



**IndiaInfoline**  
IT'S ALL ABOUT MONEY, HONEY!

## **Inflation...high base effect leads to lower growth inflation**

Dr Soumendra K Dash / Mumbai May 14, 2009 13:25

<http://www.indiainfoline.com/news/innernews.asp?storyId=101577&Imn=1>

### **The Fuel & Power index was up by 0.2% to 323.7 mainly due to higher prices of naphtha and light diesel oil**

The Wholesale Price Index (WPI) for the week ended May 2, 2009 stood at 231.6 around 0.4% higher than the previous week's index of 230.7. The year-on-year inflation grew at a 0.48% in line with our estimates of 0.41%, as against a growth of 0.7% previous week. Though all the three major groups have shown a rise from the previous week, a high base effect has led to a lower growth vis-à-vis last week. Main drivers of inflation in the Primary Articles, which grew by 0.4% to 254.7 were agri, tea, raw wool, raw rubber and sunflower.

The Fuel & Power index was up by 0.2% to 323.7 mainly due to higher prices of naphtha and light diesel oil. However prices of ATF fell by 1% which could be a relieving factor for the ailing aviation industry. In the Manufactured Products group a 0.4% growth was witnessed led by index for chemical and chemical products, and basic metal alloys and metal products confirming the existence of underlying strength of industrial demand.

While the WPI has been giving a glorious picture of contained inflationary pressure, the Consumer Price Index (CPI) for Urban Non-manual Employees has grown at 9.9% as on February. The highest contribution to this was that of food, beverages and tobacco group which grew at 13.4% and has a weightage of 47% in the CPI (UNME) Index.

Followed by a growth in the prices of Fuel & Light (6.2%) and Housing (5.8%). With continued price rise in the consumer basket of the country, India still suffers from high inflationary pressure which is a matter of grave concern.

*The author Dr Soumendra K Dash is Chief Economist, CARE Ratings.*