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Retail inflation steeply rises to 5.03% in Feb on back of growing food, fuel prices

Economy

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With growing food and fuel prices, India's retail inflation increased in February as the Consumer Price Index rose to 5.03% against 4.06% in January, a steep rise from 1.96%, showed data from the Ministry of Statistics & Programme Implementation.

The combined inflation rate for food and beverages was at 4.25% and that of pan, tobacco and intoxicants was at 10.70% in February 2021. The 'fuel and light' category remained elevated at 3.53% during the month vis-a-vis 3.87% in January. The Reserve Bank, which mainly factors in the retail inflation while arriving at its monetary policy, has been asked to keep CPI inflation at 4% with a margin of 2% on either side.

The latest data gains significance as the February CPI is the last CPI inflation print before the RBI's monetary policy review.

Retail prices of petrol and diesel have hit record highs across the country in the past couple of months in line with the rise in global crude oil prices, affecting the common man.

Pump prices of the transport fuels have been unchanged for around 13 days now at record high levels ahead of the upcoming Assembly polls.

The industrial output in India declined in January, led by a slump in manufacturing and mining activities. Industrial production re-entered the negative territory by contracting 1.6% in January.

The output of the manufacturing sector — which constitutes 77.6% of the Index of Industrial Production (IIP) — shrank by 2% in January, as against a growth of 1.8% during the same month last fiscal. The worst performance was witnessed by the capital goods sector, which recorded a contraction of 9.6% during the month under review, compared to a 4.4% decline a year ago.

A contraction of 3.7% was registered in the mining sector in January, against a positive growth of 4.4% in the year-ago period.

Meanwhile, the National Statistical Office (NSO), which releases the IIP data, has revised upwardly the IIP number for December 2020 from an earlier estimate of 1% to 1.56%.

For the April-June period of the current financial year, IIP fell 12.2%.

“After growth in December, the industrial production contracted in January mainly due to weakness in manufacturing and mining components, despite progressive unlocking by the government in most pockets of the country,” said Nish Bhatt, Founder and CEO, Millwood Kane International, an investment consulting firm.

M Govinda Rao, Chief Economic Adviser at **Brickwork Ratings**, said that continued contraction in the manufacturing sector shows that there is still some distance to cover before the economy recovers.