

## Macro Insights

12<sup>th</sup> July, 2023

### CPI surges to 4.81%

Retail inflation measured by CPI surged to 4.81% in June 2023, compared to 4.31% in the previous month.

### Highlights:

- India's retail inflation in June'2023 was at 4.81 per cent, due to a jump in vegetable prices.
- CPI continues to be in the tolerance band of RBI of 2 to 4 per cent.
- The core inflation also hiked to 5.1 per cent in June.
- Urban inflation increased to 4.96 per cent from 4.33 per cent in the previous month and rural inflation rose to 4.72 per cent from 4.23 per cent in the earlier month.
- Food Price index climbed significantly to 4.49 per cent.

Chart: Consumer Price Index - June'23

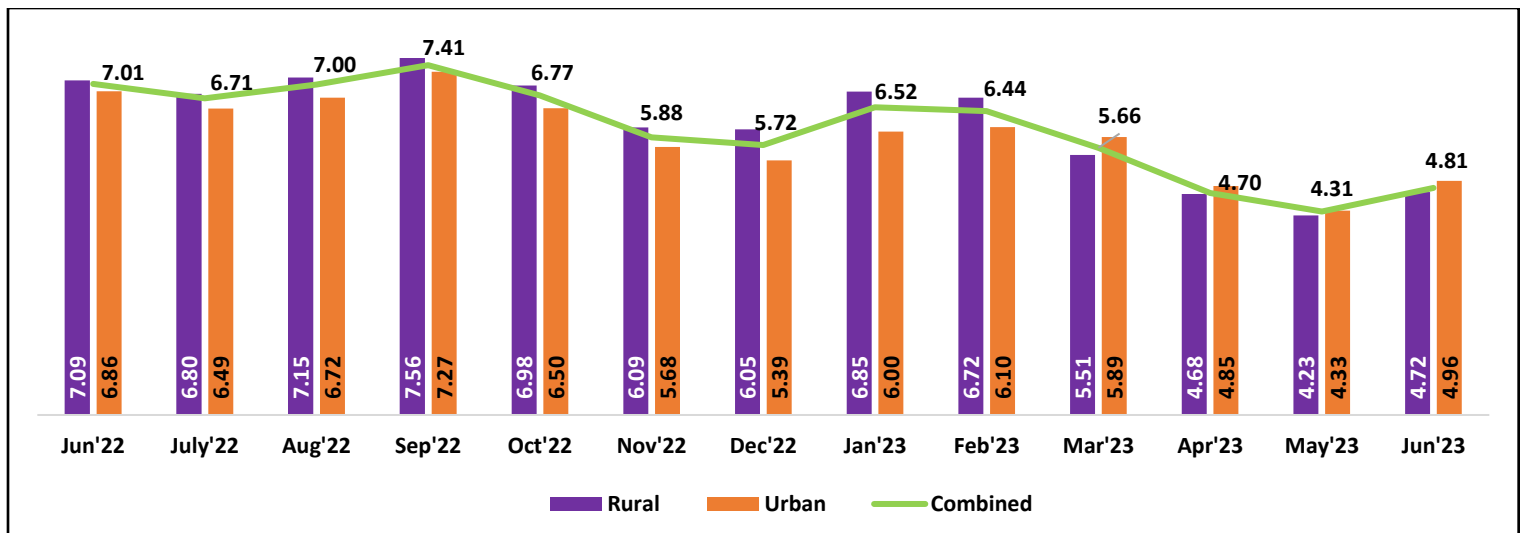


Table: Components of CPI

	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
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
May	7.84	3.29	1.15	3.55	8.85	6.64	3.65	4.84	9.54	4.64	6.82	4.84	7.04	4.31
June	7.56	4.63	1.83	3.65	9.52	6.19	3.93	4.56	10.14	3.92	6.28	5.19	7.01	4.81

## Views:

- India's consumer price index (CPI) inflation rises for the first time in five months to 4.81% in June 2023.
- The increase in the inflation rate has been recorded due to fading favorable base and higher vegetable prices in the country.
- The Consumer Food Price Index (CFPI) jumped 4.49 per cent in June from 2.96 per cent in May. The previous high was in March as CPI jumped 5.66 per cent.
- A decline was witnessed in Clothing & Footwear segment, Housing and Fuel & Light segment.
- 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	4.6%	5.2%	5.4%	5.2%	5.1%

- Food inflation is high due to patchy rainfalls in many regions of the country. There are upside risks to CPI inflation over the next few months as monsoon-related risks on food prices play out.
- Core inflation was broadly unchanged at 5.1 per cent but will likely moderate over the next few months.
- RBI is expected to continue with a long pause as inflation is expected to be in the tolerance band of RBI of 2 – 6% and is expected to be in the range of 4.5 – 5.0 per cent in current financial year.
- Amidst the ongoing excess rainfall in North India, the surge in the prices of perishables, particularly vegetables, is likely to harden the food inflation further in the immediate term. Besides, the impact of El Nino on monsoons and sowing in India needs to be carefully monitored.

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