

WHOLESALE PRICE INDEX

WPI inflation printed at 29-month low
of 1.3% in Mar 2023; YoY decline likely
in Apr 2023

April 2023





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WPI inflation eased to 29-month low 1.3% in March 2023, led by broad-based decline across many categories, apart from primary food articles and minerals

Core-WPI index slipped into a marginal YoY decline of 0.3% in March 2023, after a gap of 31 months

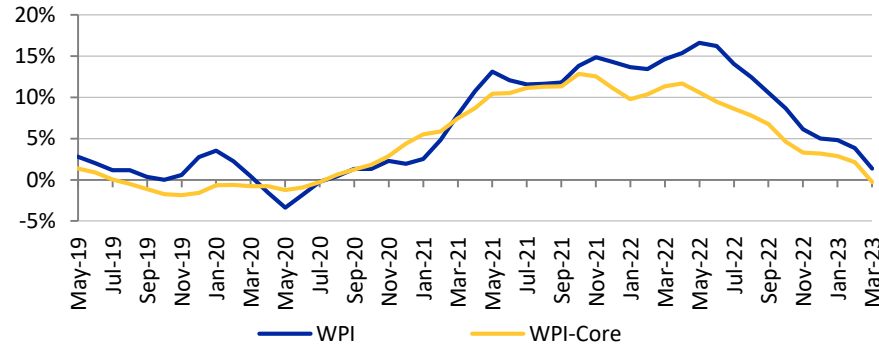
WPI is likely to slip into a deflation of ~0.5% in April 2023

The WPI inflation expectedly moderated to a 29-month low of 1.3% in March 2023, in year-on-year (YoY) terms, from 3.9% in February 2023, amidst a deflation in several categories including manufactured non-food products (“core-WPI”; -0.3%). While global commodity prices have increased sequentially in April 2023, they are ~17% lower on a YoY basis on account of the elevated prices that had prevailed following the onset of the Russia-Ukraine conflict. Moreover, a mild sequential appreciation in the USD/INR pair in April 2023 would ease the landed cost of imported goods, relative to the prior month. While a high base and the downtrend in wholesale prices of most essential commodities in early-April 2023 are likely to soften the YoY food inflation slightly, the possibility of a heatwave in the ongoing month could impart upward pressures on prices of perishables. ICRA expects the headline WPI index to record a deflation after 32 months and print at (–) 0.5% in Apr 2023, on a high base (+15.4% in Apr 2022).

- **Headline WPI inflation eased to a 29-month low of 1.3% in Mar 2023:** This was led by a correction across all sub-sectors apart from primary food articles (to +5.5% in Mar 2023 from +3.8% in Feb 2023) and minerals (to -5.0% from -10.6%), with several sub-sectors recording a YoY deflation in Mar 2023.
- **Core-WPI index slipped into a deflation in Mar 2023:** After a gap of 31 months, the core-WPI index recorded a YoY deflation of 0.3% in Mar 2023 (+2.1% in Feb 2023), driven by the high base (+11.3% in Mar 2022). Moreover, on a sequential basis, the index dipped by 0.1% in Mar 2023 (+2.3% in Mar 2022).
- **Headline WPI likely to record a deflation in Apr 2023:** A high base and the downtrend in wholesale prices of most essential commodities in the early part of the ongoing month are likely to soften the YoY food inflation slightly in Apr 2023, even as the materialisation of the forecasted heatwave could impart upward pressures on prices of perishables. Additionally, the correction in global commodity prices as well as a stronger USD/INR pair in the ongoing month augur well for the landed cost of imports in the ongoing month. On balance, ICRA expects the WPI index to record a deflation after 32 months and print at (–) 0.5% in Apr 2023.

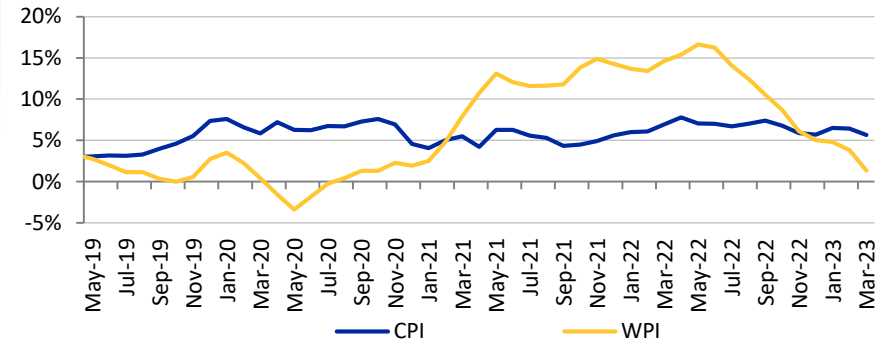
WPI inflation fell sharply to a 29-month low of 1.3% in Mar 2023; wedge between CPI and WPI inflation widened to 432 bps in the month

EXHIBIT: Headline and Core-WPI Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

EXHIBIT: CPI and WPI Inflation (YoY)

