FIRST LIGHT

16 December 2025

RESEARCH

BOB ECONOMICS RESEARCH | WPI

WPI inflation remains in deflation

SUMMARY

INDIA ECONOMICS: WPI

WPI inflation fell by (-) 0.3% in Nov'25 following 2.2% increase in Nov'24. Inflation was slightly higher than (-) 1.2% decline in Oct'25. Compared with last year (Nov'24), softening in prices was helped by food, fuel and manufactured product inflation. Core inflation inched higher to 1.5% in Nov'25 from 0.6% in Nov'24. Within food, vegetable, fruits and spices helped drag the index down, while milk inflation increased. Food grain inflation remains muted, led by pulses. Amongst cereals, wheat prices fell more steeply in Nov'25, and paddy price index also cooled. Under manufactured products, softness in inflation was driven by items like basic metals, computers/electronics, chemicals/leather products, food and beverages—continuing to reflect the impact of GST rate cuts and weak international commodity prices.

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Sonal Badhan
Economist

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Slower pace of deflation in fuel inflation was driven by mineral oil index. However, globally, prices of Lead and Copper are showing upside pressures. In contrast, oil prices continue to decline at similar pace in Dec'25 as well, driven by supply side concerns. However, possibility of higher growth in the US next year (Fed's revised projections) may push commodity prices higher and pressure on rupee may exert some upward pressure on fuel inflation in the coming months.

Food inflation continues to support headline WPI:

Headline WPI inflation remained in inflation for second consecutive month in Nov'25 (-0.3%). This is much lower than 2.2% registered in Nov'24 but contracted at a slower pace compared with Oct'25 (-1.2%). Compared to last year (Nov'24), food inflation contracted again by (-) 2.6% versus 8.9% increase in Nov'24. Vegetable inflation index declined for the 10th consecutive month in Nov'25, and fell by (-) 20.2%, much sharper than 29.3% increase noted during the same period last year. This was helped by decline in index for potato, onion, tomato, carrot, cabbage, and pumpkin etc. Index for spices and condiments (-13.7% versus -0.7% in Nov'24) remains in contraction for the 16th consecutive month in Nov'25. Index for fruits also recorded 5th consecutive decline in Nov'25 (-0.9% versus 5.6% in Nov'24). On the other hand, index for milk (3.3% versus 2%) prices inched up. That of eggs, meat and fish, remained muted (2.1% versus 3.2%), while food grain inflation also declined in Nov'25 (-4.4% versus 7.3%), led by sharp dip in inflation index for pulses (-15.2% versus 6.0%). Cereals also registered deflation, mainly due to movement in wheat inflation (-1.4% versus 8.2% in Nov'24). Paddy inflation also noted considerable deceleration (-1.7% versus 7.7%). Comparing cereal prices on a global level (World Bank's pink sheet) shows that domestic paddy prices are following international trend.

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