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Wholesale inflation remains elevated

For Jun'26, headline WPI (2022-23=100) has risen to 9.9% from (-) 0.4% in Jun'25. At the same time, output PPI indicates that headline index rose by 9.6% versus (-) 0.1% 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 vegetables, 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, Naphtha 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 8 of the 21 manufactured product indices (basic metals, machinery, beverages, textiles, electrical equipment, etc.). Going forward, with renewed tensions between US and Iran and possible imposition of safety tax (20%) by the US, upside risks remain for international oil prices. Oil prices in Jul'26 so far have already risen by ~19% since end-Jun and are hovering above US$ 85/bbl. This will reignite pressure on domestic inflation.

New WPI series (2022-23=100)

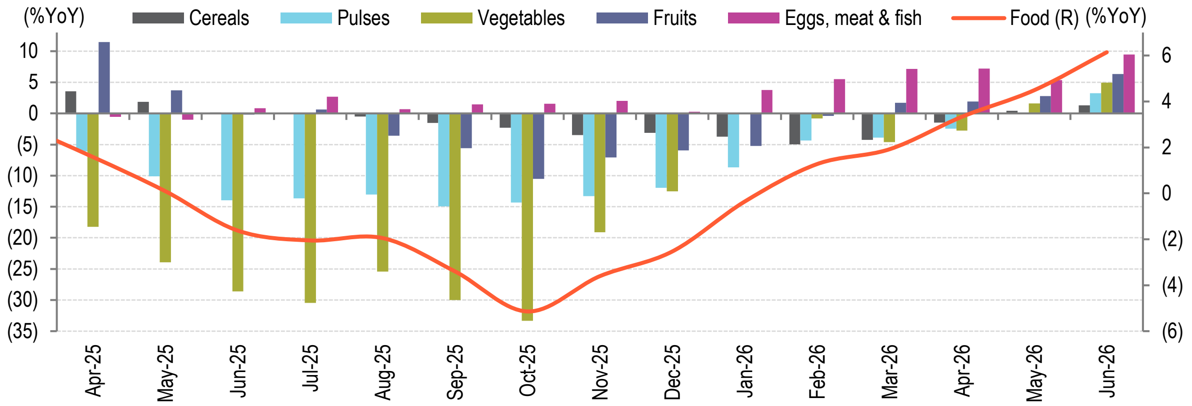
Food inflation comes in higher:

Headline WPI inflation rose to its highest in the current series (since Apr'24) to 9.9% in Jun'26, up from 9.7% in May'26 and (-) 0.4% in Jun'25. Compared to Jun'25, food inflation was much higher at 6.1% versus (-) 1.6% last year. A broad-based increase was visible across all sub-segments: food grains, vegetables, fruits, milk, eggs, meat & fish, and condiments & spices. Vegetable inflation rose to 5% from (-) 28.6% last year, due to base effect. Within vegetables, price index for tomato, ginger, and pumpkin has risen sharply followed by increase noted in case of onion, pointed gourd, capsicum and cucumber. Amongst the fruits, orange, lemon, guava, and peach were added to significant upside pressures.

Milk inflation was up from 2.5% last year to 3.7% this year, and eggs, meat and fish component registered a rise from 0.9% in Jun'25 to 9.5% in Jun'26. Amongst the meat items, price index for goat meat, eggs, beef & buffalo meat and pork registered double-digit increase. Index for condiments was driven up by all sub-heads except for cumin and tamarind. Food grain inflation too rose to 1.6% from (-) 2.3% last year, due to rise in index for paddy, jowar, ragi, barley, pulses (all sub-heads excluding gram, rajma, and khesari). On the other hand, wheat inflation softened (0.8% versus 3.3%).

Internationally, as per World Bank's pink sheet data, the trend is same of paddy and different for wheat. Wheat prices increased by 14.5% in Jun'26 versus (-) 7.8% in Jun'25 and rice prices have risen by 14.8% (2.4% last year).

