

CPI inflation inches to 7.8% in April 2022

Month	Weight	Apr-21	Feb-22	Mar-22	Apr-22
General Index	100.0	4.2	6.1	7.0	7.8
Food & beverages	45.9	2.6	5.9	7.5	8.1
Pan, tobacco & intoxicants	2.4	9.0	2.4	3.0	2.7
Clothing & footwear	6.5	3.5	8.9	9.4	9.9
Housing	10.1	3.7	3.6	3.4	3.5
Fuel & light	6.8	8.0	8.7	7.5	10.8
Miscellaneous	28.3	6.1	6.6	7.0	8.0

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

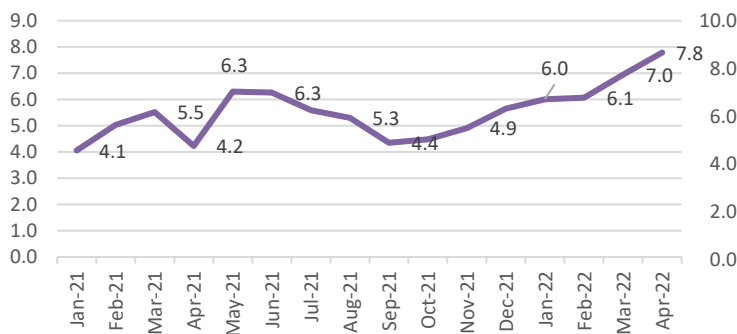
Month	Food	Cereals and products	Egg, fish and meat	Milk and products	Oils and fats	Fruits	Vegetables	Pulses and products	Sugar and condiments	Spices
Weight	39.1	9.7	4.0	6.6	3.6	2.9	6.0	2.4	1.4	2.5
Apr-21	2.0	-3.0	16.1	-0.1	25.9	9.7	-14.5	7.5	-6.0	4.3
Dec-21	4.1	2.6	4.3	3.8	24.3	3.5	-3.0	2.5	5.6	4.0
Jan-22	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	5.0	9.0	4.7	18.7	2.5	11.6	2.6	5.5	8.5
Apr-22	8.4	6.0	6.3	5.5	17.3	5.0	15.4	1.9	5.2	10.6

■ The CPI based retail inflation has witnessed another sharp upward move, with the inflation rate reaching an eight year high of 7.8 percent on a y-o-y basis in April 2022, vis-à-vis 7.0 percent inflation noted in March this year. This is the highest inflation noted since May 2014. Prices have been over the upper threshold of Reserve Bank of India's target range of 2.0-6.0% for the fourth consecutive month in April 2022.

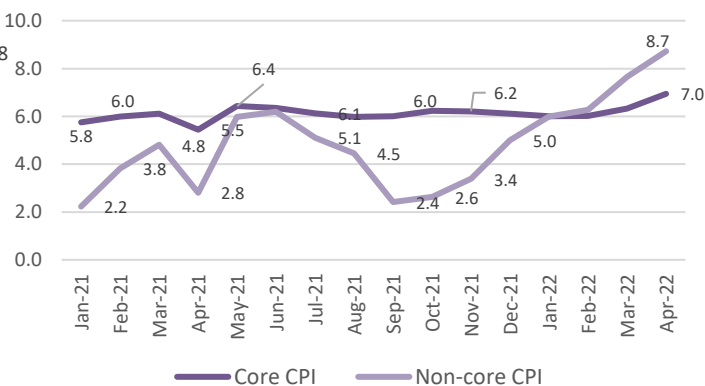
■ The pressure on prices continued to build across all major constituents, with the biggest increases registered in food & beverages, fuel & light, and miscellaneous segments. Food inflation was reported at a seventeen month high of 8.4 percent in April 2022, vis-à-vis the corresponding number of a mere 2.0 percent in April 2021. Sub-segments such as cereals & products, milk and milk products, fruits, vegetables, and spices have been driving food inflation. Cereal prices have been on an upward trajectory since October 2021 and stand aggravated by the Russia-Ukraine conflict (especially wheat and products such as maida, bread (bakery), biscuits etc). Fruits and vegetables segments have also recorded a significant increase in prices - with the y-o-y growth in fruit prices touching 5.0 percent in April 2022 (from 2.5 percent in March 2022), and the y-o-y growth in the vegetable prices reaching 15.4 percent in April 2022 (from 11.6 percent in March 2022).

■ Inflation for the fuel and light sub-index, on the other hand, was reported at a four-month high of 10.8% in April 2022, vis-à-vis 7.5% inflation rate in March 2022. The increase is on expected lines following the impact of hike in petrol/diesel prices and the sharp rise in the prices of PDS kerosene, LPG etc.

