

WHOLESALE PRICE INDEX

WPI inflation eased slightly to 2.3% in January 2025; likely to inch up in February 2025, amid rising commodity prices, slide in USD/INR

JANUARY 2025





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The WPI inflation unexpectedly eased to 2.3% in January 2025.

The WPI-food inflation eased to a five-month low of 7.5% in January 2025, while the core-WPI inflation inched up marginally compared to December.

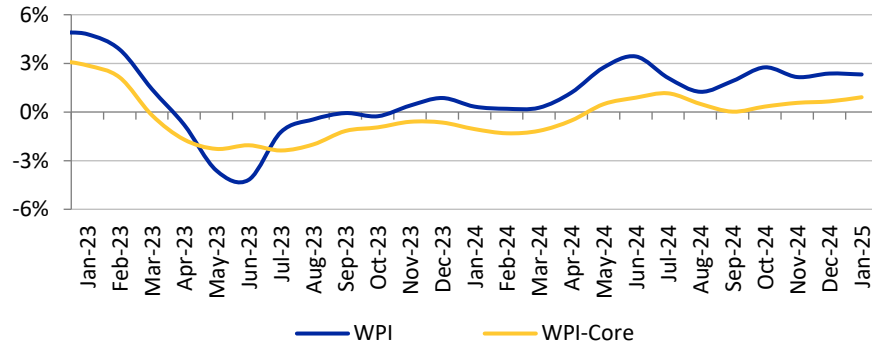
ICRA expects the WPI inflation to rise to 2.4-2.6% in February 2025, with the cooling in food prices being offset by the uptick in global commodity prices and depreciation in the USD/INR pair.

The WPI inflation eased slightly to 2.3% in January 2025 (at odds with ICRA's forecast of an uptick to 3.1%) from 2.4% in December 2024, largely driven by lower-than-anticipated prints for the food and core (non-food manufacturing) items. The sequential correction was primarily led by primary food articles and minerals, which together exerted a downward pressure to the tune of 54 bps to the headline inflation print. Looking ahead, ICRA expects the WPI inflation to inch up to 2.4-2.6% in February 2025, with a continued cooling in the WPI-food inflation partly offsetting the adverse impact of the uptick in commodity prices as well as the depreciation in the USD/INR pair on the non-food segments. Overall, we project the WPI inflation to average at ~2.4% in FY2025 and rise further to ~3.0% in FY2026, despite expectations of an easing in food inflation in the next fiscal. A continued depreciation in the USD/INR pair and tariff-related rise in global commodity prices would pose upside risks to our estimates.

- **WPI inflation eased to 2.3% in January 2025:** The sequential correction was entirely led by primary food articles (to a five-month low +5.9% in January 2025 from +8.5% in December 2024) and minerals (to a four-month low +2.9% from +5.5%), which together exerted a downward pressure to the tune of 54 bps to the headline inflation print between these months. Additionally, the WPI-food (primary food articles + manufactured food products) inflation eased to a five-month low of 7.5% in January 2025 from 8.9% in the previous month.
- **Core-WPI inflation rose modestly to 0.9% in January 2025:** The core-WPI inched up to 0.9% in January 2025 from 0.7% in December 2024, while remaining benign. On a sequential basis, the core index rose by a marginal 0.1% in January 2025, after remaining flat in each of the last two months.
- **WPI inflation to rise to 2.4-2.6% in February 2025:** The WPI-food inflation is expected to ease to sub-7.0% in the current month, with a softening in the YoY inflation prints of 14 of the 22 essential food items. However, the uptick in commodity prices and the sharp depreciation in the USD/INR is likely to exert upward pressure on the non-food segment. Overall, the headline WPI inflation is projected to rise to 2.4-2.6% in February 2025. ICRA expects the WPI inflation to average at ~2.4% in FY2025 and rise further to ~3.0% in FY2026, amid upside risks arising from a continued depreciation in the USD/INR pair and uptick in global commodity prices.

