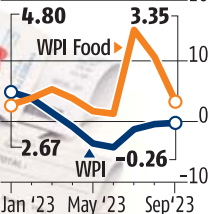


# WPI inflation negative for 6th month in September

## CONTINUED CONTRACTION

(% chg Y-o-Y)



Note: The figures for August and September are provisional  
Source: Ministry of Commerce and Industry

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New Delhi, 16 October

India's wholesale price index (WPI)-based inflation touched a six-month high of -0.26 per cent in September, even as it remained in negative territory for the sixth consecutive month, data released by the ministry of commerce and industry on Monday showed. The continuing deflation in factory gate prices comes on the back of a high base and a sharp deceleration in food prices.

It is also because of the continued contraction in the prices of fuel and manufactured products like mineral oils, textiles, basic metals, chemicals and chemical products, compared to the corresponding month of the previous year.

Earlier in August, the wholesale inflation rate had stood at -0.52 per cent and it was 10.55 per cent in September last year. Food inflation saw a sharp decline to 3.35 per cent in September from 10.6 per cent in the previous month. This disinflation in food prices was primarily on account of contraction in the prices of vegetables (-15 per cent) and potato (-25.2 per cent) as well as protein rich items like meat, eggs and fish (-2.86 per cent).

Meanwhile, the prices of cereals (7.28 per cent), wheat (6.33 per cent), pulses (17.69 per cent), onions (55.05 per cent) and milk (8.58 per cent) accelerated during the month.

Besides, data also showed that the contraction in prices of manufactured products (-1.34 per cent) continued for the seventh consecutive month in September, compared to -2.37 per cent in August. It was led by contraction in the prices of food products (-1.90 per cent), vegetable and animal oil (-17.22 per cent), textiles (-7.13 per cent), paper (-9.99 per cent), chemicals (-6.71 per cent), metals (-2.73 per cent) and steel (-3.56 per cent).

Moreover, the contraction in fuel prices (-3.35 per cent) continued for the fifth consecutive month. It was led by the continuing contraction in prices of LPG (-17.11 per cent) and high-speed diesel (-11.02 per cent). However, petrol prices went up 1.24 per cent during the month.

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 of this fiscal year.

"Elevated global crude oil prices and risk to kharif harvest from a skewed rainfall pose upside risks to WPI inflation. However, with weak China demand, other global commodity prices are expected to remain benign and that should keep WPI inflation low. For the full financial year (FY24), we expect WPI inflation to average below 1 per cent," she added.

Echoing similar views, Sunil K Sinha, chief economist, India Ratings, said that the West Asia conflict, along with rise in crude oil prices, may turn the wholesale inflation to around 0.5 per cent in October. Continuing deflation in wholesale prices comes on the back of respite provided by the consumer price index (CPI)-based retail inflation. CPI inflation fell below the Reserve Bank of India's (RBI) upper tolerance band of 6 per cent for the first time in three months during September. Although the RBI tracks retail inflation for its monetary policy, the continuing deflation in the WPI is likely to have a moderating impact on the CPI with a time lag. This is because the divergence between retail and factory gate inflation has declined sharply to 528 basis points (bps) during September from 735 bps in August 2023.