

WHOLESALE PRICE INDEX

Deflation in WPI widened to 0.6% in July 2025, along expected lines; print to revert to an inflation in August 2025, led by food, fuel items

AUGUST 2025





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The WPI saw a wider YoY deflation of 0.6% in July 2025 vs. 0.1% in June, albeit in line with ICRA's forecast.

This was entirely led by the food segment, which pulled down the headline print by ~58 bps in July 2025, compared to June 2025.

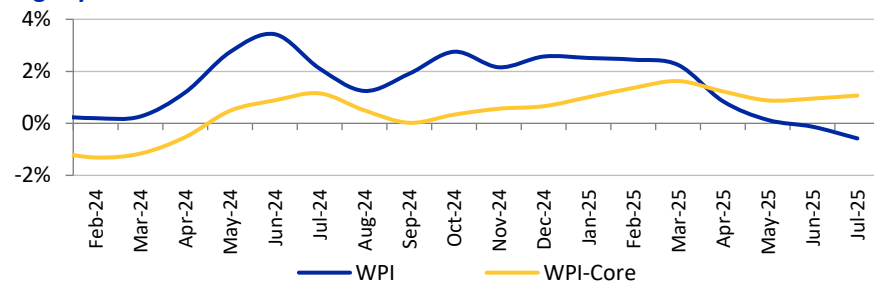
ICRA expects the WPI to revert to the inflationary territory in August 2025.

The year-on-year (YoY) deflation in the WPI expectedly widened to 0.6% in July 2025 from 0.1% in June 2025, while printing largely in line with ICRA's expectation (-0.4%). This was entirely driven by the WPI-food index, that witnessed a larger YoY contraction to the tune of 2.1% as against 0.3% in the previous month, even as the prints for all the other segments, including manufactured non-food products i.e. "core-WPI", rose somewhat between these months. Notwithstanding the favourable trend, the WPI is likely to have bottomed out in July 2025. Looking ahead, ICRA expects the headline WPI to re-enter the inflationary territory in August 2025, amid the hardening in YoY prints for food and crude oil, ongoing depreciation in the USD/INR pair, as well as an unfavourable base. Besides, heavy rains could push up perishable prices sharply in the second half of August 2025, and remain a key monitorable.

- **Deflation in the WPI widened to 0.6% in July 2025:** The widening in the WPI deflation to 0.6% in July 2025 from 0.1% in June 2025 was largely along expected lines (ICRA exp: -0.4%) and was driven by WPI-food (to -2.1% in July 2025 from -0.3% in June 2025), which pulled down the headline print by as much as 58 bps between these months. The core-WPI inflation inched up to 1.1% in July 2025 from 1.0% in the previous month.
- **Muted sequential build-up in food items:** Vegetables, pulses, and condiments & spices continued to witness a double-digit deflation in July 2025, weighing on the primary food articles (to -6.3% in July 2025 from -3.7% in June 2025) print in the month, despite an adverse base. The sequential build-up in this segment has been quite benign, at just 2.5% between March 2025 and July 2025, as against 11.3% during the year ago period, amid the robust rise in agricultural output over the last two cropping seasons, as well as the healthy progress of the monsoon.
- **WPI to revert to inflation in August 2025:** The YoY prints of wholesale prices of most essential food items have hardened in August 2025 (up to August 13) vis-à-vis July 2025; ICRA expects the WPI-food index to revert to the inflationary zone in August 2025, after a gap of two months. Additionally, the YoY contraction in crude oil prices has narrowed between these months, while the average USD/INR pair has depreciated, which may push up landed cost of imports. Consequently, ICRA expects the headline WPI to re-enter the inflationary territory in August 2025.

