

India CPI Inflation Update

Economic Update | 13th February 2023

Inflation Rises To A Three-Month High On Higher Food Prices and Unfavorable Base Effect

Event	Actual	Consensus	Previous
CPI Inflation	6.52%	5.9%	5.72%

Highlights:

- India CPI inflation rose to the highest since November, led by a pick-up in food prices. CPI inflation was at 6.52% in January 2023, compared to 5.72% in December.
- Core inflation was at 6.55% in January compared to 6.60% in the previous month.
- Inflation in food and beverages was at 6.19% in January, compared with 4.58% in December. Vegetable prices fell by 11.78%, as against a fall of 15.08% in December.
- Cereal prices rose 16.12% in January, compared to 13.79% in December. Inflation in meat and fish was at 6.04%, as against 5.13% last month.
- Inflation in eggs was at 8.78%, as against 6.19% last month. Inflation in milk was at 8.79%, compared with 8.51% in the previous month. Inflation in oils and fats was at 1.41%, compared with 0.53% in December.
- Pulses inflation was at 4.27%, as against 3.89% in the preceding month.
- Clothing and footwear inflation was at 9.08%, compared with 9.58% a month ago. Housing inflation rose by 4.62%, as against 4.47% in the previous month. Fuel and light inflation stood at 10.84% in January, as against 10.67% in December.
- January's CPI inflation print was much higher than market expectation. During the month food inflation turned significantly positive at 0.45% MoM as compared to a contraction in the previous two months. Among the food articles, cereal prices continued its upward movement, at 2.2% MoM, apart from the higher inflation in almost all animal protein categories, namely meat and fish, egg and milk products.
- However, the base factor is also partly to blame, given that there was a sequential decline in the inflation index last January.
- Going forward, with cereals prices staying on the upside, inflation could remain around the 5.5-6% mark in the near term. The RBI is unlikely to change its stance in the April policy, while a 25 basis points hike is a possibility now, compared to a larger probability of pause earlier as both headline and core inflation remaining sticky and elevated.

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Fig 1: CPI Inflation YoY% and Index Value Trend



Soure: Mospi, SMIFS Research

Fig 2: Interest Rate Trend



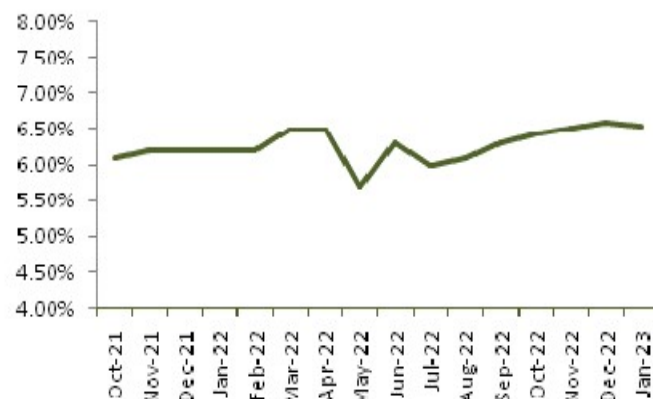
Soure: RBI, SMIFS Research

Fig 3: CPI Rural and Urban Inflation YoY%



Soure: Mospi, SMIFS Research

Fig 4: CPI Core Inflation YoY%



Soure: Mospi, SMIFS Research

Tab 1: CPI Inflation Table

% YoY	Weights	Jan-23	Dec-22	Nov-22	Oct-22	Sep-22
Overall CPI	100	6.52	5.72	5.88	6.77	7.41
Food & Beverages	45.86	6.19	4.58	5.07	7.04	8.4
Cereal & Products	9.67	16.12	13.79	12.96	12.08	11.5
Pulses & Products	2.38	4.27	3.89	3.15	2.78	3.1
Meat & Fish	3.61	6.04	5.13	3.87	3.08	2.6
Milk & Products	6.61	8.79	8.51	8.16	7.69	7.1
Pan, Tobacco	2.38	3.07	2.55	2.02	1.87	1.9
Fuel & Lights	6.84	10.84	10.97	10.62	9.93	10.4
Housing	10.07	4.62	4.47	4.57	4.58	4.6
Clothing& Footwear	6.53	9.08	9.2	9.83	10.16	10.2
Miscellaneous	28.32	6.21	6.17	6.07	5.9	6.1
Transport & Communication	8.59	4.54	4.88	5.3	4.62	5.4

Soure: Mospi, SMIFS Research

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