

Macro Insights

17th January 2023

WPI at a 22-month low

Wholesale inflation measured by WPI eased to 4.95% in December 2022, compared to 5.85% in the previous month i.e. November 2022, while it was 14.27% in December 2021.

Highlights:

- ☞ India's wholesale inflation reduced to its lowest levels in nearly two years.
- ☞ The decline in the rate of inflation in December 2022 was primarily contributed by fall in prices of food articles, mineral oils, crude petroleum & natural gas, food products, textiles and chemicals & chemical products.
- ☞ Inflation in food articles was (-)1.25%, while in fuel and power it was 18.09% during December 2022.
- ☞ Food index rose to 0.65% in December, with prices of vegetables falling nearly 36% year-on-year.
- ☞ Inflation in manufactured products was 3.37% during the month under review.

Chart: Wholesale Price Index - Dec'22

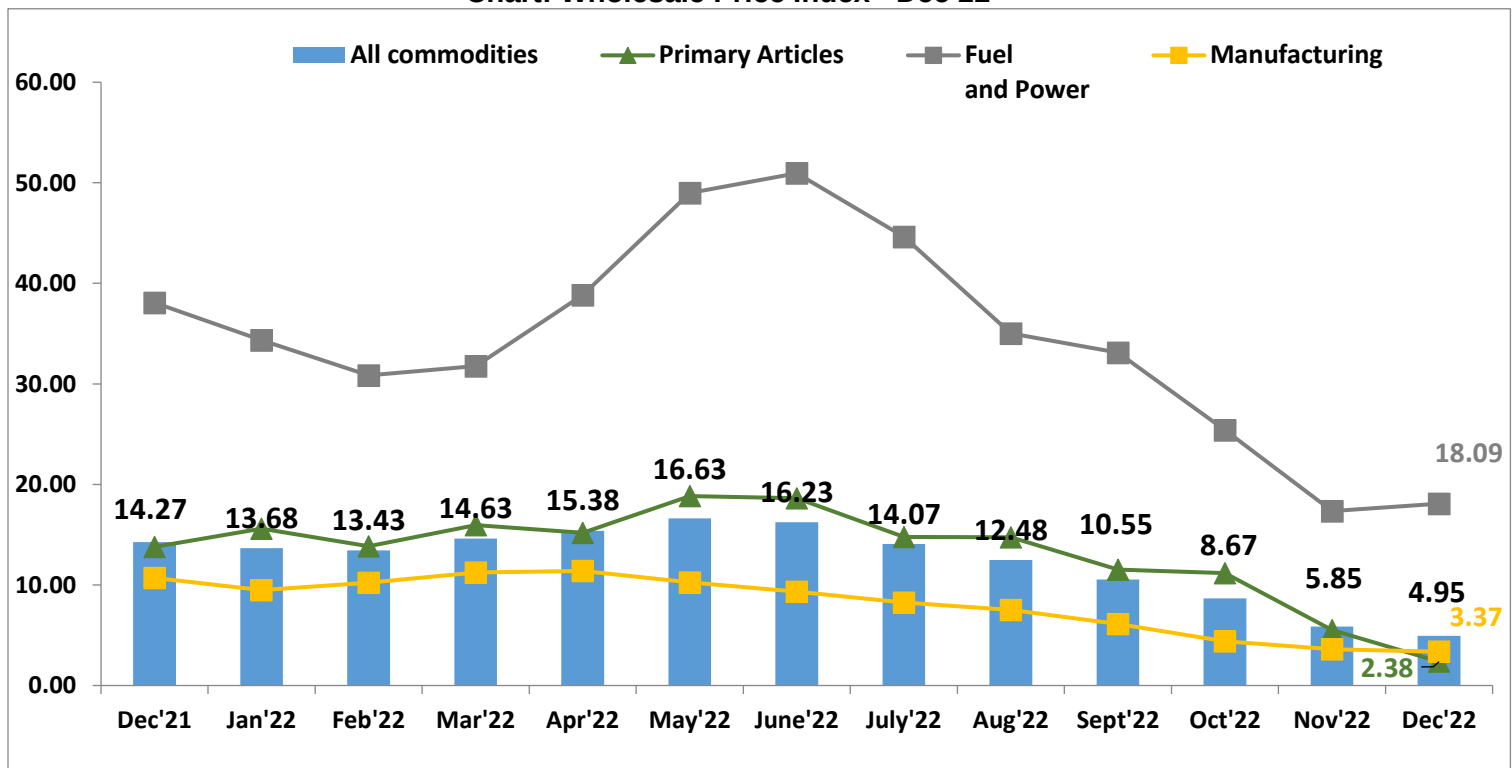


Table: Components of WPI

WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
October	7.38	11.17	38.61	25.40	12.87	4.42	0.06	8.45	13.83	8.67
November	10.21	5.52	44.37	17.35	12.34	3.59	4.82	1.07	14.87	5.85
December	13.78	2.38	38.08	18.09	10.71	3.37	9.68	-1.25	14.27	4.95

Views:

1. The WPI Inflation slipped below 5% for the first time since February 2021.
2. The decline in the primary articles was mainly supported by the substantial fall in prices of vegetables and a favourable base.
3. Even though the food articles witnessed a deflation in December 2022, cereals prices saw the fifth consecutive month of double-digit inflation. It is now at a 113-month high.
4. Low Manufacturing inflation reflects the cooling down of the global commodity prices.
5. On the other hand, the country's retail inflation at 5.72% remained under the central bank's upper tolerance limit of 6% for the second consecutive month.
6. Going forward, **high base along with softening of global commodity prices, is expected to further reduce WPI inflation in the coming months.**

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