

Food, fuel push April wholesale inflation to all-time high of 15.08%

Pricier energy, metals due to supply-side bottlenecks add to input cost pressures for producers

OUR BUREAU

New Delhi, May 17

Producers' inflation, based on the Wholesale Price Index (WPI), topped 15 per cent in April, up from 14.55 per cent in March to its highest ever since 2011-12 when the series came into force. WPI inflation has now been in the double digit for 13 months straight.

"The high rate of inflation in April was primarily due to the rise in prices of mineral oils, basic metals, crude petroleum & natural gas, food articles, non-food articles, food products, and chemicals and chemical products compared with the corresponding month of the previous year," a statement issued by the Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade (DPIIT) said on Tuesday.

The rate of inflation based on WPI Food Index increased marginally to 8.88 per cent in April from 8.71 per cent in March.

Rate hike, a certainty

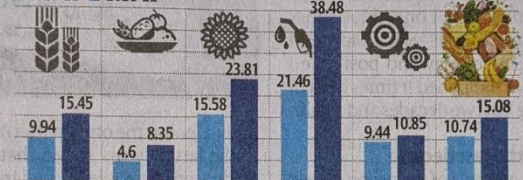
The April retail inflation based on the Consumer Price

Up, up and away

Inflation and wholesale price index for April 2022 | Base 2011-12=100

Inflation: **15.08%** (Mar 14.55%) WPI: **151.9** (Mar 148.8%)

■ 2020-21 ■ 2021-22



Category	Weight	WPI (Apr)	WPI (Mar)
Primary articles	22.62	174.9	170.3
Food articles	15.26	175.1	169.0
Non-food articles	4.12	177.3	175.2
Fuel & power	13.15	151.0	146.9
Manufactured products	64.23	144.0	141.6
All commodities	100	151.9	148.8

Final index for the month of Feb 2022 | Base year: 2011-12
Wholesale Price Index for 'All commodities' and annual rate of inflation stood at 145.3 and 13.43% respectively

*Provisional

Source: PTI

Index (CPI) is already at an eight-year high of 7.79 per cent. With both the inflation rates at elevated levels, the RBI can be expected to put up the policy interest rates.

Earlier this month, the Monetary Policy Committee (MPC) raised policy repo rate (the rate at which the RBI lends money to banks) by 40 basis points to 4.40 per cent and the Cash Reserve Ratio (CRR, part of the incremental deposits banks are required to keep with the RBI) by 50 basis points to 4.5 per cent.

Following this, various banks raised interest rates on loans.

Rajni Sinha, Chief Economist with CareEdge, said the all-

time high WPI inflation in April was driven by the rise in prices across the board with manufactured products and fuel and power leading the charge.

The double-digit inflation level was very much in line with the CareEdge's expectation of 15 per cent.

Pricier commodities

"Higher energy and metals prices due to supply-side bottlenecks have added to the input cost pressures for domestic producers. As inflation is primarily supply-driven, we expect upward price pressures to persist in the near term. With recovery in demand, producers are ex-

pected to pass on the rising costs to consumers which could push retail inflation even higher," she said.

Aditi Nayar, Chief Economist with ICRA, said the heatwave led to a spike in the prices of perishables such as fruits, vegetables and milk, which along with a surge in tea prices pushed up the primary food inflation.

High core inflation

The core WPI inflation reverted to a four-month high of 11.1 per cent in April, with producers forced to pass on the increased input prices. While the month-on-month rise in the core-WPI eased to 1.4 per cent in April from 1.8 per cent in March, it exceeded 1 per cent for the third consecutive month.

With the WPI inflation remaining in double-digits, the probability of a repo hike in the June review of monetary policy has risen further. "We expect a 40 bps hike in June followed by a 35 bps rise in August, amidst a terminal rate of 5.5 per cent to be reached by mid-2023. With the source of inflation being global supply issues and not exuberant domestic demand, we maintain our view that over-tightening will douse the fledgling recovery without having a commensurate impact on the origins of inflationary pressures," Nayar said.