

WPI Inflation eases to a 5-month low



In July, fruit prices rose 29.44% and vegetable prices rose 18.25% on the year (Photo: Mint)

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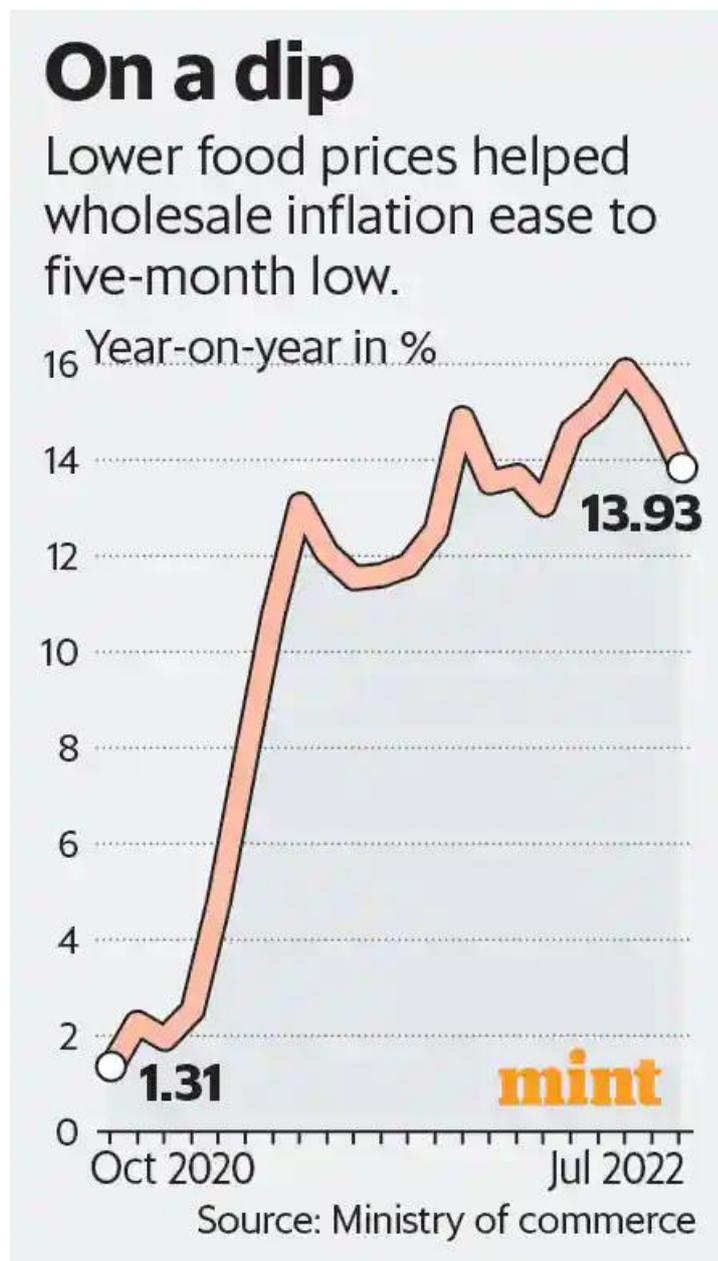
RBI governor Shaktikanta Das has said that retail inflation is expected to remain above the central bank's 6% threshold in the second and third quarters of this fiscal year. The central bank has projected retail inflation to average 6.7% in 2022-23.

Wholesale inflation eased to a five-month low in July owing to a sharp fall in food prices. The inflation print fell below the 15%-mark for the first time in four months. With global prices of commodities and fuel easing significantly amid recessionary concerns, economists expect domestic prices to cool further in the coming months.

Wholesale Price Index (WPI)-based inflation eased to 13.93% in July from a three-month low of 15.18% in the previous month, as per data released by the ministry

of commerce and industry on Tuesday. It was the sixteenth straight month of double-digit WPI inflation growth.

Wholesale prices had started easing last month with international oil prices coming down from over \$100 a barrel amid a global demand slowdown. The global oil benchmark, Brent, cooled to \$94.27 a barrel on Tuesday on weaker-than-expected economic indicators reported by China.



“The fall in WPI inflation for the second consecutive month comes as a big relief. The easing of WPI inflation in July is primarily led by lower food, metals and chemical prices. If not for a sharp sequential rise in mineral oil prices and hike in

electricity tariff, the fall in WPI inflation would have been sharper. Going ahead, the signs of global supply chain normalization coupled with recession fears in major economies should support the downtrend in commodity prices.

Consequently, wholesale price inflation is expected to ease further in coming months. However, lower sowing of paddy and tight supply of wheat could limit the fall in primary inflation. Further, a weaker rupee would to some extent mitigate the benefit of decline in commodity prices," said Rajani Sinha, Chief Economist at CareEdge.

Official data showed that food inflation in July moderated to an eight-month low of 8.7% compared with 11.8% in June as the rate of price rise in vegetables eased substantially to 18.25% from 56.75%.

Manufacturing inflation declined to a 16-month low of 8.16% in July from 9.19% in June. "The base effect is expected to further lead to a moderation in the manufacturing inflation in the foreseeable future....Global commodity prices have cooled off somewhat in recent months due to recessionary concerns in developed countries and the Covid-led slowdown in China but they still remain higher than pre-war levels. Nevertheless these price levels would continue to exert pressure on inflation, going forward," said Sunil Kumar Sinha, principal economist at India Ratings and Research.

However, fuel and power inflation inched up to 43.75% in July from 40.38% in June. Core WPI decelerated further to 8.4% from 9.3% on the back of cooling global commodity prices.

"The print is only expected to move within the comfort band in the fourth quarter, as price pressures in the economy remain contingent upon the evolving geopolitical developments. We believe that ongoing global issues on the energy front and commodity inflation would continue impacting domestic inflation to some extent over the near to medium term, while towards FY23-end we would see inflation coming under control," Reliance Securities said.

Experts said the central bank could continue to increase policy rates as retail inflation remains well above RBI's comfort zone. RBI governor Shaktikanta Das said inflation is expected to remain above the central bank's 6% threshold in the second and third quarters of this fiscal year.

