

## Macro Insights

13<sup>th</sup> June, 2024

### CPI eases to 4.75 per cent

Retail inflation measured by CPI eased to 4.75% in May 2024, compared to 4.83% in the previous month.

### Highlights:

- ☞ India's retail inflation reduces in May'24 to 4.75 per cent.
- ☞ CPI is between RBI's tolerance band of 2 to 6 per cent.
- ☞ The core inflation moderated to 3.12 per cent in May.
- ☞ Urban inflation increased to 4.15 per cent from 4.11 per cent in the previous month and rural inflation decreased from 5.43 per cent to 5.28 per cent.
- ☞ Food Price index stood at 8.69 per cent as against 8.70 per cent in April 2024.

Chart: Consumer Price Index - May'24

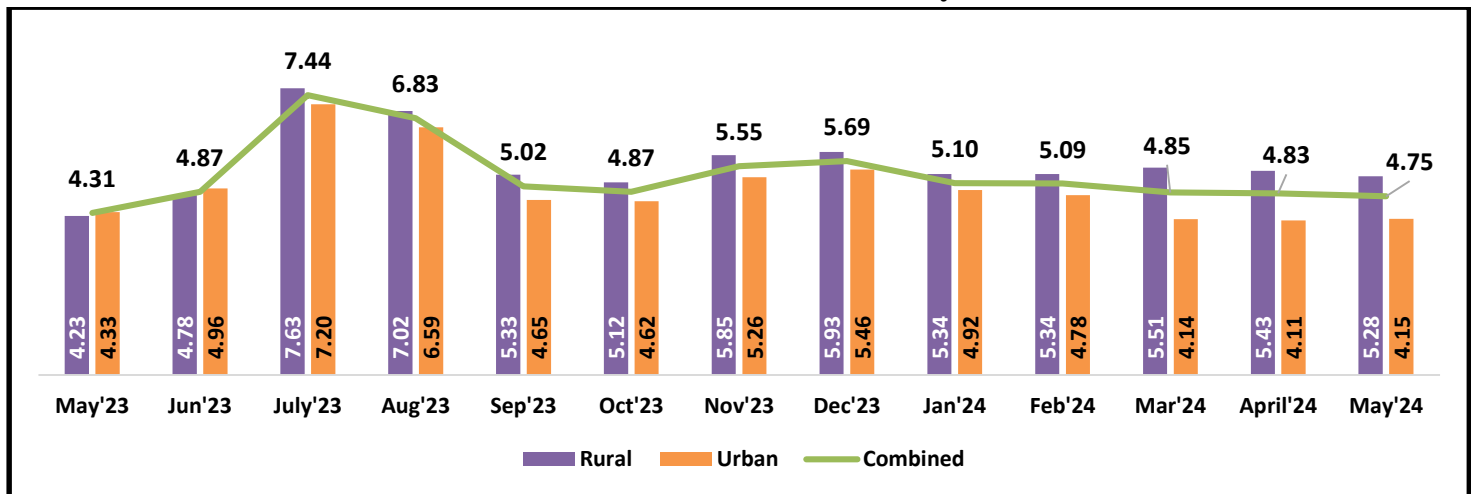


Table: Components of CPI

	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
Mar	5.11	7.68	2.99	3.06	8.18	2.97	4.96	2.77	8.79	-3.24	5.77	3.50	5.66	4.85
Apr	4.22	7.87	3.46	2.99	7.47	2.85	4.91	2.68	5.52	-4.24	4.92	3.54	4.70	4.83
May	3.35	7.87	3.55	3.03	6.64	2.74	4.84	2.56	4.70	-3.83	4.90	3.41	4.31	4.75

**Views:**

- India's headline retail inflation eased to a 12-month low of 4.75 per cent in May 2024 from 4.83 per cent in the previous month.
- Inflation in Pan, tobacco and intoxicants has decreased from 3.55 per cent in May 2023 to 3.03% in May 2024.
- The declining trend in cooking oil prices continued in May with a 6.7 per cent fall during the month. The price rise in spices slowed to 4.27 per cent from 11.4 per cent in April.
- Inflation in the food basket was 8.69 per cent in May, marginally down from 8.70 per cent in April. Thus, food inflation continues to be sticky. Relief from elevated food inflation is only expected in Q2'FY25 as normal monsoon is expected that will boost kharif cop production.
- The RBI is keen to keep inflation under control to ensure growth with stability and kept the repo rate steady at 6.5 per cent for the eighth consecutive time in a row in its bi-monthly monetary policy review.
- The further easing of retail inflation is a positive sign for the economy and is likely to boost the equity markets on Thursday.
- Though the decrease in inflation is marginal, its stability provides more flexibility for the Reserve Bank of India (RBI) in its next monetary policy meeting.
- Going forward, RBI is expected to continue with its cautious approach till it sees signs of easing food inflation. Rate cut by RBI is only expected by Q3'FY25.

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