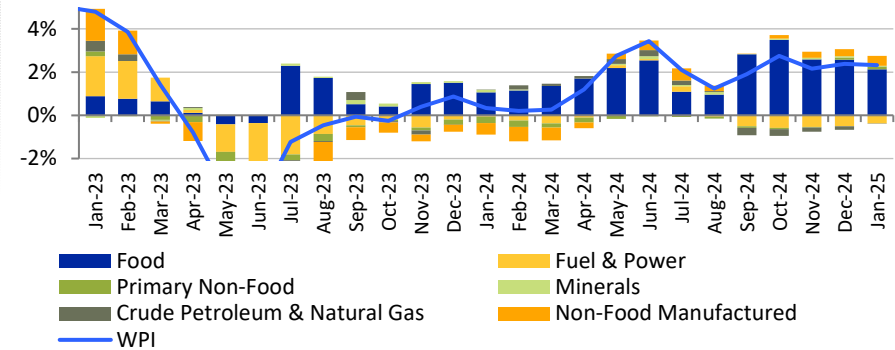
WPI inflation eased to 2.3% in January 2025 from 2.4% in December 2024, driven by primary food articles and minerals

EXHIBIT: Headline and Core-WPI Inflation (YoY)



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

EXHIBIT: Composition of WPI Inflation (YoY)

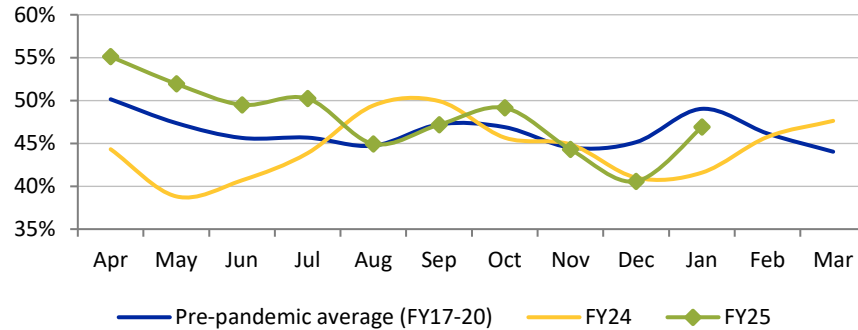


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The WPI inflation eased to 2.3% in January 2025 (+0.3% in January 2024) from 2.4% in December 2024 (+0.9% in December 2023), in contrast to ICRA's expectation of an uptick in inflation to 3.1% in that month, largely driven by lower-than-anticipated prints for the food and core items.
- The sequential correction was entirely driven by primary food articles (to a five-month low +5.9% in January 2025 from +8.5% in December 2024) and minerals (to a four-month low +2.9% from +5.5%), which together exerted a downward pressure to the tune of 54 bps to the headline inflation print between these months. However, this was partly offset by the uptick in the inflation for primary non-food articles (to a 24-month high of +3.0% from +2.5%), crude, petroleum and natural gas (to -0.5% from -6.8%), fuel and power (to -2.8% from -3.8%), manufactured food products (to a 34-month high of +10.4% from +9.7%), and manufactured non-food products ('core-WPI'; to a six-month high +0.9% from +0.7%; unfavourable base).
- With divergent trends in the headline (to +2.3% in January 2025 from +2.4% in December 2024) and the core-WPI (to +0.9% from +0.7%) inflation prints, the wedge between the two narrowed to (-) 140 bps in January 2025 from (-) 172 bps in December 2024.

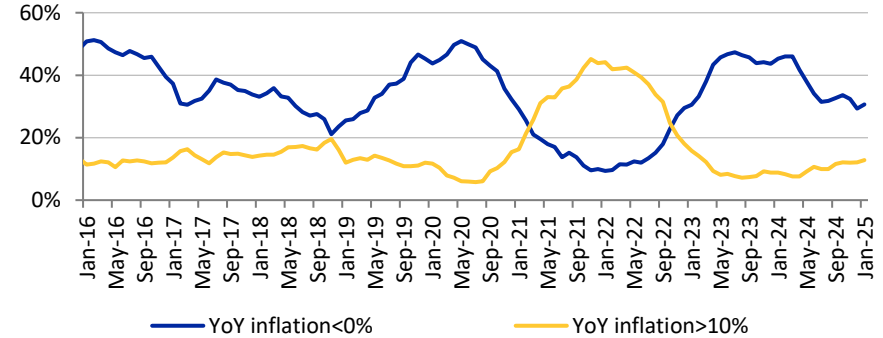
Share of items in WPI basket that saw MoM uptick in prices rose to 46.9% in January 2025

