

Retail Inflation: June 2015

The retail inflation edged higher for the second consecutive month in June'15. It continued to remain above the 5% mark registering 5.4% inflation in June'15 as against 5.13% in the May'15 and much higher than CARE's own estimate of 4.8% for the month. This rise in inflation is attributable largely to the rise in prices of the consumer food basket in anticipation of a deficient monsoon and clothing and footwear segment to a certain extent.

The table below depicts the movement in retail prices in the last three months-

Table 1: Snapshot of Retail Inflation in April'15, May'15 and June '15

%	April'15	May '15	June '15
Food, beverages	5.4	5.13	5.7
Pan, tobacco and intoxicants	9.2	9.5	9.8
Cereals and products	2.2	2.0	2.0
Pulses and products	12.5	16.6	22.2
Meat and Fish	5.5	5.4	7.0
Milk and milk products	8.2	7.4	7.2
Fruits	5.1	3.8	3.5
Vegetables	6.6	4.6	5.4
Non-alcoholic beverages	4.7	4.8	4.8
Sugar and Confectionary	-6.0	-7.3	-8.6
Clothing and footwear	6.2	6.1	6.3
Housing	4.7	4.6	4.5
Fuel and light	5.6	5.96	5.9
Miscellaneous	3.3	3.85	4.2
CPI	4.87	5.01	5.40

Source: MOSPI

Performance Review

The rise in inflation during the month of June'15 was broadly owing to the relative rise in prices of the food and beverages component and a marginal rise in clothing and footwear segment. While inflation in other segments like housing and fuel & light remained stable.

- Inflation in **food & beverages** was recorded at a higher rate of 5.7% as against 5.1% in April'15. This was largely due to the expectation of sub-normal monsoons which fed into the prices of these commodities.

- Within the food & beverages basket, commodities that registered higher inflation in June'15 relative to the previous month included 'pulses & products' at 22.2% in June'15 against 16.6% in May'15 followed by 'meat & fish at 7% as against 5.4% and vegetables at 5.4% against 4.6%.
 - Other products under the food and beverages basket recorded a moderation in inflation. These included milk and milk products at 7.2% in June'15 as against 7.4% in May'15, fruits at 3.5% against 3.8%.
 - Among the other products, sugar and confectionary component recorded a decline in prices registering a contraction of 8.6% during the month as against 7.3% in May'15.
- **'Clothing and footwear'** segment registered a marginal price increase in June '15 when compared with the previous month. The inflation rate was recorded at 6.3% as against 6.1% in May'15
- Inflation in **'housing'** segment remained virtually flat at 4.5% as against 4.6% during May'15.
- The **'Fuel and Light'** segment remained relatively stable at 5.92% during the month as against 5.96% in May'15 with Brent crude oil prices averaging \$63.59 in June'15 as against \$65.6 per barrel.

Consumer Food Price Inflation

The consumer food inflation registered a significant rise during the month. The consumer food price inflation rose to much higher levels at 5.48% in June'15 as against 4.8% in May'15 and 5.1% in April'15. The increase in food prices is mainly the result of the anticipation of subdued monsoons.

CARE's View

- The anticipation of weaker monsoon has to a large extent fed into the food price inflation. However, based on the statistics of the Indian metrological department (IMD), it may be noted that cumulative rainfall so far between 1st June- 12th July'15 has been only 2% below normal rainfall indicating bettering monsoon conditions across the country.
- In addition to this, as per the data released by the ministry of agriculture as of 10th July'15 the sowing of Kharif crops is gathering pace. The total sown area for Kharif crops as on 10 July 2015 stood at 445.11 lakh hectares compared with 275.10 lakh hectares at this time last year. Significant increase has been recorded in oilseeds sowing this season; it has reached 101.26 lakh hectares compared with 22.24 lakh hectares at this time last year. Similarly pulses sowing have touched 32.61 lakh hectares this season compared with 22.71 lakh hectares at this time last year.
- Given the above, the inflation is expected to be stable with increased hopes of better than expected monsoons.
- No change in RBI policy rates is expected in August.

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