

WHOLESALE PRICE INDEX

WPI inflation expectedly rose to 2.4% in October 2024; likely to ease to ~2.0% in November 2024, amid base-effect led softening in food inflation

NOVEMBER 2024





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The WPI inflation expectedly rose to 2.4% in October 2024.

The uptick was led by food items, which exerted an upward pressure to the tune of 63 bps to the headline inflation print in October 2024 vis-à-vis September 2024.

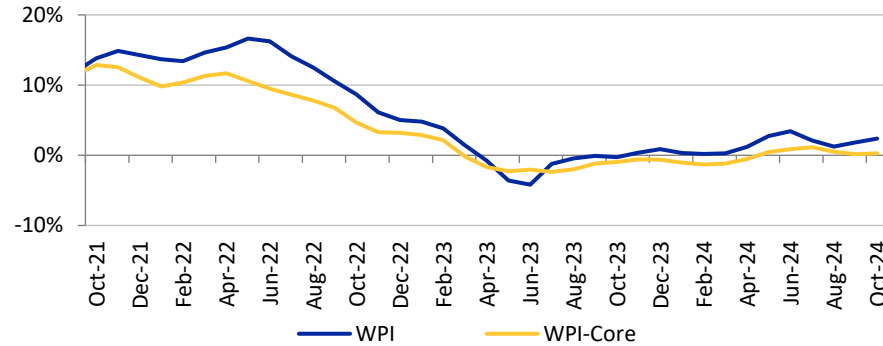
ICRA expects the WPI inflation to ease to ~2.0% in November 2024 on a favourable base.

In line with ICRA's expectations (+2.5%), the year-on-year (YoY) WPI inflation rose to a four-month high of 2.4% in October 2024 from 1.8% in September 2024. This uptick was led by food items, with the WPI-food inflation surging to 11.6% in October 2024 from 9.5% in September 2024, printing in double-digits after a gap of 25 months; this pushed up the headline WPI print by as much as 63 bps between these months. With the base turning favourable and a YoY easing in 13 of the 22 essential food items in November 2024 so far vis-à-vis October 2024, the WPI-food inflation is expected to soften to sub-10% in the month, while remaining elevated. This is projected to dampen the headline WPI inflation print to ~2.0% in November 2024. Thereafter, while the outlook for food inflation remains benign, the headline WPI inflation remains vulnerable to movements in global commodity and crude oil prices.

- **WPI inflation expectedly rose to 2.4% in October 2024:** The uptick in the WPI inflation to 2.4% in October 2024 (ICRA's estimate: +2.5%) from 1.8% in September 2024 was driven by primary food articles (+41 bps), and manufactured food products (+22 bps), which together exerted upward pressure to the tune of 63 bps to the headline WPI print between these months. This was partly offset by dips in other categories including fuel and power, minerals and non-food primary articles in October 2024 vis-à-vis September 2024.
- **Core-WPI inflation inched up to 0.3% in October 2024:** The core (non-food manufacturing) WPI inflation rose to 0.3% YoY in October 2024 from 0.1% in September 2024, after easing for two consecutive months. However, the uptick was not broad based, with only nine of the 21 sub-groups of the core-WPI (with a weight of 27.2% in the WPI) witnessing a higher YoY inflation print in October 2024 compared to September 2024.
- **WPI inflation to ease slightly to ~2.0% in November 2024:** With the base turning favourable and a YoY easing in 13 of the 22 essential food items in November 2024 vis-à-vis October 2024, the WPI-food inflation is expected to soften to sub-10% in the month, while remaining elevated. Consequently, ICRA estimates the headline WPI inflation to ease slightly to ~2.0% in November 2024. Looking ahead, the outlook for the headline WPI inflation remains vulnerable to movements in global commodity and crude oil prices.

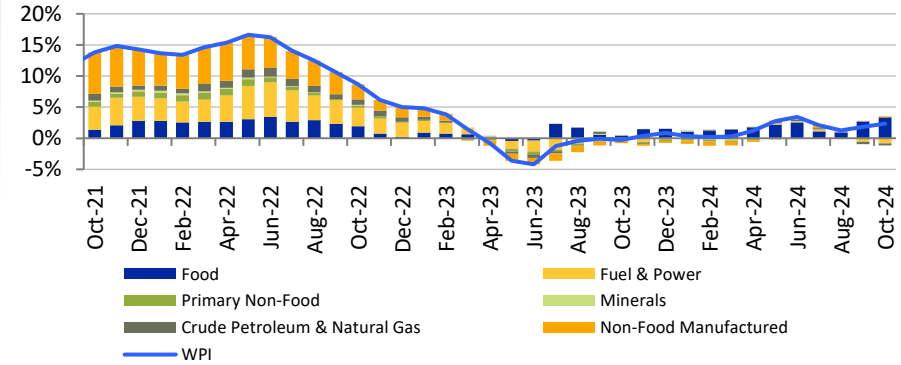
WPI inflation rose to a four-month high of 2.4% in October 2024 from 1.8% in September 2024, led by food

