

Retail inflation soars to 15-mnth high of 7.44%

Exports contract for sixth month

SHIVA RAJORA & SHREYA NANDI

New Delhi, 14 August

Macroeconomic indicators for July delivered a double whammy on Monday, with retail inflation galloping to a 15-month high on the back of skyrocketing vegetable prices and the value of merchandise exports falling to a nine-month low amid tepid global demand.

The Consumer Price Index (CPI)-based inflation rate jumped to 7.44 per cent year-on-year (Y-o-Y) in July from 4.87 per cent in the preceding month, data released by the National Statistical Office showed. This was sharply higher than analysts' expectations and forecasts in *Reuters* poll (6.4 per cent) and *Bloomberg* survey (6.5 per cent). Retail inflation also breached the Reserve Bank of India's upper tolerance level of 6 per cent for the first time in five months.

Separately, trade data released by the commerce ministry showed merchandise exports contracted for a sixth consecutive month in July, by 15.9 per cent Y-o-Y to \$32.25 billion. Imports declined for a seventh month in a row, by 17 per cent to \$52.9 billion, leading to a trade deficit of \$20.7 billion.

Prices of vegetables, led by tomatoes, shot up 37.3 per cent annually in July, while pulses, cereals, and spices witnessed double-digit inflation rates.

Madhavi Arora, lead economist at Emkay Global Financial Services, said the ongoing food price shock had put material risk to the RBI's near-term and FY24 inflation forecast. "Until early August, there were no signs of any sequential moderation in food prices. However, government intervention has picked up pace in cereals and even helped in improving onion and tomato availability," she added.

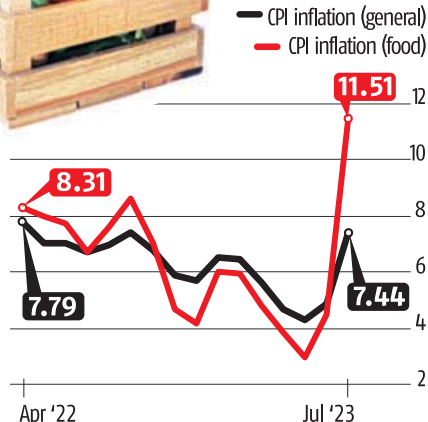
In its latest monetary policy review, the RBI revised upwards its inflation forecasts to 6.2 per cent for the September quarter and 5.4 per cent for FY24.

Federation of Indian Export Organisations President A Shakhthivel said disruptions in the global supply chain due to the Russia-Ukraine war, monetary tightening, and recessionary fears were key reasons for the moderating pace of growth in exports in 2023.



INFLATION TURNS RED-HOT

Y-o-Y chg (%)



Note: Inflation numbers for July 2023 are provisional. CPI: Consumer Price Index; Y-o-Y: Year-on-year Source: National Statistical Office

PAGE 4

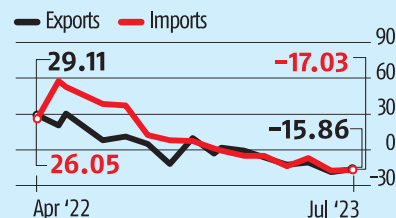
₹ SLUMPS TO 10-MTH LOW AS DOLLAR INDEX RISES

▶ DETAILED REPORTS

P4

TRADE GROWTH TRAJECTORY

Y-o-Y chg (%)



Source: Department of Commerce