

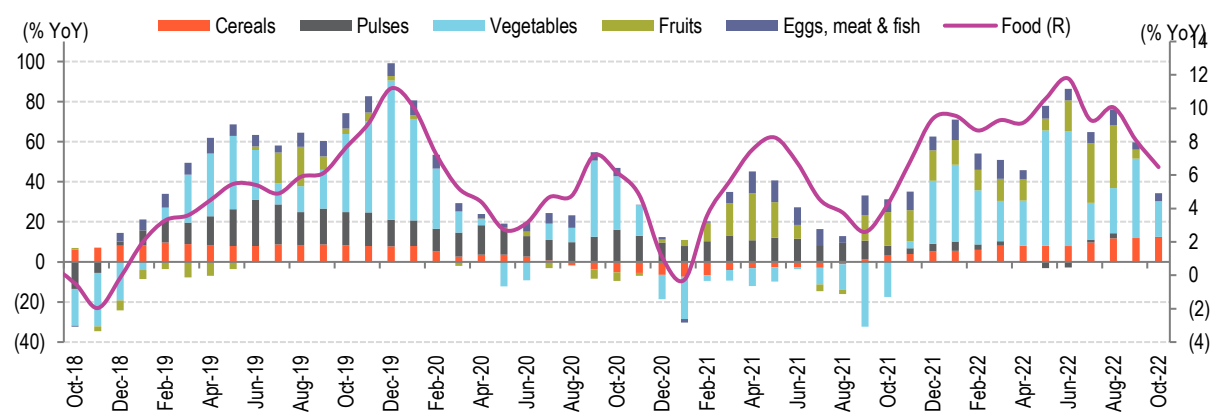
WPI cools down to 19-month low

WPI cools off further (5th consecutive month) to 8.4% in Oct'22(10.7% Sep'22), supported by broad-based moderation in food, fuel and manufactured product inflation. Within food, prices of fruits, tomato and onion contributed to the moderation. However, there is an uptick in prices of cereal and protein based items. Globally, wheat prices have also registered an upswing due to uncertainties related to Ukraine exports. Core WPI softened further to 4.7% in Oct'22 from 7% in Sep'22 led by dip in manufactured inflation (4.4% from 6.3% in Sep'22). Fuel inflation was down in Oct'22. Going further, on the back of moderation in global prices, WPI is expected to ease further.

Food inflation softens:

Headline WPI eased to 19-month low of 8.4% (BoB est.: 9%) in Oct'22 from 10.7% in Sep'22. Food inflation in Oct'22 slipped to 1-year low of 6.5% from 8.1% in Sep'22. This was on the back of moderation in prices of both fruits and vegetables. Vegetable inflation cooled-off by 17.6% in Oct'22 compared with 39.7% in Sep'22, led by tomato (5.3% versus 65.3%), potato (45% versus 49.8%). Onion prices declined further by 30% in Oct'22. Fruit prices were also down by 0.2% in Oct'22 compared with 4.5% in Sep'22. On the other hand, prices of protein based items such as eggs, meat and fish inched up in Oct'22 (4% versus 3.6% in Sep'22). Egg prices had contracted at much slower pace (-10% versus -13.75%). Milk prices remained steady. Cereal inflation edged up a tad bit by 12% in Oct'22, with prices of paddy (6.6% vs 5.8%), wheat (16.2% versus 16.1%) and pulses (0.4% versus -0.3%) all registering an increase in Oct'22. Globally, Food price index too has cooled-off in Oct'22 and remains below its all-time high registered in Mar'22.

Figure 1: Food inflation dips in Oct'22



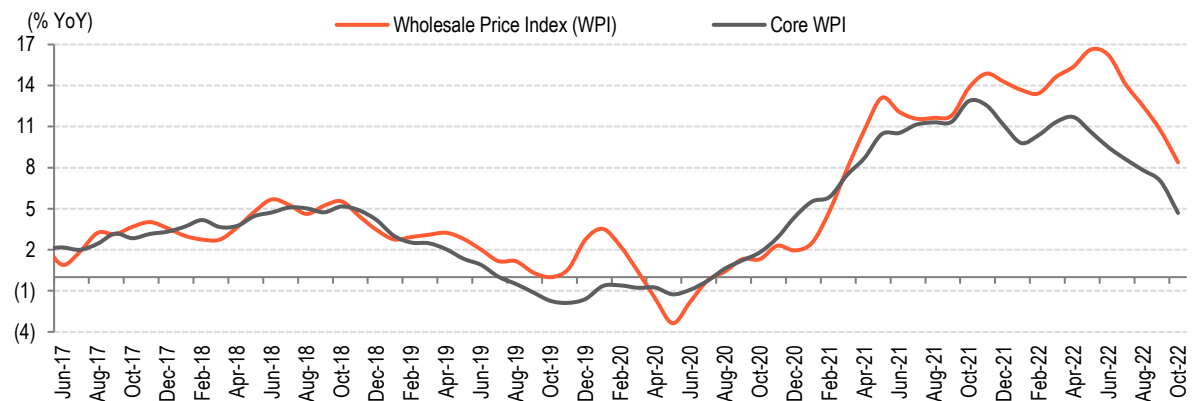
Source: CEIC, Bank of Baroda Research

Fuel and power inflation decelerates further:

Fuel and power inflation moderated to an 18-month low of 23.2% in Oct'22 from 32.6% in Sep'22. This was led a dip in the mineral oil index to 29.1% (19-month low) from 46% in Sep'22. It must be noted

after peaking at 74.6% in Apr'22, mineral oils index has since been moderating. There was a broad based slowdown in mineral oil inflation with ATF (58.7% versus 91.8%), HSD (43.1% versus 66%) and kerosene oil (84.6% versus 104.9%) registering moderation in Oct'22. On the other hand, coal inflation edged up to 4.2% in Oct'22 from 2.5% in Sep'22. Electricity prices rose by 20.5%, unchanged from Sep'22. Even on a MoM basis, overall fuel and power inflation declined by 1.6% in Oct'22 compared with a fall of 0.9% in Sep'22 led by a dip in prices of mineral oils, particularly furnace oil and ATF. With oil prices inching up towards the US\$ 100/bbl mark once again, domestic prices may also see a pickup.

Figure 2: Core WPI inches down



Source: CEIC, Bank of Baroda Research

Core inflation further eases:

Core inflation eased significantly to a 22-month low in Oct'22 at 4.7% compared with 7% in Sep'22. Inflation in manufactured products moderated to 4.4% in Oct'22 from 6.3% in Sep'22. Within this group, out of a total of 22 commodity sub-indices, only 3 noted an increase in inflation in Oct'22 compared with Sep'22, while the others saw a slower pace of price increase. Highest deceleration was seen in the prices of basic metals and paper and paper products. Within basic metals, prices of copper contracted at a faster pace of 6.5% in Oct'22 compared with a decline of 5.8% in Sep'22. Similarly prices of aluminium declined by 10.1% in Oct'22 versus -9.7% in Sep'22. Even prices of lead bars/ingots declined by 5.2%, following a 3.9% decline in Sep'22. This has been on the back of a decline in global commodity prices.

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