

At 3.85 per cent, WPI inflation slips to 25-month low in Feb

Easing WPI inflation

Index numbers & annual rate of inflation (y-o-y in %)*							
All commodities/ major groups	Weight (%)	Dec-22		Jan-23 (P)		Feb-23 (P)	
		Index	Inflation	Index	Inflation	Index	Inflation
All commodities	100	150.5	5.02	150.6	4.73	150.9	3.85
I. Primary articles	22.6	172.9	2.67	174.0	3.88	173.0	3.28
II. Fuel & power	13.2	158.0	18.09	155.8	15.15	158.8	14.82
III. Manufactured products	64.2	141.1	3.37	141.3	2.99	141.6	1.94
Food index	24.4	170.7	0.89	171.2	2.95	171.3	2.76

Note: P: Provisional, F: Final, *Annual rate of WPI inflation calculated over the corresponding month of previous year

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Producers' inflation based on Wholesale Price Index (WPI) slipped to a 25-month low of 3.85 per cent in February mainly due to the base impact and drop in the prices of manufactured products.

This inflation was at 4.73 per cent in January this year and 13.4 per cent in February last year. Drop in WPI is likely to have an impact on retail inflation based on Consumer Price Index (CPI) which dropped a tad to 6.44 per cent in February against 6.52 per cent in January. Though wholesale inflation has declined but as retail inflation is still above 6 per cent, there is still strong possibility of another round of policy interest rate hike in April.

KEY FACTORS

"Decline in the rate of inflation in February is primarily because of fall in prices of crude petroleum & natural gas, non-food articles, food products, minerals, com-

puter, electronic & optical products, chemicals & chemical products, electrical equipment and motor vehicles, trailers & semi-trailers," Commerce and Industry Ministry said in a statement.

Rate of inflation for manufacturing was at 1.9 per cent from 3 per cent but in the case of food articles, it rose to 3.81 per cent in February, from 2.38 per cent in January. Inflation in pulses was 2.59 per cent, while in vegetables was (-)21.53 per cent. Inflation in oil seeds was (-)7.38 per cent in February 2023. Fuel and power basket inflation eased to 14.82 per cent, from 15.15 per cent in the preceding month. In manufactured products it was 1.94 per cent, against 2.99 per cent in January.

According to Rajni Sinha, Chief Economist with Care Ratings, this has been a second consecutive month of gain in sequential momentum for wholesale prices due to gain in metals and food prices (mom). A sharp uptick in sequential momentum was also visible for

coal and mineral oils. "While we expect WPI inflation to ease further in coming months due to the high base, any strong rebound in global commodity prices will remain a key monitorable. Favourable base could help WPI inflation turn negative in May and June 2023. For the next fiscal, we expect the wholesale inflation to ease below 3 per cent. A lower WPI print would also support downtrend in retail inflation," she said.

RETAIL PRICES

Saket Dalmia, President of PHD Chamber of Commerce and Industry, also expects that softening of wholesale inflation will help retail prices soften and boost sentiments of producers to produce more *vis-a-vis* increased price cost margins.

This will help economic activity to expand more and strengthen economic growth.

"Going ahead, we look forward to further easing of WPI inflation and CPI Inflation also come down in tandem with WPI inflation," he said.