

**WPI numbers moderated to 2.04% in July vis-a-vis 3.40% in June'24 largely meeting our expectations, led by high base effect**

Headline WPI for the month of July'24 moderated to 2.04% vis a-vis 3.40% recorded in June'24. Data prints were largely in-line with our estimates of 2.2%, with mild downward surprise, while consensus estimate was 1.86%. This cooling in YoY inflation levels was primarily led by high base effect. Meanwhile, core inflation i.e. non-food manufactured products WPI inflation, saw an uptick, in line with our estimates (Please refer our report "[Data Preview: Trade Data & WPI July'24](#)")

**Food WPI moderated in July, sweeping its previous highs**

Food WPI growth narrowed to 3.54% in July'24 low from 8.64% in Jun'24, its lowest growth since November 2023, due to high base effect. Vegetables inflation entered into negative zone in July'24, after remaining in double digit for last 8 months due to high base effect. Within food WPI, both food articles and manufactured products inflation cooled in Jul'24. Inflation in other items of food group such as cereals, and spices reported lower growth July'24 than in June'2024. WPI for egg, fish and meat though decelerated on a sequential basis, was higher than in June'24. Meanwhile, pulses WPI saw an uptick in imported inflation pressure on higher global prices.

**Inflation in manufacturing food products moderated to 3.75% in Jul'24, lower than previous month**

Manufactured food products WPI showed a comparatively lower increase in July'24 vis-à-vis June'24 due to moderation in sugar prices (sugar is the major input for manufactured food items, packaged food, bakery items etc). Edible oil prices increased by 1.02% in July'24, lower than 2.20% in June'24 tracking base effect. Inflation in manufacturing of beverages however, showed marginal increase in Jul'24 from previous month. Moderation in sugar prices among others in July may have positive effect on curbing the food WPI in coming months.

**Fuel WPI increased at a faster pace than in June**

Fuel WPI increased by 2.86% in Jul'24, higher than 2.73% in June'24 on the backdrop of mild uptick in crude oil prices. Meanwhile, this was the fourth straight month of increase in fuel WPI, after staying in deflation zone for more than 12 months.

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

Core WPI which is mostly reflective of manufacturing sector inflation, continued on higher trajectory to clock at 1.0% y/y in Jul'24, vis-à-vis 0.8% in Jun'24. However, core WPI reported deceleration on monthly basis due to downward movement in global commodity prices. Within manufacturing group, inflation in basic metals has continued in positive zone for third month after remaining in negative zone for more than 1 ½ years. Manufacturing of Textile too saw pricing pressure with 2.1% y/y growth in July'24, up from 1.2% in Jun'24. WPI in chemical industry entered into positive zone for the first time after remaining in negative for 1 ½ years. Global commodity prices would be the key to see for further movement in core inflation.

**Monsoon will be the key driver for food WPI trends in the coming months**

Going forward, while monsoon progress bodes well with 6% cumulative surplus, the uneven distribution (north-west region in 2% deficit while central and south regions flooding at 15% and 222% respectively) is still a cause for concern and needs close watch. Reservoir levels have also seen sharp pickup (from 39% in July end to 65% as on date, % of live capacity) with improved kharif crop sowing. This has started to reflect in on-the-ground food prices have started to cool across the basket - cereals, oils, pulses and even vegetables led by tomato prices. However, trends in global prices are likely to drive inflation in some food sub-segments especially in manufacturing food basket such as edible oils as the supply is import-dependent.

