

Press Release

Apr-22 WPI inflation surges to a record high Food and fuel inflation keep price pressures elevated

17 May 2022

Mirroring the significant rise in CPI inflation, India's inflation at the wholesale level also rose to a record high (in the 2011-12 series) of 15.08% YoY in Apr-22 from 14.55% in Mar-22. The increasing headwinds from geopolitical conflicts have intensified in the last two months with the price pressures increasing incessantly on the wholesale as well as the retail front. On sequential basis, the print has continued to move up strongly by 2.1% MoM Apr-22 from 2.7% in the previous month primarily led by consolidated food (comprising of manufactured and primary food prices) followed by fuel inflation.

Consolidated food inflation (comprising of manufactured and primary food prices) rose significantly by 3.3% MoM in Apr-22 from 0.5% in the previous month. While food price pressure from perishables especially fruits and vegetables surged to 11.37% MoM (after contracting for 4 consecutive months) amid the ongoing summer seasonality, elevated animal feed costs have been translating into escalation in milk and dairy product prices. These factors along with global shortages and price pressures already brewing in case of edible oils and cereals (particularly wheat) have further increased food prices. While the government has already announced an export ban on wheat to ensure its domestic availability and moderate its prices, food inflation could continue to face upside pressure from global factors, esp. ones impacting agricultural inputs, which in turn could potentially manifest in higher announcement of MSP by the government. However, some comfort accrues from the likelihood of a normal monsoon outturn. As per the IMD, the upcoming south-west monsoon season could see normal rainfall at 99% of the long period average. Early onset of monsoon if accompanied by a normal distribution could potentially help douse some of the seasonal pressure on food prices.

Elevated crude oil prices with an average of over USD 100 pb since the intensification of the Russia-Ukraine conflict from end Feb-22 along with hike in other key commodity prices is visible in both crude petroleum (within primary articles) and fuel and power index which led consolidated fuel inflation to rise to 42.67% YoY in Apr-22 from 39.06% in Mar-22. Nevertheless, sequentially, consolidated fuel inflation rose at a slower pace of 2.4% MoM in Apr-22 from 7.9% in Mar-22. The headline index for crude petroleum as well as fuel & power surged to their respective record high levels with LPG, Kerosene, Furnace oil and ATF, continuing to record double-digit sequential expansion. Given the direct linkage with rise in crude oil prices and the higher weightage of crude oil and its derivatives in the WPI basket, inflation trajectory would likely be greater for WPI in FY23 as compared to CPI.

Further, WPI core inflation (non-food manufacturing inflation) is estimated to have increased further to 11.1% YoY in Apr-22 from 10.9% YoY in Mar-22, albeit with a lower sequential uptick of 1.5% vs 2.2% in the previous month. While the incremental pass-through pressures have slightly eased due to the weaker demand sentiments, Acuite expects gradual transmission of input costs by the manufacturing sector given the persistent supply side bottlenecks and high commodity prices which will continue to feed into India's retail inflation.

Annexure

Chart 1: Consolidated food and fuel inflation keeps WPI inflation elevated in double-digits

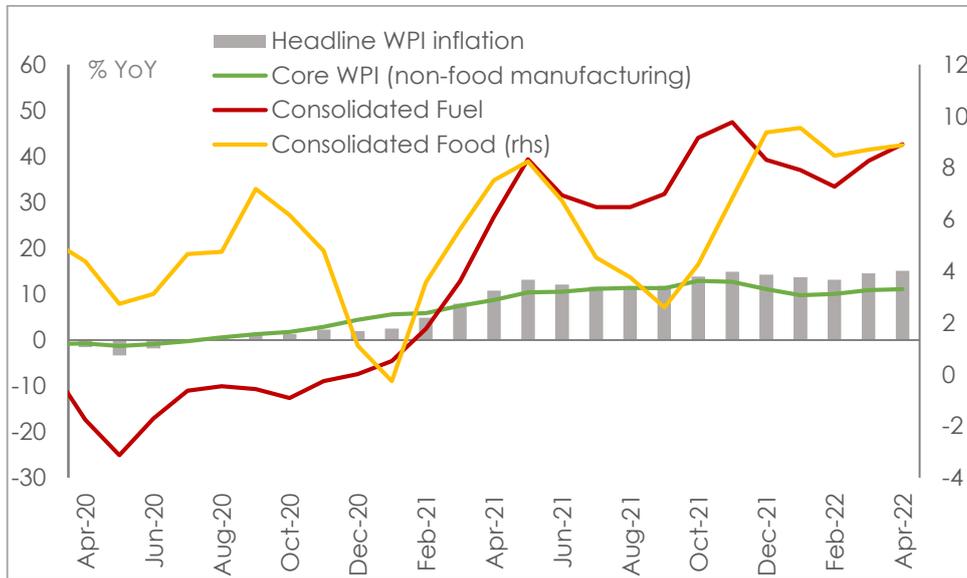
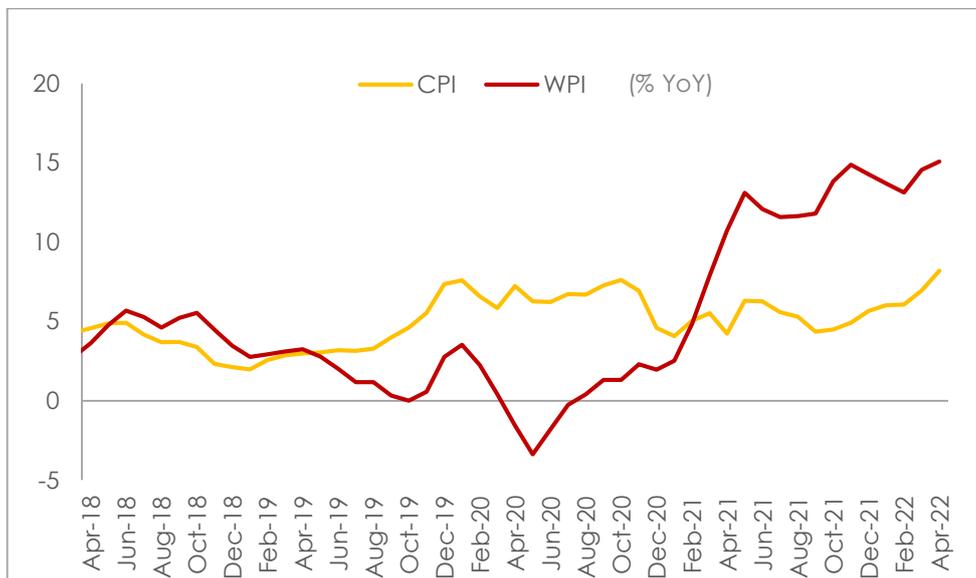


Chart 2: Partial pass-through of higher input cost has led the dichotomy between WPI and CPI to narrow



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