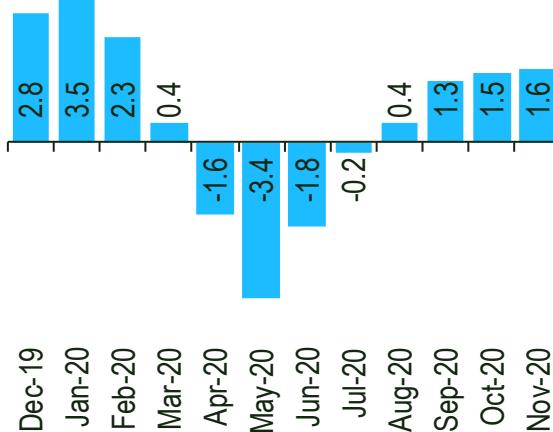


WPI-CPI divergence continues

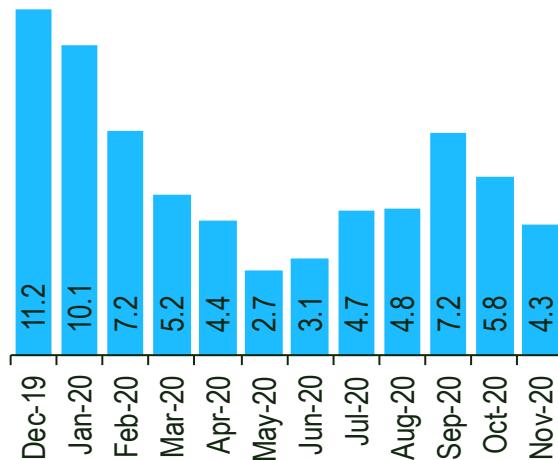
Wholesale price inflation for Nov'20 at 1.6% was marginally below consensus expectation. Like retail inflation, food and fuel inflation for WPI also softened during the month. Manufactured product inflation hardened.

- **Small rise.** Wholesale price inflation during Nov'20 at 1.6% was marginally higher than 1.5% the previous month.
- **Food inflation softening.** As in the case of retail inflation, the food component of wholesale inflation also softened during Nov'20 to 4.3% from 5.8% the month prior. The large divergence between wholesale and retail food inflation although narrow remained substantial.
- **Manufactured product prices rising.** In contrast to food and fuel inflation, manufactured price inflation accelerated during Nov'20 to 3% from 2.1% the previous month. Miscellaneous manufactured items, railway-related equipment, base metals and manufactured food-product inflation remained elevated. Inflation for manufactured items such as computers, leather, textile and paper remained in the deflationary zone.
- **Large divergence in oil product prices.** The decision of the government not to pass on the softer global crude-oil prices to retail customers but transmission of the same in wholesale prices led to a major difference in this category between inflation measured by retail and wholesale price indices.
- **Divergence between WPI and CPI.** Despite some narrowing, the divergence between WPI and CPI indices continues. Apart from differences in weight, there are substantial differences in inflation between these two indices at the category level also. Among other things, increase in retail margin due to supply shortages seems to be one of the factors behind this.

