Inflation is still a threat

Why in news?

Union Finance Minister has recently said that India's inflation battle was a concern but no longer a "red-lettered" word.

What is the inflation status in India?

- Consumer inflation shows an *8-year high* of 7.8% in April, 2022.
- The recent dip in commodity prices further deteriorate the situation.
- Though retail inflation of 6.71% in July 2022 was seen as a relief, it still remained above the 6% official tolerance threshold.
- Price rise in rural India has also been much sharper, averaging 7.6% in the first four months of 2022-23 and over 7% through 2022 so far.
- The overall average consumer inflation remains at 7.14% and 6.79% for the same two time-frames, respectively.
- The uneven monsoon so far could further weaken rural demand.
- A prolonged spell of high inflation is more deleterious for households' ability and tendency to spend.
- It dents the demand and growth impulses that may catalyse fresh investments from industry.

Why inflation is still a threat?

- It was reported that the Consumer Price Index for August due next week could take inflation closer to 7% again.
- It will be partly because of food price rise, that accounts for 45% of the CPI and had dipped to a 5-month low in July, may have resurged.
- The above data warns that the worst is behind and it is too early to let the guard down.
- Inflation may have moderated a bit, but remains a threat that warrants constant vigil.

What are the future aspirations?

- The monetary policy tools such as interest rate hikes alone cannot tame inflation.
- The union finance minister pushed the RBI to not be 'as synchronised' with its developed world counterparts when growth needs to be unrestricted.
- The emphasis should be on a multi-pronged approach to contain inflation, including better logistics, fiscal and trade policy moves.
- The Government must act expeditiously for a mechanism where the Centre and States work together to tackle price rise.
- It would ensure that inflation's immediate term moderation is durable and it can be re-activated.
- Thus, paving way for a quicker, sure-footed and cohesive future policy reactions.

Reference

1 .
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