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%

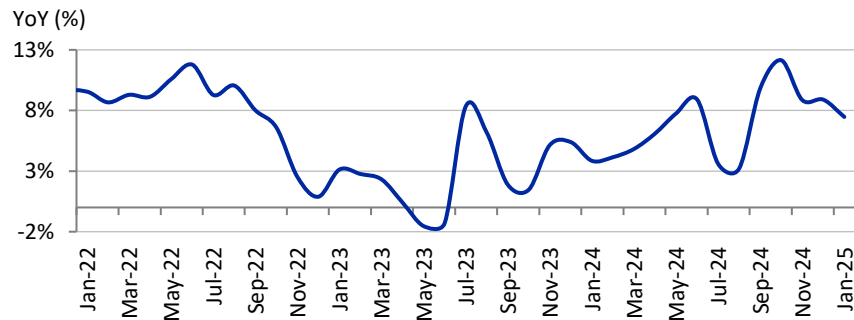


*Based on the 697 items covered in the WPI basket; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; CEIC; ICRA Research

- Despite a moderation in the headline WPI inflation, the share of items in the WPI basket that witnessed a sequential increase in prices rose to 46.9% in January 2025 from 40.6% in December 2024, while trailing the average share seen in January of FY2017-20 (49.0%).
- The share of items in the WPI basket that reported a double-digit YoY inflation rate (>10%) rose marginally to 12.8% in January 2025 from 12.1% in December 2024. Additionally, the share of items reporting a YoY deflation also inched up to 30.6% from 29.4% between these months.

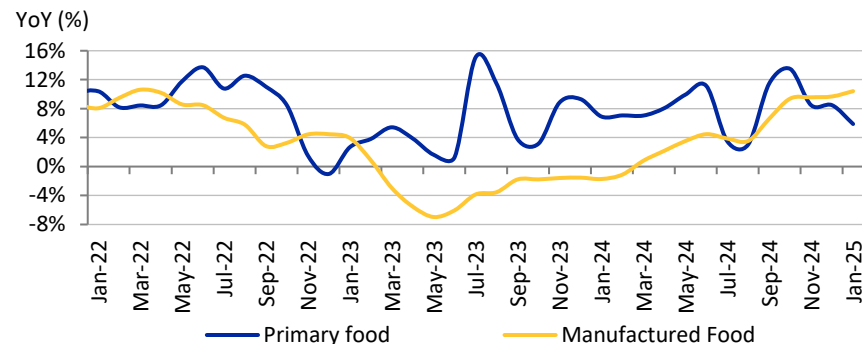
WPI-food inflation at 5-month low 7.5% in January 2025, led by vegetables

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

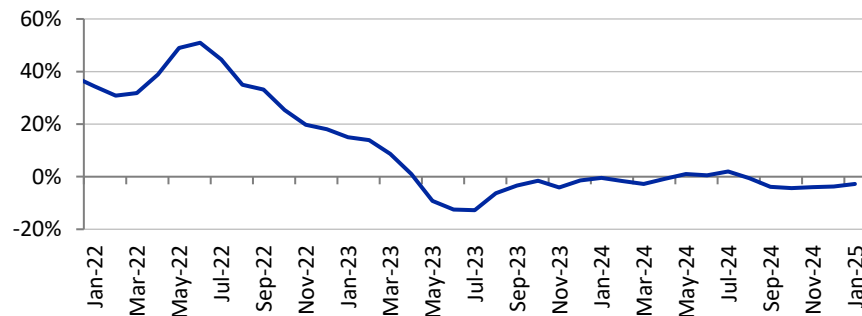


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The WPI-food inflation (primary food articles and manufactured food items) eased to a five-month low of 7.5% in January 2025 from 8.9% in December 2024. This was predominantly led by the cooling in inflation in primary food articles (to +5.9% from +8.5%), even as that in manufacturing food products hardened (to a 34-month high +10.4% from +9.7%), owing to the continued impact of the import duty hike on edible oils which was undertaken in September 2024.
- Among primary food articles, vegetables inflation saw a sharp moderation to 8.4% in January 2025, after recording double-digit inflation in each of the prior four months (+28.7% in December 2024). This was followed by relatively shallower softening in eggs, meat and fish (to +3.6% from +5.4%) and condiments and spices (to -5.5% from -3.2%), even as the remaining five of the eight sub-groups of primary food category recorded an uptick in their YoY inflation readings between these months, including fruits, cereals, other food articles, etc.
- In month-on-month (MoM) terms, the WPI-food sub-index has fallen for the third consecutive month by 2.3% in January 2025, sharper than the 1.0% fall in January 2024, solely driven by primary food articles (-3.6% vs. -1.3%, led by vegetables, poultry and spice segments).

