

RESEARCH
BOB Economics Research | WPI

WPI begins to cool down

SUMMARY
India Economics: WPI

WPI for Jun'22 has come in at 15.2%, down from the peak of 15.9% in May'22, supported by softening global commodity prices. Barring food index, other sub-heads such as manufacturing and fuel, registered deceleration in inflation in Jun'22. World Bank's pink sheet reveals that international commodity prices have been on a downtrend since May'22. On a MoM basis, WPI print was flat (%) following 1.4% rise seen in May'22.

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Daily macro indicators

Indicator	12-Jul	13-Jul	Chg (%)
US 10Y yield (%)	2.97	2.93	(4bps)
India 10Y yield (%)	7.39	7.34	(6bps)
USD/INR	79.60	79.64	0.0
Brent Crude (US\$/bbl)	99.5	99.6	0.1
Dow	30,981	30,773	(0.7)
Hang Seng	20,845	20,798	(0.2)
Sensex	53,887	53,514	(0.7)
India FII (US\$ mn)	11-Jul	12-Jul	Chg (\$ mn)
FII-D	(4.6)	9.9	14.5
FII-E	45.2	(183.0)	(228.2)

Source: Bank of Baroda Economics Research

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WPI

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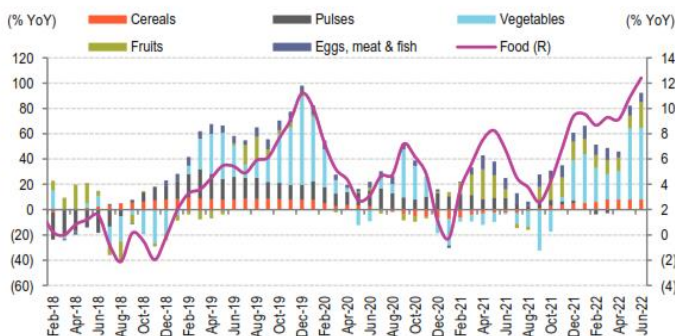
WPI begins to cool down

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Sonal Badhan
Economist

Food inflation continues to pinch: Food inflation in Jun'22 continued to inch up and reached 12.4% from 10.9% in May'22. This is owing to jump in prices of fruits (20.3% in Jun'22 versus 10% in May'22) and continued pressure on vegetable prices (56.7% versus 56.4%). Even prices of milk (6.3% versus 5.8%) and eggs (11% versus 8.9%) went up. Within vegetables, prices of potato (39% versus 25%), tomato (281% versus 219%), cabbage, radish and cucumber rose significantly. Cereal prices remained steady at 8% with price of paddy inching up (2.4% versus 1.8%) while that of wheat declining (10.3% versus 10.5%). These trends were mostly in line with international prices. World Bank's pink sheet shows that contraction in international rice prices has been coming down with 6% decline seen in Jun'22 versus 7.6% dip witnessed in May'22. On the other hand, international prices of wheat have seen moderation in Jun'22 (53% in Jun'22 versus 69% in May'22).

Fig: 1 Food inflation remains a concern



Source: CEIC, Bank of Baroda Research

Fuel and power inflation eased a tad: Fuel and power inflation in Jun'22 moderated marginally to 40.4% compared with 40.6% in May'22. Sharp dip in mineral oil index (57.5% in Jun'22 versus 61.9% in May'22) was countered by increase in electricity prices (24.4% versus 16.2%). Coal prices on the other hand remained unchanged at 2.8%. International price coal on the other hand moderated for the second consecutive month in Jun'22 (135% versus 171% in May'22). In case of mineral oil also, international crude oil prices have registered moderation in Jun'22 (60%) compared with May'22 (64%).



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BUY – Expected return >+15%

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

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Note: Recommendation structure changed with effect from 21 June 2021

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