Figure 1: Food inflation continues to inch higher



Source: CEIC, Bank of Baroda Research

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

Noting the impact of inclusion of crude petroleum and natural gas in this index, fuel and power inflation rose by 27.4% in Jun'26, slightly lower than 30.3% increase registered in May'25 but remains higher than (-) 3% last year (Jun'25). Compared to the previous year, inflation index for mineral oil segment (46.5% versus -5.2%) and crude petroleum & natural gas (34.8% versus -11.1%) registered most significant increase. Within this, index for crude petroleum rose by 32.4% (-11.2% last year) and that of natural gas rose by 38.5% (-10.9%). Internationally as well, crude oil prices were higher in Jun'26 in YoY terms by 21% compared with (-) 16% decline last year during the same period. In Jun'26 even as a ceasefire was in place between US and Iran and oil prices came down; risks of renewed war remained. 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 ATF, MTO, Naphtha, Furnace oil, and LPG.

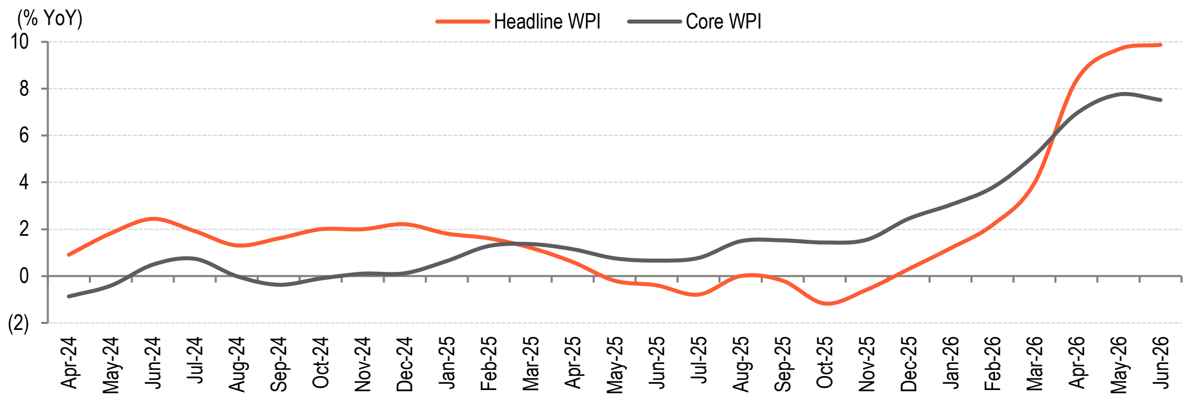
In contrast, index for coal (-1.6% versus -0.3%) and electricity (-0.8% versus 2.1%) fell at a faster pace in Jun'26 versus Jun'25. Within coal, both coking and non-coking coal index declined more than last year, while index lignite coal registered sharp increase. Under electricity, the decline was driven by thermal coal electricity, while all other sub-components recorded rise in index.

In Jul'26, oil prices have begun increasing since last week, amidst renewed tensions between US and Iran. Neighbouring gulf nations are also caught again in this second round of war. Oil prices have risen notably since the US announced that it has reinstated the blockade at Iranian ports (to cut Iranian oil supply from the market) and has proposed to collect 20% tax from all cargo ships passing through the Strait of Hormuz as security fee. In Jul'26 so far (till 14 Jul) oil prices are up 10% since last year (Jul'25) and by ~19% since end-Jun'26. Going forward, the trajectory of oil prices will be determined by how soon this second round of war ends, and if cargo ships will actually have to pay any tax to pass through the Strait of Hormuz.

<u>Core WPI remains high:</u>

Core inflation came in at 7.5% in Jun'26, which is slightly lower than 7.8% in May'26, but significantly higher than 0.7% last year (Jun'25). Manufactured product inflation remained unchanged at 7.5% (highest in the new series), from 1.2% last year (Jun'25). Of the 22 commodity sub-indices, 19 indices rose at a faster pace in Jun’26 than Jun'25 led by—basic metals, chemicals & products, textiles, tobacco products, and electrical equipment. Inflation for key metals shows that index for aluminium semi-finished products rose at faster pace (33.7% versus 4.3%). Lead & alloy price index was up by 5.9% from 1.6% last year. Index for Zinc also jumped notably by 20.1% from (-) 1.8% in Jun’25.