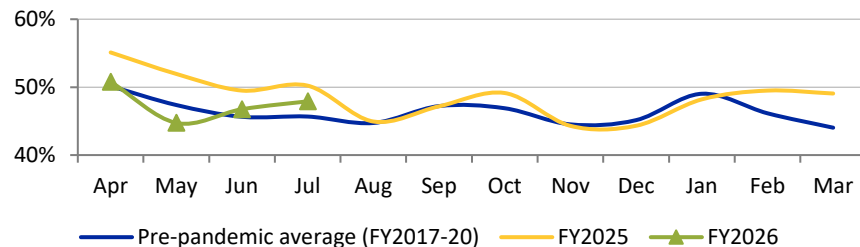
YoY WPI deflation widened to 0.6% in July 2025 from 0.1% in June 2025, driven by food items

EXHIBIT: The deflation in the headline WPI widened to 0.6% in July 2025 from 0.1% in June 2025, even as core-WPI inflation (+1.1% vs. +1.0%) hardened slightly between these months



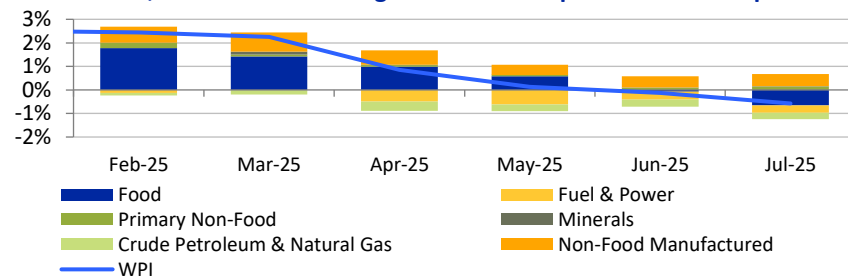
Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: The share of items in WPI basket* reporting a sequential increase in prices rose to 47.9% in July 2025 from 46.8% in June 2025, and even exceeded the average share that was seen in July of FY2017-20 (45.7%)



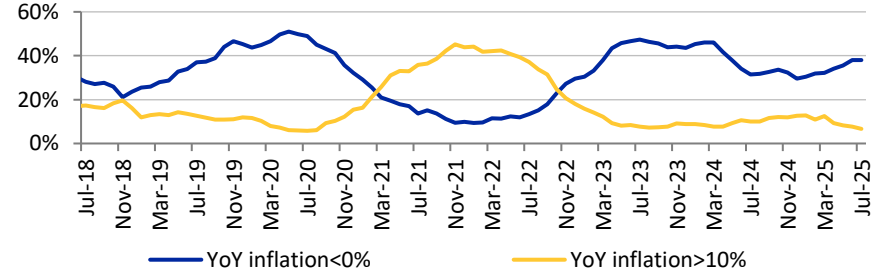
*Based on the 697 items covered in the WPI basket; on FY basis; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; CEIC; ICRA Research

EXHIBIT: The larger deflation in WPI was entirely driven by the food segment, which pulled down the headline print by as much as 58 bps in July 2025 vis-à-vis June 2025, even as all other segments saw an uptick in their YoY prints



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

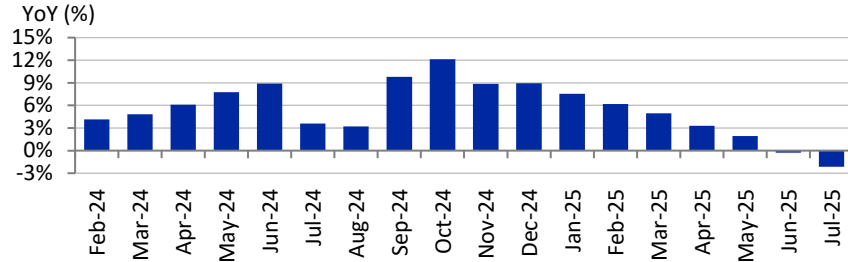
EXHIBIT: Meanwhile, the share of items in the WPI basket that reported a double-digit YoY inflation rate (>10%) moderated to 6.6% in July 2025 from 7.6% in June 2025



*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

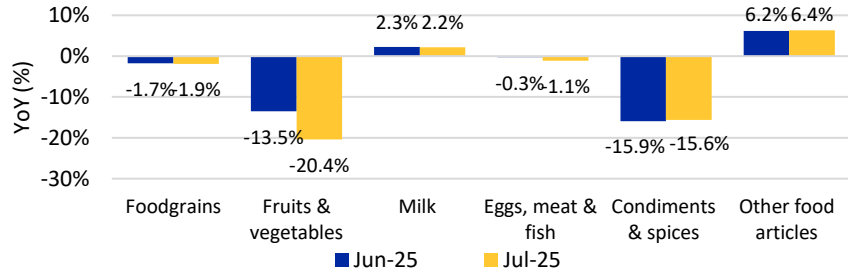
WPI-food index contracted for second consecutive month, amid sustained double digit deflation in vegetables, pulses, and condiments and spices