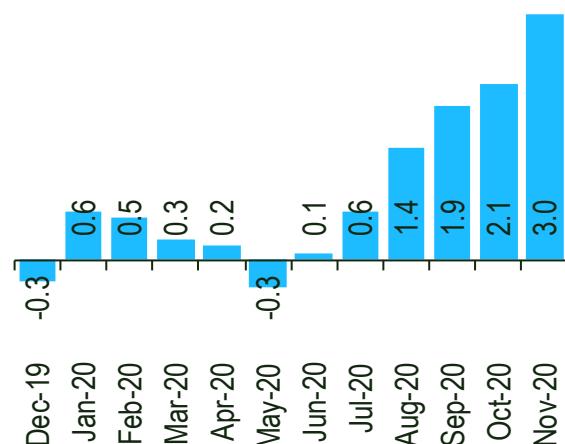
WPI inflation, %



Food inflation, %



Manu. prod. inflation, %



Wholesale inflation highlights

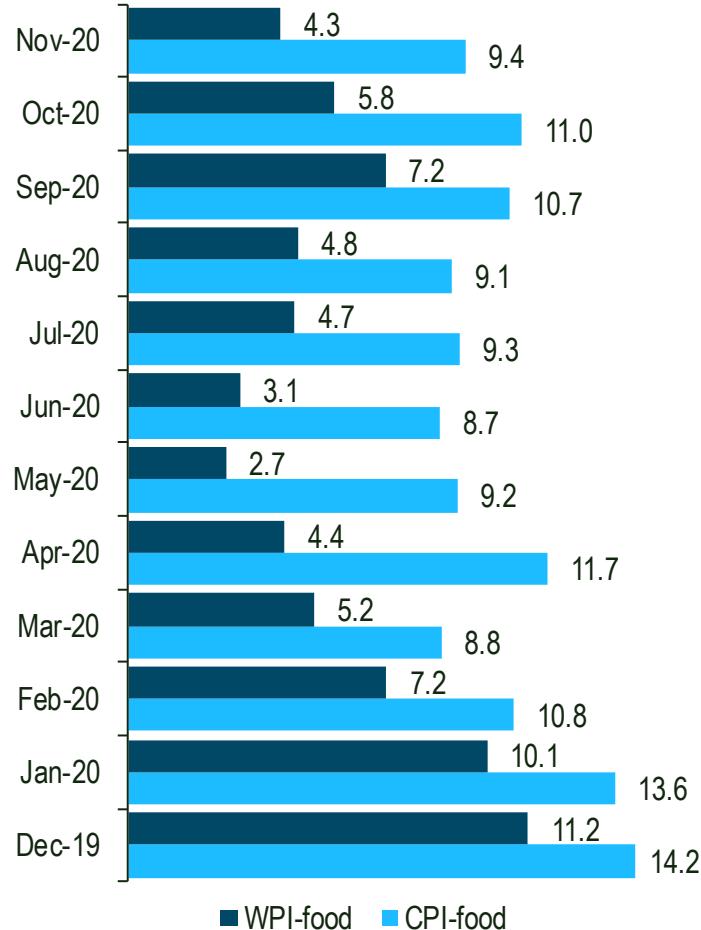
	Nov-20	Oct-20	Sep-20	YTD
WPI	1.6	1.5	1.3	-0.3
Food	4.3	5.8	7.2	4.6
Primary	2.7	4.7	4.1	1.5
Manufactured	3.0	2.1	1.9	1.1
Crude oil	-25.6	-13.0	-23.4	-25.7
Mineral Oils	-16.0	-17.9	-14.4	-21.5
Electricity	-4.3	-4.3	-4.3	-4.0

- While divergence between WPI and CPI narrowed a bit (from 610 bps in Oct'20 to 530 bps in Nov'20), the wedge continues.
- The biggest contributor remains food where the difference between CPI and WPI also declined between Oct and Nov'20 from 520 bps to 510 bps
- The difference between WPI and CPI remains the most marked for the fuel category

