

CPI inflation increases to 5.6 percent in December 2021

Month	Weight	Dec-20	Oct-21	Nov-21	Dec-21
General Index	100	4.6	4.5	4.9	5.6
Food & beverages	45.86	3.9	1.8	2.6	4.5
Pan, tobacco & intoxicants	2.38	10.7	4.3	4.1	3.2
Clothing & footwear	6.53	3.5	7.5	7.9	8.3
Housing	10.07	3.2	3.5	3.7	3.6
Fuel & light	6.84	2.9	14.4	13.4	11.0
Miscellaneous	28.32	6.6	6.8	6.8	6.7

❖ Retail price inflation, measured by the Consumer Price Index (CPI), increased for the third consecutive month and stood at a five-month high of 5.6 percent in December 2021. The CPI based inflation rate stood at 4.9 percent in November.

❖ Inflationary pressures were seen broad basing during the month of December 2021. A conspicuous surge was noted in prices of food & beverages and clothing & footwear segments in December. CPI Food Index witnessed a jump in price levels, reporting 4.1 percent inflation rate in December 2021 vis-à-vis 1.9 percent inflation rate in November 2021. Higher prices were noted in cereals & products and milk & products segments. Oil and fat segment prices though noted some softening - prices continued to be elevated at double digit levels during the month. However, vegetable prices remained subdued, and some moderation was noted in fruit prices as well.

❖ Inflation rate in consumer items such as clothing & footwear touched 8.3 percent in December 2021 from 7.9 percent inflation noted in November and just 3.5 percent inflation in December 2020. The increase in prices to some extent can be attributed to higher raw material prices as well as transport costs. The segment may notice a further increase in prices as the new GST structure comes into force in January 2022.

❖ Prices in the fuel & light and miscellaneous segments also remained beyond the comfort zone. Nonetheless, some moderation was witnessed in fuel prices in the month of December on the back of reduction in central and state tax on retail fuel prices.

❖ Both urban India (reporting 5.8 percent inflation in December versus 5.5 percent inflation reported in the previous month) and rural India (reporting 5.4 percent inflation in December versus 4.3 percent inflation reported in the previous month) witnessed an increase in price levels.

CPI – Key Sub-segment of Food (% YoY Growth)

Month	Food	Cereals and products	Egg, fish and meat	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
Weight	39.06	9.67	4.04	6.61	3.56	2.89	6.04	2.38	1.36	2.50
Dec-20	3.4	1.0	15.3	3.9	20.1	2.7	-10.5	16.0	0.5	10.3
Aug-21	3.1	-1.4	9.9	2.9	33.1	6.7	-11.7	8.8	-0.6	5.1
Sept-21	0.7	-0.6	7.9	3.1	34.2	3.6	-22.4	8.8	3.0	4.8
Oct-21	0.9	0.4	6.3	3.2	33.6	4.9	-19.4	5.4	5.4	4.6
Nov-21	1.9	1.5	4.9	3.4	29.7	6.0	-13.6	3.2	6.2	4.1
Dec-21	4.1	2.6	4.3	3.8	24.3	3.5	-3.0	2.4	5.6	4.0

Inflation in Miscellaneous Segment (% YoY Growth)

	Weight	Dec-20	Oct-21	Nov-21	Dec-21
Household goods & services	3.8	2.9	6.2	6.4	6.8
Health	5.89	5.9	7.6	7.3	7.1
Transport & communication	8.59	9.3	10.9	10.0	9.7
Recreation & amusement	1.68	5.1	6.9	7.6	7.4
Education, stationery etc.	4.46	2.3	3.3	3.1	3.3
Personal care & effects	3.89	11.7	2.5	3.3	3.7

Source: MoSPI, CMIE

FAO Food Price Index reached a 10-year high in 2021

Date	Food Price Index	Meat	Dairy	Cereals	Oils	Sugar
Dec-20	108.6	94.8	109.2	116.4	131.20	87.1
Jan-21	113.5	96.0	111.2	125.0	138.87	94.2
Feb-21	116.6	97.8	113.1	126.1	147.46	100.2
Mar-21	119.2	100.8	117.5	123.9	159.30	96.2
Apr-21	122.1	104.3	119.1	126.2	162.19	100.0
May-21	128.1	107.4	121.1	133.7	174.88	106.8
Jun-21	125.3	110.7	119.9	130.3	157.68	107.7
Jul-21	124.6	114.1	116.7	126.3	155.50	109.6
Aug-21	128.0	113.4	116.2	130.4	165.86	120.5
Sep-21	129.2	112.7	118.1	132.8	168.57	121.2
Oct-21	133.2	112.0	121.5	137.1	184.84	119.1
Nov-21	134.9	111.4	125.9	141.4	184.56	120.2
Dec-21	133.7	111.3	128.2	140.5	178.49	116.4
% Y-o-Y Change (Dec 21)	23.1	17.4	17.4	20.7	36.0	33.6

According to the Food and Agriculture Organization, international food price index averaged 133.7 points in December 2021. Although this was marginally lower (1.2 points or 0.9 percent) from the November figure, the index was still up 25.1 points (or 23.1 percent) from December 2020 levels. In fact, food prices were seen at a decadal high in 2021.

Comments

The retail-based inflation inched closer to the upper band of Reserve Bank of India's target tolerance level in December 2021. The persisting supply side constraints, high input prices has been aggravating cost push pressures. Now with fresh restrictions being imposed due to the Omicron led wave, prices are expected to remain sticky going ahead posing a risk to the price trajectory of both perishables and core segments.

Nonetheless, the rabi sowing has been healthy - this should help keep food prices under check. As on January 10, the total area sown under rabi crops has been reported at 65.2 million hectares, against 64.6 million hectares sown during the corresponding period of last year. However, the winter rainfall has been in excess this year – although the rains were beneficial for early sowing, there have been reports of crop damage in some states.

Source:FAO, CMIE