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**THE TIMES OF INDIA**

# Wholesale inflation eases to 4-mth low at 1.2% in December

TNN | Jan 15, 2021, 07:17 AM IST



NEW DELHI: Wholesale inflation, as measured by the wholesale price index (WPI), eased to a four-month low in December largely due to deflation in primary articles, fuel and some food items but economists said the RBI may still continue with its pause on interest rate cuts.

Data released by the commerce and industry ministry on Thursday showed inflation contracted to 1.2% in December, lower than 1.6% in November and 2.8% in December 2019. Inflation in the primary articles group contracted for the first time in five months at 1.6% in December, while wholesale food inflation declined 1.1% during the month compared with 13.3% in the same year earlier month.

Arrival of fresh supplies helped ease prices in cereals and vegetables. Cereals contracted an annual 6.5%, while vegetable prices fell 13%. Onion prices, which had been on fire earlier, contracted 55% in December, while wheat prices dipped 11%. Inflation in potato prices persisted and rose 38%, third consecutive month of elevated prices.

The trajectory of the WPI data was similar to the retail inflation data, which was released earlier and showed a sharp moderation in December on the back of softening of food prices and improved supplies. The WPI data also showed that core inflation (excluding food and fuel) rose to a 24-month high of 4.2%, which economists said injected an element of uncertainty

over the trajectory of WPI in the months ahead. “Wholesale prices will continue to see a moderate pick-up in the coming months, especially in manufacturing, owing to firming up of global metal prices following the opening up of the economy,” said Madan Sabnavis, chief economist at Care Ratings.