

Macro Insights

12 September, 2022

CPI surges to 7.0% compared to 6.71% in the previous month Jul'22

Ministry of Statistics and Programme Implementation (MOSPI) has released the monthly statistics on Consumer Price Index (CPI) for August 2022. Retail inflation surges to 7.0% in August 2022 from 6.71% in the previous month i.e., July 2022. CPI inflation stood at 5.30% in August last year.



Consumer Price Index (CPI) raises to 7.0 % in August'22



CPI is above the RBI's comfort level of 6% for the eighth month in a row.



Inflation in India may ease as crude and commodity prices have softened.

Chart: Consumer Price Index (CPI)

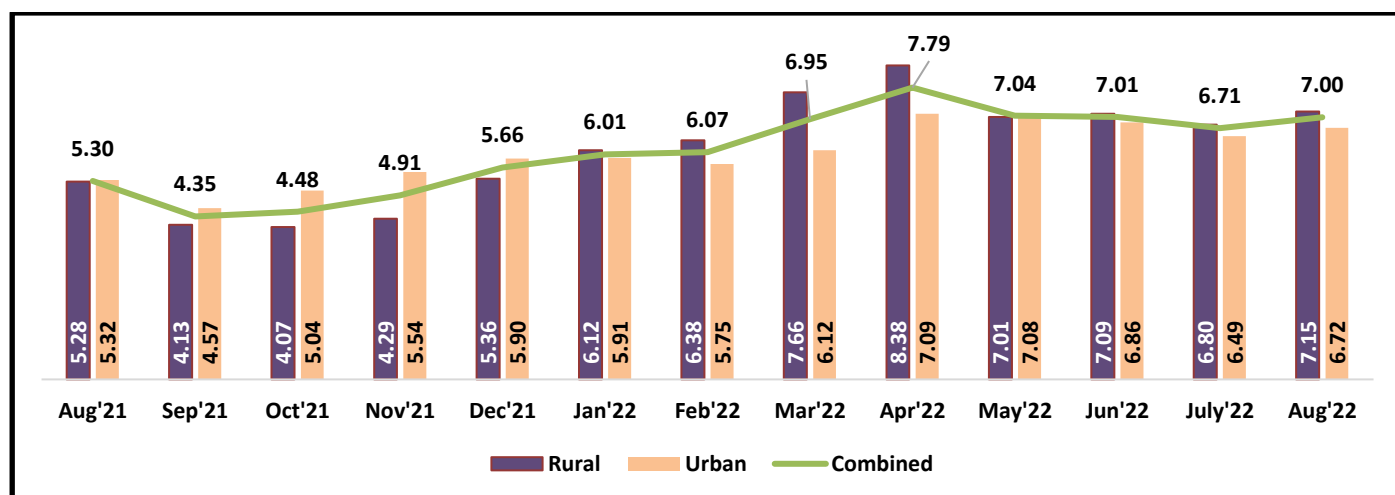


Table: Components of CPI

	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
June	5.58	7.56	3.98	1.83	6.14	9.52	3.75	3.93	12.38	10.39	7.21	6.28	6.26	7.01
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

Highlights:

- India's retail inflation inched up to 7% in August from 6.71% in July 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 eighth month in a row.
- Both urban and rural inflation inched up in August 2022. Urban inflation rose to 6.72 per cent from 6.49 per cent in the previous month and rural inflation rose to 7.15 per cent.
- Core inflation, which is non-food, non-fuel, inched upto 5.84 per cent in August 2022 from 5.79 per cent in July 2022.
- Food inflation was 7.62% in August, up from 6.69% in July and 3.11% in August 2021.
- The Inflation was mainly driven by Food & Beverages (7.57 per cent), Clothing & Footwear (9.91 per cent) & Housing (4.06 per cent)

Views:

- Food inflation, which accounts for nearly half the CPI basket, soared as prices of essential crops like wheat, rice and pulses were driven higher by a record heat wave, offsetting easing input price pressures from petroleum products and gold.
- Global commodities prices are seeing a moderation amid fears of a slowdown caused by a US Federal Reserve-led monetary policy tightening.
- 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%	6.4%	5.8%	6.7%	5.0%

- Going forward, inflation in India may ease as crude and commodity prices have softened. Though, erratic monsoon patterns across the country suggest there would be more crop damages, keeping food prices elevated in coming months. This may add pressure on the central bank to hike interest rates more aggressively in the coming months to tackle elevated inflation.

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