



PHD CHAMBER
OF COMMERCE AND INDUSTRY



PHDCCI INFLATION TRENDS

June 2022

PHD RESEARCH BUREAU
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PHD Chamber's Viewpoint



Shri Pradeep Multani
President
PHDCCI

The geo-political developments have created a volatile and ambiguous economic and business environment, globally. Economies worldwide are facing headwinds because of increasing cost of living and downgraded outlook of economic growth. At domestic front, April 2022 has been the fourth straight month in which the retail inflation has breached RBI's comfort zone of 2-6% and has spurred rate hike decision of the RBI. Going ahead, the inflation is expected to start softening by 2nd quarter of FY2023 on the back of diminishing unfavourable base effect particularly in food articles and liquidity drain as RBI has increased the repo rate by a significant 90bps recently. Monetary tightening will have an impact on consumption demand and resultant price corrections in the various goods and services in both consumption and whole sale segments.



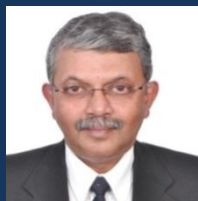
Shri Saket Dalmia
Senior Vice President
PHDCCI

At the backdrop of rising prices of commodities including fuel and food, shortages of key raw materials and stressed supply lines, Government and central bank are trying to tackle heightened inflationary risks in synchrony with raising interest rates, amendments in duty structures, etc., thus, maintaining a delicate balance of consequences for economy, trade and finance. At this juncture, it is suggested to ensure cut in the state excise duties especially on the petroleum products, petroleum products should come under the ambit of GST as the inflation is majorly stoked by crude oil prices. Further, there is a need to strengthen the global value chains and shifting of the sources of the imports from higher price to low price countries along with enhancing indigenous production possibilities where there is high demand for the commodities.



Shri Sanjeev Agrawal
Vice President
PHDCCI

The India economy is still recovering from the pandemic impact of Coronavirus, yet there are worries from geo-political developments, such as likely contagious impact of inflation and supply chain constraints on trade and finance. Businesses, especially MSMEs, are facing the issues of declining production possibilities, reduction in anticipated sales volume, heightened operations & logistics costs, while individuals are being impacted by rise in the retail price of petrol and diesel and costlier food and other utility staples. At this juncture, any increase in the interest rate increases the costs of doing business, which are already high vis-a-vis high raw material costs.



Shri Saurabh Sanyal
Secretary General
PHDCCI

The current geopolitical situation is having significant ramifications into oil and gas prices spiking, i.e. higher inflation, weaker consumer demand, tighter financial conditions, adverse impact on business sentiments and a delay in capex recovery. Though, India's economic fundamentals are strong enough to cross these multiple headwinds, our approach need to be calibrated and proactive in mitigating the adverse impact on country's economic growth, inflation and financial conditions. It is highly appreciable that the Central Government has recently taken the decision to reduce the excise duties on petroleum products to curb inflation. Going ahead, continuous handholding is required from the Government.



PHDCCI Inflation Trends

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Executive Summary

WPI Inflation remains in the double-digit since the last 13 months. The WPI inflation increased to 15.1% in April 2022 as compared to 10.7% in April 2021, majorly because of the rise in oil and other essential commodity prices on the back of geopolitical distress. CPI Inflation remains above the RBI's upper band for the fourth consecutive month. The annual CPI inflation rate in India accelerated for the continuous 7th month to 7.8% in April 2022. Food and Beverages inflation increased to 8.1% in April 2022, the highest reading since November 2020, with cost of oils and fats, meat and fish, and vegetables recording the biggest rises. Other upward pressure came from prices of fuel and light, clothing and footwear, housing and pan and tobacco.

Inflation is expected to start softening by July 2022 on the back of diminishing unfavourable base effect particularly in food articles and liquidity drain as RBI has increased the repo rate by a significant 90bps recently. Monetary tightening will have an impact on consumption demand and resultant price corrections in the various goods and services in both consumption and whole sale segments.

Also, increase in interest rates by advanced economies will have impact on international commodity prices as cost of inventory carry by speculators will go up and there will be significant price corrections. Recently, RBI increased the policy repo rate by 90bps to 4.9% and also raised the cash reserve ratio by 50bps to 4.5% which will drain Rs. 87,000 crores liquidity from the banking system. It is the first-rate hike since 2018 as persistent inflation pressures are becoming more acute. Increase in loan EMIs would impact the consumption sentiments and reduce demand in the economy which would lead to corrections in whole sale prices.

Going ahead, in case of CPI, the statistical affect will also start diminishing from the month of October-November 2022 and inflation will continuously soften towards the normal range of RBI upper band.

The report suggests a 5 prong strategy to soften the inflation. (1) Possible cut in the state excise duties especially on the petroleum products; (2) Strengthening of the global value chains and shifting of the sources of the imports from higher price to low price countries; (3) Import substitution for the technology intensive and labour-intensive products where India has a high imports category and comprises higher import shares; (4) Enhancing indigenous production possibilities where there is high demand for the commodities; and (5) Measures for preventing hoarding of the essential commodities to stop price accelerations.

