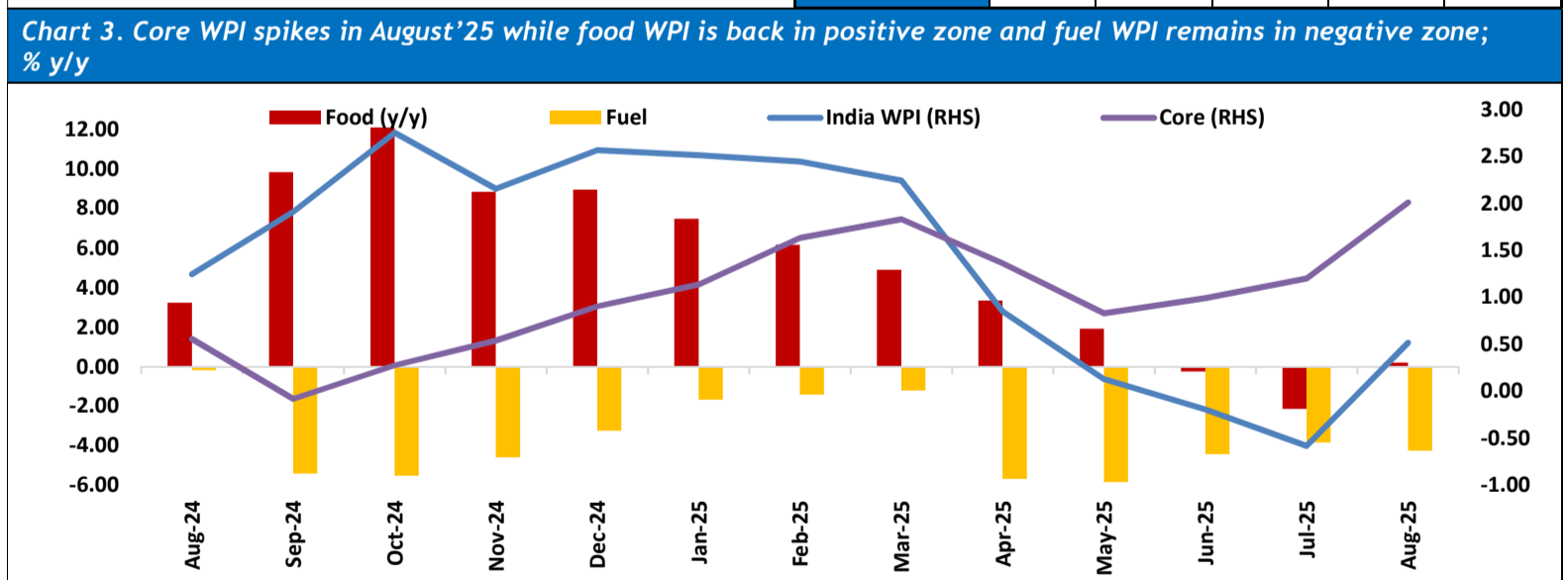
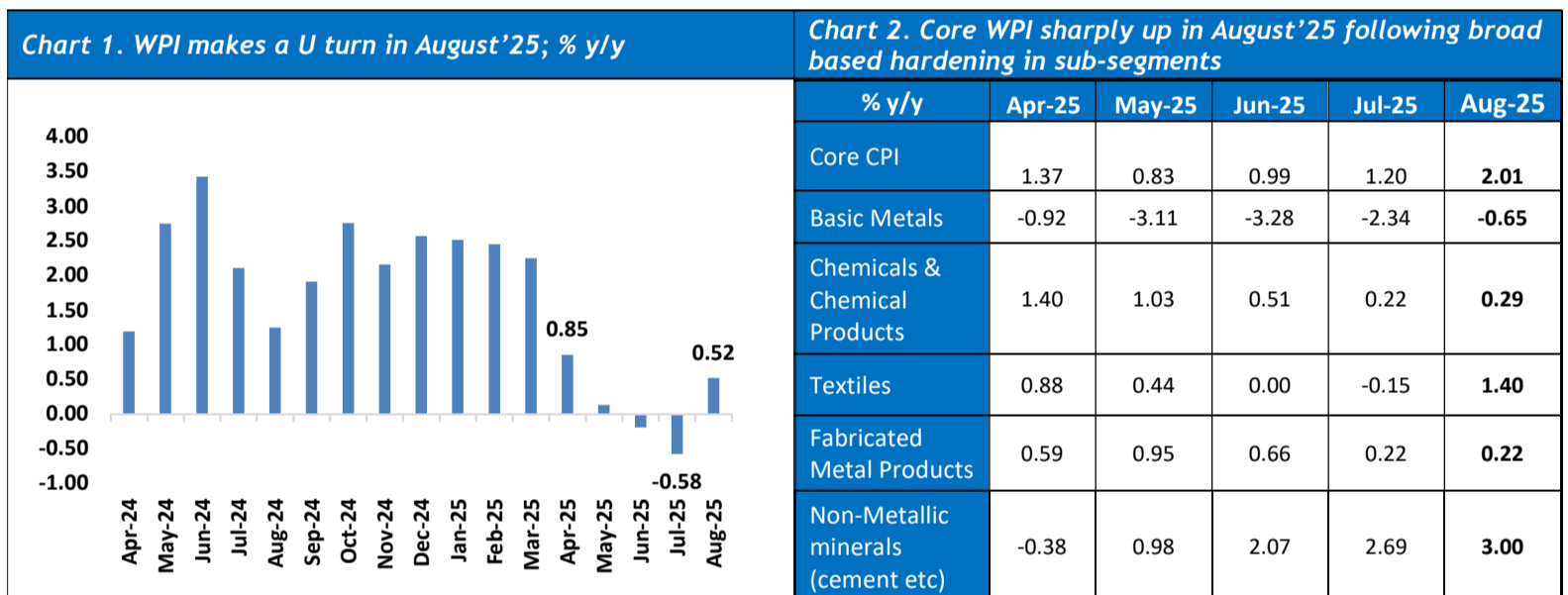


