

Macro Insights

12th December, 2024

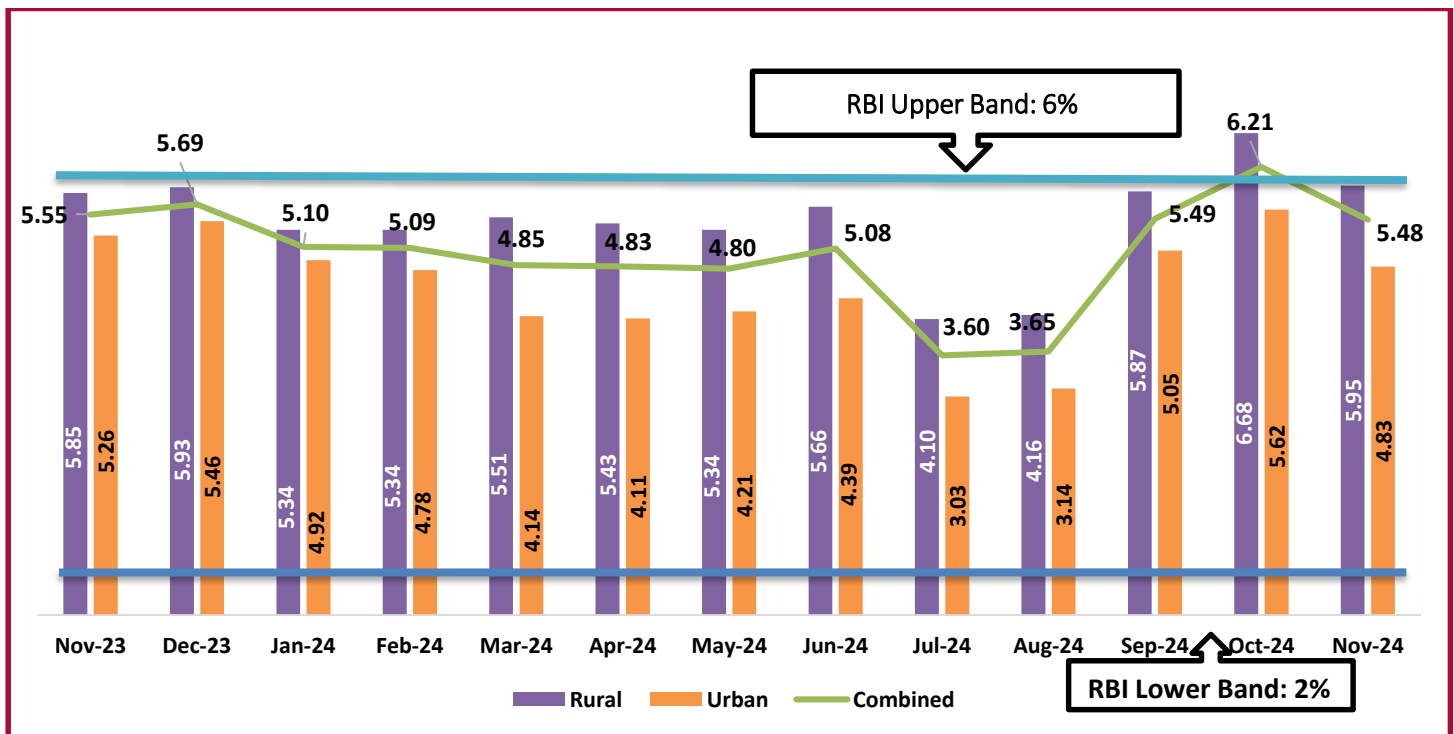
CPI comes back within RBI's tolerance band

Retail inflation measured by CPI moderated to 5.48 per cent (provisional) for the month of November 2024, compared to 6.21 per cent last month and 5.55 per cent in November last year.

