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Food inflation up at 3-month high of 9.9%

Onion Prices Spike Most Fruits, Veggies Rise Too

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New Delhi: Costly onion, fruits, vegetables and protein-based items pushed food inflation to a three-month high in late July, highlighting the extent of price pressures in the economy and posing another challenge for policymakers.

Data released by the commerce and industry ministry on Thursday showed the wholesale price index for food articles rose an annual 9.90% in the week to July 30, rising from 8.04% in the previous week. Food prices had displayed tentative signs of easing in the previous months but have remained volatile. The data showed onion prices rose an annual 36.62% while the weekly trend showed prices of vegetables, potatoes, fruits, eggs, meat and fish have remained firm.

A sharp increase in the prices of onion last year had pushed food inflation into double-digits and had emerged as a policy headache for the UPA government which is battling a slew of corruption charges. Policymakers have been consistently wrong-footed on inflation in the recent past.

The index for food articles group rose by 1.6% to 195.3 from 192.2 for the previous week due to higher prices of fish-inland (17%), poultry chicken and fish-marine (4% each), ragi and fruits & vegetables (2% each) and rice, coffee and gram (1% each).

"For a couple of weeks, rainfall has been deficient and that could have led to some short-term price pressures," said Samiran Chakraborty, economist at Standard Chartered Bank. Economists say it is difficult to draw any sweeping conclusions from sharp fluctuations in weekly food inflation data.

Chakraborty said the Reserve Bank of India was unlikely to reverse its monetary policy stance soon and the central bank would carefully watch the movement of global commodity prices. "They have to be convinced that there is a sustained and continuous fall in commodity prices, only then can they reassess their monetary policy stand," he said.

Expectations of a pause in the central bank's monetary tightening had gathered pace after downgrading of US debt by ratings agency Standard & Poor's sparked off fears of a global economic slowdown and spooked financial markets.

Pinching Hard	
Commodities	Yo-Y rise in prices* (%)
Food articles	9.90
Cereals	6.22
Pulses	-5.95
Onion	36.62
Vegetable	14.61
Fruits	16.49
Milk	10.38
Egg, meat & fish	13.44

* For week ended July 31
Source: Commerce & Industry ministry

