

Sonal Badhan  
Economist

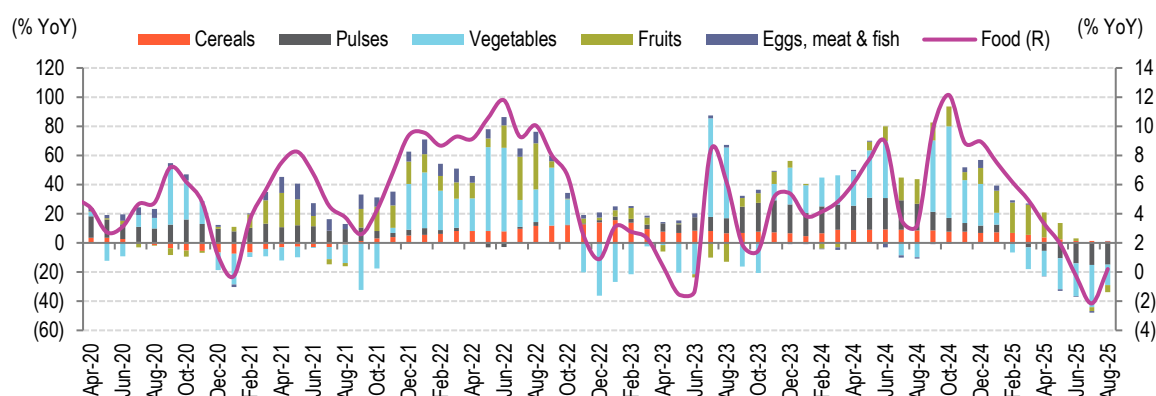
## **WPI inflation turns positive**

WPI inflation rose by 0.5% in Aug'25 following 1.2% increase in Aug'24. However, compared with Jul'25, wholesale inflation rebounded from (-) 0.6% decline. Compared with last year (Aug'24), softening in prices was helped by food and fuel and power inflation. On the other hand, manufactured product inflation increased. Core inflation also crept up to 1.6% in Aug'25 from 0.9% in Aug'24. Within food, vegetable, fruits and spices helped drag the index down, while protein inflation (eggs, meat and fish) increased. Food grain inflation remains subdued, led by pulses. Amongst cereals, paddy prices have declined more notably. Under manufactured products, basis metals, other manufacturing and other transport equipment led inflation higher. Within basic metals, aluminium, copper and Lead are facing upward pressure. Deflation in fuel inflation was driven by mineral oil index, particularly given weaker international oil prices. However, more recently, oil prices have seen some build-up in pressure which could have an impact on headline WPI as well. Going forward, international commodity prices will remain a concern, given tight supplies, increased demand and tariff related impact.

### **Food inflation remains on downward trajectory:**

Headline WPI inflation was at 0.5% in Aug'25 versus at 1.2% in Aug'24. In Jul'25, WPI inflation had fallen by (-) 0.6%. Compared to last year (Aug'24), food inflation has seen significant moderation from 3.2% to 0.2% in Aug'25. Vegetable inflation index declined for the 7<sup>th</sup> consecutive month in Aug'25, and fell by (-) 14.2%, much sharper than (-) 9.9% decline noted during the same period last year. This was helped by decline in index for potato, onion, cabbage, cucumber and bitter gourd etc. Index for spices and condiments (-15.7% versus -5.9%) and fruits (-4.9% versus 16.8%) too declined. Index for milk (2.6% versus 3.5%) noted moderation, while that of eggs, meat and fish (0.1% versus -0.7%) inched up. Food grain inflation remained lower, as the index declined in Aug'25 (-2.2% versus 10.5%), led by sharp decline in inflation index for pulses (-14.8% versus 18.3%). Cereal inflation too softened, mainly due to movement in paddy inflation (-0.8% versus 9.6% in Aug'24). Wheat inflation eased less sharply (4.7% versus 7.4%). 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 Aug'25, versus (-) 6.3% decline noted in Aug'24. Wheat prices on the other hand are falling at a slower pace (-5.5% versus -16.5%).