EXHIBIT: Headline and Core-WPI Inflation (YoY)



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

EXHIBIT: Composition of WPI Inflation (YoY)

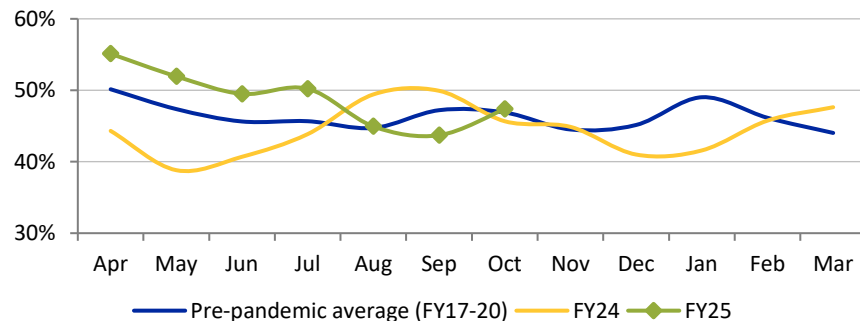


Source: NSO; Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

- The WPI inflation rose to a four-month high of 2.4% in October 2024 (vs. -0.3% in October 2023) from 1.8% in September 2024 (vs. -0.1% in September 2023), while printing similar to ICRA's expectation of 2.5% for the month. The uptick was largely led by primary food articles (to 15-month high of +13.5% in October 2024 from +11.5% in September 2024) and manufactured food products (to 28-month high of +7.8% from +5.5%), which together exerted an upward pressure to the tune of 63 bps to the headline WPI print between these months. In contrast, the prints for fuel and power (to -5.8% from -4.0%), minerals (to +1.9% from +3.0%), and primary non-food articles (to -1.7% from -1.6%) moderated in October 2024 vis-à-vis September 2024.
- The core-WPI inflation (with a weight of 55.1% in the WPI) inched up mildly to 0.3% YoY in October 2024 (-0.9% in October 2023) from 0.1% in September 2024 (-1.2% in September 2023), while remaining muted. Consequently, the wedge between the headline and core WPI widened to (-) 208 bps in October 2024 from (-) 171 bps in September 2024.
- On a sequential basis, the uptick in the WPI doubled to 1.0% in October 2024, vs. 0.5% in October 2023, led by primary food items (+3.4% vs. +1.5%), and manufactured food-products (+2.4% vs. +0.2%).

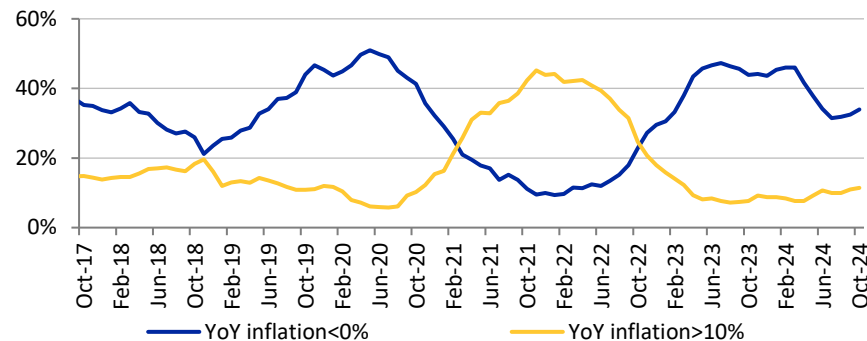
Share of items in WPI basket that saw MoM uptick in prices surged to 47.4% in October 2024, rising above the pre-pandemic average level

