

# Retail inflation inches up to 4.91% in November

May touch 6% on commodity price, unfavourable base, say experts

**ENS ECONOMIC BUREAU**

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DESPITE the excise duty cut on fuel and favourable base effect, India's retail inflation in the month of November rose to 4.91%, on account of high core (non-food, non-fuel) inflation. And while it is staying within the RBI's target range for a fifth consecutive month, the central bank had already warned that inflation print will remain higher over the rest of the year as base effects turn adverse.

The consumer price inflation (CPI) was 4.48% in October and 6.93% in Nov 2020. According to data released by the statistics ministry on Monday, food inflation was at 1.87% in November this year compared to 0.85% in the preceding month. Core inflation, which is the non-food non-fuel component of the CPI basket, stood at 6.1% against

1.87%

Food inflation

6.1%

Core inflation

4.48%

CPI (in Oct 2021)

6.93%

CPI (in nov 2020)

5.8% seen in the month before.

Last week, RBI had kept the benchmark rates unchanged at 4% with its accommodative stance in the backdrop of concerns over the new coronavirus variant Omicron, with a warning that price pressures may persist in the near-term.

Experts claim that further rise in commodity prices, unfavourable base will keep inflation closer to the outer limit of 6%, and said while RBI has managed to maintain its accommodate stance for nine times in a row, it may change its stance by next year.

"While the evolving FY average is close to the central bank's

projection, Dec 2021 and Jan-Mar '22 trends are likely to test above official forecasts as pipeline pressures filter through, for instance price adjustments by producers as margin pressures surface, and telecom price hikes, just as base effects turn adverse," said Radhika Rao, economist, DBS Bank, Singapore.

M Govinda Rao, Chief Economic Adviser at Brickwork Ratings, said, "With the prices of food items showing a steep rise due to unseasonal rains, and higher transportation cost and a shortage of chips affecting the manufacturing sector, the price situation requires close monitoring".