

FICCI's Reaction on Inflation Data

NEW DELHI, 14 May 2013: The WPI numbers released today confirmed the downward trajectory in inflation. The WPI index growth was reported at 4.89% in April 2013, vis-à-vis 5.96% in March 2013 and 7.5% growth in April 2012. "The continuous softening in prices is indeed a positive signal and would certainly give some breathing space to the Central Bank in handling the twin objectives of growth and inflation, said **Ms Naina Lal Kidwai, President, FICCI**".

Also the IIP data released last week came with a silver lining signaling hope of a revival in growth. The IIP index recorded a growth of 2.5% in March 2013, as against 0.6% growth in February 2013 and (-) 2.8% growth in March 2012. "The current up tick in industrial production numbers combined with decline in inflation numbers augurs well for the economy. However, it still cannot be concluded that growth is back on sustained basis. We will have to strive harder to keep up this momentum, added Ms Kidwai".

"Ms Kidwai further added that the softening inflation numbers should give more space to the Central Bank for considering further cuts. This is particularly important given the fact that the lending rates have not really come down despite a 125 bps cut in repo rate between April 2012 and May 2013"

Looking at the segment wise data, food prices indicated a further decline. The food articles index reported an increase of 6.08% in April 2013, vis-à-vis 8.73% growth last month. This was led by a discernible fall in prices of fruits and vegetables. Though cereal prices also witnessed a decline they still continue to remain in the double digit terrain.

Fuel and Power inflation was at 8.84% in April 2013, the corresponding figure in March 2013 was 10.18% and in April 2012 was 12.10%. Likewise the manufacturing inflation remained well within the comfort zone, further dropping to 3.41% in April 2013, vis-à-vis 4.07% in March 2013 and 5.27 in April 2012. This is an extremely encouraging trend.

FICCI MEDIA DIVISION