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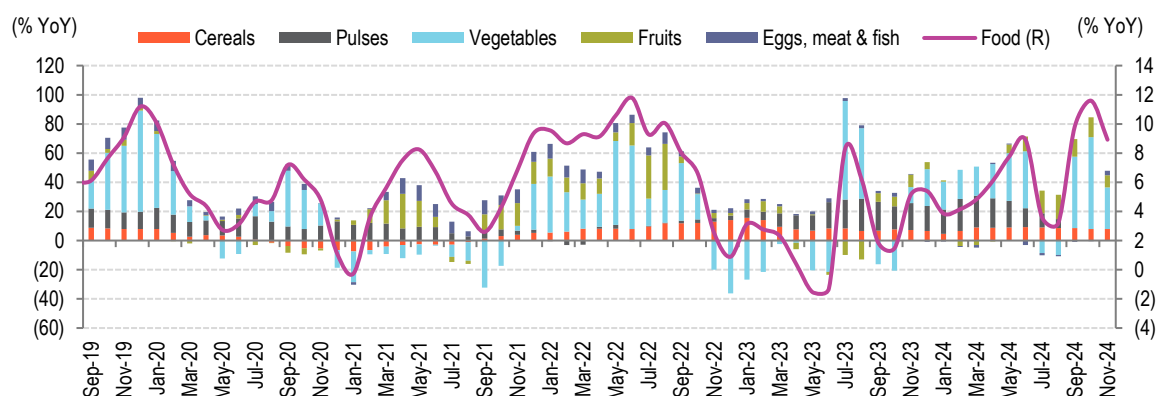
WPI inflation cools down

WPI inflation eased to 1.9% in Nov'24 from 2.4% in Oct'24. This was due to significant moderation in food inflation. Core and manufactured product inflation on the other hand inched up. Food inflation slowed to 8.9%, on account of notable softening in vegetable and fruit prices. Within this, basic items like onions and tomatoes registered easing. Apart from this, food grain inflation also cooled down, helped by pulse inflation. In contrast, cereal inflation remains sticky, due to higher wheat inflation. Separately, slower pace of decline in international oil prices have had an impact on domestic fuel inflation. Mineral oil inflation index fell at a slower pace, leading to build up in price pressure for ATF, Kerosene, and furnace oil. Manufactured goods inflation was higher primarily due to jump seen in basic metals (mainly aluminium and Zinc). Domestically, revival in government investment activity seems to be pushing commodity prices higher. Globally, prices remain weak, owing to continued signs of strains in China's demand and prospects of higher inflation denting demand, if US imposes tariffs. Going forward, price trajectory will depend upon foreign trade policy of incoming President-elect Trump and stimulus measures announced by China to boost growth. These pose upside risks to inflation.

Food inflation eased sharply:

Headline WPI inflation softened to 1.9% in Nov'24 from 2.4% in Oct'24, in line with our estimates. This was primarily due to moderation in food inflation which eased to 8.9% in Nov'24 from 11.6% in Oct'24. Vegetable inflation mellowed down the most (28.6% in Nov'24 versus 63% in Oct'24), followed by fruits (8.4% versus 13.5%) and food grains (7.4% versus 8.3%). Amongst vegetables, significant moderation was noted in case of onion and tomato, followed by radish, cucumber, and beans. Within food grains, while cereal inflation was broadly sticky (7.8% versus 7.9%), that of pulses eased (6% versus 9.7%). Wheat inflation accelerated for 3rd consecutive month in Nov'24 (8.4% versus 8%), while paddy inflation was stable (7.6% versus 7.5%). This is in contrast to global price scenario. On a global level, World Bank's pink sheet data reveals that wheat prices decelerated at a faster pace (-8% versus -5.3%). Paddy prices have also dropped (-15.9% versus -12.6%).

Figure 1: Food inflation begins to cool down



Source: CEIC, Bank of Baroda Research

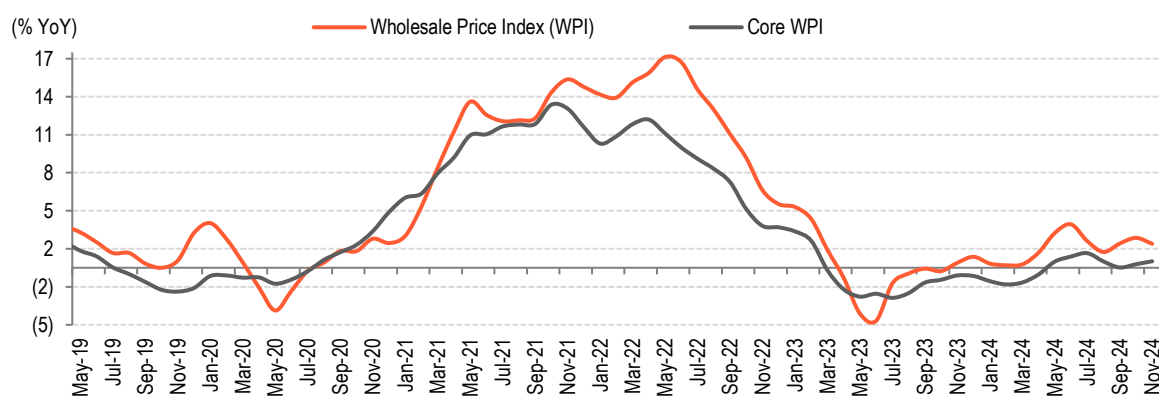
Fuel and power inflation:

Fuel and power inflation decelerated at an unchanged pace of (-) 5.8% in Nov'24 (-5.8% in Oct'24). Amongst the sub-heads, while pace of deceleration remained unchanged for coal index (-0.9% in Nov'24), it slowed in case of mineral oils (-5.2% versus -7.7%), and fasted in case of electricity index (-10.4% versus -3.6%). Within mineral oils, barring LPG, Lube oils, and petroleum coke, price index for all other sub-head increased. Items which noted the most increase were: Furnace oil, Bitumen, Naphtha, Kerosene, and ATF. This tracks the movement in internal oil prices. Internationally, Brent fell (YoY basis) by (-) 10.5% in Nov'24 versus (-) 15% decline in Oct'24. On MoM basis, prices were down by (-) 2.6% internationally versus 0.7% increase seen in mineral oil index. In Dec'24 so far, Brent prices have fallen by (-) 0.8%, as 'higher for longer' rate scenario in the US and weak consumption data from China, is keeping a lid on hopes of revival in demand. If this trend continues, it may help ease pressure on fuel inflation in the coming months.

Core WPI ticks further up:

Core inflation inched further up in Nov'24 as it rose by 0.5% from 0.3% in Oct'24. Manufactured product inflation rose for the 3rd consecutive month, and was up by 2% in Nov'24, following 1.5% rise in Oct'24. Of the 22 commodity sub-indices, 14 indices rose at a faster pace in Nov'24 than Oct'24 led by, basic metals, chemicals, pharmaceuticals, electrical equipment, and computers/electronics. Within basic metals, inflation for zinc (8.8% versus 4.3%) and aluminium (9.7% versus 7.7%) accelerated significantly. Index for copper prices was also up (13.7% versus 13%), while that of lead noted slower pace of deceleration (-0.6% versus -1.1%). This in contrast with international price movement. As reflected in World Bank's pink sheet, prices of Zinc (18.1% versus 26.8%) and aluminium (17.3% versus 18.4%) slowed. Prices of copper also moderated (10.8% versus 20.1%), while that of Lead (-9.2% versus -4.7%) declined further.

Figure 2: Core inflation inched up Nov'24



Source: CEIC, Bank of Baroda Research

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