EXHIBIT: The WPI-Food index recorded a deflation for the second consecutive month, with the extent of the same widening sharply to 2.1% in July 2025 from 0.3% in June 2025



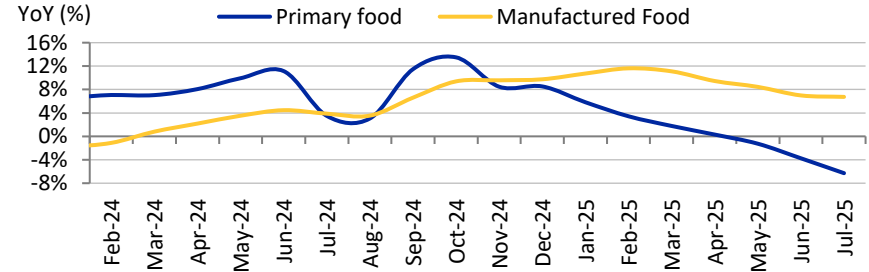
Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: Within primary food articles, 6 of the 8 sub-groups saw softer prints in July 2025 vs. June 2025, led by fruits and vegetables, pulses, and eggs, meat and fish



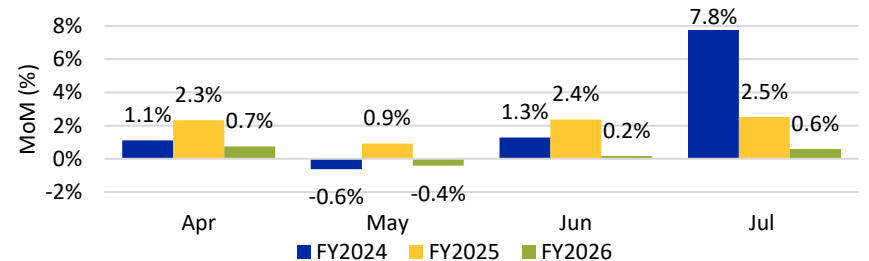
Foodgrains includes cereals and pulses; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: This was driven by widening of deflation in primary food articles (to -6.3% from -3.7%) as well as moderation in YoY inflation in manufacturing food products (to +6.7% from +7.0%) in July 2025 vs. June 2025



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

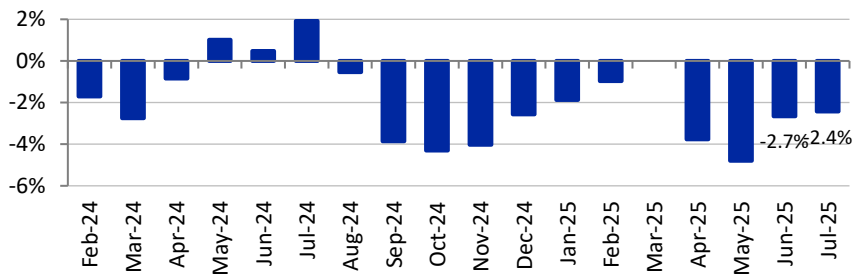
EXHIBIT: While the sequential surge in food prices widened to 0.6% in July 2025 as compared to 0.2% in the previous month, it was quite muted compared to the surge seen in July 2024 (+2.5%) and July 2023 (+7.8%)



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

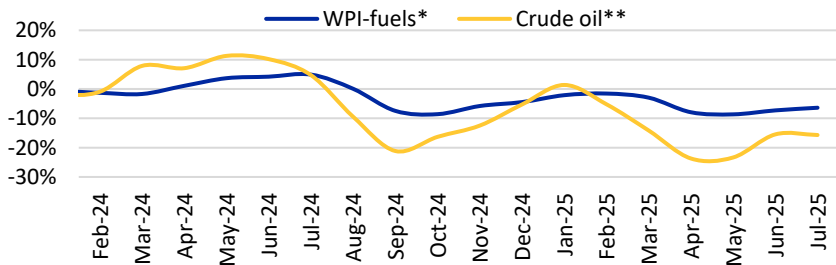
Deflation in fuel items narrowed in July 2025 vs. June 2025