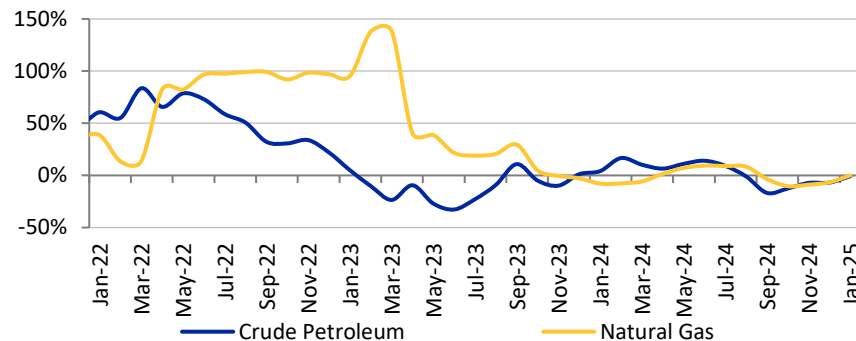
Deflation for fuel and crude items continued to narrow in January 2025

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

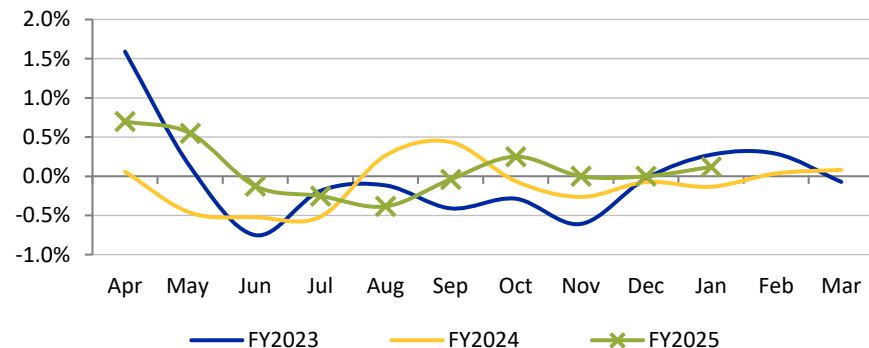


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The YoY deflation in the fuel and power sub-index (weight in WPI: 13.2%) narrowed to 2.8% in January 2025 (-0.4% in January 2024) from 3.8% in December 2024 (-1.4% in December 2023). This was broad based across all sub-groups, including electricity (to -4.8% in January 2025 from -5.7% in December 2024), mineral oils (to -2.6% from -3.8%), and coal (to -0.4% from -0.8%) between these months.
- Likewise, the YoY deflation in crude petroleum and natural gas narrowed, albeit sharply, to 0.5% in January 2025 (+0.2% in January 2024) from 6.8% in December 2024 (-0.1% in December 2023), led by both crude petroleum (to -0.8% in January 2025 from -6.9% in December 2024) and natural gas (to +0.04% from -6.6%). Notably, the WPI index for crude petroleum for January 2025 is just 4.0% higher than the final level for November 2024, sharply trailing the 12.2% surge witnessed in the average monthly international crude oil prices (in Rs./bbl terms) of the Indian basket between these months. **These trends suggest that there is a likely lagged transmission impact of the USD/INR depreciation in crude petroleum index, and thus, the print for January 2025 may undergo an upward revision.**

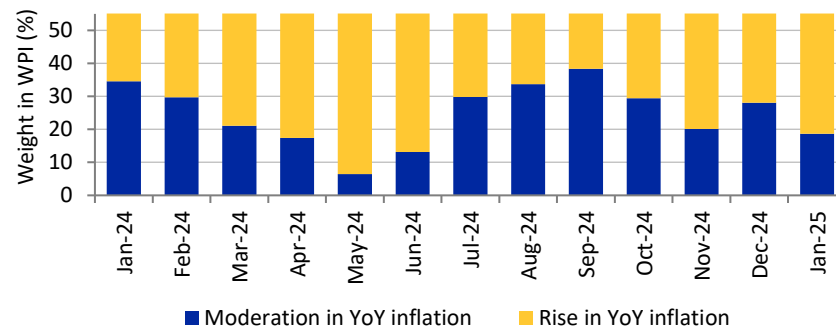
Core-WPI inflation remained benign, rising marginally to 0.9% in January 2025 from 0.7% in December 2024

