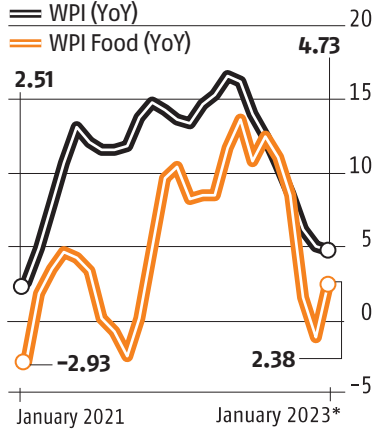


# WPI inflation cools to 2-yr low of 4.7%



## EASING PRESSURE (In %)



Note: \*Provisional figures  
Source: Ministry of Commerce

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The wholesale price index (WPI)-based inflation rate for January 2023 fell to a two-year low at 4.73 per cent. This was on the back of a higher base and easing of pricing pressure for fuel and manufactured products. In December 2022, wholesale price inflation stood at 4.95 per cent. In January 2021, it was at 2.51 per cent.

This is the fourth consecutive month that factory-gate inflation saw a single-digit print after remaining in double digits for 18 successive months.

Data released by the ministry of commerce and industry on Tuesday showed that inflation for manufactured items eased to 2.99 per cent in January from 3.37 per cent in December. It was led by softening price pressure in sectors like food, textiles, apparel, leather, paper, chemicals and pharmaceuticals, among others.

Food inflation — which excludes manufactured food items — rose to 2.38 per cent in January from -1.25 per cent in December. This comes as prices for food items such as wheat (23.63 per cent) and cereals (15.46 per cent) continue to face double-digit inflation. Higher milk prices (8.96 per cent) also contributed to higher food inflation.

However, vegetable prices contracted 26.48 per cent in January, mostly led by decline in onion rates (-25.2 per cent). Fuel inflation eased to 15.15 per cent in January from 18.09 per

cent in December. It was led by a fall in price rise for petrol (15.5 per cent) and high-speed diesel (28.47 per cent). LPG prices contracted for the third consecutive month (-8.3 per cent) in January. The fall in wholesale inflation comes a day after retail inflation reversed its downward trend in January. It breached the Reserve Bank of India's (RBI's) upper tolerance limit of 6 per cent after a gap of two months

to rise to 6.52 per cent. Although the RBI tracks retail inflation for its monetary policy decisions, easing wholesale price inflation may lead to expectations of a fall in retail inflation in the coming months.

Aditi Nayar, chief economist at ICRA, said the core-WPI inflation, representing non-food and non-fuel items, eased for the ninth consecutive month to 2.8 per cent in January from 3.2 per cent in December.

"We expect the WPI inflation to ease further to around 4 per cent in February 2023 and around 3 per cent in March 2023.

This would be supported by the recent softening in global commodity prices as well as downtrend in the wholesale prices of several food items in the ongoing month," she added.

The divergence between retail and wholesale price inflation has now increased to 179 basis points (bps) in January from a meagre 3 bps in November. Rajani Sinha, chief economist at CARE Ratings, said that there could be two factors responsible for the divergence. "First, WPI inflation has support from a favourable base, and second, the manufacturing segment — which contributes more than 60 per cent to the wholesale basket — continued to witness moderation in inflation. Additionally, food categories such as cereals, milk and pulses, which were the main culprits for the spike in retail inflation in January, have lower weight in the WPI basket," she added.

Madan Sabnavis, chief economist at Bank of Baroda, said that notwithstanding fall in wholesale price inflation across categories, the cereals inflation remains relatively pronounced due to high input costs. "Also, the high inflation for cement (8.4 per cent) will come into the building costs and can affect the real estate sector. These costs could, however, ease with fuel prices coming down," he added.