

WHOLESALE PRICE INDEX NOVEMBER 2018

WPI inflation eased to 4.6% in Nov 2018 from 5.3% in Oct 2018, largely in line with our expectation

DECEMBER 2018



HIGHLIGHTS

- The year-on-year (YoY) WPI inflation eased to 4.6% in November 2018 from 5.3% in October 2018, largely in line with our expectation, driven by a deeper disinflation in the prices of primary food articles, easing of inflation related to crude petroleum and mineral oils following the correction in retail fuel prices, and some impact of the appreciation in the rupee on the landed prices of imports.*
- The YoY disinflation in primary food articles deepened to 3.3% in November 2018 from 1.5% in October 2018. The YoY disinflation in this sub-group in November 2018 was driven by vegetables (-27.0%), fruits (-2.5%) and pulses (-5.4%).*
- Inflation for manufactured non-food products (core-WPI inflation) eased to 4.9% in November 2018 from 5.1% in October 2018, partly reflecting the impact of the INR appreciation during the month on the landed price of imports and a favourable base effect. In month-on-month (MoM) terms, the non-food manufactured products sub-index recorded a mild 0.1% rise in November 2018, the slowest pace in the current fiscal.*

OVERVIEW

- The YoY WPI inflation eased to 4.6% in November 2018 (+4.0% in November 2017) from 5.3% in October 2018 (+3.7% in October 2017; refer Exhibits 1, 2 and Annexure), and printed largely in line with our expectation (+4.7%).
- This sequential dip in the YoY WPI inflation in November 2018 was driven by deeper disinflation for primary food articles, as well as lower inflation for fuel and power, crude petroleum and natural gas, manufactured non-food products and manufactured food products. In contrast, inflation rose in November 2018 relative to the previous month for minerals and primary non-food articles.
- The disinflation in primary food articles widened to 3.3% in November 2018 (+6.4% in November 2017) from 1.5% in October 2018 (+4.3% in October 2017). This sequential decline was led by the trend in vegetables (to -27.0% in November 2018 from -18.7% in October 2018), fruits (to -2.5% from +0.9%), other food articles (to +1.8% from +2.9%) and condiments and spices (to +4.4% from +5.5%). However, there was an uptick in the inflation readings in November 2018 relative to the previous month for pulses (to -5.4% from -13.9%), eggs, meat and fish (to 0.0% from -0.6%), and cereals (to +7.2% from +6.2%). In MoM terms, the sub-index for primary food articles rose by a mild 0.2% in November 2018, sharply lower than the increase of 2.1% in November 2017, dampened primarily by vegetables (+2.6%; +14.3%) and fruits (-6.7%; -3.4%).
- The YoY inflation for crude petroleum and natural gas eased to a seven-month low 33.0% in November 2018 (+11.1% in November 2017) from 33.8% in October 2018 (+4.6% in October 2017), partly reflecting the base effect led dip in the inflation for crude petroleum (to +40.1% from +42.2%). The initial level for the crude petroleum index for November 2018 had been pegged at 98.6, ~6% higher than the revised level for September 2018 (93.4), despite the ~10% fall in the price of the Indian crude oil basket in INR terms in those months. Therefore, the index level for November 2018 for crude petroleum appears likely to undergo a downward revision in the subsequent readings. However, the inflation for natural gas rose somewhat to 13.8% in November 2018 from 13.5% in October 2018.
- The inflation for fuel and power declined to 16.3% in November 2018 (+8.4% in November 2017) from 18.4% in October 2018 (+10.9% in October 2017), reflecting the trend in mineral oils (to +23.8% from +30.3%), even as the YoY inflation for electricity (to +9.4% from +5.9%)

Contact:

Aditi Nayar
+91 124 4545 385
aditin@icraindia.com

Medha Sinha
+91 124 4545 399
medha.sinha@icraindia.com

and coal (to +4.9% from 4.3%) rose between these two months on account of the base effect. In MoM terms, the fuel and power sub-index declined by 1.0% in November 2018, in contrast to the 0.9% rise in November 2017, led by the trend for mineral oils (-1.8% in November 2018; +3.4% in November 2017), whereas the sub-indices for coal and electricity were unchanged on an MoM basis in the just-concluded month.

