

Inflation may be lower than data suggests

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India's inflation numbers might be better than official data suggests once the massive impact of a government food programme is factored in, according to a report released on Monday by *Bloomberg Economics* (BE).

"Our estimates show the Reserve Bank of India (RBI) actually has nothing to explain – yet," said the report, which found that inflation falls by an average of 1.5 percentage points in the 12 months through March 2021 when the free food programme is accounted for.

"By this more accurate measure, the RBI has been in breach of its inflation mandate



only since April – not January."

In line with rules set in 2016, the Reserve Bank of India is required to file an

explanation with the government if inflation strays outside a 2 per cent -6 per cent target range for more than three consecutive quarters.

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This month, the RBI called an unscheduled meeting to report on why it's failed to keep the numbers down. Retail inflation accelerated to

a five-month high in September, marking the third-straight quarter when price gains stayed above 6 per cent.

But at a time when India's central bank is facing criticism for raising rates too late, *BE* found that the RBI may have actually initiated its rate hike cycle earlier than required.

According to *BE*, failure to account for the food program means that consumer price data has overestimated inflation since 2020, when the government started distributing supplies to help people during the pandemic.

Between April 2020 and September 2022, *BE* estimates that the program accounted for 22 per cent of the country's total rice consumption and 14 per cent for wheat.