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



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

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

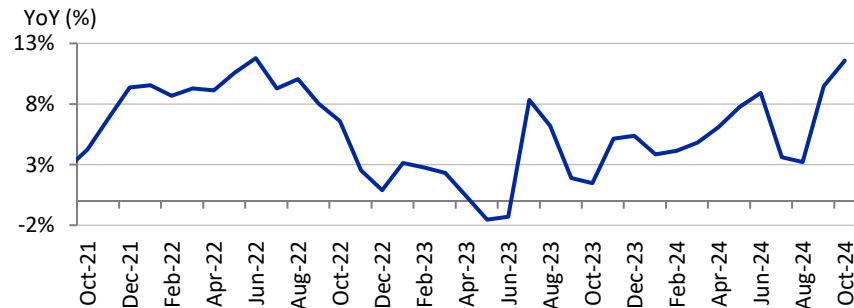


**Based on the 697 items covered in the WPI basket; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research*

- Amidst the uptick in the headline inflation, the share of items in the WPI basket that witnessed a sequential increase in prices rose sharply to 47.4% in October 2024 from 43.7% in September 2024. This is also higher than the average seen in October of FY2017-20 (46.9%).
- Moreover, the share of items in the WPI basket that reported a double-digit YoY inflation rate (>10%) rose to 11.4% in October 2024 from 11.0% in September 2024. Interestingly, the share of items reporting a YoY deflation also increased to 33.9% from 32.5%, respectively.

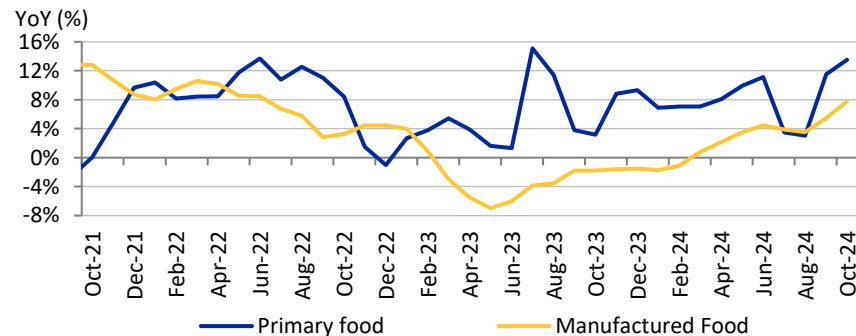
WPI-food inflation reverted to double digits after a gap of 25 months in October 2024

EXHIBIT: YoY trends in WPI Food Inflation



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

EXHIBIT: YoY trends in primary and manufactured food

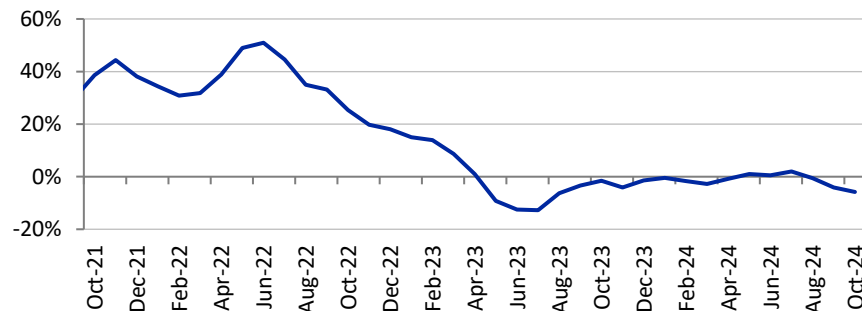


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The WPI-food inflation (primary food articles and manufactured food items) surged to 11.6% YoY in October 2024 (+1.5% in October 2023) from 9.5% in September 2024 (+1.9% in September 2023), reporting a double-digit print after a gap of 25 months. This was led by both primary food articles (to +13.5% in October 2024 from +11.5% in September 2024) and manufactured food products (to 28-month high of +7.8% from +5.5%, driven by edible oils).
- The YoY surge in the inflation for primary food products in October 2024 relative to September 2024 was led by sharp rise in vegetables (to 15-month high of +63.0% from +48.7% in September 2024), driven by onion (+39.3%), tomato (+239.4%), potato (+78.7%), cauliflower (+43.4%), etc. Additionally, the YoY inflation in fruits (to +13.5% from +12.2%) led by pineapple, guava, banana etc. edged up in October 2024 vis-à-vis September 2024. In contrast, the remaining sub-categories saw a lower inflation print between these months, namely milk (to +3.0% from +3.2%), pulses (to +9.7% from +13.0%), cereals (to +7.9% from +8.1%), and other food articles (to +10.2% from +15.7%, primarily led by betel leaves, and moderating inflation in tea) in October 2024 vis-à-vis September 2024.
- In month-on-month (MoM) terms, the WPI-food sub-index rose sharply by 3.0% in October 2024, as against 1.1% seen in October 2023, led by both primary food articles (+3.4% vs. +1.5%) and manufactured food products (+2.4% vs. +0.2%).

