

Retail inflation, based on Consumer Price Index (CPI), rises to 7.35%

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Retail inflation rose to about five-and-half year high of 7.35 per cent in December 2019, surpassing the RBI's comfort level, mainly due to spiraling prices of vegetables as onions were selling costlier. The unexpected jump in inflation diminished the chances of the RBI cutting interest rate at its next monetary policy review due in early February.

As per the data released by National Statistical Office (NSO), the spike in inflation in the vegetable segment was 60.5 per cent during the month compared to December 2018. The overall retail inflation based on Consumer Price Index (CPI) was 2.11 per cent in December 2018 and 5.54 per cent in November 2019.

Important Issues

As per the NSO data, the overall food inflation rose to 14.12 per cent in December as against (-) 2.65 per cent in the same month of 2018. The food inflation was 10.01 per cent in November 2019.

The previous high in retail inflation was witnessed at 7.39 per cent in July 2014, the year Narendra Modi-led government assumed office for the first term.

The inflation in 'pulses and products' was recorded at 15.44 per cent, while in case of 'meat and fish' it was nearly 10 per cent. This is the third straight month when the retail inflation figure exceeded the reserve Bank of India's (RBI's) medium-term target of 4%.

Last month, onion prices — an important food in Indian households - soared tenfold, contributing to a surge in inflation that has picked up steadily since March.

The Centre has mandated the Reserve Bank of India to keep inflation in the range of 2-6%. The RBI, which mainly factors in the CPI based inflation, is scheduled to announce its next bi-monthly monetary policy on February 6. In its December policy, the central bank, which had been reducing rates, had kept the repo rate unchanged citing inflationary concerns.

SOURCE: *The Hindu, Business Standard*