

Inflation marginally up at 4.86%

TIMES NEWS NETWORK

New Delhi: Inflation marginally accelerated in June to a five-month high of 4.86% on the back of stubborn food prices posing a fresh challenge for the central bank and the government struggling with grim macroeconomic data.

Data released by the commerce ministry on Monday showed the annual rate of inflation, based on monthly WPI (wholesale price index), stood at 4.86% in June compared to 4.70% for the previous month and 7.58% during the corresponding month of the previous year.

Moderating wholesale price inflation had come as a huge relief for the government grappling with stubborn price pressures ahead of key state elections. The sudden rise in inflation comes against the backdrop of falling exports, a wobbly currency and sliding industrial output growth. High food prices posed a fresh worry as vegetable prices rose an annual 9.74% in June after displaying some signs of easing in the previous months. Vegetable prices shot an annual 16.47% in June, while onion prices rose 114% during the month and emerged as a fresh pressure point.

Economists said they expect RBI to hold rates when it reviews monetary policy later this month. "June WPI inflation moderately increased but the details in no way provided any significant comfort for inflation dynamics in India. Food inflation (as also seen in the CPI inflation) re-emerged as a key concern even as manufactured products prices were contained due to demand erosion," Indranil Pan, chief economist at Kotak Mahindra Bank, said. "However, implications of the recent rupee depreciation are likely to take effect over the core WPI inflation over the next few months, implying that the comfort out of the lower demand scenario could erode. We see the RBI maintaining status quo at the July 30 meeting with the likelihood of an extended pause through fiscal year 2014 having risen significantly," Pan said.

Experts said they expect inflation to return to 6-7% range due to a combination of factors including a weak rupee, which is expected to raise the price of imported inputs. "Demand pressures will remain weak, but we could see some lift in core inflation. With a weak currency, imported costs of production go up and eventually businesses might have to pass them on to the consumers," rating agency Crisil said in a note.

STILL A CONCERN						
Rate Of Inflation For Last Six Months						
	Jan	Feb	Mar	Apr	May	Jun
PRIMARY ARTICLES	11.41	10.54	7.36	5.06	6.65	8.14
Food Articles	12.35	11.95	8.63	6.08	8.25	9.74
Cereals	18.60	18.63	17.86	15.52	16.01	17.18
Rice	17.77	17.75	17.56	17.09	18.48	19.11
Wheat	21.87	21.81	19.35	13.55	12.65	13.83
Pulses	15.89	13.95	10.84	10.52	5.95	1.59
Vegetables	30.02	19.88	-1.68	-8.88	4.85	16.47
Potato	73.10	50.14	15.80	-0.63	-3.44	-14.22
Onion	125.17	182.36	110.74	90.83	97.40	114.0
Fruits	10.28	10.16	5.67	0.56	0.97	-0.43
Milk	4.52	4.52	4.42	4.04	4.46	3.74
Egg, Meat & Fish	11.20	12.37	11.42	10.44	11.21	12.23
Overall	7.31	7.28	5.65	4.77	4.70	4.86