



# Infomerics Valuation And Rating Pvt. Ltd.

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CREDIT RATING AGENCY

Dr. Manoranjan Sharma  
(Chief Economist)

## PLUMMETING WPI - AUGUST 2024

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India's WPI-based inflation (base year-2011-12) slumped to a four-month low of 1.31 % in August 2024, down from 2.04 % in July, 3.36% in June, and 2.61% in May. This steep fall- steeper than widely expected- largely stemmed from a fall in the prices of manufactured products and food items.

However, in this declining WPI scenario, food prices remain an outlier. Food inflation reduced slightly to 3.11 % in August 2024 compared to 3.45 % in July. A granular food basket examination reveals that prices of cereals (8.44 %), paddy (9.12 %), and pulses (18.57 %) decelerated. There was a slight deceleration in the price of onion (65.75 %). The prices of potatoes (77.96 %) and fruits (16.7 %) rose in August.



WPI prices fell because of a slowdown in the prices of manufactured food products (3.61 %), beverages (1.9 %), textiles (1.79 %), wood products (3.17 %), and pharmaceuticals (1.97 %), and contraction in prices of fuel and power. Persistent sticky high food inflation,

however, causes concern because of the impact of food inflation on the poorer and vulnerable sections of society, particularly those at the bottom of the pyramid and fixed-income groups.

The plummeting WPI number in the wake of a modest rise in the CPI number from 3.6 % in July to 3.65 % in August is welcome.

While there may not be a one-to-one correspondence between the WPI and the CPI data because of the items, size, number, and relative weights assigned, the CPI data will also down-trend in sync with the RBI's medium-term target of 4 % for the second time in nearly five years. However high food prices will induce the RBI to be wary.