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 (55.1% weight) sub-sectors recording sequential rise and moderation in their YoY inflation

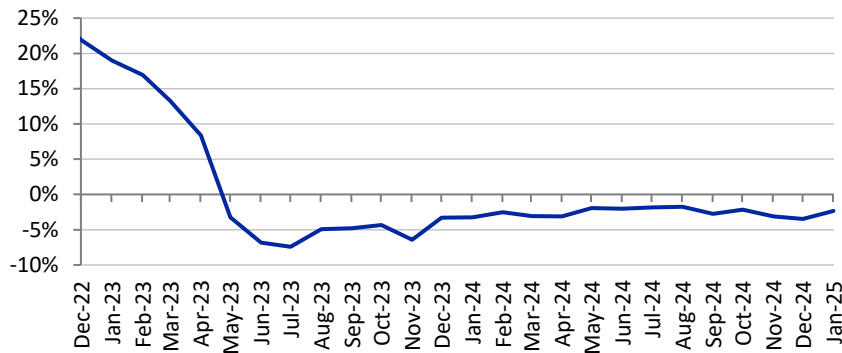


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA Research

- The core-WPI inflation (55.1% weight in the WPI basket) inched up to 0.9% in January 2025 (-1.1% in January 2024) from 0.7% in December 2024 (-0.6% in December 2023). The uptick was led by 13 of the 21 sub-groups of the core-WPI (with a sizeable weight of 36.4% in the WPI), including manufacture of basic metals, chemicals and chemical products, pharma, rubber and plastics, motor vehicles, trailers and semi-trailers, etc. In contrast, the remaining 8 sub-sectors of the core-WPI (with a lower weight of 18.7% in the WPI) saw lower YoY inflation prints between these months.
- On a sequential basis, the core index rose by a mild 0.1% in January 2025 after remaining flat in each of the last two months. This stood in contrast with the MoM dip of 0.1% in core index in January 2024, driven by 13 of the 21 sub-sectors (with a weight of 36.4% in the WPI basket), including the manufacture of basic metals, chemicals and chemical products, motor vehicles, trailers and semi-trailers, etc. in January 2025 relative to the year-ago month.
- The core-WPI prints have remained benign over the last two years, witnessing a deflation of 1.4% in FY2024 and an inflation of 0.5% in 11M FY2025.

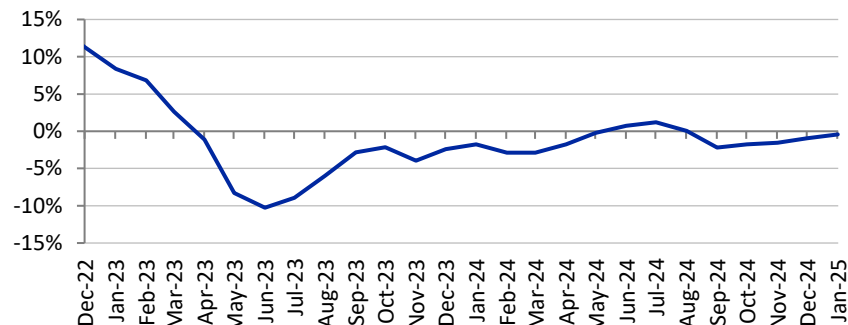
YoY deflation in industrial and farm inputs costs narrowed in January 2025

EXHIBIT: Farm inputs WPI (YoY)



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

EXHIBIT: Industrial raw materials WPI (YoY)