EXHIBIT: The YoY decline in fuel and power sub-index narrowed slightly to 2.4% (vs. -2.7% in June 2025), led by mineral oils



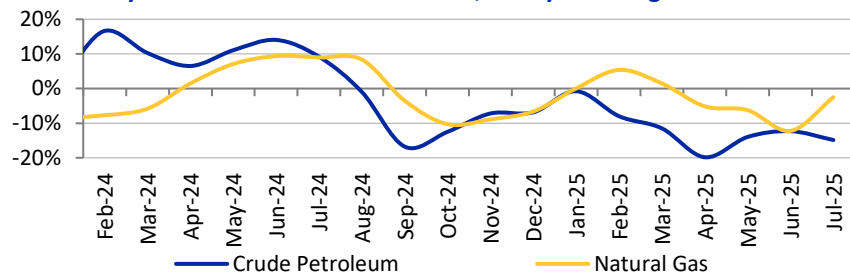
Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: The YoY trends in WPI-fuels* and crude oil prices diverged in July 2025, with the former reporting an uptick (-6.4% in July 2025 vs. -7.3% in June 2025) and the latter softening further (-15.7% vs. -15.5%)



*WPI-fuels comprises of fuel & power and crude petroleum & natural gas, and has a weight of 10.4% in the WPI; **Average price of Indian Basket of crude oil in dollar terms; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: The crude petroleum and natural gas sub-index recorded the 11th consecutive month of contraction, although the pace of the same eased to 11.1% in July 2025 from 12.3% in June 2025, led by natural gas

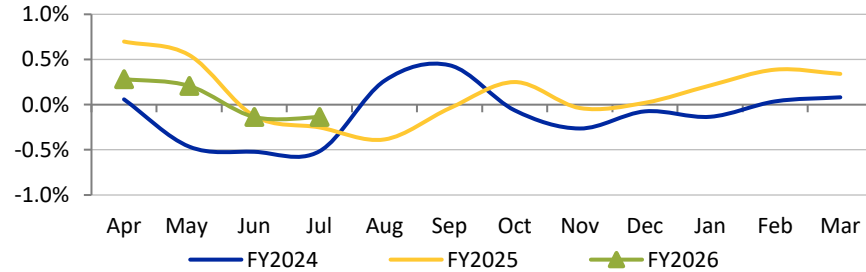


Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

- The WPI index for crude petroleum for July 2025 is up 2.1% from the final level for May 2025, in odds with the sharp uptick of 12.0% in the average monthly international crude oil prices of the Indian basket (in Rs./bbl terms) between these months.
- This suggests that the print for July 2025 is likely to undergo a sharp upward revision.

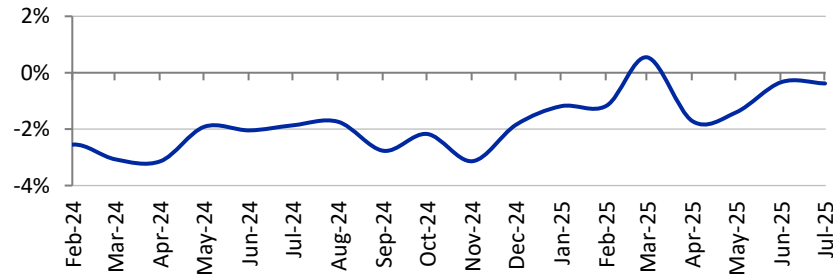
Sequential momentum in core-WPI remained muted in July 2025; industrial and farm inputs continued to report YoY deflation in the month

EXHIBIT: On a sequential basis, the core index dipped slightly by 0.1% in July 2025, although the extent of the same was muted compared to that seen in July 2024 (-0.3%);



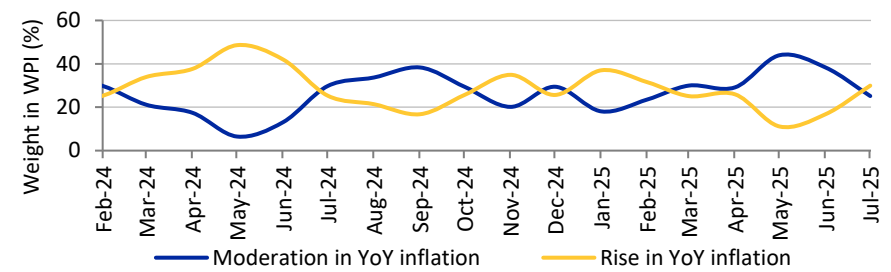
Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: The deflation in WPI-farm inputs* widened slightly to 0.4% in July 2025 from 0.3% in June 2025, led by the electricity, pesticides, and agricultural machinery items



