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India's WPI inflation eases to 10.7 per cent in September

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The wholesale-based (WPI) inflation eased to 10.7 per cent in September as against 12.41 per cent in August, 2022.

The number has remained in double digits for the 18th consecutive month, however, it is significant to note that it has moderated to an 18-month low as well.

“Inflation in September, 2022 is primarily contributed by rise in prices of mineral oils, food articles, crude petroleum & natural gas, chemicals & chemical products, basic metals, electricity, textiles etc. as compared to the corresponding month of the previous year,” stated a press release.

Inflation in food articles basket in September eased to 11.03 per cent as compared with 12.37 per cent in the preceding month. The manufacturing goods segment recorded a growth of 6.34 per cent.

Primary Articles, which is a key segment, witnessed a growth of 11.73 per cent.

Fuel and power segment, the WPI number came in at 32.61 per cent as against 33.67 per cent in August.

"The moderation in inflation number has been led by easing commodity prices of basic metals, chemical products, textiles and manufactured food products. We expect WPI inflation to ease to a single-digit number from October aided by a fall in global commodity prices and a favourable base. The impact of easing inflation at the wholesale level could be reflected at

the retail level with some lag as the pass-through to the consumer prices is still incomplete," said Rajani Sinha, Chief Economist at CaredEdge.

"The ongoing episode of excess post-monsoon rainfall in North-west and Central India is expected to disrupt supplies of perishables and impact the kharif harvest and lead to a delay in rabi sowing, thereby posing upside risks to the wholesale food inflation outlook. Besides, the recent depreciation in the USD/INR pair would also weigh on the landed price of imports in the ongoing month. Nevertheless, we expect the WPI inflation to ease to ~9-10% in October 2022, aided by a high base (+13.8% in October 2021) thereby posting the first single digit print after a gap of 18 month stated a report by ICRA.

Recently, the retail inflation for the month of September surged to 7.4 per cent breaching the upper limit of RBI's tolerance band (2-6 per cent) for the ninth consecutive month on the back of rising food prices.

Since the inflation has remained above RBI's comfort zone for the three consecutive quarters, it will have to submit a report to the central government explaining the reasons for its failure. RBI's letter to government will also include remedial actions that the bank will be taking to check the price rise.

The central bank has been aggressively raising the key interest rate since May in a bid to contain inflation. It has so far raised the short-term lending rate by 190 basis points taking the repo rate to a nearly three-year high of 5.9 per cent.