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### WPI inflation jumps to 15.9% in May, highest since September 1991

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#### Experts estimate some relief in coming months

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Producers' inflation based on wholesale price index (WPI) rose to 15.9 per cent in May against 15.1 per cent recorded in April this year. This is the highest wholesale inflation rate since September 1991.

On Monday, the Statistics Ministry said May recorded 7.04 per cent retail inflation. The consumer price index (CPI) in May was lower than 7.79 per cent recorded in April.

On the latest inflation figures, the Office of Economic Advisor under the Department for Promotion of Industry and Internal Trade said: "The high rate of inflation in May 2022 is primarily due to rise in prices of mineral oils, crude petroleum and natural gas, food articles, basic metals, non-food articles, chemicals and chemical products, food products, etc. as compared to the corresponding month of the previous year."

Aditi Nayar, Chief Economist with ICRA said that a surge in inflation in the primary food articles, particularly vegetables and eggs, meat and fish, on account of extreme weather conditions and rising input costs, such as fodder prices, pushed up the headline inflation print. Additionally, higher inflation was witnessed in the minerals, crude petroleum and natural gas and fuel and power segments, reflecting the increasing global commodity and crude oil prices.

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While the core (non-food manufacturing) WPI inflation witnessed a base-effect-led moderation in May 2022, it continued to print in double-digits for the fourth consecutive month. However, the month-on-month increase in the core-WPI stood at a five month low at 0.5 per cent in May 2022. However, with inflation in industrial raw materials remaining stubbornly entrenched, core inflation is likely to remain elevated above 9 per cent over the next few months.

Given the weight of oil and fuel items (10.4 per cent) in the WPI basket, the rise in global crude oil prices is expected to put upward pressure on the headline WPI print for June 2022. Further, the weakening of the rupee against the US dollar is likely to augment the cost of imports in the month, posing upside risks to the headline number.

“Consequently, we expect the WPI inflation to remain elevated at 15-16 per cent in June. The weakening of the rupee and hardening of crude oil prices would transmit faster to the WPI than the CPI,” she said while adding that despite some reduction in CPI, interest rate hike likely to continue.

Rajani Sinha, Chief Economist with Care Edge said elevated crude oil prices, LPG price hikes and electricity tariff revisions contributed to the rise in fuel and power inflation. There was some moderation in manufactured products inflation which is a good news.

“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,” she said.

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