1. Trends in WPI and CPI Inflation

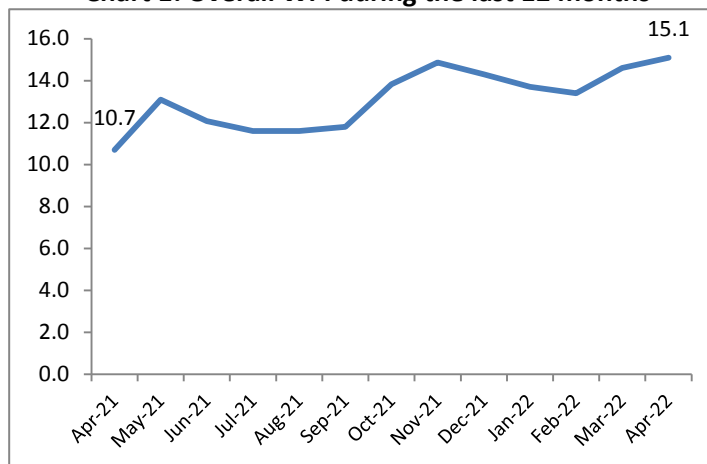
Trends in WPI Inflation and Components

The overall WPI inflation showed an upward trend during the last 13 months. The WPI inflation mainly consists of manufactured items which have a weight 64.23%, fuel and power with weight of 13.15% and primary articles with weight of 22.6%. The WPI inflation stood at 15.1% in April 2022 as compared to 10.7% in April 2021. The recent rise in WPI inflation is majorly because of rise in oil and other commodity prices on the back of economic implications of geo-political distress.

The WPI inflation for manufactured products stood at 10.9% in April 2022 as compared to 9.4% in April 2021. Out of the 22 NIC two-digit groups for manufactured products, 18 groups that have witnessed increase in prices while 3 groups have witnessed decrease in prices in April, 2022 as compared to March, 2022.

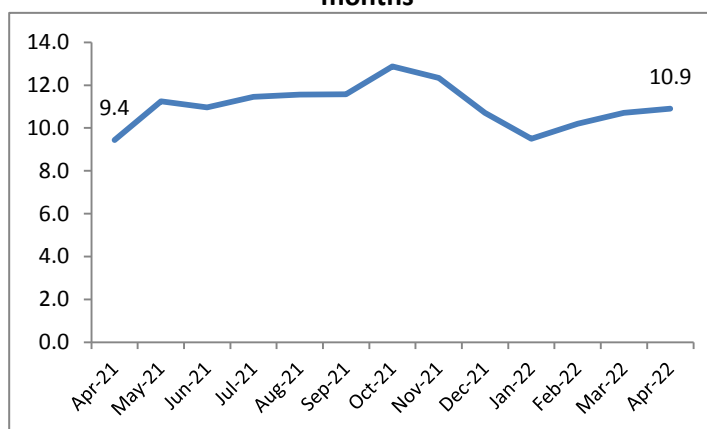
The WPI inflation for primary articles showed fluctuations during the last 12 months. The WPI inflation for primary articles stood at 15.5% in April 2022 as compared to 9.9% in April 2021. Owing to the geo-political distress, the rise in the oil prices and other inputs are causing the rise in the food inflation as the producers are passing on high commodity prices to the consumers.

Chart 1: Overall WPI during the last 12 months



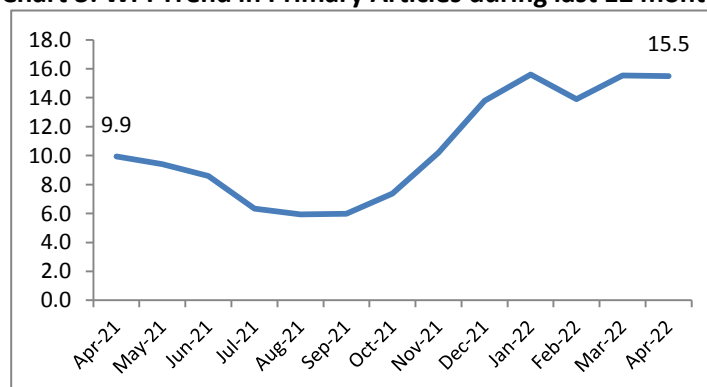
Source: PHD Research Bureau, PHDCCI, compiled from various sources.

Chart 2: WPI Trend in Manufactured Products during last 12 months



Source: PHD Research Bureau, PHDCCI, compiled from various sources.

Chart 3: WPI Trend in Primary Articles during last 12 months

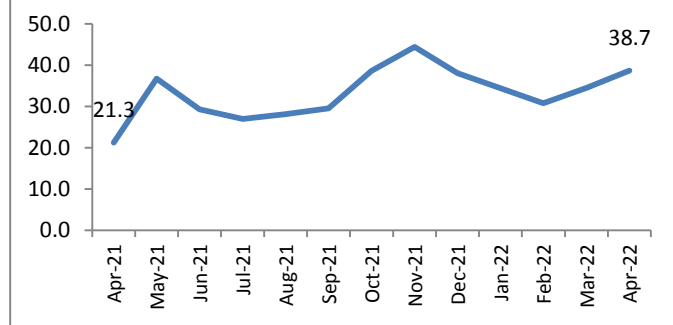


Source: PHD Research Bureau; PHDCCI, compiled from various sources.

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Though highly fluctuating over the last 12 months, the WPI inflation for Fuel and Power has marked a sharp increase in April 2022 at 38.7% when compared to 21.3% in April 2021, mainly stocked by the high prices of petrol and high speed diesel (HSD).

