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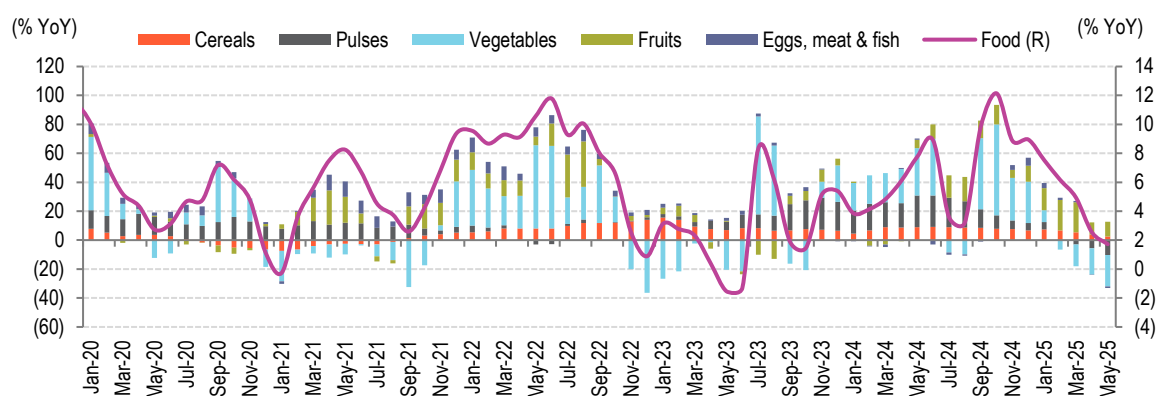
## **WPI inflation at 14-month low**

WPI inflation eased to 0.4% in May'25—lowest since Mar'24, from 2.7% in May'24. It was also lower when compared with last month's (Apr'25) increase of 0.9%. From last year, food inflation has noted significant moderation, helped by vegetables (onion, tomato, and potato), spices, food grains and eggs, meat and fish. Fuel inflation was lower compared with May'24 and remained in deflation for the second consecutive month in May'25. Drop in mineral oil index, mirrors the trend in international oil prices. Manufactured product inflation however inched up, led by items like textiles, pharma products, chemicals, etc. Inflation in key components under basic metals (zinc, copper and lead) noted higher inflation, while their prices internationally are down. Going forward, tracking escalating tensions in the Middle East and attacks on energy infrastructure, has resulted in sharp spike in international oil prices in the last few days. If this continues for long, it may contribute to upside pressure in fuel inflation.

### **Food inflation following downward trajectory:**

Headline WPI inflation came in at 0.4% in May'25 (BoB est.: 0.8%), slowing from 2.7% in May'24 and 0.9% in Apr'25. Food inflation eased to 1.7% in May'25 from 7.8% last year. Owing to higher base, vegetable inflation index declined for the 4<sup>th</sup> consecutive month in May'25, and fell by (-) 21.6% from 32.6% last year. This was helped by decline in index for potato, tomato, onion, ginger, cabbage, etc. Index for spices and condiments (-15.2% versus 16.4%) and eggs, meat and fish (-1% versus 0.7%) too declined. Index for milk inflation noted moderation (2.7% versus 3.8%). Food grain inflation index reported flat growth in May'25 (0%), coming down from a high base of 11.4% last year. This was driven by decline in inflation for pulses (-10.4% versus 21.9%) and softening in cereal inflation (2.6% versus 9%). Within cereals, significant moderation was registered in case of paddy (1% versus 11.6%), while wheat inflation remains range bound (5.8% versus 6.3%). Comparing paddy prices on a global level (World Bank's pink sheet) shows that domestic prices are following international trend. Paddy prices internationally have fallen further by (-) 31.9% in May'25, versus (-) 31% decline noted in Apr'25. In contrast with domestic trend, decline in wheat prices has accelerated from (-) 6.2% to (-) 15.5%.

