

Aditi Gupta
Economist

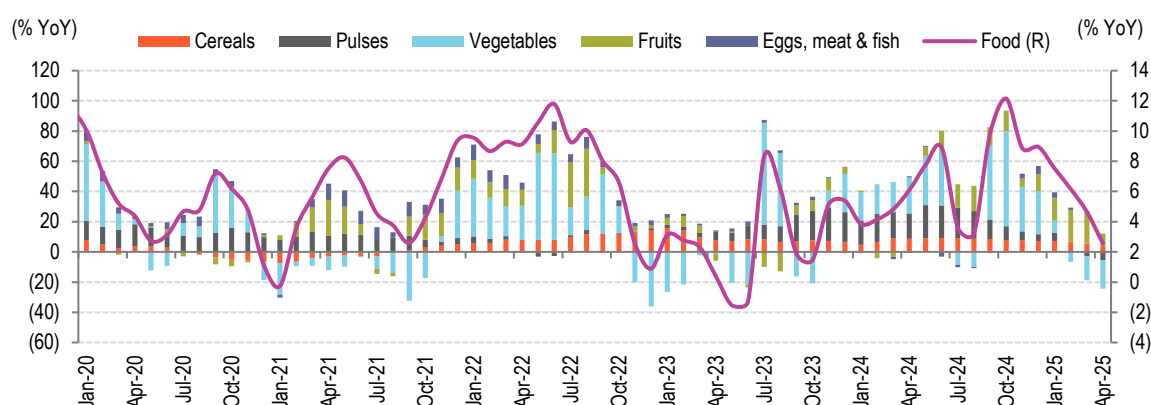
WPI inflation eases

WPI inflation eased to a 14-month low of 0.9% in Apr'25 compared with 1.2% in Apr'24. Food inflation moderated to 2.5% compared with 6.1% in Apr'24, led by a broad-based deceleration. Notably, sharp correction was seen in prices of vegetables, especially tomato, onion and potato, as well as pulses categories. Cereals inflation also moderated, led by lower rice prices. Fuel and power inflation eased, as cured oil prices remained downbeat. Within manufactured segment, incipient price pressure was visible for food products, reflecting higher edible oil prices. Further, despite lower global metal prices, domestic prices noted a marginal pickup when compared with last year. Going ahead, food inflation is likely to get support from a favourable monsoon and prospects of higher production. On the other hand, global commodity prices are likely to remain contained despite a softer stance by the US on tariffs, amidst China's continued economic challenges. Global growth prospects too, appear to be in a jeopardy amidst uncertainty over US tariffs. The above backdrop suggests that WPI inflation is likely to remain benign in FY26 as well.

Food inflation broadly steady:

WPI inflation eased to 0.9% in Apr'25 (BoB est.: 1.8%) versus 1.2% in Mar'24 and 2.0% in Mar'25. Food inflation moderated sharply to 2.5% in Apr'25 compared with 6.1% in Apr'24. Within food barring fruits, other categories have witnessed a moderation vis-à-vis Apr'24. Most significantly, vegetable inflation dropped steeply by 18.3% in Apr'25 compared with an increase of 23.6% in the same period last year. This in turn was led by a sharp correction in prices of key vegetables such as tomato, onion and potato. In fact, while tomato and potato prices declined by 38.6% (+40.6% in Apr'24) and 24.3% (+72% in Apr'24) respectively in Apr'25, onion prices also moderated significantly and rose at a sombre pace of 0.2% in Apr'25 (+59.2% in Apr'24). Base effect and robust mandi arrivals can explain the decline in vegetable prices seen lately. Pulses inflation declined by 5.6% in Apr'25 to its lowest since Oct'18, as supply conditions have improved significantly amidst robust kharif production. Softening momentum was also seen in cereals, with cereal inflation dropping to a 43-month low of 3.8% in Apr'25, led largely by a decline in prices of paddy (1.9% in Apr'25 versus 12% in Apr'24). Incidentally, even at a global level, rice prices have declined by 31% in Apr'25 versus an increase of 19.5% in the same period last year (World Bank's pink sheet).

