

ECONOMY

Wholesale price inflation falls to 2.17% in May

**SPECIAL CORRESPONDENT**

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The slowdown in wholesale inflation comes against the backdrop of retail inflation easing to a multi-year low of 2.18% in May

Wholesale inflation slowed sharply in May to 2.17% from 3.85% in April, as food prices eased – an indication that farm incomes continue to be depressed.

Growth in the Consumer Price Index in May, data for which was released on Monday, slowed to the lowest level since its introduction in 2012, also driven by the food category.

The overall primary goods category in the WPI saw a contraction of 1.79% in May compared with a growth of 1.82% in April, with the food articles sub-group contracting 2.27%, compared with a growth of 1.16% in April.

Composite Food Index

The recently-introduced composite food index, combining the food sub-group in the primary articles category and the food sub-group in the manufactured products category, saw inflation slowing to 0.15% in May from 2.9% in April.

“While all three broad commodity groups’ – primary articles, fuel, power and light, and manufacturing – inflation declined in May, the decline was steep for the food group,” Devendra Kumar Pant, Chief Economist at India Ratings & Research said. “This raises concerns of slower growth of farmer’s income. While both consumers and government will be beneficiary of a decline in food inflation, farmer’s income and rural demand growth will be impacted.”

Growth in the Wholesale Price Index has been on a sequential downturn since it scaled a nearly two-year high of 5.51% in February.

The fuel, power and light group saw inflation slowing to 11.7% in May from 18.5% in April, while the manufactured products group saw inflation slowing to 2.55% from 2.66% over the same period.

“Going ahead, there would be further moderation in inflation in coming months with expectations of normal monsoons,” according to a Care Ratings report. “Upside risk to inflation could emerge from movement in the global oil prices, which are steady today. We are expecting the WPI inflation to remain in the range of 3% for the next couple of months.”

India Ratings’ Mr. Pant said: “While a good monsoon is likely to provide support to FY18 growth, inflation trend especially for food will have implications for rural demand.”

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