

Which commodities have contributed to Inflation?

Overview

A major concern affecting the Indian economy has been inflation. Inflation for most part of FY12 and FY13 maintained an accelerating trend, with headline WPI inflation averaging 7.4% in FY13. While core inflation has moderated considerably, a resurfacing of inflation in primary articles has been observed in FY14.

Inflation numbers increased continuously since July 2013 and touched 7.5% in the month of November, which moderated in the months of December (6.2%) and January 2014 (5.1%). However the average inflation of April – Jan FY14 remains above 6% (6.1%). Retail inflation (measured by the CPI) has been above the 9% mark for the year so far barring the month of January 2014 where in it came at 8.8%. CPI inflation entered double digits in the month of October (10.2%) and November (11.7%) on account of rising food prices.

In this context, it is useful to examine the contribution of various components of the WPI to inflation. This Report covers how various sub groups have influenced inflation in terms of their share. The report is based on the data for January 2014 (latest available period) for both WPI and CPI.

Wholesale Price Index

Table 1: Group wise share in WPI Inflation (%)

January 2014	Weights	Share in inflation
Primary Articles	20.1	35.7
Fuel & Power	14.9	33.4
Manufactured Products	65.0	30.9
All Commodities	100.0	100.0

Source: Office of Economic Advisor

The table above shows inflation is more or less evenly distributed among the various sub groups.

- Manufacturing products with the highest weight, however contributed least to the inflation. Share of manufacturing products in total inflation was 30.9%
- Primary articles with a weight of 20.1% had the highest share in inflation at 35.7%.
- Fuel & Power’s contribution to inflation stands at 33.4%.

Primary Articles

As can be seen, large part of inflation comes from primary articles, particularly food articles. The table below provides information on the various sub groups under primary articles and their percent share in inflation.

Table 2: Primary Articles (%)

January 2014	Weights	Share in inflation
Primary Articles	20.1	35.7
(A) Food articles	14.3	31.5
Food Grains	4.1	6.5
Cereals	3.4	7.6
Pulses	0.7	-1.2
Vegetables	1.7	6.4
Fruits	2.1	2.5
Milk	3.2	5.7
Egg, Meat & Fish	2.4	7.8
Condiments & Spices	0.6	3.2
Other Food Articles	0.2	-0.4
(B) Non – food articles	4.3	4.5
Fibres	0.9	4.0
Oilseeds	1.8	-0.9
Other non – food articles	1.4	0.5
Flowers	0.2	0.9
(C) Minerals	1.5	-0.1
Metallic minerals	0.5	-3.8
Other minerals	0.1	-0.1
Crude Petroleum	0.9	3.7

Source: Office of Economic Advisor

- From the 35.7% share of primary articles, 31.5% is contributed by food articles.
 - 4 products groups: cereals, vegetables, eggs meat and fish and milk products accounted for 27.5% of inflation
 - Under food articles eggs, meat & fish and cereals had higher shares in inflation
 - Share of food grains was 6.5% while that of vegetables 6.4%
 - Most of food grains inflation is from cereals which include rice (5.7%) and wheat (1.9%). Higher MSPs could be one contributing factor here as output has been robust.
 - Negative share of pulses indicates prices of pulses have declined in January 2014 as against those in January 2013.
 - Under vegetables, tapioca (2%), Cabbage (1.1%) and Potatoes (0.9%) were seen to have major share.
 - Milk contributed 5.7% to the overall inflation.
- Non – food articles contributes 4.5%, most of which comes from fibres (4.0%)
 - Within fibres, share of raw cotton stands at 3.5%
 - Share of flowers stands at less than 1% (0.9%)
- Prices of minerals declined in January 2014 when compared with the prices of same month last year.

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Fuel & Power

- Fuel & Power group contributed to 33.4% of overall inflation with a weight of just about 15%.
 - Most of this inflation came from mineral oils, with a share of 25.3%
 - With mineral oils highest contributor was high speed diesel (15.1%) followed by Naphtha (3.1%). This period also coincides with the government increasing the prices of diesel in a calibrated manner.
 - Share of electricity stood at 13%
 - Most of the inflation on account of electricity came from Industrial electricity (5.0%) and Agricultural electricity (4.2%)
 - Coal prices witnessed decline in January 2014

Table 3: Fuel & Power (%)

January 2014	Weights	Share in inflation
Fuel & Power	14.9	33.4
(A)Coal	2.1	-4.6
Non – cooking coal	1.0	-5.1
(B)Mineral oils	9.4	25.3
High Speed Diesel	4.7	15.1
Naphtha	0.8	3.1
(C)Electricity	3.5	13.0
Electricity (Domestic)	0.9	2.8
Electricity (Agricultural)	0.8	4.2
Electricity (Industry)	1.3	5.0

Source: Office of Economic Advisor

Manufactured Products

- Manufactured products with a share of 30.9%, contributed proportionately the least to overall inflation.
 - Among the manufactured products, most of the inflation was contributed by textiles with a share of 7.4%
 - Within textiles, cotton textiles contributed 3.5%
 - Share of manmade textiles stood at 1.5%, which mostly came from manmade fibres (1.0%)
 - Second was chemical & chemical products with a share of 6.1%
 - Basic organic chemicals contributed the most with a share of 2.4%
 - Share of machinery and machine tools stood lower at 3.3%
 - Electrical machinery, equipment contributed 1.1
 - Share of rubber and plastic products stood marginally lower than machinery and machine tools at 3.2%, most of which came from plastic products with a share of 2.1%.

