

WPI inflation rises to 15-month high of 2.61% in May

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India's wholesale inflation as measured by the wholesale price index (WPI) rose sharply to a 15-month high of 2.61 per cent in May from 1.26 per cent in April. This was on the back of an adverse base effect and a sharp spike in food prices.

The inflation in food prices stood at 9.82 per cent during the month, while in May 2023, the wholesale inflation was at -3.61 per cent.

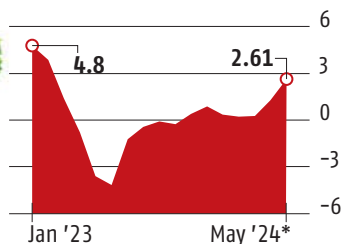
Data released by the Ministry of Commerce and Industry on Friday showed that the uptick in factory gate inflation during May was also driven by other major sub-indices barring fuel and power. This comes as they witnessed either a higher year-on-year (Y-o-Y) inflation print or a lower deflation in the month.

Within food articles, pressure on the factory gate prices mainly built up on account of acceleration in the prices of vegetables (32.42 per cent), pulses (21.95 per cent), cereals (9.01 per cent),



SHARP INCREASE % chg Y-o-Y

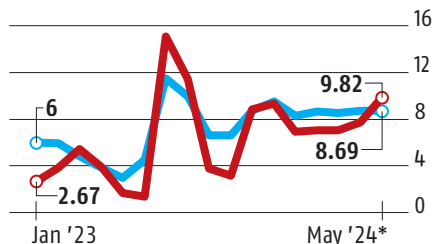
WPI



Note: *Figures for April and May are provisional

CPI FOOD

WPI FOOD



Sources: NSO, Ministry of Commerce and Industry

fruits (5.81 per cent) and wheat (6 per cent). Meanwhile, even as the prices of potato (64.05 per cent), onion (58.05 per cent) and paddy (11.79 per cent) decelerated during the month, they remained quite elevated.

On the other hand, the prices of protein rich items like eggs & meat (0.68 per cent) and milk (3.61 per cent) provided some relief during the month.

Aditi Nayar, chief economist, ICRA

Ratings, said the progress of the southwest monsoon has been quite uneven so far.

There has been excess rainfall in the southern region, and deficient rainfall in northwest, east and north-east India, amid heatwave conditions in these regions.

"Well distributed rainfall would be crucial to support the timely onset of kharif sowing across states, as well as replenish the reservoir levels, which

are essential to keep a check on food inflation. In addition, minimum support prices (MSPs) for kharif crops are awaited, and this would also influence the sowing trends. Consequently, WPI-food inflation is likely to display some softening in June, vis-à-vis the May print," she added.

The manufactured products, which have a weight of 64.2 per cent in the index, reverted to the inflationary territory (0.78 per cent) in May after

a gap of 14 months. This was led by an acceleration in the prices of manufactured food products (2.71 per cent), manufactured beverages (2.14 per cent), wood products (2.97 per cent), leather (0.32 per cent) and pharmaceuticals (1.19 per cent).

The factory gate prices for fuel and power (1.35 per cent) slightly decelerated in May as the prices of high-speed diesel (-1.06 per cent) remained in contraction. The prices of cooking gas (2.48 per cent) and petrol (0.51 per cent) accelerated during the month.

Madan Sabnavis, chief economist, Bank of Baroda, said that fuel inflation moderated marginally, despite an increase in global oil prices. Also, an uptick in global metal prices has contributed to an increase in inflation in the manufacturing category. "A significant mismatch in global demand and supply of metals has pushed global metal prices higher. While demand from China has so far remained muted, it is likely to pick up as the economy recovers. This can push global commodity prices higher," he added.