

LITTLE SUCCOUR: THE HINDU EDITORIAL ON CONSUMER PRICE INDEX DATA

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The latest Consumer Price Index (CPI) data from the NSO, which shows an easing in the pace of price gains [from July's 15-month high](#), provides little assurance that retail inflation has actually begun to come under control. While the headline year-on-year pace of [inflation decelerated slightly in August to 6.83%](#), gains in food prices, measured by the Consumer Food Price Index, still hovered uncomfortably close to 10%. And urban consumers, in fact, faced food price inflation of 10.4%. Eleven of the 12 items on the heavyweight food and beverages group of the CPI logged price increases, with oils and fats, the sole item logging a year-on-year decline in prices, posting its first sequential increase in nine months. Vegetables, however, provided the silver lining to a still clouded outlook for food prices with tomato leading an appreciable month-on-month deflation of 5.88% in the 19-member basket. Still, the cooking staples of potatoes and onions were among the seven items that continued to log sequential inflation (2.3% and 12.3%, respectively), ensuring that policymakers can ill-afford to drop their guard over politically sensitive vegetable prices. The Centre's imposition last month of a 40% export duty on overseas shipments of the bulb till December 31, a clear sign that it is quite concerned about the continuing uptrend in onion prices, is yet to make much of a tangible impact. Consumer Affairs Department data show the all-India average retail price of onion on September 13 at 33.39 a kilogram was still 8.7% higher than 30.72 on August 19, when the government announced the duty.

The near-term outlook for inflation is also made more uncertain by other factors including a distinct deficit in monsoon rainfall. Besides the overall 10% shortfall, sharp regional and temporal anomalies in rain distribution have impacted either the sowing or the quality of produce of several farm items. Kharif sowing of pulses had, as on September 8, recorded an 8.6% shortfall compared with the year-earlier period. Another inflation driver, crude oil, has also seen a steady rise in prices as the output cuts by major oil producers of the OPEC+ grouping start to bite. The price of India's crude basket had, as on September 12, climbed 7.2% from the average in August to \$92.65/barrel, according to official data. For the RBI, the latest inflation data further roils its interest rate calculus. Unless CPI inflation decelerates by an incredible 250 basis points in September to a 4.33% pace, price gains are certain to substantially overshoot the monetary authority's 6.2% forecast for the July-September quarter, leaving it with few real options in order to achieve its medium-term price stability goal of 4% inflation. As the RBI has been at pains to stress, failure to anchor inflation expectations risks hurting growth.

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