

Macro Insights

12th May, 2023

CPI – at 18 month low

Retail inflation measured by CPI declined significantly to 4.70% in April 2023, compared to 5.66% in the previous month.

Highlights:

- India's retail inflation in April'2023 was at 4.70 per cent, due to base effect and softening of core inflation.
- The CPI came back below 5% mark after 16 months.
- The core inflation also moderated to 5.20 per cent in April.
- Urban inflation reduced to 4.85 per cent from 5.89 per cent in the previous month and rural inflation moderated to 4.68 per cent from 5.51 per cent in the earlier month.
- Rural inflation is lower than the Urban, thus reversing the trend.

Chart: Consumer Price Index - Apr'23

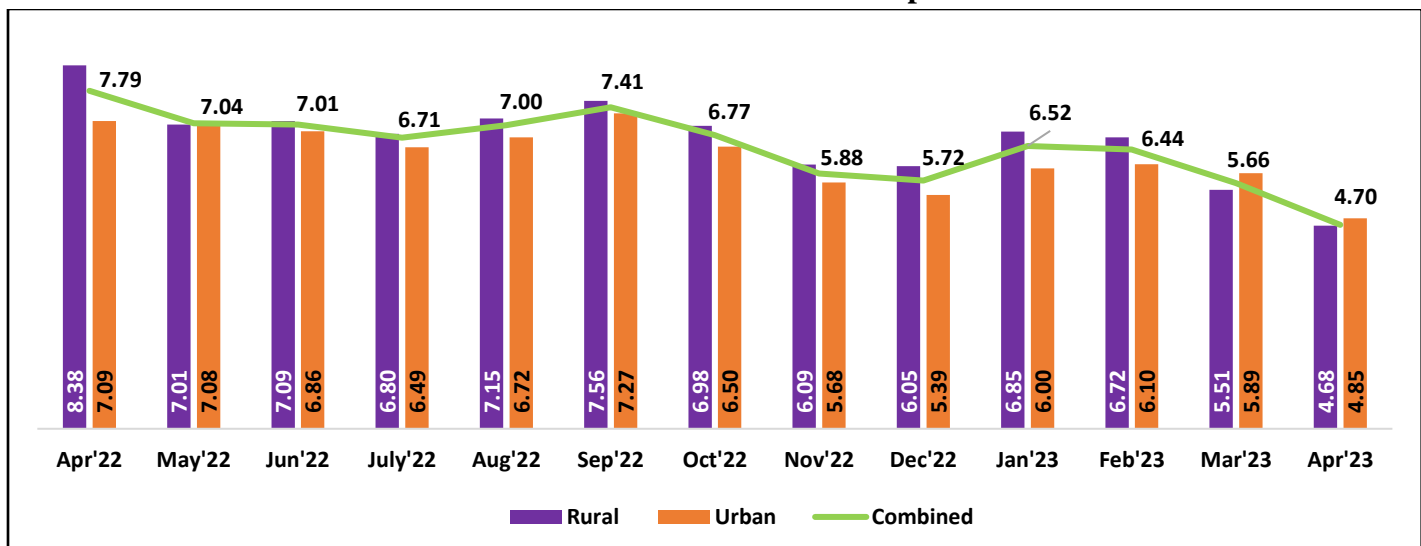


Table: Components of CPI

	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
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
Apr	8.10	4.22	2.70	3.46	9.85	7.47	3.47	4.91	10.67	5.52	8.03	4.92	7.79	4.70

Views:

- CPI for the month of April'23 is at 18 month low due to base effect and softening of core inflation.
- Food and beverages, which accounts for 45.86 per cent of CPI basket, moderated significantly to 3.84 per cent in April 2023 from 5.11 per cent in the previous month.
- Inflation in cereals and milk remained stubbornly high at 13.7% and 8.8% respectively.
- Inflation in Housing, another major component of CPI, was a tad lower at 4.91 per cent in April 2023 from 4.96 per cent in March 2023.
- There is a substantial decline witnessed in Fuel & Light segment that registered a price increase of 5.52 per cent.
- 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. Expectations of record rabi foodgrain production is positive for food prices outlook. The statement by IMD of a normal monsoon provides relief to food inflation though effects of El Nino going forward remains to be seen. Crude oil prices outlook is subject to high uncertainty.
- The CPI inflation is expected to be in the tolerance band of RBI and with major economies hinting at a rate pause going forward, we do not expect a rate hike by RBI in its next MPC meet from 6-8 June.

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