

### WPI numbers moderated further in Aug'24 and came in lower than our expectations

Headline WPI for the month of Aug'24 moderated to 1.31% vis a-vis 2.04% recorded in Jul'24. Data prints were lower than our estimates of 1.59% with mild downward surprise, while consensus estimate was 1.78% (Please refer our report "[Data Preview Trade and WPI Aug 24.pdf](#)"). This cooling in YoY inflation levels was primarily led by a sequential moderation in vegetable prices and favourable base effect. Meanwhile, core inflation i.e. non-food manufactured products WPI inflation, recorded downturn due to slow down in global commodity prices.

### Food WPI continued to trend lower in Aug'24 for the fourth consecutive month

Food WPI inflation cooled to 3.3% in Aug'24 from 3.54% in Jul'24, its lowest growth since November 2023, due to high base effect. Vegetable inflation continued to remain in negative zone in Aug'24, for the second consecutive month after remaining in double digit for last 8 months. Within food WPI, both food articles and manufactured products inflation slowed down in Aug'24. Inflation in other items of food group such as cereals and spices slipped while that for egg, fish and meat edged up. Meanwhile, pulses WPI continued to record double digit increase in Aug'24, though increase was slightly lower than that of Jul'24.

### Inflation in manufactured food products moderated to 3.61% in Aug'24, lower than previous month

WPI in manufactured food products showed a comparatively lower increase in Aug'24 vis-à-vis Jul'24 due to decline in dairy prices which entered into negative zone after remaining higher for last one year. Edible oil inflation rose due to volatility in oil basket (while prices of mustard, soyabean and groundnut oil decreased in Aug'24, price of palm oil increased during the month). This segment may see further inflation pressure in next reading on hike in import duty in edible oils. Inflation in manufacturing of beverages however, moderated in Aug'24 from that of Jul'24. Manufacturing of food excluding oil and sugar moderated in Aug'24, showing some respite to manufactured food inflation.

### Fuel WPI swings into negative zone after a 4-month gap

Fuel WPI went into negative zone at (-) 0.3% in Aug'24, lower than 2.9% in Jul'24 on the back of fall in crude oil prices in global markets. Meanwhile, fuel WPI remained positive since Mar'24, before turning negative this month.

### Core WPI inflation was up YoY yet down on a MoM basis

Core WPI which is mostly reflective of manufacturing sector inflation, moderated to clock 0.70% y/y in Aug'24, vis-à-vis 1.0% in Jul'24, due to deceleration in global commodity prices.

Within manufacturing group, inflation in basic metals entered into negative zone after remaining in positive for last three months. Manufacturing of Textiles too saw downward revision in prices with 1.8% y/y growth in Aug'24, low from 2.1% in Jul'24. WPI in chemicals however continued in positive zone for the second consecutive month after remaining in negative zone for 1 ½ years. Movement in global commodity prices would be the key to determine core inflation trends.

### Surplus monsoon to provide some respite to food inflation, yet trends in Sep/Oct'24 need watch

Going forward, while monsoon progress bodes well with 8% above normal (as per IMD till Sep 16) and reservoir levels have also seen sharp pickup with improved kharif crop sowing. This has started to reflect in on-the-ground food prices have started to cool across the basket, especially vegetables. However, as per the Indian Meteorological Department (IMD), after clocking a significant 16% rain surplus in August, September is projected to clock 9% rain surplus. The IMD predicts further recovery in rains in northwest region yet stays concerned regarding floods, landslides etc in some parts of the country. The flooding instances, even though region specific can disrupt the supply chains and may cause a spike again in food prices, with risk of unseasonal rains disrupting supply in October as La-Nina takes effect.

