

AT A FOUR-MONTH HIGH

Wholesale Inflation Up at 2.4% in Oct on Food and Mfg Products

GOING UPHILL Food prices rose 13.5% in October, highest in 15 months, primarily due to sharp 63% rise in vegetable prices

Our Bureau

New Delhi: The Wholesale Price Index (WPI), which captures producer prices in India, surged to a four-month high of 2.4% in October, driven by a rise in prices of food and manufactured products, and put the spotlight on inflation that the central bank wants durably restrained before it begins the much-anticipated rate-easing cycle.

To be sure, Mint Road policymakers decide on rates using consumer prices – not producer prices – as the relevant actionable benchmark, but often higher WPI seeps into the consumer basket with a lag.

The latest dataset published Thursday showed WPI was 1.8% in September and a contractionary 0.3% in October, 2023. WPI inflation last month was also higher than the 2.1% average recorded during the first half of FY25.

The latest data comes on the back of a spike in retail inflation. The Consumer Price Index (CPI) hit a 14-month high of 6.2% in October, surpassing the central bank's legally mandated outer bound of 6% for the decision-making gauge, primarily driven by rising food prices.

The central bank kept its policy rates unchanged in its October monetary policy meeting for the 10th consecutive time and RBI governor Shaktikanta Das Thursday sounded a note of caution on the risk of inflation coming back.

"Soft landing has been ensured, but risks of inflation coming back and growth slowing down do remain. The headwinds from geopolitical conflicts, geo-economic fragmentation, commodity price volatility and climate change continue to blow," Das said at an event.

ODDS LENGTHEN ON RATES

Market participants do not expect the monetary policy committee to begin easing rates at the next scheduled meeting of the rate-setting panel in December, although the committee changed its stance to 'neutral' from 'withdrawal of accommodation' in October - seen by many as a customary pivot for the rate-easing cycle to begin. Food prices rose 13.5% in October, the highest in 15 months, primarily due to a sharp 63% increase in vegetable prices. Potato and onion prices were up by 78.7% and 39.3%, respectively.

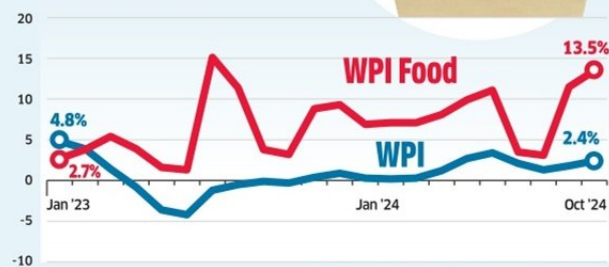
Inflation in manufactured products, accounting for 64.23% weight-

A Wholesale Rise

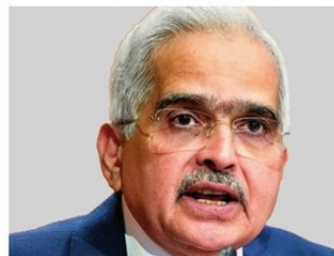
- Latest data comes on the back of a spike in retail inflation
- Vegetable prices rose by 63%. Potato (78.7%) and Onion (39.3%)
- WPI core inflation at 0.3%



Inflation (Y-o-Y, in %)



Source: Ministry of Commerce and Industry



The headwinds from geopolitical conflicts, geo-economic fragmentation, commodity price volatility and climate change continue to blow
SHAKTIKANTA DAS
 RBI Governor

age in WPI, increased by 1.5%. Within manufactured products, vegetables & animal oils and fats (20.2%) and manufacture of food products (7.8%) saw the highest increase.

The jump in the former "reflected the impact of increase in the import duty on palm oil", according to Paras Jasrai, senior economic analyst at India Ratings and Research (Ind-Ra). By contrast, fuel & power recorded a deceleration of 5.8%, and primary articles increased by 8.1%.

Wholesale core inflation, excluding food and energy prices, was at 0.3% in October.

"The global economic environment has been under the purview of various risks which has kept the trajectory of commodity prices range bound," said Jasrai.

The available data on daily wholesale prices points to a softening in year-on-year inflation across 13 of the 22 items in November so far compared to October, even as onions and edible oils remain a concern, said Rahul Agrawal, senior economist at

ICRA. "The inflation in other major segments such as core, energy and fuel & power kept the WPI inflation under control," said Jasrai.

OUTLOOK BRIGHTER

Looking ahead, the strong kharif output for most food items and the healthy outlook for rabi crops amid elevated reservoir levels, augur well for the WPI food inflation in the near term, even as fertiliser stocks are monitorable, said Agrawal. However, he cautioned that WPI inflation remains vulnerable to movements in global commodity and crude oil prices. "The WPI-food inflation print is expected to revert to sub-10% levels in November, amid a favourable base, while remaining elevated in the month," said Agrawal. "Going forward, WPI food inflation is expected to remain around 10%, however, core inflation is expected to be low," said Jasrai.

ICRA and Ind-Ra expect WPI inflation to moderate to 2% and 2.3% in November.