

India's retail inflation at 7 pc in August; here's what experts have to say

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New Delhi [India], September 13 (ANI): India's retail inflation rose to 7 per cent in August from 6.71 per cent the previous month due to a sharp rise in food prices, as per the government data released on Monday.

Retail inflation has been above the Reserve Bank of India's tolerance band for the eighth consecutive month. With the headline inflation coming above 6 per cent for the eighth month in a row, the RBI is on a brink of failing to meet its inflation mandate.

The RBI is mandated to keep inflation in a range of 2-6 per cent. The RBI is deemed to have failed in its mandate if the average inflation remains outside the 2-6 per cent band for three consecutive quarters.

Following are some of the views from experts on the latest GDP data:

Vijay Kalantri, Chairman at MVIRDC World Trade Center Mumbai

CPI inflation has once again risen to the 7 per cent mark breaking its three-month falling trend due to a sharp rise in the cost of mass consumption goods such as vegetables, cereals, footwear and spices. This is the first time CPI inflation has touched 7 per cent in the month of August after 2014. We are also seeing inflationary pressure in some service segments such as education and personal care and services. We expect the food price inflation to decline once the Kharif harvest hits the market.

Rajani Sinha, Chief Economist at CareEdge

The rise in CPI inflation in August was largely because of higher food price inflation, specifically a sharp increase in cereal and vegetable price inflation... Going forward, domestic food inflation will remain a concern given the uneven distribution of rainfall, which could impact Kharif crop production, while wheat production has already been adversely impacted by the heat waves. There was also a slight inching up of some of the global commodity prices in the month under review. While broadly there is downward pressure on commodity prices due to global recessionary fear, there is a need to be cautious as some of the supply bottlenecks still persist.

Vivek Rathi, Director-Research, Knight Frank India

Inflation levels in the economy remain elevated despite a considerable reduction in crude oil price from its recent highs. The rise in food prices, domestic fuel price level and pressure on the Indian currency continue to pose near-term threats to the inflation trajectory. These will also guide the upcoming monetary policy action, which has so far already witnessed three policy rate hikes and liquidity tightening measures over the last 5 months. However, the strong sentiment on both the business and consumer fronts highlights the economic resilience, which domestic and global business participants are expected to take note of for their India plans.
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