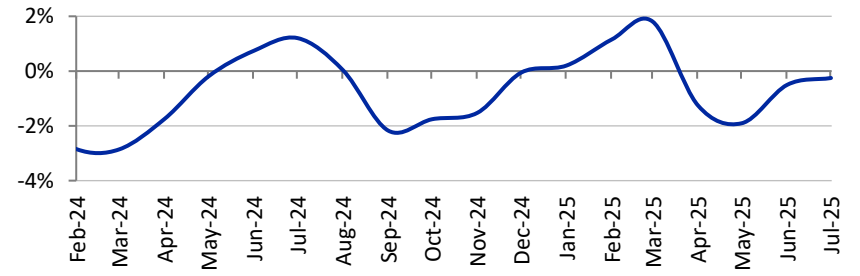
*Comprises primary non-food articles, minerals, coal, aviation turbine fuel, high speed diesel, naphtha, bitumen, furnace oil, lube oil, petroleum coke, electricity, cotton yarn, and paper and paper pulp from WPI; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

EXHIBIT: Notably, the weight of sub-sectors of the core-WPI recording an increase in their YoY print vs. the previous month rose sharply to 30% in July 2025 from 17% in June 2025



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

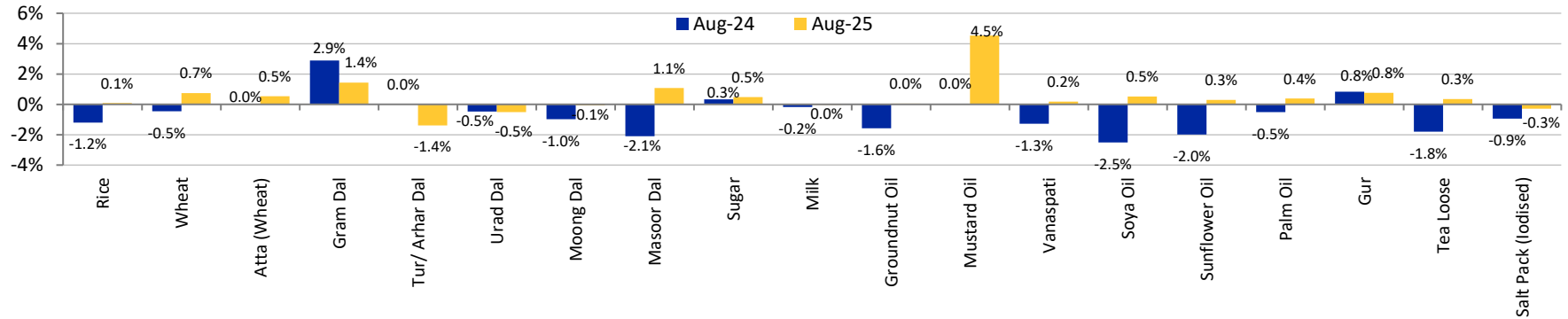
EXHIBIT: In contrast, the deflation in WPI-Industrial raw materials narrowed to 0.3% in July 2025 from 0.5% in June 2025, led by oilseeds and some fuel items**



**Comprises high speed diesel, fodder, electricity, fertilisers, pesticides and agricultural and forestry machinery from WPI; Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA Research

OUTLOOK: WPI-food to return to inflationary territory in August 2025, after a gap of two months

EXHIBIT: MoM trends in wholesale prices (excluding vegetables) in August 2024 and August 2025*