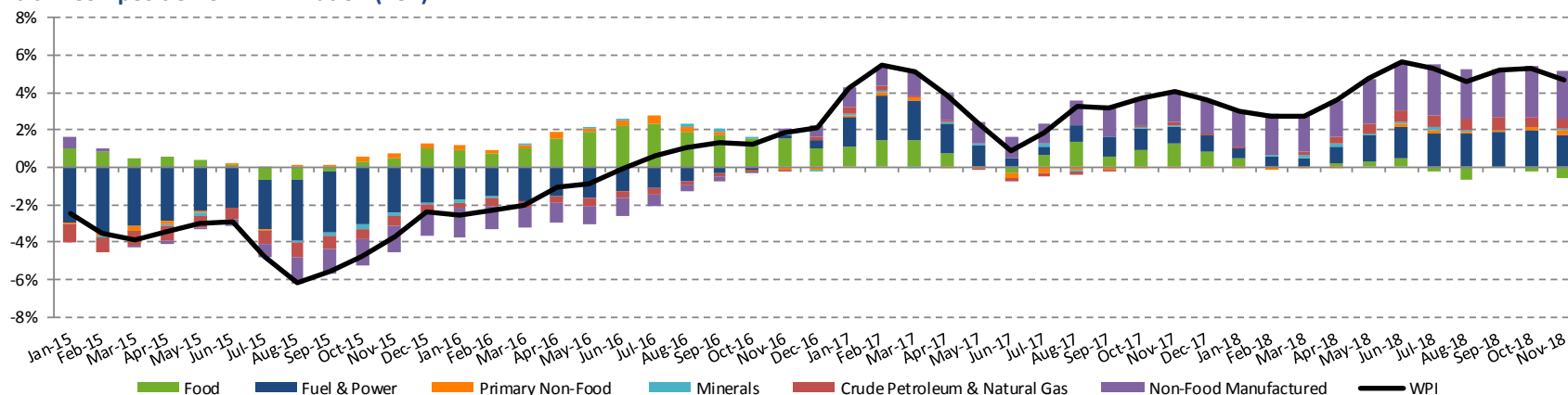
- Partly reflecting the base effect and the impact of the INR appreciation in that month on the landed price of imports, the core inflation eased to 4.9% in November 2018 (+3.2% in November 2017) from 5.1% in October 2018 (+2.8% in October 2017), while exceeding the headline WPI inflation after a gap of two months (refer Exhibits 3 and 4). The sub-index for non-food manufactured products inched up by a mild 0.1% in MoM terms in November 2018, the slowest MoM rise recorded in the current fiscal. Thirteen of the 21 sub-indices (accounting for 36.7% of the WPI), such as paper and paper products (+1.1%), furniture (+0.9%) and motor vehicles, trailers and semi-trailers (+0.7%) etc., recorded an MoM rise of 0.1-1.1% in November 2018. However, there was an MoM decline in November 2018 in six sub-indices (with a weight of 15.4% in the WPI), such as wearing apparel (-1.1%) and basic metals (-0.6%), whereas the balance sub-indices remained steady on an MoM basis in November 2018.
- The inflation for manufactured food products eased to a six-month low 0.7% in November 2018 from the already mild 1.0% in October 2018, led by processing and preserving of fish, crustaceans and molluscs and products (to +3.3% from +8.4%), manufacture of vegetable and animal oils and fats (to +5.6% from +9.3%) etc. In MoM terms, the manufactured food items sub-index eased by 0.4% in November 2018, sharper than the dip of 0.1% in November 2017.
- The YoY inflation for minerals hardened to 7.0% in November 2018 from 5.8% in October 2018, reflecting the trend for iron ore (to +24.8% from +19.5%). The minerals sub-index rose by 0.8% in MoM terms in November 2018, in contrast to the 0.3% decline in November 2017.
- Inflation for primary non-food articles increased to 6.4% in November 2018 from 4.1% in October 2018, reflecting the trend for oil seeds (to +10.7% from +7.5%) and other non-food articles (to -0.6% from -3.6%), which was partly offset by the dip in inflation for floriculture (to +9.4% from +9.8%). On an MoM basis, the primary non-food articles sub-index rose by 1.0% in November 2018, in contrast to the 1.2% decline in November 2017.
- The build-up of the WPI inflation till November 2018 was considerably higher than the same till November 2017 (+4.7% vs. +2.8%), led by crude, petroleum and natural gas (+28.2% vs. +5.7%), fuel and power (+12.2% vs. +1.1%), primary non-food articles (+3.7% vs. -3.9%), manufactured non-food products (+2.9% vs. +1.7%) and manufactured food products (+0.9% vs. +0.6%).
- The final WPI inflation for September 2018 was revised to 5.2% from the initial 5.1%, with an upward revision in crude petroleum and natural gas (to +47.2% from +41.4%), fuel and power (to +17.3% from +16.6%), and manufactured food products (to +0.9% from +0.8%), partly offset by the downward revision in primary non-food products (to +3.5% from +4.2%), minerals (to +0.9% from +4.6%) and manufactured non-food products (to +4.7% from +4.8%).
- The WPI inflation exceeded the CPI inflation for the sixth month in a row in November 2018. The wedge between the two widened in that month, with a sharper fall in the CPI inflation (to 2.3% in November 2018 from 3.4% in October 2018), compared to the WPI inflation (refer Exhibit 5). The disinflation in food prices had a smaller impact on the wholesale inflation than the CPI inflation, given the difference in weights for food items in the two indices.

