

Wholesale prices fall for third month in a row

SHIVA RAJORA

New Delhi, 14 July

India's wholesale price index-based (WPI-based) inflation rate remained in negative territory for the third consecutive month in June, falling to nearly an eight-year low of minus 4.12 per cent from minus 3.48 per cent in May, the data released on Friday by the Ministry of Commerce and Industry showed.

Continuing disinflation in factory gate prices comes on the back of a high base and is due to a fall in prices of mineral oils, food products, basic metals, textiles, and crude petroleum and natural gas.

The wholesale inflation rate was 16.23 per cent in June last year.

The data showed the contraction in prices of manufactured goods (-2.71 per cent) continued in June, as compared to -2.97 per cent in May, led by a deceleration in price rise in beverages (-1.87 per cent), textiles (-9.51 per cent), leather (-1.31 per cent), pharma (-2.43 per cent), paper products (-7.38 per cent), chemicals (-6.74 per cent), rubber (-3.20 per cent), and cement (-1.22 per cent).

Rajani Sinha, chief economist, CARE Ratings, said this was the steepest contraction in about eight years and this was due to continued easing in prices of energy, chemicals, and metals. "The weak economic data from China is keeping global commodity prices low, which in turn is supporting moderation in WPI inflation," she added.

Besides, the data showed a sharp sequential uptick in the prices of primary articles (0.57 per cent) in June from -1.41 per cent in May, mainly led by an acceleration in the price rise of cereals (8.34 per cent), paddy (7.67 per cent), wheat (9.02 per

cent), milk (8.6 per cent), eggs and meat (2.74 per cent), and pulses (9.21 per cent).

Meanwhile, there was a sequential contraction in the prices of vegetables (-21.9 per cent), potatoes (-21.3 per cent), onions (-4.3 per cent), and fruit (-0.9 per cent).

Devendra Pant, chief economist, India Ratings, said the worrying trend in the WPI was in cereals inflation, similar to retail inflation.

Meanwhile, the prices of fuel and power saw a sharp contraction to -12.63 per cent from -9.17 per cent in May, on the back of continuing reduction in the prices of liquefied petroleum gas (-22.3 per cent), petrol (-16.32 per cent), and high-speed diesel (-18.6 per cent).

Continuing disinflation in wholesale prices comes on the back of surging retail inflation, which reversed its four-month downward trend in June on Wednesday, on account of increasing food prices, prompting analysts to predict an extended pause on policy rates.

Although the Reserve Bank of India tracks retail inflation for its monetary policy, the contraction in the WPI is likely to have a moderating impact on the consumer price index with a time lag because the divergence between retail and wholesale price inflation has now increased to 893 basis points (bps) in June from a meagre 24 bps in November last year.

"The importance of the WPI is more for the behaviour of the GDP deflator, which in Q1FY24 is likely to have slower growth, as both wholesale and retail inflation have slowed both sequentially as well as annually. This means that real GDP growth in Q1FY24 would be similar to nominal GDP growth," Pant said.

THE DATA SHOWED A SHARP SEQUENTIAL UPTICK IN THE PRICES OF PRIMARY ARTICLES (0.57%) IN JUNE FROM -1.41% IN MAY