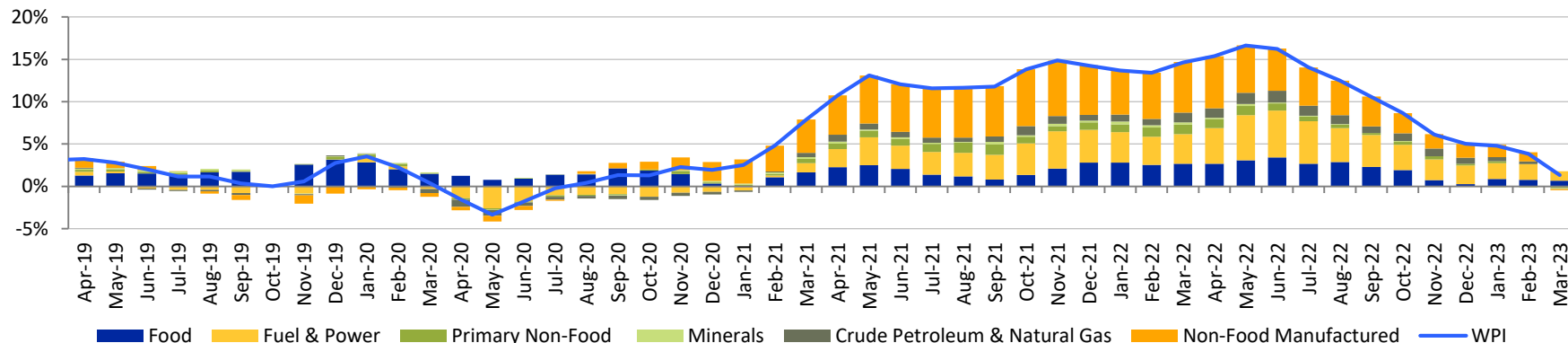


Source: NSO; Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

- The WPI inflation fell sharply to a 29-month low of 1.3% in March 2023 (+14.6% in March 2022; ICRA's exp.: ~2.0%) from 3.9% in February 2023 (+13.4% in February 2022), printing in single digits for the sixth consecutive month.
- The moderation in the YoY headline WPI print in March 2023 relative to February 2023 was driven by a dip in inflation across all sub-categories, apart from primary food articles and minerals.
- Additionally, the YoY core-WPI inflation (with a weight of 55.1% of the WPI) witnessed a deflation of 0.3% in March 2023 (32-month low) as compared to the inflation of 2.1% in February 2023. Notably, the headline WPI inflation (+1.3%) exceeded the core-WPI inflation (-0.3%) for the 25th consecutive month in March 2023, although the wedge between the two narrowed to 163 bps from 173 bps in February 2023.
- The wedge between the CPI and WPI inflation widened sharply to 432 bps in March 2023 from 259 bps in February 2023, amidst the relatively steeper fall in the WPI inflation (to +1.3% from +3.9%) vis-à-vis the CPI inflation (to +5.7% from +6.4%).

YoY inflation for all sub-indices, apart from primary food articles and minerals eased in Mar 23, relative to Feb 23

EXHIBIT: Composition of WPI Inflation (YoY)

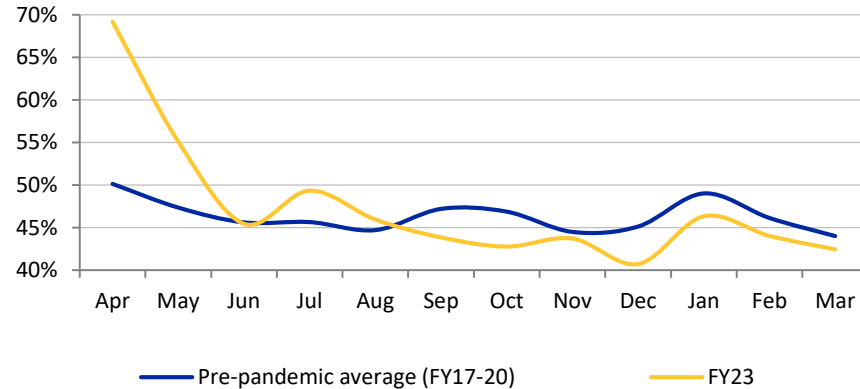


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Government of India (GoI); CEIC; ICRA Research

- All the sub-categories, apart from primary food articles (to +5.5% in March 2023 from +3.8% in February 2023) and minerals (to -5.0% from -10.6%) witnessed a moderation in their YoY inflation prints to multi-month lows (with several categories witnessing deflation) in March 2023, vis-à-vis February 2023, such as the core-WPI (to a 32-month low -0.3% from +2.1%), primary non-food articles (to a 68-month low -4.6% from +0.1%), crude petroleum and natural gas (to a 26-month low -1.2% from +14.5%), fuel and power (to a 25-month low +9.0% from +14.8%), and manufactured food products (to a 91-month low -3.0% from +0.9%).
- The sharp 251 bps sequential dip in the YoY headline WPI inflation in Mar 2023 was largely led by the core-WPI (-124 bps), fuel and power (-72 bps), crude petroleum and natural gas (-72 bps), manufactured food products (-39 bps) and primary non-food articles (-23 bps).
- On a sequential basis, the WPI remained flat in March 2023, trailing the 2.5% rise seen in March 2022. This was driven by the trends in primary non-food articles (-2.1% in Mar 2023 vs. +2.8% in Mar 2022), fuel and power (-1.3% vs. +4.0%), manufactured food products (-0.7% vs. +3.2%), non-food manufactured products (-0.1% vs. +2.3%), and crude petroleum and natural gas (+4.6% vs. +21.2%).