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

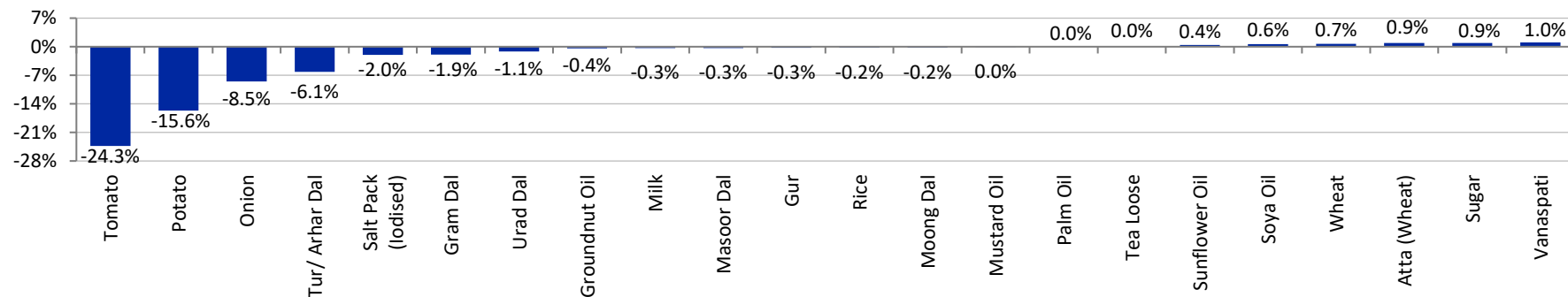
- The YoY deflation in the WPI for industrial raw materials¹ narrowed to 0.4% in January 2025 (-1.7% in January 2024) from 1.0% seen in December 2024 (-2.4% in December 2023). This was driven by most fuel items (including ATF, HSD, bitumen, naphtha, furnace oil, etc.), primary non-food articles (fibres, oilseeds, etc.), coal, and electricity, which saw a hardening in their YoY prints between these months.
- The WPI farm inputs² index also witnessed a narrower deflation at 2.4% in January 2025 vs. 3.5% in December 2024, led by all constituents including HSD, fodder, electricity, fertilisers, pesticides and agricultural machinery. However, on a sequential basis, the index rose marginally by 0.6% in January 2025, after remaining flat in the previous month.

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: YoY WPI-food inflation expected to moderate in February 2025

EXHIBIT: MoM trends in wholesale prices in February 2025 (till February 13, 2025)

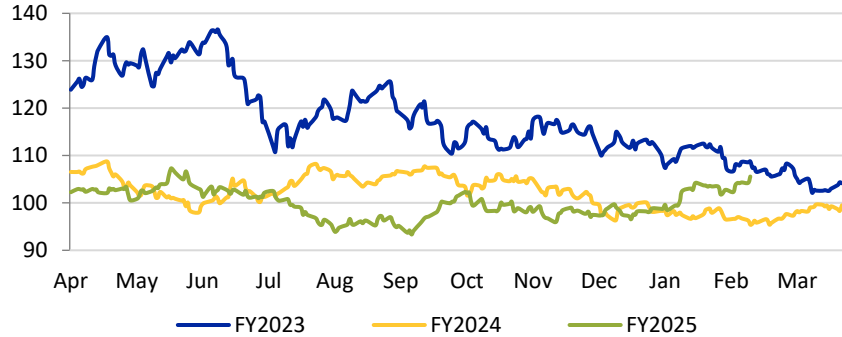


Source: Department of Consumer Affairs; CEIC; ICRA Research

- As per the data released by the Department of Consumer Affairs, the average wholesale prices of as many as 14 of the 22 commodities eased on a sequential basis in February 2025 (till February 13, 2025), including rice, all pulses, milk, and some edible oils (groundnut and mustard oil). Additionally, vegetable prices witnessed a sharp seasonal dip, with potato (-15.6% MoM to a 10-month low of Rs. 2,057/quintal), onion (-8.5% MoM to a nine-month low of Rs. 2,972/quintal), and tomato (-24.3% MoM to a 21-month low of Rs. 1,780/quintal) prices declining quite sharply in February 2025 so far vis-à-vis the previous month. This was primarily driven by increased production and fresh arrival of crops across the country.
- Notably, as many as 14 of the 22 items also reported a cooling in their YoY inflation rate in February 2025 (till February 13, 2025) compared to January 2025, including rice, pulses, milk, salt, onion, tomato, and potato, etc. **Given these trends, ICRA expects the WPI-food inflation to ease further to sub-7.0% in February 2025 from 7.5% in January 2025.**

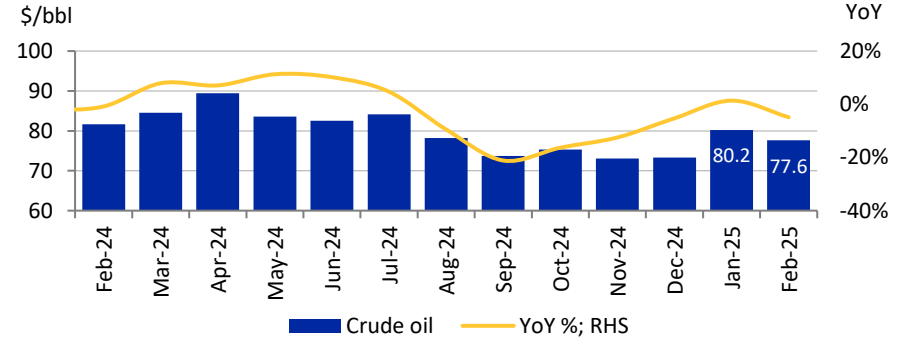
OUTLOOK: YoY uptick in commodity prices to exert an upward pressure to February 2025 WPI print

