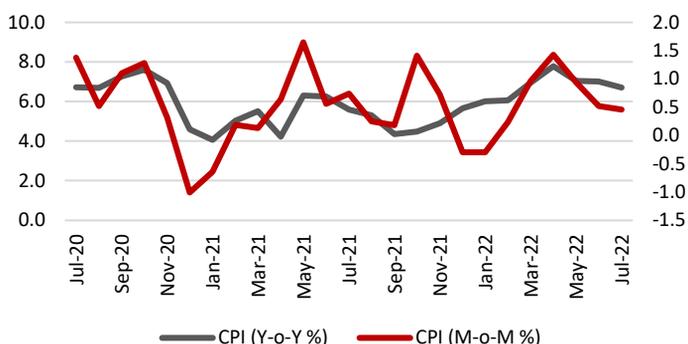
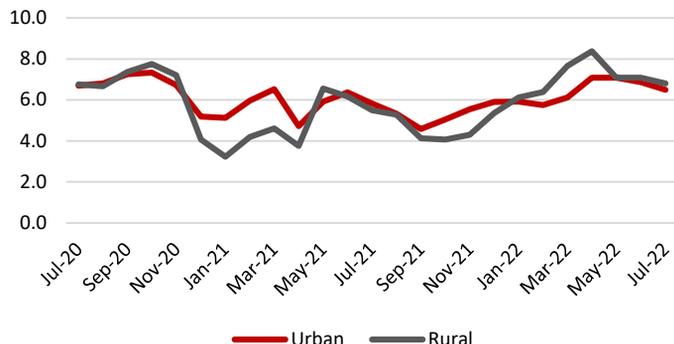


CPI inflation moderates to 6.7% in July 2022

Consumer Price Index: Y-o-Y & M-o-M Growth (in %)



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



■ The latest retail inflation data reported a softening in price levels for the third consecutive month in July 2022 – which comes as a welcome reprieve. The consumer price based index moderated to a five month low of 6.7 percent in July 2022, vis-à-vis 7.0 percent inflation noted last month - with prices of food & beverages & miscellaneous segment noting a decline.

■ Inflation for the food and beverages sub-segment declined to 6.8 percent in July 2022 as compared to 7.6 percent growth reported in June 2022; while for miscellaneous products segment prices moderated to 5.9 percent in July 2022 vis-à-vis 6.3 percent in June 2022. The decline in miscellaneous goods segment was backed by transport & communication and personal care & effects categories. However, inflation in the clothing & footwear segment increased to 9.9 percent in July 2022 as compared to 9.5 percent in June 2022 while inflation in the fuel and light segment also increased to 11.8 percent in July 2022 vis-a-vis 10.1 percent noted in June 2022.

■ The food price index reported a mixed trend in the month of July 2022. Easing price levels were noted in sub-segments of eggs, fish & meat, milk & products, oils and fats (supported by downward trend in edible oil prices/government relief measures), and vegetables (sharp fall noted in tomato prices); while cereals, fruits, pulses & products, sugar and condiments, and spices sub-segments registered an increase in July 2022 as compared to the same month in the previous year.

CPI – Key Sub-segments (% YoY Growth)

Month	Weight	Jul-21	Apr-22	May-22	Jun-22	Jul-22
General Index	100.0	5.6	7.8	7.04	7.01	6.7
Food & beverages	45.9	4.5	8.1	7.8	7.6	6.7
Pan, tobacco & intoxicants	2.4	4.7	2.7	1.2	1.8	1.8
Clothing & footwear	6.5	6.4	9.9	8.9	9.5	9.9
Housing	10.1	3.9	3.5	3.7	3.9	3.9
Fuel & light	6.8	12.4	10.7	9.5	10.1	11.8
Miscellaneous	28.3	6.7	8.0	6.8	6.3	5.9

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
Jul-21	4.0	-1.7	9.4	2.7	32.5	9.0	-7.8	9.0	-0.5	5.2
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
Jun-22	7.8	5.7	7.3	6.2	9.4	3.1	17.3	-1.0	4.2	11.0
Jul-22	6.8	6.9	2.4	5.8	7.5	6.4	10.9	0.2	4.8	12.9

Source: MoSPI, CMIE

Household Inflation Expectations (in %)

Month	Current Perception	3 months ahead Expectation	1 year ahead Expectation
Jul-21	10.3	11.3	11.5
Jan-22	9.7	10.6	10.7
Mar-22	9.7	10.7	10.8
May-22	10.1	10.8	11.1
Jul-22	9.3	10.3	10.5
City	Current Perception (Jul-22)	3 Months ahead Expectation	1 year ahead Expectation
Ahmedabad	8.1	9.3	9.6
Bengaluru	10.2	10.9	12.8
Bhubaneswar	7.3	9.1	10.0
Chennai	10.5	12.6	13.9
Delhi	9.8	10.4	10.5
Hyderabad	10.1	10.8	9.9
Kolkata	9.1	10.4	10.7
Mumbai	8.7	10.1	10.4
Thiruvananthapuram	5.4	6.9	8.5

Source: RBI Inflation Expectations Survey, August 2022

The latest Inflation Expectations Survey released by Reserve Bank of India for the month of July 2022 reports inflation expectations of households to have moderated somewhat - coming below the 10 per cent level. Current median inflation expectations of households declined from 10.1 percent in May 2022 to 9.3 percent in July 2022. The 3-months and 1-year ahead expectations, although moderated from their level in May 2022, remained over the 10 percent level. Households' median inflation perception for the current period moderated by 80 bps, while the three months and one-year ahead median inflation expectations also declined by 50 bps and 60 bps, respectively, from May 2022 round of the survey. The share of households expecting higher inflation declined for all product groups from the previous survey round. The city-wise household perception of inflation also moderated on an average in July 2022 vis-à-vis May 2022.

Comments

Even though prices continue to remain above the Central Bank's target zone for the seventh consecutive month, some moderation in the inflation rate is a welcome sign. While the global slowdown and correct in international commodity prices should help ease goods inflation further but service prices could remain edgy. Also, the uneven spatial distribution of rainfall/ changes in rainfall patterns is a cause of concern. The lower kharif sowing for rice is expected to keep cereal prices elevated.