

WPI inflation inches up led by oil

- **WPI inflation for April climbed up further to 15.1% YoY (our estimate: 15.0%) from 14.5% YoY in March**
- **Food inflation rose marginally to 8.9% YoY vs. 8.7% last month led by increase in vegetable and fruits. On the other hand, inflation in cereals and edible oils moderated**
- **Fuel and power index climbed to 38.7% YoY in March (vs. 34.5% last month). This was led by an increase in mineral oils on YoY basis, even as electricity and coal prices declined**
- **Manufactured products inflation increased to 10.9% YoY in April (vs. 10.7% last month primarily led by uptick in fabricated metals and paper and paper products. WPI Core was at 11.1% YoY vs. 10.9% last month**
- **Moderation in international metal prices is a positive. Cereals may come off after export restrictions. However, a further upward movement in oil prices when there is an incomplete pass-through of international oil prices into domestic retail prices remains a risk**

Food inflation sees high sequential momentum: While WPI food inflation inched up to 8.9% YoY in April (vs. 8.7% last month); on a MoM basis, it saw an increase of 3.4% (vs. 0.36% MoM in March). Notably, sequential momentum for cereals, pulses and condiments and spices has come-off. On a YoY basis, elevated food inflation is driven by vegetables at 23.2% YoY (vs. 19.9% last month), fruits at 10.9% YoY (vs. 10.6% last month), condiments and spices at 14.6% YoY (vs. 13.8% last month), milk at 5.1% YoY (vs. 2.9% last month) and other food items at 4.5% YoY (vs. 2.7% last month). Vegetables and fruits also saw sharp sequential momentum at 4.5% MoM and 19.6% MoM respectively. Fibres too continue to see elevated price rise at 61.4% (vs. 51% last month) driven by an increase in raw cotton (81.2% vs. 59.3% last month). On the other hand, edible oil inflation decelerated to 15.1% YoY (vs. 16.1% last month). Even in May 2022, upward momentum is visible in fruits, vegetables, and edible oils. However, cereal inflation is likely to moderate after government's decision to restrict exports of wheat.

Fuel inflation rose: Fuel and power inflation climbed to 38.7% YoY in April (vs. 34.5% last month). On a MoM basis, fuel and power index rose by 2.8% (vs. 6.2% last month). The increase is led by mineral oils index, which rose by 62.5% YoY (vs. 50.1% last month). On a MoM basis, it rose by 7.6% (vs. 9.0% last month). The items within minerals that saw an increase on monthly basis were LPG (12.6% MoM), kerosene (25.8% MoM), furnace oil (14.7% MoM), lube oil (5.7% MoM) and petroleum coke (11.0% MoM). Coal prices are much more stable with an increase of 2.8% YoY (vs. 3.2% last month). This is in sharp contrast to rising international prices (up by 58.6% YoY). Electricity prices rose by 10.0% YoY (vs. 21.8% in March). Global oil prices are higher in May 2022 at USD 108.3/bbl. vs. USD 106.2/bbl. in April. Notably, global oil prices were at USD 68.3/bbl. in May 2021.

Elevated manufactured inflation: Manufactured products inflation increased marginally to 10.9% YoY in April (vs. 10.7% last month). Core WPI inched up to 11.1% YoY vs. 10.9% in March. The increase was led by paper and paper products at 14.4% YoY (vs. 12.2% last month) and fabricated metals at 12.4% YoY (vs. 10.3% last month). Basic metal index too rose sequentially by 2.8%. On a YoY basis, base metals index is up by 24.8%. However, international metal prices are now witnessing a decline (11.9% dip in May 2022) which implies a likely decline in sequential momentum in India too. At the same time, textiles continue to see elevated inflation at 13.0% YoY, chemicals too at 12.4% YoY, and other manufacturing items at 10.4% YoY.

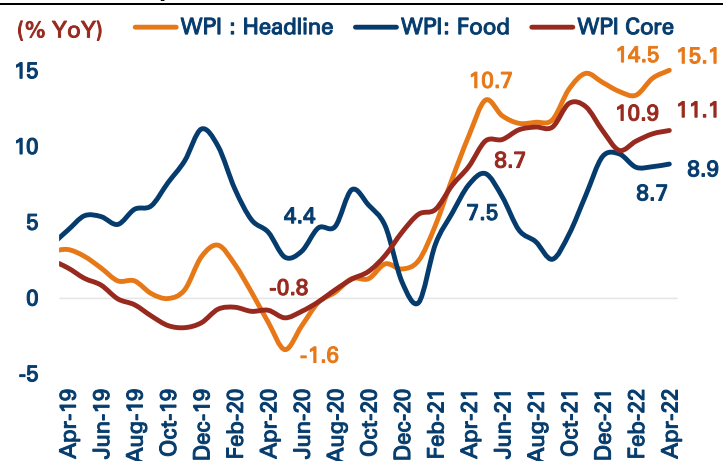
Closer to peak WPI? Unless oil prices increase materially from here, we believe we are closer to peak WPI inflation. This is to do with the fact that, international metal prices are seeing a correction. Even domestic cereal prices may see a downward momentum on the back of export restrictions. The only upside can come from under-recovery seen in domestic OMCs with respect to pricing of domestic fuels. A complete pass-through can offset the decline to be seen in other items. Also, some pass-through of INR depreciation will also be visible in WPI inflation.

