

CPI inflation increases to 6.0% in January 2022

Month	Weight	Jan-21	Nov-21	Dec-21	Jan-22
General Index	100	4.1	4.9	5.6	6.0
Food & beverages	45.86	2.7	2.6	4.5	5.6
Pan, tobacco & intoxicants	2.38	10.9	4.1	3.2	2.5
Clothing & footwear	6.53	3.8	7.9	8.3	8.8
Housing	10.07	3.3	3.7	3.6	3.5
Fuel & light	6.84	3.9	13.4	11.0	9.3
Miscellaneous	28.32	6.5	6.8	6.7	6.6

- ❖ Prices continued to tread on a higher course which was in line with the broad expectation. Consumer price-based inflation index rose for the fourth consecutive month and stood at 6.0 percent in January 2022 on a y-o-y basis – which was a seven-month high. The retail inflation rate was reported at 5.6 percent in December 2021 and 4.1 percent in January 2021. Further, inflation rate in urban India stood at 5.9 per cent (y-o-y), remaining unchanged from December 2021; while that in rural India rose to 6.1 per cent from 5.4 per cent in the preceding month.
- ❖ Food and beverage segment, with a weight of almost 46 percent in the index, was the main contributor to higher prices during the month. The prices in food and beverage segment rose to 5.6 percent (y-o-y) in January 2022 vis-à-vis 4.5 percent inflation rate noted in December 2021. A conspicuous increase was noted on prices of vegetables – which rose from (-)3.0 percent in December 2021 to 5.2 percent in January 2022. Other items such as cereals, meat and fish, eggs, milk, pulses and spices too saw an increase in price level on a y-o-y basis.
- ❖ Besides, the food and beverage segment, the clothing and footwear also continued to contribute to higher prices levels. The clothing and footwear segment reported an inflation rate of 8.8 percent in January 2022 – which is the highest in over 95 months. This follows the introduction of a higher GST rate on footwear products. However, the proposed GST hike on textiles has been deferred after a GST Council meeting in late December.
- ❖ Inflation in the fuel & light group fell to 9.3 per cent from 11.0 per cent in December 2021. This moderation in fuel prices to some extent can be attributed to a limited transmission of the rebound in crude oil prices into retail prices. Inflation in miscellaneous items, on the other hand, remained almost unchanged at 6.6 per cent from the preceding month.

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
Jan-21	2.0	0.1	12.6	2.7	19.8	5.0	-15.8	13.3	-0.3	9.0
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	2.5	5.6	4.0
Jan-22	5.4	3.4	5.1	4.1	18.7	2.3	5.2	3.0	5.4	4.7

Inflation in Miscellaneous Segment (% YoY Growth)

Month	Household goods & services	Health	Transport & communication	Recreation & amusement	Education, stationery etc.	Personal care & effects
Weight	3.8	5.9	8.6	1.7	4.5	3.9
Jan-21	2.9	6.1	9.4	5.5	2.1	10.7
Sept-21	5.9	7.7	9.5	7.7	3.3	1.9
Oct-21	6.2	7.6	10.9	6.9	3.3	2.5
Nov-21	6.4	7.3	10.0	7.6	3.1	3.3
Dec-21	6.8	7.1	9.7	7.4	3.3	3.7
Jan-22	7.1	6.9	9.4	7.0	3.3	3.5

Source: MoSPI, CMIE

World Bank Commodity Price Data: Monthly Indices

	Energy	Non-energy													Precious Metals
			Agriculture									Fertilizers	Metals & Minerals		
				Beverages	Food				Raw Materials					Base Metals (ex. iron ore)	
						Oils & Meals	Grains	Other Food		Timber	Other Raw Mat.				
Jan 2021	69.31	101.63	102.07	82.57	113.32	123.16	113.91	99.85	84.65	91.08	77.62	82.96	102.84	99.71	145.12
Feb 2021	79.28	104.40	103.66	83.37	115.16	123.59	117.94	101.57	86.04	91.80	79.75	100.07	106.39	105.02	142.95
Mar 2021	79.83	105.45	103.19	83.45	114.50	122.48	116.56	102.14	85.74	91.14	79.84	104.17	110.22	109.04	135.64
Apr 2021	79.37	108.57	105.67	84.15	118.96	125.03	120.53	109.57	84.30	90.96	77.02	101.56	115.32	113.47	138.39
May 2021	85.07	115.59	111.15	88.86	126.32	133.56	128.98	114.40	85.61	92.13	78.47	106.07	125.79	121.93	145.84
Jun 2021	93.15	114.03	108.71	89.97	122.53	125.67	124.96	116.19	84.67	91.70	76.99	119.77	124.27	118.99	144.18
Jul 2021	97.70	113.67	107.65	92.59	121.08	126.11	118.47	116.82	82.68	90.54	74.09	126.96	124.52	119.34	141.17
Aug 2021	95.65	112.43	108.19	97.11	120.89	127.20	113.51	119.26	83.00	90.60	74.69	130.75	119.04	120.87	137.99
Sept 2021	105.85	111.36	107.70	100.93	119.39	126.29	109.64	119.13	82.75	90.22	74.58	129.49	116.81	124.12	136.52
Oct 2021	122.34	115.62	109.72	104.28	121.08	131.38	110.59	117.03	84.89	89.45	79.90	171.53	121.38	130.01	136.93
Nov 2021	114.74	115.40	111.14	106.33	122.68	131.38	114.34	118.78	85.54	88.11	82.73	204.51	114.02	125.18	140.54
Dec 2021	111.42	116.94	112.02	108.21	124.21	129.40	118.10	122.90	84.33	87.38	81.00	208.01	116.72	125.21	136.82
Jan 2022	120.34	122.43	116.74	109.75	130.64	140.62	122.79	124.60	86.54	88.44	84.46	200.61	125.23	133.22	139.13
Growth Y-o-Y Jan'22 v Jan'21	73.6	20.5	14.4	32.9	15.3	14.2	7.8	24.8	2.2	-2.9	8.8	141.8	21.8	33.6	-4.1
Growth M-o-M Jan'22 v Dec'21	8.0	4.7	4.2	1.4	5.2	8.7	4.0	1.4	2.6	1.2	4.3	-3.6	7.3	6.4	1.7

Source: The Pink Sheet, World Bank, February 2022

Both energy and non energy prices continued to rise in the month of January 2022 – increasing by 8.0 percent and 4.7 percent respectively on m-o-m basis. Agriculture commodities rose 4.2 percent in January (m-o-m); while metals & mineral and precious metals rose by 7.3 percent and 1.7 percent respectively.

Comments

The consumer price index-based inflation surpassed the upper band of the Central Bank's targeted level in the month of January 2022 for the first time since June 2021. While the RBI's guidance on inflation in the recently announced monetary policy remained benign for next year, upside risks continue to remain fore and will need to be closely watched.

The concern on the inflation front remains real with high prices getting entrenched. The global commodity prices remain elevated across a slew of items. The high crude oil prices are not being percolated domestically for the time being, and this may soon see a reversal. Also, the recent geopolitical developments pose a risk to future of energy prices. With regard to food prices while some respite is evident on a sequential basis; factors such as expectation of normal monsoons, sufficient reservoir fills may have a salutary effect.