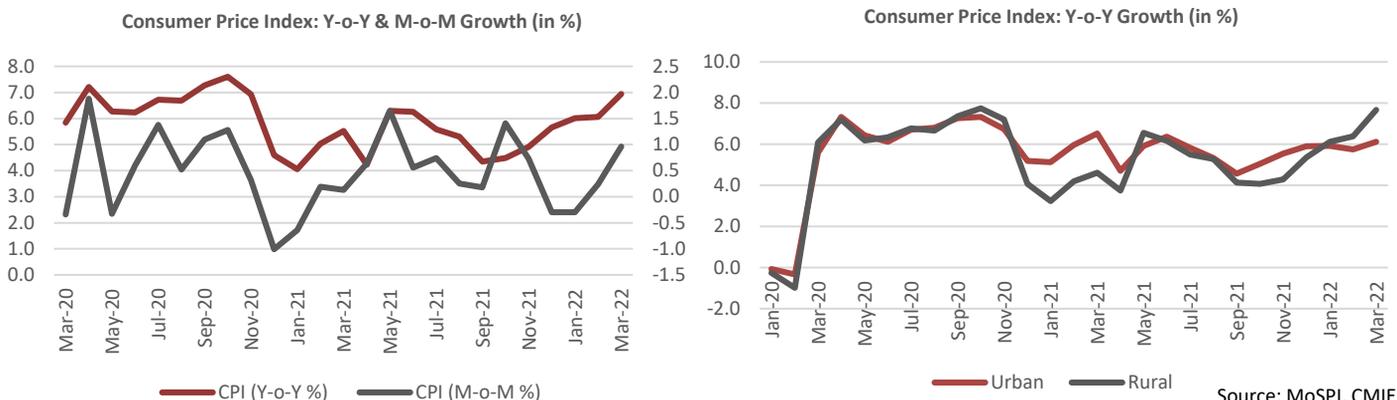


CPI inflation increases to 6.95% in March 2022



- The CPI based retail inflation increased for the sixth consecutive month, with the latest print showing a sharp upward move. The Consumer Price Index based inflation rate inched up to almost 7.0 percent (y-o-y) in March 2022, vis-à-vis 6.1 percent inflation noted in February this year. This is the highest inflation noted since November 2020 and prices continued to exceed the RBI’s threshold range between 2.0-6.0 percent for the third consecutive month.
- The pressure on prices is broad based with most of the key constituents witnessing accelerating prices except for housing and fuel & light segments. Inflation for the food and beverages segment rose to the highest level seen since October 2020 at 7.5 percent on a y-o-y basis in March 2022, vis-à-vis 5.6 percent inflation in January 2022 and 5.2 percent in March last year. The increase in prices in the food segment was driven by a sharp spike in vegetable prices, while prices of other items like oil and fats, meat & fish, cereals, spices and milk also remained elevated. The vegetables segment recorded the highest jump in prices – an increase of almost 5.5 percentage points from 6.1 percent in February 2022 to 11.6 percent in March 2022. The increase in prices for vegetables in March 2022 was led by potatoes, green chilies, lemon, and pickles.
- Surprisingly, segments such as fuel & light and housing noted some softening in price levels. The retail-based fuel inflation rate was reported at 7.5 percent for March 2022 – which is the lowest since April 2021. The decline in the prices of fuel & light has been mainly driven by a moderation in LPG and diesel prices (excl conveyance).

CPI – Key Sub-segments (% YoY Growth)

Month	Weight	Mar-21	Jan-22	Feb-22	Mar-22	Apr-Mar 21	Apr-Mar 22
General Index	100.0	5.0	6.0	6.1	7.0	6.2	5.5
Food & beverages	45.9	4.3	5.6	5.9	7.5	7.3	4.2
Pan, tobacco & intoxicants	2.4	10.7	2.5	2.4	3.0	9.9	4.6
Clothing & footwear	6.5	4.2	8.8	8.9	9.4	3.4	7.2
Housing	10.1	3.2	3.5	3.6	3.4	3.3	3.7
Fuel & light	6.8	3.5	9.3	8.7	7.5	2.7	11.3
Miscellaneous	28.3	6.8	6.6	6.6	7.0	6.6	6.7

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	39.1	9.7	4.0	6.6	3.6	2.9	6.0	2.4	1.4	2.5
Mar-21	4.9	-0.7	14.7	2.2	24.9	7.9	-5.0	13.3	-0.5	6.7
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	3.5	5.1	4.1	18.7	2.3	5.1	3.0	5.5	4.7
Feb-22	5.9	4.0	7.1	3.9	16.4	2.3	6.1	3.0	5.4	6.2
Mar-22	7.7	4.9	9.0	4.7	18.8	2.5	11.6	2.6	5.5	8.5

Source: MoSPI, CMIE

Household Inflation Expectations

Month	Current Perception	3 Months ahead Expectation	1 year ahead Expectation
Mar-21	8.8	10.1	10.2
Sep-21	10.2	10.8	10.9
Nov-21	10.4	12.3	12.7
Jan-22	9.7	10.6	10.7
Mar-22	9.7	10.7	10.8

City-wise Inflation Expectations

City	Current Perception	3 Months ahead Expectation	1 year ahead Expectation
Ahmedabad	7.0	8.6	9.5
Bengaluru	10.2	11.2	12.2
Bhubaneswar	5.2	7.1	8.1
Chennai	10.3	11.3	13.8
Delhi	9.7	10.5	10.8
Hyderabad	12.4	15.9	16.0
Kolkata	10.3	11.9	12.2
Mumbai	9.5	10.8	11.0
Thiruvananthapuram	5.2	7.2	8.6

Source: RBI Inflation Expectations Survey, April 2022

Inflation Expectations Survey released by the Reserve Bank of India for the month of March 2022 showed that the inflation expectations of households remained over the 10 per cent level. While no change was noted in the current median inflation expectations of households; the 3-months and 1-year ahead expectations increased by 10 bps each, vis-à-vis January 2022. According to the survey, the 3-months ahead expectations for overall prices and inflation were aligned to the prices of food and non-food products, while one year ahead expectations were more aligned to the prices of non-food products and services.

Comments

The increase in retail prices during March 2022 has been greater than expectation. The upside risks to prices remain flared up and the situation continues to play up globally. The supply side constraints continue to persist with the prolonging Russia Ukraine conflict significantly escalating the stress. With the pass-through of higher international oil prices into domestic prices visible March end onwards, the impact of higher petrol/diesel prices on retail prices will be conspicuous over next few weeks.

The Reserve Bank of India in its monetary policy announcement last week has revised up the inflation forecast for 2022-23 considerably - from 4.5 percent in the February announcement to 5.7 percent this time. Also, this time around the Central Bank has indicated its increasing focus towards managing inflation.

Going forward, much would depend on the easing of geo-political situation and the subsequent waves of the pandemic. Already countries in Europe (including United Kingdom, Germany, France, Italy) and in Asia (China, South Korea) have reported fresh outbreaks. Global inflation is likely to peak out in the first half of 2022 and moderate thereafter backed overall moderation in global growth momentum, waning pent up demand, and monetary policy normalization. At home, fiscal policy should be on front foot and could help mitigate inflation concerns over near term through excise cuts / subsidies.