WPI : inflation inches up led by oil

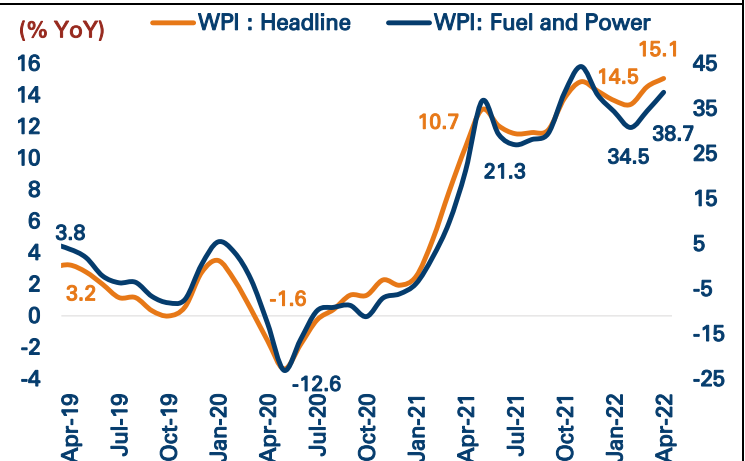
	(% YoY)	Weight	Apr-21	Mar-22	Apr-22
Headline		100.0	10.7	14.5	15.1
Primary articles		22.6	9.9	15.5	15.4
of which					
Food			4.6	8.1	8.4
Non food			15.6	25.4	23.8
Minerals			20.6	19.5	21.0
Crude , petroleum and natural gas			80.8	69.2	69.1
Fuel and Power		13.2	21.3	34.5	38.7
Manufacturing		64.2	9.4	10.7	10.9
Food index		24.4	7.5	8.7	8.9
WPI Core		55.1	8.7	10.9	11.1

Source : CEIC , ICICI Bank Research

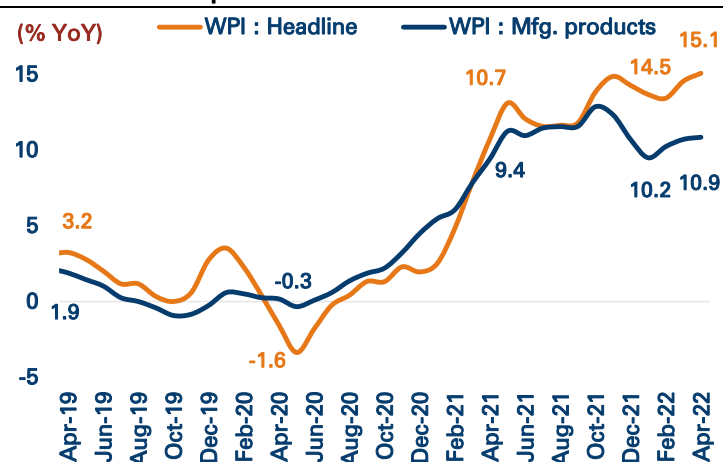
Wholesale price index climbs further to 15.1%



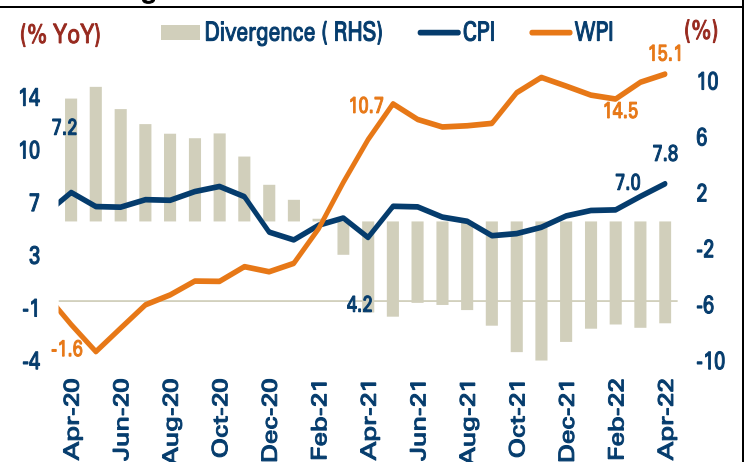
Fuel inflation accelerated to 38.7% vs. 34.5%



Manufactured products inflation too saw an increase



The divergence between WPI and CPI continues



Source : CEIC , ICICI Bank Research

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