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Table 4: WPI: Manufactured Products (%)

January 2014	Weights	Share in inflation
Manufactured products	65.0	30.9
(A)Food Products	10.0	2.9
Dairy products	0.6	0.5
Canning, Preserving & Processing	0.4	1.3
Grain Mill products	1.3	0.7
Bakery products	0.4	0.5
Sugar, Khandsari & Gur	2.1	-1.8
Edible Oil	3.0	-1.1
(B)Beverages, Tobacco & Tobacco products	1.8	2.0
Wine industries	0.4	0.2
Soft drinks & carbonated water	0.2	0.2
Manufactured bidi, cigarette etc	1.0	1.6
(C)Textiles	7.3	7.4
Cotton textiles	2.6	3.5
Manmade textiles	2.2	1.5
Woolen textiles	0.3	0.4
Other Misc textiles	2.0	1.8
(D)Wood & wood products	0.6	0.3
Timber/Wooden Planks	0.2	0.1
Plywood & fibre board	0.2	0.2
(E)Paper & paper products	2.0	1.3
Paper & pulp	1.0	0.6
Manufacturing of boards	0.5	0.1
Printing & publishing	0.5	0.5
(F)Leather & leather products	0.8	1.0
Leather footwear	0.4	0.6
(G)Rubber & Plastic products	3.0	3.2
Tyres & tubes	0.5	0.8
Plastic products	1.9	2.1
Rubber products	0.6	0.3
(H)Chemical & chemical products	12.0	6.1
Basic inorganic chemicals	1.2	0.1
Basic organic chemicals	2.0	2.4
Fertilizers & pesticides	3.1	0.3
Paints, varnish & lacquers	0.5	0.2
Dyestuff & indigo	0.6	0.2
Drugs & medicines	0.5	0.1
Perfumes, cosmetics, toiletries	1.1	0.8
Turpentine, plastic chemicals	0.6	0.4
Polymers including synthetic rubber	1.0	0.7
Petrochemical intermediates	0.9	0.6
Matches, explosives & other chemicals	0.6	0.4
(I) Non-Metallic mineral products	2.6	0.2
Structural clay products	0.7	0.8

Which commodities have contributed to Inflation?

Cement & lime	1.4	-0.7
(J) Basic metals, alloys & metal products	10.7	0.7
Ferrous metals	8.1	0.9
Non-ferrous metals	1.0	0.3
Metal products	1.7	-0.4
(K) Machinery & machine tools	8.9	3.3
Industrial machinery	1.8	0.8
Electrical machinery, equipment	2.3	1.1
Electrical accessories, wires, cables etc.	1.1	0.9
(L) Transport, equipment & parts	5.2	2.7
Automotive	4.2	2.4
Auto parts	0.8	0.3

Source: Office of Economic Advisor

- Food products contributed 2.9% to the overall inflation, which mostly came from canning, preserving & processing with a share of 1.3%
- 2.7% of overall inflation is attributed to transport, equipment & parts, which mostly comes from automotive (2.4%) such as motor vehicles (1.1%)
- Share of Beverages, tobacco & tobacco products stood at 2%
 - The main contributor to this sub group is manufactured bidi, cigarette etc (1.6%)
- Other sub groups such as paper & paper products (1.3%), leather & leather products (1.0%), basic metals, alloys & metal products (0.7%), wood & wood products (0.3%) and non – metallic mineral products (0.2%) in total comprise of 3.5% of inflation.

Consumer Price Index

Table 5 below provides information on contribution of various components of the index to retail inflation.

- More than half of CPI inflation comes from food, beverages and tobacco with a share of 56.4% in overall retail inflation.
 - Most of it comes from cereals and products (18.4%), followed by egg, fish & meat (5.5%) and condiments & spices (5.1%).
 - Unlike WPI inflation, share of vegetables in CPI inflation is lower at 4.6%
- Miscellaneous items such as education, medical care, recreation and amusement, transport and communication and household requisites contribute 20.4% to retail inflation
- Housing contributed 11.2% to overall CPI inflation
- Fuel & Light (7.3%) and clothing, bedding and footwear (5.3%) components have relatively lower shares in retail inflation.

Which commodities have contributed to Inflation?

Table 5: Group wise share in CPI Inflation (%)

January 2014	Weights	Share in inflation
General Index	100.0	100.0
Food, Beverages and Tobacco	49.7	56.4
Cereals and Products	14.6	18.4
Egg, Fish and Meat	3.9	5.5
Condiments and Spices	5.4	5.1
Vegetables	1.9	4.6
Fruits	1.9	3.7
Milk and Products	2.9	3.4
Prepared Meals etc.	2.8	2.9
Pan, Tobacco and Intoxicants	2.1	2.5
Fuel and Light	9.5	7.3
Housing	9.8	11.2
Clothing, Bedding and Footwear	4.7	5.3
Clothing and Bedding	4.1	4.7
Footwear	0.7	0.7
Miscellaneous	26.3	20.4

Source: MOSPI

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