# Twin troubles: Prices and Industrial Production

## Why in news?

Recently, NSO has released data on retail prices and industrial production which is creating a cause of concern.

## What does the data reflect on?

- The inflation quickened to a four-month high of 5.52% in March and will continue to accelerate.
- The estimate of Index of Industrial Production for February shows that output-at mines, manufacturing sector, electricity- shrunk 3.6%, following the January's 0.9% contraction.
- This output contraction in the factories is for a second straight month.
- High food and fuel costs are the main drivers of price pressures.
- Inflation in pulses accelerated to 13.3% from 12.5% in February, oils and fats saw a more than 400 basis points surge to 24.9%.
- Meat, fish and eggs accelerated in double-digits while the inflation in the food and beverages got raised by almost 100 basis points to 5.24%.
- Though the pump prices of petro products remained virtually frozen due to assembly elections, transport and communication saw more than 100 basis points acceleration to 12.6%.

## What is the future prospects?

- In the recent RBI policy statement, the central bank hoped that arrivals from the Rabi harvest and imports would likely augment pulse supply thereby moderating the prices.
- Similarly, on edible oils the RBI is banking on the government to cut import duties and offer incentives to boost domestic productivity.
- Petrol price pressures are unlikely to ease significantly unless Centre and States agree to forego some near-term and reduce fuel taxes.
- RBI is stridently seeking a reduction in these levies and foresees inflation averaging to 5.2% in the April-June quarter.
- Policymakers are facing tough choices in trying to bring demand back to pre COVID levels.
- But any action must be taken without accelerating inflation, undermining the purchasing power and the overall economic stability.

**Source: The Hindu**

