

## Macro Insights

12<sup>th</sup> October, 2023

### CPI eases to 5.02 per cent

Retail inflation measured by CPI moderated significantly to 5.02% in September 2023, compared to 6.83% in the previous month.

### Highlights:

- 👉 India's retail inflation moderated in September'2023 to 5.02 per cent, due to a softening of vegetable, milk and edible oil prices.
- 👉 CPI came back in the tolerance band of RBI of 2 to 6 per cent after 2 months.
- 👉 The core inflation moderated to 4.53 per cent in September.
- 👉 Urban inflation moderated to 4.65 per cent from 6.59 per cent in the previous month and rural inflation declined to 5.33 per cent from 7.02 per cent in the earlier month.
- 👉 Food Price index softened to 6.56 per cent.

Chart: Consumer Price Index - September'23

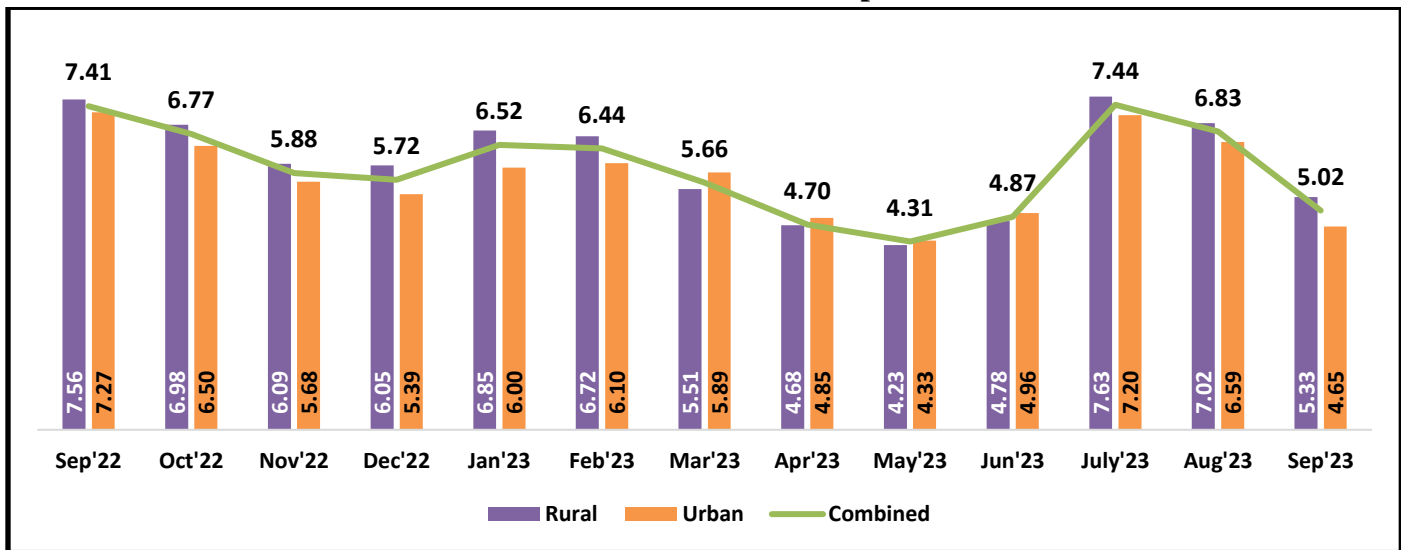


Table: Components of CPI

	Food and beverages		Pan, tobacco and intoxicants		Clothing and footwear		Housing		Fuel & Light		Miscellaneous		General	
	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
Weight	45.86%		2.38%		6.53%		10.07%		6.84%		28.32%		100%	
July	6.71	10.57	1.78	3.80	9.85	5.64	3.90	4.47	11.76	3.67	5.91	5.05	6.71	7.44
Aug	7.57	9.19	1.67	4.10	9.91	5.15	4.06	4.38	10.78	4.31	5.95	4.91	7.00	6.83
Sept	8.41	6.30	1.98	3.88	10.17	4.61	4.57	3.95	10.39	-0.11	6.06	4.77	7.41	5.02

**Views:**

- India's consumer price index (CPI) inflation eased to 5.02 per cent in September 2023, due to softening of vegetable prices, especially tomato and softening of milk and edible oil prices.
- The recent ban on exports of some food items has helped to keep inflation in check along with supply from government reserves. But still, prices of pulses, cereals and spices remain elevated.
- The Consumer Food Price Index (CFPI) eased to 6.56 per cent in September from 9.94 per cent in August.
- A decline is witnessed in all the segments of inflation basket. Major decline is registered in Food & Beverages, Clothing & footwear, Housing and deflation in Fuel & Light category.
- Following are the latest inflation projections given by RBI in its Monetary Policy:

RBI Projection	Q2'FY24	Q3'FY24	Q4'FY24	FY24	Q1'FY25
CPI Inflation	6.4%	5.6%	5.2%	5.4%	5.2%

- Core inflation is moderating month on month and is at 4.53 per cent in September'2023.
- There are certain upside risks to CPI inflation over the next few months as monsoon-related risks on food prices play out. Though, reduction in LPG prices by the government will aid in cooling down inflation further in the coming months.
- The prices of crude oil has eased over the previous weeks after escalating up to 95\$ per barrel that gives a breather to India i.e. the third largest importer of crude oil. Though, geopolitical conflicts in Middle East pose fresh concerns over crude oil prices.
- 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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