

Retail inflation eases to 4.59% in December, IIP contracts to 1.9% in November

By TIOL News Service

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Retail inflation dropped sharply to 4.59% in December compared to 6.93% in November based on the Consumer Price Index (CPI), the government said on Tuesday.

At the current level, inflation is back within the Reserve Bank of India's (RBI) target range of 2% to 6% after being marginally higher in the previous month.

The rising rates of inflation witnessed in October and November were largely led by a spike in food prices attributed to supply-side disruptions due to the pandemic. The Consumer Food Price Index (CFPI) or the inflation in the food basket eased to 3.41% in December, down from 9.5% in November.

Food and beverages inflation declined to a 16-month low of 3.87% in December, compared to 8.76% in the previous month, according to the government's data.

According to the data released by the Ministry of Statistics and Programme Implementation, core inflation also eased to 5.34% in December, compared to 5.56% in November.

Although most commodities registered positive increases in prices, vegetable prices fell sharply by 10.41%, while cereals fell to 0.98% from 2.32% in November.

Among the states, Chhattisgarh had the highest inflation rates of 7.43%, followed by Andhra Pradesh with 7.2%. However, the national capital remained posted the lowest combined inflation rate of 1.23% in the month of December.

On the other hand, the Index of Industrial Production (IIP) contracted 1.9% for November 2020 after having grown at 3.6% in October.

Even as the fall in inflation brought relief to the economy, the IIP contraction shows the persisting weak demand with the factory output staying lowing.