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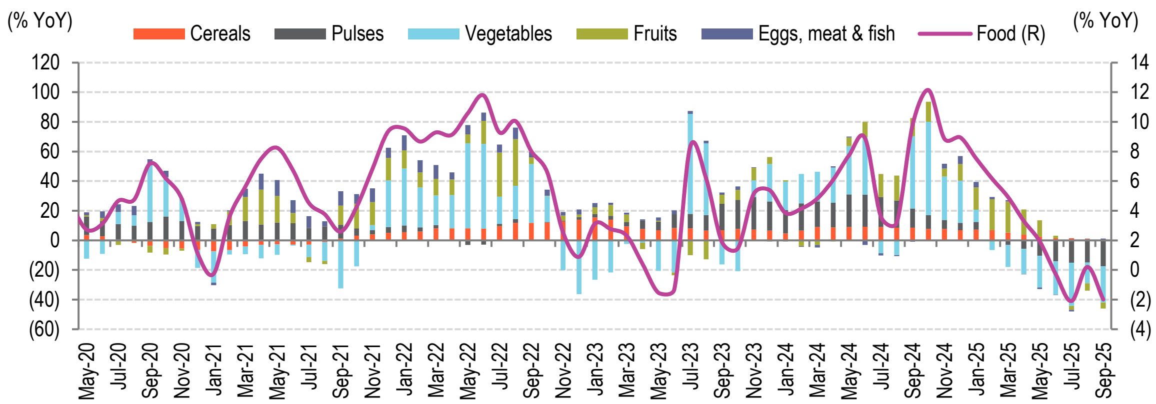
WPI inflation slows

WPI inflation eased to 0.1% in Sep'25 following 1.9% increase in Sep'24 and 0.5% in Aug'25. Compared with last year (Sep'24), softening in prices was helped by food inflation. On the other hand, fuel and power inflation fell at a slower pace, while manufactured product inflation increased. Core inflation also inched higher to 1.8% in Sep'25 from 0% in Sep'24. Within food, vegetable, fruits and spices helped drag the index down, while protein (eggs, meat and fish) and milk inflation increased. Food grain inflation remains subdued, led by pulses. Amongst cereals, paddy prices have declined even more in Sep'25. Under manufactured products, basis metals, other manufacturing and other transport equipment led inflation higher. Within basic metals, aluminium and copper are facing upward pressure (in contrast to international prices). Slower pace of deflation in fuel inflation was driven by mineral oil index, tracking trend in international oil prices. However, more recently, oil prices have been cooling down, which could have positive impact on headline WPI as well. Going forward, international commodity prices may come down, given revival in trade tensions between US and China and the impact of government shutdown on US economy.

Food inflation remains on downward trajectory:

Headline WPI inflation was at 0.1% in Sep'25 versus at 1.9% in Sep'24 and 0.5% in Aug'25. Compared to last year (Sep'24), food inflation contracted again by (-) 2% versus 9.8% in Sep'24. Vegetable inflation index declined for the 8th consecutive month in Sep'25, and fell by (-) 24.4%, much sharper than 49% increase noted during the same period last year. This was helped by decline in index for potato, onion, tomato, cabbage, cucumber and bitter gourd etc. Index for spices and condiments (-16.9% versus -4.3%) and fruits (-4.1% versus 12.2%) too declined. On the other hand, index for milk (3% versus 2.9%) and eggs, meat and fish (1.3% versus -0.9%) inched up. Food grain inflation remained lower, as the index declined in Sep'25 (-3.8% versus 9.4%), led by sharp decline in inflation index for pulses (-17.2% versus 12.9%). Cereals also registered deflation, mainly due to movement in paddy inflation (-1.5% versus 8.8% in Sep'24). Wheat inflation eased less sharply (3.0% versus 7.7%). Comparing cereal prices on a global level (World Bank's pink sheet) shows that domestic prices are following international trend. Paddy prices internationally have fallen by (-) 34.5% in Sep'25, versus (-) 7.1% decline noted in Sep'24. Wheat prices on the other hand are falling at a slower pace (-9.9% versus -10.3%).

