14 Aug 2026

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Wholesale inflation remains sticky

For Jul'26, headline WPI (2022-23=100) has come in at 9.8% from (-) 0.8% in Jul'25. At the same time, output PPI indicates that headline index rose by 9.6% versus (-) 0.5% last year. In the latest WPI series, all major group heads (food, fuel and manufactured products) have contributed to the elevated inflation print. Food inflation remains a major driver, with, fruits, milk, eggs and meat product all exhibiting upside pressures. Within fuel inflation, mineral oil index remains on the higher side, with index for crude petroleum, natural gas, ATF, LPG, Lube oils all rising notably. Similar trends can be noted in output PPI as well. In contrast, input PPI shows that upside pressure (MoM) was visible in only 10 of the 21 manufactured product indices (basic metals, machinery, beverages, furniture, other non-metallic mineral products, etc.). Going forward, as hopes of a peace deal between US and Iran diminish and 2 key waterways remain under threat (Strait of Hormuz and Bab al-Mandeb Strait), volatility in oil prices can be expected. Higher cost of insurance will add to the total freight cost, which in turn will pose upside pressures on imported commodities. Also, the effect of El Nino is expected to get stronger in Aug-Sep period. This will also maintain pressure on food inflation and headline WPI.

New WPI series (2022-23=100)

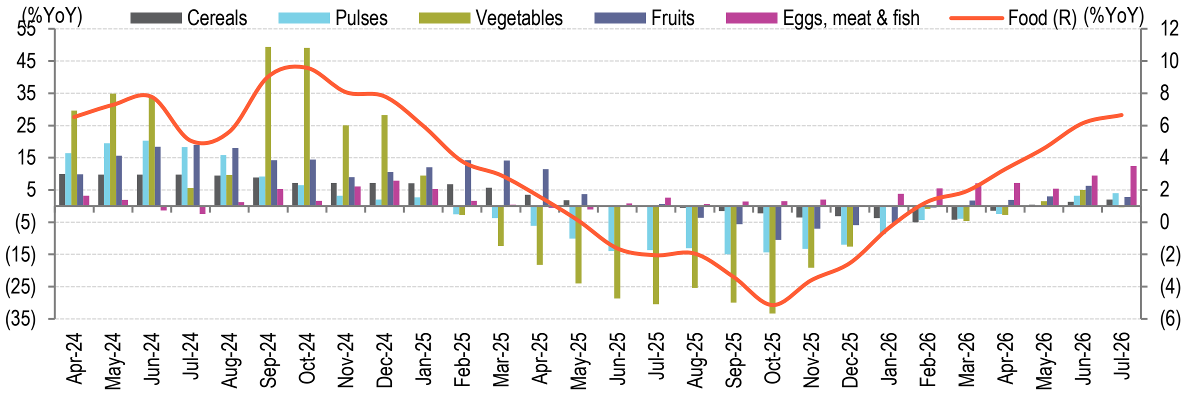
Food inflation maintaining upward momentum:

Headline WPI inflation remained broadly steady at 9.8% in Jul'26 versus 9.9% in Jun'26, and up from (-) 0.8% in Jul'25. Compared to Jul'25, food inflation was much higher at 6.6% versus (-) 2.1% last year. A broad-based increase was visible across majority of the sub-segments: food grains, fruits, milk, eggs, meat & fish, and condiments & spices. Vegetable inflation fell by (-) 0.3% from (-) 30.5% last year. Within vegetables, price index for onion, ginger, drumstick, pointer gourd and pumpkin has risen sharply. Amongst the fruits, lemon, guava, amla, sapota and almonds added to significant upside pressures.

Milk inflation was up from 2.3% last year to 3.7% this year, and eggs, meat and fish component registered a rise from 2.7% in Jul'25 to 12.5% in Jul'26. Amongst the meat items, price index for eggs, beef & buffalo meat, chicken and pork rose the most. Index for condiments was driven up by all sub-heads except for cumin and tamarind. Food grain inflation too rose to 2.4% from (-) 2.5% last year, due to rise in index for paddy, jowar, barley, and pulses (all sub-heads). On the other hand, wheat inflation softened (1.1% versus 3.4%).

Internationally, as per World Bank's pink sheet data, the trend is same of paddy and different for wheat. Wheat prices increased by 27.5% in Jul'26 versus (-) 7% in Jul'25 and rice prices have risen by 16.4% (-33% last year).