Chart 4: WPI Trend in Fuel and Power during last 12 months

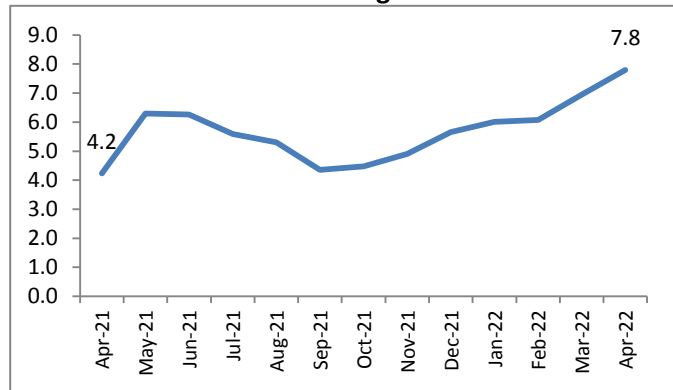


Sources: PHD Research Bureau, PHDCCI, compiled from various sources

Trends in CPI Inflation and Components

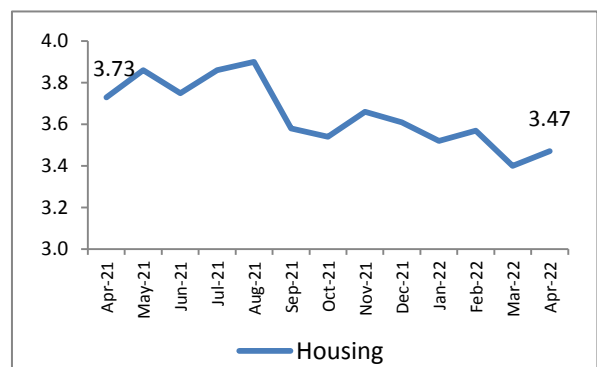
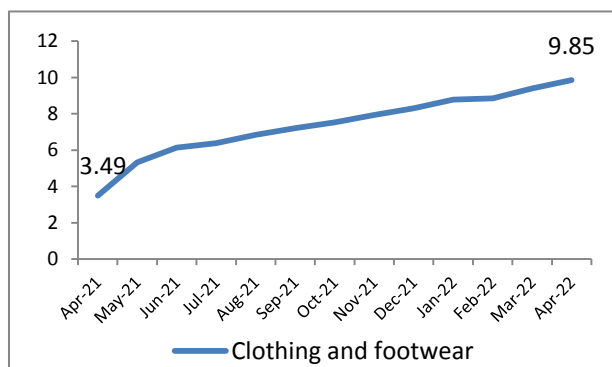
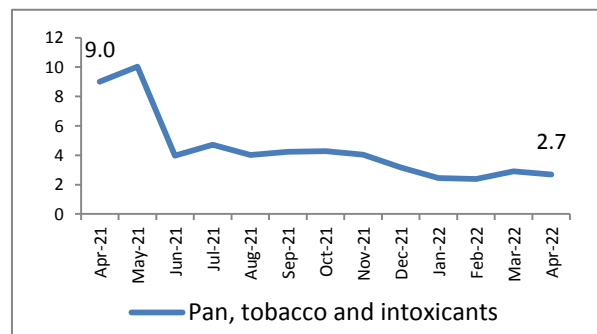
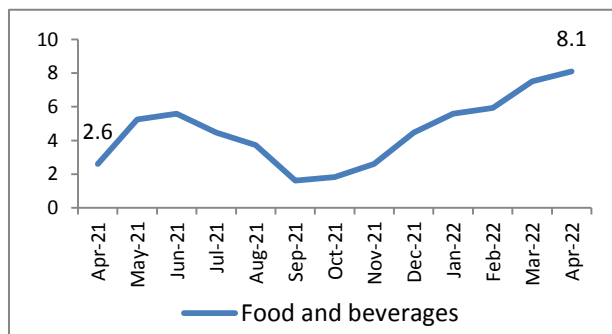
The overall CPI inflation showed an upward trend since September 2021. The annual rate of CPI inflation has surged to 7.8% in April 2022, which is the fourth consecutive month when CPI has been marked above the RBI's upper band. The CPI in April 2022 is higher than the previous month's level of 7.0% in March 2022 as well as the April 2021 level of 4.2%.

Chart 5: Overall CPI during the last 12 months

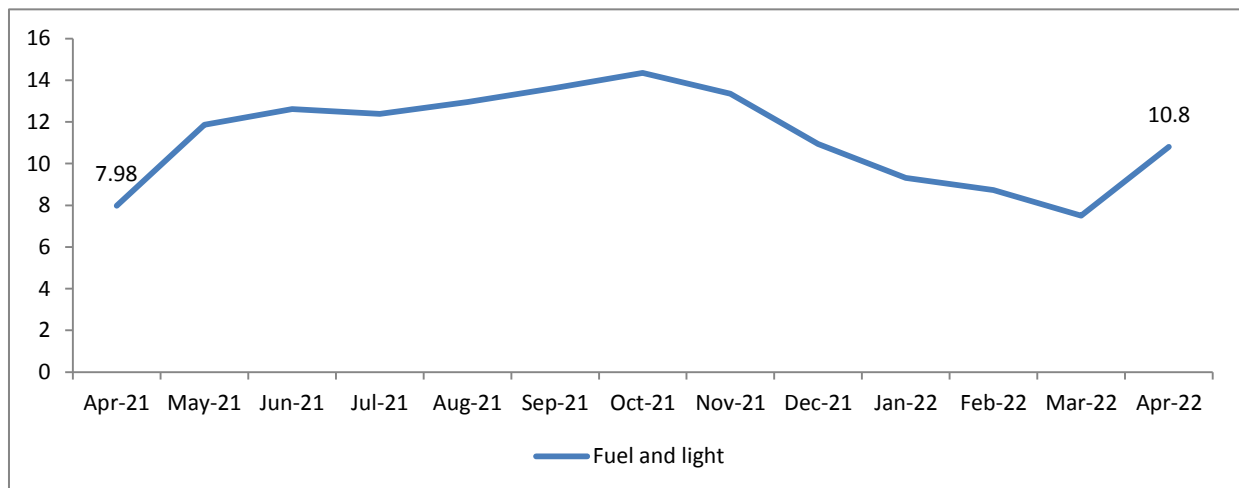


Sources: PHD Research Bureau, PHDCCI, compiled from various sources.

Chart 6: Trend in Components of CPI Inflation



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Sources: PHD Research Bureau, PHDCCI, compiled from various sources.

