

Macro Insights

15th May, 2024

CPI eases to 4.83 per cent

Retail inflation measured by CPI eased to 4.83% in April 2024, compared to 4.85% in the previous month.

Highlights:

- 👉 India's retail inflation reduces in April'24 to 4.83 per cent.
- 👉 CPI is between RBI's tolerance band of 2 to 6 per cent.
- 👉 The core inflation moderated to 3.23 per cent in April.
- 👉 Urban inflation reduced to 4.11 per cent from 4.14 per cent in the previous month and rural inflation decreased from 5.51 per cent to 5.43 per cent.
- 👉 Food Price index stood at 8.70 per cent as against 8.52 per cent in March.

Chart: Consumer Price Index - April'24

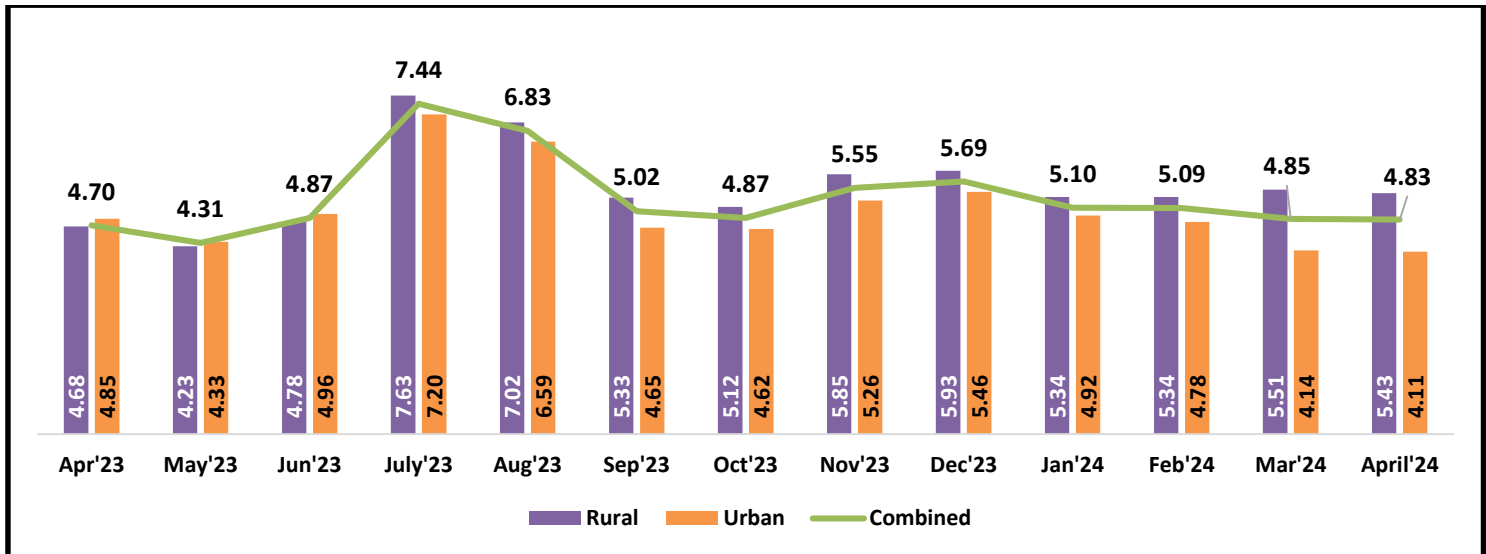


Table: Components of CPI

	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%	
Feb	6.26	7.76	3.22	3.12	8.79	3.14	4.83	2.88	9.90	-0.77	6.12	3.57	6.44	5.09
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

Views:

- India's headline retail inflation eased to a 11-month low of 4.83 % in April from 4.85 % in the previous month.
- CPI rural inflation in April reduces to 5.43 per cent as against 5.51 per cent in March.
- With parts of the country experiencing a heatwave, food prices continue to pose an additional risk to India's inflation trajectory. Food inflation is preventing sustainable disinflation in headline CPI, despite easing price pressures in the core and fuel categories. Vegetable inflation stood at 27.80 per cent.
- The continued proactive interventions by the government on the supply side, coupled with recent reductions in LPG and fuel prices, are well-positioned to counter any potential upward price pressures. Moreover, expectation of a good monsoon bodes well for the outlook for food inflation.
- The core inflation is declining steadily month on month. This shows that RBI's rate hike is working effectively through the system.
- Going forward, inflation is expected to moderate to RBI's long term target of 4% in coming months. Though, RBI will monitor and assess monsoon's progress and its impact on food inflation, growth of Indian economy and Fed's action before acting on rate cuts. We expect RBI to cut rate by Q3'FY25.

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