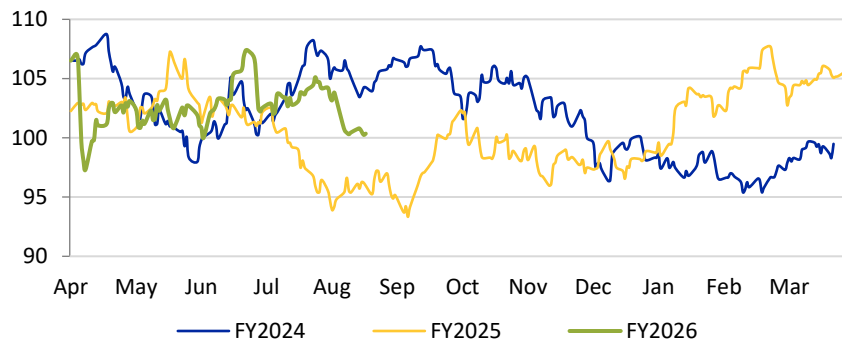


*Until August 13, 2025; Source: Department of Consumer Affairs; CEIC; ICRA Research

- As per the early data for August 2025 (until August 13), the average wholesale prices of as many as 15 of the 22 food items hardened on a sequential basis in the month, up from 12 in July 2025. These include wheat (which reversed course since July 2025 after witnessing a sequential dip during March-June 2025 owing to the healthy growth in rabi output), all edible oils (amid rising global oil prices that offset the support from custom duty cut in end-May 2025) with mustard oil witnessing the highest uptick of over 4.0% in July 2025 and August 2025 so far (led by dip in mustard seed output). Additionally, rice, sugar, *gur*, and tomato also reported a MoM increase in the ongoing month.
- In contrast, the price of most pulses (barring *gram dal* and *masoor dal*), milk, salt and some vegetables (like potato and onion) have witnessed a sequential dip in prices in August 2025 so far.
- On a YoY basis, as many as 16 of the 22 items reported a higher inflation readings in August 2025 (until August 13) vis-à-vis July 2025. This was driven by sharp turnaround in the YoY print of tomato (+1.3% vs. -38.4%), followed by modest upticks in wheat (+2.3% vs. +1.1%), and all edible oils (with most of them recording double-digit inflation). Notably, the deflation in potato (-34.4% vs. -31.9%) and onion (-41.6% vs. -38.3%) widened in August 2025 vs. July 2025, although this came on the back of a high base (+64-65% in August 2024). Overall, **given these trends, ICRA expects the WPI-food index to revert to the inflationary zone in August 2025 (vs. -2.1% in July 2025), after a gap of two months.**

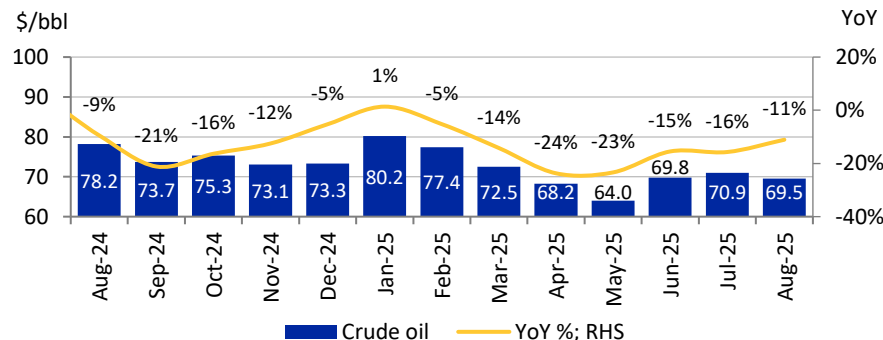
OUTLOOK: YoY prints for global commodity prices have inched up in August 2025