**Figure 1: Food inflation remains low**



Source: CEIC, Bank of Baroda Research

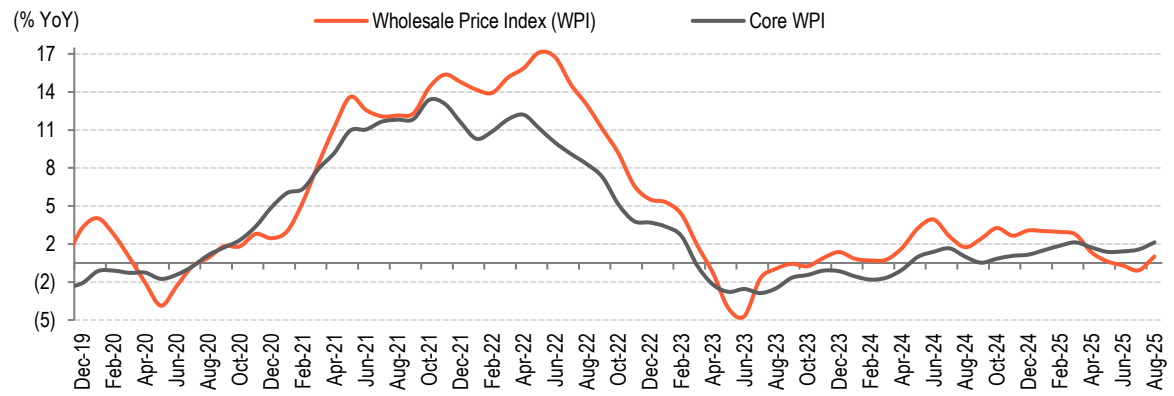
### **Fuel and power inflation remains low:**

Deflation in fuel and power segment accelerated as the index fell by (-) 3.2% in Aug'25, after declining by (-) 0.5% in Aug'24, and by (-) 2.4% in Jul'25. This dip is explained by (-) 4.7% fall in mineral oil index versus (-) 0.4% drop last year (Aug'24). Electricity price index also noted faster rate of deflation (-1.1% versus -0.2%). In contrast, coal (0.5% versus -1.5%) price inflation noted an increase. In case of mineral oils, the trend is slightly different in the international scenario. Brent on an average fell by (-)14.7% in Aug'25 versus (-) 17.1% decline in Aug'24, on YoY basis. Domestically, within mineral oils, apart from Bitumen, Petroleum Coke, and Lube oils, all others noted a decrease compared with last year. Most notable drop was seen in case of LPG and Kerosene. In Sep'25 so far, Brent prices have fallen less sharply by (-) 7.2%, as oil sector in the US is signalling slowing growth (production in Texas has come down), and due to smaller than expected increase agreed upon by OPEC+ from Oct'25. If this trend continues, it may exert some upward pressure on fuel inflation in the coming months.

### **Core WPI hardens:**

Core inflation rose to 1.6% in Aug'25, from 0.5% last year (Aug'24). It was also higher than 1.1% registered last month (Jul'25). Manufactured product inflation was also up, by 2.5% in Aug'25 from 1% last year during the same period. It was also higher than last month's (Jul'25) 2% print. Of the 22 commodity sub-indices, 13 indices rose at a faster pace in Aug'25 than Aug'24 led by—other manufacturing, non-metallic mineral products, other transport equipment, basic metals, furniture, leather and fabricated metal products. Deflation in basic metals continued for the 5<sup>th</sup> consecutive month in Aug'25 but at a much slower pace. Inflation for key metals shows that apart from Zinc (0.2% versus 1.8%), inflation index for other items inched up. That of aluminium showed considerable increase as it rose by 13.8% in Aug'25 versus 4.3% last year. Similarly, index for copper rose to 11% (10.6% in Aug'24) and for Lead it was up by 0.4% (-0.9%). In comparison, international prices for Aluminium (10.4% versus 8.8%), Copper (5.9% versus 4.4%), and Zinc (18.8% versus 19.9%) are showing similar trends, as reflected in World Bank's pink sheet. However, globally Lead prices are slowing (6.9% versus 18.6%), while they are up domestically.

**Figure 2: Core inflation beginning to tick higher**



Source: CEIC, Bank of Baroda Research

## **Disclaimer**

The views expressed in this research note are personal views of the author(s) and do not necessarily reflect the views of Bank of Baroda. 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. Bank of Baroda 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 with regard to the same. Bank of Baroda Group or its officers, employees, personnel, directors may be associated in a commercial or personal capacity or may have a commercial interest including as proprietary traders in or with the securities and/ or companies or issues or matters as contained in this publication and such commercial capacity or interest whether or not differing with or conflicting with this publication, shall not make or render Bank of Baroda Group liable in any manner whatsoever & Bank of Baroda Group or any of its officers, employees, personnel, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this publication from time to time.

Visit us at [www.bankofbaroda.com](http://www.bankofbaroda.com)



---

**For further details about this publication, please contact:**

Economics Research Department

Bank of Baroda

[chief.economist@bankofbaroda.com](mailto:chief.economist@bankofbaroda.com)