OUTLOOK

Available trends suggest an MoM rise in the prices of pulses and milk, offset by a decline in the prices of various cereals, edible oils and vegetables in December 2018. Factors such as weak post-monsoon rainfall and a delay in rabi sowing pose some uncertainty regarding how long food prices would remain in the disinflation zone. However, the recent trend of a YoY correction in food prices does not augur well for the strength of rural demand in the immediate term.

Given the recent stability in the crude oil prices and the INR, we expect the WPI inflation to ease further, and range between 3.7-4.4% in the remainder of H2 FY2019.

Exhibit 1: Composition of WPI Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Government of India (Gol); ICRA research

Exhibit 2: Trend in Monthly WPI Inflation (YoY)

	Weight	YoY Inflation				MoM	Build-up	Contribution
		Sep-18	Sep-18	Oct-18	Nov-18	Nov-18	Nov-18	Nov-18
		Initial	Revised	Initial	Initial	Initial	Initial	Initial
WPI	100.00	5.1%	5.2%	5.3%	4.6%	0.1%	4.7%	100.0%
Primary Articles	22.62	3.0%	3.0%	1.8%	0.9%	0.7%	7.0%	5.0%
- Food	15.26	-0.2%	-0.2%	-1.5%	-3.3%	0.2%	6.4%	-14.1%
- Non-Food	4.12	4.2%	3.5%	4.1%	6.4%	1.0%	3.7%	5.7%
- Minerals	0.83	4.6%	0.9%	5.8%	7.0%	0.8%	-5.7%	1.3%
- Crude Petroleum and Natural Gas	2.41	41.4%	47.2%	33.8%	33.0%	4.3%	28.2%	11.5%
Fuel and Power	13.15	16.6%	17.3%	18.4%	16.3%	-1.0%	12.2%	37.5%
- Coal	2.14	4.9%	4.9%	4.3%	4.9%	0.0%	0.7%	2.3%
- Minerals Oils	7.95	28.0%	28.0%	30.3%	23.8%	-1.8%	19.2%	29.9%
- Electricity	3.06	3.3%	5.9%	5.9%	9.4%	0.0%	6.6%	5.5%
Manufactured Products	64.23	4.2%	4.1%	4.5%	4.2%	0.0%	2.6%	57.1%
- Food	9.12	0.8%	0.9%	1.0%	0.7%	-0.4%	0.9%	1.5%
- Non-Food	55.11	4.8%	4.7%	5.1%	4.9%	0.1%	2.9%	55.4%

