

Wholesale Price Inflation March 2018

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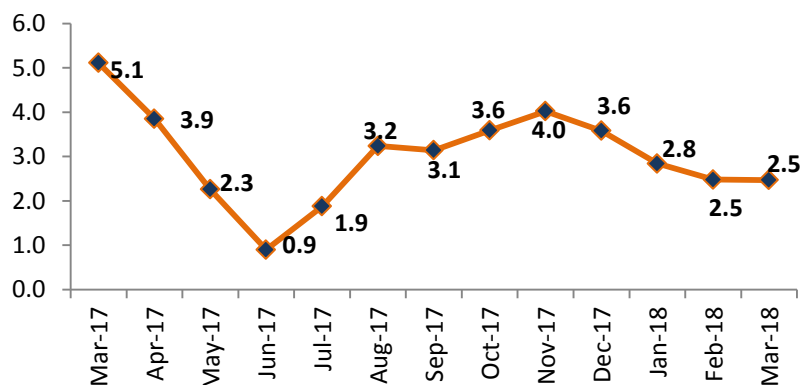
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The Wholesale Price Index (WPI) based inflation for India remained more or less stable for Mar'18, after declining for three successive months. The year-on-year growth in the WPI for Mar'18 came in at 2.48%, equivalent to the growth of 2.47% (prov.) recorded in Feb'18 but much lower than 5.11% in Mar'17. This is the lowest inflation in the last 8 months. This was close to CARE Ratings' estimate of 2.6% in WPI for Mar'18.

On the annual basis, the inflation for FY18 has been recorded at 2.9%, highest in last 3 years. In FY17, the WPI based inflation was 1.7%.

The final inflation for the month of January' 18 has been revised upwards to 3.02% compared with 2.84% (prov.)

Graph 1: WPI Inflation (%)



Source: Office of the Economic Adviser, GOI

The moderation in WPI in Mar'18 was driven by a broad-based decline across segments such as Primary Articles, Fuel and Power, and Manufactured products. Inflation for primary articles declined to 0.2% (y-o-y) from 3.3% over previous year's level. Fuel and Power witnessed a sharp moderation from 22.4% during Mar'17 to 4.7% this month. Manufactured products, which make up nearly two-thirds of the index, witnessed moderation from 3.2% to 3.0%.

Key Highlights:

- The inflation in food articles witnessed contraction and is at a 9 month low at (-)0.3% this month. The moderation this month was driven by Cereals (-0.6%), Paddy (3.0%), (-1.2%) and Vegetables (-2.7%) over year ago levels. Vegetable inflation turned negative for the first time since June'17.
- There however was an uptick in Potato (43.4%), Onion (42.2%) and Fruits (9.3%) over the previous twelve months.

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- Cereals and wheat have both witnessed deflation every month over the past six months, i.e. since Oct'17.
- Compared with the previous month, Potato prices have increased from 11.7% to 43.3% due to drop in the production. On the other hand, onion prices have witnessed a decline from 118.9% to 42.2% as the fresh produce entered the market during the month.
- Among Fuel and Power products, there were sharp declines among all three major components – LPG (-9.0%), Petrol (2.6%) and High Speed Diesel (6.1%) from year ago levels.
- Manufactured Products moderated from 3.2% to 3.0% from year ago levels. Inflation eased in this segment largely due to moderation in Food Products (0.3%), Sugar (-10.5%), Textiles (1.1%), Plastic Products (-0.9%) and Transport Equipment (0.6%).
- Leather Products witnessed an increase of inflation to 0.1% for a second consecutive month. Metals, Tobacco Products and Paper and Paper Products also rose to 4.1%, 7.0% and 4.5%, respectively over year ago levels.

Table 1: Growth of WPI in Various Segments (%) in FY18

Group	Weight(%)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Mar 2017
All Commodities	100	3.9	2.3	0.9	1.9	3.2	3.1	3.7	4.0	3.6	3.0	2.5	2.5	5.1
Primary Articles	22.62	1.0	-1.7	-4.2	0.6	3.0	0.7	3.7	5.6	3.9	2.5	0.8	0.2	3.3
Food Articles	15.26	0.6	-2.1	-3.3	2.4	5.8	2.0	4.3	6.4	4.7	3.2	0.9	-0.3	3.2
Non- Food Articles	4.12	-0.1	-0.9	-5.0	-6.1	-3.4	-2.6	-0.5	-0.2	-0.3	-1.3	-2.7	-1.4	3.8
Fuel and Power	13.15	17.1	11.8	5.2	4.4	9.9	10.5	10.9	8.4	8.0	4.7	3.8	4.7	22.4
Manufactured Products	64.23	3.1	2.6	2.4	2.1	2.4	3.0	2.6	2.7	2.8	3.0	3.0	3.0	3.2

Source: Office of the Economic Adviser, GOI

Table 2: WPI Inflation Build Up over March

Group	Weight(%)	Inflation (Apr '17 - Mar '18)	Inflation (Apr '16 - Mar '17)
All Commodities	100	2.5	5.1
Primary Articles	22.62	0.2	3.3
Food Articles	15.26	-0.3	3.2
Non- Food Articles	4.12	-1.4	3.8
Fuel and Power	13.15	4.7	22.4
Manufactured Products	64.23	3.0	3.2

Source: Office of the Economic Adviser, GOI

CARE Ratings' View:

We expect food prices to remain moderate in the coming months. Inflationary threats however could emerge from:

- Increase in international oil prices
- Unseasonal weather patterns
- Minimum Support Prices for select crops

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