**WPI inflation is likely to rise in FY25 from deflation zone last year**

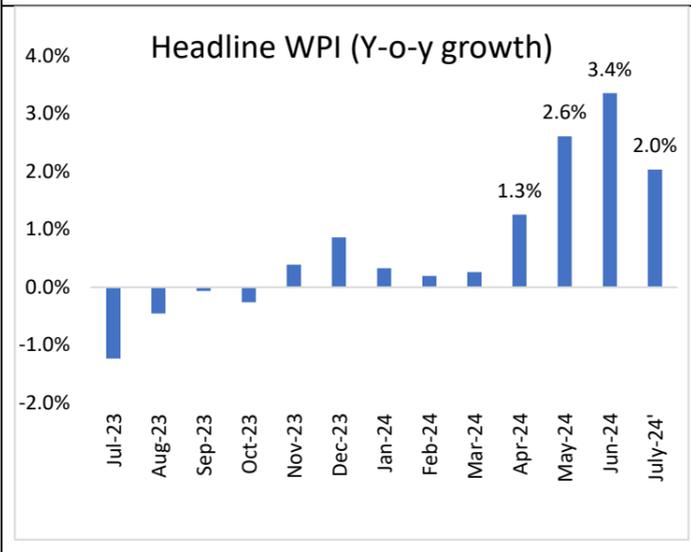
After remaining in lower territory for more than 6 months, WPI index started its upward trajectory since May 2024. Nevertheless, WPI eased in July vs prior months due to high base effect. Global commodity prices and monsoon trends are likely to stay key drivers of WPI inflation in the coming months.

By:

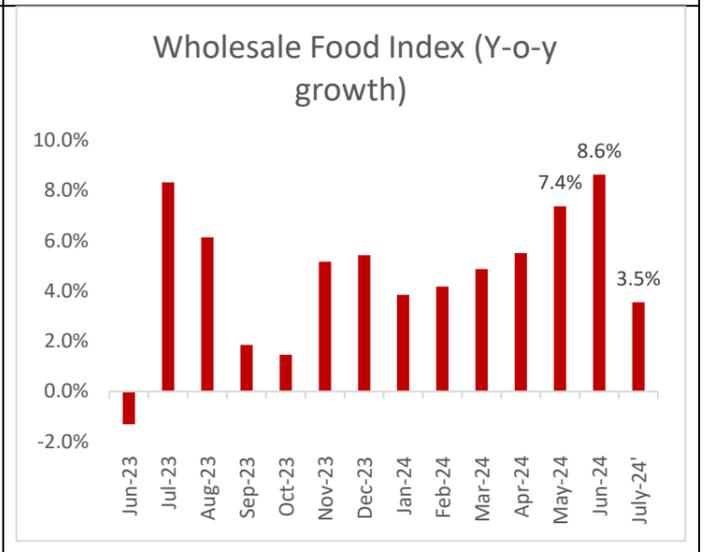
Kanika Pasricha  
[kanika.pasricha@unionbankofindia.bank](mailto:kanika.pasricha@unionbankofindia.bank)

Jaya Laxmi Sarepalli  
[s.jayalaxmi@unionbankofindia.bank](mailto:s.jayalaxmi@unionbankofindia.bank)

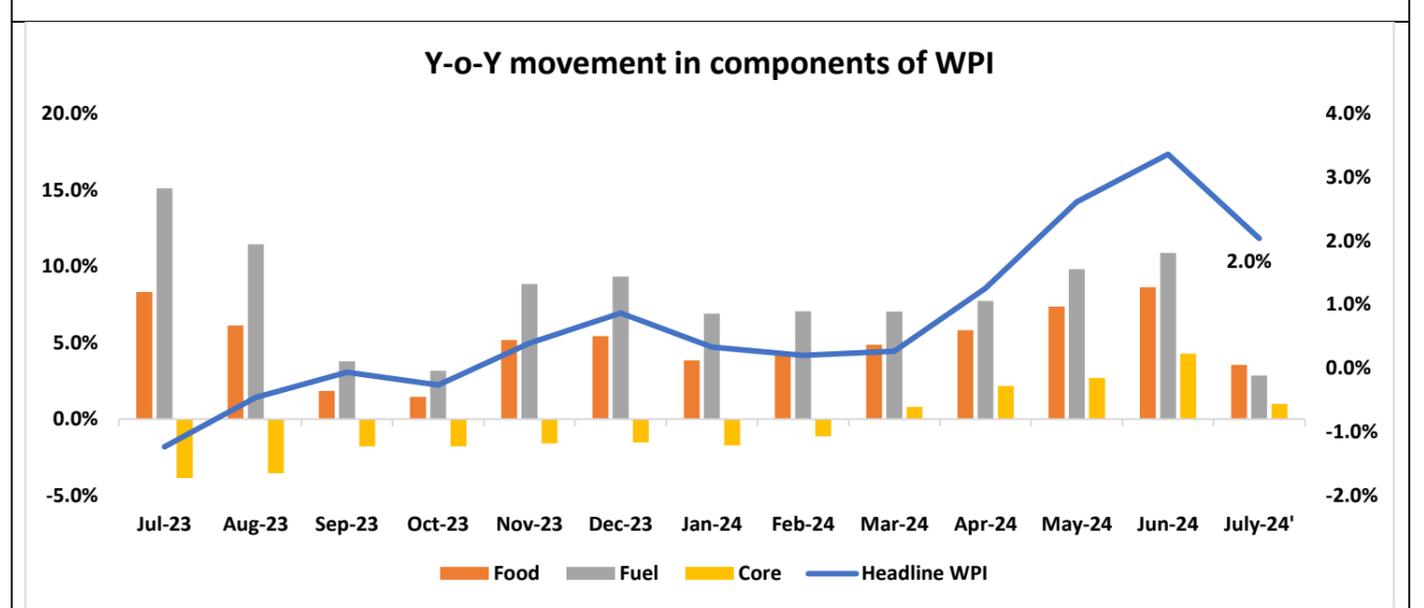
**Fig 1: WPI inflation slipped to lowest level in last 3 months in July 2024**



