

Is the fall in inflation rate reflecting in lower retail prices

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Quick Take

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Is the fall in inflation rate reflecting in lower retail prices?

We asked... Ameet Nivsarkar, V-P, Nasscom; Arghya Roy, product manager, Matrix Asset Management; Bhavin Turakhia, founder & CEO, Directi; Christopher Doyle, country head, EIU; Debashish Shyam, assistant V-P, USL; Hemant Kalbag, principal, AT Kearney; James McCormac, MD (sovereign ratings, Asia Pacific), Fitch Ratings; Madan Sabnavis, chief economist, NCDEX; **Manoj G. Tirodkar, chairman & MD, GTL**; Partha Mukhopadhyay, senior fellow, Centre for Policy Research; Rajan D. Gupta, partner, FoxMandal Little; Rukshaan Krishna, owner, Strand Art Room; Milind Sarwate, chief, HR & strategy, Marico.



“ There will be no tangible evidence till fuel prices come down in line with crude rates. ”

Ameet Nivsarkar, vice-president, Nasscom

“ My pocket feels as dented as it was three months ago when inflation was going up. ”

Arghya Roy, product manager, Matrix Asset Management Company

“ Retailers are not passing on the benefit of lower prices to consumers as yet. ”

Christopher Doyle, country head, Economist Intelligence Unit

Yes
10%

YES BECAUSE: The demand is softening and prices of major components are falling in absolute terms. Inflation data published by the government does reflect a fall in the prices of goods and services. The fall might not be across the board, but prices are cooling down in some areas and the remaining areas will follow suit sooner or later. The 'Weighty' items in Wholesale Price Index (WPI) — especially fuel and commodities — have been bearish. Fiscal measures taken by the government have worked and the global crisis of business confidence may also be leading to demand contraction. The real feeling of a fall will, however, come only when the Consumer Price Index (CPI) registers a drop. That may take some time. The rigidity of retail prices may delay relief for the consumer.

No
60%

NO BECAUSE: Retail prices usually lag behind the trend in the wholesale market. Inflation numbers at the retail level has not gone down yet. Inflationary pressures have been dampened by the sharp fall in commodity prices across the board, and base effects from high prices earlier this year and, more fundamentally, by the downturn in demand. However, retailers are not passing on the benefit of lower prices to consumers as yet. And though the rate at which prices are increasing may have declined, there will be no tangible evidence to the citizen till fuel prices come down in line with global crude rates. Inflation rate is computed on the basis of WPI, which does not reflect retail prices and even the methodology used does not adequately capture the rise in prices.

Maybe
30%

MAYBE BECAUSE: Lower inflation figures does not mean a price cut in goods and services across the board. Hence, it is natural for consumers to feel that prices are still up or marginally going up despite lower inflation numbers. The figures are indicative of a lowering pressure, not essentially of a price revision. There is a possibility of a benign inflation setting in, though the caveat is that this is from an 'average' perspective, as there may be sharp divergent trends across consumer sectors. **The inflationary expectations have definitely come down, but what is more worrying is the high interest rates and slowdown expectations from both consumers and big business.** It is only when manufacturers decide to cut prices of their products that the real effect will come through.

“ The inflationary expectation have definitely come down, but what is more worrying is the high interest rates and slowdown expectations from both consumers and big business. ”