

FICCI's Reaction on Inflation Data

New Delhi, 14 November 2013: The Wholesale Price Index (WPI) data released today shows price levels inching up to 7% in October, 2013 from 6.46% in the last month. WPI in the corresponding period last year stood at 7.32%.

"Rising food prices continue to put pressure on the overall inflation, which makes it imperative to address the supply side bottlenecks at the earliest. This is also reflected in the Consumer Price Inflation (CPI) data which rose to 10.09% in October, 2013 from 9.84% in the previous month, primarily driven by food prices", said **Ms Naina Lal Kidwai, President, FICCI.**

"Prices of vegetables have risen by over 78% in October 2013, led by onions, which have seen about 278% y-o-y rise in prices. While lower planting and partial damage of onion crops in southern states due to occasional rains have created some shortage of onions, the supply side bottlenecks have primarily led to a scarcity in supplies.

Clearly, there is an urgent need to take reform measures necessary for strengthening the agriculture supply chain and increasing cold storages across the country to counter the seasonal factors", added Ms. Kidwai.

"Further, with the rupee weakening once again, imported inflation may be a concern going ahead. Fuel inflation has remained over 10% since July 2013. Nonetheless, it might also be noted that non-oil imports have been declining over the last few months, indicating weak industrial activity. This is also corroborated by the IIP numbers released this week indicating a moderate growth of 2% in September, 2013", noted Ms. Kidwai

Re-iterating FICCI's views on policy rates, Ms Kidwai said "We would urge RBI to review the policy rates in light of the fact that current inflation is primarily due to supply side bottlenecks, which cannot be checked by monetary tightening measures. Rather, any further tightening would worsen the industrial production scenario."

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