

Wholesale price inflation declines to 4.95% in December 2022

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India's wholesale price inflation slipped to a 22-month low of 4.95% in December 2022 from 5.85% in November, fostering hopes of further easing in the price rise faced by consumers, as producers may slow down the pass-through of input costs at the retail level.

This is the second month in a row that wholesale inflation has been lower than retail inflation which came in at 5.88% in November and 5.72% for December. Retail inflation had peaked at an eight-year high of 7.8% in April 2022, and hovered above the central bank's tolerance threshold of 6% for ten months from January last year.

Wholesale inflation had hit a record high of 16.63% in May 2022 and was above the 10% mark for 18 successive months till September 2022. December's wholesale inflation rate marked the seventh consecutive month of cooling wholesale price rise and was also aided by the base effect as it had touched a steep 14.3% in the same month of 2021.

Fuel and power is the only category to record an acceleration in price rise in December, from 17.35% in November to 18.1%, while food and primary articles' inflation moderated sharply from 2.2% to 0.65% and 5.5% to 2.4%, respectively, over the same period. Manufactured products' inflation eased marginally from 3.6% in November to 3.4% last month.

A sharp drop in vegetable prices and lower food, textiles and mineral prices helped cool the wholesale inflation rate, but upside risks remain for commodity and oil prices, especially with the reopening of the Chinese economy, said Rajani Sinha, chief economist at CARE Ratings.

If commodity prices do not rebound strongly, wholesale inflation could be in the range of 4.5% and 4.9% in January, before easing to below 2% by March, said ICRA chief economist

Aditi Nayar.