

RESEARCH
BOB ECONOMICS RESEARCH | WPI

WPI at 21-month low

SUMMARY
INDIA ECONOMICS: WPI

WPI inflation has slumped to 5.8% in Nov'22 (8.4% Oct'22), on the back of broad-based moderation in food, fuel and manufactured product inflation. Within food, prices of fruits, vegetables, especially tomato and potato dragged down the prices. However, there is an uptick in prices of wheat, pulses and milk products. With Russian federation rejoining the Black Sea Grain initiative, wheat prices are expected to see some volatility in the coming months. Core WPI softened to 2-year low of 3.5% in Nov'22 from 4.7% in Oct'22 owing to the dip in manufactured inflation (3.6% from 4.4% in Oct'22). Fuel inflation too trickled down in Nov'22. Going ahead, we expect further easing in WPI inflation.

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Daily macro indicators

Indicator	12-Dec	13-Dec	Chg (%)
US 10Y yield (%)	3.61	3.50	(11bps)
India 10Y yield (%)	7.29	7.27	(3bps)
USD/INR	82.54	82.81	(0.3)
Brent Crude (US\$/bbl)	78.0	80.7	3.4
Dow	34,005	34,109	0.3
Hang Seng	19,464	19,596	0.7
Sensex	62,131	62,533	0.6
India FII (US\$ mn)	09-Dec	12-Dec	Chg (\$ mn)
FII-D	(0.7)	(28.8)	(28.1)
FII-E	(11.9)	437.5	449.4

Source: Bank of Baroda Economics Research



WPI

14 December 2022

WPI at 21-month low

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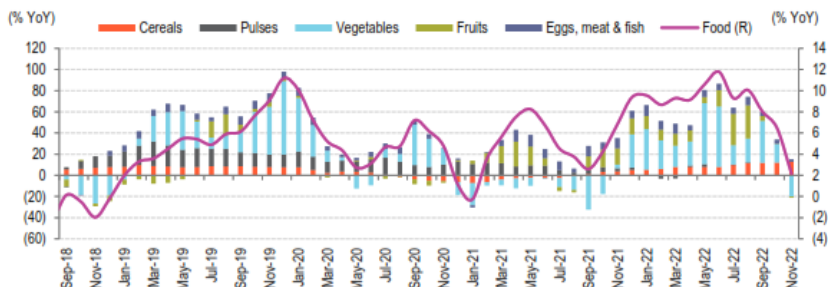
Sonal Badhan | Jahnavi
Economist

However, WPI inflation will not matter much from the point of view of monetary policy as the RBI keeps a close watch on CPI inflation, which we expect to remain above 6% in December.

Food inflation eases:

Headline WPI moderated to a 21-month low of 5.8% (BoB est.: 6.8%) in Nov'22 from 8.4% in Oct'22. Food inflation in Nov'22 softened to almost 2-year low of 2.2% from 6.5% in Oct'22. This was led by contraction in fruits and vegetable inflation (-13.8% compared with 11% in Oct'22). Vegetable prices declined by 20.1% against an increase of 17.6%, tomato prices nose-dived to 32-month low of -52.5% compared with an increase of 5.3% in Oct'22 due to supply glut. Potato prices eased further by 13.8% in Nov'22 (45% in Oct'22). Fruit prices slipped in to contraction after a period of 15 months down by 1.1% (+0.2% in Oct'22). Protein based items such as egg, milk and fish too edged lower by 2.3% in Nov'22 against 4% in Oct'22. However, milk prices inched up 6% in Nov'22 (5.5% in Oct'22). Cereal inflation (12.8% from 12% in Oct'22) was pushed up led by higher wheat prices (18.1% from 16.2% in Oct'22). Prices of pulses also moved up a tad bit by 0.6% (0.4% in Oct'22). Global food prices remained steady in Nov'22 compared with last month.

Figure 1: Food inflation dips further in Nov'22



Source: CEIC, Bank of Baroda Research



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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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