

Wholesale Price Inflation: December 2015

Headline deflation witnessed a significant moderation for the fourth consecutive month. WPI was recorded at near-zero levels of -0.7% for Dec'15 (**lower than CAREs forecast of -0.3%**) compared with -2% in the previous month and -0.5% recorded in the corresponding period of the previous fiscal. **The persistent rise in prices of primary articles for four consecutive months has been the main component building the inflationary pressure.**

The table below captures the trend in WPI for the last six months-

Table 1: WPI inflation over the last 6 months (%)

Group	Rates of Inflation for last six months					
	July-15	Aug-15	Sept-15	Oct-15	Nov-15	Dec-15
All commodities	-4.0	-5.1	-4.6	-3.7	-2.0	-0.7
Primary Articles	-4.0	-4.2	-2.3	-0.0	2.3	5.5
<i>Food Articles</i>	-1.2	-1.0	0.8	3.3	5.2	8.2
<i>Non-food Articles</i>	-0.5	-0.5	2.7	5.1	6.3	7.7
Fuel & Power	-11.6	-16.2	-17.7	-16.3	-11.1	-9.2
Manufactured Products	1.5	-2.0	-1.7	-1.7	-1.4	-1.4

Source: Ministry of Commerce and Industry

- The chief contributor to inflation has been the primary articles segment (14.91% weight) with inflationary pressures emerging from both food and non-food articles. Overall, prices of primary articles recorded an increase of 5.5% over 2.3% in the previous month and 0.3% in the same period last year.
 - Within primary articles, the rate of **food inflation has been the main point of concern** rising from 5.2% to 8.2% in Dec'15. This has been mainly on account of some select commodities which have recorded persistent rise over the past few months. The main components include **pulses (55.4) %, vegetables at (20%), onions (25.9%) and Egg, Meat & Fish (5%)**.
 - Inflation in non- food articles too was at recorded at significantly higher level at 7.7% for the month compared to 6.3% in the previous month. The considerable rise in prices of fibers (2.4%) and oil seeds (8%) have been the major contributors to the rise in prices of non- food articles.
- Persistent fall in international crude oil prices which fell below \$40/ barrel have continued to feed into the domestic prices of fuel and power. Sharp contraction in price was recorded for Liquefied petroleum products (-9.1%) albeit lower than the past few months. Prices of petrol and high speed diesel too continued to contract during the month.

- Likewise, manufactured products though witnessed moderation in prices; the pace remained stable at -1.4% for Dec'15. This has been mainly on account of the consistent decline in international prices of commodities particularly that of metals which contracted sharply by -8.7%, and Iron & Semis by -14%. The decline in the prices of other products viz. Sugar (-8.3%), Cotton textiles (-2.3%), Man - made textiles (-3.4%) rubber products (-2.4%) and chemicals (-1.6%) too contributed to the further decline.

Going Forward

Given the pickup in prices of primary articles over at the past few months with upside risks emanating particularly from the food basket one can expect the headline inflation to move in the upward direction in the coming months. Also, a marginal positive inflation is likely to be seen by March. CARE estimates, **WPI inflation to inch up to 2% by March 2015**

Contact:

Madan Sabnavis

Chief Economist

madan.sabnavis@careratings.com

91-022-67543489

Jyoti Wadhvani

Associate Economist

jyoti.wadhvani@careratings.com

91-022-675435631

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