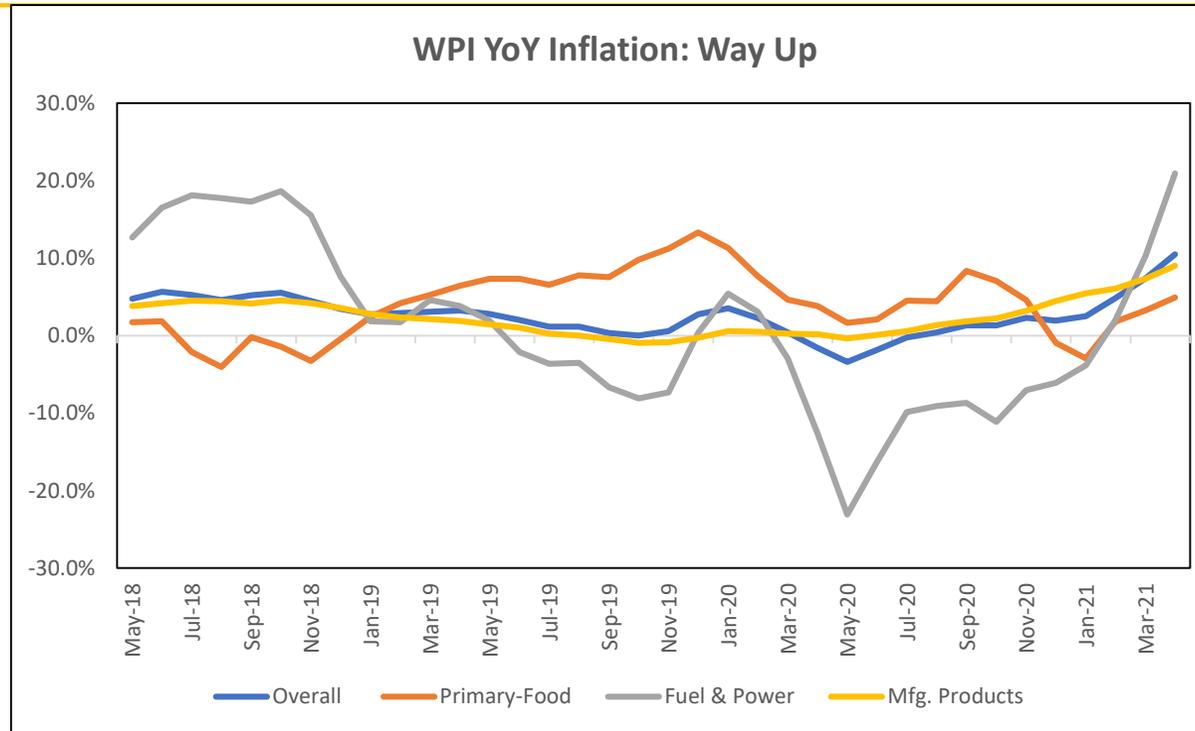




**Comments on:
WPI Inflation- April 2021**

WPI trajectory indicates inflationary undercurrents



- Contrary to the CPI trajectory, wholesale Inflation has been witnessing an upsurge partly propelled by with an unfavourable base factor
- The YoY print in WPI has galloped from 2.51% in Jan to 7.39% in March and now further to 10.49% in April 2021.

Sequential momentum in WPI is a point of concern

- The sequential momentum in WPI is also high and stood at 1.86%MoM for April which highlights steady price increases for primary commodities and a gradual pass through in manufactured products (WPI YoY- 9.01%).
- One of the other drivers for the WPI rise clearly is the 20.9% annual rise in the fuel and power component given the spurt in retail prices of petroleum products particularly over the last 3 months.
- The annualised inflation for wholesale prices of basic metals and mild steel stood between 17%-19% which is likely to impact the costs of fresh infrastructure projects.
- The high annual and sequential WPI inflation print would be a matter of concern for the policy makers particularly in the context of potential supply constraints in the current Covid 2.0 scenario
- Rising WPI may start to push CPI inflation on a sequential basis though the favourable base factor may continue to keep the annualised figures moderate in the near term.