

Sonal Badhan
Economist

Wholesale inflation at 30-month high

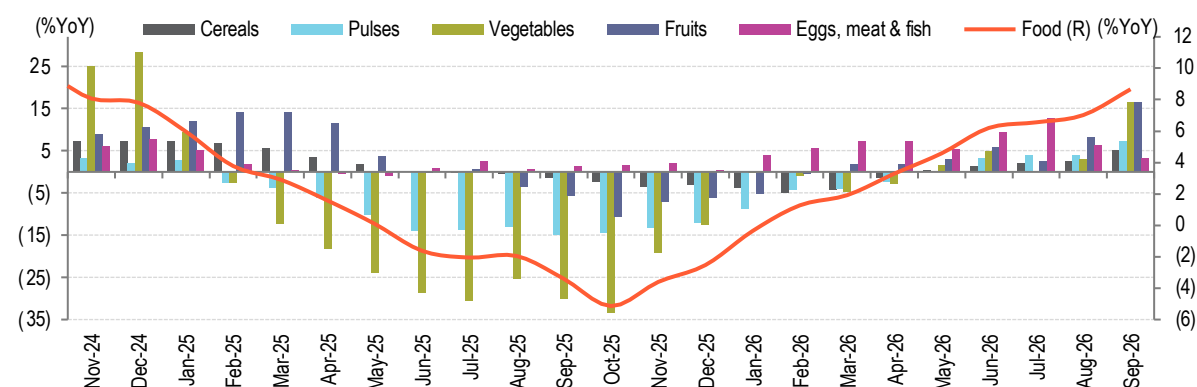
For Sep'26, headline WPI (2022-23=100) has come in at 11.4%—highest in the new series and is up from (-) 0.2% in Sep'25. Headline output PPI index also rose by 11.4% versus flat growth (0%) last year. In the latest WPI series, all major group heads (food, fuel and manufactured products) have contributed to the elevated inflation print. Food inflation remains a major driver, with, food grains (both cereals and pulses), 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, petrol, furnace oil, all rising notably. Similar trends can be noted in output PPI as well. Input PPI has also begun showing upside pressure (MoM) in 13 of the 21 manufactured product indices (basic metals, chemicals, pharmaceuticals, textiles, motor vehicles, computer and electronics, textiles etc). Going forward, as tensions in the Middle continue to escalate and Brent has averaged ~103/bbl in Oct'26 so far, pressure on fuel and manufactured product inflation is set to remain for some time. Volatility in oil prices can also get heightened ahead of US mid-term elections. Further, as El Nino conditions continue to strengthen, food prices also face upside risks. All these factors are expected to maintain pressure on headline WPI in the near-term.

Food inflation maintaining upward momentum: Headline WPI inflation accelerated to 11.4% in Sep'26 from (-) 0.2% in Sep'25 and 9.9% in Aug'26. Compared to Sep'25, food inflation was much higher at 8.7% versus (-) 3.4% 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 rose by 16.5% from (-) 30% last year. Within vegetables, price index for onion, ginger, cauliflower, cabbage and cucumber has risen most sharply. Amongst the fruits, lemon, guava, amla, papaya, apple and almonds added to significant upside pressures.

Milk inflation was up from 3% last year to 4% this year, and eggs, meat and fish component registered a rise from 1.4% in Jul'25 to 3.2% in Sep'26. Amongst the meat items, price index for eggs, beef & buffalo meat, goat meat, marine fish and pork rose the most. Index for condiments was driven up by all sub-heads except for Betel nut and tamarind. Food grain inflation too rose to 5.4% from (-) 3.8% last year, due to rise in index for both cereals and pulses. Within cereals, all sub-indices picked up pace except for Bajra. Within pulses as well, except for Masur and Khesari, price index for all other inched up in Sep'26 versus last year.

Internationally, as per World Bank's pink sheet data, the trend is same for both paddy and wheat. Wheat prices have increased by 41.9% in Sep'26 versus (-) 9.8% in Sep'25 and rice prices have risen by 25% (-34.5% last year).

