

Publication: The Times Of India Lucknow;Date: Aug 26, 2011;Section: Times Business;Page: 13



Food inflation nears 10%, RBI may hike rates again

TIMES NEWS NETWORK

New Delhi: Food inflation quickened surprisingly in mid-August, driven by higher prices of vegetables, onions, fruits and protein-based items and economists said the Reserve Bank of India is likely to continue with its tight monetary policy as inflation continues to remain a concern.

Data released by the commerce and industry ministry on Thursday showed food inflation, as measured by the wholesale price index, stood at 9.8% in the week to August 13, accelerating from 9.03% in the previous week. FM Pranab Mukherjee said he was concerned with the increase in food inflation which was close to double digits. He said weekly figures were volatile and an assessment of the price situation should be made on the basis of a relatively larger period.

Food prices have remained volatile in the past few weeks, hitting double digits last December. The upward bias posed a major policy challenge for the government and the RBI. Since then, they have remained at elevated levels.

Economists said fruits, vegetables and milk remained as pressure points but expected prices to ease in the coming weeks. The trend for the past six weeks showed that prices of potatoes, eggs, meat and fish, fruits and onions were on the rise. Onion prices rose 44.42% in the week to August 13, while vegetable prices were up 6.52%, rising from 2.59% in the previous week. "Fruits and vegetables prices spike four to five times in a year. It is a pressure point along with milk as supply is unable to keep pace with demand. Robust monsoon rains should help ease food prices but overall inflation remains high," said D K Joshi, chief economist at Crisil.

NO RELIEF						
Commodities	July 9	July 16	July 23	July 30	Aug 6	Aug 13*
Food Articles	7.58	7.33	8.04	9.9	9.03	9.8
Cereals	4.77	4.82	5.13	6.22	6.23	5.22
Rice	1.32	1.8	2.35	4.23	5.58	6.02
Vegetables	4.31	7.59	10.2	14.61	2.59	6.52
Potato	4.2	10.55	7.85	10.85	7.22	16.39
Onion	19.68	22.66	26.36	36.62	37.62	44.42
Fruits	15.84	13.9	15.97	16.49	26.46	27.01
Egg, Meat and Fish	7.97	6.36	6.66	13.44	9.93	13.37



Source: PIB Figs in % *Rate of inflation for the week ending in 2011