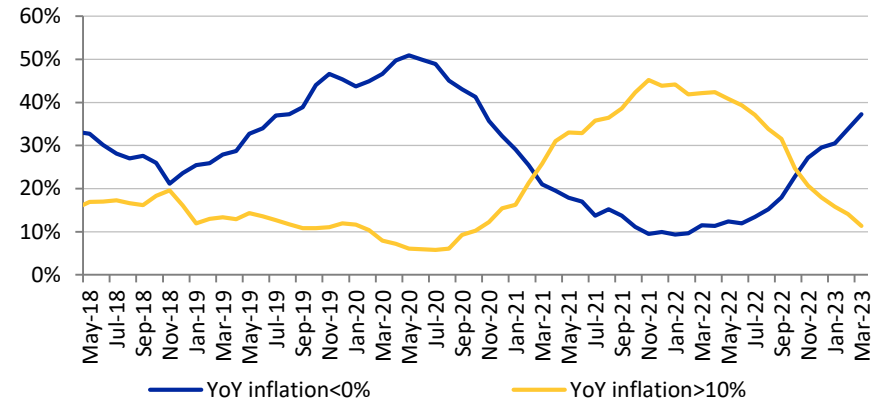
Share of WPI items reporting MoM increase in prices was lower than pre-pandemic average in Mar 2023; ~37% items saw YoY deflation in the month

EXHIBIT: Share of items in WPI basket* reporting a sequential increase in prices (%)



*Based on the 697 items covered in the WPI basket; on financial-year basis; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; CEIC; ICRA Research

EXHIBIT: Share of items in the WPI* with YoY inflation <0% and >10%

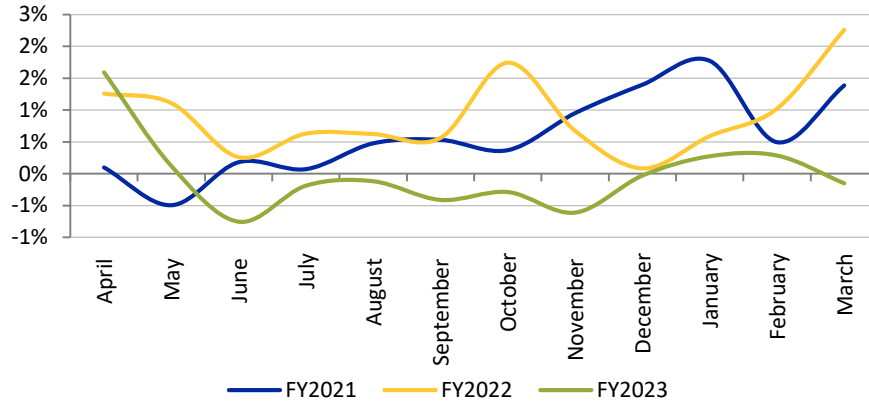


*Based on the 697 items covered in the WPI basket; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; CEIC; ICRA Research

- The share of items in the WPI basket that witnessed a sequential increase in prices fell slightly to 42.4% in March 2023 from 44.0% in February 2023, while trailing the average levels seen in the pre-pandemic period of FY2017-20 (February: 46.2% and March: 44.0%). Overall, the momentum of prices increases has remained weaker-than-average levels over the last seven months, auguring favourably for the headline WPI print.
- Moreover, the share of items in the WPI basket that reported a double-digit YoY inflation rate (>10%) moderated consistently throughout FY2023 and stood at 11.4% in March 2023 (~14% in February 2023), in tune with the moderation seen in the headline WPI inflation. Further, the share of items reporting a YoY deflation increased to ~37% in March 2023 from ~34% in February 2023.

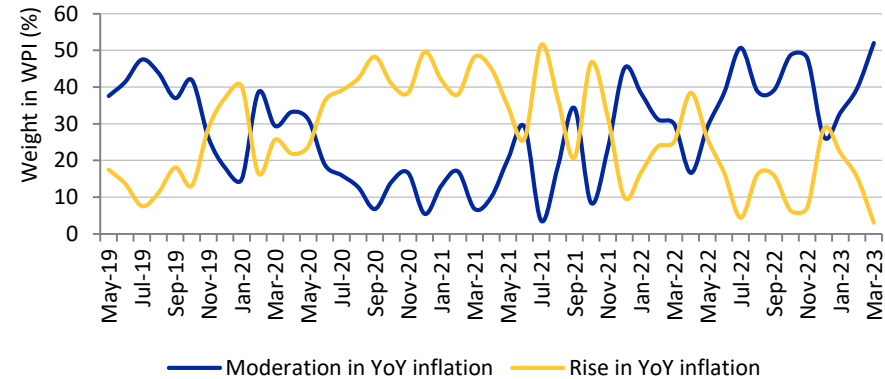
18 of 21 sub-groups of core-WPI witnessed moderation in their YoY inflation in Mar 2023; core-WPI fell by 0.1% on MoM basis in the month

