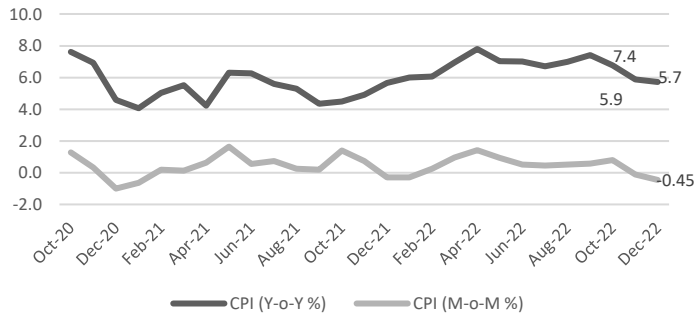
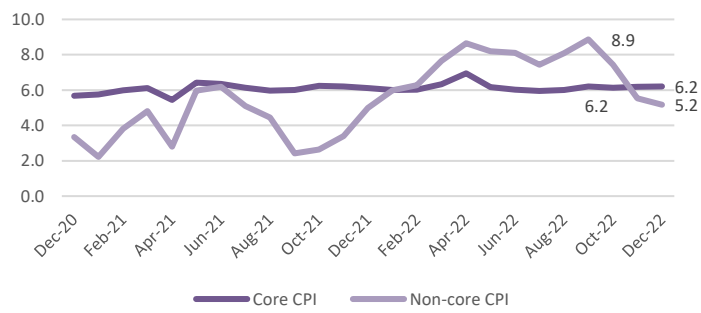


CPI inflation moderates to 5.7% in December 2022

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



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



Month	Weight	Dec-21	Sep-22	Oct-22	Nov-22	Dec-22
General Index	100.0	5.7	7.4	6.8	5.9	5.7
Food & beverages	45.9	4.5	8.4	7.1	5.1	4.6
Pan, tobacco & intoxicants	2.4	3.2	2.0	1.9	2.1	2.6
Clothing & footwear	6.5	8.3	10.2	10.2	9.8	9.6
Housing	10.1	3.6	4.6	4.7	4.6	4.5
Fuel & light	6.8	11.0	10.4	9.9	10.6	11.0
Miscellaneous	28.3	6.7	6.1	5.9	6.0	6.2

Source: MoSPI, CMIE

■ CPI based retail inflation rate moderated to its lowest level in about a year to 5.7 percent in December 2022. Retail inflation was registered at around 5.9 percent in November 2022. The softening in overall inflation rate was primarily driven by a continued moderation in prices of the food & beverages sub-segment - with prices declining further to 4.6 percent in December 2022, from 5.1 percent in the month of November and 7.1 percent in October. The sub-segments of clothing & footwear, and housing also noted a moderation in prices on a y-o-y basis during December vis-à-vis the previous month. The segments of Pan, tobacco & intoxicants, fuel & light, and miscellaneous, on the other hand, noted a marginal increase in price levels.

■ However, a closer look at the segments of food head reveals that moderation in prices has not been broad based. The fall in prices has been backed by a conspicuous moderation in fruit and vegetable prices owing to seasonal factors. Fruit prices reported a y-o-y increase of 2.0 percent in December, while vegetable prices contracted by about 15 percent. Among vegetables, prices of winter vegetables such as carrot, spinach, cauliflower, cabbage, peas, etc. noted double-digit decline in price levels. However, other constituents of food viz cereals & products, egg, fish & meat, milk & products, oils & fats, pulses, sugar & condiments, as well as spices, that together constitute 30.2 percent by weight in the CPI food basket, noted a y-o-y increase in their respective price levels during the month of December.

■ Fuel & light segment noted a double-digit inflation rate of 11.0 percent in December with prices of kerosene, diesel, firewood, and charcoal noting y-o-y increase in price levels. While the miscellaneous segment- which mainly comprises of services also witnessed a marginal increase in prices owing to robust demand from both urban and rural areas. Constituents of the miscellaneous sub-segment that witnessed growth in price levels in December 2022 vis-à-vis the previous month included health, education, stationery, etc., and personal care & effects.

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
Dec-21	4.1	2.6	4.3	3.8	24.3	3.5	-3.0	2.5	5.6	4.0
Sep-22	8.6	11.5	2.2	7.1	0.4	5.7	18.2	3.1	1.6	16.9
Oct-22	7.0	12.1	2.8	7.7	-2.2	5.2	7.8	2.8	0.0	18.1
Nov-22	4.7	13.0	4.0	8.2	-0.6	2.7	-8.1	3.2	-0.3	19.6
Dec-22	4.2	13.8	5.3	8.5	0.5	2.0	-15.1	3.9	0.7	20.4

Source: MoSPI, CMIE

Fact Sheet – Consumer Price Index

January 2023

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

	Miscellaneous- Total	Household goods and services	Health	Transport and communication	Recreation and amusement	Education, stationery etc.	Personal care and effects
Weight	28.3	3.8	5.9	8.6	1.7	4.5	3.9
Dec-21	6.7	6.8	7.1	9.7	7.4	3.3	3.7
Sep-22	6.1	7.6	5.6	5.4	6.3	5.7	6.8
Oct-22	5.9	7.6	5.7	4.6	6.1	5.8	7.0
Nov-22	6.0	7.6	5.8	5.3	5.4	5.7	7.0
Dec-22	6.2	7.4	6.2	4.9	5.2	5.9	8.1

Major Constituents of Food witnessing a rise in Inflation level (% Y-o-Y)

	Weight	Dec-21	Sep-22	Oct-22	Nov-22	Dec-22
Cereals and products	9.67	2.6	11.5	12.1	13.0	13.8
Rice	4.38	1.9	9.2	10.2	10.5	10.5
Wheat/ atta	2.56	4.1	17.4	17.6	19.7	22.2
Egg, fish and meat	4.04	4.3	2.2	2.8	4.0	5.3
Meat and fish	3.61	4.6	2.6	3.1	3.9	5.1
Egg	0.43	1.5	-1.8	-0.2	4.9	6.9
Milk and products	6.61	3.8	7.1	7.7	8.2	8.5
Milk: liquid (litre)	6.42	3.6	7.1	7.7	8.2	8.6
Oils and fats	3.56	24.3	0.4	-2.2	-0.6	0.5
Refined oil	1.26	25.0	2.4	0.7	4.0	5.2
Ghee	0.47	2.4	11.0	12.6	14.5	16.2
Pulses and products	2.38	2.5	3.1	2.8	3.2	3.9
Arhar, tur	0.8	-1.6	5.6	6.4	8.1	10.1
Moong	0.35	-0.6	-0.2	-0.2	0.2	1.1
Spices	2.5	4.0	16.9	18.1	19.6	20.4
Jeera (gm)	0.37	1.5	20.8	22.0	23.3	25.3
Turmeric (gm)	0.5	7.2	7.0	7.2	7.5	7.8
Dry chillies (gm)	0.58	3.8	27.6	30.6	35.0	37.0

Source: CMIE

Comment

There has been a moderation in consumer price inflation for the second month in a row – which comes as a welcome respite. While headline inflation has fallen below the RBI's upper tolerance band of 6.0 percent, core inflation remains elevated- owing to the continued pass-through of higher input costs by producers and robust demand for services. Core inflation has been above the RBI's tolerance band since May 2021 which is a cause of concern as it indicates broad basing of price pressures. The Reserve Bank of India has already hiked the policy repo rate by 225 bps since May 2022, and there is a broad expectation of another round rate hike in the forthcoming policy announcement due in February 2023. However, given the strain on the industrial sector, we hope the Central Bank will give consideration to balancing growth as well.