Figure 1: Food inflation continues to remain elevated



Source: CEIC, Bank of Baroda Research

Fuel and power inflation inches further up:

Noting the impact of inclusion of crude petroleum and natural gas in this index, fuel and power inflation rose by 25.9% in Sep'26, higher than 22.9% increase registered in Aug'26 and remains higher than (-) 2.6% last year (Sep'25) also. Compared to the previous year, inflation index for mineral oil segment (40% versus -3.1%) and crude petroleum & natural gas (57.3% versus -3.3%) registered most significant increase. Within this, index for crude petroleum rose by 78.8% (-3.9% last year) and that of natural gas rose by 26.9% (-2.5%). Internationally as well, crude oil prices were higher in Sep'26 in YoY terms by 51% compared with (-) 7.3% decline last year during the same period. In Oct'26, as tensions in the Middle East have escalated further led by renewed attacks on Saudi Arabia's critical infrastructure, oil prices have inched further up (60% 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, ATF, MTO, LPG, petrol and furnace oil. Going forward, oil prices may remain elevated if there is no peace deal agreed between US and Iran. Volatility in oil prices may also persist ahead of mid-term elections in the US.

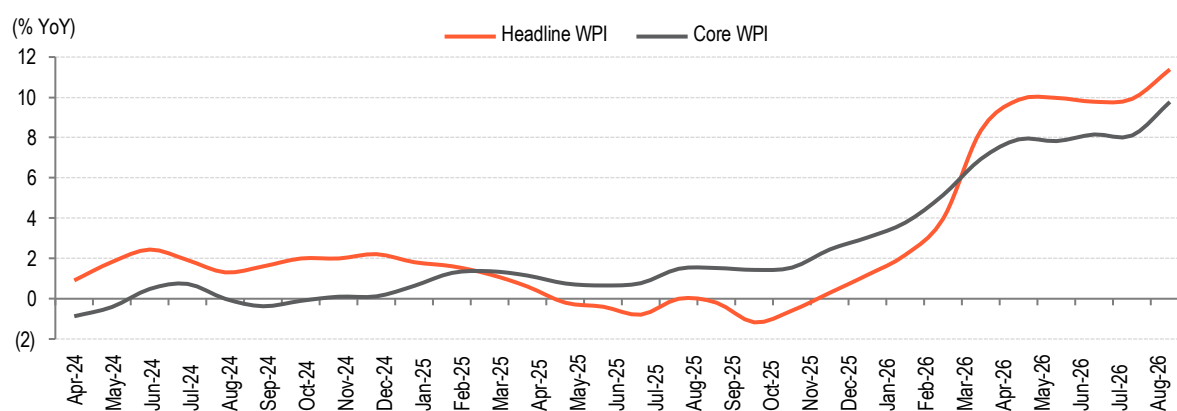
Electricity index fell at a slower pace in Sep'26 (-0.4%) versus last year (-1.1% in Sep'25), supported by moderation 6 out of 11 sub-indices. Amongst these, indices for coal electricity (-3.5% versus 0% last year) and solar electricity (-3.3% versus -2%) fell the most. In contrast, upside pressure can be seen building up in case of hydro (20.9% versus -12.4%), gas (48.1% versus -7.1%) and nuclear (6.7% versus -0.5%) electricity.

Core WPI at its highest in the new series:

Core inflation came in at 9.8% in Sep'26, which is higher than 8.1% in Aug'26, and 1.5% last year (Sep'25). Manufactured product inflation rose further up to 9.8% (highest in the new series) in Sep'26 from 8.4% in Aug'26 and 1.8% in Sep'25. Of the 22 commodity sub-indices, 21 indices rose at a faster pace in Sep'26 than Sep'25 led by—basic metals, chemicals & products, rubber & plastic products, textiles, and tobacco products. Inflation for key metals shows that index for aluminium semi-finished products (27.7% versus 8.3%), aluminium bars, rods (30.5% versus 7.4%), and copper wire bars (35.6% versus 8.1%) rose at faster pace. Lead & alloy price index was up by 11% from 0.1% last year. Index for Zinc also jumped notably by 29.9% from (-) 2.1% in Sep'25. Internationally, as per World Bank's pink sheet data, Aluminium (23.7% versus 8.3%), copper (45% versus 8.1%) and Zinc (37.1% versus 3.4%)

prices remain much higher than last year. Prices of Lead on the other hand have weakened further (-4.2% versus -2.3%).