Annual CPI inflation rate in India accelerated for the continuous 7th month to 7.8% in April 2022. Food and Beverages inflation increased to 8.1% in April 2022, the highest reading since November 2020, with cost of oils and fats, meat and fish, and vegetables recording the biggest rises. Other upward pressure came from prices of fuel and light, miscellaneous, clothing and footwear, housing and pan and tobacco.

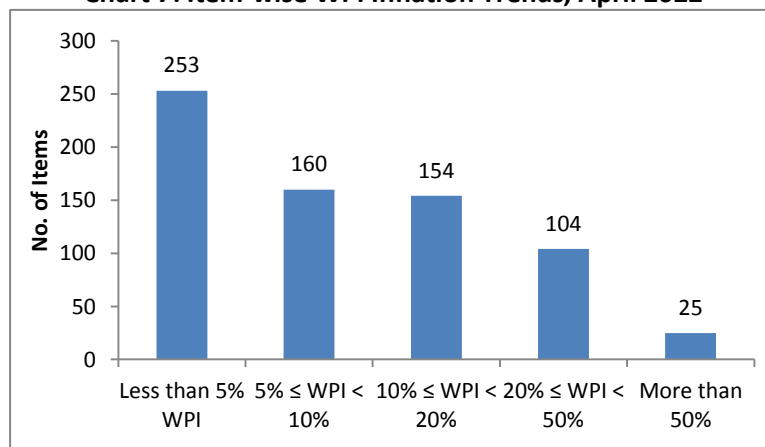
2. Analysis of Items under WPI and CPI Basket (Product Categorisation)

Categorisation of Items under WPI

The WPI inflation has been in a double digit since last 13 months. The WPI inflation has reached the level of 15.1% in April 2022 from 14.6% in March 2022, 13.4% in February 2022, 13.7% in January 2022, 14.3% in December 2021, 14.9% in November 2021, 13.8% in October 2021, 11.8% in September 2021, 11.6% in August 2021, 11.6% in July 2021, 12.1% in June 2021, 13.1% in May 2021 and 10.7% in April 2021. The increase in costs of raw materials is affecting the MSMEs which are already in the recovery mode from the pandemic impact. Further, escalating input cost is impacting the competitiveness of industry in the domestic and international markets.

In April 2022, there were 122 items with less than 1% WPI inflation, 253 items with less than 5% inflation, 160 items with inflation in the range of 5-10%, 154 items with inflation in the range of 10-20%, 104 items had inflation in the range of 20%-50% and 25 items has inflation of more than 50%. The items with inflation in the range of 50%-100% have a total weight of 10.0 in overall WPI inflation. This shows that the items with the inflation rate of more than 50% are stoking the overall WPI inflation.

Chart 7: Item-wise WPI Inflation Trends, April 2022



Source: PHD Research Bureau, PHDCCI, compiled from various sources

Table 1: Range Wise Key Items in WPI, April 2022

S. No.	WPI Inflation Range	No. of Items	Description (prominent Items)
1	Less than 1%	122	Garlic, Tamarind, Fluorescent tube, Industrial wood, Air Conditioner, Cigarette, Beans, Raw Jute, Deep Freezers, Orange, Loader, Laptops, Personal Computer, among others
2	Less than 5%	253	Slag cement, Country liquor, Water pump, Cardboard Box, Beer, Amla, Sunflower oil, Handtools, Poster Paper, Printing machinery, among other.
3	Less than 10%	413	Biscuit, cookies, Plastic Furniture, Rubber Insulated Cables, Powder Milk, Spices, Plastic Bags, Aluminium Utensils, among others.
4	Less than 20%	567	Potato, Almonds, Terry Towel, Copper Wire, Castor Seed, Cotton Seed, Salt, Fodder, Maida, Paint, Sunflower, among others.
5	≥ 20% and < 50%	104	Coriander, Ginger (Dry), Coffee, Carrot, Jasmine, Bajra, Rose, Tomato, LPG, among others.
6	≥ 50% and < 100%	22	Ammonia Gas, Cabbage, Natural Gas, Raw Cotton, Radish, Bitter Gourd, among others.
Total Items in WPI Basket		697	

Source: PHD Research Bureau, PHDCCI, compiled from various sources

The table indicates the top ten items with highest WPI inflation during April 2022. The items contributing in the rise in the annual rate of inflation in April 2022 include rise in prices of Kerosene (118.2%), Ammonia Liquid (107.7%), ATF (105.1%), Ammonia gas (91.7%), Cabbage (88.3%), Natural Gas (82.6%), Raw Cotton (81.2%), Radish (77.7%) among others as compared to the corresponding month of the previous year.

Table 2: Top 10 items with highest WPI Inflation, April 2022

S. No.	Item	WPI Inflation (%)
1	Kerosene	118.2%
2	Ammonia liquid	107.7%
3	ATF	105.1%
4	Ammonia gas	91.7%
5	Cabbage	88.3%
6	Natural Gas	82.6%
7	Raw Cotton	81.2%
8	Radish	77.7%
9	Caustic soda (sodium hydroxide)	77.3%
10	Bitter gourd	75.4%

Source: PHD Research Bureau, PHDCCI, compiled from various sources.

The table indicates the top ten items with lowest WPI inflation during April 2022. The products which are witnessing lowest WPI inflation in April 2022 are Garlic (-27.4%), Tamarind (-17.9%), Chemical equipment & system (-17.3%), Cylinder liners (-17.0%), Pear (-15.4%) among others as compared to the corresponding month of the previous year.

