

# Macro Insights

14<sup>th</sup> October, 2024

## Highlights

### CPI jumped to 5.49 per cent

Retail inflation measured by CPI jumped to 5.49% in September 2024, compared to 3.65% in the previous month.

India's retail inflation spiked to 5.49 per cent in Sep'24 reaching near the upper band of tolerance level. However, CPI remains within RBI's tolerance band of 2 to 6 per cent.

Urban inflation increased to 5.05 per cent from 3.14 per cent in the previous month and rural inflation increased from 4.16 per cent to 5.87 per cent. The wide variation in Rural Inflation indicate increased demand in the area.

Chart: Consumer Price Index - Sep'24

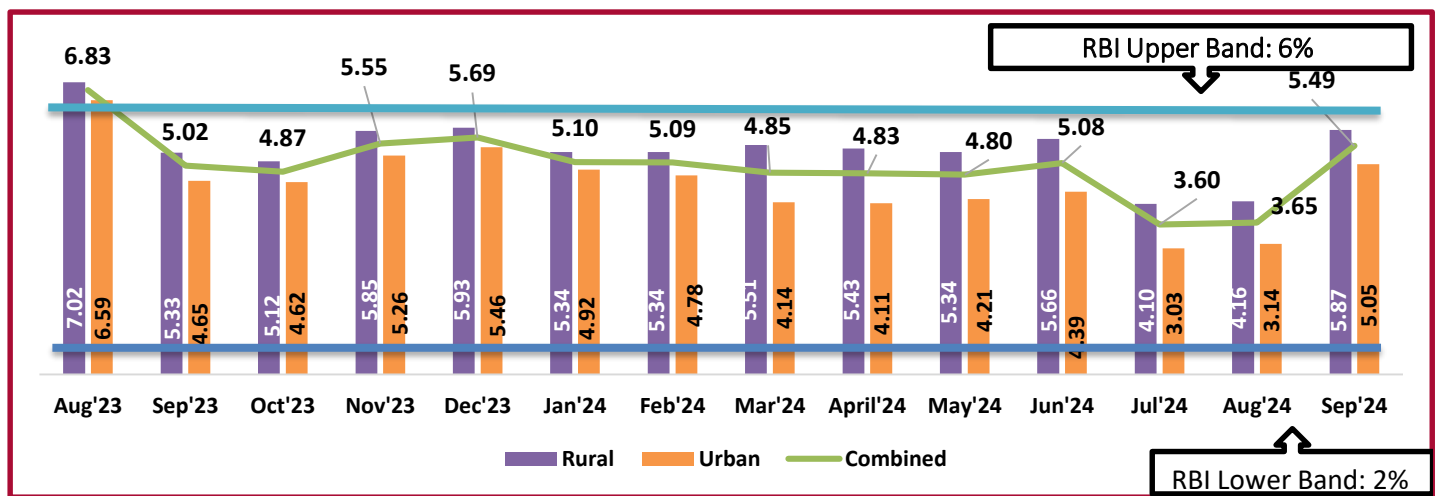


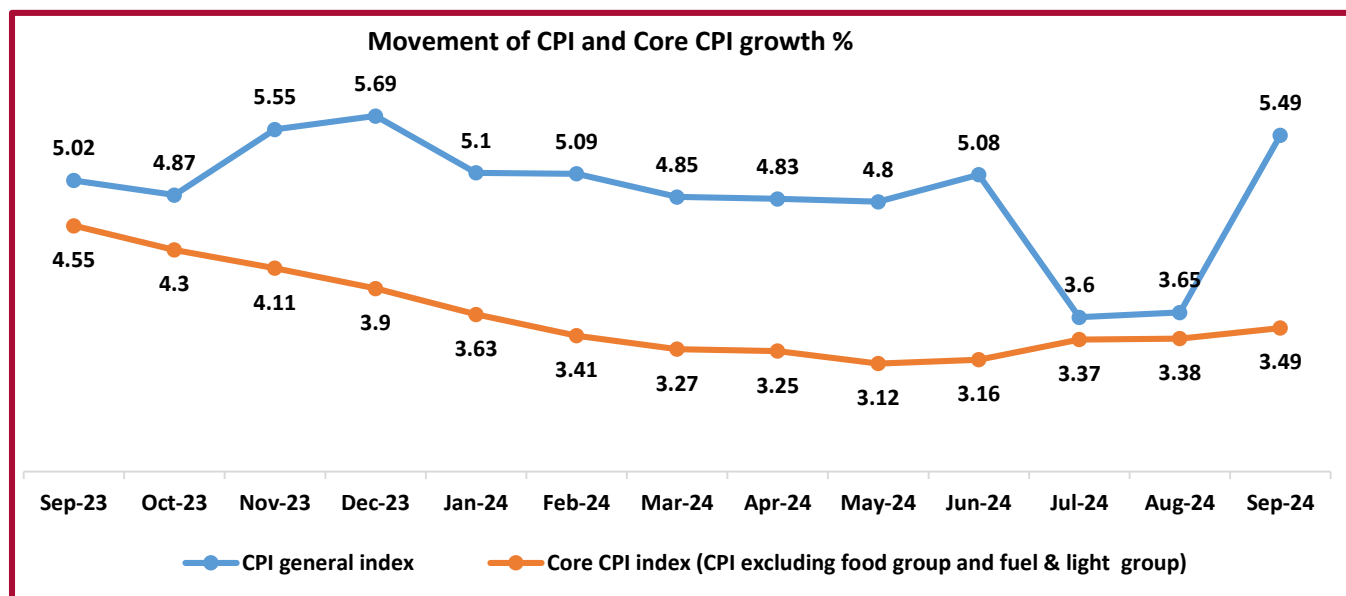
Table: Components of CPI

	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
Jun'24	4.69	8.36	3.71	3.08	6.14	2.73	4.56	2.69	3.92	-3.66	5.19	3.41	4.87	5.08
Jul'24	10.57	5.06	3.85	3.02	5.64	2.67	4.47	2.68	3.67	-5.48	5.05	3.79	7.44	3.60
Aug'24	9.19	5.30	4.10	2.71	5.15	2.72	4.38	2.66	4.31	-5.31	4.91	3.89	6.83	3.65
Sep'24	6.30	8.36	3.88	2.51	3.96	2.71	3.95	2.78	-0.11	-1.39	4.77	4.05	5.02	5.49

- Food and Beverages which has the highest weightage has shown the maximum growth while fuel & light have shown decline.

- **Food inflation**, as depicted by the **Consumer Food Price Index (CFPI)**, surged to 9.24 % YoY in September 2024 as compared to 6.62% YoY in September 2023.
- **Amongst Food basket, Vegetable prices** saw the highest jump of 36.0% in Sep'24.
- **Housing and Miscellaneous** have experienced marginal increase. Under miscellaneous, personal Care and effects showed the highest growth of 9.0% in September.

