

### CPI inflation trends above RBI's comfort zone for second consecutive month in June 2021

Month	Weight	Jun-20	Apr-21	May-21	Jun-21
General Index	100	6.2	4.2	6.30	6.26
Food & beverages	45.86	7.9	2.6	5.2	5.6
Pan, tobacco & intoxicants	2.38	11.3	9.0	10.0	4.0
Clothing & footwear	6.53	2.7	3.5	5.3	6.2
Housing	10.07	3.6	3.7	3.9	3.8
Fuel & light	6.84	0.5	8.0	11.9	12.7
Miscellaneous	28.32	6.1	6.1	7.25	7.28

❖ Data on consumer price index (CPI) based inflation rate for the month of June 2021 was released last evening by the Central Statistics Office. During the month of June 2021, NSO collected prices from 99.6 percent villages and 98.6 percent urban markets.

❖ As per the latest release, CPI based inflation stood at 6.26 percent in June 2021, reporting not much change from the previous month's 6.30 percent. Higher prices in food & beverages, clothing & footwear, fuel & light and miscellaneous segments were majorly responsible for keeping the overall prices at elevated levels during the month.

❖ Inflation in the food & beverages segment, which account for 46 percent of the CPI index, witnessed an uptick and stood at 5.6 percent in June 2021 as compared to 5.2 percent inflation noted in the previous month.

❖ Major food & beverage items such as oils & fats (34.8 percent), non-alcoholic beverages (14.7 percent), fruits (11.8 percent), pulses & products (10.0 percent) and eggs, fish & meat (6.1 percent) recorded elevated prices during the month.

❖ Prices of edible oils have reported double digit inflation since April 2020. Lower output of cooking oils in major producing countries such as Indonesia, Malaysia, Argentina, Ukraine and Russia on the back of bad weather conditions, increased local demand and labor shortages has kept edible oils price index high.

#### CPI – Key Sub-segment of Food (% change Y-o-Y)

Month	Food	Cereals and products	Egg, fish and meat	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
Weight	39.06	9.67	4.04	6.61	3.56	2.89	6.04	2.38	1.36	2.50
Jun-20	8.7	7.9	18.1	7.0	11.5	0.3	4.0	17.6	2.9	13.4
Feb-21	3.9	-0.4	11.4	2.6	20.9	6.0	-6.3	12.6	-0.7	8.0
Mar-21	4.9	-0.7	14.7	2.2	24.9	7.9	-5.0	13.3	-0.5	6.7
Apr-21	2.0	-3.0	16.1	-0.1	25.9	9.7	-14.5	7.5	-6.0	4.3
May-21	5.0	-1.4	9.6	0.6	30.9	11.9	-1.9	9.4	-1.5	6.9
Jun-21	5.2	-1.9	6.1	1.9	34.8	11.8	-0.7	10.0	0.8	5.6

❖ Retail prices of essential cooking oils have increased dramatically over the past year (b/w June 2021 as compared to May 2020 levels)- mustard oil (from Rs. 118 to Rs. 171), soya oil (from Rs. 101 to Rs. 153), sunflower oil (from Rs. 110 to Rs. 173) and palm oil (from Rs. 90 to Rs. 132).

❖ In addition, prices of packaged food items also remained at high levels in June 2021 and stood at 6.5 percent y-o-y during the month (vis-à-vis 5.1 percent in May). Price indices of other key food items such as cereals and vegetables remained in the contractionary zone.

❖ Clothing & footwear segment witnessed higher inflation levels (6.2 percent in June 2021 versus 5.3 percent in May 2021).

❖ Furthermore, inflation continued to surge in fuel & light segment on the back of rising international crude oil prices. The fuel & light segment reported double digit inflation (12.7 percent) in the month of June 2021 – marking the steepest rise in fuel prices observed under Prime Minister Narendra Modi led government.

❖ Services inflation, as represented by the miscellaneous segment, remained at elevated level as well. Inflation in this segment was reported at similar levels in June 2021 (7.3 percent) as that observed in the previous month.

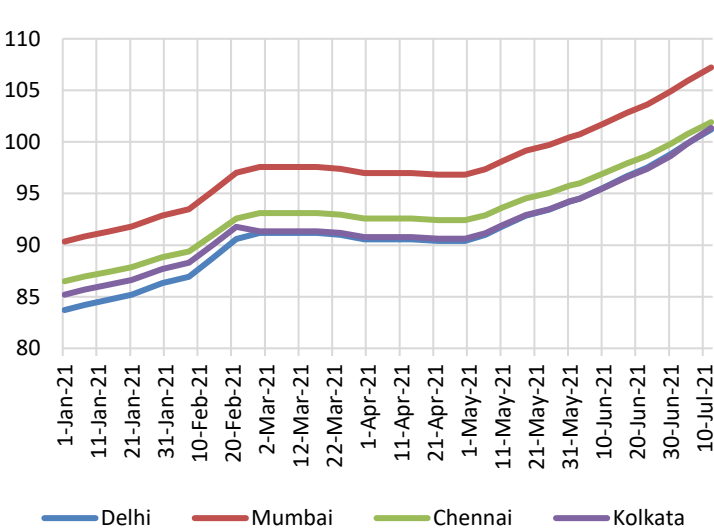
❖ Core inflation in the month of June 2021 was reported at 6.4 percent. On a cumulative basis, core inflation has swelled and was reported at 6.1 percent in Q1 2021-22 as compared to 4.9 percent inflation reported in the same quarter previous year.

