

## November retail inflation is at its highest level in three months

According to official data, India's retail inflation hit a three-month high in November due to rising vegetable prices, despite favorable bases and lower fuel prices by centers and states.

Inflation remained within central bank tolerance for the fifth straight month, but economists said in the coming months due to a declining favorable base, higher telecommunications charges, and higher GST tax rates on clothing and shoes. Inflation rate is expected to rise.

Inflation based on the Consumer Price Index (CPI) rose from 4.48% last month to 4.91% in November, according to data released by the Ministry of Statistics and Program Implementation on Monday.

Economists expect the RBI-led Monetary Policy Committee to remain accommodative for the rest of the year to support growth.

Food inflation in November rose from 0.85% last month to 1.87%. Fuel inflation fell from 14.35% to 13.35% as international crude oil prices softened. However, non-food and non-fuel core CPI inflation continued to rise above 6% in November.

**“Food and fuel inflation is expected to fluctuate due to extrinsic factors such as weather and global commodity prices, but rising levels of core inflation above 6% over the past two months are a concern. .. Inflation outlook for the rest of the month will not look bright due to lower base effects and improved domestic demand ... Inflation in December will exceed 5.5% and inflation in the third quarter will be RBI’s inflation outlook We expect it to remain below 5.1%.” M Govinda Rao, Chief Economic Advisor at Brickwork Ratings, said.**

Fuel and beverage inflation rose from 1.8% in October to 2.6% in November. Vegetable price declines fell from 19.4 percent in October to 13.62 percent. In the subcategory, tomato inflation surged to 31% in November, compared to 8.36% deflation last month. Spinach inflation rose from 0% in October to 8.5%. Inflation rates for eggplant and cauliflower rose to 10.37% and 15.9% in November, while deflation rates were 0.75% and 7.26%, respectively.

Inflation rates on fats and oils have eased slightly from 33.5% in October to 29.6%.

HDFC economist Swati Arora said, “Food prices are likely to fall in the future. According to daily mandi prices, onion and potato prices are 11% and 5.5% in a row until December 21st. It has fallen.” Bank. “However, higher telecommunications prices, plausible supply chain disruptions, higher GST rates for clothing and shoes, and a declining favorable base can put pressure on inflation readings. The rate is expected to remain at around 6%. December 21st.”

Inflation in both “transport and communications” and “fuel and light” fell in November, but remained in double digits at 10.02 and 13.35 percent, respectively.

Last month, the center reduced gasoline and diesel excise taxes by 5 and 10 rupees, respectively, to ease the burden of rising international oil prices on consumers and support economic demand. Since then, several BJP-controlled states have reduced gasoline and diesel VAT, including Karnataka, Gujarat, Uttar Pradesh, Himachal Pradesh, Goa and Assam.

Currently, gasoline and diesel excise taxes are 27.9 rupees and 21.8 rupees per liter, respectively.

Aditi Nayar, Chief Economist at ICRA Ratings, said the November 2021 transportation and telecommunications sub-index fell 0.6% month-on-month (MoM) as a result of fuel tax cuts.

“But other items in all other categories showed a significant rise from 0.2% in education to a sharp 0.9% in personal care and effectiveness, emphasizing rising price pressures in the economy,” said Nayar. Says.

Inflation rate for vehicle diesel fell from 31.76% last month to 22.45% in November. The rate of price increase in the case of gasoline also settled down from 23.78% in the previous month to 27.28%.

Devendra Kumar Pant, Chief Economist at India Ratings & Research, said inflation in commodities such as health, fuel, light, transportation and telecommunications is structural. The supply shortage further encourages a non-temporary rise in inflation. “The CPI remains high until January 2022 and is likely to be moderate after that,” Pants said.