### Retail Inflation vis-à-vis Core inflation:



### Views:

- **Consumer Price Index (CPI) based inflation for September 2024** stood at 5.49% YoY, showing increase and reaching the upper band of tolerance level i.e. 6.0 per cent. High inflation growth has also been attributed to high base effect and weather conditions.
- With respect to Food inflation hike, the winter crop arrival is expected to ease price pressures and the food inflation may see downward trend.
- At this juncture, it is crucial to manage food inflation, as it directly impacts household inflation expectations. This situation calls for the immediate action on part of the government to implement supply-side measures to stabilize food prices.
- Apart from food price pressures, additional inflation risks arise from the external sector. The potential for a broadening conflict in the Middle East could disrupt supply chains and impact global energy prices, which would have ripple effects on the domestic economy.

- Besides, the announcement of economic stimulus in China has led to an increase in global commodity prices over the past couple of weeks. Brent Crude oil rose by more than 10% to USD 78 per barrel since the end of September. It would be crucial to monitor geopolitical developments as they can have an impact on the global commodity prices and overall economic scenario.
- All in all, the higher-than-expected September inflation further strengthens the case that the RBI will need to remain on the cautious side and keep the watch over inflation scenario. Going forward, the base effects are anticipated to remain favourable in October and November. Coming month inflation may go down and hover around 5%.

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