

Macro Insights

12th December, 2022

CPI – at 11 month low

Retail inflation measured by CPI moderated to 11-month low at 5.88% in November 2022, compared to 6.77% in the previous month.

Highlights:

- India's retail inflation eased to 11-month low to 5.88% in November from 6.77% in October mainly due to lower food prices, cooling global commodity prices and higher borrowing costs.
- The CPI has come within the tolerance limit of Reserve Bank of India's (RBI) of 2- 6 per cent for the first time in the calendar year 2022.
- Both urban and rural inflation declined in November 2022. Urban inflation eased to 5.68 per cent from 6.50 per cent in the previous month and rural inflation eased to 6.09 per cent from 6.98 per cent in October.
- Core inflation, which is non-food, non-fuel inflation, rose to 6.04 per cent in November 2022 from 5.97 per cent in October 2022.
- Food inflation decelerated to 4.67% in November from 7.01% in October.

Chart: Consumer Price Index - Nov'22

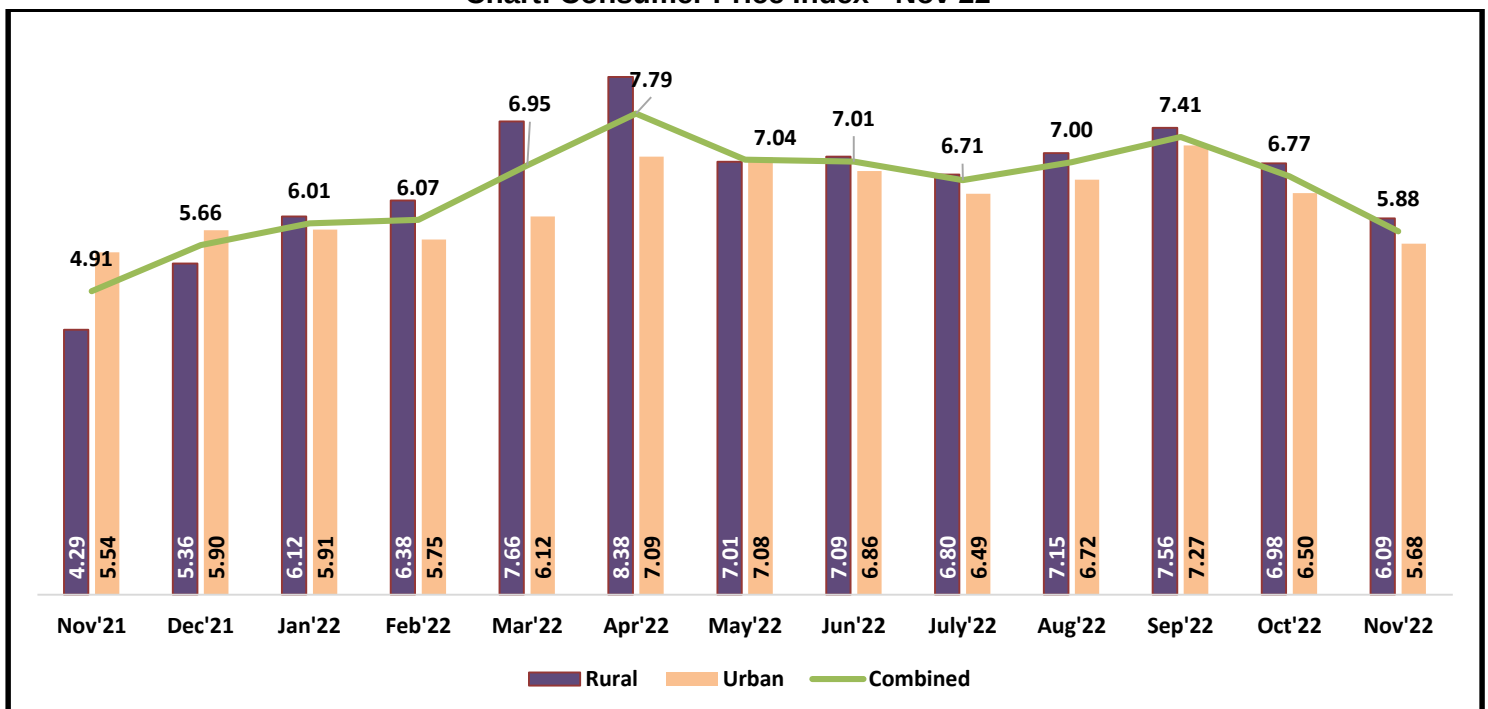


Table: Components of CPI

	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%	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Sep	1.61	8.41	4.23	1.98	7.22	10.17	3.58	4.57	13.63	10.39	6.38	6.06	4.35	7.41
Oct	1.82	7.04	4.27	1.87	7.53	10.16	3.54	4.58	14.35	9.93	6.83	5.90	4.48	6.77
Nov	2.60	5.07	4.05	2.02	7.94	9.83	3.66	4.57	13.35	10.62	6.75	6.07	4.91	5.88

Views:

- India's retail inflation for November decelerated on the back of relaxation in the food prices. The food inflation is responsible for nearly half the CPI basket. Moderating global commodity and food prices and a bountiful winter harvest at home are counted on to further ease price pressures.
- Following are the latest inflation projections given by RBI in its Monetary Policy:

RBI Projection	Q3 FY23	Q4 FY23	FY23	Q1 FY24	Q2 FY24
CPI Inflation	6.6%	5.9%	6.7%	5.0%	5.4%

- Going forward, the inflation is expected to stay in the upper corridor of RBI's tolerance band for the next few months due to depreciating rupee, imported inflation and global uncertainties. The lower inflation print in November indicates that the monetary tightening by RBI is impacting the price pressures in the economy. We expect RBI to further hike the primary rate by 25 bps in February'2023 before pausing the rate hike cycle.

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