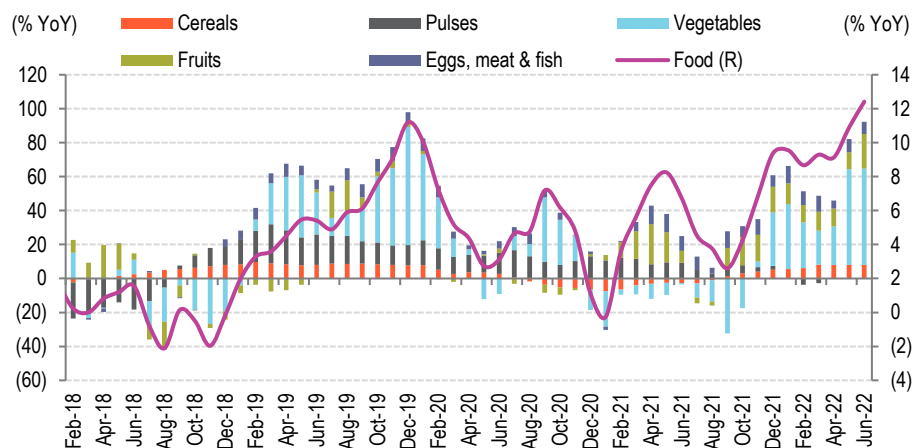


## WPI begins to cool down

WPI for Jun'22 has come in at 15.2%, down from the peak of 15.9% in May'22, supported by softening global commodity prices. Barring food index, other sub-heads such as manufacturing and fuel, registered deceleration in inflation in Jun'22. World Bank's pink sheet reveals that international commodity prices have been on a downtrend since May'22. On a MoM basis, WPI print was flat (%) following 1.4% rise seen in May'22.

**Food inflation continues to pinch:** Food inflation in Jun'22 continued to inch up and reached 12.4% from 10.9% in May'22. This is owing to jump in prices of fruits (20.3% in Jun'22 versus 10% in May'22) and continued pressure on vegetable prices (56.7% versus 56.4%). Even prices of milk (6.3% versus 5.8%) and eggs (11% versus 8.9%) went up. Within vegetables, prices of potato (39% versus 25%), tomato (281% versus 219%), cabbage, radish and cucumber rose significantly. Cereal prices remained steady at 8% with price of paddy inching up (2.4% versus 1.8%) while that of wheat declining (10.3% versus 10.5%). These trends were mostly in line with international prices. World Bank's pink sheet shows that contraction in international rice prices has been coming down with 6% decline seen in Jun'22 versus 7.6% dip witnessed in May'22. On the other hand, international prices of wheat have seen moderation in Jun'22 (53% in Jun'22 versus 69% in May'22).

**Fig: 1 Food inflation remains a concern**



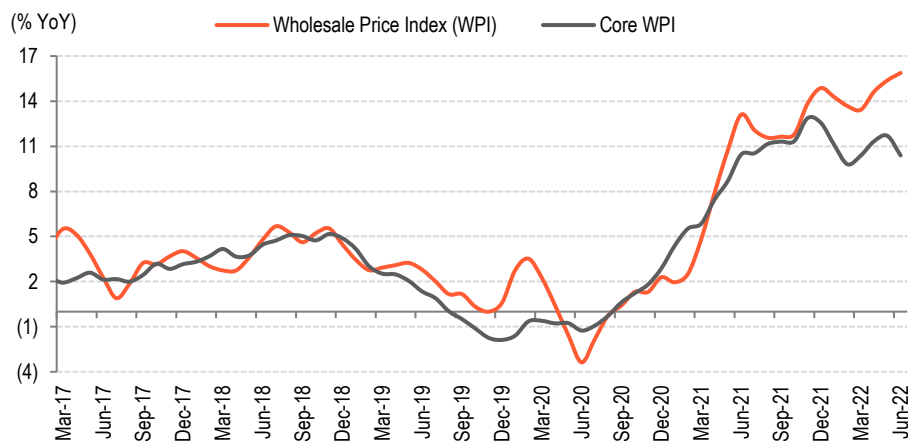
Source: CEIC, Bank of Baroda Research

**Fuel and power inflation eased a tad:** Fuel and power inflation in Jun'22 moderated marginally to 40.4% compared with 40.6% in May'22. Sharp dip in mineral oil index (57.5% in Jun'22 versus 61.9% in May'22) was countered by increase in electricity prices (24.4% versus 16.2%). Coal prices on the other hand remained unchanged at 2.8%. International price coal on the other hand moderated for the second consecutive month in Jun'22 (135% versus 171% in May'22). In case of mineral oil also,

international crude oil prices have registered moderation in Jun'22 (60%) compared with May'22 (64%). Domestically, within mineral oil index, moderation was visible in prices of diesel (55% versus 65%), Naphtha (46% versus 54%), kerosene (122% versus 125%) and furnace oil (71% versus 76%). On a MoM basis too, overall index indicates that fuel and power inflation is softening, with coal and electricity prices registering flat growth and mineral oil index inching down.

**Core inflation further moderates: Core inflation eased for the second consecutive month in Jun'22 to 9.3% from 10.4% in May'22.** Manufactured products inflation was also down at 9.2% in Jun'22 from 10.1% in May'22. Of the 22 commodity sub-indices, 9 indices rose at a slower pace in Jun'22 than May'22 led by basic metals, fabricated metal products, computer and electronic products, machinery and equipment, motor vehicles, furniture and other manufacturing items. Within basic metals, price of copper (4.5% in Jun'22 versus 5.1% in May'22) and aluminium (19.5% versus 26.5%) has significant easing, while that of Zinc have increased. While aluminium and copper prices are in line with trends in international prices, zinc prices are up despite moderation seen on global level. World Bank's data shows that price of aluminium has seen a substantial dip (4.8% versus 16.3%), and copper prices continue to contract, albeit at a slower pace (6.3% versus 7.7%). Zinc prices have seen marginal moderation (23% versus 26.5%). Within metallic minerals, iron ore prices have seen considerable dip (-22.8% in Jun'22 versus -15.8% in May'22) as international prices also remain weak (-39% versus -37%). Overall international commodity prices contracted (MoM basis) even more in Jun'22 (-5.2%) from May'22 (-2.2%). Prices remain weak (-3.1%) in Jul'22 (MTD) as well.

**Fig: 2 Core inflation continues to ease**



Source: CEIC, Bank of Baroda Research

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