EXHIBIT: Trends in the Bloomberg commodity price Index



*Data for FY2025 is up to February 13, 2025; Source: ICRA Research

EXHIBIT: Trends in prices of Indian basket of crude oil

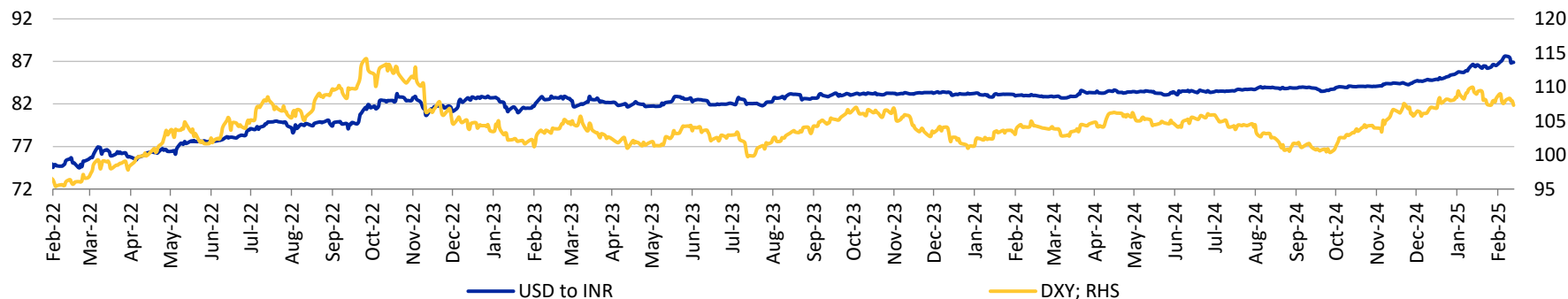


Data for February 2025 is available till February 13, 2025; Source: PPAC; ICRA Research

- Global commodity prices have started hardening in CY2025, with the Bloomberg Commodity Index rising by 4.0% MoM in January 2025 and further by 2.8% in February 2025 so far (up to February 13, 2025), amid growing uncertainty around the impact of the US protectionist trade policies. In YoY terms, the inflation has risen to 8.7% YoY during February 1-10, 2025, from 4.1% in January 2025, as opposed to the deflation during July-December 2024.
- The average price of the Indian basket of crude oil has moderated by 3.2% MoM to \$77.6/bbl during February 2025 (up to February 13, 2025) after rising sharply by 9.4% in the previous month, on account of rising US crude oil stockpiles and expectations of reduced energy demand amid US tariff-led slowdown in economic growth. Moreover, on a YoY basis the price contracted by ~5% in February 2025 so far, in contrast with the 1.4% uptick seen in January 2025.
- The rise in the commodity prices in February 2025 vis-à-vis January 2025 is likely to exert an upward pressure on the WPI non-food component in the month, even as the YoY deflation in crude oil prices would pull down the WPI-crude, petroleum and natural gas print.**

OUTLOOK: WPI inflation to inch up to 2.4-2.6% in February 2025

EXHIBIT: Trends in INR, DXY



Data for February 2025 is available till February 13, 2025; Source: CEIC; RBI; ICRA Research

- In the last couple of months, USD/INR pair has seen several fresh record lows, with the pair closing above the 85-mark for the first time on December 19, 2024 (amidst hawkish US Fed commentary), breaching the 86-mark on January 10, 2025, and 87-mark on February 4, 2025.
- Overall, the pair has averaged at 87.19/\$ during February 1-13, 2025, against 86.25/\$ in January 2025, which will exert an upward pressure on the landed cost of imports in the ongoing month. Notably, in a matter of less than four months, i.e. between end-September 2024 and February 13, 2025, the INR has depreciated by 3.6% against the \$, which would likely weigh on the WPI inflation prints in the near term.
- **ICRA expects the headline WPI inflation to inch up to 2.4-2.6% in February 2025 from 2.3% in January 2025, with cooling in the WPI-food inflation being offset by the adverse impact of the uptick in commodity prices and the depreciation in the USD/INR pair on the non-food segments. Overall, we project the WPI to average at ~2.4% in FY2025 and rise further to ~3.0% in FY2026, despite expectations of an easing in the prints for the food segment. A continued depreciation in the USD/INR pair and tariff-related rise in global commodity prices would pose upside risks to our estimates.**

