

# WPI inflation eases to 21-month low in Nov

## Food inflation drops to 20-month-low of 2.17% from 6.48% in October

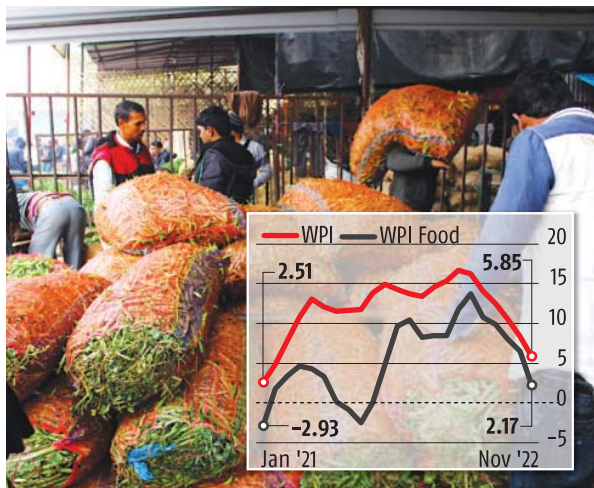
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New Delhi, 14 December

The wholesale price index (WPI)-based inflation fell to a 21-month low of 5.85 per cent in November because of a higher base last year and a broad-based easing of prices of food, fuel, and manufactured products.

Data released by the commerce and industry department on Wednesday showed that food inflation eased to a 20-month low of 2.17 per cent from 6.48 per cent in October as prices of fruits, vegetables, and protein rich items like eggs, meat and fish moderated. Meanwhile, the prices of wheat, paddy, potatoes, onions, and milk products rose. Prices of fuel (17.35 per cent) and manufactured items (3.59 per cent) also fell.

This is the second time in the current fiscal year when the factory-gate inflation dipped below double digits, primarily driven by softer global commodity prices and a favourable base. Core inflation, excluding food and fuel, also eased for the seventh consecutive month to 3.5 per cent

### SETTLING DOWN



\* Oct and Nov figures this year are provisional

Source: Ministry of Commerce

in November from 4.7 per cent in October, thanks to a dip in the prices of manufactured products.

This comes on the back of the decline in retail inflation to 5.88 per cent in November, the lowest in 11 months.

Rajani Sinha, chief economist at CARE Ratings, said the fall in WPI inflation was in line with the trend in consumer inflation (CPI) and the

gap between WPI and CPI inflation had also closed, from as high as 10 percentage points a year ago.

Though seasonal factors were primarily responsible for the sharp fall in retail and wholesale inflation, this "nevertheless provides relief to the economy," she said. "Overall reduction in global commodity prices is also comforting," She added.

Barring pharmaceutical, tobacco and leather products, the prices of other manufactured products rose at a slower pace. The sharpest reduction in price increase was seen for basic metals and vegetables and animal oils and fats. The price of cooking gas deflated by 13.4 per cent, while the prices of high speed diesel and petrol fell sharply to 42.10 per cent, and 14.11 per cent, respectively.

Madan Sabnavis, chief economist at the Bank of Baroda, said though wheat prices were expected to see some volatility in the coming months as Russia had rejoined the Black Sea Grain initiative, he expects further easing in WPI inflation.

"However, WPI inflation will not matter much from the point of view of monetary policy as the Reserve Bank of India keeps a close watch on CPI inflation, which we expect to remain above 6 per cent in December," he added.

Even though the RBI's monetary policy committee (MPC) is tasked with containing retail inflation and not wholesale price inflation, the latter seeps into the former.