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Inflation touches 12-month high of 7.3%

Prices Of Pulses, Sugar & Potato Drive Up Index, RBI May Tighten Monetary Policy

TIMES NEWS NETWORK

New Delhi: A day after agriculture minister Sharad Pawar said the prices of daily essentials would come down in 10 days, government data on Thursday pegged wholesale price-based inflation at 7.3% in December, the highest in more than a year and marking a jump of nearly 3% over November.

The latest figure — driven up mainly by sugar, pulses and potato — added to the government's worries over price rise and will push back any effort to free motor fuel prices.

The numbers also reinforced the expectation of a tighter monetary policy from the RBI as it beat the central bank's forecast of wholesale inflation topping 6% only by the end of the fiscal. The last time wholesale inflation exceeded the December level was in November 2008 when it had reached 8%.

According to Sonal Varma of Nomura Global Economics, a research firm, at the current pace, inflation is likely to rise above 8% in January and inch closer to double-digits by March.

Also, data released at December end showed that consumer price-based inflation accelerated to 13.5% in November 2009 from 11.5%.

A ray of hope, however, came from weekly food inflation that eased a tad to 17.28% in the week ended January 2 from 18.22% a week ago but pulses, potatoes and onions remained expensive. Despite signs of cooling off, overall data does not allow for slack and point towards a deepening food inflation threatening to spill over into the wider economy.

The prices of processed food items, for example, rose 26.40% in December and non-processed food items turned expensive by 19.17%. Potatoes rose over 70% during the week ended January 2, onions and pulses over 45% each and cereals by over 14%.

"Week-on-week it (food inflation) is down, which is a very good (sign). There are a whole lot of measures that we are going through that have been decided on," chief economic advisor Kaushik Basu said. Earlier, Planning Commission deputy chairman Montek Singh Ahluwalia had also said that food inflation would ease next month as fear of negative impact of poor monsoon on farm produce has eased.

To increase the availability of sugar, the government on Wednesday relaxed norms for processing raw sugar and allowed duty-free import of white sugar till December end. A host of decisions, including selling 2-3 million tonnes of wheat and rice in the open market over the next two months and asking state-owned trading firms to intensify import of pulses, was taken at a meeting of the Cabinet Committee on Prices chaired by prime minister Manmohan Singh on Wednesday. **Rate Spiral**

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