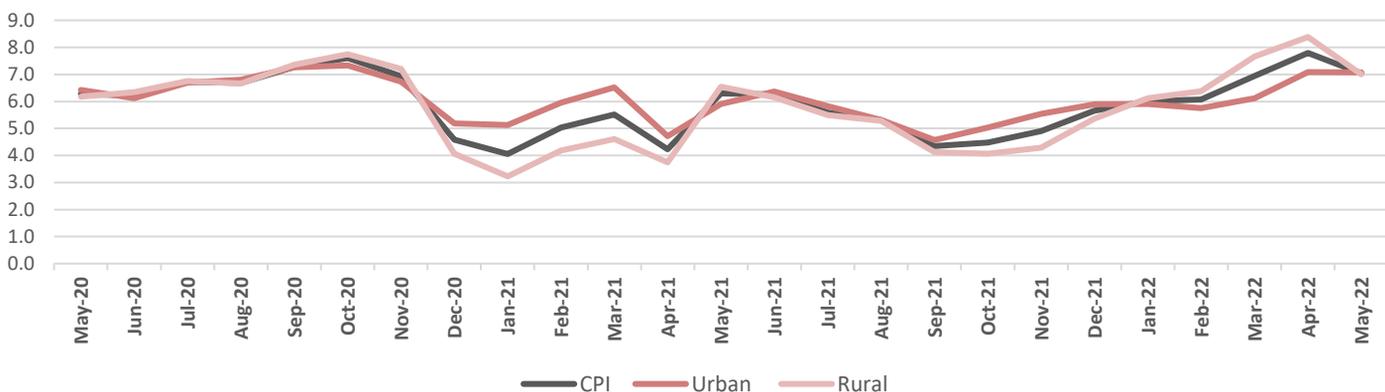


CPI inflation moderates to 7.0% in May 2022

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



■ The latest retail inflation data reported easing of price levels in May 2022 as compared to the previous month. The Consumer Price Index based inflation rate moderated to 7.0 percent in May 2022, vis-à-vis 7.8 percent inflation registered in April 2022. Though the inflation rate remains above the RBI’s threshold range of 2.0-6.0 percent, it has exhibited moderation after seven consecutive months of witnessing an increase. Rural inflation has witnessed a substantial fall, registering a y-o-y growth of 7.0 percent in May 2022, vis-à-vis 8.4 percent in April 2022.

■ All the major constituents of the index reported a moderation in the month of May 2022, with the exception of housing segment. Inflation for the food and beverages segment moderated to 7.8 percent in May 2022 as compared to 8.1 percent in April 2022. Inflation in the clothing and footwear segment was reported at 8.9 percent in May 2022 as compared to 9.9 percent in April 2022, while inflation in the fuel and light segment declined to 9.5 percent in May 2022 vis-a-vis 10.7 percent noted in April 2022. The housing sub-segment registered a marginal increase in inflation to 3.7 percent in May 2022, vis-à-vis 3.5 percent in April 2022.

■ Softening of prices of food sub-segments such as cereals, oils and fats, fruits, pulses, sugar and condiments, and spices drove the overall food inflation down. However, subcategories of vegetables; eggs, meat and fish; and milk and products reported an increase in May 2022 compared to the previous month. Going ahead, near-term trajectory of food inflation will depend on how the monsoon pans out. Also, late last month the government had announced a slew of measures to check prices of edible oil, wheat, fertilizers and fuels. The impact of these measures could be evident in the month ahead.

CPI and Major Constituents (Y-o-Y growth in %)

Month	CPI	Food & beverages	Pan, Tobacco & Intoxicants	Clothing & footwear	Housing	Fuel & Light	Miscellaneous
Weight	100.0	45.9	2.4	6.5	10.1	6.8	28.3
May-21	6.3	5.2	10.0	5.3	3.9	11.9	7.3
Jan-22	6.0	5.6	2.5	8.8	3.5	9.3	6.6
Feb-22	6.1	5.9	2.4	8.9	3.6	8.7	6.6
Mar-22	7.0	7.5	3.0	9.4	3.4	7.5	7.0
Apr-22	7.8	8.1	2.7	9.9	3.5	10.7	8.0
May-22	7.0	7.8	1.2	8.9	3.7	9.5	6.8

