

FICCI's Reaction on WPI Numbers

New Delhi, 14 June 2013: The Wholesale Price Index released today puts the inflation rate at 4.70% for the month of May 2013, marginally lower than the corresponding rate of 4.89% in April 2013. The corresponding figure in May 2012 was 7.55%. This is in sync with the expectations and signals that finally the price levels have been reined in.

"With the downward trend in the prices holding on, RBI can consider a cut in the policy rate in the forthcoming monetary policy review on Monday. The growth in the non food credit has not really picked up with latest numbers indicating a growth of 14.3% as on May 31, 2013. The banks are not really lowering the lending rates and this does show a weak transmission of the policy.

In fact in the recently released FICCI's Business Confidence Survey (Q4 FY13) respondents indicated that cost of credit still remains an issue, and especially so for the small and mid-sized companies. Nearly 74% of the participants reported if the lending rates are not brought down with immediate effect it would have a serious to moderate impact on their investment plans ", said **Ms. Naina Lal Kidwai, President, FICCI.**

"The IIP index recording a growth of 2.3% in April 2013 is somewhat encouraging suggesting that growth may finally have bottomed out. In addition, Fitch has upgraded India's rating from negative to stable which has certainly brought in some optimism. The Hon'ble Finance Minister hinting at further reforms yesterday gives a very positive cue and reaffirms government commitment to spur investment activity. A pick up in manufacturing activity is imperative and investments have to be strengthened", added Ms. Kidwai.

"However, a record fall in the rupee this week, has once again raised apprehensions about the signs of stability in the economic situation. Also, despite all efforts of the government to contain the current account deficit, the steep fall in the rupee has refreshed concerns over the same. It will be important to move ahead cautiously and we believe that the Bank will take steps as and when deemed necessary", said Ms. Kidwai, President, FICCI.

Looking at the three broad sub segments, an increase was recorded in Primary Articles prices. The primary articles segment reported an increase of 6.65% in May 2013 vis-a-vis 5.75% last month. An increase was seen in all major food items including cereal, vegetables, fruits and egg meat and fish.

Other than this both manufacturing (3.11% in May 2013 vs 3.41% in April 2013) and fuel & power segment (7.32% in May 2013 and 8.84% in April 2013) prices indicate a fall. Growth and investment must be central to the India agenda.

FICCI Media Division