Table A.1: Trend in Monthly WPI Inflation

Weight		YoY Inflation				MoM
		November-24	November-24	December-24	January-25	January-25
		Initial	Revised	Initial	Initial	Initial
WPI	100.00	1.9%	2.2%	2.4%	2.3%	-0.5%
Primary Articles	22.62	5.5%	5.5%	6.0%	4.7%	-2.0%
- Food	15.26	8.6%	8.5%	8.5%	5.9%	-3.6%
- Non-Food	4.12	-1.0%	-0.6%	2.5%	3.0%	0.7%
- Minerals	0.83	5.9%	6.3%	5.5%	2.9%	0.2%
- Crude Petroleum and Natural Gas	2.41	-8.1%	-7.7%	-6.8%	-0.5%	6.3%
Fuel and Power	13.15	-5.8%	-4.0%	-3.8%	-2.8%	0.5%
- Coal	2.14	-0.9%	-0.9%	-0.8%	-0.4%	0.0%
- Minerals Oils	7.95	-5.2%	-5.2%	-3.8%	-2.6%	0.7%
- Electricity	3.06	-10.4%	-2.5%	-5.7%	-4.8%	0.2%
Manufactured Products	64.23	2.0%	2.1%	2.1%	2.5%	0.1%
- Food	9.12	9.4%	9.6%	9.7%	10.4%	0.2%
- Non-Food	55.11	0.5%	0.6%	0.7%	0.9%	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
		November-24	November-24	December-24	January-25	January-25
		Initial	Revised	Initial	Initial	Initial
Non-Food Manufactured Products	55.11	0.5%	0.6%	0.7%	0.9%	0.1%
Beverages	0.91	2.4%	2.3%	2.0%	1.5%	-0.1%
Tobacco Products	0.51	1.4%	1.1%	2.5%	1.8%	0.2%
Textiles	4.88	1.3%	1.4%	2.4%	2.2%	0.0%
Wearing Apparel	0.81	1.6%	1.5%	1.6%	2.1%	-0.2%
Leather and Related Products	0.54	1.4%	1.5%	1.2%	2.3%	0.6%
Wood and Products of Wood and Cork	0.77	0.5%	0.5%	0.9%	0.8%	0.2%
Paper and Paper Products	1.11	0.4%	0.1%	0.4%	0.5%	0.4%
Printing and Reproduction of Recorded Media	0.68	1.5%	1.5%	1.5%	2.9%	0.9%
Chemicals and Chemical Products	6.47	0.1%	0.3%	0.5%	1.0%	0.2%
Pharmaceuticals, Medicinal Chemical and Botanical Products	1.99	1.2%	1.2%	0.6%	1.4%	0.6%
Rubber and Plastics Products	2.30	1.4%	1.4%	1.3%	1.7%	0.2%
Other Non-Metallic Mineral Products	3.20	-3.0%	-2.4%	-3.0%	-1.9%	0.4%
Basic Metals	9.65	-1.1%	-1.1%	-1.4%	-1.2%	-0.4%
Fabricated Metal Products, except Machinery and Equipment	3.15	-2.9%	-2.9%	-1.3%	-1.7%	-0.5%
Computer, Electronic and Optical Products	2.01	1.0%	1.1%	1.1%	1.7%	0.2%
Electrical Equipment	2.93	2.0%	2.0%	1.9%	1.5%	0.0%
Machinery and Equipment	4.79	1.2%	1.0%	0.9%	0.9%	0.3%
Motor Vehicles, Trailers and Semi-Trailers	4.97	0.9%	0.9%	1.1%	1.2%	0.2%
Other Transport Equipment	1.65	1.2%	1.3%	1.5%	1.6%	-0.1%
Furniture	0.73	2.1%	2.3%	1.3%	1.1%	0.3%
Other Manufacturing	1.06	13.9%	13.9%	13.7%	16.2%	2.1%

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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