

Macro Insights

12th December, 2023

CPI inches up to 5.55 per cent

Retail inflation measured by CPI escalated to 5.55% in November 2023, compared to 4.87% in the previous month.

Highlights:

- 👉 India's retail inflation escalated in November'2023 to 5.55 per cent, due to high food inflation.
- 👉 CPI is on the higher end of RBI's tolerance band of 2 to 6 per cent.
- 👉 The core inflation moderated to 4.11 per cent in November.
- 👉 Urban inflation increased to 5.26 per cent from 4.62 per cent in the previous month and rural inflation rose to 5.85 per cent from 5.12 per cent in the earlier month.
- 👉 Food Price index increased to 8.70 per cent.

Chart: Consumer Price Index - November'23

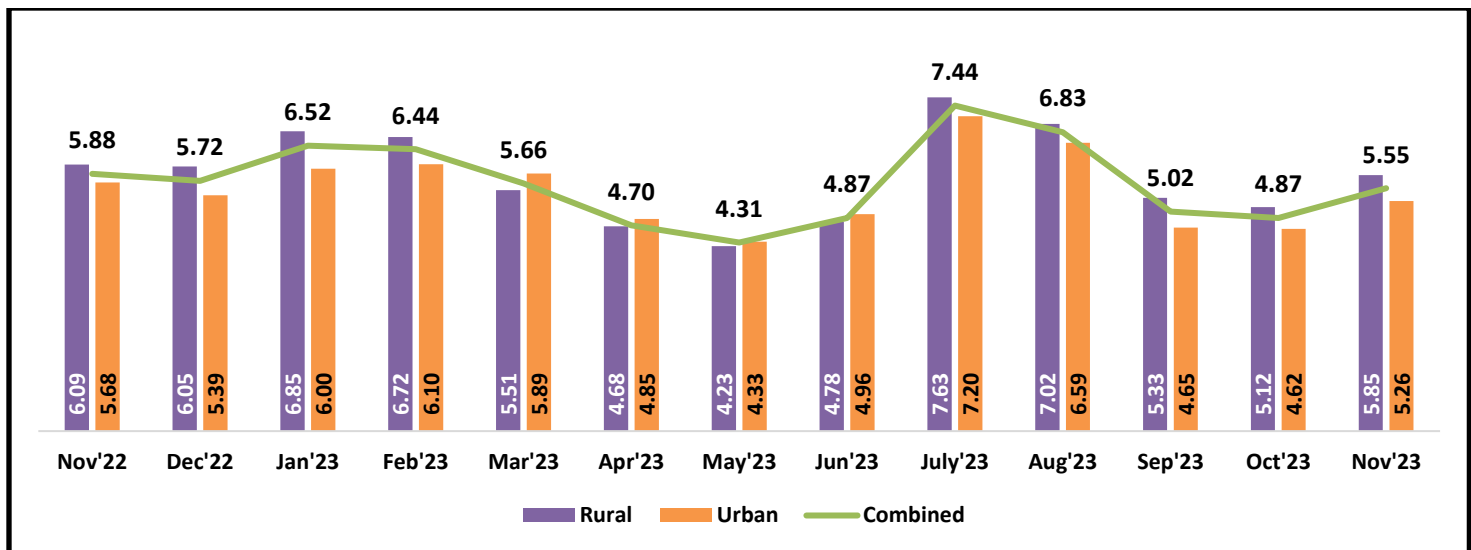


Table: Components of CPI

| | 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 |
| 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 |
| Oct | 7.04 | 6.24 | 1.87 | 3.87 | 10.16 | 4.31 | 4.65 | 3.80 | 9.93 | -0.39 | 5.90 | 4.40 | 6.77 | 4.87 |
| Nov | 5.07 | 8.02 | 2.07 | 3.81 | 9.83 | 3.90 | 4.63 | 3.55 | 10.62 | -0.77 | 6.01 | 4.38 | 5.88 | 5.55 |

Views:

- India's consumer price index (CPI) inflation escalated to 5.55 per cent in November 2023, due to high inflation witnessed in Cereals, Fruits & vegetables & Spices.
- The Consumer Food Price Index (CFPI) increased to 8.70 per cent in November from 6.61 per cent in October.
- Apart from food, a decline is witnessed in all other segments of inflation basket. Major decline is registered in 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 4.11 per cent in November'2023.
- Uneven rainfall damaged some 2023 rabi crops, while the delayed monsoon arrival caused a delayed harvesting cycle of kharif crops resulting in restricted supplies. In November, onion prices increased by 58 percent month on month (MoM), while tomato prices increased by 35 percent. Even potatoes, which have been a stable commodity in compared to the two more volatile veggies, suffered a 2% increase in price in November.
- The spike in inflation print in November as the current inflationary trend is cyclical and is anticipated to ease in the coming months.
- 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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