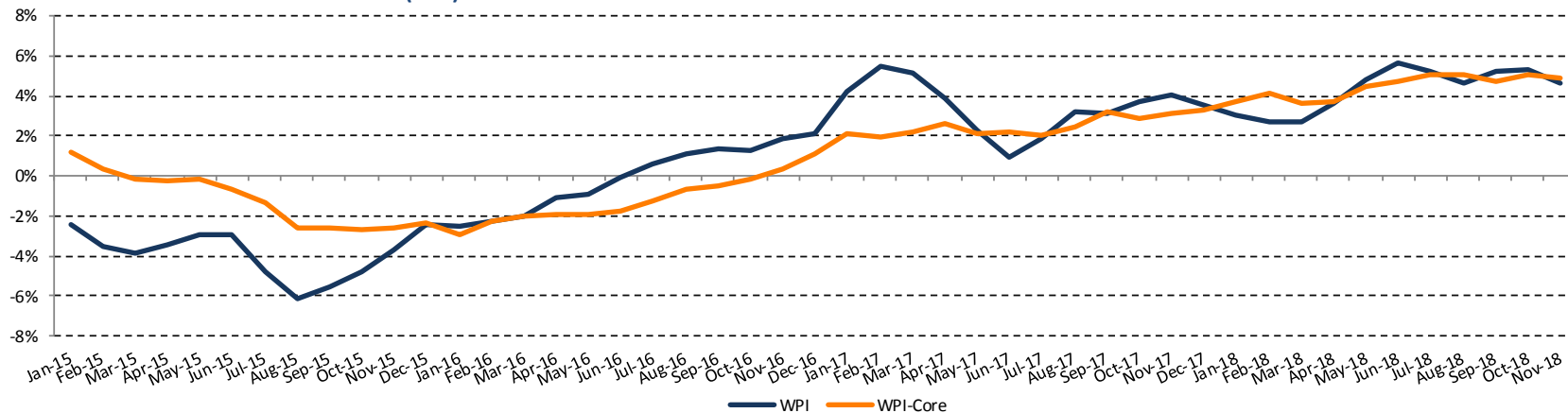
Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA research

Exhibit 3: Trend in Monthly Inflation related to Non-Food Manufactured Products (YoY)

	Weight	YoY Inflation				MoM	Build-up	Contribution
		Sep-18	Sep-18	Oct-18	Nov-18	Nov-18	Nov-18	Nov-18
		Initial	Revised	Initial	Initial	Initial	Initial	Initial
Non-Food Manufactured Products	55.11	5.0%	4.7%	5.1%	4.9%	0.1%	2.9%	100.0%
Beverages	0.91	1.3%	1.3%	1.7%	1.8%	0.7%	1.7%	0.7%
Tobacco Products	0.51	-0.4%	-0.1%	0.5%	-1.0%	-0.6%	-0.4%	-0.3%
Textiles	4.88	5.0%	4.8%	5.6%	5.5%	0.1%	4.3%	10.1%
Wearing Apparel	0.81	1.3%	1.0%	1.2%	-0.6%	-1.1%	0.3%	-0.2%
Leather and Related Products	0.54	2.6%	2.0%	1.3%	1.6%	-0.4%	0.9%	0.3%
Wood and Products of Wood and Cork	0.77	0.8%	-0.2%	0.8%	2.2%	0.6%	1.6%	0.7%
Paper and Paper Products	1.11	2.7%	2.6%	3.8%	6.2%	1.1%	4.2%	2.7%
Printing and Reproduction of Recorded Media	0.68	2.3%	2.1%	2.7%	2.7%	-0.3%	1.4%	0.9%
Chemicals and Chemical Products	6.47	7.2%	7.5%	7.6%	7.5%	0.3%	4.6%	18.1%
Pharmaceuticals, Medicinal Chemical and	1.99	1.5%	0.1%	1.8%	1.8%	0.0%	3.0%	1.5%
Rubber and Plastics Products	2.30	1.9%	2.1%	2.4%	2.9%	0.3%	2.6%	2.4%
Other Non-Metallic Mineral Products	3.20	3.6%	3.4%	3.7%	2.3%	-0.2%	1.4%	2.8%
Basic Metals	9.65	12.8%	13.2%	13.8%	12.4%	-0.6%	3.9%	40.6%
Fabricated Metal Products, Except Machinery	3.15	5.8%	5.9%	5.6%	4.5%	0.4%	3.8%	5.3%
Computer, Electronic and Optical Products	2.01	1.2%	0.4%	1.5%	2.4%	0.1%	2.2%	1.8%
Electrical Equipment	2.93	1.0%	0.7%	1.3%	2.2%	0.4%	1.8%	2.3%
Machinery and Equipment	4.79	2.6%	2.9%	2.2%	2.2%	0.3%	1.6%	3.8%
Motor Vehicles, Trailers and Semi-Trailers	4.97	2.8%	2.2%	2.4%	3.1%	0.7%	2.3%	5.6%
Other Transport Equipment	1.65	1.6%	1.7%	1.4%	1.2%	0.1%	1.5%	0.7%
Furniture	0.73	0.3%	2.0%	4.3%	6.1%	0.9%	3.0%	1.8%
Other Manufacturing	1.06	0.4%	0.4%	-1.2%	-4.4%	0.0%	2.6%	-1.7%

