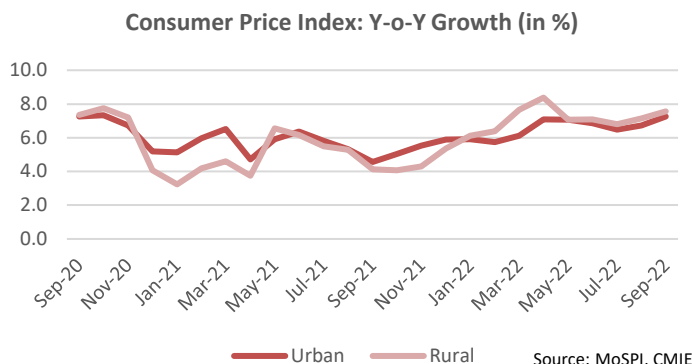
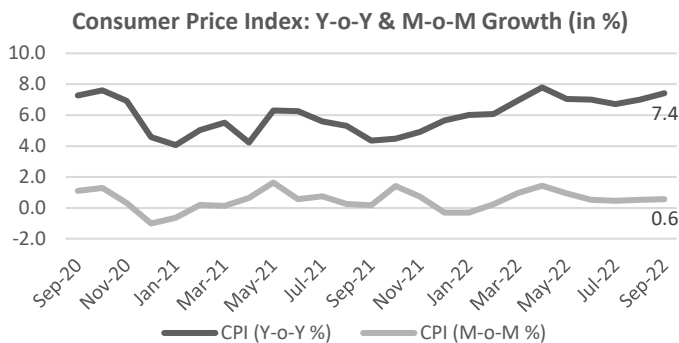


### CPI inflation rises to 7.4% in September 2022



■ The Consumer Price Index based inflation inched up to a five-month high of 7.4 percent in September 2022, vis-à-vis 7.0 percent inflation recorded in August 2022. Retail prices remained over the Reserve Bank of India’s target range for the ninth consecutive month.

■ There was an increase in inflation levels across all the major constituents of the CPI, except fuel & light. Inflation in the fuel & light sub-segment, although remained at double digit level, witnessed a marginal moderation on a sequential basis. Inflation in the food & beverages and clothing segments was recorded at 8.4 percent and 10.2 percent respectively in September 2022, vis-à-vis 7.6 percent and 9.9 percent respectively seen in the month of August 2022. Clothing and footwear inflation has been over 8.0 percent since December 2022 reflecting high prices of raw materials. The segments of fuel & light, housing, and Pan, tobacco & intoxicants, and miscellaneous reported inflation levels of 10.4 percent, 4.6 percent, 2.0 percent, and 6.1 percent, respectively in September 2022. The corresponding figures for August 2022 stood at 10.8 percent, 4.1 percent, 2.0 percent, and 6.1 percent, respectively.

■ Inflation in the food sub-segment was reported at 8.6 percent in September 2022, increasing from 7.6 percent inflation registered in the previous month. Majority of the sub-segments of the food index viz cereals, eggs, fish & meat, milk & products, vegetables, pulses, and spices reported noticeable increase in price levels during September 2022. The cereals and vegetable sub-segments, constituting for almost 38 percent of food segment observed double digit increase in price levels during September. The cereal and product segment reported 11.5 percent y-o-y inflation during the month, vis-à-vis 9.6 percent inflation in August 2022 and (-) 0.7 percent in September 2021. Both rice/ & rice products as well as wheat/ & wheat products noted hardening of prices – which was on expected lines.

Month	Weight	Sep-21	Jun-22	Jul-22	Aug-22	Sep-22
General Index	100.0	4.4	7.0	6.7	7.0	7.4
Food & beverages	45.9	1.6	7.6	6.7	7.6	8.4
Pan, tobacco & intoxicants	2.4	4.2	1.8	1.8	1.7	2.0
Clothing & footwear	6.5	7.2	9.5	9.9	9.9	10.2
Housing	10.1	3.6	3.9	3.9	4.1	4.6
Fuel & light	6.8	13.6	10.1	11.8	10.8	10.4
Miscellaneous	28.3	6.4	6.3	5.9	6.0	6.1

#### 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
Sep-21	0.7	-0.6	7.9	3.1	34.2	3.6	-22.4	8.8	3.0	4.8
Jun-22	7.8	5.7	7.3	6.2	9.4	3.1	17.3	-1.0	4.2	11.0
Jul-22	6.7	6.9	2.4	5.8	7.5	6.3	10.9	0.2	4.8	12.9
Aug-22	7.6	9.6	0.5	6.4	4.6	7.4	13.3	2.6	4.5	14.9
Sep-22	8.6	11.5	2.2	7.1	0.4	5.7	18.1	3.1	1.6	16.9