Source: MoSPI, CMIE

CPI – Key Sub-segments of Food (Y-o-Y growth in %)

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
May-21	5.0	-1.4	9.6	0.6	30.9	11.9	-1.9	9.4	-1.5	6.9
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	8.3	6.0	6.3	5.5	17.3	5.0	15.3	1.9	5.2	10.6
May-22	8.0	5.3	7.1	5.6	13.3	2.3	18.3	-0.4	4.3	9.9

Source: MoSPI, CMIE

■ Inflation in the miscellaneous segment reported a conspicuous decline in May 2022 easing to 6.8 percent vis-à-vis 8.0 percent in April 2022. Y-o-y growth in price level in case of almost all the constituents of the miscellaneous segment registered a fall in May 2022 as compared to the previous month.

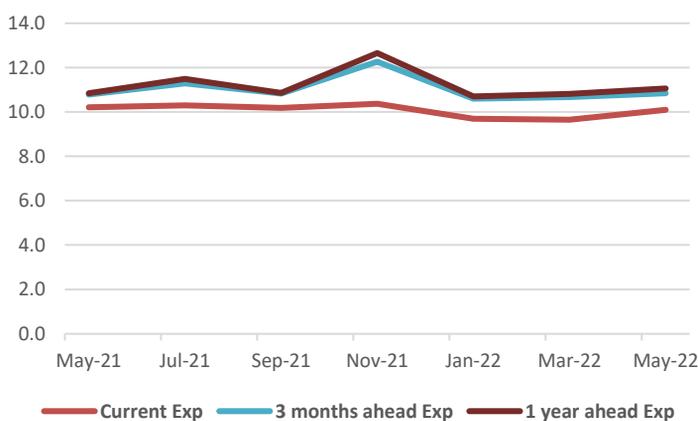
CPI – Key Sub-segments of Miscellaneous (Y-o-Y growth in %)

Month	Miscellaneous	Household Goods & Services	Health	Transport & Communication	Recreation & Amusement	Education, Stationery, etc.	Personal care
Weight	28.3	3.8	5.9	8.6	1.7	4.5	3.9
May-21	7.3	3.7	8.4	12.4	6.1	1.0	7.4
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
May-22	6.8	6.9	5.5	9.5	6.0	4.1	6.2

Source: MoSPI, CMIE

Household Inflation Expectations

Households Median Inflation Expectations (in %)



Inflation perception of households in May 2022 remained well over the 10 per cent level according to the latest round of the RBI's Inflation Expectations Survey. Current median inflation perception of households increased by 40 bps compared to March 2022, to 10.1 percent in May 2022. The 3-months and 1-year ahead expectations increased by 10 bps and 30 bps each respectively in the current round, vis-à-vis the previous survey round. Further, households' inflation expectations for 3-months ahead and 1-year ahead periods were seen to be converging at the greater than 10 percent level.

Households Expecting an Upward Movement in Prices of Various Product Groups (% of Respondents)

Month	Food		Non-Food		Durables		Housing		Cost of Services	
	Three-Months Ahead	1 Year Ahead								
May-21	84.4	81.7	78.6	79.2	58.8	64.8	54.9	65.4	67.7	76.5
Nov-21	86.0	84.5	86.3	85.1	68.6	75.0	74.3	82.4	76.5	83.6
Jan-22	83.7	83.8	80.4	82.9	69.9	75.4	71.5	79.3	74.3	82.0
Mar-22	89.6	85.3	88.4	85.8	73.5	77.3	75.8	83.1	76.3	83.0
May-22	88.4	86.7	87.5	87.0	74.7	78.7	78.5	85.3	78.5	84.9

Source: RBI Inflation Expectations Survey, June 2022

Comments

The upside risks to inflation continue to remain on fore. In case of India, a significant proportion of the increase in prices is coming from the food segment and from commodities where we remain import dependent. The international crude oil prices continue to be elevated. Even though the Central government has cut the excise duty on petrol/diesel last month, it is important that more States support this move by undertaking a cut in the VAT rates. Also, prices of perishables like tomatoes, potatoes indicate an increase on a sequential basis. Extreme weather conditions has had an impact on the output of some of the key commodities. Going ahead, the expectation of a normal monsoon may take off some pressure on the prices of food items. Nonetheless, rising prices are expected to remain a key policy challenge for some time.