

Macro Insights

15th October, 2022

CPI declined for fourth consecutive month

Ministry of Statistics and Programme Implementation (MOSPI) has released the monthly statistics on Consumer Price Index (CPI) for September 2022. Retail inflation rose to 7.41% in September 2022 from 7.00% in the previous month i.e. August 2022. CPI inflation stood at 4.35% in September last year.



Retail inflation rose to 7.41%

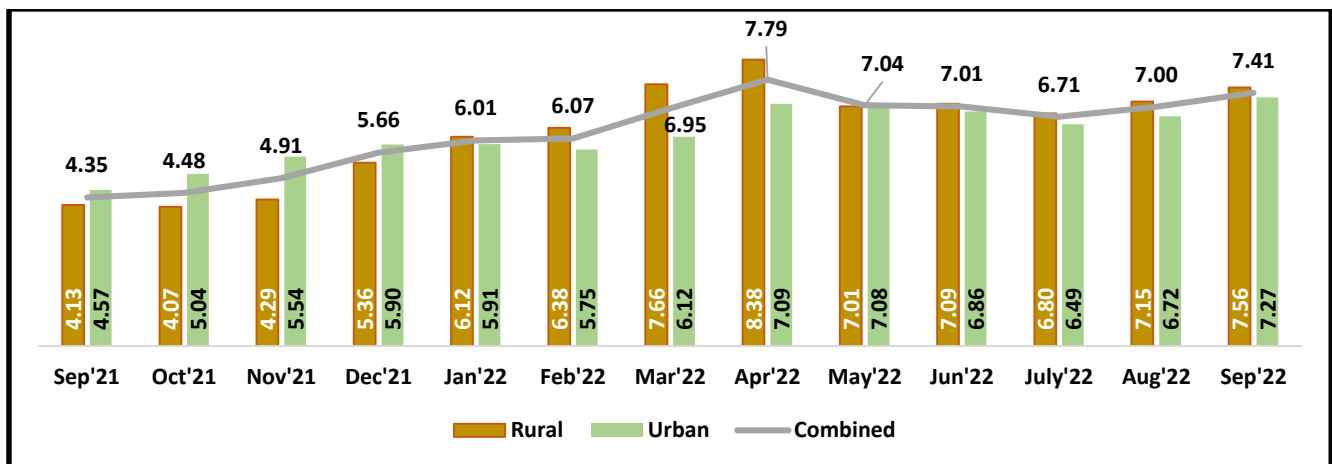


CPI inflation stood at 4.35% in Sept'21



Inflation in India may ease as crude and commodity prices have softened. But, the inflation is expected to stay in the upper corridor of RBI's tolerance band for the next few months

Chart: Consumer Price Index (CPI) -Sept'22



Highlights:

- India's retail inflation spikes to 5-month high to 7.41% in September from 7.0% in August mainly due to higher food prices. It stayed well above the upper limit of the Reserve Bank of India's (RBI's) target range for the ninth month in a row.
- Both urban and rural inflation inched up in September 2022. Urban inflation rose to 7.27 per cent from 6.72 per cent in the previous month and rural inflation rose to 7.56 per cent.
- Core inflation, which is non-food, non-fuel, inched upto 6.07 per cent in September 2022 from 5.84 per cent in August 2022.
- Food inflation inched upto 8.60% in September, up from 7.62% in August and 0.68% in September 2021.
- The Inflation was mainly driven by Food & Beverages (8.41 per cent), Clothing & Footwear (10.17 per cent) & Housing (4.57 per cent)

Table: Components of CPI

	Food and beverages		Pan, tobacco and intoxicants		Clothing and footwear		Housing		Fuel & Light		Miscellaneous		General	
Weight	45.86%		2.38%		6.53%		10.07%		6.84%		28.32%		100%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
July	4.46	6.71	4.71	1.78	6.39	9.91	3.86	3.90	12.61	11.76	6.71	5.91	5.59	6.71
August	3.73	7.57	4.01	1.67	6.84	9.91	3.90	4.06	12.95	10.78	6.40	5.95	5.30	7.00
Sep	1.61	8.41	4.23	1.98	7.22	10.17	3.58	4.57	13.63	10.39	6.38	6.06	4.35	7.41

Our View:

- India's retail inflation for September continues to stay elevated, aligned with the trends seen in the previous months of this fiscal due to global supply disruptions, erratic rainfall, unstable fuel prices, and higher prices of cereal, vegetables, and pulses. Over 10% of depreciation of rupee against dollar is further fuelling the inflation through high import cost.
- Following are the latest inflation projections given by RBI in its Monetary Policy:

RBI Projection	Q2 FY23	Q3 FY23	Q4 FY23	FY23	Q1 FY24
CPI Inflation	7.1%	6.5%	5.8%	6.7%	5.0%

- Going forward, inflation in India may ease as crude and commodity prices have softened. But, the inflation is expected to stay in the upper corridor of RBI's tolerance band for the next few months due to erratic monsoon patterns across the country, depreciating rupee and global uncertainties. This may add pressure on the central bank to hike interest rates in the coming months to tackle elevated inflation.

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