### WPI inflation outlook contingent on domestic food and global commodity prices

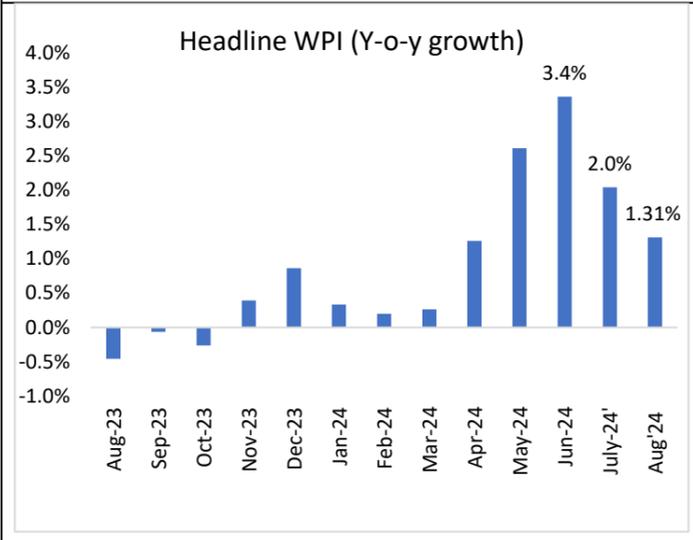
After witnessing persistent downward pressure during FY24, WPI returned to positive zone in the current fiscal. However, WPI inflation has eased during recent months on sequential drop in food prices (in a slight departure from seasonal trends) and downward pressure on commodity prices along with favourable base effect. Going forward, apart from monsoon trends, trends in global prices are likely to be key drivers of WPI inflation in the coming months.

By:

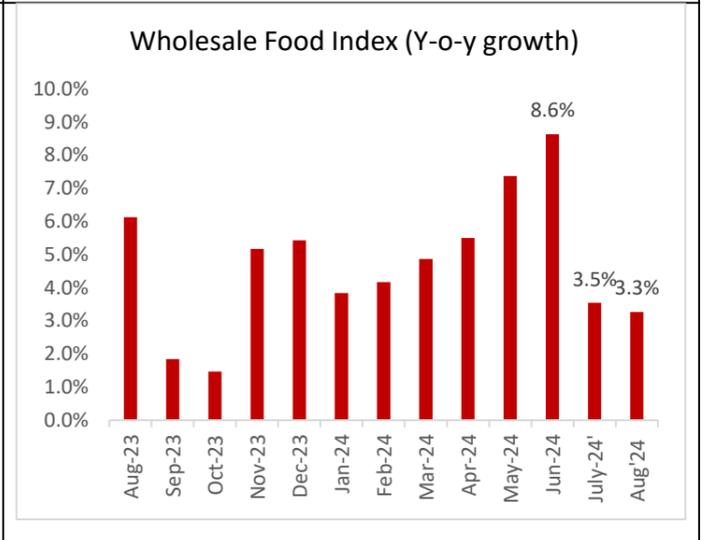
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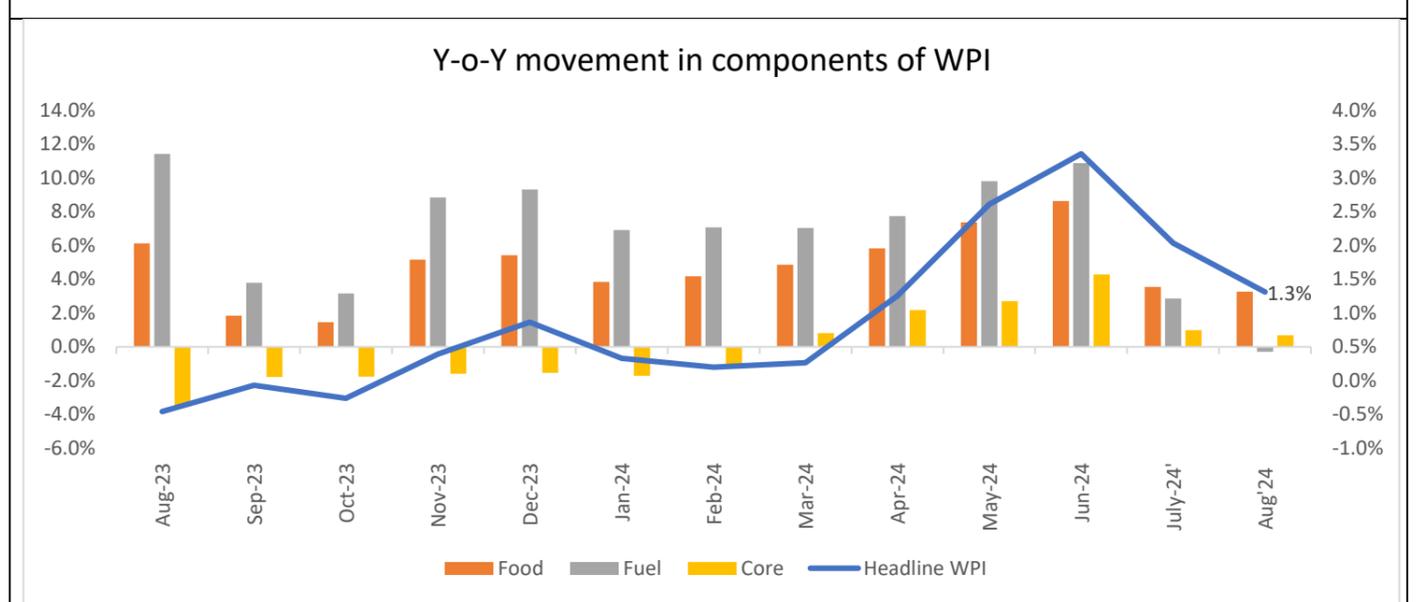
**Fig 1: WPI inflation recorded consecutive low in Aug 2024**



