

## Macro Insights

13<sup>th</sup> March, 2023

### CPI at high levels

Retail inflation measured by CPI moderated slightly to 6.44% in February 2023, compared to 6.52% in the previous month.

### Highlights:

- India's retail inflation in February 2023 was at 6.44 per cent, slightly lower than previous month but still above the comfort level of RBI.
- The CPI has breached the Reserve Bank of India's upper tolerance limit of 6 per cent.
- The core inflation was at 6.1 per cent in February, remaining almost flat when compared to last month.
- Urban inflation elevated to 6.10 per cent from 6.00 per cent in the previous month and rural inflation moderated to 6.72 per cent from 6.85 per cent in the earlier month.

Chart: Consumer Price Index - Feb'23

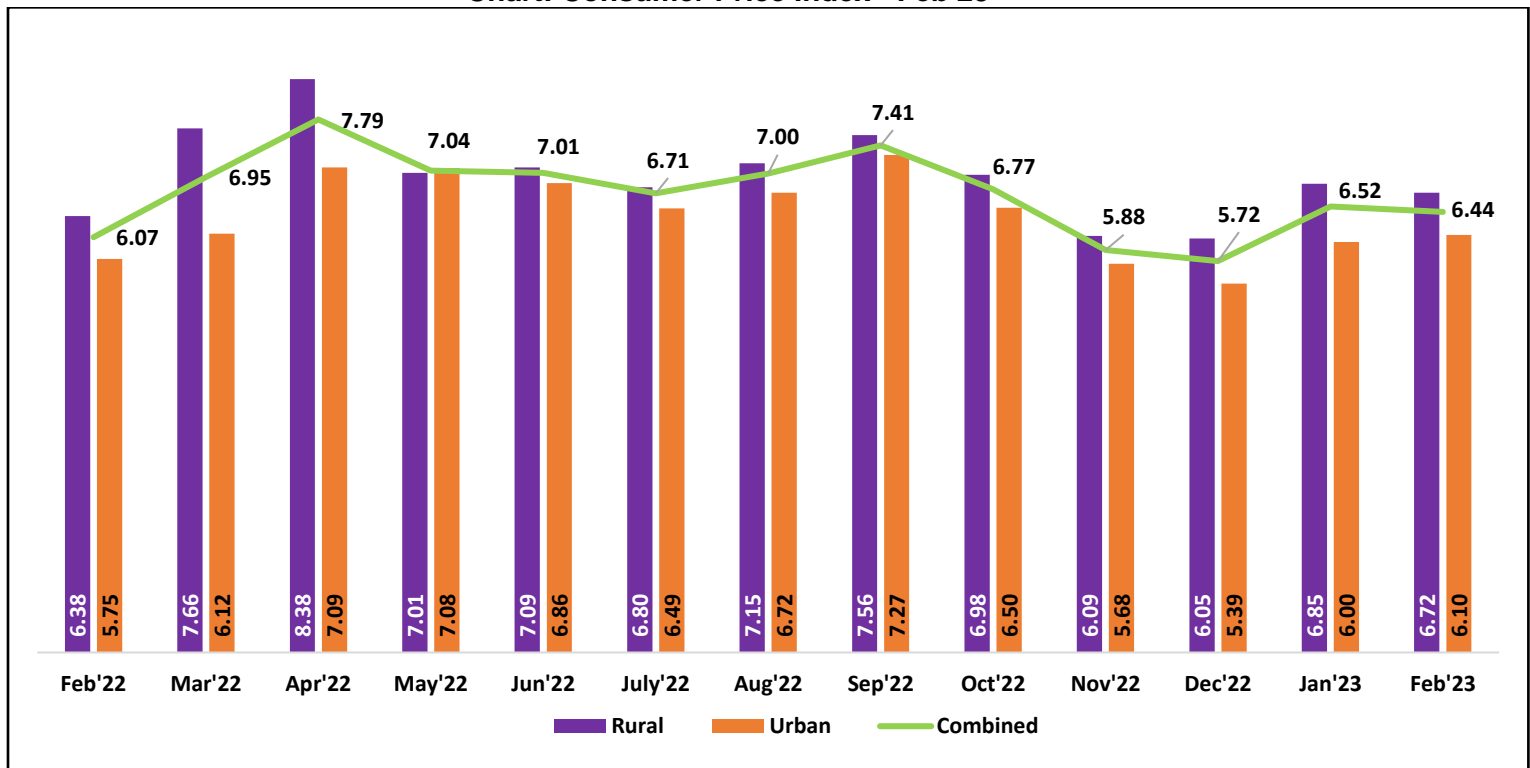


Table: Components of CPI

	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
Dec	4.47	4.58	3.16	2.55	8.30	9.58	3.61	4.47	10.95	10.91	6.65	6.17	5.66	5.72
Jan	5.58	6.19	2.45	3.07	8.78	9.08	3.52	4.62	9.32	10.84	6.55	6.21	6.01	6.52
Feb	5.93	6.26	2.39	3.22	8.86	8.79	3.57	4.83	8.73	9.90	6.52	6.12	6.07	6.44

### Views:

- CPI breached RBI's tolerance level for the second consecutive month due to elevated food prices.
- Food and beverages, which accounts for 45.86 per cent of CPI basket, rose to 6.26 per cent in February 2023 from 6.19 per cent in the previous month.
- Inflation in Housing, another major component of CPI, climbed to 4.83 per cent in February 2023 from 4.62 per cent in January 2023.
- Two components, Clothing & Footwear and Fuel & Light, showed a declining figure, when compared with the previous month.
- Following are the latest inflation projections given by RBI in its Monetary Policy:

RBI Projection	Q4'FY23	FY23	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY24
CPI Inflation	5.7%	6.5%	5.0%	5.4%	5.4%	5.6%	5.3%

- Going ahead, core inflation is likely to remain sticky. While we do not expect a sharp rise in inflation over the next few quarters, the pace of easing would be much slower than expected, especially given the likely impact of El Nino weather condition on food prices. We cannot rule out further upside surprise to inflation.
- The price pressures resurfacing after easing below 6% in last 2 months of 2022 will likely convince the RBI to increase the benchmark rate for seventh straight time when it meets on April 6.

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