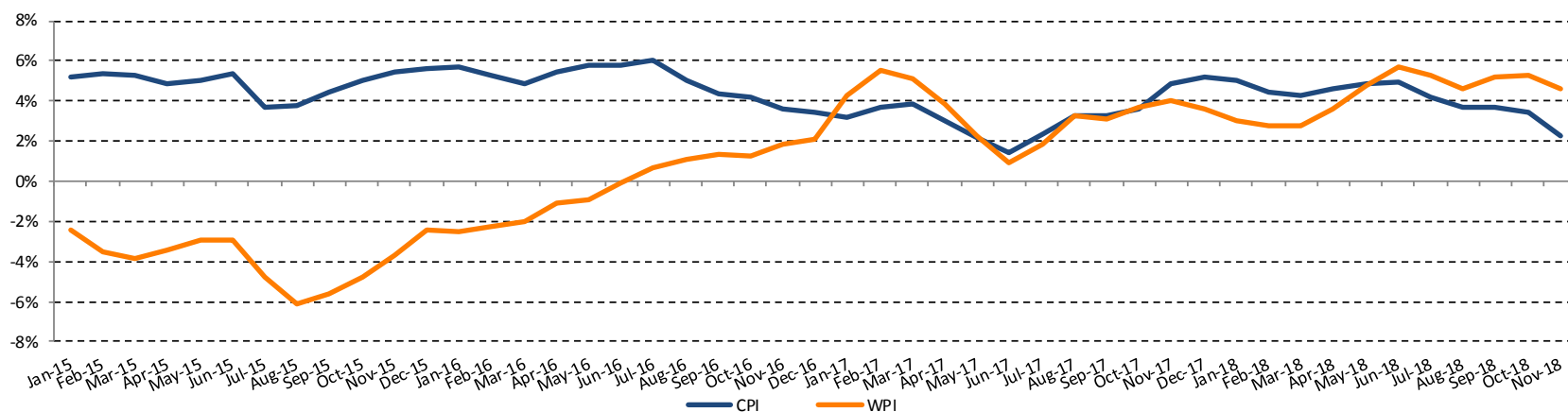
Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA research

Exhibit 4: Headline and Core WPI Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA research

Exhibit 5: CPI and WPI Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, GoI; ICRA research

ANNEXURE

Exhibit 6: WPI Inflation (YoY)

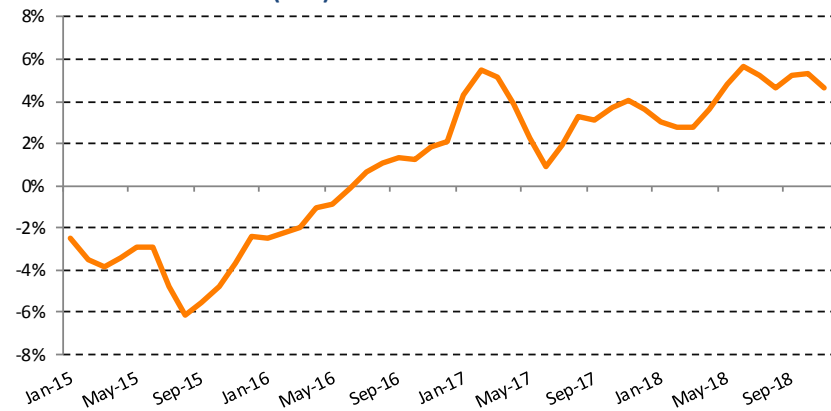
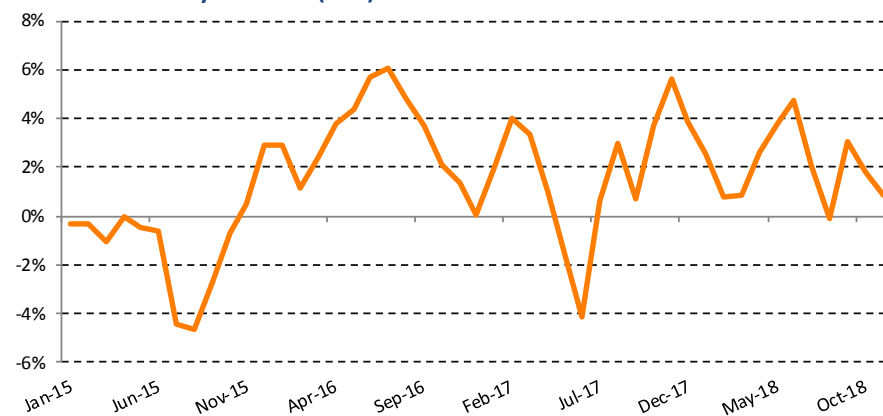


