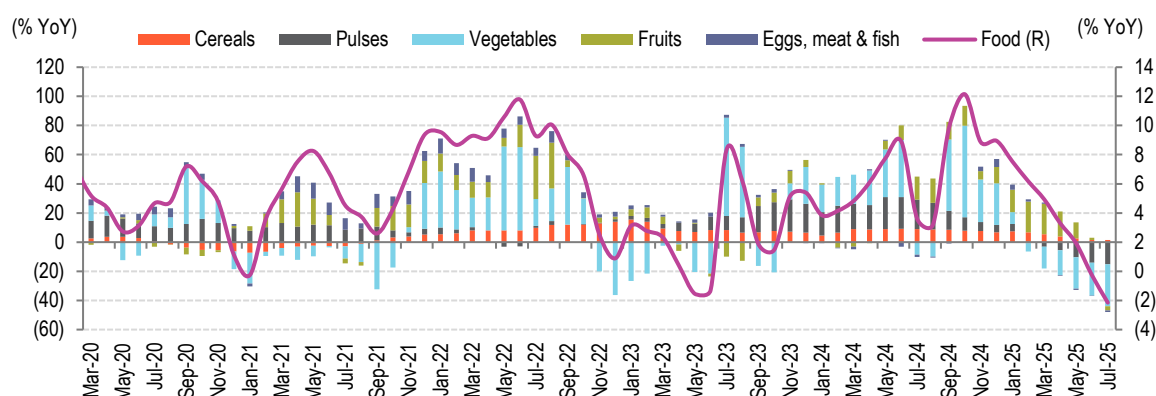
## **WPI contracts sharply**

*WPI inflation declined by (-) 0.6% in Jul'25—fastest pace of deceleration since Jul'23, from 2.1% in Jul'24. It was also lower when compared with last month's (Jun'25) decline of (-) 0.1%. From last year (Jul'24), food inflation has noted significant moderation, helped by vegetables (onion, tomato, and potato, cabbage, ginger), spices, pulses, fruits and paddy. Fuel inflation remained in deflation for the 4<sup>th</sup> consecutive month in Jul'25. Drop in mineral oil index, mirrors the trend in international oil prices. Manufactured product inflation however inched up, led by items like transport equipment, wearing apparels, pharma products, chemicals, paper and leather products etc. Inflation in key components under basic metals (Aluminium and Lead) noted higher inflation, in line with movement seen in international prices. Going forward, as uncertainties remain regarding US sanctions on importers of Russian oil and status of a cease fire deal also remains in limbo, oil prices are noting some upward pressure. However renewed tariff related tensions are set to exert downward pressure on commodity prices as global growth prospects weaken. As a result, we expect WPI to remain contained in the coming months.*

### **Food inflation continues to lead deflationary trend:**

Headline WPI inflation fell to (-) 0.6% in Jul'25, following 2.1% increase in Jul'24 and (-) 0.1% decline in Jun'25. This is the fastest pace of decline in 2 years, and was led by continued deflation in food inflation. Food inflation fell (-) 2.1% in Jul'25 versus 3.6% increase last year, and (-) 0.3% decline in Jun'25. Owing to higher base, vegetable inflation index declined for the 6<sup>th</sup> consecutive month in Jul'25, and fell by (-) 29%, much sharper than (-) 8.6% decline noted during the same period last year. This was helped by decline in index for potato, onion, tomato, onion, cabbage, and ginger etc. Index for spices and condiments (-15.6% versus 1.1%) and fruits (-2.7% versus 15.6%) too declined. Index for milk (2.2% versus 4.6%) noted moderation, while that of eggs, meat and fish (-1.1% versus -1.6%) recorded a slower pace of decline. Food grain inflation index also fell in Jul'25 (-1.9% versus 11.1%), led by sharp decline in inflation index for pulses (-15.1% versus 20.3%). Cereal inflation too softened, mainly due to movement in paddy inflation (0.1% versus 11% in Jul'24). Wheat inflation eased less sharply (4.4% versus 7%). Comparing cereal prices on a global level (World Bank's pink sheet) shows that domestic prices are following international trend. Paddy prices internationally have fallen by (-) 33% in Jul'25, versus 7.7% increased noted in Jul'24. Wheat prices on the other hand are falling at a slower pace (-7% versus -19.5%).

