

Retail inflation eases to 5.59% in July; industrial output grows 13.6% in June

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NEW DELHI: [Retail inflation](#) based on consumer price index (CPI) eased to 5.59 per cent in the month of July as against 6.26 per cent in June, government data showed on Thursday. While, factory output based on index of industrial production (IIP) grew 13.6 per cent year-on-year in June on back of good performance by manufacturing, mining and power sectors.

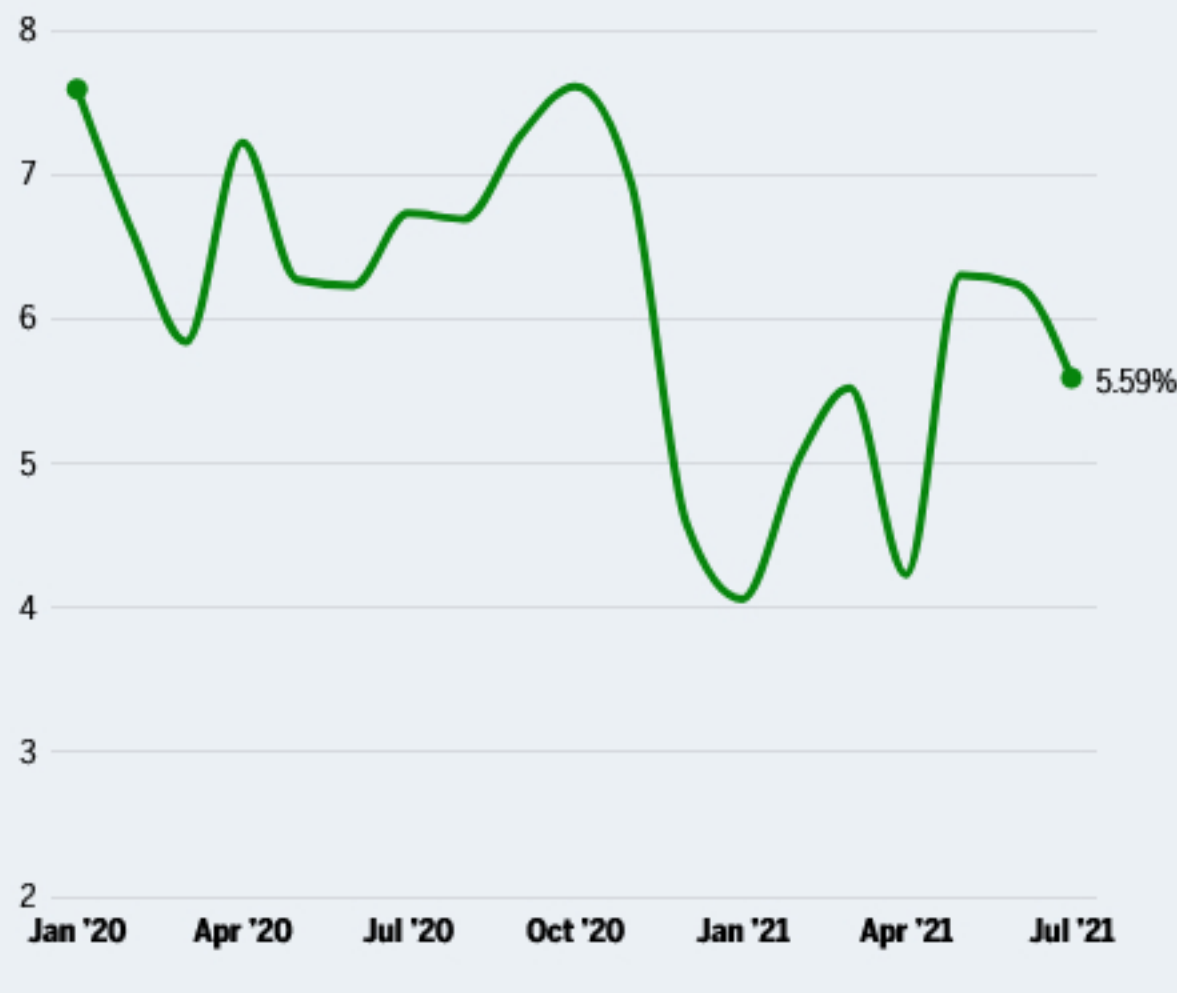
The ease in inflation figures can be largely attributed to softening food prices.

According to the data released by the National Statistical Office (NSO), inflation in the food basket slowed down to 3.96 per cent in July from 5.15 per cent in the previous month.

The inflation numbers remained within the Reserve Bank of India's (RBI) comfort level after two months.

Retail inflation has come within RBI's target after 2 months

Inflation data has been a prime focus this year as lockdowns led to supply side disruptions.



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Source: Ministry of Statistics and Planning Implementation

Inflation has remained on the higher side this year as many companies passed on rises in their input costs like steel, cement and fuel to consumers amid a pickup in overseas demand.

Retail fuel and electricity prices rose 12.38 per cent in July while transport costs climbed 10.54 per cent from a year ago, the data showed. However, the prices of cereals, vegetables and sugar fell in July.

Core inflation, excluding volatile food and fuel costs, was estimated at between 5.94 per cent and 6.1 per cent, according to three economists, compared with 6.1 per cent to 6.2 per cent in June.

RBI's monetary policy committee (MPC) has been tasked by the government to keep inflation in a band of 2-4 per cent, with a tolerance level of 2 per cent on either side.

