

CPI inflation further eases to 5.3 percent in August 2021 – a four month low

Month	Weight	Aug-20	Jun-21	Jul-21	Aug-21
General Index	100	6.7	6.3	5.6	5.3
Food & beverages	45.86	8.3	5.6	4.5	3.8
Pan, tobacco & intoxicants	2.38	11.2	4.0	4.7	4.0
Clothing & footwear	6.53	2.8	6.1	6.4	6.8
Housing	10.07	3.1	3.8	3.9	3.9
Fuel & light	6.84	3.2	12.6	12.4	13.0
Miscellaneous	28.32	7.0	7.2	6.7	6.4

❖ As per the latest release, CPI based inflation moderated to 5.3 percent in August 2021. This was the second consecutive month of softening in overall retail prices. Moderation of price pressures in food & beverages, pan, tobacco & intoxicants and miscellaneous segments were majorly responsible for the decline in overall inflation levels witnessed during the month.

❖ Inflation in the food & beverages segment, which has the maximum weightage in CPI index, noted a downtick in the month of August and was reported at four month low of 3.8 percent.

❖ Prices of staples such as cereals and vegetables remained in the contractionary zone in August 2021 and led the food index to trend downwards. Some moderation in prices was also seen in other major food items including fruits, pulses & products and spices. However, prices of these items continued to be at elevated levels in August and beyond the comfort zone. On the other hand, prices of other essential food items such as oils & fats, eggs, fish & meat and milk & products noted a further increase in prices during the month.

❖ The government has already reduced import duties on crude as well as refined edible oils and is also promoting greater cultivation of oilseeds to address the shortage and the steep price rise. Also, it continues to maintain a close watch on the movement of prices in this segment.

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
Aug-20	9.1	5.9	15.9	6.2	12.5	1.0	11.5	14.4	3.9	12.4
Apr-21	2.0	-3.0	16.1	-0.1	25.9	9.7	-14.5	7.5	-6.0	4.3
May-21	5.0	-1.4	9.6	0.6	30.9	11.9	-1.9	9.4	-1.5	6.9
Jun-21	5.2	-1.9	6.1	1.9	34.8	11.8	-0.7	10.0	0.8	5.6
Jul-21	4.0	-1.7	9.4	2.7	32.5	9.0	-7.8	9.0	-0.5	5.2
Aug-21	3.1	-1.4	9.8	2.9	33.0	6.7	-11.7	8.8	-0.6	5.1

❖ Furthermore, it is important to note that inflation in protein-based food items has remained sticky for some time now and has been an area of concern.

❖ The pick-up in monsoon rains is helping important crops such as pulses, oilseeds and other food grains; however, the erratic rains in September can damage crops and dampen the outlook for overall food grain production and food prices.

❖ Inflation rate in the fuel & light segment treaded upwards once again in the month of August after noting a mild downtick in July. This is even though Brent crude oil prices declined during the month of August. High government tax (both state and centre) as well as cess has kept the domestic fuel prices at extremely elevated levels which is having serious spillover effects on other commodities.

❖ As per recent data, prices of essential petroleum products such as petrol, diesel have increased by about 20-25% y-o-y across four major metro cities (Delhi, Mumbai, Chennai and Kolkata). The increase is over 40% y-o-y in LPG non-subsidized segment. These numbers indicate increasing price burden on households as well as the industry.

❖ Services inflation, represented in the miscellaneous segment, although eased a tad in August 2021, it remains over the comfort levels. Inflation in this segment was reported at 6.4 percent in August versus 6.7 percent inflation noted in July 2021.

Source: MoSPI, CMIE

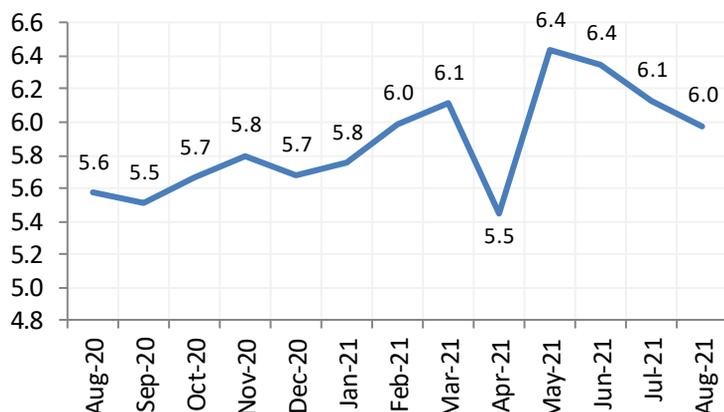
Economy Fact Sheet – Consumer Price Index

