**May WPI inflation spikes to 15-month high on food prices**

Inflation in India’s wholesale prices accelerated to a 15-month high of 2.61% in May, more than double April’s pace, with food inflation surging to a 10-month peak of 7.4% driven by steeper prices for vegetables, fruits, pulses and cereals, and a resurgence of price rise in manufactured products after 14 months of deflation.

Economists said the acceleration in wholesale inflation in May signals there is room for a further surge in consumer prices despite retail inflation easing to a 12-month low of 4.75% last month, especially as food and industrial input prices are spiking globally. May was the seventh month in a row that the WPI rose on a YoY basis after seven straight months of deflation, and wholesale inflation is expected to quicken more than 3% this month.

Sequential easing

On a month-on-month basis, the Wholesale Price Index (WPI) was up 0.2% in May, easing from an upwardly revised 9-month high of 1.06% a month earlier, with food prices rising 1.14% over April levels and manufactured products’ prices up 0.64%.

The heatwaves in May helped fire up the inflation rate for vegetables to the highest level in nine months at 32.4%, and a six-month high of 5.8% for fruits.

Price rise in cereals sped to 9%, while that for pulses reversed direction to hit a six-month high of 22%.

Within vegetables, tomato prices were up 64.5% in May from 40.6% in April, while inflation in onion and potato eased slightly to a tad over 58% and 64%, respectively.

‘Supply shortfalls’

Bank of Baroda chief economist Madan Sabnavis said the spikes in vegetable prices were partly due to supply shortfalls and that the heatwave aggravated the challenge.

“This is a major concern as it will keep up the pressure on the inflation till the next crop comes,” Mr. Sabnavis told The Hindu.

India Ratings flagged similar concerns about pulses prices remaining elevated in double digits as the new crop would be harvested only in October-November.

‘Worrisome for retail’

“Elevated food inflation at the wholesale level is worrisome as this would keep retail food prices firm even going forward,” senior director and principal economist Sunil Kumar and senior analyst Paras Jasrai wrote in a note. “Retail food inflation has been above 8% for the past seven months,” they added.

India Ratings expects retail food inflation to remain over 8%, with wholesale prices expected to rise further to 3.5%, in June. CareEdge Ratings’ chief economist Rajani Sinha also pointed out that industrial metal prices had risen 9.3% since March-end and food prices were increasing globally.