Figure 2: Core inflation remains on the higher end



Source: CEIC, Bank of Baroda Research

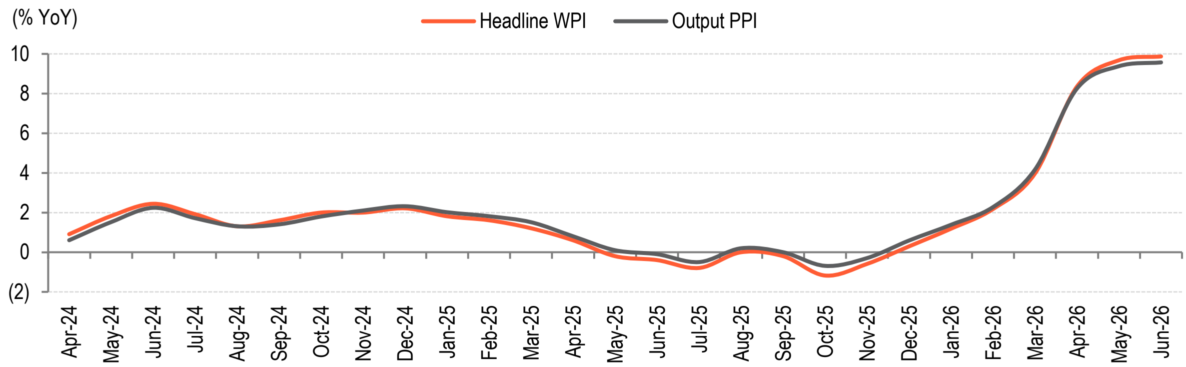
Producer Price Indices (PPIs)

Headline output PPI rose by 9.6% compared with 9.5% rise in May’26 and (-) 0.1% decline in Jun’25. Amongst the **food items**, inflation was driven by higher index for paddy (3.1% versus 2.3% in Jun’25), Arhar (8% versus -32.8%), groundnut (20.4% versus -7.3%), rapeseed, other oil seeds, rubber, citrus fruits, tomato, milk, wool, eggs and meat products.

PPI for mining of metal ores also rose considerably from 11.7% in Jun’25 to 23.5% in Jun’26, led by index for copper (22% in Jun’26 versus 2.4% in Jun’25) and other metallic minerals (49.6% versus 36%). Mining index for coal and lignite fell (-1.6% versus -0.3%). Index tracking extraction of crude petroleum was up by 32.4% (-11.2% in Jun’25) and that of extraction of natural gas rose by 38.5% versus (-) 10.9% 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); and electrical equipment (cables and wires, batteries, and electrical appliances).

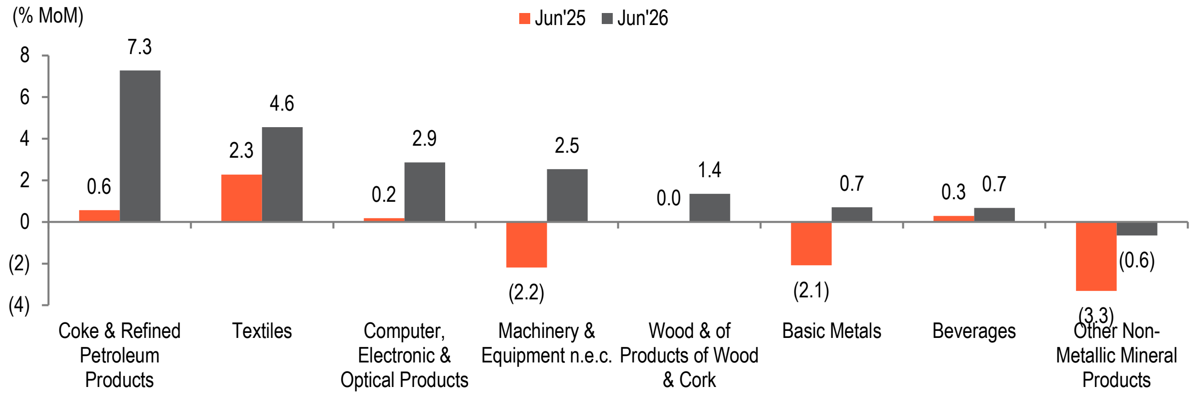
Figure 3: WPI and Output PPI series are well-aligned



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 Jun'26, out of index for 21 products, index for only 8 products inched up from May'26. These were: coke & refined petroleum products, machinery and equipment, basic metals, computer & electronic products, other non-metallic mineral products, wood & products, textiles and beverages. 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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