

# Inflation may stay elevated in coming months: FinMin

This warrants greater vigilance by govt and RBI: Report

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**T**he finance ministry has cautioned that global and regional uncertainties and domestic disruptions may keep inflationary pressures elevated in the coming months, warranting “greater vigilance” by the government and the Reserve Bank of India (RBI).

“Russia’s decision to terminate the Black Sea grain deal, along with dry conditions in major wheat-growing areas, caused a price spike in cereals. Domestic factors like white fly disease and an uneven distribution of monsoon exerted pressure on vegetable prices in India,” the ministry said in its latest Monthly Economic Report for July, released on Tuesday.

However, the report maintained, the recent price surge in certain food items “is expected to be transitory”. “Tomato prices are likely to decline with the arrival of fresh stocks by the end of August or early September. Further, enhanced imports of tur dal are expected to moderate pulses inflation. These factors, along with the recent government efforts, can soon lead to a moderation in food inflation in the coming months,” it said.

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## ECONOMIC REVIEW

▶ Price pressure in food items is expected to be transitory



▶ Increased MSP and prospects of healthy kharif crops will add strength to rural demand

▶ External sector has displayed resilience with strong services export growth, robust investment inflows

▶ Higher govt capex is now leading to crowding in of private investment



## Liquidity in deficit for first time in FY24

The banking system’s liquidity slipped into deficit for the first time in the current financial year due to the imposition of the Incremental Cash Reserve Ratio for banks and outflows from GST payments. **6▶**

**Q1 GDP GROWTH MAY ALIGN WITH RBI FORECAST**

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## Inflation...

Retail inflation galloped to a 15-month high of 7.44 per cent in July, mainly due to skyrocketing prices of vegetables, pulses, cereals, and spices.

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—while keeping the policy rate unchanged at 6.5 per cent. RBI Governor Shaktikanta Das in a statement had said that while a substantial increase in headline inflation would occur in the near term, led by the accentuated vegetable prices, “monetary policy can look through high inflation prints caused by such shocks for some time”.

The finance ministry report noted that maintenance of macroeconomic stability was paramount to keep interest rates from rising too much, to underscore the relative attractiveness of India as a zone of performance and promise for domestic and international investors and to maintain steady economic growth. July’s monthly review highlighted that the robustness of domestic investment was the result of the government’s continued emphasis on capital expenditure. “Enhanced provision for capital expenditure by the government is leading to crowding in of private investment, as evident in the performance of various high-frequency indicators and industry reports, which highlight the emergence

of green shoots of a private capex upcycle,” it added.

## Onions...

“Several political opponents are trying to paint a wrong picture [of export restrictions]. I urge all farmers in onion-producing states not to worry or resort to any panic selling. The National Cooperative Consumers’ Federation (NCCF) of India and the National Agricultural Cooperative Marketing Federation (Nafed) of India have been instructed to procure onions from farmers,” Food and Consumer Affairs Minister Piyush Goyal said.

The decision to purchase the extra onions was made amid protests from farmers in the main growing areas of Maharashtra, who feared a sharp decline in realisations due to the hefty duty. The Centre maintains a buffer stock of 300,000 tonnes of onions, a quantity that will now be expanded to 500,000 tonnes.

On Monday, traders indefinitely suspended onion auctions in all agricultural produce market committees (APMCs) in Nashik, including Lasalgaon, the largest wholesale onion market in India.

Raju Shetty, head of Swabhimani Shetkari Sangathan, a farmers’ group in Maharashtra, said the agitation would continue till the time the duty was withdrawn. “The government was not buying onions at the rate of ₹24 when farmers needed it the most, in the month of June, when almost 40 per cent of the crop was damaged due to rains. Now when onions were getting