EXHIBIT: Monthly trends in Core-WPI Inflation



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

EXHIBIT: Weightage (%; in WPI) of core-WPI sub-sectors recording sequential rise and moderation in their YoY inflation

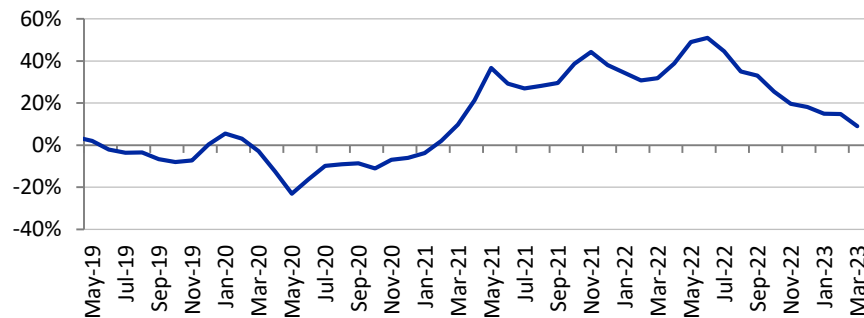


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

- The YoY inflation for as many as 18 of the 21 sub-groups of the core-WPI (with a substantial weight of 52.0% in the WPI) eased in March 2023 relative to February 2023, including chemicals and chemical products, textiles, basic metals, etc. However, only three sub-sectors of the core-WPI (with a much lower weight of 3.09% in the WPI) displayed a rise in their YoY inflation between these two months, including beverages, manufacture of leather and related products, and manufacture of other transport equipment.
- Notably, the MoM trends in the core-WPI have trailed the corresponding FY2022 levels consistently since June 2022, amid a sequential moderation in global commodity prices. The sub-index fell by 0.1% in March 2023, as against the 2.3% surge in March 2022, reflecting the trend for 18 of the 21 sub-sectors (with a weight of 52.0% in the WPI basket), such as chemicals and chemical products, basic metals, paper and paper products, textiles, etc.

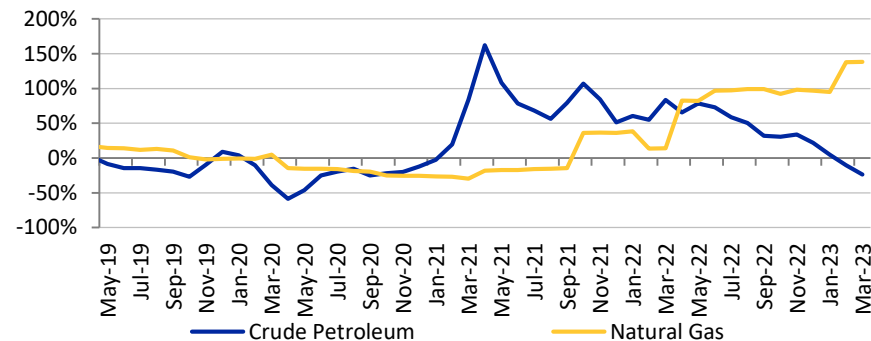
Fuel and power, crude petroleum exerted downward pressure on headline WPI inflation in Mar 2023

EXHIBIT: YoY trends in Fuel and Power Inflation



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

EXHIBIT: YoY trends in Crude Petroleum and Natural Gas Inflation

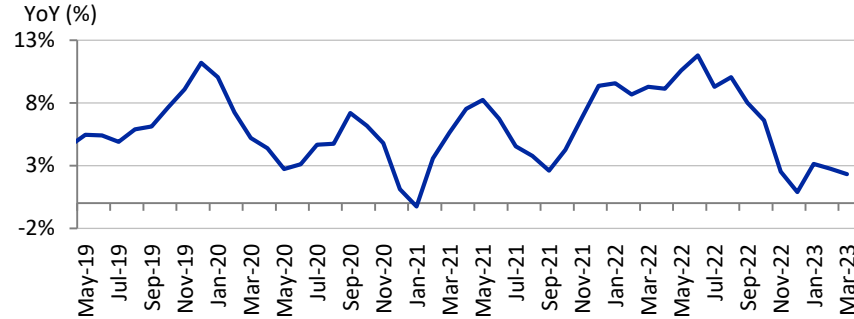


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

- The YoY inflation for fuel and power (weight in WPI: 13.2%) dipped to a 25-month low of 9.0% in Mar 2023 from 14.8% in Feb 2023, driven by a correction in the inflation for mineral oils (to +6.0% from +15.8%), even as there was an uptick in the inflation for electricity (to +22.7% from +19.7%). However, inflation for coal remain unchanged at 3.4%. **The inflation for fuel and power is likely to further soften over the next few months, given the high base for March-June 2022 when the Russia-Ukraine conflict had escalated causing a surge in global commodity prices.**
- The crude petroleum and natural gas index reported a YoY deflation of 1.2% in Mar 2023 as opposed to the inflation 14.5% in Feb 2023, supported by a sharper fall in crude petroleum (weight in WPI: 1.94%; -23.5% in Mar 2023 from -10.2% in Feb 2023). Inflation for natural gas (weight in WPI: 0.46%) witnessed a mild uptick to 138.5% from 137.9% in Feb 2023. The WPI index for crude petroleum has fallen by 1.6% in March 2023 as compared to the final level for January 2023; this is narrower than the 2.5% (in Rs./bbl terms) decline in the monthly international crude oil prices of the Indian basket during this period, implying that the index level for March 2023 may be revised downwards.

