



Confederation of Indian Industry

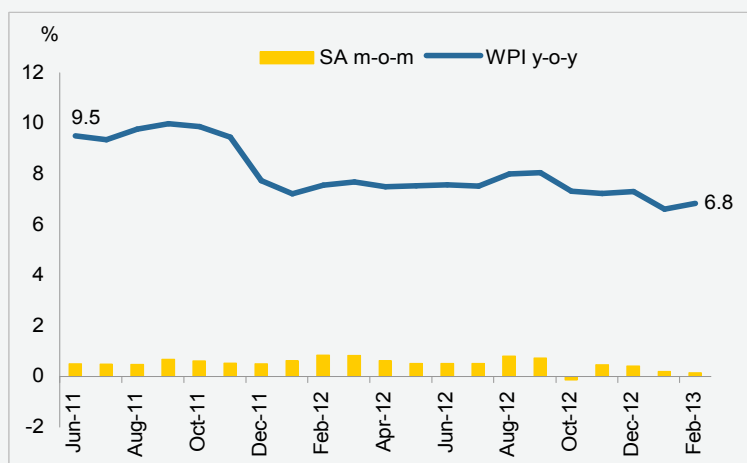
# Economy Update - Inflation



## WPI Inflation rises, albeit marginally in February 2013

14 March, 2013

### Inflation rises marginally in February 2013



- Wholesale price inflation for February 2013 accelerated marginally to 6.8 per cent, albeit continued to remain below the psychological 7 per cent mark. The WPI reading of December 2012 was revised upwards to 7.3 per cent versus an earlier estimate of 7.2 per cent.

- On a sequential basis (seasonally-adjusted basis) inflation remained relatively stable at 0.2 per cent in February 2013 as compared to the previous month.

- In contrast, overall retail inflation (CPI) accelerated to 10.9 per cent in February 2013 as compared to 10.8 per cent in the last month mainly on the back of higher food prices. The rising wedge between WPI and CPI inflation is due to the higher weight of food article in the latter.

### Sectoral components of inflation

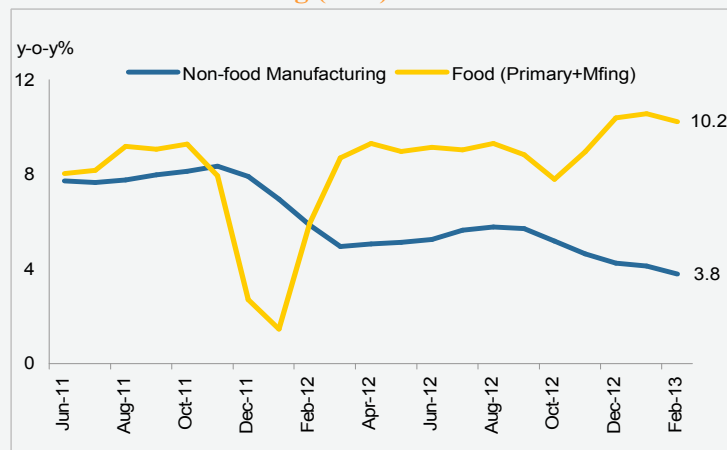
	Weight	Feb-12	Dec-12	Jan-13	Feb-13	Apr-Feb	
						FY12	FY13
<b>General</b>	100.0	7.6	7.3	6.6	6.8	9.1	7.4
<b>Primary</b>	20.1	7.1	10.6	10.3	9.7	9.7	9.9
- Food	14.3	6.1	10.6	11.9	11.4	7.0	9.9
- Non-Food	4.3	-2.5	13.6	10.5	10.1	10.8	10.3
- Minerals	1.5	32.3	5.6	2.1	0.6	25.8	8.8
<b>Fuel</b>	14.9	15.1	10.2	7.1	10.5	14.1	10.4
- Petrol	1.1	12.0	3.4	3.8	6.2	23.0	7.0
- High Speed Diesel	4.7	9.2	14.6	15.0	19.2	8.4	10.3
<b>Manufacturing</b>	65.0	5.8	5.0	4.8	4.5	7.5	5.5
- Food	10.0	5.6	8.7	8.2	8.2	7.2	8.1
- Non-food	55.0	5.9	4.3	4.1	3.8	7.5	5.0

- Primary articles inflation softened to 9.7 per cent in February 2013 as compared to 10.3 per cent in the January 2013 underpinned by moderation in both its food and non-food components.

- Mirroring the recent increase in petrol and diesel prices, fuel inflation jumped to 10.5 per cent in February 2013 as compared to 7.1 per cent in the previous month.

- Inflation in manufacturing category touched a new low of 4.5 per cent in February 2013 as compared to 4.8 per cent in the previous month due to moderation in its non-food components.

### Non-food manufacturing (core) inflation slides further



Source: Ministry of Industry & CII computations

- Non-food manufacturing inflation continued its downward movement as it stood at 3.8 per cent in the reporting month, indicating the moderation of demand side pressures.

- Total food inflation (primary and manufacturing) remained relatively firm at 10.2 per cent in February 2013, indicating the stubbornness in food prices.

- We expect the RBI to oblige with a larger rate cut in its mid-quarter monetary policy due next week in the wake of continuous moderation in non-food manufacturing and a credible fiscal consolidation plan presented in the Union Budget 2013-14. High CPI inflation remains a concern, but bulk of its increase is due to high food prices.

**Outlook:** WPI-based inflation rose marginally in February 2013 mainly due to high fuel prices. But non-food manufacturing inflation, which the Central Bank uses to gauge demand-driven price pressures, slowed down further. This along with the credible fiscal consolidation plans presented in the Budget 2013-14 has raised hopes that the Central Bank will oblige with a larger interest-rate cut in its policy review due early next week.