

# Macro Insights

14<sup>th</sup> November, 2022

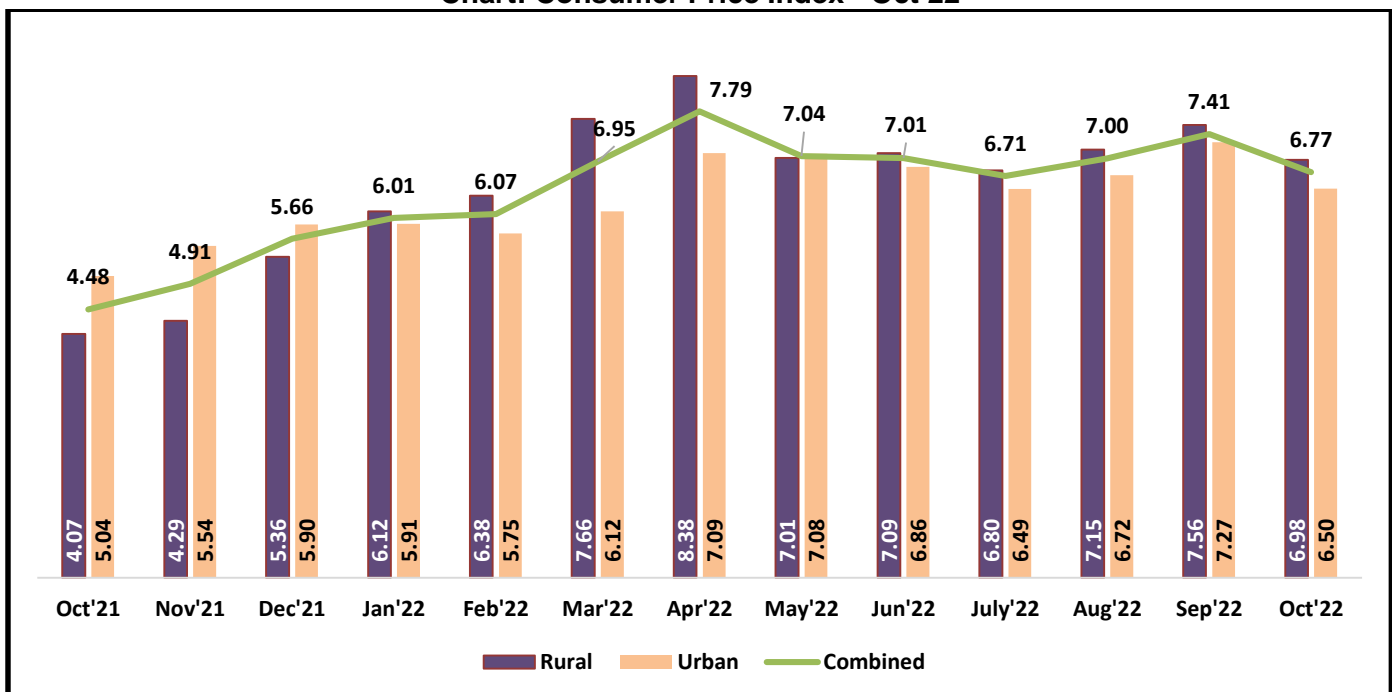
## CPI – at 3 month low

Retail inflation measured by CPI moderated to 6.77% in October 2022, compared to 7.41% in the previous month.

## Highlights:

- India's retail inflation eased to 3-month low to 6.77% in October from 7.41% in September mainly due to lower food prices and easing of fuel and light prices.
- It stayed well above the upper limit of the Reserve Bank of India's (RBI's) target range of 2-6% for the tenth month in a row.
- Both urban and rural inflation declined in October 2022. Urban inflation eased to 6.50 per cent from 7.27 per cent in the previous month and rural inflation eased to 6.98 per cent.
- Core inflation, which is non-food, non-fuel inflation, moderated to 5.97 per cent in October 2022 from 6.07 per cent in September 2022.
- Food inflation decelerated to 7.01% in October from 8.60% in September.
- There is a decline in inflation month on month in all the segments.

Chart: Consumer Price Index - Oct'22



**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
August	3.73	<b>7.57</b>	4.01	<b>1.67</b>	6.84	<b>9.91</b>	3.90	<b>4.06</b>	12.95	<b>10.78</b>	6.40	<b>5.95</b>	5.30	<b>7.00</b>
Sep	1.61	<b>8.41</b>	4.23	<b>1.98</b>	7.22	<b>10.17</b>	3.58	<b>4.57</b>	13.63	<b>10.39</b>	6.38	<b>6.06</b>	4.35	<b>7.41</b>
Oct	1.82	<b>7.04</b>	4.27	<b>1.87</b>	7.53	<b>10.16</b>	3.54	<b>4.58</b>	14.35	<b>9.93</b>	6.83	<b>5.90</b>	4.48	<b>6.77</b>

### Views:

- India's retail inflation for October decelerated on the back of relaxation in the food prices. The food inflation is responsible for nearly half the CPI basket. Base effect also played a part in lowering the inflation but the prices have moderated in all the segments.
- 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. Also, falling food prices will further soften CPI print. But, the inflation is expected to stay in the upper corridor of RBI's tolerance band for the next few months due to depreciating rupee, imported inflation and global uncertainties. This may add pressure on the central bank to hike interest rates in the coming months to tackle elevated inflation and try to get it back in the accepted range of 2-6%.

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