

INDIAN ECONOMY | NATIONAL

Wholesale price inflation surged to new high of 15.9% in May

Vikas Dhoot

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This is the 14th month in a row that wholesale price inflation in India has stayed above the 10% mark



Inflation in India's wholesale prices hit a fresh record high of 15.88% in May, escalating from 15.08% in April, as per official data released on Tuesday. This is the 14th month in a row that wholesale price inflation in India has stayed above the 10% mark. May 2021 had recorded an inflation rate of 13.11%

Fuel and power inflation accelerated further to 40.62% in May from 31.8% in March and

8.9% from 9.3% in March, resurged to hit 10.9% in May.

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Retail inflation had eased slightly to 7.04% in May from 7.8% in April as per data released on Monday. But the further uptick in wholesale price inflation, in contrast to the consumer price trends, could warrant greater circumspection from the monetary policy perspective, as producers will eventually pass on higher costs to consumers.

May's 'inordinately high' wholesale inflation is signalling continued upward pressure on consumer price inflation in the next few months, cautioned D.K. Srivastava, chief policy advisor at EY India.

Inflation in primary articles also gained momentum, rising from 15.45% in April to 19.71% in May. The only category of items to see a slight dip in inflation was manufactured products, where the wholesale price rise pace was 10.11% in May compared to 10.85% in April.

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LPG (liquefied petroleum gas) inflation shot up from 38.5% in April to 47.7% in May. While diesel inflation eased only marginally from 66.1% in April to 65.2% in May, petrol inflation dropped slightly from 60.6% in April to 58.8% in May. The government had pared excise duties on petrol and diesel on May 21.

"The high rate of inflation in May is primarily due to rise in prices of mineral oils, crude petroleum & natural gas, food articles, basic metals, non-food articles, chemicals & chemical products and food products compared to the previous year," the Commerce and Industry Ministry said.

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CARE Ratings' chief economist Rajani Sinha attributed the record wholesale inflation to the spike in food and energy prices. "Vegetables and cereals prices surged due to heatwave-led disruptions and have pushed up primary food inflation, while elevated crude oil prices, LPG price hikes and electricity tariff revisions contributed to the rise in fuel and power inflation," she said.

The Wholesale Price Index (WPI) for this March was also revised upwards, reflecting an inflation rate of 14.63% instead of the 14.5% earlier estimated by the Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade.

"The rise in global crude oil prices is expected to put upward pressure on the headline WPI print for June 2022, even as the weakening of the Rupee is likely to augment the landed cost of imports. Consequently, we expect the wholesale price inflation to remain elevated at ~15%-16% in June," chief economist, ICRA, Aditi Nayar said.

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The weakening currency and stiffer crude prices transmit faster into wholesale prices than retail prices, she noted.

May's inflation, which Ms. Nayar reckoned was the highest since September 1991, was led by a surge in primary food articles, particularly vegetables and eggs, meat and fish, on account of extreme weather conditions and rising costs of inputs such as fodder.

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