



# Inflation worries

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Wholesale Price Index data for June warrant a closer macro-economic scrutiny

- The [Wholesale Price Index](#) as a measure of price gains is back in the national spotlight. The latest data, which show a sharp surge in wholesale inflation in June, to a 54-month high of 5.77%, are a cause for concern
- The measure of wholesale price gains is the key deflator in computing the Index of Industrial Production and is also used to deflate Gross Domestic Product at current prices
- A detailed look at WPI data for June reveals several pressure points warranting closer macro-economic scrutiny.

Sector wise trend

- Inflation in the fuel and power group has quickened every month since February's 4.55% print, to 16.18% in June.
- Food articles are another source of worry, especially the prices of vegetables and the politically sensitive duo of potatoes and onions.
- Manufactured products — the third key group-level constituent of the WPI with the largest weight of 64.2% — are also signalling a worrying wider inflationary trend.

But policymakers can ill afford to ease their vigil, especially given the government's decision to increase the minimum support price for kharif crops and uncertainty about the spatial impact of this year's monsoon rains on overall agricultural output. After all, a sustained trend of high WPI inflation will not only add pressure on the RBI to raise interest rates, but could also potentially undermine the pace of GDP growth.

Source: [The Hindu](#)

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