

## FIRST LIGHT

16 January 2024

### RESEARCH

#### BOB ECONOMICS RESEARCH | WPI

WPI inflation creeping up

#### Daily macro indicators

Indicator	11-Jan	12-Jan	Chg (%)
US 10Y yield (%)	3.97	3.94	(3bps)
India 10Y yield (%)	7.16	7.18	2bps
USD/INR	83.03	82.92	0.1
Brent Crude (US\$/bbl)	77.4	78.3	1.1
Dow	37,711	37,593	(0.3)
Hang Seng	16,302	16,245	(0.4)
Sensex	71,721	72,568	1.2
India FII (US\$ mn)	10-Jan	11-Jan	Chg (\$ mn)
FII-D	(23.3)	108.9	132.3
FII-E	(198.5)	(93.5)	105.0

Source: Bank of Baroda Economics Research

### SUMMARY

#### INDIA ECONOMICS: WPI

WPI inflation remains out of deflation as it rose by 0.7% in Dec'23 from 0.3% in Nov'23. In CY23, it came in flat (0%), following 12.2% increase in CY22. The monthly trend (Dec'23) was again driven by uptick in food inflation which jumped to 5.4% in Dec'23 from 4.7% in Nov'23. Sharp increase was noted in case of vegetables and spices. On the other hand, inflation for food grains, fruits, and milk, rose at a slower pace in Dec'23. Deflation in manufactured products accelerated. Pressures were seen building up in case of basic metals, fabricated metals, tobacco, and motor vehicles. On the contrary, deceleration in fuel & power inflation slowed, owing to softer decline in mineral oil index, which in turn mirrored the movement in international oil prices (YoY basis). Coal prices were steady, and build up of pressure in electricity index continued. Going ahead, food prices are expected to remain a strain, owing to weakness in Rabi sowing. Fuel prices can also be volatile due to ongoing geopolitical tensions in the Middle East. Subdued commodity prices, will however provide cushion to headline WPI.

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**BOBCAPS Research**

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## WPI

15 January 2024

## WPI inflation creeping up

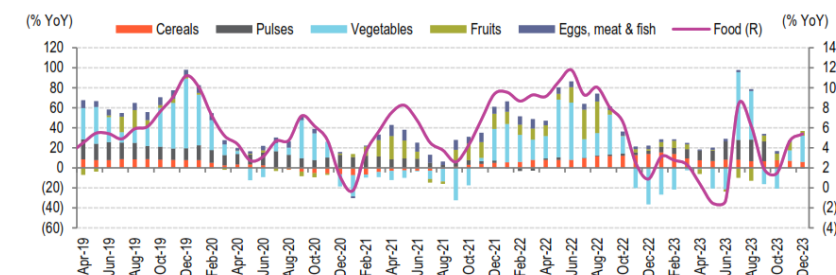
WPI inflation remains out of deflation as it rose by 0.7% in Dec'23 from 0.3% in Nov'23. In CY23, it came in flat (0%), following 12.2% increase in CY22. The monthly trend (Dec'23) was again driven by uptick in food inflation which jumped to 5.4% in Dec'23 from 4.7% in Nov'23. Sharp increase was noted in case of vegetables and spices. On the other hand, inflation for food grains, fruits, and milk, rose at a slower pace in Dec'23. Deflation in manufactured products accelerated. Pressures were seen building up in case of basic metals, fabricated metals, tobacco, and motor vehicles. On the contrary, deceleration in fuel & power inflation slowed, owing to softer decline in mineral oil index, which in turn mirrored the movement in international oil prices (YoY basis). Coal prices were steady, and build up of pressure in electricity index continued. Going ahead, food prices are expected to remain a strain, owing to weakness in Rabi sowing. Fuel prices can also be volatile due to ongoing geopolitical tensions in the Middle East. Subdued commodity prices, will however provide cushion to headline WPI.

**Sonal Badhan**  
Economist

## Food inflation at 4-month high:

Headline WPI fastened to 0.7% in Dec'23, lower than our estimate of 1.5%, but following 0.3% increase in Nov'23. The jump was driven by food inflation which rose by 5.4% in Dec'23, up from 4.7% in Nov'23. Within food, rate of inflation in case of vegetables (26.3% in Dec'23 versus 10.4% in Nov'23), spices (29.7% versus 27.5%) and other food items (9.4% versus 1.6%) rose significantly. Amongst vegetables, out of 19 items, prices were up for 12 items, with major push coming from items like Onions (+91.8% in Dec'23), tomato (81.7%) carrot (19%) and cauliflower (13%). Inflation for items like food grains (8.4% versus 9.7%), milk (6.9% versus 7.9%), and fruits (4.6% versus 8.4%) also rose, but at a slower pace. Within food grains, paddy inflation inched up a tad (10.5% versus 10.4%), while wheat inflation decelerated (-1.4% versus 2.5%). Pulses inflation remains elevated, but is showing signs of slowdown (19.6% versus 21.6%). These trends are in line with movement in international prices. As indicated by World Bank's pink sheet, paddy prices had risen by 39.6% in Dec'23 following 39% increase in Nov'23, while wheat prices continue to decline, albeit at a slower pace (-22.3% in Dec'23 versus -29% in Nov'23). In CY23, our food inflation moderated to 2.8% from 8% in CY22.

Figure 1: Food inflation jumps again in Dec'23



Source: CEIC, Bank of Baroda Research



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