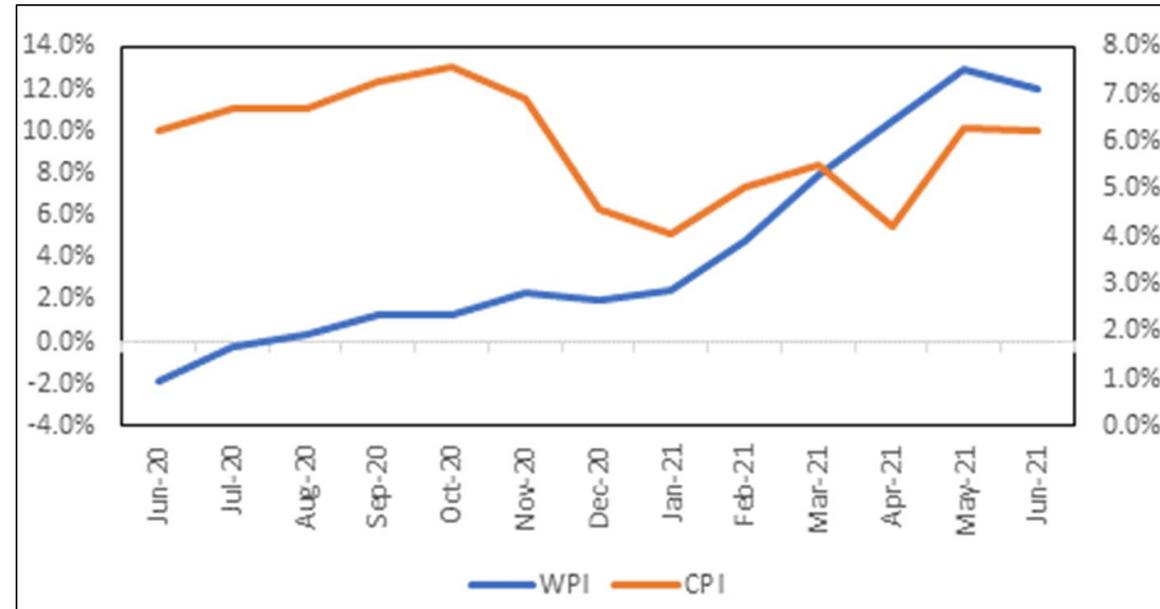


The background of the slide features a dark blue to black gradient on the left side. Overlaid on this is a stylized candlestick chart with blue bars and thin vertical lines. A glowing orange line with a soft, ethereal glow curves across the chart from the bottom left towards the center. The right side of the slide is a plain white background.

**Comments on:  
WPI Inflation- June'21**

## Continuing inflationary pressures albeit with slight moderation



- After rising for 5 successive months since Jan-21, WPI inflation for Jun-21 has witnessed a slight decline to 12.07% as compared to 12.94% in May-21 on a YoY basis.
- However, the index continues to rise on a sequential basis at 0.8% in Jun-21 vis-à-vis 0.5% in the previous month, reflecting the impact of high commodity and retail fuel prices and its pass through to the prices of manufactured products.

## **Increased costs in manufactured products may spill over to CPI inflation**

- Inflation in manufacturing sector continues to be high at 10.9%YoY although it has decreased moderately on a sequential basis from 0.8% to 0.4% in Jun-21.
- Persisting cost pressures in manufacturing is reinforced by “fuel and power” inflation which stood at 32.8%YoY, climbing sequentially by 2.9% as against 1.5%MoM in May-21. This is driven by a sharp rise of 9.5%MoM in diesel prices and would have been higher without the 7.7%MoM drop in LPG prices.
- Prices of basic metals continue to rise as indicated by the 1.5%MoM and the 28.9%YoY print
- A drop in wholesale food inflation to 6.7%YoY from 8.1%YoY in the previous month nevertheless, provides some relief.
- Clearly, the steady pass through of increased costs in manufactured products has spill over risks to CPI inflation in the near term.
- A benign food inflation print from a favourable kharif crop output and a moderate growth in overall demand may help to keep the inflation risks under control over the next 2 quarters.