Price pressures to smoothen out in coming months: Ministry

Finance ministry concedes inflation is causing government bond yields to rise

SPECIAL CORRESPONDENT
NEW DELHI

The Finance Ministry has blamed the recent uptick in inflation on adverse supply shocks due to the pandemic and elevated international commodity prices, and said it expects price pressures to abate in the coming months.

The comments on inflation in the Department of Economic Affairs' monthly economic report for July, released on Tuesday, largely mirror the central bank's assessment. However, the ministry did concede that high inflation had pushed up government bond yields.

Reserve Bank of India (RBI) Governor Shaktikanta Das last week noted that recent inflationary pressures "evoke concerns" but added that they were seen as "transitory and largely driven by adverse supply side factors". The RBI, however, raised its projection for retail inflation in 2021-22 to 5.7%, from 5.1% forecast in June.

Less dear: Prices should cool with the easing of restrictions and progress of the monsoon, says ministry. ▪H.S. MANJUNATH

"Inflation has remained above the band of 6% in May and June but these pressures are likely to smoothen out over the coming months with easing of restrictions, progress of southwest monsoon, and recent supply-side policy interventions in pulses and oilseeds market," the ministry said. "However, G-sec yield curve steepened mildly owing to inflation pressures," it added.

Retail inflation "seems to have plateaued" at 6.26% in June, from 6.30% in May, but had increased from 6.23% a year earlier, the ministry noted, with increases in major groups like 'food and beverage' and 'fuel and light'.

"Pressure of high inflation prints continued to prevail on G-Sec yields in July... 10-year G-Sec yield reached 6.2% as compared to 6.05% at end-June," it noted.