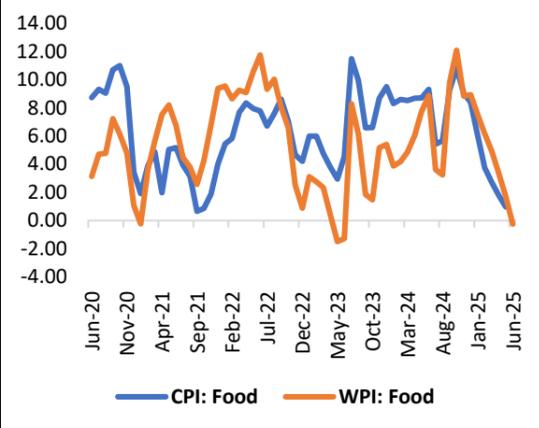


India WPI for June'25 surprisingly slips to -0.13% y/y

- **June WPI** at -0.13% YoY is a surprise given that ours and consensus estimates were above 0.5%, vis-à-vis 0.39% last month. The sources of surprise were across food, fuel and core sub-segments (covered in detail below). More importantly, this signals that the June CPI print due later today may show a favourable number, primarily on the back of the surprise in food WPI clocking (-)0.26% (UBI estimate: +0.60%). *Kindly note that the channel(s) of linkage between WPI & CPI are primarily seen in food (high correlation between food WPI & CPI) while it lags in fuel & core (CPI includes services).*
- **Food WPI** slipped back into deflation zone after a gap of 2 years from +1.7% last month. While sequential momentum in food prices has been lagging seasonal trends on a good harvest, in comparison to our estimates, the key source of surprise within food were from pulses, fruits where m/m drop was more than expected and more importantly in edible oils. Despite the import duty cut, while on-the-ground wholesale prices did not reflect the price drop, to our surprise, the WPI index appears to have captured the duty cut effect. *While historically, on a monthly basis, we have seen deviations between food WPI & CPI, if food CPI in June throws similar surprises as WPI, the number may be -2% vs our estimate of 2.3%.*
- **Fuel WPI** y/y saw further slip in the deflation zone and fell to -4.23% vs -3.87% in May'25. While fuel WPI was expected to stay in the negative zone on a YoY basis, a sequential drop was not expected as global energy prices saw a temporary spike last month on Iran-Israel war effects.
- **Core WPI**, with ~60% weight, came in at 1.1% vs our estimate of 1.6%, as the index stayed flat vs May'25 despite both energy & metal price spike during the month. While adverse base effects were expected to drive inflation higher, lack of a sequential move in the index was a surprise to us esp. in metals.
- Going forward, trends in WPI are likely to be led by food prices along with commodity prices (especially oil and metals). Monsoon distribution will be key for food inflation while geopolitics are likely to drive commodity price trends.

Chart 1: Food CPI shows high correlation with food WPI



Source: CEIC and UBI Research

Chart 2. WPI moderates for sixth straight month; % y/y

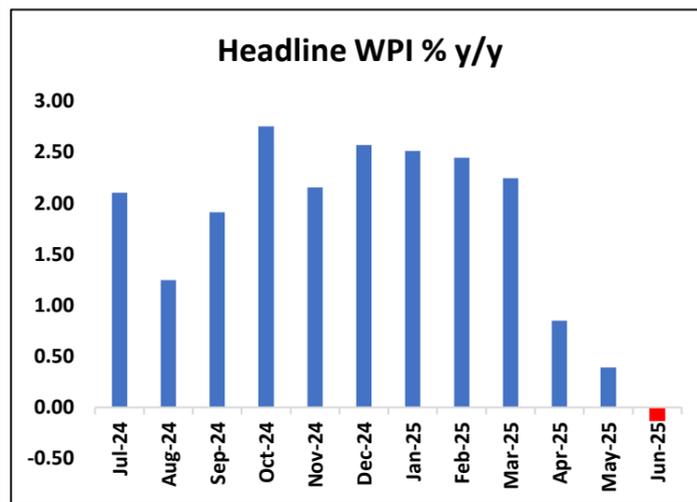


Chart 3. India WPI in line with China PPI continues to show downward trend

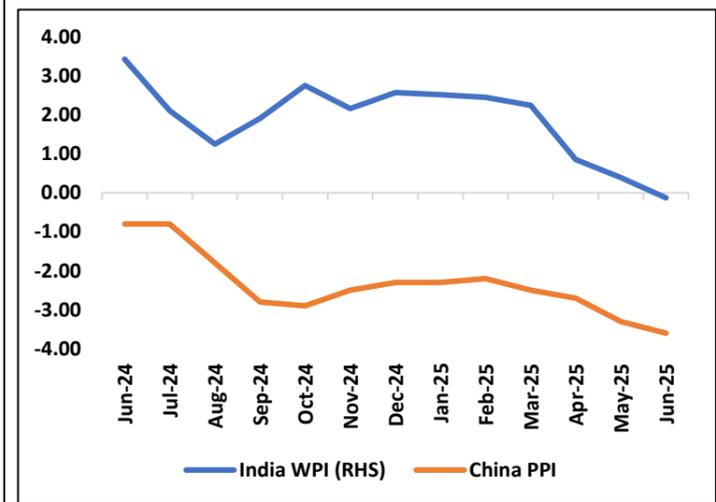


Chart 4. Food WPI cooled even as fuel & core WPI edged up on base effects

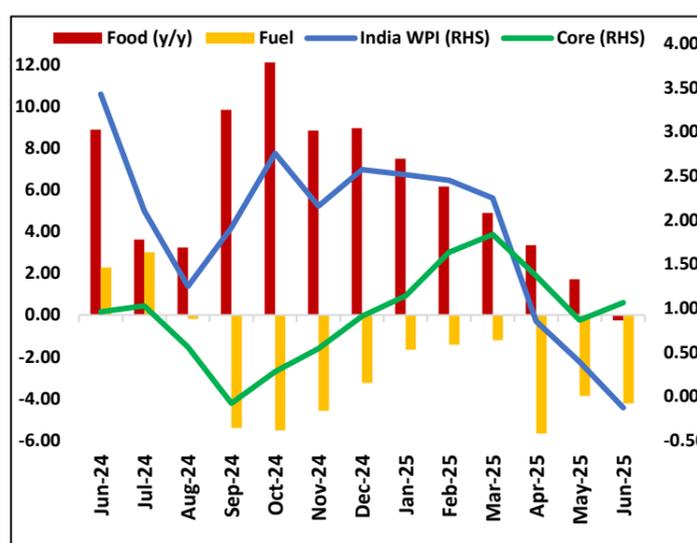


Chart 5. Uptick in core WPI was lower than expected amid price spike on Iran-Israel war effects

% y/y	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Core CPI	1.63	1.83	1.37	0.86	1.06
Basic Metals	-0.43	0.58	-0.92	-3.11	-3.14
Chemicals & Chemical Products	1.11	0.96	1.40	1.03	0.59
Textiles	1.86	1.64	0.88	0.66	0.15
Fabricated Metal Products	-1.09	0.15	0.59	0.73	0.81
Non-Metallic minerals (cement etc)	-0.37	-0.53	-0.38	0.68	1.91

y/y %	India WPI	Food	Fuel	Core
Jun-24	3.43	8.87	2.27	0.96
Jul-24	2.10	3.62	3.01	1.02
Aug-24	1.25	3.23	-0.18	0.56
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	-0.13	-0.26	-4.23	1.06

Source: Ministry of Commerce, CEIC and UBI Research

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