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Inflation in food articles in May was 12.34% led by a 56.36% inflation in vegetables and 10.55% in the case of wheat. Inflation in crude petroleum and natural gas was 79.50% while that in petrol was 58.78%. Photo: Reuters

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D.K. Joshi, Chief Economist at Crisil Ratings said that the inflation numbers is the highest in terms of the current data series with base year of 2011-12 and even when compared in terms of the old data series, the inflation is at a 30-year high.

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By

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New Delhi: India's wholesale price-based inflation logged a record high of 15.88% in May compared to 15.08% in April which was highest in highest in the current data series with the base year of 2011-12.

In May last year, the wholesale price index was at 13.11%. Inflation, as measured by the wholesale price index (WPI), has now stayed in double digits for over a year.

In a statement, the ministry of commerce and industry attributed the high rate of inflation to rise in prices of mineral oils, crude petroleum and natural gas, food articles, basic metals, non-food articles, chemicals & chemical products and food products among others, compared to the same period last year.

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The development comes a day after the government reported an ease in retail inflation in May from the eight-year high it hit the previous month.

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The high inflation comes a cause of concern as it strengthens the sharper rate hikes by the central bank, according to economists. The RBI already raised interest rates by 90 basis points in the past two months to contain price increases. According to economists while the rate increases risk hurting India's economic recovery, failing to tame inflation swiftly will hurt the country's growth prospects in the medium to long term.

Rajani Sinha, Chief Economist with CARE Ratings said: "Going ahead, measures announced by the government during the latter half of May to reduce input costs coupled with signs of moderation in global metal prices indices in May would bode well for WPI inflation which is dominated by manufactured items. However, soaring vegetable prices and elevated crude oil prices are likely to keep wholesale inflation in double digits in the near term."

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Inflation in food articles in May was 12.34% led by a 56.36% inflation in vegetables and 10.55% in the case of wheat. Inflation in crude petroleum and natural gas was 79.50% while that in petrol was 58.78%.

Sinha was of the view that vegetables and cereals prices surged due to heatwave-led disruptions and have pushed up primary food inflation. Elevated crude oil prices, LPG price hikes and electricity tariff revisions contributed to the rise in fuel and power inflation, she said.

D.K. Joshi, Chief Economist at Crisil Ratings said that the inflation numbers is the highest in terms of the current data series with base year of 2011-12 and even when compared in terms of the old data series, the inflation is at a 30-year high.

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He said that inflation is expected to remain elevated in the next couple of months and the central bank's hike in interest rates would take time to show results.

“If we look on a month on month basis, here appears to be some easing which is also in line with what is happening at the global level where prices have tended to ease relative to April. We do need to wait and watch whether this pattern is sustained or whether there is another spike in inflation. Presently on the commodity front there does not appear to be any threat factor except for crude oil," Sabnavis added.



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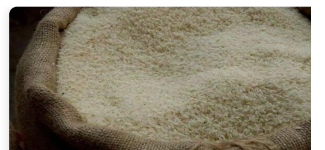
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