**India WPI for August'25 made a U turn as expected driven by both Core and Food WPI**

- **Wholesale Price Index (WPI) for August'25** switched back to positive territory after staying in deflationary zone for two months and clocked 0.52% y/y as against -0.58% in July and 1.25% in August'24. The data came close to our above consensus projection of 0.45% (*please refer our WPI preview*) whereas consensus was 0.30%. The momentum was driven by core inflation that spiked from 1.20% in July to 2.01% in August as well as food inflation that too turned positive during the month as expected. Out of 110 bps change in WPI during July-August, 70 bps is contributed by veggies and 15 by basic metals.
- **Food WPI:** Food WPI recorded a first increase in nine months and switched back to positive zone at 0.20% after making a 10-year low of -2.14% y/y in July. M/m food WPI inflation has spiked to clock 1.16% from 0.57% in July. Except for spices and other food segments which recorded negative m/m inflation during the month, all other food segments like cereals, pulses, veggies, fruits, milk, eggs-fish-&-meat, other manufactured foods, manufactured oils and sugar edged up during the month. Y/y basis, pulses, veggies, fruits and spices continued to be in deflationary territory with fruits inflation falling to a two year low of -4.86%. Veggies, though stayed negative are sharply up from -28.96% in July to -14.18% in August.
- **Fuel WPI y/y** continued to record fall for 13<sup>th</sup> month in a row and printed -4.25% y/y as against -3.84% last month and -0.18% in August last year. Y/y inflation in crude has been negative for 12 months while in mineral oils, it's been negative for 13 months. Crude, minerals oils and electricity segments were lower from last month y/y while coal was slightly up. M/m fuel WPI inflation was also negative at -0.65% vis-a-vis 1.52% in July as the m/m inflation in crude, mineral oils and electricity was down while coal stayed unchanged.
- **Core WPI not only** continued to firm up for the third month but also went sharply up to 2.01% in August from 1.20% in July. This was despite a low base (core WPI was 0.56% in Aug'24) and in line with the monthly gain in core WPI which was up 0.47% m/m. This was mainly due to sharp sequential rise in all the segments especially minerals which went up from 0.09% (m/m) last month to 2.66% in August'25. Segments like manufactured sub segments and non-food articles also registered sharp spikes y/y.
- **We estimate that the WPI** is likely to remain in positive zone for the rest of the FY with our projection for FY26 WPI at 0.5% as base effects in core will continue to play a crucial role (core WPI was -0.08% in Sept'24). Despite the switch, WPI is likely to stay subdued assuming commodity prices stay in check and monsoon trends remain comfortable. Subdued WPI is keeping real manufacturing GVA and overall real GVA/GDP growth elevated via its contribution to keeping GDP deflator low. We maintain our view of a token 25-50bps rate cut(s) in H2-FY26, as our CPI inflation forecasts are trailing MPC's projections by 30-50bps for the coming qtrs. (excluding GST impact), with a worsening growth outlook seen post frontload in Q1. We estimate a direct impact of GST reforms on inflation of -130 bps though only partial passthrough is expected with an impact -60 bps assuming anti-profiteering steps in place.