Exhibit 7: Primary Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA research

Exhibit 8: Primary Food Inflation (YoY)

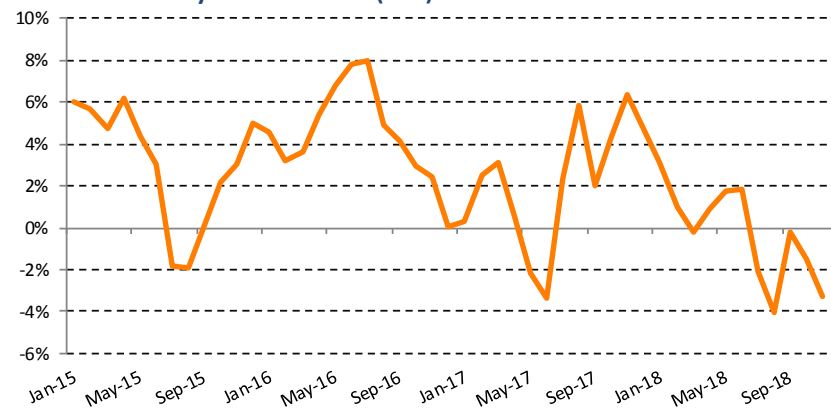
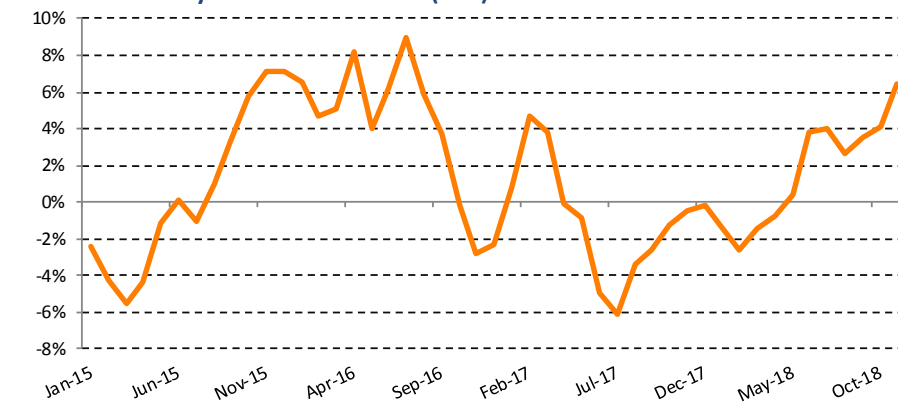


Exhibit 9: Primary Non-Food Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA research

Exhibit 10: Primary Crude Petroleum Inflation (YoY)

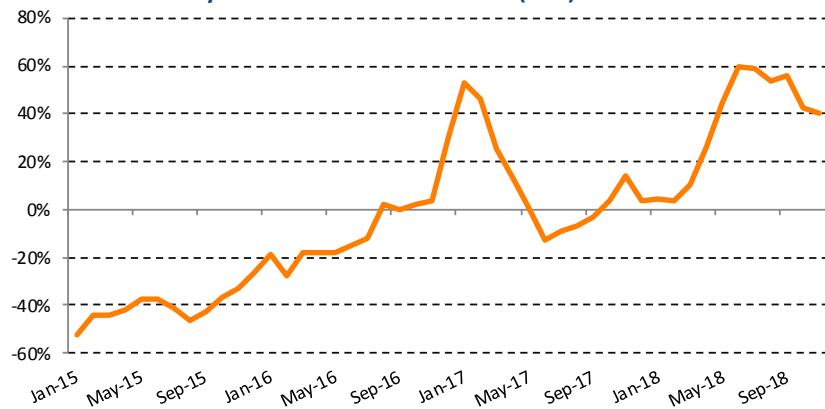
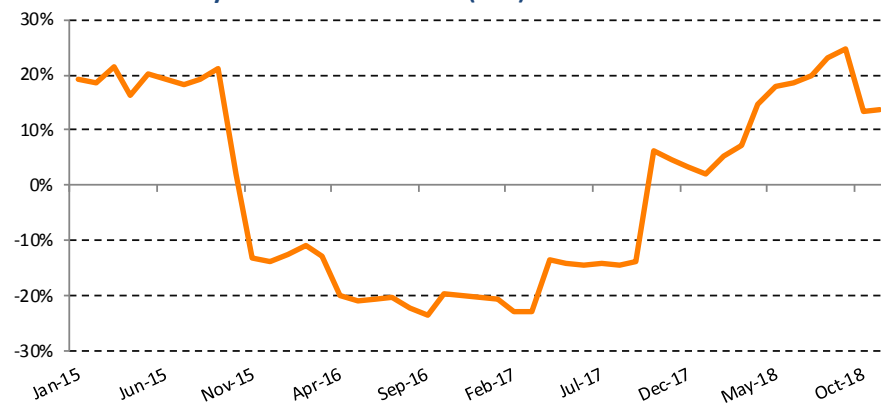