Source: MoSPI, CMIE, FICCI Research

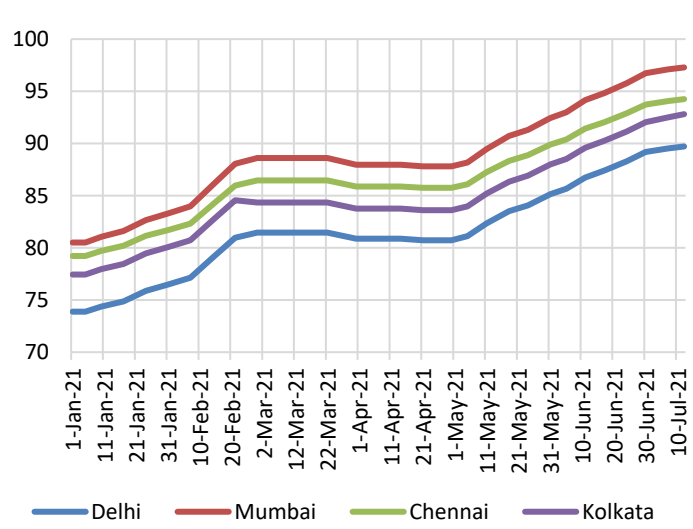
### Retail Prices of Essential Commodities

Quarter ended	Rice	Wheat	Gram dal	Tur/Arhar dal	Moong dal	Masoor dal	Sugar	Milk	Mustard oil (Packed)	Tea loose	Salt pack	Potato	Onion	Tomato
	Rs./kg	Rs./kg	Rs./kg	Rs./kg	Rs./kg	Rs./kg	Rs./kg	Rs./litre	Rs./kg	Rs./kg	Rs./kg	Rs./kg	Rs./kg	Rs./kg
Jun-19	31.9	26.8	66.8	80.7	80.6	62.5	39.1	44.5	108.5	214.1	15.6	17.5	17.9	32.2
Sep-19	32.2	26.9	66.1	85.2	82.9	63.0	39.0	44.3	111.4	214.1	15.4	19.2	28.3	36.7
Dec-19	33.1	27.9	66.5	87.3	87.3	64.4	39.6	45.3	111	215.7	15.4	22.7	67.7	36.2
Mar-20	33.2	28.7	65.5	87.1	96	67.3	39.4	45.9	118.6	217.2	16.1	24.1	45.2	24
Jun-20	34.2	29.0	68.0	94.3	110.0	75.7	40.1	47.1	118.9	220.0	16.2	26.5	23.8	22.6
Sep-20	34.5	28.2	67.5	93.9	104.6	77.9	40.6	47.6	124.5	226.2	16.4	33.8	25.9	49.4
Dec-20	34.9	27.9	73.7	105.5	104.1	79.1	40.3	47.5	133.2	237.6	16.8	40.5	51.2	41.5
Mar-21	37.4	28.2	73	105.3	106.6	80.8	39.7	48.7	146.4	274.1	17.5	21.9	39.7	23.6
Jun-21	35.9	26.7	76.4	107.8	106.7	85.1	40.2	49.7	165.6	274.4	18.1	19.3	25.4	20.1

#### Retail Prices of Petrol (Rs. per Litre)



#### Retail Prices of Diesel (Rs. per Litre)



### Comments

Inflationary pressures have been building up in the economy for quite some time now and has emerged as one of the biggest risk to economic growth apart from the pandemic related risks. While increased price levels are being witnessed across the world on the back of loose monetary policies and global economic recovery, the impact on demand (especially in a consumption driven economy like India) can be far reaching. With demand conditions already subdued in India, increased inflationary levels can be attributed majorly to higher input prices as well as supply side bottlenecks.

Rising retail prices of essential food items, energy, housing, clothing and various services will most likely accentuate the challenges arising on the consumption side. Higher fuel costs has increased transport / logistics costs which has culminated into increased retail prices of essential items. Prices of milk & products by major producers have undergone an upward revision on the back of higher packaging, transport and energy costs. Likewise, prices of fruits and vegetables, consumer goods- durables (such as passenger cars) and non-durables have also witnessed increase in prices. With household incomes severely impacted from the second pandemic wave, increased prices will only add to the gloom.

In such a situation, coordinated efforts between the Centre and State government is required to address rising domestic fuel costs and supply side constraints. There is an urgent need for reduction in excise duty and state VAT on petroleum products to deescalate prices of essential commodities. In addition, the State and Central government could also consider expediting the process of bringing petroleum products under GST.

Source: MoSPI, PPAC, CMIE