Sobering Inflation

Why in news?

As per the recently released Consumer Price Index report, inflation moderated to 6.93% in November when compared to previous month's data of 7.61%.

Why Inflation moderated?

- Headline level of inflation eased due to slower price rise in the food and beverages which is a major driver of retail inflation.
- Due to bumper kharif crops harvests, inflation of cereals slowed down to 2.32% from 3.39%.
- Increased market arrivals of vegetables slowed down the price rise of food items.
- Inflation for vegetables slipped from 22.51% in October to 15.63% in November.
- Earlier RBI in its monetary policy statement reported that prices of perishables will get softened in winter.
- Petrol and diesel prices eased to 11.06%.
- However inflation still remained in double digits for 6 items in the basket excluding vegetables.
- Protein rich foods- pulses, eggs, meat and fish-registered higher levels of inflation.

Will this trend continue in the coming months?

- With recovery from the pandemic, it is unlikely to foresee any further appreciable softening of food prices in December.
- This because of higher transportation costs of farm produce from agrarian hinterland to destination.
- This will be in contravention to the RBI's forecast of inflation in the third-quarter of the fiscal- 6.8%.
- To achieve RBI's target, headline inflation need to be around 5.86% for this month.
- However in the next 3 months general prices are expected to rise, policymakers must guard against easing vigilance on prices.
- But a growth-supportive measure needs to be taken keeping price stability at the focus.

- Unchecked inflation can cause multiple risks to the nascent economic recovery.

Source: The Hindu

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