

**RESEARCH****BOB ECONOMICS RESEARCH | WPI**

WPI inflation cools down

**SUMMARY****INDIA ECONOMICS: WPI**

WPI inflation eased to 2.3% in Jan'25 from 2.4% in Dec'24, led by moderation in food inflation. On the other hand, manufactured product inflation inched up and slower pace of deceleration was noted in fuel and power inflation. As a result, core inflation rose to 0.9% from 0.7%. Food inflation softened to 7.5% in Jan'25. Within this, vegetables and protein based items noted moderation, while inflation for food grains, fruits and condiments and spices noted upward pressure. Amongst vegetables, tomato and potato prices registered a decline. Within fuel, mineral oil and electricity indices decelerated at a slower pace. Mineral oil index mirrors the movement in international oil prices.

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## WPI

14 February 2025

**WPI inflation cools down****Sonal Badhan**

Economist

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Within manufactured products, food, wearing apparels, basic metals (mainly aluminium) and electronic items led inflation higher. Going forward, as Fed decides to keep rates 'higher for longer', global demand prospects have been dented and are putting some downward pressure on oil and other commodity prices. However, based on retaliatory measures announced by countries with regard to tariffs imposed by the US, the global inflation situation will evolve. In India's case, imported inflation, due to stronger US\$ remains a key risk, but lower oil and commodity prices may help ease upside risks.

**Food inflation eased sharply:**

Headline WPI inflation slowed to 2.3% in Jan'25 (BoB est.: 2.4%) from 2.4% in Dec'24. This was supported by moderation in food inflation to 7.5% in Jan'25 from 8.9% in Dec'24. Vegetable inflation index noted significant cooling down (8.4% in Jan'25 versus 28.7% in Dec'24), helped by easing pressures in prices of potato, tomato, carrot, cucumber, ginger etc. Inflation index for eggs/meat/fish (3.6% versus 5.4%) and spices also inched down (-5.5% versus -3.2%). In contrast, inflation index for fruits (15.1% versus 11.2%), milk (2.7% versus 2.3%), and food grains (6.9% versus 6.5%) exerted upward pressure. Both cereal (7.3% versus 6.8%) and pulses (5.1% versus 5%) inflation ticked higher. Amongst cereals, while wheat inflation increased, paddy inflation slowed, in line with global prices. On a global level, World Bank's pink sheet data reveals that wheat prices decelerated at a slower pace (-8.9% versus -11.7%). Paddy prices in contrast have dropped further (-27.6% versus -19.5%).



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