Highlights

- India's retail inflation cooled to 5.48 per cent in November 2024 falling below the RBI's upper tolerance threshold of 6 per cent.
- Urban inflation in Nov'24 was lower at 4.83 per cent compared to 5.62 per cent in Oct'24 and 5.26 per cent in Nov'23.
- Rural inflation also fell to 5.95 per cent in Nov'24 from 6.68 per cent in the previous month. However, it was higher compared to 5.85 per cent in Nov'23.

Consumer Price Index (YoY% Change)



Source: MoSPI, PIB

Components of CPI (YoY% Change)

| | CPI | Food and beverages | Pan, tobacco and intoxicants | Clothing & footwear | Housing | Fuel & light | Miscellaneous |
|---------------|-------------|--------------------|------------------------------|---------------------|--------------|--------------|---------------|
| Weight | 100 | 45.86 | 2.38 | 6.53 | 10.07 | 6.84 | 28.32 |
| Nov-23 | 5.55 | 8.02 | 3.81 | 3.90 | 3.55 | -0.77 | 4.38 |
| Aug-24 | 3.65 | 5.30 | 2.71 | 2.72 | 2.66 | -5.25 | 3.89 |
| Sep-24 | 5.49 | 8.36 | 2.51 | 2.71 | 2.72 | -1.34 | 4.05 |
| Oct-24 | 6.21 | 9.69 | 2.50 | 2.70 | 2.81 | -1.67 | 4.32 |
| Nov-24 | 5.48 | 8.20 | 2.35 | 2.75 | 2.87 | -1.83 | 4.26 |

Source: MoSPI, CMIE

Views & Analysis

- Component wise breakup of CPI reveals that food inflation still remains high with the food & beverages segment recording highest inflation (among the other segments) at 8.20 per cent in November 2024, although it was lower than the previous month's figure of 9.69 per cent.
- A further breakup of the food sub-segment reveals that inflation in this segment has mainly been driven by high prices of oils & fats, fruits, and vegetables. Vegetable and oil prices grew in double digits in November 2024, while fruit inflation also remained elevated at 7.68 per cent, although lower than last month's figure of 8.43%.

Components of Food Inflation (YoY% Change)

| | Food | Cereals and products | Egg, fish and meat | Milk and products | Oils and fats | Fruits | Vegetables | Pulses and products | Sugar and condiments | Spices |
|---------------|--------------|----------------------|--------------------|-------------------|---------------|-------------|--------------|---------------------|----------------------|--------------|
| Weight | 39.06 | 9.67 | 4.04 | 6.61 | 3.56 | 2.89 | 6.04 | 2.38 | 1.36 | 2.5 |
| Jul-24 | 5.42 | 8.14 | 6.00 | 3.05 | -1.10 | 3.84 | 6.83 | 14.77 | 5.22 | -1.43 |
| Aug-24 | 5.66 | 7.31 | 4.55 | 2.92 | -0.86 | 6.45 | 10.75 | 13.60 | 4.70 | -4.36 |
| Sep-24 | 9.24 | 6.84 | 2.96 | 3.03 | 2.53 | 7.65 | 36.04 | 9.81 | 3.46 | -6.13 |
| Oct-24 | 10.87 | 6.94 | 3.33 | 2.97 | 9.57 | 8.43 | 42.23 | 7.38 | 2.57 | -7.01 |
| Nov-24 | 9.04 | 6.88 | 4.69 | 2.85 | 13.28 | 7.68 | 29.33 | 5.41 | 1.31 | -7.43 |

Source: MoSPI, CMIE

- The prices of many edible oils have soared after the government increased import duty on crude soybean, palm and sunflower oils. Duty on crude palm, soybean, and sunflower was increased to 27.5% from 5.5% and duty on refined edible oil has been raised to 35.7% from 13.7% w.e.f September 14, 2024. Additionally, global prices of edible oils have also surged in the past one month. India meets around 58% of its edible oil demand through imports.
- Fuel prices were once again in the deflationary zone in November 2024. The International Energy Agency (IEA) has stated that the global oil market is expected to experience a supply glut going into the new year, which will likely keep international oil prices at low levels.

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