

DECODING RECORD WPI DATA

Fuel, Veggie Prices Behind Wholesale Inflation in April

Stress on household budgets likely to drive down sales of discretionary goods

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New Delhi: Cabbage, raw cotton, radish and the humble karela (bitter gourd) saw the highest wholesale inflation in April and together with kerosene, liquid ammonia, aviation fuel, and natural gas, drove the price rise to a record 15.08% in April.

While the wholesale inflation in kerosene was 118.2% year-on-year in April, that for cabbage and bitter gourd was in high double digits at 88.3% and 75.4%, respectively.

The high inflation in the food and fuel basket may put pressure on household budgets and drive down the consumption of discretionary goods such as mobile phones, leisure and travel.

The wholesale price index (WPI) measures price rises in 697 items, of which 564 are manufactured products. High wholesale inflation has impacted retail prices, driving consumer inflation to an eight-year high of 7.79%.

"Most of these items such as vegetables and oil directly impact household budget and a rise in inflation will constrain their disposable income and demand," said ICRA chief economist Aditi Nayar. Vegetables have a 1.87% weight in the WPI.

An earlier and hotter summer has pushed up prices of perishables like fruits and vegetables. Inflation in food articles rose to 8.9% in April from 8.7% in March.

Leading The Spike

QUICKEST INCREASE (in %)

Product	Weight (%)	Inflation (%)	Apr
Kerosene	0.186	118.2	
Ammonia liquid	0.021	107.7	
ATF	0.319	105.1	
Ammonia gas	0.043	91.7	
Cabbage	0.122	88.3	
Natural gas	0.464	82.3	
Raw cotton	0.663	81.2	
Radish	0.039	77.7	
Caustic Soda	0.082	77.3	
Bitter gourd	0.022	75.4	

OTHER ITEMS

Naphtha	0.866	72.7
HSD*	3.095	66.1
Crude petroleum	1.945	65.7

Vegetables, fuel inflation to hit households' disposable income

Demand to get impacted

Cos to cut grammage, retain prices

*High Speed Diesel



"This will possibly lead to shrinkflation, with companies going in for grammage cuts," Nayar said.

Cotton prices have hovered at ₹1 lakh per candy on high global prices, though at the start of the season, prices in India were almost half of that. Naphtha, diesel, crude and furnace oil too witnessed inflation above 60% last month.

Inflation in fuel and power, which have a 13.2% weight in WPI, rose to 38.7% in April from 34.5% in March and the pressure was most visible in items like kerosene, aviation turbine fuel (ATF) and furnace oil, though inflation in coal and electricity eased.

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“The fuel items will directly hit household budgets as these can’t be easily substituted like vegetables,” said Bank of Baroda chief economist Madan Sabnavis.

Jet fuel inflation witnessed the 10th straight increase this year to an all-time high, which is expected to push flight ticket rates higher. Crude petroleum and natural gas recorded an inflation of 69.07% in April.

Manufactured items, which dominate the WPI with a 64.2% weight, saw 10.8% inflation. “As the cost pressure of the manufacturers is rising due to the rising input and transportation, logistics costs, they are increasingly passing on these into their output prices, leading to higher inflation in manufactured products,” said India Ratings and Research principal economist Sunil Sinha. This trend started well before Russia-Ukraine conflict but has been aggravated by further spikes in input costs.