

WPI inflation eases to 18-month low as pricing pressure softens

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The wholesale price index (WPI)-based inflation rate for September decelerated to an 18-month low of 10.7 per cent on broadbase easing of pricing pressure and helped by a high base a year ago.

The data released by the industry department on Friday showed the food inflation eased to 8.08 per cent during September as prices of wheat, fruits, pulses, and protein-rich items fell compared to their levels a year ago, even though prices of vegetables and milk shot up.

Inflation for fuel (32.61 per cent) and manufactured (6.34 per cent) items also decelerated during the month.

However, the factory-gate inflation has remained in double-digits since April 2021, primarily driven by rising energy and food prices.

The core inflation representing non-food and non-fuel items dipped to a 19-month low of 7 per cent in September, driven by the softening in commodity prices amid global slowdown con-



cerns. Though the WPI inflation for cooking gas fell to 8.45 per cent, wholesale inflation for petrol and high-speed diesel accelerated to 40.38 per cent and 65.96 per cent, respectively, amid fresh flare-up in the Russia-Ukraine crisis.

Madan Sabnavis, chief economist, Bank of Baroda, said WPI inflation may come down to a single digit in October with the only threat being food prices spiking again. "Inflation from October 2021 to March 2022 was above 13 per cent, which will tend to push the rate in subsequent months downwards," he said.

Aditi Nayar, chief economist at ICRA, said the ongoing episode of excess post-monsoon rainfall in North-west and Central India was expected to disrupt supplies of perishables and impact the kharif harvest and lead to a delay in rabi sowing, thereby posing upside risks to the wholesale food inflation outlook.

"Besides, the recent depreciation in the dollar-rupee pair would also weigh on the landed price of imports in the ongoing month.

Nevertheless, we expect the WPI inflation to ease to around 9-10 per cent in October, aided by a high base

(+13.8 per cent in October 2021), thereby posting the first single-digit print after a gap of 18 months," she added.

Even though the Reserve Bank of India's (RBI's) monetary policy committee (MPC) is tasked with containing retail inflation and not wholesale price inflation, the latter seeps into the former.

Economists expect the RBI to sharply increase policy rates in the upcoming MPC in December.

The data released on Wednesday showed that CPI-based inflation again shot up to 7.41 per cent in September, up from 7 per cent in August.

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