% y/y	India WPI	Food	Fuel	Core
Sep-24	1.91	9.83	-5.41	-0.08
Oct-24	2.75	12.10	-5.52	0.28
Nov-24	2.16	8.84	-4.58	0.54
Dec-24	2.57	8.95	-3.25	0.91
Jan-25	2.51	7.48	-1.67	1.14
Feb-25	2.45	6.16	-1.42	1.63
Mar-25	2.25	4.89	-1.21	1.83
Apr-25	0.85	3.34	-5.68	1.37
May-25	0.39	1.72	-3.87	0.86
Jun-25	-0.19	-0.24	-4.44	0.99
Jul-25	-0.58	-2.14	-3.84	1.20
Aug-25	0.52	0.20	-4.25	2.01

Source: Ministry of Commerce & Industry, CEIC and UBI Research

By:  
Kanika Pasricha  
[kanika.pasricha@unionbankofindia.bank](mailto:kanika.pasricha@unionbankofindia.bank)  
Nidhi Arora  
[nidhiarora@unionbankofindia.bank](mailto:nidhiarora@unionbankofindia.bank)

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	<a href="mailto:kanika.pasricha@unionbankofindia.bank">kanika.pasricha@unionbankofindia.bank</a>
Suneesh K	<a href="mailto:suneeshk@unionbankofindia.bank">suneeshk@unionbankofindia.bank</a>
Nidhi Arora	<a href="mailto:nidhiarora@unionbankofindia.bank">nidhiarora@unionbankofindia.bank</a>
Rajesh Ranjan	<a href="mailto:rajeshranjan@unionbankofindia.bank">rajeshranjan@unionbankofindia.bank</a>
Amit Srivastava	<a href="mailto:asrivastava@unionbankofindia.bank">asrivastava@unionbankofindia.bank</a>
Jovana Luke George	<a href="mailto:jovana.george@unionbankofindia.bank">jovana.george@unionbankofindia.bank</a>
Dhiraj Kumar	<a href="mailto:dhirajkumar@unionbankofindia.bank">dhirajkumar@unionbankofindia.bank</a>
Akash Deb	<a href="mailto:akash510@unionbankofindia.bank">akash510@unionbankofindia.bank</a>
Rohit Yarmal	<a href="mailto:rohitdigambar@unionbankofindia.bank">rohitdigambar@unionbankofindia.bank</a>
Shreyas Bidarkar	<a href="mailto:shreyas.bidarkar@unionbankofindia.bank">shreyas.bidarkar@unionbankofindia.bank</a>
S. Jaya Laxmi	<a href="mailto:s.jayalaxmi@unionbankofindia.bank">s.jayalaxmi@unionbankofindia.bank</a>

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