

WPI inflation spikes to 14-month high

Costlier Fuel, Vegetables Play Spoilsport

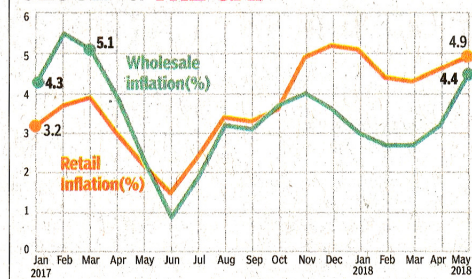
New Delhi: Inflation based on wholesale prices shot up to a 14-month high of 4.4% in May on increasing prices of petrol and diesel, prompting industry to demand action from policymakers to keep fuel prices under check.

The Wholesale Price Index (WPI) based inflation stood at 3.2% in April and 2.3% in May last year. According to government data released on Thursday, inflation in food articles was at 1.6% in May 2018, as against 0.9% in the preceding month.

Inflation in 'fuel and power' basket rose sharply to 11.2% in May from 7.9% in April as prices of domestic fuel increased in line with rising global crude oil rates. Inflation in vegetables climbed to 2.5% in May, with potato inflation at a peak of 81.9%. Price rise in fruits was in double digits at 15.4%, while pulses saw a deflation of 21.1%. May inflation at 4.4% was a 14-month peak. The previous high was in March 2017, when WPI inflation stood at 5.1%.

Industry chamber ASSOCHAM called for government action to tame fuel price rise, saying increasing prices of petrol and diesel may signifi-

CLOSING THE GAP



cantly impact import bills, which may subsequently have an impact on exchange rates. "Besides, it might also negatively impact input prices for the industry which has already started feeling the pressure on its profitability," ASSOCHAM secretary general D S Rawat said.

Icra principal economist Aditi Nayar said core WPI inflation rose sharply to 4.4% in May from 3.6% in the previous month, with a rise in 15 of the sub-indices. This reflects the pass through of higher input costs, and a weaker rupee. "The WPI inflation is expected to harden by up to 0.8% before easing somewhat in the

July-September quarter. Key factors that would influence the inflation trajectory include the level at which global crude oil prices stabilise and the extent to which they are transmitted to domestic fuel prices, the trend in the monsoon dispersion and the extent of change in MSPs," Nayar said. The WPI inflation for March has been revised upwards to 2.7% from the provisional estimate of 2.5%.

In its second monetary policy review for the fiscal, RBI hiked interest rate by 0.25% due to growing concerns about inflation stoked by rising global crude prices and domestic price hikes. AGENCIES