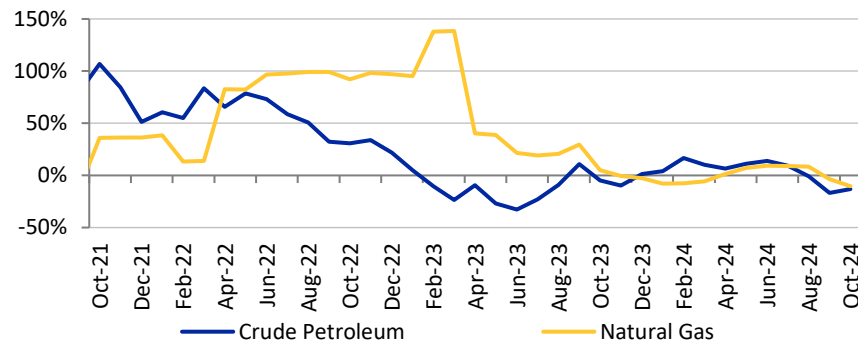
YoY deflation for fuel items widened in October 2024, aided by a high base

EXHIBIT: YoY trends in Fuel and Power Inflation



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

EXHIBIT: YoY trends in Crude Petroleum and Natural Gas Inflation

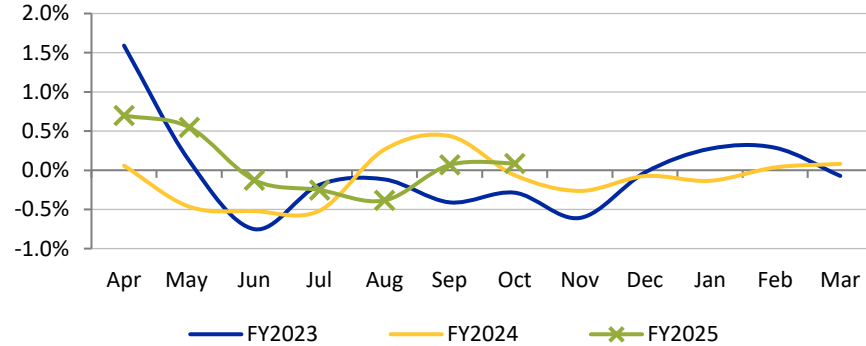


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The YoY deflation in the fuel and power sub-index (weight in WPI: 13.2%) widened to 5.8% in October 2024 (-1.6% in October 2023) from 4.0% in September 2024 (-3.3% in September 2023), aided by a base effect. This was entirely driven by a larger YoY deflation in mineral oils (to a 14-month low of -7.7% in October 2024 from -5.8% in September 2024), followed by electricity (to -3.6% from -0.9%), and coal (to -0.9% from -0.8%) in October 2024 vis-à-vis the previous month.
- In contrast, the YoY deflation in crude petroleum and natural gas narrowed to 12.2% in October 2024 (-2.2% in October 2023) from 13.0% in September 2024 (+15.6% in September 2023), largely led by an unfavorable base and narrowing deflation in crude petroleum (to -13.0% in October 2024 from -16.8% in September 2024). Notably, the WPI index for crude petroleum for October 2024 is 4.7% lower than the final level for August 2024, sharper than the decline of 3.6% (in Rs./bbl terms) in the average monthly international crude oil prices of the Indian basket between these months, suggesting that the crude petroleum index for October 2024 may undergo an upward revision.

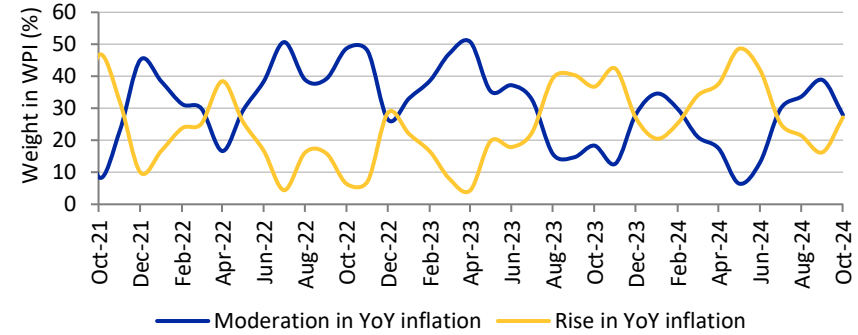
Core-WPI inflation rose to 0.3% in October 2024 from a five-month low of 0.1% in September 2024, led by nine of the 21 sectors

