

# First in 3 yrs, wholesale prices contract in April

WPI declines to 34-month low of -0.92% on the back of high base effect

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The wholesale price index- (WPI) based inflation entered deflationary territory in April, falling to 34-month low at -0.92 per cent from 1.34 per cent in March, due to a higher base effect and continuing contraction in prices of manufactured products. The factory-gate inflation was 15.38 per cent in April 2022. Earlier, it was -1.81 per cent in June 2020.

Data released by the Commerce and Industry Ministry on Monday showed prices for manufactured items (-2.42 per cent) contracted further in April from -0.77 per cent in March, led by a decelerated price rise in items such as beverages, tobacco, apparel, leather, pharmaceuticals, and cement.

On the other hand, prices of chemicals (-3.29 per cent), textiles (-5.76 per cent), manufactured food products (-5.65 per cent), fats (-25.91 per cent), basic metals (-9.8 per cent) and rubber products (-2.51 per cent) contracted in April from their levels a year ago.

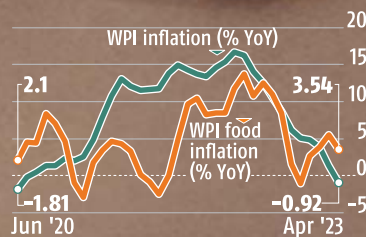
Madan Sabnavis, chief economist, Bank of Baroda, says that WPI inflation is expected to remain low due to the high base effect and the easing of global commodity prices.

Though food inflation, excluding manufactured food items, eased to 3.54 per cent from 5.48 per cent in March, inflation rate for many of the items, including cereals (7.69 per cent), paddy (7.12 per cent), wheat (7.27 per cent), milk (7.10 per cent), and pulses (5.55 per cent), remained elevated.

On the other hand, prices of vegetables (-1.50 per cent), onion (-18.41 per cent), potato (-18.66 per cent) and fruits



## TRACKING THE TREND



Note: Provisional figures for March and April 2023 Source: Ministry of Commerce

(-4.55 per cent) declined in April compared to their level a year ago.

“Food inflation will need to be watched as the prices of wheat have tended to increase due to market conditions. Also, the monsoon prospects will have a bearing on inflation of kharif crops. This can be a concern going forward,” added Sabnavis.

Moreover, fuel inflation eased sharply to 0.93 per cent in April from

## RETAIL INFLATION MAY EASE TO 4% IN MAY: ECONOMISTS

India's retail inflation in May is likely to fall further towards 4 per cent – the midpoint of the



Reserve Bank of India's target and a level last seen in January 2021, according to a few economists.

“Our analysis places May CPI inflation tracking around 4 per cent, which suggests the Q2 (April–June) average is likely to undershoot the RBI's forecast of 5.1 per cent by as much as 60 basis points,” Nomura economists Sonal Varma and Aurodeep Nandi wrote in a note.

Inflation data is due on June 12.

Besides softer food prices, a “significant” base effect will also bolster May's inflation data, IDFC FIRST Bank said, pegging this month's inflation at 4.2 per cent.

REUTERS

8.96 per cent in March, led by deceleration in price rise of petrol (1.53 per cent) and high-speed diesel (1.42 per cent). Moreover, LPG prices contracted to 10.49 per cent in April.

The fall in WPI comes after the consumer price index- (CPI)- based retail inflation rate fell to an 18-month low at 4.7 per cent in April, remaining below the central bank's tolerance limit for the second consecutive month.