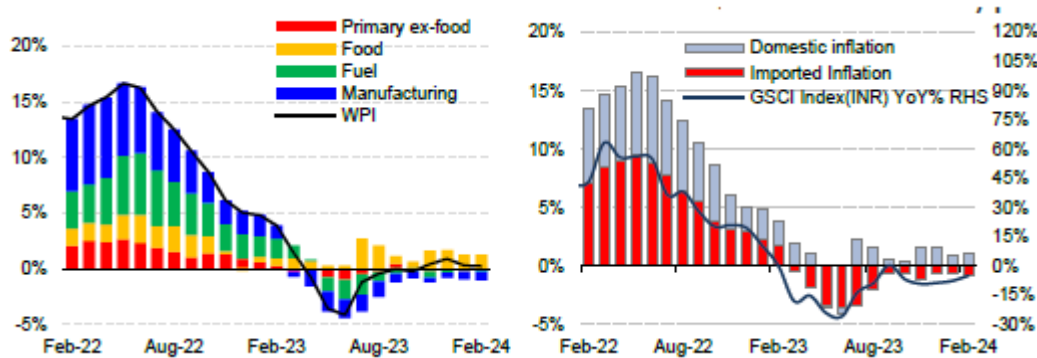


## India Data WPI Update

India WPI inflation is lower but highlights food price risks.

Exhibit: Higher domestic food inflation offset by past drop in global commodity prices



Source: Axis Bank Business and Economic Research

### India WPI inflation slows further to 0.20% despite higher food and petroleum

India's WPI inflation at 0.20% was the smallest number since prints turned positive in Nov'23, and slowed despite increases in food and fuel prices. The former was driven by stronger inflation in wheat amid seasonal increases in cereal prices, as well as pickup in prices of pulses, though offset by fruit prices that have been reasonably well-behaved this year. Inflation in crude petroleum were higher in line with global petro prices, more than offsetting weaker prices of petroproducts despite higher Asian crack spreads.

### Higher food and crude oil more than offset by petroproducts and steel

Despite the higher crude oil prices over the month and wider Asian crack spreads, lower prices of kerosene, ATF and naphtha as well as a high base in diesel pulled fuel and power lower, despite an increase in electricity prices. Disinflation was added to by basic and fabricated metals, largely tracking lower global prices of steel given mixed Chinese demand trends. These dynamics are seen in the larger disinflation exerted by imported items, as well as movements in global commodity indices.

### Pickup in foodgrains underlines a key CPI risk; manufacturing deflator to rise

The anchor for domestic monetary policy has been CPI inflation since the adoption of the FIT framework, leaving WPI inflation only as an accessory indicator helping study underlying trends in high-frequency wholesale prices since these are often inputs to consumer facing goods and services. The higher inflation in foodgrains (cereals and pulses) is watched for in numbers for CPI inflation in March, where high frequency trends already indicate some transmission already in place and higher food inflation is a major risk to CPI in FY25, despite low core.

WPI inflation forms a large chunk of the GDP deflator, predominantly in manufacturing, this will likely be seen in coming GDP prints where manufacturing growth is likely to slow with the deflator turning less negative and eventually turning positive.

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