Table 3: Top 10 items with lowest WPI Inflation, April 2022

S. No.	Item	WPI Inflation (%)
1	Garlic	(-)27.4%
2	Tamarind	(-)17.9%
3	Chemical equipment & system	(-)17.3%
4	Cylinder liners	(-)17.0%
5	Pear	(-)15.4%
6	Acetic acid and Its Derivatives	(-)13.7%
7	Athletic/sport shoes	(-)11.6%
8	Iron Ore	(-)11.4%
9	Urad	(-)9.7%
10	Turmeric	(-)9.0%

Source: PHD Research Bureau, PHDCCI compiled from various sources

Table 4: WPI Inflation in Luxurious Items and Essential Items, April 2022

Luxurious Items			Essential Items	
S. No.	Item	WPI Inflation (%)	Item	WPI Inflation (%)
1	Cashew nut	2.1	Wheat flour (Atta)	10.0
2	Cigarette	0.6	Biri	8.2
3	Passenger vehicles	1.3	Bicycles	3.0
4	Mutton	1.3	Fodder	17.4
5	Perfume/scent	9.0	Toilet soap	11.5
6	Petrol	60.6	Kerosene	118.2
7	Fruit Juice including concentrates	3.9	Sugar	5.1
8	Noodles & similar extruded products	22.1	Salt	17.7
9	Wine	3.1	Tea	-7.7
10	Air conditioner	0.6	Rice, Non-basmati	2.0
Average		10.5		18.5

Source: PHD Research Bureau, PHDCCI, compiled from various sources.

Considering that the major items in the higher income bracket are Petrol (60.6%), Noodles & similar extruded products (22.1%), Perfume/scent (9.0%), Fruit Juice including concentrates (3.9%), Cashew nut (2.1%) among others. Now, considering that the major items in the lower income bracket are Kerosene (118.2%), Salt (17.7%), Fodder (17.4%), Toilet Soap (11.5%) among others having the highest WPI inflation during April 2022.

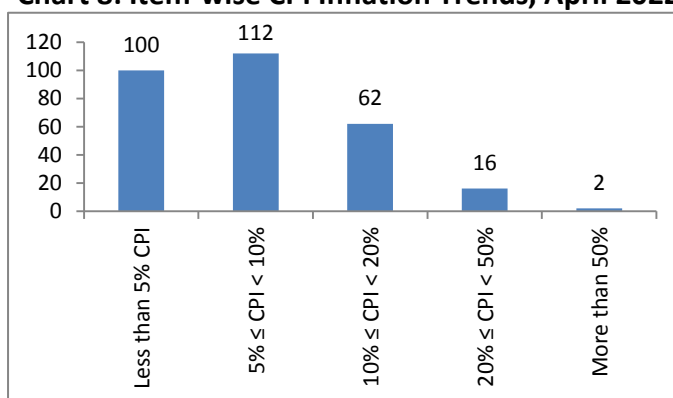
Gauging the impact on both high and low income groups, through the rise in price of goods generally used by them, it has been concluded that the impact of price rise as measured by the WPI is significantly higher on low income groups. The analysis says that the average inflation for commodities mostly used/consumed by the low income groups like Kerosene, Salt and Fodder is well above the double digit mark in April 2022, which is higher than the average WPI inflation of the items used by high income groups which is at 10.5%.

Categorization of Items under CPI

CPI inflation (YoY) has recorded a continuous upward trend during the period September 2021 to April 2022. The CPI inflation at 7.79% in April 2022 has been majorly stoked by upward pressure created on crude oil prices and other commodity prices by the ongoing geo-political conflict. The annual rate of CPI inflation has surged to 7.79% in April 2022, which is fourth consecutive month when CPI has been marked above the RBI's upper band. The CPI basket contains a total of 299 items, which are categorised under major heads of Food and beverages, Pan, tobacco and intoxicants, Clothing and footwear, Housing, Fuel and light and Miscellaneous. Weights are assigned to each commodity in the CPI basket. The Food and beverages category has a weight of 45.86%, Pan, tobacco and intoxicants category has 2.38% weight, Clothing and footwear has 6.53% weight, Housing has 10.07% weight, Fuel and light has 6.84% weight and Miscellaneous has 28.32% weight.

In April 2022, there were 39 items with less than 1% CPI inflation, 100 items with less than 5% inflation, 112 items has inflation in the range of 5-10%, 62 items with inflation in the range of 10-20%, whereas 16 items had inflation in the range of 20%-50% and 2 has inflation in the range of 50%-100%.

Chart 8: Item-wise CPI Inflation Trends, April 2022



Source: PHD Research Bureau, PHDCCI compiled from various sources.

Table 5: Range Wise Key Items In CPI, April 2022

S. No.	CPI Inflation Range	No. of Items	Description (prominent Items)
1	Less than 1% CPI	39	Garlic, Onion, Chips, Coconut, Tamarind, Apple, Beer, Charcoal, Sugar-PDS, Other rice products, among others
2	Less than 5% CPI	100	Monthly charges for cable TV connection, Umbrella, Guava, Coffee: powder, Curd, Newspapers, among others
3	Less than 10% CPI	212	Matches (box), Coconut: copra, Shirts and T-Shirts, Bedstead, Washing soap, lubricants and other fuels for vehicle, among others
4	Less than 20% CPI	274	Refined oil, Diesel, Black pepper, Pineapple, Kharbooza, Kerosene-other sources, LPG, among others
5	≥ 20% and < 50% CPI	16	Green chillies, Cabbage, Cauliflower, Carrot, Tomato, Mango, among others
6	≥ 50% and < 100% CPI	2	Kerosene - PDS (litre), Lemon (no.)
Total Items in CPI Basket		299	

Source: PHD Research Bureau, PHDCCI compiled from various sources.

The table indicates the top ten items with highest CPI inflation during April 2022. The annual rate of inflation in April 2022 is high primarily because of rise in prices of Kerosene-PDS (91.1%), Lemon (no.) (66.2%), Cauliflower (42.7%), Green Chillies (39.2%), Cabbage (36.0%), Mango (33.7%), Tomato (33.5%), Brinjal (26.6%), among others as compared to the corresponding month of the previous year.

