

WPI-based inflation doubles to 3.55% in July

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Wholesale price index (WPI)-based inflation doubled to a two-year high of 3.55 per cent in July, compared with 1.62 per cent in June, on the back of rise in vegetable and pulses prices.

The official data on WPI, released on Tuesday, came close on the heels of government data showing the retail price index-based inflation jump to 6.07 per cent in July, the highest since the new index was launched in December 2014.

The two sets of data justified the cautious stance of the Reserve Bank of India in retaining the repo rate in its policy review earlier this month. From September onwards, the monetary policy committee would fix the repo rate and has been asked to maintain the consumer price index-based inflation within the two to six per cent range.

Although consumer price index-based inflation is tracked nowadays, WPI inflation gives lead indicator to the former.

After rising for the first time in April, following 17 straight months of contraction, WPI inflation has consistently been pushed up by food inflation, which has risen steadily since February. Besides, a low base effect of deflation at four per cent in July 2015 also made inflation look higher.

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The food inflation shot up to 11.82 per cent in July, after rising to 8.18 per cent in June and 7.88 per cent in May.

WPI-based inflation doubles to 3.55% in July Among food items, brinjal prices rose 59.46 per cent in July, against 22.57 per cent in the previous month. However, the price index of tomatoes was not given in the official data.

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Inflation in potatoes declined somewhat, but it still remained at an elevated level of 58.78 per cent in July, compared to 64.41 per cent in the previous month.

Overall, vegetable prices continued to be dearer, as inflation rose to 28.05 per cent in July, from 16.91 per cent in June. Again, the rate of price rise in vegetables stood at 2.9 per cent in April, after seeing a decline in prices in the first three months of this calendar year.

The rate of price rise for pulses accelerated in July. It went up by 35.76 per cent in July, against 26.61 per cent in the previous month.

Inflation in pulses stood at an elevated level of 22.51 per cent in July, slightly lower than 22.79 per cent in the previous month.

The rate of price rise in fruits also rose to 17.30 per cent in July, from 5.97 per cent in June.

Elsewhere, cereals and non-vegetarian food items also turned more expensive, at a greater pace in July, compared to the previous month.

Once kharif crops arrive in the markets by October onwards, the prices of food items are expected to ease.

“Emerging trends regarding the ongoing kharif sowing suggest an imminent cooling of food inflation in the coming months,” said Icra chief economist Aditi Nayar.

Area sown under kharif crops increased to 95.42 million hectares as on August 12 this year, against 89.51 million hectares in the corresponding period last year.

The prices of manufactured products, which make up nearly 65 per cent of the index, continued to inch up for the fifth straight month, rising 1.82 per cent in July. It had risen 1.17 per cent in the previous month.

Processed food saw inflation rising to 10.19 in July, from 8.35 per cent in the previous month.

Sugar prices rose 32.33 per cent in July, against 26.09 per cent in the previous month, ironically after facing a glut a few months ago.

Edible oil prices also rose 4.18 per cent in July, from 3.42 per cent in the previous month. Its inputs - oilseeds - also witnessed a rise in prices by 5.29 per cent, from 2.52 per cent in this period.

In other manufactured products, cotton textiles saw inflation in July, against price fall in the previous month and cement witnessed increase in the rate of price rise.

Prices for fuel and power continued to fall. However, diesel continued to rise after seeing an uptick in June after many months of consecutive fall. Diesel prices rose 6.57 per cent in July, from the 1.13 per cent rise seen in June.