Figure 1: Food inflation continues to inch higher



Source: CEIC, Bank of Baroda Research

<u>Fuel and power inflation remains higher:</u>

Noting the impact of inclusion of crude petroleum and natural gas in this index, fuel and power inflation rose by 20% in Jul’26, slightly lower than 27.4% increase registered in Jun’26 but remains higher than (-) 3.7% last year (Jul’25). Compared to the previous year, inflation index for mineral oil segment (32.4% versus -4.4%) and crude petroleum & natural gas (27% versus -11.6%) registered most significant increase. Within this, index for crude petroleum rose by 26% (-14.6% last year) and that of natural gas rose by 28.6% (-7.1%). Internationally as well, crude oil prices were higher in Jul’26 in YoY terms by ~21% compared with (-) 17% decline last year during the same period. In Aug’26, as tensions between US and Iran remain escalated and risks of military strikes in key shipping routes have increased, oil prices have inched back up (26.5% YoY till date). In addition to this, depreciating rupee also impacts import prices. Amongst mineral oils, all sub-heads inched up, with maximum increase noted for items like Sulphur, LPG, ATF, MTO, petroleum coke and lube oils. Going forward, the trajectory of oil prices will be determined by US and Iran reach a truce deal. Currently both have agreed to extend the ceasefire beyond the 17th of August deadline.

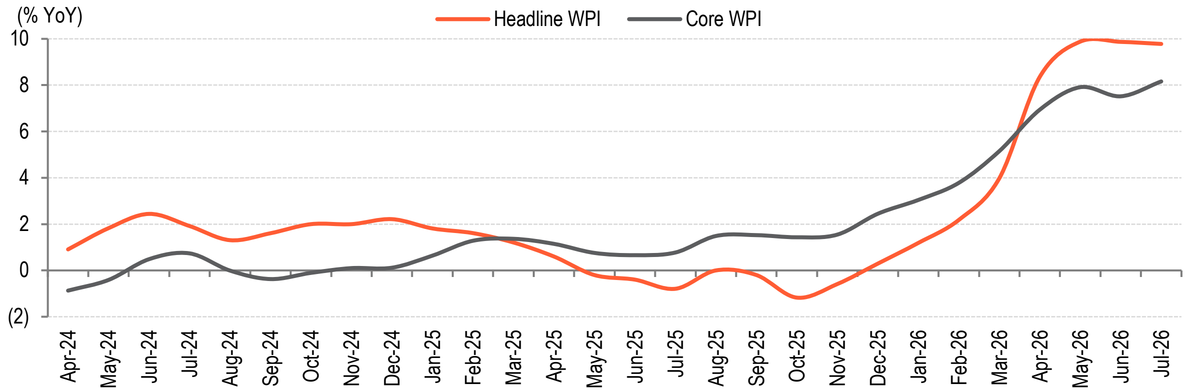
Electricity index also inched up higher (1.1% versus -1.6% last year) driven by sharp rise in gas electricity (41.6% versus -8.1%). Apart from this, hydro and nuclear electricity indices also added to the upside pressures. Similar trend is beginning to develop in case of coal-based electricity also as it fell by only (-) 0.4% in Jul’26 versus (-) 1.1% in Jul’25. This is in line with trend seen in index for coal inflation (-0.6% versus -1.2%) and is driven by Lignite coal (55.7% versus -0.3% last year).

<u>Core WPI inches further up:</u>

Core inflation came in at 8.2% in Jul’26, which is higher than 7.5% in Jun’26, and 0.8% last year (Jul’25). Manufactured product inflation rose further up to 8.3% (highest in the new series) in Jul’26 from 7.5% in Jun’26 and 1.3% in Jul’25. Of the 22 commodity sub-indices, 21 indices rose at a faster pace in Jul’26 than Jul'25 led by—basic metals, chemicals & products, electrical equipment, textiles, and tobacco products. Inflation for key metals shows that index for aluminium semi-finished products (28.8% versus 9.1%), and aluminium bars, rods (33% versus 7%) rose at faster pace. Lead & alloy price index was up by 9.5% from 0.3% last year. Index for Zinc also jumped notably by 27.4% from (-) 2.1% in Jul’25. Internationally, as per World Bank’s pink sheet data, Aluminium (21.3% versus 10.9%) and Zinc

(30.3% versus -0.5%) prices remain much higher than last year. Prices of Lead on the other hand have weakened (-7.6% versus -5.4%).

