ECONOMY

Retail inflation eases to 7.04% in May

Vikas Dhoot

NEW DELHI JUNE 13, 2022 18:06 IST **UPDATED:** JUNE 13, 2022 20:55 IST

Price rise in vegetables surges to 18.3%; food inflation accelerates to 8.2% for urban consumers



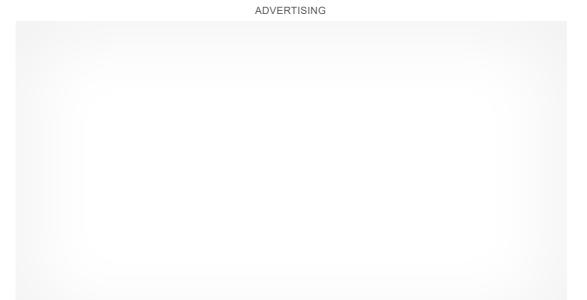
India's retail inflation eased marginally to 7.04% in May from the nearly eight-year high of 7.79% in April, reflecting a persistent uptick of over 6% in prices paid by consumers for the fifth successive month.

Inflation faced by rural consumers fell from 8.38% in April to 7.01% in May, but for households in urban areas, the pace of price rise was virtually flat month-on-month, moving from 7.09% in April to 7.08% in May.

Food price inflation, which had hit a 17-month high of 8.31% in April, eased a little to 7.97% in May thanks to a decline in rural food inflation from 8.5% to 7.76%. However, the **Consumer Food Price Index** surged further for urban India from 8.09% in April to 8.2% in May.

A sharp rise in tomato prices along with hardening potato prices raised the inflation in vegetables, even as wheat and rice prices climbed to keep cereals inflation elevated. CARE Ratings said food remained the main inflation driver, with a nearly 50% contribution.

Economists attributed the mild moderation in the retail inflation rate to base effects (May 2021 had recorded high inflation at 6.3%), as well as the lowering of excise duties on fuel products by the Centre on May 21, which could be fully reflected in June's inflation print.



ALSO READ

With inflation staying firmly above its tolerance threshold of 6% since January 2022, the Reserve Bank of India (RBI) has raised key interest rates by 90 basis points since April, and has projected an average

U.S. inflation hit a new 40-year high last month of 8.6% The RBI's estimate for the April to June quarter may turn out to be an over-estimate unless inflation surges sharply in June. However, the double whammy of the rise in the crude oil prices and the Indian Rupee's depreciation pose upside risks to the June 2022 retail

inflation print, cautioned ICRA chief economist Aditi Nayar.

The Rupee closed at an all-time low of ₹78.03 to the US dollar on Monday, while global crude prices remain elevated and volatile amid the protracted conflict between Russia and Ukraine.

Inflation is expected to hover in the 6.75%-7% range in June as well, reckoned Bank of Baroda chief economist Madan Sabnavis, noting that price rise was high in all segments except housing.

ALSO READ

"Food inflation was high with edible oils, spices and vegetables pushing it up and there is unlikely to be respite any time soon on these items, while foodgrain prices may inch up even if there is a good harvest after the significant increase in minimum support prices for the Kharif crop," he pointed out.

The Data Point | Explaining the history of fuel taxes and cuts

While inflation in food and beverages cooled only marginally from 8.1% in April to 7.84% in May, three sub-categories of food items clocked a further escalation – Vegetables, Meat and Fish, and Milk products.

Vegetables inflation surged from 15.41% in April to 18.26% in May, while inflation in Meat and Fish moved up from 6.97% to 8.23%. The pace of increase in prices for milk and related products was mildly higher at 5.64% in May compared to 5.47% in April.

Six other sub-groups of food and beverages recorded a decline in the pace of price rise, led by edible oils and fats (13.26% in May from 17.28% in April), while pulses and eggs recorded negative inflation of 0.42% and 4.64%, compared to 0% and 1.86% in April, respectively. Inflation in cereals cooled only slightly from 5.96% in April to 5.33% in May.

On a month-on-month basis, the Consumer Price Index was up 0.94% in May compared to April, while the Consumer Food Price Index (CFPI) rose 1.59%. Within the CFPI, the rural food price index rose 1.34% and urban prices rose 1.84%.

"Unfortunately, higher food and fuel prices are likely to impact rural demand and core inflation edging up sharply is a concern. Supply-side constraints are likely to keep prices high for long despite tightening monetary policy," said Deloitte India economist Rumki Majumdar.

Fuel and light inflation eased slightly from 10.8% in April to 9.54% in May and inflation in

Household goods and services as well as Miscellaneous items, which indicated that price rise pressures had become all-pervasive and generalised in April, moderated marginally from 7.97% to 6.85% and 8.03% to 6.82%, respectively, in May.

"The miscellaneous category of goods and services was also high with only health and education registering less than 6%. The indication is that the transfer of higher input costs to consumers is still playing out for household goods and personal care products," Mr. Sabnavis noted.

Eleven of the 22 States and Union Territories, for which the National Statistical Office released disaggregated inflation trends, reported price rise at a faster pace than the All-India rate of 7.04%.

The highest inflation rates were reported from **Telangana** (9.45%), Maharashtra (8.52%), **Andhra Pradesh** (8.49%), West Bengal (8.27%), Jharkhand (7.51%) and Gujarat (7.48%). **Kerala** continued to record the lowest inflation rate at 4.82% (from 5.08% in April), followed by **Delhi** (5.57%), Himachal Pradesh (5.63%), **Tamil Nadu** (5.72%) and Punjab (5.77%).

Price rise in clothing and footwear also remained high at 8.85%, only one percentage point lower than May's 9.85% rate. Inflation in footwear prices remained in the double digits at 10.72% (compared to 12.12% in April), while clothing inflation fell from 9.51% in April to 8.53% in May.

"If inflation undershoots RBI's quarterly estimate, it should assuage fears of a sharp tightening in the August 2022 monetary policy review," Ms. Nayar said, adding that ICRA continues to expect rate hikes of 35 and 25 basis points, respectively, in the central bank's next two bi-monthly policy reviews, followed by a pause.

THE HINDU

Our code of editorial values

Advertisement