



## Food flux: On food costs and the October tidings

Amid the cooler headline inflation, food price pressures pose a risk

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In October, India's consumer price inflation eased to a four-month low of 4.87%, while wholesale prices declined year-on-year for the seventh successive month by a minor 0.5%. Although only marginally lower than the 5% retail inflation in September, October's price rise pace — which is exactly the same as that in June — surely represents some relief for the third successive month from July's 15-month high pace of over 7.4%. Rural consumers still face a higher inflation of 5.1%, though. Core inflation, which excludes energy and food costs, has eased further and household services inflation dropped below 4% after several months above. The rise in prices of vegetables, which had surged over 37% in July, eased to 2.7% in October. However, the overall uptick in food costs for households stayed firm at 6.6%, virtually unchanged from September, as other essential edibles saw faster price hikes or remained at elevated levels. Some of these — like pulses (up 18.8%) and cereals (10.7%) — may be attributed to worries about the kharif output and uncertain rabi prospects as well as hikes in minimum support prices for crops. Pulses prices were up 19.4% at the wholesale level, signalling that more pass-through to retail prices is likely.

The Monetary Policy Committee of the Reserve Bank of India, which meets early December for its next review, will not be too swayed by the October tidings. As per its 5.6% average inflation projection for this quarter, down from 6.4% in the previous quarter, November and December may well see an average inflation of 5.95%, fractionally short of the central bank's upper tolerance threshold. Excluding edible oils, whose 13.7% year-on-year drop in prices played a key role in moderating the Consumer Price Index, would have meant a 5.6% rise in prices. Base effects from last year, when the Ukraine

conflict had spiked edible oil prices, will start to dissipate in coming months. Similarly, while the 6.8% inflation recorded in October 2022 helped cool price rise last month, those base effects will surely ebb this month. Retail inflation had eased to 5.88% last November, with the food price index rising just 4.7%, from 7% in the previous month. The perceived retreat of inflation last month thus may only be fleeting. Households that seem to have adjusted to the continuous recent rise in living costs, by pulling back on discretionary spends and downsizing essential consumption as per industrial output trends, are likely to remain cautious rather than loosen their purse strings anytime soon. For an economy whose resilience relies on its domestic demand buffer against global shocks, reluctant or budget-cramped consumers are the biggest headwind for policymakers to strive to address.