

## Macro Insights

13<sup>th</sup> April, 2023

### CPI eases to 15-month low

Retail inflation measured by CPI declined significantly to 5.66% in March 2023, compared to 6.44% in the previous month.

### Highlights:

- 👉 India's retail inflation in March'2023 was at 5.66 per cent, due to high base and easing price pressures across categories.
- 👉 The CPI came back within the tolerance band of RBI of 2-6 per cent for the first time in 2023.
- 👉 The core inflation also moderated to 5.78 per cent in March.
- 👉 Urban inflation reduced to 5.89 per cent from 6.10 per cent in the previous month and rural inflation moderated to 5.51 per cent from 6.72 per cent in the earlier month.
- 👉 Rural inflation is lower than the Urban, thus reversing the trend.

Chart: Consumer Price Index - Mar'23

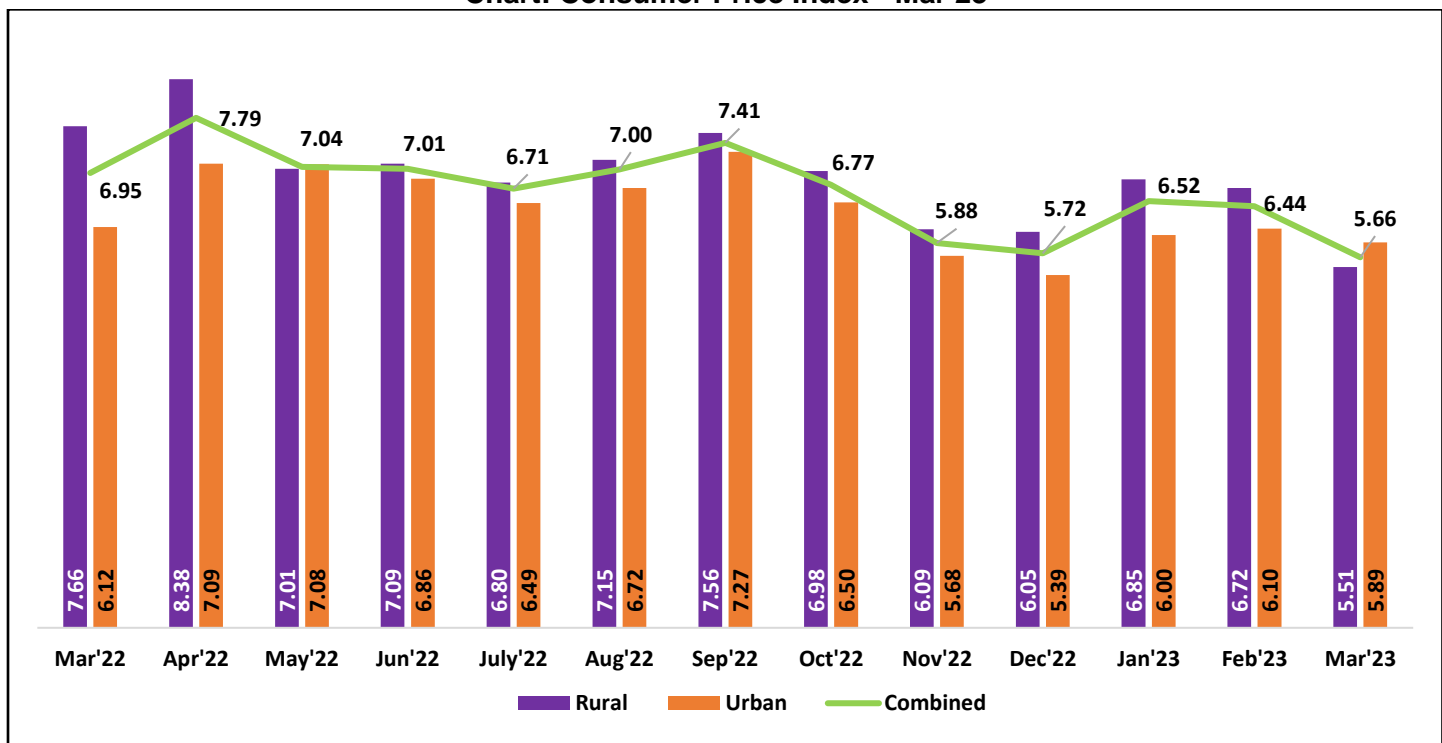


Table: Components of CPI

	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
Jan	5.58	6.19	2.45	3.07	8.78	9.08	3.52	4.62	9.32	10.84	6.55	6.21	6.01	6.52
Feb	5.93	6.26	2.39	3.22	8.86	8.79	3.57	4.83	8.73	9.90	6.52	6.12	6.07	6.44
Mar	7.47	5.11	2.98	2.99	9.40	8.18	3.38	4.96	7.52	8.91	7.02	5.77	6.95	5.66

### Views:

- CPI for the month of March'23 is at 15 month low due to base effect and easing of price pressures in all segments.
- Food and beverages, which accounts for 45.86 per cent of CPI basket, moderated to 5.11 per cent in March 2023 from 6.26 per cent in the previous month.
- Inflation in cereals and milk remained stubbornly high at 15.3% and 9.3% respectively.
- Inflation in Housing, another major component of CPI, was a tad higher at 4.96 per cent in March 2023 from 4.83 per cent in February 2023.
- Clothing & Footwear, Fuel & Light, and Pan & Tobacco showed a declining figure, when compared with the previous month.
- Following are the latest inflation projections given by RBI in its Monetary Policy:

RBI Projection	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY24
CPI Inflation	5.1%	5.4%	5.4%	5.2%	5.2%

- Going ahead, inflation is likely to be in RBI's tolerance band and be in the range of 5-5.2% due to base effect. The statement by IMD of a normal monsoon also provides relief to food inflation though effects of El Nino going forward remains to be seen.
- We expect average CPI inflation forecast at around 5.0% for Q1'FY24 and do not expect a rate hike by RBI in its next MPC meet from 6-8 June.

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