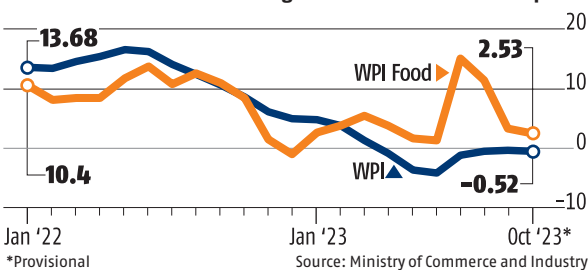


Oct WPI inflation stays in negative for 7th month

ON A DOWNTREND

(in %)

The decline comes on back of high base effect and the fall in prices



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India's wholesale price index (WPI)-based inflation rate hit a three-month low of minus 0.52 per cent in October, as it remained in negative territory for the seventh consecutive month, according to data released by the Ministry of Commerce and Industry on Tuesday.

The continuing deflation in factory gate prices comes on the back of a high base effect and the fall in prices of chemicals and chemical products, electricity, textiles, basic metals, food products, and paper and paper products, among other things, compared to the corresponding month of the previous year.

Earlier in September, the wholesale inflation rate stood at minus 0.26 per cent, and it was 8.67 per cent in October last year.

Food inflation saw a decline to 2.53 per cent in October from 3.35 per cent in the previous month. This disinflation in food prices was primarily on account of a continuing contraction in the prices of vegetables (minus 21.04 per cent) and potatoes (minus 29.3 per cent).

Meanwhile, the prices of wheat (4.75 per cent) and milk (7.92 per cent) decelerated during the month, whereas those of cereals (7.51 per cent), paddy (9.39 per cent), pulses (19.43 per cent), onion (62.6 per cent), and eggs, meat, and fish (2.7 per cent) accelerated during the month.

Besides, the data also showed that the contraction in prices of manufactured

products (minus 1.13 per cent) continued for the eighth consecutive month in October, compared to minus 1.34 per cent in September. It was led by a contraction in the prices of food products (minus 1.65 per cent), vegetable and animal oil (minus 17.89 per cent), textiles (minus 5.47 per cent), paper (minus 9.1 per cent), chemicals (minus 6.84 per cent), metals (minus 2.27 per cent), rubber (minus 1.32 per cent), and steel (minus 4.6 per cent).

Moreover, the contraction in fuel prices (minus 2.47 per cent) continued for the sixth consecutive month. It was led by the continuing contraction in prices of liquefied petroleum gas (minus 4.03 per cent) and high-speed diesel (minus 6.8 per cent). However, petrol prices (3.45 per cent) saw acceleration for the second consecutive month.

Rajani Sinha, chief economist at CARE Ratings, says that since the beginning of this financial year (2023-24), WPI has remained in a deflationary zone, helped by a favourable base and down-trend in commodity prices, and the trend extended in October as well due to continued annual deflation in manufactured products, fuel, and power categories.

"The deflationary trend in WPI could end in the coming months with the support of a favourable base effect fading away gradually and the expectation of subdued commodity prices amid global demand weakness. However, for the full year, WPI inflation on average is expected to remain below 1 per cent," she added.