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June WPI-based inflation cools to 15.18% from May's four-decade high

June WPI inflation of 15.18 per cent comes on the back of a high base of 12.07 per cent for the same month in 2021

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Wholesale Price Index-based inflation (WPI) for June decreased slightly from a four-decade high in May. Still, it remained at 15.18 per cent, primarily driven by international crude prices, food articles, mineral oils, and others. This was the third consecutive month that factory-gate inflation was above the 15 per cent mark.

WPI inflation in May had come in at 15.88 per cent, a record for the current series and the highest since September 1991.

For June, the WPI for food index, which constitutes 24.4 per cent of the total index, came in at 12.41 per cent compared with 10.89 per cent in May. Inflation in fuel and power, which reflects global crude and gas prices, came in at 40.38 per cent, nearly identical to that of the month before.



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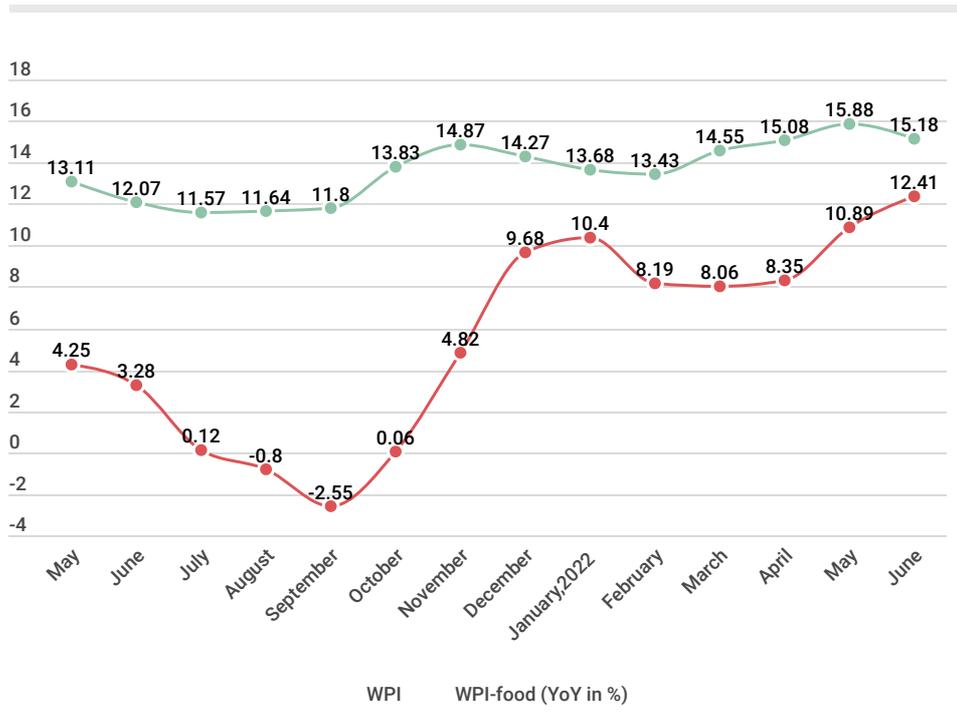


Manufactured products, which have a weightage of 64.2 per cent, registered inflation of 9.19 per cent, down from 10.11 per cent in May, while inflation in primary articles held steady at 19.22 per cent.

What remains worrying is that June WPI inflation of 15.18 per cent comes on the back of a high base of 12.07 per cent for the same month in 2021.

"The high rate of inflation in June 2022 is primarily due to rise in prices of mineral oils, food articles, crude petroleum, natural gas, basic metals, chemicals & chemical products, food products etc.," the ministry of commerce, which releases WPI data, said in a statement.

WPI based INTIATION



Source: DPIIT

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“Providing welcome relief, the core index declined by 0.7 per cent in month-on-month terms after 24 consecutive months of rises, dampening the year-on-year core inflation to single digits of 9.3 per cent in June after a gap of 13 months,” said Aditi Nayar, Chief Economist with ICRA Ltd.

“WPI inflation moderated in June but remains at an elevated level. Easing in global commodity prices and the Indian government’s supply-side measures could aid in taming price pressures in the coming months,” said Rahul Bajoria, Chief India Economist with Barclays.

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Among the sub-groups, WPI inflation for LPG, petrol and diesel rose by 53.2 per cent, 57.8 per cent, and 54.9 per cent, respectively, as global crude prices stayed above the \$100 mark in June.

WPI inflation in vegetables rose 56.7 per cent. However, onion wholesale prices decreased sharply, down 31.54 per cent. Commodities saw a spike in wholesale prices, with basic metals rising 12.09 per cent and semi-finished steel rising 10.7 per cent.

king ahead, a round of expected monetary tightening by the United States Federal Reserve and fears of a global slowdown are expected to drive down commodity prices, thus reducing [wholesale inflation](#) pressures.

"While the easing of many of the global commodity prices is a comforting factor, volatile crude oil prices and the weakening of rupee against dollar continue to pose an upside risk to the [wholesale inflation](#) number. Food inflation will continue to inch higher due to accelerating vegetable prices. Consequently, we expect WPI to remain in double-digits till the second quarter of this fiscal," said Rajani Sinha, Chief Economist with Care Ratings.

"We expect the WPI inflation to ease to around 13 per cent in July 2022, reflecting the ongoing correction in global commodity and fuel prices as well as domestic food prices," said Nayar.

Though the Reserve Bank of India's monetary policy committee is tasked with containing Consumer Price Index-based inflation and not wholesale inflation, the latter seeps into the former. Hence, WPI food inflation remains a matter of concern. Economists expect the MPC to go for two more rounds of rate hikes.

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Digital Editor

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