

CPI inflation increases to 5.0 percent in February 2021

Month	Weight	Feb-20	Nov-20	Dec-20	Jan-21	Feb-21
General Index	100	6.6	6.9	4.6	4.1	5.0
Food & beverages	45.86	9.5	8.9	3.9	2.7	4.3
Pan, tobacco & intoxicants	2.38	4.1	10.4	10.7	10.9	10.7
Clothing & footwear	6.53	2.1	3.4	3.5	3.8	4.2
Housing	10.07	4.2	3.2	3.2	3.3	3.2
Fuel & light	6.84	6.4	1.6	2.9	3.9	3.5
Miscellaneous	28.32	4.5	7.0	6.6	6.5	6.8

- ❖ Latest data on consumer price index (CPI) based inflation rate was released on Friday (March 12, 2021) by the Central Statistics Office. During the month of February 2021, NSO collected prices from 98.6 percent villages and 97.8 percent urban markets.
- ❖ As per the release, CPI based inflation was reported at a three-month high of 5.0 percent in February 2021. The corresponding number previous month was 4.1 percent. Higher prices in food & beverages, clothing & footwear and miscellaneous segments were responsible for increased price pressures during the month.
- ❖ Inflation in the food & beverages segment, which accounts for 46 percent of the CPI index, increased in the month of February and stood at 4.3 percent as compared to 2.7 percent inflation noted in the previous month. While cereals and vegetables price indices noted a contraction, other important food items such as eggs, fish & meat (11.3 percent), oils & fats (20.8 percent), pulses & products (12.5 percent), spices (8.0 percent) and fruits (6.3 percent), all reported elevated prices during the month.
- ❖ Major fruits including apples (23.9 percent), coconut(11.8 percent), other fresh fruits (14.5 percent) and groundnut (5.8 percent) registered higher prices in February 2021.
- ❖ Additionally, packaged food items reported a mild uptick in inflation levels and stood at 5.3 percent in February 2021 vis-à-vis 5.1 percent inflation reported in January 2021.

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
Feb-20	10.8	5.2	9.9	6.1	7.7	4.0	31.6	16.6	4.2	8.8
Oct-20	11.0	3.5	18.9	5.2	15.2	0.3	22.1	18.3	1.5	11.3
Nov-20	9.5	2.5	17.4	5.0	17.9	0.2	15.5	18.1	1.0	10.9
Dec-20	3.4	1.0	15.3	3.9	20.1	2.7	-10.5	16.0	0.5	10.3
Jan-21	2.0	0.1	12.6	2.7	19.8	5.0	-15.8	13.3	-0.3	9.0
Feb-21	3.9	-0.4	11.3	2.6	20.8	6.3	-6.3	12.5	-0.7	8.0

- ❖ Increase in domestic food prices is aligned with the broad global food prices trend (as reported by the Food and Agriculture Organization of the United Nations) which has been on an upward trajectory for some months now.
- ❖ However, on the brighter side, the recently released advanced estimates of food grain production as well as horticulture production seem promising. Despite 2020-21 being a pandemic year, agriculture has been a bright spot and has been supporting the economy. Higher production levels of major food items including pulses, staple vegetables (mainly onion and potato) and fruits on a y-o-y basis are likely to cushion any major inflationary pressures that may arise in the food segment.
- ❖ While non-alcoholic beverages recorded an inflation rate of 13.9 percent in February 2021, pan, tobacco & intoxicants continued to report double digit inflation rate in the month of February.
- ❖ Clothing & footwear segment also recorded higher inflation levels at 4.2 percent in February 2021 - versus 3.8 percent in January 2021 and the highest since September 2018.
- ❖ Miscellaneous segment, which indicates the extent of services inflation, reported a mild uptick in price levels in February 2021. Inflation in this segment was reported at 6.8 percent in the month of February versus 6.5 percent inflation noted in the previous month.

Source: MoSPI, RBI, CMIE, Press articles, FICCI Research

Economy Fact Sheet – Consumer Price Index

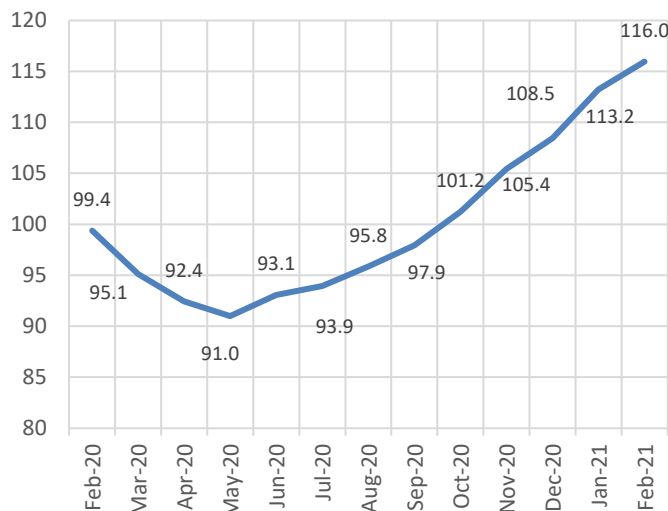
March 2021

Advanced Estimate of Horticulture and Foodgrains Production

Total Horticulture	2018-19	2019-20	2020-21
		(Final Est.)	(1st Adv. Est.)
Area (in Million Ha)	25.7	26.5	27.2
Production (in Million Tonnes)	311.1	320.8	326.6
Total Vegetables	183.2	188.9	193.6
Onion	22.8	26.1	26.3
Potato	50.2	48.6	53.1
Tomato	19.0	21.2	20.1
Total Fruits	98.0	102.0	103.2

Production (in Million Tonnes)	2018-19	2019-20	2020-21
			(2nd Adv. Est.)
Total Foodgrains	285.2	297.5	303.3
Pulses	22.1	23.0	24.4

Trends in Global Food Price Index



Trends in Industrial Inputs Price Index: Growth: Y-o-Y in %



Source: MoSPI, RBI, CMIE, FAO, IMF, PIB, FICCI Research

Comments

While higher food and fuel prices largely drove uptick in retail inflation, better food production in 2020-21 on a y-o-y basis is likely to ease off price pressures to some extent. In addition, increasing prices of industrial inputs is causing cost push pressures and can threaten sustained recovery. According to data collected by IMF, prices of all major commodities (industrial materials, metals, energy, agro based raw materials etc.) have surged on a y-o-y basis since June/ July 2020. A majority of the respondents in the latest round of FICCI's latest Business Confidence Survey also cited rising risks to inflation as the most important trend that will govern 2021. Moreover, rising costs of raw materials too was cited as a constraining factor by about 60% of the respondents - making it the third consecutive quarter to note an increase in the proportion of respondents reporting higher raw material costs as bothersome. This is a matter of concern and must be addressed on a priority basis.

Given that India is highly energy dependent, timely availability of resources and responsible pricing of crude oil remains critical. This is especially true in the current environment when the recovery is gaining grip from the pandemic exacerbated downturn. To check the fuel prices, the government should unwind some taxes. It could also bring them quickly into GST. Otherwise, the risk of inflation spiral going up is high.