

Consumer inflation quickens to 6.3%

Rural areas see sharper spurt; WPI inflation races to record 12.94% spurred by rise in fuel, edible oils

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Retail inflation hit a six-month high of 6.3% in May, thanks to a persistent rise in fuel and edible oil prices, which also played a part in pushing wholesale prices to a record 12.94% inflation in the month, as per data released on Monday.

Consumers experienced an inflation of 11.58% for the 'fuel and light' category in May, with urban India bearing a bigger hit of 14.24% on the same account. Food inflation reheated to 5.1% from just 1.96% in April.

Overall retail prices, however, saw a sharper spurt in rural areas from 3.75% in April to 6.5% in May, while it was less pronounced in urban India at a little more than 6% from 4.7% in April, as per the National Statistical



Runaway prices: Food inflation accelerated significantly to 5.1% from a mere 1.96% in April. ■ RAMAKRISHNA G

Office. At the wholesale level, fuel and power inflation nearly quadrupled to 37.6% from the 9.75% recorded in March this year, and is significantly higher than the 20.94% mark attained in April. Manufactured products' inflation rose to

10.83% from 9% in April.

The 'high rate of inflation is primarily due to low base effect and rise in prices of crude petroleum, mineral oils, and manufactured products', an official statement on the Wholesale Price Index (WPI) said.

WPI had contracted 3.37% in May 2020.

'RBI will find it tricky'

Economists said the hardening inflation numbers would make it trickier for the Reserve Bank of India to balance the need to spur growth while keeping a lid on price rise, but they don't expect a change from its 'accommodative' stance any time soon.

The RBI had recently revised its inflation estimate for 2021-22 to 5.4%, while moderating growth hopes for 2021 to 9.5%.

"Although it is still too early to believe that retail inflation will remain in excess of 6% on a sustained basis, given the high base of last year, we believe the rising wholesale inflation which is gradually finding a reflection in

the retail inflation as well, is going to make things difficult for RBI," said Sunil Kumar Sinha, principal economist at India Ratings.

Ratings agency ICRA said core retail inflation had hit an 83-month high of 6.6% and is expected to remain higher than 5% through the year.

"The phased unlocking of the States may temper the CPI inflation to around 6% in June. We have raised our forecast for the FY2022 average CPI inflation to at least 5.4%," said its chief economist Aditi Nayar.

She, however, expects the RBI's monetary policy committee to maintain 'a high tolerance' even if average retail inflation hovers between 5.5 and 6%, given the uncertainties regarding the growth outlook.