

Macro Insights

15th December 2022

WPI eases to 21-month low

Wholesale inflation measured by WPI eased to 5.85% in November 2022, compared to 8.39% in the previous month i.e. October 2022, while it was 14.87% in November 2021.

Highlights:

- India's wholesale inflation reduced to 5.85%, the lowest in 21 months, in line with the trend shown by retail inflation, which slowed to 5.88%, the lowest in 11 months.
- The decline in rate of inflation were primarily contributed by fall in prices of food articles, basic metals, textiles, chemicals & chemical products and paper & paper products as compared to the corresponding month of the previous year.
- Inflation in Food articles declined from 8.33% in the previous month to 1.07%.
- Vegetable prices contracted to (-) 20.08%, against a rise of 17.61% in October.
- The fuel and power segment inflation continued to fall sharply. It declined to 17.35% from 23.17% in October.
- LPG prices contracted to (-) 13.40% from 4.82% a month ago while petrol prices eased to 14.11% from 25.02%.
- The manufactured products segment eased to 3.59% in November from 4.42% a month ago.

Chart: Wholesale Price Index - Nov'22

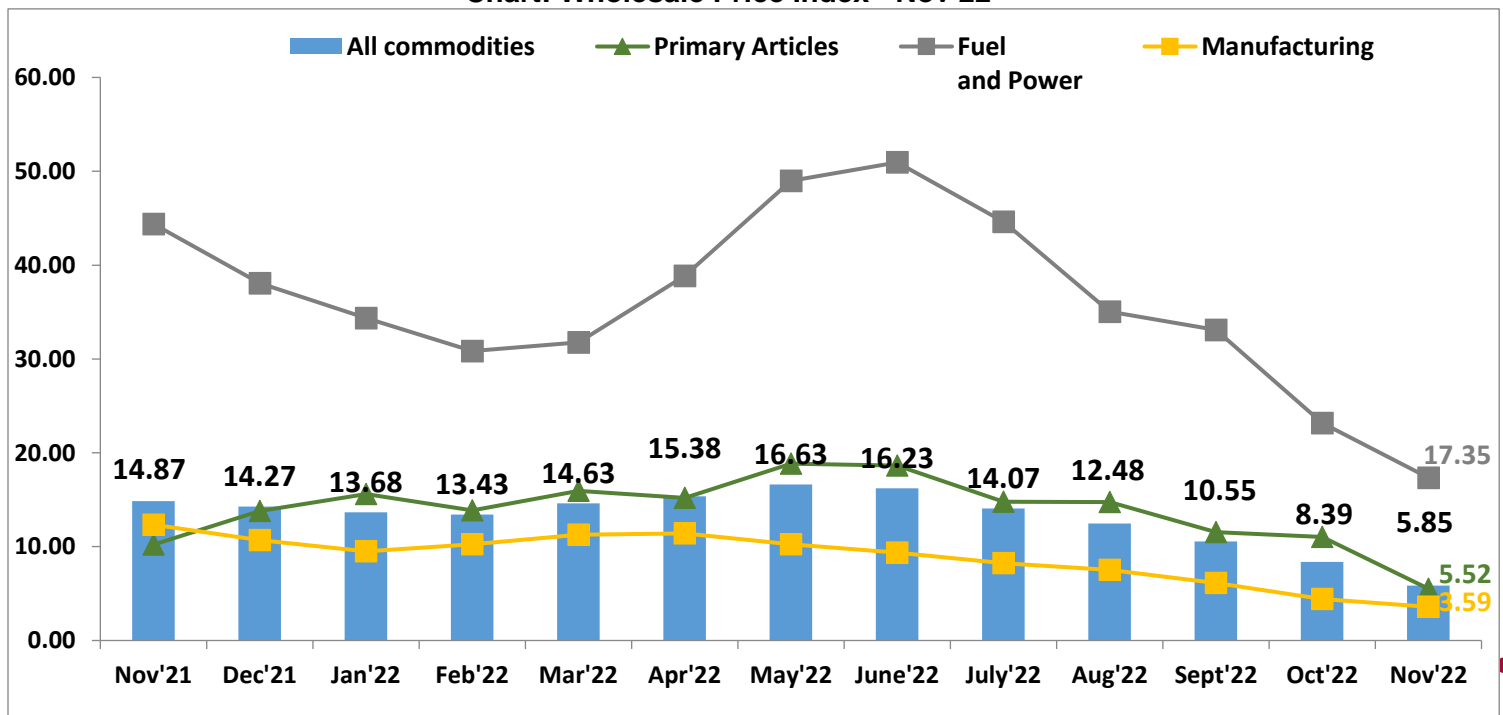


Table: Components of WPI

WPI Inflation (%)	Primary Articles		Fuel & Power		Manufactured Products		Food Articles (Part of Primary Articles)		All Commodities	
Weights	22.62%		13.15%		64.23%		15.26%		100%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
September	5.98	11.54	29.49	33.11	11.57	6.12	-2.55	11.03	11.80	10.55
October	7.38	11.04	38.61	23.17	12.87	4.42	0.06	8.33	13.83	8.39
November	10.21	5.52	44.37	17.35	12.34	3.59	4.82	1.07	14.87	5.85

Views:

1. The wholesale inflation remained below double-digit for the second straight month.
2. As the data shows, food inflation was the main driver for the decline of WPI.
3. The long gap between WPI and CPI has finally been broken, with WPI going below the CPI figure.
4. While the declining prices indicates weakening of the inflationary pressures along with the expectation of RBI's movement towards neutral stance in its next meet, the increasing wheat prices may act as a barrier.
5. Going forward, we expect WPI to remain contained in the coming months with the shift in the global commodity price cycle and favorable base effects.

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