



Food Inflation Set to Return

The past couple of months have seen **prices of a host of farm commodities surge**, mainly on the back of **drought** in large parts of western and southern India, coupled with an **early and harsher-than-usual summer**.

- **Impact:** Food inflation may **benefit farmers** as they will receive higher returns for their produce, whereas **consumers will suffer** as they will have to pay higher prices as compared to last year for the same food items.
- **Food Inflation**
 - The food and fuel inflation form one of the components of headline inflation in India.
 - **Headline Inflation**, as the name suggests, is the total inflation for the period, comprising a basket of commodities.
 - **Core Inflation** excludes volatile goods from the basket of commodities tracking Headline Inflation. These volatile commodities mainly comprise food and beverages (including vegetables) and fuel and light (crude oil).

$$\text{Core inflation} = \text{Headline inflation} - (\text{Food and Fuel}) \text{ inflation}$$

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