EXHIBIT: Trends in the Bloomberg commodity price Index



*Data for FY2026 is up to August 13, 2025; Source: Refinitiv, ICRA Research

EXHIBIT: Trends in prices of Indian basket of crude oil

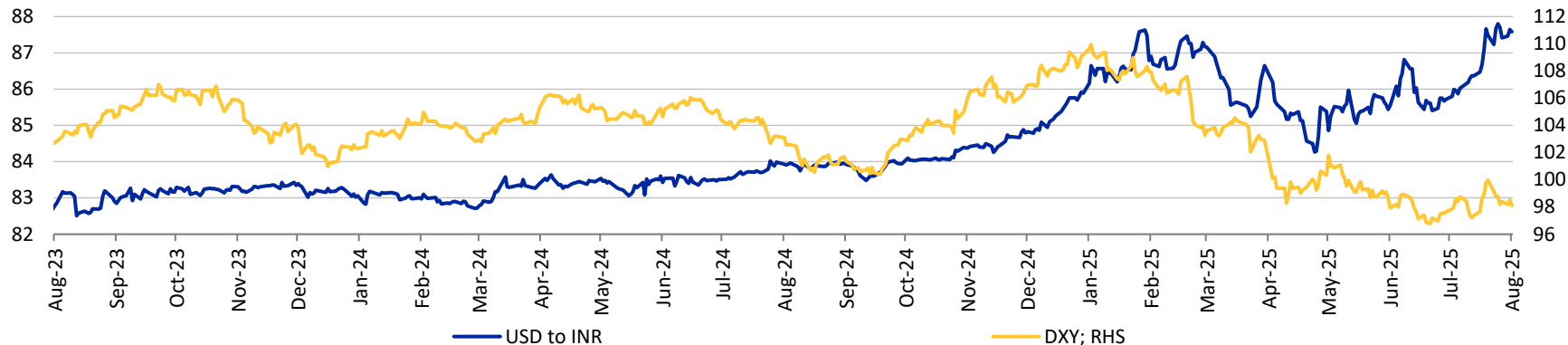


*Data for August 2025 is up to August 13; Source: PPAC, CEIC, ICRA Research

- Global commodity prices, as measured by Bloomberg Commodity Index, declined by 3.0% MoM during August 1-13, 2025 vis-à-vis the average levels seen in July 2025. However, on a YoY basis, the index is up by a higher 4.9% in August 2025 so far vs. 4.6% in July 2025, albeit largely on account of an unfavorable base (-9.0%/-5.5% in August/July 2024). Commodity prices have remained volatile and elevated in CY2025 so far, amid supply chain disruptions arising from the US tariffs, and heightened geopolitical tensions.
- Likewise, the average price of the Indian basket of crude oil moderated sequentially by 2.0% to \$69.5/bbl in August 2025 (until August 13) following the announcement of the US-Russia talks, after rising in each of the last two months (July 2025: +1.7% amid the possibility of US sanctions on Russia; June 2025: +9.0% owing to the conflict in West Asia). However, on a YoY basis, the contraction narrowed to 11.1% in August 2025 so far (-9.5% in August 2024) from 15.7% in July 2025 (+4.7% in July 2024), attributed to a low base.
- The narrower YoY deflation in crude oil prices in August 2025 vis-à-vis July 2025 will also likely reflect in the WPI crude, petroleum and natural gas print for the month (-0.9% in July 2025).

OUTLOOK: Headline WPI to inch up to 0.8% in August 2025, led by uptick in YoY prints for food and crude oil

EXHIBIT: Trends in INR, DXY



*Data for August 2025 is up to August 13; Source: CEIC; RBI; ICRA Research

- The USD/INR pair breached the 87-mark on July 29, 2025 (ahead of Trump's August 1, 2025 trade deadline) and has remained above these levels since then (until August 13, 2025), following the announcement of higher-than-expected US tariffs along with a sizeable penalty on India.
- Overall, the pair has averaged at 87.55/\$ during August 1-13, 2025, down by a sharper 1.6% MoM from 86.15/\$ seen in July 2025, as against the 0.5% decline in the DXY during this period. Notably, the DXY has been on a gradual slide since January 2025 (average: 108.64); over the past three months, it has remained below the 100 mark (breaching the mark once on July 31, 2025). **Going forward, the USD/INR pair is expected to trade with a depreciating bias, unless there are some favourable developments on the trade deal front.**
- Overall, ICRA expects the headline WPI to re-enter the inflationary territory in August 2025 (+1.2% in August 2024) after contracting by 0.6% in July 2025 (+2.1% in July 2024), led by hardening in the YoY prints for food and crude oil, as well as an unfavourable base.

