

# Macro Insights

17<sup>th</sup> January 2023

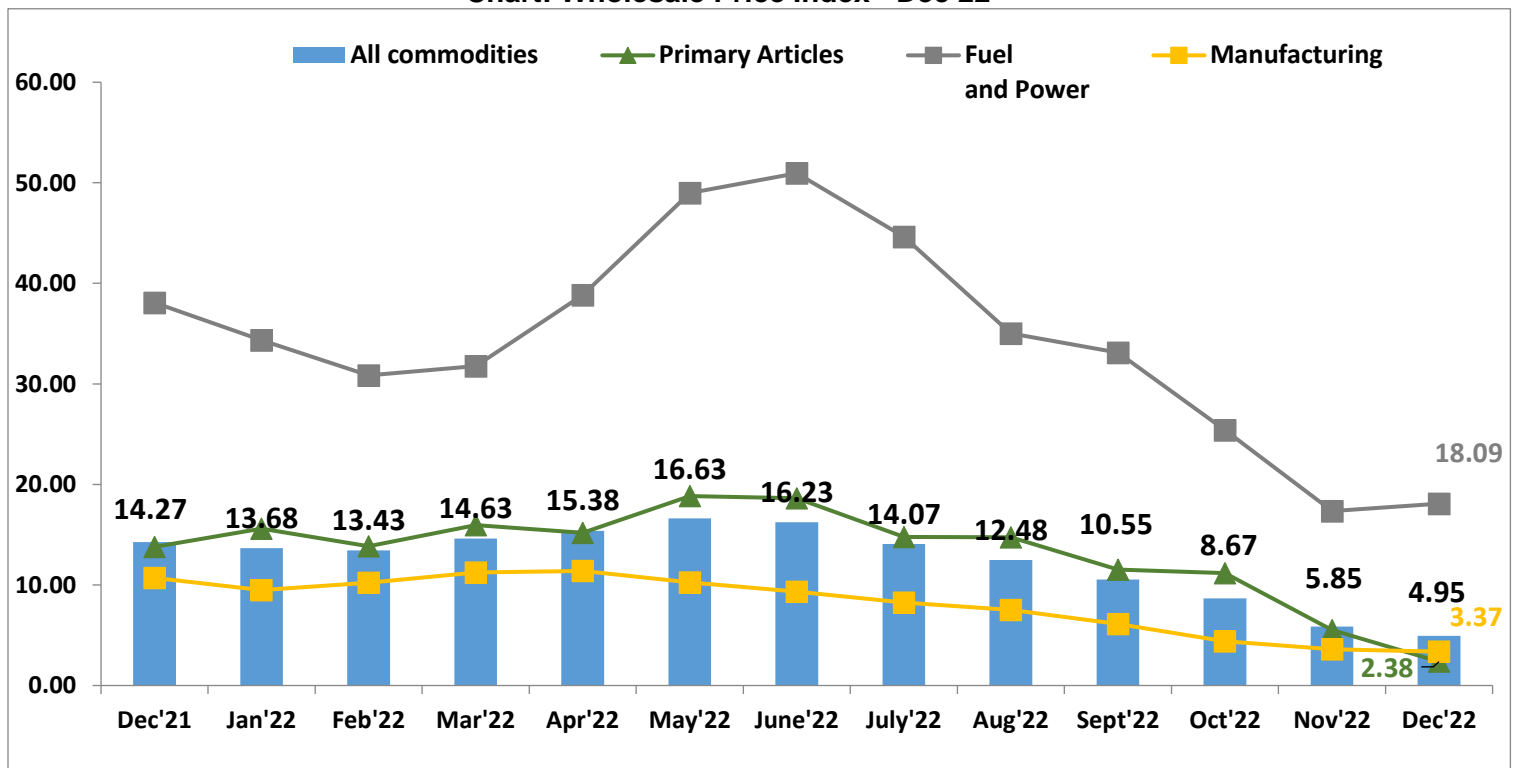
## WPI at a 22-month low

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									
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
	22.62%		13.15%		64.23%		15.26%		100%	
<b>October</b>	7.38	<b>11.17</b>	38.61	<b>25.40</b>	12.87	<b>4.42</b>	0.06	<b>8.45</b>	13.83	<b>8.67</b>
<b>November</b>	10.21	<b>5.52</b>	44.37	<b>17.35</b>	12.34	<b>3.59</b>	4.82	<b>1.07</b>	14.87	<b>5.85</b>
<b>December</b>	13.78	<b>2.38</b>	38.08	<b>18.09</b>	10.71	<b>3.37</b>	9.68	<b>-1.25</b>	14.27	<b>4.95</b>

**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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