**Figure 1: Food inflation continues to remain benign**



Source: CEIC, Bank of Baroda Research

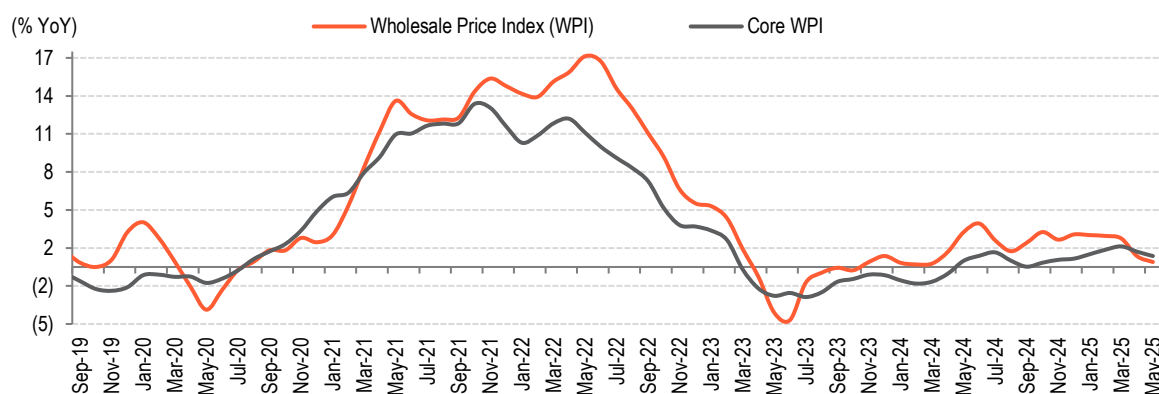
### **Fuel and power inflation eases again:**

Deflation in fuel and power segment accelerated to (-) 2.3% in May'25, after increasing by 1% in May'24, and declining (-) 2.2% in Apr'25. This decline is explained by (-) 7.5% fall in mineral oil index versus 2% increase last year (May'24). Coal price index noted only marginal slowdown (0.9% versus 1.2%), while electricity price index jumped sharply (11.7% versus -2%). In case of mineral oils, the trend seen in international oil prices is similar. Brent on an average fell by (-) 22.9% in May'25 following 10% increase in May'25, on YoY basis. Within mineral oils, apart from items like Bitumen, Lube oil, Petroleum Coke, all others noted a decrease compared with last year. In Jun'25 so far, Brent prices have fallen less sharply by (-) 15.8%, as escalating tensions in the Middle East have driven prices higher since last few days. Also, both the US and China's domestic economy is showing mixed signs of growth. If this trend continues, then it may build some pressure on fuel inflation in the coming months.

### **Core WPI at 0.9%:**

Core inflation settled at 0.9% in May'25, higher compared with 0.5% last year (May'24), but was down from 1.2% in Apr'25. Manufactured product inflation was up by 2% in May'25 from 1% in May'24. It was even higher at 2.6% in Apr'25. Of the 22 commodity sub-indices, 14 indices rose at a faster pace in May'25 than May'24 led by—textiles, chemicals, pharma products, other transport equipment, fabricated metal products, and leather items. Deflation in basic metals continued for the 10<sup>th</sup> consecutive month in May'25 and it remains lower than last. However, inflation for key metals such as, copper (9.7% versus 6.8% in May'24), zinc (1.5% versus -0.1%), and lead (0.9% versus -2.2%) is showing an upward trend over the past year. In contrast, for aluminium it is down (0.5% versus 7.5%). In comparison, international prices have shown divergent trends. As reflected in World Bank's pink sheet, prices of copper have fallen by (-) 4.5% versus 13% increase in May'24, for zinc by (-) 10.6% (19.5%), and for lead by (-) 6% (23.4%). Aluminium prices have risen sharply by 37.6% from (-) 13.5% last year.

**Figure 2: Core inflation higher than last year**



Source: CEIC, Bank of Baroda Research

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