

WPI likely moderated to 0.38% in May'25, lowest in 14 months

- **Wholesale Price Index (WPI)**, in our opinion, moderated to 0.38%(y/y) in May'25, from 0.85% in previous month mainly due to continued slide in global commodity prices especially oil. Food inflation also showed some moderation during the month despite the sequential uptick. Fuel WPI remained in contraction zone, likely clocking (-)5.7% during the month of May while core WPI also slowed down to four-month lowest of 1.15% vis-à-vis 1.40% in April led by downward pressure in global metal prices.
- **Food WPI** has seen some softening to 2.10% in May vis-à-vis 2.57% in April as cereals and pulses prices continued to soften though wholesale vegetables prices have now started to firm up even as favourable base effects supported slowdown in inflation levels. Within food, vegetable prices index probably has gone up sequentially by 2% in May. Fruits and eggs, fish & meat inflation are showing upward trend with 1% and 2.30% increase respectively m/m. Edible oil prices index is almost flat sequentially even as sugar prices continue to hold up leading to just 0.08% m/m increase in the index of manufactured food prices (edible oil and sugar are primary inputs in manufactured food products).
- **Fuel WPI likely continued to fall for the 10th month in line** in May'25 due to fall in crude oil prices (down -6.5% m/m in May). This has led to a likely fall in Fuel WPI from -4.33% in April to -5.7% in May.
- **Core WPI** which reflects inflation excluding food and fuel, has likely moderated to 1.15% y/y in May'25 vis-a-vis 1.4% in April mainly because of softening global commodity prices (other than gold and silver). Core WPI includes price movements in non-food manufactured products which closely track commodity prices as more than 40% manufacturing raw materials are imported.
- **A comparative analysis of China's Producer Price Index (PPI) and Wholesale Price Index in India** reflects that, there exists a strong correlation between the two. However, China PPI likely stayed in deflation zone (May'25 estimate: -3.0% versus -2.7% in Apr'25), even as India WPI inflation is also seen moderating.
- **Going forward**, short-term outlook for commodity prices is easing driven by weaker economic growth and ample supply for key commodities. Trade policies, such as US tariffs could increase volatility, especially for metals and agri goods. Adverse weather and weaker than expected global growth are additional risks. Food prices, especially vegetable price volatility could also pose an upside threat with prices already starting to firm up. On an annual basis, we see WPI inflation cooling to 1% from 2.3% in FY25 on subdued commodity prices amid persistence of global growth slowdown worries and OPEC+ output hike keeping oil prices sharply lower versus last year.

Fig 1: WPI likely moderated further in May'25 (% y/y)

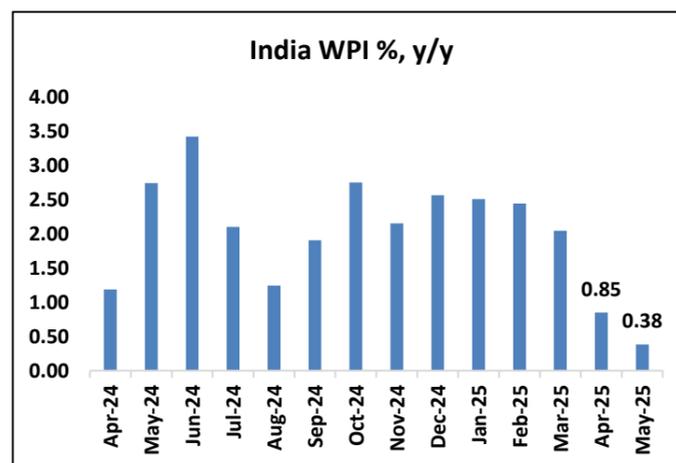


Fig 2: China PPI and India WPI seem to move in tandem (% y/y)

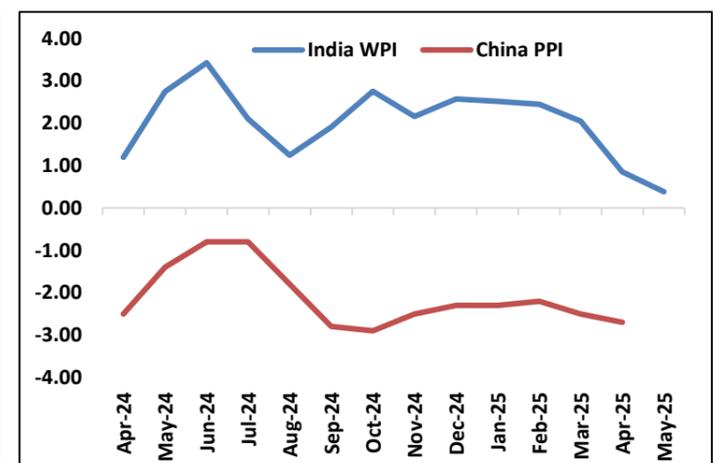
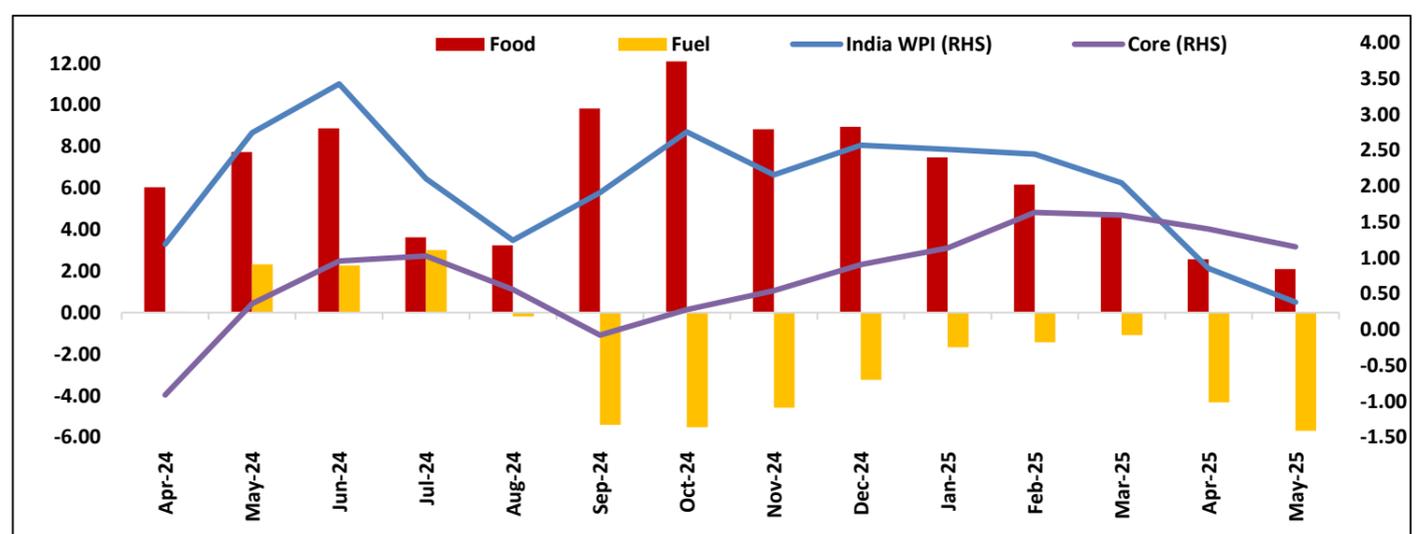


Fig 3: Food & Core WPI likely continued to moderate while fuel WPI stayed in negative zone in May(%y/y)



Source: CEIC, Office of Economic Advisor and UBI Research

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