

Sonal Badhan
Economist

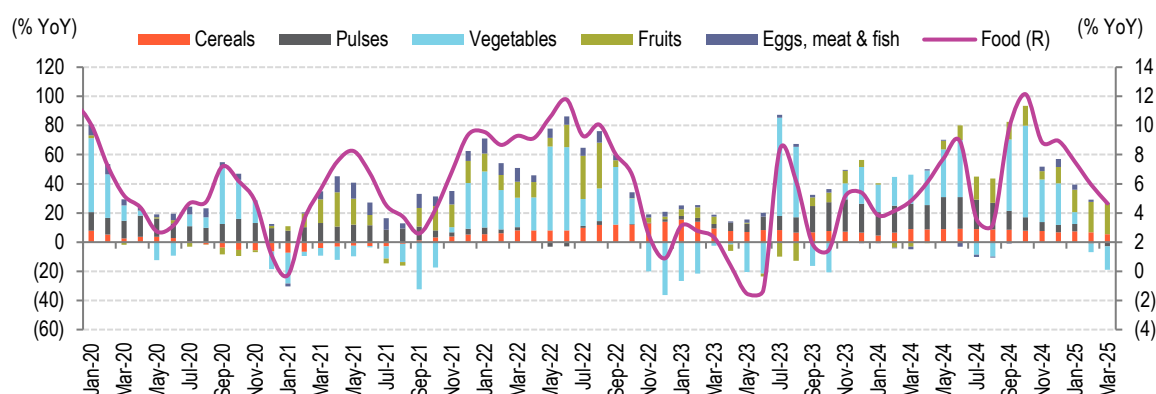
WPI inflation higher in FY25

WPI inflation in Mar'25 rose by 2% from 0.3% in Mar'24. In FY25, WPI averaged 2.3% compared with (-) 0.7% in FY24. In comparison with Mar'24, food inflation in Mar'25 was broadly stable, while fuel and manufactured product inflation inched up. Full year inflation data shows that food inflation averaged at 7.3% in FY25 (3.2% in FY24), fuel inflation at (-) 1.3% (-4.6%), manufactured product inflation at 1.7% (-1.7%), and core inflation at 0.7% (-1.4%). In Mar'25, within food, inflation index for vegetable, milk, cereals and spices and condiments eased, while for fruits it noted some upward pressure compared with last year. Wheat prices also remain elevated. Within fuel, electricity index accelerated the most, while mineral oil index declined at a slower pace, even as international oil prices fell, thus reflecting the impact of pressure on domestic currency. Within manufactured products, textiles, basic metals (aluminium, copper, zinc and lead), equipment (electrical/ transport), chemicals and pharmaceuticals led inflation higher. Going forward, as trade war deepens further, global growth prospects remain weak. This will exert downward pressure on oil and other commodity prices, which in turn will be positive for WPI inflation.

Food inflation broadly steady:

Headline WPI inflation was at 2% in Mar'25 (BoB est.: 2.9%) versus 0.3% in Mar'24 and 2.4% in Feb'25. Food inflation was broadly stable (4.7%) compared with last year (4.8%). Owing to higher base, vegetable inflation index fell by (-) 15.9% in Mar'25 following 20.1% rise in Mar'24. This was led by decline in index for potato, tomato, ginger, peas, etc. Onion price index also noted considerable easing in Mar'25 versus Mar'24. Index for spices and condiments too declined (-13.9% versus 21.0%), while that of milk moderated (1.4% versus 5.1%). Food grain inflation index was down in Mar'25 (3.9%) compared with last year (10.5%), due to decline in index for pulses (-3% versus 17.2%). Cereals have also noted some softening (5.5% versus 9%), led by paddy (3.9% versus 11.7%). In contrast, wheat prices remain elevated (8% versus 7.5%). Even inflation index for fruits remains high (20.8% versus -3.1%). 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 from 29.2% in Mar'24 to (-) 32.3% in Mar'25, while decline in wheat prices has slowed from (-) 23.1% to (-) 4.1%.

