

THE ECONOMIC TIMES

Food Inflation Eases to 6.75%

► From Page 1

Inflation in food and beverages eased to 6.7% in July from 8.1% in April. In tandem, consumer food inflation eased from 8.31% in April to 6.75% in July. Fuel and light inflation hit an 11-month high of 11.8% in July.

Inflation in vegetables remained high at 10.9%.

INFLATION OUTLOOK

The decline in global commodities and crude prices suggests peak inflation may have been passed.

Economists expect inflation to remain at these levels over the next few months or even inch up because of an adverse base effect but fall quicker towards the end of FY23.

"The gradual moderation in inflation suggests there remains some pressure across major categories despite the recent fall in global prices, and benefits from



the government's tax cuts on certain items," said DK Joshi, chief economist, Crisil. "Food inflation faces risks from lower rice sowing, tight wheat supplies, and elevated input costs."

Currency volatility and a rally in crude prices are other risks going ahead.

"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," said Upasna Bhardwaj, chief economist, Kotak Mahindra Bank.

INDUSTRIAL GROWTH

Industrial growth was buoyed by

robust domestic demand.

The three sectoral components of the Index of Industrial Production (IIP) — mining, manufacturing, and electricity — grew by 7.5%, 12.5% and 16.4%, respectively, in June.

"The improvement in industrial growth continues to be supported by strong recovery in domestic demand, with the index now 1.1% above its pre-pandemic levels in June 2019," said Rahul Bajoria, chief India economist, Barclays. "Strong export performance along with a gradual easing of supply headwinds is boosting industrial output."

Capital goods output, an indicator of investment, rose 26.1%, while consumer durables production expanded 23.8% year on year.

"Going ahead, we expect consumer demand to improve further ahead of the festive season," said Rajani Sinha, chief economist, CARE Ratings.