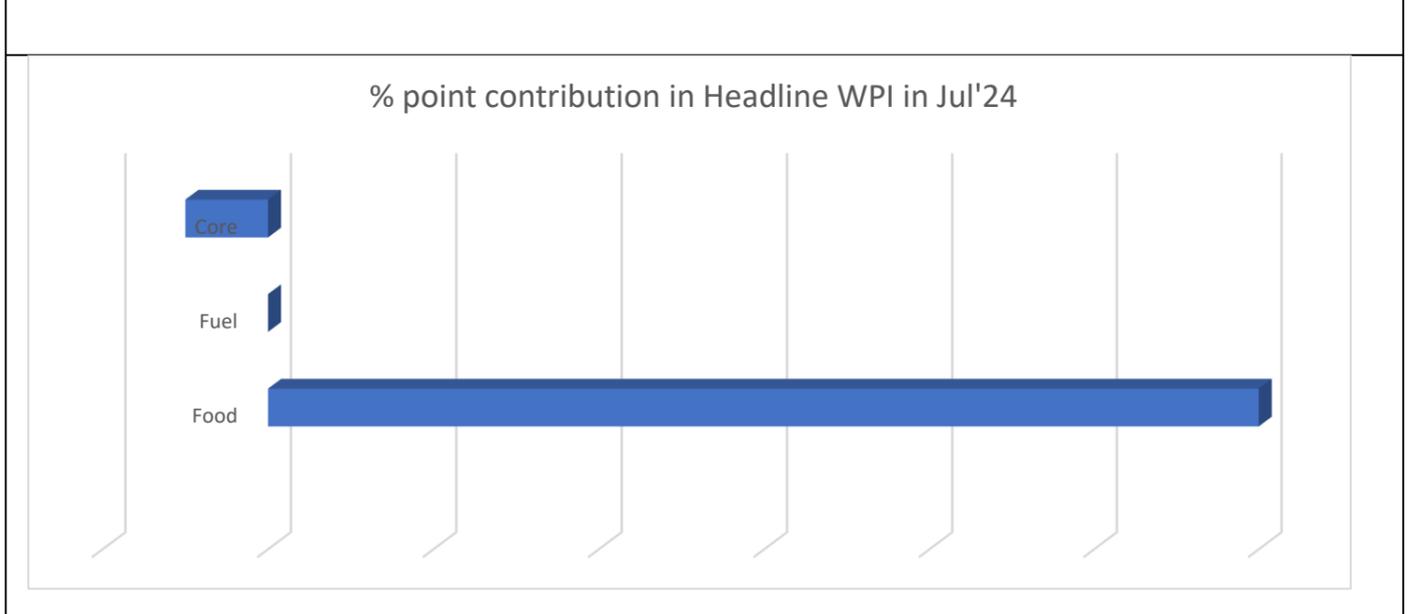
**Fig 2: Food inflation cooled to 8 month lows on favourable base effects**



**Fig 3: Broad based cooling clocked in WPI sub components in July**



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



Source: CEIC, UBI research

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@unionbankofindia.bank
R Gunaseelan	gunaseelan@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank

## Disclaimer:

*The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.*