Figure 1: Food inflation broadly steady



Source: CEIC, Bank of Baroda Research

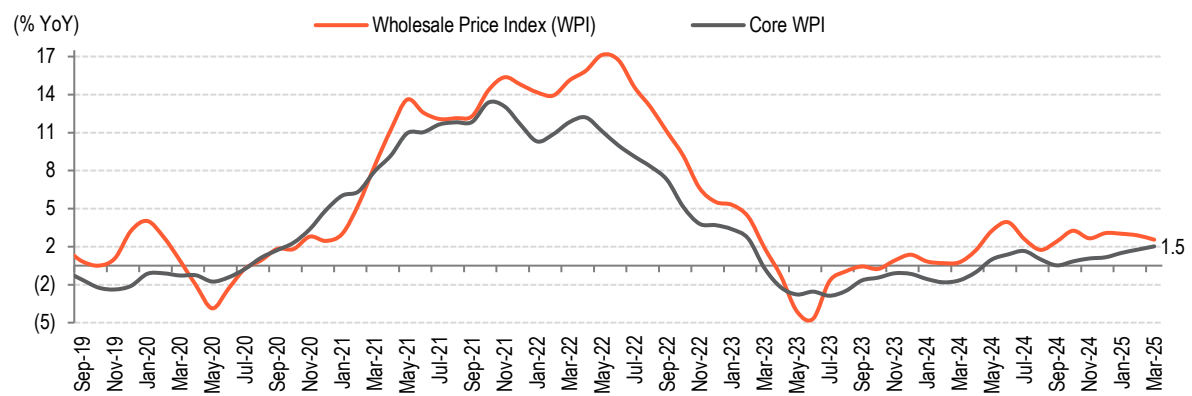
Fuel and power inflation rose in Mar'25:

Fuel and power inflation accelerated to 0.2% in Mar'25 versus (-) 2.7% in Mar'24 and (-) 0.7% in Feb'25. Amongst the sub-heads, this trend was more visible in case of electricity price index which rose by 5.5% in Mar'25 following (-) 2.6% decline in Mar'24. Mineral oil index declined at a slower pace (-1.6% versus -3.5%). In contrast coal prices fell by (-) 0.1% after rising by 0.5% in Mar'24. In case of mineral oils, the trend seen in international oil prices is contrasting. Brent on an average fell by (-) 15.6% in Mar'25 following 6.9% increase in Mar'24, on YoY basis. A part of this could be explained by pressure on domestic currency, which was down on an average by (-) 4.1% in Mar'25 versus (-) 0.8% in Mar'24, on YoY basis. Within mineral oils, items which noted an increase were: petrol, HSD and petroleum coke. In Apr'25 so far, Brent prices have fallen even more sharply by (-) 25.6%, as trade war has accelerated and is set to dent demand prospects. To add to this, China's domestic economy is also not showing signs of recovery. If this trend continues, then it may help take off some pressure from fuel inflation in the coming months.

Core WPI remains high:

Core inflation rose for the sixth consecutive month in Mar'25 to 1.5% from 1.3% in Feb'25 and (-) 1.2% in Mar'24. Manufactured product inflation rose for the seventh consecutive month, and was up by 3.1% in Feb'25 from 2.9% in Feb'25 and (-) 0.8% in Mar'24. Of the 22 commodity sub-indices, 16 indices rose at a faster pace in Mar'25 than Mar'24 led by, basic metals, textiles, chemicals, electrical equipment, other transport equipment, rubber and products and pharmaceuticals. Within basic metals, inflation for key metals such as aluminium (15.2% versus -1.4% in Mar'24), copper (14.8% versus -2%), zinc (8.3% versus -8.9%), and lead (1.4% versus -1.4%) have seen an increase over the past year due to base effect. In comparison, international prices have also shown similar trends. As reflected in World Bank's pink sheet, prices of aluminium have risen by 19.4% versus (-) 3.1% in Mar'24, copper by 12.1% (-1.9%), and zinc by 17.4% (-17.1%). Lead prices have declined at a slower pace (-1.1% versus -2.8%).

Figure 2: Core inflation inches up



Source: CEIC, Bank of Baroda Research

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com