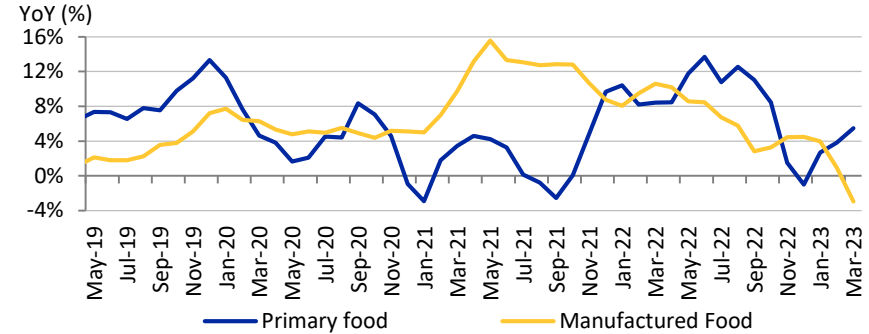
YoY inflation in WPI-food index eased to 2.3% in Mar 2023, led by a moderation in manufactured food products

EXHIBIT: YoY trends in WPI Food Inflation



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Government of India (GoI); CEIC; ICRA Research

EXHIBIT: YoY trends in primary and manufactured food

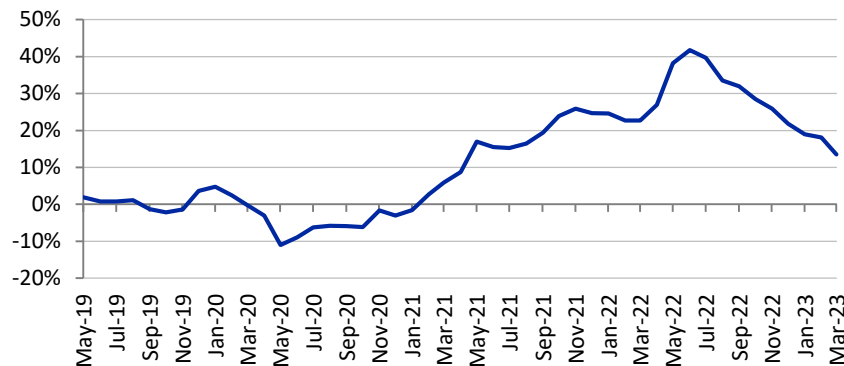


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Government of India (GoI); CEIC; ICRA Research

- The YoY inflation for the WPI-Food index (primary food articles and manufactured food items) moderated to 2.3% in March 2023 from 2.8% in February 2023, led by a deflation in manufactured food products (to a 91-month low -3.0% from +0.9%), even as the inflation for primary food articles rose to 5.5% from 3.8%, respectively. In MoM terms, the WPI-food sub-index fell by 0.5% in March 2023, in contrast to the 0.9% uptick seen in March 2022, driven by manufactured food products (-0.7% in Mar 2023 vs. +3.2% in Mar 2022).
- The moderation in the YoY inflation for manufactured food products in March 2023, relative to February 2023, was driven by items such as manufacturing of vegetable and animal oils and fats (to -21.3% from -14.0%), dairy products (to +11.9% from +14.1%), etc., partly led by a high base.
- On the contrary, the uptick in the YoY inflation for primary food articles in March 2023, relative to February 2023, was led by a hardening in the inflation for three of the eight sub-items, including pulses (to a 14-month high +3.0% from +2.6%), vegetables (to -2.2% from -21.5%), and other food articles (to +5.7% from +5.5%).

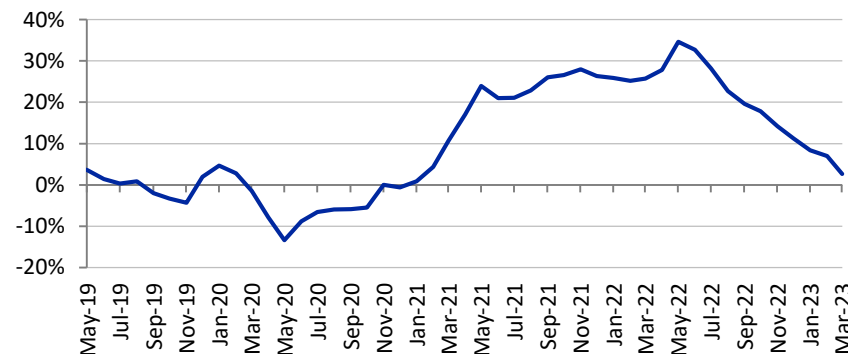
Input cost inflation dipped sharply in March 2023

EXHIBIT: Farm inputs WPI (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol CEIC; ICRA Research

EXHIBIT: Industrial raw materials WPI (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol CEIC; ICRA Research