Table A.1: Trend in Monthly WPI Inflation

Weight		YoY Inflation				MoM
		May-25	May-25	June-25	July-25	July-25
		Initial	Revised	Initial	Initial	Initial
WPI	100.00	0.4%	0.1%	-0.1%	-0.6%	0.4%
Primary Articles	22.62	-2.0%	-1.8%	-3.4%	-5.0%	1.2%
- Food	15.26	-1.6%	-1.3%	-3.7%	-6.3%	1.0%
- Non-Food	4.12	1.5%	1.3%	2.3%	3.4%	2.1%
- Minerals	0.83	0.4%	0.6%	0.8%	1.1%	-1.1%
- Crude Petroleum and Natural Gas	2.41	-12.4%	-11.5%	-12.3%	-11.1%	2.6%
Fuel and Power	13.15	-2.3%	-4.8%	-2.7%	-2.4%	1.1%
- Coal	2.14	0.9%	0.7%	0.8%	0.5%	-0.4%
- Minerals Oils	7.95	-7.5%	-8.1%	-5.8%	-5.0%	2.0%
- Electricity	3.06	11.7%	1.6%	4.4%	3.3%	-0.4%
Manufactured Products	64.23	2.0%	2.1%	2.0%	2.0%	-0.1%
- Food	9.12	8.4%	8.4%	7.0%	6.7%	-0.1%
- Non-Food	55.11	0.9%	0.9%	1.0%	1.1%	-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
		May-25 Initial	May-25 Revised	June-25 Initial	July-25 Initial	July-25 Initial
Non-Food Manufactured Products	55.11	0.9%	0.9%	1.0%	1.1%	-0.1%
Beverages	0.91	1.8%	1.7%	1.6%	1.3%	-0.3%
Tobacco Products	0.51	4.6%	4.3%	2.8%	1.8%	-0.7%
Textiles	4.88	0.7%	0.4%	0.1%	-0.1%	0.0%
Wearing Apparel	0.81	2.0%	2.1%	2.2%	2.5%	0.3%
Leather and Related Products	0.54	2.4%	2.9%	2.4%	2.6%	0.0%
Wood and Products of Wood and Cork	0.77	0.5%	0.5%	0.6%	0.5%	-0.2%
Paper and Paper Products	1.11	1.7%	1.4%	1.5%	0.9%	-0.5%
Printing and Reproduction of Recorded Media	0.68	2.3%	1.8%	2.4%	2.0%	0.4%
Chemicals and Chemical Products	6.47	1.0%	1.0%	0.6%	0.2%	-0.1%
Pharmaceuticals, Medicinal Chemical and Botanical Products	1.99	1.0%	1.3%	1.3%	0.9%	0.1%
Rubber and Plastics Products	2.30	0.9%	0.8%	0.5%	0.0%	-0.2%
Other Non-Metallic Mineral Products	3.20	0.7%	1.0%	1.9%	2.7%	0.2%
Basic Metals	9.65	-3.1%	-3.1%	-3.1%	-2.3%	-0.9%
Fabricated Metal Products, except Machinery and Equipment	3.15	0.7%	1.0%	0.8%	0.2%	-0.4%
Computer, Electronic and Optical Products	2.01	-0.2%	-0.2%	0.3%	1.2%	0.2%
Electrical Equipment	2.93	0.7%	0.7%	0.7%	0.9%	0.0%
Machinery and Equipment	4.79	0.8%	0.9%	1.1%	1.4%	0.0%
Motor Vehicles, Trailers and Semi-Trailers	4.97	0.5%	0.6%	0.4%	0.5%	0.2%
Other Transport Equipment	1.65	4.0%	4.0%	4.6%	4.5%	0.5%
Furniture	0.73	3.0%	3.1%	4.0%	3.8%	0.6%
Other Manufacturing	1.06	22.9%	22.9%	26.1%	26.8%	1.1%

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 (weight; %)	Item Description	Weight (%)
Primary Food Articles (22.62)	Milk	4.44
	Paddy	1.43
	Wheat	1.03
Primary Non-food Articles (4.12)	Industrial Wood	0.89
	Raw Cotton	0.66
	Fodder	0.53
Minerals (0.83)	Copper Concentrate	0.33
	Iron Ore	0.21
	Phosphorite	0.11
Crude Petroleum and Natural Gas (2.41)	Crude Petroleum	1.95
	Natural Gas	0.46
Fuel and Power (13.15)	HSD	3.10
	Electricity	3.06
	Petrol	1.60
Manufactured Food Products (9.12)	Vegetable and Animal Oils and Fats	2.64
	Grain Mill Products	2.01
	Dairy Products	1.17
Non-Food Manufactured Products (55.11)	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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