

# Aug WPI Eases to 12.4% as Commodity Prices Decline

Economists expect wholesale inflation to fall to single digits in September

## Our Bureau

**New Delhi:** India's wholesale price inflation eased for the third successive month to an 11-month low of 12.4% in August, aided by a fall in commodity prices, diverging from retail inflation that reversed its recent declining trend to hit 7% last month.

Wholesale food inflation, however, increased to 12.4% in August from 10.8% in July, suggesting that Consumer Price Index (CPI)-based inflation may remain sticky, given the high weight of food items in the index. The rise in wholesale food inflation last month was led by an increase in staples such as paddy and wheat.

Inflation based on the Wholesale Price Index (WPI) was 13.4% in July and 11.64% in August 2021. This is the seventeenth consecutive month wholesale inflation has been in double digits.

"While the gap between WPI and CPI is closing, providing some relief to producers, it remains wide enough to keep the MPC (Monetary Policy Committee of the central bank) on its path of front-loaded rate hikes," said Rahul Bajoria, chief India economist at Barclays.



## PASSING ON BENEFITS

**Experts say while easing wholesale inflation is a positive development, it remains to be seen if firms will pass on the benefit to final consumers**

Economists expect the MPC to raise repo rate by another half a percentage point at its month-end review to rein in higher-than-expected retail inflation.

"While easing wholesale inflation is a positive development, it remains to be seen if firms will pass on the be-

nefit to final consumers," said Rajani Sinha, chief economist at CareEdge. "If not, then bringing retail inflation within the target range could take even longer."

Economists expect wholesale inflation to fall to single digits in September. The decline in wholesale inflation was largely due to slower rise in prices of commodities including crude. Wholesale inflation for the fuel and power basket eased to 33.67% in August from 43.75% in July.

Inflation in manufactured products, which has the highest 64.2% weight in the WPI basket, moderated to 7.5% in August from 8.2% in July, though there was a mixed trend across 21 sub-sectors.

The core WPI inflation, which excludes volatile energy and food prices, dipped to a 17-month low of 7.9% in August 2022 but remained high.

Policymakers watch core inflation to gauge demand pressure and assess future inflation.

"This (decline in WPI inflation) has been enabled by the cooling of international prices of commodities," said Bank of Baroda chief economist Madan Sabnavis. "Lower inflation is visible in all the three segments, which is positive."