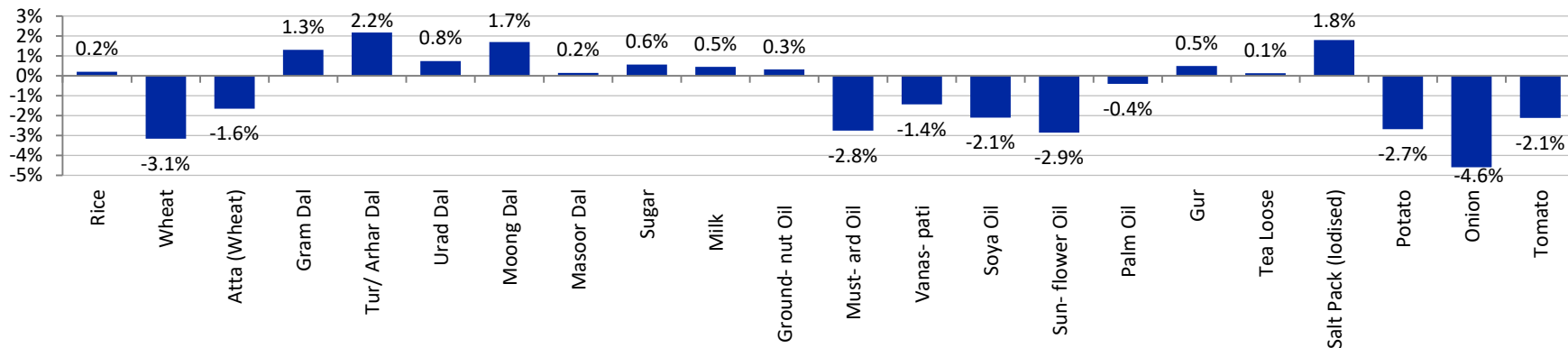
- Input cost inflation, as measured by WPI farm inputs¹ and industrial raw materials² witnessed a significant dip in March 2023 relative to the levels seen in February 2023.
- Reflecting a dip in HSD, fodder, fertilisers and pesticides, the YoY inflation in farm inputs eased to a 23-month low of 13.6% in March 2023 (+22.7% in March 2022) from 18.1% in February 2023 (+22.7% in February 2022) while remaining in double-digits for 23 months in a row.
- In addition, the YoY inflation in industrial raw materials moderated to a 26-month low of 2.6% in March 2023 (+25.7% in March 2022) from 6.9% in February 2023 (+25.2% in February 2022), led by fibres, oilseeds, petroleum products, cotton yarn, etc.

¹ Comprises high speed diesel, fodder, electricity, fertilisers, pesticides and agricultural and forestry machinery from WPI

² Comprises primary non-food articles, minerals, coal, aviation turbine fuel, high speed diesel, naphtha, bitumen, furnace oil, lube oil, petroleum coke, electricity, cotton yarn, and paper and paper pulp from WPI

OUTLOOK: Wheat prices declined sharply on MoM basis in Apr 2023; near-term food inflation outlook clouded by potential heatwave, El Nino

EXHIBIT: MoM trends in wholesale prices in April 2023 (till April 16, 2023)

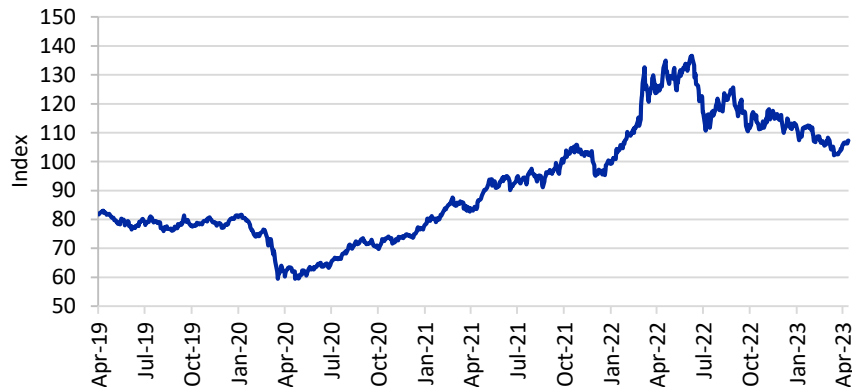


Source: Department of Consumer Affairs; CEIC; ICRA Research

- As per the early data for April 2023, the average wholesale prices of wheat, atta, edibles oils (barring groundnut oil) and vegetables have declined in sequential terms. However, the average prices of rice, pulses, sugar (elevated demand amid lower production), milk (high fodder costs) have risen sequentially.
- A high base is likely to aid in the softening of the YoY food inflation slightly in Apr 2023, even as the materialisation of a heatwave could impart upward pressures on prices of perishables in the month. Subsequently, the outlook for food inflation over the next few quarters remains clouded by emerging risks such as the potential development of El Nino conditions.