Consumer Price Index Growth (Y-o-Y in %)



Trend in Core & Non-core CPI (Y-o-Y growth in %)



Source: MoSPI, CMIE

Fact Sheet – Consumer Price Index

May 2022

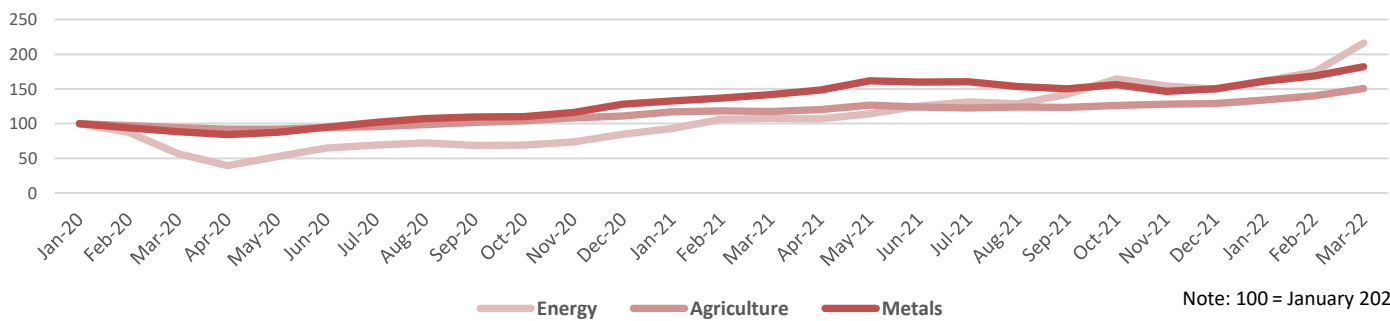
Further, trend in core CPI corroborates broad basing of price pressures. The core CPI rose from 6.3 percent in March 2022 to almost 7.0 percent in April 2022 indicating a spill over from high input prices and logistics costs. The inflation rate for miscellaneous segment was reported at 8.0% in April 2022, from 7.0% in March 2022 - touching the highest level since September 2012. The increase in fuel inflation has spilled on to the transport & communication sub-segment of the miscellaneous component, registering a y-o-y growth of 10.9 percent in April 2022, vis-à-vis 8.0 percent in March 2022.

CPI – Key Sub-segment of Miscellaneous Segment (% Y-o-Y Growth)

Month	Total - Miscellaneous	Household goods and services	Health	Transport and communication	Recreation and amusement	Education, stationery etc.	Personal care and effects
Weight	28.32	3.8	5.89	8.59	1.68	4.46	3.89
Apr-21	6.1	2.0	7.7	10.8	4.6	0.6	5.4
Dec-21	6.7	6.8	7.1	9.7	7.4	3.3	3.7
Jan-22	6.6	7.1	6.9	9.3	7.0	3.3	3.5
Feb-22	6.6	7.2	6.8	8.1	6.9	3.6	5.5
Mar-22	7.0	7.7	7.0	8.0	7.0	3.6	8.7
Apr-22	8.0	8.0	7.2	10.9	7.3	4.1	8.6

Source: MoSPI, CMIE

Global Commodity Price Index



Note: 100 = January 2020

World Bank released the latest Commodity Markets Outlook in the month of April 2022. Global commodity prices have been surging and were further aggravated during the first quarter of 2022 owing to the ongoing Russia-Ukraine conflict and a firming up of demand worldwide. The prices of certain commodities where Russia and Ukraine are key suppliers, including energy, fertilizers, grains, and metals, have been on an upward trend. Energy prices increased sharply, with broad-based increases across all fuels, with some fuels such as coal and natural gas reaching all-time highs in March 2022. In the non-energy segment, prices have risen since the beginning of 2022, with particularly large increases in case of agricultural commodities and metals. Among agricultural commodities, fertilizers, edible oil, and wheat have noted sharp rise in prices; while among metals, aluminum and iron ore prices have noted large increases. World Bank forecasts a similar upward trajectory for the prices of these commodities for the year 2022, which are expected to moderate somewhat only in the year 2023.

Source: Commodity Markets Outlook, World Bank, April 2022

Comments

The inflation trajectory in India remains on an uptrend which is broadly in line with the global prices. Elevated inflation has emerged as a major concern domestically. This prompted the Reserve Bank of India to undertake an off cycle monetary policy meeting last week, in which the repo rate was hiked by 40 bps emphasizing that the current inflation situation warrants a timely response. The outlook on inflation remains on the upside. Even though the forecasts of normal monsoon comes as a welcome respite, but the possibility of spill overs from high global food and input (fertilizers/logistics) prices remains.

Rising input prices amid persisting supply challenges continue to pose a significant challenge for businesses. The findings of a recent survey undertaken by FICCI indicate that companies are finding it increasingly difficult to sustain their profit margins as rising raw material costs has emerged as a biggest constraint. In fact, businesses are already passing the increasing costs to the consumers – going upto the extent of 20 percent of their increased costs. Going ahead, it will be important to manage inflation expectations of the households. Balancing growth and inflation is once again posing to be a challenge for the Central Bank.