



Confederation of Indian Industry

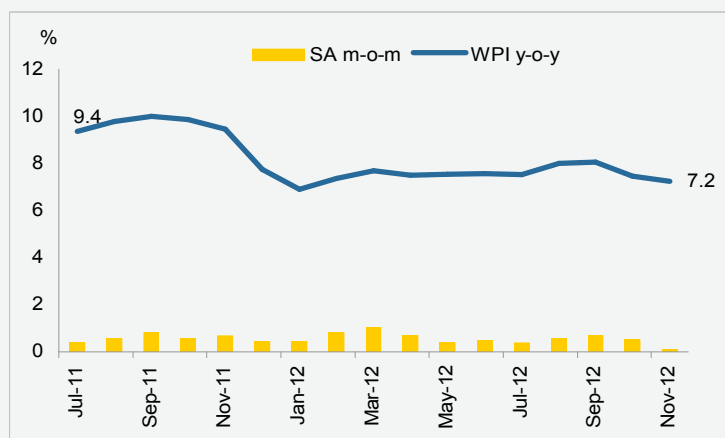
Economy Update - Inflation



WPI inflation moderates in November 2012

14 December, 2012

Inflation decelerates in November 2012



- Wholesale price based inflation (WPI) moderated to a 9-month low of 7.2 per cent in November 2012 as compared to 7.5 per cent in the previous month on account of deceleration in fuel and manufacturing inflation. Inflation reading for September 2012 was meanwhile revised upwards to 8.1 per cent from 7.8 per cent.

- On a sequential basis (seasonally-adjusted basis) inflation remained steady at 0.3 per cent during the month.

- Despite the increase in overall food inflation in November 2012, the sharp moderation in non-food manufacturing inflation is an encouraging sign. This we feel, should pave way for the RBI to cut interest rates at the earliest.

Sectoral components of inflation

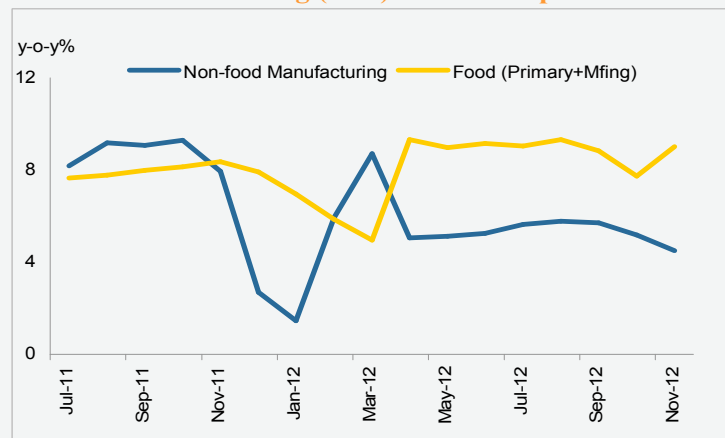
	Weight	Apr-Nov					
		Nov-11	Sep-12	Oct-12	Nov-12	FY12	FY13
General	100.0	9.5	8.1	7.5	7.2	9.7	7.6
Primary	20.1	8.9	9.2	8.2	9.4	11.9	9.8
- Food	14.3	8.3	8.1	6.6	8.5	9.1	9.4
- Non-Food	4.3	3.4	10.4	10.8	14.0	15.5	9.9
- Minerals	1.5	22.5	13.9	13.7	7.6	24.4	12.1
Fuel	14.9	15.5	12.0	11.7	10.0	13.4	10.8
- Petrol	1.1	27.6	6.7	3.8	1.5	26.0	8.0
- High Speed Diesel	4.7	9.2	8.9	14.6	0.0	8.1	8.0
Manufacturing	65.0	8.2	6.5	5.9	5.4	7.7	5.7
- Food	10.0	7.2	10.3	9.8	10.0	7.8	8.1
- Non-food	55.0	8.4	5.7	5.2	4.5	7.7	5.3

- Primary articles inflation jumped to 9.4 per cent in November 2012 from 8.2 per cent in the previous month due to rise in both its food and non-food component.

- Fuel inflation decelerated to 10.0 per cent in November 2012 on account of lower prices in naphtha, light diesel oil, petrol & ATF.

- Inflation in manufacturing category softened to 5.4 per cent in November 2012 as compared to 5.9 per cent in the previous month due to decline in its non-food component to 4.5 per cent from 5.2 per cent in the previous month.

Non-food manufacturing (core) inflation slips below 5%



- Encouragingly, non-food manufacturing inflation which is popularly regarded as the proxy for demand-side pressures in the economy, moderated sharply to 4.5 per cent in November 2012 from 5.2 per cent in the previous month.

- Total food inflation (primary and manufacturing) meanwhile continued to remain high at 9.0 per cent in November 2012 as compared to 7.7 per cent in the previous month.

- CPI-inflation meanwhile accelerated to 9.9 per cent in November 2012 on account of high food prices.

Source: Ministry of Industry & CII computations

Outlook: Inflation moderated in November 2012 mainly driven by lower inflation in fuel and manufacturing category. Non-food manufacturing also came down sharply. This we feel, should pave way for the RBI to cut interest rates at the earliest. Food inflation manifests the current supply-demand mis match and hence remains outside the purview of the monetary policy.