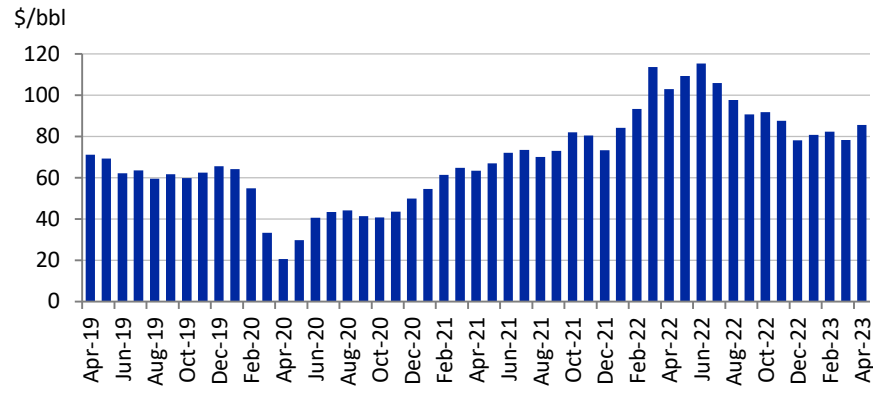
OUTLOOK: Global commodity prices sharply lower in Apr 2023 compared to year-ago levels; to exert downward pressure on WPI inflation in the month

EXHIBIT: Trends in the Bloomberg commodity price Index



* Data for Apr 2023 is available till April 14, 2023; Source: Bloomberg; ICRA Research

EXHIBIT: Trends in prices of Indian basket of crude oil

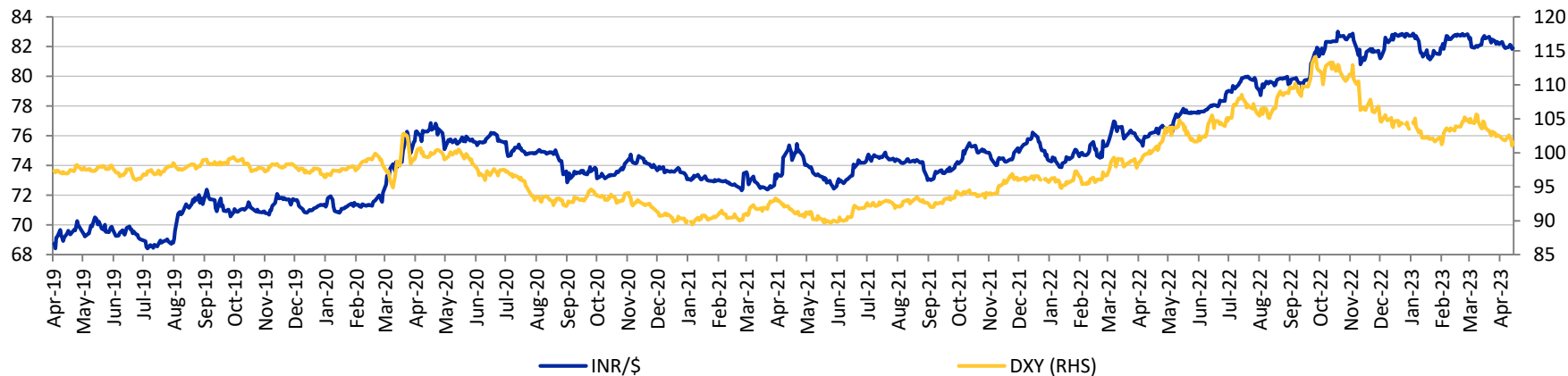


Data for Apr 2023 is available till April 14, 2023; Source: PPAC; ICRA Research

- Global commodity prices charted a downtrend since Dec 2022 triggered by global demand concerns owing to rising interest rates, even as the demand prospects from China improved. However, prices rebounded in April 2023 so far, with the Bloomberg commodity index rising by 2.4% on a MoM basis during Apr 1-14, 2023. Nevertheless, the index is lower by 16.8% in the month on a YoY basis (-16.8% YoY in Mar 2023).
- The average price of the Indian basket of crude oil has risen sharply by 9.2% MoM to \$85.5/bbl in April 2023 so far (till Apr 14) following the surprise output cuts announced by OPEC+ earlier in the month. However, it is 17.0% lower in YoY terms, amidst a surge in prices in the year-ago period owing to the Russia-Ukraine conflict. Regardless, the domestic retail prices of petrol and diesel have remained steady since mid-July 2022.

OUTLOOK: ICRA expects WPI to witness YoY deflation of 0.5% in Apr 2023

EXHIBIT: Trends in INR, DXY



Source: Bloomberg; RBI; ICRA Research

- The INR has appreciated against the US dollar in April 2023 so far (till April 16), touching a two-month high of 81.9/\$ as on April 6, 2023, on the back of FPI-equity inflows, as well as weakness in the DXY. Overall, the USD/INR pair has averaged at 82.03/\$ in April 2023 so far (till April 16) as against 82.3/\$ in March 2023, which is likely to modestly dampen the landed cost of imported goods in the ongoing month.
- Overall, the WPI index is report a deflation of 0.5% in April 2023 (32-month low), on the back of a high base (+15.4%) related to the surge in global commodity prices following the onset of the Russia-Ukraine conflict. However, the ongoing increase in international crude oil prices could weigh on the WPI inflation print; any further hardening in crude oil prices poses an upside risk to ICRA's estimate for April 2023.

