

## **Wholesale price inflation dips to 3.15% in November over demonetisation woes**

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India's wholesale price inflation (WPI) decelerated for the third consecutive month to 3.15% in November from 3.39% a month ago as a squeeze in cash availability impacted prices of perishable commodities.

Data released by the Central Statistics Office on Tuesday showed India's retail inflation softened for the fourth consecutive month to 3.63% in November from 4.2% a month ago.

The government announced withdrawing the high-value currencies on 8 November, which amounted to 86% of the total value of currency in circulation.

The slow pace of supplying the new Rs500 and Rs2,000 banknotes is expected to have led to demand compression and hit small businesses.

Data released by the Department of Industrial Policy and Promotion on Wednesday showed food inflation decelerated significantly to 1.54% in November from 4.34% a month ago prices of vegetables (-24.1%) dropped drastically.

However, prices of wheat (10.71%), cereals (7.32%) picked up during the month.

Fuel index for inflation also rose by 7.07% in November from 6.18% in the previous month while inflation of manufacturing items also firmed up by 3.2% in November from 2.67% a month ago as prices of food items, chemical products, and basic metal products rose at a faster pace.

Crude oil prices reaching to an 18-month high at \$56.44 per barrel on Monday as members of the Organization of the Petroleum Exporting Countries (Opec) and oil producers outside the group led by Russia on Saturday agreed to reduce crude oil output almost by 2% of global oil supply.

The Reserve Bank of India in its latest monetary policy review where it kept policy rates unchanged said while drop in vegetable prices may bring down overall retail inflation, downward inflexibility in inflation excluding food and fuel could set a resistance level for future downward movements in the headline inflation print.

"Going forward, base effects are expected to reverse and turn unfavourable in December and February. If the usual winter moderation in food prices does not materialize due to the disruptions, food inflation pressures could re-emerge," it added.