**Figure 1: Food inflation remains in deflation**



Source: CEIC, Bank of Baroda Research

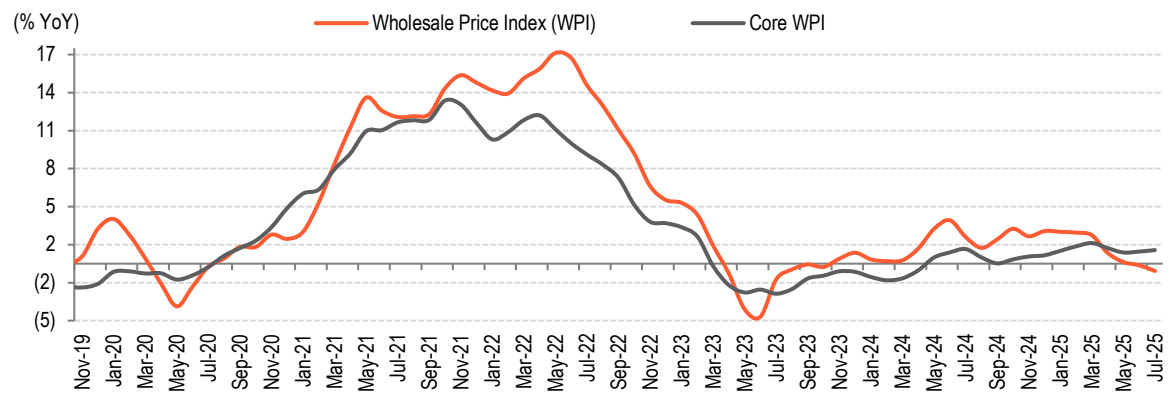
### **Fuel and power inflation continues to decline:**

Fuel and power segment continues to remain in deflation as the index fell by (-) 2.4% in Jul'25, after increasing by 1.9% in Jul'24, and declining (-) 2.7% in Jun'25. This decline is explained by (-) 5% fall in mineral oil index versus 3.7% increase last year (Jul'24). In contrast, coal (0.5% versus -1.5%) and electricity (3.3% versus -1%) price inflation noted an increase. In case of mineral oils, the trend seen in international oil prices is similar. Brent on an average fell by (-) 17.1% in Jul'25 following 4.6% increase in Jul'24, on YoY basis. Within mineral oils, apart from Bitumen, and Petroleum Coke, all others noted a decrease compared with last year. In Aug'25 so far, Brent prices have fallen less sharply by (-) 15.1%, due to continued uncertainty regarding US action on importers of Russian oil and the status of cease fire deal between Russia and Ukraine. Revival of growth fears due to re-intensification of trade war, led by the US is putting downward pressure on prices. If a cease fire deal is agreed upon between Russia and Ukraine, oil prices then may ease further.

### **Core WPI stabilises:**

Core inflation eased marginally to 1.1% in Jul'25, from 1.2% last year (Jul'24). However, it was higher than 1% registered last month (Jun'25). Manufactured product inflation was up by 2% in Jul'25 (unchanged from Jun'25) and up from 1.6% in Jul'24. Of the 22 commodity sub-indices, 10 indices rose at a faster pace in Jul'25 than Jul'24 led by—transport equipment, paper & products, wearing apparel, leather, chemicals, furniture, and fabricated metal products. Deflation in basic metals continued for the 4<sup>th</sup> consecutive month in Jul'25 and it remains lower than last year. Inflation for key metals shows that apart from Aluminium (8.5% in Jul'25 versus 6.6% in Jul'24) and Lead (-0.1% versus -1.3%), inflation index for other items like Copper (9.6% versus 12.2%), and Zinc (-3% versus 3.9%) remains lower than last year. In comparison, international prices for Aluminium (11.2% versus 9.9%), Lead (-0.1% versus -2.2%), Copper (8.9% versus 12.4%) are showing similar trends, as reflected in World Bank's pink sheet. However, pace of slowdown in Zinc prices internationally is less steep (1.8% versus 15.4%).

**Figure 2: Core inflation steadies**



Source: CEIC, Bank of Baroda Research

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