

Macro Insights

14th June 2023

WPI enters deflation zone

Wholesale inflation measured by WPI eased to -3.48% in May'23, compared to -0.92% in the previous month i.e. April'23, while it was 16.63% in May'22.

Highlights:

- ☞ Wholesale inflation dropped to its lowest level since Nov'15. This is the second month in a row when wholesale inflation has been in negative territory.
- ☞ The food wholesale inflation has fallen to -1.59% in May'23 as compared to 0.17% in April'23.
- ☞ The inflation in fuel and power category was at -9.17% as compared to 0.93% in April'23.
- ☞ The inflation in manufactured products fell from -2.42% in April'23 to -2.97% in May'23.
- ☞ Decline in the rate of inflation in May'23 is primarily contributed by fall in prices of mineral oils, basic metals, food products, textiles, non-food articles, crude petroleum and natural gas and chemical and chemical products.

Chart: Wholesale Price Index - May'23

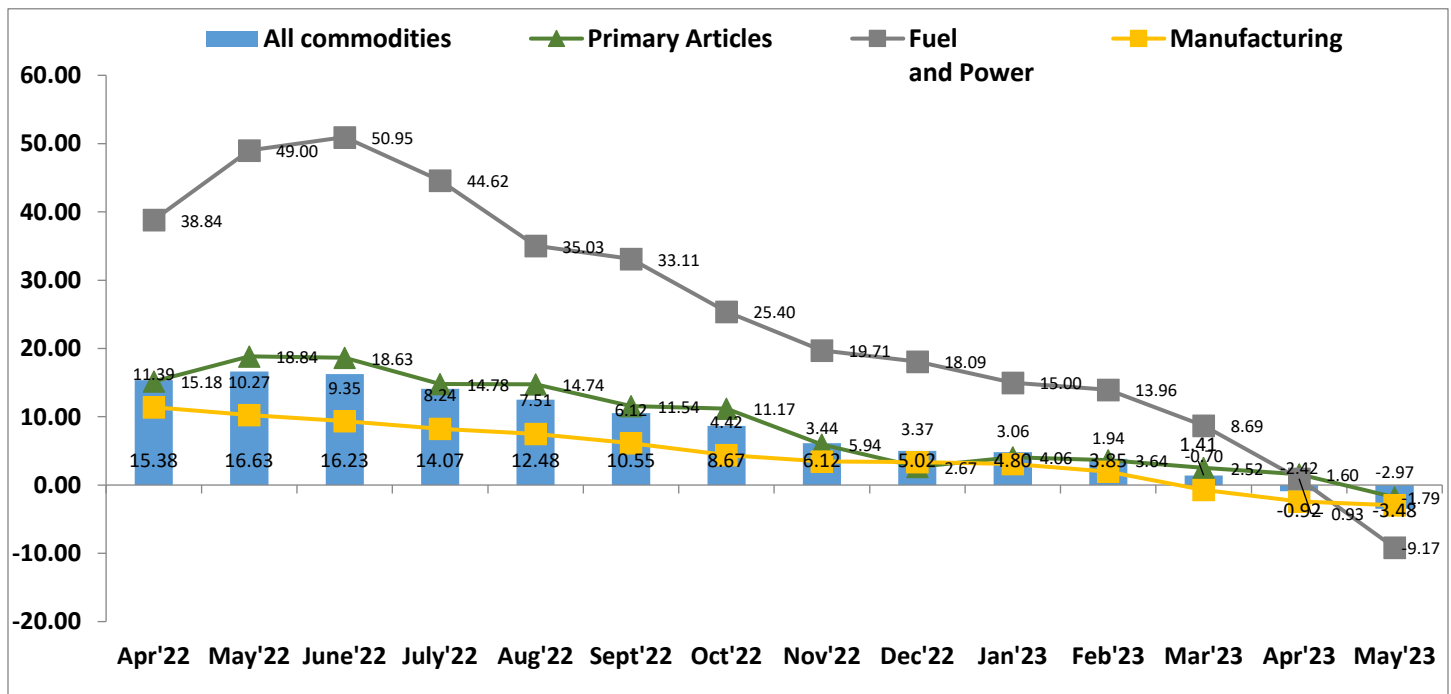


Table: Components of WPI

WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
March	15.94	2.52	31.78	8.69	11.26	-0.70	8.44	5.42	14.63	1.41
April	15.18	1.60	38.84	0.93	11.39	-2.42	8.48	3.54	15.38	-0.92
May	18.84	-1.79	49.00	-9.17	10.27	-2.97	11.78	1.51	16.63	-3.48

Views:

1. WPI-based inflation fell across all the major groups of WPI, primary articles, fuel and power and manufactured products.
2. All the components of WPI declined from both the previous month as well as the previous year.
3. Fuel and power inflation entered into deflationary zone in May'23.
4. The manufactured products category, having the highest weightage in WPI basket, continues to be in the deflationary zone.
5. This month too, the deceleration in WPI is in line with the declining Retail Inflation of May 2023. CPI inflation declined to a 25-month low of 4.25% in May'23.
6. Going forward, WPI Inflation is expected to remain low in the coming months due to higher base and the easing of global commodity prices which will keep the inflation of manufactured products down.

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