Table A.1: Trend in Monthly WPI Inflation (YoY)

Weight		YoY Inflation				MoM	Contribution
		January-23	January-23	February-23	March-23	March-23	March-23
		Initial	Revised	Initial	Initial	Initial	Initial
WPI	100.00	4.7%	4.8%	3.9%	1.3%	0.0%	100.0%
Primary Articles	22.62	3.9%	4.1%	3.3%	2.4%	1.2%	21.2%
- Food	15.26	2.4%	2.7%	3.8%	5.5%	1.1%	12.6%
- Non-Food	4.12	4.5%	4.7%	0.1%	-4.6%	-2.1%	4.8%
- Minerals	0.83	-9.3%	-10.0%	-10.6%	-5.0%	8.2%	1.3%
- Crude Petroleum and Natural Gas	2.41	23.8%	23.8%	14.5%	-1.2%	4.6%	2.5%
Fuel and Power	13.15	15.2%	15.0%	14.8%	9.0%	-1.3%	12.7%
- Coal	2.14	2.6%	2.6%	3.4%	3.4%	0.1%	1.9%
- Minerals Oils	7.95	17.9%	17.9%	15.8%	6.0%	-0.2%	8.3%
- Electricity	3.06	16.6%	15.8%	19.7%	22.7%	-4.9%	2.5%
Manufactured Products	64.23	3.0%	3.1%	1.9%	-0.8%	-0.3%	61.4%
- Food	9.12	4.0%	4.0%	0.9%	-3.0%	-0.7%	10.2%
- Non-Food	55.11	2.8%	2.9%	2.1%	-0.3%	-0.1%	51.2%

Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

Table A.2: Trend in Monthly Inflation related to Non-Food Manufactured Products

	Weight	YoY Inflation				MoM	Contribution
		January-23	January-23	February-23	March-23	March-23	March-23
		Initial	Revised	Initial	Initial	Initial	Initial
Non-Food Manufactured Products	55.11	2.8%	2.9%	2.1%	-0.3%	-0.1%	100.0%
Beverages	0.91	2.1%	2.0%	2.1%	2.7%	0.1%	-14.3%
Tobacco Products	0.51	3.5%	3.2%	4.0%	2.6%	0.3%	-10.2%
Textiles	4.88	-2.1%	-2.2%	-3.5%	-4.9%	-0.4%	159.8%
Wearing Apparel	0.81	3.3%	3.0%	3.5%	3.4%	0.2%	-18.4%
Leather and Related Products	0.54	0.9%	0.2%	0.0%	2.2%	1.5%	-6.7%
Wood and Products of Wood and Cork	0.77	1.0%	0.8%	0.1%	-0.8%	0.1%	4.3%
Paper and Paper Products	1.11	4.1%	4.4%	3.3%	-1.0%	-0.7%	7.7%
Printing and Reproduction of Recorded Media	0.68	9.3%	11.1%	10.3%	9.2%	0.3%	-46.5%
Chemicals and Chemical Products	6.47	4.1%	4.2%	2.7%	0.0%	-0.5%	0.0%
Pharmaceuticals, Medicinal Chemical and Botanical Products	1.99	3.4%	3.7%	3.5%	2.8%	-0.6%	-34.9%
Rubber and Plastics Products	2.30	0.8%	1.0%	1.1%	-1.4%	-0.4%	19.1%
Other Non-Metallic Mineral Products	3.20	7.0%	7.6%	6.8%	5.5%	-0.4%	-103.3%
Basic Metals	9.65	1.3%	1.7%	-0.2%	-7.1%	-0.3%	498.1%
Fabricated Metal Products, except Machinery and Equipment	3.15	3.4%	3.5%	4.2%	3.0%	0.1%	-58.2%
Computer, Electronic and Optical Products	2.01	1.7%	1.3%	0.5%	0.3%	-0.2%	-3.7%
Electrical Equipment	2.93	4.2%	4.2%	3.8%	3.1%	0.2%	-52.7%
Machinery and Equipment	4.79	4.3%	4.4%	4.3%	4.1%	0.3%	-110.4%
Motor Vehicles, Trailers and Semi-Trailers	4.97	1.9%	1.4%	1.6%	1.4%	0.0%	-41.2%
Other Transport Equipment	1.65	3.7%	4.0%	4.3%	4.7%	0.6%	-47.9%
Furniture	0.73	3.0%	3.0%	2.3%	0.8%	0.2%	-4.4%
Other Manufacturing	1.06	9.3%	9.3%	9.4%	5.0%	0.2%	-36.3%

Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

Table A.3: Sub-sectors with items having major contribution in the WPI Inflation

Sub-Group	Item Description	Weight (%)
Primary Food Articles	Milk	4.44
	Paddy	1.43
	Wheat	1.03
Primary Non-food Articles	Industrial Wood	0.89
	Raw Cotton	0.66
	Fodder	0.53
Minerals	Copper Concentrate	0.33
	Iron Ore	0.21
	Phosphorite	0.11
Crude Petroleum and Natural Gas	Crude Petroleum	1.95
	Natural Gas	0.46
Fuel and Power	HSD	3.10
	Electricity	3.06
	Petrol	1.60
Manufactured Food Products	Vegetable and Animal Oils and Fats	2.64
	Grain Mill Products	2.01
	Dairy Products	1.17
Non-Food Manufactured Products	Basic Metals	9.65
	Chemicals and Chemical Products	6.47
	Motor Vehicles, Trailers and Semi-Trailers	4.97

Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research



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