EXHIBIT: Month-on-month trends in Core-WPI



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

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

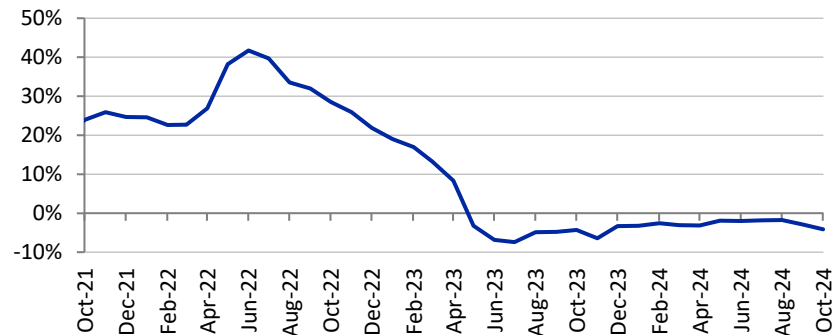


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The core-WPI YoY inflation inched up to 0.3% YoY in October 2024 (-0.9% in October 2023) from 0.1% YoY in September 2024 (-1.2% in September 2023), after easing for two consecutive months. However, the uptick was not broad based, with only nine of the 21 sub-groups of the core-WPI (with a weight of 27.2% in the WPI) witnessing a higher YoY inflation print in October 2024 vis-à-vis September 2024, including manufacture of basic metals, motor vehicles, trailers and semi-trailers, machinery and equipment, etc. In contrast, the remaining 12 sub-sectors of the core-WPI (with a weight of 28.0% in the WPI) registered lower YoY inflation prints between these months.
- In sequential terms, the core index rose by 0.1% in October 2024, similar to the uptick seen in the previous month. This contrasted with the MoM contraction of 0.1% seen in October 2023, amid a higher MoM print in nine of the 21 sub-sectors (with a weight of 27.2% in the WPI basket), including the manufacture of basic metals, motor vehicles, trailers and semi-trailers, machinery and equipment, etc., in October 2024 relative to the year-ago month.

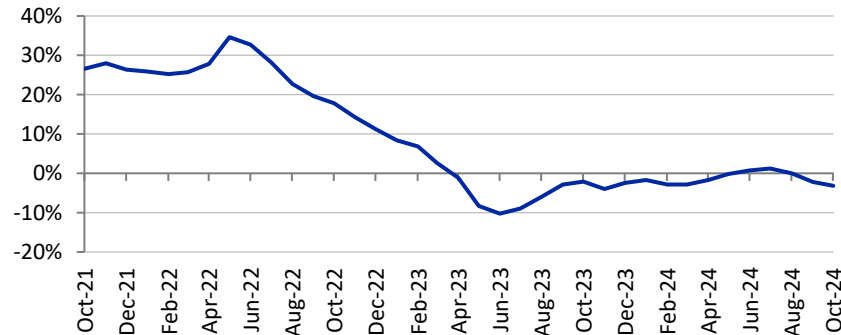
Industrial and farm inputs costs remained in deflationary territory in October 2024

EXHIBIT: Farm inputs WPI (YoY)



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

EXHIBIT: Industrial raw materials WPI (YoY)



