

## Wholesale Price Inflation: March 2015

Wholesale inflation continues to decelerate in the month of March as well, wherein it came in at -2.3% (y-o-y) as against 6.0% during the corresponding period of the previous fiscal year. The slowdown in price rise is a positive sign with a marked decline across the broad heads of the WPI:

- Primary articles have come down on y-o-y basis. However, food products still show a high inflation rate of 6.3%
- Fuel prices continue to fall
- Manufactured goods inflation remains weak

### Wholesale Price Index (WPI)

The table below provides a snapshot of WPI inflation at terminal points of FY14 and FY15 and also the average inflation in the last two fiscal years.

**Table: Inflation (y-o-y) %**

%	March		Average	
	2014	2015	FY14	FY15
Primary Articles	7.3	0.1	9.8	3.2
<i>Food Articles</i>	9.6	6.3	12.8	6.1
<i>Non – food articles</i>	4.9	-7.1	5.6	-0.5
Fuel & Power	11.8	-12.6	10.2	-0.9
Manufactured Products	3.7	-0.2	3.0	2.4
<b>All Commodities</b>	<b>6.0</b>	<b>-2.3</b>	<b>6.0</b>	<b>2.1</b>

*Source: Ministry of Commerce & Industry*

### WPI Inflation in March

- WPI inflation for all commodities registered a negative growth of 2.3% in March’15 as against 6.0% in the corresponding month of previous year.
  - **‘Primary articles’** inflation declined from 7.3% in March’14 to 0.1% in March’15
    - **Food articles prices declined to 6.3% as against 9.6% in March’14**
      - There has been a deceleration in inflation across all major food articles namely cereals, rice, wheat, potatoes, etc.
      - **Fruits continue to show high increase, while pulses have registered increase of 13.2%**
    - Non – food articles witnessed negative growth of 7.1% in March’15 (4.9%)
  - **‘Fuel & Power’** has been another contributor to the low wholesale inflation in March’15, witnessing negative inflation of 12.6%. This does not come as a surprise as global crude prices

have moderated significantly from a year ago levels. The significant decline in the WTI and Brent largely explains the fall in domestic fuel and power inflation as stated in the table above.

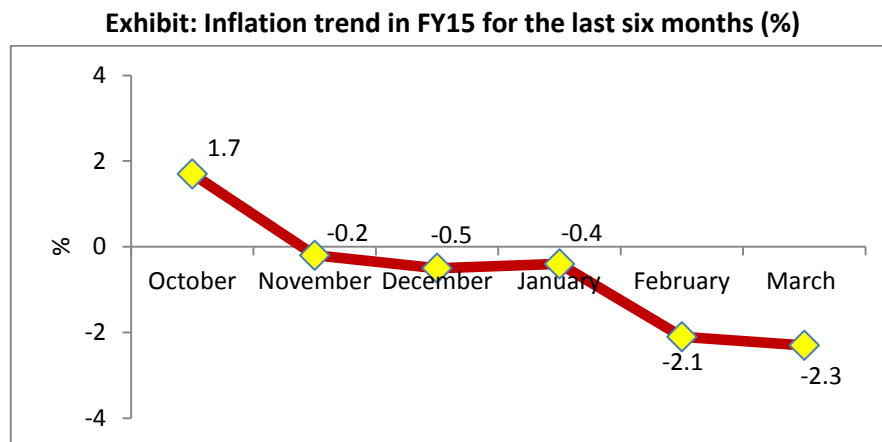
- **‘Manufactured Products’** declined from 3.7% in March’14 to -0.2% in March’15. Declining global commodity prices has contributed to this movement

**Average Inflation**

Barring the month of May, the WPI inflation has been declining in all months of the fiscal year, resulting in a lower average inflation of 2.1% in FY15 as against 6.0% in FY14.

- Average inflation in primary articles declined from 9.8% in FY14 to 3.2% in FY15. Inflation in food articles witnessed lower growth of 6.1% when compared with 12.8% in FY14, while non – food articles experienced a negative growth of 0.5% in FY15 as against a growth of 5.6% in FY14.
- Fuel and power inflation on average also witnessed negative growth of 0.9% from 10.2% growth in FY14.
- Average inflation in manufactured products reduced from 3.0% in FY14 to 2.4% in FY15.

**Monthly Trend**



Source: Ministry of Commerce & Industry

It is evident from the above graph that the inflation during FY15 has been downward bound. While it did rise in May, it has been in the negative territory since November’14. The month of March 2015 witnessed negative growth mainly owing to the steep decline in fuel and power inflation.

**CARE’s View**

The negative inflation is a positive sign. The RBI while taking a call on the interest rates would be watching the inflationary movements closely. Also it would keep a track on the likely impact of the el-Nino effect and the Federal Reserve’s interest rate move. The RBI could cut policy rates in between the policies too if it finds the inflation numbers within its satisfactory limits.

Contact:

**Kavita Chacko**

**Economist**

*Kavita.chacko@careratings.com*

91-022-61443593

**Anuja Shah**

**Associate Economist**

*anuja.jaripatke@careratings.com*

91-022-61443515

**Disclaimer**

*This report is prepared by the Economics Division of Credit Analysis & Research Limited [CARE]. CARE has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this report.*