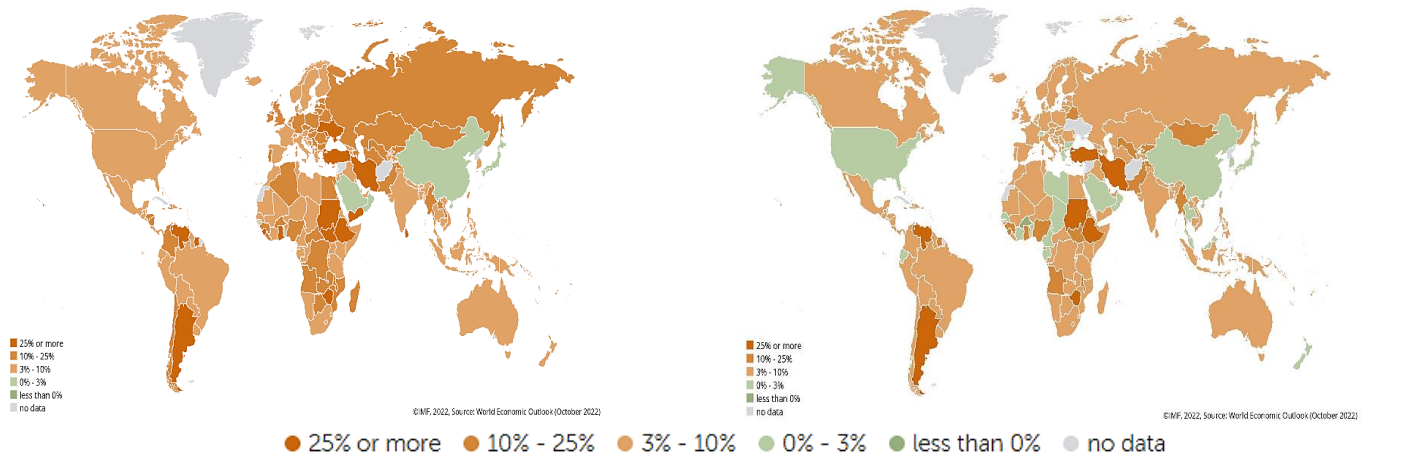
Source: MoSPI, CMIE

■ The damage to paddy crop due to uneven spatial distribution of rainfall and the fall in wheat output during the previous rabi season has led to a fall in grain stock. Also, a rising trend in prices was observed in case of coarse cereals including jowar, maize, and small millets. The prices of bajra and cereal substitutes were also elevated. Likewise, growth in vegetable prices was reported at a high of 18.1 percent (y-o-y) in September 2022 – primarily being driven by potato, carrots, leafy greens, green chillies, lady finger, lemons, and tomato. Inflation for tomatoes has been displaying volatility. In September 2022, tomato prices rose by almost 53.5 percent y-o-y compared to 16.6 percent in the previous month. Due to the recent heavy rains in the tomato growing regions of Karnataka and Maharashtra, the crop production has been hit adversely. In fact, according to reports prices are expected to remain firm over the course of next month or so. Milk & product inflation rate stood at 7.1 percent in September 2022 – which was the highest since May 2020. The fodder prices have been skyrocketing on back of uncertain weather conditions. The cattle farmers have also been struggling with the lumpy skin disease.

■ However, y-o-y growth in fruit prices, which had been on an uptrend since May this year, witnessed a fall in September 2022 by almost 1.7 percentage points from the previous month. Prices for oils/fats have also been moderating sequentially since September 2021.

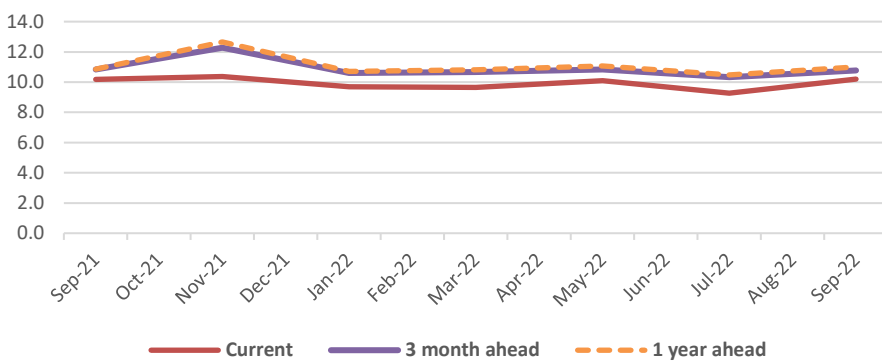
Inflation Rate (% YoY): 2022

Inflation Rate (% YoY): 2023



### Households' Inflation Expectations remain elevated: RBI

Households' Median Inflation Expectations (in %)



According to Reserve Bank of India's latest Inflation expectations Survey, households' median inflation perceptions for the current period increased by 90 basis points (bps) since July 2022 to 10.2 per cent in September 2022, while it rose by 50 bps each for both three months and one year ahead period. As per the Survey, most categories of respondents expect higher inflation for both three months and one year ahead periods.

Source: RBI Inflation Expectations Survey, September 2022

### Comments

Retail inflation rate remains over RBI's upper tolerance level. Uneven spatial distribution of rainfall during the monsoon season as well as heavy and unexpected rainfall witnessed towards the end of September this year is likely to have contributed to crop damage and a resultant rise in food inflation. Geopolitical headwinds continue to remain on fore and as per IMF's latest estimates, global commodity price inflation is expected to peak towards the end of 2022 but stay elevated for a longer period than expected. Stubbornly high price levels are expected to necessitate a continued pace of monetary tightening by the Central Bank, at least over the near term.