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

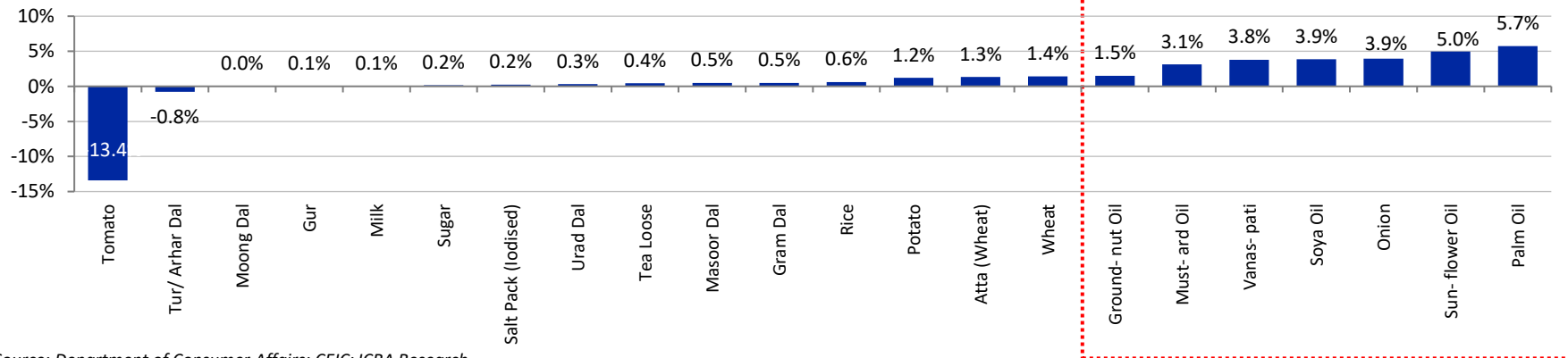
- The YoY deflation in the WPI for industrial raw materials¹ widened to 3.1% in October 2024 (-2.1% October 2023) from 2.2% in September 2024 (-2.8% September 2023), despite an unfavorable base. This was largely led by fuel items (including ATF, HSD, bitumen, naphtha, lube oil, petroleum coke, etc.), electricity, minerals, and cotton yarn which witnessed lower YoY prints in October 2024 vis-à-vis September 2024. On a sequential basis, the index eased by 0.3% in October 2024 (vs. +0.7% in October 2023), after having declined by 0.2% in the previous month.
- Likewise, the WPI farm inputs² index witnessed a larger deflation of 4.2% in October 2024 vs. 2.9% in September 2024, led by HSD, electricity, fodder, fertiliser and nitrogen compounds, and agricultural and forestry machinery. This was the 18th consecutive month of a deflation in this index. However, on a sequential basis, the index rose by 0.4% to touch a five-month high in October 2024.

¹ 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

² Comprises high speed diesel, fodder, electricity, fertilisers, pesticides and agricultural and forestry machinery from WPI

OUTLOOK: WPI-food inflation to ease to sub-10% in November 2024, aided by a favourable base

EXHIBIT: MoM trends in wholesale prices in November 2024 (till November 13, 2024)



Source: Department of Consumer Affairs; CEIC; ICRA Research

- The data released by the Department of Consumer Affairs points to a broad-based MoM hardening in the average wholesale prices of 20 of the 22 commodities in November 2024 (until November 13, 2024), barring those for tur dal and tomato, in line with the trend seen in the retail prices of these items in the ongoing month.
- Among vegetables, though onion and potato prices surged to a 12-month high and 47-month high, respectively in November 2024, they witnessed a much lower sequential and YoY uptick vis-à-vis that seen in October 2024. Likewise, edible oil prices witnessed a sequential rise (owing to import duty hikes on most varieties from mid-September 2024) even as the pace of the uptick moderated compared to the previous month. Notably, palm oil prices have surged by 5.7% MoM (vs. +15.9% MoM in October 2024) to a 26-month high in November 2024 so far.
- Notably, 13 of the 22 items witnessed a lower MoM print in November 2024 so far as compared to year-ago levels, including rice, wheat, most pulses, sugar, and vegetables (including tomato, onion and potato), up from nine in October 2024 (vis-à-vis October 2023). Likewise, the same set of 13 items reported a softening in their YoY inflation rates in November 2024 (till November 13, 2024) vs. October 2024. **Overall, ICRA expects the WPI-food inflation to revert to sub-10% levels in November 2024 (+5.1% in November 2023) from 11.6% in October 2024 (+1.5% in October 2023), amid a favourable base, while remaining elevated in the month.**

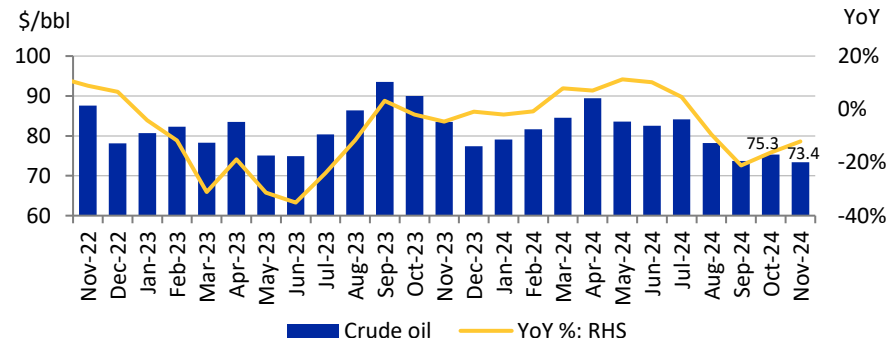
OUTLOOK: Narrowing YoY deflation in crude oil prices likely to exert some upward pressure to November 2024 WPI print