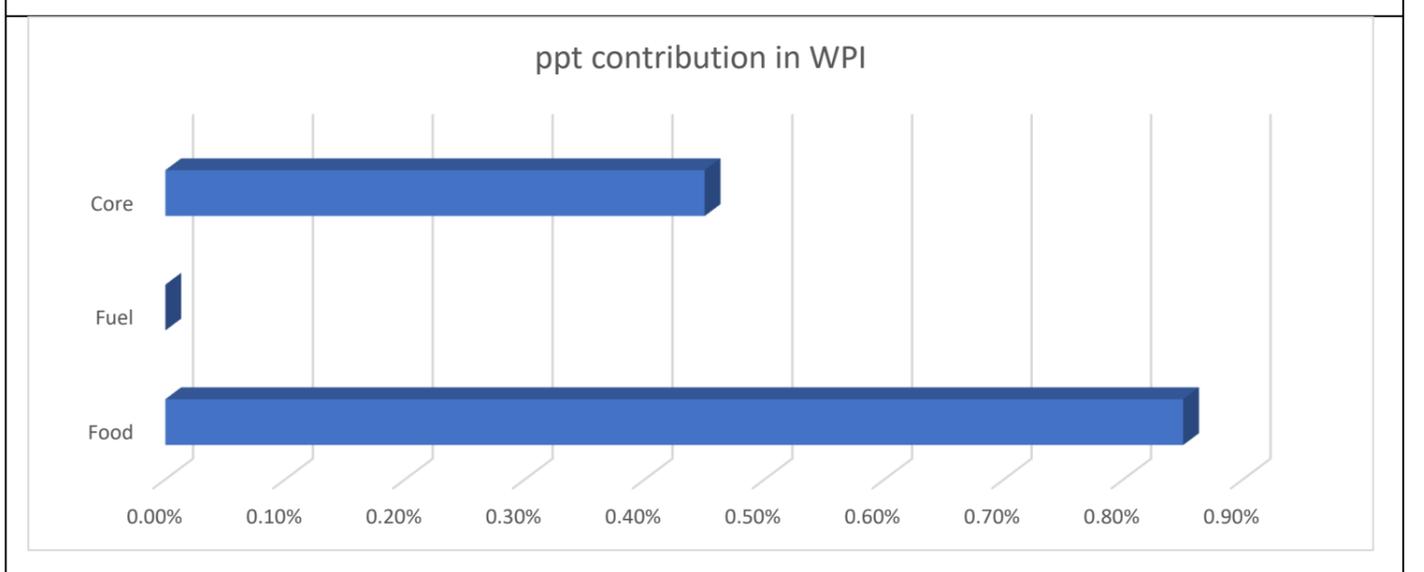
**Fig 2: Food inflation cooled to 8-month lows on favourable base effects**



**Fig 3: Broad based cooling in inflation pressures clocked in WPI sub components in Aug'24**



**Fig 4: Food was the key driver in WPI inflation in Aug'24**



Source: CEIC, UBI research

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