



Inflation mostly driven by primary articles: Care Ratings

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Mumbai:

Primary articles led by food items have the highest share in overall price index at a whopping 35.7 per cent and are mainly responsible for high inflation, Care Ratings has said in a report.

The manufactured items basket, though having the highest weight, contributes the least to the overall inflation index, it said.

This is despite the fact that primary articles have only 20.1 per cent weight in the overall inflation basket, but contributed to a 35.7 per cent to spike in the overall price index, followed by fuel and power basket, which has the lowest weight (14.9 per cent), contributing to 33.4 per cent to the overall inflation, the report said.

Against this, the manufactured products basket, which has the largest weight of 65 per cent in the inflation basket, has contributed the least to the price spiral at 30.9 per cent, it said.

The data, based on the WPI and CPI numbers for January 2014, is the latest inflation reading, Care said in the report authored by its economists Madan Sabnavis and Anuja Jaripatke.

Among primary articles, food items, which though have only 14.3 per cent weight, contributed 31 per cent to the overall price index, while food grains with just 4.1 per cent weight ramped the index by 6.5 per cent. Cereals with 3.4 per cent weight have 7.6 per cent share in index, and pulses, carrying 0.7 per cent weight, have -1.2 per cent share.

This means that though food articles have 35.7 per cent share in primary articles basket, their contribution to the total is 31.5 per cent, with four products groups- cereals, vegetables, eggs meat and fish & milk products accounting for 27.5 per cent of inflation.

Food grain inflation is mostly driven by cereals which include rice (5.7 per cent) and wheat (1.9 per cent). Higher MSPs could be one contributing factor here as output has been robust, something RBI Governor Raghuram Rajan also blamed last week.

Against this non-food articles contributed just 4.5 per cent, most of which comes from fibres (4 per cent). Fuel & power group chipped in 33.4 per cent of overall inflation with

a weight of just about 15 per cent, most of which came from mineral oils, with a share of 25.3 per cent.

Share of power stood at 13 per cent, most of which came from industrial (5 per cent) and farm power (4.2 per cent).

Against this, manufactured products group, with a share of 30.9 per cent, contributed proportionately the least to overall inflation with most of the inflation being contributed by textiles with a share of 7.4 per cent.

Within textiles, cotton textiles contributed 3.5 per cent, followed by chemicals with a share of 6.1 per cent, machinery and machine tools at 3.3 per cent.

Food products contributed 2.9 per cent to the overall inflation, which mostly came from canning, preserving & processing with a share of 1.3 per cent.

Despite repeated fare hikes, transport, equipment and parts contributed just 2.9 per cent to the overall price index.

When it comes to CPI basket, food, beverages and tobacco contributed a whopping 56.4 per cent to the index, with major culprits being cereals and products (18.4 per cent), egg, fish and meat (5.5 per cent) and condiments and spices (5.1 per cent).

Unlike WPI inflation, share of vegetables in CPI inflation is lower at 4.6 per cent.

Miscellaneous items like education, medical care, recreation and amusement, transport and communication and household requisites contributed 20.4 per cent to retail inflation. Housing contributed 11.2 per cent to overall CPI inflation.

Other contributions are: vegetables (1.7 per cent weight and 6.4 per cent share), fruits (2.1 per cent weight and 2.5 per cent share), milk (3.2 per cent weight and 5.7 per cent share), eggs, meat and fish (2.4 per cent weight against 7.8 per cent share), condiments and spices (0.6 per cent weight, but 3.2 per cent share) and other food items (0.2 per cent weight against -0.4 per cent share).

Notably, inflation for most part of FY12 and FY13 remained at higher level, with headline WPI inflation averaging at 7.4 per cent in FY13, though of late core inflation moderated considerably.

Amongst non-food articles which has weight of 4.3 per cent and a share of 4.5 per cent in the price index, fibres with 0.9 per cent weight contributed to 4 per cent share, oilseeds (1.8 per cent weight, but -0.9 per cent share) were the major reasons for the uptick.

Other non-food articles like crude petroleum are a major component with 0.9 per cent weight but contributing 3.7 per cent to the overall index.

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