The table indicates the top ten items with lowest CPI inflation during April 2022. The products which are witnessing lowest CPI inflation in April 2022 are Other cereals (-25.1%), Garlic (-20.3%), Coconut oil (-16.8%), Electric iron; heater; toaster; oven and other electric heating appliances (-14.5%) among others as compared to the corresponding month of the previous year.

Table 6: Top 10 items with highest CPI Inflation, April 2022		
S. No.	Item	CPI Inflation (%)
1	Kerosene PDS (litre)	91.1
2	Lemon (no.)	66.2
3	Cauliflower	42.7
4	Green chillies	39.2
5	Cabbage	36.0
6	Mango	33.7
7	Tomato	33.5
8	Vanaspati; margarine	27.2
9	Brinjal	26.6
10	Carrot	24.2

Source: PHD Research Bureau, PHDCCI compiled from various sources.

Table 8: Top 10 items with lowest CPI Inflation, April 2022		
S. No.	Item	CPI Inflation
1	Other cereals	(-)25.1
2	Garlic (gm)	(-)20.3
3	Coconut oil	(-)16.8
4	Electric iron; heater; toaster; oven and other electric heating appliances	(-)14.5
5	Chips (gm)	(-)11.5
6	Tamarind (gm)	(-)8.1
7	Coconut (no.)	(-)5.8
8	Onion	(-)3.8
9	Ginger (gm)	(-)3.7
10	Apple	(-)3.5

Source: PHD Research Bureau, PHDCCI compiled from various sources.

Table 9: CPI Inflation in Luxurious Items and Essential Items, April 2022

Top 10 Luxurious Items			Top 10 Essential Items	
S. No.	Item	CPI Inflation (%)	Item	CPI Inflation (%)
1	Cashew nut	2.7	Wheat/Atta	9.6
2	Cigarette	1.2	Biri	3.8
3	Motor car	6.8	Milk	5.5
4	Goat Meat/Mutton	4.2	Bread (bakery)	9.0
5	Powder; snow; cream; lotion and perfume	7.3	Toilet soap	14.6
6	Petrol for vehicle	20.9	Kerosene PDS	91.1
7	Fruit Juice and shake	3.9	Sugar- other sources	5.5
8	Sewai; Noodles	6.5	Salt	13.2
9	Foreign/refined liquor or wine (litre)	0.2	Tea	5.9
10	Air conditioner; Air cooler	6.1	Rice PDS	-0.5
Average		6.0	15.8	

Source: PHD Research Bureau, PHDCCI compiled from various sources.

Considering that the major items in the higher income bracket are Petrol for vehicle (20.9%), Powder; snow; cream; lotion and perfume (7.3%), Motor car (6.8%), Sewai; Noodles (6.5%), Air Conditioner & Air Cooler (6.1%), among others. Now, considering that the major items in the lower income bracket are Kerosene-PDS (91.1%), Toilet Soap (14.6%), Salt (13.2%), Wheat/Atta (9.6%), among.

The impact of high inflation has affected the low income groups more than the high income groups because the average CPI inflation of the items used by low income groups which is at 15.8% is higher than the average CPI inflation of the items used by high income groups which is at 6.0%.

3. Analysis of Divergence between WPI and CPI

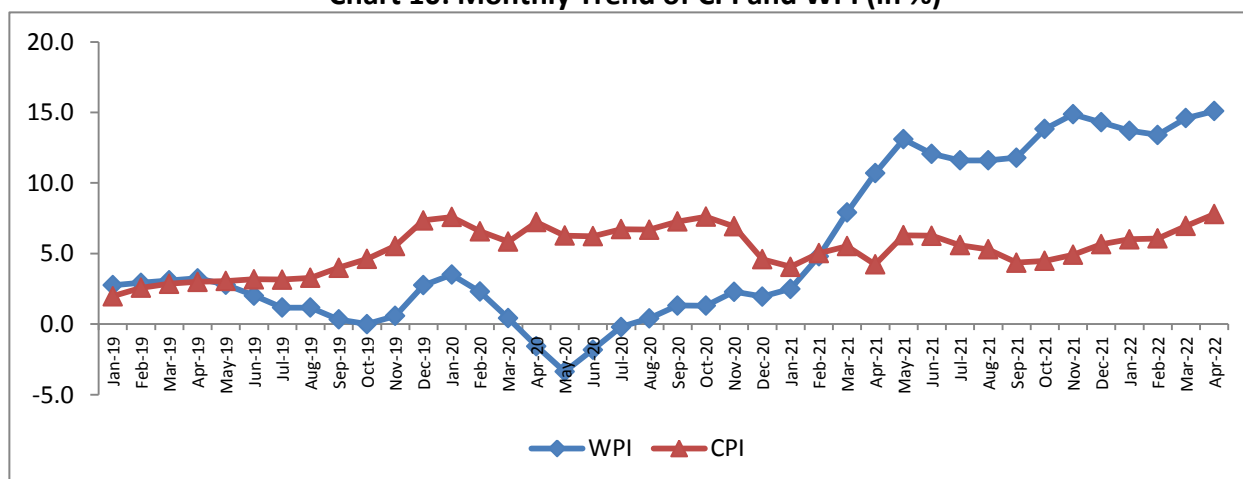
The stark divergence in WPI and CPI was recorded during the period of 2021-22, when the yearly average divergence reached 7.5 points. CPI inflation increased to 5.5% in 2021-22 as compared to 4.8% in 2019-20; WPI increased sharply to 12.9% in 2021-22 as compared to 1.7% in 2019-20, resulting in the higher average gap between wholesale and retail inflation. The lowest divergence has been recorded in the year 2017-18 (0.7 points). Unlike the other years under study, WPI reached to the level higher than that of CPI in 2018-19 and 2021-22.