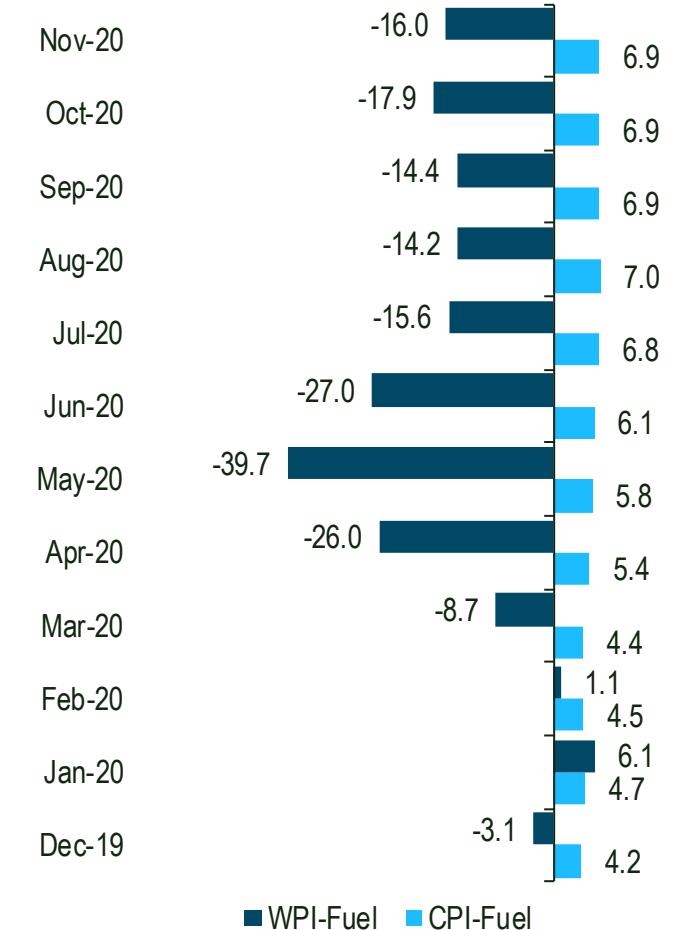
CPI vs. WPI, %



CPI vs. WPI - food, %



CPI vs. WPI - Fuel, %



	Nov-20	Oct-20	Sep-20	YTD
WPI	1.6	1.5	1.3	-0.3
Food	4.3	5.8	7.2	4.6
Primary	2.7	4.7	4.1	1.5
Manufactured	3.0	2.1	1.9	1.1
Primary non-Food	3.9	6.4	8.4	4.4
Non Food	8.4	2.9	-1.8	-0.9
Mineral	2.0	9.1	-6.0	2.1
Crude oil	-25.6	-13.0	-23.4	-25.7
Coal	-	-0.1	1.3	1.4
Mineral Oils	-16.0	-17.9	-14.4	-21.5
Electricity	-4.3	-4.3	-4.3	-4.0
Food manu	4.9	4.5	4.9	5.0
Beverages	0.4	0.5	-	1.1
Tobacco	2.0	0.6	0.5	2.0
Textiles	-0.1	-2.2	-3.4	-3.2
Apparel	0.7	-0.1	-0.4	-0.2
Leather	-0.3	-0.4	0.1	-0.8
Wood	1.4	-0.1	-0.1	-0.3
Paper	-0.1	-0.7	-1.3	-1.5
Printing	1.2	2.0	2.9	2.0
Chemicals	1.0	-0.3	-1.4	-1.9
Pharmaceuticals	2.9	3.3	3.3	3.3
Rubber & Plastics	2.9	1.2	1.2	-0.3
Cement	1.2	1.0	-0.1	0.2
Basic Metals	7.2	5.3	3.6	0.1
Metal Products	0.1	-0.6	-1.7	-1.6
Computer	-1.4	-0.8	-0.6	-1.1
Electricals	1.2	1.2	1.8	0.5
Machinery	0.8	1.1	0.1	0.2
Auto	2.4	2.3	4.0	2.8
Railways etc.	7.7	7.4	7.0	6.8
Furniture	2.9	1.0	-0.5	0.1
Other Manu	19.9	15.5	20.0	18.1

- During Nov'20, at the category level, inflation remained most pronounced for the “other manufactured products” category followed by railway-related transport equipment and basic metals.
- Deflationary trends were most marked during Nov'20 for crude oil, petroleum products and electricity.
- The sharpest increase in inflation during Nov'20 vs. Oct'20 was registered by other manufactured products followed by textiles and furniture.
- Categories which registered marked softening of inflation in Nov'20 vs. Oct'20 were crude oil, printings and computer.

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