In its bi-monthly monetary policy meet last week, the RBI raised retail inflation forecast for 2021-22 to 5.7 per cent due to supply side constraints, high crude oil and raw materials cost.

A deadly second wave of coronavirus infections in April and May led to many states reimposing lockdowns, constraining supply chains and leading to a spike in inflation.

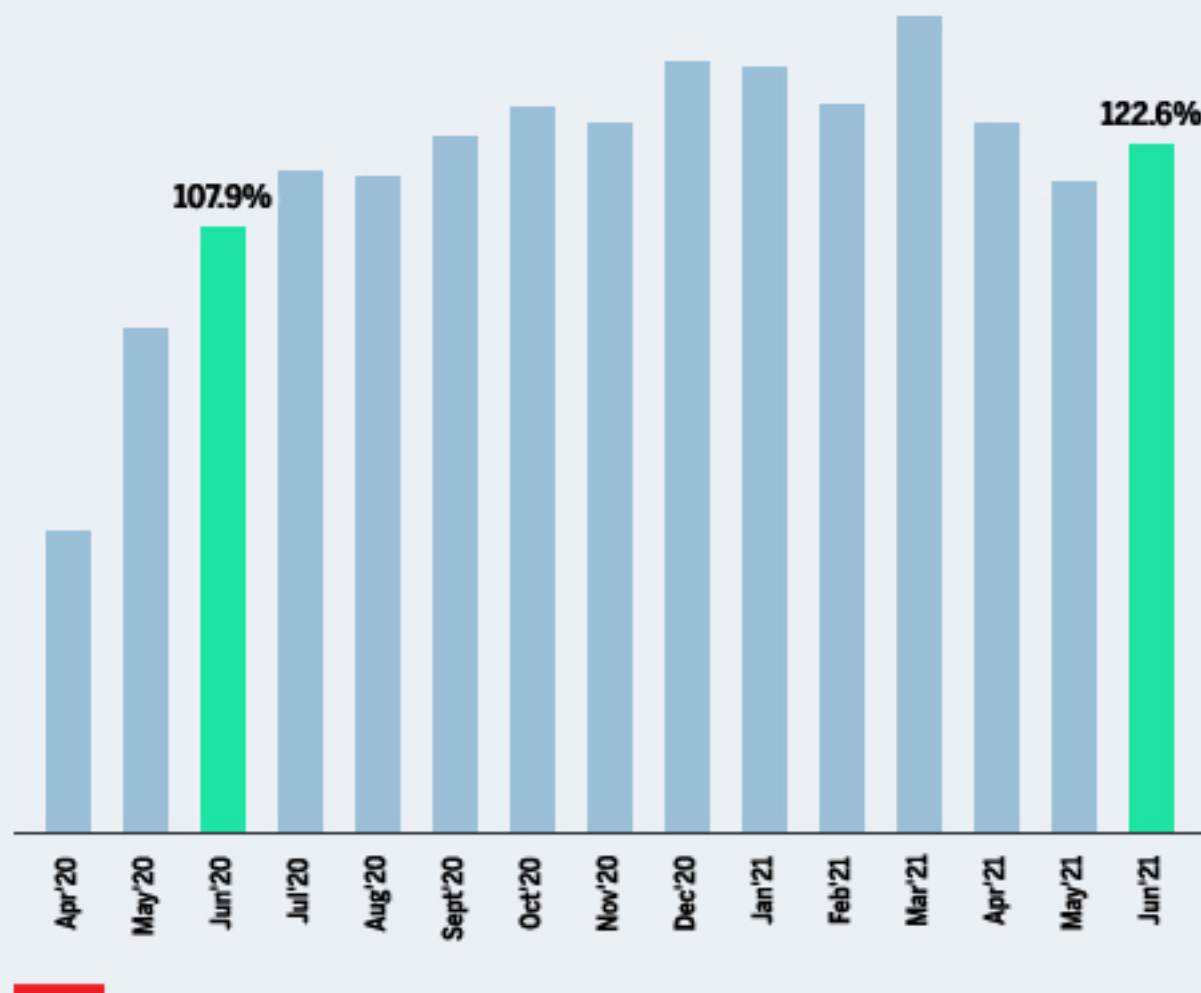
However, that did not prompt the Monetary Policy Committee to raise the key repo rate from 4.0% this month as the focus remained more on containing the economic fallout from the pandemic.

In a separate set of data, the industrial production for the month of June surged to 13.6 per cent.

According to the Index of Industrial Production (IIP) data released by the National Statistical Office (NSO), the manufacturing sector's output surged by 13 per cent in June 2021.

IIP grew 13.6% y-o-y in June

Industrial production had plunged 18.7 per cent in March last year following the COVID-19 outbreak and remained in the negative zone till August 2020.



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Source: Ministry of statistics and programme implementation

The mining output climbed 23.1 per cent and power generation increased by 8.3 per cent in June.

The IIP had contracted 16.6 per cent in June 2020.

In June 2021, the IIP stood at 122.6 points compared to 107.9 point in the same month last year. The index was at 129.3 points in June 2019 as per the NSO data.

Consumer durables manufacturing increased 30.1 cent in the month under review compared to a 34.8 cent decline in June 2020. Consumer non-durable goods production fell by 4.5 per cent in June this year whereas it had grown by 6.9 cent in the year-ago period.