

# Wholesale inflation hits 4-mth low of 1.31%

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India's wholesale price index (WPI)-based inflation fell to a four-month low of 1.31 per cent on an annual basis in August from 2.04 per cent in July due to a reduction in the prices of manufactured products and food items, according to data released by the Ministry of Commerce and Industry on Tuesday.

Food prices inflation stood at 3.11 per cent in August as compared to 3.45 per cent in July, it said.

The prices of other major sub-indices like manufactured products also witnessed a deceleration. Meanwhile, the prices of fuel and power contracted during the month.

Within food articles, the prices of cereals (8.44 per cent), paddy (9.12 per cent), and pulses (18.57 per cent) decelerated. While there was a slight deceleration in the prices of onions (65.75 per cent), inflation remained in double digits. On the other hand, the prices of potatoes (77.96 per cent) and fruits (16.7 per cent) accelerated during the month.

Rahul Agrawal, senior economist, Icra Ratings said that while the prices of most food items have eased in September, an adverse base could accelerate inflation prints for the primary food articles

category significantly in the ongoing month. "This would exert upward pressure on the headline WPI inflation print for September. While kharif sowing has been healthy so far, the surplus rainfall in the ongoing month can potentially delay the kharif harvesting and/or impact such yields, even as reasonably healthy reservoir storage at the pan-India level may boost the sowing of rabi crops," he explained.

Manufactured products, which have a weight of 64.2 per cent in the index, also saw a decline in inflation to 1.22 per cent from 1.58 per cent in July.

This was led by a deceleration in the prices of manufactured food products (3.61 per cent), beverages (1.9 per cent), textiles (1.79 per cent), wood products (3.17 per cent) and pharmaceuticals (1.97 per cent), among others.

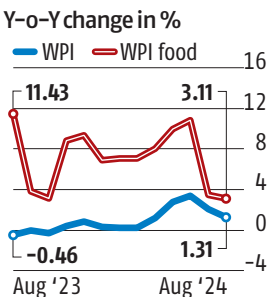
Factory gate prices for fuel & power (-0.67 per cent) contracted as the prices of high-speed diesel (-3.03 per cent) and petrol (-4.23 per cent) further contracted during the month. Meanwhile, the prices of cooking gas (14.4 per cent) accelerated.

This cool down in the factory gate inflation comes days after retail inflation rose marginally in August to 3.65 per cent from 3.6 per cent in July. It remained below RBI's medium-term target of 4 per cent for the second time in nearly five years.

RBI tracks retail inflation for its monetary policy, and the reduction in WPI may help in keeping retail inflation low, though with a time lag.



## INFLATION PRINT



Note: July, August figures are provisional  
Source: Ministry of Commerce and Industry