

# Business Standard

[Shiva Rajora](#) December 14, 2022

## **WPI inflation eases to 21-month low as pricing pressure softens in November**



The wholesale price index (WPI)-based inflation rate for November decelerated sharply to a 21-month low of 5.85 per cent, on the back of a higher base and broadbased easing of pricing pressure in food, fuel and manufactured products.

The data released by the commerce & industry department on Wednesday showed that [food inflation](#) also eased to a 20-month low of 2.17 per cent in November from 6.48 per cent in October, as fruits and vegetables, along with protein-rich items such as eggs, meat and fish dragged down prices. Meanwhile, the prices of cereals, wheat, paddy, potato, onion and milk products shot up. The inflation rate for fuel (17.35 per cent) and manufactured items (3.59 per cent) also decelerated during the month.

This is the second time in the current fiscal year that factory-gate inflation has been recorded in a single digit figure, primarily driven by softer global commodity prices and a favourable base. [Core inflation](#) representing non-food and non-fuel items also eased for the seventh consecutive month to 3.5 per cent in November from 4.7 per cent in October, led by a slower rise in the prices of manufactured products.

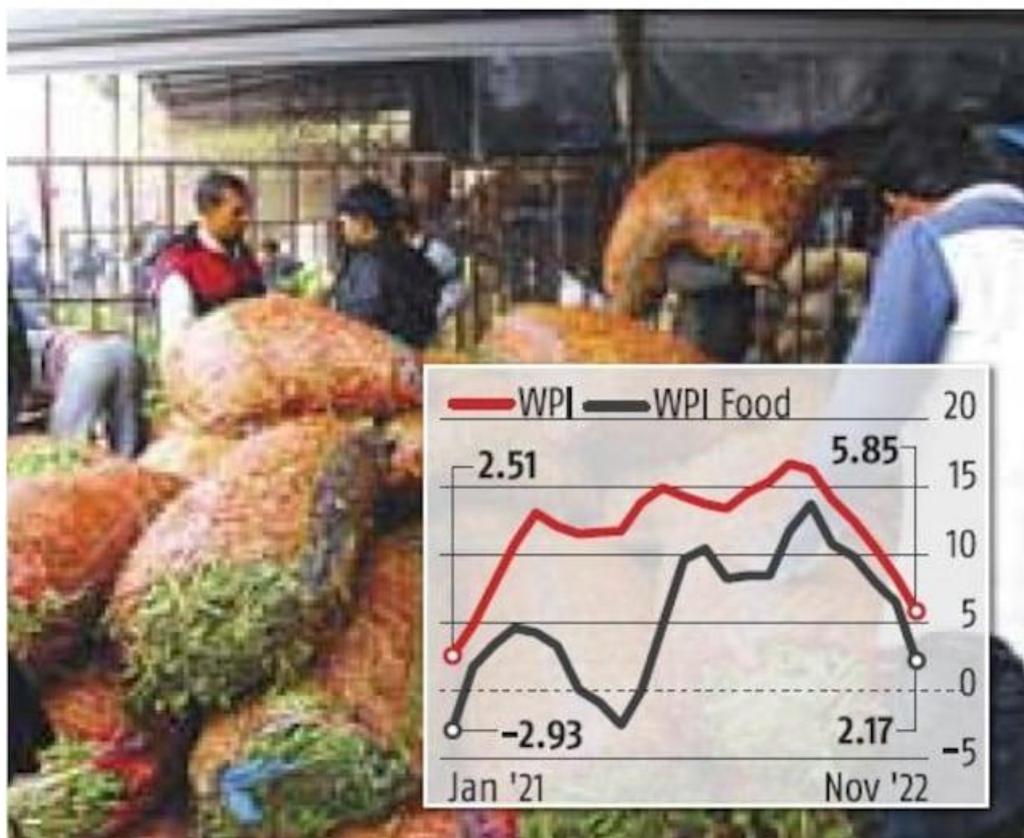
Rajani Sinha, chief economist at CARE Ratings, says the sharp fall in [WPI inflation](#) in November is in line with the fall in consumer inflation (CPI) and the gap between WPI and CPI has also narrowed, from as high as 10 percentage point a year ago.

“While seasonal factors are one of the reasons for the sharp fall in WPI and [CPI inflation](#) in November; nevertheless, it does provide a relief for the economy. Overall reduction in global commodity prices is also comforting for inflation,” Sinha adds.

Barring the surge in the prices in pharmaceuticals, tobacco and leather products, prices in most other manufactured products rose at a slower pace. The slowest price increases were seen in basic metals and Vegetable and animal oils and fats. Similarly, [WPI inflation](#) for cooking gas, high speed diesel and petrol fell sharply to -13.40 per cent, 42.10 per cent and 14.11 per cent respectively.

## SETTLING DOWN

(YoY%)



\* Oct and Nov figures this year are provisional

Source: Ministry of Commerce

Madan Sabanvis, chief economist, Bank of Baroda, says, "Though wheat prices are likely to be somewhat volatile in the months ahead with the Russian Federation having re-joined the Black Sea Grain initiative, we see further easing in [WPI inflation](#) going forward."

“However, WPI inflation will not matter much from the standpoint of monetary policy, as the RBI keeps a close watch on CPI inflation, which we expect to remain above six per cent in December,” Sabnavis added.

Though the Reserve Bank of India's [monetary policy](#) committee (MPC) is tasked with containing retail inflation, not wholesale price inflation, the latter seeps into the former. MPC's move to hike the repo rate by 35 basis point in its meeting last week has taken the lending rate to its highest since August 2018, as consumer inflation (5.9 per cent) was recorded within its permissible bandwidth (2-6 per cent) for the first time in 11 months.