EXHIBIT: Trends in the Bloomberg commodity price Index



Data for November 2024 is available till November 13, 2024; Source: ICRA Research

EXHIBIT: Trends in prices of Indian basket of crude oil

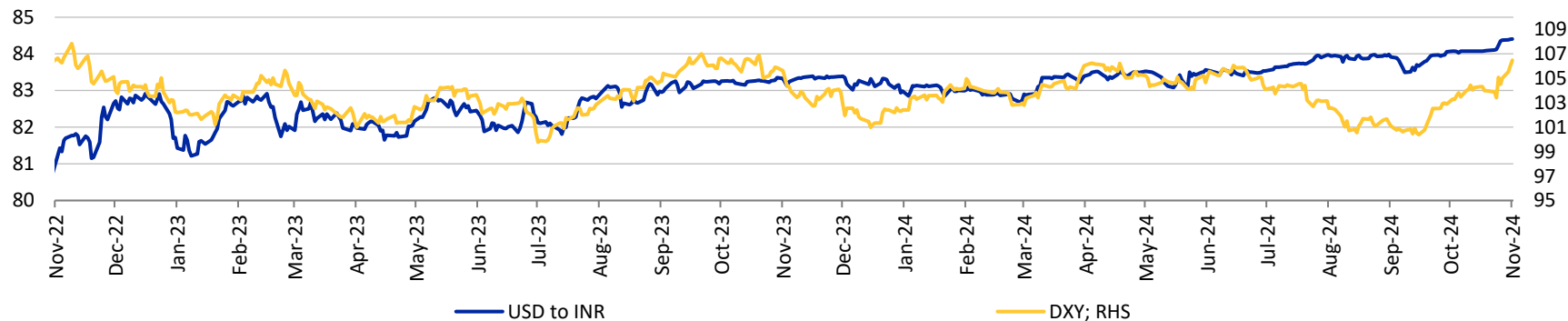


Data for November 2024 is available till November 13, 2024; Source: PPAC; ICRA Research

- The average value of the Bloomberg commodity price Index contracted by 1.8% on a MoM basis in November 2024 (up to November 13, 2024) after rising by 2.9% in October 2024. On a YoY basis, the index is down by 4.6% in November 2024 so far, as against the 4.3% contraction seen in the previous month.
- The average price of the Indian basket of crude oil eased by 2.5% MoM to \$73.4/bbl in November 2024 (during November 1-13, 2024) from \$75.3/bbl in October 2024, amidst ample supply from US and non-OPEC countries and sluggish oil demand. On a YoY basis, the contraction in such prices narrowed to 12.1% in November 2024 from 16.3% in October 2024.
- **While the sequential dip in global commodity and crude oil prices augurs well, the narrowing in YoY deflation rates in the latter will likely exert an upward pressure to the WPI inflation print in the ongoing month.**

OUTLOOK: WPI inflation to ease slightly to ~2.0% in November 2024

EXHIBIT: Trends in INR, DXY



Data for November 2024 is available till November 13, 2024; Source: CEIC; RBI; ICRA Research

- The USD/INR pair breached the 84/\$-mark on October 11, 2024, closing at 84.09/\$ at end-October 2024 as against 83.79/\$ at end-September 2024. Thereafter, the pair has depreciated further during November 2024, touching an all time-low level of 84.41/\$ on November 13, 2024. This is mainly on account of the strengthening in the US\$ (DXY rose to 106.48 on November 13, 2024 from 103.98 at end-October, 2024) following the outcome of the US elections, as well as sizeable FII outflows from India (-\$2.5 billion during November 1-12, 2024; -\$11.5 billion during October 2024).
- The pair has averaged at 84.30/\$ during November 1-13, 2024 as against 84.03/\$ in October 2024, which may not materially impact the landed cost of imports in the ongoing month. Going forward, while the RBI's intervention is likely to prevent volatility in the USD/INR pair, the Indian currency is expected to remain under some pressure amid global economic uncertainty arising from the expectations around the US policies on trade and fiscal measures.
- **Overall, ICRA currently expects the headline WPI inflation to ease slightly to ~2.0% in November 2024 (+0.4% in November 2023) from 2.4% in October 2024 (-0.3% in October 2023), aided by a favourable base.**

