

CPI inflation surges to 7.6 percent in October 2020

Month	Weight	Oct-19	Jul-20	Aug-20	Sep-20	Oct-20
General Index	100	4.6	6.7	6.7	7.3	7.6
Food and beverages	45.86	6.9	8.5	8.3	9.8	10.2
Pan, tobacco and intoxicants	2.38	3.9	10.5	11.2	10.7	10.7
Clothing & footwear	6.53	1.7	2.8	2.8	3.0	3.2
Housing	10.07	4.6	3.3	3.1	2.8	3.3
Fuel & light	6.84	-2.0	2.7	3.2	2.8	2.3
Miscellaneous	28.32	3.5	6.8	7.0	6.9	6.9

As per the latest data release, CPI based inflation continued to surge and was reported at a nine month high of 7.6 percent in October 2020. Food and beverages, with a weight of 45.86 percent in the index, remained the major contributor to the increased inflationary levels during the month. The segment recorded an inflation rate of 10.2 percent- highest in six months. The prices of Pan, tobacco & intoxicants segment also remained at elevated levels.

Clothing & footwear and housing segments also recorded a slight uptick in price levels during October 2020. Services inflation, represented by the miscellaneous segment, was recorded at 6.9 percent during the month.

Fuel & light segment was the only segment to witness a moderation in price levels in October 2020.

The Price data have been collected from representative and selected 1114 urban markets and 1181 villages covering all States/UTs through personal visits by field staff of Field Operations Division of NSO, MoSPI on a weekly roster. During the month of October 2020, NSO collected prices from 98.1% villages and 97.9% urban markets while the prices reported therein were 84.3% for rural and 89.3% for urban.

CPI – Key Sub-segment of Food (% change Y-o-Y)

Month	Food	Cereals and products	Egg, fish and meat	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
Weight	39.06	9.67	4.04	6.61	3.56	2.89	6.04	2.38	1.36	2.50
Oct-19	7.9	2.2	9.4	3.1	2.0	4.1	26.1	11.7	1.3	3.9
Jun-20	8.7	7.9	18.1	7.0	11.5	0.3	4.0	17.6	2.9	13.4
Jul-20	9.3	6.9	16.4	6.5	12.2	0.1	11.1	15.7	3.6	12.9
Aug-20	9.1	5.9	15.9	6.2	12.5	1.0	11.5	14.4	3.9	12.4
Sep-20	10.7	4.7	17.3	5.6	13.4	3.1	20.8	14.7	2.7	11.7
Oct-20	11.1	3.4	19.0	5.2	15.2	0.3	22.5	18.3	1.4	11.3

Five out of nine major sub-segments under the food segment reported double digit inflation levels in October 2020. Major protein items such as eggs, fish and meat recorded higher inflation rate of 19.0 percent while pulses and products reported 18.3 percent inflation during the month. These segments together with vegetables and oil & fat segments have emerged as a major pain area and has been keeping the prices at elevated levels.

Vegetable prices have witnessed double digit growth consecutively since the month of July 2020. The strain on prices of perishables has been persistent despite gradual opening up of the economy. Staple vegetables such as potatoes, tomatoes and onions have reported steep increase in prices over the past few months on the back of low supplies to mandis in states.

While the monsoon season was good this year, unseasonal rains and flooding reported in some major agricultural commodities producing states has caused damage to kharif crops. Prices of onions are inching upwards as a result of these weather disruptions with Karnataka reporting massive losses to early kharif onion crop which was to arrive at the end of September. Simultaneously, incessant rains in September destroyed stored onions in states like Madhya Pradesh and Gujarat creating a massive shortage of the vegetable. While the arrival of next onion crop was due at the end of October from Maharashtra, the state also suffered huge losses in stored onions in some parts including Nashik and Pune. Such weather related disruptions are likely to show up in the overall kharif output and, thereby, food inflation.

Furthermore, according to industry experts potato stocks usually last till February-end, but this year stocks are expected to run out by mid-December. Major potato producing states like UP and West Bengal have witnessed a much lower harvest this year. For instance, the total harvest in UP has been around 12.4 million tonnes this year compared to 15.5 million tonnes in 2019.

Source: MoSPI, CMIE

Economy Fact Sheet – Consumer Price Index

November 2020

Market Arrivals Of Key Vegetables In Major States: Y-o-Y Growth in %

State	Potato		Onion		Tomato	
	Oct-20	Nov-20	Oct-20	Nov-20	Oct-20	Nov-20
NCT of Delhi	-33.8%	-60.8%	-18.0%	-30.7%	-16.8%	-29.1%
Gujarat	-46.6%	-43.0%	-56.9%	-63.3%	-22.0%	-21.1%
Karnataka	-35.2%	-39.0%	-61.6%	-68.9%	68.3%	137.0%
Madhya Pradesh	-48.6%	-57.0%	101.6%	166.2%	-55.5%	-43.5%
Maharashtra	-58.8%	-14.9%	-30.6%	5.9%	-32.3%	-3.6%
Rajasthan	-18.3%	-67.1%	-16.6%	-24.9%	-43.9%	-65.2%
Uttar Pradesh	-56.3%	-58.9%	-23.9%	-25.7%	-21.8%	-31.7%
West Bengal	-6.6%	-21.7%	-7.7%	13.6%	-14.2%	38.5%

Consumer Price Index: Vegetables: Y-o-Y Growth in %

Month	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20
Potato	53.5	68.5	79.6	102.0	104.6
Onion	15.7	8.1	-3.9	-12.5	12.6
Carrot	-12.9	-12.9	-7.6	6.5	18.2
Tomato	-30.5	10.9	7.0	54.5	17.6
Cauliflower	-4.7	2.6	-0.3	9.7	15.1
Cabbage	-1.6	-3.9	-6.6	4.5	17.9
Beans, barbati	-13.0	-11.1	-6.0	9.9	11.0

Comments

Incessant rains in some parts of the country and weather related disruptions has caused much damage to standing crops as well as stored ones. This has put immense pressure on food prices. However, according to reports, prices of onions are likely to ebb in the coming weeks as late kharif arrival crop reaches markets. In fact, some normalcy in arrivals of onions is already being witnessed and is likely to take off some pressure on price levels. With the country already reeling under low supplies, ban on onion exports will also be helpful. Likewise, the government has relaxed the restrictions on import of potato from Bhutan.

However, on a longer term basis, large investments must be made in building resilient agri-related infrastructure. Building a more robust agri-ecosystem by creating a strong post harvest management system, including weather proof storage facilities, remains a dire need. With the various agriculture related measures announced by the government recently, we are hopeful this will very soon become a reality.