

Quickonomics

May 27, 2026

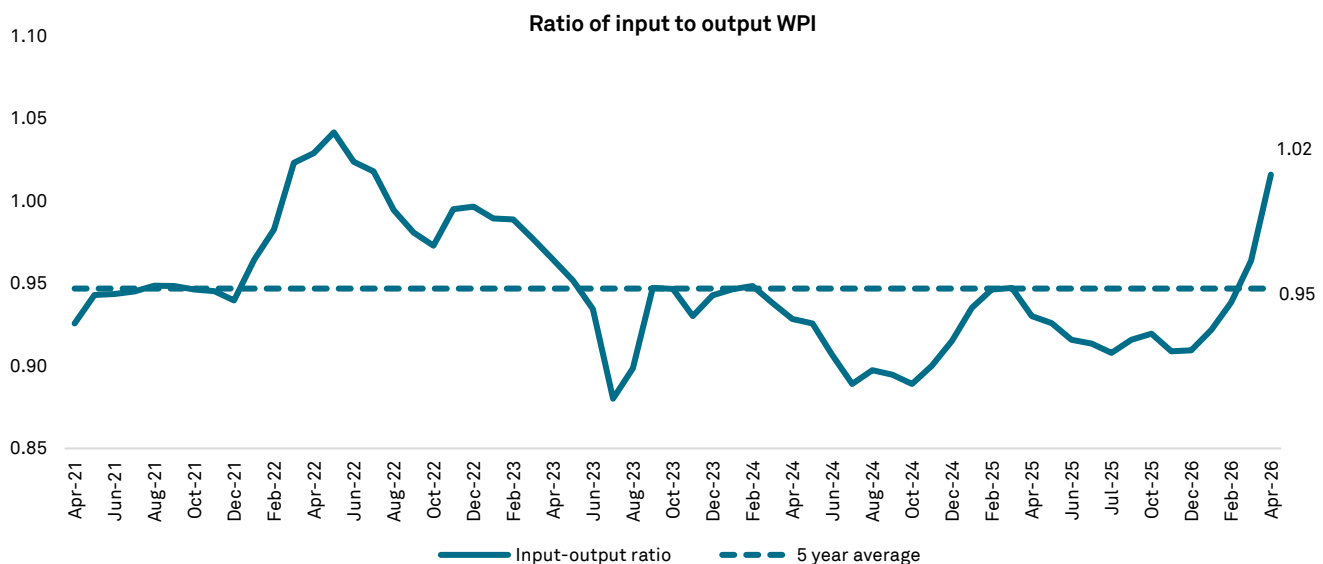
Input costs on fire

The West Asia conflict has sparked the largest oil shock the world has seen so far. The closure of the Strait of Hormuz has only broadened the shock to other input

categories even as manufacturers are already grappling with higher costs from critical inputs such as copper and aluminium.

Crisil's input-output ratio¹, based on the Wholesale Price Index (WPI), crossed the 1.0 mark in April after remaining below it for 44 straight months.

Crisil's WPI input-output ratio



Source: Office of the Economic Adviser, National Statistical Organisation, Crisil

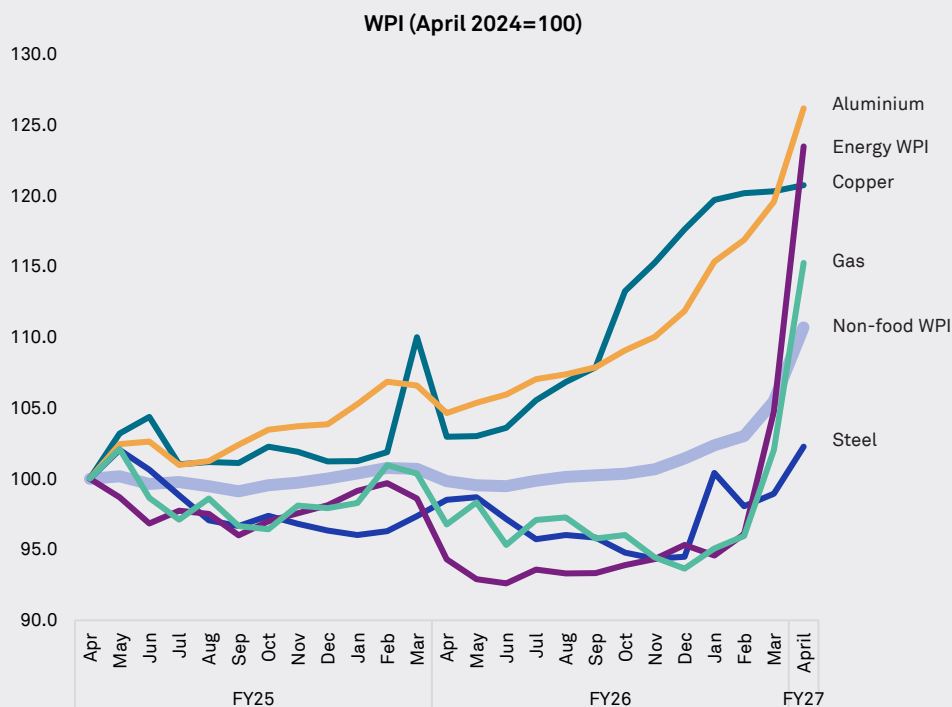
The ratio stood at 1.02, driven by an 6.2% on-month rise in input prices, while output prices increased a modest 0.7%.

- Input costs rose sharply due to higher energy prices, particularly for crude petroleum, natural gas and mineral oils, along with higher manufacturing costs for steel, basic chemicals, fertilisers, plastics, synthetic rubber, man-made fibres, plastic products, non-ferrous metals, other non-metallic mineral products

- Output prices were driven up by higher prices of food items such as dairy products, in addition to increased manufacturing costs for pharmaceuticals, furniture, wearing apparel and automobiles
- The last time the input-output ratio had crossed the 1.0 mark was in March 2022 after the outbreak of the Russia-Ukraine conflict, and remained so for five months

¹Input and output indices are computed from the WPI using supply use tables for 2023-24. We estimate ~59% of the WPI sub-components to be classified as inputs.

The input cost build-up



Source: Office of the Economic Adviser, National Statistical Organisation, Crisil

- In fiscal 2026, WPI inflation was just 0.7%, while non-food WPI stood at 1.1%
- However, some critical inputs used in manufacturing experienced price pressures even in the last fiscal. Copper prices rose 8.7% on average in fiscal 2026, while aluminium prices were up 6.5%, both exceeding their decadal inflation average of 7.8% and 5.4%, respectively.
- In April 2026, overall WPI inflation rose to 8.3% (from 3.9% in March), with non-food WPI surging to 10.9% (up from 4.7%).
- Based on the clustered WPI categories, copper prices surged 17.3%, aluminium 20.6%, crude oil-related 49.3% and gas-related 19.1% in April.

With input costs expected to remain elevated this year, even after the Strait reopens, manufacturers will continue to face higher costs. While WPI will be the first to reflect the inflation pressure, rising input costs are soon expected to percolate into consumer prices.

In the domestic market, with demand holding up so far, there is room to pass on the costs to consumers and support margins. Consequently, inflation based on the Consumer Price Index (CPI), particularly core CPI, could witness an upward pressure in the coming months.

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