Exhibit 11: Primary Natural Gas Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA research

Exhibit 12: Primary Mineral Inflation (YoY)

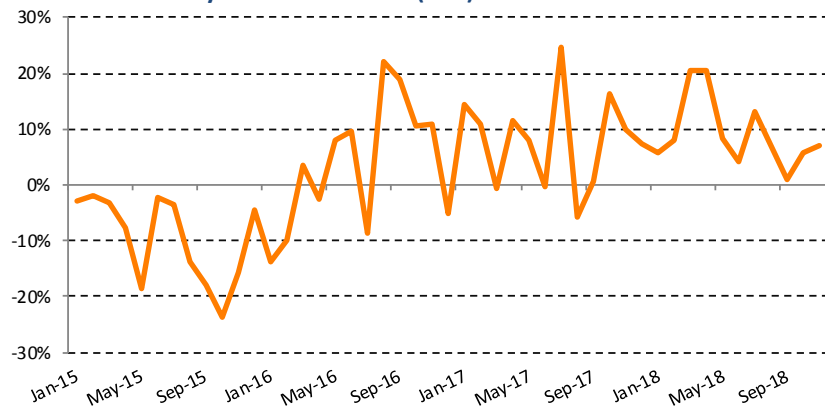
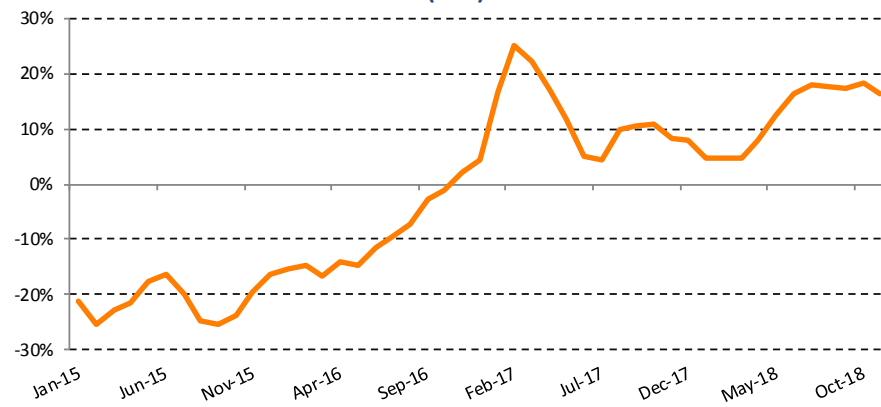


Exhibit 13: Fuel and Power Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA research

Exhibit 14: Manufactured Food Inflation (YoY)

