

WPI-based inflation eases to 2.26% in February on cheaper food items

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Like its consumer price counterpart, the wholesale price inflation rate fell to a three-month low of 2.26 per cent in February, against 3.1 per cent in the previous month, due to fall in the prices of food items, petrol, and diesel. The data released last week also showed that the consumer price index- (CPI-) based inflation rate declined to 6.58 per cent from 68-month high of 7.59 per cent over this period.

The wholesale price index- (WPI-) based inflation rate in manufactured items inched up but economists believe it would fall in the coming months due to the impact on demand from coronavirus. Also, if one takes out processed food items, there continued to be deflation in the remaining manufactured articles.

Key Highlights

- Even though food inflation fell to 7.79 per cent in February from 11.51 per cent in the previous month, vegetables continued to see elevated inflation despite moderation. Inflation in vegetables stood at 60.73 per cent in February, though less than 87.84 per cent in the previous month.
- In vegetables, onion prices rose at the rate of 162.30 per cent in February, though less than 293.37 per cent in the previous month. Also, inflation in potatoes was at 60.73 per cent in February, down from 87.84 per cent in the previous month.
- Among non-food category in primary articles

(unprocessed), minerals saw inflation rate coming down to 2.50 per cent in February, from 4.32 per cent in the previous month.

- Fuel and power saw inflation coming down slightly to 3.38 per cent in February, from 3.42 per cent in the previous month. Diesel and petrol saw huge dampening effect of softening of global crude prices.
- While inflation rate in petrol was just 2.05 per cent in February, against 8.03 per cent in the previous month, diesel saw fall in prices at the rate of 3.06 per cent against inflation of 4.93 per cent over this period.
- It was mainly liquefied petroleum gas (LPG) that drove inflation rate in fuel and power category. The rate in LPG jumped to 21.85 per cent from 1.78 per cent over this period.
- Core inflation, which relates to manufactured items sans food products, continued to be in the negative territory. Deflation there stood at 0.8 per cent in February, against 1 per cent in January.

SOURCE: *Business Standard*