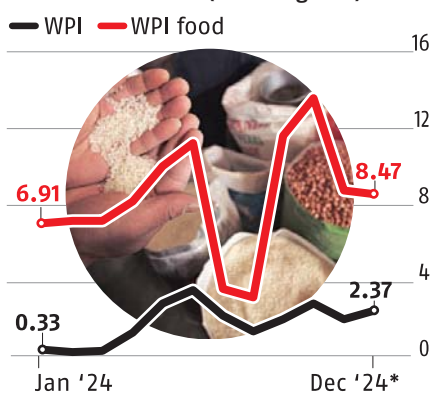


WPI inflation rises to 2.37% in Dec; food prices down

THE FINEPRINT

Wholesale Price Index (Y-o-Y chg in %)



*Provisional

Source: Ministry of Commerce and Industry

SHIVA RAJORA

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India's wholesale price index (WPI) based inflation rose to 2.37 per cent in December from 1.89 per cent in November due to the rise in prices of manufactured items and a low base effect, according to the government data released on Tuesday. The WPI-based inflation stood at 0.86 per cent in December last year.

But, inflation in food items declined slightly to 8.47 per cent in December from 8.63 per cent in November. This was led by deceleration in the prices of cereals (6.82 per cent), paddy (6.93 per cent), wheat (7.63 per cent) and pulses (5.02 per cent), according to data released by the Union Ministry of Commerce and Industry.

Meanwhile, the prices of vegetables (28.65 per cent), potatoes (93.2 per cent), fruits (11.16 per cent), milk (2.26 per cent) and meat (5.43 per cent) accelerated during December.

The fuel and power category continued to witness deflation (-3.79 per cent) in December.

In the manufactured products category, which has a weightage of 64.2 per cent in the index, inflation increased to 2.14 per cent in December from 2 per cent in November.

"Within manufactured products, food, textiles, and electronic items led inflation higher," said Madan Sabnavis, chief economist at Bank of Baroda. "Commodity prices broadly eased. Going forward, if the Fed decides to keep rates higher for longer, it will dent demand prospects and ease oil and other commodity prices. However, tariff announcements by President-Elect Donald Trump may exert upward pressure on prices. Imported inflation, due to stronger dollar also poses upside risk to domestic inflation," he added.

The retail inflation rate, based on consumer price index (CPI), fell to a four-month low of 5.22 per cent in December from 5.48 per cent in November, driven by easing food inflation.

Last month, the Reserve Bank of India which takes into account retail inflation while framing monetary policy, kept the benchmark interest rate or repo rate unchanged at 6.5 per cent in its monetary policy for the 11th consecutive time — maintaining a 'neutral' stance.