September 2021

Inflation in Miscellaneous Segment (% YoY Growth)

	Weight	Aug-20	May-21	Jun-21	Jul-21	Aug-21
Household goods & services	3.8	2.9	3.7	5.7	5.0	5.5
Health	5.89	4.8	8.4	7.7	7.7	7.8
Transport & communication	8.59	11.0	12.4	11.6	10.5	10.2
Recreation & amusement	1.68	4.1	6.1	4.5	6.4	6.5
Education, stationery etc.	4.46	1.7	1.0	3.4	3.0	3.8
Personal care & effects	3.89	14.5	7.4	4.8	3.8	1.0

Trend in Core (Excl. Food & Fuel) Inflation (% YoY Growth)



Domestic Price of Major Petroleum Products

	Petrol (Rs. / Litre)				Diesel (Rs. / Litre)				LPG Non-subsidised (Rs./ 14.2 Kg)			
	Delhi	Mumbai	Chennai	Kolkata	Delhi	Mumbai	Chennai	Kolkata	Delhi	Mumbai	Chennai	Kolkata
Aug-20	81.0	87.7	84.1	82.6	73.6	80.2	78.9	77.1	594	594	610.5	621
Sep-20	81.6	88.3	84.6	83.1	72.3	78.8	77.7	75.8	594	594	610	620.5
Oct-20	81.1	87.8	84.2	82.7	70.5	76.9	76	74	594	594	610	620.5
Nov-20	81.4	88	84.4	82.9	70.9	77.3	76.4	74.4	594	594	610	620.5
Dec-20	83.5	90.1	86.3	85	73.7	80.3	79	77.2	671.4	671.4	687.4	697.9
Jan-21	84.9	91.5	87.6	86.3	75.1	81.8	80.4	78.6	694	694	710	720.5
Feb-21	88.9	95.3	91	89.9	79.2	86.1	84.2	82.5	716.3	716.3	732.3	742.8
Mar-21	91.1	97.5	93	91.2	81.4	88.5	86.3	84.2	719	719	735	745.5
Apr-21	90.5	96.9	92.5	90.7	80.8	87.9	85.8	83.7	809	809	825	835.5
May-21	92.4	98.7	94.1	92.5	83	90.2	87.9	85.9	809	809	825	835.5
Jun-21	96.6	102.7	97.8	96.5	87.3	94.8	92	90.2	809	809	825	835.5
Jul-21	101.2	107.2	101.9	101.3	89.8	97.3	94.3	92.9	834.5	834.5	850.5	861
Aug-21	101.8	107.8	101.2	102.1	89.6	97.1	94.1	92.7	834.5	834.5	850.5	861
11-Sep-21	101.2	107.3	99	101.6	88.7	96.2	93.3	91.7	834.5	834.5	850.5	861

Comments

While headline inflation has moderated for the second consecutive month in August, largely due to high overall base effect as well as lower food prices, the inflation trajectory remains high in other major segments including fuel, household essentials like clothing and footwear and services segment.

Elevated domestic fuel prices (on the back of high state and central government taxes) and input costs are heating up price pressures in the economy, thereby increasing the cost of doing business significantly. Rising pressure on raw material prices is being consistently flagged as a concern in FICCI Surveys. As per FICCI's latest Manufacturing Survey, the cost of production as a percentage of sales for manufacturers has risen for 80% respondents in Q1 2021-22. This is considerably higher than that reported in Q4 2020-21, where 72% respondents had reported likewise. This calls for urgent measures including lower taxes on fuel, greater ease of imports of critical inputs ensuring seamless movement as well as lower custom duties on industrial inputs.

Continuous efforts are also required to ensure adequate food stocks in the country. The government needs to proactively correct demand and supply gap, even if it means importing certain food items. This would go a long way in addressing the seasonal volatility in prices and short-term shortage of major food items.

Source: MoSPI, CMIE