

India WPI for December'24 spikes as expected to 2.37% y/y

- **Wholesale Price Index (WPI)** jumped to 2.4% (y/y) in Dec'24, up from 1.9% in previous month, mainly driven by pickup in non-food sub-segments even as seasonal cooling in food prices helped offset some impact. WPI numbers came largely in line with our estimate of 2.50%.
- **Food WPI** continued its sequential decline in December due to supply improvement, especially in vegetables and fruits. However, edible oil prices were higher sequentially on global pressures and partly offset the impact.
- **Fuel WPI edged up even as it remained in negative zone** in Dec'24 (y/y) due to high base effect. However, sequential uptick continued from previous month due to volatility in global energy prices.
- **Core WPI** which reflects inflation excluding food and fuel, witnessed a pick-up to 0.9% (y/y) in Dec'24. This is primarily led by base effects as sequentially, core inflation remained in negative zone from previous month as decline in commodity prices in global market offset impact of rupee depreciation.
- **China's producer Price Index** went into further deflation zone to clock (-)2.30% in Dec'24. India WPI shows close co-relation with China PPI, showing the impact of global commodity price movement on manufacturing sector inflation in both India and China. However, base effects played an adverse role driving a divergence in trend in Dec'24
- **Going forward**, trends in WPI are likely to be largely driven by seasonal food price correction notwithstanding upward pressure on edible oil prices. Meanwhile, recent pickup in oil prices along with Rupee depreciation pressures pose key risks to inflation outlook. We will closely watch for impact of geo-political tensions along with Trump's policies on global inflation and domestic spillover on macros especially via China dumping effects.

Chart 1. Spike in WPI inflation, primarily led by fuel and core

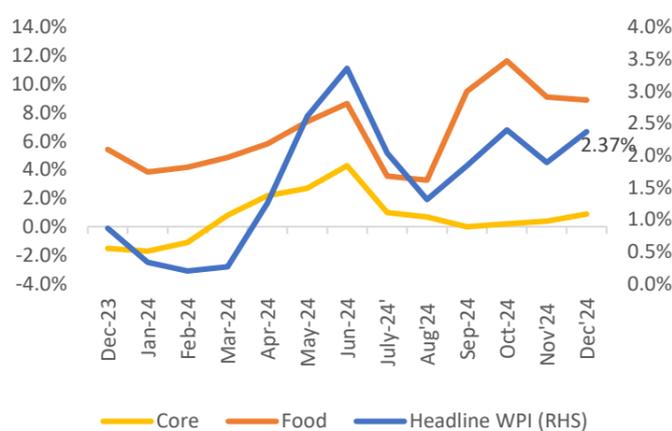


Chart 2. Food inflation eased on seasonal correction in veggies, fruits yet edible oils capped impact

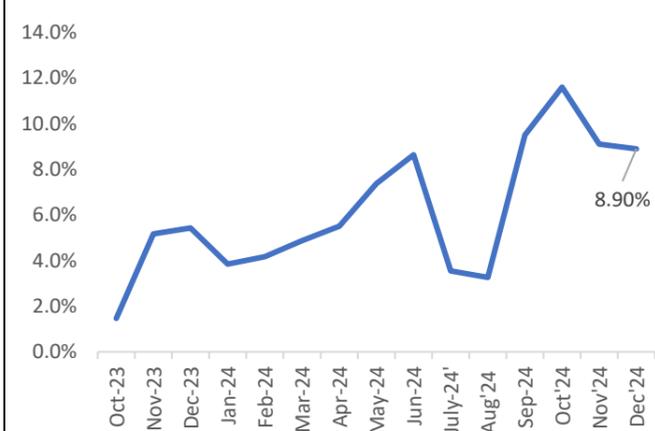


Chart 3. Headline WPI guided by higher fuel and core inflation despite food normalising

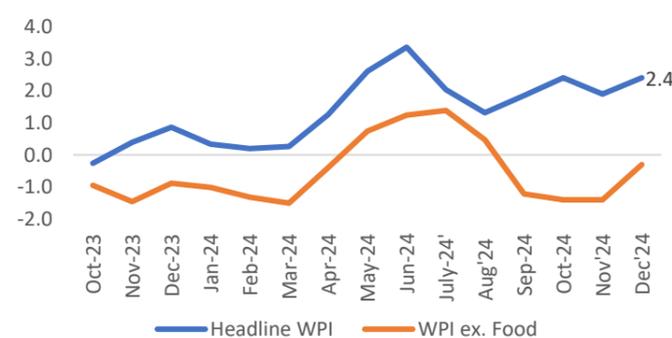


Chart 4. Core WPI edged higher as commodity prices stay elevated

% y/y	Sep-24	Oct-24	Nov-24	Dec-24
Core CPI	0.00	0.20	0.40	0.90
Basic Metals	-3.15	-2.25	-1.14	-1.43
Chemicals and Chemical Products	0.07	-0.22	0.07	0.52
Textiles	1.12	0.89	1.27	2.39
Fabricated Metal Products	-2.15	-2.59	-2.87	-1.31
Non-metallic minerals (cement etc)	-3.41	-4.06	-2.97	-3.03

Y/Y, %	Headline WPI	Food	Fuel	Core
Dec-23	0.86	5.43	-1.20	-0.79
Jan-24	0.33	3.84	-0.35	-1.20
Feb-24	0.20	4.17	-0.29	-1.61
Mar-24	0.26	4.87	-1.61	-1.47
Apr-24	1.26	5.50	1.94	-1.05
May-24	2.61	7.37	2.61	0.23
Jun-24	3.36	8.64	2.73	0.83
Jul-24	2.04	3.54	2.86	0.99
Aug-24	1.31	3.27	-0.29	0.69
Sep-24	1.85	9.50	-5.55	0.03
Oct-24	2.36	11.60	-6.85	0.20
Nov-24	1.89	9.1	-6.2	0.40
Dec-24	2.37	8.9	-4.2	0.90

Source: Ministry of Commerce and UBI Research

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