

PRICE RISE | ECONOMY

Retail inflation in India eases to 6.71% in July



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A view of a grocery item seller waiting for customers in New Delhi. File | Photo Credit: Sushil Kumar Verma

This is the seventh month in a row that the pace of price rise has been over the upper tolerance limit of 6%

India's retail inflation slipped below the 7% mark for the first time since April, easing to 6.71% in July, aided by a moderation in food prices inflation to 6.75%, the lowest in five months.

This is the seventh month in a row that the pace of price rise has been over the upper tolerance limit of 6% pursued by the central bank's monetary policy committee.

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6.9% amid worries about wheat supplies as well as a drop in domestic sowing of rice.

Rural inflation eased from 7.09% in June to 6.8% in July, while urban consumers faced a price rise of 6.49% from 6.86% in June. The reprieve on food prices was offset by non-food inflation which rose to 6.7% from 6.5% in June.

“Even as falling petrol and diesel prices eased transport and communication Consumer Price Index (CPI), prices for other energy commodities such as liquefied petroleum gas and kerosene increased. Core inflation remained sticky since services such as education, recreation and amusement are contributing more to inflation,” said Crisil chief economist Dharmakirti Joshi.

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Inflation for housing and pan, tobacco and intoxicants remained stable at a low level, but fuel and light, as well as clothing and footwear rose further from already elevated levels, noted ICRA chief economist Aditi Nayar.

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While the overall inflation rate eased, there were wide divergences in consumers' experience across States.

“For many bigger States, inflation continued to be above 7% in July. Among the 23 major States, there are 15 States whose inflation is above 6%, down from 21 States in April, and eight States with inflation rate of below 6%,” pointed out SBI group chief economic adviser Soumya Kanti Ghosh.

Earlier this month, the Reserve Bank of India's Monetary Policy Committee estimated inflation to average 7.1% in the second quarter of 2022-23 from an earlier projection of 7.4%, while raising policy rates by 50 basis points. One basis point equals 0.01%.

Economists expect August and September retail inflation numbers to be higher than July's 6.71% print.

"The coming few readings are expected to be a tad above 7% with inflation likely to hover above RBI's upper threshold limit of 6% until January 2023," cautioned Upasna Bhardwaj, chief economist at Kotak Mahindra Bank.

Rajani Sinha, CARE Ratings' chief economist, said the slowdown in consumer inflation for the third consecutive month augurs well for price pressures to recede further, but the volatility in the Rupee and uneven monsoon distribution continue to pose a risk.

"If the downtrend in commodity prices sustains, we expect the first sub-6% inflation print to emerge by the middle of the October to December 2022 quarter, which may prompt a pause in the monetary policy committee's stance on interest rates to reassess the robustness of growth," Ms. Nayar reckoned.

Nikhil Gupta, chief economist at MOFSL group flagged concerns about the global standard measure of core inflation (which excludes food & energy inflation) rose to three-month high of 6.3%, lower than its peak of 6.5% in April this year, but the second-highest since the current CPI series is available.

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