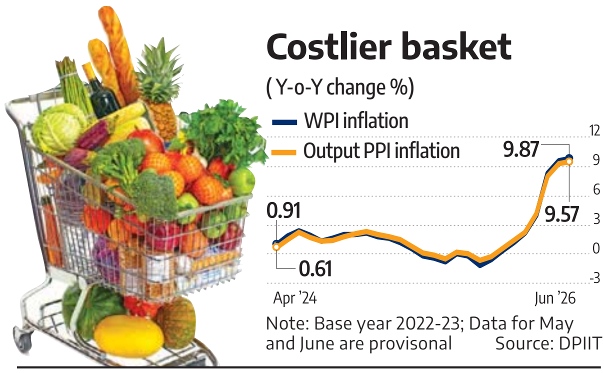
WPI inflation hits a series-high at 9.9% in June



HIMANSHI BHARDWAJ
New Delhi, 14 July

The wholesale price inflation (WPI) rate based on the 2022-23 series rose to its highest at 9.87 per cent in June from 9.68 per cent in May, as a broadbased pickup in prices of food and primary articles more than offset a moderation in energy costs, according to the data released by the Ministry of Commerce and Industry on Tuesday.

The all-commodities index rose to 110.2 in June from 109.9 in May. The ministry also released India's goods output producer price index (PPI), where the inflation rate rose to 9.57 per cent in June from 9.38 per cent in May, broadly tracking wholesale prices.

The WPI rate for primary articles jumped to 7 per cent in June, the highest in 18 months, from 4.99 per cent in May. The increase was broadbased, with minerals rising the most, from 4.91 per cent in May to 9.45 per cent in June.

Rahul Agrawal, principal economist at Icra, said the WPI rate had "unexpectedly hardened to a series high".

The core WPI rate, which strips out food and fuel, eased to 7.5 per cent from 7.7 per cent as some commodity prices softened sequentially, he added. The June rise was led by primary articles and food, even as fuel prices cooled.

Madan Sabnavis, chief economist, Bank of Baroda, said the reading was significant because price pressures had turned more generalised and broadbased, part of a rising trend building since November, when the index was still in mild deflation. "Quite clearly the days of low inflation are over," he added.

Sabnavis said vegetables, fruit, eggs, meat and fish, and spices contributed the most to food inflation, with spices up about 22 per cent.

Megha Arora, director, India Ratings & Research (Ind-Ra), said prices had been climbing since November last year owing to the base effect and the El Niño factor, which affects the monsoon.

The WPI food index, which combines primary food articles with manufactured food products, rose to 6.14 per cent in June from 4.49 per cent in May, an 18-month high.

The rate for manufactured products, which carry a weighting of 63.1 per cent, held steady at 7.48 per cent.

Sabnavis said the war-driven jump in fuel costs — a fuel and power inflation rate of 27.4 per cent — was raising input costs for user industries, with chemicals up 12.8 per cent and rubber and plastic products 9.9 per cent.

For fuel and power, the rate eased to 27.41 per cent from 30.33 per cent because crude oil and natural gas fell sharply to 34.75 per cent from 61.51 per cent. The rate for mineral oils moderated to 46.48 per cent from 49.82 per cent.

Among output PPI major groups, the indices for agriculture, forestry and fishing; mining and quarrying; manufactured products; and electricity stood at 114.1, 121.5, 109.2 and 92.0, respectively, in June. The trial input PPI for manufacturing, published on an experimental basis since March, rose to 107.1 in June from 104.9 in May.

CareEdge Ratings Chief Economist Rajani Sinha attributed the softening to a correction in global energy prices following a US-Iran MoU signed in mid-June.