Increasing Price Pressure

Why in news?

The latest retail inflation data suggests that the inflation for August has slowed for a second straight month to a 5.3% pace after July's 5.59%.

What is the current price trend?

- Edible oils have been on a rise for months and the August print was 33% after July's 32.5%.
- Inflation in two vital protein sources, eggs and pulses, also continued to remain a cause for concern.
- The pace of inflation in fuel and light, clothing and footwear, health as well as household goods and services all rose up last month.
- Transport and communication which includes pump prices of automotive fuels of petrol and diesel, stayed stuck in double digits at 10.2%.
- A wider deflation in vegetable prices was the main positive contributor in easing the overall food and beverages inflation last month.

What does this imply?

- Price trends among the constituents of CPI and WPI -based inflation show that it would be premature to drop the guard on price gains
- Recent CII poll of CEOs showed a majority 67% expect average retail inflation this year to near or exceed the RBI's upper threshold of 6%
- So, cutting the fuel taxes is a sure-shot way to address a major component of price pressure

Source: The Hindu