Figure 2: Core inflation remains higher



Source: CEIC, Bank of Baroda Research

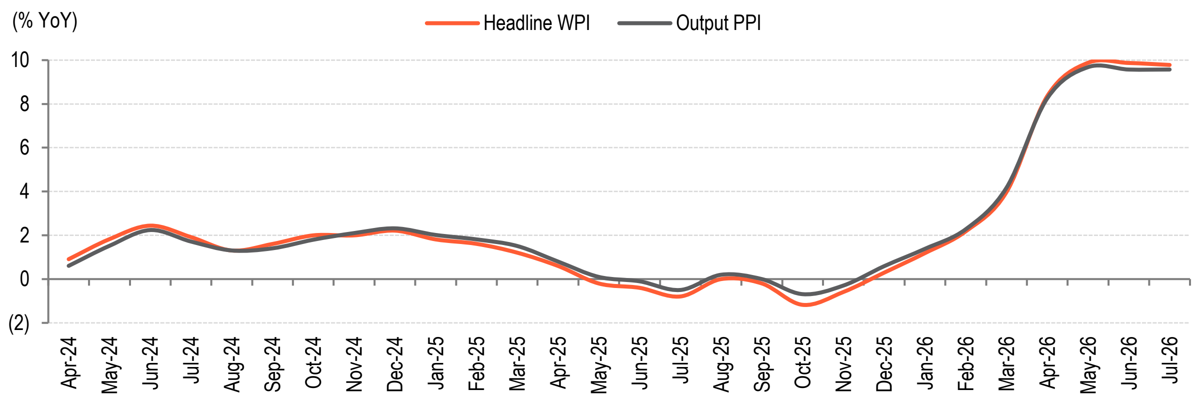
<u>Producer Price Indices (PPIs)</u>

Headline output PPI rose by 9.8% compared with 9.9% rise in Jun’26 and (-) 0.8% decline in Jul’25. Amongst the **food items**, inflation was driven by higher index for paddy (3.1% versus -2.2% in Jul’25), Arhar (12.4% versus -34.6%), groundnut (21.5% versus -6.3%), and other oil seeds (22.3% versus 19.2%), rubber, citrus fruits, onion, spices, milk, eggs and meat products.

PPI for mining of metal ores also rose considerably from 9.3% in Jul’25 to 29.5% in Jul’26, led by index for copper (36.6% in Jul’26 versus 11.8% in Jul’25) and other metallic minerals (46% versus 33.6%). Index tracking extraction of crude petroleum was up by 26% (-14.6% in Jul’25) and that of extraction of natural gas rose by 28.6% versus (-) 7.1% last year.

Amongst **manufactured products**, output PPI also shows that upside pressure came from tobacco products, textiles (textile products, synthetic fibres), chemicals (organic, inorganic, fertilizers, paints, pesticides); basic metals (non-ferrous and iron & steel); refined petroleum products, and electrical equipment (cables and wires, electrical appliances and other electrical machinery).

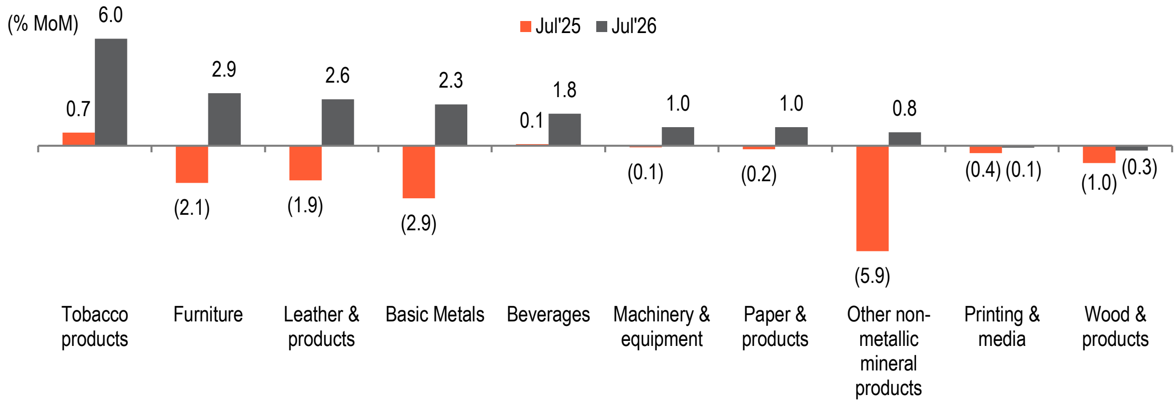
Figure 3: WPI and Output PPI series are well-aligned



Source: CEIC, Bank of Baroda Research

Input PPI: the trial series for input prices of manufactured products is available from Mar'26 onwards. As a result, on MoM basis, we note that in Jul'26, out of index for 21 products, index for only 10 products inched up from Jun'26. These were: furniture, basic metals, other non-metallic mineral products, wood & products, paper & products, leather & products, beverages, tobacco, printing and media, and machinery equipment. Index for all other sub-components moderated.

Figure 4: Components of input PPI exhibiting upside pressures



Source: CEIC, Bank of Baroda Research

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