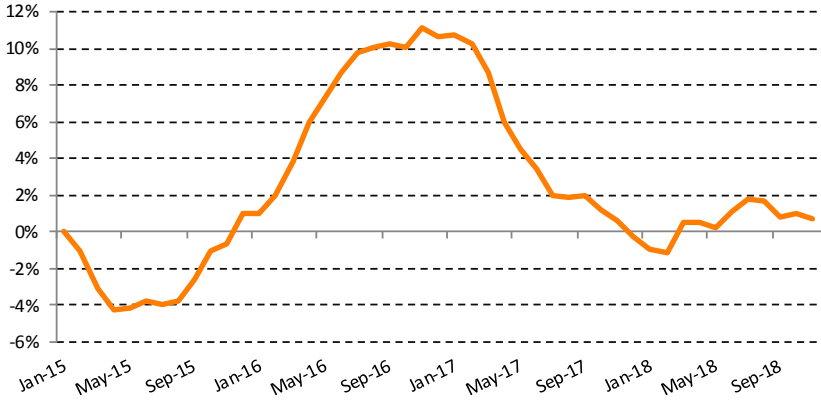
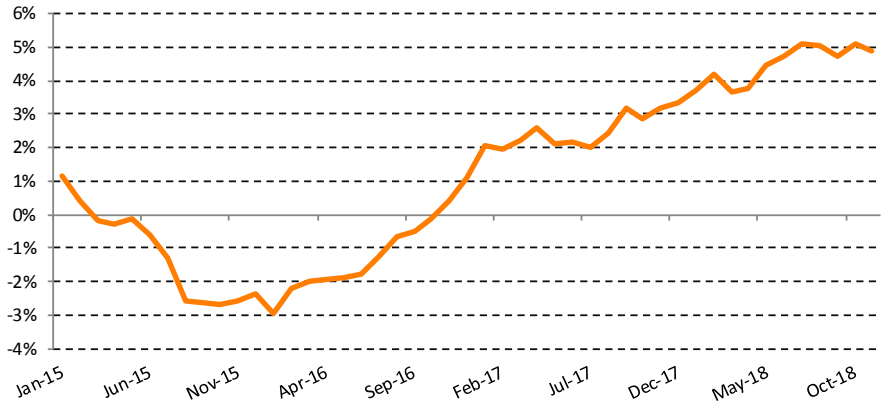


Exhibit 15: Manufactured Non-Food/Core Inflation (YoY)



Source: Office of the Economic Advisor, Ministry of Commerce and Industry, Gol; ICRA research



Business Contacts

Mr. L. Shivakumar
E-mail: shivakumar@icraindia.com
Tel: +91 22 6114 3406 / +91 98210 86490

Mr. Jayanta Chatterjee
E-mail: jayantac@icraindia.com
Tel: +91 80 4332 6401/ +91 98450 22459

Media and Public Relations

Ms. Naznin Prodhani
E-mail: communications@icraindia.com
Tel: +91 124 4545 860

Branches

Registered Office:

1105, Kailash Building, 11th Floor,
26, Kasturba Gandhi Marg,
New Delhi - 110 001
Tel: + 91 11 2335 7940-45

Corporate Office:

Building No.8, 2nd Floor,
Tower A, DLF Cyber City Phase II,
Gurgaon- 122 002
Tel: +91 124 4545300

Ahmedabad

907 & 908, Sakar – II,
Ellisbridge, Opp. Town Hall,
Ahmedabad - 380 006
Tel: +91 79 4027 1500/01

Bengaluru 1

'The Millenia', Tower- B,
Unit No. 1004, 10th Floor, 1 & 2 Murphy
Road,
Bengaluru - 560 008
Tel: +91 80 4332 6400

Bengaluru 2

2nd Floor, Vayudooth Chamber,
15-16, Trinity Circle, M.G. Road,
Bengaluru - 560 001
Tel: +91 80 4922 5500

Chennai

5th Floor, Karumuttu Centre,
634, Anna Salai, Nandanam
Chennai - 600 035
Tel: +91 44 4596 4300

Kolkata

A-10 & 11, 3rd Floor, FMC Fortuna 234/3A,
A.J.C. Bose Road,
Kolkata -700 0202
Tel: +91 33 7150 1100/01

Hyderabad 1

No. 7-1-58, 301, 3rd Floor,
'CONCOURSE',
Above SBI-HPS Branch,
Ameerpet,
Hyderabad - 500 016
Tel: +91 40 4920 0200

Mumbai

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi,
Mumbai - 400 025
Tel: +91 22 6169 3300

Hyderabad 2

4A, 4th Floor, SHOBHAN,
6-3-927, A&B Somajiguda,
Raj Bhavan Road,
Hyderabad – 500082
Tel: +91 40 40676500

Pune

5A, 5th Floor, Symphony, S. No. 210
CTS 3202 Range Hills Road, Shivajinagar,
Pune - 411 020
Tel: +91 20 2556 1194

Email: info@icraindia.com

Helpdesk: 124 3341580

Website: www.icra.in/ www.icraresearch.in

© Copyright, 2018, ICRA Limited. All Rights Reserved. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.