Table A.1: Trend in Monthly WPI Inflation

Weight		YoY Inflation				MoM
		August-24	August-24	September-24	October-24	October-24
		Initial	Revised	Initial	Initial	Initial
WPI	100.00	1.3%	1.2%	1.8%	2.4%	1.0%
Primary Articles	22.62	2.4%	2.5%	6.6%	8.1%	2.4%
- Food	15.26	3.1%	3.1%	11.5%	13.5%	3.4%
- Non-Food	4.12	-2.1%	-1.8%	-1.6%	-1.7%	-0.4%
- Minerals	0.83	8.8%	10.8%	3.0%	1.9%	-1.7%
- Crude Petroleum and Natural Gas	2.41	1.8%	1.8%	-13.0%	-12.2%	0.4%
Fuel and Power	13.15	-0.7%	-0.5%	-4.0%	-5.8%	-0.3%
- Coal	2.14	-1.5%	-1.5%	-0.8%	-0.9%	-0.1%
- Minerals Oils	7.95	-0.4%	-0.4%	-5.8%	-7.7%	-0.8%
- Electricity	3.06	-0.8%	-0.2%	-0.9%	-3.6%	1.2%
Manufactured Products	64.23	1.2%	1.0%	1.0%	1.5%	0.5%
- Food	9.12	3.6%	3.5%	5.5%	7.8%	2.4%
- Non-Food	55.11	0.7%	0.5%	0.1%	0.3%	0.1%

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
		August-24 Initial	August-24 Revised	September-24 Initial	October-24 Initial	October-24 Initial
Non-Food Manufactured Products	55.11	0.7%	0.5%	0.1%	0.3%	0.1%
Beverages	0.91	1.9%	2.0%	2.0%	2.1%	0.4%
Tobacco Products	0.51	3.7%	2.0%	1.8%	1.1%	-0.5%
Textiles	4.88	1.8%	1.3%	1.1%	0.9%	0.1%
Wearing Apparel	0.81	1.5%	1.5%	1.9%	1.3%	0.3%
Leather and Related Products	0.54	-0.6%	-0.5%	1.0%	1.0%	0.1%
Wood and Products of Wood and Cork	0.77	3.2%	3.2%	1.6%	1.2%	0.1%
Paper and Paper Products	1.11	0.5%	0.6%	0.7%	1.0%	0.4%
Printing and Reproduction of Recorded Media	0.68	1.6%	2.1%	1.5%	0.8%	0.1%
Chemicals and Chemical Products	6.47	0.2%	0.3%	0.1%	-0.2%	-0.1%
Pharmaceuticals, Medicinal Chemical and Botanical Products	1.99	2.0%	2.1%	1.5%	0.4%	-0.9%
Rubber and Plastics Products	2.30	1.5%	1.6%	0.8%	1.6%	0.2%
Other Non-Metallic Mineral Products	3.20	-3.9%	-3.9%	-3.4%	-4.1%	-0.2%
Basic Metals	9.65	-0.8%	-1.6%	-3.1%	-2.3%	0.4%
Fabricated Metal Products, except Machinery and Equipment	3.15	-1.5%	-1.7%	-2.2%	-2.6%	-0.8%
Computer, Electronic and Optical Products	2.01	1.6%	1.8%	1.6%	1.3%	0.0%
Electrical Equipment	2.93	1.0%	1.1%	1.6%	1.0%	0.1%
Machinery and Equipment	4.79	1.7%	1.6%	1.2%	1.6%	0.2%
Motor Vehicles, Trailers and Semi-Trailers	4.97	1.3%	1.2%	1.3%	1.5%	0.0%
Other Transport Equipment	1.65	1.3%	1.3%	0.1%	1.0%	0.3%
Furniture	0.73	-0.6%	-0.7%	-0.2%	0.0%	-0.1%
Other Manufacturing	1.06	12.5%	12.5%	15.6%	19.9%	2.9%

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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Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, Head- Research and Outreach	aditin@icraindia.com	0124- 4545 385
Rahul Agrawal	Senior Economist	rahul.agrawal@icraindia.com	022 – 6114 3425
Aarzoo Pahwa	Economist	aarzoo.pahwa@icraindia.com	0124 – 4545 835
Tiasha Chakraborty	Economist	tiasha.chakraborty@icraindia.com	0124- 4545 848
Isha Sinha	Associate Economist	isha.sinha@icraindia.com	022 – 6114 3445





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head - Group Corporate Communications & Media Relations, ICRA Ltd	communications@icraindia.com	0124-4545860





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