

WPI inflation in negative for 5th month

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India's wholesale price index (WPI)-based inflation remained in negative territory for the fifth consecutive month in August, even as it rose to a five-month high of -0.52 per cent from -1.36 per cent in July, data released by the ministry of commerce and industry on Thursday showed.

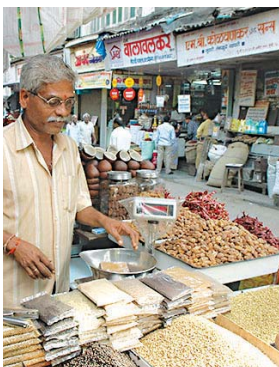
The continuing deflation in factory gate prices comes on the back of a high base. It is due to a fall in prices of mineral oils, basic metals, chemical & chemical products, textiles and food products as compared to the corresponding month of the previous year. The wholesale inflation rate was 12.48 per cent in August last year.

Meanwhile, food inflation remained in double digits at 10.6 per cent, compared to 14.25 per cent in the previous month.

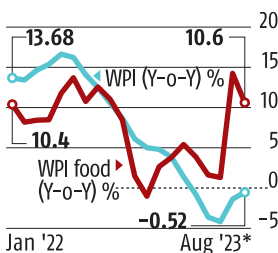
This disinflation in food prices was primarily on account of deceleration in the prices of vegetables (48.4 per cent), cereals (7.25 per cent), wheat (5.81 per cent) and milk (7.79 per cent). It was also due to contraction in prices of potato (-24.02 per cent), fruits (-12.88 per cent) and egg & meat (-2.98 per cent). However, the prices of onion (31.42 per cent), paddy (9.18 per cent) and pulses (10.45 per cent) accelerated during the month. Besides, the data also showed that the contraction in prices of manufactured products (-2.37 per cent) continued for the sixth consecutive month in August, compared to -2.51 per cent in July.

It was led by contraction in the prices of food products (-3.60 per cent), vegetable and animal oil (-20.9 per cent), textiles (-8.5 per cent), paper (-10.36 per cent), chemicals (-7.03 per cent), metals (-5.71 per cent), and steel (-4.80 per cent).

Moreover, the contraction in fuel prices (-6.03 per cent) continued for the fourth consecutive month. It was led by the continuing contraction in prices of LPG (-24.01 per cent), petrol (-2.13 per cent) and high-speed diesel (-11.3 per cent).



TRACKING PRICE RISE



*Provisional

Source: Ministry of Commerce

Expressing optimism regarding wholesale prices, CARE Ratings chief economist Rajani Sinha said that with the support of high base fading, some uptick in WPI inflation could be seen in the second half.

“We could expect WPI inflation to enter positive territory next month onwards. Additionally, rise in global crude oil prices and deficient rainfall domestically pose an upside threat. Nevertheless, for the full fiscal year (FY24), we expect WPI inflation to average in the range of 1-2 per cent,” she added. Echoing similar views, Madan Sabnavis, chief economist, Bank of Baroda, said the pace of deflation has slowed in fuel as international crude prices once again begin to inch up and some of the commodity prices have also started to pick up.

“If the current pace of increase is maintained (in oil), then they may exert significant pressure on headline WPI in the coming months. Global economic outlook will be critical in determining trends in oil and other commodity prices. Domestically, sowing activity and distribution of rains, will guide food inflation,” he added.