

Wholesale inflation at 27-mth low of -1.21% in Oct on favourable base

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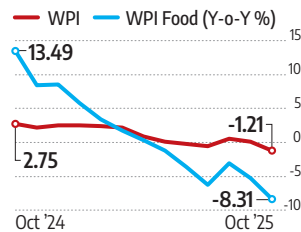
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India's factory gate inflation, as measured by the wholesale price index (WPI), slipped into deflationary territory again in October after two months of virtually flat prices, to hit a 27-month low of -1.21 per cent, aided by a 5 per cent drop in food prices, a record low in the current WPI series.

Manufactured products' inflation also eased to a 13-month low of 1.54 per cent in October from 2.33 per cent in September, while fuel and power prices dropped 2.55 per cent, marking the seventh straight month of deflation for the energy basket, according to data released by the Ministry of Commerce and Industry on Friday. India's retail inflation had hit a series low of 0.25 per cent in October, supported by a favourable base effect and a record dip in food prices.

"The record low food deflation in October was due to key food items like cereals (-1.1 per cent, a 50-month low), pulses (-16.5 per cent), vegetables (-35 per cent, a 34-month

Cooling down



Source: DPIIT

low) and fruits (-7 per cent, a 26-month low). A sustained decline in food prices helps consumer pockets, but needs to be watched carefully as it could hurt farm incomes, eventually slowing consumption demand," said Paras Jasrai, associate director at India Ratings and Research.

While most food items' prices eased, inflation in milk (3.02 per cent) as well as eggs, meat and fish (1.75 per cent) accelerated from September levels.

The disinflation in manufactured products, with a weightage of over 64 per cent in the index, was led by a deceleration in price in-

creases in manufacture of food products (1.76 per cent), vegetable and animal oil (4.83 per cent), and leather and related products (1.27 per cent), while basic metals (-1.58 per cent) remained in deflation for the seventh straight month.

Some manufactured items like tobacco products (3.18 per cent), textiles (1.91 per cent) and pharmaceuticals (1.88 per cent), clocked higher price rise in October than September.

Rahul Agrawal, senior economist at ICRA, said the WPI-food index is likely to remain in the deflationary zone next month. This, combined with the recent uptick in global commodity prices, could exert some upward pressure on the headline WPI print. The agency expects the deflation in WPI to narrow to around 0.5 per cent in November.

"Thereafter, with the base turning adverse, the YoY food prints are expected to harden until Q1 FY2027. This is expected to push up the headline WPI numbers in the near term, even as the average WPI inflation for FY2026 is likely to be marginal," he added.