Table 10: Trend of Yearly Divergence between CPI and WPI

Year	WPI	CPI	Divergence (CPI-WPI)
2016-17	1.8	4.5	2.7
2017-18	2.9	3.6	0.7
2018-19	4.3	3.4	(-)0.9
2019-20	1.7	4.8	3.1
2020-21	1.3	6.2	4.9
2021-22	12.9	5.5	(-)7.5

Source: PHD Research Bureau, PHDCCI compiled from various sources. Note: Divergence= CPI-WPI

Chart 10: Monthly Trend of CPI and WPI (in %)



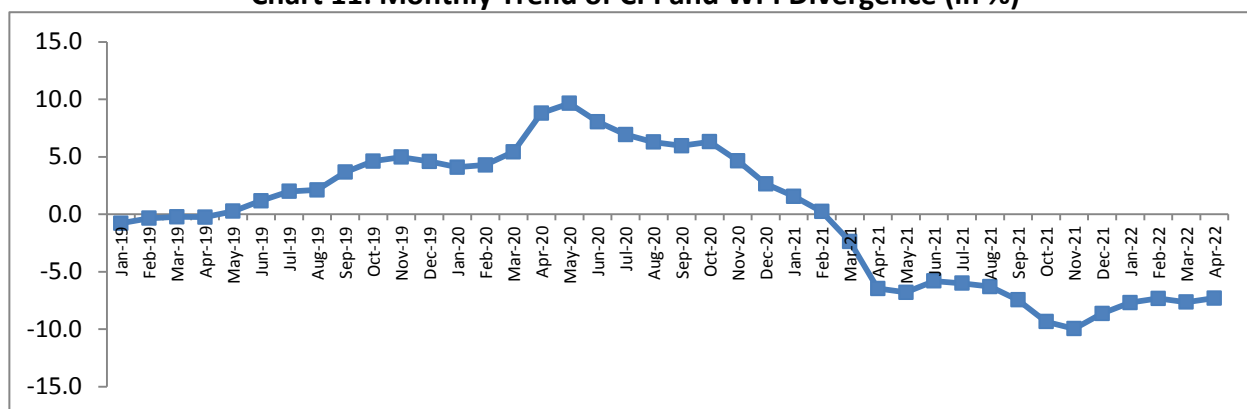
Source: PHD Research Bureau, PHDCCI calculations. Note: Divergence= CPI-WPI

The divergence between WPI and CPI shown in the above figure, with WPI slipping into deflation in the initial months of 2020 while CPI-combined inflation remained steady at around 5%-6%. The episode of divergence was also more prolonged, with divergence persisting throughout 2020. In

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2021 the WPI inflation ranged above the CPI inflation, with the divergence peaking in around November 2021.

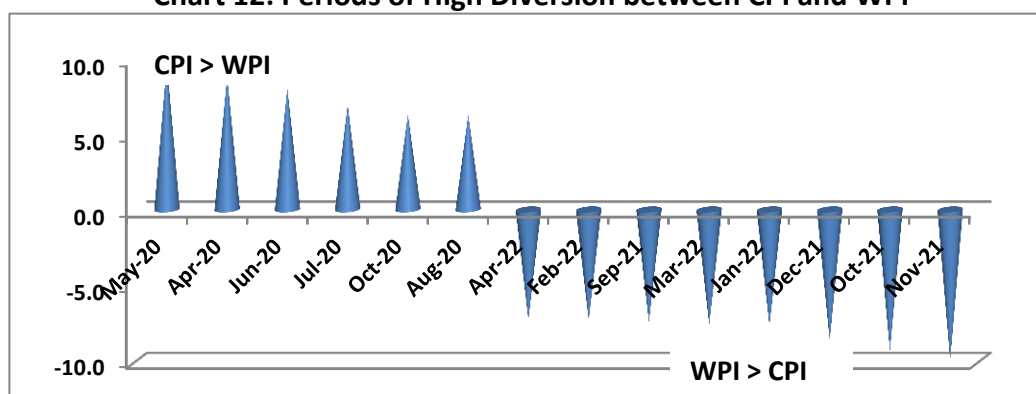
Chart 11: Monthly Trend of CPI and WPI Divergence (in %)



Source: PHD Research Bureau, PHDCCI calculations. Note: Divergence= CPI-WPI

It has been witnessed that the period May 2019 – May 2020 registered increasing divergence between the two inflation measures, with maximum divergence recorded at 9.6 points in May 2020. Yet again, the divergence started to increase from March 2021, with peak being recorded at 10 between the two inflation measures. The difference between the two time periods was that during the period May 2019 – May 2020, CPI was more than WPI, while during the period March 2021 to present, the WPI is higher than CPI. It has been observed that there are only 8 months over the period under study, when the divergence remained between +2 and -2 range, i.e. low divergence.

Chart 12: Periods of High Diversion between CPI and WPI



Source: PHD Research Bureau, PHDCCI calculations. Note: Divergence= CPI-WPI

The reason for divergence between the two measures could be partly attributed to the weights assigned to different categories by the two measures. Another reason could be the different types of items included in the two indices. On one hand, CPI includes services, such as education, health, transport, among others that are together assigned the weight of 27%, and these services are not the part of WPI. On the other hand, WPI index includes manufactured products group that carries the majority of the weight (64%) and these products are not included in CPI index. Food items have been assigned more weights in CPI index. Another reason for this divergence is that WPI inflation is reflected in CPI inflation with a time lag and currently, it is not completely transmitted due to weak demand. Even though input cost of producers has increased, they are wary of passing on the higher costs to the consumers.

