

Kerala price curve moves southward as national inflation nearing 7 per cent

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COVID-19 pandemic has once again put the consumer prices in the spotlight. After suspending the consumer price data collection for two months in April and May 2020 the National Statistical Office (NSO) has brought out the Consumer Price Index (CPI) for June and July 2020. The headline numbers show that the consumer prices have spurred up to 6.9 per cent in July as compared to 6.2 per cent in June and 5.8 per cent in March pushing the levels above 6 percent, targeted by the Reserve Bank of India [RBI]. According to NSO data, inflation in rural area is 7 per cent whereas in the urban sector it is 6.8 percent.

Food inflation soared to an annual 9.6 per cent in July from 8.7 per cent in the previous month as supply disruptions continued to take a toll in various states. At the national level, meat and fish prices rose 18.8 per cent, prices of pulses soared 15.9 per cent. Oils and fats surged 12.4 per cent, vegetables shot up 11.3 per cent and spices were dearer by 13.3 per cent during the month. Prices of personal care products rose 13.6 per cent according NSO data.

Unfortunately, due to the COVID- 19 restrictions the data collected by NSO failed to meet the adequacy criteria for generating state level consumer price indices in June 2020. Thus, the NSO has now missed out on computing consumer price index for all the states including Kerala for the first three months of the fiscal year 2020-21.

Kerala paints a different picture

Meanwhile according to the data released by the Economics and Statistics Department, Kerala, prices of various baskets of essential commodities moderated/slowed down during June 2020, compared to the previous month. (Government of Kerala 2020). A notable fall in

the average price was registered in the case of spices while the other baskets of essential commodities showed a rather weak price trend. Accordingly, dip in the prices of essential commodities was more obvious in the month of July. There is a notable dip in the prices of commodities like rice and chicken and a moderate increase registered in the case of most of the vegetables in July 2020. In the case of chicken the average price dropped to Rs 95/kg as against Rs 125 in June.

The COVID- 19 package announced by Kerala, timely disbursement of direct benefit transfer including various pensions and a bunch of welfare measures helped the markets to come out from the lockdown impact. Lock down due to the pandemic accelerated the existing economic slowdown and a sharp fall in personal income was the immediate impact of this peculiar economic crisis. This is obvious in the case daily wage workers as economic activity was almost stalled in various production sectors. This led to a shortage in demand in the commodity markets, but supply disruption was kept at the minimum level through the timely intervention by the state. Hence, the prices of various commodities showed a moderating trend during June and July.

Recent trends for the month of June show that the consumer price increases in Kerala have been benign compared to the all India scenario with the price increases in most products, especially food, much lower than that at the all India level. The price trends show that the below 5 per cent increase in prices of rice in Kerala was much lower than the increase in consumer prices of cereals as a whole at the all India level which was 6.5 per cent in June 2020. However, in the case of pulses the consumer price increase at the all India level was significantly lower (16.7per cent) than that registered by a large number of pulses used in Kerala which in some cases went up above 35 per cent. However, in sharp contrast in the case of meat and eggs the consumer price increases in Kerala were significantly lower than at the all India level [18.8 per cent].

During June 2020, prices of five top selling varieties of rice showed an average decline of 1.8 per cent compared to the previous month. But year on year comparison of prices showed a sharp increase of 4.2 per cent in June compared to the same month in the previous year. Price of wheat registered 1.16 per cent decline in June compared to the previous month when there was an increase of 3.7 per cent on YoY basis, as per the price bulletin in June 2020, released by the Department of Economics and Statistics.

Other important consumer goods where price increase in June was benign in Kerala included sugar, tea, coffee, oil and oilseeds, tobacco, clothing and personal care products. In the case of spices also the price increases in Kerala was much slower than that at the all India level and the major exceptions to this was red chilly and garlic where the consumer prices in Kerala rose sharply by 35.9 per cent and 16.7 per cent percent respectively.

Table 1 - A Comparison of average prices of essential commodities in May and June 2020.

Price /Kg

Item	May	June
Rice & Wheat	39.45	38.76
Pulses	102.99	99.83
Edible oils	145.53	143.61
Spices	258.23	159.7
Other Items	239.74	237.87

However, the largest gains in the consumer price front in Kerala was witnessed in the case of vegetables and fruits. While the consumer prices of vegetables went up by a marginal 1.9 per cent in June 2020 the prices of most vegetables in Kerala fell by around a quarter. The highest fall in vegetable prices in Kerala were in cabbage (33.5 per cent), green chillies (26.6 per cent), snake gourd (25.6 per cent), pumpkin (25 per cent), tomato (23.6 per cent), onion (20.6 per cent), lady's finger (20.5 per cent), bitter gourd (15.9 per cent), brinjal (14.9 per cent) and cucumber by 11.9 per cent. The only important vegetable where prices went up in Kerala in June 2020 was ash gourd where prices moved up by 5.8 per cent. The scenario was similar in the case of fruits. While some of the decline in prices of vegetables, fruits, meat and eggs in Kerala can be attributed to fall in prices of imports from Tamil Nadu and Karnataka a major portion of the dip in consumer prices would have to be attributed to the efforts made by the Kerala government to increase domestic production of vegetables, fruits, meat and eggs especially during the lockdown period. But a firm conclusion on this would have to await the publication of the detailed numbers on the increase in agriculture production in Kerala in the current fiscal year.

Reference

Government of Kerala (2020), *Price Bulletin, June 2020*, Prices Division, Department of Economics and Statistics, Thiruvananthapuram.