Figure 2: Core inflation remains higher



Source: CEIC, Bank of Baroda Research

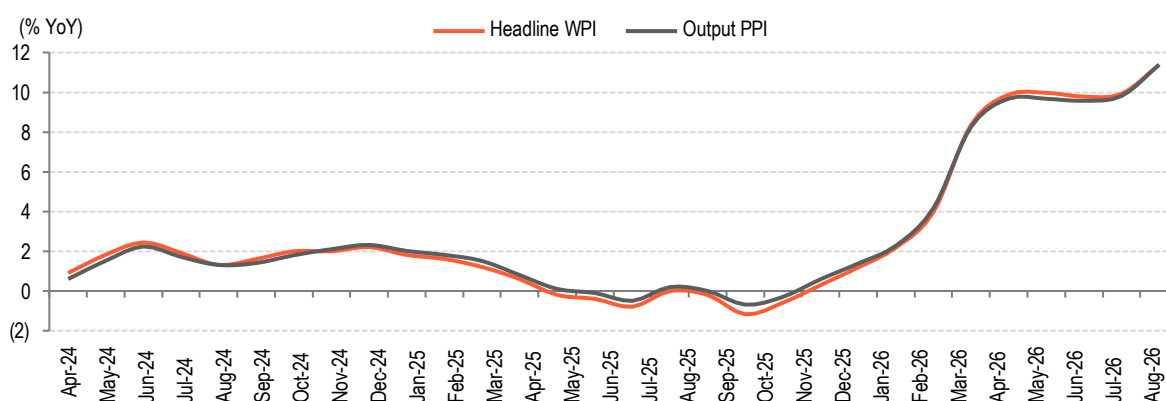
Producer Price Indices (PPIs)

Headline output PPI rose by 11.4% compared with 9.8% rise in Aug'26 and flat growth (0%) in Sep'25. Amongst the **food items**, inflation was driven by higher index for paddy (6.1% versus -2.5% in Sep'25), Arhar (18.9% versus -32.4%), groundnut (28.9% versus -4.1%), and onions (191.3% versus -65.2%), rubber, citrus fruits, fibre crop, spices, milk, eggs and beef and goat meat.

PPI for mining of metal ores was broadly stable as it rose by 23.4% in Sep'26 versus 24% in Sep'25, as rise in index for mining of bauxite, copper ore and other metallic minerals was offset by decline in index for iron ore and manganese. Index tracking extraction of crude petroleum was up by 78.8% (-3.9% in Sep'25) and that of extraction of natural gas rose by 26.9% versus (-) 2.5% last year.

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

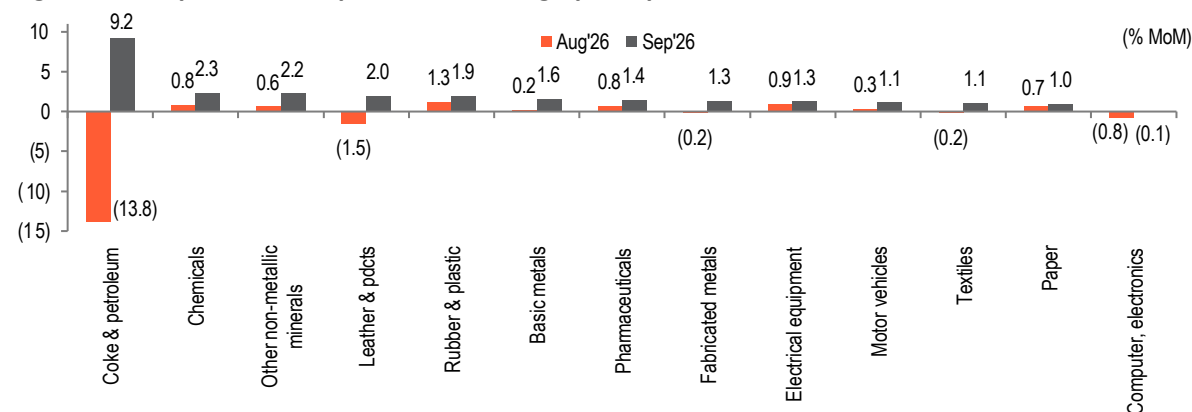
Figure 3: WPI and Output PPI series are well-aligned



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 Sep'26, out of index for 21 products, index for 13 products inched up from Aug'26. These were: textiles, basic metals, other non-metallic mineral products, paper & products, leather & products, chemicals, coke & petroleum products, pharmaceutical products, fabricated metal products, computer & electronics, electrical equipment, and motor vehicles and parts. 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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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com