Figure 1: Food inflation eases



Source: CEIC, Bank of Baroda Research

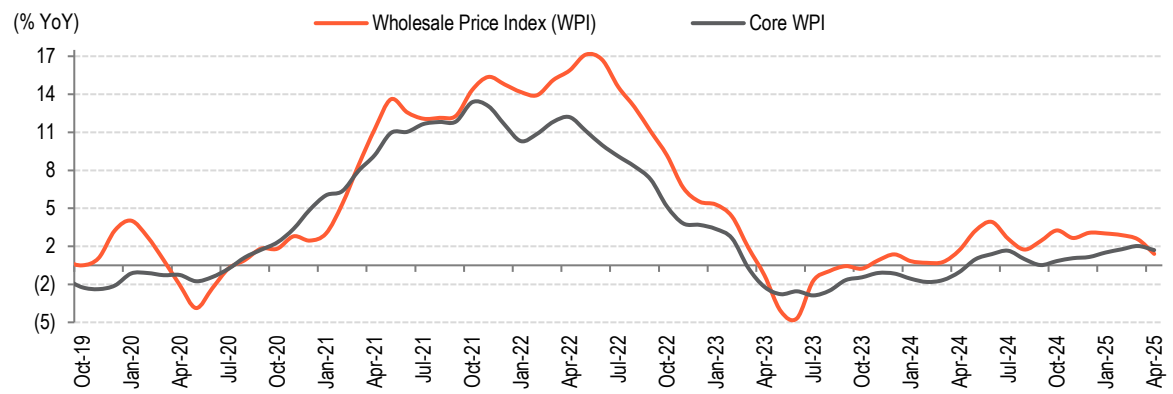
Fuel and power inflation rose in Mar'25:

Fuel and power inflation declined by 2.2% in Apr'25, compared with a decline of 0.9% in Apr'24. This was largely driven by a decline in mineral oils, which fell by 5.6% compared with a drop of 0.1% in Apr'24. It must be noted that average international crude oil prices declined by 25.3% in Apr'25 compared with an increase of 6.8% in Apr'24. Within mineral oils, items which noted the sharpest pace of decline were: kerosene, ATF and petrol. Amongst other fuel and power categories, electricity inflation accelerated to 6.6% in Apr'25 compared with a decline of 3.9% in Apr'24. This can be explained by a supply shortage amidst higher seasonal demand.

Core WPI:

Core inflation inched up to 1.2% in Apr'25 compared with a decline of 0.2% in Apr'24. Manufactured product inflation rose by 2.6% in Apr'25 after declining 0.1% in Apr'24. Of the 22 commodity sub-indices, 15 indices rose at a faster pace in Apr'25 than Apr'24. Chief amongst these were: food products, paper and paper products and chemicals. Within food, a large part of the increase is led by edible oils, with key categories such as palm oil (36%), soyabean oil (35.9%), sunflower oil (26.8%) and mustard oil (24.3%) witnessing double-digit growth in prices. Apart from this, deflation in basic metals has also eased significantly from (-) 2.7% in Apr'24 to (-) 0.6% in Apr'25. Within this, inflation for key metals such as copper (12.5% versus 1.6%), zinc (6.5% versus -4.6%), and lead (3.4% versus -3.8%) have seen an increase over the past year due to base effect. In comparison, international metal prices have seen a correction in Apr'25 on a YoY basis. As per World Bank's pink sheet, copper prices have declined by 3% in Apr'25 after increasing by 7.4% in Apr'24. For lead as well, prices have declined at a faster pace of 10.6% (-0.9% in Apr'24). Similarly, zinc prices have declined at a faster pace of 4.1% in Apr'25 versus a drop of 1.3% in the same period last year.

Figure 2: Core inflation inches up



Source: CEIC, Bank of Baroda Research

Disclaimer

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Bank of Baroda and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at www.bankofbaroda.com



For further details about this publication, please contact:

Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com