4. Inflation Outlook

Inflation is expected to start softening by July 2022 on the back of diminishing unfavourable base effect particularly in food articles and liquidity drain as RBI has increased the repo rate by a significant 90bps recently. Monetary tightening will have an impact on consumption demand and resultant price corrections in the various goods and services in both consumption and whole sale segments

Also, increase in interest rates by advanced economies will have impact on international commodity prices as cost of inventory carry by speculators will go up and there will be significant price corrections. Recently, RBI increased the policy repo rate by 90bps to 4.9% and also raised the cash reserve ratio by 50bps to 4.5% which will drain Rs. 87,000 crores liquidity from the banking system.

Going ahead, in case of CPI, the statistical affect will also start diminishing from the month of October-November 2022 and inflation will continuously soften towards the normal range of RBI upper band.

5. Conclusion and Recommendations

Price stability is one of the key objectives of every macroeconomic policy formulation in an economy, as it helps to stabilize nominal interest rate, thereby promoting higher investment and higher growth trajectory.

The recent increase in both WPI and CPI inflation measures has been majorly on the back of upward pressure created on crude oil prices and other commodity prices by the ongoing geo-political conflict and its economic implications.

The WPI inflation has been in the double digit since the last 13 months. In April 2022, there were 122 items with less than 1% WPI inflation, 253 items with less than 5% inflation, 160 items with inflation in the range of 5-10%, 154 items with inflation in the range of 10-20%, 104 items had inflation in the range of 20%-50% and 25 items has inflation of more than 50%. The items with inflation in the range of 50%-100% have a total weight of 10.0 in overall WPI inflation. This shows that the items with the inflation rate of more than 50% are stoking the overall WPI inflation.

CPI inflation (YoY) has recorded a continuous upward trend during the period September 2021 to April 2022. In April 2022, there were 39 items with less than 1% CPI inflation, 100 items with less than 5% inflation, 112 items has inflation in the range of 5-10%, 62 items with inflation in the range of 10-20%, whereas 16 items had inflation in the range of 20%-50% and 2 has inflation in the range of 50%-100%.

The analysis says that the average inflation for commodities mostly used/consumed by the low income groups like Kerosene, Salt and Fodder is well above the double digit mark in April 2022, which is higher than the average WPI inflation of the items used by high income groups which is at 10.5%.



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Similarly, the impact of high inflation has affected the low income groups more than the high income groups because the average CPI inflation of the items used by low income groups which is at 15.8% is higher than the average CPI inflation of the items used by high income groups which is at 6.0%.

The stark divergence in WPI and CPI was recorded during the period of 2021-22, when the yearly average divergence reached 7.5 points. It has been witnessed that the period May 2019 – May 2020 registered increasing divergence between the two inflation measures, with maximum divergence recorded at 9.6 points in May 2020. Yet again, the divergence started to increase from March 2021, with peak being recorded at 10 between the two inflation measures. The difference between the two time periods was that during the period May 2019 – May 2020, CPI was more than WPI, while during the period March 2021 to present, the WPI is higher than CPI. It has been observed that there are only 8 months over the period under study, when the divergence remained between +2 and -2 range, i.e. low divergence.

A 5 prong strategy is suggested to soften the inflation:

1. Cut in the state excise duties especially on the petroleum products and bring petroleum products under the ambit of GST.
2. Strengthening of the global value chains and shifting of the sources of the imports from higher price to low price countries.
3. Import substitution for the technology intensive and labour-intensive products where India has a high imports category and comprises higher import shares.
4. Enhancing indigenous production possibilities where there is high demand for the commodities.
5. Measures for preventing hoarding of the essential commodities to stop price accelerations.

Annexure

Table 11: WPI- Index and Inflation

Months	2019-20		2020-21		2021-22		2022-23	
	Index	Inflation (%)	Index	Inflation (%)	Index	Inflation (%)	Index	Inflation (%)
April	121.1	3.2	119.2	-1.6	132.0	10.7	151.9	15.1
May	121.6	2.8	117.5	-3.4	132.9	13.1		
June	121.5	2.0	119.3	-1.8	133.7	12.1		
July	121.3	1.2	121.0	-0.2	135.0	11.6		
August	121.5	1.2	122.0	0.4	136.2	11.6		
September	121.3	0.3	122.9	1.3	137.4	11.8		
October	122.0	0.0	123.6	1.3	140.7	13.8		
November	122.3	0.6	125.1	2.3	143.7	14.9		
December	123.0	2.8	125.4	2.0	142.4	14.3		
January	123.4	3.5	126.5	2.5	143.8	13.7		
February	122.2	2.3	128.1	4.8	144.9	13.1		
March	120.4	0.4	129.9	7.9	148.8	14.5		
Average	121.8	1.7	123.4	1.3	139.3	13.0		

Table 12: CPI- Index and Inflation

Months	2019-20		2020-21		2021-22		2022-23	
	Index	Inflation (%)	Index	Inflation (%)	Index	Inflation (%)	Index	Inflation (%)
April	141.2	2.99	151.4	7.22	157.8	4.23	170.1	7.79
May	142.0	3.05	150.9	6.27	160.4	6.3		
June	142.9	3.18	151.8	6.23	161.3	6.26		
July	144.2	3.15	153.9	6.73	162.5	5.59		
August	145.0	3.28	154.7	6.69	162.9	5.3		
September	145.8	3.99	156.4	7.27	163.2	4.35		
October	147.2	4.62	158.4	7.61	165.5	4.48		
November	148.6	5.54	158.9	6.93	166.7	4.91		
December	150.4	7.35	157.3	4.59	166.2	5.66		
January	150.2	7.59	156.3	4.06	165.7	6.01		
February	149.1	6.58	156.6	5.03	166.1	6.07		
March	148.6	5.84	156.8	5.52	167.7	6.95		
Average	146.3	4.8	155.3	6.2	163.8	5.5		

Source: PHD Research Bureau, PHDCCI compiled from MOSPI and Office of Economic Advisor.



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The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. The Research Bureau has undertaken various policy studies for Government of India and State Governments.

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B: State profiles



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