

## Wholesale Price Inflation: December 2014

Wholesale inflation decelerated for the seventh consecutive month this fiscal as it came in at 0.1% in December'14 (y-o-y) as against 6.4% 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:

- Food prices have come down on y-o-y basis
- Fuel prices continue to fall
- Manufactured goods inflation remains weak

We have here compared inflation on a year-on-year basis, month-on-month basis as well as examined the build-up in price levels in the financial year so far.

### A. Yearly trend : Inflation across product groups

**Table 1: Inflation- November 2014**

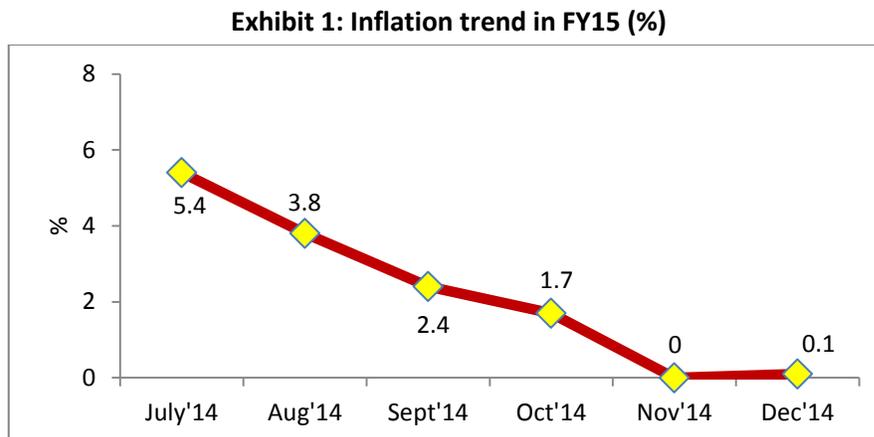
%	WPI (y-o-y)	
	FY14	FY15
Primary Articles	10.8	2.2
<i>Food Articles</i>	13.7	5.2
Fuel & Power	10.9	-7.8
Manufactured Products	3.0	1.6
<b>All Commodities</b>	<b>6.4</b>	<b>0.1</b>

*Source: Ministry of Commerce & Industry*

- WPI inflation for all commodities moderated to 0.1% in December'14 as against 6.4% in the corresponding month of pervious year.
  - **'Primary articles'** inflation declined from 10.8% in December'13 to 2.2% in December'14
    - **This was mainly owing to a significant decline in food articles prices to 5.2% as against 13.7% in December'13**
      - There has been a deceleration in inflation across all major food articles namely cereals, rice, wheat, vegetables, onions etc.
      - **Fruits and milk continue to show high increase, while pulses have registered increase of 5.9%**
    - Non – food articles witnessed negative growth of 3.1% in December'14 (6.0%)
  - **'Fuel & Power'** has been another contributor to the low wholesale inflation in December'14, witnessing negative inflation of 7.8%.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 3.0% in December'13 to 1.6% in December'14. Declining global commodity prices has contributed to this movement.

## B. Monthly Trend



Source: Ministry of Commerce & Industry

It is evident from the above the graph that the inflation during this fiscal has been downward bound. While it did rise in May, it has since been slowing down with marginal increase in the month of December. However, primary articles inflation in the month of December witnessed upward movement to 2.2% as against a negative inflation the month of November. This upward movement has been mainly on account of food articles which increased by 5.2% in the current month.

## C. Build up Inflation in current fiscal year

Build up inflation rate in the financial year so far (April – December'14) stood at -0.3% as against 5.6% in the corresponding period last year. The build-up inflation for primary articles stood at 4.0%, with food articles inflation at 7.7%. Build up inflation for fuel & power declined to -9.2% as against 10.2% last year while manufacturing declined to 0.5% as against 2.6% for April – December'13

## CARE's View

Despite marginal increase in WPI inflation this month, it appears to be within sustainable levels. Food prices have increased in the month of December, but there has also been some cushion from the global side in terms of oil prices. There would be a tendency for food price inflation to move upwards in January and February but overall WPI inflation would still be within acceptable limits. **Thus, we expect the RBI to cut the policy repo rate by 25 basis points in the next policy review to be held on 3<sup>rd</sup> February 2015.**

Contact:

**Madan Sabnavis**  
**Economist**

*madan.sabnavis@careratings.com*  
91-022-67543489

**Anuja Jaripatke**  
**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.*