

## Macro Insights

12<sup>th</sup> January, 2024

### CPI inches up to 5.69 per cent

Retail inflation measured by CPI escalated to 5.69 % in December 2023, compared to 5.55% in the previous month.

### Highlights:

- India's retail inflation surged in December'2023 to 5.69 per cent, due to high food inflation.
- CPI is on the higher end of RBI's tolerance band of 2 to 6 per cent.
- The core inflation moderated to 3.89 per cent in December.
- Urban inflation increased to 5.46 per cent from 5.26 per cent in the previous month and rural inflation rose to 5.93 per cent from 5.85 per cent in the earlier month.
- Food Price index increased to 9.53 per cent.

Chart: Consumer Price Index - December'23

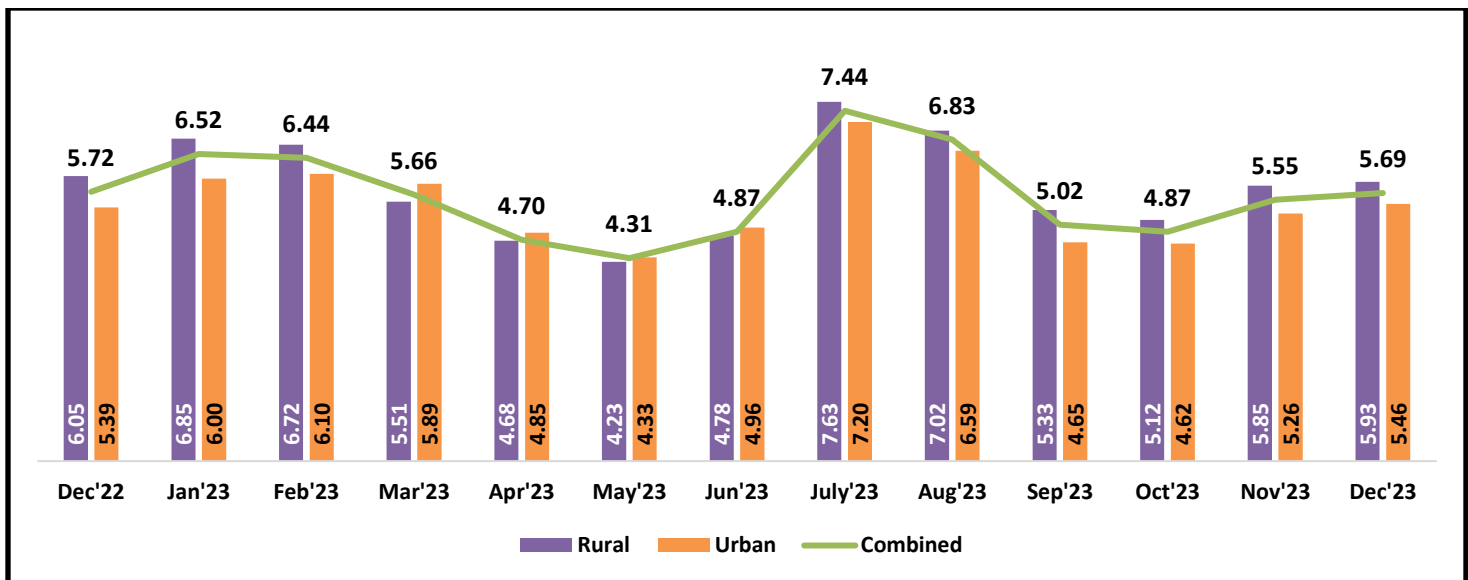


Table: Components of CPI

	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%	
	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year	Prev. Year	Current Year
Oct	7.04	6.24	1.87	3.87	10.16	4.31	4.65	3.80	9.93	-0.39	5.90	4.40	6.77	4.87
Nov	5.07	8.02	2.07	3.81	9.83	3.90	4.63	3.55	10.62	-0.77	6.01	4.38	5.88	5.55
Dec	4.58	8.70	2.55	3.65	9.58	3.61	4.47	3.63	10.91	-0.99	6.17	4.07	5.72	5.69

## Views:

- India's consumer price index (CPI) inflation escalated to 5.69 per cent in December 2023, due to high inflation witnessed in vegetables, pulses and spices.
- The Consumer Food Price Index (CFPI) increased to 9.53 per cent in December from 8.70 per cent in November.
- Apart from food, a decline is witnessed in all other segments of inflation basket. Major decline is registered in Clothing & footwear and deflation in Fuel & Light category.
- Following are the latest inflation projections given by RBI in its Monetary Policy:

RBI Projection	Q3'FY24	Q4'FY24	FY24	Q1'FY25	Q2'FY25	Q3'FY25
CPI Inflation	5.6%	5.2%	5.4%	5.2%	4.0%	4.7%

- Core inflation is moderating month on month and is at 3.89 per cent in December'2023.
- Uneven rainfall damaged some 2023 rabi crops, while the delayed monsoon arrival caused a delayed harvesting cycle of kharif crops resulting in restricted supplies. Kharif harvest arrivals and progress in rabi sowing together with El Niño weather conditions need to be monitored.
- The spike in inflation print in December as the current inflationary trend is cyclical and is anticipated to ease in the coming months.
- With the base effect becoming more favourable from January and as vegetable prices continue to fall during the winter months, aided by the arrival of new crops, CPI inflation may likely moderate
- For the entire year, we expect the CPI inflation to average around 5.3 – 5.5%. Ultimately, headline inflation is expected to converge towards core inflation. The RBI is not expected to hike the key policy rate in near future and is expected to be in the wait and watch mode.

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