

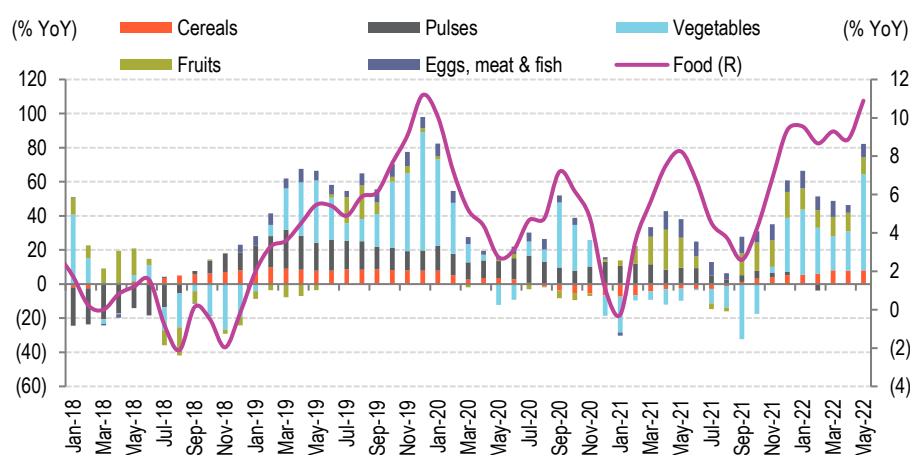
## WPI remains elevated

*Slightly higher than our expectations (forecast of 15%), WPI for May'22 has come in at 15.9%, up from 15.1% in Apr'22. This implies that inflation continues to remain at its highest in the current (2011-12) series. Barring manufacturing, other sub-heads such as food and fuel, registered an acceleration in inflation in May'22. However, on a MoM basis, WPI print has eased (1.4% versus 2% last month), with all sub-heads witnessing further deceleration in May'22 after peaking in Mar'22.*

**Food inflation continues to hurt:** Food inflation in May'22 is at its highest (10.9%) since Dec'19 (11.2%) and has moved up from 8.9% in Apr'22. This is led by significant increase in prices of vegetables (56.4% in May'22 versus 23.2% in Apr'22), followed by milk (5.8% versus 5.1%), eggs, meat and fish (7.8% versus 4.5%) and spices (18.4% versus 14.6%). Within vegetables, prices of tomato (219% versus 39%), potato (24.8% versus 19.8%), Brinjal (46.6% versus 32.2%), beans (20.9% versus 0.5%) and drumstick (46.2% versus 26.6%) rose significantly. On the other hand, price of onions contracted more sharply (-20.4% versus -4%). Food grain prices too witnessed moderation (5.7% versus 6.1%), mainly owing to dip prices of pulses (-3.7% versus -0.3%). However, prices of cereals continued to inch up (8% versus 7.8%), led by paddy. Wheat prices eased.

On a MoM basis too, price pressure is visible in case of primary articles (2.8% versus 2.3%). This is owing to higher prices of vegetables, milk, protein based items, and spices. Cereal prices can be seen moderating in May'22, while prices of pulses is seen to be declining.

**Fig: 1 Food inflation contributing to rise in WPI**

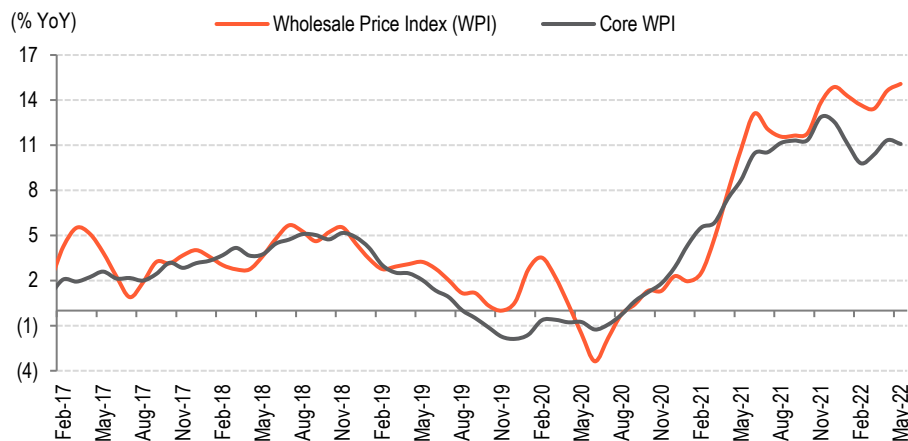


Source: CEIC, Bank of Baroda Research

**Fuel and power inflation hardens:** Fuel and power inflation in May'22 rose to 40.6% from 38.7% in Mar'22, led by increase in electricity price index (16.2% versus 10% in Apr'22). On the other hand, coal prices remained steady (unchanged from Apr'22 at 2.8%), while mineral oil index moderated (61.9% versus 62.5%). Moderation in mineral oil index was seen despite slight pickup in average international crude oil prices (+64% in May'22 versus +62% in Apr'22). Within mineral oils, prices of petrol, diesel, ATF, Naphtha, Bitumen, and lube oils eased. 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 moderating.

**Core inflation moderates:** Core inflation in May'22 eased to 10.4% in May'22 from 11.1% in Apr'22. Manufactured products inflation was also down at 10.1% in May'22 from 10.9% in Apr'22. Of the 22 commodity sub-indices, 8 indices rose at a slower pace in May'22 than Apr'22 led by basic metals, pharma products, leather items, manufactured food, computer and electronic products, transport equipment and fabricated metal products. On MoM basis too, manufactured product inflation was down to 0.6% in May'22 from 1.2% in Apr'22. As many as 12 out of 22 commodity sub-indices witnessed moderation in May'22. International commodity prices remained flat in May'22, where in Apr'22 it fell by 2.2% against 1.4% MoM increase in Mar'22.

**Fig: 2 Core inflation moderating**



Source: CEIC, Bank of Baroda Research

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