Figure 1: Food inflation continues to support headline WPI



Source: CEIC, Bank of Baroda Research

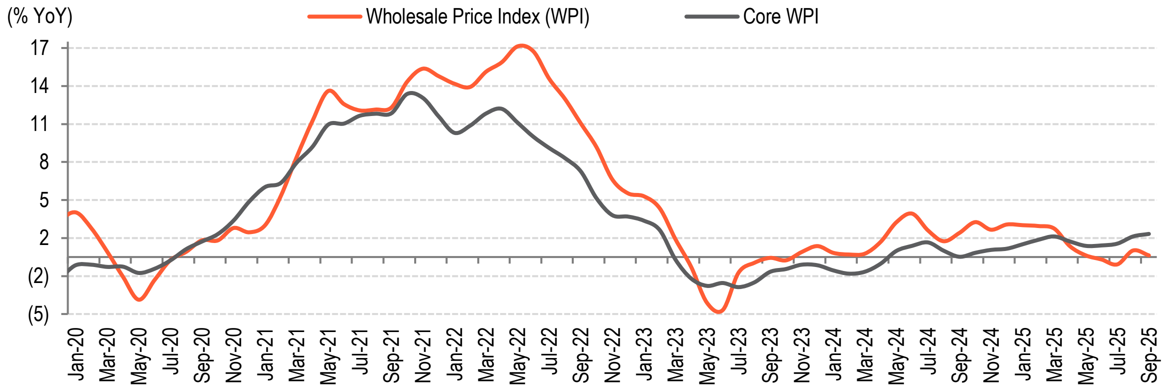
<u>Fuel and power inflation remains low:</u>

Deflation in fuel and power segment slowed as the index fell by (-) 2.6% in Sep’25, after declining by (-) 3.9% in Sep’24, and by (-) 3.2% in Aug’25. This was explained by (-) 3.6% decline in mineral oil index versus (-) 5.7% drop last year (Sep’24). Coal prices inched up (0.4% versus -0.8%). In contrast, electricity price index noted deflation at faster rate (-1.3% versus -0.2%). In case of mineral oils, the trend similar to international scenario. Brent on an average fell by (-) 7.3% in Sep’25 versus (-) 21.3% decline in Sep’24, on YoY basis. Domestically, within mineral oils, apart from LPG, Naphtha, and Lube oils, all others noted an increase compared with last year. Most notable increase was seen in case of Kerosene, ATF and Bitumen. In Oct’25 so far, Brent prices have fallen sharply by (-) 16.5%, as risk premiums have come down due to easing geo-political tensions (deal between Israel and Hamas). Further, trade war between China and US and US government shutdown is also hurting demand prospects. If this trend continues, it may exert downward pressure on fuel inflation in the coming months, thus bringing the headline inflation further down.

<u>Core WPI continues to remain elevated:</u>

Core inflation rose to 1.8% in Sep’25, from 0% last year (Sep’24). It was also higher than 1.6% registered last month (Aug’25). Manufactured product inflation was also up, by 2.3% in Sep’25 from 1.1% last year during the same period. However, it was lower than last month’s (Aug’25) 2.5% print. Of the 22 commodity sub-indices, 11 indices rose at a faster pace in Sep’25 than Sep'24 led by—other manufacturing, non-metallic mineral products, other transport equipment, basic metals, furniture, pharma, textiles, leather and fabricated metal products. Deflation in basic metals continued for the 6^{th} consecutive month in Sep’25 but at a much slower pace. Inflation for key metals shows that apart from Zinc (-0.6% versus 5%), inflation index for other items inched up. That of aluminium showed considerable increase as it rose by 10.6% in Sep’25 versus 6.8% last year. Similarly, index for copper rose to 11.7% (11% in Sep’24) and for Lead it was up by 2.8% (-4.7%). In comparison, international prices are showing a different trend. Prices of Aluminium (8.3% versus 12.1%) and Copper (8.1% versus 11.6%) registered moderation. On the other hand, prices of Lead have fallen at a slower rate (-2.3% versus –11.2%) and that Zinc has slowed (3.4% versus 13.7%).

Figure 2: Core inflation inches higher



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